



De La Rue plc

Full Year Results
29 May 2013



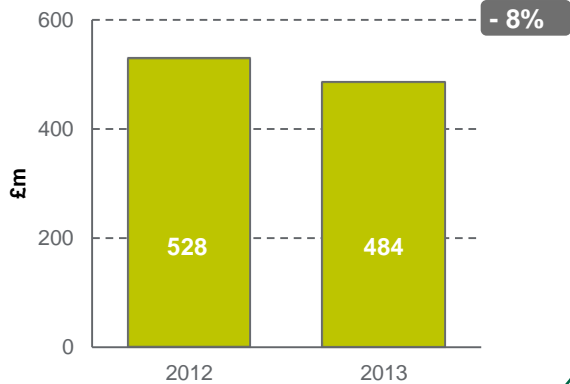
Agenda

- Group Headlines
- Financial Results
- Business and Markets
- Delivering the Improvement Plan
- Outlook

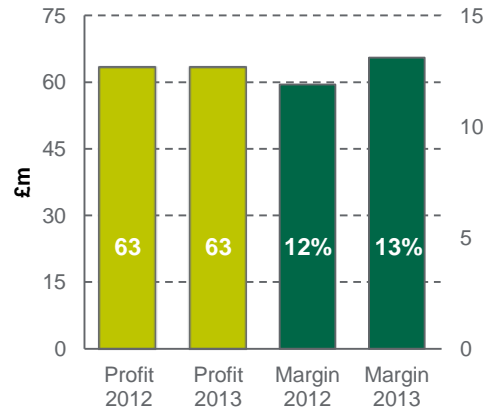


Group Headlines

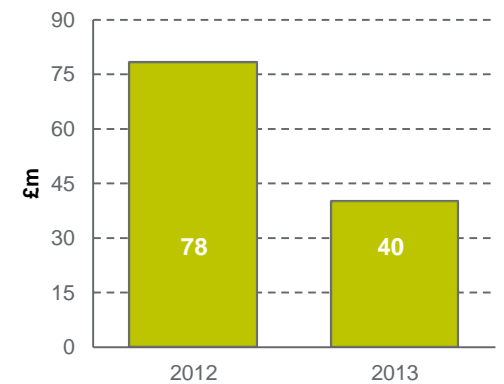
Revenue



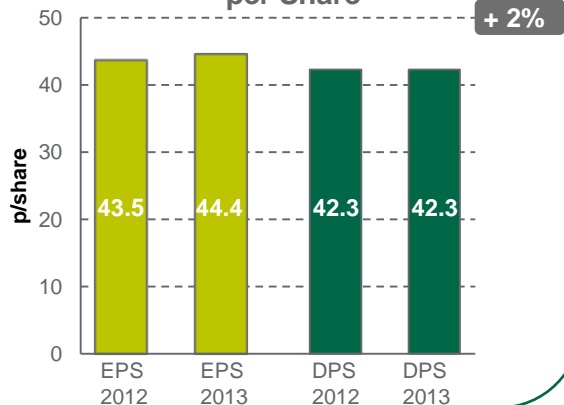
Operating Profit* and Margin*



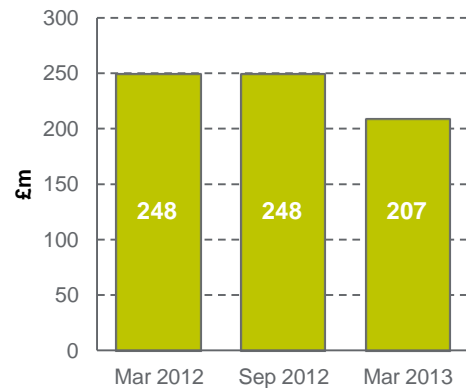
Operating Cash Flow



Headline Earnings* and Dividend per Share



Group 12 Month Order Book



Improvement Plan

On track:

- Challenging market conditions
- Strong pipeline
- Cost reduction target raised to £40m

2013/14 Target Operating Profit:

>£100m



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Financial Results

Colin Child
Group Finance Director

Financial Results – Before Exceptional Items

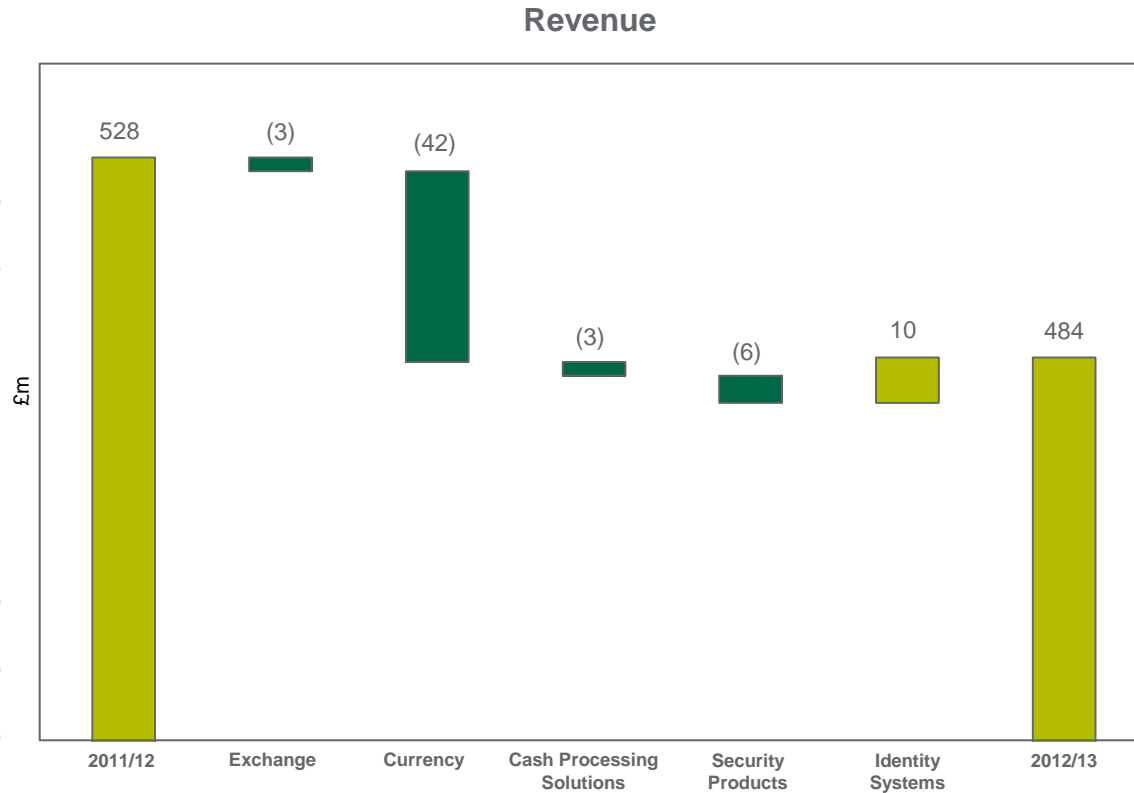
	2012/13 £m	2011/12 £m	Change
Revenue	483.7	528.3	(8%)
Operating profit	63.2	63.1	-
Finance expense	(4.1)	(5.4)	
Profit before tax	59.1	57.7	2%
Taxation	(13.9)	(13.9)	
Profit after tax	45.2	43.8	3%

