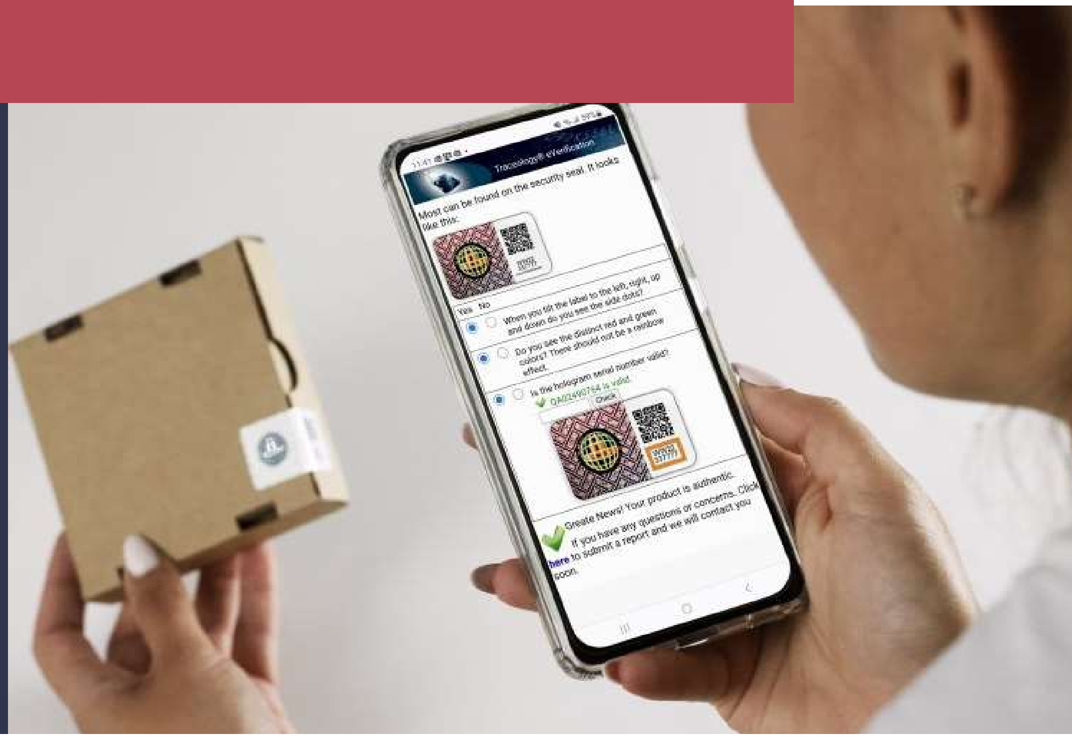
DeLaRue



De La Rue plc
FY 23 results presentation

June 2023

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.

