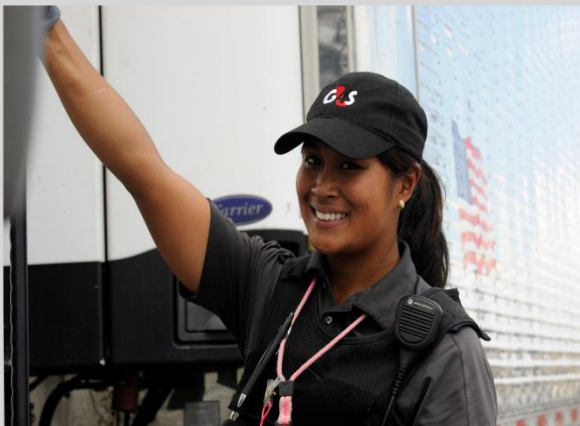




# **2014 Preliminary Results**

**10 March 2015**

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## **Ashley Almanza Group CEO**

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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.

# Agenda

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- 2014 Results Highlights
- Business Review
- Strategy and Plan Update
- Financial Review
- Conclusion
- Q&A



# Results Highlights

## Growth

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- Revenue:
  - Emerging Markets +8.9% (Manus: Q1)
  - North America +6.9%
  - UKI -0.6% (Electronic Monitoring: Q1)
  - Europe -1.3% (Dutch Prisons: Q1)
  - Group +3.9%
- Sales and Pipeline
  - New contract sales: £2.1bn TCV, £1.14bn ACV
  - Restocking pipeline: £5.5bn ACV

**Globally diverse revenues and pipeline**

# Results Highlights

## Growth and Productivity

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- Productivity: Accelerated Best Practice programmes
  - Operations: Safe, reliable, effective and efficient
  - Organisational efficiency
  - Procurement, IT, Property
- PBITA: £424m +7.9%
- Cash flow: Operating businesses £526m +25.2%
- Earnings: +11.7%
- EPS: +5.4%
- Final dividend: +5%

**Good progress – much more to do**

# Business Review

## Africa

£m <i>Underlying performance at constant exchange rates</i>	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	485	+10.2%	46	36	+27.8%

- Growth and productivity: PBITA +27.8%
- Accelerated Best Practice (ABP) rollout: direct labour efficiency, route planning & organisational efficiency
- Strengthened sales & BD capability in mining, oil & gas, risk services and security technology

**Investing in profitable growth**

# Business Review

## Asia Middle East

<i>£m</i> Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	<b>1,260</b>	<b>+5.7%</b>	<b>107</b>	<b>103</b>	<b>+3.9%</b>

- Revenue +5.7% (Manus contract Q1)
- ABP: customer service, direct labour efficiency, route planning & organisational efficiency
- Sales & BD investment: systems, technology, risk services, FM and Care & Justice Services
- PBITA +3.9%

**Investing in profitable growth**



# Business Review

## Latin America

£m Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	653	+14.6%	39	35	+11.4%

- Revenue +14.6%, growth across markets and sectors
- Strengthening leadership team
- Investing in Sales & BD to strengthen pipeline
- Starting roll-out of ABP programme
- PBITA +11.4%, after statutory pay increase in Brazil

**Investing in profitable growth**

# Business Review

## Europe

£m <i>Underlying performance at constant exchange rates</i>	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	<b>1,400</b>	<b>-0.6%</b>	<b>85</b>	<b>82</b>	<b>+3.7%</b>

- Revenue -0.6% (Dutch prisons: Q1)
- ABP: labour and organisational efficiency; procurement
- Restructuring Netherlands, Belgium & Finland
- Investing in leadership team, sales & BD; ports, airports, cash outsourcing and security systems
- PBITA +3.7%

**Restructure and invest**

# Business Review

## North America

£m <i>Underlying performance at constant exchange rates</i>	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	1,365	+6.9%	75	56	+33.9%

- Revenue +6.9%, broad based across services and sectors
- Productivity: labour & overhead efficiency
- PBITA +33.9%
- ACA implemented
- Regional leadership
- Strong pipeline

