



DeLaRue

**2015/16  
Full Year Results**

**De La Rue plc  
24 May 2016**

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# Agenda

Overview  
Martin Sutherland

Financial performance  
Jitesh Sodha

Operational review and strategic update  
Martin Sutherland

Q&A



# Overview

- Solid performance in a year of significant change
  - Group revenue +7% yoy<sup>1</sup>
  - Underlying operating profit +2% yoy<sup>1</sup>
  - Group 12 month order book +62% at £365m<sup>1</sup>
- Good early strategic progress
  - Reorganisation complete
  - Manufacturing footprint restructuring completed
  - Encouraging progress in Polymer
  - Sold underperforming CPS
- Positive cash flow
  - Net debt reduced by £5m
  - Dividend maintained at 25p

1. Continuing operations only



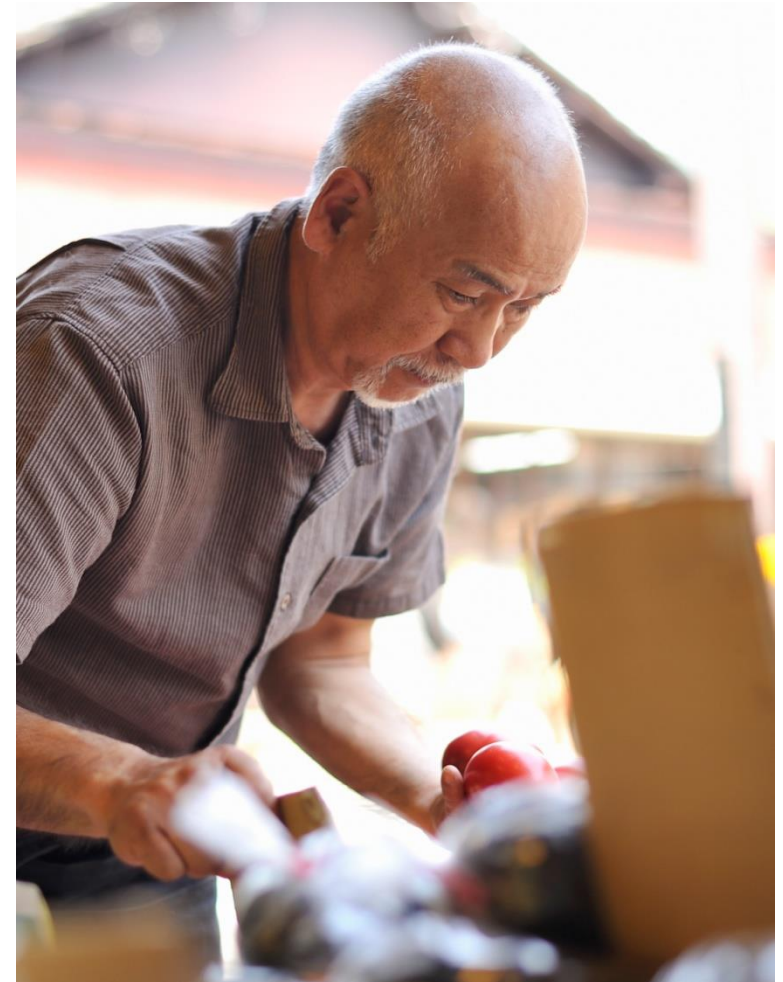
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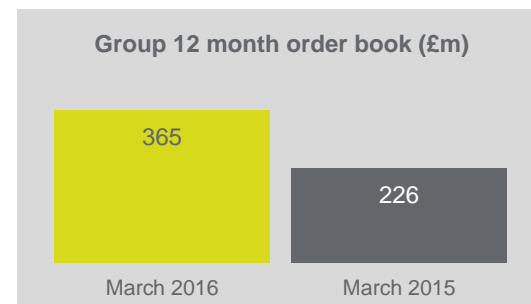
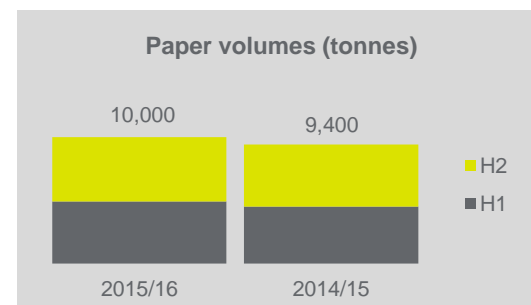
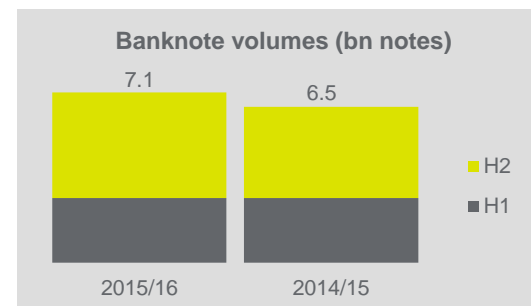
Operational review and strategic update  
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Q&A



