

Final results 2015/16

Andrew Williams – Chief Executive
Kevin Thompson – Finance Director

Summary 2015/16

**Growth &
high
returns**

Revenue
+11%
£808m

Profit
+8%
£166m

ROS
20.6%
(LY: 21.2%)

**Continued
strategic
investment**

Acquisitions
£193m
spend

R&D spend
+19%
£41m

ROW revenue
+7%
£211m

**Good cash
performance**

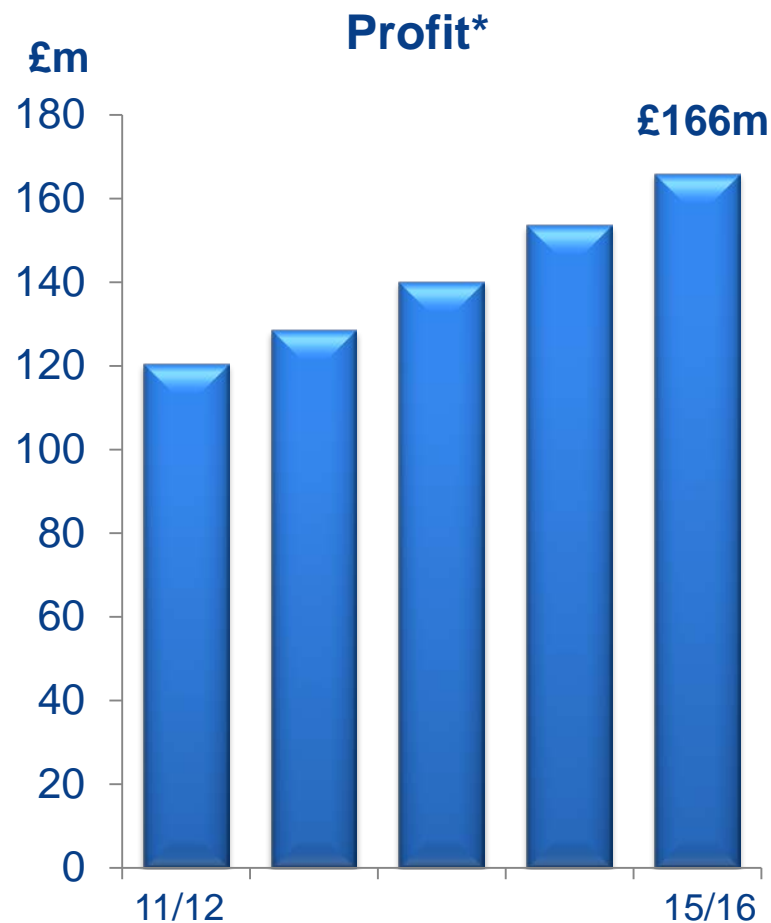
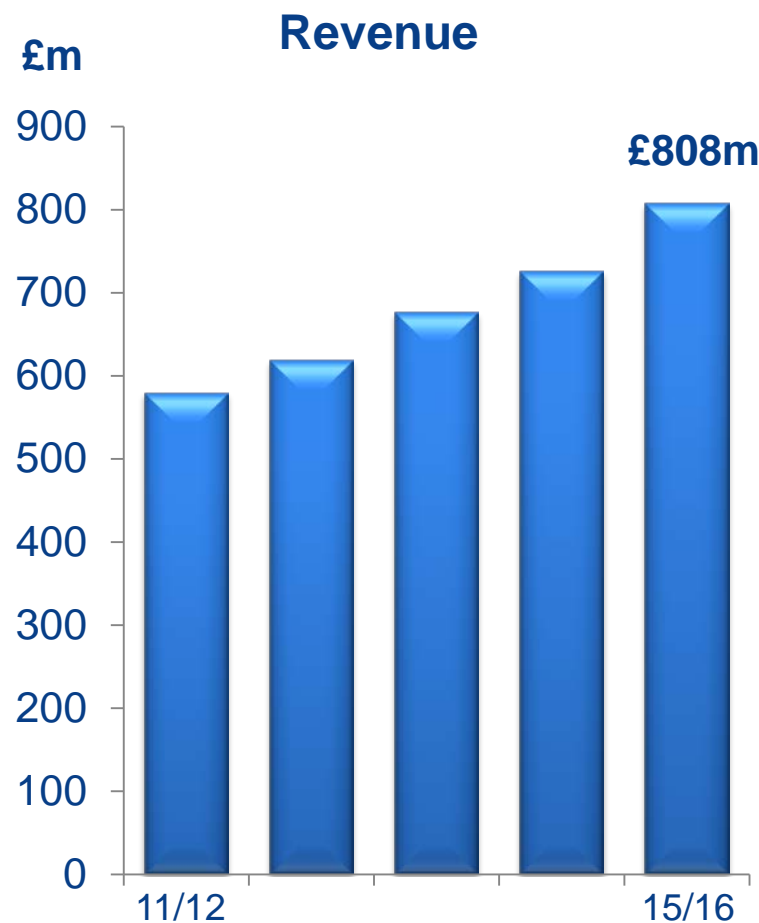
Cash flow
86%
of adjusted profit

ROTIC
15.6%
(LY: 16.3%)

Dividend
+7%
12.81p

Financial Review

Record results



* Profit before amortisation of acquired intangibles, acquisition items and profit or loss on disposal of operations

Revenue growth

FY 2015/16

	% growth
➤ Organic constant currency growth	6%
➤ Currency	2%
➤ Acquisitions	3%
➤ Headline growth	<u>11%</u>

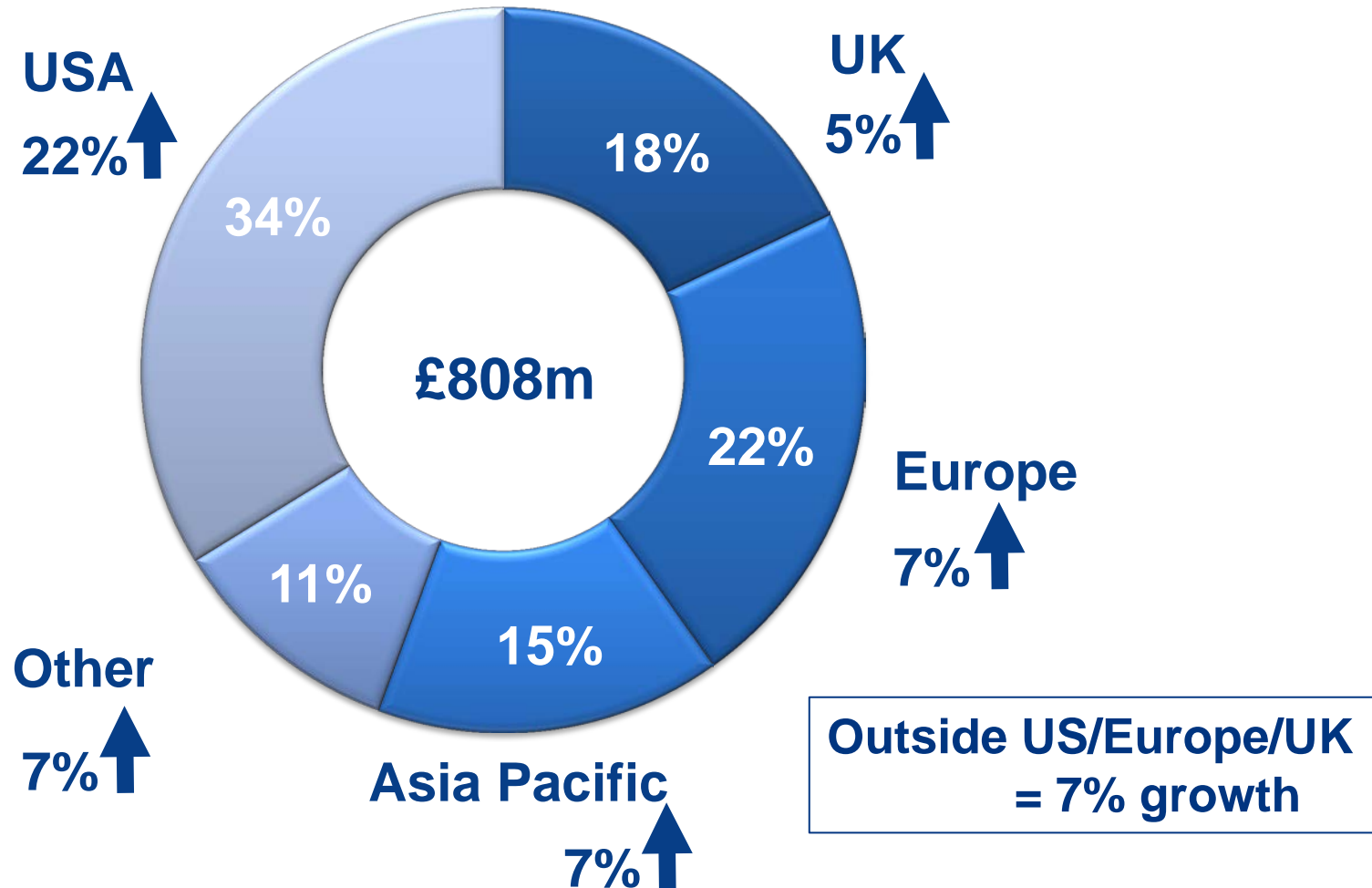
Revenue growth

FY 2015/16

	£m	Total	Organic: Constant Currency
H1	380	11%	7%
H2	428	11%	4%
Total	808	11%	6%

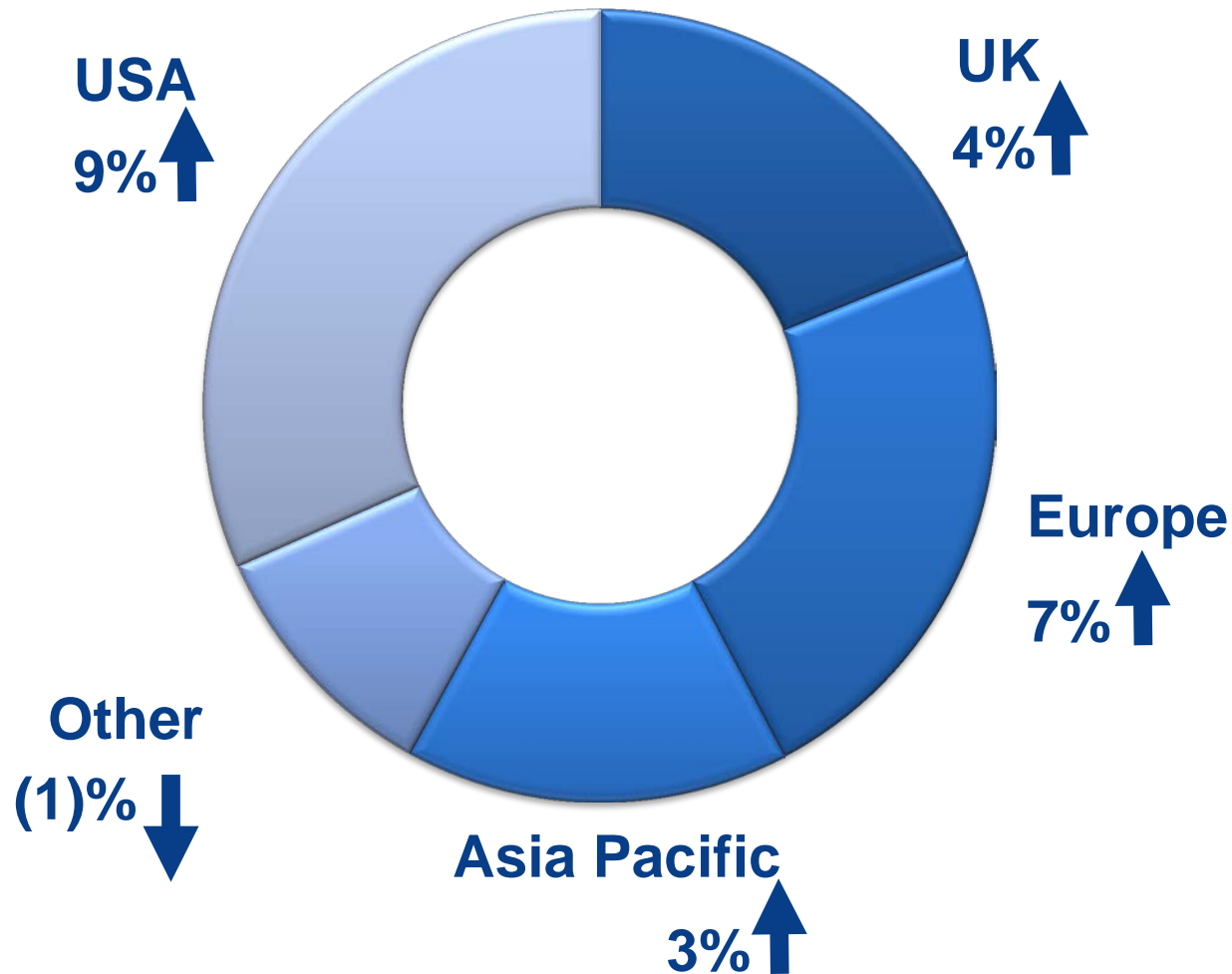
Revenue by destination

Revenue and revenue growth, 2015/16



Revenue by destination: organic constant currency

Revenue and revenue growth, 2015/16



Profit* growth

FY 2015/16

	% growth
➤ Organic constant currency growth	3%
➤ Currency	2%
➤ Acquisitions	3%
➤ Headline growth	<hr/> 8%

