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International Paper Co. (IP)

Capital Markets Day

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MANAGEMENT DISCUSSION SECTION

Sunita Entwisle

Head-Investor Relations, DS Smith

Hi. Welcome to the DS Smith Capital Markets Day. Thanks for joining us in the room and online. I am Sunita Entwisle, DS Smith's Head of Investor Relations. As we prepare to spin out of International Paper, we're excited to bring to life our business, our strategy and our medium-term ambitions. I'd also like to remind everyone that there is important information on this slide, including certain legal disclaimers which we encourage you to read.

We also present certain financial measures that are not defined or recognized under IFRS accounting standards. Reconciliations to the most directly comparable IFRS measure are available in the appendix. However, with respect to the DS Smith's full year 2026 financial targets for adjusted EBITDA and net debt to adjusted EBITDA, a reconciliation of these non IFRS measures to the corresponding IFRS measure is not available without unreasonable effort due to the variability and complexity of certain reconciling items.

We will kick off the main presentation shortly. We plan to take a break in about 90 minutes. And at the end of the formal presentations, the team will be happy to take your questions. I'll shortly hand you over to our CEO, Tim Nicholls. But before that, a short video to summarize our business today.

[Video Presentation] (00:11:59-14:12).

Timothy S. Nicholls

Executive Vice President & President-DS Smith, International Paper Co.

Well, thank you for being here. And hello, welcome to the DS Smith's Capital Markets Day. I want to thank all of you in the room and online for your interest in the company. I'm Tim Nicholls. I'm currently the President of DS Smith and will be the future CEO of a publicly listed company. We're excited about that listing. We're also excited to be here today and share with you what we're doing to create a new DS Smith.

So helping me share the journey with you today is our senior leadership team. You can see it's a very talented team. A lot of experience over 200 years collectively across the team in the industry. And it's a great reflection of the depth of talent we have not only on this team but across the organization.

So we come from many different backgrounds. We have many different experiences. We come from different companies, but we are one team. I've been based here in London since the beginning of the combination last year, but before that, in International Paper, I've had many roles, just a few of them. I was the CFO here in Europe, on two different occasions I was CFO of the Group, and I also have responsibility for packaging businesses in North and South America.

So over the course of the afternoon, I'll share the starting point, the building blocks, the strategic direction. Then I'll have Paul and Stefano come up and share with you a lot of the details that are underway at the moment as we optimize our operations and our footprint. I'll give you very granular, detailed explanations of what we're doing. James and Ana will come up after that to share with you what it looks like on the ground at the facility level with customers. Marc and [ph] Eszka (00:16:02) will then share with you what we do around the customer experience, how we work with customers, what we do for them, and more importantly also what we are doing to adjust our commercial capability and go to market strategy to be more effective in the marketplace. And then Vincent comes

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up and ties it all together, brings everything that you've heard together and translates it into the financial results that we will create over the medium term.

So before I jump into the details, let's start at the highest level. Our mission our mission is to build Europe's most trusted and sustainable packaging business. Helping our people thrive, our customers succeed, and our shareholders earn superior returns. The word trusted in that statement is very important. It means to us that we are reliable, dependable, agile, responsive, not for one stakeholder, but for all stakeholders. Because when we align our stakeholders' interests and we excel in what we do, we build a powerful company.

So this company has a lot of advantage. We start as a market leader, and we have scale. We have scale in terms of revenue, footprint and geography. We also have a very talented organization. I mentioned that earlier, but it extends across all of the markets that we operate and very deep down into the organization. We have a large, geographically distinct corrugated network and we have depth of capability both in terms of service, but also in terms of products that underpins the strong partnerships that we have with customers, large, very attractive customers, both pan European and regional and they give us exposure to very attractive market segments, segments such as processed food, fresh food, industrial applications, and also consumer staples.

We also have the right attributes for value creation. We're one of only two truly skilled European operators with deep customer relationships, and since the beginning of this combination last year, we have been focused on self-help, controlling the things that we can control internally by optimizing our footprint, optimizing our organization and that is going to generate almost a €0.5 billion euros of cost savings by the end of next year on a run rate basis. You're going to hear a lot of detail about how that comes together today.

We've also sharpened our focus on capital allocation, making sure that we are investing in the right projects to support this transformation with the right types of returns. And we're going to continue investing as we have through this period of depressed margins and earnings, because it gives us capability for when the market recovers and we believe it will recover. When it does, we will outpace performance across the competitive set.

So all of that, the advantages and the attributes are underpinned by DS Smith's strengths, and there's quite a few of them. We knew when we were entering the acquisition that DS Smith had strong commercial capabilities, we didn't understand the true extent of those commercial capabilities until after the transaction closed. And it truly is something that differentiates the company from our competitive set.

The focus on customer is not just in the commercial organization. It extends across all aspects of our operations, and it goes well down into the organization. Beyond the customer focus, it also had the right culture, had a culture that was open to change. It was open to change and it was looking to improve. And if we had not had that as strengths to tap into, we would not have been able to move at the pace or at the scale that we have embarked on to make this transformation happen.

So as was we were defining strategic direction, our team started talking about values, what values we needed to have to guide our behaviors to make this successful. And we had a lot of debate and we talked about a lot of values that could apply to the organization, but we ended up settling on three. The first one was safety. Because if you don't have a safe work environment where people feel like they're cared and cared for, then you can't create a high engagement culture. Part of that shift was cultural as well. We wanted to have open, transparent dialogue with all of our team members on the topic of safety for sure. Where are exposures? How do we identify them? How do we reduce or mitigate their effect or eliminate them entirely? That was built on trust. So if you don't have that, you can't be high performance in my view. With that type of open, transparent communication, you build trust

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and you enable both commercial and operational excellence. So high performance was the second around that excellence and trust was in the third.

We came from different backgrounds. We came from two different companies. We didn't know each other. So we decided that trust was very important for us to have open, honest, realistic, transparent conversations and make sure we were focused on the right thing. And that's what we endeavor to do, both with all of our people, but with customers and with you, our shareholders, to be transparent and truthful in all of our interactions.

So let's talk about the opportunity. So at the beginning, we're two companies and we're bringing it together. But it was never about DS Smith or International Paper. It was about how do we combine the best from both and create a better a better organization and a better company. There were operational combinations. There were combinations and exposures to new parts of market segments. But really what we did was bring the commercial strength of DS Smith and we combined it with operational experience and IP, and we truly have created a better company.

So to build the value, we have a couple of pieces. The first is starting with a very strong foundation, and then we'll build on that foundation. So the foundation itself, we have a highly attractive European market. In fact, it's the second largest profit pool globally for our space. So it's a very important market. It's very big, it's very dynamic. We have the opportunity, given the geographical diversity with our scale, to be only one of two that can even come close to representing the support that our customers need, geographically across their supply chains. It's also a market that really places importance on sustainability and DS Smith had a real capability around sustainability and that continues in this new company, and fiber being an advantaged substrate or material accelerates that.

And then it's a market that has grown. It's historically grown between 1% and 2% and we are confident that it will grow between 1% and 2% going forward. So a few comments about the growth. You can see from 2010 to 2020 just before the pandemic, it was growing nearly 2% per annum and it was doing so consistently. Then we hit COVID, we had all of the disruptions that we remember, but it also encouraged a lot of investment. And so we ended up with a very imbalanced supply demand situation for containerboard.

For us that resulted in lower growth, higher inflation and depressed margins. And that is exactly why we took the course of action that we have taken. We're realistic about the challenge of the market in the moment, and we're focused on the things that we can control, and we're acting decisively. We do believe it will grow again in this 1% to 2% range and there's really four factors that underpin that. This is a GDP, GDP plus business. It's highly corrugated, corrugated packaging growth. It's highly corrugated to GDP. It's also correlated to industrial production. It's supported by population growth, especially when you take into account immigration.

Sustainability, as I mentioned, gives us a boost both in terms of the market regulations and the benefits of fiber packaging relative to other substrates. And then finally, we expect e-commerce to continue growing, growing in the mid- to single-high digits as it penetrates across the market. So we believe those four things combined support 1% to 2% growth in the medium term.

So I'm going to talk about our network in just a moment. But before I do, just a few words about what we do through our value chain. As you look at this chart and you read at left to right, you read the manufacturing flow. We start by sourcing inputs, recovered fiber being one of the large ones. We source that to our mills where we make a variety of substrates for the benefit of the packaging business. We also source because we're a net buyer of board, we source substrates from other companies to supplement the products that we make. And then we turn that into a sustainable packaging solution for a customer. So that's one way to look at this chart. But the way we

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look at it is to start at the other end and you'll hear Marc talk about this when he comes up. But we start with the customer. We start with the opportunities that they have, the challenges that they face, and then we work to bring them innovative, sustainable solutions. That's what really guides what and how we do things in our packaging plants, and that's what informs the pull on the types of substrates from our mill system and our paper sourcing network. So you'll hear from Paul what we do around the mill system, what we do around paper sourcing. You'll hear from Stefano, how we bring to bear all the capabilities we have across our converting operations. And you'll hear from Marc on how we interact with customers and what we do for them. So this is something that works for the benefit of the customer, and it works on a very large scale. This is that scale.

So you can see all of the converting operations that we have in the mill system. And what we try to do across all of this is bring a consistent approach, consistent approach to service, consistent approach to quality, a commitment to bring the decision making closer to the customer. Because people close to the customer can react faster than any of us sitting here in London can react. And that's really why large-scale companies like working with us, we're large enough to provide a pan-European solution, but we have the capability on the ground near their facilities to act locally.

Sustainability, I mentioned it a moment ago. This was a hallmark of DS Smith before the combination. Our goals haven't changed. We're still very committed to a sustainable environment and providing sustainable solutions to our customers. In fact, we try to optimize that impact for our customers. It's not just about carbon reduction in a facility. It's about how our products interact with their value chains across their business. And we do this in ways that are clear, provide value and are verifiable. That in turns provides us a real commercial advantage.

And then finally, in terms of that foundation, we have a very strong group of attractive customers, both on a pan-European basis and on a regional basis. They're diversified. Marc's going to share a lot more about this. But we have these relationships with these customers by doing something that I think is special. We interact across a wide cross section of our customers' organizations. We also do it down into their operations. We try to know their business as well as we can so that we can provide solutions that are unique.

So a strong foundation and then we build on top of that. We came together as two businesses and we found ourselves in the market environment that we're in. We looked at a couple of facts and try to decide, okay, what works and what needs to change. These are some of the things that we've been changing. DS Smith grew rapidly over a very long period of time through a lot of acquisitions. This led to silos across the business. It also led to very fragmented operations and not always an enterprise view of what decisions needed to be made. It also resulted in a lot of excess cost.

So by streamlining and simplifying, we're not only making the organization more effective, we're lowering the cost structure. With 30,000 customers, there was also a focus on providing to all of those customers the same type of experience, which is not practical. So we have shifted that such that we put resources more heavily aligned with the large strategic accounts, again, whether they're pan-European or they're regional in nature. So as we look through all of this, we needed some type of framework to help us sort through where the opportunities were and how to make decisions and that was really 80/20. That framework has four simple steps. The first one is simplify what you're doing, and by that, understand the few items that drive the most value. So how do we identify those few things that drive the most value and eliminate the waste for all of the other activities that are chewing up resources.

Once we've done that, we segment. We put like with like. You'll see an example of this when Stefano comes up. But as an example, taking customer business that has long runs and combining it with other business that has long runs so that you have the least amount of disruption to a manufacturing facility, gives you the opportunity to

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drive efficiencies. So we put like with like to drive efficiencies and productivity after we understand what really drives the value, we apply more resources. We do this by shifting resources from activities or facilities that do not contribute as much as they should and refocus it on those that do ultimately to drive growth. That's what all of this is about at the end of the day, optimizing our structure, getting our cost in line, making sure that we are investing people and resources and time and money in the right place so that we benefit from growth.

That led to a four-part strategy, and it's reinforcing, it's interconnected, and it creates a virtuous cycle. So we start with cost advantage. It not only improves our cost, but it also makes us more agile and more responsive, for ourselves, but more importantly for our customers. That leads to a better customer experience, which drives growth and then we supplement that with enhanced capabilities by making the right kind of investments in the right places and that not only supports growth, but it has the beneficial impact on our cost structure again. All of that underpinned and supported by building a great place to work. So it ties all the way back to what we were doing with safety, that's one aspect of it. But creating the type of place where people are excited to go to work in the morning and feel like they can contribute.

So you can see how all four pieces are interconnected and it's a continuous improvement cycle. Once we finish one activity in one area, we start working on the next opportunity. So now I'll share just a few examples of what we've done with each one of these pillars. The first one on cost advantage. This was all about simplifying, streamlining, bringing focus. So we've done that by reducing management layers and increasing spans.

You can see the number of facilities that are in the process of closure so that we put resources to other facilities that have more potential. So we've changed the management structure, we've changed our network, we've also reduced head count by nearly 10%. We have roughly 30,000 employees at the beginning of this and we've taken out 3,100 to date. There's more to be done around footprint and organization. But through the end of this year and into the first part of next year, we will have finished the bulk of that.

On the customer experience side, this is really taking the DS Smith's strength and making it even better. And again, it's about simplification. This is actually where reducing layers and streamlining the management organizational structure has actually helped our ability to serve the customer. It simplifies how we go to market. We've put a new governance structure in place where roles are clearly identified. We've also deployed better analytical tools to help us understand market interactions, market pricing, our cost structure to a better degree so that we can make more informed decisions. And you can see with the focus reduced the long tail of customers that we had. We had over 30,000 customers as well, and we've reduced it by 10%, not because they're not good customers for somebody, but they don't fit us. Our service model is more geared toward the larger accounts.

And then finally, on enhancing our capability through investments. Over the past two years, for transformational and strategic projects, we've invested €550 million. As I said, we did this even though the margins were compressed and we're in a trough at the moment in terms of market performance, but it has positioned us to outperform once the market begins to recover. It's about moving capability closer to the customer. We've finished a lot of the large mill projects that were very beneficial and most of them started before the combination. Now the focus will be on packaging investments, which tend to be smaller in size, project by project and more flexible to move across our system. So I think this demonstrates how it all connects and how it reinforces each part of the strategy. So with the right foundation, with the right building blocks on top, we're deploying a strategy that will create value for shareholders and position us for growth.

