37th Annual JP Morgan Healthcare Conference

Namal Nawana, CEO
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Smith & Nephew is a global Medical Device portfolio company, that has been trading for over 160 years, and operates in more than 100 countries.

**100**

FTSE100
A constituent of the UK's FTSE100, with ADRs traded on the New York Stock Exchange

Shares
S&N has a progressive dividend policy, and has paid a dividend every year since 1937

$4.8bn
Annual sales in 2017 were $4.8 billion

~16,500
We have around 16,500 employees globally
A portfolio medical device company

- **Advanced wound care**
  - ALLEVYN® LIFE
    - Advanced Foam
    - Wound Dressings
  - Collagenase
    - SANTYL® Ointment
    - Enzymatic debrider
- **Advanced wound bioactives**
  - NAVIO®
    - Surgical System
  - COBLATION®
    - Wand
  - REGENETEN®
    - Bioinductive Implant
- **Arthrosopic enabling technologies**
  - Sports Medicine
    - Joint Repair
- **Other surgical businesses**
  - Arthroscopic enabling technologies
- **Advanced wound devices**
  - PICO®
    - Negative Pressure
    - Wound Therapy
  - JOURNEY® II BCS
    - Bi-Cruciate
    - Stabilised Knee System
  - POLAR3®
    - Total Hip Solution
  - TRIGEN® INTERTAN®
    - Intertrochanteric Antegrade Nail
- **$4.8bn Revenues (2017)**
  - Hips
  - Knees
  - Trauma

- **4$4.8bn Revenues (2017)**
Markets and historical performance

Global market size estimates, 2018

- Orthopaedics: $20bn
- Advanced Wound Management: $9bn
- Sports Medicine: $6bn
- ENT: $3bn

+4% p.a.\(^1\)

Smith & Nephew revenue, $M

2008: $3,801
2009: $3,772
2010: $3,962
2011: $4,270
2012: $4,137
2013: $4,351
2014: $4,617
2015: $4,634
2016: $4,669
2017: $4,765

+2.5% p.a.\(^3\)

\(^1\) Aggregate market sales CAGR 2017-22, estimated
\(^2\) Includes ENT surgical devices, Nasal Stents/Packing, and, Ear Tubes
\(^3\) CAGR, reported revenue

Source: S&N estimates
Strategic imperatives for the company

1. Achieve the full potential of our portfolio
2. Transform the business through enabling technologies
3. Expand in high-growth segments
4. Strengthen talent and capabilities
5. Become the best owner
Structural shift of procedures towards ASCs

**US ASC market**

<table>
<thead>
<tr>
<th>S&amp;N addressed segments</th>
<th>Procedure volume¹, 2017, Thousands of ASC cases</th>
<th>Future procedure volume growth¹, %, CAGR 2017-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ortho Recon</td>
<td>~5</td>
<td>24%</td>
</tr>
<tr>
<td>Sports medicine</td>
<td>~1,000</td>
<td>6-7%</td>
</tr>
<tr>
<td>Trauma &amp; Extremities</td>
<td>~4,500</td>
<td>5-6%</td>
</tr>
<tr>
<td>ENT</td>
<td>~300</td>
<td>5-7%</td>
</tr>
</tbody>
</table>

¹ Includes S&N addressable procedures only: Ortho Recon (all procedures excluding spine), Sports (all procedures), T&E (Lower/upper extremity, fracture/dislocation, podiatry), ENT (Tonsils)

Source: S&N ASC team, Advisory Board

**Drivers**

- Key procedures being considered for reimbursement by Medicare in ASCs
- Attractive physician economics

**Economics**

- Advances in anesthesia and MIS facilitate outpatient procedures

**Technology**
Opportunity in select higher growth emerging markets

Smith & Nephew 9M 2018 Sales

- **Emerging Markets**: 18%
- **US**: 47%
- **Other Developed Markets**: 35%

**Region**

- **China**
  - S&N growth: 16%
  - China: S&N already outperforming medtech market
- **All emerging markets**
  - S&N growth: 8%
  - LATAM: strong fundamentals, with opportunity to expand growth rate

1 Underlying growth rates
Strategic imperatives for the company

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Robotics as a key enabling technology

TKA example

<table>
<thead>
<tr>
<th>Past</th>
<th>Current</th>
<th>Future</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NAVIO™ Surgical System</td>
<td>Robotic implant placement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Remote capabilities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Further innovation waves: enabled by AR/AI/big data</td>
</tr>
</tbody>
</table>

Source: Smith and Nephew, Reuters, Expert Interview
Strategic imperatives for the company

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2. Transform the business through enabling technologies
3. Expand in high-growth segments
4. Strengthen talent and capabilities
5. Become the best owner
Renewed focus on M&A

Acquisition of Rotation Medical, Q4 2017

- $125m initial consideration, plus up to $85m in milestone payments
- REGENETEN™: a novel tissue regeneration technology for shoulder rotator cuff repair
- >100% REGENETEN sales growth in 9M 2018

Agreement to acquire Ceterix, Q4 2018

- $50m initial consideration plus up to a further $55m over the next five years
- NovoStitch Pro: a unique device for complex meniscal tear patterns
Significant balance-sheet capacity

Smith & Nephew net debt, $bn

- 2008: 1.3
- 2009: 0.9
- 2010: 0.5
- 2011: 0.1
- 2012: 0.3
- 2013: 0.3
- 2014: 1.6
- 2015: 1.4
- 2016: 1.6
- 2017: 1.3
Strategic imperatives for the company

1. Grow
   - Achieve the full potential of our portfolio

2. Grow
   - Transform the business through enabling technologies

3. Grow
   - Expand in high-growth segments

4. Together
   - Strengthen talent and capabilities

5. Effectively
   - Become the best owner
### The pillars of a new, purpose-driven culture

**Life Unlimited**

<table>
<thead>
<tr>
<th>Care</th>
<th>Collaboration</th>
<th>Courage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A culture of empathy and understanding for each other, our customers and patients</td>
<td>A culture of team, based on mutual trust and respect</td>
<td>A culture of continuous learning, innovation and accountability</td>
</tr>
</tbody>
</table>
Strategic imperatives for the company

1. Achieve the full potential of our portfolio
2. Transform the business through enabling technologies
3. Expand in high-growth segments
4. Strengthen talent and capabilities
5. Become the best owner
Why invest in Smith & Nephew today?

Key drivers

- Portfolio of leading technologies in attractive markets
- Shift to specialised commercial model for **stronger organic growth**
- Pillars of **new winning culture** being embedded
- **New strategic imperatives** for value creation established
- **Balance sheet capacity** for a step-up in business development