Full year results

2019/20

2 July 2020

DS Smith

2019/20 Resilient performance, robust business model

- **Strong European performance**
  - Continued market share gains
  - FMCG and e-commerce resilience – now 83%
  - Europac integration and synergy delivery fully on track
  - Organic profit growth
- **North America**
  - Domestic performance offset by continued negative export paper pricing
  - Indiana packaging plant opened Nov 2019 with strong pipeline
- **2019/20 - strong financial performance and position**
  - Continued pricing discipline leading to record margin
  - Adjusted operating profit +5%, including COVID impact of £15m
  - Good organic cash generation and successful disposal of Plastics division
  - Robust balance sheet – net debt/EBITDA 2.1x
- **Strong ESG performance**

DS Smith

COVID – Summary

Clear purpose, value proposition and culture have enabled rapid and effective response

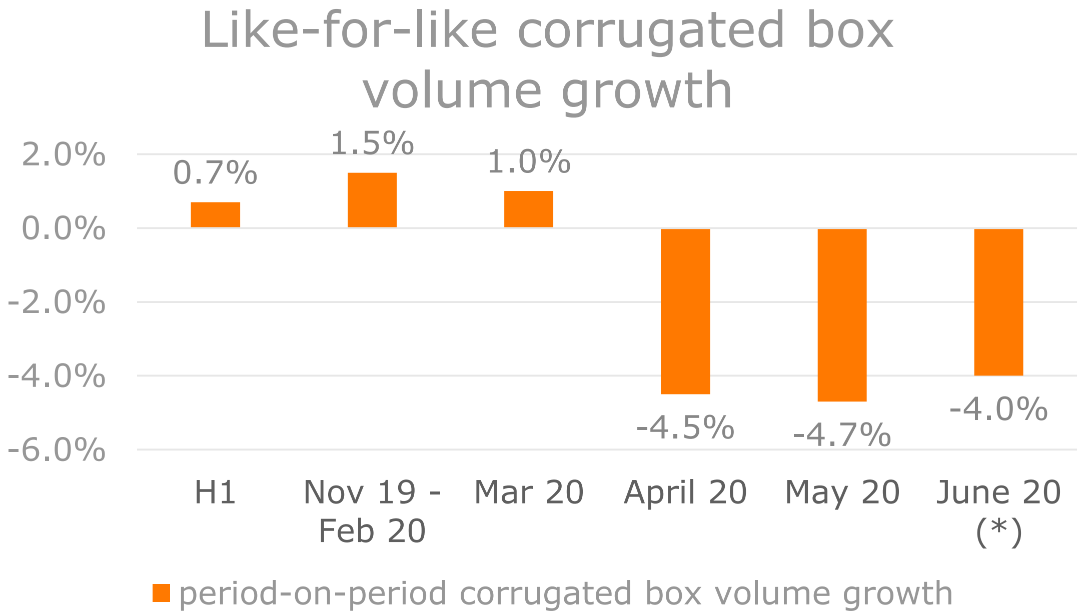
- Proud of the exceptional employee response
  - Strong support for our communities
- Delivering for our customers – all plants operational
- Secure supply chain
- Enhanced focus on cost, cashflow and liquidity
- Limited financial impact in 19/20

Short term impact

- Increased OCC & other costs impacting H1 FY21
- Volume decline in industrial sector
- Overall macro-economic uncertainty
- Dividend resumption when greater clarity

Medium term opportunities

- Structural growth drivers accelerated
  - E-commerce, sustainability, digital
  - Customer consolidation of suppliers



* Estimated

Financial results

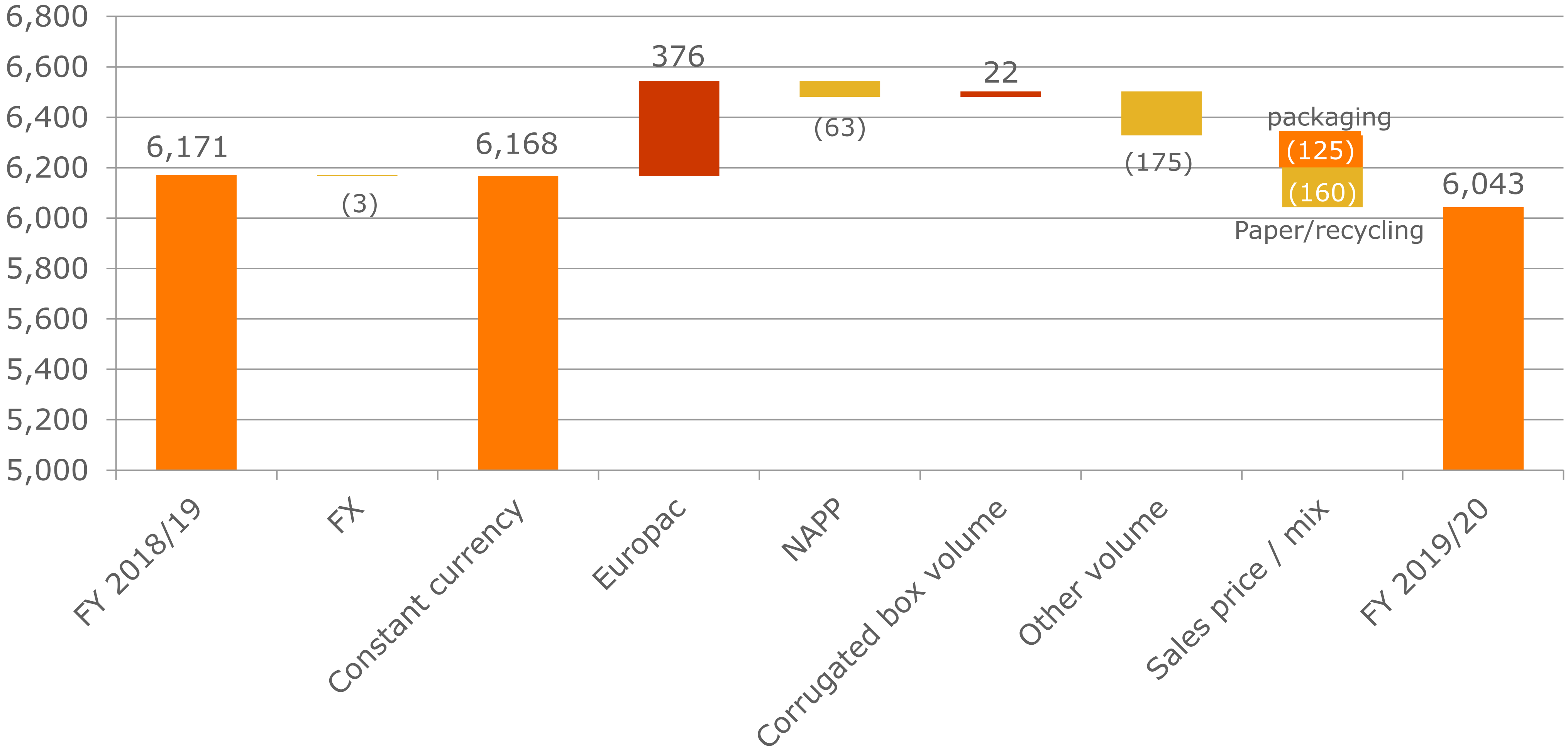
Good financial progress

Continuing operations	**2019/20**	**Change** *reported*	**Change** *constant currency*
Revenue (£m)	6,043	-2%	-2%
Operating profit[1] (£m)	660	+5%	+4%
Return on sales[1]	10.9%	+70bps	+60bps
Adjusted EPS[1]	33.2p	-	-1%
ROACE[1]	10.6%	-300bps	-260bps

