

G4S plc

Preliminary results

16 March 2010

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# Legal Disclaimer

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Certain statements in this document are forward-looking statements. These forward-looking statements speak only as at the date of this document. These statements concern, or may affect, future matters and include matters that are not facts. Such statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause actual results and outcomes to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements. The information and opinions expressed in this document are subject to change without notice and neither the Company nor any other person assumes any responsibility or obligation to update publicly or review any of the forward-looking statements contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.



Nick Buckles

Chief Executive Officer

Securing Your World



# Agenda

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<b>Results Highlights</b>	<b>Nick Buckles</b>
<b>Financial Summary</b>	<b>Trevor Dighton</b>
<b>Business Review</b>	<b>Nick Buckles</b>
<b>Q&amp;A</b>	

# Results Highlights

\* At constant exchange rates

- **Robust organic turnover growth of 3.7%**
- **Group turnover\* up 7.4% to £7,009 million**
- **PBITA\* up 10.0% to £500.3 million**
- **Margin\* increased to 7.1%**
- **Operating cash flow generation 90% of PBITA**
- **Adjusted EPS increased by 22% to 20.2 pence**
- **Total dividend up 11.7% to 7.18 pence per share**
- **Enhanced growth strategy delivering and completed a number of capability building acquisitions in government, financial institution, ports and nuclear power sectors**

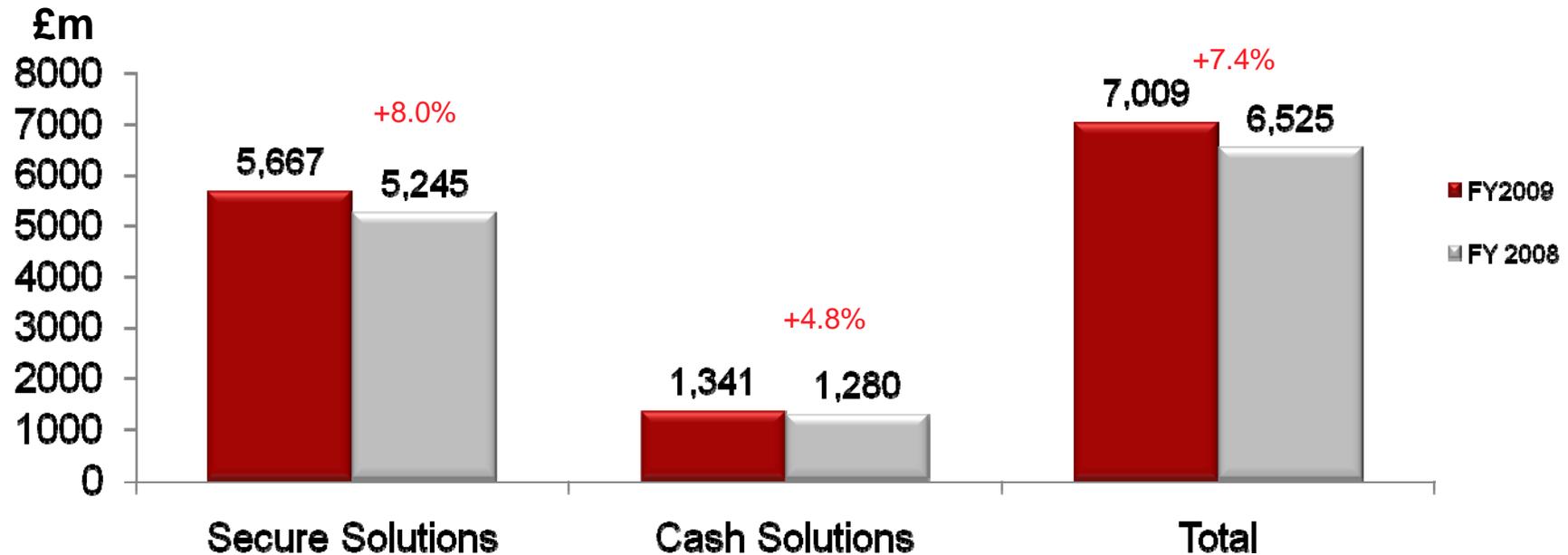
# Financials

Trevor Dighton  
Chief Financial Officer

# Continuing Turnover by Business Line

## 12 months ended 31 December 2009

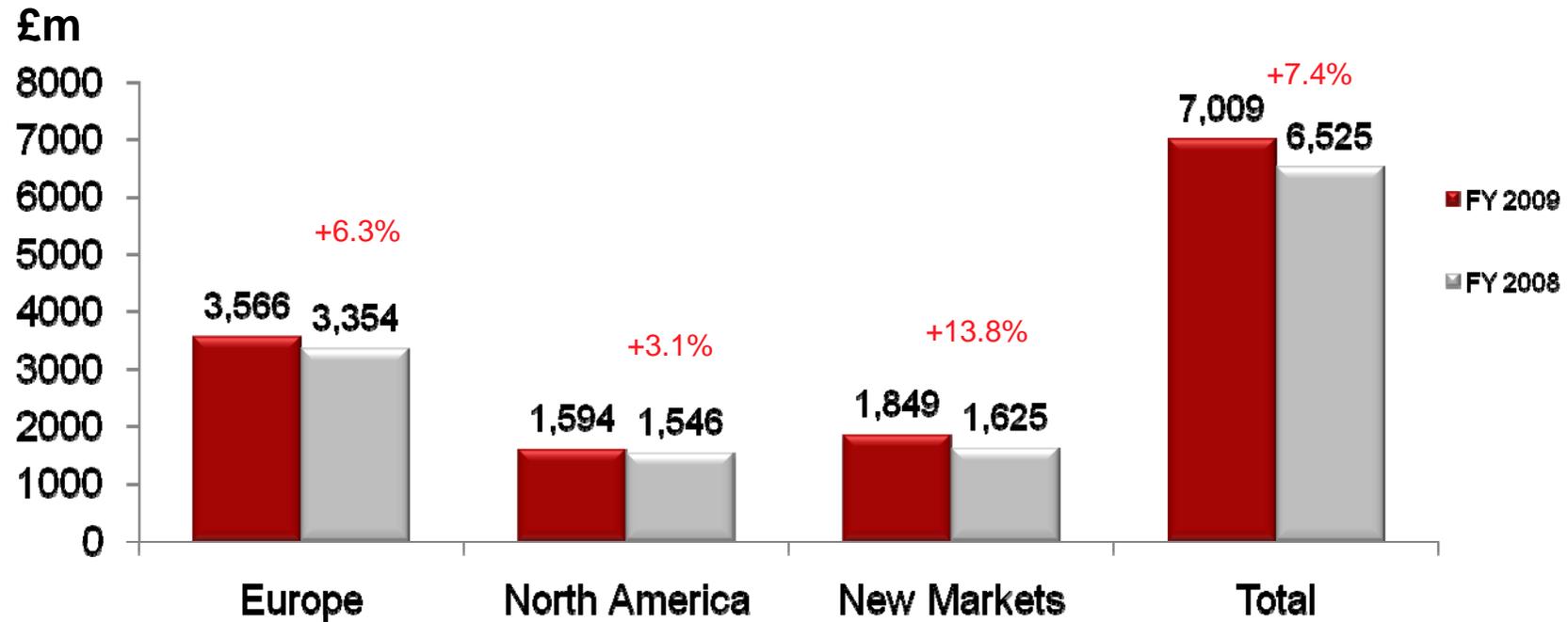
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# Continuing Turnover by Geography

