

SMITH & NEPHEW PLC
Form 6-K
April 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

April 30, 2009

Commission File Number 001-14978

SMITH & NEPHEW plc

(Registrant's name)

15 Adam Street

London, England WC2N 6LA

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2 (b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2 (b) : 82- n/a.

Total Pages: 19

Smith & Nephew plc

INDEX TO EXHIBITS

Item 1. Press release entitled Smith & Nephew 2009 Q1 results a good performance in slower markets , dated April 30, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Smith & Nephew plc
(Registrant)

Date: April 30, 2009

By: /s/ Paul Chambers
Paul Chambers
Company Secretary

Item 1

Smith & Nephew 2009 Q1 results a good performance in slower markets

30 April 2009

Smith & Nephew plc (LSE: SN, NYSE: SNN), the global medical technology business, announces its results for the first quarter ended 28 March 2009.

	28 Mar 2009 \$m	3 months* to 29 Mar 2008 \$m	Underlying increase % ¹
Revenue	865	911	4
Trading profit ²	183	182	12
Operating profit ²	159	142	
Trading margin (%)	21.2	20.0	120 bps
EPSA (cents) ³	13.1	12.8	
EPS (cents)	11.1	9.3	
Business Unit revenue			
Orthopaedics	508	528	4
Endoscopy	179	194	0
Advanced Wound Management	178	189	9

* Q1 2009 comprises 61 trading days (2008 - 62 trading days)

Q1 Commentary

Reported revenue was \$865 million, underlying growth of 4%

Reported trading profit \$183 million, up 12% underlying

EPSA increased to 13.1 cents

Orthopaedics grew revenues by 4% in slower markets

Endoscopy delivered flat revenues due to anticipated weak markets for capital products

Advanced Wound Management grew revenues by 9%, with a balanced contribution by product and geography

Trading margin improved 120 basis points to 21.2%

End of Deferred Prosecution Agreement, continued investment in global compliance programme

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Commenting on the first quarter, David Illingworth, Chief Executive of Smith & Nephew, said:

Our businesses are proving resilient, but not immune to the weak global economy. We grew underlying sales for the quarter by 4%, with a strong performance in Advanced Wound Management. We achieved growth in trading profit of 12% at constant currency and an increase in trading margin of over 1% through a combination of our Earnings Improvement Programme and prudent cost control.

Economic conditions continue to be difficult creating a mixed back drop, but our businesses are well positioned. We are fully engaged in our Earnings Improvement Programme and our strategy to deliver continued earnings growth for our shareholders is working.

News

Analyst presentation and conference call

An analyst presentation and conference call to discuss Smith & Nephew's first quarter results will be held at 8.30am BST/3.30am EST today, Thursday 30 April. This will be broadcast live on the company's website and will be available on demand shortly following the close of the call at <http://www.smith-nephew.com/Q109>. A podcast will also be available at the same address. If interested parties are unable to connect to the web, a listen-only service is available by calling +44 (0) 20 8322 2048 in the UK or +1 866 432 7175 in the US. Analysts should contact Samantha Hardy on +44 (0)20 7960 2257 or by email at samantha.hardy@smith-nephew.com for conference details.

Notes

- ¹ Unless otherwise specified as reported, all revenue increases throughout this document are underlying increases after adjusting for the effects of currency translation. See note 3 to the financial statements for a reconciliation of these measures to results reported under IFRS.
- ² A reconciliation from operating profit to trading profit is given in note 4 to the financial statements. The underlying increase in trading profit is the increase in trading profit after adjusting for the effects of currency translation.
- ³ Adjusted earnings per ordinary share (EPSA) growth is as reported, not underlying, and is stated before restructuring and rationalisation costs, acquisition related costs, amortisation of acquisition intangibles and taxation thereon. See note 2 to the financial statements.
- ⁴ All numbers given are for the quarter ended 28 March 2009 unless stated otherwise.

Enquiries

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First Quarter Results

Smith & Nephew has delivered a good performance this quarter in slower markets.

