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# The Brink's Co. (BCO)

Q3 2015 Earnings Call

# CORPORATE PARTICIPANTS

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Imperial Capital LLC

# MANAGEMENT DISCUSSION SECTION

**Operator**: Welcome to the Brink's Company's Third Quarter 2015 Earnings Call. Brink's issued a press release on third 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, 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 assu mes 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 our CEO Tom Schievelbein; and CFO Joe Dziedzic.

Before we get started, I want to remind everyone that we reported results on both GAAP and non-GAAP basis. The non-GAAP results exclude Venezuela results, U.S. retirement expenses, Mexico settlement losses, reorganization

and restructuring charges, certain compensation and employee benefit items, acquisitions, dispositions, and some currency-related items.

We believe the non-GAAP results make it easier for investors to assess operating performance between periods. So 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 two of the release. More detailed reconciliations are provided in the release and the Appendix of the slides we're using today and in our website.

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

With that, I'll turn the call over to Tom.

### Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Thanks, Ed. Good morning, everyone.

Before covering our third quarter results, I'll start by thanking those of you who took the time to attend our Investor Day meeting on October 6. For those who did not attend or listen in on the webcast, a replay of the presentation and our question-and-answer session that followed is available on our website at brinks.com. At that meeting, we provided lots of information on our strategy to improve our overall performance, so my comments today will be relatively brief.

Third quarter earnings from continuing operations came in at \$0.37 a share, well above the \$0.12 we reported in last year's third quarter. Primary drivers of the improved results included substantial reduction in corporate expenses due to improved security performance and our ongoing cost reduction efforts. We also saw higher profits in Argentina, Mexico, and Chile. Total revenue declined 13%, but was up 3% on an organic basis.

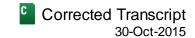
Now, as most of you know, negative currency translation has been affecting our results for the last three-plus years, and it's gotten progressively worse in recent quarters. Its impact on this year's third quarter result was particularly severe, reducing our revenue by \$136 million, operating profit by \$17 million, and earnings by \$0.20 a share.

We delivered strong earnings growth for the quarter despite those currency headwinds and disappointing results in the U.S. Our overall guidance for 2015 and 2016 has not changed from the guidance that we provided at Investor Day.

At our meeting on October 6, we said results in the U.S. would be lower than expected due mainly to continued labor cost increases related to improving our service quality. We have improved our service levels, and we're now focused on driving a significant reduction in labor costs, the benefits of which we expect to begin seeing with our fourth quarter results.

Our U.S. fleet maintenance expenses were also significantly higher in the third quarter. We implemented a centralized, outsourced vehicle repair and maintenance program to improve our overall fleet availability and reduce our cost over time. We should realize cost savings from this initiative during the fourth quarter and into 2016.

Q3 2015 Earnings Call



Our U.S. results in the fourth quarter and throughout 2016 should also benefit from the ongoing rollout of lighter vehicles and our transition to using more one-man crews which are expected to drive additional cost reductions related to fuel, labor and maintenance. Our rollout of lighter vehicles is ahead of schedule. We had 90 of these lighter trucks in use today, and we expect to have a total of 140 deployed by the end of 2015.

Our current target for 2016 is to have at least 300 trucks deployed.

In addition to these initiatives and consistent with our stated strategy, we are continuing to streamline our operating structure in the U.S. by eliminating a layer of management. Going forward, a flatter organization should move us closer to customers, speed up decision making and improve our overall service quality and efficiency.

We are also changing the compensation structure for key operational leaders including our branch managers. This structure more closely aligns variable compensation to branch specific margin metrics including branch margin and our other performance measures of quality and efficiency. While we've reduced our 2015 U.S. margin guidance from 4% to a range of between 3% and 4%, we believe we will deliver sequential profit improvement in the fourth quarter and our 2016 margin target for the U.S. remains at 6%.

