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Final results 2016/17

Andrew Williams – Chief Executive
Kevin Thompson – Finance Director

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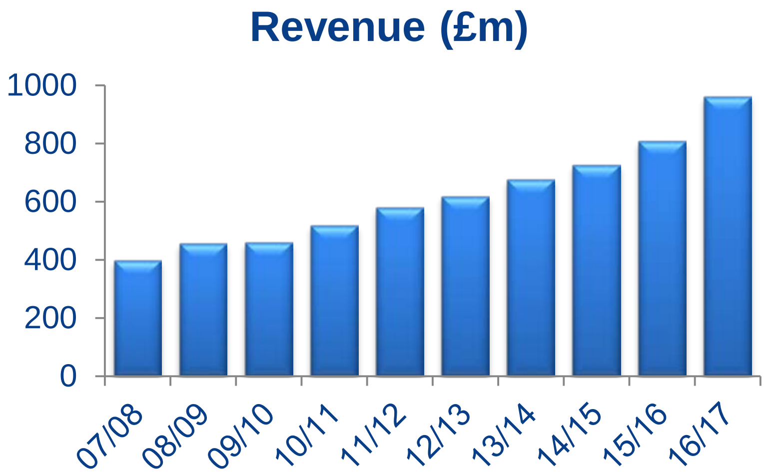
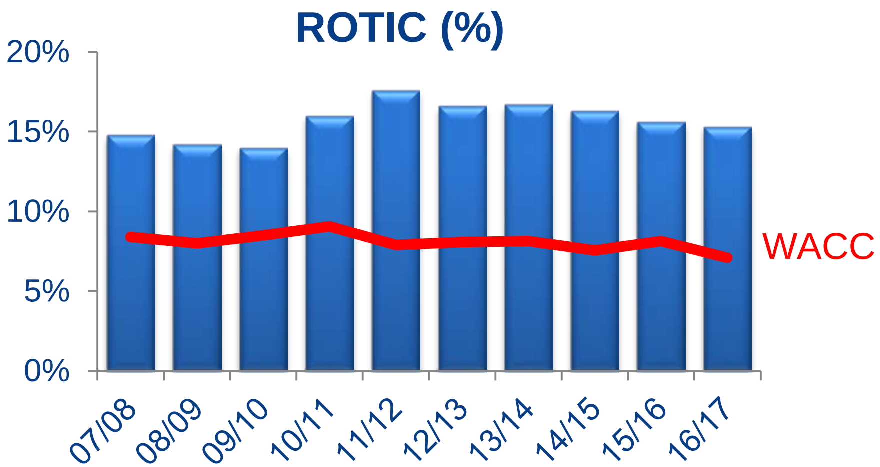
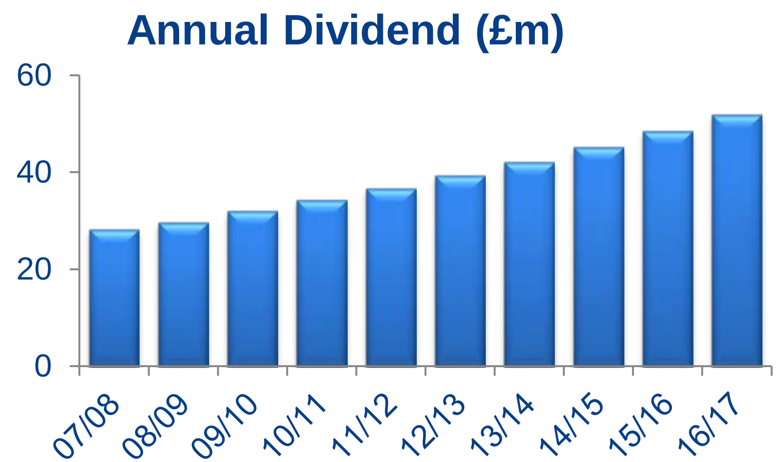
Sustainable value creation

Sustainable value creation







TSR since 2007: Halma 536% (FTSE-250 119%)

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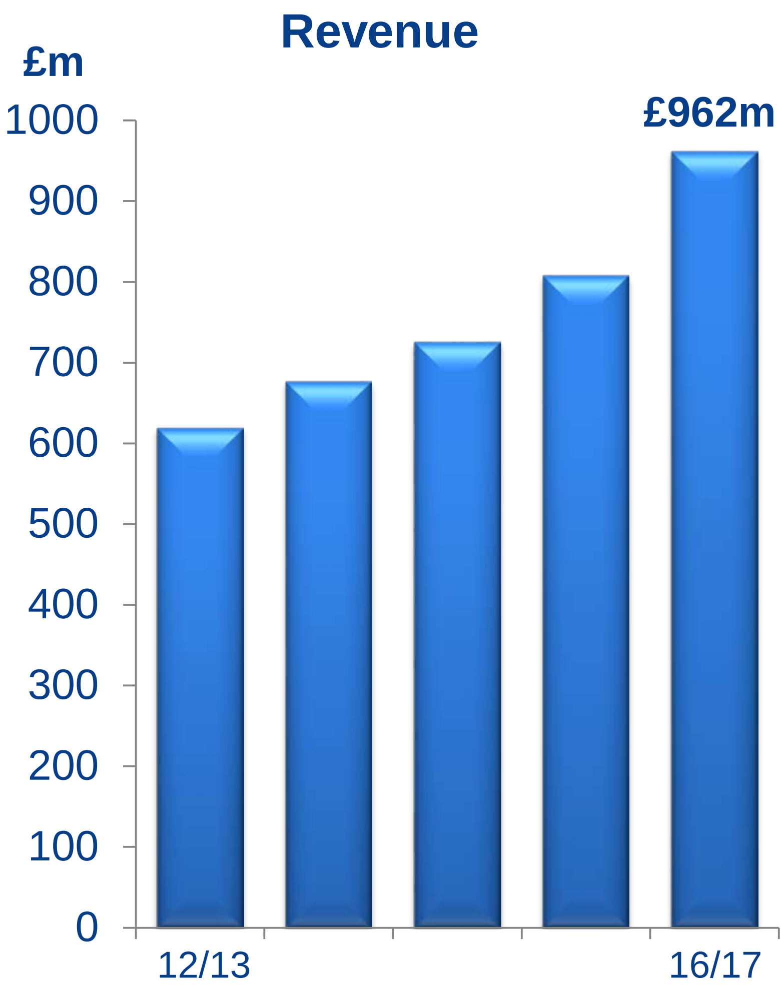
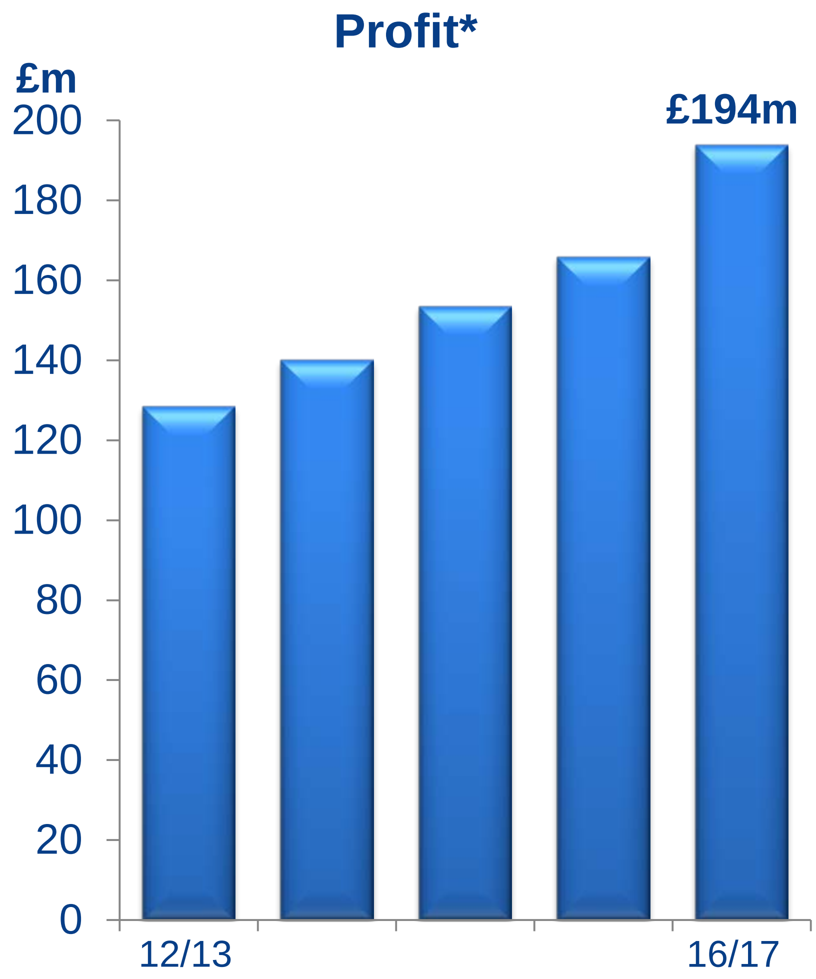
Financial Review

Record results





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

Revenue growth

FY 2016/17

	% growth*
➢ Organic constant currency growth	4%
➢ Acquisitions	5%
	9%
➢ Currency	10%
➢ Headline growth	19%

