

# Final results 2013/14

**Andrew Williams – Chief Executive**  
**Kevin Thompson – Finance Director**

## Summary 2013/14

### Growth & High returns

**Revenue**  
**+9%**  
£677m

**Profit**  
**+9%**  
£140.2m

**ROS**  
**20.7%**  
(LY: 20.8%)

### Strategic investment

**ROW revenue**  
**+9%**  
£170m

**China revenue**  
**+26%**  
£47m

**R&D spend**  
**+3%**  
£32m

### Good cash performance

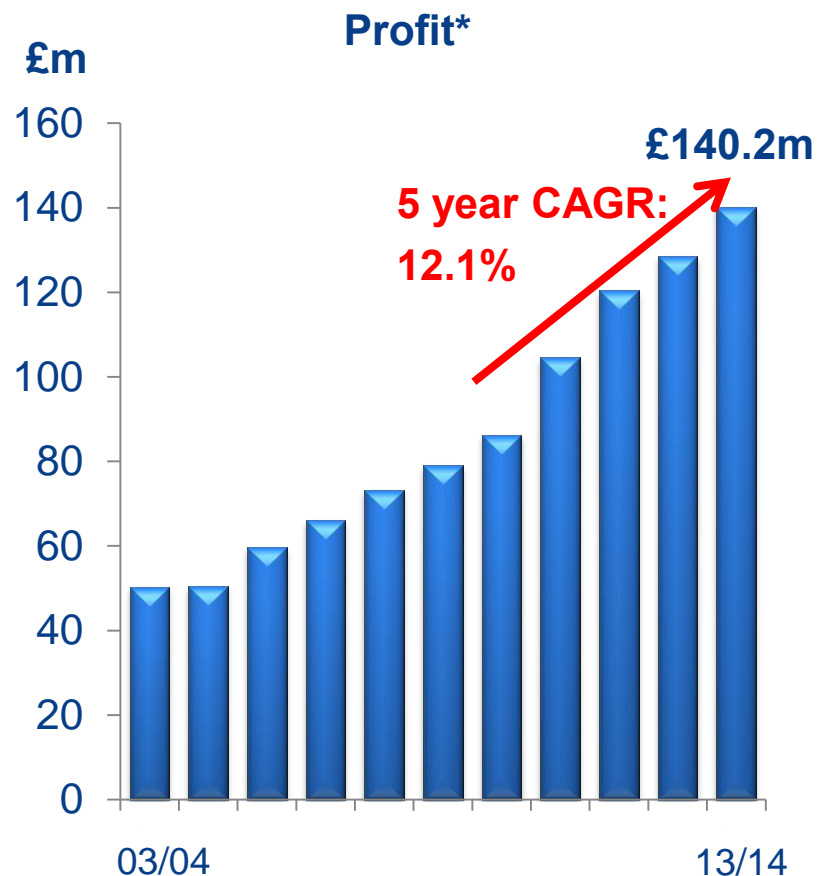
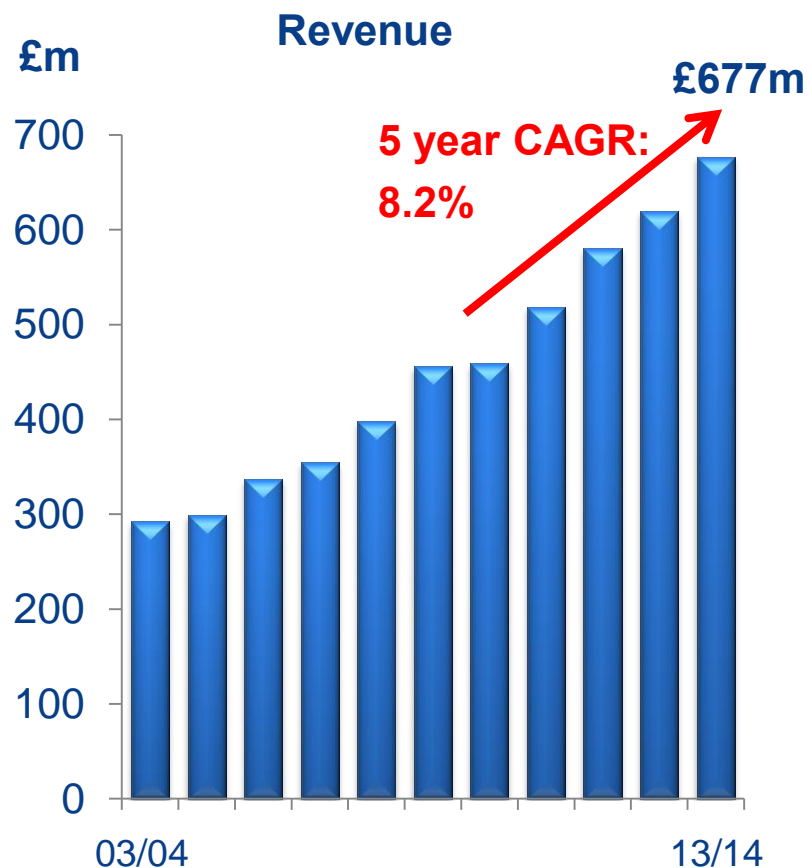
**Cash flow**  
**89%**  
of adjusted profit

**Dividend**  
**+7%**  
11.17p

**ROTC**  
**16.1%**  
(LY: 15.6%)

# Financial Review

## Record results



\* Profit before amortisation of acquired intangibles, acquisition items, curtailment gain on DB pension schemes and profit or loss on disposal of operations

2013 profit has been restated by £2.1m to reflect changes to IAS 19 accounting for pensions. Earlier periods have not been changed.

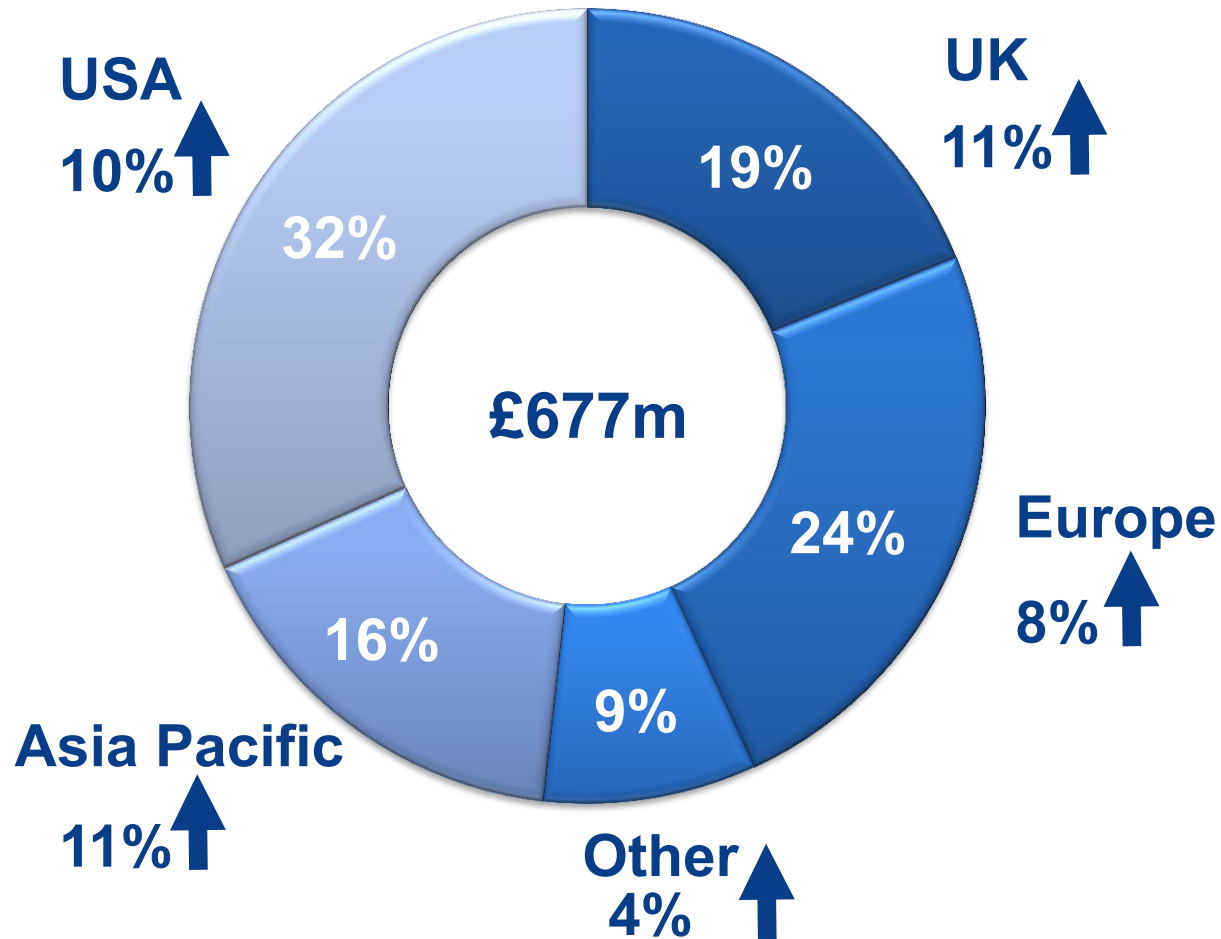
## Revenue growth

	£m	Total	Organic: Constant Currency
H1	333	12%	6%
H2	344	7%	6%
<b>Total</b>	<b>677</b>	<b>9%*</b>	<b>6%</b>

