

G4S plc

Half Year Results

23 August 2011

Securing Your World



Nick Buckles

Chief Executive Officer

Securing Your World



Agenda

Results Highlights	Nick Buckles
Financial Summary	Trevor Dighton
Business Review & Strategy update	Nick Buckles
Q&A	

Results Highlights

* At constant exchange rates

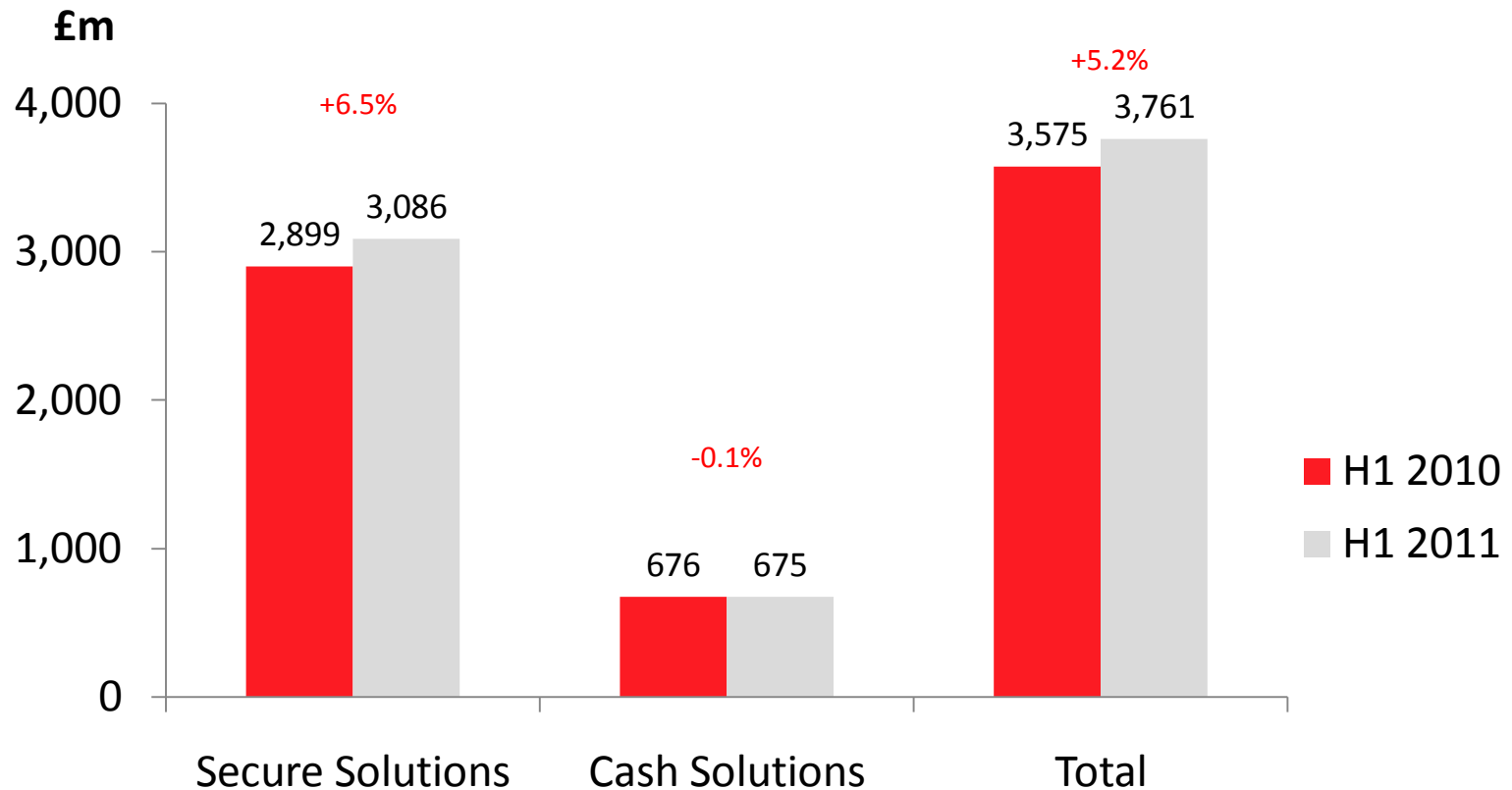
- **Group turnover* up 5% to £3,761 million**
- **Organic turnover* growth of 5%**
 - **New Markets organic turnover* growth of 9%**
- **PBITA* up 3% to £239 million**
- **PBITA margin* of 6.4%**
- **Operating cash flow generation 60% of PBITA**
 - **Expect to achieve FY target of 85%**
- **Adjusted EPS increased by 8% to 10.0 pence**
- **Interim dividend up 8% to 3.42 pence per share**

Financials

Trevor Dighton
Chief Financial Officer

Continuing Turnover by Business Line

6 months ended 30 June 2011



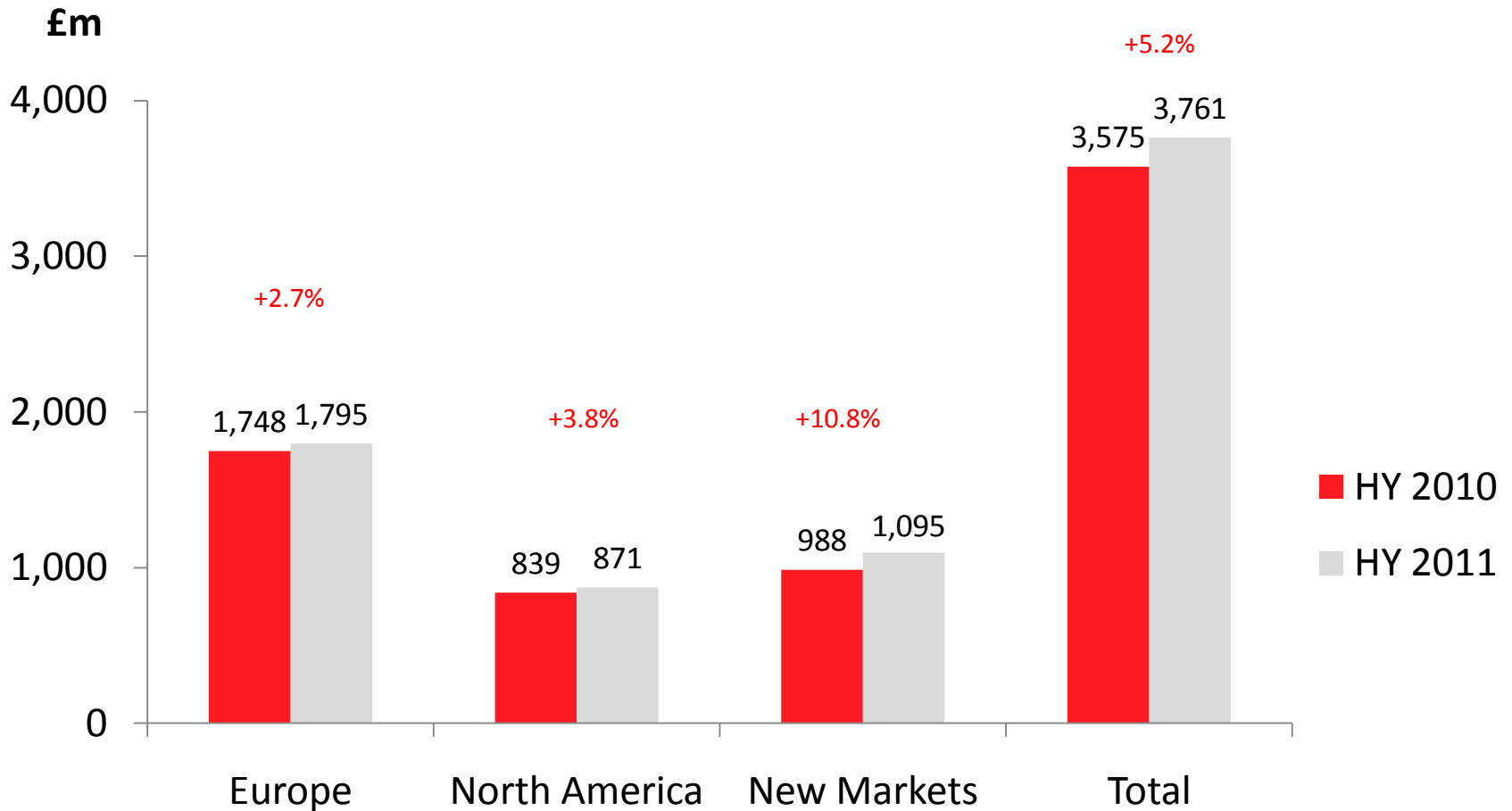
Note: At 2011 exchange rates

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Continuing Turnover by Geography