Headline earnings per share	44.4p	43.5p	2%
Dividend per share	42.3p	42.3p	-

Print volume (notes)	6.3bn	6.4bn	(2%)
Paper volume (tonnes)	8,700	11,000	(21%)

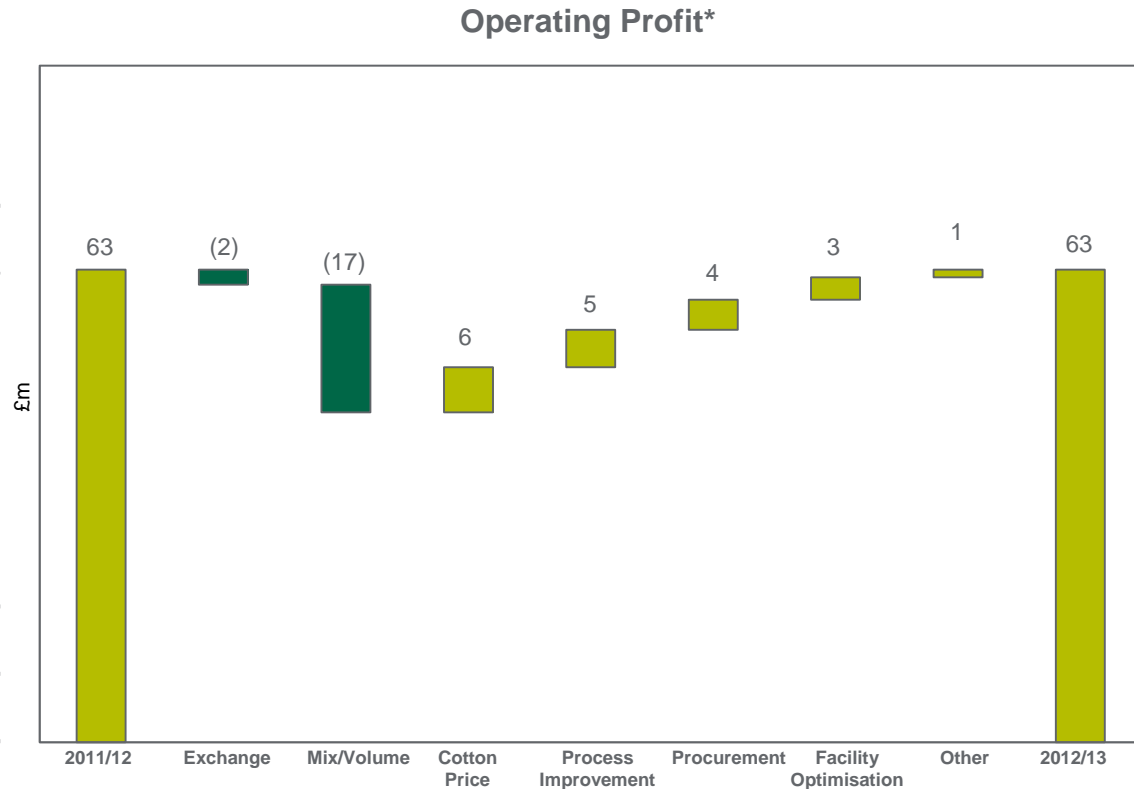
2011/12 → 2012/13: Revenue*

Business Units	2012/13 £m	2011/12 £m
Currency	296	339
Solutions		
Cash Processing Solutions	61	66
Security Products	42	48
Identity Systems	85	75
	188	189
Total	484	528



2011/12 → 2012/13: Operating Profit*

Business Units	2012/13 £m	2011/12 £m
Currency	38	45
Solutions		
Cash Processing Solutions	-	2
Security Products	9	7
Identity Systems	16	9
	25	18
Total	63	63

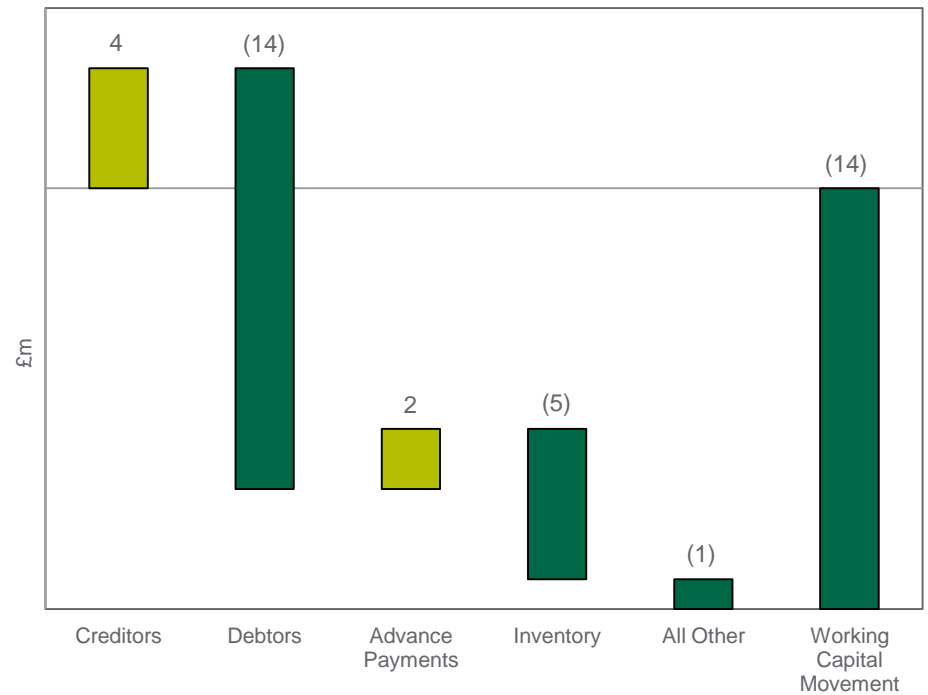




Operating Cash Flow

	2012/13	2011/12
	£m	£m
Operating profit before exceptional items	63.2	63.1
Depreciation	26.3	26.6
Working capital	(14.2)	11.9
Special pension fund contributions	(16.2)	(23.1)
Other	(1.4)	3.6
Operating cash flow before exceptional items	57.7	82.1
Cash costs of exceptional items	(17.3)	(3.7)
Cash flow from operating activities	40.4	78.4

