Final results 2014/15

Andrew Williams – Chief Executive
Kevin Thompson – Finance Director

Summary 2014/15

Strong growth & returns	**Revenue** **+7%** £726m	**Profit** **+10%** £153.6m	**ROS** **21.2%** (LY: 20.7%)
Continued strategic investment	**ROW revenue** **+16%** £197m	**R&D spend** **+8%** £35m	**Acquisitions** **£84m** spend
Good cash performance	**Cash flow** **87%** of adjusted profit	**ROTIC** **16.3%** (LY: 16.7%*)	**Dividend** **+7%** 11.96p

- Prior year restated

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Financial Review

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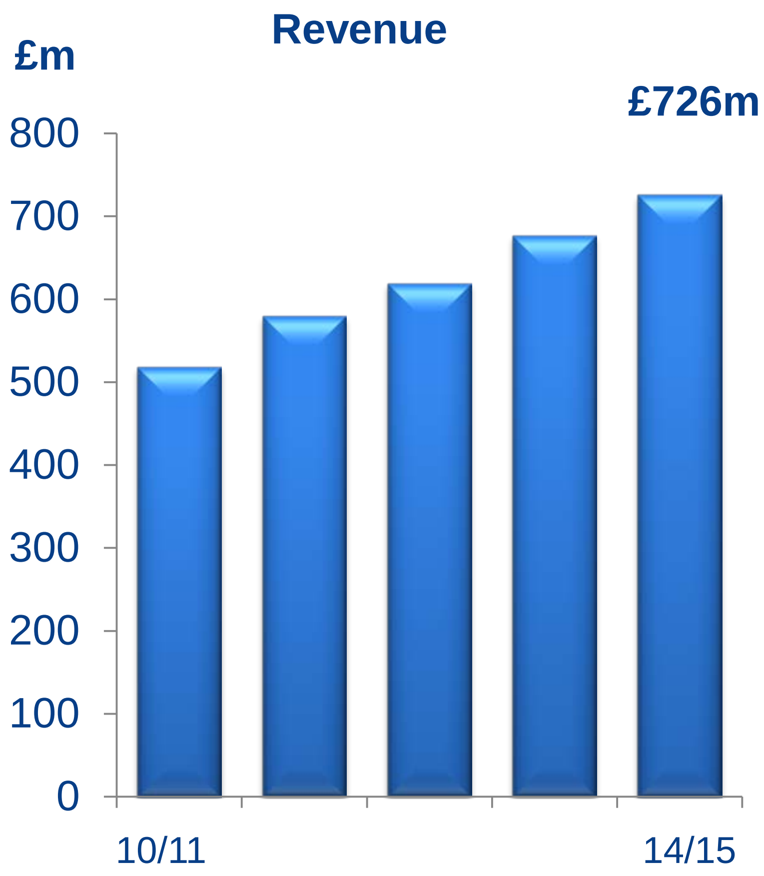
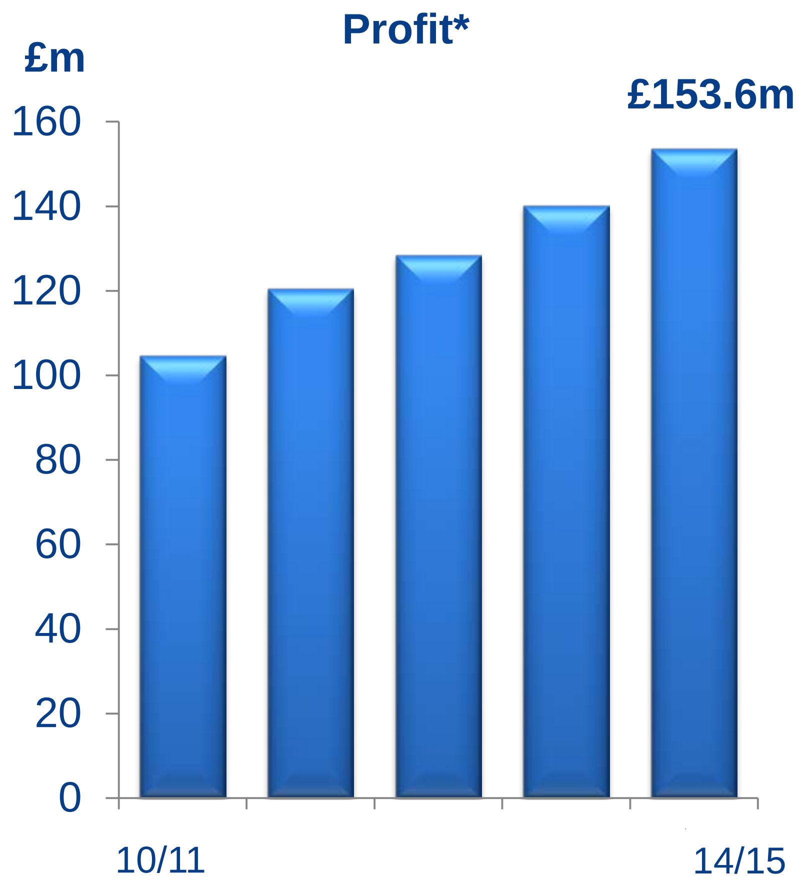
Record results





* Profit before amortisation of acquired intangibles, acquisition items, profit or loss on disposal of operations and curtailment gain on DB pension schemes (2013/14 only)

Revenue growth

FY 2014/15

	% growth
➢ Headline growth	7%
➢ Disposal	1%
➢ Currency	2%
➢ Ongoing at Constant currency	10%
➢ Acquisitions	(5%)
➢ Organic constant currency growth	5%

Revenue growth

FY 2014/15

	£m	Total	Organic: Constant Currency
H1	341	2%	4%
H2	385	12%	6%
Total	**726**	**7%**	**5%**

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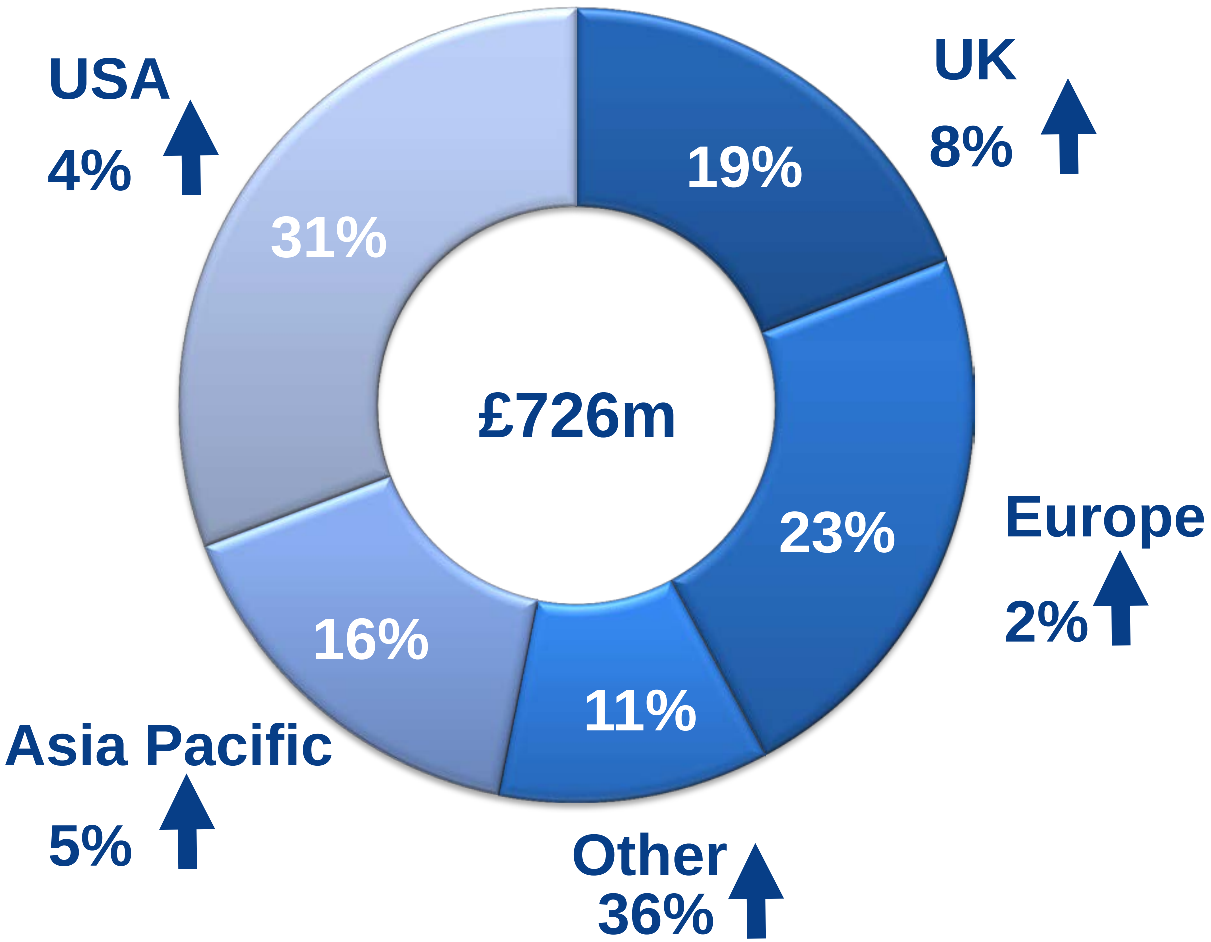
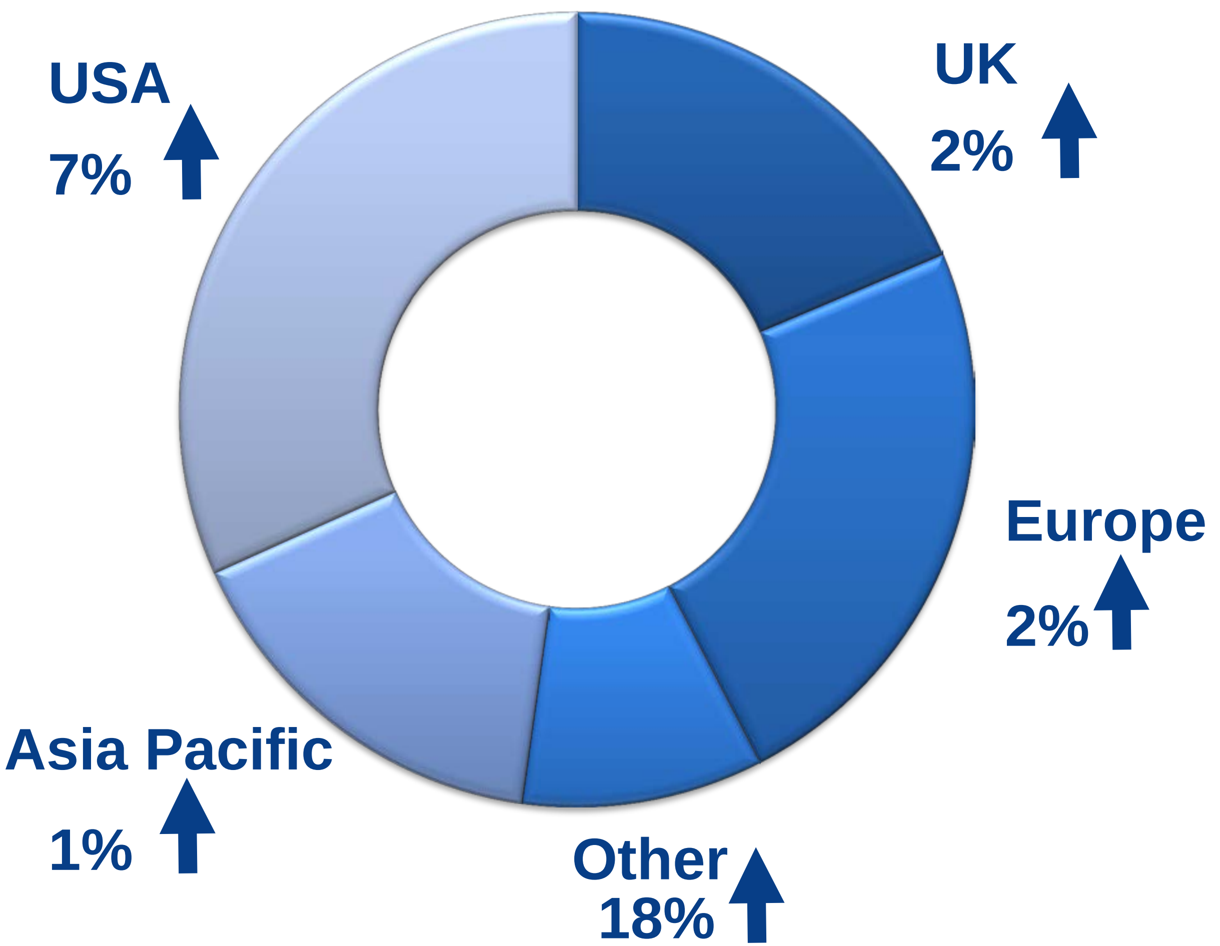
Revenue by destination

