2015/16 Full Year Results

De La Rue plc
24 May 2016

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Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Operational review and strategic update
Martin Sutherland

Q&A

Overview

- Solid performance in a year of significant change
  - Group revenue +7% yoy[1]
  - Underlying operating profit +2% yoy[1]
  - Group 12 month order book +62% at £365m[1]
- Good early strategic progress
  - Reorganisation complete
  - Manufacturing footprint restructuring completed
  - Encouraging progress in Polymer
  - Sold underperforming CPS
- Positive cash flow
  - Net debt reduced by £5m
  - Dividend maintained at 25p

1. Continuing operations only

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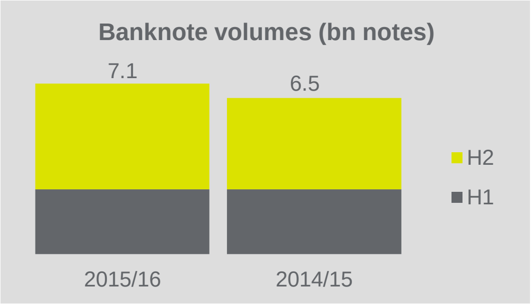
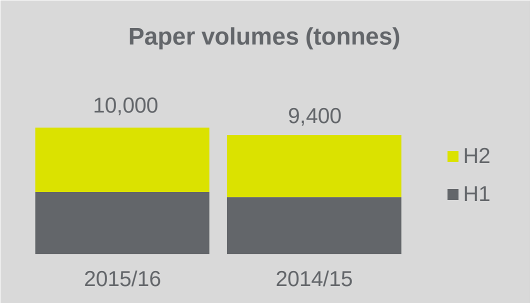
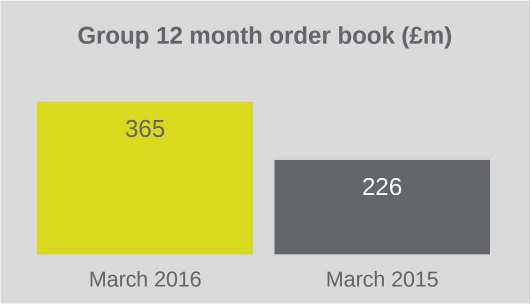
Financial overview

	2015/16* £m	2014/15* £m	Change %
Revenue	**454.5**	422.8	7%
Underlying operating profit**	**70.4**	69.1	2%
Underlying operating margin**	**15.5%**	16.3%	(80bpts)
Underlying profit before tax**	**58.5**	57.5	2%
Taxation before exceptionals	**(8.6)**	(10.1)	-
Underlying profit after tax**	**49.9**	47.4	5%
Underlying earnings per share**	**48.1p**	46.1p	4%
Reported earnings per share	**46.8p**	31.8p	47%
Dividend per share	**25.0p**	25.0p	0%







* Continuing operations only
**Before exceptional items

Revenue and operating profit

	Revenue*			Operating profit*		
	2015/16 £m	2014/15 £m	Change %	**2015/16 £m**	2014/15 £m	Change %
Currency	**353.3**	317.9	11%	**55.1**	50.5	9%
Identity Solutions	**65.8**	69.0	(5%)	**6.4**	11.1	(42%)
PA&T	**39.5**	39.6	0%	**8.9**	7.5	19%
Intra group eliminations	**(4.1)**	(3.7)				
Total	**454.5**	422.8	7%	**70.4**	69.1	2%

* Continuing operations only and before exceptional items

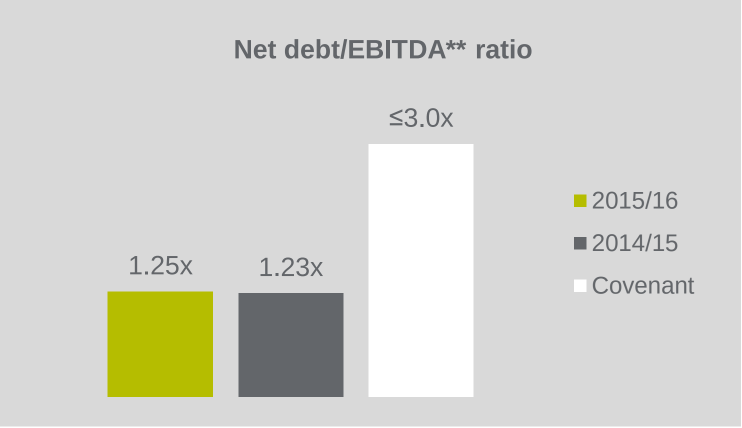
Cash flow and net debt

DeLaRue

	2015/16 £m	2014/15 £m
Underlying operating profit	**62.5**	69.5
Depreciation	**26.2**	24.8
Working capital	**11.5**	(8.7)
Underlying operating cash flow	**100.2**	85.6
Capital expenditure	**(25.0)**	(28.8)
Special pension fund contributions	**(19.1)**	(18.6)
Net cash cost of exceptional items	**(13.5)**	(6.6)
Tax and interest	**(8.8)**	(13.9)
Dividend	**(25.6)**	(37.0)
Other	**(3.3)**	(1.8)
Net cash flow	**4.9**	(21.1)

