

Fourth Quarter and Full Year 2022

Smith+Nephew



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, trading attributable profit, tax rate on trading results (trading tax expressed as a percentage of trading profit before tax), Adjusted Earnings Per Ordinary Share (EPSA), trading cash flow, trading profit to trading cash conversion ratio, leverage ratio, and underlying 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 Fourth Quarter and Full Year 2022 Results announcement dated 21 February 2023.

Summary

+ Accelerated growth in Q4, with all franchises contributing

- Sports Medicine and AWM strength continues
- Orthopaedics improvement, in early stages of two-year plan

+ Positive outlook for 2023

- Progress with 12 point plan: fixing Orthopaedics, improving productivity, and further accelerating Sports Medicine and AWM
- Strong growth with margin expansion guided

+ Updating mid-term targets

- Confidence in higher growth from improving execution and continued innovation
- Margin expansion reflects higher inflation and longer supply disruption than anticipated, offset by productivity gains



FY 2022 key figures



Revenue
\$5,215m

4.7% underlying growth*
0.1% reported growth

Trading profit
\$901m

17.3% margin
2021: \$936m

Trading cash flow
\$444m

49% trading cash conversion

EPSA
81.8¢

2021: 80.9¢

DPS
37.5¢

2021: 37.5¢

*Underlying growth is a non-IFRS measure. Please see page 34 of this presentation for a reconciliation of underlying revenue growth to reported revenue growth.

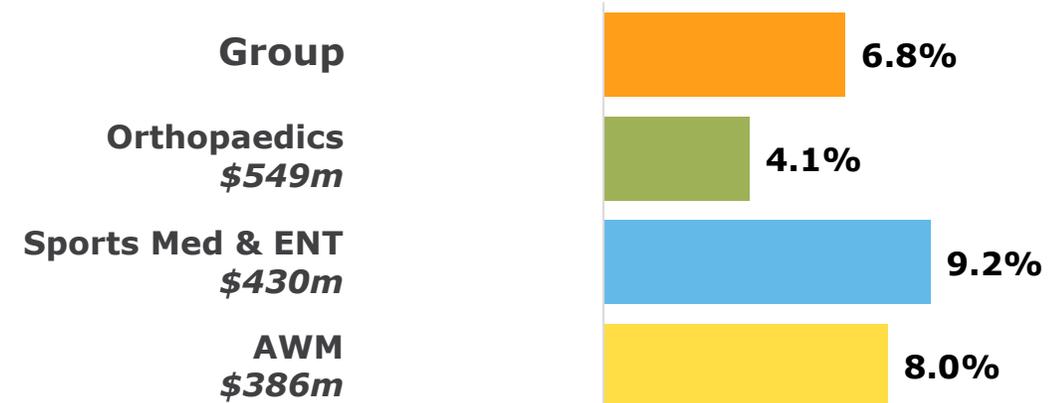
Q4 2022 Revenue



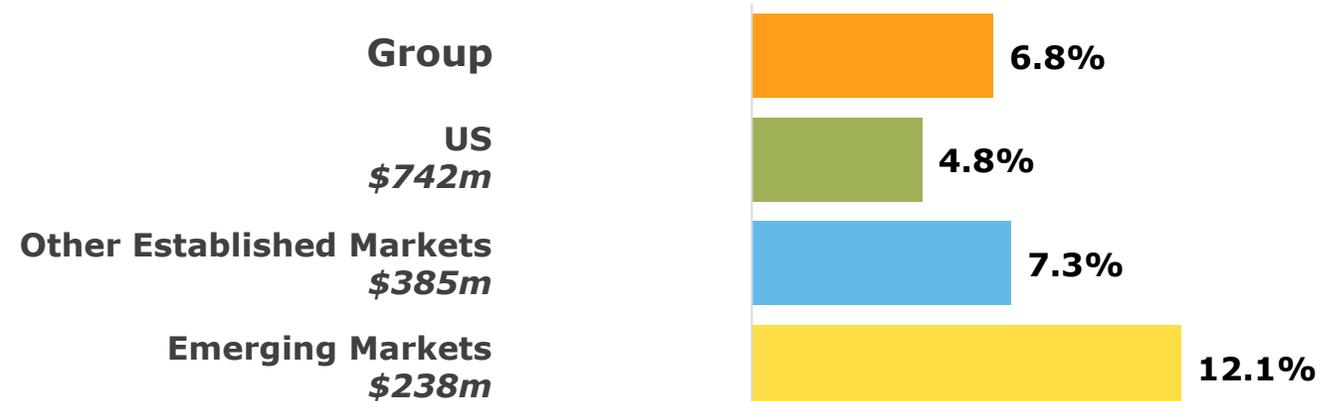
Q4 2022: Momentum across all franchises

\$1,365m, +6.8% underlying*
+1.4% reported

Franchise growth



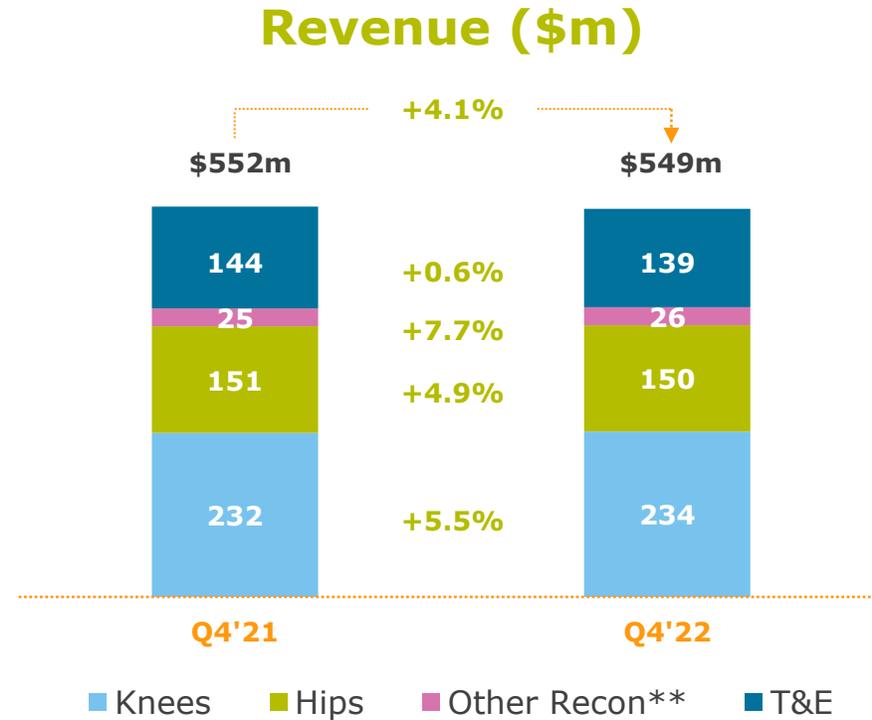
Geographical growth



* Growth rates are versus Q4 2021

Orthopaedics

\$549m: +4.1%
underlying*, -0.4% reported



Knees: US +6.8%, OUS +3.8%
Hips: US +5.5%, OUS +4.2%

Q4 sales factors

- Sequential supply improvement in Knees and Hips, ongoing VBP headwind (*Excl. China: Knees +6.6%, Hips +7.0%*)
 - Robotics remained paced by component availability
- T&E return to growth driven by EVOS[◇] (*Excl. China: +1.0%*)

Future drivers

- Five FDA clearances in robotics in 2022, similar cadence expected in 2023
- LEGION[◇] CONCELOC[◇] cementless knee rollout ongoing

