Half year results

For the six months to 31 October 2019

05 December 2019

DS Smith

Robust business model driving profitable growth

- **Record Group profitability and margin despite economic headwinds**
  - Further market share gains driven by multinational FMCG and e-commerce customers
  - Customers increasingly valuing our sustainable packaging solutions – return on sales up 110bps
- **Europe – good organic profit growth**
- **Europac - excellent progress and strong initial contribution**
  - Packaging turnaround to profitability
  - €70m synergy programme fully on track
- **Good US domestic performance offset by impact of export paper pricing**
  - Indiana greenfield packaging plant now operational
    - Transformation in US capability and customer offering
    - Consistent with strategy to reduce US long paper position
- **Strong cash flow and balance sheet**
  - Plastics disposal expected to complete around the calendar year end – net proceeds c. £400m
  - Strong liquidity profile - €600m, 7 year bond raised at 0.875%
- **Future growth prospects continue to benefit from increased customer focus on sustainability and e-commerce**
- **Positive outlook for the year**

Financial results

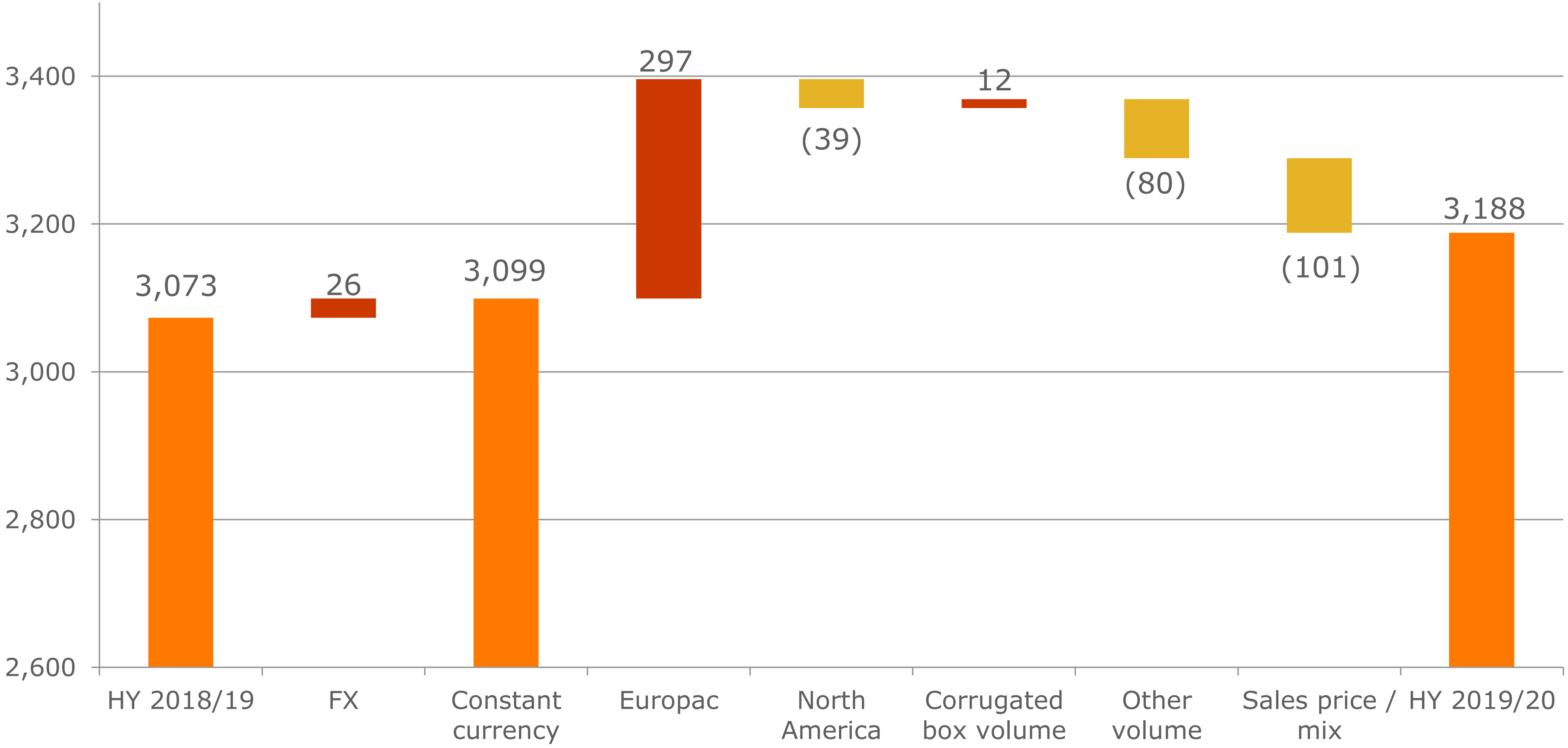
Financial highlights

Continuing operations	**H1 2019/20**	**Change** *reported*	**Change** *constant currency*
Revenue (£m)	£3,188m	+4%	+3%
Operating profit[1] (£m)	£351m	+15%	+14%
Return on sales[1]	11.0%	+110bps	+110bps
Adjusted EPS[1]	17.4p	+5%	+4%
Dividend per share	5.4p	+4%	+4%
ROACE[1]	11.8%	(210bps)	(210bps)