➤ Return on sales 20.6% (2015: 21.2%)

* Profit before amortisation of acquired intangibles, acquisition items and profit or loss on disposal of operations

Profit* growth

	£m	Total	Organic: Constant Currency
H1	74.7	8%	4%
H2	91.3	8%	3%
Total	166.0	8%	3%

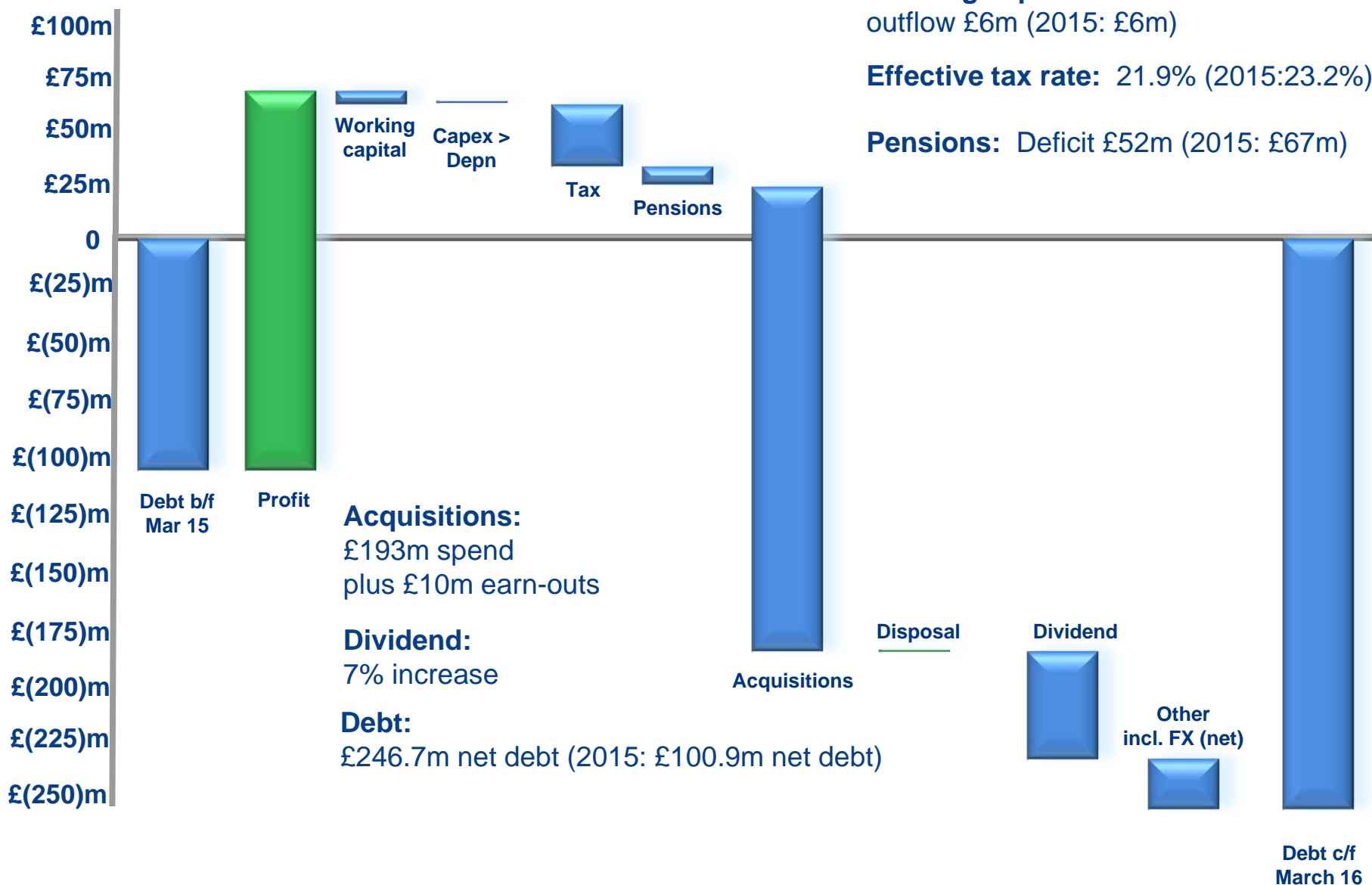
* Profit before amortisation of acquired intangibles, acquisition items and profit or loss on disposal of operations

Currency

- Translation impact in 15/16
 - H1 net benefit: revenue 3%; profit 2%
 - Full year net benefit: revenue and profit 2%
- At recent Fx rates 16/17 profit impact*:-
 - H1: ~ 3% Benefit
 - FY: ~ 2% Benefit
 - Impact varying by sector
- More information in Appendix

* Based on 15/16 results

Cash flow 2015/16



Funding

- USPP over 5,7,10 years
 - \$250m
 - Weighted average interest rate of 2.5%
- £360m bank facility – 5 years to 2018
- Comfortable with:
 - Net debt ~ 1.25x EBITDA (March 16: 1.27x)
 - Temporarily higher gearing to fund acquisitions
- Strong balance sheet with significant capacity

Financial KPI Summary 2015/16

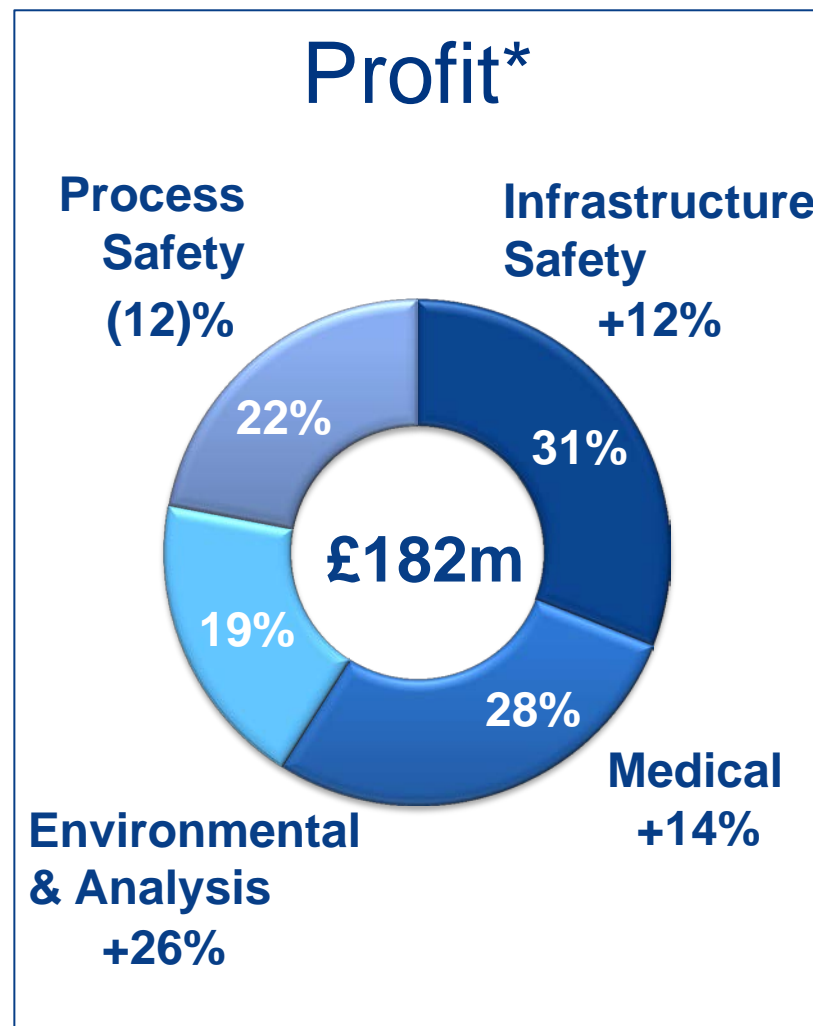
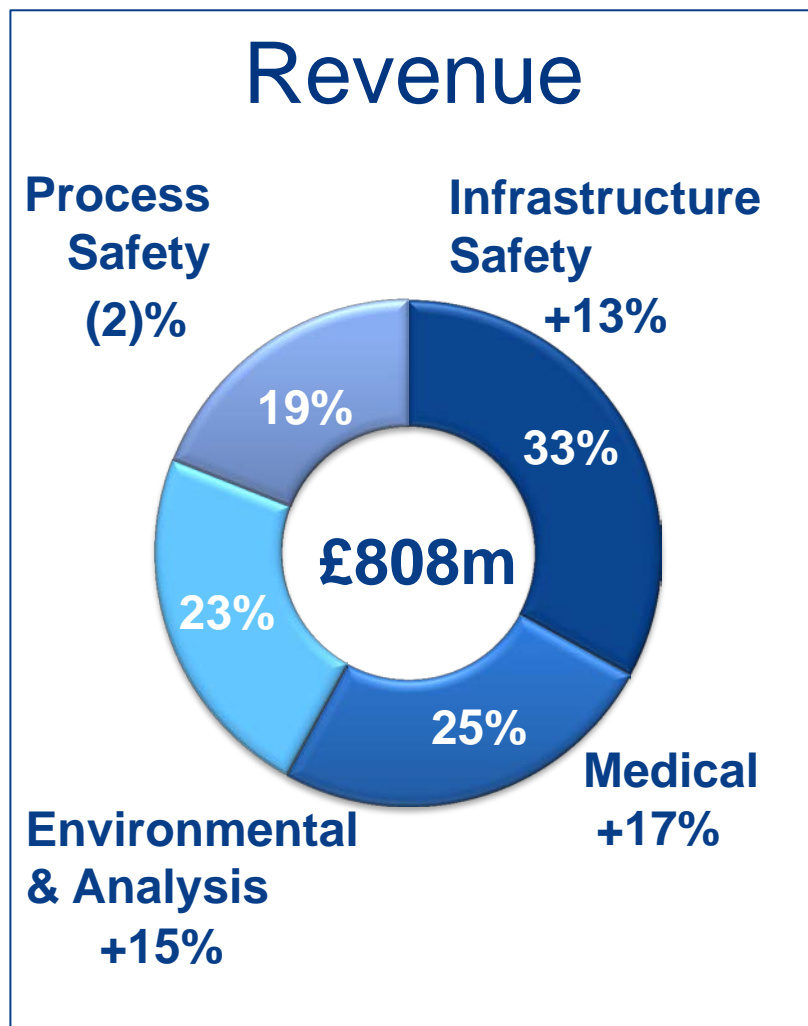
	<u>Target</u>	<u>Achieved</u>
Organic revenue growth*	≥ 5%	6%
Organic profit growth*	≥ 5%	3%
Acquisition profit growth **	≥ 5%	8%
Revenue growth outside UK/Europe/USA	≥ 10%	7%
Return on Sales	18% - 22%	20.6%
R&D investment (% of revenue)	≥ 4%	5.1%
Cash conversion	≥ 85%	86%
Return on Total Invested Capital	≥ 12%	15.6%

