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# De La Rue plc

## *FY24 results presentation*

July 2024



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# *CEO review*



# Summary

- FY24 adjusted operating profit of £21.0m (FY23: £27.8m), in line with guidance
- Authentication exceeded revenue of £100m for first time
  - Four substantial multi-year contract renewals
  - Expected future revenue on contracts now over £350m
- H2 FY24 recovery in Currency continuing into FY25
  - High tender win rate and order book growing
- FY24 closing net debt of £89.4m (FY23: £82.4m), ahead of December guidance
- Operating cash inflow of £26.2m (FY23: £23.8m)
- Strategic interest has increased since 30 May update
  - More parties interested
  - Due diligence undertaken on both divisions
- Given progress on strategic priorities, Board is confident that the RCF will be repaid in full before its expiry date of 1 July 2025
- RCF expiry date is before the end of the going concern assessment period leading to a material uncertainty
- Group should meet all liquidity and covenant requirements in the going concern assessment period
- We will provide a further update ahead of AGM, on 25 September 2024

# Authentication update

- 12.5% increase in revenue to £103.2m (FY23: £91.7m), over £100m target
  - Increase driven by sales of data pages for Australian passport
  - Microsoft sales lower than FY23 given subdued pc market
  - GRS performance stable
- Adjusted controllable operating profit rose by 10.4% to £25.4m (FY23: £23.0m)
- Adjusted operating profit rose by 2.1% to £14.6m (FY23: £14.3m)
- Renewed all four significant contracts up for renewal
  - Associated total expected revenue is over £150m
  - Brings total expected revenue from contracts in place to over £350m
- Range of opportunities under assessment:
  - Potential customer in the ID business
  - Expanding GRS offer in existing territories
  - Expanding GRS to other territories outside our GCC core

# Currency update

- FY24 revenue of £207.1m (£254.6m), down 18.7% on prior year
- Adjusted operating profit fell by 52.9% to £6.4m (FY23: £13.6m)
- IFRS operating loss reduced to £1.0m (FY23: £24.8m) given lower exceptional costs
- March order book reached £239m, compared with £137m at end of FY23
- Since then, significant wins have continued – order book at end June 2024 stood at £241m and further substantial contract win in early July
- De La Rue's win rate has been consistently high
- Careful management and right-sizing activities limited the impact of this and enabled the division to trade profitably
- Well-positioned to benefit from industry recovery from post-Covid period
  - Manufacturing facilities right sized for efficiency
  - Cash remains resilient – growing at 5.8% per annum