(1) Before amortisation and adjusting items

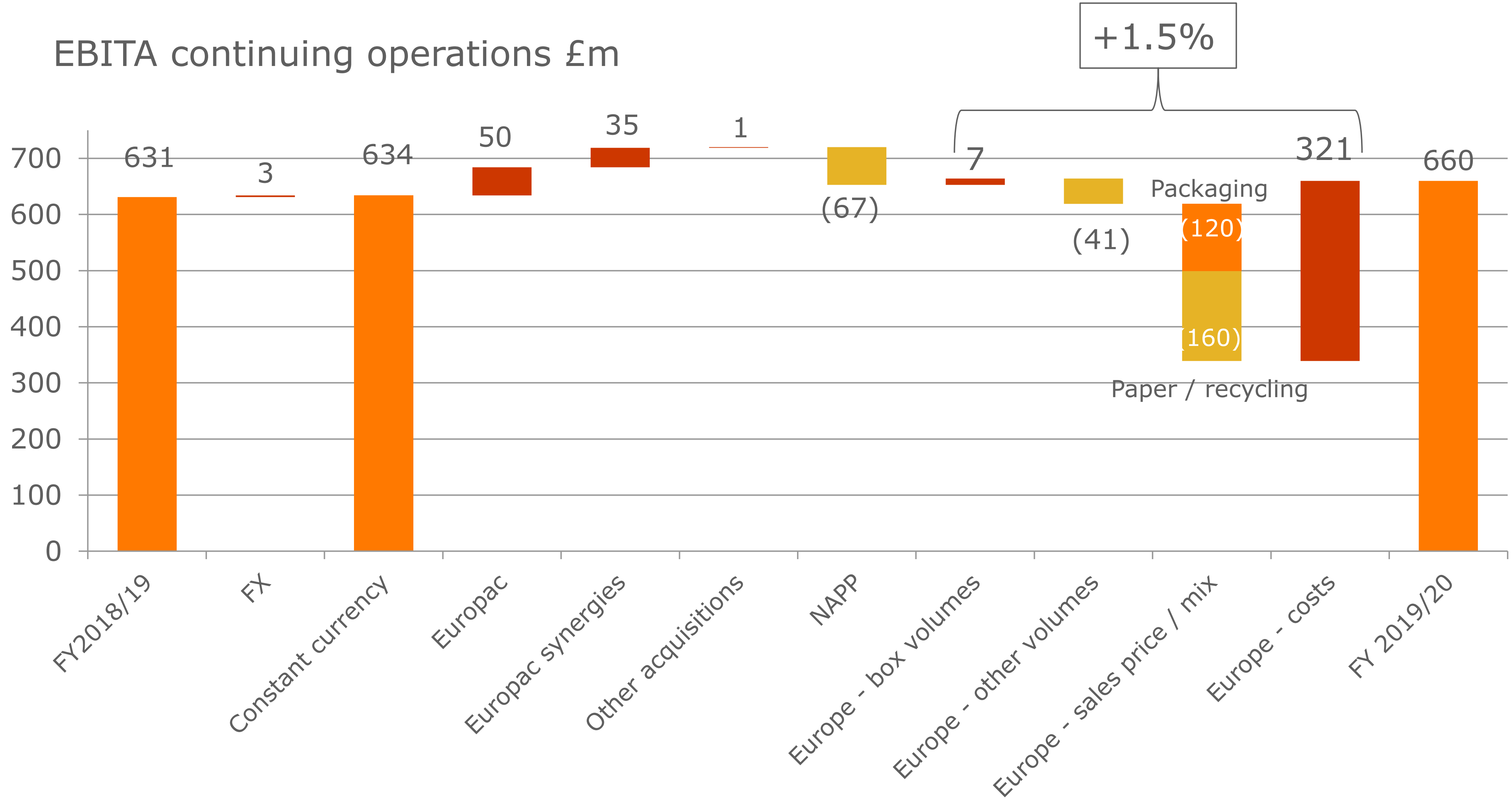
Revenue movement driven by Europac and paper pricing

