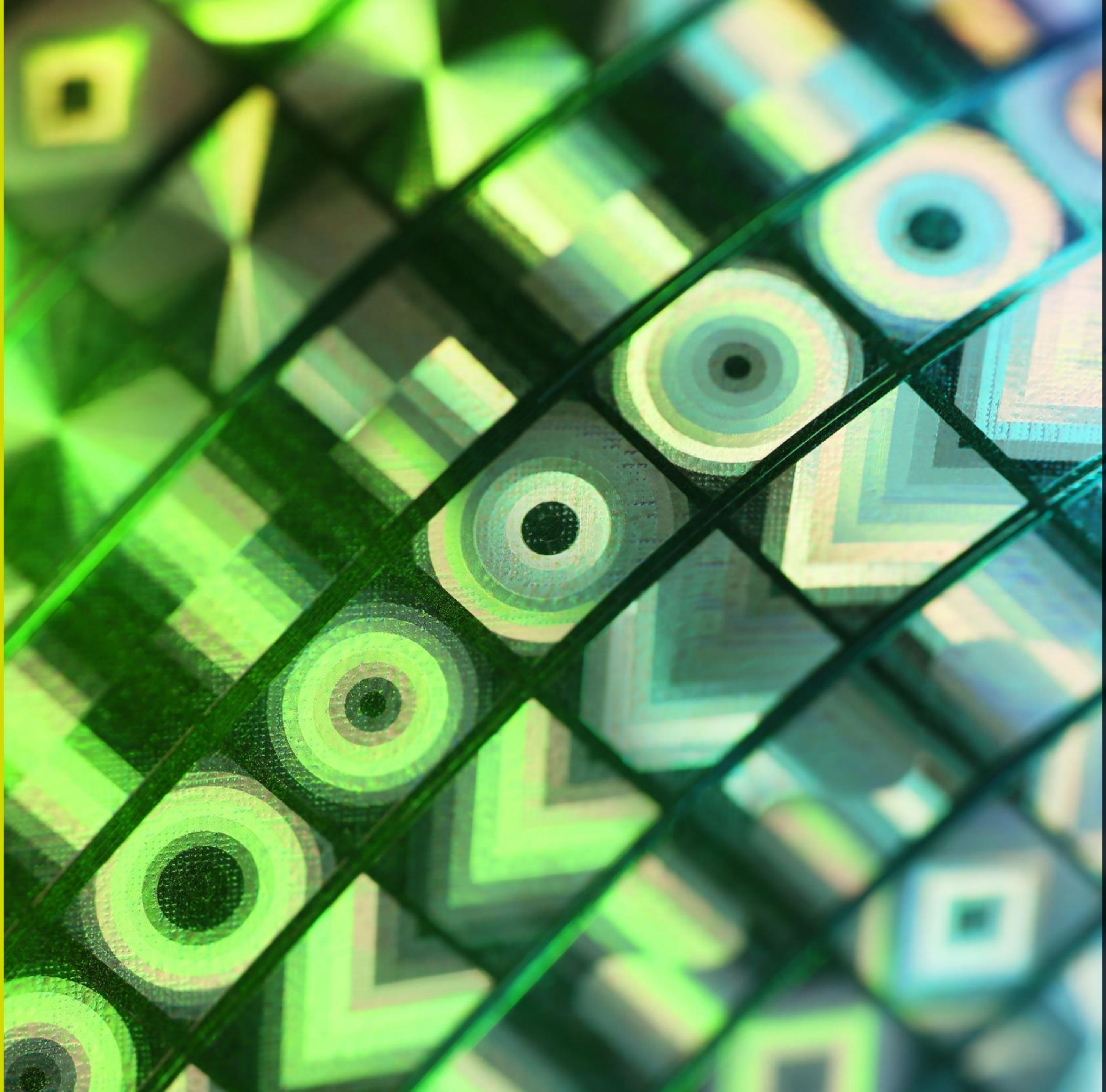
De La Rue
FY19
Full Year Results

30 May 2019

DeLaRue



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Financial Performance
Helen Willis

Operational Review
Martin Sutherland

Strategy Update
Martin Sutherland

Q&A

Overview

Reasonable performance excluding paper†

Further strategic progress

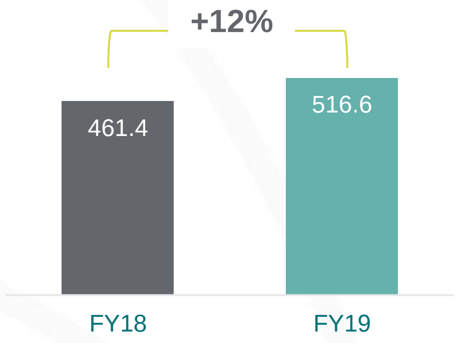
- Security Features revenue +38%
- PA&T growth accelerated with multiple contract wins; on track to double revenue within 3 years
- Good progress on strategic review of international ID business

Next phase of the Group's transformation underway

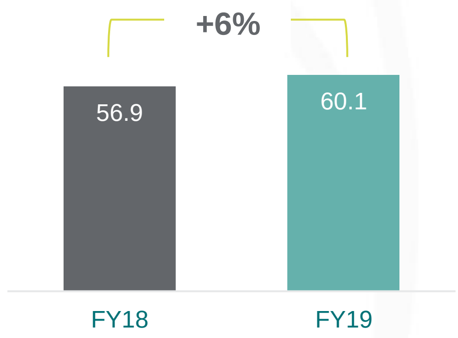
- Proposal on operating model reorganisation and transformation programme announced today
- Divisional structure will optimise operations and provide future strategic options
- Expected to deliver annual savings of in excess of £20m by FY22 offsetting increasing competitive pressures in Banknote Print

Proposed to maintain full year dividend at 25.0p

Revenue † (£m)



Adjusted operating profit* (£m)



† Figures reported on the "excluding paper" basis have been adjusted to exclude revenue from non-novated contracts in FY19. In FY18 "excluding paper" figures exclude the results of the paper business and include pro-forma Security Feature sales of £35.0m, which were previously treated as internal, to present the comparative numbers in FY18 on a basis consistent with the IFRS accounting treatment applied in FY19. This is a change in presentation of FY18 results in these results compared to those previously reported in the results in May 2018. This change has been made to provide a more meaningful presentation of the underlying financial performance of the business during the period.

* Before exceptional items and amortisation of acquired intangible assets. This is a non-IFRS measure. Amortisation of acquired intangible assets is a non-cash item while exceptional items are non-recurring in nature. By excluding these items from the adjusted operating profit and EPS metrics, the Directors are of the opinion that these measures give a better understanding of the underlying performance of the business. See slide 32 for further details.