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# *Financial* statements



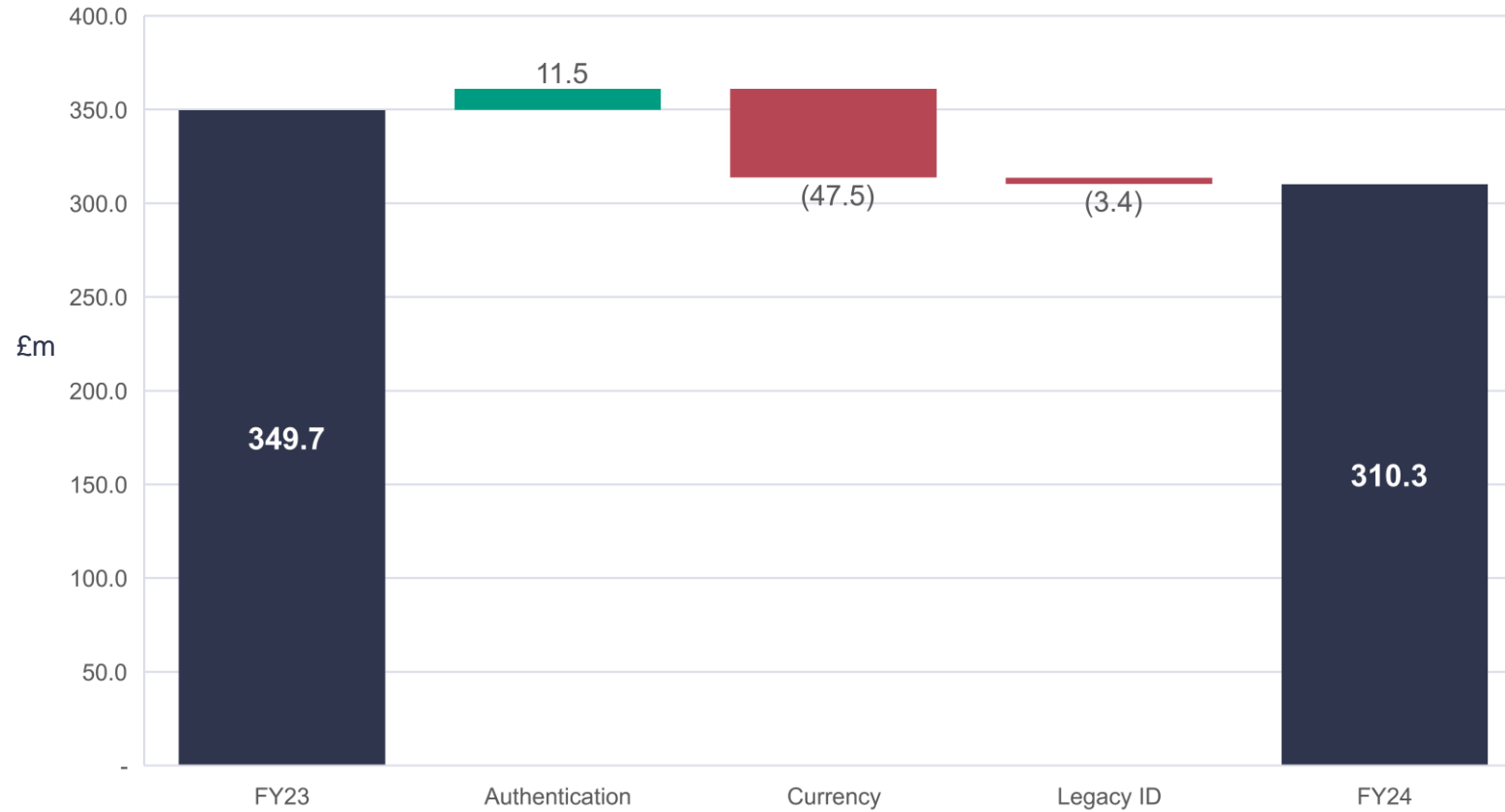
# Income statement

	FY24 £m	FY23 £m	Change
Revenue	310.3	349.7	-11.3%
Gross profit	85.9	92.1	-6.7%
Gross profit margin	27.7%	26.3%	135bps
Adjusted operating profit <sup>*(1)</sup>	21.0	27.8	-24.5%
Adjusted operating margin <sup>*(2)</sup>	6.8%	7.9%	-118bps
IFRS operating profit/(loss)	5.8	(20.3)	-128.5%
IFRS operating margin	1.9%	-5.8%	769bps
Adjusted basic earnings per share <sup>*(2)</sup>	(5.3p)	(1.5p)	-253.3%
IFRS basic earnings per share	(10.2p)	(28.6p)	64.3%
Net debt	89.4	82.4	8.5%