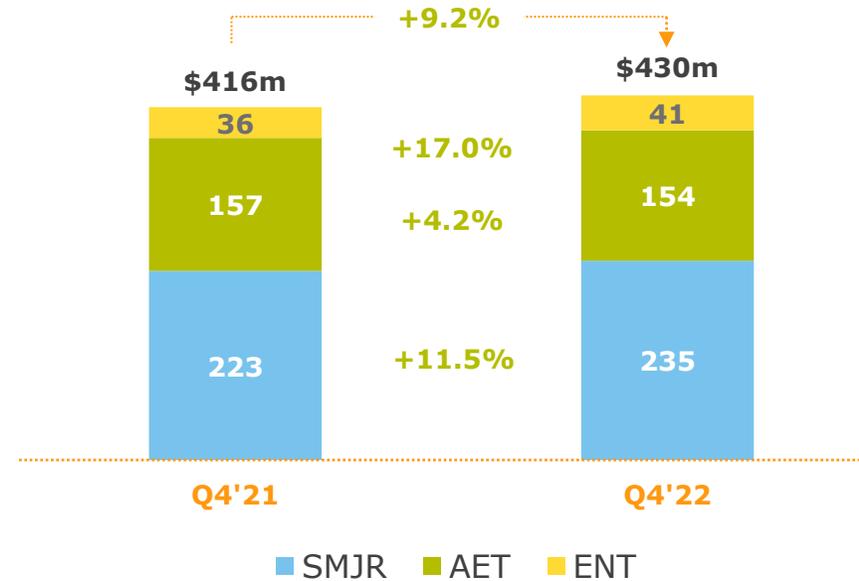
* Growth rates are versus Q4 2021

** Other reconstruction' includes robotics capital sales, our joint navigation business, and bone cement

Sports Medicine & ENT

\$430m: +9.2% underlying*, +3.2% reported

Revenue (\$m)



Q4 Sales factors

- Double-digit growth across both shoulder and knee repair
- AET growth from core AET and FASTSEAL, easier prior year comp
 - ENT procedure volumes continue to recover strongly

Future drivers

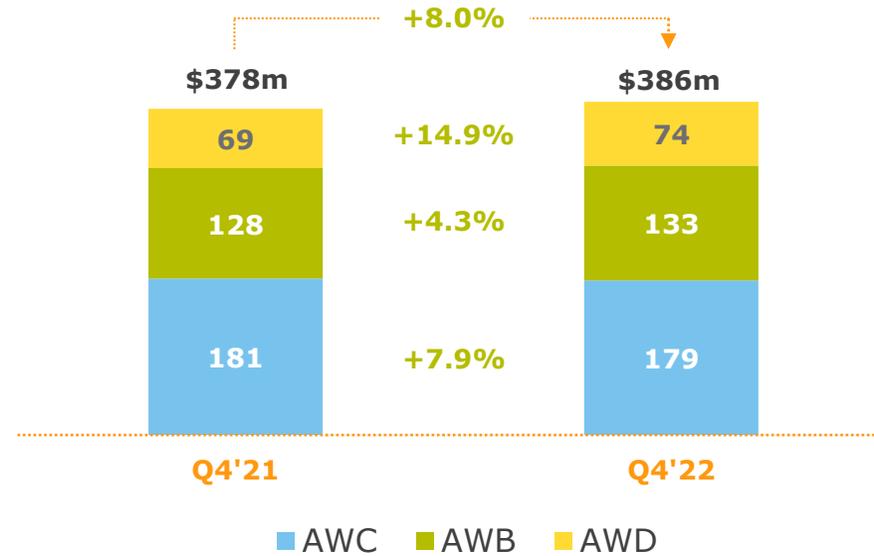
- REGENETEN[◇] region and indication expansion – Asia-Pacific launches expected in 2023
- Continuing to increase payor coverage for TULA

* Growth rates are versus Q4 2021

Advanced Wound Management

\$386m: +8.0% underlying*, +1.9% reported

Revenue (\$m)



Q4 sales factors

- Strong AWC performance in Europe and Asia-Pacific
 - Bioactives growth driven by skin substitutes
- Continued double-digit growth for PICO[◇] in AWD, improving supply of RENASYS[◇]

Future drivers

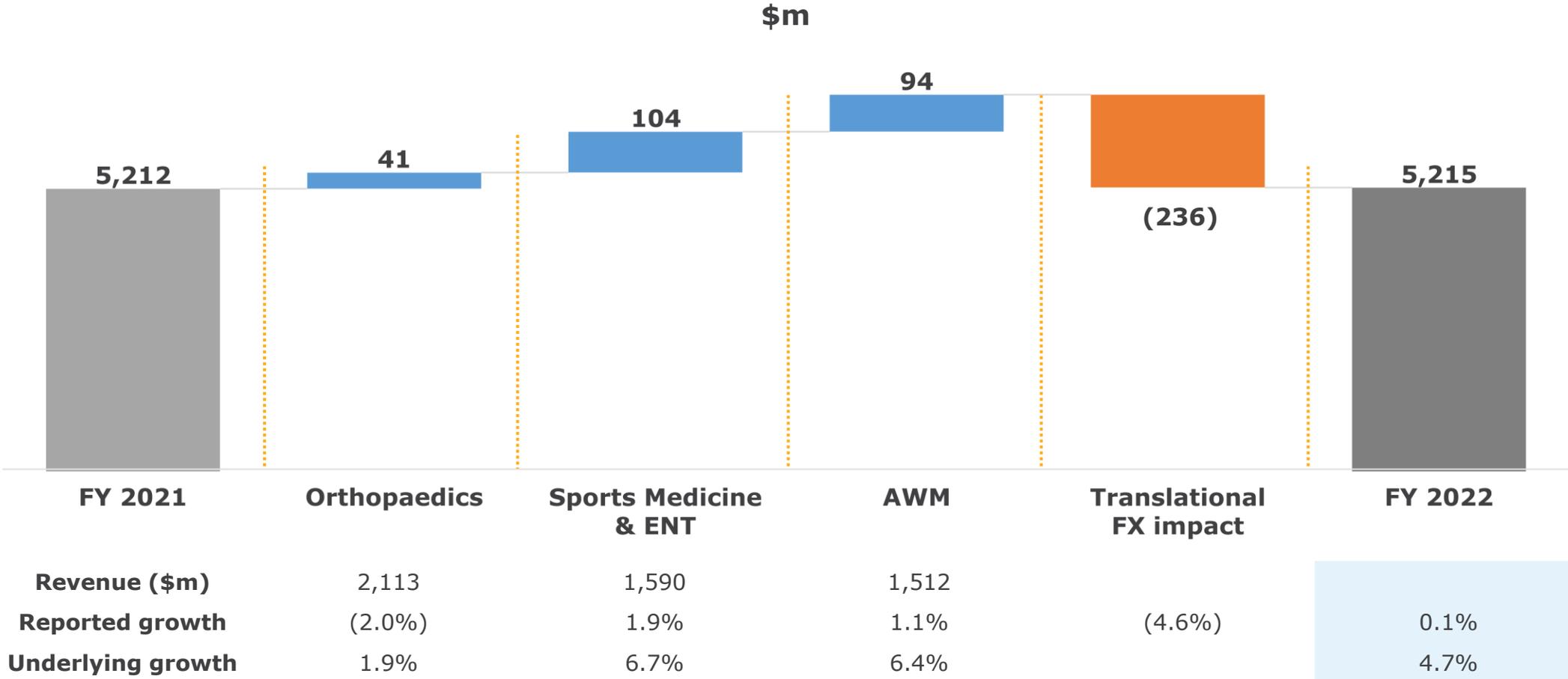
- Ongoing focus on commercial execution and value demonstration
- 510(k) clearance for next-generation NPWT device RENASYS EDGE[◇]