Revenue and revenue growth, 2014/15



Revenue by destination: organic constant currency

Revenue and revenue growth, 2014/15



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Profit* growth

FY 2014/15

	% growth
➢ Headline growth	10%
➢ Currency	2%
➢ Ongoing at Constant currency	12%
➢ Acquisitions	(5%)
➢ Organic constant currency growth	7%

* Profit before amortisation of acquired intangibles, acquisition items, profit or loss on disposal of operations and curtailment gain on DB pension schemes (2013/14 only)

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Profit* growth

	£m	Total	Organic: Constant Currency
H1	69.0	6%	7%
H2	84.6	13%	7%
Total	**153.6**	**10%**	**7%**

* Profit before amortisation of acquired intangibles, acquisition items, profit or loss on disposal of operations and curtailment gain on DB pension schemes (2013/14 only)

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Currency

- Translation impact in 14/15
  - H1 net adverse impact 5%
  - Full year net adverse impact 2%
- At current Fx rates 15/16 impact*:-
  - H1: ~2% Benefit
  - FY: ~ 1% Benefit
  - Impact varying by sector
- More information in Appendix

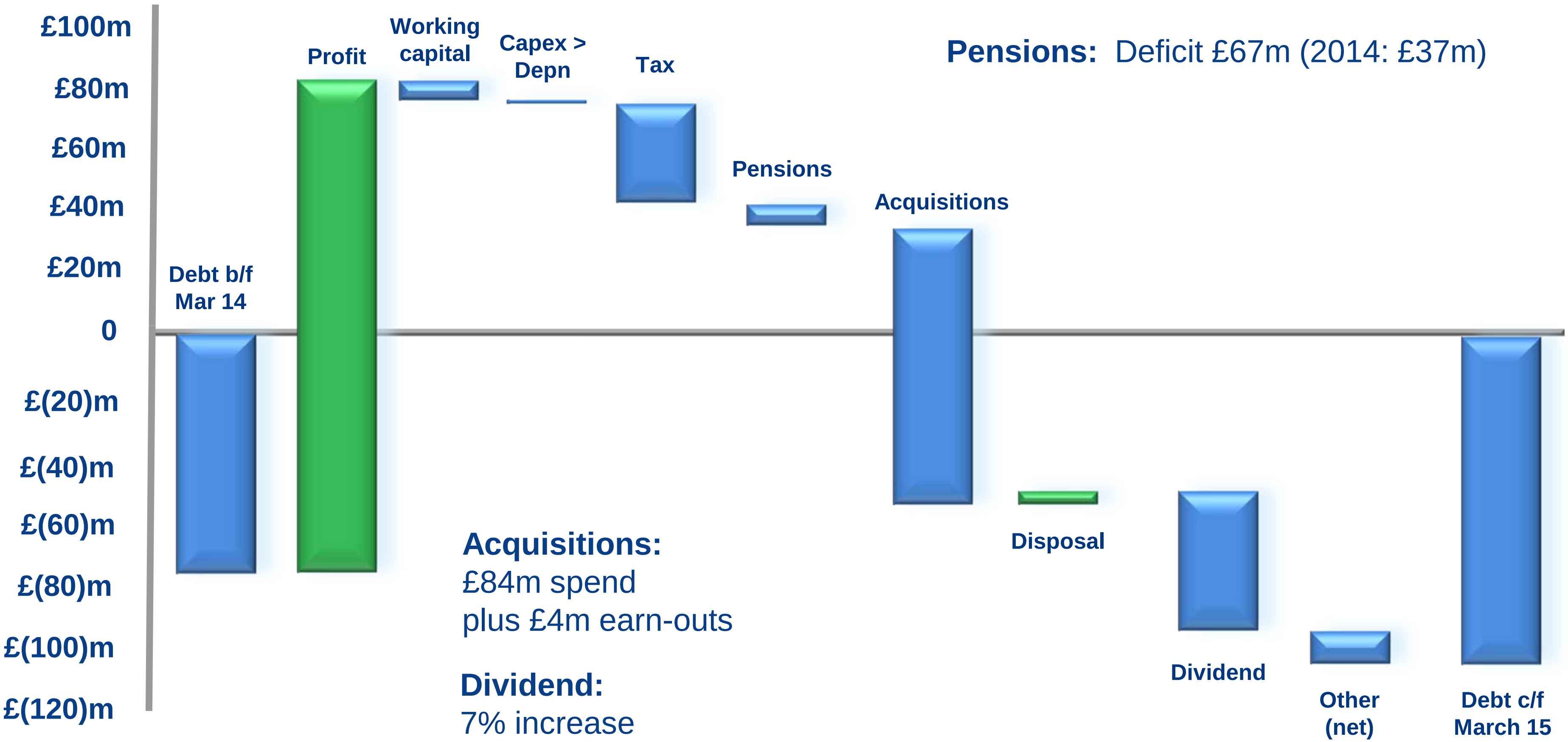
* Based on 14/15 results

Cash flow 2014/15

Working capital:
outflow £6m (2014: £11m)

Effective tax rate: 23.2% (2014:23.3%)

Pensions: Deficit £67m (2014: £37m)



Acquisitions:
£84m spend
plus £4m earn-outs

Dividend:
7% increase

Debt:
£100.9m net debt (2014: £74.5m net debt)

Funding

- £360m facility – 5 years to November 2018
- Comfortable with net debt of up to 1.25x EBITDA (March 15: 0.57x)
- Strong balance sheet with significant capacity

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Financial KPI Summary 2014/15

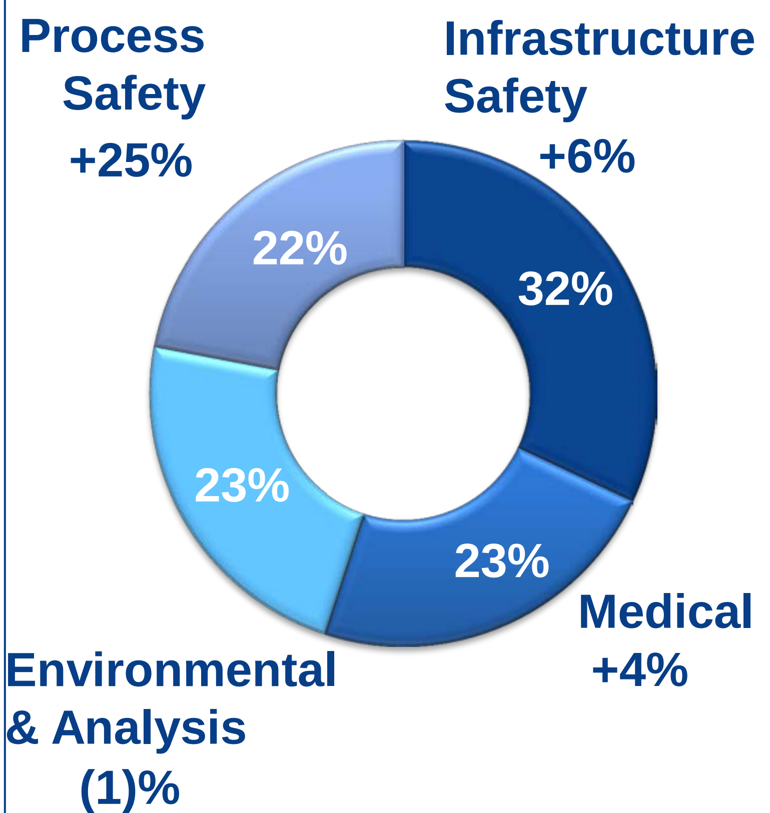
	Target	Achieved
Organic profit growth*	> 5%	7%
Organic revenue growth*	> 5%	5%
Revenue outside UK/Europe/USA	30% by 2015	27%
Return on Sales	> 18%	21.2%
Returns on Total Invested Capital	>12%	16.3%
R&D investment (% of revenue)	> 4%	4.8%
Cash conversion	> 85%	87%

