Half year results to 31 October 2018

Increased margins driving strong growth

6 December 2018

The Power of Less®

Introduction

Key themes

- HY results
- Strong market fundamentals
  - Balanced raw materials supply / demand
  - Solid fundamentals underpinning FMCG end market demand
- US acquisition delivering ahead of plan
- Looking forward to Europac
- Strong business model and Balance Sheet
- Confidence in future

HY results: Increased margins driving strong growth

- Successful business model
  - Margins +120bps to 9.9%[1] at top of target range
  - Good organic volume growth +3.2%
  - Excellent cost recovery reflects mix and strength of business model
  - Consistent, strong FMCG and e-commerce focus
  - US acquisition fully integrated and delivering well ahead of expectations

- Strong balance sheet
  - Significant increase in cash flow from operating activities
  - Pro-forma net debt / EBITDA fallen to 2.1x (excl. rights issue proceeds)
  - Refinancing complete – new long-term facility
  - Plastics strategic review making good progress (2018/19 – discontinued)

- Europac acquisition completion expected around end of calendar year
  - Performance in line with expectations
  - Integration planning well advanced

- Compelling commercial differentiation and structural drivers for growth
  - E-commerce, sustainable packaging, dynamic retail changes
  - DS Smith innovation-led solutions for multinational customers

- Good momentum into H2 2018/19

(1)– continuing operations, on IFRS15 basis

Financial review

H1 2018/19: delivering on our targets

Volume growth	Return on sales	Return on average capital employed	Net debt / EBITDA	Cash conversion
+3.2%	9.9% +120bps	13.9%	0.8x	114%
Target: 3.1%	**Target: 8-10%**	**Target: 12 - 15%**	**Target: ≤2.0x**	**Target: >100%**

Note – 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.

