G4S
Capital Markets Day – Session Two
22nd May 2012

Nick Buckles, Group CEO
Welcome back everybody. Just on to the last part of the morning. Sorry, the first presentation. We've got a presentation here from Andy Baker who's our Regional President from Africa – Andy.

. . . .

Africa Overview

Andy Baker, Regional MD, G4S Africa
Morning everyone. My name is Andy Baker and unlike some of my colleagues, who've been around for decades, tomorrow I would have been in the organisation for four months. So, anything you want to know the intricacies of the background of the organisation please, please, feel free to ask me.

I was asked to share my initial impressions of joining the business and it's fair to say, and I hope this comes through during my presentation that it's been a tremendously exciting four months. I actually, in fairness have to take away the first month because the first was induction. So three months on the ground in Africa. But, I've actually been in Africa, although I'm a Pom by background, I've been in Africa for 25 years. So, I'm fairly comfortable in Africa, I'm based in Johannesburg. I have the dubious brag of having visited 41 of the 54 countries in Africa. So, I'm quite used to the idiosyncrasies of the continent.

My first impressions of the organisation, aside from the excitement of the environment which I'm enjoying immensely, is that there is a passion for delivery in terms of service and results the like of which I haven't seen in my 31 years of working. So that's the first thing that has struck me in joining this global organisation. And I have worked for a global organisation before. I spent 12 years with DHL but I haven't come across this same kind of incisive passion for results.

The second, I think it is fair to say, and obviously evident from this morning's display I'm sure you'll all agree that the management is exceptional throughout the organisation. Lastly, and I'm delighted about his part, it's an extremely non-political organisation. It's an organisation that encourages input, even encourages and forgives mistakes as long as they're original mistakes. But, certainly there's a supportive nature across the organisation which makes it a pleasure to work in.

So, into Africa. Just a little bit of background on Africa. I've mentioned there are 54 countries. There are six time zones, 2,000 languages spoken across the Continent. I speak them all. And there are just over a billion people on the Continent. I hope that the message and the theme that comes out of my 10 minutes or so is that it really is the continent of opportunity. And we see opportunities in many of our key sectors and businesses across the countries that we operate in.

So, within Africa six of the ten fastest growing economies over the last years are in Africa. It's dominated also by coincidentally six countries; South Africa, Egypt, Nigeria, Algeria, Morocco and Angola. And those six countries represent 70% of the Continent's GDP. So, there's a big chunk within those six countries and it's no coincidence we're operating in most of those big areas.

Strong and growing foreign direct investment. And I think the key driver for us going forward is the global realisation that foreign direct investment opportunities, because of the shrinking and tightening economies in the EU zone and the UK are forcing organisations to look for other opportunities to invest their organisation's wealth into. So, we need to make sure that we are best placed within Africa to capitalise on those FDI investment opportunities.

It's a complex environment but the complexity and the difficulty across Africa spells opportunity for us within G4S.

We're the largest security operator in Africa. Last year we generated revenues of around £450m and this year we're forecasting to top the £500m. We've got some strong organic growth and that forecast or that head of steam seems to be gaining some momentum.

We have 111,412 people. I was lying about the 412 but we have 111,000 people in 29 countries. We've been around for 40 years. And in South Africa we have the first private prison. It's called Mangaung. It has just over 2,900 prisoners and it's an exceptional example. I think even Richard has acknowledged to me that in his 9 years' experience our prison within South Africa is world class.

And we have some interesting challenges on the Continent as well. Challenges that perhaps in other European markets organisations wouldn't be exposed to. We have a land mine clearance operation and anti-piracy in the Indian Ocean. Who'd think in these times there were still pirates around?

One of our key strengths and something we're very, very proud of is our footprint across the Continent. The reason this is so important for us, and this is one area where size counts, is that our customers are typically looking for uniformity of service in all of the countries that they operate in. So, it's extremely important for our global and pan-African customers that if we're delivering a service in Guinea Bissau or Kenya or South Africa or Nigeria they want the same level of service, the same uniformity and a seamless operation. So, if you look at our four main competitors we have a significantly more impressive footprint across the Continent and we plan to leverage that going forward.

When we look at our market positions in most of the segments that we operate in we are number one or two. And Nick was mentioning earlier in the day that it's our intention to one or two and if we don't have a plan to get to one or two we will rethink whether we need to be in that particular market.

The one that might stand out and raise questions is the slow start that we've clearly had in Nigeria. Now, Nigeria is a thorny branch. It's a country that you have to be very careful in operating in. I've seen organisations succeed greatly in Nigeria and I believe that we will do as well. Nigeria is a land of massive opportunity. It's the second largest economy on the African Continent with a population of 125 million people. 25 million is the official population in Lagos alone. For anyone who's been to Lagos it's worth a visit but probably only one visit.

But we have great faith and great hope that Nigeria will turn into a significant business for us and we're putting a lot of emphasis in terms of management capability and also in terms of making sure that our processes regulatory approach is right. We see great things coming out of Nigeria in the next couple of years. And in fact, when you see our bid pipeline one of the largest bid opportunities that we have is actually in Nigeria.

You'll see this market categorisation from a couple of my colleagues from different areas of the business when they present, but this is really a summary of countries we intend to invest and grow ranked as large and small. The politically risky column I have to tell you with a half-smile did raise some discussion when we were putting this presentation together in Africa because arguably you could put a lot more African countries in the politically risky column. But this is quite vogue at the moment. And then countries that require defending and some countries that we're looking at entering into.

Key from this slide for me and to repeat, we're in 29 countries at the moment and we have an opportunity, given there are 54 countries in Africa, there's a lot of headroom for growth in terms of new country operations.

Continuing the theme of opportunity. Really the key take away from this slide, our core sectors, just to recap, are mining, oil and gas and financial institutions. And we have some more that I'll touch on in a moment.

But, mining as an example, there are 700 operating mines across the African Continent and G4S are operational in 70 of those. So, that gives you an idea of the size and scale of the opportunity just in mining alone. And what we've done and I think the approach has been absolutely spot on for us. What we've done is rather than take a shot gun approach and try to get into each and every mine in one fell swoop, what we've tried to do is take it a step at a time and walk before we can run and make sure that we get the quality right before we on - an iterative basis go into the next mine and follow the process.

So oil and gas, on the oil and gas, on the African Continent 12.5% of the global oil supply is produced from Africa. And there are 205,000 cell towers in Africa and half a billion cell phone contracts. So, one out of every two people on the African Continent has a cell phone.

There's a massive area of opportunity for us in the area of sea ports. There are 15 major sea ports across the Continent and 50 international airports. Probably the best example of a world class delivery of service if anyone has been to the Johannesburg O R Tambo Airport we have 720 staff operating the security at the Johannesburg Airport. And it's really a showcase for us. We've used it for other customers to take customers into the O R Tambo Airport and show them just the level of superb service that we can deliver.

There are vast diplomatic opportunities. And financial institutions there's been a rapid growth in this area with a lot of global banking interest in the African Continent. Just as a matter of interest, South Africa which in many respects is clearly a third world country, from a banking point of view and the bankers in the room may or may not agree with this. But the banking industry is world class in South Africa. That by many of the South African banks has been used as a stepping stone to expand into Africa. We see great growth in this area.