6 months ended 30 June 2011



Note: At 2011 exchange rates

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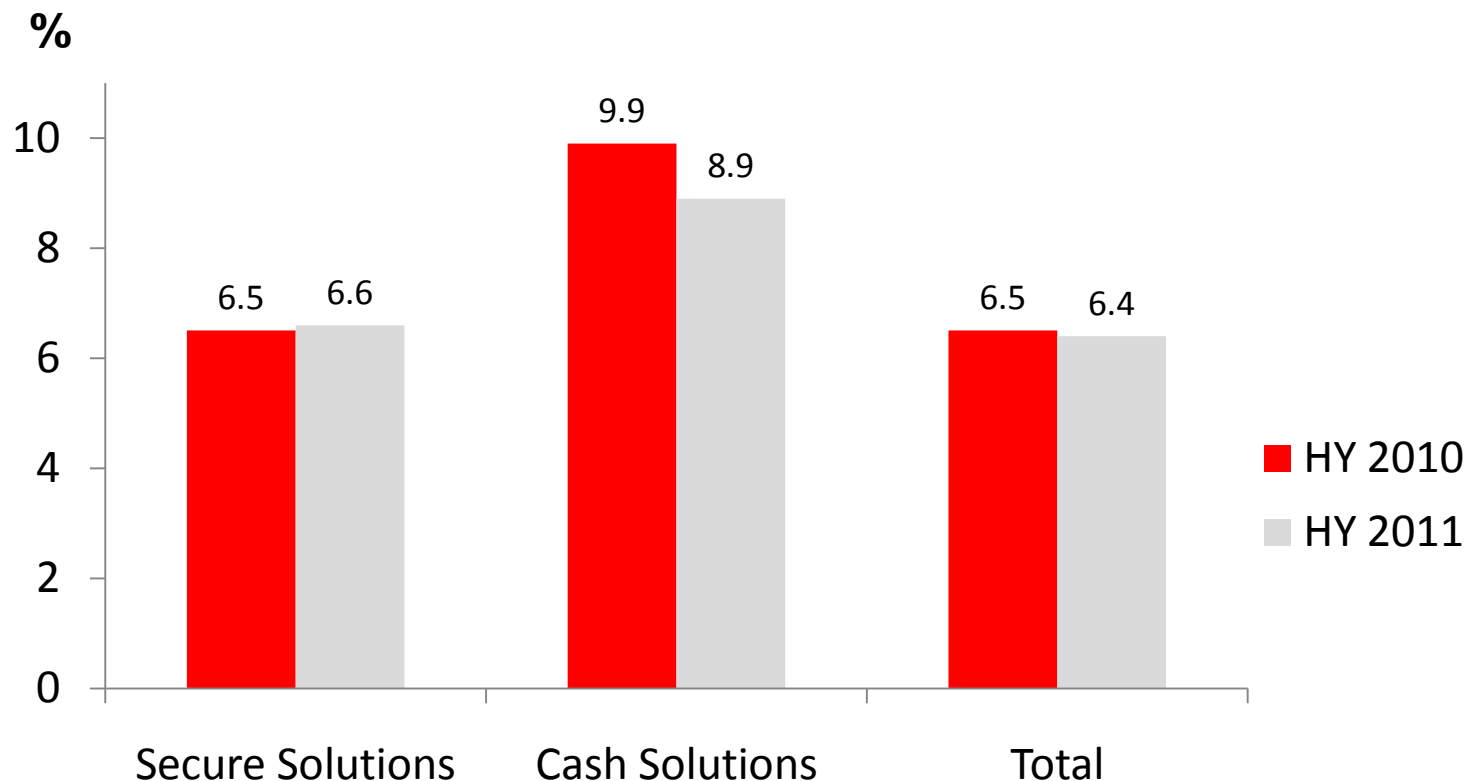
Organic Turnover Growth

6 months ended 30 June 2011

	Europe	North America	Developed Markets	New Markets	Total
Secure Solutions	4%	4%	4%	9%	6%
Cash Solutions	-2%	-4%	-2%	8%	1%
Total	3%	4%	3%	9%	5%

Continuing PBITA Margin by Business Line

6 months ended 30 June 2011



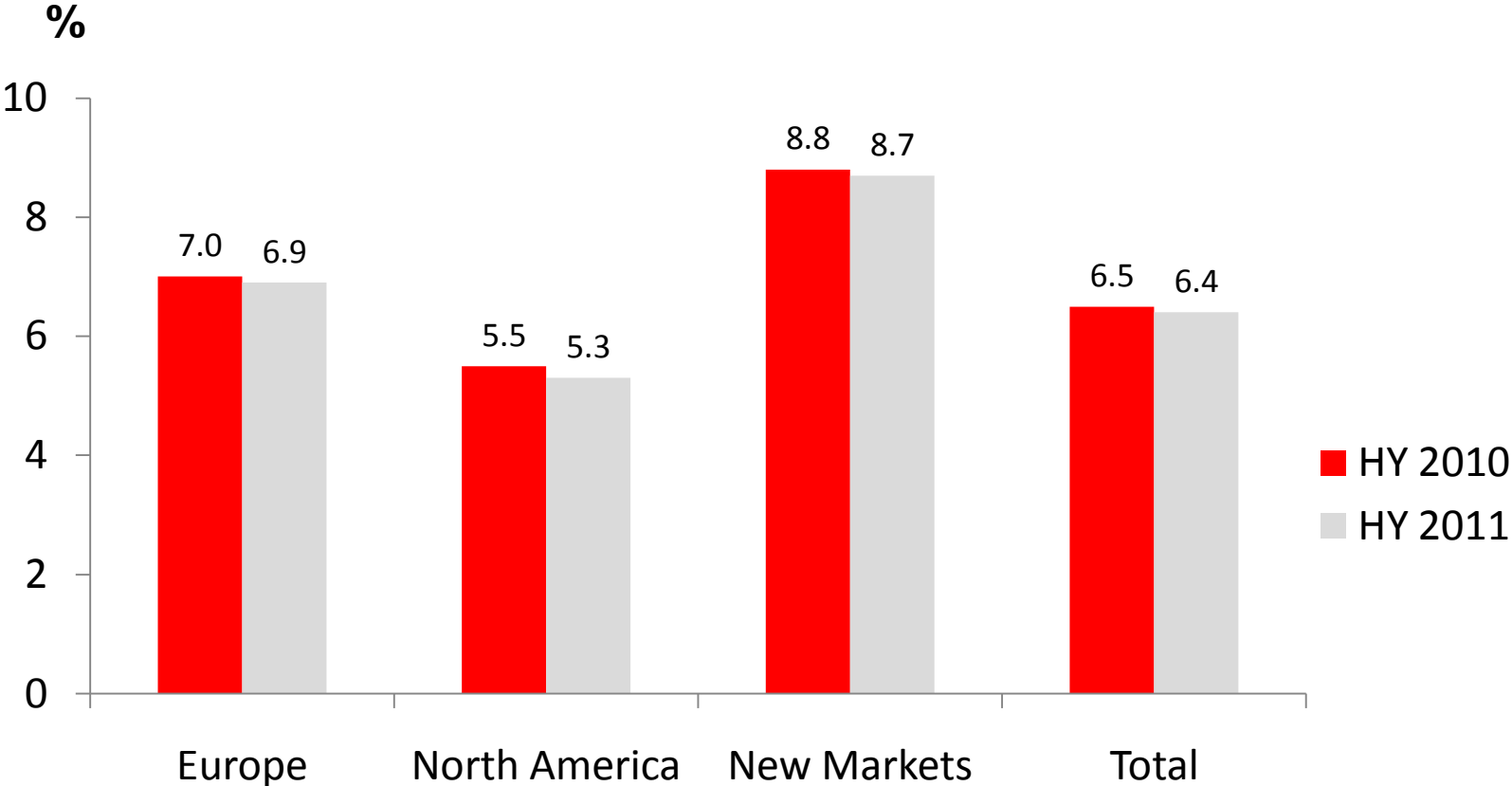
Note: At 2011 exchange rates

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Continuing PBITA Margin by Geography