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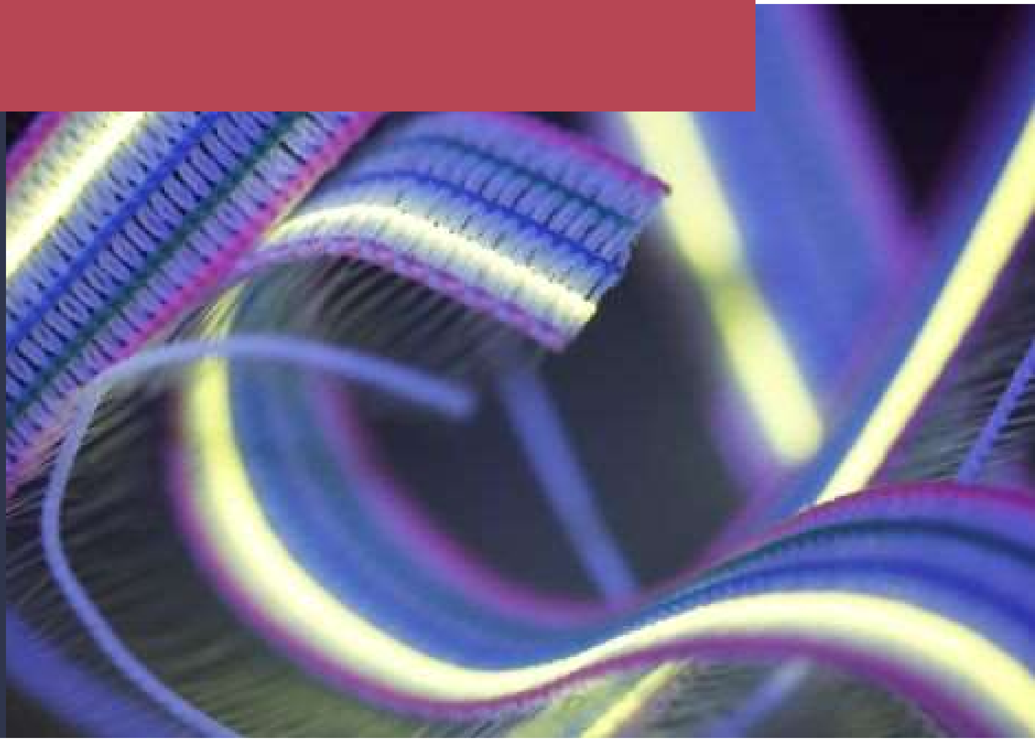
CEO review



Summary

- Encouraging signs of recovery in Currency: strong bid activity, good win rate, significant majority of FY24 banknote print volume contracted
- Authentication on track to exceed £100m revenue in FY24
- Guidance for FY24 adjusted operating profit reiterated (low £20m range), albeit H1 broadly break even, due to Currency recovery timing
- Going concern 'material uncertainty' removed from accounts
- Agreed relaxation of covenants with banking syndicate
- Deferred £18.75m of pension deficit repair contributions, of which £16.25-£17.5m to be paid between FY26-29, assisting short-term cash
- FY23 full year adjusted operating profit of £27.8m (FY22: £36.5m) in line with guidance given in April 2023
- FY23 end-of-year net debt favourable to expectations at £83.1m; in line with expectations (£88-92m) once final Portals exit payment taken into account (paid early April)
- FY23 net operating cash flow increased 44% to £23.8m (FY22: £16.5m)

Group Update

In FY23, we continued to drive operational efficiency and competitiveness, and dealt with some substantial legacy issues

- Mitigated the majority of supply chain cost inflation threats present at the beginning of the year
- Terminated contract for paper supply with Portals in July 2022
  - Eliminated liabilities over a 6 year period totalling £119m for an exceptional exit cost of £16.7m
  - Designed and implemented a worldwide paper sourcing strategy that is delivering the expected paper cost savings, while eliminating all volume shortfall payments that were present under the Portals agreement
- Further refined banknote printing footprint, closing operations in Kenya
  - Reduced banknote print sites from 5 (FY20) to 3: Malta, Sri Lanka, UK
  - Focus on flexibility, cost and sizing capacity to fluctuating market demand
- Significant progress on Malta expansion
  - Second polycarbonate line already operational
  - Remaining Authentication expansion targeted to complete by end FY24
  - Currency operational by FY25, with potential to replace the Kenya capacity, if market conditions favourable
- De La Rue named in top quartile of Financial Times/Statista "Europe's Climate Leaders" for third year running

Authentication Update

- 1.6% overall increase in revenue to £91.7m (FY22: £90.3m)
  - GRS contracts in Bahrain, Qatar and Oman came onstream in FY23, offsetting end of HMRC contract
  - Brand sales adversely impacted by low PC sales and falling away of Covid vaccine brand protection seals
  - Full year of revenue from polycarbonate datapages for new Australian passport
    - NPA doubled length of contract to 10 years, catalysing investment in second polycarbonate line in Malta
- 12.3% fall in adjusted operating profit to £14.3m (FY22: £16.3m)
  - sales mix and
  - greater proportion of central costs attributed
- Business re-energised
  - Brand: recent wins in pharmaceuticals and vehicle parts
  - GRS:
    - Looking to expand GRS product range in current territories to products such as soft drinks
    - Discussing digital tax stamp solution with multiple countries in Middle East and Africa
  - Investment in DLR Certify™ and Traceology® software systems refocused on areas of greatest return