**Strong position & growth in world's largest security market**

# Business Review

## UK & Ireland

£m Underlying performance at constant exchange rates	Revenue	Growth	PBITA		
	2014	2014	2014	2013	% chge
	<b>1,587</b>	<b>-1.3%</b>	<b>132</b>	<b>122</b>	<b>+8.2%</b>

- Revenue -1.3%, EM contract ended Q1 14
- Restructuring & Shared Services delivering benefits
- PBITA +8.2%
- Regional leadership
- Re-building pipeline

**Restructure and grow**

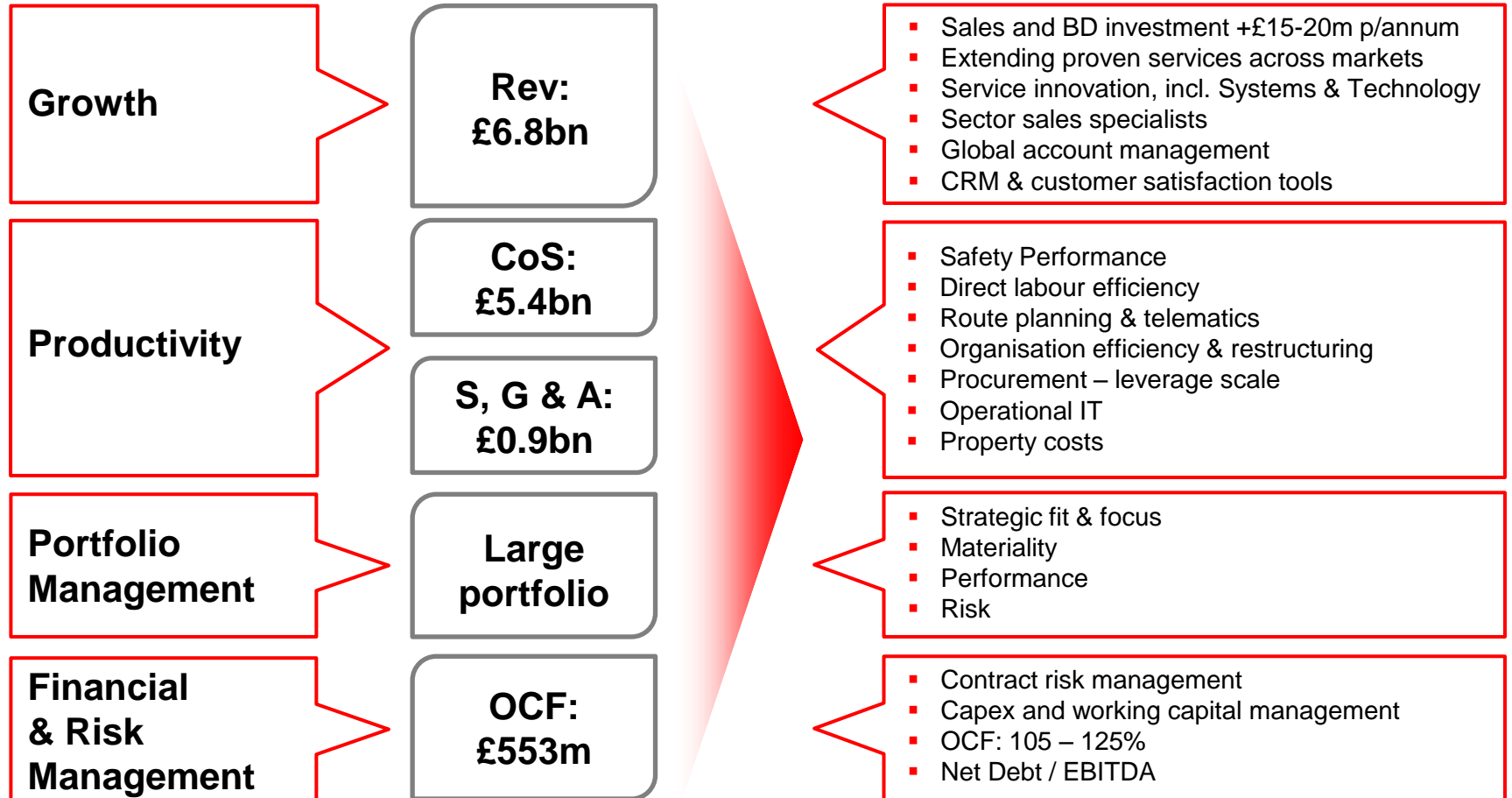


## Strategy & Plan

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# Strategy

## Multiple Sources of Value



**Markets, Customers, People & Values**



# Strategy: Execution

## People

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Significant management change since June 2013

