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Interview with: Andrew Williams

Ian King

Now, demand for safety equipment and services to reduce damage to the environment have grown strongly during the last decade and one of the fastest growing players in the field is Halma but even *it* has not proved immune to the pandemic. The FTSE 100 member today reported a 5% fall in half year pre tax profits on an adjusted basis to £122 million. Well, the Chief Executive is Andrew Williams and he joins me now. Andrew, good to see you ...

Andrew Williams

Morning.

Ian King

... the drop in sales and profits, that was largely in your infrastructure safety and process safety solutions, I assume that's all down to a drop-off in construction activity during the pandemic?

Andrew Williams

I think there's a little bit of that but actually I think it was more the challenges in the early part of the pandemic, with installers, who have to go and visit sites to either install or maintain safety equipment, not being able to gain access to those sites or, indeed, they may even have been put on furlough, so a combination of things. I think, thinking about the long term demand there though, it's still very strong, that our focus on, as you say, safety, healthcare and the environment, these are long term structural, growing markets, where demand will inevitably come back and it's been interesting that as we look through the year to date, although we had that very challenging first quarter, April through June, when lockdown was at its fiercest, if you like, actually we've seen an increase in demand as we go through the second quarter into this year, as installers have started getting back to work and doing the essential work they need to do in making public places and buildings safe.

Ian King

And, indeed, your environmental and analysis arm actually grew sales and profits during the period!

Andrew Williams

Yeah, that's right, we've got focus there on areas such as water conservation, water testing and so, again, these are markets where there's a real long term need for our product, you know, our technologies are solving some of the great challenges that the world has, our purpose, as we talk about it, is 'Growing a safer, cleaner, healthier future for every one every day', and so these are products, these are services that people need, they're essential to our ways of life, our ways of living and also the long term future of the planet.

Ian King

Now, obviously you're a big global business, you're operating in all parts of the world, I couldn't help but notice that the UK was probably the laggard in terms of sales in this period, is that just a reflection of the business mix here or was there more to it than that?

Andrew Williams

Yeah, it's a little bit of mix but also, back to your earlier question about infrastructure safety; I mean, infrastructure safety is one of its bigger markets and, as we touched on earlier, the furloughing of some of our installers and some of our customer base, just slow demand there, we are seeing that picking up as we go through, as I say, the second quarter and into this year, and I think, long term, again, UK is going to continue to be a really important market for us, both from an organic growth point of view and also from acquisitions, so we still see plenty of opportunities in the UK, as we do elsewhere in the world.

Ian King

Well, you mentioned acquisitions there, Halma has been a pretty acquisitive company down the years, will that continue once the pandemic's out of the way?

Andrew Williams

In fact, it's already started, obviously, the kind of businesses we're acquiring are very much aligned with our purpose, so safety, healthcare, the environment, they've got great technology, very valuable technology, and we also look for businesses where there is strong leadership but leadership that we can build upon. So, long term, we think there's plenty of opportunities in acquiring businesses in those core markets, activities picking up as we come into the second half of the year. There's still a lot of question marks over valuation of businesses because everyone's been through a lot of challenges in recent months but, again, as we look through to 2021, we think there's going to be some very good opportunities for us there to add to the group and businesses that fit very well with our criteria and with our purpose.

Ian King

Obviously, Boris Johnson announced yesterday what he's calling his 'Green Industrial Revolution', are there opportunities in that for you?

Andrew Williams

Yeah, again, I think I take a slightly longer term view because obviously it's nothing new for us. It's interesting, if you look at, for example, some of our fire safety businesses, already they're selling fire suppression solutions into wind farms, you know, if you look at some of the technologies in our photonics businesses, our optical analysis businesses, they've got green applications there. So I think it's always been there growing within our business, clearly this is probably good news for us over the long run in the UK, equally, it would be good to see that sort of rolling out in other countries in the world because that's where also we see a lot of long term need and also long term growth for us.

Ian King

Now, Andrew, you've raised the dividend today, which I would assume means that you're looking through the pandemic as a sort of short term bump in the road?

Andrew Williams

Yeah, I think it's also the reflection of the fact that we've been very careful at the beginning of the pandemic to think through the various stakeholders we have and make sure that, whether it's employees, suppliers or shareholders or customers, that, if you like, we're recognising their need, their interest, so, you know, paying a dividend out is very much a function of making sure at the same time we're serving our customers, we're being fair to our employees. So, for example, throughout the pandemic we haven't accessed any UK government support for either furlough or, indeed, to support our balance-sheet and our cash generation during the first half of this year has been extremely strong. So we came out of the half year with more liquidity and less net-debt than we did entering it, so, you know, paying a dividend to shareholders I think is a reflection of the progress we've made but also reflects that long term track record; we've now increased our dividend by 5% or more every year for over 40 years.

Ian King

Wow, that is some record! Andrew, great to talk to you. I'm sorry you can't be in the studio with us but hopefully another day. Good to see you!

Andrew Williams

Thanks, Ian.

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