* Growth rates are versus Q4 2021

FY 2022 Financials



FY revenue by franchise

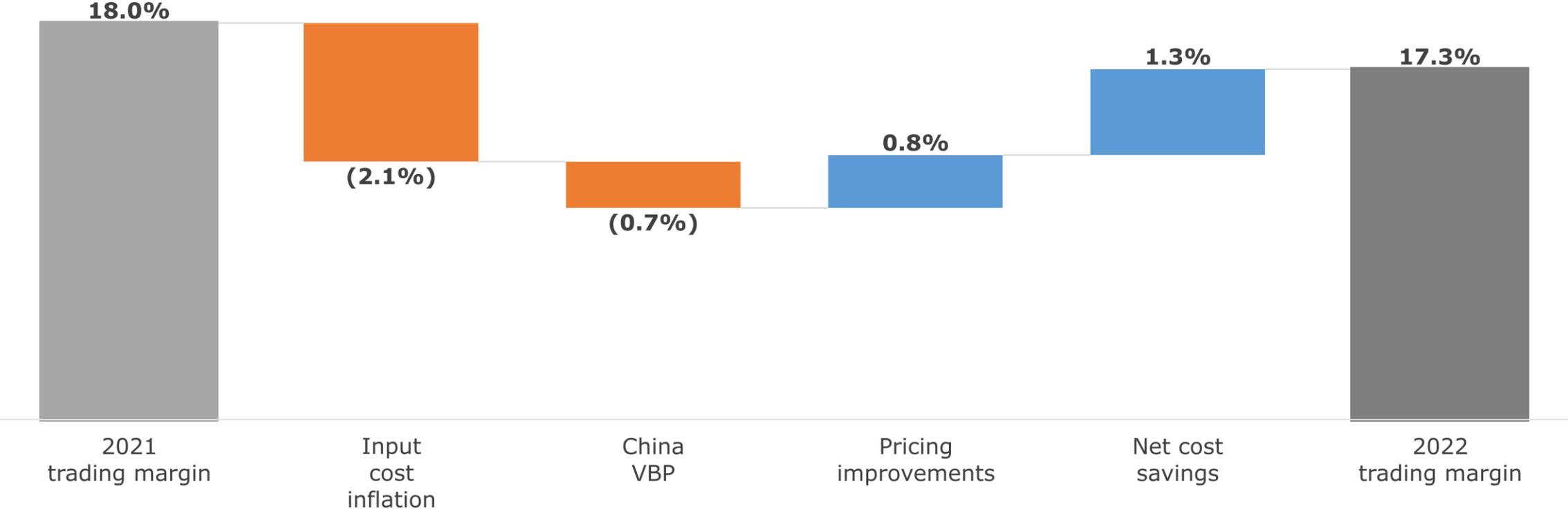


FY trading income statement



	2022 \$m	2021 \$m	Reported growth
Revenue	5,215	5,212	0.1%
Cost of goods sold	(1,511)	(1,506)	
Gross profit	3,704	3,705	0%
<i>Gross profit margin</i>	<i>71.0%</i>	<i>71.1%</i>	
Selling, general and admin	(2,503)	(2,459)	
Research and development	(300)	(310)	
Trading profit	901	936	(4%)
<i>Trading profit margin</i>	<i>17.3%</i>	<i>18.0%</i>	

FY 2022 trading margin bridge



FY operating profit and EPSA



	2022 \$m	2021 \$m	Reported growth
IFRS operating profit	450	593	(24%)
<i>IFRS operating profit margin</i>	<i>8.6%</i>	<i>11.4%</i>	
Adjusted earnings per share ("EPSA")	81.8¢	80.9¢	1%
Earnings per share ("EPS")	25.5¢	59.8¢	(57%)
Dividend per share	37.5¢	37.5¢	-

