

De La Rue

Tax stamp deals underpin PA&T growth

Following last week's European contracts, the award of a sizeable five-year contract for tax stamps for the Kingdom of Saudi Arabia (KSA) further underpins management's recent assertion that Product Authentication & Traceability (PA&T) would double its sales over the next three years. In addition, we visited the polymer banknote substrate operation near Bolton yesterday that showcased De La Rue's strong position to deliver its increasing share in this fast-growing segment of the market. Both areas highlight the underlying progress being made, which is being masked by the upcoming ending of UK passport production. We do not believe the underlying growth is reflected in the current rating.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/17	461.7	58.7	47.0	25.0	8.7	6.1
03/18	493.9	53.4	42.9	25.0	9.5	6.1
03/19e	509.9	55.5	44.5	25.0	9.1	6.1
03/20e	506.5	55.5	44.3	25.0	9.2	6.1

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

On 28 March 2019 the company announced it had won contracts to supply tax stamps for tobacco products sold in the UK, France, Austria, Sweden, Finland and Cyprus to comply with the EU Tobacco Products Directive (EUTPD). The stamps contain both visible and invisible security features that verify the authenticity of the products. As a result, more than 3.5bn tax stamps will be delivered per year, which should treble the volume of authentication labels in FY20. The contracts follow February's award by the HMRC for a DLR Certify digital track and trace system for tobacco products sold in the UK, including management of its service covering an estimated 57k operators serving the UK tobacco sector.

On 1 April 2019 a contract was signed with the General Authority of Zakat and Tax in the KSA to supply and operate a digital tax stamp solution for tobacco and soft drinks sold there. The DLR Certify contract will be delivered in May 2019 and initially deployed on imports of cigarettes from August 2019, ramping up to full volume in early 2020 across all tobacco and soft drinks products.

Major contract awards

Support services

2 April 2019

Price 407p
Market cap £422m

Net debt (£m) at 30 September 2018	94.3
Shares in issue	103.8m
Free float	99.6%
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, identity and brand protection. It operates across 140 countries and is the number one commercial designer and producer of banknotes and passports.

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