

Market-growth drivers

MEETING THE DEMAND



The world continues to face a series of divergent and emerging threats. Governments and companies require holistic approaches to ensure the security of their people and assets both at home and abroad.

Third-party commentators such as Freedonia expect the global security industry to grow 5-6% per annum from 2015 to 2025 (see chart on page 9). With our global footprint and attractive array of products and services we are well positioned to meet this increased demand.

MARKET-GROWTH DRIVERS

SECURE SOLUTIONS

Demand for security is increasing across the globe

The evolving nature of terrorism, which continues to threaten societies, has elevated security risks and concerns in many parts of the world.

Intense price-based competition in basic manned security and basic equipment installations

Barriers to entry in basic manned security and basic equipment installations are low, which can result in intense competition in some markets.

Companies like G4S are therefore looking for ways to increase differentiation such as global breadth or technology and productivity improvement to offset price pressure.

Customers buying processes increasingly complex

The increasing use of technology, globalisation and the growing threat of cyber security breaches mean that the procurement of security services has moved away from operations to a more strategic role in an increasing number of customers' organisations. The global market for security systems integration is estimated to be \$80bn by 2021<sup>a</sup>.

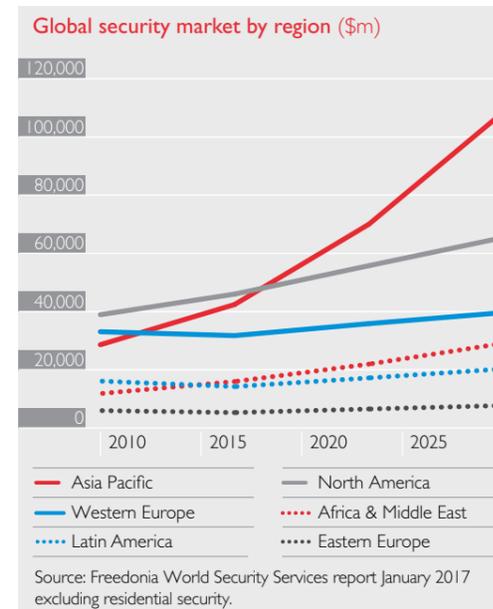
Technology reshaping security industry

Whilst labour costs have increased or are increasing, particularly in developed markets, the cost of sophisticated security technology is reducing. Combined with the additional data and assurance that comes with technology, it is starting to reshape the security industry.

Supplier consolidation

In certain markets (both Manned Services and Systems) we have seen some market consolidation and trends whereby large competitors aim to provide multi-service bundled and integrated solutions.

Some competitors have followed this trend to differentiate away from the commoditised manned security market. We believe this may be helping customers move to more technology-focused solutions. Technology-enabled solutions is a less commoditised market than traditional manned security markets with a lower number of capable suppliers.



HOW G4S RESPONDS

- We assist customers in evaluating and understanding security trends and their risks through experience in the market and the provision of software tools such as Risk360 and TravelAware. Key trends are featured in G4S Risk Consulting publications.
- G4S has been investing in productivity programmes to be more efficient and cost competitive (see page 29).
- G4S designs, builds, operates and maintains integrated security solutions. We invest in technology and innovation which is changing our sales mix, helping deliver service excellence to customers (see pages 24 to 28).

CASH SOLUTIONS

Global cash-usage trends

According to third party research firm RBR London, cash withdrawn from automated teller machines (ATMs) between 2016 and 2021 is expected to grow by more than 6% per annum in emerging markets and between 0 to 1% per annum in developed markets.

Network consolidation

With lower cash volumes in some markets together with new higher value added services partly cannibalising traditional cash-in-transit services, it is likely that some, if not all cash markets will experience network consolidation. A number of industry participants have publicly stated that they are looking to make acquisitions, and we have sold some cash businesses to focus on our key markets with stronger growth potential. We believe this market consolidation will help network efficiency and lower the cost of cash handling.

Retail opportunities

In many markets, retailers operate in very competitive environments and are looking to reduce costs including cash handling and to free up idle cash sitting in tills, safes, vehicles and cash-processing centres.

G4S software and service enhanced smart safes and cash recycling services can reduce shrinkage costs for retailers, and eliminate or reduce the space required for a cash back office and cash reconciliation teams.

Through recycling the majority of cash takings in store, the number of cash-in-transit journeys can be reduced by 40% to 60% – with both cost-saving and environmental benefits.

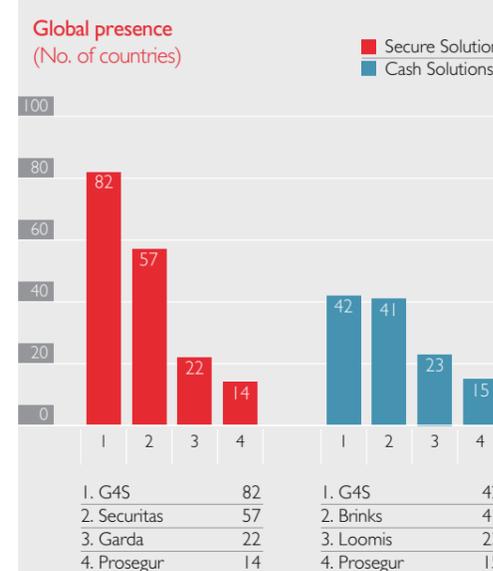
As more cash is recycled in store, less cash is being processed by the banks so the retailers achieve a reduction in banking fees.

Our new products are being adopted by banks and some of the world's leading retailers and we expect this market will continue to grow strongly. Industry research data indicates that our addressable market for smart safes and recycling solutions is around £20bn-25bn per annum<sup>b</sup>.

Automated processes inside bank branches

Banks and financial institutions are also under pressure to be more efficient, lower the cost of handling cash, reduce their branch network whilst maintaining customer access and service.

We have been developing integrated technology to address these areas. They combine hardware, proprietary cash-management software, real-time banking integration, same day credit and customer service and support.



- We provide cash solutions and services that materially improve the control and efficiency of our customers' cash handling. We continue to invest in innovative products and services such as CASH360, Deposita and bank-branch automation.
- With the significant progress made in some areas of the business, we have an enormous opportunity to extend and grow our new technology and services right across our global markets.
- At the end of December 2017 we had over 19,500 (2016: 14,600) cash technology installations deployed in North America, Europe, Asia Pacific and Africa.
- We have also made great progress in improving productivity in a number of markets and we now have the opportunity to apply these improvements across all of our cash businesses.

a. Source: Security Systems Integration Report, IHS Markit 2017.  
 b. Source: company research and 3rd party data including RBR, Panteia, Euromonitor International, World Retail Data and Statistics.