

Fourth Quarter and Full Year 2023

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: conflicts in Europe and the Middle East, economic and financial conditions in the markets we serve, especially those affecting healthcare providers, payers and customers; 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; 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 2023 Results announcement dated 27 February 2024.

◇ Trademark of Smith+Nephew. Certain marks registered in US Patent and Trademark Office.



Summary

+ FY revenue growth ahead of guidance at 7.2%

- 5.7% growth in Orthopaedics: Strong T&E and OUS recon; partially offset by US recon
- 10.0% growth in Sports Medicine and ENT, despite headwind from slow China market
- 6.4% growth in Advanced Wound Management, maintaining momentum from prior year

+ 2023 trading margin in line with guidance at 17.5%

- Improved profitability despite headwinds from inflation, transactional FX, and China market
- Significant H2 step-up, with c.200bps year-on-year margin expansion for the half

+ Positioned well to sustain improvements into 2024

- Ongoing 12-Point Plan and innovation delivery: groundwork laid for US improvements with better product availability, set deployments progressing
- Revenue growth guidance of 5.0% to 6.0%
- Trading margin guidance of at least 18%, including 70bps headwind from China Sports Medicine VBP

FY 2023 financial highlights



Revenue
\$5,549m

7.2% underlying growth*
6.4% reported growth

Trading profit
\$970m

7.6% reported growth
(2022: \$901m)

Trading margin
17.5%

+ 20bps (2022: 17.3%)

Trading cash flow
\$635m

65% trading cash conversion
(2022: 49% conversion)

EPSA
82.8¢

(2022: 81.8¢)

DPS
37.5¢

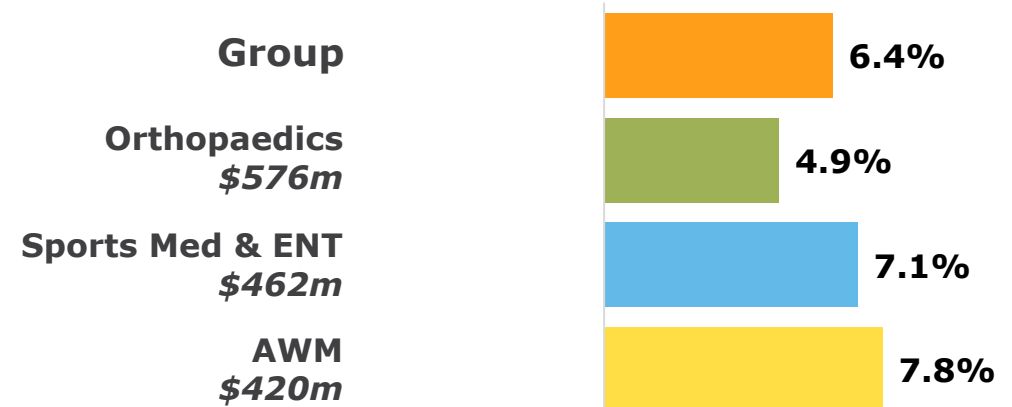
(2022: 37.5¢)

*Underlying growth is a non-IFRS measure. Please see page 28 of this presentation for a reconciliation of underlying revenue growth to reported revenue growth.