Here's what some of the financials look like in terms of value creation. And Vince is going to cover this in a lot more detail. You can see significant EBITDA and cash flow growth. I would also point out, though, the capital allocation framework. For us in the medium term, the focus is about organic investment. Our best returning

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projects are the ones that we have available to us inside the company. So there'll be a focus on organic investment, a focus on a very progressive and sustainable dividend, and also past medium term potentially acquisitions that they'll be small in nature bolt-on in size and they will only be considered if they provide the right type of returns and they advance our strategy. If you can make an acquisition that helps you gain a capability faster at the right return, it could make a lot of sense. But until then, we're not going to distract the organization with acquisitions. We're going to focus internally on the opportunities that we have.

So this really sums it up. We think we have a very compelling investment proposition. The rest of the afternoon, you're going to hear in detail all of the things we're doing on the left-hand side of this slide. It is about being simpler, being streamlined, taking out complexity and being very focused and disciplined on where we put money and where we put resource. And I think you'll see that come to life. That drives significant EBITDA growth, cash flow growth, supported by a strong focus on returns and supported by an investment grade balance sheet and a sustainable progressive dividend.

So with that as a summary, it's time to get into the details. So I'm going to invite Paul Brown to come up and share some of what's happening on the mill side, paper sourcing side after the short video. Thank you.

[Video Presentation] (00:39:28-40-24)

Paul Brown

Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

Good afternoon, everyone. Really great to be here with you today. My name is Paul Brown. I am the CEO of Paper for DS Smith. I've been in the paper and packaging industry for the last 34 years, starting in a packaging plant up in the north of England in Hartlepool, right through to being with you here today in this really exciting moment for DS Smith in the next steps in EMEA. The other gentleman on the on the page is Stefano Rossi. He started even before myself going back, but he started in a paper mill in Lucca. And I think the fact that both of us have been on both the paper and the packaging side, I think really sets us up well today for the model I'm about to describe and our strategic priorities.

So as you can see, Stefano and I run the two big parts of the business really from left to right, as Tim said. But very much it starts with the customers because it's about optimizing the end product by delivering an integrated value chain. It's very much, as I talked about, it's recycled, it's paper, it's paper sourcing, it's packaging, but it's very much one team, one team, one company, one DS Smith, which really is all set up to deliver for our customers. And we do this through this integrated proposition that runs from the fiber that you see there, the fiber we source all our fiber from mills. In terms of going into our mills, into a great mill system that both recycled and kraftliner that delivers for our packaging business and our end customers, that delivers into our paper sourcing which supplements that with external sourcing, making sure that we make buy the right products for our system in terms of giving the best cost advantage and quality to our packaging business and our packaging and our packaging customers.

So really, whether it's from myself through to Stefano and obviously Marc at the front end supported by Agnieszka that you'll talk to today, but also the business itself, James and Ana again, who will take us through some stuff. It really is one team coming together.

So what about our mills? If we talk about mills, what you know, our mills are really positioned to support our packaging operations. It really operates in as a network. We can't afford to have mills doing their own thing separately. It's got to be run as a system from a capital efficiency point of view. In terms of that, we have 14 mills,

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18 paper machines across eight countries, really supply in supply in somewhere in the region of 4 million tonnes, which equates to around 10 billion to 15 billion boxes to give you an idea of scale.

Each mill has a clear role in the system, as I said, because that informs our investment decisions. What are we going to focus in which mill, in which geography? Because the capital employed, we can't duplicate that. We've got to do it with and invest with intent. We have safe, highly efficient mills that are focused to drive that cost advantage to help the business through reducing complexity and driving operational excellence, as well as really having great energy solutions in each of our mills. We look to enhance sustainability and of course meet all regulatory performance. And some great examples, whether that be Viana in the new recovery boiler with a 20% steam reduction, Rouen our milling room with our biomass plant taking out 100,000 tonnes of carbon. Great examples, strong mill system. But we need a flexible, agile fiber and paper sourcing strategy.

And as I said, as we've seen, we're quite integrated, well positioned on the recycled. So we actually are in to get to a level of around 75% of our need and we source the rest externally. And we also have a very important position in kraft because having a kraft paper mill in this industry is very important, and that gives us a good security of supply. But really that comes together and it really creates that that flexibility creates some real strategic advantages.

So the way I would put it is we own capacity where it creates advantage. We source externally where it brings better value. So it's not integration for integration sake. It's appropriate. It's about value. It's about generating returns and doing the right thing. It gives us real flexibility across our grades and our geographies, in highly moving dynamic markets.

Our model allows us to be the most cost-effective option, which again is so important for that front end and for our packaging customers. So we leverage the scale that we have with external suppliers whilst we optimize that allows us to, which is also to play with that, to optimize the production in our mills.

Great flexibility. So it brings us resilience through the cycles, but also that important security of supply. So what are the actions we've been talking about? Tim talked about the actions we've been taking and it's really about streamlining our operations to deliver what we really need. We've doubled down on our clarity of purpose, if you like. It's about what we do and why do we do it. We must bring value to our customers. There must be a reason why we do something. So we must align that paper development, the mill capability with those end packaging customer needs. What does the market want? Where is the market going? We're absolutely being more strategic about our make, buy, sell decisions. So again, as I said, we own capacity where it creates an advantage, but we do source where it makes – where it brings better value. So whether that be specific grades or logistic reasons, that's up to us to optimize.

I think one of the great examples is the fiber sourcing approach that we've taken. We've been very deliberate about why we have a recycling business and why we have the way we do fiber sourcing. This is not about a standalone business to have different waste streams of different things. It's about being very focused, a dual purpose. A dual purpose about supply in quality fiber – cost advantaged fiber for our paper mills, number one. That is that is why we have it. Number two, why we have it is to support our whole business, our [indiscernible] (00:47:54) business with Marc and with the customers, with experts around recyclability and helping customers with their sustainability. So it's again, it's really doubling down. It's not having unneeded capability that is not bringing value.

In addition to this, we have disciplined investment decisions. We invest with intent. We must be very thoughtful about the capital we use because ultimately, again, it's investing with a reason in mind for our end customer. We

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can't just spread CapEx around. And what that brings is that brings sometimes some very tough decisions. So we need to look at our assets and we need to reflect and say, do all the assets make sense. We need the right asset portfolio. And we have to make a very difficult decision in Croatia this last year. And we closed our Belisce mill. We closed it. It was an aging site. It was high on the cost curve. It had sustainability challenges and it would require a lot of investment. Of course, we can keep things moving and keep things alive and keep investing and spreading that investment across. But we need to focus where it brings the most value. We need to focus where it makes most sense.

But we also need that targeted investment like I talked about, we need to do it in the right grades, in the right geographies. And we're doing that in Lucca and I'll talk you through that shortly in terms of what we do in that. But that's focus then that's where we're putting the capital. But it's about driving performance. And I've said earlier on, it's the full gamut of that. It's modernizing equipment, it's energy systems, really operational excellence. But if we look at in energy, Rouen is a great example. Yes, we take the carbon out. Yes, we moved to biomass. We moved to taking coal out and not being reliant as much on gas. But we also bring with that investment a €15 million cost benefit. So it's all interlinked. And again, it's all drive in trying to drive that cost advantage for our business.

So couple of those are the big investments that I want to talk to you about today. One being Viana, our kraftliner mill. It is a strategic high-quality asset. It brings a really important role for us with Kraft. We have the opportunity to strengthen and really the capability and the capacity at that mill. It was already a great mill, already a quartile one mill, but of course that's a never-ending drive to get that cost right and the quality right. So we invested we invested in a recovery boiler and in the paper machine and the benefits coming from that investments are very impressive. We've upgraded the press section of the paper machine. We've upgraded the stock preparation. We've spent €150 million, which is now complete. We've seen speed increases on the paper machine of 10%. We've seen output per hour go up by 15%. We're also seeing a 20% steam consumption reduction. We've made this great mill even greater and a really well fixed for the future into in this important kraftliner market in EMEA.

The other investment that I really want to highlight is obviously Lucca. Lucca current investment, really market driven, lightweight product capability for the mill network. So really to look at Italy as a whole and the integration with our Italian business to support that business and help them grow. And this was very much sort of going back in some time alongside the Castelfranco Greenfield and the growth strategy in Italy. So great growth agenda. And that new product brings us some great opportunities. But not only that, in the context of a mill we have, we will have two paper machines in Lucca. And what it actually allows you is it allows you to optimize the use of the paper machine to run the right grades on that paper machine. So the balance, it's a win win from not only the big new investment, but also what is left on the other machine. It brings us true cost competitiveness.

And even just in the photographs there, the drum pulper, we just use the drum pulp. But just that technology if you like, for the technical amongst us, it's like a huge tumble dryer. Yeah. And basically from that, we're looking to get longer, stronger fibers from that process. 10% increase in fiber yield, improved runnability on the new paper machine, reduce in paper breaks a 20% to 30% lower specific pulp in energy. And that's just the new pulp. So this machine is really exciting. And where are we? Well, we're basically there, the structures there, the structural completion, as you would have accept, the stock preparation is operational. We're really in full commissioning mode now in terms of where we are and we anticipate to have stock on the wire and paper on the rail by the end of the month. So really great progress and a really exciting, exciting for us in the DS Smith.

So inherent of what I've been talking to you about today is the production cost curve. How do we stay cost advantage and help drive and support our packaging business and our end customers? When we look at the cost curve, this is the recycled containerboard mills in Europe. And when we look across the cost curve, if we looked at back in 2024, there were too many mills in the third quartile. All our actions have been to drive our mills, to try to

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drive them along that curve to quartile one, quartile two. And you've seen today a number of structural investments.

The point I want to here is we're really and Tim made earlier, we're really at the end of these structural investments. Yes, of course, we will need some investments in the paper mills going forward. But the big stuff is all done and this is starting to come through. We see it now today coming through in terms of our performance, but also we supplement this all the hard work we've been doing. Again that Tim outlined around the organization, around operational excellence, around cost efficiencies, taking overheads out and each mill has a plan to really drive this down. And what we see is that by the end of this and this is not additional investment, big additional investment to get to this end state, this is getting full run rates through. We will get and we will move all our big standalone mills to quartile one and quartile two, which will help support the business going forward. So really providing that strong foundation.

So where are we? To wrap up this section, it's about focus and prioritization in the right assets that make the right products at the right quality at the right time for the right cost. It's clear strategic, strategic prioritization. But all of this, all of this, the most important factor that I can say when I've seen all this delivered and we're doing the things that we're doing every day is our people, our people, our teams are incredible in terms of the mill improvements, programs, the cost efficiencies, the delivery of the projects, looking at the integrated value, the make, buy, sell, everyone is working together. We are one team right across the chain and it is our people that make this difference, make this happen. We can all put paper machines in, but we've got to make them work. We have great people and they're our biggest competitive advantage.

So I look on the future of what we've talked about today and what we're going to come and talk about in a moment and after the break, with great positivity. To optimize the fiber to box integration across our supply chain, I think there's loads more opportunities. We know there is [ph] staff (00:56:55) working together to support that packaging offering to our customers and deliver value for our shareholders. There is so much more to go for.

And with that, I'm going to hand you over to Stefano, who will take us through the actions in the rest of the integrated business. Thank you.

[Video Presentation] (00:57:16-58-18)

Stefano Rossi

Chief Executive Offier-Packaging Division, DS Smith

Thank you, Paul. Thank you very much. Thank you for giving me the stage and thank you very much to all of you for being here. Thank you for all the people who are connected online from wherever they are to sit in their office. Thank you for giving us the opportunity to share our story. We are really excited about this.

So since Paul has told you a little bit about our history together, our long history together, so I will not shy away from tell you that it's almost 40 years since I'm in this business. But my passion for the for the industry, for what we are doing, for the solution that we bring to our customer is still intact. It's still very young, I would say. So I will try really to bring it to bring it to you as well today. And I will try to build on what Paul has explained to you with the strength of our paper system and tell you what we actually we are doing and what we have done over in the last year, particularly in the in the packaging business. And I will take you through really our programs.

So I will not do any justice to my role, if you allow me, if I will not believe that our packaging system is second to none in this industry. I truly believe this. I think we have managed over the years to build the system, which is

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providing our customers with the right packaging solutions, which help them to differentiate in the market with an outstanding quality, with high service, and with a competitive innovation mindset. I really believe this.

But the world is not standing still. Everything around us is changing. The economy is completely different than what it was a few years back. The competitors, of course, they move as well. The best way that actually we could choose to ruin a business is to stand still. And that's why we have embarked in an important transformation, because we want to stay ahead of the competition. And we have been embarking on this important transformation. And we told to ourselves we do it once. We do it right. We do it fast, because that's actually the best way in which we will stay ahead of our of our game. And when we embark in this competition, in this transformation, we kept in mind three important strategic principles.

The first one is we want to reduce our cost because that will give us more commercial agility and team, as that brought to you quite a lot of these already and I will try to build on that. The second element, particularly important, very close to our heart, is to bring to the customer an even superior experience to bring really to them the feeling that they are served by the company that help them to be different in the market. And later on, my colleague Marc and Agnieszka will build on from what I'm going to explain you in a moment.

And the third important element is about preserving – not preserving, enhancing the ability to grow, but via disciplined capital allocation by using the capital in a very clever way, which will follow the transformation that I'm going to explain you in a moment. And Vincent later on will take you through in more details on the way really we manage this disciplined capital allocation.

So when the strategy review started, we had a really two-pronged approach. We wanted really absolutely to approach the two routes in parallel. The first one is absolutely to consolidate our sites in fewer but more efficient operations. And that's exactly what we have done and what we are really in the process to finalize. And the second one, I repeat it is to deploy capital in order to make sure that we can still grow in the right way in sites which are far more effective, efficient and labor effective, I would say. And I will come to that in a moment.

An example, out of the vast landscape that actually I can bring to you, it's our Blunham site. And once again, I use the Blunham site because in UK, by the way, UK has been the market where the transformation hit the ground is the sooner the fastest, because there's where the condition in order to do it. And my colleague, our colleague James later on will give you more details of what we have done there. But just to introduce what we have done in Blunham, we have invested only in this site £17 million in order to improve really the efficiency of the site, lower labor cost, more efficiency, low complexity. We brought them really new machines. And also different machines that are actually that we have reinvested them we brought from our manufacturing network. And the aim of this is to develop the site, which is the most advanced site in serving e-commerce customer.

