ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
November 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	95-4783236
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2425 Olympic Boulevard, Suite 6000 West

Santa Monica, California 90404

(Address of principal executive offices) (Zip Code)

(310) 447-3870

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 x 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 x No ¨

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

Large accelerated filer ¨	Accelerated filer x
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 x

As of November 2, 2015, there were 63,855,046 shares, $0.0001 par value per share, of the registrant's Class A common stock outstanding, 14,927,613 shares, $0.0001 par value per share, of the registrant's Class B common stock outstanding and 9,352,729 shares, $0.0001 par value per share, of the registrant's Class U common stock outstanding.

ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-Q FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

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Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expec “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our substantial indebtedness or our ability to raise capital;
- provisions of our debt instruments, including the agreement dated as of May 31, 2013, or the 2013 Credit Agreement, which governs our current credit facility, or the 2013 Credit Facility, the terms of which restrict certain aspects of the operation of our business;
- our continued compliance with all of our obligations, including financial covenants and ratios, under the 2013 Credit Agreement;
- cancellations or reductions of advertising due to the then current economic environment or otherwise;
- advertising rates remaining constant or decreasing;
- the impact of rigorous competition in Spanish-language media and in the advertising industry generally;
- the impact on our business, if any, as a result of changes in the way market share is measured by third parties;
- our relationship with Univision Communications Inc., or Univision;
- the extent to which we continue to generate revenue under retransmission consent agreements;
- subject to restrictions contained in the 2013 Credit Agreement, the overall success of our acquisition strategy and the integration of any acquired assets with our existing operations;
- industry-wide market factors and regulatory and other developments affecting our operations;
- economic uncertainty;
- the impact of any potential future impairment of our assets;
- risks related to changes in accounting interpretations; and
- the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws, including the Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled “Risk Factors,” beginning on page 28 of our Annual Report on Form 10-K for the year ended December 31, 2014.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$58,008	$31,260
Trade receivables, net of allowance for doubtful accounts of $3,049 and $3,100 (including related parties of $7,376 and $10,882)	64,802	64,956
Deferred income taxes	5,900	5,900
Prepaid expenses and other current assets (including related parties of $274 and $274)	6,273	5,295
Total current assets	134,983	107,411
Property and equipment, net of accumulated depreciation of $196,797 and $193,532	59,012	56,784
Intangible assets subject to amortization, net of accumulated amortization of $77,349 and $74,697 (including related parties of $14,498 and $16,239)	17,541	20,193
Intangible assets not subject to amortization	220,701	220,701
Goodwill	50,081	50,081
Deferred income taxes	55,319	66,558
Other assets	5,421	6,039
Total assets	$543,058	$527,767
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$3,750	$3,750
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $3,903 and $3,695)	28,898	32,195
Total current liabilities	32,766	36,063
Long-term debt, less current maturities	333,750	336,563
Other long-term liabilities	15,581	9,583
Total liabilities	382,097	382,209
Commitments and contingencies (note 4)		

Stockholders' equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2015 63,840,046; 2014 58,893,970	6	6
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2015 14,927,613; 2014 18,930,035	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2015 and 2014 9,352,729	1	1
Additional paid-in capital	910,068	912,161
Accumulated deficit	(744,656)	(764,474)
Accumulated other comprehensive income (loss)	(4,460)	(2,138)
Total stockholders' equity	160,961	145,558
Total liabilities and stockholders' equity	$543,058	$527,767

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2015	2014	2015	2014
Net revenue	$69,261	$62,274	$188,702	$176,776
Expenses:				
Cost of revenue - digital media	1,881	1,489	4,633	1,489
Direct operating expenses (including related parties of $2,369, $2,588, $6,791 and $7,824) (including non-cash stock-based compensation of $274, $278, $980 and $495)	27,624	26,307	81,353	76,732
Selling, general and administrative expenses	11,180	9,637	32,165	27,720
Corporate expenses (including non-cash stock-based compensation of $603, $611, $1,704 and $1,697)	5,535	4,899	15,578	14,996
Depreciation and amortization (includes direct operating of $2,618, $2,585, $7,736 and $7,471 selling, general and administrative of $1,041, $1,020, $3,146 and $2,789 and corporate of $371, $180, $1,068 and $543) (including related parties of $580, $580, $1,741 and $1,740)	4,030	3,785	11,950	10,803
	50,250	46,117	145,679	131,740
Operating income (loss)	19,011	16,157	43,023	45,036
Interest expense	(3,286)	(3,501)	(9,769)	(10,408)
Interest income	12	12	31	37
Income (loss) before income taxes	15,737	12,668	33,285	34,665
Income tax (expense) benefit	(6,444)	(4,611)	(13,467)	(13,485)
Net income (loss)	$9,293	$8,057	$19,818	$21,180
Basic and diluted earnings per share:				
Net income (loss) per share, basic	$0.11	$0.09	$0.23	$0.24
Net income (loss) per share, diluted	$0.10	$0.09	$0.22	$0.23
Cash dividends declared per common share	$0.03	$0.03	$0.08	$0.08
Weighted average common shares outstanding, basic	88,090,143	89,179,192	87,820,029	89,048,459
Weighted average common shares outstanding, diluted	90,423,333	91,239,798	90,202,389	91,130,613

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2015	2014	2015	2014
Net income (loss)	$9,293	$8,057	$19,818	$21,180
Other comprehensive income (loss), net of tax:				
Change in fair value of interest rate swap agreements	(1,126)	474	(2,322)	(1,296)
Total other comprehensive income (loss)	(1,126)	474	(2,322)	(1,296)
Comprehensive income (loss)	$8,167	$8,531	$17,496	$19,884

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine-Month Period Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income (loss)	$19,818	$21,180
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,950	10,803
Deferred income taxes	12,764	12,771
Amortization of debt issue costs	595	611
Amortization of syndication contracts	262	354
Payments on syndication contracts	(377)	(441)
Non-cash stock-based compensation	2,684	2,192
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	2,845	(5,523)
(Increase) decrease in prepaid expenses and other assets	(1,078)	(2,168)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(2,579)	(5,670)
Net cash provided by (used in) operating activities	46,884	34,109
Cash flows from investing activities:		
Purchases of property and equipment and intangibles	(11,546)	(6,390)
Purchases of a business, net of cash acquired	-	(15,048)
Net cash provided by (used in) investing activities	(11,546)	(21,438)
Cash flows from financing activities:		
Proceeds from stock option exercises	1,814	1,817
Payments on long-term debt	(2,813)	(1,875)
Dividends paid	(6,591)	(6,687)
Repurchase of Class A common stock	-	(3,482)
Payment of contingent consideration	(1,000)	-
Net cash provided by (used in) financing activities	(8,590)	(10,227)
Net increase (decrease) in cash and cash equivalents	26,748	2,444
Cash and cash equivalents:		
Beginning	31,260	43,822
Ending	$58,008	$46,266
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	$9,173	$11,977

Income taxes	$703	$714

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 30, 2015

1. BASIS OF PRESENTATION

Presentation

The consolidated financial statements included herein have been prepared by Entravision Communications Corporation (the “Company”), pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements and notes thereto should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2014 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The unaudited information contained herein has been prepared on the same basis as the Company’s audited consolidated financial statements and, in the opinion of the Company’s management, includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 2015 or any other future period.

Certain amounts in the Company’s prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

2. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a diversified media company serving Hispanic audiences primarily throughout the United States, as well as the border markets of Mexico, with a combination of television, radio, and digital media properties.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for contracts with advertising agencies is recorded at an amount that is net of the commission retained by the agency. Revenue from contracts directly with the advertisers is recorded at gross revenue and the related commission or national representation fee is recorded in operating expense. Cash payments received prior to services rendered result in deferred revenue, which is then recognized as revenue when the advertising time or space is actually provided. Digital related revenue is recognized when display or other digital advertisements record impressions on the websites of our third-party publishers.

The Company also generates interactive revenue under arrangements that are sold on a standalone basis and those that are sold on a combined basis that are integrated with its broadcast revenue and reported within the television and radio

segments. The Company has determined that these integrated revenue arrangements include multiple deliverables and has separated them into different units of accounting based on their relative sales price based upon management's best estimate. Revenue for each unit of accounting is recognized as it is earned.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate retransmission consent agreements for its Univision- and UniMás-affiliated television station signals. Advertising related to carriage of the Company's Univision- and UniMás-affiliated television station signals is recognized at the time of broadcast. See more details under the Related Party section below.

The Company also generates revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when the Company has relinquished all rights to operate the station on the existing channel free from interference to the telecommunications operators.

Related Party

Substantially all of the Company's stations are Univision- or UniMás-affiliated television stations. The Company's network affiliation agreements, as amended, with Univision provide certain of its owned stations the exclusive right to broadcast Univision's primary network and UniMás network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to the Company's consent. Under the Univision network affiliation agreement, the Company retains the right to sell approximately six minutes per hour of the available

advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under the UniMás network affiliation agreement, the Company retains the right to sell approximately four and a half minutes per hour of the available advertising time the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as the Company's exclusive sales representative for the sale of national advertising on the Company's Univision- and UniMás-affiliate television stations, and the Company pays certain sales representation fees to Univision relating to sales of all advertising for broadcast on the Company's Univision- and UniMás-affiliate television stations. During the three-month periods ended September 30, 2015 and 2014, the amount the Company paid Univision in this capacity was $2.4 million and $2.6 million, respectively. During the nine-month periods ended September 30, 2015 and 2014, the amount the Company paid Univision in this capacity was $6.8 million and $7.8 million, respectively.

The Company also generates revenue under two marketing and sales agreements with Univision, which give the Company the right through 2021 to manage the marketing and sales operations of Univision-owned UniMás and Univision affiliates in six markets – Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate the terms of retransmission consent agreements for its Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and the Company have extended through November 30, 2015. Among other things, the proxy agreement provides terms relating to compensation to be paid to the Company by Univision with respect to retransmission consent agreements entered into with Multichannel Video Programming Distributors ("MVPDs"). As of September 30, 2015, the amount due to the Company from Univision was $7.4 million related to the agreements for the carriage of its Univision and UniMás-affiliated television station signals. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement.

Univision currently owns approximately 10% of the Company's common stock on a fully-converted basis. The Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of the Company's issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, the Company will not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate the Company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of its Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

Stock-Based Compensation

The Company measures all stock-based awards using a fair value method and recognizes the related stock-based compensation expense in the consolidated financial statements over the requisite service period. As stock-based compensation expense recognized in the Company's consolidated financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

Stock-based compensation expense related to grants of stock options and restricted stock units was $0.9 million for each of the three-month periods ended September 30, 2015 and 2014. Stock-based compensation expense related to grants of stock options and restricted stock units was $2.7 million and $2.2 million for the nine-month periods ended September 30, 2015 and 2014, respectively.

Stock Options

Stock-based compensation expense related to stock options is based on the fair value on the date of grant using the Black-Scholes option pricing model and is amortized over the vesting period, generally between 1 to 4 years.

The fair value of each stock option granted was estimated using the following weighted-average assumptions:

	Nine-Month Period Ended September 30, 2015	
Fair value of options granted	$ 4.10	
Expected volatility	84	%
Risk-free interest rate	1.6	%
Expected lives	6.0 years	
Dividend rate	1.6	%

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As of September 30, 2015, there was approximately $1.1 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.5 years.

Restricted Stock Units

Stock-based compensation expense related to restricted stock units is based on the fair value of the Company's stock price on the date of grant and is amortized over the vesting period, generally between 1 to 4 years.

The following is a summary of non-vested restricted stock units granted (in thousands, except grant date fair value data):

	Nine-Month Period Ended September 30, 2015	
	Number Granted	Weighted-Average Fair Value
Restricted stock units	62	$ 6.76

As of September 30, 2015, there was approximately $1.7 million of total unrecognized compensation expense related to grants of restricted stock units that is expected to be recognized over a weighted-average period of 1.4 years.

Income (Loss) Per Share

The following table illustrates the reconciliation of the basic and diluted income (loss) per share computations required by Accounting Standards Codification (ASC) 260-10, "Earnings per Share" (in thousands, except share and per share data):

	Three-Month Period Ended September 30,		Nine-Month Period Ended September 30,	
	2015	2014	2015	2014
Basic earnings per share:				
Numerator:				
Net income (loss)	$9,293	$8,057	$19,818	$21,180
Denominator:				
Weighted average common shares outstanding	88,090,143	89,179,192	87,820,029	89,048,459
Per share:				
Net income (loss) per share	$0.11	$0.09	$0.23	$0.24
Diluted earnings per share:				

Numerator:				
Net income (loss)	$9,293	$8,057	$19,818	$21,180
Denominator:				
Weighted average common shares outstanding	88,090,143	89,179,192	87,820,029	89,048,459
Dilutive securities:				
Stock options and restricted stock units	2,333,190	2,060,606	2,382,360	2,082,154
Diluted shares outstanding	90,423,333	91,239,798	90,202,389	91,130,613
Per share:				
Net income (loss) per share	$0.10	$0.09	$0.22	$0.23

Basic income (loss) per share is computed as net income (loss) divided by the weighted average number of shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution, if any, that could occur from shares issuable through stock options and restricted stock awards.

For the three- and nine-month periods ended September 30, 2015, a total of 10,211 and 50,806 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

For the three- and nine-month periods ended September 30, 2014, a total of 1,274,750 and 1,336,750 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

Treasury Stock

On August 18, 2014, the Board of Directors approved a share repurchase program of up to $10.0 million of the Company's outstanding Class A common stock. On November 25, 2014, the Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional $10.0 million of the Company's outstanding Class A common stock, for a total repurchase authorization of up to $20.0 million. Under the share repurchase program the Company is authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The share repurchase program may be suspended or discontinued at any time without prior notice.

Treasury stock is included as a deduction from equity in the Stockholders' Equity section of the Consolidated Balance Sheets.

The Company did not repurchase any shares of Class A common stock during the nine-month period ended September 30, 2015. As of September 30, 2015, the Company repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of $5.08 since the beginning of this program, for an aggregate purchase price of approximately $12.5 million. All repurchased shares were retired as of December 31, 2014.

2013 Credit Facility

On May 31, 2013, the Company entered into the 2013 Credit Facility pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20.0 million senior secured Term Loan A Facility (the "Term Loan A Facility"), a $375.0 million senior secured Term Loan B Facility (the "Term Loan B Facility"; and together with the Term Loan A Facility, the "Term Loan Facilities") which was drawn on August 1, 2013 (the "Term Loan B Borrowing Date"), and a $30.0 million senior secured Revolving Credit Facility (the "Revolving Credit Facility"). In addition, the 2013 Credit Facility provides that the Company may increase the aggregate principal amount of the 2013 Credit Facility by up to an additional $100.0 million, subject to the Company satisfying certain conditions.

Borrowings under the Term Loan A Facility were used on the closing date of the 2013 Credit Facility (the "Closing Date") (together with cash on hand) to (a) repay in full all of the outstanding obligations of the Company and its subsidiaries under the then outstanding credit facility, and (b) pay fees and expenses in connection with the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, the Company drew on the Company's Term Loan B Facility to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the Company's then outstanding notes (the "Notes"). The Company intends to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes of the Company and from time to time fund a portion of certain acquisitions, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by all of the Company's existing and future wholly-owned domestic subsidiaries (the "Credit Parties"). The 2013 Credit Facility is secured on a first priority basis by the Company's and the Credit Parties' assets. Upon the redemption of the Notes, the security interests and guaranties

of the Company and its Credit Parties under the indenture governing the Notes (the “Indenture”), and the Notes were terminated and released.

The Company’s borrowings under the 2013 Credit Facility bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). As of September 30, 2015, the Company’s effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on May 31, 2020 (the “Term Loan B Maturity Date”) and the Revolving Credit Facility expires on May 31, 2018 (the “Revolving Loan Maturity Date”).

As defined in the 2013 Credit Facility, “Applicable Margin” means:

(a) with respect to the Term Loans (i) if a Base Rate Loan, one and one half percent (1.50%) per annum and (ii) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(b) with respect to the Revolving Loans:

(i) for the period commencing on the Closing Date through the last day of the calendar month during which financial statements for the fiscal quarter ending September 30, 2013 are delivered: (A) if a Base Rate Loan, one and one half percent (1.50%) per annum and (B) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(ii) thereafter, the Applicable Margin for the Revolving Loans shall equal the applicable LIBOR margin or Base Rate margin in effect from time to time determined as set forth below based upon the applicable First Lien Net Leverage Ratio then in effect pursuant to the appropriate column under the table below:

First Lien Net Leverage Ratio	LIBOR Margin		Base Rate Margin	
^{3} 4.50 to 1.00	2.50	%	1.50	%
< 4.50 to 1.00	2.25	%	1.25	%

In the event the Company engages in a transaction that has the effect of reducing the yield of any loans outstanding under the Term Loan B Facility within six months of the Term Loan B Borrowing Date, the Company will owe 1% of the amount of the loans so repriced or replaced to the Lenders thereof (such fee, the “Repricing Fee”). Other than the Repricing Fee, the amounts outstanding under the 2013 Credit Facility may be prepaid at the option of the Company without premium or penalty, provided that certain limitations are observed, and subject to customary breakage fees in connection with the prepayment of a LIBOR rate loan. The principal amount of the (i) Term Loan A Facility shall be paid in full on the Term Loan B Borrowing Date, (ii) Term Loan B Facility shall be paid in installments on the dates and in the respective amounts set forth in the 2013 Credit Agreement, with the final balance due on the Term Loan B Maturity Date and (iii) Revolving Credit Facility shall be due on the Revolving Loan Maturity Date.

Subject to certain exceptions, the 2013 Credit Agreement contains covenants that limit the ability of the Company and the Credit Parties to, among other things:

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens on the property or assets of the Company and the Credit Parties;
- dispose of certain assets;
- consummate any merger, consolidation or sale of substantially all assets;
- make certain investments;
- enter into transactions with affiliates;
- use loan proceeds to purchase or carry margin stock or for any other prohibited purpose;
- incur certain contingent obligations;
- make certain restricted payments; and
- enter new lines of business, change accounting methods or amend the organizational documents of the Company or any Credit Party in any materially adverse way to the agent or the lenders.

The 2013 Credit Agreement also requires compliance with a financial covenant related to total net leverage ratio (calculated as set forth in the 2013 Credit Agreement) in the event that the revolving credit facility is drawn.

The 2013 Credit Agreement also provides for certain customary events of default, including the following:

- default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;
- default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;
- failure by the Company or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and

payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;

failure by the Company or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement

delivery obligations) after officers of the Company first become aware of such failure or first receive written notice of such failure from any lender;

- default in the payment of other indebtedness if the amount of such indebtedness aggregates to $15.0 million or more, or failure to comply with the terms of any agreements related to such indebtedness if the holder or holders of such indebtedness can cause such indebtedness to be declared due and payable;
- failure of the Company or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;
- certain events of bankruptcy or insolvency with respect to the Company or any Credit Party;
- certain change of control events;
- the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and
- any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

In connection with the Company entering into the 2013 Credit Agreement, the Company and the Credit Parties also entered into an Amended and Restated Security Agreement, pursuant to which the Company and the Credit Parties each granted a first priority security interest in the collateral securing the 2013 Credit Facility for the benefit of the lenders under the 2013 Credit Facility.

