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GFS.L - Half Year 2019 G4S PLC Earnings Call

EVENT DATE/TIME: AUGUST 09, 2019 / 8:00AM GMT

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PRESENTATION

Ashley Almanza - *G4S plc - CEO & Executive Director*

Good morning, everyone, and welcome to G4S half year results presentation. My name is Ashley Almanza, I'm the Chief Executive. And I'm joined by Tim Weller, our Group CFO.

Before we start the presentation proper, can I please draw your attention to our customary legal disclaimer. It appears in all of our investor presentations and is available on our website.

Our agenda today has 4 parts including a wrap-up with Q&A. I'll start with highlights of the first 6 months, hand over to Tim who will take us through the financial review, and then I'll come back and cover the separation of the Cash business from the group, including an overview of the 2 successor companies.

Turning then to the key messages for our presentation this morning. There are just 3 key messages. Firstly, we're pleased to see that the business is delivering a sustained improvement in performance of the first 6 months of this year. The outlook for the business, we believe, is positive supported by strong sales momentum, a healthy pipeline and, of course, our productivity programs. And those 3 things working together give us confidence in the outlook for the remainder of the year and beyond. And thirdly, the Board has now approved the separation of the Cash business from the group following an extensive review that we carried out over the last 6 months. We're immediately implementing that separation. And we're on track, we believe, to create substantial value for shareholders, customers and employees. Those are our key messages.

I'd like to turn now to the underlying results for the first 6 months and just cover some of the highlights before we turn to each of the segments. So revenue for the first 6 months was GBP 3.7 billion, up 4.7% against the same period last year. Secure Solutions was up 4.9% or 4.5% on an organic basis. And Cash Solutions was up 3.9%, again, compared with organic 2.5% revenue growth. Cash Solutions was impacted, the year-on-year progression, by the bullion contract which we terminated in first half of last year. And that gave rise to incremental revenue and, of course, an GBP 8 million gain. That also affects profit. Our profit before interest tax and amortization was GBP 234 million, an increase of 1.7%. Excluding the effect of the U.K. bullion contract on the prior year, progression would have been 5.4%.

Our Secure Solutions margin was 6.3%, slightly up on the prior year with revenue, mix and productivity gains being partially offset by mobilization costs and some one-off costs in Latin America. More of those later. Cash Solutions margin was 11.2%. This is lower than the same period last year, and once again, that is accounted for by the gain we made on the bullion contract in 2018.

Operating cash conversion was 88%. Our OCF conversion this year is weighted to the second half, and Tim will take us through that in more detail in a moment.

Earnings per share was 7.7p per share, up 1.7%. We saw the interest charge come down significantly, and this is due to the work that Tim and the treasury team have been doing with our refinancing program. And the benefits of that are now starting to flow through the interest line. We also, though, saw our noncontrolling interest go up. In other words, the businesses where we had partners also grew, and that increased the NCI charge. And finally, the effective tax rate was up 2% against the same period last year. That is largely to do with profit mix. Tim will also address that.

The Board has declared a dividend of 3.59p per share, which is exactly in line with last year. So those are the group highlights.

And I'd like to now turn to the Secure Solutions business segment and just make a few comments on that business. We saw growth, as I mentioned, of 4.9% in Secure Solutions. Modest growth in Europe and Middle East, pleased to see some growth in Middle East coming through again, and modest growth in Asia. Very strong growth in both Africa and the Americas, 8.8% and 8.9% revenue growth, respectively. Profits before interest and tax were up 5.2% for the security segments as a whole. And again, we saw strong profit progression in Asia, Europe, Middle East and Africa and modest profit progression in the Americas. That is because most of the mobilization costs total -- in total are about GBP 4 million. Most of those are in North America. And you'll appreciate this is the flip side of rapid growth. When you're mobilizing lots of contracts, it takes a while before you establish a steady-state operating rhythm, and you incur incremental costs typically during mobilization. We expense all of those costs, and that held back the profit progression in the Americas. We also took some reorganization cost of GBP 5 million in Brazil, and that affected the net margin in the Americas.

Net margin is 6.3%, as I mentioned a moment ago. Strong margins in all regions. And we expect that as mobilization costs roll back, we will see further margin progression in the Americas.

So overall then, our Secure Solutions business has got good sales momentum, good pipeline. And we continue to grow our technology-enabled security solutions, good growth in the first 6 months of this year, up about 14%. And importantly, we still see tight labor markets in North America and Europe, and so we continue to exercise commercial discipline and appropriate cost management.

I'd like to now move on to the Cash Solutions division. Here too, after a challenging 2018, I'm pleased to say that we saw revenue growth once more in this business, revenues of GBP 535 million for the first 6 months, up 3.9%. Profits were down 10.4% over the same period last year, and that is wholly due to the effect of the GBP 8 million gain in the prior year on the termination of the bullion contract. Ex that gain, profits would have risen by 1.7%. And the standout feature of our results once again was our Cash Technology business in North America. Retail Cash Solutions grew 33%. This business goes from strength to strength. We're not only growing, but we're confident that our service offering is getting better and better, and I think that augurs well for the future.

We have a substantial pipeline in both retail and banking for conventional cash services and cash technology. And we're actually expanding our cash technology now into the banking segment and into the SME market segment. We have high hopes for that expansion.

We announced a restructuring program for our Cash business when we presented our full year results, and those benefits are starting to come through. We expect some to flow through to the bottom line in the second half of this year, and we'll capture the full benefit of that program next year.

So before handing over to Tim, I'd just like to address the outlook in a bit more detail. Obviously, a business of our scale and complexity, there are many moving parts. Revenue -- on the positive side, as I mentioned a moment ago, we have good sales momentum and a healthy pipeline. In the other direction, of course, we operate in a highly competitive industry, and we have to be on top of our game really to not only win new business but retain current business. We believe that we're being aided in that through our technology-enabled security solutions. This is undoubtedly differentiating us in some important markets. It's an important feature of our growth in America and in Africa. So overall, we continue to have a positive view on revenue.

Margin, there are even more moving parts here. We have a positive sales mix and a productivity program, both of which provide support for our margin and give us a path to, we believe, margin increment in the future. At the moment, going in the other direction is the mobilization costs, but this is driven by growth. And in the longer term, that growth, we believe, will deliver support to our margins.

And perhaps most importantly, in our industry, it's always a feature of our business that getting the balance between wage inflation and price increase programs is critically important. I'm pleased to say that we're achieving a much better balance this year than we did in 2018.

Finally, on cash flow. Operating cash conversion for the full year we expect to be above 100%. Tim will comment on that. And net debt to EBITDA, around 2.7x at the end of the year. Our policy remains unchanged, which is we are aiming for 2.5x or less.

So in summary, the current performance of the business, our sales asset, our pipeline and our prospects give us confidence in the outlook for the group as a whole.

And with that, I will hand you over to Tim. Tim?