And we have done this by pairing the new ability of the site with an impressive ability of the distribution network, because in e-commerce, you cannot be competitive if you don't master your distribution network, and that's extremely important. So a site which is highly efficient, a solid distribution network, that's what we give to the e-commerce customer in UK and that's absolutely the state of the art. And James will come to you in a moment with more explanation on this.

So the transformation we have undertaken is massive, is important. I don't think in my 40 years I have seen another company having the courage to take such an impressive transformation at once, and especially not in such a short period of time. So we are quite proud of what we are trying really to bring to the market. And to make it happen we had to move a considerable amount of volume. Now I give you a few numbers that you might not see directly there, but stay with me. At least actually, I'll try to leave to make it visible for you. We have moved or

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we are moving around more than 1 billion square meter of our volume, which is approximately around 13% of the total volume that we manufacture and bring to the market.

For those in the audience that likes, I'd need like to visualize in a different way I can tell you that there is an amount of volume which will be sufficient to park 8 million London buses since we are here in London. So an impressive amount of volume. In order to make it happen we had also to move our machines. Some of them were new investments, but many of these were simply machines that were before operating in other sites.

And we are move all these machines, you will see in the end it will be around 250, not simply to move the volume from one site to another, machines to make our manufacturing system more effective, stronger. And I will try to explain it to you. We have done it by creating a domino effect, creating space for some volume to come and redirect some other volume to another site, which is more fit for purpose in order really to serve our customers.

And I'm glad to say that we have passed the peak today. More than 60% of the volume plan has been already moved and is running in a new site and the same equivalent amount of machinery has been already relocated. And we have done this, we have achieved this without really bringing any major disruption to our customers. Actually, we have lots of very positive feedback from our customers and the way that the transformation has been managed so far.

I would like to give you one number. I wanted to give you one number. How can I explain to you the benefits of the transformation like this can bring? So I can give you the reduction of capacity. But in itself, the reduction of capacity is not an index of efficiency, because in reality, we are investing to recreate the capacity to grow and the capability to grow in a more effective and efficient way, in a more profitable way. So it's not really the number that I want to give you, to give you the idea on how we have gained efficiency. I can give you productivity. I can tell you, for instance, that the number of square meter per FTE we plan with this program overall for the division to increase productivity around 20% that is an important number. And already next year in the budget, we plan to have the first 10% materializing from the program that we have delivered so far.

But even this is not a completely a true number to give you the impression of how much we have improved the productivity. Why? Because every – it's really the nature of the program we have done. Every SKU to its own machine is giving a completely different performance in another. So I would give you really an average number.

So I thought I give you this number instead. It's very operational, but I think it will give you the idea of the of the effectiveness and efficiency we have gained. Through this program by moving the volume not only to the right site, but to the right machine, we will reduce the number of changeover in our machine by 200,000. 200,000, is a huge, a very precise number, it means 98,000 less changeover in our corrugators. And remember that on average in every corrugators we changeover every 15 minutes, 20 minutes to have to adjust the composition in order to fulfill the customer demand. And under 20,000 less changeover in our converting machines. That means less labor cost, far better runnability of our machinery, less waste, better quality, better service to our customers, and not to be discounted a far better environment in the sites of where we operate, which is really part of creating the great place to work and the team was explaining before.

As I say, this is not only about moving volume, but it's about leveraging the network. So here is an example. And this is an example which is important because this is the embryo of all the program, of all the transformation. You have to think and I will try give you another example later to multiply this example for the entire network of the team we are showing before on the map.

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So it is not only about volume from one site to the other. By leveraging the network what we have done, we have tried very much to move the right volume to the right site, not necessarily in the next-door site or the one actually, there is actually some easier to do it but the right one. And that's why we have put in place also this movement of machinery to create sites site which really can welcome the right production, to give the right productivity, the right service to the customer.

So we have created what we call complex. This is the example of the Madrid complex. A complex is it is a system made of what we call a lighthouse site or if you want to more an operational denomination, you can call it an high-runner. So it is a site which is designed to go fast if you want. It's a low complexity, lower number of stock keeping unit, repetitive order, long run. So it can go very fast.

How do we feed these efficiency? We feed by surrounding an high-runner, so a lighthouse by agile site, as we call it. And the agile site take out the complexity from the high-runner site but they do it because they are well equipped to do it. They are invested in order to run shorter run, more complex order, less repetitive order, different type of SKU orders. And that's actually the way in which we have gained all the efficiency that I tried to explain before.

So this is an example by closing the site at Griñón we have reallocated not only the volume of Griñón to other sites, but we have exchanged for volume from the other sites to make sure that we produce it in the right location. And what it does entail is this little map is all the volumes that we have moved to other sites to do exactly the same so in other complex. So the transformation could have been successful only, only if we had the courage to do that domino effect. It is not only about Griñón to a site, but is to create the space to have the right volume in that site. So the domino effect is what really is creating the benefits that I was talking about. And in the end, it will be felt by our customers.

So why actually all of this has been possible? Yes. One is clearly the willingness to transform. That's has been really kind of a commitment that we have taken since the early days that we came together to say we think we will transform this business. Absolutely. And deploying, of course, the capital needed. There is another reason which is the perfect moment in time of integrating the International Paper and DS Smith that is a good opportunity of course. But there's another element, which is the EBIT that we have developed in DS Smith to work in clusters and not as a single site. It was already the first step towards what today has become the complex. Probably what we have never done in DS Smith is actually that we have never taken really the idea of the cluster to this extent in order to really to move the volume with the lots of courage as I say to the very right sites.

You can imagine that actually in this period in which we are working in order to spin from International Paper and meeting more customer than normal, I do. I normally I meet a lot of customers. I'm very fortunate – my colleagues in sales they allow me to go and meet the customers quite often. And actually it's part of the job that I like the most probably.

But in this field because we are spinning off, it's probably more than ever before for obvious reason. And actually, I get a lot of feedback from the customers, and I'm very pleased to share with you that actually the feedback, our pricing, the professionalism that we have put in place through our people in the way we have managed this transformation because this probably everybody feels that it was needed in the market and probably we have been the company, the first and only company I think that is there really to it to this extent.

I want to bring you another example. I want to bring the example of East Europe. And just to extend the horizon is not only before you saw a simple complex, now you see how our complex can work even in a larger geography. Bringing the example of East Europe is quite it's quite meaningful to me because 10 years ago when we started to

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invest in East Europe, the odds were not really that obvious like today. But after 10 years, East Europe became an important industry reality.

Many of the customers that we have seen in the slide before, many big blue-chip companies have moved their manufacturing to the East. So after 10 years, I can tell you that the vision that we had back then has been a success. Now, I give you a few words about East what we call it East EMEA, which is that you see it in the shape there as – as the shape of the subregion East EMEA. Ana my colleague will give you far more details later on when they will have a panel together with James and Sunita. But in order to create the complex with high-runner and an agile plant and you see in the map also in the certain part, also some offset plant those are very specialized plants. We have a few around and in once again, same concept which we will make that only what is very specialized in the very special segment.

In order to create the complex in East EMEA that we manage as one country, we have to – move we have closed five plants. We have transferred 85 million square meters of volume and we have to relocate more than 60 machines, I think 69 between more bigger and smaller. So quite an important work that we have done there. But more important, what I want to tell you today is we have done all of this and we are still growing the volume in the East EMEA. So that means that we are still meaningful in any tender and negotiation that we have with our customer and we come out successfully with a larger volume compared to when we started, really the transformation, not only in the customer survey that we make, we have score our highest ever net promoter score with our customers.

So once again, this give me opportunity to, to thank our people. As Paul before said, it is really true, the strength and actually the competitive edge of this company is given by the engagement of our people. I will never really stop to say that because it's I believe it and I think is really important. So our people make the difference.

There were two principles that in all my history with DS Smith, it has always been important. The first one was we keep the customers at the center of our universe. And the second has been we keep the distance between the thinking and the doing very short. And the idea is simple is because we want to have clarity in the organization, is because we want to have speed of execution.

So I'm very glad to tell you, with the transformation ongoing we brought to principle, to another level. We manage really to overtake ourselves in what we are trying really to do is keeping the customer at the center and make sure that actually the thinking and doing is short. How we have done it? We have removed completely managerial level. So where the regions had before they were managing the business and we have done it because honestly probably it became really the right time to do it. The maturity of the organization, the moment in time and also the unity that we have developed inside the management allows us to do it. So we remove an entire managerial level and we reduce the number of subregions from 13 to 7.

So what we have done, we have brought the decision-making process closer to our point of impact and the point of impact for us is the market that we serve and the customers that we engage with. And that's exactly what we have done. Now, this has given us the opportunity also to standardize further our operating model. Also, we have, of course, taken the opportunity to improve the way we are structured centrally. So we created a leaner organization centrally, action oriented in principle, the central organization that actually you will interface with is almost here in the room. So what does it mean this? It's focus on delivery, it is faster decision, it is faster not only decision execution and actually is optimizing the resources that we have available. And once again, this is about cost. It's about commercial agility, it's about to be fast in taking the opportunity for growth. And in the end, all of this is to give really to the customer a different experience.

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When you embark in the transformation like this, in reality, you [ph] can really be master (01:19:35) do about nothing, has to be visible, has to be demonstrable, has to be important and impactful. So only in packaging, we have announced and we are executing now the closure of 29 sites. You have heard before from, Paul, on top of that is one paper mill. There are two recycling sites as well and we have also closed a bunch of offices around. We have reduced our workforce to date by 10%. Now, this is not a decision that comes easily. We have we are not really particularly proud to reduce 10% of workforce, per se. But those are the tough decision that you have to take if you want actually to allow the business to prosper going forward. And if you are not very proud of doing it, we are very proud the way we have done it, because I can assure there has been a lot of respect for each single individual, which has been leaving the business.

And then we have immediately a lot of procurement projects, which, of course, are justified by the inflationary environment we are in. But it is not only that that's also in force, not procuring projects in terms of executing a buying per se, but also supporting operational improvement in our in our own sites, which are very important. So what does it mean? We are bang on, on the target to deliver €480 million by the end of 2027. And actually around €200 million, around half of it it's already delivered by the end of 2026 and in different shape or form baked in our P&L already.

So this is an important number, but it is not only about delivering €480 million and done because this is not really our target. The target is to create an environment where actually our actions can deliver more going forward. And Vincent will try to bring to life with more granularity those numbers later on. So in the end, it's about to remain competitive because we want to win more business with the mutual satisfaction between us and the customer, which also means that there has to be a profitable growth for us.

In the end delivering the transformation that we are embarked in is like to be in the house or to delivering the long-term plan. There is an element of vision which is absolutely important. You need to know where you want to go. The vision is important because it's that element that allow you not to stop when you have delivered the target, but is to create a condition to deliver beyond the target. That's what is extremely important, and that's why I can tell you today we have a very deep pipeline of opportunities and other operational improvement projects which will deliver, in our view, well beyond actually the target.

One of the example that I want to bring here, where we are really embarking in an important way in our future projects. Because the nature of our business, certainly we are quite able to move material from A to B from a place to another. We are quite able to deliver to our customers, 30,000 customers. You saw the number of sites and number of geographies where we operate. We are quite good in that. Probably, I dare to say that we have been able really to become quite good and effective in the way we manage our logistic, but we have a bigger ambition on this now. We want to become really good in managing our supply chain. And managing supply chain, I mean, end to end from the way we source fiber to the way we deliver to our customers and especially the way we return in order back. Managing effectively S&OP processes, our stocks and our investments in the sites. That's extremely important. So it's a new challenge that we have put to ourselves and we believe that this one will give a great opportunity well beyond the target of savings that you have seen before in the slides.

And I mentioned before that we became really more standardizing our operating procedures. This is giving more opportunities also for our team, particularly with the evolution of the technology, thinks about artificial intelligence. And you will hear from Marc later on how we are leveraging these opportunities going forward, particularly also on the commercial side. But this is possible because we have once again created the operational environment where this can be done in a very fast way and deployed effectively into the business.

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But above all, besides programs, besides projects, besides plants, I think the main message for all of us and actually we will likely to share with you is we need to stay humble. We need to stay humble because we need to remind ourselves all the time and I can tell you, I remind to all our people all the time we are a manufacturing company, we sell what we make. If we don't stay cost competitive, we will not really put our frontline organization in the best condition to compete with best in the market. So cost consciousness will always stay very high in our agenda and we will be very alerted about this.

So what is all about in the end? In the end is about setting us up to have a real commercial advantage. We say before we want to reduce our costs, become more agile commercially. Absolutely. We want to have an optimized asset base. And that's the transformation that we are putting in place now. We want to simplify our operating. In the end, all of this is done to create an higher standard of service. Why? Because our customers are demanding this. Our customer, that's what exactly they want from a company that operates at pan-European level like us, with a flexible network and ability to serve all of them they want to have an higher standard of service. And that's what we are trying to do at the right cost, in the right condition.

So we want become, if possible, you've heard the team apprising what has always been in DS Smith meet in terms of relation with our customers. This is true. But we want to become more relevant to the customers, even more relevant going forward because that's the way in which we believe we will set the company to benefit from profitable growth.

So if there is one message from me today that I would like really to share with you and all our customers as well, is yes, it is true. At DS Smith, we have always been we are and we will stay customer obsessed. So if there is something that you can do for us is to challenge us on this and that's what we would like our customers to do with us, because that's our great opportunity to prove it again and again. And Marc and the Agnieszka later on will try really to bring you in the world of delivering to the customers the right customer experience.

And with this, I thank you for your time. And I give the word to Sunita, James and Ana for the panel. Thank you.

Sunita Entwisle

Head-Investor Relations, DS Smith

Thank you. To bring our transformation to life, I have with me two of our regional MDs. So I have Ana Soldo, who is our MD for East EMEA, and I have James Lomax, our MD for UK and Ireland. And individually, each of them have about 8 years to 10 years of experience at DS Smith, but more like 20 to 25 years experience in the industry. I'll let them introduce themselves in a little bit more detail. Ana, do you want to start?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

Good afternoon. I'm Ana Soldo coming from Croatia and I'm Subregional Managing Director of East EMEA. Stefano already highlighted our countries from Hungary until Bulgaria. And we also have export to Albania, Kosovo and Montenegro. We have more than 3,000 employees, 13 sites. And I'm very familiar with the culture of our people and more or less all of the languages. I have more than 25 years of experience in packaging, paper and recycling business. My career spanning from sales, marketing and general management. And my connection with that industry is not just professional, but also personal. Because I'm the fourth generation of my family working in the same industry.

