Halma plc
Full Year Results
2018/19

Summary of analysts' presentation by:

Andrew Williams, Group Chief Executive

Marc Ronchetti, Chief Financial Officer

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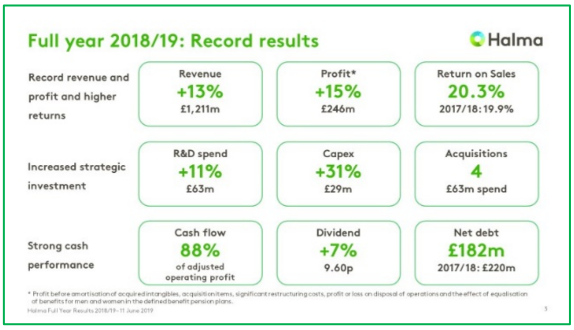
Halma plc, Misbourne Court, Rectory Way, Amersham, Bucks HP7 0DE, UK. Registered in England number 40932.
Tel: +44 (0)1494 721111 Fax: +44(0)1494 728032 Email: investor.relations@halma.com Web: www.halma.com

Record revenue and profit for the 16th consecutive year

Andrew Williams, Halma's Group Chief Executive, summarised the full year results.

We have had another year of excellent progress, with strong financial performance and increased strategic investment, giving us continued confidence in sustaining that success.

Halma continues to mature as a business and organisation, while protecting the qualities, capabilities and culture which underpinned our past success and which, I believe, are even more important to drive our success in the future.



This was the 16th consecutive year of record revenue and profit and we delivered strong organic growth.

Revenue grew 13% to £1.2bn; profit by 15% to £246m; and Return on Sales was 20.3% with all four sectors above 20%.

We increased strategic investment across our seven Growth Enablers once again, led by our individual operating companies, with selected central investment to drive benefits across the Group.

R&D increased 11% to £63m, and at 5.2% of revenue was maintained at the recent year's good level.

Capital expenditure was up 31% to £29m and mainly comprised fixed asset additions and facility expansions.

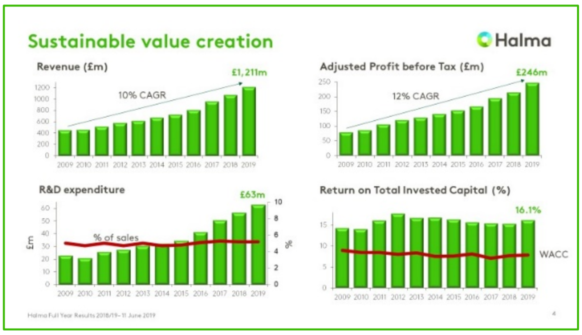
On M&A, we made four acquisitions for £63m, primarily in the Safety sectors, and we made one disposal in the first half. We continue to actively shape the portfolio towards sustainable growth markets.

We delivered another strong cash performance to support our investment and returns to shareholders. Cash conversion was 88% of adjusted profit, ahead of our 85% KPI.

We are proposing an increase in the final dividend per share of 7%, which (once approved) will make the 40th year of dividend per share growth of 5% or more.

Net debt reduced from £220m to £182m providing capacity for future investment.

So a really strong year – even by Halma standards.



I have already mentioned 'sustainable' a number of times and these charts of the past decade's performance illustrate the point clearly.

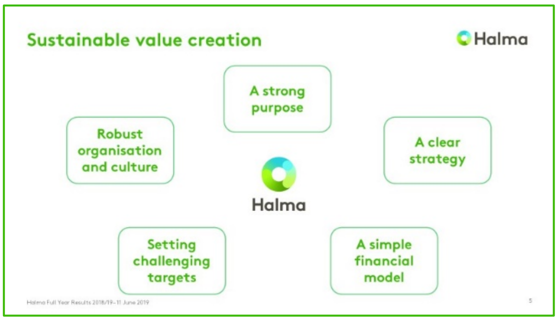
Over the last decade, revenue has grown from around £450m to over £1.2bn, a 10% compound annual growth rate (CAGR).

Profit has increased from around £80m to almost £250m, a 12% CAGR.

This performance is not just about selecting the right markets. It also requires relentless increased investment to sustain growth and returns, and that is shown in R&D spend which has increased from £23m to £63m, and has been maintained above 5% of sales.

Our ability to sustain strong growth and returns with highly productive capital allocation is reflected in our Post-Tax Return on Total Invested Capital, which has remained well above our Weighted Average Cost of Capital (WACC), and this year rose to 16.1%.

So what is it which enables Halma to sustain high levels of value creation over such long periods and will continue to do so in the future?



I think there are five integrated elements:

- A strong purpose: growing a safer, cleaner, healthier future for everyone, every day and addressing long-term, fundamental, global needs and challenges and thereby attracting employees, acquisitions, strategic partners and investors who share these goals.

- A clear strategy: growing and acquiring businesses in niche markets with global reach; having a disciplined focus on our chosen areas of safety, health and the environment; and selling businesses that don't deliver our growth and returns objectives or fit with our purpose;

- A simple financial model: strong organic growth, high returns and cash generation allow for continuously increasing strategic investment, which in turn drives future organic and acquired growth and enables progressive dividends for shareholders; each company in the group is expected to contribute!

- Setting challenging targets: this drives performance, for example in aspiring to double earnings every five years, while maintaining modest levels of financial gearing, and without being reliant on injections of further equity

- Robust organisation and culture: this has been a stable foundation for over 40 years, acts as the glue which keeps Halma on track, while allowing constant change and adaptation.

