G4S

Capital Markets Day - Session One
25th May 2011

Nick Buckles: Well good morning everybody. Welcome to the G4S 2011 Capital Markets Day, it's an event we try to run in May every year. First of all I'd like to take you through the agenda for today. So delighted that our Chairman Alf Duch-Pederson is here who's going to do a short introduction for us.

Each presentation is going to run thereafter for about 20 minutes so we'll try to make them quite punchy. I'm going to give an overview of the market, Graham Levinsohn seated next to Alf is going to do a presentation on strategy implementation and then we have a Q&A on the overall group strategy just at the end of that. And then the next session will be UK and Africa with David Taylor Smith, second from the end, and then Europe with Willem van de Ven on the end there. And then we'll have a Q&A on UK Africa and Europe and then a coffee break.

And then after the coffee break, Asia Middle East with Dan Ryan, Americas with Grahame Gibson, another Q&A and then a quick presentation from Trevor on some financial issue, final Q&A for the overall day and closing remarks. So that's basically what we're going to cover today so a very regionally based presentation format with hopefully case studies coming out throughout it.

I'll hand you over to Alf for a quick introduction

Alf Duch-Pederson: Thank you Nick, good morning everyone. I'll go through some of our achievements since G4S was formed, you may remember it was formed through a merger in 2004. And actually since that time, under the present management the group has gone through quite a positive time and helped sustain profitable gross. We've been working on our strategy to implement it, you'll hear more about it later today. We've also been doing some acquisitions.

So what have we achieved actually? From this first slide you can see when we were formed, we had 380,000 employees, now we have 620,000, that is not a KPI though, it's just a result of what we've been doing.

Revenues more than doubled to over $7 billon and profit grew by 21% per annum. We've continued to invest in a number of things amongst that, high quality management, we have extensive management development programmes running internally in our group and we believe that we fill nearly 9 out of 10 posts from internal.

We look at the group, it has a very diversified geographical footprint, there are two areas, which stick out in this circle, one is the US and one is the UK and then there is a series of other countries. All in all we are in some 125 different countries. How to keep that under control, how to keep managing that, it's done through four regions, each region is headed by a Head of Region, all four of them are present in this room now and you will hear them speak later on how they see the world, and how indeed they see their region, and how indeed they expect to create value as we move forward.

The regions and the individual countries, customers for that matter, can be very different in their asking from us, all the way from pure security, manned guarding, more solution led security, all the way in some countries to facility management. And of course, locally we try and respond to what the clients want from us as much as we can. So there are individual countries where we are very close to facility management but coming from the security angle.

If we look about profit in the various areas, again, there are two areas which dominate it, the UK and the US but then there's a series of countries again and indeed for those of you who have been following G4S since its formation, you can see that there are countries who grow quite rapidly altering profit, India is one, Saudi Arabia is another one.

It also means that if one talk about the geographical footprint outside of the US and UK, there is no dominance from any other country or any one customer and of course through the financial crisis it has served us very well.

Here you see our performance since we were formed, up to 2010 compounded annual gross rate on the EPS was 14% and indeed if you look 2008, 2009, 2010 continued the performance, that's quite well done I believe. And if you look at dividend per share it's a little over 17%. And what today's about is of course not what we have done, but that is in order to give you a flavour for what we can do in the future because you will make your return on what we do in the future. And that is what Nick and the team will be talking to you about.

If you look at total shareholder development or total share return, we were not part of the FTSE 100 when we were born but now we are and that's why we allow ourselves to compare to how they have been doing. Of course that's a mixed bag containing also banks so there's a bit of help but never mind, we've done reasonably well. Also if you take that into consideration and as it looks straight line on line 250% over that period which we believe is a good performance.

The top management structure came into its final form, at least for the time being, but we've been working towards it for a few years. And it is with four regions geographical based and it is a cash solution and then we have head office like the HR, general counsel, communication and strategy. And this is, I think Nick will agree, how we see it for the short term future, things may happen, who knows but as I stand here there is no thoughts about changing it.

There are some new faces and you will see them all present today and hopefully you have questions for them. I'm also joined by other non-executive members of the board, there are two here; Mark Seligman is on my left, he is Chairman of the Audit, so if you want to know more about the Audit Committee, that's the Chairman of that, he's also a member of Remuneration. Mark Elliott is next to him, he's chair of the CSR Committee, he's a member of REMCO and he's a member of NUMCO and both of them have other board seats in and around London.

We've come through the recession, the financial crisis we think with the flag flying and we are now ready to tell you how we think it's going to go in the next period. Thank you very much, back to you Nick

Nick Buckles: Thanks very much Alf. As Alf mentioned, really we've done pretty well in the past but today is about talking about the future and where we see the future going in terms of market and our strategy.

So what I'm going to take you through today is the global security market, where we see the trends there, economic sensitivities; I know we always touch on that but I think it's worth doing again, our values, how we put the values down through the organisation alongside the objectives, a quick overview of acquisitions and then a summary.

So in terms of the global security market, the company that does most research on the industry is a company called …

Mobile phone ringing
Pause and Chat

Nick Buckles: Freedonia are the organisation that do most of the market research looking forward. And unfortunately the years that they've sort of done the trends - you can see on the left hand side there go from 2004 to 2009, 2009 to 2014 and then 2014 to 2019 and clearly the recession has hit pretty much in the middle of that middle block.

But what you can see is the security market is destined to grow at 8.5% going forward from 2014. I would suggest that the spread between 2009 and 2014 although 5.3% on average, we pretty much think the industry was down a couple of percent for a while so clearly that is accelerating from 2012 and 2013 in those numbers. And you can see there also the growth of the different markets which I'll come back to.

And then on the right hand side, where they see the different geographic areas growing - or sorry where they see the different geographic areas growing between 2009 and 2014. So again, you could imagine that towards the years of 2012, 2013 and 2014 you'd have higher numbers than this because they've clearly been lower in the first couple of years of that session.

Interestingly Eastern Europe is the market they see as having the most growth going forward, followed closely by Latin America, Asia Pacific, Africa, Middle East and then finally reasonable growth forecast in Western Europe and North America. So if you imagine that's going to be increasing to 8.5% you can probably add a couple of percent onto most of those growth numbers for the period through to 2019.

And then on the right hand side, just to sort of reaffirm how the industry is linked to GDP growth to a certain extent, albeit on a lag basis or not, the type of GDP growths that the IMF is predicting in those markets for those years going forward, including inflation, so it's nominal GDP growth. So a pretty robust market forecast there.

And then looking at our revenue splits on the left hand side, we don't actually show Eastern Europe in developing markets in our formal publications, but if we were to we'd be about 34% in developing markets and 66% in Western Europe and North America. And you can see there a weighted average for us in terms of market growth and again, should be accelerating because 2013 and 2014 are more, is around 6.5% against a GDP of 6%. And I'll come back to it - but our declared intention and we have delivered it historically is to be a couple of percent ahead of normal GDP growth in our territories.

So then if you look at the revenue that we've generated from new markets, profitability even more but in terms of revenue, when the business was formed it was around £400 million a year, now it's well over £2 billion a year, this doesn't include Eastern Europe so it would probably be about 2.4, 2.5 with Eastern Europe in. You can see there's a very strong trend where the contribution's gone from 13% to 29% and the margin is pretty much improved from 8% to 9% and is sort of staying around 9%, so clearly higher than our group averages.

And then just reiterating the point of how new markets is going to be to the market and our group going forward, if you look at where we start in 2004, new markets were 33%, clearly some areas of new markets we're not big in like China, so 33% was the star point. We're now at 34% on this basis, and what the industry is saying that by 2019, 48% of the global market is going to be in new markets basically. So a 50/50 split which is good news for us with our market presence basically. And that means the new markets element has gone from £19 billion to £74 billion through that period of time.

Then moving onto sectors, it's important to focus on sectors we believe, particularly when you're trying to differentiate. On the left hand side is where the market sectors are split, so you can see there government FI, CNI, etc and then on the right hand side, not quite on the same basis but pretty much so where the G4S customer split is.

And what you can see for that is clearly we're overweight on government, we're 28% mainly due to the UK position against a global figure of 20%. FI's and retail we're overweight on, clearly because of our cash solutions business which you know is 20% of our group and nearly all in financial institutions and retail.

But really the point to make here is critical national infrastructure; ports, energy, rail, is about 25% of the global market and we've only got about 11% at the moment, so quite a lot of opportunity there to grow. Graham will come back and talk about that a little bit further on.

Then looking at market shares by service and actually the service elements within the global market, we believe at the moment on that journey to £170 billion the market is about £90 billion. It's B-to-B and B to G only; we strip out B to C because that's clearly not our focus area.

Manned Security is still the predominant business, 62% of the market but you can see the other sectors there in which we're equally represented, not too dissimilar to our service level split.

And then in terms of global markets, we are the market leader; closely followed by Securitas and then the other players you can see up there. But still a very fragmented market overall which you can really see even in more detail if you move to the bottom there on the left hand side on Manned Security, we're slightly smaller than Securitas but you see the very fragmented market, we're still 70% with others.

Pretty much the same on systems, very fragmented, where actually we've got a pretty decent market position just behind SECOM, and I would say our systems business has held up pretty well strategically during the recession.

And then finally cash solutions where there is consolidation could still be more. But you can see there three companies make up 50% of the market with five companies making up 61%. So what this really shows is there's still quite a lot of opportunity for consolidation.

