BRINKS CO
Form 10-K
February 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number 001-09148
THE BRINK'S COMPANY
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	54-1317776 (I.R.S. Employer Identification No.)
P.O. Box 18100, 1801 Bayberry Court Richmond, Virginia (Address of principal executive offices)	23226-8100 (Zip Code)
Registrant's telephone number, including area code	(804) 289-9600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
The Brink's Company Common Stock, Par Value $1	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No ý

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No ý

As of February 22, 2016, there were issued and outstanding 48,969,350 shares of common stock. The aggregate market value of shares of common stock held by non-affiliates as of June 30, 2015, was $1,431,587,475.

Documents incorporated by reference: Part III incorporates information by reference from portions of the Registrant's definitive 2016 Proxy Statement to be filed pursuant to Regulation 14A.

THE BRINK'S COMPANY
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2015
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PART I
ITEM 1. BUSINESS

Overview
The Brink's Company is a premier provider of secure logistics and security solutions including cash-in-transit, ATM replenishment and maintenance, international transportation of valuables, cash management and payment services. Our customers include financial institutions, retailers, government agencies (including central banks), mints, jewelers and other commercial operations around the world. Our global network serves customers in more than 100 countries. We have ownership interest in companies in 41 countries and agency relationships with companies in additional countries. We employ approximately 59,900 people and our operations include approximately 1,100 facilities and 12,000 vehicles.

Brink's was founded in 1859 and The Brink's Company was first incorporated in 1930 under the laws of the State of Delaware (at that time, the Company was named The Pittston Company). It succeeded to the business of a Virginia corporation in 1986 and was renamed The Brink's Company in 2003. Our headquarters are located in Richmond, Virginia. The Brink's Company, along with its subsidiaries, is referred to as "we," "our,", "us," "Brink's," or "the Company" throughout this Form 10-K.

Brink's operations are located throughout the world with 76% of our revenues earned outside the U.S. during 2015. Brink's Largest 5 Markets (U.S., France, Mexico, Brazil and Canada) represent 63% of consolidated revenues. The following table presents a summary of revenues by segment in 2013, 2014 and 2015.

(In millions)	2015	% total	% change	2014	% total	% change	2013	% total
Revenues by segment:								
Largest 5 Markets:								
U.S.	$730.4	24	—	$727.8	20	3	$707.5	19
France	431.5	14	(17)	517.4	15	—	517.6	14
Mexico	333.0	11	(14)	388.2	11	(8)	423.9	11
Brazil	270.4	9	(26)	364.1	10	3	354.4	9
Canada	153.7	5	(14)	179.7	5	(6)	191.4	5
Largest 5 Markets	1,919.0	63	(12)	2,177.2	61	(1)	2,194.8	58
Latin America	369.9	12	(3)	380.6	11	(7)	407.1	11
EMEA	444.7	15	(20)	556.3	16	3	540.6	14
Asia	157.4	5	13	139.8	4	4	134.2	4
Global Markets	972.0	32	(10)	1,076.7	30	—	1,081.9	29
Payment Services	85.9	3	(11)	96.6	3	76	54.8	1
Total reportable segments	2,976.9	97	(11)	3,350.5	94	1	3,331.5	88
Other items not allocated to segments:								
Venezuela operations	84.5	3	(60)	211.8	6	(53)	447.1	12
Total Revenues	$3,061.4	100	(14)	$3,562.3	100	(6)	$3,778.6	100

Amounts may not add due to rounding.

Geographic financial information related to revenues and long-lived assets is included in the consolidated financial statements on page 78.

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Mission and Strategy

Our Mission and Goal

Our mission is to be the world's most respected provider of secure logistics solutions. Our goal is to increase shareholder value by achieving consistent growth in revenues, profits and cash flows.

Our Strategy

Our strategy has three pillars:
- Expand offerings
- Drive efficiency
- Transform our culture

Expand our offerings - Transform from a transactional business model to a value-based secure supply chain management company.