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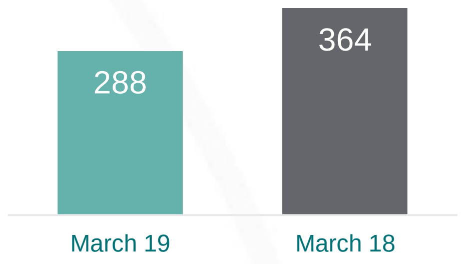
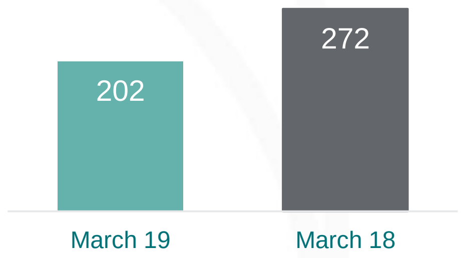
Income statement

	Excluding Paper†			Reported		
	FY19 £m	FY18† £m	Change %	**FY19 £m**	FY18 £m	Change %
Revenue[1]	**516.6**	461.4	+12%	**564.8**	493.9	+14%
Adjusted operating profit[(1)(2)(3)]	**60.1**	56.9	+6%	**n/a**	n/a	n/a
Adjusted operating margin[(1)(2)(3)]	**11.6%**	12.3%	-70bpts	**n/a**	n/a	n/a
IFRS operating profit	**n/a**	n/a	n/a	**31.5**	123.0	-74%
Effective tax rate	**16.1%**	n/a	n/a	**16.1%**	15.5%	+60bpts
Adjusted basic earnings per share[(2)(3)(4)]	**42.9p**	38.2p	+12%	**n/a**	n/a	n/a
IFRS basic earnings per share	**n/a**	n/a	n/a	**18.8**	93.7	-80%
Dividend per share	**25.0p**	25.0p	0%	**25.0p**	25.0p	0%

Group 12 month order book (£m)



Currency 12 month order book (£m)



† see slide 3

(1) The impact of the adoption of IFRS15 (revenue from contracts with customers) has been a net increase in revenues of £12.2m in FY19 and a net increase in cost of sales of £5.3m, resulting in an £6.9m increase in operating profits (both on an IFRS and adjusted basis). Prior year comparatives are not restated.

(2) Before exceptional items and amortisation of acquired intangible assets. This is a non-IFRS measure. Amortisation of acquired intangible assets is a non-cash item while exceptional items are non-recurring in nature. By excluding these items from the adjusted operating profit and EPS metrics, the Directors are of the opinion that these measures give a better understanding of the underlying performance of the business. See slide 33 for further details.

(3) Excludes exceptional item net charges of £27.9m (FY18: net gains of £60.9m) and amortisation of acquired intangible assets of £0.7m (FY18: £0.7m)

(4) Excludes exceptional item net charges of £27.9m (FY18: net gains of £60.9m) and related tax credit of £4.2m (FY18: tax charge of £9.7m) and amortisation of acquired intangible assets of £0.7m and related tax charge of £0.3m (FY18: credit £1.2m).

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Pro forma segmental revenue and adjusted operating profit(1)(2)(3)

	FY19 £m					FY18 £m				YoY Change %			
	Currency	ID	PA&T	Portals Pass Through	Group	Currency	ID	PA&T	Group	Currency	ID	PA&T	Group
Revenue(1)													
Reported	398.9	78.4	39.3	48.2	564.8	371.8	82.0	40.1	493.9	7.3%	-4.4%	-2.0%	14.4%
Paper	-	-	-	-	-	(59.8)	(5.6)	(2.1)	(67.5)				
Portals Pass Through Revenue				(48.2)	(48.2)	-	-	-	-				
Security Features Sales (previously internal)	-	-	-	-	-	32.1	2.5	0.4	35.0				
Revenue Excluding Paper †	**398.9**	**78.4**	**39.3**	**-**	**516.6**	**344.1**	**78.9**	**38.4**	**461.4**	**15.9%**	**-0.6%**	**2.3%**	**12.0%**
Adjusted Operating Profit(1)(2)(3)													
Reported	41.7	12.7	5.7	-	60.1	45.1	8.3	9.4	62.8	-7.5%	53.0%	-39.4%	-4.3%
Paper	-	-	-	-	-	(4.6)	(1.3)		(5.9)				
Adjusted Operating Profit Excluding Paper†	**41.7**	**12.7**	**5.7**	**-**	**60.1**	**40.5**	**7.0**	**9.4**	**56.9**	**3.0%**	**81.4%**	**-39.4%**	**5.6%**
Adjusted Operating Margin(1)(2)(3)													
Reported	10.4%	16.2%	14.5%	0.0%	11.6%	11.8%	8.9%	24.5%	12.3%	-1.3%	7.3%	-10.0%	-0.7%
Paper	-	-	-	-	-								
Security Features Sales (previously internal)	-	-	-	-	-								
Adjusted Operating Profit Margin Excluding Paper†	**10.4%**	**16.2%**	**14.5%**	**0.0%**	**11.6%**	**11.8%**	**8.9%**	**24.5%**	**12.3%**	**-1.3%**	**7.3%**	**-10.0%**	**-0.7%**

† see slide 3
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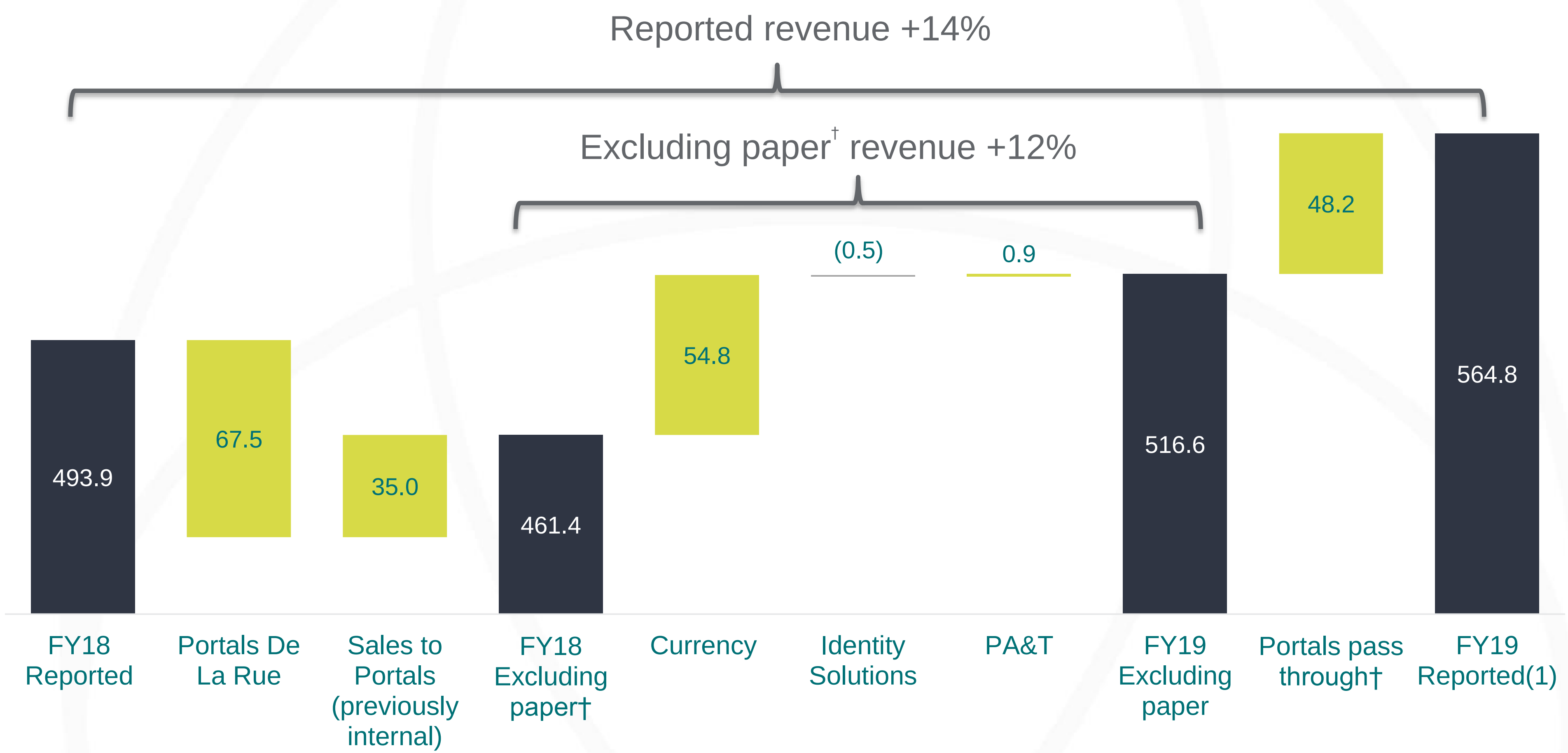
Revenue bridge



