



**G4S 2020 Half Year Results Presentation**  
**23 July 2020**

## **Speakers**

**Ashley Almanza, Chief Executive Officer**

**Tim Weller, Chief Financial Officer**

**Helen Parris, Director of Investor Relations**

## **Questions**

**Robert Plant, Panmure Gordon - via email**

**Sylvia Barker, JP Morgan Cazanove**

**David Roux, Bank of America Merrill Lynch**

**Steven Goulden, Deutsche Bank**

**Andy Grobler, Credit Suisse**

**Neil Tyler, Redburn**

**Chirag Vadhia, HSBC**

**Andy Brooke, RBC Capital Markets - via webcast**

**Danie Pretorius, Coronation - via webcast**

**Rory Mckenzie, UBS**

**Johan, Kepler Cheuvreux - via webcast**

**Introduction**

**Ashley Almanza, Chief Executive Officer**

Good morning and welcome to the G4S Half Year Results presentation. I'm Ashley Almanza, Chief Executive, and I'm joined by Tim Weller our Chief Financial Officer and Helen Parris our Director of Investor Relations.

We're going to begin today's presentation with a short film that highlights G4S's growing capability in delivering Integrated Security Solutions to our customers around the world. I hope you enjoy the film.

.....

**Video Played**

.....

**Business Update**

**Ashley Almanza, Chief Executive Officer**

The Security and Risk Operation centres that you saw in that short film had been commissioned by G4S in recent years. And it's now clear to us that these solutions are delivering significant incremental benefits to our customers.

As a result we're investing in growing our skills, capability and resources to deliver more of these solutions across all of our key markets, and we believe that will drive growth and profitability in the coming years.

I'd like to now turn to our presentation, and we start as usual with the customary disclaimer and I'd ask you please to read it carefully in your own time.

Our agenda for today starts with a recap on our vision and strategy, to put into context the results for the first six months of this year. When we announced the separation, and ultimately the disposal of our Conventional Cash businesses, we also set out our vision and our strategy for the new reshaped G4S Group.

Our vision is clear, we are today the leading global, Integrated Security company, and our aim is to sustain and indeed extend our leadership in the industry. We aim to do this by being the trusted partner everywhere we operate, trusted to deliver innovative, industry leading solutions that protect and add value to our customers' organisations. And we're achieving this by investing in technology and innovation in our people and our values, and of course in building strong and enduring customer relationships.

G4S is today a strategic and financial inflection point. With the disposal of the majority of our Conventional Cash businesses, we're now a much more focused company, focused on delivering Integrated Security Solutions in 85 markets around the world.

In the first six months of this year our Secure Solutions business delivered revenues of £3.1bn, which is exactly in line with last year, notwithstanding the severe impact of the Coronavirus pandemic in our key markets, particularly Europe and the Middle East.

Our profits rose slightly in our Secure Solutions business, again, underlining the resilience that comes from having a globally diversified security business.

As you saw in the film we're growing our capabilities in delivering Integrated Secure Solutions and that we believe will help us to change our revenue mix, drive growth and improve profitability in the years to come.

You can see from this slide that Secure Solutions comprised 93% of global revenues in the first six months of this year. Our Conventional Cash business contributed 4%, and Retail Technology Solutions 3% of revenues.

Whilst our Conventional Cash business was impacted by the pandemic and margins reduced to 2%, our revenue and our margins held up very well in our Secure Solutions business and our Retail Technology business.

As we move forward we intend to continue investing in the skills, resources and capabilities that will enable us to grow Technology Enabled Solutions and Integrated Solutions. You can see that we are recording higher margins in those segments today, and that those segments offer higher growth potential going forward. That is where our strategy is focused.

In March this year we set out three strategic priorities, growth, profitability and free cash flow. In relation to growth we continued to drive organic growth in our established Conventional Security Services. And alongside that we're accelerating the growth in Technology Enabled Solutions and Risk Consulting.

That change in revenue mix supports our second objective, of improving profitability. We're offering higher value services to our customers and having the opportunity then to earn higher margins.

Alongside our top line initiatives we've also set out in March this year a programme to reduce costs this year by around £30m.

Finally free cash flow has become critically important to our business as we transition to a global security company with lower capital intensity. Our aim is to not only support our investment in our growth programme, but to reduce leverage and support our progressive dividend policy.

I'd like to now turn to the performance of the business in the past six months and compare that with these objectives.

Revenue for the Group as a whole was just under £3.4bn which was 1.5% lower than the prior year. And that was driven entirely by the effect of the pandemic on our Cash business.

Profit before interest and tax was £187m, compared with £196m last year, again driven by the impact of the pandemic on our Cash business.

Operating cash flow was very strong indeed, coming in at £364m, compared with £164m last year. We did benefit in the first six months of this year from tax deferrals of around £152m. Even after stripping out that benefit the underlying operating cash conversion was very strong indeed.

And that flowed through to our free cash flow which came in at £178m, compared with an outflow of £51m last year. Earnings per share were 6.3p per share, which is exactly in line with earnings last year.

Now the Board has carefully considered whether to pay an interim dividend. Notwithstanding the resilient performance of the business in the first six months of this year, the Board is mindful of the uncertainty that still surrounds the development and rate of progress of the global pandemic. And in the face of that uncertainty the Board has concluded that we should prioritise the financial strength of the business, and we will therefore not be paying an interim dividend this year.

I want to emphasise that there is no change to the company's dividend policy. That policy is to pay a progressive dividend with the cover of two times, and it is the Board's intention to resume paying dividends when the uncertainty surrounding the pandemic has reduced to an acceptable level. This is something that the Board is going to keep under close review for the remainder of this year and something that we will again carefully consider at year end.

I'd like to now turn to the first of our strategic priorities, and add a bit more colour to the growth that we saw in the first six months of this year.

Now although the global pandemic has undoubtedly affected customers in all of the markets in which we operate. I'm pleased to say that our Secure Solutions business had held up very well indeed. And that has been driven by continued growth in the America's and in our Asia Pacific markets. That

growth has helped to completely offset the impact of the pandemic that we've seen in our Europe and Middle East markets.

In our Cash Solutions business we saw what has been seen across the cash industry as a whole, and that is to say the pandemic has severely impacted cash volumes in circulation. As a result our Conventional Cash business saw a sharp fall in volumes, especially in our UK business. As a result of which we have announced a major restructuring programme in our UK Cash business.

Retail Technology continued to attract strong interest from customers in North America, Africa and Asia. It's never been more important to have an efficient, automated, cash handling process, and of course in our Retail Technology business we have a market leading solution.

So although we continue to see interest and indeed we continue to make sales in the first half of this year in our Retail Technology business, mobilisation of contracts that we won at the end of last year and the start of this year were put on hold as a result of the pandemic. That means we now have a substantial backlog of confirmed orders. We're working closely with our customers to relaunch the mobilisation of those contracts as soon as our customers are ready to push the button.