* at constant currency

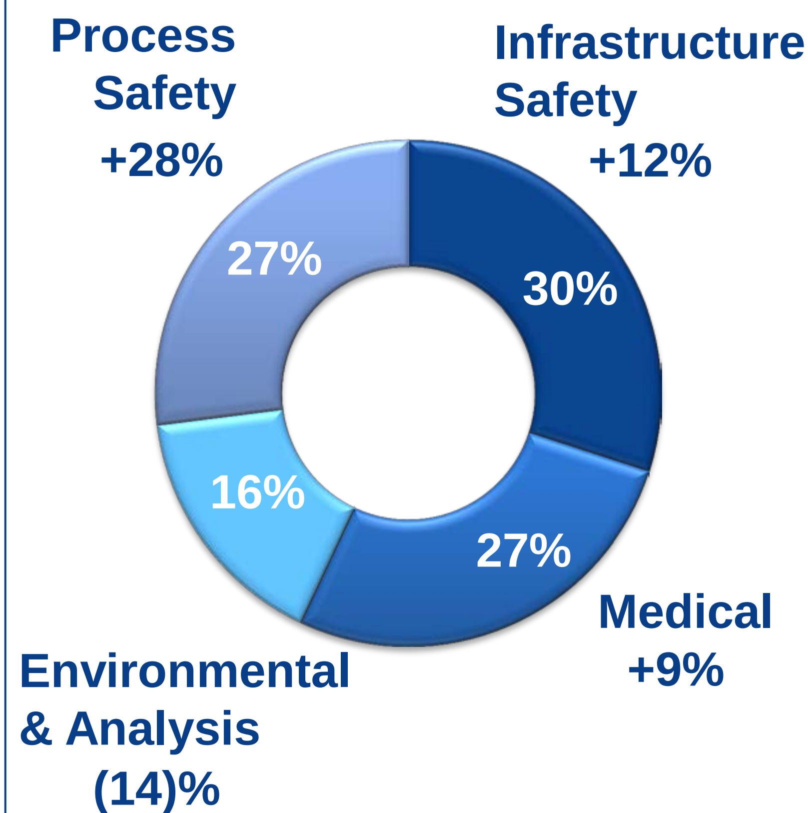
Trading Review

Sector performances

Revenue



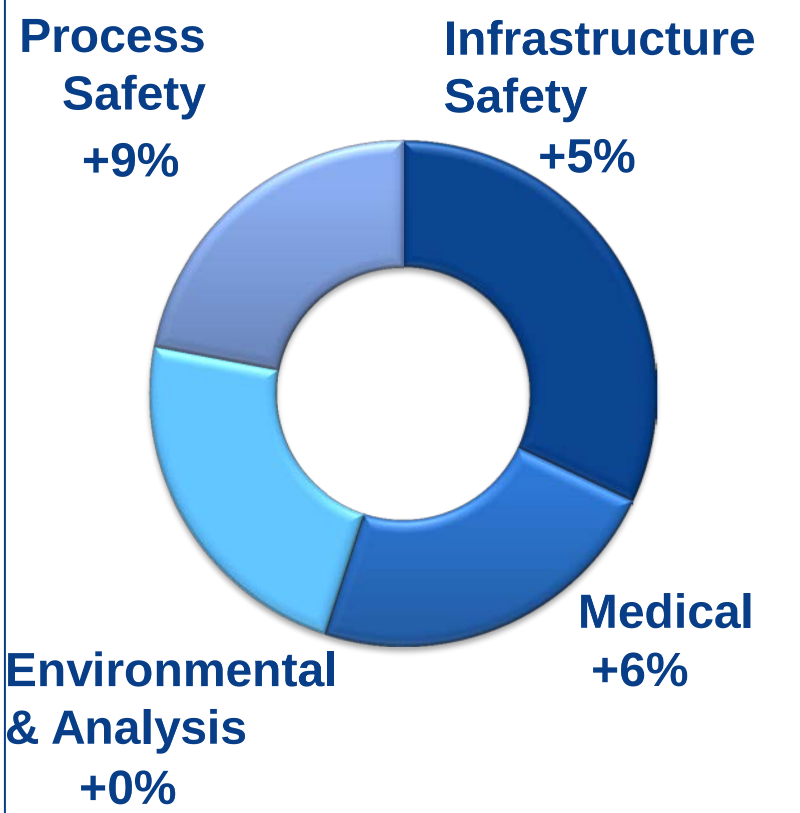
Profit*



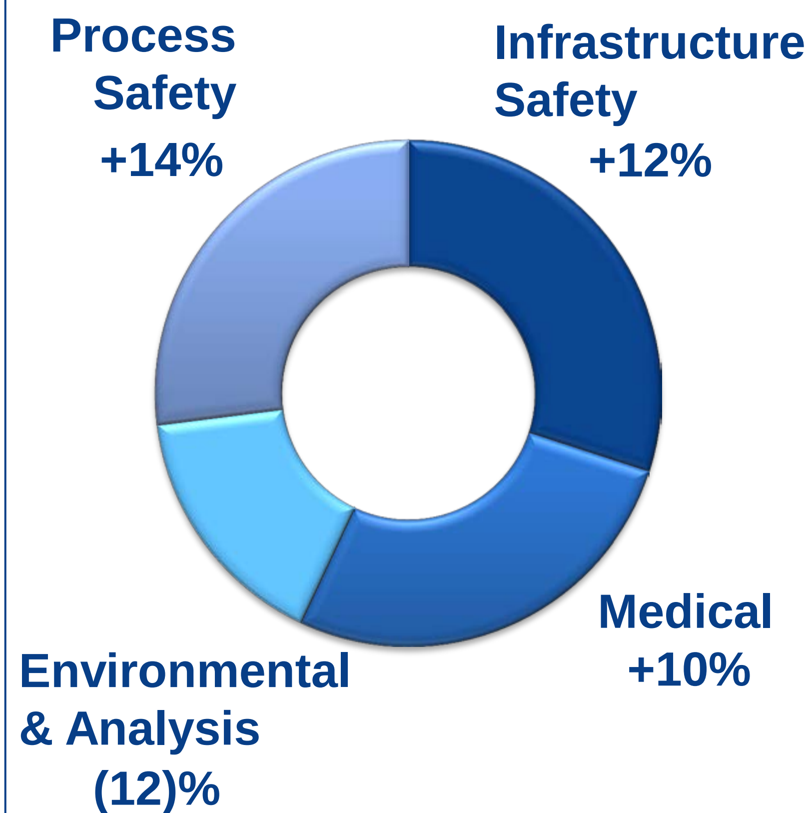
- Profit before amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations

Sector performances: Organic constant currency growth

Revenue



Profit*



- Profit before amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations

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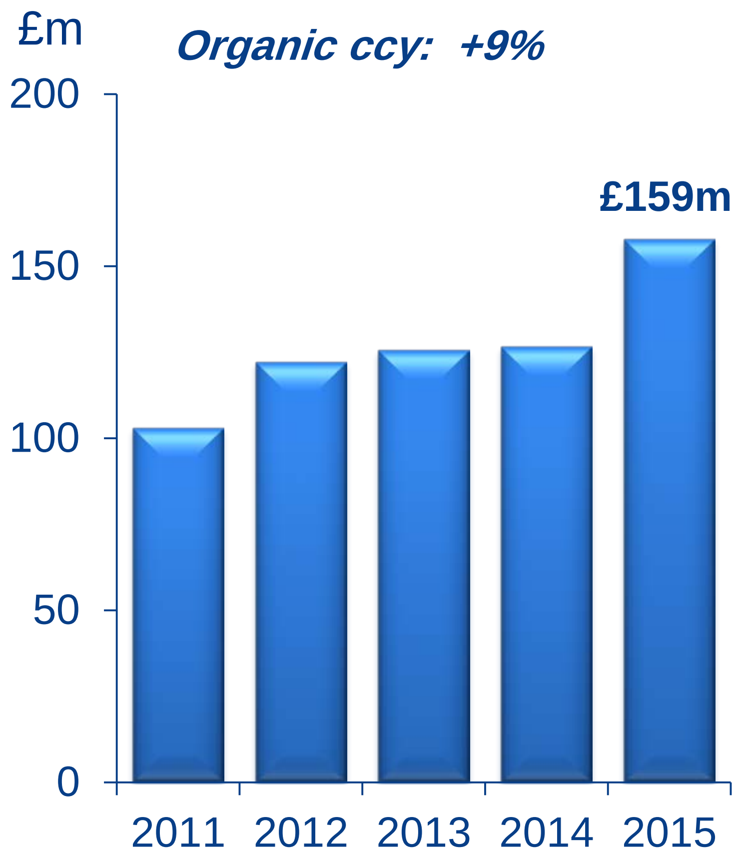
Process Safety: Trading performance

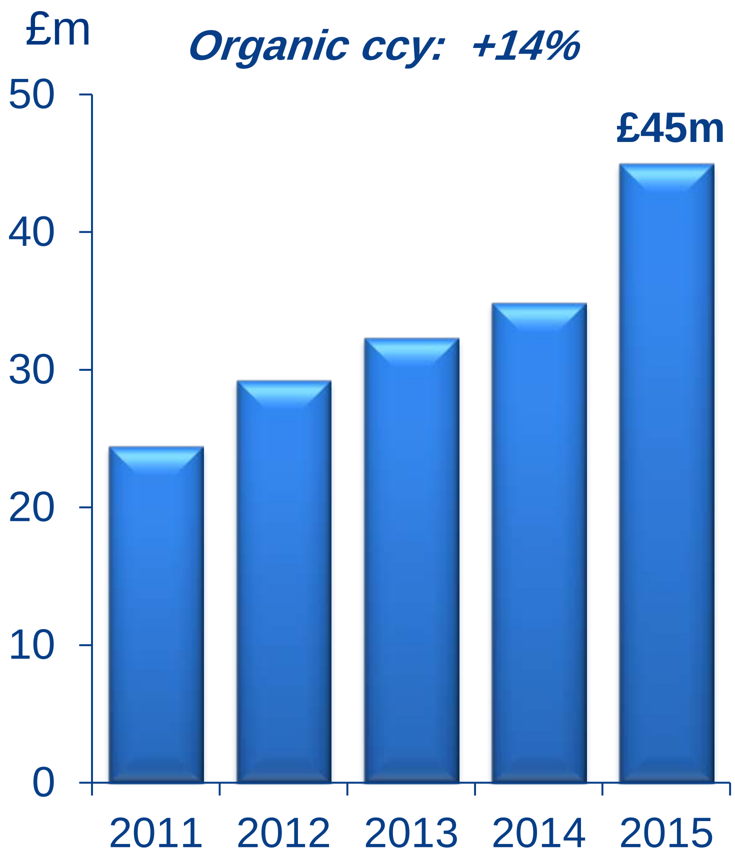
Revenue: +25%

Organic ccy: +9%



Profit: +28%

Organic ccy: +14%



Return on Sales: 28.3%

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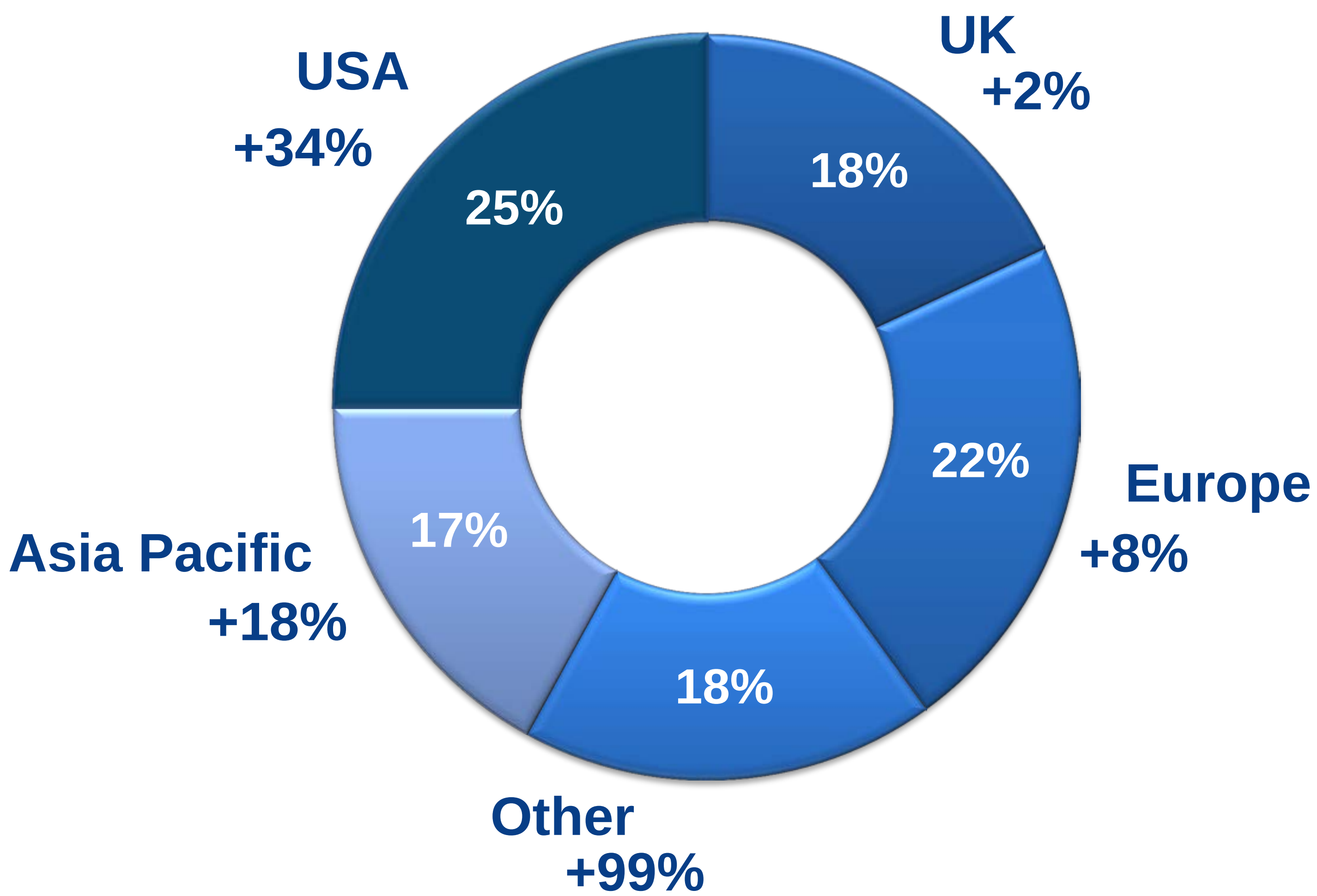
Process Safety: Revenue by destination

