Event Transcript

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Start of Transcript

Raluca Chiriacescu: Hello everyone and welcome to Brambles 2021 Investor Day. I am Raluca Chiriacescu, Vice President of Investor Relations at Brambles. We are delighted you are able to join us today. It goes without saying that we would have liked to give you this much anticipated strategic update in person, but as we all continue to deal with current restrictions, this is sadly not possible.

Investor interaction is as important, if not more so, than ever, so we're really pleased to provide you with this opportunity to hear directly from our global leadership team, albeit virtually. While our executives have pre-recorded their presentations, you will still have the opportunity to ask them questions during our live Q&A sessions today and tomorrow. They will be joining direct from London, Madrid, Milan, Atlanta and Sydney to answer your questions.

As you can see from this agenda, today is about the Group's strategic overview before we deep dive into the regional perspectives tomorrow, including an update on our North American plastic pallet trials. Today, we will kick off with our CEO, Graham Chipchase, and CFO, Nessa O'Sullivan, who will outline our Shaping Our Future transformation ambitions and the value this will create for shareholders. Our Chief Transformation Officer, Craig Jones, will then provide you with more details about our approach to transformation, before handing over to our Chief Data and Digital Officer, Helen Lane, who will outline the key role digital will play in enabling transformation across our organisation.

Our Senior Vice President of Strategy and Innovation, Alasdair Hamblin, will describe how we are transforming the customer experience, before handing over to our Head of Sustainability, JJ Freijo, to talk about the value our world leading sustainability credentials create for our customers.

We will have a repeating format of two presentations today followed by a joint Q&A session and a comfort break. To ask a question, please use the question box at the bottom right hand side of the webcast screen, or by pressing star one if you are joining us by phone today. If you do need to step away from the live webcast at any time, you will be able to access this on demand within 12 hours using the same link.

A couple of housekeeping matters before we start. If you want to change the relative size of the speaker and slide view on the webcast, please use the button at the bottom of your screen. In line with our usual practice for financial information, the currency is US dollars and growth rates are in constant currency unless otherwise stated. In terms of financial projections, they do not include the impact of potential outcomes from our North American plastic pallet trials and all forward-looking statements are subject to our disclaimer outlined on slide 5 of the presentation materials.

So to get things started, I will now hand over to Graham and Nessa.

Graham Chipchase: Hi everyone. Really delighted to be here to talk about transforming Brambles and how we're going to drive a step change in value creation. Starting off with building very strong foundations. We've created a very resilient, agile and sustainable business model and shown really strong financial performance in fiscal 2021 in an extremely challenging environment.

We're a winner in a fast-changing world. We've got global leadership reinforced during COVID with ongoing growth potential across all our market segments. We're a pioneer in sustainable supply chains, grounded in an inherently circular model. We're going to talk about a compelling investor proposition. Mid-single digit revenue growth with underlying profit leverage from fiscal 2023. Strong ROCI and high single digit EPS growth leading to total value creation of more than 10% per annum.

We're investing to accelerate transformation. So we're going to take a twin track approach, transforming performance of the current business model and creating the Brambles of the future, better for both Brambles and our customers. We're doing this with rigorous execution. There will be detailed plans with broad engagement across the whole business and I'll talk about that more later.

This is something you've seen before. It's our purpose. Our purpose is to connect people with life's essentials every day and it's driven from our sustainable circular model. It's core to what we do, who we are and what we aim to achieve. Our assets form the invisible backbone of the global supply chain. The world's biggest brands trust us with products that matter and the scale and density of our network means we can be more agile and responsive to our customers' changing needs. Digitising our physical network is going to enable us to have a more intelligent, efficient and sustainable supply chain.

So talking to our circular sustainable business model, we've talked about this quite a lot in the past. Our share and reuse model delivers value to all our key stakeholders. If I look at customers, we're enhancing operational efficiency, freeing up cash and resources, supporting their sustainability objectives, lowering the overall supply chain costs and we've been supporting customers through very difficult times over the last 18 months. Not always perfectly, but I think the depth and strength of our network has allowed us to keep our customers operating through very difficult times.

On our employees, and I think this is a good time to mention, I am so proud of our employees. What they've done over the last 18 months in keeping supply chains operating, turning up to work every day has been truly exceptional and in that period of time, we still managed to keep a focus on training and prioritising safety. We've had great employee engagement through this period and in terms of diversity and inclusion, over 30% of our management roles are held by women and we have a target to get to 40% by 2025.

For our shareholders, sustainable growth has been driven by expansion of our core businesses and we have returns well in excess of our cost of capital. We're generating cash to fund growth, innovation and dividends and we're exposed to the defensive consumer staples sector which I'll talk about a bit more later, but that gives us real resilience.

In terms of the communities and the environment, our share and reuse model reduces environmental impact. We've been reducing empty transport miles and carbon dioxide emissions through customer collaboration for several years now, 100% of our lumber is from sustainable sources and we're involved in strategic partnerships to reduce food waste and to help those most in need

Going onto our strategic priorities, again this is something that we've been focusing on for some time. Our goal is to strengthen our position as the global leader in platform pooling and insight-based solutions for fast-moving supply chains, delivered through our circular share and reuse model. Our ambition is to transform our business and reinvent pooling for the supply chains of tomorrow. You can see the chart, we're really focusing on four key areas and we'll talk about this a lot more over the coming couple of days.

So digital transformation. We're going to invest to transform information and digital insights into new sources of value. Focusing on the customer, we're looking at improving the customer experience through simpler processes, additional services and enhanced platform quality. Looking at business excellence, we're going to reinvent our organisation, technology and processes to be simpler, more efficient and effective. Then asset efficiency and network productivity, clearly you know we're a very capital intensive business so we have to improve asset and network productivity through automation, process standardisation which will enhance our efficiency and resilience.

Talking of resilience, our customer base gives that resilience. We're primarily serving the consumer staples sectors. As you can see from the pie chart, the dark blue areas are those linked to consumer staples. It's nearly - it's at over 80% of the total turnover base. So there's a - very resilient in terms of good times and bad, we'll still have that underlying demand and I know a lot of people are very concerned about where is the growth going to come in the future - so if you look on the righthand side there, the bar chart, these are some major markets and the white areas, white space in both senses of the word here, are areas where we feel there is still an opportunity to grow the business. So even in markets like North America and Europe which are seen as our more mature markets, we still have significant space to convert whitewood users into pooled solution and sustain our mid-single digit revenue growth for many years to come.

If we look at the external environment, we are seeing an acceleration of some trends that have been there for some time. We have a continued uncertainty and volatility. Economies and societies are returning to a new normal. There's ongoing disruption to trade and that's combined with cost inflation and shortages of labour and lumber for us in particular. There's an increased focus on sustainability and resilience. You see that in the requirement for better tracking of goods, chain of custody, demand for end-to-end visibility from supply chain participants and end consumers. We've seen an accelerated shift to online channels, so ecommerce now being established at 10% to 15% of FMCG sales in major markets, retailers increasing their omnichannel capacity to meet demand, new types of distribution systems.

As a result of that, we're seeing investments in automation. We've got labour shortages and inefficiency of existing supply chains for ecommerce are driving this accelerated investment in automation. Now that's good because it actually plays to our strengths and our strategy is supported by these market trends.

I'd like to take a little bit of time just talking about the past and the future in terms of what we've been doing. So for the last four or five years, we've been getting the foundations right, if you look at fiscal 2017 to 2020, focusing the portfolio on the core business, improving the pricing and commercial terms in our contracts to better capture the true cost-to-serve, big focus on asset efficiency and working capital improvements which have been driving positive free cash flow, investment in high-return supply chain projects, for example automation and sawmills, to deliver operating efficiencies and support growth.

Investment in sales tools and infrastructure to build a pipeline of new opportunities and supporting the growth profile. Again, something we've not talked about much but that's something we've done over the last couple of years is critically important. We've strengthened our global leading sustainability credentials and achieved what were very ambitious 2020 sustainability targets and we launched the Shaping Our Future program a year and a half to two years ago. We'll obviously talk a bit more about where that's led us to now.

In fiscal 2021, you could say that we were leveraging those foundations. Very strong performance and execution in unprecedented operating conditions. I don't think we could have done that if we hadn't done all the work we'd done between 2017 and 2020. Very disciplined price realisation and the surcharges have reflected the increased cost to serve. We completed the three year US automation and lumber programs on budget and delivering the benefits we expected and we've spent some time developing proofs of concept for the next phase of value creation which is very much what' Shaping Our Future is about. We've also developed yet another set of ambitious five year sustainability targets for 2025, but we've already made great progress against and we are carbon neutral in our own operations already. We did that in June of this year.

Then if look at going forward, what we're really talking about now is accelerating the pace of change and transformation on the Shaping Our Future program and the result of that is we're going to take performance to the next level and we'll talk about that more in the coming slides. I think fundamentally what we're trying to do here is to transform the business from a position of strength. We've built up that strength, now we can transform the business.

So if we look at this now, we're investing to accelerate transformation and it's important to understand we've got a twin track approach to this. We want to drive increased performance from the current business and that allows us to increase investment to transform the business and create the business of the future. So if I look at the chart, the bottom two boxes, business excellence and asset efficiency and network productivity, are really transforming the performance of the current business model. That will drive the value for us to invest in the future.

So if you look at increasing - delivering increasing returns and funding, that goes into the top two boxes on digital transformation and customer value. That in turn will deliver further business opportunities and sources of growth in the future. So it is a circular model in all aspects and underpinning that is it's going to strengthen our global leadership in sustainability. So that's what we're trying to do. So short-term optimisation to invest in the long-term transformation.

So if I talk a little bit about the first two of those boxes around optimising and transforming the performance of the current business model, we're looking at delivering increased returns and funding investment in transformation and innovation. So in asset efficiency and network productivity, clearly we're a capital intensive business and it's critical that we optimise this part of our business as best we can and we've done a lot of work over the last few years to do that, but we still think there's plenty of runway ahead and Nessa is going to talk about this in a lot more detail, but we're going to look at deploying new technologies and ways of working to increase productivity and sustainability, looking at things like our collections engines, improving asset control and reducing the capital intensity of the business.

There is opportunity to standardise our processes and controls so that we can rollout best practice across the whole of Brambles. We're going to continue our plant and network automation journey. We've proven that we can do that with what we've done in the US over the last few years, taking the technology from Europe. There's still more to go on that, and we want to remove waste from end-to-end supply chains by optimising our networks with customers and suppliers.

If we look on the business excellence side, again, there's a lot of work we can do to reinvent how we operate in terms of processes, technology and organisation. We're going to look at things like improving organisational efficiency through simplifying processes, building technical foundations to support our transformation so including things migrating to the cloud. We need to attract, retain and empower high calibre people and we need to develop some new capabilities, for example around digital, data analytics and around automation.

Now onto the more transformational side, so building the Brambles of the future. If we look at digital - I don't want to steal any of Helen's thunder and you'll hear more about this later, but we need to use data and analytics to unlock new sources of value for customers and Brambles. So Helen's going to go through this in a lot more detail but this is an acceleration of things we've been talking about to you for some time now over the last few years - using data driven insights to create new customer solutions, creating a culture of data analytics and experimentation, collaborating with customers in new ways to digitise the supply chain, but doing the stuff that we know is at the forefront of what we need to do around deploying asset digitisation to provide visibility into our asset pools and networks to get more efficiency out of our own business, and looking at inefficiency in end-to-end supply chains so we can drive out value for both us and our customers.

On the customer value side, again, I don't want to steal Alasdair's thunder who will come later on but we need to make Brambles the natural partner of choice for supply chain customers today and tomorrow. We are today but I think we've talked a lot about customers do find it difficult to deal with us sometimes, we've got to make a change now to make that easier, we think we've got the tools and the information to do it and I think the benefit of that is of course it will deepen the moat in terms of our competitive differentiation.

So we're looking to enhance our platform and service quality, focusing on what's really important for customers and differentiating versus competitors. We're going to do more collaboration with customers, but also we want to invest in our customers' systems, data and insights to guide our decisions.

Sustainability. So I can't overemphasise the importance of this. We want to strengthen our position as a global leader in sustainable business and supply chains. COVID has accelerated transition to a more sustainable world. Customers, consumers and wider stakeholders are increasingly focused on the sustainability of goods and supply chains and our circular model completely fits in with those needs and future business models and they are developing, they have all got an element of circularity. So as a world class leader in ESG, Brambles is uniquely positioned. Our circular business model aligns financial, social and environmental value. We have set very ambitious sustainability targets for 2025. Our sustainability report is out now and you can see those targets but we've already made excellent progress in year 1.

Again, I don't want to steal JJ's thunder later on, but we've already become a carbon neutral company in our own operations, we've had our first upcycle plastic platform and we're top employer in 17 countries. If I just show you the graph on the right there, the fundamental move now is to go from doing less harm to being positive, to pioneering regenerative supply chains. So being positive for the planet, positive for business and positive for the environment.

I would now like to talk about our investor value proposition. I think the key message here is that fiscal 2022 is a year of increased investment to support sustained benefits delivery from fiscal 2023 onwards. So if we start at the top of the chart, revenue growth, sales revenue growth in the mid-single digits from fiscal 2022, so very much in line with what we've said previously. We then anticipate underlying profit growth in the high single digits from fiscal 2023, so sustained ULP leverage. That will then support EPS in the high single digits from fiscal 2023.

The profit growth then translates into free cash flow generation. We need to invest in the business and sustain the growth, so if you go to the left hand side you can see the box with growth. So cash flow has been used to fund organic growth and new business wins, but at the same time, we also want to fund the twin track transformation of optimising the current business and reinvesting for transformation. So that's what's going to happen in the short to medium term. At the same time we still want to fund the dividend, so the free cash flow is also going to the right hand side there to support dividend yield of 2% to 3% in line with our payout policy.

So if you take the EPS growth in the high single digits, top right hand corner, dividend yield, 2% to 3% bottom right hand corner, sustaining that with a high ROCI in the mid to high teens, then we get total value creation of 10% plus from fiscal 2023. Now clearly as we get through the investment phase in terms of cash, we should be generating even more cash and in line with our previous commitments, we would always ensure that got back to shareholders in one form or another. So the total value creation would be higher than the 10% plus in that instance.

So with that, I'd like to hand over to Nessa to talk in more detail about the financials.

Nessa O'Sullivan: Thank you Graham. In my presentation, I'm going to cover where we are now with our business and why we're well set up for transformation, the specifics around what the transformation program is expected to deliver and when and then what the shape of our financials will look like as we progress through the transformation from FY22 to FY25.

Starting with where we are. In the period from 2018 to 2021, we improved the commercial terms across our businesses and in particular, in our US and Latin America businesses where we repriced our contracts to better reflect changes in the cost to serve. We added inflationary recovery mechanisms to our contracts in the US and we materially improved asset controls in Latin America. We also invested in capacity and capability to support growth and deliver efficiencies. Taken together, all of these successful initiatives have made our business more resilient and agile than ever before.

In the last 18 months, COVID, Brexit and other market disruptions, including pallet shortages, severely tested our businesses. We managed through demand volatility, changes in network dynamics and material inflationary pressures and despite all of these challenges, we delivered strong results in FY21, a real testament to the increased resilience and agility now built into our global businesses. Additionally, throughout this period we've demonstrated a disciplined approach to capital allocation, successfully using the proceeds from exiting underperforming businesses to fund investments in high returning US automation and lumber projects.

Following the successful sale of the IFCO business in FY19, we paid down debt proportional to the size of that business and are progressively returning all of the balance of the proceeds to shareholders via our capital management program. This will recommence later this week and is expected to be completed by the end of FY22.

We also materially improved cash flow generation in the businesses, improving working capital management, delivering asset efficiencies and getting improved commercial terms with our customers in place. Despite the increased investments, we've maintained an exceptionally strong balance sheet and importantly, at the same time, we've cemented Brambles' position as a global leader in sustainability. We've been partnering with customers to deliver value for a broad range of stakeholders. We've driven increased diversity and inclusion and we've achieved carbon neutral status in our own operations and gained further global recognition for our environmental, social and governance leadership.

FY22 will be a year of investment in our transformation to enable delivery of ongoing sustainable benefits from FY23 onwards. Transformation investments and the related benefits are factored into our value creation outlook and expected to increase value creation from FY23 onwards. The annual shareholder value creation we expect to deliver from FY23 of 10% plus is a material uplift from our four year historic run rate. It's driven by a combination of increased revenue and earning growth, including margin expansion, as well as dividend growth.

FY23 will also include a rollover EPS benefit of the capital management program which is expected to be completed in FY22. Group returns will remain strong, despite increased investments with ROCI expected to be in the mid to high teens. The shape of the outlook that will be covered in this presentation excludes any impact across the FY22 to FY25 period of potential investments in plastic pallets, noting that we are currently conducting a trial in conjunction with Costco and some of our customers and we're not yet in a position to make an investment decision. There will be a separate presentation on day 2 covering the trial, investment decision criteria and likely implications of decisions relating to plastic pallets. Cash flow generation is expected to fund dividends and investments in our business and in the medium to longer term, provide optionality to either accelerate growth - investment for growth, and/or undertake capital management initiatives.

Now looking more closely at the investments to enable delivery of these outcomes which we have factored into our outlook financials. The key investments to support our change program include short-term transformation costs in FY22 and FY23, as well as ongoing investments in digital and supply chain initiatives. We expect short-term transformation P&L costs of approximately $50 million in FY22 and $20 million in FY23. These costs will be treated as normal operating costs and included in the underlying profit in FY22 and FY23 respectively. Short-term costs are not expected to continue beyond FY23.

The other key investments supporting transformation relate to digital and supply chain initiatives. The details of these investments are set out in the table, split into operating costs and capital investments. These investments support a range of benefits reflected in the financial outlook, which supports the 10% per annum shareholder value proposition. Looking at these two key areas of investment in turn, digital investment will support our total transformation plan, both directly and as an enabler and will include investments in increased capability in data and digital technology, including asset digitisation. A detailed presentation on digital and what these investments will cover will be presented by Helen Lane later on day 1 of our investor day presentations.

The other material part of our transformation investment is in supply chain initiatives, with a combination of proven automation in supply chain projects as well as other new solutions to be deployed across our global businesses. I will provide an overview of the key components of these investments as part of my presentation and you will get further insights from Craig Jones's presentation and from the regional leaders' presentations.

We'll take a disciplined approach to investment plans. You will note from the slide that the FY24 and FY25 investment columns are shaded. That's to highlight that the investments as set out are the current estimates. However the spend will be gated and subject to review of project milestones and that will inform investment spend and capital allocation in later years.

Now that we've had a high-level overview of the investments, we can move to the value drivers and benefits delivery. This slide sets out the weighting of the components of the underlying profit growth from FY21 as a base year through to the end of FY25. Revenue growth is expected to deliver 55% of the four year earnings growth with a further 40% of the growth coming from asset efficiency and network productivity, with the remaining 5% expected to come from other organisational efficiencies and indirect savings. Each of the regional leaders' presentation will include more details on the key drivers of growth in their regions.

