

DS Smith Plc – Q3 trading statement

DS Smith Plc (“DS Smith”), today issues a trading update in respect of the period since 1 November 2019.

Trading update

Trading continues to progress well despite macro-economic uncertainty. Group like-for-like corrugated box volume growth has increased during the second half of our financial year, as expected, with good performances in Iberia, Eastern Europe and the UK. It has been especially pleasing to see the ex-Europac packaging operations performing well and our leading FMCG and e-commerce businesses growing strongly over the important Christmas period, although countries with exposure to export led markets, including Germany, continue to remain subdued.

In our North American business, we are very pleased with initial customer reaction and operational progress from our new box plant in Indiana, which opened in November 2019. Our domestic US business remains robust, although the negative impact of lower US paper export prices remains ongoing, due to reduced demand from China. However, our increasing packaging capacity at the new site will progressively reduce our exposure to this market.

We have continued to focus on pricing, costs and cash, with limited box price erosion testament to our resilient business model and strong customer offering. We expect to deliver a margin in the full year in line with that achieved in the first half.

Strategic progress

On 27 February 2020 we completed the sale of DS Smith’s Plastics division to Olympus Partners and its affiliate Liqui-Box Holdings. The net cash proceeds of approximately £400 million, after taxation, transaction adjustments and expenses, will be used to reduce financial gearing in line with our medium-term target of net debt / EBITDA at or below 2.0x. The sale reinforces our commitment to being the leading supplier of sustainable fibre-based packaging solutions.

Miles Roberts, Group Chief Executive, said:

“The Group has delivered a robust performance during the period within a challenging macro-economic environment. Whilst we continue to monitor events and work closely with all our suppliers and customers, we have not to date seen any material impact to our business from coronavirus.

Our sustainable packaging offering including the replacement of plastics is becoming ever more important to our FMCG and e-commerce customers and we continue to gain market share.

Despite continued uncertainty in the macro-economic environment, our focus on pricing discipline, enhanced cost and efficiency improvements, and cash generation, support our expectation of further good progress in the year.”

Conference Call

A conference call for analysts and investors, hosted by Miles Roberts, will take place today, 4 March 2020 at 8.00am 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 11 March 2020. The dial-in number is: +44 (0)20 8196 1998, access pin 7608118#. A recording and transcript of the call will also be available through the Investor Relations section of our website: www.dssmith.com/investors.

Forthcoming Dates

Results for the full year to 30 April 2020

11 June 2020

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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.