# Financial overview

	2015/16* £m	2014/15* £m	Change %
Revenue	<b>454.5</b>	422.8	7%
Underlying operating profit**	<b>70.4</b>	69.1	2%
Underlying operating margin**	<b>15.5%</b>	16.3%	(80bpts)
Underlying profit before tax**	<b>58.5</b>	57.5	2%
Taxation before exceptionals	<b>(8.6)</b>	(10.1)	-
Underlying profit after tax**	<b>49.9</b>	47.4	5%
Underlying earnings per share**	<b>48.1p</b>	46.1p	4%
Reported earnings per share	<b>46.8p</b>	31.8p	47%
Dividend per share	<b>25.0p</b>	25.0p	0%



\* Continuing operations only  
 \*\*Before exceptional items

# Revenue and operating profit



	Revenue*			Operating profit*		
	2015/16 £m	2014/15 £m	Change %	2015/16 £m	2014/15 £m	Change %
Currency	<b>353.3</b>	317.9	11%	<b>55.1</b>	50.5	9%
Identity Solutions	<b>65.8</b>	69.0	(5%)	<b>6.4</b>	11.1	(42%)
PA&T	<b>39.5</b>	39.6	0%	<b>8.9</b>	7.5	19%
Intra group eliminations	<b>(4.1)</b>	(3.7)				
<b>Total</b>	<b>454.5</b>	422.8	7%	<b>70.4</b>	69.1	2%

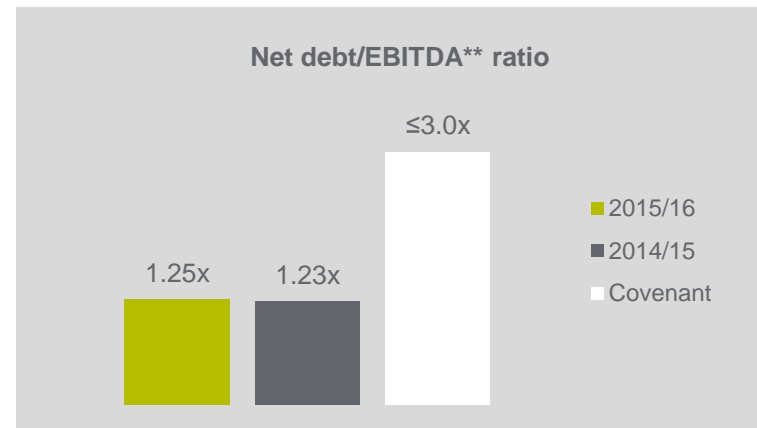
\* Continuing operations only and before exceptional items

# Cash flow and net debt

	2015/16 £m	2014/15 £m
Underlying operating profit	62.5	69.5
Depreciation	26.2	24.8
Working capital	11.5	(8.7)
Underlying operating cash flow	100.2	85.6
Capital expenditure	(25.0)	(28.8)
Special pension fund contributions	(19.1)	(18.6)
Net cash cost of exceptional items	(13.5)	(6.6)
Tax and interest	(8.8)	(13.9)
Dividend	(25.6)	(37.0)
Other	(3.3)	(1.8)
Net cash flow	4.9	(21.1)

	26 March 2016 £m
Opening net debt	(111.0)
Net cash flow	4.9
Closing net debt	(106.1)

EBIT/net interest\*\* 12.9 vs  $\geq 4.0x$  covenant



\*All numbers stated above include discontinued operations

\*\*Adjusted EBIT/net interest and net debt/EBITDA ratio



# Exceptional items on continuing operations

<b>Continuing operations</b>	<b>2015/16 £m</b>	<b>2014/15 £m</b>
Gain on sale of surplus land	9.5	—
Release of warranty provision	1.3	3.0
Site relocation and restructuring	(9.2)	(2.8)
Asset impairment	(5.2)	(3.8)
Invocation of guarantees	—	(13.3)
<b>Total exceptional items on continuing operations</b>	<b>(3.6)</b>	<b>(16.9)</b>
<b>Net cash cost of exceptional items for continuing operations</b>	<b>(12.5)</b>	<b>(4.9)</b>

<b>Tax credit on exceptional items for continuing operations</b>	<b>2015/16 £m</b>	<b>2014/15 £m</b>
Credit in the period	1.8	2.4
Prior year tax credit	0.5	—
<b>Total tax credit on exceptional items</b>	<b>2.3</b>	<b>2.4</b>

# Disposal of CPS

- Underperformance continued in H2; FY operating loss of £7.9m
- Sale of CPS completed on 22 May 2016
- Consideration
  - £2.1m cash consideration upon completion
  - £1.5m deferred consideration payable over next two years
  - Additional performance related and event driven consideration of maximum £6.5m
- £23.4m non-cash exceptional impairment charges in FY15/16
  - £5.6m relating to goodwill and software intangibles
  - £17.8m relating to inventories
- Strategic partnership

# Other finance matters

## ■ Pension

- Current funding: c£19m in FY16/17, rising by 4% p.a. to 2022
- Triennial valuation process ongoing, expected to complete by July