6 months ended 30 June 2011



Note: At 2011 exchange rates

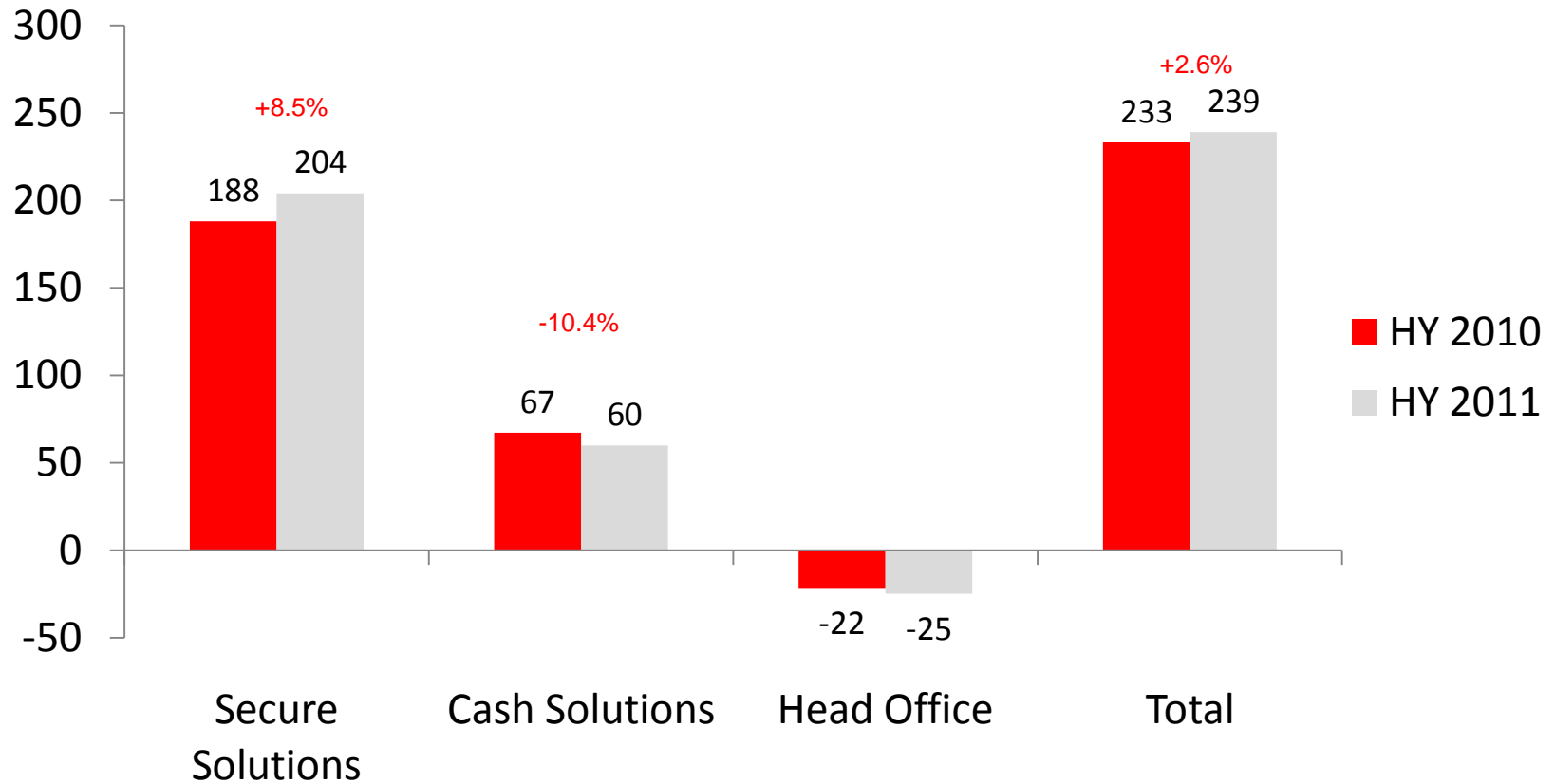
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Continuing PBITA by Business Line

6 months ended 30 June 2011

£m



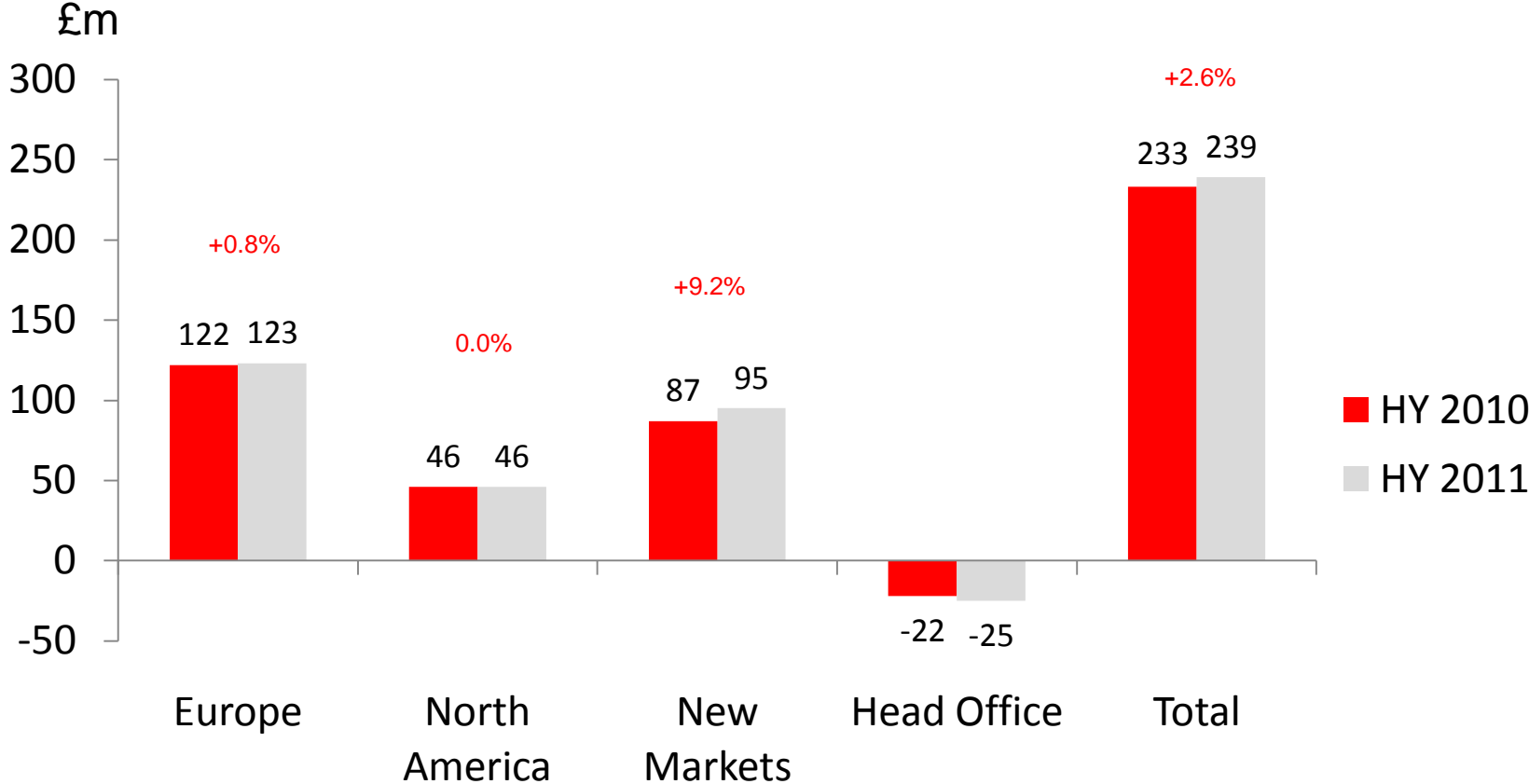
Note: At 2011 exchange rates

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Continuing PBITA by Geography

