



Full year results to 30 April 2017

Building on success



29 June 2017

The Power of Less®

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Introduction

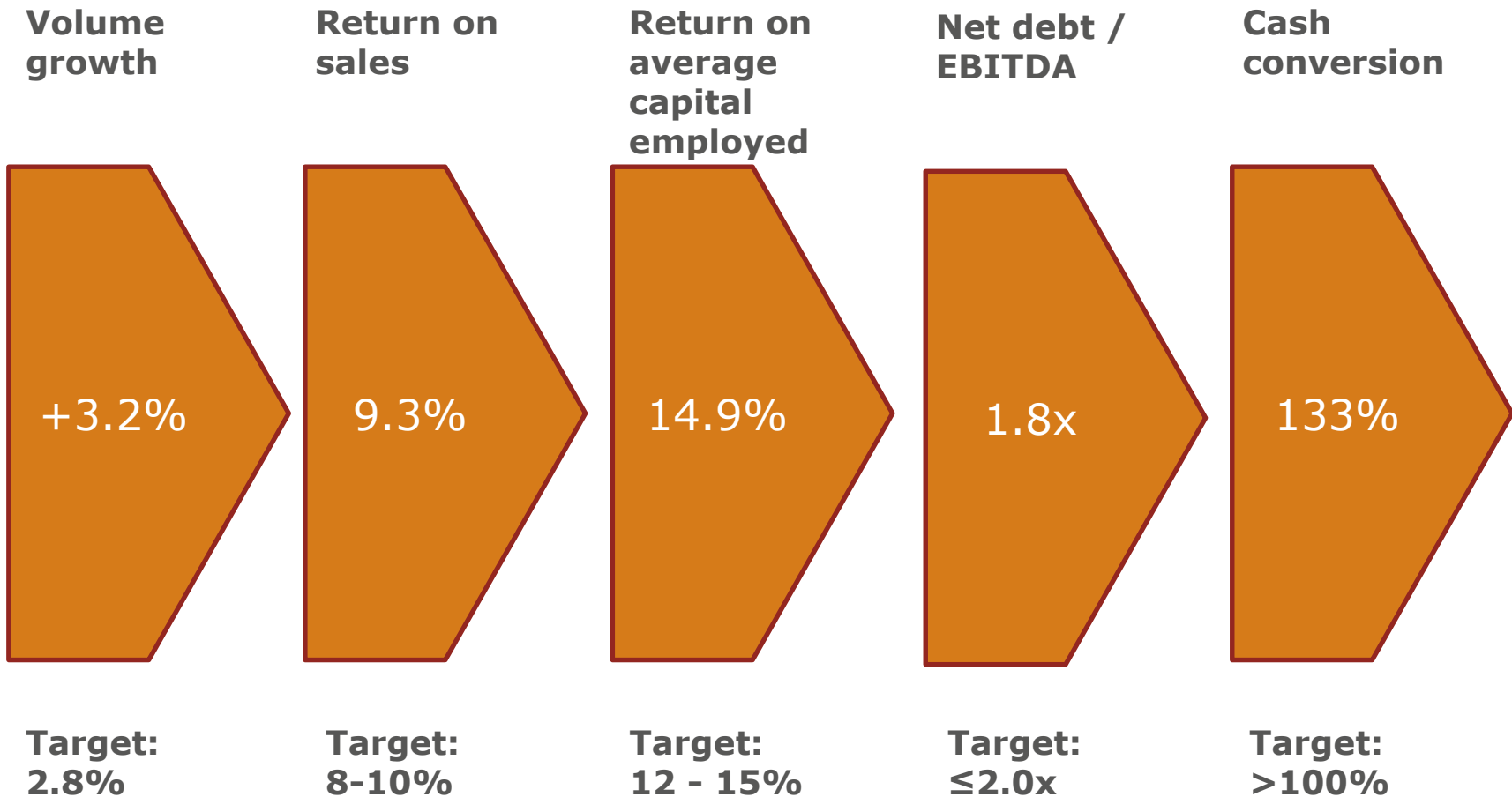
Consistent delivery, building on success

- Volumes +3.2%
 - Growth in all regions
 - Continued very strong growth from pan-European customers
- Continued to strengthen the business
 - Five acquisitions (£85 million) in the 2016/17 financial year
 - Investment in line with strategic priorities
- Entry into US fibre-based market
 - Proposed acquisition of Interstate Resources Inc.
- Leadership in e-commerce and Display packaging
- Continued delivery against all our financial medium-term targets
- Good momentum into 2017/18



Financial review

2016/17: delivering on our targets



Note – Volumes on a like-for-like basis. All figures on a constant currency basis, before exceptional items and amortisation