So, all in all, our third quarter and year-to-date results are in line with the guidance we've provided earlier this month for 2015 and 2016. We still expect that continued profit growth in Argentina and Mexico and our ongoing cost reduction efforts will enable us to achieve our full-year 2015 earnings guidance of \$1.40 to \$1.50 per share on revenue of about \$3 billion. For 2016, we continue to expect earnings of \$2.00 to \$2.20 per share on a similar revenue base of about \$3 billion.

I think it's important to point out the strong progress we're making at the operational level. In 2015, despite currency headwinds, we still expect to grow year-over-year operating profit by more than \$25 million, reflecting a margin increase of at least 130 basis points. Excluding an expected currency impact of \$50 million, this equates to year-over-year organic profit growth of \$75 million to \$85 million.

For 2016, we expect a profit rebound in the U.S., continued organic growth in Argentina and Mexico and an additional \$25 million to \$35 million in cost savings to drive another \$50 million to \$60 million of year -over-year profit growth, reflecting operating margin in the 7% range. Excluding an expected currency impact of \$25 million, this equates to another \$75 million to \$85 million of organic profit growth in 2016.

Now, when you look at our outlook from the EPS level, you can see that we expect about \$1 per share improvement in earnings from operations this year and in 2016. Even with the expected currency headwinds, this would result in year-over-year earnings increases of about 40% or more in both 2015 and 2016.

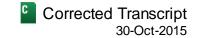
Now, we fully understand that currency fluctuations are a fact of life for multinational companies like Brink's, but I did want to make it clearer that we've made real progress at the operational level this year, and we expect similar progress in 2016.

So in a moment, Joe will provide additional details on our results and the assumptions behind our guidance. But before I turn it over to him, I want to briefly summarize our strategy which is to expand high value service offerings to drive efficiency and to change our culture. We're working to provide more services throughout our customers' cash supply chains while driving productivity and efficiency gains throughout our entire company.

The key to the success of the strategy is driving our culture to one that demands accountability, customer focus and trust at all levels. Successful execution of the strategy is critical to overcoming the challenges we face in the U.S. and sustaining the improvements we're making in Mexico, France and throughout our global markets.



Q3 2015 Earnings Call



Improving results in the U.S. is clearly our greatest challenge, but it's also our greatest opportunity to create shareholder value. And we expect the U.S. to be a significant contributor to the substantial profit growth we expect in 2016.

In closing, I want to assure you that our team is totally committed to driving increased value for our shareholders. We have an unmatched global footprint, strong positions in our key markets, and the best brand in the industry. In most of the 40 countries in which we operate, we're performing very well. The obvious exceptions are the U.S. and Mexico where we expect near-term margin growth and longer term gains to drive substantial value creation for all of our shareholders.

With that, I'm going to turn it over to 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 13% as the negative currency impact of \$136 million was only slightly offset by organic growth of \$27 million. The currency impact was about \$45 million from the Brazilian real, \$25 million from the euro, and about \$21 million from the Mexican peso. The organic growth came primarily from inflation-driven growth in Argentina and retail market growth in Mexico.

Operating profit grew from \$21 million to \$37 million, as the margin rate doubled from 2.5% to 5%. Profit grew organically by \$34 million driven by a \$22 million reduction in corporate expenses. Strong revenue growth in Argentina and improvements in both Mexico and Chile. The \$22 million reduction in corporate expense is the result of lower theft losses as there was no repeat of last year's \$10 million loss in Chile and lower SG&A cost from the restructuring and reorganization implemented in late 2014.

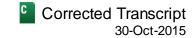
The growth in Argentina was primarily inflation-driven, but we did see some volume increases. The team at Argentina continues to manage very well in an economy experiencing significant inflation. Mexico continues to show improvement in line with our guidance. The profit impact of currency during the quarter was an unfavorable \$17 million from the stronger U.S. dollar. The reorganization and restructuring that we announced in December 2014 was a major contributor to the profit improvement and we are on track to deliver the \$50 million of year-over-year savings that we originally targeted.