* 2016/17 52 weeks vs 2015/16 53 weeks

Revenue growth

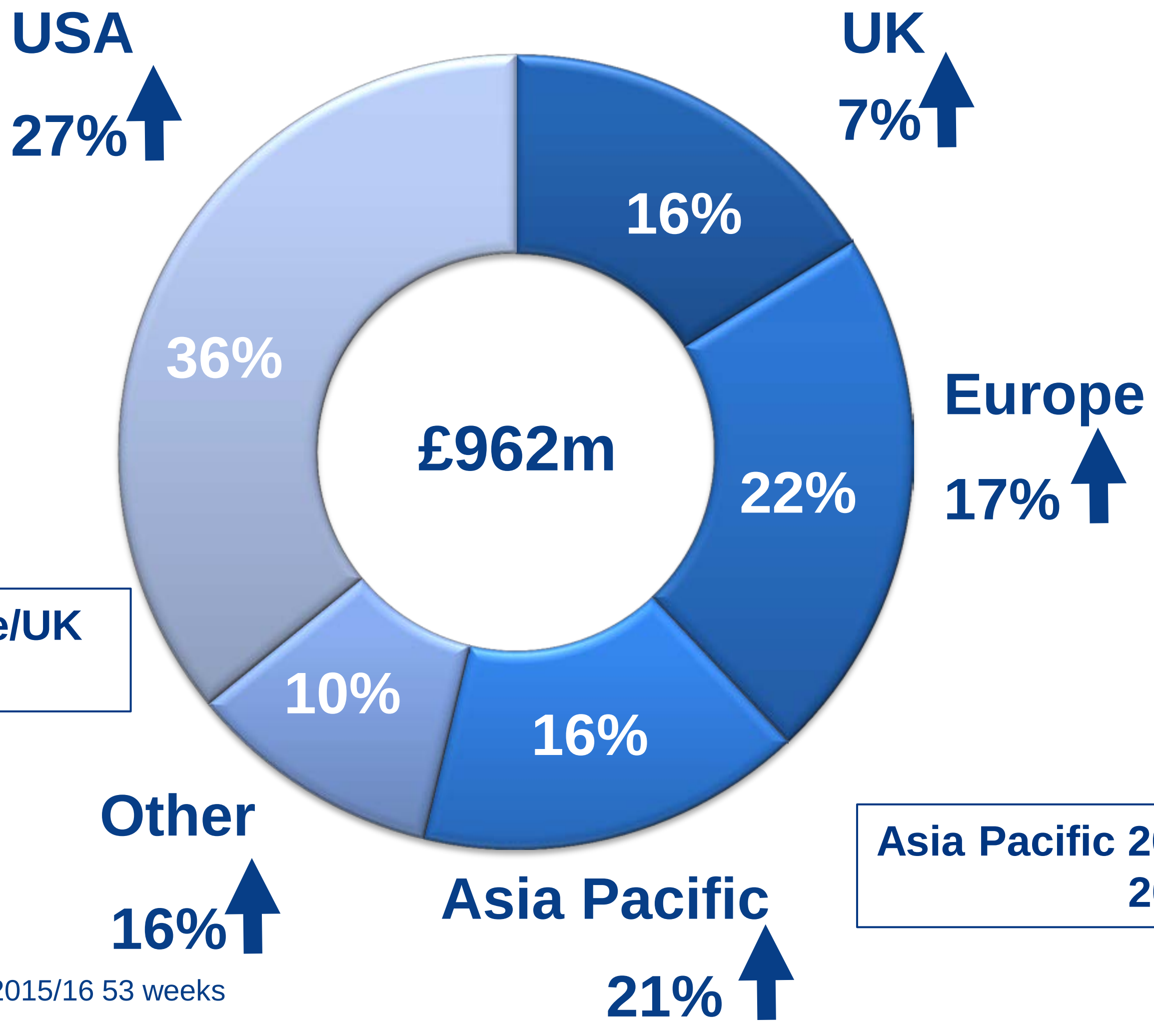
FY 2016/17

	£m	Headline*	Organic: Constant Currency growth*
H1	442	16%	2%
H2	520	21%	6%
Total	**962**	**19%**	**4%**

* 2016/17 52 weeks vs 2015/16 53 weeks

Revenue by destination

Revenue and revenue growth*, 2016/17



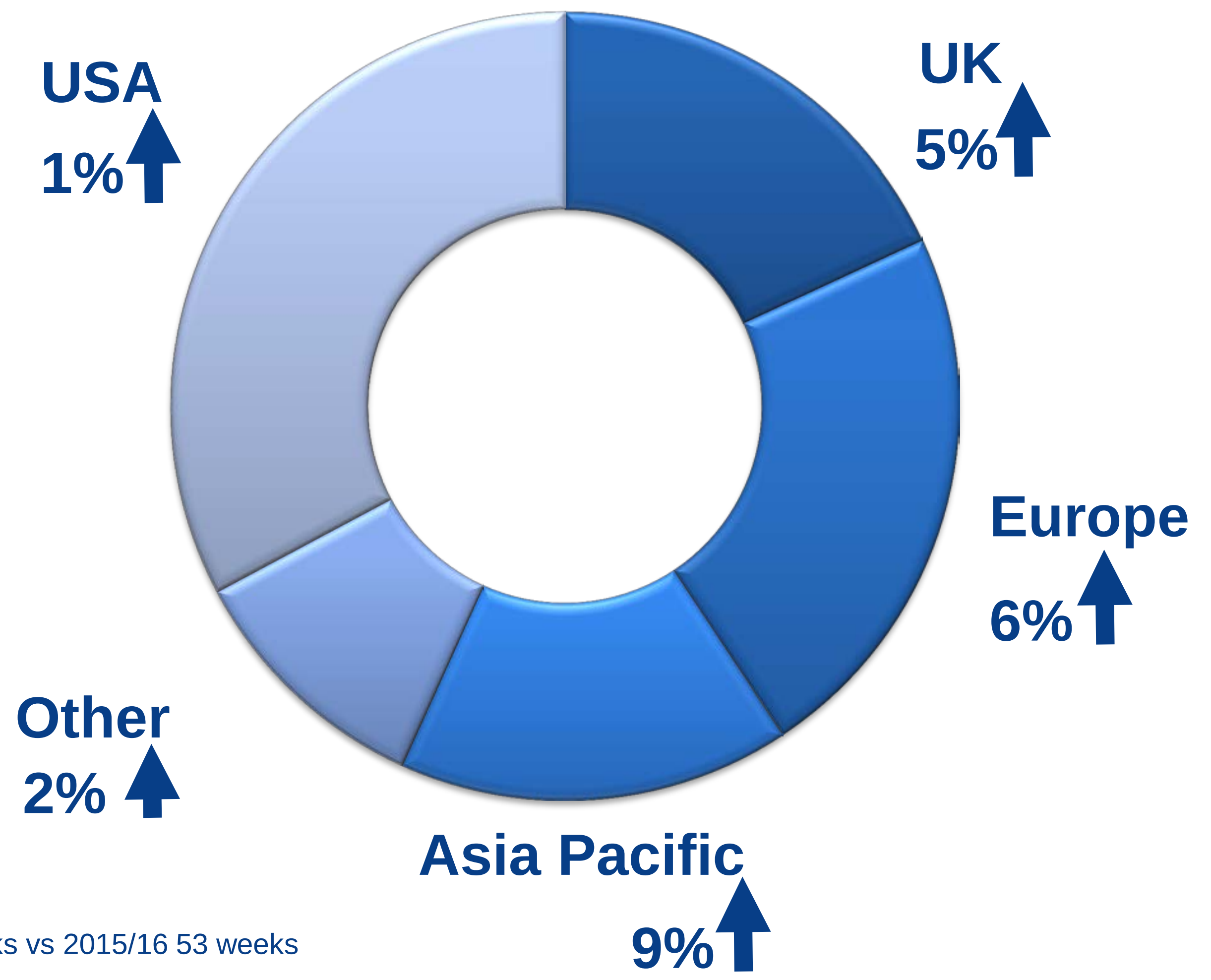
Outside US/Europe/UK
= 19% growth

Asia Pacific 2006/07: £35m
2016/17: £152m

* 2016/17 52 weeks vs 2015/16 53 weeks

Revenue by destination: organic constant currency

Revenue and revenue growth*, 2016/17



* 2016/17 52 weeks vs 2015/16 53 weeks

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Profit* growth

FY 2016/17

	% growth**
➢ Organic constant currency growth	4%
➢ Acquisitions	3%
	7%
➢ Currency	10%
➢ Headline growth	17%

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

** 2016/17 52 weeks vs 2015/16 53 weeks

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Profit* growth

	£m	Headline**	Organic: Constant Currency growth**
H1	83.6	12%	2%
H2	110.4	21%	5%
Total	**194.0**	**17%**	**4%**

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

** 2016/17 52 weeks vs 2015/16 53 weeks

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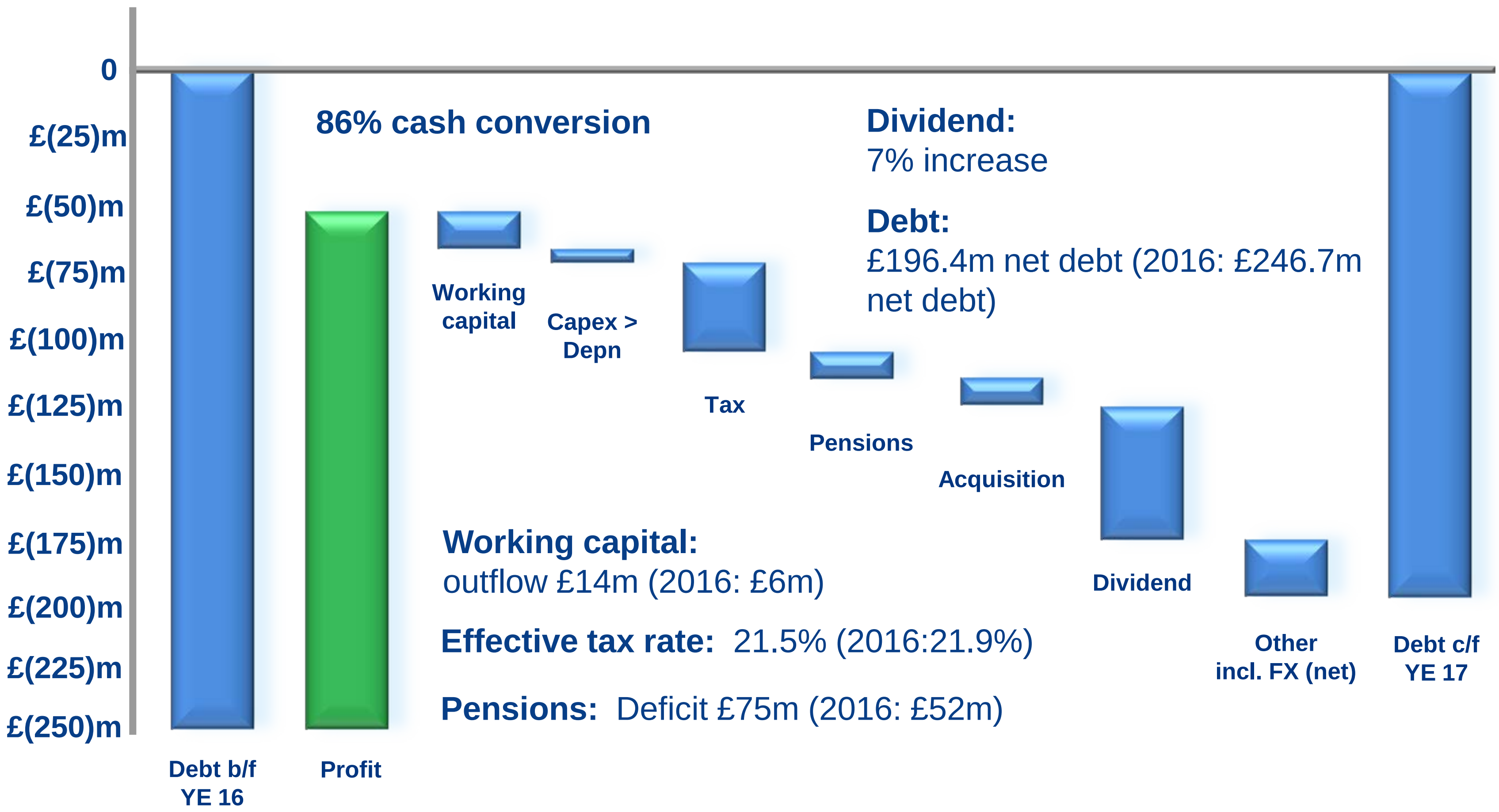
Currency