FY23 Performance: Currency

- Revenues fell 9.4% to £254.6m (FY22: 280.9m)
- Adjusted operating profit down 30.3% to £13.6m (FY22: £19.5m)
- Impacted by industry-wide downturn in wake of pandemic and subsequent global slowdown as central banks continued to run down banknote stocks
- Responded to downturn with:
  - raw material cost control – paper & other inputs
  - continued reorganisation of our manufacturing base to increase efficiency
- Broken the cycle of operating losses in Currency during downturns
- Underlying trends remain positive:
  - cash in circulation grew 4.9% in 2022
  - De La Rue has a strong win rate, that has been broadly consistent in percentage terms throughout the last 3 years since the major efficiency initiatives in FY20/21

DeLaRue

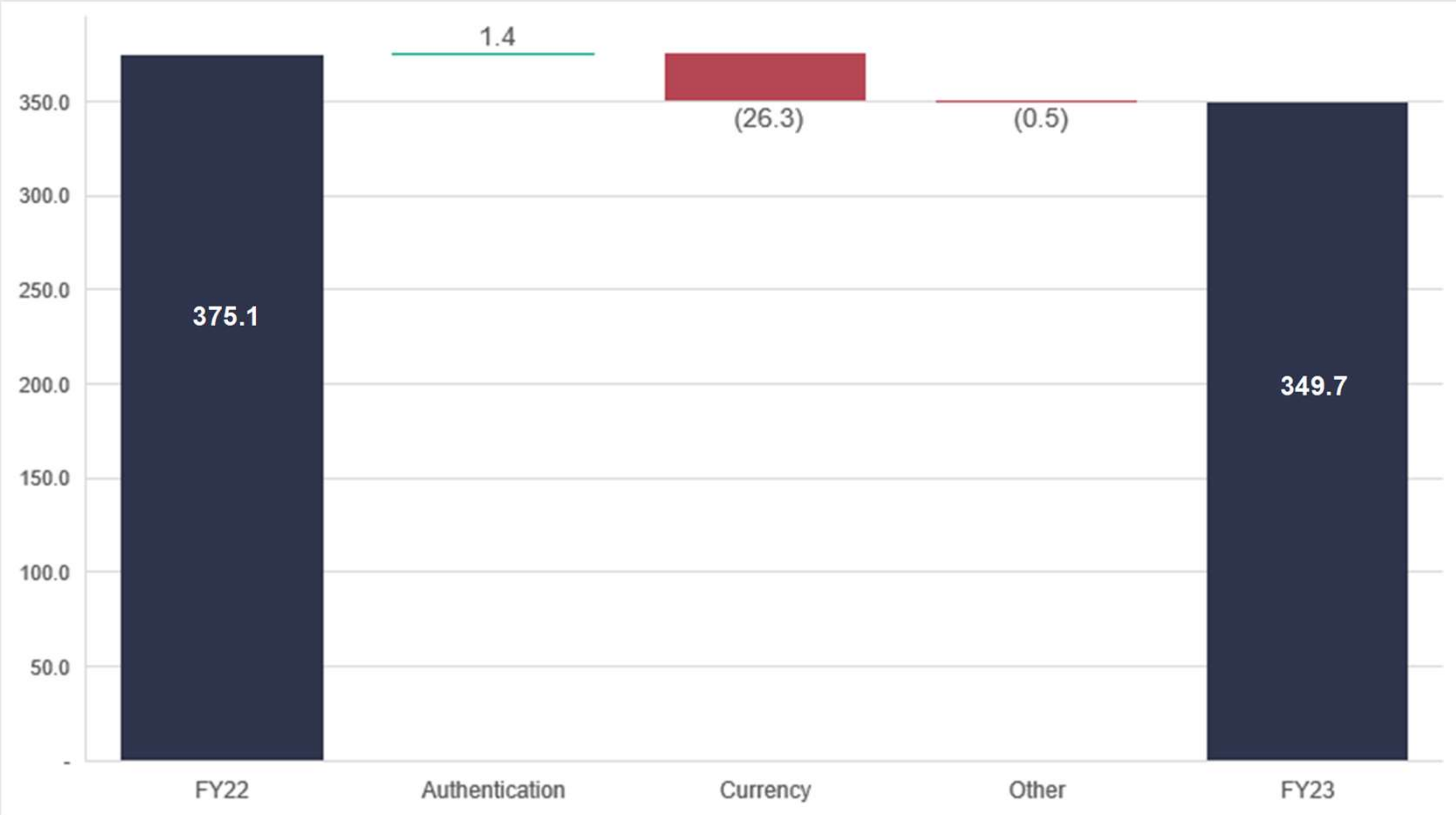