The EPS bridge highlights the \$0.45 organic improvement that was driven primarily by operating profit growth. Despite the currency headwinds, we still grew EPS by \$0.25 compared to last year.

The next few slides provide an overview of the five largest countries and global markets. As Tom noted, it was a disappointing quarter for our U.S. operations. Revenue rose 1% which was in line with our expectations, but profit fell versus last year and sequentially versus the second quarter of this year. The profit decline in the U.S. is the result of higher labor costs that were incurred to improve service levels, higher fleet maintenance costs, and higher safety and security costs.

U.S. management team is working to reduce labor costs while maintaining the current service levels and delivering on the targeted efficiencies by making both organizational and process changes. Tom mentioned the

Q3 2015 Earnings Call



delayering of the U.S. operations management structure, which will create a structure that provides improved support to our branch operations and therefore, our customers.

In Mexico, profits improved versus last year on 6% organic revenue growth. We've moved beyond the volume losses from late 2013, early 2014, and the gains we've made in the retail segment are reflected in the improving organic revenue growth. The aggressive cost actions we took after the customer losses have begun to show benefits on a year-over-year basis.

With a margin rate of 6.3% for the first nine months of 2015, we expect Mexico to achieve its full year target range of 6% to 8% as the fourth quarter is historically our strongest quarter in Mexico. We are on track to achieve our target of 10% margin in 2016.

France, Brazil, and Canada round out our five largest markets and represent additional opportunities for improvement. On a combined basis, these countries had 1% organic revenue growth in the third quarter, and a strong margin rate of about 10%. Profits in France fell due to strong currency headwinds. While 2015 continues to be a challenging year on the top line, France has been able to deliver solid margins, thanks to ongoing cost controls.

The third quarter is typically our best in France as reflected in a 12.4% margin rate that was roughly in line with the year ago quarter. In addition to reducing our cost, we are repositioning this business to pursue higher margin solutions within the cash supply chains of our customers. And we expect to see the benefits of these efforts in 2016.

Brazil's revenue increased 4% on an organic basis, which is consistent with the past four quarters. It is clear that volumes have slowed in Brazil and that we are facing a more difficult macro environment. Despite the slower growth, we expect a strong fourth quarter due to retroactive price increases and seasonal volume increases that will enable us to maintain our high-single-digit margins in Brazil. Brazil continues to be a very challenging market, and we are taking additional cost actions to improve profitability in 2016.

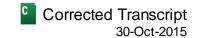
Profits in Canada were a solid 9.5% of revenue, and were roughly flat against year-ago levels despite slight revenue decline and higher pension costs. Despite the negative impact of the strong dollar, the steady performance of our global market segment continued into the third quarter. The combined operating margin rate of the 35 countries that comprise this segment was 14%, up 200 basis points over the year-ago quarter.

The Latin America region delivered 17% organic revenue growth and solid margin growth, almost entirely due to Argentina. Results in Chile also improved due mainly to recent restructuring actions, but lower profits in Colombia largely offset these improvements.

The EMEA region delivered lower but still solid margins of 8.4% as revenue declined from both currency and lower volumes. The organic revenue decline in Germany was expected as we exited a guarding contract last year. Asia continues to perform well on all fronts.

Year-to-date cash flow from operating activities on a non-GAAP basis declined by \$48 million. Last year's cash flow was unusually strong due to the inclusion of Venezuela results being reported at a more favorable exchange rate. Cash flow in 2015 was reduced by the severance payments related to our reorganization and restructuring actions.

Q3 2015 Earnings Call



Capital expenditures and capital leases were down \$18 million versus last year on decreased 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 Comp uSafes also helped.

Net debt increased by \$15 million from the end of 2014, due primarily to the impact of the strengthened U.S. dollar partially offset by cash flows from operating activities that were slightly higher than CapEx spending and dividends paid.

