

Full Year Results 2018/19

11 June 2019

Andrew Williams – Group Chief Executive
Marc Ronchetti – Chief Financial Officer

Halma

Introduction

Andrew Williams
Group Chief Executive



Full year 2018/19: Record results



Record revenue and profit and higher returns

Revenue
+13%
£1,211m

Profit*
+15%
£246m

Return on Sales
20.3%
2017/18: 19.9%

Increased strategic investment

R&D spend
+11%
£63m

Capex
+31%
£29m

Acquisitions
4
£63m spend

Strong cash performance

Cash flow
88%
of adjusted operating profit

Dividend
+7%
9.60p

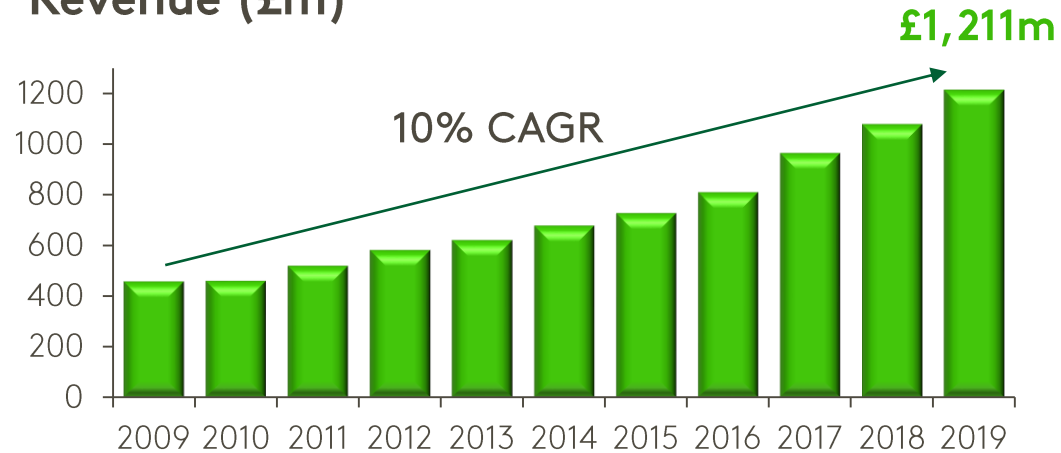
Net debt
£182m
2017/18: £220m

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

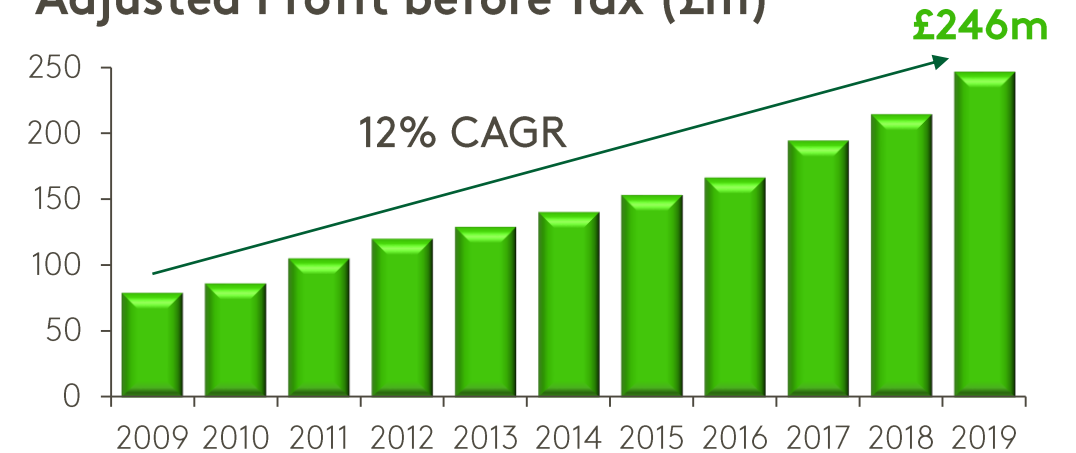
Sustainable value creation



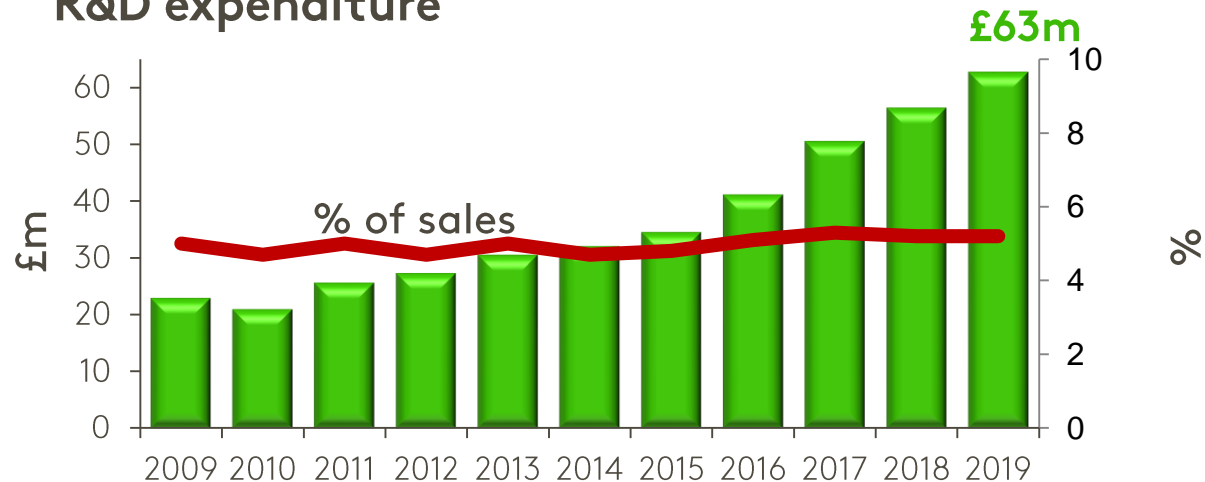
Revenue (£m)



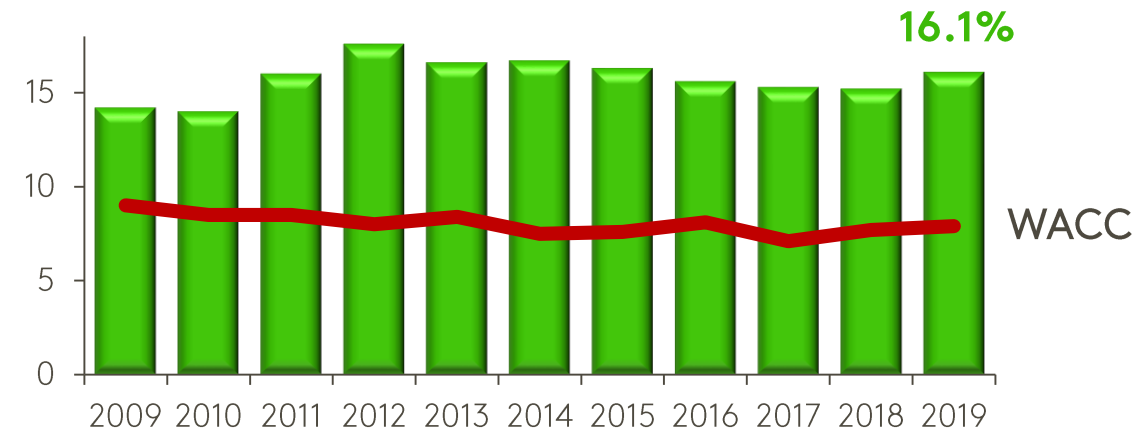
Adjusted Profit before Tax (£m)



