

# De La Rue – Back on a Winning Streak

Despite being the leading banknote printer with world-beating design and innovation, De La Rue has had a challenging few years. Clive Vacher, a turnaround specialist, took over at the helm a year ago to, literally, turn the company around. The first real test of his performance was the interim results announced on 25 November (see page 1). As they demonstrate, particularly the sevenfold increase in profit, the plan is working.



Clive Vacher.

Currency News caught up with Clive, fresh from announcing the results, to find out his impressions of the company and the industry after just over a year in the job, why his plan is succeeding where others have failed, and where he sees the company going next.

**Q:** Tell us a little bit about yourself and your connection to the industry.

**A:** My father was a commercial printer, and one of my first jobs during the school holidays was cleaning the inside of printing presses when they were being moved. Another was cleaning set-off from the back of greetings cards. This meant I had a fondness growing up for the printing sector, and obviously security print has its own differences but at least I could recognise one end of a press from another.

Around 20 years ago I became someone who helped lead businesses out of difficult situations, initially in the aerospace business and then later on in military vehicles and semiconductors. So this was what led me to De La Rue.

**Q:** You joined DLR at a time of considerable stress for the company; what made you decide to join?

**A:** If you combine my fondness for the print sector, and the fact that De La Rue has been around for so long and has always been on something of a pedestal in the printing industry, along with reading about the challenges that the company was facing, it all just seemed to add up. When I was approached to throw my hat in the ring, everything fit together really well and I'm extremely happy that I joined.

What I would add is that, of all the companies that I have worked with, De La Rue is undoubtedly the most capable company that I have had the privilege to lead. Its troubles were not as a result of lack of capability, dedication, or even market position. I really felt that I could make a difference and what I ended up finding is that the teams at De La Rue could make the difference – they just needed to be helped to find a unified direction for the company.

**Q:** What were your first impressions of the industry, and – after a year in the job – have they changed?

**A:** I tend to enter a company focusing on the business, less on the external environment, except to ask the question about where we are positioned. It's more about the features that have led the company into trouble, and I was very easily able to identify those because I've seen them multiple times before.

As for the security print market, I was surprised about currency being so resilient and strong, particularly when everybody around you is talking about alternate payment methods prevailing. Now having gone through all of the data related to that, I can understand why currency remains strong and resilient.

I was also really happy about our position in the market. It might have had a few hiccups but De La Rue was still very much the brand in security print, and so we had many good things to work with.

In terms of my impression about the overall market, I don't think it's really changed from when I came in with a very open mind to learn about it. It's still a very exciting arena, we have excellent products and services right across the board and two very strong divisions. We have a marketplace where we're becoming more and more competitive and that has all sorts of growth opportunities.

So my overall view of it is that it's a wonderful place to be.

**Q:** How does your Turnaround Plan for the company differ from those of your predecessors?

**A:** I think the methodology was different before. I have a playbook that I've learnt over the years and there are core elements to developing a turnaround plan that make it successful.

Number one is that we have to take the time to do it right – not to rush in and change everything, but to undertake a nuts and bolts analysis of every part of our business, which took over three months to do.

It's also the involvement of people, with a team of 18 key leaders from within the business that committed to 12 hours a week together for those three months. In doing so we also taught ourselves to delegate because we couldn't do all our normal day jobs and then continue to do this effectively.

What it has meant is that every part of the company has been involved and had an input. It wasn't my turnaround plan and it wasn't just the executive team's turnaround plan – it was a plan agreed by all of the key leaders in the business, that then could be disseminated and executed. That is the fundamental basis of a successful turnaround plan, and I'm not sure that was a methodology done before.

The plan still requires diligent execution, but this was where I saw the power of the capability of the people at De La Rue. All that the employee base really needed was to bring everything together in a coherent direction. And the results today are just one indication of how well the entire teams right across our portfolio have performed in executing the plan.

**Q:** What do you consider to be De La Rue's key USPs?

**A:** We have the global reach and history that is unrivalled in the industry.

Our participation in the banknote design is a seed for everything else that we do. This year 37% of all banknotes issued into circulation were designed by De La Rue – nearly double that of the next nearest commercial supplier.

We also have some of the most amazingly capable people in the business, and a lot of our competitors have relied on ex-De La Rue people to help them!

We are the only supplier who offers polymer, applied features and threads based on holographic, colour-shift and micro-optic technologies. And our breadth of offering enables us to neutrally advise on security feature selections.

DLR Analytics™ enables us to help customers with managing cash and currency in their countries.

Quite frankly, I think that there is nothing stronger in the currency world than the brand of De La Rue, our global reach, and the way in which we can solve our customers' problems.

**Q:** *Do you see being a publicly listed company as more of a help or a hindrance?*

**A:** In recent times it's been a hindrance, but only due to news being quite difficult to manage, as it becomes public instantly.