The ways in which these five factors are inter-related creates a virtuous cycle of sustained value creation.

However, as innovation and disruption accelerate, I do think that our organisation and culture are growing in importance as differentiators for Halma and I will expand on that later.

Before that, over to Marc to review our financial performance.

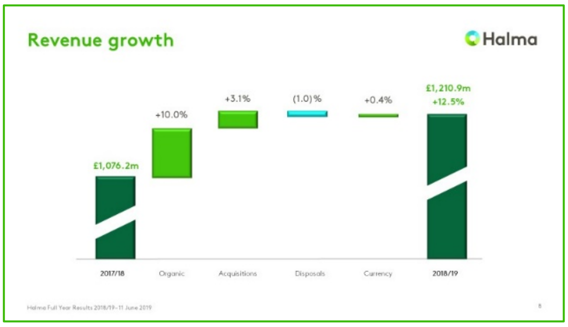
Marc Ronchetti, Chief Financial Officer, reviewed the year's financial performance.

I am very pleased with these full year results, with record revenue and adjusted profit and high levels of cash generation, with continued increased investment to support our future growth.

As Andrew has stated Revenue grew 13% and profit grew 15% in the year, continuing our strong trend of year on year growth.

Following an exceptionally strong first half, with revenue up 16% and profit 19%, we delivered a good second half performance, revenue grew 10% and profit increased by 11%, resulting in a strong performance for the year.

Turning first to more detail on revenue growth.



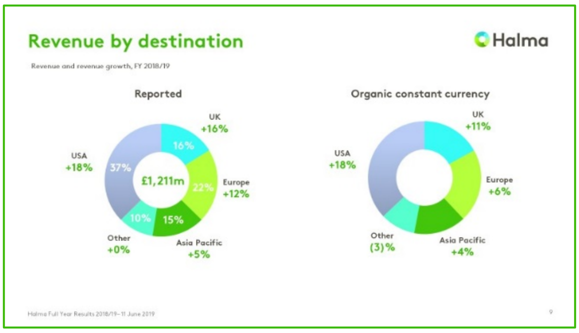
As you can see there was strong organic constant currency revenue growth of 10%, double our 5% KPI. This benefited from double digit revenue growth in three of our four sectors.

The contribution from acquisitions was 3.1%, which included the purchases of Limotec, Navtech and Rath Communications in the year, while the disposal of Accudynamics was a small negative of 1%.

There was a small positive effect from currency translation, with the negative effect in the first half more than reversing in the second half as Sterling weakened. With the current volatility in exchange rates we have included more detail on currency effects in the appendix slides.

The new financial year has started well, and order intake has continued at a good rate post March, ahead of both revenue and order intake for the comparable period last year.

Looking now at revenue by destination.



This is the revenue by destination with regional growth rates round the outside.

As you can see there was growth in all our major regions, both on a reported and organic basis with the USA, the UK and Europe performing strongly.

The USA remains our largest sales destination at 37% of revenue. It was also our fastest growing region, with 18% growth on both a reported and organic constant currency basis. This reflected double digit percentage growth in all sectors.

The UK also grew well at 11% organic constant currency, with all sectors except Medical, which accounts for only 7% of UK revenues, growing at a double-digit percentage rate.

Mainland Europe's growth benefited from good organic growth in Medical and Environmental & Analysis, and from acquisitions, including Argus, Setco and Minicam in 2017/18 and Navtech this Financial Year.

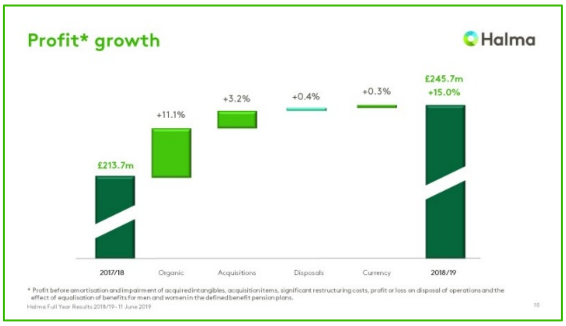
In Asia Pacific, we saw good growth in our largest markets in the region, including China which grew 8% on an organic constant currency basis following very strong 20% growth last year, and Australasia which grew 13%.

The region's overall growth rate reflected larger contract wins last year in China and South Korea and mixed performances in some smaller markets this year.

We continue to see good growth potential in the region by leveraging our growth hubs.

Performance was more mixed in the rest of the world, with strong growth in some areas, offset by challenging conditions elsewhere – I will pick up some specifics in the sector reviews.

Switching to Adjusted profit.



Organic constant currency profit growth was strong, at 11.1%, well above our 5% KPI, driven by strong top line growth, and margin improvement in three of our four sectors.

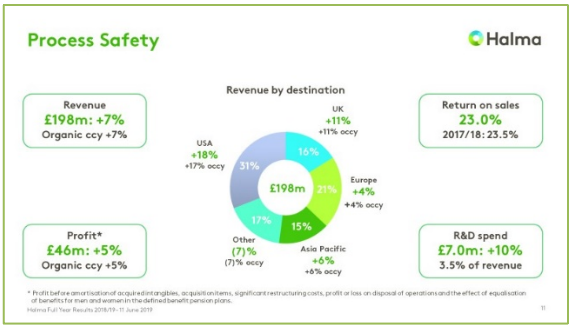
Acquisitions contributed 3.2% to profit, reflecting good margins in the businesses we acquired in the last year, while the Accudynamics disposal also made a small contribution.

As with revenue, there was a small positive effect from currency translation for the full year

These factors all contributed to headline profit growth of 15.0%.