- 8 new members of 12 strong Group Executive Committee by June 2015
- Strengthened Regional leadership teams
- 64 new hires & 50 promotions in top 220
  - Sales and BD
  - GM, Ops, Finance, Risk
- Additional hires beyond Global Leadership Team

**Significantly strengthened GLT**

# Strategy: Execution

## Values

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- Group Values updated and reinforced through communication, training and compliance
- Health & Safety – Goal is zero harm
  - Growing importance to customers
  - Leadership training & performance contracts
  - Reporting, safety critical reviews & follow up
  - Performance remains unsatisfactory
    - Fatalities: 41 (2013: 49)
    - Attack 19 (2013: 21), non-Attack 22 (2013: 28)

# Strategy: Execution

## Growth

Initiatives	Status	Progress Update
Sales and BD investment +£15-20m p/annum	✓	<ul style="list-style-type: none"><li>391 New Hires</li><li>Investment of c.£20m annualised</li></ul>
Extending proven services across markets	✓	<ul style="list-style-type: none"><li>Technology &amp; Risk Services</li></ul>
Service innovation, incl. Systems & Technology	✓	<ul style="list-style-type: none"><li>New products moving from pilot to commercial phase</li></ul>
Sector sales specialists	✓	<ul style="list-style-type: none"><li>Extractives sector specialist hired at Group and Regions</li></ul>
Global account management	✓	<ul style="list-style-type: none"><li>Senior account managers</li><li>Global co-ordination via Group Commercial</li></ul>
CRM & customer satisfaction tools	✓	<ul style="list-style-type: none"><li>Standard customer satisfaction tools rolled out</li><li>Measurement and management 2015</li></ul>

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# Strategy: Execution

## Productivity

Initiatives	Status	Progress Update
Safety Performance	✓	<ul style="list-style-type: none"><li>▪ New head of H&amp;S hired</li><li>▪ Comms, training, safety critical reviews, incentives</li></ul>
Direct labour efficiency	✓	<ul style="list-style-type: none"><li>▪ Subject matter experts hired and deployed in regions</li><li>▪ Significant opportunity</li></ul>
Route planning & telematics	✓	<ul style="list-style-type: none"><li>▪ Both programmes on track</li><li>▪ Telematics in 2014: 4.5K vehicles</li><li>▪ Route scheduling 2014: 4K vehicles; 2015: 7K vehicles</li></ul>
Organisation efficiency & restructuring	✓	<ul style="list-style-type: none"><li>▪ De-layering: line and functions</li><li>▪ Restructuring in Group, UK &amp; Europe</li></ul>
Procurement – leverage scale	✓	<ul style="list-style-type: none"><li>▪ CPO and category managers hired</li><li>▪ Targets identified across the business</li><li>▪ Early stage – significant prize</li></ul>
Operational IT	✓	<ul style="list-style-type: none"><li>▪ Global CIO and leadership team in place</li><li>▪ Visibility of Total Cost of Ownership</li><li>▪ Procurement delivering benefits: Google &amp; HP + ...</li></ul>
Property costs	✓	<ul style="list-style-type: none"><li>▪ Rationalising our property estate: UK / others</li></ul>