FY 2014/15: % of sector & % growth



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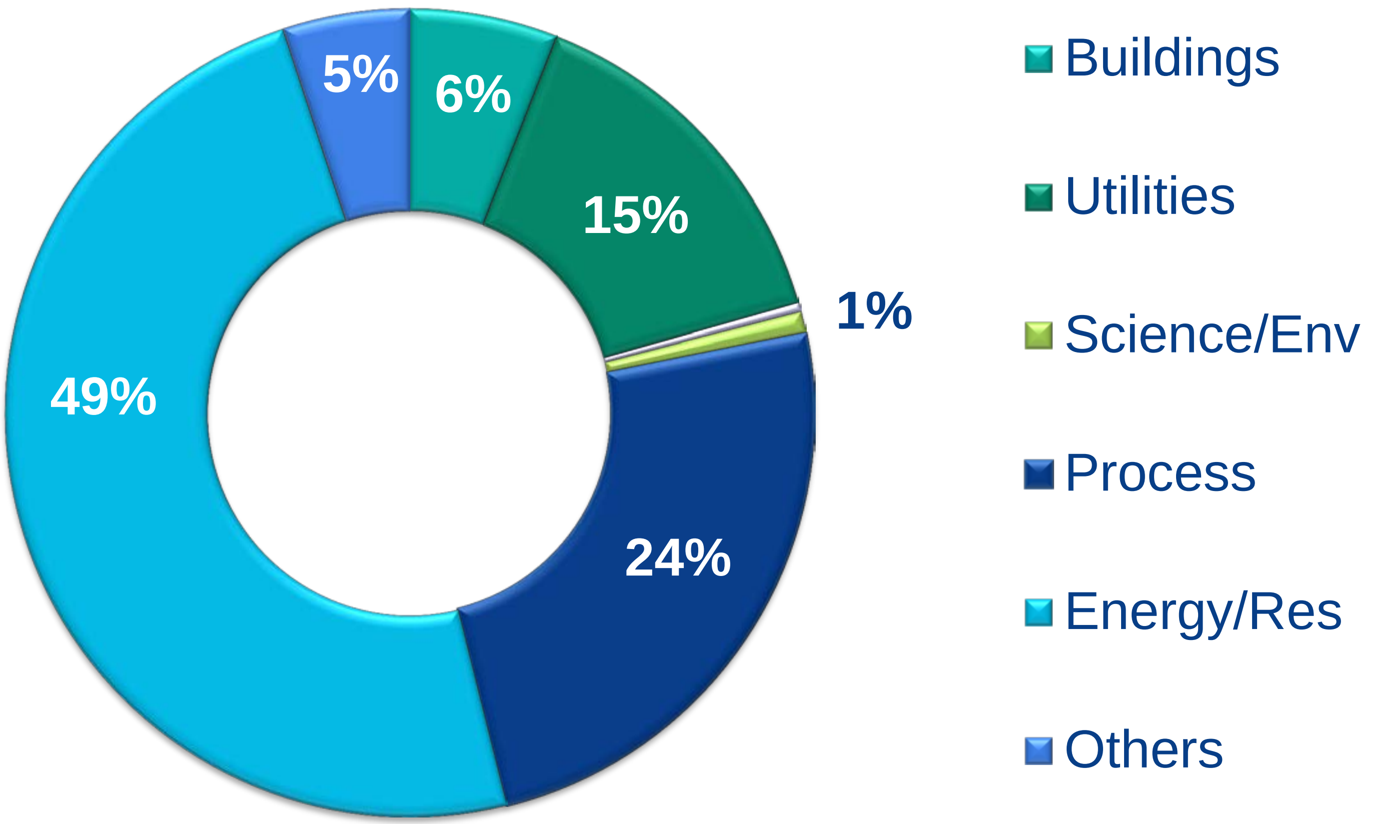
Process Safety: Revenue by end market