* at constant currency

** annualised profit of acquisitions made in the year (net of finance cost) as % of prior year profit

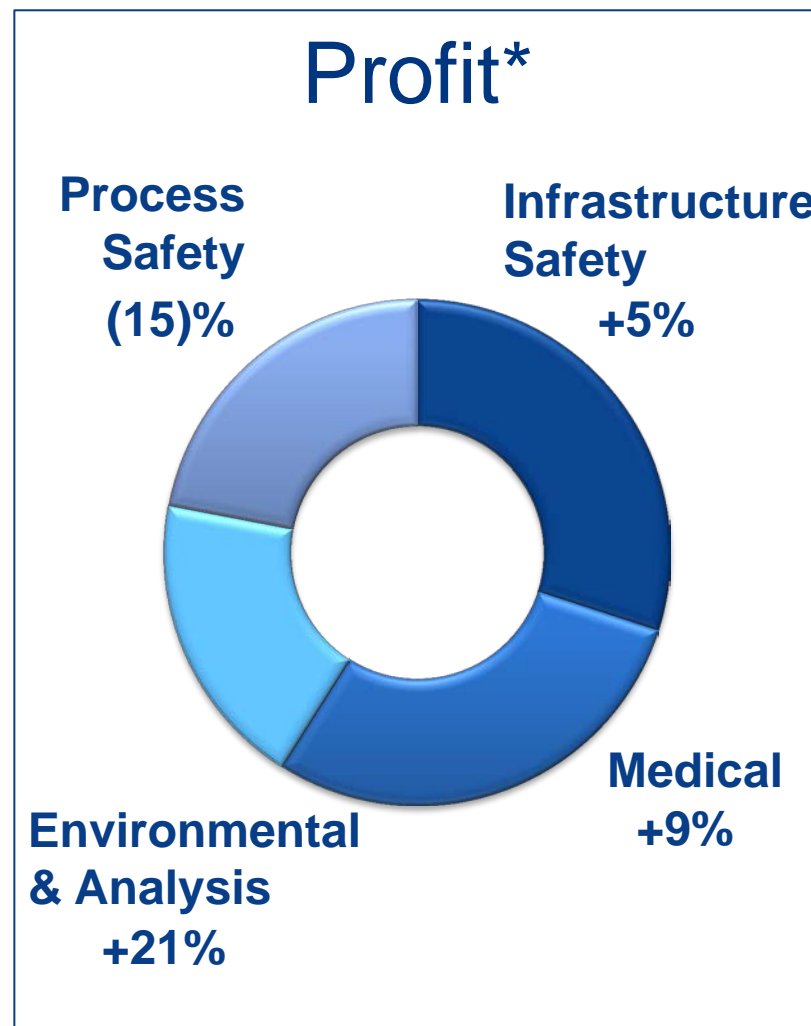
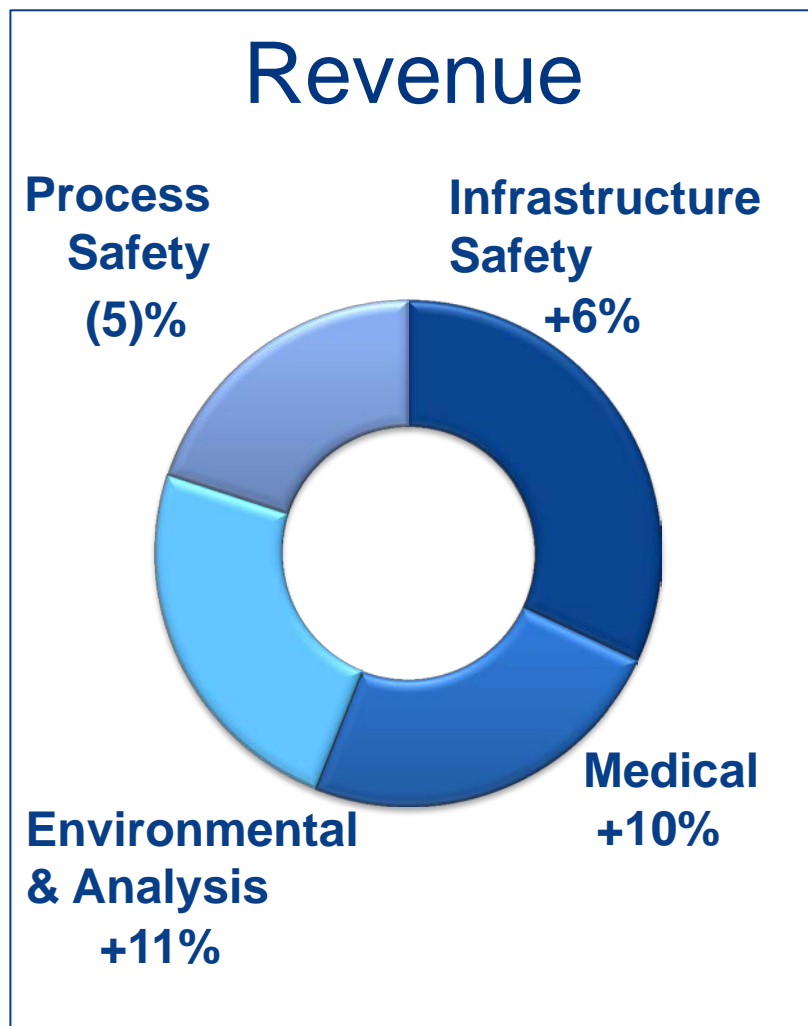
Trading Review

Sector performances



*Profit before amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations and excluding finance and central administration costs

Sector performances: Organic constant currency growth

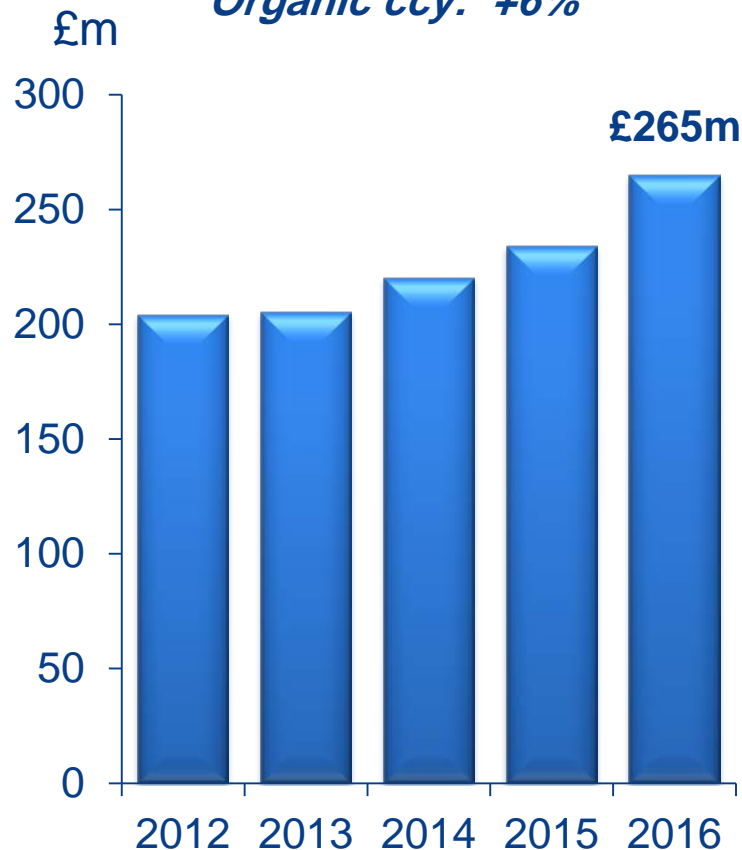


*Profit before amortisation of acquired intangible assets, acquisition items and profit or loss on disposal of operations and excluding finance and central administration costs