- Translation impact in 16/17
  - H1 net benefit: revenue and profit 8%
  - Full year net benefit: revenue and profit 10%
- At recent Fx rates 17/18 profit impact*:-
  - H1: ~ 4% benefit
  - FY: ~ 1% benefit
  - Impact varying by sector
- More information in Appendix

* Based on 16/17 results, assuming £/$ 1.30, £/€ 1.15

Cash flow 2016/17



Dividend:
7% increase

Debt:
£196.4m net debt (2016: £246.7m net debt)

Working capital:
outflow £14m (2016: £6m)

Effective tax rate: 21.5% (2016:21.9%)

Pensions: Deficit £75m (2016: £52m)

Increased financial capacity

- Revolving Credit Facility
  - increased to £550m (previously £360m)
  - to November 2021
  - 5 existing plus 3 new banks
- In addition to existing $250m USPP
- Capacity for medium term growth
- Year end gearing 0.86x, comfortable up to 2x

ROTIC*

	2013	2014	2015	2016	2017
ROTIC	16.9%	16.7%	16.3%	15.6%	15.3%
WACC**	8.1%	8.1%	7.6%	8.1%	7.1%
ROTIC> WACC	8.8%	8.6%	8.7%	7.5%	8.2%

- ROTIC continues above 12% target
- Achieving a good premium above WACC**
- Driving growth, maintaining good returns

* Return on Total Invested Capital
** Weighted Average Cost of Capital

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Financial KPI Summary 2016/17

	Target	Achieved
Organic revenue growth*	≥ 5%	4%
Organic profit growth*	≥ 5%	4%
Acquisition profit growth **	≥ 5%	1%
Revenue growth outside UK/Europe/USA	≥ 10%	19%
Return on Sales	18% - 22%	20.2%
Return on Total Invested Capital	≥12%	15.3%
Cash conversion	≥ 85%	86%
R&D investment (% of revenue)	≥ 4%	5.3%

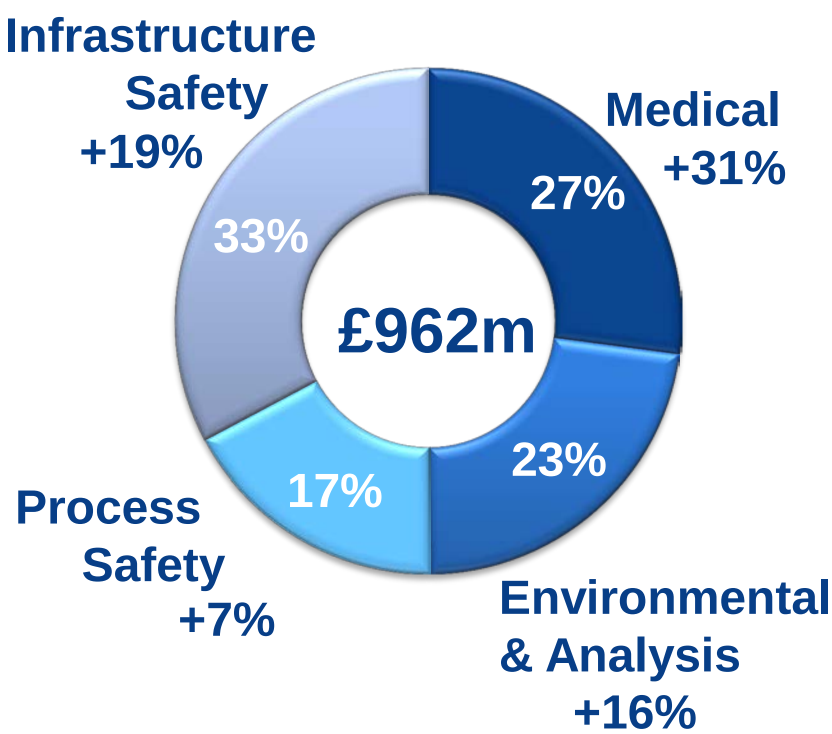
* at constant currency. 2016/17 52 weeks vs 2015/16 53 weeks

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

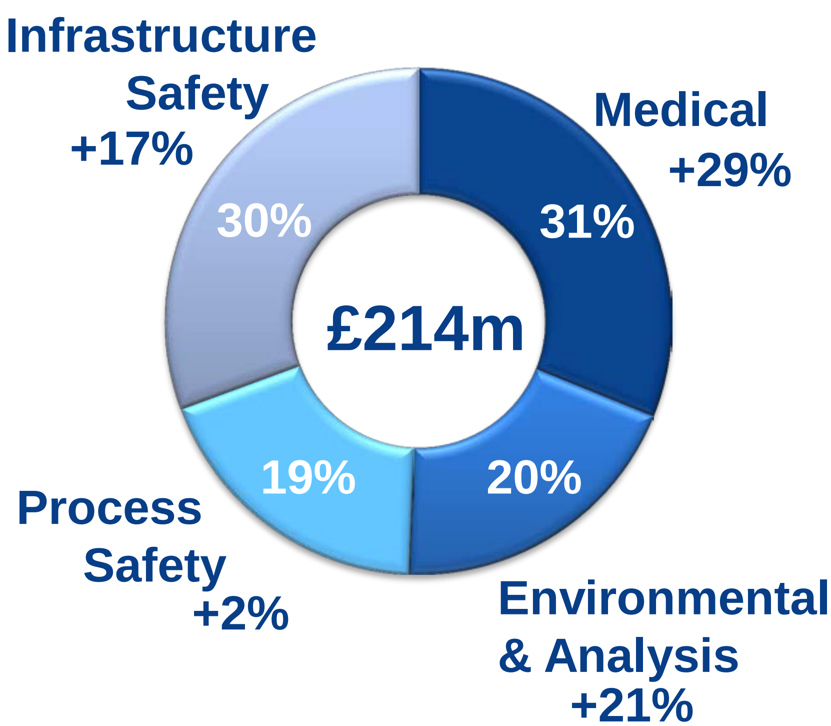
Trading Review

Sector performances*

Revenue



Profit**

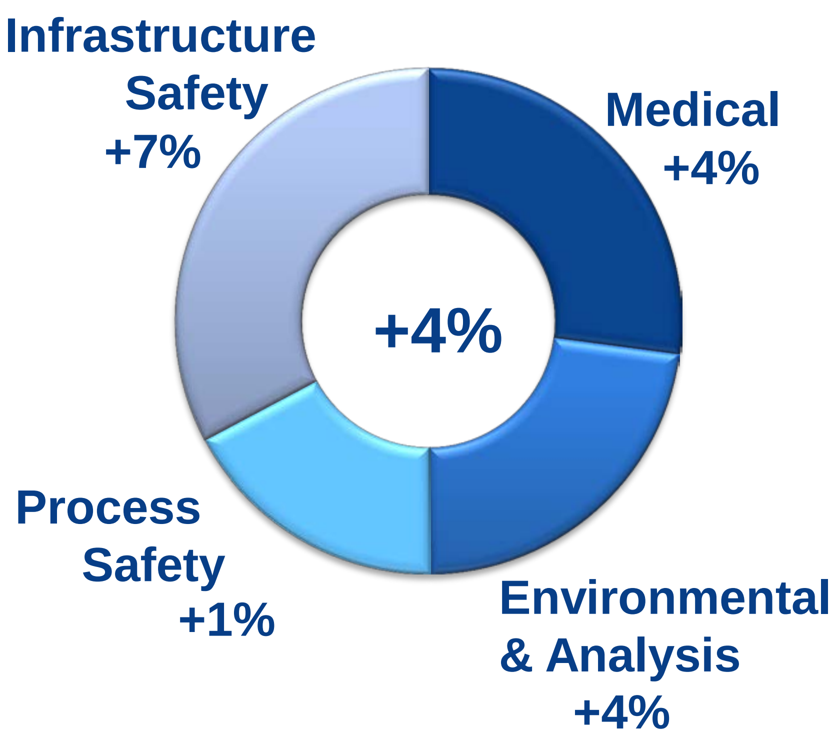


* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

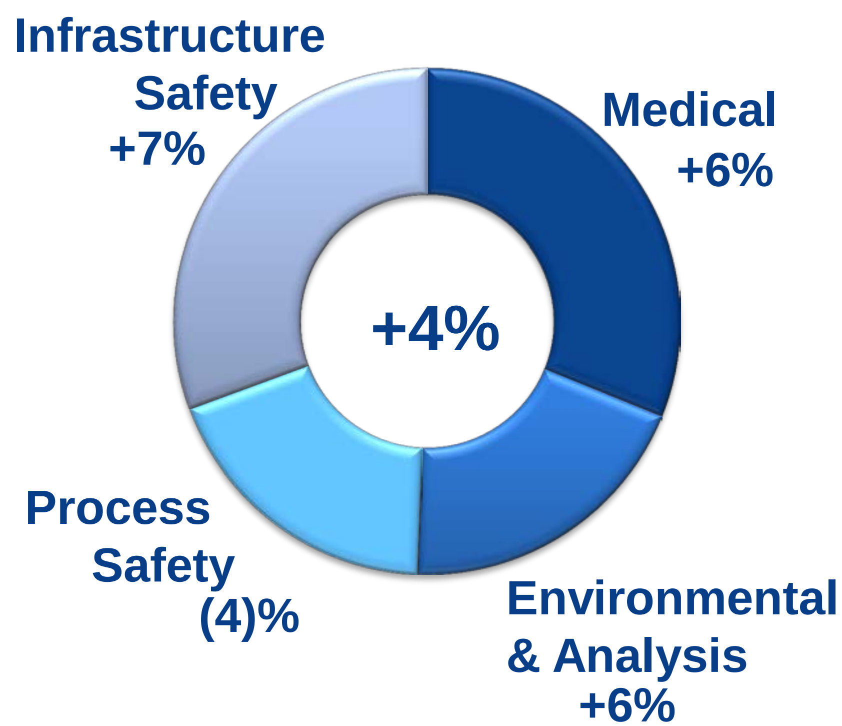
**Profit before amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations and excluding finance and central administration costs

