



Half year results

2023/24

7 December 2023

Redefining packaging for a changing world

£3.5bn

Revenue

£365m

EBITA⁽¹⁾

10.4%

ROS ⁽¹⁾

6.0p

dividend

12.8%

ROACE ⁽¹⁾

1.7x

net debt: EBITDA

(1) Before amortisation and adjusting items

- Robust profit performance of £365m despite challenging market
- Decline in volume of 4.7% in H1, with quarter-on-quarter improvement and H2 expected to improve on H1
- Resilient pricing and cost mitigation
- FY24 in line with management expectations
- Investing behind our customers and improving productivity
- Ongoing capex and opex initiatives expected to drive performance improvement
- More sustainable business model with structurally higher earnings and FCF

Financial results



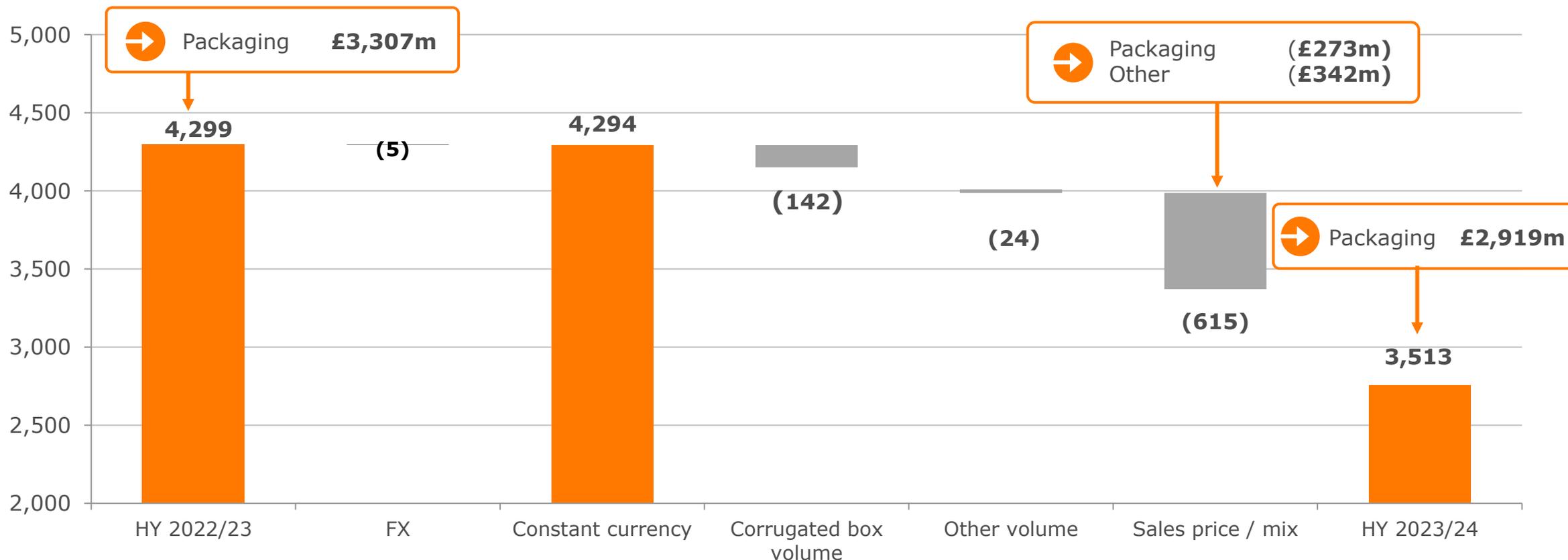
Resilient performance despite challenging market

Continuing operations	H1 2023/24	H1 2022/23	Change reported	Change constant currency
Revenue (£m)	3,513	4,299	(18%)	(18%)
Operating profit ⁽¹⁾ (£m)	365	418	(13%)	(12%)
Return on sales ⁽¹⁾	10.4%	9.7%	+70bps	+70bps
Adjusted EPS ⁽¹⁾	17.7p	20.9p	(15%)	(15%)
Free cash flow (£m)	(54)	494	-	-
Dividend per share	6.0p	6.0p	-	-
ROACE ⁽¹⁾	12.8%	13.2%	(40bps)	(30bps)