But on balance, I think that it's a positive to be publicly listed. It provides great transparency for our business. Everyone can see what exactly we're doing and our customers can see that we are legally bound and also a very open company leading the way. I have no qualms whatsoever about people having a transparent view of our company.

Ultimately, what in the short-term may have hurt us a little bit by exposing us, is clearly reversing now, and I think it's actually a good thing that we're publicly listed.

**Q:** *One aspect of polymer is that it lasts far longer than paper banknotes. This means a large reduction in the market's annual print volumes and yet De La Rue's focus appears to favour polymer. Is this the case and what is the rationale?*

**A:** There is the obvious logic that, if banknotes last three or four times as long due to polymer, then demand will shrink. But I don't foresee that to be a problem for us for quite some time.

When we're looking at a small single digit percentage of the market in terms of banknote volumes that have transitioned to polymer so far, then there are probably decades of refreshment cycles where the opportunity to transition new countries will be a growth driver rather than detract from overall volumes. Polymer banknotes provide the opportunity to increase the notes per head of population or security of the banknotes cost effectively, leading to a more stable cash cycle and longer lasting banknotes.

We also don't dictate what the market is going to do, that's down to the customers, but we do have the opportunity to give them an enhanced product in terms of security, cleanliness, and longevity.

Banknotes are also a symbol of national identity and so will be refreshed anyway. The cycle may be longer for the polymer users, but it doesn't mean that the cycle goes away. There will still be demand for extra security, innovation, and for changes in refreshing that national identity that is shown by banknotes.

Ultimately the easier we can make it for central banks to have a cost effective and low environmental impact cash cycle, the more likely it is that cash cycles continue to operate.

We're the only polymer substrate supplier that also provides security features and prints fully finished banknotes. We may be the second to the market, but we aren't going to be the second in the market – we are going to be the leader, and we are very excited about it.

**Q:** *Where does the dive into polymer leave paper currency, and your involvement in that?*

**A:** We are absolutely committed to all of our customers who choose to stay on paper.

By way of demonstrating that commitment, we're launching an entirely new embedded stripe product category, with NEXUS™, a micro-optics embedded stripe for the paper currency market. We've invested in IGNITE®, KINETIC STARCHROME® and PUREIMAGE™ recently, as our own print capacity will be more paper-based than polymer for some years to come.

Our commitment to paper security features will also be obvious when we launch our new house note series in 2021 – four of the six new notes will showcase our latest in paper security features.

What we want to be able to do is offer banknote issuing authorities the choice. The needs of every country and cash cycle is unique and our security features offers many of combinations of possibilities to suit those needs. Banknote issuing authorities can go with De La Rue for both major banknote substrates and all major security feature technologies.

**Q:** *What are the long-term plans for your manufacturing footprint?*

**A:** As part of the Turnaround Plan we're reducing five print sites worldwide to four. We've made a commitment that we're not going to reduce our capacity or flexibility, so that is going to require us to take a lot of the equipment out of Gateshead when it ceases printing and reallocate it to other parts of our network. By doing that our network becomes a lot more efficient.

We're also committed both to UK manufacturing and our international sites, and to making sure that some of the capacity and the flexibility that we had with a highly competent site like Gateshead is now reallocated across our network.

After this transformation is complete, I would like to have a larger capacity, and far more flexibility, so that we can compete in every single currency contract that we choose to.

**Q:** *How is De La Rue coping with travel restrictions limiting face to face customer contact?*

**A:** COVID has definitely added a challenge to our company, at a time when we already had plenty of challenges, but I think that the response from the team at De La Rue has been absolutely remarkable.

We have adjusted our offices and factories to make them safe to continue operations, right across the globe. We've also managed to meet and exceed our targets at half year.

It is much harder when you're not face to face with the customer and I look forward to restoring those customer visits, and I know that the sales team feels the same.

**Q:** *How should De La Rue, and the industry, be rising to the challenge of alternative payments?*

**A:** We predict that cash will continue to play a major role in the payments landscape for years to come – it is ubiquitous, reliable and serves a unique function in the cash cycle – other technologies don't replicate the benefits of cash.

We're keeping a close eye on alternative payments and digital currencies, but we are also looking forward and looking at the opportunities out there to see if and when any sort of entry into that arena would make sense.

At the moment, I'm very comfortable with what we've got in our portfolio. I am realistic enough to know that's not necessarily going to be it forever, but we are taking a very measured approach to development.

**Q:** *Where do you see De La Rue in ten years' time?*

**A:** A decade's quite a challenging time frame because you don't know exactly what will happen, but I am pretty convinced that, with the team that we have, we are going to be very strong in whatever we choose to do.

I would predict that we will still be very much in the arena of currency in whatever form that may take, be it more digitised or still very much good old banknotes. In addition to the authentication market, I would imagine that we'll also have a third leg of some description, but it's just too early to say what that may be.

The thing I want to stress more than anything is just how remarkable the team at De La Rue really is. I've never seen the level of capability, dedication, or customer focus that I've seen here and it's great that we're winning again and I think that it's the basis for a great future.