We generated revenues of \$865 million, compared to \$911 million in 2008. This represents an underlying growth of 4% on the same period last year, after adjusting for movements in currency of 9%. In addition, there was one less sales day than in the comparative period in 2008, which if corrected for, our underlying revenue growth would have been about 1% higher.

In Orthopaedics the recent market growth numbers point to a slowing of the market. Endoscopy, as expected, has proved to be most exposed to the economic slowdown, particularly for capital product sales, while Advanced Wound Management has been the most resilient.

Trading profit in the quarter was \$183 million, representing strong underlying growth of 12%. The Group trading margin increased by 120 basis points to 21.2%. The margin reflects prudent cost control and continued progress in our Earnings Improvement Programme (EIP).

The net interest charge was \$10 million. The average interest rate for the period was approximately 3.5%.

The tax charge was at the estimated effective rate for the full year of 31.8% on profit before restructuring and rationalisation costs, acquisition related costs and amortisation of acquisition intangibles. Attributable profit before the costs of restructuring and rationalisation, acquisition related costs and amortisation of acquisition intangibles and taxation thereon was \$116 million.

Adjusted earnings per share was 13.1¢ (65.5¢ per American Depositary Share, ADS). Basic earnings per share was 11.1¢ (55.5¢ per ADS) compared with 9.3¢ (46.5¢ per ADS) in 2008.

Trading cash flow (defined as cash generated from operations less capital expenditure but before the costs of macrotextured settlements, acquisition related costs and restructuring and rationalisation costs) was \$128 million in the quarter reflecting a trading profit to cash conversion rate of 70%.

Net debt decreased by \$228 million in the quarter to \$1,104 million. During the quarter we received CHF159 million in cash settlement following the agreement with the vendors of Plus.

Orthopaedics

Orthopaedics (consisting of Reconstruction, Trauma and Clinical Therapies) grew revenues by 4% in the quarter to \$508 million. Geographically, Orthopaedics grew by 3% in the US, fell by 2% in Europe and grew by 16% in the rest of the world.

Orthopaedic Reconstruction revenues grew at 3%. We estimate that the market grew at 4%, reflecting some softening in volumes over 2008. In the US our growth was 3%, in Europe growth fell by 1% and in rest of the world growth remained strong at 13%.

We saw the end of the Deferred Prosecution Agreement and have successfully implemented a more robust compliance programme which we have been rolling out globally across all our businesses.

Global knee growth was 5%, with a solid performance from our newer products, particularly in Japan where OXINIUM[®] Oxidised Zirconium was recently introduced.

Global hip growth was 2%. This was largely due to the US, where we experienced a weaker BIRMINGHAM HIP[®] Resurfacing System performance. The progress in our other hip products was encouraging, including the launch of our R3[®] Acetabular System.

Orthopaedic Trauma revenues grew by 6% to \$100 million in the quarter, with growth of 7% in the US, where our advanced products, such as PERI-LOC[®] Peri-Articular Locked Plating System and TRIGEN[®] INTERTAN[®] Nail, have continued to sell well, although our exterior fixation products have been weaker. In Europe a large UK order in the first quarter of 2008 was not repeated this year.

Clinical Therapies grew revenues by 2% as economic conditions impacted the sales of some products.

In Europe, we announced the rationalisation of our premises in Switzerland with the closure of one site.

The trading margin for Orthopaedics in the quarter was 23.4%, a reduction of 30 basis points.

Endoscopy

Endoscopy revenues were flat on the prior year at \$179 million. As anticipated, our Endoscopy business, particularly capital-related sales, were affected by the macro economic impact on hospitals and patients.

US revenues fell by 4%, Europe grew by 2% and the rest of the world grew by 8%.

By business segment, Arthroscopy grew by 3% and Visualisation fell by 12%. Within Arthroscopy we have maintained good growth in repair products with the launch of new products such as the bioabsorbable OSTEORAPTOR[®] Anchor for use in the shoulder and hip, although resection has experienced continued weakness. In the US, and increasingly in other regions, hospitals continue to reduce or defer capital purchases.

Endoscopy achieved a trading margin of 21.3%, an increase of 70 basis points.