Financial statements

Income statement

	FY23 £m	FY22 £m	Change
Revenue	349.7	375.1	-6.8%
Gross profit	92.1	97.6	-5.7%
Adjusted operating profit*(1)	27.8	36.4	-23.6%
IFRS operating (loss)/profit	(20.3)	29.7	-168.6%
Adjusted basic (loss)/earnings per share*(2)	(1.5p)	13.0p	-111.5%
IFRS basic (loss)/earnings per share	(28.6p)	10.6p	-369.8%

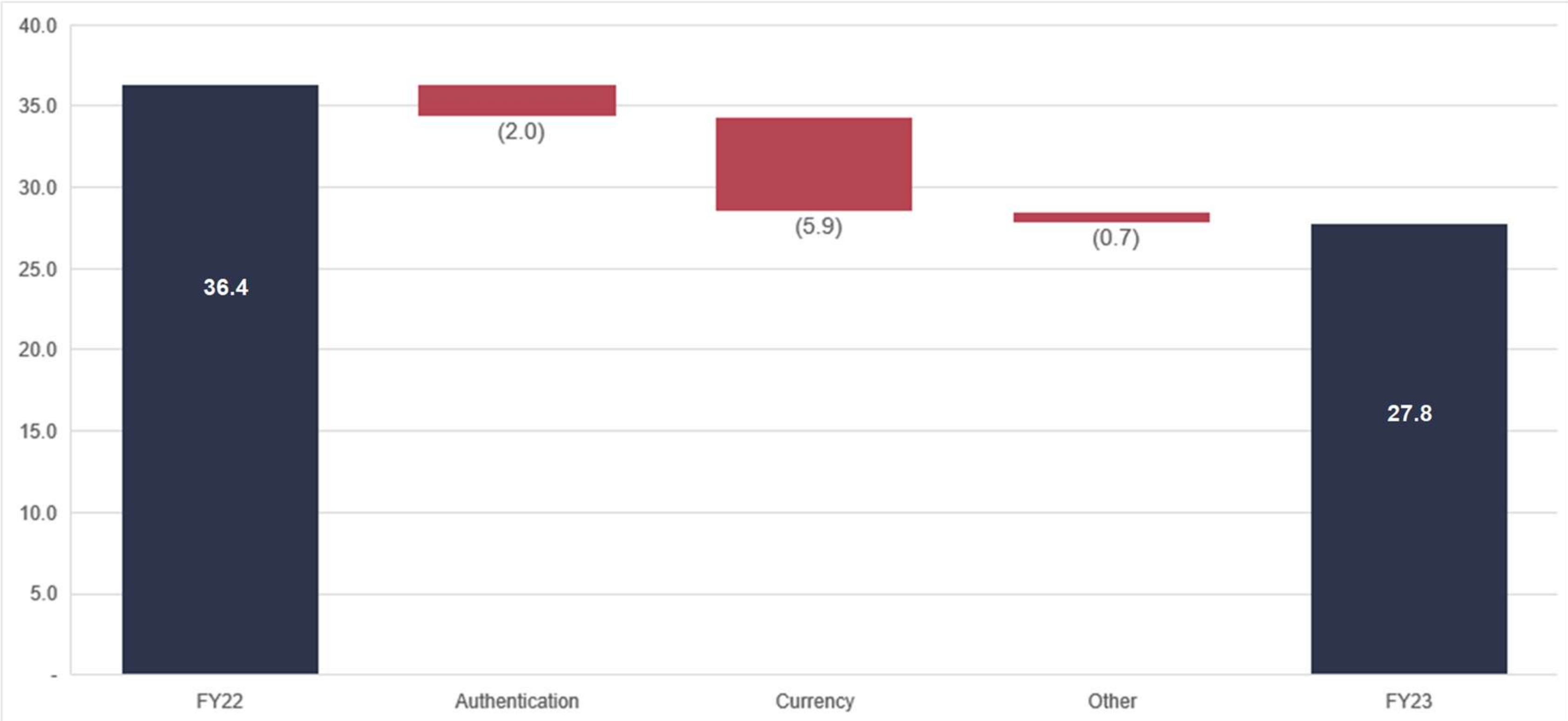
* The definition and reconciliation of adjusted revenue, adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures on slide 22.
(1) Adjusted operating profit excludes pre-tax exceptional items of £47.1m (FY22: £5.7m) and pre-tax amortisation of intangible assets of £1.0m (FY22: £1.0m)
(2) Adjusted basic EPS excludes post-tax exceptional items of £52.2m (FY22: £3.9m) and post-tax amortisation of intangible assets of £0.7m (FY22: £0.7m)