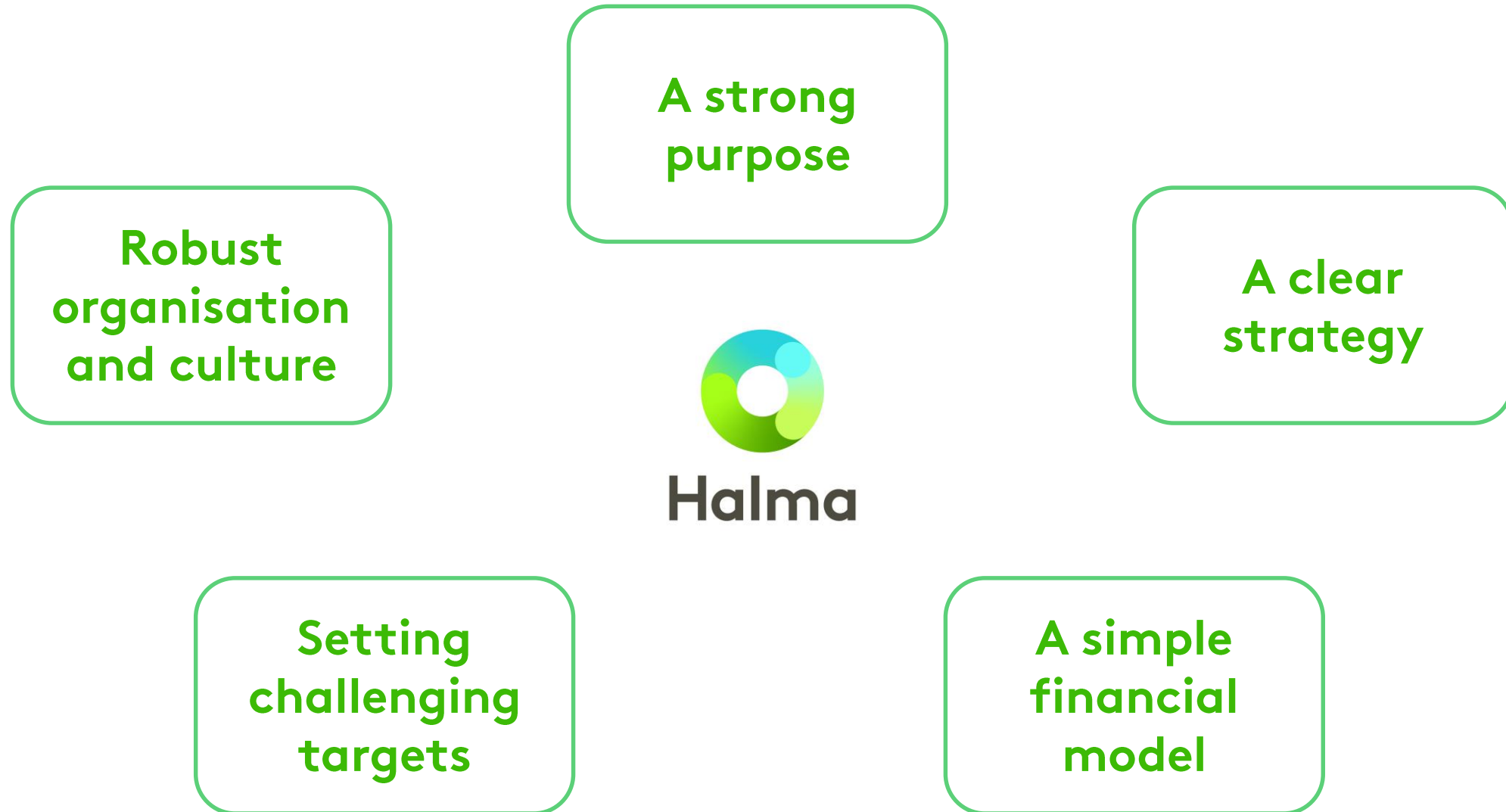
R&D expenditure



Return on Total Invested Capital (%)



Sustainable value creation

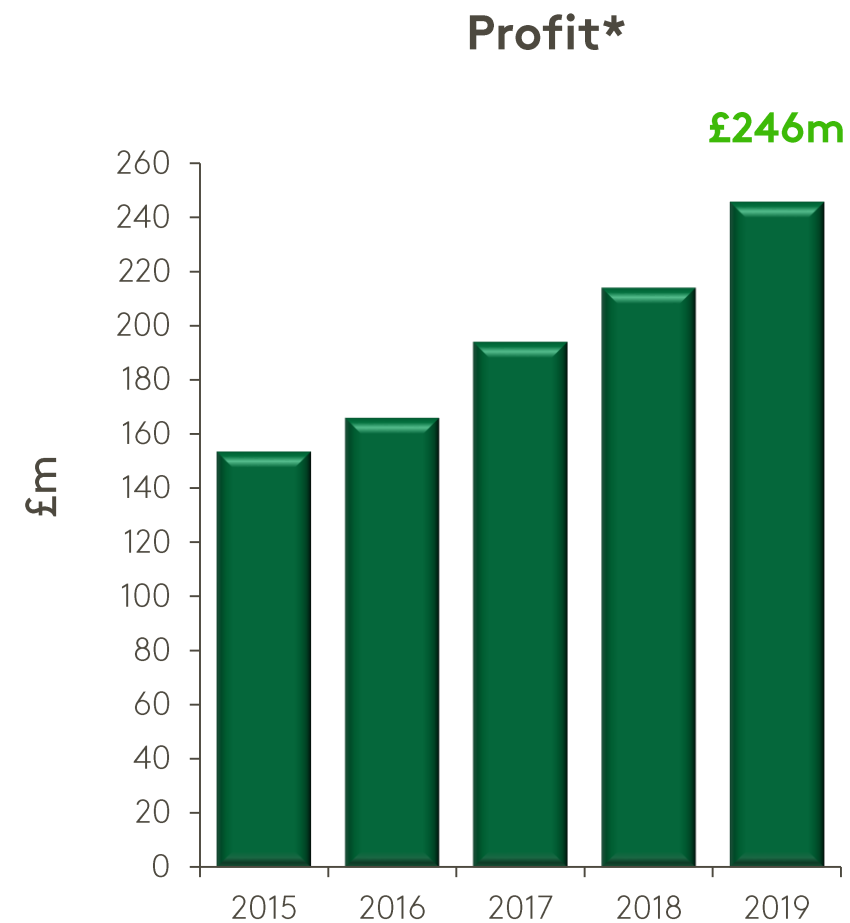
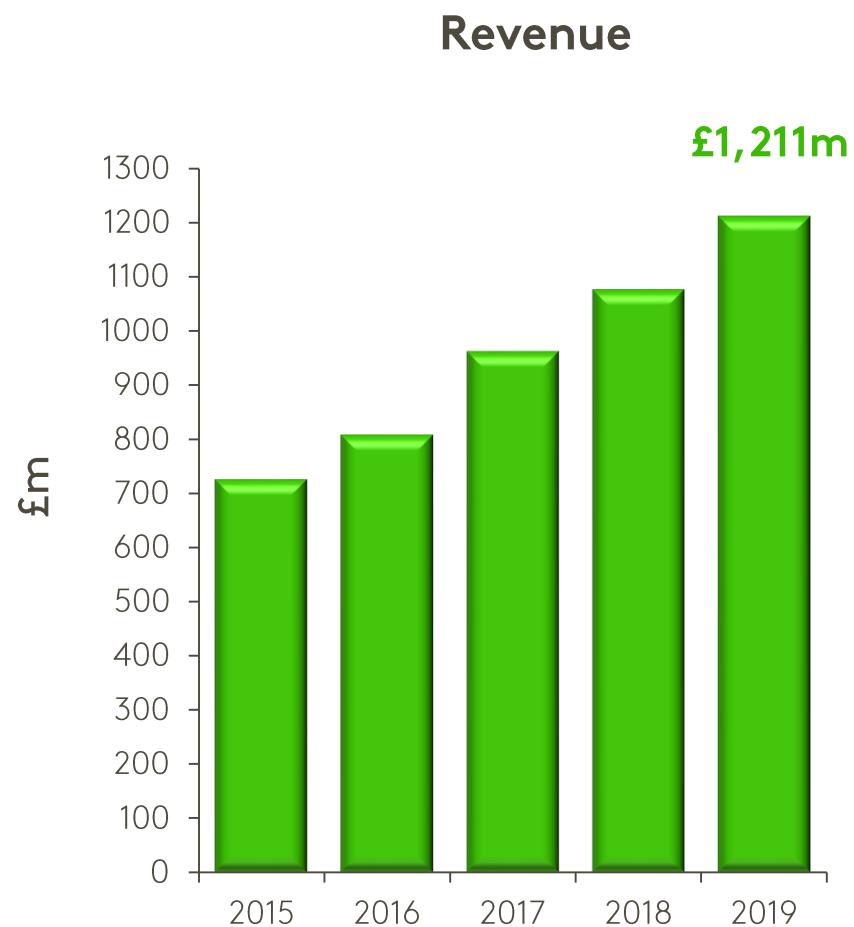