2012/13 Working Capital Movement



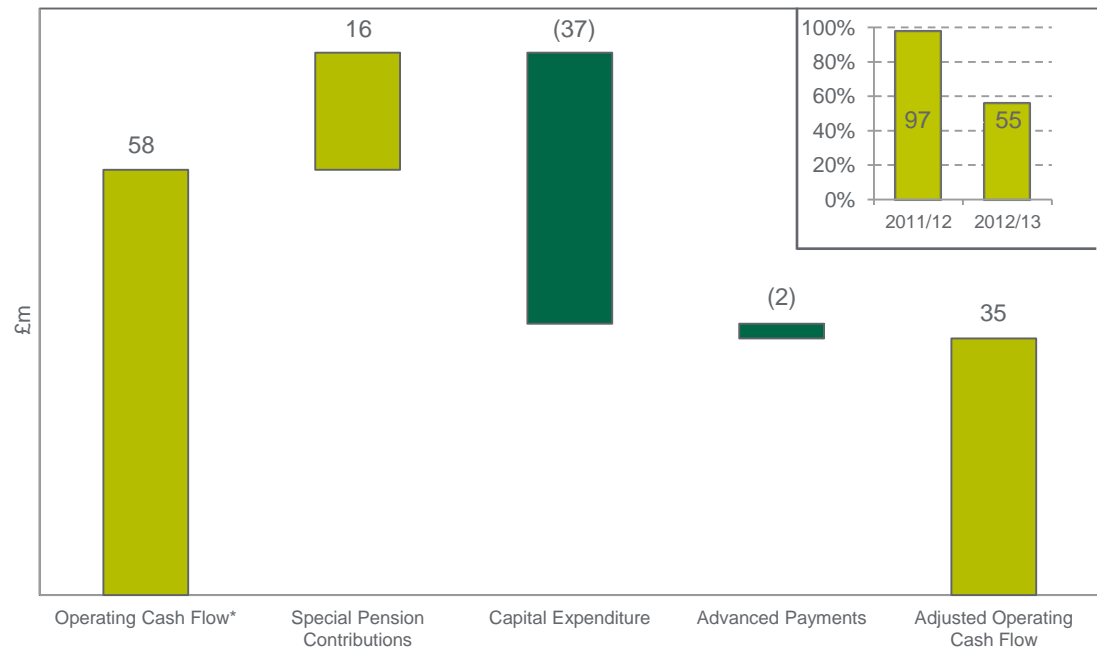


Net Debt

	2012/13
	£m
Opening net debt	(24.8)
Cash flow from operating activities	40.4
Tax and interest	(10.8)
Capital expenditure	(37.1)
Dividends	(42.3)
Other	(2.1)
Closing net debt	(76.7)

Bank Covenants	Required	Actual
EBIT: Net interest payable	>4x	16x
Net Debt: EBITDA	<3x	1x

Cash Conversion**



* Before exceptional items

** Cash Conversion = operating cash flow excluding exceptional items, special pension fund contributions and movement in advance payments (2012/13: +£2m, 2011/12: -£13m), less capital expenditure, divided by operating profit before exceptional items



Exceptional Items

	2012/13	2011/12
	£m	£m
Improvement Plan	(7.6)	(24.1)
Paper production quality issues	-	(0.7)
Total exceptional items	(7.6)	(24.8)
Tax credit on exceptional items		
Credit in period	2.1	6.2
Prior year tax credits	4.4	7.0
Total	6.5	13.2



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Business and Markets

Tim Cobbold
Chief Executive



De La Rue Business Overview

Proportion of Group 2012/13

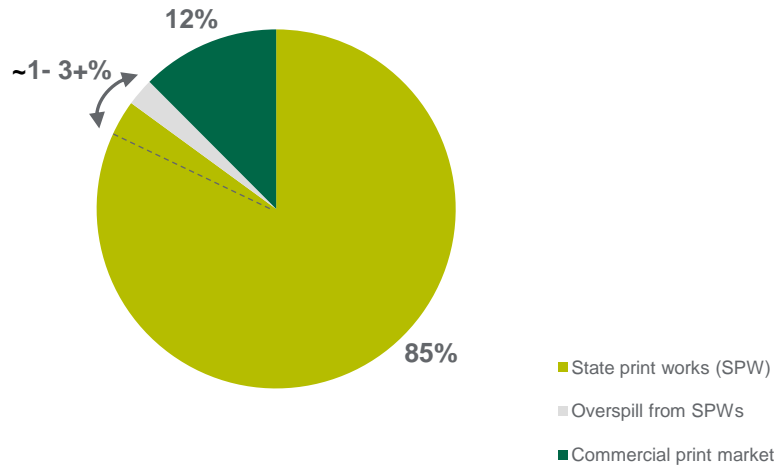
Revenue Operating Profit

		Currency	<ul style="list-style-type: none"> • Banknote substrates and security features • Design, origination and printing 		61%	60%
		Solutions	Cash Processing Solutions	<ul style="list-style-type: none"> • High speed cash sorting and inspection equipment • Service, maintenance and spares • Cash management solutions 		13%
Security Products	<ul style="list-style-type: none"> • Design, origination and printing of secure products • Government Revenue Solutions and authentication 			9%	14%	
Identity Systems	<ul style="list-style-type: none"> • Design, origination and printing of identity documents • Personalisation solutions 			17%	26%	

