

Smith+Nephew

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Deepak Nath
Chief Executive Officer



Forward looking statements and non-IFRS measures

This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and trading profit margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. For Smith+Nephew, these factors include: risks related to the impact of COVID, such as the depth and longevity of its impact, government actions and other restrictive measures taken in response, material delays and cancellations of elective procedures, reduced procedure capacity at medical facilities, restricted access for sales representatives to medical facilities, or our ability to execute business continuity plans as a result of COVID; economic and financial conditions in the markets we serve, especially those affecting healthcare providers, payers and customers (including, without limitation, as a result of COVID); price levels for established and innovative medical devices; developments in medical technology; regulatory approvals, reimbursement decisions or other government actions; product defects or recalls or other problems with quality management systems or failure to comply with related regulations; litigation relating to patent or other claims; legal compliance risks and related investigative, remedial or enforcement actions; disruption to our supply chain or operations or those of our suppliers (including, without limitation, as a result of COVID); competition for qualified personnel; strategic actions, including acquisitions and dispositions, our success in performing due diligence, valuing and integrating acquired businesses; disruption that may result from transactions or other changes we make in our business plans or organisation to adapt to market developments; relationships with healthcare professionals; reliance on information technology and cybersecurity; and numerous other matters that affect us or our markets, including those of a political, economic, business, competitive or reputational nature. Please refer to the documents that Smith+Nephew has filed with the U.S. Securities and Exchange Commission under the U.S. Securities Exchange Act of 1934, as amended, including Smith+Nephew's most recent annual report on Form 20-F, for a discussion of certain of these factors. Any forward-looking statement is based on information available to Smith+Nephew as of the date of the statement. All written or oral forward-looking statements attributable to Smith+Nephew are qualified by this caution. Smith+Nephew does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Smith+Nephew's expectations. The terms 'Group' and 'Smith+Nephew' are used for convenience to refer to Smith & Nephew plc and its consolidated subsidiaries, unless the context requires otherwise.

Certain items included in 'trading results', such as trading profit, trading profit margin, tax rate on trading results, trading cash flow, trading profit to trading cash conversion ratio, EPSA, leverage ratio, underlying revenue growth and organic revenue growth are non-IFRS financial measures. The non-IFRS financial measures in this announcement are explained and, where applicable, reconciled to the most directly comparable financial measure prepared in accordance with IFRS in our Second Quarter and Half Year 2022 Results announcement dated 28 July 2022.

Summary

+ **Smith+Nephew has many exciting opportunities**

- Strong innovation throughout the company
- Clear right to win across all three franchises
- Good execution in Sports Medicine & AWM

+ **Implementing 12-point plan**

- Programme to further improve execution
- KPIs rolled out, tight operating cadence established
- Early wins in Orthopaedics rewiring

+ **Innovation for growth continuing**

- New products and evidence across the franchises
- Key projects in robotics, shoulder, and negative pressure expected in near term



