DeLaRue

2017/18
Half Year Results

De La Rue plc
21 November 2017

Agenda

Overview
Martin Sutherland

Financial performance
Jitesh Sodha

Strategic update
Martin Sutherland

Operational review
Martin Sutherland

Q&A

Performance highlights

- **Good results driven by strong Currency performance**
  - Group revenue +29%; adjusted operating profit* +11%
  - Currency revenue +36%; adjusted operating profit* +16%
    - Banknote Print volumes +6%
    - Paper volumes +36%
  - PA&T revenue +20%; adjusted operating profit* +7%
  - IDS revenue +3%; adjusted operating profit* flat
  - Adjusted basic EPS +19% to 16.6p
  - Group 12 month order book at £363m (Sep 2017: £409m)
- **Strategic plan progressing well**
  - Polymer momentum continues apace
    - H1 volume 400 tonnes, exceeding last year full year volume
    - Signed 10 year contract to supply substrate for Bank of England's new £20
  - Increased investment in product development – R&D investment +33%

* Excludes exceptional net charges of £1.8m (H1 2016/17: £1.0m) and amortisation of acquired intangible assets of £0.2m (H1 2016/17: £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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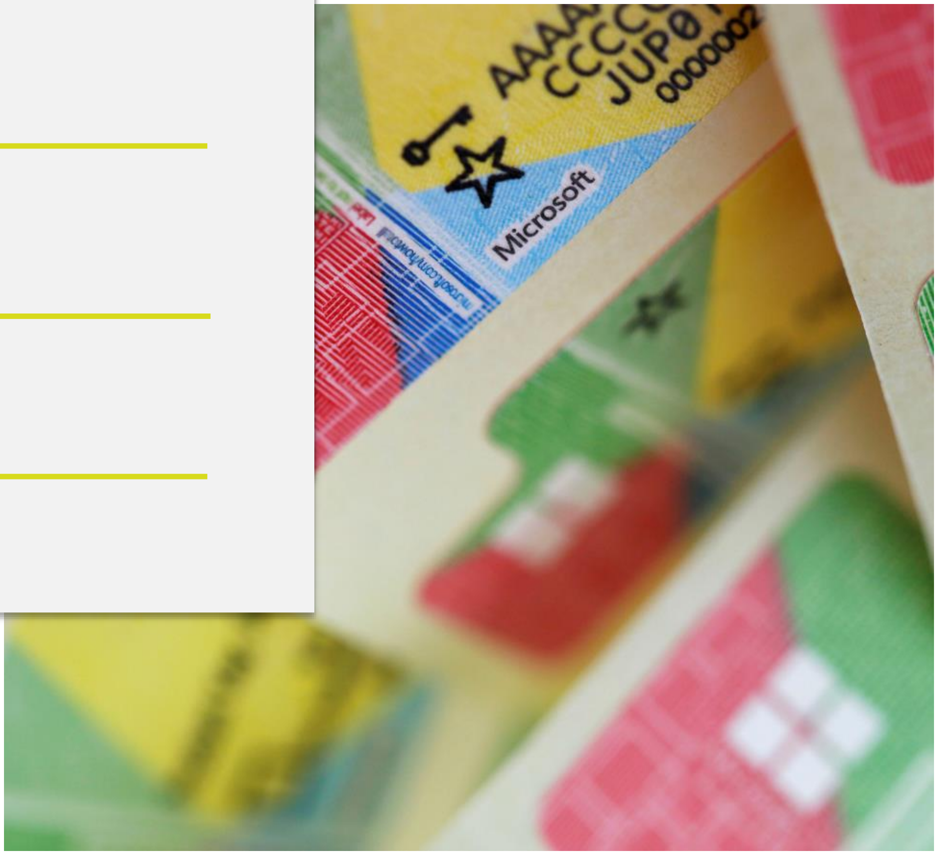