Advanced Wound Management

Advanced Wound Management grew revenues by 9% to \$178 million, compared to the market rate of 5%. US revenues grew by 8%, with growth in both our advanced wound care and NPWT segments, supported by some US wholesaler re-stocking. European revenues grew at 6% to \$95 million, with some macro economic weakness evident in eastern Europe. Our revenues in the rest of the world increased by 15%.

Our Infection Management product range revenues grew by 31%, with an improved ACTICOAT[®] performance, and Exudate Management grew by 9%.

Negative Pressure Wound Therapy (NPWT) contributed approximately 2% to the overall Advanced Wound Management growth in revenues. We continued our drive to expand customer choice by launching our RENASYS[®] enhanced pump range and new disposable products at the end of the quarter. We have continued to demonstrate the strength of our intellectual property position with progress in the US and Germany.

We announced in the quarter the consolidation of our UK wholesale distribution arrangements in order to reduce cost and enhance customer service levels. In our second quarter there will be some net de-stocking in the UK supply chain as a result of this consolidation.

Advanced Wound Management significantly increased its trading margin to 14.6% from 9.0% in the comparable quarter. The comparative quarter included significant NPWT launch costs.

Outlook

As anticipated, Smith & Nephew is proving resilient, but not immune to the global slowdown. Our businesses are well positioned, we are fully engaged in our EIP and our strategy to deliver sustainable earnings is working.

Our Orthopaedic businesses have a long history of out-performing the market through our innovative products and high levels of customer service. In the short term, we expect our first quarter relative performance to the market to continue. We expect an increase in competitive pressures on our US Clinical Therapies business as the year progresses.

In Endoscopy we continue to expect to generate good growth in our repair segment, although we see hospitals continuing to reduce or defer capital purchases.

Advanced Wound Management, excluding NPWT, is expected to grow at around the market rate for the full year. In NPWT we are making significant progress by launching enhanced products and defending our intellectual property.

In the second quarter there is one less sales day than last year and the timing of Easter has had some effect on our European Advanced Wound Management business.

Our strong first quarter margin performance, through a combination of our EIP and maintaining prudent cost control, demonstrates progress towards meeting our trading margin target.

The underlying demographic and other growth drivers remain favourable and will continue to create strong long term demand for our products and sustainable growth for our shareholders.

About Us

Smith & Nephew is a global medical technology business, specialising in Orthopaedics, including Reconstruction, Trauma and Clinical Therapies; Endoscopy and Advanced Wound Management. Smith & Nephew is a global leader in arthroscopy and advanced wound management and is one of the leading global orthopaedics companies.

Smith & Nephew is dedicated to helping improve people's lives. The Company prides itself on the strength of its relationships with its surgeons and professional healthcare customers, with whom its name is synonymous with high standards of performance, innovation and trust. The Company operates in 32 countries around the world. Annual sales in 2008 were \$3.8 billion.

Forward-Looking Statements

This press release contains certain forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. In particular, statements regarding expected revenue growth and trading margins discussed under Outlook are forward-looking statements as are discussions of our product pipeline. These statements, as well as the phrases aim, plan, intend, anticipate, well-placed, believe, estimate, expect, target, consider and similar expressions, are generally intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors (including, but not limited to, the outcome of litigation, claims and regulatory approvals) that could cause the actual results, performance or achievements of Smith & Nephew, or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. 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 20F, for a discussion of certain of these factors.

All forward-looking statements in this press release are based on information available to Smith & Nephew as of the date hereof. All written or oral forward-looking statements attributable to Smith & Nephew or any

person acting on behalf of Smith & Nephew are expressly qualified in their entirety by the foregoing. Smith & Nephew does not undertake any obligation to update or revise any forward-looking statement contained herein to reflect any change in Smith & Nephew's expectation with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

[◊] Trademark of Smith & Nephew. Certain marks registered US Patent and Trademark Office.