## 12 months ended 31 December 2009

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# Organic Turnover Growth

12 months ended 31 December 2009

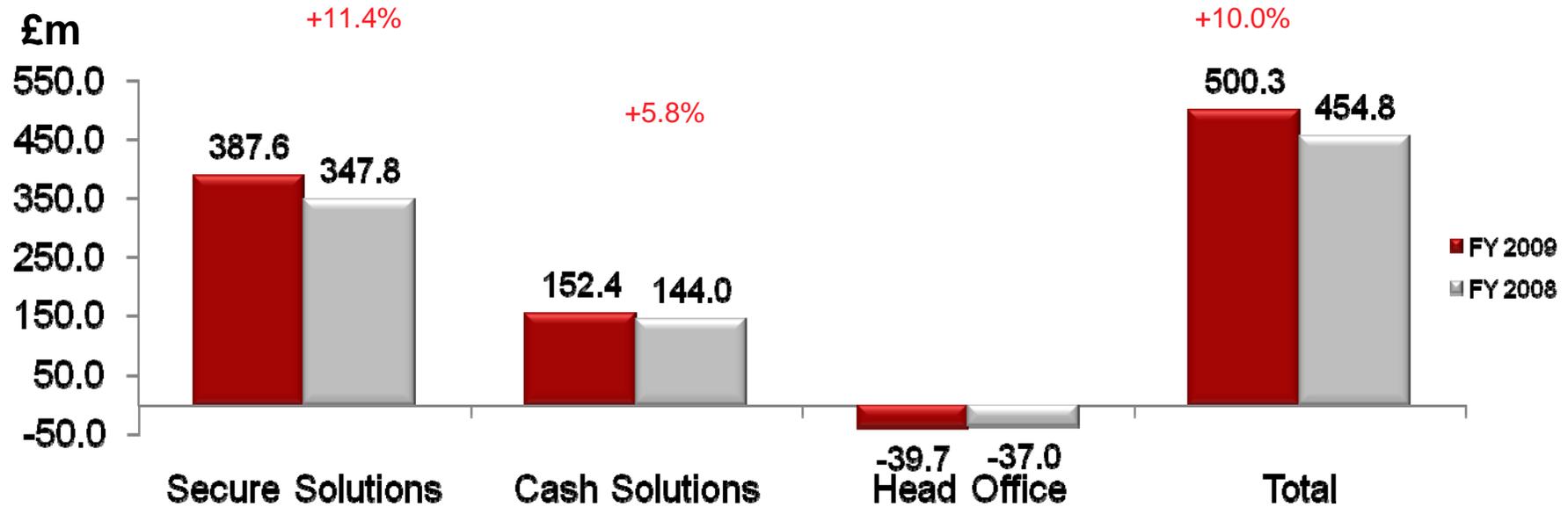
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	Europe	North America	Developed Markets	New Markets	Total
Secure Solutions	2.7%	0.0%	1.7%	8.6%	3.5%
Cash Solutions	2.5%	3.3%	2.6%	12.0%	4.7%
Total	2.7%	0.2%	1.9%	9.2%	3.7%

# Continuing PBITA by Business Line

## 12 months ended 31 December 2009

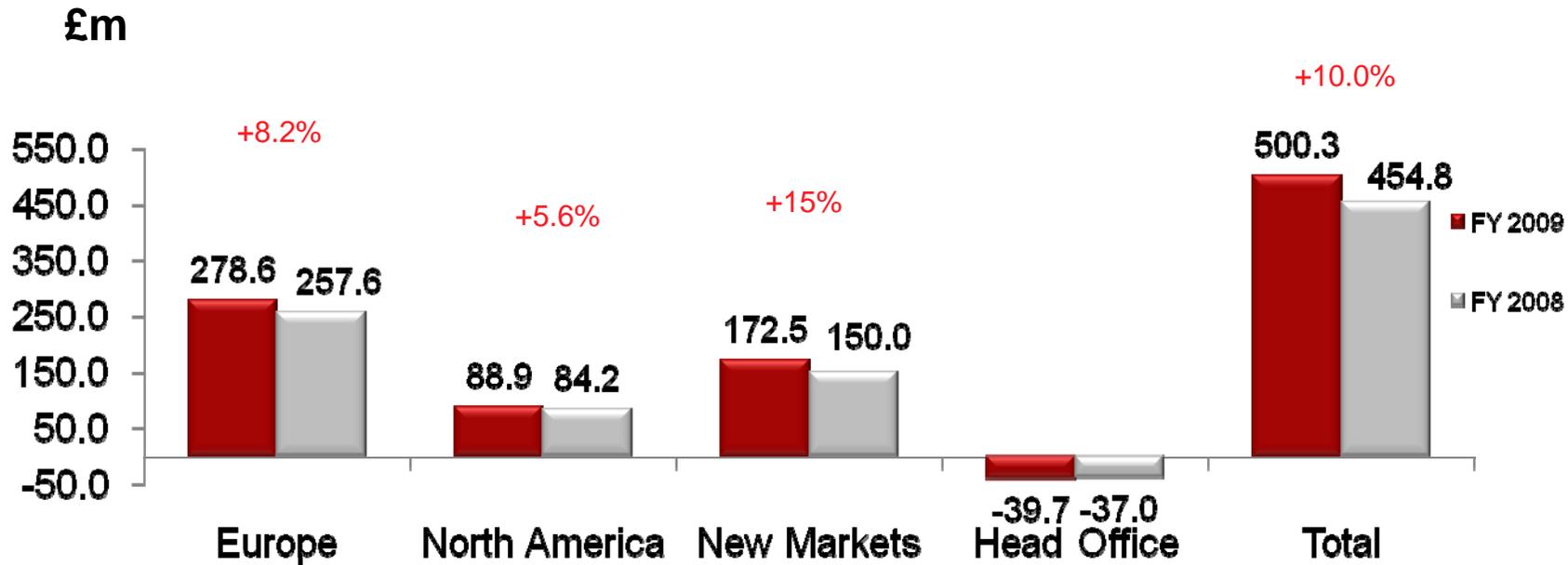
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# Continuing PBITA by Geography

