G4S plc

Half Year Results Presentation

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G4S

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QUESTIONS FROM

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Business Review

Ashley Almanza, Chief Executive Officer
Good morning ladies and gentlemen and a very warm welcome to G4S's Half Year Results Presentation. I'm joined as usual by our Group CFO, Himanshu Raja. And I'm pleased to say we also have in the audience today Mel Brooks, Mel would you mind standing up.

Mel is our newly appointed Group Commercial and Strategy Director, for those of you who don't know Mel, until recently Mel led our Indian business, which went through a pretty significant transformation, a massive improved delivered in the performance of that business over the last two years, I think some of the fruits of that legacy have not yet shown themselves Mel, but we welcome Mel to the team. He's providing real focus to our sales, business development and commercial efforts and we'll talk more about that later in today's presentation.

Before we get started the customary legal disclaimer, which I think you've seen before and if you haven't I'm going to ask you to read it afterwards please. Our agenda is as set our here, we'll touch on the results, we'll look at each of the regions, in a business review and then we'll provide a brief update on progress we're making with our strategic plans that we outlined in November. There's a full update coming again this November, but we'll provide a preview on some of the areas that we're working on. I'll then hand over to Himanshu, who will take us through the numbers in a bit more detail, we'll wrap up and there will be plenty of time as usual for questions.

So first half results, hopefully by now you'll have seen our statement, revenues were up 4.1%, particularly strong again in emerging markets, with revenues up 12.1%. Profits benefitting from improving operational leverage, we're up 6.3% at £185m. And the profit improvement came, quite importantly, in businesses where we have either 100% ownership or a high equity stake. And that meant that the benefit dropped down to earnings translated into a 13.2% improvement in earnings.

Our operating cash flow after one off corporate items relating to the Olympics and electronic monitoring came in at £212m, which was down 5% on the same period last year. Excluding those two corporate items, the Olympics and EM, the cash flow from our operating businesses, business units below corporate level came in £185m, which is up 25%, year on year.

Net debt was £1.68bn, and that included £109m plus about £6m, or £7m own costs for the electronic monitoring settlement. It also reflects the normal, seasonal pattern, or shape to cash flow where our cash flows in the second half of the year are stronger than in the first half of the year, and we would expect, as in previous years, that seasonal effect to unwind through the balance of the year.

Quite an exceptional performance with pipeline conversion, new contract sales with a total contract value of £1.2bn, very, very pleased with that and an annual value of about £600m. So all in all good progress with our plans, satisfactory financial performance, but a lot to go for and much more still to do.

Turning to each of the regions, in Africa we saw again strong top line, revenues up 12.7% and quite clear benefits from our operating leverage, profits up 22%.

We've introduced in most of our regions a programme known as Accelerated Best Practice; we'll talk more about that in a few minutes. It builds on one of the strategic priorities we identified last year, which was cost leadership. In Africa we have got three strands to this programme, direct labour efficiency, vehicle route planning and organisational efficiency, with the near term emphasis on direct labour efficiency, given that we employ over 100,000 employees in Africa.

Good growth in our technology sales in Africa, in both Cash and Secure Solutions. It must be said we're starting from a low base, but we're very pleased with the progress that we're seeing there. We've got a lot more to do in Africa in this area. And to that end we've been strengthening, as we said we would do, our sales and operations capability in a number of key vertical segments in Africa, mining, oil and gas, risk services and security technology.

Asia Middle East, revenues up 11.5% and again the benefits of operating leverage taking profits up 23%. These results include three months of the Manus Island contract which ended in the first week of April. And on a rolling 12 months basis that contract generated revenues of £60m to £70m.

In the Middle East we've set up our technology team, again this was something we identified in our strategic review last year, that this was a market with, what we saw as strong potential for technology and systems sales; but we didn't have technical sales capability or operational capability. We started this process last year, I'm pleased to say the team is now in place, it's up and running. I visited with them not long ago, they are establishing their credentials in the market and we're beginning to see some flow in our sales pipeline, very early days, but pleased with the work that Dan, Chris and the team down in the Middle East have been doing on that.

Accelerated Best Practice, shorthand ABP, is also being rolled out in Asia Middle East, the same three strands are being focused on, but with particular emphasis on direct labour efficiency, we employ over 200,000 people in Asia Middle East, and organisational efficiency, looking at the number of layers that we have in the organisation, looking to shorten lines of communication and improve our commercial and operational agility.

In Latin America revenues are up strongly, 12.8%, and this was broad based growth across all our markets and our key customer segments. But as you can see profits were down by 11%, and this is attributable to legislation which prescribed a pay increase for security workers in Brazil. That was in the half year a hit of about £4m, which we expect to partially recover in the second half of this year. Our team in Latin America has got a structured programme of engaging with our customers to adjust for the statutory increase in pay.

Of all our regions this region has seen the greatest change in our leadership, our management team. We've substantially strengthened our management capacity and our capability. This follows the appointment of a new regional president which we talked about in November, Martin Alvarez, who's an American Cuban who has worked in America, but also he's worked in eight countries over 15 years in Latin America. He's based in Latin America. And we've been working with Martin to build a team around him.

And you will have seen I hope that we separated the Americas regions into two distinct regions, North America and Latin America, giving proper priority to what we see as two fundamentally very important, very attractive markets. So Martin has been working to build a strong management team around him, a finance director, sales - we now have for the first time a senior sales leader based in Latin America, operations and so on.

We're only just getting started with our programme of Accelerated Best Practice in Latin America, given the other priorities and the only recent establishment of this as an independent region. We're about six months behind the rest of the Group in Latin America with our Accelerated Best Practice and we're recruiting subject matter experts to work in Latin America for Martin on some of these programmes.

We're also investing in sales and business development, not only the new regional sales director, but in each market focusing on attractive vertical segments. We're bringing new people into the organisation as we said we would.

Europe, revenues down by about 1% in line with our expectations, profits down by 2%. I think everyone knows that about this time last year, in fact in May last year, the Dutch government decided to end its programme of private supply for public prisons and the Dutch prison contract has been progressively unwinding, it unwound more slowly than we expected, but that contract has now more or less ended.

We've consolidated our management team in a regional HR in Amsterdam, this is for the first time. For many years we've had a geographically dispersed management team in Europe and this has been consolidated under new leadership, we announced the appointment of Graham Levinsohn. And much like we've been doing in Latin America we've been building a new team with Graham, based in Amsterdam and I'm very pleased with the progress that we've seen there.

There is a tangible change in the performance management rhythm and routine in this business now, it's very focused, it's very systematic, it's very disciplined. And I'm confident that over the next 12 to 18 months we're going to see real benefits flowing from this much improved performance management discipline.

Graham has accelerated the restructuring of our businesses in the Netherlands, Belgium and Finland. This again has been done in a disciplined and systematic way and we've put project managers in to support Graham in these efforts.

Here to we're investing in sales and business development, much to our surprise when we conducted our business review last year we found countries without sales directors and we didn't have a regional sales director. We now have a regional sales director and we're systematically going through our portfolio to make sure we've got the right capability on the ground in each of our core markets.