† see slide 3

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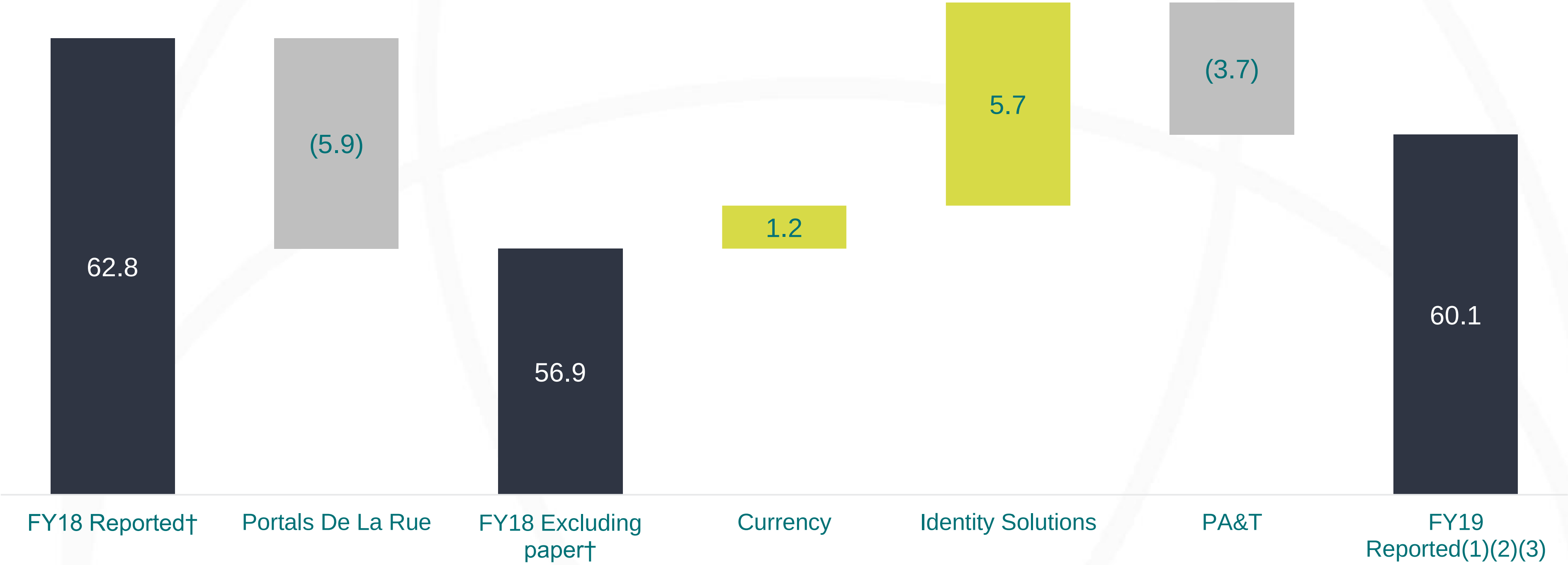
Adjusted operating profit(1)(2)(3) bridge



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Exceptional items

	FY19 £m	FY18 £m
Pension scheme GMP	**(1.7)**	-
Pension scheme (net of costs)	**(0.5)**	79.5
Sale of paper business	**(2.6)**	(14.4)
Site relocation and restructuring	**(4.8)**	(4.0)
DAS acquisition	**(0.2)**	(0.2)
Venezuela credit loss provision	**(18.1)**	-
Exceptional items (cost)/credit in operating profit	**(27.9)**	60.9
Total tax credit/(charge) on exceptional items	**4.2**	(9.7)

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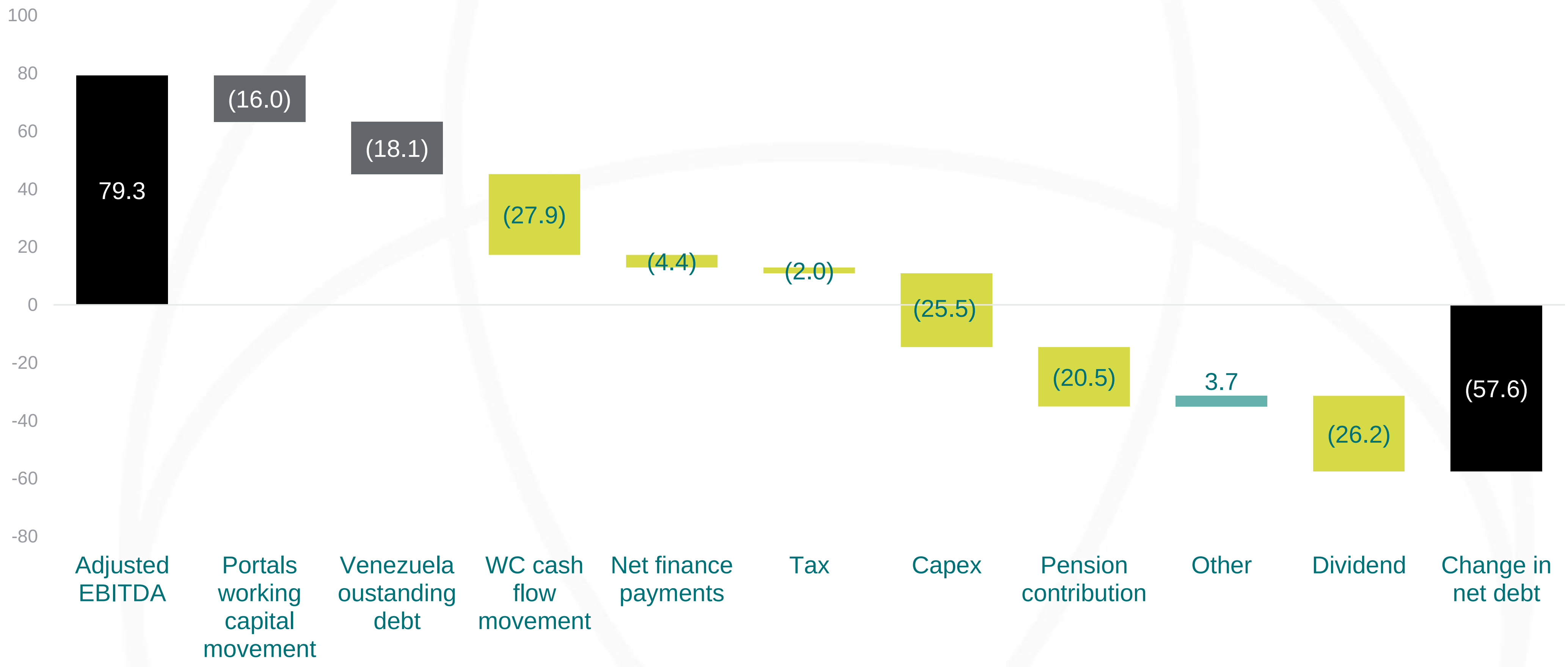
Cash flow