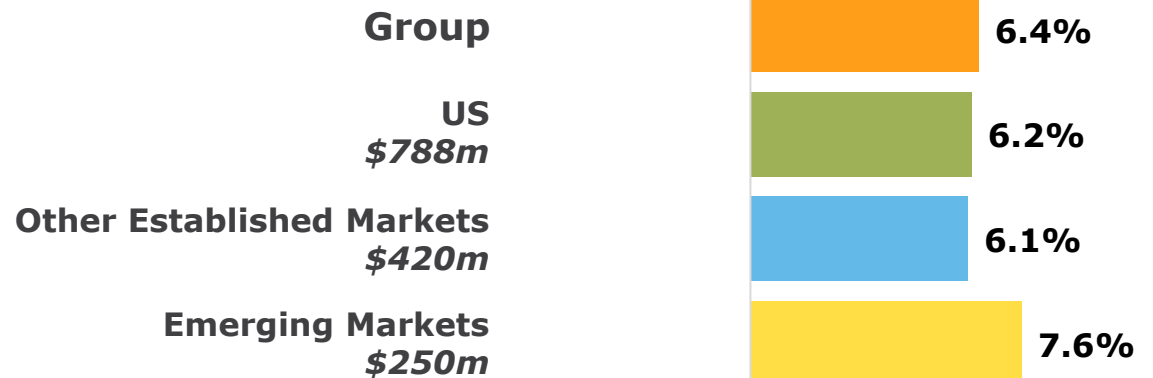
Q4 2023 Revenue



Growth by Business Unit*



Growth by Region*



Broad-based growth across businesses and regions

Total revenues of \$1,458m

+6.4% underlying

+6.8% reported

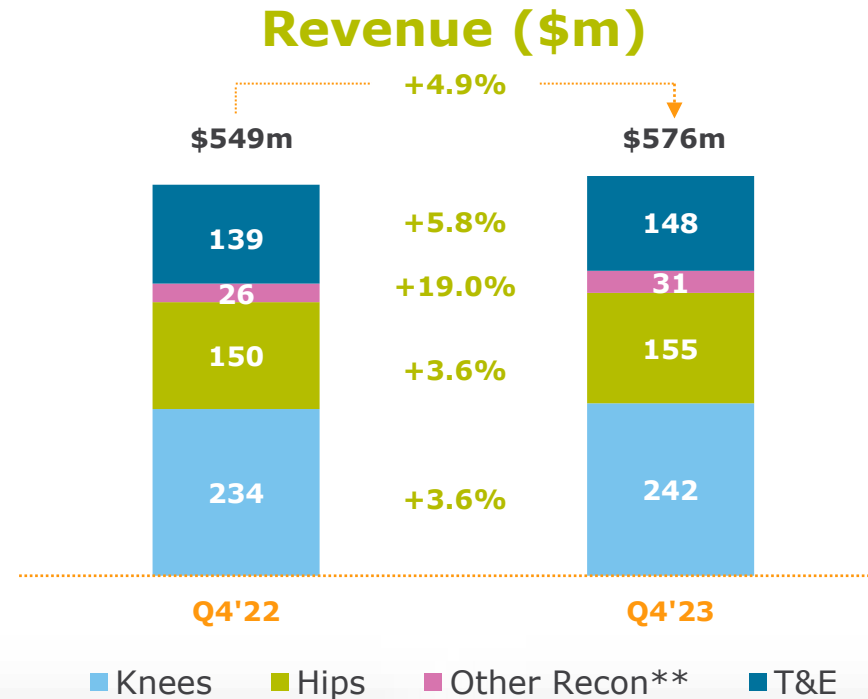
*Growth rates are versus Q4 2022. Group, Business Unit and Regional growth figures are on an underlying basis and without adjustments for number of selling days

Orthopaedics

Foundations set for further improvement



Revenue of \$576m:
+4.9% underlying*
+4.9% reported



Knees: US -3.8%, OUS +14.1%

Hips: US +1.1%, OUS +6.9%

Q4 sales factors

- Strong growth in OUS Knees and Hips; softer quarter in the US – continuing to address through 12-Point Plan measures
- Record CORI[◇] placements in US
- Trauma gaining share driven by EVOS[◇] plating system

Future drivers

- AETOS[◇] Shoulder moving to full US commercial launch
- Continued operational improvement in Recon
- CORI expansion: momentum from commercial execution improvements in key markets and launch into new markets/geographies

* Growth rates are versus Q4 2022

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

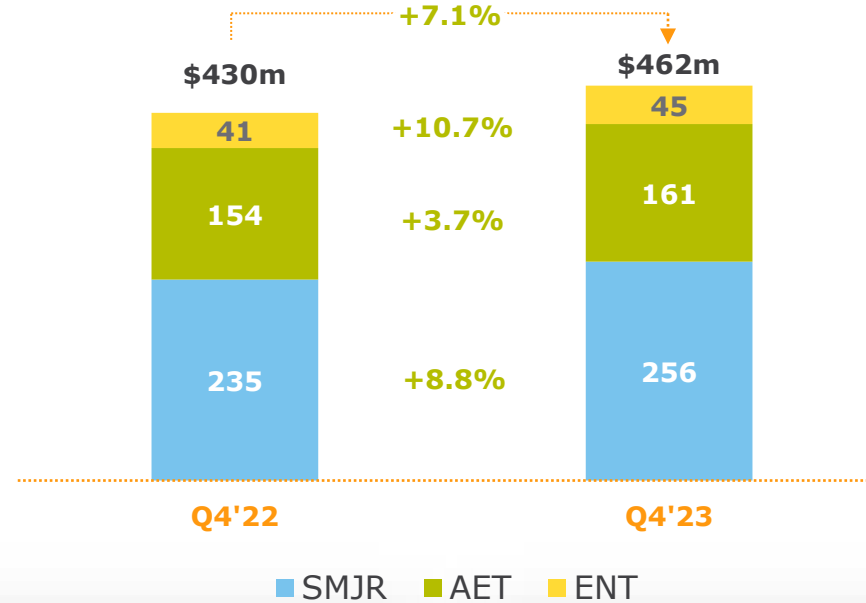
Sports Medicine and ENT

Consistently strong multi-year growth



Revenue of \$462m:
+7.1% underlying*
+7.3% reported

Revenue (\$m)



Q4 sales factors

- Sports Medicine driven by Knee repair and REGENETEN[◇]
- Continued pre-VBP headwind for Joint Repair, better quarter for AET in China
- ENT procedure volumes reaching more normalised growth rates

Future drivers

- Further market penetration of REGENETEN and development of new applications
- Integration of CartiHeal, and commercialisation of the CARTIHEAL[◇] AGILI-C[◇] Cartilage Repair Implant

* Growth rates are versus Q4 2022

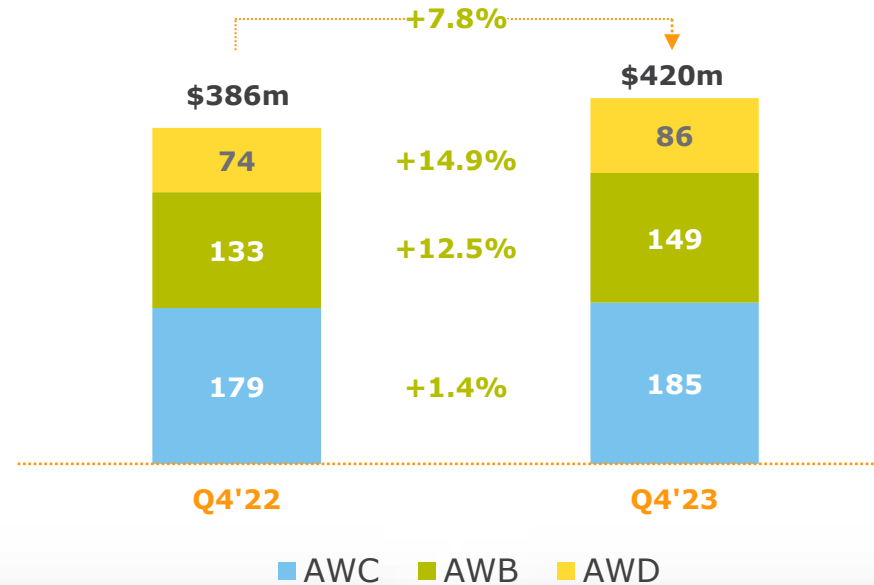
Advanced Wound Management

Benefitting from broad portfolio



Revenue of \$420m:
+7.8% underlying*
+9.0% reported

Revenue (\$m)