(1) Before amortisation and adjusting items

Revenue development

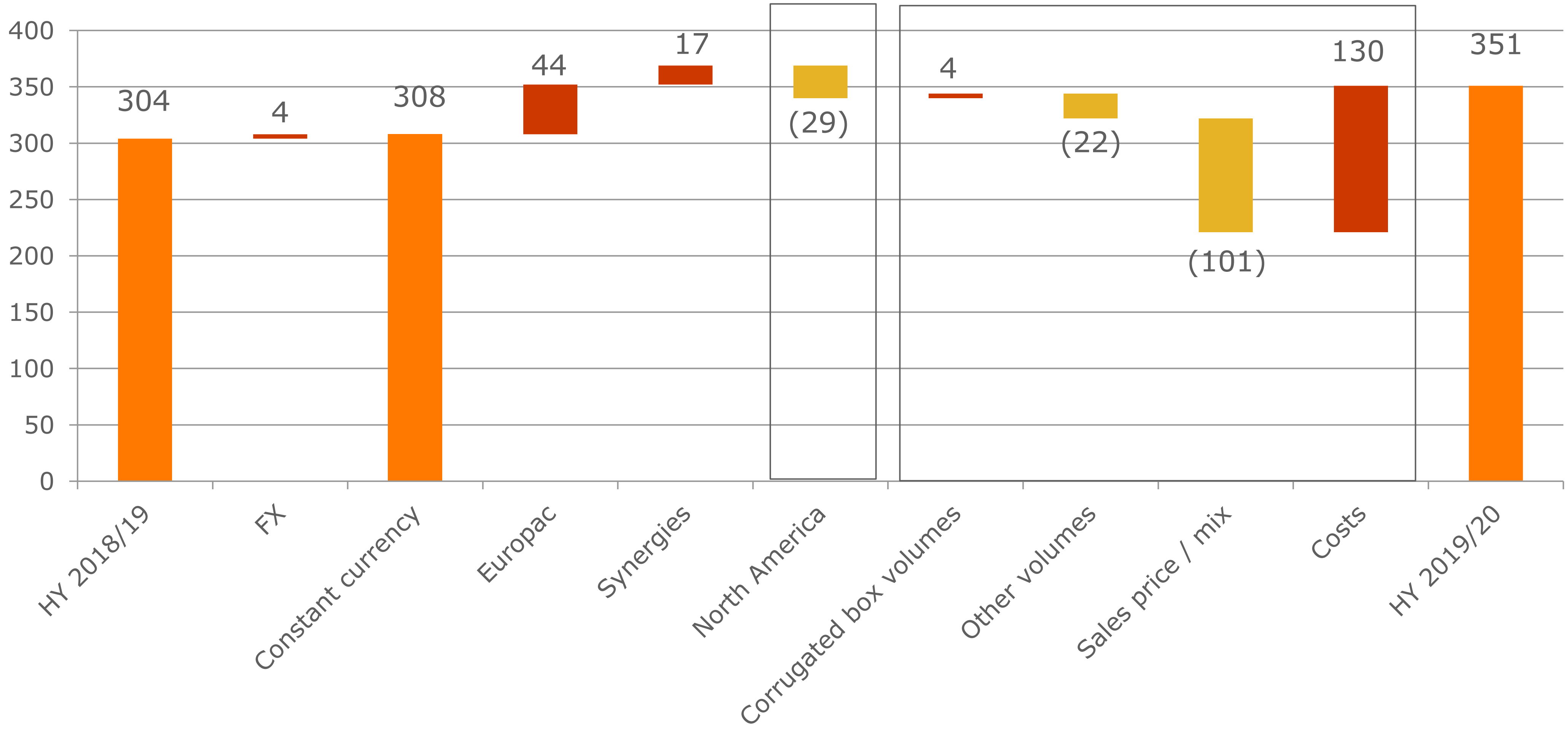
Revenue - continuing operations (£m)



Note: Other volume includes paper, recycling and corrugated sheet

Strong margin driving profitable growth

EBITA - continuing operations (£m)



