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The Brink's Co. (BCO)

Q2 2015 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to The Brink's Company Second Quarter 2015 Earnings Call. Brink's issued a press release on second quarter results this is morning. The company also filed an 8-K that includes the release and the slides that will be used in today's call. For those of you listening by phone, the release and slides are available on the Company's website at brinks.com. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

Now for the company's Safe Harbor statements. This call and the Q&A session contain forward-looking statements. Actual results could differ materially from projected or estimated results. Information regarding factors that could cause such differences is available in today's press release, investor presentation and in the company's most recent SEC filings. Information presented and discussed on this call is representative as of today only. Brink's assumes no obligation to update any forward-looking statements. The call is copyrighted and may not be used without written permission from Brink's.

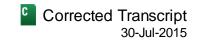
It is now my pleasure to introduce your host, Ed Cunningham, Vice President of Investor Relations and Corporate Communications. Mr. Cunningham, you may begin.

Edward A. Cunningham

VP-Investor Relations & Corporate Communications

Thank you, Drew. Good morning, everyone. Joining me today are CEO, Tom Sc hievelbein and CFO, Joe Dziedzic. This morning we reported results on both the GAAP and non-GAAP basis. The non-GAAP results exclude U.S. retirement expenses, 2014 reorganization and restructuring charges, certain compensation and employee benefit terms, items, acquisitions, dispositions and some currency related items.

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As previously disclosed, the non-GAAP results also exclude Venezuela results due to a variety of factors including our inability to repatriate cash, Venezuela's fixed exchange rate policy and continued currency devaluations, and the difficulties we face raising prices and controlling costs in a highly inflationary economy.

We believe the non-GAAP results make it easier for investors to assess operating performance between periods. Accordingly, our comments today including those referring to our guidance will focus primarily on non-GAAP results. A summary reconciliation of non-GAAP to GAAP results is provided on Page 2 of the release. More detailed reconciliations are provided in the release and the Appendix of the slides and in our website.

Page 8 of the press release provides a summary of several outlook items including guidance on revenue, operating profit and earnings per share.

I'll now turn the call over to Tom.

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Thanks, Ed. Good morning, everyone. Second quarter earnings from continuing operations came in at \$0.27 a share, up from \$0.16 last year and we remain on track to achieve our full-year earnings guidance of \$1.55 to \$1.75 per share. Once again, currency translations had a significant impact on the quarter, reducing revenue by \$118 million, profits by \$6 million and earnings by \$0.07 a share. If we exclude this impact, earnings were \$0.34 per share, reflecting a \$0.18 improvement from operations.

Now, given the likelihood of continued currency pressure and year-to-date organic revenue growth of 3%, we've lowered our full-year revenue outlook from \$3.1 billion to approximately \$3 billion. Now, despite this reduction in revenue, we are maintaining our full-year EPS guidance with an associated increase in the margin rate.

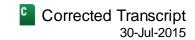
Profit growth in Argentina, Mexico and France were the primary drivers of the earnings improvement. Results in the U.S. also improved, but not as much as we had hoped, as we had to increase support at several branches to improve service levels that were being affected by the significant volume we've added since late last year. The improvement in these countries was partially offset by a profit decline in Brazil, where we face a very difficult macro environment.

Now, if you look at our earnings history, the second quarter is traditionally our low point for the year and results typically improve in the second half. Despite the currency headwinds, we are still confident that we will achieve our full-year earnings outlook. Our primary focus continues to be our two big turnaround opportunities in the U.S. and Mexico. We have lots of work to do in each of these countries, but both remain on track to deliver their 2015 margin goals.

And before I turn it over to Joe, I want to provide an update on a couple additional items. First is Venezuela. We are currently evaluating potential strategic options for this business, and our GAAP results for the quarter include a non-cash impairment charge of \$35 million related to the writedown of assets there. This charge and the continued devaluation of the bolivar are the primary drivers of the earnings loss we reported on a GAAP basis.

