

## **FILE NAME: 10062021 Andrew Williams EARNINGS**

### **Speaker Key:**

Q: Questions

A: Answers, CEO, Andrew Williams

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Q: Pleased to have with us Andrew Williams, the CEO of Halma, Andrew, thanks for joining us. Just walk us through the period then, and tell us a little bit more about the revenue trend?

A: Yeah, it's an interesting year for us probably the most challenging year in many ways, most humbling year leading the group. I've been leading the group for 17 years now and this was a very different year. We like many people saw a lot of disruption early on in the year. So bear in mind, we had a whole 12 months during the COVID pandemic from April through to March this year. And we saw huge variation across the different geographies, the different end markets that we serve. But what's interesting, as we went through the year, we saw sequentially strengthening revenue. And so we ended the year with actually quite a lot of momentum.

Q: Can you just talk about where in particular the shortfall on the revenue lines came from? I mean, was it about, you know, lack of construction, and then installation of the fire alarms? Or where else was the product weakness?

A: Yeah, I think early on, obviously, everything was impacted. And I think, you know, you look at something like our safety sector, and clearly, the lower industrial activity had an impact there early on and that slowly picked up, I think probably the medical sector is the most interesting story, because here we've got some businesses that were part of the response to COVID. So for example, we've got a business called Perma Pure who, who actually make components that go into the ventilators that help to treat COVID patients. And yet at the other end of the spectrum, we've got businesses involved in areas such as ophthalmology, so cataract surgery, or even orthopaedics, back surgery, and those businesses saw very, very significant reduction in demand initially, because of the decline in elective procedures. And so we've seen really two extremes even within one of our sectors. The beauty of our model is that we're a global group of 45, 50 SMEs, and so each business was able to respond to the very different challenges it saw, which as you say, then resulted in us being able to have a very resilient performance overall, from a revenue point of view, and actually increase our profit for the year.

Q: Andrew, as I look at the various different things that your business is involved in, it does seem as though it lends itself to an economy that is open and fully working, and particularly some of the old trends prior to the pandemic, namely, the use of office blocks are very dense environments, for instance, you know, you have emergency phones and elevators, display screens, sensors for opening automatic doors, technology to count people, automatic fire detection, and suppression, you know, this is stuff that seems to lend itself to office blocks. Do you think that there is going to be an impact then, as we talk about more work from home and potentially less demand for offices in future?

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- A: It's an interesting one. Whenever we see changes like that, it's actually, it's generally positive for us because the kind of markets that we're in, as far as infrastructure safety is concerned, are regulated markets. So yeah, we're providing fire systems and elevator systems and automatic door sensors for office blocks, but at the same time, for hotels, for retail, for large residential property, for airports. So when there's a change in use of buildings and use of infrastructure, that's normally a good sign for us because it's more a repurposing of those facilities, rather than them not requiring any of the products that we sell, which as I say generally are driven by regulation rather than by, you know, choice, if you like, in terms of who's operating the building.
- Q: That's an interesting portfolio and certainly sitting on some amazing technology there that could quickly be used elsewhere. As we talk about the future, we've seen this huge pivot towards infrastructure stimulus spending, also towards the greening of economies, to what extent is the portfolio lend itself to some of those new opportunities?
- A: Well, we have, as you know, an environmental analysis sector. And so for example, some of the key businesses within that are very much focused on water, water conservation, we've got the global leader in water leak detection, a business that automatically is monitoring water pipelines for flow and pressure and detecting leaks and helping water companies to reduce leakage. We've got businesses involved in water testing. So, we're very well placed to really address some of the major global challenges as you say, over the next 10, 20, 50 years, even whether it's on the health side of things, the environmental side of things, or indeed just keeping people safe at work, and increasingly at home and as they go about their business.
- Q: Andrew, you set the scene a couple of months ago, back in March, as you're talking about a healthy acquisition pipeline. Can you just give us a sense of what you're thinking about on the M&A front at this point?
- A: Yeah, we look for opportunities across all three of our sectors and we're basically buying small to medium sized privately owned companies that fit very well within the existing portfolio. So in the second half of the year, we saw a big pickup in activity, we made a couple of acquisitions in our medical sector, our UK based business that makes technology that is used in things like nurse call systems in hospitals, and then a US business that's a software based business that helps to monitor babies and mothers during the labour process, so perinatal health care if you like. So increasingly, we're seeing opportunities, higher technology opportunities, but because of the focus of our portfolio, it is across all three areas. And global businesses, so you know, we're looking to acquire businesses in the US in Europe or indeed, in Asia, Pacific.
- Q: Andrew, shares are at an all-time high. The business is looking really good in the current environment, given your exposure to safety, environmental and health. What can you do next to extract more value and hand it back to shareholders at the moment? Are you looking at any activity, that might return a little bit more of the success back to your existing shareholders, maybe through a sale of some businesses?
- A: Well, we've got a very simple model that, you know, it's driven by a combination of organic growth and acquisition growth. And along with that, as you say, giving reliable returns to the shareholders. It's the 42nd consecutive year that we've increased our dividend by 5% or more. So it's very much a growth orientation, and then as we go along, giving the return to shareholders through that dividend. Having said that, we manage a portfolio, so there are times when you look at a business, and you see that it doesn't have the long term growth opportunities, or indeed, that it doesn't align with our purpose, we've got a very clear purpose of growing a safer, cleaner, healthier future for everyone, every day, and sometimes, businesses in their market shift away from that. So this past year, we made

one small disposal, a US based business that didn't fit the purpose nor the financial characteristics and every year, now and again, we'll be looking to do that. But you know, it be fair to say, it's more a sort of a pruning of the portfolio, as new companies come in, we will sell one or two businesses. And over the last 40 or 50 years that's enabled us to continue to have the portfolio focused on those markers for those long term growth drivers.

Q: And do you take the calls from the investment bankers offering interesting ideas about businesses you might want to sell or buy? Or do you show them the door?

A: No, constantly in conversation with them, because there's a lot of good information to be gleaned, but in practice, almost every acquisition we've made, and I think since I've been CEO, we've probably made maybe 50 acquisitions, almost all of them come through our own channels. So we look to build relationships with private business owners very early on, they may not be looking to sell immediately, but through the relationships with our existing operating companies, we'll build that relationship. Because what we're offering them is the opportunity to not just sell their business but actually sell their business and continue running it after they sold it. But under the umbrella of a much stronger global group that can really support them to grow their business. So we have what I call our growth enablers, and these are small expert teams across our business that just help these relatively small businesses when we acquire them, to keep on growing and in many cases become global businesses in their own right.

Q: Andrew, I can hear teeth gnashing right now over in Docklands at the top of those big banking towers. Nice to have you on the programme this morning. Andrew Williams, the CEO of Halma.

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