INVESTMENT THESIS

LONG: The Brink's Company (BCO: $29.09)

Company	The Brink's Company	**Price/EPS FY1 (Consensus)**	14.0x	**YTD % Change**	-19.1%
Ticker	BCO	**Price/EPS FY2 (Consensus)**	12.1x	**52 Week High**	71.48
Stock Price	$29.09	**FY1 EV/EBITDA**	4.2x	**52 Week Low**	18.19
Mkt Cap	1,359	**FY2 EV/EBITDA**	3.9x	**200-Day**	34.70
Enterprise Value	1,447	**FCF Yield (FY09)**	9.1%	**50-Day**	28.51
Net Debt	-12	**ROE**	21.1%	**RSI**	54.15
Credit Ratings	BBB/Baa2	**ROIC**	25.6%	**Avg. Daily Vol. (000s)**	544.5
Cash/Share	$4.80	**Dividend Yield**	1.4%		

Investment Thesis Overview:

If we have learned anything over the past 12-18 months, it has been that "cash is king". Not only is cash king, but it is a significant growth business on a global basis. Even with the proliferation of credit and debit cards, the amount of cash in circulation globally continues to increase at 15-20% annually. Cash still represents more than 50% of most retailers' transactions. At a time when most people are more obsessed with cash than usual, we thought it might be interesting to evaluate a company who will continue to be a direct beneficiary of the growth of cash in circulation on a global basis – The Brink's Company. The Brink's Company transports, services, processes cash and highly valuable cash equivalents (gold, diamonds, and other precious items).

At a time when many investors are looking for stable business models with strong free cash flow characteristics, we are surprised that BCO shares remain at trough valuation levels. We think the stock is poised to witness significant gains in the second half of the year based on the following:

1. **Cash is a growth business. Global cash in circulation, continued retail banking branch expansion, proliferation of ATMs and the CompuSafe product cycle should all drive mid-to-high-single digit organic revenue growth for BCO**. We attribute BCO's current valuation discount to the market to investor concern about the company's exposure to the banking and retail channels. At first glance this would appear to be a major impediment to growth over the next few years. However, the company has an impressive track record of generating strong organic revenue growth in all economic cycles over the past 35 years. Global growth in cash in circulation and a steady increase in the installed base of ATM's has provided a strong tailwind of growth for the company over the past three to four decades. For example, despite the ubiquity of credit and debit cards in the US, cash in circulation still increased over 17% in the past three and a half years. Additionally a significant portion of BCO's revenues are generated from ATM services. The global installed base of ATMs exceeds 1.9 million and is forecast to grow at 5-7% annually. We think the combination of growth in cash in circulation, the rise in the installed based of ATM's and the adoption of CompuSafe on a broad basis should enable BCO to generate mid-to-high single digit organic revenue growth in the second half

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of 2009.

2. **BCO should generate significant free cash flow even after pension contributions. The company's financial flexibility is unmatched in its peer group**. BCO now employs more than 50,000 individuals, so it should not come as a surprise that the company has a sizeable pension plan. Similar to other companies with sizeable pension plans, the performance of capital markets in 2008 substantially left BCO's pension plans underfunded. As a result, the company will incur higher expenses and will make significant cash contributions starting in 2010. However, the nature of BCO's business model should enable the company to generate more than $100 million in free cash flow annually in both 2009 and 2010 after factoring in higher pension funding. The combination of strong free cash flow generation and an underleveraged balance sheet should enable BCO to pursue acquisitions and other strategic growth investments at a time when many of its peers are hampered by significant debt burdens.
3. **Brink's Will Benefit Immensely from Dollar Weakness**. BCO generated approximately 70% of its revenues outside of the US in 2008. The company has significant exposure to the Euro, the Venezuelan Bolivar and the Brazilian Real. In 2007 and 2008 dollar weakness contributed 4-6% to BCO's topline growth and increased operating income by 8-10%. At PAA Research, we are firmly in the camp that current government policies will eventually lead to sizeable dollar weakness. At a time when inflation/reflation trades have become all the rage we think investors could increasingly look at BCO as a dollar weakness play.
4. **BCO's valuation is cheap. High single digit organic revenue growth + strong FCF + 20%+ ROIC = 12x EPS**? **Really?** We have followed the business services space for a very long time and it is rare to find a company with reasonably strong organic revenue growth characteristics and a 20%+ return on capital that trades at 13-14x consensus EPS. At this stage, BCO shares will witness significant multiple expansion simply by meeting consensus EPS estimates. At 16-18x 2009 EPS, BCO would trade at $33-$37 by year end.

