



DeLaRue

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De La Rue plc

**Preliminary Results**  
**25 May 2010**

# Introduction

**James Hussey**  
Chief Executive



DeLaRue

# Preliminary Results 2009/10

## AGENDA

- Group Headlines
- Financial Results
- Business Overview
- Q&As



# Group Headlines

- Excellent financial performance – sales, margins, cash
- UK passport contract on track
- Restructured Cash Processing Solutions (CPS)
- Sale of Camelot investment
- Share buy back announced



# Financial Results

**Simon Webb**  
**Group Finance Director**

NB: All 2008/09 financials exclude discontinued operations



# Financial Results

## Year to 27 March 2010

|   | 2009/10<br>£m | 2008/09<br>£m |       |
|---|---------------|---------------|-------|
| Revenue                                   | 561.1         | 502.4         | 11.7% |
| Operating profit before exceptional items | 109.2         | 96.5          | 13.2% |
| Share of profits of associated companies  | 6.3           | 8.9           |       |
| Interest - on net debt/cash balances      | (5.1)         | 1.4           |       |
| - retirement benefit obligation           | (6.3)         | (1.8)         |       |
| Profit before tax and exceptional items   | 104.1         | 105.0         | -0.9% |



# Group Earnings

Year to 27 March 2010

|                                  | 2009/10<br>£m | 2008/09<br>£m |       |
|----------------------------------|---------------|---------------|-------|
| PBT (pre-exceptional items)      | 104.1         | 105.0         | -0.9% |
| Exceptional items                | (7.5)         | (8.9)         |       |
|                                  | 96.6          | 96.1          |       |
| Taxation                         | (26.2)        | (28.5)        |       |
| Minority interests               | (0.5)         | (1.1)         |       |
| Earnings – continuing operations | 69.9          | 66.5          | 5.1%  |
| Headline EPS                     | 76.2p         | 57.0p         | 33.7% |



- Effective tax rate of 27.5% for the full year (29% excluding post-tax associate income)

