Full year results 2022/23

22 June 2023

Redefining packaging for a changing world

Well positioned – developed markets, global FMCG brands

Adding value

- Service and security of supply
- Innovation
- Sustainability
- Investment

Excellent performance

- Price resilience and cost management offsetting weaker volumes and inflation
- Leading sustainability performance

Investing in our capabilities

- Fundamental growth drivers strong
- Driving efficiencies and sustainability

Current trading in line with expectations

+11% Revenue growth[2]

+35% EBITA growth [1,2]

+34% EPS growth [1,2]

+20% dividend growth

14.3% ROACE (+350bps) [2]

1.3x net debt: EBITDA

(1) Before amortisation and adjusting items
(2) constant currency basis

Financial results

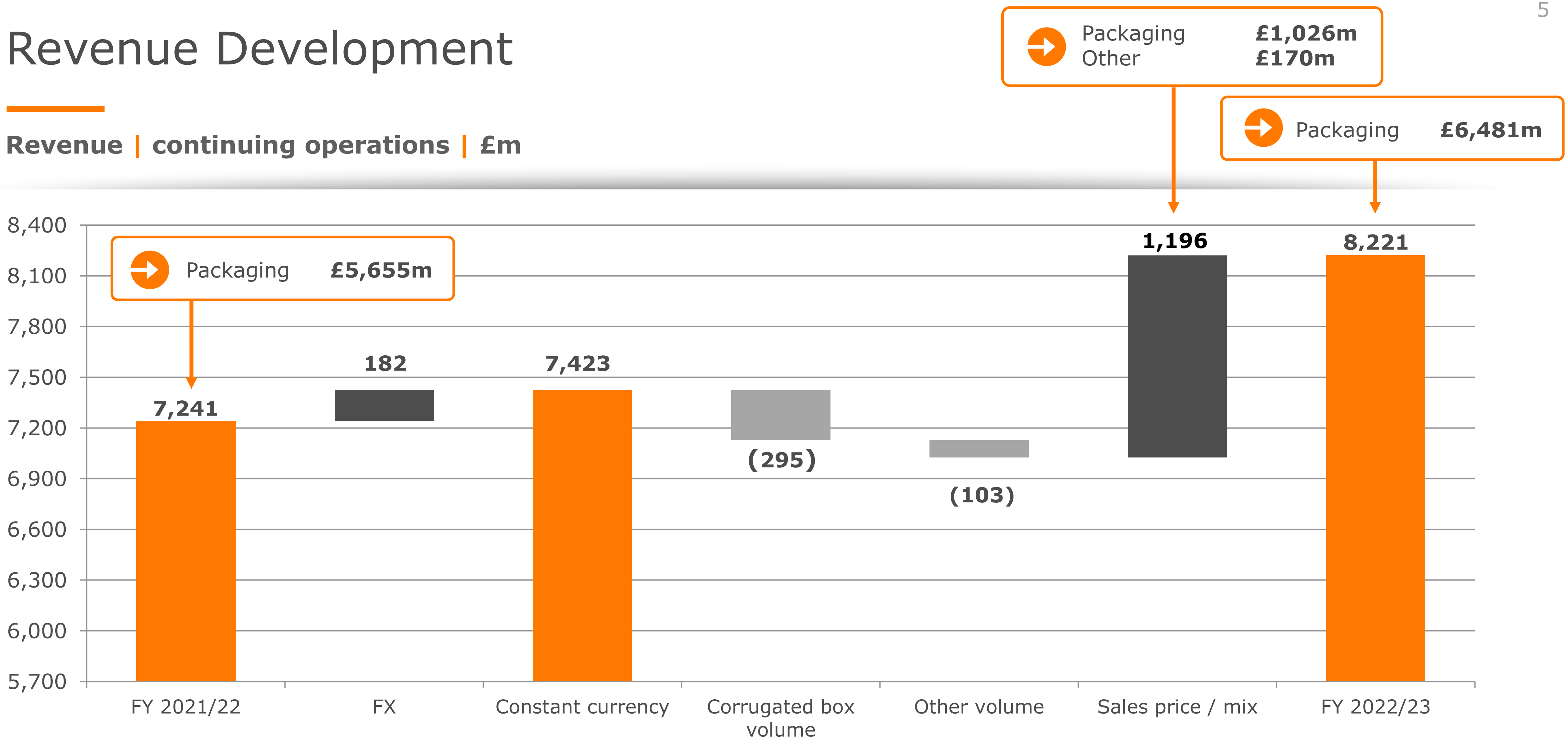
Key financial metrics

Continuing operations	FY 2022/23	FY 2021/22	Change reported	Change constant currency
Revenue (£m)	8,221	7,241	+14%	+11%
Operating profit[(1)] (£m)	861	616	+40%	+35%
Return on sales[(1)]	10.5%	8.5%	+200bps	+190bps
Adjusted EPS[(1)]	43.0p	30.7p	+40%	+34%
Free cash flow (£m)	354	519	(32%)	-
Dividend per share	18.0p	15.0p	+20%	-
ROACE[(1)]	14.3%	10.8%	+350bps	+350bps

(1) Before amortisation and adjusting items

Revenue Development

Revenue | continuing operations | £m

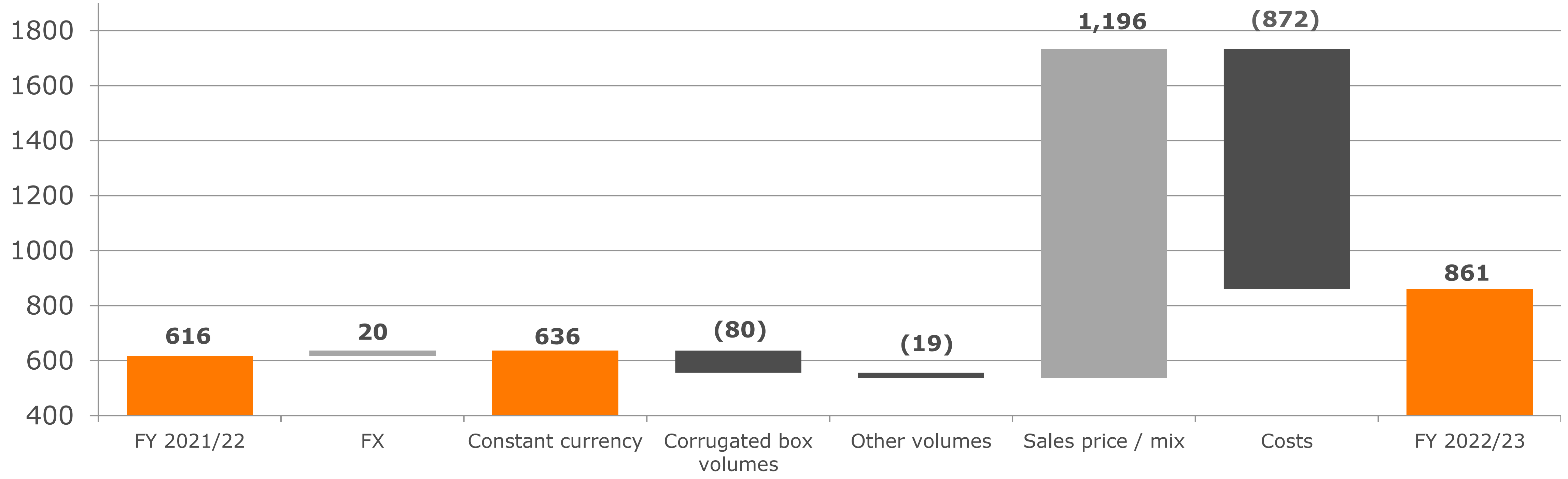


Note: Other volume includes paper, recycling corrugated sheet
Other sales price mix includes paper, recycling and external energy