James Lomax

Managing Director- UK and Ireland, DS Smith

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Yes. Good afternoon. I'm James Lomax. I'm the Managing Director for the UK and Ireland business. I've been with the company since about 8.5 years and a variety of commercial or operations roles actually started in the UK business as a sales, marketing and innovation director. Before moving on into the operations director role and then over into a European position running our Northern European sales, marketing and innovation team. And then in the last year, I've had the opportunity really to lead the transformation. We're going to talk to you about today. A fantastic opportunity in the UK. So very nice to be here.

Sunita Entwisle

Head-Investor Relations, DS Smith

Thanks both. And So to Ana, if I start with you. So this is obviously very scaled transformation. What makes our actions different from what others are doing in the industry?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

What makes our transformation different is that we haven't simply focused on improving the business we have. We have fundamentally redesigned our business to make it stronger, simpler and more competitive. And we gave every site a clear strategic role and focus our resources on where they create the greatest value. But the real story is not just about footprint. It's about our people, scale and complexity of we have already successfully delivered. So we transferred 69 machines, 85 million square meters of volume, rerouted 600 customers, and retrained 300 operators. And what's really what makes us different is not just ambition of our plan, but ability to execute it while maintaining the focus on our customers and business continuity.

Sunita Entwisle

Head-Investor Relations, DS Smith

Yeah. Great. And James as Stefano mentioned, UK was one of the first markets to embark on a transformation. What's that looked like in practice for you?

James Lomax

Managing Director- UK and Ireland, DS Smith

So the UK was really driven by an urgent need to address our structural cost base to build a more productive business, and ultimately to support our long term in the UK. And it really was driven by some difficult decisions in the last 12 months we will close 25% of our factories, five sites already, one to go before the end of the year. And the work has also been challenging. To give you a scale of the change in the UK, we've installed 15 assets, moved 200 million square meters of volume, and the equivalent of about 4,500 products that we've moved around the network as well. And I think actually just to reference Stefano's slides, the best example we've got is probably what we've done at the Blunham site. What the team have done there is build a highly efficient, low complexity site. Give you some numbers that will be 35% less people, 30% less labor cost, 40% more productive than an equivalent box plant.

And what's really exciting is if we can then combine that with our distribution network and our customer relationships, we're able to offer a fabulous service to our customers, our biggest e-commerce customers we can supply 2,000 pallets a day in peak, 200 different delivery locations. Lead times as short as four hours. And that's an incredible offer to be able to take to a customer. So challenging work, but being able do it, reduce our cost base by around 10% and really give us that platform for future growth has been a fantastic achievement by the team.

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Sunita Entwisle

Head-Investor Relations, DS Smith

And Ana you've, you've obviously got a lot going on in your region, but Hungary is a good example do you want to maybe bring it to life through Hungary?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

Yes, Hungary is a great example of how transformation looks like in practice. So we have fundamentally redesigned our manufacturing platform, moving from seven to three sites, each with clear strategic role, one high-runner offset an agile site. And it was not just about reducing the number sites. It was about creating a more efficient, focused and competitive manufacturing platform capable of supporting further growth. So we have relocated 44 machines, 45 million square meters of volume, and rerouted 150 customers and all while maintaining the business continuity and winning the tenders with customers. And for me, Hungary demonstrates something very important that's we can execute complex strategic changes, but also at the same time protect our customer relationships and already see visible improvements in our productions.

Sunita Entwisle

Head-Investor Relations, DS Smith

We talked a lot about making disciplined investments today. What have we invested in in Hungary and for what purpose?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

We invested €27 million in the last two years in our corrugator and converting machines, but very important, we already see visible improvements in our production. So we reduced our controllable waste by 27%, increased the converting volume by 16%, and also increased the average speed by 6%. And this is not the end of our journey. We already see some visible improvements, but the real value of our transformation is still ahead of us.

Sunita Entwisle

Head-Investor Relations, DS Smith

And another the point that we've been talking about today is leveraging our integrated model and making decisions in our paper side that reflect the needs of our packaging operations. And Paul referenced Kemsley in the UK Perhaps you can talk about how that aligned to what you needed from the packaging side?

James Lomax

Managing Director- UK and Ireland, DS Smith

What we see in the UK our Kemsley paper mill and the relationship we've got with our paper business is a real strategic advantage for us. But exactly as Tim said in his slides and Paul said in his slides, we manage that relationship to the benefit of our packaging business and our packaging customers, not simply to optimize paper making. And to give you an example, in the last 18 months, the teams working together between paper and packaging have developed 10 new paper grades that improve board performance, improve productivity and efficiency in our sites reduce waste, and equally enable us to take around 8,000 tonnes of virgin kraft material out of the UK business as well. And that's just a capability that a lot of our competitors don't have and a real opportunity for us in the UK.

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I think as the market evolves, it allows us to be even more choiceful about where we invest, even more selective about how we use our capital investing, where it makes sense, and sourcing through market, where it makes sense. And if you look at the examples that we've got, we can see it really brings it to life, doubling down the investment on our high performing recycle grades, but equally taking the opportunity to source from the market lightweight, competitive papers that really enhance our customer proposition. And I think the closing of Paul's presentation was spot on. We want the right papers, the right products, the right quality and the right cost to really support the competitiveness of our packaging business and the offer that we give our packaging customers.

Sunita Entwisle

Head-Investor Relations, DS Smith

And this is a question for both of you. We've talked a lot about kind of the cost reset and cost competitiveness. Can you talk more about how you see the actions that we're taking, supporting the growth of the business? Let's start with you Ana?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

Yes. So my – yes, having the right strategy is very important. But the real execution is happening when people take action. And for sure, my focus and the strategy of East EMEA will be to deliver on our promises. So we will deliver our promises related to our people, to our customers and our shareholders, for sure. And the focus is on improving efficiency, productivity, cost optimization and delivering growth, sustainable growth in terms of volume, but also results.

Sunita Entwisle

Head-Investor Relations, DS Smith

Great. And you James?

James Lomax

Managing Director- UK and Ireland, DS Smith

For me, it's really that flywheel that you've seen in all the presentations. Absolutely we need to address the structural cost base of the UK business. Absolutely. But what we also want to do is take some of that and invest it back in our customer proposition, whether it's the assets that we produce, the products in the factories that run through, the people who make them, or the people who are in front of those customers. We want to invest in that customer experience so that we're able to grow our scale and grow our share of those customers. And it becomes that virtuous circle that Tim talked about that we can then reinvest that productivity back into the cost base, back into the productivity, back into the customer experience, and keep driving that profitable growth.

Sunita Entwisle

Head-Investor Relations, DS Smith

And then last question again for you both. This has been – it's a lot of large amount of work that's going on and credit to you and your teams for how much you've delivered. What lessons to be learned and what are you doing those going forward?

Ana Soldo

Subregional Managing Director-East EMEA, DS Smith

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My lesson is about people collaboration and execution and having the right strategy is very important. But the real change happens when local teams take ownership and work together united towards common goal. And this is exactly what we did in East. So every transformation comes with challenges. But what really makes the difference is having a strong and talented team that support each other, works together and finds solution every single day. And this is exactly how transformation becomes part of the culture. But when it becomes part of how we think, collaborate and run the business every single day.

James Lomax

Managing Director- UK and Ireland, DS Smith

And you, James?

James Lomax

Managing Director- UK and Ireland, DS Smith

Very similar, I think for me that, this isn't a program or an event. We really want the transformation to become much more about that our capability. And as we've gone through the transformation, it's tough. But actually being tough, building that capability gives us a real competitive advantage as well, because we're also building processes, building structures with great people and data, they're increasingly defining where we make products, where we store products and where we supply products, and that we've taken customers through that journey with us, we're taking people through that journey with us and building that continuous improvement culture, for me is the ultimate measure of success that we come out of this at the end to the business that can keep transforming for the future.

Sunita Entwisle

Head-Investor Relations, DS Smith

Great. Thank you both James and Anna and all the other presenters, obviously available for questions later this afternoon. Then we're going to take a short break now. I think we'll take about 20 minutes. So that will be here in London about 2:50 PM. We'll start again. So there's refreshments at the back for those in the room. Thanks.

[Break] (01:40:57-02:00:15).

Sunita Entwisle

Head-Investor Relations, DS Smith

In a moment, Marc is going to kick off our second session focusing on how we're enhancing our commercial model. Just a short video before that.

[Video Presentation] (02:00:31-02:00:31).

Marc Chiron

Global Sales, Marketing & Innovation Director- Packaging Division, DS Smith

Welcome back, yeah. And I'm happy to be here with you. My name is Marc Chiron. I'm leading our sales, marketing and innovation community. So the team is facing our customers every day in our Packaging Division. I joined DS Smith 19 years ago, but before that I spent more than 15 years in the food industry. So on the other side of the fence in our customer world.

You've heard Tim and Stefano saying that we have a strong positioning with our customers. So together with Agnieszka, we're going to give you an overview of our commercial offering to deliver our customer promise. I will

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explain a bit more and unpack for you our strong position as well as explain how we refine our commercial offering in the last 18 months. And then Agnieszka will join us on stage and we'll give you some concrete examples of what we've achieved in the last few months.

Just I would like to start to give you an overview of our customer portfolio. So two thirds of our business is done in fast moving consumer goods, FMCG, and the remaining third is in ecommerce, automotive, pharmaceutical, electronics. We serve the major global brands in the world. You can see them on screen and very often we are their main packaging solution provider.

Our strategic customer relationships are very longstanding, and we are building that at scale because we supply them across all EMEA. So let's see what our customers are really looking for nowadays. It's fair to say that our customers are facing quite broad pressure on cost inflation, volatile demand, more complex supply chain and more disrupted supply chain, to be fair, in the last few years, as well as a growing regulation. So they need a partner that can transform those challenges into measurable value for them. And we can help in four areas. Improve cost efficiency, so this is where we can reduce the total cost across their inbound outbound logistic, while we are keeping the efficiency of their operations very high. We can help them strengthen their supply chain resilience. I mean, Stefano explained the wide portfolio, the wide network that we have with more than 180 sites across Europe, and we can offer a backup when needed. So for our customers, it means to protect their business continuity.

Obviously, we can enable as well growth through innovation. So we are designing solution to make sure that our customer, we will shine on shelf and we deliver growth for them while we take care of the total cost. And finally, we can support them transition to more sustainable packaging. So we help them to navigate and meet the regulations, either by reducing carbon emission or by replacing plastic where relevant, or by removing empty space.

Let's see why customers would choose now DS Smith. Everything starts with two fundamentals which are critical for us reliable service and consistent quality everywhere where we serve our customers. And over time, we measure quality through our DPPM and our service through our OTIF. So you have two figures on the right hand of the of the screen, and we have strong track record. These are high performance in our industries.

When we have those fundamentals in place, we can build strong customer relationship by deep customer advocacy. So what does it mean? Obviously, we all engage with the procurement team, the packaging development team of our customers, but we want to go beyond that. We want to engage with the supply chain, with their sustainability, with their category management, their marketers, even their sales team, because better we understand their business, better we can be relevant for them through the solution that we are delivering.

And we use this deep customer understanding then to develop co-create with them bespoke and scalable innovation roadmap. And that's for us an opportunity obviously to strengthen their business while we take care of the total cost and we help them to tackle this sustainability agenda. There's another figure on the screen. We churn every year around 40% of all the customer products that we are producing. Just to give you a level of activities happening every single day across all our plants in order to be able to develop the right solution for our customers. And when we do all these right that deliver results. Stefano mentioned our customers survey and our NPS score. We run the last survey in spring this year. And when we were in competition with at least one alternative supplier, our NPS score, so the Net Promoter Score, which is our customer advocacy measure, was twice that of alternative supplier. And you will tell me that why does it matter having a high NPS score?

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Because by experience we know that to the high NPS score is directly linked to profitable growth for the SMEs as well as for the customers. So that's how we would like to engage with our customers. So what I suggest is that in the next three slides I'm going to deep dive in the main customer segment that we are serving and I will explain you the challenges they are facing in those specific segments and how we can help them.

And let's start with FMCG, because this is the biggest part of our business and the fresh and processed food because that's our largest segment. So our customers are facing ingredient scarcity, meaning cost inflation. They are also fighting on shelf against private label. So when we design new shelf ready packaging and it could be a combination of corrugated board and papers, we need to balance properly few things, the visual impact on shelf, the total cost, the supply chain efficiency as well as the right level of material.

In beverages, two main challenges, the offer to consumer is more and more fragmented. A lot of new newcomers, local players coming to play in that segment. And in the same time, the specific beverage supply chain is really demanding. So what does it mean for packaging? It means that our solution needs to run on high bottling lines in humidity and the high speed. And then perform throughout the whole supply chain afterwards.

So if we want to win in this specific segment, we need to protect the line efficiency of our customers and enhance their brand on shelf. So very often to do that, we need to be disruptive in the solution that we bring to the market. And when you are disruptive, it means that there's a lot of industrial trials, there's a lot of consumer tests, and there's a lot of collaboration for us in this specific segment with the machine suppliers of our customers, because we need to protect the efficiency of their lines. And this is exactly what we've achieved successfully when we developed for Coca-Cola, the replacement of their plastic shrink wrap with a paper based corrugated solution for their six-bottle pack, you will have for the people in the room some example of the other back end of the room.

Let's move to non-consumer goods. Non-consumer goods we reach the market through different channels. So the traditional retailers, specialist outlets, [ph] all discounter (02:10:43) but more and more e-commerce. And in the same time there's a shift from the consumers towards more sustainable primary packaging. So our recyclable solution must reduce the cost across this complex supply chain for our customers, as well as using effective buyers and looking to protect the product as well as the consumer and especially the children.

So a good example of that when you do your shopping during the weekend, you may have seen that the traditional plastic tubs for the laundry pods have been replaced by corrugated solution again for the people in the room you will have some example at in the end. And this is a result of years of development with our customers, the leading players in the laundry care segment.

Industrial sector so I mentioned before we are talking about automotive, chemical, pharmaceutical, electronics. So they all differ, but they have the same common challenges. A complex, global, sometime regulated supply chain. They carry quite high value products. And because of the size and the weight of the product that they need to ship, very often we need multi-material solution to come with the right solution. So for us, it's really important that we understand deeply the logistic constraints that they are facing. So that's why we use sensors, for example, to collect real world data on humidity, impact, temperature, making sure that when we design the solution, which could be a multi-material solution, we come with the right solution for that.

