DeLaRue

H1 2021/22 Results

24 NOVEMBER 2021

Disclaimer

Cautionary note regarding forward-looking statements

These results include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “may”, “will”, “could”, “shall”, “risk”, “aims”, “predicts”, “continues”, “assumes”, “positioned” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout these results and the information incorporated by reference into these results and include statements regarding the intentions, beliefs or current expectations of the directors, De La Rue or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of De La Rue and the industry in which it operates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors because they relate to events and depend on circumstances that will occur in the future whether or not outside the control of the Company. Past performance cannot be relied upon as a guide to future performance and should not be taken as a representation or assurance that trends or activities underlying past performance will continue in the future. Accordingly, investors or potential investors should not place undue reliance on these forward-looking statements. The Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which it operates may differ materially from the impression created by the forward-looking statements contained in these results and/or the information incorporated by reference into these results. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group and the development of the industry in which it operates, are consistent with the forward-looking statements contained in these results and/or the information incorporated by reference into these results, those results or developments may not be indicative of results or developments in subsequent periods.

Other than in accordance with its legal or regulatory obligations, De La Rue does not undertake any obligation to update these forward-looking statements, which speak only as at the date of this document, and will not publicly release any revisions that may be made to these forward-looking statements, which may result from events or circumstances arising after the date of this document.

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Introduction **Clive Vacher**

Introduction

- Adjusted revenue[(1)]* for Authentication and Currency increased by 10.3% to £177.1m (H1 2020/21: £160.6m)
- Adjusted operating profit* for Authentication and Currency increased by 166% to £17.0m
- Group adjusted operating profit* increased by 13.7% to £17.4m (H1 2020/21: £15.3m)
- Impact of UK Passport cessation in FY 2020/21 has been more than offset by the two ongoing divisions
- Malta expansion to double Authentication production capacity and enhance Currency manufacturing flexibility
- Currency 100% banknote capacity utilisation in H2 2021/22 across all print sites, polymer volume up 90% y-o-y
- Positive operating cash flow of £25.8m, with net debt reduced by 16.1% to £43.9m (FY 2020/21: £52.3m)
- FY 2021/22 outlook continues to be in line with the Board's expectations

*The definition and reconciliation of adjusted revenue and adjusted operating profit can be found in Non-IFRS financial measures section of this Interim Statement. These are non-IFRS measures.

(1) The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

H1 2021/22 showing good progress

Half year results summary

- Authentication revenue* of £44.4m –
  - good year-on-year growth in GRS and brand
  - some variability in volumes due to COVID-19 recovery rates
- Adjusted Currency revenue* of £132.7m –
  - ongoing global demand for cash
  - stronger mix due to growth in polymer

Adjusted operating profit*(1)

- Adjusted operating expenses £31.1m
- £17.4m – year-on-year growth reflecting progress on the Turnaround Plan

Net debt

- Reduced to £43.9m in H1 2021/22 (from £52.3m at FY 2020/21)

Key operational developments

•Turnaround Plan on track

•Malta and polymer expansion on schedule

•Polymer production volumes up over 90% in H1

•Factory efficiencies continue to improve including overcoming COVID-19 challenges in H1 compared to prior H1

*The definition and reconciliation of adjusted revenue and adjusted operating profit can be found in Non-IFRS financial measures section of this Interim Statement. These are non-IFRS measures.

(1) Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £3.1m and pre-tax amortisation of acquired intangible assets £0.5m.

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Operational Update **Clive Vacher**

Divisional update and current trading

Authentication

- **Good year-on-year growth**
  - Secured a new GRS contract and extension of an existing contract
  - Ghana Revenue Authority contract is now fully operational
  - Variable recovery rates expected in H2 due to COVID-19

Currency

- **Ongoing global demand for cash**
  - Growth in new customers and improved product mix
  - Continued delivery of cost reductions and manufacturing efficiencies
  - Expect 100% utilisation of available banknote and polymer capacity in H2
  - Company continues to monitor and work to mitigate headwinds in commodity and energy costs, and challenges in the supply chain

Identity Solutions

- Minimal non-core activity
- UK Passport contract cessation in FY 2020/21

The Turnaround Plan

Cost reduction

- Cost out programme as first announced in February 2020 – substantially completed
- Resulting in the recognition of a further £7m of in-year savings in FY 2021/22
- Continue to focus on identifying and enacting further cost reduction opportunities

Authentication

- Continue to target continued strong year-on-year growth in the Authentication division
- Expect approximately £100m annualised revenue at the end of FY 2021/22
- A number of contracts already won are expected to contribute fully for further growth in FY 2022/23
- Good pipeline of further new contracts remain which will continue the growth