Tim P. Weller - *G4S plc - CFO & Executive Director*

Thanks, Ashley, and good morning, everyone. As Ashley outlined, we've reported half year results showing improved revenue momentum underpinning the positive outlook for the second half of the year.

So turning to the underlying business results. Overall group revenues grew by 4.7%, reflecting strong growth in North American Retail Cash Solutions; and in our Africa and in Americas Secure Solutions businesses, with more modest growth in traditional Cash Solutions; and in the Secure Solutions businesses in Asia, then Europe and Middle East, leading to Secure Solutions growth of 4.9% and 3.9% in Cash Solutions.

PBITA of GBP 234 million, up 1.7% with 5.2% growth in Secure Solutions primarily offset by a GBP 7 million reduction in profits in our Cash Solutions business, reflecting the 2018 GBP 8 million one-off benefit of the early completion of the U.K. bullion center contract in May 2018, which we highlighted at the time.

The interest charge is GBP 59 million, GBP 8 million lower than 2018 as we start to see the benefit of the retirement of expensive debt which we delivered over the last couple of years. We expect the full year interest charge to be around GBP 120 million.

The effective tax rate was 26%, up 1% from last year's full year rate, as expected, reflecting the geographic mix of profits. We expect the tax rate to be around 26% for the 2019 full year.

Noncontrolling interests were GBP 3 million higher at GBP 10 million mainly driven by consolidation of minority shareholdings in Europe and Middle East regions, as previously disclosed. Earnings were 1.7% higher than the comparable period in 2018 at GBP 119 million with earnings per share of 7.7p.

Operating cash flow after pension deficit repayments of GBP 26 million was GBP 206 million, GBP 41 million lower than 2018, mainly reflecting the phasing of cash flows around the half year end, the effect of which we expect to revert by year-end. As such, we expect full year operating cash conversion of over 100% compared with the 88% reported at the half year.

Turning now to the bridge from underlying to our statutory results. We continue to manage effectively the onerous contract portfolio with the GBP 1 million net cash outflow and the GBP 7 million beneficial impact to earnings, reflecting operational improvements on 2 U.K. contracts.

The COMPASS contract concludes at the end of this month, and the group's onerous contract provision is now just GBP 19 million with the cash impact of this expected to spread over the next 19 years. Since the start of the year, we've made no material disposals or acquisitions.

We incurred GBP 17 million of costs in the first half on the Cash separation project and made a restructuring investment of GBP 19 million mainly in respect of strategic efficiency programs in Europe, Middle East, Americas and Global Cash Solutions. After tax, the earnings impact of separation and restructuring was GBP 29 million with an GBP 18 million cash outflow in the half. We expect the total cost of Cash separation project to be around GBP 50 million with the majority of that incurred in 2019. And we expect full year 2019 restructuring costs of around GBP 25 million.

And finally, the other main reconciling item is acquisition rate of amortization and other which includes a GBP 35 million goodwill impairment in respect of Secure Solutions businesses in Brazil that we acquired in 2012. The macroeconomic and trading environment in the country continues to be very challenging, and we reassess our expectations of future business performance against this backdrop. So that was the bridge.

Now, let's turn to the statutory results themselves. The statutory revenues for the year were GBP 3.8 billion. As we already said, underlying revenues showed a good increase, and the slightly lower growth in statutory revenues primarily reflects the reduction of GBP 64 million in revenues from businesses disposed of last year including certain of the group's businesses in Hungary, the U.A.E., Colombia and Saudi Arabia. PBITA increased by 4.5%, reflecting the improvement in onerous contracts, disposed businesses and the positive impact of exchange rate movements. Specific and other separately disclosed items, including the investment in restructuring, the separation review, goodwill impairment and amortization in respect of historical acquisitions, resulted in a net charge of GBP 67 million after last year's charge of GBP 19 million. As a result, statutory earnings were GBP 42 million lower at GBP 59 million with EPS down to 3.8p per share from 6.5p.

Let me now turn to cash flow and net debt. The full year movement in net debt for the half is shown on this slide. Starting with the year-end 2018 net debt of just less than GBP 2 billion restated for IFRS 16, underlying operating cash flow was GBP 206 million.

In terms of investing activities, we invested GBP 64 million in capital expenditure in the first half. We expect this to be around GBP 110 million to GBP 120 million for the full year. The group entered into new leases with a capitalized value of GBP 25 million under IFRS 16 compared with GBP 65 million in the first half of last year. The prior period was impacted by the timing of renewal of fleet lease vehicles in North America and new security personnel accommodation leases in Europe and Middle East. We expect to recognize an amount of GBP 50 million to GBP 60 million in the full year cash flow statement in respect of new leases. The GBP 18 million restructuring outflow is mainly in respect of the Cash separation project and strategic restructuring investment in our Europe, Middle East and Americas regions and in Global Cash Solutions.

Looking at the use of funds of GBP 236 million, we paid net interest of GBP 81 million and expect this to be around GBP 120 million for the full year. Cash tax paid was GBP 47 million, and our dividends paid to equity and minorities were GBP 106 million. After foreign exchange movements, we finish the year with net debt GBP 130 million higher at GBP 2.1 billion.

On the financing front. We've got over GBP 1 billion of liquidity, reflecting GBP 600 million of cash and cash equivalents and access to unutilized but committed funds of GBP 430 million from our revolving credit facility. We've now secured interest cost savings which will amount to an annualized level of around GBP 20 million from the end of 2019 following redemption of our more expensive debt.

Our net debt to EBITDA finished the half year at 2.85x. And whilst we're expecting improvement in operating cash flow conversion in the second half, as highlighted in our results announcement, the second half is expected to be impacted by the GBP 100 million cash settlement of the California class action. And we will continue to incur costs in respect of the ongoing Cash separation project. As such, we continue to expect full year net debt to EBITDA of around 2.7x. Our financial policy for the G4S Group as it's currently constituted remains unchanged. And we continue to target a net debt-to-EBITDA leverage ratio of 2.5x or below. And we continue to expect to achieve that over the medium term.

And with that, I'll hand back to Ashley.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thank you, Tim. We'll turn now to our separation of the Global Cash business.

And just to get our bearings, I'd like to remind everybody of the revenue and profit split of the group for the year 2018. For the full year 2018, G4S Group had revenues of GBP 7.3 billion. And of that, 85% of the revenue was derived from Secure Solutions, 15% from Cash Solutions. Profits before the allocation of corporate costs were GBP 547 million, 76% coming from Secure Solutions and 24% from Cash Solutions.