Q4 sales factors

- AWC growth driven primarily by foam dressings and anti-infectives
- Bioactives performance reflecting SANTYL rebound from Q3 supply constraints
- AWD double-digit growth across regions driven by acceleration plan and strong NPWT sales

Future drivers

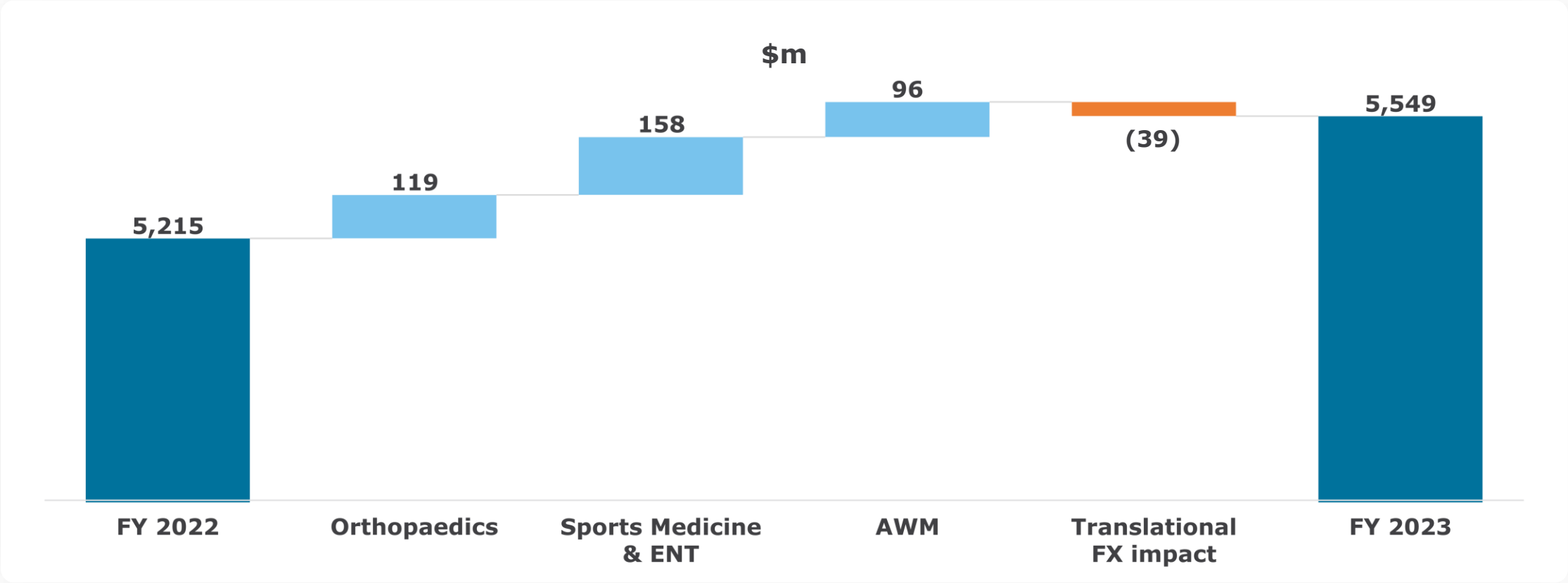
- Ongoing focus on commercial execution and value demonstration
- Next generation traditional NPWT device RENASYS EDGE in early stages of launch

* Growth rates are versus Q4 2022

FY 2023 Financials



FY revenue growth by Business Unit



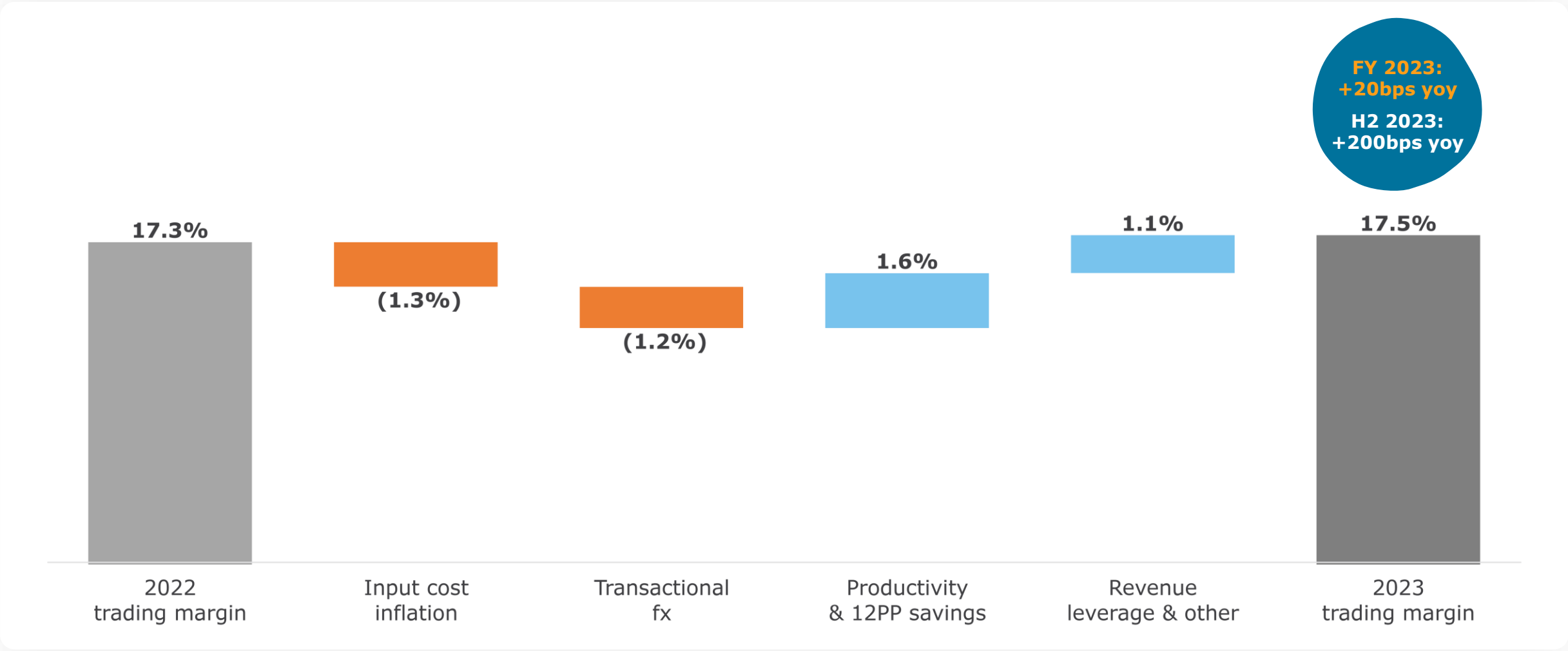
Revenue (\$m)	2,214	1,729	1,606		5,549
Reported growth	4.8%	8.8%	6.2%	(0.8%)	6.4%
Underlying growth	5.7%	10.0%	6.4%		7.2%