SMITH & NEPHEW plc

2009 QUARTER ONE RESULTS

Unaudited Group Income Statement for the 3 months to 28 March 2009

	Notes	2009 \$m	2008 (B) \$m
Revenue	3	865	911
Cost of goods sold		(232)	(256)
Gross profit		633	655
Selling, general and administrative expenses		(441)	(480)
Research and development expenses		(33)	(33)
Operating profit	4	159	142
Interest receivable			1
Interest payable		(10)	(17)
Other finance costs		(3)	
Profit before taxation		146	126
Taxation	10	(48)	(43)
Attributable profit (A)		98	83
Earnings per share (A)	2		
Basic		11.1¢	9.3¢
Diluted		11.1¢	9.3¢

Unaudited Group Statement of Comprehensive Income for the 3 months to 28 March 2009

	2009 \$m	2008 (B) \$m
Attributable profit	98	83
Other comprehensive income:		
Translation differences	(40)	43
Net losses on cash flow hedges	(6)	(6)
Actuarial gains on defined benefit pension plans	40	15
Taxation on items relating to components of other comprehensive income	(15)	(2)
Other comprehensive income for the year, net of tax	(21)	50
Total comprehensive income for the year (A)	77	133

A Attributable to the equity holders of the parent and wholly derived from continuing operations.

B As adjusted for the final fair value adjustments relating to the Plus acquisition – see Note 1.

SMITH & NEPHEW plc

2009 QUARTER ONE RESULTS continued

Unaudited Group Balance Sheet as at 28 March 2009

31 Dec 2008 \$m		28 March 2009 \$m	29 March 2008 (B) \$m
ASSETS			
Non-current assets			
725	Property, plant and equipment	696	766
1,189	Goodwill	1,038	1,293
376	Intangible assets	365	438
7	Investments	7	8
12	Investment in associates	12	12
214	Deferred tax assets	188	140
2,523		2,306	2,657
Current assets			
879	Inventories	908	887
961	Trade and other receivables	920	970
145	Cash and bank	172	171
1,985		2,000	2,028
4,508	TOTAL ASSETS	4,306	4,685
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
190	Share capital	190	190
375	Share premium	375	365
(823)	Treasury shares	(816)	(727)
1	Other reserves	(45)	133
1,956	Retained earnings	2,004	1,845
1,699	Total equity	1,708	1,806
Non-current liabilities			
1,358	Long-term borrowings	1,163	37
350	Retirement benefit obligation	309	173
36	Other payables due after one year	37	47
51	Provisions due after one year	51	31
46	Deferred tax liabilities	37	62
1,841		1,597	350
Current liabilities			
115	Bank overdrafts and loans due within one year	111	1,588
607	Trade and other payables	624	653
54	Provisions due within one year	58	72
192	Current tax payable	208	216

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968		1,001	2,529
2,809	Total liabilities	2,598	2,879
4,508	TOTAL EQUITY AND LIABILITIES	4,306	4,685

SMITH & NEPHEW plc

2009 QUARTER ONE RESULTS continued

Unaudited Condensed Group Cash Flow Statement for the 3 months to 28 March 2009

	Notes	2009 \$m	2008 (B) \$m
Net cash inflow from operating activities			
Profit before taxation		146	126
Less: Net interest payable		10	16
Depreciation, amortisation and impairment		64	62
Utilisation of Plus inventory stepped-up on acquisition			15
Share based payment expense		4	5
Movement in working capital and provisions		(66)	(72)
Cash generated from operations (C)		158	152
Net interest paid		(10)	(16)
Income taxes paid		(53)	(33)
Net cash inflow from operating activities		95	103
Cash flows from investing activities			
Acquisitions			(10)
Cash received from Plus settlement	7	137	
Capital expenditure		(42)	(61)
Net cash obtained from/(used in) investing activities		95	(71)
Cash flow before financing activities		190	32
Cash flows from financing activities			
Proceeds from issue of ordinary share capital			9
Cash movements in borrowings		(165)	49
Purchase of treasury shares			(91)
Settlement of currency swaps		(2)	(5)
Net cash used in financing activities		(167)	(38)
Net increase/(decrease) in cash and cash equivalents		23	(6)
Cash and cash equivalents at beginning of period		122	