Financial Review

Marc Ronchetti
Chief Financial Officer

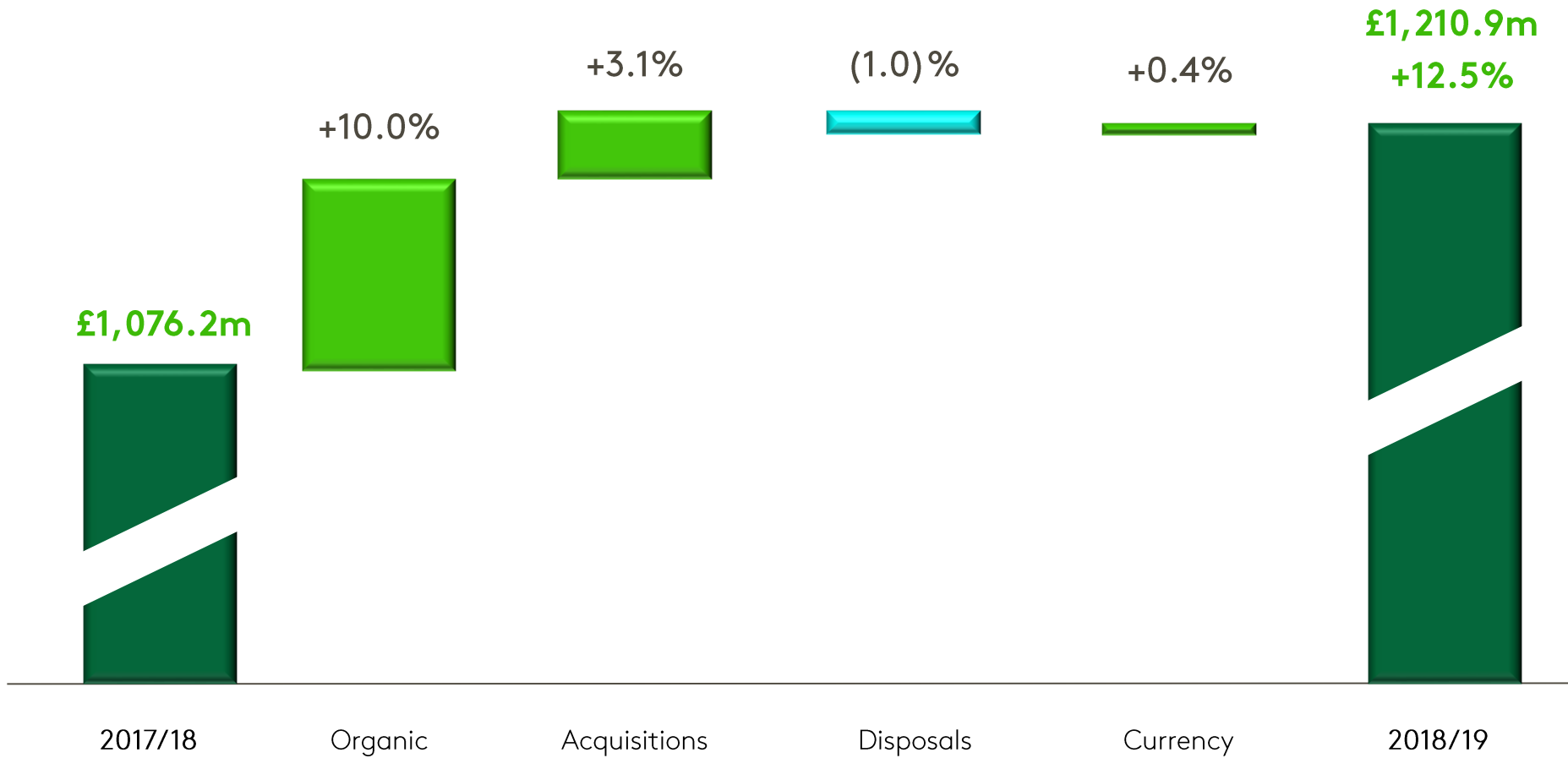


Record results



* Profit before amortisation and impairment of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