FY trading income statement



	FY 2023 \$m	FY 2022 \$m	Reported growth
Revenue	5,549	5,215	6.4%
Cost of goods sold	(1,626)	(1,511)	
Gross profit	3,923	3,704	5.9%
<i>Gross profit margin</i>	<i>70.7%</i>	<i>71.0%</i>	
Selling, general and admin	(2,653)	(2,503)	6.0%
Research and development	(300)	(300)	(0.1)%
Trading profit	970	901	7.6%
<i>Trading profit margin</i>	<i>17.5%</i>	<i>17.3%</i>	

FY 2023 trading margin bridge



FY operating profit and EPSA



	FY 2023 \$m	FY 2022 \$m	Reported growth
IFRS operating profit	425	450	(5.4%)
<i>IFRS operating profit margin</i>	<i>7.7%</i>	<i>8.6%</i>	
Adjusted earnings per share ("EPSA")	82.8¢	81.8¢	1.3%
Earnings per share ("EPS")	30.2¢	25.5¢	18.2%
Dividend per share	37.5¢	37.5¢	-

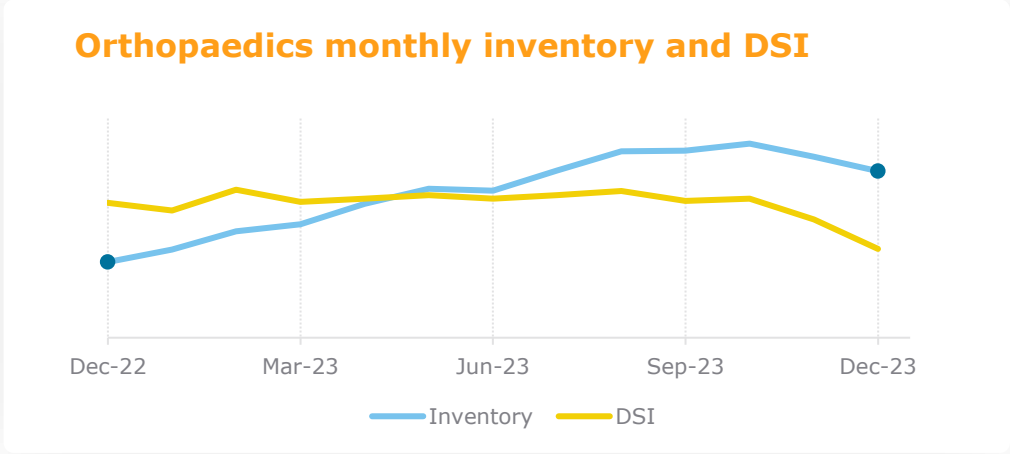
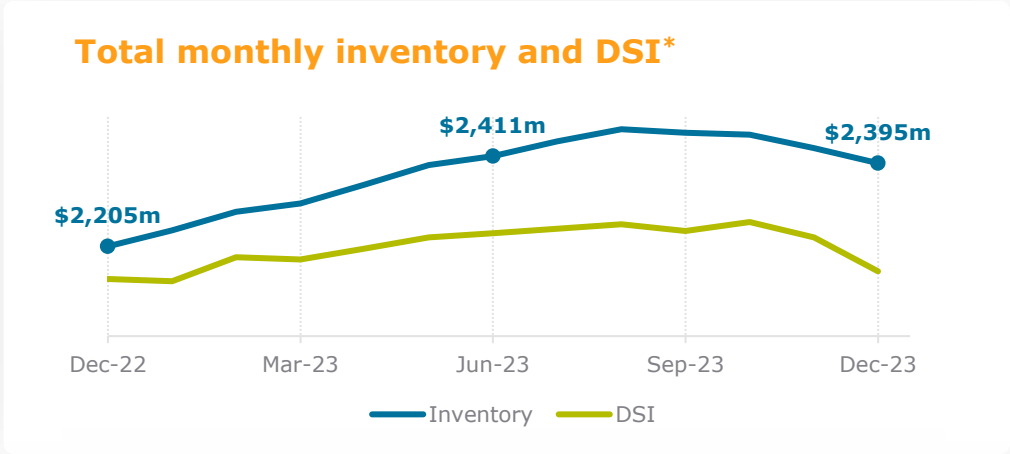
FY cash flow