But one of the key leverages we have is that globally within G4S; we have great strength in the financial institutions area from a security services point of view. And we've managed to bring that expertise in from the likes of the UK and assist us grow our business in Africa. So it's been tremendously positive for us.

On the bidding pipeline I spoke about some of the sizes of the opportunities that we have locally. The encouraging thing for me is the pipeline is well spread against the key industries that we're trying to operate in. So, we have opportunities in the financial institutions, oil and gas, mining, government, energy, telecoms. And the bidding pipeline that we have on the go at the moment totals a potential value of around the £200m per annum mark. So, it's significant for us.

Again, if we look at the extractive industry potential, I've spoken about mining and oil and gas. This is an illustration of where the core focuses are for us. The core focus is, there's a shift in the mining and oil and gas and extractive industries around from traditional services that we've been offering into more technology based solutions.

This really is just a pictorial glance at where some of the opportunities are across the Continent in mining and oil and gas. Just to again reinforce the size of the opportunity that we have.

So, to summarise. We understand in Africa that our future depends on our ability to deliver world class repeatable, sustainable service excellence. So, the service excellence centres that David spoke about earlier are being embraced very readily by us on the Continent. But, our focus is around making sure that we're operating very professionally with that world class service in priority territories. We want to drive outsourcing and leverage our pan African footprint which for us is a massive point of differentiation.

We want to target adjacent opportunities. We believe there's some big opportunities for facilities management especially around the mines across Africa. We have a singular focus on making sure that we develop long term customer partnerships. And we are looking to unashamedly leverage our strengths and capabilities in the UK business and the European business to help us leverage points of differentiation in Africa.

So, in summary and to leave you and before I hand over to my next colleague, our challenge for the next 12, 24 and 36 months is about converting the wonderful potential within Africa. So on that note let me please hand over to Grahame Gibson Group COO and Chief Executive of the Americas.

. . . .

Grahame Gibson, Group COO and Regional CEO – Americas

Thank you Andy. Unlike Andy, I can't remember life before G4S. It was in the dim and distant past. Now, a short hop from Africa across the Atlantic Ocean to the Americas. That's the agenda which speaks for itself. No point in talking about that.

The market, the US addressable market as published by Freedonia - $20bn in 2009. The largest manned security market in the world expected to grow 4.5% compound annual growth to 2019 when it will be 32 billion, maybe. Canada growing slightly faster, thought to anyway up to 6.4 billion in 2019. Now, more interestingly perhaps, the Latin market as measured by Freedonia $12.5bn in 2009 growing at 11% compound to 29 billion in 2019. Not far short of the US market in LatAm by the time we get to 2019. And equally interesting Brazil as part of LatAm $7.5bn 2009 growing at 12% compound to 2019 when it will reach $16.6bn and be 57% of the LatAm market.

Now if we look at this in a bit more detail, look at the market shares of the competitive position. In 2011 the market size in the US was 21.8 billion and that's how it breaks down. Us 11%, Securitas 13%. After 12 years ago they bought Pinkerton Burns, APS and First. I'm snapping at their heels. 10 years ago we were half their size in the US. The other thing worthy of note in that US market I think is private equity investment; Allied Barton, Blackstone Money, US Security Associates, Goldman Sachs Money and their recently acquired Andrews International which got them to that position.

In Canada that's the security and cash market which is addressable to us. Us 15%, Garda 19. So they're within sight as well which I think in an Olympic year is quite an interesting point. You can just see them there. A bit more work to do but we'll get there. And not quite as fragmented as the US market in Canada and a big Federal Government player called the Corps of Commissionaires which gets preference.

Now, in the US if you look at the government market. This market size 3.3 billion is actually the Federal Government's spend on what they call security protection. So this is government statistics. They publish it every year. They publish also who they spend the money with. So this is G4S; market leader in that particular sector with 25% and there you see the other players. Probably the biggest change in that market in the last year or so is the Securitas acquisitions of Paragon and Security Con to replace business they had lost which gets them in there as sort of top players under their Pinkerton Government Services brand.

In Latin that's the security and cash market. You see there the strong positions of Prosegur and Brink's because of their big presence in Brazil. And we'll talk a bit more about Brazil as we get into the presentation.

These are our market positions. 1, 2 or 3 in the main Latin countries except for Brazil. Once again we'll talk about that later. But in the US and Canada we're within striking range of getting to that number one position. We've been building our security systems' capabilities, acquisitions in the US of recent years that you've heard about. We've also positioned ourselves quite strongly in most of the Latin markets, because the whole solutions model needs that technology capability.

In cash solutions in the Americas fairly modest positions. No plan to enter the US market at this point in time.

In justice we are number one and number two in the US market but that's in the juvenile detention arena. We're not in adult corrections in the US.

In facilities management recently entered the Brazilian market at the end of December with an acquisition which positions us at number 10 in a highly fragmented market which we'll hear about. And the other point I'd like to draw your attention to is the top right hand box which is FM in the US Government space. And you see the second bullet there where I mentioned 3.4 billion Federal spend on manned security protection. There is 24.6 billion Federal Government spend on what they call facilities support. In addition to that, there is a further 23 billion spent on what they call Fire and Emergency Services. Now increasingly these are being procured in an integrated basis for what they call Base Operation Support Contracts. So we'll hear a bit more about that.

In terms of our service and sector mix these are 2011 revenues. £1.8bn in North America, just short of 500 million in Latin. Now 49% of that 2011 revenue was in that government space. Now that government space for the purposes of this slide is both federal, state and local and it's our cleared business under the proxy structure and our uncleared business. If we strip out that 30% of that 49 is the cleared government business and when we lose Kabul which has been flagged for quite some time, the US Embassy in Kabul which will transition quite soon, that would be a 4% reduction in that particular 49%. So, for the purposes of your math those are the numbers.

In the other parts of the US 39% commercial; that's the financial institutions, the corporates, the conglomerates, the oil and gas, the chemical, all of the sectors that you've been hearing about. The 6% at the bottom called regulated is what we call RSS; Regulated Secure Solutions which focuses just on the commercial nuclear power industry which is highly regulated and needs to be run as a separate business. And the top 5% is the growing technology business which is never going to be a huge part of our business, but increasingly very important as a driver for growth as we create our secure solutions.

In LatAm still the bulk of our business manned security 63%. We have some cash positions in certain markets. We have growing technology with the acquisitions that I've mentioned before and after our entry into Brazil 13% of our total business is now in the FM space.

Now, just like the other regional presentations, here's some recent contract wins. Here you see them separated. Hopefully you can see them separated. The grey ones are rebids that we've won in the last 12 months. The white ones are our core businesses that have achieved big wins. There you see aviation top left. Major automotive manufacturer top right. BASF Chemicals, etc, etc. Two big mines in Colombia and in Peru. The ones in red are the new contracts we have won driven by the acquisitions that we've entered into; technology business, compliance and investigations. And the final one I draw your attention to is that bottom left which is a win by our cleared government business to do the base operations support for the Navy in Bahrain. In addition they also won the first contract in Diego Garcia for the Navy. So this is the emerging opportunity for us of secure FM for US Government.