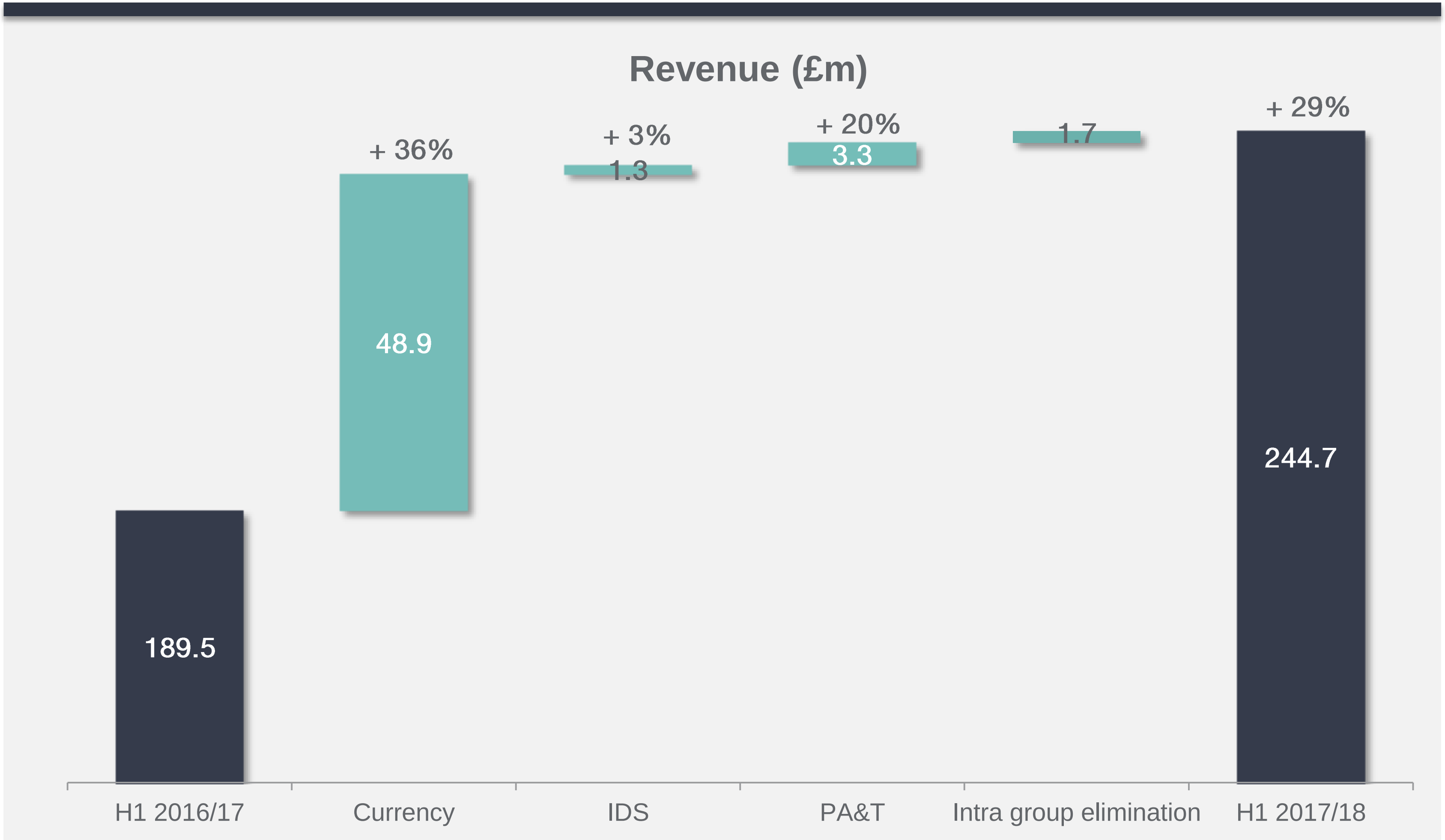
Income statement

	H1 2017/18 £m	H1 2016/17 £m	Change %
Revenue	**244.7**	189.5	+29%
Adjusted operating profit**	**26.6**	24.0	+11%
Adjusted operating margin**	**10.9%**	12.7%	(180bpts)
Adjusted basic earnings per share	**16.6p**	14.0p	+19%
Reported earnings per share	**14.8p**	13.2p	+12%
Dividend per share	**8.3p**	8.3p	0%

