# De La Rue plc
## *H1 25 results presentation*

December 2024

# 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 cases, 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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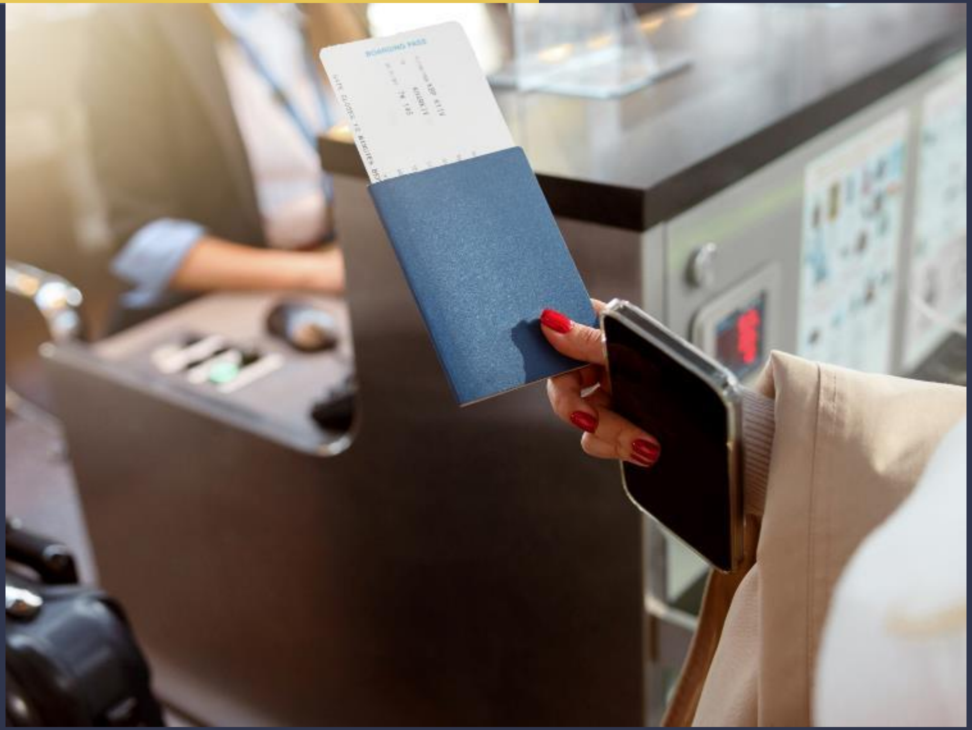
# *CEO review*



# Overall Summary

***Major progress in growing Currency towards an efficient and streamlined business, with net cash and legacy issues removed***

- H1 trading performance ahead of guidance
- Significant Currency market growth reflected in £338m November order book
- Agreed Authentication sale to Crane NXT for an enterprise value of £300m
- Positioned to pay off RCF in full, become net cash positive and greatly reduce pension deficit

| Performance in period | H1 25 £m | H1 24 £m | Δ % |
|---|---|---|---|
| Revenue[1] | **145.1** | 161.5 | (10.2) |
| Adjusted operating profit[2] | **7.3** | 7.9 | (7.6) |
| IFRS operating profit | **1.3** | (3.4) | 138.2 |

1. *H1 revenue impacted by Currency deliveries moved to H2, as guided at time of AGM.*
2. *Ahead of AOP guidance of mid to low single digit £ms*

# Currency: performance in period

***Executing against a clear strategy in a growing market.***

- Division continued to be profitable
- Consistently high win rate
- 6 new banknote customers won recently, nearly all incorporating De La Rue polymer and/or security features
- Polymer production substantially up in H1 25 (vs H1 24), with doubling in H2 25 and further step up in FY26 expected

| Performance in period | H1 25 £m | H1 24 £m | Δ % |
|---|---|---|---|
| Revenue[1] | **94.9** | 113.4 | (16.3%) |
| Adjusted operating profit | **1.1** | 1.4 | (21.4%) |

1. *H1 revenue impacted by Currency deliveries moved to H2, as guided at time of AGM.*

# Currency: order book

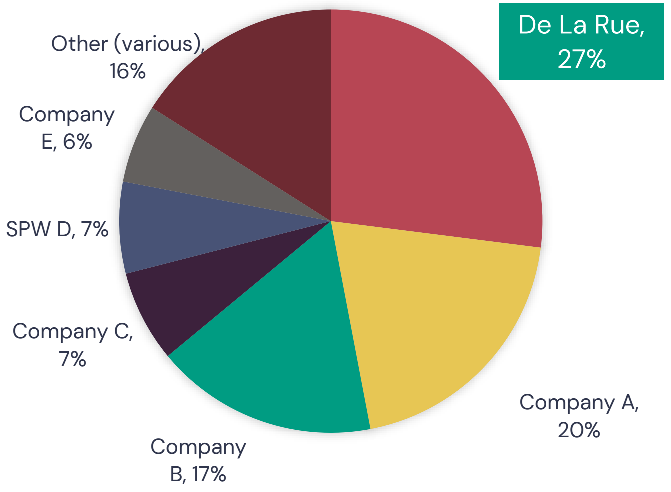
*An exceptionally strong and growing order book will translate into EBITDA in months to come*

