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The Brink's Co. (BCO)

Q1 2015 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to The Brink's Company's First Quarter 2015 Earnings Call. Brink's issued a press release on first quarter results this 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 statement. 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 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, Denise. Good morning, everyone. Joining me today are CEO Tom Schievelbein and CFO Joe Dziedzic. This morning we reported results on both a GAAP and non-GAAP basis. The non-GAAP results exclude U.S. retirement expenses, severance and restructuring charges, certain compensation and employee benefit items, acquisitions, dispositions, and some currency-related items.

In addition, our non-GAAP results now exclude Venezuela 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 cost in a highly inflationary environment.

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, focus primarily on the non-GAAP results.

A summary reconciliation of non-GAAP to GAAP results is provided on page two of the release. More detailed reconciliations are provided in the release, in the appendix of the slides we're using today, in this morning's 8-K filing, and on our website.

Finally, page seven 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. So we're off to a good start in 2015. First quarter earnings from continuing operations came in at $0.41 a share, up from $0.15 last year. As most of you know, our primary focus is on driving profitable growth in the U.S. and Mexico and first quarter profits in both countries improved. This improvement combined with a substantial reduction in corporate expenses more than offset the impact of negative currency translation, which reduced our revenue by almost $100 million and profits by $11 million. Excluding unfavorable currency, our first quarter EPS from continuing operations was $0.54 a share on organic growth of 4%. Our U.S. team delivered a particularly strong performance achieving a margin rate of 4.5% on 4% revenue growth, which puts the U.S. business squarely on track to achieve its full year targets.

This is the second consecutive quarter of solid results in the U.S. We're certainly encouraged by this recent performance, and I can assure you that the team is well aware of the need to demonstrate sustainable improvements as we move forward.

Now despite persistent currency headwinds and the removal of Venezuela from our results, our full year EPS guidance is not changed. We still believe 2015 earnings will come in between $1.55 and $1.75 per share. We've reduced our revenue guidance from $3.4 billion to $3.1 billion, while we've actually raised our margin rate guidance by 20 basis points.

Now before I turn it over to Joe, I want to make a few comments on our recent interactions with the investment community. During the quarter we met in person with a substantial portion of our shareholder base as well as several prospective shareholders. We listened carefully to their questions about many topics, including our ability to execute on our profit improvement plan, the assumptions behind our guidance, capital allocation plans, as well as other strategic issues.

We take investor feedback seriously, consider it carefully in our discussions and in our decisions, and we'll continue to do so. We certainly have lots of work ahead of us, where we hope our performance over the last two quarters has increased investor's confidence in our ability to execute and to meet our targets even in this difficult currency environment.

And not surprisingly, we continue to hear concerns about our Venezuelan business, which is a very good business from an operating perspective and a self-sufficient one from a capital perspective. We share these concerns given our inability to repatriate cash and the challenging environment in this market. In light of these and the other factors mentioned by Ed, Venezuela is now excluded from our non-GAAP results, and we believe investors are now better able to assess the company's performance and compare results across periods.

In closing, we began the year with a clear path to drive significant profit growth even with currency headwinds. After one quarter, we're on track to deliver. In fact, we're a little ahead of where we originally expected to be at this point, especially when you consider that our results typically improve in the second half of the year. Our new organizational structure is leaner than it's been. We're even more focused than ever on expanding our service offerings and driving productivity throughout our global operations. I assure you that we are highly focused on meeting our 2015 targets and creating value for all of our shareholders.

I'll now turn it over to Joe who's going to provide the details behind our results and the 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 8% as the negative currency impact of $96 million was partially offset by organic growth of $31 million. Operating profit almost doubled to $41 million, reflecting a margin rate that improved from 2.5% to 5.4%. Operating profit grew by $20 million after overcoming $11 million of unfavorable currency. The U.S., Mexico and Latin America region were the primary drivers of the improvement, along with a $9 million reduction in corporate expenses. Our recent reorganization and restructuring contributed to this improvement, and we are on track to deliver the $45 million to $50 million of savings we previously communicated.