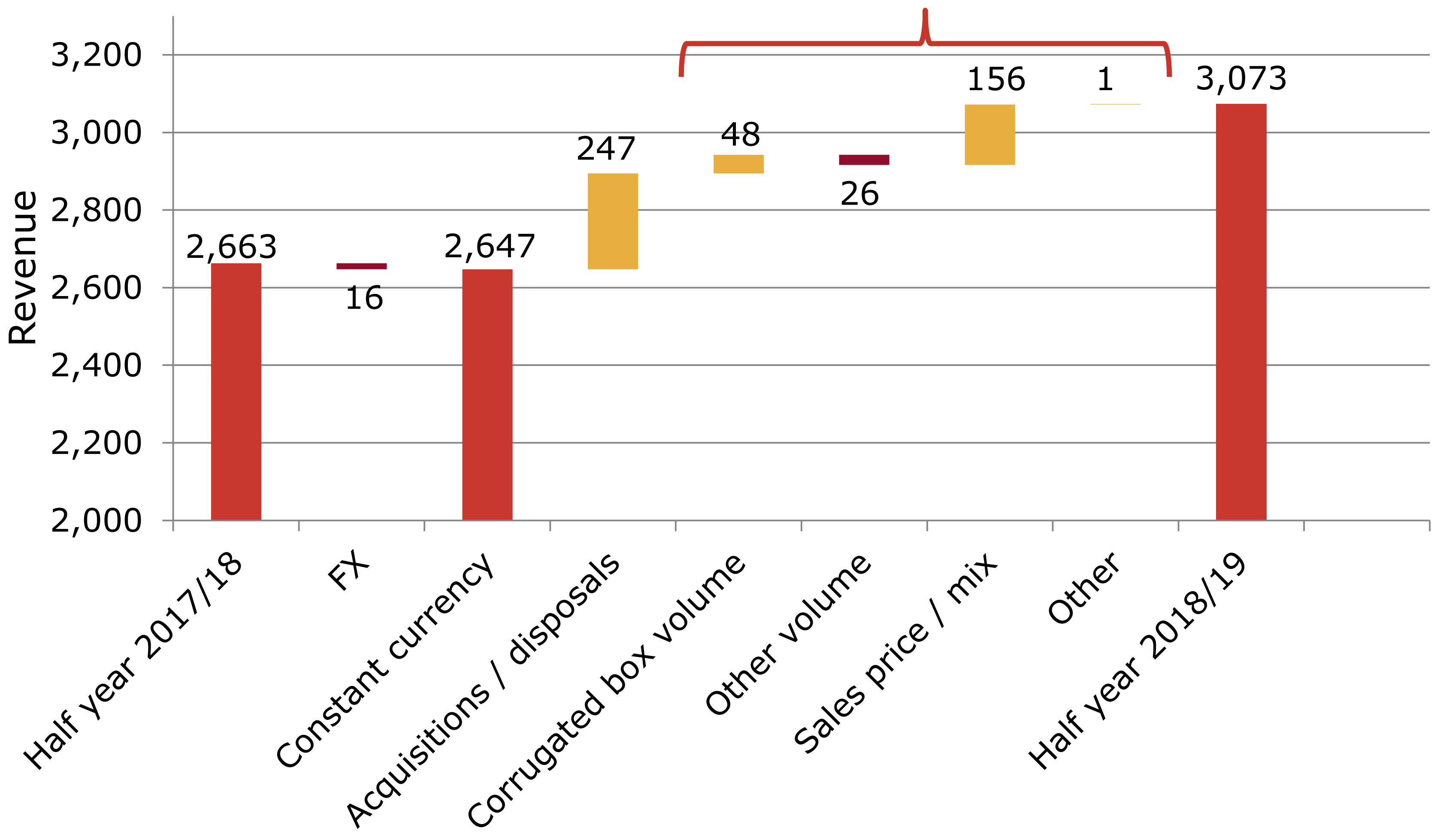
Financial highlights

Continuing operations	H1 2018/19	Change *reported*	Change *constant currency*
Revenue (£m)	3,073	+15%	+16%
Operating profit[1] (£m)	304	+32%	+32%
Return on sales[1]	9.9%	+120bps	+120bps
Adjusted EPS[1]	16.5p	+9%	+9%
Dividend per share	5.2p	+14%	+14%
Asset turnover[2]	1.5x	(0.1)x	(0.1)x
ROACE[1]	13.9%	0bps	0bps

(1) Before amortisation and adjusting items
(2) LTM revenue divided by average capital employed for the same period

