

GardaWorld begins engagement with G4S shareholders

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Garda World Security Corporation

("GardaWorld")

GardaWorld begins engagement with G4S shareholders

This week, GardaWorld will commence an engagement programme with key shareholders of G4S plc ("**G4S**") in respect of its cash offer for G4S, to be implemented via its wholly-owned subsidiary Fleming Capital Securities, Inc. ("**Fleming**").

Accordingly, shareholders and all other interested parties are encouraged to download a presentation, which is now available at: www.garda.com/investors/g4s.

GardaWorld has made its 190 pence per share offer having assessed the many immediate and longer-term risks that are attached to the G4S business.

Covid-19/'Opportunism'

G4S's own missteps have driven its share price decline earlier this year, in some instances well before markets reacted to the pandemic. The shares lost 15% the day after the announcement of the Cash Solutions divestiture in February, 23% on the 2019 results release and 17% on the announcement of the dividend suspension.

In all, approximately 62 pence (£1.0 billion)¹ per G4S share of value was lost through non-Covid items during this period.

Pension liabilities of over £2.7 billion

We believe the pension deficit is highly underestimated and that there are serious issues in the funding status of the pension scheme's gross liabilities of £2.7 billion² (on an accounting basis) - which exceeds G4S's market capitalisation prior to our 14 September announcement. The steady increase in additional pension contributions over recent years should be concerning for shareholders and is a sign that the underfunding is not being resolved. G4S's free cash flow (before dividend)³ for 2019 and H1-2020 was -£7 million and £4 million, respectively, far short of the sum needed to properly address its pensions issues.

It may explain why G4S sold a portion of its Cash Solutions business at a knock-down price.

The situation needs to be addressed; alongside our firm cash offer of 190 pence per share, GardaWorld and BC Partners have a definitive plan to address G4S's pensions issue and take this massive burden off shareholders' shoulders.

Litigation and 'one-offs'

'One-off' and restructuring charges have totalled £1.6 billion⁴ since 2013, or over £200 million per year and have actually increased in the last two years (£203 million in 2018 and £360 million in 2019).

GardaWorld operates in the same areas of business as G4S. It is public knowledge that there are looming liabilities and potentially crippling unresolved law-suits - especially in North America - the potential impacts of which are difficult to quantify given poor company disclosure.

For example⁵:

- the company faces a claim by institutional shareholders for losses arising from alleged misleading statements relating to Ministry of Justice work, which has already resulted in a significant SFO investigation and settlement with the Ministry of Justice;
- it faces a lawsuit from U.S. personnel injured or killed in Afghanistan or their families alleging that the G4S group provided support to the Taliban in Afghanistan;
- it faces class action litigation accusing G4S of performing employment-related background checks across the US without complying with the advance notice and authorisation requirements of the Fair Credit Reporting Act;
- despite its expensive track record of class action settlements, new class actions continue to hit the G4S group for its alleged violation of labour laws, the latest of which was filed in California on 21 August 2020; and
- it still faces an estimated contingent liability of £50 million⁶ in relation to India Provident Fund related claims.

The list of liabilities goes on and the potential impacts are significant and rarely well estimated in G4S disclosure as history has demonstrated. Unless G4S is planning further asset sales, or to tap its shareholders for more cash resources, we question how such potential liabilities will be met.

Operations

G4S is a huge worldwide business that is very badly run. We know this because we are owner-operators with hands-on people on the ground and with many former G4S operational managers now part of our team. GardaWorld and other competitors are winning business from G4S all over the world, every day. In the last 10 years GardaWorld has grown turnover from C\$1.1 billion to C\$3.7 billion⁷. In the same period G4S revenues from continuing operations have stagnated, decreasing from £7.4 billion to £7.0 billion⁷. The very fact that the Board is yet to reinstate the dividend despite the net positive impact Covid-19 has had on the security industry speaks volumes about its view of G4S's prospects and cash flow profile.

Stephan Cretier, Founder and CEO of GardaWorld, said:

"We have said before that the business needs a new owner, not a face-saving change of management or a shake-up of the Board. That will not produce the root and branch change to the company's operating practices that is so urgently needed. Only after such a profound operational programme - which will take years, not months - will customers, and the public at large, begin to trust this business to deliver."