The second item is our plan to hold an Investor Meeting in New York City on October 6. This meeting is an opportunity to hear from our senior management team, get an update on our strategic imperatives as well as our 2016 financial targets. We look forward to seeing many of you in attendance. More details will be available in the coming weeks.

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In closing, I want to assure you that our team is totally committed to executing our strategy to expand our service offerings and to drive productivity throughout our global operations and we are confident that we will create value for all of our shareholders.

With that, I'm going to turn the call overto Joe, who will provide the details behind our results and our outlook. Joe?

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

Thanks, Tom. Good morning, everyone. I'll start with a summary of our quarterly results using the same format we've used in prior quarters. Then I'll review segment results and finish with some comments on our outlook for the rest of the year. Our reported revenue for the quarter declined 11%, as a negative currency impact of \$118 million was partially offset by organic growth of \$27 million. The currency impact was about \$40 million from the euro, about \$30 million from the Brazilian real and about \$15 million from the Mexican peso. The organic growth came primarily from Argentina and the payments business in Brazil.

Operating profit rose 28% to \$31 million, reflecting a margin rate that improved from 2.9% to 4.1%. On an organic basis, operating profit was up 50% or \$12 million, driven primarily by Argentina, Mexico and France. The improvement in Argentina is primarily inflation driven and we did see some volume increase. The improvement in Mexico is primarily the result of cost actions, and we did have 2% organic revenue growth there, primarily driven by increased cash in transit volume. France profit improved from cost actions and the inclusion in last year's results of several large unfavorable settlements that did not repeat.

Clearly, the reorganization and restructuring that we announced in December 2014 was a major contributor to the profit improvement. These actions remain on track to deliver the \$45 million to \$50 million of year-over-year savings we previously communicated.

The EPS bridge highlights the strong improvement from operations versus last year, up \$0.18 due to the operating profit improvement in Argentina, Mexico and France, and a slight improvement in interest expense and minority interest. The unfavorable currency impact of \$0.07 was driven primarily by the euro, the Brazilian real and the Mexican peso.

The next few slides provide an overview of the five largest countries and global markets. Second quarter revenue in the U.S. rose 2%, which was in line with expectations. We've added significant volume in the U.S., but at very competitive pricing, and the impact of the money processing business that we're transitioning to a competitor is a drag on both revenue and profits. The fuel surcharge adjustments during the quarter also reduced revenue versus last year by about 2% and had an unfavorable impact on profit due to timing.

The margin rate improved only slightly to 3.5% as we had to increase support in several branches to improve service levels that declined due to the significant increase in volume we've experienced since late last year. The cost of this added support offset the profit from the volume increases and the cost savings from the restructuring actions taken earlier this year. The U.S. management team is focused on improving service levels and doing so at a lower cost than we incurred in the second quarter.

Our U.S. team is in the process of implementing several productivity initiatives that are foundational to continuous improvement, and changing how we manage the business. These projects include field force automation with hand held devices, route logistics and centralized billing. In February, we provided the project implementation timeline for four of these projects to help investors track our progress.



During our first quarter earnings call, we alerted investors that we were behind on some of these projects as we had redeployed resources to focus on the significant volume we have added in the U.S.

We are behind our previously communicated schedule for a variety of reasons, including the redeployment of resources. Some of the projects have been more technologically challenging than anticipated. In addition, we have modified our implementation plans to incorporate learnings from initial rollouts. We began building our formal project management organization in early 2014, which has improved our project execution, but we have more maturing to do in this area.

Our U.S. team understands the importance of these projects and is fully committed to their successful implementation. It is just taking longer than we planned. While we're currently behind schedule, we believe the implementation and ultimate optimization of these projects will put our U.S. business on a path of continuous improvement that will drive profit growth over the next few years, and enable us to deliver margin rates that are more in line with our U.S. competitors. Despite these challenges, our mid-year margin rate of 4% has doubled over the same period last year, and we still expect to achieve our 2015 targeted margin range of 4% to 5%.

