

# 2013 Preliminary Results

## 12 March 2014



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# Ashley Almanza Chief Executive Officer



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# Agenda

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- Results Highlights
- Business Review
- Financial Review
- Strategy Execution
- Conclusion
- Q&A

# 2013 Results Highlights

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- Revenue growth +5.8%, Emerging Markets +16%
- PBITA £442m: impacted by US & Europe
- Significant one offs – clear up and restructuring
- Strong cash flow from cont. operations: £460m +36%
- Stronger financial position

**Clear up, consolidation and laying foundations for growth**

# Business review

## Africa

£m Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>486</b>	<b>11.7%</b>	<b>39</b>	<b>30</b>	<b>+30.0%</b>

- PBITA +30%: SA Cash, Nigeria, Mozambique, Kenya
- Established as a separate Region (incl. Egypt)
- Leadership strengthened: 3x RMD's, Commercial Director
- Deposita (cash technology) growing strongly
- Strengthening sector specialism
- Growing pipeline across diverse markets and customer segments

**Delivering profitable growth, building capability**

# Business review

## Asia Middle East

<i>£m</i> Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>1,567</b>	<b>+17.7%</b>	<b>129</b>	<b>104</b>	<b>+24.0%</b>

- Very strong revenue and profit growth across the Region
  - Manus Island contract
  - Middle East: Strong demand and profitability
  - India performance improvement programme
- Outstanding progress in safety performance
- Investing in Sales and Systems capability
- Strong and diverse portfolio and healthy pipeline

**Delivering profitable growth, building capability**

# Business review

## Latin America

<i>£m</i> Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>717</b>	<b>16.6%</b>	<b>48</b>	<b>39</b>	<b>+23.1%</b>

- Double digit growth in all leading markets: 11% organic
- PBITA +23%
- New leadership: Oct 2013
- Sold Colombian data archiving business: £34m, 13x PBITA
- Investing in Sales, Operations and Systems capability
- Developing a diversified pipeline

**Delivering profitable growth, building capability**

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# Business review

## Europe

£m <i>Underlying performance at constant exchange rates</i>	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>1,648</b>	<b>-1.6%</b>	<b>92</b>	<b>108</b>	<b>-14.8%</b>

- Revenue and profit impacted by Dutch prisons closures
- New leadership
- Accelerated restructuring in Netherlands, Belgium, Finland
- Sold Slovakia Cash Solutions and Norway Secure Solutions
- Strengthening management and sales capability
- Establishing positive sales momentum in 2014 e.g. GSN

**Restructuring and investing**

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# Business review

## North America

<i>£m</i> Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>1,358</b>	<b>0.4%</b>	<b>56</b>	<b>68</b>	<b>-17.6%</b>

- Lower federal spending impacted revenue and PBITA
- Extending technology business to commercial market
- CASH360: major retail market
- Sale of US Govt. Solutions business in progress: subject to terms
- Sold Canada Cash Solutions: completed Q1 2014
- Plans in place for implementation of PPACA (Obamacare) in 2015

**Strong franchise, largest security market**

# Business review

## UK & Ireland

£m Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2013	2013	2013	2012	% chge
	<b>1,652</b>	<b>2.2%</b>	<b>122</b>	<b>129</b>	<b>-5.4%</b>

- Revenue growth and PBITA impacted by UK&I Cash Solutions
- Restructuring UK Cash Solutions, Ireland, Regional Head Office
- New executive leadership
- Reorganised business units along market lines to strengthen customer focus, including new dedicated business unit for UK Government
- Establishing shared services for UK
- UK Government discussions

**Reset, restructure and grow**

# Himanshu Raja Chief Financial Officer



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# Agenda

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- Results Highlights
- Business Review
- **Financial Review**
- Strategy Execution
- Conclusion
- Q&A

# Highlights

## Underlying Results<sup>1</sup>

	12 months ended 31 December		Change
	2013	2012 <sup>2</sup>	YoY%
Revenue	£7,428m	£7,024m	5.8%
PBITA	£442m	£430m	2.8%
Operating margin	+6.0%	+6.1%	(10bp)
EPS	14.7p	15.8p	(7%)

- Like for like basis after adjusting for:
  - Discontinued businesses
  - Inclusion of pension interest (IAS 19)
  - Prior year effect of the review of carrying value of assets and liabilities
  - 2013 PBITA at year end rates £422m
- At 31 December 2013 exchange rates, the 2013 underlying PBITA would have been £422m

<sup>1</sup> At constant exchange rates, excluding specific items

<sup>2</sup> 2012 results are presented at constant exchange rates and have been restated for the adoption of IAS19(2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one-off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013.