Acquisitions, volumes and pricing driving revenues

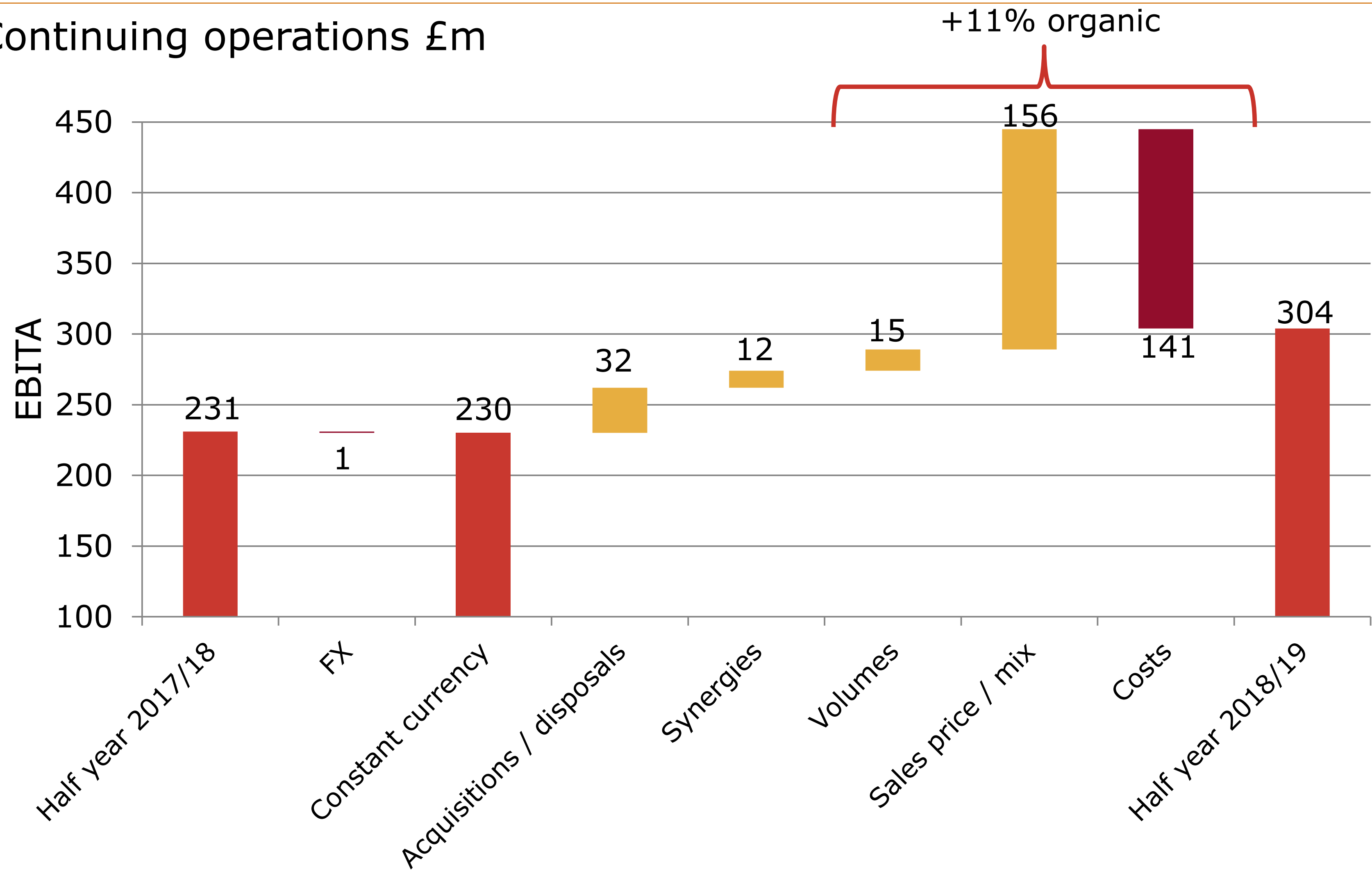
Continuing operations, £m



Note: Other volume includes paper, recycling and corrugated sheet

Excellent cost recovery driving organic growth

Continuing operations £m



Group margin at top of target range

EBITA £m Return on sales %	H1 2018/19	FY 2017/18	H1 2017/18
UK	£59m	£109m	£55m
	10.2%	10.0%	9.9%
Western Europe	£58m	£102m	£55m
	7.4%	6.9%	7.6%
DCH & Northern Europe	£55m	£90m	£43m
	9.9%	8.1%	7.7%
Central Europe & Italy	£75m	£129m	£63m
	9.2%	8.8%	8.8%
North America Packaging & Paper	£57m	£62m	£15m
	16.7%	16.1%	13.6%
Total	£304m	£492m	£231m
	9.9%	8.9%	8.7%

On IFRS15 basis

Discontinued operations analysis

- Plastics business now asset held for sale
- Good underlying performance impacted by phasing of recovery of polymer pricing

	H1 2017/18			H1 2018/19		
	Group	Plastics	Group – continuing ops	Group	Plastics	Group – continuing ops
Revenue	£2,842m	£179m	£2,663m	£3,255m	£182m	£3,073m
EBITA	£251m	£20m	£231m	£318m	£14m	£304m
RoS	8.8%	11.2%	8.7%	9.8%	7.7%	9.9%
ROACE	14.6%	28.1%	13.9%	14.1%	21.5%	13.9%

NB. FY19 and comparatives in FY18 restated for the adoption of IFRS 15 *Revenue*

Adjusting items

£m	HY to 31 October 2018	Estimate H2 to 30 April 2019	Estimate FY to 30 April 2019
Acquisition related			
Interstate resources integration	(4)	(3-4)	(7-8)
Acquisition costs	(5)	(4)	(9)
Integration	(4)	(2-3)	(6-7)
Restructuring	(2)	0	(2)
Core business			
IT	(14)	(3-5)	(17-19)
Total operating cost adjusting items excluding Europac and pension	**(29)**	**(12-16)**	**(41-45)**
Europac (acquisition and integration)	(6)	(34)	(40)
Pension GMP adjustment – non-cash	(15)	0	(15)
Interest			
- financing relating to Europac	(3)		
- unwind of discount on put-option	(5)		
Total interest	(8)	(6)	(14)

Strong cash generation

£m	H1 2018/19	H1 2017/18
EBITDA	**393**	**307**
Working capital	28	27
Pension payments/other	(4)	(7)
Capex (net of proceeds)	(118)	(115)
Tax and interest	(90)	(50)
Free cash flow	**209**	**162**
FCF per share[1]	**16.2p**	**15.0p**

(1) Prior period restated for rights issue

Non-recourse factoring – rationale and effect

Economic rationale

- Maximise balance sheet efficiency
- Benefitting from the high quality of our major customers
- Allows business to optimise commercial returns