Trading cash conversion 65%



	FY 2023 \$m	FY 2022 \$m
Trading profit	970	901
Share based payment	39	40
Depreciation and amortisation	375	392
Lease liability repayments	(52)	(54)
Capital expenditure	(427)	(358)
Movements in working capital and other	(270)	(477)
Trading cash flow	635	444
<i>Trading cash conversion</i>	<i>65%</i>	<i>49%</i>
Restructuring, acquisition, legal and other	(285)	(275)
Net interest paid	(96)	(66)
Taxation paid	(125)	(47)
Free cash flow	129	56

Inventory days improved in H2 2023



- + Group inventory and DSI began to fall in H2
- + DSI broadly unchanged for 2023 overall
- + Inventory for all business units falling by year end
- + Orthopaedics DSI -5% lower vs start of 2023

Inventory and DSI data series to different scales
 *DSI = Days Sales in Inventory

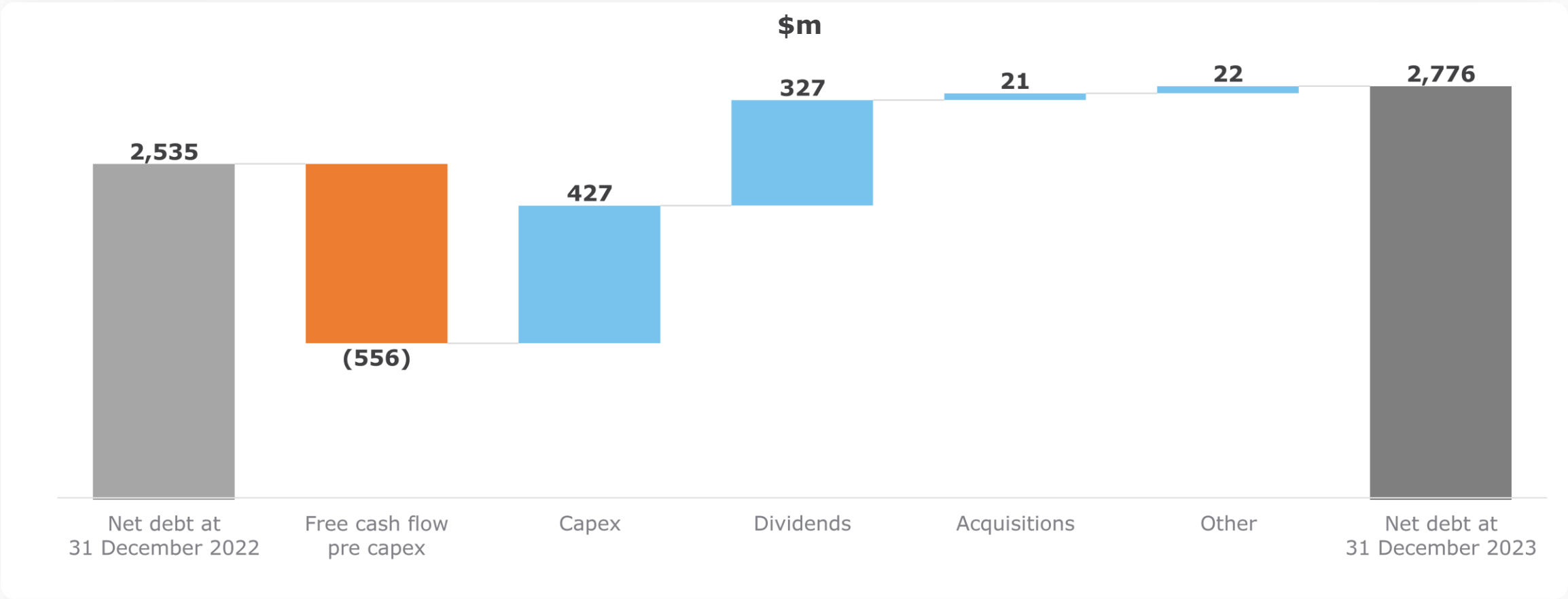
Strong balance sheet



Leverage ratio:

2.0x

2.1x



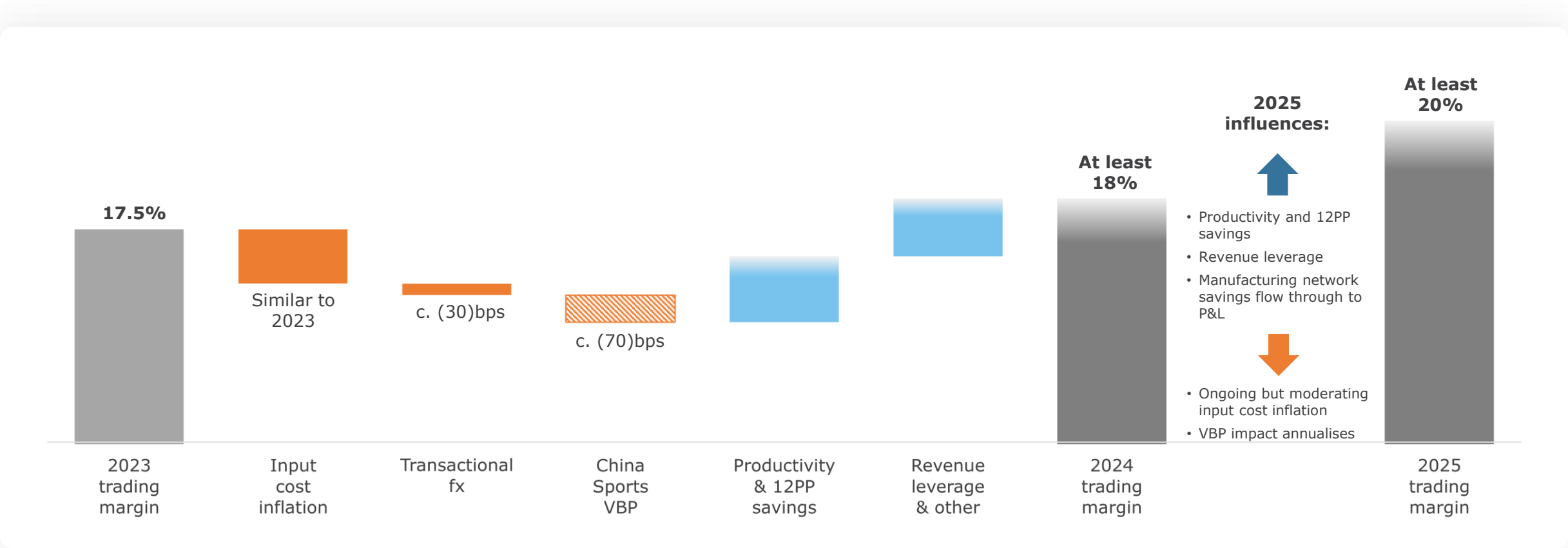
Net debt includes lease liabilities

- + Targeting underlying revenue growth of 5-6%:**
 - Orthopaedics improvement from better execution in US Recon, and rollout of key launch products
 - Continued strong performance in Sports ex-China and AWM; headwind from Sports VBP

- + Trading margin of at least 18.0%:**
 - Margin expansion driven by continued operating leverage and productivity under 12-Point Plan
 - Headwind of around 70bps* expected from Sports VBP

- + Tax rate on trading results of 19-20%**

2024 progress sets up for mid-term margin delivery



12-Point Plan update and strategy



12-Point Plan outcomes on track overall



Fixing Orthopaedics

Initiatives 1-5

Rewire Orthopaedics commercial delivery
1 initiative

Win market share with our technology
3 initiatives

Streamline our recon portfolio
1 initiative

Improving productivity

Initiatives 6-10

Improve value and cash processes
2 initiatives

Optimise procurement
1 initiative

Manufacturing optimisation
2 initiatives

Accelerating Sports & AWM

Initiatives 11-12

Scale Negative Pressure Wound Therapy
1 initiative

Drive cross-selling in ASCs
1 initiative

Delivery at end of 2023

- + Better implant availability
- + Improved asset utilisation
- + T&E, CORI and OUS recon accelerated
- US recon lagging peers

- + Better DSI and cash conversion by year end
- + Moved to positive pricing across portfolio
- + Factory closures underway

- + NPWT accelerated
- + Accelerated pace of cross-business unit deals in ASCs
- 2024 challenge from VBP

Ongoing execution improvements in Orthopaedics



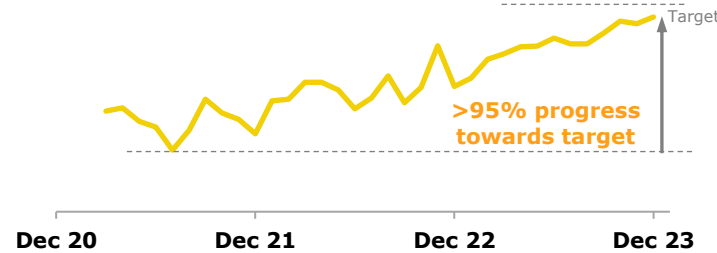
Orthopaedics challenges narrowed in 2023

	2023 revenue	Peer relative performance*	
		US	OUS
Knees	\$940m	\$523m	\$417m
Hips	\$599m	\$335m	\$264m
Trauma & Extremities	\$564m		
Other recon	\$111m		

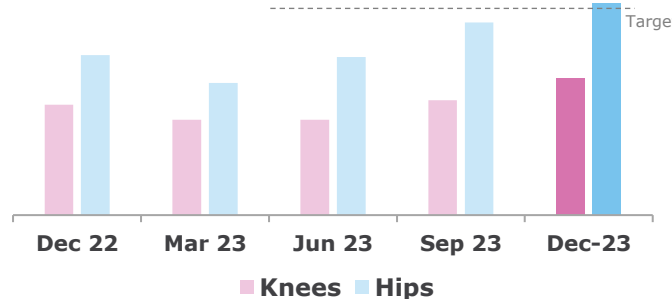
- + Sub-segments representing 60% of Ortho sales now at or above peers
- + Recovering share in EMEA recon; T&E gaining share based on EVOS, AETOS
- + Focus is on driving improvement in US recon

Implant and capital availability continuing to improve

Implant availability approaching goal: US Ortho non-set LIFR** (%)



Hip set availability at goal, knees improving: US instrument orders filled (%)



Key priorities:

- + **Bring set deployment up to goal, and drive utilisation:** Deploying Knee sets, and converting deployed capital into implant sales
- + **US commercial excellence:** Delivering 12-Point Plan actions and milestones; realise benefits of sales incentive and structure updates
- + **Continue robotics momentum:** Driving placements and utilisation across regions and procedures