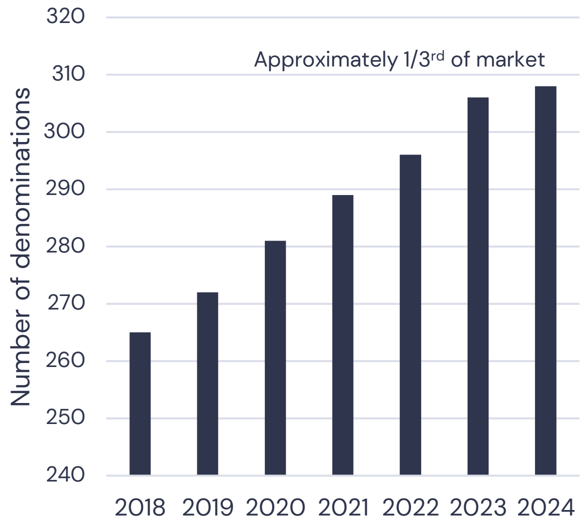
# Currency: market information

***De La Rue retains long-term leadership in commercial print and design, whilst growing its components business. The overall market continues to grow at 5%***

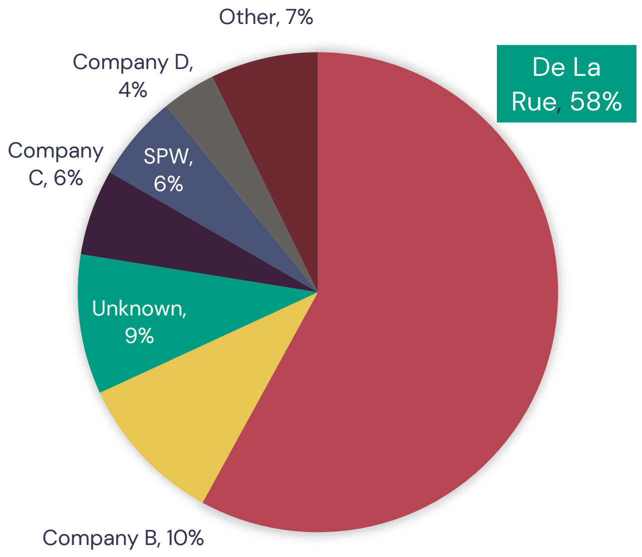
*Market share of commercial print (10% of 160-180bn banknote market)*




*Banknotes with a De La Rue security feature and/or SAFEGUARD® substrate*




*Market share of commercially printed banknotes designs issued 2020-24*




**Source:** De La Rue internal estimates

# Transformational change in Currency

***Major investments complete/nearly complete to meet growing polymer and security features demand and ensure high quality cost-efficient banknote print***

***Banknote print***

✓ More flexible, efficient and upgraded footprint
✓ Right-sized from 5 to 3 banknote printing sites
✓ Malta supersite nearing completion
✓ Can now competitively tender for paper substrate

***SAFEGUARD® polymer substrate***

✓ Doubled polymer substrate capacity

***Security features***

✓ Bespoke machine to scale-up cutting-edge features now producing

Malta new facility and future supersite (complete 2025)

Westhoughton 2nd polymer line in extended site

# Authentication update

***Solid performance H1 25, with sale of division to Crane NXT announced in October***

### *Divisional performance*

- Renewed final of four significant multi-year contracts (combined expected contract value of over £150m)
- New ID passport win

| *Key financials £m* | **H1 25** | H1 24 | Change |
|---|---|---|---|
| Revenue | **50.2** | 48.1 | 4.4% |
| Adjusted operating profit | **6.2** | 6.5 | (4.6%) |