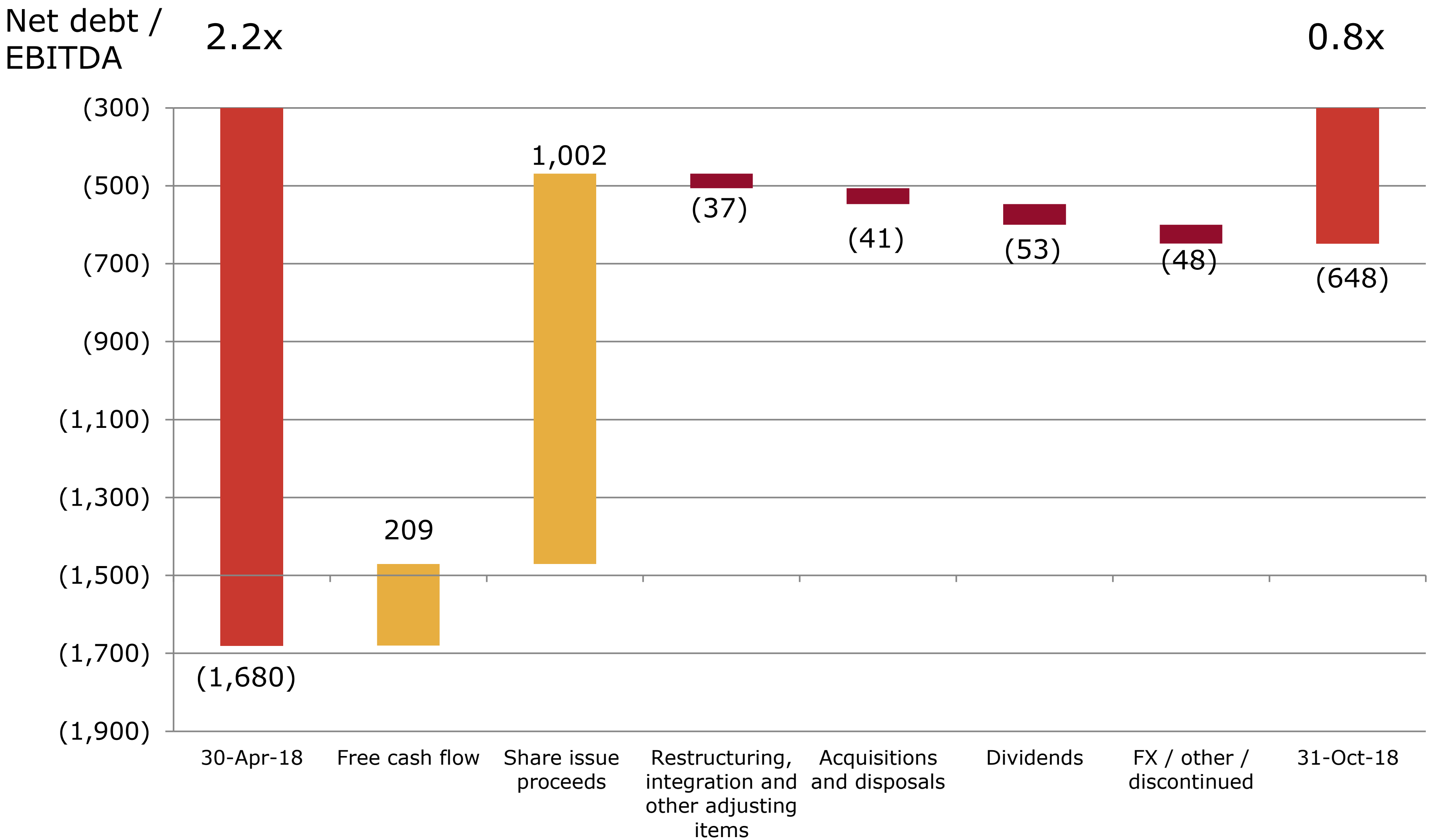
H1 2018/19 movement - £550m vs £559m at 30/4/18

- Non-recourse
- 3 year committed facility
- Not treated as debt as per banking covenants
- Accounted for according to IFRS

Annual cost c. £7m

- Estimated alternative early payment discount annual cost £16.5m

Strong cash flow invested for growth



Strong deleveraging and liquidity profile

Current net debt/EBITDA ratio	0.8x
- (excluding impact of Rights issue proceeds)	2.1x

H2 leverage drivers

- Completion of Europac
    - EV c. €1,904m, consensus EBITDA CY18 €214m/£190m
- Expected April 2019 leverage excluding benefit of disposals <2.3x

Delivering our medium term target

- Disposal proceeds from Plastics and remedy disposals
- Organic EBITDA performance
- Working capital improvements

Liquidity profile

Long term financing and liquidity profile

November 2018 5-year £1.4bn refinanced RCF

NB. Interstate put option:

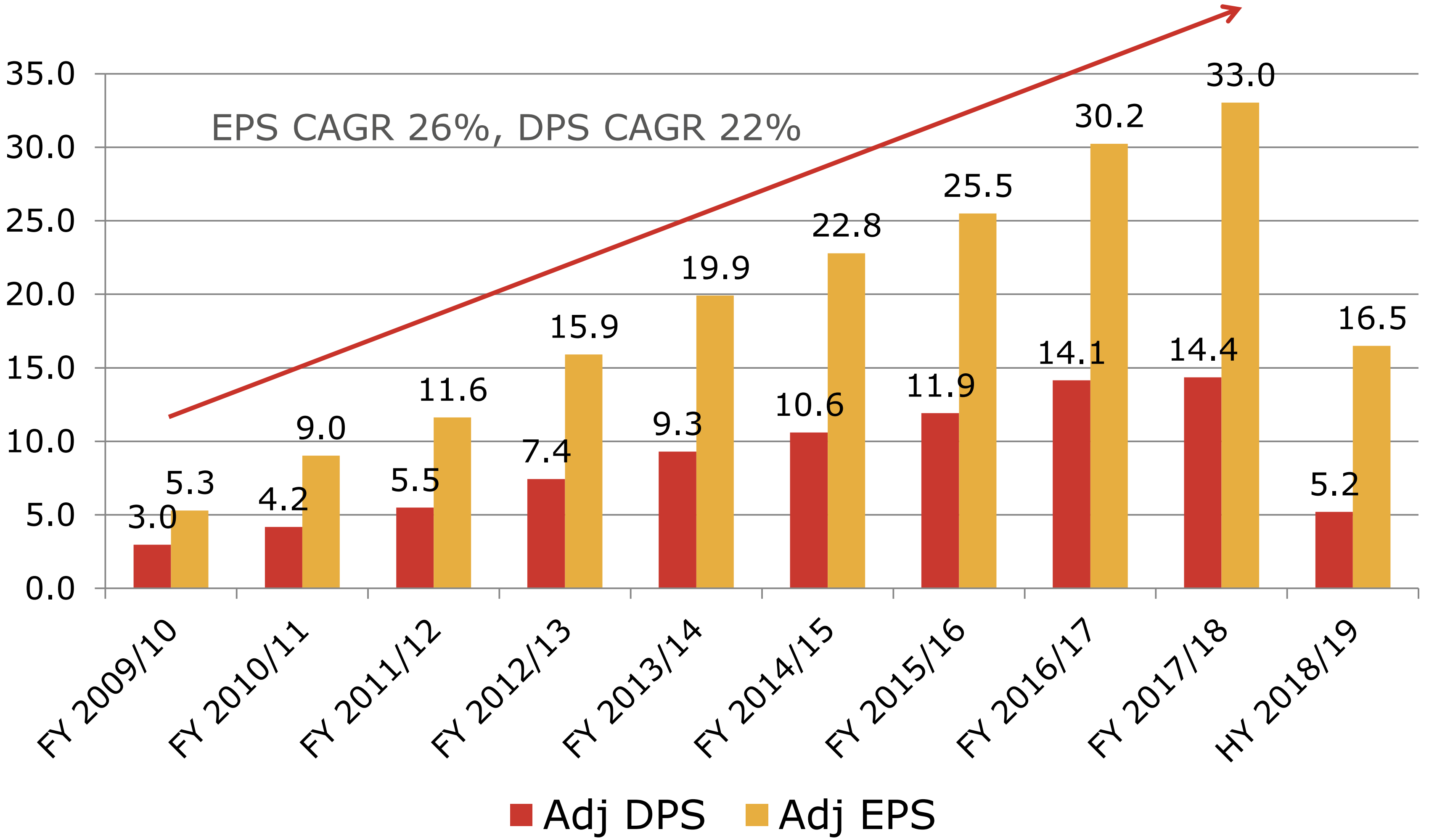
- Value at 31/10/2018 £171m; next exercisable – August / September 2019

Technical guidance

For the financial year 2018/19, continuing operations, excluding impact of Europac:

- Capex c. £270m
- Depreciation c. £185-£190 m
- Tax rate c. 23%
- Amortisation charge c. £100m
- Interest, inclusive of pension interest c. £66m
  - IAS 19 pension interest charge £4m
- Pension deficit reduction cash contribution c. £20m
- Adjusting items operating cost, before GMP charge: under £45m
- FX: €1c move impacts EBITA by c. £2.4m

