



DeLaRue

# De La Rue plc

Interim Results  
25 November 2014



DeLaRue

# Introduction

Martin Sutherland  
Chief Executive



# Introduction

## De La Rue core strengths

- Market leader in an industry with high barriers to entry
- Global brand and reputation
- Long standing and strong customer relationships
- Innovative, with a proven ability to bring new products to market
- Proven, long term cash generative business model



## Initial impressions

- Confirmation of fundamental strengths of the business
- Culture of continuous improvement - further opportunities
- Operating against a backdrop of challenging markets and overcapacity





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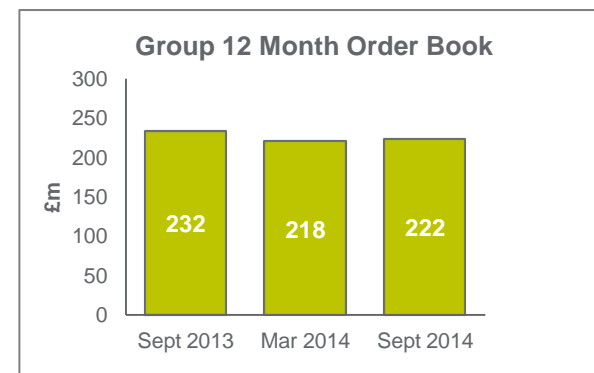
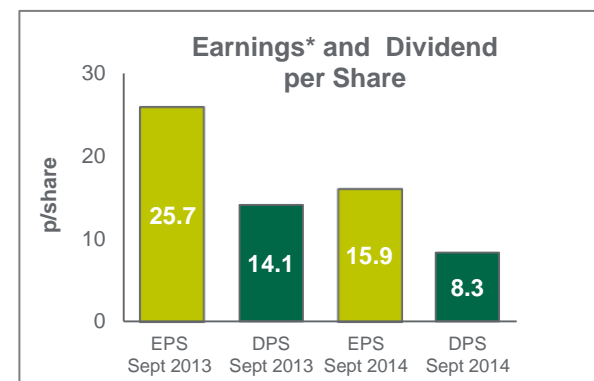
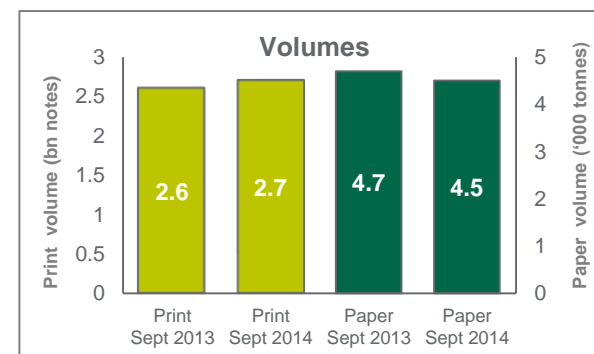
# Financial Results