EBIT/net interest** 12.9 vs ≥4.0x covenant

	26 March 2016 £m
Opening net debt	(111.0)
Net cash flow	4.9
Closing net debt	(106.1)



*All numbers stated above include discontinued operations
**Adjusted EBIT/net interest and net debt/EBITDA ratio

Exceptional items on continuing operations

Continuing operations	2015/16 £m	2014/15 £m
Gain on sale of surplus land	**9.5**	–
Release of warranty provision	**1.3**	3.0
Site relocation and restructuring	**(9.2)**	(2.8)
Asset impairment	**(5.2)**	(3.8)
Invocation of guarantees	–	(13.3)
Total exceptional items on continuing operations	**(3.6)**	(16.9)
Net cash cost of exceptional items for continuing operations	**(12.5)**	(4.9)

Tax credit on exceptional items for continuing operations	2015/16 £m	2014/15 £m
Credit in the period	**1.8**	2.4
Prior year tax credit	**0.5**	–
Total tax credit on exceptional items	**2.3**	2.4

Disposal of CPS

- Underperformance continued in H2; FY operating loss of £7.9m
- Sale of CPS completed on 22 May 2016
- Consideration
  - £2.1m cash consideration upon completion
  - £1.5m deferred consideration payable over next two years
  - Additional performance related and event driven consideration of maximum £6.5m
- £23.4m non-cash exceptional impairment charges in FY15/16
  - £5.6m relating to goodwill and software intangibles
  - £17.8m relating to inventories
- Strategic partnership

Other finance matters

- Pension
  - Current funding: c£19m in FY16/17, rising by 4% p.a. to 2022
  - Triennial valuation process ongoing, expected to complete by July
- Dividend
  - Full year dividend maintained at 25.0p
  - Introducing scrip dividend alternative

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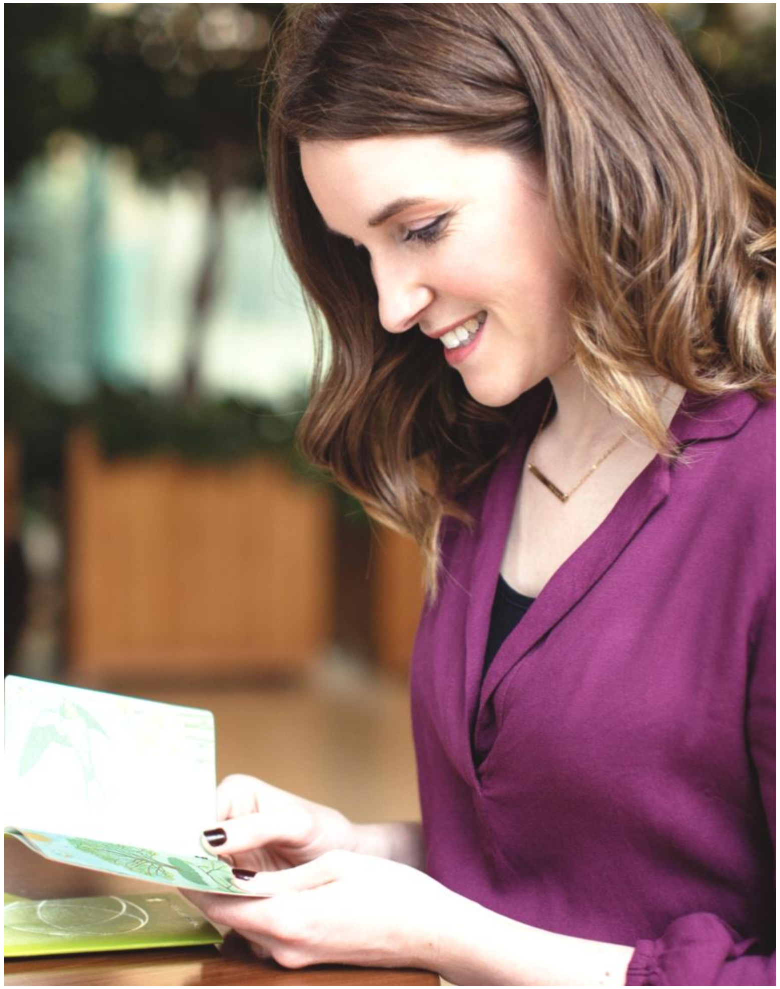