Looking now at this performance in more detail at the sector level.

We have included the Group summary split by sector and the 5 year track records in the appendix – turning first to Process Safety.



Process Safety delivered good growth, with revenue up by 7% both on a reported and organic constant currency basis. Revenue growth was slower in the second half, primarily due to less favourable conditions in the US energy sector.

Profit growth of £2.1m to £46m, represented 5% reported growth, and the same on an organic constant currency basis. This was below revenue growth, given reorganisations in our Safety Interlocks and Pipeline management businesses to improve their competitive position and performance in the longer-term.

There were no effects from acquisitions or disposals, and only a small adverse effect from currency translation.
Looking at revenue by destination, there was strong growth in the USA, despite less favourable energy market conditions, supported by a major logistics contract in our Safety Interlocks subsector.

The UK also performed well, with good progress in Gas Sensors and Safety Interlocks.

And there was solid progress in Asia Pacific, and China grew very strongly, while Other regions declined, including in Energy related markets in the Middle East.

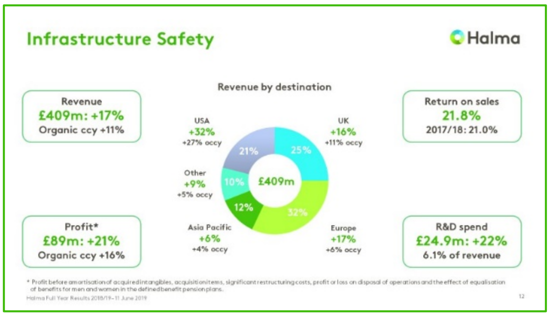
In terms of the subsectors, the Gas Sensors and Safety Interlocks businesses performed strongly, while Pressure Relief delivered flat revenue. Pipeline Management revenue declined during a period of reorganisation.

Return on sales remained strong at 23.0% with the decline in the year driven by the £1.5m re-organisation costs

R&D spend was up 10%, ahead of revenue, and with increased investment in innovation and marketing activity and a strengthened leadership team, we are aiming to deliver more consistent growth in the future which is less sensitive to changes in Process Safety's largest end market, oil and gas.

We expect the sector to deliver further progress in the coming year.

Moving onto Infrastructure Safety …



…which had a very strong year, with revenue increasing by 17%, and by 11% on an organic constant currency basis.

Profit increased 21% to £89m including 16% organic constant currency growth, with growth accelerating in the second half to 19%.

Acquisitions, including in the prior year, Argus and Setco, and in the current year, Limotec, Navtech, Rath Communications and LAN Controls, added 5 percentage points to revenue and profit growth.

There was growth in all regions, which was exceptionally strong in the USA, partly reflecting a recovery from last year's weaker performance.

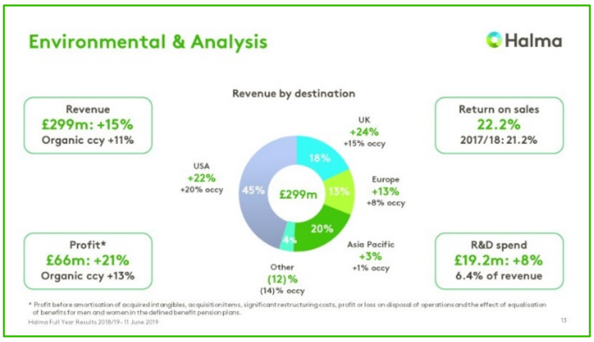
Both Mainland Europe and, to a lesser extent, the UK, benefited from prior and current year acquisitions, while the UK also performed well on an organic constant currency basis, driven by a good contribution from our Fire Detection and Security Sensors businesses.

Underlying performance in the Asia Pacific and Other regions was good, against a tough comparative last year. We delivered double digit percentage revenue growth on an organic constant currency basis in China, and in Africa and Near and Middle East.

All end market segments delivered revenue and profit growth, with the Fire, Security and Elevator Safety businesses performing strongly, and good progress in People & Vehicle Flow.

A combination of cost control and an increased gross margin meant that return on sales increased by 80 basis points to 21.8%, even though there was a 22% increase in R&D investment to £24.9m.

In summary, the sector had a very strong year with widespread organic growth and a strong contribution from prior and current year acquisitions. We expect it to make continued good progress in the coming year.



Following last year's outstanding performance, Environmental & Analysis delivered strong organic growth, and benefited from last year's acquisition of Minicam.

Revenue increased by 15%, and 11% on an organic constant currency basis.

Profit grew 21% to £66m, with organic constant currency growth of 13%.

The Minicam acquisition contributed 3 percentage points of growth to revenue, and 7 percentage points to profit.

There was a small benefit to revenue and profit from currency of just under 1%.

The sector delivered revenue growth in all major regions.

This included impressive growth in the USA, the sector's largest market, which benefited from some large Spectroscopy and Photonics projects, and in the UK, notably in Environmental Monitoring, with continued demand from UK water companies for flow, pressure and leak detection.

Mainland Europe also grew well, while Asia Pacific's growth of only 1% lapped very strong growth of 24% last year which was driven by a large consumer electronics contract. The sector's underlying broad base of Asia Pacific business demonstrated good growth.

