



DeLaRue  
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## De La Rue plc

Interim Results  
26 November 2013

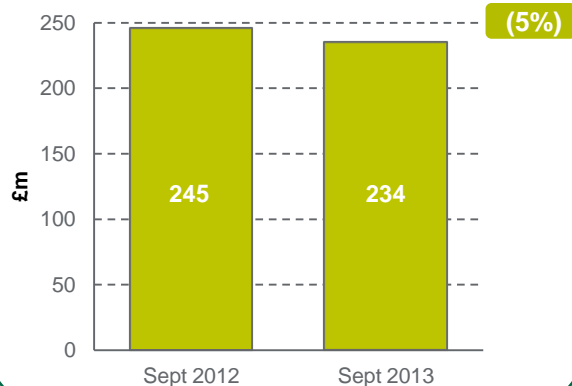
# Agenda

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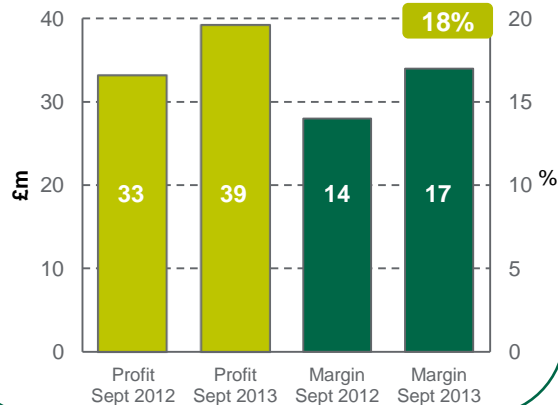
- Group Headlines
- Financial Results
- Operational Performance
- Looking Ahead
- Outlook

# Group Headlines

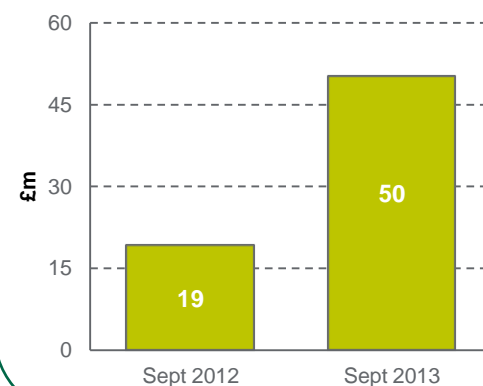
## Revenue



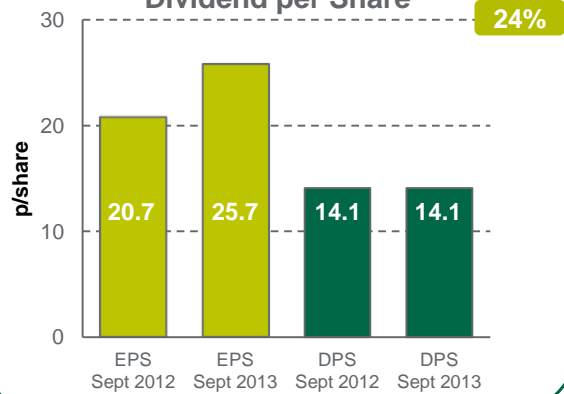
## Operating Profit and Margin\*



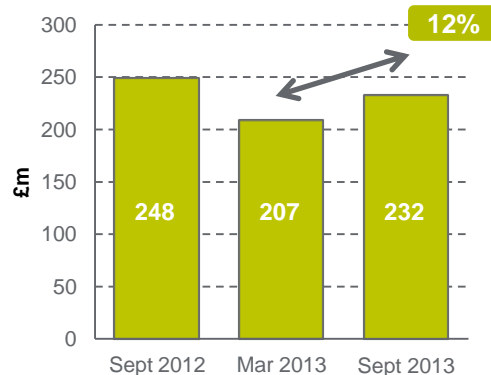
## Operating Cash Flow \*\*



## Headline Earnings\*\*\* and Dividend per Share



## Group 12 Month Order Book



## 2013/14 Outlook

- Cost savings:
  - £10m additional in H1
  - On target for £40m pa by year end
- Pricing pressure in Currency
- Expected operating profit outcome c£90m\*





# Financial Results

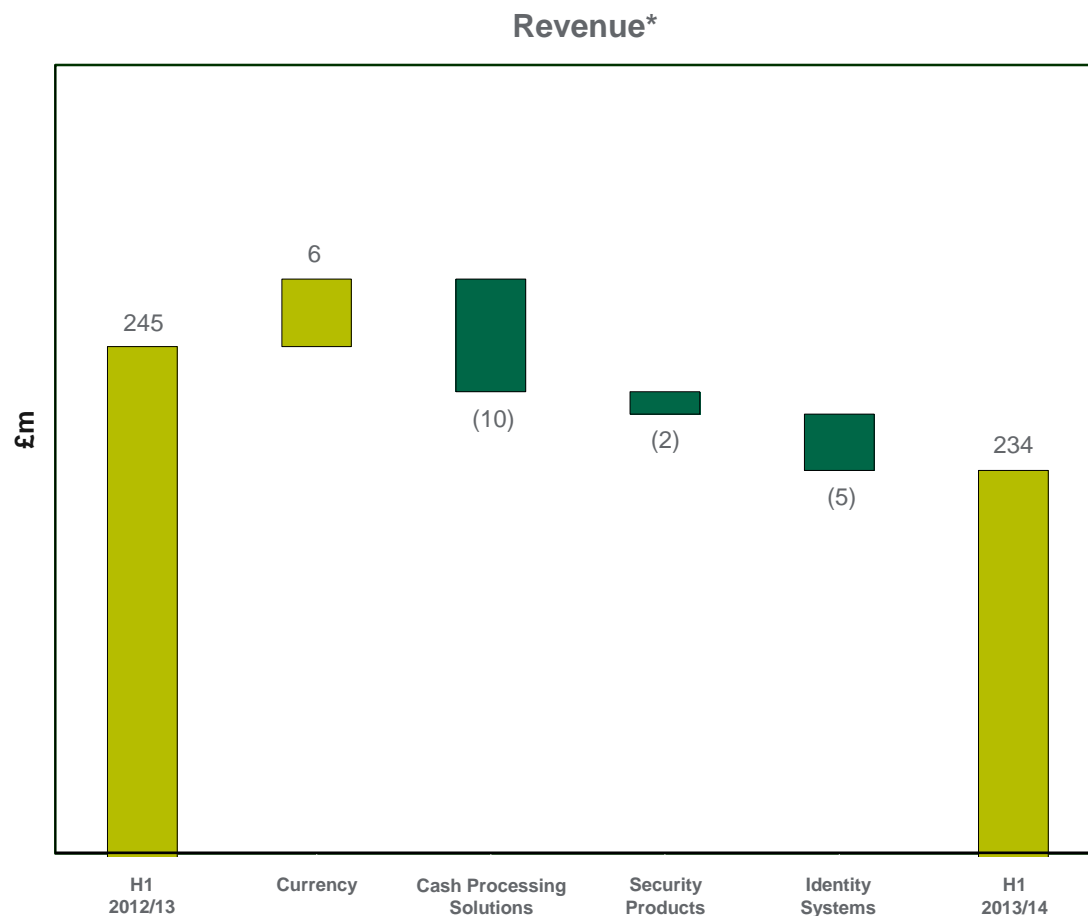
Colin Child  
Group Finance Director

# Financial Results – Before Exceptional Items

	2013/14 <i>Half Year</i> £m	2012/13* <i>Half Year</i> £m	<i>Change</i>
Revenue	234.0	245.4	(5%)
Operating profit pre IAS19	39.1	33.2	18%
<i>Operating margin pre IAS19</i>	16.7%	13.5%	
Profit before tax	32.8	27.4	20%
Taxation	(6.9)	(6.3)	
Profit after tax	25.9	21.1	23%
Headline earnings per share	25.7p	20.7p	24%
Dividend per share	14.1p	14.1p	-
Print volume (notes)	2.6bn	2.9bn	(10%)
Paper volume (tonnes)	4,700	4,500	4%