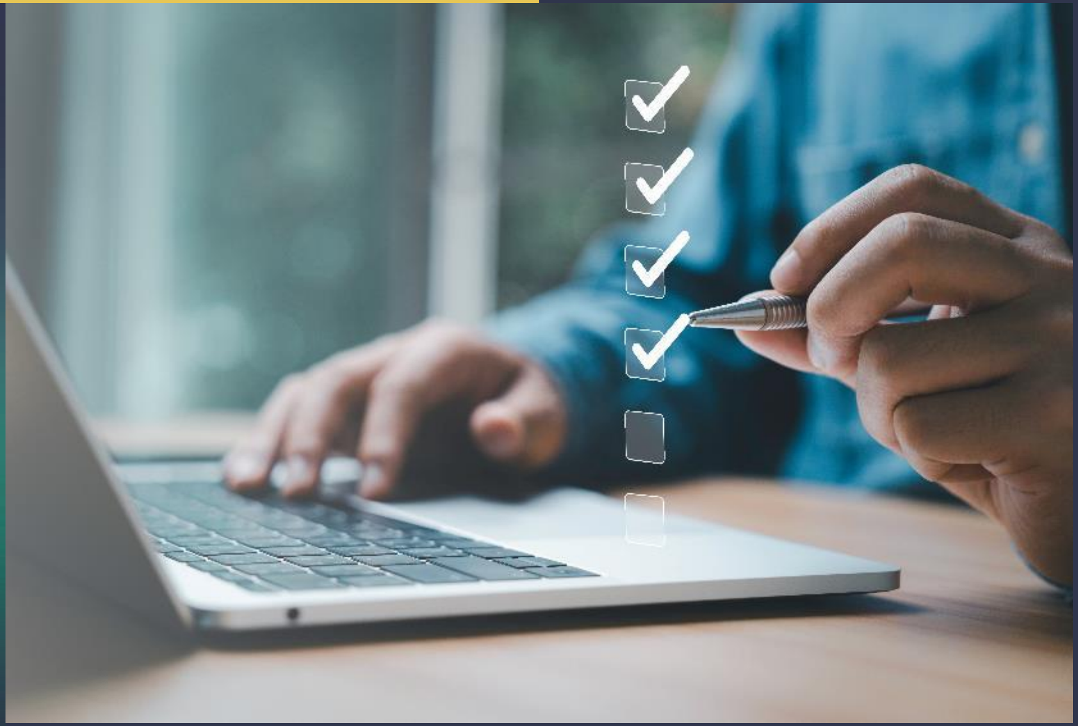
### *Progress on sale*

- Agreed sale to Crane NXT for cash, representing enterprise value of £300m
- Separation work well underway
  - Staff consultation complete
  - Discussions with customers well underway regarding novation
  - Clear plan for physical separation in Malta
- Transaction expected to complete first half of 2025

# Transformative transaction

***Sale of Authentication realises significant capital for the benefit of all stakeholders by unlocking its intrinsic value.***

- Agreed cash sale, representing an enterprise value of £300m
- Follows an extensive and wide-reaching process conducted by the Board
- Crane NXT is a strong buyer and an excellent fit for the division and its customers
- Proceeds will create a more resilient Group by repaying existing RCF in full, leaving the Group in a net cash position
- Significantly reduces the deficit on the Pension Scheme by paying £30m as an accelerated contribution on completion, helping work to a long-term solution
- Expected to complete in first half of calendar 2025, ahead of the expiry of RCF