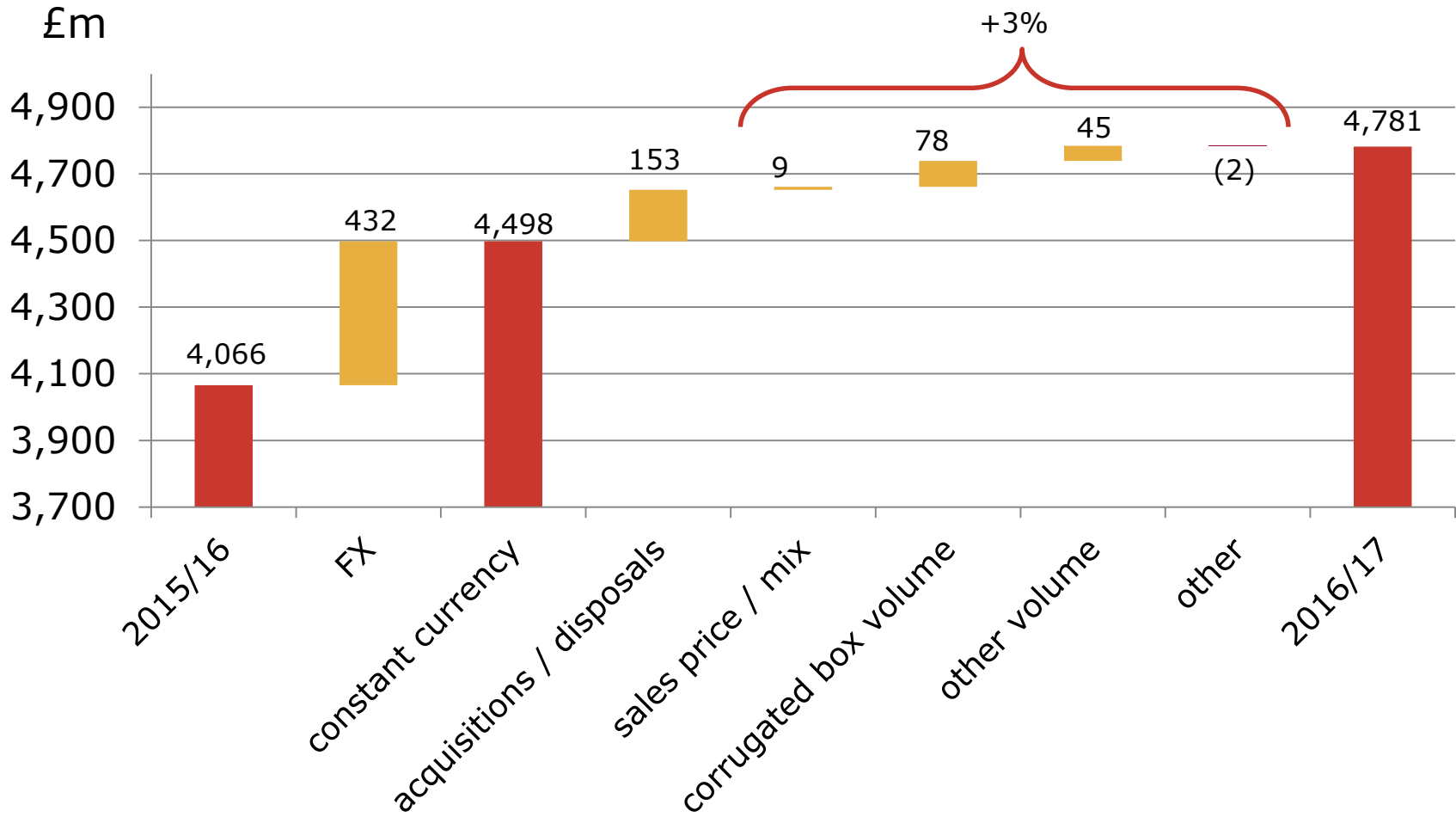
Financial highlights

Continuing operations	2016/17	Change <i>constant currency</i>
Revenue (£m)	4,781	+6%
Operating profit ⁽¹⁾ (£m)	443	+5%
Return on sales	9.3%	-10bps
Adjusted EPS ⁽¹⁾	32.5p	+7%
Dividend per share	15.2p	+19%
Asset turnover ⁽²⁾	1.6x	0bps
Return on average capital employed ⁽¹⁾	14.9%	-40bps

(1) Before amortisation and exceptional items

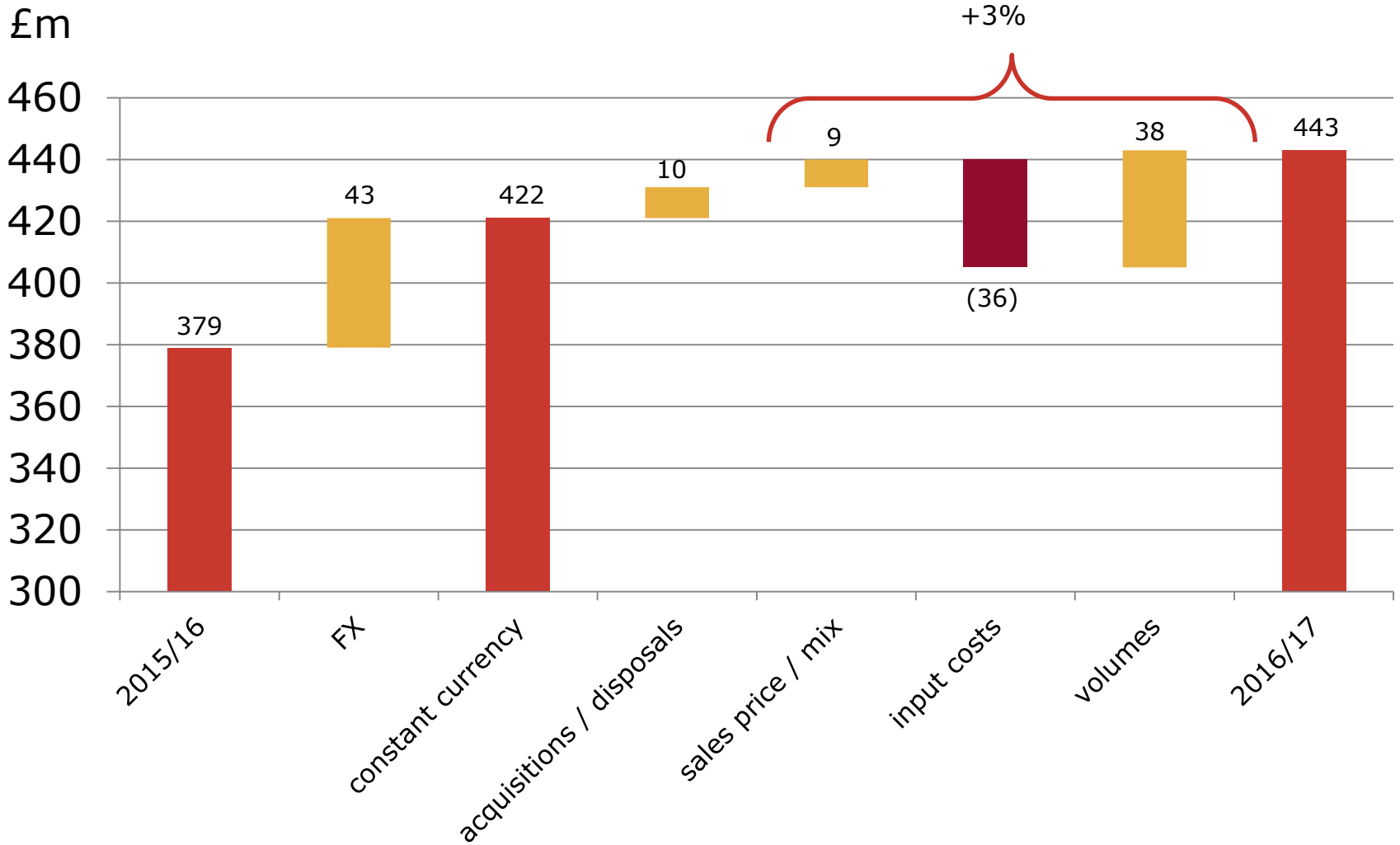
(2) Revenue divided by average capital employed for the year