On August 1, 2013, the Company drew on borrowings under the Company's Term Loan B Facility. The borrowings were used to (i) repay in full all of the outstanding loans under the Company's Term Loan A Facility; (ii) redeem in full and terminate all of its outstanding obligations (the "Redemption") on August 2, 2013 (the "Redemption Date") under the Indenture, in an aggregate principal amount of approximately $324 million, and (iii) pay any fees and expenses in connection therewith. The redemption price for the redeemed Notes was 106.563% of the principal amount, plus accrued and unpaid interest thereon to the Redemption Date.

The Redemption constituted a complete redemption of the Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date. The Company recorded a loss on debt extinguishment of $29.7 million, primarily due to the premium associated with the redemption of the Notes, the unamortized bond discount and finance costs.

On December 30, 2014, the Company made a prepayment of $20.0 million to reduce the amount of loans outstanding under the Term Loan B Facility.

On December 31, 2013, the Company made prepayments of $10.0 million to reduce the amount of loans outstanding under the Term Loan B Facility.

The carrying amount and estimated fair value of the Term Loan B Facility as of September 30, 2015 were both $337.5 million. The estimated fair value is calculated using an income approach which projects expected future cash flows and discounts them using a rate based on industry and market yields.

Derivative Instruments

The Company uses derivatives in the management of its interest rate risk with respect to its variable rate debt. The Company's strategy is to eliminate the cash flow risk on a portion of its variable rate debt caused by changes in the benchmark interest rate (LIBOR). Derivative instruments are not entered into for speculative purposes.

As required by the terms of the Company's 2013 Credit Agreement, on December 16, 2013, the Company entered into three forward-starting interest rate swap agreements with an aggregate notional amount of $186.0 million at a fixed

rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements take effect on December 31, 2015 with a maturity date on December 31, 2018. Under these interest rate swap agreements, the Company pays at a fixed rate and receives payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the three-month period ended September 30, 2015 and 2014 was a loss of $1.1 million and a gain of $0.5 million, net of tax, respectively, and was included in other comprehensive income (loss). The change in fair value of the interest rate swap agreements for the nine-month periods ended

September 30, 2015 and 2014 was a loss of $2.3 million and $1.3 million, net of tax, respectively, and was included in other comprehensive income (loss). As of September 30, 2015, we estimate that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

The carrying amount of the interest rate swap agreements is recorded at fair value, including non-performance risk, when material. The fair value of each interest rate swap agreement is determined by using multiple broker quotes, adjusted for non-performance risk, when material, which estimate the future discounted cash flows of any future payments that may be made under such agreements.

The fair value of the interest rate swap liability as of September 30, 2015 was $7.2 million and was recorded in "Other long-term liabilities" in the consolidated balance sheets.

Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures", defines and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with ASC 820, the Company has categorized its financial assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below.

Level 1 – Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the company has the ability to access at the measurement date.

Level 2 – Assets and liabilities whose values are based on quoted prices for similar attributes in active markets; quoted prices in markets where trading occurs infrequently; and inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets (in millions):

	September 30, 2015 Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category	
		Level 1	Level 2

				Level 3
Liabilities:				
Interest rate swap	$ 7.2	$ —	$ 7.2	$ —
Contingent Consideration	$ 0.1	$ —	$ —	$ 0.1

Reportable Segments:				
North America	$616.7	410.8	—	1,027.5
South America	343.6	350.6	9.4	703.6
Rest of World	270.8	387.9	140.0	798.7
Total reportable segments	1,231.1	1,149.3	149.4	2,529.8
Not Allocated to Segments:				
Venezuela	18.4	33.0	—	51.4
Total	$1,249.5	1,182.3	149.4	2,581.2
Nine months ended September 30, 2017				
Reportable Segments:				
North America	$541.7	390.4	—	932.1
South America	314.9	329.1	10.2	654.2
Rest of World	237.7	355.6	149.0	742.3
Total reportable segments	1,094.3	1,075.1	159.2	2,328.6
Not Allocated to Segments:				
Venezuela	60.0	55.2	—	115.2
Total	$1,154.3	1,130.3	159.2	2,443.8

The majority of our revenues from contracts with customers are earned by providing services and these performance obligations are satisfied over time. Smaller amounts of revenues are earned from selling goods, such as safes, to customers where the performance obligations are satisfied at a point in time.

Certain of our high-value services involve the leasing of assets, such as safes, to our customers along with the regular servicing of those safe devices. Revenues related to the leasing of these assets are recognized in accordance with ASC 840, Leases, but are included in the above table as the amounts are a small percentage of overall revenues.

Contract Balances
Contract Asset
Although payment terms and conditions can vary, for the majority of our customer contracts, we invoice for all of the services provided to the customer within a monthly period. For certain customer contracts, the timing of our performance may precede our right to invoice the customer for the total transaction price. For example, Brink's affiliates in certain countries, primarily in South America, negotiate annual price adjustments with certain customers and, once the price increases are finalized, the pricing changes are made retroactive to services provided in earlier periods. These retroactive pricing adjustments are estimated and recognized as revenue with a corresponding contract asset in the same period in which the related services are performed. As the estimate of the ultimate transaction price changes, we recognize a cumulative catch-up adjustment for the change in estimate.

Contract Liability
For other customer contracts, we may obtain the right to payment or receive customer payments prior to performing the related services under the contract. When the right to customer payments or receipt of payments precedes our performance, we recognize a contract liability.

The opening and closing balances of receivables, contract assets and contract liabilities related to contracts with customers are as follows:

(In millions)	Receivables	Contract Asset	Contract Liability
Opening (January 1, 2018)	$ 642.3	0.4	5.6
Closing (September 30, 2018)	630.7	2.5	3.2
Increase (decrease)	$ (11.6)	2.1	(2.4)

The amount of revenue recognized in the nine months ended September 30, 2018 that was included in the January 1, 2018 contract liability balance was $5.1 million. This revenue consists of services provided to customers who had prepaid for those services prior to the current year.

We also recognized revenue of $0.6 million in the nine months ended September 30, 2018 from performance obligations satisfied in the prior year. This amount is a result of changes in the transaction price of our contracts with customers.

Contract Costs
Sales commissions directly related to obtaining new contracts with customers qualify for capitalization. These capitalized costs are amortized to expense ratably over the term of the contracts. At September 30, 2018, the net capitalized costs to obtain contracts was $1.7 million, which is included in other assets on the condensed consolidated balance sheet. Amortization expense was not significant and there were no impairment losses recognized related to these contract costs in the first nine months of 2018.

Practical Expedients
For the majority of our contracts with customers, we invoice a fixed amount for each unit of service we have provided. These contracts provide us with the right to invoice for an amount or rate that corresponds to the value we have delivered to our customers. The volume of services that will be provided to customers over the term is not known at inception of these contracts. Therefore, while the rate per unit of service is known, the transaction price itself is variable. For this reason, we recognize revenue from these contracts equal to the amount for which we have the contractual right to invoice the customers. Because we are not required to estimate variable consideration related to the transaction price in order to recognize revenue, we are also not required to estimate the variable consideration to provide certain disclosures. As a result, we have elected to use the optional exemption related to the disclosure of

transaction prices, amounts allocated to remaining performance obligations and the future periods in which revenue will be recognized, sometimes referred to as backlog.

We have also elected to use the practical expedient for financing components related to our contract liabilities. We do not recognize interest expense on contracts for which the period between our receipt of customer payments and our service to the customer is one year or less.

Impact on Reported Amounts

We adopted ASU 2014-09, Revenue From Contracts with Customers, effective January 1, 2018 using the modified retrospective method. As a result, we recognized a cumulative-effect adjustment to January 1, 2018 retained earnings. Comparative prior year period amounts are reported in accordance with previous accounting standards. The adoption of the new revenue recognition standard impacted our reported amounts in 2018 as follows:

(In millions)	As reported	Impact of New Revenue Recognition Standard	Pro Forma under Old Revenue Recognition Standard
Three months ended September 30, 2018			
Statement of Operations			
Revenues	$852.4	2.1	850.3
Operating profit	67.0	2.3	64.7
Net income (loss) attributable to Brink's	17.4	1.6	15.8
Nine months ended September 30, 2018			
Statement of Operations			
Revenues	$2,581.2	4.8	2,576.4
Operating profit	193.5	2.7	190.8
Net income (loss) attributable to Brink's	(68.2)	1.8	(70.0)
As of September 30, 2018			
Balance Sheet			
Prepaid expenses and other assets	$136.6	2.5	134.1
Other assets	179.8	1.7	178.1
Retained earnings	456.7	3.3	453.4

Note 3 - Segment information

The Brink's Company offers transportation and logistics management services for cash and valuables throughout the world.

Core services include:

- Cash-in-Transit ("CIT") Services – armored vehicle transportation of valuables
- ATM Services – replenishing and maintaining customers' automated teller machines; providing network infrastructure services

High-value services include:

- Global Services – secure international transportation of valuables
- Cash Management Services
  - Currency and coin counting and sorting; deposit preparation and reconciliations; other cash management services
  - Safe and safe control device installation and servicing (including our patented CompuSafe® service)
  - Vaulting services
  - Check imaging services for banking customers
- Payment Services – bill payment and processing services on behalf of utility companies and other billers at any of our Brink's or Brink's-operated payment locations in Brazil, Colombia, Panama and Mexico and Brink's Money™ general purpose reloadable prepaid cards and payroll cards in the U.S.

Other security services include:

- Commercial Security Systems Services – design and installation of security systems in designated markets in Europe
- Guarding Services – protection of airports, offices, and certain other locations in Europe and Brazil with or without electronic surveillance, access control, fire prevention and highly trained patrolling personnel

We identify our operating segments based on how our chief operating decision maker ("CODM") allocates resources, assesses performance and makes decisions. Our CODM is our President and Chief Executive Officer. Our CODM evaluates performance and allocates resources to our operating segments based on a profit or loss measure which, at the reportable segment level, excludes the following:

- Corporate expenses - former non-segment and regional management costs, currency transaction gains and losses, adjustments to reconcile segment accounting policies to U.S. GAAP, and costs related to global initiatives
- Other items not allocated to segments - certain significant items such as reorganization and restructuring actions that are evaluated on an individual basis by management and are not considered part of the ongoing activities of the business are excluded from segment results. Prior to deconsolidation (see Note 1), results from Venezuela operations were also excluded from our segment results due to the Venezuelan government's restrictions that have prevented us from repatriating funds. We also exclude certain costs, gains and losses related to acquisitions and dispositions of assets and of businesses. Beginning in the third quarter of 2018, we began to consolidate Brink's Argentina using our accounting policy for subsidiaries operating in highly inflationary economies. We have excluded from our segment results the impact of highly inflationary accounting in Argentina, including currency remeasurement losses. Incremental third party costs incurred related to the mitigation of material weaknesses and the implementation and adoption of ASU 2016-02, the new lease accounting standard effective for us January 1, 2019, are also excluded from segment results.

The following table summarizes our revenues and segment profit for each of our reportable segments and reconciles these amounts to consolidated revenues and operating profit:

	Revenues		Operating Profit	
	Three Months Ended September 30,		Three Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Reportable Segments:				
North America	$383.4	316.5	$33.6	16.9
South America	215.5	247.4	46.3	47.7
Rest of World	253.5	264.8	30.8	33.3
Total reportable segments	852.4	828.7	110.7	97.9
Reconciling Items:				
Corporate expenses:				
General, administrative and other expenses	—	—	(20.6)	(22.4)
Foreign currency transaction gains (losses)	—	—	0.4	0.5
Reconciliation of segment policies to GAAP	—	—	4.8	0.4
Other items not allocated to segments:				
Venezuela operations	—	20.8	—	2.5
Reorganization and Restructuring	—	—	(7.3)	(6.4)
Acquisitions and dispositions	—	—	(10.7)	(6.1)
Argentina highly inflationary impact	—	—	(8.3)	—
Reporting compliance[a]	—	—	(2.0)	—
Total	$852.4	849.5	$67.0	66.4

(a) Accounting standard implementation and material weakness mitigation. Additional information provided at page 45.

	Revenues		Operating Profit	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Reportable Segments:				
North America	$1,027.5	932.1	$80.3	43.9
South America	703.6	654.2	148.0	123.3
Rest of World	798.7	742.3	82.6	84.1
Total reportable segments	2,529.8	2,328.6	310.9	251.3
Reconciling Items:				
Corporate expenses:				
General, administrative and other expenses	—	—	(72.6)	(59.9)
Foreign currency transaction gains (losses)	—	—	(1.8)	0.7
Reconciliation of segment policies to GAAP	—	—	6.5	(1.4)

Other items not allocated to segments:				
Venezuela operations	51.4	115.2	2.3	19.1
Reorganization and Restructuring	—	—	(15.5)	(16.1)
Acquisitions and dispositions	—	—	(24.6)	(8.1)
Argentina highly inflationary impact	—	—	(8.3)	—
Reporting compliance[(a)]	—	—	(3.4)	—
Total	$2,581.2	2,443.8	$193.5	185.6

(a) Accounting standard implementation and material weakness mitigation. Additional information provided at page 45.

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Note 4 - Retirement benefits

Pension plans

We have various defined-benefit pension plans covering eligible current and former employees. Benefits under most plans are based on salary and years of service.

The components of net periodic pension cost for our pension plans were as follows:

	U.S. Plans		Non-U.S. Plans		Total	
(In millions)	2018	2017	2018	2017	2018	2017
Three months ended September 30,						
Service cost	$—	—	2.6	2.8	2.6	2.8
Interest cost on projected benefit obligation	8.0	8.8	2.5	3.2	10.5	12.0
Return on assets – expected	(13.4)	(13.3)	(2.7)	(2.6)	(16.1)	(15.9)
Amortization of losses	6.8	6.3	1.0	1.4	7.8	7.7
Amortization of prior service cost	—	—	—	0.4	—	0.4
Settlement loss	—	—	0.4	0.6	0.4	0.6
Net periodic pension cost	$1.4	1.8	3.8	5.8	5.2	7.6
Nine months ended September 30,						
Service cost	$—	—	8.2	8.5	8.2	8.5
Interest cost on projected benefit obligation	24.0	26.4	9.8	12.3	33.8	38.7
Return on assets – expected	(40.2)	(39.9)	(8.4)	(7.4)	(48.6)	(47.3)
Amortization of losses	20.8	18.7	3.3	4.0	24.1	22.7
Amortization of prior service cost	—	—	0.2	0.8	0.2	0.8
Settlement loss	—	—	1.4	1.4	1.4	1.4
Net periodic pension cost	$4.6	5.2	14.5	19.6	19.1	24.8

We did not make cash contributions to the primary U.S. pension plan in 2017 or the first nine months of 2018. Based on assumptions described in our Annual Report on Form 10-K for the year ended December 31, 2017, we do not expect to make any additional contributions to the primary U.S. pension plan.

Retirement benefits other than pensions

We provide retirement healthcare benefits for eligible current and former U.S., Canadian, and Brazilian employees. Retirement benefits related to our former U.S. coal operations include medical benefits provided by the Pittston Coal Group Companies Employee Benefit Plan for United Mine Workers of America Represented Employees (the "UMWA plans") as well as costs related to Black Lung obligations.

The components of net periodic postretirement cost related to retirement benefits other than pensions were as follows:

	UMWA Plans		Black Lung and Other Plans		Total	
(In millions)	2018	2017	2018	2017	2018	2017
Three months ended September 30,						
Interest cost on accumulated postretirement benefit obligations	$4.2	4.6	0.7	0.9	4.9	5.5
Return on assets – expected	(4.1)	(4.1)	—	—	(4.1)	(4.1)
Amortization of losses	4.9	5.2	1.6	1.0	6.5	6.2
Amortization of prior service (credit) cost	(1.2)	(1.2)	0.2	0.5	(1.0)	(0.7)
Net periodic postretirement cost	$3.8	4.5	2.5	2.4	6.3	6.9
Nine months ended September 30,						
Service cost	$—	—	0.1	0.1	0.1	0.1
Interest cost on accumulated postretirement benefit obligations	12.9	13.7	2.3	2.4	15.2	16.1
Return on assets – expected	(12.5)	(12.4)	—	—	(12.5)	(12.4)
Amortization of losses	15.4	14.6	4.3	3.0	19.7	17.6
Amortization of prior service (credit) cost	(3.5)	(3.5)	0.8	1.3	(2.7)	(2.2)
Net periodic postretirement cost	$12.3	12.4	7.5	6.8	19.8	19.2

The components of net periodic pension cost and net periodic postretirement cost other than the service cost component are included in interest and other income (expense) in the condensed consolidated statements of operations.

Note 5 - Income taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Continuing operations				
Provision for income taxes (in millions)	$23.0	16.4	$53.0	48.1
Effective tax rate	54.9 %	43.7%	(514.6%)	39.0%

Tax Reform

On December 22, 2017, the Tax Reform Act was enacted into law. The Tax Reform Act included a reduction in the federal tax rate for corporations from 35% to 21% as of January 1, 2018, a one-time transition tax on the cumulative undistributed earnings of foreign subsidiaries as of December 31, 2017, a repeal of the corporate alternative minimum tax, and more extensive limitations on deductibility of performance-based compensation for named executive officers. Other provisions effective as of January 1, 2018, which could materially impact the Company in the near-term, included the creation of a new U.S. minimum tax on foreign earnings called the Global Intangible Low-Taxed Income ("GILTI") and limitations on the deductibility of interest expense.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Reform Act, the Company recorded provisional amounts as of December 31, 2017, in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"). We recorded a provisional one-time non-cash charge of $92 million in the fourth quarter of 2017 to remeasure the deferred tax assets for the new rate and for other legislative changes. We filed our 2017 U.S. federal income tax return in October 2018, which did not reflect a U.S. federal current tax liability for the transition tax due to our high-tax foreign income, but we expect to record an incremental $1.3 million of foreign tax credits offset with a full valuation allowance in addition to the provisional $31.1 million foreign tax credit offset with a full valuation allowance related to the transition tax recorded in the fourth quarter of 2017. We did not record a current state tax liability related to the transition tax in accordance with the interpretation of existing state laws and the provisional estimates and continue to expect this amount to be immaterial. The Company has not yet adopted an accounting policy related to the provision of deferred taxes related to GILTI. We did not change our assertion on the determination of which subsidiaries that we consider to be permanently invested and for which we do not expect to repatriate to the U.S. as a result of the Tax Reform Act. We will continue to collect and analyze data, including the undistributed earnings of foreign subsidiaries and related taxes, interpret the Tax Reform Act and apply the additional guidance and legislative changes to be issued by the U.S. federal and state authorities and may be required to make adjustments to these provisional amounts. We will complete the 2017 accounting for the Tax Reform Act by the end of 2018 in accordance with SAB 118.