# Strategy: Execution

## Portfolio Management & Financial & Risk Mgmt

Initiatives	Status	Progress Update
Portfolio management	✓	<ul style="list-style-type: none"><li>On going discipline</li><li>8 businesses sold for gross proceeds of c.£248m</li><li>Further 20 businesses discontinued</li></ul>
Global capex rationing	✓	<ul style="list-style-type: none"><li>Single capital pool, ranked by return</li><li>All investment a minimum of 10% post tax IRR</li><li>Payback of 12-36 months</li><li>Re-balancing to organic capital investment from acquisitions</li></ul>
Working capital management	✓	<ul style="list-style-type: none"><li>Weekly monitoring of cash collections</li><li>Renewed business engagement on collections</li><li>Better demand and supply side commercial terms</li></ul>
OCF: 105 – 125%	✓	<ul style="list-style-type: none"><li>Sustainable free cash flow a key target</li><li>“Cash matters” culture being driven through group</li></ul>
Net Debt / EBITDA	✓	<ul style="list-style-type: none"><li>Committed to investment grade credit rating and long term Net Debt/EBITDA &lt;2.5x</li></ul>



## **Himanshu Raja Chief Financial Officer**

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# 2014 Financial Performance

## Underlying Results

	12 months ended 31 Dec		Change
	2014	2013	YoY%
<b>Revenue</b>	<b>£6,750m</b>	£6,496m	3.9%
PBITA (before Corporate costs)	<b>£484m</b>	£434m	11.5%
Corporate Costs*	<b>£60m</b>	£41m	46.3%
<b>PBITA</b>	<b>£424m</b>	£393m	7.9%
PBITA margin	<b>6.3%</b>	6.0%	+30 bps
<b>Earnings</b>	<b>£210m</b>	£188m	11.7%
<b>EPS</b>	<b>13.6p</b>	12.9p	5.4%
<b>Cash flow from continuing operations</b>	<b>£553m</b>	£496m	11.5%
Cash from operating businesses**	<b>£526m</b>	£420m	25.2%

\* Corporate costs £60m (2013:£41m) increase mainly due to £12m non-cash items

\*\* Excludes corporate items of £27m EM receivable in 2014 and £76m Olympic receivable in 2013



# Specific Items

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**Include:**

**12 months ended 31 Dec (£m)**

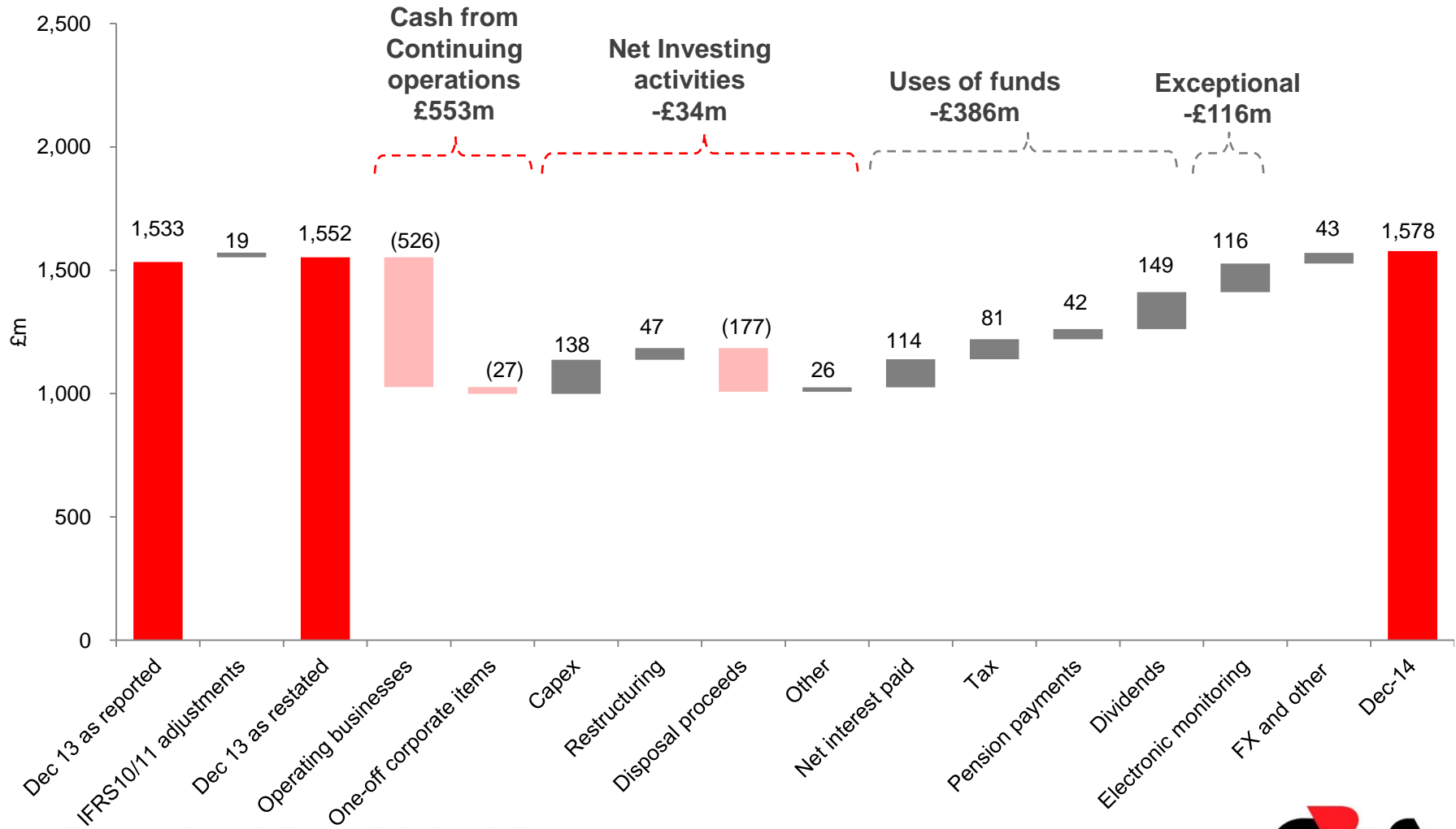
	<b>2014</b>	<b>2013</b>
Contracts & other impairments	<b>(66)</b>	(307)
Discontinued operations & profit on disposal	<b>63</b>	(90)
Restructuring	<b>(29)</b>	(63)
Tax, interest & NCI	<b>20</b>	6
<b>Total</b>	<b>(12)</b>	(454)

