

World Coins and Blanks

A Global Review of the Industry and its Manufacturers

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1. Abstract

Following the successful publication in 2011 of our report on *World Banknote Paper*, Impacts.Ca Marketing Research Inc. has focused its attention to the currency circulating in parallel to the banknote – the coin. This report adopts the same structure as its predecessor in reviewing this industry.

The coin market, which is principally state-owned, is split between Circulating coins, Commemorative coins, and special products such as bullion. In keeping with the international market focus of our reports, we look in detail at groups that are developing a global presence for their products.

Within the “coin” category, we found that its key constituent, the blank, occupies a crucial space in the industry. Since it carries a large percentage of the value of the coin, the blank is an important component that will also be examined in this report.

To gain a fuller understanding of the product, we briefly examine the technology behind blank manufacturing and coin striking, before providing historical, technical and financial profiles of the main players in the industry. We conclude by considering the risks that are ever-present in this sector – the volatility of metal prices combined with high procurement costs and low margins – and the industry’s long-term prospects.

2. Key Findings

Our research has led us to construct a tiered segmentation for the coin industry.

The “first-tier” is dominated by large, state-owned mints that offer coins and blanks as well as a range of ancillary products, including commemoratives, bullion, decorations, medals and jewellery.¹

This is followed by a “second-tier”, composed of medium-sized state-owned mints without blanking capacity that caters to their domestic or regional needs, exporting excess capacity to the commercial market. The gap in turnover and volume between the first and second divisions is relatively wide.

A “third-tier” is comprised of private-sector companies covering mint-related products and services. These include companies that offer minting components as a bi-product to their core business in industrial and consumer products.

We also observed that all state mints underwent “corporatization” around the 1960s-1990s, with governments instructing them to secure export sales. For example, The Royal Canadian Mint was converted in 1969, the Royal Mint in 1990, the Mint of Finland in 1993, the Royal Dutch Mint in 1994, the Royal Australian Mint in 1965 and the Slovakian Mint in 1968.

Another important finding relates to the conditions under which the industry must operate, namely risk. Elements of risk are linked to two key factors: the volatile price of metals, and the requirement to devote considerable financial resources for the acquisition of raw material for the manufacturing process. Groups that do not benefit from solid financial foundations can find themselves in difficulty if they overstretch their capacities. Some state-owned mints have the advantage of higher-margin revenues generated by sales to their own governments, sales that are closed to third parties, which in turn enables them to engage in global expansion. Others generate large turnover from bullion sales. For those that do not benefit from this added security, conditions can be challenging. For example, in 2011, we witnessed the quasi-bankruptcy of a notable European player, Verres SpA. As such, state-owned mints have a considerable advantage compared to private corporations, as they have a stable

1 - Monnaie de Paris introduced a range of themed jewellery products in 2010.

client base in their national government. This is not doubt why many countries who buy coins only deal with those mints that are state-owned.

Finally, we found that in the period succeeding the launch of the Euro, mints that have consolidated into integrated manufacturing units, and which have established a sound financial base, are those best positioned to address the challenges of the market and grow in future.

3. Introduction

The world of coins is generally associated with numismatics, or the collection of commemorative and special coins. Undeniably, numismatics is one of a number of sectors exploited by the industry, which also generates turnover from circulation coins, blanks and bullion. Other areas include medals, decorations and specialized products.

The coin industry's global commercial activities have not been the subject of extensive research in recent years. This is understandable since outside investors generally do not have access to this business. However, with the trend towards state corporatization² of mints following the Euro launch coupled with expansion into new commercial markets, the sector now has a global presence, and this market report is timely. In line with the theme of **Impact.Ca Inc's** reports, we focus primarily on groups active in the commercial market.

The coin industry's key players are almost exclusively government-owned, and operate in the first and second "tiers" of this space. These include China's Banknote Printing and Minting Corporation, the US Mint and the Russian Mint. However, these aforementioned mints do not compete internationally³ (although they do procure materials, such as blanks, from third parties) and so do not figure in this report.

The business model and structure of the businesses operating in this industry can be defined into three categories. The *first tier* includes state-owned mints active in international markets producing the entire range of coin products, including blanks. Three companies embody this category: The Royal Canadian Mint, the Royal Mint and The Mint of Finland, all of whom operate internationally through sales and marketing networks.

There are other players in this sector such as the French mint, "Monnaie de Paris" (MDP), which generated a turnover of €159m (USD 206m) in 2011.

2- "Corporatization": The process whereby a Government Mints has been restructured to operate as a corporate entity, requiring to report profits to their shareholder, usually a Ministry of Finance or Central Bank. This is the case for the "Big Three": the Royal Canadian Mint, the Royal Mint and the Mint of Finland.