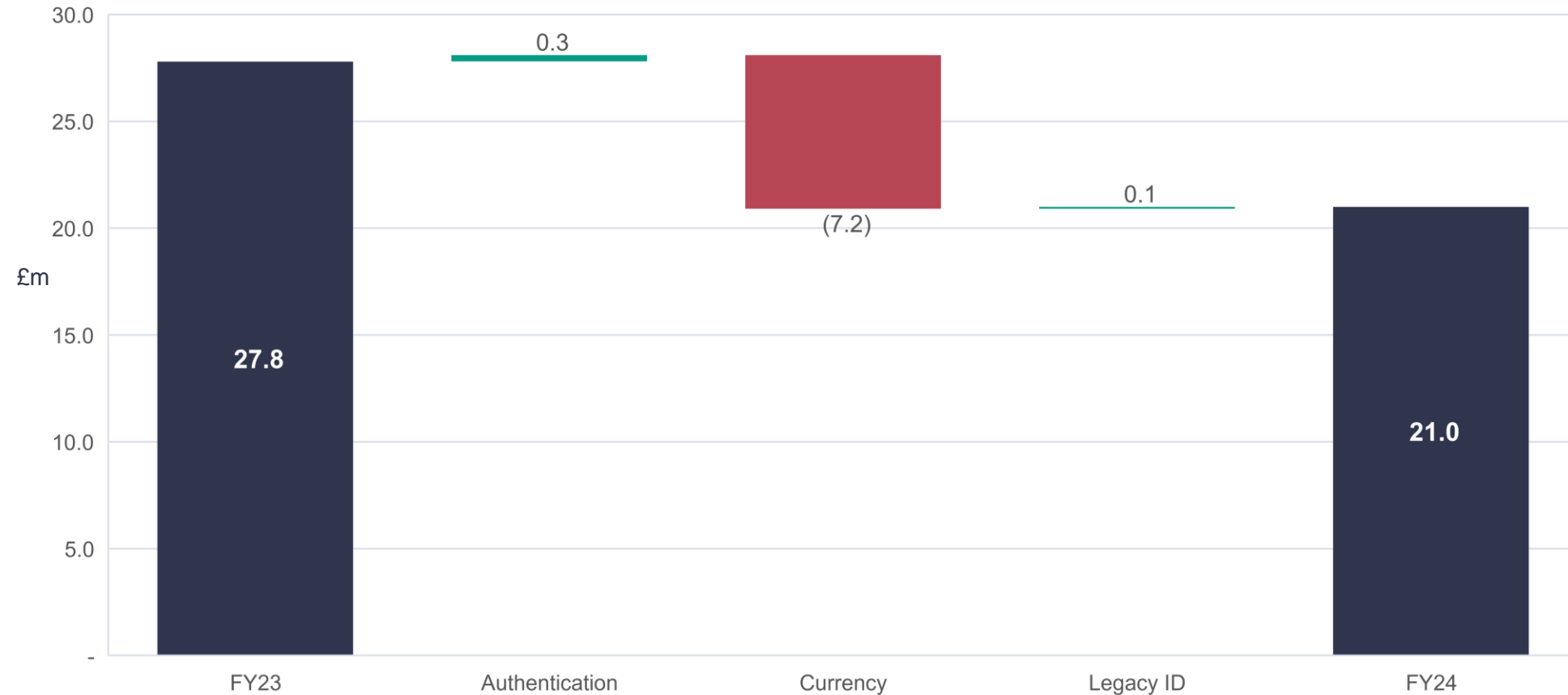
- The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures on slide 19
- (1) Adjusted operating profit excludes pre-tax exceptional items of £14.2m (FY23: £47.1m) and pre-tax amortisation of intangible assets of £1.0m (FY23: £1.0m)
- (2) Adjusted basic EPS excludes post-tax exceptional items of £9.0m (FY23: £52.2m) and post-tax amortisation of intangible assets of £0.7m (FY23: £0.7m)



# Revenue



# Adjusted operating profit<sup>\*(1)</sup>



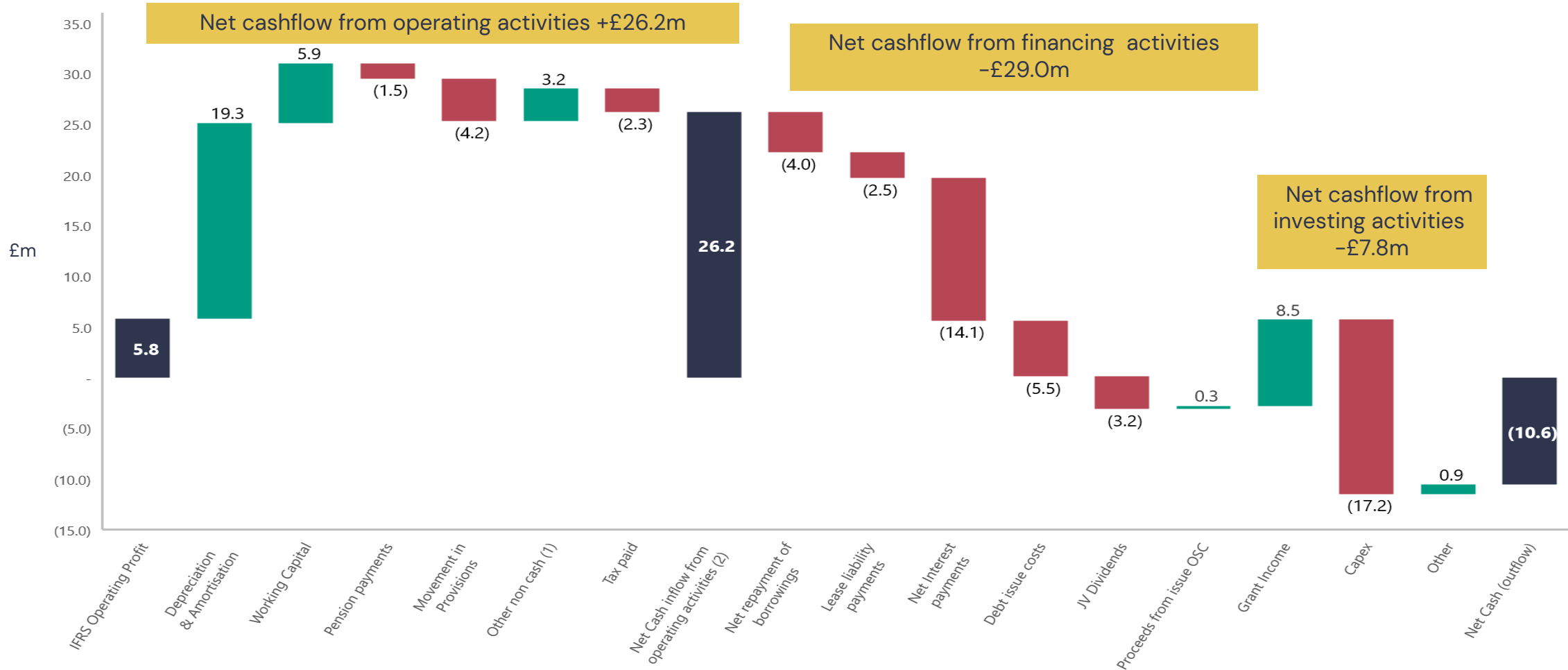
\* The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures on slide 19.