DS Smith

Business model delivering strong margin growth

- **Europe**
  - Modest box volume growth reflecting price discipline
    - Continued strong volume growth with multinational FMCG and e-commerce customers
  - Other volume reduction driven by more effective vertical integration
  - Paper and fibre c. 80% of price impact
  - Excellent packaging price retention reflects strong customer offering and margin focus
    - c. 1-2% negative pricing vs comparable period vs market paper price reduction of c. 20%

- **Europac**
  - Excellent customer and employee engagement driving progress
  - Fully on track for upgraded cost synergy target of €70m by FY22
  - Packaging operations now profitable

- **North America**
  - Good US domestic performance
  - Export paper pricing impacting reported profitability
  - Reducing long paper position via Indiana greenfield packaging plant
  - $40m synergy programme delivered
  - Indiana greenfield packaging site operational - short term cost impact

Segmental analysis

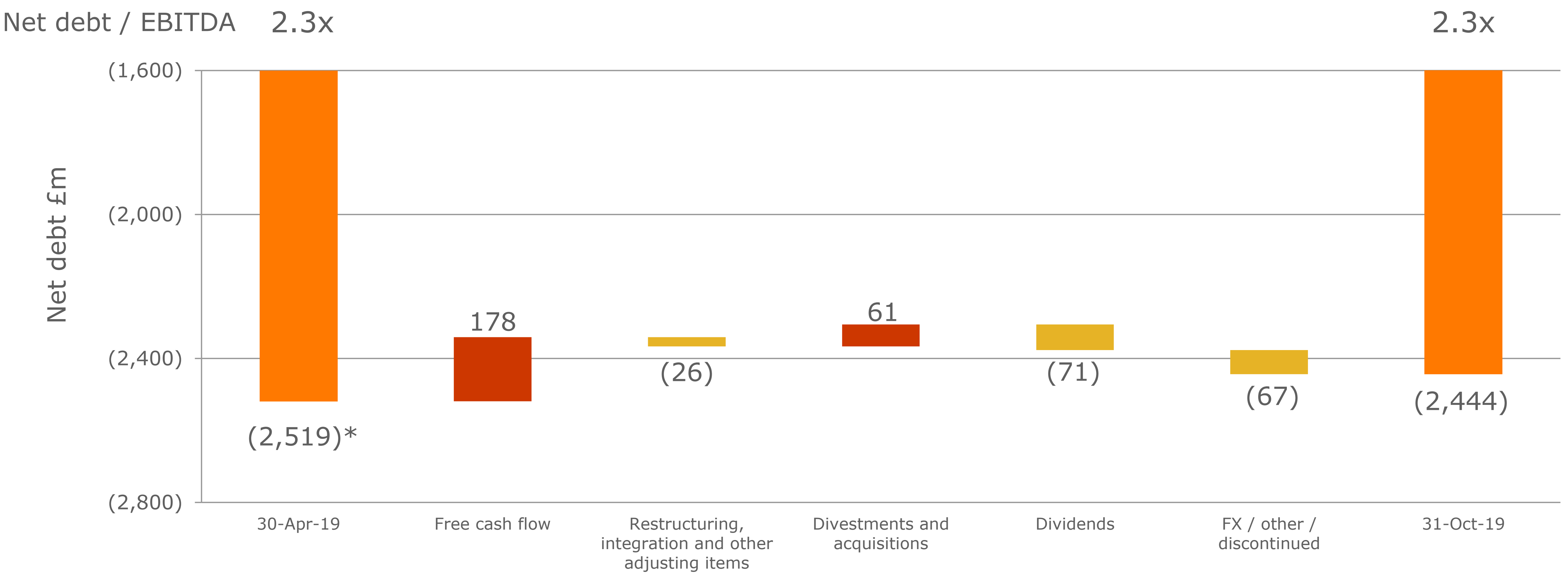
Half year to 31 October	Return on sales % 2019	Return on sales % 2018	Change constant currency
Northern Europe	8.5%	10.7%	(230bps)
Southern Europe	14.5%	7.1%	+740bps
Eastern Europe	10.0%	8.2%	+180bps
North America	9.5%	16.7%	(740bps)
Group	11.0%	9.9%	+110bps

Consistent cash generation

Cash flow £m (continuing operations)	HY 2019/20	HY 2018/19
EBITDA	**498**	**393**
Working capital	(36)	28
Pension payments/other	(8)	(4)
Capex (net of proceeds) • Core DS Smith (including Indiana development) • Europac	 (143) (31)	 (118) -
Tax and interest	(102)	(90)
Free cash flow	**178**	**209**
FCF per share	**13.0p**	**16.2p**
Cash conversion	**103%**	**114%**

- Non-recourse factoring balance as at 31/10/19: £475 million (30/4/19: £525 million; 31/10/18: £550 million)

