Halma plc
Infrastructure Safety Sector
Capital Markets Day

Summary of analysts' presentation by:

Andrew Williams, Group Chief Executive
Paul Simmons, Sector Chief Executive
Steve Brown, Divisional Chief Executive
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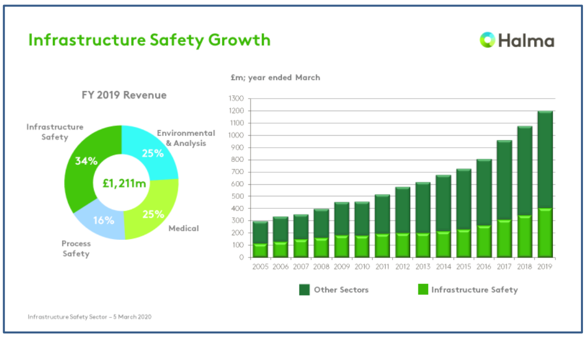
Andrew Williams, Halma's Group Chief Executive, introduced the event, welcomed the audience to Amersham and gave a history our presence in the office, as well as introducing the Executive Board.

He noted that the office is still relatively small, having grown from about 35 people in 2005 to around only 60 today, comprising the Executive Board, except those based in the US; the core teams of Finance, Treasury, Tax, Company Secretariat, Internal Audit, Talent, Communications and IT; and member of the Sector Boards and the Innovation and M&A global teams.

He then outlined the timetable for the event, before giving an overview of the sector in the context of the Group.



Infrastructure Safety is our largest sector accounting for about a third of our revenue and profit and also has our largest businesses within it.

As we review the sector, it's worth remembering our organisational model: we have about 50 operating companies, each their own statutory entity with their own Board of Directors and Managing Director or President.

Each operating company is chaired by a Halma Divisional CEO (DCE), and this role is pivotal in that it brings the value of Halma to the operating company and vice-versa, and also leads on M&A.

The DCEs report to the Sector CEOs (SCE) Paul Simmons and Laura Stoltenberg, who are responsible for half of the group each, and who report into me.

All roles have both Balance Sheet and P&L responsibilities and are incentivised on year-on-year EVA growth for their part of the business.

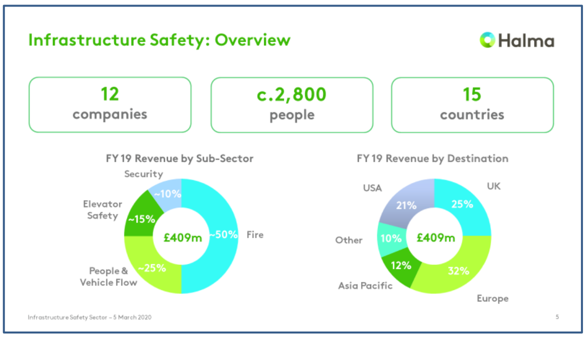
In terms of historic performance over the last 15 years, Group Revenue has grown every year and has quadrupled from around £300m to £1.2 billion in the last financial year.

In each of these years, there has been a good contribution from Infrastructure Safety, although in the early years, while the organic growth was ok, we saw not much contribution from M&A, and that contribution from the sector has accelerated in past 5 years, with the catalyst being the SCE structure change we made in 2014, and through this the development of clearer sub-sector growth strategies, not just driving organic growth in the business but also clarity on where the M&A opportunities are for the business. Over the last five years, we've been adding resource both at the sector level to drive those sector growth strategies as well as at the centre with our Growth Enablers that I've talked to you about many times before, and in this particular case you'll see how the M&A effort has really started to contribute to the sector's growth.

Now Paul going to tell us more about the sector & how he and his team have done it....

Paul Simmons, Sector Chief Executive, then introduced himself, outlining his experience at Halma, first as an operating company MD for two businesses, then as a DCE and now as SCE.

Over that time, sector profit has grown from £36m ten years ago to £89m, with a strong team and clear strategy delivering that growth.



In terms of the sector today, we have 12 companies employing about 2,800 people, and in terms of its geographical spread, we operate in 15 counties but sell into 50 countries.

