Financial discipline

We have continued to focus on cash management, improving underlying operating cash flow by 8.8% in the year. The conventional cash business disposal reduces proforma net debt to Adjusted EBITDA to 2.4x at December 2019.

Operating cash flow

Underlying operating cash flow in 2019 was £633m, an increase of 8.8%, with an improved performance from all regions. Our 2019 cash flow conversion was 126% of Adjusted PBITA (2018: 118%).

We continue to focus on improved working capital management through strengthening bid evaluation frameworks to increase focus on frequency of invoicing and shorter payment terms.

Portfolio management

The sale of the majority of our conventional cash solutions businesses is expected to generate net proceeds of £670m, of which around 71% has been received to date, reduce financial leverage and provide the Group with the flexibility to continue to invest in our core businesses. Portfolio review remains an important part of capital discipline and each business has to continue to earn its place in the Group's portfolio.

Reducing the time between event to billing

- Improving processes and automating event billing information such as hours worked (for example project Javelin on page 45), milestones met, collections and deliveries in the Cash Solutions business
- Centralising of billing events of global and strategic accounts in some countries
- Automation of invoices removing the resource and delay of a manual process
- Seeking to distribute invoices electronically, at lower cost and quicker than via post

Strengthening collections performance

- Updated incentive plans since 2016 with greater emphasis on cash flow generation
- Improved management information to increase accountability and influence behaviour
- Weekly calls with finance and operations to drive cash collection

Managing accounts payable

- The Group's days' payable outstanding is 38 days (2018: 39 days) which is shorter than days' sales outstanding of 54 days (2018: 55 days). This shows that despite some progress there is still an opportunity to improve further
- Ensuring that supplier contracts are linked with customer contracts
- Re-negotiating improved terms through procurement teams – please see page 44

Capital allocation – on-going priorities for use of cash

All investment is reviewed to ensure that the Group's return on investment targets are met, and all major capital investment projects are approved by the appropriate authority in line with delegation limits.

Other measures, such as whether we are able to achieve the benefits of the investment in line with the Group values and whether the commercial risks are acceptable, are also considered.

We intend to remain soundly financed with average operating cash flow conversion of between 110% and 125% of Adjusted PBITA and a net debt to Adjusted EBITDA ratio of between 2.0x and 2.5x in the medium term.

Capital allocation policy

- Net debt/Adjusted EBITDA of between 2.0x and 2.5x
- Proceeds from the conventional cash transaction to reduce leverage
- Priority uses of any additional surplus cash flow:
  - Investment in growth and productivity
  - Further leverage reduction
  - Dividend growth

Pension deficit repair plan

G4S operates a wide range of retirement benefit arrangements including funded defined contribution, multi-employer and funded and unfunded defined benefit schemes. The UK defined benefit scheme (which is largely closed for future accrual) accounts for approximately 70% (2018: 60%) of the Group's net defined benefit pension deficit for accounting purposes of £331m (2018: £302m) net of applicable tax.

During the year, the Group contributed £52m (2018: £41m) of scheduled deficit-repair contributions to its UK schemes. The triennial valuation of the Group's main UK pension scheme completed during 2019 and future deficit-repair contributions will continue in line with the previous schedule. The scheduled payment for 2020 is £53m. For more details of the Group's pension arrangements, see note 31.

Debt refinancing and credit rating

G4S had net debt of £2,092m at the end of 2019 (2018: £2,024m), with strong liquidity of £1,279m comprising cash, cash equivalents, bank overdrafts and unutilised but committed facilities. The Group has a diverse range of finance providers including public and private bonds along with bank facilities, and, as a result of refinancing of higher rate debt undertaken throughout the past few years, there has now been a material reduction in the Group's interest charge from 2019 onwards. The maturity profile of the Group's debt is spread out to 2029, with the next debt maturities being the $74.5m US private loan note due in July 2020 and the $350m term loan facility due in 2021.

On 31 March 2020, Standard & Poor's affirmed the Group's investment grade credit rating as BBB- with a stable outlook.

G4S contract risk management and governance model

Contract risk management

Our contract risk management model was implemented in 2014, and aims to ensure we sign contracts that we can deliver efficiently and effectively and is shown in the pie chart below. We believe this model is working well – we have significantly reduced the impact of legacy onerous contracts through stringent commercial and operational management and not signed new onerous contracts since 2013: