



10 March 2022

## **DS Smith Plc – Q3 trading statement Trading in line with expectations**

DS Smith Plc (“DS Smith”), today issues a trading update in respect of the period since 1 November 2021.

### **Continued momentum; trading in line with management expectations**

- We have seen continued momentum during H2 with good progress in profitability and cash generation.
- Volume growth and continuing packaging price increases have more than offset ongoing input cost increases with overall trading in line with our expectations.

### **Good box volume growth driven by FMCG customers**

- Continued like-for-like volume growth despite very strong comparatives and some localised Omicron-driven absences within DS Smith and our customers.
- Above average growth with our larger customers and good momentum behind more sustainable packaging solutions.
- Within Europe, the Eastern region has been our fastest growing, reflecting business mix and relative growth rates in the comparative period.
- Continued strong growth in North America has been driven by increased customer demand driving greater utilisation of our Indiana plant.
- We expect mid single-digit percentage like-for-like volume growth for the year to 30 April 2022.

### **Increased input costs fully offset by packaging price progression and volume growth – supported by strong financial and supply chain management**

- Input costs including energy and labour continued to increase, with OCC prices remaining high, reflecting ongoing strong demand levels.
- Energy impact limited by improved energy efficiency and long-term hedging programme.
- High levels of hedging for energy maintained during FY22 and into the next financial year.
- Costs being recovered through increased packaging pricing and we expect this to continue into the next financial year.
- Long-term supplier relationships have ensured security of paper supply throughout the year.

### **Strong cashflow and reducing leverage**

- We anticipate a continued strong free cash flow performance for the full year with cash conversion over 100 per cent and a further reduction in our leverage from 1.9x reported as at 31 October 2021.

### **Ukraine and Russia**

- Our only involvement in these countries is a minority investment in a Ukrainian business, which serves customers predominantly in Ukraine with limited sales in Russia. Production in these operations is currently suspended.
- The carrying value of the investment as at 30 April 2021 was £23 million and the contribution to our FY21 results was £4 million after tax.

### **Sustainability update**

- As a fully fibre-based company, our circular model helps us to achieve our vision to be the leading sustainable packaging solutions provider.
- Reinforcing the importance we place on sustainability, in January 2022 we committed to align our global operations to a 1.5°C scenario as set out in the Paris Climate Agreement and aligned with the Science Based Target Initiative as well as to net zero CO<sub>2</sub> emissions by 2050.
- To achieve this, we are committing to reducing our Scope 1, 2 and 3 Green House Gas (GHG) emissions by 46 per cent on an absolute basis by 2030, compared to 2019 levels.

### **Miles Roberts, Group Chief Executive, said:**

“We have been shocked and appalled by the Russian invasion of Ukraine and I am very proud of the level of support, focus and performance of everyone who works at DS Smith.

Despite the increasing macro-economic and geo-political uncertainty, the outlook for the year remains unchanged by recent events with the second half of the year continuing to show good momentum. Our geographic footprint, secure supply chain and customer offering focussed on innovative sustainable packaging solutions remains compelling to our resilient customer base of FMCG multi-national companies and has driven continued good volume growth, despite the strong comparatives.

We have successfully managed the inflationary cost pressures experienced in the market, and this, together with raising packaging prices and growing volumes, is driving the anticipated increased profitability and cash generation.

The structural growth trends for corrugated packaging are stronger than ever, and we have strategically positioned the business well to capture these drivers, underpinning our confidence in progress for the remainder of the period and into our next financial year.”

## Conference Call

A conference call for analysts and investors, hosted by Miles Roberts, will take place today, 10 March 2022 at 8:00am London time. The dial-in number is:

UK/International +44 (0)33 0551 0200  
UK Toll Free 0808 109 0700  
Password DS Smith

A play-back facility of this call will be available until 17 March 2022. The dial-in number is: +44 (0)20 8196 1480, access pin 1821454#. A recording and transcript of the call will also be available through the Investor Relations section of our website: <https://www.dssmith.com/investors/results-and-presentations>

## Enquiries

### DS Smith Plc

#### Investors

+44 (0)20 7756 1800

Hugo Fisher, Group Investor Relations Director

Anjali Kotak, Investor Relations Director

#### Media

Greg Dawson, Group Corporate Affairs Director

### Brunswick

+44 (0)20 7404 5959

Simon Sporborg, Dan Roberts

## 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.

## 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.