

## **DS Smith Plc – Pre-close statement**

DS Smith Plc (“DS Smith”) today issues a pre-close trading update in respect of the half year ending 31 October 2019.

### **Trading update**

Industry and business trends have remained consistent with our trading update of 3 September 2019 with our expectations for overall financial performance for the period remaining unchanged. We anticipate good margin progression in the period, consistent with the upgraded target of 10% to 12% return on sales. This reflects strong pricing discipline and cost improvements together with modest box volume growth, as ongoing macro-economic uncertainty continues to impact volumes in some markets, in particular those economies with significant export-led market exposure such as Germany.

New business wins in Europe and the US, together with our FMCG and e-commerce customer focus, give us confidence in progressive volume growth during H2 and our greenfield packaging plant in Indiana will start production by the end of the calendar year. This will significantly enhance our packaging customer offering and result in a more balanced paper position in the US. It will also support improved profitability by reducing our sales to the export market, which is currently experiencing lower pricing.

Progress with the integration of Europac has been excellent with delivery of synergies in line with the recently upgraded €70 million synergy target. We expect completion of the disposal of our Plastics division with anticipated net proceeds of c.£400 million around the end of this calendar year. During the first half, we received notification from the seller of Interstate Resources of their intention to sell half of their 20% residual holding in Interstate, which is consistent with our aim to own 100% of the business. We are finalising the amount payable, which is expected to be in line with the year-end valuation, and we anticipate payment in the second half of our current financial year.

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

“I am pleased with the performance of the Group in the first half, demonstrating the resilience of the business. We remain excited by the medium-term underlying drivers of demand for our sustainable corrugated packaging and our leading offerings for FMCG and e-commerce customers give us confidence of volume and market share growth going forward.

While we expect ongoing economic uncertainty to continue to drive input cost volatility, our focus on pricing and margin, together with cash generation and the opportunities for further cost and asset efficiency improvements, supports our expectation of further good progress in the year.”

### Segmental Reporting

Following the completion of the acquisition of Europac in January 2019 we have simplified our European business and reporting divisions with effect from the current financial year. Re-presentation on a comparable basis for the year ended 30 April 2019 and for the half-year ended 31 October 2018 is shown in the Appendix.

### Forthcoming Dates

Results for the half year to 31 October 2019

5 December 2019

### Enquiries

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### Appendix

	Revenue		Adjusted Operating profit	
	HY 31/10/18	FY 30/4/19	HY 31/10/18	FY 30/4/19
	£ million	£ million	£ million	£ million
Northern Europe	1,313	2,575	141	263
Southern Europe	943	2,024	67	186
East Europe	476	933	39	76
North America	341	639	57	106
Continuing Operations	3,073	6,171	304	631

### 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.