2018 Compared to U.S. Statutory Rate

The effective income tax rate on continuing operations in the first nine months of 2018 was negative primarily due to the impact of Venezuela's earnings and the related tax expense, including the largely nondeductible loss on the deconsolidation of the Venezuela operations. The items that cause the rate to be higher than the U.S. statutory rate include the geographical mix of earnings, the seasonality of book losses for which no tax benefit can be recorded, nondeductible expenses in Mexico, taxes on cross border payments and the characterization of a French business tax as an income tax, partially offset by the significant tax benefits related to the distribution of share-based payments and a French income tax credit.

2017 Compared to U.S. Statutory Rate

The effective income tax rate on continuing operations in the first nine months of 2017 was greater than the 35% U.S. statutory tax rate primarily due to the impact of our Venezuelan operation's earnings and related tax expense, including the nondeductible expenses resulting from the currency devaluation, partially offset by the significant tax benefits related to the distribution of share-based payments and an income tax benefit related to an Illinois legislative change. The other items that cause the rate to be higher than the U.S. statutory rate include the seasonality of book losses for

which no tax benefit can be recorded, nondeductible expenses in Mexico, taxes on cross border payments and the characterization of a French business tax as an income tax, partially offset by the geographical mix of earnings and a French income tax credit.

Note 6 - Acquisitions and Dispositions

Acquisitions

We acquired one business operation in the first nine months of 2018. In 2017, we acquired six business operations in various countries. We accounted for these acquisitions as business combinations using the acquisition method. Under the acquisition method of accounting, assets acquired and liabilities assumed from these operations are recorded at fair value on the date of acquisition. The condensed consolidated statements of operations include the results of operations for each acquired entity from the date of acquisition.

Dunbar Armored, Inc. ("Dunbar")
U.S. Cash Management business

On August 13, 2018, we acquired 100% of the shares of Dunbar for approximately $547 million, subject to a working capital adjustment. The Dunbar business is being integrated with our existing Brink's U.S. operations. This acquisition is expected to expand our customer base in the U.S. as a result of Dunbar's focus on small-to-medium sized retailers and financial institutions. Dunbar has approximately 5,400 employees, 78 branches and over 1,600 armored vehicles across its operations.

We have provisionally estimated fair values for the assets purchased, liabilities assumed and purchase consideration as of the date of the acquisition in the following table. The determination of estimated fair value required management to make significant estimates and assumptions. The amounts reported are considered provisional as we are completing the valuations that are required to allocate the purchase price. As a result, the allocation of the provisional purchase price will change in the future.

(In millions)	Estimated Fair Value at Acquisition Date
Fair value of purchase consideration	
Cash paid through September 30, 2018	$ 546.8
Fair value of purchase consideration	$ 546.8
Fair value of net assets acquired	
Cash	$ 25.8
Accounts receivable	31.9
Other current assets	11.3
Property and equipment, net	56.8
Intangible assets[a]	182.0
Goodwill[b]	282.7
Other noncurrent assets	9.7
Current liabilities	(26.1)
Noncurrent liabilities	(27.3)
Fair value of net assets acquired	$ 546.8

(a) Intangible assets are composed of customer relationships, rights related to the trade name and non-competition agreements. Final allocation will be determined once the valuation is complete.

(b) Consists of intangible assets that do not qualify for separate recognition, combined with synergies expected from integrating Dunbar’s operations with our existing Brink’s U.S. operations. All of the goodwill has been assigned to the U.S. reporting unit and is expected to be deductible for tax purposes.

Maco Transportadora de Caudales S.A. (“Maco Transportadora”)
Argentine Cash in Transit (“CIT”) and Money Processing business

On July 18, 2017, we acquired 100% of the shares of Maco Transportadora for approximately $204 million. The total purchase price will be paid in cash and approximately $174 million was paid to the sellers through September 30, 2018. The remaining amount will be paid in scheduled installments ending in the fourth quarter of 2019 with the final amount based partially on the retention of customer revenue versus a target revenue amount. This contingent consideration arrangement requires us to pay a potential undiscounted amount between $0 to $30 million based on retaining the revenue levels of existing customers at the acquisition date. If there is a shortfall in revenues, a multiple of 2.5 is applied to the revenue shortfall and the contingent consideration to be paid to the former owners is reduced. We used a probability-weighted approach to estimate the fair value of the contingent consideration. The fair value of the contingent consideration reflected in the table below is the present value of the full $30 million potentially payable as of September 30, 2018 as we believe it is unlikely that the contingent consideration payments will be reduced for a revenue shortfall.

The Maco Transportadora business is being integrated into our existing Brink’s Argentina operations. Maco Transportadora has approximately 1,450 employees, 4 branches and over 150 armored vehicles across its operations.

We have estimated fair values for the assets purchased, liabilities assumed and purchase consideration as of the date of the acquisition in the following table. The determination of estimated fair value required management to make significant estimates and assumptions. There have been no significant changes to our fair value estimates of the net assets acquired for Maco Transportadora.

(In millions)	Estimated Fair Value at Acquisition Date
Fair value of purchase consideration	
Cash paid through September 30, 2018	$ 174.2
Indemnification asset	(0.3)
Fair value of future payments to sellers	1.8
Contingent consideration	28.7
Fair value of purchase consideration	$ 204.4
Fair value of net assets acquired	
Cash	$ 10.3
Accounts receivable	16.6
Other current assets	0.6
Property and equipment, net	2.4
Intangible assets[(a)]	60.2
Goodwill[(b)]	147.3
Other noncurrent assets	0.1
Current liabilities	(11.8)
Noncurrent liabilities	(21.3)
Fair value of net assets acquired	$ 204.4

(a) Intangible assets are composed of customer relationships, trade name and non-competition agreements.

(b) Consists of intangible assets that do not qualify for separate recognition, combined with synergies expected from integrating Maco Transportadora's operations into our existing Brink's Argentina operations. All of the goodwill has been assigned to the South America reporting unit and is not expected to be deductible for tax purposes.

Other acquisitions in 2017

On March 14, 2017, we acquired 100% of the capital stock of American Armored Transport, Inc. ("AATI"). AATI provides secured trucking transportation of high-value cargo throughout the continental United States and is expected to complement our existing tractor trailer business in the United States.

On April 19, 2017, we acquired 100% of the capital stock of Muitofacil Holding Ltda., a Brazil-based holding company, and its subsidiary, Muitofacil Arrecadacao e Recebimento Ltda. (together "Pag Facil"). Pag Facil offers bank correspondent services, bill payment processing and mobile phone top-up services in Brazil and is expected to supplement our existing Brazilian payment services businesses.

On June 29, 2017, we acquired 100% of the capital stock of Global Security S.A. (“LGS”). LGS is a Chilean security company specializing in CIT and ATM services and will be integrated into our existing Brink’s Chile operations.

On August 14, 2017, we acquired 100% of the capital stock of Maco Litoral, S.A., (“Maco Litoral”) an Argentina-based company which provides CIT and ATM services.

On October 31, 2017, we acquired 100% of the shares of Temis S.A.S. and its wholly-owned subsidiaries, Les Goelands S.A.S. and Temis Conseil et Formation S.A.R.L (together "Temis"). The Temis business provides CIT and Money Processing services in France and will be integrated into our existing Brink's France operations.

The aggregate purchase price of these five business acquisitions (AATI, Pag Facil, LGS, Maco Litoral and Temis) was approximately $155 million. These five acquired operations employ approximately 1,700 people in the aggregate.

For these five business acquisitions (AATI, Pag Facil, LGS, Maco Litoral and Temis), we have estimated fair values for the assets purchased and liabilities assumed as of the date of the acquisitions. These estimated amounts are aggregated in the following table. The determination of estimated fair value required management to make significant estimates and assumptions. The amounts reported are considered provisional for Temis as we are completing the valuation that is required to allocate the purchase price, as a result, the allocation of the purchase price and the amount of goodwill and intangibles may change in the future. Our fair value estimates of acquisition date goodwill increased approximately $9 million, acquisition date intangible assets decreased approximately $10 million, and acquisition date noncurrent liabilities increased approximately $12 million as compared to our initial estimates in the period of acquisition. There have been no other significant changes to our fair value estimates of the net assets acquired for these acquisitions.

(In millions)	Estimated Fair Value at Acquisition Date
Fair value of purchase consideration	
Cash paid through September 30, 2018	$ 160.4
Indemnification asset	(9.8)
Fair value of future payments to sellers	3.9
Fair value of purchase consideration	$ 154.5
Fair value of net assets acquired	

Cash	$ 7.4
Accounts receivable	20.0
Property and equipment, net	14.0
Intangible assets [(a)]	40.6
Goodwill [(b)]	114.2
Other current and noncurrent assets	7.3
Current liabilities	(23.4)
Noncurrent liabilities	(25.6)
Fair value of net assets acquired	$ 154.5

(a) Intangible assets are composed of customer relationships, trade names and non-competition agreements. Final allocation will be determined after all valuations have been completed.

(b) Consists of intangible assets that do not qualify for separate recognition, combined with synergies expected from integrating these acquired operations into our existing operations. The goodwill from these acquisitions have been assigned to the following reporting units: AATI (U.S.), Pag Facil (Brazil), LGS and Maco Litoral (South America), and Temis (France). We do not expect goodwill related to AATI, LGS, Maco Litoral or Temis to be deductible for tax purposes. If certain conditions are met in the future, goodwill related to Pag Facil will be deductible for tax purposes.

Pro Forma disclosures

The pro forma consolidated results of Brink's presented below reflect a hypothetical ownership as of January 1, 2016 for the businesses we acquired during 2017 and a hypothetical ownership as of January 1, 2017 for the business we acquired in the first nine months of 2018.

(In millions)	Revenue	Net income (loss) attributable to Brink's
Actual results included in Brink's consolidated results for businesses acquired in 2017 and 2018 from the date of acquisition		
Three months ended September 30, 2018		
Dunbar	$ 51.3	0.5
Maco Transportadora	16.4	5.0
Other acquisitions[a]	24.8	(0.5)
Total	$ 92.5	5.0
Three months ended September 30, 2017		
Dunbar	$ —	—
Maco Transportadora	21.5	3.5
Other acquisitions[a]	18.0	0.7
Total	$ 39.5	4.2
Nine months ended September 30, 2018		
Dunbar	$ 51.3	0.5
Maco Transportadora	61.0	9.1
Other acquisitions[a]	81.0	0.3
Total	$ 193.3	9.9
Nine months ended September 30, 2017		
Dunbar	$ —	—
Maco Transportadora	21.5	3.5
Other acquisitions[a]	25.0	1.3
Total	$ 46.5	4.8

(a) Includes the actual results of AATI, Pag Facil, LGS, Maco Litoral and Temis.

(In millions)	Revenue	Net income (loss) attributable to Brink's
Pro forma results of Brink's for the three months ended September 30,		
2018		
Brink's as reported	$852.4	17.4
Dunbar[(a)]	46.3	1.1
Maco Transportadora[(a)]	—	—
Other acquisitions[(a)]	—	—
Total	$898.7	18.5
2017		
Brink's as reported	$849.5	19.9
Dunbar[(a)]	97.9	1.6
Maco Transportadora[(a)]	4.6	0.6
Other acquisitions[(a)]	14.0	0.6
Total	$966.0	22.7
Pro forma results of Brink's for the nine months ended September 30		
2018		
Brink's as reported	$2,581.2	(68.2)
Dunbar[(a)]	244.0	5.4
Maco Transportadora[(a)]	—	—
Other acquisitions[(a)]	—	—
Total	$2,825.2	(62.8)
2017		
Brink's as reported	$2,443.8	68.8
Dunbar[(a)]	287.9	1.0
Maco Transportadora[(a)]	56.9	6.2
Other acquisitions[(a)]	61.1	2.8
Total	$2,849.7	78.8

(a) Represents amounts prior to acquisition by Brink's. We acquired Dunbar in the first nine months of 2018 and the remaining businesses in 2017.

Acquisition costs

We have incurred $5.9 million in transaction costs related to business acquisitions in the first nine months of 2018 ($1.5 million in the first nine months of 2017). These costs are classified in the condensed consolidated statements of operations as selling, general and administrative expenses.

Pending Acquisitions

In January 2018, we announced an agreement to purchase Rodoban Transportes Aereos e Terrestres Ltda., Rodoban Servicos e Sistemas de Seguranca Ltda., and Rodoban Seguranca e Transporte de Valores Ltda. (together "Rodoban") in Brazil for approximately $145 million. Rodoban provides cash-in-transit, money processing and ATM services and generates annual revenues of approximately $80 million.

This acquisition is subject to customary closing conditions and regulatory approval and is expected to close by the end of 2018.

Dispositions

On June 1, 2018, we sold 100% of our ownership interest in a French airport security services company for a net sales price of approximately $19 million. We recognized a $10.1 million gain on the sale of this business, which is reported in interest and other income (expense) in the condensed consolidated statements of operations. The French airport security services company was part of the Rest of World reportable segment and reported revenues of $79 million in 2017.

Note 7 - Accumulated other comprehensive income (loss)

Other comprehensive income (loss), including the amounts reclassified from accumulated other comprehensive loss into earnings, was as follows:

	Amounts Arising During the Current Period		Amounts Reclassified to Net Income (Loss)		
(In millions)	Pretax	Income Tax	Pretax	Income Tax	Total Other Comprehensive Income (Loss)
Three months ended September 30, 2018					
Amounts attributable to Brink's:					
Benefit plan adjustments	$(1.1)	0.2	13.8	(3.3)	9.6
Foreign currency translation adjustments[d]	(0.6)	—	—	—	(0.6)
Gains (losses) on cash flow hedges	0.1	—	(0.1)	—	—
	(1.6)	0.2	13.7	(3.3)	9.0
Amounts attributable to noncontrolling interests:					
Benefit plan adjustments	—	—	—	—	—
Foreign currency translation adjustments	(0.6)	—	0.6	—	—
	(0.6)	—	0.6	—	—
Total					
Benefit plan adjustments[a]	(1.1)	0.2	13.8	(3.3)	9.6
Foreign currency translation adjustments[d]	(1.2)	—	0.6	—	(0.6)
Gains (losses) on cash flow hedges[c]	0.1	—	(0.1)	—	—
	$(2.2)	0.2	14.3	(3.3)	9.0
Three months ended September 30, 2017					
Amounts attributable to Brink's:					
Benefit plan adjustments	$(5.0)	1.1	14.0	(4.9)	5.2
Foreign currency translation adjustments	14.6	—	—	—	14.6
Unrealized gains (losses) on available-for-sale securities	0.4	(0.1)	(0.7)	0.2	(0.2)
Gains (losses) on cash flow hedges	(0.1)	—	0.1	—	—
	9.9	1.0	13.4	(4.7)	19.6
Amounts attributable to noncontrolling interests:					
Benefit plan adjustments	—	—	0.2	—	0.2
Foreign currency translation adjustments	1.9	—	—	—	1.9
	1.9	—	0.2	—	2.1
Total					
Benefit plan adjustments[a]	(5.0)	1.1	14.2	(4.9)	5.4
Foreign currency translation adjustments	16.5	—	—	—	16.5
Unrealized gains (losses) on available-for-sale securities[b]	0.4	(0.1)	(0.7)	0.2	(0.2)

Gains (losses) on cash flow hedges[c]	(0.1)	—	0.1	—	—
	$11.8	1.0	13.6	(4.7)	21.7

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(In millions)	Amounts Arising During the Current Period Pretax	Income Tax	Amounts Reclassified to Net Income (Loss) Pretax	Income Tax	Total Other Comprehensive Income (Loss)
Nine months ended September 30, 2018					
Amounts attributable to Brink's:					
Benefit plan adjustments	$(0.8)	0.7	51.5	(10.1)	41.3
Foreign currency translation adjustments[d]	(138.7)	—	107.2	(0.5)	(32.0)
Gains (losses) on cash flow hedges	0.7	(0.2)	(0.1)	—	0.4
	(138.8)	0.5	158.6	(10.6)	9.7
Amounts attributable to noncontrolling interests:					
Benefit plan adjustments	—	—	—	—	—
Foreign currency translation adjustments	(0.5)	—	0.6	—	0.1
	(0.5)	—	0.6	—	0.1
Total					
Benefit plan adjustments[a]	(0.8)	0.7	51.5	(10.1)	41.3
Foreign currency translation adjustments[d]	(139.2)	—	107.8	(0.5)	(31.9)
Gains (losses) on cash flow hedges[c]	0.7	(0.2)	(0.1)	—	0.4
	$(139.3)	0.5	159.2	(10.6)	9.8
Nine months ended September 30, 2017					
Amounts attributable to Brink's:					
Benefit plan adjustments	$(9.3)	1.5	39.8	(13.9)	18.1
Foreign currency translation adjustments	48.5	—	—	—	48.5
Unrealized gains (losses) on available-for-sale securities	1.3	(0.4)	(0.9)	0.3	0.3
Gains (losses) on cash flow hedges	(0.3)	—	0.2	—	(0.1)
	40.2	1.1	39.1	(13.6)	66.8
Amounts attributable to noncontrolling interests:					
Benefit plan adjustments	—	—	0.5	—	0.5
Foreign currency translation adjustments	0.9	—	—	—	0.9
	0.9	—	0.5	—	1.4
Total					
Benefit plan adjustments[a]	(9.3)	1.5	40.3	(13.9)	18.6
Foreign currency translation adjustments	49.4	—	—	—	49.4
Unrealized gains (losses) on available-for-sale securities[b]	1.3	(0.4)	(0.9)	0.3	0.3
Gains (losses) on cash flow hedges[c]	(0.3)	—	0.2	—	(0.1)
	$41.1	1.1	39.6	(13.6)	68.2

(a) The amortization of actuarial losses and prior service cost is part of total net periodic retirement benefit cost when reclassified to net income. Net periodic retirement benefit cost also includes service cost, interest cost, expected return on assets, and settlement losses. Total service cost is allocated between cost of revenues and selling, general

and administrative expenses on a plan-by-plan basis and the remaining net periodic retirement benefit cost items are allocated to interest and other income (expense):

(In millions)	Three Months Ended September 30, 2018	2017	Nine Months Ended September 30, 2018	2017
Total net periodic retirement benefit cost included in:				
Cost of revenues	$ 1.9	2.2	$ 6.4	6.9
Selling, general and administrative expenses	0.7	0.6	1.9	1.7
Interest and other income (expense)	8.9	11.7	30.6	35.4

(b) Prior to adoption of ASU 2016-01 (see Note 1) in the first quarter of 2018, gains and losses on sales of available-for-sale securities were reclassified from accumulated other comprehensive loss to the condensed consolidated statements of operations when the gains or losses were realized. Pretax amounts were classified in the condensed consolidated statements of operations as interest and other income (expense).

(c) Pretax gains and losses on cash flow hedges are classified in the condensed consolidated statements of operations as:

- other operating income (expense) (no gains or losses in the three months ended September 30, 2018 and $0.1 million of losses in the three months ended September 30, 2017; as well as no gains or losses in the nine months ended September 30, 2018 and $0.1 million of losses in the nine months ended September 30, 2017)
- interest and other income (expense) (no gains or losses in the three months ended September 30, 2018 and no gains or losses in the three months ended September 30, 2017; as well as no gains or losses in the nine months ended September 30, 2018 and $0.1 million of losses in the nine months ended September 30, 2017).