6 months ended 30 June 2011



Note: At 2011 exchange rates

Profit and Loss Account

6 months ended 30 June 2011

£m	2011	2010
PBITA	239	238
Interest (before pensions)	(47)	(50)
PBT (before amortisation and pensions interest)	192	188
Amortisation	(44)	(43)
Pensions interest	1	(3)
PBT	149	142
Tax	(30)	(35)
Discontinued operations	(1)	(3)
PAT	118	104

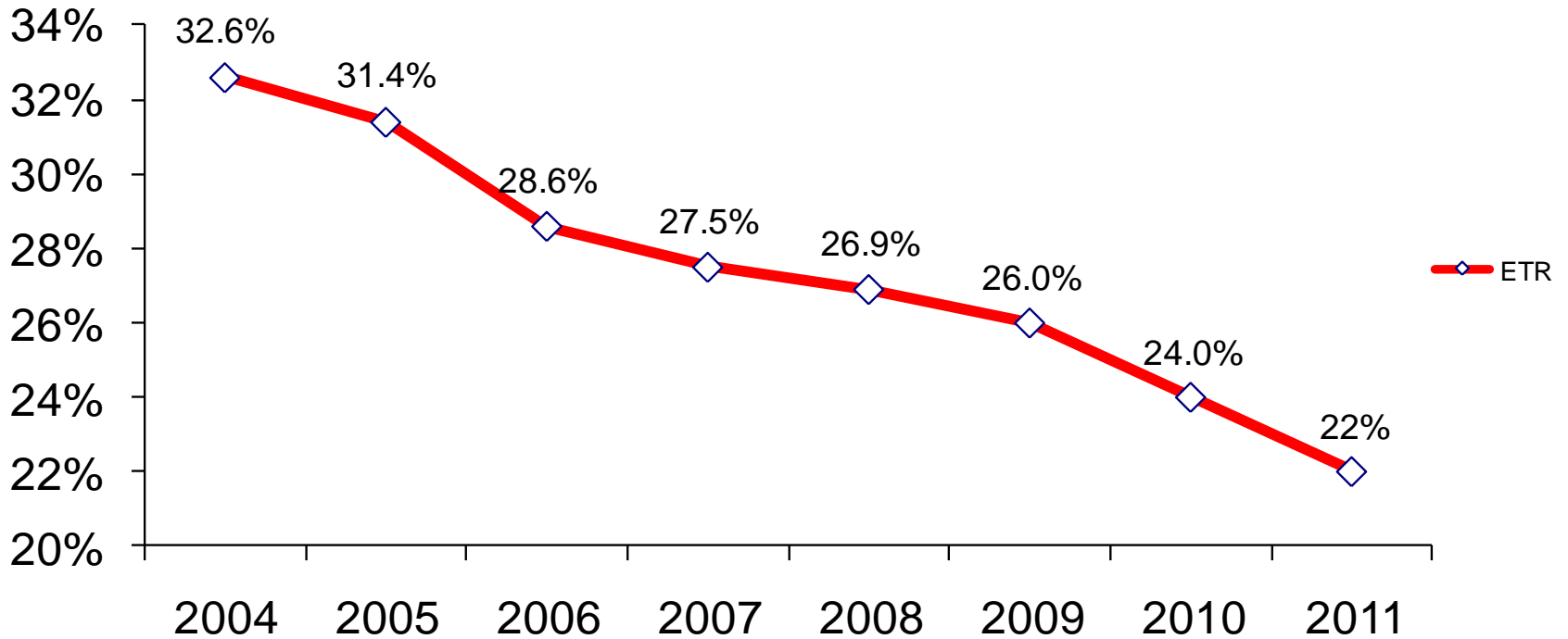
Taxation

6 months ended 30 June 2011

£m	Pre amortisation and pensions interest	Amortisation and pensions interest	Total
Profit/(loss) before tax	192	(43)	149
Tax (charge)/ credit	(42)	12	(30)
Tax rate	22%		

Effective Tax Rate

2004 - 2011



Earnings per Share

6 months ended 30 June 2011

£m	2011	2010 at constant FX	2010 at actual FX
PBITA from continuing operations	239	233	238
Interest (before pensions)	(47)	(49)	(50)
Tax	(42)	(46)	(48)
Adjusted PAT	150	138	140
Non-controlling interests	(10)	(10)	(10)
Adjusted profit attributable to shareholders	140	128	130
Average number of shares (m)	1,405	1,404	1,404
Adjusted EPS (p)	10.0	9.1	9.3

Balance Sheet

30 June 2011

£m	June 2011	June 2010	December 2010
Goodwill and other intangibles	2,498	2,499	2,504
Tangible fixed assets	560	562	580
Other non-current assets	228	167	224
Current assets (excl cash)	1,653	1,577	1,536
Current liabilities (excl debt)	(1,264)	(1,294)	(1,315)
Non-current liabilities (excl debt)	(450)	(550)	(480)
Net debt	(1,576)	(1,515)	(1,426)
Net assets	1,649	1,446	1,623

Operating Cash Flow

6 months ended 30 June 2011

£m	2011	2010
Group PBITA	238	236
Depreciation	74	73
Working capital movement	(116)	(68)
Cash generated from operations	196	241
Capital expenditure	(53)	(70)
Operating cash flow	143	171
Operating cash flow as % of PBITA	60%	72%

Reconciliation of cash generated by operations

6 months ended 30 June 2011

£m	2011	2010
Operating cash flow (Statutory definition)	131	181
Capital expenditure	(53)	(70)
Cash outflow on exceptional items and discontinued operations	4	-
Additional pension contributions	19	24
Tax paid	42	36
Cash from operating activities (G4S definition)	143	171

Cash Flow

6 months ended 30 June 2011

£m	2011	2010
Cash from operating activities (statutory definition)	131	181
Interest	(64)	(61)
Net capital expenditure	(53)	(70)
Group dividend	(66)	(59)
Acquisitions and disposals	(57)	(29)
New finance leases	(9)	(3)
Other	(14)	(13)
Movement in net debt	(132)	(54)
Exchange movement	(18)	(28)
Opening net debt	(1,426)	(1,433)
Closing net debt	(1,576)	(1,515)