Infrastructure Safety: Trading performance

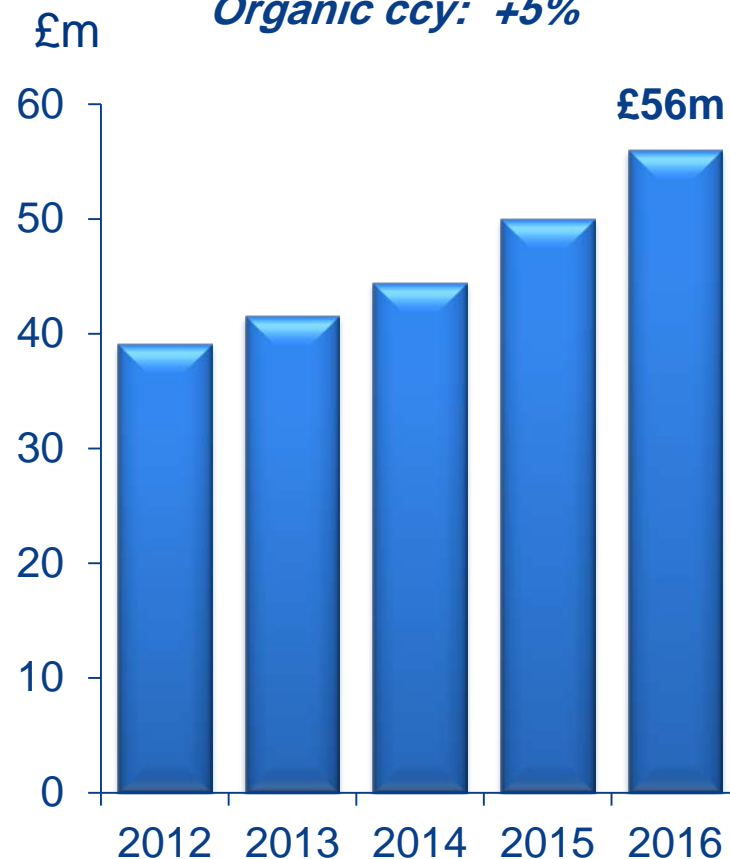
Revenue: +13%

Organic ccy: +6%



Profit: +12%

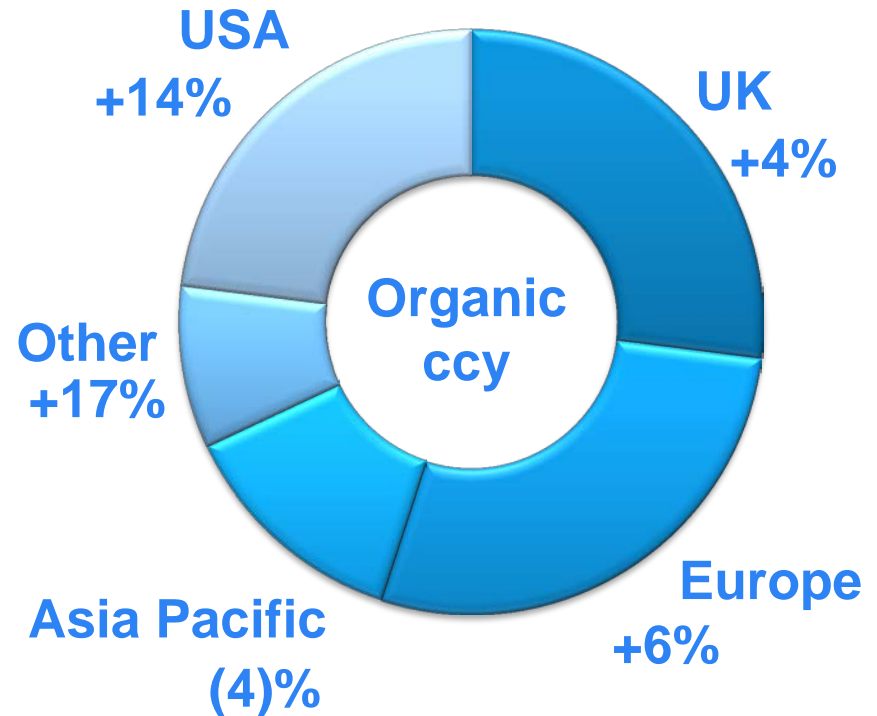
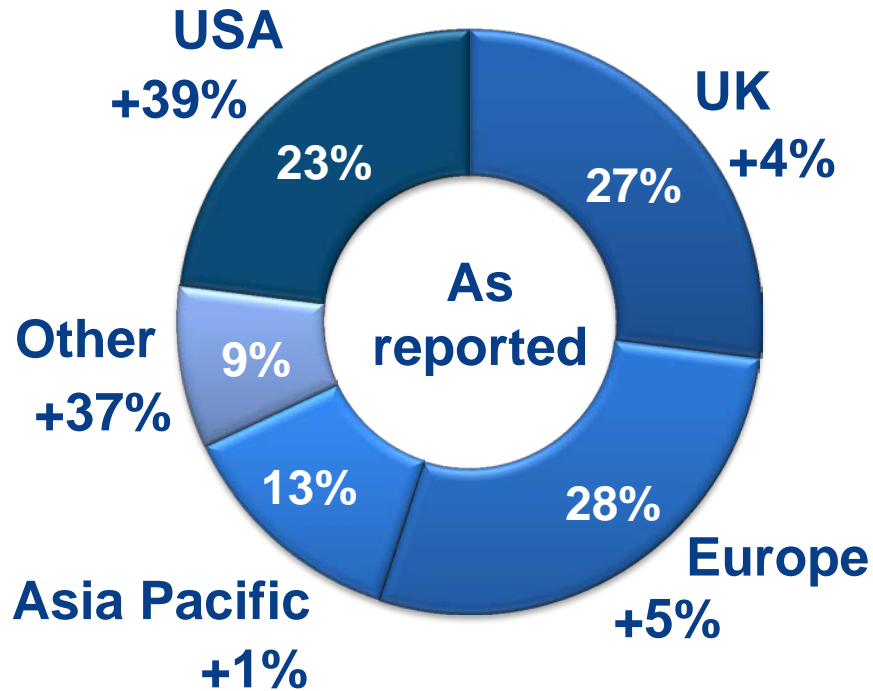
Organic ccy: +5%



Return on Sales: 21.2%

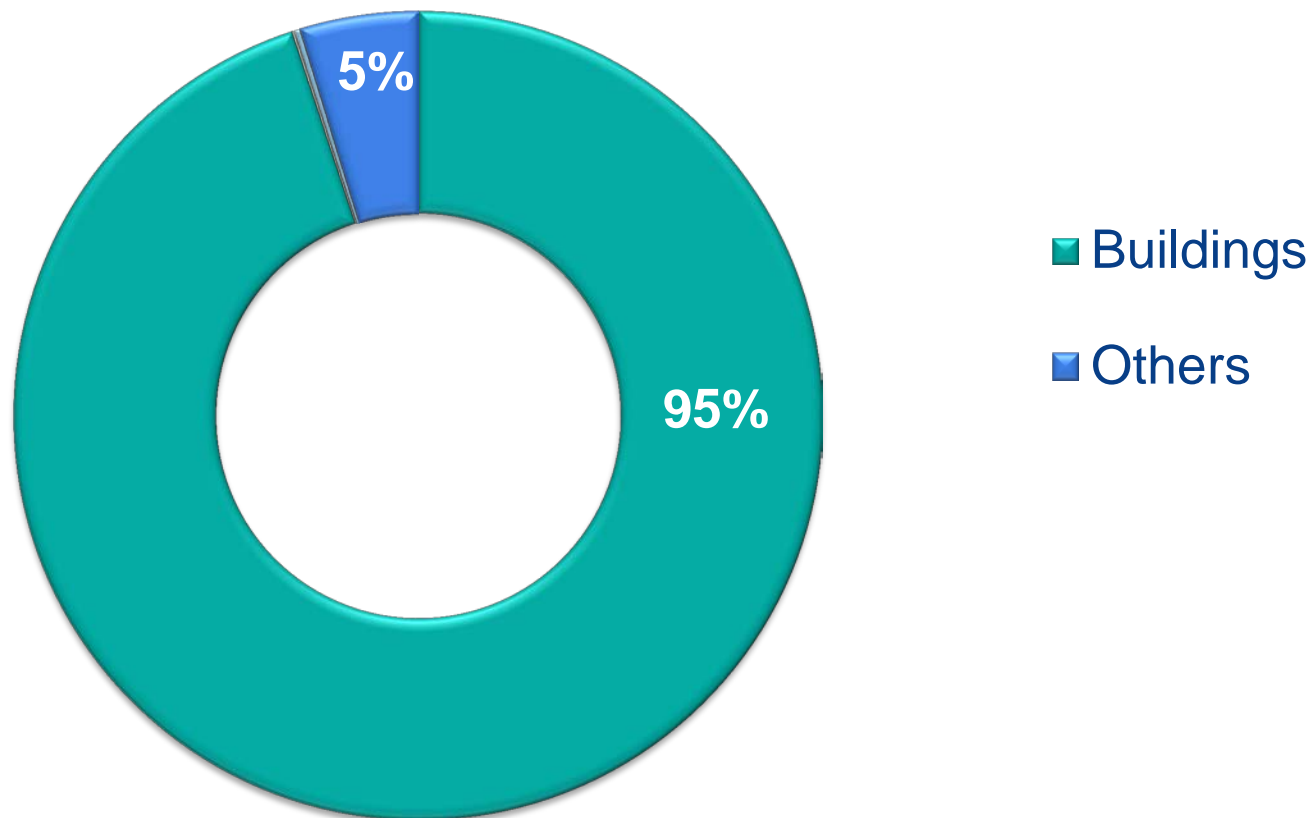
Infrastructure Safety: Revenue by destination

% of sector & % growth

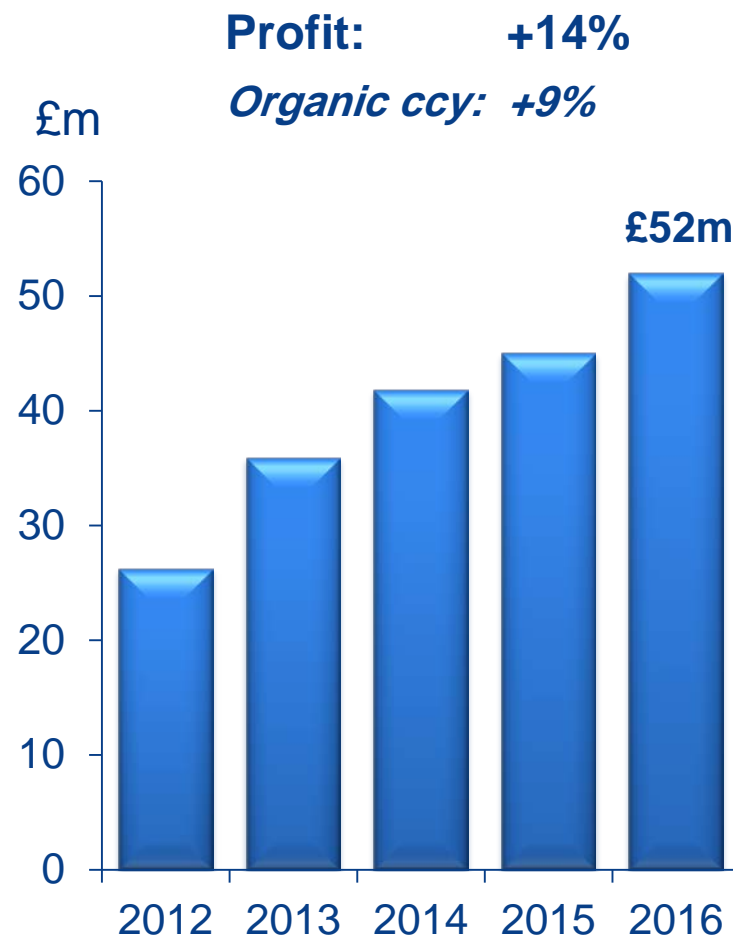
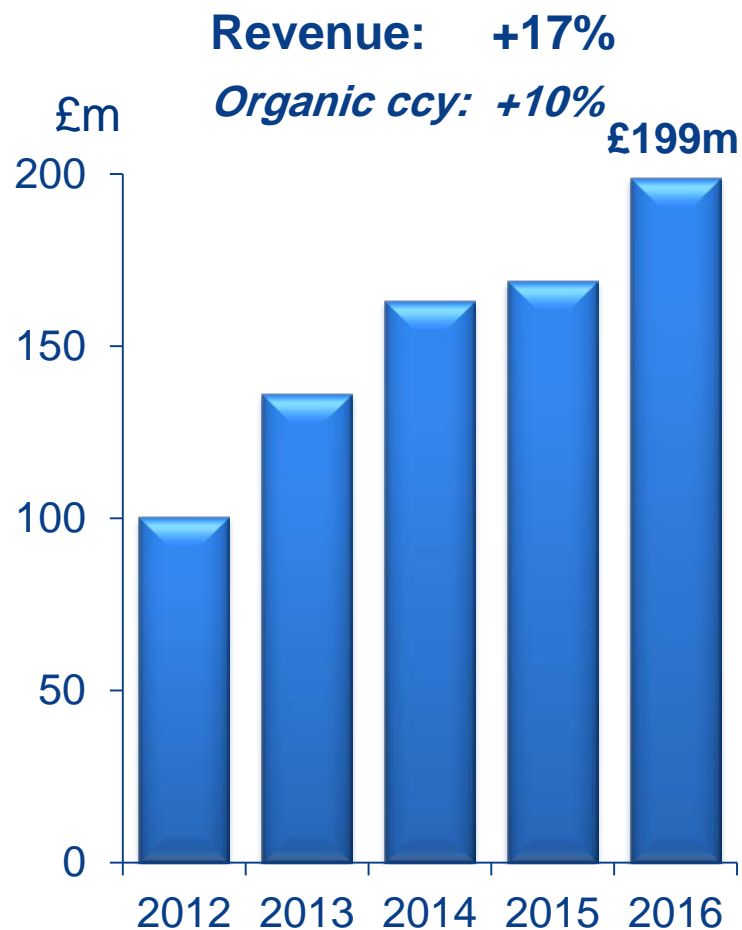