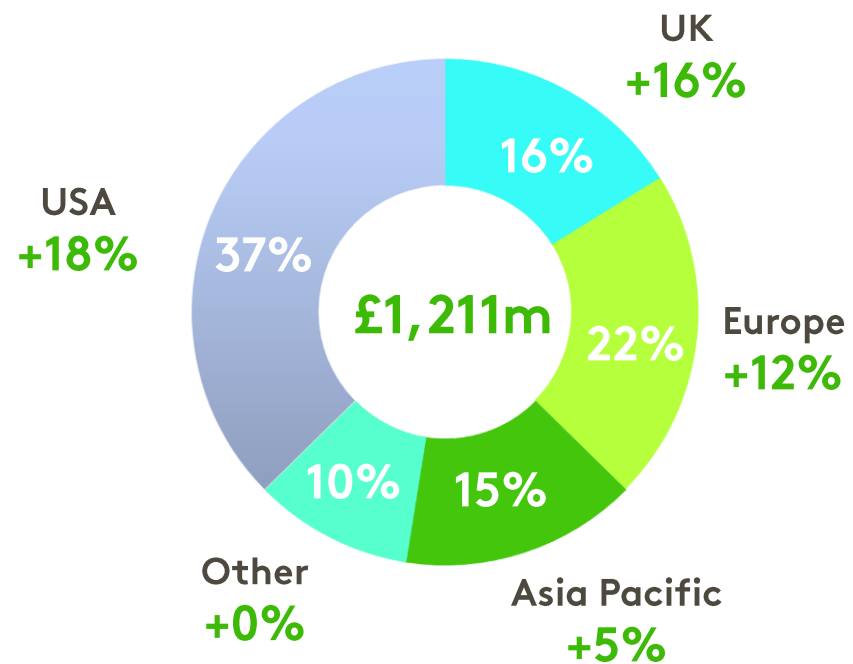
Revenue growth



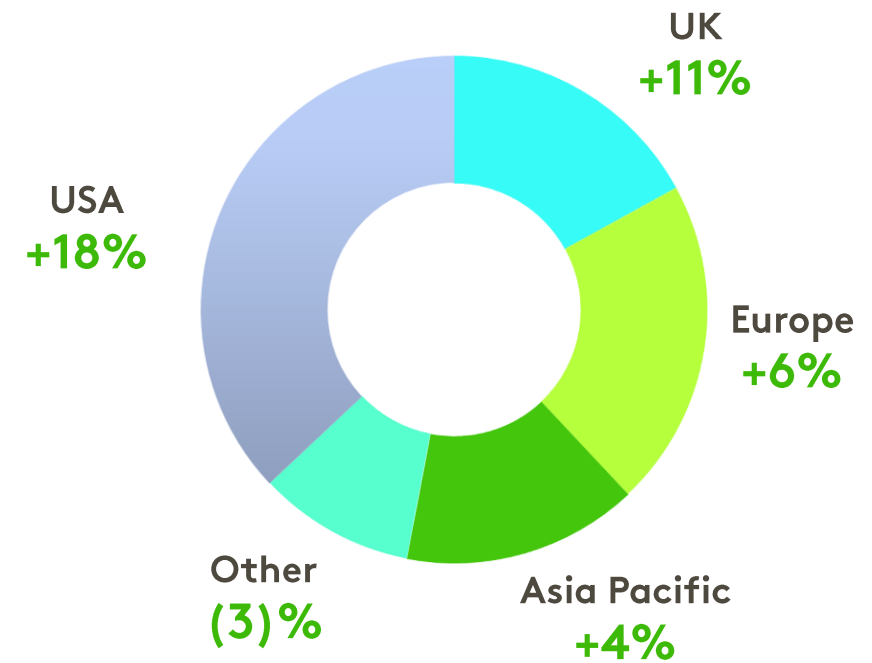
Revenue by destination

Revenue and revenue growth, 2018/19

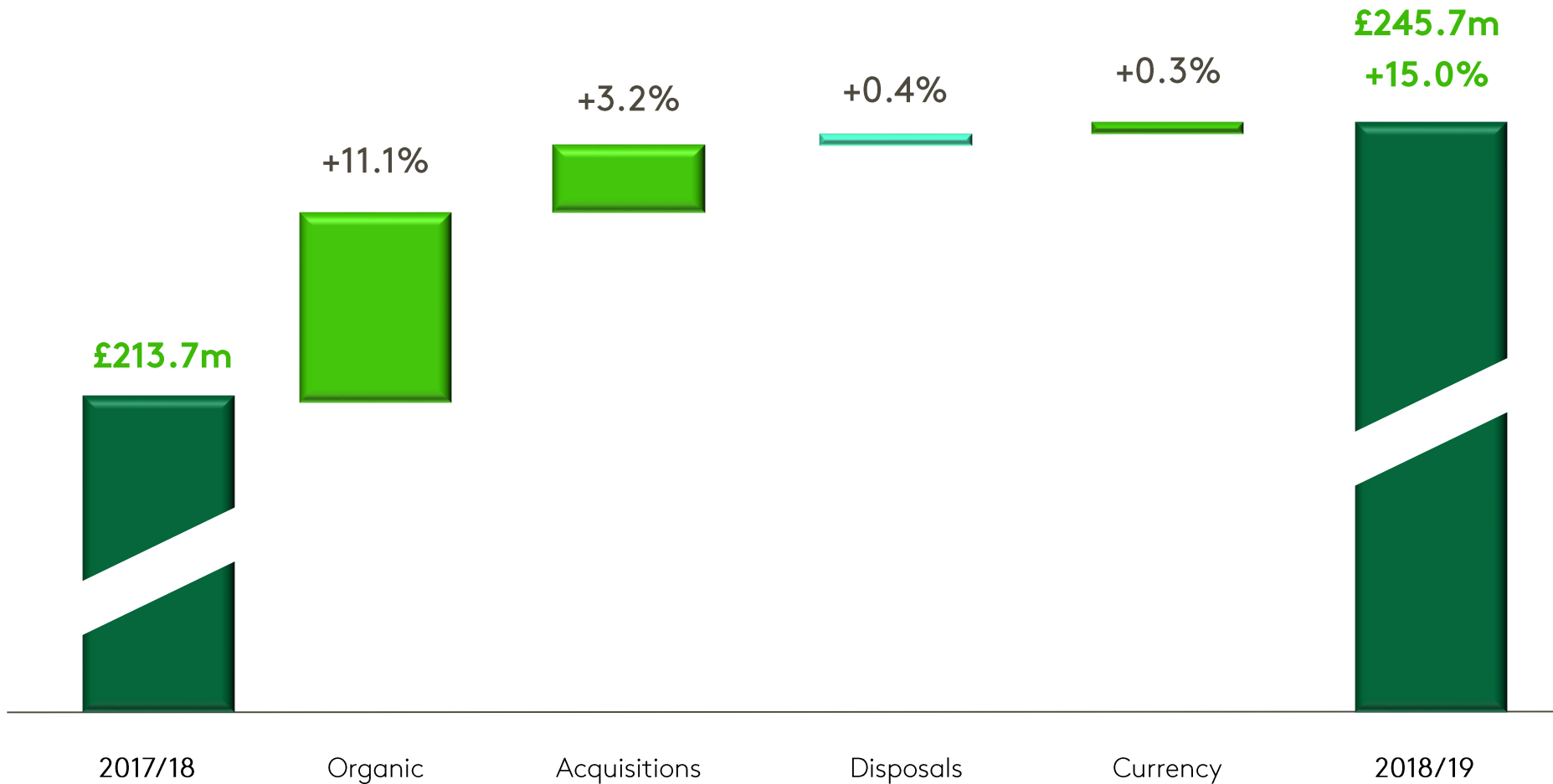
Reported



Organic constant currency



Profit* growth

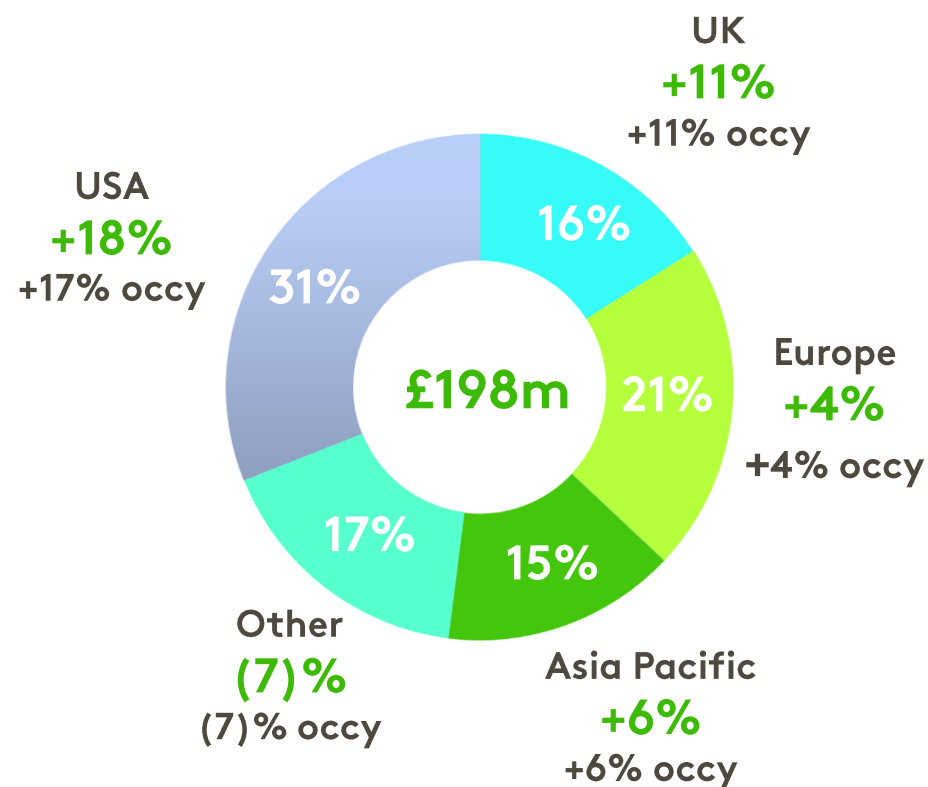


* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Process Safety



Revenue by destination



Revenue
£198m: +7%
Organic ccy +7%

Return on sales
23.0%
2017/18: 23.5%

Profit*
£46m: +5%
Organic ccy +5%

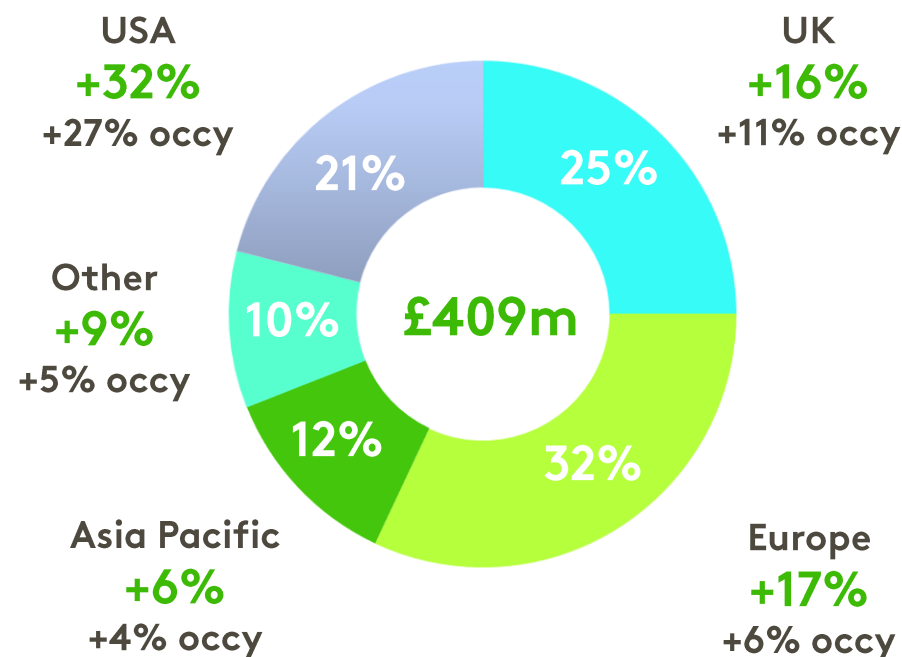
R&D spend
£7.0m: +10%
3.5% of revenue

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Infrastructure Safety



Revenue by destination



Revenue
£409m: +17%
Organic ccy +11%

Return on sales
21.8%
2017/18: 21.0%

Profit*
£89m: +21%
Organic ccy +16%

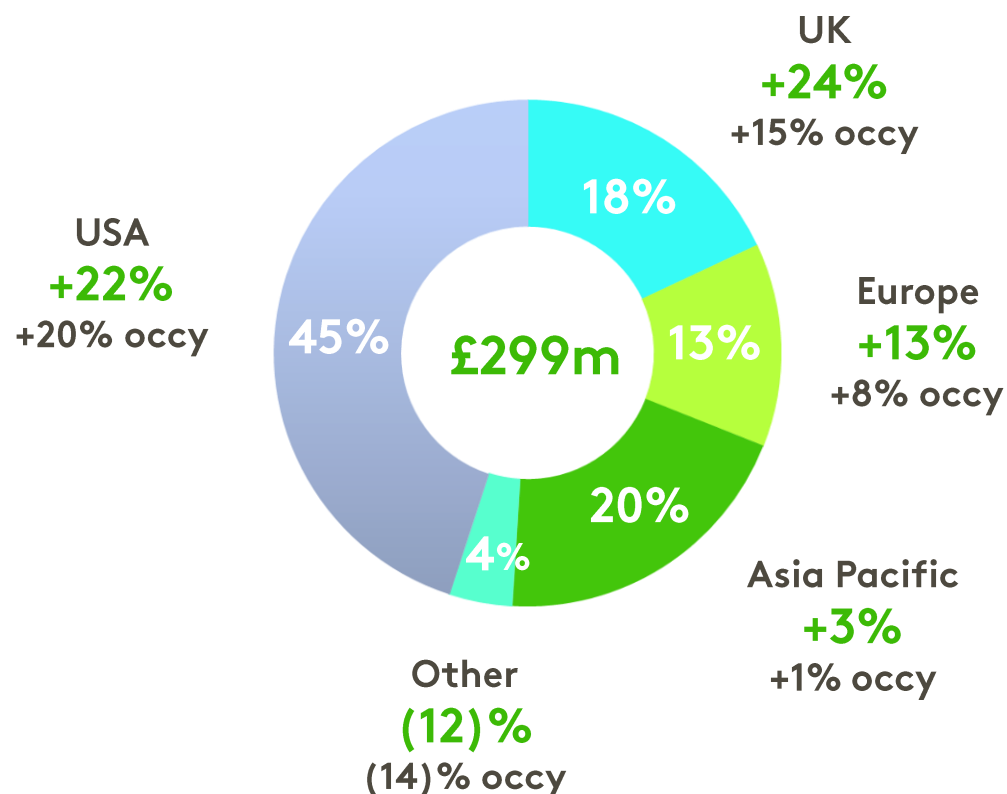
R&D spend
£24.9m: +22%
6.1% of revenue

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Environmental & Analysis



Revenue by destination



Revenue

£299m: +15%

Organic ccy +11%

Return on sales

22.2%

2017/18: 21.2%

Profit*

£66m: +21%

Organic ccy +13%

R&D spend

£19.2m: +8%

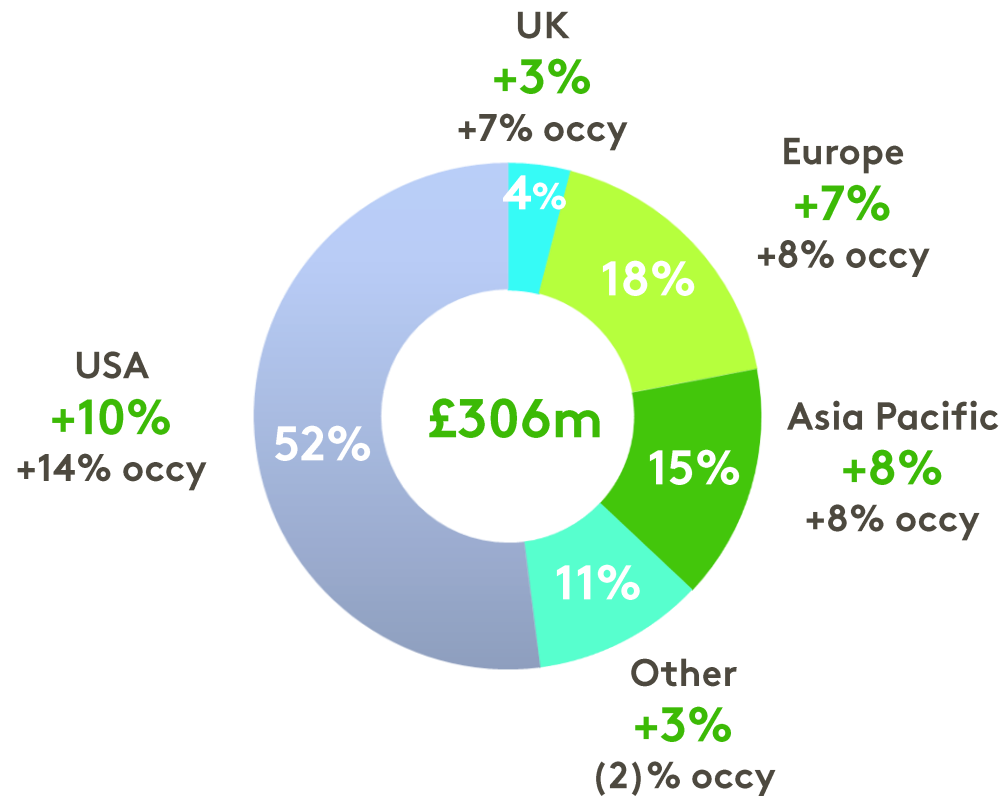
6.4% of revenue