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Balance sheet – working capital movement

	FY19 £m	FY18 £m	Movement £m	Change %
Net trade receivables	93.8	63.3	30.5	48%
Inventories	42.3	37.0	5.3	14%
Trade payables	(56.5)	(59.6)	3.1	-5%
Advanced payments	(46.7)	(29.7)	(17.0)	57%
Total	**32.9**	**11.0**	**21.9**	

Impact of Portals	FY19 £m
Settlement of previous inter company positions	(16.0)
Net B2B, direct billings and paper payables	(1.0)
Total	**(17.0)**

- Increased trade receivables due to the phasing of revenue in the current year
- Inventory relating to PA&T ahead of anticipated growth in FY20
- Higher receipts of advanced payments in the year
- Adverse working capital impact of transactions with Portals

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Pension

- **IAS 19 UK pension deficit reduced to £76.8m (FY18: £87.6m), reflecting:**
  - positive asset performance in the year
  - higher special funding contributions of £20.5m compared to £13.5m in FY18
  - lower discount rate used at 30 March 2019 as compared to 31 March 2018; and
  - recording the £1.7m additional liability relating to the GMP adjustment
- **Cash contribution to the Scheme will rise by 4% in FY20**
- **The charge to operating profit in respect of the Scheme in the period was £2.7m (FY18: £2.3m)**
- **IAS 19 finance charge of £2.1m (FY18: £5.6m)**
- **Triennial review expected to conclude in H1 FY20**

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Net debt

Bank covenants

1.46x

Net debt/EBITDA ratio[(1)]
FY 18: 0.66x
Covenant: ≤3.0x

12.9x

EBIT/net interest ratio[(1)]
FY 18: 14.0x
Covenant: ≥4.0x

	FY19 £m	FY18 £m
Gross debt	**(118.8)**	(65.1)
Cash and cash equivalents	**11.3**	15.2
Net debt	**(107.5)**	(49.9)

(1) Ratio calculations as per covenant definition

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FY20 outlook

- Significant headwinds for the Group in the year ahead
- Increasing competitive pressure in Banknote Print, impacting margin
- Strong growth in PA&T
- Margin decline partially mitigated by early benefit of cost out reduction programme
- Board expects operating profit to be somewhat lower in FY20

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Banknote Print

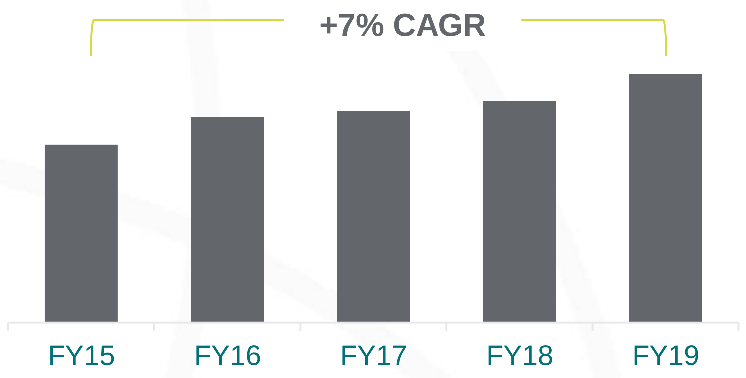
Strong volumes supported by higher overspill demand, in particular Venezuela

- Volumes +3%, reaching five year high at 7.5bn
- Market demand has been strong, but headwinds expected due to market overcapacity

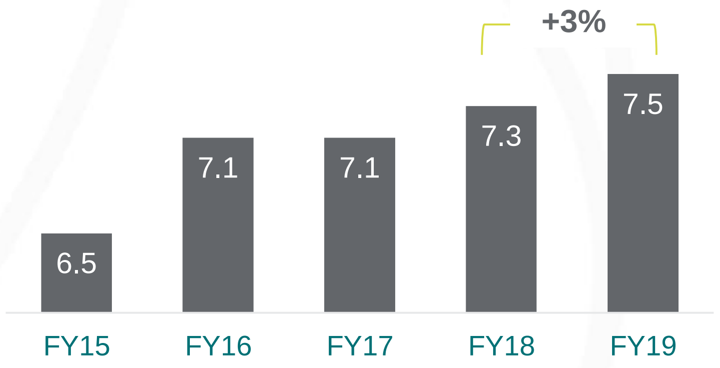
Continue to strengthen relationships with our partners

- Completed the formation of joint venture in Kenya, strengthening ties with Government of Kenya
- Building flexibility with manufacturing partners having successfully outsourced production of 450m notes

Revenue



Print volumes (bn notes)



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Polymer

Continue to build scale with good market share gains

- Market share increased to 20%[1] (FY18: 11%), with total volumes +23%
- 26 issuing authorities across 61 denominations (FY18: 24 issuing authorities and 50 denominations)
- Production of Bank of England £20 polymer substrate going well
- Building external sales to SPWs – adding Nigeria 3 denoms to portfolio
- Qualification for several polymer note issuers is progressing

Manufacturing efficiencies

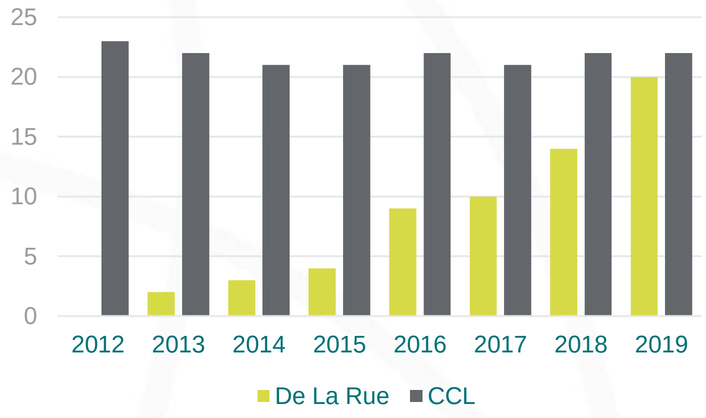
- Cost out programmes underway looking at efficiencies and reduction in raw material costs

Continue to differentiate

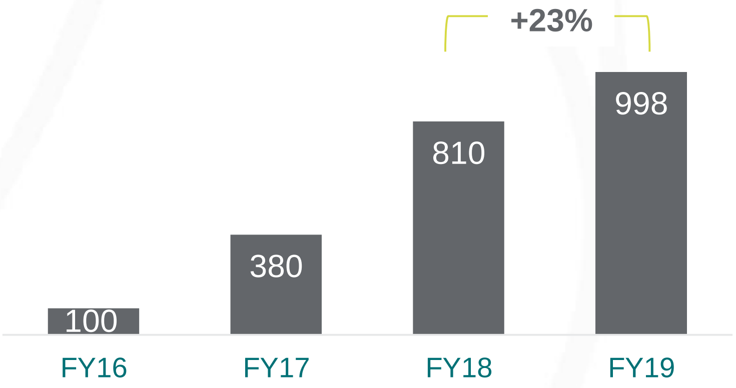
- Launched three new design features for polymer notes - Illuminate™, Rotate™, and Integrate™

(1) Source: DLR (estimated annual issued volumes of new safeguard notes as a proportion of all polymer notes issued annually.)