## ■ Dividend

- Full year dividend maintained at 25.0p
- Introducing scrip dividend alternative

# Agenda

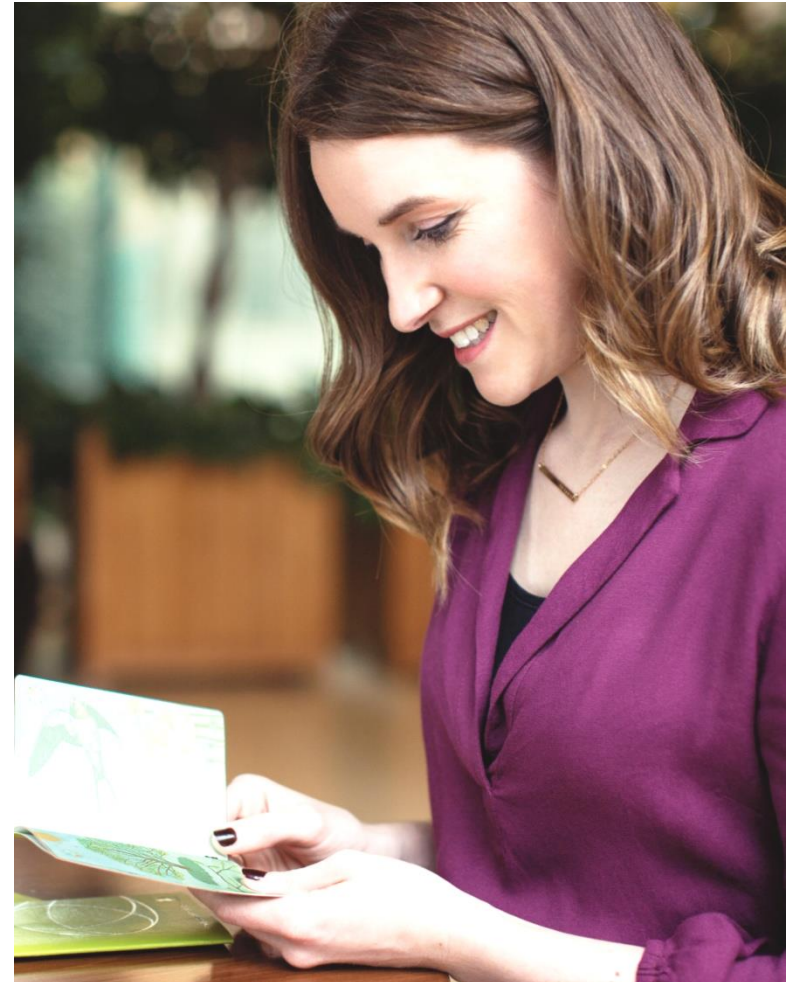


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# A clear plan to deliver strategic goals