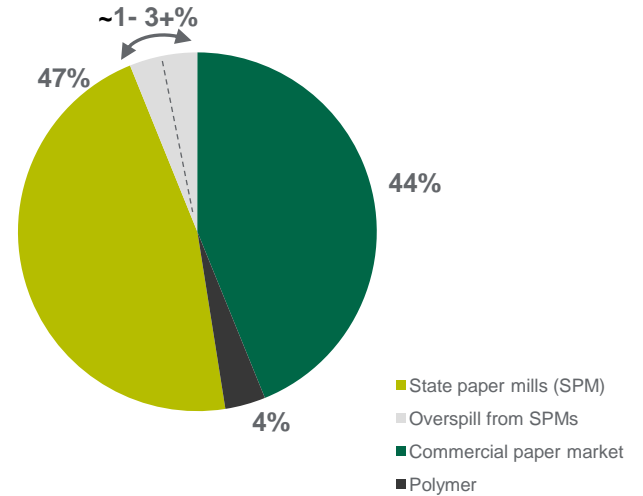


Currency Market – Characteristics

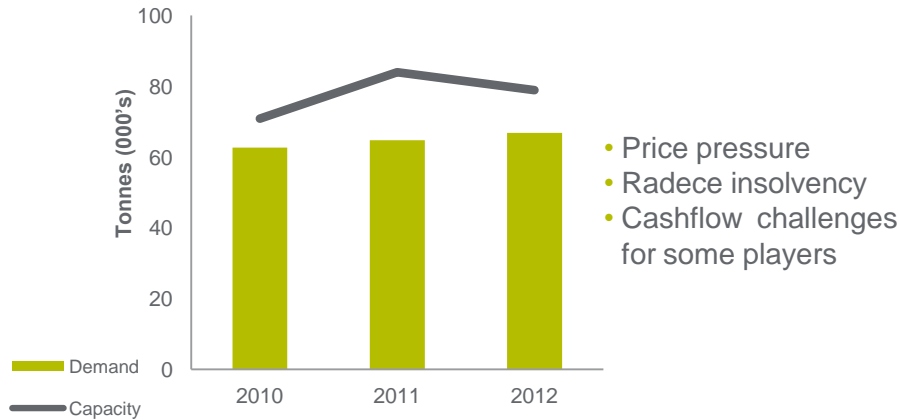
Banknotes: c150bn pa



Substrate: c150k tonnes



Over Capacity in the Paper Market



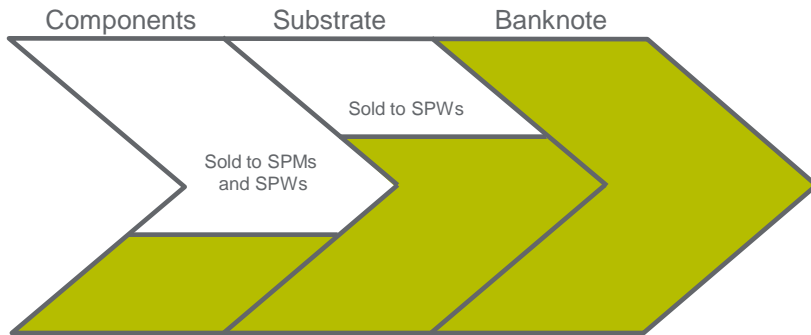
Impacting Banknote Market

- More competitive
- Increased pricing pressure
- Shorter lead times

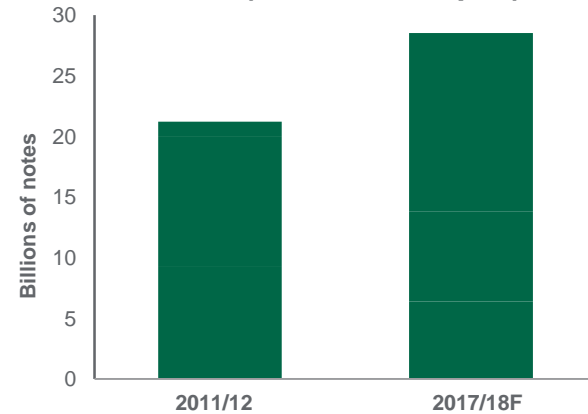


Currency Market - Technology

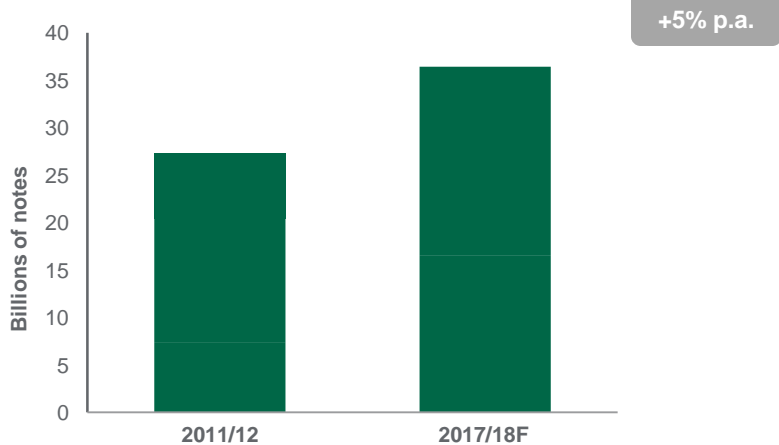
Commercial Market – Integrated Business



Applied Features* (Foils and Stripes)