Another point I'd like to make about competitors, both from a group strategy perspective and from an investor perspective. What we've done here is show against the companies that are perceived to be our competitors what sort of percentage overlap we have in terms of our revenue, in our core services against their businesses.

And what you can see, we'll come back and talk about Securitas, but what you can see clearly is there's no one competitor that really we would compete with on a global basis, in fact apart from Securitas they're 10% or less but they're very different in very different products and very different markets.

So what this really says to us is we have to have a decent product strategy because clearly the competitors are different and we have to have different geographic strategies because the competitors are different. So it's very important for us to not make global assumptions about competitors and competitor strategy.

Clearly the business we compete with most is in UK, US and Western Europe which is Securitas who as you know have recently looked at reacquiring their systems business to SKY which means we overlap in about 35%. But from an investor perspective and a customer and competitive perspective, we don't actually have many direct peers and that does make us unique geographically and by product.

So in summing up those market trends in terms of the market, the industry has consolidated significantly in the last ten years and will continue to consolidate. New markets, which we have a great footprint in, will be 50% of the market in 2019 and so that really goes to say it will be at least that for our business as well I would suggest.

Regulation is good for the industry, we push hard to make sure regulation is introduced, it creates barriers to entry, barriers to change and improves quality throughout the industry. And certainly government outsourcing, which DTS and Graham will talk about, Grahame Gibson, is definitely on the up and will continue to be so.

In terms of the customer, what sort of trends are they showing? Some markets are looking towards facilities management; certainly the UK has evolved in that direction, that's probably the main country we see where it has evolved. Elsewhere we do see opportunities which we'll come back to in terms of facilities management in developing markets, where we think we've got a strong footprint and capability to develop that.

More so in the last couple of years but typically throughout cycles we have to spend our time with customers balancing their cost and economic needs against their security needs. And I think where we have been successful, particularly in the last two years is keeping customers, lowering their revenue but making sure we're still maintaining the levels of security required.

International contracts are a trend, we have to set ourselves up to deal with them and we are and Graham Levinsohn will talk about that. And certainly we see in the future there'll be more and more internationally led contracts but I don't see it being more than say 5% -10% of our revenue but it's definitely something that we can differentiate ourselves on.

And then moving onto products, I mentioned earlier it's very important that we do have product differentiation in all the services we provide. And having technology certainly in-house and having the capability to do integrated solutions in-house we think is key, it's been key for the whole time the group has been together and will continue to be. And clearly we've got a declared intent to acquire a risk management and develop risk management and consultancy capability, again, a big differentiator for us.

And finally, probably our biggest challenge for international customers particularly - but just making sure we create the same level of service everywhere, is getting global consistency throughout 125 countries and that's becoming more and more important from a management, reputation and customer perspective.

Moving onto economics, I said before we didn't really used to look at macroeconomic trends typically in our business because we're always a couple of percent ahead of GDP and that's pretty much what we've said before. I won't dwell on this slide but what this says is that through the cycle from 1996 to 2008 we grew typically on average 2% organically ahead of nominal GDP growth worldwide. And there wasn't actually a cyclical relationship during normal cycles. But clearly what we did see were the massive downturn worldwide from 6% to minus 4% in terms of GDP growth, that we followed it down on a lagged basis.

And then last year I took you through our sort of quarter by quarter group organic growth, which is the red, against where global GDP growth, nominal and other, weighted by our country had gone during the same period. And what you could see from this was that we did follow the cycle down but on a lagged basis but the good point was that we actually stayed at 2% positive even though the market at one stage went minus 4%. But we clearly believe in reality it was much smoother than that, it didn't go down as quickly and hasn't come back as quickly, it's much flatter than that.

But the good news on there as you can see, we reported on the IMS first quarter, organic growth picked up to 4%. And we were saying this time last year we did expect the organic growth to pick up by the end of the year, a little bit out in that but at least in the first quarter we've followed that up. And clearly anyone can draw trend lines but that's the sort of range we would expect to be in by the time you get to the end of 2012. You can draw whichever lines you want on it, in reality we've got to convince our customers to buy more from us and that's what Graham is going to be talking about.

And just to finish off on macroeconomic graphs, in addition to the recessionary pressures which clearly our retailers and financial institutions have experienced alongside all other sectors in the last couple of years, cash solutions had a double hit, the second one being from very low interest rates. You know the argument there, if there's no interest cost of money there's no real economic argument to bank cash quickly so we have less retail collections and less deliveries into banks.

And so the organic growth there - the trend was significantly downwards during that period from 8%, 9% down to minus 4% so a much bigger decline due to that interest rate effect. But the good news again is we did start to see it pick up a little bit in the first quarter, mainly down to indexation we believe, but at least there's not a continuing reduction. But clearly the interest rate isn't going to pick up significantly in the next year or two so we've got to look at more innovation to grow that business.

So summing up on the economic sensitivities, we will deliver growth above nominal GDP throughout the cycle, we have done or continue to do so. I've said it before but I believe we're a better business now than we were three years ago so when the economies have picked up and are picking up we will be better.

We like inflation, it helps us to sit down and talk to customers every year and it helps the organic growth trends. Base rates, low base rates are great for the interest lying on the group P&L, but not good for our cash solutions business and it also effects the economics of outsourcing, not completely but it usually creates probably half the benefits that we can encourage customers to outsource from savings and interest rate cost.

Government - there is short term margin pressure, I'm sure we'll talk about that more this morning but we still believe the constraints will lead to more medium term, long term outsourcing.

And finally, nearly all our contracts, 95% plus do have price escalations or reasons to negotiate every year, so wage inflation helps to drive that economic growth.

In terms of our core values, don't usually do these investor presentations but obviously they're very important to our organisation. We've kept them as they were like this from the merger seven years ago, we added teamwork and collaboration about two years after that. But we really do live and breathe the values throughout the organisation. You'll see them coming through in the regional CEO's presentations with examples of how that's happened but they are absolutely core to our business and we keep re-emphasising them throughout business plans and internal communications. And if we were to group our objectives, which I'll come onto in a minute, you can see how they help to support those values.

So in terms of objectives, our overriding objective still is to be the world's leading international security solutions group. We specialise in outsourcing of processors and facilities, particularly in sectors where security and safety are important and you'll see that coming through in the regional presentations time and time again. We're a B to B, to B to G which I said earlier and what we're really looking for is long term relationships with customers where we can be long term partners and create value for them. Now everybody aspires to do that but I think we're doing it better than most at the moment.

So looking at the objectives for the business overall, we've split them by value, clearly teamwork and collaboration, with our structural changes and our product champions and the way we move people around and get teams together, that definitely is a big differentiator for us as an organisation.

Integrity is key, it's got to be for a security business and to be recognised as the global leader, we have to show integrity throughout what we do. And also very important to us and probably, when asked I say it's our biggest risk, is reputational management, so having good integrity, good processes, good ethics is absolutely key to keeping our reputation and our recognition as the global leader.

Also becoming more and more important for both customers and employees and investors is the whole issue of contributing to society. And I would like to spend a moment just saying what we've achieved on the CSR side. As Alf mentioned, we've now got a CSR Board committee, we take it very seriously because we do believe it's a differentiator, it helps us manage risk and helps us build our reputation. So in 2010 we introduced a process by which all major bids, all acquisitions we run through a CSR checklist to make sure we're happy with the type of business we're doing and the regime of the country in which we're operating.

Through our risk management business we were found the signatory to an international code of conduct for doing business in complex environments, that's really important because clearly reputation's a key there.

You can imagine with 635,000 employees making sure we act ethically throughout the organisation is fundamental and we make that absolutely key to the way we do business with everybody in the organisation. And we did carry out a benchmarking exercise against other multinationals last year, we're doing pretty well but there's a lot more still we can do to do even more.

And finally for 2011 what we intend to do is we have become a signatory to the UN Global Compact; we had most of the processes in place throughout the organisation anyway so it was a pretty easy decision to make to sign up.

The Bribery Act in 125 territories, those of you who have read any press on it, it's a big issue for us, we've got to make sure we implement that successfully and we will do. And finally, again around reputation, we've got a very strong approach to human rights but we will continue to build on that.

So back to the other objectives, that best people, everyone talks about it but for our industry particularly, having the best management and the best people is absolutely key. We recently run one of our two yearly employee satisfaction surveys and we got a good response, about 340,000 completed the response. And we've got about 83% of our employees that would recommend us to another organisation for other individuals for employment, which is a fantastic outcome in such a diverse business.

And also we work very hard, as Alf mentioned, on building talent pools. You'll see most of our executive team here today, we've got a cadre of 25 senior managers that we focus on developing to be able to fill into those 11 slots that we have. And actually over the next three days we're meeting with them to sort of review progress.

In terms of growth, organic growth is still the focus and Graham will talk about that and acquisitive growth particularly in multi services and new markets is going to be part of the strategy in a big way.

And the markets we want to focus on for both growth and more acquisition are China, India where we've got a great presence, Saudi Arabia subject to obviously political stability and finally we've made our entrance into Brazil but there's a lot more we'd like to do there in terms of acquisition.

In terms of customer focus, we have got customer satisfaction scores embedded now in the organisation and we continue to build on that. Graham will talk about Salesforce.com and its implementation throughout the group.

And finally, we have strong expertise but we have to continue to build on that and the quickest way for us to build on expertise is to buy risk consulting and high-end systems integrators to make sure we've got differentiation when we talk to major customers.