We have a strong presence in UK & Europe, but are a little bit underweight in the US & Asia, although these numbers don't include the Ampac acquisition which Steve Brown will talk to you about later on.

So in terms of addressing the opportunities that the US and Asia present us with, we have fairly recently added M&A resources – 2 people in the US and one in China - to boost our presence in those regions.

Elevator safety and security are together around a quarter of our revenue, with People and Vehicle flow being a focussed growth area of around the same size.

Fire is the largest sub-sector - benefitting from a long term focus in this area.

Turning now to the role purpose plays in our development...

Halma's Purpose is to Grow a Safer, Cleaner, Healthier future for everyone, every day, which guides us in everything we do.

One example of this is in acquisitions, where I ask three questions at the beginning of every process: does it make the world safer, does is make it cleaner, or does it make it healthier? If the answer is "no", then we stop interest in the acquisition. And the same will be true of the investments we make at the operating company level.

For the sector, we make the world safer by protecting commercial buildings, like Advanced's new office and factory that you see here, public buildings, like the Shanghai ferry terminal, and roads and public spaces, like this motorway.

Our strategy is to acquire & grow businesses in niche infrastructure markets, and it is a key part of a DCE's and the M&A team's role to evaluate new niches.

Our decisions are based on four factors: firstly, the typical returns of the business; secondly, barriers to entry, where we often use high gross margins as a proxy for the value we bring to customers; thirdly, the availability of targets; and finally and most importantly, the strength of the long term growth drivers.

For the sector, we see these as:

1. An increasing population, with a billion more people forecast to be living on the planet by 2030.
2. Increasing urbanisation, with 1.5m people moving to cities every week
3. Increasing regulation, which Wendy and Steve will cover in more detail when they talk about the sub-sectors
4. And Digitisation is increasingly important – later you will get the opportunity to see some of the highly digital businesses that we have acquired, some start-up businesses that we are incubating, and learn more on our core companies' digital progress

In its most simple form, our strategy revolves around careful choice of markets and a strong focus on talent.

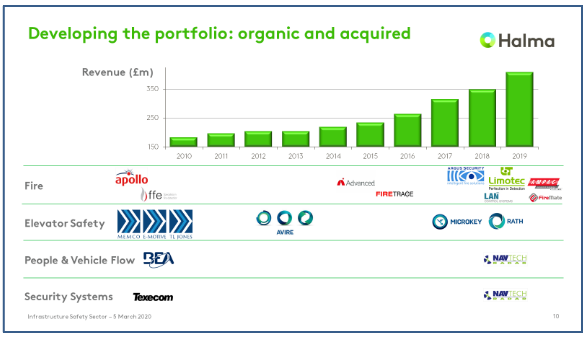
Each of the sector leadership team then introduced themselves.

Unfortunately, Julie cannot be with us today.

Julie joined us in January this year from DuPont as a DCE responsible for Elevator safety and two Process Safety sub-sectors. Julie has a degree in Chemical engineering and is based on the East coast of the US.

Our autonomous model brings agility & accountability and places a premium on having exceptional talent at the operating company level.

You will get a chance to meet some of the team later - I believe we have a fantastic team who have delivered great growth.



Now I will show you how we have strategically and purposefully built the portfolio for the sector, and how we've used M&A not only to acquire profit but also to deliver strategic imperatives.

In doing this, we've grown revenue from £183m to £409m.

In Fire, we started with the smoke detection company Apollo, which we bought in 1983 for £600k (£2m in today's values allowing for inflation). Today it's well over £120m revenue, and well over 20% return on sales, one of the best investments Halma has ever made.

17 years later, we purchased FFE, a specialist fire detection company. In recent times, wireless smoke detection has become increasingly important, and it's a very demanding wireless application because the signals carried are life-critical so the standards required are way above normal wireless requirements. So we really had a choice: do we make this product ourselves and design it from scratch, or do we go into the marketplace and buy a product that's already proven. So we decided to go down the bought-in technology route and we made the acquisition of Argus in 2017, which is an Italian wireless smoke detection company, and we believe it has the most robust and best proven wireless detection technology in the marketplace.