Colin Child  
Group Finance Director



# Financial Results

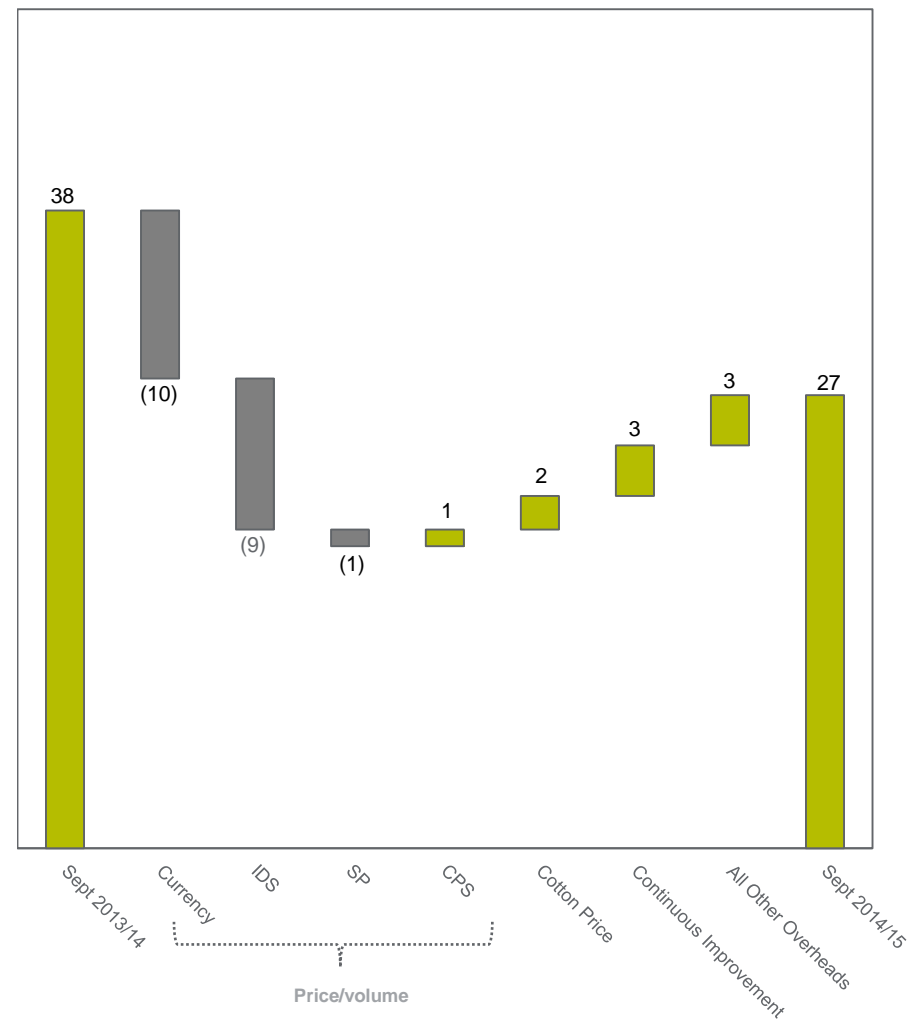
	2014/15 Half year	2013/14 Half year	Change
	£m	£m	
<b>Revenue</b>	<b>214.9</b>	234.0	(8%)
<b>Underlying operating profit*</b>	<b>26.6</b>	38.5	(31%)
<i>Underlying operating margin*</i>	<i>12%</i>	<i>16%</i>	
<hr/>			
<b>Underlying profit before tax*</b>	<b>20.6</b>	32.8	(37%)
<b>Taxation</b>	<b>(4.0)</b>	(6.9)	
<b>Underlying profit after tax*</b>	<b>16.6</b>	25.9	(36%)
<hr/>			
<b>Exceptional items</b>			
Site relocation and restructuring	<b>(2.5)</b>	(2.3)	
Legacy indirect tax issue	-	(2.1)	
<b>Total exceptional items</b>	<b>(2.5)</b>	(4.4)	
<hr/>			
<b>Tax credit on exceptional items</b>	<b>0.1</b>	0.7	



# Revenue and Operating Profit

	Revenue*		Operating Profit**	
	2014/15 Half year £m	2013/14 Half year £m	2014/15 Half year £m	2013/14 Half year £m
<b>Currency</b>	<b>137</b>	<b>144</b>	<b>17</b>	<b>23</b>
<b>Solutions</b>				
IDS	34	41	6	13
SP	19	21	5	5
CPS	25	28	(1)	(3)
	<b>78</b>	<b>90</b>	<b>10</b>	<b>15</b>
<b>Total</b>	<b>215</b>	<b>234</b>	<b>27</b>	<b>38</b>

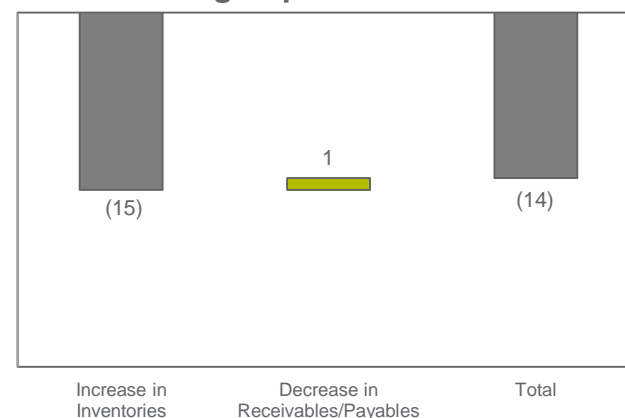
2013/14 → 2014/15: Operating Profit Trail\*\*