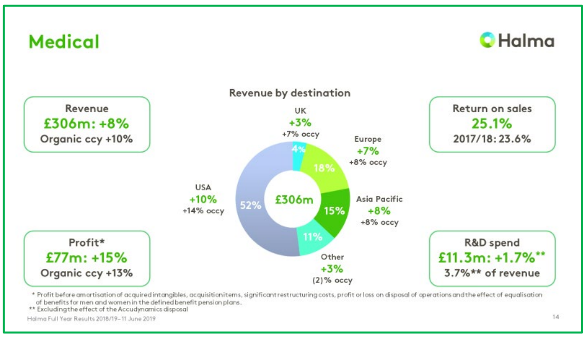
All three subsectors delivered good revenue and profit growth, and there was a particularly strong contribution from Environmental Monitoring which delivered double digit organic growth and benefited from the Minicam acquisition.

This strong performance was reflected in Return on Sales, which improved by one percentage point to 22.2%, with good cost control more than offsetting a small reduction in gross margin, driven by Company profit mix.

We are continuing to invest in the opportunities in the sector, and R&D grew 8%, to £19.2m, following a very strong 17% increase last year.

Overall, this was a strong year for Environmental & Analysis, and with continued investment, the sector is expected to make further progress in the year ahead.

The Medical sector delivered a good performance, with revenue growing 8%, and 10% on an organic constant currency basis.



Profit increased by 15% to £77m, with organic constant currency growth of 13%.
There was a small benefit to revenue and profit from acquisitions, which included last year's acquisitions of Cardios and Casmed, while the Accudynamics disposal reduced revenue but benefited profit.

There was growth in all major regions and in all subsectors.

The USA, the sector's largest geographical end market, performed strongly, with Mainland Europe and Asia Pacific also delivering good growth.

There was solid revenue growth in the UK, while Other regions reported a small decline organically following a strong performance last year.

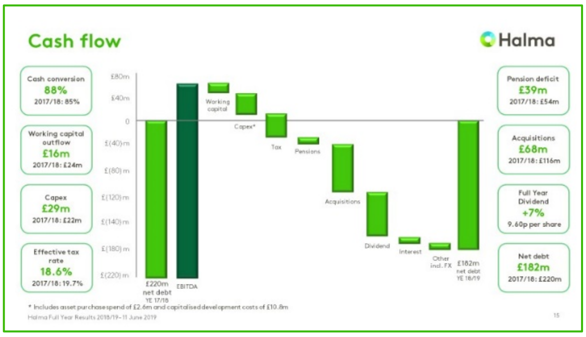
In terms of the subsectors, Diagnostics performed very well, while Ophthalmology delivered strong growth through international expansion. Sensor Technology continued its successful penetration of its core market of location services in acute care facilities in the USA.

Return on Sales increased by 1.5 percentage points to 25.1%, with gross margin also increasing, helped by favourable product mix and the Accudynamics disposal.

Excluding the effect of Accudynamics, R&D spend increased to £11.5m representing 3.7% of revenue

The sector is expected to make continued progress in the coming year, by further international expansion into developing markets, continued product and service development, and further investment in talent.

Looking now at cash flow.



I am pleased to report that cash conversion was strong at 88%, ahead of our KPI target of 85%.

Working capital was well controlled, with a smaller outflow of £16m, compared to £25m last year.

This represented an 8% increase in working capital compared to a 13% increase in revenue in the period and reflects the continuing focus on returns whilst delivering both revenue and profit growth.

Capex at £29m, increased by 30%. This was mainly driven by investment in efficiency through automation, facility upgrades and investment in IT and operating systems to support our continued short and medium term growth.

We expect capex in the coming year to be around £35m, as we continue to invest in automation and modernisation in our companies to enhance agility and efficiency.

The effective tax rate decreased to 18.6% largely as a result of a full 12 month impact of the US tax reforms, in addition to some one-off credits.

Looking forward, we expect the effective tax rate to increase by circa 1% during 2019/20 driven by increased profits and static interest deductions in the US, and the impact of geographical profit mix including recent acquisitions.
It is also worth noting two one off impacts on cash relating to tax in FY19/20:

Firstly, the UK Government's announcement to pull forward Corporation tax payments will result in 6 payments being made during FY19/20, the year of transition – we estimate the incremental cash impact of circa £5m;

Secondly, it is likely we will have an additional tax payable of up to £16m relating to the recent European Commission ruling regarding UK Finance Company Partial Exemption constituting state aid. Any cash payment would be refundable on successful appeal against the ruling.

I will update further at the half year.

The deficit on our defined benefit pension schemes reduced to £39m (on an IAS 19 basis), down from £54m at the last year end.

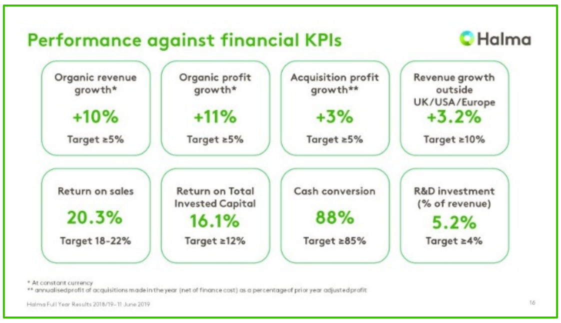
We made £12m of contributions in the year and agreed to make future cash contributions growing at a rate of 7% pa aimed at eliminating the deficit on a technical provisions basis.

We spent £68m on acquisitions in the year, including earn out payments from prior year acquisitions and acquisition costs, and realised £3m from the Accudynamics disposal. We also spent £3m on the purchase of assets from Awarepoint and Elpas for our Medical division.

The full year 2017/18 and half year 2018/19 dividends per share increased 7% and we paid out £57m, continuing our policy of delivering progressive and sustainable dividends.