# Highlights

## Total Results<sup>2</sup>

	12 months ended 31 December		Change
	2013 <sup>1</sup>	2012 <sup>2</sup>	YoY%
Revenue	<b>£7,428m</b>	£7,236m	2.7%
PBITA (before specific items)	<b>£442m</b>	£470m	(6%)
Operating margin	<b>+6.0%</b>	+6.1%	(10bp)
PBITA (after specific items)	<b>£56m</b>	£364m	(84.6%)
Operating margin	<b>+0.8%</b>	+5.0%	(420bp)
Operating cash flow	<b>£460m</b>	£337m	36%
EPS	<b>(24.9)p</b>	2.9p	N/A

<sup>1</sup> At constant exchange rates, excluding specific items

<sup>2</sup> 2012 results are presented pro-forma at constant exchange rates and have been restated for the adoption of IAS19(2011). 2012 PBITA has been re-presented to exclude PBITA from businesses subsequently classified as discontinued, one-off credits, profits on disposal and the prior year effect of the review of assets and liabilities in 2013

# Profit and Loss

12 months ended 2013

£m	Underlying Results	Specific items	Total
<b>PBITA before specific items</b>	<b>442</b>	-	<b>442</b>
<b>Specific items:</b>			
Global review of contracts	-	(136)	(136)
Review of balance sheet assets and liabilities	-	(182)	(182)
	<b>442</b>	<b>(318)</b>	<b>124</b>
Restructuring	-	<b>(68)</b>	<b>(68)</b>
<b>PBITA after restructuring</b>	<b>442</b>	<b>(386)</b>	<b>56</b>

# Contracts review

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- Cabinet Office and MoJ review of all UK Government contracts
- Electronic monitoring:
  - 9 years and 35 million records
  - Multiple contract renewals
  - c.60% UK electronic monitoring markets
- Global financial review of contracts
- Covered 163 contracts selected on size and profitability – total value of £2bn
- Contracts provision of £136m principally relating to UK Government contracts

# Review of Group's assets and liabilities

£m	2013			2012 Impact
	As at 30 June	Since 30 June	As at 31 December	
Impairment of fixed assets	23	3	26	3
Current asset write-downs	17	17	34	4
Impairment of receivables	52	7	59	28
Creditors, claims and provisions	40	23	63	5
<b>Total before contract provisions</b>	<b>132</b>	<b>50</b>	<b>182</b>	<b>40</b>