Revenue continuing operations, £m



Note: Other volume includes paper, recycling and corrugated sheet

Underlying profitable growth limited by US export pricing



Estimated Covid-19 impact of £15m

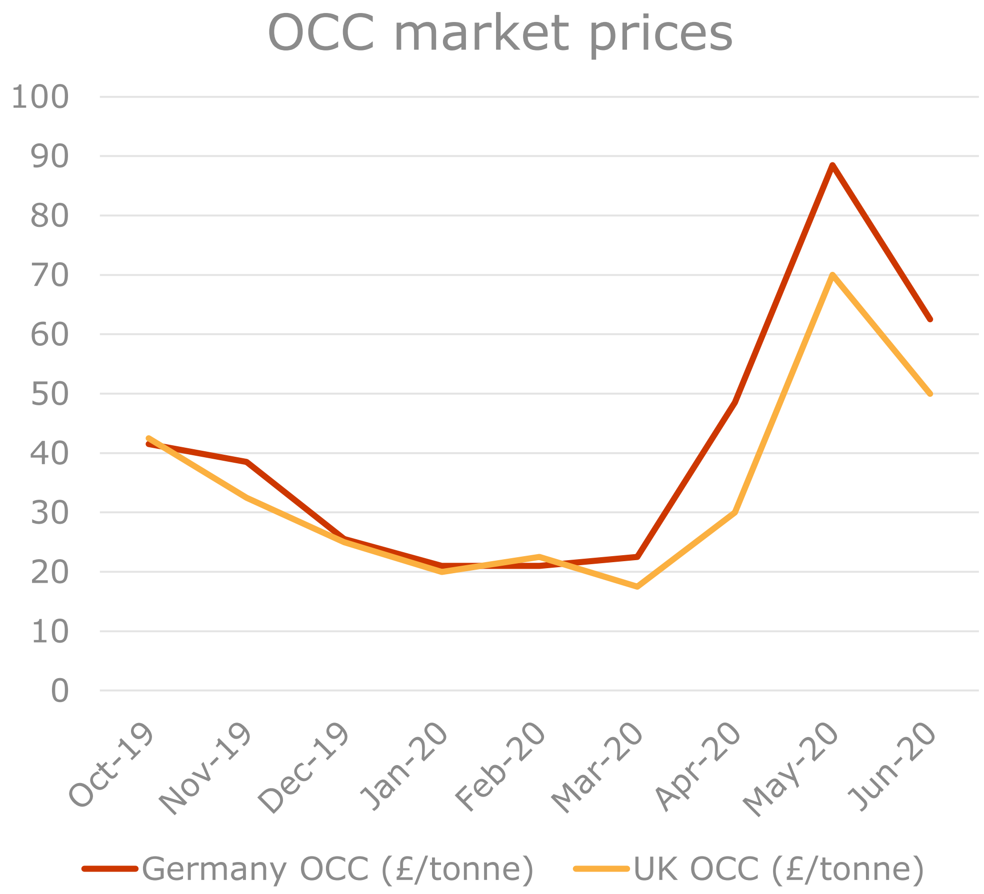
Positive margin progression

	Return on sales % 2019/20	Return on sales % 2018/19
Northern Europe	9.4%	10.2%
Eastern Europe	9.9%	8.1%
Southern Europe	14.2%	9.2%
North America(2)	6.5%	16.6%
Group(1)	10.9%	10.2%

Notes:
1. Includes £15m estimated COVID-19 costs across all regions
2. North America – includes £15m Indiana start-up costs

Initial COVID impact and actions taken

- **March / April impact**
  - Estimated costs of £15m
- **Ongoing costs**
  - Additional hygiene/other costs – c.£30m FY21
  - Increased OCC / fibre costs in H1 FY21
    - Reducing from c.£20m per month in May
- **Actions taken**
  - Immediate cost and cash measures
  - Capex reduction of c.20%
  - Dividend deferral
- **Further cost and cash generation opportunities**
  - Robust global supply chain / sourcing benefits



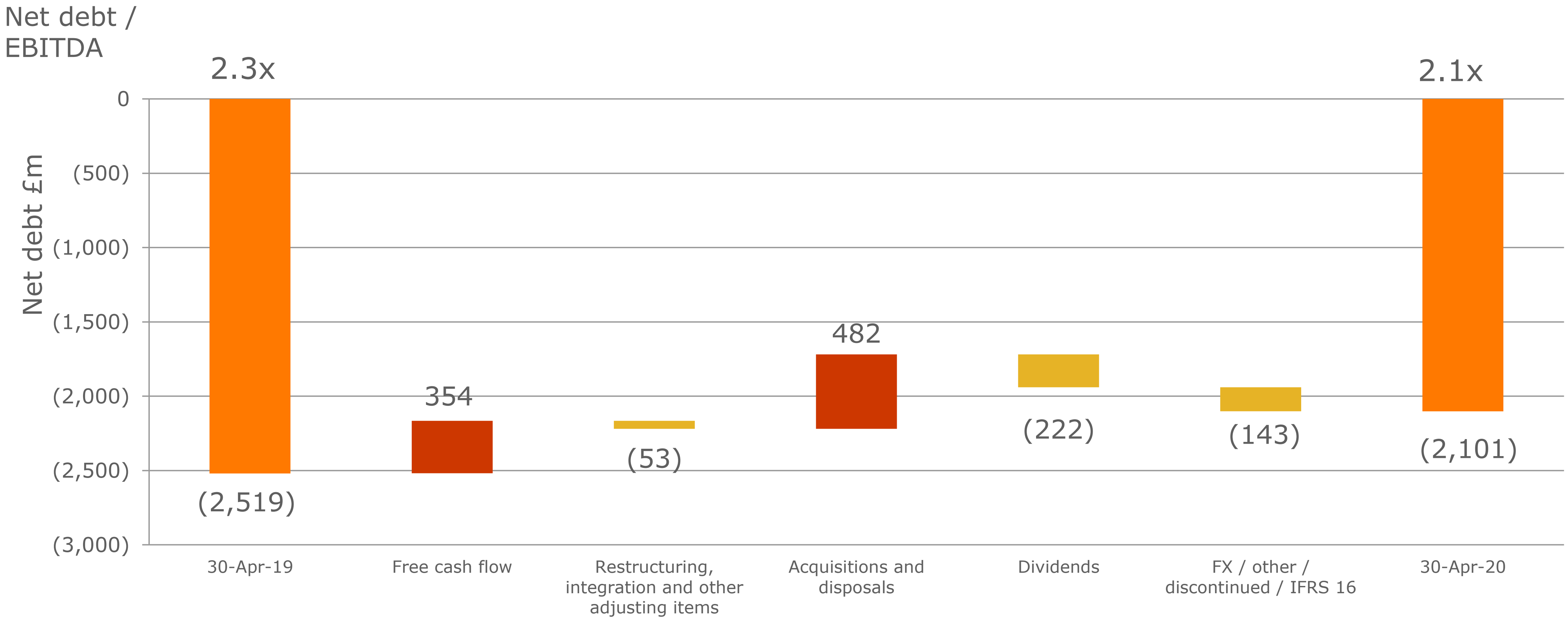
Source: PIX

Strong cash generation

Cash flow £m (continuing operations)	FY 2019/20	FY 2018/19
EBITDA	**956**	**820**
Working capital	(30)	(12)
Pension payments/other	(37)	(34)
Capex (net of proceeds)	(364)	(289)
Tax and interest	(171)	(146)
Free cash flow	**354**	**339**
FCF per share	**25.8p**	**25.6p**
Cashflow conversion	**103%**	**102%**

- Non-recourse invoice discounting as at 30/04/20: £428m (30/4/19: £525m; 31/10/19: £475m)

Plastics disposal and organic cash flow driving deleveraging



Net debt / EBITDA given as defined by our banking covenants
30 April 2019 net debt includes the IFRS16 adjustment of £242m

Strong financial position and liquidity profile

Deleveraging profile

- Continued organic FCF and Plastics disposal completion
- Net debt £2,101 million
- 2.1x net debt / EBITDA(1)

Strong liquidity profile

- Undrawn £1.4bn facilities available
- No significant refinancing until FY23
- Pro-active improvement in banking covenants

Dividend considerations

- Recognise as primary return for shareholders
- Continued substantial short term macro-economic uncertainty driving prudent approach
- Will look to resume in line with greater clarity on outlook