Currency

- Targeting improved and sustainable profitability in the Currency division
- Convert the world to polymer and be the market leader
- Invest R&D in polymer - second line under construction and operational in H2 2021/22
- Continue to roll out new security features on polymer

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Financial Performance **Rob Harding**

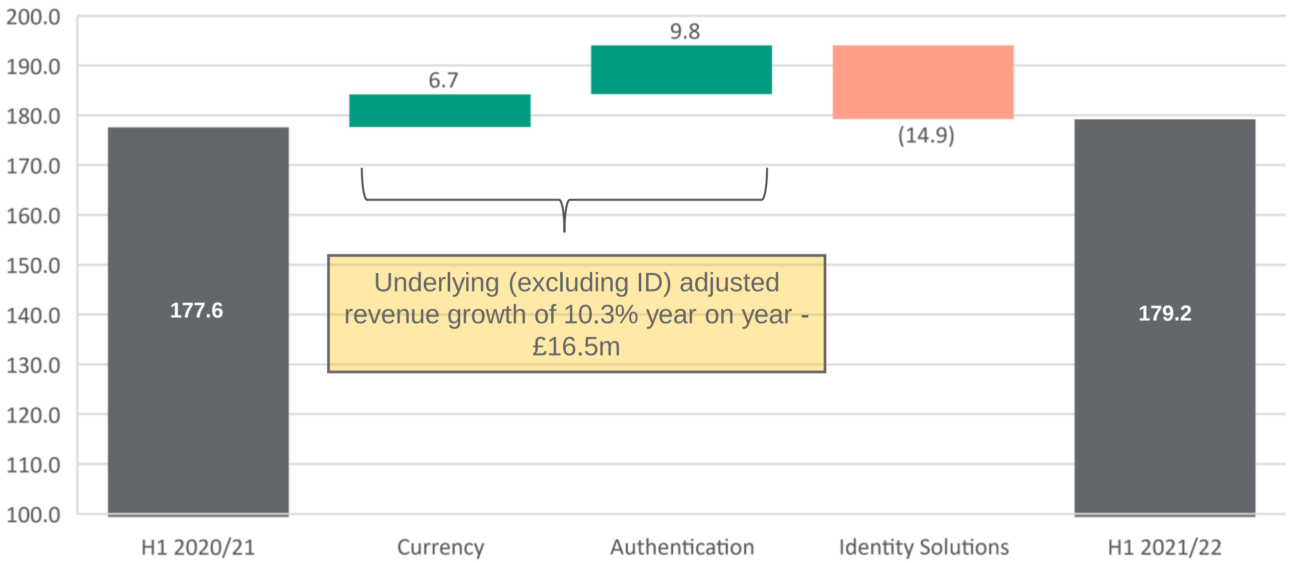
Income statement

Financial Summary	H1 2021/22 £m	H1 2020/21[5] £m	Change %
Non-IFRS Financial Measures			
Adjusted Revenue*	**179.2**	177.6	**0.9%**
- Authentication	44.4	34.6	28.3%
- Currency	132.7	126.0	5.3%
- Identity Solutions[1]	2.1	17.0	(87.6)%
Adjusted operating expenses*[2]	**(31.1)**	(34.1)	**8.8%**
Adjusted operating profit*[2]	**17.4**	15.3	**13.7%**
Adjusted basic EPS (p)*[3] – continuing operations	**6.4p**	6.5p	**(1.5)%**
	H1 2021/22 £m	**FY 2020/21 £m**	**Change %**
Net debt[4]	**43.9**	52.3	**16.1%**
Statutory Results	**H1 2021/22 £m**	**H1 2020/21 £m**	**Change %**
Revenue - continuing operations	**179.2**	182.6	**(1.9)%**
Gross Profit – continuing operations	**48.5**	49.4	**(1.8)%**
Operating profit – continuing operations	**13.8**	4.6	**200.0%**
Basic EPS (p) – continuing operations	**4.9p**	1.0p	**390.0%**

*The definition and reconciliation of adjusted revenue, adjusted operating profit and adjusted basic EPS can be found in Non-IFRS financial measures section on slide 21 and 22. These are non-IFRS measures.