Then we made a number of acquisitions to take a greater part of the value chain and to expand geographically, not only in fire detectors but control panels too. These were Advanced Electronics in the UK , Limotec in Belgium and most recently Ampac in Australia.

We have also made acquisitions to take us into new adjacent niches, starting with the fire suppression niche with Firetrace in 2015 and in fire maintenance software, LAN Controls in 2018 and FireMate in 2020.

In Elevator Safety, we bought Memco in 1990, and in 1999 TL Jones, which brought a base in China, and & E-Motive, which provided a Singapore base.

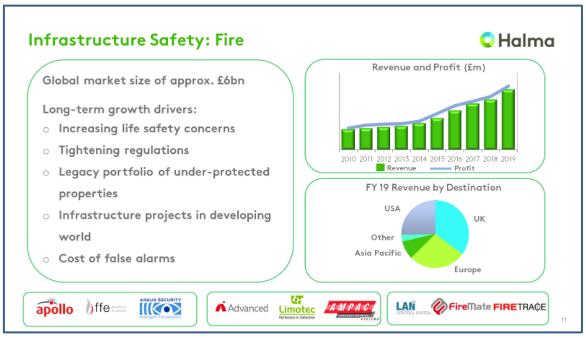
We merged these businesses to form a global company Avire in 2012/13, acquiring connected technology with Microkey and entering the Area of Refuge adjacent market via Rath in 2019.

In the fast-growing People & Vehicle Flow area, BEA, which we acquired in 2002, is now the second largest business in the group and the current Halma company of the year.

BEA's success in vehicle and transportation projects alerted us to the attractions of the vehicle flow market which led to the acquisition of Navtech, a radar technology company, in 2018.

And in security systems, Navtech also brings perimeter security technology to add to Texecom's security business (in intruder alarms for commercial and larger residential buildings) which we acquired in 2005.

We have been very disciplined in the way we've constructed the Sector and we have deliberately accelerated our acquisition rate in recent years to build our capabilities.



Steve Brown then introduced the Fire and Security sub-sectors.

Our Fire sub-sector is the largest sub-sector within Halma. It is comprised of 9 companies and accounts for 50% of the Infrastructure Sector revenue.

- Fire detection devices (Apollo, Argus) - smoke detectors, heat detectors, sounders, beacons, manual call points;
- Specialist fire detection devices (FFE) – beam and flame detectors;
- Fire control panels and systems (Advanced, Ampac, Limotec) – fire control panels and systems;
- Digital services (LAN Control Systems, FireMate);
- Fire suppression (Firetrace) – specialist fire suppression systems

The global market is estimated at £6Bn, consisting of fire detection systems, and fire suppression systems.

You will get more insight into our fire detection portfolio in one of the break-out sessions a bit later.

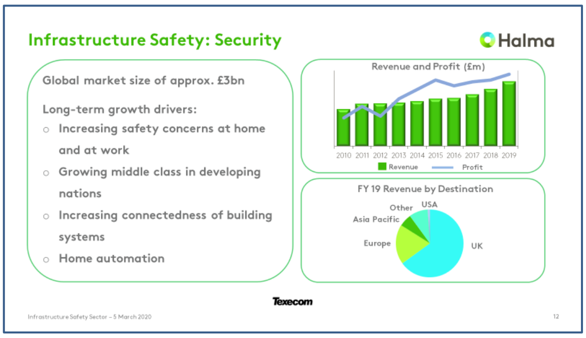
Growth in Fire is driven by increasing life safety concerns resulting in tightening regulations. We are seeing this trend globally. Developing nations are increasingly enforcing tighter standards as they attempt to manage a legacy portfolio of under-protected buildings, and drive growth through investment in large infrastructure projects.

In the developed world, the same trends are present with new standards coming in to enhance life safety (for example, flashing beacons wherever a deaf or hard of hearing person might be found alone, and fire brigade panels in all high-rise buildings). Another key trend is the cost of false alarms to emergency services, which is pushing demand towards quality and reliability, as well as verifiability of alarm cause through digital tools.