Continue to review non-core assets

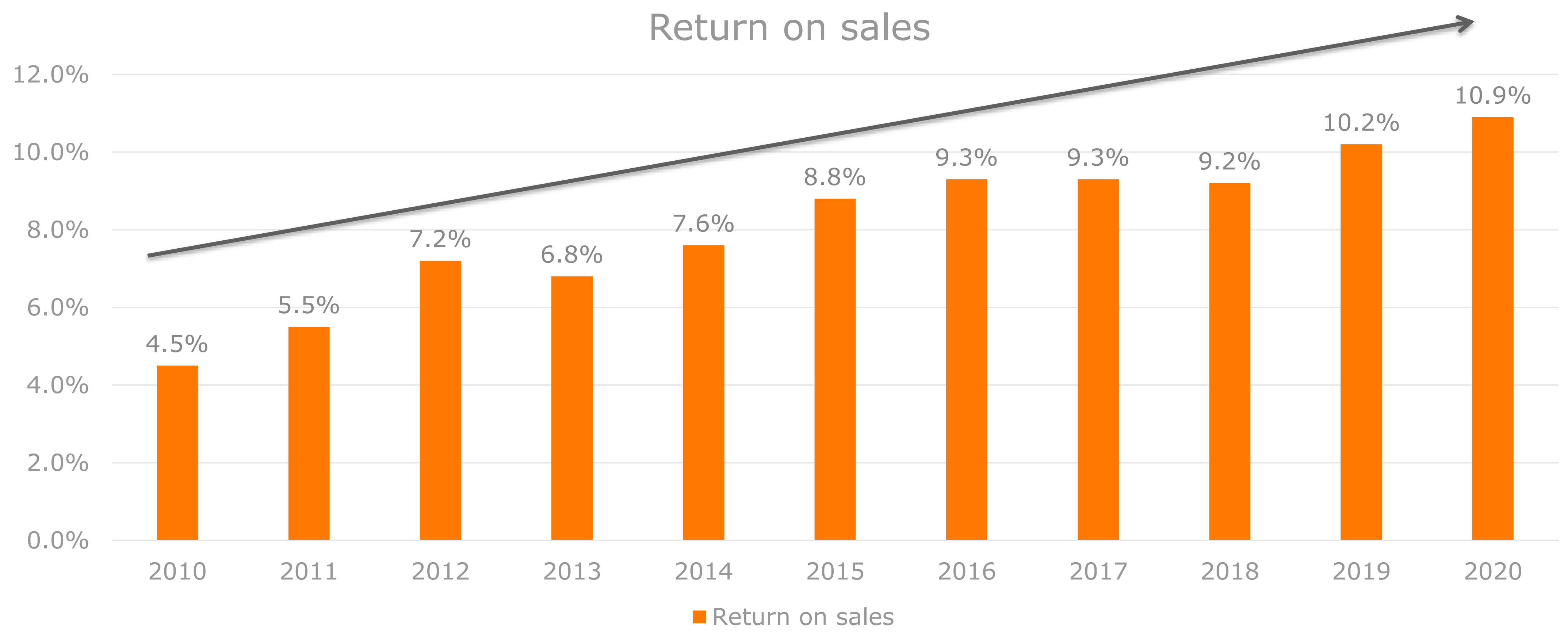
(1) Based on banking covenants
Key adjustments – constant FX, and pro-forma EBITDA for businesses acquired in the year and IFRS 16 *Leases* excluded

Technical guidance

For FY21

- Capex: £300 million
- Depreciation: £315 million
- Amortisation: £140 million
- Tax rate: 24%
- Interest incl. pension: £85 million (of which £4 million is pension charge)
- Pension deficit reduction cash contribution: £20 million
- Adjusting items: c.£50m (Europac integration, Interstate put unwind and Covid-19 related restructuring)
- Covid specific costs: c.£30m
- OCC consumption: c.4m tonnes per annum
- FX: 1% move in GBP = approximately £4 million EBITA

Margin progression over the last decade



2019/20: progress on our medium term targets

Volume growth	Return on sales	Return on average capital employed	Net debt / EBITDA	Cash conversion
+0.6%	10.9% +60bps	10.6%	2.1x	103%
Target: 0.4%[1]	**Target: 10-12%**	**Target: 12 - 15%**	**Target: ≤2.0x**	**Target: >100%**

Notes – Volumes on a like-for-like basis.
All figures are continuing operations on a constant currency basis, before adjusting items and amortisation and including adoption of IFRS15. Net debt / EBITDA calculated in accordance with banking covenants.
1. GDP+1% based on weighted average GDP of [-0.6]%

FY 19/20
Resilient performance,
Robust business model

Clear purpose and values enables us to adapt effectively

Redefining Packaging for a Changing World

Be caring
We care about the world and the people around us

Be responsive
We're quick to react to new ideas and opportunities

Be tenacious
We get things done effectively and efficiently

Be challenging
We constantly look to find a better way forward

Be trusted
You can always rely on us to keep our promises

DS Smith

Business model delivering strong European performance

- Organic profit growth and record margin despite COVID impact

- Strong pre-COVID H2 volume momentum
  - Market share gains
  - Continued strong volume growth with multinational FMCG and e-commerce customers
  - Continued customer focus on sustainability

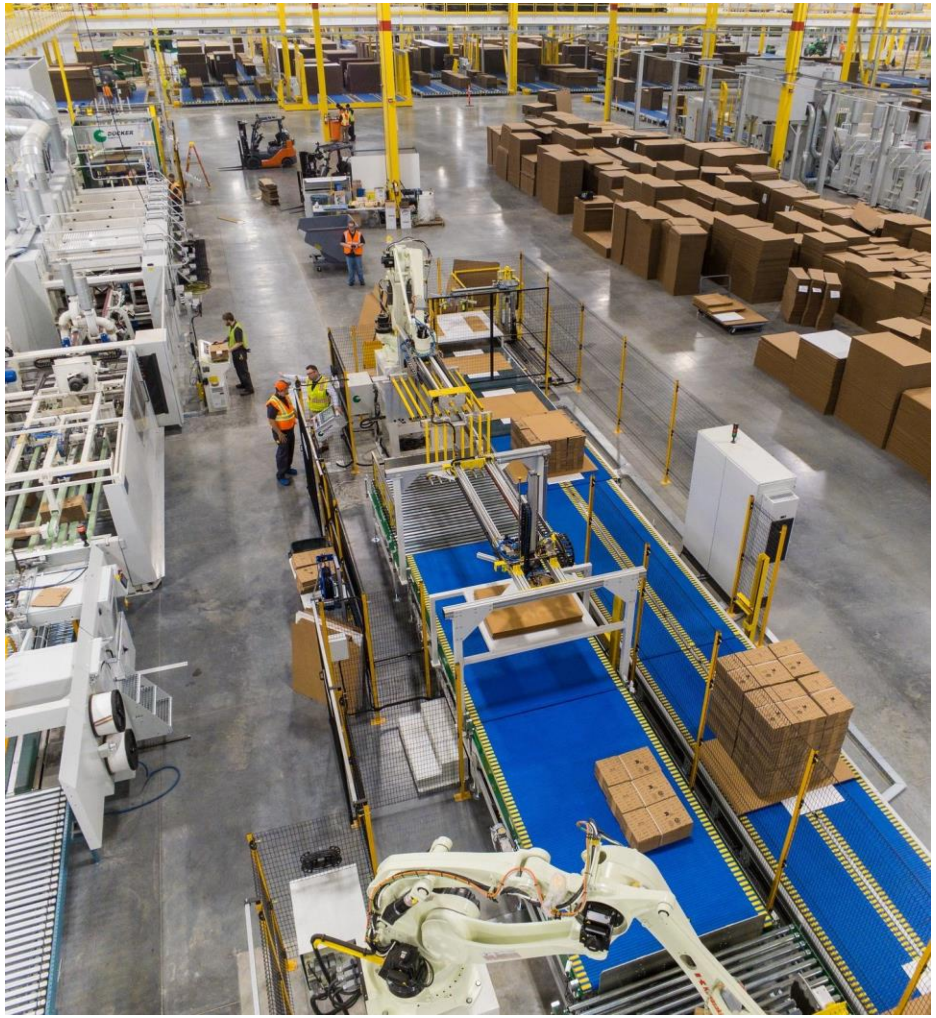
- Commercial excellence underpins strong customer offering
  - Continued valued added focus for sustainable packaging
  - Good pricing discipline with limited flow-though of lower paper prices