Now the process that we've been through over the last 6 months, the separation review has been an extensive and thorough process covering every aspect of both our security businesses and our Cash businesses, where these exist alongside each other, legal, commercial, operations, accounting, tax, pensions and so on. That review is substantially complete, and I'm pleased to report that the Board approved the separation of our Cash Solutions business from the group. There still remains a lot of work to be done. Over the coming months, we are to finalize the separation blueprint covering in detail every aspect of both businesses, as I mentioned, where they currently coexist. We also have to prepare listing documentation for both companies since this separation will be affected by a demerger, and we will be creating a TopCo structure to facilitate the demerger via a dividend in specie. That will be through a court-approved process. And we will therefore need to produce, as I said, documentation for both companies.

The Board will be appointing a new Chairman for the Cash company Board. And of course, we will need to seat a new Board for the Cash company. The executive selection process has started, looking at both internal and external candidates. We're planning to have a Capital Markets Day for both of the successor companies around March, April next year and to take this then to shareholders in the second quarter of 2020, followed by the admissions of both companies in the same quarter.

So that is the overall plan. That's what we're doing. I'd like to reiterate why we're doing this. Of course, our goal is the creation of 2 strong pure-play companies in security and cash management. Alongside this, to create the pure-play security company, we will be managing for value or exiting a number of noncore businesses that currently reside in G4S and would be in the Secure Solutions business post separation. We believe that separation and the related corporate actions will enable each company to benefit from strategic focus, execution focus. We will have a simplified operating model for each of these companies, giving us enhanced agility and, I believe, efficiency. And enhanced performance together with the portfolio actions will, we believe, enhance financial strength and flexibility of the successor companies. That will enable us to continue to invest in technology, innovation, sales and, of course, the operations.

Now you will know that after we announced the separation review, we received a number of unsolicited expressions of interest. We -- that was to acquire all or part of our Cash Solutions business. We established a formal process, and we appointed financial tax and legal advisers to support our in-house team to evaluate those expressions of interest. We have active engagement with interested parties, ongoing active engagement. And the Board will, of course, consider all credible proposals and evaluate those. We can, at this stage, I'm sure you will understand, provide no assurance that this process will in fact lead to a transaction. And in the meantime, we will continue to focus and drive with energy and purpose our Cash separation which we've announced today.

Let me now provide a brief overview of our 2 successor companies, starting with Secure Solutions. Our Secure Solutions business is clearly a global leader in security. We have a global brand. We're a trusted security partner to thousands of customers across over 90 countries spanning 6 continents with 530,000 employees. In 2018, revenues for Secure Solutions were GBP 6.2 billion, and profits before allocation of corporate costs were GBP 417 million. You will know that over the last 4 or 5 years, we've been investing heavily in developing our technology capability, and that has enabled us to be in a position today where we can offer integrated security solutions particularly in our developed markets, most notably the U.S., but increasingly in emerging markets and particularly in the last 12 months, Africa. Fully 46% of our revenues were technology enabled in some form at the end of June, and that's about a 14% growth on the same period last year.

This global leader in security addresses a positive market demand for security faces, we believe, structural demand growth. This is external data on this slide excluding China and the residential security market, which for now are outside of our scope of focus. But excluding those elements, the market, we believe, is set to grow at 5% compound per annum over the next 5 years driven by global GDP growth, increase in wealth, increase in urbanization and, of course, heightened concern for safety and security. So this business faces a market that has structural growth.

Now the investment we're making in technology, as I mentioned a moment ago, enables us to not only offer first-class security professionals. That's something that this company has rightly earned a strong reputation, and it supports our brand. We are known the world over for providing first-class security professionals. But today, we can add to that technology and data analytics. Most of our technology is procured from a global supply chain, enabling us to select the best technology to integrate into our security solution that meets our customers' needs, gives us choice, enables us to come up with the very best solutions. In exceptional circumstances, we will invest though in owning and developing a technology where we see a niche to earn sustainable owner economics. And the most obvious example of this is our Symmetry Access Control system trading under the wholly owned subsidiary called AMAG in North America. This is one of the leading access control platforms in the United States. And we're now putting in place the plans and the investments to take that product into our other markets globally.

We are increasingly investing in dedicated risk analysts and data analytics software to provide our customers with realtime intelligence to better manage our security operations and their operations and incident management software. The combination of technology, data analytics and proven security professionals is what lies behind some of the exceptional growth that we are seeing in North America and Africa today.

So in summary, this business has a clear strategy aligned with the market dynamics over the coming years. We're going to focus on high-value services in our core markets; in other words, investing resources in a market-led fashion. We intend to grow our risk and security consulting business together with our integration capability. These 2 things, risk consulting and security integration, we know work together very well when designing and delivering complex technology-enabled security solutions. We'll continue to invest in systems integration, data analytics and, selectively, proprietary software, enabling us to drive our innovation program globally whilst implementing locally.

And finally, with our global footprint, Secure Solutions is ideally positioned to grow our global account program with customers who have global businesses. And we do this by leveraging our expertise, products, reputation in those markets that are the home markets for our customers, and we take that business to other parts of the world where our customers operate. That's a program where we will continue to invest.

So I'd like to now turn to Cash Solutions. Our Cash Solutions business is clearly also a global business, with global reach and capabilities around the world. Revenues in 2018 were GBP 1.1 billion, and profits were GBP 130 million, again, before allocating corporate costs. We have around 32,000 employees delivering services across 44 countries. And we have a #1 or #2 market position in 41 of those countries. Here too, we have been investing in technology over the last 5 years. We have a rapidly growing cash technology platform encompassing Retail Cash Solutions, Cash Manager, CASH360, Deposita and G4S Pay, so we have a broad array of technology offerings to support our customers. And at the end of June, G4S's cash technology was deployed across 26,000 locations worldwide. It continues to grow very strongly.

Now the market for cash services, as you know, is going through considerable change. Nevertheless, we have a positive view on the outlook for growth in this market. Whilst in developed markets we see the use of cash maturing or even declining, it's important to take account of the fact that our fastest-growing business is in a developed market, that is to say the United States of America. And the point here really is that the crossover to cash technologies from conventional cash means that you can grow in a developed market. You need 2 things, cost leadership and service excellence, and service excellence and cost leadership can be both be delivered, we believe, through our growing technology capability. We also see significant opportunities to win additional outsourcing work from both banks and retailers in both emerging and developed markets and to consolidate CIT volumes.

G4S Cash Solutions is very well positioned to capture these growth opportunities. We have a full capability in conventional cash management, cash-in-transit, ATM, cash processing, bank branch outsourcing and, of course, also international secure logistics. And we have strong market positions to develop those conventional cash businesses, added to which we now have, I believe, the leading -- industry-leading cash technology platform. It provides customers with a compelling value proposition, and we are learning how to replicate this model more rapidly.