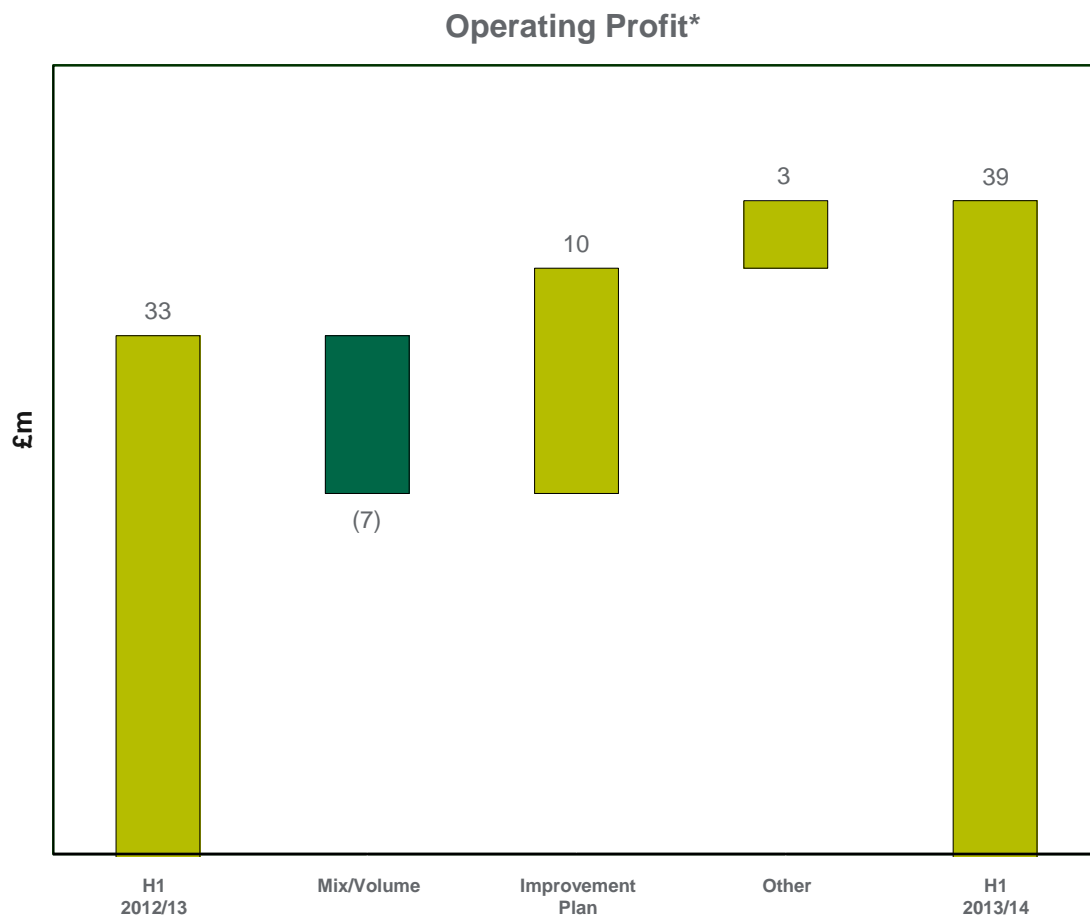
# 2012/13 → 2013/14: Revenue\*

Business Units	2013/14 <i>Half Year</i> £m	2012/13 <i>Half Year</i> £m
Currency	144	138
<b>Solutions</b>		
Cash Processing Solutions	28	38
Security Products	21	23
Identity Systems	41	46
	90	107
<b>Total</b>	<b>234</b>	<b>245</b>



# 2012/13 → 2013/14: Operating Profit\*

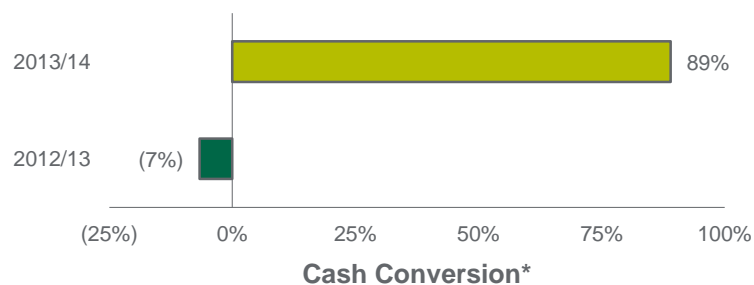
Business Units	2013/14 <i>Half Year</i> £m	2012/13 <i>Half Year</i> £m
Currency	24	22
Solutions		
Cash Processing Solutions	(3)	1
Security Products	5	4
Identity Systems	13	6
	15	11
<b>Total</b>	<b>39</b>	<b>33</b>



# Operating Cash Flow and Net Debt

	2013/14 <i>Half Year</i> £m	2012/13 <i>Half Year</i> £m
Operating profit before exceptional items	38.5	32.4
Depreciation	15.6	12.6
Working capital	(4.7)	(25.4)
Other	0.6	(0.4)
Operating cash flow before exceptional items	50.0	19.2
Cash costs of exceptional items	(6.1)	(7.5)
Cash flow from operating activities	43.9	11.7

	2013/14 <i>Half Year</i> £m
Opening net debt	(76.7)
Cash flow from operating activities	43.9
Tax and interest	(5.3)
Capital expenditure	(20.4)
Dividends	(28.1)
Other	(2.1)
Closing net debt	(88.7)



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



# Exceptional Items

	2013/14 <i>Half Year</i> £m	2012/13 <i>Half Year</i> £m
Improvement Plan	(2.3)	(3.6)
Legacy indirect tax issue	(2.1)	-
<b>Total exceptional items</b>	<b>(4.4)</b>	<b>(3.6)</b>
<b>Tax credit on exceptional items</b>		
Credit in period	0.7	0.9
Prior year tax credits	-	4.1
<b>Total tax on exceptional items</b>	<b>0.7</b>	<b>5.0</b>



# Operational Performance

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Tim Cobbold  
Chief Executive

# De La Rue Business Overview

Proportion of Group  
H1 2013/14

Revenue    Operating Profit\*

## Currency

- Banknote substrates and security features
- Design, origination and printing



62%

62%

## Identity Systems

- Design, origination and printing of identity documents
- Personalisation solutions



17%

33%

## Security Products

- Design, origination and printing of secure products
- Government Revenue Solutions and authentication