- Contracts & other impairments include a £45m increase in provisions for legacy UK Government contracts

# Group Income Statement

	Underlying results 2014 £m	Specific items		Total 2014 £m
		Other specific items 2014 £m	Acquisition related charges 2014 £m	
Revenue	6,750	98	-	6,848
<b>PBITA before restructuring costs</b>	<b>424</b>	<b>(66)</b>	-	<b>358</b>
Restructuring costs	-	(29)	-	(29)
<b>PBITA</b>	<b>424</b>	<b>(95)</b>	-	<b>329</b>
Amortisation	-	-	(58)	(58)
Acquisition-related expenses	-	-	(1)	(1)
<b>PBIT</b>	<b>424</b>	<b>(95)</b>	<b>(59)</b>	<b>270</b>
Interest	(120)	(2)	-	(122)
<b>PBT</b>	<b>304</b>	<b>(97)</b>	<b>(59)</b>	<b>148</b>
Tax	(76)	21	13	(42)
<b>PAT</b>	<b>228</b>	<b>(76)</b>	<b>(46)</b>	<b>106</b>
Discontinued operations	-	63	-	63
<b>Profit/(loss) for the year</b>	<b>228</b>	<b>(13)</b>	<b>(46)</b>	<b>169</b>
Non-controlling interests	(18)	1	-	(17)
<b>Profit/(loss) retained for the year</b>	<b>210</b>	<b>(12)</b>	<b>(46)</b>	<b>152</b>
<b>Earnings per share: Basic and diluted</b>	<b>13.6p</b>			<b>9.8p</b>