North America, I think one of the standout performance of the first half. Revenue is up 4%, principally in our largest business Commercial Security, but also in Compliance and Investigations, which is a small but rapidly growing part of the business. And our Care and Justice business, which focuses on youth services also did very well.

Great operational leverage, profits up almost 27%, very focused efforts now on improving and maintaining direct labour efficiency and also the programme now beginning to show some improvement in overhead efficiency.

Our US Government Solutions business remains in the sales process, you will remember we stopped the process last year, changed the package of assets, re-launched the process, we had good buyer interest. We've now down-selected to a single buyer and we're in detailed negotiations, however, I'm going to say again, there will only be a deal if we reach satisfactory terms and we're not there yet.

The reason for selling this business, the principal reason is it's operated under a proxy management structure. But it's a good business and if we don't achieve satisfactory terms we'll hold on to the business confident that at some point the asset market will be ready to receive this business.

The US business is actually a very, very strong franchise, when you go there and you meet the team and meet the customers it's a strong franchise in the world's biggest security market. We have a strong pipeline and we're very pleased, quite excited to see some early signs of market recovery. Too early to, you know, break out the champagne, but we can see early market recovery, or early signs, I should say, of market recovery in North America.

The UK and Ireland, again as expected revenues is down as the EM came to an end at the end of March this year. But conversely profits were up. This is the net effect of on the one hand starting to extract some benefits from our restructuring programme, but at the same time reinvesting some of the proceeds, as we said we would do, of those efficiencies back into the business. This is a business that needs strengthening in sales, business development, contract management, risk management and some of our core functions, all of which we've been pursuing I'm pleased to say with great energy and with some success.

I'm pleased also that our Cash Solutions business is now showing improving performance, particularly in the UK as we rationalise the brand network, rationalise the vehicle fleet and start to embed some performance management disciplines progressively, which to be fair had been started already.

Our UK Shared Services programme, we announced this last year - this is taking nine accounting systems and six IT systems and rolling them together in one single platform. Phase 1 goes live at the end of 2014 and then 2015 will be all about extracting the benefits through improving our business processes that the new technology will facilitate.

Sales pipeline remains strong in the UK and I'm pleased to see some positive momentum in outsourcing and FM once more.

Strategy Update

Ashley Almanza, Chief Executive Officer
I'm going to move now onto an update on the Strategy we outline in November last year. As I said earlier we're going to give you a comprehensive update in November, so this is just a preview looking at some of those areas that we identified as strategic priorities. I'm going to start with organic investment. You'll recall that when we completed our review we identified, as I mentioned earlier, that we'd been underinvesting, given the strength of our market positions and the potential in those markets, underinvesting in the organic growth opportunity.

And as a result we decided to invest an incremental £15m to £20m, per annum off the bottom line in the first year and then as we roll forward to be progressively funded by cost efficiencies. And I'm pleased to say we've been making good progress with that programme, starting with new sales leadership. Mel Brooks who I introduced earlier is our new Group Commercial and Strategy Director, and we've appointed new sales leaders in three of our six regions. That is Europe, Africa and Latin America, meaning all six of our regions now have senior, experienced sales executives leading our sales executives in the region rather than just centrally.

We've revised our sales incentive structures in three regions, Africa, Latin America and North America and our European region is being reviewed at the moment. This is something we're going to keep under review annually, it doesn't mean we'll change the structure each year, but we want to just be a bit more explicit and more focused about ensuring that our sales objectives are matched by our sales incentive plan and essentially what we're doing is we're increasing our variable pay, or performance related pay.

Under Mel's leadership we've established a global sales forum; this brings together our sales leaders from across the global business, several times a year, both physically and virtually. And it enables our sales leaders to share best practice in areas such as sales operations, global account management, global opportunities and also product and service innovation.

It also provides a neat, powerful forum for us to sponsor the work that we're doing to take proven products, which are commercially successful in one market, but totally absent in another market where we can see latent demand and export them into those markets. And this forum gives us the senior sponsorship that we need. We need to do a bit more work on our senior management incentives below the Executive Committee to ensure that this collaboration is incentivised, that there is a good reason on both ends of that transaction for people to engage and chase a commercial objective.

There's undoubtedly increasing rigour in our sales performance management, our sales processes, we've gone from a quarterly and monthly, at best, sales routine to a weekly sales rhythm now. This is not uniformly the case everywhere across the business, but where we've appointed the three new sales leaders you can see within months an immediate impact as Mel and the team work on establishing a weekly sales rhythm to track sales performance. A lot more work to do there.

We're embedding sector specialists; I referred to this in the case of Africa, focusing on strong vertical segments, financial institutions, mining, oil and gas, critical national infrastructure, energy, aviation, ports and so on. We're embedding those in the regions, previously these were held centrally. That was necessary at the time to get the sector specialism going, but we really need that capability on the ground, in the markets where the demand exists and we're doing that now. One of those examples is the technology team, I referred in Asia Middle East, and I've already described what's happening there.

Over the past 12 months we've hired 263 people into sales, business development and sales support, including operational support or technical support for sales globally. All of this investment, all of this efforts are designed to achieve one thing and that's maximise our organic growth potential.

Our pipeline at the 1st of July stood at £4.9bn, that compares to £4.7bn at the beginning of the year, but that's only half the story of course because we had very strong pipeline conversion, I would say quite exceptional, it's not something we can take for granted as being in the bank every six months. But certainly in the first six months we had, as I mentioned, £1.2bn TCV on an annual basis just over £600m pipeline conversion, which depletes the pipeline. At the same time our global sales teams, we have to give credit to our colleagues around the world for this, were successful in replenishing the pipeline. So we still have a diverse pipeline and I'm pleased to see, not only strong conversion, but strong replenishment.

Now Accelerated Best Practice, this started out as cost leadership and as we've gotten into cost leadership we've identified six distinct areas for best practice, we call it internally Accelerated Best Practice, direct labour efficiency, vehicle route planning, vehicle telematics, organisational efficiency, IT and procurement. Those are the six areas. They're clearly defined now, we have leaders for each of those programmes and we're progressively resourcing them and pushing them out into the regions.

Direct labour efficiency, 39 countries in the initial scope, covering 376,000 employees; we have 14 country reviews underway at the moment. These combine subject matter experts from our service excellence centres, SEC, and experienced line managers from within the country that's being reviewed, we bring those teams together and the objective is quite simple and that is to optimise our internal supply chain for labour, to ensure that hours on the payroll equals hours contracted, hours billed, hours collected; easy to say, in a very large business that takes real discipline and a systematic approach.

To aid this we're building capability in regions, that is to say we're taking subject matter experts which were previously held centrally and deploying those into regions. This, we hope, will give us additional pace with this programme, but it will also ensure that when the initial phase of the programme is over and the subject matter expert returns to their normal job we've retained subject matter expert capability in the region to ensure that the programme is sustained.

Route planning and telematics, we're initially focused on 9,000 cash vehicles, and all of these we plan to bring into a route planning regime by the end of 2015. Telematics, which focuses, as you know, on fuel efficiency and driver behaviour, we've started this programme already, we're up to 2,300 vehicles, cash vehicles that have telematics, and our plan is over the next 12 months to have another 2,000 vehicles fitted with telematics devices. But the devices in is just the first step, embedding that into the management routine, management learning how to use that tool will take a little bit longer, but we're confident that this will bring significant benefits.