(1) Before amortisation and adjusting items

Revenue Development

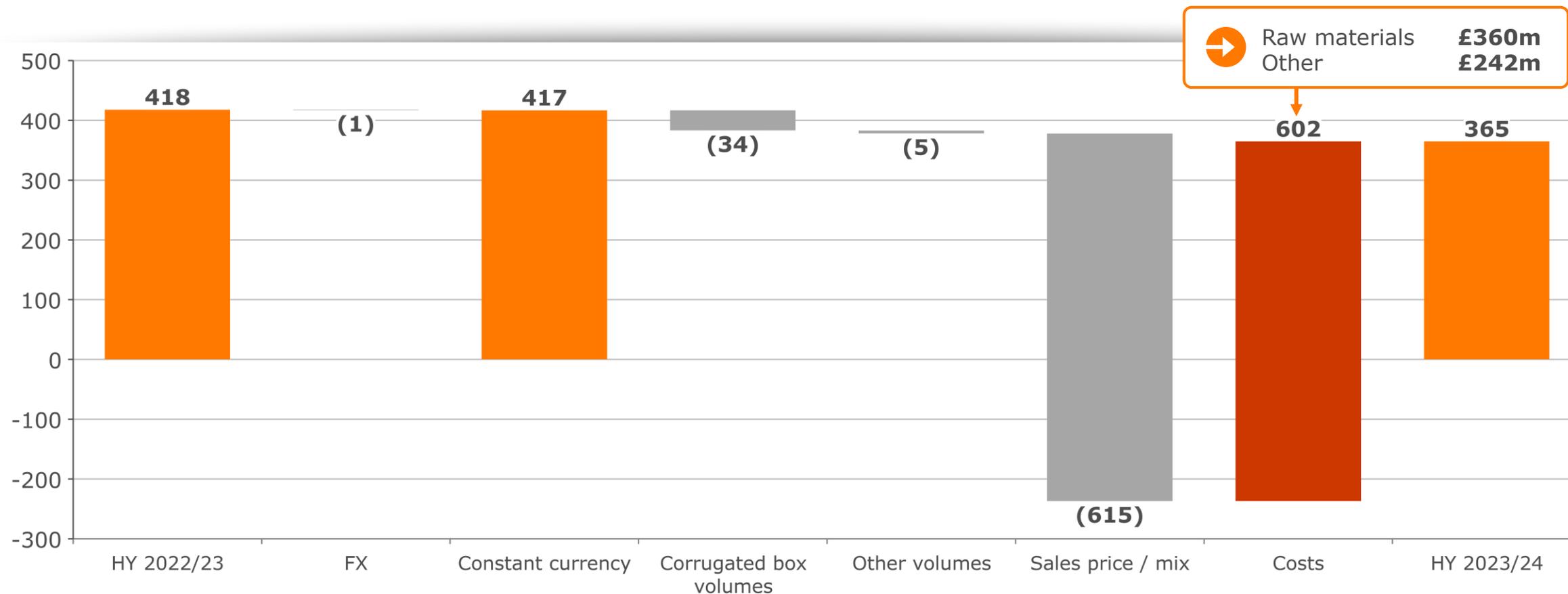
Revenue | continuing operations | £m



Note: Other volume includes paper, recycling corrugated sheet
Other sales price mix includes paper, recycling and external energy

Tight cost control offsetting price deflation

EBITA | continuing operations | £m



Improving volume trend



- 10 year pre-Covid average annual market growth: 1.5%
- DS Smith: 2.5%
- Current volume levels (msm): +2% vs pre-Covid

Segmental Analysis

	Return on sales % HY 2023/2024	Return on sales % HY 2022/2023
Northern Europe	7.9%	5.2%
Southern Europe	14.6%	15.1%
Eastern Europe	6.7%	5.9%
North America	10.3%	12.1%
Group	10.4%	9.7%



Cash flow

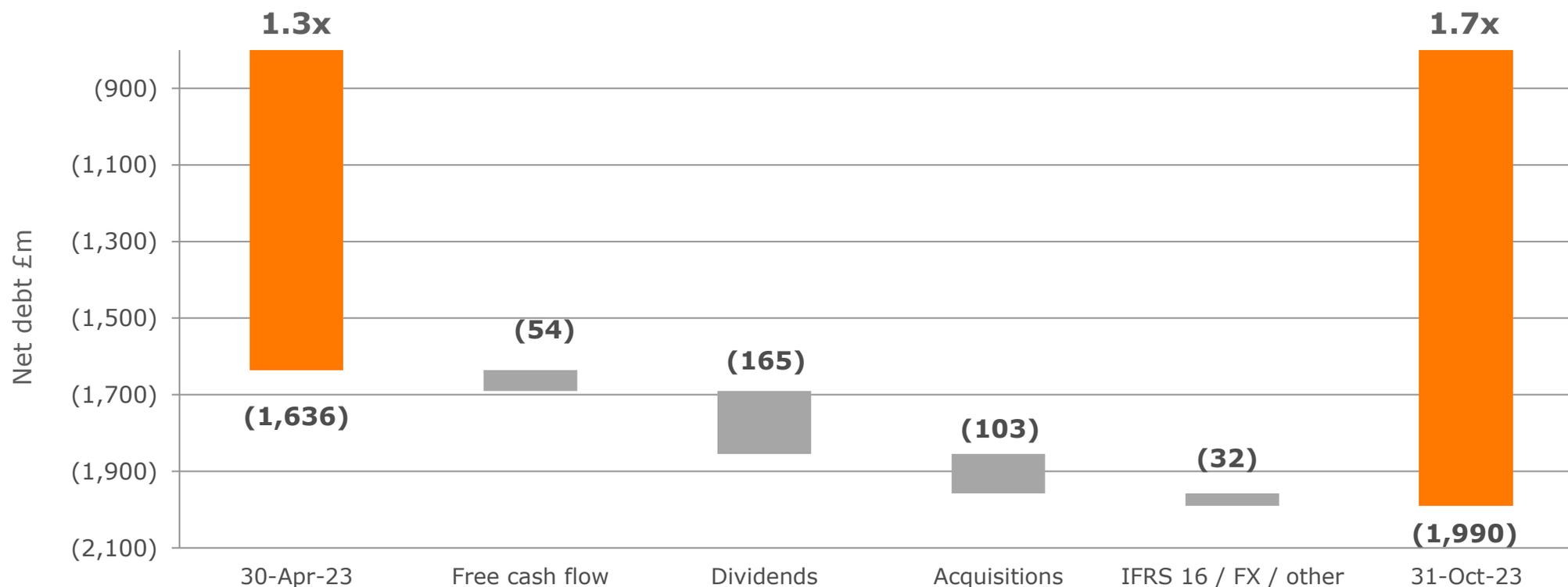
Cash flow £m (continuing operations)	HY 2023/24	HY 2022/23
EBITDA	522	572
Working capital	(253)	138
Other	(10)	46
Capex (net of proceeds)	(208)	(162)
Tax and interest	(105)	(100)
Free cash flow	(54)	494
FCF per share	(3.9p)	35.9p
Cash conversion	41%	160%