Strong acquisition and volume contributions



Note: Other volume includes paper, corrugated sheet, recycling and plastics

Organic and acquisition driven profit growth



Demonstrably good integration of acquisitions

EBITA £m	2016/17	2015/16	Change <i>Constant currency</i>
UK	£94m	£85m	+11%
	9.8%	9.8%	+0bps
Western Europe	£104m	£77m	+18%
	8.2%	7.4%	+80bps
DCH & Northern Europe	£82m	£93m	(23)%
	8.3%	10.9%	(260)bps
Central Europe & Italy	£125m	£92m	+19%
	10.1%	9.0%	+100bps
Plastics	£38m	£32m	+3%
	11.6%	11.3%	(10)bps
Total	£443m	£379m	+5%
	9.3%	9.3%	In target range

Ongoing strong cash conversion

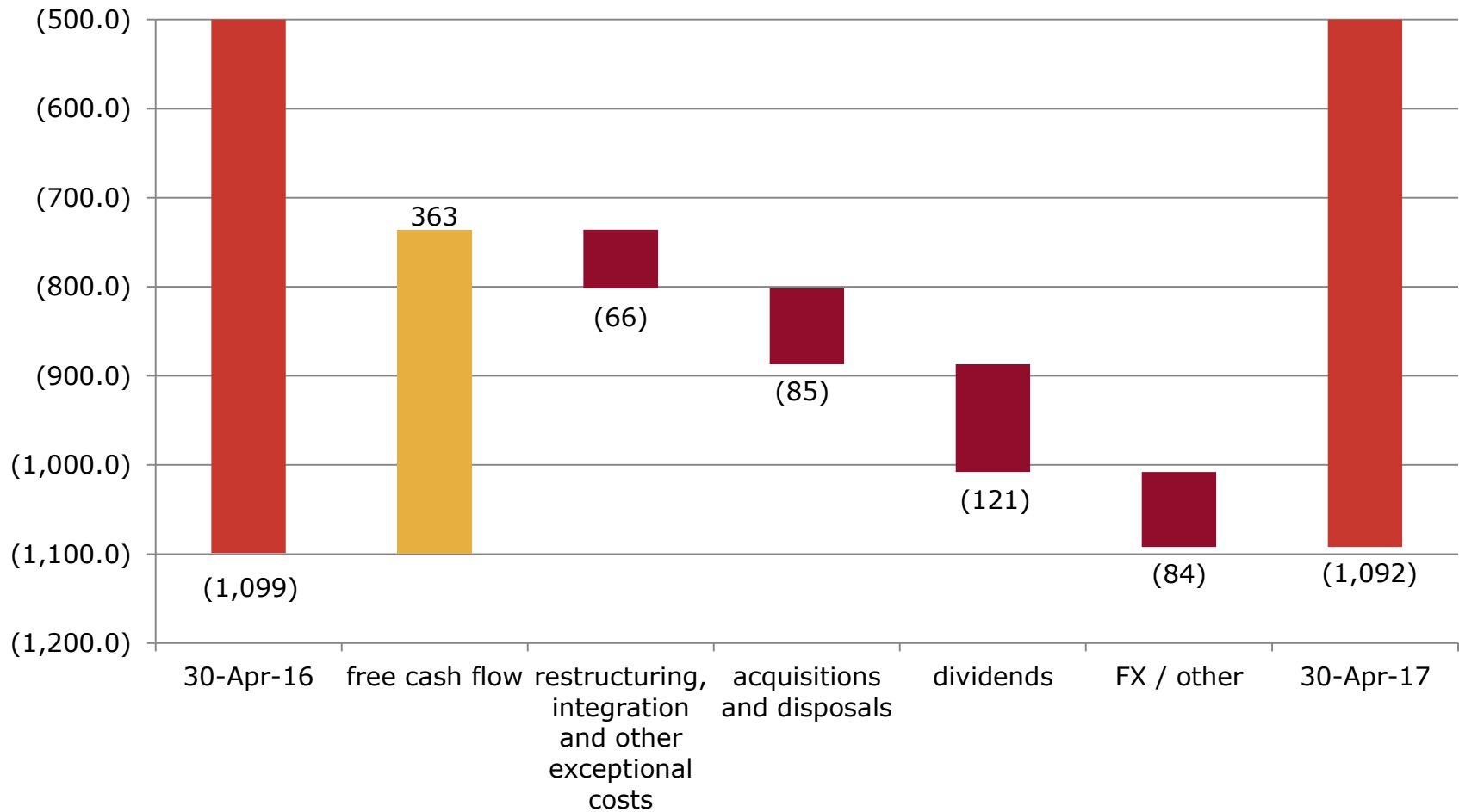
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£m	2016/17	2015/16
EBITDA	591	506
Working capital	124	56
Pension payments/other	(20)	(42)
Capex (net of proceeds)	(226)	(201)
Tax and interest	(106)	(81)
Free cash flow	363	238
FCF per share	38.4p	25.2p
Cash conversion	133%	112%

	2016/17	2015/16
Average monthly working capital/sales	0.9%	1.6%

Cash conversion defined as free cash flow before tax, net interest, growth capex and pension payments as a percentage of operating profit before amortisation and exceptional items.