As you can see growth has been strong, both organically and, as Paul mentioned, through acquisition.

In terms of geographic footprint, we are reasonably well diversified, with R&D, operations and sales presence across the globe. We currently have 4 factories in UK, 2 in USA, 1 in Belgium, 1 in Italy, 1 in Beijing, and 1 in Australia. Our APAC footprint is somewhat underweight but growing strongly. This is something we are very focused on to ensure we benefit from favourable macro-trends across the globe.

Fire remains a strategically very important platform for Halma, one enjoying strong growth, and one we expect to continue investing in for the foreseeable future.



Our Security sub-sector includes one company, Texecom, although as previously explained Navtech also plays in this space.

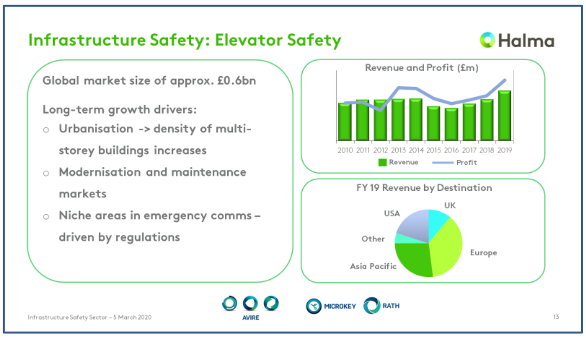
The global market is estimated at £3bn – this includes intruder alarms, comprised of control panels, keypads, and various sensors, but excludes CCTV cameras and door bells.

Increasing safety concerns at home and at work are driving robust growth, particularly in developing countries where an emerging middle class increasingly wants to protect its assets and their homes. This is also increasingly true of commercial enterprises. The major industry driver is the increasing move towards digital systems, both in commercial buildings and private homes. In the commercial space, we see buildings systems increasingly connected together, such as access control and intrusion. In homes, users expect remote access, notification and control of their intruder detection system.

Unlike Fire, Security is much less subject to stringent standards and regulations, resulting in a more competitive landscape.

In order to generate ongoing sustainable differentiation on the back of the connectedness trend, Texecom has been investing heavily in the digital space. It offers a suite of digital platforms and apps targeted at the different players in the value chain: end user, installer, service engineer and other connected parties. These value propositions provide data rich services to the different players and result in valuable insights. They have re-energised Texecom's growth over the past 2 years, as you can see on the revenue chart.

Texecom remains a UK centric player, although growth in Asia Pacific has been strong. Texecom's presence in the UK, with an extensive installed base, provides an excellent platform to leverage our digital services.



Wendy McMillan then introduced the Elevator Safety and People and Vehicle Flow sub-sectors.

Our elevator sub sector consists of just one company today – Avire.

As you heard from Paul, this was formed back in 2013 from the combination of TL Jones, Memco and eMotive into a single entity as their shared customer base and opportunities for co-operation were substantial.

Those companies' products include light curtains for door safety, displays and telephony.

In 2017 we acquired Microkey which brought into the group a set of cellular communication products that are very complementary to the portfolio, and also brought in the capabilities required to build more digital and connected elevator propositions.

Last year we acquired Rath Communications – growing market share in elevator telephony as well as giving us a strong market position in the Area of Refuge space in the US which is highly niche but growing rapidly as states adopt the latest building codes.

The stock of elevators in the world has grown rapidly driven by increased urbanisation as higher density of people drives growth in high rise buildings. We expect this to be a continuing trend augmented further by dynamics such as the poorer physical mobility of an aging population, and growing regulation around building access for those with disabilities, prompting elevator installation in even 2 and 3 story buildings which historically may only have had stairs.