IT, we've talked about before, we're spending over £120m per annum on IT, I continue to believe that the number is light. I think like most large organisations, there is what I call shadow IT spend; I think we have that in our company. We appointed a Chief Information Officer, early this year, Martin Taylor, experienced, seasoned IT executive, reporting to Himanshu. And Martin has quickly taken stock of our IT estate and has come forward with clear plans which we are now resourcing.

I'll describe just a few of the strands, first of all we're globalising our IT organisation, it was a federated structure, a highly balkanised structure that we had before. That will bring significant organisational efficiencies. We're rationalising our infrastructure, we've got a vast infrastructure in this company, that will include telecommunications, fixed, mobile, voice, data and we're also rationalising the number of development - internal development projects we have.

Martin Taylor, as part of his stocktaking has identified over 600 IT development projects in our company. He's working with his team to rationalise that down to a more manageable and sensible number. But the most important thing is we're now putting in place the governance processes to ensure that before an IT development project is launched anywhere in the world there's a proper business case and it has the appropriate executive sponsorship. In all of these areas we think the opportunity over the next three years, three to five years is very significant, to not only take cost out, but to improve the quality of what we have, upgrade the functionality of the IT systems that we have.

We talked also in November about procurement, the absence of any global procurement function in our company, when we have non-payroll spend of approaching $2bn. We appointed earlier this year, Sean O'Carroll, an experienced procurement executive, again reporting into Himanshu to bring procurement and financial and operating benefits closer today.

Sean has undertaken a baseline study and identified addressable spend of £1.3bn, which confirmed the sort of ballpark estimate that we identified last year. And this addressable spend, 70% of it is spread across eight categories, we're appointing new category managers as we speak to go after this, this is a very significant prize for us again, over the next three years.

Finally, portfolio management, you'll remember we went through the portfolio, looking at materiality, current performance, future prospects. In the last 12 months we've sold six businesses at attractive exit multiples; we've raised proceeds in aggregate of around £160m. That doesn't include the US Government Solutions business, which I mentioned a moment ago. And we've taken the decision to discontinue a further 15 businesses, these are smaller businesses where they're challenged for reasons for reasons of materiality, market structure, performance, in aggregate they represent less than 1% of turnover and in a good year they breakeven. This is not a good use of our scarce management capital or shareholder funds.

That brings us to the end of the strategy update and I'd like to now hand over to Himanshu who'll take us through the numbers in a bit more detail. Himanshu.

Financial Review

Himanshu Raja, Chief Financial Officer
Thanks Ashley. Good morning, before I take you through the numbers you'll have noticed for the first time in our release this morning that the results have been reviewed by our auditors, KPMG, that wasn't our historic practice, but it's common practice across the FTSE.

So to take you through the results, as Ashley said it is solid progress in the first half of the year and you'll have seen from Ashley's presentation that we've continued to break out the segments, just as we did last year to show that continuity of disclosure. We've also provided you with a roll forward in the results for IFRS 10, for discontinued operations, as well as for the impact of the strengthening of sterling. And you'll see in the appendix to the charts this morning we've shown the FX impact by region as well to help you.

The underlying results therefore on this chart really show the performance on a like for like basis at constant exchange rates. Revenues were up 4.1% to £3.4bn, PBITA was £185m, up 6.3% from £174m in 2013, resulting in an operating margin of 5.5% for the first six months, up ten basis points on the prior year.

You'll also see that that PBITA performance is after corporate costs of £28m, which are up £8m year on year, and this relates to the investment that Ashley referred to in our corporate functions, in finance, in risk management, in IT, and in procurement of around £2m, and £6m, which is largely non-cash items, it's the non-cash items related to pensions and to LTIPs.

The total cash generated was £212m, which compared with £224m in the prior year. We have made good progress in driving cash flow improvement. At the operating level we generated £185m compared with £148m last year. And you'll recall this time last year we had the benefit of the £76m Olympic receivables which affected the year on year comparative and this year we had £27m inflow from the settlement of our electronic monitoring settlement with the UK government. So good underlying improvement in cash generation, but there remains much more to do on cash and I'm going to come back to the theme of cash management and working capital and what more we're doing.

On our PBITA growth of 6.3% we saw improved operational gearing, with earnings up 13.2% year on year. And this arises because the profit improvement that we saw really comes from entities where we either have wholly owned, or majority owned ownership, which means that the earnings grew faster than the profits. And if you look at that the other way, from a minorities perspective, it meant that the minority interest was £7m, constant year on year. Earnings per share were 5.6 pence against 5.4 pence this time last year, an increase of 3.7% after the dilution effect of the share placing.

And finally let's turn to FX; with the relative strength of sterling FX movements continue to have a significant impact on our reported results. You'll recognise of course that in terms of the foreign exchange effect, really at a transactional level our revenues and costs are in local currency, so there typically isn't a transactional foreign exchange exposure, but clearly there is a translation one. And if I apply the average 2014 exchange rates to the prior year, the revenue impact would have been around 8% and the profit impact around 9% and that's the slide in the appendix which shows you the breakdown by region.

Let me just now turn to the total results, again on a like for like basis and adjusted for IFRS 10 and 11 and discontinued operations, all on constant currency, total and underlying revenues were £3.4bn, up 3.8% year on year. Total PBITA was £179m reflecting a net £6m specific charge, and the £6m relates to two items, a £2m credit and a £6m charge. The £2m credit simply relates to the successful settlement of the legal claim in Europe. And notwithstanding the impairments we took last year we continue to pursue outstanding receivables, or legal claims where we believe there's a reasonable prospect of recovery. And in line with our policy that flows through specific items, what we call the middle column.

And the restructuring of £8m relates mainly to our businesses in the UK and Europe where we see an opportunity for further cost reduction. The point really on restructuring is we continue to rigorously monitor the progress on all our restructuring plan by plan, programme by programme and where there's a strong economic case to improve competitiveness or to reduce the overheads we'll continue to look at these.

Moving to earnings, total earnings were £78m, a significant improvement on the £196m loss last June, resulting from the balance sheet review and other charges taken. And total EPS was 5 pence, compared with a loss per share of 14 pence last year. The interim dividend is maintained at 3.42 pence.

Let me just turn to the bottom half of the income statement, keying off the underlying PBITA of £185m our interest charge was £61m in line with last year and this includes a non-cash charge of £10m for the pension interest under IAS 19.

On tax the £31m charge represents an effective tax rate of 25%, that's a 1% increase from last year and it arises from the adoption of IFRS 10 and 11. It's important to note the effective cash tax rate is unaffected by this.

Underlying earnings after tax were £86m an increase of 13.2%. And as I explained the minority interest of £7m was in line with last year, reflecting the fact that profit improvement came from, either wholly owned, or majority owned entities.

And just by way of a footnote before I leave this slide you'll see from the release this morning we showed a £30m profit on disposal from the sale of our Canada Cash business and our businesses in Norway, and again consistent with the policy change we made last year this goes through specific items, the middle column. In other words we no longer regard profit on disposal as part of underlying performance.