EPS was up sharply at $0.41 versus $0.15 in last year's first quarter. The EPS bridge highlights the strong improvement from operations. The year-over-year earnings growth of $0.26 per share includes $0.13 of unfavorable currency that was more than offset by $0.39 of improvement from operations. Currency was worse than we expected as the U.S. dollar strengthened compared to the January 1, 2015, exchange rates. We've updated our guidance to reflect the rates as of the end of the first quarter, which are all reasonably close to today's rates.

First quarter cash flow is usually the weakest of the year due to the normal first quarter payments, such as annual bonuses and various insurance premium payments. This year's first quarter included $10 million of severance payments related to our recent reorganization and restructuring activity and an increase in working capital.

Last year's cash flow was unusually strong due to 60% inflation in Venezuela at the very favorable exchange rate of VEF 6 to the dollar. But as we have consistently stated, cash flow from Venezuela is not accessible and is now negligible after the most recent devaluation.

First quarter capital expenditures and capital leases were down $10 million versus last year due to lower spend in the U.S., Brazil and Latin America. We spent less on CompuSafes as we acquired some safes through an operating lease structure, and we also reduced our IT spend versus last year. Net debt increased by $50 million from the end of 2014 due to the previously explained negative cash flow, the CapEx spend in the quarter and the impact of the strengthened U.S. dollar.

The next few slides provide an overview of the five largest countries and global markets. The U.S. business ended 2014 on a positive note with strong revenue growth and a full-year margin rate of 3.1%, which was up 130 basis points. We're expecting similar improvement in 2015, and as Tom noted, we're off to a good start.

First quarter revenue in the U.S. rose 4% with solid growth across the business including the higher margin ATM and money processing services. This volume growth combined with our cost reduction and productivity initiatives drove the U.S. margin rate up to 4.5%, which is in line with our full year outlook.

I need to once again caution everyone that the revenue growth rates of 5% to 7% are not sustainable for the remainder of the year as we will begin to see in the second quarter a greater impact of the transition of a large money processing contract to a competitor. There is no doubt that we're encouraged by two successive quarters of year-over-year revenue and margin growth. And we're also well aware of the need to demonstrate sustainable profit growth.

To that end, our U.S. team has focused on several productivity initiatives that are in the implementation phase. Key projects include field force automation with handheld devices, route logistics and centralized billing. In February, we disclosed some metrics to help investors to track our progress on these projects. We provided our milestone targets for 2015 and we will provide a midyear progress update when we report second quarter earnings. We believe the implementations and ultimate optimization of these projects will put the 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.

Profits in Mexico also improved, despite a revenue decline due to unfavorable currency, which more than offset some encouraging growth from retail customers. This business is recovering after a difficult 2014, that included revenue declines related to bank customer losses and a one-time insurance premium payment. After the customer losses, we took aggressive cost actions that have begun to show benefits.

Like the U.S., Mexico has now shown improvement for two successive quarters. The first quarter's 9.2% margin rate reflects solid operating performance, but also includes income from a change in employee benefits, as well as a reversal of a prior period expense that helped the quarter. Still a solid quarter, but we do not expect a repeat performance of 9% this year. Including the first quarter, Mexico is on track to achieve its full year margin target range of 6% to 8%.

Mexico has several key projects that are expected to drive profit growth and enable it to achieve a 10% operating margin target next year. The implementation of the standard branch structure is nearly complete, so we should see almost a full year of benefits from this project in 2015. And we expect to see IT and ATM initiatives being implemented this year to generate significant savings in 2016. In addition, our team in Mexico is very focused on driving top-line growth, particularly in the retail sector where we believe there is significant potential.

France, Brazil and Canada round out our five largest markets and represent additional opportunities for improvement. These countries had a little or no revenue growth in the first quarter and had a combined margin rate of about 5%.

France is operating in a slow growth macro environment with strong currency headwinds. To improve results, we are repositioning the business to pursue higher margin opportunities within the cash supply chains of our customers. We expect to see the benefits of this focus in 2016, but for 2015, it will be a challenging year on the top line with continued solid margins from cost controls.