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Medical



Revenue by destination



Revenue

£306m: +8%
Organic ccy +10%

Return on sales

25.1%
2017/18: 23.6%

Profit*

£77m: +15%
Organic ccy +13%

R&D spend

£11.3m: +1.7%**
3.7%** of revenue

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

** Excluding the effect of the Accudynamics disposal

Cash flow



Cash conversion

88%

2017/18: 85%

Working capital
outflow

£16m

2017/18: £24m

Capex

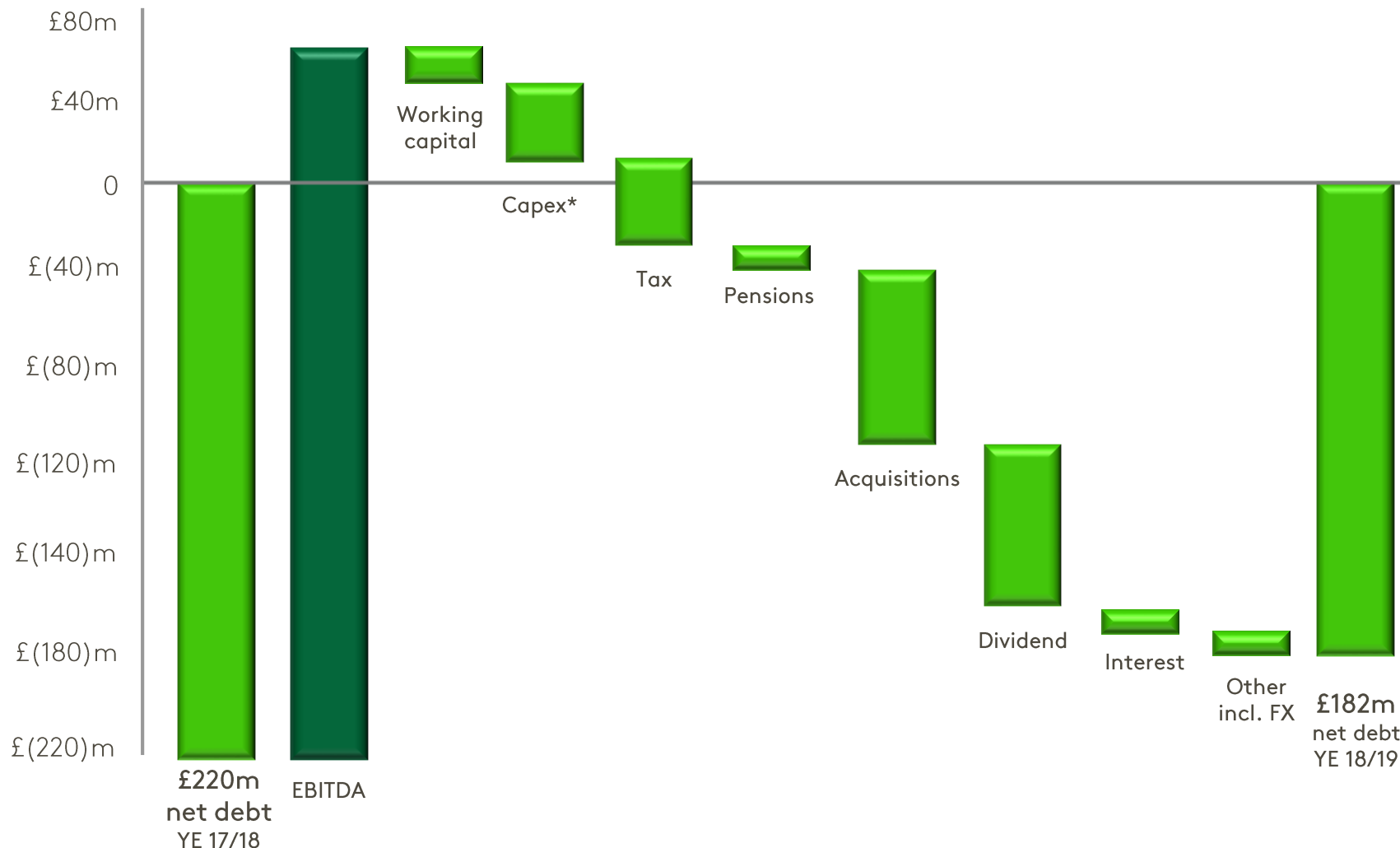
£29m

2017/18: £22m

Effective tax
rate

18.6%

2017/18: 19.7%



Pension deficit

£39m

2017/18: £54m

Acquisitions

£68m

2017/18: £116m

Full Year
Dividend

+7%

9.60p per share

Net debt

£182m

2017/18: £220m

* Includes asset purchase spend of £2.6m and capitalised development costs of £10.8m

Performance against financial KPIs



Organic revenue
growth*

+10%

Target $\geq 5\%$

Organic profit
growth*

+11%

Target $\geq 5\%$

Acquisition profit
growth**

+3%

Target $\geq 5\%$

Revenue growth
outside
UK/USA/Europe

+3.2%

Target $\geq 10\%$

Return on sales

20.3%

Target 18-22%

Return on Total
Invested Capital

16.1%

Target $\geq 12\%$

Cash conversion

88%

Target $\geq 85\%$

R&D investment
(% of revenue)