9%

13%

## Cash Processing Solutions

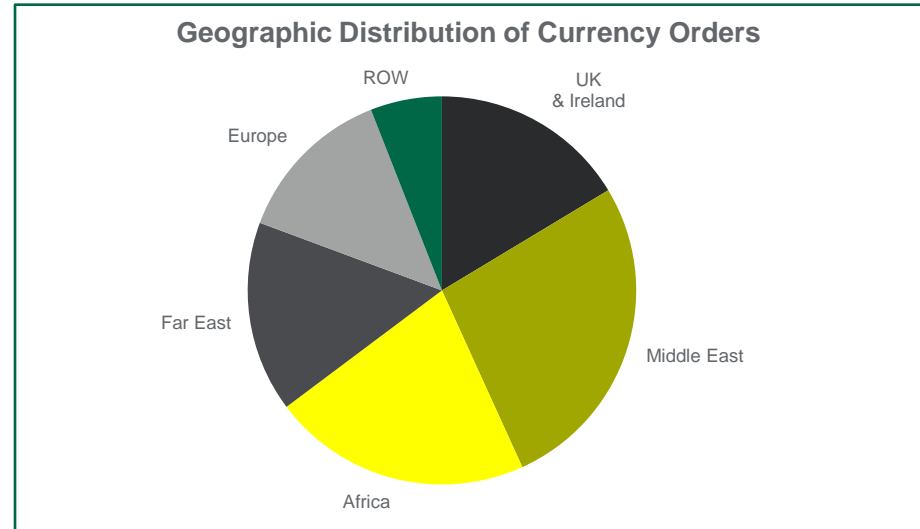
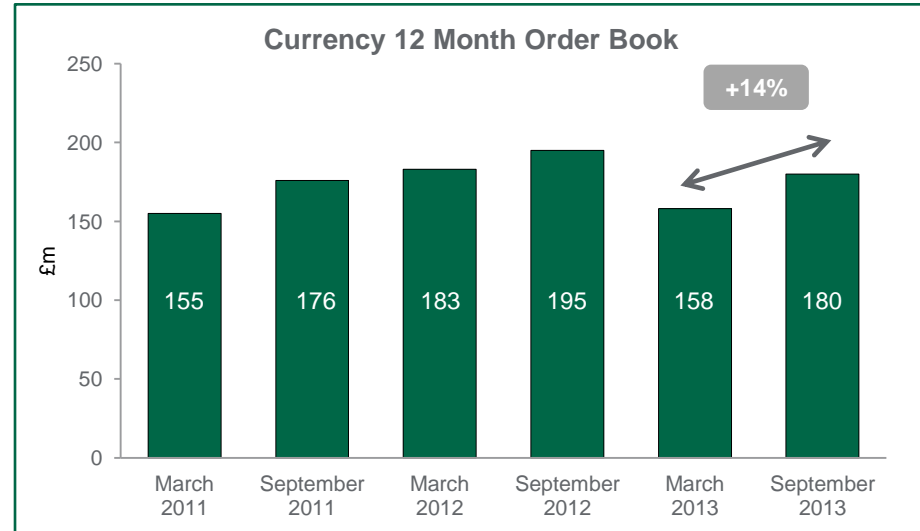
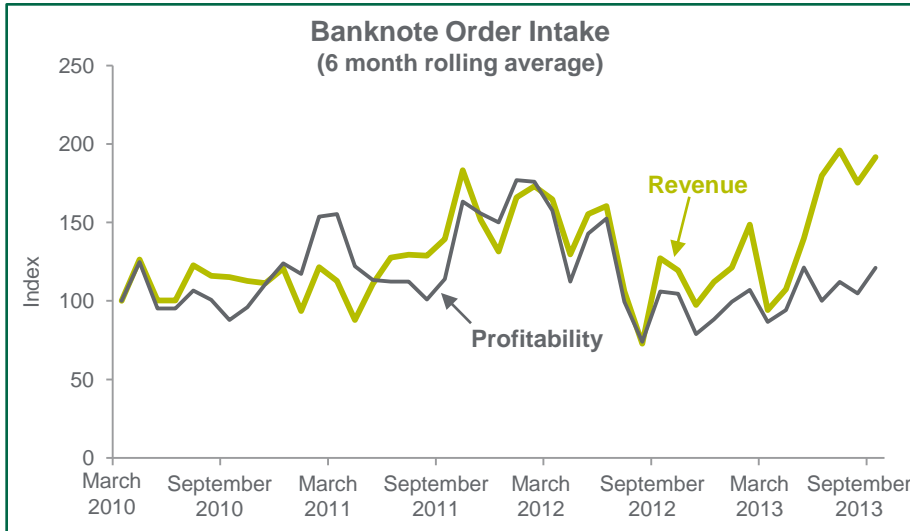
- High speed cash sorting and inspection equipment
- Service, maintenance and spares
- Cash management solutions



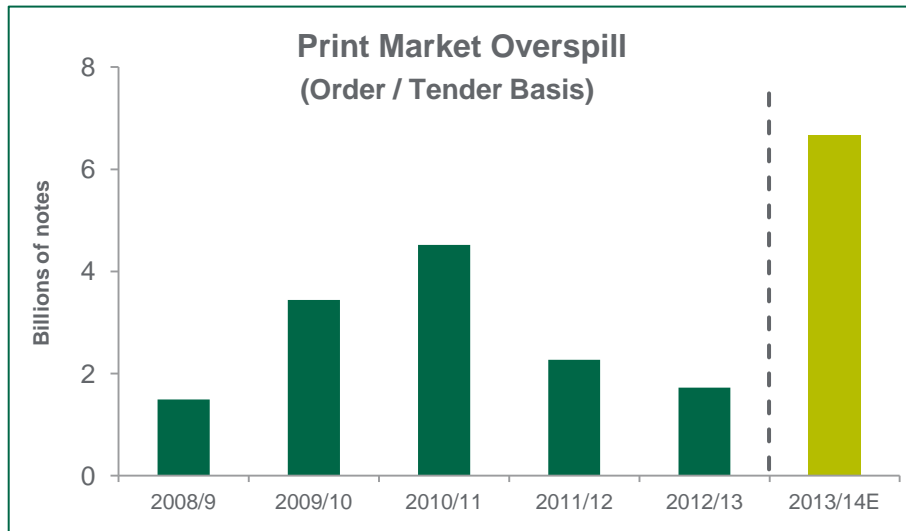
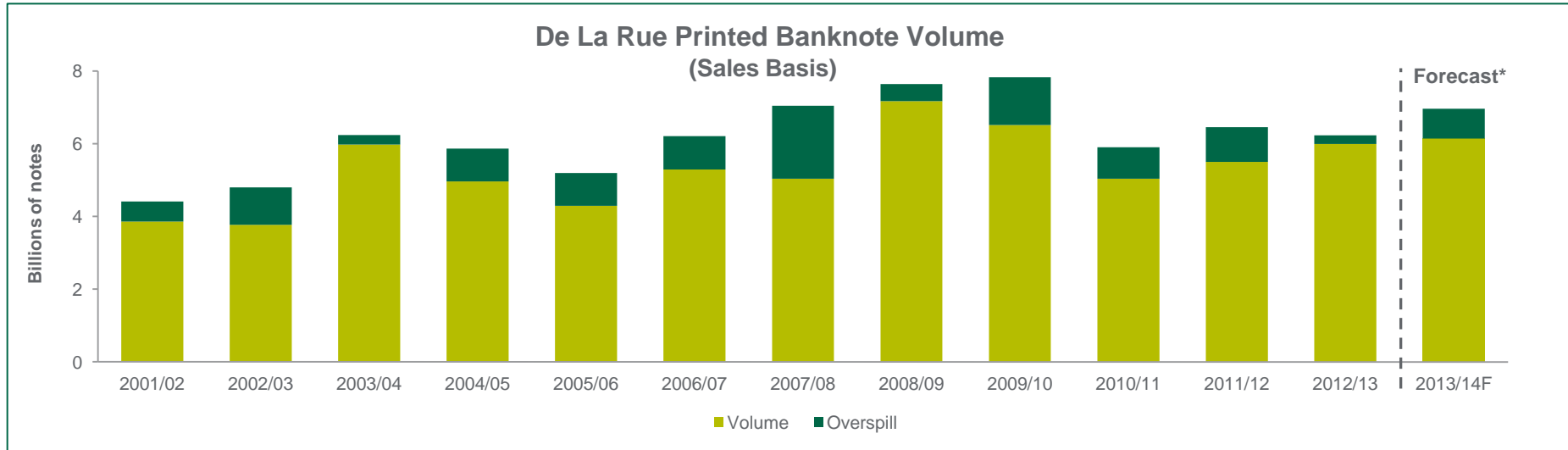
12%