One of our skills which I'm extremely proud of is our large contract implementation capabilities. Quite a remarkable last three months of 2011 where we had three months to transition the CATSA contract in the West of Canada, 20 airports 1600 people, which we did successfully in 90 days. And then the transition team went straight over the border to the US and actually transitioned by coincidence a 1600 employee contract in 80 locations and got that started by the 1st January. So, they didn't get Christmas off by the way these guys. And also major, major resource requirement for Bank of America and a number of other financial institutions to respond to their needs as a result of the Occupy Wall Street movement in 2011. And that actually still continues in 2012. So we can win a lot of those contracts that Graham Levinsohn was talking about and we can actually make them happen as well.

A number of acquisitions in the Americas over recent years which you'll know about. The great thing is working with those acquisitions together with our traditional business units and putting solutions together. And we would not have won the worldwide contract for Agilent without that technology acquisition. We would not have won the Bank of America contract that we had today without the Touchcom acquisition and their one facility software platform. We would not have won Iberdrola without our security technology capability. And this is sort of our credentials acquisitions coming to fruition in allowing us to drive forward to win big, big opportunities we otherwise would not be able to.

Now government, that $3.4bn that the federal government spends on protection that I mentioned earlier which we have 25% market share, their budget is to reduce that spend by 10% by 2017. So our traditional market for our cleared security business is contracting, driven by budgetary cuts, reductions in project scope, a lot of the US forces coming back to the US after their excursions into Iraq and Afghanistan.

What does that mean to us? It means we have to look to other avenues of growth and that is now our pursuit of these base operation support programmes, after our acquisition and integration of a company called All Star which means that we can now offer secure facility management for the US military wherever they operate anywhere in the world.

And this ties in really nicely with our business platform in some of these markets in the Middle East and the Far East where we already have a G4S presence. So we can partner with a G4S op co and put together those kinds of programmes in places like Philippines, Djibouti, Diego Garcia etc, etc. So that's our - and you'll see in the pipeline a lot of opportunity on those.

The other thing that has happened recently which you've heard about is the change in legislation on aviation security which is pretty - as you know dominated by the TSA since 9/11. A law was passed quite recently signed by the Oval Office that allows airports to contract out their security to private security providers rather than the TSA, it's under the control of the TSA and 16 airports have already put in requests to opt out. We estimate that market at some maybe $2.5bn but it's highly politically sensitive, it will take time if it does happen, it may change if the administration changes, you never quite know. But just to put scale on it the TSA has 55,000 employees in aviation security and their budget is over $5bn, so if it does go in that direction that's the kind of addressable market that might happen.

Now growth opportunities, we're in to pipeline, the US pipeline at this point in time we're talking that kind of magnitude, nearly $4bn worth of opportunities. The government is the biggest piece, it is however subject to delays in procurement and politics and protest and things of that nature. But you can see there the size of the opportunity is probably six times bigger than the size of the existing cleared government business. A lot of opportunities in manned security, the FM piece just comes from our new Brazilian acquisition and the technology piece which is at record levels is actually mainly government, C&I opportunities as well.

Now what differentiates us in our commercial sector from our competitors and that's the introduction of intelligence and technology to those traditional security services. RISK360 represents a great opportunity for us in the Americas and later outside the Americas, it is a comprehensive incident and case management software product that we developed ourselves, software is a service provided.

We chose to go this route after hearing from our customers that the systems that were available to them were causing great frustration to them, very difficult to use, so we felt there was a gap in the market that we could fill so we designed this ourselves because in the future security on risk decision making is all about getting information. So part of our solution is to give software systems that capture the incidents and information that enable better and better risk management decisions to be taken.

You can see on the bottom right the early adopters that we've been working with so these are companies that actually have enterprise level RISK360 systems in them today, that changes the nature of our conversation with the customer, we don't get huge revenues from this but we get pull through when we provide all the follow up services.

Another organic growth driver in the Americas is our sector focus, now these sectors in general are the same as the ones Graham Levinsohn, other regions, has been talking about - oil and gas, chemical, mining, etc. But in addition in the US we also focus on health care and higher education, the reason for that highly controlled regulated environments, clear react and other such matters where we can build solutions together with that technology that I talked about earlier that are highly specific for the needs of that particular sector. This allows us to grow faster in those sectors and from our measurements which I'm sure you'll appreciate, we actually reckon we get 3% on average higher gross margins on this sector, focus solutions, from the traditional mainstream vanilla services that we offer.

An extract of the bidding pipeline, here you see some of the individual opportunities, we put the top ten down. Obviously understandably most of these are in the States although you did see on the previous slides a couple of big ones we got in Colombia and in Peru last year and obviously in Canada as well but most of the opportunities definitely in the US.

That first one is probably the last big opportunity in that traditional federal security space because this is the integration of security at Pantex and Oak Ridge, to anybody who knows anything about nuclear weapons, we have a good opportunity for that. Another one to note, you see the first TSA outsourcing that's Kansas, that's the third one down there.

Two big ones on technology which is a bids, one of which goes in on Monday of next week to design and install a first pilot for the new surveillance and control border protection on the South West border so we're in that game now. There was something called the SBI initiative that Boeing did that failed over the years, government spent a fortune on that so they're doing it rather differently now. And some big BOS contracts, those are two IFS ones which I can't tell you where they are.

Now we talked about Brazil earlier, let's have a quick update as to what we're doing there. We entered the facilities services market with an acquisition, this is a huge market in Brazil, it's four times bigger than the security market but the facilities services company that we've got enables us to provide unarmed security as well as all the other normal facilities services. And this company is based in Sao Paolo which you can see is actually that South East region in the pie so that represents over 60% of the total Brazilian market that Sao Paolo region. So we think we've got significant growth opportunity coming from that business.

If you look at the security and the facility services markets in Brazil, highly fragmented, over 1,900 security companies, 13,000 FM companies, the largest FM company in Brazil represents a 1.4% market share, that is the scale of the opportunity. And you see us down there second from the bottom with a 0.4% market share which is a £75m turnover.

On the security market you've seen how important Brazil is to the Prosegur and Brinks performances when they come out, Prosegur still only represents 8% of that security services market. That is the scale of the opportunity that we have in front of us.

And our strategy, an integrated facilities services strategy. The Brazilian customers do buy on an integrated basis. So I want to position ourselves with FM capability, a security capability and a technology capability. We have the facility management capability now, we have the technology capability now and we're working on building those positions, we can grow those businesses both within Brazil and outside of Brazil. 80% of the business that our recent acquisition does is with government or government owned companies like Petrobras, like Vale, that operate not just in Brazil but in many other countries. So we can build an international business off the relationships we're establishing with those huge Brazilian companies. And here's an example of the kind of customers that we have now, that we can start working with.

So in summary just in line with the group strategy successfully bidding for and implementing large contracts in government and the commercial sector. We are targeting vertical sectors where we can specialise and be a lot better than our competitors to fulfil the needs of the customer, pushing in more technology, more intelligence, and more software to help that customer make his decisions and deploy his resources.

We had in 2011 a 95% customer retention in the Americas, we want to keep that and protect our existing business. We do work on putting teams together for those big bids, whether it's domestic US or whether it's outside and working collaboratively with other people in the Group so that when we do have a big, big opportunity we can put the best team to pursue. Acquired some great businesses, successful integration record and we're leveraging growth out of getting those capabilities from the acquisitions.