Acquisitions

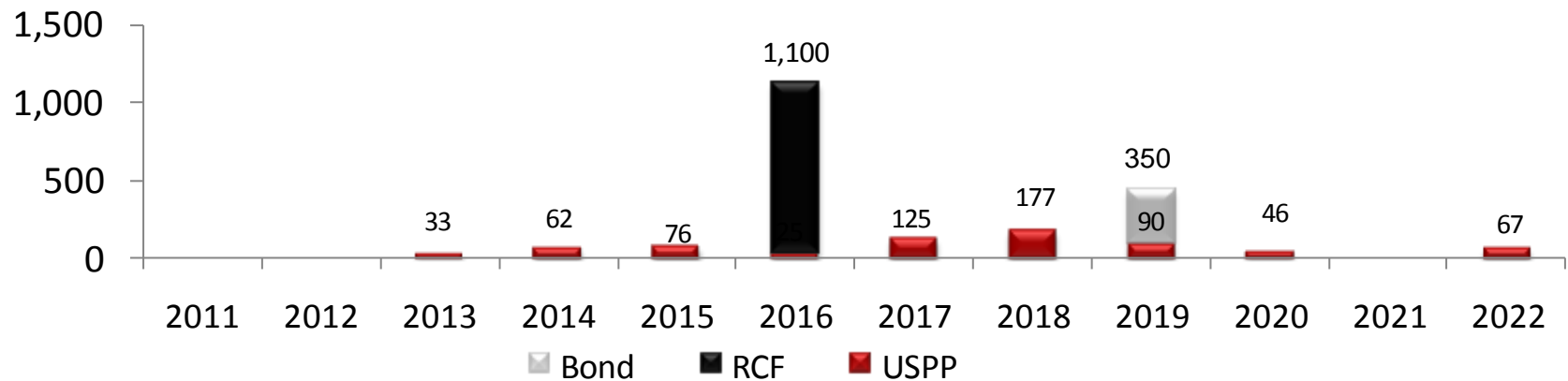
6 months ended 30 June 2011

Current year acquisitions:	£m
Cotswold	10
Guidance	17
MCH	14
Other	1
Total spend on current year acquisitions	42
Less: cash acquired with MCH	(8)
Net investment in period	34
Current year spend on prior year acquisitions:	
South Africa Cash Solutions earn-out	13
Other	8
Total spend on prior year acquisitions	21

Financing

At August 2011

Long term funding - maturity profile (£M)



- Effective interest rate of 4.9% (2010: 4.7%)

Pensions

6 months ended 30 June 2011

- Financial assumptions updated as at June
- Calculations subject to short-term volatility
- Deficit decreased to £184m from £191m at December 2010
- Discount rate of 5.6% used for the UK (5.5% at 31 December 2010)
- Additional cash contributions of £19m paid (no P&L implication)
- Cessation of future accruals in the UK

Dividend

6 months ended 30 June 2011

- Policy remains to increase dividends broadly in line with underlying earnings growth
- Interim dividend of 3.42 pence (DKK 0.2928) per share
- 8% increase on 2010

Nick Buckles

Chief Executive Officer

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	Turnover £m		PBITA * £m		Margins	
	1H11	1H10	1H11	1H10	1H11	1H10
At 2011 exchange rates						
Europe	1,358	1,297	86	79	6.3%	6.1%
North America	818	784	46	44	5.6%	5.6%
New Markets	910	818	72	65	7.9%	7.9%
Exchange differences		57		4		
At actual exchange rates	3,086	2,956	204	192	6.6%	6.5%

*Includes share of associates

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Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H11	1H10	1H11	1H10	1H11	1H10	1H11
UK & Ireland*	612	571	50	45	8.2%	7.9%	6%
Continental Europe *	746	726	36	34	4.8%	4.7%	3%
Total Europe *	1,358	1,297	86	79	6.3%	6.1%	4%

UK & Ireland

- Strong growth in Utility Services, Integrated Services and expanded DWP contract in the UK
- Number of new contracts won in H1 will more than offset UKBA and court services contract losses in the medium term
- Very positive indications of UK government outsourcing trends
- Pipeline of UK government opportunities – particularly in offender management, benefits and healthcare sectors
- Market conditions remain challenging in Ireland

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Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
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Total Europe *	1,358	1,297	86	79	6.3%	6.1%	4%

Continental Europe

- Growth strategy delivering with significant contract wins in major markets and good pipeline of opportunities
- Continued focus on controlling costs
- Security systems market remains challenging
- Eastern Europe markets stabilising
- Strong performances in **Belgium, Norway** and **Israel** in key sectors - aviation, technology and secure government facilities

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North America

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H11	1H10	1H11	1H10	1H11	1H10	1H11
North America *	818	784	46	44	5.6%	5.6%	4%

United States

- Acceleration in organic growth to 4% with margins holding at 5.6%
- Good growth in commercial, compliance and investigations and system integration businesses
- Numerous US government contract wins in H1
- Good US-based International Accounts contract wins

Canada

- Good organic growth and margin improvement in key healthcare and chemical sectors
- Won CATSA Pacific Region five year airport screening contract worth around £250m overall, commencing in November 2011

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New Markets

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H11	1H10	1H11	1H10	1H11	1H10	1H11
Asia *	320	286	21	19	6.6%	6.6%	12%
Middle East *	219	217	17	18	7.8%	8.3%	1%
Africa *	173	159	19	17	11.0%	10.7%	6%
Latin America & Caribbean *	198	156	15	11	7.6%	7.1%	18%
Total New Markets *	910	818	72	65	7.9%	7.9%	9%

Asia

- Organic growth helped by strong performances across the region, especially **India, Kazakhstan** and **Malaysia**

Middle East

- Strong performances in **Qatar** and **Afghanistan**
- **Iraq** – US government work gradually being replaced with oil and gas sector contracts
- Good progress in aviation – won contracts in **Qatar** and **UAE**
- Preferred bidder for Alexandria Hospital PPP in **Egypt**

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New Markets

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Total New Markets *	910	818	72	65	7.9%	7.9%	9%

Africa

- Organic growth negatively impacted by challenging market conditions in **South Africa**
- **Morocco** performing very strongly with organic growth of over 20%

Latin America and the Caribbean

- Strong organic growth across the region helped by price increases and new customers
- Strong M&A pipeline in the region in next 6-12 months

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Cash Solutions

	Turnover £m		PBITA * £m		Margins	
	1H11	1H10	1H11	1H10	1H11	1H10
At 2011 exchange rates						
Europe	437	451	37	43	8.5%	9.5%
North America	53	55	0	2	0%	3.6%
New Markets	185	170	23	22	12.4%	12.9%
Exchange differences		(3)		1		
At actual exchange rates	675	673	60	68	8.9%	9.9%

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* Includes share of associates



Cash Solutions

Europe

* At constant exchange rates	Turnover £m		PBITA £m		Margins		Organic Growth
	1H11	1H10	1H11	1H10	1H11	1H10	1H11
Europe *	437	451	37	43	8.5%	9.5%	-2%
North America *	53	55	0	2	0.0%	3.6%	-4%
New Markets *	185	170	23	22	12.4%	12.9%	8%
Total Cash Services *	675	676	60	67	8.9%	9.9%	1%

Europe

- Strong performance in **Belgium**
- Continuing effect of the loss of the Post Office contract in **Romania**
– discussions continue with a view to restarting non-urban areas
- **UK** performance negatively affected due to restructure of a major bank contract in prior year
- **G4Si** growing strongly and CASH360 wins coming through
- Outsourcing opportunities returning

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Cash Solutions

North America

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North America

- Impacted by the loss of part of the BMO contract
- Strong pipeline for CASH360

Cash Solutions

New Markets

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New Markets

- Very strong organic growth, particularly in **Hong Kong, Thailand, Malaysia, Morocco, Colombia, Qatar & UAE**
- Margins affected by robberies and cash losses in **South Africa** and **Saudi Arabia**

Strategy Delivery

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Acquisition Strategy and Progress

- Invested £42 million in H1 2011
- Expect to invest around £200 million per year (incl. minority interests and deferred consideration payments)
- Focus
 - Developed markets – add capability
 - Developing markets – add scale; capability and FM in selected markets
- Meet minimum acquisition criteria
 - ROIC of 12.5% within 3 years for smaller acquisitions
 - ROIC of 10% within 3 years for strategic capability-building/ market entry acquisitions
 - Continue to evaluate larger deals

Key Market Trends

Market	Customer	Product/Service
Industry Consolidation	Facilities Management (some markets)	Innovative Technology – differentiator
Rise of New Markets to c.50% of market	Balancing customer economic and security needs	Risk Management and Consultancy a differentiator
Regulation improves standards and benefits high quality providers	Growth of international contracts	Global Consistency important
Government Outsourcing		