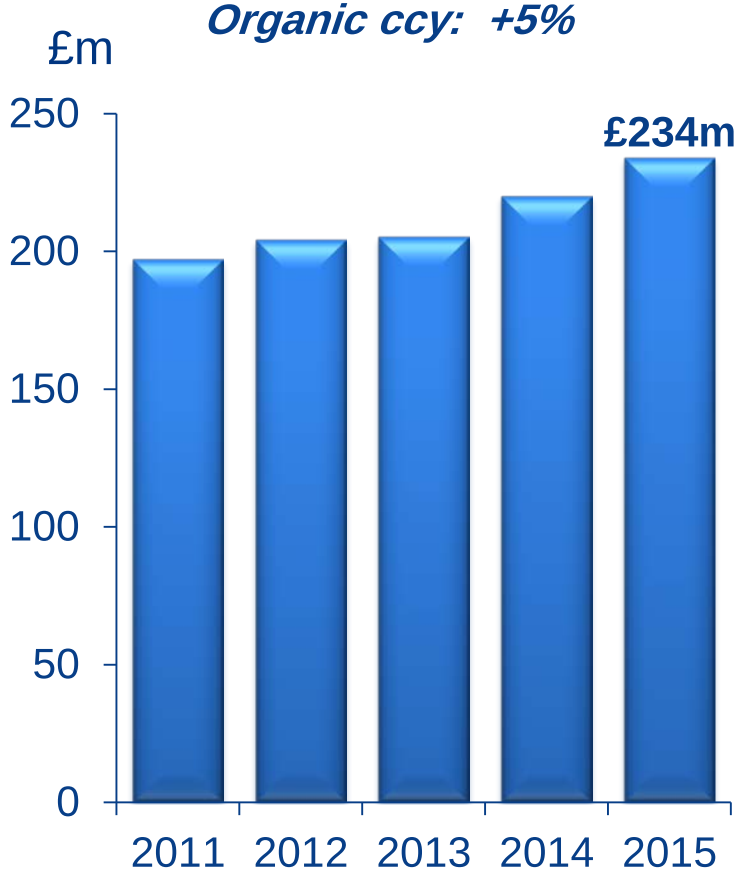
% of sector



Infrastructure Safety: Trading performance

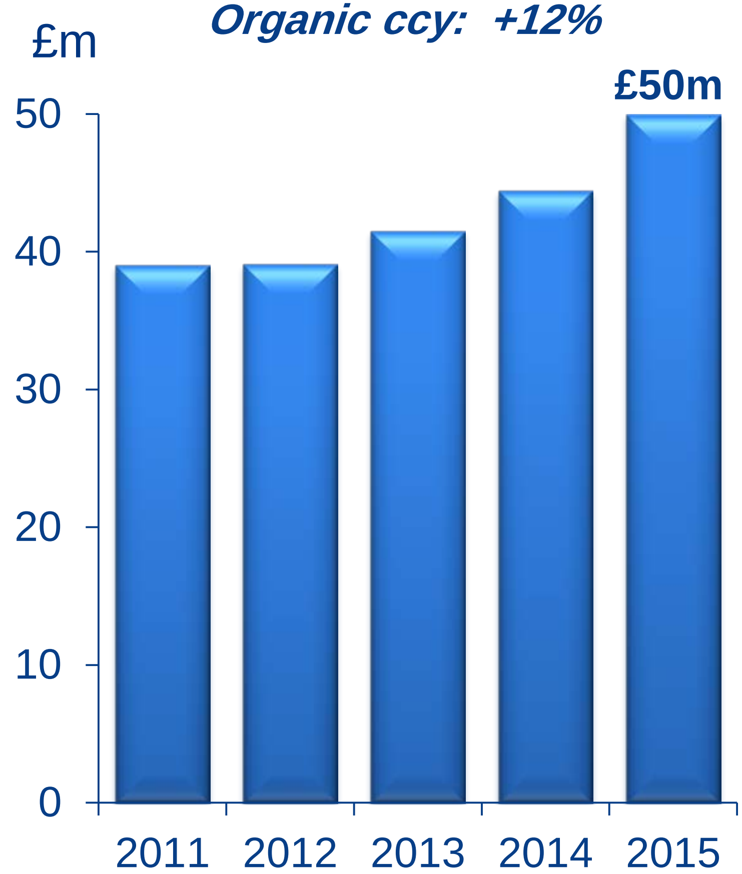
Revenue: +6%

Organic ccy: +5%



Profit: +12%

Organic ccy: +12%



Return on Sales: 21.4%

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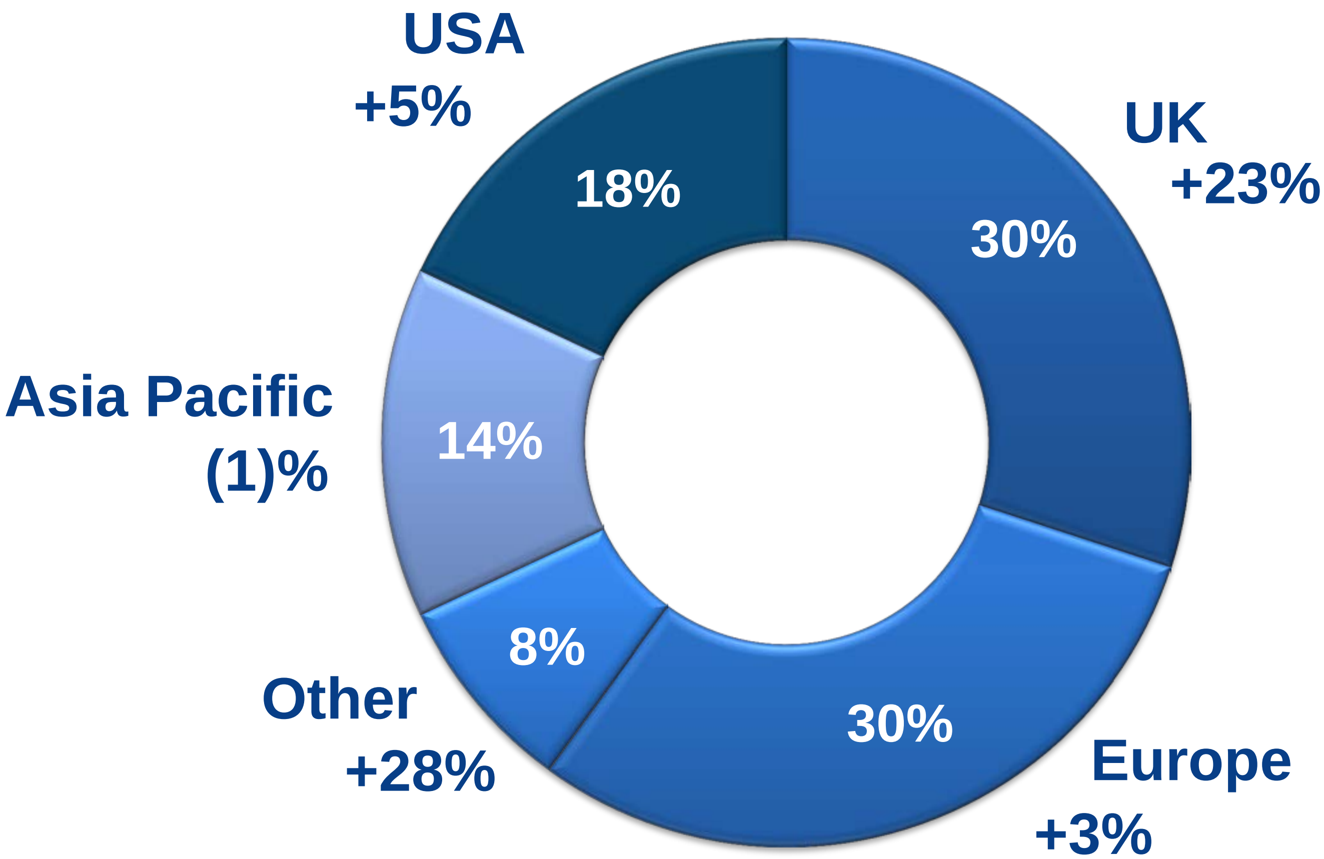
Infrastructure Safety: Revenue by destination

FY 2014/15: % of sector & % growth [excluding disposal]



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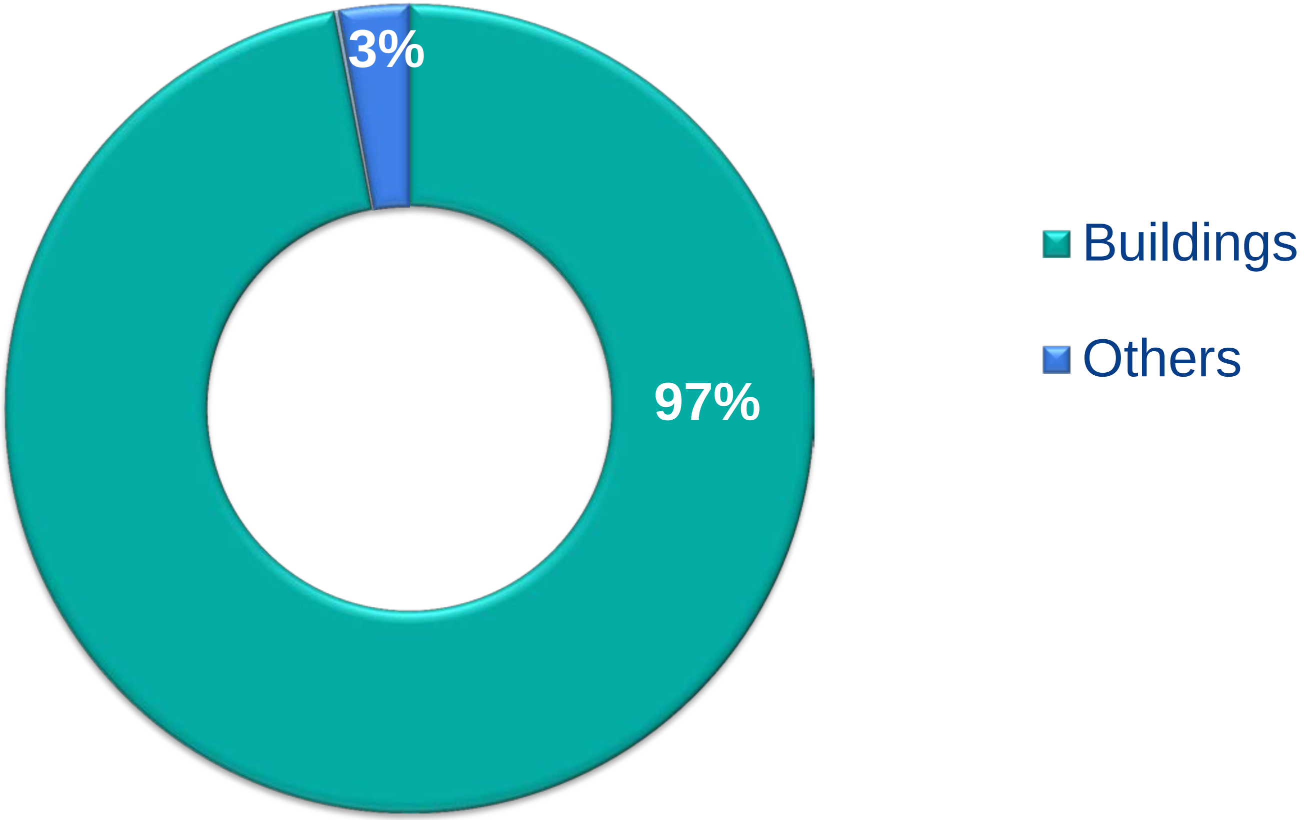
Infrastructure Safety: Revenue by end market

% of sector



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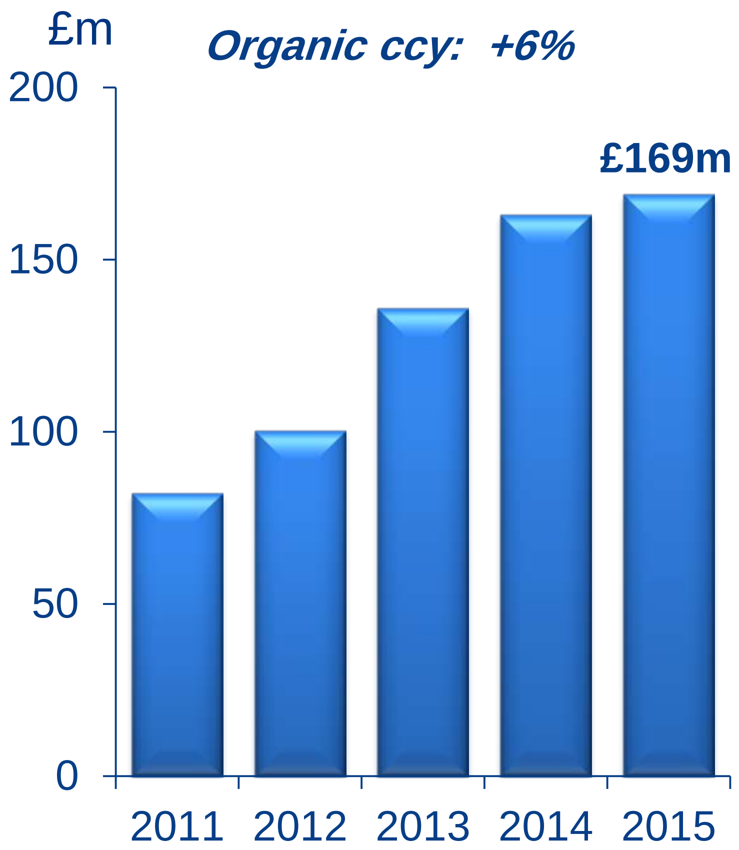
Medical: Trading performance