FY cash flow

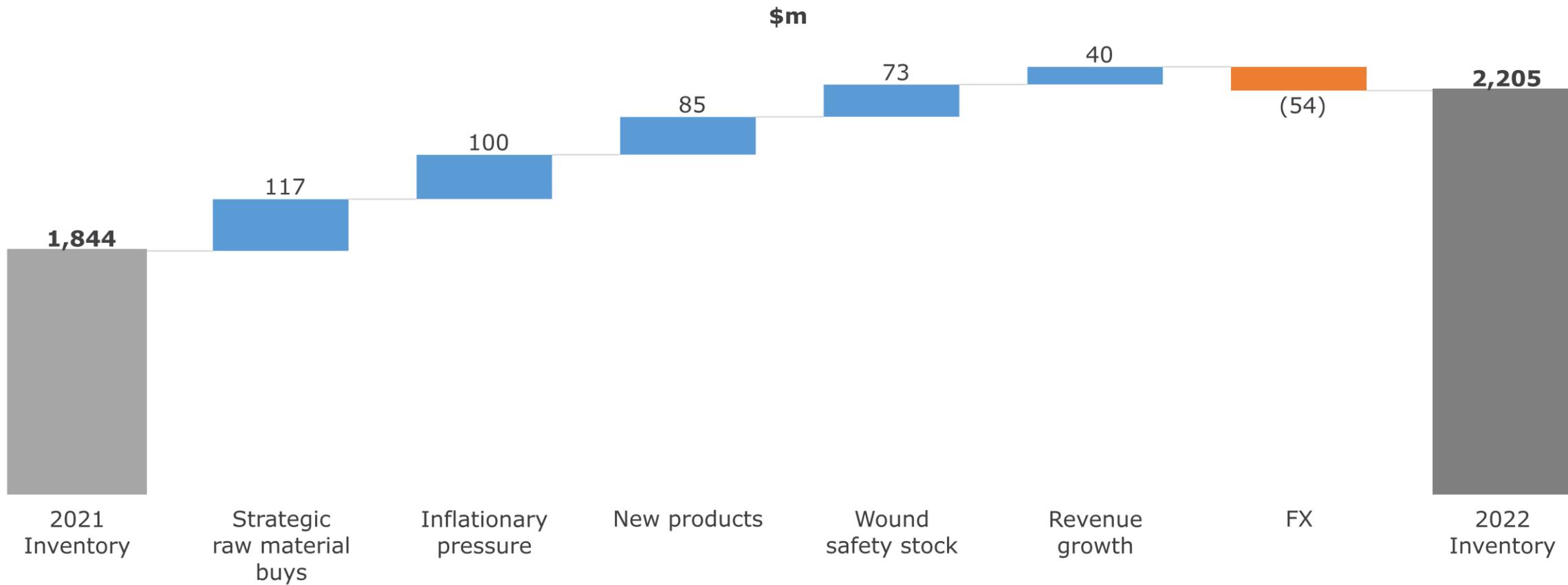
Trading cash conversion 49%



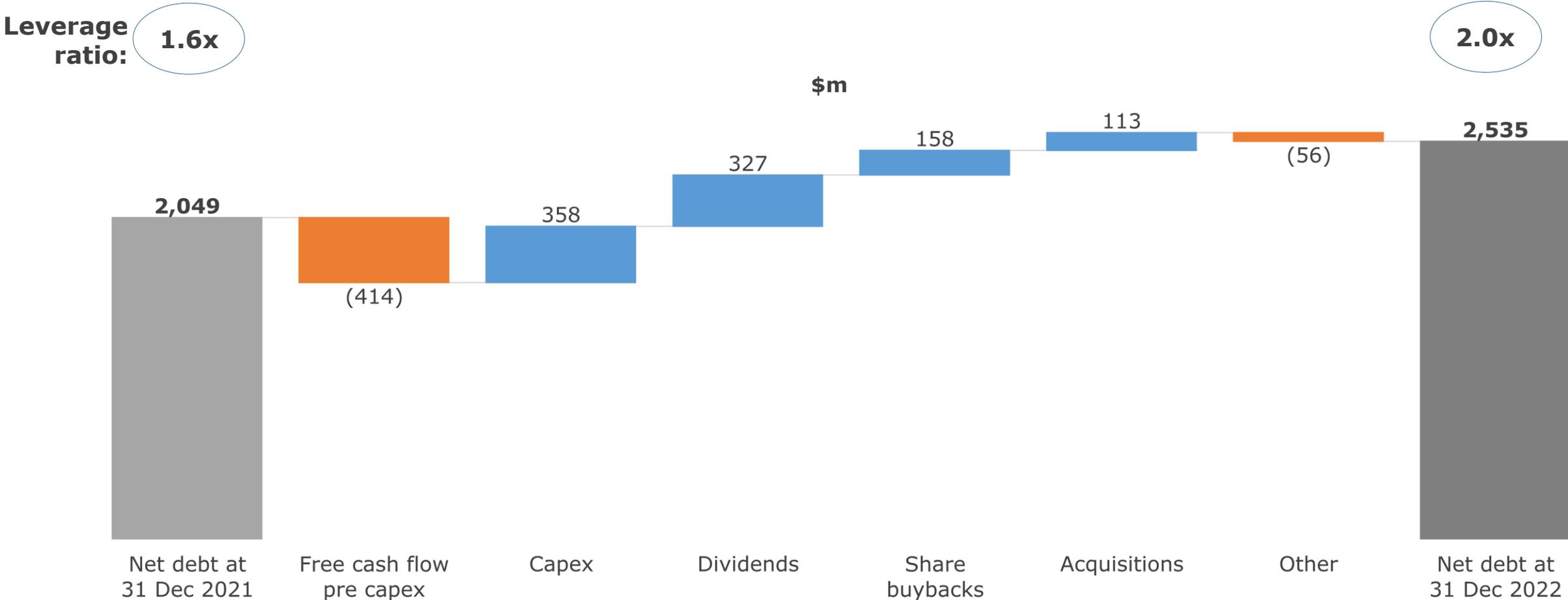
	2022 \$m	2021 \$m
Trading profit	901	936
Share based payment	40	41
Depreciation and amortisation	392	395
Lease liability repayments	(54)	(59)
Capital expenditure	(358)	(408)
Movements in working capital and other	(477)	(77)
Trading cash flow	444	828
<i>Trading cash conversion</i>	<i>49%</i>	<i>88%</i>
Restructuring, acquisition, legal and other	(275)	(247)
Net interest paid	(66)	(75)
Taxation paid	(47)	(96)
Free cash flow	56	410

Working capital outflow primarily due to increased inventory

FY 2022 inventory bridge



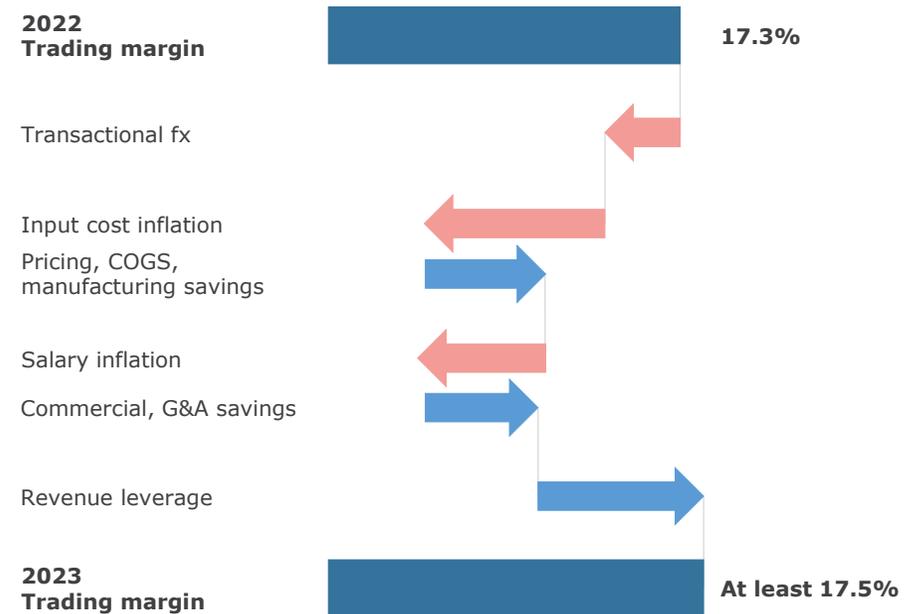
Strong balance sheet



Net debt includes lease liabilities

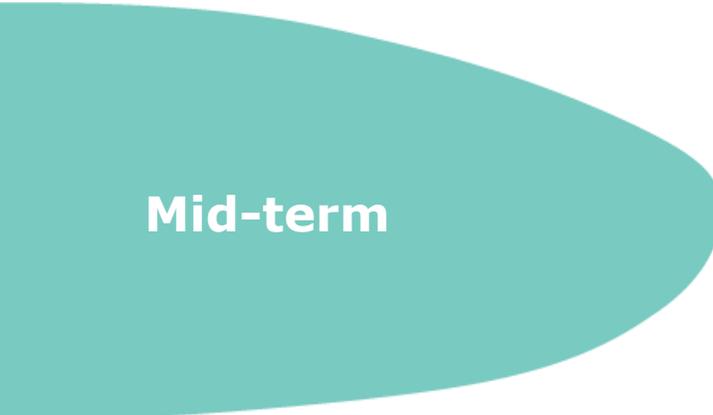
- + Targeting underlying revenue growth of 5-6%:**
 - Continued above market growth from Sports Medicine and AWM
 - Improvement from Orthopaedics from better execution and innovation delivery
- + Trading margin above 2022 and at least 17.5%:**
 - Headwind from raw materials and staff cost inflation; c.100bps of transactional fx
 - Margin expansion driven by operating leverage; productivity under 12 point plan

Margin drivers 2022-3



Delivering on our mid-term commitments





Mid-term

- + Consistent 5%+ underlying revenue growth**
 - Above historic levels from execution of 12 point plan, and return on higher innovation investments
- + Trading margin of at least 20% in 2025**
 - Improvements expected each year
 - Non-linear route, due to greater headwinds in 2023, and greater productivity gains in 2025
- + Beyond 2025: Smith+Nephew fundamentally changed**

Prognosis: The right to win across all franchises with more opportunities than challenges

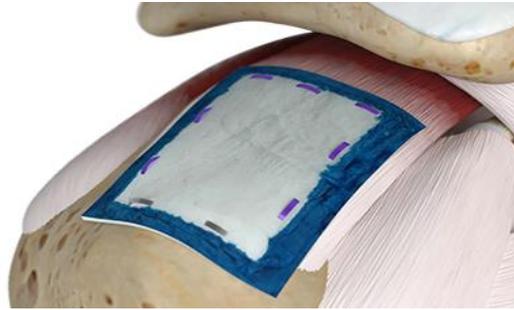


Orthopaedics



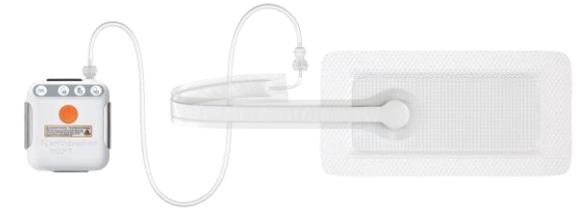
- + **Full range** across hips and knees, with unique cementless uni knee
- + **Differentiated implant technology**, e.g. JOURNEY[◇] II, OXINIUM[◇], OR30[◇], EVOS
- + **Robotic enabling technology**, CORI[◇] just at start of the planned functionality