Give you an example, when you are shipping aftermarket headlamps or power train from the UK or Germany to South America or the US, you can imagine that it requires quite a high attention for that to happen without any damage. And we offer as well to our customers global services to accompany them across the globe if they have global operations.

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And finally, I would like to talk about e-commerce, because it's different again. It has been mentioned before. This is a growing segment for us. But in e-commerce, we design the packaging for an individual shipment, on the contrary of what you have on the traditional pallet-based retail distribution. European routes increasingly as well, target empty space reduction and that will have to be effective by 2030. And the e-commerce players are investing heavily in robotics, meaning that it raise the demand for packaging, productivity and consistency for them to use that properly in their in their operations. So what does it mean for us if we want to stay relevant for them?

It means that we need to go beyond the traditional corrugated box. We need to invest in the flexible packaging such as paper bags. I'm not going to tell you more on that because Agnieszka will come back with a concrete example of what we've achieved with one of our strategic customers. So this is us today supporting our customers coming with the right the right solution. But building on our strengths, we refined our commercial model to try to unlock more value for the future.

And actually, Tim alluded to it over the last 18 months we really focus on what matters most. So what does it mean in our world of SMI, sales, marketing and innovation. We define where we want to compete. So the strongest profit and growth potential. And then we clearly articulate our right to win. How are we going to differentiate from competitors to be relevant for our customers? And this is crucial because it helps us afterwards to allocate our resources across sales, marketing and innovation behind the right segment and the right customers.

So we have, I would say, a more targeted and tailored approach for our commercial model. And on top, obviously, we are going to benefit from the cost advantage that both Stefano and Paul described, because let's be clear, competitiveness is a must in the world we are living in. And we have clear expectation from this refined commercial model. We want to increase our share of wallet with our customers. We want to outperform in the segments that we have targeted and we want to increase our NPS score because it's directly linked to our profitable growth. And we start to see early results of that. Year-to-date, our volume growth with our key strategic customers is 3.5%. So it's more than 2% above the market trend as we see it.

And in the same time, Tim alluded to it as well, we simplify our business. We reduce our long tail of customers by 10%. What I like to do in the next two slides is to unpack a bit more what we have been doing concretely to make it happen. The first thing is more consistency and discipline in the way we act as an organization. So we clarify the rules between local, regional and central teams, making sure that everybody is super comfortable.

We strengthen as well our cross-functional key account plan, so we start to be a bit more detail. But why is it important? Because this is where we capture the ambition we have with our customers and how we are going to deliver profitable growth for them as well as for us. And we share that with our customers. And the last things we've done. We redesigned our tender management process. And again, that's important because it's help us to increase our win rate in the targeted segments behind the customers that we want to grow with.

There's a second area which is linked to the portfolio management. So Stefano mentioned it's 30,000 customers. As I said, we reduce the long tail of customers and offer alternative routes to those customers as much as can. For the remaining part of the portfolio, we do know that not all the customers need the same things, right? So we redesign our model. And as we speak, we are deploying across the entire organization a new differentiated service model and we do that with consistency across our 29 countries.

On top, we've been improving our voice of the customer approach. The idea being that we stay very close to the customers and we act, we react much more quicker to their points. Stefano mentioned the level of transformation

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that we are in drawing for the last 12 months. Well, this new voice of the customer approach help us to stay close to customers and making sure that each time we improve and adjust as we go.

The third area is a deeper customer understanding. Let's make sure that we grow the trust with our customers because the trust when we work alongside them and when we speak their language. So what does it mean for us? It means that we strengthen our teams with sector expert and we orchestrate this expertise across the entire business. As I said before, if we are able to understand better the challenges, but as well as the opportunities, honestly, of our customers, we will be better placed to serve them properly.

And the last point Stefano mentioned it, better use of data and technology. The idea here is that we revisit our key processes. I mentioned tenders, but they are others that we are revising right now because we want to make sure that the teams will have the right information with the right accuracy at the right moment to make better informed decision. So We are working on an upgrade of our CRM to continue to speak as one voice to our customers across our 29 countries because know that will help to increase the customer experience, so the NPS, so the profitable growth.

There are two other areas that we are redefining for us to unlock more value. That's innovation and sustainability and those two are super interlinked. So design is a key lever for us to reduce the total cost with our customers. So we are investing and strengthening our predictive modeling tools to enable faster and quicker design of the solution. We build as well capabilities on product carbon footprint and life cycle assessment because we have an increasing demand coming from our customers in those fields.

We mentioned already the shift away from plastic, which is an opportunity for us as a business. We need to capture that. So we are investing in R&D to improve protected buyers of the paper-based solution and to develop new materials when possible. Because paperization, which is the name we give to this trend as well as lightweightings are opening new opportunities in primary packaging. So if we are able to bring new functionalities to our fiber-based solution, it will allow us to have a more valuable role in the value chain of our customers, so we will be more relevant. So we will be able to deliver more growth.

Let me conclude on that. And you've seen this flywheels already because Tim, Paul and Stefano mentioned that it's important for us to deliver superior customer experience. So we do have a proposition for our customers which is structured around four pillars. Reliability, it's really about supply chain resilience, which is supported by our network and the consistent performance on service and quality. I can't insist enough on that because that's really mandatory for us and we are doing well in that field. The greater efficiency is really how we can improve the customer value chain through deep operational understanding we need to be in their plants, we need to be with their team to understand how we can support them better.

Sustainability expertise, we help customers navigate through regulation and there's more and more. So I mentioned carbon, but we help them on nature, we help them on social impact, on water. There's a vast level topic that we can we can cover. And leading innovation, we help customers to outperform in their own market while we keep control of the total cost for them.

You will tell me it's nice to have a nice customer proposition, but the most important is how do we bring that to life for our customers? And that's where our teams and I'll echo what you've heard from my colleagues before are making a difference. It's not me saying that, that's our customers over and over when we survey them annually. The passion, the expertise, the professionalism and, the can do attitude of our teams are bringing all this to life for our customers, and this is a key differentiator for us. So that's why, as we speak right now, I feel really confident that we are well equipped for the months and the years to come.

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Thank you for your attention. And I will ask Agnieszka to join and to share some example that what we have achieved with our customers.

Agnieszka Talecka

Director-Regional Sales, Marketing, Innovation-Central Europe & Director-Divisional SMI Excellence, DS Smith

Thank you, Marc. Good afternoon, everyone. I hope that you're enjoying the session so far. It's a great pleasure to be here today with you. My name is Agnieszka Talecka. I'm SMI Director for Central EMEA and Subregion of the DS Smith. So you just heard from Marc about our unique operating model in sales, marketing, and innovation function, the model that has been designed to create competitive advantage in the market and turn it into profitable growth.

So now I have the pleasure to present probably the most exciting part of the story, how this model translates into real life examples of us winning together with our partners. So two customers, two stories, and three guiding principles that we apply in SMI, starting with creating unique customer intimacy that creates competitive advantage. Then it's about understanding customer strategic priorities. And finally turning this insight into innovation and profitable growth.

So let me start with Zalando, one of the leading and to – fast growing e-commerce players. Personally, for me, probably the best friend, especially during Christmas shopping season, but for packaging, it's a very demanding customer. For Zalando, in order to deliver superior customer experience to its shoppers, they expect nothing different less than nothing less than service excellence from their partners.

So just to bring a couple of the examples, it's about 99% of our e-trade in in quality or minimum 99% of on time in full when it comes to target for deliveries. So our partnership with Zalando started already in 2011, strengthening over time with DS Smith achieving preferred supplier position. Today, this partnership goes far beyond just day-to-day service. It's really about growing together, innovating together, investing together, and customer testimony that you can see on the slide says it all. I don't need to explain it further.

But this is something which makes me extremely, extremely proud as much as I'm proud of the people that are behind this success under the leadership of [ph] Elizabeth (02:26:52) and, of course, many of the local teams supporting her in our agenda. So this unique customer intimacy gave us something extremely, extremely special. The ability and opportunity to engage Italy in Zalando's strategic plans. As a trusted trade partner in corrugated board packaging, we were invited to customer to investigate a new growth opportunity in paper box because it was not our core of the business. We acted on decisively.

So first we created a paper bag excellence hub via strategic upgrade of one of the Polish sites. Secondly, we invested into four new paper bag machines, strengthening our operational capability. And finally, we reallocated the existing volume to create the space and capacity to support the future growth. As a result, we won a significant Zalando paper bag hub business to supply multiple European countries as of next calendar year. With that, we became a one stop shop partner for Zalando strengthening even further that our strategic partnership. And that is what winning together is in action. Customer intimacy creates opportunity. Investment turns this opportunity into growth. Now let me move to another example of a partnership that I'm extremely proud of.

Next slide. This is, again, another brand next to Zalando very close to my heart, supplying two essentials in my life, coffee and sweets. So with Nestlé our collaboration spans over more than 30 years. We've DS Smith supplying more than 60 Nestlé sites across more than 20 different countries. That is a remarkable legacy. Together, we have built an integrated European platform that goes far beyond just packaging. It's about

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innovation, efficiency, and finally, it's about sustainable growth across multiple Nestlé brands and, different types of packaging. And you can ask what is what is the magic? What is the secret behind? And similar to my colleagues, it's about our people. So it's about the strength of the teams. It's about [ph] Marco. It's about Francesca (02:29:37), supported by this teams and empowered by as SMI strategic framework.

So this long-term significant growth that we created together was only possible behind this continuous innovation. And some of the innovations are very much focused on creating market differentiation, helping the product to stand out on the shelf. But the Dolce Gusto example that I'm going to talk about demonstrates something more fundamental, the power of system thinking.

So by looking at lightweighting across both and secondary packaging, rather than optimizing these two components in isolation, we were able to unlock significant cost saving opportunity across the entire Dolce Gusto packaging system in key European markets. This opportunity supports not only Nestlé's Strategic Cost Transformation Program, but also their very ambitious sustainability agenda via lower cost optimized consumption of packaging and has CO2 emissions.

And unlocking this opportunity for us was only possibly possible because two things. So first, it was very much about the strength of our integrated European manufacturing network. And second, it's about again the power of our people experts spending hours to make sure that this innovation works perfectly on Nestlé sites, not comprising on productivity.

And that brings me back to where I started. Everything we're doing at SMI starts with creating unique customer intimacy that becomes our competitive advantage, understanding customers' strategic priorities so we can truly walk in customers' shoes and finally, turning to the insights into innovation and growth for our customers and for DS Smith. And that is exactly what we mean by winning together.

Thank you very much. And I invite Marc back on the stage for the final remarks.

Marc Chiron

Global Sales, Marketing & Innovation Director- Packaging Division, DS Smith

Thank you, Agnieszka. And thanks for showing those great examples. We are super proud of that. So Stefano said, we are customer obsessed, but if you keep hearing about us, we're not really walking the talk, right? So we will give the last word to our customers and actually I would like to give the word to Mondelēz. So we are serving Mondelēz for more than 20 years. We are their exclusive partner since 2014. So it's fair to say that in the last 12 years, we have enjoyed a very challenging journey, but a very rewarding journey as well with them. We are already shaping the future with them. Because we have a joint business plan that we develop over the years and the ambition of this partnership is really simple. We want profitable growth for both parties, and that's really the mindset which is behind this partnership. So you will hear from Irina Shishkova. She's a global lead for packaging. She is a key stakeholders – for us, and she really helped to continuously raise the standard of the partnership that we have with Mondelēz for years now. So let's enjoy the video all together.

[Video Presentation] (02:33:28-02:33:46).

Irina Shishkova

Global Head-Packaging Sourcing, Mondelēz International

[indiscernible] (02:33:46) in Europe, which is a big testimony to the relationship we are having. As it comes to corrugated materials this has biggest volume share in our packaging portfolio. So it's super critical and important.

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We have been through some very difficult times and DSS has always put priority on Mondelēz portfolio, which is highly appreciated. Probably the first and the biggest challenge for us was COVID time when there was a lot of supply scarcity, material scarcity all on the other end demand growing that make it difficult to get materials but not us we were of the few companies that continued producing our lines. We have never been stopped.

The footprint helps in many directions. So both of our companies are producing all across Europe. So that is super important. In an organization where you want to bring brand consistency so no matter whether I produce in UK, in Poland, in Bulgaria or somewhere else across Europe, I would have the same quality. I'll have the same visual image, the same service levels. We do have a joint innovation and technical road map that the two R&D teams of the companies designed together and it matches both DS Smith but also Mondelēz's ambition and program going forward.

The way DS Smith helps us is using the circularity matrix, any design that is being created is measured through these to understand if really the overall footprint and CO2 impact that this product has is worth designing in one or another way. The most valuable part is definitely the collaboration. If you end up in a meeting among those things, you feel like they work in one organization. You hardly see two companies, you see one team working together. I believe really our ambitions on both companies side go in exact same direction. So for sure, it's a very good and valuable collaboration.

Marc Chiron

Global Sales, Marketing & Innovation Director- Packaging Division, DS Smith

Thank you, Irina. And without further ado, I will invite Vincent to conclude the presentations.

Irina Shishkova

Global Head-Packaging Sourcing, Mondelēz International

Thank you.

Vincent Bonnot

Vice President Finance & Chief Financial Officer, DS Smith

Thank you, Marc. Thank you, Agnieszka. Wonderful testimony today and wonderful examples. So my is Vincent Bonnot. I've been with the company for 18 years, International Paper and DS Smith and in the packaging space for about 27 years. And I'm very happy to today take you through the financial foundations that we've established. The benefits of the actions that we have taken and what they are delivering for us, as well as our medium-term ambitions.

So as you've heard today, we've simplified and streamlined our business. With a clear focus on optimizing a pure play operation that serve our customers and ultimately our shareholders through sustainable, profitable growth. Since the middle of 2025, we have a material reset of our cost base with most of the heavy lifting complete on this initial cost takeout program by the end of this year and benefits accruing over the short term. And as you've just heard from Marc and Agnieszka, we're revitalizing our commercial strategy in a similar way to drive share of wallet with our key strategic customers and support our long-term profitable growth ambitions.