Turning now to profitability and free cash flow. Our profitability programme has three key elements.

The first of course is to continue to grow our established and proven security services. The second is to grow our Integrated Security Solutions affording us the opportunity to improve our sales mix in return for offering higher value to our customers. The third element is to improve the productivity of our company. And earlier this year we established a productivity programme that set us a goal of £50m of savings this year.

With the onset of the pandemic we took swift action to set a much more ambitious programme, and we're now targeting £100m of direct and indirect savings this year.

In relation to our organic growth and Integrated Secure Solutions objectives we know that we have more to do. But we can certainly take encouragement from the progress that we've seen in some of our key markets, which has underpinned the 5% growth in Technology Enabled Solutions that we saw in the first six months of this year.

Now on free cash flow, as we saw a moment ago in the first six months of this year the Group delivered a strong underlying improvement in both operation cash flows and free cash flow.

When thinking about free cash flow G4S it's important to recognise that over the past five or six years the Group has had to bear a heavy cash burden to settle legacy litigation and claims, to clear up onerous contracts and of course to restructure and reshape the Group.

As we look ahead of course we understand that for a group of our size it's likely that from time to time there will be exceptional cash costs. But with the onerous contracts now largely dealt with, with the legacy litigation substantially reduced and with the restructuring and reshaping of the Group mostly behind us, as we look ahead we're confident that the cash cost for these items over the next five years will be substantially lower than it has been over the past five years.

To reflect the increased focus on free cash flow, we've amended our executive incentive scheme, and that was approved at the recent Annual General Meeting of shareholders. This now incentivises management to deliver positive free cash flow, to support ongoing investment in the business, to reduce leverage and to support our progressive dividend policy.

Now I'd like to wrap up before handing over to Tim. G4S today is at a strategic and financial inflection point. We have a highly focused global, Security Solutions business. We have a growing capability to deliver integrated Security Solutions, and those solutions are delivering substantial incremental value to our customers, which in turn drives our future growth and profitability.

Alongside this we have a small, rapidly growing, highly profitable and market leading Cash Technology business.

Our growth plans are also supported by a strong productivity programme designed to deliver £100m of cost savings this year. That programme is underway and on track. We have an intensified focus on free cash flow.

Ladies and gentlemen, G4S today has a focused strategy and a focused execution plan. And with that I'd like to now hand you over to Tim who will take us through the financial performance in a bit more detail.

.....

### **Financial Review**

#### **Tim Weller, Chief Financial Officer**

Thanks Ashley. Good morning everyone. As Ashley's outlined we've reported half year results with resilient revenue, earnings in line with the first six months of 2019 and a strong cash flow performance.

So turning to the underlying results overall Group revenues were down by 1.5% to £3.35bn, reflecting revenue maintained overall in the Secure Solutions businesses; driven by strong growth in North America, resilient performances in Africa and Asia and a 6.5% reduction in Europe and the Middle East, the region most impacted by the COVID-19 pandemic.

The Cash Technology revenues were down 10%, reflecting the rollout of recent contract wins having been deferred to the second half.

And Conventional Cash declined 22% due to lockdown restrictions, leading to Cash Solutions revenue declining by 16.5% overall.

PBITA was £187m, down 4.6%, with Secure Solutions 1.5% higher. And a 33% decrease in Cash Solutions, principally reflecting volume reductions in the UK Conventional Cash business.

In Secure Solutions, a strong profit performance in the America's and Asia regions, helped by revenue mix and ongoing efficiency programmes, more than offset the impact of profits being £23m lower in Europe, the Middle East due to COVID-19.

Interest charged was £50m, £5m lower than the first six months of 2019 as a result the refinancing's we've effected over the last couple of years, and the receipt and disposal proceeds from Brink's.

Given the phasing of receipt of those proceeds and the ongoing benefit of low cost borrowings, we expect a further reduction in interest costs of around £5m in the second half.

The effective tax rate was 27% in line with previous guidance.

Earnings after ..... interest in line with the comparable period in 2019 of £97m, with earnings per share of 6.3p.

Operating cash flow was £364m, £200m higher than the first half of 2019, reflecting an underlying improvement in working capital performance across the Group, together with COVID related payroll and income tax deferrals of £152m.

Excluding the beneficial impact of those tax deferrals operating cash conversions of 113% compared with 84% in the first half of 2019.

Given the unprecedented impact of the pandemic over the last quarter in particular we thought it would be helpful to provide more granularity on revenue trends than would be customary.

This slide shows our regional, organic year on year revenue growth profile for the first two quarters of the year with a further month by month breakdown for the second quarter.

As you can see with year on year revenue declines of 5.8% and 7.5% respectively, April and May were the months most impacted by the lockdown restrictions across our markets. With the restrictions easing we started to see activity levels picking up in our main regions and the Cash Solutions business in particular as we moved into June.

Turning now to the bridge from underlying to our statutory results. We continued to manage effectively the onerous contract portfolio which as anticipated now has a much less material impact on the Group than has been the case over the last few years.

As of the 30<sup>th</sup> of June the remaining £22m onerous contract provision relates to a very small number of UK contracts that have a remaining life of between 7 and 18 years. And as such the annual cash flow is not expected to be significant in the context of the Group results.

The Conventional Cash businesses sold to Brink's generated revenues and earnings of £160m and £3m respectively in the half.

As previously reported we implemented restructuring and cost saving measures to reflect the disposal of the Conventional Cash businesses. These initiatives have been stepped up in response to COVID-19, and we've identified direct and indirect cost reductions of around £100m in 2020, including the acceleration of previously announced efficiency programmes.

In the first half of the year we invested £9m in the strategic restructuring programme, and anticipated full year restructuring costs of £35m as we step up the pace of these initiatives.

The first half also saw the final £16m of costs on the Cash Separation project.

Acquisition related amortisation and another separately identified items include a profit of £171m arising from the disposal of Conventional Cash businesses to Brink's, offset by the cost of the Deferred Prosecution Agreement entered into with the Serious Fraud Office announced on the 10<sup>th</sup> of July. And a £13m write off of UK Cash in branch assets as we restructure the business in light of the step down in volumes experienced over the last few months, and in particular in recognition of the potential medium term impact of COVID-19.

So that was the bridge, and now to the statutory results themselves.

Statutory revenues for the half were £3.5 bn.

As we've already said, underlying revenues showed a 1.5% decline in the half and a 7.4% reduction in the statutory revenues reflects this underlying revenue decline, the impact of foreign exchange movements, coupled with a reduction of £144m in revenues from disposed businesses.

There was also a £48m onerous contract revenue reduction late into the Birmingham and Compass contracts in the UK which ended in May and August 2019 respectively.