## 12 months ended 31 December 2009



# Continuing PBITA Margin by Business Line

## 12 months ended 31 December 2009

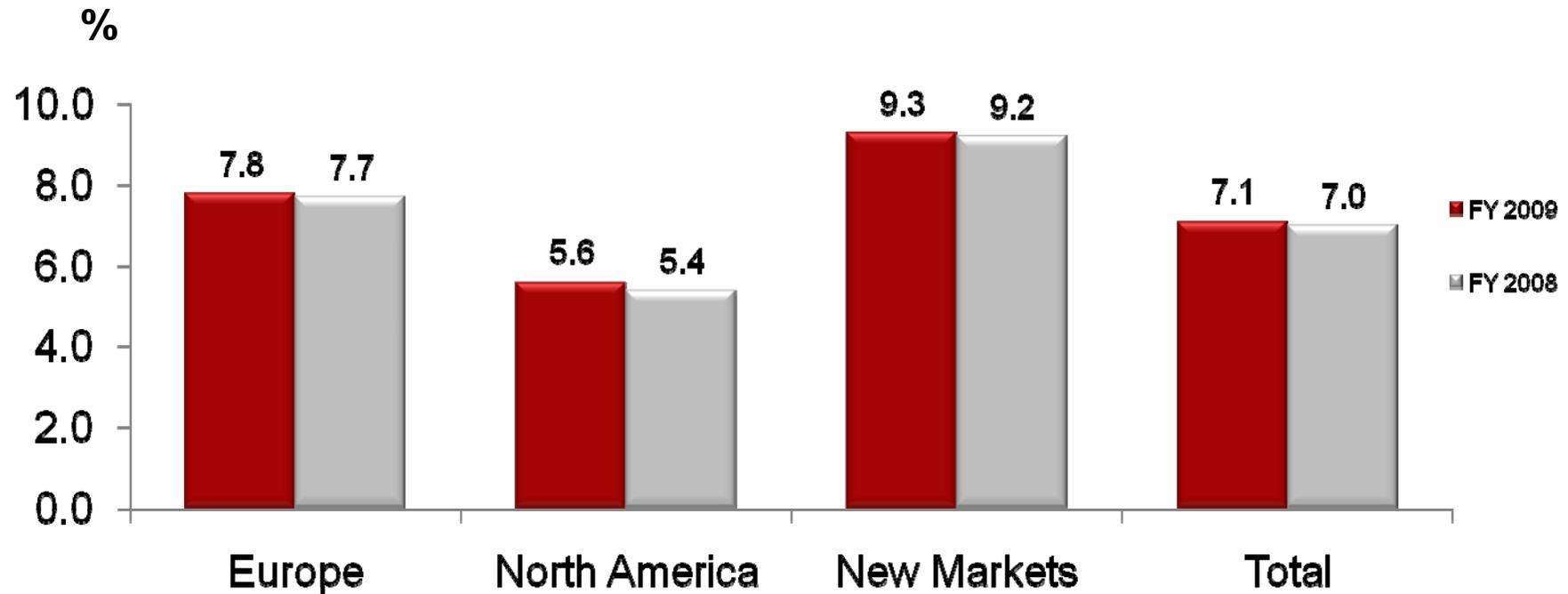
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# Continuing PBITA Margin by Geography

## 12 months ended 31 December 2009

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# Profit and Loss Account

12 months ended 31 December 2009

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£m	2009	2008
PBITA	500.3	415.0
Interest (before pensions)	(95.3)	(88.2)
PBT (before amortisation and pensions interest)	405.0	326.8
Amortisation	(83.2)	(67.8)
Pensions interest	(19.0)	3.7
PBT	302.8	262.7
Tax	(76.7)	(70.3)
Discontinued operations	(6.9)	(27.5)
PAT	219.2	164.9

# Taxation

12 months ended 31 December 2009

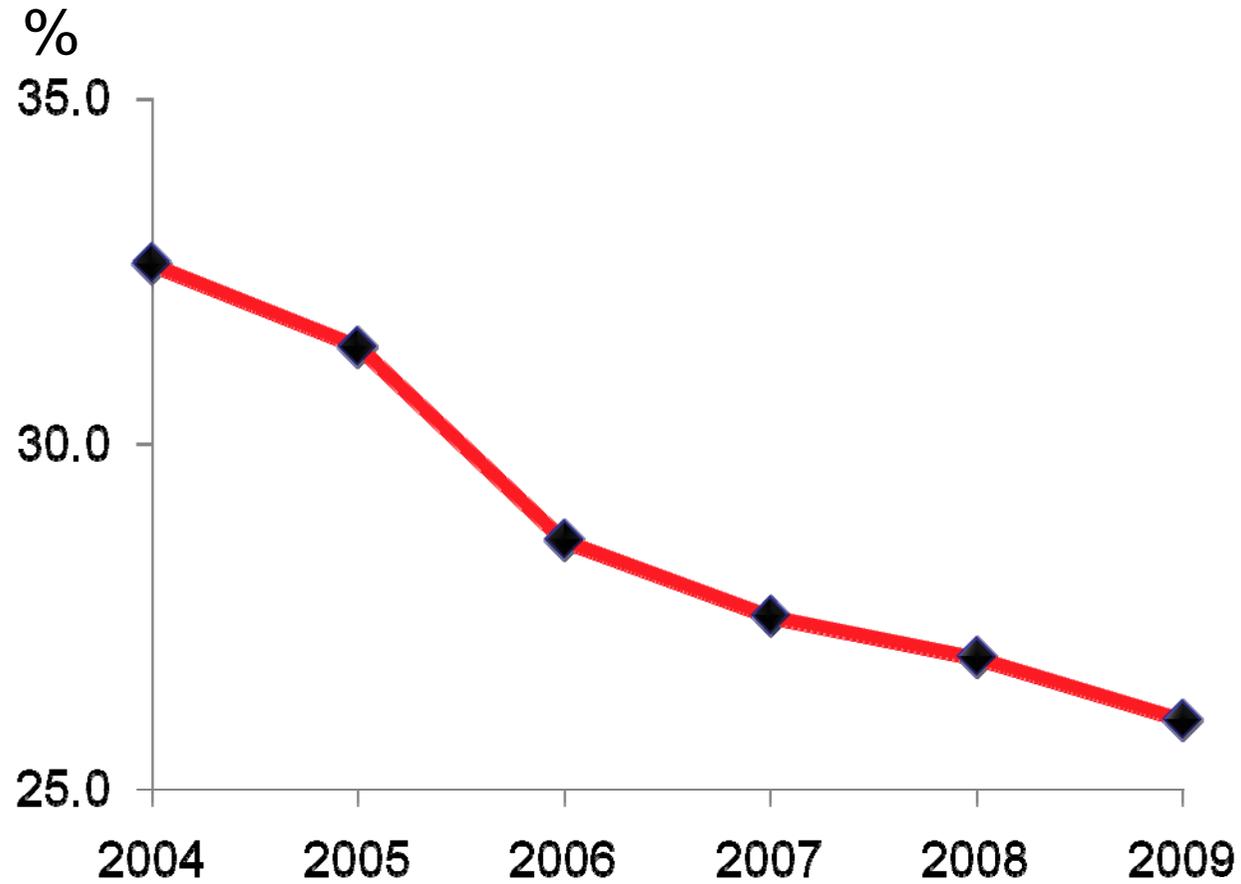
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£m	Pre amortisation and pensions interest	Amortisation and pensions interest	Total
Profit/(loss) before tax	405.0	(102.2)	302.8
Tax (charge)/credit	(105.3)	28.6	(76.7)
Tax rate	26.0%		

