

A solid performance

Financial highlights

Revenue

£461.7m

2016: £454.5m

Dividend per share

25.0p

2016: 25.0p

Adjusted EBITDA*¹

£97.4m

2016: £96.4m

Reported EBITDA⁴

£96.0m

2016: £92.8m

Adjusted operating profit*²

£70.7m

2016: £70.4m

Reported operating profit

£70.2m

2016: £66.8m

Adjusted basic earnings per share*³

47.1p

2016: 48.1p

Reported basic earnings per share from continuing operations

47.2p

2016: 46.8p

* This is a non-IFRS measure. See further explanations and reconciliations to the comparable IFRS measures on pages 153 to 154. 'Reported' measures are on an IFRS basis.

¹ Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items.

² Adjusted operating profit represents operating profit from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

³ Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items, amortisation of acquired intangible assets and discontinued operations divided by the weighted average number of ordinary shares outstanding during the year excluding those held in the employee share trust.

⁴ Continuing operations only.

Transforming the business

Introduction from the Chairman



Philip Rogerson
Chairman



The Group delivered good results in 2016/17. The strategic plan set out by the management team in May 2015 is progressing well. Identity Solutions and Product Authentication businesses delivered strong revenue and operating profit growth, further improving and diversifying our business mix.



I am delighted to report that the Group has delivered good results in 2016/17.

Strategic progress

The strategic plan set out by the management team in May 2015 is progressing well. Identity Solutions and Product Authentication businesses delivered strong revenue and operating profit growth, further improving and diversifying our business mix, while the currency business performed with resilience.

In January 2017, we completed our first acquisition in 14 years, adding DuPont Authentication to the De La Rue family. With a strong intellectual property portfolio, global blue-chip customers and a committed and experienced workforce, it is an excellent strategic fit and will be a great addition to the Group.

The banknote manufacturing footprint restructuring programme is progressing to plan. Our continuous focus on improving efficiency and careful allocation of capital has provided a solid platform to support further growth.

We completed the sale of the underperforming Cash Processing Solutions business in May 2016.

Financial performance

Revenue grew 2% overall, reflecting the strong volumes from the Currency segment and the good progress made in the Identity Solutions and Product Authentication businesses during the year. Adjusted operating profit* was similar to last year at £70.7m despite the conclusion of a material security features contract last year. On an IFRS basis operating profit was £70.2m, up from £66.8m last year, reflecting lower exceptional charges in the current year.

Adjusted basic earnings per share* decreased by 2% due to the benefit of a non-recurring tax benefit in the prior year.

Cash generated from operating activities, which includes the impact of discontinued operations, was up 9% at £64.3m. The benefit of higher profits in the year was offset by adverse working capital movements due to the timing of shipments and a reduction in advanced payments. Following the \$25m acquisition of DuPont Authentication, which was funded from the existing credit facility, net debt as at 25 March 2017 increased by £14.8m to £120.9m.

Dividend

In order to deliver long term shareholder value and maintain financial flexibility to sustain future growth, the Board proposes to leave the dividend unchanged and is recommending a final dividend of 16.7p per share (2015/16: 16.7p per share). This, together with the 8.3p paid in January 2017, will make a full year dividend of 25.0p per share.

The Board

The Board and I feel that we have the right balance of skills and experience to support the management team. The appointment on 21 July 2016 of Nick Bray, Chief Financial Officer of Sophos Group plc, as a Non-executive Director and Chair of the Audit Committee, has further strengthened the Board. Nick brings extensive experience in the technology and information security industries and we welcome him on board.

Rupert Middleton, Chief Operating Officer and Executive Director, has informed the Board of his intention to step down from the Board after the AGM on 20 July 2017. We are grateful for his contribution and wish him well for his future. The position will be replaced by the newly created role of Chief Operations Director which will not be a Board position. A search has commenced to identify suitable internal and external candidates.

Culture and people

We are committed to fostering a dynamic, agile and high performing culture that drives the growth of the business. Our people are critical to the successful execution of our strategy and to fulfilling our purpose. We continue to engage with and invest in our people through training and development.

In December 2016, we undertook an employee survey and were delighted that 85% of our colleagues participated and provided us with their feedback. While the results of the survey were highly encouraging, we recognise we have more to do in a number of areas and the survey provides us with invaluable insights to act upon.

Our people are committed to serving our customers and are often the difference between De La Rue and our competitors. In 2016/17, they managed to deliver high volumes in both print and paper despite the disruptions from the footprint restructuring programme. On behalf of the Board, I would like to thank them for their continued commitment and dedication.

Corporate responsibility

I am proud that we have signed the UN Global Compact, aligning our strategy and operations with the principles on human rights, labour, environment and anti-corruption. In line with our core values, we are committed to the integration of broader social, ethical, and sustainable practices across our day-to-day business. Further information can be found in our corporate responsibility section on pages 42 to 49.

Outlook

We started the year with good momentum and a strong order book of £387m. While the sustained weakness of sterling gives us a competitive advantage in the export market, most of our sales are invoiced in sterling and therefore do not automatically result in higher margins. We will continue to increase investments in R&D, product management and sales capability. Taking this into account, as well as the increased costs of raw materials, the Board is confident of continued progression and its expectations for the financial year of 2017/18 remain unchanged.

Philip Rogerson
Chairman

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Countries exported to in the last three years.

3,150

We employ around 3,150 people worldwide.