Revenue is balanced and it includes both volume and pricing growth and volume growth includes both growth from existing and new customers, reflecting continued pooling industry market share expansion into what is currently unpooled businesses and new business streams. Asset efficiency and network productivity include reductions in uncompensated losses and shorter cycle times as well as plant and logistics efficiencies and direct cost procurement initiatives. These initiatives will deliver benefits beyond the P&L, supporting CapEx savings, cash flow generation and delivering sustainability benefits.

All regions importantly are contributing to the FY21 to FY25 earnings growth. This slide sets out the segment split of the FY21 to FY25 underlying profit growth. Looking at the blocks on the slide and moving from right to left, it should be noted that the central corporate investment enables and supports the delivery of the benefits shown across the regions moving across the slide to the left.

The earnings growth across the operating regions broadly reflects their relative size of Group revenue as well as specific identified opportunities in each of the regions. The earnings growth and benefits delivery is weighted to the Americas region, with material increases in earnings in both EMEA and APAC, who are also contributing to the Group earnings growth. Excluding the ongoing increase in corporate costs to support the transformation benefits, FY25 corporate costs are expected to broadly in line with FY21.

Turning now to look at the revenue. Revenue growth outlook of 5% to 7% reflects a balance of volume growth with existing customers, net new business wins and value based pricing to recover costs to serve increases. Over the past four years, pricing increases have reflected insights derived from data analytics, digital initiatives and salesforce tools, enabling us to better align pricing and cost-to-serve. As we go forward, we'll be leveraging the tools we already have in place and we'll be using more advanced data analytics and new technologies including further use of digitised assets to support the delivery of value based pricing.

Net new business growth reflects expansion across all regions, with the pooling market share growth predominantly coming from growth of pool pallets into currently unpooled sections of the markets we operate in. Revenue growth is a key contributor to the earnings growth.

Now addressing the profile of our underlying profit growth, if you look at the graphic on the left hand side of the slide, you will note that the uplift in our Group underlying profit performance from FY23 onwards with FY22 being a year of investment, and includes most of the short-term transformation costs. The two main drivers of the improvement in the earnings growth expected as we deliver on our transformation plan relate to the fundamental improvements in our business model put in place over the last three to four years and they have made the business more agile and more resilient.

The second part of this comes from the transformation program, which is key to us being able to deliver improved earnings from FY23 onwards, with increased benefits flowing from investments in FY24 and FY25. FY23 underlying earnings includes the final year of short-term transformation costs and we would expect to deliver underlying earnings leverage from FY23 onwards. From FY24 onwards, the expectation is that we will deliver a high single digits underlying profit growth and consistent operating leverage. The transformation investments in the network and asset productivity are key drivers of the benefits supporting this expected increased level of earnings growth.

I am now going to take you through the key initiatives we're investing in and what the expected related financial outcomes are, starting with the network productivity. Network productivity benefits are driven by leveraging existing, proven automation and other high return supply chain initiatives, and taking this to new sites. The FY19 to FY21 supply chain investments have been highly successfully, delivering material business benefits with returns of over 20% and delivering increased capability and capacity to our networks. The outcomes of these investments enable the business to manage increased volatility and changes in network dynamics in FY21 and also delivered improved lumber market access when supply tightened and drove efficient processing, which enabled improved yield on lumber sourced.

We'll invest approximately $415 million in supply chain projects across FY22 to FY25 which are expected to deliver returns of circa 20% with a payback of four to five years. This includes approximately $235 million of investments in proven supply chain initiatives including the implementation of existing automation technology and equipment across incremental sites and regions and $60 million of investment in the progressive improvement in pallet durability to reduce damage rates. The planned improvement in damage rate builds on the one point of damage improvement delivered in each of the FY20 and FY21 years, worth a cumulative $25 million in total across the two years.

A further $120 million of investment will be invested to increase the level of automation using new technologies across 70 plants in Europe and North America, delivering improved plant efficiency, quality and helping with the consistency of the pallets repaired.

As we move now to look at asset efficiency, we'll use the next few slides to pool the total investment together, starting with pooling CapEx and then moving to non-pooling CapEx. On slide 22 (sic - slide 28), the graphic in this slide shows the asset efficiency metric, pooling CapEx spend, expressed as a percentage of sales. The chart is presented on an accruals basis, consistent with how we report for the annual and half, half and full year reporting. As detailed at the full-year results presentation in August, progress in asset efficiency in the US market in FY21 was impacted by major changes in market dynamics, with factors including volatility in demand, changed network flows - and both of those reduced the overall pallet pool efficiency. We also had scarcity of transport and labour as well as some limitations to site access which reduced the ability to collect pallets. Lumber supply constraints and inflation drove pallet scarcity and higher pallet prices, which also resulted in some stockpiling of pallets across the network and higher losses.

In all other markets outside of the US, pallet losses were reduced during FY21. Lumber inflation however across the Group drove higher unit pallet prices, impacting the FY21 pooling CapEx to sales ratio by three points. Deferrals of pallet purchases in FY21 due to lack of supply will add a further three points to the FY22 pooling CapEx to sales ratio. It should be noted however that the FY21 free cash flow was $341 million, with the business generating sufficient cash flow in FY21 to fund these pallet purchases which will now occur in FY22 due to the pallet supply constraints in FY21.

The underlying FY21 CapEx to sales ratio compared to the four year FY16 to FY20 historic level of 19% was circa 21% in FY21, being the 18% shown on the slide before lumber inflation and three points in the deferred pallet purchases reflected in the dark green area of the FY22 bar on the chart. The higher loss rate in the US and the challenged market dynamics are expected to persist in the US during FY22. Laura Nador, the CEO of our North American business, will provide further insights during her presentation.

Looking forward, while pallet prices have decreased in the US relative to the May 2021 peak pricing, they remain above historic averages and the European business is now experiencing increased pallet prices. Hence, the inflation impact of circa three points included in the estimated FY22 pooling CapEx to sales ratio, which includes 20% to 21% relating to FY22 pallet purchases and a further three points of deferred pallet CapEx spend from FY21.

Improvement in the pooling CapEx to sales ratio is expected across FY23 to FY25, to deliver an FY25 pooling CapEx to sales ratio of around 17%. This will be achieved by a wide range of initiatives, including leveraging Group best practice initiatives, increased use of data analytics, the deployment of smaller vans enabling higher frequency pickups of pallets and supported by the deployment of digitised pallets. Commercial terms will also reflected increased pricing and compensations for higher loss lanes.

The US business will also be pioneering the use of advanced data analytics coupled with AI and machine learning to identify an anticipate risks of loss, inform resource allocation for recollections and follow up actions and will also automate a number of processes to improve communications across the supply chain to drive asset efficiency by increasing pallet recoveries, reducing losses and implementing pricing better aligned to loss rates and overall cost-to-serve to recover costs but also to drive changes in behaviour and increasing asset accountability. Laura will talk more about this in her presentation.

To complete the picture on capital investment, we'll now turn to non-pooling CapEx investment. So non-pooling CapEx investment will increase to around $250 million in FY22. That will be driven by increased investment in supply chain automation, lumber and pallet durability initiatives as well as including investments in RPC washing equipment in Australia and the replacement of supply chain equipment in North America. The outlook is for the non-pooling CapEx from FY23 to FY25 of around US$200 million annual spend to support both supply chain initiatives and IT and systems investments. A disciplined approach will be taken to capital allocation with gating and milestones in place, which will progressively inform our decisions on future capital allocations. We will continue to focus both on overall returns and cash flow generation.

Over the last three years, we've improved cash flow in the business. Free cash flow in FY21 of over $341 million including timing benefits of $215 million relating to the deferred pallet purchases of $180 million and $35 million of tax timing benefits, both of which are expected to reverse in FY22. This was highlighted to the market in August of the full year results. Excluding these timing benefits, the FY21 free cash flow was over $126 million. Excluding the outflows in FY22 related to the reversal of the timing benefits in FY21, the FY22 cash flow is expected to fully fund CapEx and dividend. Cash flow is also expected to fund dividends and CapEx in FY23 and FY24, with improvements in free cash flow expected in FY25, delivered by increased benefits of the transformation investments and other initiatives.

Having covered where we are, what the transformation investments are and their related financial benefits, I'll summarise on the next two slides some outlook commentary on FY22 and then FY23 to FY25. Turning to our FY22 outlook, FY22 is a year of investment in our transformation program. Revenue growth is expected to remain in the mid-single digits at 5% to 6% in line with the investor value proposition outlined earlier in this presentation by Graham. Underlying profit growth is expected to grow 1% to 2%, reflecting transformation program costs including short-term costs taken above the line and included in underlying earnings, changes to tax regimes in the UK, US and Spain are expected to drive an increase in the effective tax rate of around 1.5% in FY22. This is our current view, noting we're yet to see what the final outcomes will be for the changes as yet to be announced in US taxes.

In terms of our dividend, our US dollar payout ratio dividend policy is unchanged. FY22 free cash flow generation as previously stated reflects the reversal of $215 million timing benefits, fully funded by FY21 free cash flow already banked. Excluding the reversals of these timing benefits in FY22, the free cash flow is expected to fully fund CapEx including transformation investments. This builds upon the consistent improvement in cash flow generations over the last four years.

Now finally looking at FY23 to FY25 expectations, revenue growth is expected to be in the mid-single digits, driven by pricing and volume growth across all of our regions. The business expects to deliver operating leverage in FY23 with underlying profit growth expected to be in the high single digits after expensing of transformation costs. From FY24 onwards, the expectation is for the continuation of high single digits underlying profit growth in line with our updated investor value proposition. The FY23 effective tax rate is expected to increase about half a percentage point over FY22 levels and finally our balance sheet metrics are expected to remain strong and in line with our investment grade credit ratings.

I will now hand back to Graham who is going to provide you with an overview of the transformation process and the sustainable value this will create.

Graham Chipchase: I would now like to talk about the approach we're taking to the transformation. It's a rigorous approach. I know some of you have been comparing whether this approach is more like one of the previous transformations we've done or another one we've done. All I want to say is we've looked at what we've done before and we've tried to learn lessons from them when we set out the approach we're taking to this transformation. Hopefully that will be clear if we look at the chart on the right here.

So we've had a broad based involvement and mobilisation through the Company and I think that was something that didn't happen in the past. It was very much top down driven. So we've got a lot of people involved in the Company, very good engagement around what we're trying to do, a lot of excitement around the opportunity to transform the business and improve the customer experience. We went through a detailed bottom up planning process which we completed in towards the end of fiscal 2021 which gave us a multiyear plan based on concrete, granular, quantified initiatives. So there's a real depth and richness to the plan to deliver the results.

Another thing that we learnt from the past was that people were being asked to work on programs and do their day jobs at the same time. So we've ensured that we've got our best people on the project and that they are dedicated to the transformation. So some of them are listed here below. So we've got the new Chief Transformation Officer, Craig, who will talk to you later on, with a dedicated transformation office. A new role for Chief Digital and Data Officer which is Helen, who - she again will talk to you later on and Alasdair is going to lead the customer value initiative.

Beyond that, the whole of the executive leadership team are sponsoring various workstreams and the ELT are leading this program. It's not led by me or me and Nessa, it's led by the whole executive leadership team and I think that's a very powerful signal internally that this is something we're very committed to delivering.

Similarly, another I think thing we've learnt from the past is not having granular initiatives and milestones and objectives and targets for the transformation. So this transformation, we have transparency and accountability for results. There's a transformation scorecard which I'll talk to in a minute which will monitor progress and the outcomes from the transformation are embedded in management incentives, both individual incentives and shared incentives.

So let me talk about the scorecard. No intention of walking through this in detail. It's a bit of an I-chart but like any good balanced scorecard, it is a combination of financial metrics and non-financial, short and long term to cover the breadth of the transformation and you can see from the colour circles we also have metrics in there relating to ESG and vertically we have something covering digital, customer, asset efficiency, network productivity, business excellence. So those four key pillars that I talked about earlier on as well as sustainability and ESG and of course very importantly the financial outcomes.

Again, I won't go through all of this but there were some interesting ones within there. You can see for example the need to have a lot of people trained in digital expertise. There's a lot of work going around revenue growth in the second column which is obviously key that we continue to focus on that and product quality. We're launching customer optimisation programs. We are looking at asset efficiency and network productivity, we're looking at the organisation at how we can make it more efficient as well as looking at things like our diversity and inclusion targets and we've got our environmental targets which come into our 2025 objectives.

If you look at the financial side, on the right hand side, we've talked about these before in the value proposition but also in Nessa's session but the revenue growth, mid-single digits, underlying profit leverage, free cash flow generation, ROCI in the high to mid-teens and EPS growth in the high single digits with a dividend yield of 2% to 3%. So putting that all together, top right hand corner, you can see total value creation of 10% plus from fiscal 2023. So this is very granular, there's a much more detailed version of this which we will use internally to measure progress, but clearly we're going to now use this as a way of reporting externally our progress on the transformation.

Just to wrap up, if we look at what we've just talked about, both Ness and I, we are transforming the business to drive a step change in value creation. We have created a more resilient, agile and sustainable business model setting us up for future success. We've talked about the improved commercial terms, profitability and asset productivity with a much more resilient and agile business model. We're in a very strong financial position with the balance sheet and profit leverage, CapEx and dividends fully funded by cash flow. A more focused portfolio, divesting the underperforming businesses and successful sale of IFO. Global leadership and sustainability delivering benefits for our customers, retailers, employees and shareholders. I think much more importantly, a unique position to lead and assist customers in their circularity business models and the new business models of the future. A very strong financial performance in fiscal 2021 despite a range of challenges including COVID-19, Brexit and massive lumber inflation.

We're transforming the business to drive a step change in value creation with every region contributing to the value creation. So again focusing on customer value, network and asset productivity, business excellence, digital is enabling the transformation across all those areas, and global leadership in sustainability with 2025 goals which will create regenerative supply chains for the future.

With that, I'd like to hand over to the Operator to manage questions and answers. Thank you very much.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Matt Ryan from Barrenjoey. Please go ahead.

Matt Ryan: (Barrenjoey, Analyst) Thank you and hi to everyone in London. I just had a question with regards to the strategic priorities that you've sort of outlined on page 10. I think similar to your comments, some of these look pretty similar to previous investor days that we've been to and Graham, I think you just mentioned that you've learnt some lessons from transformational programs that have been done in the past. So was just hoping if you could share what you have learnt and I guess how you're using that to change what you're doing moving forward.

Graham Chipchase: Yes. So I think there are a few things. When - yes we obviously look back the various programs and I think the first thing was previous programs are very much top down driven into the business without any consultation and buy-in from the business. So one of the reasons we've taken a bit longer than perhaps we've done in the past and we've been talking about shaping our future for some time now, was to make sure that we're able to get the buy-in and the feedback from the businesses on some of the bigger themes that we wanted to change in the Company.

So that's - I think we've now got significant engagement throughout the business which we've seen coming back through our employee engagement survey scores, that people understand the strategy, they understand the transformation but most importantly they really engage with it and want to change the Company. So I think that's something that we didn't do the last time round which I think has been positive.

The second thing was very much that people were being asked to get involved in the transformational projects but also do their day jobs at the same time. We very early on said we want our best people and for me, one of the signs that we were truly operating as an enterprise business not just a collection of regional fiefdoms was when people were putting their very best people onto some of the initial project work we were doing and now you can see we've got some great people heading up the various initiatives, but they are working on it full time. I think that was something that's very important that - it shows the commitment we're putting in towards changing the Company and working on these different initiatives.

I think the other thing that also happened last time round was people were working on projects and then all of a sudden they didn't have a job at the end. So we're very committed to making sure that this is a development program for people working on it as well as something that we obviously need to deliver as an initiative.

I think the other thing then, which comes very much down to what I was saying about the scorecard. The process that we got involved in this time round is incredibly granular and we've had some external help to do that which I think last time we didn't do. In the past the external help was very much driving the program. That is not the case this time round.

We, the leadership team of Brambles are driving this program but the process is one that we've borrowed and it's incredibly granular. There's one version of the truth. People are operating through that process and initiatives are being logged in the system and measured down to a very, very granular level and I think that's what gives us a lot of confidence that while yes, there is the sort of hockey stick that we may have seen in the past, we know what's driving it, we're monitoring it and I think we're very confident that we can deliver it and I think that is a completely different situation to some of the previous programs, the ones that Nessa and I had to look at when we first joined the Company which, you know, we could see there was a lot of intent but there wasn't much delivery and process to deliver from intent to results. I think that's completely different this time round. So those for me are the main changes.

Matt Ryan: (Barrenjoey, Analyst) Thank you and just a question for the guidance for this year. Is there any reason to believe if you decided not to conduct this transformational program, do you sort of think you'd meet your medium term guidance that you've given in the past of sort of mid, single digit revenue growth and operating leverage? For this year?

Graham Chipchase: I think - yes I mean number one we're going to this. This is not something - this is not sort of a, we might do, we may not. We need to do this because I think one of the things that's happened in the past is the Company's been very focused on the short-term performance and one of the things that we've been struggling with is we know there are some things we need to do to transform the business in the longer term and that that does require some investments and it really is this extension of what's been going on with BXB Digital for five or six years. We've been testing different concepts.

We know we need to digitise the Company to get the benefits both for ourselves and for our customers but that does take some investment and I think the nice thing this time round is we know that we need to optimise the existing business to create enough value to fund the transformation for the future. FY22 is a year of investment, I think Nessa has characterised it absolutely correctly, but from fiscal 2023 onwards, we really believe that we can consistently deliver the leverage and consistently deliver improved cash flow and I think that's something that is different because if you'd asked us well if you don't do this program, then I think we'd be going back to our previous guidance which is yes, we can do the leverage [ULP] over the cycle because we do struggle with inflation and this is a way to try and get the - to sort of build on the resilience of the business model we've built over the last few years and ensure that we absolutely are delivering leverage.

I think more importantly, we're now focusing on the EPS and the total value creation and I think we're being fairly bold and ambitious with saying 10% plus each year from a value creation perspective. That's something we haven't said before so I think this is different and I think it is more ambitious than the previous guidance.

Matt Ryan: (Barrenjoey, Analyst) Thank you.

Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder: (Jefferies, Analyst) Good morning or good evening all. I'll start on the growth if we can and a large proportion of this growth into the future is coming from revenue growth. Given that we see some market share has been lost in key markets, how are you attacking the growth to increase market share in key markets for CHEP?

Graham Chipchase: [Do you want to take that, Nessa]?

Nessa O'Sullivan: Hi, hi Anthony. I think a couple of things to note. You're right that there is a balance of this, 55% as you saw sort of from slide 23 sets out the sources of growth which includes [inaudible] our perspective, we've continued to grow our share. The challenge however this year has been with the lack of pallets and pallet availability which is - which has been an issue across the entire market, that we haven't added as much net new business because of the pallets, because we've chosen to allocate those and make sure that we supported our current customers.

If you think though about what we did in the year and you look at the overall revenue growth for the year in FY21, we still got really strong growth of 7% and that's because COVID had a higher weighting towards at-home consumption, but I think you also need to say well what have we done underlying to actually get ourselves in a better position to unlock value for the future? I think if you look particularly at Europe and Central and Eastern Europe and the growth that we've had over the last 18 months in Germany, that's a market that has historically been a real challenge for us to get a foothold in. Now with retailer approval, we're consistently getting some good growth there as well as across Central and Eastern Europe.