# Underlying Operating Cash Flow and Net Debt

	2014/15 <i>Half year</i> £m	2013/14 <i>Half year</i> £m
Underlying operating profit	26.6	38.5
Depreciation	12.4	15.6
Working capital	(13.6)	(4.7)
<b>Underlying operating cash flow</b>	<b>25.4</b>	49.4
Capital expenditure	(13.1)	(20.4)
Special pension fund contributions	(7.7)	-
Net cash cost of exceptional items	(2.7)	(6.1)
Tax, interest and dividend	(36.0)	(33.6)
Other	(2.8)	(1.3)
<b>Net cash flow</b>	<b>(36.9)</b>	(12.0)

## Working Capital Movement



	2014/15 <i>Half year</i> £m
Opening net debt	(89.9)
Net cash flow	(36.9)
<b>Closing net debt</b>	<b>(126.8)</b>



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# Operational Performance

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Colin Child  
Group Finance Director



# Currency

## Market summary

- Industry volume growth in line with historic trend
- Overcapacity in paper
- Continuing pricing pressure in paper and print

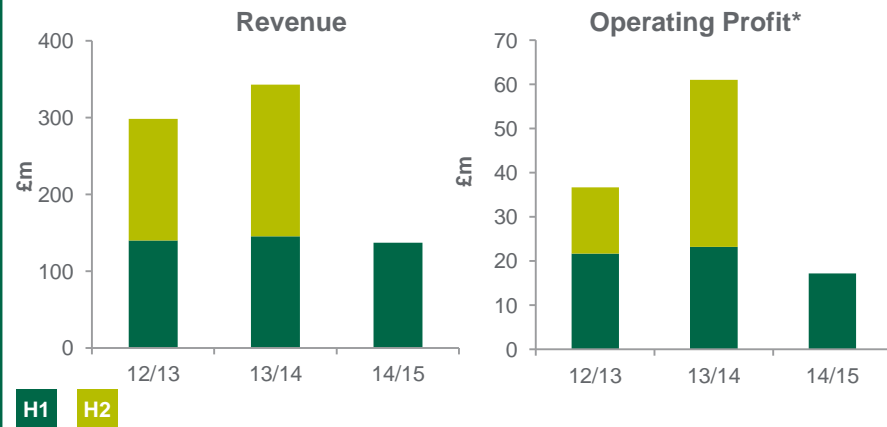
## Overview

- Bank of England contract renewed
- Satisfactory print volumes
- Improved component sales
- Reduced margins in both paper and print