Sector performances: Organic constant currency growth*

Revenue



Profit**

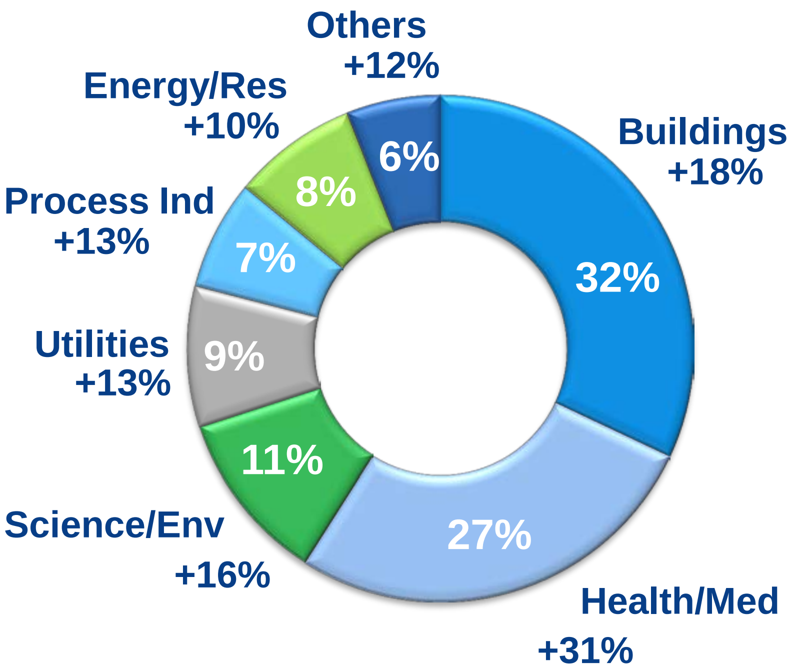


* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

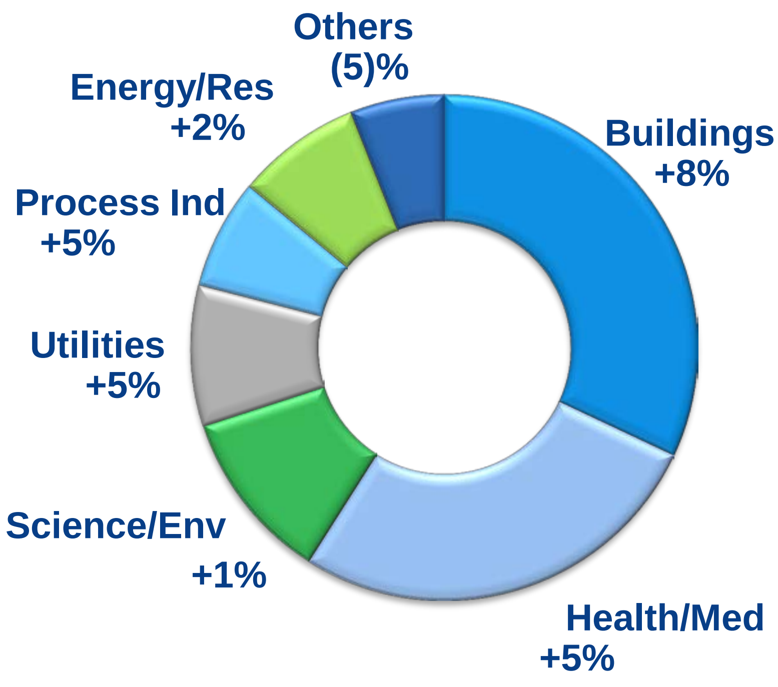
**Profit before amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations and excluding finance and central administration costs

Group revenue by end-market*

Revenue



Organic ccy



* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

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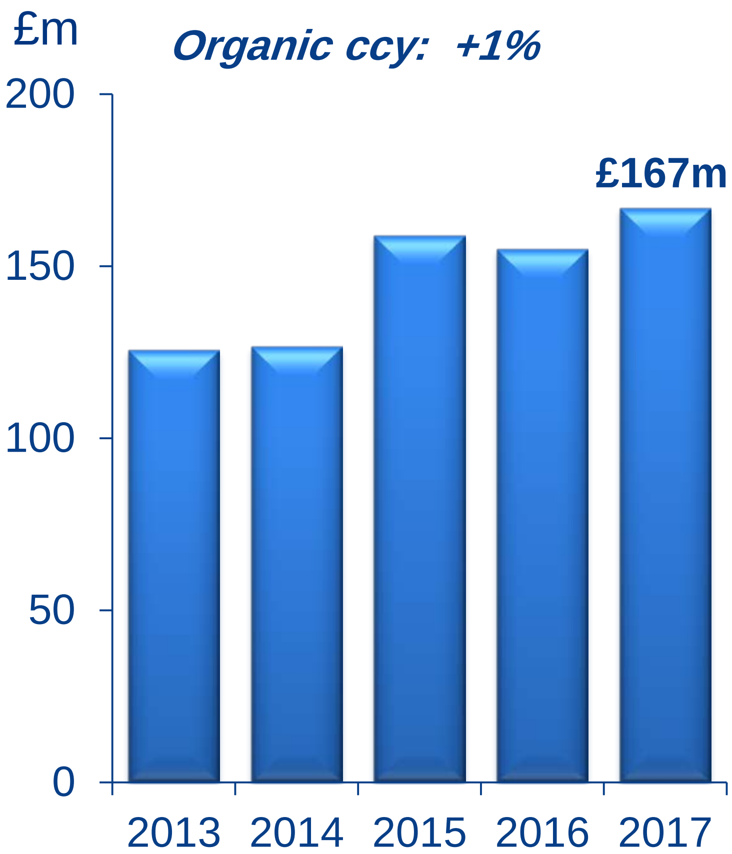
Process Safety: Trading performance*