PBITA declined by 15% reflecting the impact of business disposal and the underlying 4.6% half on half reduction.

Specific and other separately disclosed items mainly including disposal profits, SFO DPA charge and investment in restructuring cash separation resulted in a net gain of £72m after last year's charge of £67m.

Net interest costs of £54m were £5m lower than the same period of 2019 and tax was £8m higher at £47m. With the increase mainly attributed to the relatively modest level of taxes you expect to incur on the Conventional Cash disposal.

Overall statutory earnings were £108m higher at £167m or 10.8p per share.

Let me turn now to cash flow and net debt. The full movement in net debt for the current and prior year first halves is shown on this slide, together with a pro forma free cash flow analysis for the continuing businesses in the Group.

As I noted earlier, operating cash flow in the first half benefited from £152m of deferred payroll and indirect taxes. We expect a net reversal in tax deferrals of around £50m in the second half of this year, with the balance in 2021.

Given that restructuring and separation costs in the first half included £18m of Cash Separation project costs, in the pro forma analysis we've only included the £6m of continuing business efficiency programme investment.

Continuing business capital investment of £64m included £31m of new lease commitments, capitalised in accordance with IFRS 16.

I recognise that IFRS 16 has introduced some complexity when it comes to comparing statutory cash flow statements with movements in net debt, and we've included a supplemental analysis in today's release, which hopefully goes some way to simplifying things.

Net interest cash costs at £60m or £59m on a pro forma basis are weighted to the first half, and we'd anticipate full year interest cash costs of around £90m.

In the first half the £443m net debt reduction arising from acquisitions and disposals reflected the Conventional Cash disposals completed in the first half, which yielded net cash consideration of £522m less the £87m net cash in the businesses for the respective completion dates.

Looking to the second half the remaining Conventional Cash disposals are expected to generate further disposal proceeds of around £135m, and we will of course be settling the financial penalty in costs of £44m agreed with the SFO as part of the deferred prosecution arrangement.

The net debt reduction arising from the conventional cash disposal together with the strong free cash flow performance in the first half enabled us to reduce the net debt to EBITDA leverage ratio from 2.9 to 2.58 times, half on half.

In the first half we cancelled a £200m undrawn bridge facility and reduced the revolving credit facility by £100m to right size that facility in the wake of the Conventional Cash disposal. The RCF now matures in two tranches in 2024 and 2025.

And we also took the opportunity to issue £300m of one year commercial paper under the Bank of England COVID Corporate Financing Facility and have reduced the drawn amount under the RCF to zero.

As at 30th June we had net cash balances of £1.1bn and a fully unutilised revolving credit facility of £650m, giving overall liquidity of £1.78bn, a level which we believe to be appropriately prudent in light of the pandemic related economic uncertainty.

I'll now hand you back to Ashley.

.....

**Ashley Almanza, Chief Executive Officer**

Thank you, Tim. Ladies and gentlemen, before we move to Q&A, I'd like to take a moment to pay tribute to the 535,000 employees at G4S who have continued to deliver reliable and effective services to our customers around the world. Without their efforts the results that we've seen today would not have been possible. And on behalf of the Board and the Executive Team, I extend my thanks and congratulations to each and every one of them.

We'll now move to Q&A, and may I ask that you give your name and your affiliation when asking a question. Operator, we're ready to take the first question.

.....



**Questions and Answers**

**Telephone Operator**

Thank you. As a reminder, if you would like to ask a question on today’s call please press star one on your telephone keypad. Please ensure your line is unmuted locally as I will retrieve your name and you will be advised when to ask your question.

Alternatively, you may also submit your questions via the webcast platforms in the viewer below. Thank you.

.....

**Helen Parris, Director of Investor Relations**

So Courtney, I think while we’re waiting for the people to poll for questions, we have a question that’s been emailed in from Robert Plant at Panmure. So thank you, Rob, to get us going.

His question is given the recent good news in the UK prison market, does this change your view about the long term future of Care and Justice within G4S Secure Solutions? Thank you.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Helen. Thanks, Robert, for your question.

Obviously there hasn’t been a firm announcement about the prison market, at least not that we’re aware of at this point. But to take your question anyway, I think the way that we think about Care and Justice hasn’t changed. As I think most people will recall, what we set out to do is create a more - a much more focused business and to manage that for value. And that involved cleaning up onerous contracts, settling legacy claims and importantly, exiting a number of contract areas where we felt we didn’t have the skills to manage the risk.

And that has now been done, and what we have today is a much more focused both operationally and commercially Care and Justice business that I think delivers value, not just for G4S but also for the customer.

The business is quite compact. It’s 5%, 7% of revenues if you include Australia. And it is our view that our Secure Solutions business will grow faster over the planning horizon and that therefore this will remain a compact business that we manage for value and we’ll continue to apply, I think commercially stringent criteria when thinking about new contract opportunities.

But as I say, the focus is on managing what is now a commercially, operationally, financially sound business, managing that for value. So our view hasn’t changed. Thank you.

.....

**Telephone Operator**

Thank you. We do have a question coming through via the audio line. The question comes in from the line of Sylvia Barker, calling from JP Morgan. Sylvia, please go ahead.

.....

**Sylvia Barker, JP Morgan Cazanove**

Thank you. Hi, good morning everyone. Could I firstly check on margins, how you think about the second half? Obviously, a very good performance in the first half, very strong in the Americas and Asia, but if we think about furlough, cost savings and then, you know, operating leverage how do you think about the second half?

And can you maybe give us some detail around how much you actually saw in cost savings in the first half and then how that might look in the second half? And then I've got another couple of very quick ones. Thank you.

.....

**Ashley Almanza, Chief Executive Officer**

All right. Thanks, Sylvia. I'll ask Tim to comment on cost savings first half, second half. But just addressing your broader question in terms of furlough, our plan very much is to be ready and able to bring staff out of furlough as quickly as possible and back into employment. And we're seeing some of that at the moment, it's gradual.

I think we still believe that there's quite a bit of uncertainty out there, but at least for now we are seeing staff come out of furlough and back onto chargeable duties. And as I say, all of our planning is to be ready to do that and as and when customers call for service, difficult to say but our - when we talk to our colleagues around the world, at the moment our aim is to get pretty much everyone off furlough by September, that sort of time frame.

We have continued to see good demand in the Americas, especially North America. Clearly, the pandemic and the path of the pandemic in the US right now is, you know, ebbing and flowing. And just at the moment is, you know, there's an increase in infection rates. But our business has continued to stand up well in the US and at the moment we don't see any sign of that changing. It's not to say it couldn't change but we think the business will continue to hold up well in the US.

I think the big question for us when we think about margins and operating leverage is Europe and the Middle East, and I think it would not be prudent or sensible for us to try and forecast how that is going to evolve.