Revenue



350.0
300.0
250.0
200.0
150.0
100.0
50.0
-
1.4
(26.3)
(0.5)
375.1
349.7
FY22
Authentication
Currency
Other
FY23

Adjusted operating profit*(1)



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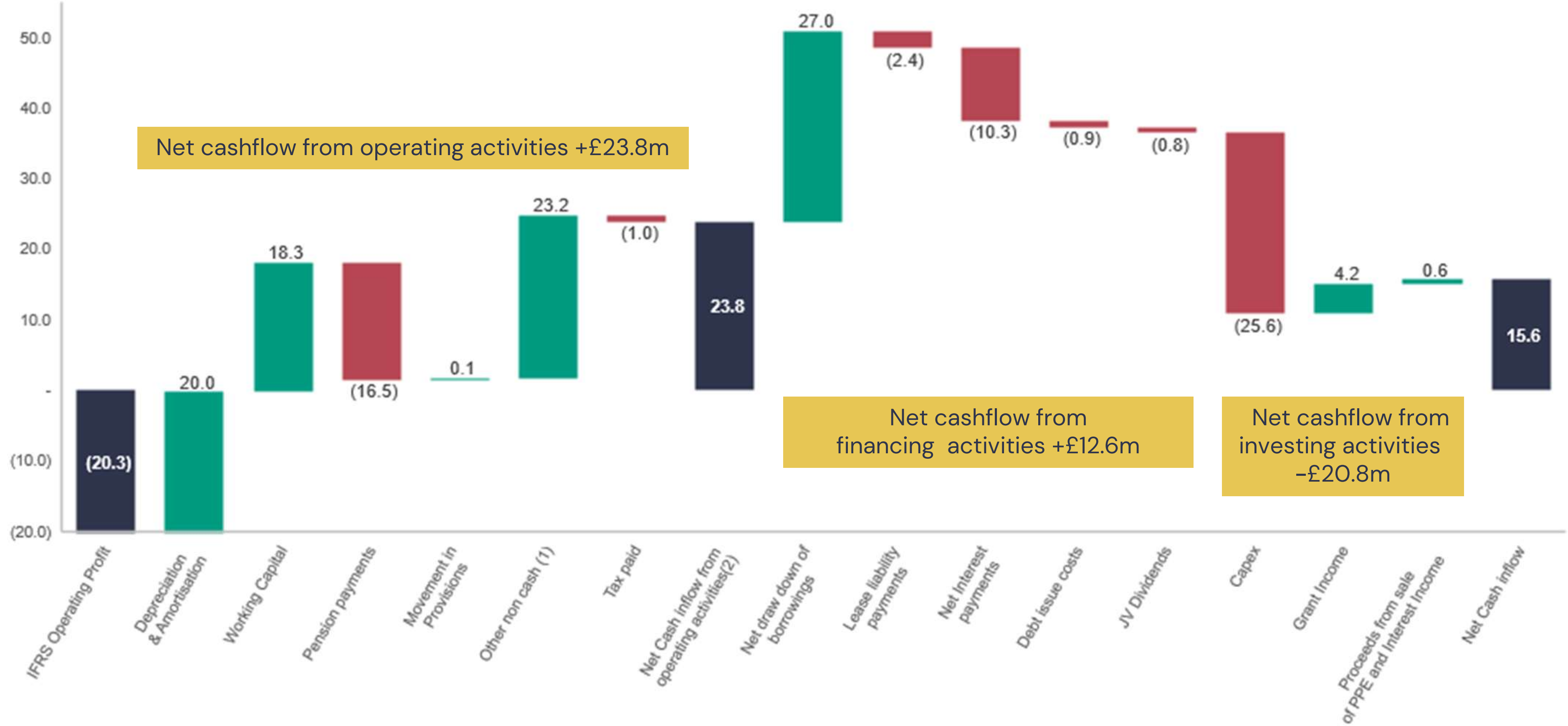
(1) Adjusted operating profit excludes pre-tax exceptional items of £47.1m (FY22: £5.7m) and pre-tax amortisation of intangible assets of £1.0m (FY22: £1.0m)