(d) 2018 foreign currency translation adjustment amounts reclassified to net income are due to the deconsolidation of Venezuela (see Note 1). 2018 foreign currency translation adjustment amounts arising during the current period reflect primarily the devaluation of the Argentine peso (prior to the July 1, 2018 highly inflationary designation) and Brazilian real.

The changes in accumulated other comprehensive loss attributable to Brink’s are as follows:

(In millions)	Benefit Plan Adjustments	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Securities	Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2017	$ (601.0)	(327.4)	1.1	0.7	(926.6)
Other comprehensive income (loss) before reclassifications	(0.1)	(138.7)	—	0.5	(138.3)
Amounts reclassified from accumulated other comprehensive loss to net income (loss)	41.4	106.7	—	(0.1)	148.0
Other comprehensive income (loss) attributable to Brink's	41.3	(32.0)	—	0.4	9.7
Cumulative effect of change in accounting principle[a]	—	—	(1.1)	—	(1.1)
Balance as of September 30, 2018	$ (559.7)	(359.4)	—	1.1	(918.0)

(a) We adopted ASU 2016-01 (see Note 1) effective January 1, 2018 and recognized a cumulative-effect adjustment to retained earnings.

Note 8 - Fair value of financial instruments

Investments in Mutual Funds
We have investments in mutual funds that are carried at fair value in the financial statements. For these investments, fair value was based on quoted market prices, which we have categorized as a Level 1 valuation.

Fixed-Rate Debt
The fair value and carrying value of our fixed-rate debt are as follows:

(In millions)	September 30, 2018	December 31, 2017
Senior unsecured notes		
Carrying value	$ 600.0	600.0
Fair value	552.4	590.6

The fair value estimate of our senior unsecured notes was based on the present value of future cash flows, discounted at rates for similar instruments at the measurement date, which we have categorized as a Level 3 valuation.

Forward and Swap Contracts
We have outstanding foreign currency forward and swap contracts to hedge transactional risks associated with foreign currencies. At September 30, 2018, the notional value of our shorter term outstanding foreign currency forward and swap contracts was $153.4 million, with average maturities of approximately two months. These shorter term foreign currency forward and swap contracts primarily offset exposures in the euro and the British pound and are not designated as hedges for accounting purposes. At September 30, 2018, the fair value of these shorter term foreign currency contracts was a net asset of $1.4 million, and was included in prepaid expenses and other on the condensed consolidated balance sheet.

In the first quarter of 2016, we entered into two interest rate swaps that hedge cash flow risk associated with changes in variable interest rates and that are designated as cash flow hedges for accounting purposes. At September 30, 2018,

the notional value of these contracts was $40 million with a remaining weighted-average maturity of 1.3 years. At September 30, 2018, the fair value of these interest rates swaps was a net asset of $1.6 million, of which $0.6 million was included in prepaid expenses and other and $1.0 million was included in other assets on the condensed consolidated balance sheet.

The fair values of these forward and swap contracts are based on the present value of net future cash payments and receipts, which we have categorized as a Level 2 valuation.

Contingent Consideration

The estimated fair value of our liabilities for contingent consideration represents the fair value of the potential amounts payable for our acquisition of Maco Transportadora. These contingent amounts will be paid in scheduled installments ending in the fourth quarter of 2019 with the final amounts based partially on the retention of customer revenue versus a target revenue amount. The contingent consideration arrangement requires us to pay potential undiscounted amounts between $0 to $30.3 million based on retaining the revenue levels of existing customers at the acquisition dates. If there is a shortfall in revenues, a multiple of 2.5 is applied to the revenue shortfall and the contingent consideration to be paid to the former owners is reduced.

We used a probability-weighted approach to estimate the fair value of these contingent consideration payments. The fair value of the contingent consideration is the present value of the full $30.3 million potentially payable as of September 30, 2018 as we believe it is unlikely that the contingent consideration payments will be reduced for a revenue shortfall.

At September 30, 2018, we had recognized contingent consideration liabilities of $29.7 million of which $15.1 million was included in accrued liabilities and $14.6 million in other on the condensed consolidated balance sheet. The fair value of these liabilities was estimated using a discounted cash flow technique with significant inputs that are not observable in the market and thus represent a Level 3 valuation. The significant inputs in the Level 3 valuation not supported by market activity included our probability assessments of expected future cash flows related to our acquisition of this entity during the period from acquisition to the estimated settlement date of the remaining payments. Subsequent to the respective acquisition dates to each measurement date, changes in these liabilities due to the passage of time and the corresponding impact of discounting as well as the impact of changes in exchange rates between the Argentine peso and the U.S. dollar, are recognized in earnings.

The contingent consideration payments may differ from the amounts that are ultimately paid, with any changes in the liabilities recorded in interest and other expense in our condensed consolidated statements of operations until the liabilities are settled.

Other Financial Instruments

Other financial instruments include cash and cash equivalents, accounts receivable, floating rate debt, accounts payable and accrued liabilities. The financial statement carrying amounts of these items approximate the fair value.

There were no transfers in or out of any of the levels of the valuation hierarchy in the first nine months of 2018.

Note 9 - Debt

(In millions)	September 30, 2018	December 31, 2017
Debt:		
Short-term borrowings		
Restricted cash borrowings[a]	$ 11.3	27.0
Other	12.3	18.2
Total short-term borrowings	$ 23.6	45.2
Long-term debt		
Bank credit facilities:		
Term Loan Facility[b]	$ 473.0	491.4
Senior Unsecured Notes[c]	591.8	591.2
Revolving Credit Facility	305.7	—
Other	8.1	12.0
Capital leases	116.9	96.9
Total long-term debt	$ 1,495.5	1,191.5
Total debt	$ 1,519.1	1,236.7
Included in:		
Current liabilities	$ 77.8	97.1
Noncurrent liabilities	1,441.3	1,139.6
Total debt	$ 1,519.1	1,236.7

(a) These amounts are for short-term borrowings related to cash borrowed under lending arrangements used in the process of managing customer cash supply chains, which is currently classified as restricted cash and not available for general corporate purposes. See Note 12 for more details.

(b) Amounts outstanding are net of unamortized debt costs of $2.0 million as of September 30, 2018 and $2.3 million as of December 31, 2017.

(c) Amounts outstanding are net of unamortized debt costs of $8.2 million as of September 30, 2018 and $8.8 million as of December 31, 2017.

Long-Term Debt

Senior Secured Credit Facility

In October 2017, we entered into a senior secured credit facility (the “Senior Secured Credit Facility”) with Wells Fargo Bank, National Association, as administrative agent, consisting of a $1 billion Revolving Credit Facility and a $500 million Term Loan Facility. Loans under the Revolving Credit Facility mature five years after the closing date (October 17, 2022) and loans under the Term Loan Facility amortize five percent annually and mature five years after the closing date. Interest rates for the Senior Secured Credit Facility are based on LIBOR plus a margin or an alternate base rate plus a margin. The Revolving Credit Facility allows us to borrow money or issue letters of credit (or otherwise satisfy credit needs) on a revolving basis over the term of the facility. As of September 30, 2018, $694 million was available under the Revolving Credit Facility. The obligations under the Senior Secured Credit Facility are secured by a first-priority lien on all or substantially all of the assets of the Company and certain of its domestic subsidiaries, including a first-priority lien on equity interests of certain of the Company’s direct and indirect subsidiaries. The Company and certain of its domestic subsidiaries also guarantee the obligations under the Senior

Secured Credit Facility.

The margin on both LIBOR and alternate base rate borrowings under the Senior Secured Credit Facility is based on the Company's consolidated net leverage ratio. The margin on LIBOR borrowings, which can range from 1.25% to 2.50%, was 1.75% at September 30, 2018. The margin on alternate base rate borrowings, which can range from 0.25% to 1.50%, was 0.75% as of September 30, 2018. We also pay an annual commitment fee on the unused portion the Revolving Credit Facility based on the Company's consolidated net leverage ratio. The commitment fee, which can range from 0.15% to 0.40%, was 0.25% as of September 30, 2018.

Senior Unsecured Notes

In October 2017, we issued at par ten-year senior unsecured notes (the "Senior Notes") in the aggregate principal amount of $600 million. The Senior Notes will mature on October 15, 2027 and bear an annual interest rate of 4.625%. The Senior Notes are general unsecured obligations guaranteed by certain of the Company's existing and future U.S. subsidiaries, which are also guarantors under the Senior Secured Credit Facility.

The Senior Notes have not been and will not be registered under the Securities Act of 1933 (the "Securities Act") or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The notes were offered in the United States only to persons reasonably believed to be qualified institutional buyers in reliance on the exception from registration set forth in Rule 144A under the Securities Act and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

The aggregate proceeds from the Senior Secured Credit Facility and the Senior Notes were used in part to repay certain prior indebtedness and certain fees and expenses related to the closing of the transactions. Remaining net proceeds are expected to be used for working capital needs, capital expenditures, acquisitions and other general corporate purposes.

Letter of Credit Facilities and Bank Guarantee Facilities
We have three committed letter of credit facilities totaling $104 million, of which approximately $44 million was available at September 30, 2018. At September 30, 2018, we had undrawn letters of credit and guarantees of $60 million issued under these facilities. The $40 million facility expires in December 2018, the $10 million facility expires in March 2019 and the $54 million facility expires in December 2019.

We have two uncommitted letter of credit facilities totaling $57 million, of which approximately $15 million was available at September 30, 2018. At September 30, 2018, we had undrawn letters of credit of $42 million issued under these facilities. The $17 million facility expires in August 2019 and the $40 million facility expires in September 2019.

The Senior Secured Credit Facility is also available for issuance of letters of credit and bank guarantees.

The Senior Secured Credit Facility, Senior Unsecured Notes, the Letter of Credit Facilities and Bank Guarantee Facilities contain various financial and other covenants. The financial covenants, among other things, limit our ability to provide liens, restrict fundamental changes, limit transactions with affiliates and unrestricted subsidiaries, restrict changes to our fiscal year and to organizational documents, limit asset dispositions, limit the use of proceeds from asset sales, limit sale and leaseback transactions, limit investments, limit the ability to incur debt, restrict certain payments to shareholders, limit negative pledges, limit the ability to change the nature of our business, provide for a maximum consolidated net leverage ratio and provide for minimum coverage of interest costs. If we were not to comply with the terms of our various financing agreements, the repayment terms could be accelerated and the commitments could be withdrawn. An acceleration of the repayment terms under one agreement could trigger the acceleration of the repayment terms under the other financing agreements. We were in compliance with all financial covenants at September 30, 2018.

Note 10 - Share-based compensation plans

We have share-based compensation plans to attract and retain employees and nonemployee directors and to more closely align their interests with those of our shareholders.

We have outstanding share-based awards granted to employees under the 2013 Equity Incentive Plan ("2013 Plan") and the 2017 Equity Incentive Plan (the "2017 Plan). These plans permit grants of restricted stock, restricted stock units, performance stock, performance units, stock appreciation rights, stock options, as well as other share-based awards to eligible employees. The 2013 Plan and the 2017 Plan also permit cash awards to eligible employees. The 2017 Plan became effective May 2017. No further grants of awards will be made under the the 2013 Plan, although awards under this prior plan remain outstanding.

We also have outstanding deferred stock units granted to directors under the 2017 Plan. Share-based awards were previously granted to directors and remain outstanding under the Non-Employee Director's Equity Plan and the Directors' Stock Accumulation Plan, which has expired.

Outstanding awards at September 30, 2018, include performance share units, restricted stock units, deferred stock units, performance-based stock options, time-based stock options and certain awards that will be settled in cash.

Compensation Expense

Compensation expense is measured using the fair-value-based method. For employee and director awards considered equity grants, compensation expense is recognized from the award or grant date to the earlier of the retirement-eligible date or the vesting date. For awards considered liability awards, compensation cost is based on the change in the fair value of the instrument for each reporting period and the percentage of the requisite service that has been rendered. Compensation cost associated with liability awards was not significant in the nine months ended September 30, 2018 or the prior year period.

Compensation expenses are classified as selling, general and administrative expenses in the condensed consolidated statements of operations. Compensation expenses for the share-based awards were as follows:

	Compensation Expense Three Months Ended September 30,		Compensation Expense Nine Months Ended September 30,	
(in millions)	2018	2017	2018	2017
Performance Share Units	$ 3.1	1.9	$ 9.7	6.4
Market Share Units	—	0.1	0.1	0.2
Restricted Stock Units	1.6	1.1	4.9	3.5
Deferred Stock Units and fees paid in stock	0.4	0.3	0.9	0.8
Stock Options	1.2	0.6	3.2	1.6
Share-based payment expense	6.3	4.0	18.8	12.5
Income tax benefit	(1.5)	(1.5)	(4.4)	(4.6)
Share-based payment expense, net of tax	$ 4.8	2.5	$ 14.4	7.9

Performance-Based Stock Options

In 2018, 2017 and 2016, we granted performance-based stock options that have a service condition as well as a market condition. In addition, some of the awards granted in 2016 contain a non-financial performance condition. We measure the fair value of these performance-based options at the grant date using a Monte Carlo simulation model.

The following table summarizes performance-based stock option activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Outstanding balance as of December 31, 2017	879.8	$ 8.04
Granted	417.6	16.73
Forfeited	—	—
Exercised	—	—
Outstanding balance as of September 30, 2018	1,297.4	$ 10.83

Time-Based Stock Options

Prior to 2018, we granted time-based stock options that contain only a service condition. We measured the fair value of these time-based options at the grant date using a Black-Scholes-Merton option pricing model.

The following table summarizes time-based stock option activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Outstanding balance as of December 31, 2017	40.6	$ 8.66
Granted	—	—
Forfeited	—	—
Exercised	(37.9)	7.77
Outstanding balance as of September 30, 2018	2.7	$ 21.09

Restricted Stock Units (“RSUs”)

We granted RSUs that contain only a service condition. We measure the fair value of RSUs based on the price of Brink’s stock at the grant date, adjusted for a discount for dividends not received or accrued during the vesting period.

The following table summarizes RSU activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested balance as of December 31, 2017	265.8	$ 39.80
Granted	83.5	72.51
Forfeited	(3.8)	56.52
Vested	(95.8)	35.71
Nonvested balance as of September 30, 2018	249.7	$ 52.06

Performance Share Units ("PSUs”)

Prior to 2016, we granted PSUs that contained a performance condition, a market condition and a service condition ("Prior PSUs"). After 2015, we granted Internal Metric PSUs ("IM PSUs") and Total Shareholder Return PSUs ("TSR PSUs").

IM PSUs contain a performance condition as well as a service condition. We measure the fair value of these PSUs based on the price of Brink’s stock at the grant date, adjusted for a discount for dividends not received or accrued during the vesting period. For the majority of the IM PSUs granted in 2018, the performance period is from January 1, 2018 to December 31, 2020.

TSR PSUs contain a market condition as well as a service condition. We measure the fair value of PSUs containing a market condition at the grant date using a Monte Carlo simulation model. For the TSR PSUs granted in 2018, the performance period is from January 1, 2018 to December 31, 2020.

The following table summarizes all PSU activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested balance as of December 31, 2017	671.2	$ 37.26
Granted	174.4	73.61
Forfeited	(5.8)	50.63
Vested[(a)]	(137.7)	29.17
Nonvested balance as of September 30, 2018	702.1	$ 47.75

(a) The vested Prior PSUs presented are based on the target amount of the award. In accordance with the terms of the underlying award agreements, the actual shares earned and distributed for the performance period ended December 31, 2017 were 344.3.

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Market Share Units ("MSUs")
Prior to 2016, we granted MSUs that contained a market condition as well as a service condition. We measured the fair value of MSUs using a Monte Carlo simulation model.

The following table summarizes all MSU activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested balance as of December 31, 2017	74.2	$ 30.37
Granted	—	—
Forfeited	—	—
Vested[(a)]	(74.2)	30.37
Nonvested balance as of September 30, 2018	—	$ —

(a) The vested MSUs presented are based on the target amount of the award. In accordance with the terms of the underlying award agreements, the actual shares earned and distributed for the performance period ended December 31, 2017 were 111.3. No additional compensation expense was required to be recognized for the additional shares distributed, as the market condition was included in the $30.37 grant date fair value.

Deferred Stock Units ("DSUs")
We granted DSUs to our independent directors. We measure the fair value of DSUs at the grant date, based on the price of Brink's stock, adjusted for a discount for dividends not received or accrued during the vesting period.

Since 2015, our independent directors received grants of DSUs that vest and will be paid out in shares of Brink's stock on the first anniversary of the grant date, provided that the director has not elected to defer the distribution of shares until a later date. DSUs granted prior to 2015, in general, will be paid out in shares of stock following separation from service.

The following table summarizes all DSU activity during the first nine months of 2018:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested balance as of December 31, 2017	10.9	$ 60.80
Granted	12.5	74.43
Forfeited	—	—
Vested	(10.9)	60.80
Nonvested balance as of September 30, 2018	12.5	$ 74.43

Note 11 - Capital Stock

Common Stock
At September 30, 2018, we had 100 million shares of common stock authorized and 50.6 million shares issued and outstanding.

Dividends
We paid regular quarterly dividends on our common stock during the last three years. On October 4, 2018, the Board declared a regular quarterly dividend of 15 cents per share payable on December 3, 2018. The payment of future dividends is at the discretion of the Board of Directors and is dependent on our future earnings, financial condition, shareholder equity levels, cash flow, business requirements and other factors.

Preferred Stock
At September 30, 2018, we had the authority to issue up to 2.0 million shares of preferred stock with a par value of $10 per share.

Share Repurchase Program
In May 2017, our board of directors authorized a $200 million share repurchase program, which will expire on December 31, 2019. Under this program, in the quarter ended September 30, 2018, we used $25.1 million to repurchase 336,829 shares at an average price of $74.37 per share. We are not obligated to repurchase any specific dollar amount or number of shares, and, at September 30, 2018, approximately $175 million remains available under this program. The timing and volume of share repurchases may be executed at the discretion of management on an opportunistic basis, or pursuant to trading plans or other arrangements. Share repurchases under this program may be made in the open market, in privately negotiated transactions, or otherwise.

Shares Used to Calculate Earnings per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2018	2017	2018	2017
Weighted-average shares:				
Basic[(a)]	51.1	50.7	51.0	50.7
Effect of dilutive stock awards and options	0.9	1.2	—	0.9
Diluted	52.0	51.9	51.0	51.6
Antidilutive stock awards and options excluded from denominator	—	—	1.6	0.1

(a) We have deferred compensation plans for directors and certain of our employees. For participants electing to defer compensation into common stock units, amounts owed to participants will be paid out in shares of Brink's common stock. Each unit represents one share of common stock. The number of shares used to calculate basic earnings per share includes the weighted-average units credited to employees and directors under the deferred compensation plans. Accordingly, included in basic shares are 0.3 million in the three months and 0.3 million in the nine months ended September 30, 2018, and 0.3 million in the three months and 0.3 million in the nine months ended September 30, 2017.