# Effective Tax Rate

2004 - 2009

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# Earnings per Share

12 months ended 31 December 2009

£m	2009	2008 at constant FX	2008 at actual FX
PBITA from continuing operations	500.3	454.8	415.0
Interest (before pensions)	(95.3)	(101.5)	(88.2)
	405.0	353.3	326.8
Tax	(105.3)	(94.3)	(88.4)
Adjusted PAT	299.7	259.0	238.4
Minorities	(16.7)	(13.7)	(13.7)
Adjusted profit attributable to shareholders	283.0	245.3	224.7
Average number of shares (m)	1,404	1,358	1,358
Adjusted EPS (p)	20.2p	18.1p	16.6p

# Balance Sheet

31 December 2009

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£m	2009	2008
Goodwill and other intangibles	2,474	2,555
Tangible fixed assets	546	529
Other non-current assets	227	209
Current assets (excl cash)	1,459	1,531
Current liabilities (excl debt)	(1,287)	(1,437)
Non-current liabilities (excl debt)	(547)	(568)
Net debt	(1,433)	(1,348)
Net assets	1,439	1,471

# Operating Cash Flow

12 months ended 31 December 2009

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£m	2009	2008
Group PBITA	499.1	411.6
Depreciation	136.2	116.1
Profit on disposal of fixed assets	(0.3)	2.1
Working capital movement	(15.4)	(15.3)
<b>Cash generated from operations</b>	<b>619.6</b>	<b>514.5</b>
Capital expenditure	(169.7)	(161.3)
<b>Operating cash flow</b>	<b>449.9</b>	<b>353.2</b>
<b>Operating cash flow as % of PBITA</b>	<b>90%</b>	<b>85%</b>

## Reconciliation of cash generated from operations 12 months ended 31 December 2009

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£m	2009	2008
Operating cash flow (G4S definition)	449.9	353.2
Add back capital expenditure	169.7	161.3
Cash outflow on discontinued operations	(12.7)	(27.2)
Additional pension contributions	(29.9)	(32.3)
Tax paid	(67.8)	(82.0)
Cash from operating activities (statutory definition)	509.2	373.0

# Cash Flow

12 months ended 31 December 2009

£m	2009	2008
Cash from operating activities (statutory definition)	509.2	373.0
Interest	(86.7)	(80.0)
Net capital expenditure	(169.7)	(161.3)
Group dividend	(94.2)	(75.0)
Acquisitions and disposals	(152.9)	(598.6)
Share issues	2.7	276.8
New finance leases	(19.7)	(17.1)
Other	(35.7)	(74.4)
Movement in net debt	(47.0)	(356.6)
Exchange movement	(38.7)	(186.2)
Opening net debt	(1,347.7)	(804.9)
Closing net debt	(1,433.4)	(1,347.7)

# Acquisitions

12 months ended 31 December 2009

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£m		2009
Minority buy-outs		29.6
Businesses acquired:		
Adesta	41.9	
All Star	38.5	
NSSC	12.7	
Others	25.0	
<b>Total spend on current year acquisitions</b>	<b>147.7</b>	
Deferred consideration paid relating to prior year acquisitions	16.0	
Tax refund receivable relating to prior years	(10.5)	
<b>Total cost of acquisitions</b>		<b>153.2</b>

# Dividend

12 months ended 31 December 2009

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- Final dividend of 4.16p per share
- Total dividend for 2009 of 7.18p
- 11.7% increase on 2008
- Policy remains to increase dividends broadly in line with underlying earnings growth

# Pensions

12 months ended 31 December 2009

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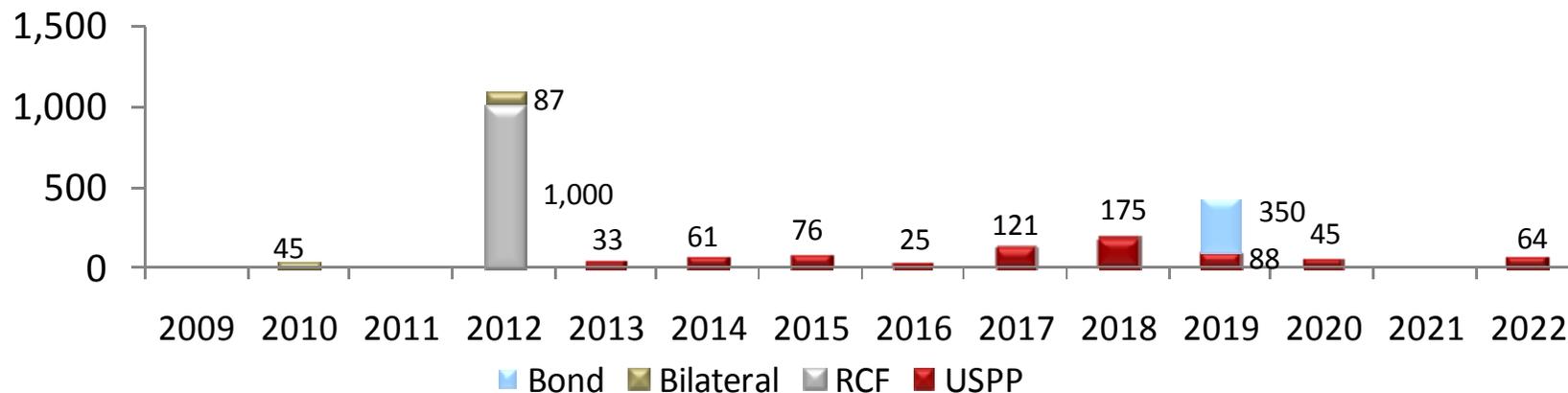
- Financial and actuarial assumptions updated as at December
- Calculations subject to short-term volatility
- Discount rate of 5.65% used for the UK
- Liabilities therefore increased
- Increase in asset values of £143m
- Deficit increased to £328m from £286m at December 2008
- Additional cash contributions of £30m paid (no P&L implication)
- Hold 60% of assets in equities and believe in long-term equity out-performance over bonds

# Financing

At 31 December 2009

- Headroom of £615m
- Average interest rate in 2009 of 4.7%
- Net debt to EBITDA of 2.3x (or 2.2x adjusting for average exchange rates and annualised acquisitions)

Available funding – maturity profile (£M)\*



# Nick Buckles

Chief Executive Officer

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# Secure Solutions

£m * At constant exchange rates	Turnover		PBITA *		Margins	
	2009	2008	2009	2008	2009	2008
Europe	2,637.0	2,449.1	176.6	158.7	6.7%	6.5%
North America	1,495.3	1,449.5	84.8	83.3	5.7%	5.7%
New Markets	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%
Exchange differences	-	(500.8)	-	(30.9)		
At actual exchange rates	5,667.4	4,736.0	387.6	316.9	6.8%	6.7%