We are working to expand our services across our customers' entire cash and valuable supply chains and business processes. Improving our customers' supply-chain efficiency reduces total cost, improves our value-added pricing and generates opportunities for customers to outsource more services to Brink's.

These opportunities include:
- integrated armored transportation and money processing services
- full-service management of entire ATM networks
- CompuSafe® service ("intelligent safes")
- new market opportunities for Global Services

Drive efficiency - Implement "Lean" processes, right-size cost structure, and centralize support to deliver the most customer value while consuming fewer resources.

Improving operational efficiency is critical to enhancing our competitive position and pursuing future growth. Our efforts include:
- flattening organizational structures to enhance decision-making and reduce administrative expenses
- centralizing support functions to reduce costs and enable country-level operating management to focus on customers and operations
- improving route logistics with IT-based productivity tools
- introducing new and retrofitted vehicles to accommodate one-person crews
- leveraging global purchasing power to reduce costs for vehicles, equipment, maintenance, travel and other services.

Transform our culture - Demonstrate behaviors that reflect our values of Accountability, Customer Focus and Trust ("ACT"). Transform culture to drive strategy.

As part of our ongoing cultural transformation, we continue to promote ACT and endeavor to ensure that our employees demonstrate these values and related behaviors. We are working to place leaders who consistently demonstrate ACT behaviors in our most critical roles.

Services
We design customized services to meet the cash and valuables supply chain needs of our customers. We enter into contracts with our customers to establish pricing and other terms. Cash-in-Transit and ATM contracts usually cover an initial term of at least one year and in many cases one to three years, and generally remain in effect thereafter until canceled by either party. Contracts for Cash Management Services are typically longer. Following are descriptions of our service offerings:

Core Services (53% of total revenues in 2015)
Cash-in-transit and ATM Services are core services we provide to customers throughout the world. We charge customers per service performed or based on the value of goods transported. Revenues are affected by the level of economic activity in various markets as well as the volume of business for specific customers. Core services generated approximately $1.6 billion of revenues in 2015.

Cash-in-Transit Services – Serving customers since 1859, our success in Cash-in-Transit is driven by a combination of rigorous security practices, high-quality customer service, risk management and logistics expertise. Cash-in-Transit Services generally include the secure transportation of:
- cash between businesses and financial institutions, such as banks and credit unions
- cash, securities and other valuables between commercial banks, central banks and investment banking and brokerage firms
- new currency, coins, bullion and precious metals for central banks and other customers

ATM Services – We manage 93,000 ATMs worldwide. We provide customers who own and operate ATMs a variety of service options. Basic ATM management services include cash replenishment and first and second line maintenance. We also provide comprehensive services for ATM management through our Brink's Integrated Managed Services (“Brink’s IMS”) offering, which includes cash replenishment, replenishment forecasting, cash optimization, ATM remote monitoring, service call dispatching, transaction processing, installation services, and first and second line maintenance.

High-Value Services (39% of total revenues in 2015)
Our Core Services, combined with our brand and global infrastructure, provide a broad platform from which we offer additional High-Value Services, which generated approximately $1.2 billion of revenues in 2015.

Global Services - Brink’s Global Services ("BGS") is the leading global provider of secure transport of highly-valued commodities including diamonds, jewelry, precious metals, securities, currency, high-tech devices, electronics and pharmaceuticals. Our specialized diamond and jewelry operations have offices in the world’s major diamond and jewelry centers. Serving customers in more than 100 countries, BGS provides secure transportation services including pick-up, packaging, customs clearance, secure vault storage and inventory management. BGS uses a combination of armored vehicles and secure air and sea transportation.

Cash Management Services - We offer a variety of Cash Management Services, depending on customers’ unique needs. These include:
- money processing (e.g., counting, sorting, wrapping, checking condition of bills, etc.) and other cash management services
- deploying and servicing “intelligent” safes and safe control devices, including our patented CompuSafe® service
- integrated check and cash processing services (“Virtual Vault”)
- check imaging services

Other cash management services include cashier balancing, counterfeit detection, account consolidation and electronic reporting. Retail and bank customers use Brink’s to count and reconcile coins and currency, prepare bank deposit information and replenish coins and currency in specific denominations.