Exceptional costs

	FY23 £m	H1 FY23 £m	H2 change £m	Comment
Termination of Portals agreement	17.0	16.8	0.2	
Site relocation and restructuring	21.1	2.1	19.0	£12.6m Kenya wind down
Pension underpin costs	0.5	-	0.5	
Credit loss provision on loan notes	8.5	2.5	6.0	Loan notes now stand at zero net value
Total operating exceptional costs	47.1	21.4		
Tax on exceptional items	5.1	6.7	(1.6)	£4m derecognition of deferred tax asset in H1
Net exceptionals	52.2	28.1		

Of which:	£m
Paid in FY23	17.4
To be paid in FY24	9.4
Non-cash	20.3

Cash flow



1. Other non-cash of £23.2m includes £9.7m of PPE and intangible asset impairments and £8.5m credit loss provision on Portals loan notes
2. Net inflow from operating activities of £23.8m includes £17.4m cash outflow in relation to exceptional items in FY23

Net debt and covenants

- Group net debt increased from £71.4m for FY22 to £83.1m for FY23 (consensus £88m-£92m)
- Net debt came in lower than consensus due to the final £7m in relation to Portals settlement being paid post year-end (FY24)
- Covenant tests at the year end were:
  - EBIT/ net interest payable: 3.03x (versus a covenant of >3x)
  - Net debt/ EBITDA: 2.21x (versus a covenant <3x)

Banking facilities

- Company operated within its banking covenants (both gearing and interest) at each quarterly test point in FY23

- Today announces agreement with the lenders to relax its covenants
- Interest cover reduced from >3.0x to >1.0x for remainder of the loan term (to 1 Jan 2025)
- Gearing ratio relaxed from <3.0x to <4.0x to March 2024, and then <3.6x
- Additional liquidity covenant introduced: require headroom of at least £25m on £175m facilities
- 1% arrangement fee (£2.5m), which will reduce to 0.5% (£1.25m) if facilities are refinanced prior to 31 December 2023
- Margin on the newly agreed terms are based on the following leverage ratios:
  - Greater than 3.5:1 – 4.35%
  - Greater than 3.0:1, less than/ equal to 3.5:1 – 4.15%
  - Greater than 2.5:1, less than/ equal to 3.0:1 – 3.95%
- RCF remains at £175m, but bonding has reduced from £100m to £75m
- Granted fixed and floated charges over certain material Group assets
- There are also non-financial conditions attached to the new terms and management is confident in its delivery against each of these conditions