I'd like to now just dive a bit deeper into conventional cash management and cash technology. In our conventional cash management service lines, we have 3 clear priorities: consolidate our current positions; maintaining our #1 or #2 market share; and we do this by focusing on customer service excellence. I should add our second priority also helps to consolidate our position, and that is a laser-focus on cost optimization. As you know, conventional cash management is a network business, and unit cost economics are critical to long-term success. We're achieving this by investing in core CIT technologies such as dynamic route planning, smart armoring and cash center automation to drive down our unit costs. And we're also carefully managing our overheads at both the local and global level. And finally, we're positioning ourselves to lead the next wave of bank outsourcing. We are strongly positioned, with our current market share and our conventional cash credentials, to capture additional cash center outsourcing. Today, we already provide substantial cash center outsourcing services to major banks in Europe, and we see the same trend emerging in other markets. And of course, we're using our technology to support this as well. So this is one area when we talk about the crossover of cash technologies. We're using the cash technology that we developed for the retail market to help us in the next wave of bank outsourcing, namely bank branch automation.

In our Cash Technology business, the market opportunity, we believe, is enormous, and this is driven by customer need. On this chart, we show on the left-hand side the market opportunities driven by those customer needs. Conventional cash handling is labor intensive for counting and handling. Conventional cash management also has frequent collections and deliveries. Cash remains tracked on site and in transit. And inefficient cash forecasting leads to overprovision of cash on hand. And finally, of course, our customers face fraud and shrinkage as one of the threats of handling cash -- or risks, I should say.

Sorry, I just temporarily lost my microphone.

Now our technology platform provides a solution to all of these customer needs. Our technology enables us to automate cash counting and sorting, recycle on site, provide same-day credit at bank. And importantly, our data analytics enables our customers to eliminate idle cash, which is a very, very important emerging area of focus in this business. And of course, we eliminate human touch points by automating cash handling and thereby improve security and reduce shrinkage, which can be a very significant benefit to our customers.

So to summarize the to-be-demerged Cash Solutions business strategy, we focused on sustaining and growing our conventional Cash business through leveraging our prudent outsource credentials, driving unit cost economics and bringing technology to bear both in cash operations and in customer-facing applications. Alongside that, we are well positioned in this business to fully exploit the growing potential from cash handling technology. Our first priority is to expand in our current markets where penetration remains very low and we have a market-leading position. And hot on the heels of that, we want to take this technology to our other markets where we have cash businesses. And in due course, I expect that this Cash Solutions business will take Cash Technology well beyond our current markets.

I'd like to wrap up before we turn to Q&A by reiterating our key messages. We're reporting today sustained improvement in our business performance. And the outlook, we believe, is positive, supported by our sales, our pipeline and our productivity programs. The separation that we announced in December, that review is now complete, and we are on track to demerge this business -- the Cash Solutions business in the first half of next year. And we believe that will create substantial value for shareholders, customers and employees.

That concludes the presentation. We'll now move to Q&A. If you have a question, the operator will take it. But in the meantime, I think we've had questions submitted by email, and Helen Parris is going to ask the first and second question, and then we'll return to the operator to take any other questions. Helen?

QUESTIONS AND ANSWERS

Helen Parris - *G4S plc - Director of IR*

Thank you, and good morning, everyone. So the first question is coming from Ed Steele at Citi and saying thank you for the presentation, Ashley. You mentioned managing for value or exiting noncore businesses. Please, can you give some more color and scale around these?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Helen. Thank you, Ed. So this refers to our Secure Solutions business. I think that first thing to make clear, we're not talking here about Cash Solutions. And every year in our annual report, we provide a breakdown of our Secure Solutions revenues as between security services and Care & Justice services. And for 2018, security services and solutions were 93% of our revenue, and I think 7% was Care & Justice services, about GBP 500 million. The Board and the management team have clearly, over the past 6 months, spent a good deal of time not only on the detailed separation preparations and review but also on the strategy of the successor companies. And it's become clear to us that the focus of our investments, our growth capital and business development effort must be on security solutions both now and post separation in G4S plc. And that means therefore that we will not be prioritizing investments and business development in our Care & Justice services as a whole. So hopefully, Ed, that provides additional color.

Helen Parris - *G4S plc - Director of IR*

Thank you. I've got a 2-part question now from Sylvia Barker at JPMorgan. And so Sylvia asks: Could you possibly give us any background around the decision to pursue a demerger as opposed to a partial or full sale of the Cash business including perhaps the comments on the number of interested parties now versus the time of the Q1 results? And that's the first question. The second question is regarding the growth rates in North America. It's double what the 2 larger competitors have printed. Could you comment on the number of contracts you have won, the customer segments and whether these have been won from competitors?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Helen. Thank you, Sylvia. So taking the second part first, growth in North America, I think there are a number of factors here. Firstly, North America has been a focus market for us in investing in technology. It's been the area where we've made the greatest investments in people, software, systems in recent years. And also in our sales and business development program, adapting our go-to-market approach so that we can -- particularly at the large enterprise end of the market, go to the marketplace with one voice, one face and a single offering. That's taken time to bed in. We've learned by doing. And I think to the credit of the team in North America, they really have started to find the key to that marketplace for large enterprise and mid-sized enterprise market. So I think that's the first factor.

Secondly, we've had a sales approach which is focused on vertical segments. So although we continue to offer security services to the home market, we have beefed up, built up our capability and our focus on a number of vertical segments, financial services, energy, health care, to name a few. And again, I think the link between our sales team and our solutions design team and our operations team has strengthened in recent months and, in fact, over the last 12 months. And we simply are becoming more able to present and deliver integrated solutions in North America.

I would add, by the way, that Africa is giving North America a good run for its money, and all of the same factors apply. Although not quite the same level of investment, but certainly, there's been a very sharp focus by our team in Africa on developing all of the capabilities which I've just described we have in North America including the focus on vertical segments. And in Africa, the focus there has been on the extractive industries, both oil and gas and mining, but also secure logistics and financial services. And the team has had really good success in winning new business.

And to the final part of your second question, I don't have on hand the number of contracts, but we've won a good deal of contracts in the mid-market and a smaller number of large contracts. And yes, we have been taking them off competition. And I think as you know, we've been determined to follow a process of differentiation rather than forsaking commercial discipline.

So that's been the story behind the U.S. and Africa. We clearly got more work to do in Asia and Europe. We have a significant investment in our technology-enabled solutions in Europe, but we're a little way behind our program in the U.S. and Africa. And Asia, we have more investments to make there to get that program running in the same way.

The first part of your question was around separation and the alternative, I think, around the expressions of interest in acquiring some or all of the Cash business. You'll understand that we are going to not get into details of who's turned up, who's saying what. That clearly is not in the interest of our shareholders. But I think what we can say is we've had serious, credible interest, and we continue to engage with those parties now. And it's a simple matter of value. The Board will continue to -- whilst we're pursuing separation, we will, of course, continue to evaluate fully any credible proposals. And it will just simply be a question of what maximizes value to stakeholders. And clearly, a very important stakeholder in that is the shareholders. So shareholder value will be of prime consideration for the Board.

Tim, do you want to add anything to any of that?