Cash invested for future growth



For the financial year 2017/18:

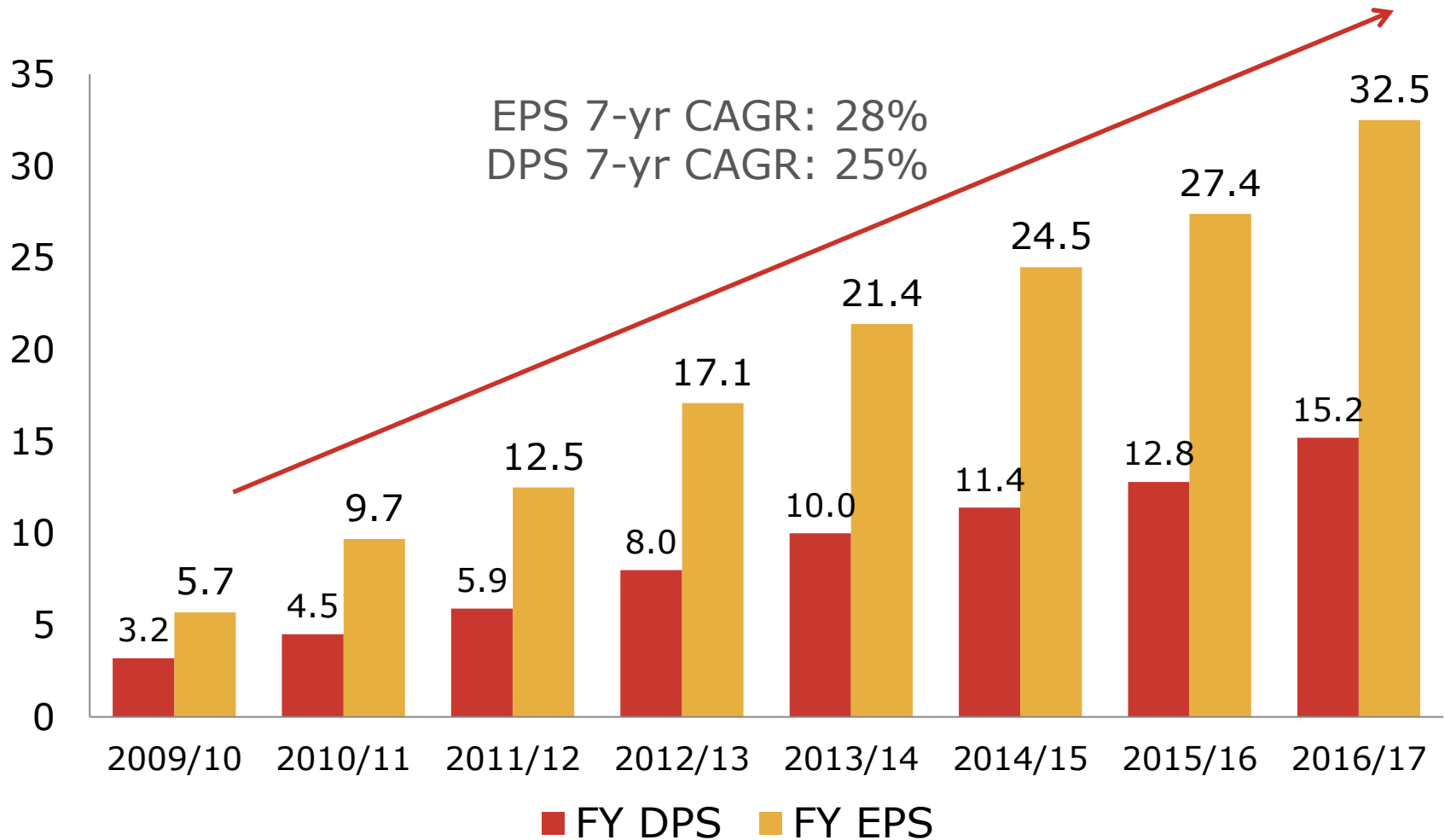
- Capex c. £220m
- Depreciation c. £170m
- Tax rate c. 23%
- Amortisation charge c. £70m
- Interest, inclusive of pension interest c. £55m
 - IAS 19 pension interest charge £6m
- Pension deficit reduction cash contribution c. £20m
- Expected exceptional costs 2017/18: c. £30m
- FX: €1c move impacts EBITA by c. £2.1m

N.B. these guidance figures exclude the effect of the acquisition of Interstate. An update of guidance inclusive of Interstate will be provided post completion.



Sustainable shareholder returns

Pence per share



Chief Executive's review

Building our business organically

- Creating value by
 - Void space reduction
 - Supply chain optimisation
 - Establishing the industry standard
 - Enhancing the customer branding and personalisation
- In 2016/17
 - Very high volume growth from e-commerce driven by expansion with major customers across Europe
 - Won on basis of combination of technology and service
- Launched proprietary machine solution for automated right-size packaging
 - Strong customer interest
- Network of DS Smith e-commerce champions around the business

Display success

- Excellent volume growth, particularly from organic investment such as Erlensee, and also from acquired businesses such as Milas Ambalaj in Turkey
- Working together
 - Specialist skills e.g. Creo and Deku-Pack
 - Broad base for production across the DS Smith network
- Customer successes
 - Reckitt Benckiser
 - Paramount
 - Twentieth Century Fox



- **Strong volume growth from pan-European customers**
 - Significantly ahead of group average
- **Trusted strategic supplier**
 - Nestlé customer award
 - Relationship excellence award for DS Smith in Germany
 - Mars customer awards
 - 6 awards for outstanding quality of supply in 2016
- **Leading in innovative packaging**
 - 12 Worldstar awards, more than any other participant
 - 6 awards in the UK, 3 in Germany, 2 in Spain and 1 in Sweden



Building our business through acquisition

Acquisitions in 2015/16

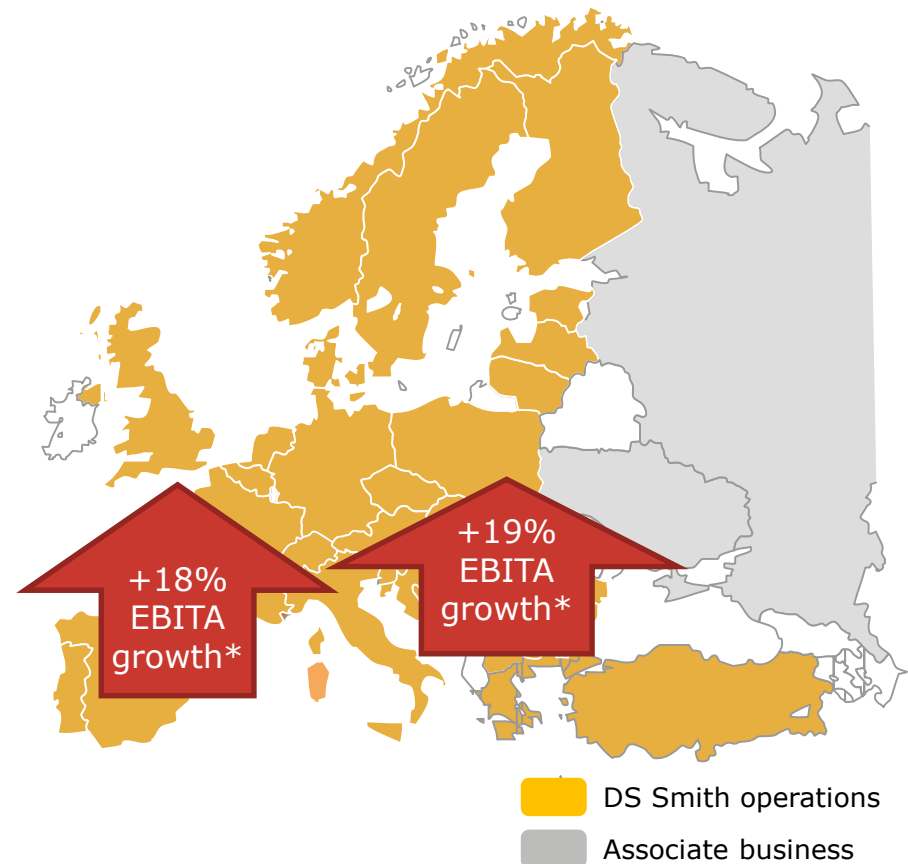
- Duropack – south eastern Europe
- Lantero – Spain
- Cartonpack – Greece
- Milas Ambalaj – Turkey
- TRM – UK