Cash flow driving reduction in net debt



- Includes £242 right of use obligation under IFRS 16 *Leases*

Continued deleveraging profile

- Net debt £2,444 million
- 2.3x net debt / EBITDA(1)
- In H2:
  - Plastics disposal expected to complete around calendar year end
  - 10% Interstate Resources put option exercise payment(2)
- Strong liquidity profile
  - €600m 7-year 0.875% coupon bond issued in September 2019
  - Extended maturity of £1.4bn RCF by one year to 2024

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

(2) final 10% of the Interstate Resources put option will remain on the balance sheet

H1 2019/20: progress on our medium term targets

Volume growth[1]	Return on sales	Return on average capital employed	Net debt / EBITDA[3]	Cash conversion
+0.7%	11.0% +110bps	11.8%	2.3x	103%
Target: 2.6%[2]	**Target: 10-12%**	**Target: 12% - 15%**	**Target: ≤2.0x**	**Target: >100%**

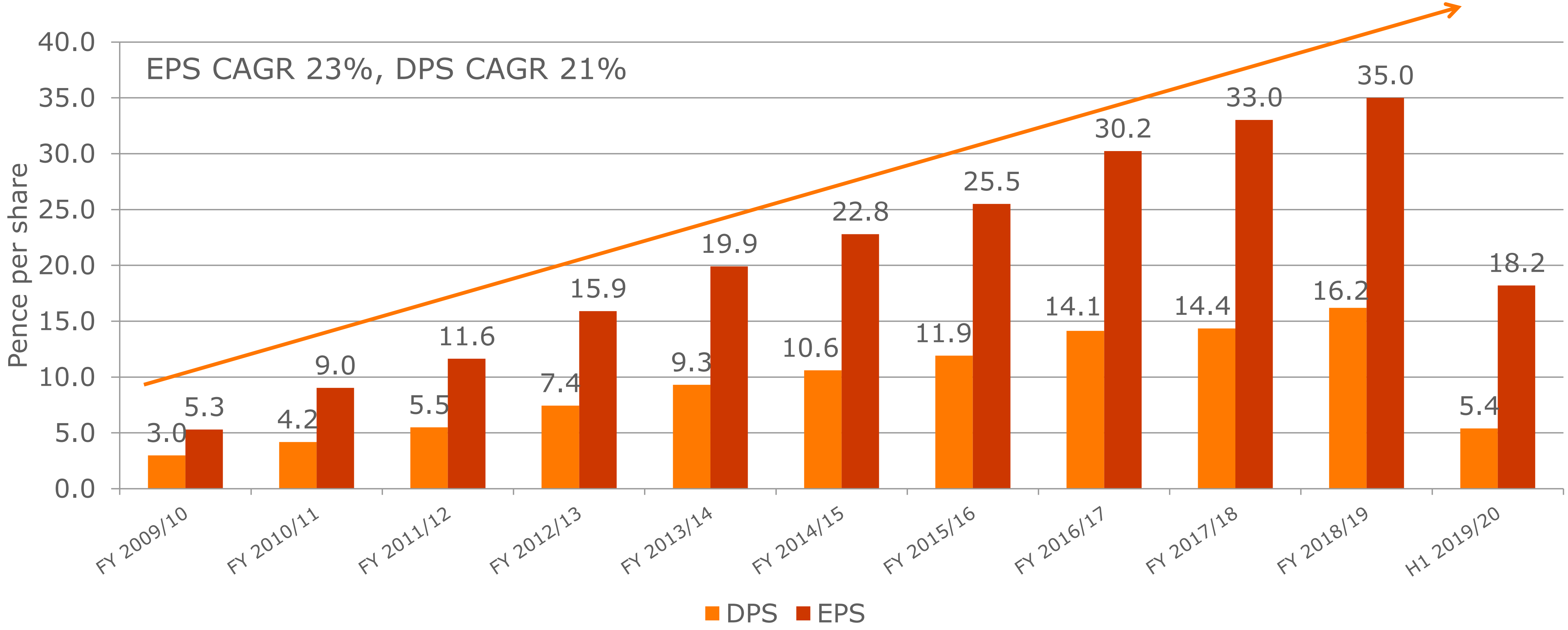
All figures are continuing operations on a constant currency basis, before adjusting items and amortisation.
Notes:
(1) volumes growth calculated on an organic basis, based on area
(2) GDP+1% based on weighted average GDP of 1.6% (Eurostat 14 Nov 2019)
(3) Net debt / EBITDA calculated in accordance with banking covenants.