**Comprehensive review covering all businesses**

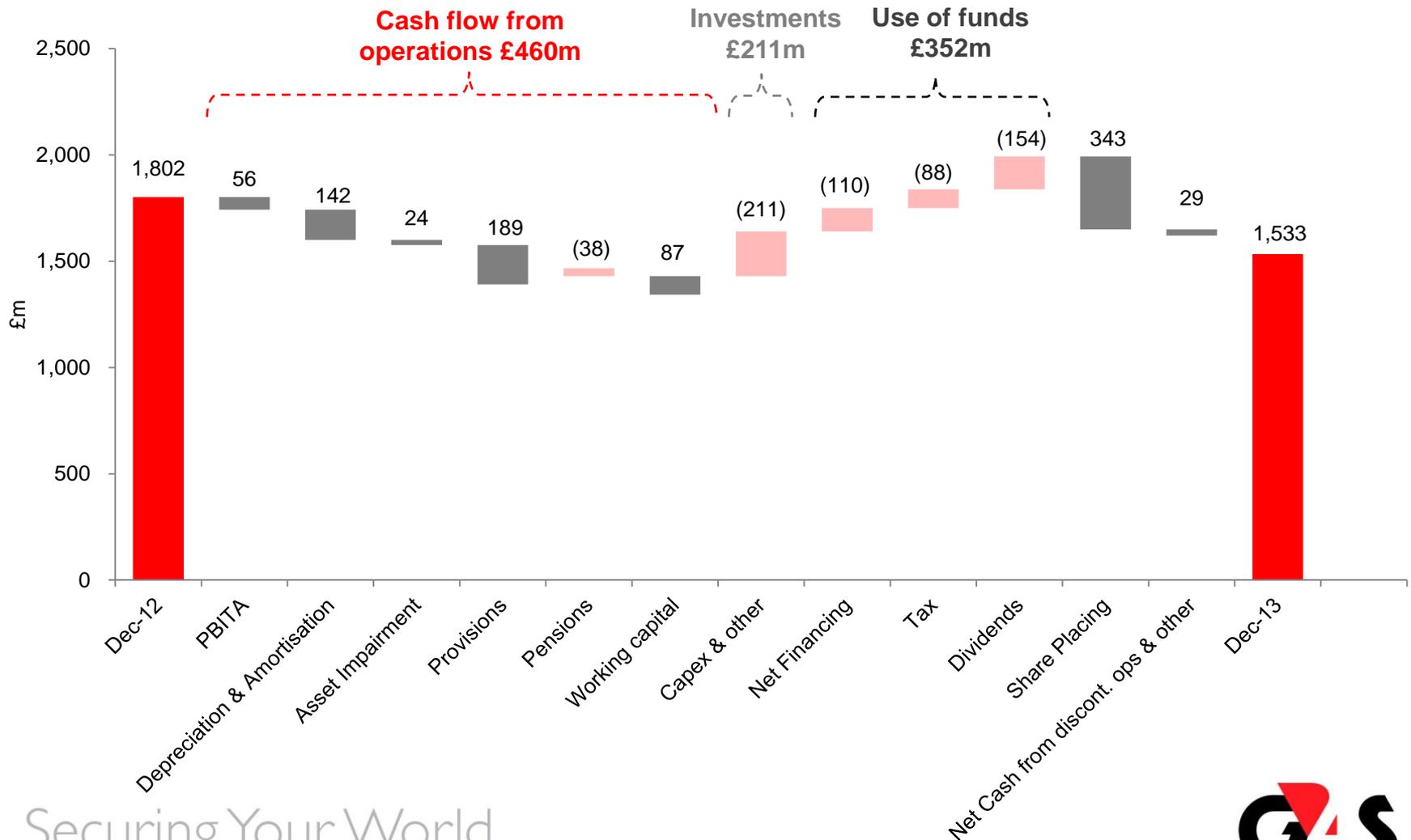
# Profit and Loss

£m	12 months ended 2013			12 months ended 2012
	Underlying Results	Specific items	Total	Total
Turnover	7,428	-	7,428	7,228
PBITA before specific items and restructuring	442	-	442	470
Specific items		(318)	(318)	(64)
Restructuring	-	(68)	(68)	(42)
<b>PBITA after restructuring</b>	<b>442</b>	<b>(386)</b>	<b>56</b>	<b>(364)</b>
Interest (incl. pensions)	(128)	-	(128)	(120)
Amortisation & acquisition expenses	-	(76)	(76)	(84)
Goodwill impairment	-	(46)	(46)	-
Profit on disposals	-	24	24	5
<b>PBT</b>	<b>314</b>	<b>(484)</b>	<b>(170)</b>	<b>158</b>
Tax	(75)	19	(56)	(40)
Discontinued operations	-	(116)	(116)	(56)
<b>PAT</b>	<b>239</b>	<b>(581)</b>	<b>(342)</b>	<b>62</b>