Sports Medicine & ENT



- + **Complete offering** of Joint Repair, Tower, customer service
- + **Leadership positions** across key Sports Medicine segments
- + **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 market expansion potential
- + **Strong evidence base**, distinguishing from value segment

12-point plan addressing the remaining challenges



Fixing Orthopaedics

Initiatives 1-5

Rewire Orthopaedics commercial delivery

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

1 initiative

Win market share with our technology

- Expansion of CORI base and use
- Accelerate trauma through EVOS
- Launch of AETOS^o shoulder

3 initiatives

Streamline our recon portfolio

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

1 initiative

Improving productivity

Initiatives 6-10

Improve value and cash processes

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

2 initiatives

Optimise procurement

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

1 initiative

Manufacturing optimisation

- Driving lean across operations
- Further review of manufacturing network

2 initiatives

Accelerating Sports & AWM

Initiatives 11-12

Scale Negative Pressure Wound Therapy

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

1 initiative

Drive cross-selling in ASCs

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

1 initiative

Mid-term revenue guidance: moving to a consistently higher growth rate



Building blocks :

12 point plan items:

Rewire Orthopaedics commercial delivery

Drive cross-selling in ASCs

Scale Negative Pressure Wound Therapy

Win market share with our technology

Scale Negative Pressure Wound Therapy

1

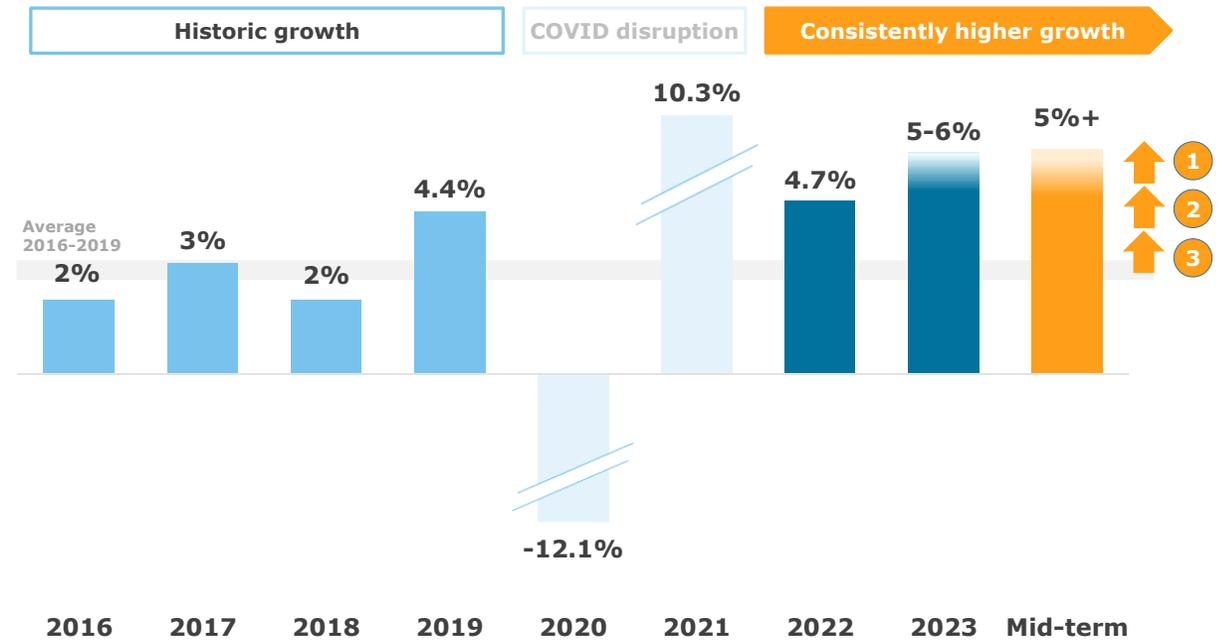
Fixing Orthopaedics foundations

2

Continuing strength of Sports Medicine and AWM

3

Returns on innovation investments



Fix to Orthopaedics foundations is underway



Fixing Orthopaedics

Clear and ongoing improvements in product supply KPIs

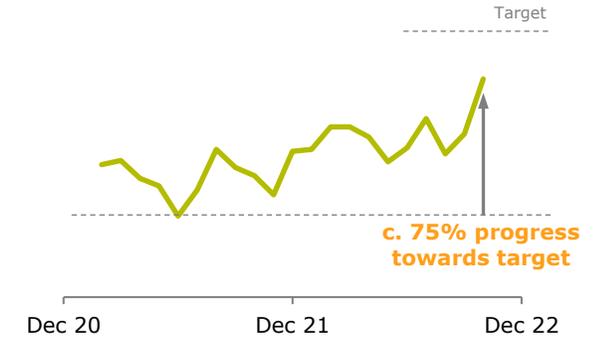
Rewire Orthopaedics commercial delivery

Higher availability of key focus products

Orthopaedics overdue orders*

- + >20% reduction in overdue orders during Q4 2022
- + >35% reduction in overdue orders from the H1 peak

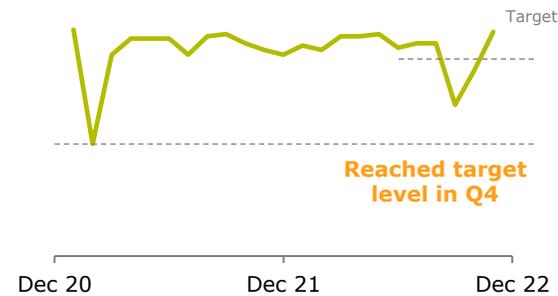
Ortho non-set LIFR**, US (%)



JOURNEY[◇] II LIFR, US (%)



POLARSTEM[◇] LIFR, US (%)



EVOS SMALL LIFR, US (%)

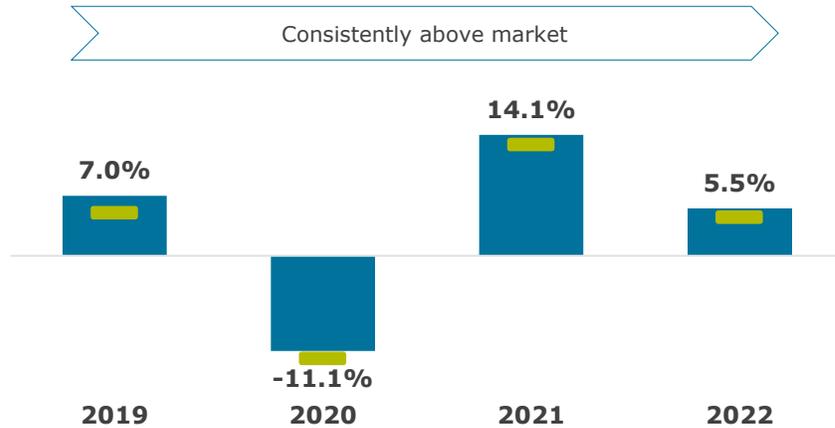


* Overdue orders measured by value; **LIFR = Line Item Fill Rate: percentage of customer order lines completely filled

