Full year results to 30 April 2016
Another year of growth, returns and momentum

23 June 2016
Another year of growth, returns and momentum

- Continued outperformance of the market
  - Volumes +3.1%
  - Growth in all regions
  - Excellent growth from pan-European customers

- Significant investment in strengthening the business
  - Five acquisitions in the 2015/16 financial year
  - New or expanded presence in 13 countries and c. 4,000 new employees
  - Investment to drive strategic priorities

- Further acquisitions announced today
  - Gopaca – corrugated business in Portugal
  - Creo – specialist Point of Sale / display in the UK

- Continued delivery against all our financial medium-term targets

- Good momentum into 2016/17
Consistent strategy and delivery since 2010

Financial requirements

Consistent GDP+ growth
Reducing cyclicality
Increasing margins
Returns above our cost of capital

Strategic pillars

Differentiation
Business mix
Efficiency
Culture and values
Managing risk

Delivering growth and returns
Focused on packaging for FMCG, Europe-wide

Corrugated packaging volumes

- FMCG: 68%
- Other consumer-related products: 22%
- Other industrial: 10%

Packaging: 3.6 million tonnes
Paper: 2.4 million tonnes
Recycling: 5.3 million tonnes

Map: DS Smith wholly-owned corrugated operations

www.dssmith.com
Six years of growing margin and ROACE

ROS +460bps, ROACE +530bps over 6 years

Adjusted return on sales and return on average capital employed, before amortisation and exceptional items

www.dssmith.com
Financial review
2015/16: another year of out-performance

Volume growth: +3.1%
Return on sales: +50 bps
Return on average capital employed: +70 bps
Net debt / EBITDA: 2.0x
Earnings per share: +16%

Note – Volumes on a like-for-like basis. All figures on a constant currency basis, before exceptional items and amortisation.
## Sustainable delivery against medium term targets

<table>
<thead>
<tr>
<th>Metric</th>
<th>Medium-term target</th>
<th>2015/16</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume growth(^{(1)})</td>
<td>GDP(^{(2)}) + 1% = 2.8%</td>
<td>3.1%</td>
<td>Growing ahead of the market</td>
</tr>
<tr>
<td>Return on sales(^{(3)})</td>
<td>8% - 10%</td>
<td>9.3%</td>
<td>+50bps</td>
</tr>
<tr>
<td>ROACE(^{(3)})</td>
<td>12% - 15%</td>
<td>15.4%</td>
<td>+70bps</td>
</tr>
<tr>
<td>Cash conversion(^{(4)})</td>
<td>≥100%</td>
<td>112%</td>
<td>In target range</td>
</tr>
<tr>
<td>Net debt / EBITDA(^{(5)})</td>
<td>≤2.0x</td>
<td>2.0x</td>
<td>In target range</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Corrugated box volumes, adjusted for working days, on a like-for-like basis
\(^{(2)}\) GDP growth (year-on-year) for the countries in which DS Smith operates, weighted by our sales by country for the period April 2015–March 2016 = 1.8\%. Source: Eurostat (13 May 2016)
\(^{(3)}\) Calculated on operating profit before amortisation and exceptional items (on a constant currency basis)
\(^{(4)}\) Free cash flow before tax, net interest, growth capital expenditure, pension payments and exceptional cash flows as a percentage of earnings before interest, tax, amortisation and exceptional items
\(^{(5)}\) Calculation as defined by the Group’s banking covenants
## Financial highlights

<table>
<thead>
<tr>
<th>Continuing operations</th>
<th>2015/16</th>
<th>Change constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (£m)</td>
<td>4,066</td>
<td>+9%</td>
</tr>
<tr>
<td>Operating profit (£m)</td>
<td>379</td>
<td>+16%</td>
</tr>
<tr>
<td>Return on sales</td>
<td>9.3%</td>
<td>+50bps</td>
</tr>
<tr>
<td>Adjusted EPS(1)</td>
<td>27.4p</td>
<td>+16%</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>12.8p</td>
<td>+12%</td>
</tr>
<tr>
<td>Asset turnover(2)</td>
<td>1.7x</td>
<td>0bps</td>
</tr>
<tr>
<td>Return on average capital employed(1)</td>
<td>15.4%</td>
<td>+70bps</td>
</tr>
</tbody>
</table>

(1) Before amortisation, exceptional items and share of associates  
(2) Revenue divided by average capital employed for the year
Strong acquisition and volume contributions

Note: Other volume includes paper, corrugated sheet and recycling
Organic and acquisition driven profit growth