\*Includes share of associates

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# Secure Solutions

## Europe

£m * At constant exchange rates	Turnover		PBITA		Margins		Organic Growth
	2009	2008	2009	2008	2009	2008	2009
UK & Ireland*	1,139.3	929.9	97.3	78.6	8.5%	8.3%	7.4%
Continental Europe *	1,497.7	1,378.6	79.3	74.3	5.3%	5.4%	-0.5%
Total Europe *	2,637.0	2,308.5	176.6	151.1	6.7%	6.5%	2.7%

### UK & Ireland

- Organic growth strong at 7.4%
- Margins up helped by improvements in government sector
- Significant decline in growth and margins in Ireland
- Strong growth in risk management and government segments

# Secure Solutions

## Europe

£m * At constant exchange rates	Turnover		PBITA		Margins		Organic Growth
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Total Europe *	2,637.0	2,308.5	176.6	151.1	6.7%	6.5%	2.7%

### Continental Europe

- Overall growth in Continental Europe was relatively flat
- Negative growth in some of the larger European markets
- Margins maintained helped by strict cost control
- The **Baltics** organic growth declined 17%
- Strong organic growth in **Romania** and **Norway**
- Improved margins in **Israel** due to new contracts

# Secure Solutions

## North America

£m * At constant exchange rates	Turnover		PBITA		Margins		Organic Growth
	2009	2008	2009	2008	2009	2008	2009
North America *	1,495.3	1,449.5	84.8	83.3	5.7%	5.7%	0.0%

### United States

- Good underlying performance
- Growth in commercial sector relatively flat with contract extensions and renewals being offset by some service reduction
- Mid single digit growth in Government sector due to contract phasing
- Increased capability with Adesta, All Star and NSSC acquisitions

### Canada

- Good performance and better margins in a tough environment
- Good pipeline in justice services, healthcare and energy sectors

# Secure Solutions

## New Markets

£m * At constant exchange rates	Turnover		PBITA		Margins		Organic Growth
	2009	2008	2009	2008	2009	2008	2009
Asia *	522.0	455.9	41.1	36.0	7.9%	7.9%	5.6%
Middle East *	424.5	374.1	38.5	31.1	9.1%	8.3%	13.4%
Africa *	305.6	265.9	29.0	23.8	9.5%	9.0%	6.8%
Latin America & Caribbean *	283.0	250.3	17.6	14.9	6.2%	6.0%	9.4%
Total New Markets *	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%

### Asia

- Organic growth of 5.6% and margins maintained
- Double digit growth in **India** and **Thailand**
- Loss of DIAC contract offset by improved outlook helped by new contracts and acquired capability with Hill & Associates

# Secure Solutions

## New Markets

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Total New Markets *	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%

### Middle East

- Excellent organic growth of 13.4%
- **Saudi Arabia, UAE and Qatar** all grew strongly
- Margins improved due to successful integration of acquisitions

# Secure Solutions

## New Markets

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Total New Markets *	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%

### Africa

- 6.8% organic growth overall
- Margins improved strongly to 9.5 %
- Strong profit improvement in **South Africa** due to continued focus on higher margin contracts
- Excellent performances in **Kenya, Nigeria and Morocco**

# Secure Solutions

## New Markets

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Total New Markets *	1,535.1	1,346.2	126.2	105.8	8.2%	7.9%	8.6%

### Latin America & Caribbean

- Organic growth of 9.4%
- Margins increased to 6.2%
- **Argentina, Guatemala, Ecuador and Peru** grew particularly strongly helped by new contracts

# Cash Solutions

£m	Turnover		PBITA *		Margins	
	2009	2008	2009	2008	2009	2008
At 2009 exchange rates						
Europe	929.2	904.8	102.0	98.9	11.0%	10.9%
North America	98.8	95.9	4.1	0.9	4.1%	0.9%
New Markets	313.2	279.2	46.3	44.2	14.8%	15.8%
Exchange differences	-	(87.4)	-	(10.4)		
At actual exchange rates	1,341.2	1,279.9	152.4	144.0	11.4%	11.3%

\* Includes share of associates

# Cash Solutions

## Europe

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Total Cash Services *	1,341.2	1,279.9	152.4	144.0	11.4%	11.3%	4.7%

## UK

- Good cost control and operational efficiencies maintaining strong margins
- Growth broadly flat due to lower interest rates affecting volumes
- Regional bank outsourcing continues
- Security initiatives benefit bottom line

# Cash Solutions

## Europe

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### Continental Europe

- The **Baltics** and **Benelux** performed well through cost control and driving efficiencies
- Continued strong growth in **Romania**, **Greece** and **Latvia** from financial institution outsourcing
- Focus on cost control and efficiencies across the region
- Euro change-over in **Slovakia** well executed

# Cash Solutions

## North America

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### Canada

- New management delivering transformed operational performance
- Good improvement in organic growth to 3.3%
- Largest bank customer contract renewed
- Strong growth in margins to 4.1%
- Potential for further improvements

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# Cash Solutions

## New Markets

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Total Cash Services *	1,341.2	1,279.9	152.4	144.0	11.4%	11.3%	4.7%

- Strong organic growth across New Markets at 12.0%
- Margins very good at 14.8% despite robberies in **Saudi Arabia** and the expected **Colombia** toll contract impact
- Strong organic growth and margin improvements achieved in **South Africa**

# Strategy overview

# G4S Strategy Overview

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**G4S is the world's leading international security solutions group which specialises in outsourcing of business processes and facilities in sectors where security and safety risks are considered a strategic threat**

B – B Markets



B – G Markets

**“the assessment and management of security and safety risks for buildings, infra-structure, materials, valuables, people and society”**

**Long Term (5+ years) Contracts should be output based around delivery of the one or more of the following Customer's Business Objectives :-**