Technical guidance

For FY20 continuing operations (plastics discontinued and including IFRS 16)

- Capex: £370 million
- Depreciation: £320 million
- Amortisation: £140 million
- Tax rate: 23% - 24%
- Interest incl. pension: £88 million (of which £5 million is pension charge)
- Pension deficit reduction cash contribution: £20 million
- Adjusting items: c. £76 million
- FX: 1% move in GBP = approximately £5m EBITA

Continued growth in EPS and DPS



EPS includes both continuing and discontinued operations (Plastics)
CAGRs from FY10 to FY19

Robust business model driving profitable growth

Rapidly changing environment

- China & USA and Brexit in Europe
- Economies are weaker
- Volatile raw material costs
- Our lives are changing
    - How we shop
    - How we feel about the environment
- Greater demand for packaging solutions
- Delivered good first half results

Delivering profitable growth

- Sustainable, value-added solutions
    - Continued market share gains
- Box pricing discipline and volume management
    - Driving commercial and operational excellence
    - Record margin of 11.0%
- Europac integration
- Indiana site development
    - Transforms customer offering
    - Reducing long paper position

The world is changing

Fibre sourcing

E-commerce right sizing

Fibre origins

Hard to recycle

Recyclability

Plastic replacement

Customer led innovation - Plastic replacement

Five categories identified in the supermarket - over **70 billion** units of plastic (over 1.5 million tonnes) per year.

This includes plastic packaging, such as:

- Fresh produce punnets – over **27 billion punnets**
- Shrink wrap/display trays – over **150k tonnes**
- Ready Meals – over **2bn** units across Europe
- Meat, fish & cheese packaging – over **44bn units** across Europe

650 designs

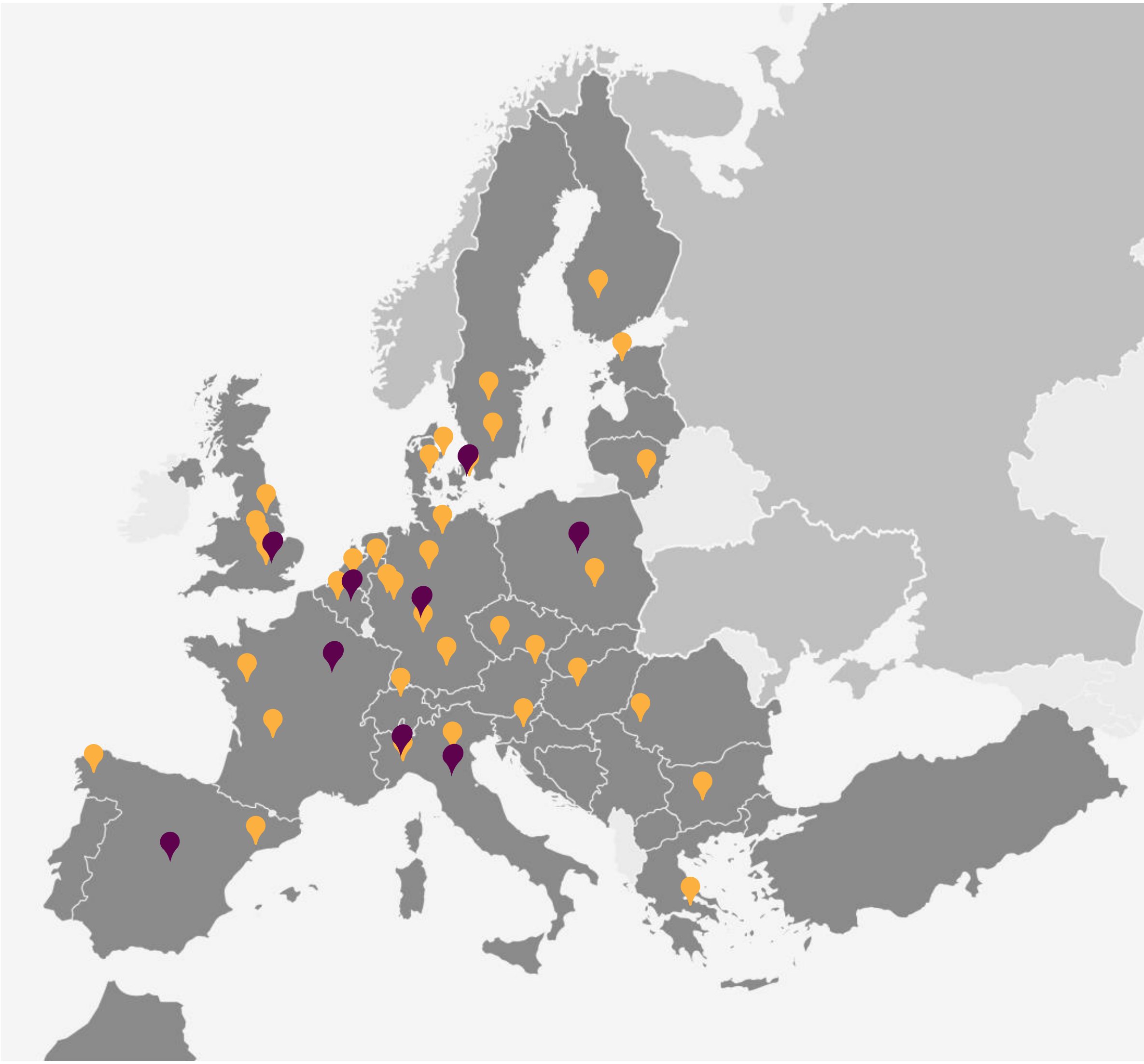
- 400 retail
- 100 e-commerce
- 150 B2B supply chain