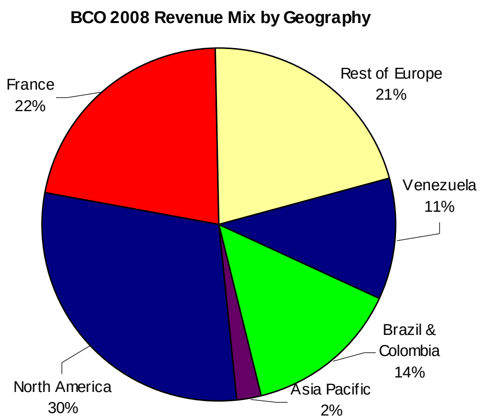
RISKS:

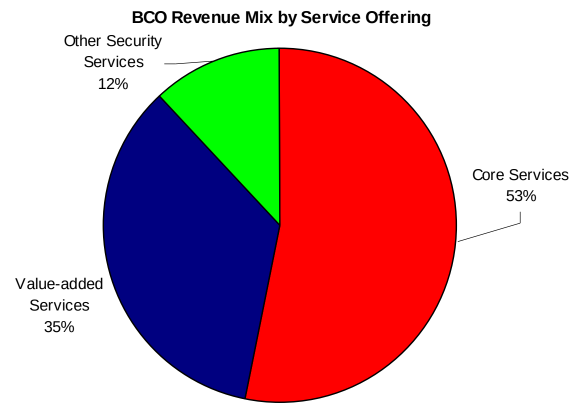
The risks to our investment thesis are the following:

1. Overall economic contraction could eventually lead to a precipitous drop off in the number of bank branches and retail locations.
2. Continued proliferation of credit and debit cards could eventually hamper growth in cash in circulation.
3. Another year of poor asset performance could increase the funding gap for the company's pension and retirement plans.
4. A dramatic rise in the dollar would dampen operating income.

BRIEF COMPANY DESCRIPTION AND TRADING HISTORY

Brink's is a leading provider of transportation and logistics management for cash and valuables through the world. These services include armored car transportation, ATM replenishment and servicing, currency deposit processing, cash logistics services and guarding services, including airport security. The company generates more than 70% of its revenues from outside the U.S. with a strong presence in Europe and Latin America. The company divides its service offerings into three main categories: core services, value added services and security services. The charts below outline BCO's revenue mix by geography and service offering.





Source: Company reports

The following is a brief description of the service offerings of each of BCO's major divisions.

Core Services – Cash in Transit and ATM Servicing Are Highly Visible Staples

BCO has been servicing the cash transportation needs of its clients since 1859. Contracts are typically structured to include an initial term of at least one year and in many cases up to three years. Through its cash in transit (CIT) services, Brink's provides customers with cash logistics between businesses and banks, cash transportation between commercial banks and the movement of new currency and precious metals for central banks. Through its ATM services, BCO provides cash replenishment, monitoring, deposit pick-up and processing services to more than 81,000 ATM's worldwide.

Value Added Services – Higher Margin, Faster Growth

BCO's value-added services include: global services, or the transportation of valuables long distances and cash logistics. Cash logistics is a higher margin business for BCO. The company offers an integrated approach to the supply chain of cash for its customers from the point-of-sale through transport, vaulting, deposit and credit. Many customers employ BCO to manage account consolidation, balance cashier totals and integrate electronic reporting. BCO recently introduced CompuSafe, which is a closed loop system for preventing theft and managing cash. The CompuSafe terminal, or safe, dramatically reduces working capital use at the point of sale. Customers are able to receive same day credit for their cash balances, even if

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the cash balance remains on the premises.

Other Security Services – On guard

BCO guards airports, offices, warehouses and stores with a combination of electronic surveillance, fire prevention and patrolling personnel. The company's guarding services are primarily offered in European markets. A good portion of the business involves long-term contracts related to airports.