- 29% revenue growth driven by strong performance in Currency
- Adjusted operating profit +11%, reflecting product mix, higher raw material costs, and increased investment
- Adjusted basic earnings per share +19%, reflecting the higher operating profit and lower minority interests

* All numbers presented were continuing operations only, excluding CPS which was sold on 22 May 2016
**Before exceptional items and amortisation of acquired intangible assets

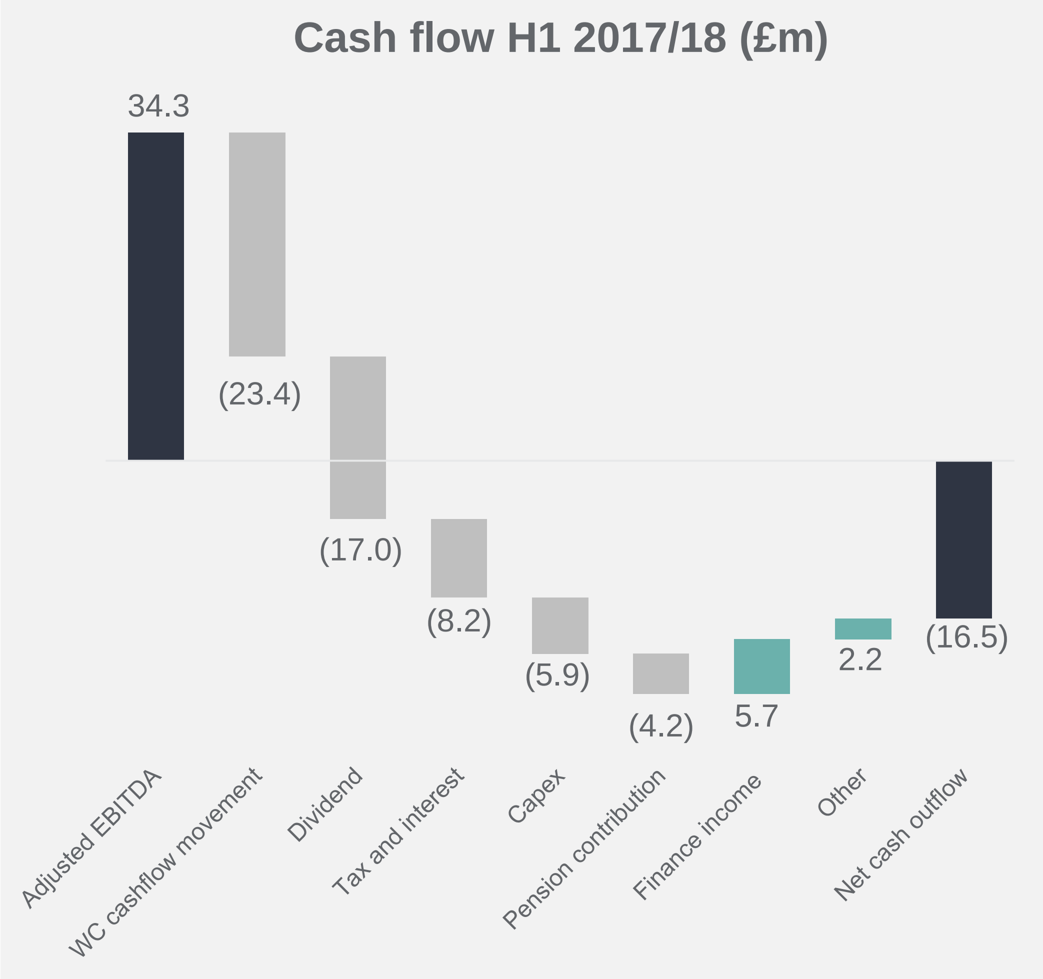
Strong revenue growth benefiting from Print and Paper volumes