Plastic replacement examples

- These designs live in the market
- Governments' action required to unlock
  - Progressive taxation to level playing field: €10bn tax
  - Investment in infrastructure

Delivering at scale

- 9 Impact Centres
- 36 PackRight Centres
- 10 sustainability workshops per week
- Pan-European and US supply base



Impact Centre PackRight Centre

Driving the value of packaging

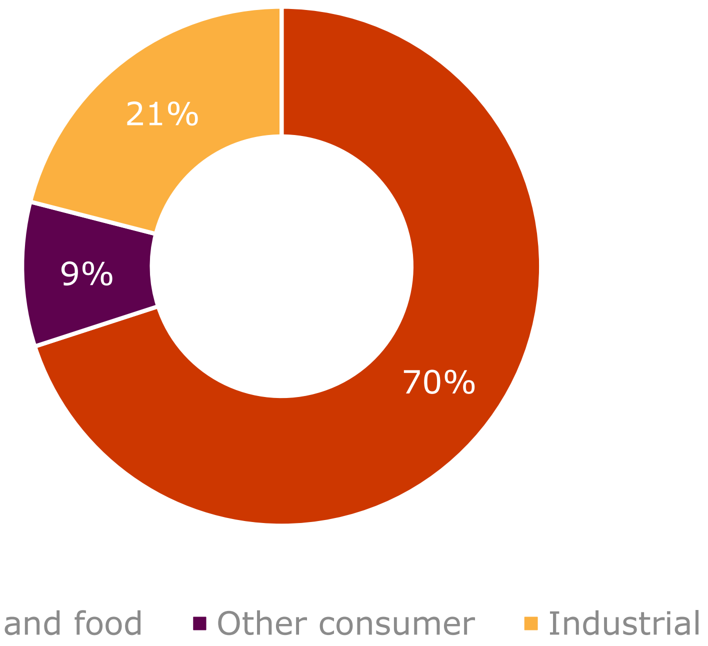
Winning with customers

- Continued good volume growth among multinational contracts (c. +6%) and FMCG customers (c. +3%)
  - Industrial customers impacted by macro-economic downturn
  - Growing ahead of the market

Price discipline and volume management

- Growing margin reflecting our value add, high quality packaging, multinational reach, service, quality and innovation
- H2 volume growth expected to be better than H1 based on new contracts, Indiana and Europac acceleration

DS Smith customer split H1 2019/20



DS Smith corrugated box volumes (in msm) by category, for H1 2019/20

Europac – integrating operations, succeeding with customers

Encouraging performance, strong start

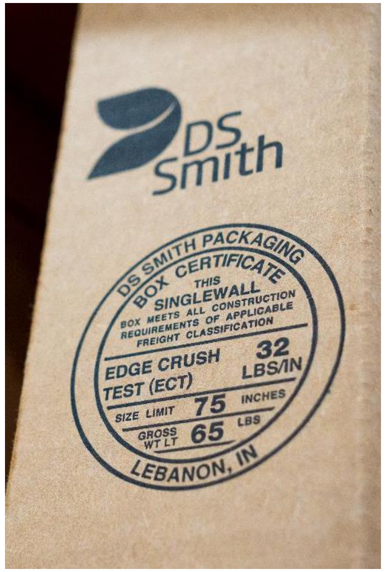
- Turnaround of Europac packaging business
  - Centralised commercial approach
  - Winning new contracts with existing FMCG customers – growing volume from Q2
  - Now profitable
- On track to deliver €70 million synergies as planned
  - PACE programme and waste reduction
  - Paper mills integrated into paper sourcing network
  - Production optimisation