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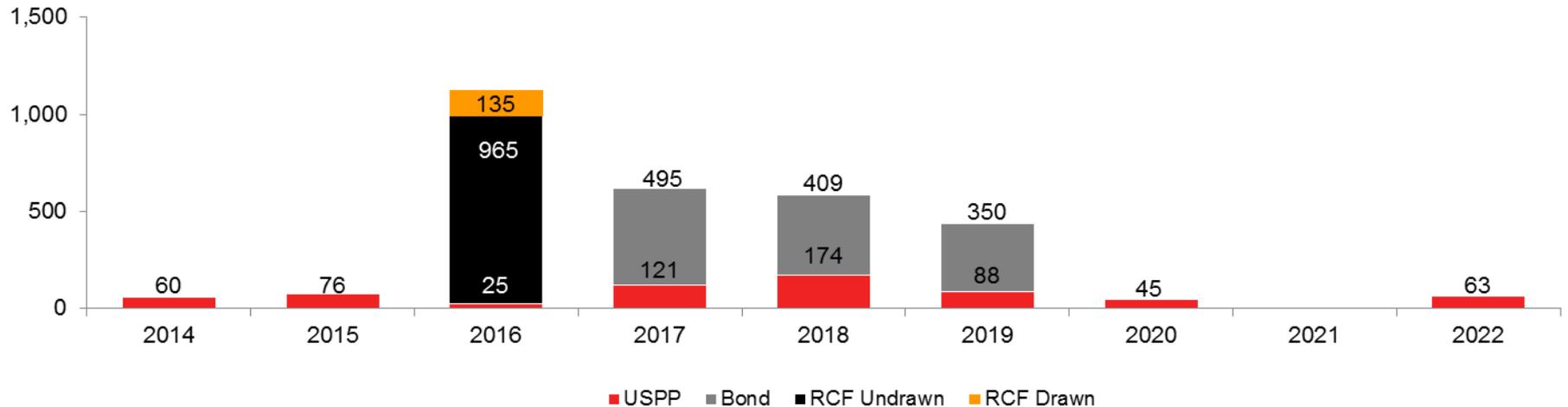
# Cash flow and net debt



# Financing

- Unutilised committed facilities of £965m
- Average interest rate of 4.1% on gross borrowings in 2013
- Flexible access to long-term capital markets remains key to financing strategy
- £89m disposal proceeds received in 2014

## Available funding – maturity profile (£m) at 31/12/13 \*



(\* exchange rates @ 31/12/13 or hedged/drawn rates where applicable)

# 2013 Results Highlights

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- Stronger financial position

**Clear up, consolidation and laying foundations for growth**

# Ashley Almanza Chief Executive Officer



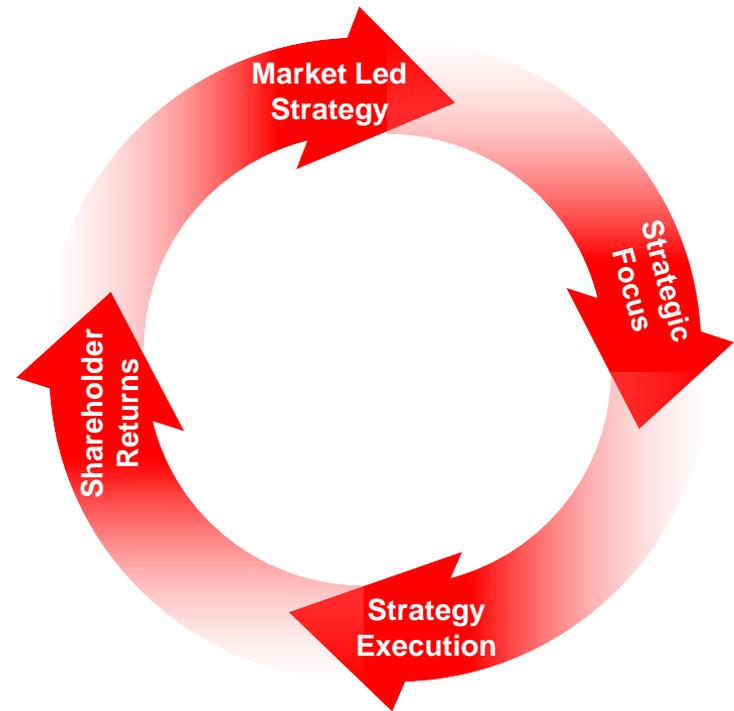
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# Strategy execution

