



DeLaRue

2016/17 Full Year Results

De La Rue plc
23 May 2017

Agenda

Overview

Martin Sutherland

Financial performance

Jitesh Sodha

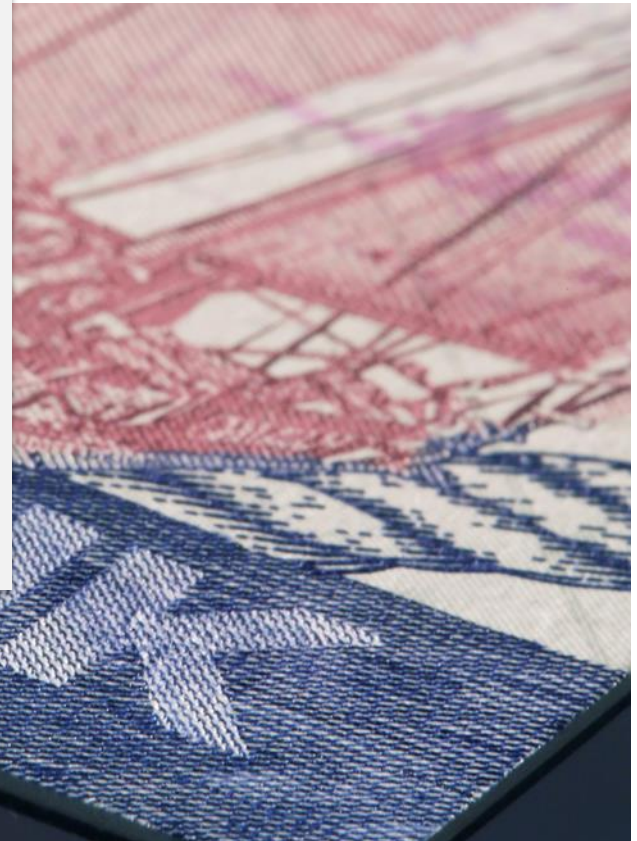
Strategic update

Martin Sutherland

Operational review

Martin Sutherland

Q&A



Performance highlights

- **Good performance with strong profit growth from Identity Solutions and Product Authentication**
 - ✓ Group revenue +2%, adjusted operating profit* up marginally on last year
 - ✓ Banknote Paper volumes +18%
 - ✓ Identity Solutions revenue +5%, adjusted operating profit* +37%
 - ✓ Product Authentication revenue +20%, adjusted operating profit* +29%
 - ✓ Group 12 month order book +6% at £387m
- **Good strategic progress - two years into five year plan**
 - ✓ Manufacturing footprint restructuring on track to deliver c£13m annual cost savings from FY18/19
 - ✓ Diversifying business mix with strong growth from Identity Solutions and Product Authentication
 - ✓ Increasing momentum in polymer with volumes almost quadrupling to 380 tonnes
 - ✓ Accelerating investment in technology through increased R&D spend and acquisition of DuPont Authentication

* Excludes exceptional net charges of £0.4m (2015/16: £3.6m) and amortisation of acquired intangible assets of £0.1m (2015/16: £nil).
“Adjusted” measures are not on an IFRS basis. For further explanations and reconciliations to equivalent IFRS measures see appendix slides. “Reported measures are on an IFRS basis.”

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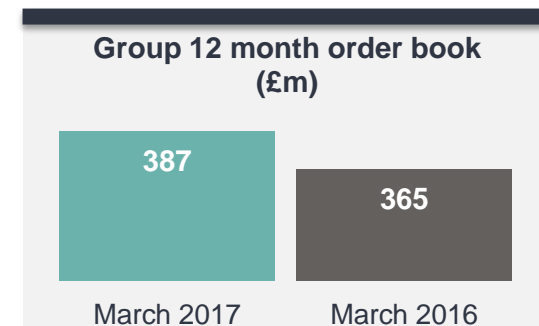
Q&A



Income statement



	2016/17 ⁽¹⁾ £m	2015/16 ⁽¹⁾ £m	Change %
Revenue	461.7	454.5	2%
Adjusted operating profit*	70.7	70.4	0%
Adjusted operating margin*	15.3%	15.5%	(20bpts)
Reported operating profit	70.2	66.8	5%
Adjusted profit before tax**	58.7	58.5	0%
Reported profit before tax	58.2	54.9	6%
Adjusted basic earnings per share	47.1p	48.1p	(2%)
Reported earnings per share	47.2p	46.8p	1%
Dividend per share	25.0p	25.0p	0%



- Operating profit up marginally on last year, reflecting good volumes and better mix of orders
- Exceptional charges lower at £0.4m
- Adjusted earnings per share 2% lower reflecting lower tax charges last year due to a one-off tax benefit