(8%)

# Currency – Order Intake and Order Book



# Currency – Long Term Trend and Market Variability

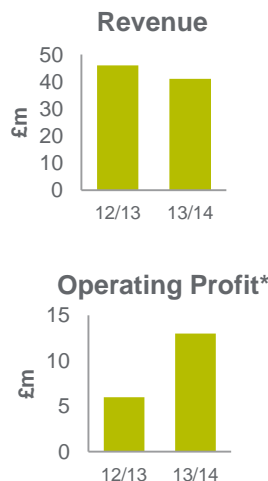




# Solutions

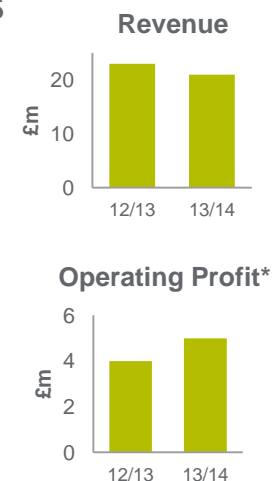
## Identity Systems

- Non recurring sales in prior year
- Unusually favourable benefit from concluding long term contracts
- Now largest commercial passport provider – key win in Bangladesh, 5m books pa



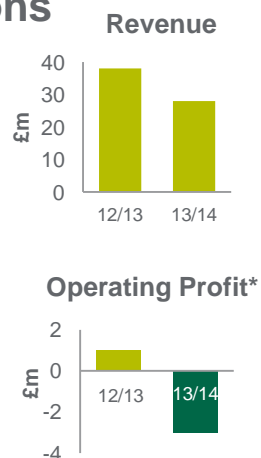
## Security Products

- Profit performance benefitting from Improvement Plan
- Sales weakness reflects lower call-off orders
- Government Revenue Solutions
  - FCTC 170 nations
  - New track and trace solution launched

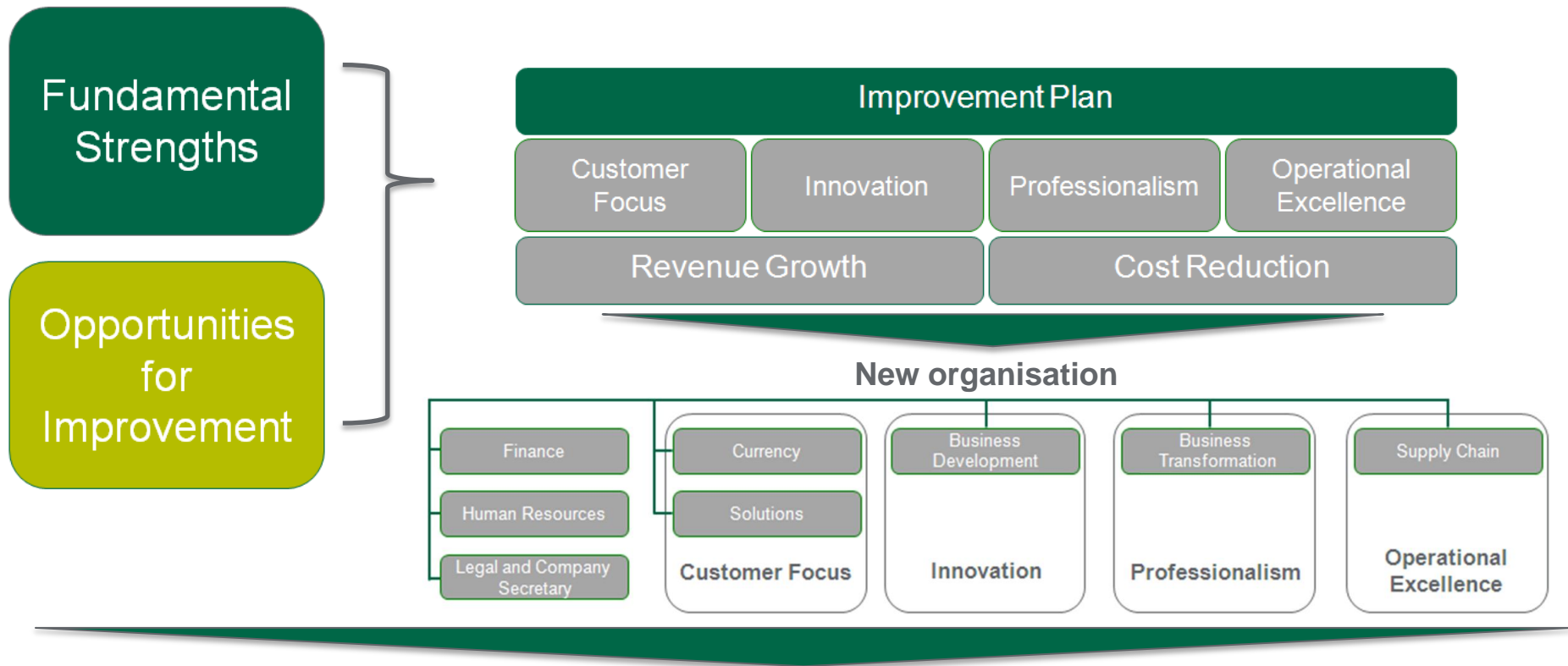


## Cash Processing Solutions

- Weak order intake & sales
  - Pipeline remains healthy – decisions being delayed
  - First DLR 9000 external order
- Cost Improvement actions initiated – targeting breakeven position by 2014/15



# Improvement Plan



- **Greater focus on the Customer**
- **Increased investment in innovation – good new products pipeline**
- **Materially improved manufacturing base**

