



4. Actively manage our portfolio and performance

Portfolio management

Portfolio management remains an important tool for capital discipline and performance management.

2014 highlights

56

businesses reviewed

8

businesses sold

£248m

gross proceeds raised since 2013

2015 priorities

- Cease or sell 20 smaller businesses
- Continue to invest in the organic growth opportunities to drive sustainable profit and cash flow

Achievements

During 2013, our strategic review identified a number of businesses which were under-performing or lacking in scale. We also looked at business risk profiles and market values. Depending on our assessment of all of these factors, we decided to either sell, discontinue or invest in the turnaround of these businesses. During 2014, we reviewed 56 businesses in greater depth and detail. Of these we have sold eight businesses, including US Government Solutions, which was managed through a proxy structure over which we had limited control. Since 2013, our disposal programme has raised around £248m from businesses which generated a below group average operating margin of 2.8%. Of this, £177m was raised in 2014.

Portfolio management remains an important tool for capital discipline and performance management. A further 20 smaller businesses are being sold or ceased, and another 22 are currently under review. None of these smaller businesses, alone or in aggregate, has a material impact on our revenue, our profit or our cash flows. Our portfolio management programme has improved our strategic focus and we have released capital at attractive overall realisations.

At the same time as divesting under-performing businesses or those lacking materiality, we have been investing in the organic growth opportunity, where we expect to see good returns on our investment and to make G4S more productive. As outlined in the previous "Strategy in action" sections, we have been investing in our continuing businesses in the following areas: people, sales and business development, technology and business improvement programmes, including restructuring to drive operational excellence and organisation efficiency.

Active portfolio management

During 2013, we conducted a “bottom-up” analysis of all of our businesses, evaluating their performance and prospects. The results showed that 62 countries were expected to contribute 95% of the total PBITA expected in 2016.

Since then, we have reviewed 56 businesses looking at strategic value, risk profile and materiality of contribution (growth, PBITA and cash generation), and sold eight businesses, raising gross proceeds of £248 million. Twenty further businesses are being sold or closed.

2013 Forecast of G4S PBITA in 2016 by country

Cumulative PBITA (%)

