DeLaRue

2022
Full Year Results

25 MAY 2022

Disclaimer

Cautionary note regarding forward-looking statements

Certain statements contained in this document relate to the future and constitute ‘forward-looking statements’. These forward-looking statements include all matters that are not historical facts. In some case, 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. They appear in a number of places throughout this document 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 are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the Group’s control, and which may cause the Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of the industry and business sectors in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group’s actual results of operations, financial condition and the development of the business sectors in which it operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

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Business performance **Clive Vacher**

FY22 results

- Adjusted Group operating profit of £36.4m (FY21: £38.1m) consistent with reduced January guidance
- Adjusted operating profit for Currency and Authentication increased by over 30% to £35.8m (FY21: £27.5m)
- Benefits of the Turnaround Plan are clearly flowing through
  - Authentication: strong growth with adjusted operating profit up 44.2% to £16.3m, on a revenue increase of 16.4%, to £90.3m
  - Currency: adjusted operating profit up 20.4% to £19.5m, on slightly lower revenue of £280.9m
  - Polymer volumes up 40%, with strong new customer conversions
  - £36m costs removed since FY20
- Strong operating cash flow of £18.3m (FY21: net outflow of £5.6m)
- Net debt at £71.4m (FY21: £52.3m), comfortably within banking covenants and market expectations
- £57m reduction in cash payments to the Pension Scheme agreed, for the period FY24 to FY29
- Both divisions impacted in H2 with cost and supply headwinds, and Covid-19 absenteeism in European factories
- Some normalisation of banknote print demand post Covid, and increasing challenges, as we head into FY23

Outlook for FY23

- Expectations for FY23 adjusted operating profit revised, and now expected to be broadly flat versus FY22
  - Adjusted operating profit to be weighted towards H2, reflecting historic pattern of 1/3 H1 and 2/3 H2
- Geopolitical and economic environment has deteriorated substantially since end of FY22
- Company is facing net £5m supply chain-related cost increases in FY23, mainly due to:
  - Energy price rises: good contractual protection for own demand, but suppliers are trying to pass on increases
  - Oil price rise: particularly affecting our oil derivative inputs, e.g. BOPP for polymer and PET for brand protection labels
  - Freight and logistics costs
  - Semiconductor availability: situation improving but outlook on availability still uncertain
- Management is focused on mitigating actions
  - Some opportunities to pass on cost increases to customers, but limited due to normalising banknote demand post Covid in Currency, and long-term contracts in Authentication
  - Further significant initiatives on cost reduction and operating efficiency launched and in progress
  - Looking at supply chain management actions such as dual sourcing, buying commodities forward
- Covid-19 situation improving and being carefully managed; only limited impact expected
- Actions of the last two years have created strong foundations for future stability and cash generation

De La Rue progress since FY20

Completed

- **Pension** contributions held at £15m pa (£57m cash savings)
- **Costs out** - £36m +
- **ESG strategy** established
- **Anti-Bribery and Corruption** – ISO37001 certification achieved
- **Overton R&D Centre** - consolidated into Basingstoke
- **Microsoft contract** extended to 2026
- **Banknote print sites** reduced from 5 to 4
- **Bank of England contract** - extended to 2028
- **Equity raise** - £100m
- **SFO Investigation closed** - no further action
- **Identity Solutions** - exited
- **Restructured into 2 divisions**

Ongoing

- **Manufacturing footprint transformation** - new Malta factory, second polymer line, Sri Lanka capability enhancement
- **R&D strategy**: next-generation security features on polymer and paper
- **GRS expansion**: accelerate speed of uptake
- **"Convert the World to Polymer"**
- **Central Bank Digital Currency strategy**
- **Cultural transformation**
- **Central overhead reductions**
- **Further digitisation** with industry-leading software development

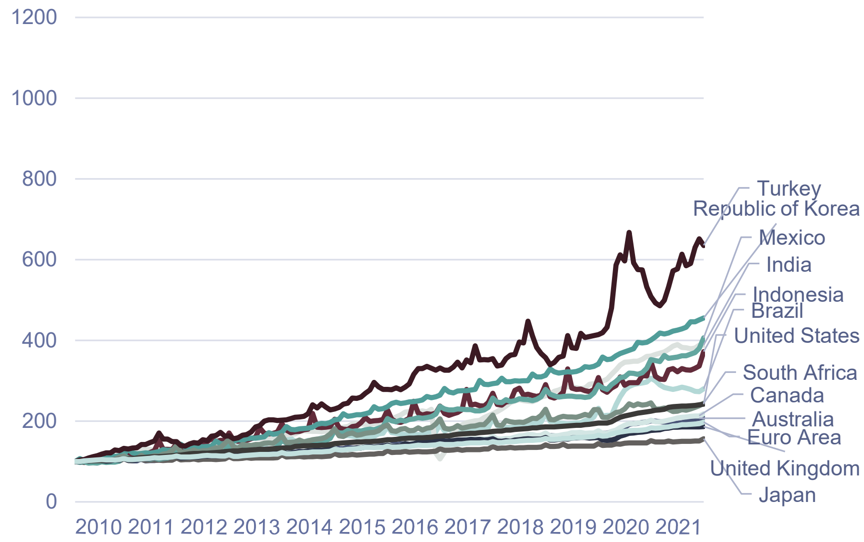
Outstanding

- **Legacy supplier contracts**
- **Venezuela receivable** - £18m outstanding
- **IT systems improvement**
- **Dividend reinstatement**

Market opportunity - Currency

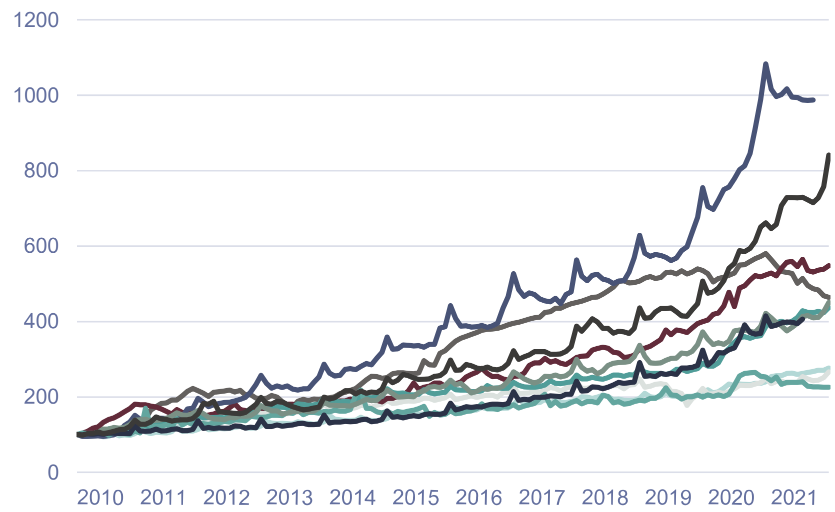
Demand for banknotes continues to rise, despite rise of electronic payments

G20 countries



Source: IMF IFS Currency in Circulation; ECB Statistical Warehouse; FRED economic

De La Rue customers



Source: IMF IFS Currency in Circulation

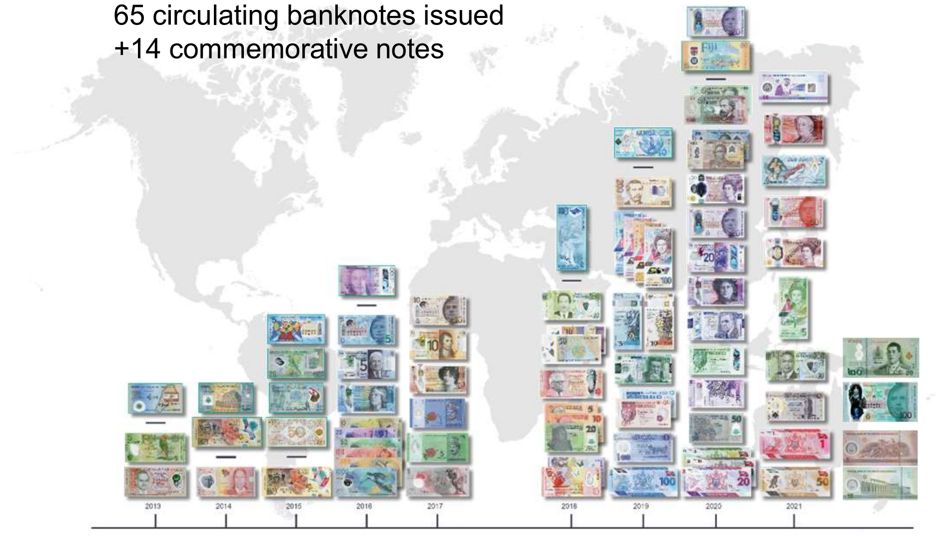
Graphs show value of cash in circulation, normalised to 2010 (2010 = 100)