3 - At this time, there is no information available on why these mints do not compete internationally, but we speculate it is due to their international policy. For example, the US Mint's mission is "to manufacture and distribute circulating coins, precious metals and collectible coins, and national medals to meet the needs of the United States." Also, we believe that these mints' capacity is in line with their domestic demand. We are unable to speculate on future export orientations.

However, the bulk of their revenues are principally derived from the home and collector's market, since exports only represent 10.6% of turnover⁴. When compared to the Mint of Finland, which has a limited home market, yet presenting 90% exports as a percentage of net revenues⁵, we can relativize MDP's global presence.

Another important tier one supplier is the Austrian Mint, with sales of €2.6 billion⁶ (USD 3.46 billion), generated mostly from the precious metals bullion market. However, as is the case of many European state-owned mints, exports of circulation coins represents a small fraction of sales (an estimated 2.1%).

Taken together, first tier mints generate a turnover of USD 7.4 billion⁷, the bulk of which is derived from the sale of precious metal products.

Table 1 - Consolidated Earnings for Tier One Mints (2011)

Mint	Revenues (local currency)	Revenues (USD)
Royal Canadian Mint	CAND 3.26 b	USD 3.1b
Royal Mint	£313.9 m	USD 487.7 m
Monnaie de Paris	€159.2 m	USD 206.6 m
Mint of Finland	€137.1 m	USD 177.9 m
Austrian Mint	€2.6 b	USD 3.4 b
	Total	USD 7.4 b

Second-tier mints are defined as small-to-medium sized state-owned mints that are not integrated downstream – namely, they do not have blank manufacturing capacity. This makes them almost totally dependent on their competitors for blank supplies, a key strategic vulnerability that impedes their ability to establish a critical mass that could give them access to a wider commercial role. They trail behind first tier groups in terms of turnover, or in terms of revenue from global activities, with individual revenues less than USD 100 million. However, this is not to suggest these mints are in any way inferior to first-tier groups: In Europe,

4 - Julien, P. April 2012. *La Monnaie de Paris, une affaire en or* [online], Le Monde. Available at : <http://mondephilatelique.blog.lemonde.fr/2012/04/01/la-monnaie-de-paris-une-affaire-en-or/>, [Accessed December 21st 2012].

5 - Mint of Finland Annual Report, 2011. *Mint of Finland Ltd.'s Annual Report and the Report of the Board of Directors*. [online] Available at: <http://www.suomenrahapaja.fi/eng/the-mint-of-finland/presentation/annual-reports-and-csr-reports>, [Accessed December 21st 2012].

6 - Austrian Mint, 2011. *International Success, Annual Report*. [online] Available at: http://www.muenzeoesterreich.at/eng/content/download/21881/777243/version/2/file/MOe_GB2011.pdf, [Accessed December 21st 2012].

7 - This report utilizes United States Dollars as a benchmark currency for comparative and illustrative purposes.

The Royal Dutch Mint and the small German provincial mints are recognized in collectors' circles as high-quality producers with prestige products. Mints in this sector are generally centered in Europe, and trace their historical roots to the manufacture of national coins before the introduction of the Euro, and subsequent to the currency change, focus their production on the minting of Euro coins, commemorative and precious-metal products.

Outside Europe, this tier includes the Royal Australian Mint, which is a respected regional player, generating AUD 90m (USD 73.1m) in sales, and the South African Mint (which generates profits of USD 4.6m).

Finally, *third-tier* entities are private-sector companies active in promoting coins and blanks. Some of these offer blanks in parallel to core products, principally non-ferrous metals manufactured in large facilities. By far the most important is Poongsan Corporation of Korea with a combined turnover of USD 3 billion. Poongsan manufactures non-ferrous metal products, munitions, machinery and coin blanks, and claims to be the largest manufacturer of blanks in the world⁸.

Similarly, some Indian steel and non-ferrous metal producers offer strips and blanks, although we have not found any evidence of extensive international sales. Another player in this tier is Amera Payment Systems AG, with a distributed corporate structure which incorporates coin minting, blank production and minting services. This report looks at the following key areas:

- *Technical Briefing: the coin and the blank:* a brief overview of the range of products and the technology behind them
- *Manufacturers Profile:* a detailed look at the main industry players operating in each of the three categories that we have established.
- *Risks and Challenges:* examining the principal structural components that every mint is eminently aware of: the volatile nature of the raw material that constitutes the main cost, and therefore risk. We hypothesize on the future trends for metal prices and expend on our model.

8 - Poongsan Corporation, 2012. Annual Report 2011[Online] Available at <http://www.poongsan.co.kr/eng/files/annual-reports/Poongsan2011.pdf>, [Accessed 21st of December 2012]