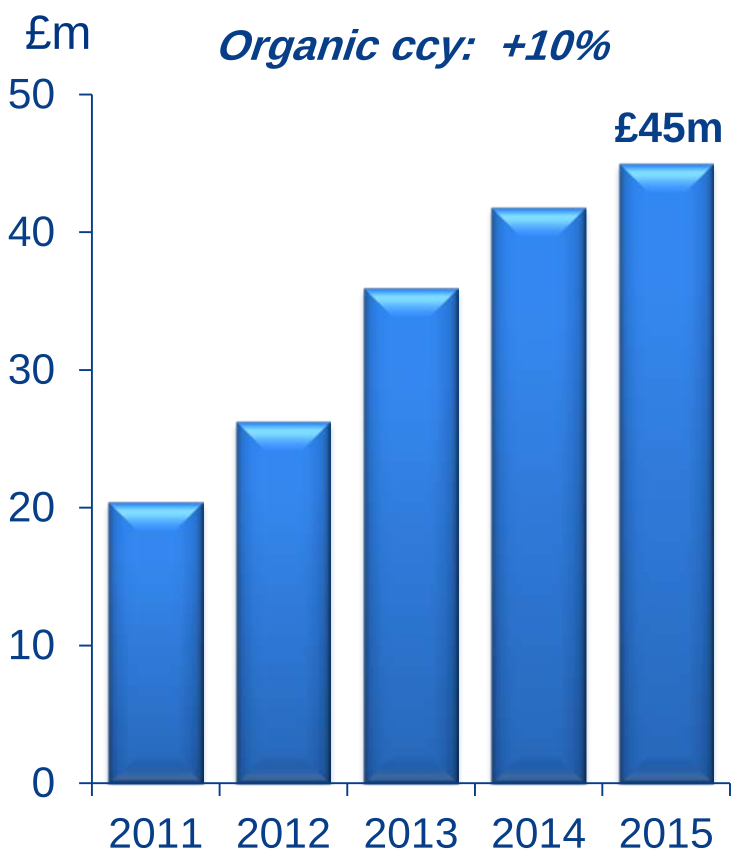
Revenue: +4%

Organic ccy: +6%



Profit: +9%

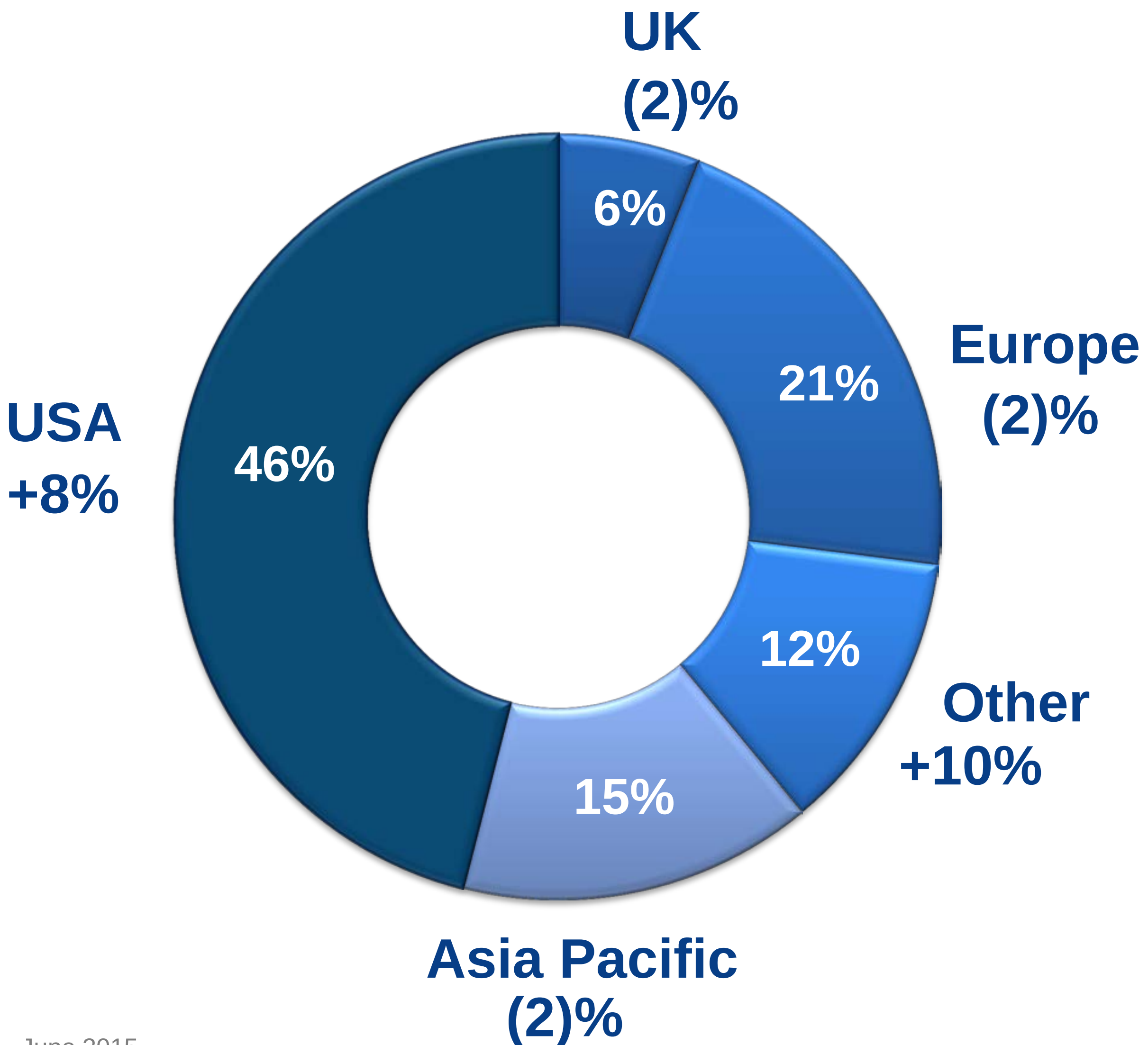
Organic ccy: +10%



Return on Sales: 26.8%

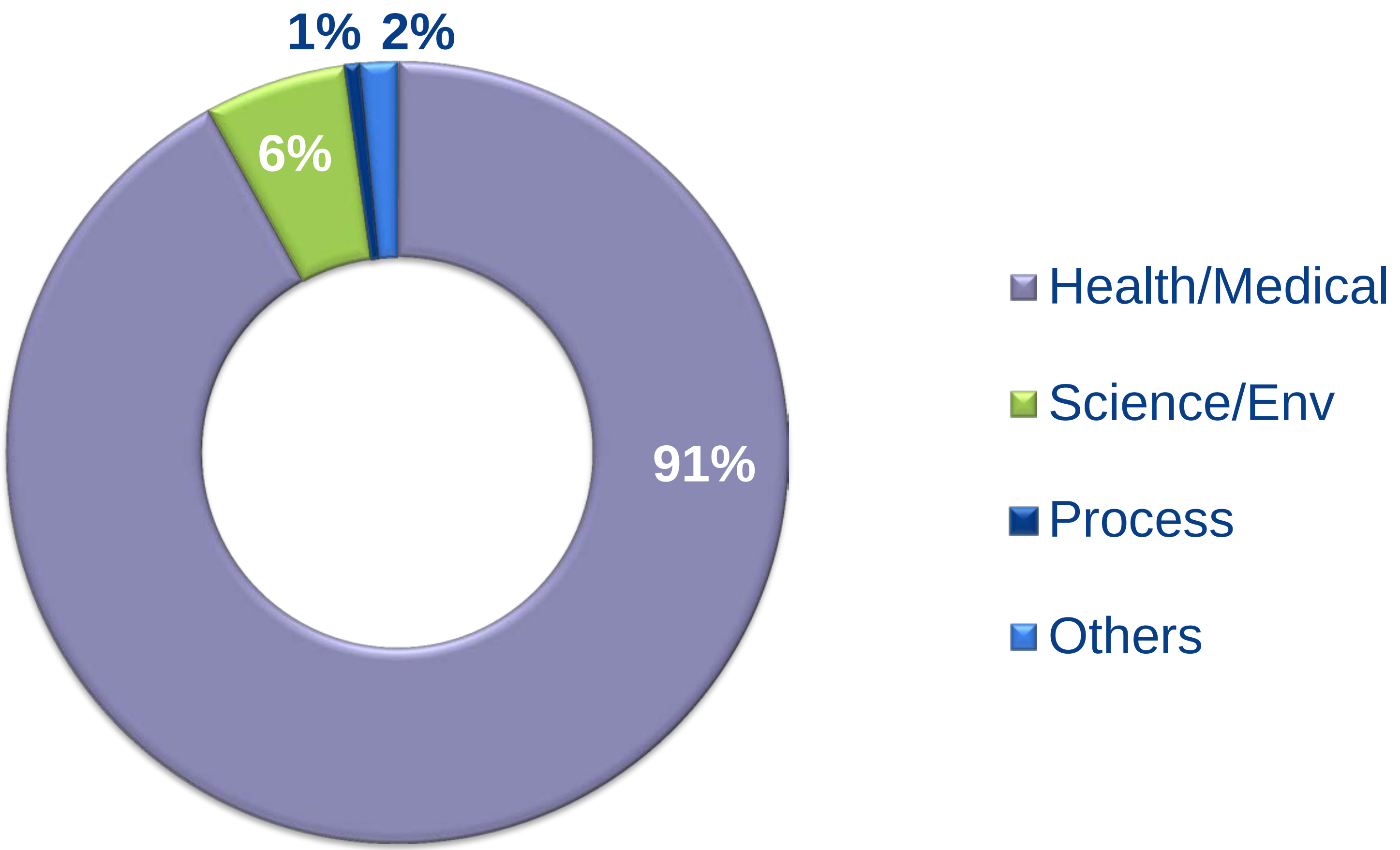
Medical: Revenue by destination

FY 2014/15: % of sector & % growth



Medical: Revenue by end market

% of sector



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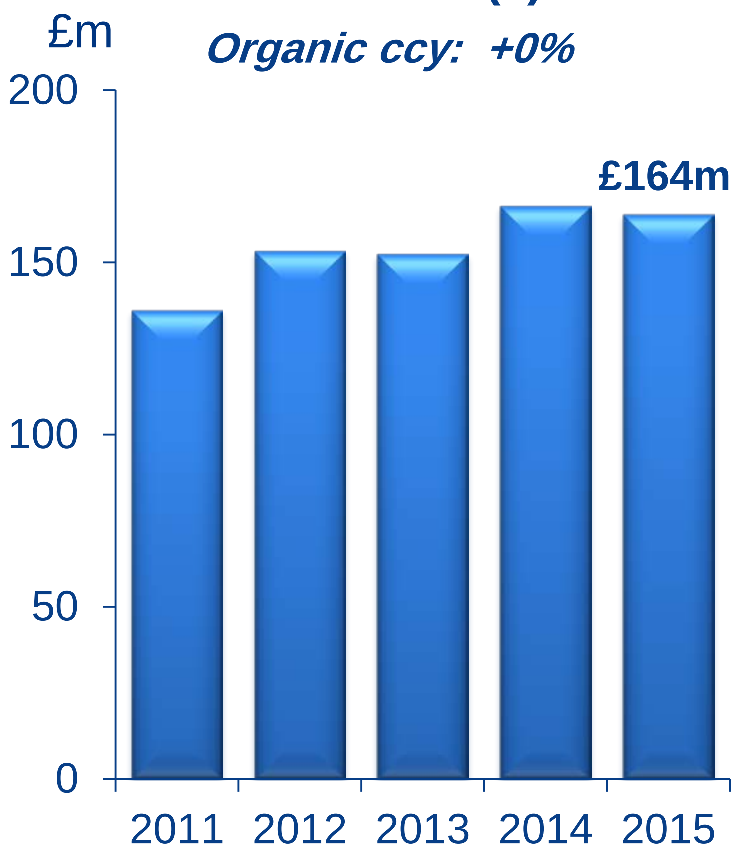
Environmental & Analysis: Trading performance