With finance costs of £8m and currency and other movements of £7m, net debt at the year end reduced by £38m to £182m. This represents a net debt to EBITDA ratio of 0.63 times, compared to 0.87 times at the last year end.

With the extension of our revolving credit facility by a further year to 2023, this gives us a very strong liquidity position, with more than £500m of liquidity available in our facilities, and £400m of capacity within an operating range of up to 2x gearing.



Looking at our performance against our Financial KPI targets.

Overall a strong year against our Financial KPI's, however it is always good to see areas that we can further improve going forward.

Picking up on a couple of those:

Acquisition profit growth – at 3% below our KPI despite four acquisitions in the year, clearly still a key part of our growth strategy and Andrew will pick up in more detail shortly.

Given the less predictable nature of acquisitions I did look back over the last five years, over which time we have averaged 4.4% acquired profit and our combined organic and acquisition performance was well ahead of the combined growth KPI target of 10%.

Secondly – Revenue growth from outside the UK, USA and Europe was below our 10% KPI target at 3.2%, this does follow very strong growth last year and we continue to see good growth potential and will continue to invest in our International growth hubs.

Overall, this was a really pleasing year, with record revenue & profit growth, increased returns, capacity in the balance sheet and significant investment for future growth… all of which gives us confidence in our ability to continue to deliver as we move forward.

I will now hand you back to Andrew for a Strategy update.

Andrew Williams, Chief Executive, then gave an update on strategy.

Turning our attention to the future and the investments and actions we are making to sustain growth and returns.

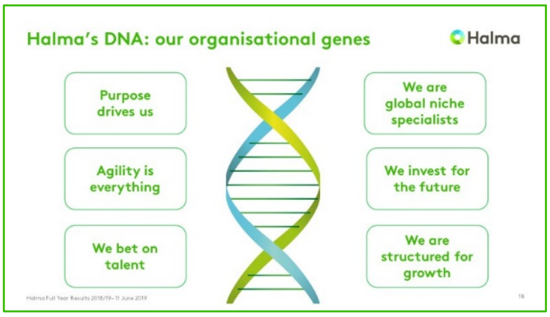
We are now around two years into our expanded Halma growth strategy and I am very pleased with the transformation in Halma while we continue to deliver record results.

I believe our ability to constantly change and evolve and, at the same time, deliver strong performance is a significant capability and differentiator.

Paradoxically, we can do this because we have a clear understanding of the core cultural features we want to nurture and protect.

I believe that these essential characteristics or, if you like, Halma's DNA, capture the essence of what makes Halma a unique business and why it has, and we believe will continue to, sustain success.

So what are what they – particularly as they relate to our organisation and culture? I am going to call them our Organisational Genes.



Purpose drives us: a safer, cleaner, healthier future dictates our organic growth and M&A decisions and impacts how we behave and operate.

Agility is everything: I am always impressed with our companies' rapid reaction to market changes, for example with new product development, the redirection of sales, bolt-on acquisitions. At the Group level, this also means that we have portfolio flexibility.

We bet on talent: this has always been true – I was a good example of it 15 years ago when I became Chief Executive. Our structure means we need a diverse group of exceptional leaders, empowered and accountable to set strategy and execute, rather than a very rigid operating system.

We are global niche specialists: we operate in global markets with long-term growth drivers but find niches where our IP/application knowledge creates high returns and growth. This sustains our compounding growth model.

We invest for the future: our diversity helps us take a long-term view. A great current example is Digital where we have raised our activity and ambition levels; yet although we are delivering strong growth today, the direct benefits from Digital are still to come.

We are structured for growth: our decentralised structure is aligned with our markets and supported by central expert teams and a strong balance sheet. This provides excess capacity to manage today's business and build for the future to sustain growth.

Clearly, I am aware that many companies have some of these characteristics, but few have the determination and discipline to keep nurturing them over a long period through periods of significant change.

So let's turn now to the changes which have been going on in Halma over the past year or so.

Its notable that although Central Costs have increased in line with revenue over past decade, half of these costs today are focussed on our Growth Enablers.

During the year there has been good progress and increased investment/activity in all areas.

International Expansion: we have strengthened leadership teams in our hubs and started to build broader support resources in Asia Pacific including for M&A.

Finance & Risk: Marc has created a new vision for this function to not only ensure compliance/control but provide greater business insight to enable growth.

Strategic Comms: we are launching a new Group brand design and global website next week to provide a better foundation to tell the impactful stories of how we are delivering our growth strategy and fulfilling our purpose.

Looking in a bit more detail at the next four enablers, starting with M&A.

Overall, we continue to see a good pipeline of acquisition opportunities in all four sectors.

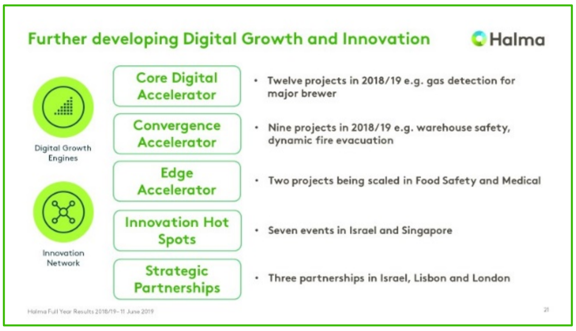
This year we completed four acquisitions in Infrastructure Safety; and in Medical we made two smaller asset purchases for Sensors business, CenTrak, and we also made one disposal, of Accudynamics.

All but one transaction completed by the time of our first half announcement. I talked about these three at the half year with LAN bringing new cloud-based solutions, Limotec a stronger EU presence for our Fire business and Navtech new radar technology and presence and new market niches such as road safety.