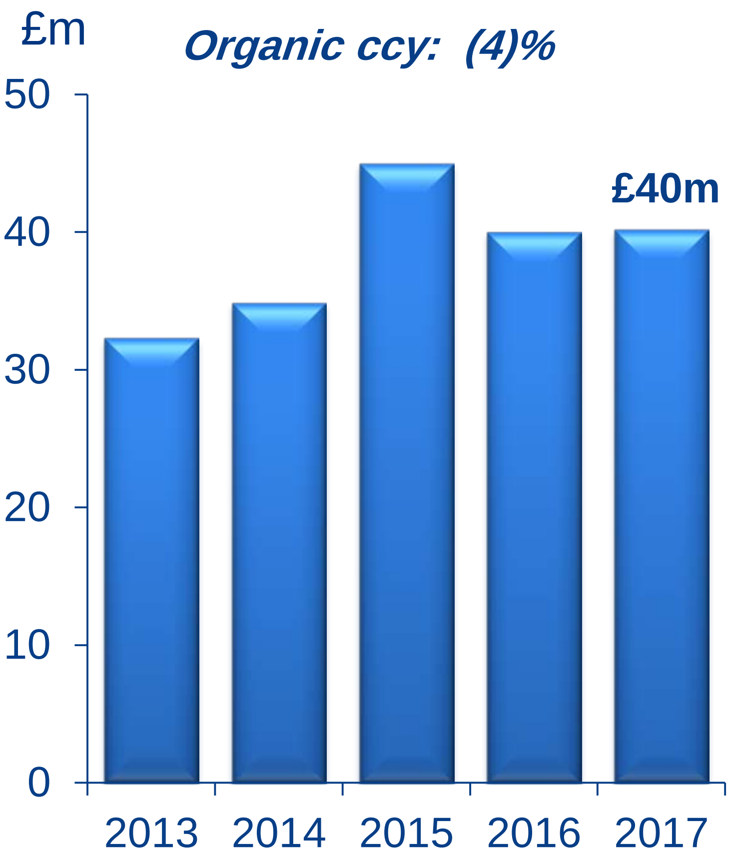
Revenue: +7%

Organic ccy: +1%



Profit: +2%

Organic ccy: (4)%



Return on Sales: 24.1%

* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

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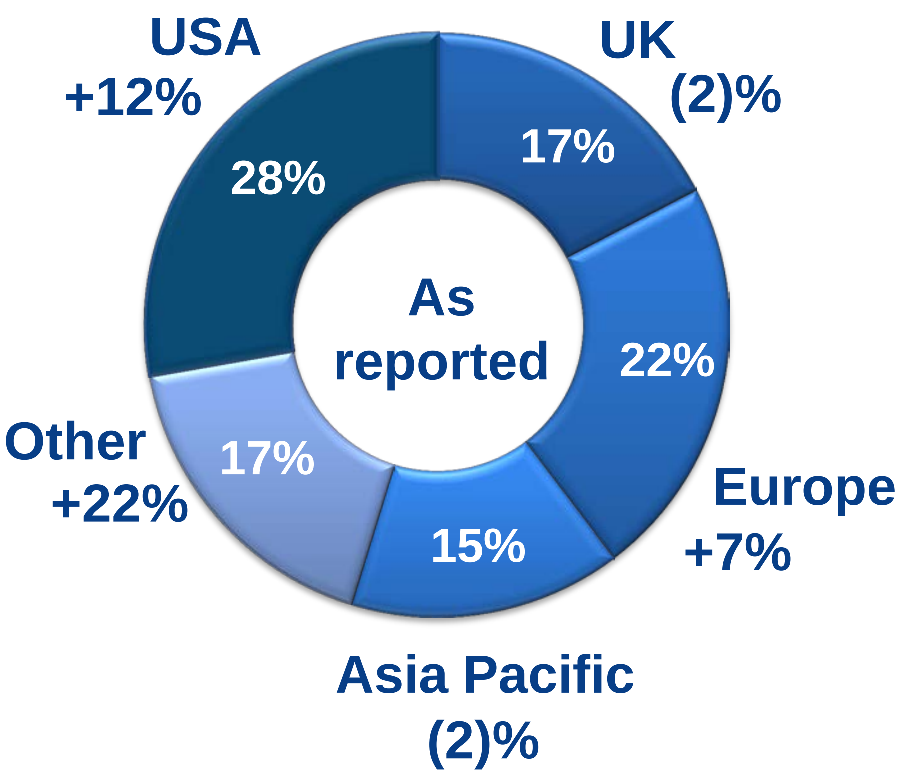
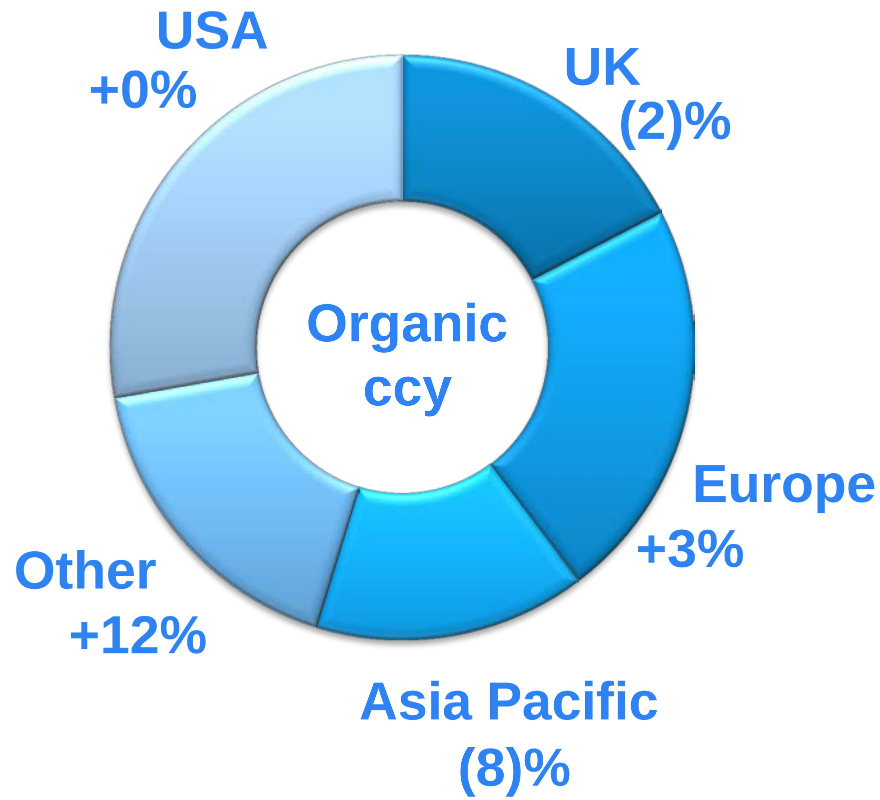
Process Safety: Revenue by destination