# *Financial* statements

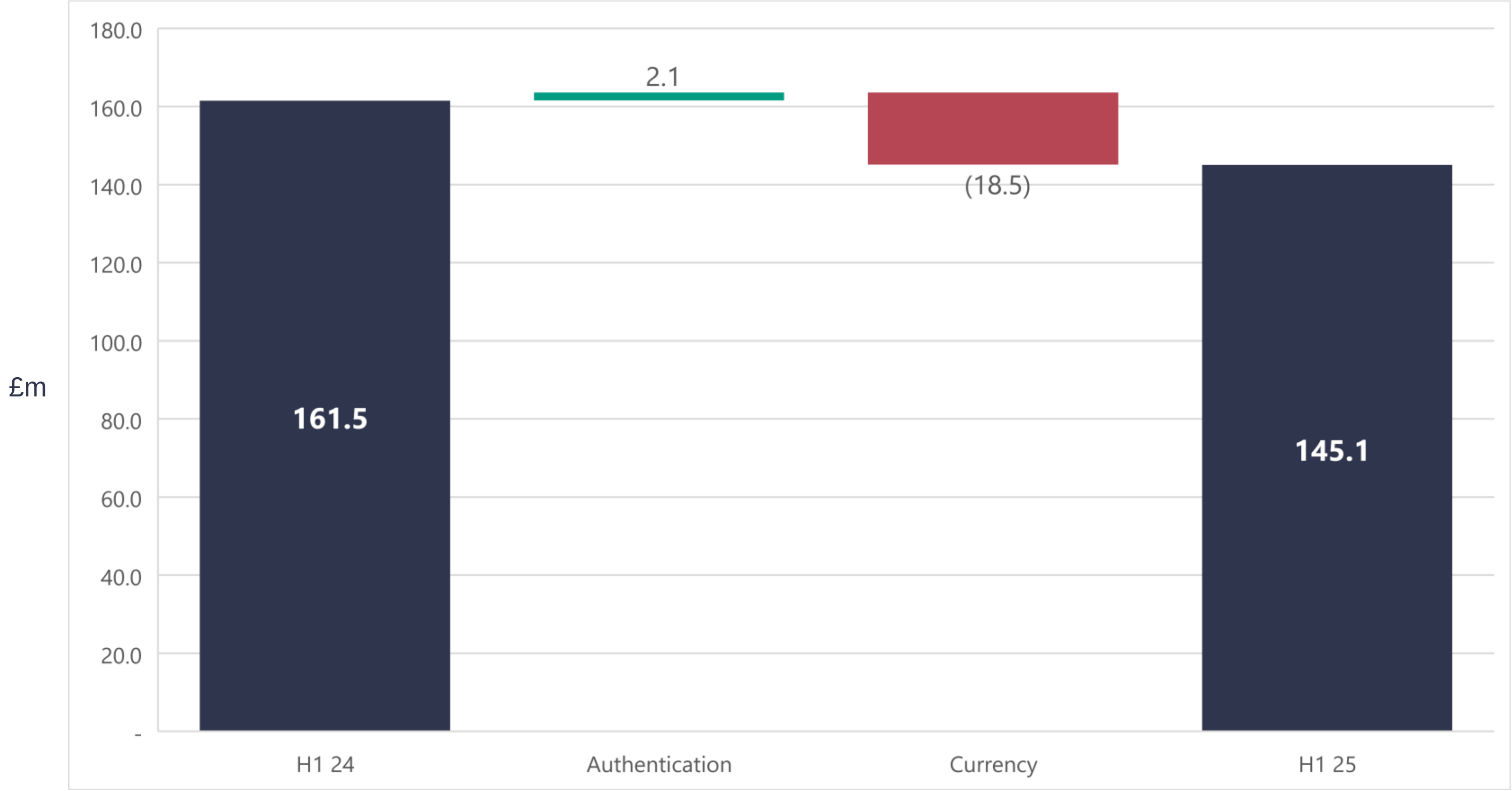
# Income statement

| | H1 25 £m | H1 24 £m | Change |
|---|---|---|---|
| Revenue | 145.1 | 161.5 | (10.2%) |
| Gross profit | 38.9 | 40.2 | (3.2%) |
| Gross profit margin | 26.8% | 24.9% | 190bps |
| Adjusted operating profit*(1) | 7.3 | 7.9 | (7.6%) |
| Adjusted operating margin*(1) | 5.0% | 4.9% | 12bps |
| IFRS operating profit/(loss) | 1.3 | (3.4) | 138.2% |
| IFRS operating margin | 0.9% | (2.1%) | 300bps |
| Adjusted basic earnings per share*(2) | (1.5p) | (2.6p) | 42.3% |
| IFRS basic earnings per share | (4.1p) | (6.2p) | 33.9% |

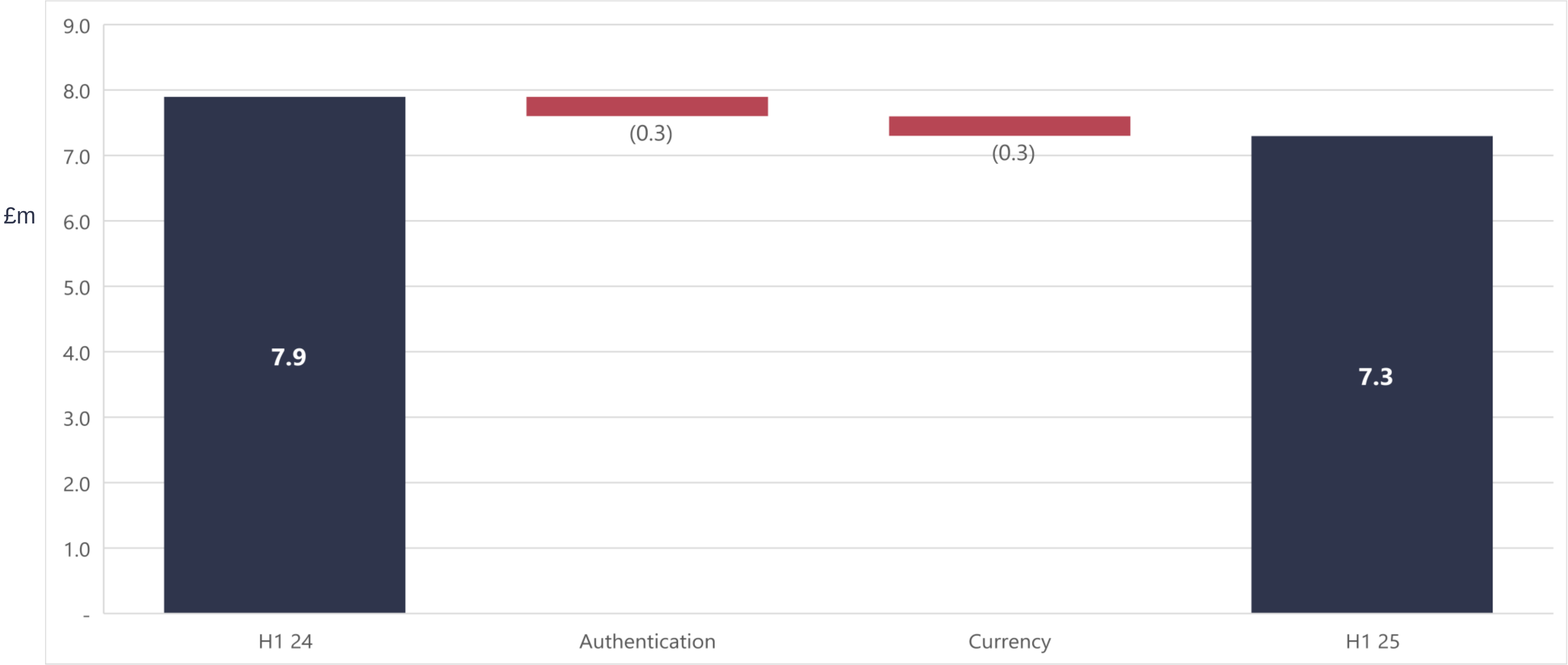
- The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures on slide 22