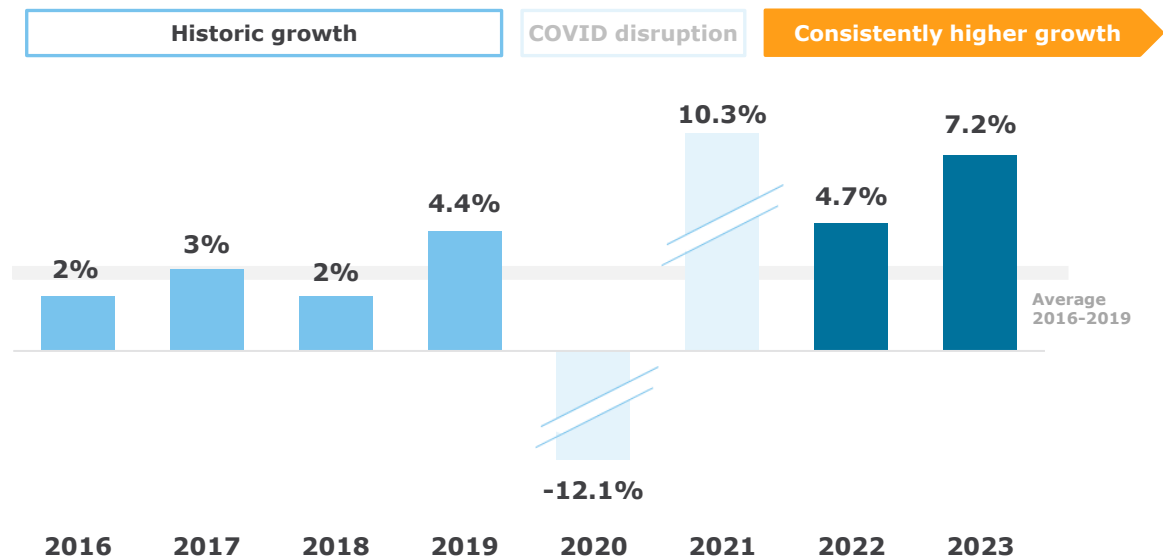
*Green indicates growth at or above weighted average of peers in H2 2023; red indicates below peers

** LIFR = Line Item Fill Rate: percentage of customer order lines filled

Higher growth underpinned by innovation delivery

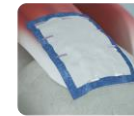


Underlying revenue growth 2016-23



2023: c.3.5 points of growth from products launched in the last five years
Innovation contribution alone driving group growth above history

New evidence and launches for existing platforms



Final results of REGENETEN RCT*:

- + Significantly lower re-tear rates at 12 months: 8.3% vs 25.8% ($p=0.01$) for standard repair alone
- + No difference in number of serious or minor complications



New CORI features at AAOS 2024:

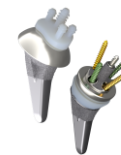
- + Showcased RI.KNEE ROBOTICS 2.0 – personalized knee planning software powered by AI

Adding next wave of innovative devices



Acquisition of CartiHeal completed in January 2024

- + Adds CARTIHEAL AGILI-C, a novel technology for cartilage regeneration
- + Indication including patients with mild to moderate OA, as well as the ~700,000 receiving cartilage repair annually in the US



Full commercial availability of AETOS announced at AAOS

- + Follows initial launch in June 2023

*Ruiz Ibán MA, Navlet MG, Marco SM, et al. Augmentation of a transosseous equivalent repair in posterosuperior non-acute rotator cuff tears with a bioinductive collagen implant decreases the re-tear rate at one year. A randomised controlled trial. Arthroscopy. Published online 12/27/2023

Mid-term growth uplift across multiple segments



Moving to higher mid-term growth vs history

	Performance drivers	Highlighted projects
Trauma & Extremities	<ul style="list-style-type: none"> + Share gain in Plates & Screws + Expansion into Shoulder replacement 	EVOS, AETOS
Other Reconstruction	<ul style="list-style-type: none"> + Accelerated robotics adoption and deployments 	CORI
ENT	<ul style="list-style-type: none"> + COBLATION penetration in tonsillectomy + Shift of tympanostomies to in-office 	
Sports Medicine: Joint Repair & AET (ex-VBP)	<ul style="list-style-type: none"> + Continued launches across categories 	REGENETEN CARTIHEAL AGILI-C
Advanced Wound Devices	<ul style="list-style-type: none"> + Contract wins in traditional negative pressure + Continued single-use market expansion 	RENASYS EDGE

c.50%
of group revenue
in segments with
outlook of higher
growth

Maintaining or recovering performance

	Performance drivers	Highlighted projects
Knees & Hips	<ul style="list-style-type: none"> + Improved execution through 12-Point Plan 	
Advanced Wound Care	<ul style="list-style-type: none"> + Maintaining performance through continuous innovation 	Next-gen mechanisms
Advanced Wound Bioactives		Next-gen mechanisms

Summary

	February 2024	
Foreign exchange and acquisitions		
Translational FX impact on revenue growth ⁽¹⁾	c.(0.4)%	
Acquisition impact on revenue growth	-	
Non-trading items		
Restructuring costs	c. \$95-100m	
Acquisition and integration	\$5-10m	
European Medical Device Regulation (MDR) compliance costs	\$10-15m	
Other	Adjusted	Reported
Amortisation of acquisition intangibles	\$160-165m	\$160-165m
Income/(loss) from associates ⁽²⁾	\$5-10m	\$(5-10)m
Net interest ⁽³⁾	c. \$125m	c. \$125m
Other finance costs	\$5-10m	\$10-15m
Tax rate on trading result	19-20%	

(1) Based on the foreign exchange rates prevailing on 21 February 2024

(2) Based on analyst consensus forecasts for associate, sourced from Capital IQ on 21 February 2024