Profits in Mexico improved despite a 13% revenue decline due to unfavorable currency. This business is recovering after a difficult 2014 that included volume declines related to bank customer losses.

We're finally moving down the volume losses and the gains we've made in the retail segment are starting to show. After the customer losses, we took aggressive cost actions that have begun to show benefits on a year-over-year basis. On our first quarter earnings call, we said that we did not expect to repeat the 9.2% margin rate achieved in the first quarter, at least not in 2015. The second quarter's 5.3% margin rate reflects solid operating performance over a difficult year-ago quarter.

With a margin rate of 7.3% for the first half of 2015, we are on track to achieve our full-year target range of 6% to 8%. Mexico has made solid progress on several key projects that are driving profit growth in 2015. These projects will be key enablers for Mexico to achieve its target of 10% operating margin next year.

The implementation of the standard branch structure was completed in the first quarter, so we should see almost a full year of benefits from this project in 2015. We're ahead of schedule on our CIT and ATM efficiencies project, which we expect will generate significant savings in 2016. The finance centralization and money processing turnaround efforts are also trending ahead of the timeline communicated at the beginning of the year. The Mexico team has turned the corner on revenue with organic revenue growth for the first time after four consecutive quarters of decline. With profit margins at 7.3% for the first half of the year, Mexico is right in the middle of its targeted range of 6% to 8% for the full year.

France, Brazil and Canada round out our five largest markets and represent additional opportunities for improvement. These countries had little or no organic revenue growth in the second quarter and had a combined margin rate of about 5%. Profits in France improved despite headwinds from operating in a slow-growth macro environment with strong currency headwinds. We've reduced our cost in France and we're repositioning this business to pursue higher margin solutions within the cash supply chains of our customers. We expect to see the benefits of this focus in 2016, but believe that 2015 will be a challenging year on the top line with continued solid margins from ongoing cost controls.

Brazil's revenue increased 3% on an organic basis, reflecting the impact of the economic slowdown in that country. The margin rate of 3.1% was well behind the year-ago rate, as selling price increases lagged behind increased labor cost and we experienced significant volume declines. We expect some price recovery in the second half and have

won some additional business that we expect will improve the second half results sequentially compared to the first half.

Brazil continues to be a very challenging market and we are prepared to take additional cost actions if necessary to improve profitability. Profits in Canada were roughly flat against year-ago levels despite a slight revenue decline and higher pension cost from a lower discount rate. We expect recent volume gains and cost actions to deliver improvement in the remainder of the year. Despite the negative impact of the strong dollar, the steady performance of our global markets unit continued into the second quarter. The combined operating margin rate of the 35 countries that comprise this unit was over 14%, up more than 300 basis points over the year-ago quarter.

The Latin America region delivered strong top line growth and margins almost entirely from Argentina. Results in Chile also improved due mainly to recent restructuring actions. The EMEA region delivered lower, but still solid margins at 8% in a no-growth macroeconomic environment. Asia continues to perform well on all fronts.

First half cash flow from operating activities on a non-GAAP basis declined versus last year as last year's cash flow was unusually strong due to Venezuela results being reported at the very favorable exchange rate of 6 bolivars to the dollar and the severance payments related to our reorganization and restructuring actions. But as we've consistently stated, cash flow from Venezuela is not accessible and is now negligible after the most recent devaluation.

Capital expenditures and capital leases were down \$17 million versus last year on decrease spend across all segments. We spent less on IT, primarily to finance shared services implementation, as well as less on facilities and other equipment. The transition to operating leases in the U.S. for CompuSafes also helped.

Net debt increased by \$24 million from the end of 2014, due primarily to the impact of the strengthened U.S. dollar as the cash flow from operating activities was offset by CapEx spending and dividends. I'll close by covering our 2015 outlook.