Company History and Trading Background:

The Brink's Company introduced its secure "carting" service in 1859. Brink's was acquired by the Pittston Company (a coal company) in 1956. The Pittston company established a tracking stock for the services side of its business in 1993, which represented most of the legacy Brink's businesses. Pittston Company exited its natural resources business in 2002 and renamed the company the Brink's Company shortly thereafter. In October 2008, the Brink's Company spun-off Brink's Home Security to existing shareholders to become a fully focused cash logistics and secure transportation company.

BCO shares peaked at approximately $73/share in the second quarter of 2008. Prior to the spin-off of Brink's Home Security, BCO shares were trading at $48.50 and closed at $27.34 on its first trading day following the spin-off. In general, Brink's shares are not correlated to any major macro-economic data points.

Short Dynamics

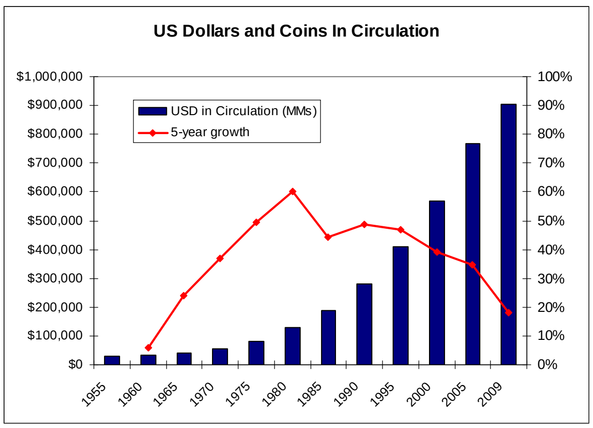
The short interest in BCO stands at 835,000 shares, which represents approximately 2% of the float and a short-interest-ratio of 1.4 days. The short interest should not be a factor in the trading dynamics surrounding the stock.

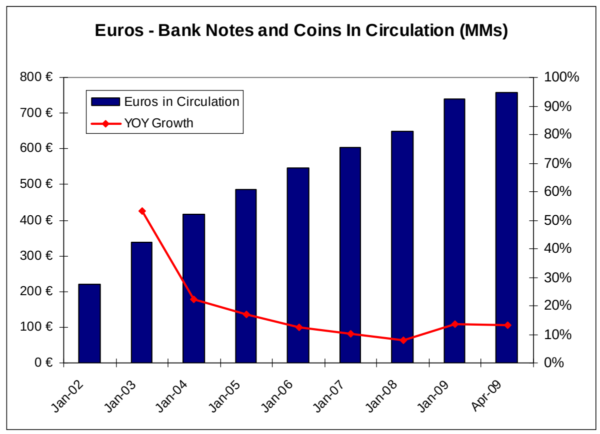
INVESTMENT THESIS IN DETAIL

Our investment thesis is predicated on the following:

1. **Cash is a growth business. Global cash in circulation, continued retail banking branch expansion, proliferation of ATMs and the CompuSafe product cycle should all drive high-single digit organic revenue growth for BCO.**

Since 1970, BCO has only had 4 years in which revenues declined. BCO generated 11% YOY organic revenue growth in 2008. In the past forty years, the company has generated positive revenue growth in every single recession. We attribute this to the powerful secular forces that drive the company's business prospects. Simply stated, cash is a growth business. Despite the proliferation of credit and debit cards, the amount of cash in circulation increased 17.9% from 2005 to 2009 in the US and 56.4% in Europe over the same time period. The tables below outline the growth in cash in circulation for the US dollar over the past 50 years and since inception for the Euro.





Source: US Treasury and ECB

<u>A decline in the number of banking institutions actually has little bearing on BCO's revenue opportunity; it's the number of branches that matter.</u>

There is a significant level of investor concern about BCO's exposure to financial institutions. Banks are BCO's single largest sector exposure. The company provides secure logistics services to banks such as cash transportation and ATM replenishment. Thus far in 2009, there have been 37 bank failures compared to 25 a year ago. The number of bank failures is a far cry from the days of the savings and loan scandal. **From 1988 to 1992, more than 400 banks failed annually, yet BCO increased revenues by approximately 10% each year during that time period**. Rather than the number of financial institutions, the number of bank branches is one of the most important drivers of revenue growth for BCO. According to the FDIC, from 1994 to 2008 the number of bank branches increased 22% while the number of institutions declined 35%. As banks return their focus to retail banking and traditional lending services, we expect the number of bank branches in the US to remain relatively stable.