The other example that I draw about where we're setting ourselves up for higher growth in terms of that volume piece is in Latin America we had a business model that was fragile and we couldn't get good returns from it. Now we've totally reinvented that business model and you'll hear more about that from Paola in sort of day 2 of this, but as a result of all that work, we're now kicking out a lot of good strong cash flow and we're opening up new opportunities and Paola will talk about that and we see a lot more opportunity for growth in Latin America.

Lastly but I think also really, really importantly, we've really changed the dynamics in the US market. We've been - you know, in terms of making sure that we're pricing according to cost-to-serve and the references to what we've used from digital and data analytics have really helped us to tailor that pricing and repricing program. So I think they're three components of what sort of sets us up better in terms of revenue growth going forward and disciplines to be able to unlock that value.

Anthony Moulder: (Jefferies, Analyst) Thank you. Part of that pricing to change behaviour I guess is how you're interacting with those NPDs. Is it - how are you thinking about those NPDs, how do you close those down and does that suggest that some of those customers that continue their ship to NPDs are better off on a different platform?

Nessa O'Sullivan: Anthony, I think that's a really good question because actually for us, it's important we service our customers. So a lot of our customers will have different levels of flows and they don't want the complexity of dealing with multiple platforms. However, if the cost-to-serve means that there's a really high loss rate going to a particular NPD, yes you're right, we are working with those customers and Laura can talk more about that tomorrow, but we are working with those customers to say actually there's a better platform for you and in some cases we're actually facilitating their access to white wood to help them to do that because we say look, the amount of money we're going to have to charge you to take a flow on our pool pallet is going to make it prohibitive for you. You're better off putting it in white wood.

In other cases, it's just the loss rate is a higher loss rate and therefore what we have to do is just charge a higher price but we're still happy to service them in that lane, so long as we charge the appropriate pricing for it. So I think it's a mixture of all of those. Flows to NPDs are not necessarily bad flows, so long as we charge the right price related to what the real cost-to-serve is.

Anthony Moulder: (Jefferies, Analyst) Yes, very good. I guess the last time we heard targets from you both was back in London 2018. Can you just talk to how you saw that US margin profiling between FY18 and FY21 and what you learned for these targets that you've put out today please?

Graham Chipchase: Go on.

Nessa O'Sullivan: Okay, so Anthony, when we first - I think a couple of things. So in FY18, I think it's fair to say it was a very different world to where we are today and certainly that was followed by a period of rapid inflation. As we said at that time, it was going to take us three years to reprice our contracts and to get proper inflation recovery mechanisms in place. So for us, the inflation got worse through 2019, so we went backwards, but if you look at the last two years, we have seen that margin expansion and we had those dots on the charts that we showed every year from the ASX perspective where we showed how we were going to progress.

I think we've been incredibly pleased with the outcomes from the automation program that not only has it delivered the financial benefits, but again we never foresaw when we hit the targets that there was going to be a COVID, which mean that the network flows were totally changed, there was a whole load of inefficiencies through the network. The fact that we invested ahead of the curve and got that extra capacity and flexibility into our network, not only did it deliver on the business case but it's actually been a real enabler for us over the last 12 to 18 months to cope in this environment.

Then we had this quite innovative approach to how we were going to manage lumber, lumber supplies and processing and take inefficiencies out. Partnership with five sawmills in the US definitely allowed us to get access to lumber for longer and our partnerships with them has meant not only have we actually also got more efficient with the yields that we get, we've improved the processes, reduced the transport miles to go to our service centres. All of those have been real supports to the outcomes that we've got across the total business.

So I think we feel good that we've had good margin improvements over the last two years and as you see from the plans and the weighting of the plans, we would expect to see more margin expansion from the US business, albeit I think it's fair to say everybody is very much aware there's still a lot of uncertainties out there in the market. We still - lumber is still scarce in terms of supplies and therefore pallets are still short in the US. So I would say we're still challenged in that market. I think we feel pleased that over the last two years we have banked margin improvements and these plans do include targets for that business to continue to grow margins.

Did we reach the full amount of the outcome that we'd wanted when we set the original target? No, we're lagging behind that, but I think now gaining momentum from - you know, after recovering from the year and this last year I think has been real testament to all of those things that we put into the business including surcharge recoveries that enabled us to get a really strong FY21 result from that business.

Graham Chipchase: I think just building on that a bit Anthony…

Anthony Moulder: (Jefferies, Analyst) I appreciate that [unclear]…

Graham Chipchase: …confidence about the numbers now going forwards. I think Nessa's characterised it absolutely right, there's a combination of us getting confidence in some of the things that we've been doing over the last couple of years operationally but also we've spent some time over the last 18 months getting some external validation of some of the ideas we had around things like in technology, around for example digital. So we've got that combination now of saying we're rolling out stuff that we're very comfortable with because we've proved it over the last couple of years and we're now increasingly confident about some of the newer stuff and that it will actually benefit the business in terms of asset productivity for example with more digitisation.

So I think that's why we're more confident because it's a combination of two things. Some are lower risk, we've done it, others slightly higher risk but we've got much more confidence in the outcome and that's why I think we're sort of pretty confident about the numbers going forwards.

Anthony Moulder: (Jefferies, Analyst) Very good, thank you. Lastly if I could Graham, it's five years for yourself in January, January next year 2022. How much of this do you need to commit to the Board to deliver?

Graham Chipchase: Sorry, I didn't quite catch the last bit of that but I'm assuming because…

Nessa O'Sullivan: How much do you need to commit to the Board going forward…

Graham Chipchase: Yes, my commitment. So there are two ways of answering that question and I've said this previously. I am very, very happy to stay for as long as the Board want me to stay and I would hope the Board would like me to stay to see this through as we go through the transformation but this transformation is not just a three or four year thing. It will go on because the idea is we should be continually coming up with new ideas to help transform the business. Have a [unclear] if you like, so there's always something going on, so this is - on the assumption that I won't be able to work forever, at some point I won't be doing it but my intent and my desire is to stay for a significant period of time to see this through.

The other way of looking at it is life is life and the Board - it's the Board's decision and stuff happens and if I were to leave or couldn't carry on, I think the most important thing - and I said it right up front when we were talking about the process - this is not my process. This is not Nessa's process. This is the ELT's process. So if anything happens to us, then the business can transform itself because the ELT, who are a large number of people, and the buy-in we've got from people beneath the ELT about the enthusiasm and the need to do this is very deep and ingrained. So it will carry on regardless of whether I'm here or not and I think that's a strength as well as - perhaps doesn't help me particularly but I think that's the right way to look at it. It's not about how long I'm here for.

I would love to stay and see this through but that's a question for the Board, not for me.

Anthony Moulder: (Jefferies, Analyst) [Unclear]. Thank you.

Operator: Thank you.

Graham Chipchase: Thanks.

Operator: Your next question comes from Jakob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: (Jarden Australia, Analyst) Hi Graham, hi Nessa. Can I just get some understanding about the motivation to provide these long-term value targets now and why you think the last four years are the best basis for comparison for those value creation targets, just noting the last four years obviously as you just said Nessa were impacted by those inflation headwinds that you saw and also some execution issues.

Graham Chipchase: I think a couple of things and perhaps if I start off and Nessa can add some stuff to it as well. I mean I think the motivation is very straightforward. We've been talking for some time about BXB Digital and we've been talking for a little bit of time as well about Shaping Our Future and quite rightly I think we've been getting some challenges about where is the value going to come from both of those things.

We spent some time - and I think the reason Shaping Our Future has taken a bit of time - is we wanted to not repeat the mistakes of the past in terms of large transformation programs and with BXB Digital, we knew there was value. We're pretty confident about the technology we have been building within BXB Digital but we wanted to test out some proofs of concept and we wanted to get some external validation on the technology, both of which we we've done over the last 18 months or so.

So I think it comes at the right time now and I think it's also good that we've just had 12 months where as Nessa said, you know, the work we've been doing around making the business model more resilient, we've been able to prove that in the last 12 months because of being able to produce the set of results that we did for fiscal 2021 in an incredibly difficult operating environment. You put all that together and say now we can have confidence that we've got the nuts and bolts of the business right. It's a resilient business model which we can rely on to create enough value to fund the investment we need to make over the next 12 to 18 months to create that newer business, that transformed business where we're putting into practice and rolling out some of these technologies and ideas that we have been testing for the last 18 months.

So I think that's why the timing is what it is. It's a combination of fortune and planning in reality. There's anything you want to add to that…

Nessa O'Sullivan: Well I think it was also important that we'd invested a lot in supply chain and capability and we were coming to the end of that program which we finished the first phase if you like of the sites in the US. I think quite rightly the market was saying to us, so what's next? Given that that was a piece of the growth, it was also the opportunity for us to set out and to make sure that we have a good pipeline that says that's now embedded in the base, that's giving us more capacity and capability but recognising that if we want to get the momentum and continue to be more agile, that we also needed to have the next phase in the pipeline and we wanted to set milestones so the market understood what we were investing in and why we were investing in it.

I think we have to recognise, none of us know what the new normal is going to be post COVID about how things settle down but we have recognise through this the value of having agility in our network and getting to the next phase of doing that and making sure we've got value based pricing that reflects that and that we're thinking about the future. All of that, the world has just changed a lot more quickly so for us to do more of the same just didn't make sense in that context. I would see those as being other key factors that led us to say, okay now let's get the granular plans, let's set it out to the market and let's be clear about what we're going to invest, what we expect to get out of it and set a scorecard so that everybody is aware of what we're doing and how we're going to look at the performance against that as we progress through the plans.

Jakob Cakarnis: (Jarden Australia, Analyst) Thanks for that guys and then just moving to BXB Digital. From what you've disclosed it looks like between FY17 and FY21 there was around $75 million of investment. FY22 in the single year that's going to step up to 40 and then it looks like the outlook is once you pass through those gates closer to $100 million to $200 million moving forward. Can you just let us know why this is accelerating, whether customers are seeing value from this investment or whether it's just an internal focus at the moment and then what the potential upside is for shareholders as you move through the program?

Graham Chipchase: So we don't want to steal Helen's thunder, so let's - hopefully when - she will answer some of those questions when she's done her section. I think it's important in terms of just explaining the scale of the increase, so we always said that once we were happy with the technology, we would need to roll it out. Obviously clearly to get the benefits of the data capture to give you the better insights to run both our business better and provide some value to the customers, we would need to digitise more of the asset pool. That is why there's an element of increase in capital expenditure - one of the reasons. It's not all about digital There are other things we're investing in as well which we'll obviously cover as we go through the next day or two, but that fundamentally is the reason.

Again, just to highlight the point, it's not just about customers. It's also about our own efficiency so a lot of the investment is stuff that we know is already giving us value in terms of helping us improve asset efficiency which we will get that benefit sooner and then we're building on with some of the benefits for customers but Helen will cover that when she comes to her session.

Nessa O'Sullivan: Just one more point I'd like to add to that, if you look at our slide 22, we deliberately shaded the outer years in terms of the capital investment. So we are going to be very disciplined about the investment we put in. So the outcomes from what we do in the earlier years will actually inform what we invest in the later years and where we allocate that. So you'll see that there is a progressive ramp up of the spend and that's dependent on the outcomes and us delivering against the milestones that'll inform what we do. So I think it's important to note that, that we've set out as we see it happening, but obviously we'll adapt depending on what the outcomes are and it'll be subject to the normal commercial reviews you'd expect of investments from year to year.

Jakob Cakarnis: (Jarden Australia, Analyst) Thanks for that, Nessa. Just one final one. Does that have the same ROCI targets for return, the BXB Digital spend, as the rest of the business or is it slightly different given the internal facing?

Nessa O'Sullivan: Well I think you have to look at it - and we've been - I guess been at pains through the presentation to say look we see digital and the investments in technology to be underlying practically all of the initiatives. They're either directly impacted or they're enabled by this spend, so it's really hard to separate out the specific pieces. I mean if you were to - say even if I took the example that we were spending about on average - if you sort of went back about $20 million a year on BXB Digital, you'd say how would we say we got value from that historically?

Well a lot of the ways that we actually work out the pricing strategies for instance in the US was based on getting further insights into flows in that market. So that's just one example of where we've got it and we've got another really good example and David's going to talk to tomorrow in the Irish market where we ended up making changes, that we've got some additional pricing through that as well, identifying our cost-to-serve.

So I don't think you can pull out the individual pieces and say here's the related return, but we do have the granular plans and we do have a process where we've linked what is dependent on what to deliver on an outcome. That will evolve over time depending on which pieces are more successful relative to others.

Raluca Chiriacescu: Thank you very much.

Operator: Thank you. I will now hand back to Raluca to continue the presentation.

Raluca Chiriacescu: In the interest of time, we will move to the next session but Graham and Nessa will be available throughout the event to take your Q&A as well as at the end. So we will now move on to the next session of presentations.

Thank you everyone. Our next two presentations will be from Craig Jones and Helen Lane. Craig Jones is our Chief Transformation Officer and he will take you through our Shaping Our Future program. Craig joined Brambles in December 2017 and was appointed to his current role in July 2021 to deliver our transformation program. Craig was previously Vice President of CHEP, India, Middle East, Turkey and Africa. Craig is based in our Dubai office but is joining us from London today. I will now hand over to Craig.

Craig Jones: Thanks Raluca. As Graham mentioned earlier, the world has encountered uncharted territory in the past 18 months. Although we have successfully navigated this, as evidenced by the FY21 results and just reiterated by Nessa, it's now the time that we should be ready to transform our business so that we can continually deliver, adding value to you and your investment portfolio.

We have been asking ourselves important questions over the past year or so, questions such as how can we determine better outcomes for our transformation? How do we ensure we continue to deliver great value from existing opportunities? What is the best way to leverage the excellent work already undertaken, accelerating benefits into the future? So today, I will introduce you to our transformation, touching on specific elements that will allow you to build the confidence that the execution has been well thought through and that we have the rigour, the innovation and plans to deliver, in turn growing our business to deliver the results Nessa alluded to earlier, ultimately returning value to our investors and increasing the value of your investment portfolio.

The key elements of our transformation show how this is an acceleration of our current activity, and not creating it from scratch, therefore allowing us to build on recent successes as well as incorporating learnings along the way. I will also aim to give you comfort on our execution abilities, as we build capability muscle across the enterprise. I will also take some time to introduce our scorecard that Graham spoke to earlier, a scorecard that will demonstrate our commitment and focus on delivery and the key areas of transformation.

With digital customer experience and sustainability being covered in more detail later by Helen, Alasdair and JJ, I will take the opportunity to introduce in depth some other aspects of the scorecard, that are core competencies of our business. I will continue to drive value within our transformation.

So let's get into the detail. The twin track approach that we have adopted really builds on the excellent progress we have made over the past 18 months and allows us to accelerate our ambitions and plans to deliver faster and stronger results and with the recent set up of the dedicated transformation office, we will assure, enable and drive the program. We will assure the governance, the rigour and prioritisation to de-risk the portfolio and maximise transformational outcomes. We will enable effective change delivery by building transformation capabilities across the enterprise, fostering Company-wide shared ownership and learnings and we will drive best practice adoption, sustaining delivery of enterprise-wide initiatives. These will ensure we remain consistent and strong in execution and that will be evidenced across our business results and ensure [additive] value to shareholders.

We have already delivered significant value over the business in the last 18 months and with broader enterprise-wide learnings and delivery across the four key strategic areas that form the cornerstones of our transformation. For example, significant automation program covering a hundred sites with over half of these in the US. Our customer experience initiative such as the estimated time of arrival notifications and processes to make simpler for smaller customers. In the asset efficiency area, we have taken learnings from one-off illumination projects, first conducted in the US back in FY19 and made them into repeatable tools for the use across other markets. These programs will continue to add value through FY22 and beyond.

As a recent business unit president, I was heavily engaged with the formulation of the plans, that is firmly embedded in the business to deliver on our long-term commitments over the plan years. We have engaged over 600 of our employees in the past months, empowered them to build, via a bottom up process, in excess of a thousand initiatives that form an overall portfolio plan, owned and sponsored by our executive leaders. The case of change has really been felt throughout our business and with a highly engaged team and a rigour to the approach, we are confident in delivery of the outcomes.

Earlier in the day, Graham introduced the scorecard, a tool that will track our transformation, ensuring we deliver across a balance of metrics, both financial and non-financial, leading and lagging in nature. It's not my intention to take you through the individual metrics or the minutiae of the scorecard today. The purpose is to demonstrate our commitment to the transformation program and focus areas across the main strategic themes. Underpinning the metrics are hundreds of initiatives and thousands of milestones that will over the course of the plan deliver direct value or enable value to be delivered and in some cases, it's a combination of both.

We'll see later on in my presentation as well as the presentations that follow, examples of how delivery will be executed as well as the magnitude of the program, to drive the outcomes included within the scorecard. An example to note under asset efficiency, we call out three points reduction in pooling CapEx over sales across the plan and with the rule of thumb that one point variance is equal to a circa $50 million of cash impact, this is a significant cash improvement. We have a strong and ambitious balance of measures that facilitate our twin track approach on operating more efficiently, delivering increased returns, whilst investing to deliver a real transformational change in the Company.

I will go into more detail on network productivity, asset efficiency and business excellence, linking some of the programs that will support delivery on the metrics and bring the value that is key to you and your shareholders. Later on, Helen, Alasdair and JJ will talk more about digital, customer and sustainability respectively and so you will be able to get a solid degree of comfort on activity, enabling the delivery of these metrics. Our intention is to use the scorecard as we report to the market and so you will have strong visibility on progress along the transformational journey.

With that, I would like to take a further look into how we are accelerating delivery, starting with network productivity. As explained earlier, an acceleration of current activity that underpins our strategic intent is a major focus of this transformation and it would be remiss of me to look into the future without giving some insights on recent monumental activity in our own supply chain, and activity that has successfully delivered the outcomes across our network.

We have invested in excess of $300 million over the past three years, heavily focusing our efforts in automation, delivering automated solutions to over a hundred sites and over half of these in North America, with the rest spread across our enterprise. We have rolled out technologies and processes that give us exceptional results, adding capacities of 20% and 30% respectively on repair and inspection abilities. The discipline to deliver on time and in line with our investment criteria has been a major success over the past few years and the proof of deliver gives us the confidence on future programs as our automation ambitions continue.

We have built up a track record of implementing solid automation programs and since 2019, delivery of automation across a hundred sites in our whole network and continued investment will deliver further value across the plan. As well as continuing to roll out our current automation in the next phase of sites, I wanted to introduce to you a very exciting program of combining and optimising some of our automated activities into a single repair cell within our network. We're excited about the opportunities this will deliver and to bring this to life, I would like to share a video of the operation in practice.

After the video, I will highlight how this will be implemented across our business.

[Video plays]

Male: This video shows the newest technologies as part of the [Integrum] project. As the first of its kind in the industry, automated digital inspection is the beginning of the process. This technology automatically inspects the pallet and detects any defects to be removed by the robotic clipper. Integrum is the next phase of automation. In the first phase of automation, we automated the inspection process and integrated our inspection and repair lines to eradicate interactions between forklifts and pedestrians while improving ergonomics. Today, some sites have a single clipper robot that is cutting out the broken element detected by the automated inspection and hence taking over one of the most arduous tasks for our repair operators.

