H1 23

November 2022

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Certain statements contained in this document relate to the future and constitute 'forward-looking statements.' These forward-looking statements include all matters that are not historical facts. In some case, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will", "could", "shall", "risk", "aims", "predicts", "continues", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

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Agenda

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1
H1 23 results and developments

2
Progress during the past three years

3
Today's situation and full-year outlook

4
Vision and plans for the next three years

5
Financials

H1 23 Results

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Adjusted operating profit from ongoing divisions is consistent with guidance given in July, in a difficult market and an inflationary environment

- Adjusted operating profit of £9.3m (H1 22: £17.0m), as previously guided
- Authentication revenues rose 2.5% to £45.5m (H1 22: £44.4m)
- Currency revenues reduced 12.3% to £116.4m (H1 22: £132.7m), due to subdued market demand
- Authentication adjusted operating profit down YoY from £8.8m (H1 22) to £4.9m (H1 23) due to sales mix and supply chain pressures. Expected recovery in H2 23 to be broadly flat full year versus FY22
- Currency adjusted margin percentages are holding despite supply chain pressures, excluding a final one-off volume shortfall payment of £3m to Portals. Currency has broken the historic trend of losses in downcycles; it remains profitable even in a tough operating environment
- Tight control of costs and operational execution ensured profitability and led to a more efficient and flexible business
- Agreement of extension of Bank Facilities by 13 months to 1 January 2025 with 25 basis point increase in Margin and phased Arrangement fees
- Key milestones in H1 23: second polymer line in Westhoughton fully operational, termination of Portals relationship agreement, and further investment in growth areas, e.g. second passport polycarbonate line

Performance Improvements FY20 to FY23

The Turnaround saved De La Rue, and established an increasingly resilient company

Mitigation of Legacy Cost Challenges

- Annual pension payments reduced from £24m to £15m, saving £57m total cash
- Portals Relationship Agreement terminated, avoiding £119m in obligations for £16.7m exit cost
- £36m+ annualised savings previously reported, with additional ongoing savings

Removal of Legacy Structural & Footprint Issues

- Five banknote printing sites reduced to four
- Consolidation of all R&D teams (Authentication and Currency) into one site
- Transitioned to a divisional structure, which continues to mature

Financial Performance Improvements

- Adjusted operating profit growth[1] from £1.4m to £35.8m FY20 to FY22
- Adjusted operating profit margin[1] increased from 0.3% to 9.6% in same time period
- Successfully refinanced the business (£275m RCF)

1. Authentication and Currency divisions

De La Rue Progress from FY20 to Today

De La Rue is now resilient in current conditions, and is positioned for future growth

Group	• Malta manufacturing site doubling in size for Authentication and Currency • ESG: Ranked #41 out of 400 of Europe's Climate Leaders - FT • SBTi targets: they have validated that our greenhouse gas ambition is within a 1.5^{o}C trajectory
Authentication	• Revenue growth of 22.4% to £90.3m FY20 to FY22 • Adjusted operating profit growth of 50.9% to £16.3m FY20 to FY22 • Extended Microsoft® (5 years) and Australian passport (10 years) contracts • Captured 100% of tax stamp schemes in GCC region (5 year contracts)
Currency	• FY20 adjusted operating loss of £9.4m transformed to a £19.5m profit by FY22 • Westhoughton expansion, and polymer 2nd line completed within budget • Polymer has grown from 3% to 5% of market (total market:180bn banknotes p.a.) • De La Rue's share of that growing market has gone from 28% to 34%

