

Review of strategy

1 DELIVER OPERATIONAL EXCELLENCE

This strategic priority is about cost and efficiency management across the Group, with a relevance to Banknote Print and Polymer substrate.

The downside risk of Banknote Print lies with the unpredictability of market demands. The number of central banks outsourcing banknote printing is relatively stable. However, overspill from state print works, which could be significant, has caused fluctuations of demand in the commercial market. Central banks' irregular order patterns add another layer of uncertainty.

To address this potential downside risk, we look to both supply and demand. On the supply side, we aim to reduce our internal banknote printing capacity to match long term average demands, while creating flexibility through outsourcing to external partners to cover any surge in demand.

In November 2018, we announced that we were evaluating a number of cost saving initiatives. We have concluded the evaluation process and have developed a cost out plan that is expected to deliver a total annualised saving in excess of c£20m by FY22. This includes:

Corporate efficiency: we will reduce corporate overheads by layering the organisation structure and as a benefit of moving to a divisional structure.

Manufacturing optimisation: we will continue to monitor any changes in market conditions and review our manufacturing footprint on a regular basis to ensure we have the optimum footprint to deal with the changes. We will also continue to optimise cost of quality, procurement and manufacturing fixed costs.

Automated manufacturing

As technology progresses and becomes more affordable, automation and robotics are no longer limited to high volume operations. With industrial automation, we can maximise what we can produce in any given space. This means we can raise output and productivity without the need for an expensive factory extension or relocation. We can also retain or establish production in a country with high labour costs.

This doesn't necessarily mean we should automate everything. We must base decisions on whether we can achieve and sustain improvements, and see a return on investment. We also need to factor into production decisions softer benefits such as employee satisfaction levels and workplace culture, both of which are vital to running a successful growing business.



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Industrial automation allows us to maximise our workflow and output within a given space.

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Alan Newman,
Advanced Manufacturing Engineering Director

On the demand side, orders can be sparse and vary in size, which creates uncertainties in cash supply in each country as well as in the commercial market. We look to build trusted partnerships with our customers, by helping them better understand the cash cycle in their countries and, over a longer term, to manage the buying cycle for them. 'Banknote-as-a-service', a managed service model enabled by our proprietary cash cycle management software, DLR Analytics, will ensure 'just-in-time' delivery, helping customers to better manage their budgets and to reduce inventory. Building more long term partnerships like this will improve our visibility of orders, thus reducing volatility in performance.

DLR Analytics, which more than 85 central banks are using, expanded its service offering with the launch of its forecasting functionality in June 2018. During the year, two central banks that use DLR Analytics have signed up to test our banknote-as-a-service offering. Following its success at the Central Banking Awards in January 2018, De La Rue Analytics was awarded the 'Currency Technology Provider of the Year' at the Central Banking's FinTech and RegTech Global Awards in 2019.