Growing repeatable orders on polymer substrate

DLR Safeguard® uptake continues to increase

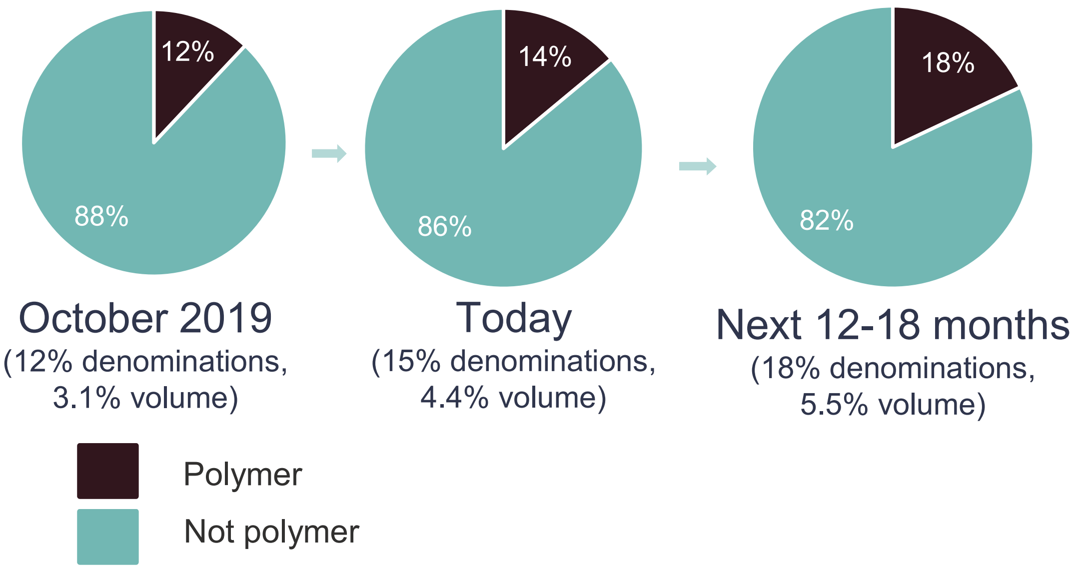
- De La Rue has majority of world's customers
- Safeguard® capacity rising from 2bn to 5bn notes
- Only 2 polymer providers globally: DLR and CCL
- Targeting to increase market share of volume to 40-50% in next 3 years (from 25% in 2019)

65 circulating banknotes issued
+14 commemorative notes



Polymer is growing overall

- 24% of world's issuing authorities have released a polymer banknote
- 1% additional conversion represents c.1.7bn notes



Authentication market

Market factors

$2.2 trillion annual drain on the global economy from illicit trade[1]

$40billion annual tax lost through illicit tobacco trade[2]

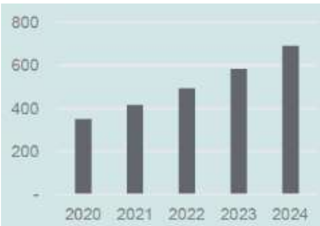
$500 billion annual trade in counterfeit and pirated goods[3]

WHO FCTC protocol driving adoption of tax stamp schemes

Online market places facilitating sale of counterfeit goods

Emerging legislation on recycling, right to repair and counterfeit control likely to drive adoption of supply-chain tracking solutions

Tax stamp market worth £350m annually, CAGR of 18%



Source: Internal data

De La Rue selected as supplier of FCTC compliant digital tax stamp solution by all five of the Gulf Co-operation Council (GCC) countries that have implanted tobacco tax treaty

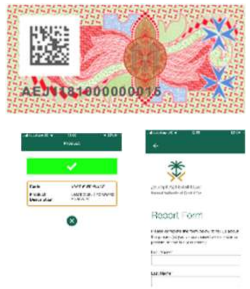
	FCTC scheme	No scheme	Upgrade needed
WHO FCTC Signatories 65 in total	20	31	14

De La Rue response to the market

Government

DLR Certify™ software platform supports FCTC compliant solutions

Domain expertise in tax stamp printing, secure delivery and tracking from Malta facility

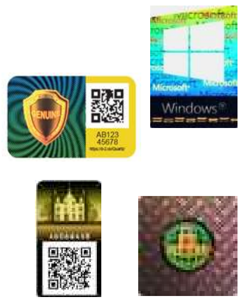


Brand

Supplier of anti-piracy solutions to Microsoft for more than 23 years

In-house expertise in all major holographic origination techniques

Unique serialisation and linkage of physical label to DLR Traceology™ software platform



Sources:
1 World Economic Forum data; 2 "How Eliminating the Global Illicit Cigarette Trade Would Increase Tax Revenue and Save Lives"; Joosens, Merrimen, Ross, Raw 2009; 3 OECD data

Divisional update

Authentication

- **Good year-on-year growth**
    - GRS received five new contracts for the supply of tax stamps and solutions
    - Full year revenue from Ghana Revenue Authority and HMRC tobacco track and trace
    - Certain contract implementations delayed by Covid-19 pandemic
    - Brand Protection saw strong demand from pharmaceuticals, IT and vaping
    - Malta expansion will more than double label capacity
    - Identity pages for Australian passport now being delivered

Currency

- **Demand to convert to polymer notes continues**
    - Polymer volumes up 40% yoy
    - Banknote demand normalising post Covid
    - Operational footprint rationalisation, flexibility and efficiency enhancements continuing, including Malta expansion
    - New, industry-leading polymer security features launched
    - Increased staff absence due to Covid-19 in UK and Malta in December and January impacted production

Identity Solutions

- Minimal non-core activity
- UK Passport cessation in FY21

Responsible business

Our business purpose: Securing trust between people, businesses and governments

Environment	• Committed to leading the industry on environmental sustainability. • Recently submitted targets to the Science Based Targets Initiative (SBTi) to make a meaningful difference via a reduction in our GHG emissions. • Committed to achieve carbon neutrality in our own operations by 2030.
People	• Promote an inclusive culture that values diversity. • Health, safety and wellbeing of our employees is a top priority for the business • Take all possible steps to protect human rights within our business and in our wider supply chain. • Work hard to maintain regular engagement with our stakeholders.
Business standards	• Crucial that we uphold the highest ethical standards in the way we conduct business • Code of Business Principles sets out core principles defining the way we behave and work. • Governance system helps us deliver on our responsibilities through the operation of robust policies, processes and monitoring system

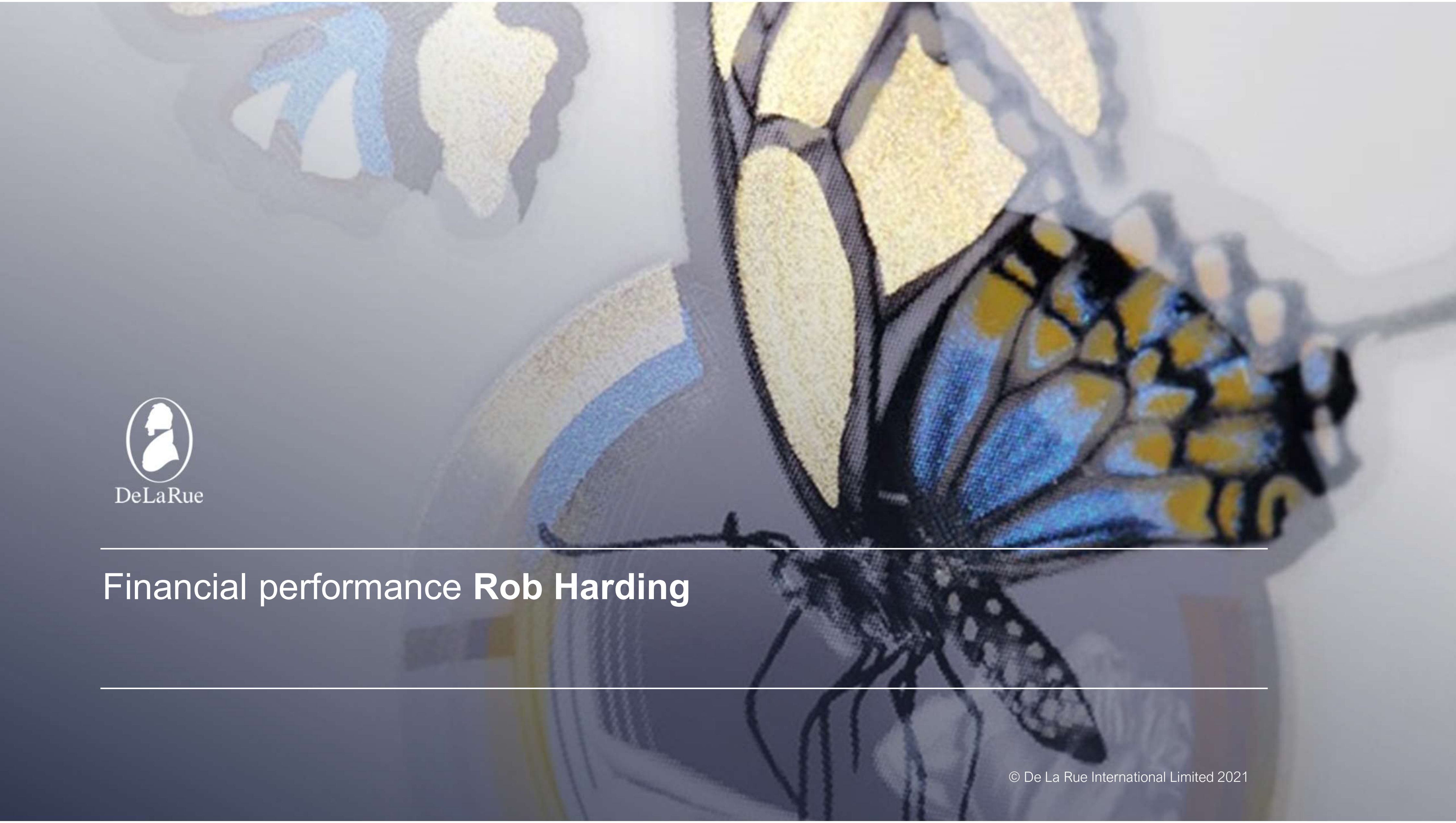
Sustainability

Our achievements

- ✓ 100% renewable power at all UK sites
- ✓ Met FY22 KPI of reducing yoy energy use per tonne good output by 7.5%
- ✓ Recycle 100% of UK polymer waste
- ✓ Water use down 16% in four years
- ✓ Top quartile of FT Statisa European Climate Leaders for second year running

Our goals

- Carbon neutral in our own operations by 2030
- Reducing all emissions (scope 1, 2 and 3) by 45% by 2030, aligning with 1.5°C
- Aligned with the UK Government's target of Net Zero by 2050 for our UK operations
- Planting 10 trees for every 1 removed as part of Malta expansion



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Financial performance **Rob Harding**

Income statement

	FY 2021/22 £m	FY 2020/21 £m	Change
Adjusted Revenue*(1)	375.1	388.1	-3.3%
IFRS Revenue	375.1	397.4	-5.6%
Gross profit	97.6	107.8	-9.5%
Adjusted operating profit*(2)	36.4	38.1	-4.5%
Adjusted operating margin*(2)	9.7%	9.8%	-10bps
IFRS operating profit/(loss)	29.7	14.5	104.8%
IFRS operating margin	7.9%	3.6%	430bps
Adjusted basic earnings/(loss) per share*(3) - continuing operations	13.0p	14.7p	-11.6%
IFRS basic earnings per share - continuing operations	10.6p	3.7p	186.5%

*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 24. These are non-IFRS measures.