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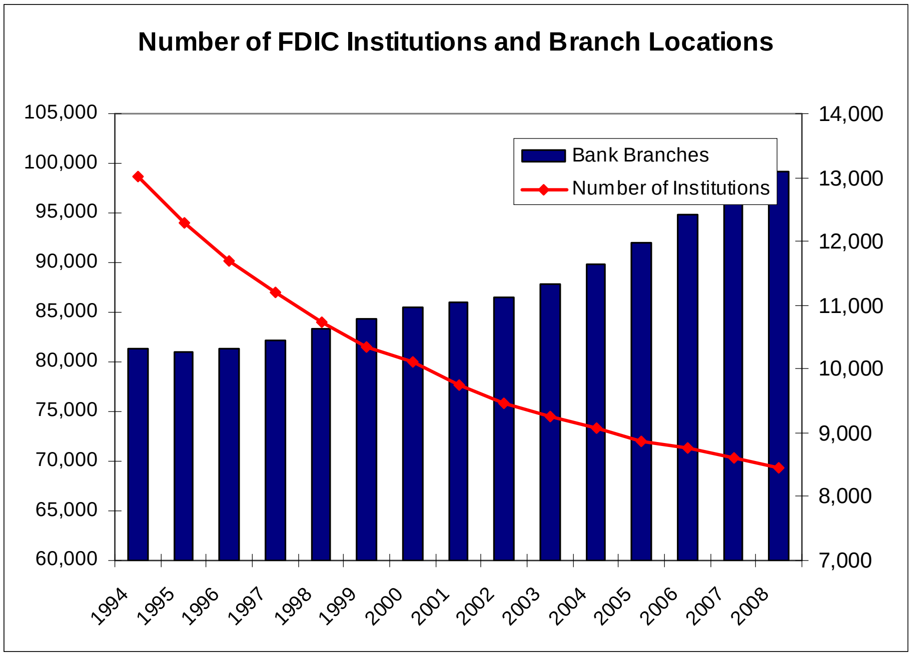
Outside of the US we expect the number of bank branches in emerging markets in Latin America, Central and Eastern Europe, and Asia to remain sizeable growth drivers for BCO.



Source: FDIC

<u>The number of ATM's worldwide continues to grow at a high single digit rate – Most markets are still highly under-penetrated</u>

BCO has been the direct beneficiary of the explosion in the number of ATM's worldwide over the past two decades. According to Retail Banking Research (RBR), there were 1.8 million ATM's worldwide at the end of 2007. RBR estimates that the number of ATM's installed worldwide will increase at a compound annual growth rate of 6% through 2013. The US market is fairly saturated at this point, but there are strong growth opportunities in Latin America, Asia, and Eastern Europe. The chart below depicts Retail Banking Research's ATM growth forecast through 2013.