Number of issuing authorities
(circulating notes only, excl. commemoratives)



Total Polymer volumes (tonnes)



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Security Features

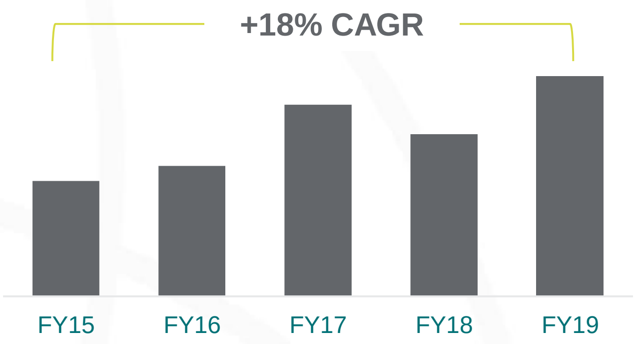
Consistent growth reflecting increased R&D and sales focus

- Revenue +38% yoy
- External sales volumes +24% yoy to 4.7m square metres
- Early traction with PureImage™ and Kinetic StarChrome Portrait™

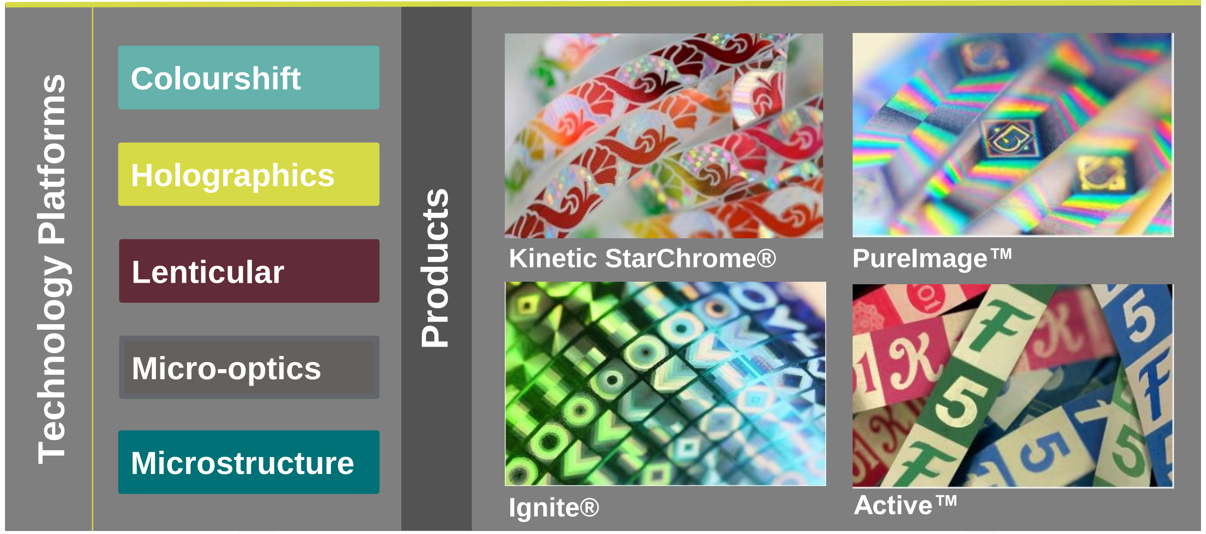
Focus on maximising return while developing new technologies

- Expanding product portfolio by exploiting existing technology platforms
- Solid progress on developing disruptive technology

Revenue[1]



(1) Excluding the significant security thread contract concluded in 2015/16



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Identity Solutions

UK passport contract

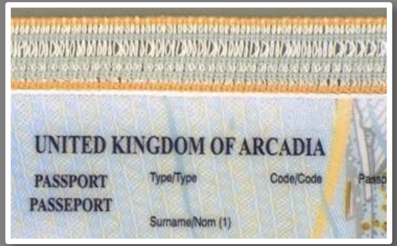
- Volumes increased as expected
- Detailed exit plan agreed - employee consultation started in March 2019, expected to conclude in September, ready for service transfer starting from end of November

Strategic review on international identity business has made good progress

Refocus on Security Features for the Identity market

- Continue to exploit IP portfolio
- Shift sales effort to focus on Security Feature sales to SPWs
- Signed development agreements to explore features and components markets in China

Polycarbonate Bio-Data Page



Hinge

SHIELD Volume™ Laminate

Photocolor UV

SHIELD Embossed™ Laminate

MyImage™

Product Authentication and Traceability

On track to double revenue within three years

- Expect margins to improve from current year

Momentum in GRS continues with multiple contract wins

- Kingdom of Saudi Arabia - significant 5 year digital tax stamp solution contract for tobacco products & soft drinks
- HMRC - first digital only track and trace contract
- Multiple tobacco tax stamp contracts in 6 European countries, including the UK and France

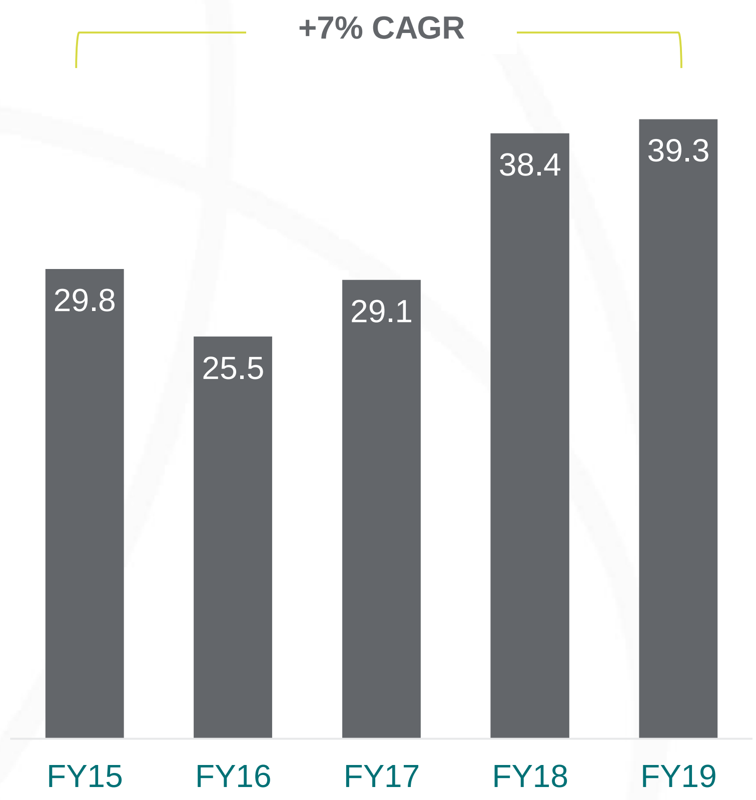
UAE Government Revenue Solution delivered on time