Key Market Trends

H1 2011 Evidence

Market	
Industry Consolidation	<ul style="list-style-type: none">▪ Expect to spend around £200m per year▪ Strong pipeline of M&A opportunities
Rise of New Markets to c.50% of market	<ul style="list-style-type: none">▪ H1 organic growth of 9%▪ 29% of group revenues and 36% of operating profits
Regulation improves standards and benefits high quality providers	<ul style="list-style-type: none">▪ Regulatory changes driving growth in key strategic sectors such as ports, maritime and aviation
Government Outsourcing	<ul style="list-style-type: none">▪ UK prisons (8 prisons to be market tested and one re-bid)▪ Short-listed for Lincolnshire Police contract▪ Bid submitted for Wiri PPP prison in New Zealand▪ Prime bidder for the Alexandria hospital PPP in Egypt▪ Good pipeline of EM pilots and opportunities

Key Market Trends

H1 2011 Evidence

Customer
Facilities Management (some markets)
Balancing customer economic and security needs
Growth of international contracts

- Increasing demand for broader range of FM services in some markets such as the UK and Saudi Arabia
- Good M&A pipeline of FM companies in New Markets

- Continually re-engineering customer requirements

- £67m pa new contracts in H1 mainly out of US/UK
- £180m pipeline of opportunities – should win ‘our fair share’
- Momentum of International Account development increasing

Key Market Trends

H1 2011 Evidence

Product/Service	
Innovative Technology/Approach - differentiator	<ul style="list-style-type: none">▪ Work Programme in UK▪ Proprietary “Symmetry” products increase penetration of US Government▪ Incident management driving new sales with large US co’s
Risk Management and Consultancy a differentiator	<ul style="list-style-type: none">▪ Khalifa Port, UAE transition consultancy plan▪ BP contract in Iraq▪ Olympics contract
Global consistency important	<ul style="list-style-type: none">▪ CATSA contract - an example of G4S knowledge and expertise in global aviation▪ Customer demands for consistency increasing – especially on international accounts▪ Implemented global incident management system for all of BofA/ML

Overall Summary & Conclusions

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Summary & Conclusions

- Good underlying improvement in growth trends across most business sectors and regions
- Continued strong performance from New Markets – expect them to be 50% of revenues by 2018
- Healthy pipeline of bidding opportunities particularly in government and financial institution outsourcing
- Strong and exciting M&A pipeline
- Confidence in outlook for FY and into 2012 reflected in 8% dividend increase

Q&A

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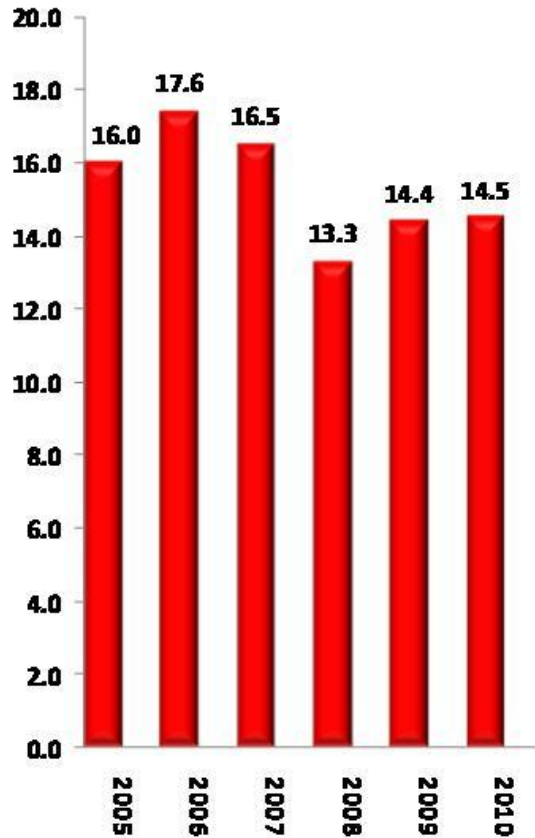
Appendix

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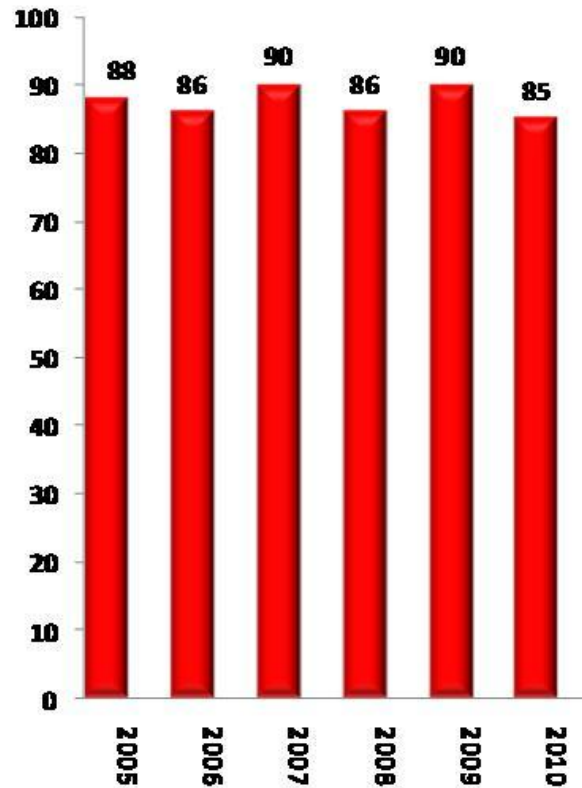