A clear plan to deliver strategic goals


Better business mix


Less volatile performance


Higher quality of earnings


Lower customer concentration

Optimise & Flex

Banknotes

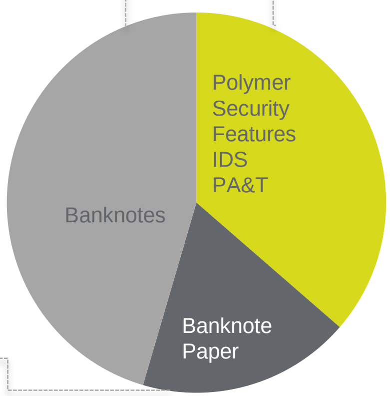
- Driving efficiency
  - Reducing footprint
  - Operational Excellence

Banknote Paper

- Seeking strategic partnerships

Cash Processing Solutions

- Sold



2015/16 Revenue on continuing operations

Invest & Build

Polymer, Security Features, IDS, PA&T

- Diversifying our revenue
  - Expand into new markets
  - Broaden our market segment
  - Grow digital and service revenue
- Increasing differentiation
  - Enhance innovation
  - Strengthen design capability

Dynamic, results focused and high performance culture

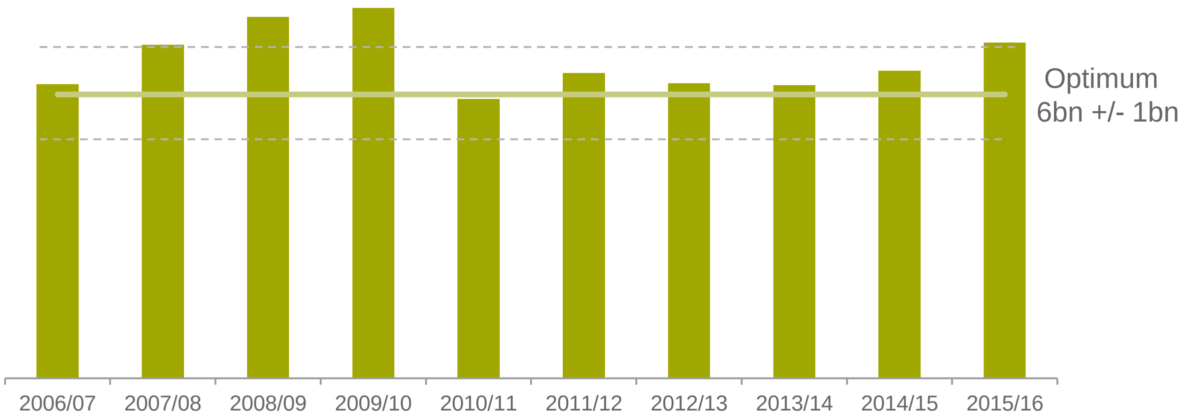
Banknotes

Optimise & Flex

Invest & Build

- Manufacturing footprint review completed:
  - £15m incremental capex and £8m one off restructuring cost over two years
  - >£13m annual cost savings in FY18/19 and beyond
  - Reduce core production capacity by 25% to 6bn[1] notes p.a.
  - Ability to flex +/- 1bn through built-in flexibility and external partnerships
  - Implementation underway, plan to complete FY18/19

Banknote sales volumes (bn notes)



- Operational Excellence programme continues to drive out costs across manufacturing footprint

1. Excluding the site managed on behalf of Bank of England

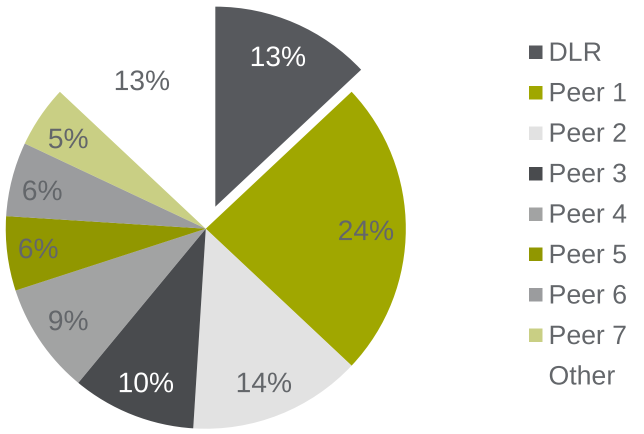
Banknote Paper

Optimise & Flex

- Continued to drive out costs to offset pricing pressure
  - 14% reduction in headcount
  - 10% reduction in unit production costs
  - 23% increase in productivity[1]
- Increased machine utilisation, volumes +6% to 10,000 tonnes
- Constructive discussions on strategic partnerships ongoing

Invest & Build

Commercial market by annual issues[2]