Pricing and cost management driving strong EBITA growth

EBITA | continuing operations | £m

Raw materials	**£426m**
Energy	**£73m**
Other	**£373m**



Segmental Analysis

	Return on sales % FY 2022/2023	Return on sales % FY 2021/2022
Northern Europe	6.8%	5.0%
Southern Europe	15.9%	11.8%
Eastern Europe	6.0%	6.5%
North America	10.8%	13.4%
Group	**10.5%**	**8.5%**

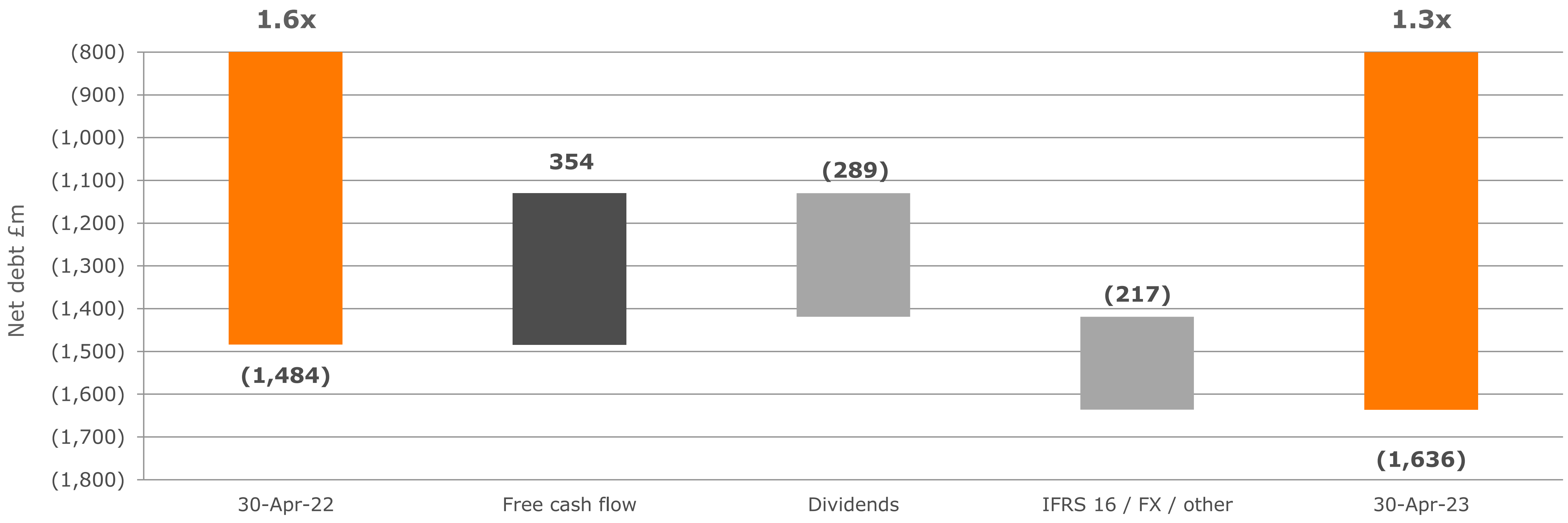
Cashflow

Cash flow £m (continuing operations)	FY 2022/23	FY 2021/22
EBITDA	**1,173**	**906**
Working capital	(121)	215
Pension payments/other	40	(29)
Capex (net of proceeds)	(526)	(415)
Tax and interest	(212)	(158)
Free cash flow	**354**	**519**
FCF per share	**25.7p**	**37.8p**
Cash conversion	**101%**	**142%**

Notes: 1.Non-recourse invoice discounting as at 30/4/23: £360m (30/04/22: £381m)
2. Working capital includes £69m benefit from derivative margin