Brazil's revenue increased 4% on an organic basis, reflecting the impact of their slowing economy. The margin rate of 8.3% trailed a strong performance in last year's first quarter but is still solid. We expect a challenging economic environment in Brazil, but believe our cost actions and focus on retail solutions will deliver improvements as the year progresses.

Canada had a tough quarter on a slight revenue decline and higher pension costs from a lower discount rate. We expect recent volume gains and cost actions to deliver improvement in the remainder of the year. Despite the impact of the strong dollar, the steady performance of our global markets unit continued into the first quarter. The combined operating margin of the 35 countries that comprise this unit was almost 13%, up more than 300 basis points over the year-ago quarter. Most of the improvement was driven by strong results in Argentina, Chile and in our global services business.

The EMEA region maintain solid margins of 7% on no growth in a difficult macroeconomic environment. The Latin America region delivered strong top line growth and margins primarily from Argentina and Chile as the restructuring actions in Chile are beginning to pay-off. Asia continues to perform extremely well on all fronts.

We have not changed our 2015 EPS outlook of $1.55 to $1.75, but we have changed how we get there. There are several things to note on this slide. The 2014 EPS of $1.01 has been adjusted to exclude Venezuela. We expected that operations improvement of $1.04 to $1.24 is more than the full-year 2014 EPS. The currency impact of $0.50 is higher than the prior guidance of $0.35 due to the continued strengthening of the U.S. dollar. So we are maintaining our 2015 EPS guidance despite the currency headwinds and removal of Venezuela.

On the left-hand side of the page is a line item-by line item comparison of 2014 results to our 2015 guidance. I will highlight that we're currently estimating a $400 million unfavorable impact on revenue from the strengthened U.S. dollar.

The right-hand side of the page highlights that our revenue guidance has been reduced by $300 million, $150 million from removing Venezuela and $150 million from unfavorable currency changes. Also we've increased our margin guidance – margin rate guidance to a range between 5.3% to 5.8%, and most importantly, we are maintaining our EPS guidance of a $1.55 to $1.75.

There are several slides in the appendix that I will not go through in detail, but I want to highlight a few of them. On slide 18, we've provided the 2014 operating profit and EPS for each quarter. The message is that we had a very strong fourth quarter in 2014 that will be challenging to exceed.

Slide 21, provides a high level bridge of our 2014 results to our 2016 target EPS of $2.00 to $2.40. We have made a few changes to the components of our 2016 outlook, which include the increased currency pressure in 2015, but also an assumption that some of that currency comes back to help in 2016. Also, we increased the operating margin rate from 6.7% to 7%. So we're maintaining the same EPS target of $2.00 to $2.40 on lower revenue of $3.4 billion at a higher 7% margin.

I'll close by saying that we ended 2014 with some positive momentum that continued into the first quarter of 2015. Today we are a leaner, more customer-focused company that is well positioned to deliver significant growth in earnings and cash flow.

Denise, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question will come from Jamie Clement of Macquarie. Please go ahead.

James Clement
Macquarie Capital (USA), Inc.
Q

Hi gentlemen. Good morning.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer
A

Jamie, how are you?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

Good morning.

James Clement
Macquarie Capital (USA), Inc.
Q

Fine. Thank you. Joe, I was wondering – I think – you gave us some tidbits, but now with Venezuela removed from the non-GAAP, can you walk us through your expectation of seasonality? Like particularly historically the second quarter has typically been the weakest, and I think we understand some of the reasons for that. With the removal of Venezuela does that make the second quarter less bad compared to the first, and how do we – how should we think about this?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

The seasonality doesn't change really from quarter-to-quarter. Venezuela's volatility really occurred throughout the year at unpredictable points. We still have in Latin America and across our other countries, significant wage negotiations and wage increases that take effect during the second quarter within the resulting price increase negotiations with customers that follow. And depending upon the country and the environment, those price increases occur fairly quickly or they take more time, which is the biggest driver of our second quarter decline in the Latin America region. But I don't expect any change in our seasonality quarter-to-quarter with Venezuela out, but it certainly does remove some of the volatility that it's driven over time.