Acquisitions in 2016/17

- Gopaca and P&I Display – Portugal
- Creo – UK
- Deku-Pack – Denmark
- Parish – US (plastics)

Very experienced integration team

Europe remains a highly fragmented market



*Constant currency EBITA growth for Western Europe and for Central Europe and Italy respectively

Proposed acquisition of Interstate Resources Inc.

**Creates a higher quality, higher margin group
with more growth potential**

- Proposed acquisition of 80% of Interstate equity for consideration of \$920 million (c. £722 million), plus 100% of Interstate financial debt (assumed or repaid) of approximately \$226 million (c.£177 million)
- Interstate is a family owned integrated paper and packaging producer concentrated on US East Coast
- Strong strategic and financial rationale:
 1. A well-invested platform for growth in North America
 2. Significant customer pull for DS Smith's innovative packaging solutions in the US
 3. Strengthens Group's global supply chain
 4. Significant cost and working capital synergies
 5. EPS enhancing immediately; returns exceed WACC⁽¹⁾ in first full year
- Acquisition funding:
 - Approximately \$357 million (£280 million) (c.7%) proceeds of cash placing
 - Approximately \$489 million (£384 million) new debt and cash resources
 - \$300 million (c.£235 million) equity consideration to vendor

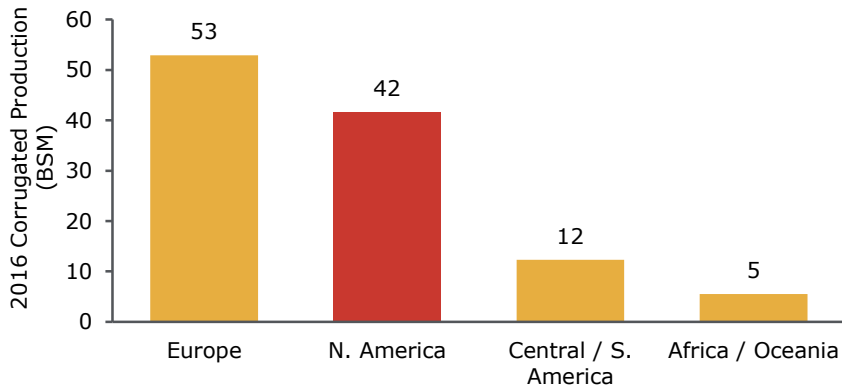
Creates a higher quality, higher margin group with more growth potential

(1) Pre-tax Weighted Average Cost of Capital.

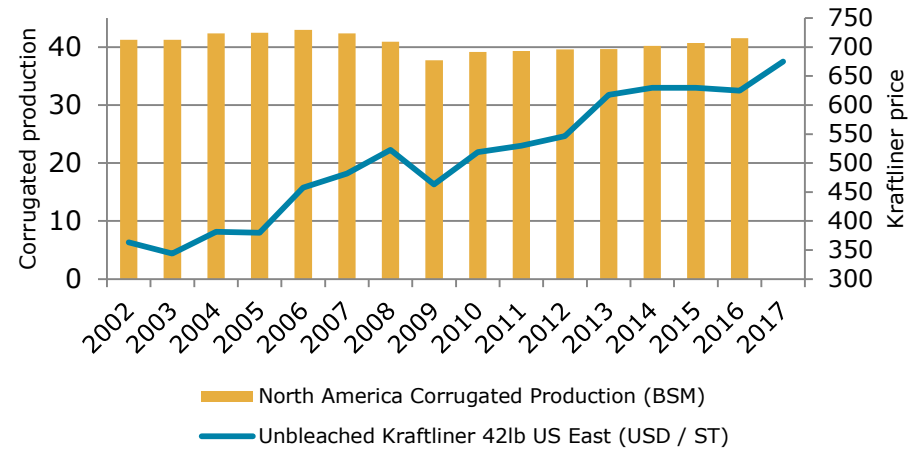
(2) USD:GBP rate of 1.275 used (average market rate 23/6/17-27/6/17)

Strong fundamentals of the North American market

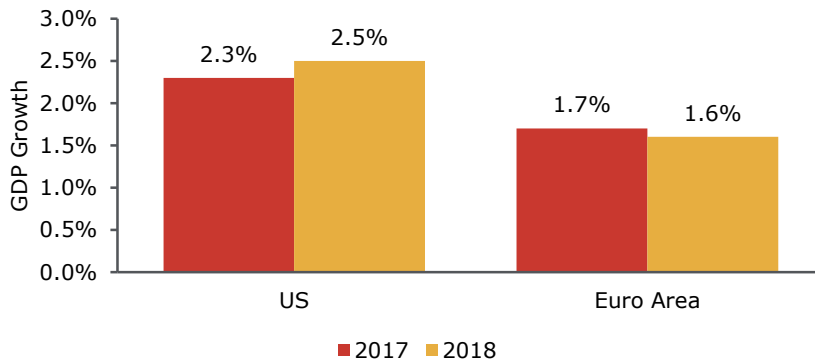
Large corrugated packaging market⁽¹⁾



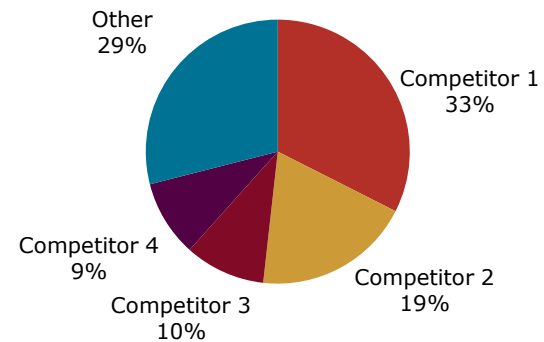
...with stable long term volume profile⁽¹⁾



Positive GDP outlook⁽²⁾



Containerboard capacity⁽³⁾



(1) Corrugated production - ICCA Corrugated Statistics for Year-End 2016.
 Kraftliner prices - RISI
 (2) IMF World Economic Outlook (April 2017).
 (3) RISI (April 2017).