## Actions

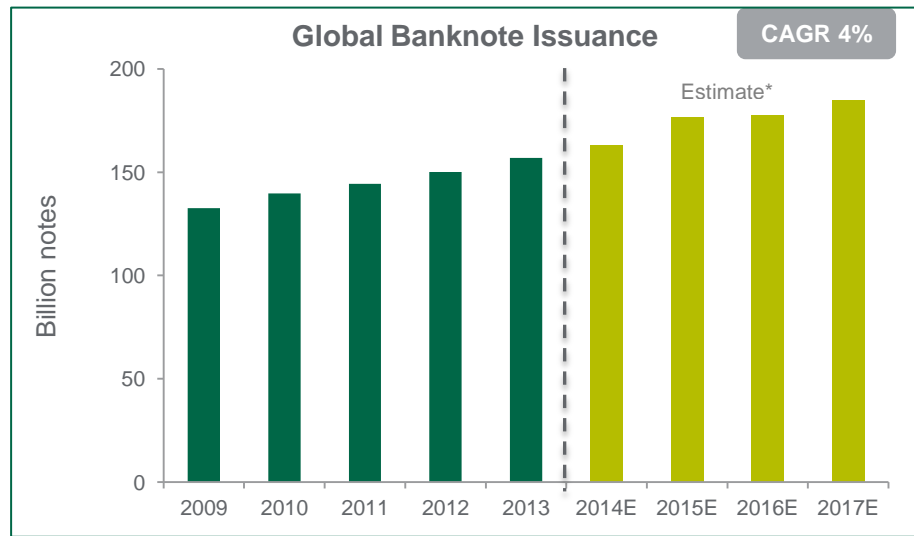
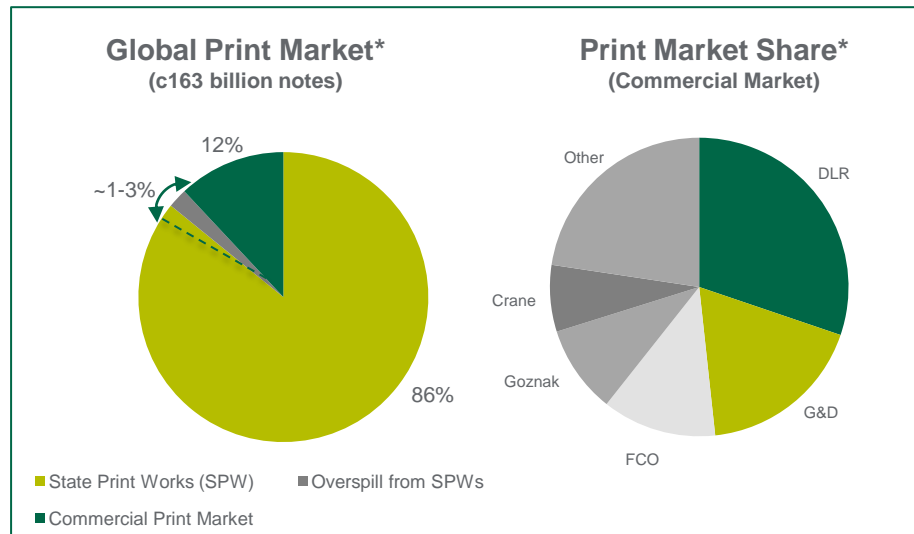
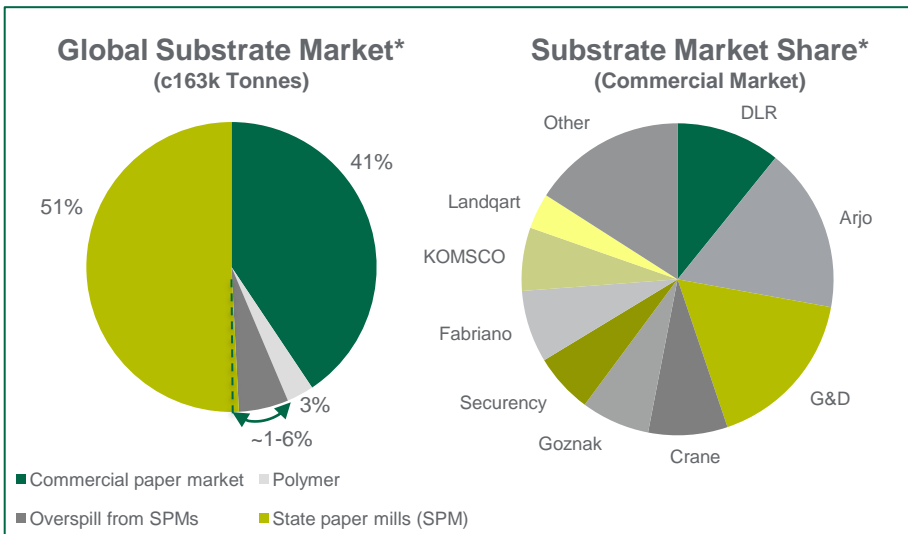
- Continuous improvement reducing costs
- Maintained market share
- Tactical approach to pricing and utilising capacity
- Mothballed surplus machine capacity
- Good progress on polymer