Tim P. Weller - *G4S plc - CFO & Executive Director*

No. No. I think it's a good summation. Yes.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Okay. Sylvia, thank you for your question. Should we go to the operator? Could -- operator, could we take any questions? (Operator Instructions) Thank you.

Operator

(Operator Instructions) The first question comes from the line of Edward Stanley from Morgan Stanley.

Edward Stanley - *Morgan Stanley, Research Division - Equity Analyst*

It's Ed from Morgan Stanley. And you -- can I just follow up quickly on Ed Steele's question? You've been on a multiyear portfolio rationalization process and I presume that the low-hanging fruit from that is now gone, so I'm just wondering where you think you're going to squeeze out extra efficiency? That wasn't quite clear on your answer on Ed Steele's question. Secondly, you talk about a substantial pipeline in North America Secure Solutions. Can you give us an idea of how much of that is more generic guarding and how much of that is tilted towards technology contracts? And finally, in your extensive review, what conclusions did you reach in the optimal debt level that each business could handle in the successor businesses after separation?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Ed. Let me deal with the last point and ask Tim to add, which is we haven't finalized the capital structure of these businesses yet, but it's clear that both of these businesses will have the capacity to being launched as investment-grade businesses. But the final detail on capital structure, we'll be laying out at the Capital Markets Day early next year. Tim, anything...

Tim P. Weller - *G4S plc - CFO & Executive Director*

Yes. I think that's the point. We're clearly going to map out the plans for the 2 separating businesses at the Capital Markets Day. And that would include talking through the financial profile, capital structure, et cetera. As Ashley says, the analysis we've done to date has clearly confirmed that both businesses will be comfortably investment grade on separation. And we will spell out in detail what that might mean in terms of leverage ratios of the separate businesses at the Capital Markets Day, on launch.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Tim. Ed, your next question was around efficiencies. I thought, by the way, that Ed Steele's question was more about what was noncore, as opposed to efficiencies, but happy to address the point on efficiencies. Yes, we have been on a multiyear program to find efficiencies, and I think a couple of points. One is technology provides further opportunity for efficiency. Whether that's in support services or frontline operations, we're constantly looking for ways to deploy technology to make our business more efficient; and I suspect that, that will continue. I think, in addition to that, post separation, we will have pure-play businesses focused on, respectively, security and cash. I think that offers an opportunity to again standardize processes, get more uniformity, possibly delayer some of our operating and overhead structures and really have a more agile and more efficient business. So more work to do, but I think when you move from a business where today our systems and processes have to cope with frankly Care & Justice, Cash Solutions, Secure Solutions and cover all of those processes, it's by definition more complex. And we do see an opportunity to simplify all of that and extract additional efficiencies. I don't think in our industry in either Cash Solutions or Secure Solutions we can afford to take our eye off that opportunity. We've always got to be looking for ways to make our business more efficient.

North America: We said around 46% of our revenues are technology enabled in some form or another. And what we'll try and do in North America is approach all of our sales opportunities. I think you were after how much of the pipeline is technology. Well, look, we try not to think of this as 2 independent things. So we're not selling security technology and, by the way, also selling manned security. So we try to approach all of our opportunities by proposing an integrated offering to the customer that encompasses both manned security services and technology. In any particular period, it's very difficult to predict how much takeup you're going to get from customers for integrated solutions. We happen to have had, I think, a pretty good run over the last 6 months. Some of that has been because we won contracts on greenfield sites where the customer has wanted these large contracts, greenfield sites where the customer has naturally wanted to put in security systems at the same time as providing conventional security services. So we have -- I think it's well known we have a very large project in New York which just gone live at the beginning of this year. And that covers both systems and manned security, but anyway, to come back to your point: We really don't break the pipelines down in that way. We try and sell all of our customers an integrated solution, but the rule of thumb today, I guess, would be we're trying to get technology content into -- as much as possible, where just under half of our sales today we're managing to do that.

Operator

The next question comes from the line of Chirag Vadhia from HSBC.

Chirag Vadhia - *HSBC, Research Division - Research Analyst*

Chirag Vadhia from HSBC. Thank you for explaining how forecasting of cash balances is important for clients. What is the right level of cash on G4S' balance sheet? Would you say GBP 1 billion is a bit high? And my second question is on the growth that you're currently experiencing in Secure Solutions. How much of this growth is wage versus price? And what is the volume growth in man-hours that you currently have? And finally, if you could have sold the Cash Solutions business already, would you have done so?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks for your questions. Last one, last question first. It's a very simple concept, yes. We're -- it's we're maximizing shareholder value. So we have a plan to demerge the business, and we believe that will create substantial value. And we're very pleased to be engaging with interested third parties who see the value of our Cash Solutions business. That engagement continues, and I think that's all we can say at this point. On the manned security services or growth, I think clearly in America we know that price inflation, at least in our business, is not running at 8.8%. So we can be confident that most of our growth is volume growth. I can't give you the man-hours off the top of my head, but we do know that we had an active price increase program last year. That's what we described as commercial discipline. So we held our prices last year, and I think that stood us in good stead. And most of what we're seeing is volume growth. On the cash on hand...

Tim P. Weller - *G4S plc - CFO & Executive Director*

Yes, on the cash. The liquidity is the GBP 1 billion, of which around GBP 400 million is the unutilized revolving credit facility. We've actually got GBP 600 million of cash and cash equivalents at the half year. That is a little bit higher than would be the ideal, but given the geographic spread, given the -- some of the challenges about pooling funds across the globe, there's always a degree of inefficiency in cash management that means we do have a somewhat grossed-up balance sheet with cash on hand and a fairly high level of gross borrowings. But the GBP 1 billion is the overall liquidity including undrawn revolving credit.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Tim.

Operator

The next question comes from the line of Jeffrey Kessler from Imperial Capital.

Jeffrey Ted Kessler - *Imperial Capital, LLC, Research Division - MD*

(inaudible) again. I have an echo, so excuse me for this. The AMAG business in the -- in North America has developed somewhat of a reputation for innovation, particularly around some of the programs that have been -- like Symmetry. I'm wondering what are the first steps that you will be taking in to invest in Europe and then secondly in Asia to begin to bring those programs and services and technologies that you feel are best applied and most quickly applied over to other areas of the world? Because AMAG has -- within the trade here in the United States, AMAG is known as a fairly fast-growing entity at this point.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Jeff, thanks for your question. Yes, AMAG is growing faster. And actually that has been one of the constraints of -- that we faced in terms of a global program because our AMAG team has been facing strong demand in the U.S. and therefore flat out to meet that demand. And what we're doing, and we started this already, is we are making appointments in Europe and Asia, and next will be Africa. We've also connected our North American team with some of our Lat Am countries, but in simple terms we're pointing both technical and sales people in chosen markets in Europe, Asia, Latin America. I think final destination will be Africa. We're not planning to stand up separate product development programs. All of that will continue to be run under the sort of unified umbrella of AMAG, but we clearly don't want to rely wholly on third-party distribution networks outside of the U.S. And effectively we're building our own sales channel. So that's the principle action, first action, and it started already. We recently made some investments in Asia and in Europe, and we're planning to add additional heads as we get through this year. So that's the program.