Customers may have relatively simple requirements or they may need a more fully integrated approach to managing their supply chain of cash. Brink's offers logistical support from point-of-sale through transport, vaulting, bank deposit and related credit reporting. We also offer a variety of advanced technology applications including online cash tracking, cash inventory management, check imaging for real-time deposit processing, and a variety of other web-based tools that enable banks and other customers to reduce costs while improving service to their customers. We believe the quality and scope of our money processing and information systems differentiate our Cash Management Services from competitive offerings.

Brink's CompuSafe® Service. Brink's CompuSafe® service provides an integrated, closed-loop system for preventing theft and managing cash. We market CompuSafe® services to a variety of cash-intensive customers including convenience stores, gas stations, restaurants, retail chains and entertainment venues. Once the specialized safe is installed, the customer's employees deposit currency into the safe's cassettes, which can only be removed by Brink's personnel. Upon removal, the cassettes are securely transported to a vault for processing where contents are verified and transferred for deposit. Our CompuSafe® service features currency-recognition and counterfeit-detection technology, multi-language touch screens and an electronic interface between the point-of-sale, back-office systems and external banks. Our electronic reporting interface with external banks enables customers to receive same-day credit on their cash balances, even if the cash remains on the customer's premises.

Virtual Vault. Virtual Vault services combine Cash-in-Transit Services, Cash Management Services, vaulting and electronic reporting technologies to help banks expand into new markets while minimizing investment in vaults and branch facilities. In addition to providing secure storage, we process deposits, provide check imaging and reconciliation services, perform currency inventory management, process ATM replenishment orders and electronically transmit banking transactions.

Payment Services – We provide convenient payment services, including bill payment processing, mobile phone top-up, and Brink's Money™ prepaid cards.

Latin America. Bill payment processing services include bill payment acceptance and processing services on behalf of utility companies and other billers. Consumers can pay bills, top-up prepaid mobile phones and manage accounts at retail agent locations that we operate on behalf of utility companies, banks and a small number of leased payment locations. This service is offered at over 33,000 locations in Brazil, Mexico, Colombia and Panama.

United States. We offer Brink's Money™ general purpose reloadable prepaid cards and payroll cards to consumers and employers. Our general purpose reloadable cards are sold to consumers through our direct-to-consumer marketing efforts while our payroll cards are sold to employers who use them to pay employees electronically. Brink's Money™ cards can be used at stores, restaurants, online retailers, and at ATMs worldwide. This product is targeted to the millions of unbanked and under-banked Americans looking for alternative financial products.

Commercial Security Systems – We provide commercial security system services in designated markets in Europe. Our security system design and installation services include alarms, motion detectors, closed-circuit televisions, digital video recorders, and access control systems, including card and biometric readers, electronic locks, and turnstiles. Monitoring services may also be provided after systems have been installed.

Other Security Services (8% of total revenues in 2015)
Guarding – We protect airports, offices, warehouses, stores, and public venues with or without electronic surveillance, access control, fire prevention and highly trained patrolling personnel. Other security services generated approximately $0.2 billion of revenues in 2015.

We offer security and guarding services in France, Luxembourg, Greece, Germany and Brazil. A portion of this business involves long-term contracts related primarily to security services at airports and embassies. Generally, guarding contracts are for a one-year period, and the majority of contracts are extended.

Industry and Competition
Brink's competes with large multinational, regional and smaller companies throughout the world. Our largest multinational competitors are G4S plc (U.K.); Loomis AB (Sweden); Prosegur, Compania de Seguridad, S.A. (Spain); and Garda World Security Corporation (Canada).

We believe the primary factors in attracting and retaining customers are security expertise, service quality, and price. Our competitive advantages include:
- brand name recognition
- reputation for a high level of service and security
- risk management and logistics expertise
- global infrastructure and customer base
- proven operational excellence, and
- high-quality insurance coverage and financial strength

Although we face competitive pricing pressure in many markets, we resist competing on price alone. We believe our high levels of service, security expertise and value-added solutions differentiate us from competitors.