# Cash flow and net debt



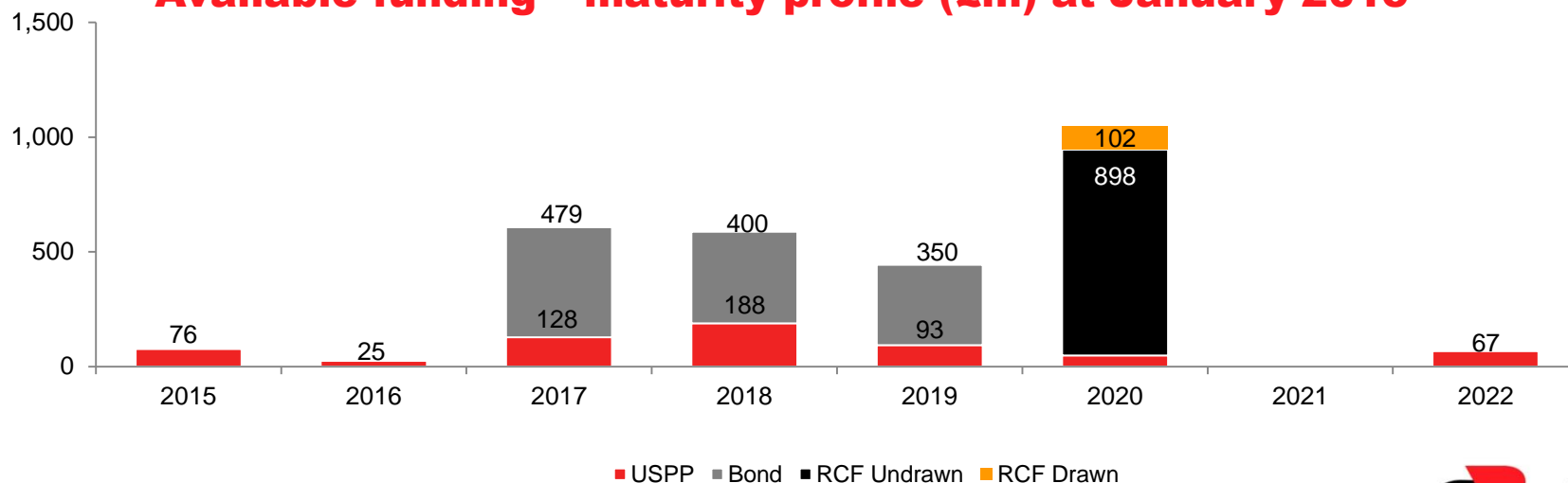
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# Soundly Financed

- **Strong liquidity**, unutilised committed facilities of c.£1bn
- Revolving credit facility **successfully refinanced** in January 2015, extending maturity to 2020 with improved pricing, terms and conditions
- **Flexible** access to long-term capital markets
- **Committed** to investment grade credit rating and long term Net Debt/EBITDA <2.5X

**Available funding – maturity profile (£m) at January 2015\***



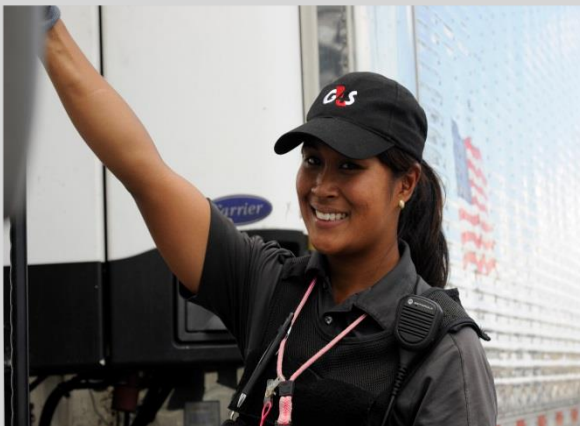
# Disciplined financial management

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- Single pool of capital
- Contracts
- Restructuring
- Cash-flow management
- Strengthened finance and risk management capability

**Investing in sustainable, profitable growth**





## **Ashley Almanza Group CEO**

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# Conclusion

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- Leading global integrated security company
- Executing a clear and focused strategy
- Diverse revenue base and growing sales pipeline
- Investing in Growth & Productivity – multiple source of value
- Combination of Growth & Productivity offer a material prize
- Good progress in 2014: commercial, operational, financial
- More to do to realise the full potential of Group's strategy
- Progress and prospects reflected in final dividend +5%