And the final slide, the outlook for the Americas, I'm counting down, 3-2-1, US economic recovery, I mean it is there but it's slow and it's patchy and anybody that reads the press and actually monitors this - I just hope from an Americas viewpoint that there isn't that much contagion from the continental European challenges, I wouldn’t like that to affect things. But on the other hand the US government still does have to address its budget deficits; you all know that, you probably read about the fiscal cliff that's going to hit them by the end of this year.

But I have the same view as DTS that if the government has to cut costs they have to use outsourcing. So I think we'll get opportunities if DC can really get to grips with the government funding problems. And we'll start doing things in the States, it won't be identical to the UK but there will be opportunities that will come up.

Really excited about Brazil, really excited about technology and software and all the things we bring into our solutions and LatAm continues to be a growth engine for the region as well the growth in the US. That's the Americas, thank you - and I'm going to hand over for Dan Ryan to hop over to Asia.

. . . .

Asia Middle East Overview

Dan Ryan, Regional CEO Asia Middle East
Thank you Grahame and good morning. My name is Dan Ryan I'm the CEO of the Asia and Middle East region. I'm one of the new guys up here, I'm just beyond Andy, I've been here for just short of two years so we're the two new guys in the Group.

I'll be building further this morning on the developing markets story we've been covering so far. I'll give you a little bit of an overview of the region; we'll dig into some of our larger businesses so you can see our markets, some of our customers, the sectors we're working in. Then my colleague, Chris Fergus will jump up for a bit and talk about the Middle East and what's unique about our business there and I'll come back and do a brief summary.

The Asia Middle East is like the other regions you've heard in the developing markets, a very diverse region, we operate in 33 countries, we have 300,000 of the 650,000 plus group employees, we work with 19 languages - I know none of them other than English, and ten time zones. This region encompasses 56% of the world population. We address the market by dividing it up into four regions, the Middle East, South Asia which is largely the sub-continent, South East Asia and North Asia.

Similar to what Grahame said we consider this region a growth engine for the group. We deliver 16% of group revenue today and about the same percentage in PBITA, importantly though we're looking to double both within the next five to seven years. This is a region dominated by the groups traditional product portfolio, heavily weighted towards manned security, a nice position in cash, got some decent positions also in security systems, facilities management, justice and a small consulting business.

This region has grown and will continue to grow at rates beyond GDP, so what are some of the drivers of that growth. Well first and foremost two of the BRIC countries sit in this region. Secondly the G4S dominant market presence across the region is a significant advantage; no other security provider has this presence. Our services also in many of our sectors are expanding beyond GDP. The sectors you've been hearing about all day today - oil and gas, government, ports, mining, they're also growing at beyond GDP in the region.

Another key factor as you've heard today is our ability to transfer expertise, this is incredibly important in this market, from the developed markets to the developing markets and importantly we're able to leverage global and inter-regional customer relationships given our platform.

This region is also positioned to take advantage of some margin improvement. You've heard from DTS about the service excellence initiatives, likewise I think Andy said this about Africa, we will be embracing those in the Asia/Middle East region and we see some opportunities for some efficiency gains. We also have some segmentation opportunities and an area of opportunity to increase our pricing process to drive those margins.

We see opportunities to grow in some of our large countries as well as some of our small countries. India for example somebody mentioned, we have a dominant manned security business but we have a relatively weak position in some of the other sectors so we have an opportunity to take advantage of that platform and build in to those sectors.

Conversely in Saudi Arabia we have a fantastic position in a very fragmented facilities sector. But we haven't to date leveraged those customer relationships into the manned security sector in that country.

You see also up here we have a category called Improve, we've got some unique competitive advantages and pricing dilemmas in Korea and Singapore so we've got some work to do to get those countries and the profit there up to Group thresholds. We call this next category Defend and Harvest. These are countries that do all right in our portfolio, they meet our thresholds, our model works but we don't see them as sexy in terms of the growth that you see in these large and small countries.

And finally given what you've heard today about the mining sector, we're interested in countries like Mongolia so we may be expanding there.

A lot of these figures you're going to see here have been communicated throughout - the morning, it's important to recognise that in this region however we've got a significant spectrum of sectors. We're going to continue to focus on those sectors but we will indeed emphasise on the ports, aviation, oil and gas, government and now mining sectors, all of which have fantastic opportunities in the region. I came to G4S out of the ports, shipping and logistic sector having worked in Asia for ten years. I knew then about the growth in the port sector and I was thrilled to see G4S prioritise that accordingly as one of its sectors.

As you will have seen from Graham's slides this morning we have many contracts in the region today but we have several promising deals in the pipeline as well. Our ability in this region to combine on the ground operational expertise with sector expertise and a consultative approach is a key ingredient to our success in the region and we will continue to build on this. We intend to dominate the port and aviation sector in the Asia Middle East region.

Similarly with the government and oil and gas sectors we're excited about the growth opportunities, we have several large government contracts in Australia today and the pipeline is larger than it has been in years. We are seeing outsourcing opportunities increase in markets like Saudi, the UAE, Singapore and potentially China cash. We've grown nicely in our oil and gas sector as you saw this morning and we'll continue to do so with and beyond the international client relationships we have today.

So a quick look at our competitive landscape just highlights what I said earlier, no other provider in this region has a Pan Asia Middle East footprint. You see some strong local and indeed an international player in this market but no-one has the scope that G4S has in the region. Again this is an advantage for G4S; our larger global and regional customers are demanding product consistency and measurable driven operations approaches on the ground. Chris will go into more detail in his presentation about some similar differences in this landscape in the Middle East.

In terms of market positions you see the same situation here, we either going to be position number one or two or we're going to have a plan to get there. Where we're not there and the thresholds are not at Group standard we will consider exiting. So if you look at India for example dominant position you'll see that in the market in just a minute but not a very strong position in the facilities or the adjacent facilities business and certainly not in the cash business.

So we have a plan to leverage that manned security position and our 150 branches in India to build our facilities product line there. This is a crucial strategy for us in this region and particularly in India because we're seeing some blending of purchasing cross over between security and facilities today. I talked about Saudi and all of the other countries would follow that logic, where we're aiming for one or two and we'll do something if we can't get there to improve the position.

Let's talk a little bit about some of our larger businesses, so this is the Indian market, what you can see on the left is that it's dominated by our manned security product, we do north of £200m of business in the country and we're looking to do CAGR of 20% all the way through 2014. But if you look to the right we have an opportunity not only to expand in that sector but clearly in the adjacent sectors in systems, facilities and cash. We have a very strong platform in the Indian market and consequently an advantage in a move to take larger positions with other fragmented services in this market.

In terms of drivers there are opportunities to grow as I said in facilities, the manned security business, particularly as we see that market shift a little bit from what we define as an unorganised buy to an organised buy which is the market we plan. And in cash with a projection for all parts of the cash cycle process are very, very robust in this market. Finally a better segmentation of our portfolio here and cost efficiency campaigns are going to drive an uptick in the margin in this market over the next two years. We are very bullish on India.

Australia, this is largely a care and justice market for the Group but we're impressed with our ability recently to build our manned security product here. Again on the right side of the slide you see opportunities for both of these products to expand in this market.