Further improvement in leverage ratios

EBITDA | Net debt



Net debt / EBITDA given as defined by our banking covenants

Current capital allocation priorities

Key financial medium term target metrics

Investment grade rating and < 2.0x net debt / EBITDA

Organic investment
>15% ROIC
Supporting customer growth

Dividend
Progressive
2-2.5x covered

Bolt-on M&A
Disciplined approach driven by customer pull and financial returns

Surplus capital returned to shareholders

Technical guidance

- Depreciation: **£325 million**
- Amortisation: **£115 million**
- Interest incl. pension: **c.£85 million** (£1 million is pension)
- Energy currently **>70%** hedged for FY24 for gas consumption
- Tax rate: **25%**
- **£180m** collaterisation unwind related to existing hedges
- Pension deficit reduction cash contribution: **£20 million**
- Capex: **c.£500 million** predominantly growth
- Interstate put **c.£110 million**
- FX: **1% move in GBP** = approximately £7 million EBITA

FY22/23

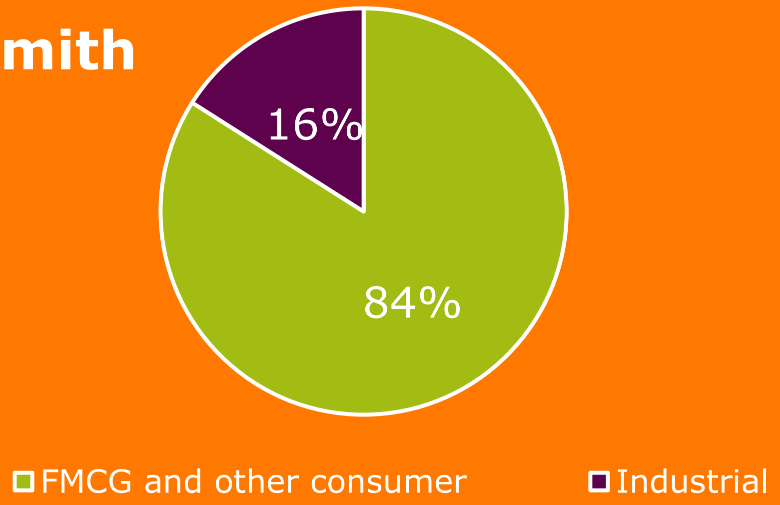
Delivering for all stakeholders

Macro-economic backdrop

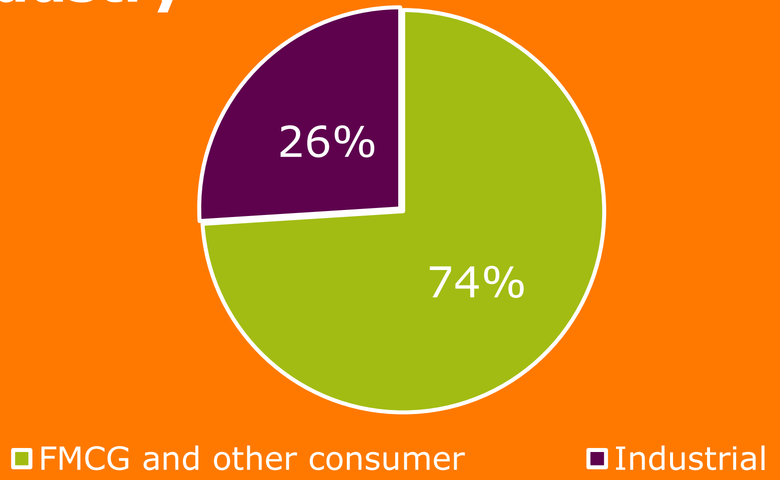
- **Challenging market backdrop**
  - FMCG resilient
  - UK, Germany, industrial weakest
- **Lower volumes than expected**
  - Overall weaker consumer environment
  - H2 deteriorated vs H1, largely due to de-stocking
  - Rate of decline improving
- **Customer drivers remain compelling**
  - Change in shopping habits driving change in packaging
  - Sustainability and governance
  - Security of supply
  - Consolidation of suppliers