Better business mix



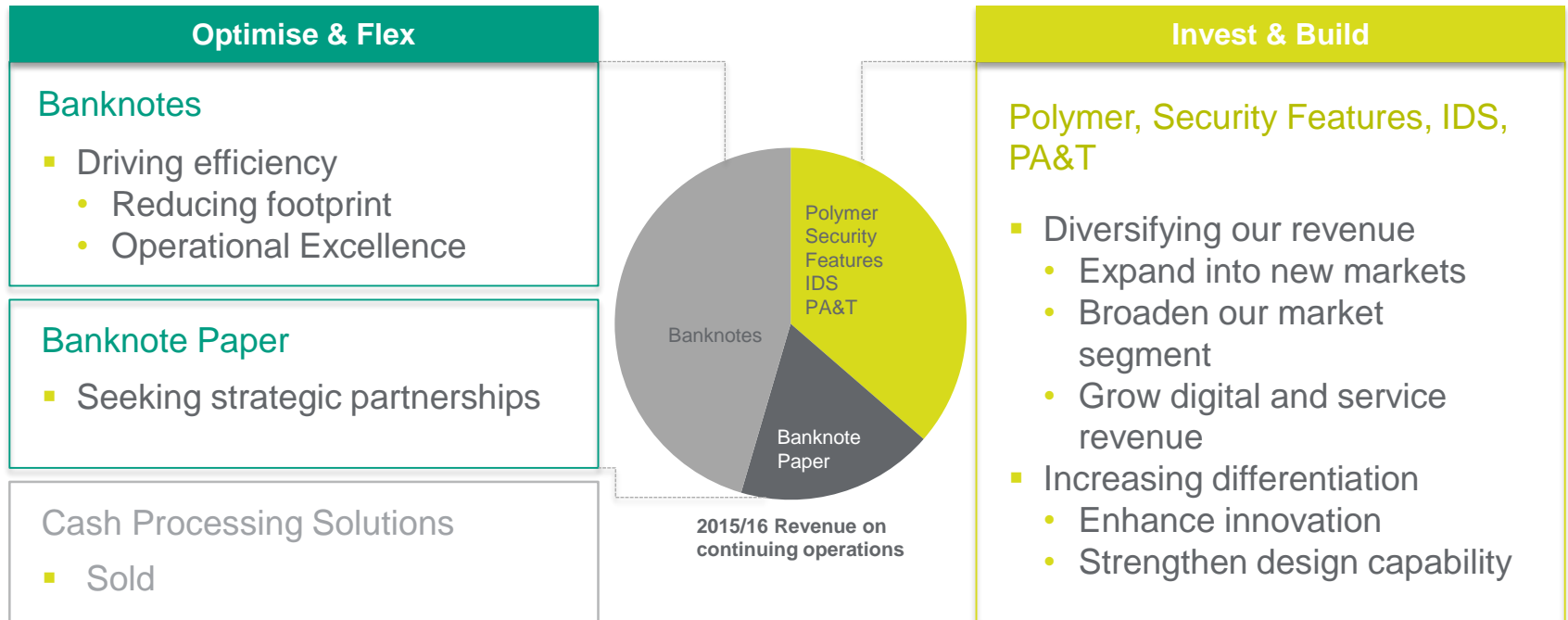
Less volatile performance



Higher quality of earnings



Lower customer concentration

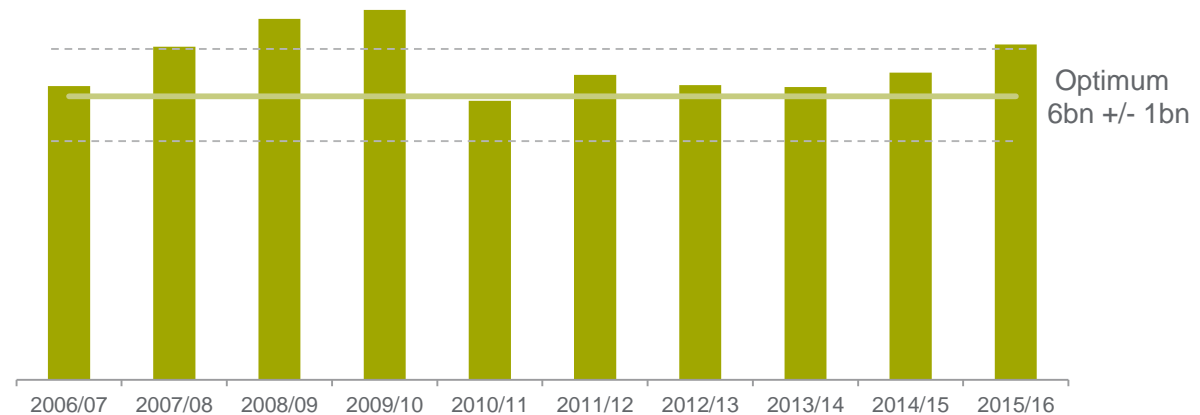


## Optimise & Flex

## Invest & Build

- Manufacturing footprint review completed:
  - £15m incremental capex and £8m one off restructuring cost over two years
  - >£13m annual cost savings in FY18/19 and beyond
  - Reduce core production capacity by 25% to 6bn<sup>1</sup> notes p.a.
  - Ability to flex +/- 1bn through built-in flexibility and external partnerships
  - Implementation underway, plan to complete FY18/19

Banknote sales volumes (bn notes)



- Operational Excellence programme continues to drive out costs across manufacturing footprint

1. Excluding the site managed on behalf of Bank of England



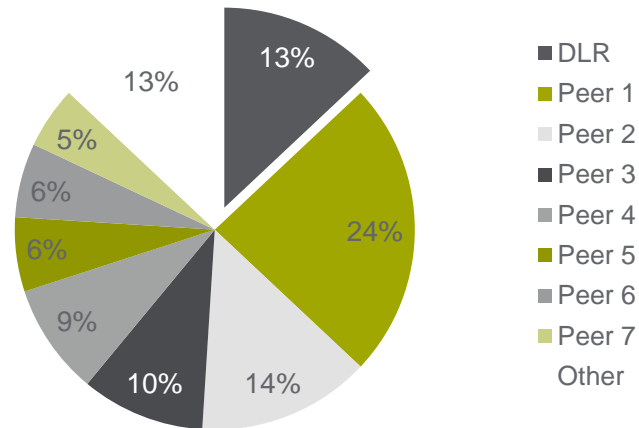
# Banknote Paper

## Optimise & Flex

## Invest & Build

- Continued to drive out costs to offset pricing pressure
  - 14% reduction in headcount
  - 10% reduction in unit production costs
  - 23% increase in productivity<sup>1</sup>
- Increased machine utilisation, volumes +6% to 10,000 tonnes
- Constructive discussions on strategic partnerships ongoing