## Performance



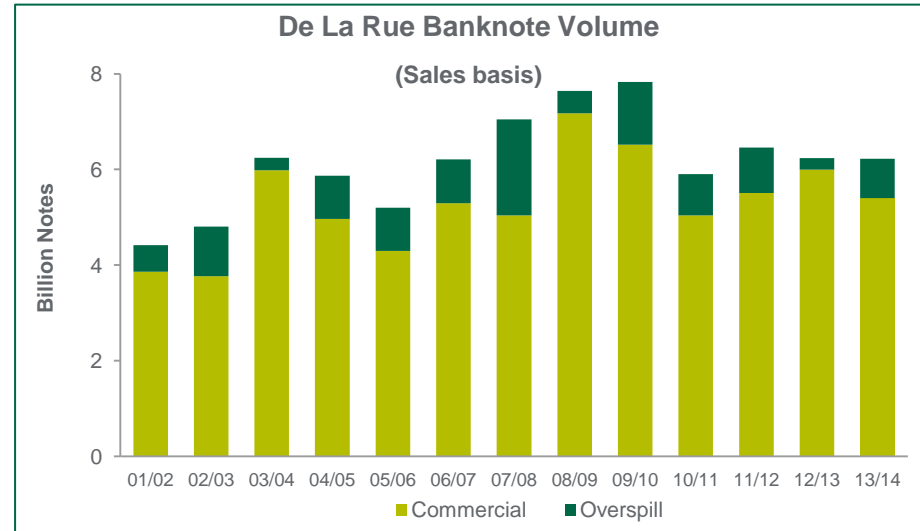
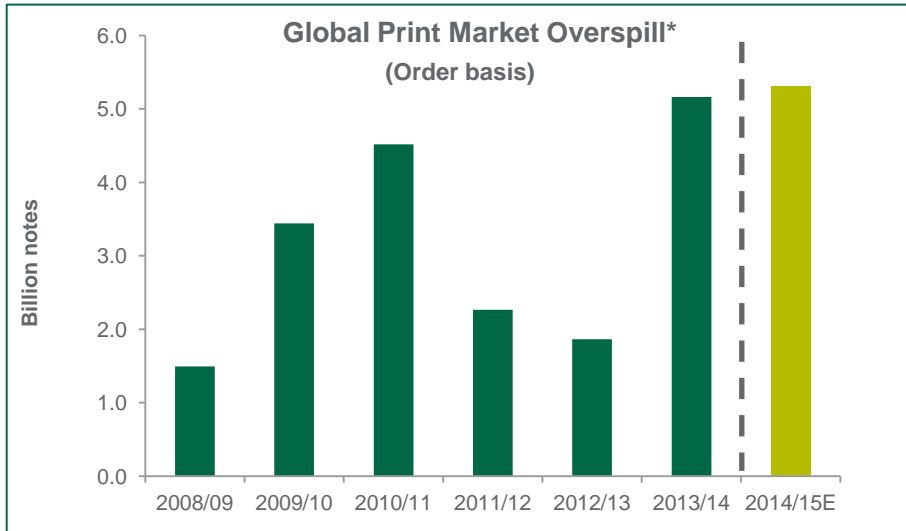
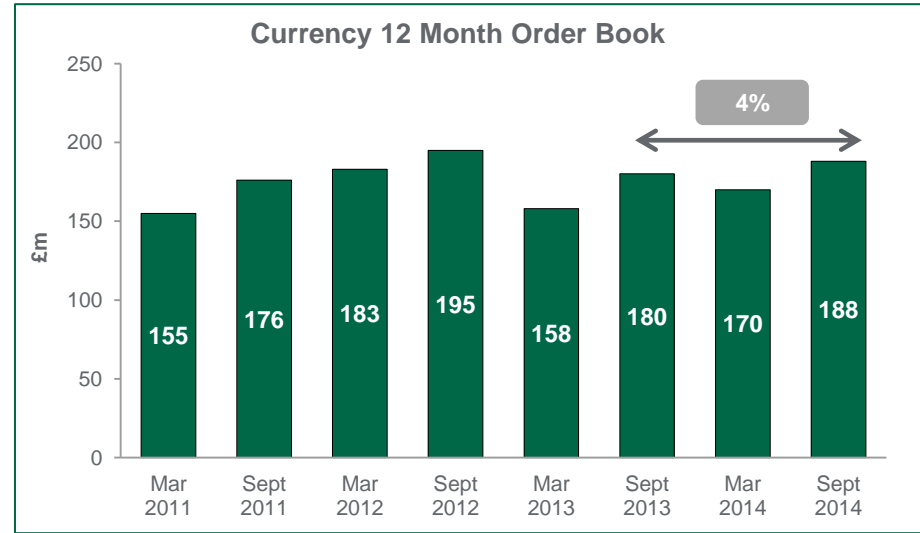
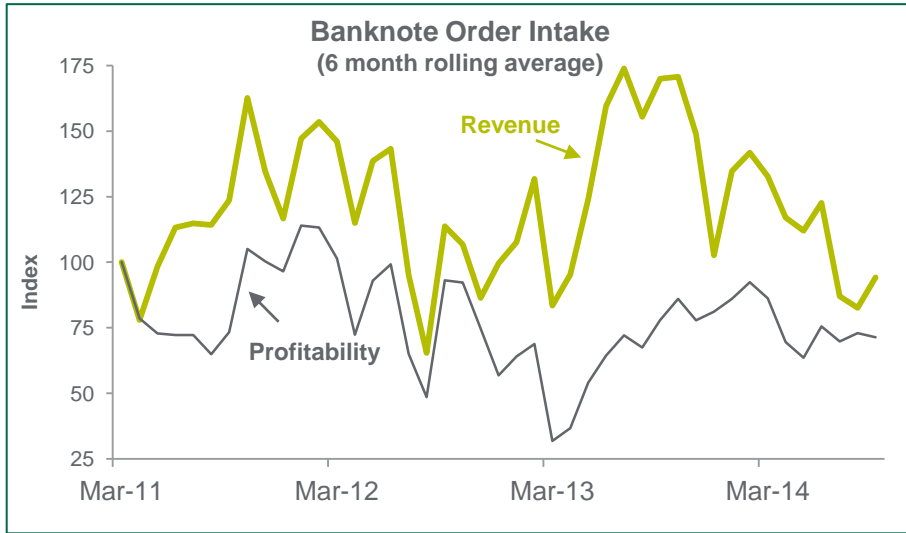