Leading positions in attractive markets

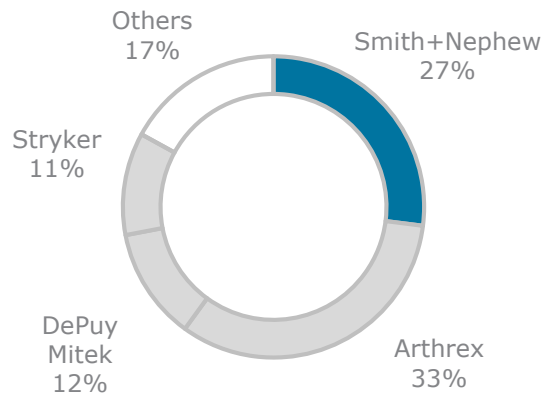


Sports Medicine

\$5.3bn

+13% 2021 growth rate

+5% 2017-19 average growth -12% 2020 growth



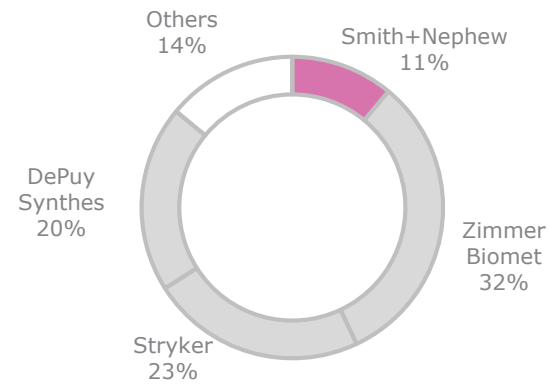
Orthopaedics

Hip and Knee Implants

\$14.1bn

+11% 2021 growth rate

+2% 2017-19 average growth -15% 2020 growth

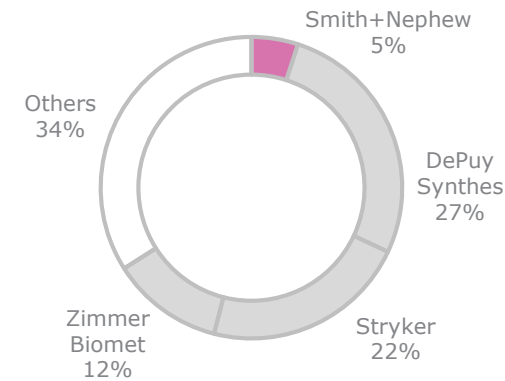


Trauma and Extremities

\$12.2bn

+10% 2021 growth rate

+5% 2017-19 average growth -5% 2020 growth

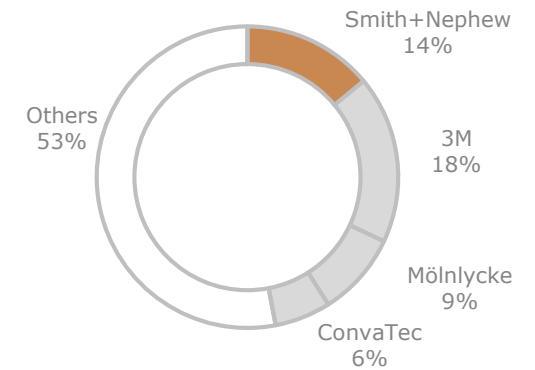


Advanced Wound Management

\$10.3bn

+11% 2021 growth rate

+5% 2017-19 average growth -3% 2020 growth



~4% Weighted Average Market Growth Rate*

*Weighted average based on 2017-19 growth rates
Market sizes and shares are 2021 estimates. These are generated by Smith+Nephew, based on publicly available sources and internal analysis, and represent an indication of market shares.

The right to win across all three franchises

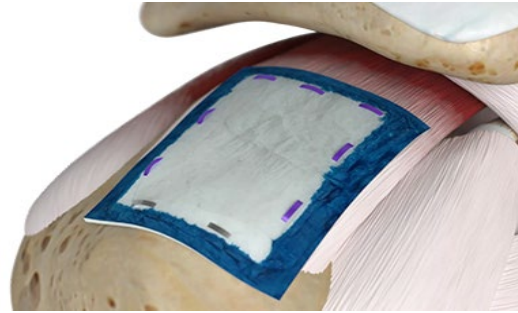


Orthopaedics



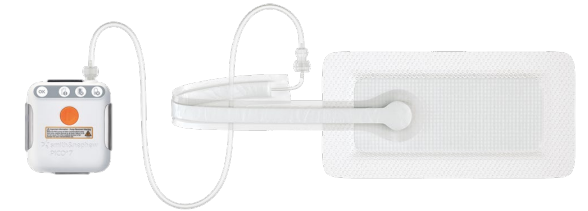
- + **Full range** across hips and knees, with unique cementless uni knee
- + **Differentiated implant technology**, e.g. JOURNEY[◇] II, OXINIUM[◇], OR30[◇], EVOS[◇]
- + **Robotic enabling technology**, CORI just at start of the planned functionality

Sports Medicine & ENT



- + **Complete offering** of Joint Repair, Tower, customer service
- + **Leadership positions**: #2 in Joint Repair, #1 in AET, #1 in Biologics
- + **Scaleable synergies** with other areas, through CORI and ASCs

Advanced Wound Mgmt.