Insurance Coverage

The availability of high-quality and reliable insurance coverage is an important factor in our ability to attract and retain customers and manage the risks inherent in our business. We purchase insurance coverage for losses in excess of what we consider to be prudent levels of self-insurance. Our insurance policies cover losses from most causes, with the exception of war, nuclear risk and certain other exclusions typical in such policies.

Insurance for security is provided by different groups of underwriters at negotiated rates and terms. Premiums fluctuate depending on market conditions. The security loss experience of Brink’s and, to a limited extent, other armored carriers affects our premium rates.

Service Mark and Patents
BRINKS is a registered service mark in the U.S. and certain foreign countries. The BRINKS mark, name and related marks are of material significance to our business. We own patents for safes and related services, including our integrated CompuSafe® service, which expire between 2016 and 2032. These patents provide us with important advantages; however, we are not dependent on the existence of these patents.

We have licensed the Brink's name to a limited number of companies, including a distributor of security products (padlocks, door hardware, etc.) offered for sale to consumers through major retail chains.

Government Regulation
Our U.S. operations are subject to regulation by the U.S. Department of Transportation with respect to safety of operations, equipment and financial responsibility. Intrastate operations in the U.S. are subject to state regulation. Operations outside of the United States are regulated to varying degrees by the countries in which we operate.

Employee Relations
At December 31, 2015, our company had approximately 59,900 full-time and contract employees, including approximately 7,100 employees in the United States (of whom approximately 480 were classified as part-time employees) and approximately 52,800 employees outside the United States. At December 31, 2015, Brink's was a party to eleven collective bargaining agreements in North America with various local unions covering approximately 1,700 employees. The agreements have various expiration dates from 2016 to 2019. Outside of North America, approximately 62% of employees are represented by trade union organizations. We believe our employee relations are satisfactory.

Business Divestitures
Below is a summary of the significant businesses we disposed in the last three years. See note 18 to the consolidated financial statements for more information on these dispositions. The results of the operations below, which met the criteria for classification as discontinued operations as of or prior to December 31, 2014, have been excluded from continuing operations and are reported as discontinued operations for the current and prior periods. The sales of the Russian cash management business and the Irish guarding operations in 2015 did not meet the criteria for classification as discontinued operations. Operating results for these two businesses are included in continuing operations for the current and prior periods. We continue to operate our Global Services business in most of these countries.

Cash-in-transit operations sold or shut down:
- Poland (sold in March 2013)
- Turkey (shut down in June 2013)
- Hungary (sold in September 2013)
- Germany (sold in December 2013)
- Australia (sold in October 2014)
- Puerto Rico (shut down in November 2014)
- Netherlands (sold in December 2014)

Guarding operations sold:
- France (January 2013)
- Germany (July 2013)

Other operations sold:
-

We sold Threshold Financial Technologies, Inc. in Canada in November 2013. Threshold operated private-label ATM network and payment processing businesses. Brink's continues to own and operate Brink's Integrated Managed Services for ATM customers.

- We sold ICD Limited and other affiliated subsidiaries in November 2013. ICD had operations in China and other locations in Asia. ICD designed and installed security systems for commercial customers.
- In February 2015, we sold a small Mexican parcel delivery business which met the criteria for classification as a discontinued operation as of December 31, 2014.

Other divestitures not classified as discontinued operations:

- We sold an Irish guarding operation in November 2015.
- We sold our 70% ownership interest in a Russian cash management business in November 2015 and recognized a $5.9 million loss on the disposition. A significant part of the loss ($5.0 million) represented the reclassification of foreign currency translation adjustments from accumulated other comprehensive income (loss) into earnings.
- We sold a noncontrolling interest in a CIT business based in Peru in 2014 for $60 million.