- First products containing De La Rue tax stamps received into the Emirates

Progress in brand protection continues

- 8 new programmes - 4 new customers in the vaping sector
- Implementing blockchain solution for desktop printer company

Revenue



FY15 and FY16 figures include the paper business sold in March 2018. FY17, FY18, FY19 figures exclude the paper business

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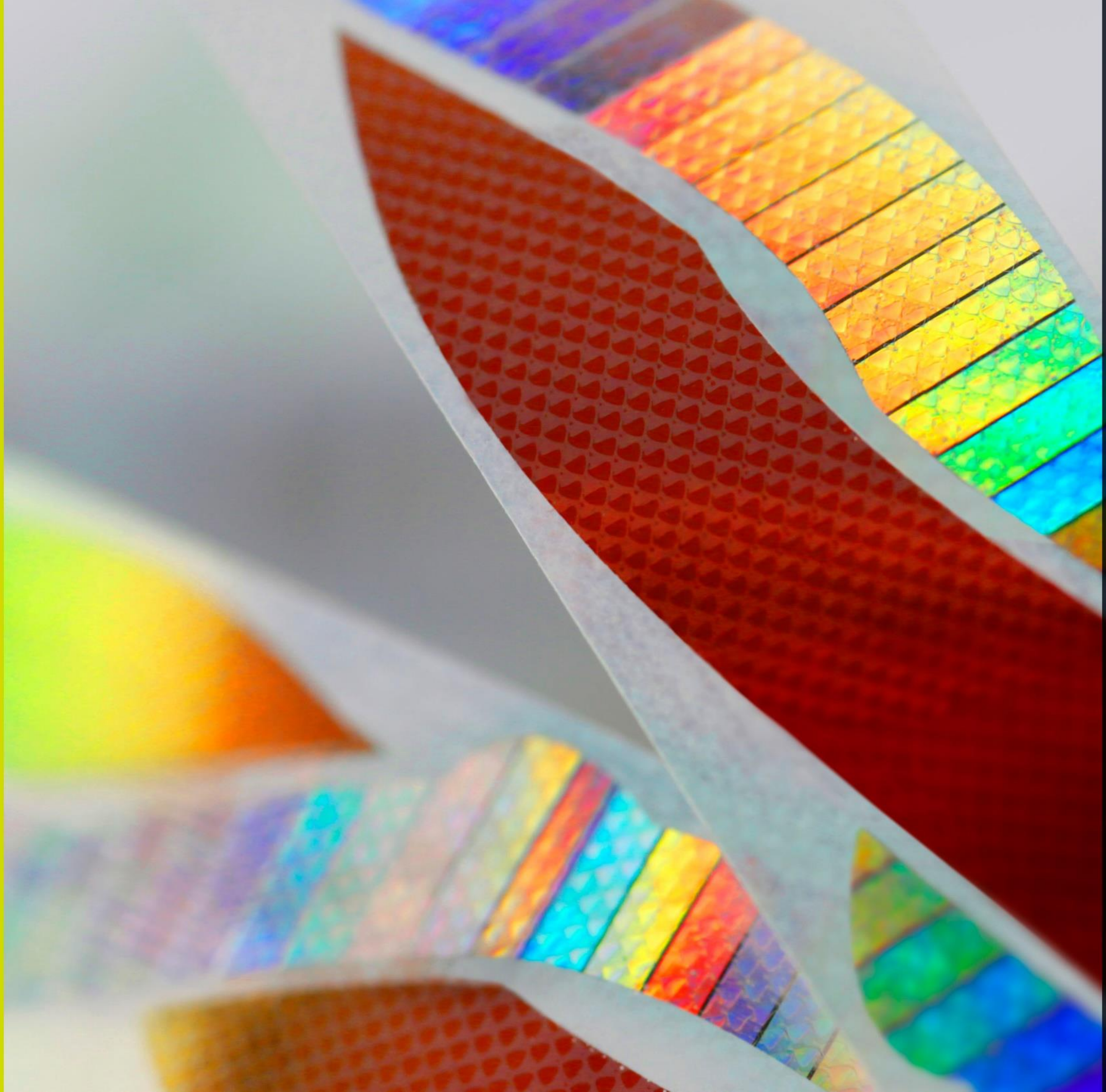

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Build a platform for the future

Strategic priorities

Optimise & Flex

- ➢ Divest non core business
- ➢ Limit exposure to paper market volatility
- ➢ Improve predictability and competiveness in banknote print

Invest & Build

- ➢ Grow Group revenue by mid single digit CAGR 2015-20
- ➢ Diversify revenue stream

Strengthen balance sheet

- ➢ Improve cash flow
- ➢ Reduce pension deficit

Drive culture change

- ➢ Dynamic, high performing culture
- ➢ Diverse and skilled workforce with high ethical standards

2019 Progress

Optimise & Flex

- ✓ Sold Cash Processing Solutions
- ✓ Sold Paper – reduced exposure to volatility in the paper market
- ✓ Reduced capacity in print and increased flexibility

Invest & Build

- ✓ Established position in the Polymer market with increased market share
- ✓ Strong Security Features revenue growth since FY15[(1)]
- ✓ Good PA&T growth, revenues expected to double in 3 years

Strengthen balance sheet

- ✓ Reduced pension deficit by £157.3m since FY15, to £76.8m

Drive culture change

- ✓ Increased focus on performance management
- ✓ Sales model transformed

(1) excluding the significant security thread contract concluded in 2015/2016

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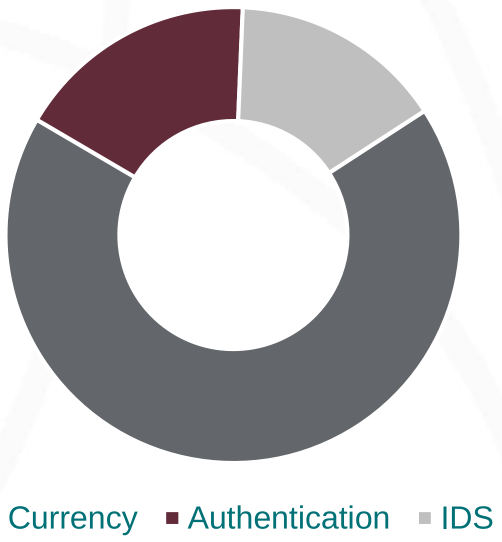
Group is materially different shape now to 4 years ago

Key objective unchanged – To become a technology led provider of security products and services

- Disposals of CPS and Paper now makes us a smaller, reshaped group
- Focused on two key markets – Currency & Authentication

Time to move to the next phase of transforming the business

FY19 revenue



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Proposed Group reorganisation and transformation

Realignment of the Group into two market focused divisions

- Better strategic focus and alignment to different market dynamics and opportunities
- Clear management accountability
- Optimise operations of each division