We expect to end the year with earnings in the \$1.55 to \$1.75 range on revenue expectations that have been reduced from \$3.1 billion to approximately \$3 billion. Revenue reduction is based on first half organic growth of 3% and an expectation that growth continues at a similar rate in the second half. The reduction versus the previous expectation of 5% organic growth reflects lower volumes across many countries.

We have seen a decline in CIT stops and the amount of currency processed in many of our countries, and the revenue growth we're generating is largely due to inflation-driven price increases, most significantly in Argentina. Despite this reduction in revenue guidance, we are maintaining our full-year margin outlook of \$165 million to \$180 million and increasing our operating margin rate expectation to 5.5% to 6%.

The reasons for maintaining our operating profit and EPS guidance include the restructuring actions taken earlier this year, the improvements in Mexico and the inflation-driven growth in Argentina. Together, these factors should enable us to deliver a second half improvement that is close to the first half. For the full year, excluding currency we are estimating improved EPS from operations of \$1.04 to \$1.24, and we have already delivered \$0.57 of this improvement through midyear.

Whether we're at the low end or the high end of the range in the second half of the year depends primarily on two key variables, Brazil's ability to execute on price increases and win new business and the overall volume in the fourth quarter. Last year we had an extremely strong fourth quarter, particularly in global services. Given the slowing diamond and jewelery market and the unusual currency volatility in the fourth quarter of last year, it will be difficult to top last year's fourth quarter.

Obviously, there are other variables, like foreign exchange and important actions to be executed in the second half, but we believe Brazil and fourth quarter volumes are the two most important determinants of where we land in the EPS range of \$1.55 to \$1.75 in 2015.

On the left-hand side of the page is a line item comparison of 2014 results to our 2015 guidance. The right -hand side highlights some of the assumptions behind our full-year outlook, which include a \$425 million unfavorable impact on revenue from the strengthened U.S. dollar. I think I've covered what has changed and the reasons for the changes.

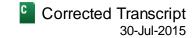
Before opening it up for questions, I want to point out that there are additional slides in the Appendix that I will not cover this morning, but there is a slide that I have previously highlighted that I think is worth mentioning again. On Slide 22, we've provided the 2014 operating profit and EPS for each of the last six quarters. On Slide 23, we provide our 2016 EPS guidance of \$2 to \$2.40. We will provide more details on 2016 during our Investor Day meeting on October 6 in New York City.

Drew, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The first question comes from Jamie Clement of Macquarie. Please go ahead. James Clement Macquarie Capital (USA), Inc. Gentlemen, good morning. Thomas C. Schievelbein Chairman, President & Chief Executive Officer Good morning, Jamie. Joseph W. Dziedzic Chief Financial Officer & Executive Vice President Good morning. James Clement Macquarie Capital (USA), Inc. Can you hear me okay? Thomas C. Schievelbein Chairman, President & Chief Executive Officer We can. James Clement Macquarie Capital (USA), Inc.

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Okay, great. Thanks. A couple of questions. First off, starting in the U.S., you had a very, very good fourth quarter. You had a very, very good first quarter. It seems like you took a little, call it, a half a step back here in the second. Obviously, we know that some of the cash processing business went away, but you also signed some new business.

Can you delve a little bit more into, I don't know if you call it on-boarding costs associated with some of this business, how much of this is temporary in terms of some of the margin compression we saw here in the second quarter? Can you just talk a little bit more about that for me, please?

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

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Sure, Jamie. This is Tom. We saw service levels decline due to the onboarding of that additional volume in a number of branches, so we had to correct that reduction. I have since heard from a couple customers that we have indeed corrected the service levels in most cases in those particular areas. The second quarter would have been a continuation of a great performance by the U.S. To put it into context, it was about \$4 million that we spent.

James Clement

Macquarie Capital (USA), Inc.

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Okay, and that's \$4 million that – I know you all typically don't like to refer to things as one-time, but is this \$4 million that, in your opinion, fixed the problem?

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

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We believe that we've made substantial progress on fixing the problem. We don't anticipate similar magnitude of cost in the future, but we're looking at all of that right now, but I don't anticipate similar costs in the future.