# Improvement Plan – Status

Opportunity



Complete

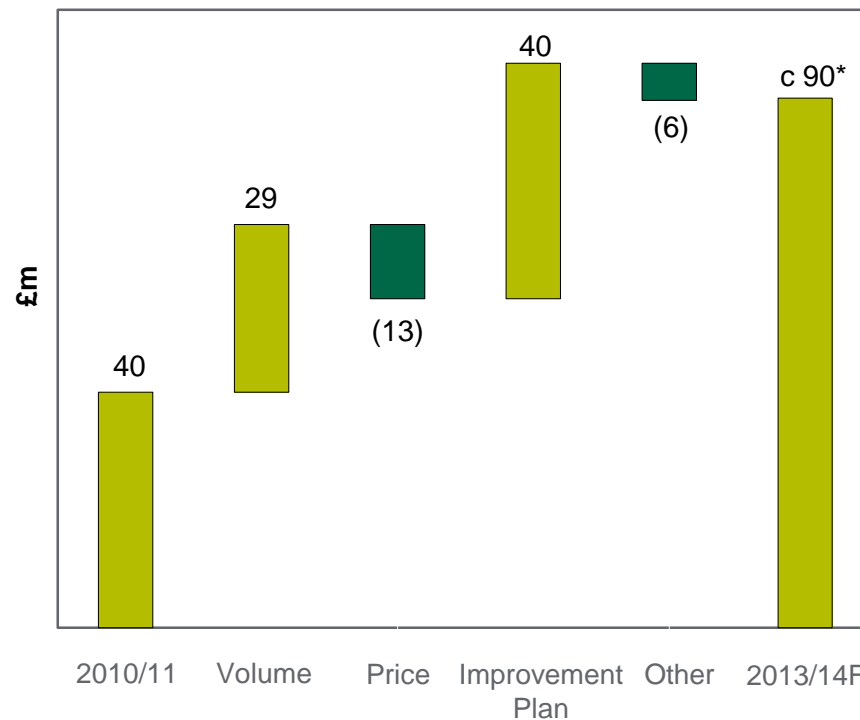


DeLaRue

Improvement Plan				Further Opportunity
		Key actions		
Customer Focus		Country and regional plans in place “New” countries being targeted successfully Customer focus sales training largely complete	✓	
Innovation	R&D	Technology centre operational Safeguard - launched Good new product pipeline	✓	
	Design	Industry ‘s largest design team 10 of 12 industry awards in last six years New design centre	✓	
Process Improvement	Quality	World class quality tools and systems. Customer satisfaction up Waste levels at record lows	✓	
	Cost	Factories modernised and reorganised Factory management restructured and delayed New management teams and training being implemented	✓	
	Delivery	‘On Time In Full’ at record levels Lead time reliability improved dramatically	✓	
Procurement		Central procurement team established Supplier development programmes well advanced Savings of £15m targeted – £10.9m achieved	✓	
Facility Optimisation		Two facilities relocated to existing plants Major investment programme ongoing Transformational Operational Excellence programme	✓	
Standardisation		Sales and operational planning process deployed Order to cash process streamlined	✓	

# Improvement Plan – Expected Outcome

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





# Looking Ahead

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Tim Cobbold  
Chief Executive



# Looking ahead – Focused Strategy

Currency Focus & Selected Solutions Focus

Revenue Growth

Continuous Improvement

Customer  
Focus

Innovation

Professionalism

Operational  
Excellence

Improvement Plan

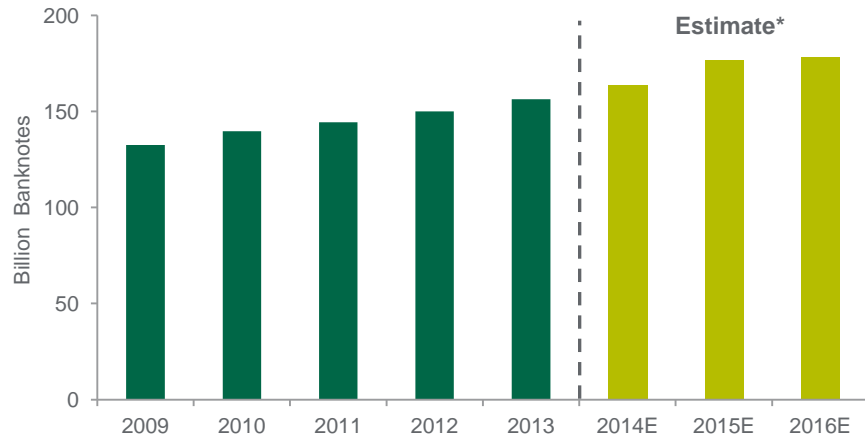
Brand, Reputation, Market Access



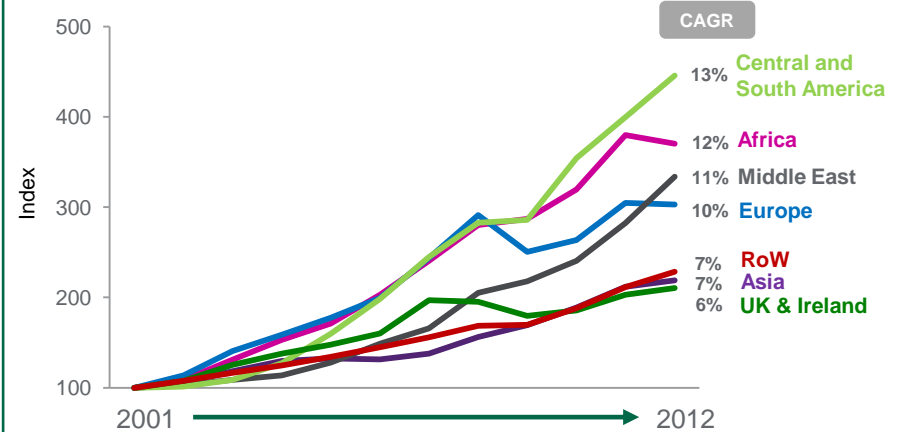
# Currency Focus – Robust, Long Term Growth Market