Right sized business with simplified operating model

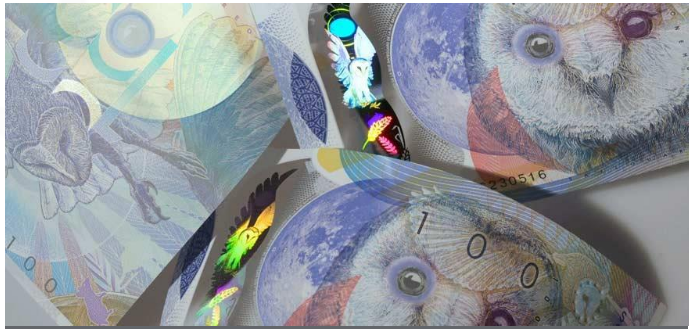
Provides strategic choice in the future

Subject to consultation

Authentication

Security Features, ID Security Components & Product Authentication

Supply of products and services to authenticate goods as genuine and to assure tax revenues



Currency

Banknote Print & Polymer

Provision of finished banknotes & advanced banknote substrate into central banks and SPWs

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Authentication

Security Features	ID Security Components	PA&T

Exposed to high growth markets

- Consumer demand for protection against counterfeit goods
- Brands seeking innovative ways to connect with consumers
- Governments adopting FCTC & extending duties to more goods

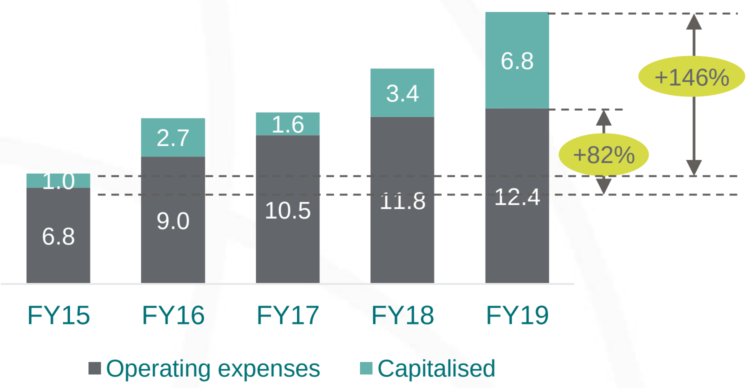
Focus on IP generation and licensing - underpinned by investments made in recent years

- Total R&D investment increased by 146% since 2015
- 137 patents filed and 133 granted in the past 4 years

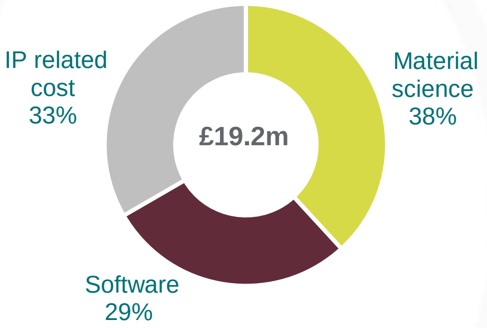
Providing differentiated digital solutions

- Recently won contracts with UAE, KSA & HMRC utilise latest version DLR Certify™

R&D investment (£m)



R&D investment by type FY19



Currency

Banknote Print

Polymer Substrate

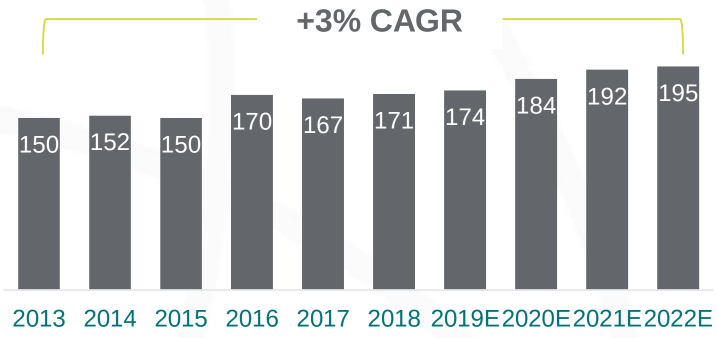
Market provides steady growth

- Cash remains the preeminent payment mechanism globally
- Banknotes in circulation growing globally at c3% a year
- Lumpy due to the volatile nature of irregular buying patterns and overspill
- Normalisation of overspill volumes (driven by Venezuela) suggests over capacity & pricing pressure in the short term

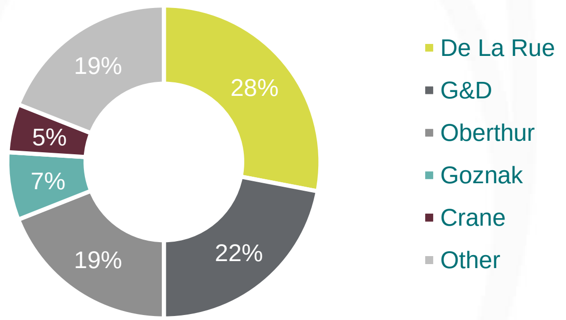
Divisional focus will mean we can

- Maintain leading market share for Banknote Print
- Continue to grow market share for Polymer
- Improve efficiency and optimise capacity and cost base

Global banknote issuance
(billion of notes)



Commercial print market by volume



Source: De La Rue estimates

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Cost base realignment

Expect to deliver annualised savings in excess of £20m by FY22

- Allows us to partially offset market pressures in Banknote Print

Proposed reorganisation and corporate efficiency

- Divisional structure enables delayering of management
- Corporate overhead can be reduced

Manufacturing optimisation

- Manufacturing footprint will be aligned to long term market demand
- Quality and procurement opportunities

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Summary

Reasonable like for like performance

Proposed reorganisation and new operating model to enable better strategic focus

Launched cost reduction programme to deliver in excess of £20m annualised savings from FY22

Long term outlook:

- Operating model realignment and cost out programme will partially mitigate market pressures in Banknote Print and support growth plans
- Continued strong growth in PA&T and Security Features will transform the Group into a more IP and technology led business over time
- Remain confident about the long term future of the business