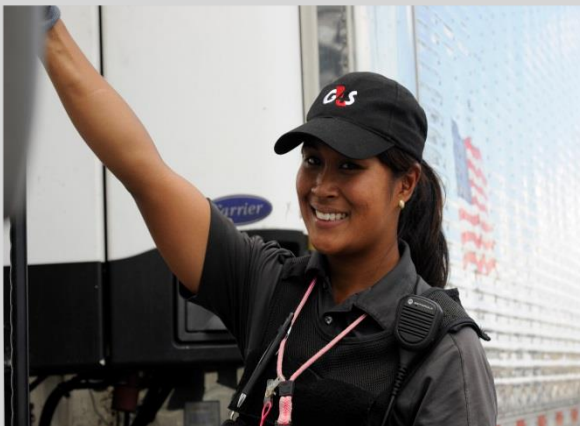
**Investing in sustainable, profitable growth**



**Q&A**

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## Appendix

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# G4S Strategy

## 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

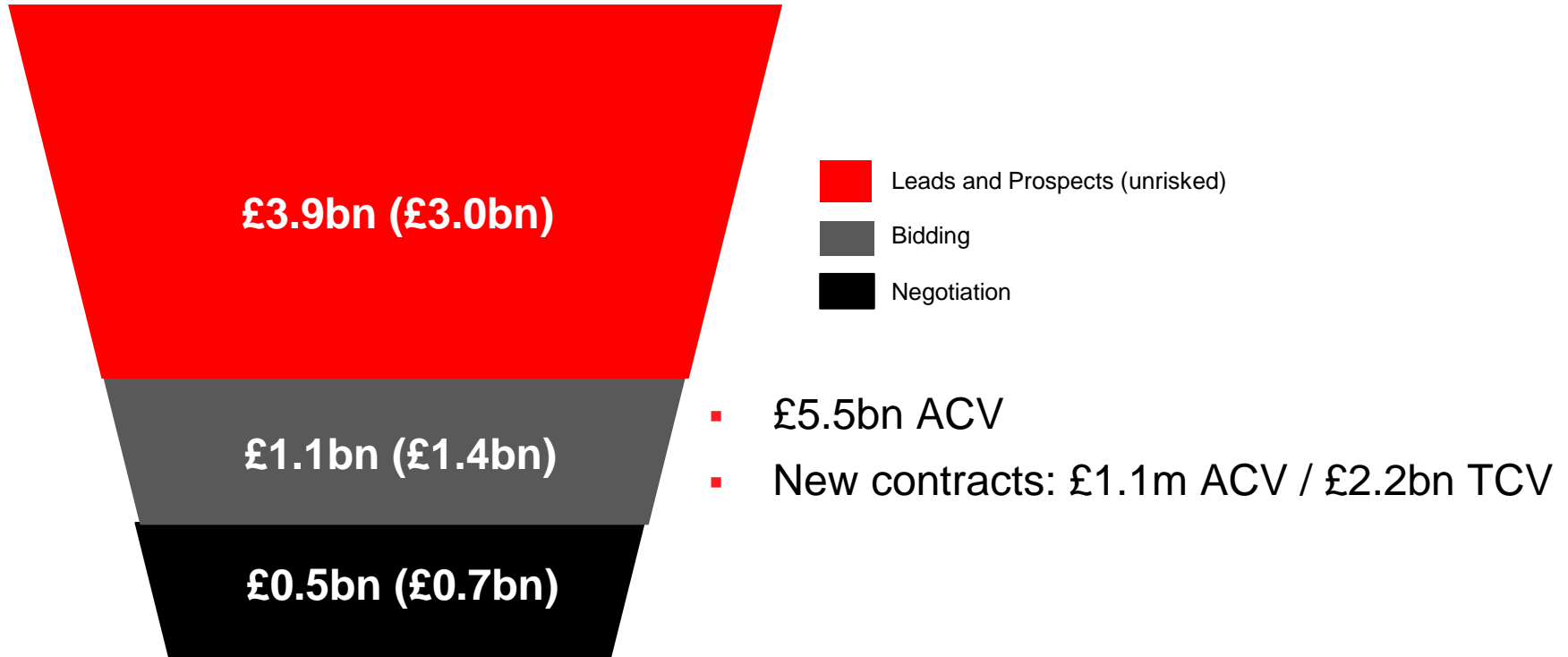
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# Strategic Priorities

## Investment in Organic Growth

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Note: As at 1 January 2015 (13 October 2014)