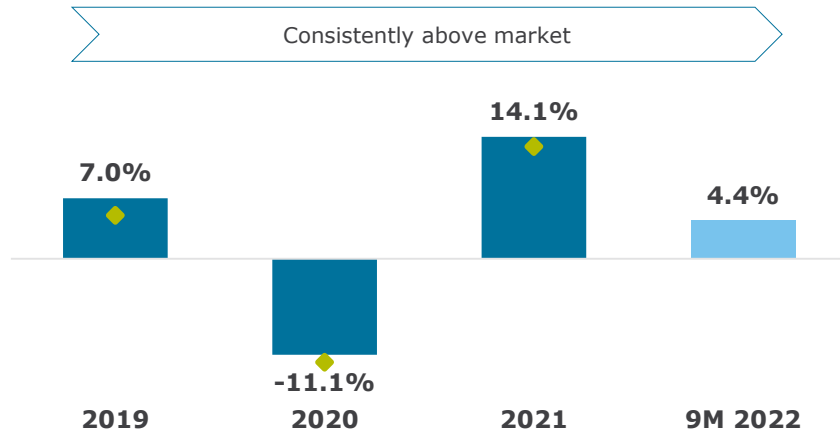


- + **Broadest portfolio of solutions** covering all key wound types
- + **Leading NPWT platform** with huge market expansion potential
- + **Strong evidence base**, distinguishing from value segment

Two of three franchises already executing well



Sports Medicine revenue growth*



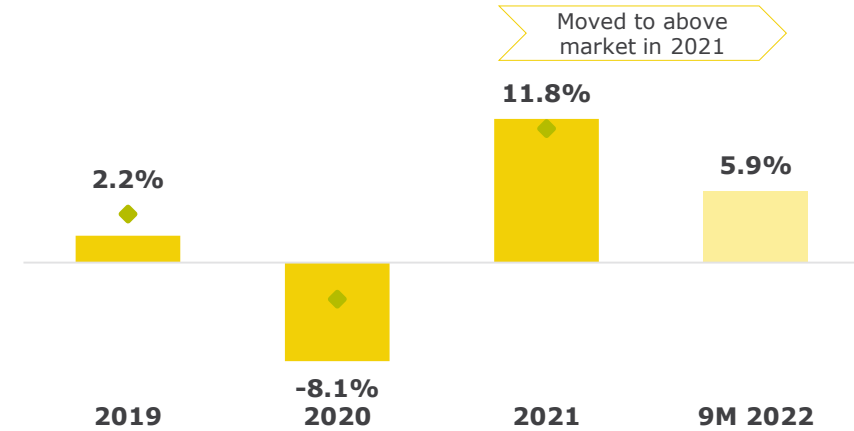
◆ Market growth rate

* Representing repair products and arthroscopic enabling technologies, excluding ENT

Drivers of performance:

- Precise, targeted approach to engagement from deep understanding of customers
- Consistent innovation across procedures and capital
- Successful integration of acquired assets e.g. REGENETEN
- **Future drivers:** refreshed Tower in place; biologics innovation platform

AWM revenue growth



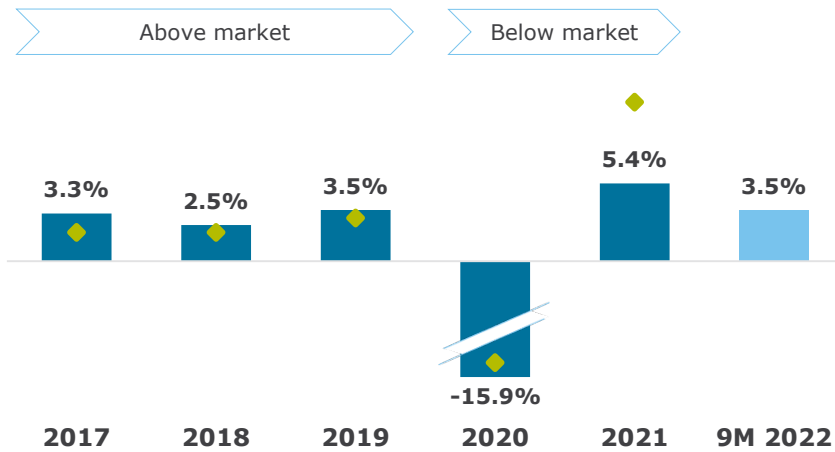
◆ Market growth rate

- Focus on portfolio breadth and evidence-based selling
- Good execution on acquisitions, with skin substitutes driving higher bioactives growth
- Driving trading margin expansion with better resource allocation
- **Future drivers:** huge unmet medical need, exciting pipeline across categories