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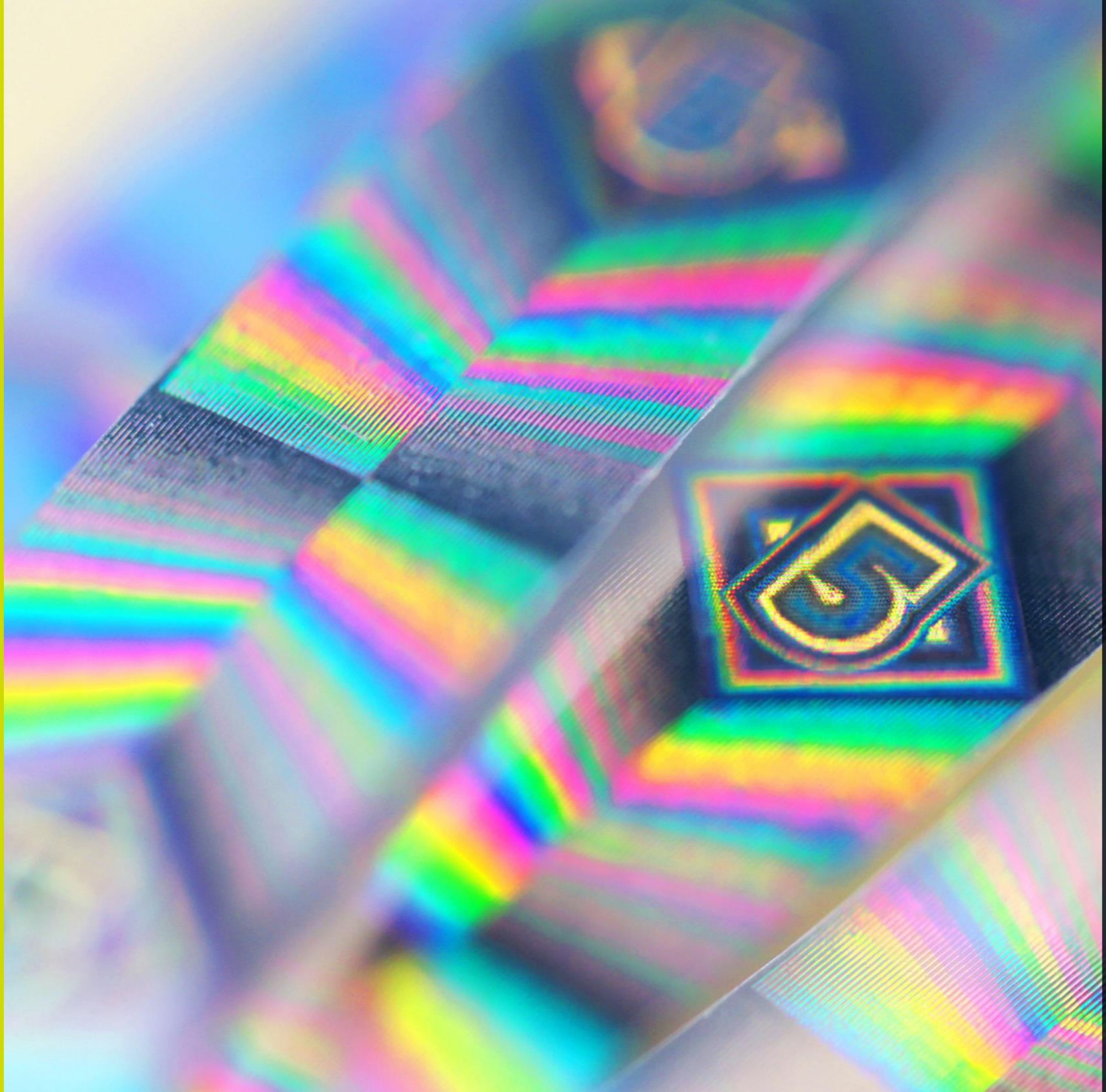

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Appendices

Consolidated Income Statement – continuing operations

	FY19	FY18 Excluding Paper	FY18 Reported
	£m	£m	£m
Revenue[1]	**516.6**	**461.4**	**493.9**
Adjusted operating profit[2]	**60.1**	**56.9**	**62.8**
Exceptional items	(27.9)		60.9
Amortisation of acquired intangibles	(0.7)		(0.7)
IFRS operating profit	31.5		123.0
Net finance cost	(6.0)		(9.4)
Adjusted profit before tax[2]	54.1		53.4
IFRS profit before tax	25.5		113.6
Taxation	(4.8)		(16.8)
Adjusted profit after tax[2][3]	46.9		36.6
IFRS profit after tax	20.7		96.8
Adjusted basic EPS[2][3]	42.9p	38.2p	42.9p
Adjusted diluted EPS[2][3]	42.8p	37.9p	42.5p
IFRS basic EPS	18.8p	n/a	93.7p
IFRS diluted EPS	18.8p	n/a	92.8p

(1) Excludes pass through revenue of £48.2m

(2) Excludes exceptional net charges of £27.9m (FY18: net gain of £60.9m) and amortisation of acquired intangible assets of £0.7m (FY18: £0.7m).

(3) Excludes exceptional net charges of £27.9m (FY18: net gain of £60.9m and related tax credit of £4.2m (FY18: charge of £8.5m) and amortisation of acquired intangible assets of £0.7m (FY18: £0.7m) and related tax credits of £0.3m (FY18 charge: £1.2m)).

“Adjusted” measures are not on an IFRS basis. For further explanations and reconciliations to equivalent IFRS measures see slides 32-34. “Reported” measures are on an IFRS basis.

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Non-IFRS measures – Adjusted operating profit & Adjusted EBITDA

De La Rue publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. The measures the Group uses along with appropriate reconciliations where applicable are shown below.

Adjusted operating profit

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	FY19 £m	FY18 Reported £m	FY18 Excluding paper £m
Operating profit from continuing operations on an IFRS basis	**31.5**	123.0	131.5
- Amortisation of acquired intangible assets	**0.7**	0.7	0.7
- Exceptional items – operating	**27.9**	(60.9)	(75.3)
Adjusted operating profit from continuing operations	**60.1**	62.8	56.9

Adjusted EBITDA

Adjusted EBITDA represents earnings from continuing operations adjusted to exclude exceptional items.

	FY19 £m	FY18 Reported £m	FY18 Excluding paper £m
Operating profit from continuing operations on an IFRS basis	**31.5**	123.0	131.5
- Depreciation	**16.7**	21.9	18.9
- Amortisation	**3.2**	3.3	3.3
EBITDA on an IFRS basis	**51.4**	148.2	153.7
- Exceptional items – operating	**27.9**	(60.9)	(75.3)
Adjusted EBITDA	**79.3**	87.3	78.4

Non-IFRS measures – Adjusted earnings per share

Adjusted earnings per share represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	FY19 **£m**	FY18 Reported £m	FY18 Excluding paper £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**19.4**	95.4	101.8
- Amortisation of intangible assets	**0.7**	0.7	0.7
- Tax on amortisation of acquired intangibles	**0.3**	(1.2)	(1.2)
- Exceptional items	**27.9**	(60.9)	(75.3)
- Tax on exceptional items	**(4.2)**	9.7	12.9
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**44.1**	43.7	38.9
Weighted average number of ordinary shares for basic earnings	**102.9**	101.9	101.9

	Pence per share	Pence per share	Pence per share
Basic earnings per ordinary share continuing operations on an IFRS basis	**18.8**	93.7	n/a
Adjusted basic per ordinary share for continuing operations	**42.9**	42.9	38.2

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Non-IFRS measures

Adjusted Earnings Per Share Excluding Paper reconciliation

Adjusted earnings per share represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	FY18 Excluding paper
	£m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**95.4**
- Less paper disposal profit	(5.9)
- Tax on paper profit @ 19%	1.1
- Exceptional items – add back paper business exceptional item costs	14.4
- Tax on exceptional items paper related	(3.2)
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis excluding paper	101.8
- Amortisation of acquired intangible assets as reported	0.7
- Tax on amortisation of acquired intangible assets as reported	(1.2)
- Exceptional items – excluding paper	(75.3)
- Tax on exceptional items excluding paper	12.9
Adjusted profit attributable to equity shareholders of the Company from continuing operations	38.9
Weighted average number of ordinary shares for basic earnings	101.9
	Pence per share
Basic earnings per ordinary share for continuing operations on an IFRS basis	n/a
Adjusted basic earnings per share for continuing operations	38.2

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