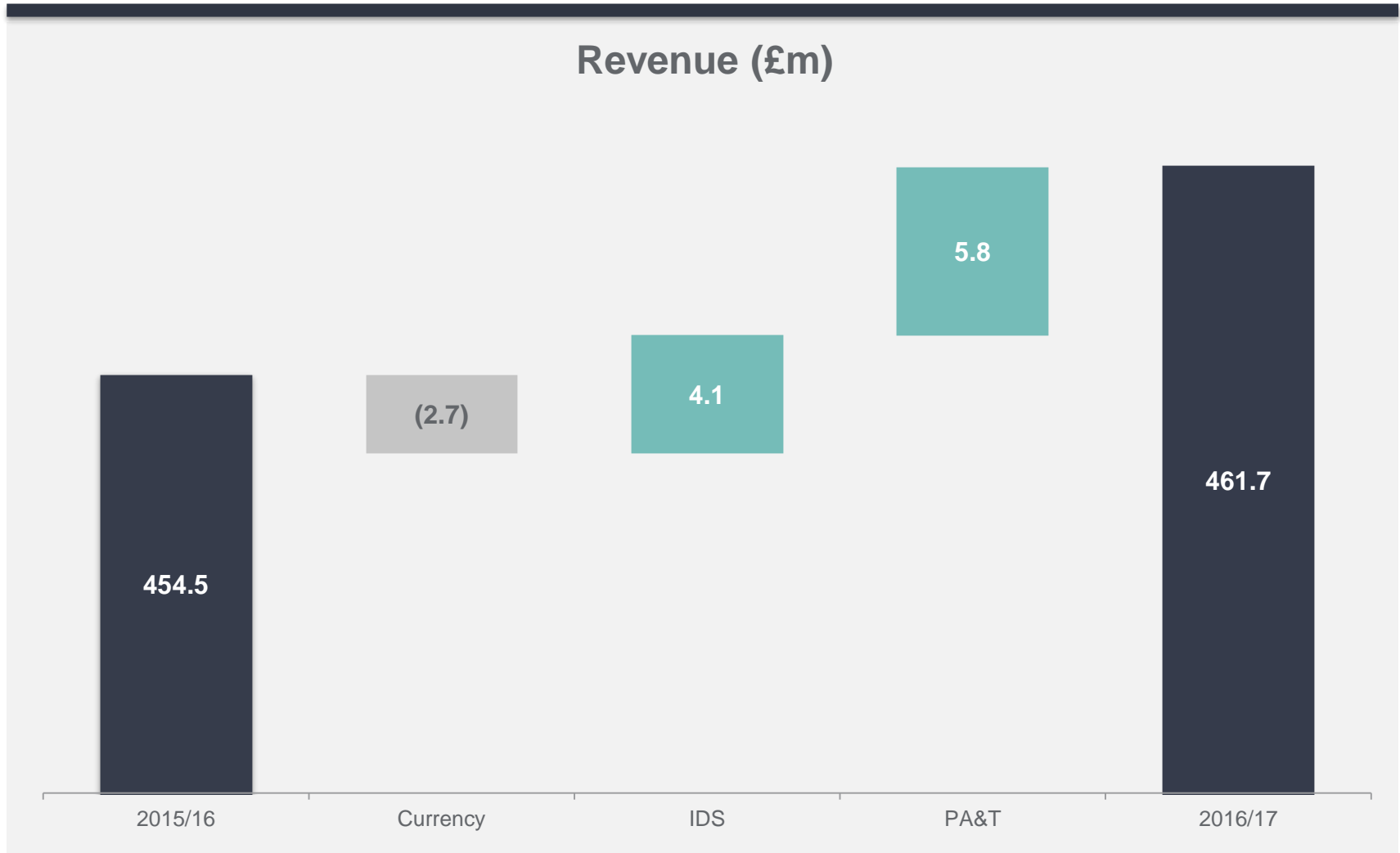
(1) Continuing operations only

* Excludes exceptional net charges of £0.4m (2015/16: £3.6m) and amortisation of acquired intangible assets of £0.1m (2015/16: £nil).

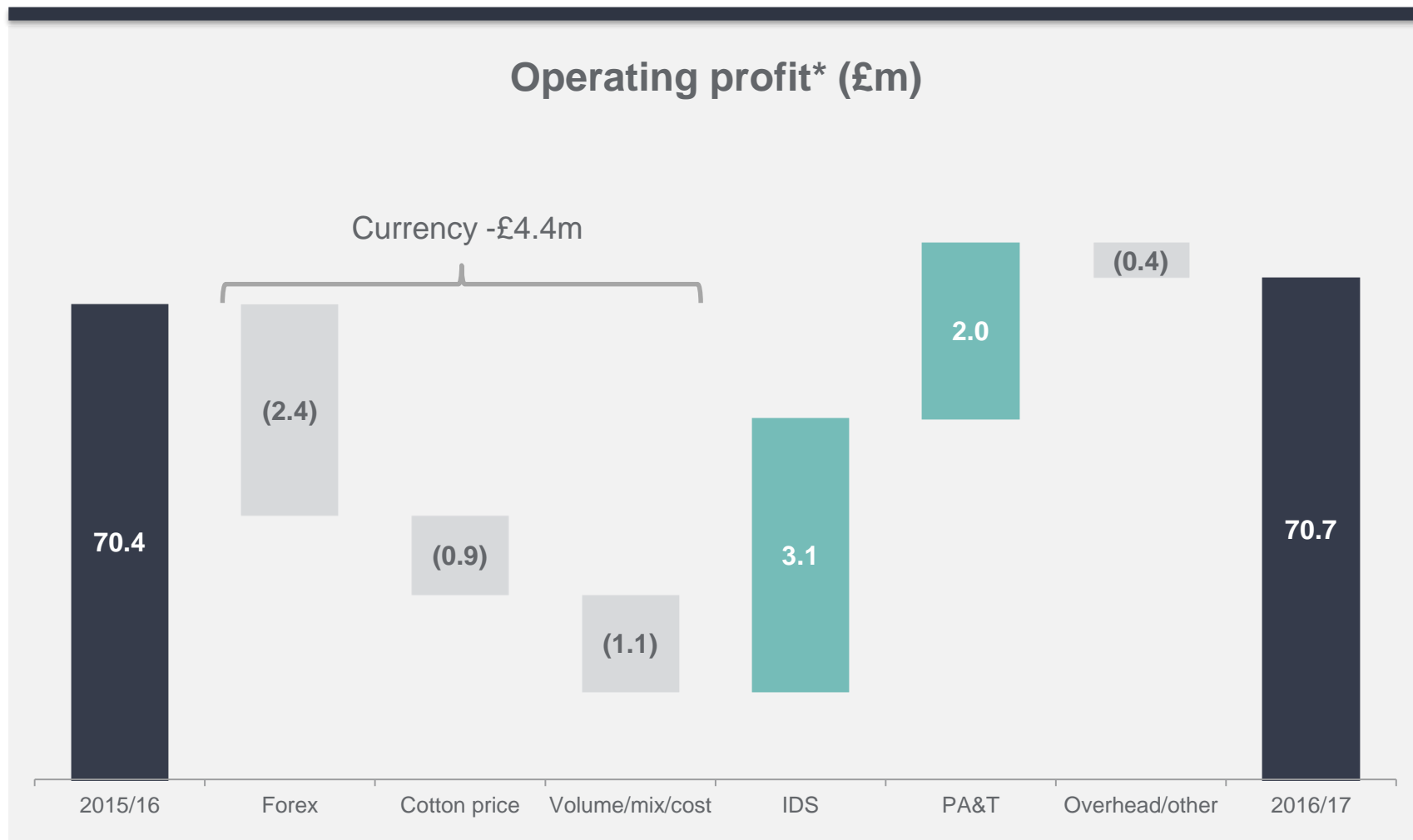
** Excludes exceptional net charges of £0.4m (2015/16: £3.6m), amortisation of acquired intangible assets of £0.1m and related tax credits of £0.6m (2015/16: £2.3m).

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IDS and PA&T drive revenue growth



Strong IDS and PA&T offset lower Currency profits

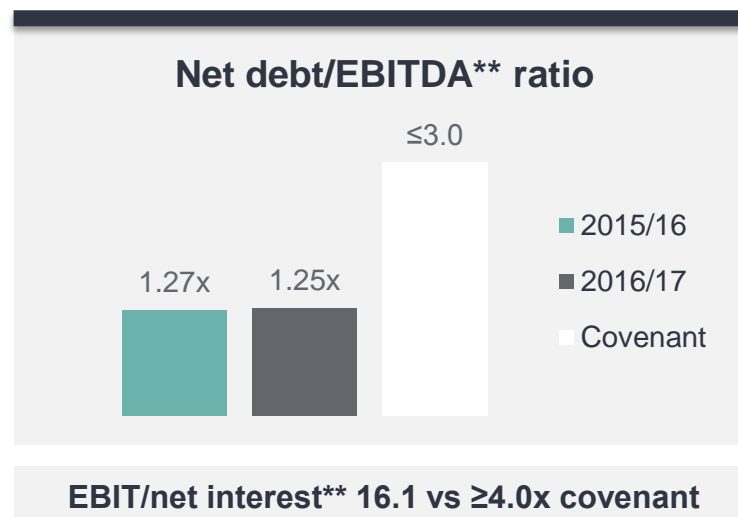


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Cash flow and net debt

	2016/17 £m	2015/16 £m	25 March 2017 £m
Profit before tax	51.8	20.8	(106.1)
Finance income and expense	12.0	12.1	(26.7)
Depreciation and amortisation	26.8	26.2	12.4
Loss on disposal / asset impairment	5.5	3.2	(0.5)
Working capital movement	(17.2)	15.7	(120.9)
Pension fund contributions	(14.6)	(19.1)	
Cash generated from operating activities	64.3	58.9	
Tax and interest paid	(9.9)	(8.8)	
Capital expenditure	(26.1)	(28.0)	
Acquisition of subsidiary	(17.9)	-	
Dividend	(25.4)	(25.3)	
(Repayment) of/proceeds from borrowings	(12.4)	3.6	
Proceeds from sale of land	-	9.9	
Proceeds from sale of CPS	2.1	-	
Other	(1.4)	-	
Net cash (outflow)/inflow	(26.7)	10.3	