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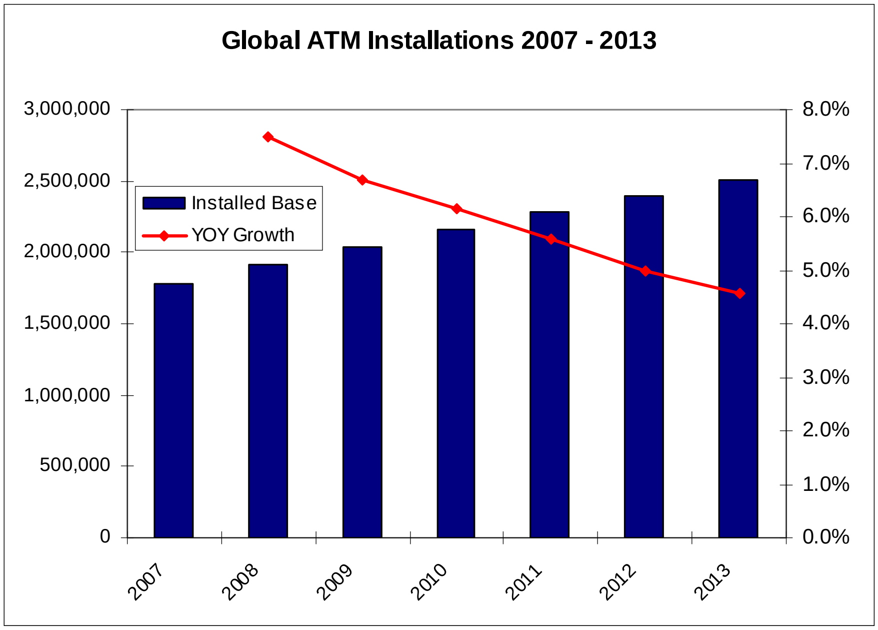
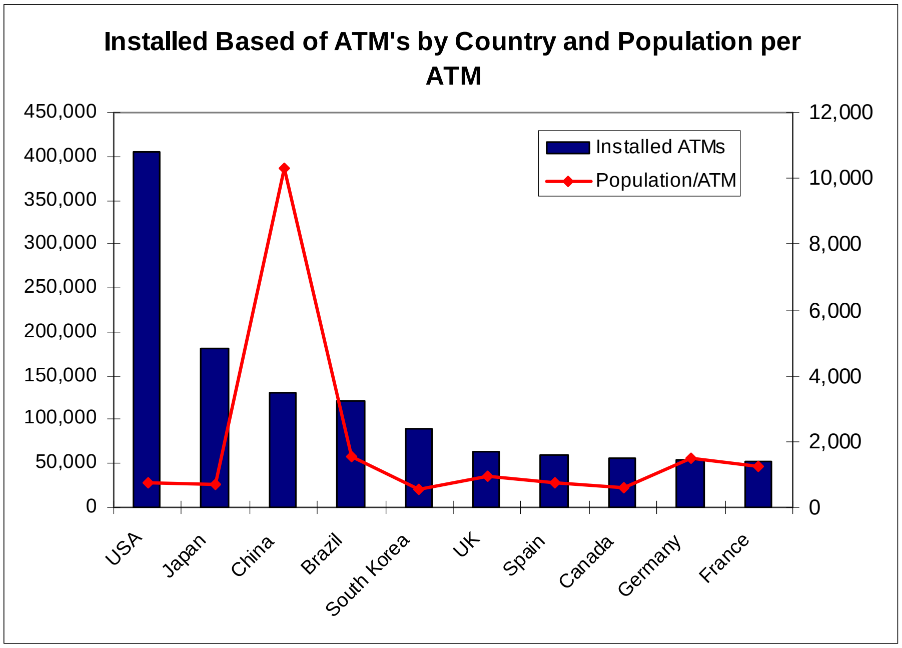


Source: Retail Banking Research

Taking a closer look at the distribution of ATM's across the globe, more than 68% of the installed ATM's are in located in just 10 countries, with 22% in the US alone. In the US, the ratio of people to ATM's is 757:1. In China, the ratio of people per ATM is 10,300:1. Interestingly enough, South Korea has the highest level of ATM penetration with one for every 537 individuals. The lack of penetration in emerging markets implies that the number of ATM's could double over 5-7 years in many of those markets. Brazil, which has become an increasingly important market for BCO, only has one ATM for every 1,565 individuals. Currently, BCO does not have a huge presence in Asia, but we anticipate the company will explore acquisition opportunities to expand their presence in that region in the next few years.



Source: Retail Banking Research, United Nations, PAA Research

Retailers still have a great need for cash services. BCO's CompuSafe is a highly differentiated product at the early stage of an adoption cycle.

Concern about BCO's exposure to the retail channel has been another major overhang on shares in our view. Cash still represents the dominant form of payment for retailers. The British Retail Consortium recently conducted a study, which indicated that 56% of transactions at the point of sale are completed with an exchange of cash. On a value basis, cash accounts for 33% of transactions.