£m

<table>
<thead>
<tr>
<th>Year</th>
<th>2014/15</th>
<th>FX</th>
<th>constant currency</th>
<th>acquisitions / disposals</th>
<th>sales price / mix</th>
<th>input costs</th>
<th>volumes</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>335</td>
<td>-9</td>
<td>326</td>
<td>20</td>
<td>(10)</td>
<td>10</td>
<td>33</td>
<td>379</td>
</tr>
</tbody>
</table>

+10%
Continued margin improvements in all regions

<table>
<thead>
<tr>
<th>Return on sales</th>
<th>2015/16</th>
<th>2014/15</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Constant currency</td>
</tr>
<tr>
<td>UK</td>
<td>9.8%</td>
<td>9.0%</td>
<td>+80bps</td>
</tr>
<tr>
<td>Western Europe</td>
<td>7.4%</td>
<td>6.9%</td>
<td>+60bps</td>
</tr>
<tr>
<td>DCH &amp; Northern Europe</td>
<td>10.9%</td>
<td>10.4%</td>
<td>+60bps</td>
</tr>
<tr>
<td>Central Europe &amp; Italy</td>
<td>9.0%</td>
<td>8.7%</td>
<td>+40bps</td>
</tr>
<tr>
<td>Plastics</td>
<td>11.3%</td>
<td>9.3%</td>
<td>+160bps</td>
</tr>
</tbody>
</table>
## Sustained improvement in working capital

<table>
<thead>
<tr>
<th>£m</th>
<th>2015/16</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBITDA</strong></td>
<td>506</td>
<td>452</td>
</tr>
<tr>
<td>Working capital</td>
<td>56</td>
<td>101</td>
</tr>
<tr>
<td>Pension payments/other</td>
<td>(42)</td>
<td>(35)</td>
</tr>
<tr>
<td>Capex (net of proceeds)</td>
<td>(201)</td>
<td>(149)</td>
</tr>
<tr>
<td>Tax and interest</td>
<td>(81)</td>
<td>(62)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>238</td>
<td>307</td>
</tr>
<tr>
<td><strong>FCF per share</strong></td>
<td>25.2p</td>
<td>32.6p</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly working capital/sales</td>
<td>1.6%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
Cash invested for future growth

- 30-Apr-15: Free cash flow of 238
- Restructuring, integration, and other exceptional costs of (77)
- Acquisitions and disposals of (412)
- Dividends of (108)
- FX / other of (89)
- 30-Apr-16: Cash invested for future growth of 1,099
Investing in the business

• Capex
  • Strict financial discipline and criteria
  • Opportunity to invest ahead of depreciation in growth and efficiency

• Acquisitions
  • Strict financial discipline and criteria
  • Track record of cost and cash synergies

• Strength of balance sheet
  • Consistent record of cash generation
  • Working capital discipline
  • Investment grade credit rating

Erlensee display plant, Frankfurt, opening Nov 2016
For the financial year 2016/17:

- Capex c. £200m
- Depreciation c. £150m
- Tax rate c. 22%
- Amortisation charge c. £50m
- Interest, inclusive of pension interest c. £50m
  - IAS 19 pension interest charge £6m
- Pension deficit reduction cash contribution c. £17m
- Expected exceptional costs 2016/17: c. £50m
- FX: €1c move impacts EBITA by c. £2m
Sustainable shareholder returns

Pence per share

EPS CAGR: 30%
DPS CAGR: 26%

FY DPS FY EPS

2009/10  3.2  5.7
2010/11  4.5  9.7
2011/12  5.9 12.5
2012/13  8.0 17.1
2013/14 10.0 21.4
2014/15 11.4 24.5
2015/16 12.8 27.4
Chief Executive’s review
Growth drivers

Growth driven by customer demands

Innovation and service
Geographic expansion
Driving growth and returns
Changing packaging requirements drive innovation

Consumer trends
- Reduced effectiveness of advertising
- Reduced brand loyalty
- Proliferation of retail channels
- Rise in on-line retail

Impact on packaging
- Packaging is the new advertising
- Packaging adaptable for different retail formats
- Packaging for e-commerce
Investing to reinforce our market leadership

- Retail ready packaging and point-of-sale / display
- E-commerce capability
- Impact Centres and PackRight Centres
Investing in display packaging

Erlensee, Germany, plant dedicated to display packaging

Acquisition of Creo, creating market leader in display packaging in the UK
E-commerce is an opportunity for DS Smith