Corrugated box sales by volume

DS Smith



Industry



Adding value

> I have participated in a workshop discussing new packaging ideas. From beginning to end, I am impressed by the professionalism of the colleagues we met. The proposed solutions are exciting and will help us become greener.
>
> Large drinks manufacturer

> DS Smith treat quality as a high priority and continuously work hard to achieve a high standard.
>
> Large FMCG customer

> Excellent customer service and quality products.
>
> Large confectioner

> They are a great partner to work with and willing to go the extra mile be that be base business or new innovation.
>
> Large drinks company

- Constant focus on our customers
- Record customer satisfaction rating and brand positioning
- Sustainability and circular economy driving gains
- Accelerating plastic replacement
  - 762m units replaced since 2020
  - 297m replaced in FY23
- Expanded innovation capabilities
- Continuing customer led investment

Driving a higher return business

COST FOCUS

- Labour efficiency
- Energy consumption
- Lean manufacturing
- Supply chain and material efficiency – short paper position
- Longer term automation and energy efficiency

EXITING LOW RETURNING ASSETS

- Sale of De Hoop
- Closure of Trakia mill
- Other restructuring – UK recycling depots

Continued investment driving high returns and efficiencies

Investing in products and services

Innovation

762m
Units of plastic removed since 2020

297m
Units of plastic replaced in FY23

Investing in our capacity and capability

Poland and Italy greenfields

>50%
Running at >50% capacity after year one

+75% labour efficiency

Investing in energy efficiency

Rouen
Biomass boiler

Aschaffenburg
Energy from waste, efficient energy solution

46% reduction in CO_2 by 2030 vs 2019

Expected return on incremental capital >**15%**

Leading in sustainability

Industry leading CO_2 reduction targets

- 10% reduction in FY23 vs FY22
- 15% reduction achieved vs 2019
- Commitment to:
  - 46% absolute reduction by 2030 vs 2019
  - Net Zero carbon emissions by 2050

20% reduction in waste to landfill

13 large biodiversity programmes launched at our paper mills

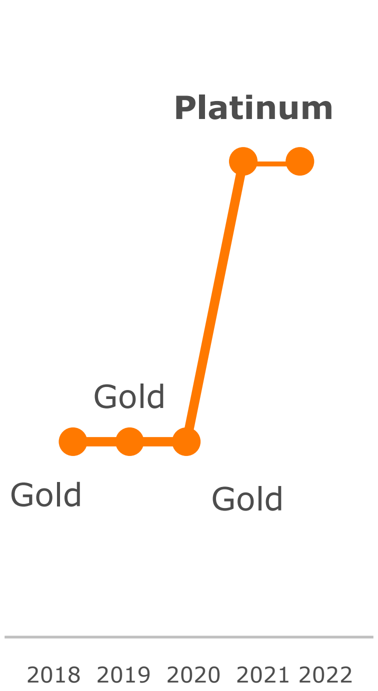
Refreshed Now and Next strategy

Continued improvement in rating by key external agencies

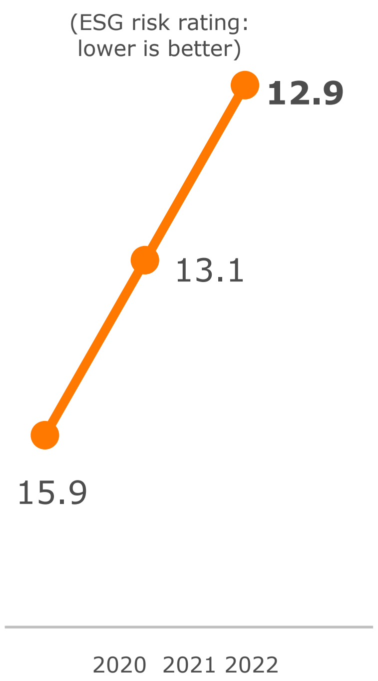
Leading in sustainability – progress in ESG