Orthopaedics held back by execution and supply chain



Hip & Knee revenue growth



◆ Market growth rate

Execution challenges



Complexity

Examples:

Supporting multiplicity of hip stems and knees – peers moving to just one



Operating model suboptimal

Connectivity between commercial and operations not where it needs to be



Inefficient capital management

Instrument sets not always placed optimally in commercial terms – results in low asset turns

Supply chain challenges



COVID impact - raw materials & freight

Examples:

Economy-wide rises in distribution costs, availability of semiconductors and resins



Pace of supply chain improvements

Persistent tight supply means reps managing inventory rather than pursuing new business

Structured programme covering biggest opportunities



Comprehensive 12-point plan across three areas



Initiatives 1-5



Initiatives 6-10



Initiatives 11-12





Fixing Orthopaedics



Rewire Orthopaedics commercial delivery

1 initiative

Current actions and plans

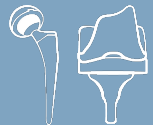
- Rebuild demand planning process
- Improve asset utilisation
- Strengthen last-mile logistics



Win market share with our technology

3 initiatives

- Expansion of CORI base and use
- Accelerate trauma through EVOS[◇]
- Launch of AETOS[◇] shoulder



Streamline our recon portfolio

1 initiative

- Sales focus on key brands
- Reduce number of implant systems in each category

Improving productivity



Improve value and cash processes

2 initiatives

Current actions and plans

- Standardised order-to-cash process excellence
- Implementing company-wide product pricing process



Optimise procurement

1 initiative

- More consistent purchase price management across company
- Building greater supply resilience



Manufacturing optimisation

2 initiatives

- Driving lean across operations
- Further review of manufacturing network



Scale Negative Pressure Wound Therapy

1 initiative



Drive cross-selling in ASCs

1 initiative

Current actions and plans

- Drive competitive conversions in traditional NPWT
- Expand single use market globally

- Pursue cross-franchise deals with improved coordination, incentives and planning

Early progress on key elements



Rewire Orthopaedics commercial delivery



Win market share with our technology



Improve value and cash processes

Early delivery (as at October 2022)

- + **>15%** reduction in Orthopaedics overdue orders from H1 peak
- + **c.5%** of US sets for key products being redeployed
- + Global robotics installed base passes **500** units
- + Prepared for AETOS shoulder launch
- + Historical price deflation for the portfolio now neutralised

Recent R&D delivery

Robotics and digital surgery



**CORI Knee Revision
HIP 7.0 on CORI
RI.HIP MODELER**

New robotics and treatment planning applications on CORI

Advanced Wound Management



**DURAMAX S
Silicone Super
Absorbent Dressing**

Entry into high growth dressing category for highly exuding wounds

Sports Medicine



**REGENETEN
new evidence**

Interim analysis of RCT, showing significantly lower re-tear rates in the REGENETEN Implant vs Control group at 12-month follow-up (3.5% vs 25.0%, $p=0.022$)*

Key near-term projects



**CORI Knee
Tensioner**



**AETOS:
Next-Generation
Shoulder**



**Next-Generation
RENASYS**

* Source: Comino C, Navlet M, Lafuente JL et al. The Effects of Adding a Bioinductive Implant to Rotator Cuff Repair. Preliminary Results from a Randomised Clinical Trial. Presented at European Society for Surgery of the Shoulder and Elbow, September 7-9, 2022; Dublin, Ireland



Summary

- + Demonstrating commitment to execution, with early wins from 12-point plan**
- + Further progress expected in the coming quarters**
 - KPIs on availability, growth and asset utilisation
 - Delivery of next generation of pipeline, across franchises
- + Bringing together technology and execution to drive performance**