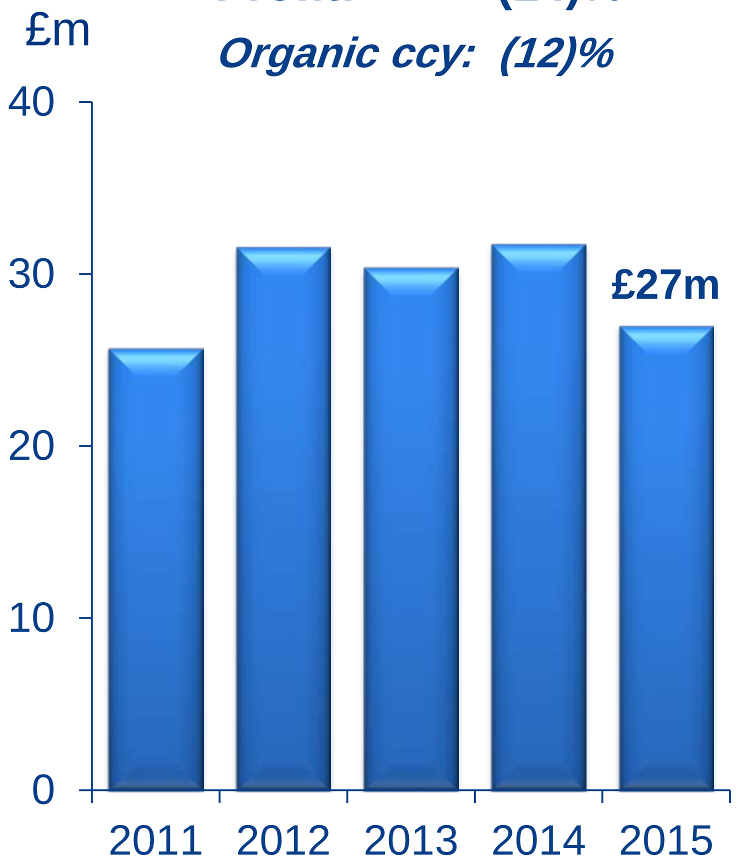
Revenue: (1)%

Organic ccy: +0%



Profit: (14)%

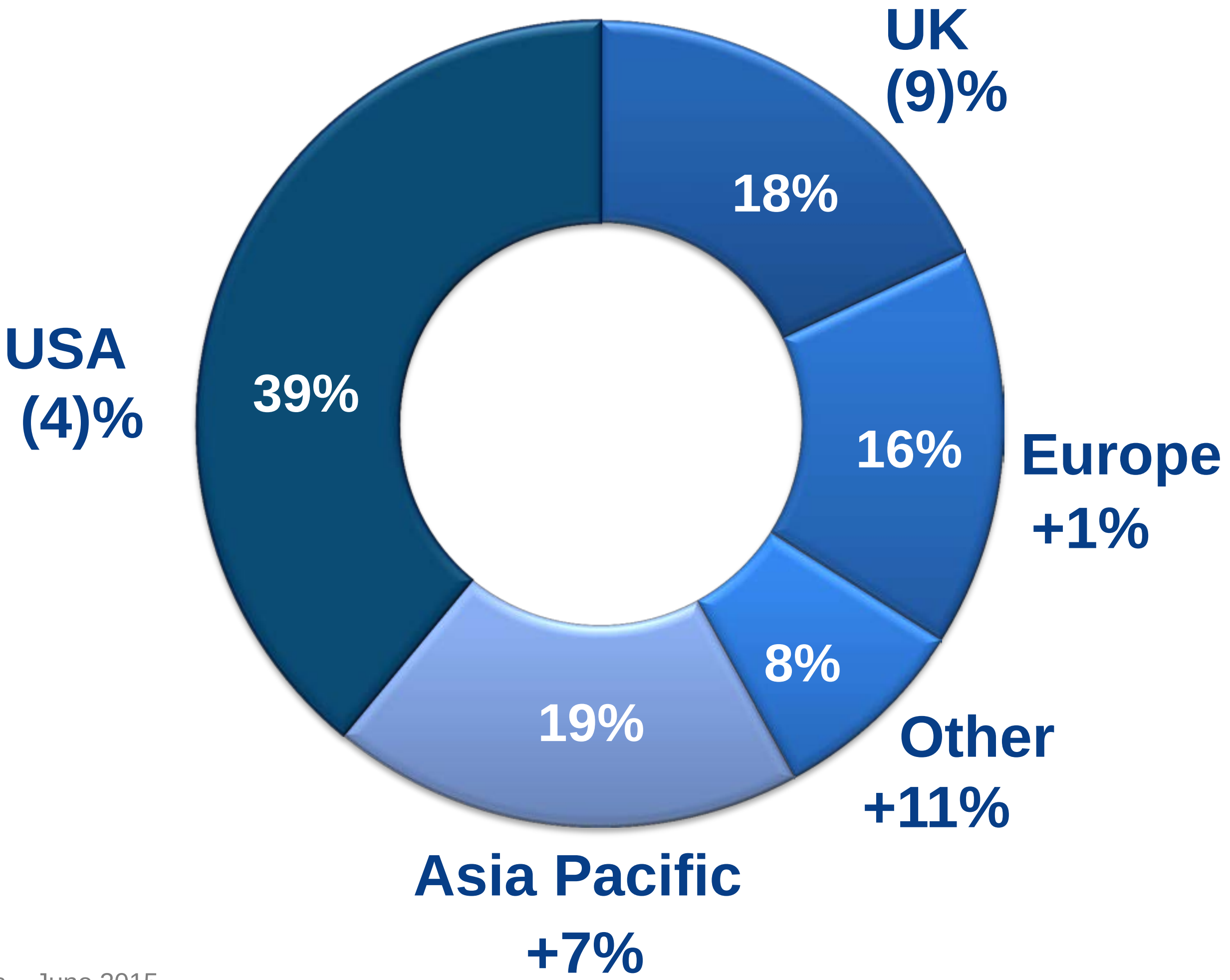
Organic ccy: (12)%



Return on Sales: 16.7%

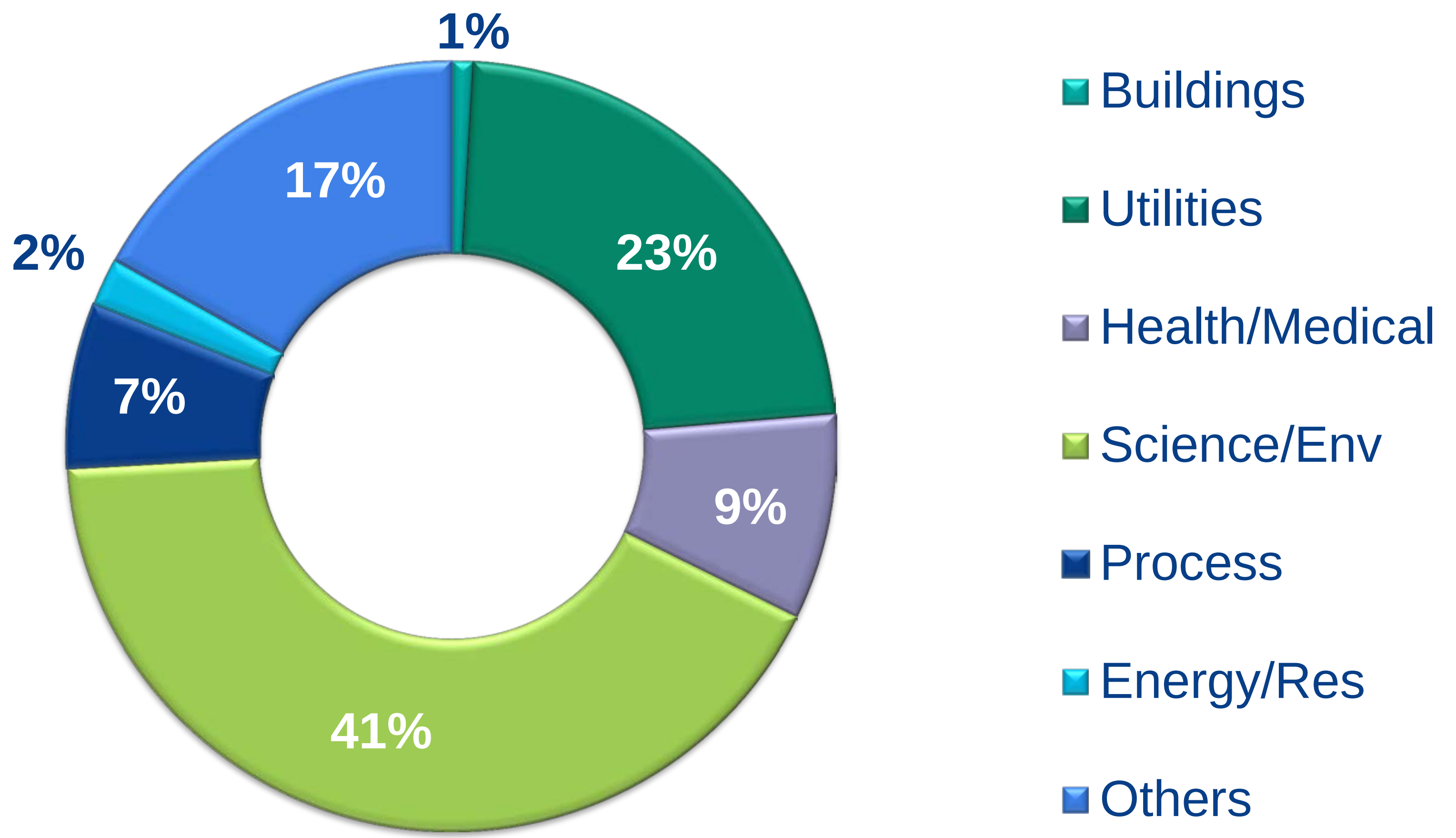
Environmental & Analysis: Revenue by destination

FY 2014/15: % of sector & % growth



Environmental & Analysis: Revenue by end market

% of sector



Strategy update

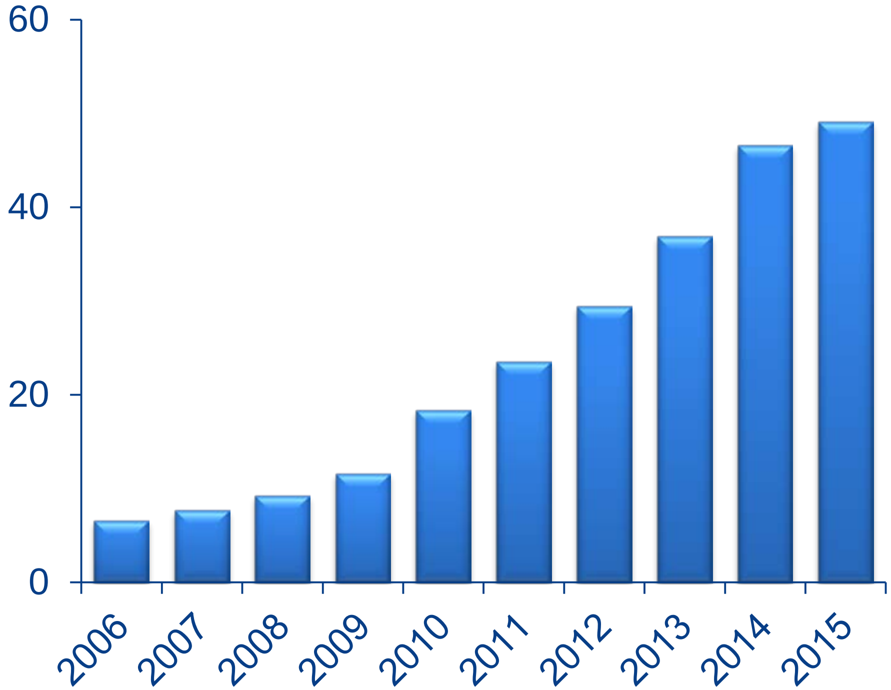
- Innovation
- International Expansion
- Talent Development
- M&A

Innovation: HITE Film

The HITE 2015 video can be viewed on the Halma website at: http://www.halma.com/news/video/corporate-videos.aspx