What you see here is the next generation of the clipper robot. The two robots work hand in hand to maximise the cutting time and almost double the productivity of the cell. This increases the production capacity while making efficient use of the available space. The combination of the automated inspection with the robots guarantees a consistent quality and fulfilment for our customer's demand.

After the pallet is inspected and the broken elements are removed, the next phase can begin, the reassembly of the pallet. With these new innovations as part of the Integrum project, the technology can now reassemble every element that is removed by the robots. Here we see the replacement of the stringer or the connecter board. This is the toughest element to replace, because it's really the spine of the pallet. With the work the teams have been doing over the last couple of years, our plants now have the fundamental knowhow to properly operate and maintain this state-of-the-art technology and robotics. The new look and feel in our plants places us in a better position in the war for talent.

The third phase is auto-nailing, where new boards are secured to the pallet. The green laser beams first detect which elements of the pallet are missing. The robot then selects the new element and correctly positions it on the pallet. In the last step, the nail gun fastens the element with a consistent nailing pattern. This is a key aspect in the quality of repair and durability of the pallet.

In summary, the innovative solutions with the clipper next generation automatic reassembly and auto-nailing are bringing us closer to our vision of the touchless plant, a safe and ergonomic plant environment where a more diverse workforce does not need to touch the pallet anymore. The increased capacity and consistent quality with this process controlled inspection and repair will better fulfil the needs of our customer.

[Video ends]

Craig Jones: So this is an integration of our automated technologies and a massive step towards a touchless plant. The benefits have been reflected in our pilot programs during FY21 and we will now embark on an aggressive rollout to more than 70 of our plants across the network, focusing heavily on the US and Europe.

Our work does not stop with automation. Across our transport network, we have a healthy pipeline of activity and while we continue to drive value optimisation and utilisation of our rates, technology to assist us in route deliveries, we will be using some new tools also to further optimise our route planning as well as tighter customer collaborations, resulting in less miles and relocations. All of this returns value to Brambles and ultimately, you as our shareholders.

The durability program goes from strength to strength and there's no pun intended in that comment. Over the past two years, we have delivered 200 base points of improvement globally which equates to roughly $25 million of incremental profit. On the scorecard, we have called out a further 75 base points year on year reduction until FY25. This is underpinned by a range of initiatives across the network that will ensure we optimise durability of our platforms.

Some examples can be seen on the slides, such as optimising platform mix and new composite blocks utilising otherwise waste material from our sawmills in South Africa. In summary, the network productivity focus is currently underpinned by circa individual initiatives and epitomises the essence of the transformation program, taking learnings from prior rollouts, continually shaping and adding incremental value as well as introducing new technologies, as in the video example of the automated repair cell. There is also a de-risk element to this portfolio as we become less reliant on resources outside of our control, whether that be raw materials, trucks or scarcity of people.

Within our asset efficiency strategic theme, our goal is to reduce capital intensity across the business and we have built an enterprise wide ecosystem to facilitate this plan. At the core, this utilises data and digital technology to systematically improve our asset efficiency and a suite of solutions that circle the core, that are like a toolbox for adoption in markets as applicable. Using combinations of such tools have proven hugely successful in some of our more challenging markets over the past few years and with an even more sophisticated use of our data, we are confident on reducing our capital intensity and realising the ambitious metrics we have included within the scorecard. You'll hear more tomorrow from our regional presidents of some of these in action and see how they will impact our business going forward.

Within our business excellence program, we have taken steps to improve process, utilising robotic process automation across our finance and HR functions. On top of the 125 processes already converted in finance, we will convert a further hundred across our plan period. The past 18 months has forced us to find new ways to collaborate in this virtual world that we live in and our use of ConnectSmart tools has made a healthy impact, not only to our T&E costs but also reducing travel time. We have invested in a new global CRM tool, enabling 3000 users across 55 countries better insights into the customer experience. By the end of FY22, we will have fully enabled cloud services across our major platforms.

Across our organisation, we have and will continue to break down siloes and our spans and layers work has allowed greater empowerment and speed of execution. Our commitment to a safer workplace backed up by a rigorous plan to deliver a 25% improvement in our injury frequency rate. All these commitments add to strengthening our business and enabling a stronger and healthier workplace to deliver our plans.

In summary, our twin track approach to transformation drives increased performance and resilience in our current operations and also increases our ability to invest in the Brambles of the future. The transformation agenda underpins our four key strategic themes and the strength and confidence of delivery is enhanced with full executive ownership, extensive empowerment within the organisation and rigorous cadence to assure we deliver. This provides a truly exciting opportunity for us in Brambles and more importantly, our customers and shareholders, to unlock and return unrivalled value.

Thank you. I would now like to pass over to Raluca.

Raluca Chiriacescu: Thank you Craig. Our next speaker is Helen Lane, our Digital and Data Officer. Helen joined Brambles in 2003. During her time at Brambles, she has held several leadership roles across finance, commercial logistics, asset productivity and retail. Helen was appointed Vice President of CHET Northern Europe in December 2016 and since 2019, has led digital transformation strategy across the Group. Helen is based in our Manchester office and will be joining us from London today.

[Video plays]

Helen Lane: Every pallet can tell a story. Brambles revolutionised the way products moved in the 1950s, turning the supply chain into what it is today. We are preparing for the next revolution. The humble pallet will not simply hold space for its users. It's becoming an active participant in this new, data-driven, dynamic supply chain.

What does this mean? Which problems is this solving? What value is this bringing to us and to our customers and how are we doing this? There is so much I would like to share but in the 20 minutes we have, I will ensure that we cover what our ambitious are, why we are excited by this opportunity and how we plan to ensure we capture the value we know is out there.

There are trillions of dollars of inefficiencies that could be eliminated by digitising global supply chains. Brambles helps to move more goods to more people in more places than any other organisation, giving us greater visibility into operations and supply chains than anyone else on the planet. We have already removed significant waste from supply chains, and proving that we can bring thousands of other players together for a greater good. This combination means that we not only have the opportunity, but as global sustainability leaders, potentially an obligation to do that again.

We have built the means to turn our extensive visibility into data. Analytics on that data will give us insights to solve a number of significant challenges, challenges from product loss to lost sales, for us and for our customers. This will enable us to once again change the way the world moves goods, using information to power smarter, more sustainable supply chains.

Reassuringly, we are already on the path to deliver this vision. We recognised early the potential of digital and the need to disrupt ourselves, even from a position of strength. We have made our physical assets smart. Through the establishment of BXB Digital in 2016, we have designed and built our very own proprietary autonomous tracking device which we call the Ultra. This created new-to-market capability, to track where our pallets are at key moments in time. We can read those smart assets through our industry leading software platform known as BRIX. Put simply, BRIX turns the massive amounts of data collected from the device pings and converts to information we can interpret and use, such as locations, movements and dwell times. Having this sets us apart.

Finally, we have proven scalable value through a set of diagnostic tools that we use to identify and solve root causes of inefficiencies. The value we've generated from the investment in BXB Digital has not only more than paid for itself, but we now have proof points that give us confidence in our ambitions and our further digital investment. We have proven this capability can improve ours and our customers' businesses, including our ability to improve asset productivity and our pricing strategy in markets such as North America.

We have proven we can scale. For example, taking the 2018 field diagnostic proof of concept to 10 markets now where we're delivering significant asset productivity benefits. We have proven that using our existing data from the comfort of our own desks, we can find and fix root causes of waste and we have proven that moving our technology hub closer to the business, we can build digital solutions faster, tightly focused on the business problems we're trying to solve. This has enabled a big shift from generating data to generating the insight that we can capture value from.

We are clear, aligned and committed to delivering an organisational transformation that is better for Brambles, better for customers and ultimately, better for our planet. Our formula for success if that by creating efficiencies that are better for Brambles and our customers, we will create a supply chain that is better for the planet. To do this, we will need to invest in two key enablers which will put data at the heart of our business.

Better for Brambles can be achieved in the near term by using data and analytics to improve the productivity of our assets, understand customers' true cost-to-serve to help enable value based pricing and to optimise our supply chain through better forecasting and planning. Better for customers is firstly about removing the need for our customers to think about pallets at all. We will use data to automate processes and predict challenges so we can get ahead and enable a frictionless customer experience.

Where we do want our customers to think about Brambles is as a partner who can help them solve key problems and remove waste from their own supply chains. So our second step is to use the same data analytics capabilities we develop to deliver a better Brambles, to then shine a light on our customers' supply chains. This will allow us to provide insights and develop new products and services and address key industry problems for our customers of today and our customers of tomorrow. We plan to repeat the proven unique model of our past, connecting customers and removing significant waste, setting new standards for supply chains.

To do this, we have recommitted to digital and we are investing in two key enablers - data culture and capability and smart assets. We are investing in data capability and culture to ensure that we can turn our data into insights and solve big, shared problems for us and for our customers and we are continuing to invest in smart assets to ensure we create an ever richer source of unique data to reach the next horizon of opportunity. Digital and data will run through all of our transformational initiatives across the business and support the delivery of the financial outcomes and future commitments that you heard about from Nessa earlier today.

I will now talk through the two areas of value in more detail, starting with our digital product portfolio to give a sense of the breadth of our digitally enabled products. Then I will share specific examples of how we're building and utilising these products to deliver value.

So here you can see all the different areas we're working on across the breadth of the portfolio and the different stages of maturity of the digital products, from being in discovery phase to being ready to scale. The intention here is not to go through them one by one but just to give a sense of the balanced portfolio between better for Brambles and better for customers and the mix of different approaches we have to deliver value in these areas.

I will now share some more detailed examples under the ambition of building a better Brambles, specifically in asset productivity. There are three things that our extensive and successful work in asset productivity has proven. (1) we already have rich untapped data but we've not always had the tools or expertise to read it in a systematic way. We can now finding out a lot from behind the comfort of our own desks. This means we can be wise about where we send our resources, whether that's trucks or people.

(2) we therefore only need sophisticated tracking devices for the darkest parts of our supply chain, but when we do shine a light on those areas, the data is fast, visible and undeniable, supercharging business decisions. (3) the capability we have built and proven here does not only apply to asset productivity, but can be used to improve other areas of our business such as pricing and supply chain and [unclear] problems for our customers.

You will hear more about this in the regional presentations tomorrow, but I just want to share two examples of many. Firstly, an example from our Latin America market where we have halved pallet losses in 18 months through a combination of insights from desktop data analytics, supplemented with targeted field diagnostics using around 1000 digitised assets to fill any gaps in visibility. Essentially, we used a combination of the products on the left hand side of the slide to deliver insights and it enabled our teams to read and interpret the data to take action.

This resulted in a significantly improved collection engine being established for small retail locations, and improved communications with our customers too via chat bots to predict and plan when best to send vehicles. The Latin American market has now increased cash flow generation by approximately $70 million as a result of the actions driven by insights from data analytics and digital technology.

Another example of where we have established a new capabilities is in our Irish market. Here we deployed and tracked around 5000 digitised assets, in a notoriously dark area of our supply chain, to solve a longstanding asset productivity challenge. This resulted in us successfully recovering or receiving compensation for around 500,000 previously invisible pallet flows. Notably, this information has helped us to accelerate a change in model for the Irish market, where they have now implemented a wholly new charging mechanism across their customer base, resulting in a 10% uplift in top line revenue. You will hear more of this story tomorrow from David Cuenca.

Looking forward, our priority is to scale what we have already created, for example creating two products Detect and Health, that uses our existing data, will be scaled globally in combination with targeted field diagnostics that use digitised assets to augment our existing data, only where we need it the most. In the near term, our efforts for asset productivity will primarily focus on our North American business, where we see one of the bigger opportunities, and you'll hear more of that from Laura Nador tomorrow.

Importantly, over the next year, we will also see a significant shift from descriptive to predictive analytics, including two new products in the asset productivity suite named Spot and Predict. These will incorporate machine learning and predictive analytics, using our own data and new data such as satellite imagery to predict where assets maybe at greater risk and then invoke action before losses even happen.

So, how are we building our success in asset productivity, using the same capabilities used to create a better Brambles that is also better for customers? As I mentioned, we don't want our customers to have to think about pallets at all. We want our interactions to be effortless. A lot of our customers' needs are predictable. We believe that the data analytics tools we are building can help to predict and automate customer interactions, saving time for our customers' people and our people. The examples you can see on the left will do just that.

However, we do want customers to think about us in a new way, as a data partner to help them solve challenges in their own supply chains, just as we have proven we can do for ourselves. In providing this insight and service, we will create new revenue streams for our business. We are exploring how we can apply the same capabilities testing on ourselves to our customers and we're starting to experience real pull. We are currently developing a supply chain diagnostics product with a consumer goods client, exploring how our unique smart asset and analytics capability can reduce their product shrinkage and also how we can help a global OEM to optimise their inventory management. Looking forward, the opportunity we can unlock through our unique data and insights is huge. DHL estimates $1.9 trillion of waste exists. This is the value we want to help our customers to address.

So that was the what, but investing in the how matters for long-term change. I will now share the portfolio of activity that sits beneath our two key enablers of data culture and capability and smart assets. Similar to our value product portfolio, we have an enabler product portfolio and again, I don't intend to walk you through each of these now, but these are the products we will invest in to ensure we can generate the value we know is there. These products are essentially the capabilities that we need to build to ensure we can capitalise on the opportunity we see for Brambles.

I will now share how these fit together to enable value capture. As I mentioned earlier, we have built significant organisational muscle through our investments in BXB Digital to effectively digitise our assets and generate increased visibility of where they flow. In order to extract maximum value from the visibility we gain from smart assets, we need to strengthen our data analytics muscle. This diagram represents how we're scaling our data analytics capability, using data from multiple sources. This includes our existing data sources, data from digitised assets and selected third party data that we can combine, model and manage through the data life cycle. We then analyse using new environments and tooling to generate solutions. This is at the heart of our digital transformation strategy.

I have made this sound simple, I hope, but for this plan to work, we need to invest in laying the right foundations, in both how we build our smart asset as you see here, but also and crucially how we build the culture and capability needed to extract and grow the value. When we say data culture and capability, there are three initial areas of focus. These three areas are important because whilst we can have the richest data set, unless we have a systematic way to store or manage and distribute it, with people who are skilled enough to interpret and then use it, we could still fail in our ambition.

Firstly, building the right data infrastructure. Having ready to our data is at the heart of our ability to deliver against our key value driving priorities. Having customer by customer information at our fingertips allows us to understand and segment the most appropriate proposition charging mechanism or to improve our supply chain visibility and build optimisation tools. To do this, we need to build and maintain what we call a Brambles data hub, essentially a scalable, easy to access data platform for the whole organisation. This moves us away from multiple data hubs and sources of data scattered across the organisation, which can be expensive, inefficient and difficult to maintain. The Brambles data hub is not only scalable but live today in critical areas like asset productivity and we are supporting use cases across our business quickly.

Another key shift in our infrastructure is transitioning our services to cloud platforms. Through this, we will have more cost efficient, scalable services with performance optimisation and security at the core.

Moving to the second block, the common aspect fundamental to the delivery of any of our benefits is talent. We need experts in data and change who know how to reengineer processes, build analytics processes and importantly, work with the business and customers to capture value. We have consolidated our digital talent including BXB Digital into a centre of excellence to work closely with the business.

Finally, as data interpretation happens at the frontline, we are investing in our organisation-wide data literacy. Leading by example, we will train around 100 of the leaders in the Company on data analytics by the end of the year, before then extending to other users across the organisation. This literacy work will ensure that every one of our leaders and key users is equipped to spot and surface opportunities in our business from data analytics to understand how to use and work with use cases development and critically, their role in driving value capture from the insights that we surface.

I will now talk to how we build our smart asset and the key principles we are working on in order to maximise returns. When we talk about big data, we think about the five Vs. Velocity, how fast the data is generated, collected and distributed, the volume of data, the variety of data that can be pooled together to create insight and the veracity, how accurate the data is. We are cracking the code to find the optimum data combination to unlock the fifth V, value. As you can see on the left, we have made significant progress in various methods of data capture.

The analogy I like to use is that there are several ways to illuminate the supply chain and just like a skateboard, car and aeroplane all take you from A to B, you choose different methods for different requirements. You don't need an aeroplane to travel to the local shops, just like we don't need a fully autonomous tracking device to solve a straightforward business challenge, or for use cases where volume of data is more important than velocity.

Let's take a closer look at some of the different methods we're using and combining. Our experience tells us that layering together different technologies and methodologies can optimise return. What this layering can mean is that we can take the unrivalled data we already have and can then layer on top of that a higher volume of data by serialising our assets. :This serial number is a unique asset identification code to help us understand an individual asset's journey and its story. This low cost, low technology solution such as QR codes, RFID or Bluetooth, can be deployed across a high proportion of our stock.

The next layer is where the more sophisticated technology comes in, technology such as our autonomous Ultra devices which I mentioned earlier. We may sometimes blend these with Bluetooth low energy devices too in what we call a hub and spoke model to gain more coverage. We can deploy this technology in one of two ways - one as a targeted diagnostic like the Irish example I gave where we shine a light on portions of the supply chain where we already suspect we might have asset productivity problems, or the other way we can use this layer is as a continuous sample scan, always having a small but representative part of our network tracked so we can be continuously spotting trends and getting ahead of problems.

There are two very important things to note here. Ultimately, our investment in smart assets has been managed in an agile manner. We are proving this mix of tech and methods in smaller markets before taking the technology to one of our largest markets, with the ambition to scale beyond as we build confidence in the right balance to optimise the economics for this new wave of insight, and, whilst trialling the technology is important, what is most important is building our capability in reading, interpreting and acting on the data that it brings.

I will now share a selection of the achievements in FY21, how we are building on them to deliver further value in FY22 and our plans to scale further in FY23. It's worth noting again that we follow an agile approach to ensure disciplined capital allocation. We will reserve any significant investment only for products and areas where we have proven value delivery.

So I won't go through this in detail but I will highlight a few points. Firstly, everything here is part of our broader transformation. The numbers you have seen from Graham and Nessa have fully costed in digital. It's one of our major levers for change. The pace and breadth of value increased in FY21 and will continue to increase and we are scaling based on successful results.

For example, desktop analytics on our existing data will be live in 14 markets by FY23. Targeted field diagnostics using digitised assets will be live in 30 markets by FY23. The UK, we have already digitised 0.1% of our pool with autonomous devices and we'll continue to digitise up to 1% of the Canadian and UK pools this year. This will give perpetual real-time data feed and insights, which will be the root of rethinking pricing and asset productivity in these markets. We are now also building a number of customer solutions that will [solve] known problems for customers and reduce their effort. We are piloting this year, ready to scale in FY23.

In FY22, we will also have started to digitise an entire open pallet pool, to confirm the optimum technology mix for full pool digitisation. Lastly, our FY23 plans may well adapt based on what we learn this year. Whilst we are committed and confident in the outcomes we will achieve, we are also confident that the path to get there will inevitably change as we build on our learnings, course correct and ultimately follow the best route to value for Brambles and our customers.