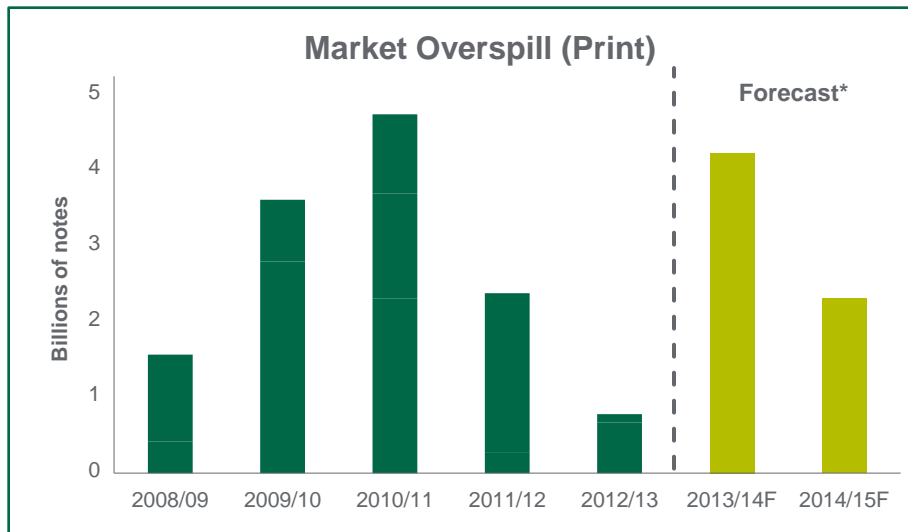
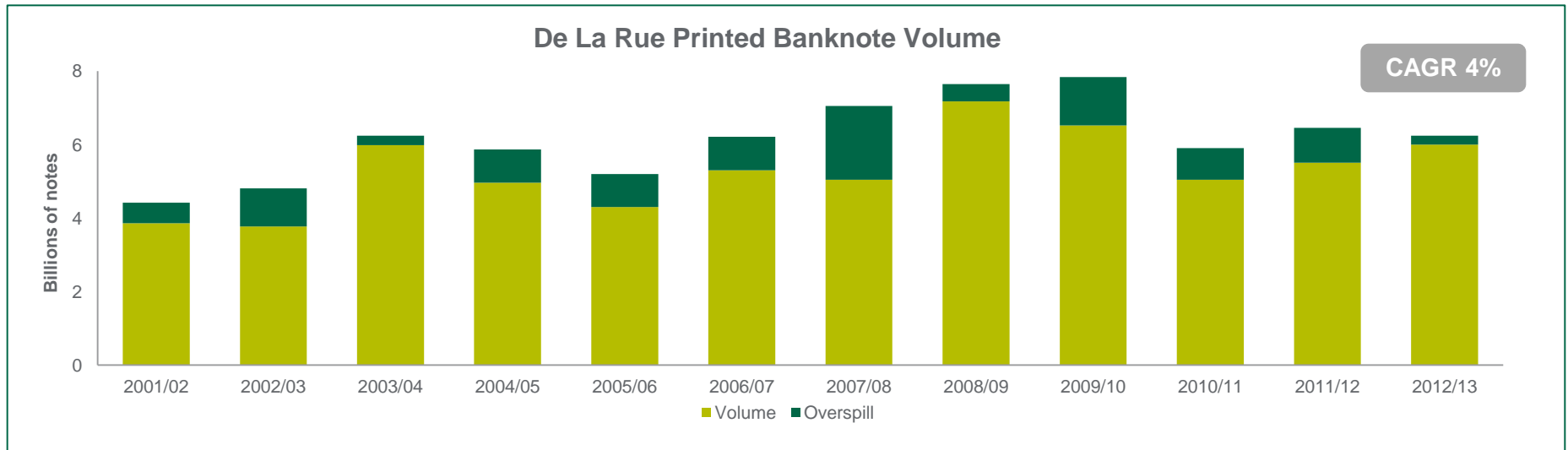


Premium Threads*





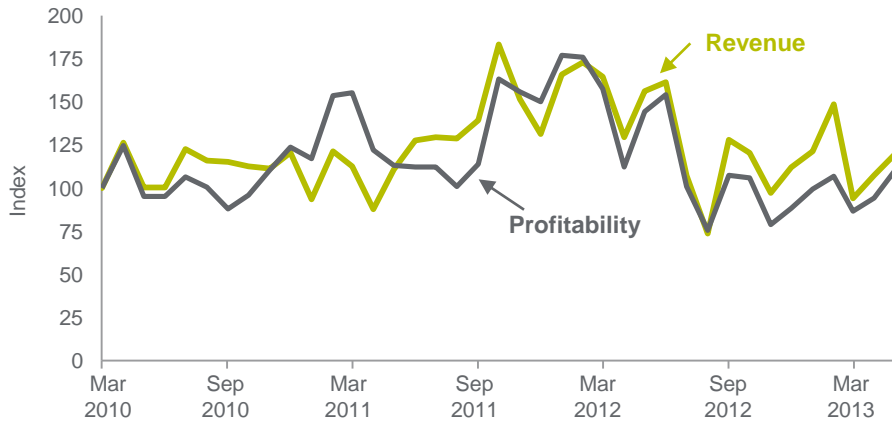
Long Term Trend and Market Variability



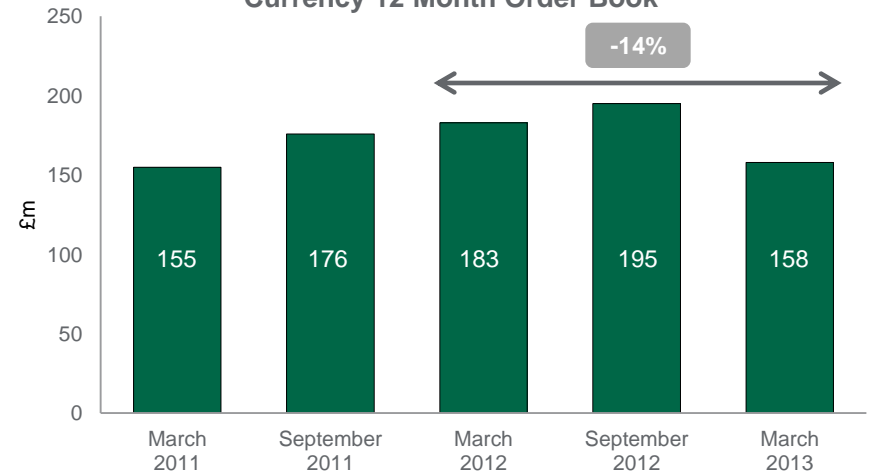


Currency – Order Intake and Order Book

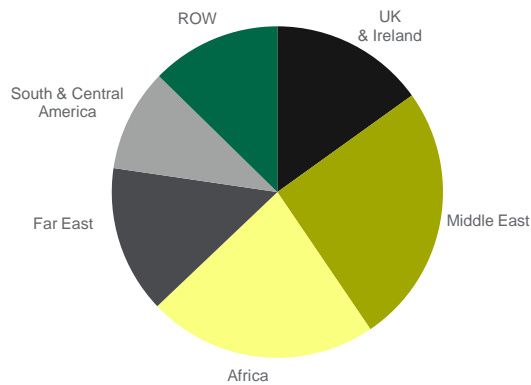
Banknote Order Intake (6 month rolling average)