Note 12 - Supplemental cash flow information

(In millions)	Nine Months Ended September 30, 2018	2017
Cash paid for:		
Interest	$38.5	19.8
Income taxes, net	72.8	64.9

Non-cash Investing and Financing Activities
We acquired $42.0 million in armored vehicles and other equipment under capital lease arrangements in the first nine months of 2018 compared to $33.4 million in armored vehicles and other equipment acquired under capital lease arrangements in the first nine months of 2017.

Restricted Cash (Cash Supply Chain Services)
In France, we offer services to certain of our customers where we manage some or all of their cash supply chains. Providing this service requires our French subsidiary to take temporary title to the cash received from the management of our customers' cash supply chains until the cash is returned to the customers. As part of this service offering, we have entered into lending arrangements with some of our customers. Cash borrowed under these lending arrangements is used in the process of managing these customers' cash supply chains. The cash for which we have temporary title and the cash borrowed under these customer lending arrangements is restricted and cannot be used for any other purpose other than to service our customers who participate in this service offering.

At September 30, 2018, we held $92.7 million of restricted cash ($11.3 million represented short-term borrowings, $46.9 million represented restricted cash held for customers, and $34.5 million represented accrued liabilities). At December 31, 2017, we held $112.6 million of restricted cash ($27.0 million represented short-term borrowings, $74.7 million represented restricted cash held for customers and $10.9 million represented accrued liabilities).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sum to the total of the same such amounts shown in the condensed consolidated statements of cash flows.

(In millions)	September 30, 2018	December 31, 2017
Cash and cash equivalents	$ 314.2	614.3
Restricted cash	92.7	112.6
Total, cash, cash equivalents, and restricted cash shown in the consolidated statements of cash flows	$ 406.9	726.9

Note 13 - Contingent matters

We are involved in various lawsuits and claims in the ordinary course of business. We are not able to estimate the loss or range of losses for some of these matters. We have recorded accruals for losses that are considered probable and reasonably estimable. We do not believe that it is reasonably possible the ultimate disposition of any of the lawsuits currently pending against the Company could have a material adverse effect on our liquidity, financial position or results of operations.

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Note 14 - Reorganization and Restructuring

2016 Reorganization and Restructuring
In the fourth quarter of 2016, management implemented restructuring actions across our global business operations and our corporate functions. As a result of these actions, we recognized $18.1 million in 2016 costs and an additional $17.3 million in 2017 under this restructuring for additional costs related to severance, asset-related adjustments, a benefit program termination and lease terminations. We recognized an additional $11.3 million in the first nine months of 2018 under this restructuring for severance costs and asset-related adjustments. The actions under this program were substantially completed in the third quarter of 2018, with cumulative pretax charges of approximately $46.7 million. Severance actions reduced our global workforce by approximately 800 positions.

The following table summarizes the costs incurred, payments and utilization, and foreign currency exchange effects of the 2016 Reorganization and Restructuring:

(In millions)	Asset Related Adjustments	Severance Costs	Lease Terminations	Benefit Program Termination	Total
Balance as of January 1, 2017	$ —	7.0	0.6	—	7.6
Expense (benefit)	3.4	7.5	0.4	2.2	13.5
Payments and utilization	(3.4)	(11.9)	(0.4)	(2.2)	(17.9)
Foreign currency exchange effects	—	0.2	—	—	0.2
Balance as of September 30, 2017	$ —	2.8	0.6	—	3.4
Balance as of January 1, 2018	$ —	1.6	0.4	—	2.0
Expense (benefit)	1.7	9.6	—	—	11.3
Payments and utilization	(1.7)	(10.5)	(0.2)	—	(12.4)
Foreign currency exchange effects	—	—	—	—	—
Balance as of September 30, 2018	$ —	0.7	0.2	—	0.9

Other Restructurings
Management routinely implements restructuring actions in targeted sections of our business. As a result of these actions, we recognized $4.2 million in the first nine months of 2018 under these other restructurings, primarily severance costs. For the current restructuring actions, we expect to incur additional costs between $2 and $4 million in future periods.

THE BRINK’S COMPANY
and subsidiaries

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Brink’s Company offers transportation and logistics management services for cash and valuables throughout the world. These services include:

- Cash-in-Transit (“CIT”) Services – armored vehicle transportation of valuables
- ATM Services – replenishing and maintaining customers’ automated teller machines; providing network infrastructure services
- Global Services – secure international transportation of valuables
- Cash Management Services
  - Currency and coin counting and sorting; deposit preparation and reconciliations; other cash management services
  - Safe and safe control device installation and servicing (including our patented CompuSafe® service)
  - Vaulting services
  - Check imaging services
- Payment Services – bill payment and processing services on behalf of utility companies and other billers at any of our Brink’s or Brink’s-operated payment locations in Brazil, Colombia, Panama, and Mexico and Brink’s Money™ general purpose reloadable prepaid cards and payroll cards in the U.S.
- Commercial Security Systems Services – design and installation of security systems in designated markets in Europe
- Guarding Services – protection of airports, offices, and certain other locations in Europe and Brazil with or without electronic surveillance, access control, fire prevention and highly trained patrolling personnel

We identify our operating segments based on how our chief operating decision maker (“CODM”) allocates resources, assesses performance and makes decisions. Our CODM is our President and Chief Executive Officer. Our CODM evaluates performance and allocates resources to each operating segment based on an operating profit or loss measure, excluding income and expenses not allocated to segments.

We have three operating segments:

- North America
- South America
- Rest of World.

RESULTS OF OPERATIONS

Consolidated Review

GAAP and Non-GAAP Financial Measures
We provide an analysis of our operations below on both a generally accepted accounting principles ("GAAP") and non-GAAP basis. The purpose of the non-GAAP information is to report our operating profit, income from continuing operations and earnings per share without certain income and expense items that do not reflect the regular earnings of our operations. The non-GAAP financial measures are intended to provide investors with a supplemental comparison of our operating results and trends for the periods presented. Our management believes these measures are also useful to investors as such measures allow investors to evaluate our performance using the same metrics that our management uses to evaluate past performance and prospects for future performance. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance. The non-GAAP adjustments used to reconcile our GAAP results are described on pages 44–45 and are reconciled to comparable GAAP measures on pages 51–53.

Definition of Organic Growth
Organic growth represents the change in revenues or operating profit between the current and prior period, excluding the effect of acquisitions and dispositions and changes in currency exchange rates. See definitions on page 42.

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
(In millions, except for per share amounts)	2018	2017	Change	2018	2017	Change
GAAP						
Revenues	$852.4	849.5	—	2,581.2	2,443.8	6
Cost of revenues	652.6	666.4	(2)	2,013.0	1,905.6	6
Selling, general and administrative expenses	125.4	116.6	8	368.4	346.5	6
Operating profit	67.0	66.4	1	193.5	185.6	4
Income (loss) from continuing operations[a]	17.5	19.9	(12)	(68.2)	68.9	unfav
Diluted EPS from continuing operations[a]	$0.34	0.38	(11)	(1.34)	1.33	unfav
Non-GAAP[b]						
Non-GAAP revenues	$852.4	828.7	3	2,529.8	2,328.6	9
Non-GAAP operating profit	95.3	76.4	25	243.0	190.7	27
Non-GAAP income from continuing operations[a]	47.4	43.5	9	119.8	107.6	11
Non-GAAP diluted EPS from continuing operations[a]	$0.91	0.84	8	2.30	2.09	10

(a) Amounts reported in this table are attributable to the shareholders of Brink's and exclude earnings related to noncontrolling interests.
(b) Non-GAAP results are reconciled to the applicable GAAP results on pages 51–53.

Deconsolidation of Venezuela
Due to political and economic conditions in Venezuela, in the second quarter of 2018, we determined that we no longer met the accounting criteria for control over our Venezuelan operations. We expect these conditions to continue for the foreseeable future. Consequently, we began reporting the results of our investment in our Venezuelan subsidiaries using the cost method of accounting. We determined the fair value of our cost method investment in, and receivables from, our Venezuelan subsidiaries to be insignificant based on our expectations of dividend payments and

settlements of such receivables in future periods. As a result, we deconsolidated our Venezuela subsidiaries and recognized a pretax loss of $126.7 million in the second quarter of 2018. This loss is excluded from our non-GAAP results.

GAAP Basis

Analysis of Consolidated Results: Third Quarter 2018 versus Third Quarter 2017

Consolidated Revenues Revenues increased $2.9 million as the favorable impact of acquisitions ($46.2 million) and organic growth in South America ($34.8 million), North America ($22.2 million), and Rest of World ($2.9 million) were partially offset by the unfavorable impact of currency exchange rates ($82.4 million). The unfavorable currency impact was driven by the Argentine peso and Brazilian real. Revenues increased 5% on an organic basis due mainly to higher average selling prices in Argentina (including the effects of inflation) and organic revenue growth in Mexico and the U.S. from volume growth and price increases. See above for our definition of "organic."

Consolidated Costs and Expenses Cost of revenues decreased 2% to $652.6 million primarily due to changes in currency exchange rates, the impact of the Venezuela deconsolidation and organic decreases in labor and other operational costs, partially offset by the impact of acquisitions. Selling, general and administrative costs increased 8% to $125.4 million due primarily to the impact of acquisitions, partially offset by changes in currency exchange rates.

Consolidated Operating Profit We believe our current operating profit margin in our North America segment is lower than our other segments and our competitors as our vehicle and labor expenses are too high. We are working to increase our operating profit margin by implementing productivity improvements aimed at reducing vehicle and labor expenses and by selling higher valued services. We expect our North America segment operating profit margin will be more comparable to our Rest of World segment in the future, but will not achieve the same level as our South America segment, where profit margins are higher for us and our competitors due to market conditions.

Operating profit remained relatively flat due mainly to:
- organic increases in South America ($18.6 million) and North America ($14.2 million),
- lower corporate expenses ($6.4 million on an organic basis), and
- the favorable operating impact of business acquisitions and dispositions ($4.4 million), excluding intangible asset amortization and acquisition-related charges,

mostly offset by:
- unfavorable changes in currency exchange rates ($24.4 million), and
- higher costs related to business acquisitions and dispositions ($4.6 million), primarily from the impact of intangible asset amortization and acquisition-related charges in the third quarter of 2018.

Consolidated Income from Continuing Operations Attributable to Brink's and Related Per Share Amounts Income from continuing operations attributable to Brink's shareholders in 2018 decreased $2.4 million to $17.5 million due to higher interest expense ($9.3 million), higher income tax expense ($6.6 million), and slightly higher income attributable to noncontrolling interests ($0.2 million), partially offset by lower interest and other expense ($13.1 million). Earnings per share from continuing operations was $0.34, down from $0.38 in the third quarter of 2017.

Analysis of Consolidated Results: Nine Months 2018 versus Nine Months 2017
Consolidated Revenues Revenues increased $137.4 million as organic growth in Venezuela in the first half of 2018 prior to the deconsolidation of Venezuela operations ($1,995.7 million), South America ($111.0 million), North America ($43.1 million), and Rest of World ($10.0 million) and the favorable impact of acquisitions ($133.3 million) were partially offset by unfavorable changes in currency exchange rates ($2,134.9 million). A significant portion of the reduction in revenues from currency exchange rates relates to the strengthening of the U.S. dollar against the Venezuela bolivar in the first half of 2018 prior to the deconsolidation of Venezuela operations ($2,038.7 million). Revenues increased on an organic basis due mainly to higher average selling prices in Venezuela and Argentina (including the effects of inflation) and organic revenue growth in Mexico and Brazil from volume growth and price increases. See page 39 for our definition of "organic."

Consolidated Costs and Expenses Cost of revenues increased 6% to $2,013.0 million primarily due to the impact of acquisitions and inflation-based organic increases in labor and other operational costs, partially offset by changes in currency exchange rates. Selling, general and administrative costs increased 6% to $368.4 million due primarily to organic increases in compensation costs and the impact of acquisitions, partially offset by changes in currency exchange rates.

Consolidated Operating Profit We believe our current operating profit margin in our North America segment is lower than our other segments and our competitors as our vehicle and labor expenses are too high. We are working to increase our operating profit margin by implementing productivity improvements aimed at reducing vehicle and labor expenses and by selling higher valued services. We expect our North America segment operating profit margin will be more comparable to our Rest of World segment in the future, but will not achieve the same level as our South America segment, where profit margins are higher for us and our competitors due to market conditions.
Operating profit increased $7.9 million due mainly to:
- organic increases in Venezuela in the first half of 2018 prior to the deconsolidation of Venezuela operations ($581.4 million), South America ($50.7 million) and North America ($33.4 million), and
- the favorable operating impact of business acquisitions and dispositions ($21.7 million), excluding intangible asset amortization and acquisition-related charges,

partially offset by:
- unfavorable changes in currency exchange rates ($639.8 million), including the effects of Venezuela devaluations in the first half of 2018 prior to the deconsolidation of Venezuela operations,
- higher costs related to business acquisitions and dispositions ($16.5 million), primarily from the impact of intangible asset amortization and acquisition-related charges in 2018,

- the organic decrease in Rest of World ($5.5 million), and
- higher corporate expenses ($4.7 million on an organic basis).

Consolidated Income from Continuing Operations Attributable to Brink’s and Related Per Share Amounts Income from continuing operations attributable to Brink’s shareholders in 2018 decreased $137.1 million to negative $68.2 million primarily due to the loss on deconsolidation of Venezuela operations ($126.7 million), and higher interest expense ($29.3 million) and income tax expense ($4.9 million), partially offset by the operating profit increase mentioned above, lower interest and other expense ($14.5 million), and slightly lower income attributable to noncontrolling interests ($1.4 million). Earnings per share from continuing operations was negative $1.34, down from $1.33 in 2017.

Non-GAAP Basis
Analysis of Consolidated Results: Third Quarter 2018 versus Third Quarter 2017
Non-GAAP Consolidated Revenues Non-GAAP revenues increased $23.7 million as the favorable impact of acquisitions ($46.2 million) and organic growth in South America ($34.8 million), North America ($22.2 million), and Rest of World ($2.9 million) were partially offset by the unfavorable impact of currency exchange rates ($82.4 million). The unfavorable currency impact was driven by the Argentine peso and Brazilian real. Non-GAAP revenues increased 7% on an organic basis due mainly to higher average selling prices in Argentina (including the effects of inflation) and organic revenue growth in Mexico and the U.S. from volume growth and price increases. See page 39 for our definition of "organic."

Non-GAAP Consolidated Operating Profit Non-GAAP operating profit increased $18.9 million due mainly to:
- organic increases in South America ($18.6 million) and North America ($14.2 million),
- lower corporate expenses ($6.4 million on an organic basis), and
- the favorable operating impact of business acquisitions and dispositions ($4.4 million),

partially offset by:
- unfavorable changes in currency exchange rates ($23.5 million).

Non-GAAP Consolidated Income from Continuing Operations Attributable to Brink's and Related Per Share Amounts Non-GAAP income from continuing operations attributable to Brink's shareholders in 2018 increased $3.9 million to $47.4 million due to the operating profit increase mentioned above and lower interest and other expense ($0.7 million), partially offset by higher interest expense ($10.0 million) and higher income tax expense ($5.5 million). Earnings per share from continuing operations was $0.91, up from $0.84 in the third quarter of 2017.

Analysis of Consolidated Results: Nine Months 2018 versus Nine Months 2017
Non-GAAP Consolidated Revenues Non-GAAP revenues increased $201.2 million as the organic growth in South America ($111.0 million), North America ($43.1 million), and Rest of World ($10.0 million) and the favorable impact of acquisitions ($133.3 million) were offset by the unfavorable impact of currency exchange rates ($96.2 million). The unfavorable currency impact was driven by the Argentine peso and Brazilian real and was partially offset by the favorable impact of the euro. Non-GAAP revenues increased 7% on an organic basis due mainly to higher average selling prices in Argentina (including the effects of inflation) and organic revenue growth in Mexico and Brazil from volume growth and price increases. See page 39 for our definition of "organic."

Non-GAAP Consolidated Operating Profit Non-GAAP operating profit increased $52.3 million due mainly to:
- organic increases in South America ($50.7 million) and North America ($33.4 million), and
- the favorable operating impact of business acquisitions ($21.7 million),

partially offset by:
- unfavorable changes in currency exchange rates ($43.3 million),
- the organic decrease in Rest of World ($5.5 million), and
- higher corporate expenses ($4.7 million on an organic basis).

Non-GAAP Consolidated Income from Continuing Operations Attributable to Brink's and Related Per Share Amounts Non-GAAP income from continuing operations attributable to Brink's shareholders in 2018 increased $12.2 million to $119.8 million due to the operating profit increase mentioned above and higher interest and other income ($6.1 million), partially offset by higher interest expense ($29.5 million) and higher income tax expense ($15.6 million). Earnings per share from continuing operations was $2.30, up from $2.09 in 2017.

Revenues and Operating Profit by Segment: Third Quarter 2018 versus Third Quarter 2017

(In millions)	3Q'17	Organic Change	Acquisitions / Dispositions[(a)]	Currency[(b)]	3Q'18	% Change Total	% Change Organic
Revenues:							
North America	$316.5	22.2	52.4	(7.7)	383.4	21	7
South America	247.4	34.8	3.2	(69.9)	215.5	(13)	14
Rest of World	264.8	2.9	(9.4)	(4.8)	253.5	(4)	1
Segment revenues[(e)]	828.7	59.9	46.2	(82.4)	852.4	3	7
Other items not allocated to segments[(d)]	20.8	(20.8)	—	—	—	(100)	(100)
Revenues - GAAP	$849.5	39.1	46.2	(82.4)	852.4	—	5
Operating profit:							
North America	$16.9	14.2	3.5	(1.0)	33.6	99	84
South America	47.7	18.6	1.6	(21.6)	46.3	(3)	39
Rest of World	33.3	(1.2)	(0.7)	(0.6)	30.8	(8)	(4)
Segment operating profit	97.9	31.6	4.4	(23.2)	110.7	13	32
Corporate[(c)]	(21.5)	6.4	—	(0.3)	(15.4)	(28)	(30)
Operating profit - non-GAAP	76.4	38.0	4.4	(23.5)	95.3	25	50
Other items not allocated to segments[(d)]	(10.0)	(12.4)	(5.0)	(0.9)	(28.3)	unfav	unfav
Operating profit - GAAP	$66.4	25.6	(0.6)	(24.4)	67.0	1	39

Amounts may not add due to rounding.

(a) Non-GAAP amounts include the impact of prior year comparable period results for acquired and disposed businesses. GAAP results also include the impact of acquisition-related intangible amortization, restructuring and other charges, and disposition-related gains/losses.

(b) The amounts in the "Currency" column consist of the effects of Venezuela devaluations and the sum of monthly currency changes. Monthly currency changes represent the accumulation throughout the year of the impact on current period results of changes in foreign currency rates from the prior year period.

(c) Corporate expenses are not allocated to segment results. Corporate expenses include salaries and other costs to manage the global business and to perform activities required by public companies.