I think the best way for us to respond to that question is to say I think we're taking all the actions - we've taken them early enough to be positioned to manage through a number of different scenarios. And so if demand remains muted then I think the action that we took in the first half will stand us in good stead in the second half.

If on the other hand, as we hope, the initial pick-up that we're seeing, and I want to emphasise it's very gradual and it's modest at this stage, if that continues then equally, we're ready to respond to that.

So, I think the fundamental point here is in the current environment we have to be ready to operate in a number of different scenarios.

So I'm afraid I'm not giving you a forecast on margins, only to that I think we're doing all of the things that we can do to be prepared either to manage soft demand or to respond to pick-up in demand.

Tim, could you comment on cost savings first half, second half please?

.....

**Tim Weller, Chief Financial Officer**

Yeah. Morning, Sylvia. So regarding the announcement, the £100m direct and indirect cost savings, we've clearly worked very hard in the first half in light of everything that's been going on. And broadly speaking of the 100, just around 40% has actually been delivered in the first half and therefore it's 40, 60 first half, second half.

The nature of what has been delivered in the first half is much more in the non-payroll cost area so working hard on cash costs such as travel and subsistence, training and recruitment vehicle costs, etc.

Quite naturally given the restructuring phasing the second half will see a more beneficial impact in terms of cost reduction in the headcount area.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Tim. Sylvia, you said you had a few follow-ups.

.....

**Sylvia Barker, JP Morgan Cazanove**

I did. I might just need just one more in depth. Just out of the 40 in the first half, does that include the furloughs or not? It doesn't sound like it does.

And then just the other two. On July, if you can just comment kind of the minus 2.9 in June, if you can comment there actually or at least kind of, you know, any momentum within the different regions in July?

And then finally, just on the CCF, so in order for you to be able to announce dividends, do you need to have repaid that £300m first? Thank you.

.....

**Ashley Almanza, Chief Executive Officer**

So Sylvia, I'll ask Tim to come back on the cost point. On the CCF we don't have a condition. Our facility was in place, I think, before the government introduced conditions.

July, I would just say for now steady as she goes. You know, we're not calling a change in the trend one way or another at this stage. As I said, I think the business in the Americas is holding up particularly well and the landscape in Europe and the Middle East remains uncertain. So, we wouldn't call it one way or the other.

.....

**Tim Weller, Chief Financial Officer**

And then on the did the 40% of the 100% include any furlough? The answer is no.

.....

**Sylvia Barker, JP Morgan Cazanove**

Great. Thanks very much.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Sylvia.

.....

**Telephone Operator**

The next question comes in from the line of David Roux calling from Bank of America. David, please go ahead.

.....

**David Roux, Bank of America Merrill Lynch**

Good morning everyone. I've got a few questions from my side. Probably the first for Ashley then the following two for Tim.

Ashley, despite the big margin improvements in the Americas division it still remains the lowest in Secure Solutions and also below competitors. Can you perhaps give us some colour as to what the reason is then and if there is a further upside to that margin?

Then the following two are both on cash flow. Tim, if I look at the remaining provision liabilities on the balance sheet and exclude onerous contracts and the SFO claim provision there's still about £160m of other provisions there which is fairly much the same as last year. So what gives you confidence that we will see less impact on free cash flow from the sort of legacy cash costs if provisions are possibly fairly elevated?

And then just leading on that and sticking on free cash flow, as the Group ramps up technology capability across the regions should we expect any pick-up in capex levels? Thanks very much.

.....

**Ashley Almanza, Chief Executive Officer**

Good morning, David. Thank you for your questions, but I will ask Tim to answer question two and three as you suggested and let me respond to the question on margins in Americas.

Americas in our accounts of course encompasses both North America and Latin America, and there is a quite stark difference in the way that the markets function in North America and Latin America, the structure of the markets. There's a much more fragmented supply side in Latin America and I would say on the whole a different customer mindset to the way the Security Services are procured and priced.

And so in North America our margins, I'm sure, compare well with our competitors but I think it's right to say that the sort of competitors that you might be thinking of don't have a significant exposure to Secure Solutions in Latin America. And equally if you look at other companies, large companies in our sector who do have exposure to Latin America, most of what they're earning comes from Cash Solutions.

We are though able to unpick that in Latin America and look at our margins relative to competitors and the simple fact is that in the security industry Latin America globally is the lowest margin geographic region when it comes to Secure Solutions. And it's been persistently a low-margin region certainly for as far back as we have data - for the last ten years.

I think for us the critical question is can we transition away from Conventional Security Services to Integrated Solutions in Latin America in a way which provides a margin that's comparable with what we earn in North America?

The answer to that I'm afraid is not straightforward. At the moment we know that in some countries we have been able to do that. So for example, in Columbia we've built a nice business with Risk Consulting, Integrated Solutions and Conventional Services all alongside each other and you know, unsurprisingly the margins in that business look a lot more like the margins that we earn in North America and in other markets around the world.

So that, I think is a - I mean you've put your finger on an important point. As we move forward through the plan period, we simply have to find a way to transition away from services where the margins have historically been very low and are likely to remain low.

Tim?

.....

**Tim Weller, Chief Financial Officer**

Yeah. Morning, David. On the - it's £159m of claims provisions at 30<sup>th</sup> June, £50m of that relates to the Serious Fraud Office. We needed to put the charge through in the first half and, I said in the presentation, that will be settled early in the second half.

Putting that to one side that leaves about £100m, which is principally the provisions we established in respect of our self-insurance programmes around the world. Utilisation in respect of those self-insurance programmes in the first half was around £9m, and the income statement charge was a similar amount. So broadly speaking that will be the ongoing level of cost and charge.

Now to be clear, all of that self-insurance cost and cash flows we put through in our underlying PBITA, we don't pull it out separately in terms of any of the specific items.

You then asked about the level of capex spend as we move more into the technology space and we've actually kind of talked about this a number of times. We don't necessarily see a big increase in capex given our focus on large enterprise customers.

In terms of the technology equipment, technology spend it is likely to be funded by our customers rather than by us. Having said that, we continue to invest in software and technology capability, and that spend is included in the capex numbers we've recorded in the first half.

.....

**Ashley Almanza, Chief Executive Officer**

Just to add briefly to Tim's comments the - we have been investing now for five years in Secure Solutions technology and so I think the only thing to keep in mind is it's not that this'll be the completely investment. There is - there has been and there is already within our capex a reasonable level of investment and also in our P&L. So David, thanks for your questions.

Operator, we're ready for our next question.

.....

**Telephone Operator**

Thank you. Our next question comes in from the line Steven Goulden calling from Deutsche Bank. Steven, please go ahead.

.....

**Steven Goulden, Deutsche Bank**

Hi there. Thanks for taking my questions.

So just an apology if this has already been clarified but just on the furlough impact, so you were saying that COVID had a £20m to £25m negative impact at PBITA but there was a £30m benefit from furlough. And I was slightly confused as to what extent that impacted the margins and to what extent some of that went direct to employees. If you could clarify that that'd be great?