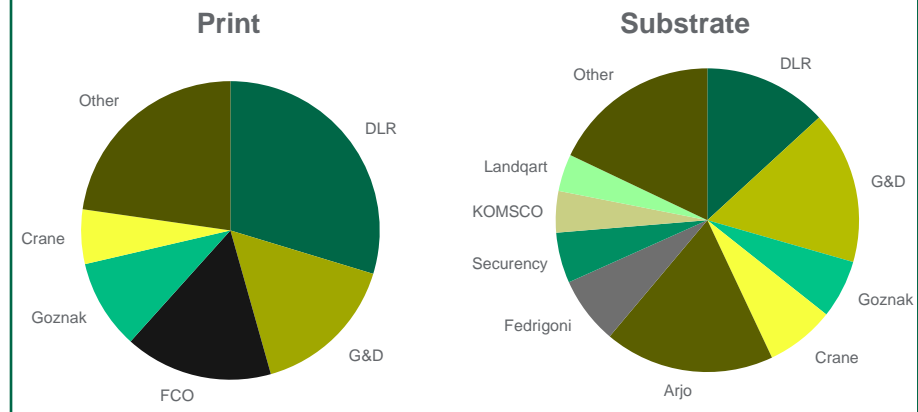
Currency 12 Month Order Book



Distribution of Currency Orders



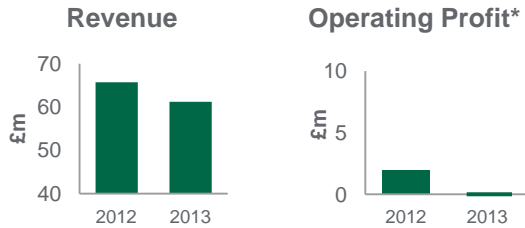
Commercial Market Shares*



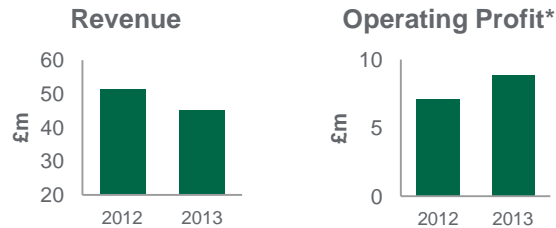


Solutions

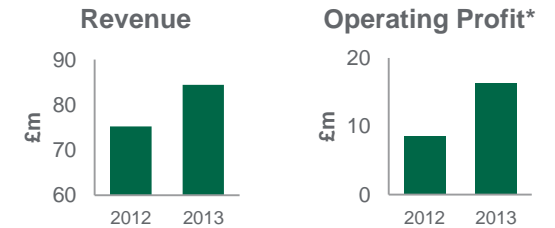
Cash Processing Solutions



Security Products



Identity Systems



Vaultex

- A collaborative partnership with De La Rue, utilising De La Rue's ECM™ Business Intelligence software
- Processing capacity has increased by over 15 per cent in the past 18 months



Government Revenue Solutions Cameroon

- Dual language, web based product authentication system to monitor the delivery of tax stamps
- Unique code on each stamp is checked by handheld scanners for authenticity
- Basis for a wider consumer and revenue protection programme



UK Passport

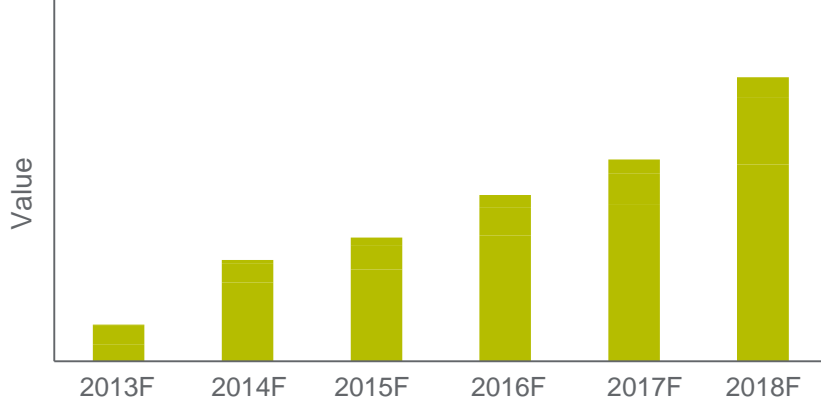
- Between March and July 2012 De La Rue rolled out a local passport personalisation solution which is critical to Her Majesty's Passport Office's seven regional issuing offices
- This enables HM Passport Office to provide eligible customers with a full passport in as little as four hours





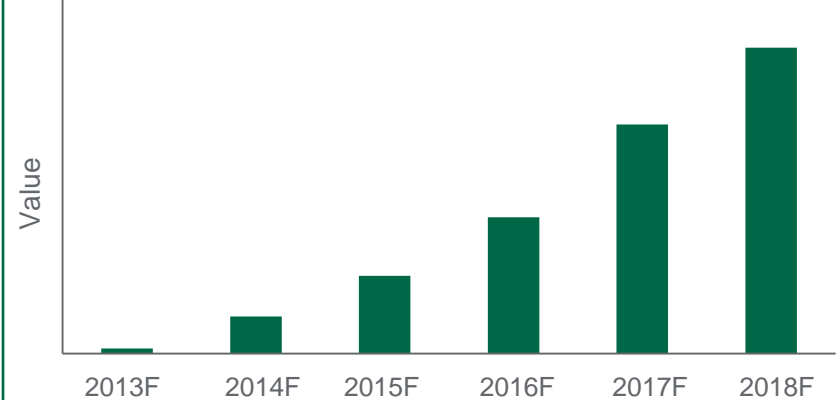
Solutions Markets – Long Term Growth Opportunities

Annual Passport Renewals Market*

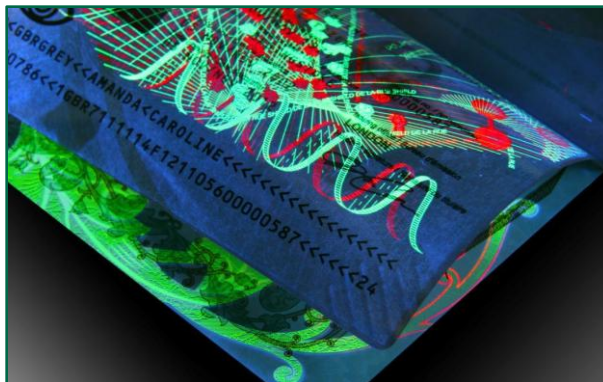


- Migration of machine readable passports to ePassport
- Existing ePassport renewals

Government Revenue Solutions Market*



- FCTC Protocol requirement
- From stamp to track and trace solution
- Lumpy, complex sales and implementation process





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Delivering the Improvement Plan

Tim Cobbold
Chief Executive



Improvement Plan

Fundamental Strengths

- Brand and reputation
- Longstanding customer relationships
- Strong integrated competitive position
- Record of innovation
- Cash generative model