\* Excluding disposal in prior year, growth is 10%

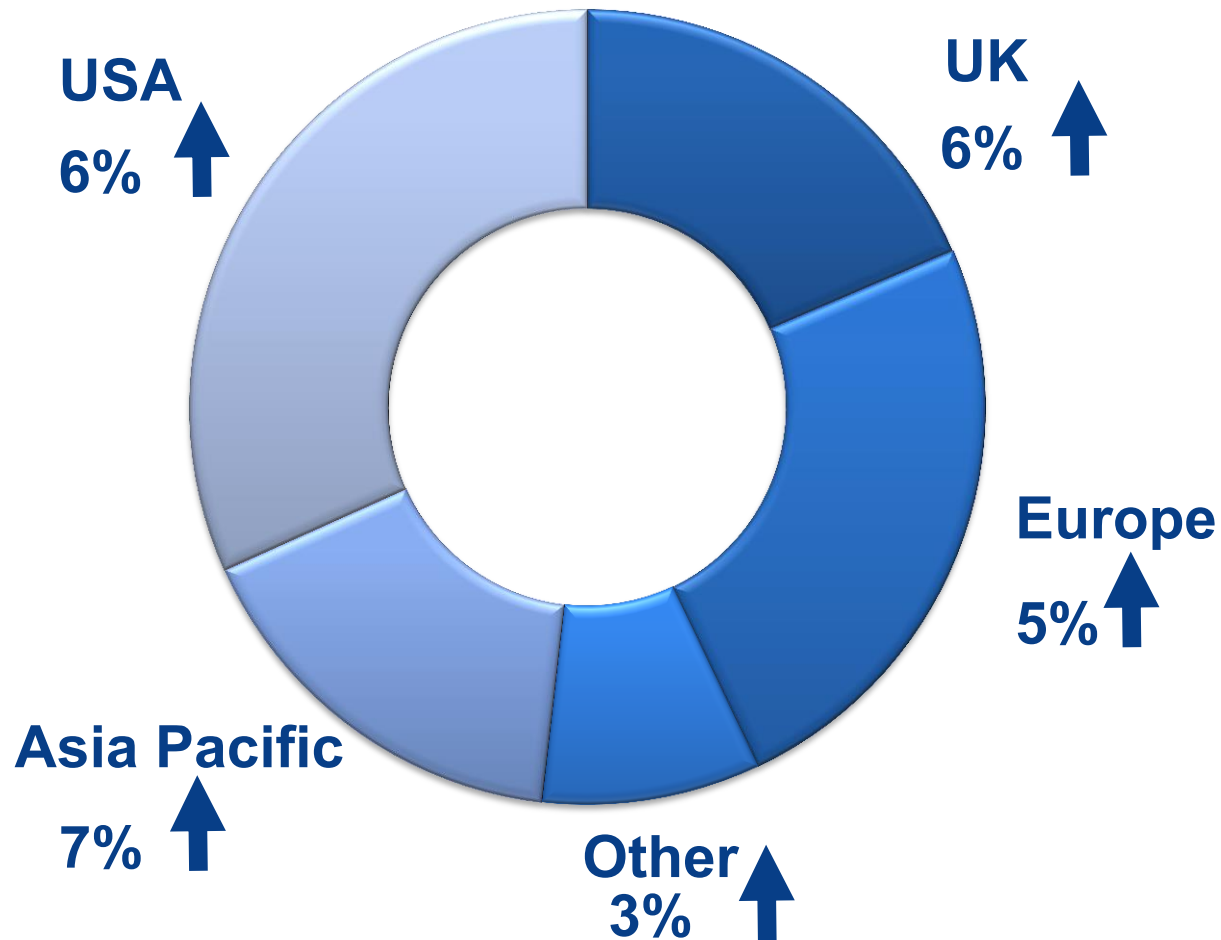
## Revenue by destination

Revenue and revenue growth, 2013/14

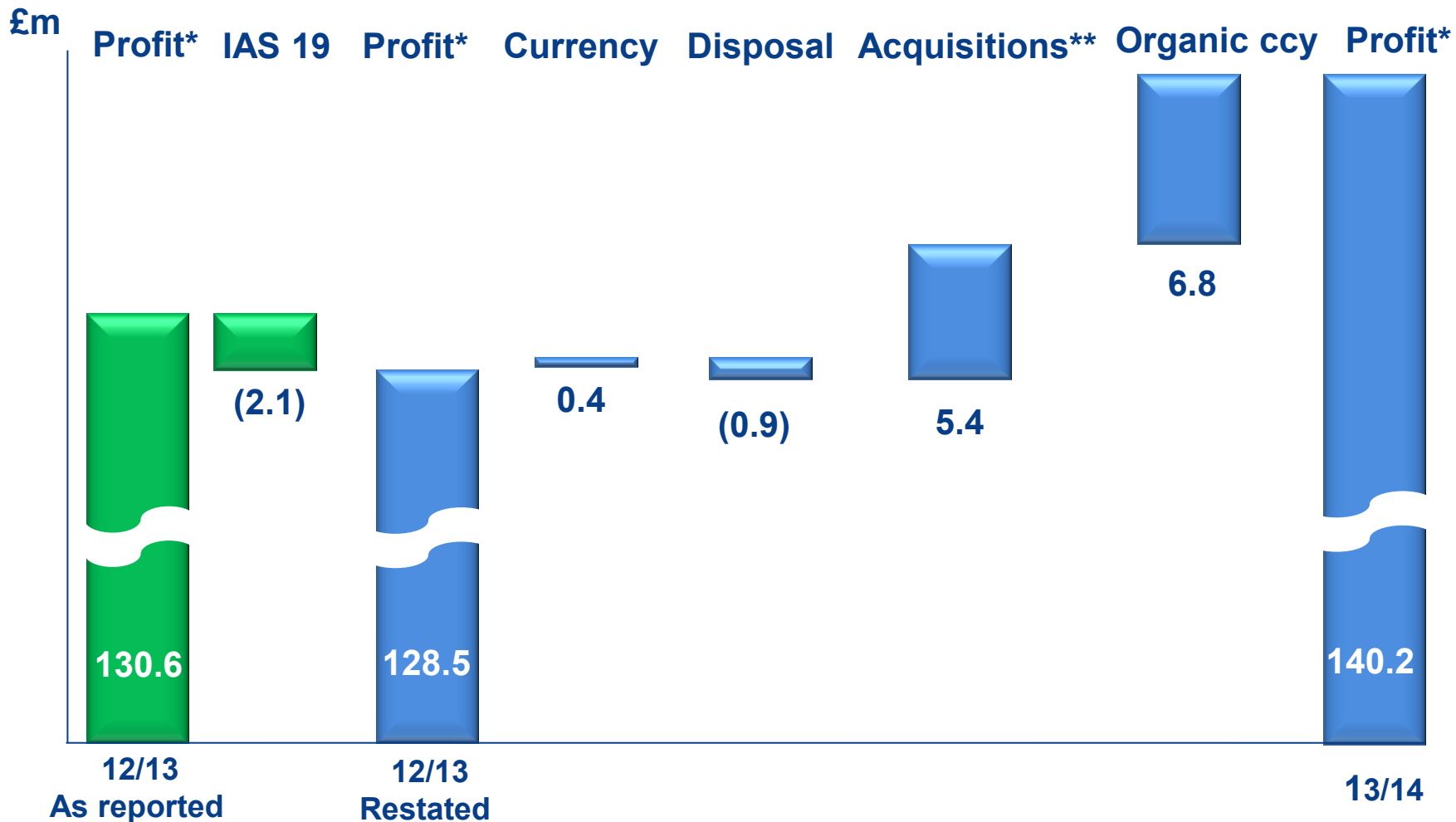


## Revenue by destination: organic constant currency

Revenue and revenue growth, 2013/14



## Profit\* Bridge



\* Profit before amortisation of acquired intangibles, acquisition items, curtailment gain on DB pension schemes and profit or loss on disposal of operations

\*\* Net of financing costs



## Profit\* growth

	£m	Total	Organic: Constant Currency
H1	65.1	9%	2%
H2	75.1	9%	8%
<b>Total</b>	<b>140.2</b>	<b>9%**</b>	<b>5%</b>

\* Profit before amortisation of acquired intangibles, acquisition items, curtailment gain on DB pension schemes and profit or loss on disposal of operations

\*\* Excluding disposal in prior year, growth is 10%

## Currency

- Minimal translation impact in 13/14
  - H1 13/14: 2% currency benefit
  - £ v \$/€ headwind in H2 13/14
- At current Fx rates\*:-
  - H1: 5% Adverse
  - FY: ~ 3% Adverse
  - Impact varying by sector
- More information in Appendix

\* Based on 13/14 results

## Strong Returns

ROCE\*      76.4%      (2013: 70.7%)

ROTIC\*\*    16.1%      (2013: 15.6%)

### Return on Sales

➤ 2013/14    20.7%      (2013: 20.8%)

➤ Range      18-22%

\*      Return on Capital Employed

\*\*      Return on Total Invested Capital

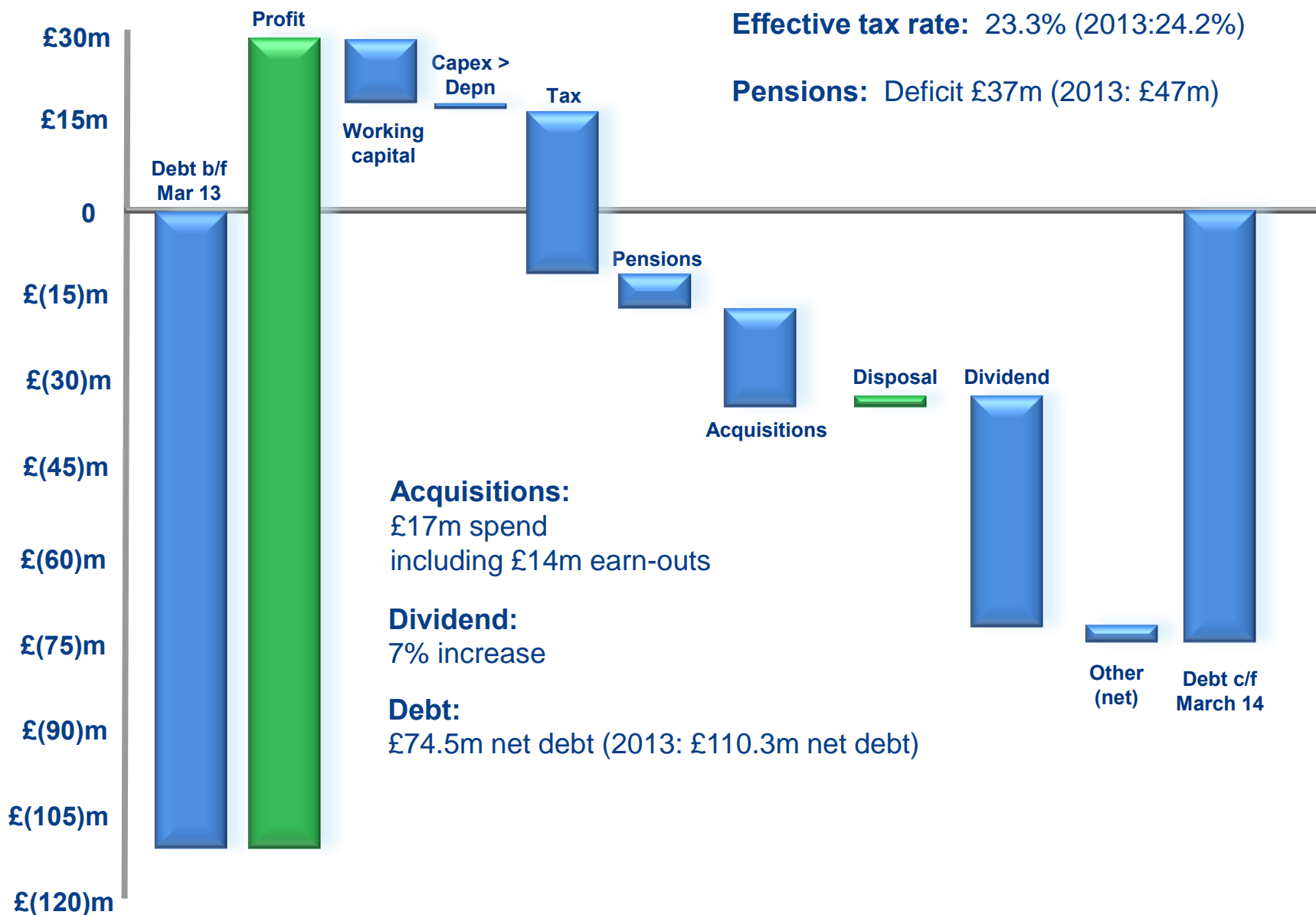
Prior year restated to include impact of IAS 19 accounting for pensions

## Cash flow 2013/14

**Working capital:**  
outflow £11m (2013: £11m)

**Effective tax rate:** 23.3% (2013:24.2%)

**Pensions:** Deficit £37m (2013: £47m)



## Funding

- New £360m facility – 5 years to November 2018
- Comfortable with net debt of up to 1.25x EBITDA (March 14: 0.41x)
- May 2014 M&A
  - Net spend £78m
  - 2014/15 contribution: Revenue £29m, Profit £6.4m\*
- Strong balance sheet with significant capacity

\* At acquisition/disposal run rate. After financing costs.