James Clement
Macquarie Capital (USA), Inc.
Q

Okay. And then just about Mexican margins, obviously, very, very good quarter. Has your target for the year, whatever it is, has that been revised upwards for Mexico? Or are you not necessarily – I'm just curious whether you're further along in terms of your progress in Mexico than you might have thought three months ago?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

Operationally, we're right in line, right on track with where we were targeting for the year of 6% to 8%. We did change some employee benefits that were optional for the employees and they selected to make the change that had an accounting benefit for us in the quarter. But in the context of our targets for the full year, it's not a material change or material impact on the full-year targets. So I – so, we're right on track with what we had expected for the year.

James Clement
Macquarie Capital (USA), Inc.

Q

Okay. Great. And then last question and then I'll get back in queue. One of the things I was just a little bit confused about in terms of the foreign exchange reconciliation table -- it looked like that, for example, if you look at the other LATAM line, the implied margin associated with the currency headwinds looked like it was a lot less than the underlying margin rate of Latin America. And I just – I was – it was – I mean I understand there can be some small differences, but it looked like a pretty big difference there. So what am I missing?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

I think you're referring to the currency, the revenue went down 14 and the operating profit impact was one.

James Clement
Macquarie Capital (USA), Inc.

Q

Yeah. And then – but the underlying margin of the region is more like 18% I think if my numbers are correct in my head.

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Yes. Yes. So if it's a 10% margin impact, it's $1.4 million, which rounds down. And the currency impact -- it's an aggregate of each individual country.

James Clement
Macquarie Capital (USA), Inc.

Q

Okay.

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

And so the margins where we had the biggest revenue impact we had a smaller margin rate in the quarter.

James Clement
Macquarie Capital (USA), Inc.

Q

So it's effectively country mix, right?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Right. Mix by country.

James Clement
Macquarie Capital (USA), Inc.

Q

Okay. Great. Thanks very much.

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Sure.

Operator: The next question will come from Ashish Sinha of Gabelli. Please go ahead.

Ashish Sinha
GAMCO Asset Management (UK) Ltd.

Q

Hi. Thanks for taking my question. I have three. Firstly on Mexico and Brazil, so Mexico you're anniversarying the lost banking business in the second quarter and for Brazil you talk about a seasonally strong second half. Could you talk about your organic growth expectations relative to the macro situation there? I mean could you talk about volumes? What volumes on the ground you are seeing in terms of what you're transporting or processing?

Secondly on France, you mention about focusing the business on the cash supply chain which is higher margin. I presume that the cash supply chain business comes along with the cash in transit, so you have to do both for the customer, I mean to get the business. So one's obviously a lower margin business. How does that have any impact on your long-term margin outlook for France?

And lastly a housekeeping question: out of the $45 million to $50 million restructuring benefit, how much came through in the first quarter if we saw any? And in terms of the cost of the restructuring program, what should we be modeling for the remainder of 2015, or are we done there? Thanks.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

So, Ashish, let me just handle Brazil quick and I'm going to let Joe take care of Mexico and what was the last one? Oh, France. So Brazil, their economic environment is pretty tough right now. Brazil did get 4% growth. We haven't seen a big pickup in terms of volume. And so it's a little bit hard to say. Brazil does a good job of increasing organically, so we're still bullish on the results in Brazil and think that they'll have a pretty good year. But we haven't seen a big pickup in volume, and in fact it's probably going to go the other way for a while.

France, let me just say that clearly when you get into the supply chain that does include cash-in-transit, but it also includes ATM management. It includes cash forecasting. It includes a number of products or services. You need to be able to do the cash-in-transit. But we do view that we can take on more of our customers' supply chain for the cash and that we can provide them with further savings and then we can increase our margins. Joe?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

So Ashish on Mexico, we did see good volume improvement in the retail channel. Obviously, the bank business that we lost did continue to impact us as you can see from second quarter through fourth – through the first quarter of this year. We would expect second quarter for that to – those year-over-year comparisons to start to abate and start to see some growth, driven primarily by the retail sector growth that we've experienced, and we see that accelerating. So retail channel volume growth, financial institution channel still suffering from the bank losses. But that should turn around second quarter, third quarter timeframe.