James Clement

Macquarie Capital (USA), Inc.



Was there something unusual about this business? I mean, was this standard CIT business? Was it a little – I mean, this is the first time in many years of covering the Company that I've heard this kind of thing pop up. Maybe it has in the past, but just it sort of, lodged through but --

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

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We always have – whenever you get substantial volume in particular branches, you have to manage through that and this is because it was both CIT, ATM, a number of additional items that we got in those branches that caused the -- just the volume, the sheer volume to impact on those service levels which we had to correct.

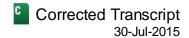
James Clement

Macquarie Capital (USA), Inc.



Okay. Okay. Shifting to Latin America. Joe, I think you're pretty clear in your comments about the inflation -driven growth in Argentina. With respect to your outlook for the rest of year, presumably I assume you're not assuming a deval in the Argentine peso with what — with elections coming up down there and that kind of thing. But looking out to next year, I'm wondering how comfortable you are with the guidance range for 2016 that you'd previously disclosed and obviously Argentina's one of many, many countries that it's out there, but I'm just sort of using that as an example of something that's gone very, very right for you all this year, but typically, if you look at Venezuela, if you look at a country like Argentina, typically you're going to see a deval at some point, right?

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Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

So, let's talk Argentina for a moment. We did see some volume increase in Argentina, but a significant portion of their revenue is driven by ad valorem. So, as the physical amount of currency and the value of the currency's increase with the 25% to 35% inflation rates in country, we are picking up quite a bit of revenue because of the value we're processing.

James Clement

Macquarie Capital (USA), Inc.

Absolutely.

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

That is driving some volume but the largest portion of it is driven by the advalorem. The Argentine peso has probably perplexed us and a lot of others about the fact that it hasn't devalued much. If you look at year end to year end, both in 2013 and 2014, the Argentine peso devalued by 25% and by 23%, and the first half of this year, it's only devalued by 7%. When we entered the year, we made one exception to our historical process of how we budget. We typically budget – we take exchange rates at the end of the year, 12/31, and we assume those are the exchange rates in the budget for the full year. We made one exception to that and it was Argentina.

We assumed that the devaluation in Argentina that was consistent with what we've seen in the past two and a half years because we – we had no reason to believe differently. Obviously, we've had a little bit of a benefit in currency from that, but all the other currencies have gone more than that against us. And we did assume in our guidance for this second half of the year, we did assume that the peso does devalue consistent with the way it has in prior years. And so as we look forward to 2016, we would think about Argentina in the same manner.

What we're finding though is, the organic revenue growth, mostly inflation driven but some volume, is exceeding the devaluation at the moment. So as we get to the end of the year and plan for next year, we probably will assume Argentina on the U.S. dollar basis is about flat. We'll look at that as we get closer to the end of the year, but we think it's prudent to assume the peso in Argentina is going to devalue.

James Clement

Macquarie Capital (USA), Inc.

And you're – let me get this. You're actually assuming – you're assuming a devaluation in the second half of this year to impact the second half of 2015 results --

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

Correct.

James Clement

Macquarie Capital (USA), Inc.

Or you're talking about starting 2016? Okay. I was under the impression, maybe I'm totally wrong here, I thought on the last call you guys had said you were no longer assuming a devaluation in the Argentine peso. Am I totally wrong about that? It sounds like I am.