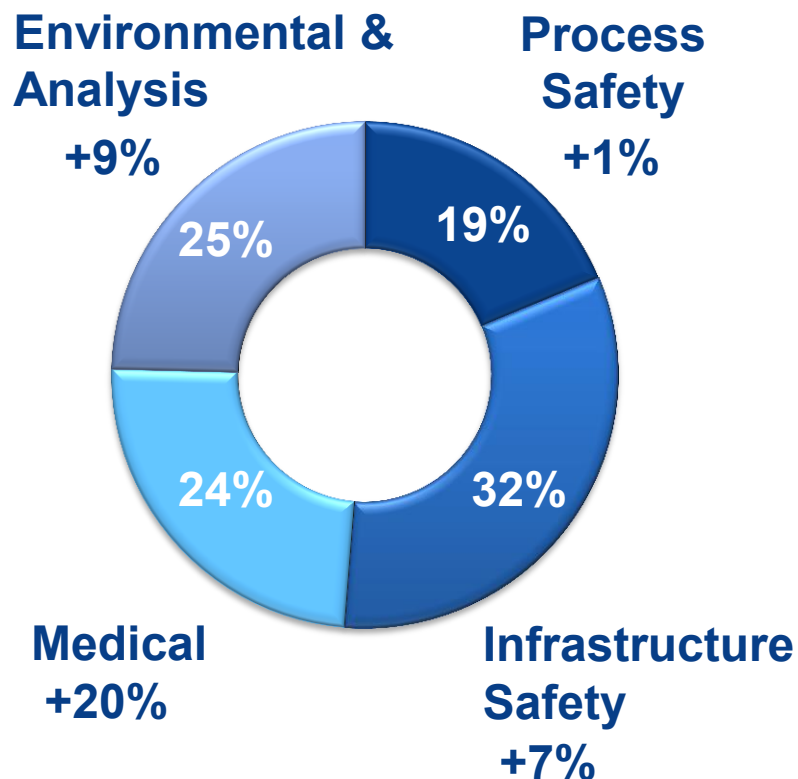
## Financial KPI Summary 2013/14

	<u>Target</u>	<u>Achieved</u>
Organic revenue growth	> 5%	6%
Organic profit growth	> 5%	6%
Revenue outside UK/Europe/USA	30% by 2015	25%
Return on Sales	> 18%	20.7%
R&D investment (% of revenue)	> 4%	4.7%
Cash conversion	> 85%	89%

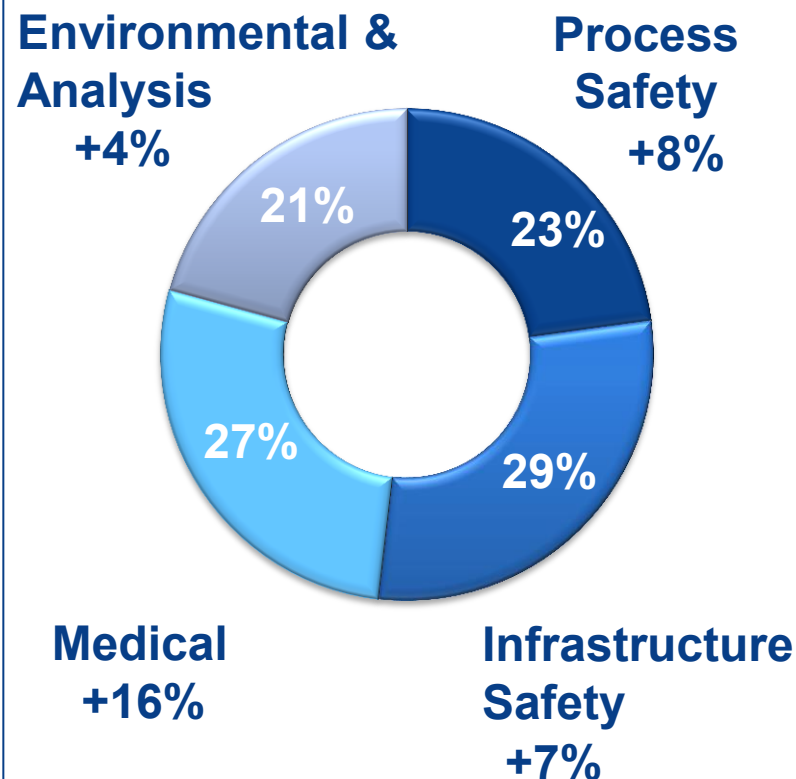
# Trading Review

## Sector performances

### Revenue



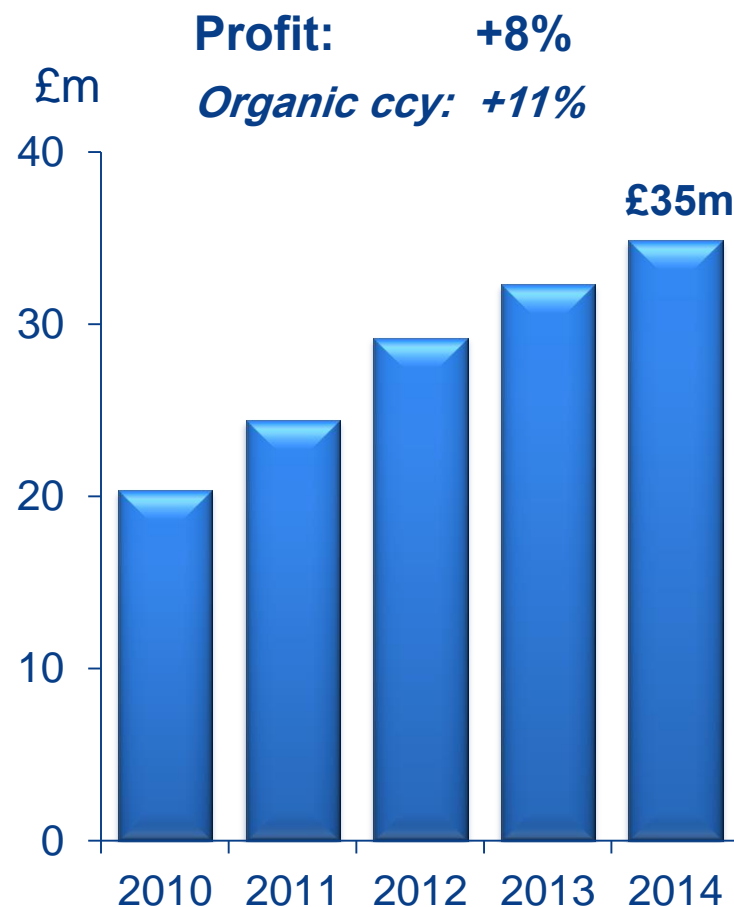
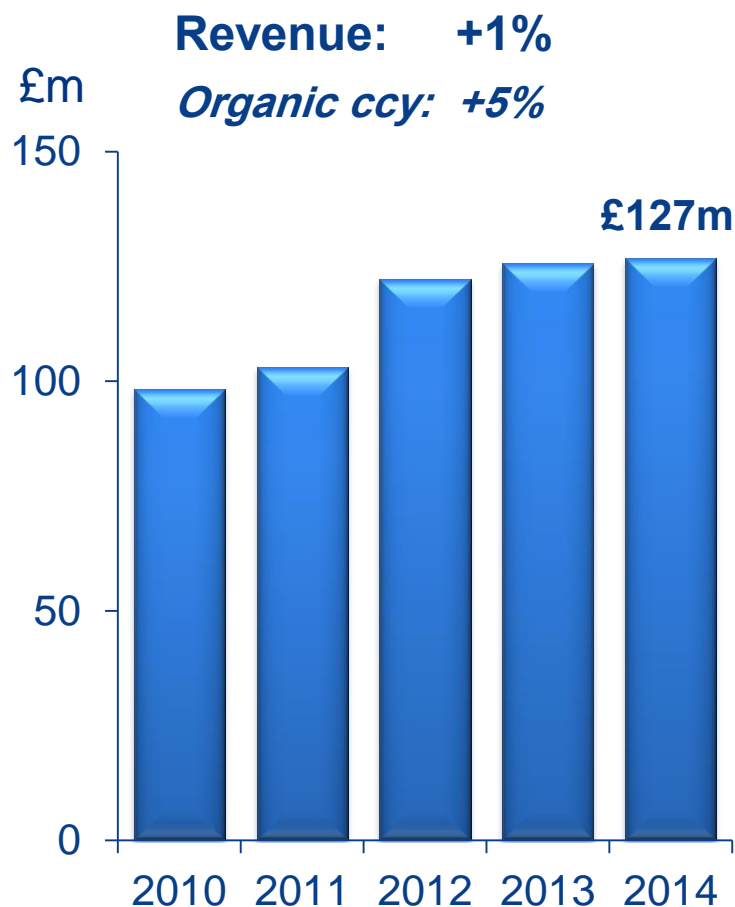
### Profit\*



- Profit before amortisation of acquired intangibles, acquisition items, curtailment gain on DB pension schemes and profit or loss on disposal of operations