In terms of acquisitions, we'll come back to this a couple of times this morning but it's a very clear strategy. In new markets we're pretty much happy to buy most businesses if they can get the economic returns which we're looking for, which we'll come back to. But clearly building a market share in Man Security is key in those countries. We don't tend to do that in developed markets but we're very keen to do it in developing. And extending more into facilities management and facilities services in developing markets. It goes back to the earlier point with much more growth, much more opportunity to actually grow quickly in those countries. But then not forgetting the fact we've got to build capability, focus on buying risk consulting and systems integrators.

We've said we want to spend at least £200 million a year, we can spend more than that and still keep very clearly within our two times net debt to EBITDA sort of ratios.

So summary - In terms of the market the economies have improved, you've seen that in our results, everything's heading in the right direction. It's not easy by any means in a number of countries but things are heading in the right direction on a lagged basis.

There's very positive global security market trends, you can see going forward from 2014 to 2019, very strong trends. And just reiterating the point and I hope it comes across in each of the regional presentations because each region has got an element of developing markets, but the fact is that we are uniquely positioned throughout those developing markets to grow.

In terms of strategy, we are still very much focused on being a secure solutions group on outsourcing of strategic security and risk processes.

Continue to build on new markets, I'll reiterate that, the countries we want to focus on but not forgetting the fact, particularly in the US and the UK, going back to Alf's introduction, it's 40% - 45% of revenue and profits in the group. The US market on its own is still probably around 40% of the global security market, so we've got to continue to win and build capability in those countries and some of the other developed markets where we've got a key presence.

So overall we've delivered well as Alf's said over the last 7 years, we've slowed down a bit in the last couple of years due to the recession but we're very clear going forward, we can get organic growth going back to previously enjoyed levels and EPS growth back into double digits hopefully by the end of 2012.

Now I'd like to hand you over to Graham Levinsohn to talk more about strategy implementation.

Graham Levinsohn: Thank you Nick and good morning. For those that were at the Capital Markets Day in 2010 you'll recall I shared with you some customer satisfaction data around Net Promoter Score. And indeed how much of our group in terms of turnover, was in the solution space. First part of this presentation I'm going to give you an update on where we are on that data.

I'm also going to dive into the sector piece, you recall a big chunk of last year we had sector heads talking about aviation, ports, oil and gas and again, I'll give an update on where we are on both our thinking and the results coming from that activity.

I'm then going to quickly reiterate the strategy around developed markets and spend a little bit more time around new markets before spending the bulk of the presentation talking about organic growth.

So to dive straight into the customer satisfaction side. You recall we chose the Net Promoter Score, we reported in 2010 on a sample of 700 customers from 40 countries. We've now spread that to 80 countries and you can see very strong results getting on for 40% of our large customers are giving us a 9 or 10 score, which means they are an advocate or promoter. And over 50% is in the neutral side which is still a 7 to 8 score, very low numbers in the detractor side but clearly we have action plans to resolve that.

That very much reflects the types of scores we had in 2010, so despite the fact we've been through a recession, we've held strong in terms of customer focus and driving customer satisfaction.

We mentioned Salesforce and this is one of the measures we're going to embed in the Salesforce system, so again we will continue to report on customer satisfaction indices going forward. I'll talk about how this plays into customer retention later in the presentation.

Last year you'll also remember we talked about the percentage of our customers for the first time that was in Solutions and the definition we put around that which is up there in the red. We still have about 30% of our turnover in the Solutions space and again, I've taken the key metrics that have come out of the two surveys to share today.

We've taken two samples; 2010 sample and 2011 sample and what's clear is a number of Solutions customers in 2011 is consistent with 2010, we have seen some increase in Solutions customers where we focused on the critical national infrastructure side.

It's also true that those Solutions customers tend to be in key sectors, so they tend to be larger customers, they tend to be in the critical, national infrastructure sector, the national institution sector and the government spaces and they tend to be in developed markets or large new markets. Again, this is a measurement that we're embedding in our systems going forward so will continue to report on our progress in this area.

We talked in 2010 about the initiative around sector heads, in aviation, ports and oil and gas. We've strengthened that going into 2011 and we are currently recruiting the mining sector head and we've appointed a global and justice champion on a full time basis to drive our justice initiative across the globe. We've done that on the back of success in 2010, the three sectors we focused on in 2010 have shown significant growth through this initiative.

So in the aviation sector our turnover has grown by 29% to over £250 million. In ports where we started small, excluding acquisitions, we've grown by 64% to over £15 billion and that trend continues into 2011. And in oil and gas we've grown 35% to have over £200 million of business in the oil and gas sector and again, that trend continues as we go into 2011. So hence the reason we continue to drive the sector initiative and invest so heavily in this area.

Nick has touched on this business strategy, the key focus being driving into sectors where security and safety is a strategic risk and talked about in the boardroom and in senior government circles.

In developed markets this is consistent again with 2010, that's really about building capability around risk consultancy, around solutions, around system integration, so we can develop and win fully outsourced contracts going forward.

We have a different strategy for new markets, it's much more about the multi product strategy where we are very happy to not just do manned security and systems but also to move into facilities management, obviously cash in transit and various other facility services. And we believe that gets us to exactly the same place in new markets as a solution strategy does in developed markets.

Nick talked about the growth of new markets to become over 50% of the total market by 2019 but just some numbers driving that. Brazil, India and China accounted for nearly 45% of global GDP growth from 2007 to 2010. Over the 20 year period from 2010 to 2030 those three countries will account for half of global GDP growth. And that really does translate into the security market because from 2009 to 2014 those same three countries will account for nearly a third of the global security market growth, hence our focus on those 3 countries.

But we shouldn't forget the US, the US still has accounted for nearly a fifth of the global market growth during that same period. So those four countries accounted for nearly half of global growth in a security space over the next five years.

And we've touched on facilities and certainly this is an area we have had success in a number of countries, not least of which have been in Saudi and India where we have significant FM businesses. But our focus on FM will be on acquiring and growing manpower rich, soft facility management services to compliment our security offering. And typically that will cover catering, cleaning, support services such as reception, post room as well as obviously having a core security base. And certainly our belief, as Dan will talk about later, is FM is going to be key to our growth strategy in China.

So again, consistent message but we've really put some energy into now driving FM within the new market place. And that's reflected in our acquisition strategy where we have clear and new markets on multi products and that means building market share in manned security and cash services. It means acquiring monitoring where we doing have that capability, and of course it means adding facility services or management again, where we don't have that capability.

Developed markets and acquisitions is much more about capability building, so adding risk consultancy and building scale. Adding system integration and adding sector expertise where that gives us a clear differentiation in that sector.

So moving onto the organic growth strategy - I split this into the three sectors of the pyramids. I've already talked about the top segment which is around sectors and this really is where you've got high value complex accounts, long stable cycles, often a need for specialists, often a need for very senior people to be involved. These typically are in the critical national infrastructure space, the federal government space, the large FI's. But also international accounts fits in this space as well and clearly we've got a focused strategy to deliver in that space and I've already touched on that during this presentation.

The one area I haven't touched on is international accounts in this space. We set up a dedicated international accounts team during 2006. Our top 10 international accounts now account for 3% of group turnover, we clearly believe that can grow, but as Nick said, we don't believe that's going to go beyond about 10% of the group turnover even three to five years out but clearly an area that I can drive.

Geographically we've been very focused on Americas, US and UK outbound; clearly we're spreading that focus. Nearly 60%, just over 60% of its international accounts are based in Europe and Asia, Middle East. So each region will now have a dedicated international accounts head, run under that same centrally co-ordinated programme to drive into Europe and Asia Middle East.

Our areas of focused typically will be FI's, technology, pharmaceuticals, chemicals, multinational corporates, those are areas that we know are happy and prepared to contract on a global basis, and again, complementing our sector strategy.

The two bottom segments, the bottom piece is really about local in-branch held accounts; the bread and butter of our organisation. A large number of accounts but each has a low value. And in the middle sector this is where you often get national accounts or non-complex international accounts where we can deliver a fairly standard service. And certainly our focus in 2011 has been on driving very hard in these two areas to drive organic growth.

But one of the things we've concluded is we need more rigorous process and we need best practice in these areas and again, we're seeking to invest in that space.

So we've developed something called the G4S Way and this is really where we want to put best practice across a whole host of areas across the group. In terms of the commercial side, the G4S Way is about winning more often and bigger, it's about keeping and developing customers. And that means we have to address all of the issues and the best practice. So we have to have the right process, we have to have tools to embed those processes and drive that process and of course, we have to have the best people and particularly we have to have great sales leaders.

So we have a programme to drive all of those areas. Under best process we are focusing heavily on account management that's about retaining and developing customers. We're focusing very heavily on big bidding and I'm going to share some details of our bid pipeline in a few moments.

We've chosen a system called Salesforce to really embed that best process and drive that into our sales teams across all of our countries. We've started to access our sales leaders against a clear sales leader competency framework with a concept that we will take our best sales leaders to drive this programme forward. And we've put into place a new group commercial function that not only looks at bid, no bid process, but also it helps countries that don't have bid capability. And clearly it is responsible for reporting of big bids and significant customer wins and losses going forward.

So all of that has led us to drive out a global sales pipeline. We've always clearly had pipelines that are country based, first time that we've rigorously put a bid pipeline together on a global basis.

You can see this is focused on contracts that are worth more than £2 million per annum. So as of the 16th May we had just over £2 billion of annual contract value in that pipeline, about just over 200 opportunities. And that was split in terms of we have about £900 million of proposals submitted where we are waiting customer decisions. So typically large contracts will go to the customer, they will have time to review it and that review period can be anything from 1 to 6 months. So typically these are proposals that we've submitted during 2011 or the latter months of 2010.