MSCI

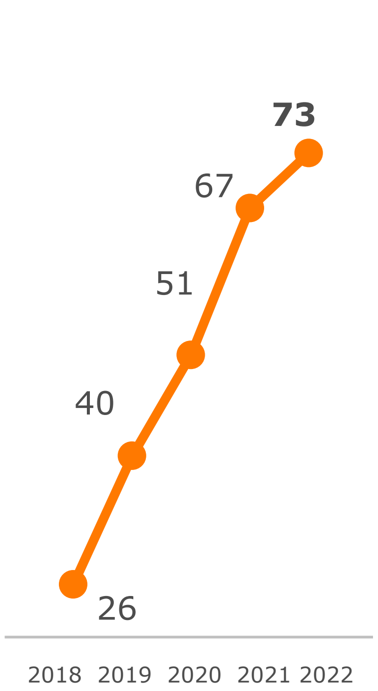
ecovadis



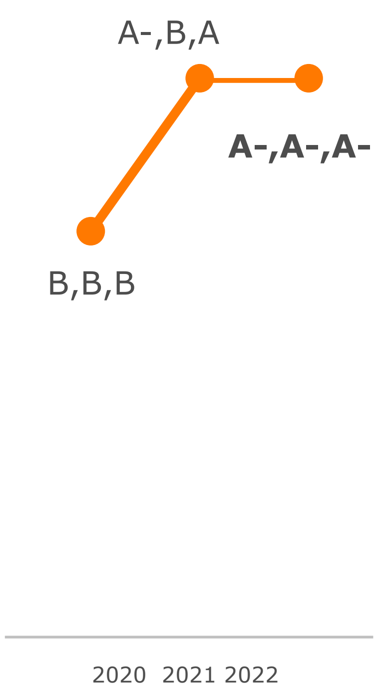
SUSTAINALYTICS



S&P Global



CDP



Creating a safe and inclusive workplace

Continuing to invest in our people

- 15th consecutive year of improvement in health and safety
- Commitment to training and development including:
  - Partnership with Oxford SAID Business School
  - E-learning platform accessible in multiple languages
- Constructive engagement driving long stable tenure
- Inclusivity and DE&I focus with new ERGs created
- Over 100 sites engaged in environmental or biodiversity programmes in their communities

Outlook

- Improving volumes
- Relentless focus on customer value-add
- Cost efficiencies and resilient pricing
- Ongoing investment at attractive returns

Our differentiators

Industry leader

Leading supplier of innovative sustainable packaging solutions with a **well invested asset base** and **scale.**

Sustainability leader

Solely fibre based packaging company in Europe, driving the transition to the circular economy.

Customer focused

With predominantly FMCG customer base.

Investing for growth

Investing for growth Continuous investment in **innovative products** and **services** for customers.