Turning now to net debt, if I start with the net debt at the end of the year at £1.5bn, there's an IFRS 10 and 11 impact of £19m, where we deconsolidate the cash in entities that we now equity account for. And this gives a restated net debt of £1.55bn at 31 December.

Cash generated from continuing operations comprises £185m from our operating businesses and total cash therefore was £212m, overall a satisfactory performance, but much more remains to be done here. In terms of investing activities a net £2m, comprising capex, restructuring and disposal proceeds.

During the half we invested £57m in capital expenditure and leases. I just want to talk about and remind you of the enhance capital disciplines we talked about at the end of the year. Really the capex number reflects just a more rigorous approach to make sure all capex spend is supported by a strong internal business case, a strong internal rate of return.

But it also is reflective of taking a Group wide approach, Ashley talked about, for example some of the work we're doing in IT programmes where we're pooling IT programmes and looking to see where there's common spend, pooling that together to do it once and therefore you see some degree of deferral from Q1 and H1 to H2. So £57m isn't the normal run rate that we'd expect, we continue to invest in the business where we continue to see good business cases.

The restructuring of £20m outflow was from the 2013 restructuring we announced. And we received disposals of £79m together with the settlement of lease liabilities of £10m which gives you the £89m total cash from Canada and Norway that I talked about. So net-net £2m investing activities against cash generation £212m. And if I just adjust for continuing operations you'll see an almost doubling therefore of the net cash inflow from last year to this year.

In terms of use of funds, interest paid of £66m, tax of £39m and pensions of £21m and we paid dividends of £90m, including the dividends to our minority interests. Of course we had the out payment of £109m, which together with advisor's fees was £116m. And therefore we finish the year at net debt of £1.68bn.

In terms of net debt to EBITDA, net debt to EBITDA therefore at June was £3.1m, and the comparator was £2.8m. We do expect net debt to come down, net debt to EBITDA to come down in the second half as first half cash is always seasonally lower than the second half.

Now let me just finish by talking about financing cash flow. The Group remains soundly financed, our funding profile remains robust, with £955m of unutilised and committed facilities. And we have no material maturities until 2016.

We have a strong focus on working capital management and we've changed our weekly rhythm, just like Ashley talked about on the sales front, it's also true on the cash flow and we no longer monitor cash on a monthly basis, but we monitor it and track progress on a weekly basis. And I talked about putting in place plans at the end of the year to move to that.

We've also moved to make sure that cash if not just a matter for the finance organisation, and therefore operational management are engaged in engaging with the customer and going after that cash flow. The finance function additionally is involved in and focused on the event to billing cycle and what that will do is over time is it will result in more timely billing and therefore start the whole collection cycle earlier.

We're also working on our up-front contracting, in terms of cash terms with customers and suppliers. So a focus on cash really at all levels of the business. And overall we expect our net debt to EBITDA to continue to come down in the medium term and within our desired range of 2.5 times. With that let me hand you back to Ashley.

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Summary

Ashley Almanza, Chief Executive Officer

Thanks Himanshu. Right, just one slide to wrap up, in conclusion as we set out last year, we're executing against a clear and focused strategy. We have a diverse and growing sales pipeline, but we're not complacent, we're investing heavily in sales and business development. As you've heard from what I've said and Himanshu touched on it as well, we're investing beyond sales and business development in some of our core functions, operations, finance, HR and so on.

We're embedding performance management, capital management and cash management in our monthly reporting and performance management cycle and in some cases weekly.

I'm very pleased to see that some of the initial opportunities that we identified last year, as we've gone into those and worked them up, what has emerged is a stronger array of opportunities that we can get after and we're defining those programmes in a very structured way, resourcing them and getting after them.

So in summary good progress, I think we can say satisfactory financial performance, but a lot to go for still, much more to do before we realise the full potential of the company strategy.

Thank you very much, we're going to go now to Q&A, we have, I believe, microphones, roving microphones. So if you would like to ask a question, please raise your hand, we'll bring a microphone to you. When asking a question we'd be grateful if you could give your name and state your affiliation, thanks very much.

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Questions and Answers

Rob Plant, JP Morgan
In terms of organic growth it was 5% in Q1, looks like it was 3% in Q2. You've mentioned Manus Island around 60, so perhaps 2% for Manus Island. Now Manus Island will have an annualised effect for the rest of the year but would you expect the second half organic growth to improve?

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Ashley Almanza, Chief Executive Officer
Thanks Rob. There are several things going on in the contract portfolio, and I'll start by prefacing my answer with the observation again that this is a very large business. Global sales approaching around $10bn, we have thousands of contracts. It is the case that we have some big contracts, sometimes big contracts come into the portfolio, we celebrate. Other times big contracts leave the portfolio and we work hard to ensure that we are replenishing the portfolio.

What we have in the first half of this year is Manus Island as you say on a rolling 12 month basis, that's about £60m to £70m. We also have the Dutch prisons contract rolling out, and as I said that came out progressively rather than suddenly as we initially anticipated, and that's a similar size actually to Manus. And then lastly we have electronic monitoring dropping out of our portfolio at the end of March, and that was a contract of about £40m, £40m to £45m per annum.

So clearly those three together are significant. You know we're neither complacent nor alarmed by this. I mean these are as expected. We don't expect the investment that we're making in sales and business development to have an immediate effect. As you know, even with strong pipeline conversion what comes after conversion is mobilisation. So we won't see the benefits of all of the success that our sales team has had in converting the sales pipeline in the first half of this year, in this year. So I think steady as she goes really.

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Kean Marden, Jefferies
Morning. Can I ask a similar question? If my maths is correct the emerging markets like for like rate slowed from about 16% in the first quarter to 8% in the second. Clearly tagging and the Dutch prisons don't affect that number but Manus does, so which elements of the business saw the slowdown in Q2? And maybe if you can give a bit more colour around that.

And I've got a second question but maybe if you want to deal with that one first.

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Ashley Almanza, Chief Executive Officer
Okay, thanks Kean. Emerging markets Manus obviously, we had a quarter impact in there. I think I was quite - hopefully everyone in the room remembers that when we posted 16% I said don't put this in the bank or in the model in a linear fashion. Our business, like a lot of global businesses, simply won't grow in a linear fashion. And, you

know, apart from Manus Island we saw our global secure logistics business slow down somewhat, and this was a function of a quite sharp drop in bullion movements. In no small part that was due to changes, regulatory changes in India which make it more expensive to import and put a quota cap on the imports. And if you want to import more you also have to export so there's no question that had some effect, and that is in our emerging markets segment as well.

Beyond that there's nothing specific I would call out other than to say the business just won't grow in a linear fashion. We will have periods where we're, you know, growing at 8%, below 8%, above 8%. I don't know if you want to add anything to that.

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Himanshu Raja, Chief Financial Officer
No, I think that was right. There isn't anything exceptional apart from the G4S gold bullion and Manus.

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Ashley Almanza, Chief Executive Officer
Second question.

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Kean Marden, Jefferies
It just touches on ICT. So obviously you've had the initial scoping exercise, think there's the intention to go to market with a number of packages in the second half, can you just help us with the timeline around that and how those evolve?

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Ashley Almanza, Chief Executive Officer
Do you want to take that?

