

DS Smith Plc – Sale of Plastics Division and Trading Update

6 March 2019

Sale of Plastics division for \$585 million

DS Smith is pleased to announce it has reached agreement to sell the Plastics division to Olympus Partners for an enterprise value of \$585 million, (approximately £450 million). This represents a multiple of 9.9x EBITDA based on the past 12 months to 31 October 2018. The transaction is subject to customary closing conditions including regulatory approvals, with completion expected to take place in the second half of this calendar year. We expect net cash proceeds after taxation, transaction adjustments and expenses of approximately £400 million.

The Plastics division comprises the plastics operations of DS Smith, including flexible plastics, rigid plastics and foam products. Gross assets of the business as at 31 October 2018 were £223 million and profit before tax for the 12 month period to 31 October 2018 was £28 million.

This sale represents an important step in DS Smith's continued progress as a leader in sustainable packaging and accelerates the programme of deleveraging, alongside organic cashflow. The cash proceeds are expected to be used to reduce the financial gearing of DS Smith plc, in line with our medium-term target of net debt / EBITDA at or below 2.0x. The sale is expected to result in a substantial exceptional gain and be marginally EPS dilutive.

Trading update

In the period since 1 November 2018, trading has continued to be strong, in line with our expectations. We continue to see good corrugated box volume growth with continued market share gains driven by the quality of our offering to large and e-commerce customers and our FMCG - weighted customer base. The Christmas period was especially busy for our e-commerce focussed customers with our sector leading offering supporting our customers over this critical period.

Our US business continues to perform well with strong margins and returns ahead of our acquisition case. Group margins are expected to progress further in the second half of our financial year and operating cashflow generation is stronger than in the comparable period last year.

Update on Europac

The acquisition of Europac completed on 22 January 2019. We are delighted to welcome our new colleagues to the business and are very pleased with the initial progress on integration and the customer reaction so far.

Miles Roberts, Group Chief Executive, said "I am delighted to confirm that we have reached an agreement for the sale of our Plastics division. The transaction is attractive both financially and strategically for DS Smith as, together with the acquisition of Europac, we reinforce our position as a leader in sustainable packaging with a clear focus on our fibre-based business. My colleagues in the Plastics division have worked hard to build the business into the success that it is today, and that quality has been recognised by Olympus Partners.

We are pleased with the performance of the business during the second half of the year. While macroeconomic conditions remain uncertain, we are confident of continued strong demand for our innovative and high quality sustainable packaging and the resilience of our FMCG-focused customer base. At the same time, the sale announced today will further strengthen our robust balance sheet and the Board continues to view the prospects for the business with confidence.”

Conference Call

A conference call for analysts and investors, hosted by Miles Roberts, will take place today, 6 March 2019 at 8.30am London time. The dial-in number is:

UK/International +44 (0)20 3003 2666

UK Toll Free 0808 109 0700

Password DS Smith

A play-back facility of this call will be available until 13 March 2019. The dial-in number is: +44 (0)20 8196 1998, access pin 6197900. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.com/investors.

A copy of this announcement will be made available at www.dssmith.com. The information contained within this announcement is inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. The person responsible for this announcement on behalf of DS Smith is Iain Simm, Group General Counsel and Company Secretary.

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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.