Delivering Shareholder Value

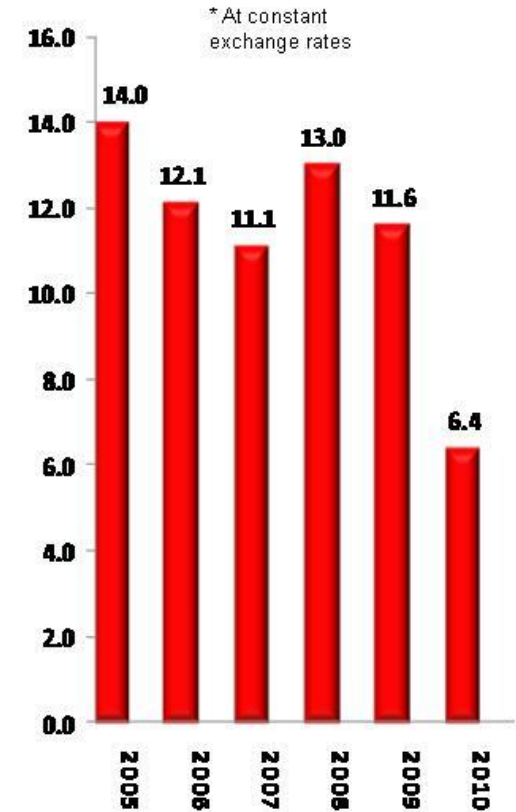
ROIC %



Cash Conversion %



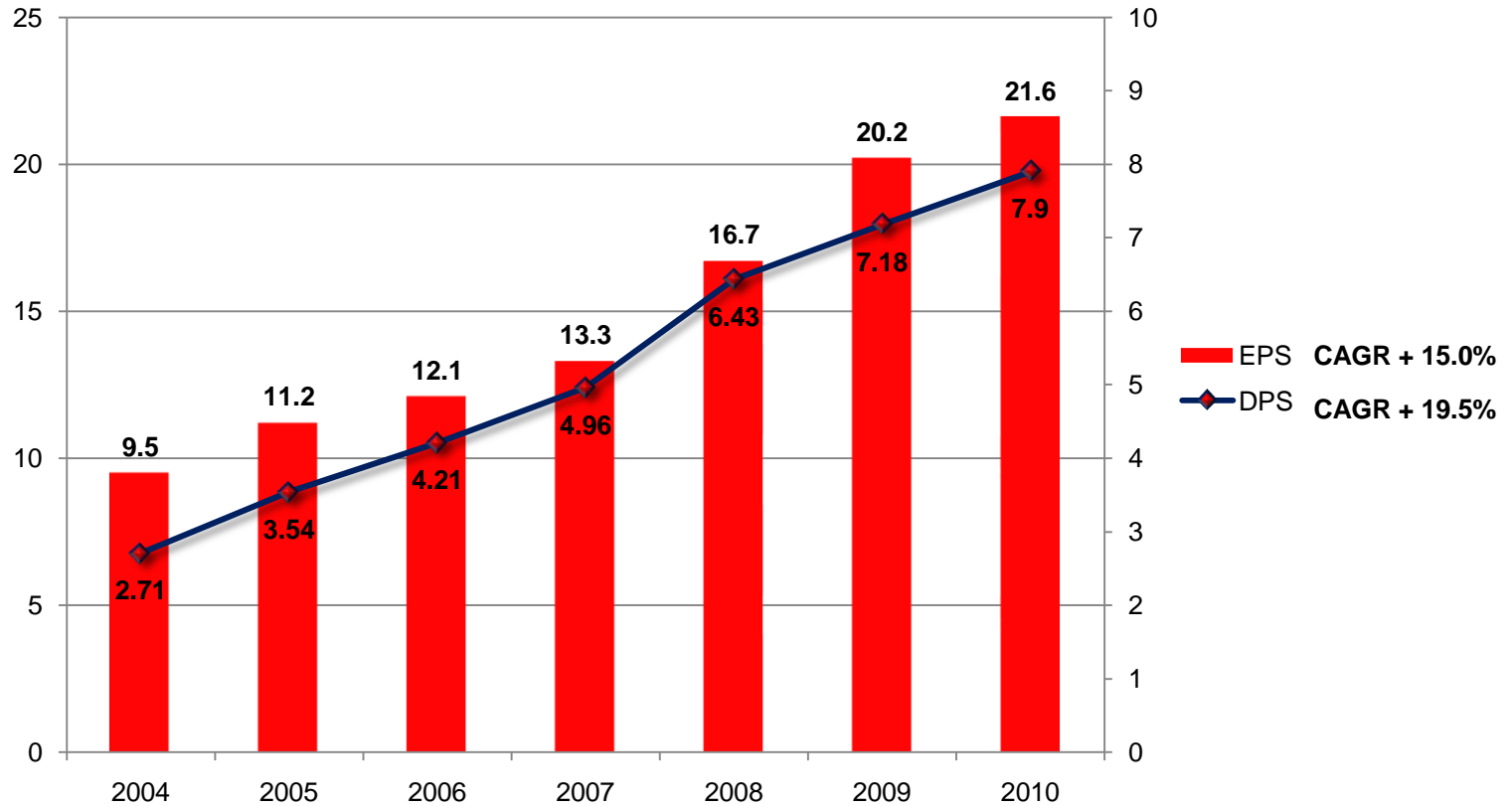
EPS Growth % *



Adjusted EPS and Dividend

2004 - 2010

Pence



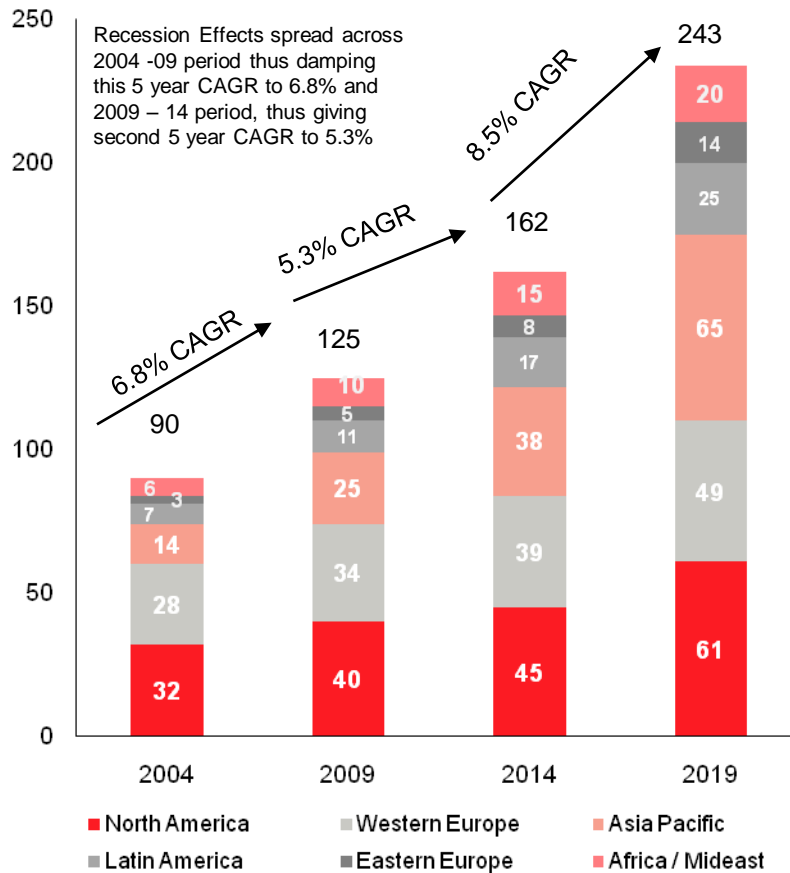
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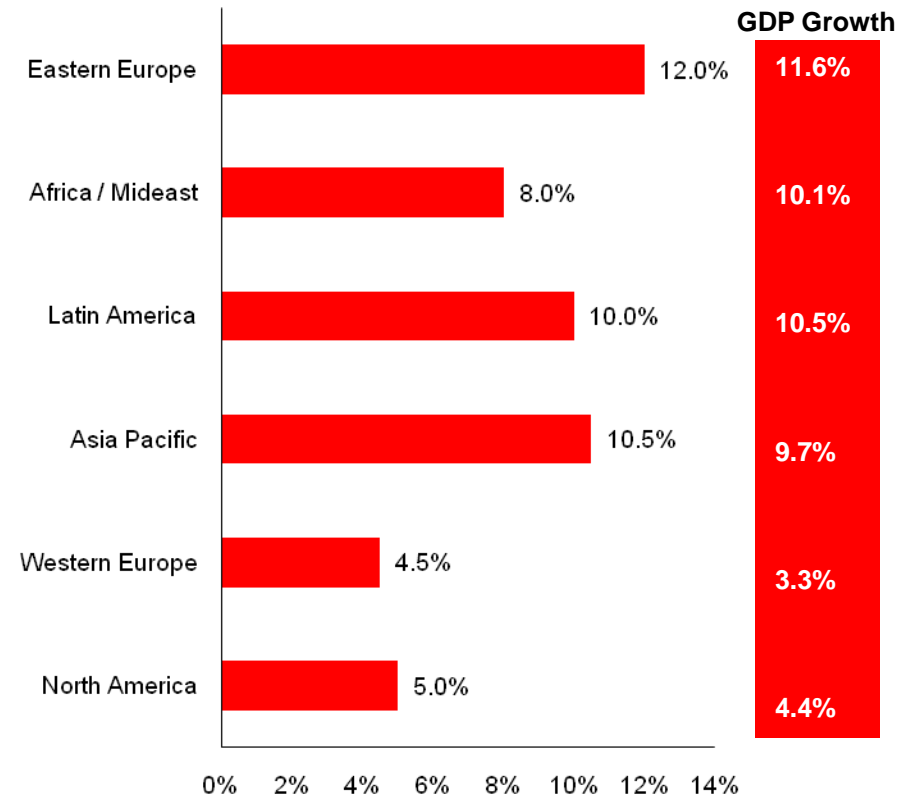
Global Market Size and Growth Rates

Strong structural growth B-B & B-G Markets

Security market revenue by region (US\$ bn)