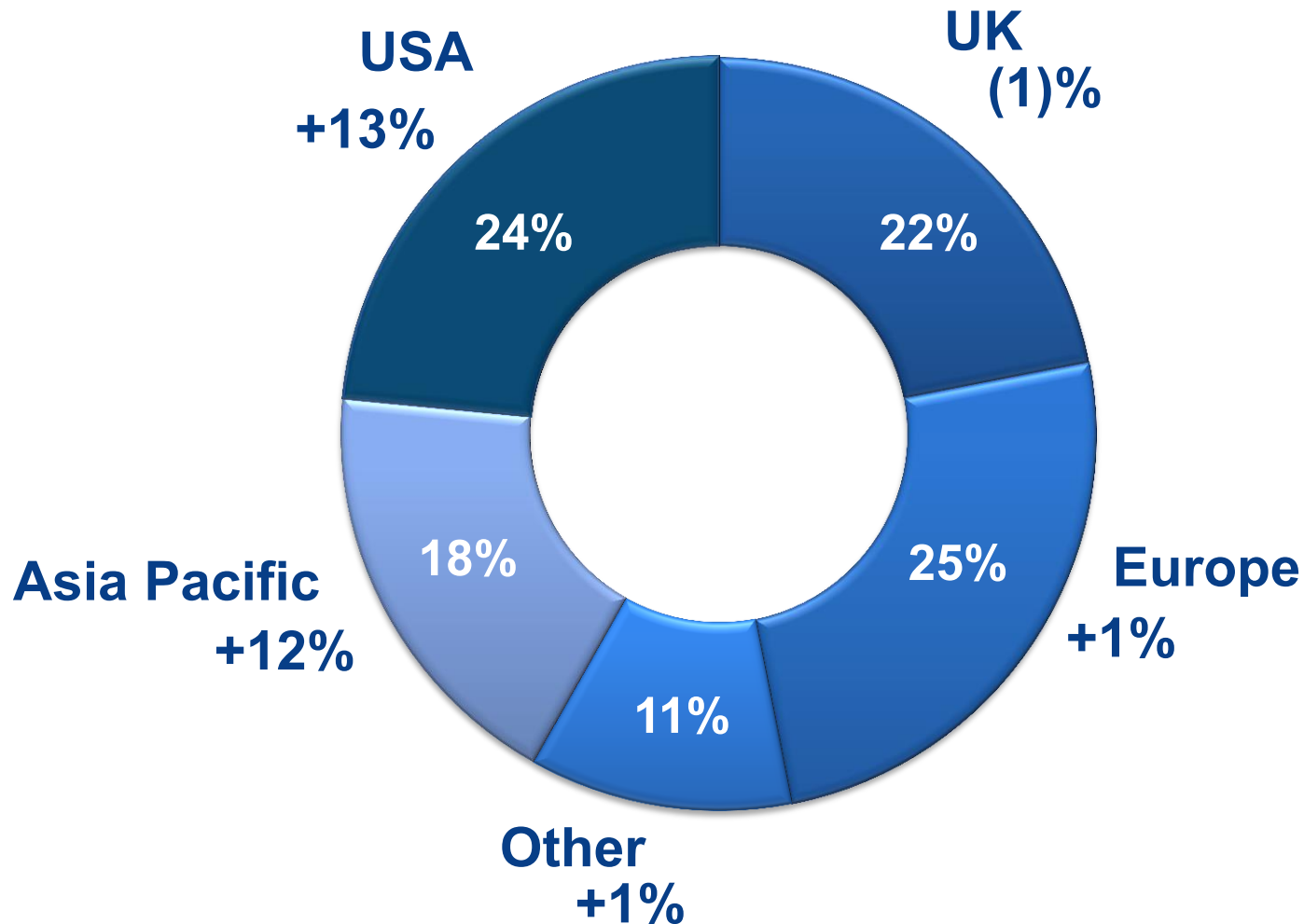
## Process Safety: Trading performance



**Return on Sales: 27.5%**

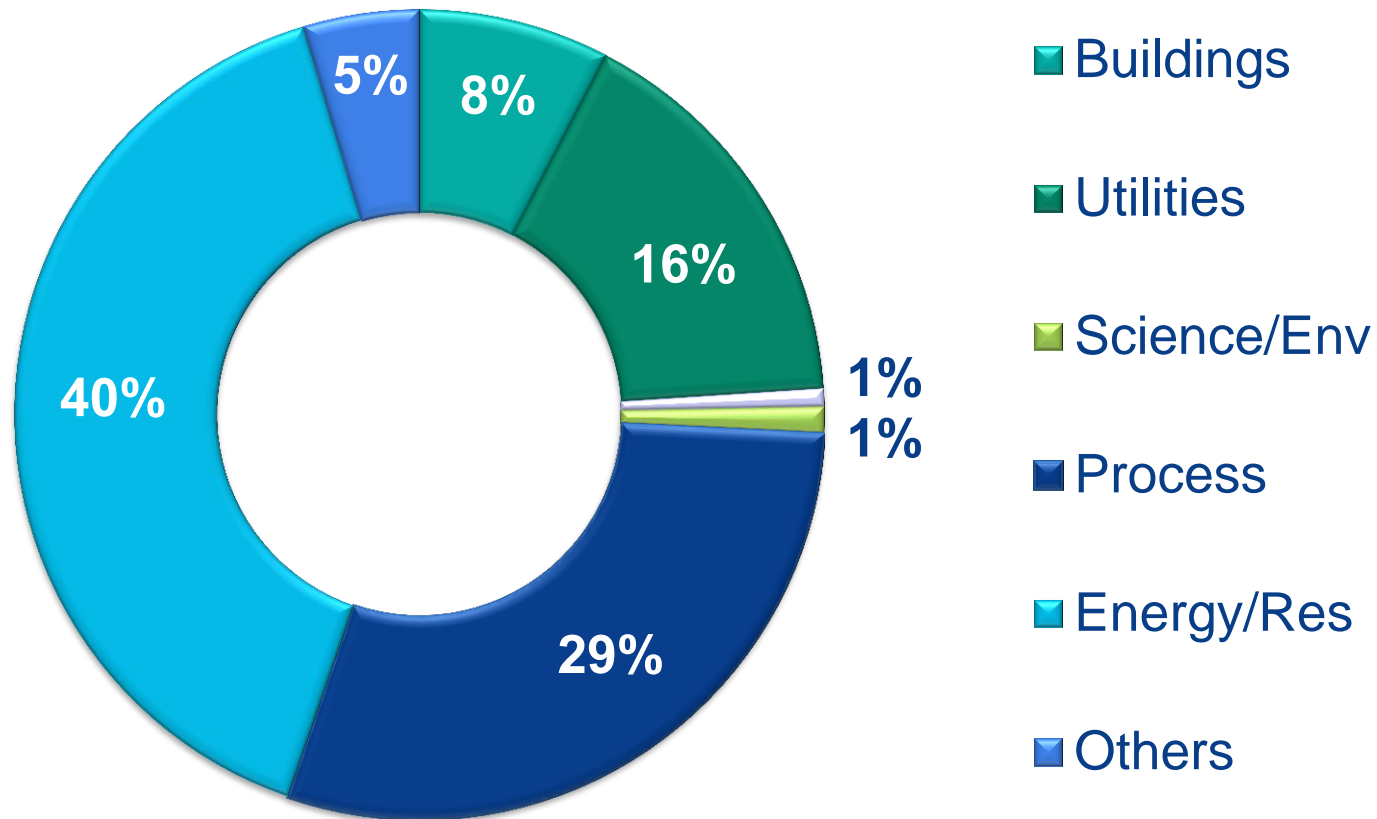
## Process Safety: Revenue by destination

FY 2013/14: % of sector & % growth (excluding disposal)

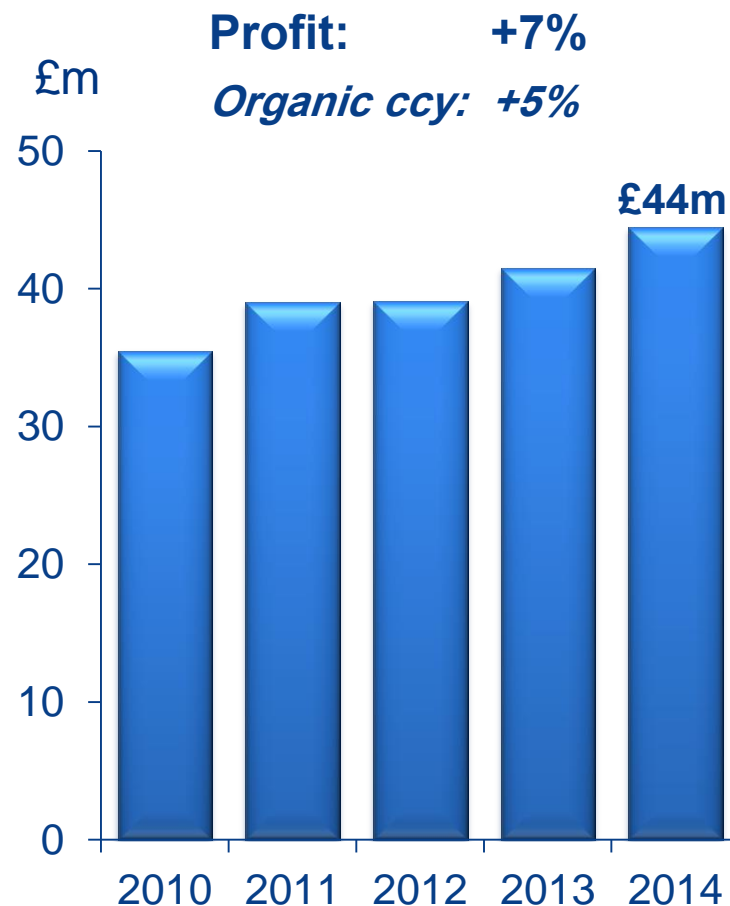
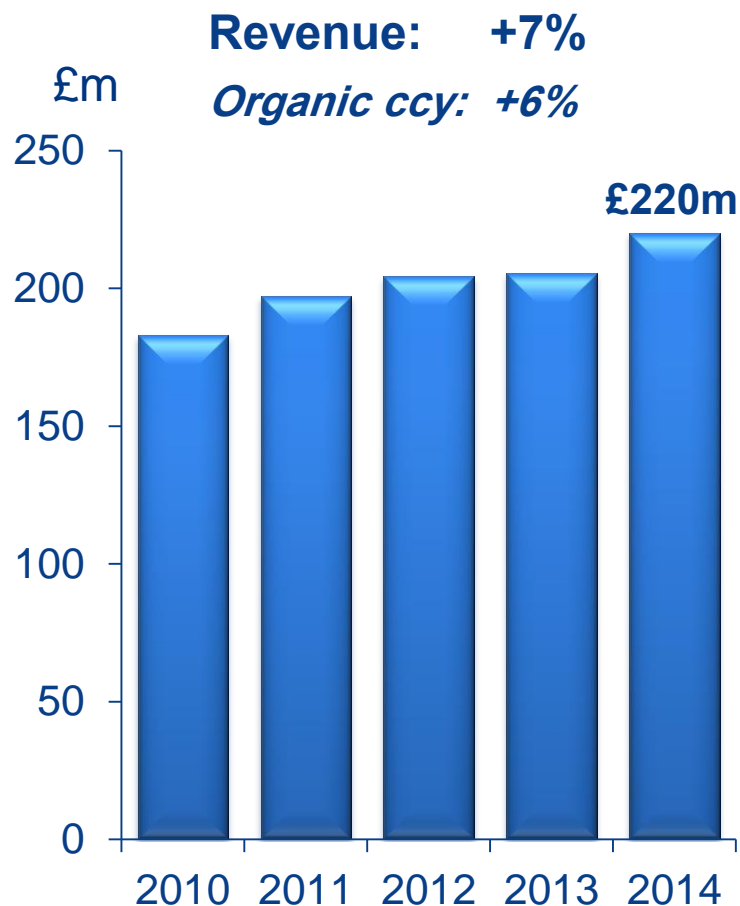


