

Halma PLC

HLMA:LSE Sector: Industrials / Electronic & Electrical Equipment

Analyst: Jurijs Fedorenko

Email: 11251592@students.lincoln.ac.uk

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Business model

Halma plc is involved in the manufacture of a range of products that protect and improve the quality of life for people. The Company operates through four segments: Process Safety, Infrastructure Safety, Medical, and Environmental & Analysis. The Process Safety includes products, which protect assets and people at work, including specialized interlocks, instruments, and explosion protection and corrosion monitoring products. The Infrastructure Safety includes products, which detect hazards to protect assets and people in public spaces, transportation and commercial buildings. Its products include fire and smoke detectors and fire detection and suppression systems. The Medical includes products, which enhance the quality of life for patients and improve the quality of care delivered by providers. The Environmental & Analysis includes products and technologies for analysis in safety, life sciences and environmental markets. It also includes products to monitor water networks.

Investment rationale

Our to watch recommendation was derived mainly after conducting a technical stock price analysis. Fundamentally Halma PLC remains extremely strong, acquiring several companies every year and focusing on the new investment opportunities worldwide, which as a result lead to a very successful long-term growth. While reducing risk due to its not only global diversification over 20 counties, but also operations within several sectors.

Solid P/E ratio is showing significant confidence and attraction to Halma PLC, their marketing team are doing incredible work to make investors to 'stay in love' and keep investing even during current market uncertainties.

Current stock price remains within ascending channel which was formed almost 10 years ago, currently being at the all-time high, upper boundary of the channel, so called 'resistance'. Therefore, it is wise to watch and wait until lower boundary of the channel will be reached to confirm it as a support. At that moment we could consider our investment opportunity, as long as there would not be significant fundamental changes.

Investment risks

Current Brexit and US-China trade deal uncertainties remain as the main risk factors for Halma PLC. While being well diversified over several sectors worldwide their major operations remain within USA, Europe and Asia Pacific. This uncertainty could force stock price to violate a lower boundary of the long term parabolic ascending channel, which would result in a significant price depreciation, as it could drop to the lowest boundary of our valuation range, 945 level. Therefore, it is wise to watch closely for the confirmation of the support by the prolonged uptrend line, currently positioned in 1310 -

RECOMMENDATION

WATCH

Current Price

1,512 GBX

Our Valuation Range

945 - 1,620

Halma comprises of nearly 50 subsidiary companies operating worldwide in over 20 countries, major operations Europe, USA and Asia Pacific. Halma's technology centres on hazard detection, life protection, personal and public health improvement and environmental protection. Its markets are primarily the protection of human and capital assets, and the Group continues to grow through organic expansion and acquisition. Halma grew to be an established FTSE 250 business and in December 2017, the company entered the FTSE 100.

MARKET DATA

Revenue in GBP (TTM)	1.16 b
Net income in GBP	181 m
Founded in	1894
Employees	630
52-week range	1,136.00-1,529.00
Average volume	1.01m
Shares outstanding	379.65 m
Free float	372.34 m
P/E (TTM)	37.55
Market cap	5.69bn GBP
EPS (TTM)	0.4016 GBP
Cash Flow per share	0.5706
Price/Cash flow per share	26.34
Book value per share	2.44
Tangible book value per share	0.1101
Net profit margin	14.46
Operating margin (TTM)	17.35
Return on Capital Employed	13.49
Annual div (ADY)	15.08 GBX
Annual div yield (ADY)	1.01%
Return on assets	10.70
Return on equity	17.87
Return on investment	12.13

1350 range. Weekly stock price close below 1300 level could lead to sharp price depreciation.