Raymond Svider, Chairman of BC Partners, said:

"This is not a quick fix by any means. Without Stephan and his team alongside us, BC Partners would never have considered entering into such a complex and long-term exercise. We have the appetite for the long-haul and the firepower to make further investment into the business around the world and I would urge shareholders to consider the sizeable commitment and risk inherent in the company."

- Ends -

For more information

GardaWorld

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CEO
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GardaWorld and Fleming have retained Barclays Bank PLC, acting through its Investment Bank, UBS and BofA Securities each as Joint Lead Financial Advisers, Jefferies as Financial Adviser and Simpson Thacher & Bartlett LLP as legal adviser, with respect to matters described in this announcement.

About GardaWorld

GardaWorld is the largest privately-owned security services and cash services company in the world, offering physical security services, end-to-end cash management solutions and security risk management, with Crisis24. A partner of choice for private companies, governments, humanitarian organizations and multinationals, GardaWorld employs more than 102,000 highly skilled, dedicated professionals who serve a diverse clientele in North America, Africa, Asia and the Middle East. For more information please visit www.garda.com.

About BC Partners

BC Partners is a leading international investment firm with over €27 billion of assets under management in private equity, private credit and real estate. Established in 1986 in London, BC Partners is a pioneer in European private equity, where it has maintained a leading position for over three decades and has also successfully invested in North America for over a decade. Today, BC Partners executives operate as an integrated team through the firm's offices in Europe and North America. Since inception, BC Partners Private Equity has completed 117 private equity investments in companies with a total enterprise value of €148 billion and is currently investing its tenth private equity fund. For more information, please visit www.bcpartners.com.

Sources and Bases

Please refer to Sources and Bases in the Shareholder Presentation published alongside.

Note 1: Please see slide 5 of the Shareholder Presentation

Note 2: Sourced from page 158, G4S integrated report and accounts 2019

Note 3: Free cash flow before dividends calculated as:

	FY2019 £ m	FY2020 H1 £ m
Net Cash Flow from Operating Activities	414	320
Purchases of Non-Current Assets	(127)	(44)
Proceeds on Disposal of Property, Plant and Equipment	17	4
Cash Flow from Equity-Account Investments	4	4
Dividends to NCI	(22)	(5)
Interest Received	20	11
Interest Paid	(142)	(71)
Repayment of Lease Obligations	(157)	(61)
Transactions with NCI	(14)	(2)
Free Cash Flow	(7)	156
Adjustment: Covid-19 Tax Deferrals		(152)
Free Cash Flow - Adjusted	(7)	4

Note 4: Company disclosures including impact from restructuring, impairment charges, acquisition-related expenses, pension equalization charges, California class-action lawsuit and net specific items from 2013 to 2019.

Note 5: Sources of examples:

- <https://www.law360.com/articles/1284960/investors-claim-g4s-execs-turned-blind-eye-to-overcharging#:~:text=G4S%20is%20being%20sued%20by,artificially%20raised%20its%20share%20price>
- <https://www.cnn.com/2020/01/02/g4s-mtn-sued-over-alleged-protection-payments-to-terrorists-in-afghanistan.htm>
- <https://money.cnn.com/2016/06/12/news/companies/orlando-shooter-employer/index.html>
- <https://www.benzinga.com/pressreleases/20/09/n17402114/blumenthal-nordrehaug-bhowmik-deblouw-llp-file-a-class-action-lawsuit-against-g4s-secure-solution>
- <https://www.hindustantimes.com/india-news/security-agency-g4s-caught-in-pension-scam-epfo-asks-it-cough-up-rs-300-crore/story-lcgXXKYBjgDUaKxEpoBSFO.htm>

Note 6: Sourced from page 157, G4S integrated report and accounts 2019.

Note 7: GardaWorld figures sourced from GardaWorld annual report 2011 (year ended January 31), annual report 2020 (year ended January 31) and HY report 2021 (half-year ended July 31).

G4S figures sourced from G4S annual report 2010, annual report 2019 and HY report 2020.

G4S	FY2010 millions	LTM Jun 2020 millions
	£7,397	£6,999
GardaWorld	FY2011 millions	LTM Jul 2020 millions
	C\$1,121	C\$3,653

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Further information

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This announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of jurisdictions outside the United Kingdom. The Acquisition will be subject to the applicable requirements of the Code, the Panel, the London Stock Exchange ("LSE") and the Financial Conduct Authority ("FCA").

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available at www.garda.com/investors/g4s by no later than 12 noon (London time) on the business day following this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.