

CURRENCY NEWS™

VOLUME 18 – NO 2 / FEBRUARY 2020

De La Rue – Turning Around, Building on its Core Strengths

It has been a tumultuous period for De La Rue, with negative headlines and the departure last year of virtually all the senior management. The appointment of a new CEO – the turnaround specialist Clive Vacher – to effect yet another strategy was met with some cynicism at the time, but the recent announcement of the outline plan (see page 1) has been received positively and has resonated as a sensible strategy among those who know the business well.

A new structure, with the company divided into Currency and Authentication divisions, is part of this plan. And the former will have a razor-sharp focus on banknotes, building on its core strength of being a creative and flexible partner to central banks and state printing works. So says its Managing Director, Ruth Euling, who – having been with the company for over 30 years – has seen it all, and yet is energised and excited about the new path De La Rue is taking.

Currency News™ met up with her on the day the new Bank of England £20 note went into circulation to find out more.

Q: *First, can you describe your background and career to date?*

A: I will have been here 32 years this October. I joined as a graduate and my first ten years were spent in the ID, passport and security document businesses. After that, I went onto several sales positions in currency, covering many central banks and state printing works. I built up different perspectives of running a business via several HR and corporate roles, as well as a spell as Managing Director of the holographic business. I came back to currency as Sales Director in 2011 and was asked to head up the new Currency Division last October.

Q: *So there are now two divisions – Currency and Authentication. Can you describe what impact this new structure has had, and will have, on the currency business?*

A: It's the first time all parts of the currency business have been united since 2010, when delivery was separated from the rest of the business to focus solely on manufacturing. Under the last CEO the currency business was further segmented into different functions – commercial, technology and manufacturing. Each function covered a broad range of product areas, encompassing currency, brand, ID and cash processing systems.



Ruth Euling.

What we have done is to put everything related to currency under one leadership team – sales, manufacturing, product development, research, design and commercial. This means we can manage the end-to-end value chain within one business structure. We also established a very experienced leadership team who have a wealth of expertise and knowledge about the industry.

Q: *What about research and product development? Where does that sit?*

A: There is a dedicated group within the currency business. Currently this resides at our Technology Centre on a site leased from Portals but it will soon be re-located to our HQ in Basingstoke. We have a number of projects running concurrently with companies in the industry, and I am keen that we continue to explore a collaborative approach where it unlocks novel products that we wouldn't otherwise have got to market.

Q: *What have your priorities been since taking over as Managing Director of Currency?*

A: Initially to form the division and the leadership team, which has been in place now for three months. To deliver on the expectations for the rest of the financial year. To play a key role in the development of the turnaround plan – a lot of time has been spent on this and it has been a very engaging process, with many of us involved in setting the direction.

And of course, to continue to ensure we meet and exceed the expectations for our customers. This includes sustainability, which is becoming increasingly important – we have pockets of excellence in places, for instance related to specific recycling and waste initiatives in our sites, but it's such an important area and there is much more we will do here.

Q: *The details of the turnaround plan won't be announced for some months yet. But can you give us an indication of the direction?*

A: We have one plan that we are all aligned behind and its key objective is to grow De La Rue's Currency business. As you would imagine there are specific, strategic workstreams focussed on cost reduction and value stream excellence to improve efficiencies. Fundamentally, though, the turnaround plan sets up De La Rue for continued market leadership in currency and future delivery of what central banks and state printing works need.

We have established a strong position as a polymer substrate supplier; *Safeguard*® launched in 2012 and the Bank of England £20 represents the 42nd banknote to circulate on this substrate, with the three Scottish banks following imminently with their £20s. Going forward we will invest in, and support customers transitioning from paper to polymer notes and we will develop innovative, secure features on polymer.

That said, 84% of all denominations are still produced on paper and paper-based security features remain fundamentally important in the foreseeable future.

We have a portfolio of industry-leading paper security features based on micro-optics, colourshift and holographic technologies incorporated in threads, patches and our product portfolio is probably the most diverse one in the world. *PureImage*™ is a next generation holographic thread with highly impactful effects, *Kinetic StarChrome*® is a combination of two secure technologies and the most personalisable thread available and *Ignite*® is our new thread that has incredibly strong colour shifting and movement effects as well as scope to personalise the effects.

Q: *Did the sale of Cash Processing Solutions and, more recently, Portals send out signals that you weren't interested in currency?*

A: I think customers understood the exit from cash processing – if you want leadership positions in a challenging market, you must make choices about where to invest.

On the Portals side, customers have always seen De La Rue as a vertically integrated supplier and didn't understand that paper is a highly capital intensive business which required significant investment in a competitive market. That was challenging to communicate. But our position is that we will meet our customers' needs and we have retained the ability to provide vertically integrated routes to both major banknote substrates – they can source paper from us through our partnership with Portals, or they can source polymer directly from us.

Q: *And what will your priorities be going forward?*

A: Obviously executing the turnaround plan. This will require investment in polymer and also launching and growing new products in the pipeline. I can't say too much, other than that one of them is a potentially disruptive feature in paper. *Kinetic StarChrome* goes from strength to strength whereas the newer *PureImage* and *Ignite* threads are showing signs of growth, with sales into central banks and a state printing works already secured.

And we have developments for polymer as well – some of them are a little longer-term but you can start to see some of the creativity evolving around security feature effects if you look at the new holographic stripes in the new Bank of Scotland and Clydesdale polymer £20.