- Europac – successful integration and synergy delivery

- Ongoing paper optimisation review to reinforce short paper strategy

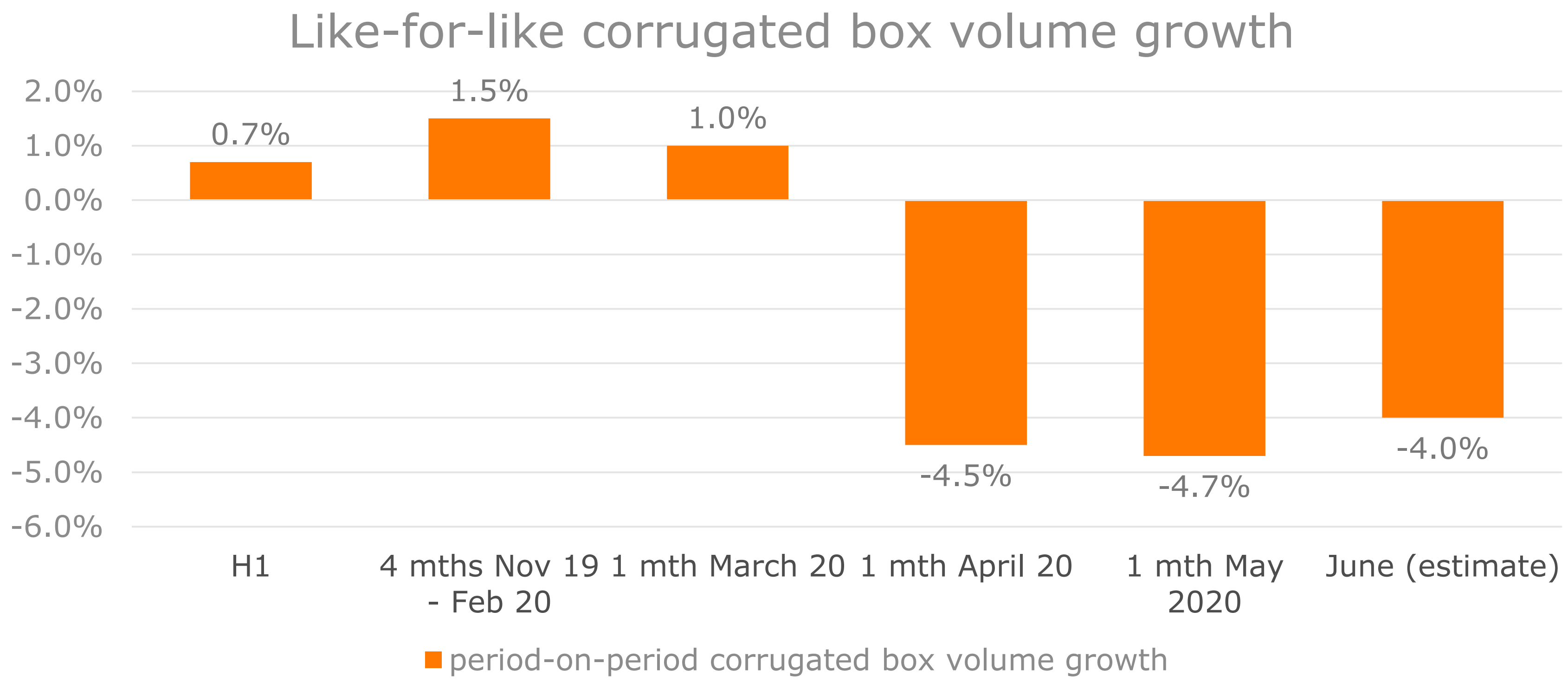
US domestic performance offset by export paper pricing

- Continuing stable underlying domestic performance
- Export paper pricing remained weak in H2
- Significant COVID impact in April
  - Volume impact due to fresh protein customers
  - Short term fibre cost impact
- Indiana packaging plant opened Nov 2019
  - On time and budget (£15m start-up costs FY20)
  - Strong customer pipeline
  - Progressively reduces long paper position