Notes: 1. Non-recourse invoice discounting as at 31/10/23: £364m (30/04/23: £360m)
 2. Working capital includes £79m net outflow from derivative margin unwind



Robust financial position

EBITDA | Net debt



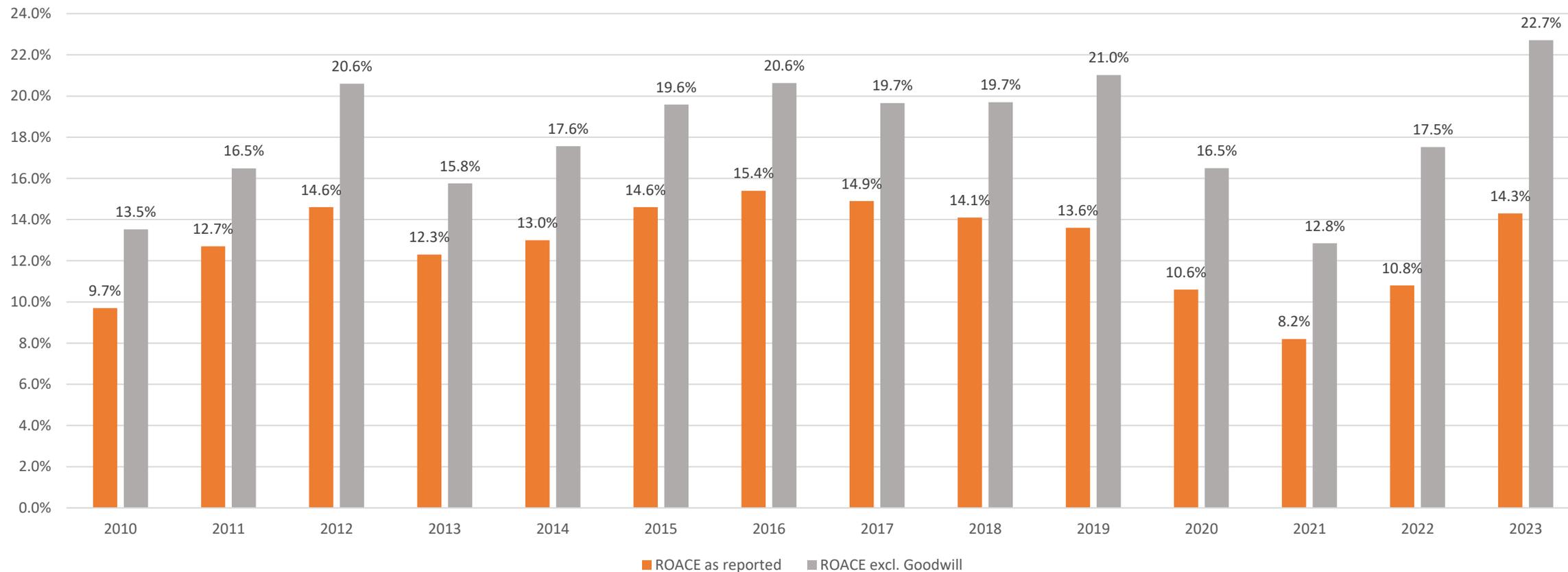
Net debt / EBITDA given as defined by our banking covenants