The Brink's Co. (BCO) **Corrected Transcript** Q2 2015 Earnings Call 30-Jul-2015 Joseph W. Dziedzic Chief Financial Officer & Executive Vice President Yeah. James Clement Macquarie Capital (USA), Inc. [indiscernible] (26:49). Well, then I certainly apologize, guys. Let me get back in queue, okay? **Operator:** The next question comes from Saliq Khan of Imperial Capital. Please go ahead. Salig Jamil Khan Imperial Capital LLC Great. Thank you. A couple of quick questions for you guys. The work that you're doing with Fleet matics in Southern France, could you highlight some of the progress that you're seeing out there and when we can start seeing increase in revenue and picking up incremental revenue along the route as well? Joseph W. Dziedzic Chief Financial Officer & Executive Vice President Yeah, so we have had some success in picking up some of the higher value services in France, including a management of one of the major financial institution, a substantial portion of the ATM network. We are continuing to work on both that. We've always picked up some additional business in another financial institution in France based on those services that we can provide. We expect to see some revenue pickup in 2016, but all of these, the higher value services do take some time to flow through on the revenue line, but we are starting to see that now in France. Saliq Jamil Khan Imperial Capital LLC Could we envision that you could utilize a certain either Fleetmatics or a similar product out here in the U.S. as well the increased incremental revenue that you're seeing along the route? Or are you utilizing some other off-theshelf software right now? Joseph W. Dziedzic Chief Financial Officer & Executive Vice President Yeah, Fleetmatics is more about helping us better manage our routes, better manage our fleet and be able to improve efficiencies. So, we're expecting it to help us with efficiencies and obviously the more competitive we are and the more efficient, we are the more competitive we are with growing the business, so it'll contribute but in an indirect way.

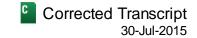
Thomas C. Schievelbein Chairman, President & Chief Executive Officer

Yeah, I thought when you asked about France, we're talking about our higher value services.

Salig Jamil Khan

Imperial Capital LLC

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No, that was going to be one of them later on, but no, certainly I'm concerned about our — interested in learning about what you're doing with that company and that relationship, as well as picking up higher value services that you highlighted as well. In the same portion, as we're talking about the types of things, I may have missed this probably on the call as well, which is, the types of things that we're seeing right now in Mexico. Obviously, we saw a slight decline, but we're seeing all of those things that you guys are working on either from a customer creation perspective? How do we think about this as we're looking out over the next 12 to 18 months, because you're going to see the devaluation obviously impact the overall revenues?

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

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Yeah, I mean, we plan on continuing revenue growth in Mexico. I think it's in the 5% to 10% range, probably closer to 5% than 10%, but in the 5% to 10% range. We're getting a lot of traction in the retail segment of the market. We've had a couple of big wins there in terms of large pilot programs with major retailers in the country. So we would anticipate that the trajectory that we've been on in terms of growth in Mexico on the revenue side will continue.

Salig Jamil Khan

Imperial Capital LLC



And lastly, the question I had for you, then I will hop back in the queue is, if you look at the overall growth from a U.S. perspective, U.S. dollar perspective, it looks good, but if you look at the devaluation of currencies, then obviously the numbers are not as rosy. What are you doing to be able to better offset the currency devaluation that you're seeing right now, or the negative impact to the currency?

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer



I mean, you know currency is very difficult to offset. What we've done is basically, through the operations and through our reductions and our reorganization, we've overcome that. But, there's no way we can hedge or anything else, so currency is a major issue. Now, eventually that will turn around, but when becomes very difficult to say.

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

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Given the localized nature of our services and our cost and revenues being in local currency pretty much everywhere around the world, the only thing we can do is grow organically faster to try to offset it. As we look at exchange rates, given the trend and where rates are today and the continued strengthening of the dollar, the expected interest rate increases in the U.S., we don't think currency is going to be a help for us any time in the near future. So we just have to grow faster organically.

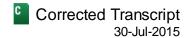
Salig Jamil Khan

Imperial Capital LLC



The faster growth rate that you're talking about, Joe, the change of anything else within Brink's from a strategic perspective to be able to offset what's going on with currency? And obviously, a lot of what's going on with currency is outside of your control, but I wanted to know, as we're looking out from a margin expansion story that you guys highlighted about two years ago, has that changed the plan from that perspective, does it change the plan from a route logistic perspective as well?

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Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

We're going to continue to drive efficiencies and productivity in our operations to generate more profit. That will happen in local currency in the countries we operate in. And there isn't anything we can do with the exchange rates other than hedge them, but that guarantees devaluation and it comes at a cost.