1. Productivity is measured by tonnes per full time employee
2. De La Rue estimates

Polymer

Optimise
& Flex

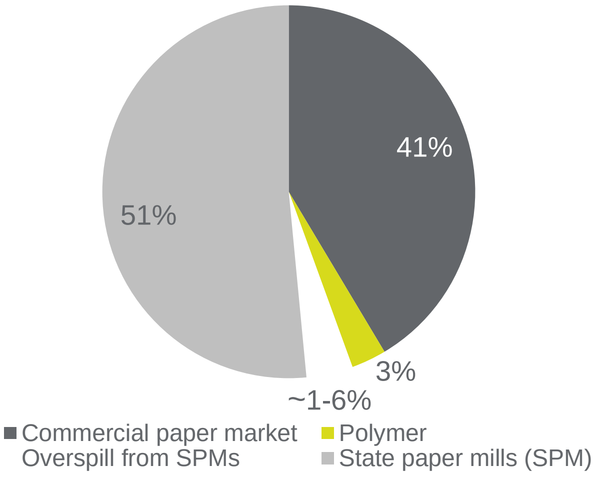
**Invest
& Build**

14 Issuing authorities

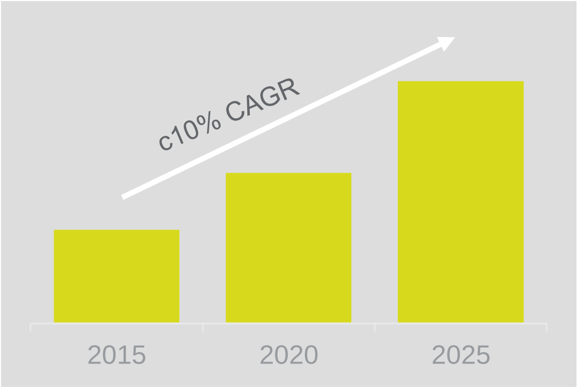
17 Denominations issued

5% Market share

Global substrate market[1] (c162k tonnes)



Polymer market growth by volume[1]



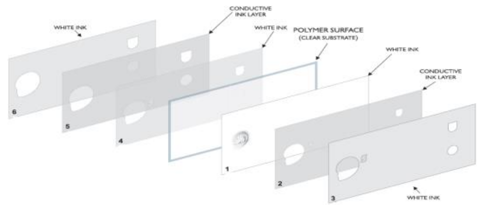
- Polymer market expected to grow significantly in next ten years; dedicated sales to capture growth opportunities
- Significant three year contract with a large customer; increased DLR nominal market share to c5%

1. De La Rue estimates

Polymer

Optimise
& Flex

**Invest
& Build**



Polymer substrate manufacturing

Polymer-adapted security features

Industry leading design capability

Extensive polymer banknote printing experience

=

50%

of patent filings in FY15/16 were polymer related

The only vertically integrated polymer supplier

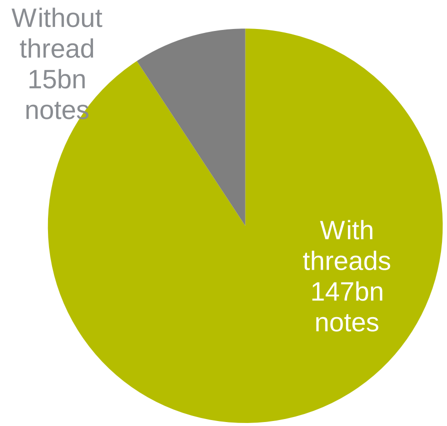
Security Features[1]

Optimise & Flex

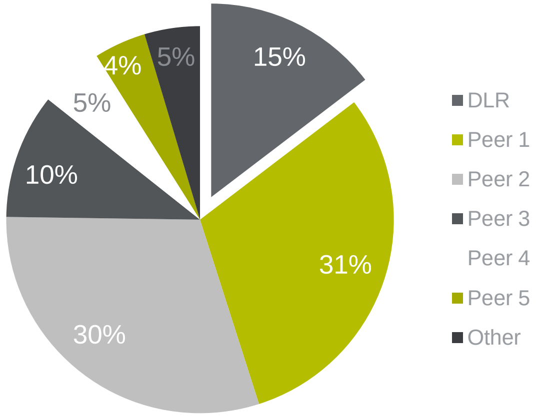
Invest & Build

- Attractive market
  - Commercially available
  - Fosters long term contracts
  - Value within a banknote shifting from print and paper towards security features
  - IP creates high barriers to entry

Global banknote market (c162bn notes)



Commercial security thread suppliers



- A material contract came to an end, but good visibility of replacement contracts