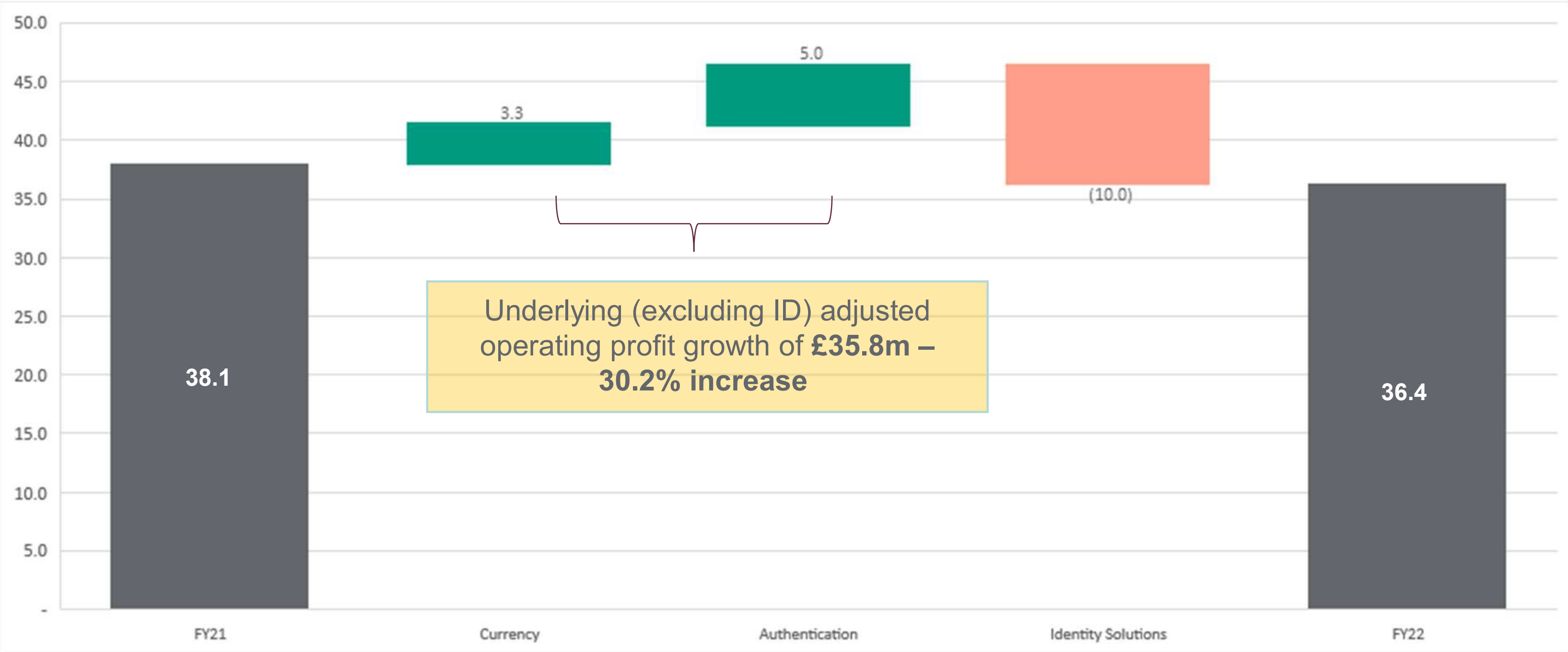
(1) Identity solutions in FY 2021/22 includes sales made under the Design and Supply Agreement ("DSA") arrangement with HID Corporation Limited ("HID") entered into following the sales of the International Identity Solutions business in October 2019. FY 2020/21 includes sales relating to the UK passport contract in addition to DSA sales.
(2) Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £5.7m (FY 2020/21: £22.6m) and pre-tax amortisation of acquired intangible assets £1.0m (FY 2020/21: £1.0m).
(3) Adjusted basic EPS excludes post-tax exceptional items of £3.9m (FY 2020/21: £18.4m) and post-tax amortisation of acquired intangible assets £0.7m (FY 2020/21: £0.6m).

Adjusted revenue (1)

*The definition and reconciliation of adjusted revenue, can be found in Non-IFRS financial measures on slide 23. These are non-IFRS measures.

(1) Identity solutions in FY 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. FY 2020/21 includes sales relating to the UK passport contract in addition to DSA sales.

Adjusted operating profit (1)