	% of Transactions	% of Value
Cash	56.0%	33.0%
Debit Cards	32.0%	44.0%
Credit Cards	11.0%	20.0%
Checks	0.1%	1.0%
Charge Cards	0.9%	2.0%

Source: British Retail Consortium

Retail represents BCO's second largest industry exposure. The company helps retail companies manage their cash position and improve working capital turns. The company recently introduced CompuSafe, which is a closed-loop system for preventing theft and managing cash. A CompuSafe is installed at the customer's facility and can only be accessed by Brink's personnel. CompuSafe offers clients instant counterfeit detection and integration of back-office systems. Most importantly, CompuSafe enables customers to receive same day credit on their cash balances even if the cash remains on the customers' premises. This dramatically improves working capital turns for customers. In 2008, the installed base of CompuSafe increased by 17% to

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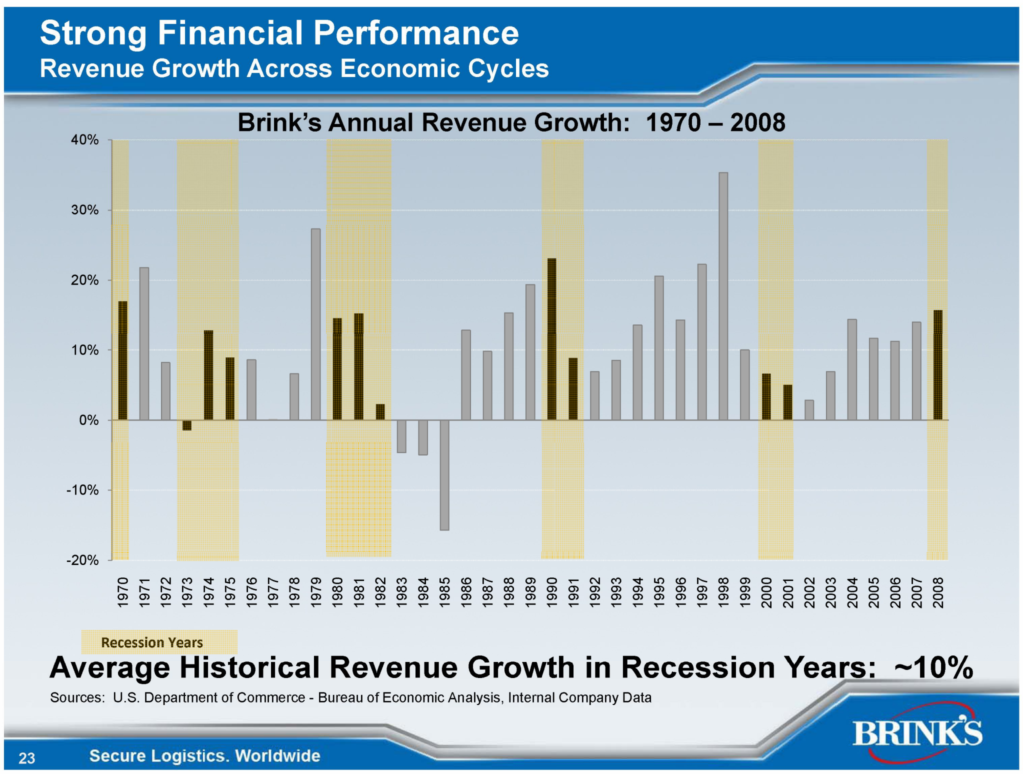
approximately 8,000 units. The company expects to witness accelerated revenue growth in 2009 as the adoption rates increase.

All of these factors should enable BCO to maintain strong organic revenue growth as it has for in almost every economic cycle for the past 35+ years.



Source: The Brink's Company

2. **BCO should generate significant free cash flow even after pension contributions. The company's financial flexibility is unmatched in its peer group.**

2008 was a difficult year for BCO's retirement plan similar to other companies with a sizeable employee base and large pension benefit obligation. As a result, the company will incur an additional $36 million in pension expense in 2009 and another $40 million in 2010. The company will not be required to make cash contributions until 2010, at which point BCO plans to contribute $42 million. In our base case model, we have assumed that BCO will make approximately $40 million in cash contributions in 2009 and 2010 to help meet standards under the Pension Protection Act. The low capital intensity of BCO's business model enables the company to generate significant free cash flow. We estimate the company will generate $124 million in free cash flow in 2009 and another $140 million in 2010, AFTER sizeable pension contributions. With total debt/EBITDA of a meager 0.5x and strong free cash flow generation, we think BCO is well positioned to pursue new growth opportunities, tack-on acquisitions and potentially increase its dividend. The company's competitors are not nearly as well-positioned. Group 4, Loomis, and Garda all have leverage levels in excess of 3.5x. BCO's management has indicated that it has gained new business from competitors recently as a result of client concern about leverage levels. The table below compares BCO to a few of its key competitors along a few criteria. We think BCO is better positioned than any of its peers due to the breadth of its service offerings, its geographic reach and modest leverage levels.