(1) Adjusted operating profit excludes pre-tax exceptional items of £5.5m (H1 24: £10.8m) and pre-tax amortisation of intangible assets of £0.5m (H1 24: £0.5m)
(2) Adjusted basic EPS excludes post-tax exceptional items of £4.6m (H1 24: £6.7m) and post-tax amortisation of intangible assets of £0.4m (H1 24: £0.4m)

# Revenue


£m
180.0
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
-
161.5
2.1
(18.5)
145.1
H1 24
Authentication
Currency
H1 25

# Adjusted operating profit*(1)

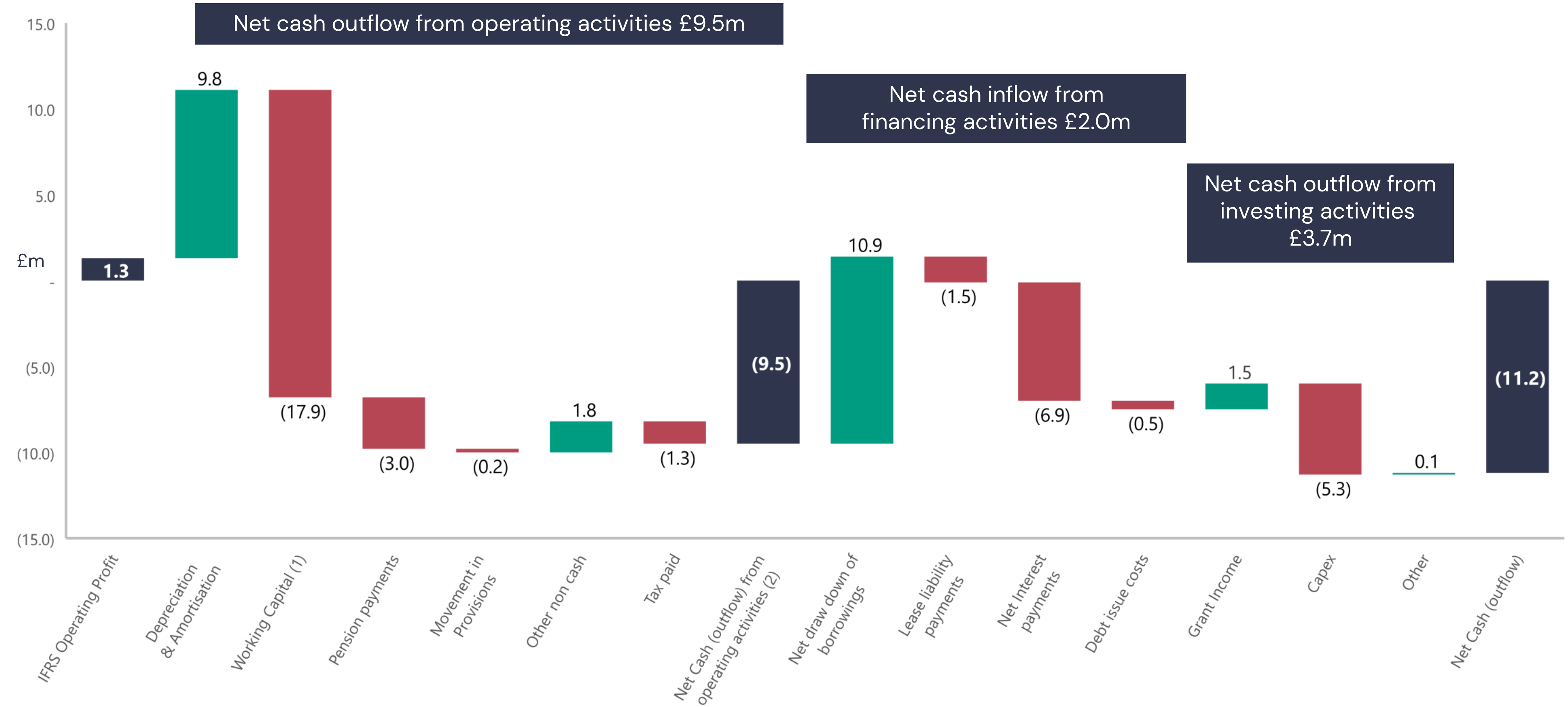



* The definition and reconciliation of adjusted operating profit and adjusted basic EPS can be found in non-IFRS financial measures on slide 22.
(1) Adjusted operating profit excludes pre-tax exceptional items of £5.5m (H1 24: £10.8m) and pre-tax amortisation of intangible assets of £0.5m (H1 24: £0.5m)