Importantly, all of this is underpinned by financial flexibility, disciplined capital allocation and, a focus on returns. We expect to start our life post spin with an investment grade balance sheet or of self-help plan will drive margin growth and we will be focused on cash and return to shareholders. So over the next few slides, I will take you through our current trading and the building blocks of our financial model as we look forward.

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All right. Let me start by contextualizing where the business is today. As many of you know, we are starting from a challenging market backdrop. Over the last couple of years, softer demand has been the principal pressure on revenue alongside paper price volatility, which has resulted from extremely volatile energy costs, but also pressure from excess paper supply, given the capacity expansion decisions made in the industry during the pandemic, demand peak. High input cost inflation driven by labor and material cost has further stressed margins.

Recent paper price increases led by significant energy costs increase and inflation are in the process of being passed through to packaging products. This pass through typically occurs with a lag, creating a short-term pressure profitability as packaging prices trail production costs. While around half of our packaging business operates with flexibility to adjust prices in our packaging system, larger packaging customers have contracts which are typically indexed to paper prices during certain assessment windows. So as a result, while 2026 margins are being compressed, we expect 2027 to see a material benefit from currently announced paper price increases.

Against this backdrop, as you've heard consistently today, we have responded with decisive actions and we are already seeing evidence of their positive impact in the numbers. In 2026, we expect revenue to be slightly lower year on year as a result of deliberate product portfolio choices, our focus on margin volume, but also on the back of a softer demand environment.

However, adjusted EBITDA on an IFRS basis and in euros is expected to be between €730 million and €780 million, which translates into EBITDA margins between 9% and 9.7%. And this includes headwinds driven by the lag between paper pricing and packaging pricing that I just mentioned. In this high inflation environment, we are pleased that the business has shown profit resilience. The range we are providing accounts for the huge volatility that we're currently seeing in energy prices, with the TTF Index having risen significantly since the start of the summer. The range within our guide considers this volatility with the lower end assuming a €110 per megawatt hour on gas costs, while the upper end assumes a TTF of returning about €70 per megawatt hour. And whilst we are hedged for around half of our consumption in the final quarter of the year, the scale of the current energy cost increases could weigh on profitability. Now, despite the external pressures that we have seen in 2026, our expected margin resilience is also supported by strong run rate savings from our cost takeout program, which I will cover later on.

So this being said, let me now turn to how we are driving the business forward. And just to note that the reference historic bar on this slide does not include the full 12-month from International Paper European assets. As we have said today, a lot of the work has been done to drive a significantly improved financial performance for the business. This slide highlights those ambitions, although I want to make it clear that they do not assume a material improvement in the industry backdrop that would be further upside.

In addition, there are other value creation work streams that are underway which are not included into our plans yet but are meaningful, and I will speak to some examples later. Ultimately, we expect to deliver adjusted EBITDA growth through volume growth of GDP plus and margin expansion from the current guidance to mid-teens levels. This alongside a reduction of one off cost, cash costs will drive over time free cash flow conversion to the mid 30%. Our definition of adjusted free cash flow is effectively everything prior to financing movements and distribution to shareholders. So let's take these ambitions one by one.

And I'm going to start with revenue. As Tim mentioned, we are operating in a market where volumes are expected to grow between 1% and 2% annually over the mid-term supported by solid long term structural trends. Volume growth in our industry is historically correlated with real GDP, and therefore we believe over the medium term this remains good benchmark. This is supplemented by the strength of our customer relationships and our enhanced

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commercial strategy as Marc and Agnieszka has talked about. And we are executing a go to market strategy that focuses on taking advantage of our improved cost structure to deploy a segmented customer offering and identifying growth opportunities, either segment or geography driven.

Together with the underlying market growth, we have confidence in our ability to deliver volume growth ahead of GDP and drive sustainable revenue growth. Apart from announced price increases, we are not assuming prices are a material contributor to growth within our medium-term guidance. Our packaging prices will mostly reflect changes to our input, cost and mix changes occurring as a result of our commercial strategy.

All right. Let me now switch to the cost side of the of the house, too, so that you can build a picture of our margins. So I'll take you through our total cost base and what we do to manage these items. So you can see on the right-hand side of this slide the mix of our total cost base 2025 and these percentages obviously move around year to year, but that will still give you a good sense of the makeup of our costs.

Raw material represents a little less than half of our total costs. This is principally recycled fiber, externally purchased containerboard and chemicals. Pricing here is driven by supply demand in the market, energy cost and general market macrotrends. And you've heard earlier that we have central teams that are hard at work optimizing our procurement in the space with the scale of the business as a key strength and a key competitive advantage.

Labor costs represent around a quarter of our total costs, reflective of weighting to packaging sites, which tend to be asset lighter but more labor intensive. Typical wage inflation is around 2.5% to 3% range, although it varies regionally where collective agreement, for example, exists. While there is a significant benefits to our cost base from the group's initial portfolio reset, we will continually manage cost inflation with discipline.

The group's mindset shift around delivering continuous operational efficiency improvements is critical to this. Together with the initial cost reset this will support labor cost per unit reduction over time. And I think we've provided some very good examples of what that can look like. On the direct energy side it's largely in our mills and it's principally gas and electricity and it accounts for around 10% of our costs. We also have indirect energy exposure through our purchases of paper, chemicals and freight costs.

As far as our direct exposure is concerned, it is substantially hedged over a multi-year horizon and we also sell energy generated by our mills back into the grid as a further natural hedge. You've heard today we've been investing considerably to reduce energy consumption and modify our fuel mix over the past four years as Paul mentioned. And those investments have mostly benefited the mills, which are more energy intensive and have allowed us to reduce energy costs, emissions and our exposure to fossil fuel fluctuations.

But alongside the day-to-day discipline, our substantial cost out program represents a medium-term saving equivalent to 14% of our operating's cost base. This is a €480 million of savings coming from rationalization and simplification of our business, the removal of overhead and facility costs, as well as procurement savings. Today we've already announced a reduction in our footprint by 15% and reduced head count by 10% from 2025, with volume transferred between sites. And I'll move to there, as Stefano talked about, has been fewer better sites to receive volume, improve productivity and remove fixed costs.

In aggregate, we are moving 13% of volume across our plant network and we expect limited volume loss as result of those moves. And as you've heard too quality and service have been maintained relative to 2025, which is a testament to execution capability across the business and to our focus on ensuring minimal impact to customers. We've also been able to remove around 20% of our procurement supplier base and extract synergies out of the combination of legacy DS Smith and [ph] IP M&A (02:48:47), as well as taking advantage of our scale to buy

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better. Our cumulative savings by the end of this year are expected to reach €200 million, and we expect our run rate at the end of 2027 to be close to the total €480 million of the entire program. But this is only the beginning in this journey, with several cost opportunities under review, which are not in the initial cost reset, whether on the supply chain and distribution cost side, or through leveraging data to highlight productivity opportunities as well as in the commercial space or the efficiency of the functions we run across the company. And as Paul mentioned, our mill investments will continue to drive cost efficiency on the paper side and bring our overall mill system down the cost curve.

Before we move on from the cost, it's also worth stating, and there is detail in the appendix to this presentation that we do not have material costs incurred as a result of the separation from International Paper. The business we're being run relatively separately and so there is limited entanglement scope to unwind. We expect the limited number of TSAs to largely roll off in a period of 12 months.

So taken together, the actions we have taken drive our path to medium term EBITDA margin ambitions. Starting from about 9% to 10% in 2026, our ambition is to grow adjusted EBITDA margin to the mid-teen over the midterm. The biggest driver of our cost saving program with € 200 million of our targeted initial savings achieved so far and about €280 million expected to come. This is supplemented by an expansion from commercial activities. The largest proportion of the bar that you see on the slide here is really what I discussed earlier, which is the expected pass through of paper pricing to our index packaging prices, which is underway and expected to come through 2027.

Beyond that horizon, we model trend line paper and packaging prices as we do not count on material changes to the industry structure and operating rates. In addition, this includes a moderate volume benefit based on market growth. Longer term, we expect our superior customer value proposition to support above market growth rates, as our commercial offering sets us up to building wallet share with strategic customers and winning new attractive tenders.

We assume that these items are going to be partially offset by typical level of cost inflation, as I described earlier. What we believe is this is a realistic and achievable plan. It's a self-help driven plan, as I mentioned. It's not reliant on any material support from market improvement. Our comfort with this ambition is further supported by the additional opportunities that we see and that they are not currently considering in these numbers as I already discussed.

The EBITDA growth in turn will drive a strong improvement in free cash flow, as will reduce one-off cash costs and normalizing CapEx levels. We expect one-off cash costs of €120 million to €130 million this year, and that's related to our cost optimization program. It will reduce in 2027 remaining meaningful before running off in 2028. This will have an impact on near-term cash conversion, but does not reflect the underlying cash generating potential of the business. Our CapEx in 2026 is expected to be around €550 million to €570 million. As EBITDA grows, our CapEx outflow would absorb a smaller proportion of our operating cash generation. We see the level of CapEx on sales trending from around 7% today towards 6% as revenue builds and with large scale investments on the mill side in particular have been made over the 2024 to 2026 period.

Finally, a few comments on factoring. We Have a €400 million to €450 million facility, which represents around a third of our typical receivable balance. It is attractively priced. It's non-recourse, it's backed by insured receivable. We do not intend to increase its use beyond existing level and we will review the need to have the facility over time.

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So now I'll switch to CapEx and our approach there. As you as you've heard today, we have invested substantially into the business over the last couple of years to improve the quality of our assets. We've made some significant investments, but as I just mentioned, the large-scale investments, particularly on the mill side, are now largely complete. So going forward, we expect to allocate an increasing proportion of our growth CapEx to our packaging sites.

As Tim mentioned, individual investments are much smaller on this side of the business, which allows us to be a lot more flexible. We can make selective investments, test them again in return and adjust the pace of spend. We have a lot of optionality on capital deployment and we will disciplined and returns focused as we make strategic and cost reduction investment choices across all our regions.

We will also maintain a regular allocation to maintenance and regulatory investment. To keep our network of sites operating well. It's critical to be disciplined in ensuring the fleet is well-maintained to avoid productivity erosion over time and large catch-up commitments and we will not compromise on safety or reliability either.

Over the last couple of years, we have spent on average broadly equal amounts to maintenance and license to operate projects on the one side and cost reduction and in strategic projects on the other. As we reconfigure our footprint and commit capital to newer equipment across our converting network, we expect to see productivity gains over time. Despite the investment made, CapEx as a percentage of sales has already fallen from nearly 8% of revenue a few ago to about 7% and we intend to bring it forward to a level which is in line with the industry average in the midterm.

So moving now to our capital structure. As I said, we expect to start life as a listed company with an investment grade balance sheet, a competitive leverage and strong liquidity. This provides the financial flexibility for disciplined investment in the business to pursue growth, opportunities and deliver a return to shareholders.

At separation, we expect net debt of approximately €1.8 billion, representing a lease adjusted leverage of around 2.3x to 2.5x on 2026, which a trough EBITDA. And it's a quarter turn less if you exclude leases. We expect to delever as we go through 2027 and the out years. We anticipate our financing to comprise a mix of bank and public market debt with a balanced maturity profile. And in addition, we will have a €1 billion undrawn revolving credit facility and we will start with a strong net cash and cash equivalent.

So summing this up, in terms of capital allocation framework, as I've just outlined, our strong investment grade balance sheet gives us the financial flexibility to deliver on our strategy. That strength also underpins our disciplined capital approach to capital allocation. Let me be crystal clear. We will make sure to be great stewards of this balance sheet.

As I mentioned, we will continue to deploy organic investments, including maintenance CapEx and targeted growth opportunities. Alongside this, we are committed to a progressive dividend targeting a payout ratio of 30% to 50% of adjusted earnings over the medium term. With the first payment expected in the second half of 2027.

Beyond this, we will consider value accretive bolt on acquisition only if they enhance our reach, our capabilities and returns in a more compelling way than the many organic investment choices that are available to us in the system. And we do not expect M&A in the first 24 months post admission. And where surplus capital is available, the board will consider opportunities to return it to shareholders while maintaining leverage within our target range.

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So this brings us to the summary of our financial guidance framework. As we've outlined our focus on driving volume growth at real GDP+ growing adjusted EBITDA margins to mid-teens and improving free cash flow conversion to the mid 30%. We expect capital expenditure, as just mentioned, to trend towards 6% of revenue to deliver a progressive dividend with a target of 30% to 50% payout ratio while maintaining a strong investment grade balance sheet with a leverage between 1.5 times and 2.5 times.

These targets provide a clear framework for improving profitability, strengthening cash generation and delivering sustainable shareholder return on the back of what is fundamentally a self-help plan. It's chiefly built on costs and investment discipline and a rejuvenated commercial approach as you've heard today. It's not dependent on material macro improvements.

So to wrap up, what I hope you take away from this is the combination of ambition and execution. We have a clear plan for volume growth. We have completed substantial changes to the cost structure, at scale and at pace. And we are managing cash, investment and the balance sheet with discipline. This organization has tremendous capabilities and it is laser focused on executing the plan, delivering benefits to our customers, our shareholders and our teams in the process. And while we cannot control the external environment, we will focus on controlling how we operate. The change that we've made put us in a stronger position to deliver improved profitability, cash generation and shareholder returns.

And just briefly, turning to the transaction itself before I hand it over to Tim, the simple message here is that we are on track for listing within or ahead of the previously announced 12 months to 15 months timeline that was given in January this year. The work streams related to this are significantly progressed, including regulatory processes and a 20-F has been filed publicly and is available on our website, which I would encourage you if you haven't to go take a look at.

And with this, I will now hand it over to Tim for concluding remarks before Q&A. Thank you.

Timothy S. Nicholls

Executive Vice President & President-DS Smith, International Paper Co.

Thank you, Vincent. So, first of all, I'm very proud of this team that's been in front of you today. I think you see the ownership that they have for the change that we're trying to execute. But all of us, all of our colleagues here today are really honored and proud of the teams that we represent because they are the ones that are making all of this change possible and happen on the ground. It's their capacity for change and it's also their high execution capability that makes this happen. This is a this is change on a pace and scale that I have never seen in our space before. So it's very exciting times. We're aiming at improving our performance for all of our stakeholders and especially as you saw, our financial performance that Vincent just outlined.

So in sum, what are we doing? We're building a new DS Smith. We're building a better DS Smith. And I thank you for your interest. So I'd like to invite Paul and Stefano up and we'll move to Q&A.