1. Previously Components

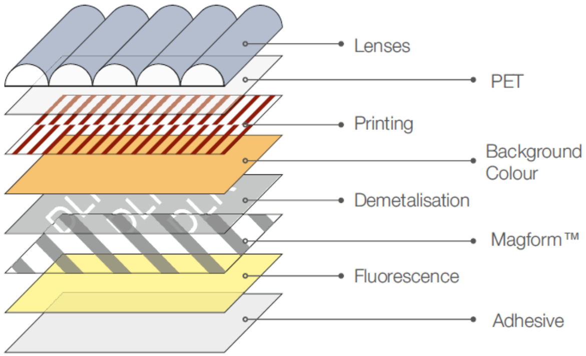
Security Features[1]

Optimise
& Flex

**Invest
& Build**

- Continued to drive product innovation
  - Launched next generation security thread Active™; already sold to two customers

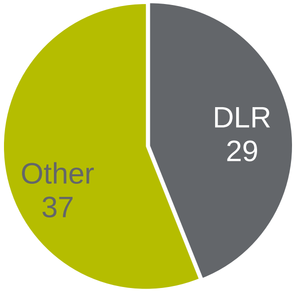
How does Active™ work



Easy to see and explain for the public
Clear and crisp images
Design freedom
Flexible technology platform
Secure

- Design as a gateway
  - Industry leading design capability
  - Designed 44% new denoms issued in FY15/16[2]

New denoms issued in FY15/16 designed by commercial suppliers

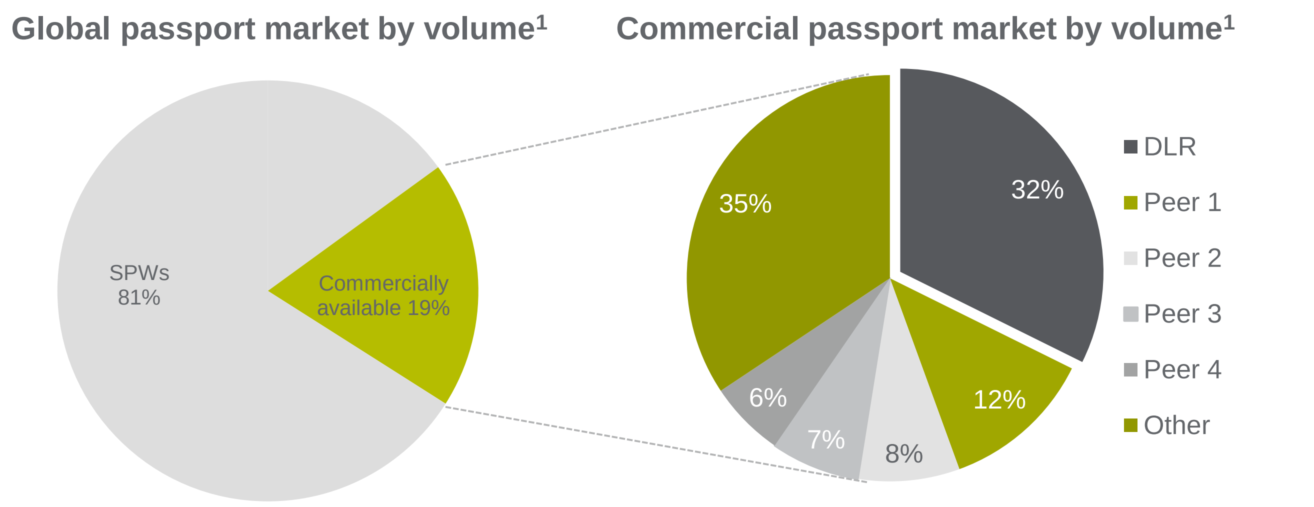


1. Previously Components
2. Issued by central banks only

Identity Solutions

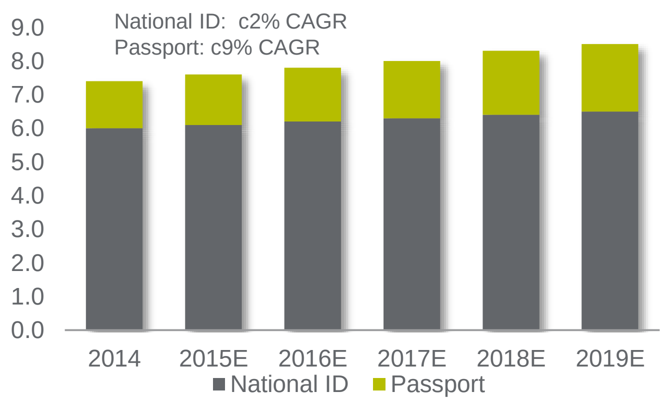
Optimise
& Flex

**Invest
& Build**



- World's largest commercial passport provider
- Provide passports and support services to >40 countries
- Opportunity to expand to adjacent ID market by leveraging existing relationships

Global identity market estimated to reach $8.5bn in 2019[1]