Saliq Jamil Khan

Imperial Capital LLC

Great. Thank you, guys.

Operator: The next question comes from Ashish Sinha of Gabelli & Company. Please go ahead.

Ashish Sinha

GAMCO Asset Management (UK) Ltd.

Hi. Good morning. I had a few questions. Firstly on the concept of price increases versus wage increases, and you're saying there are issues in Mexico and Brazil has a bit of a timing issue. I mean, my thought was quite a lot of that inflation-related pricing is contractual to a certain extent. So if you could talk about some of the discussions you're having with customers, what are they like? What's kind of the pushback you're getting in passing through some of those price increases?

Secondly, my second question is on some of these U.S. projects that you're lagging behind, so we're talking about field force automation and route logistics, which essentially means you'll get less quarters of impact in 2015. Yet at the same time, you're holding your margin guidance of 4% to 5%. So does that mean that despite the lower benefit in 2015, there is scope for some upside when these projects get fully implemented?

And my last question is on the UMWA plans you mentioned in one of the annexures in the slide pack that you don't expect any contributions till 2032. But in terms of what's going on within the coal industry and what we've been hearing in terms of some of the companies filing for bankruptcy, how should we be thinking about your liability since it's a multi-employer plan and how should we be thinking about the deficit? Thank you.

Thomas C. Schievelbein

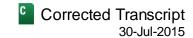
Chairman, President & Chief Executive Officer

Okay, this is Tom. I want to start with the IT projects, basically the business reengineering projects in the U.S. I'll touch briefly on the price increase and then let Joe finish off that and he can take the liability question in terms of the coal miners' medical.

So, first on the projects. A little bit of the color on that, the field force automation that we anticipated being done by the end of the second quarter actually finishes up tomorrow. So it's a very small delay of like a month. And so that one is not a significant part. The same is true of a very slight delay in the automated billing system. So all of those are anticipated to help some in 2015. But as we said in the past, the majority of the uplift from those projects does occur in 2016 and beyond. So what we're doing is those are just some of the projects, there are other projects, there are other things that we're doing that are contributing to the improvement in the U.S.

On the price increases in Brazil in particular, this is pretty traditionally the way it works is that the labor costs happen in the first half and the price increases take hold usually in the fourth quarter. So we anticipate a similar activity on the price increases out of Brazil.

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And, with that, I'm going to let Joe talk anything more about some of the timing on the price increases that are different and then let him handle the coal question.

Joseph W. Dziedzic

Moving to Movino

Chief Financial Officer & Executive Vice President

Astorically

Okay, Ashish, first I'll jump to what I think you're getting at on the price increase timing in Brazil. We historically see a pattern of particularly the financial institutions, often times the government financial institutions negotiating with us throughout the first half of the year and agreeing to price increases almost always retroactive to some degree or fully in the second half of the year. This year, given the macroeconomic environment and the other pressures that we all read about in the paper that are going on in Brazil politically, we are seeing a much more pronounced negotiating timeline. It's more elongated than in prior years. We still fully expect to get the price increases. We're just expecting it now to happen later than it has historically. So in our second half, it's one of the key factors for us delivering at the high end of our range, is how much retroactive price increases we get in Brazil.

MOVING to Mexico	
Ashish Sinha GAMCO Asset Management (UK) Ltd.	C
What about	
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	Д
I'm sorry?	
Ashish Sinha GAMCO Asset Management (UK) Ltd.	C
Yeah, I was going to ask about Mexico. You said there were some difficulties in getting those price incre	ases?
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	Д

Sure. So in Mexico, we have historically struggled to get price increases that matched the wage increases. That's been a historical pattern for us. We obviously continue to work on that, but the best way for us to work on that is to improve our efficiency and reduce our cost. So we have to generate more productivity to cover that price inflation gap that we have had historically and expect to have going forward. We've got to have enough productivity to cover that. Eventually, we've got to close that gap and there's two pieces to it, so we got to work the two pieces. But right now, it's more about productivity that's going to drive it than what's going to happen with price or wages.