Commercial market by annual issues<sup>2</sup>



1. Productivity is measured by tonnes per full time employee  
 2. De La Rue estimates

# Polymer

**14**  
Issuing  
authorities

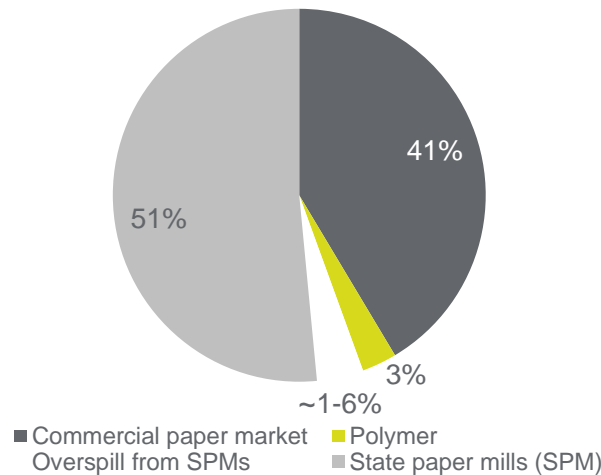
**17**  
Denominations  
issued

**5%**  
Market  
share

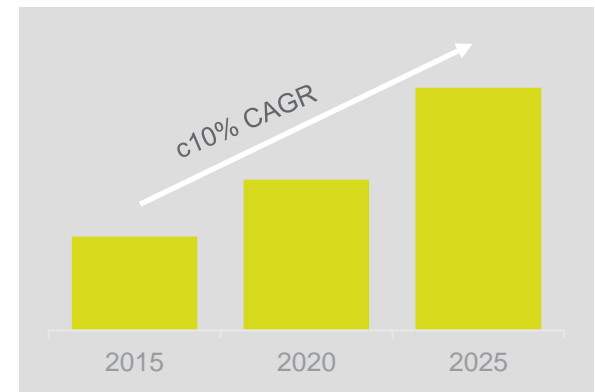
Optimise  
& Flex

Invest  
& Build

Global substrate market<sup>1</sup>  
(c162k tonnes)



Polymer market growth by volume<sup>1</sup>



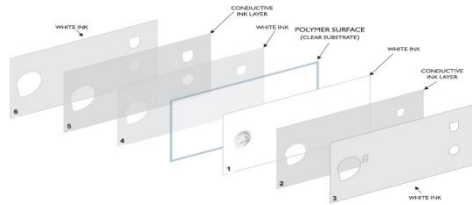
- Polymer market expected to grow significantly in next ten years; dedicated sales to capture growth opportunities
- Significant three year contract with a large customer; increased DLR nominal market share to c5%

1. De La Rue estimates

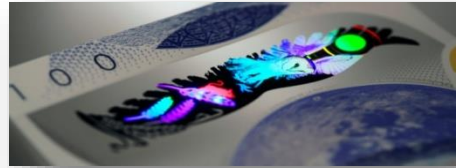
# Polymer

Optimise  
& Flex

Invest  
& Build



Polymer substrate manufacturing



Polymer-adapted security features



Industry leading design capability



Extensive polymer banknote printing experience

# 50%

of patent filings in  
FY15/16 were  
polymer related



The only vertically  
integrated polymer  
supplier

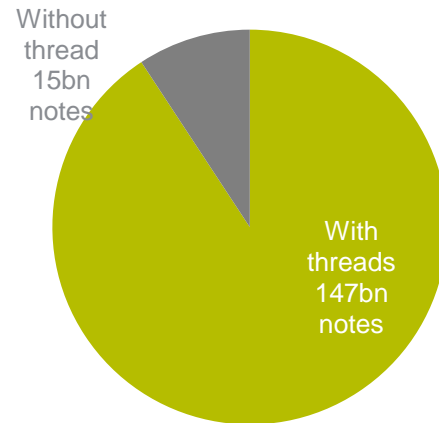
# Security Features<sup>1</sup>

Optimise  
& Flex

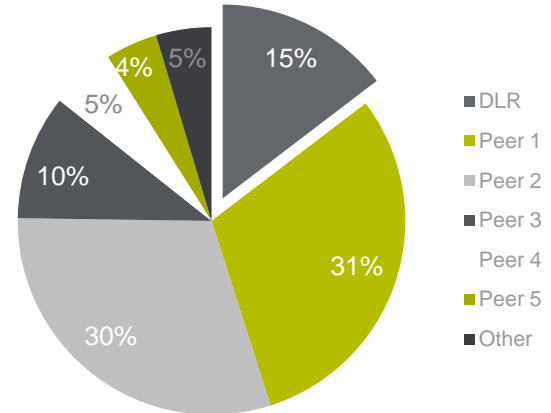
Invest  
& Build

- Attractive market
  - Commercially available
  - Fosters long term contracts
  - Value within a banknote shifting from print and paper towards security features
  - IP creates high barriers to entry

Global banknote market  
(c162bn notes)



Commercial security  
thread suppliers



- A material contract came to an end, but good visibility of replacement contracts