1. De La Rue estimates

Identity Solutions

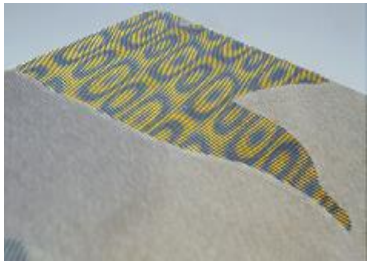
Optimise
& Flex

**Invest
& Build**

- Building foundations for growth
  - Extended offerings to digital and services with the launch of end-to-end software solution DLR Identify™
  - New products underpinned by unique features
  - Planned new capability
  - Strengthened sales force with new skills

Security features included in the new UK passport


Continuous Bio-Data Page™


Spectrum™

SkyLight™

- Established partnership with a leading identity technology company
- Established laminate partnership with Dai Nippon

Product Authentication & Traceability[1]

Optimise
& Flex

**Invest
& Build**

- Continued to drive innovation
  - Launched full track and trace solution DLR Certify™
  - Converted Spectrum™ for tax stamp
- Security print centre of excellence in Malta

B2G: protecting tax revenue

- Tobacco
- Alcohol

B2B: protecting product integrity

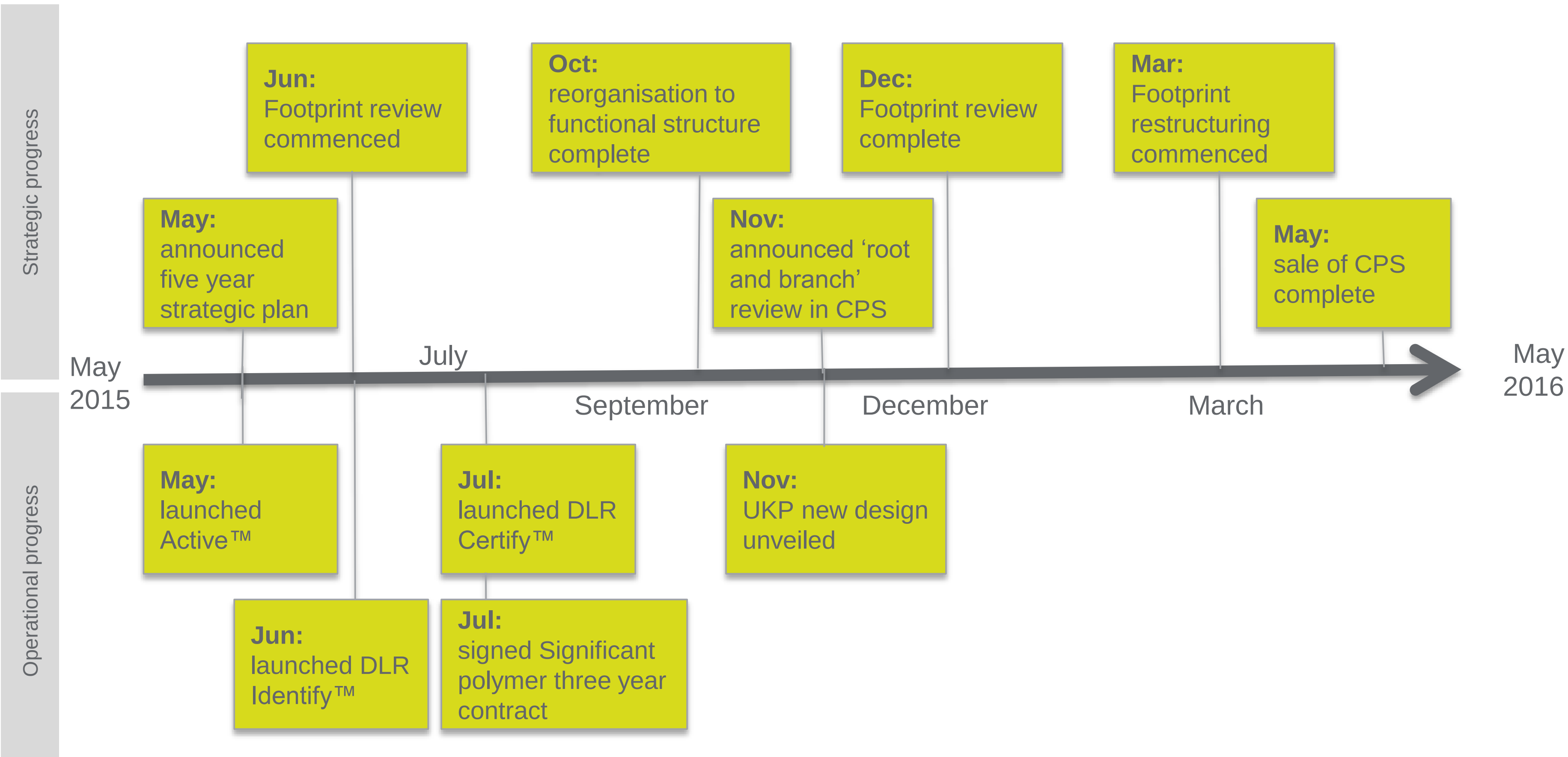
- Electronic goods
- Alcohol
- Luxury goods