I would like to leave you with a few key messages. Firstly, Shaping Our Future is a business transformation enabled by digital. Data will now be at the heart of our organisation and we have built the proof points that will give us reason to believe. Secondly, it is not all about digitising assets. That will help, but there's so much more we can do with the data we already have. The key is what you do with the insights to create business value and to do that, we need to build our data analytics muscle. Thirdly, we are uniquely positioned to achieve this mission. Our scale gives us unique visibility into the vast amounts of waste that exist in global supply chains and our model here at Brambles has always eliminated waste throughout the supply chain.

We are excited to be pioneering the next phase of smarter, more sustainable supply chains. Thank you.

Raluca Chiriacescu: Yes, so I know there were a lot of still some questions on the line after Graham and Nessa's session. Just confirming, they will be available at the end for Q&A, so if we could try and focus the questions to the presenters of the sessions over the next two sessions, that would be great. Starting off with a question from the webcast for you Craig, it's from Hugh Cameron at Equity Trustees - how much more is there to go in automation?

Craig Jones: Great, thanks. Good question. I'll refer to slide 27 in the deck and also slide 42, where 27 spells out the value of the investment and with slide 42 talking about a little bit of the program. As we know, we have heavily invested in automation over the past few years, both in terms of the US and in Europe and we will continue evolving that automation in the plants that haven't been automated as yet.

In the video specifically, singles out the automation that is a primary focus over the next few years, but it's not the only one that we're doing, but will be the one that will deliver the biggest value to us as well. So the automation program is very healthy. We'll continue seeing how this evolves and with the firm plans that we have ahead of us.

Raluca Chiriacescu: Thank you Craig. We will now go to the Operator for the Q&A on the phone.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: (Rimor Equity Research, Analyst) Hi there, thank you. This is a question for Helen please. Helen, you mentioned - I'll get your quote wrong but you said you only need to send intelligent assets or digitised assets down the dark areas of your supply chain. How do you control where your assets go once they leave, once you drop them off at a customer please?

The second part of my question is have you identified - everything I've heard here is to do with asset efficiency and really good things like that, but have you identified any use cases where a customer is prepared to pay more for such a service, please?

Helen Lane: Okay, thanks, Scott. So two parts to the question there. The first part which is around smart assets and actually how do we direct them to where we might have challenges. So as I mentioned, there's two ways that we can really deploy our smart assets, or the more sophisticated layers of technology. The first is the diagnostics, and that is, as you say, where we do know or suspect that we have challenges in our supply chain already. So what we can do is inject those through those channels or networks or areas of the supply chain and therefore have a look at what we think those challenges are and then spot the challenges as we go through.

So that's where it's really targeted and we target those into channels, but yes, you're right, after that those pallets will go where they go, which is actually then part of what – we call that continuous diagnostic where we're continually reading data from those pallets to see where they go afterwards. I know you can't control that element but we're continuously taking learnings.

The second part of your question was around the focus on customer solutions. So what we're focusing on at the moment is how we use digital technology to optimise our business and how we build those skills and capabilities to do it. But we do know that some of the capabilities that we are building to solve problems for ourselves can actually be then applied to customer challenges where they have similar challenges in terms of control of their own products through the supply chain. So we're starting to experience some pull from customers to help us shine a light on their supply chain, and we're working with a FMCG customer at the moment on supply chain diagnostics for them, so using the same tools, the same data analytics and using our BRIX capability developed by BXBD to help them with that. But we're at early stages in terms of building those customer solutions, I'd say.

Scott Ryall: (Rimor Equity Research, Analyst): Thank you, that's all I had on that one, thanks.

Operator: Thank you. Your next question comes from Owen Birrell from RBC. Please go ahead.

Owen Birrell: (RBC, Analyst) Thanks, guys. Just a quick question looking at the projected digital spend, including that gated component. Firstly, can I just ask, is there any additional spend beyond that to digitise assets that would effectively be in the pool in capex or is all the capex that you expect to spend on digitisation after that true to time captured in that table? That's the first question. The second one is really what percentage of the pool needs to be digitised to unlock a lot of the opportunity that you're talking about, and that spend up to the end of '25 including that gated capex, what percentage of the pool does that actually get you to?

Helen Lane: So first question, it's fully costed in in the numbers that you saw from Nessa, so there's no additional spend on top of that from a capex point of view. Second question in terms of percentage of the pool, that's a really crucial question. We have hypotheses on what we think that will need to be and by the end of FY23 for example in the UK pool we'll have 0.3% of the pool digitised. So we're working through what would be a statistically significant amount of the pool to be digitised in order to extract the value. So we want to work from the use case basis first, so what business problems are we solving and therefore how much data do you need to be enough to do that, rather than starting off with how much of the pool do we digitise. So it is a crucial question. It's exactly what we're trying to figure out when we're working through the layering of technologies and I as I mentioned earlier, our hypothesis is that a base level of low cost, high volume data capture through serialisation, which is supplemented with smart assets, will be the best way to maximise that total cost of ownership. But that's exactly what we're working through.

Owen Birrell: (RBC, Analyst) It sounds like that spend is very localised in very target market and target opportunities, is there - you mentioned Canada and the UK, are these the two regions that the bulk of that spend is going to be directed to or is that spend more broadly spread across Europe and the US for example?

Helen Lane: So when we talk about the targeted diagnostics to help solve our asset productivity problems, so when we are instrumenting our pallets with devices to help solve for that, that is a global solution, we were live across 20 countries in the last financial year. So you'll have seen on that map, on the asset productivity slide, just that that is a global solution that we're rolling our everywhere to solve for those problems.

When we think about how we're testing for smart pallets, and exactly your question around what is the optimum percentage penetration of pool, we are focusing in a small accelerator market over the next year where we start to figure out actually how do we operationalise this from a technology point of view. Then moving to more mature markets like the UK and Canada where we know that we can get the value capture from the data that we generate. So by the end of FY23 we will have around 200,000 smart pallets running in the UK and Canada as two key markets that we think can be indicator markets for us across the globe.

Owen Birrell: (RBC, Analyst) That's great, thank you very much.

Operator: Thank you. Your next question comes from Paul Butler from Credit Suisse. Please go ahead.

Paul Butler: (Credit Suisse, Analyst) Hi. I've got a question for Craig. I was just wondering, is the data in the score card going to be published and available for investors to see? How is that going to work, when can we expect that?

Craig Jones: Thank you for that. Absolutely. The intention is for us to introduce the scorecard today, it really is a level of our confidence about the delivery of the program. So we will be using the scorecard internally to report, but also on a periodic basis to report to the markets on progress. It's not about waiting until the end of the program, but really as we go through the stages we will be reporting on progress through there. You can see in the scorecard, some of the metrics are due for maturity in FY22 all the way through to FY25, so it will be a really good indicator of how we're progressing.

Paul Butler: (Credit Suisse, Analyst) Okay, thank you.

Operator: Thank you. Your next question comes from [Sam Teeger] from Citi. Please go ahead.

Sam Teeger: (Citi, Analyst) Hi, guys. Just thinking about execution, I was interested in the colour you provided on slide 27 on supply chain spend. Am I reading it right that you're saying over half your spend, the 235 is on technology that is already proven and should be lower execution risk?

Nessa O'Sullivan: Yes. Sorry, I'll just jump in there. So yes, if you look to slide 27, that's where we wanted a split up of the $400 million to give you a sense that actually three quarters of that is from concepts that we've already proven that we're going to spread across to more sites and use in other places. Part of that is as we've proven it and been able to understand more about the returns, we've identified more sites and also highlighting though that we're not just reliant on what we did before, there's also a stream of new innovation coming through and that's why we split into the two buckets so that you can see those pieces. I think it's fair to characterise where it's proven and we understand it and have experience, that would be lower risk, relative to the other newer technology, although that has gone through a series of proof points already to give us some level of confidence.

Sam Teeger: (Citi, Analyst) Great. Then on the digital spend, is it an easy way to split the percentage of what you think is relatively proven and lower risk versus the spend that you think is more subject to gateways?

Helen Lane: Yes, from a digital perspective I'd say what is proven already is a lot of the technology. So some of the technology that we're thinking about, particularly the lower-cost technologies: QR codes, RFID, Bluetooth, these are proven and established technologies, as is our own proprietary ultra device. What we're testing is the utility really, is actually how we derive business value from that technology. I think where we can confidence is in those proof of values, I called out a couple of examples last time in Ireland where we can have confidence is in those proof of values. Where we will be putting in those investment stage gates is as we go further in, further penetration on digitisation. So we'll have those stage gates in place to make sure we are taking the learnings we expected to take and we are proving the value that we expected to prove.

Sam Teeger: (Citi, Analyst) Great, thanks guys.

Operator: Thank you. Your next question comes from Jakob Cakarnis from Jargon Australia. Please go ahead.

Jakob Cakarnis: (Jarden Australia, Analyst) Hi, guys. Just one for Helen quickly. The confidence to roll this out in the UK and Canada, what has made those markets particularly appealing? Obviously there's a duplicate pool running in Canada and you've got Brexit issues in the UK. Then just on the asset control, is it a little bit unusual that you guys are embarking on a digital investment when there was seemingly very high loss rates in the US in the second half of '21?

Helen Lane: So first off the question why UK and Canada, we look at various market attributes, so where can we get bang for buck, so where have we got challenges we can solve for, but also the ease of implementation. So in the UK where we have the 1210 pallet, that's quite a discrete market for that market, so it doesn't flow as many directions as some of our other pallet types. That was one of the reasons for choosing that market so it's discrete nature, the fact we are an island here as well, and Canada again because, as you mentioned, the two pools, we can select one of those pools and make it easier to implement, easier to capture data. So that was two of the reasons that we chose those markets, but we also have some good, mature customer relationships there.

Your second question was on the US asset productivity and therefore why we are investing in digital. Well, we've done a lot of work in the US already and you'll hear more from Laura Nador on this tomorrow. We've already been - we've trialled the first asset diagnostic, it was actually in the US business as Nessa mentioned earlier in 2018. We've been doing lots of desktop analytics to improve asset productivity there, and as I mentioned earlier, the majority of our focus in asset productivity in the next year from a digital and data analytics point of view will be on supporting the US business.

Nessa O'Sullivan: I might just add, Helen, that it is fair to say that because of what we're seeing in the US, so the US has been particularly challenged with the lumber inflation and a whole load of change in dynamics. As you noted, we had higher loss rates, which in every other market we reduced loss rates. So I think you're right to question what are we doing in that market, and Laura is going to talk about there are some initiatives that we're actually pioneering there that we're going to be rolling out in the US that we think we then will have use cases for other markets as well. So I think it will be quite interesting on that section when you listen to that, and definitely there are a range of shorter term things that they're doing that are non-digital related, which is relating to more pick-ups, it's changing in pricing, changing the pattern of pick-ups, et cetera. So it will be a combination of the two but there are some initiatives now that will be specifically pioneered in the US in response to those outcomes.

Craig Jones: When we refer to slide 43 around the asset deficiency ecosystem, you will hear more from Laura as well as Paula tomorrow around the use of this, so it's not only about the digital but the real use of data within our asset deficiency. So it's important that we recognise it's not only digital.

Raluca Chiriacescu: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead, Anthony.

Anthony Moulder: (Jefferies, Analyst) Hello again. Just a quick question for Helen, I appreciate you've got to walk before you run but is the ultimate goal of the pallet tracking technology and increase in penetration, and the way I think about that is can you absolve customers from loss, which I would think drive a lot of penetration in key markets. Is that the holy grail of where you get to for digital?

Helen Lane: Thanks, Anthony. So I think the ultimate aim is to generate more data. So I know I talked through those five Vs but that volume of data is important to us. Clearly from an economic point of view we have to find ways of layering that technology on top of each other to get the maximum total cost of ownership. So yes, the ultimate goal is to get as much data as we can to solve for the problems, but as I said earlier, it's not about getting to 100% penetration of our pool, it's about getting to the right level to give us the right outputs that can then drive the right actions in the business. Obviously then to help improve the customer experience, which you'll hear about from Alasdair shortly. So we'll talk there about actually how we use data and digital to take away pain points for our customers and reduce some of that burden of doing business with us and you'll hear more about that from Alasdair shortly.

Raluca Chiriacescu: We have one question on the webcast from [Chad Andrew Slater] for Helen. If some customers have higher prices to reflect a higher cost to serve with digitisation would we expect to reward customers with lower prices as a result of the insights?

Helen Lane: Yes, I think we've proven that having greater visibility of our flows can enable us to make better commercial decisions. So we can have better conversations with customers and we can also enable value-based pricing that allows that cost to serve pricing. So we have proven that already and we have proven then that we can charge channels based on their activity, so we can start to see accurate dwell time, cycle times, and even damage rate as the pallets come back. So we can actually start to see the accurate cost to serve per channel and therefore have a pricing strategy that reflects that cost to serve. That needs to be a holistic pricing strategy, and again, you'll hear more about that from the regional presidents tomorrow about how they will be implementing those into their various markets.

Raluca Chiriacescu: Thank you, Helen. There don't appear to be any more questions on the phone so we will take this opportunity to have a five minute break before going to our next session. So we will be back on at 20 past the hour. Thank you.

Welcome back everyone. Our next speaker is Alasdair Hamblin, Senior Vice President of Strategy & Innovation. Alasdair joined Brambles in March 2018 and has recently taken the lead for customer experience transformation to improve customer value. Alasdair is based in our London office and joins us from here today. I will now hand over to Alasdair.

Alasdair Hamblin: Thanks, Raluca. Good morning and good afternoon. With my strategy and innovation role I've been closely involved in our drive to transform Brambles through shaping our future. Central to that is how we create more value for customers and more value for Brambles by transforming our customers' experience of working with us. That has been a core element from the start and I've recently taken direct responsibility for leading this across Brambles.

Let me start with a basic question, why is transforming the customer experience so important? After all, Brambles has an unparalleled track record of creating value for our customers over many decades. Customers choose us because of the economic and sustainability benefits that we bring and this has never been truer than during the turbulent events of the past 18 months. Yet, we know we can do more, much more. Customers tell us that we could be simpler to deal with, that we could enhance the quality of our products and services and that we could play an even stronger role as a partner across entire supply chains, and we're listening. We've set ourselves clear goals for transforming the customer experience, which you can see on the right-hand side of the page.

First, making it easy for customers to choose and to stay with Brambles. That means making the whole experience simple and focused on value for customers. Second, ensuring that Brambles is a natural partner of choice as customers grow their businesses and as they respond to changing market needs, such as the rapid growth of ecommerce and automation. Third, unlocking new sources of collaboration, working together with existing customers and new partners to create digital and digitally sustainable and digitally enabled supply chains. This will create new value for customers and open new growth opportunities for Brambles.

Underpinning all of this is the fundamental belief that this is not a zero sum game, by making the experience better for our customers we create more value for them and more value for our shareholders. By strengthening our relationships with our customers we strengthen Brambles' position as the global leader in our industry. Now, this all needs to start with a clear understanding of what customers experience when working with us. Over the past year we've invested significant time and effort in mapping customers' journeys with us and understanding how we best support them in delivering their business goals. Let me start by giving you a direct sense of what we hear from them.

First, what we hear about the day-to-day experience. You see here a selection of the views we get from customers around the world. We're pleased to hear positive feedback about the support that customers receive from our staff and that is a great tribute to the dedication and the professionalism of our people, particularly over the last year and a half. At the bottom of the page you will see a flavour of the feedback we receive about opportunities to improve. Managing the flows of pooled assets can involve a lot of work and our customers want to make the process as simple as possible.

Looking at requests from across our customer base we see a number of common themes which you see highlighted. Simpler processes for the management of pooled assets, no surprises about flows or balances, consistent quality, both of physical products and in the delivery of services, and swift resolution of any issues that do arise.

We've used customer feedback and customer journey maps to identify opportunities to improve the day-to-day experience, and I'll talk to you in a moment about the projects we have underway. But first, let's also get a sense of what we hear about the wider role that we play in customer supply chains. Here is the feedback we recently had from two large food companies, and we're grateful for them to providing this feedback. You will see the consistent theme here, the request for Brambles to help tackle productivity challenges across entire supply chains, through increased visibility of what is happening and new ways of joint working between different parties. It's striking to me that the opportunities seen by customers are in the same areas we see them.

On the left-hand side of the page, challenging us to increase supply chain visibility to reduce administrative costs and to create new value. On the right hand side of the page, challenging us to use our position to drive action across multiple supply chain participants to improve end-to-end performance. In other words, there is a clear pull from our customers and retail partners for us to expand the scope of collaboration, and we are responding. We've set a clear ambition for our customer experience to guide our actions. At the top of the page you will see our north star, framed in terms of what this means for our customers, how our people deliver it and what we can do together. Brambles exists to support our customers with the services and the insights they need to grow their business, that's what we do, that's why we're here.

Customers' experience of dealing with us day-to-day should be simple and effortless, which means equipping our people with the tools and capabilities to deliver this. By collaborating with our customers we unlock the potential of smarter and more sustainable supply chains. That north star is supported by three pillars responding directly to the themes from customer feedback and customer journey maps. First, effortless customer experience, making Brambles easy to choose, easy to do business with and easy to stay with. Managing hundreds of millions of pooled assets is a complex task, but that does not mean it has to be complicated for the end user. Ultimately we don't want customers to have think about pallets or containers, just about their need to move goods.

Second, making Brambles the natural partner of choice for customers today and tomorrow. That means enhancing our product and service standards and working with customers to make their businesses more successful, as they think about creating extra value in their supply chains, we want Brambles to be the first people they speak to. Third, collaborating to create the sustainable and digitally enabled supply chains of the future. That means working with existing customers and with new partners, it means moving beyond physical products to deal in data and insights. It opens up new spaces for all of us. We believe Brambles has an unrivalled position to reinvent the way goods move, but we won't do it alone. By improving our day-to-day interactions with our customers we do more today and unlock opportunities for tomorrow.

Now, that's a great ambition, but how are we delivering it? The good news is we're already well underway. We have a comprehensive plan in place covering each of the three pillars just discussed and also as you see at the bottom of the page, the enablers required to support this through enhanced customer systems and channels and enhanced customer insights. These actions are linked to our wider transformation program for Brambles, particularly to our initiatives towards digital and sustainability.

Let me give you a sense of the actions we have under way. As part of the effortless customer experience pillar, we're taking a systematic approach to improving how customers deal with us day-to-day. For example, we can make it much easier for customers to work with Brambles by simplifying the onboarding process, so their accounts are set up rapidly and accurately from the start, and by accepting credit cards so they can be up and running quickly with less paperwork. Once our customers are set up we can simplify daily and weekly account management through tools like predictive ordering and enhanced logistics tracking. These reduce the time and the effort that customers need to spend monitoring asset flows and balances. We've already piloted these initiatives in FY21 and are rolling them out more broadly this year.

Looking further ahead, the digital tools that Helen described a few minutes ago will allow us to streamline interactions even further. With serialised and tracked assets, we expect to be able to automate many of today's processes, making interactions even simpler. Under the second pillar, partner of choice, we are undertaking detailed work to understand the requirements of evolving supply chains, especially as the level of automated goods handling increases and patterns of flow change in response to the growth of ecommerce. We're already implementing multiyear plans to enhance the quality of our physical platforms in major markets and we will refine that further based on additional insights in the coming months. As the industry leader, we will set the standard for the industry in terms of product and service quality.