5.2%

Target $\geq 4\%$

* At constant currency

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

Strategy update

Andrew Williams
Group Chief Executive



Halma's DNA: our organisational genes



**Purpose
drives us**

**Agility is
everything**

**We bet on
talent**

**We are
global niche
specialists**

**We invest for
the future**

**We are
structured for
growth**

Halma Strategy: Our Growth Enablers



International
Expansion



Finance
& Risk



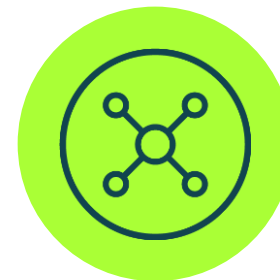
Strategic
Communications



M&A



Digital Growth
Engines

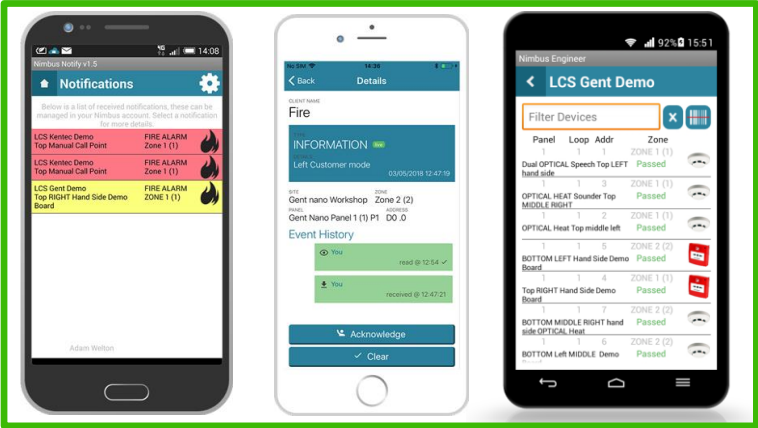


Innovation
Network



Talent &
Culture

Four acquisitions completed



LAN Controls (September 2018)



Navtech Radar (October 2018)



M&A



Limotec (October 2018)



Rath Communications (January 2019)

Further developing Digital Growth and Innovation



Digital Growth
Engines

**Core Digital
Accelerator**

- Twelve projects in 2018/19 e.g. gas detection for major brewer

**Convergence
Accelerator**

- Nine projects in 2018/19 e.g. warehouse safety, dynamic fire evacuation

**Edge
Accelerator**

- Two projects being scaled in Food Safety and Medical

**Innovation Hot
Spots**

- Seven events in Israel and Singapore

**Strategic
Partnerships**

- Three partnerships in Israel, Lisbon and London



Innovation
Network

Talent and culture



Talent &
Culture

Talent Ahead of the Curve


- Executive Board development
- Divisional Chief Executive and Managing Director talent strengthened
- Halma Future Leaders now on Company Boards

Protecting our Legacy

- Articulation of Halma's DNA
- Accelerate Halma leadership conference and training programmes

Summary and Outlook

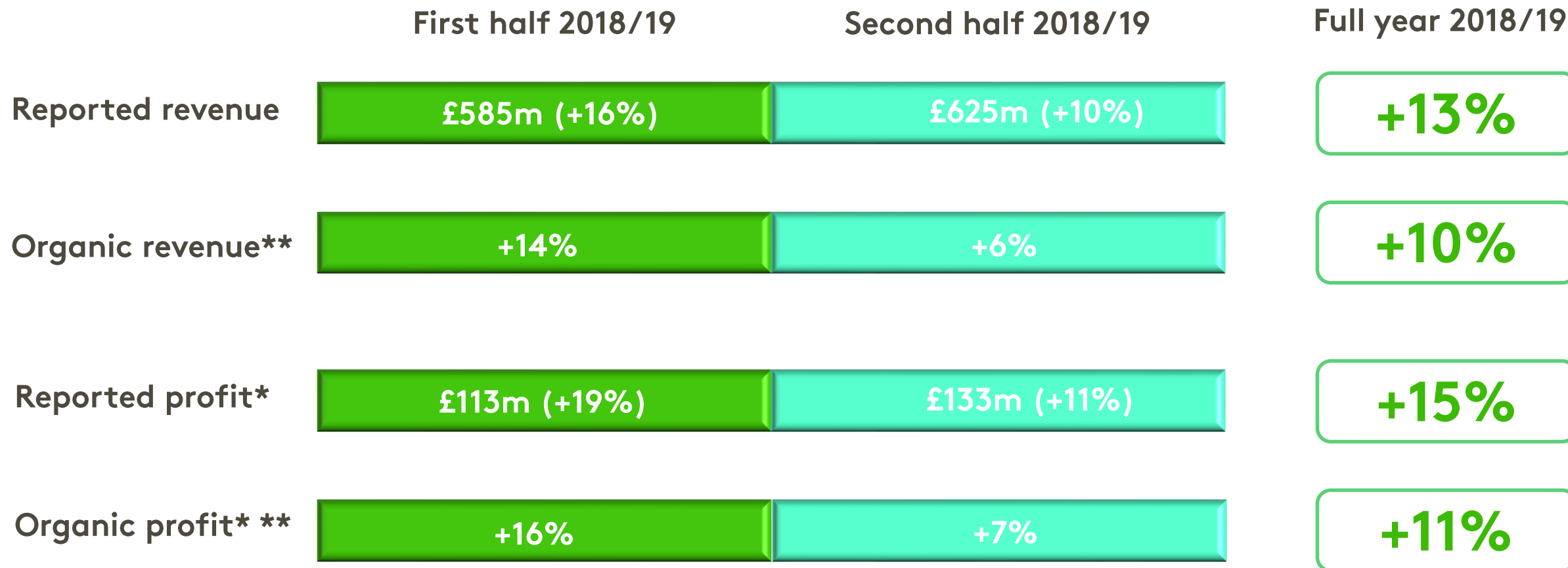


- 
- A decorative graphic on the left side of the slide consisting of several overlapping circles in shades of blue, cyan, and green, with a white circle in the center.
- **Strong financial performance, and sustained value creation**
 - **Increased investment in purpose, culture and growth enablers**
 - **New financial year started well, order intake ahead**
 - **Expect to make good progress in the year ahead**

Questions?

An abstract graphic featuring a large teal circle at the top, a large lime green circle at the bottom, and a smaller bright green circle on the right. A white circle is positioned in the center, overlapping the teal and lime green circles. The background is white.