In terms of RFPs received so we've got them, they're sat on our desks, so we're working avidly on them before we submit them, we've got about £500 million of annualised value in that space. And in terms of RFPs that we expect to receive during 2011, so we know it's coming during 2011 and we will be working on that to submit that either this year or early next year, we've got about £700 million in that pipeline.

And of those opportunities, interestingly over 50 of them are worth more than £10 million per annum. So we've very much done this on an annualised basis.

So which sectors do those come from, do those opportunities come from? You can say about half those opportunities by value come from government on the right. The vast majority of the rest come from the critical national infrastructure, so airports, ports, rail, energy, utilities and of course, financial institutions and particularly in the cash services side.

In terms of the government space, about 60% of those government opportunities by value are in the UK that we expect to come up during 2011 or we've already submitted during 2011. 30% is the US and 10% is a number of countries around the rest of the world.

And again, I've already said government, critical national infrastructure, FI sectors, highest propensity for high value opportunities, no great surprise those are the sectors that dominate. If we ran the pipeline below £2 million you'd expect government clearly to be much less important.

We've also analysed our customer retention rate for customers over £10 million per annum. And this is a customer area you'd expect the fiercest level of competition, to robustly tender the process and run a fair and transparent process. On the reverse side you'd expect us to have the deepest customer relationships.

These £10 million plus customers represent about 30% of our group by turnover. And in this space in terms of retention, and this is based on what we've lost to competitors, we retain about 90% during 2010 of those customers by value.

It excludes contracts that have gone away, so for example in Iraq where the US Army withdrew and that contract disappeared and no longer existed, that's no longer in that number. So this is really where we compete and win or lose and 9 times out of 10, 90% out of the time we are retaining customers during 2010 which is clearly a good number.

Just in terms of those sectors, to reiterate where big customers tend to sit, it tends to be in government, financial institutions, transport, energy, international customers, that tends to be where those big customers are.

So in summary, we believe the sector strategy is working and we put in place initiatives to accelerate that strategy. 2010 we put in core measures for customer satisfaction and for measuring success and we reinforced those during 2011 and will continue to drive those going forward. You've heard our acquisition strategy's very tailored, very focused on growing new markets, particularly for keen new markets but we're also seeking to build capability and develop markets.

You've heard our organic growth story, in terms of driving best processes across the group, in terms of focusing on customer retention; focusing on international accounts and rigorously measuring the sales pipeline process and visibility.

And with that I'd like to hand back to Nick for Q&A

Nick Buckles: Thank you very much Graham, we're running on time as well which is good. Any questions for Graham or I on strategy?

Jaime Brandwood, UBS: Just a couple if I may. Firstly that Eastern European growth projection being of the most optimistic of all the regions, obviously that's a Freedonia estimate but can you give your own assessment of Eastern Europe because clearly that's been I think one of your most pressured regions? Is that higher growth expectation mainly because you're just coming from a very cyclically depressed base?

Nick Buckles: I must admit, we were surprised at the level of both GDP growth and security market growth destined for Eastern Europe. I think there's definitely an element of that off a 2009 and 2010 base which is particularly low but I think it is a market that we have seen very strong growth of from pre-recession.

You'll remember some of the stories we talked about in Romania, which isn't a great example now but showed tremendous growth there. The Baltic's typically grew at 15% - 20% a year pre-recession levels. So I think it's believable, it's just hard to believe at the moment and certainly, I mean Willem could probably answer a little bit more about it because he's on the Europe side. But I think they're believable but clearly at the moment we're going into a positive momentum in most of the markets other than Romania and they have improved probably 10% organically from where they were 18 months ago. I don't know if you want to add anything to that Willem?

Willem van de Ven: I think there is an issue - around absolute opportunities for us and I'm travelling around in Eastern Europe, you see it happening, you see the economies are coming up again and I think we will benefit from that. You see also as Nick said inflation is in our favour, so we see a lot of opportunities there and our footprint there - there is enough space to grow

Nick Buckles: And don't forget as well, we have got the capability particularly in The Baltic's where we've got an extremely strong market to add other facility services to the mix. I've never really focused the businesses on doing that before but in other countries we've done that very small market where we dominate and I think it's a very good example of where we can make it happen there.

Jaime Brandwood, UBS: And just one more question if I may, you talked about near term margin pressures in government, as we look at your two most government exposed regions, so UK and North America, particularly on the secure solutions side, should we be expecting maybe that you see some margin pressure in those two regions offset by the positive mix impact of growing faster in EM, such that overall we get a sort of flattish secure solutions margin this year?

Nick Buckles: Certainly if you take it over a two to three year period rather than just talking about this year. Why we've always said and we'll come back to we want to protect our 7% margins overall as there will be some margin pressure particularly in the UK and US on government.

On the other hand, indexation in the UK is working quite well for us on government this year. But intuitively you feel when we're re-bidding some of the contracts we've got, we now know because we've lost the big one that price is going to be the overriding concern, not quality so we've got to assume there will be some margin pressure there. But, taking your point, we do believe there's margin upside from the mix benefit. So that's why we haven't been overly bullish about margin improvements basically.

US wise, it's always been a pretty low margin business but cost pressures will put more on that but we're not factoring a big margin pressure into the US government business

Jaime Brandwood, UBS: The US remains more of a cost plus type environment

Nick Buckles: Exactly, typically 4% or 5% margins in the very core high end security business, the margins are higher because of all the FM work and mine clearing work we do out of the US business, but the core business has always been fairly low margin

Jaime Brandwood, UBS: And just a very quick follow up to that, you kind of touched on this but is the margin pressure on government more on the installed base in terms of contracts that aren't necessarily coming up for re-bid where you've handed some discounts as a result of the Francis Maude Review and on re-bids or are you also seeing margin pressure when you're winning new stuff?

Nick Buckles: I mean DTS will talk about that a bit later, but just in a nutshell, it's down to the generation of the contract. So first generation we believe will still be good margins because you're taking risk, you're bringing innovation and that's definitely a factor. Second and third generation re-lets are definitely going to be under pressure, it depends on the generation basically

Jaime Brandwood, UBS: So Birmingham Prison for example, you'd expect to be quite a good margin contract?

Nick Buckles: Subject to all things going well

Jaime Brandwood, UBS: Thanks very much

Nick Buckles: Remember if you've any question specifically about regions then it's probably best to save them up for the guys in the regions.

Andrew Ripper, Merrill Lynch: Just wanted to maybe draw out a couple of themes in relation to security growth relative to GDP in the developed markets, maybe you could take the US and the UK as examples. What do you think the industry's penetration is of the built environment, you know, are there many customers out there that are looking at outsourcing for the first time?

And secondly, in terms of the inflation component of growth, in order to grow faster than GDP do you need tighter labour markets so you're getting more in the way of wage inflation on the solutions side?

Nick Buckles: On the second point, because we measure our performance against nominal GDP, I guess the math says that if pay awards are in line with inflation in that market, we stay 2% ahead irrespective of, which includes the level of wage awarded inflation. So it will make that actual number higher but we always try and grow 2% ahead of nominal GDP, which does include inflation. And the first question just remind me?

Andrew Ripper, Merrill Lynch: Just wondering if you could give us a sense of what you think the penetration rate is in the developed markets on the solutions side?

Nick Buckles: That's clearly easier to answer on the commercial side because government is a much bigger response depending on trains and DTS will talk about that.

On the commercial side there is definitely still a lot of outsourcing opportunities in the US, a lot of the local state are still doing in-house operations and we think they can be outsourced. There's still major industrials doing in-house security operations and so all the data says and our data says that the US has got more commercial outsourcing opportunities. I don't believe in Continental Europe and the UK that there are as many because there's been more outsourcing in the past.

And actually you'll see some of the case studies, you know, we are creating market opportunities through bringing together manpower, electronic security and risk management. But that's really reinvigorating a market that's there already, that's not encouraging outsourcing in the first instance

Andrew Ripper, Merrill Lynch: Just come back on the inflation point, I mean the point I'm drawing out there is that if you look at average earnings growth today it's below RPI, whereas for a lot of the 90s and early noughties it was above RPI. S obviously different components of inflation at the moment, labour markets are still fairly slack

	and we're not seeing a lot of average earnings growth in the US or the UK?
Nick Buckles:	Yeah, the UK for example, we did do a wage award, which was in line with CPI/RPI, I think it was the higher one of the two because that was built into a previous agreement. So I would say typically our wage awards are pretty close to whatever headline inflation is in the territories we're operating, not always but typically. So it's quite a good representative of what, so we don't get a benefit or a lack of benefit from that, I think you can assume they're pretty much the same
Andrew Ripper, Merrill Lynch:	So do you see the inflation component of growth increasing if you're matching RPI, given the what …?
Nick Buckles:	Yeah, I mean we've always said and I think it's been proven when we've looked at it in detail, that half of our organic growth is usually indexation and half is volume. And so when it was down at 2% it was either 0% or 1% as indexation and the rest was volume, which is still pretty impressive in a minus 4% environment basically
Andrew Ripper, Merrill Lynch:	Thanks
Nick Buckles:	Kean down the front?
Kean Marden, RBS:	Morning. Can I just first of all ask a couple of questions regarding Slide 16, if we just take the point you made about growing about 2% in excess of nominal GDP growth, should we interpret Slide 16 as suggesting that by the time we get towards the end of next year your business should be growing at circa 10% or just below?
Nick Buckles:	The point if you go back to the earlier slide, Slide 14 I believe, you can see that sometimes in a year we're quite close to

underlying nominal GDP growth. And so there isn't really any sort of logic behind that, sometimes we're 3% or 4% ahead, sometimes we're bang in line and that actually shows it on that graph. So that's why we've put a pretty broad range out there because it comes down to major contracts won and lost, whether the economic environment ends up at that level we don't know. But that's a reasonable expectation, we should be above, we've never really been below and then it just depends on how much further above we are

Kean Marden, RBS: Just moving onto M&A, I suppose your target of annual M&A spend has stepped up two or three times over the last six to 12 months, is it maybe, rather than talking about an annual spend on a rolling 12 month basis, just giving us an indication of maybe what your thoughts are over a two or two and a half year period instead, because presumably this is the right time in the cycle for you guys to get more in the front foot?