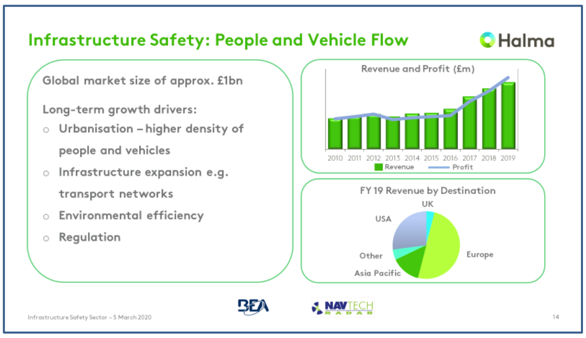
As those of you who follow the elevator market will know, selling light curtains into the factories of major elevator manufacturers is an increasingly tough business. Instead we are actively targeting the maintenance and modernisation markets as well as propositions where we have a strong ability to differentiate. Both of the recent acquisitions assist in this transition.

Avire has revenues of around £60m and our estimates of market size are in the £600m range.

Refocusing the business has been successful and recent revenue growth has been strong with a 15% 3 year CAGR. We anticipate this trend continuing in future years.

Our elevator business is global in nature with a good geographic mix of sales. We have factories in the Czech Republic, Barcelona, US and China and we do R&D primarily in Singapore, the UK and Barcelona.

Rob Lewis who leads Avire will talk more about their journey and this space in one of the breakout sessions.



People and Vehicle flow has been one of the strongest performing parts of the Infrastructure Safety sector. It consists of just two companies – BEA and Navtech. Revenues are over £100m out of market size of around £1bn and the 9 year CAGR is 9%. In recent years this has accelerated further to around double that. In this sub-sector in I have ongoing side bets with the companies about just how much they are going to beat their forecasts by which is a good problem to have.

BEA has been a part of the group since 2002 and has a substantial share of the market for sensors for automated doors. The technical capabilities they have built for the pedestrian door market have been very effectively used to build platforms of sensors that are now sold for applications in industrial safety, vehicle detection and public transit. BEA is on a journey to augment that strong sensor technology with more digital propositions and open access to their sensors to innovators wanting to build on the raw data outputs.

Navtech became a part of the group in 2018. It was the first of the acquisitions that I have led during my time at Halma. Their radar technology is unique in its ability to provide solutions for making road networks safer. They are also protecting the perimeter of airports and critical infrastructure around the world and there is growing interest in the ways in which their radar technology can be used as part of a suite of sensors for vehicle autonomy. I enjoy hearing about the novel ways in which their technology can be applied – preventing poaching at a rhino farm, moose detection on roads in Sweden and Canada or monitoring ship heights to ensure they don't try to pass under bridges that are too low for them. As a digital company they have flexibility to adapt quickly and easily to applications such as these.

The growth in People and Vehicle Flow reflects attractive markets coupled with the technological strength of our companies who invest in development of genuinely superior products for their target customers.

Urbanisation and population growth are drivers behind continued development of large buildings and approximately $900bn being spent on new transport infrastructure each year. Technologies are increasingly being embedded in order to optimise flows of people and vehicles.

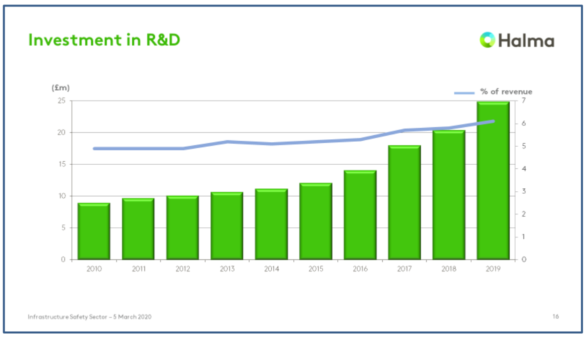
Environmental efficiency also comes into play as automating door operation makes buildings more energy efficient and reducing traffic congestion results in lower emissions.

We also see a growing amount of regulation in this space which not only prompts customers to make the investment in technology but increasingly drives them towards choosing the best technologies available which are inherently safer than alternatives. To give some examples of this, a US retailer could face a string of litigation claims if the automated doors to its store cause harm to customers; and here in the UK some of you may have seen the recent press commentary about the lack of safety on smart motorways without radars for SVD and more refuge areas in place.