To add on to Tom's comment on France, we are seeing in the core CIT ATM business a difficult environment, the slow to no growth that we're experiencing, the lack of consumption and the economy is clearly affecting that business. And as we move towards serving more of our customers' cash supply chain and now that we have the license to be designated a payment institution, we can provide services for our customers that are differentiated from our competitors as of today. And we expect to be able to start to benefit from that in the second half of this year as we bring on customers under this new structure. And in 2016, we expect to see some meaningful revenue growth and margin improvement in France.

To address your question regarding the restructuring, we are on track to realize the $45 million to $50 million of savings during 2015. The first quarter was not a full quarter of that on a run rate basis. Many of the actions we took were in the late fourth quarter, early fourth quarter last year, early first quarter this year. So we had a very good quarter in terms of the savings, but we'll see a small pickup in the second quarter and expect to get to our full annualized run rate by the third quarter for those savings.

In terms of the cost at year-end last year in the fourth quarter, we accrued $22 million of expense. We incurred about – we added about $1.5 million to that reserve in the first quarter. We're finding in a couple of places the estimated cost is coming in a little bit lower. So I would anticipate we likely will reduce that a little bit in the second quarter. But we're still very much within the previous guidance of $22 million to $ 25 million of cost per restructuring to deliver the $45 million to $50 million of savings for 2015.

And I'll just note we made $10 million worth of payments, cash outflow for that restructuring in the first quarter. And I would expect the bulk of the remaining cash to go out in the second quarter. So I'd expect another second quarter cash flow that includes that which will obviously be a drag on cash, but the savings are beginning to grow to offset that.

Ashish Sinha
GAMCO Asset Management (UK) Ltd.

Q

Great. Thank you.

Operator: [Operator Instructions] The next question will come Jeff Kessler of Imperial Capital. Please go ahead.

Jeffrey Ted Kessler
Imperial Capital LLC

Q

Thanks. Tom and Joe, you both were able to kind of enumerate a series of, let's say, five or six leading programs to both reduce cost and improve efficiency in the United States to get you to the margin improvement, overall margin improvement that you're talking about. Could you kind of get a little more granular and tell us where you're beginning to both save money and where you're beginning to drive revenue to get the U.S. margins up and the revenues up?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Sure. I'll start, Jeff, and I'll let Joe add on. So clearly with the reduction in head count that we talked about, the U.S. participated in that reduction that got us to the $45 million (sic) $35 million to $50 million in savings, so there were cost reductions there. In terms of the increased revenue, we're getting more traction from some of our financial institution customers. We had a higher percentage of higher margin services like ATM in the quarter and so we're starting to get traction on some of those changes.

Now we clearly expect to get traction from, as Joe talked in his comments, from both our business re-engineering which typically people talk about IT, but they're business re-engineering in terms of handhelds, in terms of route optimization, in terms of our billing system. And we absolutely believe that our one man vehicle, both pilots and then the implementation of that will provide additional benefits to our – both our revenue, not so much revenue, but more to the bottom line. Joe, any further comments?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Yes. The only thing I would add is we had good revenue growth across all lines of business. It was particularly strong in ATM and money processing, so we're seeing the benefits of that. We had – you can see very, very good volume growth, physical volume growth in the fourth quarter of last year and the first quarter of this year. We do expect that to taper some and starting in the second quarter with that one money processing contract that will transition.

When you think about the volume growth that we've experienced, the physical volume growth combined with the SG&A and head count actions that we've taken in the U.S., and then you match that up against the projects we're implementing and the nature of how we implement those projects, there's over 100 branches in the U.S. and you have to roll out each project, project by project, branch by branch. We've been very focused on delivering on the volume growth and serving our customers.