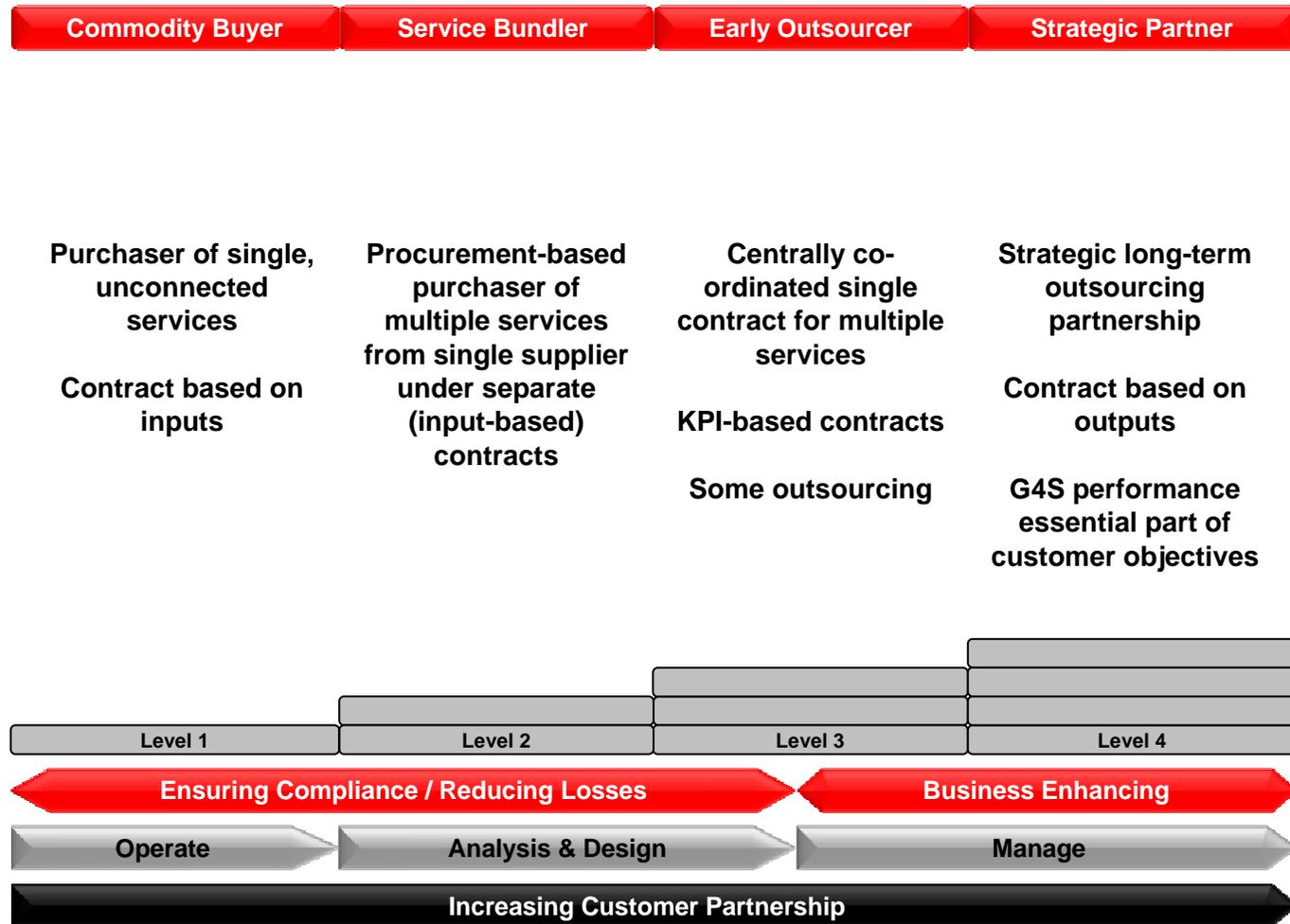
- Revenue Growth
- Cost Management
- Critical Asset or Risk Management (including regulatory)
- Customer Service (end customer)

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# Increase Customer Partnership