Pension scheme – deferral

- Negotiated deferral of £18.75m of pension deficit reduction contributions with Trustee
- Deferred the 5 payments due from 5 April 2023 up to and including 5 April 2024
- First payment likely in FY24 and will be £1.25m or £2.5m (DRC payment equivalent to lender amendment fee)
- Remainder catch-up payments to start from July 2025 and will cover period FY26 to FY29; however, these start after next triennial review (April 2024)
- Builds on reduction of payments agreed in March 2022
- Significantly eases short term cash flow burden
- No change to expected timeframe to full funding (March 2029)

Pension scheme – FY23

Actuarial valuation and deficit

- Payments deficit valued at £119.5m in April 2021
- March 2022 payments of £15m pa agreed to 31 March 2029
- Moved to sole Trustee

Buy in

- In May 2022 the Trustees entered into a partial buy-in contract for a proportion of pension members
- Premium paid by the scheme was £319m

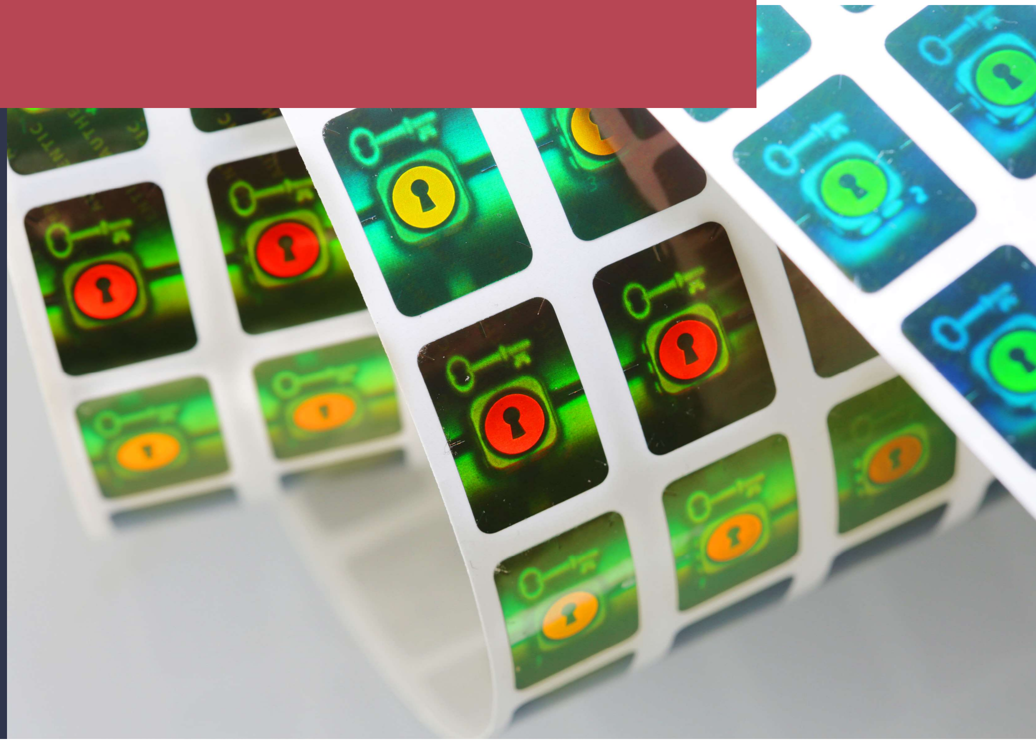
IAS 19 valuation

- Net liability on UK scheme of £53.1m at 25 March 2023 (26 March 2022: net surplus of £31.6m)
- Key drivers: 1) losses on assets including buy in premium 2) inflation experience on liabilities