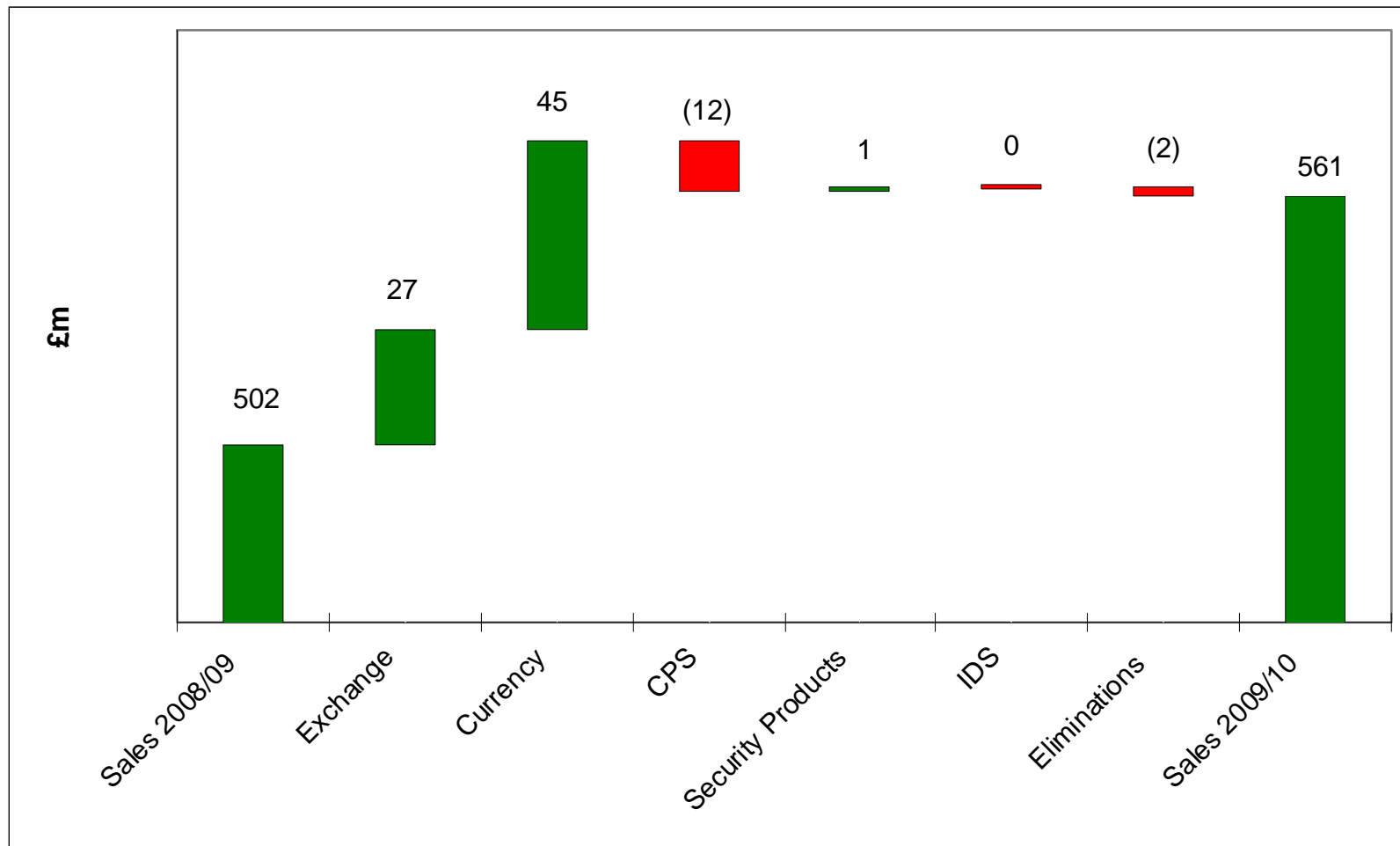
# Exceptional Items

|                                      | 2009/10<br>£m | 2008/09<br>£m |
|--------------------------------------|---------------|---------------|
| Reorganisation of central operations | -             | (8.9)         |
| Legacy overseas indirect tax         | (2.7)         | -             |
| CPS reorganisation                   | (4.8)         | -             |
| <b>Total exceptional items</b>       | <b>(7.5)</b>  | <b>(8.9)</b>  |