And so although those projects are critically important, delivering on the service and the volumes take priority. And so we – on those projects, in some of those we're a little bit slower – moving a little bit more slowly than we had anticipated. But the good news is we're doing that because we're focusing on delivering on the incremental volumes and serving our customers.

Jeffrey Ted Kessler
Imperial Capital LLC

Q

Okay. The second question is on CompuSafe. You started moving about a quarter or so ago away from the sales model and toward the – I don't know if you want to call it a service model and you now got more specific as to how your service – how you're going to service that with the sale leaseback type of agreement. Can you go through how is that taking? What type of wait – what type of lead or lag period are we going to have to wait through to begin to see the results on a financial basis? But more importantly, how are the customers – how is traction with customers going in CompuSafe now that you've changed the business model on how they can finance it?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

We continue to see tremendous growth potential with CompuSafe service. And really the way I would think about it or offer to think about it is we're just providing a different option for our customers if they prefer an operating lease structure versus us owning it. It's a different way of financing it for us. Obviously, we would prefer not to have the capital on our books. This is a way for us to reduce the total investment that we make in this line of business, which we think creates additional growth capacity for us. So in terms of the service we provide nothing has changed. It's really more about the financing structure.

Jeffrey Ted Kessler
Imperial Capital LLC
Q

All right. Also with regard to Europe, was there any headwind made with branch transformation? If you were getting revenues in branch transformation does that indicate that there were other areas that were like in just CIT that were actually weaker if in fact branch transformation revenues were beginning to roll in? Is that something that has been – is that material at this point or is it still in pilot phase?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer
A

I mean in Europe and I assume you are talking specifically France.

Jeffrey Ted Kessler
Imperial Capital LLC
Q

Yes.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer
A

It's not so much a branch transformation as it's transforming the services that we offer in all of those branches to our customers. So it becomes much more of a cash supply chain offering as opposed to a dollars per stop. And so it tends not to be an individual branch because honestly France does a very good job on their individual branches, but it's a change in the way we approach the business.

Jeffrey Ted Kessler
Imperial Capital LLC
Q

All right. Final question is with regard to the customers in the United States that you probably lost a few years ago due to either price or, I hate to say the word, arrogance or what – or just the way you ran – you approached them, how are you getting their confidence back that this is a new Brink's, a different Brink's that can compete against folks who provide just good enough service with lower pricing? You still have a brand name that you can throw out at them and that brand name should have some leverage in getting customers back. How are you getting these customers back, though?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer
A

So I mean we clearly agree that we have a good brand name, but that doesn't really get the customers back. What gets the customers back is what we've been doing which is outreach. It's making sure that we spend time with our customers. We're explaining what those changes are. We're explaining how we have addressed some of the IT issues we've had in the past. We're explaining what the plan is to address efficiency. And so I think then the customers have listened to that. We're talking about how we can improve our service levels, how we can take some of the lessons we've learned from Europe, from France in particular, in terms of cash supply chain. So I think it's a combination of all that. More than anything it's just a change in the focus we have on customers.

Jeffrey Ted Kessler
Imperial Capital LLC
Q

Right. And finally, I apologize: one final question on Global Services. A lot – we wouldn't – we didn't talk about a lot about Global Services. I know it's just a smaller part of the company, but it is a part that kind of sticks out from time to time because of its higher margins, higher value proposition and sometimes, let's just say higher, if you want to call it, newspaper articles, things like that that affect it. The idea – what I'm getting to is can you discuss a little bit about how Global Services is performing right now and whether or not you have any plans to try to increase the percentage of Global Services as a portion of the total revenue base?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Well, first I'll address the last thing first. The Global Services shows up in almost every country, and every country is pushing to improve their Global Services revenues and margins. So, whether it's diamonds and jewelry, whether it's bank notes, whether it's precious metals and moving goods from the mines in Latin America, for instance, all of those things are being worked on by each of the countries in the various groups. And then we have some countries that are just primarily global services. So obviously Global Services is one of the gems that we have, and we continue to push on that.