Jeffrey Ted Kessler - *Imperial Capital, LLC, Research Division - MD*

Okay. And in a similar vein, the ability of the company in North America to develop a -- let me call it, a security operating center or what we call NOCs -- or SOCs has been a -- one of the key elements in you winning large contracts over here to be able to provide a, if you want to call it, "one throat to choke" capability for the end user. And I'm wondering again. And as I've talked about AMAG, what types of practices are you thinking of importing over which have been successful in winning some large contracts here in North America might -- that might be of apropos to Europe and to Asia?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Yes, good question. Actually it's a 2-way flow of knowledge and capability there. We certainly are able to learn from the projects that we've successfully implemented in the U.S. and -- but equally our U.S. and European team have been learning from Africa. We've had a very successful program in Southern Africa establishing security operation control centers for major enterprise accounts, and actually showcased some of that. We had an internal technology fair where we showcased some of that capability that was developed in Southern Africa. And that's now being flowed back into the U.S. and Europe, but you are right that the program that we've run in North America is something that we're bringing across to Europe and the rest of the world. And in fact I'm -- we're going to be seconding one of the senior leaders from our secure integration business, the technical side of our business in the U.S., to help us with the global road map for -- technology road map for that program, both access control and security operation centers. So been a cross-fertilization in both directions. It always comes down -- to drive the growth, it always comes down to having the right people both in a sort of, if you like, a centralized or globalized technology unit that can do the development but also people on the ground who can take that to market. And we're making those investments.

Jeffrey Ted Kessler - *Imperial Capital, LLC, Research Division - MD*

Okay. One quick question. I cover Brink's over here in the United States. And one of the things that they have been trying to do internationally, particularly through their global services program which is essentially an airborne program, is to try to create some continuity of service between CIT and some of the technology that they are employing in helping banks. I'm wondering what types of relationships will remain after the separation between the 2 companies in terms of either branding, best practices, cross-training. Is there -- is everything going to be separate and companies acting completely separate? Or will there be some type of ongoing relationship when you go to market?

Ashley Almanza - *G4S plc - CEO & Executive Director*

The goal is to establish completely separate companies, which is why the demerger route is attractive. There will be a period, a transition period, where G4S will provide support services. We -- that's what we envisage today. So a transitional support agreement, and there we're talking principally about back-office support services for the Cash company. But the way we're set up today -- and as you know, Jeff, we established the global Cash division at the beginning of 2018. And we have established independent technology and product development capability in the Cash business, and that will be wholly separate after demerger.

Operator

The next question comes from the line of Paul Checketts from Barclays.

Paul Daniel Alasdair Checketts - *Barclays Bank PLC, Research Division - Director*

I've got 3 questions as well, please. So first of all, from the demerger perspective, Ashley, would you potentially sell part of Cash Solutions and demerge the rest? Or is it a matter of all or nothing from that perspective? The second is on the North American retail cash operations. When will the hardware component of the growth drop out? And would you be able to give us an update on pilot programs, how many are running, your expected timing of those, any that haven't proceeded?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Okay. So Paul, demerger, I think the way we've approached this is to create a leading global cash company. And so I think that in principle can only really be achieved by demerging as much as possible of the whole. We want to give this company every chance of being successful, so that would include Retail Cash Solutions, Deposita, CASH360, Cash Manager, all of the technology and all of the conventional Cash businesses that we have. We think that represents the best solution for the demerged entity. Don't think -- at some point, you can see that if you start chopping pieces of market or pieces of capability out of that business, it will have some effect on the ability of that business to be successful. So that's how we see it and -- but clearly there are third parties expressing interest in all or some of the business, and we'll evaluate those properly and then at least our shareholders will have choice. So I'm not sure I can add much more to that, but demerger, I think, is pretty much all of the Cash business. On Retail Cash Solutions, Paul, sorry. Could you repeat the question about hardware? I didn't quite understand the question.

Paul Daniel Alasdair Checketts - *Barclays Bank PLC, Research Division - Director*

Well, you've got the -- some of that growth is clearly from hardware related to the Target contract. When will that cease [and will end]? And therefore the growth will reduce.

Ashley Almanza - *G4S plc - CEO & Executive Director*

I think the Target program will be completed in the next quarter, the rollout. And we hope to be starting up some other programs. We've got a number of -- the number of pilots, Paul, is unchanged in the big box space, but we're now standing up pilots in some of the small box areas. When

I say small box, I don't mean a small number, but what we're after here is customers who have a large number of small box outlets. So with our current capacity we -- the number of pilots is more or less running at the same level. We -- for big box, we -- somewhere between 10 and 15 is the normal sort of run rate, big and medium size. The hardware: As you know, I mean, this is just a difficult thing for us to predict because it depends on whether the customer wants us to procure it on their behalf or whether they want to procure it directly. And we -- that's a decision that obviously we're happy to support whatever they decide, in order to obtain a 5-year recurring revenue stream at appropriate margins. So I can't necessarily predict it will fall or rise, but I wouldn't take away from the fact that the -- every time we sell hardware, we also sell a 5-year contract for software and service, and that's the prize for us...

Paul Daniel Alasdair Checketts - *Barclays Bank PLC, Research Division - Director*

And the big box pilot, [I mean], if things say the same, does that mean they're taking a bit longer to come to a decision?

Ashley Almanza - *G4S plc - CEO & Executive Director*

So do. Some -- it's -- yes, you're absolutely right, Paul. Some do take longer. And actually some pilots can -- this can take 6 months, 9 months if the customer wants to be absolutely sure that it's not just about the economics but that this is going to fit into their operations because it does change the way that the store operates. And so yes, it can take a long time. And we have to integrate as well with their systems during the pilot, so there's quite a lot of upfront investment required from both on our part and on the part of the customer.

Paul Daniel Alasdair Checketts - *Barclays Bank PLC, Research Division - Director*

Okay. The last question, I -- if I look at your Cash Solutions CapEx. You split that out the last 2 years, and you've been spending about 3% to 4% of sales. And your peers have been spending more like 5% to 7%. Is there a need for CapEx to step up in that business in the next couple of years?

Ashley Almanza - *G4S plc - CEO & Executive Director*

So we've had years where we spent almost 6%. I think 2015 or 2016. I think it sort of depends, Paul, on I think, many of our competitors and larger competitors have got big, what I would call smart safe programs and whereas we don't have anything like that scale in our business. Our smart safe program is modest by comparison. And as far as we understand, that those smart safe programs are pretty much all on balance sheet, and I think that makes a difference. Now to your question, if we were to change tack and decide that in order to grow, that we were going to take equipment on balance sheet, then yes, by definition, that would require more investment than we might see investment up at that sort of level. Tim, do you want to add anything...