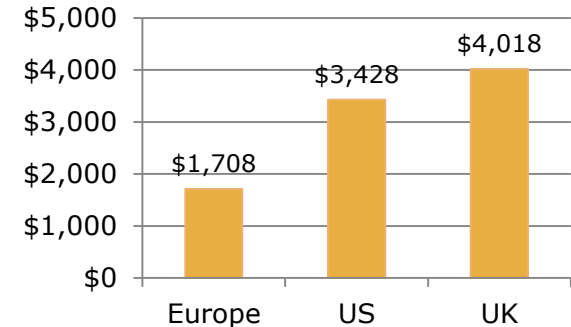
Retail ready opportunity

	RRP penetration ⁽¹⁾	2016-2021(f) CAGR ⁽²⁾
UK	c. 50%	1.6%
Continental Europe	c. 30%	2.3%
US	c. 15%	2.7%

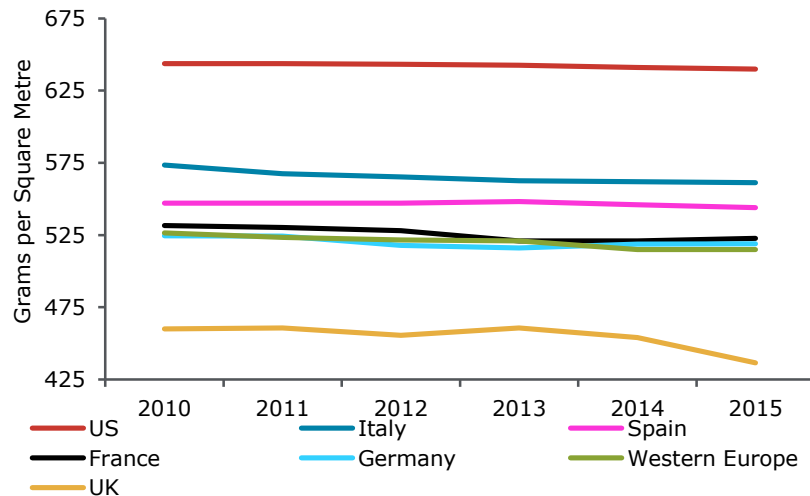
E-commerce opportunity

- Large, developed e-commerce market in US
- Apply DS Smith expertise from UK operations

Average annual e-commerce spend per e-shopper⁽⁵⁾



Performance packaging opportunity⁽³⁾



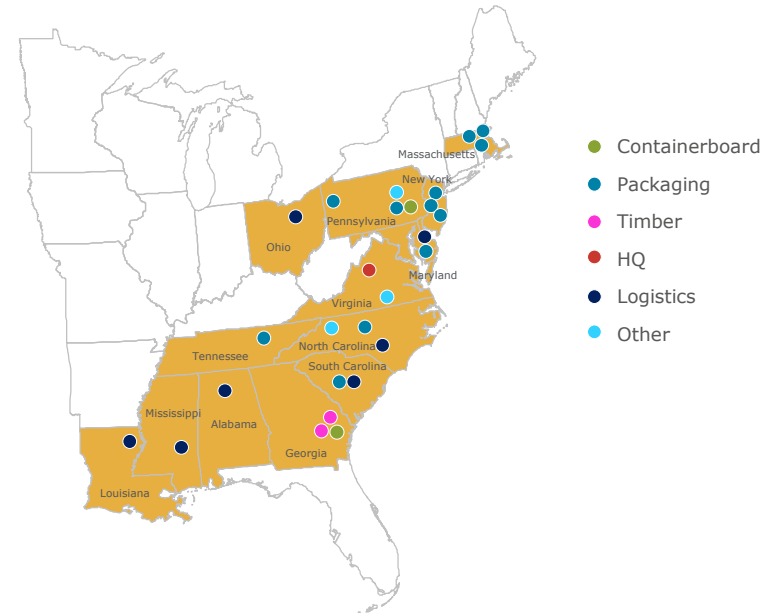
Global customer opportunity

- 17 of DS Smith's top 20 pan-European customers have significant US operations
- Average revenue growth⁽⁴⁾ of c. 7%

(1) DS Smith research / estimate.
 (2) Smithers Pira report – the future of retail ready packaging to 2021.
 (3) RISI 'The Future of North American Containerboard' (June 2017).
 (4) DS Smith analysis, revenue from pan-Euro customers, 2014 – 2017.
 (5) Global B2C e-commerce report 2016, Ecommerce Foundation.

Interstate – an attractive US market entry point

- Well balanced portfolio of paper and packaging assets providing a strong platform to drive long-term growth
- Concentrated on the East Coast of the United States
 - Family owned
 - Well-maintained and invested
 - \$175 million capex investment L5Y
- Strengthens DS Smith’s global supply chain
- Highly experienced operational management team
- Significant capacity to support synergistic growth and customer acquisition
- Strong food and beverage orientation and long-term customer relationships



- Annual production:
 - 342 kt of kraft liner
 - 192 kt of recycled CCM
 - 0.44 BSM of corrugated converting and packaging operations
- Key assets:
 - Paper: 2 mills
 - Packaging: 12 operations

3-year financial summary

December year end \$m	2014	2015	2016
Net sales	582	618	618
EBITDA ⁽¹⁾	103	122	105
Margin %	17.7%	19.7%	17.0%
EBIT ⁽¹⁾	67	82	64
Margin %	11.5%	13.3%	10.4%
Capital expenditure	60	34	34
Operating Cash flow ⁽²⁾	106	80	95