I'll close by covering our outlook for 2015 and 2016. Last year, our full year EPS was \$1.01 with \$0.58 being generated in the fourth quarter. Obviously, the fourth quarter last year was very strong as we benefited from the higher BGS volumes due to several macro events and improved results in Brazil.

We expect \$0.36 to \$0.46 of EPS in the fourth quarter of this year. In the first three quarters of this year, we have already delivered \$1.01 EPS improvement from operations versus last year. Given the strength of last year's fourth quarter and the weak macro environment in Brazil, we expect only a slight improvement in operations over last year's extremely strong results.

The currency impact to the first three quarters was \$0.40 unfavorable and we're estimating another \$0.20 of negative impact in the fourth quarter based on the current exchange rates.

This slide summarizes our outlook for 2015 and 2016 for revenue, operating profit, and EPS. We'll provide details on the 2016 outlook during our recent Investor Day; and the first slide in the Appendix, slide number 24, includes the same assumptions for 2016.

We believe one of the key benefits to investing in Brink's is our global footprint that allows us to capitalize on the growth opportunities in less developed countries and creates the network for our global services business to serve our customers better than any of our competitors.

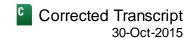
With this footprint comes a volatility of foreign currencies. Despite the unfavorable impact of foreign exchange, we have taken actions to increase EPS by \$0.40 to \$0.50 in 2015 and expect to increase by another \$0.60 to \$0.70 in 2016. When the U.S. dollar moves in our favor, it will add some tailwind for this improving trend.

That concludes my comments this morning. Drew, let's open it up for questions.

# **QUESTION AND ANSWER SECTION**

<b>Operator</b> : [Operator Instructions] The first question comes from Ashish Sinna of Gabeni. I	riease go anead.
Ashish Sinha  GAMCO Asset Management (UK) Ltd.	Q
Hi. This is Ashish from Gabelli. Thanks for taking my questions. I had a few starting with th	e U.S. margins.
If I look at your full-year guidance that implies fourth quarter margins could range anywhen which is a wide range and which kind of suggests that there are quite a lot of moving parts. Stalk about what are some of those moving parts which could cause fourth quarter margins to those extremes.	So may be if you could
My second question is on the organic growth in EMEA and broader LatAm excluding Mexic could talk about price and volume trends in some of the key countries there and what's happ share.	
And lastly, the 2015 reorg and restructuring which you kind of mentioned in the press relea	se -
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
Hello?	
<b>Operator</b> : I'm sorry. There was an interruption. His line had disconnected. I'm not sure if y answer-	you would like to
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
We'd go to the next call and-	
Operator: Next question.	
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
-get backin.	
<b>Operator</b> : Very good. The next question is from Jamie Clement from Macquarie Securities ahead.	Group. Please go
James Clement Macquarie Capital (USA), Inc.	Q
Gentlemen, good morning.	

# The Brink's Co. (BCO) Q3 2015 Earnings Call Thomas C. Schievelbein



Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
Good morning, Jamie.	-
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	А
Good morning.	
James Clement Macquarie Capital (USA), Inc.	Q
So, compared to guidance and commentary three-and-a-halfweeks ago, did I notice there was an ex \$10 million of costs avings in here for 2016? I thought the number had been a firm \$25 million. Now \$25 million to \$35 million. Am I right about that?	_
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	А
You are.	
James Clement Macquarie Capital (USA), Inc.	Q
Are those actions – you ran through a bunch of them with respect to the fleet and that kind of thing. have those already been planned in the flow-through in terms of quarterly results next year or just ki function of, for example, getting those trucks deployed or is there a significant heavy lifting that you to actually realize those?	ind of a
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	А
Yes. I'm going to let Joe take the details of the question. Joe?	
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	A

Jamie, the \$25 million to \$35 million, so first, at the Investor Day, we had line of sight to the \$25 million, so we baked that into our guidance as we've gone through the continued planning process to identify specific actions, we've come up with another opportunity of \$0 million to \$10 million. So, we're giving a range of \$25 million to \$35 million.