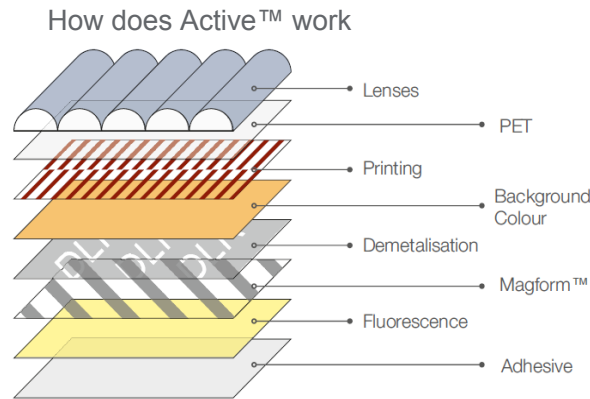
1. Previously Components

# Security Features<sup>1</sup>

Optimise  
& Flex

Invest  
& Build

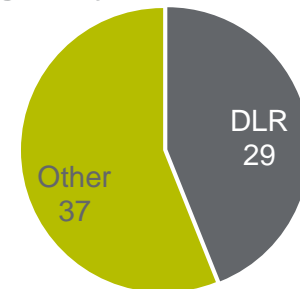
- Continued to drive product innovation
  - Launched next generation security thread Active™; already sold to two customers



Easy to see and explain for the public  
Clear and crisp images  
Design freedom  
Flexible technology platform  
Secure

- Design as a gateway
  - Industry leading design capability
  - Designed 44% new denoms issued in FY15/16<sup>2</sup>

New denoms issued in FY15/16  
designed by commercial suppliers



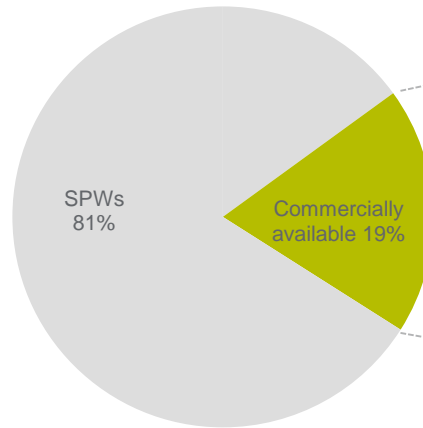
1. Previously Components  
2. Issued by central banks only

# Identity Solutions

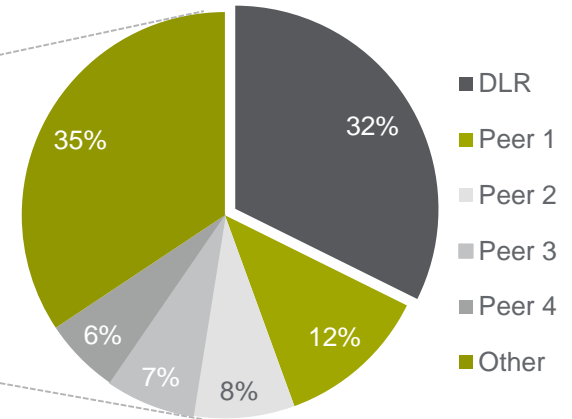
Optimise & Flex

Invest & Build

Global passport market by volume<sup>1</sup>

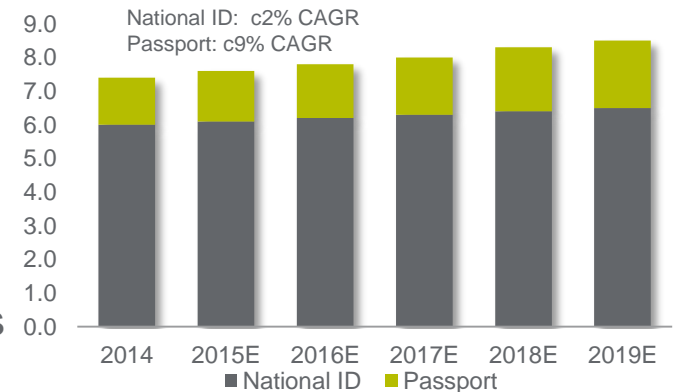


Commercial passport market by volume<sup>1</sup>



- World's largest commercial passport provider
- Provide passports and support services to >40 countries
- Opportunity to expand to adjacent ID market by leveraging existing relationships

Global identity market estimated to reach \$8.5bn in 2019<sup>1</sup>



1. De La Rue estimates



# Identity Solutions

Optimise  
& Flex

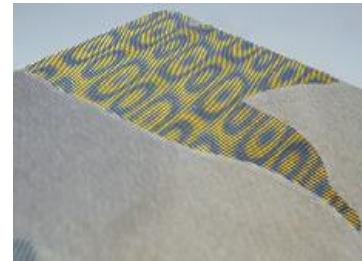
Invest  
& Build

- Building foundations for growth
  - Extended offerings to digital and services with the launch of end-to-end software solution DLR Identify™
  - New products underpinned by unique features
  - Planned new capability
  - Strengthened sales force with new skills

Security features included in the new UK passport



Continuous Bio-Data Page™



Spectrum™



SkyLight™

- Established partnership with a leading identity technology company
- Established laminate partnership with Dai Nippon