Opportunities

- Focus, focus, focus
- Deepen and broaden 'One De La Rue'
- Improve sales and marketing effectiveness
- Maximise technological capability
- Develop supply chain



Follow on strategy well advanced - to be communicated H2 2013/14

Target: 2013/14 Operating Profit of >£100m



Improvement Plan – On Track

Target: 2013/14 Operating Profit of >£100m 

Customer Focus

Innovation

Professionalism

Operational Excellence

- Country and regional sales plans

- Product innovation
- New business models and partnerships

- Standardise processes
- Talent and reward

- Procurement
- Process improvement
- Facility optimisation

- Top line growth
- Margin protection
- Market share

- Top line growth
- Market share
- Competitive positioning

- Best practice
- Lower “cost”
- Engagement

- Low “cost”
- Quality
- Margin

Revenue Growth

Cost Reduction

Customer Focus – Identifying Opportunities

Country Plans

- Stage I – Identify opportunities
- Stage II – Set vision and targets
- Stage III – Actions identified and progressed
 - Over 40 countries completed
 - New targets identified

Barbados

- New family of banknotes issued May 2013, first major redesign since 1973
- Close partnership with the Central Bank of Barbados
- Passport supplier



Fiji

- In December 2012 the Reserve Bank of Fiji unveiled its new series of banknotes
- Long term design project with the Reserve Bank commemorating Fiji's biodiversity
- The \$5 is the first note in circulation using De La Rue's Safeguard™ polymer substrate





Innovation and Design

Polymer – Safeguard™

- First notes in circulation
- Pipeline of opportunity
- Three further orders received from central banks and state print works
- Investment in capacity on track
- Many security features in development



State of the Art Technology Centre



- £4m Investment
- Industry leading facility
- On track for completion mid 2013

Queen's Award for Enterprise Innovation



- Awarded for Optiks™ thread
- 12th Queen's Award

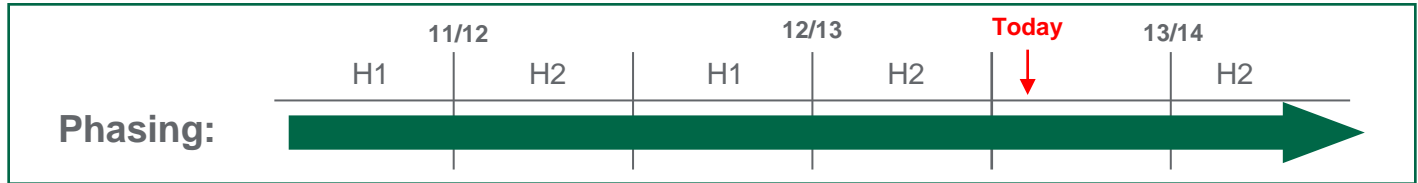


Industry Leading Design



- Since 2007, De La Rue has won 10 international design awards
- Integrated design team ~ 40 people
- End to end project management of new design introduction
- Counterfeit, security feature and durability evaluation
- Full DFMEA analysis for design led manufacture

Operational Excellence – Process Improvement



Quality

- Quality spine – world class tools and systems
- Advanced Product Quality Planning
- FMEA and control plans – industry first
- Quality issues down 60%

People

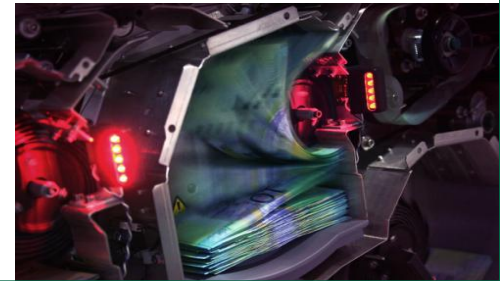
APQP

Systems

Targets

Cost

- Process improvement savings of £8m per annum
- Factories modernised and reorganised
- Factory management restructured and delayed
- Modernised T&C's, working with employees and unions



Delivery

- New Libya banknotes designed in partnership with customer
- Contract awarded late 2012
- First notes in circulation Feb' 2013 - 2nd anniversary of the revolution

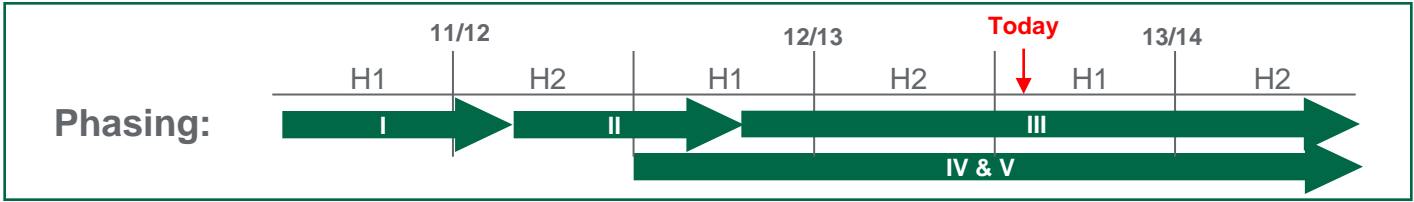


Investment

- Significantly faster throughputs
- Reduced changeover times
- Innovative process quality assurance



Operational Improvement - Procurement



Phase I to III: Consolidation of supply base continues

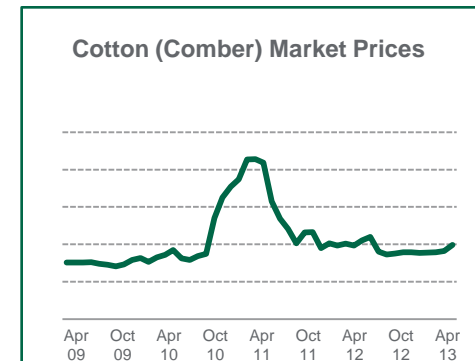
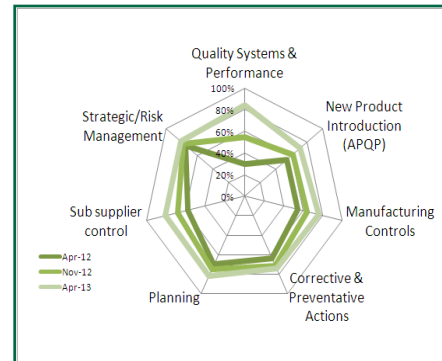
Phase IV& V: Supplier development programme for top 25 suppliers