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QUESTION AND ANSWER SECTION

Sunita Entwisle
Head-Investor Relations, DS Smith
A

And we'll now welcome questions from those in the room and online. There are a few hundred of you online, so please do submit your questions via the portal. For those in the room, can you please wait for a mic to come to you? And please then start by your name and institution before asking your question. So perhaps I'll start with the questions in the room.

Detlef Winckelmann
Analyst, JPMorgan Securities Plc
Q

Hi, guys. Detlef Winckelmann coming from JPMorgan. Just a couple of ones. One or two on a technical one. If I look at your slide 76 and I don't expect you to go there, it does say IFRS everywhere. Where's the press releases non IFRS. So just curious, you know, kind of what the targets are based off of on an IFRS or IFRS basis. a non IFRS or IFRS basis.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

Yeah. Everything we're. Sort of I might, but yes, I am no. Great. Everything we provide Detlef is on an IFRS basis. So going forward we will obviously report in on an IFRS basis in Euro with the December end of 20 – of 31 of December. And so the numbers we provide are on an IFRS based.

Detlef Winckelmann
Analyst, JPMorgan Securities Plc
Q

Okay. Perfect. And then maybe just one follow up. I mean, on this lighthouse model on the box business, at a very high level, it seems pretty logical to me volumes where they should be and serves the customers the best. My question would be why haven't other people done it before? You mentioned that you'd be market leader in this, you're one of the first guys doing this. Where could it go wrong? Why on people doing this to start with or is it just that they lazy? Just curious on that.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

Yeah. So I think the question was why, why are we unique in putting a lighthouse model together? And you know why people haven't done that before? Stefano would be probably more qualified than I am to respond to that, but I think it's a combination, Stefano described of not only having the courage but also the capital to engage in in this restructuring activity at that scale. Because as described today, that means a lot of volume. That means a lot of equipment moves. And you can only do this if you have the right planning in place, the right commitment to your customers to make sure that you preserve quality and service, but also the impetus looking at the structure of the business through an 80/20 lens. And I think you can elaborate on that.

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith
A

Yeah, in principle, I can echo what Vincent say. I think there are three elements that you have to take into consideration. If you start from the moment actually that the moment was right because either you do this type of

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transformation now or if the market in any moment with the start to pick up, you don't do it anymore because that actually isn't about creating big problem to the business, to the customer, but the three elements, which actually have the risk the problem, in my view is the first one is the real expertise that we have in the business. And it's really engage with expertise, which actually it's made of a I said that the people like I hope it came through together from all the presentation which is really the strength of DS Smith where we bank really for our improvement going forward.

The second one is that the strength of our network, because we should not underestimate actually the footprint that we have is quite important. Absolutely we will be stronger going forward because more efficient sites. But it is a very strong network, very strong footprint, which is giving to the customer a lot of security in terms of business continuity plan.

And the third element is the mutual trust that we have developed with the customer over the years. Since we have started this transformation process by talking to them first and we have brought them into the confidence of what we were going to do and actually, this has been, in my view, one of the best things that we have done in order to make it successful. And we have engaged with our customer on the very early days of this transformation.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

No surprises.

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith
A

Yeah.

Detlef Winckelmann
Analyst, JPMorgan Securities Plc
Q

And if I can, just one follow up, if you don't mind. On your CapEx target of 6% of revenue. I know you mentioned it's in line with peers, but if I look at other peers, a lot more of them are paper focused than you guys you guys are with more packaging side. And typically from my experience is packaging is a bit less CapEx intensive. So would that imply that there is still a bit of growth CapEx in that 6% number? And if you can split it out in kind of maintenance for and expansion to as an example, any color would be great. Thanks.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

Yeah. So 6% of revenue, which by the way, is also aligned more or less to our depreciation level, is a target for us. As I mentioned, we have a lot of flexibility in how we're going to deploy that CapEx with a tilt towards the packaging space. And what that means is not only continuing to improve the operations, I mean, this is a dynamic market. You just cannot stop to where you are. You have to continue investing in the facilities over time, maintaining an allocation of CapEx to maintenance, but also recognizing that in the portfolio of our regions, we have different needs manifesting here and, there and there is growth in the market. I mean, we have plenty of regions that far exceed the 1% to 2% CAGR that we have on average the market. And that requires some growth CapEx to ensure we continue to grow with our customers where they are growing.

Detlef Winckelmann
Analyst, JPMorgan Securities Plc
Q

Awesome. Thanks so much. I'll hand it over.

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Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith
A

It's I don't know if it's just me, but it's difficult to hear on the side. So I don't know if we can turn on a speaker or not.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

I thought it was just me. So that's reassuring.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC
Q

Okay. And can you hear me?

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith
A

Yeah

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

Yes.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC
Q

Okay. Great. Lewis Roxburgh, Goodbody. I have three questions, please. The first one is quite small picture, but so I apologize. But it's kind of a large bucket for next year. Just the material benefit from pricing in 2027. Can you quantify that in terms of EBITDA or how much you estimate in euro per tonne of realized increases are still to be reflected in numbers next year?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith
A

So Look, what I will say about this is we're obviously limited in the in your guidance we can provide at this point in stage. And so if you think about our mid-teen margin targets, they are not specific to any given year of this mid-teen horizon, right. We will at some point in time, hopefully when we trade early in the year, provide a for – fourth quarter update on our trading performance. And at that point, we will be in a better position to provide in your guidance.

What I will point to, though, is that if you if you look at the building blocks of our margin development over time, we've said today that €200 million of the initial cost take out program was already baked in the baseline. And we've also today that we expect that at the end of 2027, we will be very, very close to the majority, if not the totality of the €480 million of our cost takeout program out of run rate being baked into 2027. And the other thing that I mentioned today is the fact that beyond the 2027 horizon, we are modeling price and costs in the paper and in the packaging business at trend line, which means that what we are counting on is the pass through of announced price increase through our normal lag in our in our customer base.

And that that to give you a sense, a little bit more than 50%, 57%, to be precise of our customer base is indexed. And the other is free floating. So the free-floating part for the price increases have already happened this year, is

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been pass through and then the indexed part for the first increase has been reflected for the second price increase that's happened in the market is in the process of being pass through. Considering the normal time line, time lag of our pass through. I mean, you can come to your conclusions on how much of that will be baked in 2027.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC
Q

Yeah. Okay. That's great. And just to sort of follow up, even if you kind of take out pricing and just the €280 million of cost out, you almost beat your margin target by next year. So is there a reason why the horizon for the plan is are you expecting or certain contingencies for higher costs or weaker market? Or do you actually see kind of upside risk there kind of closer to the higher teens in the outer years?

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith
A

I'm not sure, I captured all.

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith
A

Yeah, I didn't. Yeah, we're having a really hard time hearing. So...

Sunita Entwisle
Head-Investor Relations, DS Smith
A

So I think I think I got that one. So that I think the question was, correct me if I'm wrong, but of the considering the remaining cost in the price increases, do you do you know, there's quite a lot of progression of EBITDA margin already in the near term. Why is that a medium-term target?

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith
A

Yeah. So look, I mean, we we've built a plan that we want to be ambitious, reflective of all the efforts that have taken place in the business to not only address the cost structure, but also address the revitalization of our commercial strategy. Some of these things take time. And so we haven't built a plan that accounted for the further opportunities that we see currently in margin structure and that are not currently assessed at a level of at the same level, level of demanding and exacting precision as we have for the rest of our cost opportunities.

So going forward, we recognize that there will be inflation in our business, that will eat up at some of the savings we get. This is a business in which you have to be on top of your cost. All day every day. And that's why you need to do an initial cost reset, which we are doing. But then you have to continue to, to work on your productivity. Part of it is through reinvestment. Part of it is through the benefits of those initial cost actions.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC
Q

Yeah.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.
A

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Yeah. So just to build on that and Vincent is that's absolutely right. What we've included in the financial targets that have been presented or the things that we have direct line of sight on, we've been working on these since last year and they are in execution and a lot of it has already been completed. So we can quantify those completely.

What we started this year, early in the summer, then through the summer into the fall was identifying the next opportunities for improvement and standing up teams to put around those. We have estimates for what those improvements be and how we'll execute them, but we don't have the granular level of detail that we had on these plans that are included in the financials. And so as we develop that, we'll update.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC

Q

Okay, thanks. And I'll give the last one a try and sneak out. There's obviously been some reported third-party interest in the business. How do you think about what a potential sale would need to reflect versus the value of your successful delivery of that?

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah, great question. I mean this process, those types of things can happen. What we're focused on is delivering the plan that you've seen, preparing for a spin, preparing to be a publicly traded company, and delivering the results that we outlined today.

Lewis Roxburgh
Analyst, Goodbody Stockbrokers UC

Q

Thank you.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

And I don't – yeah, that one's not working. Can we?

Gabriel Simoes
Analyst, Goldman Sachs do Brasil CTVM SA

Q

Thank you. Gabriel Simoes from Goldman Sachs. Thank you very much for the presentation and for taking my questions. So I just wanted to have a sense of your view on the testliner and kraftliner markets. And how you would potentially think about your mix in the paper grades changing as I understand, this is very relevant for the more downstream industries that you operate in. So the first would be on that and then based on that, you are now still a net buyer of paper, right? Let me come closer to...

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

A

No, no...

Gabriel Simoes
Analyst, Goldman Sachs do Brasil CTVM SA

Q

...you're not a buyer of paper, is there – do you think about increasing or decreasing the amount of paper that you need to buy? As in you want to be longer paper, you want to be shorter paper your capacity of on the packaging side. Thank you.

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Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

A

Yeah. So let me start with the last and then I'll move to the to the first question. So for all intents and purposes, our system is what it is today and we are short paper. We're not targeting a fixed percentage of integration across any of the grades that we make. What we will do is look at the model over time and based on returns and margins and opportunities if they're attractive, think about what a different level of integration could mean for the business. So we're not close minded about it. We would look for opportunity.

On the first part, and that's part of the work we started over the summer is really getting now laser focused on the grades that we make and the grades that we need to make, and we think there's real optimization there. Paul is leading that with Stefano. This is an integrated business project and we'll look at what we produce in the mills, what we choose to source from the outside, and then what we run through our packaging plants, always with customers at the forefront of any decisions that we make.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

Thanks very much, Cole Hathorn from Jefferies. Maybe just following up on how you started, when I think about DS Smith evolved, I mean, it was a business that did a lot of M&A. And you talked about in the opening comments that when demand is good and profitability is good, it does hide a lot. And you talked about kind of having a siloed legacy business, fragmented operations, duplicate costs. When you first looked at this business in 2025, do you think you've completely taken out what you need to do for the packaging side so you've kind of moved out or closed all the packaging sites that you need to and moved, all the businesses, all the machinery across from the packaging sites to the various other sites. Have you kind of set the packaging model going forward from here?

Detlef Winckelmann
Analyst, JPMorgan Securities Plc

A

Yeah, no. Great question and I'll offer a few thoughts and then I'll pass it off to Stefano to talk about continuous improvement and the approach that we take in the business. I think the way that we look at it is challenge equals opportunity. And so we have embarked on a large transformation project. What were with the numbers that we shared today is what has been announced or completed thus far. But as I referenced in the opening, there's more to come there's more that we are working on. And as you've seen this update throughout this year in terms of where we are and what's been accomplished, we'll continue to do that. But this never ends you always if it's not a facility or an asset of some kind, you're looking at a process. And that was what Vincent referenced in in his section. We want to drive out waste. And so the focus has to be on continuous improvement, driving utilization, productivity and not engaging in activities that don't create value. If it doesn't keep us compliant or if it's not something that a customer will value and pay for, it's something that we have to really question how much we invest in those activities.

But just on the continuous improvement side, Stefano, what do you think about on the packaging side?

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith

A

Yeah, I think let me build a bit on what Tim has said, that and maybe let me also make a step back because I think it's a fair question. In a way when the journey we have been on at as DS Smith we have been yeah we have been acquiring a lot is true and in the course of the 10 years before the arrival of IP we have been acquiring – we have integrated 17 acquisitions. So it's quite a big amount of acquisition. So we always, you want to be honest

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with you and there would have been a moment in time in which we needed to do some cleaning of the inevitable tail of inefficiency that you leave behind, even with a very good ability to integrate. So this is what's always known.

I think what happened, it came at the right moment and also the right willingness to deploy the right amount of capital in order to make it happen. So have we've done the right thing? I think we have we have been very courageous. We have been very bold. I think what we have put in place now is a is a shape in the division and the entire business as an integrated business to be successful in the future. There is more to come, which is not necessarily something new in the company inside our business. It's something which actually we knew it from the very beginning, but deliberately we are kept to certain things to be able to check and adjust going forward because we need to make sure that we are doing the right things for, our shareholders and for the customers and in the end actually for the well-being of the company.

As I say that all our programs to improve the productivity, to improve, let's say all the continuous improvement programs which has always been there, we call it inside the company the [ph] DS Smith wave, that DS Smith wave (03:21:50) with that yes, we will be more effective going forward. Far more effective why, because actually we have standardized for the operating model that we utilize in the business. We have actually different number of business operating and even very important, we have a different management structure which actually makes the execution much faster than before.

So if you ask me, are we doing the right things now, I tell you, it doesn't matter if we have to suffer a bit in the moment in which you have to do it, because it's not a walk in the park it has as being a not at hard work for an entire year and there is more to come, I think is the very right things do in order to be efficient, successful and very competitive going forward.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

And I'll just add to that and just you look, as Stefano said it and as Tim said it and you've probably heard it countless times today, it's really been about discipline. It's this is an organization has tremendous capability, an appetite for change and an execution capability. And really the willingness to engage and make the operations better for the benefit of the customers and the benefits of the shareholders. So really, I mean, what we've done is simplify the agenda and streamline the agenda and focus fewer priorities, which is very much an 80/20 legacy, if you will. want.

And so that's going to carry on. And that's when we talk about deployment of capital, we're going to be very picky in terms of which particular capital projects we want to put our money on because capital is not infinite and it's got a cost so we're going to want to make sure that we deploy the right way , when we're basically saying that look, I mean, bolt-on acquisitions are not on the menu in the first 24 months. It's we don't want to distract the organization from executing. So it's about execution, it's about focus, it's about discipline all across the board.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

And then maybe just linking that to the paper side where you've given up a lot of examples of closing packaging sites, reallocating numbers. But on the paper side, it's about bigger investments to kind of shift yourself down the cost curve. But you do also have some smaller paper mills. You do have some legacy paper mills. I'm just thinking, is there still a little bit more to do on your mill asset base? That's the first question. And then maybe following on that, how are you managing the very high gas price environment?