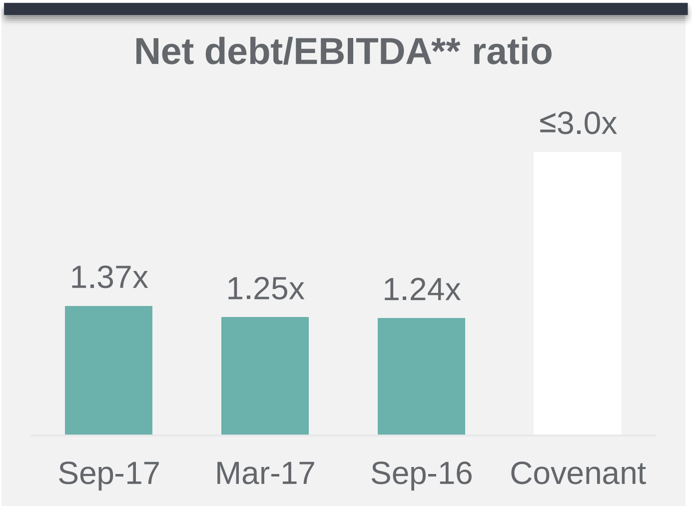
Operating profit growth driven by strong Currency performance

*Before exceptional items and amortisation of acquired intangible assets

Cash flow and net debt



	Sep 2017	Mar 2017	Sep 2016
Gross debt	(146.1)	(132.1)	(127.0)
Cash & cash equivalents	8.7	11.2	11.5
Net debt	**(137.4)**	**(120.9)**	**(115.5)**



*All numbers stated include discontinued operations
**Adjusted net debt/EBITDA ratio as per covenant definition

Trading working capital movements

	H1 2017 £m	FY 2017 £m
Trade and other receivable	**133.9**	109.7
Inventories	**73.2**	67.8
Trade and other payables	**181.6**	175.1

- Trade and other receivables were higher following significant shipments towards the end of the first half of the financial year in addition to increased advanced payments
- Inventories increased due to higher WIP for H2 deliveries

Other finance matters

- Net exceptional costs of £1.8m
- Effective tax rate 15.9% in H1; full year effective tax rate expected to be similar
- Pension deficit
  - Pre-tax pension deficit reduced by £48.0m to £189.1m (25 March 2017: £237.0m), reflecting changes in long term inflation rate and demographic assumptions, which were partly offset by a decline in discount rate
  - Change of pension indexation from RPI to CPI expected to reduce pension liabilities by c£70m on an accounting basis
  - Funding plan agreed in June 2016 remains unchanged until the conclusion of the next triennial review commencing in April 2018

Year ended 31 March	2018	2019	2020	2021	2022	2023-2028
Annual cash contribution (£m)	**13.5**	**20.5**	**21.3**	**22.2**	**23.1**	**23.0 p.a.**

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Good progress against strategic plan

Strategic priorities	2020 goals
Deliver operational excellence	• Standardised footprint with flexibility to deal with demand surges • Reduce exposure to paper market • Focus on return on capital employed
Invest for growth	• Mid-single digit revenue growth 2015 – 2020 CAGR • Double R&D investment by 2020
Strengthen financial position	• Improve cash flow
Drive culture change	• Dynamic, high performing culture

Deliver operational excellence

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Manufacturing footprint restructuring

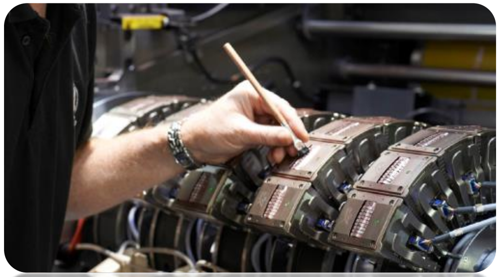
- Common footprint for banknote print with standardised capability
- Optimise capacity and create flexibility
- Run rate savings from FY18/19

Upgrading remaining 2 banknote print lines

Operational excellence

- Improve efficiency; higher throughput through optimising processes
- Save costs by reducing wastage
- Quality control