### Global Banknote Issuance\*

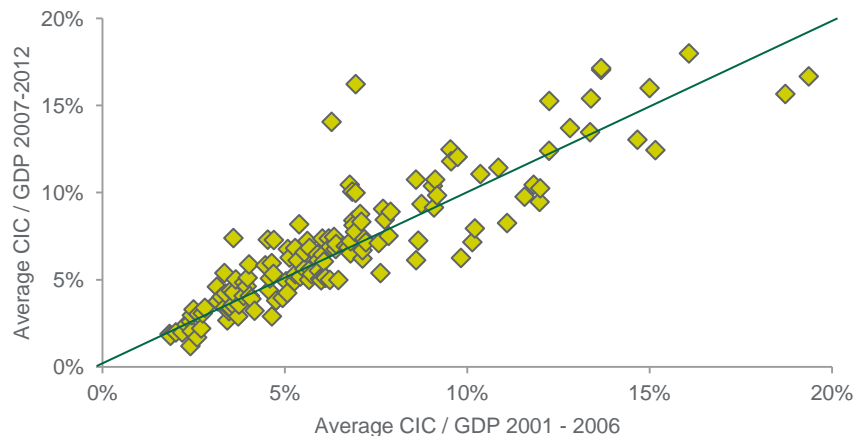
CAGR 4%



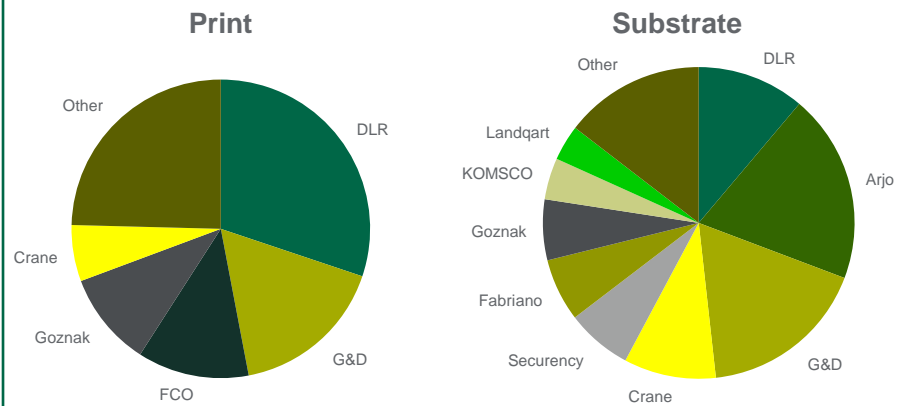
### Cash in Circulation (CIC) by region\*\*



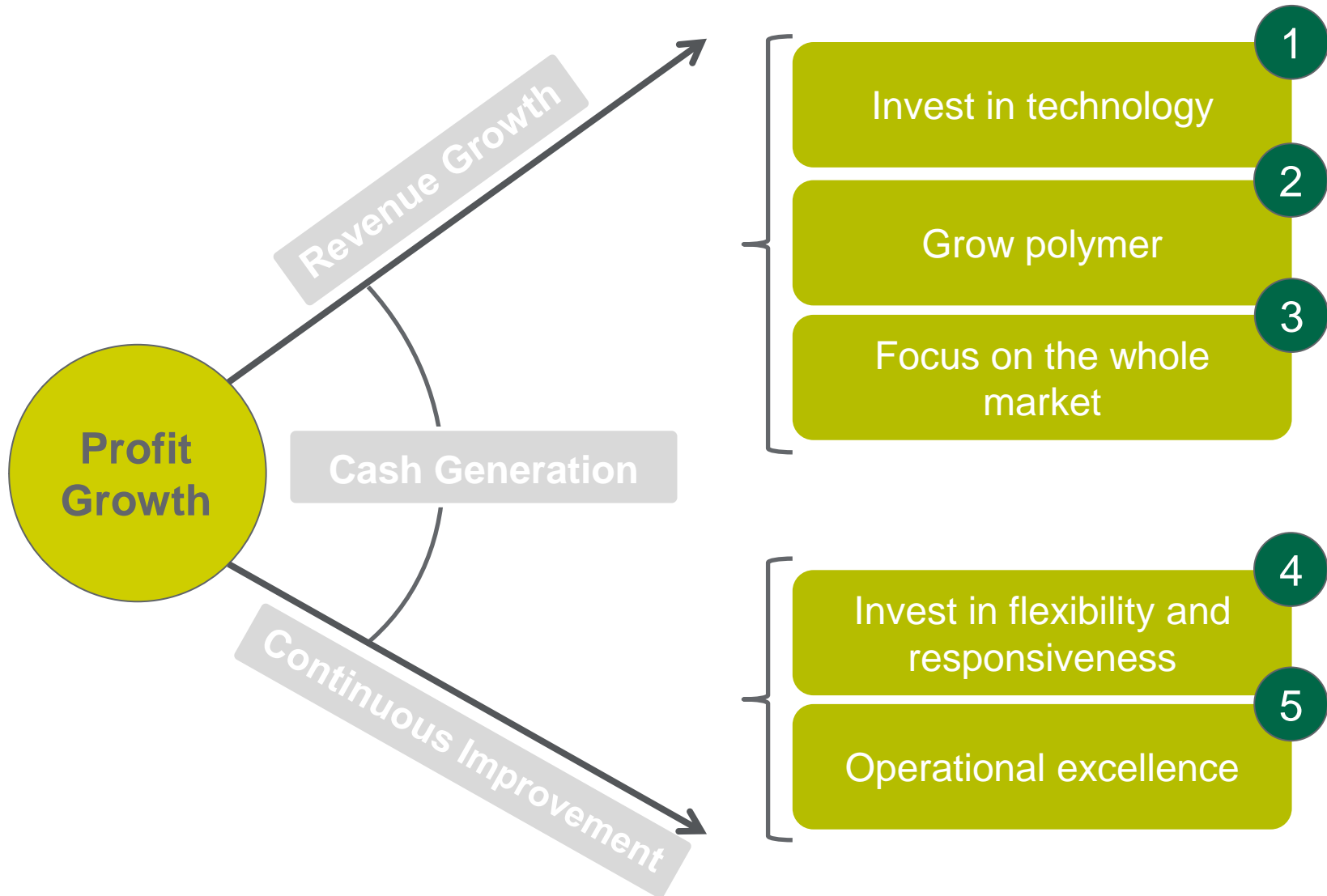
### Cash in Circulation/GDP\*\*



### Commercial Market Shares\*



# Currency Focus – a two pronged approach

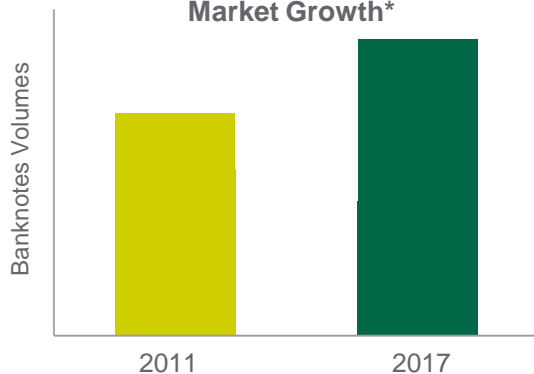


# Currency Strategy – Revenue Growth

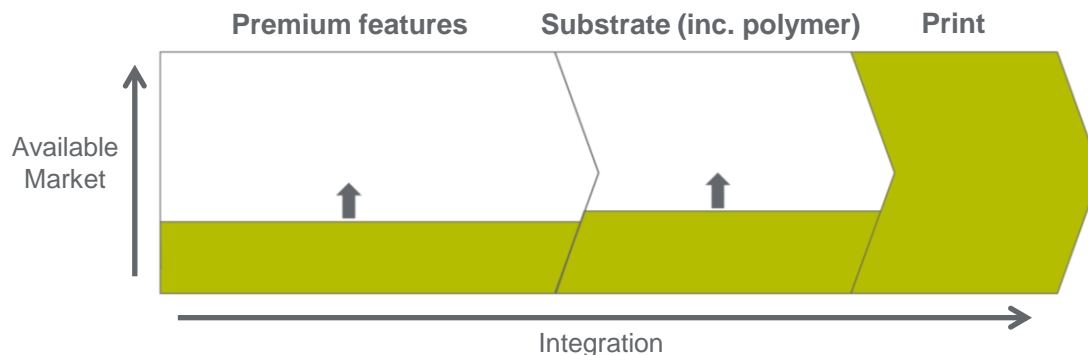
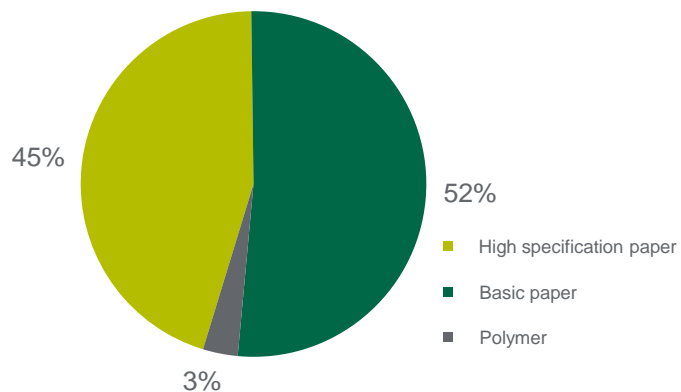
1