DS Smith

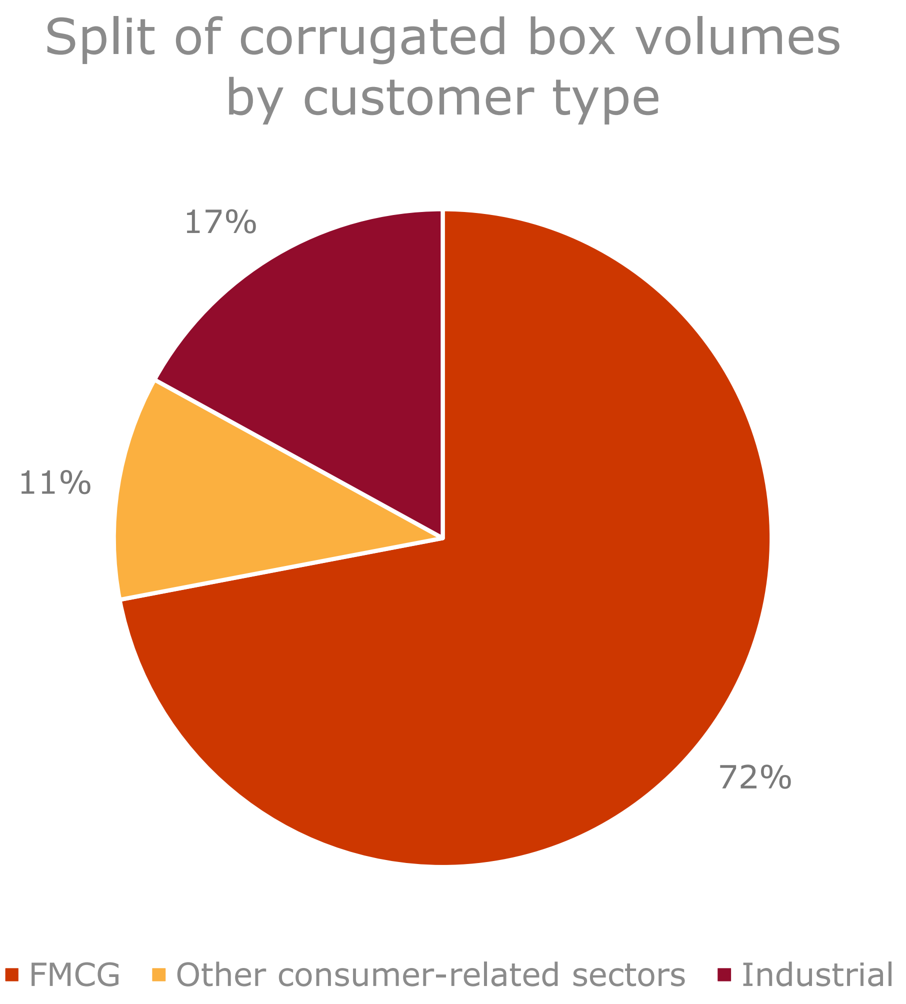
Strong pre-COVID volume momentum



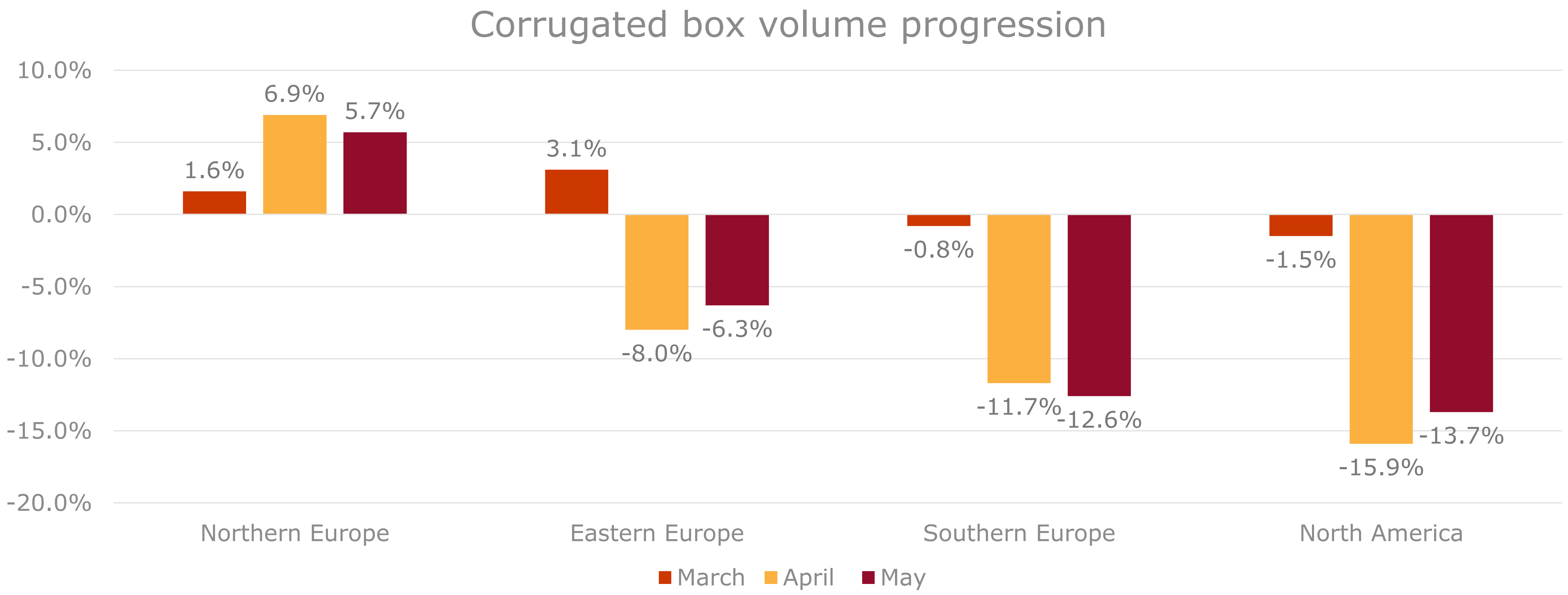
- FMCG / e-commerce growth throughout
- Increased decline in Industrial post Covid

Resilient FMCG and e-commerce customer base

- Continued market share gains
  - Outperformance vs mkt
  - Success with multinationals: average annual volume growth of top 20 customers +9% (last three years)
  - Strong momentum in H2
  - Consistent FMCG/e-commerce growth throughout the year
- Industrial significantly impacted by COVID
  - Volumes down c. 20-30% in recent months



Northern Europe resilience offset by Southern Europe and US



2020 Corrugated box volume vs the comparable period 2019

COVID – accelerating medium term structural trends

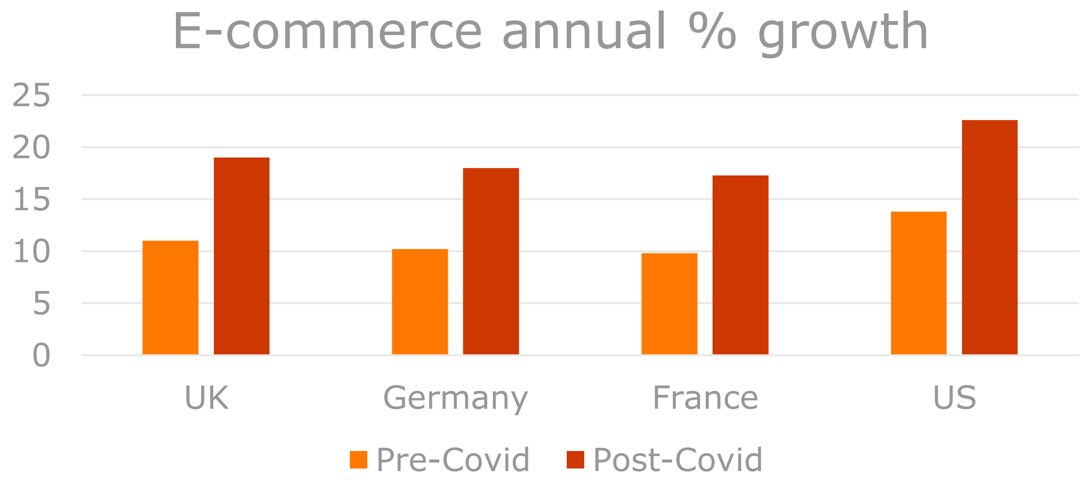
Consumer & retail trends:

- E-commerce
- Direct to consumer / subscription models
- Shift from on to off-trade

Our customer priorities:

- Security of supply
- Digitisation
- Sustainability

Customer consolidation of suppliers



Source: JP Morgan – 2020 forecast

- 51% of global consumers say the way they shop will fundamentally change
- 44% of global consumers will do more grocery shopping online