Key value drivers

2016 reported revenue and EBITDA margin outturn impacted by a number of factors

- Sales mix, OCC sourcing

Confidence in 2017 reflects

- Positive corrugated box volume growth and paper production increased
- Recently implemented paper price increases
- Year to date trading ahead of prior year
- EBITDA contribution from acquisitions - \$6m

Additional drivers of near-term value

- Already identified cost synergies of c.\$25 million (3rd year)
- Working capital synergies of c.\$95 million (2nd year)
- Optimisation of Interstate supply platform
- Global supply chain benefits
- Leveraging strong customer pull / global relationships
- Further growth opportunities

Expected to generate a pre-tax ROIC > DS Smith's WACC⁽³⁾ in first full year⁽⁴⁾ following completion

+

Expected to be accretive to DS Smith's earnings per share immediately

+

ROIC and EPS accretion to accelerate as additional drivers of value are delivered

(1) Pre exceptional items.
 (2) Cash flows from operating activities.
 (3) Pre-tax weighted average cost of capital
 (4) Year ended 30 April 2019

1 Significant cost and working capital synergies

- c. \$25 million estimated annual run rate pre-tax cost synergies identified from procurement and operational efficiencies by the end of 3rd full financial year, with two thirds of run rate implemented in 2nd full financial year
 - \$55-60 million estimated one off cash costs (opex and capex), expected by end of 3rd full financial year
- Working capital benefits of c.\$95 million by the end of 2nd full financial year with two thirds achieved in 1st full financial year
- Revenue growth opportunities from existing global customers
- DS Smith leadership combined with experienced strongly aligned Interstate management team
 - Target management structure and operational processes established
- High confidence in integration
 - Thorough due diligence process in line with historical acquisitions
 - Strong track record of transaction integration and synergy delivery
 - Full integration team established

2 Enhancing customer relationships

- Significant multinational customer pull for DS Smith's capabilities, innovation and partnership credentials
- DS Smith has proven its ability to deliver value for customers through:
 - Leading insight to drive customer product sales
 - Multinational approach
 - Total supply chain perspective
- Global convergence of DS Smith's customer requirements

"Mondelēz has a strong relationship with DS Smith, our sole supplier of corrugated packaging in Europe, based on shared vision and values. DS Smith's entry into the North American market is an exciting development, and we look forward to continuing the growth of our partnership over coming months."



Brian Harasymchuk, Director of Procurement North American Region & Global Paper Procurement

"DS Smith has been a strategic supplier to Nestlé for many years in Europe. Like for all key business partners, Nestlé supports DS Smith's strategy to become a global supplier of corrugated packaging, and this announcement is an important step towards realizing that ambition. We look forward to working with DS Smith across our business to continue to develop mutual value generation and shared understanding."



Christophe Dupas, Global Head of Procurement – Packaging

3 Strengthens DS Smith's global business model

- Significantly strengthens global supply chain capabilities
 - Fibre and paper sourcing cost and security of supply benefits
 - Global procurement
- Clear opportunity to leverage DS Smith's expertise in a new market, further differentiating DS Smith with customers
- Interstate provides DS Smith with a well invested platform for growth
 - Customer-led packaging investment
 - Potential for further inorganic opportunities
- US fibre based market has clear potential for development
 - Retail ready packaging and strong e-commerce market growth opportunity
 - More efficient use of fibre based packaging

- Two stage acquisition with clear path to 100% ownership
- Initial acquisition
 - 80% of Interstate equity for a consideration of \$920 million (£722 million) plus financial debt assumed or repaid of \$226 million (c.£177 million) (100% of Interstate debt)
- Residual 20% subject to:
 - Annual put, up to year 5 with certain accelerated exit conditions
 - Full acquisition in year 5 unless mutually agreed otherwise
 - Exit valuation linked to multiple of EBITDA
- Conditions to initial acquisition:
 - DS Smith shareholder approval
 - Competition clearance
- EPS accretive immediately; returns exceed WACC⁽¹⁾ in first full year following completion

(1) Pre-tax Weighted Average Cost of Capital.

(2) USD:GBP rate of 1.275 used (average market rate 23/6/17 – 27/6/17)

- Initial consideration of \$1,146 million
 - Placing of c. 7% New Ordinary Shares for cash – c.\$357 million (c.£280 million)
 - Rank pari passu, eligible for FY dividend
 - \$489 million (£384 million): new debt facilities and cash resources
 - \$300m million equity consideration to vendors
 - Subject to lock-up – (50% 6 months, 50% 12 months)
- Pro-forma net debt / EBITDA of 2.2x⁽¹⁾
 - Strongly cash generative and commitment to DS Smith's medium-term financial target leverage of 2.0x or below
 - Commitment to investment grade credit rating

(1) DS Smith Net Debt of £1092m plus acquisition related debt of c.£384m divided by DS Smith 16/17 EBITDA of £591m + Iron 2016 EBITDA of \$105m (£83m)

Summary

- Good, consistent volume growth
- Leadership in e-commerce and Display packaging
- Continued delivery against all our financial medium-term targets
- Recovering input costs as planned
- Entry into US fibre-based market
- Good momentum into 2017/18

