Halma plc

Trading update

22 September 2021

Halma, the global group of life-saving technology companies focused on growing a safer, cleaner and healthier future, today releases its scheduled trading update, for the period from 1 April 2021 to date.

Strong progress in the first half and improved guidance for the full year

Halma has made strong progress in the first half of the financial year, and the Group's financial performance has been ahead of the Board's expectations, with revenue growth and return on sales exceeding expectations and historic levels. Order intake has been ahead of both revenue this year and of order intake for the same period last year. This performance reflects the benefits of the long-term growth drivers in our markets, the breadth of our portfolio, and the agility of our business model which has enabled our companies to respond rapidly to changing market conditions.

We expect to report strong organic constant currency revenue and profit growth for the first half of the year, with profitability benefitting from a slower-than-expected return of variable overhead costs as restrictions due to the COVID pandemic have eased. This performance compares to a weaker comparative period in the first half of the 2020/21 financial year when we saw the largest impacts from the pandemic.

We expect more typical rates of revenue growth and return on sales in the second half of the year, with the latter more in line with historic levels as variable overhead costs gradually return. Although we expect to see continued impact on revenue, costs and working capital from increased supply chain, logistics and labour market disruption, we currently expect Adjusted profit before tax for the full year to be slightly ahead of our previous guidance (see Notes 1 and 2). Therefore, our results for the full year are expected to be more weighted to the first half than in previous years.

All sectors and major geographic regions delivered strong organic constant currency growth

The Safety and Environmental & Analysis sectors reported the strongest organic revenue and profit growth in the year to date, with many companies experiencing significant increases in demand because of a rebound in customer activity as the effects of the COVID pandemic moderated.

The Medical sector also delivered strong growth, with revenue benefiting from a recovery in demand for most products and services related to elective healthcare procedures, which offset declining demand for products and services directly related to COVID diagnosis or treatment.

The Safety and Environmental & Analysis sectors saw a small negative impact from recent disposals, net of acquisitions, while the Medical sector benefited from recent acquisitions.

There was widespread growth geographically, with double-digit percentage organic constant currency revenue increases in all major regions. There was very strong organic constant currency growth in the UK and Asia Pacific, while the USA and Mainland Europe also grew strongly.

The strength of Sterling is having a negative currency translation effect on the Group's results (see Note 4); we expect this effect to reduce in the second half of the year.

Good progress in M&A, opportunities and resources for future investment

We have made ten acquisitions in the financial year to date for a maximum total consideration of £108 million. We also completed the disposal of Texecom, for £65 million (see note 5), which demonstrates our disciplined approach to portfolio management.

Cash generation remained good. This, together with Halma's strong financial position, will support continued investment in growth, both organically and by acquisition.

We have a healthy acquisition pipeline and continue to actively manage our portfolio of global businesses to ensure that it is aligned with our purpose of growing a safer, cleaner, healthier future for everyone, every day, and continues to deliver strong growth and returns over the long term.

Half Year Results

The results for the half year ending 30 September 2021 will be released on Thursday 18 November 2021.

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A copy of this announcement, together with other information about Halma, may be viewed on its website: www.halma.com

About Halma

Halma is a global group of life-saving technology companies, focused on growing a safer, cleaner, healthier future for everyone, every day.

Its purpose defines the three broad market areas where it operates:

· Safety: protecting life as populations grow and protecting worker safety.

· Environment: improving food and water quality, and monitoring air pollution.

· Health: meeting rising healthcare demand as growing populations age and lifestyles change.

It employs over 7,000 people in more than 20 countries, with major operations in the UK, Mainland Europe, the USA and Asia Pacific. Halma is listed on the London Stock Exchange (LON: HLMA) and is a constituent of the FTSE 100 index.

In January 2021, Halma was named Britain's Most Admired Company by Management Today.

Notes:

1: Adjusted profit before tax is before amortisation and impairment of acquired intangible assets, acquisition items, restructuring costs and profit or loss on disposal of businesses.

2. The guidance given in our Full Year Results, which were released on 10 June 2021, was as follows: “We currently expect to deliver full year low double-digit percentage organic constant currency profit growth (prior to any IAS 38 impact) and a more normal level of return on sales.”

3. This Trading Update is based upon unaudited management accounts information. Forward-looking statements have been made by the Directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

4. Sterling has strengthened in the period relative to many currencies, including the US Dollar and Euro. If current exchange rates continue throughout the rest of the current financial year, the currency translation impact on the Group's results is expected to be negative. Based on exchange rates of Sterling/US Dollar 1.39 and Sterling/Euro 1.17, we would expect approximately a £53 million negative revenue effect and a £12 million negative profit effect, compared to the 2021 financial year, of which approximately two-thirds would occur in the first half of the financial year.

5. We made ten acquisitions and a disposal in the first half of the financial year.

In April and May 2021, we completed six acquisitions (including five bolt-on acquisitions), as previously announced in our Annual Report and Accounts 2021, and as disclosed in note 32 to the Accounts:

- PeriGen, Inc., whose advanced technology protects mothers and their unborn babies by alerting doctors, midwives and nurses to potential problems during childbirth, was acquired for a cash consideration of US$58 million (equivalent to approximately £42 million at the time of announcement) on a cash- and debt-free basis.

- Assets and IP associated with monitored safety valves from FluidSentry Pty for A$0.6m (£0.3m) were added to Fortress Interlocks.
- Argus Security S.R.L. acquired its Italian distributor for €0.5m (£0.4m);
- Anton Industrial Services, Crowcon's UK flue gas analyser distribution partner, was purchased for £1.9m;
- Orca GmbH, a German manufacturer of ultraviolet disinfection systems, joined our UV Group of companies for a maximum consideration of €8.7m (£7.5m);
- RNK, a US-based digital stethoscope company, joined Riester for a consideration of US$2.7m (£1.9m).

In August 2021, we announced that we had completed three acquisitions:

- the Ramtech group of companies, a UK-based supplier of wireless fire systems for temporary sites, for a cash consideration of £15.5 million, on a cash and debt free basis;
- Dancutter A/S, a Danish designer and manufacturer of trenchless pipeline rehabilitation equipment, for a cash consideration of €18 million (equivalent to £15.4 million at the time of announcement), on a cash and debt free basis;
- Sensitron S.r.l., an Italian gas detection company, for a cash consideration of €21 million (equivalent to £17.9 million at the time of announcement), on a cash and debt free basis

In September 2021, we acquired Meditech Kft, a Hungarian manufacturer of ambulatory blood pressure monitors and ECG Holter devices, for a maximum total consideration of €6.0m (approximately £5.1 million[6]). It will be integrated with our SunTech business.

In August 2021, we announced that we had completed the sale of Texecom, a provider of electronic security systems, for a total cash consideration of £65 million on a cash and debt free basis.

6. At an exchange rate of Sterling:Euro 1.17.

7. A copy of this announcement, together with other information about Halma, may be viewed on its website at www.halma.com.