Sports Medicine sustained by high cadence of innovation



Sports Medicine revenue growth*



◆ Market growth rate

* Representing repair products and arthroscopic enabling technologies, excluding ENT

Performance is based on sustainable, fundamental drivers:

- Precise, targeted approach to engagement from deep understanding of customers
- Consistent innovation across procedures and capital, new segment development in Biologics
- Successful integration of acquired assets e.g. REGENETEN

High cadence of new products across categories*:

Rotator cuff repair:



HEALICOIL[◇] KNOTLESS
Suture Anchor

Meniscal repair:



FAST-FIX[◇] FLEX
Meniscal Repair System

Knee ligament reconstruction:



ULTRABUTTON[◇]
Adjustable fixation device

Biologics:



REGENETEN
Bioinductive Implant
Expanded indications

Tower and adjacencies:

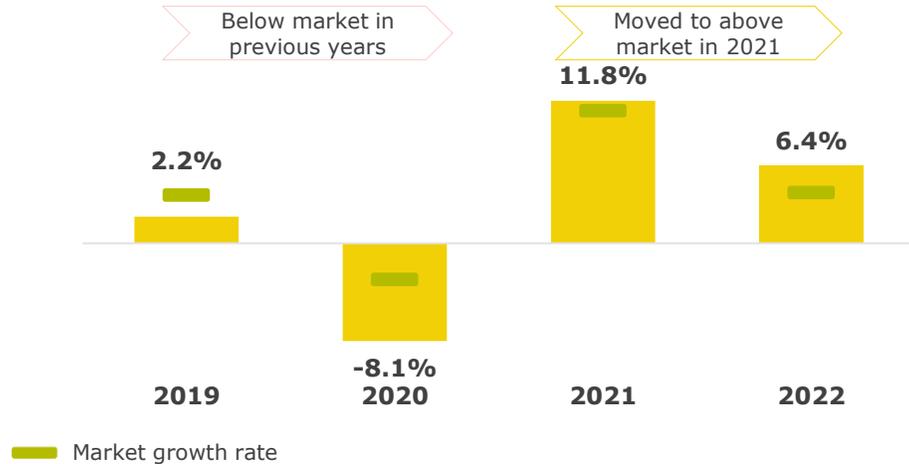


WEREWOLF[◇] FASTSEAL 6.0
Hemostasis Wand

* All innovation launches coming after completing relevant regulatory review, clearance and approval processes

Step up from AWM already in place

AWM performance has stepped up since 2019



Performance is based on sustainable, fundamental drivers:

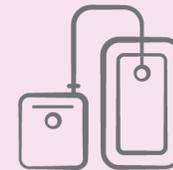
- Focus on portfolio breadth and evidence-based selling
- Leading position in high-growth NPWT category
- Improved portfolio mix, with skin substitutes driving higher bioactives growth

Further acceleration potential in NPWT:

Scale Negative Pressure Wound Therapy



- **c.\$1.7bn traditional NPWT market**, S+N share <10%
- **New opportunity to win with RENASYS EDGE**
- **510(K) clearance achieved**; preparing for launch

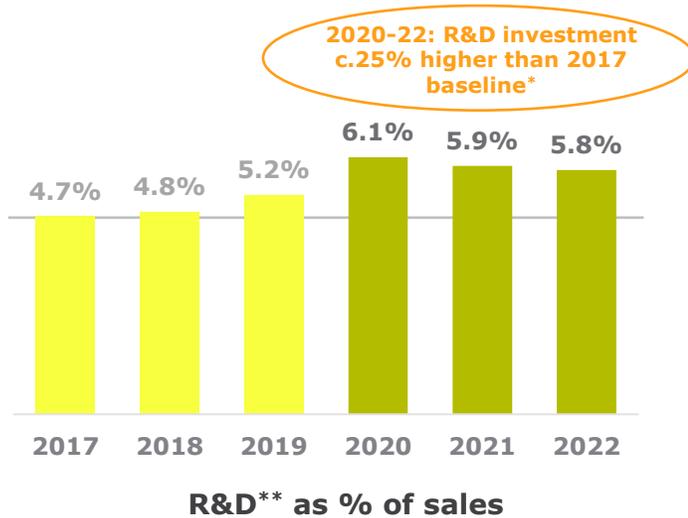


- Opportunity to expand **c.\$250m single use segment**, from PICO's #1 position
- **Potential to multiply current market size**, through increasing use on surgical incisions

R&D investment delivering growth and launch intensity



More capital allocated to R&D



>60%
of revenue growth from new products in 2022

25
product launches expected in 2023
2017-22 average: 18

Key launches[†]

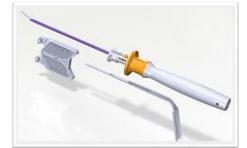
2021/2



LEGION CONCELOC
Cementless Total Knee System



CORI
Knee Revision Surgery



FAST-FIX FLEX
Meniscal Repair System

2023



CORI
Knee Tensioner



RENASYS EDGE
Pump



AETOS
Next-generation Shoulder

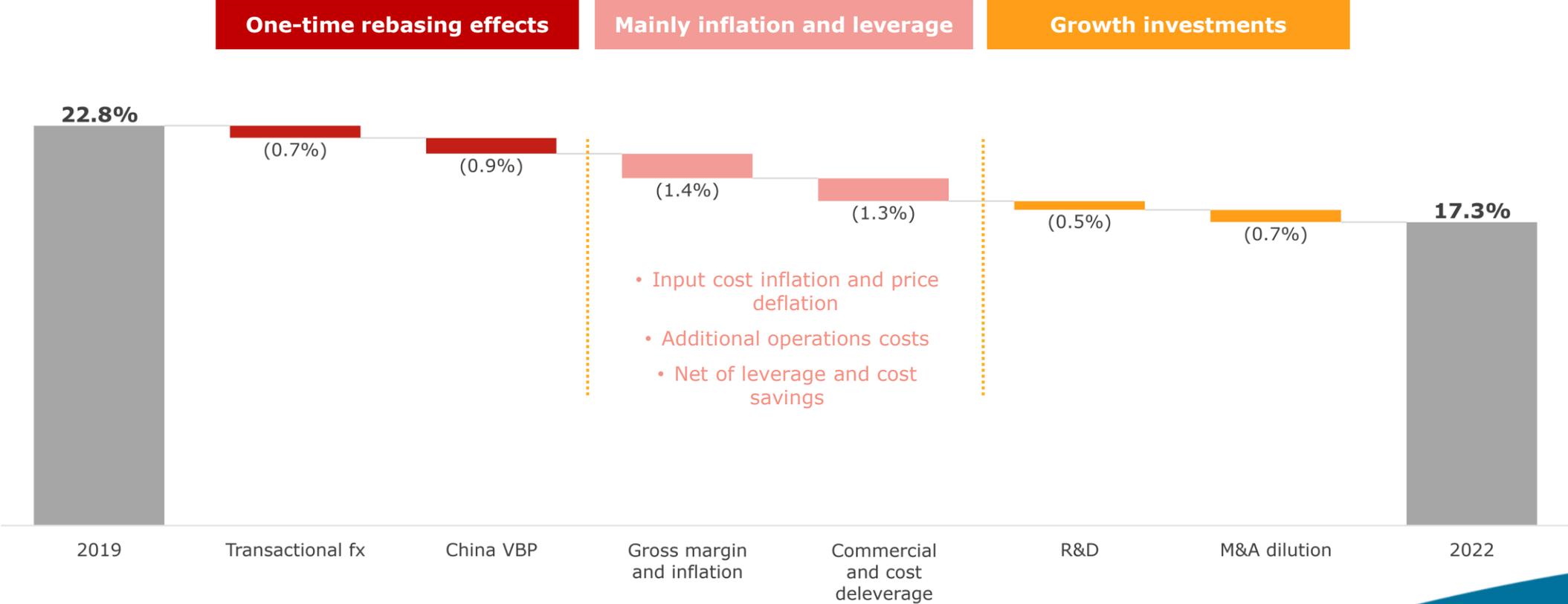
* Relative to sales; ** R&D expense on a trading basis

