



23 February 2015

## **DS Smith Plc Proposed acquisition of Duropack and trading update**

### **Proposed acquisition of Duropack**

DS Smith Plc ("DS Smith"), the leading provider of recycled corrugated packaging in Europe, is pleased to announce the proposed acquisition of the Duropack business ("the acquisition") for approximately €300m (c.£220m). Duropack, a recycled corrugated board packaging business with market-leading positions across South Eastern Europe, is being acquired from CP Group 2 BV, a One Equity Partners subsidiary.

The acquisition is highly complementary to DS Smith's geographic footprint and transforms our position in higher-growth South Eastern European geographies, further strengthening our pan-European capabilities to our existing customer base in addition to providing access to new customers.

Duropack has number one or two market positions in many of the geographies in which it operates and, combined with DS Smith's existing operations in Hungary, Slovakia and Austria, will have a leading position across South Eastern Europe.

The business is well invested with high quality assets and operates a "short paper, long fibre" model similar to that of DS Smith.

In 2014 the business delivered EBITDA of €41 million and EBIT of €22 million on turnover of €273 million. Cost synergies of €12 million, are expected to be realised within three years of ownership. The additional investment required to integrate the acquisition is c.€13 million, incurred over the first two years. This will be funded by cash savings, driven by working capital efficiencies and tight cash management.

The total consideration, including the assumption of debt, is expected to be circa €300 million, subject to customary post-closing adjustments, representing a post synergy multiple of 5.7 times EBITDA.

The acquisition is being financed from existing debt facilities. It will be immediately accretive to earnings per share and generate a return above our cost of capital during the second year of ownership.

The acquisition is subject to competition clearance, which we expect in calendar Q2, with completion shortly thereafter.

### **Trading update**

In the three month period to 31 January 2015, the business has continued to perform in line with our plans. Volumes have been ahead of the run-rate achieved in the first half of the year and remained positive in all regions, with Central Europe and Italy particularly strong. We are delighted by the initial customer reaction to our recent acquisition of Andopack and performance there has been in line with our expectations.

On 30 January 2015, we completed the disposal of our testliner mill in Nantes, France, which had capacity of c. 60 thousand tonnes. This transaction is in line with our strategy to exit paper manufacturing which does not sufficiently complement our Packaging business. There will be an exceptional charge of £9 million, of which £7 million is non-cash.

Our outlook remains positive as the business continues to perform in line with our medium term financial targets, despite economic headwinds in many of our markets, and the Board views the future with confidence.

**Miles Roberts, Chief Executive of DS Smith said:**

“Duropack is an excellent business and a highly complementary fit. It is a further important step in our strategy to leverage our scale and strengthen our geographic footprint. Duropack has high quality assets with market leading positions. We look forward to it contributing to the overall growth of DS Smith in attractive markets where we were previously under-represented.

Since our half-year, we have continued to make good progress with our customers, benefitting from our differentiated commercial offering and the ongoing roll out of our design centres. Our volume performance has been strong, as the rapidly changing retail environment and consumer buying patterns make well-designed recycled packaging increasingly relevant.”

**Enquiries**

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**Conference call**

There will be a conference call this morning at 08:30am (London time) for investors and analysts, hosted by Miles Roberts, Group Chief Executive, and Adrian Marsh, Group Finance Director. Log in details are +44 (0) 20 3003 2666 (standard access) or 0808 109 0700 (UK Toll Free) Password: DS Smith. Slides to accompany the call will be available on our website approximately 15 minutes in advance of the call. A play-back facility of this call will be available until 2 March 2015. The dial-in number is: +44 (0) 20 3350 6902, access pin: 7058484#. A recording and transcript of the call will also be available through the Investor Relations section of our website: [www.dssmith.com](http://www.dssmith.com)

**Further details on Duropack**

Geographic presence: 14 corrugated packaging sites, 2 paper mills and 18 recycling sites across 9 countries comprising Austria, Hungary, Bosnia, Bulgaria, Macedonia, Serbia, Slovakia, Croatia and Slovenia.

Volumes: c.565msm corrugated packaging, c. 208kt testliner production and c. 160kt recycled paper collection.

Financial details: Gross assets of €281 million as at 31 December 2014; 2014 profit before tax of €15 million.

**NOTES TO EDITORS**

DS Smith is a leading provider of corrugated packaging in Europe and of specialist plastic packaging worldwide, operating across 25 countries and employing 21,500 people. Our vision is to become the leader in recycled packaging for consumer goods through offering great service, quality, innovation and environmental solutions to our customers. For more information, visit [www.dssmith.com](http://www.dssmith.com)