## Process Safety: Revenue by end market

% of sector



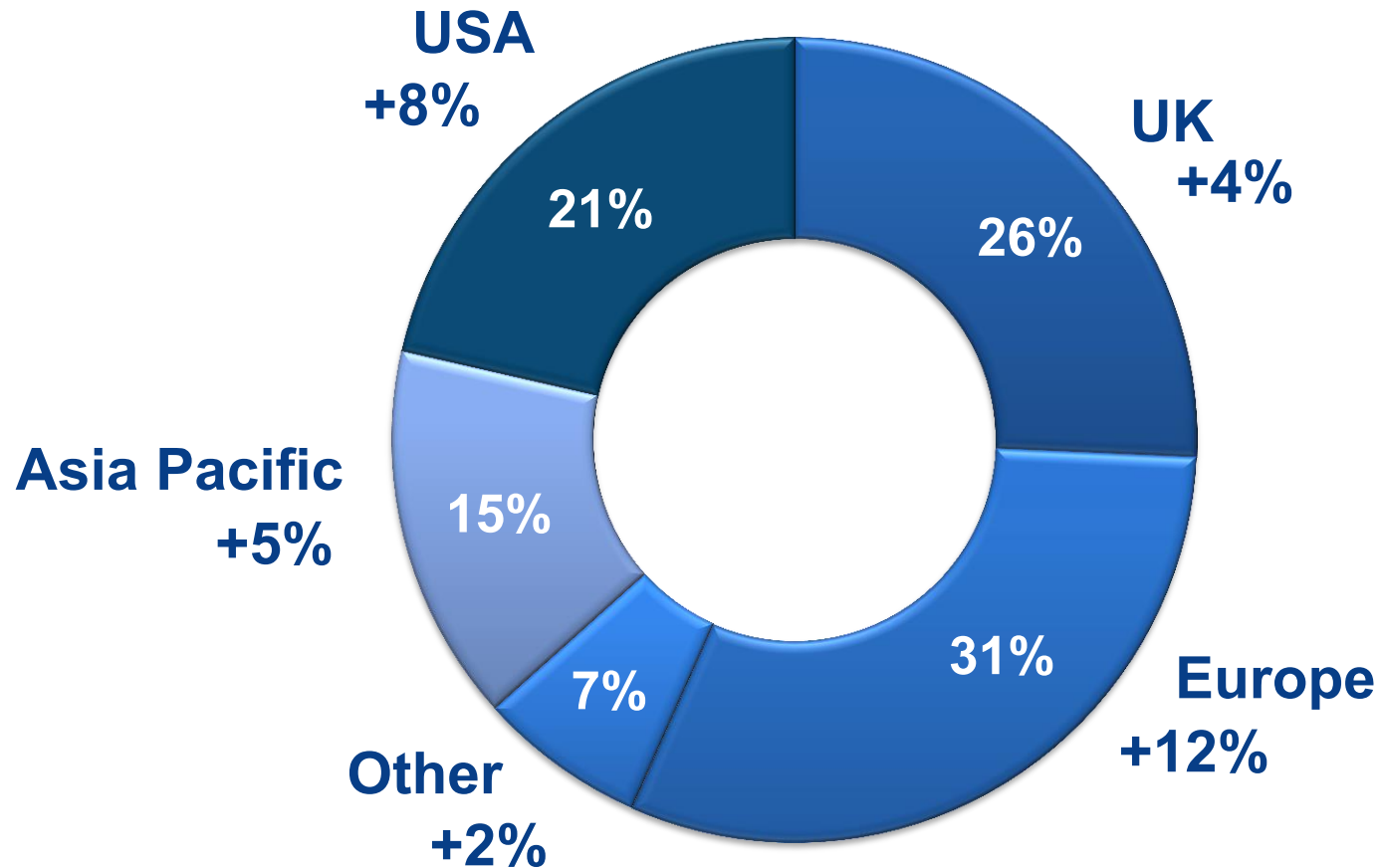
## Infrastructure Safety: Trading performance



**Return on Sales: 20.2%**

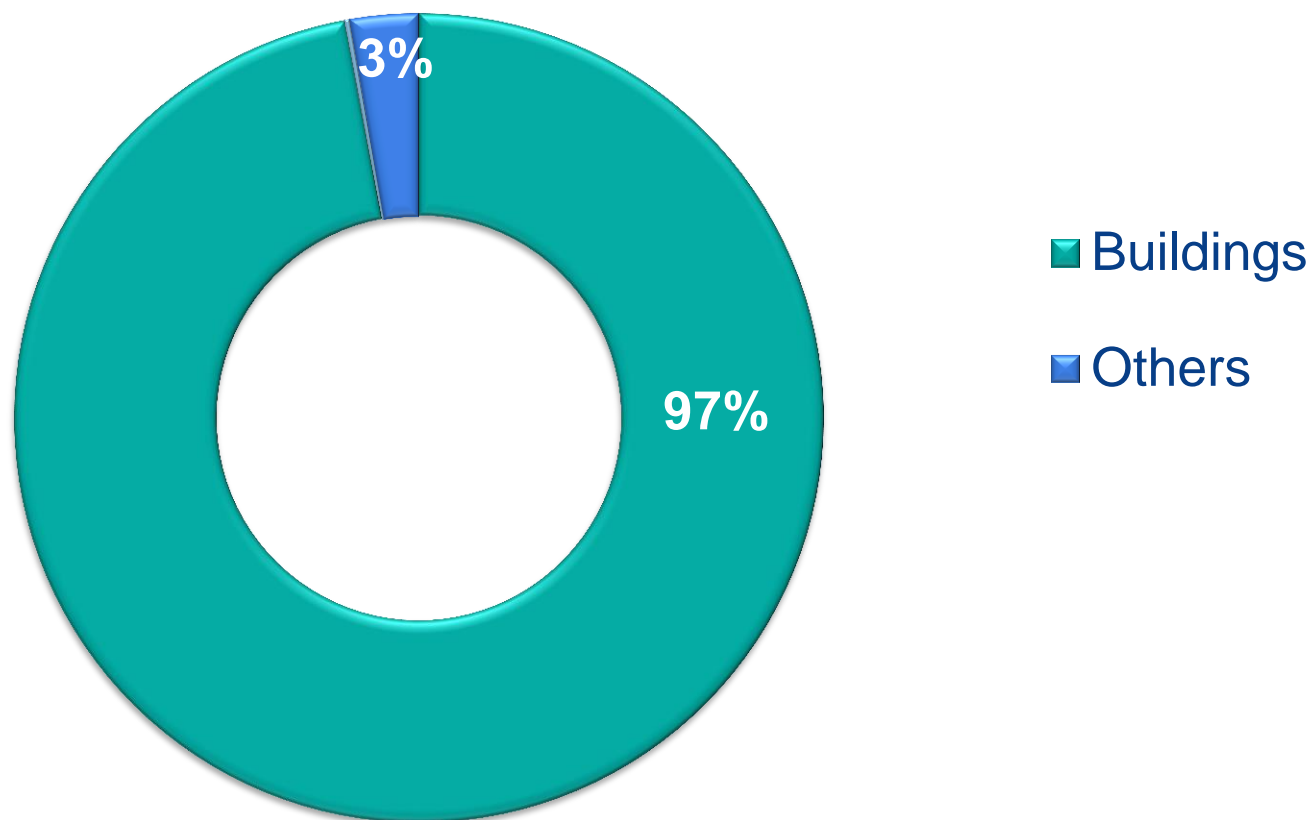
## Infrastructure Safety: Revenue by destination

FY 2013/14: % of sector & % growth

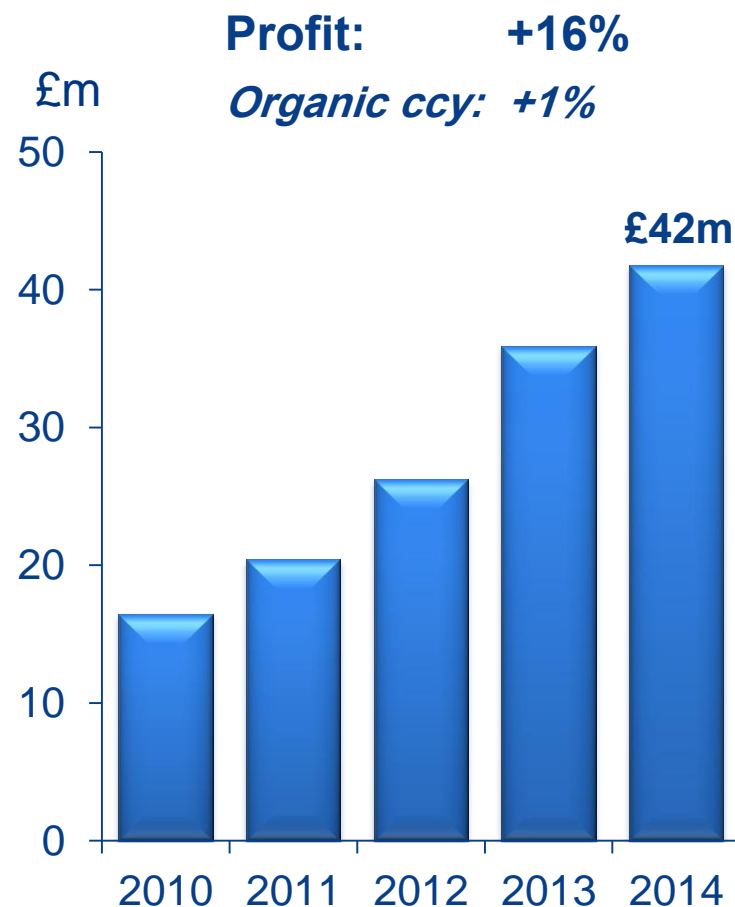
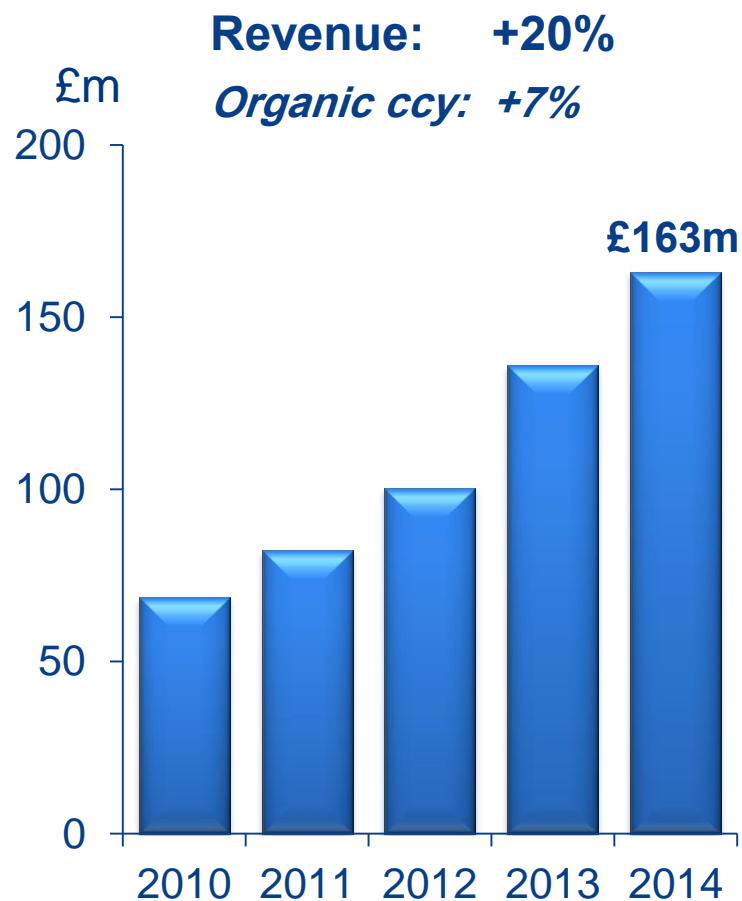