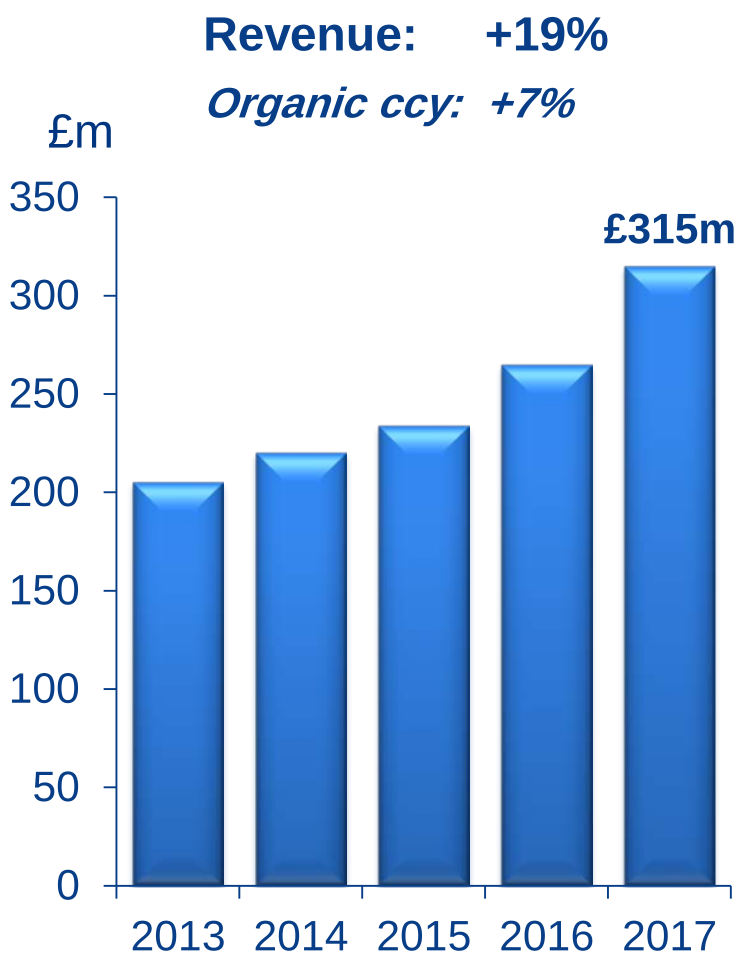
% of sector & % growth*

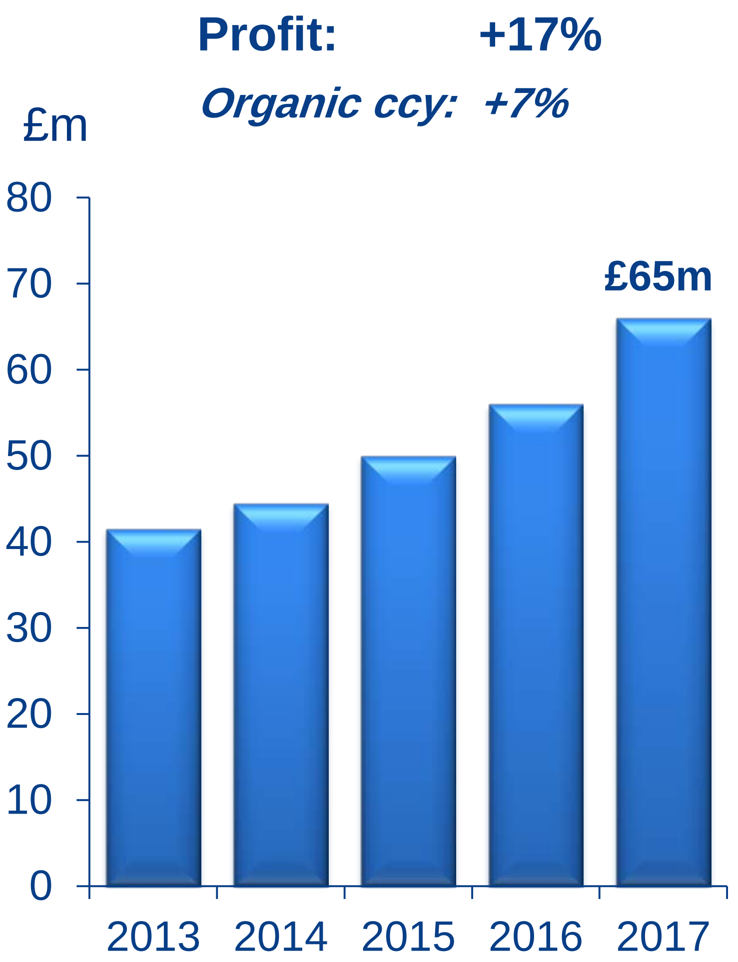




* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

Infrastructure Safety: Trading performance*



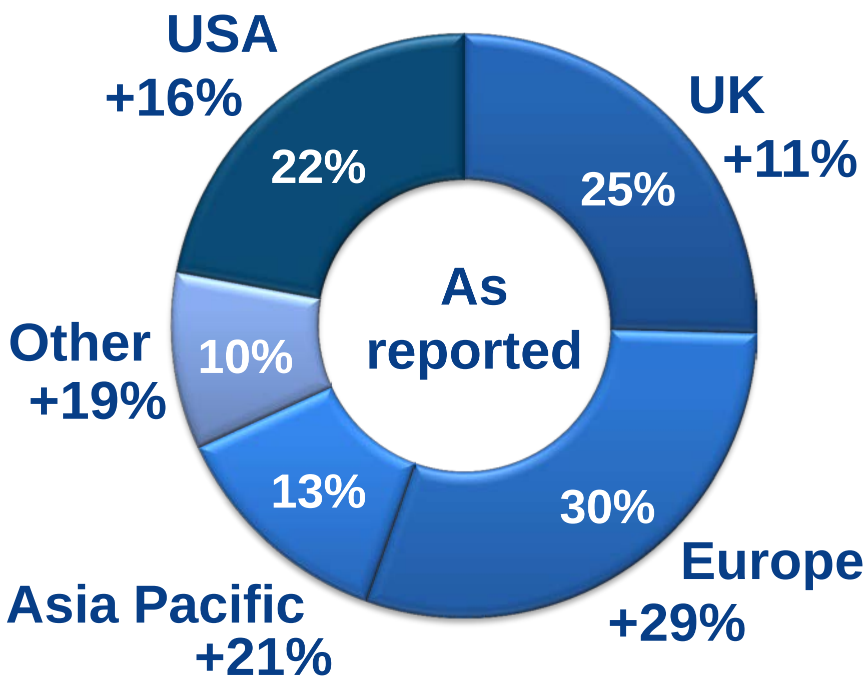


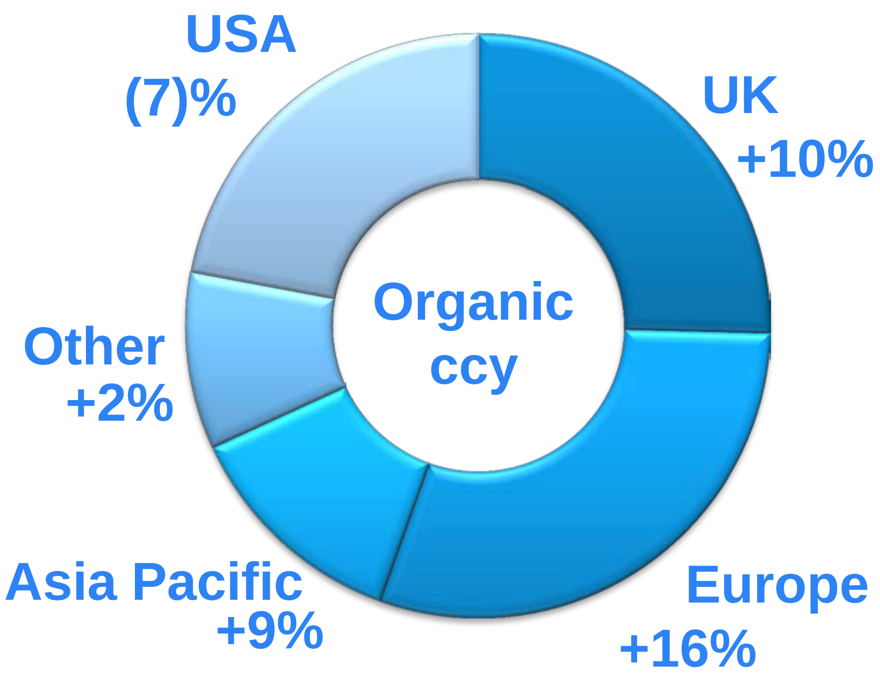
Return on Sales: 20.7%

* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

Infrastructure Safety: Revenue by destination

% of sector & % growth*



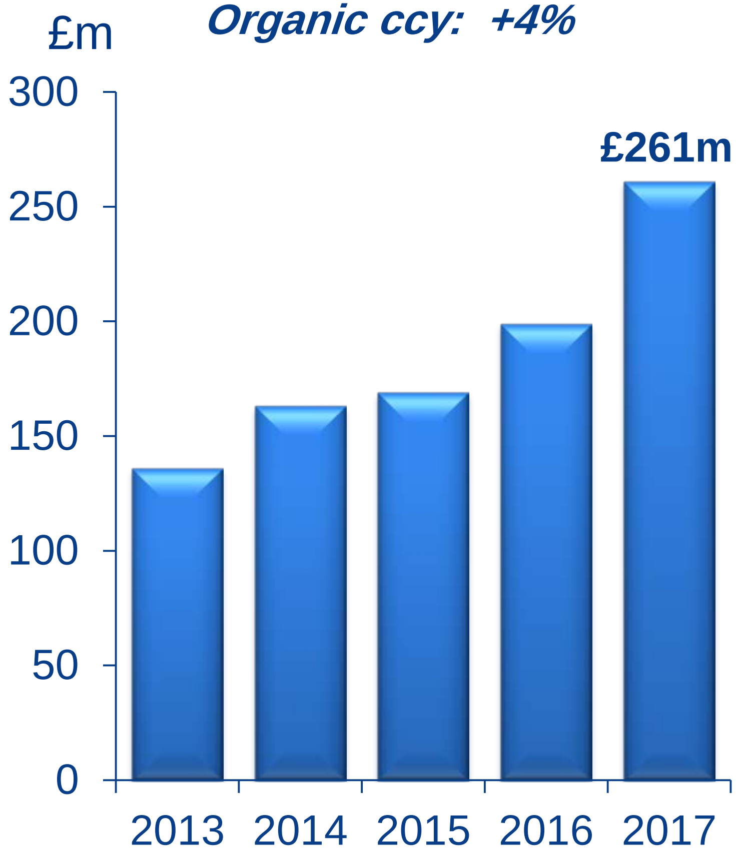


* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

Medical: Trading performance*

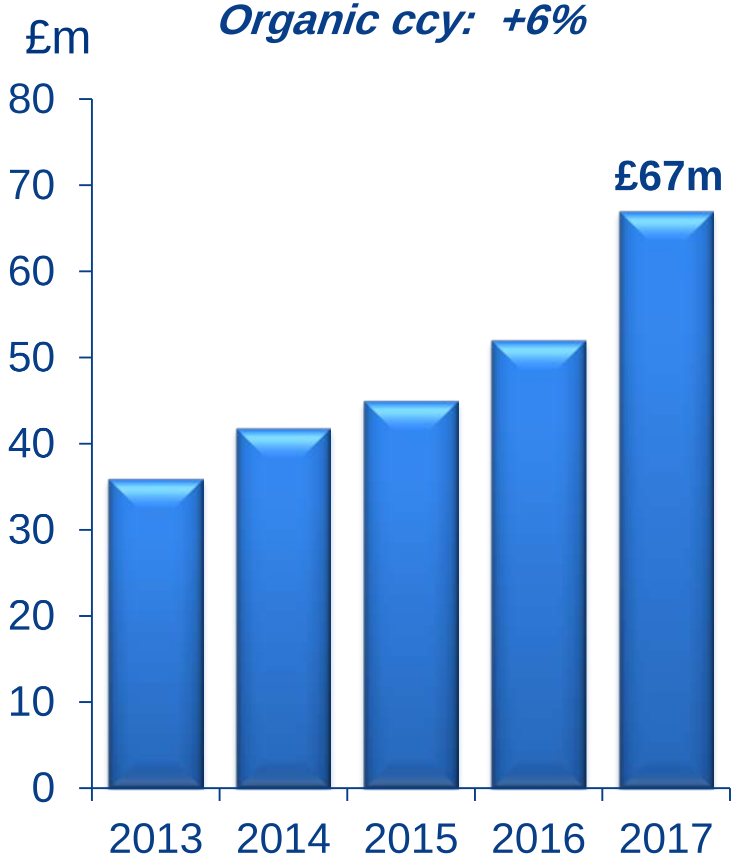
Revenue: +31%

Organic ccy: +4%



Profit: +29%

Organic ccy: +6%

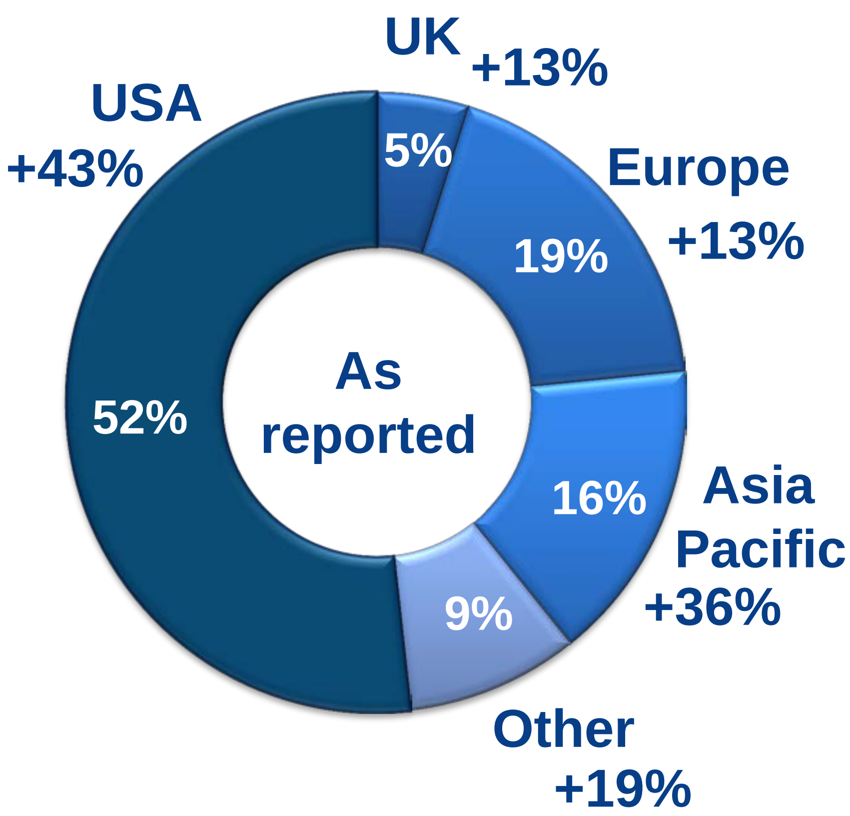


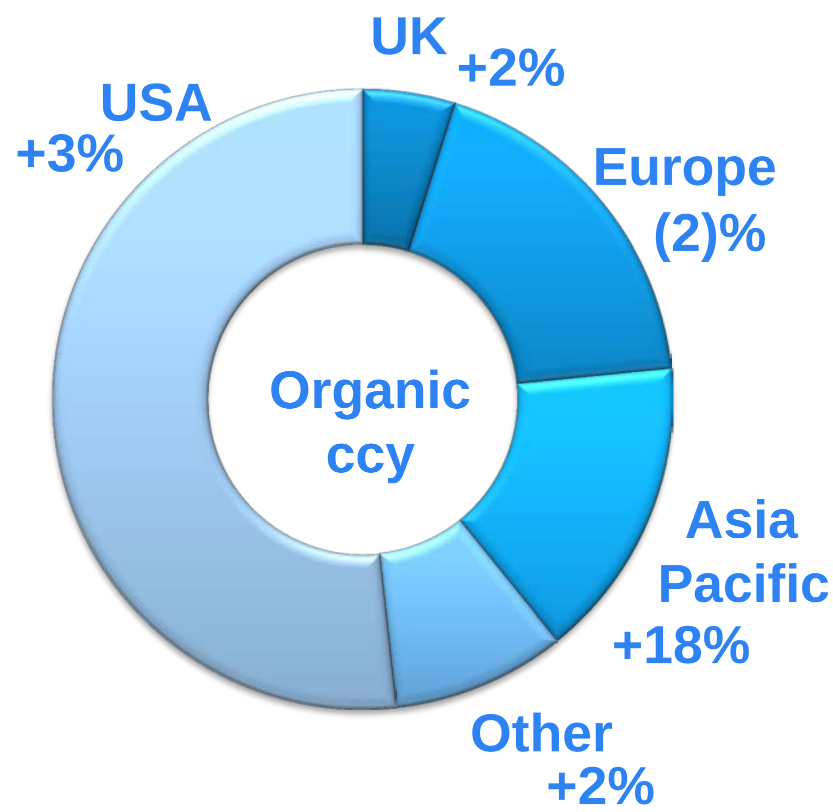
Return on Sales: 25.6%

* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

Medical: Revenue by destination

% of sector & % growth*





* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

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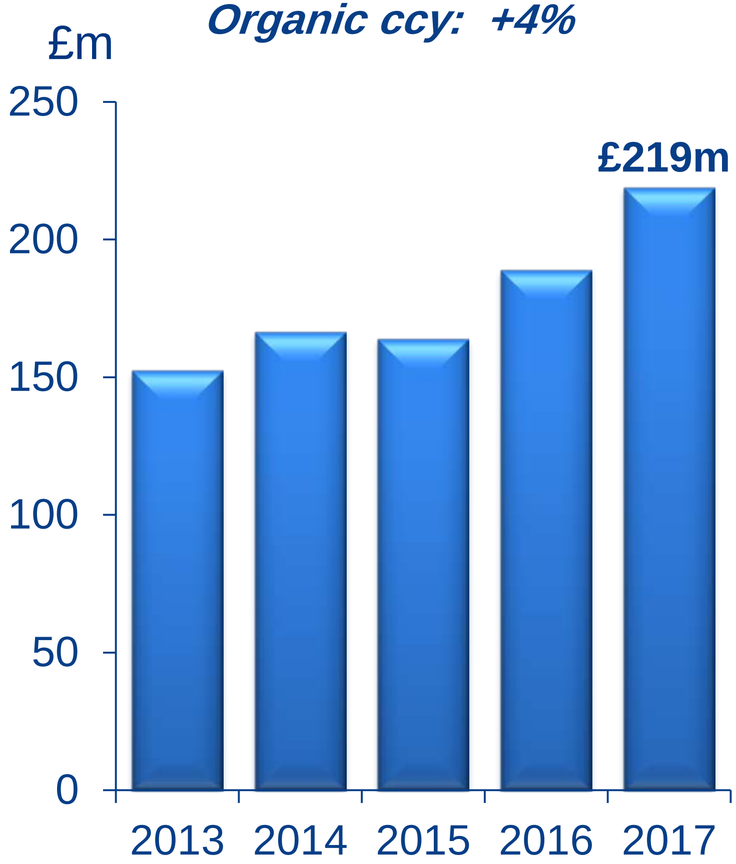
Environmental & Analysis: Trading performance*