- **Supplier quality assurance**
 - Driving quality improvements into the supply base
 - Right first time – increased to 97%
- **Supplier relationship management**
 - Partnering with suppliers to accelerate innovation

Savings per annum		
2011/12 £m	2012/13 £m	2013/14* £m
5	9	15

Phase				
I	II	III	IV	V
Targeted Savings £m				
4	6	5	TBA	TBA

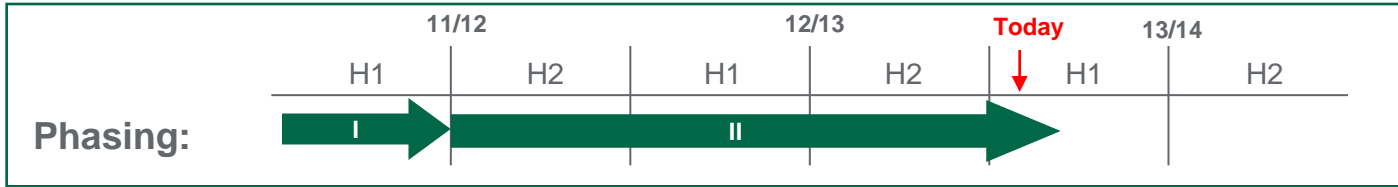
Key Supplier Assessment	Progress	
at minimum level	<div style="width: 23%;"></div>	23%
at target level	<div style="width: 73%;"></div>	73%
at grade A status	<div style="width: 4%;"></div>	4%





Operational Excellence

Facility Optimisation

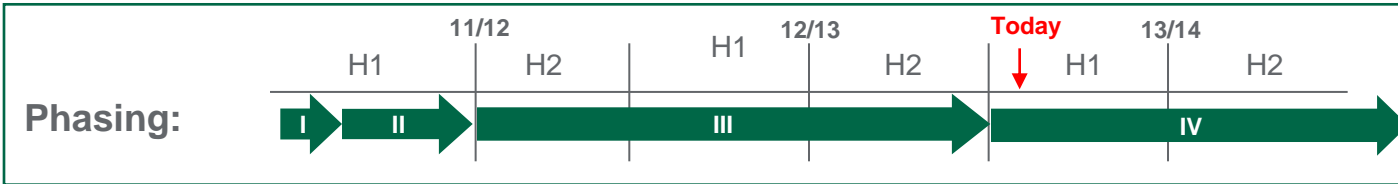


Phase II: Implementation

- Complete
- Saving £6m per year

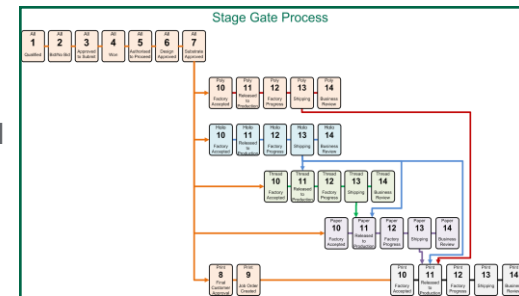


Process Standardisation



Phase IV: Linking enquiry to order process to Supply Chain

- Process spine implemented
 - Process improvements
 - Improving customer service
 - Reducing lead times
 - Improving quality in Supply Chain
- Sophisticated sales and operational planning process deployed



Revised Improvement Plan Cost Savings

	Original Improvement Plan Target for 2013/14	Actual saving in 2012/13	Revised Improvement Plan Target for 2013/14
	£m	£m	£m
Cost savings:			
Procurement	12	9	15
Facility optimisation	6	3	6
Process improvement	12	8	19
	30	20	40
Exceptional cost	25	32	35*

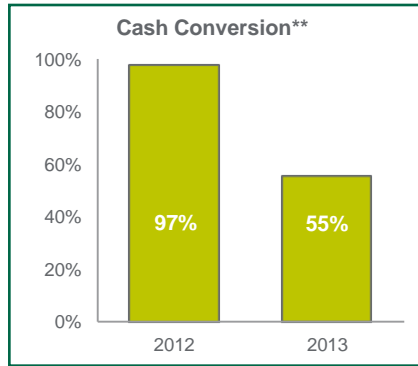
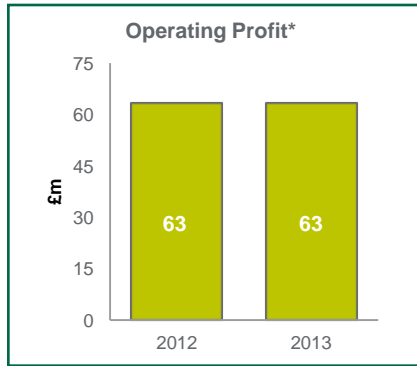
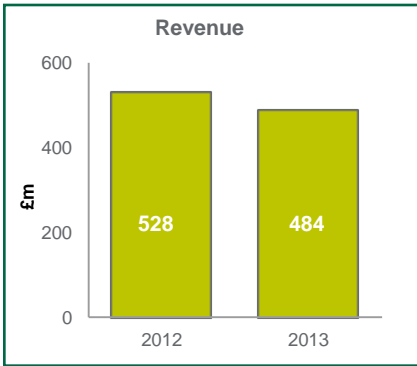
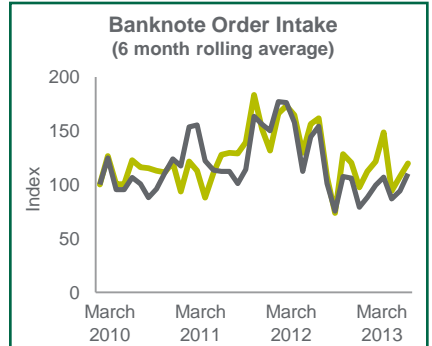
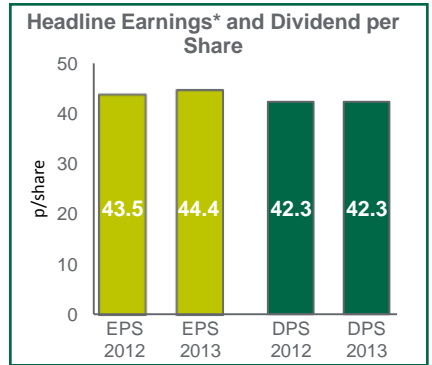




Outlook

- Strong pipeline of order opportunities
 - To be secured for delivery in the year
- Higher overspill levels
- Cost savings target raised to £40m per annum

Board confident of delivery in line with the Improvement Plan > £100m for the year





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INNOVATING FOR THE FUTURE