(1) Identity solutions in H1 2021/22 includes sales made under the Design and Supply Agreement ("DSA") arrangement with HID Corporation Limited ("HID") entered into following the sales of the International Identity Solutions business in October 2019. H1 2020/21 includes sales relating to the UK passport contract in addition to DSA sales.
(2) Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £3.1m (H1 2020/21: £10.2m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 2020/21: £0.5m).
(3) Adjusted basic EPS excludes post-tax exceptional items of £2.5m (H1 2020/21: £7.8m) and post-tax amortisation of acquired intangible assets £0.4m (H1 2020/21: £0.4m).
(4) The definition of net debt can be found in note 8 to the financial statements.
(5) The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

Adjusted revenue (1) (2)



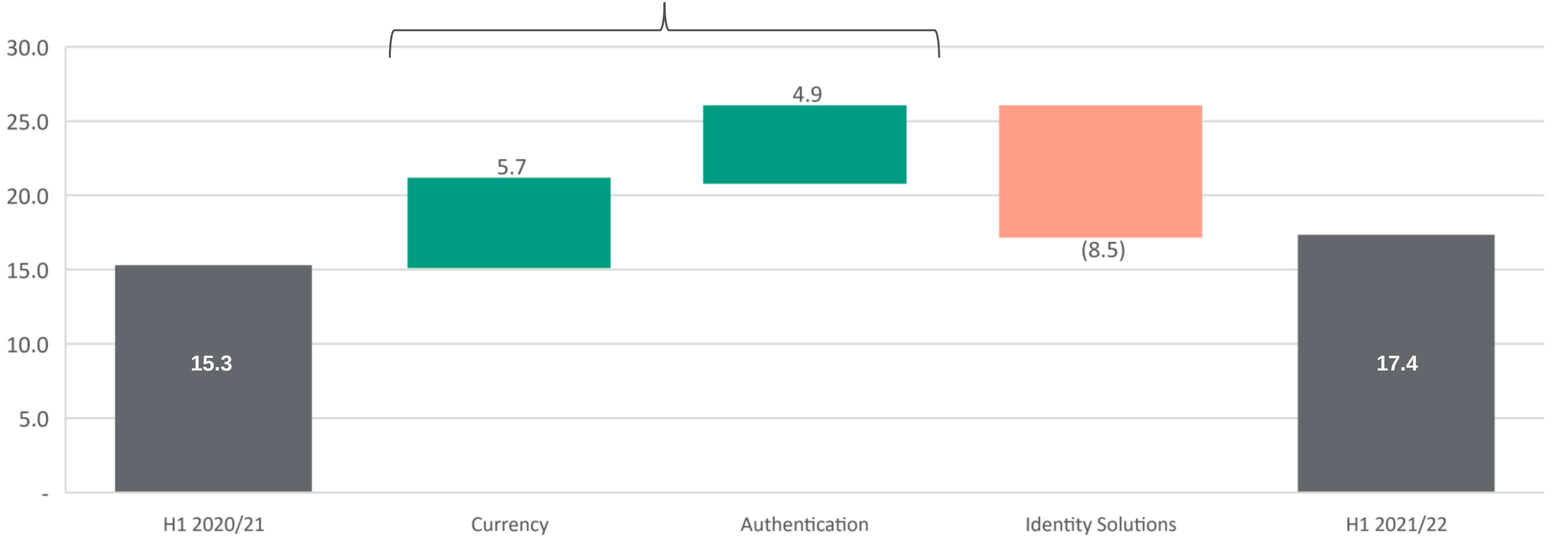
*The definition and reconciliation of adjusted revenue can be found in Non-IFRS financial measures on slide 21. This is a non-IFRS measures.

(1) Identity solutions in H1 2021/22 includes sales made under the Design and Supply Agreement (“DSA”) arrangement with HID Corporation Limited (“HID”) entered into following the sales of the International Identity Solutions business in October 2019. H1 2020/21 includes sales relating to the UK passport contract in addition to DSA sales.

(2) The H1 2020/21 figures have been restated to correctly reflect the nature of certain contract related payments to include these as cost of goods rather than a reduction to revenue. The impact of this restatement is an increase to revenue with an offsetting increase to cost of goods sold of £2.9m with no overall impact on profits compared to the figures originally reported. This restatement was also made in the FY 2020/21 results.

Adjusted operating profit (1)

Underlying (excluding ID) adjusted operating profit growth of **£10.6m – 165.6% increase**



*The definition and reconciliation of adjusted operating profit can be found in Non-IFRS financial measures section on slide 21. This is a non-IFRS measures.

(1) Adjusted operating profit excludes pre-tax exceptional items of £3.1m (H1 2020/21: £10.2m) and pre-tax amortisation of acquired intangible assets £0.5m (H1 2020/21: £0.5m).