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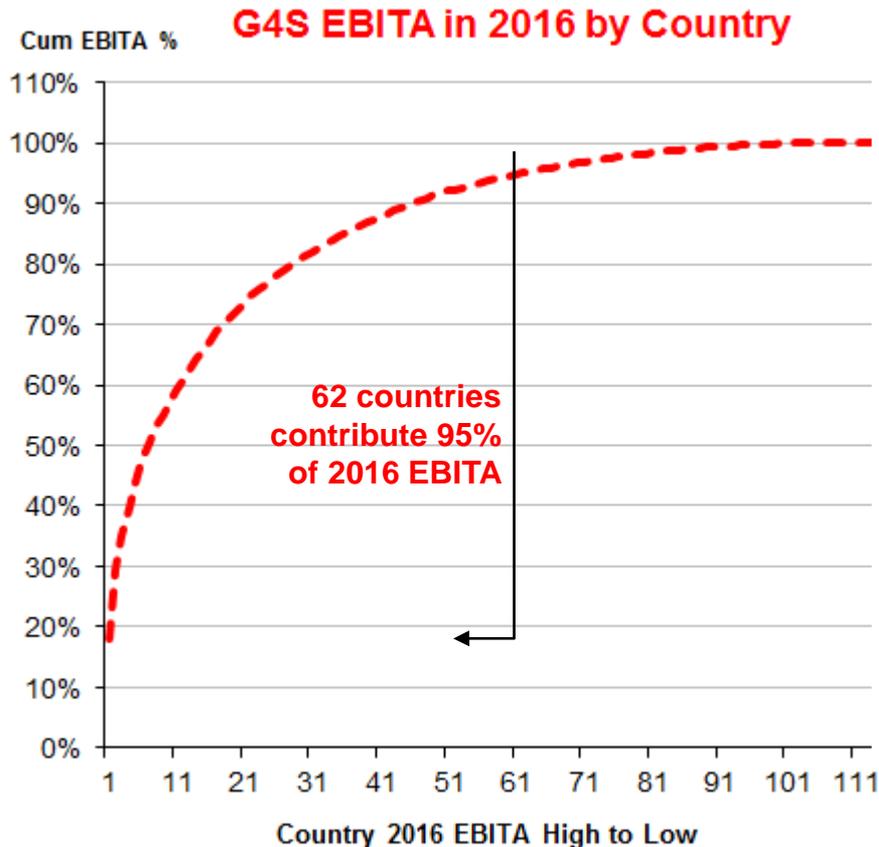
- Strategic focus: Portfolio management
- People: management, organisation and values
- Performance management
- Organic growth
- Technology & innovation



**Building sustainable, profitable growth**

# Strategy execution

## Strategic focus



Review criteria applied to all businesses:

- Materiality of contribution over next 3-5 years:
  - Organic growth
  - EBITA
  - Cash generation
  - Turnaround potential
- Market value
- Risk profile

**Active portfolio management**

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# Strategy execution

## Strategic focus – progress

Business	Number	2013 Rev (£m)	2013 EBITA (£m)	2013 Margin %	Proceeds (£m)
Nov 2013	35	425.6	13.1	3.1%	0
Now	26	214.2	12.3	5.8%	30

- Immediate focus on high impact or materiality
  - Norway and Slovakia Cash Solutions sold: £30m proceeds
  - Discontinuing four unprofitable businesses
  - Three transferred to manage / grow
- Successful sales of Canadian Cash Solutions and Colombian data businesses: £94m
- Two further sales well advanced, subject to satisfactory terms

**Grow, restructure or recycle capital**

# Strategy execution

## Management and organisation

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- 1 Strengthening Global Leadership Team
  - 28 senior appointments
- 2 Appointment to new roles to strengthen execution:
  - Chief Information Officer: IT efficiency and effectiveness
  - Chief Procurement Officer: leveraging global procurement
  - Group Head of Risk and Program Assurance
- 3 Organisational benchmarking
  - Targeting efficiency and execution: successfully piloted in India

**Strengthening capability & capacity**

# Strategy execution

## Group values

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### **Performance:**

We seek to improve performance year-on-year to create long-term sustainability

### **Teamwork & Collaboration:**

We collaborate for the benefit of our customers and G4S

### **Best People:**

We employ the best people, develop their competence, provide opportunity and inspire them to live our values