Platform to
build on

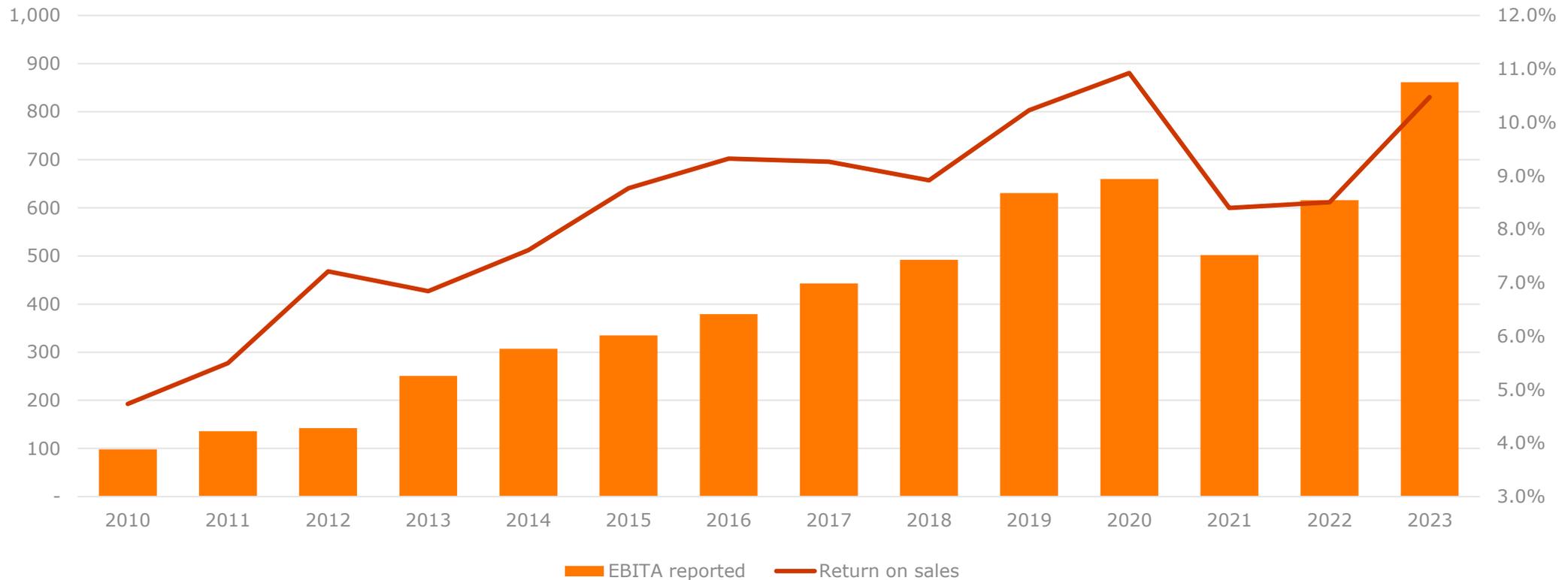


High quality asset base with strong returns

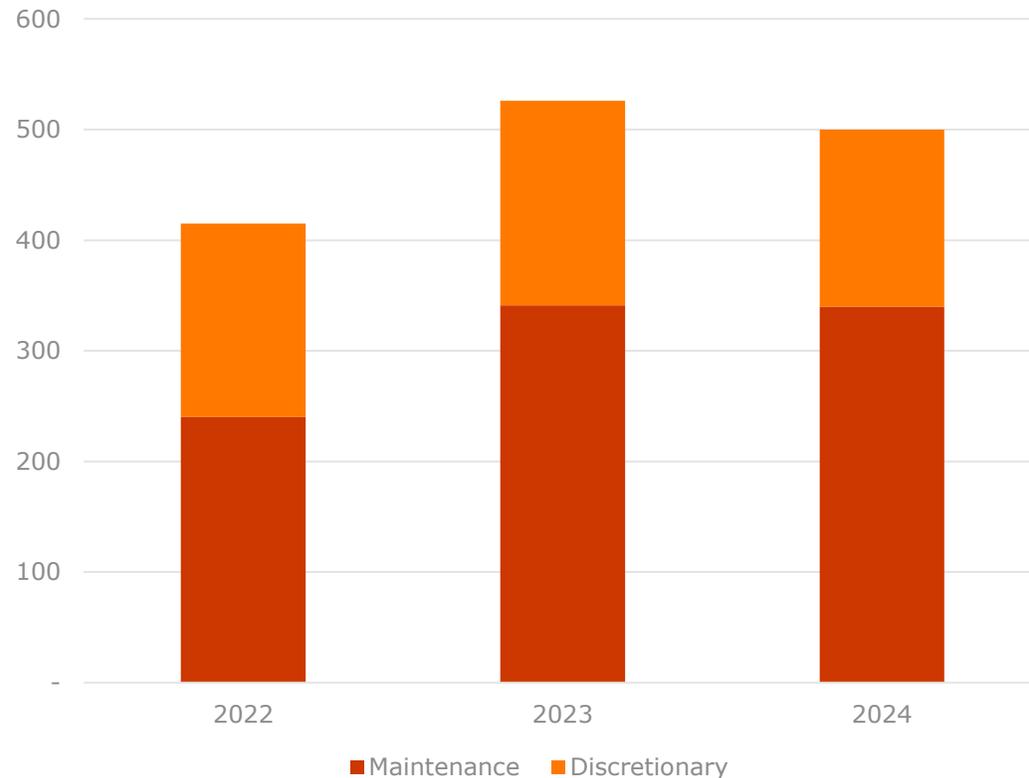
ROACE Development



Leading to a structurally stronger underlying business



Increasing organic investment driving customer centricity and efficiency



£800m discretionary capex 22-26

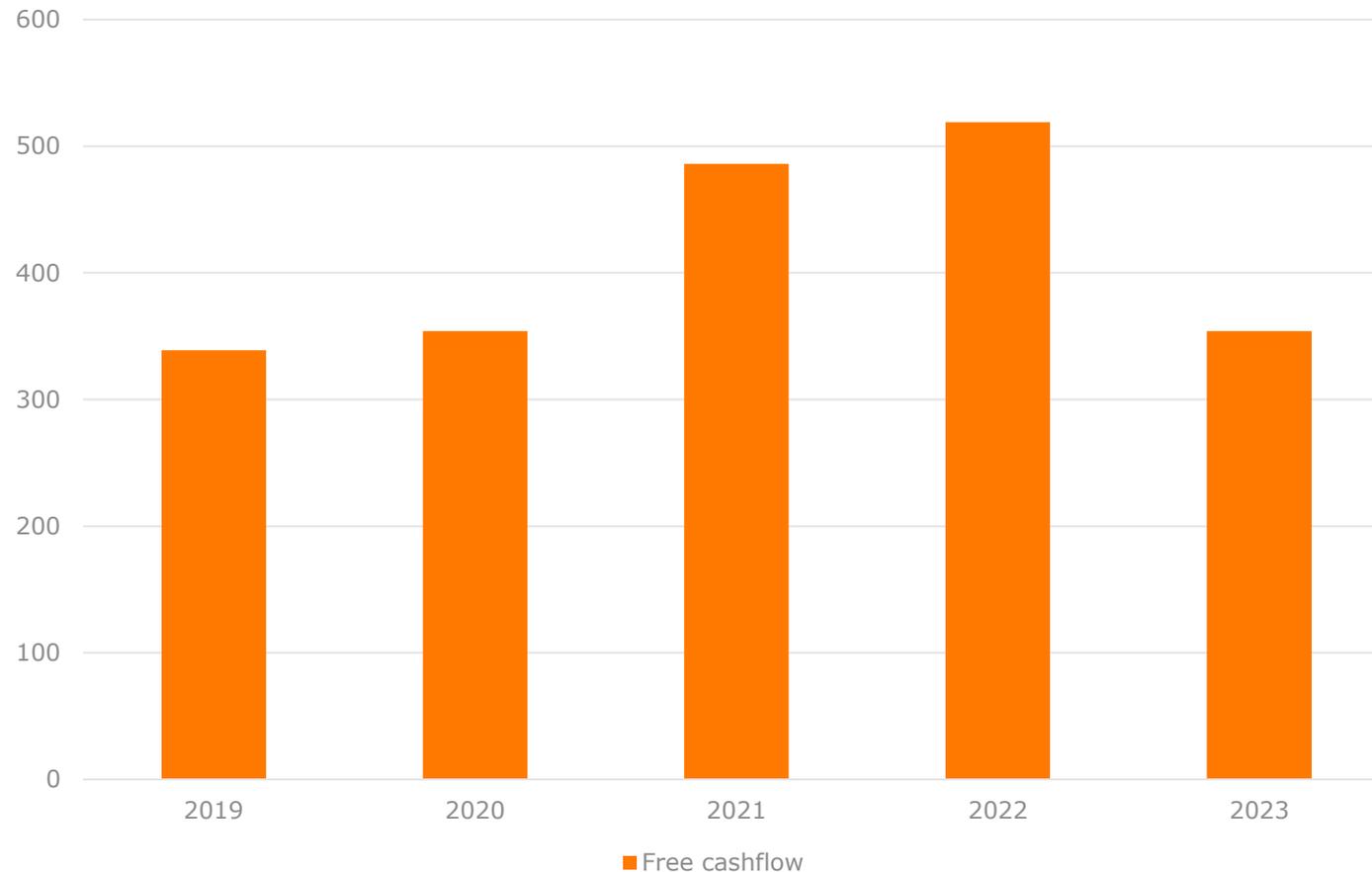
- Mix of growth, efficiency, energy efficiency
- 15%-20% ROCE

Further cost improvement from non-capex

- Procurement savings
- Labour productivity
- Enhance asset utilisation
- Reduce waste
- Maximise efficiency of overhead base

Capex and opex initiatives to drive underlying performance improvement

Strong free cash flow yield potential from established platform



- Strong underlying cash generation:
 - 2017-2023 average FCF of >£400m
 - Average free cashflow: PBT >100%
- One off impacts on FY24
- Strong FCF yield potential looking forward

Current capital allocation priorities

Key financial medium term target metrics

Investment grade rating and $< 2.0x$ net debt / EBITDA



Organic investment

15% -20% ROCE
Supporting customer growth
and efficiency

Dividend

Progressive
2-2.5x covered

Bolt-on M&A

Disciplined approach driven
by customer pull and
financial returns

**Surplus capital
returned
to shareholders**

HY23/24

Delivering for all
stakeholders



A strong platform for growth

- ➔ Challenging market backdrop - focus on costs and productivity
- ➔ Customer centric – strong relationships, innovation and service
- ➔ Investing for the future
 - Innovation, growth and efficiency
 - Sustainability and energy efficiency