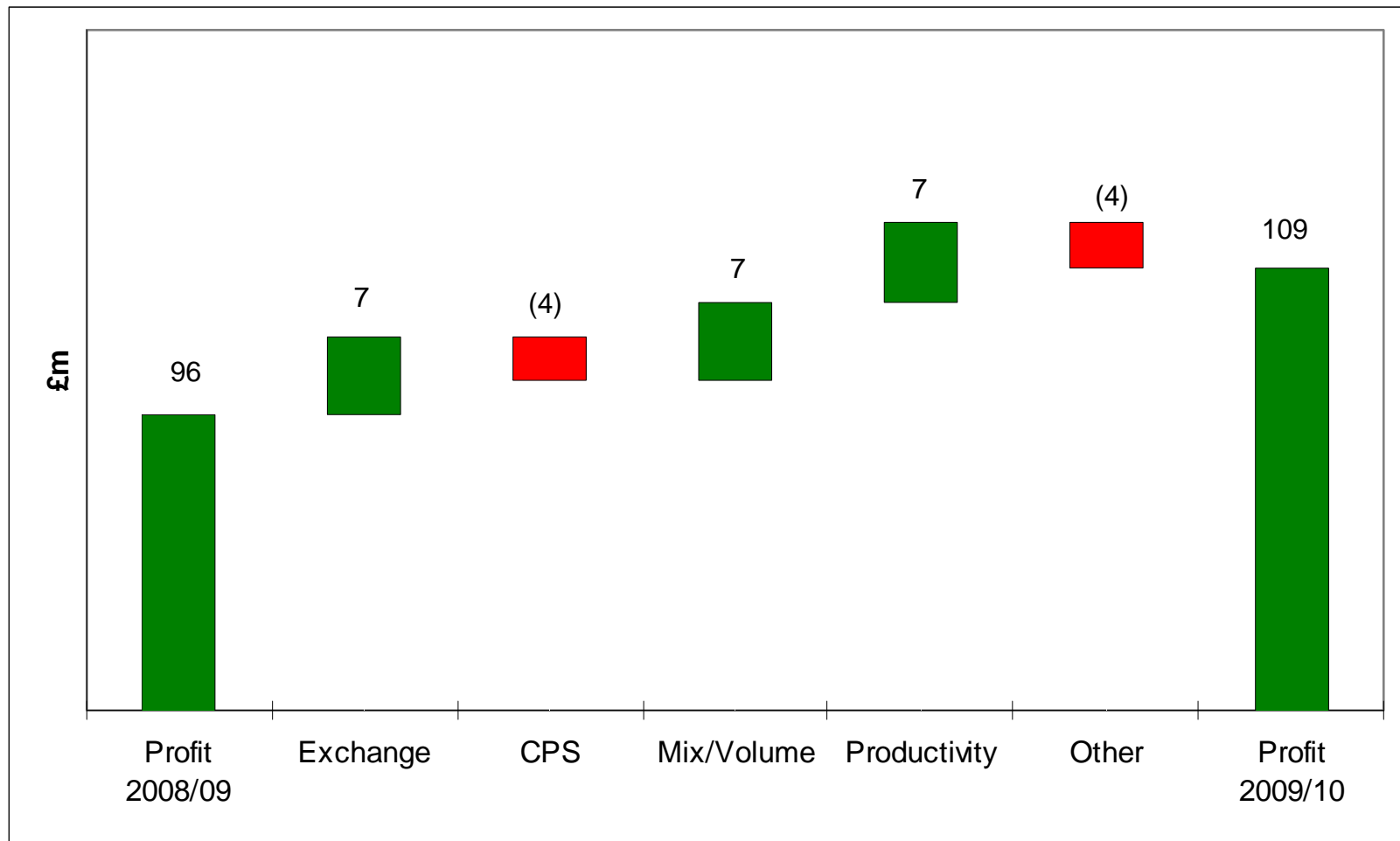
- CPS reorganisation on track to deliver payback within 2 years
- Central cost reduction completed ahead of schedule



# Revenue grew by £59m



# Operating profit grew by £13m



# Operating Cash Flow

|   | 2009/10<br>£m | 2008/09<br>£m |
|---|---------------|---------------|
| Operating profit before exceptional items | 109.2         | 96.5          |
| Depreciation                              | 23.0          | 21.3          |
| Working capital                           | 11.0          | (13.0)        |
| Pension fund contribution                 | (17.0)        | (27.0)        |
| Other                                     | (10.1)        | (8.4)         |
| Cash flow from operating activities       | 116.1         | 69.4          |