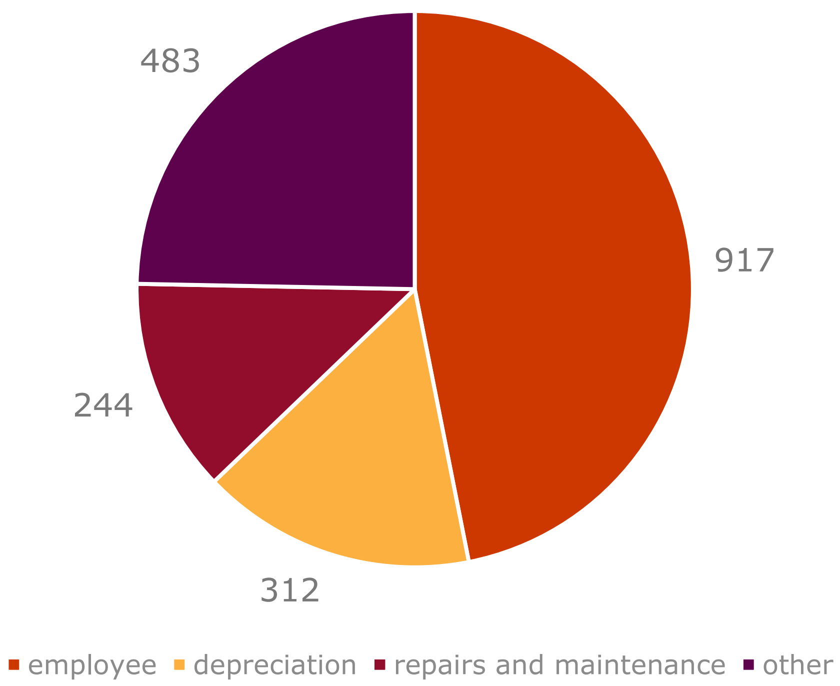
Appendix

Foreign exchange exposure

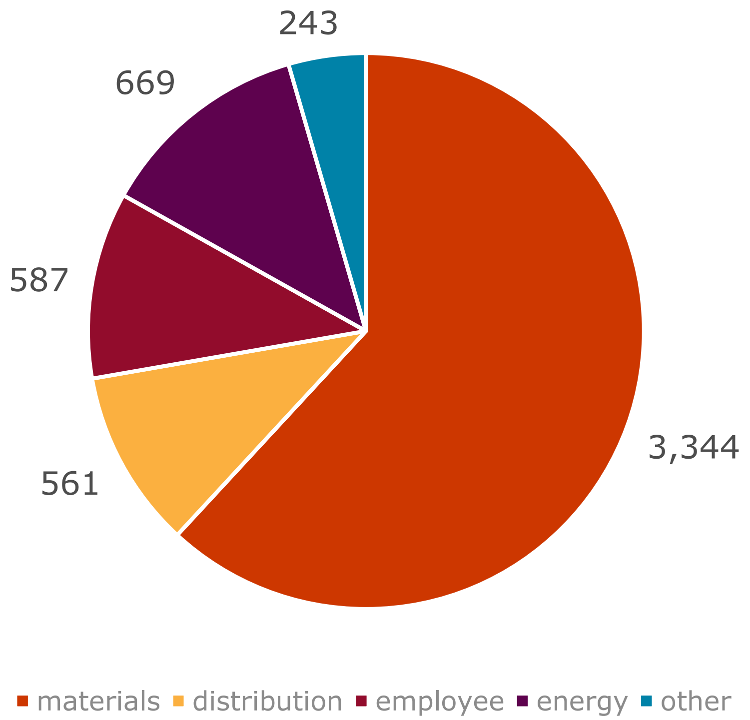
2022/23	Revenue (%)	Average rate FY 2021/22	Average rate H1 2022/23	Average rate FY 2022/23	Closing rate 30 April 2023
GBP	15.2				
EUR	60.4	1.179	1.166	1.152	1.136
PLN	3.0	5.415	5.505	5.423	5.203
SEK	2.4	12.088	12.414	12.547	12.892
DKK	2.1	8.772	8.675	8.575	8.465
USD	8.2	1.360	1.189	1.201	1.247
Other	8.7				