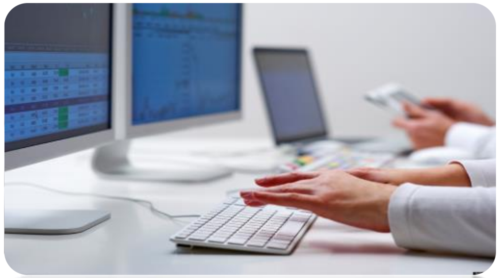
Implementing Level 3 OpEx programme; higher throughput



Efficiency programme

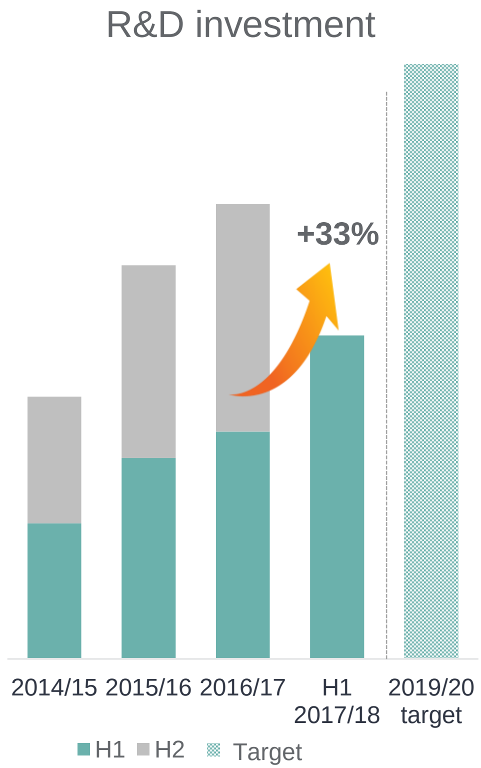
- Upgrade systems and optimise processes to improve efficiency and decision making, e.g. finance and CRM systems

Upgrading finance system and restructuring function



Invest for growth

Organic product development



Product via partnership

- New technology platform through partnerships and acquisitions

Strategic partnership with Opalux

Delivery capabilities

- Acquire new capabilities that compliment or enhance current processes
- Upgrade existing machines

New PA&T lines in centre of excellence, Malta

Sales and customer

- Build stronger customer relationships
- Upskill sales force
- Agent transfer programme

Regional hubs in China and Malaysia

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Currency

Banknote Print

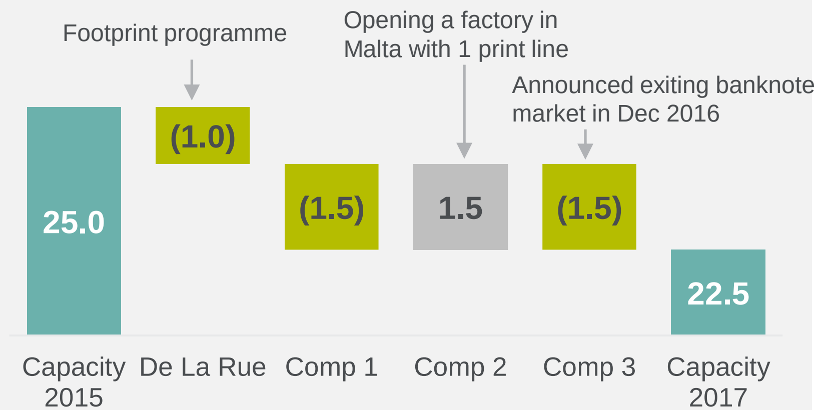
Market dynamics

- Strong demand; competitive pricing remains
- Commercial capacity rationalised
- No change in outlook