Infrastructure Safety: Revenue by end market

% of sector



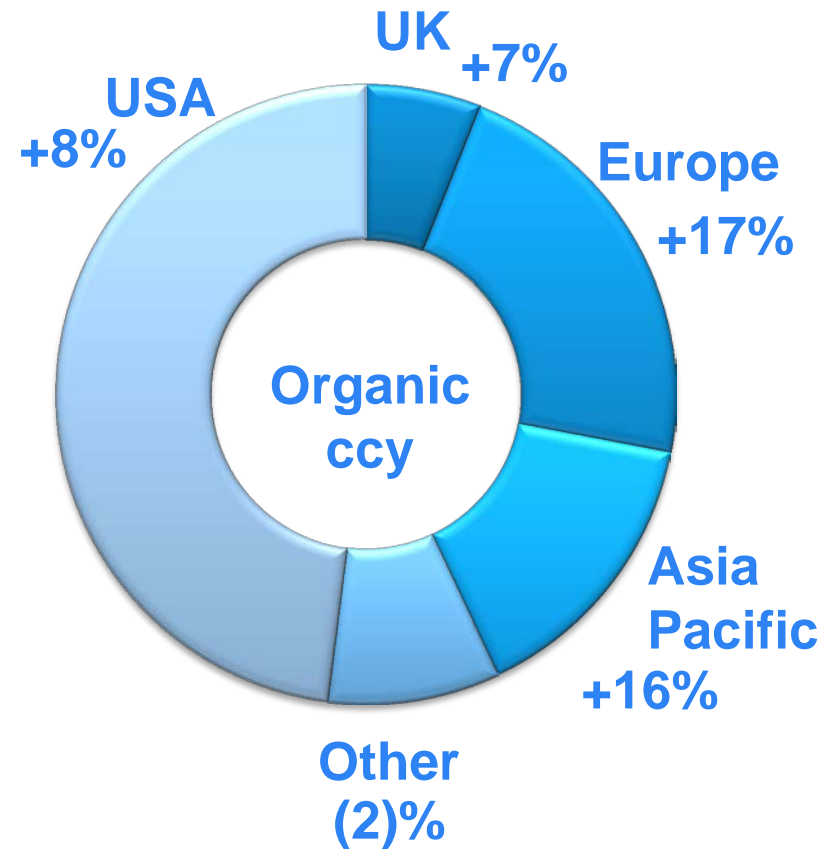
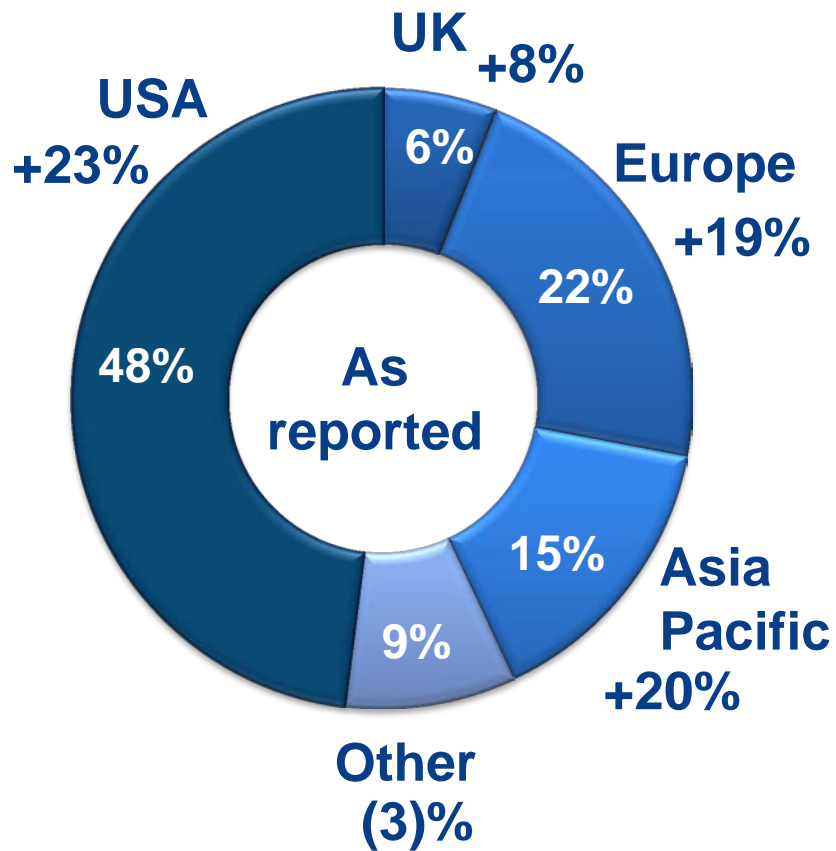
Medical: Trading performance



Return on Sales: 26.0%

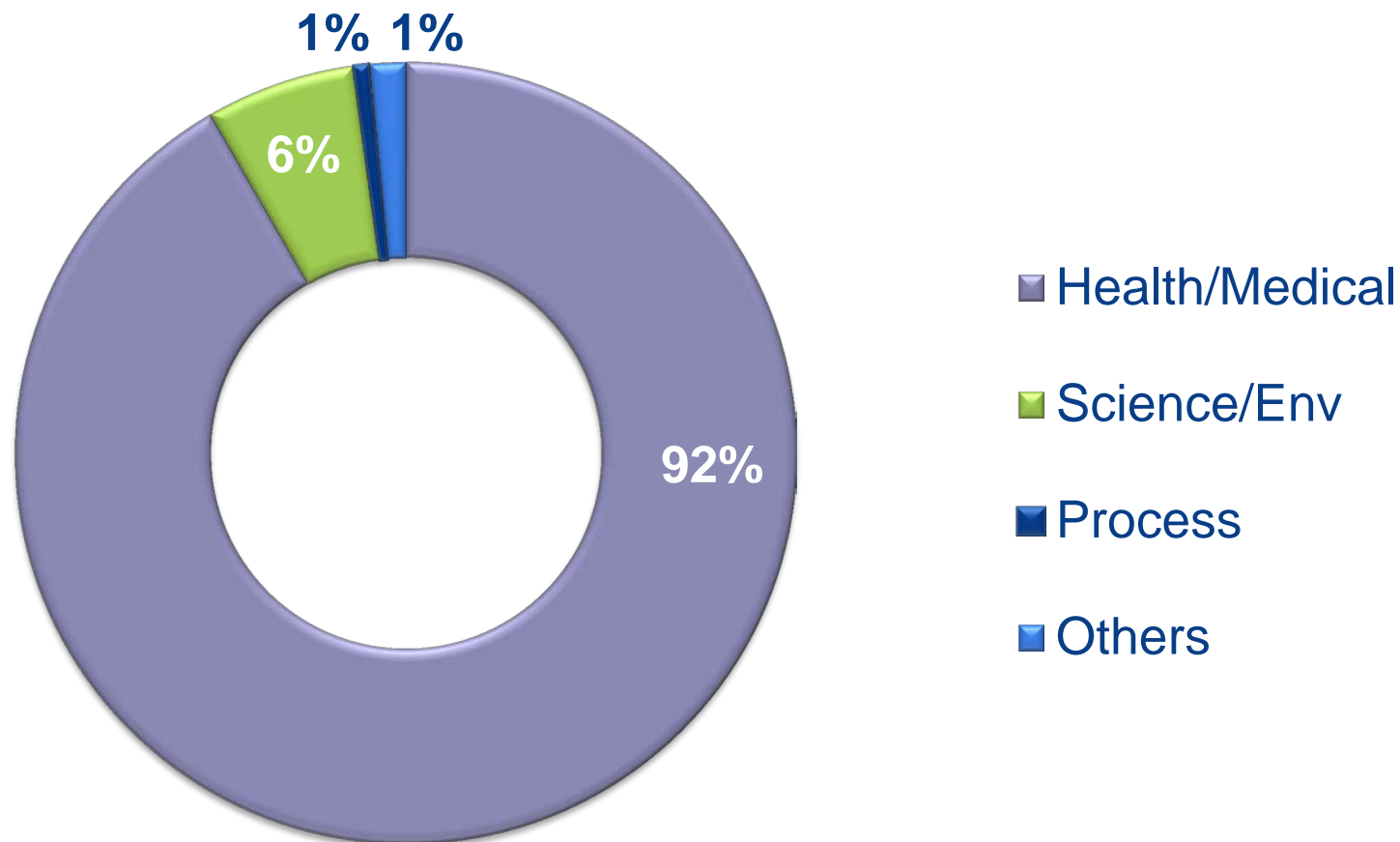
Medical: Revenue by destination

% of sector & % growth

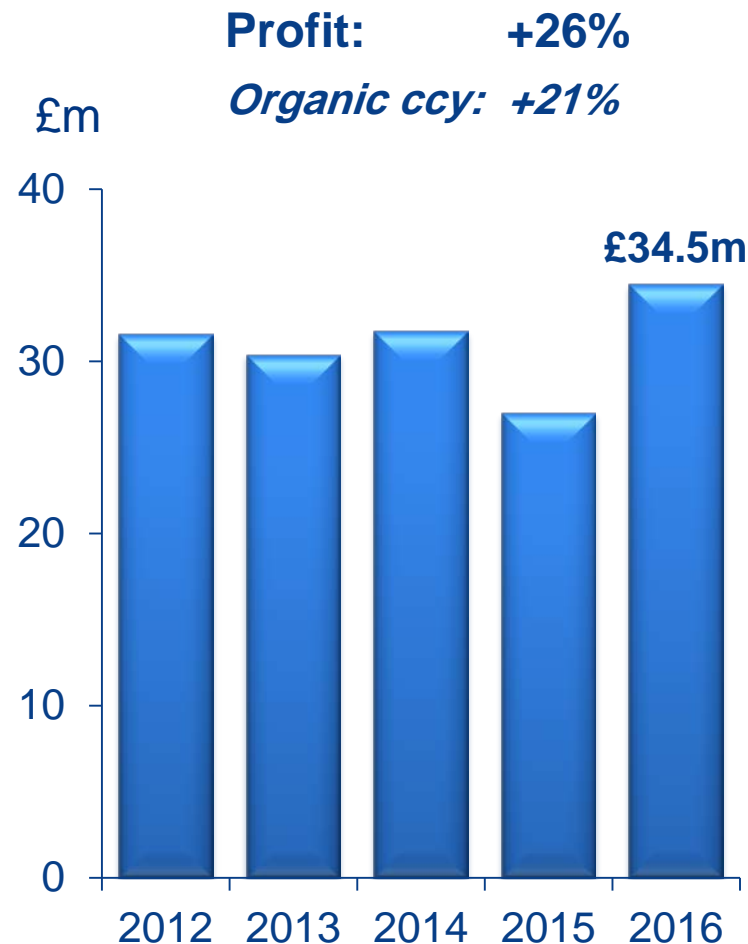
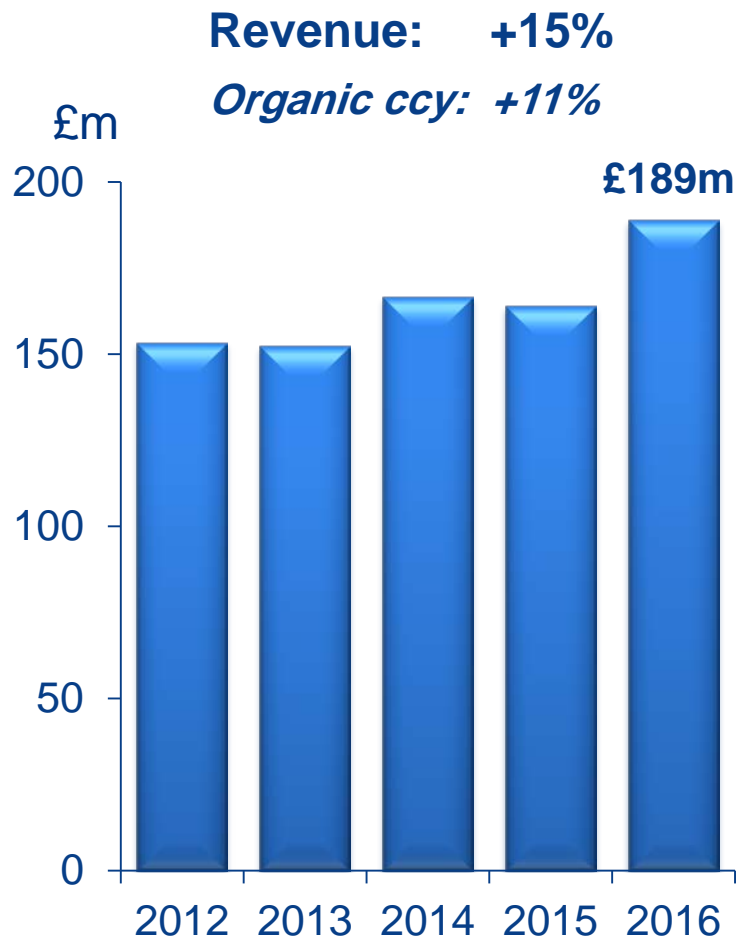