Summary and *outlook*

Summary and outlook

- New covenants and deferral of pension deficit repair contributions put the Group on a firmer footing
- Continued to tackle legacy issues during FY23 and restructured to increase resilience and efficiency
  - Termination of agreement with Portals
  - Kenya wind down
- Trading for first two months of FY24 in line with expectations
- Authentication to exceed £100m revenue this year
- Several key Currency tenders won since year end: substantial majority of FY24 revenue now secured
- Reiterating FY24 guidance: adjusted operating profit of low £20m
- H1 expected to be broadly break even
- Net debt expected to be approximately £100m at both H1 and full year
- No going concern "material uncertainty" in the Company's accounts



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 excluded "pass-through" revenue relating to non-novated contracts following the paper and international identity solutions business sales. There has been no "pass-through" revenue in FY23 or FY22 and therefore this non-IFRS is no longer used by the Group.

B Adjusted operating profit

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

	2023 £m	2022 £m
Operating (loss)/profit from continuing operations on an IFRS basis	**(20.3)**	29.7
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**47.1**	5.7
Adjusted operating profit from continuing operations	**27.8**	36.4

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.

	2023 £m	2022 £m
(Loss)/Profit attributable to equity shareholders of the Company	**(55.4)**	21.5
Exclude: discontinued operations	-	(0.8)
(Loss)/Profit attributable to equity shareholders of the Company from continuing operations on an IFRS basis	**(55.4)**	20.7
Amortisation of acquired intangible assets	**1.0**	1.0
Exceptional items	**47.1**	5.7
Tax on amortisation of acquired intangible assets	**(0.3)**	(0.3)
Tax on exceptional items	**5.1**	(1.8)
Adjusted (loss)/profit attributable to equity shareholders of the Company from continuing operations	**(2.5)**	25.3
Weighted average number of ordinary shares for basic earnings	**195.4**	195.2

Continuing operations	**2023 pence per share**	2022 pence per share
Basic earnings per ordinary share on an IFRS basis	**(28.4)**	10.7
Basic adjusted earnings per ordinary share	**(1.3)**	13.0

Non-IFRS measures continued

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 EBITDA margin percentage takes the applicable EBITDA figure and divides this by the continuing revenue in the period of £349.7m (FY22: £375.1m). The covenant test (note 14(b)) uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

	2023 £m	2022 £m
(Loss)/Profit for the year	**(56.7)**	23.7
Add back:		
Profit on discontinued operations	**-**	(0.8)
Taxation	**27.1**	1.3
Net finance expenses	**9.3**	5.5
(Loss)/Profit before interest and taxation from continuing operations	**(20.3)**	29.7
Add back:		
Depreciation of property, plant and equipment	**12.5**	12.0
Depreciation of right-of-use assets	**2.2**	2.3
Amortisation of intangible assets	**5.3**	4.3
EBITDA	**(0.3)**	48.3
Exceptional items	**47.1**	5.7
Adjusted EBITDA	**46.8**	54.0

Revenue £m	**349.7**	375.1
EBITDA margin	**(0.8)%**	12.9%
Adjusted EBITDA margin	**13.4%**	14.4%

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 objectives.

FY23	Currency	Authentication	Identity Solutions	Central	Total of continuing operations
	£m	£m	£m	£m	£m
Operating (loss)/profit on IFRS basis	**(24.8)**	**5.4**	**(0.2)**	**(0.7)**	**(20.3)**
Amortisation of acquired intangibles	-	1.0	-	-	1.0
Net exceptional items	38.4	7.9	0.1	0.7	47.1
Adjusted operating profit/(loss) (note 1)	**13.6**	**14.3**	**(0.1)**	**-**	**27.8**
Enabling function overheads	24.0	8.7	-	(32.7)	-
Adjusted controllable operating profit/(loss)	**37.6**	**23.0**	**(0.1)**	**(32.7)**	**27.8**

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