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Himanshu Raja, Chief Financial Officer
Sorry, IT or ICT? From a procurement standpoint or go to market Kean?

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Kean Marden, Jefferies
Yeah the ICT. So I think you're outsourcing - you're bundling together some requirements and then looking for suppliers.

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Himanshu Raja, Chief Financial Officer
Yeah, I mean the IT programme actually has got a number of dimensions. One of those is, as Ashley mentioned, Telco, data and voice. The intention is not to go a big bang

because actually as we've done the detailed work we have more than 320 providers on a worldwide basis. So it's about systematically going through those.

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Ashley Almanza, Chief Executive Officer
That's just Telco.

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Himanshu Raja, Chief Financial Officer
Just Telco contracts.

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Ashley Almanza, Chief Executive Officer
Right, there's over 2,000 suppliers in IT.

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Himanshu Raja, Chief Financial Officer
So just the Telco fixed voice data contracts, over 320 suppliers. And the devil is in the detail because on each of those you've got to understand what the remaining term is, what the volumes are, are there volume thresholds. And then it's about striking framework deals such that at the point of expiry we can wrap those contracts expiring into the framework. So there's some hard yardage to go really through the second half of this year and into early next year.

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Ashley Almanza, Chief Executive Officer
I think if I may to add to that, the programme that is now emerging, so you know first step was to go out and get a CIO, bring him in, he's done really a terrific job of getting round the business, taking stock of the IT estate, identifying the opportunities. It's a three to five year programme. Now, you know, I am pushing as hard as it is reasonable to do so for that to be a three year programme, but you know I have to listen to the expert here because you've got to do this right rather than just quickly.

But I think the point really to make is that as you would expect the benefits are going to be progressive, again not linear if I may use that phrase again. You know, it won't be the size of the prize divided by five, it will make some progress in year one, I would expect to see that accelerating in year two and year three, and so on. But I think it's quite right for Martin Taylor our CIO to insist on the programmes being well structured, well-resourced and delivered in a disciplined fashion and to resist my attempts for him to accelerate. But it's a three to five year programme.

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George Gregory, Exane BNP Paribas

Two questions if I may. Firstly Ashley you talked about the secure logistics business. Could you just clarify first that that business was previously held within your UK business? Is that correct? And second, how big is that in rough terms?

Ashley Almanza, Chief Executive Officer
So since I've been here it's not been in the UK business. That business has been managed out of Asia Middle East and part of our emerging markets segment but -

Female
Before that it was.

Ashley Almanza, Chief Executive Officer
Okay, maybe historically it could have been in the - I think at some point it changed. But certainly for the time I've been here. Size of the business, roughly -

Himanshu Raja, Chief Financial Officer
Around 100 million roughly, yeah.

Ashley Almanza, Chief Executive Officer
Around 100 million, so I think actually quite small given the size of the market, the size of the opportunity and the fact that we should be a natural player in that market. We have so many of the ingredients that are necessary to be successful. One of the pilots that I referred to when we talked about the global sales forum is looking at - is what Mel calls the white space in our portfolio. You know, we seemingly have market winning products and services in some markets, and you look across our portfolio and there are white spaces all over the place where we're just not leveraging that capability into those markets.

And one of the pilots we're running is on a global secure logistics to see whether we can take what has worked successfully in a small number of markets and trial them in markets where we think there's lots of potential. So you know for example in Africa we have quite a narrow footprint. It's a good little business but the footprint is quite narrow, there's more we can do.

George Gregory, Exane BNP Paribas
Thank you. And the second question, in terms of your sales incentives which you've restructured for three regions, could you talk a little bit about whether you've thought of some of the KPIs around that? How are people actually being incentivised to drive sales? Is it purely sales or what other metrics are you looking at?

Ashley Almanza, Chief Executive Officer
Yeah, so we are indeed addressing KPIs as well. So we're looking - and it isn't by the way one size fits all, it's market by market. And even within a region there are variations depending on the mix of business in a country and local market practice. But we are looking not only at sales. In some markets we're looking at gross margin. We're also looking at sales efficiency. And we will introduce other KPIs which really address the degree to which certainly sales management is managing the sales process effectively.

And so you know this new ground which is why I said we're going to keep this under annual review. You know Mel and his global sales leadership team are really starting to get under the hood a bit around things like sales efficiency and using what are, you know, quite expensive tools that we have in our toolkit to manage sales, but we think are underutilised. We're not unique, salespeople don't like necessarily always to be doing what they regard as admin, and to a large degree I agree with that. You want them talking to customers and pursuing leads. But we've got to do that with some discipline and some structure. So there'll be KPIs which deal with that as well. So I expect as we roll forward we will get more of a balanced scorecard in our sales management programme George.

Rory McKenzie, UBS
First question on the balance sheet. Do you think you can get down to that 2.5 times target by this year, or will that require much progress on the disposals, you know including the US government business for example?

And secondly on the procurement opportunity, could you give a bit more detail around the eight areas you've identified, which ones you think are first? And whether that's a three to five year programme, or whether the savings there are sooner, if not linear again?

Ashley Almanza, Chief Executive Officer
Okay. Let me make a few introductory comments and then I'm going to ask Himanshu to add to those. On gearing you won't be surprised to hear me say we're not going to give a profit forecast and give a sort of end point number for the end of the year. Himanshu pointed out that our cash flow is seasonal. We've seen normal seasonality. We would expect that to unwind. I think typically it's about 45% of our cash flow in the first half of the year?

Himanshu Raja, Chief Financial Officer
Yeah.

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Ashley Almanza, Chief Executive Officer
So, normal pattern there. We do have the disposals programme but the disposals programme is not designed to get gearing down, it's one of the effects. But the principal purpose is to bring real strategic focus, particularly in the long tail, and in the case of the US government business it's about the proxy management structure really. So I'll ask Himanshu to comment, put a bit of colour around net debt in a moment. You're going to have to remind me again about the - I should have made a note, I apologise.

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Rory McKenzie, UBS
CPO procurement -

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Ashley Almanza, Chief Executive Officer
CPO. That is also a three to five year programme. Shaun, our Chief Procurement Officer, is getting the same degree of attention and encouragement to move that programme forward with real energy and purpose, but again we have to respect his expertise. And we're more interested in getting something which is solid and sustainable rather than a quick fix. I'll let Himanshu talk about the categories, as you say category management. And the third area, forgive me.

That was it, two areas. Himanshu.

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Himanshu Raja, Chief Financial Officer
Just an additional point on the net debt to EBITDA, I can't stress enough this, you know, journey that we're on to change the culture to a cash matters culture. So as Ashley was talking about a gross variable pay, in one of the regions they put cash in as one of the variable comp measures because they wanted to change the behaviours within that particular region. So in every facet of our business we have got a real focus on it's not just about revenue and profit, it's profit that must convert to cash and we're starting to see some of the benefit of that.

On procurement, Shaun has been on board less than 90 days. He has done a great job in base lining the spend. He's now taking that to another level which is to now build the capability, bring on experienced category managers, as well as just, in the same way as with ICT, go to that next level of detail. So the next big task for him will be to suck the information from the disparate ledgers and information systems we have, really start to get down to supplier level detail, and then build the procurement programmes.