Cost analysis 2022/23

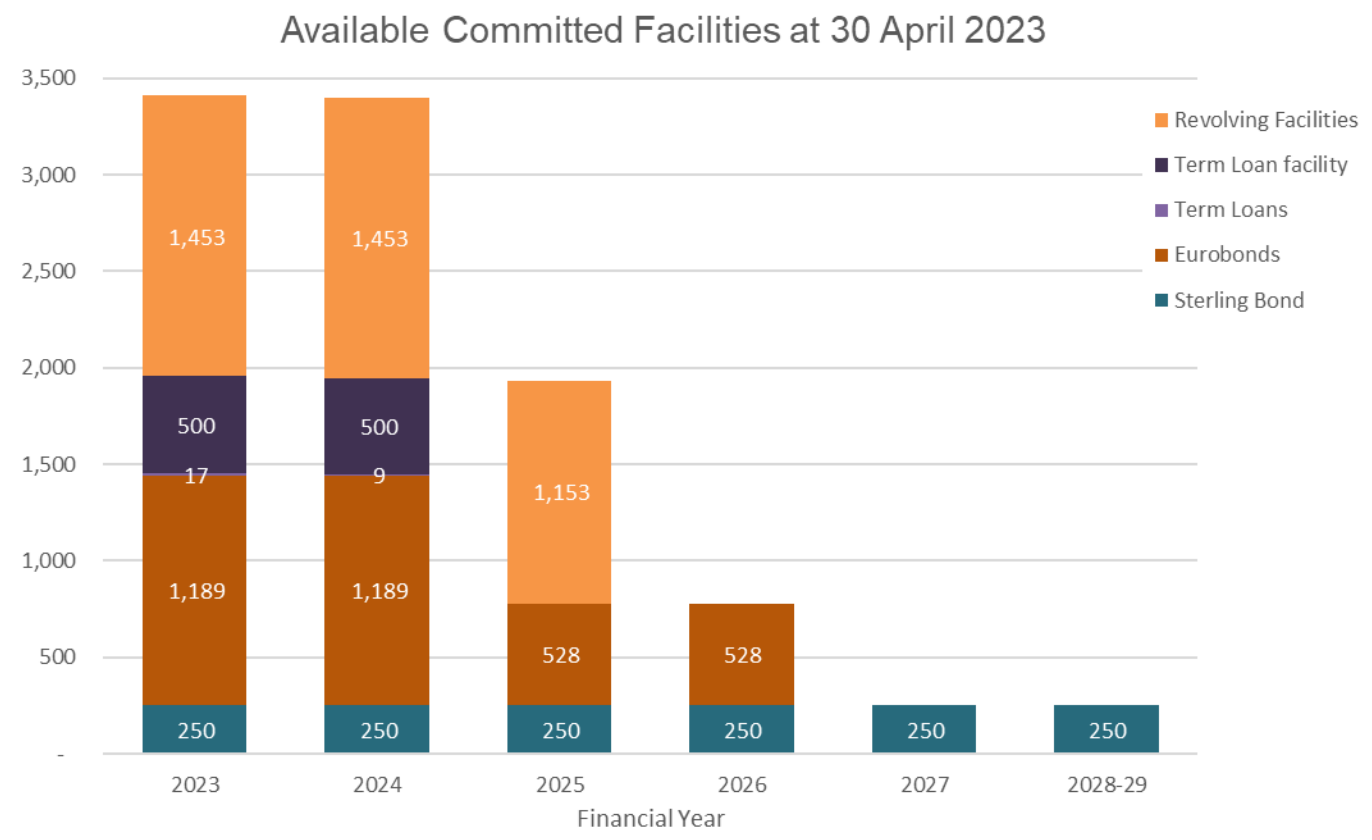
Fixed costs
Total £1,956m



Variable costs
Total £5,404m

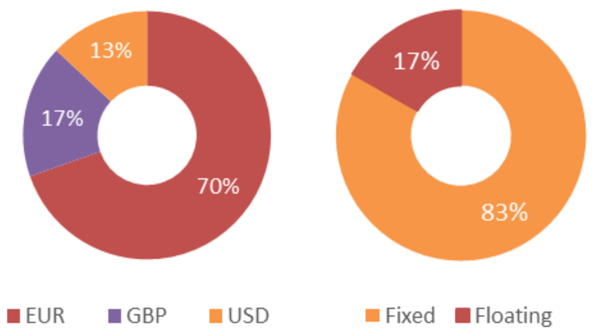


Debt analysis



Net Debt (excl. IFRS16)	£1,417m
Net Debt / EBITDA*	1.3x
EBITDA / Net Interest*	17.7x

* As defined in the Group's banking agreements.



As at 30 April 2023, the weighted average remaining life of the Group's committed borrowing was 2.4 years. Debt shown net of swaps and fees