In January, we acquired Rath Communications as a bolt-on for our Elevator Safety business, AVIRE. This gave a stronger direct presence in the USA, additional communications technologies & new e-marketing capabilities and took us into a new market niche: Area of Refuge comms (which has safety regulation in the USA market).

Avire is a great example of how the M&A growth enabler can help a Halma business reposition itself away from a challenging market niche and open up new paths of more profitable growth.

Five years ago Avire was struggling to maintain strong growth and returns selling Elevator Door sensors to global OEMs and, by buying Rath and Microkey in 2017, it is now selling broader, hi-tech safety solutions to both Elevator and adjacent market niches.



I am pleased with how companies have used our support programmes to accelerate collaboration, innovation and digital capabilities and also how it has had the effect of raising the levels of innovation and ambition for growth in general.
These programmes support the three elements of our growth strategy: Core, Convergence and Edge.

Here are some tangible examples of the outputs so far from each of them:

Core Digital Accelerator: our Gas Detection business has added communications and digital capabilities and has been awarded its first hardware and data service contract with a major brewer to give it greater visibility of health and safety risks.

Convergence Accelerator: this is about creating new business opportunities by combining capabilities of two or more partners: four operating companies in three sectors are developing a platform to manage warehouse safety. They already have a trial partner lined up. Elsewhere, three fire companies are developing a dynamic fire escape system to guide people to safety; product demonstrations have commenced.

Edge Accelerator: two new projects in early stages of development are focused on completely digital business ideas: reducing food waste and in Medical vital signs.

Innovation Hotspot visits & Strategic Partnerships: these are giving us new access to new capabilities, start-ups, and are helping with scaling digital business model ideas and visibility of potentially disruptive technologies.

I am really pleased with progress and that we are starting to see new solutions launched, as well as the overall benefits of increasing collaboration and innovation.

There are two main elements to our Talent & Culture focus currently, which combine developing capabilities for our future needs whilst protecting the important elements of the Organisational Genes I mentioned earlier.

Firstly, we continue to attract and develop talent ahead of the curve – especially in leadership roles. At our Halma leadership conference in April in Rome, more than 40% of attendees had joined since the last event two years ago, showing how important this is for growing businesses like Halma.
As regards the Executive Board, we successfully completed the CFO succession and the transition from four to two sector CEOs.

We upgraded the Divisional Chief Executive (DCE) and Managing Director (MD) roles further as our businesses grow, and those of you who were there saw that at our Medical Sector Investor Event in February.

And it is also great to see some of our graduates on Company Boards.

Secondly, we are also protecting our legacy.

By articulating what's in our DNA, we are protecting our entrepreneurial culture of autonomy with accountability and we are incorporating this in our induction, training & development programmes.
And it was a great opportunity for me to get this important message across to new leaders at our Halma leadership conference in April.

So while we continue to grow we are also continuing to invest in building our business for the future.

In conclusion, you have heard today that we have had a successful year and a strong financial performance, extending our track record of value creation, with our 16th consecutive year of revenue and profit growth, and our 40th year of dividend per share growth of 5% or more.

At the same time, we have increased investment in our seven growth enablers, aligned with our purpose and strategy, and also continued to reinforce the importance of nurturing the critical elements of Halma's organisation and culture which we believe will sustain our long-term success.

As Marc said, the new financial year has started well, and order intake has continued to be ahead of both revenue and order intake for the comparable period last year. We expect to make good progress in the year ahead.

And now, we have time for some questions.

Jonathan Hurn, Deutsche Bank: In terms of your digital outlook, you say that is going to start contributing revenue in about two years' time. How do we think about the profitability of that digital revenue stream – obviously you are selling services, you are selling more of a package, would you say that the profitability of the digital offering is potentially higher than the current offerings you have?

Andrew Williams, Group Chief Executive: I think it is too early to tell. It's also difficult to tell because for most of our businesses the digital services and solutions that they are selling are combined with the hardware that they are selling. For most of our businesses we are expanding from just selling hardware to "hardware plus". What we can say is that the gross margins of those businesses in the Group that are already very well developed with a digital model, for example, HWM our water leak detection business, with a complete digital solution, its gross margins and return on sales are slightly higher than they were previously when they were just a hardware business, but what it has really done is driven the growth, and I think that that's the important thing for us, is not just looking to get the returns up, but making sure we get the right combination of growth and returns and I think probably in two or three years' time we will have a bit more visibility of that. My guess would be that it will probably differ by the different markets we are in and the different customer bases we've got.

Jonathan Hurn: On Medical, if you look at the US, it's the biggest proportion of that division, and it's growing the fastest, you've always looked to expand outside the US but the growth rates aren't as great and you haven't got as much penetration as you wanted. What needs to happen there: do you need to put more money in, do you need to make more deals outside the US to increase the Medical sales?

Andrew Williams: One of the reasons it's got tougher to do that in the Medical device market over the years is the way in which individual region and country regulation has changed – FDA used to be the big one, that you had to get approvals before you can sell -there's no doubt that the Chinese FDA equivalent is as stringent if not more stringent, and in the EU we've got new medical device product regulation coming in that we've got to comply with, and that probably takes us down the route of having to look more at the M&A side of the equation, it's probably easier to do it that way, albeit focusing on the niches that we know and understand very well. In some of our niches we already have that regional presence, Ophthalmology, for example, is an area where we do have businesses in the various regions, but you take a business like Centrak in Sensor Technology, that's very much focused on the US, and we maybe need to look at other ways of growing that business in international markets. It's certainly more difficult to grow organically into some of those regional markets than it maybe was five or ten years ago.