(d) See pages 44–45 for more information.

(e) Segment revenues equal our total reported non-GAAP revenues.

Analysis of Segment Results: Third Quarter 2018 versus Third Quarter 2017

North America

Revenues increased 21% ($66.9 million) primarily due to the favorable impact of the Dunbar acquisition ($52.4 million) and 7% organic growth ($22.2 million) driven by price and volume growth in Mexico and the U.S. Operating profit increased $16.7 million primarily due to organic growth in Mexico and the U.S. and the favorable impact of the Dunbar acquisition ($3.5 million). Organic profit growth in Mexico was driven by price increases and higher volumes. Organic profit growth in the U.S. was driven by price increases and lower labor costs and other productivity improvements.

South America

Revenues decreased 13% ($31.9 million) primarily due to the unfavorable impact of currency exchange rates ($69.9 million) mostly from the Argentine peso and Brazilian real, partially offset by 14% organic growth ($34.8 million).

The organic growth was driven by inflation-based price increases in Argentina. Operating profit decreased 3% ($1.4 million) due to unfavorable currency ($21.6 million) driven by the Argentine peso, partially offset by organic growth ($18.6 million) and the favorable impact of acquisitions ($1.6 million). The organic profit growth was driven by organic revenue growth in Argentina.

Rest of World

Revenues decreased 4% ($11.3 million) due to the unfavorable impact of acquisitions and dispositions ($9.4 million), primarily related to the disposition of the French airport security services company, and the unfavorable impact of currency exchange rates ($4.8 million), slightly offset by 1% organic growth ($2.9 million). The organic revenue growth was driven by Greece, Israel, and India, partially offset by a decrease in France due to pricing and volume pressure. Operating profit decreased 8% ($2.5 million) due to an organic decrease ($1.2 million) primarily related to France, the unfavorable impact of acquisitions and dispositions ($0.7 million) and unfavorable currency ($0.6 million).

Revenues and Operating Profit by Segment: Nine Months 2018 versus Nine Months 2017

(In millions)	YTD '17	Organic Change	Acquisitions / Dispositions[(a)]	Currency[(b)]	YTD '18	% Change Total	% Change Organic
Revenues:							
North America	$932.1	43.1	54.3	(2.0)	1,027.5	10	5
South America	654.2	111.0	70.1	(131.7)	703.6	8	17
Rest of World	742.3	10.0	8.9	37.5	798.7	8	1
Segment revenues[(e)]	2,328.6	164.1	133.3	(96.2)	2,529.8	9	7
Other items not allocated to segments[(d)]	115.2	1,974.9	—	(2,038.7)	51.4	(55)	fav
Revenues - GAAP	$2,443.8	2,139.0	133.3	(2,134.9)	2,581.2	6	88
Operating profit:							
North America	$43.9	33.4	3.8	(0.8)	80.3	83	76
South America	123.3	50.7	15.8	(41.8)	148.0	20	41
Rest of World	84.1	(5.5)	2.1	1.9	82.6	(2)	(7)
Segment operating profit	251.3	78.6	21.7	(40.7)	310.9	24	31
Corporate[(c)]	(60.6)	(4.7)	—	(2.6)	(67.9)	12	8
Operating profit - non-GAAP	190.7	73.9	21.7	(43.3)	243.0	27	39
Other items not allocated to segments[(d)]	(5.1)	568.4	(16.3)	(596.5)	(49.5)	unfav	fav
Operating profit - GAAP	$185.6	642.3	5.4	(639.8)	193.5	4	fav

Amounts may not add due to rounding.

See page 42 for footnote explanations.

Analysis of Segment Results: Nine Months 2018 versus Nine Months 2017

North America

Revenues increased 10% ($95.4 million) primarily due to the favorable impact of the Dunbar acquisition ($52.4 million) and 5% organic growth ($43.1 million), slightly offset by the unfavorable impact of currency exchange rates ($2.0 million) from the Mexican peso. Organic revenue growth increased from price and volume growth in Mexico and price increases in the U.S.. Operating profit increased $36.4 million primarily due to organic growth in Mexico and the U.S. and the favorable impact of the Dunbar acquisition ($3.5 million). Organic profit growth in Mexico was driven by higher volumes, price increases, and labor-related productivity improvements. Organic profit growth in the U.S. was driven by price increases and lower labor costs and other productivity improvements.

South America

Revenues increased 8% ($49.4 million) primarily due to 17% organic growth ($111.0 million) and the favorable impact of acquisitions ($70.1 million), partially offset by the unfavorable impact of currency exchange rates ($131.7 million) mostly from the Argentine peso and Brazilian real. The organic growth was driven by inflation-based price increases in Argentina and price and volume growth in Brazil. Operating profit increased 20% ($24.7 million) driven by organic revenue growth in Argentina and Brazil and the favorable impact of acquisitions ($15.8 million), partially offset by unfavorable currency ($41.8 million) primarily driven by the Argentine peso.

Rest of World

Revenues increased 8% ($56.4 million) due to the favorable impact of currency exchange rates ($37.5 million), primarily from the euro, 1% organic growth ($10.0 million) and the favorable impact of acquisitions and dispositions

($8.9 million). The organic revenue growth was driven by Israel and Greece, partially offset by a decrease in France due to pricing and volume pressure. Operating profit decreased 2% ($1.5 million) due to an organic decrease ($5.5 million) in France, partially offset by the favorable impact of acquisitions and dispositions ($2.1 million) and currency ($1.9 million).

Income and Expense Not Allocated to Segments

Corporate Expenses

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
General, administrative and other expenses	$(20.6)	(22.4)	(8)	$(72.6)	(59.9)	21
Foreign currency transaction gains (losses)	0.4	0.5	(20)	(1.8)	0.7	unfav
Reconciliation of segment policies to GAAP	4.8	0.4	fav	6.5	(1.4)	fav
Corporate expenses	$(15.4)	(21.5)	(28)	$(67.9)	(60.6)	12

Corporate expenses for the third quarter of 2018 decreased $6.1 million compared to the third quarter of 2017. The reduction is primarily related to a favorable bad debt variance and higher royalty income in the current year quarter.

Corporate expenses for the first nine months of 2018 were up $7.3 million versus the prior year period primarily driven by higher security losses and higher information technology costs in the current year period. These costs were partially offset by a favorable bad debt variance. Corporate expenses include former non-segment and regional management costs, currency transaction gains and losses, costs related to global initiatives and adjustments to reconcile segment accounting policies to U.S. GAAP.

Other Items Not Allocated to Segments

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Revenues:						
Venezuela operations	$—	20.8	(100)	$51.4	115.2	(55)
Revenues	$—	20.8	(100)	$51.4	115.2	(55)
Operating profit:						
Venezuela operations	$—	2.5	(100)	2.3	19.1	(88)
Reorganization and Restructuring	(7.3)	(6.4)	14	(15.5)	(16.1)	(4)
Acquisitions and dispositions	(10.7)	(6.1)	75	(24.6)	(8.1)	unfav
Argentina highly inflationary impact	(8.3)	—	unfav	(8.3)	—	unfav
Reporting compliance	(2.0)	—	unfav	(3.4)	—	unfav
Operating profit	$(28.3)	(10.0)	unfav	$(49.5)	(5.1)	unfav

The impact of other items not allocated to segments was a loss of $28.3 million in the third quarter of 2018 versus the prior year period loss of $10.0 million. The change was primarily due to the impact of highly inflationary accounting in Argentina, higher acquisition-related charges, profit from Venezuela operations in the prior year quarter and certain reporting compliance costs in the current year quarter.

The impact of other items not allocated to segments was a loss of $49.5 million in the first nine months of 2018 versus the prior year period loss of $5.1 million. The change was primarily due to higher acquisition-related charges, lower profits from our Venezuela operations, the impact of highly inflationary accounting in Argentina and certain reporting compliance costs in the current year period.

Venezuela operations Prior to the deconsolidation of our Venezuelan subsidiaries effective June 30, 2018 (see Note 1 of the condensed consolidated financial statements), we excluded from our segment results all of our Venezuela operating results due to the Venezuelan government's restrictions that have prevented us from repatriating funds. In

light of these unique circumstances, our operations in Venezuela are largely independent of the rest of our global operations. As a result, the Chief Executive Officer, the Company's Chief Operating Decision maker ("CODM"), has assessed segment performance and has made resource decisions by segment excluding Venezuela operating results. Additionally, management believes excluding Venezuela from segment results has made it possible to more effectively evaluate the company's performance between periods. Prior to deconsolidation,Venezuela operating results include remeasurement gains and losses on monetary assets and liabilities related to currency devaluations. We recognized remeasurement gains of $2.2 million in the first nine months of 2018 versus remeasurement losses of $9.1 million in the first nine months of 2017.

Factors considered by management in excluding Venezuela results include:

- Continued inability to repatriate cash to redeploy to other operations or dividend to shareholders
- Highly inflationary environment
- Previous fixed exchange rate policy
- Continued currency devaluations and
- Difficulty raising prices and controlling costs

Reorganization and Restructuring

2016 Restructuring

In the fourth quarter of 2016, management implemented restructuring actions across our global business operations and our corporate functions. As a result of these actions, we recognized $18.1 million in 2016 costs and an additional $17.3 million in 2017 under this restructuring for additional costs related to severance, asset-related adjustments, a benefit program termination and lease terminations. We recognized an additional $11.3 million in the first nine months of 2018 under this program for additional asset-related and severance costs. The actions under this program were substantially completed in the third quarter of 2018, with cumulative pretax charges of approximately $46.7 million. Severance actions reduced our global workforce by approximately 800 positions and will result in approximately $20 million in annualized cost savings.

Other Restructurings

Management routinely implements restructuring actions in targeted sections of our business. As a result of these actions, we recognized $4.2 million in the first nine months of 2018, primarily severance costs. When completed, the current restructuring actions will reduce our workforce by 400 to 500 positions and result in approximately $6 million in annualized cost savings. For the current restructuring actions, we expect to incur additional costs between $2 and $4 million in future periods. These estimates will be updated as management targets additional sections of our business. Due to the unique circumstances around these charges, they have not been allocated to segment results and are excluded from non-GAAP results. Charges related to the employees, assets, leases and contracts impacted by these restructuring actions were excluded from the segments and corporate expenses as shown in the table below.

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Reportable Segments:						
North America	$ —	1.7	(100)	$ 0.6	4.4	(86)
South America	0.9	0.7	29	1.9	3.5	(46)
Rest of World	6.4	4.0	60	13.0	5.6	unfav
Total reportable segments	7.3	6.4	14	15.5	13.5	15
Corporate items	—	—	—	—	2.6	(100)
Total	$ 7.3	6.4	14	$ 15.5	16.1	(4)

Acquisitions and dispositions Certain acquisition and disposition items that are not considered part of the ongoing activities of the business and are special in nature are consistently excluded from non-GAAP results. These items are described below:

2018 Acquisitions and Dispositions

- Amortization expense for acquisition-related intangible assets was $11.7 million in the first nine months of 2018.
- Severance costs related to our 2017 acquisitions in Argentina, France and Brazil were $3.7 million in the first nine months of 2018.
- Transaction costs related to business acquisitions were $5.9 million in the first nine months of 2018.
- Compensation expense related to the retention of key Dunbar employees was $1.3 million in the third quarter of 2018.

2017 Acquisitions and Dispositions

- We recognized $0.8 million in gains in the first quarter of 2017 related to the liquidation of our former cash-in-transit operation in Puerto Rico.
- Amortization expense for acquisition-related intangible assets was $4.4 million in the first nine months of 2017.
- Transaction costs related to business acquisitions were $1.5 million in the first nine months of 2017.

- Severance costs of $1.0 million were incurred related to our 2017 acquisitions in Argentina and Brazil.
- Currency transaction losses of $1.9 million were recognized related to acquisition activity.

Argentina highly inflationary impact Beginning in the third quarter of 2018, we designated Argentina's economy as highly inflationary for accounting purposes. As a result, Argentine peso-denominated monetary assets and liabilities are now remeasured at each balance sheet date to the currency exchange rate then in effect, with currency remeasurement gains and losses recognized in earnings. In addition, nonmonetary assets retain a higher historical basis when the currency is devalued. The higher historical basis results in incremental expense being recognized when the nonmonetary assets are consumed. Currency remeasurement losses were $8.1 million and incremental expense related to nonmonetary assets was $0.2 million in the third quarter of 2018.

Reporting compliance Certain third party costs incurred related to the mitigation of material weaknesses ($1.2 million in the first nine months of 2018) and the implementation and adoption of ASU 2016-02, the new lease accounting standard effective for us January 1, 2019 ($2.2 million in the first nine months of 2018), are excluded from non-GAAP results.

Foreign Operations

We currently serve customers in more than 100 countries, including 41 countries where we operate subsidiaries.

We are subject to risks customarily associated with doing business in foreign countries, including labor and economic conditions, political instability, controls on repatriation of earnings and capital, nationalization, expropriation and other forms of restrictive action by local governments. Changes in the political or economic environments in the countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. The future effects, if any, of these risks are unknown.

Our international operations conduct a majority of their business in local currencies. Because our financial results are reported in U.S. dollars, they are affected by changes in the value of various local currencies in relation to the U.S. dollar. The recent strengthening of the U.S. dollar has reduced our reported U.S. dollar revenues and operating profit and is likely to continue for the remainder of 2018.

Changes in exchange rates may also affect transactions that are denominated in currencies other than the functional currency. From time to time, we use foreign currency forward and swap contracts to hedge transactional risks associated with foreign currencies. At September 30, 2018, the notional value of our shorter term outstanding foreign currency forward and swap contracts was $153.4 million with average contract maturities of approximately two months. These shorter term foreign currency forward and swap contracts primarily offset exposures in the euro and the British pound. Additionally, these shorter term contracts are not designated as hedges for accounting purposes, and accordingly, changes in their fair value are recorded immediately in earnings. We recognized gains of $5.2 million on these contracts in the first nine months of 2018. At September 30, 2018, the fair value of these shorter term foreign currency contracts was a net asset of $1.4 million.

See Note 1 to the condensed consolidated financial statements for a description of government currency processes and restrictions in Venezuela, the effect on our operations, and how we account for currency remeasurement for Venezuelan subsidiaries, prior to deconsolidation effective June 30, 2018 under the heading, "Venezuela". See Note 1 to the condensed consolidated financial statements for a description of how we account for currency remeasurement for Argentine subsidiaries, beginning July 1, 2018 under the heading, "Argentina".

Other Operating Income (Expense)

Other operating income (expense) includes amounts included in segment results as well as income and expense not allocated to segments.

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Foreign currency items:						
Transaction losses	$(9.6)	(3.3)	unfav	$(12.9)	(13.3)	(3)
Derivative instrument gains	1.8	1.1	64	5.2	3.0	73
Gains on sale of property and other assets	0.6	0.3	100	1.1	1.1	—
Impairment losses	(1.6)	(1.6)	—	(4.3)	(2.6)	65
Share in earnings of equity affiliates	0.3	0.1	fav	1.7	0.2	fav
Royalty income	1.4	0.5	fav	3.2	1.5	fav
Other	(0.3)	2.8	unfav	(0.3)	4.0	unfav
Other operating expense	$(7.4)	(0.1)	unfav	$(6.3)	(6.1)	3

Other operating expense was $7.4 million in the third quarter of 2018 versus $0.1 million in the prior year period. The increase from the prior year quarter was primarily due to higher foreign currency transaction losses in the third quarter of 2018.

Other operating expense was $6.3 million in the first nine months of 2018 versus $6.1 million of expense in the prior year period.

Nonoperating Income and Expense

Interest expense

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Interest expense	$ 17.0	7.7	unfav	$47.8	18.5	unfav

Interest expense was higher in the third quarter of 2018 compared to the prior year period primarily due to higher borrowing levels due to business acquisitions.

Interest expense was higher in the first nine months of 2018 compared to the prior year period primarily due to higher borrowing levels due to business acquisitions.

Loss on deconsolidation of Venezuela operations

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Loss on deconsolidation of Venezuela operations	$ —	—	—	$ 126.7	—	100

See Note 1 to the condensed consolidated financial statements for more information about the loss on deconsolidation of our Venezuelan operations.

Interest and other income (expense)

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Interest income	$1.6	0.8	100	$5.7	2.4	fav
Gain on equity securities	1.6	0.7	fav	3.1	0.9	fav
Foreign currency transaction losses[a]	—	—	—	(15.5)	—	unfav
Derivative instrument losses	—	—	—	—	(0.1)	(100)
Retirement benefit cost other than service cost	(8.9)	(11.7)	(24)	(30.6)	(35.4)	(14)
Prepayment penalty[b]	—	(6.5)	(100)	—	(6.5)	(100)
Interest on Brazil tax claim[c]	—	(4.1)	(100)	—	(4.1)	(100)
Gain on a disposition of a subsidiary[d]	(0.2)	—	unfav	10.1	—	fav
Other	(2.2)	(0.4)	unfav	(2.1)	(1.0)	unfav
Interest and other income (expense)	$(8.1)	(21.2)	(62)	$(29.3)	(43.8)	(33)

(a) Prior to the July 1, 2018 highly inflationary designation for accounting purposes, currency transaction losses incurred by Brink's Argentina related to its U.S. dollar-denominated payables to the sellers of Maco Transporatadora and Maco Litoral.

(b) Penalty upon prepayment of Private Placement notes in September 2017.

(c) Related to an unfavorable court ruling in the third quarter of 2017 on a non-income tax claim in Brazil. The court ruled that Brink's must pay interest accruing from the initial claim filing in 1994 to the current date. The principal amount of the claim was approximately $1 million and was recognized in selling, general and administrative expenses in the third quarter of 2017.

(d) Gain on the sale of our former French airport security services subsidiary in the second quarter of 2018. The estimate of the gain was revised in the third quarter of 2018.

Income Taxes

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Continuing operations				
Provision for income taxes (in millions)	$23.0	16.4	$53.0	48.1
Effective tax rate	54.9 %	43.7%	(514.6%)	39.0%

Tax Reform
On December 22, 2017, the Tax Reform Act was enacted into law. The Tax Reform Act included a reduction in the federal tax rate for corporations from 35% to 21% as of January 1, 2018, a one-time transition tax on the cumulative undistributed earnings of foreign subsidiaries as of December 31, 2017, a repeal of the corporate alternative minimum tax, and more extensive limitations on deductibility of performance-based compensation for named executive officers. Other provisions effective as of January 1, 2018, which could materially impact the Company in the near-term, included the creation of a new U.S. minimum tax on foreign earnings called the Global Intangible Low-Taxed Income ("GILTI") and limitations on the deductibility of interest expense.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Reform Act, the Company recorded provisional amounts as of December 31, 2017, in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"). We recorded a provisional one-time non-cash charge of $92 million in the fourth quarter of 2017 to remeasure the deferred tax assets for the new rate and for other legislative changes. We filed our 2017 U.S. federal income tax return in October 2018, which did not reflect a U.S. federal current tax liability for the transition tax due to our high-tax foreign income, but we expect to record an incremental $1.3 million of foreign tax credits offset with a full valuation allowance in addition to the provisional $31.1 million foreign tax credit offset with a full valuation allowance related to the transition tax recorded in the fourth quarter of 2017. We did not record a current state tax liability related to the transition tax in accordance with the interpretation of existing state laws and the provisional estimates and continue to expect this amount to be immaterial. The Company has not yet adopted an accounting policy related to the provision of deferred taxes related to GILTI. We did not change our assertion on the determination of which subsidiaries that we consider to be permanently invested and for which we do not expect to repatriate to the U.S. as a result of the Tax Reform Act. We will continue to collect and analyze data, including the undistributed earnings of foreign subsidiaries and related taxes, interpret the Tax Reform Act and apply the additional guidance and legislative changes to be issued by the U.S. federal and state authorities and may be required to make adjustments to these provisional amounts. We will complete the 2017 accounting for the Tax Reform Act by the end of 2018 in accordance with SAB 118.