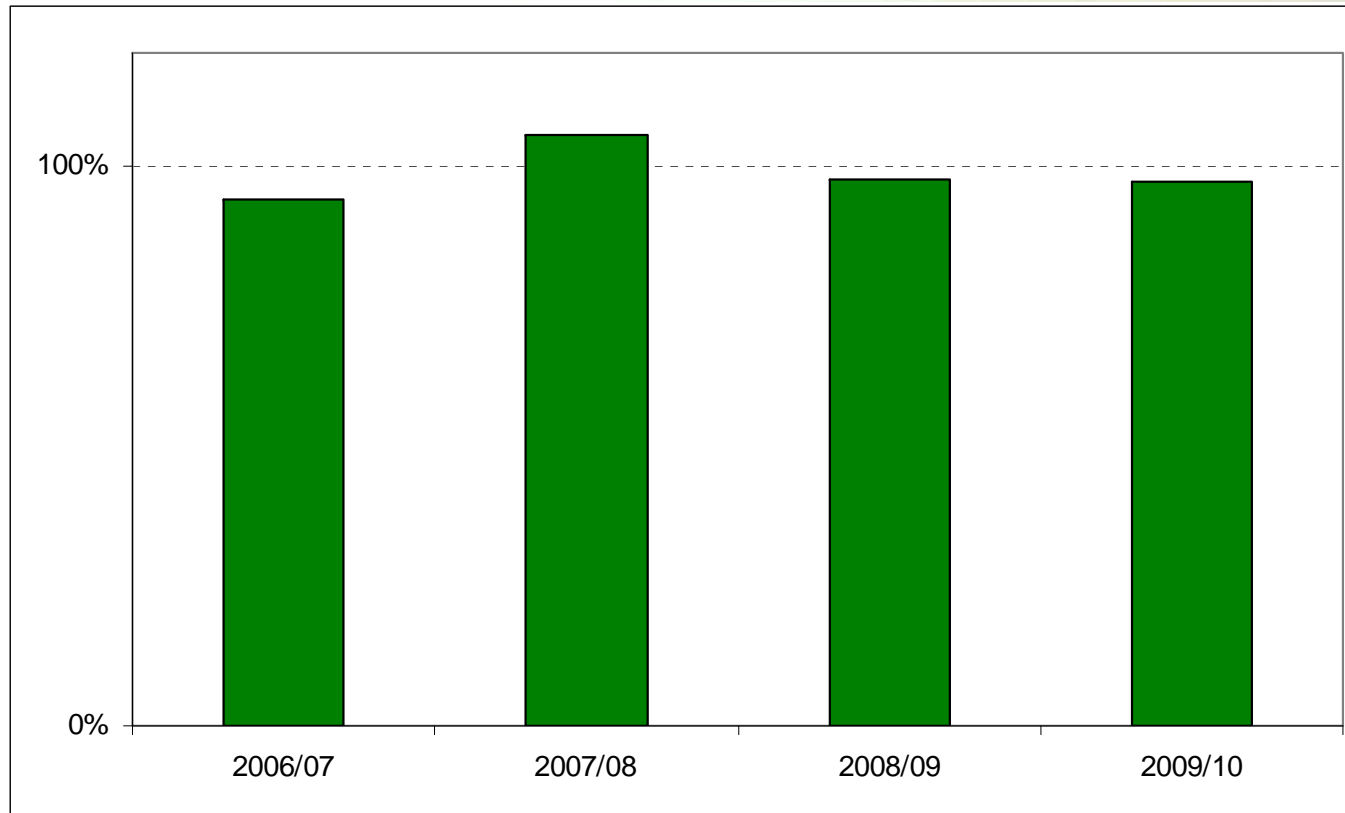


# Debt

|            | 2009/10<br>£m | 2008/09<br>£m |
|------------|---------------|---------------|
| Gross debt | (48.8)        | (83.2)        |
| Cash held  | 37.8          | 50.1          |
| Net debt   | (11.0)        | (33.1)        |

- Banking facility renewed until September 2013
- Financial covenants unchanged reflecting confidence in Group

# Strong Cash Conversion



Basis: Group excluding CPS for consistency of comparators

Cash conversion equals operating cash flow excluding exceptional items, special pension contributions and the movement in advance payments, less capital expenditure, divided by operating profit

# UK Pension Scheme

- Increase in IAS19 balance sheet deficit to £125m (March 09: £68m)
  - mainly reflects the drop in the discount rate from 6.8% to 5.8%
- Pension summary of cost:

|                    | 2009/2010 | 2010/2011 |
|--------------------|-----------|-----------|
|                    | £m        | £m        |
| Service charge     | (4)       | (8)       |
| IAS19 Interest     | (6)       | (5)       |
| Exceptional credit | -         | 16        |

# UK Pension Scheme

- Closure of defined benefit scheme agreed after consultation
  - To be replaced with new defined contribution scheme
  - One-off exceptional credit on closure of approximately £16m
  - Reduces scheme deficit by c£20m
- Triennial valuation complete
  - Revised funding deficit of £204m as at April 2009
  - Annual funding plan revised from £12m to £15m with a 4% annual increment
  - Plan to run from 2010/11 for 11 years



# Camelot Sale

- Sold 20% holding in Camelot for approximately £77.8m
- Subject to National Lottery Commission approval
- Proceeds will be used to reduce the pension fund deficit by £35m as well as return surplus cash to shareholders via a share buy back





# Dividend

- Final dividend proposed 28.2p (2008/2009: 27.4p)
- Together with interim dividend paid in January 2010 of 14.1p, gives full year dividend of 42.3p and represents 3% growth
- In line with previously announced dividend policy