Revenue and profit: First and second half performance

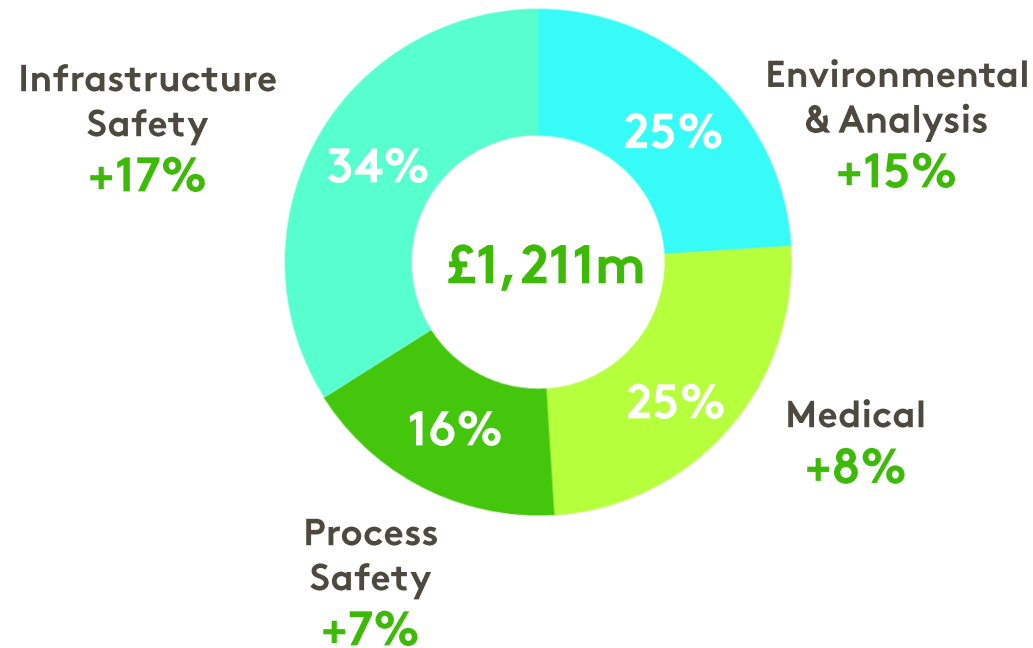


* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

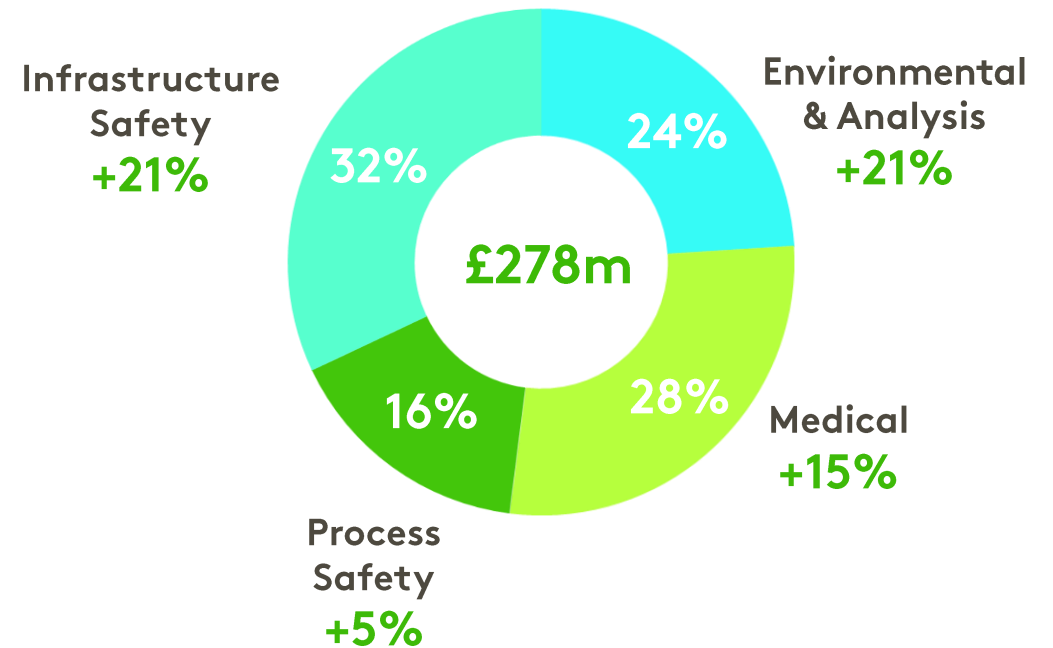
** At constant currency

Sector performances

Revenue



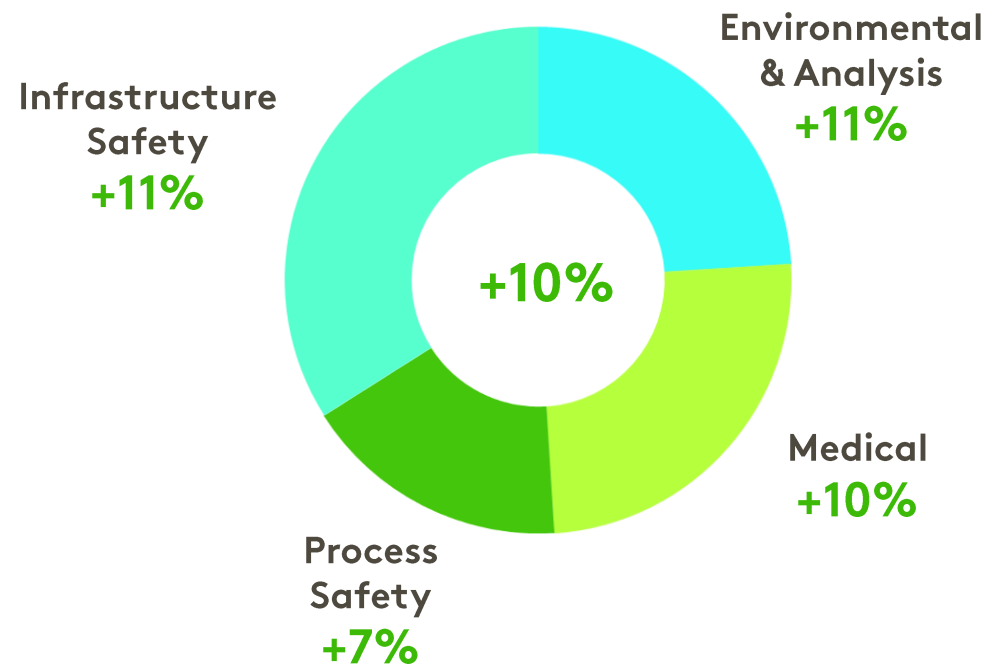
Profit*



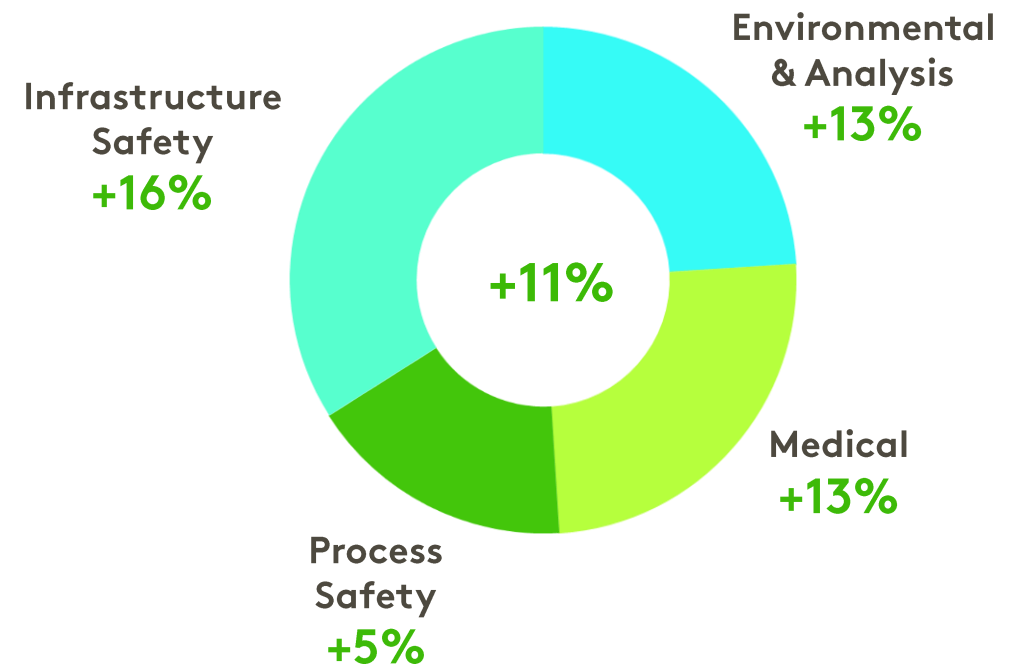
* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Sector performances: Organic constant currency

Revenue



Profit*



* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Sector History

£m		2014/15	2015/16	2016/17	2017/18	2018/19
Revenue	Process Safety	158.4	155.5	167.0	184.5	197.5
	Infrastructure Safety	234.1	264.8	315.2	348.8	408.6
	Environmental & Analysis	164.4	188.9	219.1	259.4	299.1
	Medical	169.3	198.7	260.6	283.8	306.1
	Inter-segment sales	(0.1)	(0.1)	(0.2)	(0.3)	(0.4)
	Group revenue	726.1	807.8	961.7	1,076.2	1,210.9
Sector profit*	Process Safety	44.8	39.6	40.3	43.4	45.5
	Infrastructure Safety	50.0	56.2	65.1	73.3	88.9
	Environmental & Analysis	27.4	34.5	41.7	55.0	66.4
	Medical	45.4	51.7	66.7	67.1	76.9
	Segment profit	167.6	182.0	213.8	238.7	277.7
	Central & net finance costs	(14.0)	(16.0)	(19.8)	(25.0)	(34.1)
	Profit*	153.6	166.0	194.0	213.7	243.6

* Profit before amortisation of acquired intangibles, acquisition items, significant restructuring costs, profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Process Safety: new subsector names

Previous name	New name
Gas sensors	Gas detection
Safety interlocks	Industrial access control
Pressure relief	Pressure management
Pipeline management	Safe storage and transfer

Currency Effects

	US\$		% change	Euro		% change
	2018/19	2017/18		2018/19	2017/18	
Average rates versus Sterling	1.31	1.33	(0.1)%	1.14	1.13	-

1% change*	US\$ (~45% of total)	Euro (~13% of total)
Revenue	£5.5m	£1.5m
Profit	£1.1m	£0.3m

* Based on 2018/19 results

Profit Adjustments*

£m	2018/19	2017/18
Intangible amortisation	(35.6)	(34.7)
Acquisition items**	(0.3)	(7.7)
Disposal of operations	(1.0)	0.6
Defined benefit pension charge	(2.1)	-
	(39.0)	(41.8)