You can see from this slide that we compete with the big players in the care and justice space and strong local players in security but we see a large trend as I mentioned in government outsourcing and a demand for alternative manned security as demonstrated by our growth over the last couple of years. This is an excellent example of a market where we can transfer expertise from here in the UK and our outsourcing experience and benefit from that as we expand in the market there.

Here's a closer look at some of our contracts. We operate two of the ten prisons currently privatised, two of the prison transport contracts and three of the largest electronic monitoring contracts. But what's exciting about this is the opportunities, this market is outsourcing at a rapid pace as evidenced by this list and we intend to take an aggressive position there. A similar story in the public safety area, again a very impressive list of opportunities and we plan to go after those.

China, a very large complex market, some barriers to entry in some of G4S's core products but in open market in many of the others. You can see from the slide that there are six million employees alone in the manned security space and a very attractive cash prize here. As I said parts of the cash cycle process, the facilities market and the systems business are open to foreign investment but there are constraints in the manned security and some parts of the cash process.

Our presence - we've got major offices now getting ready for our expansion here in Beijing and Shanghai. We run an ATM second line maintenance business; we have a security systems installation business and a facilities business in Shanghai. The prize for G4S however is in the somewhat blocked manned security and cash segments that I spoke about, we're pursuing creative ideas to get into these markets.

Security in China as you would expect is very sensitive, particularly at this point in the country's evolution. We have to address this market from a win-win perspective. We will need to demonstrate that our global expertise and knowledge in cash processes, in security, etc, adds value to something these folks have in this country so that they open up dialogue and can see the opportunities for their businesses to gain as well.

In order to do this in China we're going to focus on several areas, we're pursuing G4S security licences, this has to be done at the provincial level in China, it's not a Pan China issue. We'll also look at JVs to enter the security market as well.

We're seeking to demonstrate our cash cycle expertise to financial institutions today and government linked enterprises. We are also seeking to acquire more facilities capability and ultimately we'll put that together with our security product.

And finally we're trying to demonstrate win-win opportunities to sign those companies trying to do business outside of China. An example of that is the Olympics here in London in the next couple of months, a couple of Chinese delegations need some security work done here and we've been involved in helping them to put that together.

I'm going to turn it over to Chris before coming back up to talk about our opportunities in the future, thanks.

3:36:19

Middle East Business Model

Chris Fergus, Region MD Middle East
Thank you Dan. My name is Chris Fergus and I'm the Regional Managing Director for the Middle East based in Dubai, and I've been with G4S for the last 17 years, straight from university. Our Middle Eastern region consists of 12 countries from Egypt in the west to Pakistan in the east, and includes each of the GCC countries. We have 60,000 employees with as few as 70 in Oman and 13,000 in Saudi Arabia. And we currently serve those 2,500 customers from small, single site retailers to large multinationals and governments.

I'm going to provide you with some analysis of the large countries by opportunity and revenue, that's the UAE, Saudi Arabia and Qatar, and then come back with some general themes from across the Middle East.

So firstly the UAE. G4S has operated in this country since 1994 and as you can see we enjoy a market leading position in both cash and manned security. And after a challenging three years, mainly as a function of the economic environment in Dubai and some regulatory change, we are anticipating growth at 12% per annum over the next three years. We have a strong pipeline of opportunity in each of the ports, aviation and hospitality sectors, and we're also anticipating growth in facilities management as outsourcing trends continue across all sectors.

Saudi Arabia. We've operated in Saudi Arabia since 2006 after an acquisition, and we have a market leading position in cash. However our largest business unit is indeed our facilities management company. We're anticipating 16% growth per annum over the next three years and an increase in the market share across all products. And again we have a very strong pipeline of opportunity in the ports, petrochemical and retail sectors.

Qatar. We've operated in Qatar since 1988 and like the UAE we enjoy a market leading position in cash and manned security. Qatar has been a real success story over the last three years with 20% growth per annum over the last three. And despite strong competition, particularly in the government sector, we're still anticipating 15% annual growth in the next three years. And of course Qatar was awarded the World Cup in 2022 and we're anticipating sustained growth and opportunity in the long lead up to this event. And you're probably aware that Qatar is also bidding for the Olympics in 2020 and we've already secured a contract with the Qatar Olympic Committee.

So now to the general themes across the Middle East. As you've seen we have a market leading position in cash and manned security. This is equally true in our Middle East manned security businesses despite the markets being generally quite fragmented with many small regional and sector specific players. We're seeing an increasing trend towards legislation of the security industry throughout the Middle East and we're very supportive of government attempts to regulate the market, and quite often play a role in framing that legislation. This will inevitably create high barriers to entry as the regulations require high costs of investment in infrastructure and indeed training, and we've already seen a number of small companies exit the market as a function of this regulation.

Now to the growth drivers. Across the region nominal GDP is in the range of 7 to 10% with potential from much higher growth as political stability returns to some of those countries impacted by the Arab Spring. And clearly from the previous slides we have an opportunity to increase our market share in facilities management, systems and manned security and we will be investing heavily in business development capability to meet that objective.

There is a multitude of significant opportunities throughout the region, particularly in the rapidly expanding ports, aviation and retail sectors, and Dan referred to some of these earlier in the presentation. In most countries local legislation requires a partnership structure and rather than a partnership that simply meets the minimum legal requirements, we've successfully partnered with a number of prominent local trading entities with complimentary business units and strong local influence. And finally we have a very unique recruitment model which allows us to bid, win and deploy staff in a much quicker and more professional way than most of our competitors and I'm going to come back to that later.

To the key margin drivers. We're the only international company offering a truly integrated solutions capability throughout the Middle East, and increasingly our customers are seeking complex solutions and are looking for a strategic security partner and not simply a service provider. One such customer is Etihad. In just eight years Etihad has established itself as the fastest growing airline in the history of commercial aviation. Interestingly Etihad is the Arabic word for union and this is very much a reflection of its partnership approach. Matthew Vaughn, who is the head of aviation security for Etihad Airways, was quoted just last week saying, 'G4S is a trusted partner for Etihad strategic security requirements. We are continually expanding and view G4S as not only a service provider but also as a knowledge partner that can provide technical advice in terms of the security threats and the regulatory requirements. The benchmark of services provided by G4S in the Middle East is one that we will continue to expand globally'. And I'm going to go back one slide.

Our cash solutions capability is a key differentiator in what is a relatively unsophisticated cash market in the Middle East. Even in countries where we have a market leading position there will be considerable opportunity for growth from expanding our portfolio services to be consistent with those that we provide in our developed businesses. And historically service levels have been relatively poor in the Middle East and in this regard G4S stands apart from its clients. Clients are increasingly willing to pay for a premium and a quality service and this again links to our unique recruitment model.

So in a region where more than 75% of our employees are expatriates, the key to maintaining and accelerating growth is of course timely and efficient recruitment of staff with some of the deployments requiring in excess of 1,000 people. The majority of security employees in the Middle East originate from the Indian subcontinent, Africa and Southeast Asia, and uniquely G4S has business units across each of these regions from which we can source suitably trained staff, some of which are listed on the slide. When recruiting in each of these countries we are able to demonstrate a clear international career path which could result in relocation to the Middle East and an opportunity to triple salary as a minimum. As such we create a motivated, well trained workforce in the supplying countries and of course we're able to meet customer demand in the receiving countries and deploy quickly with a G4S trained, properly licensed and well compensated workforce.