*All numbers stated above include discontinued operations

**Adjusted EBIT/net interest and net debt/EBITDA ratio as per covenant definition

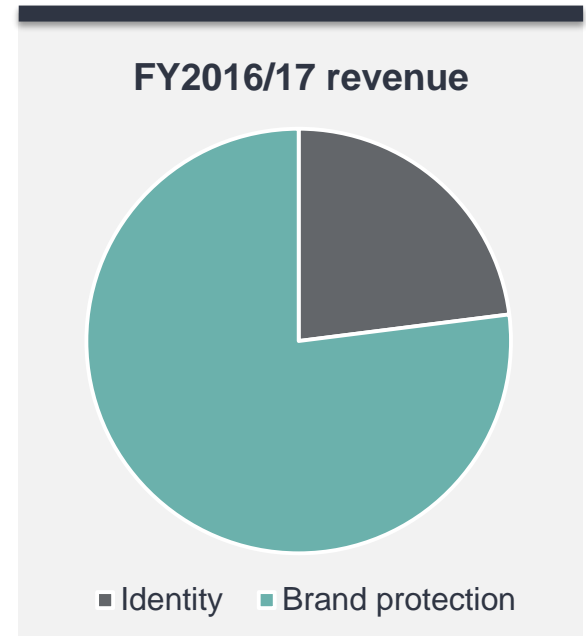
Working capital movements

	2016/17 £m	2015/16 £m
Net trade receivables	89.5	77.6
Inventories	67.8	67.1
Trade payables	46.5	40.1
Advanced payments	28.5	45.5

- Net trade receivables increased due to strong sales in Q4 of FY16/17 compared with Q4 of prior year
- Inventories were marginally higher, but lower than the level seen at the half year reflecting strong sales and shipments in Q4 of FY16/17
- Advanced payments lower due to a different mix of contracts

Acquisition of DuPont Authentication

- Transaction completed on 6 January
 - ✓ \$25m cash consideration
 - ✓ 40 employees
 - ✓ Production facility in Utah, R&D centre in Delaware
- Pro forma FY16/17 revenue £10.6m
- Expect sales synergies through broadening customer base
- Integration completed in April
- Earnings accretive in the first year



Other finance matters

- Net exceptional costs of £0.4m
- Effective tax rate for FY17/18 expected to remain at c16%
- Pension
 - ✓ FY16/17 cash contribution was £14.6m, including management costs
 - ✓ Post tax pension deficit increased yoy by £18.3m to £196.7 (HY 2016/17: £297.7m), reflecting a decrease in the discount rate
 - ✓ Formed joint working group with pension trustees to manage pension obligation proactively
- Extended £250m revolving credit facility by two years to Dec 2021
- Proposed final dividend 16.7p. Full year dividend maintained at 25.0p

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A clear plan to deliver strategic goals

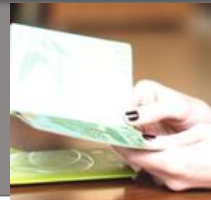
Optimise & Flex

- Address key risks
- Drive operational efficiency



Invest & Build

- Diversify revenues
- Invest in innovation



Strengthen financial position

- Proactive management of cash
- Discipline in capital investment



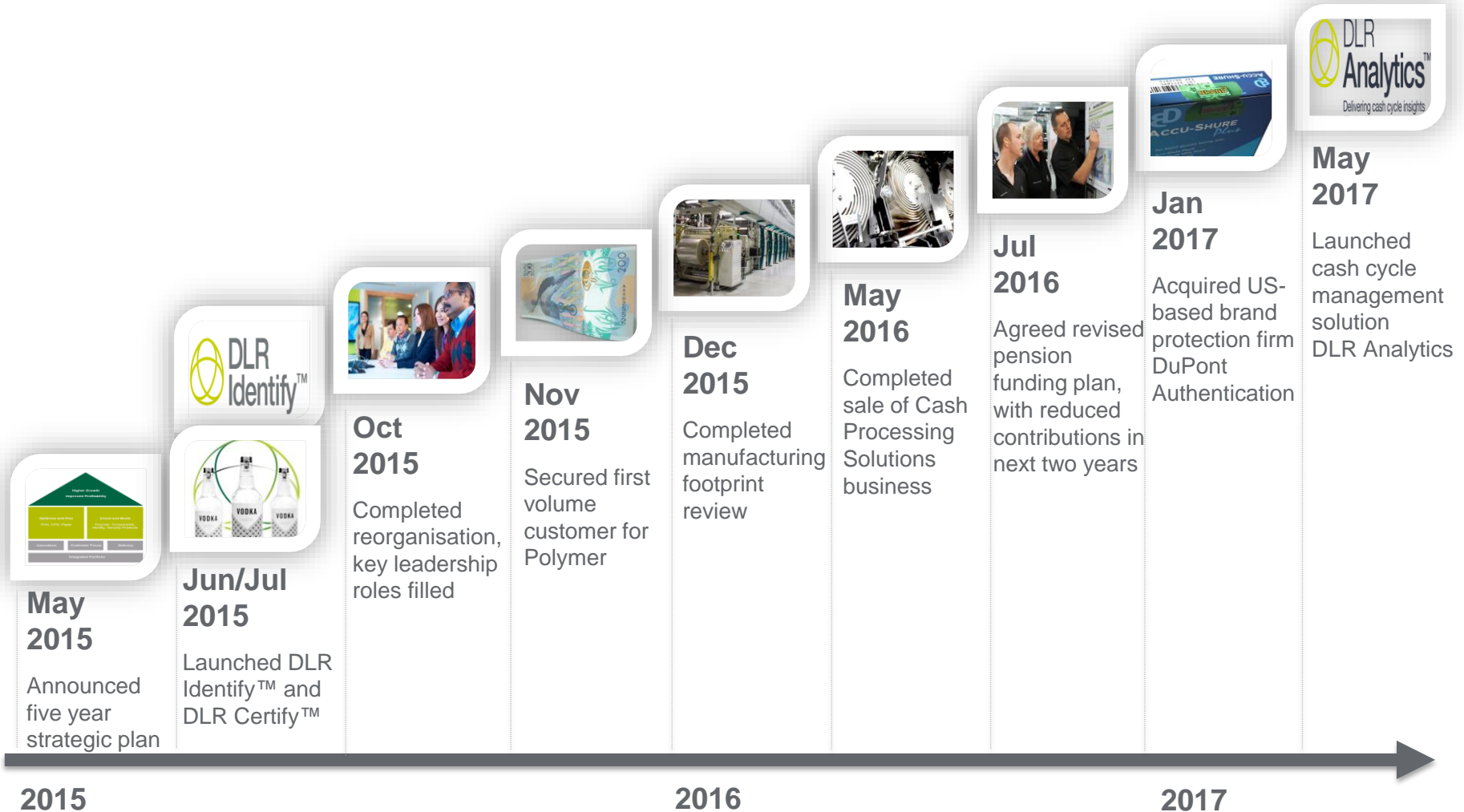
Drive high performing culture

- Upgrade skills and capabilities
- Instil high ethical standards



An asset-light
IP/technology-led
security product
and service
provider

Delivering on our plan



Optimise and Flex

Driving operational efficiency

Footprint restructuring

- Decommissioned 2 lines
- Kept 1 line in Malta for operational flexibility
- Completed refurbishment in Gateshead
- Upgrades in Sri Lanka and Kenya progressing well
- Planned c£13m savings p.a. from FY18/19 on track, increasing our ability to reinvest