# Product Authentication & Traceability<sup>1</sup>

Optimise  
& Flex

Invest  
& Build

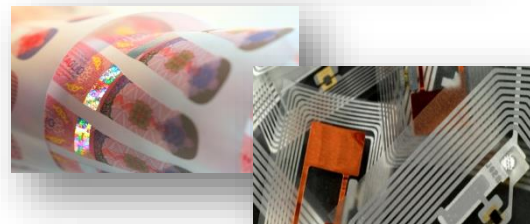
- Continued to drive innovation
  - Launched full track and trace solution DLR Certify™
  - Converted Spectrum™ for tax stamp
- Security print centre of excellence in Malta

## B2G: protecting tax revenue

- Tobacco
- Alcohol



Leveraging our knowledge and relationships with our existing customers



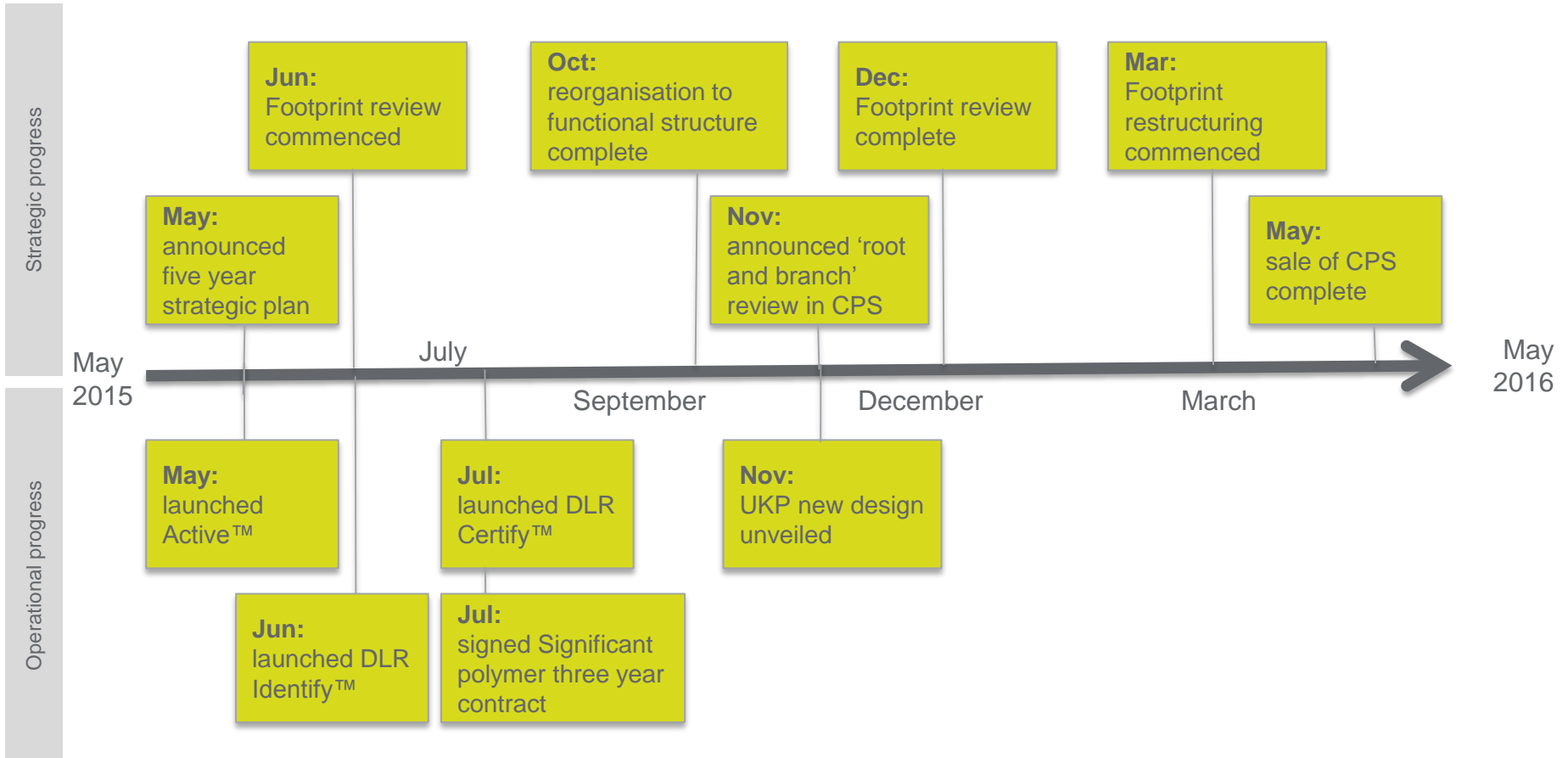
## B2B: protecting product integrity

- Electronic goods
- Alcohol
- Luxury goods

Expanding into larger and more dynamic B2B market

1. Previously Security Products

# Early operational and strategic progress



# Summary

- Solid performance in a year of significant change
- Early momentum in strategy implementation - key issues being addressed
- Positive cash flow
- Outlook
  - 12 month closing order book provides good visibility
  - Despite a material contract coming to an end, full year expectations unchanged