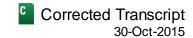
Most of the actions to achieve those savings will happen in the fourth quarter. Some will spill into the first quarter. They do not include things like the one-person vehicle I think you were referring to or some of the continuous process improvement. Most of the actions to generate the \$25 million to \$35 million relate to the structural changes, organization changes or head count coming out of the business. So, we'd expect to be able to tighten that up as we get into the first quarter and finalize all the actions necessary.

### James Clement

Macquarie Capital (USA), Inc.

Joe, a follow-up there. Is then – I mean, it's hard for me to – I don't know if you're just – you're baking this into your U.S. margin assumptions for next year or – basically, what – to the extent that you get those – the lighter

Q3 2015 Earnings Call



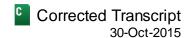
trucks on the road, presumably you got better mileage there for those things, potentially lower maintenance cost over time. I mean, is that – so, are those kinds of savings included in this \$25 million to \$35 million or what – the answer you just gave or is that actually potentially on top of this \$25 million to \$35 million?

Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	A
Those are some of the actions necessary to achieve 6% in 2016 and to continu million to the \$35 million are very specific head count and organizational chamillion to \$35 million as continuous process improvement-	
James Clement Macquarie Capital (USA), Inc.	Q
Got it.	
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	A
-or big changes.	
James Clement Macquarie Capital (USA), Inc.	Q
Got it. That-	
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
It's important to note that the lighter vehicles do have a impact in terms of, obviously be due that will reduce the overall age of the fleet and with it comes that maintenance profile.	
James Clement Macquarie Capital (USA), Inc.	Q
Right.	
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
So, it's critical, we get those and we get them in. But that's not part of that-	
James Clement Macquarie Capital (USA), Inc.	Q
Yes. No, that's why I was asking; it seemed like a big opportunity.	
Now, getting to just comments about the rest of the year, also with guidance to respect to U.S. was about 4%, now 3% to 4%. I don't know if that's just semants	

clear or did something actually - did something deteriorate over the last three-and-a-half weeks that we need to

be aware of?

Q3 2015 Earnings Call



### Thomas C. Schievelbein

Hey, Jeff.

Chairman, President & Chief Executive Officer

er Deni ef Executive Officer

Well, I don't think anything deteriorated. I think it's – we looked at we were a little bit surprised by the magnitude that's on the maintenance costs and a couple of other small. We're still pushing obviously to get to the higher end. But I think it's only reasonable to say that there is some heavy lifting that goes with that, and that's why we use 3% to 4% to make sure that everybody understood what – the range of where we could come out.

James Clement

Macquarie Capital (USA), Inc.

Totally understood. Let me — I'll get back in the queue and let other people ask some questions. But thank you very much.

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

Jeffrey Ted Kessler

Imperial Capital LLC

Thank you for taking my call.

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Jeffrey Ted Kessler
Imperial Capital LLC

Can you – hi. Hi, guys. Can you explain how the increased spending in service costs and other costs in the fourth quarter going into the U.S. are going to translate into better margins and hopefully some better revenues in 2016? Because obviously you are taking – some of the weight on the margin in the fourth quarter in the U.S. is coming out of some of this increased spending you're making on the service side. I want to know how that's – how more – a little more specifically how that's going to translate into more efficient better margins for next year.

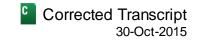
Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

So, let me start with giving you a little characterization for why we had to increase some of the spending to improve service levels.

In the fourth quarter last year, we brought on some new business. You saw that in our very strong revenue growth in the fourth quarter in the U.S. of 7%. In the first quarter, we continued to bring on more business, and then in the first half, we had some business transition away. The business we brought on was in largely a different line of business and a different geography than the business that went away. The business that we brought on we did not put enough resources in place to manage that as it was ramping up. And in the second quarter and in the third quarter, we had to make some investments in resources and processes to handle that volume and get it back to the service levels that both we and our customers expect.