Leveraging our knowledge and relationships with our existing customers

Expanding into larger and more dynamic B2B market

1. Previously Security Products

Early operational and strategic progress



Summary

- Solid performance in a year of significant change
- Early momentum in strategy implementation - key issues being addressed
- Positive cash flow
- Outlook
  - 12 month closing order book provides good visibility
  - Despite a material contract coming to an end, full year expectations unchanged

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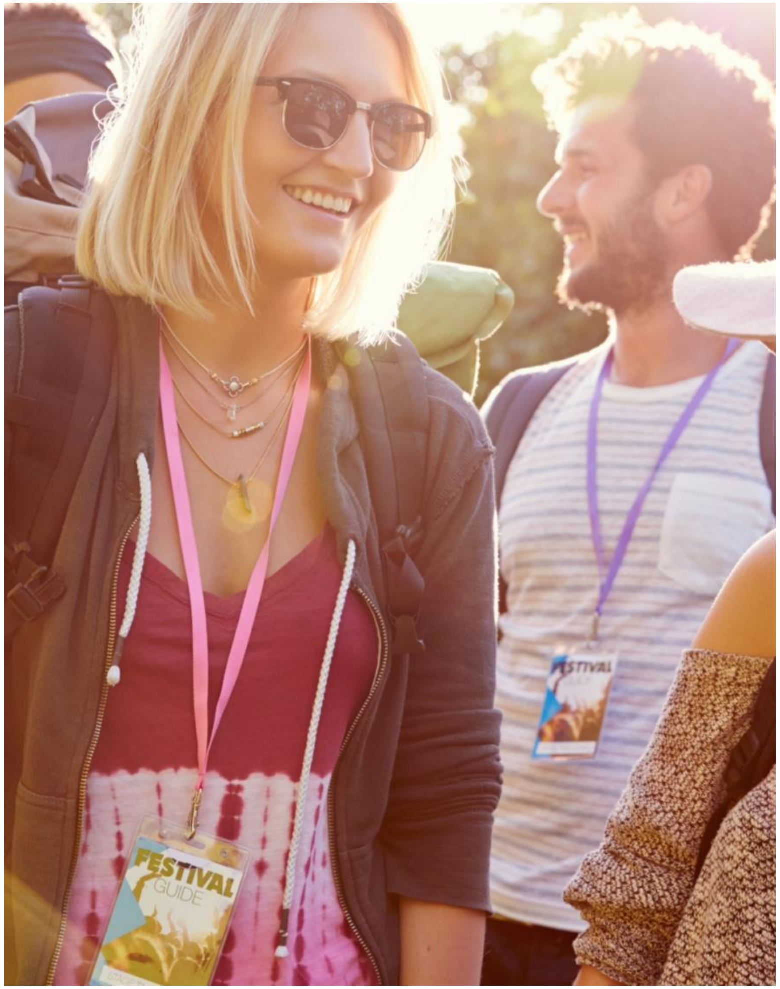