In terms of categories the top five are vehicles, unsurprisingly. We have big insurance costs because of the nature of our cash business in particular. The property estate and systematically making sure we anticipate and address the property portfolio, not only in the branch networks but also in the various administrative offices. And then it's usual things like just the travel, we don't have global contracts with airlines or travel providers. And things like professional fees. So those are the top four or five.

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Rory McKenzie, UBS
Thank you.

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Sylvia Foteva, Deutsche Bank
Hi, good morning. I wanted to ask two questions please. Firstly on the savings and the investment, can you just update us on how much you've achieved during the first half. I believe you mentioned that Q1 saw savings of about 5 million.

And then secondly on the new wins, sorry I think the 660 number compared to the 440 if I'm not mistaken. Can you just talk about which regions perhaps and sort of when the contracts will be due to start? Thank you.

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Ashley Almanza, Chief Executive Officer
Okay and we'll - thank you. I'll start with the sales question and ask Himanshu to comment on our savings programme. On sales actually the pleasing thing is it's quite broad based. So we've seen for example in Latin America new customers come into the portfolio, big new customers. And for the first time in our history in Latin America get a pan Latin American contract with a science based company in Latin America.

In Europe and in Africa we had two very good contract wins in the cash management space. A large cash utility in Benelux and a pan African contract with a major financial institution in Africa.

In the UK very pleased to see some very large government contracts coming back into the portfolio.

North America I said earlier for me is one of the standout performances of the first half. You know in six months - it's not all about six months but I think it was really a very impressive performance out of North America. The sales team and the general management team worked very closely together in North America. We haven't perfected it but it's quite impressive when you go and spend time with them to see how they work together. If anything we have too much opportunity in North America. Our big challenge is prioritising our sales effort. And we had some big wins in North America, particularly in wholesale distribution, new contracts, contract growth of existing or doubling up of capacity in contracts in North America.

So yeah, broad based which is always good to see. You know what I would call ultra large contracts in our portfolio accounted for about a third of that 1.2 billion. I think we, you know, we really want a balanced approach to the market that we don't over time develop a narrow base comprising only ultra large contracts. And then if you add large contracts to that you start to get up to 50% to 60% of the total win. And then the rest is what I would call solid bread and butter business across our contract portfolio.

Cost savings.

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Himanshu Raja, Chief Financial Officer
Yeah, morning Sylvia. We don't break out as you know cost savings by programme or individual line item, but you'll see from today's results that in four of the businesses, all four of the regions out of six you've got growth in profit that's faster than the growth in revenue. And Ashley has talked about ABP, the six core programmes that we run, but over and above that there are always local initiatives going on to get after discretionary costs and all ways to optimise the operation. And where you'll see the benefit is progressively in the improvement in operating leverage region by region.

What we will do is update you with more details in November when we meet and flesh out the detail on those programmes much more, as well as you know help you track our physical progress for example on vehicles or on labour efficiency as to the number of countries that we're covering.

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Paul Checketts, Barclays Capital
Morning. I've got two; I think we've just knocked one off. The first one is on the gross margin. It's been trending downwards for some time. You've been in the business for a bit longer now. I wonder if you could give us some thoughts on why that was happening, how much was market, how much was G4S, and equally whether you think you can now arrest that?

And the second one is on the UK pipeline. You said it's an encouraging situation at the minute. Can you give us a bit more flavour on how much of that's in public sector, and maybe if it's in the private sector which parts please?

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Ashley Almanza, Chief Executive Officer
I will ask Himanshu to comment on gross margin in a minute. I mean the only comment I would make is that obviously if you look at what's happened in Brazil, that would have had an impact on the Lat Am gross margin. We'll partially recover some of that. I'm talking about the statutory pay increase.

UK pipeline, it's again broad based. The large contract wins were as it happens in the public sector. The largest of that being in DWP where our what I call welfare to work, but employment services is the proper term, is a very effective business actually. It's, I think not only by our assessment but by other people's assessment more importantly, it's probably the leading employment services outsource provider in the UK, so there was a big win there.

Beyond that I wouldn't call out any single contract. It's, you know, spread across customer segments, financial institutions. Less retail, which we're comfortable with, than perhaps in previous years. Some new infrastructure projects that are being built, we've been successful. Our eventing business has continued to be very successful at winning new contracts. I think that's another area, notwithstanding what happened at the Olympics which I regard as exceptional, I think if you take that aside, you know not to diminish the issue, but our eventing business is quite impressive. It has a good reputation in the marketplace so we've seen good contract wins there as well.

Gross margin.

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Himanshu Raja, Chief Financial Officer
Gross margin, you'll appreciate a large number of moving parts so let me make a couple of observations. The first is there's a systematic process particularly on PI price increases, to then capture the labour indexation that we experience typically at the beginning of the year. And again we track that in our performance management country by country, not region by region but country by country, and we track what the labour indexation was and what the price recovery was. And we don't really talk about it in terms of what of our accelerated best practice, but it is something that we systematically do everywhere.

Actually when you look at the gross margin performance through the first half, three of the regions had reasonably good progress on gross margin and they were Asia and the Middle East, North America. And in the UK we saw the benefits of the restructuring we initiated last year. If you recall we talked about, particularly in the cash business, it was about addressing the branched network, and we're over a three year programme rationalising the branched network and improving the competitiveness. And you see that flow through, Ashley mentioned it in the slides.

We do some pricing pressure with Lat Am. That Lat Am effect is exclusively down to what we saw happening in Brazil with the legislative danger pay. And we see in really a couple of markets, two or three markets in Africa, but actually there's a decent amount of focus on gross margin as there is on cost. And of course when you think about the accelerated best practice, route planning, telematics and direct labour efficiency all play into the gross margin line. And when we think about IT procurement and organisational efficiency that will have a mixture of gross margin and G&A.

So overall a decent performance on gross margin but much more to do in that area like others.

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Gideon Adler, Redburn Partners
I've got two questions. The first is on portfolio. Himanshu you mentioned that actually divestment programme was more around tapering the tail of your portfolio than reducing your debt pile, but the disposal of Sweden was probably towards the front end of your portfolio by absolute materiality. I'm just wondering whether we should expect further disposals from the sort of front end of the portfolio going forwards.

And the second question is more of a cultural one. Obviously you're instituting a lot of change across the business. In a sort of service led industry and particularly for a group like G4 with over 600,000 employees, I wonder how you go about mitigating the risk of disruption from these changes, and also what the broad level of feedback has been from your employee base with all the changes going on across the business? Thanks.

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Ashley Almanza, Chief Executive Officer
Thanks. Yeah, very good questions. On Sweden, that we wouldn't class as a small, tail end business, but neither would it I think qualify as a business that has been making a material contribution to the Group. Sweden, if you go back to what we said in November we applied a number of lenses to the portfolio and one of the things we look at is market structure. And we try and form a view and ultimately we do, right or wrong we form a view as to whether or not that market structure needs some sort of fundamental change, typically consolidation, and if so whether we're a buyer or a seller in that process. And it is our view that the market in Sweden requires consolidation in order for the industry to be sustainable, viable in that country. And we think that this transaction will create a more sustainable business that brings benefits to customers and employees, but clearly it realises value for our shareholders.