# Summary

- Strong financial performance
- Tight control of working capital and costs



# Business Overview

**James Hussey**  
Chief Executive



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## DE LA RUE plc

### Currency

### Cash Processing Solutions

### Security Products

### Identity Systems

2009/10

|                  |         |
|------------------|---------|
| Revenue          | £411.2m |
| Operating profit | £95.3m  |
| Operating margin | 23.2%   |

|                   |        |
|-------------------|--------|
| Revenue           | £56.9m |
| Operating loss*   | -£3.5m |
| Operating margin* | -6.2%  |

|                  |        |
|------------------|--------|
| Revenue          | £74.9m |
| Operating profit | £14.8m |
| Operating margin | 19.8%  |

|                  |        |
|------------------|--------|
| Revenue          | £32.0m |
| Operating profit | £2.6m  |
| Operating margin | 8.1%   |



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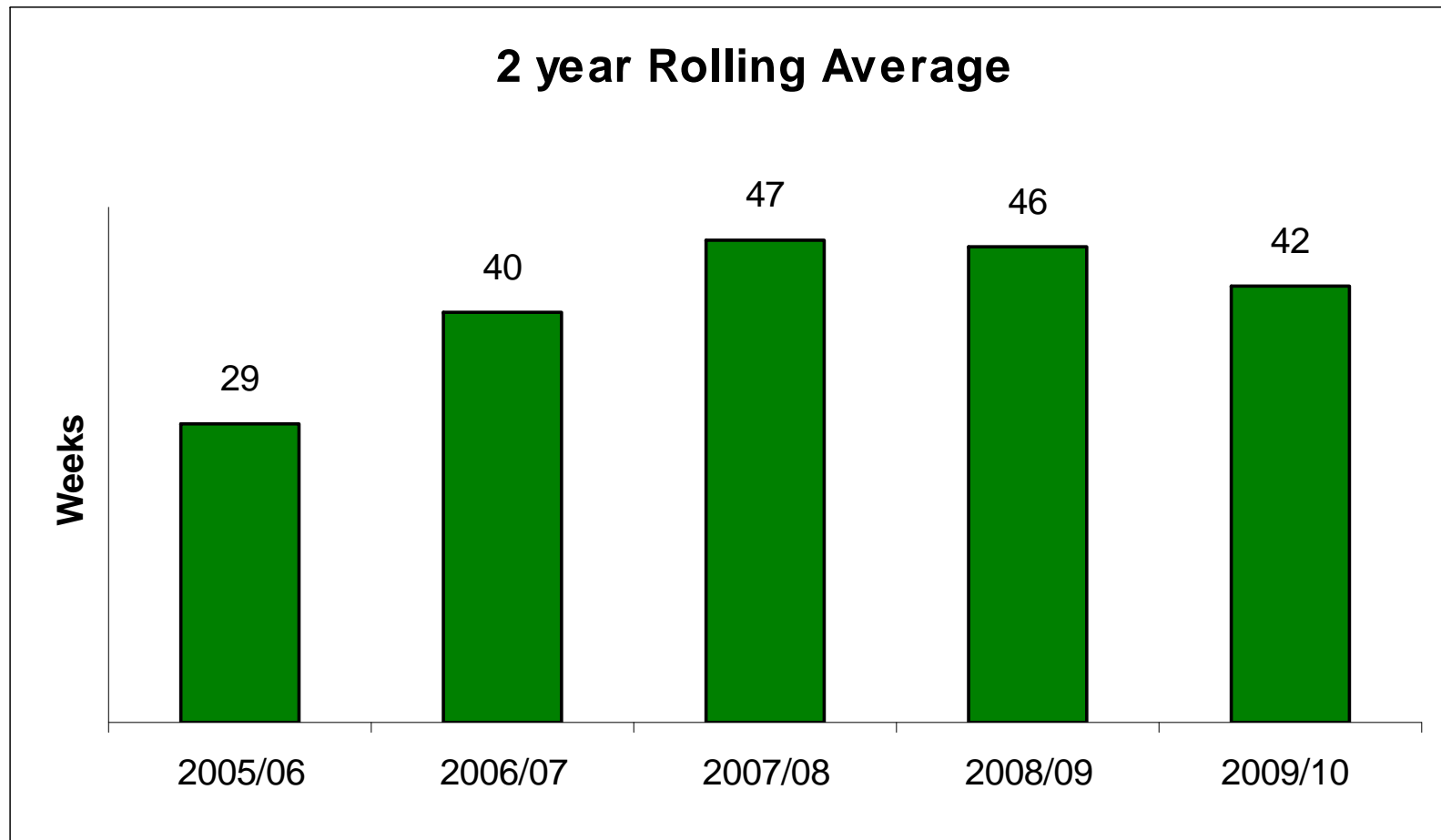
\* Before exceptional items