Nick Buckles: It's a difficult one because we undoubtedly did refocus our business away from acquisitions for the period for 2009 and most of 2010 and even if they were to look at acquisitions they had to be very specifically around capability building. And to turn that sort of pipeline back on will take a little bit of time. We did turn it back on earlier or the latter part of last year and the pipeline is filling up very quickly. But it's very difficult to give a guideline on that. I think if we do one major deal this year we'll spend £200 million, if we don't we won't. But then going forward from January I'm pretty confident we'll do £200 million each year thereafter.

Kean Marden, RBS: And then finally just one from me for Graham, just on your slide for the MPS score, it's just that if I look at the data you provided 12 months ago, we're basically seeing that the high score promoter element basically stayed broadly static and a slight tick up in neutral. Given the focus that you've placed on that, are you maybe slightly disappointed in the progress that's taken place?

Graham Levinsohn: No, what we did in the Net Promoter was broaden the amount of countries we went to. So last year we focused on the top 40 countries where you'd expect processes to be maybe a little bit more robust, when we broadened that to 80 countries that still held firm so we're really pleased it's broadly in line

Kean Marden, RBS: Thanks very much

Nick Buckles: Andy over there please?

Andy Chu, Deutsche Bank: A couple of questions please. On your global bid pipeline, in terms of your proposals submitted of close to a billion, does that reflect in terms of the sort of sector customer segments, does that reflect sort of slide 20 in terms of government being still the largest sort of 50% of the bid please? How does that break down please?

Graham Levinsohn: Slide 20 is referring to the whole of that £2 billion pipeline. From memory and I'd have to come back with the detail but from memory there's no discernable difference in the proposals submitted against that break down in Slide 20. But I'd need to just come back and confirm the detail behind that

Nick Buckles: But it should be spread proportionately through the different time scales?

Graham Levinsohn: Yeah, it should be, there's certainly no discernable difference that we've picked up

Andy Chu, Deutsche Bank: Just coming back to M&A, in terms of the acquisition spend, I guess it's very choppy in terms of timing but of the acquisition spend total of £200 million plus, how much would it expect to spend on sort of new markets versus developed markets, is it sort of very, very heavily weighted still towards new markets acquisition growth?

Nick Buckles: Yeah, I mean I would certainly expect at least half of it to be in new markets but it might be proportionately higher than that but then on the other hand, we might flex the £200 million up a little bit as well but I would certainly hope that we would commit to more than £100 million a year on new markets

Andy Chu, Deutsche Bank: Thank you.

David Hancock, Morgan Stanley: Three if I may. Firstly in the statement you put out yesterday you talked about getting back to pre downturn levels of organic growth and also EPS growth, I just want to check you mean EPS growth at constant currency that you're sort of more towards the 10% range than the 20% range you'd done in the past?

Nick Buckles: Correct

David Hancock, Morgan Stanley: Ok, thanks. The second one on new markets, as you pursue the multi product, multi service strategy, where do you think the mix could be in say three to have years time of your business in new markets in terms of sort of pure security compared to multi service offerings?

Nick Buckles: We haven't got an answer to that to be honest; it's something that we need to review country by country. So we've set the strategy up through the business plan process but we need to get feedback on the businesses on the pipeline and opportunities. But hopefully next year we can answer that question.

David Hancock, Morgan Stanley: Okay. And then last one probably for Graham, in terms of the 90% retention rate that you talked about, is that by number or by value and also is that where you had a re-tender process, you were successful in 90% of the cases or is it including customers whether or not you had a re-tender process?

Graham Levinsohn: It's by value and it includes all customers over £10 million

David Hancock, Morgan Stanley: Okay thank you.

Nick Buckles: If you don't mind, we'll carry on with the other presentations; there'll be more Q&A for us right at the end. And so I'd now like to invite David Taylor-Smith or DTS to the stand to talk about the UK and Africa

David Taylor-Smith: So good morning, I'm David Taylor-Smith or DTS. I'm going to talk to you about UK and Africa. For the UK I'm going to talk a little bit about some of our recent wins and losses and some trends we see emerging from government. I'm going to particularly concentrate on government trends; I think there's more interest and change in that in the last few months which I'll focus on.

Just a reminder of what's UK and Africa, so we represent £1.7 billion of our turnover and in Africa 31 countries, very good country coverage across Africa and I'll come on and talk a little bit about that later how we leverage that.

What do we see as growth trends over our planned period? We do see in the UK our organic growth increasing to over 8% per annum, the organic growth year to date is pleasing, good organic growth and we've seen no reason why we shouldn't hit that.

We do see an improving margin trend and that's through mix of business, there is a little bit of us kind of firming up on that because we see a very strong strengthening government pipeline which we traditionally make better margins on and we see some of these emerging trends that Nick mentioned around price pressure on re-bids but better margins on first generation stuff, but I'll talk a little bit more about that later.

Organic growth in Africa we should see to be double digit, particularly focusing on the sectors which are growing robustly in Africa. And that's moving up well year on year, we've seen about a 3% point improvement in organic growth from last year.

Moving onto the UK, just a reminder of our revenue break down in the UK, £1.2 billion, you see £700 million of that in government. Just you'll see the obvious areas in government – NOMS; National Offender Management Service, Ministry of Justice, UK Boarders Agency. And what's very pleasing for those of you that were here a year or so ago with the Department of Work and Pensions we said that is going to be a target area for us and we've grown the Department of Work and Pensions, this doesn't include our Welfare to Work wins, when that's clocked in next year that will be £130 million. So a significant growth area for us and I'll talk more about that later.

Our commercial strategy, the strategy in our region's got three bits to it, it's like a sandwich, the bit at the front do the basics, service, profit, growth. The bit at the back, make sure we get the right people, organisational structures and processes in place to deliver it, particularly where we're dealing with big government wins, a lot of focus on that last bit to make sure we do things on time and to spec. And then the middle bit, I'll focus on particularly when we come to government, is to be a market leader in our chosen sectors.

We've done some good analysis recently and the work where we've, in the last four or five years moved into sectors in the UK, commercial sector where security is a differentiator, we're seeing better margin returns from those areas. And we would say that is the reason why we are in the manned security area, four to five percentage points on margin better than our next largest national competitor because of the mix that we have in that area.

Government strategy, same bits either side, bit in the middle which is use our current government position as a platform to grow, get into new areas of government where our brand is relevant and our skills are relevant; Department of Work and Pensions being a good example. And then you can see we put a new update on two aspects of the government strategy is in order to deliver the basics we've got Beat the Recession, Francis Maude Process and on the other side is Proactive Response to Government Outsourcing. And I'll talk more about that because that is changing a lot in the last three or four months.

Right, bit of a busy slide but it just kind of illustrates that in action. If you look at the government pie chart on the right you can see the sectors that we're interested in and what this shows is just in the centre the traditional more basic work around manned security. And on the outer edge moving through progressions through to secure facilities management and then total outsourcing.

So if you take the Department of Work and Pensions we've been growing along the arrow with our contract we have for running their estate, that has grown significantly in the last year from around £50 to £80 million. But then in addition to that the Welfare to Work we go straight to the outer edge. I mean the work we deliver there is the kind of the core of what that Department's work is. So good opportunity, particularly in government to move straight to the edge of doing complex longer term contracts which should often pay the margin returns.

Just to remind you at the bottom we are working as part of collegiate effort of leveraging expertise around the group and there are some good examples there. Working Willem's region we've won The Police Training Academy PPP in Israel we've won events around the world, major events including in Abu Dhabi, a recent acquisition, which I'll talk about later, which has taken us into new markets for care and justice.

Right, just to talk about some of our recent wins and losses and I'll just focus a bit more on three or four those. So about 200 million of recent wins and losses, I'm going to talk about the Prisons, Work and Pensions and the Olympics in a minute in more detail but just to highlight some of the others. There you see a number of extensions there RBS and electronic monitoring delighted to do the security, just signed a major extension that's one of our largest commercial customers, RBS.

The electronic monitoring we've just extended that for a further year, which is great. We've also seen a number of major hospital wins there. We've gone from a position of being a new market entrant in providing facilities management in acute hospitals, I think that's more relevant for our brand and heritage and we're now number four in that market place. So we do 13 acute hospitals now. So that's great, we've overtaken some good household names that you'll be familiar with in that area.

So just to talk in a bit more detail about some of those wins which you might be interested in. So the two prison wins recently; HMP Birmingham, first time that a public sector prison has been out sourced to the private sector shows good continued faith in G4S. We do a lot of firsts, first - electronic monitoring first, PFI prison first in court escorting. So that comes on stream in October, got teams busy working on that at the moment, worth about £24 million a year.