(1) Adjusted operating profit excludes pre-tax exceptional items of £14.2m (FY23: £47.1m) and pre-tax amortisation of intangible assets of £1.0m (FY23: £1.0m)

# Exceptional costs

	FY24 £m	FY23 £m	Comment
Site relocation and restructuring	9.0	21.1	
Professional fees for refinancing and pension deferment	5.4	-	
Credit loss provision/write back on loan notes	(0.5)	8.5	Asset now held at zero net book value
Pension underpin costs	0.3	0.5	
Termination of Portals agreement	-	17.0	
Total exceptional operating costs	14.2	47.1	
Tax on exceptional items	(5.2)	5.1	
Net exceptionals	9.0	52.2	

# Cash flow



1. Other non-cash of £3.2m includes impairment of property, plant and equipment, intangibles and accelerated depreciation of £4.5m.
2. Net inflow from operating activities of £26.2m includes £18.6m of cash exceptional items paid in FY24. £9.4m cash outflow in relation to exceptional items incurred in FY24 and £9.2m of cash outflow in relation to items accrued in FY23 and paid in FY24, including Portals relationship agreement final settlement payment of £7.5m and site restructuring costs of £1.7m.

# Net debt and covenants

- Group net debt rose less than expected to £89.4m (FY23: £82.4m)
- Strong working capital management and matching of capital expenditure to grants received, helped to reduce net debt compared with guidance
- Improved cash flow allowed us to cancel £15m of RCF now surplus to requirements in December 2023
- Also relaxed covenant package in June 2023 and extended facilities in December 2023
- Covenant tests at end March 2024:
  - EBIT/ net interest payable: 1.55x (versus a covenant of >1.0x)
  - Net debt/ EBITDA: 2.78x (versus a covenant <4.0x)
  - Liquidity headroom met throughout the period (covenant of >£10m)
- Also met all covenants and liquidity requirements in Q1 FY25
- Cash conservation and generation remains a core focus

# Pension scheme

## June 2023

- Negotiated deferral of £18.75m of pension deficit reduction contributions with Trustee
- Deferred the five payments due from 5 April 2023

## Dec 2023

- Actuarial valuation gave deficit of £78m at Sept 2023, lower than total of outstanding previous deficit repair schedule
- Agreed a reduction in deficit repair contributions:
  - £8m pa for FY25 to FY27
  - Remaining deficit repaid over period to FY31, after next actuarial valuation.
- Saves £28m of future cash outflows in period to FY27 while safeguarding the scheme and members
- £2m quarterly deficit repair contribution payments commenced in July 2024

## IAS 19 basis

- March 2024: £51.6m net liability (March 2023: £54.7m net liability).