# Currency

- Excellent revenue growth due to strong demand and quality of mix
- Profit benefited from increased volume, high specification work, productivity improvements and foreign exchange
- Investment to enhance capability in Sri Lanka

|                                | <b>2009/10</b> | 2008/09 |
|--------------------------------|----------------|---------|
|                                | <b>£m</b>      | £m      |
| Revenue                        | <b>411.2</b>   | 348.6   |
| Operating profit               | <b>95.3</b>    | 82.8    |
| <i>Operating profit margin</i> | <b>23.2%</b>   | 23.7%   |

# Currency Order Book



# Cash Processing Solutions

- Continued difficult trading conditions resulting in delayed purchases
- Good progress made in rationalisation of product and manufacturing base to lower the breakeven point
- Exceptional reorganisation cost of £4.8m with two year payback
- Cash generative for the year \*

|                                  | <b>2009/10</b> | 2008/09 |
|----------------------------------|----------------|---------|
|                                  | <b>£m</b>      | £m      |
| Revenue                          | <b>56.9</b>    | 66.0    |
| Operating (loss)/profit *        | <b>(3.5)</b>   | 0.4     |
| <i>Operating profit margin</i> * | <b>-6.2%</b>   | 0.6%    |

\* Before exceptional items

# Security Products

- Strong performance across the business
- Increases in government revenues, brand licensing and internal components
- Margins benefited from continued productivity improvements, cost control and foreign exchange

|                                | <b>2009/10</b> | 2008/09 |
|--------------------------------|----------------|---------|
|                                | <b>£m</b>      | £m      |
| Revenue                        | <b>74.9</b>    | 69.7    |
| Operating profit               | <b>14.8</b>    | 11.0    |
| <i>Operating profit margin</i> | <b>19.8%</b>   | 15.8%   |



# Identity Systems

- Further investment in eID and ePassport
- UK passport contract - £400m over 10 years from 2010/11
  - Investment programme on track
  - Precise passport volume requirements subject to final customer confirmation

|                                | 2009/10<br>£m | 2008/09<br>£m |
|--------------------------------|---------------|---------------|
| Revenue                        | 32.0          | 30.4          |
| Operating profit               | 2.6           | 2.3           |
| <i>Operating profit margin</i> | <b>8.1%</b>   | 7.6%          |



# “One De La Rue” – all elements contributing

|                   | GROWTH DRIVER                          | CONTRIBUTION TO ONE DE LA RUE         | GAME CHANGER   |
|-------------------|--|---------------------------------------|--|
| CURRENCY          | Evolving central bank policy           | Engine of the De La Rue brand         | SPW privatisation  |
| CPS               | Customer productivity in cash handling | Capitalise on Currency offering       | Outsource service model                                      |
| SECURITY PRODUCTS | Threat of counterfeiting               | Capitalising on IP and internal sales | Replicate brand licensing model                              |
| IDENTITY SYSTEMS  | Growth of e-identity                   | Reputation and relationships          | Capitalise on ID authentication growth<br><b>UK passport</b> |

Long term market drivers remain unchanged

# Our Agenda: Active Management

- Managing the **variability** of the business
- Enhancing **performance** every day
- Ensuring long term **sustainable growth**



