

# De La Rue

Trading update

## Challenges continue

De La Rue has announced that its H120 profitability continues to be challenged and that market expectations for FY20 remain significantly too high. With no detail on the factors driving the weak performance, we are placing our forecasts under review pending H120 results on 26 November. With the arrival earlier this month of the new CEO, Clive Vacher, management is undertaking a detailed review of the business and we expect to hear at least initial thoughts on this with the H120 results. A full reset of the strategy may take more time but, given the reduced earnings capacity of both Currency and ID Solutions, the supportive dividend may be the first casualty.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/18**	461.4	47.5	38.2	25.0	3.9	16.7
03/19	516.6	54.1	42.9	25.0	3.5	16.7
03/20e	N/A	N/A	N/A	N/A	N/A	N/A
03/21e	N/A	N/A	N/A	N/A	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*Restated for the sale of Paper and IFRS 15.

The trading update indicates that H120 adjusted operating profit will drop to low to mid-single digits (£1–5m), compared to £17m in H119. With the International ID business sold, the UK passport contract winding down to its conclusion and the absence of any replacement for the highly profitable, but now curtailed, Venezuelan Currency revenues, we would expect H220 to also be significantly lower than H119, despite growth in the Product Authentication & Traceability (PA&T) division. When we have greater detail on the components of current performance, we will reset our estimates.

Both the chairman and the CEO were appointed in H119, and we would expect the detailed business review to deliver a modified strategy once it is fully formulated. The CEO, Clive Vacher, has significant experience of international business transformation and operational performance improvement.

### Industrial support services

30 October 2019

**Price** 150p  
**Market cap** £156m

Net debt (£m) at 31 March 2019	107.5
Shares in issue	104.0m
Free float	100%
Code	DLAR
Primary exchange	LSE
Secondary exchange	N/A

### Share price performance



### Business description

De La Rue is a world leader in anti-counterfeiting and security for currency and brand protection. The company operates across 140 countries and is the number one commercial designer and producer of banknotes and security features on both paper and increasingly polymer substrates.

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