Income Statement	29-Mar-14 (£ m)	28-Mar-15 (£ m)	02-Apr-16 (£ m)	01-Apr-17 (£ m)	31-Mar-18 (£ m)
Continuing Operations					
Revenue	676.51	726.13	807.80	961.66	1076.21
Operating Profit/(Loss)	143.57	137.06	142.94	167.07	181.26
Net Interest	-2.46	-2.98	-3.93	-6.89	-6.93
Profit Before Tax	138.37	133.55	136.45	157.78	172.26
Profit After Tax	106.02	103.94	109.00	129.77	154.54
Discontinued Operations					
Profit After Tax	n/a	n/a	n/a	n/a	n/a
PROFIT FOR THE PERIOD	106.33	104.00	108.84	129.69	154.23
Attributable to:					
Minority Interests	n/a	n/a	n/a	n/a	n/a
Equity Holders of Parent Company	106.33	104.00	108.84	129.69	154.23
Continuing EPS					
Earnings per Share - Basic	28.14p	27.49p	28.76p	34.25p	40.69p
Earnings per Share - Diluted	28.13p	27.48p	28.76p	34.25p	40.69p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
Continuing and Discontinued EPS					
Earnings per Share - Basic	28.14p	27.49p	28.76p	34.25p	40.69p
Earnings per Share - Diluted	28.13p	27.48p	28.76p	34.25p	40.69p
Earnings per Share - Adjusted	n/a	n/a	n/a	n/a	n/a
Dividend per Share	11.17p	11.96p	12.81p	13.71p	14.68p

Date 18/02/2019; Source :

<https://www.londonstockexchange.com/exchange/prices/stocks/summary/fundamentals.html?fourWayKey=GB0004052071GBGBXSET1>

Balance Sheet	29-Mar-14 (£ m)	28-Mar-15 (£ m)	02-Apr-16 (£ m)	01-Apr-17 (£ m)	31-Mar-18 (£ m)
Assets					
Non-Current Assets					
Property, Plant & Equipment	74.42	86.30	96.56	106.02	103.73
Intangible Assets	448.03	544.88	776.01	837.98	866.72
Investment Properties	n/a	n/a	n/a	n/a	n/a
Investments	5.09	4.24	3.72	3.55	3.99
Other Financial Assets	n/a	n/a	n/a	n/a	n/a
Other Non-Current Assets	0.00	0.00	0.00	0.00	0.00
	548.21	664.02	920.72	1004.42	1011.42
Current Assets					
Inventories	71.03	79.73	105.32	118.78	127.97
Trade & Other Receivables	135.18	156.46	167.60	193.94	218.48
Cash at Bank & in Hand	34.53	41.23	53.94	66.83	70.72
Current Asset Investments	0.00	0.00	0.00	0.00	0.00
Other Current Assets	0.50	1.07	1.13	0.60	0.70
	241.41	278.52	344.20	398.56	435.44
Total Assets	789.62	942.53	1264.92	1402.98	1446.86
Liabilities					
Current Liabilities					
Borrowings	4.14	1.70	4.75	1.35	1.14
Other Current Liabilities	54.01	69.87	38.33	41.91	41.76
	108.42	129.21	149.33	159.31	171.97
Net Current Assets	132.99	149.31	194.87	239.25	263.46
Non-Current Liabilities					
Borrowings	104.89	140.42	295.91	261.92	289.91
Provisions	n/a	n/a	n/a	n/a	n/a
Other Non-Current Liabilities	10.34	5.30	28.66	18.28	27.06
	195.21	264.38	469.25	465.03	446.48
Other Liabilities	n/a	n/a	n/a	n/a	n/a
Total Liabilities	303.62	393.58	618.58	624.35	618.46
Net Assets	486.00	548.95	646.34	778.64	828.40
Capital & Reserves					
Share Capital	n/a	n/a	n/a	37.96	37.96
Share Premium Account	22.78	23.61	23.61	23.61	23.61
Other Reserves	n/a	n/a	n/a	n/a	n/a
Retained Earnings	420.57	454.21	523.86	579.91	691.20
Shareholders Funds	486.00	548.95	646.34	778.64	828.40
Minority Interests/Other Equity	n/a	n/a	n/a	n/a	n/a
Total Equity *	486.00	548.95	646.34	778.64	828.40

Date 18/02/2019; Source :

<https://www.londonstockexchange.com/exchange/prices/stocks/summary/fundamentals.html?fourWayKey=GB0004052071GBGBXSET1>

Income statement [← Back to Overview](#)