And then there's always up in terms of when bank note volumes are up, down when gold is down, we get some diamond and jewelry down or up. So you do get movement within the Global Services offering, but in general every country is pushing Global Services and those higher margin services.

Jeffrey Ted Kessler
Imperial Capital LLC

Q

Okay. But is it fair to say that the margin between your other businesses, cash and transit, cash logistics and Global Services, is that margin differential getting a little bit smaller over time?

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Obviously, we don't disclose the margins, but the answer is no.

Jeffrey Ted Kessler
Imperial Capital LLC

Q

Okay. All right. Great. Thank you very much.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Sure.

Operator: Our next question will come from James Cochran of Tribe Capital. Please go ahead.

James M. Cochran
Tribe Capital Management LLC

Q

Hey, good morning, guys. Thanks for taking my question. I just wanted to ask on your March 17 presentation, you gave your organic growth piece of $200 million to get to the $3.4 billion of total revenue for 2015.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Yep.

James M. Cochran
Tribe Capital Management LLC
Q

And now it's $150 million, so I just wanted to understand what's the – I know Venezuela is now out of there. It's just I want to understand what else is contributing to that?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

That's the primary driver is Venezuela. We had assumed the same exchange rate during the year, but we had assumed 50% to 60% continued inflation at a fixed exchange rate.

James M. Cochran
Tribe Capital Management LLC
Q

Okay. So you had expected $50 million contribute – contribution from Venezuela?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

Yes.

James M. Cochran
Tribe Capital Management LLC
Q

Okay. Got it. And then just on a follow-up on the seasonality point, it seems like in the U.S. and France there was a little bit slowing from 4Q to 1Q and Brazil was kind of – I guess Brazil was flat on the organic growth trend. I just wanted to understand why 4Q was so strong compared to 1Q?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

4Q is always a very strong quarter for us. The increased economic activity in different parts of the world, the 13th month payments, the annual extra payment to employees drives higher economic activity. And particularly in cash intensive societies that drives increased volumes for us, whether it's increase the money processing activity, increased ATM activity or the values that we're transporting in CIT are increased and given that some countries have ad valorem pricing so we get a percent of the value we carry. That drives incremental revenues. So it really...

James M. Cochran
Tribe Capital Management LLC
Q

Okay.

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President
A

...has to do with the seasonality of the business.

James M. Cochran
Tribe Capital Management LLC
Q

Okay. So we could expect towards the end of the year a ramp in organic growth number – in those markets?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Relative to first quarter, second quarter and third quarter, third and fourth quarter are typically stronger than first quarter and second. Last year we did have a particularly strong fourth quarter that will be challenging to exceed in 2015.

James M. Cochran
Tribe Capital Management LLC

Q

Got it. Understood. Okay. Thanks very much, guys.

Operator: And our next question will be a follow-up from Jamie Clement of Macquarie. Please go ahead.

James Clement
Macquarie Capital (USA), Inc.

Q

Yes. Thanks for taking the additional question. Gentlemen, clearly with the dollar strengthening that impacts revenue and earnings, but if you're looking to put money to work in the form of acquisitions, in some countries you could make an argument that the acquisition got 15% cheaper over the last year. This topic hasn't been discussed in a while, but are you thinking about expanding in a limited basis anywhere...

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

Yes. They got 15% cheaper the instant we left the currency in-country maybe. We continue to – we are always exploring opportunities for growth, both organic and inorganic, and if the economics make sense we'll pursue them. So M&A is always something that's on our radar.

James Clement
Macquarie Capital (USA), Inc.

Q

Okay. Fair enough.

Thomas C. Schievelbein
Chairman, President & Chief Executive Officer

A

We don't have anything to announce today, Jamie.

James Clement
Macquarie Capital (USA), Inc.

Q

Got it. Got it. Okay. Well, thanks very much for your time.

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

A

Great. Thanks.

Operator: Ladies and gentlemen, that will conclude our question-and-answer session. The Brink's Company first quarter 2015 earnings conference call has now concluded. We thank you for attending today's presentation. You may now disconnect your lines.