In February 2016, we decided to wind down the majority of our operations in the Republic of Ireland, which had revenues of approximately $15 million in 2015. We expect to recognize losses from operations and the disposition in the range of $20 million to $25 million in 2016. During 2016, as these expenses are incurred, we intend to exclude them from the non-GAAP results consistent with other dispositions. We will continue to provide international shipments to and from the Republic of Ireland through our Global Services business.

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Reorganization and Restructuring

In the fourth quarter of 2014, we announced a reorganization and restructuring of Brink's global organization ("2014 Reorganization and Restructuring") to accelerate the execution of our strategy by reducing costs and providing for a more streamlined and centralized organization. As part of this program, we reduced our total workforce by approximately 1,700 positions. Severance costs of $21.8 million associated with these actions were recognized in 2014, with an additional $1.9 million in restructuring charges recognized in 2015. The restructuring saved annual direct costs of approximately $50 million in 2015 compared to 2014, excluding severance, lease termination and accelerated depreciation.

As part of the 2014 reorganization and restructuring we:

- reorganized the majority of Brink's country operations under two business units: Largest 5 Markets (including U.S., France, Mexico, Brazil and Canada), and Global Markets (country operations outside the Largest 5 Markets). Country operations typically provide Cash-in-Transit ("CIT") Services, ATM Services, Cash Management Services and Global Services. These services are described on pages 3–4. Reporting lines within these two business units are supplemented by a matrixed centralized management of the Global Services operations.
- decided to maintain our centralized organization structure for the Payment Services business.
- centralized the reporting structure of our support functions, including IT, HR, finance, legal, procurement, security and project management. Under the new structure, these functional field employees now report to the global functional leaders instead of the country or regional leaders.
- eliminated regional roles and structures in Europe, Middle East and Africa ("EMEA") and Latin America.

As a result of the restructuring, we began to report financial results in the following nine operating segments:

- Each of the five countries within Largest 5 Markets (U.S., France, Mexico, Brazil and Canada)
- Each of the three regions within Global Markets (Latin America, EMEA and Asia)
- Payment Services

Previously, our reportable segments were: Latin America, EMEA, North America and Asia Pacific.

Financial information related to our segments and amounts not allocated to segments is included in the consolidated financial statements on pages 75–79.

We initiated another global restructuring of our business in the third quarter of 2015 ("2015 Reorganization and Restructuring"), which included the recognition in 2015 of $11.6 million in costs related to employee severance, contract terminations and property impairment. The 2015 Reorganization and Restructuring is expected to reduce the global workforce by approximately 1,000 to 1,200 positions and is projected to result in $25 to $35 million in 2016 cost savings.

Executive Leadership and Board of Directors Restructuring

In January 2016, Brink's entered into an agreement (the "Starboard Agreement") with Starboard Value LP and its affiliates ("Starboard") and announced that the Chief Executive Officer, Thomas C. Schievelbein, would step down no later than the 2016 annual meeting of shareholders and that two of the Company's directors (including the Company's independent lead director) had retired from the Board. Pursuant to the Starboard Agreement, among other things, the Board appointed three new independent directors and delegated the responsibility to oversee the search for a new Chief Executive Officer to the Board's Corporate Governance and Nominating Committee.

In the fourth quarter of 2015, we recognized $1.8 million in costs related to the Executive Leadership and Board of Directors restructuring. The majority of these charges will be paid in cash in 2016.

We expect to recognize an additional $5 to $10 million in costs in 2016 related to the 2015 Reorganization and Restructuring and the Executive Leadership and Board of Directors Restructuring.

Other Important Events and Transactions in 2015
In addition to the reorganization and restructuring, the following key events and transactions occurred in 2015.

Impairment of Long-lived Assets in Venezuela
During the second quarter, Brink's elected to evaluate and pursue strategic options for the Venezuelan business. Our consideration of these options, which is ongoing, required us to perform an impairment review of the carrying values of our Venezuelan long-lived assets. As a result, we recognized a $35.3 million impairment charge in 2015. The carrying value of the long-lived assets of our Venezuelan operations was $6.4 million at December 31, 2015. We have not reclassified any of the approximately $113 million of accumulated other comprehensive losses attributable to Brink’s shareholders related to our operations in Venezuela into earnings.