In millions of GBP
(except for per share items) Annual ▾

Fiscal data as of Mar 31 2018	2018	2017	2016	2015	2014
REVENUE AND GROSS PROFIT					
Total revenue	1,076	962	808	726	677
OPERATING EXPENSES					
Cost of revenue total	509	451	386	343	322
Selling, general and admin. expenses, total	343	307	249	226	197
Depreciation/amortization	35	31	23	20	18
Unusual expense(income)	7.06	4.83	6.07	(1.38)	(3.37)
Other operating expenses, total	--	--	--	--	--
Total operating expense	894	795	664	588	533
Operating income	182	167	143	138	143
Other, net	(2.01)	(1.71)	(2.1)	(1.49)	(2.05)
INCOME TAXES, MINORITY INTEREST AND EXTRA ITEMS					
Net income before taxes	172	158	136	134	139
Provision for income taxes	33	28	27	30	32
Net income after taxes	139	130	109	104	106
Minority interest	--	--	--	--	--
Net income before extra. Items	139	130	109	104	106
Total extraordinary items	15	--	--	--	--
Net income	154	130	109	104	106
Inc.avail. to common excl. extra. Items	139	130	109	104	106
Inc.avail. to common incl. extra. Items	154	130	109	104	106
EPS RECONCILIATION					
Basic/primary weighted average shares	379	379	378	378	378
Basic/primary eps excl. extra items	0.37	0.34	0.29	0.27	0.28
Basic/primary eps incl. extra items	0.41	0.34	0.29	0.27	0.28
Dilution adjustment	--	0	0	0	--
Diluted weighted average shares	379	379	378	378	378
Diluted eps excl. extra items	0.37	0.34	0.29	0.27	0.28
Diluted eps incl. extra items	0.41	0.34	0.29	0.27	0.28
COMMON STOCK DIVIDENDS					
DPS - common stock primary issue	0.15	0.14	0.13	0.12	0.11
Gross dividend - common stock	56	52	48	45	42
PRO FORMA INCOME					
Pro forma net income	--	--	--	--	--
Interest expense, supplemental	7.94	8.02	4.67	3.62	3.29
SUPPLEMENTAL INCOME					
Depreciation, supplemental	19	18	15	14	14
Total special items	7.25	5.40	4.72	(1.97)	(16)
NORMALISED INCOME					
Normalized income before taxes	179	163	141	132	123
Effect of special items on income taxes	(24)	(14)	(8.93)	(6.1)	(0.34)
Income tax excluding impact of special items	8.25	14	19	24	32
Normalized income after tax	171	149	122	108	91
Normalized income avail. to common	171	149	122	108	91
Basic normalized EPS	0.45	0.39	0.32	0.29	0.24

Date 18/02/2019; Source:

<https://markets.ft.com/data/equities/tearsheet/financials?s=HLMA:LSE&subview=IncomeStatement>

LINCOLN STUDEMENT MANAGED INVESTMENT FUND (LSMIF)

Founded in 2018, the Lincoln Student Managed Investment Fund (LSMIF) is exactly what it says on the tin, a fund which will analyse, determine upon, and purchase shares to create a portfolio. The only difference is we are students. No simulations, just our knowledge and ability vs the real market. The best test of our teachings and learnings.

The fund is set up with a structure similar to any other professionally run fund management company with students running every aspect of the fund, from CEO to analyst. It is designed to give any student involved the best experience of the financial world possible before getting a job.

The fund will be handed down to new students each year as those partake in this fund finish their studying. The fund aims to grow in the future, with more positions available to give the most number of students the chance to partake.

The ultimate goal of the fund is to raise the profile of each student involved to allow for them to get the best experience possible. We, however, set the following objectives to make the fund grow on sustainable basis:

- To generate long-term returns from investments using our stylized investment strategies.
- To raise funds through crowdfunding and donors to help increase the capital base.
- To increase the number of students involved in the fund with expanded capital base.
- To link the fund's activities with the related programmes and modules' assessments
- To get more outside sponsors who want to work directly with the fund as well, to further simulate the professional environment.

Contact details

Chief Executive Officer: Mr. James Stenson, BSc Banking and Finance, University of Lincoln. Email: 18688103@students.lincoln.ac.uk.

Academic Advisor: Dr. Hao Quach. Principal Lecturer/Programme Leader for Banking and Finance programmes. Email: hquach@lincoln.ac.uk. Tel: +441522835546

General Enquiries: Email: LSMIF@lincoln.ac.uk

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