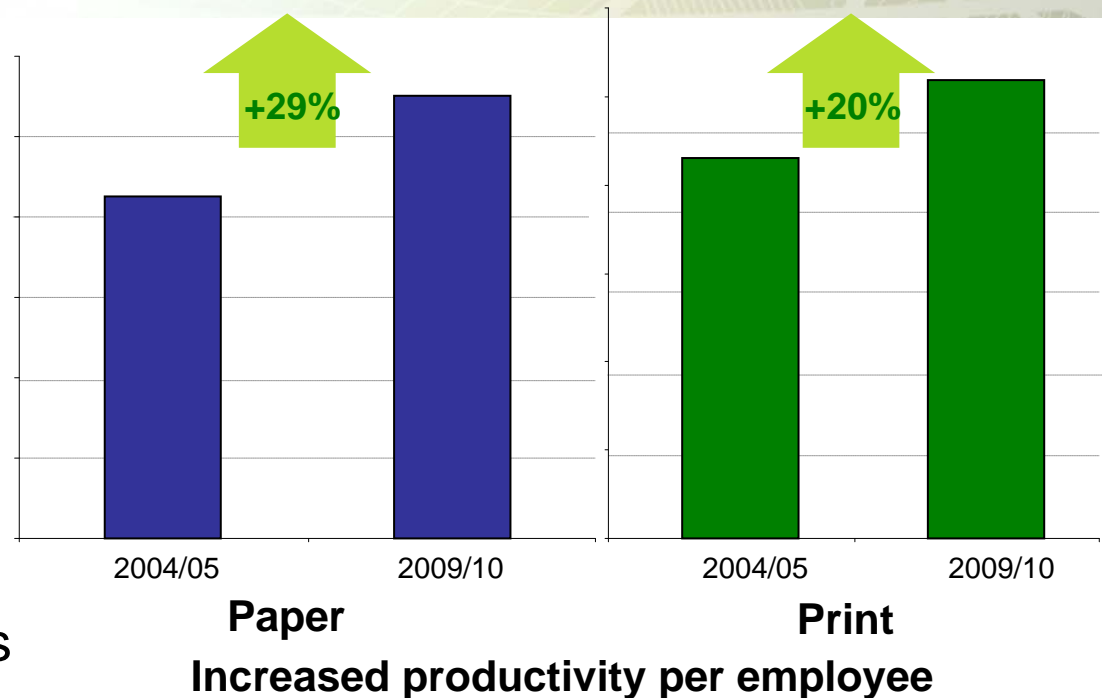
# Managing the **variability** of the business

- Deeper market insights
- Better-balanced portfolio
- Tight cost control:
  - CPS restructured
  - Smaller Head Office
- Closure of defined benefit pension scheme agreed



# Enhancing performance every day

- Culture of continuous productivity improvement by engaging employees
- Enhanced asset utilisation
- Strong working capital and cash management
- Improving procurement across Group



|             | Mar 2010 | Mar 2009 |
|-------------|----------|----------|
| Stock days  | 47       | 58       |
| Debtor days | 34       | 39       |

**Continued focus on working capital**



# Ensuring long term **sustainable growth**

- UK passport – game changer
- Long term successful customer relationships
- Collaboration with high tech partners to deliver innovative solutions
- Extending products into solutions (eg track & trace)
- Ongoing investment in capability and innovation



**Calypso security feature developed in association with National Bank of Kazakhstan**

## Six steps to value

- Focus on currency, security, identity and authentication systems
- Drive for high margins and cost management
- Maintain strong cash conversion
- Continue to invest in capability and innovation
- Actively manage the balance sheet
- Return surplus cash to shareholders