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

** including acquisition costs and adjustment to acquisition contingent consideration primarily re FluxData

Pensions

Defined Benefit Pension Scheme (£m)	March 2019	March 2018
Assets	292.2	271.7
Liabilities	(331.4)	(325.6)
Deficit	(39.2)	(53.9)

- Discount rate 2.4% (March 2018: 2.5%).
- Closed DB to future accrual December 2014
- Contributions to pay off deficit : 2018/19: £11.7m; agreed for 2019/20: £12.7m

Acquisition Contribution

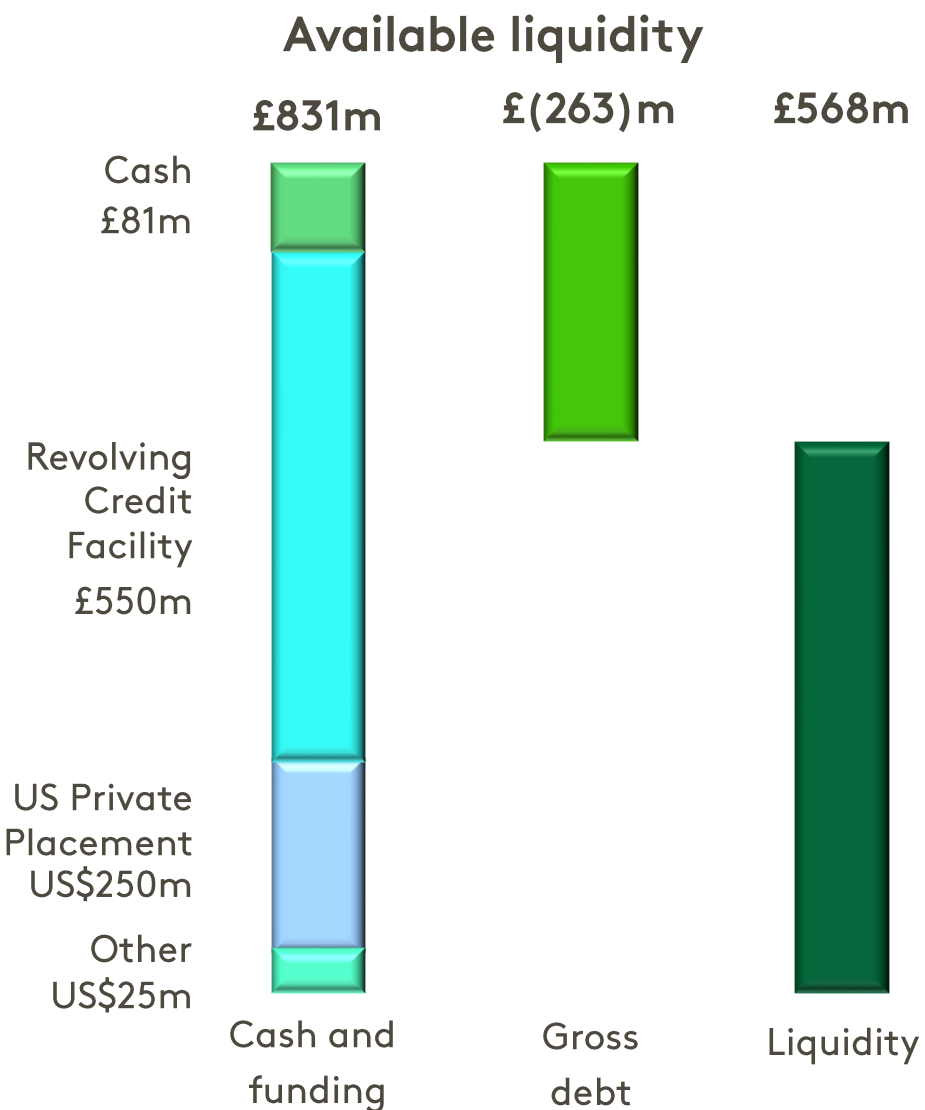
	2018/19		2019/20
	Run-rate at acquisition (£m)	Actual* (£m)	Run-rate at acquisition (£m)
Revenue	30.4	32.0	17.6
Operating profit	8.0	8.4	5.4
Profit (net of financing cost)	6.5	6.9	4.5
Return on Sales**	26.1	26.2	30.7

The table above gives the results for Cardios, CasMed, Mini-Cam, Setco and Argus acquired in 2017/18, and LAN Controls, Limotec, Navtech Radar and Rath Communications acquired in 2018/19 for the period of ownership included as acquisition contribution. It excludes the Accudynamics disposal, that resulted in an £8.5m reduction in revenue and a £0.6m increase in profit year-on-year.

* Includes Halma management charges and investment to support growth

** Based on operating profit

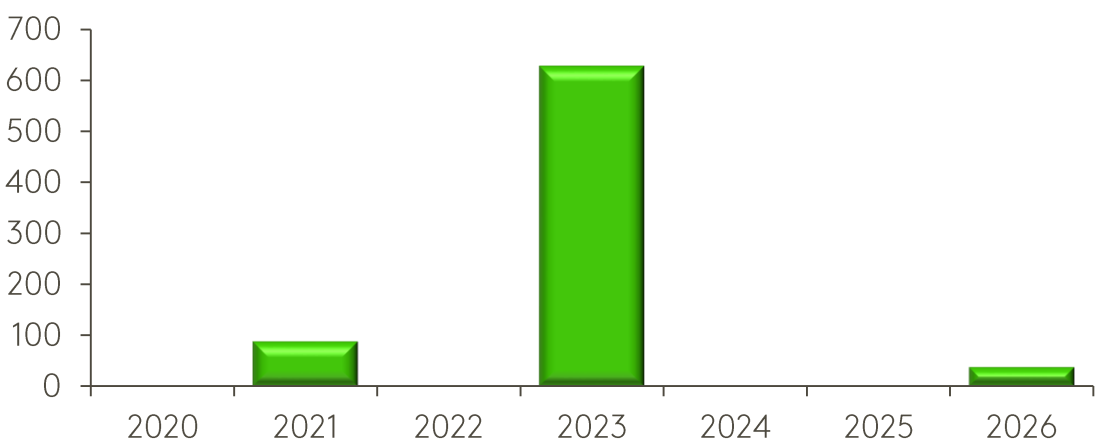
Substantial financial capacity



Revolving Credit Facility extended to 2023

Net debt/EBITDA
0.63x
 (2017/18: 0.87x)

Funding maturity profile



IFRS 16: estimated effects

The effects of IFRS 16, once implemented, are estimated to be as follows:

- A small reduction in net assets (c.£4m), comprising:
 - An increase in assets of c.£45m
 - An increase in liabilities of c.£49m
- An immaterial net effect on the Group's profit and loss account
 - Operating lease costs of c.£14m replaced by:
 - A depreciation charge of c.£12m
 - A financing expense of c.£2m
- There will be no effect on tax
- There will be no effect on cash flow

2019/20 Full Year Forecasts

	Notes	2019/20 Full Year Forecasts	2018/19 Actual
Capex	1	£35m	£31.3m
Effective tax rate	2	c.20%	18.6%
Central costs	3	£28m	£22.0m
Net finance expense	4	£10.5m ⁶	£10.0m
Pension contributions	5	£12.7m	£11.7m

Notes:

1. 2018/19 includes several business expansion projects, some deferred from 2017/18, in particular in Infrastructure Safety.
2. 2019/20 based on expected mix of profit. In the 2019/20 financial year, an acceleration of the payment timetable for UK Corporation Tax payments for larger companies will result in a one-off increase in cash taxation payable of approximately £5m
3. 2019/20 includes the full year impact of resources added in 2018/19 and further investment to support our growth strategy.
4. Assuming no further acquisitions
5. Cash contributions to the two UK defined benefit pension plans.
6. Includes estimated £2m lease financing charge under IFRS 16

Disclaimer



This document contains statements about Halma plc that are or may be forward-looking statements. Forward-looking statements include statements relating to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Halma plc's operations; and (iii) the effects of government regulation on business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Halma plc. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such statements. They are based on numerous assumptions regarding the present and future business strategies and the future operating environment. All subsequent oral or written forward-looking statements attributable to Halma plc or any of its shareholders or any persons acting on its behalf are expressly qualified in their entirety by this cautionary statement. All forward-looking statements included in this document speak only as of the date they were made and are based on information then available to Halma plc. Investors should not place undue reliance on such forward-looking statements, and Halma plc does not undertake any obligation to update publicly or revise any forward-looking statements.

No representation or warranty, express or implied, is given regarding the accuracy of the information or opinions contained in this document and no liability is accepted by Halma plc or any of its directors, members, officers, employees, agents or advisers for any such information or opinions.

This information is being supplied to you for information purposes only and not for any other purpose. This document and the information contained in it does not constitute or form any part of an offer of, or invitation or inducement to apply for, securities.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of laws of any such other jurisdiction.