We've largely gotten ourselves back to the service levels that are acceptable to us and our customers. We're back within our – largely within our SLA commitments. And so, now, what we need to do is we need to become more

Q3 2015 Earnings Call



efficient in those processes and lean out through continuous process improvements in some of those resources. So, the increased spending was to address very specific service levels. We've done that. We made some investments in transitioning to an outsource and vehicle fleet maintenance company, that's their core competency.

We believe they ultimately over time will be better at maintaining our fleet than we will. That required us to put some extra money into the third quarter, into the fleet to improve availability of the fleet. The uptime in the fleet improved. We saw that in our performance and the availability. And now we need to lean some of that cost out going into the fourth quarter next year.

So, we expect the spending levels, they have gotten us back to service levels that are accessible. Now, it's about leaning it out — leaning the cost out and continuous improvement going forward. The volume growth opportunities we have arguably are independent of the investments that we've made. Mike Beech talked a lot about some of the projects that we're working with customers, the discoveries we were doing to identify growth in the U.S. We feel good about that and the service levels that we have we think support that growth.

### Jeffrey Ted Kessler

Imperial Capital LLC

Okay. Second question is what was – how was the performance of global services in the quarter, and can you do anything to integrate some more of your on the ground business and if you want to call it, slightly less valuable business in terms of the valuables you're taking? Can you do more to integrate that into the global services business? Global service is taking on a little more volume from your ground-based business.

### Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

So, I mean BGS had a good quarter, and they are on track for what we anticipate they will be doing for the year. We are – BGS basically takes advantage of our footprint around the world, and so they utilize those ground operations, that's one of the reasons why we're successful in the BGS business. So, having BGS take on more – just kind of moves the cost from one account to another, Jeff. So, I don't think that that's going to – would have a meaningful impact on our overall profitability.

### Jeffrey Ted Kessler

Imperial Capital LLC

Okay. I realize that BGS is a lot larger than its competition, but the competition is consolidated and a little bit in — consolidated a little bit into some of your competition. Are you seeing any impact from that in the global market at this point or is your size and scale big enough to offset some of the pressures that we might be seeing from smaller operators getting eaten up or bought up by some of your major competitors.

### Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

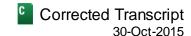
So, I think that in specific markets, you always see impacts from competitors or situations. That is dwarfed by the overall macro situation of where diamonds and jewelry that overall market is by where the commodities markets are for precious metals and for bank notes. So, yes, we're seeing some of – you obviously see issues in any particular market, but the macroeconomics are dropping more than the individual circumstances in a particular country.

### Jeffrey Ted Kessler

Imperial Capital LLC

**C** 

Q3 2015 Earnings Call



Okay. Thank you very much.

**Operator**: And we have Ashish Sinha from Gabelli. Please go ahead.

Ashish Sinha

GAMCO Asset Management (UK) Ltd.

Hi. Sorry. I got cut off. Can you hear me now?

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Yes

Ashish Sinha

GAMCO Asset Management (UK) Ltd.

Great. So, I had a few questions on the EMEA and LatAm organic growth. I mean, if you could talk about some of the markets in terms of what's going on with volumes and price. And specifically LatAm of the 17% organic, how much was price and how much was volumes? And could you also talk about your market shares? What's happening actually with your market shares?

And then secondly, could you give an update on CompuSafe in terms of any progress on that? And lastly, a question on forex. And if I look at the LatAm forex and specifically the peso which is down – Argentinian peso, which is down 10% year-to-date. Are you assuming it stays at current levels in your \$3 billion revenue assumption for 2015 and 2016, or are you assuming further devaluation? Thank you.

# Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Okay. Let me touch the CompuSafe question first, and I'm going to let Joe talk about the details of LatAm and EMEA. So, we continue to be happy with our CompuSafe. We continue to have that be one of our new solutions for customers not only in the U.S. but in a variety of other countries, primarily in Mike Beech's focus five markets, largest markets. So, we continue to be positive about CompuSafe, and it continues to grow.