Medical: Revenue by end market

% of sector



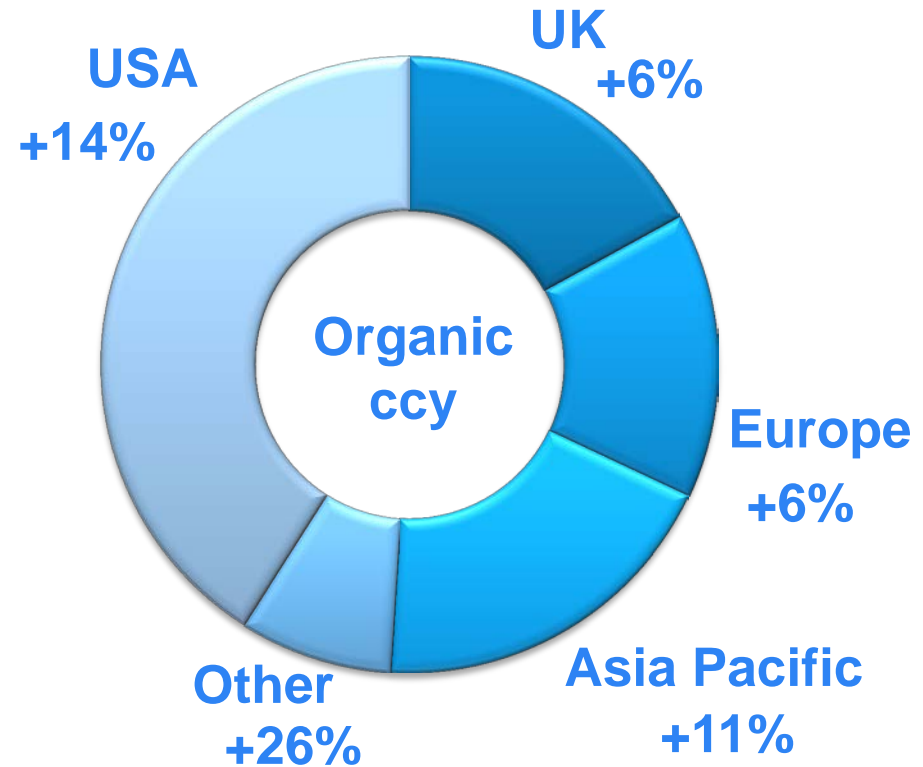
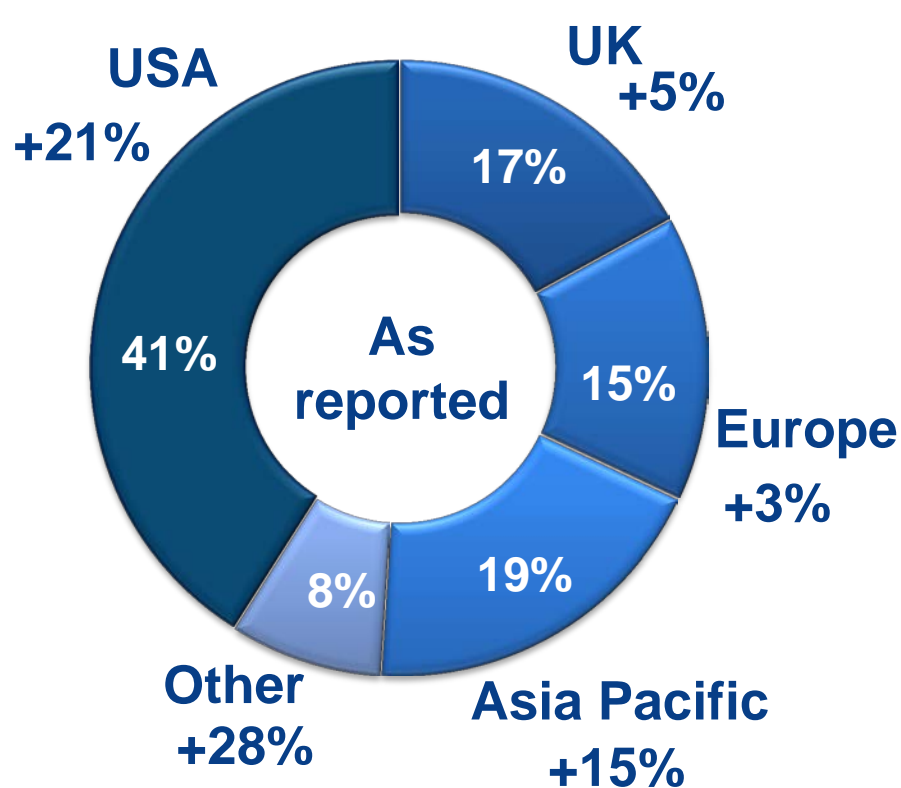
Environmental & Analysis: Trading performance



Return on Sales: 18.3%

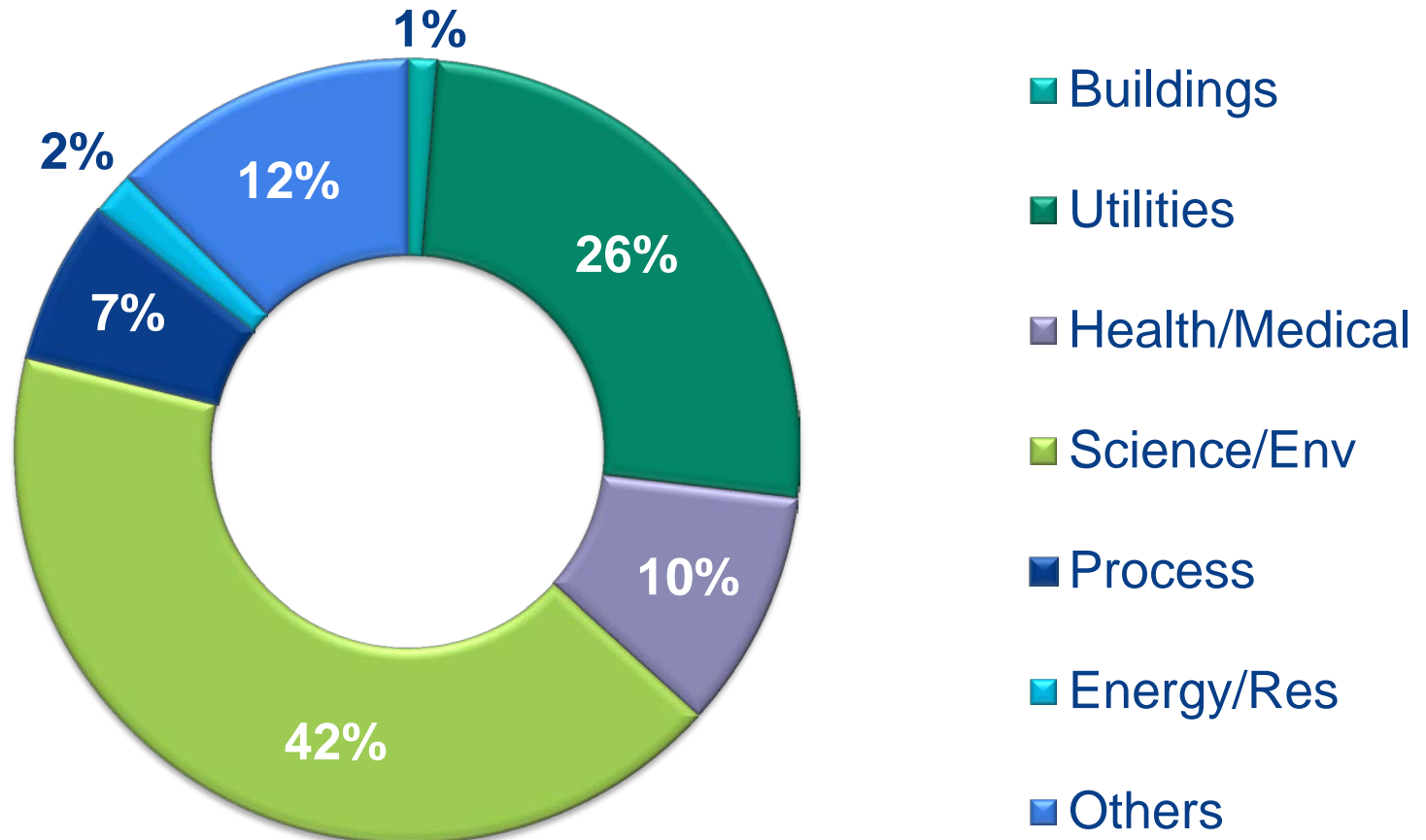
Environmental & Analysis: Revenue by destination

% of sector & % growth

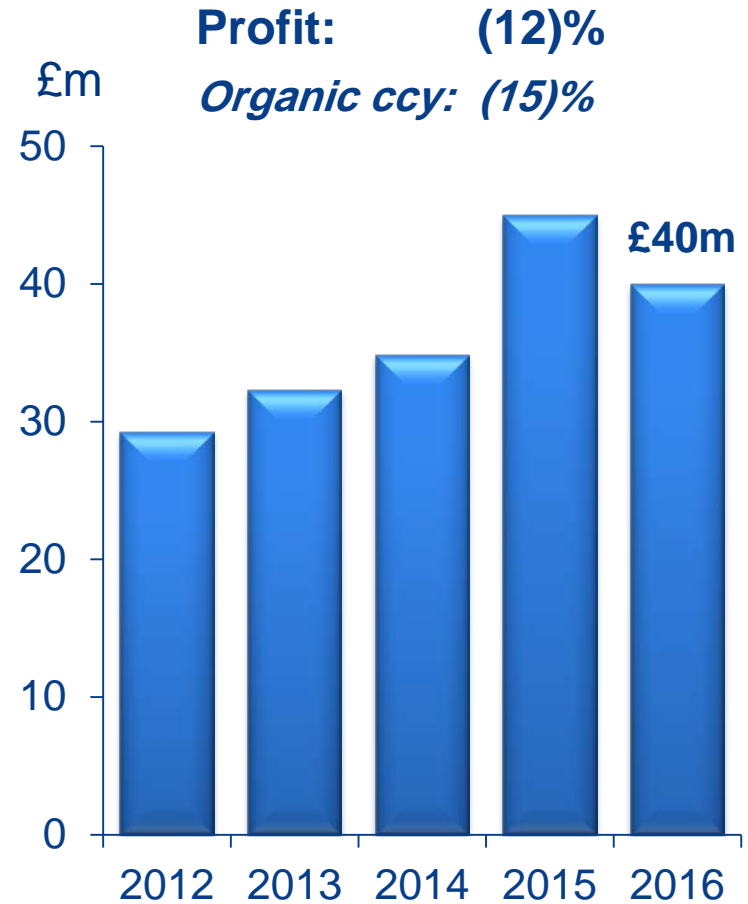
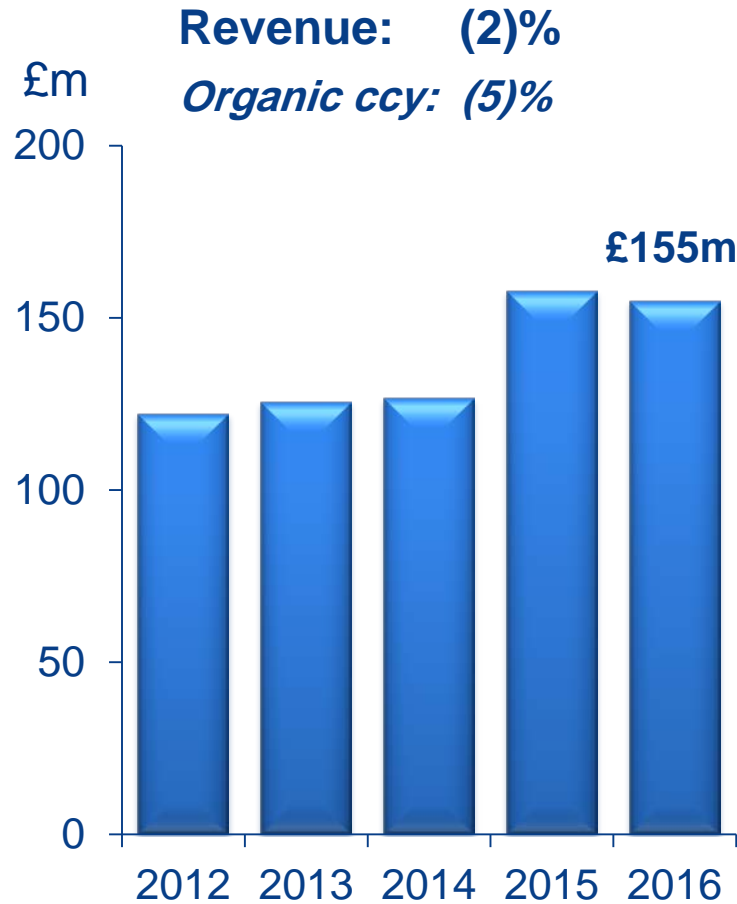