Cash flow

Cash flows from operating activities;
Pre-exceptionals/discontinued **+£28.6m**. Post-exceptionals/discontinued **+£25.8m**.

(1) Pension payments includes £7.5m payable under the Recovery Plan, agreed in May 2020, and a further £0.6m relating to payments made by the Group towards the administration costs of running the scheme

Net debt and pension

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Net Debt & Banking Covenants	

Net Debt & Banking Covenants

- Group net debt decrease to £43.9m at H1 2021/22 from £52.3m at FY 2020/21
- Cash flow from operating activities increased by £22.5m to £25.8m (H1 2020/21: inflow of £3.3m).
- The Group has Bank facilities of £275m including an RCF cash drawdown component of up to £175m and bond and guarantee facilities of a minimum of £100m, which currently are due to mature in December 2023
- Significant headroom, the revised covenant tests: EBIT/net interest payable 7.1 times (covenant of ≥2.8 times in FY 2021/22), net debt/EBITDA 0.83 times at half year (covenant of ≤3.0 times in FY 2021/22)

UK Defined Benefit Pension

- The IAS pension valuation moved to a small net surplus of £0.3m as at 25 September 2021 from a net deficit of £18.5m at 27 March 2021 as a result of a positive performance of the scheme assets which was partially offset by an increase in liabilities primarily due to a lower discount rate used in the valuation due to a small decrease in corporate bond yields during the period
- Agreed contributions of £15m per annum (for three years to March 2023 then £24.5m thereafter to FY 2028/29) under the Recovery Plan pension contributions agreed in June 2020
- Additional contributions payable only in exceptional circumstances
- Next triennial valuation in 31 December 2022 (results by April 2024)

Outlook **Clive Vacher**

Summary and outlook

- **Growth in adjusted operating profits with both ongoing divisions performing strongly**
- **A further £7m of Turnaround Plan cost reduction benefit expected this year**
- **Good progress with contract wins and opportunities for Authentication despite delays due to variable COVID-19 recovery rates**
- **Currency revenue grew during H1 with 100% of available capacity utilisation expected in H2 2021/22**
- **Full year polymer production volumes expected to show over 70% growth for the full year with further increases during FY 2022/23**
- **Net debt reduced to £43.9m**
- **Good start to H2 2021/22 with outlook for revenue, adjusted operating profit and net debt in line with the Board’s expectations**

Q&A

Appendices

Exceptional Items

	H1 2021/22 £m	H1 2020/21 £m
Site relocation and restructuring	**(2.6)**	(9.3)
Pension underpin costs	**(0.2)**	(0.4)
Recognition of expected credit loss provision on other financial assets	**(0.3)**	-
Costs associated with the equity raise and bank refinancing	-	(3.2)
Gain on sale of property, plant and equipment	-	2.7
Exceptional items in operating profit	**(3.1)**	(10.2)
Tax credit on exceptional items	**0.6**	2.4
Net exceptionals	**(2.5)**	(7.8)

Non-IFRS measures

De La Rue plc 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. These non-statutory measures are prepared on a basis excluding the impact of exceptional items and amortisation of acquired intangibles. Amortisation of acquired intangible assets and exceptional items are excluded as they are not considered to be representative of underlying business performance.

The measures the Group uses along with appropriate reconciliations to the equivalent IFRS measures where applicable are shown in the following tables.

The Group's policy on classification of exceptional items is also set out below:

The Directors consider items of income and expenditure which are material by size and/or by nature and not representative of normal business activities should be disclosed separately in the financial statements so as to help provide an indication of the Group's underlying business performance. The Directors label these items collectively as 'exceptional items'. Determining which transactions are to be considered exceptional in nature is often a subjective matter. However, circumstances that the Directors believe would give rise to exceptional items for separate disclosure would include: gains or losses on the disposal of businesses, curtailments on defined benefit pension arrangements or changes to the pension scheme liability which are considered to be of a permanent nature such as the change in indexation or the GMPs, and non-recurring fees relating to the management of historical scheme issues, restructuring of businesses, asset impairments and costs associated with the acquisition and integration of business combinations.

All exceptional items are included in the appropriate income statement category to which they relate.

Non-IFRS measures

A Adjusted revenue

Adjusted revenue excludes “pass-through” revenue relating to non-novated contracts following the paper and international identify solutions business sales. The following amounts of “pass through” revenue have been excluded: Paper £nil (H1 2020/21: £4.6m) and Identify Solutions: £nil (H1 2020/21: £0.4m).