So we'll continue to apply those lenses, but I think you know I stand by the comments we made earlier. A lot of what we're doing is really about bringing focus to our efforts, strategic focus for businesses that, as I said, 15 businesses are less than 1% of turnover and barely break even in a good year. So it's not a good use of our management - scarce management capacity.

Cultural change, you know this is a necessarily subjective reply to your question. It's a very, very important question. It's one that we talk about a lot at the Group Executive. We engage with our global leadership team on this. It's not static so you know I think, to your point about employee response, I think the initial response was extremely positive. Broad based response in the fourth quarter of last year was that employees felt that we were standing up and we were saying, you know, this is who we are, this is what we do and this is what we're trying to achieve, that we were putting in place a programme, we were creating a common vision and giving people a sense of optimism.

And you know, as the executive team travels around the world on business, we always try and put into our schedule what we call town hall meetings. And naturally it varies quite a lot actually and quite surprisingly; I mean you learn quickly that cultural stereotypes are exactly that, they're stereotypes. You can go to a country where you expect not very many questions or not very many sort of forthright questions, can be quite surprised. So I think you know that optimism or that positive sentiment is still there. People understand what we're trying to do. We invest quite a lot in communication but frankly we probably need to do more on communication. There's really no limit to what you can do in terms of staying connected with employees, colleagues across the Group.

We're also acutely aware that you can kill an organisation with change, you know, and we talked last year about for example not going for a big bang approach on IT. It's very clear; you don't have to spend more than five seconds looking at our IT estate to know that a lot of it needs to change. To change it all at once would be at once would be a huge mistake, so a very structured programme phased over time. Ditto on procurement.

And we're constantly balancing the change programme against keeping employees focused on the marketplace, customers, competition, and on operational delivery. Part of the answer to your question is about getting more people in. So we're hiring people into sales and business development. We have hired project managers for example in IT, because if you roll out a change programme and you explain to a management team this is what we're trying to do, these are the benefits, everyone can buy into that. I mean there's not a lot of - in fact there's no pushback on that. People can see the clear case.

What becomes more difficult is when you say to somebody, and by the way you have to do it with what you have already. So you know, do this after hours, keep your day job going. And we won't do that. We're certainly asking more of our employees, but I think they're willing to give that. But at the same time we're putting more resource in. So we talked quite a bit in the presentation about putting subject matter experts into regions, sales specialists into regions, but also putting programme managers in to deal with things like procurement, IT, hiring category managers. It's a balance.

It doesn't feel like a big push at the moment, in other words I don't feel like we're pushing water uphill. There's quite a lot of pull from the organisation. I think people feel energised, you know, by having clarity about what we're trying to achieve and everyone wants to work in a place where you feel good about what you're doing. And I think we're getting there. We're not there yet, it's a gradual - cultural change is impossible - in my view impossible to define and certainly impossible to set a precise timetable against. And to use my favourite phrase, it won't be linear, the rate of progress. But anyway look I'll stop there. I think it's right at the top of our list in the executive team, keeping the balance right. Thank you.

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Stephen Rawlinson, Whitman Howard
Just on that issue, following on from that last question it would be helpful if you could provide just a few metrics at this occasion with regard to some of the softer side. But in particular one of the ones that I remember from last year was health and safety, and that maybe one that is probably quite easy for you to recall from various board meetings and statistics that you've got to hand.

And in addition to that question I'll ask two others. One with regard to global customers. I mean much of what you've talked about today is addressing the customers on a regional basis. So if you're able to give a sentence or two please on how you address global customers.

And finally just on win rate. You know, it would be helpful to know what historically the win rate was, how you're going to improve it, and seeing how much of that 4.9 million might convert into orders.

Ashley Almanza, Chief Executive Officer
Okay, quite a lot there Stephen, thank you. Health and safety first. I think I've said it in this forum before but if I haven't you'll hear it for the first time. In a safety change programme you simply have to focus on input based measures in the first instance. Many companies have tried before to - certainly in the natural resources space and this is an industry which I think in many ways is leading the world in health and safety, to focus immediately at the start of a change programme on outputs. And you can't really do that, you have to get everyone on the team, particularly in our company which is a very large team, focused on input measurement. So by that I mean defining clear action plans, things you're going to do. And it's quite hard to draw a straight line between doing this thing and getting a result at the other end, in the beginning.

So for example it is mandatory this year for our global leadership team all to go on personal safety training, and a standard - that includes us. And on this occasion we've gone and got outside help from a specialist who I've worked with before in the oil and gas industry. Our global leadership team have gone on a safety training programme for the first time, that's about mindsets as much as anything else and creating greater awareness, creating a sense that all incidents are avoidable. Now that's quite a hard thing in this industry for people to accept, not least because many of our incidents are attack related. That's quite unique to this industry. There's not many industries where your employees go to work and face the prospect of being attacked.

So we've got a series of input measures, you know, we've got a defined programme for each region and each country to have a health and safety management system, a standard health and safety management system. Safety leadership training, road safety programmes, golden rules of safety. So these are things we can measure on an input basis, we can say everyone had to be trained by this date, you have to have a health and safety management system by this date and we will audit some of those. So we have about 110 health and safety professionals spread the Group.

We're making some changes to the composition of that group and how we manage that group, we're giving them more teeth. So we've created, again, more senior positions in each region that have a direct line of communication, if not a reporting line to the regional president in each region. And we're going to audit this as we go along to make sure this is happening.

Another input based metric is what we describe as the 24 hour report, any incident above a certain severity level has to have a 24 hour report produced and sent to the Group Executive Committee. It sounds bureaucratic, there's an aspect of it which is necessarily so, but what it does is it changes the perception in the organisation about the importance of what's happening. When a country manager hears, or gets a phone call on a Sunday to say what happened, from the Chief Executive or another member of the Executive Committee, it does over time start to change the understanding in the organisation of the importance that's attached to this.

I think I've said before that everyone on the Group Executive Committee has a proportion of their bonus attached to execution of our input based health and safety improvement plan this year. That ranges - it can be up to 30% of total bonus, it's somewhat experimental, I think typically it's going to be 15% of bonus that we're going to put in play. It's an opportunity for people to really, you know, get after something. And I think it's more than just a financial incentive or penalty, whichever way you look at it, it's about, as I say changing our mindset.

We do track, what I think you're referring to, hard KPIs, or output based KPIs, incidents. Our data record is not yet what it needs to be. So typically what you would expect to see in a large organisation is a pyramid of health and safety incident, you know, everything from near misses through to HPIs, high potential incidents, and actual severe injuries and sadly fatalities as well. And you'd expect to see a representative relationship between those things, and business by business the near misses are of course the leading indicator.

And again we're not breaking new ground; we're doing what other industries have done. But as we pointed out in the previous question we have 600,000 employees spread across more than 100 countries, so again we have to be disciplined and patient. But first and foremost it's about changing mindset, getting the leadership into the right place.