Estimated annual growth 2009 to 2014 by region

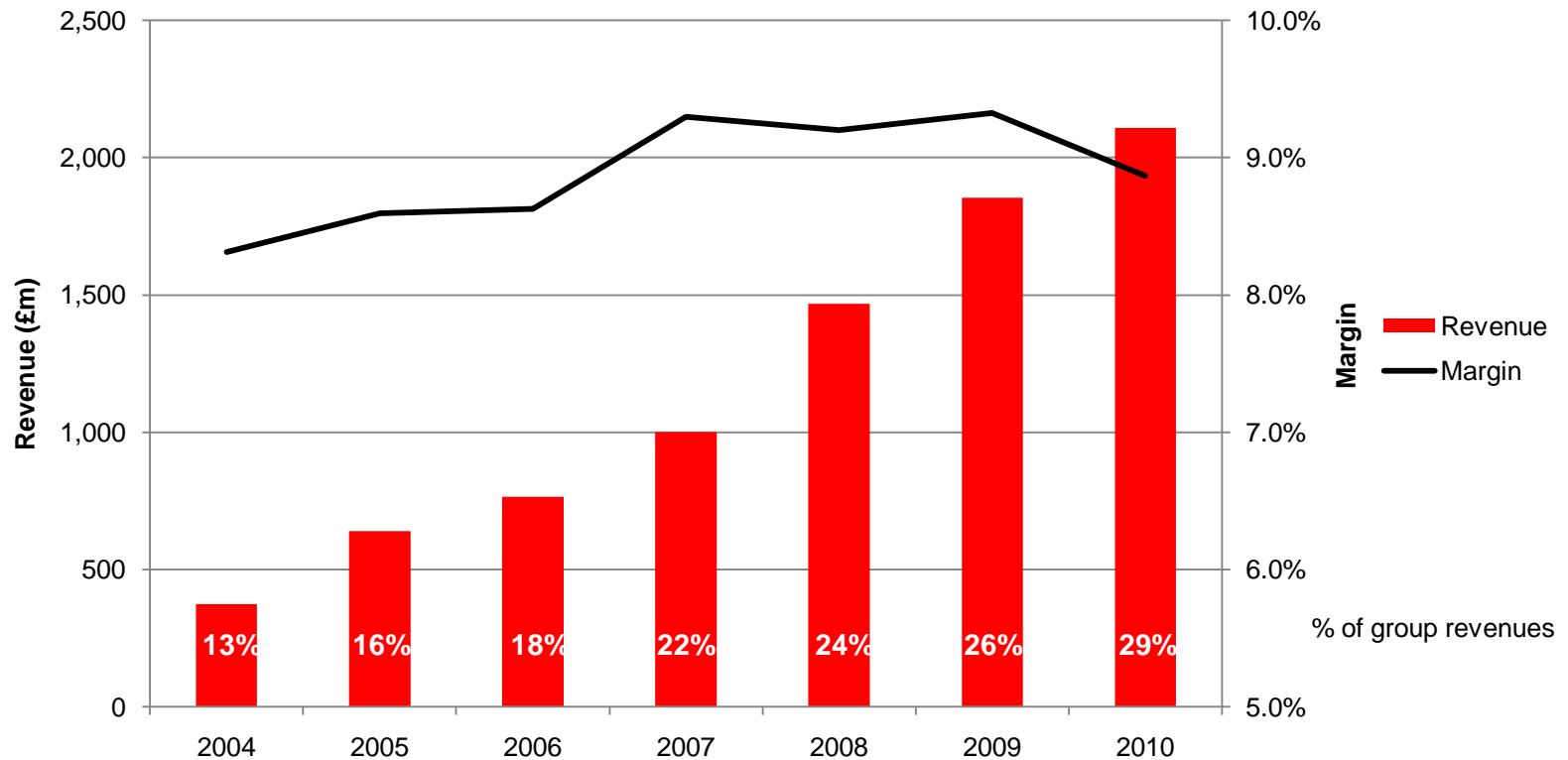


Source: Freedonia 2011, Company estimates, IMF April 2011

G4S Revenue from New Markets

Proportion of revenues more than doubled to 29%

New Markets Revenues/PBITA Margin 2004-2010



Economic Sensitivities of G4S

GDP/inflation

- Will deliver growth well above nominal GDP due to trends towards outsourcing and increasing global security requirements
- All business segments benefit from an inflationary environment

Interest Rates

- Base Rates below 2.5% can result in cash services reductions
- Economics of outsourcing improve at higher interest rates

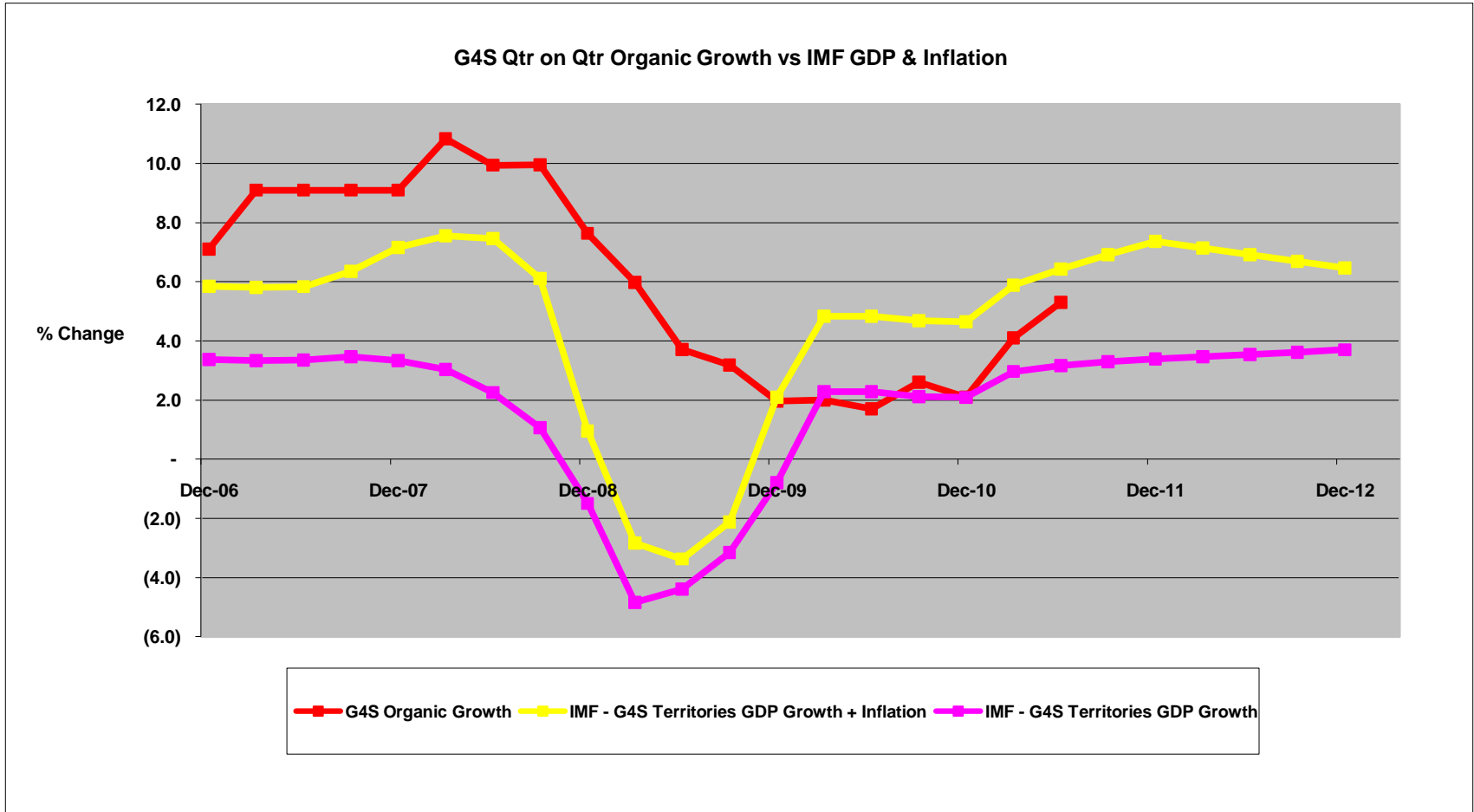
Government

- Short-term margin pressure
- Budget constraints should accelerate long-term outsourcing opportunity

Contract fundamentals

- Majority of contracts include price escalators or discussion clauses
- Wage inflation helps drive organic growth

Analysis of G4S organic growth vs. IMF GDP



Analysis of G4S Qtr on Qtr Organic Growth vs. IMF GDP Growth + 9 months