Source: EY Future Consumer Index

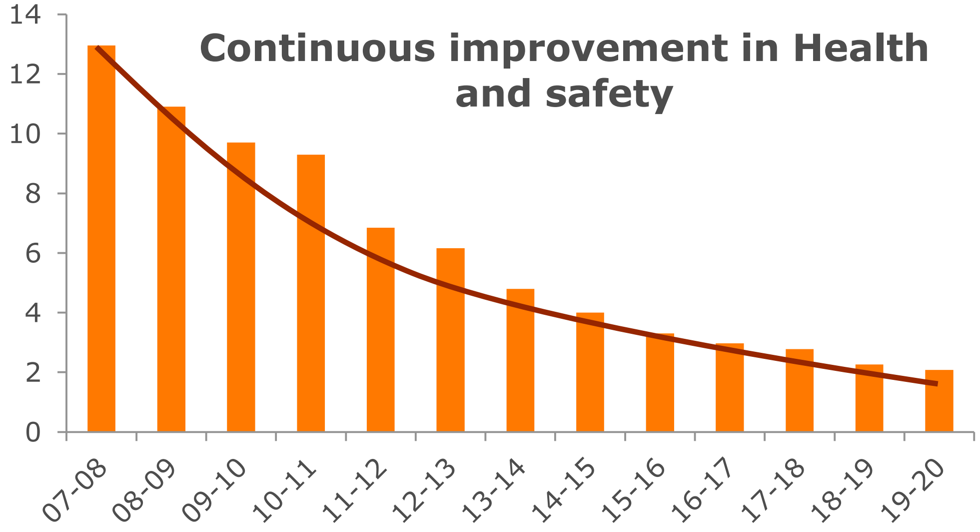
DS Smith is sustainable by all measures

- Sustainable business model
- Sustainability is a growth driver
  - Circularity
  - Plastic replacement
- Sustainability leadership
- Aligned with key UN Sustainable Development Goals

Another year of ESG progress

- Further improvement in CO_2e / production:
  - 3% lfl reduction 2019 vs 2018
  - 11% lfl reduction 2019 vs 2015 baseline
- Continuous commitment to health and safety
- All sites[1] engaged in community programmes
- Further developed our strategic partnership with Ellen MacArthur Foundation

  CIRCULYTICS™ Circular business analytics tool
- Continued plastic replacement innovation



AFR = Lost-time accidents per million hours worked

1. Sites of over 50 employees

DS Smith well positioned to capitalise, despite uncertainty

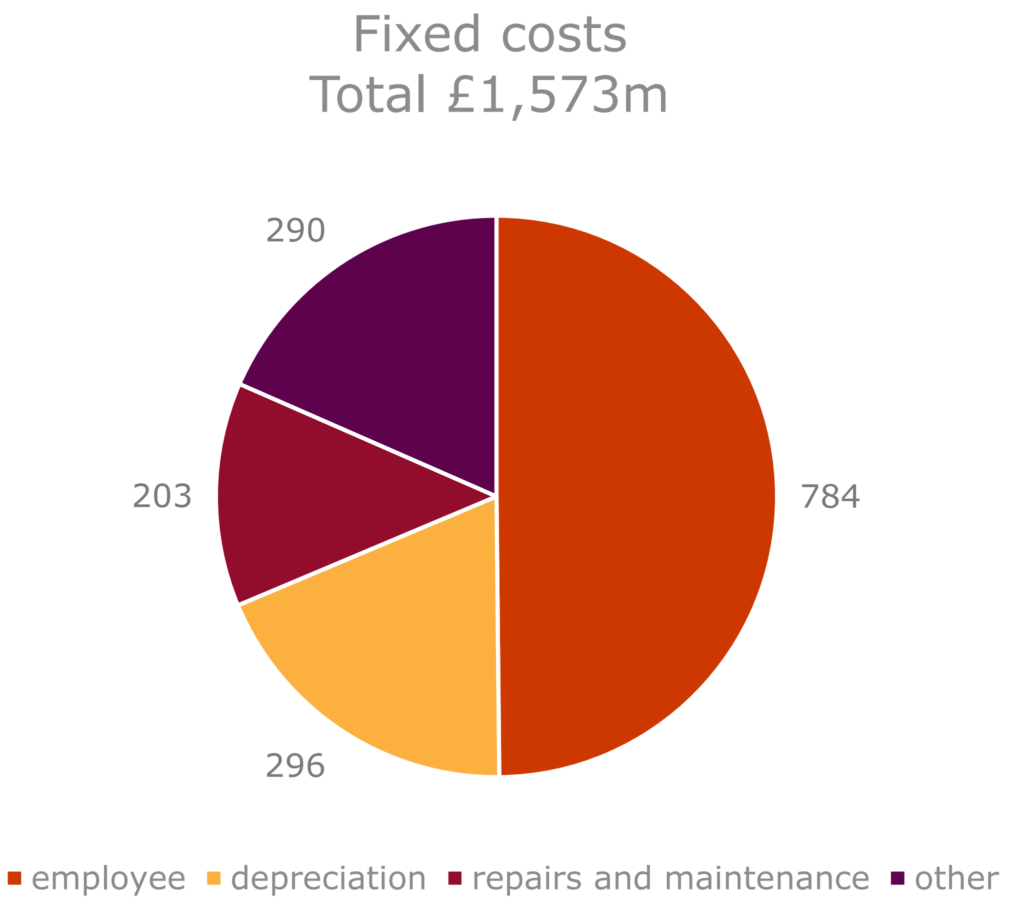
- Short term focus
  - Continued FMCG and e-commerce resilience
  - Adverse OCC impact from COVID in H1
  - Focus on driving cost efficiency and cash generation in a recessionary environment
- Strong financial position and liquidity
- Medium term opportunities
  - Resilient FMCG and e-commerce growth ahead of GDP
  - Fundamental growth drivers for corrugated remain strong
  - Acceleration of consumer and retail trends to benefit corrugated
  - Opportunity to optimise our paper manufacturing
- DS Smith differentiation means we are well positioned to capitalise