Developing our US operations

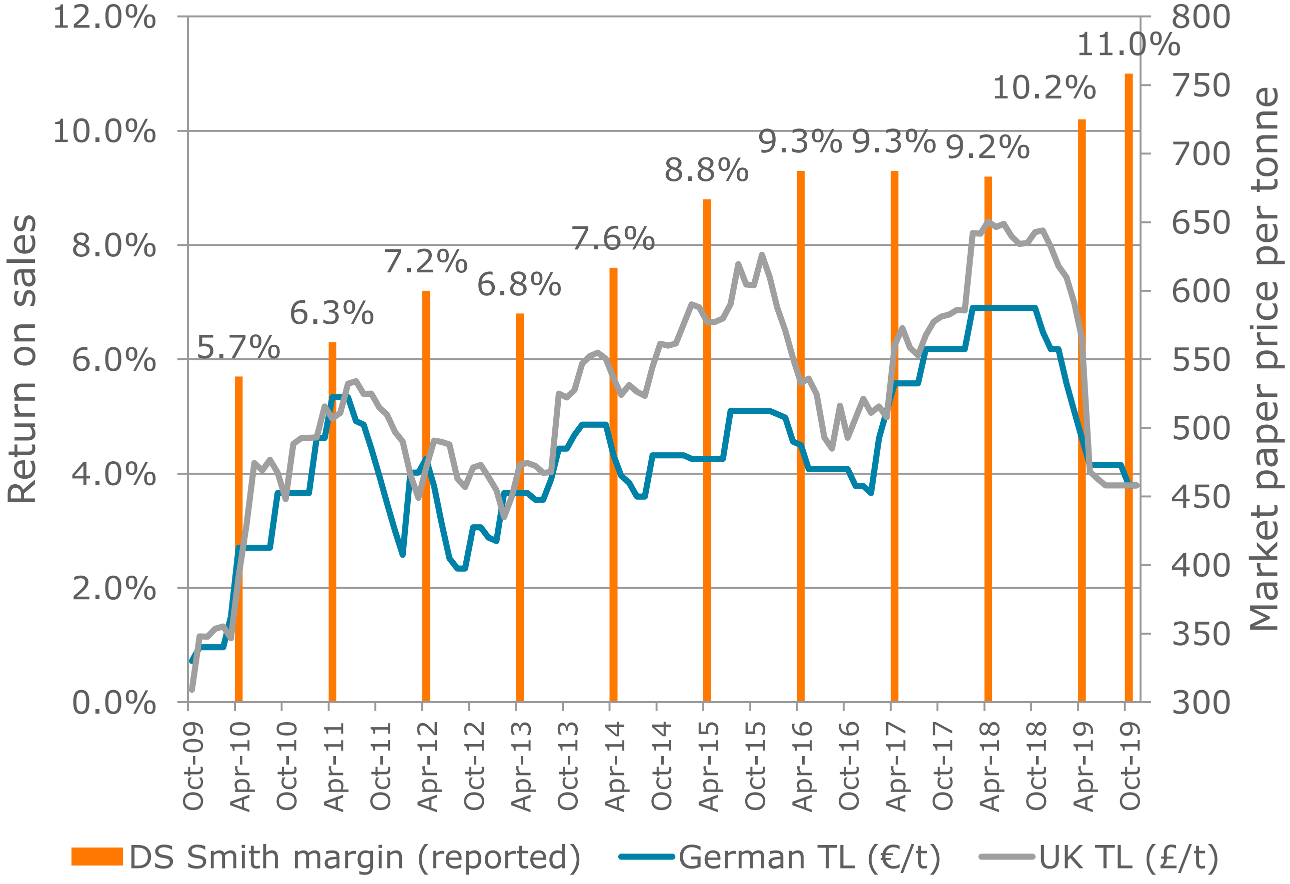
- US operations – domestic market good, paper export market challenging in this period
- Our US operations - long paper at time acquired
  - Acquired CCC in 2018 to further develop packaging
  - Now – opened a new packaging site in Lebanon, Indiana
  - Medium term ambition – to be balanced between packaging and paper in the US

New packaging site operational on plan and budget

- On time and on budget
- State-of-the-art European standard, designed for the US market
- 130k tons capacity (c. +$^{1}/_{3}$ our US packaging capacity)
- Delivering to customers now



Continuing to strengthen the business model



- FMCG focused, value-added innovation-led packaging focus
  - Network of innovation centres and designers
  - Scale to address multinational customers

- Maintaining a long recycling model

- Increasing our short paper position
  - Growing US packaging
  - Reviewing European paper footprint

Source: RISI

Outlook

- Growth drivers for corrugated remain strong
- DS Smith differentiation means we are well positioned to capitalise
- Assuming current macro-conditions, anticipate accelerating H2 volumes
- Expectation of further growth in the year