Operational Excellence

- Achieved OpEx programme Level 2, further reduced spoilage rate
- Level 3 implementation underway

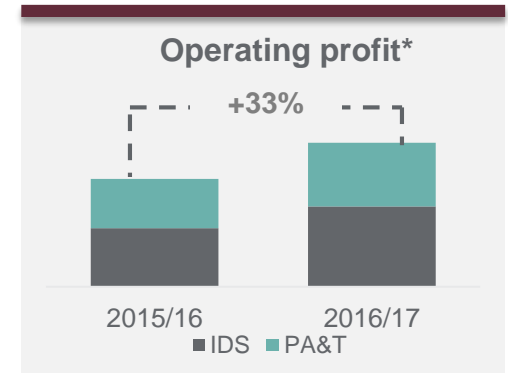
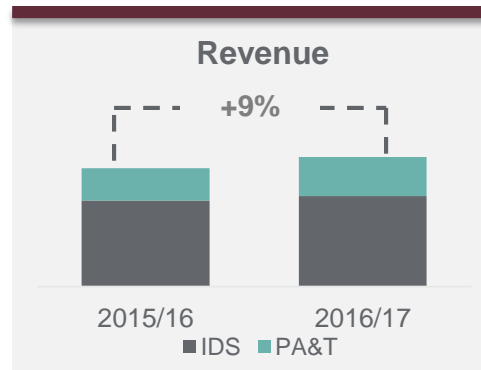
Systems and processes

- Improved commercial processes
- Upgrading finance and information systems

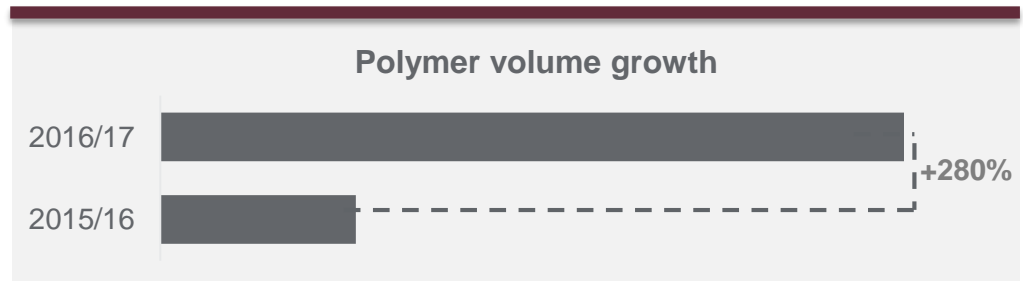
Invest and Build

Diversifying business portfolio

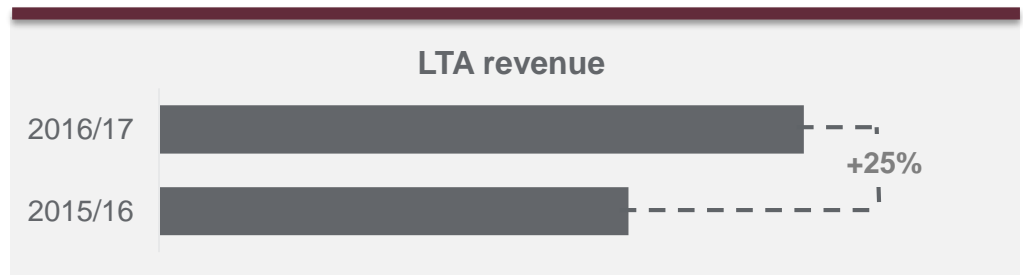
Grow IDS and PA&T



Grow Polymer



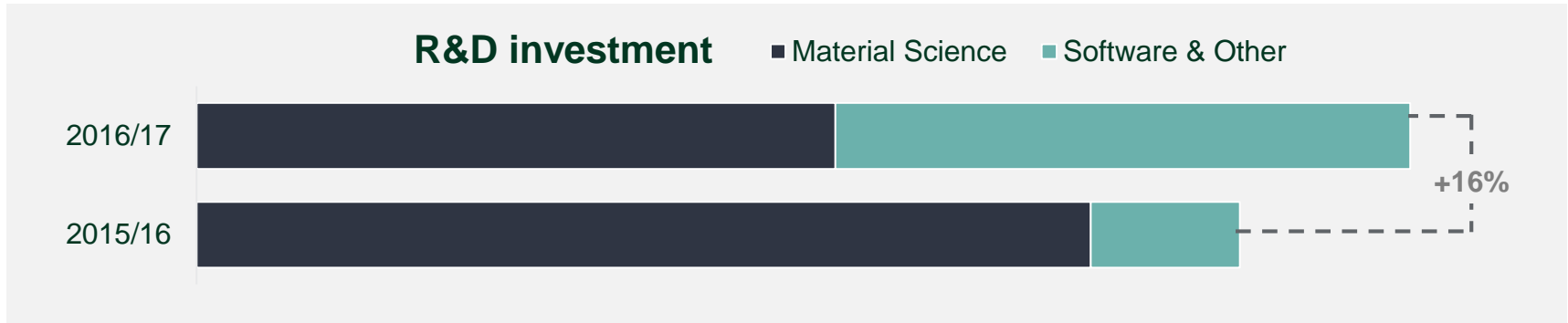
Grow recurring revenues



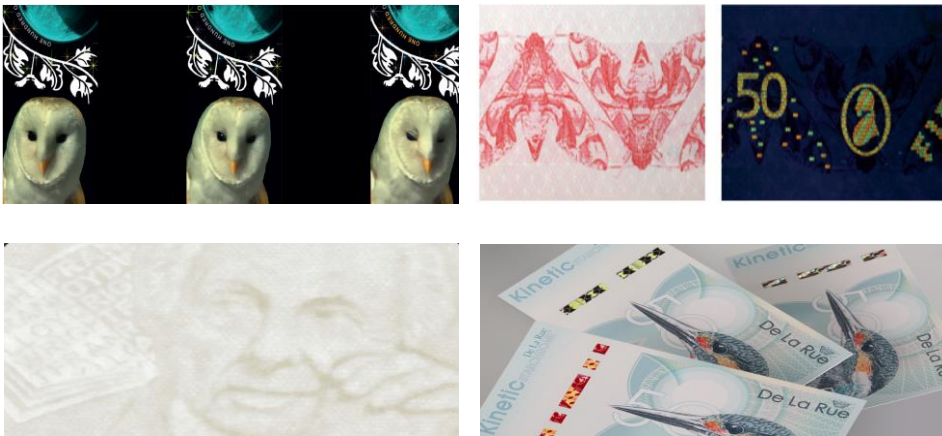
* This is an adjusted measure which excludes exceptional net charges. This is not on an IFRS basis.