## Infrastructure Safety: Revenue by end market

% of sector



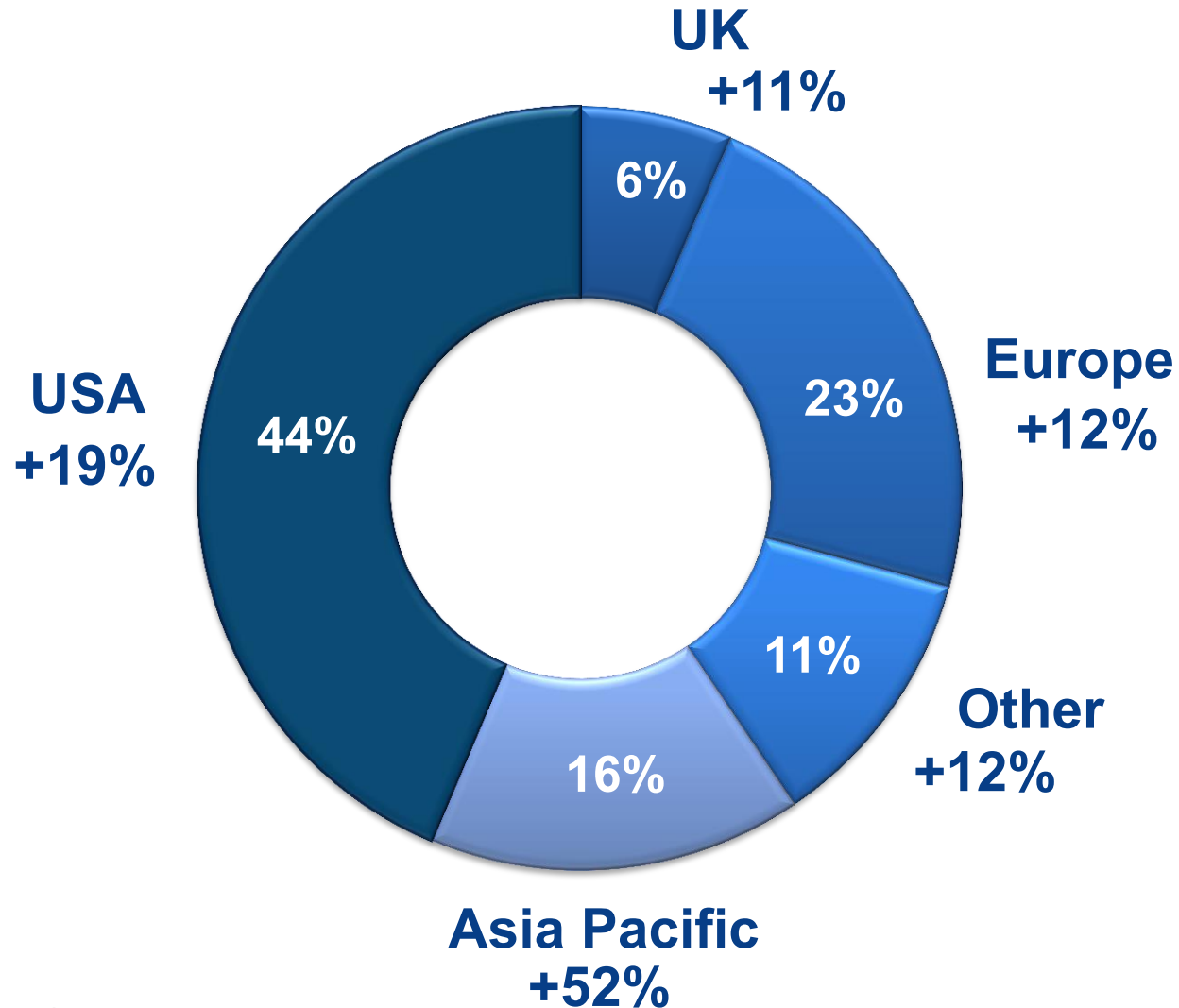
## Medical: Trading performance



**Return on Sales: 25.6%**

## Medical: Revenue by destination

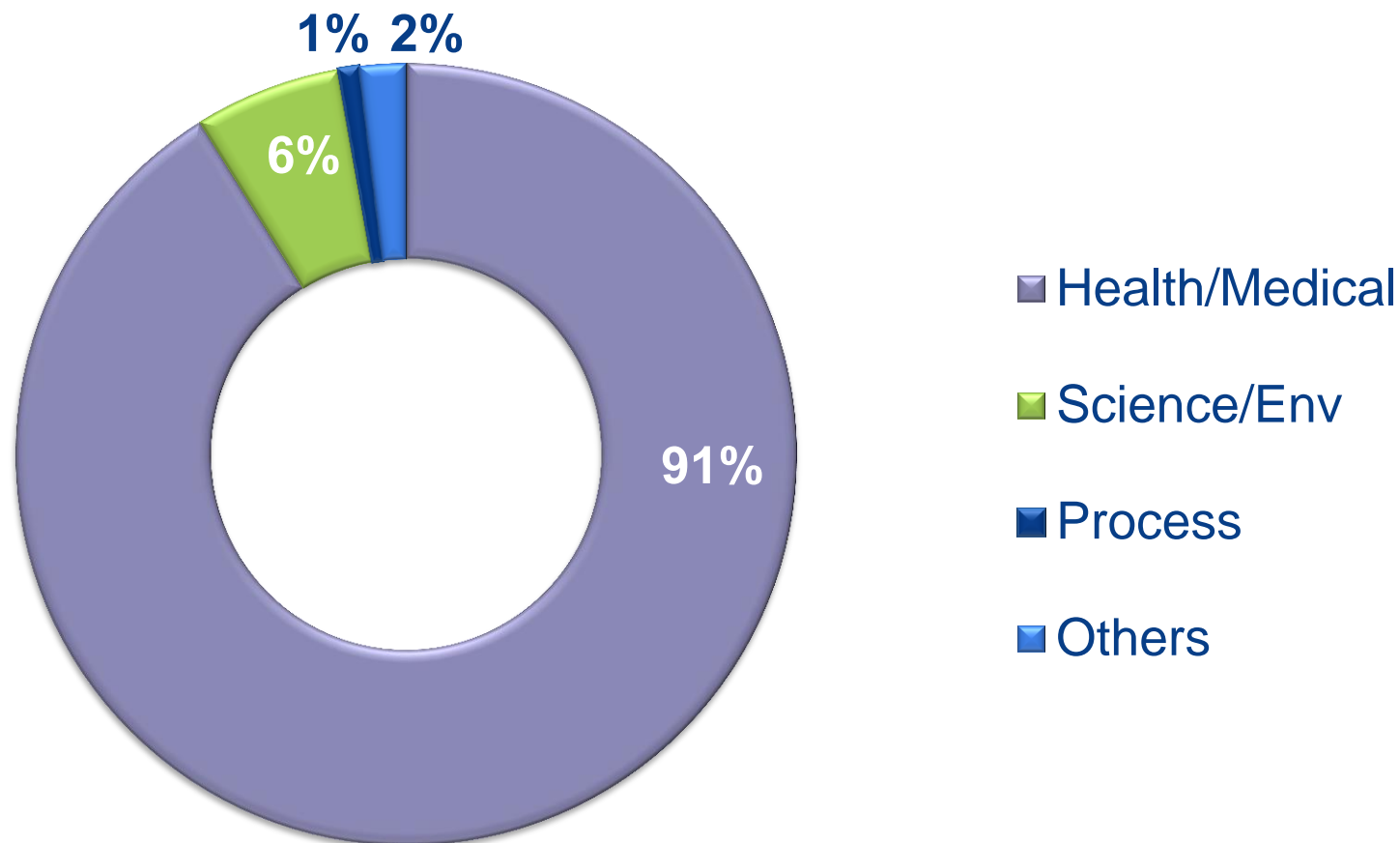
FY 2013/14: % of sector & % growth



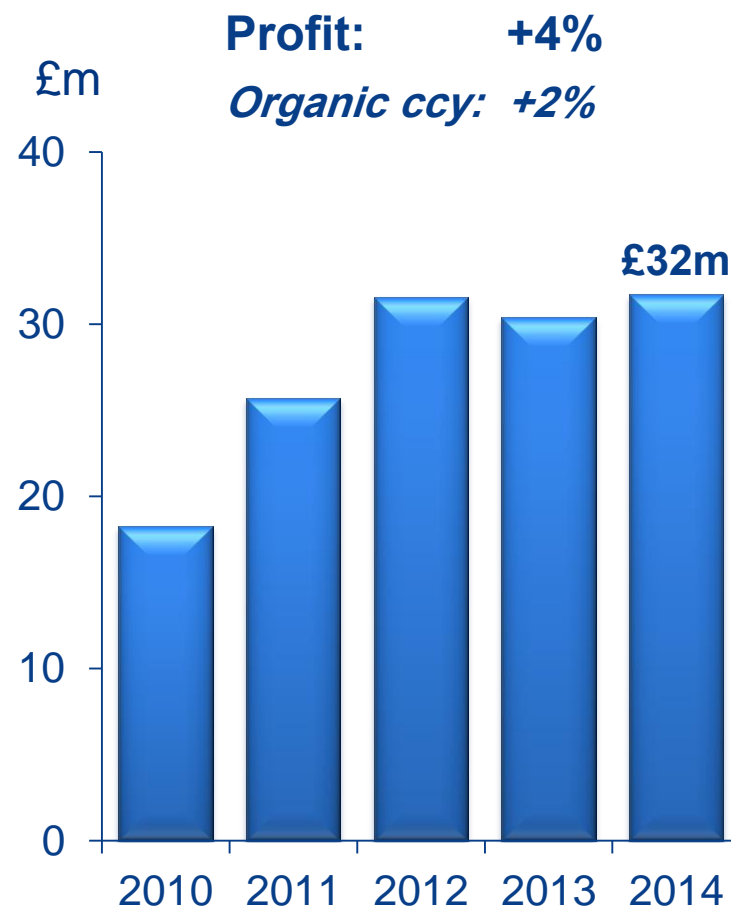
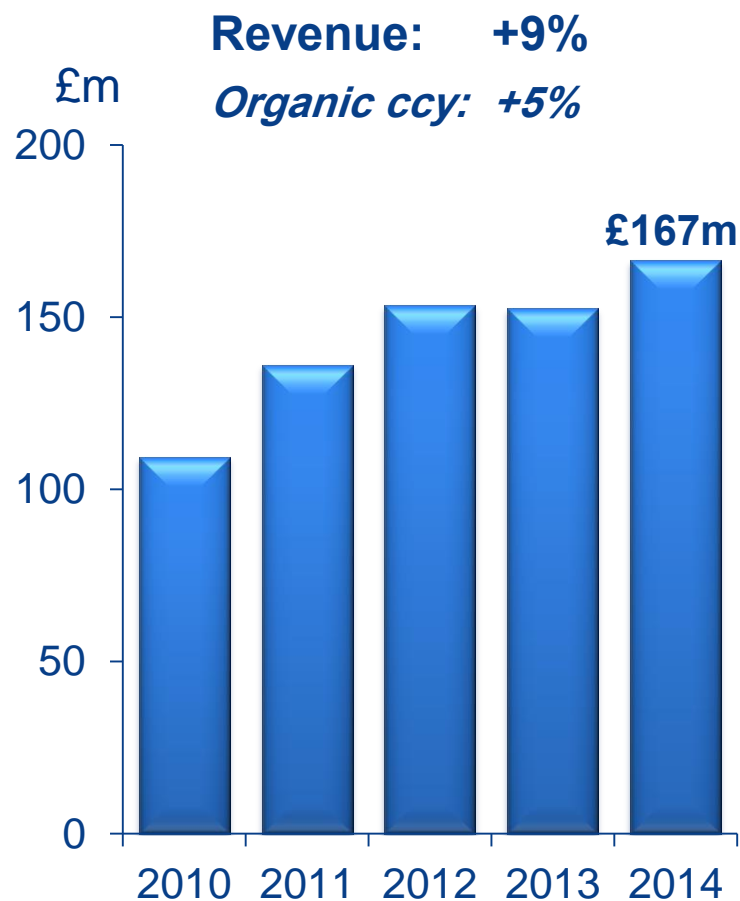