There are potential union employee issues, we have bid this to operate and run this on a lower staffing model than currently exists and on a more efficient staffing model. But not to forget that the bid against a public sector bid which also had those featured. So we are currently mobilising that.

A little statistic on the right so in the UK we're now bigger than the Scottish Prison Service and Northern Ireland Prison Service combined, so we're starting to get proper scale now in the UK as a kind of a credible alternative to national bodies running prisons.

At Featherstone, a brand new prison, Wolverhampton 12 miles apart, significant in terms of how we bid that, so the 12 miles apart and that'll be around £18 million per annum, and commences in April next year.

Now I'd like to talk about the Olympics, really proud of our winning the Olympics, we've got about 600 people down in the park as we speak today. Duncan (?) spent 5 years working to win the Olympic bid, working with Debs and the team and also combining some of the CSR activities and I'll hand over to a better known figure than me to explain about that hopefully.

London 2012 Games Video

David Taylor-Smith: Great video, I've got a little clock by my bed that says 428 days to go, don't panic. So what are we going to do there, so we won the contract for the Games time and that's going to involve around 10,000 staff, biggest peacetime mobilisation since World War II. And we also became a sponsor as well so great complementary activity to the work that we're already doing with our 14 programmes and the British Olympic sailing team.

We see this having significant growth opportunities of the people coming to the Games, either visiting teams or visiting companies or visiting people or governments. And we also see it as providing the platform for our ambitions on major event provision around the world.

Of the Australian Olympic sport, the whole industry of Australians then providing security advice to major global sporting events and we intend to take that off them after these games. We're doing a reasonably good job at that at the moment.

Welfare to Work, very, very interesting win this for us. We were seen as the biggest net winner of these recent awards. I'm just reminding those tax payers, if there are British taxpayers in this room, £159 billion spent in this area of government. And really the most core part of reform for this government led by Iain Duncan Smith of which the work programmes are the core part of that. And that is the basic believe that getting people back to work is good and that they need to focus on paying on results.

So we will be responsible for three areas for managing subcontractors as a prime to get long term unemployed people who have been out of work for more than one year back into work and being paid on the basis of that. We see this as providing significant additional growth opportunities. Two nights ago I was with Iain Duncan Smith, Oliver Letwin, Crispin

Blunt and they're talking now also applying this into the prisons programmes, into drug programmes and also benefit fraud.

You see on the right an interesting acquisition, we just made a couple of months ago Cotswold Group, the largest surveillance company in Europe particularly traditional in insurance markets. But we see that as having - they've got some very clever analytics that we could then use that leverage into the government space around fraud detection. And fraud detection is pretty popular politically and economically.

Right - recent losses. Some disappointments here, what is the big theme that came out of here is it's all about price. If you take the court escorting particularly, I mean we were doing Dungaval. Dungaval best performing immigration centre in the UK and we lost that for the smallest of margins on price where our quality and performance were not given great credibility in our respect, in our belief.

And on the loss of prisoner escorting contract we were first on quality, first on price in the penultimate round and we would have won that if we had been cheaper. So the government's chosen to give three out of the four areas to new market entrant with no experience and they believe that will be mobilised on 29th of August, that's what we're working to. Last week we were asked to prepare contingency plans around that, so we'll see.

So what are the lessons from those wins and losses? Well the UK environment does remain challenging, it's always been challenging if I'm honest around the commercial stuff. In government there has been more focus on this.

We signed the MOU about 6 months ago, I think we were seen as a good participate in that, we weren't seen as difficult, we didn't rant to our suppliers so we are seen as a good participant. We got on board and said - look, we don't think you should be attacking our profit, we think you should be focusing on your charges, that's what's important is the how much you're getting charged to do something.

So out of that we were able to give back a significant sum to government and in return protect our margin in percentage terms and profit terms and also look to the opportunities for some extensions.

We see increasing evidence that the government are looking for outsourcing. This has changed in the last three months; we're having some very interesting conversations now with government on future programmes. And those are either doing more of what we currently do; prisons or new stuff in new areas using models like neutrals. So we're looking, I had a conversation with the government last week about an area of government they're interested in us forming or private sector forming a joint venture with as a method of outsourcing. So it's really interesting innovative stuff coming down the tubes.

We've talked about outcome based contracting, I think that's interesting, carries some risks and carries significant rewards further down but I see quite analogist to the work that we did pioneering around PFIs.

I think price is determinate on re-bids; we are dismayed by the low amount on emphasis of quality at the moment on re-bids. However on first generation outsources we definitely think prices still important but actually who can do it in competence is key as well and that was key we think to both the Prison and DWP wins. But this all has the ability to significantly transform the scale of our business over the planned period.

Just a bit about our pipeline, pie chart at the top shows that 92% of our visible pipeline is with government. That's not unusual because you get greater long term visibility with government as opposed to commercial. Of that you can see down in the bottom the government sector very strong pipeline from Ministry of Justice, Department of Health and also we expect to see the Department of Work and Pensions significantly increase in that area.

Our acquisition strategy in line with group thinking, I just want to highlight a couple of recent acquisitions. I've talked about Cotswold, we've also just recently acquired Guidance Monitoring which takes us into 6 other markets for electronic monitoring, brings us some additional technology, they've been an existing supply partner for five or six years and we've seen this as an important thing to do for the re-bids for England and Wales.

Just turning to Africa, so here's our position in Africa, 29 countries. I think if you look at the chart on the top right what it shows is what a great position we have relative to the Pan African competitors so about £500 million turnover compared to the nearest largest competition about £50 million, and that's important in a minute when I talk about our sectors.

So three bids to the African strategy, there are some turnarounds we're doing at the moment of under performing businesses. It's a more volatile area of the world, there's always stuff going on. Ivory Coast at the moment, we had a good example of things you wouldn't plan a year ago. And we are focusing around improving organic growth capability in our markets. So just getting the basics of selling right to get the organic growth rate up.

I want to talk now a little bit more around the middle bit around the sectors we're going to focus on. Six sectors, these are all high growth areas for us, mining, oil and gas telecoms, embassies, a traditional strength for us in providing protection to embassies and missions, ports and international accounts.

So good example is we've just won some work from Diageo providing services in a number of African countries and I just want to give you a good example on Angola. So Angola was a market that we weren't in until recently, we entered it in June 2010, won the US Embassy bid as the way to get in, since then we've won contracts with Statoil and Fugro and now we've got some further bids in the pipeline with other oil and gas and extractives. So we see that being an interesting country because of its exposure to extractives and oil and gas and infrastructure work. And that's reasonably typical as a kind of profile for an African country.

So in summary, in the UK it's definitely a challenging environment but our Government pipeline is expanding and it has changed a lot in three months and I would expect in three to six months time to say it looks different again. But the trend is towards, if the Government's going to tackle £176 billion structural deficit they're going to have to do more than come after our suppliers and look at just their profit. It is minute compared to the size of the opportunity if they do some large structural out sourcing and reform of the way public services are delivered.

On re-bids we see price being a key determinate, we're now doing some work making sure that in all re-bids we get to the lowest cost operational model so that we're as fit as possible on re-bids. We do see that being different on first generation bids where we think price and competence is important.

On commercial, as I said, we see a differentiation and margin return on sectors where security is important versus sectors where it’s not important.

In Africa very good strong overall mix of growth rates across Africa where we will be focusing in the six sectors I mentioned a minute ago. And then we also see this being complimented with a good range of capability and synergy and marketing entry acquisitions.

I’d now like to hand over to Willem who’s going to talk to you about Western Europe and then I'll be available for some questions at the end, thank you.

Willem van de Ven: Thanks David. Good morning everybody and thank you very much - that I’m allowed to have a presentation of my beautiful European Region. Originally I come from Holland and I’m working almost 20 years for this G4S family and the last eight years I was responsible for Africa. And since July last year I’m running Europe as a regional CEO.

Growth Drivers in Continental Europe - I call the title Growth Drivers because in South Africa a professor who’s called David Moropo who said ‘if you’re not growing you’re dying’. And I like to show you in my presentation that Europe is full of life.

So my contents financial, competitor position, new versus old G4S Europe strategy and I give you some examples from the Netherlands and some case studies and our growth opportunities.

Going to the European security market - As you see it’s huge despite the UK, which in our structure UK is not part of Europe, it’s logic it’s a small island. But you see the Netherlands is a huge market, Sweden but also Turkey and Poland and Russia are big markets for us where we have opportunities for growth. We have opportunities for growth in the markets we are in and we have also opportunities for growth to expand our footprint.

Growth trends - organic growth increasing to over 6% per annum, your GDP inflation recovering and some stabilisation in Eastern European economies. And improving on margin trends held by a business makes volume growth and cost focus.

If you go now to solution mixing and G4S Europe you see mainly secure solutions more than 60%, cash solutions more than 10% in my region of which I'm responsible for, I have seven countries from the 25 where we have cash operations. And in justice services mainly in the Netherlands where we have for prisons, some immigration centres but also electronic monitoring which we have also in Israel because Israel is also part of the European Region, and we also won some asylum centres in Cyprus.

If you look at our position in the selected markets you see the numbers of the stars, this is the cash divisions or the countries where the cash solutions is reporting into our cash division. You see quite a dominant position in manned security in most of the countries and also in the cash business which is important for us because we believe in our strategy that you have to be the number one or the number two in a country to make profit out of cash. So you can see we fulfil this strategy. Actually only in Sweden our secure systems are quite small.

