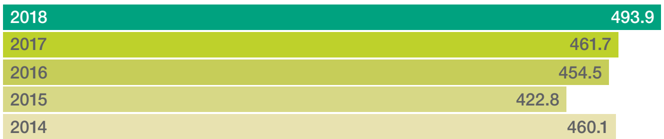
# How we performed

## We measure our performance using both financial KPIs and strategic indicators that we believe provide a meaningful assessment of our performance against our strategy.

## Financial KPIs

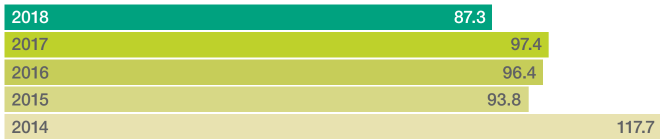
### Revenue
£m




**£493.9m**

Revenue demonstrates our ability to deliver growth. Revenue increased by 7% in the year, with solid growth across three segments. Excluding the paper business sold on 29 March 2018, revenue was up 4% to £426.4m.

### Adjusted EBITDA[1]
£m




**£87.3m**

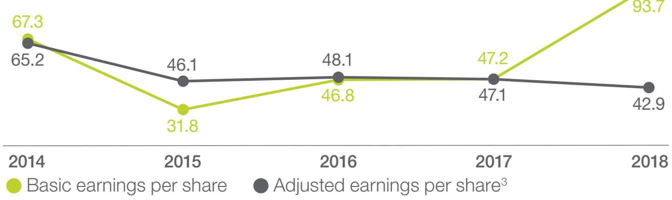
Adjusted EBITDA provides an underlying picture of our performance by excluding the non-operating factors such as financing and changes to tax environment. The year on year decline was due to lower adjusted operating profit as well as lower depreciation and amortisation in the current year.

### Adjusted operating profit[2]
£m


**£62.8m**

Adjusted operating profit was 11% lower than the prior year, reflecting the £3.7m write off of the UK Passport bid costs, the planned investment programme, and the poor performance in the paper business. Excluding the exited paper business, adjusted operating profit was up 7% to £56.9m.

### Basic earnings per share
Pence




Growth in earnings per share demonstrates our ability to create value for our shareholders. The year on year decrease in adjusted earnings per share was due to decline in profit. The year on year increase in basic earnings per share was due to the £60.9m exceptional gain relating primarily to the pension indexation change.

### Return on capital employed[4]
%


**36%**

Return on capital employed shows how efficiently and effectively we use our assets and resources to generate return for shareholders. The year on year decline was primarily driven by lower adjusted operating profit in year.

### Cash conversion[5]
%


**163%**

We are focusing on better managing our cash through effective inventory planning and credit control. The year on year increase was driven by lower inventory due to structural changes and a focus on inventory management, and lower account receivable on strong cash collections in the last two months of the year.

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

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

3 Adjusted basic earnings per share are the earnings attributable to equity shareholders excluding exceptional items, divided by the weighted average number of ordinary shares outstanding during the year.

4 ROCE is calculated as the ratio of adjusted operating profit over average capital employed (where capital employed equals net assets excluding liabilities for pension, tax interest and long term liabilities).

5 Cash conversion is the ratio of operating cash flow (adjusted operating profit plus depreciation and amortisation and working capital movement) divided by the adjusted operating profit.

See page 157 for further explanations of non-IFRS measures and reconciliations to comparable amounts.

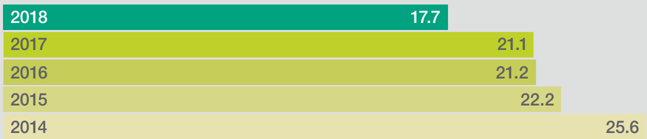
## Linking to performance

Performance measures which directly affect the remuneration of our Directors

See Directors' remuneration report on pages 74 to 94

# Strategic measures

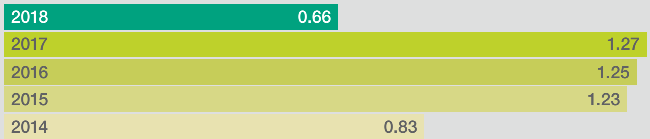
### Adjusted EBITDA margin[1]
%




17.7%

This measurement provides an underlying picture of our performance by excluding the non-operating factors such as financing and accounting decisions, or tax environments. Adjusted EBITDA margin decline due to the higher revenue combined with the decline in profit.

### Net debt/EBITDA covenant ratio
Times




0.66

Net debt/EBITDA is a bank covenant which excludes pension liabilities. The year on year decrease was primarily due to a lower net debt of £50.0m (25 March 2017: £120.9m), reflecting the £61m cash proceeds from the disposal of the paper business as well as favourable working capital movement as result of good cash management.

### Identity Solutions revenue
£m


£82.0m

Identity Solutions is one of our key growth product lines in which we are investing to build capabilities and focusing resources. Revenue grew by 2% year on year primarily driven by increasing sales from existing customers as well as the acquisition of DuPont Authentication Inc completed in January 2017.

### Product Authentication & Traceability revenue
£m


£40.1m

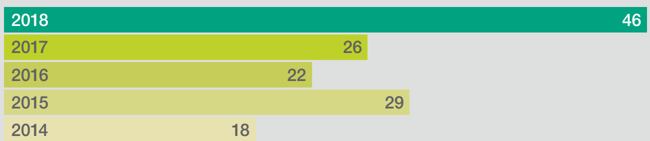
Product Authentication & Traceability is one of our key growth product lines in which we are investing to build capabilities and focusing resources. Revenue was up 16% year on year, reflecting the acquisition of DuPont Authentication Inc completed in January 2017.

### Percentage of revenue from long term agreements (LTAs)
%


51%

Increasing long term recurring revenues as a proportion of total sales enables us to improve the visibility as well as the quality of earnings. LTAs are contracts that have a duration of two or more years and a regular call-off value. This was a new measure in 2017 and therefore historic data are not available.

### Total number of patents granted
Number

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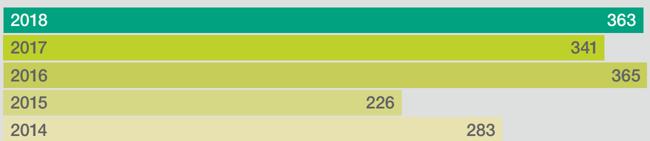
We have a strong track record of innovation, with more than 1,000 granted patents and 500 pending applications. Our commitment to double our R&D investment in the five years to 2020 will ensure a strong product pipeline and enhance differentiation.

### Group 12 month order book
£m




£363m

Group 12 month order book is a record of received customers' orders that are due to be delivered in the next 12 months following the reporting date. The numbers include committed orders and regular call-off orders on contracts. Excluding the paper orders, Group 12 month order book increased by 6% year on year.

[1] Adjusted EBITDA margin represents adjusted EBITDA as a percentage of sales.