Invest in technology

Premium Security Features Market Growth\*



Global Substrate Market – by substrate type\*  
c156k Tonnes pa



## Technology Centre



- Operational October 2013
- Built to ECB security standards
- Personnel;
  - c50 staff
  - >20 PhDs
- Patent activity up 20%

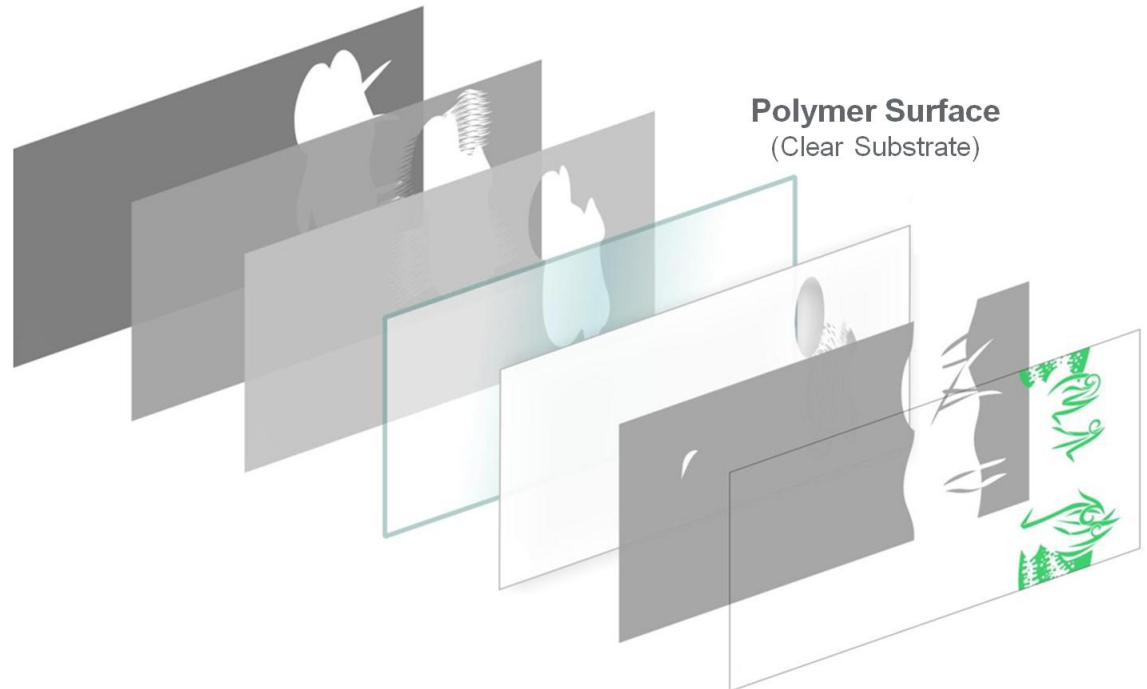
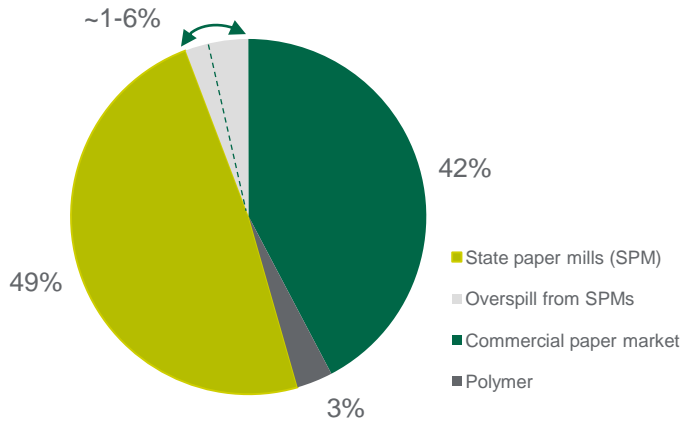


# Currency Strategy – Revenue Growth

2

## Grow polymer

**Global Substrate Market\***  
c156k Tonnes pa



### Good early progress

- Provides customers with choice
- Capacity installed
- Five customers in two years
- High level of enquiries and interest





# Currency Strategy – Revenue Growth

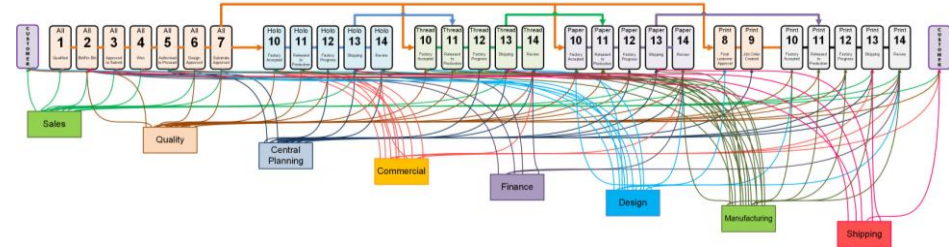
3

Focus on the whole market

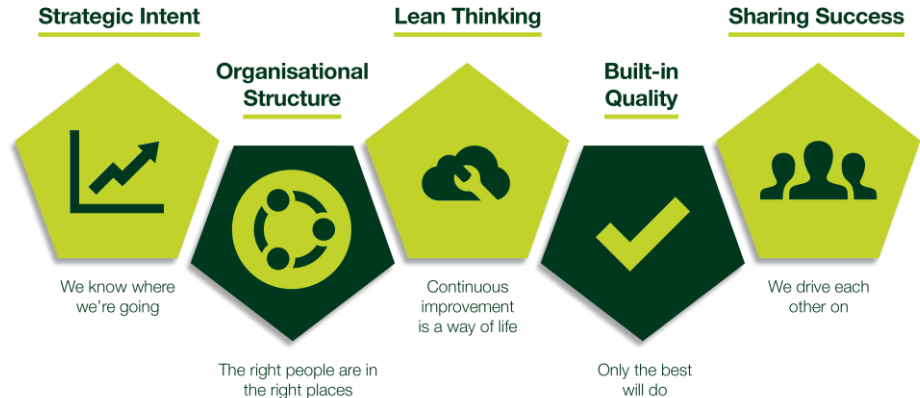
Products & Services		State Print Works	State Paper Mills	Commercial Paper Mills	Commercial Printers	Central Banks
Substrate						
	Paper	✓	N/A	N/A	✓	N/A
	Polymer	✓	N/A	N/A	✓	N/A
	Substrate Security Features	✓	✓	✓	✓	N/A
Banknotes						
	Printed Notes	N/A	N/A	N/A	N/A	✓
	Banknote Security Features	✓	✓	N/A	✓	N/A
Services		✓	✓	N/A	N/A	✓