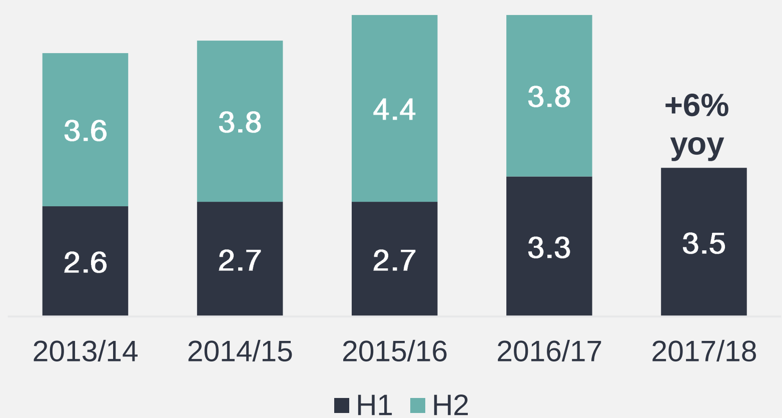
Progress in H1

- Good volume growth, +6% yoy
- Successfully launched BoE new £10 note
- DLR Analytics™ gaining more traction - 60 central banks signed up
- Footprint restructuring on track

Total capacity (bn notes)

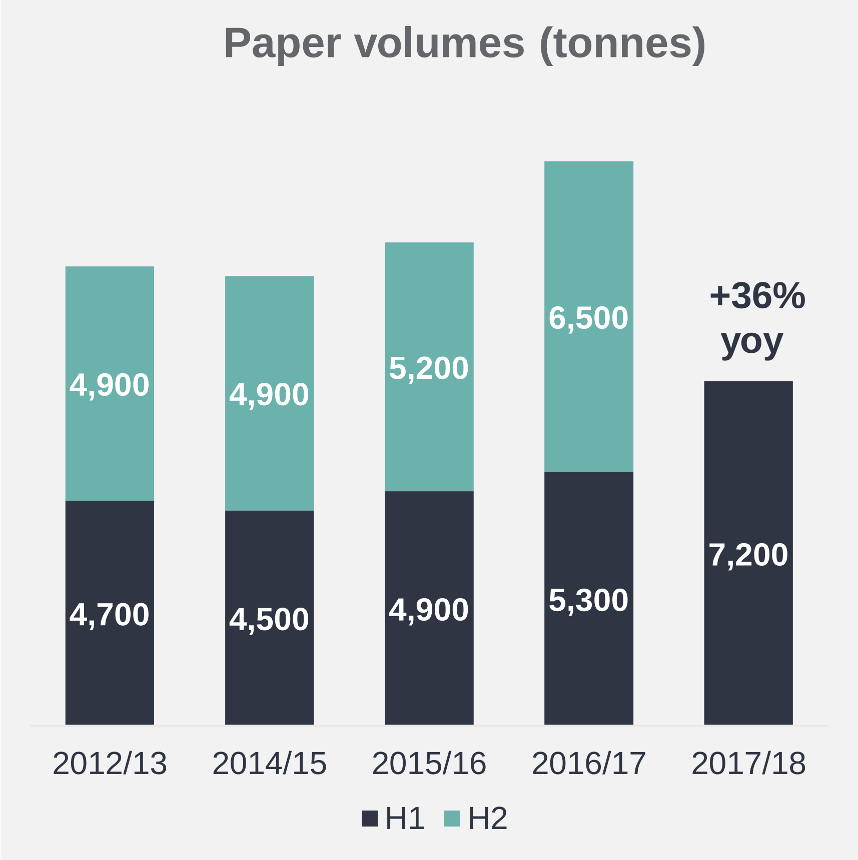


Print volumes (bn notes)