- All home deliveries need packaging
- Complexity is an opportunity

B2C e-commerce goods sales
€237bn
in Europe, 2015

E-commerce retail growth
c. 10% p.a.
CAGR 2016-2021

Source: Mintel
Adding value with e-commerce solutions

- Void-space reduction
- Branding
- Increasing product retention rates
- Solutions for “last mile” delivery
Investing in Impact Centres and PackRight Centres

- Innovation, design and consultancy services leveraged across our European network
- Comprehensive route to market
- 52 PRCs and ICs by end of 2016/17
Scope to further expand in Europe

DS Smith – 15% of a fragmented market

Acquisitions in 2015/16
- Duropack – south eastern Europe
- Lantero – Spain
- Cartonpack - Greece
- Milas Ambelaj - Turkey
- TRM - UK

Announced today
- Gopaca – Portugal
- Creo – UK

DS Smith – expanded in 2015/16
DS Smith – existing
Associate business
Continued success with global FMCG customers

• Excellent growth from pan-European accounts
Consistently growing ahead of the market

- **2013/14**
  - Weighted GDP (1): 0.9%
  - Weighted corrugated market growth (2): -0.4%
  - DS Smith volumes (3): 2.2%

- **2014/15**
  - Weighted GDP (1): 1.3%
  - Weighted corrugated market growth (2): 0.8%
  - DS Smith volumes (3): 3.1%

- **2015/16**
  - Weighted GDP (1): 3.1%
  - Weighted corrugated market growth (2): 1.8%
  - DS Smith volumes (3): 2.3%

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(1) GDP from Eurostat (June 2016) average Y-o-Y growth (April 2015 – April 2016), weighted by DS Smith sales by country
(2) FEFCO YTD growth from May 2015 to March 2016, adjusted for working days
(3) DS Smith corrugated box volume organic growth, adjusted for working days
Global customer driven service offering

- Greater visibility of market dynamics
- Better engagement with global customers
- Design and manage display requirements
Growth, returns and momentum

- Continued outperformance of the market
- Significant investment in strengthening the business
- Further acquisitions announced today
- Continued delivery against all our financial medium-term targets
- Good momentum into 2016/17
Appendix
### Foreign exchange exposure

<table>
<thead>
<tr>
<th>2015/16</th>
<th>Revenue (%)</th>
<th>EBITA (%)</th>
<th>Average rate FY 2015/16</th>
<th>Closing rate 30 April 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP</td>
<td>22%</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>61%</td>
<td>65%</td>
<td>1.3401</td>
<td>1.2724</td>
</tr>
<tr>
<td>PLN</td>
<td>3%</td>
<td>3%</td>
<td>5.7321</td>
<td>5.5760</td>
</tr>
<tr>
<td>SEK</td>
<td>3%</td>
<td>3%</td>
<td>12.6004</td>
<td>11.6780</td>
</tr>
<tr>
<td>DKK</td>
<td>2%</td>
<td>1%</td>
<td>9.9082</td>
<td>9.4678</td>
</tr>
<tr>
<td>USD</td>
<td>2%</td>
<td>4%</td>
<td>1.4966</td>
<td>1.4673</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 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

As at 30 April 2016, the weighted average remaining life of the Group’s committed borrowing facilities was 4.7 years.

<table>
<thead>
<tr>
<th>Available Committed Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Syndicated Revolving Credit Facility</td>
</tr>
<tr>
<td>2010 Shelf facility</td>
</tr>
<tr>
<td>2015 Eurobond</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial year ending</th>
<th>Apr-16</th>
<th>Apr-17</th>
<th>Apr-18</th>
<th>Apr-19</th>
<th>Apr-20</th>
<th>Apr-21</th>
<th>Apr-22</th>
<th>Apr-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>£m</td>
<td>54</td>
<td>93</td>
<td>93</td>
<td>46</td>
<td>46</td>
<td>45</td>
<td>197</td>
<td>191</td>
</tr>
<tr>
<td>£m</td>
<td>393</td>
<td>393</td>
<td>393</td>
<td>393</td>
<td>393</td>
<td>393</td>
<td>393</td>
<td>393</td>
</tr>
</tbody>
</table>

Net Debt | £ 1,099m
Net Debt/ EBITDA ratio* | 2.0x
EBITDA/ Net Interest ratio* | 12.7x

As at 30 April 2016, the weighted average remaining life of the Group’s committed borrowing facilities was 4.7 years.

* Ratios as defined in the Group’s banking agreements.
Cost analysis 2015/16

**Variable costs:**
Total £2,742m

- Material: 408
- Distribution: 284
- Employee: 1,752
- Energy: 178
- Other variable: 120

**Fixed costs:**
Total £945m

- Employee: 331
- Depreciation: 487
- Other: 127