Strong continuous growth in EPS and DPS



Adjusted for rights issue bonus factor

Chief Executive's review

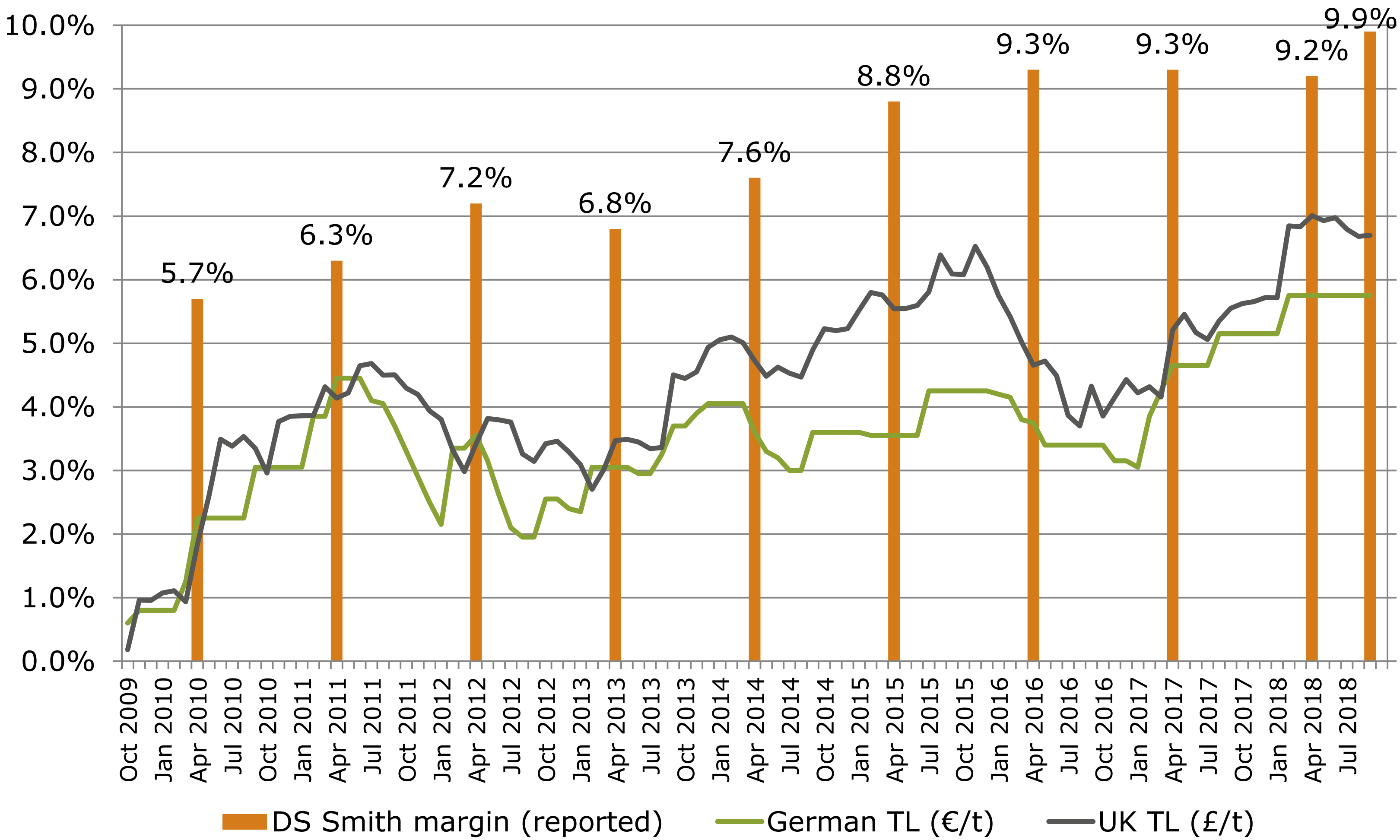
Increased margin driving strong growth

- Volume growth ahead of market growth
- All regions in growth
- Pass-through of paper prices complete
- Top-of-range margin
- Demand for high quality, differentiated packaging as strong as ever
- E-commerce gathering pace

North America

- Benefits from supply chain integration
- Positive reaction from customers to our innovation and know-how

Consistent margin progression throughout cycle



DS Smith RoS margin as reported, excluding Spicers

North America – 1 year in

- Seamless integration
- Operational excellence
- Commercial success
- Financial success
  - Synergies $40m vs $25m initially
  - Return on capital > WACC ahead of schedule
  - 36% lfl operating profit growth to £57m
- Exciting growth opportunities
  - Corrugated Container Corporation
  - Indiana greenfield
  - Attractive commercial pipeline

New customers in the US

Deeper global relationships with existing US customers

Europac – rationale strong and preparations in place

Strategic rationale remains strong

1. Exceptional scale opportunity to enhance DS Smith's customer offer in a key packaging growth region
2. Clear opportunity to develop Europac's packaging assets
3. Strengthens DS Smith's global supply chain
4. Substantial cost synergies
5. Delivering attractive financial returns