In addition our staff are accommodated in superior residential facilities with modern catering, recreational, education and retail facilities, and this is a further differentiator from our competition and are highly valued by our clients and of course our staff. This model is unique to G4S in the Middle East and will ensure accelerate growth ahead of our competition, and to illustrate the efficiency of the model I'm going to use the Dubai Airport contract as an example.

So we were awarded this contract in February of 2011. The contract award was for £5m per annum and 500 staff. We were able to quickly interview and appoint staff in the home country where G4S has a presence in India, Uganda, Nepal and Bangladesh. Staff relocated to the UAE, issued work permits, trained again according to local legislation, then licensed, and fully deployed by May 2011. And this is something that really sets us apart from our competitors in the Middle East. And I'm going to hand you back to Dan now.

. . . .

Summary

Dan Ryan, Regional CEO, Asia Middle East
Thanks Chris. And for a bit of a wrap up. I'm going to go ahead and put this up here but I want to remind everybody that what's unique about Asia Middle East is that we run 33 countries, as I started out this presentation mentioning, we do about £1.4m of revenue, but again what's unique is the majority, or an overwhelming majority of that, is made up of contracts south of £1m. So we have an advantage in that we have broad coverage and we have long and strong customer relationships, but as you can see from this extract of a pipeline, there aren't a lot of deals that are similar to what you have seen here today. That's indicative of the developing market that we operate in. Not surprising you'll see ports, aviation, oil and gas showing up significantly on this list, and we've had a couple more successes since we put this together and they've also been in that sector.

So in order to deliver what we've talked about today we're going to grow the region as I mentioned at 15% per annum, we'll deliver the margin improvement I outlined, and we'll acquire positions in China and India. We'll do this by better segmenting the market, driving some operational efficiencies and the sector focus that has been highlighted not only in this presentation but many today.

We are strongly positioned to capitalise on our current AME position and global expertise, to take advantage of the massive growth opportunities in this region. Asia Middle East has consistently grown and will continue to grow at rates above GDP. Thanks and I'm going to turn over to our Group CFO Trevor.

Group Finance Strategy

Trevor Dighton, Group CFO
Okay thanks Dan. We're nearly done but just before Nick comes up and summarises the strategy and the outlook for the Group, I just thought I'd take you very quickly through the finance strategy and structure that we've got that underpins and supports all the development that you've been hearing about over the past few hours.

It is a combination of organic and acquired growth. The whole strategy is a combination of the two. You've heard a lot about the organic growth opportunities and developments that we've had, particularly in Graham Levinsohn's strategy presentation, but across all the regional ones as well. I thought I'd say a little bit more about the acquisitions though. We take acquisitions very, very strictly and we've got a very strict and complicated and very all-encompassing process on our acquisition approvals and we are very strict about the financial returns. The overriding return is the post-tax return on investment of 12.5% within three years.

But we also prioritise acquisitions that do more than that and they build market share, they drive organic growth or they access either key sectors or key geographic markets. The key sectors include the government outsourcing opportunities of course that you've heard about, and the key geographies include India and China that you heard about from Dan and Brazil in particular that you heard about from Graham. And just to repeat what we said in March and what we've said for quite some time, we do expect to invest around £200m a year in acquisitions.

In the past seven years from 2005 to 2011 we spent around about £1.3bn on acquisitions and we made in excess of 100 of them, all through this very detailed process that we have. This slide highlights the largest of the acquisitions in each of the years and by far and away the largest one was the GSL acquisition that we made on UK government support services that we acquired in 2008. It's been our largest acquisition but also we've had some quite significant acquisitions in the US on the technical side and in developing markets, particularly in Brazil in the last couple of years.

We've got the returns in year one on the slide and on average the pre-tax return on these investments in year one has been over 11%, and if you take a bit of a notional charge out for tax the post-tax return has been over 8%. This is year one returns of course. But we don't buy the businesses just for their current profit streams, we integrate them and then we combine them with our existing businesses and we drive out cost synergies and we leverage the capabilities that we acquire with these acquisitions across the Group. So our targeted pre-tax return after the three years will develop after the first year.

But there's lots of intangible benefits as well from the acquisitions and you heard quite a lot of that over the past few hours and these are some examples of the contract wins, specific contract wins and business development opportunities that have come out of the acquisition programme. GSL of course is the obvious one and that has formed the basis really for our fantastic UK government opportunities and some of our international ones as well. It brought together the businesses that we already had and really put them into the great base that we have at the moment.

But also some of the wins and extensions that we had in the US, you've already heard about them from Graham, they do benefit enormously from this integrated technical and manpower product that they've developed so well in the US and has been so successful.

We're asked sometimes about the ROIC, it's not a massive measurement that we use but I guess the significance of it really is to keep an eye on this balance between the organic and the acquired growth, and when you do have a particularly heavy acquisitions year like we had in 2008 it does dip a little bit of course. But then as you can see it's come back to the sort of mid-teens that show a fairly good result. And we keep an eye on that to see that we don't go too far on the balance between acquisitions and organic growth.

This is the summary of our key financial objectives. EPS of course is I guess the underlying objective that incorporates everything. And we average at least 10% over the whole economic cycle, some allowance of little ups and downs when it goes particularly high or particularly low, but the average of at least 10% across the cycle and that's a core objective. The way we get there of course is to target organic growth above nominal GDP, maintain the margins, the profit margins, and the effective tax rate, and that will get the EPS flowing out.

The cash generation target remains at 85% a year and also we've looked to broaden the sources and maturity of our funding over the years to retain our BBB rating which optimises our WACC position. And finally our policy on dividends is that we increase them now broadly in line with earnings.

On cash flow our primary target, the one that we use mainly, is operating cash flow to percentage of PBITA. I know sometimes that there are other measurements that incorporate interest, pensions and tax, and some other measures. We don't include them in this measurement. This is the sort of main direct measurement and that 85% generation, as you can see from this history on this slide, we've always been at this or above it for every year from 2006 onwards. And that actually goes through some fairly difficult economic circumstances with high growth and recession included in those years. But we always hit that cash generation target.

And on the funding side we've gradually been diversifying our debt finance and coming away from the banks as being our main source. We went into the private bond market in the US firstly and then we got a credit rating in 2009 and moved into the public debt market, firstly in the UK and most recently, very recently actually, our first entry into the

European market where we, you probably would have seen, raised the €600m bond which was a very successful issue, a good time and the coupon rate actually was 2.875% which we believe is the lowest BBB bond ever issued.

The graph here shows the maturity profile of our non-bank debt. We've got the 1.1bn facility now in place in 2016, so no great dependents apart from that renegotiation of the bank finance in any one particular year.

Our net debt at December 2011 was 1.6bn, and the net debt to EDITBA was 2.4 times, although that's a little bit distorted by the fact that the large acquisitions we made in 2011 were right at the end of the year, so we didn't get a full year's benefit of the trading but we did have the cost of them in. And if you just adjust for that it's about 2.2 times which is right in the middle of our comfort zone of 2 to 2.5 times net debt to EBITDA.