Paul Daniel Alasdair Checketts - *Barclays Bank PLC, Research Division - Director*

What about on the conventional cash side? Perhaps what would have happened, say, to the average fleet age over the last few years?

Tim P. Weller - *G4S plc - CFO & Executive Director*

The fleet age is running, I think, just over 8 years, which is similar to the fleet age that would have been pretty much 5 years ago, so it hasn't really shifted that much over a 5-year time horizon. As Ashley says, if you look at that kind of base ratio of CapEx to revenue between the different players in the sector, you can actually see that, those with a heavier weighting towards the more conventional area, as opposed to kind of smart safe operations, they're kind of running more the 3% to 4% of revenues that we see. But if there is a big nonconventional or nonfleet-related investment, then that's what pushes up that ratio more highly. And it's because we haven't got that big on-balance-sheet smart safe program. That's really why you see the differential, but the average age of the fleet is just over 8 years.

Ashley Almanza - *G4S plc - CEO & Executive Director*

One -- Paul, one of the things we changed 5 or 6 years ago was how the incentive program worked in relation to CapEx. So -- and 6, 7 years ago, local management were incentivized to reduce CapEx. It was in their -- it was in the bonus scheme. We took it out of the bonus scheme and just put in place a [capital rationale program] for the whole group. So we want to be sure that we are using a consistent set of criteria to approve CapEx. We did incentivize people to find innovative ways to make CapEx more efficient. And of course, one of the earlier questions was about our restructuring programs. We restructured our branch network in some of our larger countries. And when you restructure your branch network, you do have a more efficient fleet operation, but I think the point really is that we rely on our local teams to develop fleet plans and we set the investment criteria. And that's how it operates.

Operator

The next question comes from the line of Steve Goulden from Deutsche Bank.

Steven James Goulden - *Deutsche Bank AG, Research Division - Research Analyst*

I just wanted to ask about price/wage pressure, especially following what Securitas said a couple of weeks ago on the fact that in Europe in particular the wage environment is quite challenging and then having a hard time passing that through. I know you've touched on this in other areas in the call, but if you can just give us a bit more color on whether you see that as a potential problem going forward even if it's under control right now.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Steve, so look, I made the same comment when we were talking about outlook, that getting the balance between wage inflation and price increase is just -- it's always part of this industry and it's an important part of the industry. I don't know whether this is just a timing difference, whether we took our medicine earlier. I mean this was definitely a challenge for us last year, but we've been able to manage that balance between wage and price effectively this year. It is right that -- as I said earlier, that there is still tight labor markets. It's full employment in the U.S. virtually. And there's tight labor markets in Europe. Whether or not that those labor market conditions will persist is hard to say. I mean it depends on your view as to whether or not we're seeing a bit of a slowdown, economic slowdown, in Europe; and whether that will flow through to labor, hard to predict. I think what we can say is in Europe and certainly in North America we have a good program for both managing relations with our employees and arriving at sensible CBAs or collective bargaining agreements, and we have a good account management program. An account management program is the way to build understanding with your customer about the realities of the labor market. And ultimately if wages go up, that has to be reflected in the cost of the service at some point. So I'll resist the temptation to make a forecast, but I'll just say we've got, I think, very good programs. And they're standing us in good stead at the moment, and I think they'll stand us in good stead. And they'll serve their purpose in whatever conditions we find ourselves, but I can't make a prediction on where wages are going to be going, I'm afraid.

Steven James Goulden - *Deutsche Bank AG, Research Division - Research Analyst*

Okay. And just, sorry, one follow-up. When you are winning contracts from competitors, would you say that this is, to a large extent, anyway, on price? And you -- or would you be -- would you say that you're benefiting from the reputation that one of your large global competitors has for being a premium operator and having slightly higher prices than the rest of the industry?

Ashley Almanza - *G4S plc - CEO & Executive Director*

No, definitely not. I -- again I think this is possibly a timing difference, I think, we -- as opposed commercial discipline. We do provide a premium service. And in fact, against any of the competition, we invest more in recruitment, training and supervision, I believe, than any of our major competitors in perhaps the market that you're referring. So if I just take the United States, for example. We invest more, and we sell it as a premium product. And that did -- that was painful, to hold onto that 18 months ago. We've repositioned our sales effort, we've -- where we focus which vertical segments we focus on, which horizontal segments; in other words, more attention on customers that place a higher value on security and on product and service differentiation. So I think technology is helping us enormously to not only win new business but hold onto existing accounts. So no, most certainly not price competition and certainly not in respect of the larger players. That's not the formula here.

Operator

The next question comes from the line of Aymeric Poulain from Kepler.

Aymeric Poulain - *Kepler Cheuvreux, Research Division - Head of Support Services Research*

I have 3. First one is on the cash-related reconciliations based on North America retail cash margin and the service and the value creation from the separation. On the free cash flow reconciliation, I was wondering if you could give us a bit more detail on the first half-second half pattern, especially given the large number of one-off items that you are budgeting for this year. And so could you tell us how much was one-off expense in the first half? And how much do you expect as one-off expense in the second half? I remember you said about GBP 250-plus million of one-off cash items planned for this year. That will be helpful. Secondly, on the North American retail cash solution rollout, I was wondering if you believe the 30% -- or 33% growth rate that you reported in the first half is sustainable then for the rest of the year and if the margin that you will report from that division will be at least as high as what it was last year. And last but not least, I'm just intrigued by the commentary -- referring to demerger given the fact that private buyers are generally more generous in terms of multiples they are ready to pay than the public market. At least, that's what seems to be seen in your current share price. And of course, the demerger would involve extra costs for the listing and also for hiring a new top management team. So what will be the price at which you would be ready to sell Cash Solutions for cash?

Ashley Almanza - *G4S plc - CEO & Executive Director*

So Aymeric, thank you for your questions. I'm going to ask Tim to deal with the cash flow question in a moment, but perhaps I could start with your last question. Look, we've -- morally do we have an experienced Board and in-house management team evaluating all of the proposals that we get from third parties for some or all of the Cash business, but we've also hired -- the Board has hired, appointed financial advisers. And so we will look at all credible proposals. And as I said earlier, we just focus on value, but I'm afraid I'm going to resist the temptation to say what price would be the right price because I don't think that, that would be in the company's interests to say what that might be. But you can be completely confident that all credible proposals will be thoroughly evaluated by the Board and that we will have right at the top of our list, shareholder value.

On Retail Cash Solutions, we do have a strong pipeline, and so we do expect strong growth for the full year. I can't right now say that it will be 33% or more or less. I can just simply say that, based on everything we know, we're expecting strong growth in both revenue and profit terms from that business this year. You asked also about margins. That's a function not only of growth in new business that we're bringing on stream but also a function of investments. And we are -- I think we do need to continue to make additional investments in that business both in product development and in sales and business development so that we can take as much market share as possible. As one of the earlier questions pointed out, there's quite a long gestation period on these pilots, and we want to get more of them going if possible. So it would still continue to be a strong double-digit-margin business. And we expect strong growth, revenue and profit, from that business this year, but I'm afraid I can't be more precise than that at this stage. And I'd be, yes, happy to give you an update at the full year results, but in the meantime I'm going to ask Tim to deal with your question on cash flow.

