

Focused on the Future



AN INTERVIEW WITH MILES ROBERTS, DS SMITH'S NEWLY-APPOINTED GROUP CHIEF EXECUTIVE

“This is a business that has tremendous strength and competitive advantages. We are well positioned to grow our higher margin operations in the UK and across continental Europe.”

What attracted you to DS Smith?

I think there is considerable potential here at DS Smith to create a focused, growing business that will deliver higher, more consistent financial returns.

The current business operates in many markets and product and service categories; some of which display the sort of characteristics that provide the opportunity to create sustainable value for our customers and therefore our employees and shareholders. For example, our retail-ready packaging business has achieved consistent growth and better returns for many years as retailers and fast-moving consumer goods companies seek packaging suppliers that can improve the efficiency of their distribution chain whilst developing the in-store appearance of their products. DS Smith has developed a considerable degree of competence in this area across Europe.

Do you see areas of differentiation?

A key theme within DS Smith is sustainability. The communities in which we operate focus increasingly on the environmental impact of their behaviour and actions. All the paper we make is produced from recycled material and over 80% of the boxes we make are made of recycled paper and are fully recyclable themselves. In the UK, DS Smith has a uniquely vertically-integrated position as a waste paper collector, recycled paper manufacturer and corrugated box producer. It takes just 14 days to collect used boxes from a retailer, recycle the boxes into paper and produce a new box delivered back to the retailer – this speed combined with the 100% recyclability element cannot be matched by other packaging formats.

Do you see opportunities for growth?

DS Smith has developed various strong market positions, some with considerable scale. Others, whilst smaller, have good market positions in regions of Europe that are expected to grow well ahead of the average for Europe and in customer segments that show consistent growth opportunity and higher margins, due to the significant degree of added value.

To achieve sustainable returns the Group will need to become more focused. We have recently disposed of two small businesses that were sub-scale or did not operate in attractive markets. How we achieve greater focus will become clearer as we develop our Group strategy over the coming months.

What do you think DS Smith's customers want?

Customer service will be one of our key performance indicators and we will need to ensure we operate at the highest levels of any supplier in our markets. This, combined with increasing focus on innovation and quality, will add further value for our customers and provide us with a greater degree of competitive advantage. There are always opportunities to improve the effectiveness and efficiency of an organisation.

Changing and challenging markets demand product and service innovation. Successful development primarily depends on understanding the customers' current and future requirements. Our customers are seeking services and products that reduce their internal costs but support their own growth; service scope, product appearance, weight, environmental impact, cost and distribution are key themes. DS Smith has a strong track record in innovation. An example is the Impact and Innovation Centre (IIC) opened in December last year at St Just in France. This builds on the success of the first IIC established at Ely in the UK in 2008. At these sites we can demonstrate to our customers and retailers how we can enhance the appearance of their products and the efficiency of their distribution systems with minimal impact on the environment. Other examples include the expansion within our waste recycling business of services offered to our retail customers that include the administration of all their waste disposal to ensure minimal environmental impact and near-zero landfill.

Product development will be an increasing demand from our customers and we are well positioned to meet this.



What are some of the key issues for DS Smith?

During the last year, the Group has successfully undertaken a restructuring programme that reduced costs in the face of the severe downturn in the global economy. We work in very competitive markets where scale and resulting efficiency are essential to meet our customers' demands. Our operating standards, structures and processes throughout the Group are clear but we must ensure that our internal culture engages and motivates all our colleagues in the pursuit of operational excellence through continuous improvement. This is a 'must do' for us.

Since joining DS Smith at the start of May, I have been visiting many of our businesses to listen and learn about the skills and capabilities of the Group and the ideas for improvements. A culture that supports the continuous development of the business by encouraging all staff to be involved and contribute to our success is an essential ingredient of any winning business. We will build on the enthusiasm and commitment I have seen across the Group. This enthusiasm will be harnessed through improved communication, a clear set of principles and the continuing development of all staff.

What are your ambitions for DS Smith?

The first step was to go out and learn about the businesses and the people in the Group. The next step will be to focus on our strategic planning – work being undertaken by a group of senior managers drawn from across all divisions. The objective is to create a business that is more focused, producing higher, more sustainable and consistent returns; the plan to achieve this objective will be completed over the coming months. It is already clear that there are a number of strong opportunities.

This plan will be built on sectors that offer growth, where customers demand excellent customer service and support, product and service development and where we can deliver at the most efficient cost to customers. This will be achieved by creating a culture that engages everyone in the achievement of our results.



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