# Currency – Market Overview





# Currency – Order Book





# Solutions – Identity Systems

## Market summary

- Delays in tenders
- Some pricing pressure – mainly from SPWs
- Slower uptake of ePassports

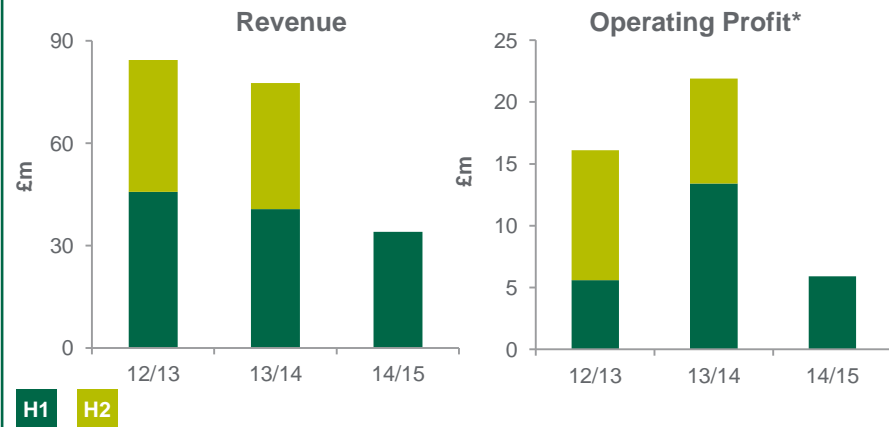
## Overview

- Lower operating profit reflecting:
  - High number of contracts completed in 2013/14
  - Lower than expected number of tenders
- UK Passport contract continues to perform well
  - Over 20m passports issued

## Actions

- Streamlined management structure
- Procurement initiatives yielding benefits
- Focus on higher value, longer term ePassport and ID schemes
- Developing enhanced service offering

## Performance





# Solutions – Security Products

## Market summary

- Governments continue efforts to combat illicit trade
- Implementation of Government Revenue Solutions has been slower than expected
- Continued decline of mature products