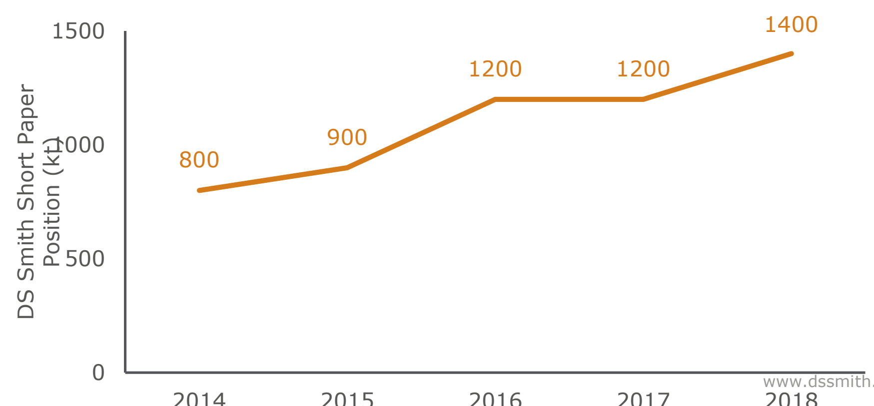
Integration plan ready

- Day one plans in place
- Integration conference
- 90-day "acid test"
- Team drawn from integration specialists and regional operational teams

DS Smith short paper position

- Remain committed to short paper strategy
- Supports medium term packaging growth ambition
- Provides opportunity to reassess enlarged Group's paper asset base

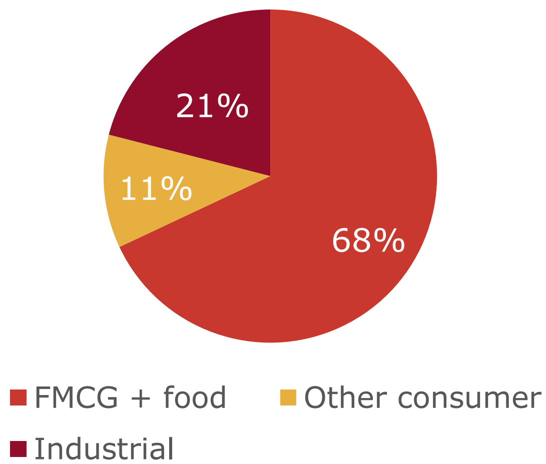
DS Smith short paper position(1)



Source: Company filings.
(1) FY2018 sales volumes, excluding DS Smith US operations.

High quality customers and resilient business model

Box volumes HY 2018/19



36%
(2015)

41%
(2018)

(estimated share of wallet of top-20 customers)

c.€2bn
remaining in Europe alone…

Resilient business model

- Highly consistent demand from FMCG-focused customers
  - Multinational customers over 90% FMCG and e-commerce
  - Volume growth at multinational accounts substantially ahead of group
- Continued market share gains
- Top-10 customers 8% average volume growth
- Substantial long-term improvement in share of wallet of major customers

Leading e-commerce platform and innovation

Structurally positioned for growth

Structural industry growth drivers

- E-commerce growth
- Retail channel proliferation
- Increasing Sustainability focus

DS Smith in pole position to capitalise

- Scale across Europe and into US
- Investment in innovation
- End-to-end packaging solutions
- Customer consolidation of suppliers

Primary focus:

- Continuing to deliver from Interstate
- Integrating Europac
- Cash generation

Summary & Outlook

Successful and robust business model

- Delivered top-of-range margin and material growth
- Commercial differentiation driving market share growth
- Strong balance sheet

Positive outlook

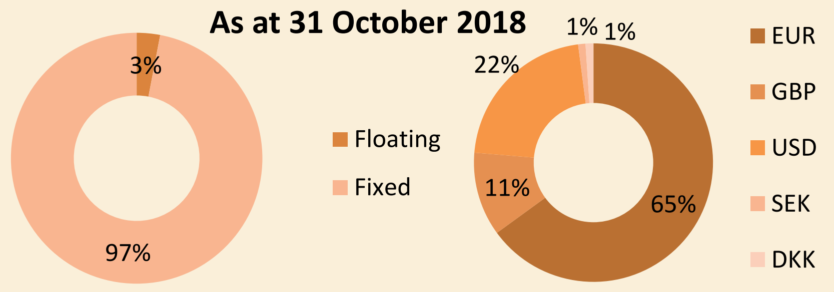
- Europac acquisition completion expected around end of calendar year
- Compelling structural drivers for growth
- Good momentum into H2 2018/19