## Medical: Revenue by end market

% of sector



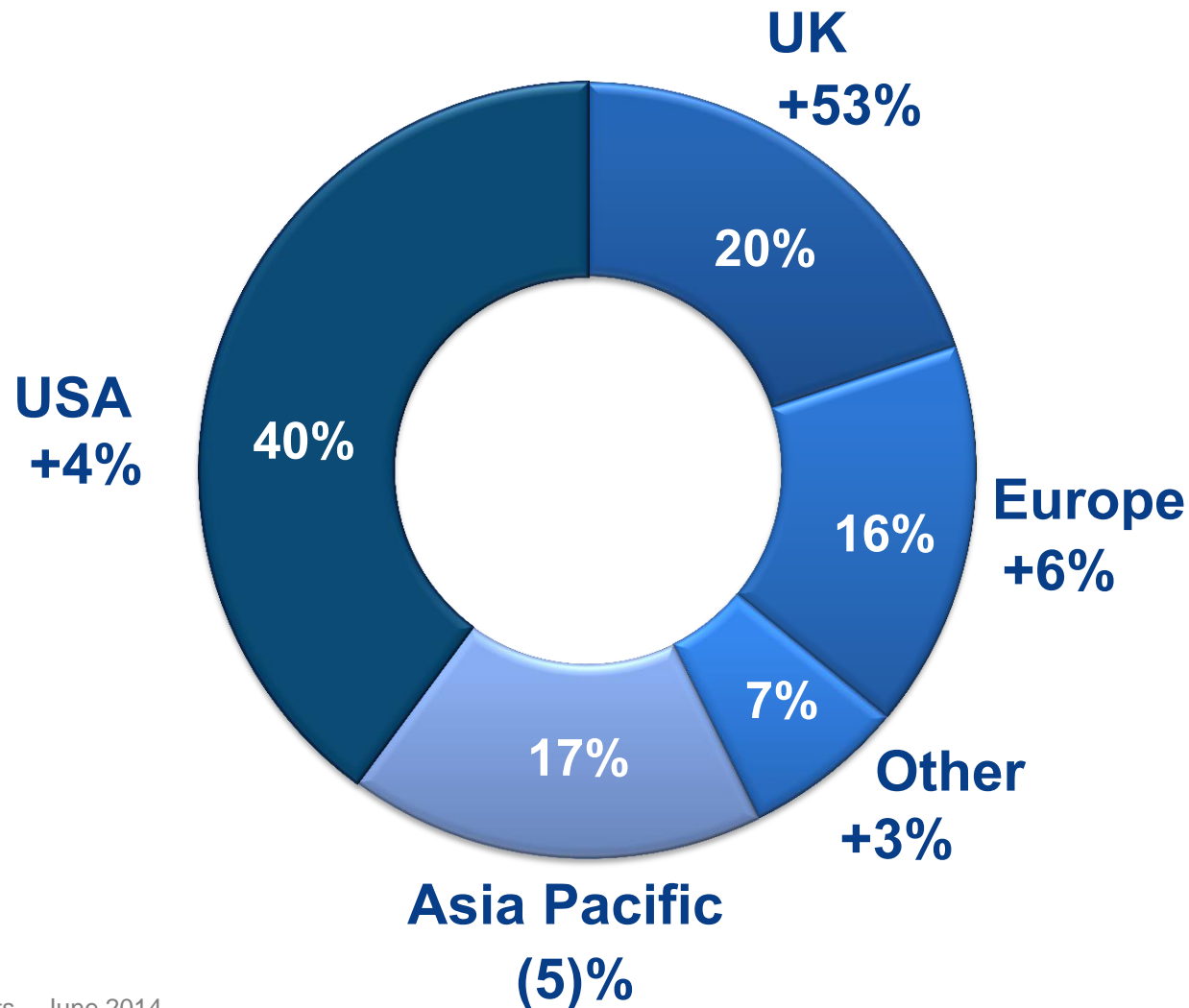
## Environmental & Analysis: Trading performance



**Return on Sales: 19.1%**

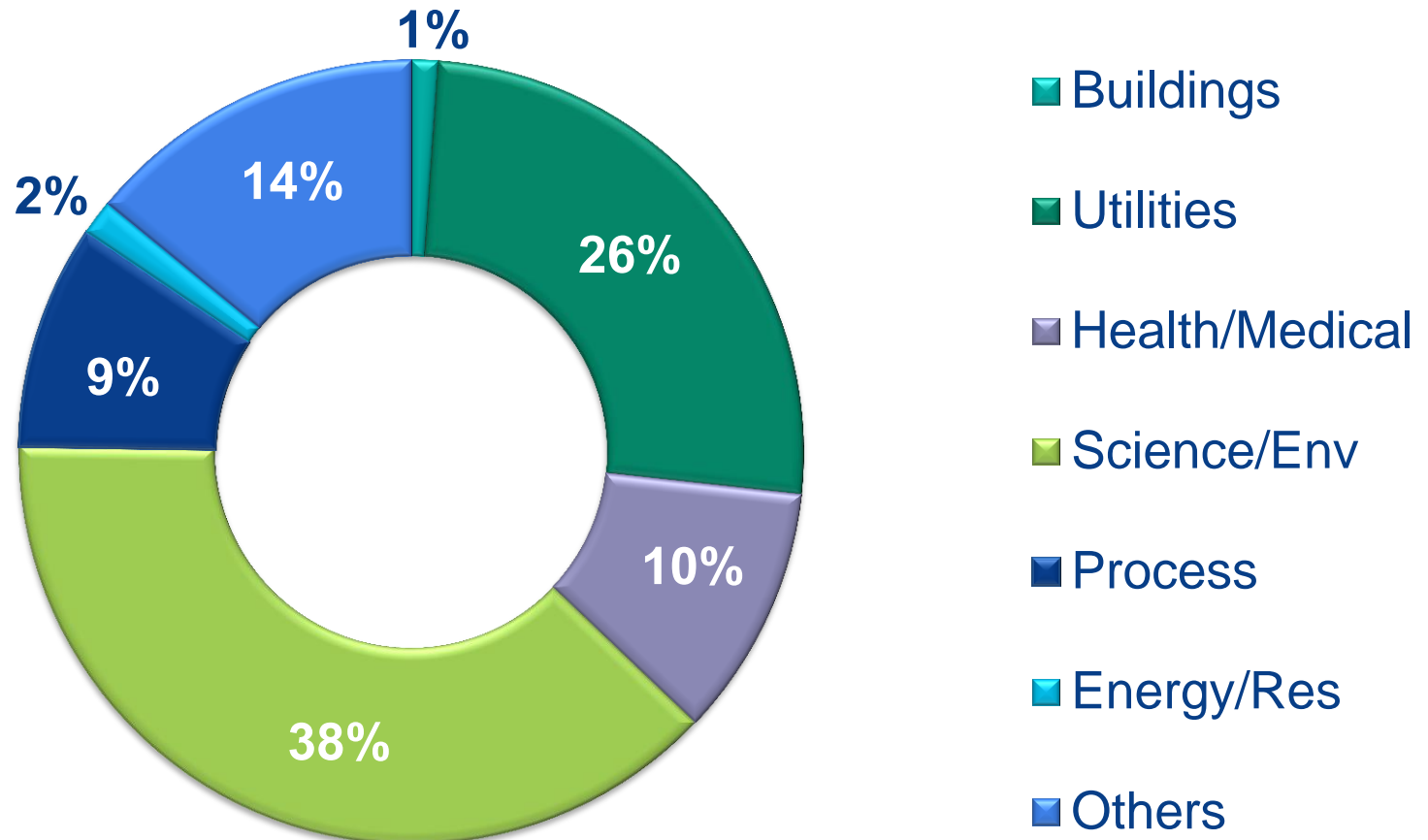
## Environmental & Analysis: Revenue by destination