Today's Environment – Supply Chain

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Strong Management

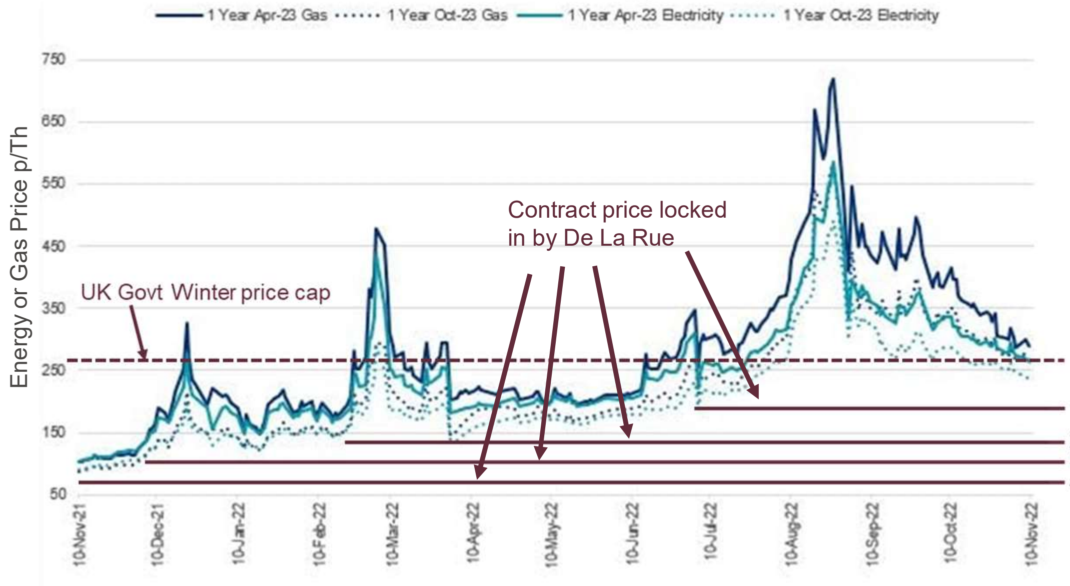
- Management of existing suppliers, re-alignment and dual sourcing have reduced potential supply chain headwinds in FY23 from an expected £10m at the start of year to an estimated £4.5m today

- Market slowdown limits our ability to pass these increases on to customer, so diligent management is essential

- Portals exit progressing well. Orders placed with 5 paper makers, at aggregate lower pricing than Portals. Global tender (Dec 22) will involve up to 17 paper makers

- Semi-conductor availability improving but small gaps remain

Energy and Gas Price Variation Since November 2021



1. Gas & Electric for GHD. Contracted in Jun 22 for Oct 22 – Sept 24 @ 180p/Th
2. Gas & Electric for UK sites excl. GHD & WH2 Gas. Contracted in Feb 22 for Oct 22 – Sept 24 @ 130p/Th
3. Gas for WH site 2; Contracted in Nov 21 for Dec 21 – Oct 23 @ 70p/Th
4, Gas & Electric for UK sites excl. WH2; Contracted in Aug 21 for Oct 21 – Sept 22 @ 60p/Th

Managing Today's Environment, and FY23 Outlook

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Authentication: Addressing slower than expected market development; New leadership focused on growth

- New Divisional Leadership from September 2022: greater focus on targeted sales growth and execution
- New GRS schemes in Qatar, Bahrain, Oman (5 years), and Australian passports (10 years)
- Slowing of global PC sales, and reduction in Covid vaccines, have impacted Brand revenue
- Operating profit reduced in H1 23 due to sales mix and continued investment for future growth
- Divisional restructuring programme underway, with some H2 benefits and substantial annual savings from FY24

Currency: Responding to downcycle that is impacting the industry as a whole

- Delivering our 2020 commitment: "Currency will make money in downcycles, and more money in better years"
- Demonstrating that Currency can be profitable in the toughest of environments
- Experiencing order delays as central banks work through their Covid-driven banknote stocks
- Rightsizing of cost base will ensure the ability to flex back up when the market improves, with greater efficiency

Continuing to adapt as challenges to revenues continue

- Additional cost savings of £12m annualised by FY24. Continued focus on productivity improvements.

FY 23 full-year outlook

- Range of adjusted operating profit expectations broader than in "normal" times. Prudence in relation to the uncertain environment leads us to guide FY23 adjusted operating profit to be in the range of £30-33m, versus market expectations of £36m. End-of-year net debt expectations unchanged at £88-92m.