We measure on a monthly basis our incidents, we certainly measure serious incidents and of course we measure fatalities. Unfortunately we've had 26 fatalities in the first six months of the year, you know, I hesitate to say that's an improvement, it's not really, I mean statistically and numerically it is, but it's not really an improvement. The number is far too high. Each and every fatality is now investigated, it always was, but I would say the rigour and the speed of the investigation is greater now, we report those to the Board, both the Corporate Social Responsibility Committee and the main Board. And I'm really very pleased to have, in Clare Spottiswoode, somebody chairing our CSR committee who has got a genuine passion for this subject. And she certainly assists us when she - from time to time we ask Clare to travel to different parts of the business, she's a very good promoter of our health and safety campaign.

I could really - I'm afraid I could talk for far too long, your point is well made, we put in our annual CSR report some hard KPIs, for the next few years our efforts are focused on and of course we're going to keep track of the outputs, but we have to start the change from within by changing behaviours and that's got to be done in a systematic way and as I say we're getting some external help.

I don't think there's anybody on the Executive Committee, or on a Regional Executive Committee, or on the Global Leadership Team, 100 plus people who have any doubt about the importance of this. And if they do have any doubts they only have to look at their performance contract to be reminded that, you know, this is going to be something that we discuss as part of our performance pay, in a positive constructive way. But we will have a change in the way we manage this for sure. I can't predict what the results will be.

Rob Plant, JP Morgan
And the global customers and win rate?

Ashley Almanza, Chief Executive Officer
Oh I beg your pardon; I talked for so long on that. Global customers, a good point, it's an area of increasing focus, I mentioned that one of the things that the Global Sales Forum is doing is exactly that, looking at how we're managing global accounts. We do have now some quite senior, experienced dedicated global account managers. In some cases they're dedicated to one, or a small number of global accounts.

I think we're learning to be a bit more effective in anticipating the needs of our global customers, a bit more joined up globally in making sure that the global account manager based in London, or New York, or Johannesburg is aware if something happens in Delhi, or Kuala Lumpur which might affect it, so we're not quite there yet, but our internal communications process around global customer management does need strengthening.

We've got some, again I'm going to quote North America, each region I visited - this is one of the things we talk about, global account management, customer service, customer satisfaction measurement and so on. I think we're probably most advanced in the UK and North America. That's not to say there aren't some very good examples of global account management in the other regions. But we're probably slightly ahead there.

So more to do, one of our strengths as we go to the marketplace is we're one of the few, if not the only security company in the world, that can say to a global customer or potential customer, where you are we are, or where you are we can be. And that's quite a powerful proposition. So I think we've probably, again, this is another area. When I talked earlier about the review we did last year, coming to the conclusion we're underinvesting in the organic growth opportunity, this is one of those areas, global account management.

Typically the way we approach global account management has been to focus on one or two service lines with the global customer. We're now asking the question all the time - well what about the other service lines we offer, why would this customer not benefit from having those service lines delivered by a single provider. We're getting some traction. I don't think there's a consistent picture across the globe.

And then win rate, why don't I give you a break from my voice and Himanshu do you want to …

Himanshu Raja, Chief Financial Officer
I'll have to come back to you on run rates after that long wait on the trending …

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Ashley Almanza, Chief Executive Officer
It is - I mean again it's not …

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Himanshu Raja, Chief Financial Officer
It various region by region you see, so …

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Ashley Almanza, Chief Executive Officer
Exactly, yeah country by country and sector by sector.

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Himanshu Raja, Chief Financial Officer
But we'll give you some better insight offline, because an aggregate win rate is meaningless because the richness of the pipeline various region by region as does the replenishment. So we'll come back to you with some richness.

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Ashley Almanza, Chief Executive Officer
We're going to go to the back for, if not our last question then our penultimate question. I know people have got things to do.

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Ed Steele, Citigroup
Two questions please, first on this 1.2 billion of new sales wins, or 616 million annualised, obviously that was up a quarter or so year on year so it looks very impressive. Could you give us more context around how impressive it is, so was last year's first half a normal one, or was it a bit soft, can you just help us understand what this really means in the context of the last few years of your level of wins please? That's the first question.

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Ashley Almanza, Chief Executive Officer
Okay, so first question I think on a like for like basis it is up, you know, it would be stretching it to say we have a perfect record going back. But as best as our record shows it is, as I said. an exceptional performance and I stress, you know, we don't - we're not now sitting back assuming that the sales machine is well oiled and very six months 1.2 will roll in and nor should you, please, assume that either.

But I think when you look at 1.2 in the context of our sales book, then I think that's a very satisfactory performance. You know and beyond that I don't think we can comment, I don't think we've been at this long enough to say, you know, it's going to be 1.1, or 1.4 for the second half. As we sit here today I would regard it as an exceptional performance.

Clearly the amount of - you know it's a bit like the industry I came from, the more successful you are at producing, the harder you have to work at replenishing. So the front end of the funnel has got to keep feeding. Well, in a way that's a nice problem to have, we welcome that problem, but I'd sort of tie this to one of the earlier questions about the scale of change in the company, we're bringing a lot of new people into sales and business development, we're appointing new sales leaders. I think that does mean that this won't all fall into place; you know it just won't be a domino effect, we're going to make progress more quickly in some quarters and then we're going to be consolidating as new sales leaders try different things. The market won't always be out for the same level of business.

So you know there is a degree of what the market is doing as well. I commented on North America, it's really hard to know whether what we've seen in North America in the first half of this year is a trend or just a good six months, time will tell. So I'm sorry I can't be more precise there, but I think it is a like for like comparison with 440 and I think probably against even a long run historical dataset is an exceptional performance.

The second part?

Ed Steele, Citigroup
You've talked a lot about health and safety today and also in the past, and obviously that's a break with your predecessors and it's obviously a great thing. Do you think you could go as far as pulling out of countries if you can't get health and safety better, I'm thinking like maybe South Africa, K… for example?

Ashley Almanza, Chief Executive Officer
It's a very, very good question, I don't think we're going to need to pull out of any countries Ed, but what we will do and have done in the last six months is terminated some services. And it's very interesting this, because what's the riskiest business activity we have when it comes to personal health and safety? By some distance it's Afghanistan and Iraq, just think about what's happening in Iraq today. You know we have near enough 3,000 people in Iraq, as it happens based in the south, we're an important part of the security of Baghdad international airport, we have a secure business park outside of Baghdad, we have not had a single fatality in the past 12 months in Afghanistan and Iraq, now either attack or non-attack.

After attack related fatalities our highest source, root cause of fatalities is road traffic accidents. So in relation to attack there are services that we will terminate. The first thing we do is we engage with the customer and say, can we deliver this service in a different way, so that our people and your people and your customers and everyone can be safer? And in most cases the customer agrees to that, in some very rare cases in the last six months just because it's not been possible I would say logistically for that change to be made, we have terminated the service.

I don't expect that to happen frequently, you know safety is one of those things where, when you think you've got the answer you look again and you find suddenly that there's a better answer to something that you thought was the best answer. So we can rethink it. But I don't think we'll need to withdraw from any countries, touch wood, just yet.

Ladies and gentlemen thank you very much for coming along and thank you so much for your active engagement, we really appreciate the interest. Himanshu and I and the rest of our management team will be remaining behind, so if you have time please stop for a refreshment and we'll be happy to continue the conversation. We look forward to seeing you on November the 13th. Thanks very much.

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