Andrew Wilson, JP Morgan: On acquisitions, with digital being a focus of the strategy, is it a prerequisite that if you bring a business in that it will have a digital opportunity?

Andrew Williams: No, it's as simple as that. We've got some of our most profitable, higher growth businesses that don't have a digital component to them, and you probably can't see a significant digital component to them over the next two or three years. Having said all of that, you have to recognise that even the way you do business needs to become more digital, so that's what we say to our businesses: you may not be selling a digital solution, but ultimately the way you run your business, the way you sell, all those kind of elements, you do need to become digital. My guess, however, would be that over the next two, three, four years, that even those businesses that today have a very low digital component, will find ways in which they can add value, but we are certainly very clear with our companies that, firstly, if you are in the Group, and haven't got a big digital component, you can still play a very important part in our growth, and secondly, to our M&A teams, we've got to keep a very wide net cast and not think that that's the one direction we are going down. It sits as one of our seven growth enablers, and clearly there are many businesses that can bring other things to the business.

Andrew Wilson, JP Morgan: More generally around the portfolio, if you look at the numbers it suggests that there are not a lot of businesses that are not doing pretty well, but how has how you think about whether a business should be part of Halma been shaped by the reshaping of the strategy that you've outlined this morning? How has that changed your thought processes on which businesses should be part of Halma, and do you expect it to make it more proactive in terms of where you churn the portfolio?

Andrew Williams: Although the sharper purpose that we have of growing a safer, cleaner, healthier future for everyone every day replaced the previous vision statement of protecting life and improving the quality of life, they're both very much focusing on safety, health and the environment, so in that sense, not a huge amount of change. I think the fact that we are talking about everyone every day means that there is much more of a global focus than perhaps there was before, and the heavy lifting in making sure the portfolio is aligned with that purpose was probably done five or ten years ago. Certainly when I took over as CEO, in the first couple of years, we probably sold around a quarter of the portfolio because it didn't fit with protecting life, improving life, and that would still apply today, so what we're looking at going forward is occasionally there will be one or two businesses that won't offer us the growth and returns, the financial characteristics we look for but today we don't really have anything in the Group that isn't safer, cleaner or healthier, so there's very little on the list that would be sold either because it doesn't align with the purpose or indeed, back to your earlier question, because it hasn't got that digital component.

William Turner, Goldman Sachs: On Environmental & Analysis, in the UK we have AMP capex cycle for water utilities, is there something in the US that might make the comparative a little bit difficult?

Andrew Williams: First of all, even in the UK now with some of the M&A activity and with some of the digital business models we have with the water utilities in the UK this is probably the first AMP cycle where we have seen a less pronounced AMP cycle in terms of demand for our business so it does feel as if we're better placed, both in terms of our digital business and the fact that we have more waste water exposure than we had before, that is all helping us in terms of less cyclicality. In terms of that sector in the US, a relatively small proportion of our US revenue comes from the water business, it's more in the other areas such as Spectroscopy and some of the other business areas, and the volatility we see in the US in that sector more comes from the fact that we've got some larger projects in those businesses that are more cyclical in nature and so that's what's driving that more than the nature of the water business over there.

William Turner, Goldman Sachs: What's been seen amongst quite a few UK industrials, approaching Brexit at the end of March there was some pre-buying making March quite a strong month and then unwinding in April – have you seen that, and has resulted in any slow start to the year?

Marc Ronchetti, Chief Financial Officer: I covered Brexit at the half year, but specifically we estimate about £2-3m of pull forward into the year so we haven't seen that impact going into April. As I said at the half year, just to give a bit of context, our revenue between UK and Europe and vice versa is about 9% of the Group, so whilst it's a lot of work to work through, and there's likely to be some short-term disruption, over the medium-term with the agility of the Group we expect to see us through.

Richard Paige, Numis: Coming back to the growth in regions outside the UK, Europe and the US, the 3%, I know it's up against a tough comp, is there anything exceptional in this year that you'd like to note? And secondly, looking forward, driving that growth, how much is there a requirement of companies within the portfolio, not having established a presence in those regions, in the Hub, or is it much more about growing within those regions now you have established a foothold?

Andrew Williams: As you can imagine, that general topic in the latter part of your question, is something that at a Group level, management level, Board level, we talk about, because I think it is important, it's a bit like the digital question, you've got those Growth Enablers, the reality is that you're not expecting every single company in the Group to have all seven of those Growth Enablers because you have to recognise that for some of them, some are more relevant than others, we're generally talking about relatively small businesses that can't be stretched too thinly in order to deliver their growth, so geographic focus is one of those important strategic decisions that they've got to make, which is why sometimes you come back to M&A as probably a useful for us to get that geographic exposure as much as organically. Having said that, back to that purpose, and talking about everyone, every day, and as someone said in our management conference back in April, half of everyone lives in Asia, so we need to recognise that long-term that is an area where we've got to be looking at good growth opportunities in safety, health and the environment. In the previous year we certainly benefited from some large contracts, for example in places like South Korea, our Infrastructure Safety business had some significant contracts over there, as well as one or two in China in our Environmental & Analysis sector, which didn't repeat this year, nothing unusual in that, it's the normal ebb and flow of business in that region. It was interesting to see that China organically was up 8% this year which is a touch above the overall GDP rate of growth, we've seen higher rates of growth than that in China over the past 10 years, but we're not seeing anything today which would cause us to hesitate about continuing to make investments in the region, either organically or through acquisition, and so we're still pretty confident that that's a really good place for us to be and will offer us really good growth in the future. The other area on that overall figure where we haven't had such a good year is Africa, Near and Middle East and again in previous years we've had some larger projects there which we didn't get in this past year which has affected that figure. But there's nothing structural there – it's still an area where we see good growth for us.