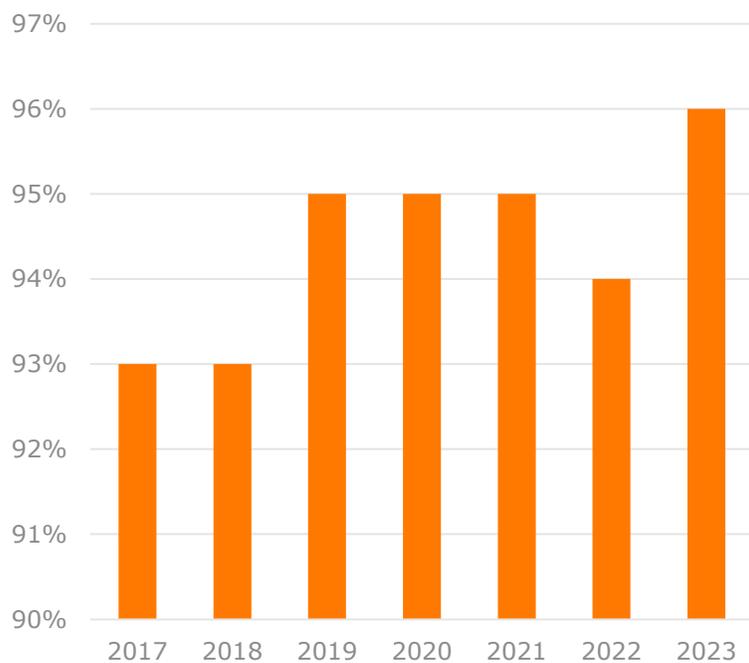


Customer
centric



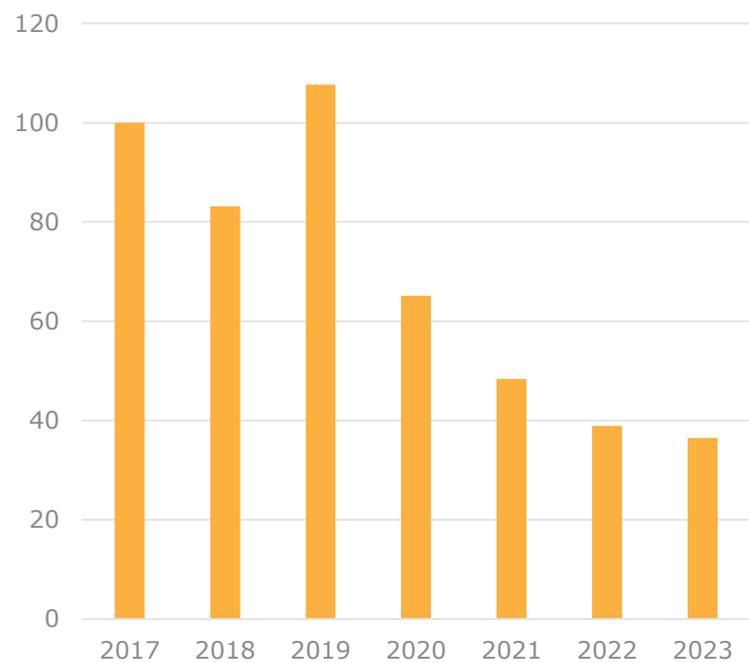
Delivering for our customers

Service⁽¹⁾

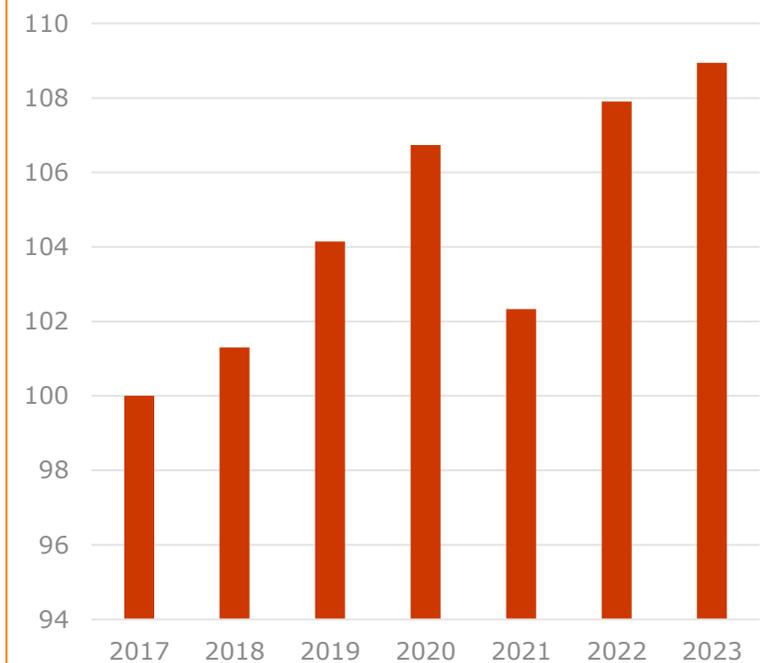


Quality⁽²⁾

Defect reduction



Customer satisfaction⁽³⁾

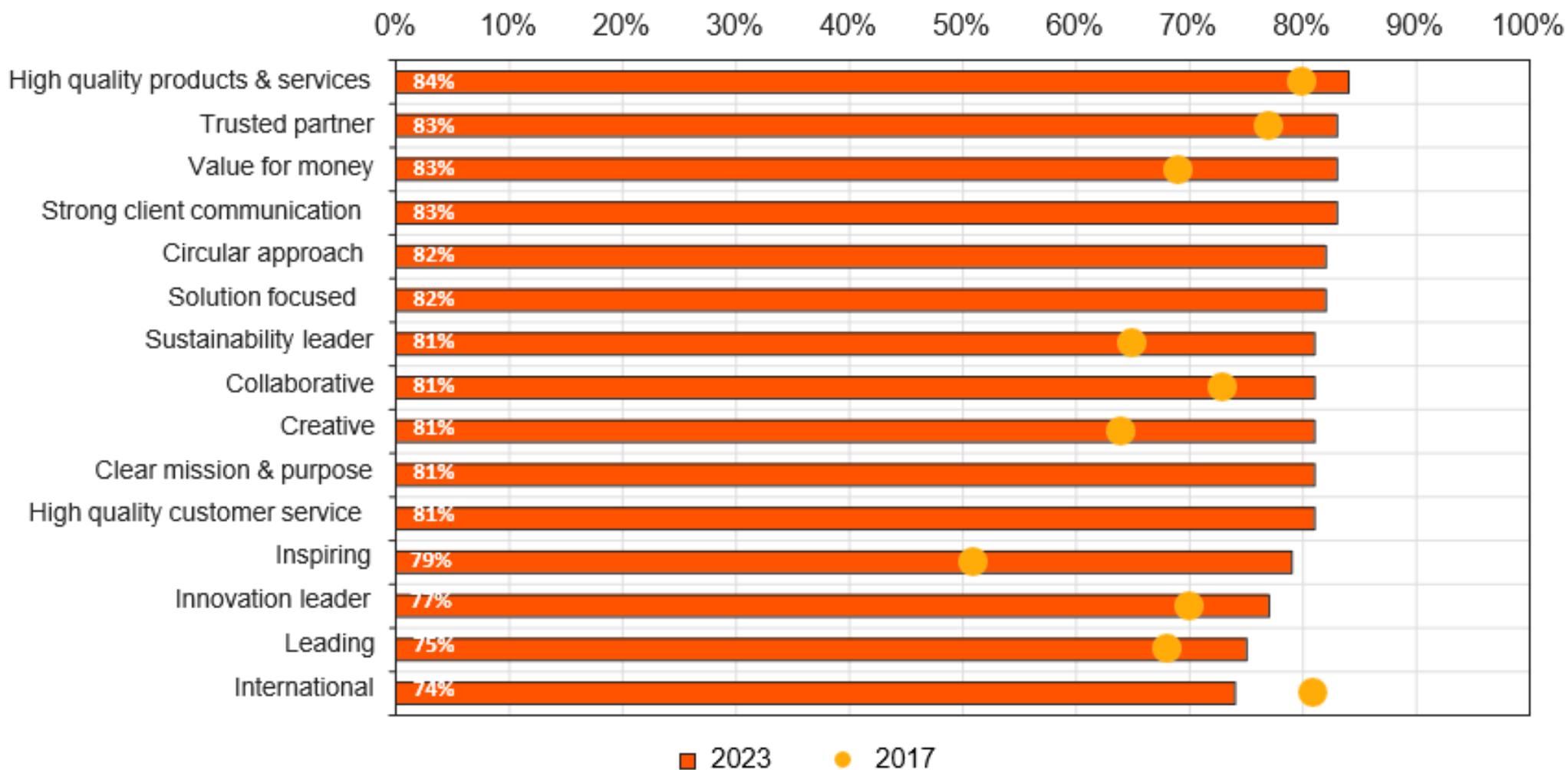


(1) On-time, in-full

(2) Defects parts per million, indexed to 2017

(3) Indexed to 2017

Brand perception



Source: Ipsos DS Smith brand survey of customers and non-customers

Creating innovative solutions with our customers

Replacing plastic in takeaway food



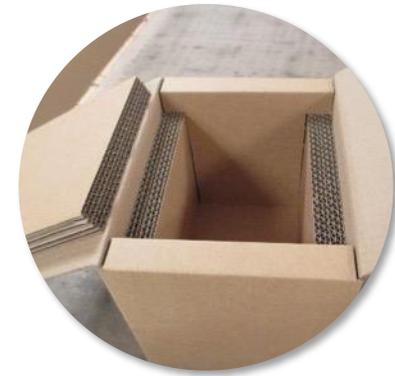
- ➔ Plastic free fully recyclable solution
- ➔ Water and grease-repellent coating
- ➔ Multiple applications

DS Smith Lift Up



- ➔ Shrink wrap replacement - 100% recyclable corrugated handle
- ➔ Reduces c.200 tonnes of plastic each year for Coca-Cola HBC Austria

Temperature controlled solutions



- ➔ Temperature-controlled corrugated packaging to replace expanded polystyrene
- ➔ Suitable for cool storage - temperatures 2-8°C
- ➔ Carbon footprint 5.5x lower

Innovating and growing with our customers - video



Investing for the future



Investing in key markets

Strategic rationale

Castelfranco

c.€80m total spend FY20-23

- Capacity = 155 msqm
- +75% labour efficiency improvement
- Commenced production May'22
- ROACE >20% expected by FY26/27

- Strong customer demand in most attractive markets
- Greenfield and site consolidation
- FMCG, food and e-commerce
- High degree of automation
- Increased energy efficiency

Belchatow

c.€65m total spend FY20-23

- Capacity = 180 msqm
- +60% labour efficiency improvement
- Commenced production Aug'22
- ROACE >20% expected by FY26/27

Getting more from our replacement capex



Lucca

c.€250m net cost
Expected completion H1 FY26

- Replacement of end of life-line
- Lightweight paper capability