# Currency Strategy – Continuous Improvement

4 Invest in flexibility and responsiveness



5 Operational excellence



# Selected Solutions Focus

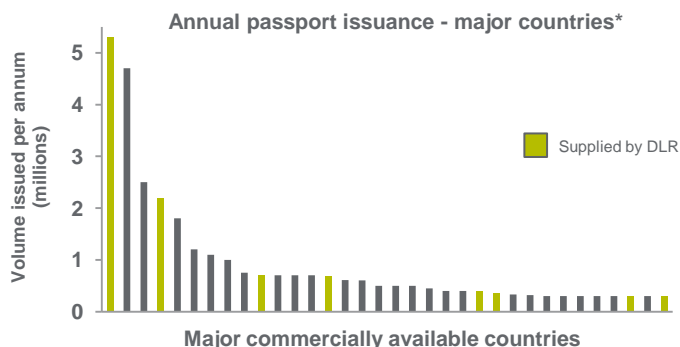
Business	Operating Profit*	Markets		Key Growth Opportunities										
Identity Systems	 <table><tr><th>Year</th><th>Operating Profit</th></tr><tr><td>09/10</td><td>3</td></tr><tr><td>10/11</td><td>3</td></tr><tr><td>11/12</td><td>9</td></tr><tr><td>12/13</td><td>16</td></tr></table>	Year	Operating Profit	09/10	3	10/11	3	11/12	9	12/13	16	Conversion of MRPassports to ePassports		Focus on ePassports
Year	Operating Profit													
09/10	3													
10/11	3													
11/12	9													
12/13	16													
Security Products	 <table><tr><th>Year</th><th>Operating Profit</th></tr><tr><td>09/10</td><td>14</td></tr><tr><td>10/11</td><td>9</td></tr><tr><td>11/12</td><td>7</td></tr><tr><td>12/13</td><td>9</td></tr></table>	Year	Operating Profit	09/10	14	10/11	9	11/12	7	12/13	9	Emerging track and trace opportunity - Government Revenue Solutions		Government Revenue Solutions
Year	Operating Profit													
09/10	14													
10/11	9													
11/12	7													
12/13	9													
CPS	 <table><tr><th>Year</th><th>Operating Profit</th></tr><tr><td>09/10</td><td>-1</td></tr><tr><td>10/11</td><td>1</td></tr><tr><td>11/12</td><td>2</td></tr><tr><td>12/13</td><td>1</td></tr></table>	Year	Operating Profit	09/10	-1	10/11	1	11/12	2	12/13	1	Exceptional flow of large project opportunities		<ul style="list-style-type: none"><li>• Return to break even</li><li>• Focus on large projects</li></ul>
Year	Operating Profit													
09/10	-1													
10/11	1													
11/12	2													
12/13	1													

# Solutions Strategy – Key Growth Opportunities

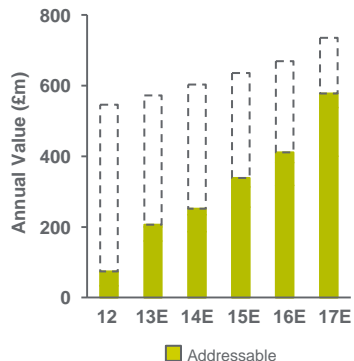
## Passports

De La Rue is the largest commercial producer of passports

- Ongoing production and management of UK Passport
- Significant win in Bangladesh



Revenue forecasts for passport market\*

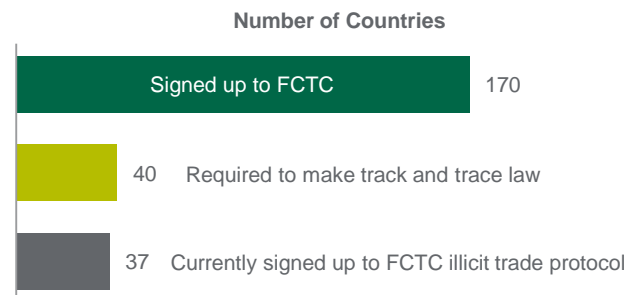


- Addressable market builds to £600m pa
- c.25 countries renew their passports every 3-5 years – Migration to ePassport
- Opportunities to include digital solution

## Government Revenue Solutions

A nascent growth market created by 170 countries signing up to FCTC

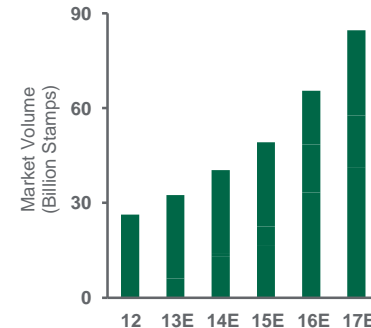
- Digital solutions provide control of Tax Stamp regimes
- Focus on tobacco and alcohol – opportunities to extend to other applications



### Opportunities

- New, emerging market, built on tax stamps
- Fits De La Rue's core strengths
- Limited competition and players
- New solution developed

FCTC market volume growth\*



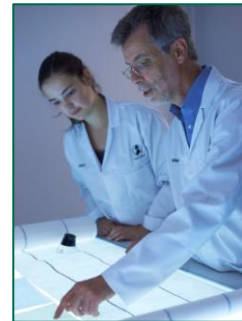
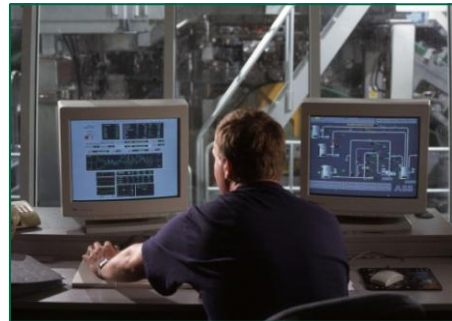
# Outlook

## Current year

- Outlook in line with revised expectations - Currency pricing still subdued

## Looking ahead

- Currency focus
  - Revenue growth
  - Continuous improvement
- Selected Solutions focus
  - Passports
  - Government Revenue Solutions
- Strong cash generation to fund ongoing investment and dividends





# DeLaRue

# 200

INNOVATING FOR THE FUTURE

# Appendix - Impact of IAS19

	2013/14 Half Year			2012/13 Half Year		
	Pre IAS19 £m	IAS19 Impact £m	Post IAS19 £m	Pre IAS19 £m	IAS19 Impact £m	Post IAS19 £m
Operating profit	39.1	(0.6)	38.5	33.2	(0.8)	32.4
Exceptional items	(4.4)	-	(4.4)	(3.6)	-	(3.6)
Interest	(2.1)	-	(2.1)	(1.7)	-	(1.7)
IAS19 finance cost	-	(3.6)	(3.6)	-	(3.3)	(3.3)
Profit before tax	32.6	(4.2)	28.4	27.9	(4.1)	23.8
Tax	(7.2)	1.0	(6.2)	(2.3)	1.0	(1.3)
Profit after tax	25.4	(3.2)	22.2	25.6	(3.1)	22.5
Headline EPS	28.9p	(3.2p)	25.7p	23.8p	(3.1p)	20.7p
Basic EPS	25.1p	(3.2p)	21.9p	25.2p	(3.1p)	22.1p