Tim P. Weller - *G4S plc - CFO & Executive Director*

So I think you're asking about the level of the first half-second half split around the one-offs in the cash flow statement, but it's probably worth kind of reflecting on the overall cash flow profile first half and second half. But just taking the one-offs first: In the first half of the year, the cash costs of separation and restructuring were GBP 18 million. And then as I said in the presentation, we expect restructuring costs for the full year to be around GBP 20 million, GBP 25 million. And the separation project, we expect to cost GBP 50 million, of which the majority of the spend will be incurred in 2019. So there'll be a degree of additional cash costs of separation and restructuring in the second half of the year over and above the GBP 18 million that we've spent in the first half of the year. Then you've actually got a couple of things that go the other way in our cash flow statement, not least of which is the -- the first half, we spend the money on the full year dividend. So dividends in the first half of the year, the cash cost was GBP 106 million. And the second half is when the interim gets paid, and clearly that will be significantly lower than the GBP 100 million. Similarly, with interest, given the timing of coupon payments on our debt, the cash cost of interests in the first half of the year was GBP 81 million. And we are guiding to around GBP 120 million come the full year, so a step down in interest cash costs in the second half of the year. But kind of overarching all of that is operating cash flow; and the issue we've guided to very firmly in the interim results, that the cash conversion in the first half of the year of around 88%, we expect to see cash conversion for the full year north of 100%. And I think, last year, full year cash conversion was around 117%, so there is expected to be a significant improvement in operating cash generation in the second half of the year. And really the issue around the half year is a timing point. If you remember, at the year-end, we actually talked about an adverse working capital trend in -- from our U.S. business. That has reversed during the course of the first half of this year, but actually in terms of the significant timing of cash payments it's mainly in the U.K. and in our Care & Justice business in the U.K. at the half year, and we do expect that to reverse come the full year. And it is notable that the half year-end was at a weekend. The year-end 31st of December is, I think, on a Tuesday at the end of this year, which will make a difference just in terms of the phasing of customer cash receipts.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Tim. Aymeric, did you have a follow-up?

Aymeric Poulain - *Kepler Cheuvreux, Research Division - Head of Support Services Research*

Yes, yes. [And sorry]. Because what intrigues me is the 100% operating cash flow guidance. Or is -- does it include the GBP 100 million of the cash settlement for [cash when we separate them]?

Tim P. Weller - *G4S plc - CFO & Executive Director*

No, that will be separate from that cash conversion because it'll -- if it's a specific item, it will be recognized in our income statement, and we will treat it as such in the cash flow statement when the cash leaves the group.

Operator

The next question comes from the line of Sylvia Barker from JPMorgan.

Sylvia Pavlova Barker - *JP Morgan Chase & Co, Research Division - Analyst*

Sorry. I'm aware that the call has been going on for a while. So just a couple of follow-ups. Just on North America and Africa, it sounds like a lot of the growth is actually coming from energy and resources in Africa. And then in North America, how much of the growth is coming from energy, if you can specify that? And then maybe can you just give us the Care & Justice margin and where it's running now? And are we correct in thinking that, that is the noncore part that you're identifying? Or is there anything else as well?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Sylvia, sorry. Could you repeat your question about North America with -- the line wasn't clear.

Operator

Apologies. Her line has just disconnected. Would you like to answer the other parts of the question, or shall I go to the next one?

Ashley Almanza - *G4S plc - CEO & Executive Director*

I will -- I think we'll take the next question and wait for Sylvia to come back on, please.

Operator

Okay. So the next question comes from the line of Matthew Lloyd from HSBC.

Matthew Lloyd - *HSBC, Research Division - Head of United Kingdom Small and Mid-Cap Research & Analyst*

I just wanted to probe into this issue of wage, price, volume in the U.S. because obviously one of your peers has made it certainly a question of the moment. If I'm correct, from memory, I think U.S. wage inflation for security guards is 5.5% from about 4% last year. Price inflation buried in the PPI for manned guarding is about 3.5%. You're growing it, I think, from -- you said, north of 8%. Can you tell me how your wage compares to the 5.5% and how your price increase compares to the 3.5%? Because you're doing something very good, but it seems very different from the market figures and perhaps what some of your peers are talking about.

Ashley Almanza - *G4S plc - CEO & Executive Director*

I think it's less complicated than that. We're winning business. It's as simple as that. We're winning, we're taking market share, and we're taking market share with integrated security solutions. That's where we're having the most success. So other than that, we don't have exactly the same wage inflation dynamics as our competitors. A third thing about the U.S., which makes this question virtually impossible to answer in a shorthand fashion, is there isn't an uniform wage inflation figure for the United States. Literally it can vary massively location by location. You could be recruiting in Charlotte, North Carolina at exactly the same moment as the fire department and the police departments are recruiting, and you will find wage inflation to be well above the national average. And you can be recruiting somewhere else where you have none of those features and wage inflation is below the national average. So I don't think I can give you a shorthand answer to your question, other than to say we obviously, last year, had some of the issues that you might be referring to now that our competitors are experiencing. And we worked hard to get our wage and prices back into balance. That's in the U.S. you don't have typically indexation of contracts, so it comes down to account management and customer relationships. And we did a lot of that work last year, so what you're seeing now is a business that is wining essentially new work, those greenfields, and taking market share. And I think we wouldn't claim to be impervious to general inflation or wage inflation. So you could easily just take off the eye of our growth figure and say the rest is real. That's as much as we can say to you, but it's -- we're just in a different place, I'm afraid, to where our competitors are at the moment. And of course, we were in a different place last year as well. I don't think...

Matthew Lloyd - *HSBC, Research Division - Head of United Kingdom Small and Mid-Cap Research & Analyst*

But your wages -- can I interpret that as saying your wage rate inflation is below 5.5% so the majority of the growth is volume?

Ashley Almanza - *G4S plc - CEO & Executive Director*

Yes.

Operator

We have no further questions on the line, so I'll now hand the call back to you, Helen, for any questions you may have via the webcast.

Helen Parris - *G4S plc - Director of IR*

Thank you, Rosy. I confirm, I think, that all the questions that were asked on the webcast have already been asked and answered, so I think that's it. So Ashley, just some final comments from you. Thank you.

Ashley Almanza - *G4S plc - CEO & Executive Director*

Thanks, Helen. And thank you, everyone, for joining the call this morning. We appreciate your interest and your questions, and we look forward to seeing you in person with -- when we present our full year results. Thank you, and have a good day.