- 2.5x faster running
- 40% more energy efficient
- Additional capacity of 270k tonnes
- ROACE 15-20%



Viana

c.€145m
Expected completion H1 FY26

- Replacement of end-of-life boiler
- c.€45m on upgrade to paper line
- Incremental capacity came on-line Oct 23
- Adding 30k tonnes of extra kraft top paper
- ROACE on incremental capital 15-20%

Driving energy efficiency

Rouen

**€90m incl €15m subsidy
(expected completion H2 FY25)**

- New biomass boiler
- Long term biomass supply and electricity offtake agreement
- Anticipated stable utility like returns and > 20% ROACE
- CO₂ emission reduction of c.99,000 tonnes

Aschaffenburg

Partnership with E.ON

- Capital-lite model
- Waste To Energy and Combined Heat and Power plant built and operated by E.ON
- Significant energy cost and capex saving
- CO₂ emission reduction of c.50,000 tonnes

Solar electric

Partnerships with 3rd party providers

- 54 sites currently being evaluated
- PPA arrangements
- Reduced energy cost and volatility
- CO₂ reduction potential of 10,500 tonnes

Outlook



Near term

- H2 volume improvement vs H1
- Resilient pricing and cost mitigation
- FY24 in line with management expectations



Medium term

- Investing to drive performance improvement
- Structural growth drivers remain strong
- Continued market share gains
- Structurally higher levels of returns



Appendix



Technical guidance

➔ Depreciation: **£325 million**

➔ Amortisation: **£105 million**

➔ Interest incl. pension: **c.£100 million** (£1 million is pension)

➔ Energy currently **>80%** hedged for FY24 for gas consumption

➔ Tax rate: **24%**

➔ **£115m** collateralisation unwind related to existing hedges

➔ Pension deficit reduction cash contribution: **£20 million**

➔ Capex: **c.£500 million**

➔ Interstate put **c.£103 million** (paid in September 23)