My second question if you don't mind, if we're thinking about the sort of recently announced restructuring in the UK Cash division, can you just give us a bit of clarity on you know, what impact - on the timing of that, what impact that's likely to have on the income statement, what the associated restructuring costs are likely to be and similarly you know, when that would come out of cash - of the cash flow?

And then if you don't mind, I've got a couple of very quick follow-ups.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Steven. Let me start with your question around furlough and then invite Tim to add any comments around that. And then also, Tim, if you could take the income statement question on restructuring.

So look, just I think to take the clearest example in the UK, we had about £10m of furlough payments that were paid to employees. So in the round the way this has worked is jobs or roles that would have otherwise been at risk have been kept on where there is no work available for those employees. So they have not been billed to customers, we have paid them, and the government has, as they have for many other companies, has agreed to cover a portion of those wages.

So there isn't a net benefit of any amount in the company. What we've received we have more than paid over or otherwise incurred costs in the form of wages for people that are not - employees who are not being billed to customers, incremental operating costs, accommodation, transportation, health and safety, PPE. All of those things have introduced additional cost into the business. And of course we've not had the margin - the gross margin on those contracts that customers have turned down or terminated.

So, I mean in a nutshell whatever we've received we've paid out and more. Tim, do you want to add anything?

.....  
**Tim Weller, Chief Financial Officer**

Yeah, I mean I guess the other point of note about is it's heavily weighted towards the UK in terms of the governmental support and you can see the impact in terms of our trading profits in the UK notwithstanding that government support.

So the 20 to 25 that we're talking about is net of any benefit or otherwise coming from the furlough support.

.....  
**Ashley Almanza, Chief Executive Officer**

Yeah that's an important point, it's after the furlough.

Yeah, sorry there was ...

.....  
**Tim Weller, Chief Financial Officer**

Restructuring. Yeah, so the UK Cash restructuring was actually picked-up in the very last note in the— today's Statement Note 20.

So in early July we announced the intention to affect the restructuring in the UK Cash business. The cost of achieving that restructuring is £17m in terms of redundancy and other cash costs, and that will be incurred in the second half. And that means that the – our estimate of full year restructuring spend is around £35m of which £17m of UK Cash falls in the second half on top of the £9m that's been incurred in the first half.

This is part of the reason why, in my answer to Sylvia's question, I was talking about a greater weighting in the second half to staff costs in terms of the £100m saving, and the UK Cash is clearly a significant element of that benefit in the second half.

.....  
**Ashley Almanza, Chief Executive Officer**

Thanks, Tim. Thanks, Steven. Did you say you had some follow-ups?

.....  
**Steven Goulden, Deutsche Bank**

If you wouldn't mind, just a couple of very quick ones.

You originally said that you were looking at about £100m of tax deferral and, obviously, there's the £152m announced today which, I think you said, included some social security payments, so just wondering why that's a little bit higher than originally said?

And then the last one, just on the Retail Cash Solutions business, I mean are you at all concerned internally about the prospects of, you know, structurally lower cash usage post-COVID? And some of the numbers that we've been seeing out of the payments companies in terms of greater likelihood to use contactless, for example, and more use of ecommerce, etc, is this something that you think might have had a permanent impact on that business or still feeling fairly confident? And that's it. Thank you very much.

.....  
**Ashley Almanza, Chief Executive Officer**

Steven, on your second question around cash volumes, I think, in relation to conventional cash handling, I think there may well be, in some markets, an impact. Very hard to judge, you know, the

scale of that impact, and I don't think anybody knows for sure. We'll find out as and when we return to whatever the new normal is as to how much cash is used.

We do know though, that, even in relation to conventional cash handling, in developed markets, the authorities, the governments and central bank authorities, are taking, I believe, a more nuanced view of this and recognising that there is value in maintaining access to cash. And I think that's been very explicit in the UK, in the Netherlands, and so on. And I think there's been lessons learnt from countries where cash has been, if you like, squeezed out too quickly, or the use of cash has reduced too quickly.

And so, for a number of reasons, financial inclusion and so on, there may also be regulatory or government action to support access to cash. So, it's difficult to call how it'll land.

I think, from our point of view, obviously, we have substantially reduced our exposure to conventional cash handling, and your question was more directed at Retail Cash. We don't see that at the moment because, in fact, it's probably never been more important for retailers to have very efficient, automated cash handling. And, in big cash markets, we still see customers, and end customers, using a lot of cash.

And, through the first half of this year, although, undoubtedly, you know, the rollouts of contracts that we had already won was inevitably delayed as retailers adjusted to operations under the, you know, social distancing and various other precautions, the rollout was put back. But all of our customers are talking to us about how to restart that rollout.

And, over and above that, we have continued to see good interest from new customers to buying our software and service solution, particularly in North America, but also in Africa and Asia.

So, we've got a healthy backlog, we've got continuing interest, customers are still issuing, you know, RFIs and requests for service, and we're still having bilateral negotiations with customers.

So, I don't think we're going to see the opportunity go away in Retail Cash Solutions. That's certainly not what we're seeing at the moment.

There will, undoubtedly, as I say, be an effect of delaying rollout, and we hope that we will get back to rolling out those contracts that we've already won in the second half, but, for now, our view is that, if anything, the need to have a solution, like Retail Cash, is greater than it was before because of the importance of efficiency and automation.

.....

**Tim Weller, Chief Financial Officer**

And on the tax deferrals, Steven, the £152m tax deferrals at the half year, that is payroll taxes and indirect taxes or VAT, and about two thirds of it is payroll taxes, quite naturally given our employment base, and that is the bigger opportunity in terms of tax deferrals.

You know, the half year position is higher than we expected because we'd been working very, very hard over the last couple of months on those tax deferrals. Having said that, I think that the original £100m guidance we gave in terms of potential tax deferrals was actually a year end position rather than a half year position. And, actually, of the £152m we got at the half year, a net £50m reverses in the second half. So, we still expect to have tax deferrals by year end of around £100m.

.....

**Steven Goulden, Deutsche Bank**

Great. Thank you very much. Very helpful.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Tim. Thanks, Steven.

Operator, we'll take the next question, please.

.....

**Telephone Operator**

The next question comes in from the line of Andy Grobler calling from Credit Suisse. Please go ahead.

.....

**Andy Grobler, Credit Suisse**

Hi. Good morning, everybody. Three from me as well, if I may.

Firstly, central costs was higher at £31m in the half, and you noted insurance and legal costs. Do you think that cost is now here to stay for the foreseeable future?

Secondly, and just picking up from the previous question and answers on Retail Solutions, could you unpick and add a bit of granularity to the businesses between the US and the Rest of the World in terms of where revenue stood for the period and momentum into the second half?