Looking Forward to FY24

De La Rue expects to be a free-cash generating business, after pension payments, from next financial year

- EBITDA will increase in FY24 (without assuming significant market recovery), driven by growth in existing contracts, and productivity and efficiency improvements
- CapEx requirements to halve from £30m in FY23 to £15m per year FY24:
  - Significant Turnaround investments completed FY20 to FY23
  - Returning to run rate CapEx going forward
- Continued close management of working capital and cost, offset somewhat by increased financing fees
- Portals termination will secure +£4m cash and operating profit annually (per previous guidance)
- Well-placed to benefit from investments already made, when the markets recover - investment unlocks capacity for the growing markets of Polymer, GRS, Brand and Passport Polycarbonates
- New Authentication divisional leadership brings a fresh focus on growing the business
- Driving further significant cultural change in the Company: greater focus on sales in both divisions, and integrated product development teams to bring innovations to market more quickly and effectively

Vision FY26

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Authentication	• Significant GRS growth – expanding existing contracts and signing new schemes • New, digital-only track and trace and data management solutions to drive further growth • 2 polycarbonate passport lines running at full capacity • Microsoft® relationship further developed with a view to additional contract extensions • Remaining Brand business substantially increased, without major investment needed
Currency	• Focus on return on capital invested over the last 3 years • Optimised banknote print footprint and capacity, including completion of Malta expansion • Continued productivity improvements across the portfolio • Polymer will continue to grow and a percentage of the market by FY26 • Polymer security feature growth at high margins, via game-changing technologies
Group	• Progressively increasing free cash flow generation • Pension deficit significantly reduced (last payment in FY29 but options being considered for improving overall position)

The Board's annual review of how to deliver best value for shareholders has concluded that the greatest value generation comes with executing the existing strategy, and retaining the current group structure

Financial Statements

Income statement

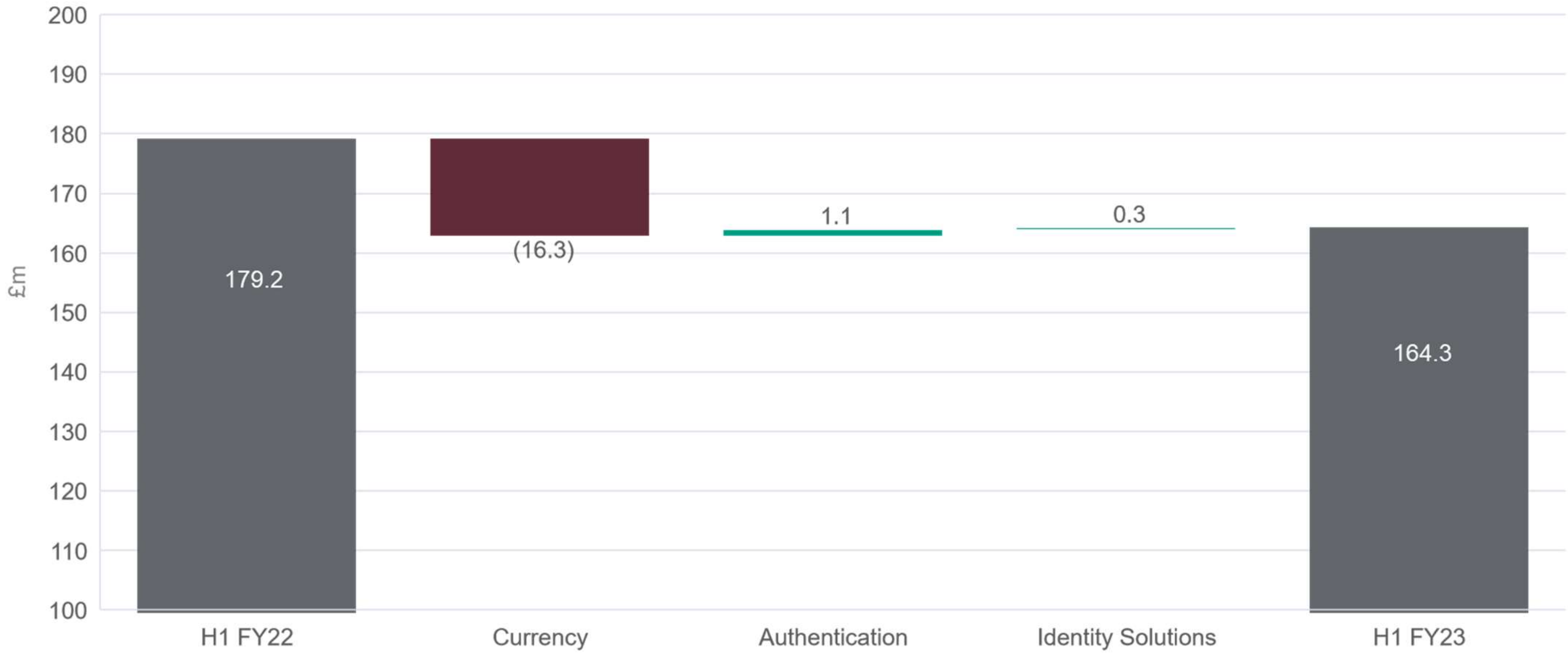
	H1 2022/23 £m	H1 2021/22 £m	Change
Revenue	164.3	179.2	-8.3%
Gross profit	41.8	48.5	-13.8%
Adjusted operating profit*(1)	9.3	17.4	-46.6%
IFRS operating profit/(loss)	(12.6)	13.8	-191.3%
Adjusted basic earnings/(loss) per share*(2) - continuing operations	2.0p	6.4p	-68.8%
IFRS basic earnings per share - continuing operations	(12.6)p	4.9p	-357.1%