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# Summary and *outlook*



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# Summary and outlook

- Achieved a robust performance in FY24, meeting targets while navigating a challenging trading environment
- Well placed to benefit from normalisation of business in FY25
- Authentication:
  - renewal of four significant contracts has built expected future revenues covered by contracts to £350m
  - well-placed to build on this, seeking out additional incremental revenue opportunities
- Currency:
  - pick up in orders seen at end of 2023 has continued into calendar 2024
  - order book growing: reached £239m in March 2024 and £241m in June, compared with £137m at end of FY23
- Both divisions traded in line with expectations in Q1
  - Currency well ahead of FY24 at revenue, gross profit and operating profit level as order book translates into trading
  - Further aided by improved payback period on Portals termination agreement
- Demonstrable progress on sale negotiations with interested parties since 30 May strategy update announcement
- Board is confident that range of strategic options under consideration will allow the RCF to be repaid in full ahead of its expiry on 1 July 2025





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# Q&A





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# *Appendices*



# Non-IFRS measures

## 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 intangibles acquired through business combinations, 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 operating profit

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

	2024 £m	2023 £m
<b>Operating profit/(loss) from continuing operations on an IFRS basis</b>	<b>5.8</b>	<b>(20.3)</b>
Amortisation of acquired intangible assets	1.0	1.0
Exceptional items	14.2	47.1
<b>Adjusted operating profit from continuing operations</b>	<b>21.0</b>	<b>27.8</b>

# Non-IFRS measures continued

## B Adjusted basic earnings per share

Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items and amortisation of acquired intangible assets and discontinued operations divided by the weighted average basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	2024 £m	2023 £m
<b>Loss attributable to equity shareholders of the Company from continuing operations on an IFRS basis</b>	<b>(20.0)</b>	<b>(55.9)</b>
Amortisation of acquired intangible assets	1.0	1.0
Exceptional items	14.2	47.1
Tax on amortisation of acquired intangible assets	(0.3)	(0.3)
Tax on exceptional items	(5.2)	5.1
<b>Adjusted loss attributable to equity shareholders of the Company from continuing operations</b>	<b>(10.3)</b>	<b>(3.0)</b>
<b>Weighted average number of ordinary shares for basic earnings</b>	<b>195.7</b>	<b>195.4</b>
<b>Continuing operations</b>	<b>2024 pence per share</b>	<b>2023 pence per share</b>
Basic earnings per ordinary share on an IFRS basis	(10.2)	(28.6)
Basic adjusted earnings per ordinary share	(5.3)	(1.5)
Diluted adjusted earnings per ordinary share <sup>1</sup>	(5.3)	(1.5)

<sup>1</sup> As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the year, 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

## C Net Debt

The analysis below provides a reconciliation between the opening and closing of the Group's net debt position (being the net of borrowings and cash and cash equivalents). During the period the Group has redefined and restated the definition of net debt to exclude losses or gains on debt modification. This is in line with the definition used in the covenant calculations. As a result, the FY23 net debt has been restated to £82.4m, previously £83.1m, after excluding the £0.7m of net loss on debt modification.

	At 25 March 2023 £m	Cash flow £m	Foreign exchange and other £m	At 30 March 2024 £m
Gross Borrowings	(122.7)	4.0	-	(118.7)
Cash and cash equivalents	40.3	(10.6)	(0.4)	29.3
<b>Net debt</b>	<b>(82.4)</b>	<b>(6.6)</b>	<b>(0.4)</b>	<b>(89.4)</b>

	At 26 March 2022 £m	Cash flow £m	Foreign exchange and other £m	At 25 March 2023 £m
Gross Borrowings	(95.7)	(27.0)	-	(122.7)
Cash and cash equivalents	24.3	15.6	0.4	40.3
<b>Net debt</b>	<b>(71.4)</b>	<b>(11.4)</b>	<b>0.4</b>	<b>(82.4)</b>

# Non-IFRS measures continued

## D 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 EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £310.3m (FY23: £349.7m). The covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	2024 £m	2023 £m
<b>Loss for the year</b>	<b>(19.1)</b>	<b>(57.2)</b>
Add back:		
Taxation	3.7	27.6
Net finance expenses	21.2	9.3
<b>Profit/(loss) before interest and taxation from continuing operations</b>	<b>5.8</b>	<b>(20.3)</b>
Add back:		
Depreciation of property, plant and equipment	10.9	12.5
Depreciation of right-of-use assets	2.5	2.2
Amortisation of intangible assets	5.9	5.3
<b>EBITDA</b>	<b>25.1</b>	<b>(0.3)</b>
Exceptional items	14.2	47.1
<b>Adjusted EBITDA</b>	<b>39.3</b>	<b>46.8</b>
<b>Revenue £m</b>	<b>310.3</b>	<b>349.7</b>
<b>EBITDA margin</b>	<b>8.1%</b>	<b>(0.1)%</b>
<b>Adjusted EBITDA margin</b>	<b>12.7%</b>	<b>13.4%</b>

