



DS Smith Plc – Pre-close statement

Continuing positive momentum

DS Smith Plc (“DS Smith”) today issues a pre-close trading update in respect of the half year ending 31 October 2021.

Miles Roberts, Group Chief Executive, said:

“I am pleased with our progress in the first half of the financial year with the trends and momentum described in our AGM statement on 7 September 2021 continuing. Overall financial performance remains in line with our expectations with very positive box volume growth, good cost recovery through increasing pricing and an enhanced performance from our US business all combining to more than offset significant input cost increases.

Looking forward, whilst the macro-economic environment remains uncertain, sustainability and the circular economy, together with e-commerce and digital enablement, remain more relevant than ever and are strong structural drivers of growth. Our long-term strategic focus in these areas as a solely fibre based business together with our comprehensive supply coverage, innovation platforms and robust supply chains, underpin our confidence in the prospects for the business.”

Strong growth driven by e-commerce, sustainability and innovation

Corrugated box volume growth has been very good throughout the first half. The resilient FMCG sector, accounting for well over 80% of our volume, has been particularly strong, with continuing gains with large multinational customers. Regionally, we have grown in all areas, with the US and Southern Europe performing especially well.

Our strength in sustainability and our ability to help customers as they position themselves for a more circular economy, including replacing single-use plastic packaging and introducing low carbon products, continues to gain increasing customer traction.

E-commerce has continued to grow despite the “re-opening of the high street” and it remains a clear area of focus for the business with ongoing investment in our digital capability, supported by our comprehensive European footprint, driving high levels of activity in this important seasonal period.

Input costs, pricing and supply chain management

Input costs including energy, OCC and logistics have seen significant increases throughout the half year which we continue to actively manage. In relation to energy, our long-term hedging arrangements have given us significant protection from the recent price rises. More generally, strong long-term supplier relationships have allowed us to maintain good levels of service to our customers. In some areas, such as logistics, this has been supported by our own in-house fleet of vehicles.

These input cost increases combined with high demand have led to significant paper price rises. Our record of consistent service and delivery to customers, at a time of widespread disruption in the wider economy, has supported good progress in recovering the increased paper price and other input cost inflation through ongoing increasing packaging prices.

Strong cash generation

Cash generation remains strong, driven by enhanced profitability and good working capital management. The net debt/EBITDA ratio is expected to be in line with our medium-term target of approximately 2.0x at 31 October 2021. We recently completed the €50m sale of our non-core De Hoop paper mill; the proceeds will contribute towards the investment in our previously announced additional packaging manufacturing sites in Italy and Poland. Progress in construction remains on track with our original plans with operations due to start in Q4 of this financial year. Customer reaction to these new state of the art facilities has been excellent with more than 50% of their capacity already pre-sold.

Forthcoming Dates

Results for the half year to 31 October 2021

9 December 2021

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Cautionary statement

This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and DS Smith Plc undertakes no obligation to update these forward-looking statements. Nothing in this trading statement should be construed as a profit forecast.

About DS Smith

DS Smith is a leading provider of sustainable paper-based packaging worldwide which is supported by recycling and papermaking operations. It plays a central role in the value chain across sectors including e-commerce, fast moving consumer goods and industrials. Through its purpose of 'Redefining Packaging for a Changing World' and its [Now and Next](#) sustainability strategy, DS Smith is committed to leading the transition to the circular economy, while delivering more circular solutions for its customers and wider society – replacing problem plastics, taking carbon out of supply chains and providing innovative recycling solutions. Its bespoke [box-to-box in 14 days](#) model, design capabilities and innovation strategy sits at the heart of this response. DS Smith operates in 34 countries employing around 29,000 people and is a Strategic Partner of the Ellen MacArthur Foundation.