Argentina

We use the official exchange rate to translate the Brink's Argentina balance sheet and income statement. During 2015, the official exchange rate ranged from 8.5 to 9.8 local pesos to the U.S. dollar until December 17, 2015 when the currency was devalued. At December 31, 2015, the official exchange rate was 12.9 local pesos to the U.S. dollar.

The government in Argentina had periodically imposed limits on the exchange of local pesos into U.S. dollars. As a result, we elected to repatriate cash from Argentina using different means to convert Argentine pesos into U.S. dollars. Conversions prior to the December 17, 2015 devaluation had settled at rates approximately 30% to 40% less favorable than the rates at which we translated the financial statements of our subsidiary in Argentina. After the currency was devalued, we completed a conversion transaction at a rate approximately 10% less favorable than the newly devalued rate.

Available Information and Corporate Governance Documents

The following items are available free of charge on our website (www.brinks.com) as soon as reasonably possible after filing or furnishing them with the Securities and Exchange Commission (the "SEC"):

- Annual reports on Form 10-K
- Quarterly reports on Form 10-Q
- Current reports on Form 8-K, and amendments to those reports

The following documents are also available free of charge on our website:

- Corporate Governance Policies
- Code of Ethics
- The charters of the following committees of our Board of Directors (the "Board"): Audit and Ethics, Compensation and Benefits, Corporate Governance and Nominating, and Finance and Strategy

Printed versions of these items will be mailed free of charge to shareholders upon request. Such requests can be made by contacting the Corporate Secretary at 1801 Bayberry Court, P. O. Box 18100, Richmond, Virginia 23226-8100.

ITEM 1A. RISK FACTORS

We operate in highly competitive industries.

We compete in industries that are subject to significant competition and pricing pressures in most markets. In addition, our business model requires significant fixed costs associated with offering many of our services including costs to operate a fleet of armored vehicles and a network of secure branches. Because we believe we have competitive advantages such as brand name recognition and a reputation for a high level of service and security, we resist competing on price alone. However, continued pricing pressure from competitors or failure to achieve pricing based on the competitive advantages identified above could result in lost volume of business and have an adverse effect on our business, financial condition, results of operations and cash flows. In addition, given the highly competitive nature of our industries, it is important to develop new solutions and product and service offerings to help retain and expand our customer base. Failure to develop, sell and execute new solutions and offerings in a timely and efficient manner could also negatively affect our ability to retain our existing customer base or pricing structure and have an adverse effect on our business, financial condition, results of operations and cash flows.

Decreased use of cash could have a negative impact on our business.

The proliferation of payment options other than cash, including credit cards, debit cards, stored-value cards, mobile payments and on-line purchase activity, could result in a reduced need for cash in the marketplace and a decline in the need for physical bank branches and retail stores. To mitigate this risk, we are developing new lines of business and investing in adjacent security-related markets, but there is a risk that these initiatives may not offset the risks associated with our traditional cash-based business and that our business, financial condition, results of operations and cash flows could be negatively impacted.

Our growth strategy may not be successful.

One element of our growth strategy is to expand our offerings to customers. We may not be successful in designing or marketing additional products and services to customers. In addition we may fail to achieve our strategic objectives and anticipated operating profit improvements, which would adversely affect our results of operations and cash flows.

We have significant operations outside the United States.

We currently serve customers in more than 100 countries, including 41 countries where we operate subsidiaries. Seventy-six percent (76%) of our revenues in 2015 came from operations outside the U.S. We expect revenues outside the U.S. to continue to represent a significant portion of total revenues. Business operations outside the U.S. are subject to political, economic and other risks inherent in operating in foreign countries, such as:

- the difficulty of enforcing agreements, collecting receivables and protecting assets through foreign legal systems;
- trade protection measures and import or export licensing requirements;
- difficulty in staffing and managing widespread operations;
- required compliance with a variety of foreign laws and regulations;
- enforcement of our global compliance program in foreign countries with a variety of laws, cultures and customs;
- varying permitting and licensing requirements in different jurisdictions;
- foreign ownership laws;
- changes in the general political and economic conditions in the countries where we operate, particularly in emerging markets;
- threat of nationalization and expropriation;
- higher costs and risks of doing business in a number of foreign jurisdictions;