# Exceptional items

| | H1 25 £m | H1 24 £m | Cash impact H1 25 £m | Comment |
|---|---|---|---|---|
| Divestiture costs | **4.5** | – | 0.8 | Separation costs and advisor fees |
| Site relocation and restructuring costs | **0.9** | 7.9 | 0.1 | H1 25 costs for Gateshead closure |
| Pension underpin costs | **0.1** | 0.2 | 0.1 | |
| Pension deferment and bank refinancing | **-** | 3.0 | | |
| Credit loss write back on loan notes | **-** | (0.3) | (0.2) | Cash impact is FY24 item received post year end |
| Total exceptional operating costs | **5.5** | 10.8 | 0.8 | |
| Tax credit on exceptional items | **(0.9)** | (4.1) | | |
| Net exceptional charge | **4.6** | 6.7 | | |

# Cash flow




1. Working capital outflow of £17.9m impacted by significant currency receipts received just after H1. £28m of cash received from Currency customers in the first three weeks of October.
2. Net outflow from operating activities of £9.5m includes £0.8m of cash exceptionals paid in H1 25.

# Net debt and covenants

- Cash conservation and generation remains a core focus
- Group net debt rose to £109.4m (FY24: £89.4m), as guided in AGM trading statement
- Covenant tests at end September 2024:
  - EBIT/ net interest payable: 1.49x (versus a covenant of >1.0x)
  - Net debt/ EBITDA: 3.08x (versus a covenant <3.6x)
  - Liquidity headroom met throughout the period (covenant of >£10m)
- Net debt at year end depends on exact timing of Authentication sale completion
  - Expect to see a net investment in working capital in H2 as prepare for higher production in Currency in FY26 to meet orders
  - Cash costs of separation of Authentication will accelerate in H2

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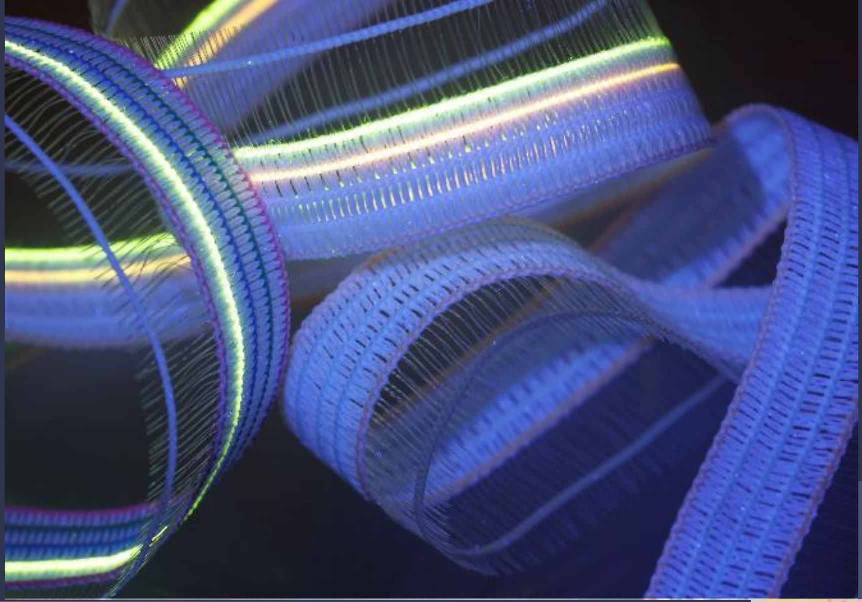

# Summary and *outlook*

# Summary and outlook

## *Well-placed to benefit from acceleration in Currency activity following significant strategic progress in H1*

- Agreed Authentication sale to Crane NXT for an enterprise value of £300m
- Positioned to pay off RCF in full, greatly reduce pension deficit and become net cash positive
- Significant Currency market growth and strong execution reflected in exceptionally strong and growing order book of £338m at end November
- Currency capability and footprint well positioned for profitable growth

## *Outlook*

- Substantial top line growth in Currency in H2 to reach Group adjusted operating profit for FY25 in mid to high £20ms
- Strong double-digit growth in Currency EBITDA before central costs in FY26

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# Q&A

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# Appendices

# Non-IFRS measures

## NON-IFRS FINANCIAL 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, non-recurring fees relating to the management of historical scheme issues, restructuring of businesses and asset. All exceptional items are included in the appropriate income statement category to which they relate.