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Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah. So let me take the first part and turn it over to Paul and then Vincent can pick up on the energy side. So we've done a lot on packaging. We've done probably more than we've represented on the paper side. Paul will outline that because it's not just about closing down entire mills. But I think what Paul outlined earlier today with the investments that had already been started, plus some smaller ones that we're doing we get that movement on the cost curve that's very important.

So, Paul, why don't you just talk about the different actions that have been taken?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

A

Yeah. I mean, there's a full range of things have been doing. I talked about the investments there. And you mentioned in that call, I mean, I think in terms that it's about it's been about streamlining the in the mills really been doubling down on taking this complexity out that Vincent's talked about. It's been about mills need to justify their existence at the end of the day, they need to stand on their own two feet.

Yes, we're an integrated company, but we've got to be competitive because it all comes back to being competitive and cost advantaged. And we have a range of mills. You're absolutely right. And the reality is, you know, I mentioned about the big standalone mills. We've seen the big investments. We do have other mills, but the other mills are very integrated. We have a couple of mills that are really on sites next to our packaging plants, smaller mills, but making good returns. And it's all about what are the return for the company as well. It's not in itself right, they must have a significant role to play but the but that also leads on to understanding what do we invest? What do we invest. It's not just about the big investments, it's what are we prepared to invest in our range of mills. And at the end of the day, there will be mills that will attract investment and there will be mills that will be maintained with delivering the right level of returns, I would say.

Yeah, but in terms of the programs that we've got in the mills, this move down the cost curve is really on every level. It's every level in terms of the cost from the fiber. What are we doing in recycling? What we doing with our labor force? What are we doing with our organization? Stefano talked about layers coming out. We're doing exactly the same on the paper side.

So it's a relentless look at it. And as we would always say, we're always reviewing how we can improve because as Vincent says, it's a constant challenge and we will keep pushing on that.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yeah. And I'll build up on that for a second and then I'll address the question you asked on the energy. Yeah. And I'll build up on that for a second and then I'll address the, the question you asked on the energy. I mean, look, you've heard from Stefano today talking about the simplification of the footprint and what that means in terms of how you run, especially those high-volume facilities and the work back into the mill system to identify where is what is the sweet spot of that mill? What is the range of product that it is best at producing? What's going to be the distribution optimal area for that mill to send product to? This is an integrated work. It's not just the mills on one side and the packaging on the other it's really looking at it end to end. And from that standpoint, I would also point to the fact we alluded to that today, we haven't quite quantified it yet, so we haven't baked it in, but there are still a lot of opportunities and simplification of that end-to-end value chain. And we're going to look at this because this provides tremendous opportunities for.

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Now, specifically on the energy side, I mean, look, I mean, the market environment currently is a – degrees of volatilities that are really hard to fathom. The way we're approaching this is threefold, I would say. One, we have a hedging program that's a robust hedging program that covers natural gas. It covers power and EU carbon, ETS but mostly gas. And so we've rolled that project over in at the end of for the end of this year, we'll be about 50% hedged. I'm going to disclose what it would look like for next year necessarily, but it would be north of that that percentage. And we're very, very mindful of where we take guidance on where the markets might be coming from. We have a trading desk and people that are professionals, in constant conversation with trading houses and making the right calls within the boundaries that we have established for our hedging policies. So we will continue to hedge.

We also have natural hedging in the form of selling electricity back into the grid. But also, I think you've seen that from some of the investment cases. We've talked about the fact that we have changed our fuel mix overtime over time in many of our facilities and that we've reduced our dependency on fossil fuels. And Paul talked about Rouen and in the €15 million of cost reduction coming from that alone in that particular investment. But this is true across the board. Every time we are making a capital decision, whether in the middle or to the – a lesser degree, but still a degree in the packaging space, we are looking at energy consumption, reduction of emission of emissions and reduction of per unit consumption of energy. And the rest, I mean, for the rest of the market is going to be what the market is in terms of energy. We don't control that. But what we can control is how we respond it in our mill system.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

Thank you.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

And maybe a few from the online viewers. So a question on our customers. Can you discuss your revenue and profit concentration across your top 20 customers? And also comment on retention and any kind of material moves in your customer base in recent periods?

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah. [ph] Vincent (03:30:35), can you?

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yeah, so two things. Retention through the moves and then the other part was really the concentration in our customer base, which I would say is low.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah, it's very low. So the retention, I mean the volume during the transformation. Look, as I said before, the first party that has been contacted when the program started to shape the customers. So in a way, we have really brought forward the program with no surprises for any of them. And with some customers, we even sign specific agreements in order to bring them in the confidence of the plan well ahead of making it really disclosing side of the organization. So as it has been really a very cards on the tables with that with the customers. And we have

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done this because we knew that we could have done because the trust that we have mutually together with them. And, therefore, I would say this has been the first and most important step in order to de-risk the program. Then I mentioned already the expertise of doing it, which was important in order to make it happen properly and the strength of the network that we have. In order to make sure and that we can put in place alternative supply and prepare it well in advance.

Now, if I look at the non-financial indicators like quality or service, actually they are not really going down through the entire evolution of the program. And if because I mentioned before, it's not a walk in the park, of course, it's a difficult problem to execute. And if there has been some issues here and there, we have put in place since the beginning a very strong procedures in order to bring up immediately any sort of escalation that could have caused a problem in, order to put in place immediate action, either to solve or mitigate. So I would say that we are very confident that the retention through the process is extremely high because in the end we have not caused major disruption to any of our customers. And that is coming also through the feedback that we are receiving from the customers.

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith

A

Yeah. And I would just add I would just add on to that. One of the things that I think has been so impressive watching the teams is we have a commercial team at the center that's focused on all of the moves that we're making and taking care of the customers. We have local commercial teams that are on the ground managing, specific aspects of it, and then we also have operations and supply chain teams that interact across all of these moves that we're making. So it's it really is a testament to not only any one group's capabilities, but the ability of all of those teams to work together. And I think the other part of the question was on customer concentration.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

Yes.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah.

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith

A

But I mean, our largest customers is still only going to be about 3% of our of our sales. So we are very well diversified across customer base.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

Okay. And another one from online. Following on from the energy question, I have a question is how much is the exposure to biomass?

A

How much is the exposure to biomass?

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Sunita Entwisle
Head-Investor Relations, DS Smith

Biomass?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

To biomass. I mean, we exposure you know, in terms of what we've...

Stefano Rossi
Chief Executive Offier-Packaging Division, DS Smith

How much?

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

How much we're consuming.

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

How much we're consuming. I mean I mean, yeah, I mean we we're well [ph] in and in Rouen (03:34:07) really on really in terms of that main mill. There's no great issue there. I mean we've reduced obviously in there – reduced the reliability on the gas and the coal. So at the end of the day, the exposure is low.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

Absolutely.

Sunita Entwisle
Head-Investor Relations, DS Smith

And a question on return on capital employed, where are you today and where do you think you'll get to?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

Yeah, look, I think it's important to appreciate the fact that we're at the very beginning of a transformation journey. I mean, we've taken some massive steps in 2025 and 2026 with associated investments. Some of those investments have come through in 2026. And I'll take the Lucca mill, for example, and they're going to play out and pay out over the medium term. So at this point in time, we're not going to provide guidance or a number on return on invested capital. The transformation is so massive and the amount of capital is so massive that it would be very distortive in relation to especially the earnings where they are at trough. Over time we very much expect those investments, big or small in the packaging business as well as in the mills to accrue to us. And when earnings are, they are at cruising altitude so to say, and at a level of maturity where it makes sense to actually offer this metric, we will consider offering it.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

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Yeah, just one other thing that I would add on to the end of that. That's absolutely right. But it goes back to the organic that we're making. And if you think about what we've done with the footprint, we've had to shut down older, smaller scale to have fewer, bigger, better operations and put capital in those to maximize them. Those are very high returning projects. So that's why we say we'll focus all of our attention organically in these first 24 months because we have such great opportunities. We're basically taking out cost and running the volume that we have with a lower cost structure. So you can imagine the returns that we're getting on those.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yeah. No. And just to build up on that, and I think Paul alluded to that. But look, I mean, when we are capitalizing the mills, we're capitalizing a network of mills, which on average is a network of recycled mills. So that's natural, you're less capital intensive, say, than other options. But any single one of the decisions we're making, whether on the mill side or on the packaging side, is returns based. We are very, very conscious, as I mentioned, that we're entering into this listing and we're excited about this with an investment grade balance sheet. We're going to take care of it. And what that means is that we're really going to make sure that when we allocate capital to one project, it does provide the returns. Otherwise, we will consider other alternative to return capital.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

And the question on leverage, so where within range of 1.5 times to 2.5 times, are you actually most comfortable given your, your comments around your trough earnings?

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yeah, we're not targeting a point on leverage number. Look, I'll say this. We're going into listing with a 2.3 to 2.5 leverage, which is within our expected ratings for further debt, but also well within our guidance. This is on trough EBITDA numbers. As we see EBITDA margin expanding over time, we will consider what the right amount of leverage is, but any rate, we will have plenty of headroom to, to, to play with.

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah. And I would just I would just add to that we will delever. We'll do by EBITDA growth over the medium term. And I personally believe and I know Vincent does too and the value a very strong balance sheet so as he said we will be extremely good stewards of the investment grade balance sheet that we that we that we start with and making sure that we are very careful about improving cash generation capability and deploying capital in the right way.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yes. As well as working into our progressive dividend policy, obviously.

Sunita Entwisle
Head-Investor Relations, DS Smith

A

And I have one last question online. So if anyone in the room with another one, please do raise your hand in a minute. When you think about your kind of next layer of cost savings, kind of what order of magnitude are we talking about that you've identified it?

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Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Yeah, it's early days and it's estimates that we're working with at the moment not to be confused with the numbers that we have already shared and not to put a timeframe on it, because we're just doing the work. But I still think there's as much as €200 million more in cost saving opportunities when we look across the business for utilization improvements, waste improvements and process improvements.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

Yeah. And so we'll will define those over time. And as we move into all [indiscernible] (03:39:19) listing, I mean, we will put targets on it with the same discipline that we have put target on the initial cost reset and we will update those as so as appropriate. Cole, I think you had a follow up question.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

Cole Hathorn from Jefferies. Thanks for taking the follow up. I know you can't give guidance on to 2027, but maybe you can just help us with some of the moving that we should think about, which is you've talked about the incremental, let's say, €280 million or thereabouts off of the cost savings which is controllable. That you can deliver. And you talked about the box prices that you're negotiating at the moment. Could you just give a little bit of color on those box price negotiations now, considering containerboard to moved up, what are the challenges? And maybe just frame it in the context of history historically containerboard prices were slow and moving so enabled you to pass on to the box and then hold on to that box price for longer. So I'm just wondering how confident are you into 2027 that you'll hold onto those box prices for longer the cycle?

Timothy S. Nicholls
Executive Vice President & President-DS Smith, International Paper Co.

A

Well, we will – sorry. 2027, we'll give an update at an appropriate time. I think what we could say is, yes, you're right on cost. That's in our control and we're moving at pace on that in terms of pricing, so far, what we see is a normal type of ramp of increasing packaging prices from the paper prices that were announced earlier the year. So you think three-month to six-month lag, thereabouts with the tail on the end of it and we would expect a normal type of implementation as we exit this year and go into next year.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

And I was just going to pick up on the back end of your of your question. Look, certainly in certainly in 2025, we've seen weird cycles, I would call it right, mini cycles that didn't go very far. What we're looking at right now is an elevated cost structure for the entire industry, which we think might drive a more normal cycle. And that cycle we typically see some compression of our margins on the way up because we're short paper and some retention of margin on the way down. So the way we're building our model for 2027 is based on that view and on the normal lag that Tim alluded to. And we are seeing those being a story in the market as we speak and the teams are very busy at making sure that this happens normally to the floating part of our portfolio, but that when the indices recognize those increases which they have, that this contractually gets passed through to our customers. So yeah.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

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And then maybe just a follow up and a question to Paul on the operating rates of your mills, if I think about being short paper, I think there's a huge advantage at the moment from having higher operating rates, better fixed cost advantage. Am I right in thinking that DS Smith is able to have good operating rates because are short paper and that's helpful at this cycle?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

A

Yeah, that really helps, Cole? Yeah, absolutely. As I mentioned, we've got the flexibility to be able to flex what we buy. And in terms of also in terms of what we buy is getting the right grade so those mills to keep them full, well actually not integration for integration sake but actually still the right grades. Yeah. Running through those mills. But yeah.

Cole Hathorn
Analyst, Jefferies International Ltd.

Q

And then a follow up on that is at the moment we've got a number of players in the industry because of high gas prices that are taking economic downtime because it's just not profitable to produce paper. Are you managing your paper mill system just considering the gas prices or not at this stage, you're comfortable just to keep running?

Paul Brown
Managing Director Paper, Recycling & Capex and Paper Sourcing & Procurement, DS Smith

A

I mean, we always manage it, but we're not forced into those difficult choices at the moment. We've got a range of energy solutions across our mills. We talked about biomass. We've got waste to energy in some of our mills. So we've got we've got a broad range and actually at the present with our facilities and where we are, we're able to still run where we want to.

Vincent Bonnot
Vice President Finance & Chief Financial Officer, DS Smith

A

And this really highlights what Paul talked about as well on the need and the efforts that are taking place to also drive the mills down the cost curve because obviously the further you are on the cost curve, the higher or the more disproportionate fluctuations in energy prices hit you. So it's very important for us to have the best possible mills that we can have within a reasonable capital allocation policy. And so those that have been made take a look at, for example, which is not only a lightweight machine, but a highly energy efficient machine with a good fuel mix, those investments are going to bear fruit also from that standpoint in terms of from a risk management standpoint, making sure that we have the mill system where we want it.

Sunita Entwisle
Head-Investor Relations, DS Smith

Great. Well, I think that concludes our Capital Markets Day. Thank you for joining us. For those of you that then think of any follow up questions, please get in touch. You have my email address in the presentation. And for those of you that are in the room are refreshments at the back. And we'd love to chat further. Thanks.

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