(3) Includes interest associated with IFRS 16 Leases

Q4 consolidated revenue analysis by Business Unit



	Q4 2023 \$m	Q4 2022 \$m	Reported Growth %	Underlying growth %	Acquisitions/ disposals %	Currency impact %
Orthopaedics	576	549	4.9%	4.9%	-	0.0%
Knee Implants	242	234	3.6%	3.6%	-	0.0%
Hip Implants	155	150	3.0%	3.6%	-	(0.6%)
Other Reconstruction	31	26	19.9%	19.0%	-	0.9%
Trauma & Extremities	148	139	6.2%	5.8%	-	0.4%
Sports Medicine & ENT	462	430	7.3%	7.1%	-	0.2%
Sports Medicine Joint Repair	256	235	8.9%	8.8%	-	0.1%
Arthroscopic Enabling Technologies	161	154	4.0%	3.7%	-	0.3%
ENT	45	41	10.7%	10.7%	-	0.0%
Advanced Wound Management	420	386	9.0%	7.8%	-	1.2%
Advanced Wound Care	185	179	3.3%	1.4%	-	1.9%
Advanced Wound Bioactives	149	133	12.8%	12.5%	-	0.3%
Advanced Wound Devices	86	74	16.1%	14.9%	-	1.2%
Total	1,458	1,365	6.8%	6.4%	-	0.4%

FY consolidated revenue analysis by Business Unit



	FY 2023	FY 2022	Reported Growth	Underlying growth	Acquisitions/ disposals	Currency impact
	\$m	\$m	%	%	%	%
Orthopaedics	2,214	2,113	4.8%	5.7%	-	(0.9%)
Knee Implants	940	899	4.7%	5.5%	-	(0.8%)
Hip Implants	599	584	2.5%	3.8%	-	(1.3%)
Other Reconstruction	111	87	27.8%	28.0%	-	(0.2%)
Trauma & Extremities	564	543	3.7%	4.4%	-	(0.7%)
Sports Medicine & ENT	1,729	1,590	8.8%	10.0%	-	(1.2%)
Sports Medicine Joint Repair	945	870	8.7%	9.9%	-	(1.2%)
Arthroscopic Enabling Technologies	588	567	3.7%	4.7%	-	(1.0%)
ENT	196	153	28.1%	29.8%	-	(1.7%)
Advanced Wound Management	1,606	1,512	6.2%	6.4%	-	(0.2%)
Advanced Wound Care	725	712	1.8%	2.1%	-	(0.3%)
Advanced Wound Bioactives	553	520	6.3%	6.2%	-	0.1%
Advanced Wound Devices	328	280	17.0%	17.6%	-	(0.6%)
Total	5,549	5,215	6.4%	7.2%	-	(0.8%)

Quarterly revenue analysis by Business Unit



	2022					2023				
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %
Orthopaedics	2.6	(1.1)	2.1	4.1	1.9	3.9	5.8	8.3	4.9	5.7
Knee Implants	12.2	2.7	7.4	5.5	6.8	5.0	7.8	5.7	3.6	5.5
Hip Implants	(0.7)	(3.7)	(1.0)	4.9	(0.2)	4.6	3.4	3.5	3.6	3.8
Other Reconstruction	(19.0)	10.8	(6.0)	7.7	(1.8)	19.7	21.0	58.5	19.0	28.0
Trauma & Extremities	(3.8)	(6.0)	(1.2)	0.6	(2.6)	(0.8)	2.5	10.4	5.8	4.4
Sports Medicine & ENT	8.6	1.9	7.1	9.2	6.7	10.0	12.0	11.1	7.1	10.0
Sports Medicine Joint Repair	13.6	2.1	7.5	11.5	8.7	7.3	12.5	11.3	8.8	9.9
Arthroscopic Enabling Technologies	(0.8)	(0.5)	0.5	4.2	0.9	9.1	4.6	1.7	3.7	4.7
ENT	21.6	11.2	32.1	17.0	20.4	30.8	38.9	40.2	10.7	29.8
Advanced Wound Management	8.0	3.8	6.0	8.0	6.4	7.9	6.2	3.6	7.8	6.4
Advanced Wound Care	8.3	3.3	1.6	7.9	5.2	1.0	2.7	3.2	1.4	2.1
Advanced Wound Bioactives	2.3	2.4	12.7	4.3	5.4	15.2	3.1	(4.8)	12.5	6.2
Advanced Wound Devices	18.6	7.9	5.8	14.9	11.6	12.9	21.4	21.3	14.9	17.6
Total	5.9	1.2	4.8	6.8	4.7	6.9	7.8	7.7	6.4	7.2

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

Quarterly revenue analysis by region



	2022					2023				
	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	Full Year Growth %	Q1 Growth %	Q2 Growth %	Q3 Growth %	Q4 Growth %	FY Growth %
US	3.1	2.0	6.0	4.8	4.0	11.8	6.3	7.2	6.2	7.8
Other Established Markets ⁽¹⁾	5.9	0.0	0.4	7.3	3.3	7.0	8.5	7.8	6.1	7.3
Established Markets	4.1	1.2	3.9	5.7	3.7	10.0	7.1	7.4	6.2	7.6
Emerging Markets	14.3	0.8	8.6	12.1	9.1	(7.3)	11.0	9.2	7.6	5.1
Total	5.9	1.2	4.8	6.8	4.7	6.9	7.8	7.7	6.4	7.2

(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

	FY 2023 \$m	FY 2022 \$m	Reported growth
Trading profit	970	901	7.6%
Net interest payable	(98)	(65)	
Other finance costs	(1)	(1)	
Share of results from associates	(9)	17	
Adjusted profit before tax	862	852	1.1%
Taxation on trading result	(140)	(139)	
Adjusted attributable profit	722	713	1.2%
Weighted average number of shares (m)	871	872	
Adjusted earnings per share ("EPSA")	82.8¢	81.8¢	1.3%

Trading days per quarter

	Q1	Q2	Q3	Q4	Full year
2021	64	64	63	60	251
2022	64	63	63	60	250
2023	64	63	63	60	250
2024	63	64	63	62	252
2025	62	63	63	63	251