Michael Blogg, Investec: You've never mentioned Japan, is that a closed market to you or is too much effort or too strong competitors in Japan?
Andrew Williams: Yes, Japan has never featured strongly enough because it's 1-2% of our revenue. In a number of our niches we've got strong Japanese competitors and certainly in their home market they are very strong. I think it's as simple as that – back to that point about priorities, if I've got the choice of all the international markets I can sell into, there are enough other markets that our businesses can choose to go into.

Michael Blogg, Investec: And early on in the segmental comments you mentioned the logistics contract for the interlocks business. Is that actually the first sizeable contract you have had in that particular niche? And if so how big is the potential of that opportunity?

Andrew Williams: The first time I talked about the core product here was probably about ten years ago. We expanded into transportation, it's one of our safety interlocks businesses, very much focused on the factory environment, and they developed a product for preventing lorries driving away from logistics centres before the fork-lift truck had gone out of the back of the lorry. I think what's changed is a couple of things: the regulatory side of things in terms of health and safety at work, particularly in the US, and secondly, unfortunately, accidents that have really grabbed people's attention. Those are the types of things that then start to drive the demand, so it's really been a renewal of momentum, in a product and technology that we launched some time ago. I suppose, to your point, one of the things that we're now trying to capitalise on is can we take that one customer and then replicate it with others who have got similar challenges in that market and time will tell how successful we are with that.
Michael Blogg, Investec: Is there any specific regulation that's driving the adoption, or is it general risk aversion?

Andrew Williams: I think it's more the latter but potentially you could start to see the whole area of warehouse safety and how that's regulated changing over time. At the moment, I think it generally falls under the overall umbrella of health and safety regulation at work.

Michael Blogg, Investec: Was that one of the four companies over three sectors that's co-operating in the area of warehouse safety?

Andrew Williams: Yes, that's right, it was.

Mike Tyndall, HSBC: Just a question on M&A, the shortfall versus the target last year, do you carry that into this year and therefore have a greater sense of urgency or is it just a case of it's 5% every year, and then perhaps if you can talk a little bit about the activity- is it a case of people not wanting to sell, or is it valuation, what's the underlying mood in the M&A sphere?

Andrew Williams: In some senses you do carry it over into future years in the sense that you've still got the cash on the balance sheet to deploy on acquisitions, so the firepower is definitely carried over. We don't necessarily try to make up the shortfall each year, having said that, we set ourselves a goal which is above our 5% KPI target and we've got the capacity and resources to be able to do that, and we're certainly looking across all four of our sectors. We could easily deploy the capital, in terms of the number of acquisition opportunities we see each year. The opportunities we see each year tend to be a combination of a big focus on finding companies that aren't for sale, so businesses with whom we've built a relationship up over many many years in our market niches, well before they've decide whether they want to sell or not, and therefore the timing of those kind of opportunities is very uncertain, versus every now and again we get dragged into an auction process where someone has already decided to sell and they're basically farming out the opportunity to all and sundry to bid for that. You won't be surprised to know that we have a low success rate on the latter, in auction processes, and a much higher success rate on where we're building relationships over the long-term. There is a degree of patience involved in making sure you're waiting for the right kind of opportunities. We're looking to acquire businesses in our three areas of focus, we're looking to buy businesses that already have very similar financial characteristics and cultural characteristics to what we have today, and we're adopting an invest and grow approach. We're not looking to acquire to strip cost out to improve short-term profitability, we're looking to acquire, invest and grow, bearing in mind that we're buying a business which is already successful. What that means is that generally the fluctuation and variation in multiples that you pay for those kinds of businesses doesn't ebb and flow at quite the same rate as the overall market. Over the years, we've typically paid somewhere between 8 and 12 times EBIT for the acquisitions that we've made. You get some variation across the four sectors, in some of the Environmental and Medical sectors you've got a slightly higher multiple than maybe in one or two of the Safety segments, and again that hasn't changed hugely over the years. Looking ahead, the pipeline is in good shape, I don't feel that multiples at the moment are going to be a particular problem to us, it is more about finding the right kind of businesses with the right kind of growth and return profiles that we're looking for. And if you're patient, it's better to do the right deal, than think that there's this huge pressure on deploying the capital this year.

Definitions:

Adjusted items are adjusted to remove the amortisation and impairment of acquired intangible assets, acquisition items, significant restructuring costs and profit or loss on disposal of operations and the effect of equalisation of benefits for men and women in the defined benefit pension plans.

Return on Sales is defined as Adjusted profit before taxation from continuing operations expressed as a percentage of revenue from continuing operations.

Organic growth measures the change in the revenue and profit from continuing operations. The effect of acquisitions and disposals during the current or prior financial year has been equalised. Acquisitions are removed to calculate organic results for the first full year of ownership.

Return on Total Invested Capital (ROTIC) is defined as profit for the year from continuing operations before amortisation of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of operations but after taxation; expressed as a percentage of average shareholders' funds, adding back net retirement benefit obligations, cumulative amortisation of acquired intangible assets and historic goodwill.

See the Full Year report published on 11 June 2019 for more details. A webcast of the half year results presentation will be available on Halma's website www.halma.com from 11 June 2019.

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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 potential synergies; and (iii) the effects of government regulation on business.

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