With that, Joe, I'm going to let you talk about LatAm and foreign exchange.

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

Sure. All right. So, let's – I'll start with EMEA. So, the EMEA revenues last yearwere \$139 million; this year, \$112 million, so down \$28 million. That was \$11 million of organic, \$17 million of currency. So, currency, the euro largely was a big impact. I'll talk for a second.

The \$11 million organic decline was concentrated really three places: Germany, Ireland and Greece. In Germany, we had a guarding contract with the U.S. Embassy that we intentionally exited last year. So, that's the biggest driver of the German revenue reduction. Ireland has been a difficult market for us as of late. There has been some volume that shifted away from us that that's just been a tough environment. And Greece just continues to be a difficult environment, and we haven't seen any opportunity to mitigate that. So, we've done a good job in Greece of maintaining profitability that the management team there has been able to take actions to preserve the profit. In Germany, the guarding contract of profit impact was very much as expected. So, that covers the Europe of revenue decline.

Ashish Sinha

Latin America, if we look at the Latin America region growth, we had 17% organic growth that was \$16 million, and that was entirely Argentina. And in Argentina, you have a couple of dy namics, the inflation continues to be 30% to 35%. We have been able to pass that through to our customers as have our customers — our competitors as well. We have seen wage increases at a similar rate, but we also have benefited from a volume standpoint with the additional currency in circulation, because the amount of pesos in circulation continues to increase.

So, the amount that we are counting and processing and our money processing operations is growing, and the ad valorem pricing on the value of pesos, the quantity of pesos is driving our revenue up quite significantly.

Our Argentina organic growth in local currency is in the 50% to 60% year-over-year range. So, we're growing local currency 50% to 60% in Argentina. In the rest of the LatAm region, we did experience some good growth in Chile. The management team there has implemented a number of different restructuring actions over the past two-and-a-half years. We're seeing that translate into both profit improvement and organic growth. Unfortunately, that's being offset by some declines that we are experiencing in Colomb ia and both on the top line and on the profitability. That's a summary for the Latin America.

I think, Ashish, your last question was regarding our assumptions around the Argentine peso.

GAMCO Asset Management (UK) Ltd.	6
Yes.	
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	Δ

So, it's at about ARS 9.5 to the dollar at the end of the third quarter. We are assuming that it deteriorates or devalues to about ARS 11 by the end of this year, so we just have kind of a gradual decline in the fourth quarter. And then we're expecting it to devalue very sharply early in the year and to ARS 15 to the dollar by the end of next year. So for 2016, we're assuming somewhere in the neighborhood of ARS 14 as the average for the full year. That's our assumption. I know we'll be wrong, but all indicators are that there is a devaluation coming after the run-off elections later in November. We'll keep you updated as our assumptions change.

Ashish Sinha
GAMCO Asset Management (UK) Ltd.

That's very helpful. Thank you. Could you also talk about the market share, any significant changes to flag there?

Joseph W. Dziedzic
Chief Financial Officer & Executive Vice President

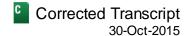
We compete in a very competitive environment and there's always so me movement back and forth in each of our markets.

Ashish Sinha
GAMCO Asset Management (UK) Ltd.

Thank you.

Operator: And we have a follow-up from Jamie Clement from Macquarie Securities Group. Please go ahead.

Q3 2015 Earnings Call



### James Clement

Macquarie Capital (USA), Inc.

Thanks. Thank you for taking my follow-up. Joe, are we to assume that the Canada is still ranked number five from a quarterly revenue production standpoint or we're looking at this on a trailing 12-month basis with Canada in the top five?

### Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

So, Canada will continue to be reported in our top five. I think, getting in to your question, Argentina is about the same revenue size as Canada today.

### **James Clement**

Macquarie Capital (USA), Inc.