† All innovation launches coming after completing relevant regulatory review, clearance and approval processes

Profitability: Past margin pressure from negative leverage and growth investments



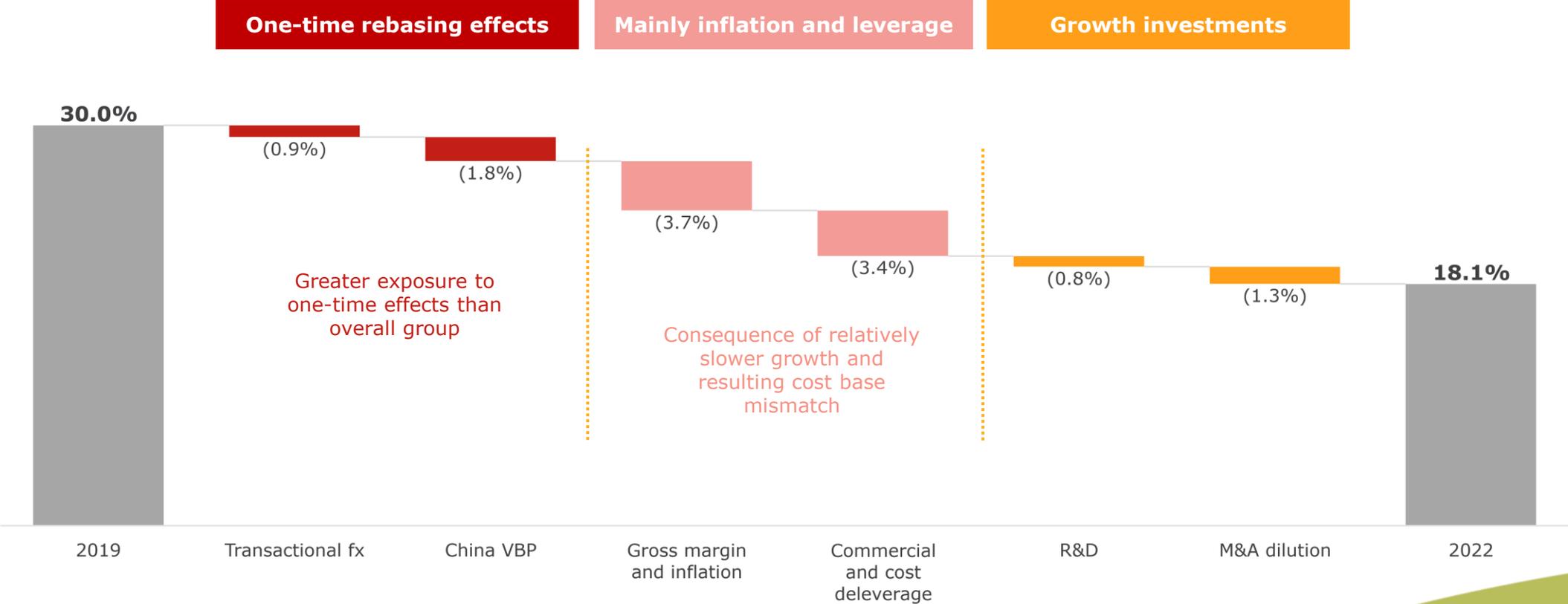
Group trading margin 2019-2022



Same effects amplified in Orthopaedics margin

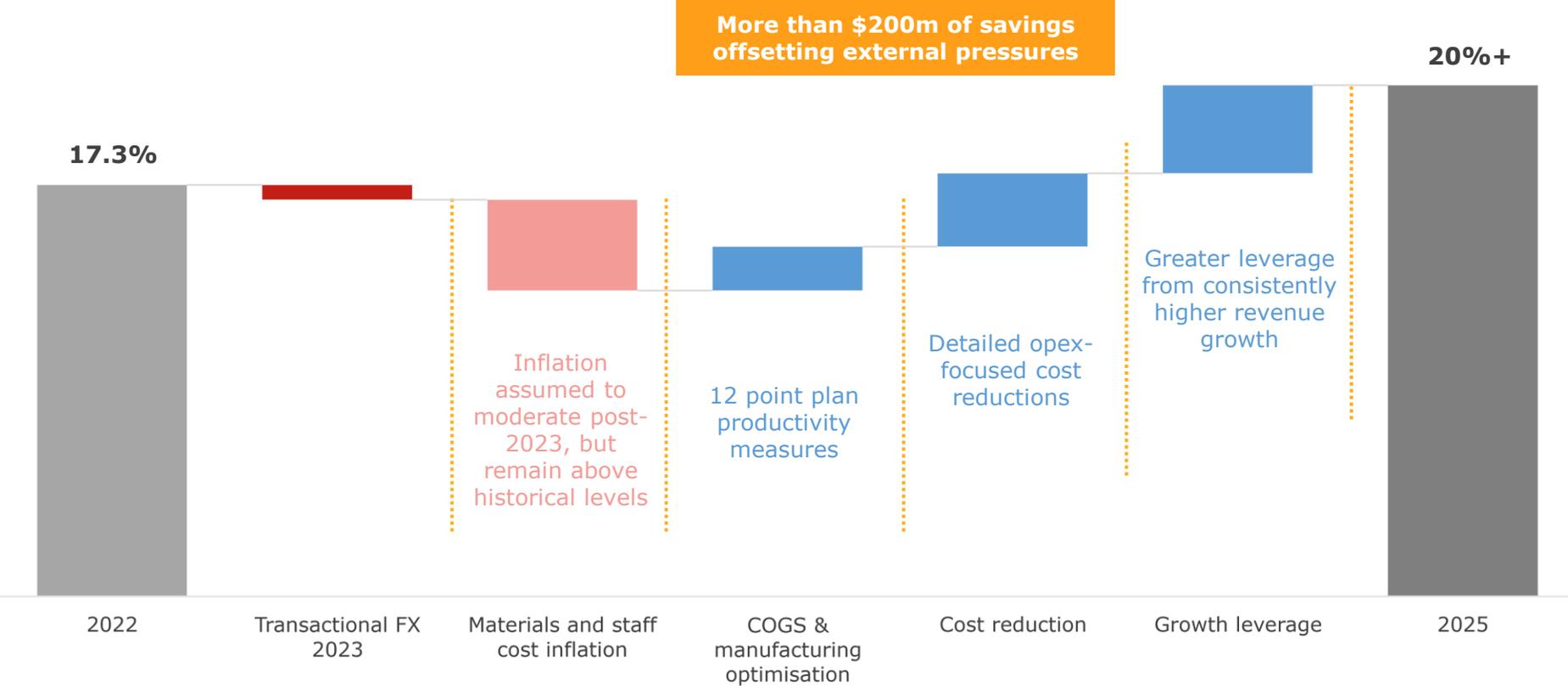


Orthopaedics trading margin* 2019-2022



* Trading margin pre-corporate costs

Operating leverage and productivity to drive 20%+ trading margin



Beyond 2025
Fundamentally changed Smith+Nephew

Cost actions to deliver mid-term targets



- Series of cost levers over three years, across manufacturing, S&M, and G&A
- More than \$200m in annual savings targeted by 2025
- Around half of reduction to be delivered in final year, as fixed cost and network savings build