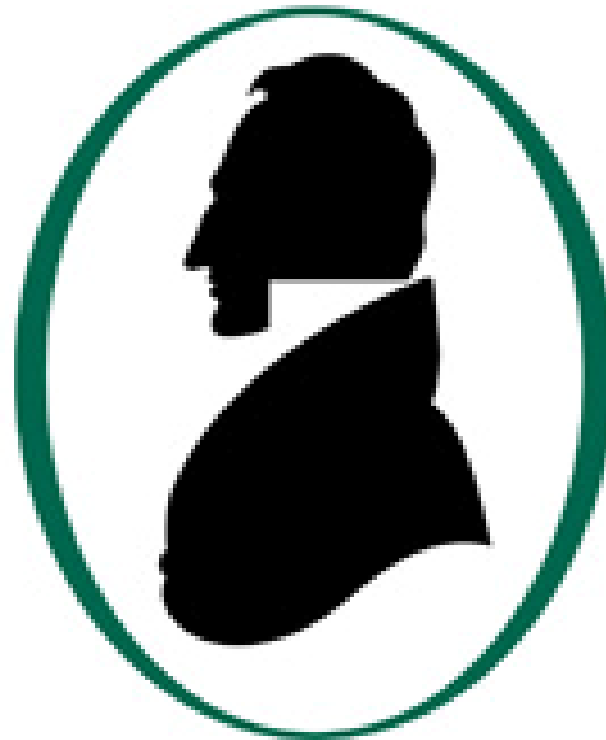


# Outlook

- As indicated in March, the Board believes that 2010/2011 banknote volumes should remain at similar levels to 2009/2010 but with a greater than normal weighting towards the second half
- Pensions charges will be £3m higher than the prior year
- The strong margin mix in Currency will not be repeated in the current financial year. It is expected that this will be offset by productivity gains, by cost reduction, especially in CPS, and by improved trading in other parts of the business







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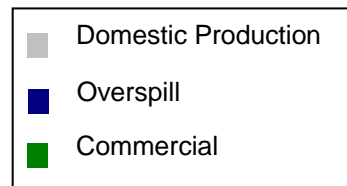
# SUPPLEMENTARY SLIDES



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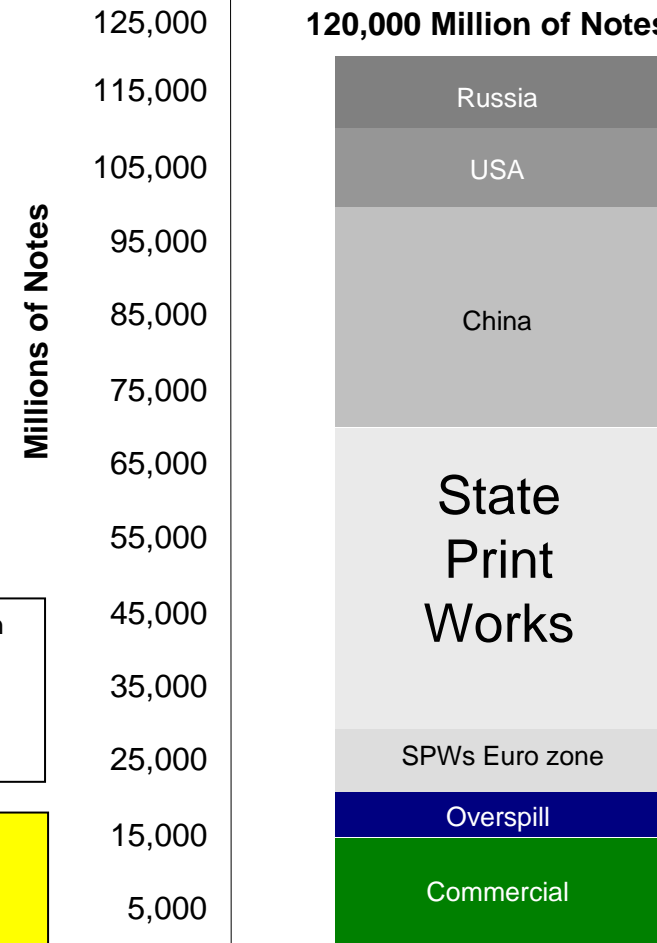
# Currency Market - Long term volume drivers

- 1) Underlying banknote market long term volume growth  
c2-3% pa
- 2) Migration of State Print Works in last 25 years from public to private sector has grown available market from c8% of world volume to c15% today
- 3) Central bank policy



High barriers to market entry for new competitors

**Worldwide Banknotes Volumes**  
120,000 Million of Notes



# Central Bank Policy – Volume and Value Drivers

- New note design
- Increased security features
- Change in denominational structure
- Increased mechanisation of cash handling
- Change of policy on note cleanliness

We estimate that over 80% of short to medium-term banknote demand comes from central bank policy



# Overspill as Percentage of Banknote Volume