Invest and Build

Investing in innovation



New features



New solutions



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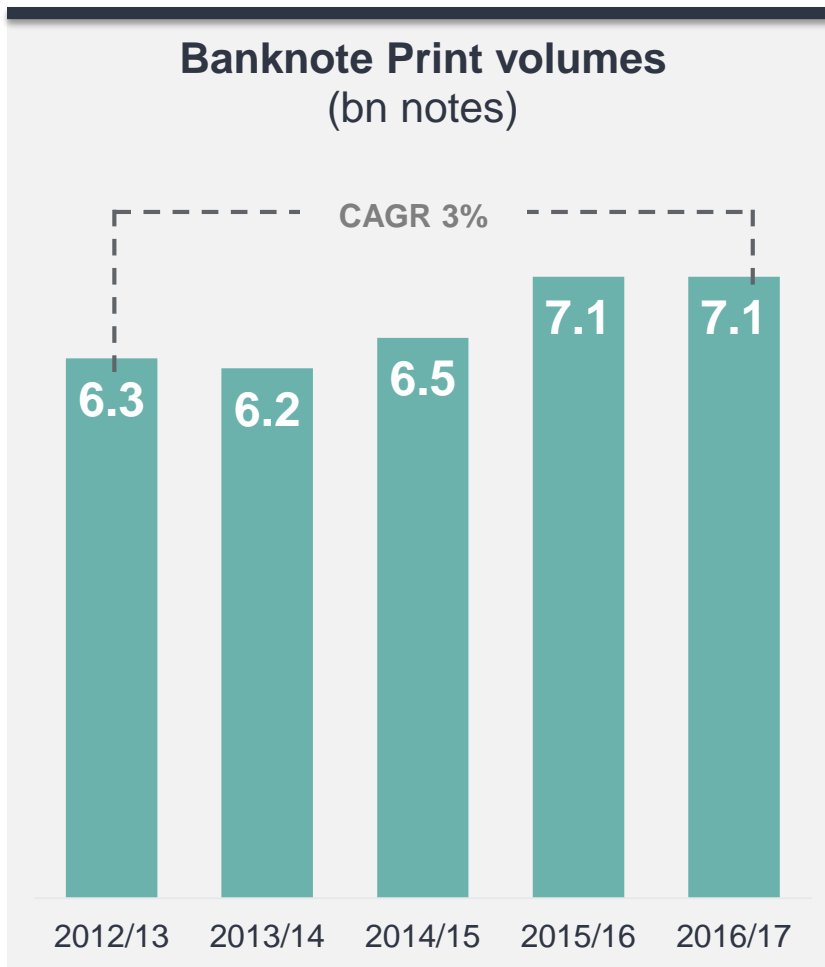
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Q&A



Currency

Banknote Print



Market dynamics

- Strong demand; pricing stabilised
- No change in outlook

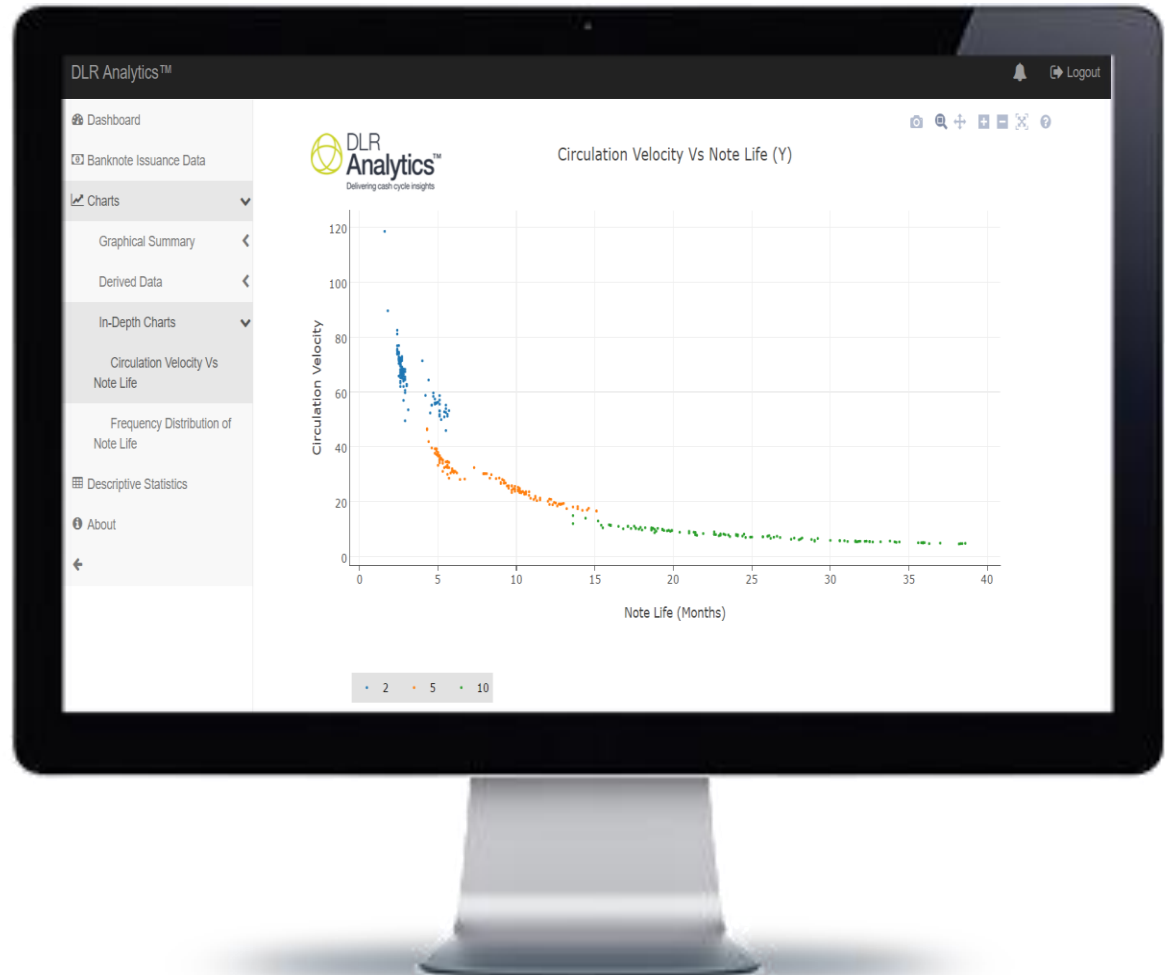
Progress in 2016/17

- Aligning capacity with demand
 - ✓ Footprint restructuring on track
 - ✓ Continue to create flexibility through strategic partnerships
- Building closer customer relationships
 - ✓ Agreed 60/40 JV with Government of Kenya
 - ✓ Extensions of two LTAs
 - ✓ Launched DLR Analytics™