# Non-IFRS measures continued

## E Adjusted controllable operating profit by division

Adjusted controllable operating profit represents earnings from continuing operations of the ongoing 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 ongoing two divisional structure model. Key reporting metrics for monitoring the divisional performance is 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.

FY24	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(1.0)	12.9	-	(6.1)	5.8
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	7.4	0.7	-	6.1	14.2
<b>Adjusted operating profit/(loss)</b>	<b>6.4</b>	<b>14.6</b>	<b>-</b>	<b>-</b>	<b>21.0</b>
Enabling function overheads	23.1	10.8	-	(33.9)	-
<b>Adjusted controllable operating profit/(loss)</b>	<b>29.5</b>	<b>25.4</b>	<b>-</b>	<b>(33.9)</b>	<b>21.0</b>

FY23	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating (loss)/profit on IFRS basis	(24.8)	5.4	(0.2)	(0.7)	(20.3)
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	38.4	7.9	0.1	0.7	47.1
<b>Adjusted operating profit/(loss)</b>	<b>13.6</b>	<b>14.3</b>	<b>(0.1)</b>	<b>-</b>	<b>27.8</b>
Enabling function overheads	24.0	8.7	-	(32.7)	-
<b>Adjusted controllable operating profit/(loss)</b>	<b>37.6</b>	<b>23.0</b>	<b>(0.1)</b>	<b>(32.7)</b>	<b>27.8</b>

# Non-IFRS measures continued

## F Covenant ratios

The following covenant ratios are applicable to the Group's banking facilities as at 30 March 2024.

### 1. Covenant net debt to EBITDA ratio

For covenant purposes the Net debt/EBITDA ratio is required to be less than or equal to 4.0 times until the Q4 2024 testing point. This then reduces to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1 July 2025.

The definitions of "covenant net debt" and "covenant EBITDA" are different to those provided in note C and D above. These are defined below:

	2024
	£m
Gross Borrowings	(118.7)
Cash and cash equivalents	29.3
<b>Net debt</b>	<b>(89.4)</b>
Trapped and other cash adjustments per banking facilities agreement	(15.0)
<b>Covenant net debt</b>	<b>(104.4)</b>
	2024
	£m
Adjusted EBITDA (note D)	39.3
Adjustments per banking facilities agreement:	
IFRS 16 leases adjustment	(3.0)
Bank guarantee fees	1.2
<b>Covenant EBITDA</b>	<b>37.5</b>
	2024
<b>Covenant net debt to EBITDA ratio</b>	<b>2.78</b>



# Non-IFRS measures continued

## 2. Covenant EBIT / net interest payable ratio

For covenant purposes the EBIT/net interest payable ratio is required to be more than or equal to 1.0 times.

The definition of "covenant EBIT" and "covenant net interest payable" are provided below:

	2024
	£m
Adjusted operating profit	21.0
Adjustments per banking facilities agreement:	
IFRS 16 leases adjustment	(0.5)
Bank guarantee fees	1.2
<b>Covenant EBIT</b>	<b>21.7</b>
	2024
	£m
Interest on bank loans	12.3
Other, including amortisation of finance arrangement fees	3.7
Adjustments per banking facilities agreement:	
Exclude amortisation of finance arrangement fees	(0.7)
Exclude arrangement fees	(2.5)
Include bank guarantee fees	1.2
<b>Covenant net interest payable</b>	<b>14.0</b>
	2024
<b>Covenant EBIT / net interest payable ratio</b>	<b>1.55</b>

Covenant test results as at 30 March 2024:

Test	Requirement	Actual at 30 March 2024
EBIT to net interest payable	More than or equal to 1.0 times	1.55
Net debt to EBITDA	Less than or equal to 4.0 times	2.78
Minimum liquidity testing	Testing at each weekend point on a 4-week historical basis and 13-week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £10m".	<b>No breaches</b>