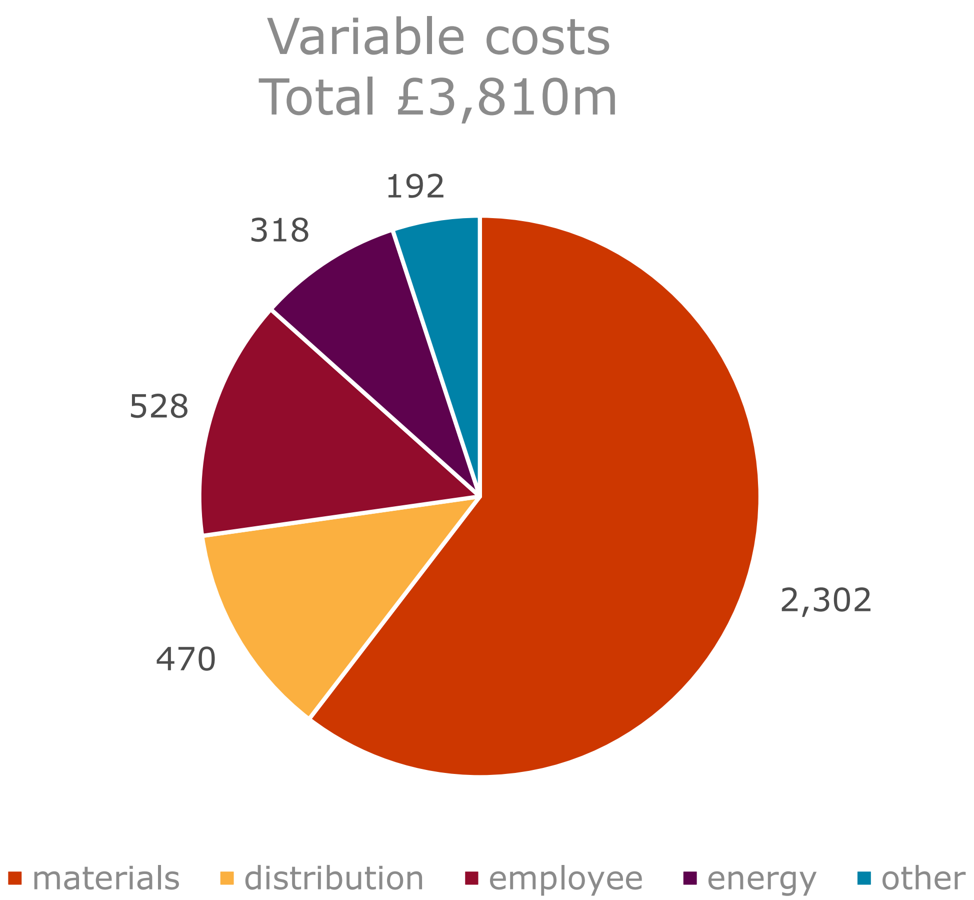
Appendix

Foreign exchange exposure

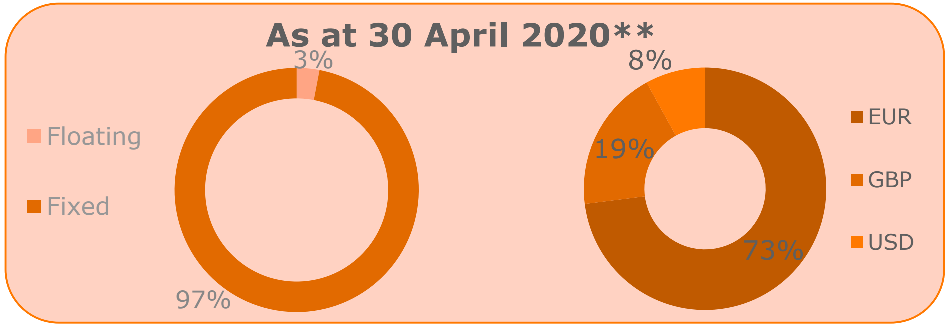
2019/20	Revenue (%)	EBITA (%)	Average rate FY 2018/19	Average rate H1 2019/20	Average rate FY 2019/20	Closing rate 30 Apr 2020
GBP	14.9	17.9				
EUR	59.0	60.0	1.135	1.124	1.139	1.151
PLN	2.9	3.6	4.830	4.834	4.923	5.217
SEK	2.5	2.8	11.783	12.014	12.197	12.271
DKK	2.3	1.4	8.467	8.389	8.484	8.582
USD	10.2	6.2	1.304	1.253	1.251	1.252
Other	8.2	8.1				

Cost analysis 2019/20

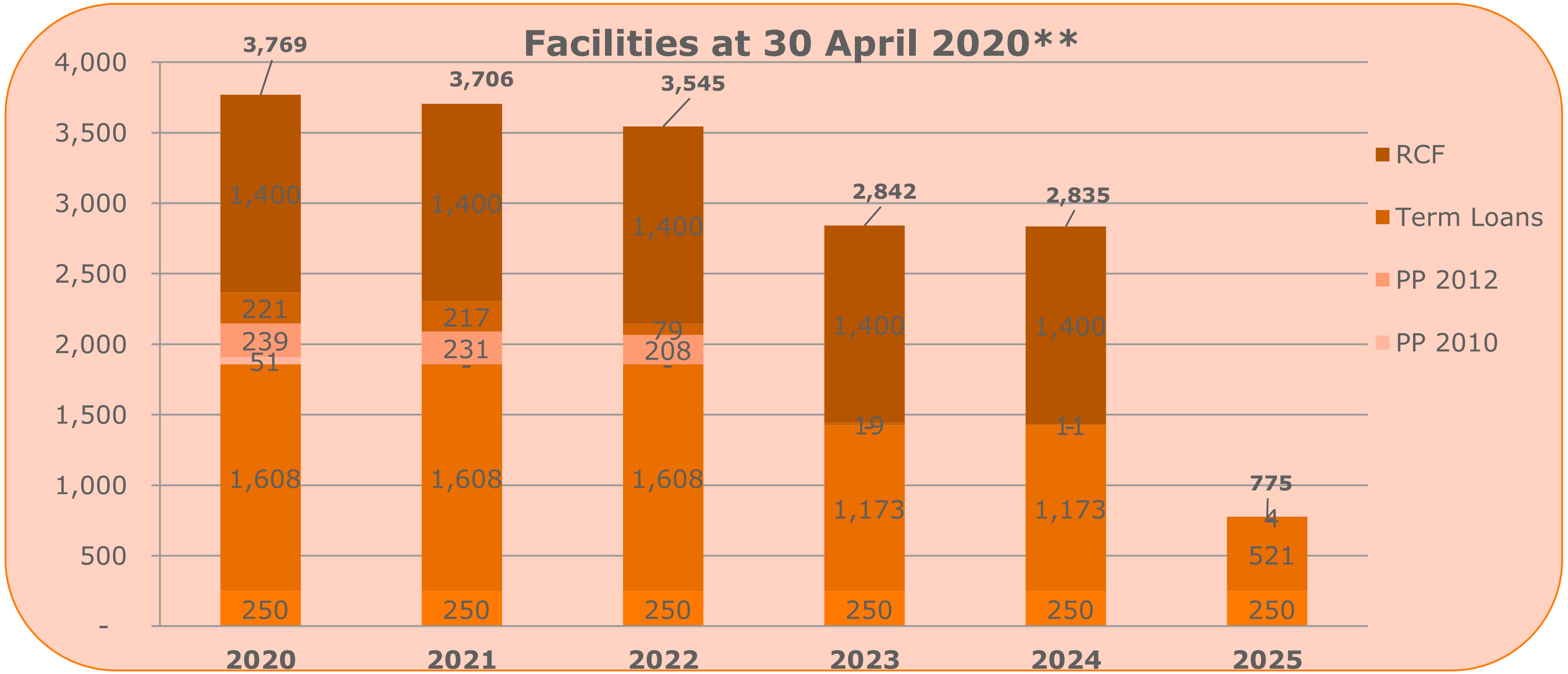




Debt analysis



Net Debt	£2,101
Net Debt / EBITDA*	2.1 x
EBITDA / Net Interest*	13.5 x



* Ratios as defined in the Group's banking agreements.
** Debt shown net of swaps and fees.

As at 30 April 2020, the weighted average remaining life of the Group's committed borrowing facilities was 4.5 years.