Environmental & Analysis: Revenue by end market

% of sector



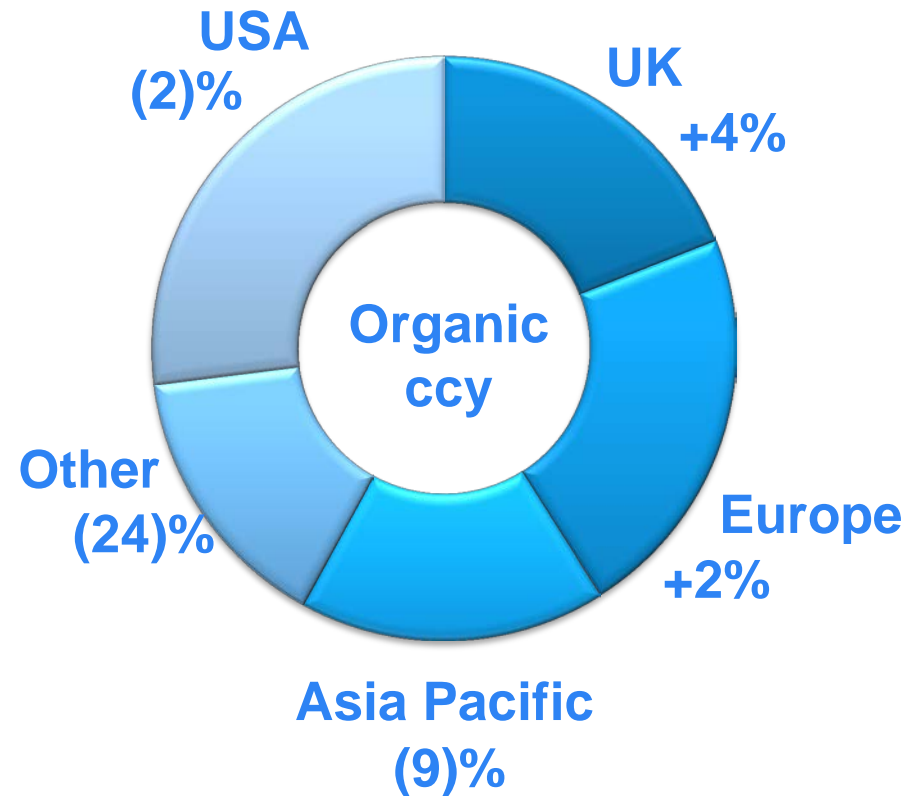
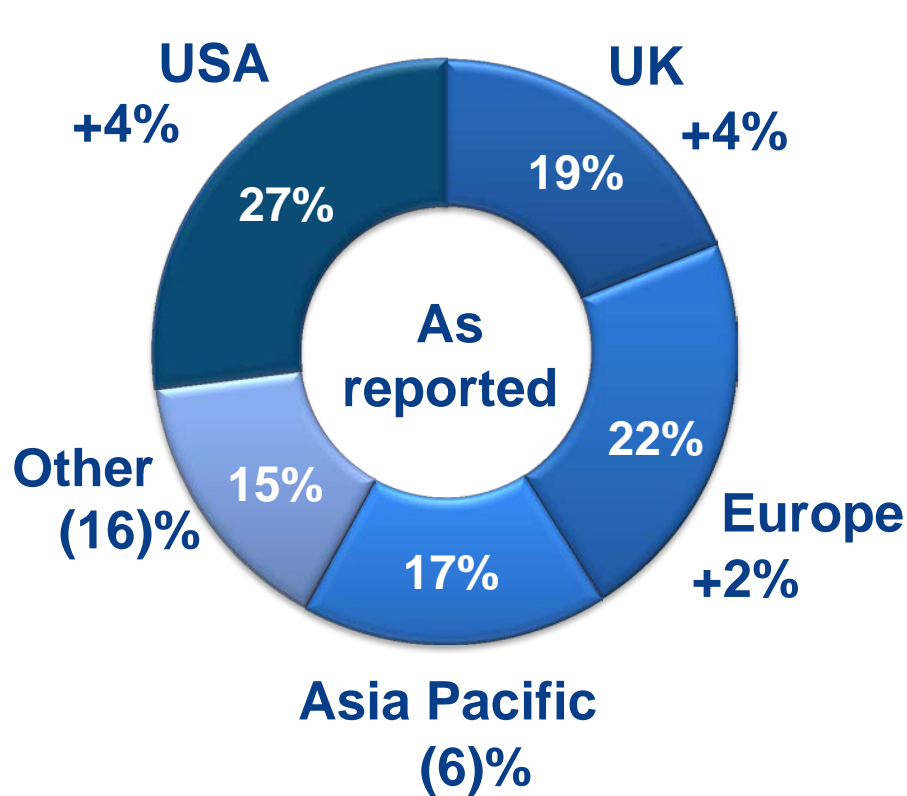
Process Safety: Trading performance