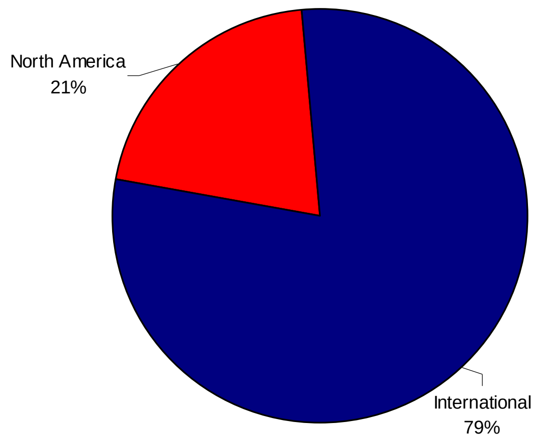
	Brink's BCO	Group 4 Securicor GFS	Loomis AB STO: LOOMB	Prosegur PSG:SIBE	Garda TSE:GW
Total Branchs	743		200	600	160
ATM's Serviced	81,000	11,500			
Vehicles	9,400	2,000		4,700	2,500
Employees	56,900	50,000	20,000	75,000	50,000
Revenues - Geography					
North America	29.5%	21.3%	33.0%		100.0%
Europe	43.0%	54.9%	67.0%		
Latin America	25.3%	N/A			
APAC	2.3%	8.1%			
Revenues - Service					
CIT/ATM Services	53.0%	20.3%	80.0%		56.3%
Value Added Svcs.	35.0%		16.0%		
Security	12.0%	80.0%			43.8%
Other	0.0%		4.0%		
Total Revenues ($MMs)	**$3,164**	**$9,628**	**$1,462**	**$2,913**	**$1,013**
Organic Revenue Growth	11.0%	9.5%	3.0%		7.0%
Operating Income	228.5	545.9	95.2	294.1	62.7
Margin	7.2%	5.7%	6.5%	10.1%	6.2%
EBITDA	350.8	844.0	100.5	350.6	105.1
Margin	11.1%	8.8%	6.9%	12.0%	10.4%
Leverage					
Total Debt/EBITDA	**0.5x**	**4.1x**	**3.8x**	**1.2x**	**5.8x**
Debt/Cap	38.2%	59.4%	50.7%	50.1%	91.3%
Stock Price (local currency)	$29.09	$214.00	$79.25	$22.35	$4.93
Market Cap (USD)	1,358.5	4,939.4	716.3	1,958.6	155.2
Enterprise Value (USD)	1,447.4	8,419.1	1,102.8		829.2
P/E FY1	12.6x		13.9x		
EV/EBITDA LTM	4.1x	8.9x	11.0x		7.9x
Dividend Yield	1.4%	3.5%	2.8%	3.3%	N/A

Source: Company reports, PAA Research estimates

3. **Brink's Will Benefit Immensely from Dollar Weakness.** Inflation and dollar-weakness trades have become particularly popular in the past few months due to concerns about monetary policy, an unprecedented increase in treasury debt and spiraling budget deficits. Dollar weakness was a significant growth driver for BCO from 2006 through the first half of 2008. BCO generated 70% of its revenues outside of the US in 2008. We expect the percentage of revenues generated outside of the US to continue to increase due to faster growth rates in emerging markets. The company's largest currency exposures are the Euro, the Brazilian Real, the Venezuelan Bolivar and the Colombian Peso. We estimate that the company will generate a 3% sequential increase in

revenues from 1Q09 to 2Q09 based on currency movements alone. Current consensus for revenues for 2Q09 implies a 3.5% sequential increase. The company incurs the vast majority of its costs in the markets in which it operates, so the leverage to dollar weakness from an operating income perspective is primarily on corporate overhead.