Currency

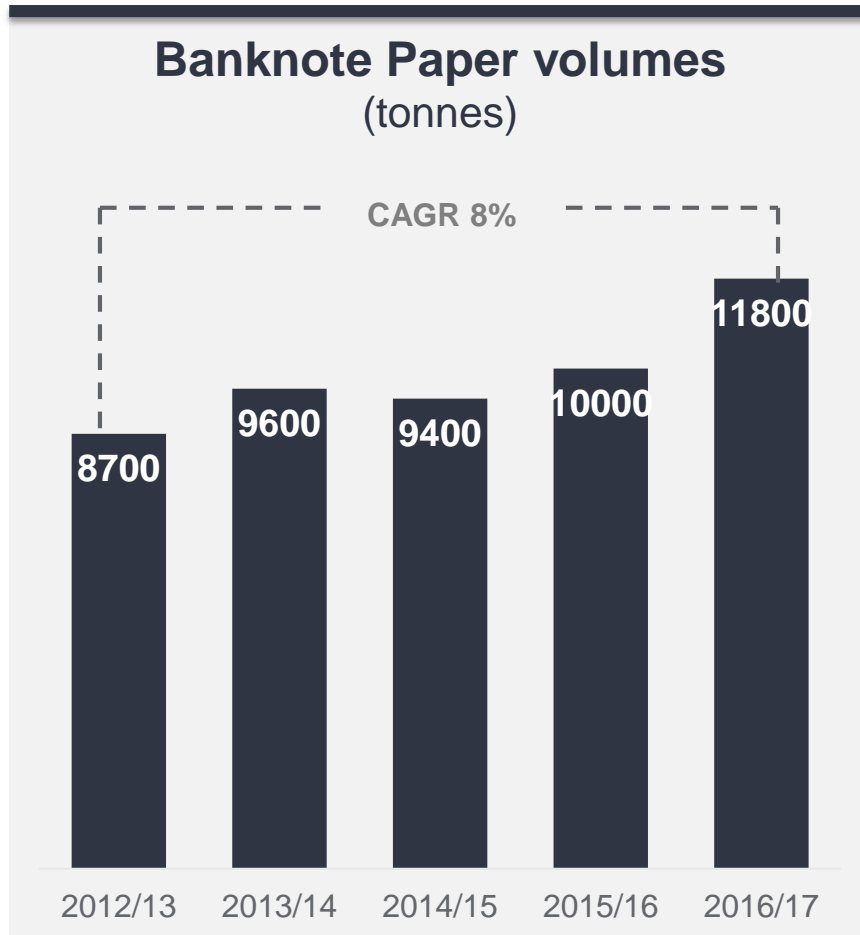
DLR Analytics

- Cash Cycle Partnership – strengthening our relationships with central banks
- Improve cash cycle management
- Reduce cost of ownerships
- Piloting with 26 issuing authorities



Currency

Banknote Paper



Market dynamics

- Strong short term demand driven by overspill
- Long term market assessment unchanged – remain challenging
- Expect industry consolidation

Progress in 2016/17

- Volumes +18%; highest since 2011
- Driven by strong direct sales
- Continued to reduce costs
 - ✓ Overheads -6%
 - ✓ Controllable unit cost -16%
- Constructive discussions to form strategic alliance ongoing



Currency

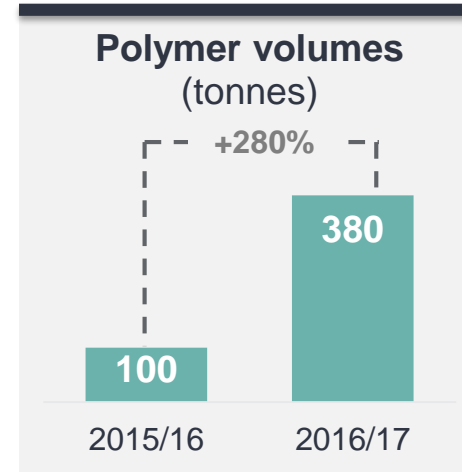
Polymer

Market dynamics

- c3% of substrate market; expect to double in next five years
- Concentrated market with two suppliers
- Increasing interest from issuing authorities

Progress in 2016/17

- Building scale
 - ✓ Volumes almost quadrupled to 380 tonnes
 - ✓ 2nd volume customer secured through commercial printer
- Reducing unit production cost
- Differentiating by being integrated banknote maker



8%

Of total polymer market

40%

Of total polymer notes issuers



Maldives 5 Rufiyaa

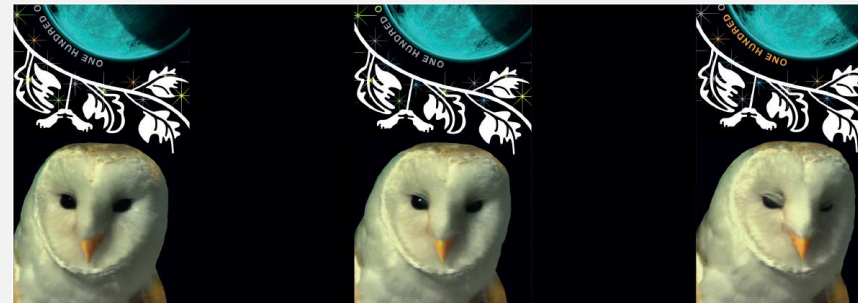
Security Features

Market dynamics

- Mid-range and premium features remain dominant – c60% or 110bn notes issued
- Holographics outlook positive – 13% or 20bn notes issued