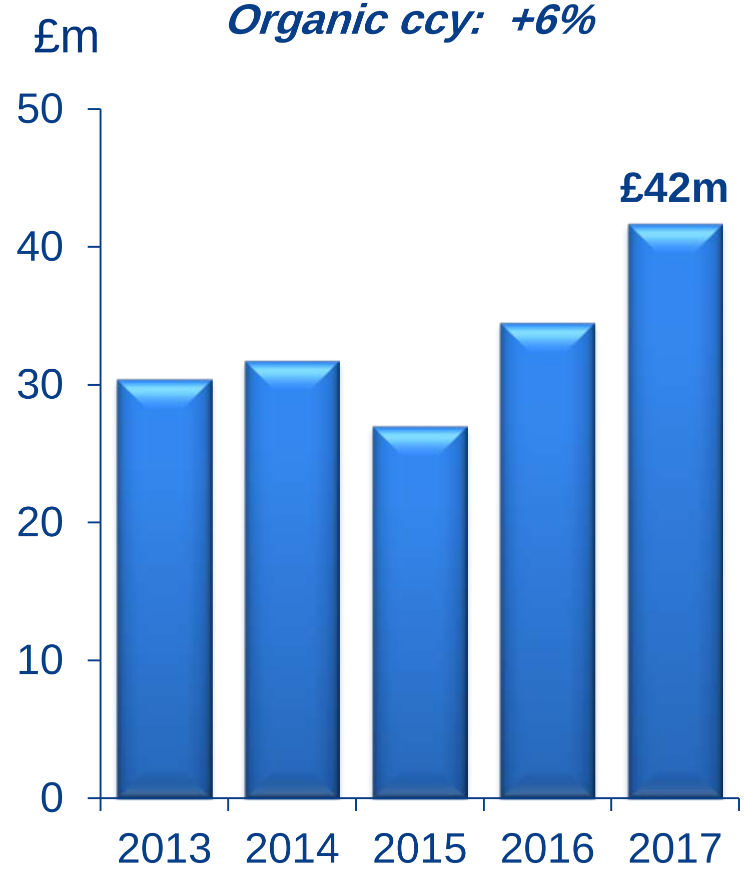
Revenue: +16%

Organic ccy: +4%



Profit: +21%

Organic ccy: +6%



Return on Sales: 19.0%

* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

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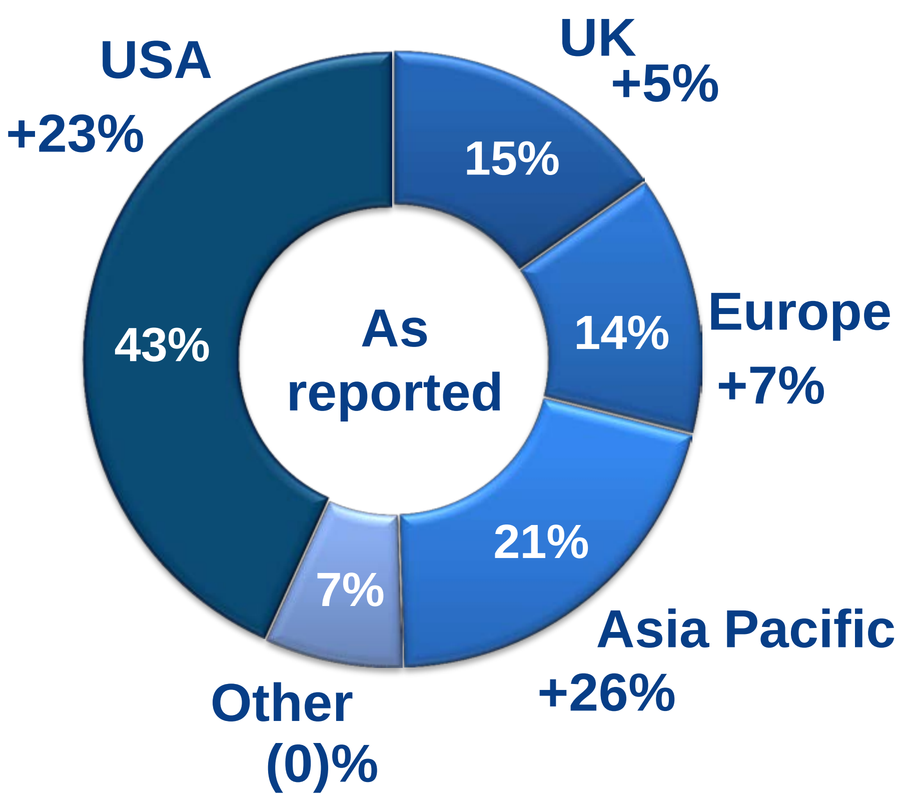
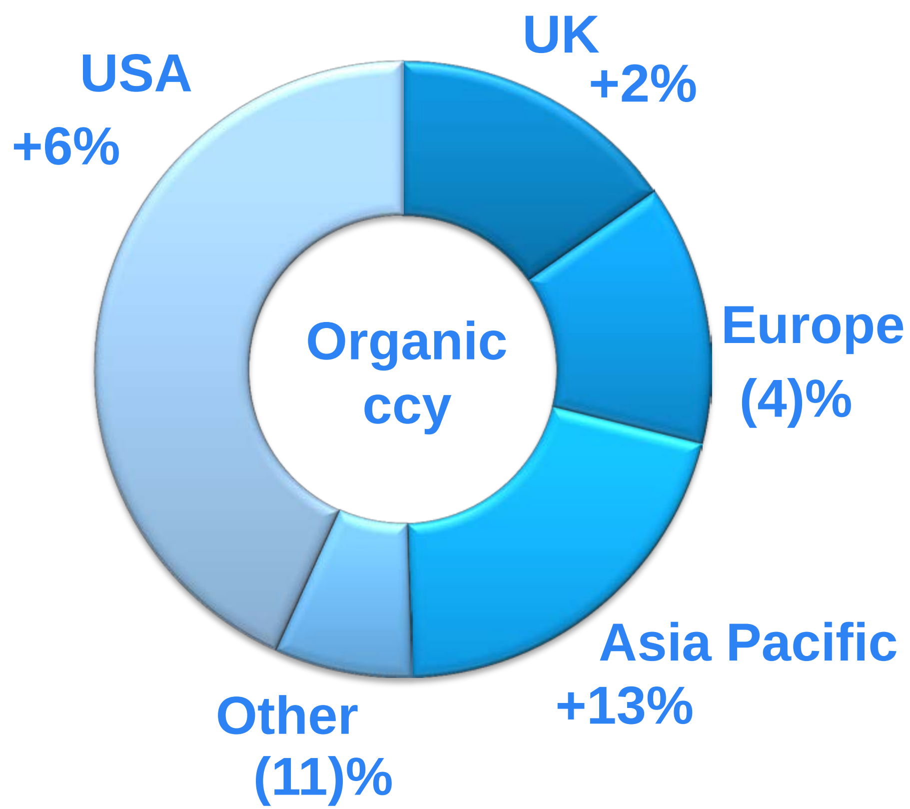
Environmental & Analysis: Revenue by destination