Just a reminder of the progression we made on the tax rate. We've been putting in place fiscally effective structures ever since we did the merger and that's showed dividends every year, and that's come down. We're continuing to look at these tax efficient structures but we don't expect to get much more of an improvement now than the 22% that it's come down to.

And finally the summary of some main measurements there. Over the years 2007 to 2011 all of the measurements, turnover, PBITA, EPS and dividends have all increased by around 14% annually compounded over the four years. And we hope that, as you've seen today, some of the fantastic momentum that we've got will keep these measures going in the future.

Okay I'll hand back now to Nick who's going to summarise the strategy and the outlook.

. . . .

Questions and Answers

Nick Buckles, Group CEO
Surprise, a bit of a change of plan. We're going to go straight to Q&A and then I'm going to sum up. So has anyone got any questions they'd like to ask on the AME region, the Americas region and Africa?

. . . .

Ed Steele, Citigroup
Just a quick question on two of the contract tenders that you pulled out in the presentations please. First of all in Americas, did you say Oak Ridge was the big one? That's a rebid is that right or?

. . . .

Grahame Gibson, Group COO and Regional CEO - Americas
Panex is we don't have, Oak Ridge we do have and it's a combination of the two.

. . . .

Ed Steele, Citibank
How much do you ….. in that?

Grahame Gibson, Group COO and Regional CEO - Americas
The existing we have is about 30% of it.

Ed Steele, Citibank
Oh okay. Thank you very much. And then in Australia the DIAC contract which was on there as I think a prospect. It's obviously a very large contract, more than twice the size of your existing Australian revenue base. Do you think you've got the capability to tender for that successfully please?

Nick Buckles, Group CEO
Yeah I think you know we used to do the DIAC contracts, it was about 60m a year when we lost it three years ago. We think now it's around 150ish million a year, possibly, maybe up to 200. I think we're still a little bit unsure. Clearly when we expect that to come out to bid I think early next year, and with the fact that we've done it before, the fact that we've got capability to transfer from the UK to help start it up, we think we've got every chance of having a good shout on it.

Ed Steele, Citibank
Super, thank you.

Question
Just to start with on what you were saying about US government and this planned reduction of 10%. Just wondered how that squares with the 12% organic decline that you've already seen in Q1 of this year and I think double digits in the second half of last year as well, as to whether you've therefore already full taken the hit or whether for some reason you're being hit more than the 10% implied by that reduction?

Grahame Gibson, Group COO and Regional CEO - Americas
Yeah I mean there have been reductions over the years. That is a further 10% that they're saying. Now that covers not just the high security segment that we're in but also the federal protection service segment, the US Marshall segment, and we anticipate that some of our existing contracts will continue to downsize over that period of time, unless there are any changes to the design basis threat, which could happen if there was any form of incident, which is why most of our pipeline is working on the opportunity of integrating security safety, fire emergency, base operations support which, you know, where the addressable market is five/six times bigger. And evidence is showing that

they're buying on that basis, and we pursue the ones that are mainly outside of continental United States rather than within continental United States, where with our G4S presence in these places we think we've got a real competitive edge and also the margins tend to be higher because obviously the ones within continental United States is very highly competitive.

. . . .

Question
So the 10% basically would be over and above, might be a 2013 hit for example.

. . . .

Grahame Gibson, Group COO and Regional CEO - Americas
Or '14 or '15 or it may not affect us, it may be some of the other players that get the hit.

. . . .

Nick Buckles, Group CEO
Yeah just to put that number in perspective, over half that 12.5% reduction has come through the demining business halving in that period of time - Yeah. So I can't remember the exact number but I would say the underlying US domestic piece has probably only drifted 4 or 5% year on year.

. . . .

Question
So it's the demining that's getting …

. . . .

Nick Buckles, Group CEO
It's the demining that's halved in value, overseas demining during that same period. So I think that 10% drift over three or four years is about a 3 or 4% underlying reduction in that high end security market in protection basically.

. . . .

Question
And is the DoE still your largest customer, the Department of Energy? And in terms of bringing All Star into the equation because obviously you've got a business which you own but don't really control in the form of WSI, but then All Star is a business that you fully control. Can you sort of bring it into the fold somehow?

. . . .

Grahame Gibson, Group COO and Regional CEO - Americas
No All Star was purchased by the WSI business. So many of those base operation support contracts that they go for have cleared components.

. . . .

Nick Buckles, Group CEO
I'm not sure if Grahame mentioned it in - I might have just missed it but the US aviation piece has to be done through a proxy structure as well under the legislation. So it's been open to foreign competition but you have to do US aviation through a proxy structure. So that's why it would fall predominantly into the classified business, although it's not classified, than the commercial business.

. . . .

Question
In terms of the TSA?

. . . .

Nick Buckles, Group CEO
Yeah.

. . . .

Question
Right okay. And then just lastly on the M&A, I think you'd spoken potentially about another deal in the offing in Brazil imminently, just wondered where that is. And also M&A in China and India where you can give us - if you can give us some kind of sense of what activity levels are like there, what you're looking at?

. . . .

Nick Buckles, Group CEO
Yeah Brazil is imminent. It's even more imminent than it was last week when it was imminent. We're still waiting to get some licence clearances around …

. . . .

All talking together

. . . .

Nick Buckles, Group CEO
And that will give us hopefully a uniform security presence in Brazil. And that will give us probably the right base in Brazil for the next 12 or 18 months. I don't think we envisage any further acquisition there.

. . . .

Grahame Gibson, Group COO and Regional CEO - Americas
Not at this point.

. . . .

Nick Buckles, Group CEO
China is difficult. I think you saw Dan's approach to China. We can't really do - we don't want to do anything confrontational in China. There isn't really acquisitions to be made in the core manned security and cash businesses, even if we were to get licence for

them. That's a much longer term issue. The acquisition there is likely to be in facilities I guess. Or a JV.

India, again we've got to improve our cash services position or exit and that's really where the focus is on acquisitions over the next six to 12 months.

. . . .

Andy Chu, Deutsche Bank
Good afternoon. Wondered if you might be able to give us a few more targets on Africa? I think for Asia Middle East you gave revenue growth of more than 15%, margins are currently around the group average, expected to grow. So I wondered if you could give some similar sort of stats please for Africa?

. . . .

Nick Buckles, Group CEO
Yeah Andy do you want to? No he's too new it's not fair. I think the margins in Asia are actually slightly above the group average. When they do their sums they don't take off group costs so they are above the group average, so maybe a per cent or so.

Africa, good strong margins, double digits. Organic growth, I think Andy alluded to 10% plus this year hopefully, still early days but I think that's the expectation. And thereafter we expect all our developing markets regions to grow at least double digit so I think that's where we'd paint Africa. If we get some of these big contracts away it could get mid-teens but certainly double digit.

Latin America, very inflationary environment, probably driving underlying organic growth of around 20%, but that could change very quickly if there's any sort of exchange rate changes etc. In terms of bringing down inflation Argentina's the biggest driver there. So you know as I've said before really, a minimum of double digit growth should be our expectation in developing markets, with the exception that Afghanistan is going to come off sometime from the US Embassy contract and that's the issue, then timing we're still not sure about. We thought it was going to be June, then we thought September, then we thought December, now it might be June again. So we're still waiting to hear on that.