The third pillar is tied to our strategic ambition to create smart and sustainable supply chains. We're doing that in collaboration with our customers and new partners to create new sources of value for customers, for Brambles and for wider society. Under our Zero Waste World program we've been collaborating with customers in recent years to remove waste and transport miles from their supply chains. Now we're going further to move from zero impact to net positive impact, making supply chains regenerative. JJ will talk more about this in a few minutes.

Helen has already described some of the ways we can use our enhanced digital and data tools to create new ways of working with customers. That will include new solutions and service models, opening the door to new customer segments beyond our traditional base. Just as important are the enablers that underpin this, which you can see in the lower half of the page. We're investing to upgrade our customer systems and channels, we've already implemented a new CRM system and overhauled the way we manage our online content. That allows us to deal with customers better and more consistently around the world as well as being more efficient for our commercial teams. During FY22 we will deliver a series of improvements to the myCHEP platform that customers use to manage their accounts.

We're also enhancing our customer data and insights. During the course of FY21 we doubled the number of respondents in our customer feedback surveys and imbedded the results in management incentives. By creating detailed maps of customer journeys we have focused our actions on the points that will create the greatest improvement. This has guided us on what to do first. In FY22 we're investing further in tools and data to quantify the impact of improvements in customer experience. We want to be able to measure how it drives value for customers and for Brambles and by doing that we can make the value equation very tangible. We can make clear decisions about where and how to focus based on hard numbers. Looking further ahead, we want to make that forward looking so we can predict how different actions will translate to value and target investments accordingly.
Now, if you put that all together we have a comprehensive ambition and program of actions grounded in customer insights. We are rethinking our entire service model through the lens of customer experience. So what should customers expect to see differently as a result? The answer will vary according to different roles and personas in customer organisations. Customers managing day-to-day interactions with Brambles will see streamlined processes and tools, we will use automation and prediction to remove repetitive tasks and to identify any issues early so they can be resolved. They can expect less manual activity and more time to focus on business outcomes.

Customers with executive responsibility for leading operations and supply chains will see enhanced product and service delivery and increased collaboration between their teams and ours. They can expect Brambles to play an even more active role as a partner across manufacturers and retailers to improve the overall performance of their supply chains. Beyond these groups, Brambles has more to offer in areas where we've historically had less interaction. We will help our customers respond to rising expectations for sustainability, working with them to build regenerative supply chains and assuring their sustainability credentials and practice. We will build industry leading digital and data capabilities and can work directly with customers own digital teams and we have an unparalleled set of information about the movement of goods around supply chains. That can provide data for many uses, for example to customers' product management and category management teams.

Across these different groups, customers can expect to see a step change in their experience of working with us both in terms of daily interactions and strategic partnerships. Now, that's the external angle, this also requires shifts to the way we work internally. We know that our people are passionate about delivering value to customers, our mission is to give them the tools and the capabilities to do that even better. I'd like to highlight three aspects of that. First, quantifying the value of the customer experience. Brambles is a very data-driven organisation, we make decisions based on facts. By quantifying the value of customer experience to customers and to Brambles, we will ensure that we have hard numbers to drive choices on where to allocate resources.

Second, putting customer insights at the heart of decisions. We have customer metrics embedded in our objectives and scorecards and we're investing to enhance the breadth and depth of customer insights. We want Brambles to be a leader among B2B companies in the way we develop and use those insights. Third, and perhaps more importantly, empowering and inspiring our people to deliver an enhanced service to our customers. That means equipping them to take decisions and to resolve issues swiftly if they do arise. It also means letting them know how their actions benefit customers. We can use customer insight technologies to give our people line of sight to how their actions translate to value for customers. We know from our employee surveys how important and inspiring that is for them. So this is an internal shift, enabled by tools and processes, but it's also a cultural evolution to take a customer perspective on everything that we do.

Now, I've talked a lot about value, value for customers and value for Brambles, but how will we create value and how will we measure it? Better value for customers is driven by enabling them to run their businesses more efficiently and sustainably. It means less time managing their day-to-day interactions with us and more focus on driving the economic and sustainability performance of their supply chains. Better value for Brambles is about underpinning continued profitable growth, increasing our competitive differentiation, reducing our cost to serve and making Brambles an even more attractive place to work for people who are passionate about helping customers and doing good for the planet.

To track our progress we're looking at performance from a number of different angles, with both input and output indicators. These are shown on the right-hand side of the page and are imbedded in the strategic scorecard that Graham and Craig have already introduced. Customer experience has often been measured narrowly in terms of what customers say through mechanisms such as NPS or customer satisfaction surveys. These are important and we will continue to use them. We've set ourselves goals to expand our NPS survey and improve our scores every year.

But to balance that we will also track what customers do on the basis that actions speak louder than words. We will look at our net volume growth with existing and new customers, to see if the value we create is reflected in customers' decisions. We've set ourselves targets to increase the use of electronic service channels which will allow us to deliver the effortless customer experience. We will continue to measure the quality of how we deliver through metrics for product and service quality, we've set ourselves a clear target to improve quality as measured by defects per million. As a forward looking measure of how we are partnering to reinvent supply chains, we are tracking the number and scope of collaborations with customers on sustainability. Together these metrics balance perceptions and hard facts across leading and lagging indicators, all to create a relentless focus on what drives value for customers and for Brambles. We will be tracking and reporting progress regularly as part of the overall strategic scorecard.

So to conclude, transforming the customer experience is a critical part of creating the future of Brambles. We've set clear goals for the transformation, which create value for customers and for Brambles. An effortless customer experience to reduce cost and effort for both of us, being the partner of choice to improve end-to-end supply chain performance for both of us, and collaborating to create sustainable future supply chains for all of us. This will reinforce Brambles' position as the global leader in pooled supply chain solutions and insights. Stronger customer relationships drive better business performance today and unlock more opportunities for growth tomorrow. This further increases our differentiation against competitors and this is all founded on the principle that a better customer experience is better for customers and better for Brambles. I will now hand back to Raluca.

Raluca Chiriacescu: Thanks, Alasdair. Our final presentation today is from JJ Freijo, Vice President and Head of Sustainability. JJ joined Brambles in 2005 before being appointed as Head of Sustainability in 2015. Starting in the planning department, he has been involved in Brambles' sustainability agenda since 2010. He is responsible for the definition and implementation of our global sustainability strategy. JJ is based in our Madrid office and joining us from there today. I will now hand over to JJ.

JJ Freijo: Thank you, Raluca, and hello everyone. My name is JJ Freijo and I have the privilege to be the Head of Sustainability at Brambles, once of the most sustainable companies in the world. In these sessions you will hear about sustainability in most of the presentations, but we thought it was important to have a dedicated time to know more about our sustainability program. Today, we would like to share with you three important messages.

First, Brambles is a recognised world-class leader in sustainability, and we will learn why. Second, we are using this leading position to create actual tangible value for our business. Third, we have a plan to still be leaders for years to come. But before we go into that, let me give you some context. Sustainability has never been more important. We have seen how it has gone from a nice-to-have to a critical item in everyone's agenda, citizens, consumers, governments, financial markets and of course businesses. United Nations has called this the decade of action for the sustainable development goals, we only have 10 years to achieve them. COVID-19 has accelerated the importance of sustainability and we see that recovery plans around the globe are linked with sustainability actions.

We also see that climate change and the carbonisation are the centre of many political plans and they will be the driving forces that will transform the industry. More and more companies, including our customers, are adopting very ambitious sustainability targets. This is a challenge for all companies, but it's also a unique opportunity for those that will have a leading role in our sustainability future. Brambles is one of those companies. For us, sustainability is not a world of risk, it is a world of opportunity.

So let's start with the first message. We are leaders in sustainability. This is not our personal opinion, it would be too biased, it is the message that we are receiving from the most reputable external organisations who continually rate us in their top positions. Some examples: Barron's, The Wall Street Journal Magazine, recently named us the second most sustainable company globally; what a privilege. MCI, an important index for investors, has rated us with a AAA rating for many years. Last year we entered the Corporate Knights List for the most sustainable companies in the world as number 18.

These are just a few of our recognitions and we have many more, but why is that? The fundamental reason is our circular business model. Also, that we have a program to make this sustainable business model even more sustainable and we have always delivered on our commitments. We recently achieved our 2020 targets as it was published last year.

So let's look at our business model in more detail. At Brambles, we operate a pure circular business model. Our pallets, crates and containers move across the supply chain and we make sure that they are reused over and over and over again. We are one of the few companies that operates a circular business model successfully and globally, and every single time one of our platforms is reused we are reducing carbon, reducing waste and the need for natural resources. Remember, this is important, reuse is very high in the environmental hierarchy, it's better than recycling. This is critical to remember, reuse is better than recycling.

Because of this, we can help our customers. You can see on the screen the significant environmental impacts that we create in our customer supply chain every year. It's also important to remember that our circular business model is material-agnostic, of course we want sustainable materials for our platforms and we have very clear targets there. But the main driver for our environmental advantages is the reutilisation. I frequently get this question, what is more sustainable: timber or plastic? My answer is always reuse.

But also the beauty of our business model is that financial and environmental incentives are not in conflict. Things like recovering more pallets, shorter transportation distances, pallet durability and many others that you will see during the presentations these days are good both for the P&L and for the environment, because ultimately they mean more circularity. This is who we are as a company, not only a sustainable company but also a leader in sustainability, which is great, but what are we doing with all this? How are we creating business value for all our stakeholders through sustainability? Let's start with customers.

Most of our customers have their own sustainability targets, very ambitious targets, and they are seeking help from their suppliers. For them, sustainability has become a decision-making factor when choosing a supplier. Different customers have different needs and we have developed a value proposition that feeds all of them. This is our sustainability customer value proposition. Let's start by looking at the bottom here, talking about risk mitigations. Some customers just don't want to introduce risk in their supply chain, that's all they want, and our credential on achievements ensure that. For example, timber. All our timber, timber that they use in their supply chains, comes from certified sustainable sources, 100%. They will never get into trouble because of the material, something that competitor systems cannot always offer. But that is the minimum a supplier should do, not to introduce risk in your customer supply chain. We can do more.

We can also supply out-of-the-box, automatic environment benefits. When you work with Brambles, our circular business model produces environmental benefits that our customers can use for their own sustainability targets. CO2, waste and natural resources reductions. We help them with their public commitments. Finally, the third step in the value proposition, the sky is the limit; innovation and collaboration. Because of our strong position in the whole supply chain, we can sit together and innovate and lock in efficiency in their operations. We have created a program that is Zero Waste World to foster this collaboration.

This is our value proposition in theory, but let me give you some examples of how this customer value proposition works in action. Sustainability has been critical to win and renew the largest contracts we had in the last years. As one of our largest customers said, sustainability was top of the agenda in the negotiations and a key differentiator for choosing CHEP. As one of our commercial leaders always says, sustainability is no longer the cherry on the cake, it is one third of the cake. You can see here a certificate delivered to an important retailer. Certificates demonstrate the environmental savings in their supply chains so they can use it for their own targets. The numbers in the certificate come from a scientific, peer-reviewed life cycle analysis.

Another example, collaboration. Using the power of our network and our digital capabilities we can optimise transport routes and avoid wasteful and useful empty miles. Today more than 30% of the miles that are driven the world are driven empty so imagine the impact that we can have. Finally, working together with our customers, with thought leaders, we can sit and create the supply chain of the future. These are just three examples on how we are creating commercial value. Not surprised? We have many more. Have a look.

In the last year we have delivered hundreds of certificates and collaborated with over 290 customers to improve their supply chains. Our customers appreciate it and actually use it for the sustainability plans and for their own credentials. The examples that you see on the screen are just the sample of our sustainability collaboration as shown in the media, but the most exciting thing here is they are messages from our customers. It's not CHEP talking about CHEP, it is our customers acknowledging what we are doing for them. Brambles has become a sustainability credential for the industry. But this is not all, we are creating value for other stakeholders too. Let's talk about employees, [recruitment] and investors.

Let's start with employees. Sustainability is helping to attract and retain talent, not only at junior level. People want to work for a company with a purpose and we offer the opportunity to develop a professional career and do the right thing. Our HR teams know this very well and when putting together the employee value proposition for digital or supply chain or for our commercial teams, sustainability is the common denominator for all of them. Once they join the company, our employees proudly say that they work for one of the most sustainable companies in the world, to their family, to their friends, to their colleagues and on their public profiles, as you can see there. We are also working with governments to build legislation that will facilitate the implementation of circular models.

As leaders in the circular economy, we have the experience. We can advise on fundamental issues such as asset recovery or legal title recognition and our voice is heard and had been reflected in the legislation. For investors, we believe we provide you with the opportunity to invest in a company which is aligned with your stakeholder values. [Unclear] millions sold in financials and also securing a positive environmental and social impact.

So we are leaders in sustainability and we are using it to create business value. What about the future? The world is moving fast and we need to be ready for the challenge. Last year we successfully completed our 2020 target and rather than being complacent we decided that we needed a different level of ambition, a higher level of inspiration. Today our vision is to pioneer our regenerative supply chain but what does this mean? Aiming for zero, reducing the negative impacts is no longer enough, we want to have a net positive impact on businesses, societies and the whole planet. Until now, supply chains have worked consuming natural resources and producing waste. We want to reverse these and create the supply chain that operates by consuming existing waste and producing natural resources. Exciting, isn't it?

With this idea in mind, with regeneration as our north star, and after having a dialogue with more than 100 internal and external stakeholders, we built a series of tangible targets for 2025. Let's have a look at them. I encourage you to go to our recently published sustainability review and explore the targets. Let me show some examples now. Last year we reached zero deforestation through our timber certification program. Now we want to go beyond that and not only regrow every tree that is used, we will grow an extra tree, capturing carbon, increasing timber availability and the forest mass in the planet as well. [Inaudible] is regeneration.

After achieving zero waste to landfill in our service centres, we want to take care of other existing waste, using it as input material and creating closed loop products. For carbon emissions we committed to a 1.5 degrees future, the highest level of ambition in the Paris Agreement. By 2025 we also aim to have at least 40% of management roles held by women and doubling the female employees in our planned roles. As believers in the circular economy, we will go beyond our four walls and inspire 1 million people to become change makers in the circular economy.

Regeneration. It is an inspiring but challenging idea, but our program is not just about inspiration, it is about real action. We are proud to announce that one year after we launched it we already have tangible progress and outcomes. This is a great example. We recently launched our first upcycled platform made out of existing plastic waste, the Q+ transforming post-consumer plastic waste into a durable reusable platform. It is fully recyclable at the end of its life and we also made it certified carbon neutral by investing in afforestation carbon neutral capturing project. It is a perfect example of a closed loop product with the highest environmental credentials.

We also have achieved carbon neutrality for our own operations, Scope 1 and Scope 2 after years of hard work reducing our own emissions and offsetting the remaining ones with carbon sequestration projects. This is a great achievement and we are very proud of it, but we know that the real challenge is in the supply chain emissions and we are committed to reduce them according to the 1.5 degrees science-based target.

More achievements on year one. We started afforestation projects in more than 10 countries. We helped define how to measure circularity, working together with the two leading organisations in the area, the Ellen MacArthur Foundation and the World Business Council for Sustainable Development. We are taking care of our people and we were awarded as a top employer in 17 countries and across four regions. This is just the beginning. Welcome to the regenerative revolution.

Sustainability is naturally integrative in our business and you will hear more about it in the rest of the presentations. It is part of who we are. Today I wanted to share with you our vision and our passion and assure you that in Brambles you will find a recognised world leader in sustainability, a company able to help a whole industry with their sustainability programs, a regenerative vision that is ambitious, inspiring, but also achievable. Tangible outcomes year on year. Ultimately, we are a company prepared to thrive in the transition to a low carbon economy, while creating value for all our stakeholders and building the sustainable supply chain the world needs. Thanks. With that, I will now hand over to the operator for Q&A.

Operator: Thank you. Once again, if you wish to ask a question please press star one on your telephone and wait for your name to be announced. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: (Rimor Equity Research, Analyst) Hi there, I've just got one for JJ. Thank you very much for your presentation. More than 90% of your emissions come from Scope 3, which I think you've put in your most recent report, so can you just detail a little bit more about what you're doing to drive Scope 3 emissions down please?

JJ Freijo: Sure. Of course, thanks for the question. We completed recently the reductions for scope - we continue reducing our Scope 1 and 2 emissions and recently we completely the gap offset in the rest so we are now a carbon neutral company for our operations. The real challenge, as I said, is in the Scope 3, and that is why the question is very good. Every company today is having big problems for that because the majority of the emissions happen in our supply chain. In our case, the two main drivers for emissions are subcontracted service centres and subcontracted transportation.

For subcontracted service centres, we have a plan to replicate and propagate the best practices that we have been using in our service centres for years that were pretty successful reducing our own emissions. Then for transportation we have already started with some of the things that you have seen in other presentations today, transport collaboration, reducing transportation routes, transport efficiency. Many of the things that you will see in Shaping our Future and that you see in the scorecard in the column are planned or are built to reduce our transportation distances, all that reduces CO2 emissions as well, but that will not be enough.

The reality, and we have to be honest there, that today we don't have a plan, we don't have all the solutions to achieve the 1.5 degrees targets from the Paris Agreement. We don't have the solutions and the industry doesn't have the solutions. So we expect that everyone is going to work together in the future to find new technologies, to develop new collaboration initiatives et cetera to do that. So the thing is that we have started reducing the transport emissions, but we still need to work together, as I said, with governments, with customers, and with transport providers to continue looking for solutions to achieve this science-based targets that is extremely challenging for all industries.

Scott Ryall: (Rimor Equity Research, Analyst) Okay, great. Thank you, that's all I had.

JJ Freijo: Thank you.

Operator: Thank you. Your next question comes from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder: (Jefferies, Analyst) Hello all. JJ, if I can start with you, obviously the reuse model is common across some of your competitors, I'm just interested as to how you think Brambles compares to some of the competitors and what they're doing in sustainability? A follow up to that is whether or not you're at the point now that you're starting to see customers switching provider based on the differential in sustainability outcomes.

JJ Freijo: Okay. So Brambles is leading the way in sustainability, I think we need to recognise that because that is the feedback we are having from external institutions and from customers as well. So we are leading the way and now our competitors are starting to talk and starting to have targets like the ones we had five years ago when we were starting leveraging circular economy credentials, we were starting talking about sustainable materials. As a leading company and as a leader in sustainability, that's why we chose to go now for something much more ambitious, a regenerative supply chain. That frankly puts us miles away from many of our competitors in terms of ambition but also in terms of outcomes.

Also, the customers that are more ambitious, also they are going in this direction of regeneration. So guess what, when they want to push forward their programs they talk with us because we have a similar level of ambition and a similar track record of delivering that. So I think that - but this is a [race], this will continue. I'm sure in three or four years our competitors will have caught up and then we will need to have even more ambitious targets for the future. So I'm glad to say this never stops, because we are in a continuous improvement of the sustainability credentials of our whole industry. The second part of your question I didn't quite get it because the sound was not very good, sorry about that.

Anthony Moulder: (Jefferies, Analyst) It goes to whether or not customers are actually switching, given a higher focus on sustainability, whether or not you've seen customers move for that as an outcome.