And then, thirdly, and, again, on a similar theme, from a cash perspective, within the strategy, you have zero growth for Conventional Cash in the longer term. At this point, do you think that looks a bit optimistic?

.....

**Ashley Almanza, Chief Executive Officer**

Andy, thanks for the questions. I'll ask Tim to comment on insurance and legal costs, and also revenue split, and I'll comment on momentum in Retail Solutions and Conventional Cash.

We have two large, or largish, Conventional Cash businesses that represent most of the 4% of our Conventional Cash revenues. One is, obviously, the UK, and the other is the business in South Africa.

In South Africa, we still see strong volumes in cash handling, and we still see an opportunity by differentiating ourselves in the marketplace with technology to make that business. Now, in South Africa, we've got an Integrated Conventional and Technology business, so, in effect, some of those revenues are in the 3% as well.

And so that business, I don't think it is optimistic for us to assume that, for the foreseeable future, there will be good demand for cash and that we can remain very competitive with the technology that we're bringing to that marketplace.

In the UK, it rather depends on what happens with the Bank of England study on Access to Cash. I mean, I would just reiterate briefly my earlier comments that I think regulators have looked, with some interest, at what's happened in countries where perhaps the cash infrastructure has been withdrawn or otherwise eliminated too quickly. And there are legitimate concerns from government, legislators and regulators about that.

And, on balance, I think that, in the UK, it's likely that the Bank of England, you know - and, obviously, I don't want to prejudge their analysis - but, let's just say regulators, legislators and government will want to see a careful evolution of cashless payments versus the retention of access to cash.

And, in that scenario, I think we have a lot to offer both retailers and commercial banks because it is our view, and we've demonstrated this where commercial banks and retailers have taken the step of outsourcing to us, that we can do it more efficiently. And, obviously, as cash volumes have come down, the unit costs of cash handling for retailers and commercial banks will go up, and that's our opportunity.

So, on the whole, I think it's a sensible assumption. Going forward, you know, time will tell.



On Retail Solutions, just breaking it down in terms of momentum, I don't think there's been much change in terms of the split between Retail Cash Solutions in North America and Deposita.

.....

**Tim Weller, Chief Financial Officer**

About two thirds of the Retail Technology Solutions revenues are in North America.

.....

**Ashley Almanza, Chief Executive Officer**

Yeah. So, no change on that front.

In terms of momentum, I would say probably slightly stronger in North America at the moment.

Tim.

.....

**Tim Weller, Chief Financial Officer**

Are insurance and legal costs here to stay? Well, to a degree, they are, but, as, you know, part of the overall programme around the efficiency of this organisation post-Cash Separation, patently we are looking at cost right across the organisation, and I guess that the broader question is are those Group costs going to remain at that level into perpetuity? That is just one of the many parts of the study we are doing, and the work we are doing, to improve the efficiency of the business, seeking to reduce those Group costs to the extent that we can.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Tim. Thanks, Andy.

.....

**Andy Grobler, Credit Suisse**

One quick follow-up, if I may. You mentioned earlier about the change in the remuneration scheme in terms of free cash, which was a very good move, but, within that, you also reduced the allocation to free cash from 30% to 20%. Why make that change?

.....

**Helen Parris, Director of Investor Relations**

This is a result of a shareholder consultation; I think, basically, the split between EPS.

.....

**Ashley Almanza, Chief Executive Officer**

I couldn't hear Andy's question.

.....

**Helen Parris, Director of Investor Relations**

It was the proportion had gone because it was operating cash flow. Yes, so the proportion that was cash flow went from 30% to 20% to free cash flow. So, the component changed, but it was, basically, as a result of shareholder consultation that we did.

**Ashley Almanza, Chief Executive Officer**

Okay, sorry. Andy, apologies. The line was very faint. I couldn't hear your question, but I understand the question now, and, in a nutshell, it was, as Helen said, TSR went up. That was the reason for the change in allocation. And that was just very clear feedback from our shareholders.

.....

**Andy Grobler, Credit Suisse**

Thanks very much.

.....

**Ashley Almanza, Chief Executive Officer**

Okay, Andy. Thank you.

Operator, could we take the next question, please?

.....

**Telephone Operator**

Of course. The next question comes in from the line of Neil Tyler calling from Redburn. Please go ahead.

.....

**Neil Tyler, Redburn**

Good morning. A couple of further questions, please.

Firstly, going back to the Risk Consulting and Data Analytics-type sales, are there any new sales initiatives underway to promote these services in the new environment?

And, following on from that, any change in the rate of adoption that we're seeing from your customers in any segments, or regions, in particular?

Or, I suppose to be clear, and touching, again, on the investment part of this, do you need to expand the, sort of, physical infrastructure you have in place before this can happen? That's the first question, please.

.....

**Ashley Almanza, Chief Executive Officer**

Neil, thanks for the question.

There is a proactive sales and marketing campaign. We've certainly stepped up our marketing in North America and Europe in particular around both Risk Consulting and Risk 360, which is our data analytics and intelligence platform, and we have seen a pick-up in interest and demand for Risk Consulting and Data Analytics in North America in particular.

We've also promoted, sort of, bolt-on services, again, using our operation centres that we've already put in place. Some of these bolt-on services are, for example, offering automated screening. So, where we already have a security contract with access control, we've added, for example, thermal imaging so that we can automatically screen our customers, employees and visitors as they come through.

So, yes, there has been a step-up in our marketing activity to promote the use of technology solutions and also to promote the use of remote monitoring as a means of maintaining business continuity. If, for example, there's an issue getting in-house security teams to the workforce during the pandemic.

I think, at this stage, what we'd say is there's certainly an elevated level of interest in these services. We're having some conversion, but, at this stage, I would say we're early in the process.

I think it will change, potentially, the mind-set of, for example, chief security officers in our larger client base. I think the pandemic has probably highlighted the importance of having business continuity, redundancy arrangements. So, if a customer's got their own operation centre, to perhaps also have a fall-back using our operation centre.

So, I think it will have some lasting effect on the way people think about technology, and we're pleased about that, obviously. That's what we're trying to promote.

In terms of capacity, we do have spare capacity. So, when we've put these operation centres in place, we oversize them at the start. There is an element of, if you like, build it and they will come. And so we do have spare capacity in some of our markets, but we hope that the demand pick-up enables us to build more capacity as we move forward.

.....

**Neil Tyler, Redburn**

Thank you. That's very helpful.

The second question relates to some comments you made, I think, at the Full Year Update around the balance between wage inflation and pricing in the different regions. I know it's an ongoing debate, but whether you can offer any perspective on whether this balance has shifting meaningfully recently? I know it's relatively early days in the sort of post-pandemic employment market.

And also if you can update us on the level of - I think you've talked about, in North America, in particular, sort of, above average mobilisation costs taken last year, and can you just remind me of what that was and how you expect that to develop? Thank you.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Neil.