### **Safety First:**

We prioritise safety management to protect the health and wellbeing of our colleagues and those around us

### **Expertise:**

We develop and demonstrate our expertise through our innovative approach to creating and delivering the right solutions

### **Customer Focus:**

We have close, open relationships with our customers which generate trust and we work in partnership for the mutual benefit of our organisations

### **Integrity:**

We can always be trusted to do the right thing

# Performance Management

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- Performance measures re-aligned with strategy
  - Focusing on Revenue growth, sustainable profit, cash flow
- Performance contracts for all GEC and GLT, cascade to Business Units
- Accelerated Best Practice: prioritising high potential areas
- Embedding monthly and quarterly performance management process

**Rigorous performance management framework**

# Performance Management

## Accelerated best practice – 2014

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- Direct labour efficiency
- Route planning
- Telematics
- IT standardisation & IT infrastructure rationalisation
- Procurement
  - Category management
  - Integrated local and global execution
- Regional Shared Services
  - UK back office, North America

**High potential cost improvement**

# Strategy execution

## Restructuring

### Initial Plan – Nov 2013

#### 2013:

- UK & Ireland Cash Solutions
- North West Europe Secure Solutions

### Under Evaluation

#### 2014:

- Belgium
- Netherlands
- Finland
- Europe Region overheads
- Africa Region overheads
- G4S Tech
- AME

### Accelerated Plan

#### 2013:

- UK & Ireland Cash Solutions
- North West Europe Secure Solutions
- Belgium
- Netherlands
- Finland
- Europe Region overheads
- Africa Region overheads
- US / Canada overheads
- UK HQ & Group Head Office
- India (AME)

£68m

- All deliver post tax IRR of +10% and paybacks of 12-36 months
- c.75% of costs related to people – reduce headcount by 3,300

**Strengthening competitive position**

# Strategy execution

## Technology & innovation

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- 3 dimensions to our development of Technology & Innovation
  - Customer facing Technology (“Go to market”)
  - Operational Technology
  - Infrastructure and Shared Services
- Customer facing Technology:
  - Centres of Excellence: US, UK, Europe and South Africa
  - Building Regional capacity and credentials
- Operations, Infrastructure and Shared Services
  - Appointed Group CIO
  - Global organisation and standardisation
  - Phased to ensure disciplined, cost effective execution