JJ Freijo: Yes, customers are having - this is a revolution, this is changing by the day. In the past it was only the big customers with global presence and huge sustainability programs that actually were focusing strongly on sustainability. Now I will say that that has accelerated and we offer them the opportunity to help. I would say that each one of our big accounts have supply chain objectives, therefore they need to count on their suppliers to achieve them. They desperately need the [unclear] of their suppliers to achieve, that is for the big customers and that is happening today.

The medium and the small companies, also they want to be part of this game. They want to be sustainable companies and sometimes they don't have the resources, they don't have the programs or they don't have the experience, and this is where we as an experienced company can give them something to start. Experts in circular economy, reusable packaging, we make them part of the circular economy. So we see that the commercial value is increasing by the day and the interactions that our commercial teams are having on sustainability, again, this is increasing continually. We as the sustainability team within the company are training and giving our commercial teams the tools to have the right dialogue or to have the right credentials or to have the right conversations with the customers to help them with their targets.

Anthony Moulder: (Jefferies, Analyst) Very good, thank you.

Operator: Thank you. Your next question comes from Owen Birrell from RVC. Please go ahead.

Owen Birrell: (RVS, Analyst) Thanks a lot. I've got questions for both Alasdair and JJ. Let me start with the questions for Alasdair. I was just wondering, it looks like there's a lot of change in that customer platform that is occurring in a very short period of time, can you give us a sense of what percentage of that short-term transformation OpEx of around about $70 million over the next two years is going into this customer transformation platform? You said that it will give you a major competitive advantage against your rivals and I'm just wondering where do you see BXB or Brambles currently sitting relative to its competitors today.

Alasdair Hamblin: Thanks, Owen. I'd say in terms of the mix, the customer experience transformation is twin track very much, the whole transformation, so there's a lot of things we're already doing and I talked about some of the things we've already piloted and we're rolling out more broadly in FY22 and then the things that we'll do more in the future. So there's a mixture of things there. The direct expense of what we're doing in CX is not that great, what it will do is it will direct our investments in things like quality and investments in product and service quality for the future. So in terms of the mix of things it' a real portfolio, which is I think what I laid out on the page.

In terms of differentiation, if you look at our MPS scores for example, they're good, the feedback we get is it's good from most customers I think we're seen as higher quality than our competitors, but we see the advantage and ability to go even further here and say that if we can do some of the things we've talked about such as predictive ordering, proactive account help, that actually differentiates us by getting to a point where customers see a level of service from us that they just simply won't get from the competition.

Owen Birrell: (RVS, Analyst) Yes, so I guess what I'm asking is, is any of your rivals currently doing that throughout Europe or North America?

Alasdair Hamblin: You'd have to talk to our rivals about what they're doing specifically, but the feedback we get from the customers who have been involved from the pilots for examples is this is incredibly helpful to them and they want to see more of it and we will be well ahead of our competition if we do these things.

Owen Birrell: (RVS, Analyst) That's excellent. Just a question for JJ, really in that regenerative example, the wheeled Q+, I think is a really good example of how you can put these products into more of a circular economy. I'm just wondering if you can give me a sense on how far advanced are you in creating a recycled and recyclable plastic pallet and how far away are we from something that actually being commercial?

JJ Freijo: Well, the example that you saw is a real one, it's a quarter pallet, a wheeled quarter pallet, that is a real one, that is a product that is already there. So could we do something similar for all our plastic products? The reality is that today no, but we are working on that. But I want to make that very clear that what I showed there is not just an idea, it is something that is already available.

We have challenges to build a full pallet made out of plastic, of recycled - upcycled plastic, like availability of materials, the fire regulations in some regions, but the most important thing is the durability. I think if we build a plastic pallet, if we build a plastic pallet that is made out of recycled or upcycled plastic but the durability, therefore the number of uses, is reduced, that's not a good thing from the environmental perspective. The main thing, the most environmental advantages in our business come is from the reuse model. So we need to find the material that is available, that has the right quality, that is compliant with fire regulations, but also that it doesn't impact the durability of the pallet, and that is the challenge that we have. I can tell you we are working on that and I can tell you the whole chemical industry is working on that because we are not the only one who want durable upcycled plastic.

Owen Birrell: (RVS, Analyst) That's great. Thanks, JJ.

Operator: Thank you. Your next question comes from Matt Ryan from Barrenjoey. Please go ahead.

Matt Ryan: (Barrenjoey, Analyst) Hi, JJ. I was just going to ask about the construction of a plastic pallet, the use of resin and just the inputs going into a plastic pallet and how you're viewing that from a sustainability perspective?

JJ Freijo: Yes, Matt, I think I can recap what I said in the previous question because basically I think the question is the same. What we are going for, upcycled or recycled plastic and input material in the plastic pallet or plastic products and that is 30% in 2025 and 100% in 2030. But we will do that as long as it does not compromise the durability, the number of uses of the pallet. Is that answering your question because I think it's quite similar to the previous one if I understand it well.

Matt Ryan: (Barrenjoey, Analyst) Yes, I guess I just wanted to be clear that as we sit here today, are you viewing plastic as an inferior product from the sustainability perspective from the technology and the knowhow that we've got right now?

JJ Freijo: No, again, when you compare non-reusable solutions versus reusable solutions, obviously you have the impacts on the non-reusable solutions and the reusable solutions is much lower. Once it is reusable, the difference in material, plastic versus timber, are quite small, and this is something that we studied through our scientific life-cycle analysis. So in short, I guess you're thinking about the sustainability credentials of the full size plastic pallet that we are testing, if we make that pallet work because the pallet will be reused enough times, it will be durable, it won't be lost, then the sustainability credentials automatically will be better because this is the beauty of our business model, the circular business model. Business and sustainability go together. A pallet made out of durable plastic that is not lost will have better sustainability credentials than the current pallets in flows where they are more [lost].

Matt Ryan: (Barrenjoey, Analyst) Okay. Are you in your conversations with customers finding that either retailers or your customers have actually got a preference on sustainability grounds for plastic or wood?

JJ Freijo: For the customers that are more advanced, they understand that power comes from the reuse, and we give them numbers and we give them science behind to back this up. For the others, frankly we need to have a conversation on circular economy and educate them that it is not about the material. So again, for the educated ones, not many differences, and for some others we need to go through these learning exercises. I can tell you that more and more customers have objectives on recycled or upcycled products and this is why our intention is to go for input plastic material that is upcycled or recycled, that is what we have as an objective. But the most advanced ones, as I said, they understand the power is in the reuse.

Matt Ryan: (Barrenjoey, Analyst) Okay, thank you.

Operator: Thank you. Your next question comes from Jakob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: (Jarden Australia, Analyst) Thanks, operator. I just had two quickly. One for Alasdair. Just with the predictive ordering, how useful would that be at the moment? There's been a large disruption to most of the customer supply chains, I think you guys have noted many times that you're going from just-in-time inventory to just-in-case. What is the business case for predictive ordering moving forward and has there been expressed customer demand for that?

Alasdair Hamblin: Well, clearly you're right that in a period of high volatility it's harder to draw a conclusion from past behaviour, but I guess as we return to slightly more predictable circumstances it becomes more useful. Fundamentally what predictive ordering is doing is looking at patterns of what customers have done in the past in order to be able to say to them that we think this is what you need and then they can amend or confirm as required, so it takes a lot of the manual work away from them in doing that. The feedback so far has been incredibly positive, we piloted that last financial year and we're rolling it out more broadly this year and they like it because it takes the burden off them. We're effectively saying we think this is what you need and either confirm or adjust it and then it learns as we get more data from them. So I think it will just get better and better as we get more data flowing into it.

Jakob Cakarnis: (Jarden Australia, Analyst) Just a follow up, which market did you pilot that in please, Alasdair?

Alasdair Hamblin: As part of the European market and I think David may talk a little bit more about this tomorrow actually.

Jakob Cakarnis: (Jarden Australia, Analyst) Thanks for that. Then just one for JJ, I'm just interested in the modern slavery element of the sustainability, particularly for contractors and labour hire. Is there good visibility that you guys have on your modern slavery requirements and how is the audit system designed to capture any flaws in this system?

JJ Freijo: I encourage you to go the sustainability report this year when we have a full description of what we are doing in modern slavery. Basically we are strengthening our due diligence program with third-party [labourer] audits internally and contractual arrangement with the new suppliers, code of conduct, delivering code of conduct and also a [sticker] policy that is in our service centres but also in our third party service centres. We take a risk-based approach analysing our network, every Brambles service centre is included here. Then for the subcontracted network we take a risk-based approach based on geographies et cetera to start developing the program and this is something that we started in the last couple of years with more focus this year.

Jakob Cakarnis: (Jarden Australia, Analyst) Was the new supplier that you just mentioned then implemented after there was issues found with existing suppliers or is that more rigour that you're introducing into the business model on a proactive basis?

JJ Freijo: Sorry, can you repeat the question, the sound is not very good.

Jakob Cakarnis: (Jarden Australia, Analyst) Yes, sure. You mentioned that there was a new supplier, so you were strengthening third party labour and you mentioned a new supplier and new contract designs, I'm just wondering what your comment related to in regards to the new supplier, whether that was a reaction to issues that you discovered with modern slavery or whether that was a proactive approach to improve it moving forward?

JJ Freijo: It is a proactive approach and this is a program that has been developed for - we are increasing and expanding it year on year. So this is something that we are doing on a proactive basis with our due diligence process. This is the continuation of what we are doing.

Jakob Cakarnis: (Jarden Australia, Analyst) Thank you.

Operator: Thank you. I will now hand back to Raluca.

Raluca Chiriacescu: Thank you all. We have no more questions for JJ and Alasdair so what we will do now is open the floor up to all of our presenters today, including Graham and Nessa, to give everybody on the phone a chance to log their question. I will start with a question from the webcast to Graham. Can you share how we balance capex discipline and service levels in an environment of increased demand for consumer goods and pallets?

Graham Hamblin: Yes. So I think one of the things we're always trying to do is to ensure that we are getting the right balance between spending capex and taking a medium to longer term view about demand, because we don't want to go back to where we've been in the past where we've bought loads of pallets based on a short-term peak in demand and then found we've had pallets lying around and had to store them. Clearly the question is presumably referring a little bit to what has been going on in the US recently, Laura is going to talk about that a lot more tomorrow. But what I would say is that we've been in a situation that is industry-wide, so it's not just a Brambles issue in the US. There are no pallets to buy so if we had been able to buy more pallets to sort this problem out we would have done so, you can see that from our numbers from fiscal '21, we had lots of cash but we weren't able to find more pallets.

But how we've managed to minimise and mitigate the impact on our service levels has been to work in a very granular level with our customers and so we're running the business almost on a day-by-day, week-by-week basis, getting them to really tell us what they absolutely need to maintain their service levels and their supply. That has worked pretty well. These things are never perfect but we've been able to get to a situation where our customers are still able to run their businesses and in some instances, as I think Nessa said earlier on, we've been able to persuade them to say here's an alternative platform like white wood which might be able to help you in the short-term. But by and large, that's what we're trying to do is make sure that we are keeping our customers running and yet it's a very uncomfortable levels of inventory sometimes, that's what we've been able to do. I think our depth and our width of network has allowed us to manage that volatility better than anyone else in the industry.

Raluca Chiriacescu: Great, thank you, Graham. We will now go to the phones. The next question is from Scott Ryall at Rimor Equity Research. Go ahead, Scott.

Scott Ryall: (Rimor Equity Research, Analyst) Hi, thank you. I just have a couple that were for the first session for Graham and Nessa. Graham and Nessa, this is to both of you, there was a question in the first session around how long you envisaged remaining in your position, current position. I guess if I look at the chart on page 21, slide 21, where you expect to step up in ’23 and then another step up in ’24 and ’25 in terms of underlying profit growth, and then on 22 you’ve got the indicative investments based on delivery of successful outcomes in ’22 and ’23. That tells me delivery, at least for ’22 and ’23, it’s very important to have both of you on board. I take the caveats about with the Board being willing and your health obviously is one thing, but as we stand at the moment, do you envisage that both of you will deliver both of those full year results, please?

Graham Hamblin: I will speak to myself and let Nessa speak for herself. I am confident that this team - it’s not just about me and Nessa - will deliver the results. That is what we are trying to get across in this session and hopefully tomorrow as well. We as a leadership team are very confident. Yes, clearly I think Nessa and I would both like to be around to see that delivery but it’s not dependent on us being here, it’s about the team delivering, it’s about the process we’ve got where the individual initiatives and the targets and the milestones are broken down into a very granular level so that the team and the organisation could be trusted to deliver the outcome. So I think Scott, that has to be the right answer for a company like ours. Yes, it’s great and Nessa and I are both very committed to this as well, but it’s not reliant on us.

Nessa O’Sullivan: Yes, I agree, I agree with a lot of Graham’s comments.

Scott Ryall: (Rimor Equity Research, Analyst) Okay. Then my second question, on slide 22 you show your short-term transformation costs and your OpEx for Digital, totalling $90 million for this year. Can I just clarify, your guidance that you gave a little later on in the presentation of a very slight underlying profit growth, that includes both of those items, doesn't it? So, they're above the line?

Nessa O'Sullivan: Yes, absolutely.

Scott Ryall: (Rimor Equity Research, Analyst) Okay. So, maybe – and given the pay-back from those two investments presumably doesn't come much in '22. Effectively that's 10% of your underlying profit that you're spending this year instead of delivering what would deliver operational leverage, based on your revenue guidance. So, maybe that gives me the answer.

But I was going to ask, why is it now that you've undertaken these investments, as opposed to, I guess, waiting to deliver another strong year of underlying profit growth and earnings leverage? Is it the fact that you felt comfortable that you would be able to deliver that second year of growth? Because you did highlight on side 21 that there's been a 1% CAGR in underlying profit growth for the last four years. Really that came mostly in the '21 year.

So, is it the fact that you had underlying momentum in the business that you felt like you could effectively afford to pay for this investment? Or is there something about market timing now, maybe it's coming out of COVID and realising that you've just got to make the investments now, because the business is in need of them? I guess, I'm really trying to figure out why is it now, are there timing issues that you can see, in terms of industry leadership or ability, to leverage that into ongoing customer growth? I'd just be interested to hear.

Graham Chipchase: So, I mean, I think it's fundamentally we are here to run the business for the medium to long term. One of the things that we've been doing and we would have done it sooner if we'd been in a position where we had the confidence to do so, the whole set of initiatives around digital, through BXB Digital and Shaping Our Future, which has been going on for let's say 18 months or so. It's all been leading to this point which is are we confident enough to now go big on these things and to roll them out.

I think it was helpful that we had a really good fiscal '21. I think that allowed us to not only prove to the market that we'd delivered on the commitments we made back in '17 and '18, but also it showed that the things that we'd actually done, the nuts and bolts of what we'd done, had actually built a resilient business model. It was best shown of all in fiscal '21, with the external environment being volatile.

So, I think it's a fortunate confluence of events, which is, yes, we had a good '21 to prove that the model is working, but also it was the time when we had got to that point where we were comfortable about the technology and some of the use cases and some of the programs we were putting in place, and we'd gone through the last six months of getting some external validation of both the technology and the strategy. It just now is the time to say, okay, we can do it.

I think, you're right, it's helpful that if you back out those short-term transformational costs, we are still on track, based on the revenue guidance, to get some leverage. But that, for me, is not the point. The point is, with these investments, we are looking at sustainably delivering high single-digit ULP growth after '23 on that mid-single-digit growth revenue. We'll talk more about the growth tomorrow. But that is what it's about and the cash flow and delivering that investor value prop. That's what it's about. This is just the time to now say, yes, we're ready to go for this.

Scott Ryall: (Rimor Equity Research, Analyst) Okay. That's great. Thank you. That's all I had.

Raluca Chiriacescu: The next question comes from Jake at Jarden. Please go ahead, Jake.

Jake Lai: (Jarden, Analyst) Yes, sure. I just had a quick one for Graham and Nessa, either of you I'm sure can answer this. In the assumptions, look forward maybe after FY22, can you just let us know, from a macro perspective, how you're expecting or if you are expecting a normalisation in the operating environment? So, what I'm getting at here specifically, are there embedded changes to customer behaviours about inventory management? Are there any views that you need to increase the intensity of those transport lanes and maybe some of the savings or productivity benefits that you're going to get from automation, please?

Graham Chipchase: Want to go?

Nessa O'Sullivan: Yes, sure. Yes, thanks for the question. I think it's a really interesting scenario for most businesses right now, because while we'd expect to return to some type of normal, I think everybody recognises it will be a new normal. By that I mean that we can't tell exactly where it's going to land, how to determine how we can optimise our network. We have a sense that things will get back to a new normal.

What we've recognised is that the agility and flexibility and added capacity that we put back into our network really set us up to cope with volatility. I think we do recognise that what we relied on before is going to be less certain. Therefore, investing to have the right tools to enable us to respond faster to changes in the market, to have more capacity at short notice and to really understand what drives cost in our business more, down to a more granular level.

But all of those things are going to become more important so we can respond to what customers want, but also make sure we stay on track to get returns. So, I feel it's a combination of all those things coming together. I don't think we'll be on our own in terms of looking at a broader market. But the old business models are going to be less useful. I think a lot of what we've done and put in the foundations we can build on.

But for instance, if you think about the changes we saw in the US, with the asset control, we'd have to say the dynamics really changed what the asset control was, now we need a different approach to how we manage that. Because we can't just sit back and say we're going to wait for a market to come back so it's easy to manage this. We have to assume that there'll be complexities.

So, hopefully that gives you an idea about how we're thinking about it. So, in other words, we do expect some sort of back to more normal, which would allow us to again re-optimise networks. But we accept that investing in capacity and capability to be able to deal with changes and customers wanting more information and insights, is going to be more and more important for us to win and succeed.

Jake Lai: (Jarden, Analyst) Thanks, Nessa. Just one final one, obviously we had quite a lot of surcharges in the second half of '21. You've noted that lumber inflation does remain high as we move through the first parts of first-half '22. Can you just explain for us the dynamics of those surcharges as the lumber price falls? Is it right in thinking that those surcharges reverse, or do they switch off, or have you reached a new high-water mark? Can you just give us the dynamics, rather than the numbers around that, please?

Nessa O'Sullivan: Sure. So, I think it's important to actually recognise if you went back to pre-2018 we didn't have these clauses in our contract. So, one of the things we did over a three-year period, was try and get in more and more inflationary recovery mechanisms. Lumber was a key one. So, for us, when lumber gets above a certain amount and it's at something that is commercially in confidence with our customers, it's linked to a specific number index, so that it has transparency. When lumber hits a certain level of pricing in the market, then the lumber surcharges kick in.

On the way up, so there's a time delay on the way up, so there's we bear some costs and then the lumber surcharge kicks on. On the way down, there is also a timing delay. You should think about that between one and three months as being that time delay, 30 to 90 days. You have to bear in mind also though that lumber surcharge is a bit different to all the others, in that it is linked to lumber, as in our total cost to serve. So, some of that is reflected in the CapEx costs, when you see us calling out lumber inflation. Some of it's reflected in our plant cost for the lumber we use in operations.