% of sector & % growth*



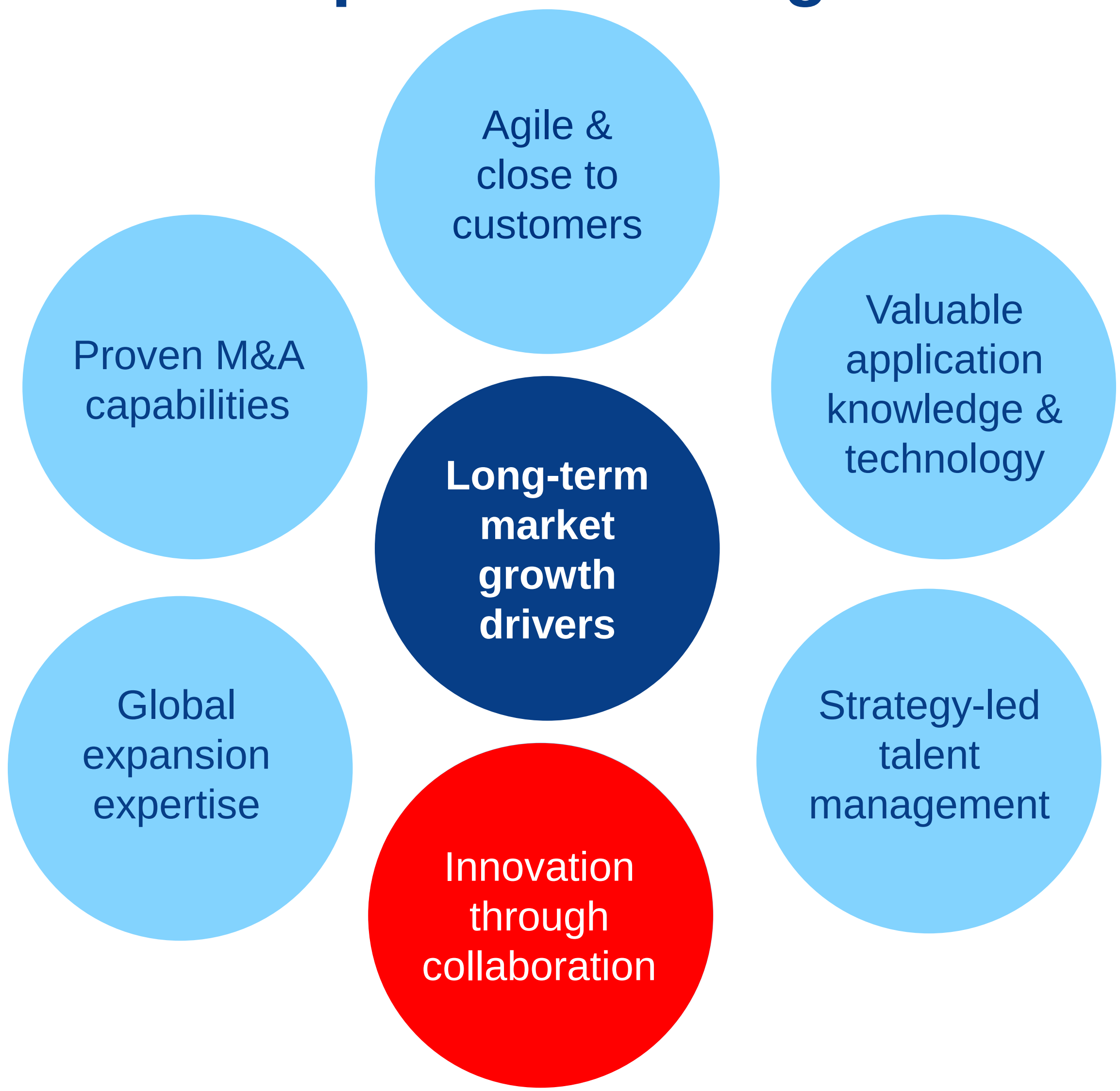


* 2016/17 52 weeks trading vs 2015/16 53 weeks trading

Strategy update

- Sustainable competitive strengths
- Innovation through collaboration
- Structured for growth

Sustainable competitive strengths



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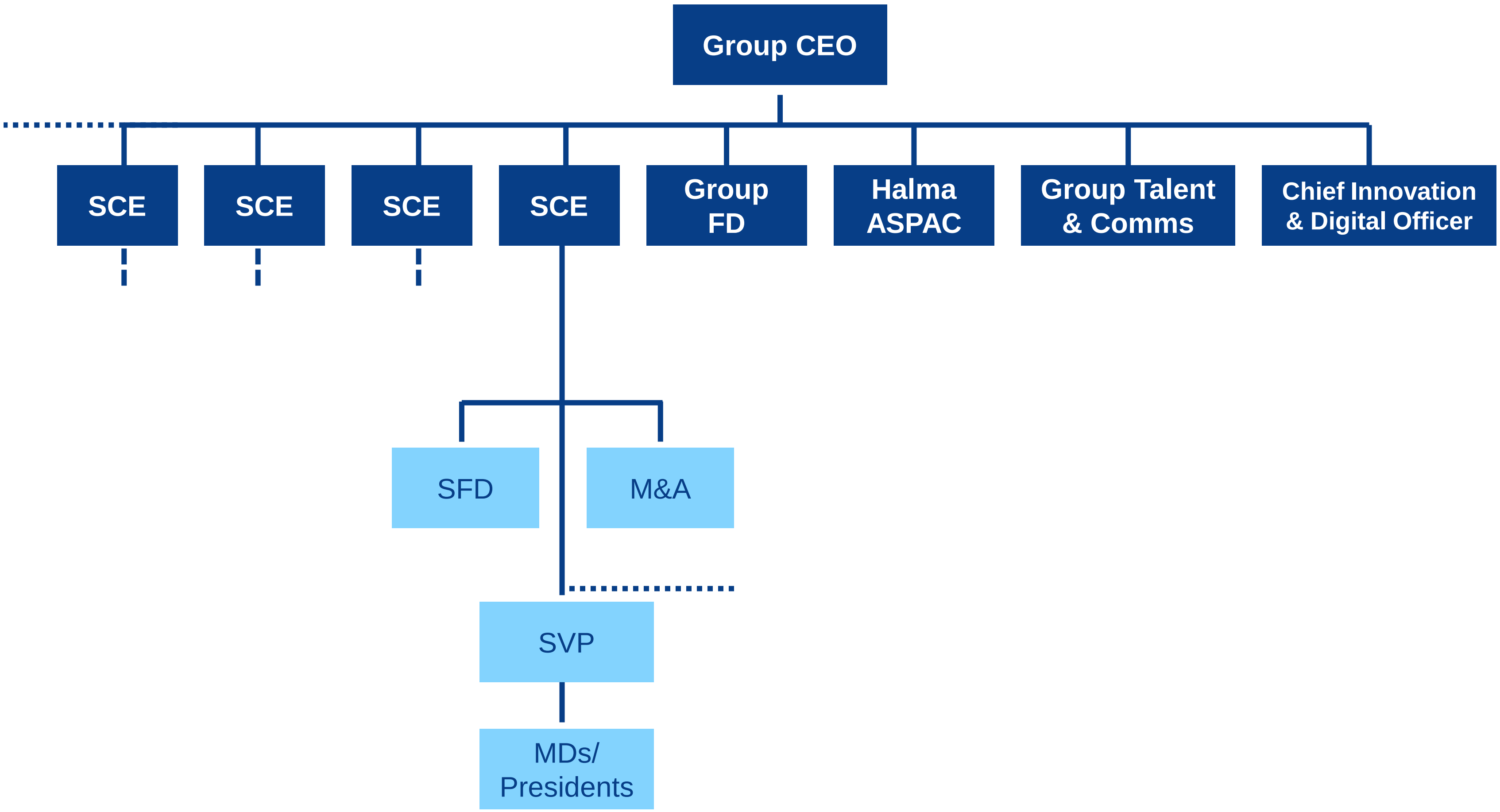
Innovation through collaboration

Structured for growth: strategy-led talent management



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Summary and Outlook statement

- Record results
  - Widespread growth
  - Strong returns and cash generation
  - Increased dividend
- Continued investment
  - FluxData acquisition
  - Record R&D spend and ROW revenue
  - Digital & Collaboration
- 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
	16/17	15/16		16/17	15/16	
• Average rates v £	1.31	1.51	(13%)	1.19	1.37	(13%)

• **1% change***	**$ (~45% of total)**	**€ (~15% of total)**
Revenue	+/- £4.4m	+/- £1.2m
Profit	+/- £0.8m	+/- £0.3m

- At £1 = $1.30/€1.15/CHF1.25 average rates, full year revenue and profit would benefit by ~1%*. Process Safety and Infrastructure Safety ~0-1%, Medical and Environmental & Analysis ~1-2% positive impact.

- At £1 = $1.30/€1.15/CHF1.25 average rates, half year revenue and profit ~4% positive impact.*

* Based on 2016/17 results

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Profit Adjustments*

	2016/17 £m		2015/16 £m
Intangibles			
Amortisation	(31.5)		(23.1)
Impairment (Visiometrics)	(12.4)	***	-
	(43.9)		(23.1)
Acquisitions items**	9.5	***	(7.2)
Restructuring costs (Pixelteq)	(1.9)	***	-
Disposal of operations	-		0.6
	(36.3)		(29.7)

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

** including acquisition costs and adjustment to acquisition contingent consideration primarily re Visiometrics in 2016/17

*** see Financial Review in 2016/17 Results Announcement for discussion of these items

Pensions

Defined Benefit pension deficit	March 17	March 16
	£m	£m
Assets	265.0	221.9
Liabilities	(339.9)	(274.2)
Deficit	(74.9)	(52.3)

- Discount rate decreased to 2.5% (Year end 2016: 3.4%) increasing liabilities.
- Closed DB to future accrual December 2014
- Contributions to pay off deficit : 2016/17: £10m; 2017/18: expected ~ £11m
- Next Triennial Actuarial valuations: Halma pension plan – December 2017, Apollo pension plan – April 2018

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Acquisition performance

	Actual **	Actual 2016/17				
		Acquisition contribution			Organic	Full Year
	15/16 £m	H1 £m	H2 £m	Total £m	H2 £m	16/17 £m
Revenue	20	25	15	40	21	61
Operating Profit	4.4	3.2	3.8	7.0	2.7	9.7
Profit (net of financing cost)	3.4	1.5	3.0	4.5	-	-
Return on Sales *	22%	13%	25%	18%	13%	16%

The table above gives the results for Firetrace, Visiometrics and CenTrak acquired in 2015/16 and FluxData acquired in 2016/17, showing the results included as acquisition contribution and those as organic contribution.

* Based on operating profit

** Acquisitions in Group for H2 2015/16 only

2016/17 Full year and Forecasts

	Notes	Full year 17/18 forecasts	16/17 Actual
Capex	1	£29.0m	£24.4m
Effective tax rate	2	22.0%	21.5%
Central costs	3	£13.2m	£10.5m
Net finance expense	4	£9.4m	£9.3m

Notes:
1. 2017/18 includes several business expansion projects, in particular in Infrastructure Safety.
2. 2017/18 based on expected mix of profit.
3. 2017/18 includes biennial HITEx conference and further investment in digital/innovation and international capability.
4. Assuming no further acquisitions

Sector history

£m		12/13**	13/14	14/15	15/16	16/17
Sector revenue	Process Safety	125.7	126.7	158.4	155.5	167.0
	Infrastructure Safety	205.3	220.3	234.1	264.8	315.2
	Medical	136.1	163.2	169.3	198.7	260.6
	Environmental & Analysis	152.4	166.5	164.4	188.9	219.1
	Inter-segmental sales	(0.3)	(0.2)	(0.1)	(0.1)	(0.2)
	Group revenue	619.2	676.5	726.1	807.8	961.7
Sector profit	Process Safety	32.3	34.9	44.8	39.6	40.3
	Infrastructure Safety	41.5	44.4	50.0	56.2	65.1
	Medical	35.9	41.8	45.4	51.7	66.7
	Environmental & Analysis	30.4	31.8	27.4	34.5	41.7
	Segment Profit	140.1	152.9	167.6	182.0	213.8
	Central cost/net finance expense	(11.6)	(12.7)	(14.0)	(16.0)	(19.8)
Profit*		128.5	140.2	153.6	166.0	194.0

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

** 12/13 profit Restated for IAS 19 accounting for pensions.

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