**Creating a higher quality, higher margin group
with more growth potential**



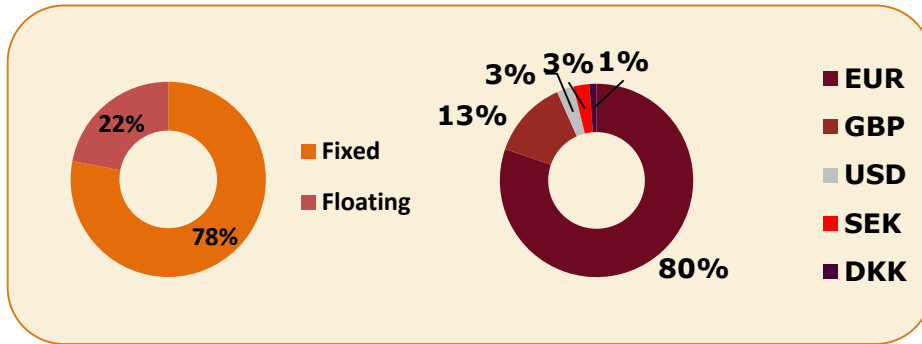
Appendix

Foreign exchange exposure

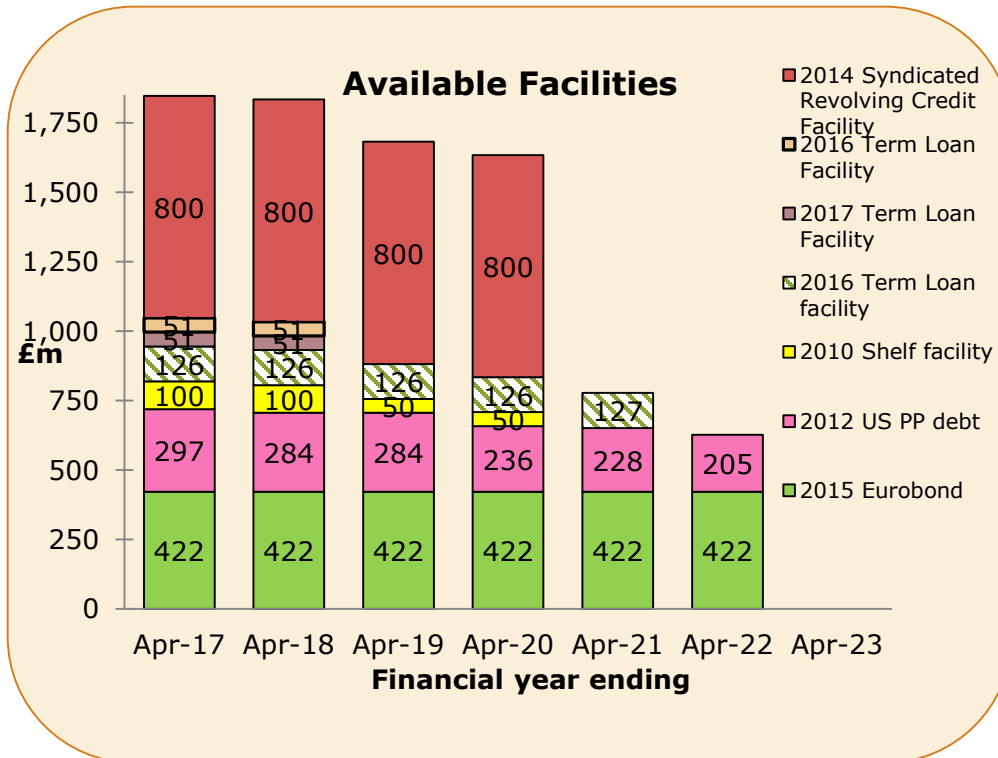
2016/17	Revenue (%)	EBITA (%)	Average rate FY 2016/17	Closing rate 30 April 2017
GBP	20.1%	15.3%		
EUR	61.8%	64.6%	1.179	1.184
PLN	2.9%	3.2%	5.103	4.999
SEK	2.9%	3.3%	11.255	11.402
DKK	2.6%	1.2%	8.685	8.806
USD	1.8%	4.9%	1.285	1.294
Other	7.9%	7.5%		

- Note that the difference in the % of GBP at EBITA versus revenue is due to a significant proportion of central costs being in GBP

Debt analysis



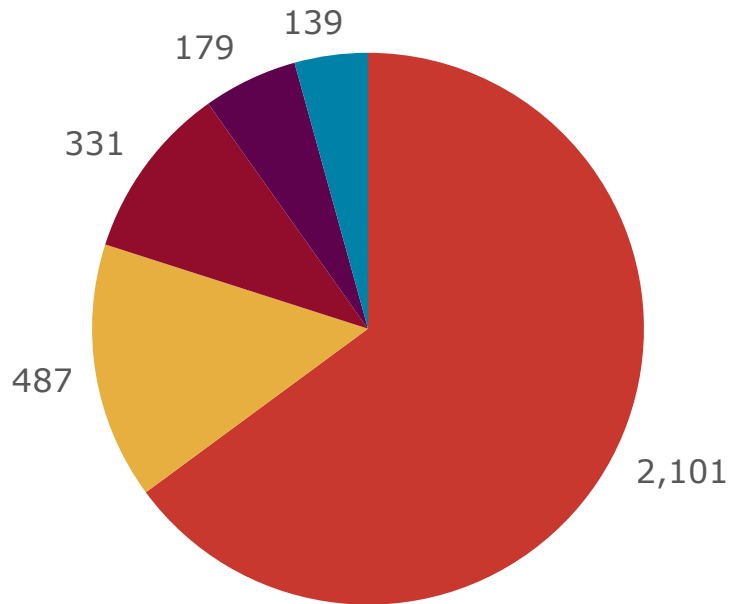
Net Debt	£ 1,092m
Net Debt/ EBITDA ratio*	1.8x
EBITDA/ Net Interest ratio*	12.4x



As at 30 April 2017, the weighted average remaining life of the Group's committed borrowing facilities was 3.8 years.

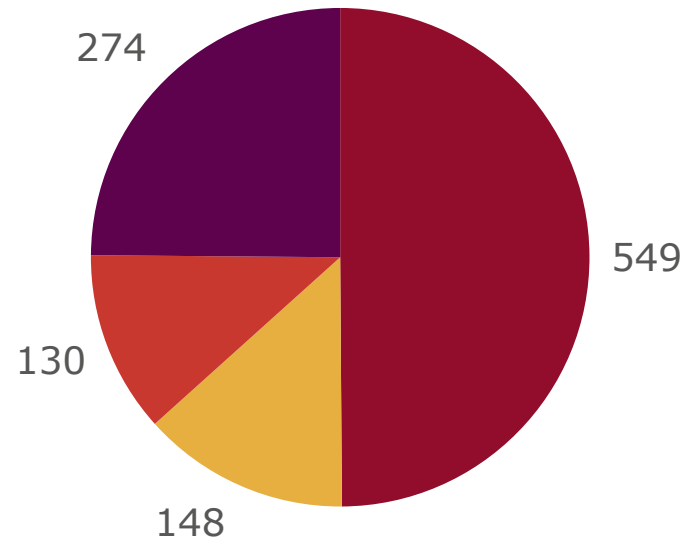
* Ratios as defined in the Group's banking agreements.

Variable costs: Total £3,237m



- Material
- Employee
- Distribution
- Energy
- Other variable

Fixed costs: Total £1,101m



- Employee
- Depreciation
- Repairs and maintenance
- Other