**Building capability & leveraging expertise**

# Strategy execution

## Customer facing Technology & Innovation

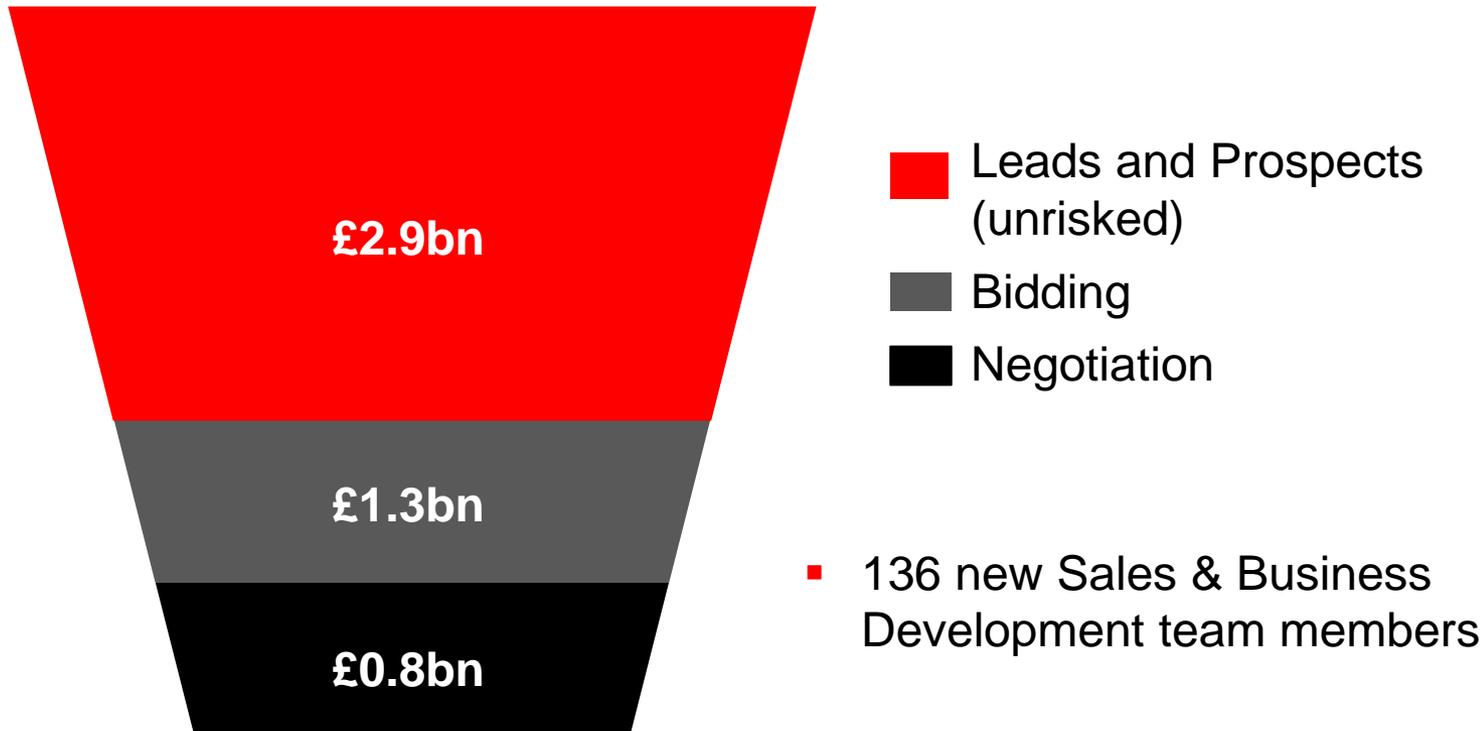
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- Strengthening global technology and systems teams
  - 90 new Systems & Technology hires across the Group
  - US hub increasing resource to focus on Commercial market
  - CASH360 pilot progressing to plan
- Middle East
  - Detailed market assessment: c.\$2bn p.a. market
  - Investment in bid & delivery capability: 52 new hires
- Deposita targeting roll out across Africa, Asia and Middle East
- Europe: Integrating Systems with Patrol & Response
- UK: Strengthening Systems sales resource

**Building capability across the Group**

# Strategy execution

## Organic investment: pipeline



Note: As at March 2014

Large, growing pipeline

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# Conclusion

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- Extremely challenging year for G4S:
  - Action taken to deal with longstanding legacy issues
  - Wide ranging changes to strengthen the Company
- Strong global market position with attractive growth
- Executing against clear and focused strategy
- Array of performance improvement opportunities
- Investing in resource and capability to deliver sustainable, profitable growth
- Increasing confidence, focusing on growing demand for our services and customer needs

**Strengthening capability, sustainable growth**

# Q&A



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# Appendix



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# Earnings per Share

## Year ended 31 December 2013

£m	2013	2012 at constant FX	2012 at actual FX
PBITA from continuing operations	442	430	430
Interest (including pensions)	(128)	(117)	(117)
PBTA from continuing operations	314	313	313
Tax	(75)	(69)	(69)
Tax rate	24%	22%	22%
Adjusted PAT	239	244	244
Non-controlling interests	(25)	(22)	(22)
Underlying profit attributable to shareholders	214	222	222
Average number of shares (m)	1,452	1,403	1,403
Underlying EPS (p)	14.7	15.8	15.8
DPS (p)	8.96	8.96	8.96

# Significant exchange rates

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- The group derives a significant portion of its revenue and profits in the following currencies. Closing and average rates for these currencies are shown below:

	<b>As at 31 Dec 2013</b>	<b>At 2013 average rates</b>
£/US\$	1.656	1.565
£/€	1.202	1.179
£/South Africa Rand	17.347	15.122
£/India Rupee	102.447	91.807
£/Israel Shekel	5.749	5.649
£/Brazil Real	3.908	3.389

- If current (31 December 2013) exchange rates were used for 2013, underlying PBITA would have been £422m, a reduction from £442m due to a strengthening of the value of sterling