- laws or other requirements and restrictions associated with organized labor;
- limitations on the repatriation of earnings;
- fluctuations in equity, revenues and profits due to changes in foreign currency exchange rates, including measures taken by governments to devalue official currency exchange rates;
- inflation levels exceeding that of the U.S; and
- inability to collect for services provided to government entities.

We are exposed to certain risks when we operate in countries that have high levels of inflation, including the risk that:

- the rate of price increases for services will not keep pace with the cost of inflation;
- adverse economic conditions may discourage business growth which could affect demand for our services;
- the devaluation of the currency may exceed the rate of inflation and reported U.S. dollar revenues and profits may decline; and
- these countries may be deemed "highly inflationary" for U.S. generally accepted accounting principles ("GAAP") purposes.

We manage these risks by monitoring current and anticipated political and economic developments, monitoring adherence to our global compliance program and adjusting operations as appropriate. Changes in the political or economic environments of the countries in which we operate could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be unable to achieve, or may be delayed in achieving, our initiatives to drive efficiency and control costs.

We have launched a number of initiatives, including the 2015 reorganization and restructuring and the 2014 reorganization and restructuring described on page 6, to improve efficiencies and reduce operating costs. Although we have achieved annual cost savings associated with these initiatives, we may be unable to sustain the cost savings that we have achieved. In addition, if we are unable to achieve, or have any unexpected delays in achieving additional cost savings, our results of operations and cash flow may be adversely affected. Even if we meet our goals as a result of these initiatives, we may not receive the expected financial benefits of these initiatives.

We may not be successful in pursuing strategic investments or acquisitions or realize the expected benefits of those transactions because of integration difficulties and other challenges.

While we may identify opportunities for investments to support our growth strategy, as well as acquisition and divestiture opportunities, our due diligence examinations and positions that we may take with respect to appropriate valuations for acquisitions and divestitures and other transaction terms and conditions may hinder our ability to successfully complete business transactions to achieve our strategic goals. Our ability to realize the anticipated benefits from acquisitions will depend, in part, on successfully integrating each business with our company as well as improving operating performance and profitability through our management efforts and capital investments. The risks to a successful integration and improvement of operating performance and profitability include, among others, failure to implement our business plan, unanticipated issues in integrating operations with ours, unanticipated changes in laws and regulations, labor unrest resulting from union operations, regulatory, environmental and permitting issues, the effect on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002, and difficulties in fully identifying and evaluating potential liabilities, risks and operating issues. The occurrence of any of these events may adversely affect our expected benefits of any acquisitions and may have a material adverse effect on our financial condition, results of operations or cash flows.

We have significant deferred tax assets in the United States that may not be realized.

Deferred tax assets are future tax deductions that result primarily from the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes. At December 31, 2015, we have $273 million of U.S. deferred tax assets, net of valuation allowances, primarily related to our retirement plan obligations. These future tax deductions may not be realized if tax rules change or if projected future taxable income is insufficient. Consequently, not realizing our U.S. deferred tax assets may significantly and materially affect our financial condition, results of operations and cash flows.

It is possible that we will incur restructuring charges in the future.

It is possible that we will take restructuring actions in one or more of our markets in the future to reduce expenses. These actions could result in significant restructuring charges at these subsidiaries, including recognizing impairment charges to write down assets, and recording accruals for employee severance and the termination of operating leases. These charges, if required, could significantly and materially affect results of operations and cash flows.

We have significant retirement obligations. Poor investment performance of retirement plan holdings and / or lower interest rates used to discount the obligations could unfavorably affect our liquidity and results of operations.

