

### ***UKSA members attend bullish Smith & Nephew presentation***

*On December 2<sup>nd</sup> S&N's boardroom was the venue for London Region's 12<sup>th</sup> visit of 2004 featuring mainly FTSE 100 companies and attracted a record breaking thirty-two UKSA members, led by Past President, Donald Butcher. Our group were eager to hear and question presenter Peter Hooley, Finance Director, and Paul Chambers Company Secretary on the company's strong third quarter results and vision of the future. Underlying profit grew 15% to £65.8m, adding £440m to S&N's market worth. S&N expect earnings growth would be in the mid teens for the year as a whole.*

*At the time of writing strong demand for S&N's shares can be gauged from the fact that the price had risen from a 52 week low of 439p to 548p, with a yield of 0.9% and a price earnings ratio of 34.4!*

*Interest in the presentation was heightened by a physical demonstration of the company's product line, driven by the slogan "repair and heal the human body". To ensure that its products are in strong demand S&N work closely with surgeons to provide in-depth education, coupled with a superior back up service. Products are patent protected wherever possible.*

*We asked Company Activities Group member, Hazel Prowse, to focus on the technical aspects of the presentation. The following is her response.*

*Smith & Nephew specialise in orthopaedics, endoscopy and advanced wound dressings and, with an ageing world population, business is growing at 8-13%. As nearly half the sales are in the USA, it is listed on both the LSE and NYSE.*

*In general, the risks involving bones and skin rise with age, particularly for those over 55, but 'baby-boomers' and those with obesity problems are now coming into surgery. Surgeons used to have to balance the life expectancy of the patient, the limited life of a hip implant and the loss of 'bonestock' with each operation, so that these would not normally have been offered to anyone under 57. With improved technologies the age limit has fallen to 40, because more of the 'bonestock' in younger people can be preserved. The implant will not necessarily last longer. In addition, oxidised zirconium is a harder surface coating with better wear properties than cobalt-chromium, so there is no swarf from scratches loose in the body and enables the implant to last longer. Also only a 4" cut is needed today, instead of the previous 12", which is less traumatic and leads to earlier hospital discharge. Endoscopy is the clinical term for minimal invasive or 'keyhole' surgery, and Smith & Nephew concentrates on soft tissue resection and repair products, cameras and equipment for minimally invasive surgery of the shoulder, knee and hip.*

*A lot can be done to damaged knees. S&N have a product that injects the natural lubricant, hyaluonic acid (the body's equivalent to WD40) into the knee joint and another piece of equipment allows surgeons to stitch a damaged cartilage instead of just cutting off the loose flap.*

*There are advances in the bone repairs too. The increasing numbers of sports injuries, together with longer and more active lifestyles, mean more crashes or falls at any age. Once only 65% of the bones in the over-65s could be healed, but with low*

*frequency micro-sound treatment the percentage is now 95%. Younger victims in particular need fixes that either really last a lifetime or are 'bioresorbable'. S&N make bioresorbable rods and nails.*

*Bioresorbable screws are used for ligament repairs in shoulders and knees; the patient can then return to skiing and rugby while the screws eventually dissolve in about two years.*

*The Advanced Wound Management business unit which concentrates on hard to heal wounds has an antimicrobial dressing containing nanocrystals of silver which, among other things, kills MRSA, the high-profile, bactericide-resistant, flesh-eating scourge of hospitals. Another wound dressing, Allevyn, is a semi-permeable membrane that can be in place for seven days at a time; ordinary dressings had to be changed every six hours else they stuck to the wound and delayed healing, and is particularly beneficial in treating leg and foot ulcers. For wounds where it is difficult for the skin to grow to heal the wound Smith & Nephew have Dermagraft which is a human dermal replacement which is applied using a resorbable mesh.*

*The future growth of the company includes seeking to buy 2% of annual sales in acquisition of product or technology lines that fit into the business in preference to paying higher dividends. If readers thought S&N was synonymous with just Nivea and Elastoplast, these are now made by a joint-venture partner, Beiersdorf AG.*