### A 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 25 £m | H1 24 £m |
|---|---|---|
| **Operating profit/(loss) from continuing operations on an IFRS basis** | **1.3** | (3.4) |
| Amortisation of acquired intangible assets | **0.5** | 0.5 |
| Exceptional items | **5.5** | 10.8 |
| **Adjusted operating profit from continuing operations** | **7.3** | 7.9 |

# Non-IFRS measures continued

## B 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 25 £m | H1 24 £m |
|---|---|---|
| **Loss attributable to equity shareholders of the Company** | **(8.0)** | (12.2) |
| Amortisation of acquired intangible assets | **0.5** | 0.5 |
| Exceptional items | **5.5** | 10.8 |
| Tax on amortisation of acquired intangible assets | **(0.1)** | (0.1) |
| Tax on exceptional items | **(0.9)** | (4.1) |
| **Adjusted loss attributable to equity shareholders of the Company from continuing operations** | **(3.0)** | (5.1) |
| **Weighted average number of ordinary shares for basic earnings** | **196.0** | 195.6 |

| Continuing operations | H1 25 pence per share | H1 24 pence per share |
|---|---|---|
| Basic earnings per ordinary share on an IFRS basis | **(4.1)** | (6.2) |
| Basic adjusted earnings per ordinary share | **(1.5)** | (2.6) |
| Diluted adjusted earnings per ordinary share[1] | **(1.5)** | (2.6) |

[1] As there is a loss from continuing operations attributable to the ordinary equity shareholders of the Company for the period (£8.0m), the Diluted EPS is reported as equal to Basic EPS, as no account can be taken of the effect of dilutive securities under IAS 33.

# Non-IFRS measures continued

## C Net debt

Net debt is a non-IFRS measure. See note 8 for details of how net debt is calculated.

## 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 £145.1m (H1 24: £161.5m). The covenant test uses earlier accounting standards and excludes adjustments for IFRS 16 and takes into account lease payments made.

| | H1 25 £m | H1 24 £m |
|---|---|---|
| **Loss for the period** | **(7.0)** | (11.2) |
| Add back: | | |
| Profit on discontinued operations | **-** | - |
| Taxation | **0.5** | (5.6) |
| Net finance expenses | **7.8** | 13.4 |
| **Profit/(loss) before interest and taxation from continuing operations (Operating profit/(loss))** | **1.3** | (3.4) |
| Add back: | | |
| Depreciation of property, plant and equipment and right-of-use assets | **6.5** | 6.2 |
| Amortisation of intangible assets | **3.3** | 2.8 |
| **EBITDA** | **11.1** | 5.6 |
| Exceptional items | **5.5** | 10.8 |
| **Adjusted EBITDA** | **16.6** | 16.4 |
| | | |
| **Revenue £m** | **145.1** | 161.5 |
| **EBITDA margin** | **7.6%** | 3.5% |
| **Adjusted EBITDA margin** | **11.4%** | 10.2% |

# Non-IFRS measures continued

The adjusted EBITDA split by division was as follows:

| H1 25 | Currency | Authentication | Central | Total of continuing operations |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Operating profit/(loss) on IFRS basis | 0.5 | 5.7 | (4.9) | 1.3 |
| Add back: | | | | |
| Net exceptional items | 0.6 | - | 4.9 | 5.5 |
| Depreciation of property, plant and equipment and right-of-use assets | 4.9 | 1.1 | 0.5 | 6.5 |
| Amortisation of intangible assets | 0.6 | 2.7 | - | 3.3 |
| Adjusted EBITDA | 6.6 | 9.5 | 0.5 | 16.6 |

| H1 24 | Currency | Authentication | Central | Total of continuing operations |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Operating (loss)/profit on IFRS basis | (5.5) | 5.8 | (3.7) | (3.4) |
| Add back: | | | | |
| Net exceptional items | 6.9 | 0.2 | 3.7 | 10.8 |
| Depreciation of property, plant and equipment and right-of-use assets | 4.5 | 1.3 | 0.4 | 6.2 |
| Amortisation of intangible assets | 0.6 | 1.7 | 0.5 | 2.8 |
| Adjusted EBITDA | 6.5 | 9.0 | 0.9 | 16.4 |

# 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 key objectives.

| **H1 25** | **Currency £m** | **Authentication £m** | **Central £m** | **Total of continuing operations £m** |
|---|---|---|---|---|
| **Operating profit/(loss) on IFRS basis** | **0.5** | **5.7** | **(4.9)** | **1.3** |
| Amortisation of acquired intangibles | **-** | **0.5** | **-** | **0.5** |
| Net exceptional items | **0.6** | **-** | **4.9** | **5.5** |
| **Adjusted operating profit** | **1.1** | **6.2** | **-** | **7.3** |
| Enabling function overheads | **11.2** | **5.3** | **(16.5)** | **-** |
| **Adjusted controllable operating profit/(loss)** | **12.3** | **11.5** | **(16.5)** | **7.3** |

| H1 24 | Currency £m | Authentication £m | Central £m | Total of continuing operations £m |
|---|---|---|---|---|
| Operating (loss)/profit on IFRS basis | (5.5) | 5.8 | (3.7) | (3.4) |
| Amortisation of acquired intangibles | - | 0.5 | - | 0.5 |
| Net exceptional items | 6.9 | 0.2 | 3.7 | 10.8 |
| Adjusted operating profit | 1.4 | 6.5 | - | 7.9 |
| Enabling function overheads | 12.7 | 5.1 | (17.8) | - |
| Adjusted controllable operating profit/(loss) | 14.1 | 11.6 | (17.8) | 7.9 |

# Non-IFRS measures continued

**F Covenant Ratios**

The following covenant ratios are applicable to the Group's banking facilities as at 28 September 2024.