	H1 2021/22 £m	H1 2020/21 £m
Revenue on an IFRS basis	**179.2**	182.6
Exclude: pass-through revenue	**-**	(5.0)
Adjusted revenue	**179.2**	177.6

B Adjusted operating profit from continuing operations

Adjusted operating profit represents earnings from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

	H1 2021/22 £m	H1 2020/21 £m
Operating profit from continuing operations on an IFRS basis	**13.8**	4.6
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**3.1**	10.2
Adjusted operating profit from continuing operations	**17.4**	15.3

Non-IFRS measures

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C Adjusted basic earnings per share

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 basic number of ordinary shares in issue. It has been calculated by dividing the De La Rue plc's adjusted operating profit from continuing operations for the period by the weighted average basic number of ordinary shares in issue excluding shares held in the employee share trust.

	H1 2021/22	H1 2020/21
	£m	£m
Profit attributable to equity shareholders of the Company	**10.0**	1.4
Exclude: discontinued operations	**(0.5)**	0.1
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**9.5**	1.5
Amortisation of acquired intangible assets	**0.5**	0.5
Exceptional items	**3.1**	10.2
Tax on amortisation of acquired intangible assets	**(0.1)**	(0.1)
Tax on exceptional items	**(0.6)**	(2.4)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**12.4**	9.7
Weighted average number of ordinary shares for basic earnings	**195.2**	149.6

Non-IFRS measures

C Adjusted basic earnings per share (continued)

Continuing operations	**H1 2021/22** pence per share	H1 2020/21 pence per share
Basic earnings per ordinary share on an IFRS basis	**4.9**	1.0
Basic adjusted earnings per ordinary share	**6.4**	6.5

Non-IFRS measures

D Net debt

The analysis below provides a reconciliation between the opening and closing positions for liabilities arising from financing activities together with movements in cash and cash equivalents:

	FY 2020/21 £m	Cash flow £m	Foreign exchange £m	HY 2021/22 £m
Borrowings	(78.0)	9.0	-	(69.0)
Cash and cash equivalents	25.7	(0.5)	(0.1)	25.1
Net Debt[1]	**(52.3)**	**8.5**	**(0.1)**	**(43.9)**

	FY 2019/20 £m	Cash flow £m	Foreign exchange £m	FY 2020/21 £m
Borrowings	(117.3)	39.3	-	(78.0)
Cash and cash equivalents	14.5	11.5	(0.3)	25.7
Net Debt[1]	(102.8)	50.8	(0.3)	(52.3)

[1] Net debt above is presented excluding unamortised capitalised transaction costs in relation to the debt refinancing of £3.1m (FY 2020/21: £3.8m). Net debt also excludes £15.1m (FY 2020/21: £15.7m) of lease liabilities recorded in accordance with IFRS 16.

Non-IFRS measures

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E Adjusted controllable operating profit by division

Adjusted controllable operating profit represents earnings from continuing operations of the on-going divisions adjusted to exclude exceptional items and amortisation of acquired intangible assets and costs relating to the enabling functions such as Finance, IT and Legal that are deemed to be attributable only to the on-going two divisional structure model. Key reporting metrics for monitoring the divisional performance will be linked, going forward, to gross profit and controllable profit (being adjusted operating profit before the allocation of enabling function overheads), with the enabling functional cost base being managed as part of the overall business key turnaround objectives.

H1 2021/22	**Currency £m**	**Authentication £m**	**Identity Solutions £m**	**Central £m**	**Total of continuing operations £m**
Operating profit/(loss) on IFRS basis	**6.1**	**8.0**	**0.4**	**(0.7)**	**13.8**
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	2.1	0.3	-	0.7	3.1
Adjusted operating profit/(loss)	**8.2**	**8.8**	**0.4**	**-**	**17.4**
Enabling function overheads	11.4	3.8	-	(15.2)	-
Adjusted controllable operating profit/(loss)	**19.6**	**12.6**	**0.4**	**(15.2)**	**17.4**

H1 2020/21	Currency £m	Authentication £m	Identity Solutions £m	Central £m	Total of continuing operations £m
Operating profit/(loss) on IFRS basis	(5.7)	3.3	8.9	(1.9)	4.6
Amortisation of acquired intangibles	-	0.5	-	-	0.5
Net exceptional items	8.2	0.1	-	1.9	10.2
Adjusted operating profit/(loss)	2.5	3.9	8.9	-	15.3
Enabling function overheads	11.3	2.8	-	(14.1)	-
Adjusted controllable operating profit/(loss)	13.8	6.7	8.9	(14.1)	15.3

Thank you