In terms of wage inflation, I think the most important thing for us to say is it's highly localised. In some markets, we have seen a ready supply of new applicants when we advertise for jobs. So, for example, we're recruiting the UK at the moment, and, for now at least, we're able to recruit in a fairly straightforward way.

If I think about the US, it isn't a single market. There are some locations in the US where we are able to, you know, get a good response to recruitment campaigns. And there are other cities where, for a variety of factors, could be that, you know, local law enforcement or other emergency services are also recruiting, or fulfilment centres are recruiting, if there is buoyant demand for labour in those city locations then we continue to see upward pressure on wages.

In the current environment, you know, we've just had to have a very proactive communication programme with our customers, and spend the time needed to really lay out and explain to customers what's going on in the local market and, therefore, why we need to pay a higher wage in that market, and why, in turn, we need a higher price to make the service viable.

And I think, you know, as a general comment, what we have seen during the pandemic is customers being far more receptive to those sort of conversations, understanding readily that not only competing recruitment but also the effect of the pandemic on available workforce has meant that you simply have to pay if you want the service.

So, I'm afraid there isn't a simple answer. It's literally location-by-location. In some markets we're seeing abatement, or easing of inflationary pressures, and in other markets we continue to see upward pressure on wages, which, so far as least, customers have been willing to consider covering.

And the second part of your question, I'm afraid you're going to have to -

.....

**Tim Weller, Chief Financial Officer**

Was it on mobilisation?

.....

**Ashley Almanza, Chief Executive Officer**

Thank you. Yes.

.....

**Tim Weller, Chief Financial Officer**

Mobilisation costs. And the two areas that we highlighted in the year end results announcement where we saw higher mobilisation costs were Africa and North America, in particular.

Now, in both cases, clearly, we are doing a lot of mobilisation of work, but the reality is that, in the first half of this year, incremental mobilisation costs didn't have a material impact on margin, unlike the case in last year's results.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks, Tim. Thank you, Neil.

.....

**Neil Tyler, Redburn**

Thanks very much.

.....

**Ashley Almanza, Chief Executive Officer**

Operator, could we have our next question, please?

.....

**Telephone Operator**

The next question come in from the line of Chirag Vadhia calling from HSBC. Please go ahead.

.....

**Chirag Vadhia, HSBC**

Good morning.

You've talked a little bit about how you see Care and Justice within the portfolio of your group, but could you give us a little bit more detail on how you see, then, Retail Cash Solutions, then, over the longer term?

.....

**Ashley Almanza, Chief Executive Officer**

So, thanks for the question.

I think, in answering a question about the longer term, I should first address the here and now, which is we've got, what we believe, is an industry-leading solution in retail cash handling. And, certainly in the big box space, we have been the clear, clear market leader, and we now have a very competitive product in the small box market segment.

The business is profitable. It has been growing very quickly, and offers above average margins. And that's quite unusual in a new business, for it to be both growing and profitable and cash generative.

All of that goes to say, right now, what we're doing is pressing home that advantage as hard as we can. We do not want to let up and leave room for others at the moment. And, this business, we believe, is creating a lot of value for our shareholders.

It is, altogether, our cash technology is 3% of global revenues, and I think it's reasonable to say this is not going to become the centre of gravity of the company. And, you know, we recognise that there are many ways to realise value.

At the moment, though, it's very, very important that, as our teams press home this advantage in the commercial market, that we give them our full support and that we don't equivocate on that. But I think everybody recognises that the job that we're here to do is to manage these businesses for value, and we recognise that there are many ways to achieve that value. But, for now, I don't think it's, you know, the right time to talk about the longer term options. It's a small, but value part of the Group today and adding a lot of value.

.....

**Chirag Vadhia, HSBC**

Thanks. And, given you also mentioned that you're seeing the next five years of having less onerous contracts and a bit of a turning page, how do you see the progression of that, and could you give any context of updates on things such as the Belgian Competition Authority inquiry and recent claims that have come through over the past two years?

.....

**Ashley Almanza, Chief Executive Officer**

Yes, certainly, so, dealing first with the Belgian Competitive Authority, we've probably said all that we're able to say in the release. There's quite a bit of detail in the release. This is an inquiry launched by the Authority. It's an industry inquiry, not just G4S. We're part of the industry, obviously, and we are giving the Authority our full and complete cooperation.

It's early days and we're really not able to say more than that, other than we treat these things very seriously and we're giving it our full co-operation.

More broadly, I think there's no doubt that when we look at the picture that we had five years ago in terms of onerous contracts, claims, litigation and so on we have put a lot of those to bed. And some of them, as you know, very substantial, very material matters which you know go back as far as 20 years in some cases.

So I think we can say with confidence that we have substantially reduced the onerous contracts, claims and litigation drag that the company faced.

And we have put in place, and I think this is the key point, we've put in place procedures, processes and controls which reduce the risk of those recurring. A company of our size, any company of our size I think can reasonably expect there will be from time to time exceptional cash costs.

But I think given that we have dealt with a lot of the history, and at the same time put in place new people, new processes, new controls it's reasonable for us to assume that the burden going forward, or the cost I should say going forward is likely to be much lower than the historical burden.

.....

**Chirag Vadhia, HSBC**

Thanks. And my final question is just on the order book, which you mentioned you've won and retained £1.4bn, could you give us any understanding about how that may have changed under COVID, or if there will be any impacts perhaps on the future?

.....

**Ashley Almanza, Chief Executive Officer**

So I mean there have been some changes, I don't know if we would call them at this stage structural changes that would persist into the future. But we have seen stronger demand in some verticals.

Healthcare, you know fortunately in recent years that has been a focus area for our sales and marketing campaigns, we've built up a good franchise in some markets and undoubtedly we benefitted from incremental demand over the last six months in healthcare.

Another important vertical for us has been technology services, so for example data centres where we are providing both, Conventional Security and Integrated Solutions, Technology Solutions, demand has been strong through the pandemic. That part of the economy has done rather well I think during the pandemic and we've seen strong ongoing demand from our larger customers there.

In some of our bigger markets demand in financial services has been I would say surprisingly resilient. Whether that will persist or not we don't know. I think what's more likely is the point that we made earlier is that all of our large customers and even, I would say in the mid market, our customers are just looking at the way that security is delivered. And looking at that in a new light given what's happened over the last six months. And our opportunity is to step forward and point out the virtues of Integrated Technology Enabled Solutions going forwards.

It's really too early for us to know how strong the uptake is going to be. But I would be very surprised if there isn't some sort of structural shift in the way that security is procured over the next three to five years.

.....

**Chirag Vadhia, HSBC**

Thank you very much.

.....

**Ashley Almanza, Chief Executive Officer**

You're welcome.

.....