*The definition and reconciliation of adjusted revenue, adjusted operating profit and adjusted basic EPS can be found in Non-IFRS financial measures section on slide 22. These are non-IFRS measures.

(1) Adjusted operating profit excludes pre-tax exceptional items of £21.4m (H1 22: £3.1m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 22: £0.5m).

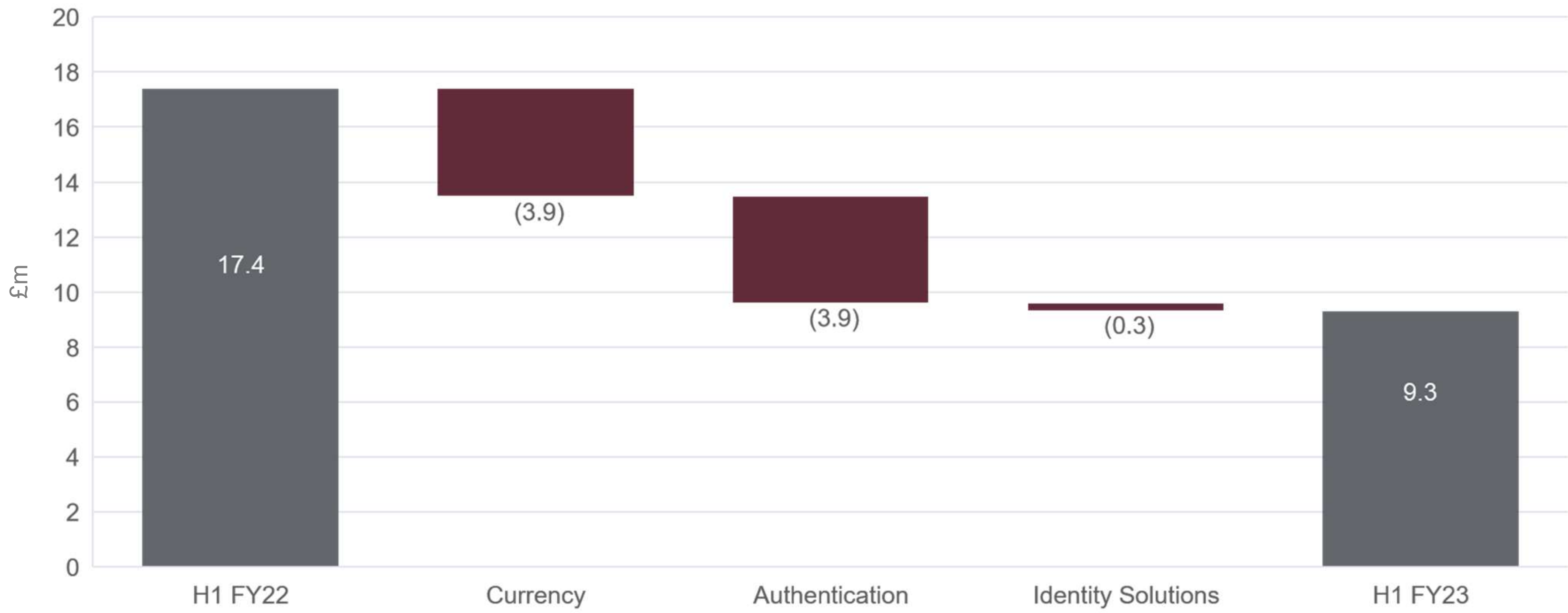
(2) Adjusted basic EPS excludes post-tax exceptional items of £28.1m (H1 22: £2.5m) and post-tax amortisation of acquired intangible assets £0.4m (H1 22: £0.4m).