2018 Compared to U.S. Statutory Rate
The effective income tax rate on continuing operations in the first nine months of 2018 was negative primarily due to the impact of Venezuela's earnings and the related tax expense, including the largely nondeductible loss on the deconsolidation of the Venezuela operations. The items that cause the rate to be higher than the U.S. statutory rate include the geographical mix of earnings, the seasonality of book losses for which no tax benefit can be recorded, nondeductible expenses in Mexico, taxes on cross border payments and the characterization of a French business tax as an income tax, partially offset by the significant tax benefits related to the distribution of share-based payments and a French income tax credit.

2017 Compared to U.S. Statutory Rate
The effective income tax rate on continuing operations in the first nine months of 2017 was greater than the 35% U.S. statutory tax rate primarily due to the impact of our Venezuelan operation's earnings and related tax expense, including the nondeductible expenses resulting from the currency devaluation, partially offset by the significant tax benefits related to the distribution of share-based payments and an income tax benefit related to an Illinois legislative change. The other items that cause the rate to be higher than the U.S. statutory rate include the seasonality of book losses for

which no tax benefit can be recorded, nondeductible expenses in Mexico, taxes on cross border payments and the characterization of a French business tax as an income tax, partially offset by the geographical mix of earnings and a French income tax credit.

Deferred Tax Assets

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, 2017, we had $173 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 in the future, if forecasted U.S. operational results are not realized or if any other U.S. 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.

Effective Tax Rate

Our effective tax rate may fluctuate materially from these estimates due to changes in permanent book-tax differences, changes in the expected amount and geographical mix of earnings, changes in current or deferred taxes due to legislative changes, changes in valuation allowances or accruals for contingencies, changes in distributions of share-based payments, changes in guidance and additional legislative changes related to the Tax Reform Act, and other factors.

Noncontrolling Interests

(In millions)	Three Months Ended September 30, 2018	2017	% change	Nine Months Ended September 30, 2018	2017	% change
Net income attributable to noncontrolling interests	$ 1.4	1.2	17	$ 4.9	6.3	(22)

The change from $6.3 million net income attributable to noncontrolling interests in the first nine months of 2017 to $4.9 million of net income attributable to noncontrolling interests in the first nine months of 2018 was primarily due to lower results from our Venezuelan subsidiaries prior to the deconsolidation of those subsidiaries, effective June 30, 2018.

See Note 1 to the condensed consolidated financial statements for more information about the deconsolidation of our Venezuelan subsidiaries.

Non-GAAP Results Reconciled to GAAP

Non-GAAP results described in this filing are financial measures that are not required by or presented in accordance with GAAP. The purpose of the non-GAAP results is to report financial information from the primary operations of our business by excluding the effects of certain income and expenses that do not reflect the ordinary earnings of our operations. The specific items excluded have not been allocated to segments, are described in detail on pages 44–45, and are reconciled to comparable GAAP measures below.

Non-GAAP results adjust the quarterly non-GAAP tax rates so that the non-GAAP tax rate in each of the quarters is equal to the full-year estimated non-GAAP tax rate. The full-year non-GAAP tax rate in both years excludes certain pretax and income tax amounts. Amounts reported for prior periods have been updated in this report to present information consistently for all periods presented.

The Non-GAAP financial measures are intended to provide investors with a supplemental comparison of our operating results and trends for the periods presented. Our management believes these measures are also useful to investors as such measures allow investors to evaluate our performance using the same metrics that our management uses to evaluate past performance and prospects for future performance. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance. Additionally, non-GAAP results are utilized as performance measures in certain management incentive compensation plans.

Non-GAAP results should not be considered as an alternative to revenue, income or earnings per share amounts determined in accordance with GAAP and should be read in conjunction with their GAAP counterparts.

	YTD '18			YTD '17		
(In millions, except for percentages)	Pre-tax	Tax	Effective tax rate	Pre-tax	Tax	Effective tax rate
Effective Income Tax Rate[(a)]						
GAAP	$(10.3)	53.0	(514.6)%	$123.3	48.1	39.0 %
Retirement plans[(d)]	25.0	5.9		24.9	9.0	
Venezuela operations[(b)]	0.9	(3.9)		(13.1)	(11.8)	
Reorganization and Restructuring[(b)]	15.5	5.1		16.1	5.5	
Acquisitions and dispositions[(b)]	30.6	12.1		8.9	3.0	
Prepayment penalty[(e)]	—	—		6.5	2.4	
Interest on Brazil tax claim[(f)]	—	—		4.1	1.4	
Tax on accelerated income[(g)]	—	0.3		—	—	
Argentina highly inflationary impact[(b)]	7.8	0.6		—	—	
Reporting compliance[(b)]	3.4	0.8		—	—	
Loss on deconsolidation of Venezuela operations[(h)]	126.7	0.1		—	—	
Income tax rate adjustment[(c)]	—	(0.1)		—	0.7	
Non-GAAP	$199.6	73.9	37.0 %	$170.7	58.3	34.2 %

Amounts may not add due to rounding.

(a) From continuing operations.

(b) See “Other Items Not Allocated To Segments” on pages 44–45 for details. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance.

(c)

Non-GAAP income from continuing operations and non-GAAP EPS have been adjusted to reflect an effective income tax rate in each interim period equal to the full-year non-GAAP effective income tax rate. The full-year non-GAAP effective tax rate is estimated at 37.0% for 2018 and was 34.2% for 2017.

(d) Our U.S. retirement plans are frozen and costs related to these plans are excluded from non-GAAP results. Certain non-U.S. operations also have retirement plans. Settlement charges related to these non-U.S. plans are also excluded from non-GAAP results.

(e) Penalty upon prepayment of Private Placement notes in September 2017.

(f) Related to an unfavorable court ruling in the third quarter of 2017 on a non-income tax claim in Brazil. The court ruled that Brink's must pay interest accruing from the initial claim filing in 1994 to the current date. The principal amount of the claim was approximately $1 million and was recognized in selling, general and administrative expenses in the third quarter of 2017.

(g) The non-GAAP tax rate excludes the 2018 foreign tax benefit that resulted from the transaction that accelerated U.S. tax in 2015.

(h) Effective June 30, 2018, we deconsolidated our investment in Venezuelan subsidiaries and recognized a pretax charge of $126.7 million. Post-deconsolidation funding of ongoing costs related to our Venezuelan operations are expensed as incurred and reported in interest and other income (expense). Third quarter 2018 amounts were $0.3 million. We do not expect future amounts to be material.

(i) Because we reported a loss from continuing operations on a GAAP basis in the first nine months of 2018, GAAP EPS was calculated using basic shares. However, as we reported income from continuing operations on a non-GAAP basis in the first nine months of 2018, non-GAAP EPS was calculated using diluted shares.

Non-GAAP Results Reconciled to GAAP

(In millions, except for percentages and per share amounts)	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Revenues:				
GAAP	$852.4	849.5	2,581.2	2,443.8
Venezuela operations(b)	—	(20.8)	(51.4)	(115.2)
Non-GAAP	$852.4	828.7	2,529.8	2,328.6
Operating profit:				
GAAP	$67.0	66.4	193.5	185.6
Venezuela operations(b)	—	(2.5)	(2.3)	(19.1)
Reorganization and Restructuring(b)	7.3	6.4	15.5	16.1
Acquisitions and dispositions(b)	10.7	6.1	24.6	8.1
Argentina highly inflationary impact(b)	8.3	—	8.3	—
Reporting compliance(b)	2.0	—	3.4	—
Non-GAAP	$95.3	76.4	243.0	190.7
Operating margin:				
GAAP margin	7.9 %	7.8 %	7.5 %	7.6 %
Non-GAAP margin	11.2 %	9.2 %	9.6 %	8.2 %
Interest expense:				
GAAP	$(17.0)	(7.7)	(47.8)	(18.5)
Venezuela operations(b)	—	—	0.1	—
Acquisitions and dispositions(b)	0.1	0.8	0.5	0.8
Non-GAAP	$(16.9)	(6.9)	(47.2)	(17.7)
Loss on deconsolidation of Venezuela operations:				
GAAP	$—	—	(126.7)	—
Loss on deconsolidation of Venezuela operations(h)	—	—	126.7	—
Non-GAAP	$—	—	—	—
Interest and other income (expense):				
GAAP	$(8.1)	(21.2)	(29.3)	(43.8)
Retirement plans(d)	8.1	9.0	25.0	24.9
Venezuela operations(b) (h)	0.3	0.9	3.1	6.0
Acquisitions and dispositions(b)	0.2	—	5.5	—
Prepayment penalty(e)	—	6.5	—	6.5
Interest on Brazil tax claim(f)	—	4.1	—	4.1
Argentina highly inflationary impact(b)	(0.5)	—	(0.5)	—
Non-GAAP	$—	(0.7)	3.8	(2.3)
Provision for income taxes:				
GAAP	$23.0	16.4	53.0	48.1
Retirement plans(d)	2.0	3.2	5.9	9.0
Venezuela operations(b)	—	(3.1)	(3.9)	(11.8)
Reorganization and Restructuring(b)	2.4	2.2	5.1	5.5

Acquisitions and dispositions[b]	2.8	2.5	12.1	3.0
Prepayment penalty[e]	—	2.4	—	2.4
Interest on Brazil tax claim[f]	—	1.4	—	1.4
Tax on accelerated income[g]	—	—	0.3	—
Argentina highly inflationary impact[b]	0.6	—	0.6	—
Reporting compliance[b]	0.5	—	0.8	—
Loss on deconsolidation of Venezuela operations[h]	0.1	—	0.1	—
Income tax rate adjustment[c]	(2.4)	(1.5)	(0.1)	0.7
Non-GAAP	$29.0	23.5	73.9	58.3

Amounts may not add due to rounding.

See page 51 for footnote explanations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except for percentages and per share amounts)	2018	2017	2018	2017
Net income (loss) attributable to noncontrolling interests:				
GAAP	$1.4	1.2	4.9	6.3
Venezuela operations[b]	—	0.6	1.0	(2.1)
Reorganization and Restructuring[b]	—	0.2	(0.1)	0.6
Income tax rate adjustment[c]	0.6	(0.2)	0.1	—
Non-GAAP	$2.0	1.8	5.9	4.8
Income (loss) from continuing operations attributable to Brink's:				
GAAP	$17.5	19.9	(68.2)	68.9
Retirement plans[d]	6.1	5.8	19.1	15.9
Venezuela operations[b]	0.3	0.9	3.8	0.8
Reorganization and Restructuring[b]	4.9	4.0	10.5	10.0
Acquisitions and dispositions[b]	8.2	4.4	18.5	5.9
Prepayment penalty[e]	—	4.1	—	4.1
Interest on Brazil tax claim[f]	—	2.7	—	2.7
Tax on accelerated income[g]	—	—	(0.3)	—
Argentina highly inflationary impact[b]	7.2	—	7.2	—
Reporting compliance[b]	1.5	—	2.6	—
Loss on deconsolidation of Venezuela operations[h]	(0.1)	—	126.6	—
Income tax rate adjustment[c]	1.8	1.7	—	(0.7)
Non-GAAP	$47.4	43.5	119.8	107.6
Diluted EPS:				
GAAP	$0.34	0.38	(1.34)	1.33
Retirement plans[d]	0.12	0.11	0.37	0.31
Venezuela operations[b]	0.01	0.02	0.07	0.02
Reorganization and Restructuring[b]	0.09	0.08	0.20	0.19
Acquisitions and dispositions[b]	0.16	0.09	0.36	0.12
Prepayment penalty[e]	—	0.08	—	0.08
Interest on Brazil tax claim[f]	—	0.05	—	0.05
Tax on accelerated income[g]	—	—	(0.01)	—
Argentina highly inflationary impact[b]	0.14	—	0.14	—
Reporting compliance[b]	0.03	—	0.05	—
Loss on deconsolidation of Venezuela operations[h]	—	—	2.43	—
Income tax rate adjustment[c]	0.03	0.03	—	(0.01)
Share adjustment[i]	—	—	0.03	—
Non-GAAP	$0.91	0.84	2.30	2.09

Amounts may not add due to rounding.

See page 51 for footnote explanations.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

Cash flows from operating activities increased by $11.6 million in the first nine months of 2018 as compared to the first nine months of 2017. Cash used for investing activities increased by $346.9 million in the first nine months of 2018 compared to the first nine months of 2017. We financed our liquidity needs in the first nine months of 2018 with cash flows from long term debt.

Operating Activities

(In millions)	Nine Months Ended September 30, 2018	2017	$ change
Cash flows from operating activities			
Operating activities - GAAP	$148.6	137.0	11.6
Venezuela operations	(0.4)	(18.2)	17.8
(Increase) decrease in restricted cash held for customers	0.7	(20.8)	21.5
(Increase) decrease in certain customer obligations[a]	4.9	(9.8)	14.7
Operating activities - non-GAAP	$153.8	88.2	65.6

(a) To adjust for the change in the balance of customer obligations related to cash received and processed in certain of our secure Cash Management Services operations. The title to this cash transfers to us for a short period of time. The cash is generally credited to customers' accounts the following day and we do not consider it as available for general corporate purposes in the management of our liquidity and capital resources.

Non-GAAP cash flows from operating activities is a supplemental financial measure that is not required by, or presented in accordance with, GAAP. The purpose of this non-GAAP measure is to report financial information excluding cash flows from Venezuela operations, restricted cash held for customers and the impact of cash received and processed in certain of our Cash Management Services operations. We believe this measure is helpful in assessing cash flows from operations, enables period-to-period comparability and is useful in predicting future operating cash flows. This non-GAAP measure should not be considered as an alternative to cash flows from operating activities determined in accordance with GAAP and should be read in conjunction with our condensed consolidated statements of cash flows.

GAAP

Cash flows from operating activities increased by $11.6 million in the first nine months of 2018 compared to the same period in 2017. The increase was due to higher operating profit and changes in working capital, offset by the $21.5 million decrease in restricted cash held for customers, the decrease in operating cash provided by Venezuela operations of $17.8 million, the changes in certain customer obligations of certain of our secure Cash Management Services operations (cash held for customers decreased by $4.9 million in 2018 compared to an increase of $9.8 million in 2017), and higher amounts paid for interest.

Non-GAAP

Non-GAAP cash flows from operating activities increased by $65.6 million in the first nine months of 2018 as compared to the same period in 2017. The increase was primarily due to higher operating profit and changes in working capital, offset by higher amounts paid for interest.

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Investing Activities

(In millions)	Nine Months Ended September 30, 2018	2017	$ change
Cash flows from investing activities			
Capital expenditures	$(104.0)	(117.4)	13.4
Acquisitions, net of cash acquired	(521.0)	(147.7)	(373.3)
Dispositions, net of cash disposed	8.4	—	8.4
Marketable securities:			
Purchases	(55.9)	(35.0)	(20.9)
Sales	47.3	21.2	26.1
Proceeds from sale of property and equipment	2.8	1.4	1.4
Other	(0.9)	1.1	(2.0)
Investing activities	$(623.3)	(276.4)	(346.9)

Cash used by investing activities increased by $346.9 million in the first nine months of 2018 versus the first nine months of 2017. The increase was primarily due to the $521 million in cash paid, net of cash acquired, for the Dunbar acquisition in 2018, offset by the five business acquisitions in Argentina, Brazil, Chile and the U.S. in the first nine months of 2017.

Cash used by investing activities is expected to increase in the fourth quarter of 2018 as cash payments are made for the pending business acquisition in Brazil. We expect to fund this acquisition largely through borrowings.

Capital expenditures and depreciation and amortization were as follows:

(In millions)	Nine Months Ended September 30, 2018	2017	$ change	Full Year 2017
Property and equipment acquired during the period				
Capital expenditures:[a]				
North America	$35.4	64.4	(29.0)	86.3
South America	31.4	23.3	8.1	39.2
Rest of World	24.6	20.7	3.9	35.9
Corporate	12.6	6.6	6.0	8.9
Capital expenditures - non-GAAP	104.0	115.0	(11.0)	170.3
Venezuela	—	2.4	(2.4)	4.2
Capital expenditures - GAAP	$104.0	117.4	(13.4)	174.5
Capital leases:[b]				
North America	$34.2	29.1	5.1	47.3
South America	7.8	4.3	3.5	4.4
Capital leases - GAAP and non-GAAP	$42.0	33.4	8.6	51.7
Total:				
North America	$69.6	93.5	(23.9)	133.6
South America	39.2	27.6	11.6	43.6
Rest of World	24.6	20.7	3.9	35.9
Corporate	12.6	6.6	6.0	8.9
Total property and equipment acquired excluding Venezuela	146.0	148.4	(2.4)	222.0
Venezuela	—	2.4	(2.4)	4.2
Total property and equipment acquired	$146.0	150.8	(4.8)	226.2
Depreciation and amortization[a]				
North America	$51.9	50.7	1.2	68.4
South America	19.9	16.9	3.0	23.5
Rest of World	23.7	22.5	1.2	30.4
Corporate	9.4	8.7	0.7	12.0
Depreciation and amortization - non-GAAP	104.9	98.8	6.1	134.3
Venezuela	1.1	1.2	(0.1)	1.7
Reorganization and Restructuring	1.8	2.0	(0.2)	2.2
Amortization of intangible assets	11.7	4.4	7.3	8.4
Depreciation and amortization - GAAP	$119.5	106.4	13.1	146.6

(a) Capital expenditures as well as depreciation and amortization related to Venezuela have been excluded from South America. In addition, accelerated depreciation related to Reorganization and Restructuring activities and amortization of acquisition-related intangible assets have also been excluded from non-GAAP amounts.

(b) Represents the amount of property and equipment acquired using capital leases. Because the assets are acquired without using cash, the acquisitions are not reflected in the condensed consolidated cash flow statement. Amounts are provided here to assist in the comparison of assets acquired in the current year versus prior years.