We have substantial pension and retiree medical obligations, a portion of which have been funded. The amount of these obligations is significantly affected by factors that are not in our control, including interest rates used to determine the present value of future payment streams, investment returns, medical inflation rates, participation rates and changes in laws and regulations. The funded status of the primary U.S. pension plan was approximately 86% as of December 31, 2015. Based on actuarial assumptions at the end of 2015, we do not expect to make any contributions until 2020. A change in assumptions could result in funding obligations that could adversely affect our liquidity and our ability to use our resources to make acquisitions and to otherwise grow our business.

We have $716 million of actuarial losses recorded in accumulated other comprehensive income (loss) at the end of 2015. These losses relate to changes in actuarial assumptions that have increased the net liability for benefit plans. These losses have not been recognized in earnings. These losses will be recognized in earnings in future periods to the extent they are not offset by future actuarial gains. Our projections of future cash requirements and expenses for these plans could be adversely affected if our retirement plans have additional actuarial losses.

Our earnings and cash flow could be materially affected by increased losses of customer valuables.

We purchase insurance coverage for losses of customer valuables for amounts in excess of what we consider prudent deductibles and/or retentions. Insurance is provided by different groups of underwriters at negotiated rates and terms. Coverage is available to us in major insurance markets, although premiums charged are subject to fluctuations depending on market conditions. Our loss experience and that of other companies in our industry affects premium rates. We are not insured for losses below our coverage limits and recognize expense up to these limits for actual losses. Our insurance policies cover losses from most causes, with the exception of war, nuclear risk and various other exclusions typical for such policies. The availability of high-quality and reliable insurance coverage is an important factor in obtaining and retaining customers and managing the risks of our business. If our losses increase, or if we are unable to obtain adequate insurance coverage at reasonable rates, our financial condition, results of operations and cash flows could be materially and adversely affected.

Currency restrictions in Venezuela limit our ability to use earnings and cash flows outside of Venezuela and may negatively affect ongoing operations in Venezuela.

Because most of our past requests to convert bolivars to dollars have not been approved and certain past processes to obtain dollars are no longer available, we do not expect to be able to repatriate cash from Venezuela for the foreseeable future. Therefore, we do not expect to be able to use cash held in Venezuela for any purpose outside of that country, including reducing our U.S. debt, funding growth or business acquisitions or returning cash to shareholders.

We believe that currency exchange restrictions in Venezuela may disrupt the operation of our business in Venezuela because we may be unable to pay for goods and services that are required to be paid in dollars. This could reduce our ability to provide services to our customers in Venezuela, or could increase the cost of delivering the services, which would negatively affect our earnings and cash flows, and could result in a loss of control, deconsolidation, shutdown or loss of the business in Venezuela.

We have risks associated with confidential information.

In the normal course of business, we collect, process and retain sensitive and confidential information, including information about individuals. Despite the security measures we have in place, our facilities and systems, and those of third-party service providers and business partners, could be vulnerable to security breaches (including cybersecurity breaches), acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or by third-party service providers, could damage our reputation, expose us to the risks of litigation and liability, disrupt our business or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows.

Negative publicity to our name or brand could lead to a loss of revenues or profitability.

We are in the security business and our success and longevity are based to a large extent on our reputation for trust and integrity. Our reputation or brand, particularly the trust placed in us by our customers, could be negatively impacted in the event of perceived or actual breaches in our ability to conduct our business ethically, securely and responsibly. Any damage to our brand could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Failures of our IT system could have a material adverse effect on our business.

We are heavily dependent on our information technology (IT) infrastructure. Significant problems with our infrastructure, such as telephone or IT system failure, cybersecurity breaches, or failure to develop new technology platforms to support new initiatives and product and service offerings, could halt or delay our ability to service our customers, hinder our ability to conduct and expand our business and require significant remediation costs. In addition, we continue to evaluate and implement upgrades to our IT systems. We are aware of inherent risks associated with replacing these systems, including accurately capturing data and system disruptions, and believe we are taking appropriate action to mitigate these risks through testing, training, and staging implementation. However, there can be no assurances that we will successfully launch these systems as planned or that they will occur without disruptions to our operations. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.