Revenue



£m
200
190
180
170
160
150
140
130
120
110
100
179.2
(16.3)
1.1
0.3
164.3
H1 FY22
Currency
Authentication
Identity Solutions
H1 FY23

Adjusted operating profit *(1)



*The definition of adjusted operating profit can be found in Non-IFRS financial measures section on slide 22. These are non-IFRS measures.

(1) Adjusted operating profit excludes pre-tax exceptional items of £21.4m (H1 22: £3.1m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 22: £0.5m).

Cash flow

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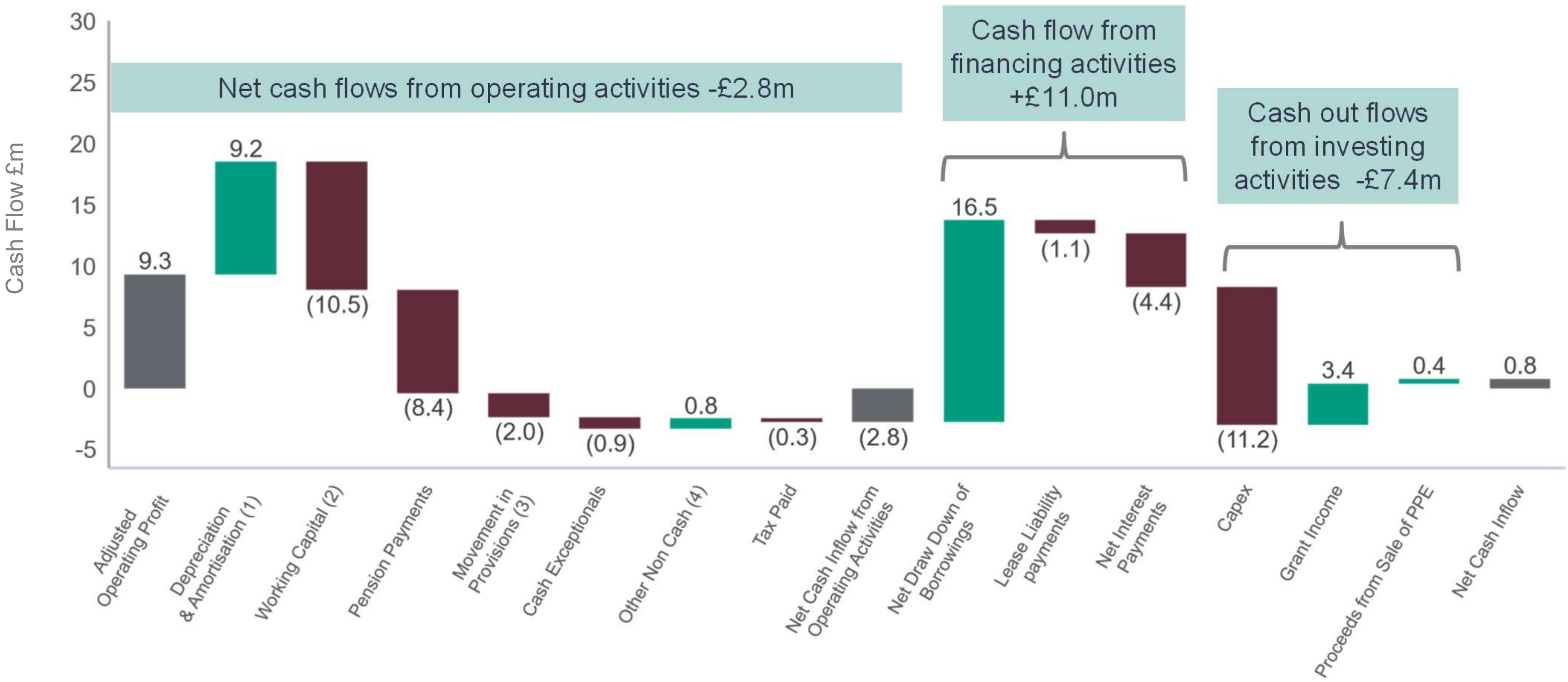