. . . .

Paul Checketts, Barclays Capital
On Nigeria which you talked about, I don't think any of us would probably deny it looks like a great opportunity but you're so small and it's clearly a tough market. How do you really propose building up a position and what sort of realistic targets would you set yourself in the medium term?

. . . .

Andy Baker, Regional MD G4S Africa
Firstly if I can just comment on - if I can pick up on Nick's point about organic growth across the continent. We're averaging after the first four months at 10% organic growth year on year. Nigeria, we are small, I think the point is valid. I mean that brings in

itself some opportunities. We see some opportunities not just from traditional markets by the way, not just the oil and gas which is extreme, but we see some other functional business opportunities for growth. We are currently tendering on a significant opportunity which has a value over the life of the contract of £75m at £15m a year.

Now clearly we're not banking all of our hopes on that, we have some much smaller opportunities with some global customers that are right on the brink of being secured. So we see in the short term relatively modest growth, around about the double digit area in terms of organic growth going forward. But what we're hoping to do is through some step change business acquisition we see some quite accelerated growth going forward in the next 18 to 24 months. The opportunities there are vast.

. . . .

Nick Buckles, Group CEO
I think the point with Nigeria is although I think we showed a fifth position in terms of market share, there are very large contracts to win there and we're probably still a very leading position when you're coming for the big international bids. And because they're self-sufficient contracts, we've got country overhead in place; we can win those businesses quite effectively. You don't have to have a predominant market share against the local players to win those contracts. And in fact we're more often than not bidding against UK outbound risk management companies for those big contracts in Nigeria than the indigenous players basically. So I think we've definitely still got big potential there.

. . . .

Paul Checketts, Barclays Capital
For the rest of Africa, I think you quoted the manned guarding percentage it was high 50s, is Africa really still a story about the basic manned guarding work with an overlay of these bigger international contracts?

. . . .

Andy Baker, Regional MD G4S Africa
I think it would be wrong to say that there aren't existing manned guarding opportunities for growth across Africa; I think it would be wrong to say that. But certainly that growth and that business base has to be augmented by other business streams and we're looking at doing just that.

. . . .

Nick Buckles, Group CEO
Okay any more questions?

. . . .

Andrew Ripper, Merrill Lynch
Just on the US. I wonder if you could make some comments about profitability trends in particular referencing the sort of returns you'd expect to generate on the two new big contracts, CATSA and GM. And then thinking about mix, if federal declines in terms of the sort of existing contract base, how is that going to impact on your profitability?

. . . .

Nick Buckles, Group CEO
Do you want me to answer that Graham? I mean certainly the CATSA contract, we're quite happy with the way it's going. It's a high single digit hopefully once it's up and running, we don't have any big issues with that at all. The large car manufacturer we took on, we're very happy with the way that's gone. That wasn't really a price driven decision so we're very happy with that.

I think the big issue for us, and I alluded to it at the IMS, two of the business issues that we have got margin issues with are fixable we believe. The US government one is going to be an underlying issue at the full year. What impact that will have on the US margin I think we're still not absolutely sure, but it has moved from being a 4 or 5% margin business to a 2 or 3% margin business, so clearly that is going to have a margin impact because we won't move the commercial business up to counteract it although it's going very well, we're getting some very good growth and some good leverage through the sort of the growth we're getting. The technology businesses could deliver some good margins as well which will make up some of that issue, but we definitely have got a structural underlying margin issue with the US business, which will only recover once we start to win better margin based contracts in overseas territories basically. I think that's fair to say.

. . . .

Andrew Ripper, Merrill Lynch
Sorry you're talking about 2 to 3% on the 30% …

. . . .

Nick Buckles, Group CEO
Yeah that's correct.

Okay I will just wrap up if you'll allow me to. I said I'd come back to this slide once you'd listened to the presenters today. So our strategy is about delivering enhanced growth in the organisation. It's about driving outsourcing in all markets. And that's all markets so you know our value statement, our mission, is now about outsourcing secure solutions. You saw some great examples of it in the UK business of where we've really actually pushed the product range into a much broader range of services but still winning and still being very successful.

Cash outsourcing, it was good to see a big opportunity in South Africa and one in the UK. So they're coming back to the agenda. And facilities management where we need to provide we're seeing some really big growth. You saw the UK growing 20% plus in terms of FM, probably one of the fastest growing FM businesses in the UK.

And back to the point about Africa, there are still in house opportunities to come out in terms of manned security and cash in transit in a lot of African businesses and other developing markets where outsourcing can take place for the first time. And indeed still in the US there are still some proprietary guarding business that will come out to market over the next two or three years.

A lot about sector expertise this morning. I won't go through that in a lot of detail because you saw that we really have been successful in focusing on those sectors. They are less commoditised in terms of competitiveness and we are winning well in that area of business.

Good sales pipeline, 3.5bn. Once we'd rolled it out to 100% we'd expect that to be probably around 4bn. And the real focus now on large scale bids which tip the balance when you really are driving enhanced organic growth. Not to say we're not going to still focus on the small to medium bids because in developing markets that is predominantly what we do and it of course is part of the attractiveness of spreading risk across the group in terms of customers.

Graham demonstrates the way we use technology, particularly to win large US customers, in terms of differentiating what has been a predominantly manned security business in the US. And also in terms of rolling out our international partnerships technology is going to be a key driver. And customer retention, 90% plus across the group, 95% plus in the Americas. And you saw from Graham Levinsohn's slide clearly if we can push the retention up above 95% our organic growth will automatically follow.

In terms of transferring expertise, lots of examples of that we've shown today. And the real focal point now of getting that expertise around the Group is going to be our service excellence centres which are also going to have a role in driving forward the margins.

And Trevor talked about acquisitions, indeed all the presenters talked about acquisitions. It's about getting new sector, new expertise, having an active divestment strategy which you know we saw evidence of last year. That will continue. Our acquisitions are predominantly going to be around building security capability but I think in the UK we may need to make some FM in field to make sure we've got a full self-delivered model. And we have had a very strong integration and track record on acquisitions which Trevor demonstrated.

So summarising again, a good underlying trading platform. Apart from the margin issues I've mentioned the organic growth was very strong in the first quarter. It is going to build during the year, you can see we've got a very strong pipeline and we're very confident of converting a number of those opportunities which will give us accelerated growth. And the margin improvement opportunities, some underlying margin pressure as I mentioned. We've done a big tranche of overhead reductions in regional group costs. We're focusing on business unit reductions in the second half of the year. We're focusing on procurement getting some benefits driven out through that process, probably next year. Service excellence centres have got their targets around improving underperforming businesses and gross margins generally. And we will make divestments certainly to help improve the margin for those reasons that we talked about earlier.

And our long term margin will improve because our higher growth businesses are our higher margin businesses so you should see a positive mix benefit beyond the next couple of years.

So despite the fact some real economic turmoil around, particularly in Europe. We haven't focused on Europe today but it's steady as she goes. We're doing pretty well in what is a very tough economic environment. We've still got a very strong outlook across the whole business. So thanks very much for coming along.

. . . .

END