Appendix

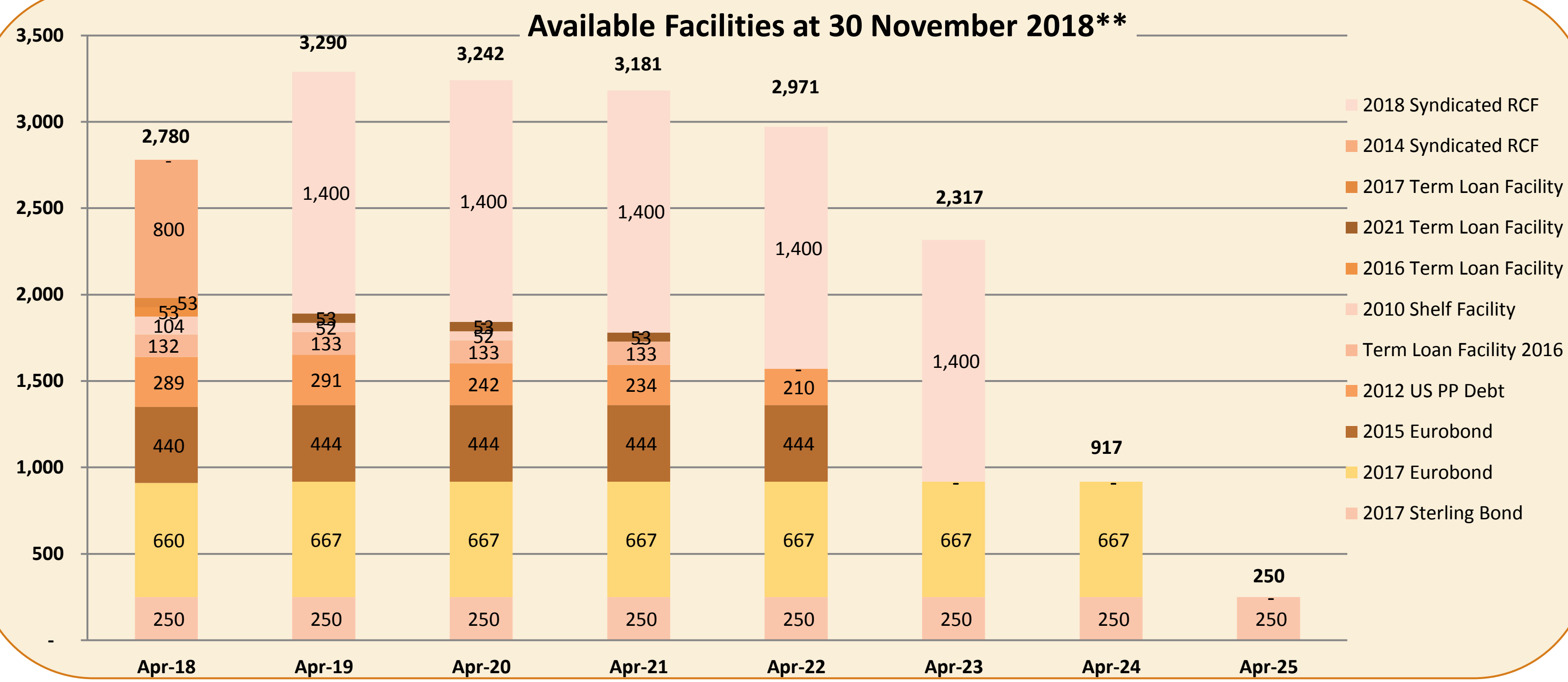
Foreign exchange exposure

H1 2018/19	Revenue (%)	EBITA (%)	Average rate H1 2017/18	Average rate FY 2017/18	Average rate H1 2018/19	Closing rate 31 Oct 2018
GBP	17.0%	9.6%				
EUR	53.7%	48.6%	1.129	1.132	1.129	1.125
PLN	2.9%	1.6%	4.789	4.785	4.852	4.883
SEK	2.5%	2.0%	10.872	11.156	11.726	11.704
DKK	2.4%	-0.5%	8.401	8.394	8.565	8.396
USD	11.3%	25.3%	1.303	1.356	1.311	1.274
Other	10.2%	13.3%				

Debt analysis



Net Debt	£ 648m
Net Debt/ EBITDA ratio*	0.8x
EBITDA/ Net Interest ratio*	12.2x



* Ratios as defined in the Group's banking agreements.
** Excludes €740m Bridge facility designated for funding acquisition of Europac

As at 31 October 2018, the weighted average remaining life of the Group's committed borrowing facilities was 4 years.