Return on Sales: 25.4%

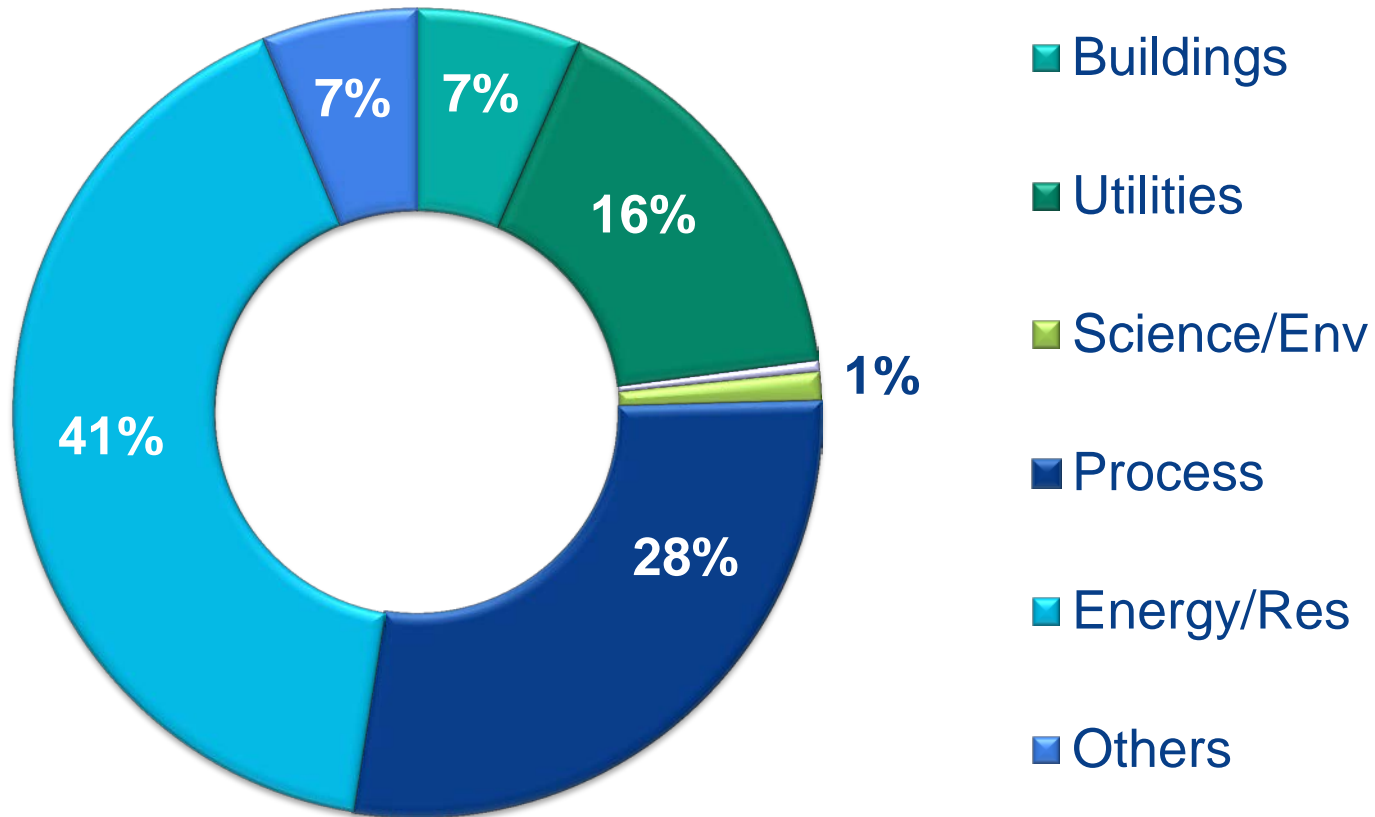
Process Safety: Revenue by destination

% of sector & % growth



Process Safety: Revenue by end market

% of sector



Strategy update

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

Four acquisitions



VAS



Firetrace



Visiometrics



CenTrak

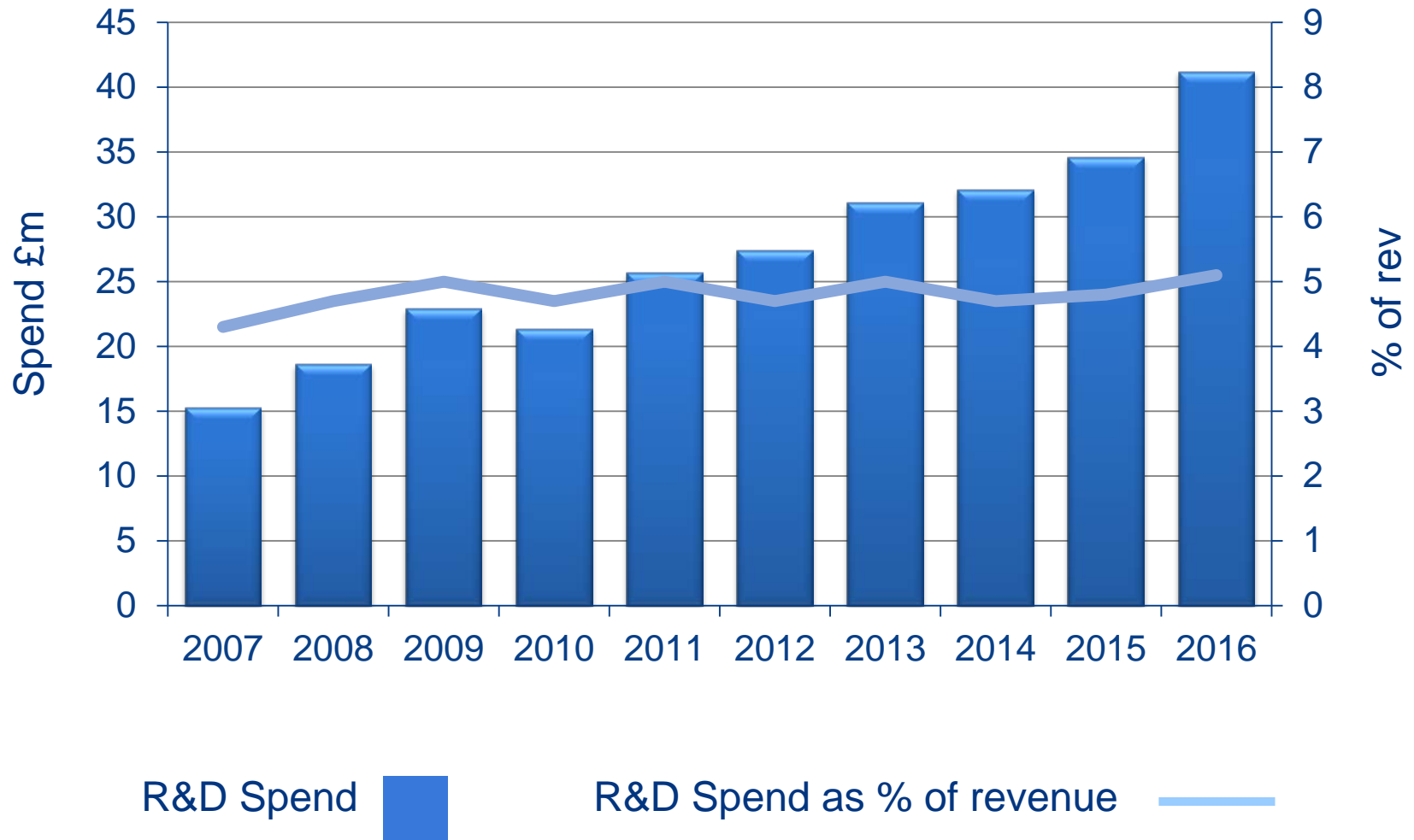
CenTrak Film



Ari Naim
President, CenTrak

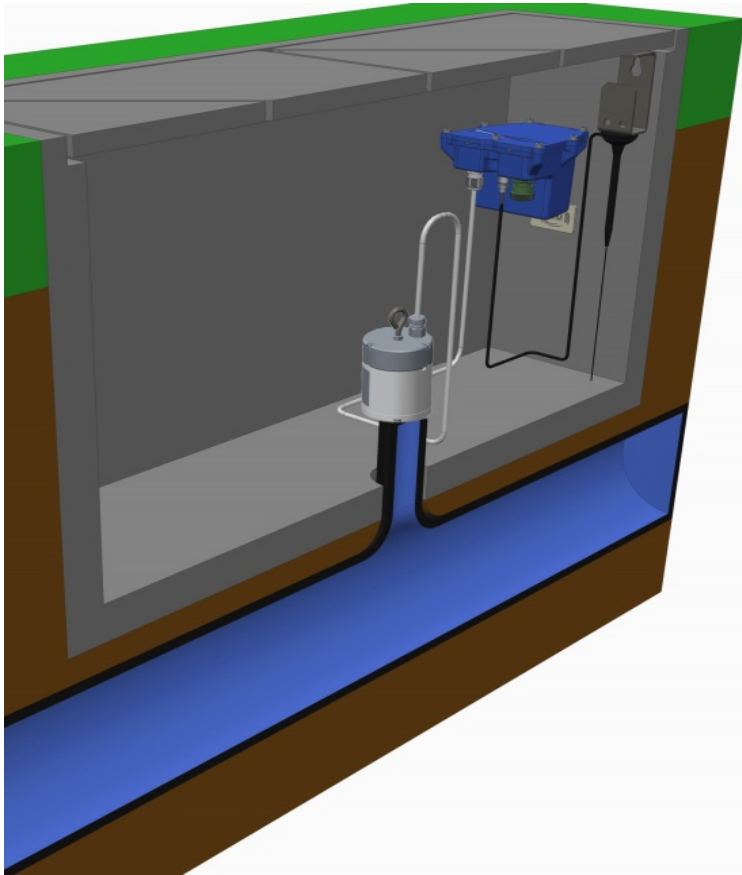
The CenTrak acquisition video can be viewed on the Halma website at: <http://www.halma.com/news/video/acquisitions.aspx>

Innovation: R&D investment



Innovation: 2016 Award winners

HWM-Water, PermaNET+



Talent: New HPD Programmes

HPD Enterprise

innovating growth organisations

Developing ability at MD and SVP level to innovate across all aspects of the business

HPD Executive

executive leadership skills

Focusing on the leadership skills needed at board level in our operating companies.

HPD Management

high performance management

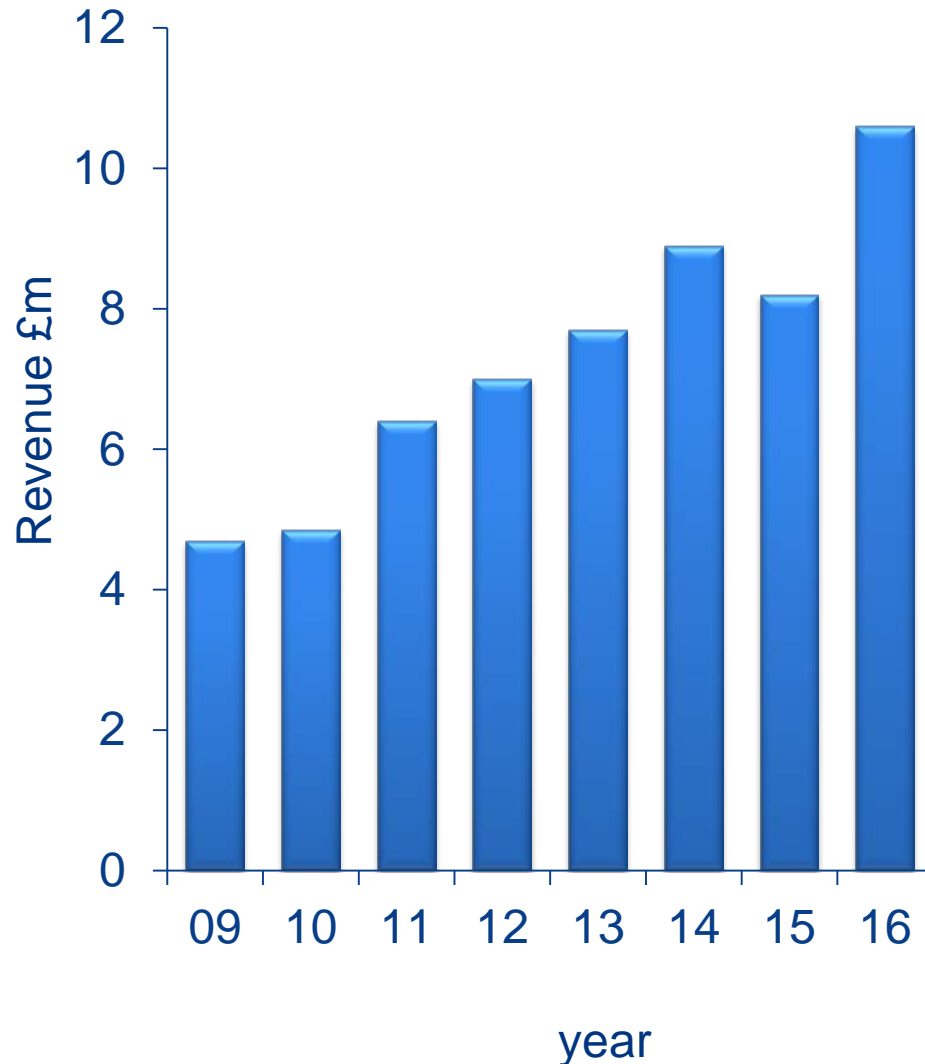
Personal development, enhancing self-awareness and teamwork skills for managerial roles.

HPD Graduate

developing future leaders

Our graduate programme recruits and develops the next generation of leaders and technical specialists.

International Expansion: growth in India



- Halma India Hub
 - Leadership change
 - Relocation to Bengaluru
 - Engineering talent
 - Regional expansion

Summary and Outlook statement

- Record results
 - Widespread growth, strength in diversity
 - Strong returns and cash generation
 - Increased dividend
- Record investment
 - 4 acquisitions
 - Focus on Innovation, Talent & International Expansion
- Solid start to new financial year
 - Order intake ahead of revenue and last year
 - Further progress in the year ahead in line with our expectations

Questions

Appendices

Currency impacts

	\$		% change	€		% change
	15/16	14/15		15/16	14/15	
• Average rates v £	1.51	1.61	+6%	1.37	1.27	(8%)
• <u>1% change*</u>			\$ (~40% of total)			€ (~10% of total)
Revenue			+/- £3.4m			+/- £0.9m
Profit			+/- £0.7m			+/- £0.2m
• At \$1.45/€1.30/CHF1.46 average rates full year profit would increase by a net amount of approximately £3.6m (~2%), and revenue by approximately £18m (~2%)*. Process Safety ~2% positive impact, Infrastructure Safety ~1% positive impact, Medical and Environmental & Analysis ~3% positive impact.						
• At \$1.45/€1.30/CHF1.46 average rates half year profit and revenue 3% positive impact.*						

* Based on 2015/16 results

Profit Adjustments*

	2015/16 £m	2014/15 £m
Amortisation of Intangibles	(23.1)	(19.9)
Acquisitions items**	(7.2)	(1.5)
Disposal of operations	0.6	1.4
	(29.7)	(20.0)

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

** including acquisition costs and adjustment to acquisition contingent consideration

Pensions

Defined Benefit pension deficit	March 16	March 15
	£m	£m
Assets	221.9	224.8
Liabilities	(274.2)	(291.6)
Deficit	(52.3)	(66.8)

- Discount rate increased to 3.4% (March 2015: 3.25%) reducing liabilities.
- Closed DB to future accrual December 2014
- Contributions to pay off deficit : 2015/16: £8m; 2016/17: expected £11m

Acquisitions

	Sector	Consideration				
		Acquired	Initial £m	Maximum Earn out £m	Revenue* £m	EBIT* £m
2015/16 Acquisitions						
VAS	Medical	May 15	3	1	2	0.3
Firetrace	Infrastructure Safety	Oct 15	73	-	26	7.4
Visiometrics	Medical	Dec 15	20 **	71 ***	3	1.2
CenTrak	Medical	Feb 16	97	-	30	7.0
			<u>193</u>	<u>72</u>		

* at acquisition run-rate before financing costs

** includes escrow payment of £7m

*** current estimate is for earn-out payment of £22m, including release of escrow amount

Impact of M&A

Revenue £m*

		15/16	Contribution* 16/17
Acquisitions	14/15	6	-
Disposal	14/15	(1)	-
Acquisition	15/16	20	41
		25	41

Profit after financing costs £m*

		15/16	Contribution* 16/17
Acquisitions	14/15	1.2	-
Disposal	14/15	0.1	-
Acquisition	15/16	4.3	8.0
		5.6	8.0

* at acquisition run-rate

2015/16 Full year

	Notes	Full year 16/17 forecasts	15/16 Actual
Capex	1	£28m	£24.1m
Effective tax rate	2	22.1%	21.9%
Central costs	3	£10.5m	£8.9m
Net finance expense	4	£9.1m	£7.1m

Notes:

1. 2015/16 includes £4m for a property purchase: 2016/17 includes several business expansion projects.
2. 2016/17 based on expected mix of profit.
3. 2015/16 includes profit on property sale.
4. 2016/17 includes higher net debt following 2015/16 acquisition spend and higher interest costs following US Private Placement.

Sector history

£m		11/12	12/13**	13/14	14/15	15/16
Sector revenue	Process Safety	122.2	125.7	126.7	158.4	155.5
	Infrastructure Safety	204.3	205.3	220.3	234.1	264.8
	Medical	100.4	136.1	163.2	169.3	198.7
	Environmental & Analysis	153.4	152.4	166.5	164.4	188.9
	Inter-segmental sales	(0.4)	(0.3)	(0.2)	(0.1)	(0.1)
	Group revenue	579.9	619.2	676.5	726.1	807.8
Sector profit*	Process Safety	29.2	32.3	34.9	44.8	39.6
	Infrastructure Safety	39.1	41.5	44.4	50.0	56.2
	Medical	26.3	35.9	41.8	45.4	51.7
	Environmental & Analysis	31.6	30.4	31.8	27.4	34.5
	Segment Profit	126.2	140.1	152.9	167.6	182.0
	Central cost/net finance expense	(5.7)	(11.6)	(12.7)	(14.0)	(16.0)
Profit*		120.5	128.5	140.2	153.6	166.0

* Profit before amortisation of acquired intangibles, acquisition items and profit or loss on disposal of operations

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

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