International expansion: China R&D

Sales to China



Ocean Optics Accuman PR-500

SunTech BP60

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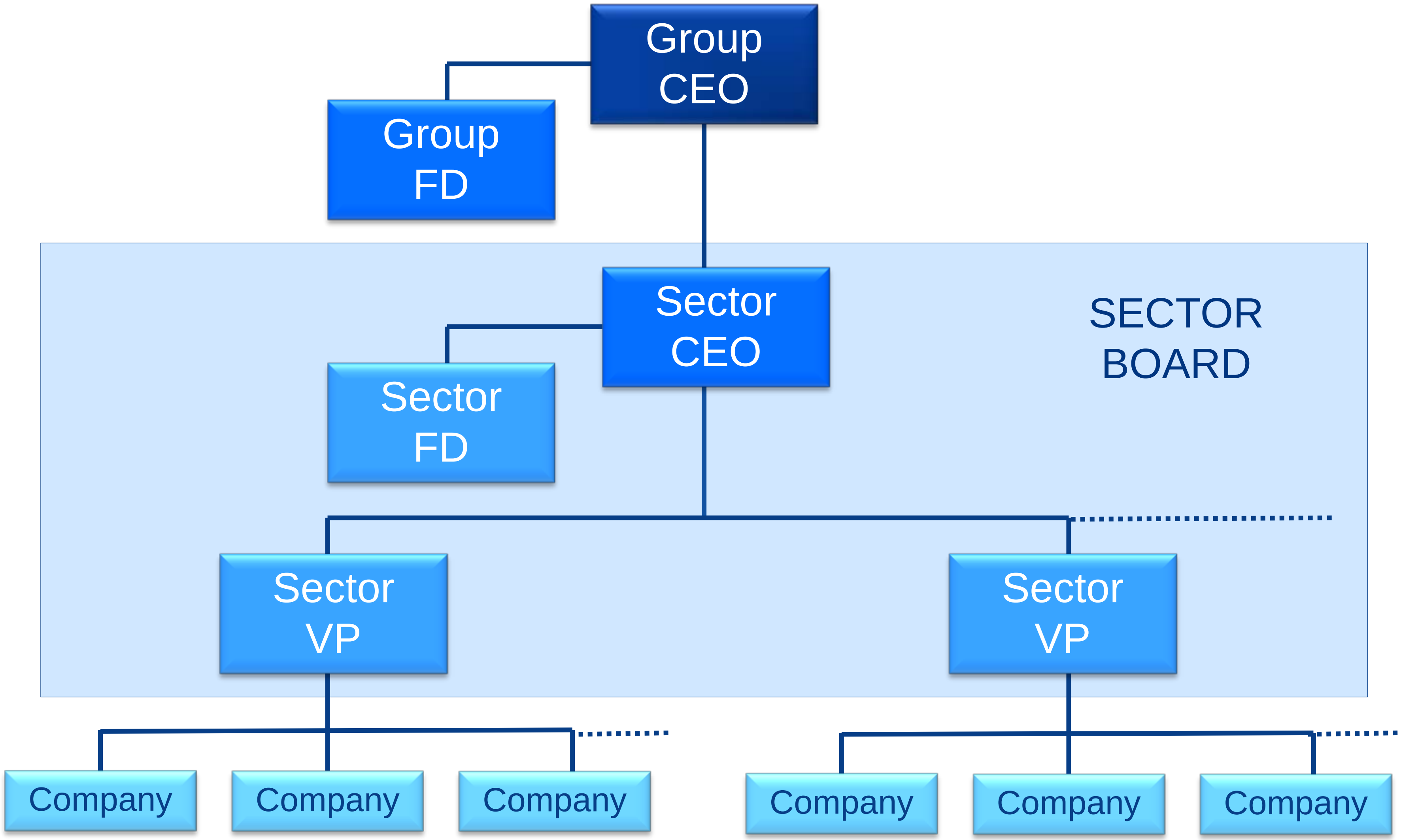
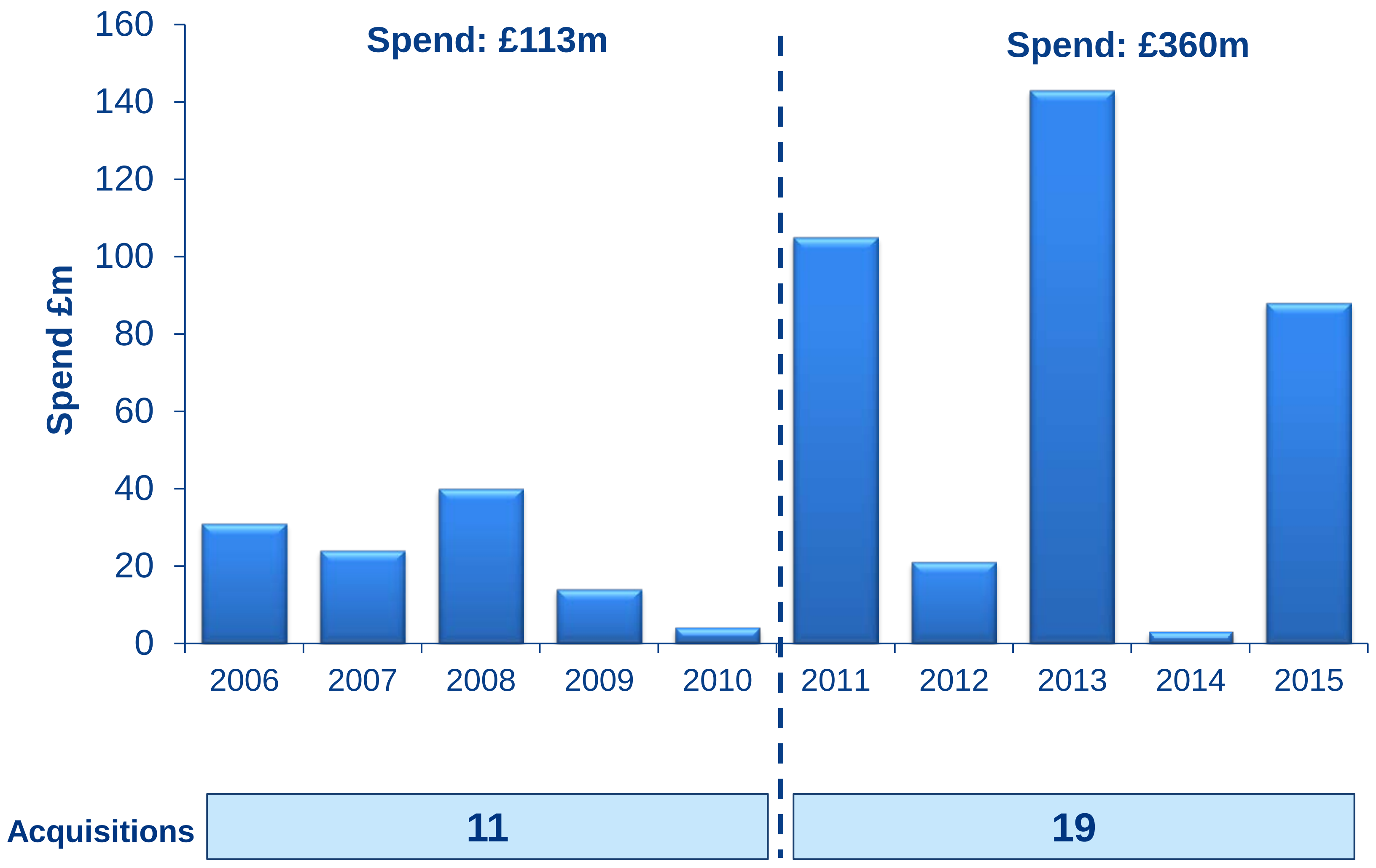
Talent Development: sector structures



Acquisitions: past 10 years



Summary and Outlook statement

"….. through continued and disciplined execution of our well proven growth strategy. We expect to make further progress in the year ahead"

Questions

Appendices

Currency impacts

	$ 14/15	$ 13/14	% change	€ 14/15	€ 13/14	% change
• Average rates v £	1.61	1.59	(1%)	1.27	1.19	(7%)

• **1% change***	**$ (~40% of total)**	**€ (~15% of total)**
Revenue	+/- £2.9m	+/- £0.9m
Profit	+/- £0.6m	+/- £0.2m

- At $1.55/€1.40 average rates full year profit would increase by a net amount of approximately £1m (<1%), and revenue by approximately £5m (<1%)*. Infrastructure Safety ~1% adverse impact. Process Safety ~1%, Medical and Environmental & Analysis 1-2% positive impact.
- At $1.55/€1.40 average rates half year profit and revenue 2% positive impact.*

* Based on 2014/15 results

Profit Adjustments*

	2014/15 £m	2013/14 £m
Amortisation of Intangibles	(19.9)	(17.5)
Acquisitions items**	(1.5)	12.5
Disposal of operations	1.4	(0.5)
Defined Benefit pension schemes closure	-	3.9
	(20.0)	(1.6)

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

** Including adjustment to acquisition contingent consideration

Pensions

DB plans Deficit	March 15	March 14
	£m	£m
Assets	224.8	190.5
Liabilities	(291.6)	(227.3)
Deficit	(66.8)	(36.8)

- Discount rate reduced to 3.25% (March 2014: 4.4%) significantly increasing liabilities.
- Closed DB to future accrual December 2014
- Contributions to pay off deficit : currently £7m/year (subject to outcome of 2014 triennial valuation)
- IAS 19 (Revised) adopted in 2013/14.

Acquisitions/Disposals

	Sector	Consideration				
		Acquired	**Initial £m**	**Maximum Earn out £m**	**Revenue* £m**	**EBIT* £m**
2014/15 Acquisitions						
Plasticspritzerei	Medical	May 14	4	-	-	0.7
Advanced Electronics	Infrastructure Safety	May 14	14	10	14.6	2.5
RCS	Process Safety	May 14	64	-	26.6	6.6
			82	10		
2015/16 Acquisitions						
VAS	Medical	May 15	3	1	1.5	0.3
			3	1		
2014/15 Disposal		**Disposal**	**Proceeds**			
Monitor	Infrastructure Safety	May 14	4	-	7.5	~1.0

* At acquisition/disposal run-rate

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Impact of M&A

Revenue £m*

		Actual 14/15	Expected Contribution 15/16
Acquisitions	14/15	35	6
Disposal	14/15	(6)	(1)
Acquisition	15/16	-	1
		29	6

Profit after financing costs £m*

		Actual 14/15	Expected Contribution 15/16
Acquisitions	14/15	7.4	1.3
Disposal	14/15	(1.0)	-
Acquisition	15/16	-	0.2
		6.4	1.5

* at acquisition/disposal run-rate

2014/15 Full year

	Notes	Full year 15/16 forecasts	14/15 Actual
Capex	1	~ £27.5m	£23.2m
Effective tax rate	2	~ 23.0%	23.2%
Central costs	3	~ £10.8m	£9.0m
Net finance expense	4	~ £5.2m	£4.9m

Notes:
1. 14/15 capex includes £5m for a new property purchase. 15/16 includes a further £5m.
2. 15/16 forecast includes further 1% fall in UK CT rate and expected mix of profits.
3. HITE event in 2015/16 plus further investment in Talent and emerging markets.
4. Based on forecast including May 2015 acquisition. Assumed 0.5% interest rate increase in H2.

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Sector history

£m		10/11	11/12	12/13**	13/14	14/15
Sector revenue	Process Safety	103.0	122.2	125.7	126.7	158.4
	Infrastructure Safety	197.2	204.3	205.3	220.3	234.1
	Medical	82.2	100.4	136.1	163.2	169.3
	Environmental & Analysis	136.2	153.4	152.4	166.5	164.4
	Inter-segmental sales	(0.2)	(0.4)	(0.3)	(0.2)	(0.1)
	Group revenue	518.4	579.9	619.2	676.5	726.1
Sector profit*	Process Safety	24.5	29.2	32.3	34.9	44.8
	Infrastructure Safety	39.0	39.1	41.5	44.4	50.0
	Medical	20.4	26.3	35.9	41.8	45.4
	Environmental & Analysis	25.7	31.6	30.4	31.8	27.4
	Segment Profit	109.6	126.2	140.1	152.9	167.6
	Central cost/net finance expense	(5.0)	(5.7)	(11.6)	(12.7)	(14.0)
Profit*		104.6	120.5	128.5	140.2	153.6

* Profit before amortisation of acquired intangibles, acquisition items, profit or loss on disposal of operations and curtailment gain on DB pension schemes (2013/14 only)

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

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