**Helen Parris, Director of Investor Relations**

So it's Helen here, I'm just going to ask a couple of questions that came in through the webcast. I know there are still a few more calls on the phone lines as well. So thank you everybody that's being very patient.

So firstly from Andy Brooke, his question is I think for Tim, can you remind us of when the next actuarial review is due and your expectations at this point?

.....

**Tim Weller, Chief Financial Officer**

Yeah, the next review is scheduled for April next year and the last one was clearly in 2018 and I think it was the middle of last year that we resolved the 2018 one. Actuarial valuations do seem to take a glacial pace to actually get resolved.

So whilst the official triennial valuation date is April next year, I suspect in terms of the final outcome about what the contribution rate would be going forwards will take a while to emerge and may not be resolved by the end of next year, although clearly it would be nice to get there.

You might have spotted in the half year accounts that actually there has been a fairly significant reduction in the pension deficit from the year end position. Two things that have happened there, one is as part of the Brink's transaction we have sold our Netherlands business, Netherlands Cash business and that had about a £50m pension deficit attaching to it.

And then the other thing is there has been a change in the spread between corporate bond rates and gilts. This has actually resulted in an increase in asset values for accounting purposes in the pension schemes ahead of the increase in liabilities of over £100m. That doesn't necessarily flow through into a full blown triennial actuarial valuation and therefore you shouldn't necessarily factor that benefit into how the scheme funding might change going forwards.

The other point to note on pensions, as I highlighted in the presentation once we have completed the Brink's disposals in the second half there is an agreement with the Trustees that we will make an additional pension contribution that I estimate to be around £25m in accordance with the mechanism set out in the deed of undertaking with the Trustees.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks Tim, thank you Andy.

.....

**Helen Parris, Director of Investor Relations**

So I just have a couple more if that's okay. So from Danie Pretorius at Coronation Asset Management.

To what extent is the margin improvement in the Americas due to mix changes versus higher margins embedded in new contracts?

.....

**Ashley Almanza, Chief Executive Officer**

Thank you Helen, thank you for the question. I think - well look, there's several factors at work in the margin improvement in the Americas. It is mostly coming from North America; I think that's the first thing to say.

And there are two clear benefits, one is operating leverage, so I think some of our participants on today's call will remember that about 18 months ago we carried out an operational excellence programme and improved our cost profile in North America. And as volumes have picked up we've benefited from operating leverage.

And there is a mix effect; I mean we have seen a pick-up in demand for Risk Consulting, Data Analytics and Integrated Solutions. That has a number of important effects. For existing customers I believe it undoubtedly helps us to retain the services that we deliver to those customers, retain the contract. It also helps us to grow the contract with existing customers.

And for new customers, clearly where we're providing Software, Data Analytics, Risk Consulting, those are not at the same margin as Conventional Security Services, so we are seeing some mix effect.

So to sum up it's a combination of operating leverage and beneficial change in mix.

Thank you.

.....

**Helen Parris, Director of Investor Relations**

Thank you. So operator we will now take the next question on the phone line please.

.....

**Telephone Operator**

Thank you, the next question comes in from the line of Rory Mckenzie, calling from UBS. Rory, please go ahead.

.....

**Rory Mckenzie, UBS**

Morning all Rory here, just two please. Firstly, can you quantify any short term contracts you've won during the crisis? Now I'm thinking about things like guarding of vacant buildings or queue management and whether you've already started to see those kind of short term wins start to fade?

And then secondly, what's the difference between the £50m SFO charge you've taken and the £44.4m announcement that the SFO made about the penalty plus legal fees please?

.....

**Ashley Almanza, Chief Executive Officer**

Rory thanks for your question, I'll ask Tim to provide numbers on both of those questions, but just as a sort of precursor to the answer. In terms of short term work I think the colour we can provide is that for example in the UK we're supporting the government in COVID testing, so we have 15 test sites at the moment and we're rolling out 60, 6-0 mobile testing sites. I regard that as temporary work. The revenue is in the single millions, at that sort of level.

In North America it's harder to judge what is going to be, with hindsight, temporary work and work that will stick. So you know vacant buildings for example when the customer returns to occupy those buildings there will still be a retention at some level of security.

But I think it is right to say that there probably is some temporary demand out there, quite difficult to quantify, Tim might have a go at that. But I don't think, in fact I am sure; it is not the primary reason for the growth that we've seen in our Americas business and in our North American business. And the reason we can be confident about that is our business in North America grew very strongly last year and the fundamental reasons for that growth are still in place today, which is a very competitive service offering for our customers. And that I believe is the reason that that business has continued to growth.

So there will be some effect but we don't think it's material. Tim.

.....

**Tim Weller, Chief Financial Officer**

On the SFO charge, the £50m versus the £44m that the SFO were talking about, so the £44m includes both the financial penalty of about £39m and the SFO's costs of the investigation. Outside that amount we have incurred our own legal and other advisory costs in managing what has been a seven year process of the SFO's investigation and that is the balance between the £44m and the £50m we provided for.

.....

**Ashley Almanza, Chief Executive Officer**

Thanks Tim. Thank you Rory.

.....

**Helen Parris, Director of Investor Relations**

Okay I've got two questions on the webcast. I think these maybe our final questions, probably the operator will now poll for any other questions. But the final two.

So the first one from Johan at Kepler Cheuvreux, is you've mentioned that you've finished the main clean-up and streamlining of the company, however you have a very patchy geographic coverage in Europe, is that not hampering your offering to large global customers and what can you do about it?

.....



**Ashley Almanza, Chief Executive Officer**

Thank you Helen, thank you Johan. I'm hopefully not sounding too defensive but we wouldn't regard our position in Europe as patchy. We've got, I think, a very strong position in Europe.

You are right that of course there are some markets where we have chosen not to build our own franchise. In those markets typically we have a strategic alliance with a local provider and that has worked well for us and it has not stopped us from growing our global account business, for example in North America.

You know could we consider building out into those markets? Potentially, but it's not a priority right now. I think we've been able to manage quite well without entering those markets.

.....

**Helen Parris, Director of Investor Relations**

Thank you and then I think our final question also from Johan is - on Retail Cash Solutions it's 7% of PBITA and then you said cash positive, how big a share of the operating cash flow was from Retail Cash Solutions in the first half?

.....

**Tim Weller, Chief Financial Officer**

Put simplistically it's pretty proportionate to the PBITA, so probably around 7%.

.....

**Helen Parris, Director of Investor Relations**

Great thank you. Courtney can you confirm that there are no more questions?

.....

**Telephone Operator**

There are now further questions in the queue.

.....

**Ashley Almanza, Chief Executive Officer**

Thank you Courtney. Thank you everyone for joining and participating in the call today. We look forward to announcing our full year results and talking to you then. In the meantime, please take care. Thank you and goodbye.

.....

END