	Proportion of savings	Actions
COGS and Manufacturing levers	c. 50%	<ul style="list-style-type: none"> • Driving lean across operations • Further network optimisation • Direct procurement savings
S&M and Markets levers	c. 40%	<ul style="list-style-type: none"> • Commercial organisation savings • Selective exits from low-return markets
Corporate and G&A levers	c. 10%	<ul style="list-style-type: none"> • Indirect and W&D procurement savings • G&A cost reductions

Manufacturing optimisation

Optimise procurement

Summary

+ Accelerated growth in Q4, with all franchises contributing

- Sports Medicine and AWM strength continues
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Appendices

	February 2023
Foreign exchange and acquisitions	
Translational FX impact on revenue growth ⁽¹⁾	c. (0.1)%
Acquisition impact on revenue growth	-
Non-trading items	
Restructuring costs	c. \$70m
Acquisition and integration costs	\$5-10m
European Medical Device Regulation (MDR) compliance costs	\$45-50m
Other	
Amortisation of acquisition intangibles	\$170-180m
Income from associates	\$5-10m
Net interest ⁽²⁾	c. \$95m
Other finance costs	\$10-15m
Tax rate on trading result	c. 19%

(1) Based on the foreign exchange rates prevailing on 13 February 2023

(2) Includes interest associated with IFRS 16 Leases

Franchise revenue analysis



	2021					2022					
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Full Year Revenue \$m
Orthopaedics	1.6	43.4	(5.9)	(2.6)	6.4	2.6	(1.1)	2.1	4.1	1.9	2,113
Knee Implants	(10.3)	58.8	(6.5)	(1.1)	5.1	12.2	2.7	7.4	5.5	6.8	899
Hip Implants	9.1	37.2	(7.9)	(6.1)	5.8	(0.7)	(3.7)	(1.0)	4.9	(0.2)	584
Other Reconstruction	17.7	64.0	5.8	56.7	32.2	(19.0)	10.8	(6.0)	7.7	(1.8)	87
Trauma & Extremities	12.0	28.2	(4.2)	(7.4)	5.6	(3.8)	(6.0)	(1.2)	0.6	(2.6)	543
Sports Medicine & ENT	10.4	50.9	6.5	2.4	14.6	8.6	1.9	7.1	9.2	6.7	1,590
Sports Medicine Joint Repair	12.0	55.9	9.5	0.4	15.9	13.6	2.1	7.5	11.5	8.7	870
Arthroscopic Enabling Technologies	11.7	45.5	0.5	0.1	11.7	(0.8)	(0.5)	0.5	4.2	0.9	567
ENT	(4.6)	45.2	16.1	33.0	20.6	21.6	11.2	32.1	17.0	20.4	153
Advanced Wound Management	9.3	27.2	10.9	2.4	11.8	8.0	3.8	6.0	8.0	6.4	1,512
Advanced Wound Care	4.5	20.6	14.0	0.7	9.5	8.3	3.3	1.6	7.9	5.2	712
Advanced Wound Bioactives	26.7	29.9	3.3	4.5	14.8	2.3	2.4	12.7	4.3	5.4	520
Advanced Wound Devices	(3.2)	42.8	16.8	3.4	13.0	18.6	7.9	5.8	14.9	11.6	280
Total	6.2	40.3	2.3	0.3	10.3	5.9	1.2	4.8	6.8	4.7	5,215

All revenue growth rates are on an underlying basis and without adjustment for number of selling days.

Regional revenue analysis



	2021					2022					Full Year Revenue \$m
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	
US	7.1	51.3	(2.5)	(0.4)	10.5	3.1	2.0	6.0	4.8	4.0	2,764
Other Established Markets ⁽¹⁾	(1.8)	40.1	4.5	(2.4)	7.7	5.9	0.0	0.4	7.3	3.3	1,504
Established Markets	3.4	46.8	0.1	(1.2)	9.4	4.1	1.2	3.9	5.7	3.7	4,268
Emerging Markets	21.8	16.2	13.1	8.0	14.6	14.3	0.8	8.6	12.1	9.1	947
Total	6.2	40.3	2.3	0.3	10.3	5.9	1.2	4.8	6.8	4.7	5,215

(1) Other Established Markets are Australia, Canada, Europe, Japan and New Zealand.
All revenue growth rates are on an underlying basis and without adjustment for number of selling days

Q4 consolidated revenue analysis



Consolidated revenue by franchise	Q4 2022 \$m	Q4 2021 \$m	Reported growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	549	552	(0.4%)	4.1%	-	(4.5%)
Knee Implants	234	232	0.6%	5.5%	-	(4.9%)
Hip Implants	150	151	(0.2%)	4.9%	-	(5.1%)
Other Reconstruction	26	25	3.5%	7.7%	-	(4.2%)
Trauma & Extremities	139	144	(3.0%)	0.6%	-	(3.6%)
Sports Medicine & ENT	430	416	3.2%	9.2%	-	(6.0%)
Sports Medicine Joint Repair	235	223	5.2%	11.5%	-	(6.3%)
Arthroscopic Enabling Technologies	154	157	(1.7%)	4.2%	-	(5.9%)
ENT	41	36	12.3%	17.0%	-	(4.7%)
Advanced Wound Management	386	378	1.9%	8.0%	-	(6.1%)
Advanced Wound Care	179	181	(1.1%)	7.9%	-	(9.0%)
Advanced Wound Bioactives	133	128	3.8%	4.3%	-	(0.5%)
Advanced Wound Devices	74	69	6.6%	14.9%	-	(8.3%)
Total	1,365	1,346	1.4%	6.8%	-	(5.4%)

Full Year consolidated revenue analysis



Consolidated revenue by franchise	Full Year 2022 \$m	Full Year 2021 \$m	Reported growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	2,113	2,156	(2.0%)	1.9%	-	(3.9%)
Knee Implants	899	876	2.5%	6.8%	-	(4.3%)
Hip Implants	584	612	(4.4%)	(0.2%)	-	(4.2%)
Other Reconstruction	87	92	(5.6%)	(1.8%)	-	(3.8%)
Trauma & Extremities	543	576	(5.7%)	(2.6%)	-	(3.1%)
Sports Medicine & ENT	1,590	1,560	1.9%	6.7%	-	(4.8%)
Sports Medicine Joint Repair	870	839	3.6%	8.7%	-	(5.1%)
Arthroscopic Enabling Technologies	567	590	(3.8%)	0.9%	-	(4.7%)
ENT	153	131	17.1%	20.4%	-	(3.3%)
Advanced Wound Management	1,512	1,496	1.1%	6.4%	-	(5.3%)
Advanced Wound Care	712	731	(2.6%)	5.2%	-	(7.8%)
Advanced Wound Bioactives	520	496	4.9%	5.4%	-	(0.5%)
Advanced Wound Devices	280	269	4.3%	11.6%	-	(7.3%)
Total	5,215	5,212	0.1%	4.7%	-	(4.6%)

Full year EPSA



	2022 \$m	2021 \$m	Reported growth
Trading profit	901	936	(4%)
Net interest payable	(65)	(74)	
Other finance costs	(1)	(9)	
Share of results from associates	17	4	
Adjusted profit before tax	852	857	(1%)
Taxation on trading result	(139)	(147)	
Adjusted attributable profit	713	710	0%
Weighted average number of shares (m)	872	877	
Adjusted earnings per share ("EPSA")	81.8¢	80.9¢	1%

Life Unlimited

Smith+Nephew