Moving on to your question about the UMWA, we do not expect to get orphaned employees that did not work for us. That's our expectation. We do not expect to have other employees increasing – other employers increasing our liability as we look at the landscape in the coal industry.

 ${\bf Operator:} \ The\ next question\ comes\ from\ Jeff\ Omohundro\ of\ Davenport.\ Please\ go\ ahead.$

Jeff F. Omohundro

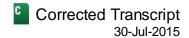
Davenport & Co. LLC (Broker)

The Brink's Co. (BCO) Corrected Transcript Q2 2015 Earnings Call 30-Jul-2015 Thanks for taking my question and good morning. Thomas C. Schievelbein Chairman, President & Chief Executive Officer Good morning. Jeff F. Omohundro Davenport & Co. LLC (Broker) Just another question on the U.S. business. I'm wondering if you could elaborate just a bit more on the service issues, what the nature of them might've been. And then, when thinking about how you addressed the situation, I would presume that increased labor content would be a part of it. I'm just wondering, why we should expect that to go away and what impact that might have on the full-year margin targets. Thomas C. Schievelbein Chairman, President & Chief Executive Officer Sure. I mean, what happens is with the increased volume, it is - you can only get additional labor licensed in the particular markets we talked about so fast. So we had to bring in other labor from around the country. We also had to offload some of the volume to other branches until we could get the efficiencies improvement that we need in the branches in question. And so we worked hard at improving the efficiencies and the throughput of those branches, and we've come a long way from that perspective. So, we anticipate that the money we spend from additional importing of labor has now been rectified with new licenses, and we anticipate that due to the efficiency gains, the productivity gains in those branches, that we can handle the volume that we now see, and that's why I view it as a temporary issue. Jeff F. Omohundro Davenport & Co. LLC (Broker) So, that's already -- has it already occurred? The licensing and efficiency improvements? Thomas C. Schievelbein Chairman, President & Chief Executive Officer It's an ongoing issue, because it depends on the length on the licensing. But we have now got to the point where we can manage the volume that we've discussed. Jeff F. Omohundro Davenport & Co. LLC (Broker) Very good. Thankyou. **Operator:** And we have a follow up from Jamie Clement of Macquarie. Please go ahead.

Gentlemen, another question about labor, but a little bit of different sense. Lower unemployment rate, which I guess is a good thing for our country, have you all noticed any upward pressure on your wages to your folks here in the U.S? And question B there, have you noticed any change in employee retention metrics that you look at as a result of improvements in the labor market?

James Clement
Macquarie Capital (USA), Inc.

Q2 2015 Earnings Call



Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

So, Jamie, let me just mention briefly, is that, we do pay according to the particular markets, and even though the U.S. is at 5.3%, different markets are in different stages, so to speak. So each city is a little bit different. Some cities, we have more turnover than we'd like. Other cities, we don't. So, we haven't seen the ground swell, but that's something that we watch very closely and we'll have to adjust in particular markets as we go along. That's probably about the best I can say, because each market – each city does indeed have its own characteristics.

James Clement

Macquarie Capital (USA), Inc.

Tom, if I may follow up on that. Are those -- I guess what I was more what I meant to ask was, have you noticed any changes - I mean, there may be markets where you typically have more turnover, but have you noticed any changes over, let's say, the last 12 to 18 months, you know, where our market - we're typically - you haven't had a

lot of turnover, you see a better economy in that city and retention may be take a little bit of it. Have you been

noticing that at all or --

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Yeah, we've seen a little bit of an uptick in terms of turnover. We're addressing that now through a variety of means. You can do it a number of ways, whether it's salary or whether it's benefits or other things. And so we've been addressing that. We've noticed a slight tick up. It's not a huge issue, but it's one that we're paying attention

James Clement

Macquarie Capital (USA), Inc.

Okay. Very good. Thank you very much for your time.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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