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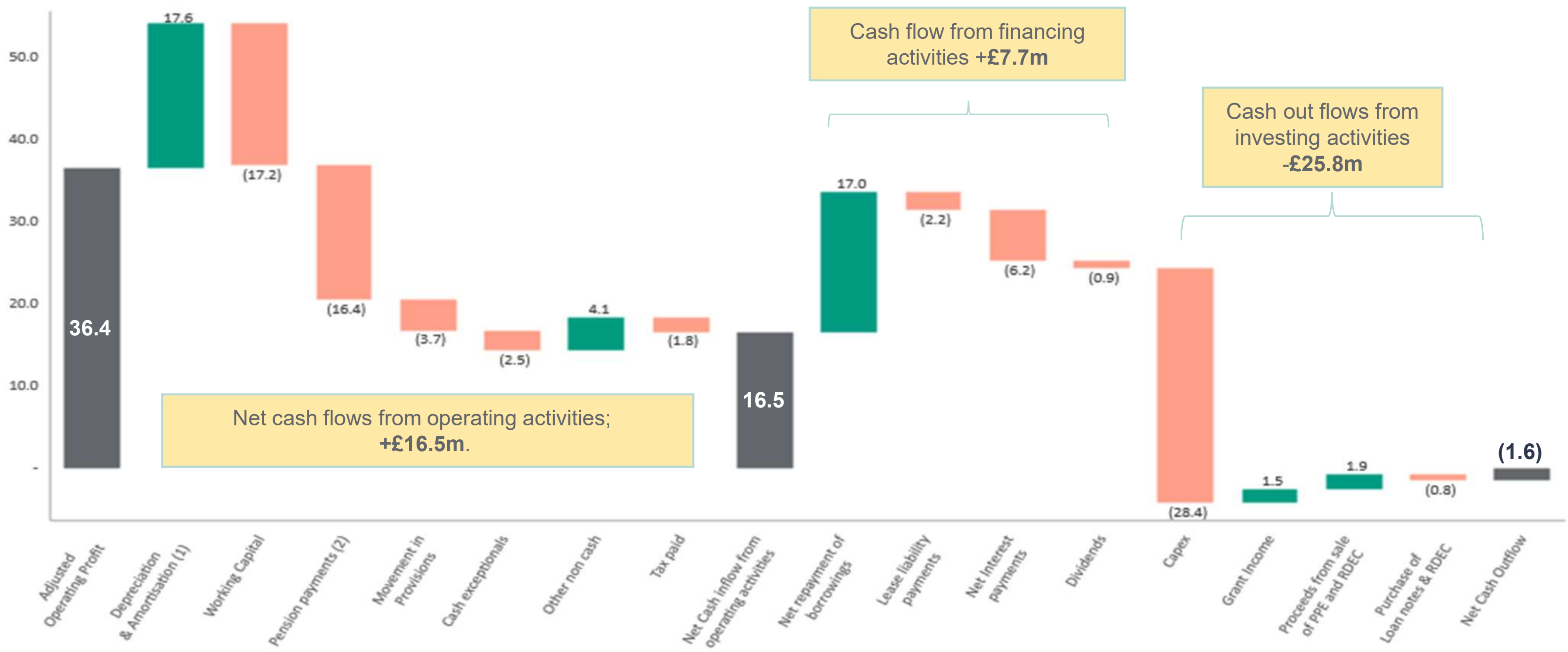
(1) Adjusted operating expenses and adjusted operating profit excludes pre-tax exceptional items of £5.7m (FY 2020/21: £22.6m) and pre-tax amortisation of acquired intangible assets £1.0m (FY 2020/21: £1.0m).

Cash flow



1) Excludes amortisation of acquired intangible assets of £1.0m
2) £16.4m of Pension Recovery Plan and administration cost payments includes £15.0m payable under the Recovery Plan, agreed in May 2020, and a further £1.4m 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	- Group net debt decrease to £71.4m at 26th March 2022 from £52.3m at 27th March 2021 - Net cash flow from operating activities after tax payments increased by £24.5m to £16.5m (FY 2020/21: outflow of £8.0m). - 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 7.4 times (covenant of ≥2.8 times in FY 2021/22), net debt/EBITDA 1.46 times at full year (covenant of ≤3.0 times in FY 2021/22).
UK Defined Benefit Pension	£31.6m net surplus at 26th March 2022 valuation under IAS19 – (27 March 2021 £18.5m net deficit). The movement from a net deficit to a surplus was due to a higher discount rate used in the current year, driven by an increase in the corporate bond yields, partly offset by an experience loss arising from adopting 5 April 2021 funding valuation data for the purpose of preparing FY22. - In March 2022 payments of £15m per annum (payable quarterly in arrears) were agreed under the Recovery Plan payable from the year ending 5 April 2022 until 31 March 2029, reducing cash contributions to the scheme by £57m over that period - Additional contributions payable only in exceptional circumstances - Last triennial valuation 5 April 2021 and the next valuation is due 5 April 2024.

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Summary **Clive Vacher**

Summary

- Strong adjusted operating profit growth in FY22 from ongoing divisions, and significantly improved operating cash flow
- Deteriorating economic and geopolitical situation is causing cost headwinds
- Adjusted operating profit for FY23 expected to be in line with FY22
- Business transformation continues – further opportunities remain
- Markets in which we operate are robust and growing
- Continued, consistent strategy execution provides strong base for future improvement in profitability and cash flow generation

Q&A

Appendices

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 intangibles acquired through business combinations, 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.

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: Currency £nil (FY21: £8.9m) and Identify Solutions: £nil (FY21: £0.4m).

	2022 £m	2021 £m
Revenue on an IFRS basis	**375.1**	397.4
Exclude: pass-through revenue	-	(9.3)
Adjusted revenue	**375.1**	388.1

B Adjusted operating profit

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

	2022 £m	2021 £m
Operating profit from continuing operations on an IFRS basis	**29.7**	14.5
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**5.7**	22.6
Adjusted operating profit from continuing operations	**36.4**	38.1

Non-IFRS measures continued

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.