## Customer Attributes

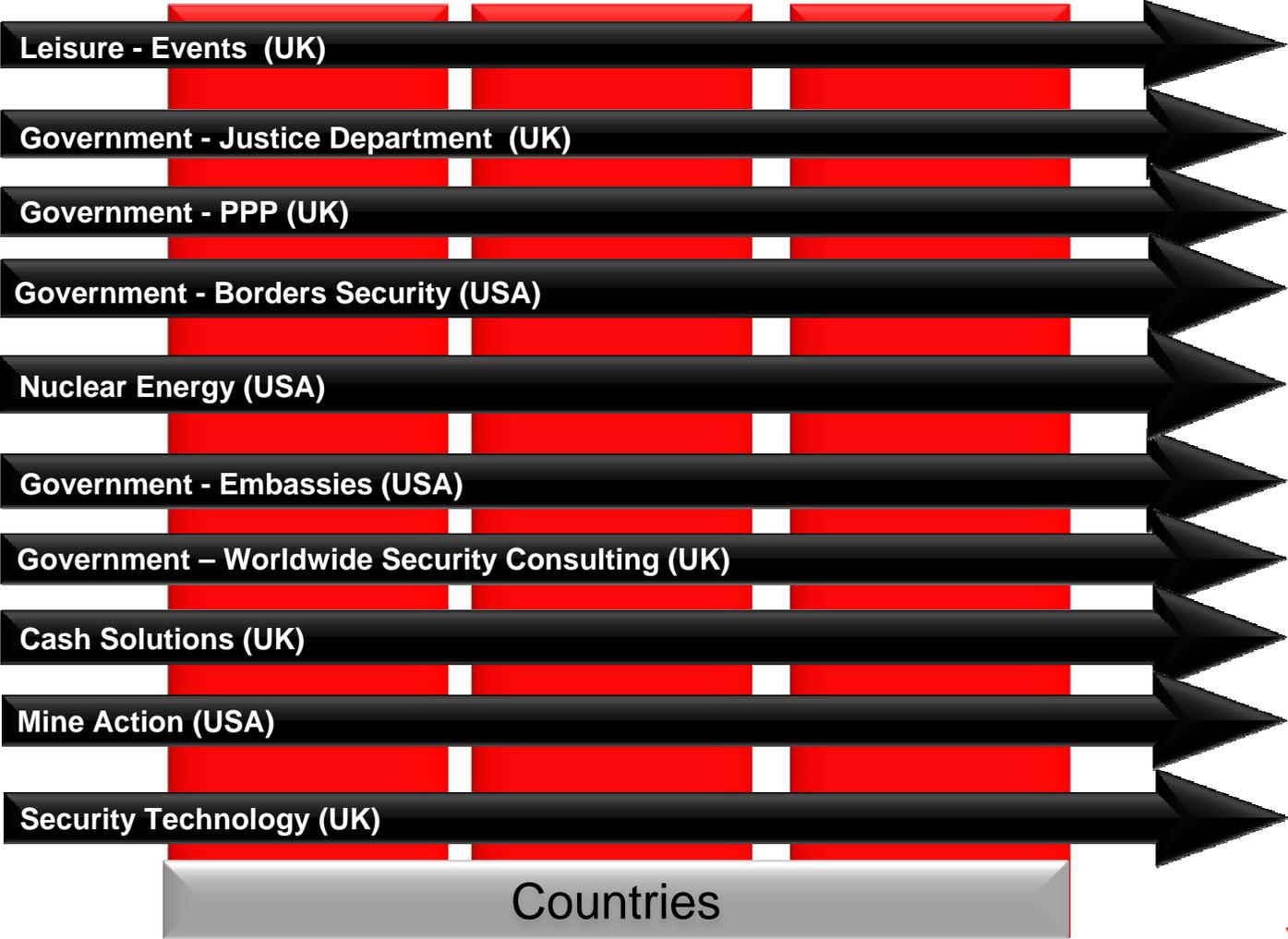


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# G4S Strategy Overview

## Existing Centres of Excellence - Global Product Champions

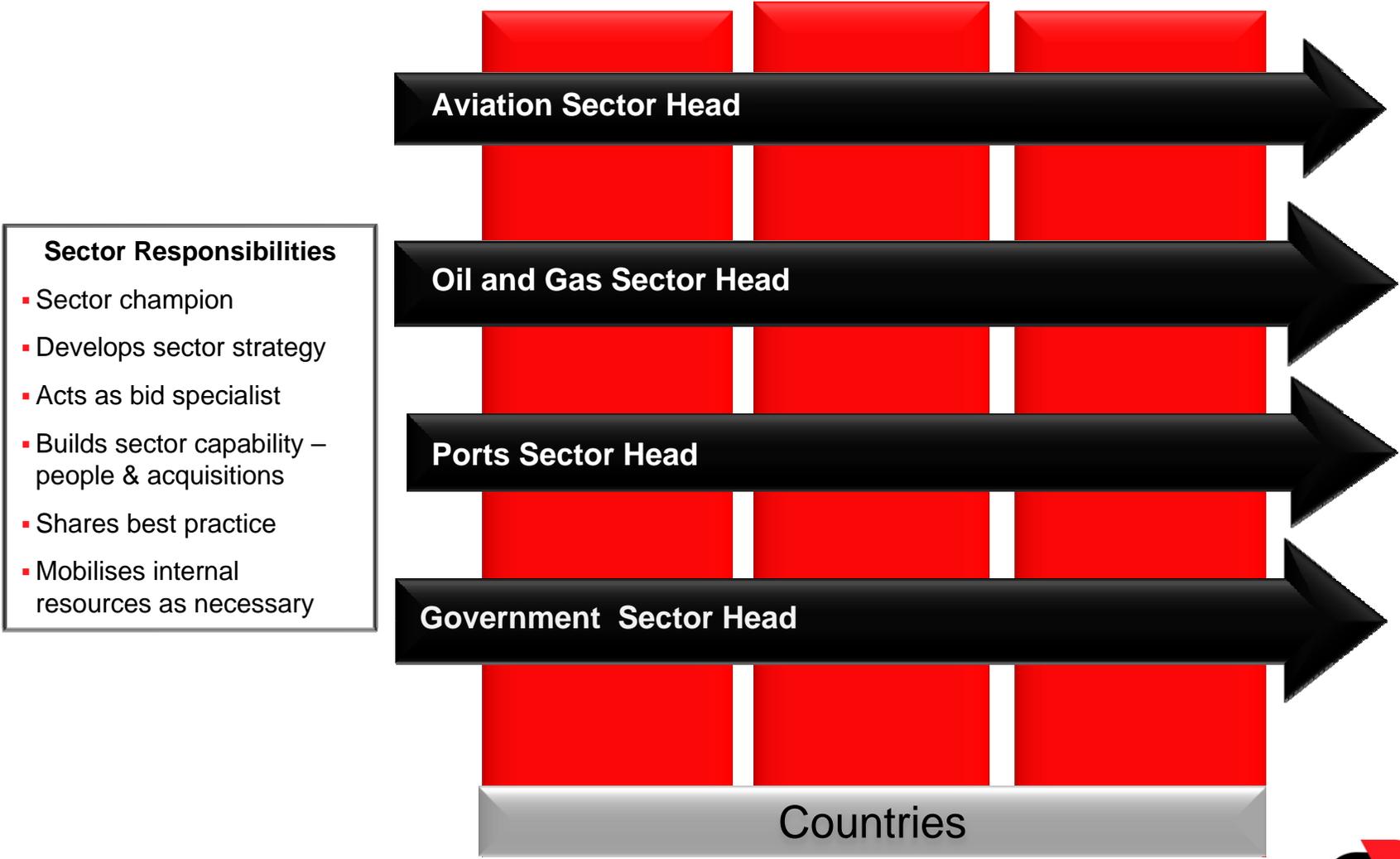


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# G4S Strategy Overview

## Deploy Sector Knowledge Across Geographies

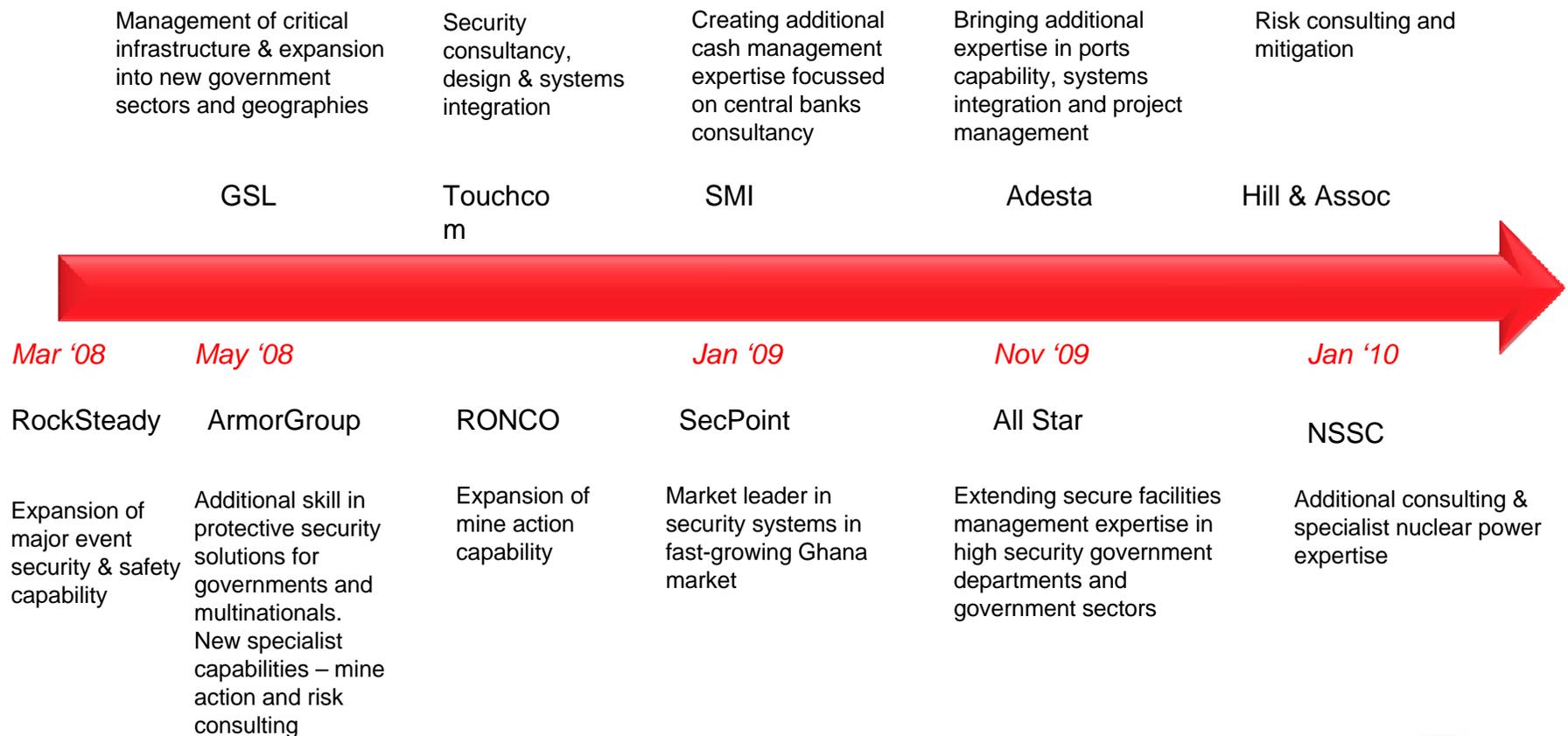


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# Acquiring capability

## A key element of strategy delivery

In the last two years we have invested £746 million in acquisitions which bring c£1bn revenues, c£90m PBITA and support strategy implementation:



# Acquisition Update

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- ArmorGroup acquired in May 2008
- Rationale
  - Security consulting capability
  - Presence in hostile and developing territories
  - High security capability
  - Synergies

# ArmorGroup Acquisition Performance

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Integration Costs Target	Annual Achievement	Synergy Savings Target	Annual Achievement
£3.0m	£1.6m	£3.4m	£3.6m

- Launched Oil and Gas business
- Retained and increased value of FCO Afghanistan operations
- Expansion in defence market through pre-deployment training
- Increased trading profit from £7.6m in 2007 to £10.9m in 2009
- Creation of security consulting business

# GSL Update

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- GSL acquired in May 2008
- Rationale
  - Scale of care and justice business
  - Creation of a secure outsourcing business
  - Increase scale in Government sector
  - International expansion opportunities
  - Synergies

# GSL Acquisition Performance

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Integration Costs Target	Annual Achievement	Synergy Savings Target	Annual Achievement
£4.3m	£3.3m	£7.7m	£9.3m

- Turnaround of Oakhill STC
- North West London Hospital win
- Brook House win
- Detention and Escorting contract extension
- Electronic Monitoring contract extension
- Increased trading profit from £23.7m in 2007 to £41.3m in 2009

# Acquiring capability

## A key element of strategy delivery

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- G4S remains focused on niche M&A opportunities to deliver our strategic objectives
- Meet relevant acquisition criteria
  - ROIC of 12.5% within 3 years for smaller deals
- Key focus areas for acquisitions
  - Risk consulting e.g. Hill & Associates (Nov 09)
  - Technology and project management e.g. Adesta (Dec 09)
  - Segment specialists e.g. All Star (Nov 09)
- Expect to invest around £100m annually

# Summary & Conclusions

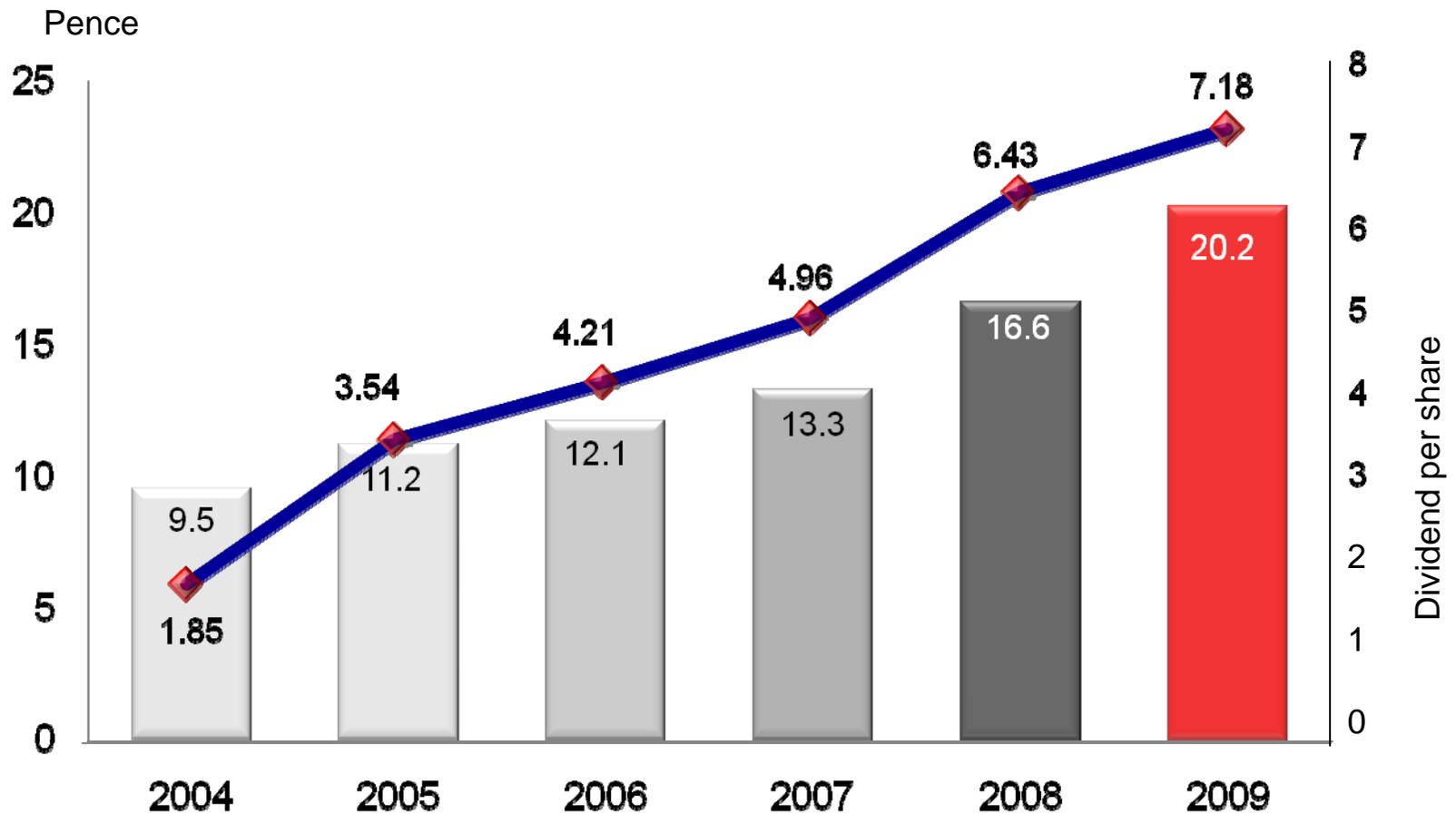
# Summary & Conclusions

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- Continued excellent results achieved in 2009
- Unique and robust business model
- Diverse geographic exposure and experienced management team
- Key customer segments with structural growth characteristics
- Further strategy implementation in 2010
- Building expertise and expanding capability, creating differentiation
- Expect organic growth in 2010 to be at similar level to 2009 and will maintain discipline on margins and cash generation
- Strategy and market positions to maintain longer term growth momentum

# Adjusted EPS and Dividend 2004-2009

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**Q&A**