Non-GAAP capital expenditures and non-GAAP depreciation and amortization are supplemental financial measures that are not required by, or presented in accordance with GAAP. The purpose of these non-GAAP measures is to report financial information excluding capital expenditures and depreciation and amortization from our Venezuela operations, accelerated depreciation from restructuring activities and amortization of acquisition-related intangible assets. We believe these measures are helpful in assessing capital expenditures and depreciation and amortization, enable period-to-period comparability and are useful in predicting future investing cash flows. These non-GAAP measures should not be considered as alternatives to capital expenditures and depreciation and amortization determined in accordance with GAAP and should be read in conjunction with our condensed consolidated statements of cash flows.

Our reinvestment ratio, which we define as the annual amount of property and equipment acquired during the period divided by the annual amount of depreciation, was 1.6 for the twelve months ending September 30, 2018 compared to 1.5 for the twelve months ending September 30, 2017.

Capital expenditures in the first nine months of 2018 were primarily for machinery and equipment, information technology and armored vehicles.

Financing Activities

(In millions)	Nine Months Ended September 30, 2018	2017	$ change
Cash flows from financing activities			
Borrowings and repayments:			
Short-term borrowings	$(5.2)	(25.6)	20.4
Cash supply chain customer debt	(15.0)	(0.3)	(14.7)
Long-term revolving credit facilities, net	306.2	388.0	(81.8)
Other long-term debt, net	(39.7)	(100.6)	60.9
Borrowings (repayments)	246.3	261.5	(15.2)
Prepayment penalty	—	(6.5)	6.5
Repurchase shares of Brink's common stock	(25.1)	—	(25.1)
Dividends to:			
Shareholders of Brink’s	(22.9)	(20.1)	(2.8)
Noncontrolling interests in subsidiaries	(3.8)	(3.5)	(0.3)
Proceeds from exercise of stock options	0.8	2.7	(1.9)
Tax withholdings associated with share-based compensation	(11.3)	(10.0)	(1.3)
Other	0.3	1.0	(0.7)
Financing activities	$184.3	225.1	(40.8)

Debt borrowings and repayments

Cash flows from financing activities decreased by $40.8 million in the first nine months of 2018 compared to the first nine months of 2017 as net borrowings decreased compared to the prior year period. Additionally, we used $25.1 million to repurchase 336,829 shares under our share repurchase program during the quarter ended September 30, 2018.

Dividends

We paid dividends to Brink’s shareholders of $0.45 per share or $22.9 million in the first nine months of 2018 compared to $0.40 per share or $20.1 million in the first nine months of 2017. Future dividends are dependent on our earnings, financial condition, shareholders’ equity levels, our cash flow and business requirements, as determined by the Board of Directors.

Reconciliation of Net Debt to U.S. GAAP Measures

(In millions)	September 30, 2018	December 31, 2017
Debt:		
Short-term borrowings	$ 23.6	45.2
Long-term debt	1,495.5	1,191.5
Total Debt	1,519.1	1,236.7
Restricted cash borrowings[a]	(11.3)	(27.0)
Total Debt without restricted cash borrowings	1,507.8	1,209.7
Less:		
Cash and cash equivalents	314.2	614.3
Amounts held by Cash Management Services operations[b]	(11.2)	(16.1)
Cash and cash equivalents available for general corporate purposes	303.0	598.2
Net Debt	$ 1,204.8	611.5

(a) Restricted cash borrowings are related to cash borrowed under lending arrangements used in the process of managing customer cash supply chains, which is currently classified as restricted cash and not available for general corporate purposes.

(b) Title to cash received and processed in certain of our secure Cash Management Services operations transfers to us for a short period of time. The cash is generally credited to customers' accounts the following day and we do not consider it as available for general corporate purposes in the management of our liquidity and capital resources and in our computation of Net Debt.

Net Debt is a supplemental non-GAAP financial measure that is not required by, or presented in accordance with GAAP. We use Net Debt as a measure of our financial leverage. We believe that investors also may find Net Debt to be helpful in evaluating our financial leverage. Net Debt should not be considered as an alternative to Debt determined in accordance with GAAP and should be reviewed in conjunction with our condensed consolidated balance sheets. Set forth above is a reconciliation of Net Debt, a non-GAAP financial measure, to Debt, which is the most directly comparable financial measure calculated and reported in accordance with GAAP, as of September 30, 2018, and December 31, 2017. Net Debt excluding cash and debt in Venezuelan operations was $615 million at December 31, 2017.

Net Debt increased by $593 million primarily to fund business acquisitions and other working capital needs including insurance and bonus payments.

Liquidity Needs

Our liquidity needs include not only the working capital requirements of our operations but also investments in our operations, business development activities, payments on outstanding debt, dividend payments and share repurchases.

Our liquidity needs are typically financed by cash from operations, short-term debt and the available borrowing capacity under our Revolving Credit Facility (our debt facilities are described in more detail in Note 9 to the condensed consolidated financial statements, including certain limitations and considerations related to the cash and borrowing capacity). As of September 30, 2018, $694 million was available under the Revolving Credit Facility. Based on our current cash on hand and amounts available under our credit facilities, we believe that we will be able to meet our liquidity needs for the foreseeable future.

Limitations on dividends from foreign subsidiaries. A significant portion of our operations are outside the U.S. which may make it difficult or costly to repatriate cash for use in the U.S. See “Risk Factors” in Item 1A of our annual report on Form 10-K for the year ended December 31, 2017, for more information on the risks associated with having businesses outside the U.S.

Equity

At September 30, 2018, we had 100 million shares of common stock authorized and approximately 50.6 million shares issued and outstanding.

In May 2017, our board of directors authorized a $200 million share repurchase program, which will expire on December 31, 2019. Under this program, in the quarter ended September 30, 2018, we used $25.1 million to repurchase 336,829 shares at an average price of $74.37 per share. We are not obligated to repurchase any specific dollar amount or number of shares, and, at September 30, 2018, approximately $175 million remains available under this program. The timing and volume of share repurchases may be executed at the discretion of management at the discretion of management on an opportunistic basis, or pursuant to trading plans or other arrangements. Share repurchases under this program may be made in the open market, in privately negotiated transactions, or otherwise.

U.S. Retirement Liabilities

Funded Status of U.S. Retirement Plans

(In millions)	Actual 2017	Actual Nine Months 2018	Projected 4th Quarter 2018	2019	2020	2021	2022
Primary U.S. pension plan							
Beginning funded status	$(107.8)	(102.3)	(85.8)	(79.3)	(55.4)	(30.5)	(4.5)
Net periodic pension credit[a]	18.5	16.5	5.5	22.9	23.5	25.4	27.2
Payment from Brink’s	—	—	—	—	—	—	—
Benefit plan experience loss	(13.0)	—	1.0	1.0	1.4	0.6	—
Ending funded status	$(102.3)	(85.8)	(79.3)	(55.4)	(30.5)	(4.5)	22.7
UMWA plans							
Beginning funded status	$(226.6)	(294.3)	(294.7)	(294.7)	(296.8)	(299.8)	(303.8)
Net periodic postretirement cost[a]	(1.9)	(0.4)	—	(2.1)	(3.0)	(4.0)	(5.2)
Benefit plan experience loss	(66.3)	—	—	—	—	—	—
Other	0.5	—	—	—	—	—	—
Ending funded status	$(294.3)	(294.7)	(294.7)	(296.8)	(299.8)	(303.8)	(309.0)
Black lung plans							
Beginning funded status	$(57.2)	(67.0)	(62.7)	(62.4)	(57.8)	(53.5)	(49.5)
Net periodic postretirement cost[a]	(2.4)	(1.9)	(0.6)	(2.0)	(1.9)	(1.8)	(1.6)
Payment from Brink’s	7.3	6.2	0.9	6.6	6.2	5.8	5.4
Benefit plan experience loss	(14.7)	—	—	—	—	—	—
Ending funded status	$(67.0)	(62.7)	(62.4)	(57.8)	(53.5)	(49.5)	(45.7)

(a) Excludes amounts reclassified from accumulated other comprehensive income (loss).

Primary U.S. Pension Plan

Pension benefits provided to eligible U.S. employees were frozen on December 31, 2005, and are not provided to employees hired after 2005 or to those covered by a collective bargaining agreement. We did not make cash contributions to the primary U.S. pension plan in 2017 or the first nine months of 2018. There are approximately 14,200 beneficiaries in the plan.

Based on assumptions found in our Annual Report on Form 10-K for the year ended December 31, 2017, we do not expect to make any additional contributions.

UMWA Plans

Retirement benefits related to former coal operations include medical benefits provided by the Pittston Coal Group Companies Employee Benefit Plan for UMWA Represented Employees. There are approximately 3,300 beneficiaries in the UMWA plans. The company does not expect to make additional contributions to these plans until 2027 based on actuarial assumptions.

Black Lung

Under the Federal Black Lung Benefits Act of 1972, Brink's is responsible for paying lifetime black lung benefits to miners and their dependents for claims filed and approved after June 30, 1973. There are approximately 760 black lung beneficiaries.

Assumptions for U.S. Retirement Obligations

We have made various assumptions to estimate the amount of payments to be made in the future. The most significant assumptions include:

- Discount rates and other assumptions in effect at measurement dates (normally December 31)
- Investment returns of plan assets
- Addition of new participants (historically immaterial due to freezing of pension benefits and exit from coal business)
- Mortality rates
- Change in laws

The assumptions used to estimate our U.S. retirement obligations can be found in our Annual Report on Form 10-K for the year ended December 31, 2017.

Summary of Expenses Related to All U.S. Retirement Liabilities through 2022

This table summarizes actual and projected expense related to U.S. retirement liabilities.

(In millions)	Actual 2017	Actual Nine Months 2018	Projected 4th Quarter 2018	FY2018	2019	2020	2021	2022
Primary U.S. pension plan	$ 7.7	4.2	1.3	5.5	2.6	(0.3)	(5.9)	(10.9)
UMWA plans	16.8	12.3	3.8	16.1	18.3	18.3	18.4	18.6
Black lung plans	8.4	7.2	2.6	9.8	6.2	5.8	5.4	4.9
Total	$ 32.9	23.7	7.7	31.4	27.1	23.8	17.9	12.6

Summary of Payments from Brink’s to U.S. Plans and Payments from U.S. Plans to Participants through 2022

This table summarizes actual and projected payments:
- from Brink’s to U.S. retirement plans, and
- from the plans to participants.

(In millions)	Actual 2017	Actual Nine Months 2018	Projected 4th Quarter 2018	FY2018	2019	2020	2021	2022
Payments from Brink’s to U.S. Plans								
Black lung plans	$ 7.3	6.2	0.9	7.1	6.6	6.2	5.8	5.4
Total	$ 7.3	6.2	0.9	7.1	6.6	6.2	5.8	5.4
Payments from U.S. Plans to participants								
Primary U.S. pension plan	$ 49.1	36.3	14.0	50.3	50.6	50.8	50.9	50.8
UMWA plans	33.5	20.7	13.5	34.2	34.0	34.4	34.3	33.6
Black lung plans	7.3	6.2	0.9	7.1	6.6	6.2	5.8	5.4
Total	$ 89.9	63.2	28.4	91.6	91.2	91.4	91.0	89.8

The amounts in the tables above are based on a variety of estimates, including actuarial assumptions as of the most recent measurement date. The estimated amounts will change in the future to reflect payments made, investment returns, actuarial revaluations, and other changes in estimates. Actual amounts could differ materially from the estimated amounts.

Contingent Matters

See Note 13 to the condensed consolidated financial statements for information about contingent matters at September 30, 2018.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We serve customers in more than 100 countries, including 41 countries where we operate subsidiaries. These operations expose us to a variety of market risks, including the effects of changes in interest rates and foreign currency exchange rates. In addition, we consume various commodities in the normal course of business, exposing us to the effects of changes in the prices of such commodities. These financial and commodity exposures are monitored and managed by us as an integral part of our overall risk management program. Our risk management program seeks to reduce the potentially adverse effects that the volatility of certain markets may have on our operating results. We have not had any material change in our market risk exposures in the nine months ended September 30, 2018.

Item 4. Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO"), who is our principal executive officer, and our Executive Vice President and Chief Financial Officer ("CFO"), who is our principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. As a result of this evaluation, our CEO and CFO concluded that the material weaknesses previously identified in Item 9A. "Controls and Procedures" of our Annual Report on Form 10-K for the year ended December 31, 2017 were still present as of September 30, 2018. Based on those material weaknesses, and the evaluation of our disclosure controls and procedures, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of September 30, 2018.

Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the condensed consolidated financial statements included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Changes in internal control over financial reporting.
There has been no change in our internal control over financial reporting during the quarter ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Forward-looking information
This document contains both historical and forward-looking information. Words such as "anticipates," "assumes," "estimates," "expects," "projects," "predicts," "intends," "plans," "potential," "believes," "could," "may," "should" and similar may identify forward-looking information. Forward-looking information in this document includes, but is not limited to, statements concerning: segment operating profit margin outlook; effects of currency rate changes; anticipated costs of our Reorganization and Restructuring activities; funding of business acquisitions; the impact of the Tax Reform Act; realization of deferred tax assets; our effective tax rate and future tax payments; costs related to our Venezuela operations; the ability to meet liquidity needs; expenses and payouts for the U.S. retirement plans and the non-U.S. pension plans and the funded status of the primary pension plan; expected liability for and future contributions to the UMWA plans; and liability for black lung obligations. Forward-looking information in this document is subject to known and unknown risks, uncertainties, and contingencies, which are difficult to quantify and which could cause actual results, performance or achievements to differ materially from those that are anticipated.

These risks, uncertainties and contingencies, many of which are beyond our control, include, but are not limited to:

- our ability to improve profitability and execute further cost and operational improvements and efficiencies in our core businesses;

- our ability to improve service levels and quality in our core businesses;
- market volatility and commodity price fluctuations;
- seasonality, pricing and other competitive industry factors;
- investment in information technology and its impact on revenue and profit growth;
- our ability to maintain an effective IT infrastructure and safeguard confidential information;
- our ability to effectively develop and implement solutions for our customers;
- risks associated with operating in foreign countries, including changing political, labor and economic conditions, regulatory issues, currency restrictions and devaluations, restrictions on and cost of repatriating earnings and capital, impact on the Company's financial results as a result of jurisdictions determined to be highly inflationary, and restrictive government actions, including nationalization;
- labor issues, including negotiations with organized labor and work stoppages;
- the strength of the U.S. dollar relative to foreign currencies and foreign currency exchange rates;
- our ability to identify, evaluate and complete acquisitions and other strategic transactions and to successfully integrate acquired companies;
- costs related to dispositions and market exits;
- our ability to obtain appropriate insurance coverage, positions taken by insurers relative to claims and the financial condition of insurers;
- safety and security performance and loss experience;
- employee, environmental and other liabilities in connection with former coal operations, including black lung claims;
- the impact of the Patient Protection and Affordable Care Act on legacy liabilities and ongoing operations;
- funding requirements, accounting treatment, and investment performance of our pension plans, the VEBA and other employee benefits;

- changes to estimated liabilities and assets in actuarial assumptions;
- the nature of hedging relationships and counterparty risk;
- access to the capital and credit markets;
- our ability to realize deferred tax assets;
- the outcome of pending and future claims, litigation, and administrative proceedings;
- public perception of our business, reputation and brand;
- changes in estimates and assumptions underlying our critical accounting policies; and
- the promulgation and adoption of new accounting standards, new government regulations and interpretation of existing standards and regulations.

This list of risks, uncertainties and contingencies is not intended to be exhaustive. Additional factors that could cause our results to differ materially from those described in the forward-looking statements can be found under “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the period ended December 31, 2017 and in our other public filings with the Securities and Exchange Commission. The forward looking information included in this document is representative only as of the date of this document, and The Brink’s Company undertakes no obligation to update any information contained in this document.

Part II - Other Information
Item 1. Legal Proceedings

For a discussion of legal proceedings, see Note 13 to the condensed consolidated financial statements, "Contingent Matters," in Part I, Item 1 of this Form 10-Q.

Item 1A. Risk Factors

We provide cash transportation and money processing services in the United States to financial institutions that serve clients in the legalized cannabis industry and the enforcement of federal laws regarding cannabis and cannabis proceeds could result in legal action against us by the United States federal government.

We provide cash transportation and money processing services to certain financial institutions that provide banking services to clients in the cannabis industry in certain states that have legalized the use and distribution of marijuana. Marijuana is a Schedule-I controlled substance under the Controlled Substance Act ("CSA") and remains illegal under federal law. Even in those states in which the use of marijuana has been legalized, its cultivation, use, distribution and possession remains a violation of federal law.

In January 2018, the U.S. Department of Justice ("DOJ") rescinded the "Cole Memo" and related memoranda which characterized the enforcement of the CSA against persons and entities complying with state regulatory systems permitting the use, manufacture and sale of medical marijuana as an inefficient use of their prosecutorial resources and discretion. The impact of the DOJ's rescission of the Cole Memo and related memoranda is unclear, but may result in the DOJ increasing its enforcement actions against the regulated cannabis industry generally.

The U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") published guidelines in 2014 for financial institutions servicing state legal cannabis businesses. Although we have an audit program to ensure our financial institution clients' due diligence and federal anti-money laundering programs comply with applicable state laws and FinCEN guidance, any change in FinCEN guidance, any new regulations or legislation, any change in existing regulations or oversight (whether a change in regulatory policy or a change in a regulator's interpretation of a law or regulation), or any change in enforcement priorities could result in legal action against our financial institution customers or their service providers, including Brink's, by the federal government, which could adversely affect our results of operations and/or financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about common stock repurchases by the Company during the quarter ended September 30, 2018.

Period	(a) Total Number of Shares Purchased[1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs
July 1 through July 31, 2018	—	$ ——		$ —

August 1 through August 31, 2018	174,495	77.36	174,495	186,500,833
September 1 through September 30, 2018	162,334	71.15	162,334	174,951,270

(1) On May 8, 2017, the Company's board of directors authorized the Company to repurchase up to $200 million of common stock from time to time as market conditions warrant and as covenants under existing agreements permit. The program does not require the Company to acquire any specific numbers of shares and may be modified or discontinued at any time. The program will expire on December 31, 2019.

Item 6. Exhibits

Exhibit Number	
31.1	Certification of Douglas A. Pertz, President and Chief Executive Officer (Principal Executive Officer) of The Brink's Company, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Ronald J. Domanico, Executive Vice President and Chief Financial Officer (Principal Financial Officer) of The Brink's Company, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Douglas A. Pertz, President and Chief Executive Officer (Principal Executive Officer) of The Brink's Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Ronald J. Domanico, Executive Vice President and Chief Financial Officer (Principal Financial Officer) of The Brink's Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File (Quarterly Report on Form 10-Q, for the quarterly period ended September 30, 2018, furnished in XBRL (eXtensible Business Reporting Language)). Attached as Exhibit 101 to this report are the following documents formatted in XBRL: (i) the Condensed Consolidated Balance Sheets at September 30, 2018, and December 31, 2017, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017, (iv) the Condensed Consolidated Statements of Equity for the nine months ended September 30, 2018 and 2017, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 and (vi) the Notes to the Condensed Consolidated Financial Statements. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BRINK'S COMPANY

October 24, 2018	By: /s/ Ronald J. Domanico Ronald J. Domanico (Executive Vice President and Chief Financial Officer) (principal financial officer)