	2022 £m	2021 £m
Profit attributable to equity shareholders of the Company	**21.5**	5.9
Exclude: discontinued operations	**(0.8)**	0.4
Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**20.7**	6.3
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**5.7**	22.6
Tax on amortisation of acquired intangible assets	**(0.3)**	(0.4)
Tax on exceptional items	**(1.8)**	(4.2)
Adjusted profit attributable to equity shareholders of the Company from continuing operations	**25.3**	25.4
Weighted average number of ordinary shares for basic earnings	**195.2**	172.4

Continuing operations	**2022 pence per share**	2021 pence per share
Basic earnings per ordinary share on an IFRS basis	**10.6**	3.7
Basic adjusted earnings per ordinary share	**13.0**	14.7

Non-IFRS measures continued

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D Adjusted EBITDA and Adjusted EBITDA margin

Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items. The adjusted EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £375.1m (FY21: £388.1m) which excludes the Portal pass through revenue of £nil (FY21: £9.3m). The EBITDA margin on an IFRS basis is a percentage against the reported revenue of £375.1m (FY21: £397.4m). The covenant test (note 14(b)) uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	2022 £m	2021 £m
Profit for the year	**23.7**	8.1
Add back:		
(Profit)/loss on discontinued operations	**(0.8)**	0.4
Taxation	**1.3**	1.4
Net finance expenses	**5.5**	4.6
Profit before interest and taxation from continuing operations (Operating profit)	**29.7**	14.5
Add back:		
Depreciation of property, plant and equipment	**12.0**	12.9
Depreciation of right-of-use assets	**2.3**	2.5
Amortisation of intangible assets	**4.3**	4.2
EBITDA	**48.3**	34.1
Exceptional items	**5.7**	22.6
Adjusted EBITDA	**54.0**	56.7
Adjusted Revenue £m	**375.1**	388.1
EBITDA margin	**12.9%**	8.6%
Adjusted EBITDA margin	**14.4%**	14.6%

Non-IFRS measures continued

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 is linked 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 Plan objectives.

FY22	**Currency**	**Authentication**	**Identity Solutions**	**Central**	**Total of continuing operations**
	£m	**£m**	**£m**	**£m**	**£m**
Operating profit/(loss) on IFRS basis	**15.0**	**15.1**	**0.6**	**(1.0)**	**29.7**
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	4.5	0.2	-	1.0	5.7
Adjusted operating profit	**19.5**	**16.3**	**0.6**	**-**	**36.4**
Enabling function overheads	23.0	7.4	-	(30.4)	-
Adjusted controllable operating profit/(loss)	**42.5**	**23.7**	**0.6**	**(30.4)**	**36.4**

FY21	Currency	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
Operating (loss)/profit on IFRS basis	(4.4)	9.9	10.2	(1.2)	14.5
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	20.6	0.4	0.4	1.2	22.6
Adjusted operating profit	16.2	11.3	10.6	-	38.1
Enabling function overheads	25.5	7.0	-	(32.5)	-
Adjusted controllable operating profit/(loss)	41.7	18.3	10.6	(32.5)	38.1

Non-IFRS measures continued

F Return on capital employed ("ROCE")

ROCE is the ratio of the adjusted operating profit (operating profit before amortisation of acquired intangible assets and net exceptional items) over the average capital employed for the current and prior year.

In 2020 the Performance share plan measures were revised and TSR (Total Shareholder Return relative to FTSE 250 companies, measured over three calendar years) was used in replacement of ROCE, to align to planned growth over the three-year period of the Turnaround Plan, so that appropriate focus is placed on the key business imperative of restoring value to shareholders. The ROCE measure is still applicable to current PSP share awards which will vest between 2021 and 2022, with the last vesting date in July 2022.

	2022 £m	2021 £m
– Property, plant and equipment	**102.7**	100.0
– Intangible assets	**37.5**	32.3
– Right-of-use assets	**12.9**	14.6
– Other financial assets	**7.4**	8.8
– Inventories	**50.1**	54.5
– Trade and other receivables	**89.0**	98.8
– Contract assets	**8.0**	14.8
– Derivative financial assets	**3.4**	7.5
– Trade and other payables	**(80.0)**	(120.5)
– Derivative financial liabilities	**(4.8)**	(8.3)
Capital Employed	**226.2**	202.5
ROCE = Adjusted operating profit/Average Capital Employed		
Adjusted operating profit	**36.4**	38.1
Capital Employed – current year	**226.2**	202.5
Capital Employed – prior year	**202.5**	172.7
Average Capital Employed	**214.3**	187.5
ROCE	**17.0%**	20.3%