So my management team is great. So if you look at this team they manage to have an experience of more than 100 years together. We have Andreas Paterakis on top of it; with 32 years and the other guys have experience with G4S or in the industry of between 10 and 20 years.

It's interesting - as what we did last year, instead of cutting cost on management we agreed that we would create an over capacity on management. Because in my philosophy the bottle neck for growth is a lack of management. So we created an over capacity to have five regional managing directors for West, North, East, Central and South who are running 25 countries so it's a lot of space from a managerial point of view to grow.

So some summary of keys for success - new management team as I showed you already but also you can have a great business plan, huge paper work and a great strategy, but if you don't have the people who can exercise this plan it's not going to work, we are in the people's business. So very important for us in Europe for us to look at management team, if they could drive the right capacity and that they have the passion to work in our industry. If not we have to train them, we have to tell them and if they don't understand we have to replace them.

A nice example is for instance Sweden where last year in Sweden we made quite some significant losses. That management team at that time didn't understand the security industry; they didn't have the drive the passion. We replaced the MD with this exec team and in 12 months time they turned Sweden around from a loss making business into a profit making business because we were focused on the basics, we have the right drive, we have the right passion. So if you don't have the right people no strategy, no plan will work.

So cost, for cost reduction I will show you for an example in the Netherlands later on. Price - a lean and mean organisation. In the Netherlands but also in the rest of Europe we discovered that we still had some fat. So we looked last year especially where we can cut our costs as well as direct and indirect because we believe if you're not efficient enough it's very difficult to win bids, because customers are not going to pay for an inefficient organisation.

Innovative tenders - I will show you some examples of that later on. And then customer retention - implement total solutions, important if you don't keep the back closed, winning new customers will not help.

So we focus on our core business and we also decided to increase our profitability by product line. We're focusing more on product lines and we are not allowing any more in the country that are not really profitable product lines, they'll be covered by a good profit line. So the cash division is not allowed to cover the guarding or vice versa which means you're much more focused on detail. And if the performance does not feel right we can take earlier the right correction plan.

So an example of the new G4S European strategy and I'm taking the Netherlands as an example with a five point plan. So the reason there was a turnover and that people were under pressure; price competition, low economic growth I think you will recognise all - it's a commoditised shrinking markets. High level of direct and indirect cost, customer loss was too high. We had negative growth over the last few years and we had a low number of acquisitions and the introduction of our solutions product line was not quick enough.

So there was reason to change so we installed a new management team, we promoted them from inside and they made a plan together. So the MD with the five executive members they made the plan for change and they set it a five strategic objectives and an implementation plan.

So how does that work? Every executive member had to drive a strategic objective and has to report back every month in exec team where they stand. So acquisition, lean and mean, retention, focus and solutions.

So lean and mean - to become a lean and mean company in order to remain competitive in our existing markets. And it covers all targets so it's not just talking but they are measuring themselves where they stand. So the target is 100 basis points reduction in direct cost by 2015 and 150 basis points in reduction in direct costs by 2015.

Retention - to increase our ability to retain customers thus reducing customers' loss and shrinkage. Target - reduce customer loss by 25% and increase retention range from 92% - 94%.

Focus - to create focus on our key security success drivers cross our business and processes. Target - measure every key success driver in our business and processes by the end of 2011.

Solutions - To develop solutions with existing customers in target sectors, which lead to a five year plus contracts and better margins. Again, the target, 50% of turnover from output based five year plus contracts by 2015.

And last but not least, acquisitions - to realise acquisitions to increase our market share in existing markets and to add strategic capabilities to our businesses. And the target again, one or two capability building acquisitions by the end of 2015. And I must say the plan is working already, it's dedication of the people and focusing on the right things.

We also like to focus on growth - organic customer retention implement total solutions, acquisitions, new countries for international accounts, we just not only want to enter new countries by acquisitions, but we also think that in countries where we have already business via our international account division that could be great platform for us to start business in these countries.

And Southern East Europe we call developing markets. Like Nick said already, actually every region in G4S has a developed and a developing market and my part of the developing market will be East Europe which I believe have huge growth potential for us.

I'm talking about Kazakhstan; of course Kazakhstan in G4S is part of East Europe, Kazakhstan, Uzbekistan, Ukraine, Russia, Baltic and Turkey; great markets and great opportunities for us.

Recent contract wins - another organic growth example; in the Netherlands SBBA, it's in Almere City, it's a business park, it's a customer for 15 years and we were coming to a dead end. You know, sometimes it's not any more the energy we needed. So customer, we had problems, we had burglaries, vandalism, unoccupied buildings, lost value, so we needed a solution.

So the challenge was how can we reduce the cost and improve the security of the business park with a smart solution?

And the solution was preventative surveillance and response. We would use our mobile patrol vehicles; we installed 60 cameras at access road, local camera surveillance centre in Almere City and a G4S monitoring centre as a back up in Amsterdam.

So we invested €700,000 instead of just rolling over the contract we changed the whole approach, we invested €700,000, with the result that the crime reduced by 70%, our turnover grew from €220,000 to €1.3 million, a gross margin entered by 500 basis points, contract period from three to seven years, we re-signed the contract and more important our total contract value went up to just above 9 million.

So, another nice example of solutions is the Brussels Airport. We won this airport by the 1st of February this year and annual value of €25 million. The contract for three years with an option to extend it three times one year, so maximum six years contract. We have some possibilities to increase our business and additional services and in year four we expect a new screening platform will give us another 10% growth.

How did we do this? First we used a different model than our previous provider. We used a dynamic planning model based on an incorporation of our European knowledge from Schiphol and Oslo. So on average we're using 5.5 agents instead of their previous provider who used seven. So actually we delivered to the customer a saving of 20%. And nice is that we saved 20% on labour but didn't have to retrench anybody because the business is growing, the amount of passengers in Brussels Airport has grown by more than 10%. So we can reuse our savings in bringing it on the other side in the airport where the business was growing.

But also not only a different model, but very important in Europe is teamwork and collaboration and we are using the knowledge from one country to transfer to another country using best practice. So for instance, Brussels Airport we used the knowledge from Schiphol and transferred that to Belgium. And that's a fantastic example of teamwork and collaboration and I'd like to show you a small video about that.

Brussels Airport Video

Willem van de Ven: So another nice example of winning a contract was the European Commission. It's a very big contract in Belgium also, 700 officers. It's a five year contract with an estimated value of €31 million. So together with the airport, because this contract starts on the 1st April and together with the airport which started 1st Feb we gained only in Belgium more than €55 million on new businesses.

Another nice example, Helsinki and I was talking about innovating tendering. And I'm very proud of my management team there because what we did, we tendered for this contract and for the standard security we went in with an average price. Because as you heard from David price is sometimes fairly key.

So we went in with an average to low price but for the ad hoc business we tendered for a high price and 75% of the business is ad hoc. But they measured under the standard security. So we won this contract and the end now already shows us that it will be a very profitable contract because the ad hoc is much bigger than the standard security.

Another one, an eye catching contract in Oslo. It was a ski championship, not such a big contract but was great marketing for us and has a very high exposure.

So finally also some other recent wins. Kazakhstan, and we all talked today already about pipeline. We have a huge pipeline in Kazakhstan already so we're doing the security there. Uzbekistan, big business. Turkey is a great example of cross selling, the ING contract, we have that ING contract with our guarding business and we are able to also do the cross selling and to win the cash business now. So it is a total package.

Then we talk about Greece, talk about the 360 and the cash business. At the moment we have about 60 360 machines, it's a very G4S dedicated solution. And we have more than 300 of these opportunities in the pipeline.

Austria, the Siemens contract, €4 million annual value, great contract. Serbia, the KBC Bank and the National Bank of Greece, we won that. In Netherlands the Pro Rail which means we are doing the security of the head offices but now we're also talking with Pro Rail because in the Netherlands it seems to be very funny to steal the copper from the cables next to the rails. So we're now making a plan together with the Dutch Railway to prevent that. Norway, I told you already, Finland I showed you and Russia we're having some risk consultancy.

So growth opportunities, Care and Justice, government outsourcing, again recent wins; in Cyprus the asylum accommodation, the Israel police training academy good for 20 years, Belgium European Commission, Swedish Parliament Administration Building and in Slovenia the US Embassy.

We have options and opportunities in cash solutions, especially in the south and east of Europe. The cash solution in Greece is doing very well. In Kazakhstan we see opportunities, Russia and also Turkey. Turkey is a huge growth market for us.

Secure solutions, we talked about Total Solutions already, and Eastern Europe again. The Baltics, in the last years I think the Baltics had negative growth. That turns around now to positive growth and we think we have the benefits of that. Romania is still a tough market for us.

As you are aware the Romanian Post Office couldn't pay our bills anymore so we had to stop our services there last year in August. And we've retrenched already the 1300 people directly linked to this contract and the 480 vehicles. We are in the middle now to deploy them in the region to other countries. So we're getting out of the deepest point already and we expect actually on a smaller base to restart this contract hopefully this year.

Okay the summary from my point of view, Europe focused on growth. So growth to return helped by recovery of the economy, cost reductions for making G4S more competitive, focused contracting strategy, I gave you some examples about that already we had some early successes, and most of all quality management, capacity and I mean management over capacity of this, knowledge, expertise and the drive and the spirit. And that will help us to deliver our goals.

Thank you very much and I'm happy to hand you over to Nick for questions and answers.