So, and I know Laura's toing to talk a bit more about this tomorrow. So, as lumber costs come down, then we start to be able to buy pallets at lower cost. So, that's good for us economically. But then the amount of the lumber surcharge also progressively comes down, as lumber comes down, the cost of lumber comes down.

Jake Lai: (Jarden, Analyst) Thanks, guys. Thanks for taking the questions.

Nessa O'Sullivan: Thank you.

Operator: The next question is from Cameron McDonald at Evans and Partners. Go ahead, Cam.

Cameron McDonald: (Evans and Partners, Analyst) Hi, guys. Good evening. Nessa, can I just ask you a quick question on the profile of those corporate costs which you've highlighted on slide 22? Then you've made a comment further down on slide 24, regarding that excluding transformation investments, corporate costs in '25 are expected to be broadly in line with FY21. So, in FY21, your corporate costs were $115 million, which incurred $33 million of transportation costs. So, are you saying that in FY25 your corporate costs are expected to be at around the $80 million mark?

Nessa O'Sullivan: So, if you have a look at - just so that everybody else has the same reference point, so we always disclose the split of the total corporate costs, it's always in note 2 in the segment notes to the accounts. You'll see there's a number of components there, which is the core corporate costs, BXB Digital and Shaping Our Future. What we're talking is the core corporate costs here.

So, somewhere actually a bit lower than you're quoting. But directionally, yes, you're correct, that this reference is to the amount, excluding BXB Digital and Shaping Our Future that you would see. But you can see we set out in the sub-notes to those what the amounts are by year, if anybody wants to look at the granularity of those.

Cameron McDonald: (Evans and Partners, Analyst) So, just then flowing back to slide 22, if I look at that table that you've given there, if we started in FY21 of $115 million, minus out the $33 million transportation or BXB Digital costs, and roll that through, you're actually looking, on an OpEx basis, if you can get up to like $170 million worth of corporate costs and then in FY25 you're telling me that it's going to be at circa under $80 million.

Nessa O'Sullivan: So, we're talking about the corporate costs that are excluding BXB Digital and excluding the Shaping Our Future. So, that's why we split it out, so you can see what amounts are going to be ongoing. That reference is purely just to corporate costs. So, when you said are the core corporate costs going to be around $80 million, it will be somewhere lower than that, we've estimated. But there will be ongoing costs, which we have set out on slide 22. Then when we give the overall guidance and shape of the earnings that we expect, that factors in all those costs, to get to that end number.

Cameron McDonald: (Evans and Partners, Analyst) Yes. So, on slide 22 though, you're saying there are zero transformation costs in FY25, where are the Digital costs going to be sitting? Are they in corporate or are they in a division, in the divisions?

Nessa O'Sullivan: So, I think it's really critical that we're clear that the short-term transformation - these are the costs that we're implementing now to launch all these different programs that we're doing - so there still will be ongoing costs. We would have a core corporate cost and then we would also disclose that we have ongoing other transformation costs. Because there will be ongoing costs. You can see there that we talked through, if you look at the Digital line, we have OpEx costs. We will split out those into the two [unclear], but there're all included in…

[Technical issue]

Nessa O'Sullivan: Are you still there, Cam?

Cameron McDonald: (Evans and Partners, Analyst) Sorry, are you there? Yes, sorry, you just dropped out.

Nessa O'Sullivan: Can you hear us? Did that answer your question?

Cameron McDonald: (Evans and Partners, Analyst) Yes, sort of. So, and the other question I've got is for Graham, well, and/or Nessa. In part of your presentation, you said a big driver of the strategy is obviously the growth and the market share wins that you're anticipating in targeting. How quickly can you unwind some of these initiatives if you are unsuccessful in gaining that additional market share?

Graham Chipchase: So, our view is that the - what we were trying to answer here is, I think, the concern that we'd seen a slowing down in the last 12 months or so of net new business wins. What we're trying to do here is to reassure the market that, once we get past some of the volatility and the existing customer demand we've seen through COVID, that the business model is fundamentally still sound, in terms of there's a lot of white space to go after, in terms of converting white wood users into pools. That's what we're trying to do.

So, some of the investments, for example in the CRM model, the software we've just invested in over the last couple of years, that's all been made to support this sustainably mid-single-digit revenue growth going forward. That's all. So, there's not a question of unwinding it, it's we're making investments to continue supporting that level of growth.

Nessa O'Sullivan: Yes. Slide 25 really sets out how do we see the shape of that. It's really like saying, because of FY21, we had less net new business, we're now seeing ourselves back on track to be able to get that net new business as we have less challenges with pallet supplies going forward.

We would expect a lot of that growth to come from markets we're in, where we continue, as Graham said, to go after that white space that's unpooled, is largely where that's come from historically. That's where we see it coming from as we go forward, with some other add-ins as well, but that's the vast majority of it, which you'd expect, given how big our existing footprint is.

Cameron McDonald: (Evans and Partners, Analyst) Great. Thank you.

Graham Chipchase: Thanks.

Raluca Chiriacescu: The next question is from Sam at Citi. Please go ahead, Sam.

Sam Teeger: (Citi, Analyst) Hi, guys. Just thinking about the lag between investment and returns, when you look at your guidance, it looks like FY24/25 the acceleration growth's obviously coming from the FY22/23 spend. But that's relatively small in this overall program. When we look at the investments in, I guess, '24/'25, it looks pretty chunky and back-end loaded. So, would it be fair to say if we get through those gates, it actually implies quite a substantial acceleration in growth past the guidance period?

Graham Chipchase: Yes, well, we're clearly not giving guidance beyond that. But I think, your philosophical assumption is not a bad one and what I think we are saying is particularly you're looking at things like cash flow, we should be able to generate more cash, because there's a heavy phase of investment. It's one of the reasons we put the value creation number at 10% plus. We obviously said that as we get through the investment phase, there's a good possibility of us going at the more plus than 10% on value creation. But we're clearly not giving guidance that far out, it's a long way out still.

Sam Teeger: (Citi, Analyst) Yes, sure. But just to get an understanding of the lag between investments and returns then, obviously that 10% in the '24/'25 period, you're obviously getting that from '22/'23, which is a relatively small amount of spend. Then is the growth in returns proportional, given how chunky those '24/'25 numbers are?

Graham Chipchase: I think that's not an unreasonable assumption to make.

Sam Teeger: (Citi, Analyst) Thanks.

Graham Chipchase: Thanks.

Raluca Chiriacescu: Then next question is from Paul Butler at Credit Suisse. Go ahead, Paul.

Paul Butler: (Credit Suisse, Analyst) Hi. I just have a quick question, it relates back to the second half of FY21, where I think in the US you achieved something like an 8% price mix benefit, which at the time you said was focused on addressing high cost to serve customers. I'm just wondering what proportion of your business in the US would you describe as high cost to serve? Does that partially contribute to the lower margins you see in the Americas, compared to the other two major geographies where you operate?

Nessa O'Sullivan: Well, I'd say, I think, first of all, you need to look at the key things that have changed is - as well as if you go back to FY18 - is that we said, right, we're going to progressively reprice contracts over three years. Now, in a period, we also said, in periods where there's higher costs, i.e., higher inflations or other input costs go up, you should expect that we would be taking more pricing. In other years, where there are lower costs in the market, there'll be less pricing. I think it's fair to say we've come through a period of pretty high costs and therefore the pricing is higher.

Now, I think it ties in to some of the other questions that came up earlier on the calls too, that we're actively and proactively working with our customers to try and reduce those costs to serve, either through reduction of losses and anomaly detections, to try and work with them faster, so that we don't have to take as high costs. But the pricing we're taking, it's a function of what particular contracts came up in any given year, what we're cycling and then what the cost environment is like in that particular period.

Paul Butler: (Credit Suisse, Analyst) Okay. But is there an element where you do have a higher proportion of higher cost to serve customers in the US compared to your other markets?

Nessa O'Sullivan: It's just more that it's more dynamic. If you were to say has more of the cost changed in the US relative to some of the other markets over the last half of the prior year, I would say, yes. Because there's longer transport distances and transport scarcity has been an issue, the lumber inflation in the US was higher than in other markets and we had issues with getting back pallets, which increases the loss cost.

So, I would say, in a relative sense, if you were looking at a year on year, yes, the costs were higher in the US. While there were some higher costs in Europe because of Brexit, it wasn't as material to the overall network as some of those dynamics that we saw in the US. Graham, is there anything else you want to add? Yes.

Graham Chipchase: No, perfect.

Paul Butler: (Credit Suisse, Analyst) Okay. If I could just ask another one. On slide 28, when you set out the target of getting the CapEx-to-sales ratio to 17% in FY25, what's the underlying assumption there, in terms of what happens with lumber cost inflation? Or does that potentially not matter with the indexation that you have?

Nessa O'Sullivan: Look, we would expect that the peaks - so what are we seeing? So, we're seeing some moderation in the US. Do we think it will come all the way back to historic levels? No. But do we think we've reached the peaks that were there in May of last year? You had our competitors talking about buying pallets at $50 a pop and you went pre-COVID they were around $22. Would we expect to stay at those very high levels across the planned period? No. But would we expect potentially that it will remain somewhat higher than it has been? Yes.

In between, we're starting to see a bit more lumber inflation coming through in Europe. There was a bit more of lag to it. So, over the next year, I think, we have some more challenges still. So, it's fair to say we would have factored in some increased cost of lumber, but certainly not at these spikes of inflation level that are evident in FY21 and we see continuing to FY22.

Paul Butler: (Credit Suisse, Analyst) Thanks very much.

Raluca Chiriacescu: We have time for three more questions before handing to Graham to close off the session. There's one on the webcast regarding digitisation. As we collect and share more data, while there are many positives, is there a risk that the data will demonstrate a percentage of pallets that customers have provided compensations for making their way back into the pool and the way forward on that?

Helen Lane: Sure. So, as we get more data from pallets, we will clearly start to see where they go. We'll start to see whether our current - and I won't call them hypotheses, because we actually do have current declarations for our customers of where our pallets go, we will start to see whether they do marry up. But what we want to do is test that in a very controlled environment. So, as we're testing proportions of the pool, we'll then make extrapolations on that data, to see what those trends show.

In one pool, before the end of FY23, we'll be starting to look at an entire but closed contained pallet pool. By doing that, we'll start to be able to answer those questions. But right now, we don't know. So, right now, we haven't done that to a full pool yet. We haven't got full pool digitisation in any market. So, once we have that, we can start to answer those questions. But at this moment in time, we don't yet have those answers.

Raluca Chiriacescu: Thanks, Helen. The next question is from Owen Birrell at RBC.

Owen Birrell: (RBC Capital Markets, Analyst) Yes, look, sorry, I just wanted to ask a question on the automation program. Of the $415 million of spend that you have in CapEx in supply chain upgrades, just wondering how much of that is specifically on the automation of the plants? What percentage level of automation does that actually get you to in Europe and in the North American markets at the end of FY25?

Nessa O'Sullivan: So, if you actually look at slide 27, it sets out where the spend split is, so you can see how many service centres we expect to automate and the quantum of spend. In terms of the level of automation, actually very interesting question, because we would have said before that we would get to - we were measuring automation, based on what we could technically do to automate. So, we were saying, you might get to a 70% to 80% automation level.

I think what we're trying to do and where we expect to step-change that and more to come on this as we actually spend and show the outcomes is we're actually saying there's a lot more that we now see as being feasible to automate, which is what the new level of progressive investment is going to be in the new technologies. So, you'll hear about the integrated repair cells. Craig talked a little bit about that. That is something that we'll come back and talk to the market about as we start rolling it out.

We're still trying to push the boundaries to see how much further can we go, particularly as real estate goes up and labour costs go up. As we want to be more responsive to our customers, this is going to be, I think, an area where we'll look to continue to feed the pipeline. Graham talked about this as being an ongoing program. So, this is stage one. If we find other really good things that help us to automate faster, we would look to accelerate that. We have a great balance sheet that allows us to do this.

We're going to be disciplined about it. But frankly, internally, that's one of the things we're saying, how can we go faster and what else could we do? So, a higher level of automation, we're comfortable with the things that we have earmarked here for investment that we get that really, really strong payback. But it's fair to say, we would expect to continue to build that pipeline over the next few years, with some new initiatives, as well as rolling out these.

Owen Birrell: (RBC Capital Markets, Analyst) I guess, the idea of my question is if you've spent $300 million to date, you've got another $120 million to go on automation, how far through the target of 100% automation are you at that point?

Nessa O'Sullivan: We were never going to be at 100%, because our business is not like when you get robotics in another company, if you're doing the same action with the same product over and over again on a production line, it's very easy to roboticise and automate. For us, the pallets are all different. So, where exactly is the damage rate, what is the repair that you need to do with it? It is a lot more complex.

So, previously, things that we didn't think technology could deal with, because we tried - those of you who've covered Brambles for a really long time, if you go back 10 years plus, there was automation in the US and in Australia initially. It had to be stopped, because it wasn't giving the efficiencies. We then started again and started more building to where we thought. So, we're at about 80% to where we thought we could be with that last iteration.

I think we're now broadening the horizon. As you look at us adding - we did 52 plants in the US, we're now talking about adding the next stage of automation to 70. So, look, there will still be a level of manual intervention. Maybe you're saying 10% to 15%. We will still look for ways to go after that. But it will also depend on the volumes that go through the plant, because some plants will not justify the investment. So, we're not just going to automate, unless we can see that there is a value to doing that in each of the plants.

But it's been interesting, through the three-year process, as we've learnt, we've got better at automation. Actually now, there's more sites where that makes economic sense and commercial sense than it did at the very beginning of the program. Because we got better at doing it, we've cost optimised and we've had a lot more confidence around what the outcomes are, to feel confident about making the investments.

So, I know that's not a very precise answer, but it takes you from targeting the 80% to going beyond that and us saying, look, we're going to continue to look to innovate and say, how can we do this better over time? The good news is we only spend this in small dollar amounts per investment site. It's like $2.5 million to $3 million a site to do the full automation. So, we don't have to bet the farm. What we can do is progressively explore that we get the outcomes and then roll out. A lot of this is modular. So, different sites, over time, will reach those criteria that makes sense to invest, as well.

Owen Birrell: (RBC Capital Markets, Analyst) That's great, Nessa. One last question for Graham if I may. Slide 11, you highlight growth potential and you've got China on that chart. It's a market that has gone pretty quiet for you guys more recently. Is that a viable market opportunity or you've just put it on the chart there to put in a 99% market opportunity?

Graham Chipchase: I don't want to steal Phillip's thunder from tomorrow, because he'll talk about that a little bit. But I think it's one of those things where we've always been look at it clearly from a potential, it's huge, but there've got to be a number of different things to make it a viable market for us. One of which is regulation and standardisation in the supply chain, which we've talked about for some time. We're beginning to see the five-year plans from the ruling party start to talk about needing to get more efficient supply chains within China.

So, I think our view is, it is a viable market at some point in the future. If we're not ready to be in prime position to take advantage of that, then we will lose the opportunity. So, we're doing everything we can to set ourselves up for the future, without betting the farm on it. Because we could throw a lot of money at this and not get anywhere. So, it's about getting the strategy right and the tactics right, to be ready for when the market does change to being a much more conducive to a pooling market. Phillip will talk about that a bit more tomorrow.

Owen Birrell: (RBC Capital Markets, Analyst) Great. Thanks.

Graham Chipchase: Thanks.

Raluca Chiriacescu: The final question is from Anthony Moulder at Jefferies. Go ahead, Anthony.

Anthony Moulder: (Jefferies, Analyst) Hi, there. Thanks Raluca. Just a couple if I could and I appreciate the time. The first question that Paul asked was around that 8% increase on the US. I thought that that was an NPD cost or passing increase associated with NPD costs. If that's the case, is that formulaic, in the sense that a lot of those customers have had that cost adjusted in second-half fiscal '21?

Nessa O'Sullivan: Well, Anthony, I didn't quite hear it. Are you talking about the increased cost, the losses related to NPDs and those costs being passed on? Is that the question?

Anthony Moulder: (Jefferies, Analyst) Yes, as part of that pricing increase in the second-half '21 of 8%, was a lot of that the NPD increase?

Nessa O'Sullivan: No, the NPD cost increases, Anthony, was really coming in - and if you look at our year-end ASX presentation, it was slide 15 - we actually taking the pricing for the NPD increases from 1 July. We do that progressively, depending on the contracts, which customers it relates to. We've implemented in about a quarter of it. So, no, the cost that you saw in it's partly a function of what we're cycling from prior, partly a function of which contracts came up for renewal and partly a function of the conditions of the market that meant that it was more appropriate to take higher pricing related to a higher cost to serve.

Anthony Moulder: (Jefferies, Analyst) Okay. Thank you for that clarity. I guess, as we look to the growth of this business longer term, you've talked about market-share gains, et cetera, with pricing, which is something different, typically CHEP has grown without pricing, it's seen the benefit of that growth in its network to deliver that sort of operating leverage, where's the confidence coming from now that you can do both effectively, grow revenue, but also grow market share?

Graham Chipchase: So, I mean, I think, the confidence comes around from I think a couple of things. One is the fact that we put the structure into our contracts to allow us to get more price increases. I think the other point, we always talk about the pricing environment relying not only on our desire to do it, but it's got to have disciplined competition, there's got to be an element of tightness of supply and demand and there's got to be some inflation in the environment. So, all those things, you can foresee those going ahead for some time. That gives us confidence then that we will continue to try and increase pricing.

But there comes a point where we've got to provide value for our customers as well. I think that's the other key strength behind this transformation program is we're now trying to accelerate the value we're providing to customers, which will support the fact that we are still trying to get price increases to show that we are differentiated from our competitors, are differentiated from white woods and therefore offering a better value to our customers. So, they linked together, it's not just we go off and get price increases because we feel like it, it's because we've either got higher cost to serve or we think we've got a product which is creating higher value. So, I think that's one element.

Then the growth piece, and we'll talk about that much more tomorrow when we go through each region, there is still - and you can see from the slide I had with the white spaces on - there's still a lot of addressable market, which is within the white wood space, which we feel we can convert to pooling. We've had, I think, a pretty good track record over the last five, six, seven, eight, nine, 10 years of doing that.

I think, all we've seen in a blip in '21, because of that COVID demand, us focusing on our key existing customers, rather than pushing the net new business wins. We're saying that we'd anticipate that returning to that sort of profile, where we are gaining market share, versus white wood, in '22, '23 and onwards.

Anthony Moulder: (Jefferies, Analyst) Very good, thank you.

Graham Chipchase: Thanks.

Operator: Thank you, everyone. I will now hand over to Graham for closing remarks.

Graham Chipchase: So, first of all, I just want to say thank you for everyone who's dialled in and everyone who's presented today. I won't talk much about growth, because we'll do that tomorrow, but I just wanted to sum up a little bit on the transformation program. I hope you agree, in having listened to us for the best part of a half a day, that it's an ambitious program, with sustainability at its very core.

Twin track, so we're going to increase the performance from the current business, to create value, to fund an investment to create our business for the future. The other thing I would like to try to emphasise is that hopefully you've seen that the whole Management Team are both committed to this, but also confident in the delivery of the outcomes, so that what we're talking about in terms of '25 and '24, we are committed to delivering that. So, with that, that's what I'd like to leave you with. We look forward to seeing you all tomorrow, I hope.

End of Transcript