

# STRATEGY IN ACTION

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# ACQUIRE



# 10%

**Profit growth through acquisitions**  
Acquisitions accounted for profit growth of 10% in 2011/12.

**Acquisitions are a key strategic investment which strengthen our product portfolios, add new technologies, deepen our management talent pool and extend our geographical reach. They help us to grow faster than underlying market growth rates, while delivering high returns and creating shareholder value.**

Our Divisional Chief Executives are responsible for all acquisitions, mergers and disposals within the sub-sectors for which they are responsible. They are supported by two acquisition search specialists who were previously successful Presidents of Halma companies.

Our strategy is to buy companies with business and market characteristics that fit well with our operating culture and growth strategy, in addition to having strong financial metrics. As a highly cash-generative business with a strong balance sheet, our organic growth is supported by modest levels of bank funding enabling us to invest in acquisitions without accumulating excessive debt.

## **An active pipeline of opportunities**

We sustain our track record of making successful acquisitions by having a continuously replenished pipeline of opportunities. In a typical year we look at about 500 businesses, actively review about 200 and make direct contact with about 100.

During 2011/12 this continuous process of researching markets and qualifying acquisition prospects enabled us to add Kirk Key Interlock Company to our Industrial Safety sector and Avo Photonics joined our photonics businesses within Health and Analysis. Three further companies, Sensorex, Accutome and SunTech Medical Group, were added to our Health and Analysis sector at the beginning of the 2012/13 financial year.

David Leighty (left) and George Gaydos (right) are Halma's acquisitions team responsible for finding new businesses that will enhance earnings through new intellectual assets, new management talent and a wider technological and geographic footprint.

# EMPOWER

**We invest in employee training to develop talent for our businesses. During 2011/12 over 160 employees completed Halma-run management development and technical training programmes.**

Our first group-wide training initiative, the Halma Executive Development Programme (HEDP), was launched in 2005. This was followed by the Halma Management Development Programme (HMMP) and the Halma Certificate in Applied Technology (HCAT). These programmes bring together senior and middle managers, and engineers, from all of the subsidiaries and across all management disciplines. Our aim is to develop management skills and encourage the exchange of ideas. The value of our training investment is evident in the rising quality of management, our ability to fill senior vacancies internally and our excellent financial performance.

## Fresh ideas

In 2011 we launched a new **Halma Graduate Development Programme** to find and develop graduates with the potential to become future leaders of our companies, or our next generation of technology innovators. The programme, which lasts 24 months, is based on work placements in operating companies and residential training to develop communication and teamwork skills.

The first group of 9 high calibre graduates originating from the USA, UK, China and New Zealand will begin work in Autumn 2012.

*Michael Hamilton, Head of People Development, manages our centrally-funded skills development programmes that benefited 166 employees this year.*

# 27%

## More training

The number of employees completing centrally-funded training in 2011/12 rose by 27%.



# INNOVATE



# 7%

## Increase in R&D investment

We have once again increased our spending on innovation, investing £27.4m in R&D, up 7% from last year.

## Innovation in products and processes is a key driver of growth. It enables us to build competitive advantage, gain market share, open up new markets and achieve high returns.

In addition to increasing our spending on innovation and R&D in 2011/12, we held a second Innovation and Technology Exposition to encourage collaboration through the sharing of ideas, new products and processes between all Halma companies.

Our training programme for technical engineers, the Halma Certificate in Applied Technology, provides delegates with new skills in project management, finance and customer-led innovation. We regularly celebrate the most successful creative ideas in design, selling and manufacturing across Halma with our monthly and annual innovation awards.

## SpectroCam

SpectroCam is a multispectral imaging (MSI) camera system which makes MSI available to a much larger and diverse user base by taking MSI out of the research lab and into the field. It has significant performance improvements over other more expensive systems on the market and has immediately attracted significant customer interest.

SpectroCam uses thin film optical filters to split the imaged object or scene into multiple spectral images. These can then be isolated, combined or enhanced with image analysis software to obtain the physical and chemical attributes of the imaged object quickly and easily.

Dave Fish from Ocean Thin Films, one of our photonics companies, was one of this year's winners at our Annual Innovation Awards. The company's SpectroCam reflects Halma's move towards higher technology over the past decade.

# GROW

**International expansion is a key component of our growth strategy and an important element of how we add value to new acquisitions; we aim for at least 30% of revenue to come from outside the UK, USA and Mainland Europe by 2015. By that time China should contribute 10% of the total revenue.**

In the past five years we have averaged over 30% annual sales growth in China. Chinese employee numbers have risen from 200 to approximately 450 people and we now generate over 5% of global revenue from China (up from less than 2% five years ago).

Starting in 2006 we have invested in five regional 'hub' offices, manufacturing facilities and regional sales teams. These hubs provide a low risk, quick-start platform for our businesses to enter the Chinese market. Twenty-eight of our businesses now have Chinese sales operations and nine also manufacture in China.

## Emerging market focus

Investment in international expansion has resulted in significant revenue increase outside the UK/Europe and the USA. Since 2007 it has increased from 19% to the current 24% of total sales.

Many of our companies are turning their international expansion focus to South America. Our Health Optics businesses have recently set up a shared service centre in São Paulo, Brazil and many of our Industrial Safety businesses are establishing a direct presence in the region to address the Oil and Gas market.

Since Martin Zhang was appointed Director of Halma China in 2006 sales growth in China has averaged 30% per year.

# 30%

## International expansion

Our target is for non-UK/US/Europe revenue to be 30% of the group total by 2015.