This sub sector is also very global in nature and with around 50% of all new infrastructure spend being done in APAC we see substantial opportunities to upweight there over time.

Both BEA and Navtech are here today and you will be able to hear more from Laurent Sarlatte who is the Chief Marketing Officer for BEA and Phil Avery who is the Founder and Managing Director of Navtech.

Paul Simmons then concluded the presentation with a review of R&D, capital investment and revenue and profit growth.



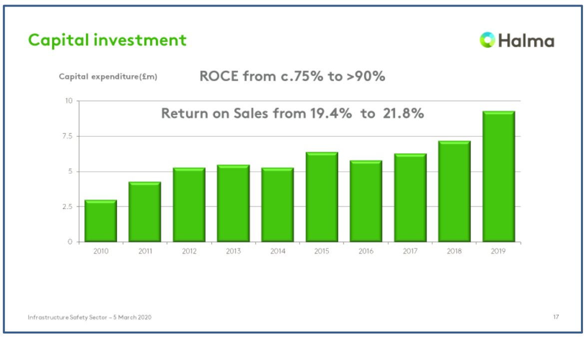
We have heard a lot about M&A but we also have a strong organic growth story, and I'd like to take a few moments to talk about the investments that we have made to support that organic growth.

R&D investment, as the engine of innovation which keeps us relevant to our customers, has steadily increased over the 10 year period to £25m, equivalent to 6.1% of sales in 2018/19.

Our markets' high barriers to entry mean half of our R&D spend is on sustaining and approvals.

95% of our R&D investment decisions are made at the Operating company level, in partnership with the DCE, according to their market's needs.

You will have the opportunity to see some of our products later today including BEA's hugely successful Flat scan product, Navtech's radar solutions, Avire's smart elevator solutions and Apollo's innovative Dimension technology.

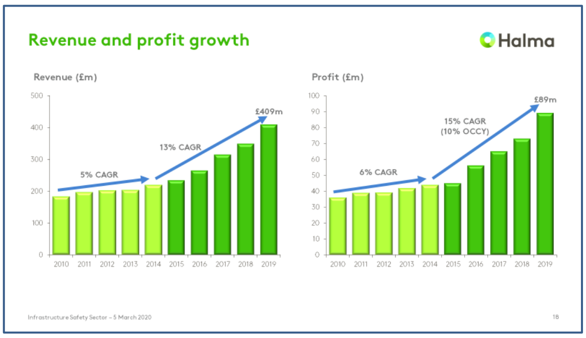


We invest our capital carefully, with capex at only about 2% of revenue last year.

However, by its nature capital investment can be lumpy. You can see that the combination of careful capital investment and superior returns has driven our ROCE from around 75% to over 90% last year.

We spend our money on facilities, such as Advanced's new building, back office software to ensure efficiency, and we have also increasingly spent money in recent years on manufacturing automation and we have seen a tangible benefit in our return on sales which has gone up by around 2.5% over that ten year period, with much of that progress in the last three to four years.

So turning now to how the combination of Strategy, market choice, investment and talent has driven our results.



As you can see, until 2014 we delivered steady organic revenue and profit growth.

In 2014/15, we created our four Sector structure each with its own SCE, whereas there were previously 8 or 9 DCEs all reporting directly to Andrew.

Over time we've added DCEs to drive organic growth and M&A, invested in our M&A team and the other Growth Enablers: Strategic Communications, Innovation/Digital (which you will see in a breakout), our International hubs, and Finance and Talent.

As a result, revenue growth has increased to 13% and the rate of Profit growth has more than doubled to 15%, including 10% organic growth.

In summary, we have a relentless focus on Talent and high levels of accountability.

We have a disciplined focus on markets which have strong long term growth drivers.

We target high value niche segments with high barriers to entry and invest to grow.

And we win at the operating company level through excellent domain knowledge, IP and agility.

As a result, we generate strong organic growth, high returns, and strong operating cashflow which we reinvest in acquiring high quality businesses to grow.

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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.

See the Full Year report published on 11 June 2019 for more details.

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