Okay. Got it. Got it. Okay. And then a question I definitely wanted to have the opportunity to ask because it's been a long, long time since you guys have probably fielded this question on earnings conference calls. To the extent the fed starts lifting rates, I would assume that higher rates mean more money in deposit accounts and that would theoretically help your business. So, if you all kind of look back at the history of Brink's, first of all, A, is that accurate? And then B, do you have to get really deep into a tightening cyclelet's say 200 basis points, 300 basis points higher from the fed to really to start to see an impact? Or is it more of a linear, where hey, 50 basis points will actually help your business?

### Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

From a macro perspective, at least what I anticipate the fed will do, I don't think we're going to see any significant changes now. 200 basis points or 300 basis points, yes that could make a difference. 25 basis points or 50 basis points, I don't believe so. Joe?

### James Clement

Macquarie Capital (USA), Inc.

Okay.

### Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

Been so long since rates were going the other direction, I welcome that and think over time it will help-

### Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

Yes.

### Joseph W. Dziedzic

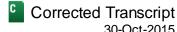
Chief Financial Officer & Executive Vice President

-but short term, I don't see a dramatic change.

### James Clement

Macquarie Capital (USA), Inc.





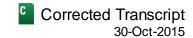
The Brink's Co. (BCO) Q3 2015 Earnings Call	Corrected Transcrip
I figured I'd ask. Thanks very much for your time as always.	
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
Good question.	
<b>Operator</b> : And we have a follow up from Jeff Kessler from Imp	erial Capital. Please go ahead.
Jeffrey Ted Kessler Imperial Capital LLC	Q
Yes. Just a quick question about Argentina: I know I don't want even in an organic sense has been quite good. You've had a very competitor that you faced probably in other parts of Latin Amer grow as well as you have? It has to be taking market share away question is how have you been so — how has your business becomes changed?	strong competitor down there for years, the same ica. Why have all of a sudden you've been able to from your competitor in Argentina. So, the
Joseph W. Dziedzic Chief Financial Officer & Executive Vice President	A
We've historically been, I think, performed very well in Argentia and the nominal local pesos has improved much, much more significant team has done a very good job of managing highly inflationary from an accounting standpoint, 30%, 35% in	gnificantly and dramatically. I would characterize ag in a highly inflationary environment. It's not

team has performed very, very well. We've benefited from the increase in the amount of currency and circulation. And when you look at the U.S. dollar reported results that gets into our - that hits our consolidated results, we have not had the magnitude of peso devaluation in the last year and a half to two years that we had previously.

If you look back two, three years ago as we were having local currency growth of 30%, 40%, we were having devaluations in the 30% to 40% range as well. So, from a U.S. dollar standpoint, you aren't seeing it in our consolidated results. We've only had about a 10% devaluation year-to-date, and with 50% to 60% local currency growth, that's going to give us much bigger U.S. dollar impact and growth year-over-year.

Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
Yes. I mean-	
Jeffrey Ted Kessler Imperial Capital LLC	Q
Okay. I'm sorry.	
Thomas C. Schievelbein Chairman, President & Chief Executive Officer	A
It's a good operation down there, and it's reflected in our results.	
Jeffrey Ted Kessler Imperial Capital LLC	Q

Q3 2015 Earnings Call



Okay. So, what you're saying is from a competitive point of view, not – I mean you've gotten better in Argentina, but there's ebbs and flows in all the countries in Latin America effectively.

Thomas C. Schievelbein

Chairman, President & Chief Executive Officer

А

That's correct.

Joseph W. Dziedzic

Chief Financial Officer & Executive Vice President

А

Correct. I would not characterize the growth in Argentina as taking significant market share from a competitor. It's a well-run business benefiting from an inflationary environment that they're managing very effectively in.

Jeffrey Ted Kessler

Imperial Capital LLC



Okay. Great. Thank you very much.

**Operator**: Ladies and gentlemen, the conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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