TruelImage™

3D effect holographic features ideal for polymer substrate



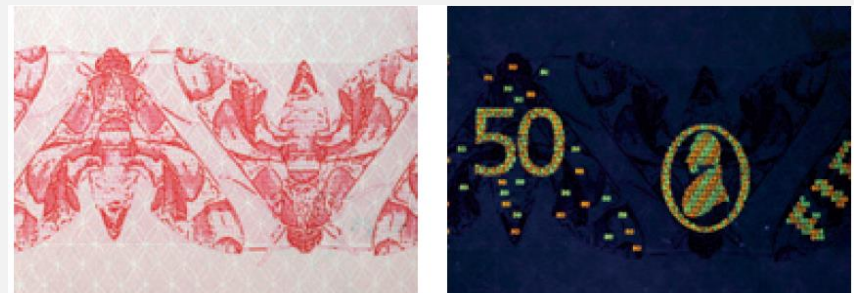
Kinetic StarChrome®Portrait

Customisable colourshifting premium thread



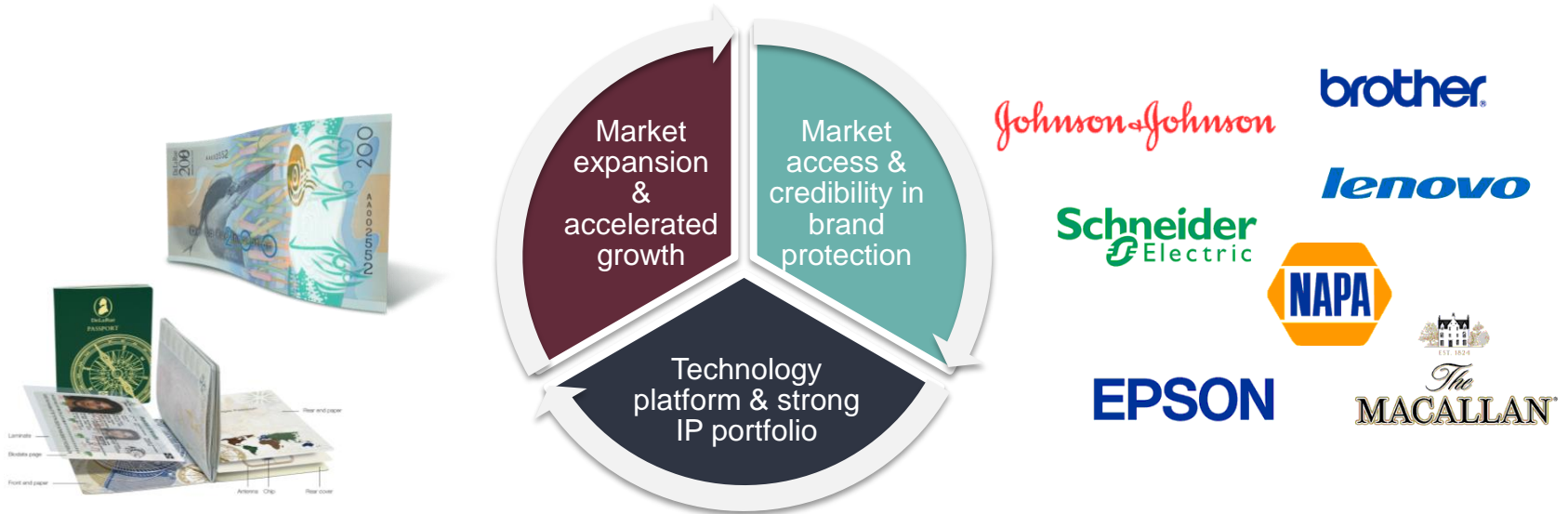
Gemini™ Microtext, Lines, and Blocks

Enhanced version of the most widely used feature

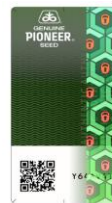


Acquisition of DuPont Authentication

- Highly differentiated technology; strong IP
- Global blue chip customers in PA&T and identity markets
- Opportunities to introduce into banknotes



Izon® - custom designs & features



Izon® & Omnidex® film - indirect channel partnerships



Traceology®

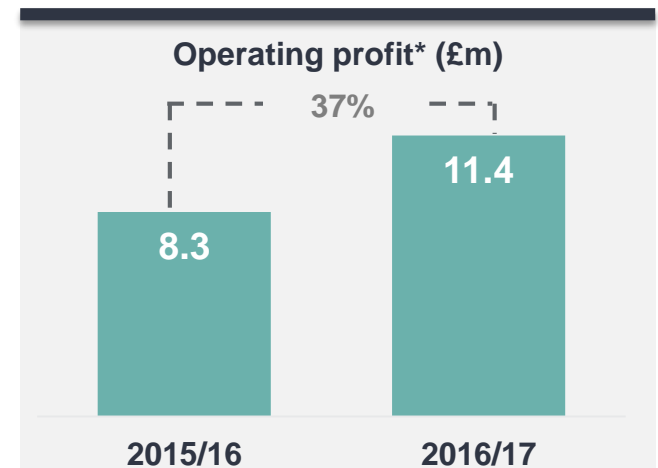
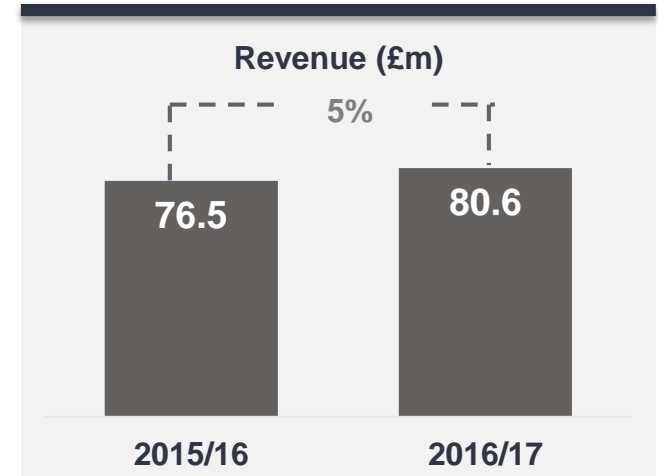
Identity Solutions

Market dynamics

- Demand remains strong driven by security concerns
- Transition from Machine Readable Passport to ePassport in emerging markets
- Increasing opportunities in end-to-end solutions
- Multi-purpose eID scheme

Progress in 2016/17

- Investing in capability
 - ✓ Centre of excellence in Malta – polycarbonate line
 - ✓ Upgrading sales skill – new hires in the UK and US
- Good progress in end-to-end solutions
 - ✓ Secured one new ePPT solution customer
 - ✓ Extended three multi-year system & service contracts
 - ✓ Successfully delivered first DLR Identify™ system
- Gaining traction on component sales
- Revenue +5%; operating profit +37%



* This is an adjusted measure which excludes exceptional net charges. This is not on an IFRS basis.

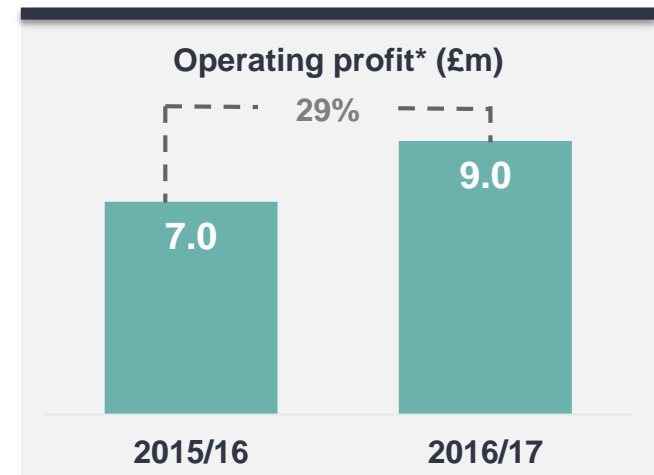
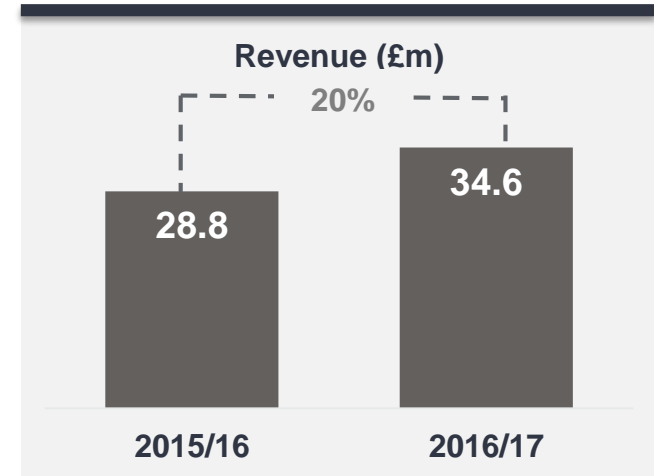
Product Authentication & Traceability

Market dynamics

- Tax stamp market:
 - ✓ Outlook unchanged
 - ✓ Value moving toward end-to-end service solutions
- Enterprise market:
 - ✓ Outlook positive
 - ✓ Remains fragmented and sector specific
 - ✓ New technologies emerge

Progress in 2016/17

- Investing in capability
 - ✓ Strengthen sales effort – new hires with main focus on brand protection
 - ✓ DuPont Authentication acquisition
- Focusing on revenue and brand protection
- Revenue +20%; operating profit +29%



* This is an adjusted measure which excludes exceptional net charges. This is not on an IFRS basis.

