

DS Smith Plc – Pre-close statement

DS Smith Plc (“DS Smith”) today issues a pre-close trading update in respect of the year ending 30 April 2021.

Miles Roberts, Group Chief Executive, said:

“I am pleased to report continued positive momentum across the business. I am particularly proud that throughout the challenges of the pandemic, our colleagues have responded magnificently, keeping all of our operations open and maintaining the highest standards in service and quality for our customers.

As a purely fibre-based business we are benefiting from accelerating consumer trends in online shopping and the drive for a more environmentally conscious life. Environmental sustainability is at the heart of our strategy and we are excited at the significant opportunities this presents for our packaging solutions and, despite the general macro-economic uncertainty, for sustained growth across the business.

Trading overview

Trading in the second half of the year has, through all parts of the business in the UK, Europe and the US, continued to build positively on the trends and momentum which we reported on 3 March this year. Higher sales volumes, initial price recovery and an enhanced performance from our US business have been better than expected and, whilst input costs have increased materially in the second half, our financial performance for the full year ended 30 April 2021 is anticipated to be line with our expectations.

Customer support and innovation through the pandemic

Our long-term strategic direction focused on FMCG and consumer markets, embracing e-commerce and technology-based solutions, has been accelerated by consumer trends resulting from the pandemic. Corrugated box volumes have grown progressively throughout the financial year with the second half expected to achieve a volume increase in excess of 7 per cent over the comparative period last year.

Our growth in e-commerce continues to be excellent and the roll out of our new digital platform for ordering, supported by our extensive European distribution sites, is going well. We are investing in new box plants in Italy and Poland, and we are expanding capacity in Germany. Demand from our industrial customer base has improved in line with our expectation of positive growth in this sector for the coming year.

Following the successful sale of our plastics division last year, this is our first full year as a pure fibre-based business focused on sustainable packaging, a development which has received strongly positive feedback from our customers.

Strong momentum and positive outlook in the US

After a period of targeted investment in new packaging capacity, it is pleasing to see the resumption of strong growth in our American division. DS Smith's offer to our customers, focused on innovation, service and quality, is being recognised through further major contract wins from large global customers, resulting in increased utilisation of the new Indiana plant. These increased packaging volumes together with associated higher domestic utilisation of our paper production and improved pricing, has resulted in significantly improved profitability from this division.

Cash flow and input costs

Cash generation continues to be a key area of focus, and we expect a continued strong free cashflow performance, driven by a significant working capital inflow, with cash conversion of over 100 per cent and a continued reduction in our net debt.

Input costs, including OCC, have increased significantly during the second half of the financial year. This is due to a combination of high levels of demand and lower availability of raw materials due to the Covid-19 impact on the market, which has also resulted in substantially higher paper prices. However, we are making good progress in recovering these higher costs through increased packaging prices, with the usual lag, as we move into our next financial year.

Leadership in sustainability

In the autumn, we launched our new Now and Next sustainability strategy, focused on leading the transition to the circular economy. With ambitious targets on recyclability, plastic replacement and circular designed solutions for all customers, our leadership in promoting the circular economy is gaining momentum with our biggest customers and wider stakeholders, and is complemented by our strategic partnership with the Ellen MacArthur Foundation.

Forthcoming Dates

Results for the full year to 30 April 2021

22 June 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 30,000 people and is a Strategic Partner of the Ellen MacArthur Foundation.