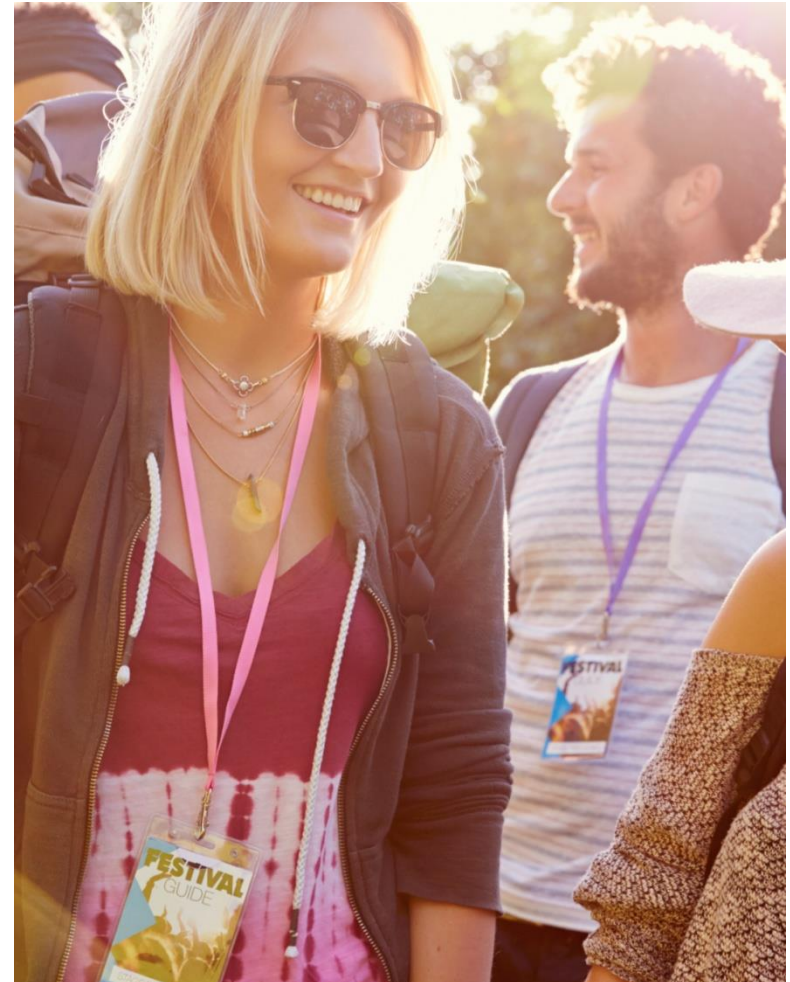
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DeLaRue

## Appendices



# Consolidated income statement



	FY2015/16			FY2014/15		
	Continuing operations £m	Discontinued operations £m	Group total £m	Continuing operations £m	Discontinued operations £m	Group total £m
<b>Revenue</b>	<b>454.5</b>	<b>33.7</b>	<b>488.2</b>	<b>422.8</b>	<b>49.3</b>	<b>472.1</b>
<b>Underlying operating profit*</b>	<b>70.4</b>	<b>(7.9)</b>	<b>62.5</b>	<b>69.1</b>	<b>0.4</b>	<b>69.5</b>
Exceptional items	(3.6)	(26.0)	(29.6)	(16.9)	(1.9)	(18.8)
Operating profit	66.8	(33.9)	32.9	52.2	(1.5)	50.7
Net finance cost	(11.9)	(0.2)	(12.1)	(11.6)	(0.2)	(11.8)
Underlying profit/(loss) before tax*	58.5	(8.1)	50.4	57.5	0.2	57.7
Profit before tax	54.9	(34.1)	20.8	40.6	(1.7)	38.9
Taxation	(6.3)	3.1	(3.2)	(7.7)	3.9	(3.8)
Underlying profit/(loss) after tax*	49.9	(7.2)	42.7	47.4	1.8	49.2
Profit after tax	48.6	(31.0)	17.6	32.9	2.2	35.1
Underlying basic EPS*	48.1p	(7.1p)	41.0p	46.1p	1.8p	47.9p
Underlying diluted EPS*	47.5p	(7.0p)	40.5p	45.5p	1.8p	47.3p
Reported basic EPS	46.8p	(30.6p)	16.2p	31.8p	2.2p	34.0p
Reported diluted EPS	46.2p	(30.2p)	16.0p	31.3p	2.1p	33.4p

\* Before exceptional items

# Exceptional items on discontinued operations

<b>Discontinued operations</b>	<b>2015/16 £m</b>	<b>2014/15 £m</b>
Site closures and restructuring	(2.6)	(1.9)
Re-assessment of carrying value following classification as an asset for sale	(23.4)	—
<b>Total exceptional items on discontinued operations</b>	<b>(26.0)</b>	<b>(1.9)</b>
Net cash cost of exceptional items for discontinued operations	(1.0)	(1.7)

<b>Tax credit on exceptional items for discontinued operations</b>	<b>2015/16 £m</b>	<b>2014/15 £m</b>
Credit in the year	0.3	0.4
Prior year tax credits	1.9	1.9
<b>Total tax credit on exceptional items</b>	<b>2.2</b>	<b>2.3</b>