➔ FX: **1% move in GBP** = approximately £7 million EBITA

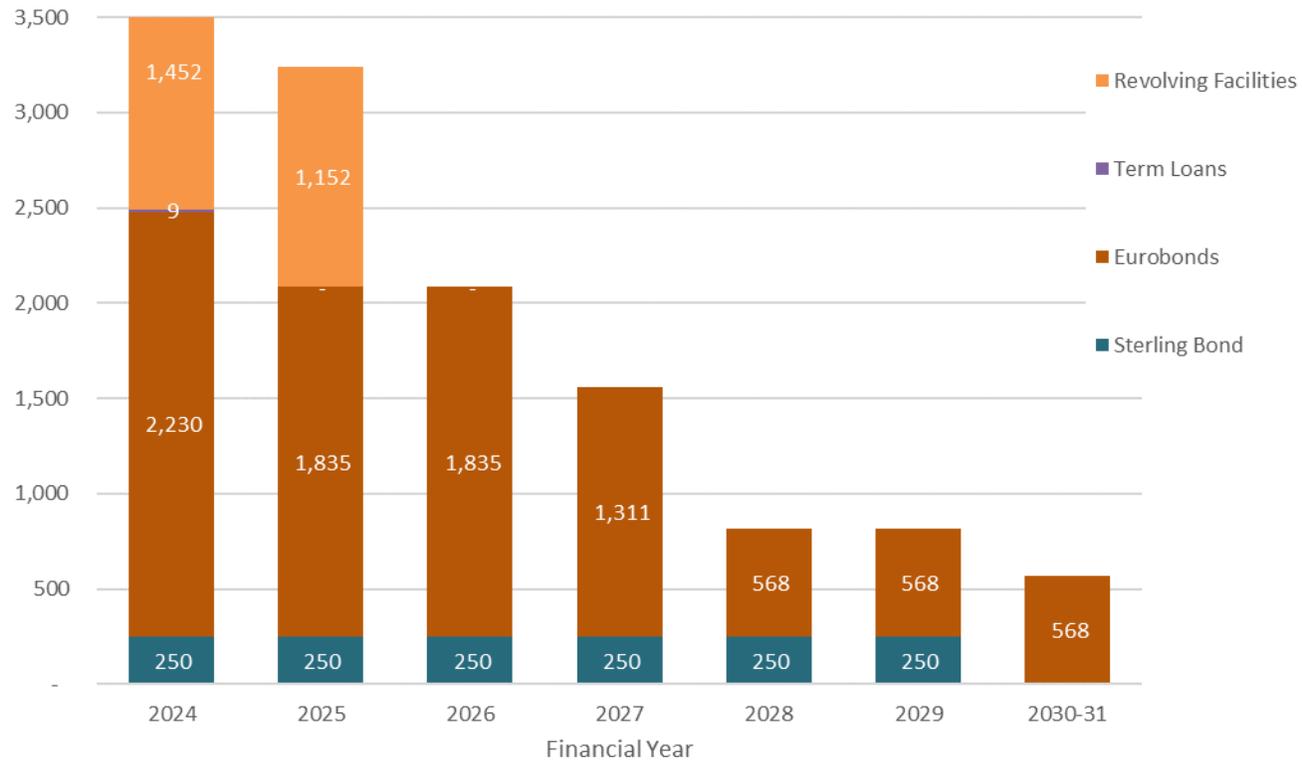


Foreign exchange exposure

	Revenue (%)	EBITA (%)	Average rate H1 2022/23	Average rate FY 2022/23	Average rate H1 2023/24	Closing rate 31 Oct 2023
GBP	15.1	8.8				
EUR	60.1	75.3	1.166	1.152	1.159	1.145
PLN	3.4	3.3	5.505	5.423	5.220	5.083
SEK	2.4	3.6	12.414	12.547	13.523	13.538
DKK	2.0	1.1	8.675	8.575	8.641	8.544
USD	8.6	3.0	1.189	1.201	1.255	1.216
Other	8.4	4.9				

Debt analysis

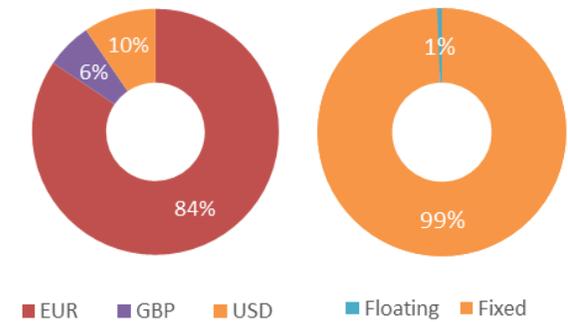
Available Committed Facilities at 31 October 2023



Net Debt (excl. IFRS16)	£1,779
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Net Debt / EBITDA*	1.7
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* As defined in the Group's banking agreements.



As at 31 October 2023, the weighted average remaining life of the Group's committed borrowing was 3.18 years. Debt shown net of swaps



Thank You

Danke Dankjewel Благодаря 谢谢 Hvala Děkují Tak Aitäh Kiitos Merci Ευχαριστώ
Köszönöm Grazie Paldies Ačiū Ви благодарам شکرالکم Dziękuję Obrigado Mulțumesc
Ďakujem Gracias Tack ขอบคุณ Teşekkür ederim

The Power of Less®