Q: *What is your manufacturing footprint? Is it the right footprint, and will it change under the new structure?*

A: Our printing sites are in Sri Lanka, Kenya, Malta and, in the UK, Debden (which was the Bank of England printworks) and Gateshead. The operations in Sri Lanka and Kenya are joint ventures with the governments in those countries – we pioneered the model of producing overseas in the mid 70s and remain the leader in this area. We also have a facility near Manchester, at Westhoughton, for security features and polymer. And, of course, Portals remains our key supplier for paper.

Going forward De La Rue will continue to focus on improving efficiency in its manufacturing footprint and will enhance the capabilities at its sites to build a more flexible manufacturing model.

Q: *Where do you think your key strengths and points of differentiation lie versus your competitors?*

A: The key strengths of De La Rue can be summarised as creativity, flexibility and our approach as expert partners – we really listen to and act on the needs of our customers and I believe this is one of the reasons we are the market leader in banknotes.

Our *Safeguard* substrate is one example of us understanding customer needs and the impact when we do this shows – since 2013, 83% of issuing authorities who have issued banknotes on polymer globally have selected it.

Our strengths are underpinned by expertise around banknote design, design for manufacture, feature integration, cash cycle analytics, global manufacturing and the global expertise that is derived from being the world's largest designer and commercial manufacturer of banknotes around the world.

Creativity is at its most obvious when you consider the banknotes we design (for instance the four new £20 notes being issued in the UK this month and next) – we've designed one third of all the banknotes circulating in the world and they are often highly bespoke, we have a team of award-winning designers and we produce some of the most personalisable security features in the market.

But creativity is apparent elsewhere – for instance with *Optiks* we embedded a stripe into paper, *DLR Analytics™* introduced a simple and standardised way for central banks to exchange information about their cash cycle, and some of our joint ventures and localisation activities have enabled banknote production via new operating models.

Flexibility manifests itself in many ways. It's part of our DNA and we have a long history of delivering urgent orders, accommodating changes and providing support that goes above and beyond standard banknote provision (for instance our Advanced Banknote Managers course and our anti-counterfeiting service).

Our expertise around designing for manufacture and carrying out global manufacturing enables us to integrate a wide range of different technologies and exploit the flexibility that is inherent in our international factory footprint. The replacement of two old lines with two completely new lines at the same time as producing the new £5, £10 and now £20 notes on polymer for Bank of England between 2016 and 2020 is a case in point. It has been a huge achievement and is a great example of how we find a way to deliver what is needed to our customers.

The partnership-based approach is also multi-faceted and ranges from joint ventures with governments through to working with the Bank of England to help find a sustainable recycling solution for their polymer banknotes, or working on how to produce the world's first carbon neutral banknote for the Central Bank of Samoa.

Q: *You now focus on banknotes, polymer and features. But what about services? Do you see opportunities there, as opposed to just manufacturing?*

A: Yes, very much so. We have already invested a lot in the DLR Analytics service, with over 80 central banks signed up, whether they are De La Rue customers or not. We see decisions based on data as increasingly important in driving efficiency. With everyone talking about the future of cash, what is key to that future is making cash as efficient as possible. We see DLR Analytics as an enabler for central banks and printworks to understand and analyse how cash circulates, how it is used, how it performs in circulation – all of which helps inform their decisions.

Q: *You say that polymer is your fastest-growing product. Aren't you shooting yourselves in the foot given that it will extend the life of banknotes and hence result in fewer of them?*

A: We don't see it that way. If cash is to survive, it needs to be efficient and cost-effective. If we can help central banks and state printing works create efficiencies in the cash cycle and drive a more sustainable approach to banknotes, which polymer can provide, then that is good for cash.

And since launching Safeguard we've realised that polymer is not only about longevity – it is also used to improve the quality of the notes in circulation, while several central banks have moved to polymer because their assessments have convinced them that it is more secure given their circulating environment.

Q: *You have mentioned sustainability a couple of times. What is De La Rue doing to make its products and processes more sustainable?*

A: All De La Rue manufacturing sites have achieved ISO14001 accreditation for their environmental management systems and we track key environmental KPIs such as water usage on a monthly basis whilst challenging ourselves to minimise our impact (eg. minimising and recycling waste in our factories, reducing our waste going to landfill by better segregation of the waste types).

We've also progressed from just thinking about the impact of our sites to considering the end-to-end use of the products we make. As an example, over the past year we have started to offer carbon-neutral banknotes via a carbon off-setting process, and we've worked with central banks on their recycling propositions. There is still (and always will be) much more we can do in this area.

Q: *What are the changes, good and bad, that you have seen in the industry over the past three decades?*

A: Polymer has gone from being an outlier to mainstream – it's only taken 30 years!

On the positive side, there is more innovation, competition, and a greater drive for transparency from our customers. There is also a real focus on the public who use the banknotes we produce – central banks are thinking much more about the end-users and how they interact with banknotes – and we interpret this into our design process to ensure we produce banknotes that are functionally fit for purpose in the cash cycle.

On the negative side, there is growing complexity in manufacturing banknotes and integrating new technologies, which brings greater risks during integration, manufacture and launch. I believe this is something we need to discuss more in the industry and share best practice to reduce risk and costs.

Q: *You are clearly still hugely positive about banknotes, and about De La Rue. So, what do you find most exciting at the moment in your role?*

A: I am excited to be leading this business and proud of the team I am working with. We are lucky to work in such an interesting and fascinating industry.

I'm also excited about the changes underway within De La Rue. We have a clear plan which we believe in and we have all the right ingredients for success – a great product portfolio and pipeline coupled with a real depth and breadth of expertise in banknote technologies, banknote design, manufacturing and cash cycle management. There's every reason to be optimistic about the future...

