

STRATEGY AND BUSINESS MODEL

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ACQUIRE

EMPOWER

Cash generation >p18

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Business model

What is Halma's growth objective?

We aim to double Group revenue and profit every five years.

Historically we have achieved this through a mix of acquisitions and organic growth. Return on Sales in excess of 18% and Return on Capital Employed over 45% ensure that cash generation is strong enough to sustain growth and increase dividends without the need for high levels of external funding.

Strategy

How do we grow?

We operate in relatively non-cyclical, specialised global niche markets. Our technology and application know-how provide the opportunity to generate growth, sustainable high returns and strong competitive advantage. Our chosen markets have significant barriers to entry. Demand for our products is underpinned by long-term, resilient growth drivers.

We place our operational resources close to our customers through locally managed autonomous businesses.

We reinvest cash into acquiring high performance businesses in, or close to, our existing markets.

Strategic priorities

Where do we invest?

We are making the following key strategic investments across the Group to sustain growth above market rates:

- Acquisitions
- Innovation (products and process)
- People development
- International expansion (especially Asia)

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Return on sales >p16

Organic revenue growth >p14

High rate of innovation >p15

INNOVATE

GROW

CO₂ emissions >p19

Organic profit growth >p14

International expansion >p16

ROCE >p17

Growth drivers

What drives long-term growth in our chosen markets?

Demand in each of our markets is driven by one or more of the following long-term growth drivers:

- Increasing demand for healthcare
- Increasing demand for energy and water
- Increasing urbanisation of population
- Increasing health and safety regulation

Values

How do we maintain a consistent culture across the Group?

Our values help to ensure a consistent set of standards and behaviours throughout the Group. This is particularly important given the Group's decentralised structure. Our core values are Achievement, Innovation, Empowerment and Customer Satisfaction. Our employees are required to act fairly in their dealings with fellow employees, customers, suppliers and business partners; these principles are included within our Code of Conduct which has been signed by each Group employee.

Our performance culture is underpinned by the alignment of reward and incentive plans.

Organisational structure

How does our structure help deliver competitive advantage?

Halma's 3 sectors are composed of 40 autonomous operating companies, each with their own board of directors. These are grouped into operating divisions, each chaired by a Halma Divisional Chief Executive (DCE), responsible for its own growth. DCEs understand the market needs of their companies and contribute broadly to their strategies. Through regular interaction between Executive Board members, common challenges and opportunities are identified. A small head office team focuses on setting the strategic framework and maintains a standard process of financial planning, reporting and control.