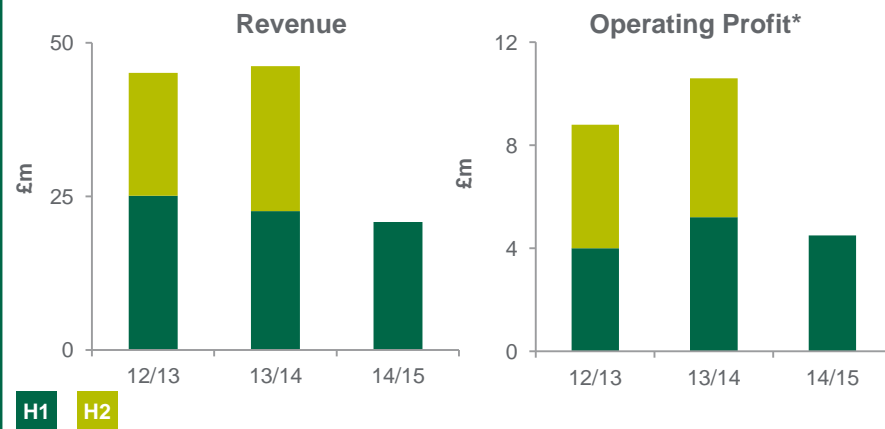
## Overview

- Lower call off on longer term contracts
- Slow adoption of new Government Revenue Solutions contracts
- Lengthy implementation lead times on existing contracts

## Actions

- Streamlined management structure
- Site rationalisation
- Cost reduction yielding further benefits

## Performance



# Solutions – Cash Processing Solutions

## Market summary

- Mature market but central banks continue to seek more sophisticated authentication and sorting systems
- Drive towards increasing efficiency through automation and software
- Growing requirement for end of line inspection and processing of printed banknotes

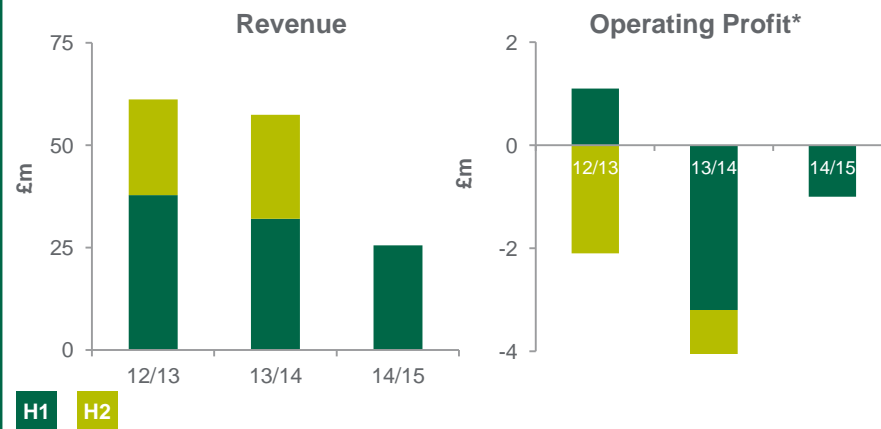
## Overview

- Reduced operating loss
- Lower volumes
- Target breakeven for 2014/15

## Actions

- New leadership team appointed May 2014 - focused exclusively on CPS
- Cost reduction programme underway

## Performance



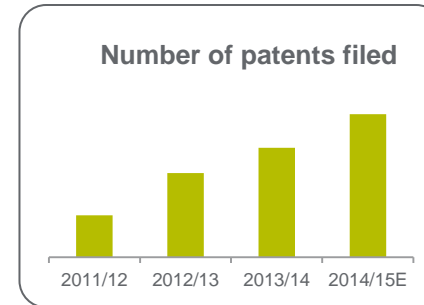


# Continuous Improvement

## Operational excellence

- Cost reduction and efficiency initiatives have delivered £3m:
  - Procurement – costs reduced and supplier management programme yields benefits
  - “Cost of quality” reduced through process improvement and lower waste
  - Improved machine performance through enhanced asset care

## Innovation



- Increasing Micro Optics capability
- Improving pipeline across whole business
- Continued investment in R&D

## Site rationalisation and investment

- Transfer of Dulles Security Products operations to other manufacturing facilities. Expected completion by financial year end
- Ongoing investment in manufacturing and design capabilities



**Continuous improvement embedded in De La Rue's culture**



# Outlook

- As previously announced, the Board expects 2014/15 underlying operating profit to be approximately £20m lower than 2013/14
- Ongoing focus on continuous improvement and operational efficiencies
- Challenging market conditions to remain in the short term
- Medium and long term opportunities within core markets remain attractive







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# Conclusion

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Chief Executive



# Conclusion

## Assessment

- Fundamental strengths of the business confirmed
- Strong foundations from which to leverage future opportunities
- Continuous improvement embedded in culture

## Actions

- Immediate focus is getting to know the business
- Continue with short term priorities and improvements
- Evaluating the strategy – will give more colour at full year results in May 2015



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