BCO 2008 Operating Income Mix by Geography



Source: Company reports

VARIANCE VS. CONSENSUS

We think BCO is a "meet" story for the rest of the year, which is to say the company only needs to meet consensus estimates for the stock to trade higher. Our 2Q09 revenue estimate of $771 million is slightly higher than street consensus of $758 million, which was established when the dollar was stronger than it currently is against the Euro and Latin American currencies. We have assumed operating margins improve 30 basis points sequentially from 1Q09 to 2Q09. The company will anniversary difficult comps from it Venezuela currency conversion project in the second quarter of 2009. Overall for 2009, we forecast a 1.3% YOY decline in international revenues and 2.2% increase in North America revenues. Our estimates include a 5% drag for the full year from changes in exchange rates, although the company should start to receive the benefits of exchange rates in the fourth quarter of this year. Our constant currency YOY revenue growth estimates for 2009 are 1.6% and 5.7% for North America and the company's International operations, respectively.

Management has established 2009 guidance of organic revenue growth of mid-to-high single digits and divisional operating margins of 8%. We have modeled divisional operating margins of 8.3% for 2009. It appears the current consensus for 2009 EPS of $2.08 is already below management guidance, so we think shares could trade materially higher if the company comes close to achieving its targets. Our model does not include any contribution from acquisitions, although we expect the company to pursue tack-on acquisitions in emerging markets during the course of the year. The table below compares our current forecast to street consensus.

	Consensus			PAA Research		
	2Q09E	**FY09E**	**FY10E**	**2Q09E**	**FY09E**	**FY10E**
Revenues	$757.9	$3,090.0	$3,280.0	$771.1	$3,155.0	$3,408.9
% Change	-18.7%	-2.3%	6.1%	-17.2%	-0.3%	8.0%
EBITDA				$77.2	$346.6	$374.1
Margin %				10.0%	11.0%	11.0%
EPS	$0.40	$2.08	$2.41	$0.41	$2.30	$2.53

Source: Yahoo Finance, PAA Research LLC

CATALYSTS

We would establish a full position in BCO shares at current levels. There are very few catalysts for the company intra-quarter.

PROBABILITY WEIGHTED RETURN

Looking at the return on investment based not only on current valuation, but the probability weighted return given our conviction level

Upside Conviction Level: 80%

A quick look at valuation: BCO shares look very cheap to us for a company that operates in an industry with solid secular growth, has a long track record of steady revenue in weak economic environments, generates substantial free cash flow and has a 20%+ ROIC and ROE. BCO currently trades at 14x the consensus EPS estimate for 2009. On an EV/EBITDA basis BCO trades at a paltry 4.2x and has a free cash flow yield of 9.1%. We think the stock should be valued similar to other business services companies with similar organic revenue growth prospects and high returns on capital, which would imply a P/E multiple of 15-20x 12-month forward EPS.

We think BCO shares could trade to $36-$43 by the end of the year: At $36, BCO would trade at 15x our 2009 EPS estimate of $2.30, which does not seem like an aggressive valuation. In our upside scenario, BCO shares would trade at 17x our 2010 EPS estimate and 6x EBITDA.

Total Probability Weighted Return: In order to better allocate capital from a timing and sizing perspective, we think it is important to look at each position on a probability weighted return basis. Overall, we think there's an 80% chance that BCO shares will trade higher over the next 6-9 months. We expect management to reiterate guidance on its 2Q09 earnings conference call and speak to the strong cash flow potential of the business as it is currently constituted. We anticipate shares could trade as high as $43 per share in the next six-months as gain comfort with the company's retail and banking exposure. Overall the probability adjusted return is 27.9%, which we think is compelling for a 6-9 month trade.

Return Matrix	Current Price	Target Price	Conviction Level	Absolute Return	Holding Period	Annualized Return	Total Probability Weighted Return
Upside	$29.09	$43.00	45.0%	47.8%	0.5x	95.6%	27.9%
Base	$29.09	$36.15	35.0%	24.3%	0.5x	48.5%	
Downside	$29.09	$26.00	20.0%	-10.6%	0.5x	-21.2%	

Source: PAA Research LLC

HEDGING STRATEGIES TO CONSIDER

Choice of Hedge: BCO has four publicly trade peers, none of which that are listed in the US. Normally we would recommend a pair trade: long BCO against a short position of a basket of shorts of the company's peer group. However, we are particularly concerned about the potential for dollar weakness, which is great when you're long a company listed in a foreign currency, but absolutely brutal when you're short. For now we'll stick with recommending a simple long position in BCO.