Outlook

- £387m 12 month order book provides good visibility
- Increased investment in R&D and rising raw material costs expected to offset benefits of weaker Sterling
- Good strategic progress, confident of delivering on our plan
- Full year FY17/18 expectations unchanged

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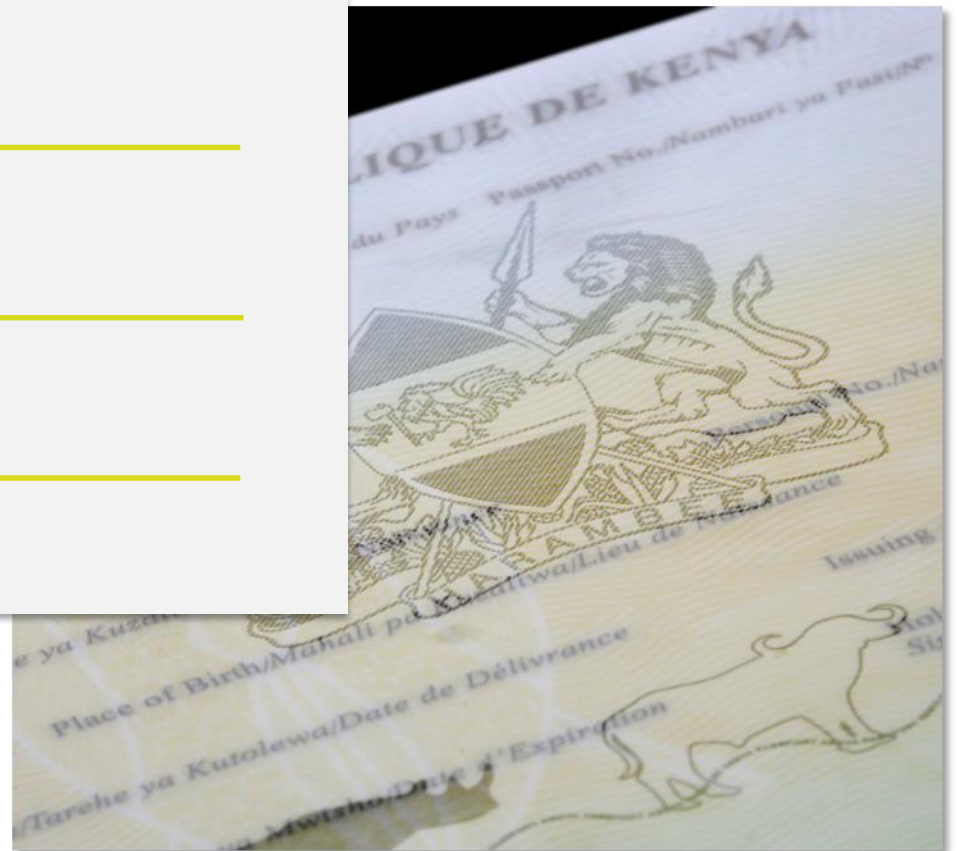
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DeLaRue

Appendices

Consolidated income statement

	FY2016/17			FY2015/16		
	Continuing operations £m	Discontinued operations £m	Group total £m	Continuing operations £m	Discontinued operations £m	Group total £m
Revenue	461.7	4.9	466.6	454.5	33.7	488.2
Adjusted operating profit*	70.7	(2.3)	68.4	70.4	(7.9)	62.5
Exceptional items	(0.4)	(4.1)	(4.5)	(3.6)	(26.0)	(29.6)
Amortisation of acquired intangibles	(0.1)	-	(0.1)	-	-	-
Operating profit/(loss)	70.2	(6.4)	63.8	66.8	(33.9)	32.9
Net finance cost	(12.0)	-	(12.0)	(11.9)	(0.2)	(12.1)
Adjusted profit/(loss) before tax**	58.7	(2.3)	56.4	58.5	(8.1)	50.4
Reported profit/(loss) before tax	58.2	(6.4)	51.8	54.9	(34.1)	20.8
Taxation	(8.7)	(1.6)	(10.3)	(6.3)	3.1	(3.2)
Adjusted profit/(loss) after tax**	49.4	(2.3)	47.1	49.9	(7.2)	42.7
Reported profit/(loss) after tax	49.5	(8.0)	41.5	48.6	(31.0)	17.6
Adjusted basic EPS*	47.1p	(2.3p)	44.8p	48.1p	(7.1p)	41.0p
Adjusted diluted EPS*	46.5p	(2.2p)	44.3p	47.5p	(7.0p)	40.5p
Reported basic EPS	47.2p	(7.9p)	39.3 p	46.8p	(30.6p)	16.2p
Reported diluted EPS	46.6p	(7.8p)	38.8p	46.2p	(30.2p)	16.0p

* Excludes exceptional net charges of £0.4m (2015/16: £3.6m) and amortisation of acquired intangible assets of £0.1m (2015/16: £nil).

** Excludes exceptional net charges of £0.4m (2015/16: £3.6m), amortisation of acquired intangible assets of £0.1m and related tax credits of £0.6m (2015/16: £2.3m).

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Segmental revenue and adjusted operating profit



	Revenue*			Adjusted Operating profit*		
	2016/17 £m	2015/16 £m	Change %	2016/17 £m	2015/16 £m	Change %
Currency	350.6	353.3	(1)%	50.3	55.1	9%
Identity Solutions	80.6	76.5	5%	11.4	8.3	37%
PA&T	34.6	28.8	20%	9.0	7.0	29%
Intra group eliminations	(4.1)	(4.2)				
Total	461.7	454.5	2%	70.7	70.4	0%

* Continuing operations only and before exceptional net charges

Exceptional items

	2016/17 £m	2015/16 £m
Site relocation and restructuring	(0.2)	(9.2)
Sale of land	0.2	9.5
Warranty provisions	0.5	1.3
Asset impairment	-	(5.2)
Acquisition related	(0.9)	-
Exceptional items in operating profit	(0.4)	(3.6)
Total tax credit on exceptional items	0.6	2.3

Non-IFRS measures

De La Rue 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. The measures the Group uses along with appropriate reconciliations where applicable are shown below.

Adjusted operating profit

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

	2016/17 £m	2015/16 £m
Operating profit from continuing operations on an IFRS basis	70.2	66.8
- Amortisation of acquired intangible assets	0.1	-
- Exceptional items – operating	0.4	3.6
Adjusted operating profit from continuing operations	70.7	70.4

Non-IFRS measures continued

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 number of ordinary shares dual share in issue. It has been calculated by dividing the adjusted operating profit from continuing operations for the period by the weighted average number of ordinary shares in issue.

	2016/17 £m	2015/16 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	47.9	47.4
- Amortisation of acquired intangible assets	0.1	-
- Exceptional items	0.4	3.6
- Tax on exceptional items	(0.6)	(2.3)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	47.8	48.7
Weighted average number of ordinary shares for basic earnings	101.6	101.3
	2017 pence per share	2016 pence per share
Basic earnings per ordinary share for continuing operations on an IFRS basis	47.2p	46.8p
Adjusted basic earnings per ordinary share for continuing operations	47.1p	48.1p