FY 2012/13: % of sector & % growth



## Environmental & Analysis: Revenue by end market

% of sector



## Strategy update

➤ M&A

➤ International Expansion

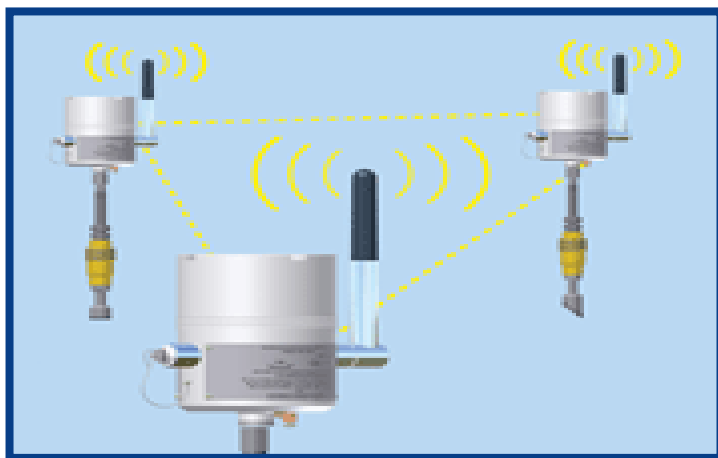
➤ Innovation

➤ People Development

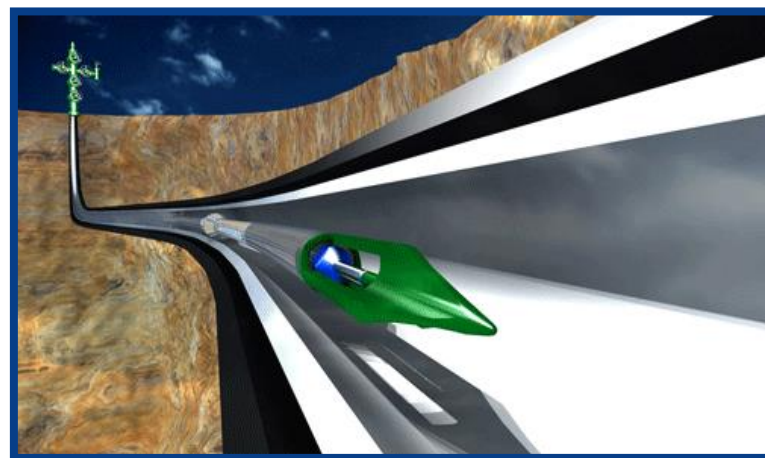
## M&A : RCS Acquisition



Portable monitoring system



Wireless corrosion monitoring system

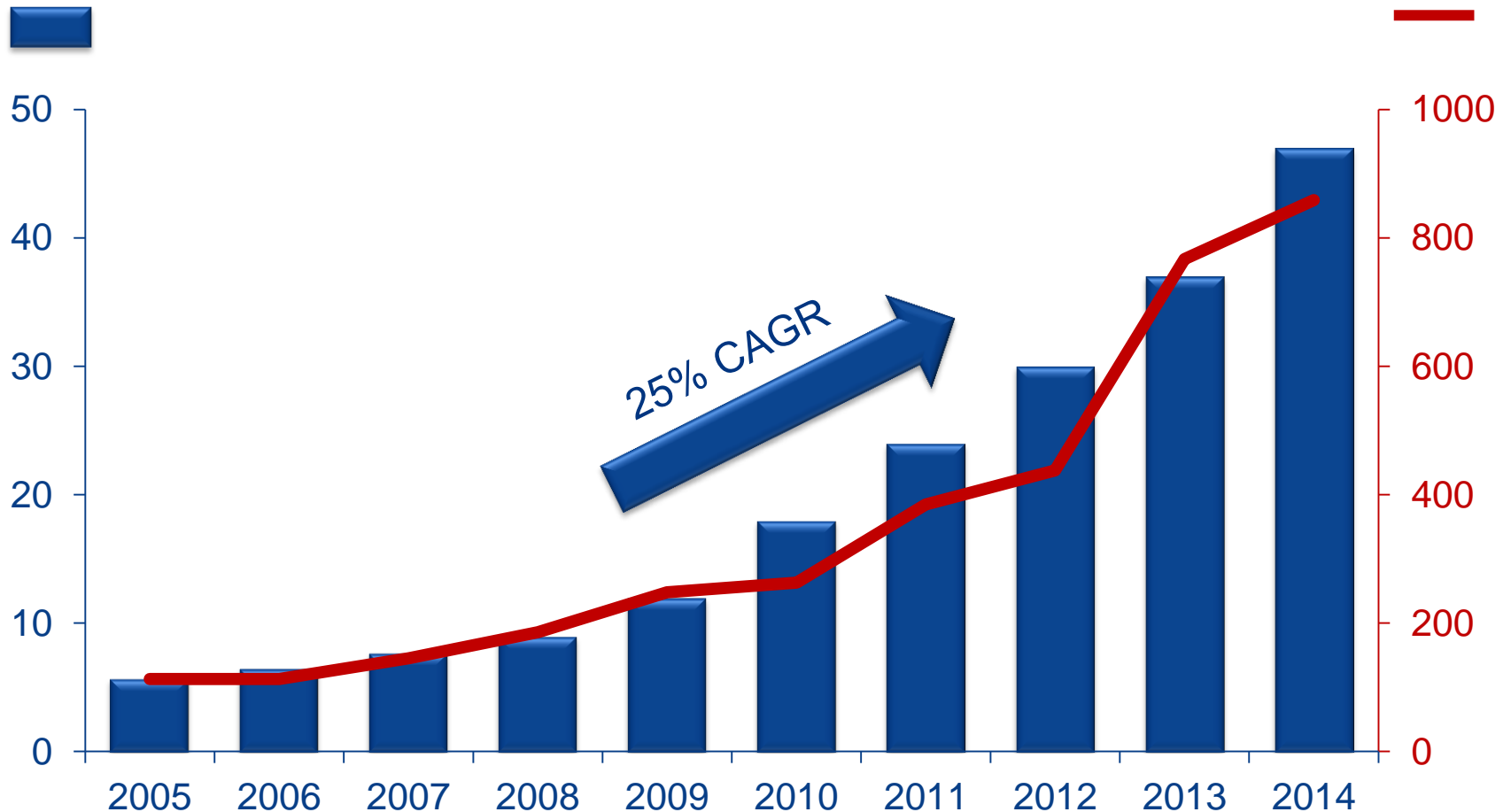


Downhole Corrosion Monitoring System

## International expansion: China growth

Revenue £m

Employees



## Innovation: Award winner 2014 - collaboration

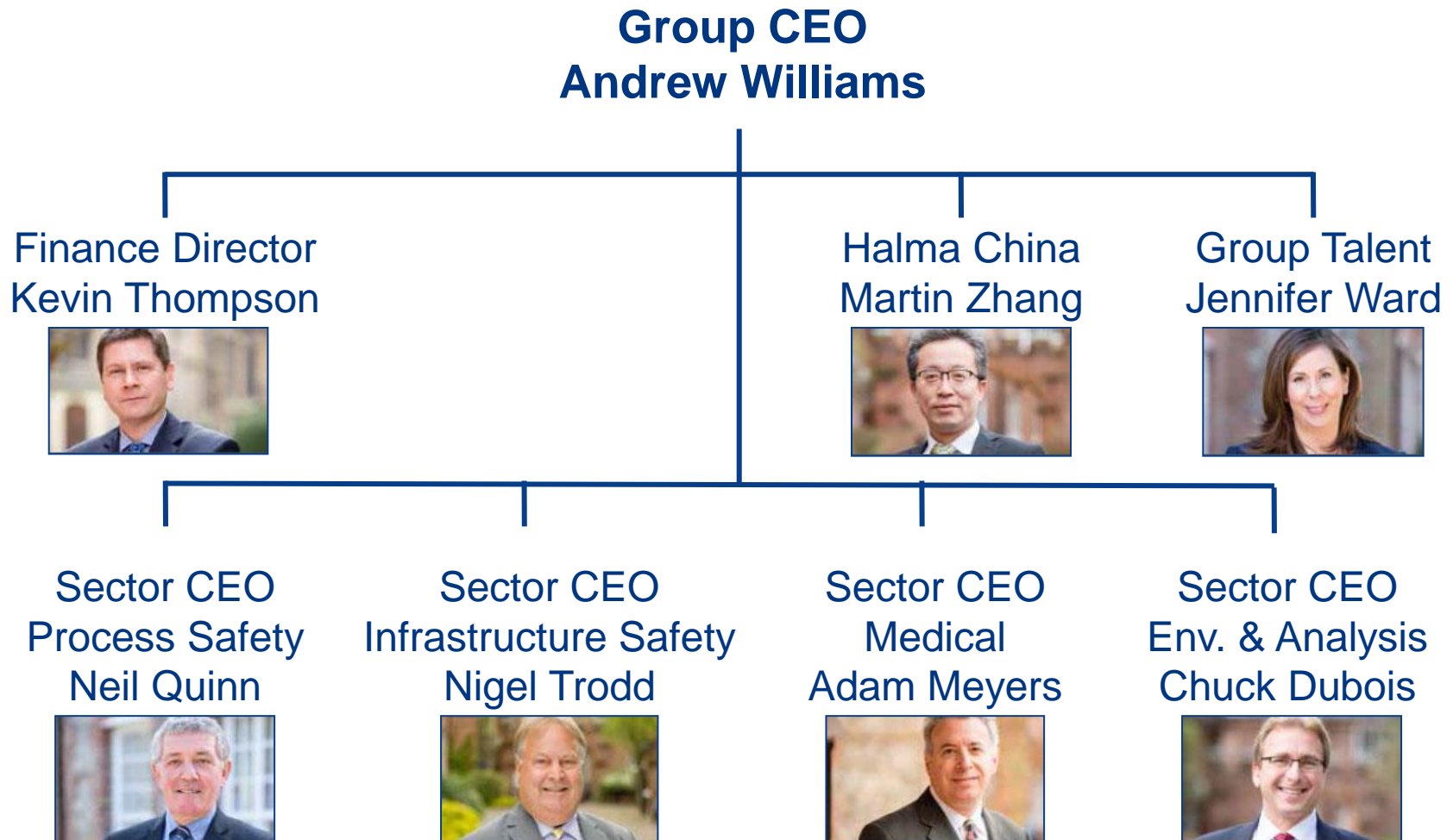


Avo Photonics





## People Development: New Executive Board



## Summary and Outlook statement

*We achieved revenue and profit growth in all four of our business sectors and in all four major geographic regions even though market conditions were variable.*

*We expect this varied trading environment to continue, providing both opportunities and challenges including a currency headwind resulting from the increased strength of Sterling.*

*Our proven ability to maintain organic growth and regularly complete good quality acquisitions, gives us confidence that Halma will make further progress in the year ahead.*

# Questions

# Appendices

## Currency impacts

	\$		% change	€		% change
	13/14	12/13		13/14	12/13	
• Average rates v £	1.59	1.58	(1%)	1.19	1.23	3%
• <u>1% change*</u>			\$ (~40% of total)			€ (~15% of total)
Revenue			+/- £2.7m			+/- £0.9m
Profit			+/- £0.5m			+/- £0.2m
• At \$1.68/€1.23 average rates full year profit would decrease by a net amount of approximately £4.5m (3.3%), and revenue by approximately £22m (3.2%)*. Process Safety ~2% and Infrastructure Safety 2-3% adverse impact. Medical and Environmental & Analysis ~4% adverse impact.						
• At \$1.68/€1.23 average rates half year profit and revenue 5% adverse impact.*						

\* Based on 2013/14 results

## Profit Adjustments\*

	2013/14 £m	2012/13 £m
Amortisation of Intangibles	(17.5)	(14.2)
Acquisitions:		
Transaction costs	(0.1)	(2.8)
Adj to Deferred Consideration	12.6	0.5
Disposal of operations	(0.5)	8.1
Defined Benefit pension schemes closure	3.9	-
	<u>(1.6)</u>	<u>(8.4)</u>

\* Items (charged)/credited in arriving at Statutory profit

## Pensions

DB plans Deficit	March 14	March 13
	£m	£m
Assets	190.5	176.3
Liabilities	(227.3)	(223.5)
Deficit	(36.8)	(47.2)

- Closed DB plans to new members in 2003
- Closing DB to future accrual December 2014
- Contributions to pay off deficit : £7m/year
- IAS 19\*: Comparatives restated

Profit reduction FY, 12/13: £2.1m (of which £0.8m in central costs)

\* Return on pension assets now calculated using discount rate – same as for evaluating liability

## Acquisitions/Disposals

	Sector	Consideration				
2013/14 Acquisitions		Acquired	Initial £m	Maximum Earn out £m	Revenue* £m	EBIT* £m
Talentum	Infrastructure Safety	April 13	3	0	2	0.6
Earn-outs re prior year acquisitions			14			
			<hr/> 17			
2014/15 Acquisitions						
Plasticspritzerei	Medical	May 14	3	-	-	0.7
Advanced Electronics	Infrastructure Safety	May 14	14	10	14.6	2.5
RCS	Process Safety	May 14	65	-	26.6	6.6
			<hr/> 82	<hr/> 10		
2014/15 Disposal		Disposal	Proceeds			
Monitor	Infrastructure Safety	May 14	4	-	7.3	~1.0

\* At acquisition/disposal run-rate



## Impact of M&A

### Revenue £m\*

		Actual 13/14	Contribution 14/15
Acquisitions/Disposal	12/13	19	-
Acquisitions	13/14	2	-
Acquisitions/Disposal	14/15	-	29
		<u>21</u>	<u>29</u>

### Profit after financing costs £m\*

		Actual 13/14	Contribution 14/15
Acquisitions/Disposal	12/13	3.9	-
Acquisitions	13/14	0.6	-
Acquisitions/Disposal	14/15	-	6.4
		<u>4.5</u>	<u>6.4</u>

\* at acquisition/disposal run-rate

## 2014/15 Full year

	Notes	Full year 14/15 forecasts	13/14 Actual
Capex	1	~ £25.0m	£17.4m
Effective tax rate	2	~ 24.0%	23.3%
Central costs*	3	~ £8.5m	£7.9m
Net finance expense	4	~ £5.0m	£4.7m

### Notes:

1. 14/15 capex includes £6m for a new property purchase
2. Increase mainly due to higher forecast US profit
3. Excludes DB pension curtailment gain in 13/14
4. Based on forecast including May 2014 acquisitions and disposal. Current interest rates assumed.

\* excluding pension curtailment gain

## Sector history

£m		09/10	10/11	11/12	12/13**	13/14
Sector revenue	Process Safety	98.3	103.0	122.2	125.7	126.7
	Infrastructure Safety	182.9	197.2	204.3	205.3	220.3
	Medical	68.7	82.2	100.4	136.1	163.2
	Environmental & Analysis	109.3	136.2	153.4	152.4	166.5
	Inter-segmental sales	(0.1)	(0.2)	(0.4)	(0.3)	(0.2)
	Group revenue	459.1	518.4	579.9	619.2	676.5
Sector profit*	Process Safety	20.3	24.5	29.2	32.3	34.9
	Infrastructure Safety	35.5	39.0	39.1	41.5	44.4
	Medical	16.5	20.4	26.3	35.9	41.8
	Environmental & Analysis	18.3	25.7	31.6	30.4	31.8
	Segment Profit	90.6	109.6	126.2	140.1	152.9
	Central cost/net finance expense	(4.4)	(5.0)	(5.7)	(11.6)	(12.7)
Profit*		86.2	104.6	120.5	128.5	140.2

\* Profit before amortisation of acquired intangibles, acquisition items, curtailment gain on DB pensions schemes and profit or loss on disposal of operations

\*\* 12/13 profit Restated for IAS 19 accounting for pensions. Earlier periods have not been restated.

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