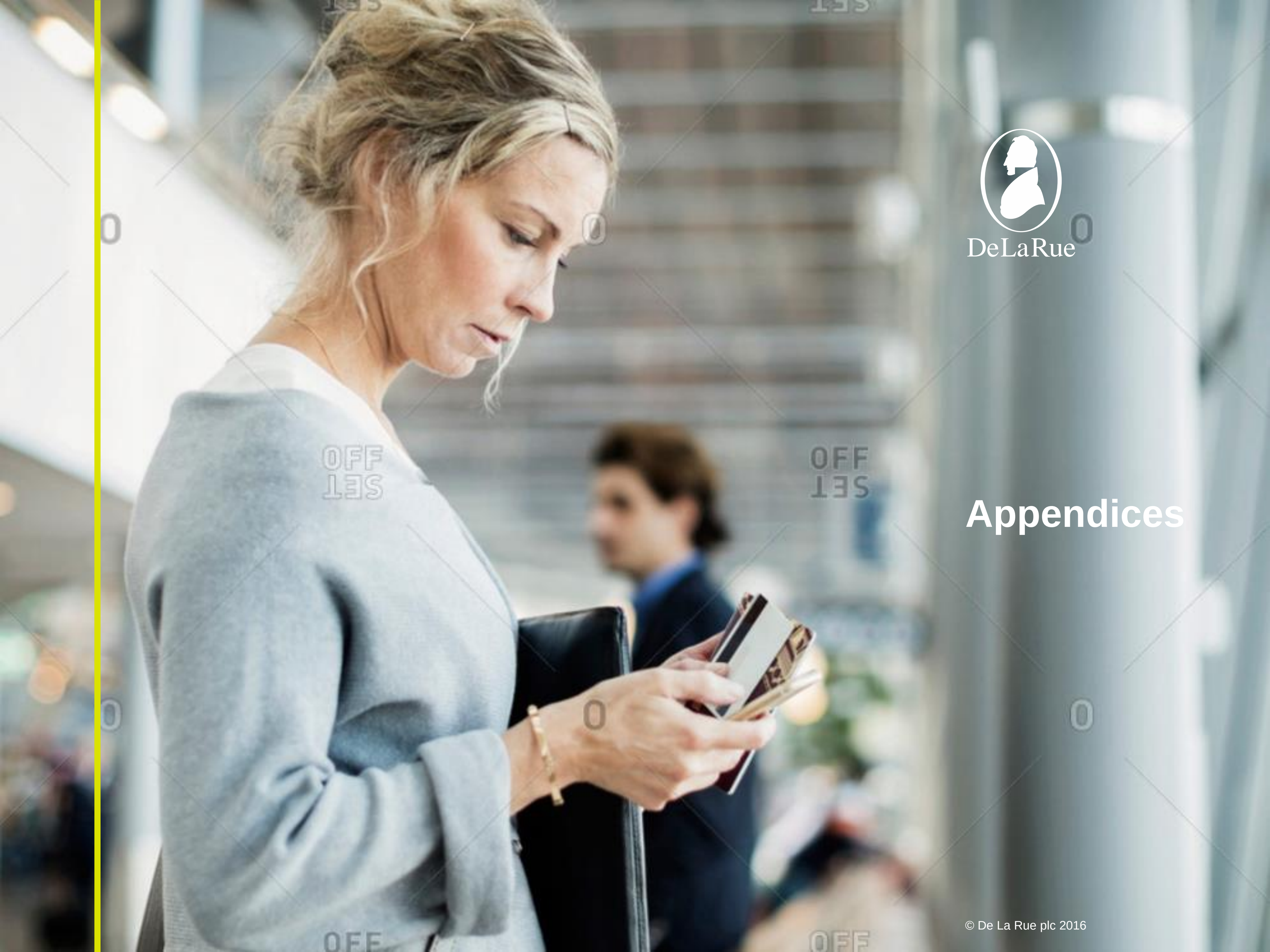

Appendices

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Consolidated income statement

	FY2015/16			FY2014/15		
	Continuing operations £m	Discontinued operations £m	Group total £m	Continuing operations £m	Discontinued operations £m	Group total £m
Revenue	**454.5**	**33.7**	**488.2**	**422.8**	**49.3**	**472.1**
Underlying operating profit*	**70.4**	**(7.9)**	**62.5**	**69.1**	**0.4**	**69.5**
Exceptional items	(3.6)	(26.0)	(29.6)	(16.9)	(1.9)	(18.8)
Operating profit	66.8	(33.9)	32.9	52.2	(1.5)	50.7
Net finance cost	(11.9)	(0.2)	(12.1)	(11.6)	(0.2)	(11.8)
Underlying profit/(loss) before tax*	58.5	(8.1)	50.4	57.5	0.2	57.7
Profit before tax	54.9	(34.1)	20.8	40.6	(1.7)	38.9
Taxation	(6.3)	3.1	(3.2)	(7.7)	3.9	(3.8)
Underlying profit/(loss) after tax*	49.9	(7.2)	42.7	47.4	1.8	49.2
Profit after tax	48.6	(31.0)	17.6	32.9	2.2	35.1
Underlying basic EPS*	48.1p	(7.1p)	41.0p	46.1p	1.8p	47.9p
Underlying diluted EPS*	47.5p	(7.0p)	40.5p	45.5p	1.8p	47.3p
Reported basic EPS	46.8p	(30.6p)	16.2p	31.8p	2.2p	34.0p
Reported diluted EPS	46.2p	(30.2p)	16.0p	31.3p	2.1p	33.4p

* Before exceptional items

Exceptional items on discontinued operations

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Discontinued operations	2015/16 £m	2014/15 £m
Site closures and restructuring	**(2.6)**	(1.9)
Re-assessment of carrying value following classification as an asset for sale	**(23.4)**	–
Total exceptional items on discontinued operations	**(26.0)**	(1.9)
Net cash cost of exceptional items for discontinued operations	**(1.0)**	(1.7)

Tax credit on exceptional items for discontinued operations	2015/16 £m	2014/15 £m
Credit in the year	**0.3**	0.4
Prior year tax credits	**1.9**	1.9
Total tax credit on exceptional items	**2.2**	2.3