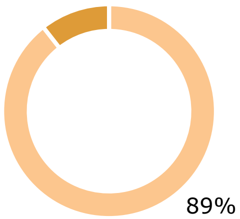
Appendix

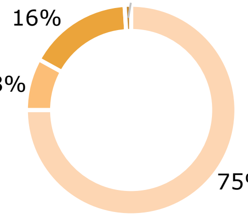
Foreign exchange exposure

2019/20	Revenue (%)	EBITA (%)	Average rate H1 2018/19	Average rate FY 2018/19	Average rate H1 2019/20	Closing rate 31 Oct 2019
GBP	14.8	15.6				
EUR	59.1	59.5	1.129	1.135	1.124	1.161
PLN	3.0	4.1	4.852	4.830	4.834	4.944
SEK	2.4	2.9	11.726	11.783	12.014	12.481
DKK	2.3	1.4	8.565	8.467	8.389	8.674
USD	10.1	8.8	1.311	1.304	1.253	1.295
Other	8.3	7.7				

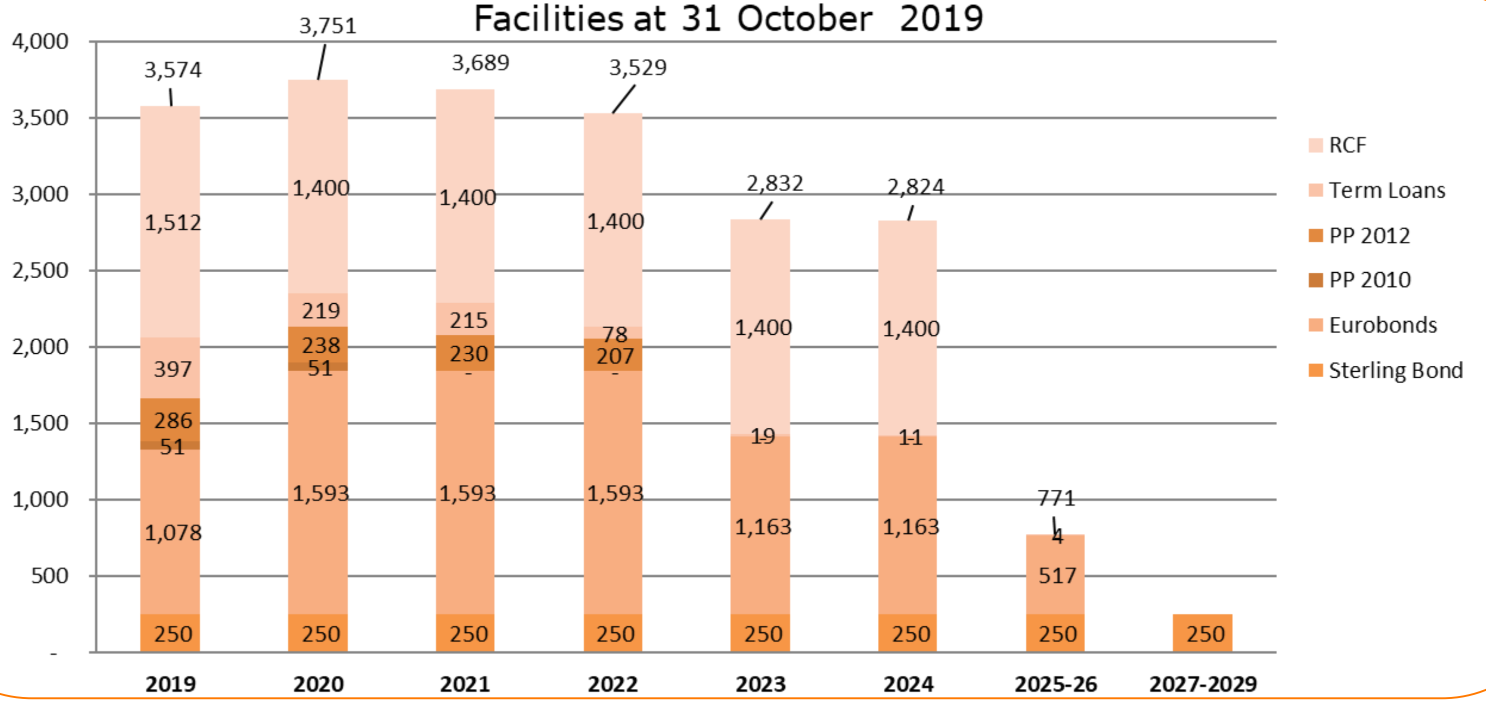
Debt analysis

As at 31 October 2019(1)





Net Debt	£2,218m
Net Debt/ EBITDA(2)	2.3 x
EBITDA/ Net Interest(2)	13.1 x



As at 31 October 2019, the weighted average remaining life of the Group's committed borrowing facilities was five years

(1) Debt shown net of swaps and fees

(2) Ratios as defined in the Group’s banking agreements and excluding IFRS 16 *Leases*