(1) Excludes amortisation of acquired intangible assets £0.5m
(2) Excludes £16.7m increase in accruals in relation to the termination of the Portals Relationship Agreement in July 2022.
(3) Excludes £1.3m provisions in relation to site restructuring
(4) Includes share-based payment expense of £1.1m

Net Debt and Banking Facilities

- Group net debt increased to £86.5m at 24 September 2022 from £71.4m at 26 March 2022
- Net cashflow from operating activities after tax payments was a net outflow of £2.8m (H1 22: inflow of £25.8m)
- Guidance of year end net debt of £88m to £92m remains
- Group has extended its existing bank facilities to 1 January 2025
  - Including an RCF cash drawdown component of up to £175m, and Bond and guarantee facilities of a minimum of £100m
  - Upfront arrangement fee of 25 basis points
  - Additional margin of 25 basis points
  - Further arrangement fees totalling 95 basis points payable between June and December 2023
  - Covenant tests unchanged
- Covenant tests at 24 September 2022:
  - EBIT/net interest payable 4.5 times (covenant of ≥3.0 times in FY 23)
  - Net debt/EBITDA 2.1 times (covenant of ≤3.0 times in FY 23)

Pensions Status

Actuarial valuation / Deficit

- The payments deficit was valued at a £119.5m in April 2021
- In March 2022 payments of £15m per annum agreed up to 31 March 2029
- In October 2022 an informal actuarial estimate quantified the deficit to be c£92m
- Liability Driven Investment provides a hedge of 80% of the movement in liabilities
- Trustees have ensured the fund can meet collateral calls and retain hedging levels
- No additional cash contributions have been requested or are required despite recent volatility
- A move to a "Sole Trustee" model, recently instigated, will allow exploration of wider options

Buy In

- In May 2022, the Trustees entered into a partial buy-in contract for a proportion of pension members. The premium paid to the insurer by the scheme was £319m

IAS 19 Valuation

- The scheme had a net deficit of £36.8m on 24 September 2022 (versus £29.8m net surplus as at 26 March 2022).
- The key drivers of this movement over the period were 1) Losses on assets, including the impact of purchasing the buy-in contract (a premium was paid over the value of IAS 19 liabilities being insured); and 2) Inflation experience on the liabilities (due to inflation being higher than previously assumed).

Summary

Summary

- H1 23 adjusted operating profit from ongoing divisions is consistent with guidance given in July
- Due to the unpredictable external environment, we are prudently guiding to adjusted operating profit of £30-33m for full year, versus market expectations of £36m
- The Turnaround Plan saved De La Rue, and established an increasingly resilient company, able to weather the current headwinds
- In Authentication, we are seeing slower growth, but have renewed focus on revenue and margin improvement going forward, with strong opportunities globally
- In Currency we are responding to a downcycle that is impacting the currency industry as a whole, but – consistent with our 2020 pledge – we remain profitable in this division
- Our supply chain headwinds are reducing due to strong management and risk mitigations
- We continue to drive efficiency in our cost base, with a focus on productivity
- Management has a compelling, value-generating strategy for the next 3 years and has positioned the company for positive growth, especially when the markets recover
- De La Rue expects to be a free-cash generating business, after pension payments, from next financial year onwards

Q&A

Appendix

Non-IFRS measures

De La Rue plc 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. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles, as they are not considered to be representative of underlying business performance. The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations. All exceptional items are included in the appropriate income statement category to which they relate.

A Adjusted revenue

Adjusted revenue excluded "pass-through" revenue relating to non-novated contracts following the paper and international identity solutions business sales. There has been no "pass-through" revenue in FY 22 or HY 23 and therefore this non-IFRS is no longer used by the Group.

B Adjusted operating profit from continuing operations

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

	H1 23 **£m**	H1 22 £m
Operating (loss)/profit from continuing operations on an IFRS basis	**(12.6)**	13.8
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**21.4**	3.1
Adjusted operating profit from continuing operations	**9.3**	17.4

Non-IFRS measures continued

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C Adjusted basic earnings per share