**1. Covenant net debt to EBITDA ratio**

For covenant purposes the Net debt/EBITDA ratio was required to be less than or equal to 4.0 times until the Q4 2024 testing point. This then reduced to less than or equal to 3.6 times from Q1 FY25 through to the end of the current agreement to 1 July 2025.

The definitions of "covenant net debt" and "covenant EBITDA" are different to those provided in note C and D above. These are defined below:

| | H1 25<br>£m |
|---|---|
| Gross Borrowings | (129.6) |
| Cash and cash equivalents | 20.2 |
| **Net debt (note 8)** | **(109.4)** |
| Trapped and other cash adjustments per banking facilities agreement | (7.1) |
| **Covenant net debt** | **(116.5)** |

| | H1 25<br>£m |
|---|---|
| Adjusted EBITDA – FY24 | 39.3 |
| Less: Adjusted EBITDA - H1 24 (note D) | (16.4) |
| Add: Adjusted EBITDA – H1 25 (note D) | 16.6 |
| **Adjusted EBITDA for 12 months to 28 September 2024** | 39.5 |
| **Adjustments per banking facilities agreement:** | |
| IFRS 16 leases adjustment | (2.9) |
| Bank guarantee fees | 1.2 |
| **Covenant EBITDA** | 37.8 |

| | H1 25<br>£m |
|---|---|
| **Covenant net debt to EBITDA ratio** | 3.08 |

# Non-IFRS measures continued

**2. Covenant EBIT / net interest payable ratio**

For covenant purposes the EBIT/net interest payable ratio is required to be more than or equal to 1.0 times.

The definition of "covenant EBIT" and "covenant net interest payable" are provided below:

| | H1 25<br>£m |
|---|---|
| Adjusted operating profit – FY24 | 21.0 |
| Less: Adjusted operating profit – H1 24 | (7.9) |
| Add: Adjusted operating profit – H1 25 | 7.3 |
| **Adjusted operating profit for 12 months to 28 September 2024** | **20.4** |
| Adjustments per banking facilities agreement: | |
| IFRS 16 leases adjustment | (0.3) |
| Bank guarantee fees | 1.2 |
| **Covenant EBIT** | **21.3** |

| | FY24<br>£m | Less<br>H1 24<br>£m | Add<br>H1 25<br>£m | 12 months to<br>H1 25<br>£m |
|---|---|---|---|---|
| Interest on bank loans | 12.3 | (6.1) | 6.3 | 12.5 |
| Other, including amortisation of finance arrangement fees | 3.7 | (2.1) | 2.5 | 4.1 |
| Interest income | (0.5) | 0.1 | (0.2) | (0.6) |
| Adjustments per banking facilities agreement: | | | | |
| Exclude: arrangement fees | (2.5) | 1.6 | (1.9) | (2.8) |
| Exclude: other including amortisation of finance arrangement fees | (0.2) | 0.1 | - | (0.1) |
| Include: bank guarantee fees | 1.2 | (0.6) | 0.6 | 1.2 |
| **Covenant net interest payable** | 14.0 | (7.0) | 7.3 | **14.3** |

| | H1 25<br>£m |
|---|---|
| **Covenant EBIT / net interest payable ratio** | **1.49** |

Covenant test results as at 28 September 2024:

| Test | Requirement | Actual at<br>28 September 2024 |
|---|---|---|
| EBIT to net interest payable | More than or equal to 1.0 times | 1.49 |
| Net debt to EBITDA | Less than or equal to 3.6 times | 3.08 |
| Minimum liquidity testing | Testing at each weekend point on a 4-week historical basis and 13-week forward looking basis. The minimum liquidity is defined as "available cash and undrawn RCF greater than or equal to £10m". | No breaches |

# Non-IFRS measures continued

**G Free cash flow**

Free cash flow is a Key Performance Indicator for the Group and shows how much cash is being generated for shareholders and is a metric used in assessment of the Group's Performance Share Plan. Free cash flow is defined below:

| | H1 25 £m | H1 24 £m |
|---|---|---|
| **Cash (used in)/generated from operating activities** | **(8.2)** | 16.6 |
| Add back: Pension recovery plan payments | **2.0** | - |
| Deduct: Purchases of property, plant and equipment (net of grants received) | **(1.3)** | (0.8) |
| Deduct: Purchases of software intangibles and development assets capitalised | **(2.5)** | (2.1) |
| Deduct: Lease liability payments | **(1.5)** | (1.3) |
| Deduct: Interest paid | **(6.9)** | (8.3) |
| **Free cash flow** | **(18.4)** | 4.1 |