Currency

Banknote Paper



Market dynamics

- Strong short term demand
- Long term market assessment unchanged

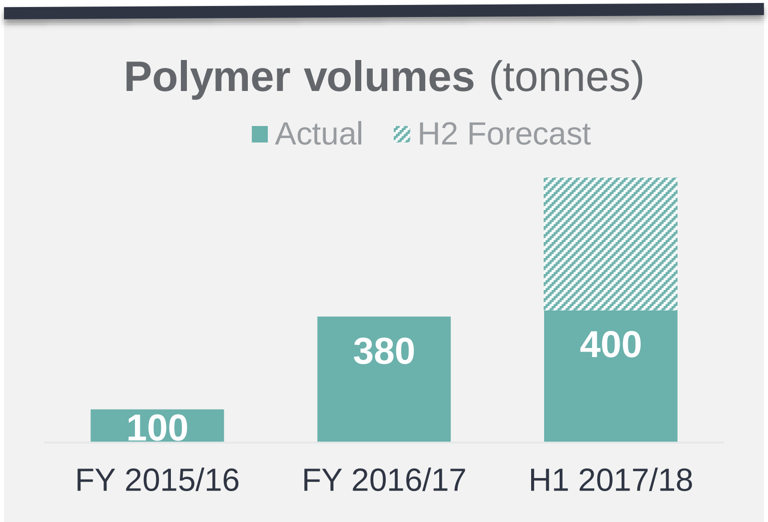
Progress in H1

- Volume +36%
- Continue to drive efficiency
- Discussions regarding long term solutions continues

Currency

Polymer

- Building scale
  - ✓ Volume at 400 tonnes
  - ✓ 21 issuing authorities; 44 denominations
- Awarded 10 year contract to supply Safeguard® for BoE new £20
- Three new Scottish £10 notes on Safeguard® went into circulation



Identity Solutions

Components

Collaboration agreement with Note Printing Australia for design and development of new Australia passport

Passports

- Electronic passport for Government of Malta
- UK passport tender ahead of 2019 expiration

System & Service

- Electronic passport and system for a W African nation
- Support services for an E African nation

Product Authentication & Traceability

Increased investment

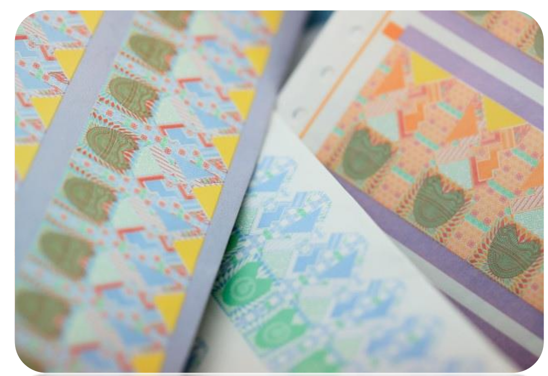
- Increased sales effort in particular Asia & N. America
- New PAT lines in Malta

Product authentication

- DuPont Authentication performing to plan
- Renewed 10 year contract with major European country

Government revenue service

- Rolling out tobacco tax stamp scheme with DLR Certify™ for an African nation



Outlook

- Strong revenue growth in H1, driven by high volumes of lower margin Banknote Paper and Print orders, reflects the lumpy nature of contracts
- H2 performance expected to be broadly in line with the same period last year
- Full year outlook unchanged

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Appendices

Consolidated income statement

	H1 2017/18			H1 2016/17		
	Continuing operations £m	Discontinued operations £m	Group total £m	Continuing operations £m	Discontinued operations £m	Group total £m
Revenue	**244.7**	**-**	**244.7**	**189.5**	**4.9**	**194.4**
Adjusted operating profit*	**26.6**	**(0.4)**	**26.2**	**24.0**	**(2.3)**	**21.7**
Exceptional items	(1.8)	-	(1.8)	(1.0)	(3.1)	(4.1)
Amortisation of acquired intangibles	(0.2)	-	(0.2)	-	-	-
Operating profit/(loss)	24.6	(0.4)	24.2	23.0	(5.4)	17.6
Net finance cost	(5.7)	-	(5.7)	(5.8)	-	(5.8)
Adjusted profit/(loss) before tax**	20.9	(0.4)	20.5	18.2	(2.3)	15.9
Reported profit/(loss) before tax	18.9	(0.4)	18.5	17.2	(5.4)	11.8
Taxation	(3.1)	-	(3.1)	(2.7)	(0.8)	(3.5)
Adjusted profit/(loss) after tax**	17.8	(0.4)	17.4	15.3	(2.3)	13.0
Reported profit/(loss) after tax	15.8	(0.4)	15.4	14.5	(6.2)	8.3
Adjusted basic EPS*	16.6p	(0.4p)	16.2p	14.0p	(2.3p)	11.7p
Adjusted diluted EPS*	16.4p	(0.4p)	16.0p	13.7p	(2.2p)	11.5p
Reported basic EPS	14.8p	(0.4p)	14.4p	13.2p	(6.1p)	7.1p
Reported diluted EPS	14.7p	(0.4p)	14.3p	12.9p	(6.0p)	6.9p