Adjusted earnings are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations. Adjusted earnings per share has been calculated by dividing adjusted earnings for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	H1 23 £m	H1 22 £m
(Loss)/profit attributable to equity shareholders of the Company	**(24.4)**	10.0
Exclude: discontinued operations	**(0.2)**	(0.5)
(Loss)/profit attributable to equity shareholders of the Company from continuing operations an IFRS basis	**(24.6)**	9.5
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**21.4**	3.1
Tax on amortisation of acquired intangible assets	**(0.1)**	(0.1)
Tax on exceptional items	**6.7**	(0.6)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**3.9**	12.4
Weighted average number of ordinary shares for basic earnings	**195.3**	195.2

Continuing operations	**H1 23 pence per share**	H1 22 pence per share
Basic earnings per ordinary share on an IFRS basis	**(12.6)**	4.9
Basic adjusted earnings per ordinary share	**2.0**	6.4
Diluted adjusted earnings per ordinary share[1]	**2.0**	6.3

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period (£24.4m), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33.

Non-IFRS measures continued

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D Net debt

Net debt is a non-IFRS measure. See below for how net debt is calculated.

The analysis below provides a reconciliation between the opening and closing positions for liabilities arising from financing activities together with movements in cash and cash equivalents:

	At 27 March 2022 £m	Cash flow £m	Foreign exchange and other £m	At 24 September 2022 £m
Borrowings	(95.7)	(16.5)	-	(112.2)
Cash and cash equivalents	24.3	0.8	0.6	25.7
Net Debt	**(71.4)**	**(15.7)**	**0.6**	**(86.5)**

	At 27 March 2021 £m	Cash flow £m	Foreign exchange and other £m	At 26 March 2022 £m
Borrowings	(78.0)	(17.0)	(0.7)	(95.7)
Cash and cash equivalents	25.7	(1.6)	0.2	24.3
Net Debt	(52.3)	(18.6)	(0.5)	(71.4)

Net debt above is presented excluding unamortised capitalised transaction costs in relation to the debt refinancing in June 2020 of £2.3m (FY22: £3.1m). Net debt also excludes £14.1m (FY22: £14.2m) of lease liabilities.

Non-IFRS measures continued

E Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation, and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period. The EBITDA margin on an IFRS basis is a percentage against the reported revenue. The Group's covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	H1 23 £m	H1 22 £m
(Loss)/profit for the period	**(23.6)**	11.1
Add back:		
(Profit) on discontinued operations	**(0.2)**	(0.5)
Taxation	**7.9**	0.3
Net finance expenses	**3.3**	2.9
(Loss)/profit before interest and taxation from continuing operations (Operating (loss)/profit)	**(12.6)**	13.8
Add back:		
Depreciation of property, plant and equipment and right-of-use assets	**7.2**	7.0
Amortisation of intangible assets	**2.5**	2.3
EBITDA	**(2.9)**	23.1
Exceptional items	**21.4**	3.1
Adjusted EBITDA	**18.5**	26.2
Revenue £m	**164.3**	179.2
EBITDA margin	**(1.8)%**	12.9%
Adjusted EBITDA margin	**11.3%**	14.6%

Non-IFRS measures continued

F Adjusted controllable operating profit by division

Adjusted controllable operating profit represents earnings from continuing operations of the on-going divisions adjusted to exclude exceptional items and amortisation of acquired intangible assets and costs relating to the enabling functions such as Finance, IT and Legal that are deemed to be attributable only to the on-going two divisional structure model. Key reporting metrics for monitoring the divisional performance are linked to gross profit and controllable profit (being adjusted operating profit before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key Turnaround Plan objectives.

H1 23	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**(16.5)**	**3.9**	**0.1**	**(0.1)**	**(12.6)**
Amortisation of acquired intangibles	**-**	**0.5**	**-**	**-**	**0.5**
Net exceptional items	**20.8**	**0.5**	**-**	**0.1**	**21.4**
Adjusted operating profit	**4.3**	**4.9**	**0.1**	**-**	**9.3**
Enabling function overheads	**11.4**	**4.5**	**-**	**(15.9)**	**-**
Adjusted controllable operating profit/(loss)	**15.7**	**9.4**	**0.1**	**(15.9)**	**9.3**

H1 22	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	6.1	8.0	0.4	(0.7)	13.8
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	2.1	0.3	-	0.7	3.1
Adjusted operating profit	8.2	8.8	0.4	-	17.4
Enabling function overheads	11.4	3.8	-	(15.2)	-
Adjusted controllable operating profit/(loss)	19.6	12.6	0.4	(15.2)	17.4