Nick Buckles: Thank you very much Willem. Running a little bit late but we're still okay so Q&A before coffee break. So you can start thinking about coffees but let's have some questions now.

Julian Cater, Collins Stewart: It's a question for DTS please. I mean you talked about the sort of trend towards outcome-based contracts and you sort of analogised to the sort of introduction of PFI, but I mean the original PFI contracts were availability based. So in the context particularly of the work programme contracts how did you or how did the board get comfortable with a much greater degree of volume risk within those contracts please?

David Taylor-Smith: Yeah I think the analogy with PFI is the very first PFIs everyone was making it up. And by everyone making it up people were reasonable in the application of the consequences of partial or full failure. And what we've seen in the Welfare to Work contracts is because they understand that we don't know all the data and they don't know all the data, our maximum loss is limited to our own loss rate and not to any application of some punitive liquidated damages.

So let's say we weren't able to get anyone back into work we would only be on the hook for our management costs of delivering the service, not beyond that. So that's kind of a good example.

And the second thing is, is that what they've done they've sensibly phased the payment mechanism there so initially we get some guaranteed revenue and then after year 2/3 that starts to fall away as we start to have available data. And I think both those are quite sensible and pragmatic by the Department of Work and Pensions. And certainly from conversations last week they're thinking in the similar sort of way.

I think a little bit naively government were thinking that this was going to be banked by the banking community; they were thinking okay we can almost see social bonds being issued. And we said well it's unlikely you're going to get something like that until people see a very, very solid set of empirical results emerging that they feel that they could, that us or other investors could feel they could fully back.

Question, JP Morgan: In retrospect was Romania a mistake and what would you have done differently?

Nick Buckles: I think it's a bit unfair to ask Willem to answer that. No I don't think it was a mistake at all, primarily because our only customers in Romania are government and banks, and typically if you chose to enter a market with governments and banks as your customers you would expect that to be a pretty successful strategy. And as you know we grew Romania from about zero to 100 million revenue in three or four years, now it's back down to about 60 or so. But you could never have foreseen or done any risk analysis around governments and banks being in the situation they were when we invested that money. And so no, we don't regret that at all.

Andrew please?

Andrew Ripper, Merrill Lynch: For DTS please. On the prisons sort of news, can you talk about what benefits you're bringing to the Birmingham and Featherstone contracts, particularly in terms of cost versus the current situation please? And then I've got a follow up.

David Taylor-Smith: So this government and previous governments have been committed to a market testing programme, but have never executed on that. So I think the reason for executing on this is primarily economic and then secondarily a desire to continue to reform the prison system.

So the economic case is about the efficiency on deployment and utilisation of staff, because most of the base in the prison is - you know the cost base is factored around that. However the government has made clear to us that what they would see increasingly is a pool of competent bidders who are capable of running facilities, and that they will then swing their evaluation more on outcome based payments about what we do with the offenders which we're happy with that.

So as I say we were up against private sector bidders on Birmingham and also public sector, and we are reasonably assured because we're now working with the government on the transfer collaboratively and they have given us a level of transparency on what their assumptions were on staffing levels, we're reasonably assured that we're in the ballpark.

Andrew Ripper, Merrill Lynch: So just in terms of giving us a sense of order of magnitude what sort of costs you'd expect to run at or manning levels versus what the original position was?

David Taylor-Smith: Probably a bit sensitive, we're just starting yesterday and running on for the next two weeks what's technically called announcing our measures to the staff in Birmingham and it might be a little bit sensitive if I was to give you that before we told the staff so.

Nick Buckles: Was the press release from the government not highlighting the savings over a period of time? It was, wasn't it?

David Taylor-Smith: Yeah so Ken Clarke highlighted it but I mean we're talking about a significant reduction in staffing.

Andrew Ripper, Merrill Lynch: Why is it easier for you to make that change rather than the NOMS or the Ministry of Justice?

David Taylor-Smith: I think the flexibility in the way that government choose to employ and deploy people and associated union practices; I mean that is the key driver for the success of outsourcing public prisons to the private sector.

So if you look at even the most hardened sceptics, you know the last two or three heads of the prison service they're all completely convinced of that and they've seen that the sort of 15% of prisons run by the private sector, they've seen one of the principle benefits is it's sharpened up the efficiency of the latent 85% but you can't underestimate just how much more efficiently we operate our facilities.

I mean we took a cadre of Birmingham prison staff around one of our facilities in Wales and they were, you know, they were taken aback by our staffing levels and by the levels of order control and programmes we were running with them.

Nick Buckles: I think the other point though just to make is because we experience in our businesses all around the world is that you can make a step change maybe by either organisation, but actually to keep that cost level down and continuously improve I think the private sector has got much more experience and track record. Because we know even in our own operations if you don't keep managing and monitoring it every 12 months or every month and keep looking for continuous improvements it goes back to how it was previously. So I think you know that's the big difference with the private sector, it's continuous improvement and continuous monitoring because we've got a motive to do so.

Andrew Ripper, Merrill Lynch: I mean I gather the Ministry of Justice has got a business plan that is going to push more sites into the hands of private operators and you I think DTS in your slide talked about maybe up to ten a year being market tested or competed.

David Taylor-Smith: We expect that now to be - as of last week we were told five.

Andrew Ripper, Merrill Lynch: Five.

David Taylor-Smith: Later this year.

Andrew Ripper, Merrill Lynch: About five a year, okay. Obviously there's a lot of opposition from Prison Officers Union and I'm just sort of wondering about you know the balance between the economics. Maybe you can give us a sense of how much more efficient you are in running your existing six versus the state is, and how does the Ministry of Justice sort of weigh that up against a lot of pushback from the staff and the POU?

David Taylor-Smith: As a typical order of magnitude whenever we're talking to central government about benefits of outsourcing you can expect a 20% saving, and that is before we've then kind of applied five years of management expertise. But rough orders of magnitude are kind of 20%.

We are putting a significant effort into our dialogue with the Prison Officers Association and did so from the day of announcement till yesterday. I mean we've been very, very proactively engaged with them. And don't forget for them it's all about membership. So the prospect of them being recognised in the new prison, Featherstone, and the prospect of them being - continuing to be recognised if this is an ongoing programme. They're also so far, which is great; they've been intelligent and engaging in their dialogue.

Nick Buckles: As well Andrew I think we will be sensitive about the need to get it right. The economics will be important but they won't be at the extent that we don't want to get it right basically.

David Taylor-Smith: Yeah.

Andrew Ripper, Merrill Lynch: Thanks.

Question: Just a couple if I may, David you gave some organic growth projections for both the UK and Africa, the 8% and 12% respectively. Were you referring to this year or is that more an exit rate going into 2012? And as a follow up to that, given your comfort on giving those growth projections, why was Willem not able to for Europe?

David Taylor-Smith: Well I can't answer for Willem; I'll let him answer that.

Nick Buckles: Actually to be fair Willem did say 6%.

Question: Yeah you talked about six, right okay sorry.

David Taylor-Smith: So they're planned period. So we're seeing organic growth moving positively in UK and Africa and particularly pleasing levels in UK. So we expect to see a peak in 2012, the Olympics effect, it will definitely have a material impact. So it's planned period.

Nick Buckles: Planned period is to the end of 2013.

Question: More just a sort of medium term question, I mean some of the business that you're winning in the UK for example where you've secured more business with Telereal Trillium, I guess is done through these kind of intermediaries who are effectively brokering your services on behalf of the client. Is that an increasing trend that you're seeing in the UK and maybe in other developed countries, where you're effectively dealing indirectly with the client through an intermediary?

David Taylor-Smith: Actually Telereal Trillium superficially looks like that but what in effect has happened is Telereal Trillium they're withdrawing their capability and leaving themselves as a very thin kind of property management and actually pushing much more complexity down to us. And that is transitioned extremely well.

I mean it is ahead of where we wanted to on service and that's confirmed from custom and on profitability.

But the general trend towards I think in the first wave the likes of property management companies and Johnson Controls took a leading role in facilities management outsourcing. But the move to total facilities management outsourcing doesn't make that a particularly compelling economic model; it is self delivery that's more compelling.

So if you look at those hospital wings, the reason why we've been winning very well in those is we've applied our learning and doing highly bespoke, but efficient large government contracting, managing entire facilities, GCHQ and the Met Office, and we've applied that to a hospital. And what the hospitals are telling us is that compared to some of our competitors where it feels like seven divisions within a company, delivering services with a very thin account management layer, it does feel like proper bespoke total facilities management and with kind of cost benefits.

Nick Buckles: Okay we've got one more question before coffee if that's all right.

Male: Thanks just a quick one from me. Sorry it's another one for DTS, sorry Willem. Do you think that GOME (?) - can mobilise three contracts because I think what we pick up in the industry is a degree of surprise, probably from their side, that they were so successful and maybe they don't have the bandwidth of capacity to be able to deliver?

David Taylor-Smith: I think you need to ask them that. We were asked to draw up contingency plans a week ago.

Male:	Is it possible that the tender process can be reopened or is that too much egg on the face for the client?
David Taylor-Smith:	You'd need to ask the Ministry of Justice that.
Laughter	
Male:	Thanks.
David Taylor-Smith:	We are very, very irritated and disappointed by the result.
Nick Buckles:	I can't believe you've even asked us about it.
David Taylor-Smith:	We're very, very surprised by the result.
Nick Buckles:	Well thanks very much for that everybody for the first session. It's just gone 11, we're 15 minutes late but we will make that up. But we'll be back in here for 11:15 please. Coffee is outside.

END