* Excludes exceptional net charges of £1.8 m (H1 2016/17: £1.0m) and amortisation of acquired intangible assets of £0.2m (2016/17: £nil).
** Excludes exceptional net charges of £1.8m (2016/17: £1.0m), amortisation of acquired intangible assets of £0.2m (2016/17: £nil) and related tax credits of £0.2m (H1 2016/17: £0.2m).
"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.

Segmented revenue and adjusted operating profit*

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	Revenue			Adjusted operating profit*		
	H1 2017/18 £m	H1 2016/17 £m	Change %	**H1 2017/18 £m**	H1 2016/17 £m	Change %
Currency	**185.3**	**136.4**	36%	**16.6**	**14.3**	16%
Identity Solutions	**39.4**	**38.1**	3%	**5.4**	**5.4**	0%
PA&T	**20.2**	**16.9**	20%	**4.6**	**4.3**	7%
Intra group eliminations	**(0.2)**	**(1.9)**				
Total	**244.7**	**189.5**	29%	**26.6**	**24.0**	11%

*Before exceptional items and amortisation of acquired intangible assets

Exceptional items

	H1 2017/18 £m	H1 2016/17 £m
Site relocation and restructuring	**(1.8)**	(1.6)
Sale of land	**-**	0.1
Warranty provisions	**-**	0.5
Exceptional items in operating profit	**(1.8)**	(1.0)
Total tax credit on exceptional items	**0.2**	0.2

Cash flow

	H1 2017/18 £m	FY 2016/17 £m	H1 2016/17 £m
Profit before tax	**18.5**	51.8	11.8
Finance income and expense	**5.7**	12.0	5.8
Deprecation and amortisation	**13.4**	26.8	13.5
Loss on disposal / asset impairment	**-**	5.5	0.8
Working capital movement	**(23.4)**	(17.2)	(13.1)
Pension fund contributions	**(4.2)**	(14.6)	(4.2)
Other	**-**	-	1.7
Cash generated from operating activities	**10.0**	**64.3**	**16.3**
Tax and interest paid	**(8.2)**	(9.9)	(2.8)
Capital expenditure	**(5.9)**	(26.1)	(8.8)
Acquisition of subsidiary	**(1.0)**	(17.9)	-
Advanced payment – non trading	**5.0**	-	-
Dividend	**(17.0)**	(25.4)	(16.9)
Net drawdown/(repayment) of borrowings	**14.0**	(12.4)	(17.3)
Proceeds from sale of CPS	**1.6**	2.1	2.5
Other	**(0.9)**	(1.4)	(0.7)
Net cash (outflow)/inflow	**(2.4)**	**(26.7)**	**(26.3)**

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.

	H1 2017/18 £m	H1 2016/17 £m
Operating profit from continuing operations on an IFRS basis	**24.6**	23.0
- Amortisation of acquired intangible assets	**0.2**	-
- Exceptional items – operating	**1.8**	1.0
Adjusted operating profit from continuing operations	**26.6**	24.0

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.

	H1 2017/18 £m	H1 2016/17 £m
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**15.1**	13.4
- Amortisation of acquired intangible assets	**0.2**	-
- Exceptional items	**1.8**	1.0
- Tax on exceptional items	**(0.2)**	(0.2)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**16.9**	14.2
Weighted average number of ordinary shares for basic earnings	**101.8**	101.5
	pence per share	pence per share
Basic earnings per ordinary share for continuing operations on an IFRS basis	**14.8p**	13.2p
Adjusted basic earnings per ordinary share for continuing operations	**16.6p**	14.0p