



# Brambles

## Half-year results

23 February 2015

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## **Overview & Results Highlights**

Tom Gorman, CEO

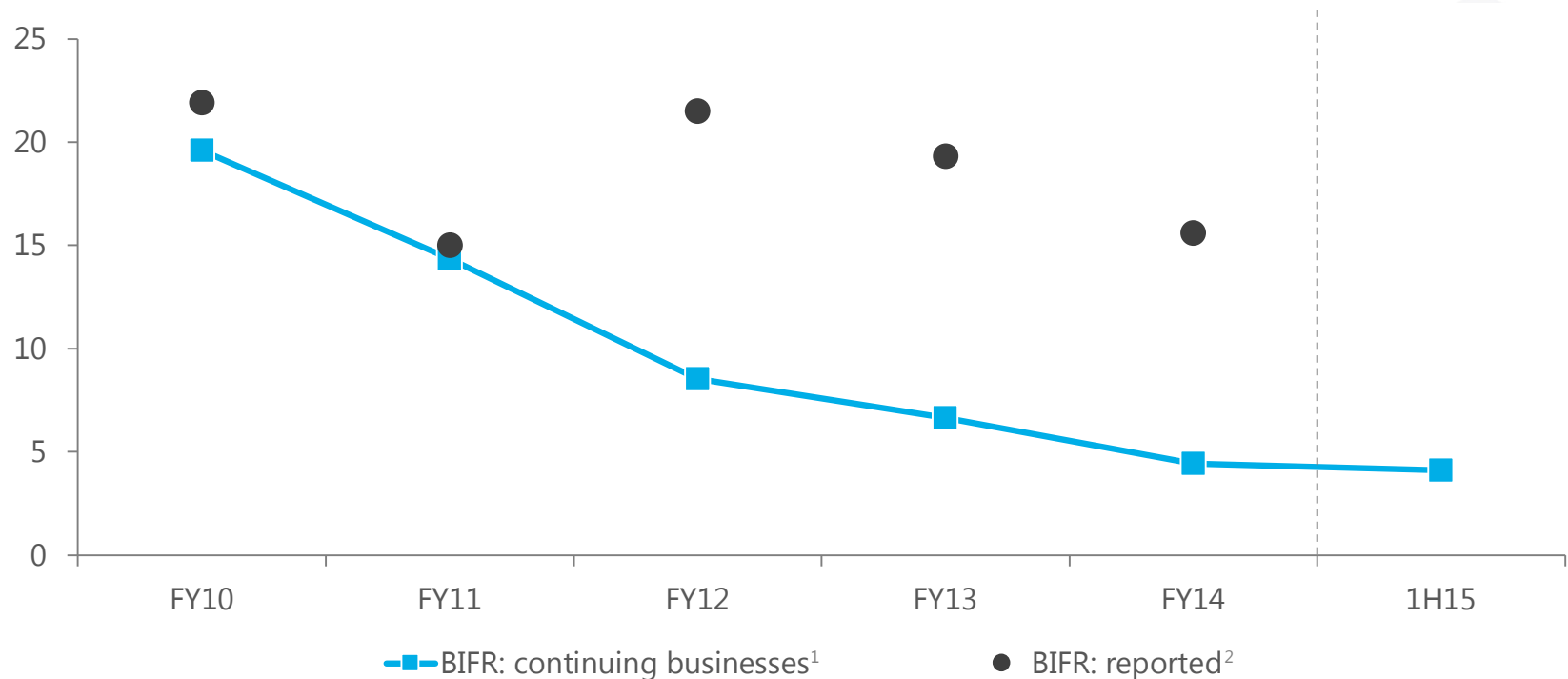
# Key 1H15 result messages

## Solid result with full-year guidance maintained

- On track to deliver FY15 guidance
  - Underlying Profit expected to be US\$1,055-1,085M (30 June 2014 FX)
- Improved Pallets result, with leverage to bottom line
  - Strong profit performance in Europe: supply-chain efficiencies and improved sales mix
  - Direct cost challenges in North America: asset management impacts, transport inflation
- Strong positive sales and profit momentum in RPCs worldwide
- Containers result reflects diverse portfolio
  - Encouraging sales and profit momentum in IBCs and Aerospace
  - Ferguson contribution in line with Brambles' expectations
  - Automotive sector impacted by ongoing industry challenges
- Increased interim dividend of AU14.0¢ per share
- Continued improvement in Group safety performance

# Group safety performance

## Improving overall but one fatality in 1H15



Note: BIFR stands for Brambles Injury Frequency Rate, recorded per per million man hours; see slide 26 for full definition.

<sup>1</sup> Operations owned continuously throughout FY10 to 1H15, excluding businesses acquired or divested during that period.

<sup>2</sup> Includes restatements in FY12 to incorporate acquired operations and, in FY13 and FY14, the demerged Recall business.

# Financial highlights

## Solid growth with leverage from sales to Underlying Profit

(Continuing operations)	1H15 result	Change vs. 1H14		
		Actual FX		Constant FX
Sales revenue	US\$2,795M	5%	↑	8%
Operating profit	US\$466M	3%	↑	7%
Profit after tax	US\$286M	2%	↑	6%
Underlying Profit	US\$485M	6%	↑	10%
Return on Capital Invested (ROCI) <sup>1</sup>	15.5%	(0.2) pp	↔	(0.1) pp
Brambles Value Added <sup>2</sup>	US\$126M		↑	US\$10M
Cash Flow from Operations	US\$269M	US\$(107)M	↓	
Final dividends per share	AU14.0¢	AU0.5¢	↑	

<sup>1</sup> Excluding the impact of acquisitions, ROCI was 16.0%, up 0.3 pp (up 0.5 pp at constant FX).

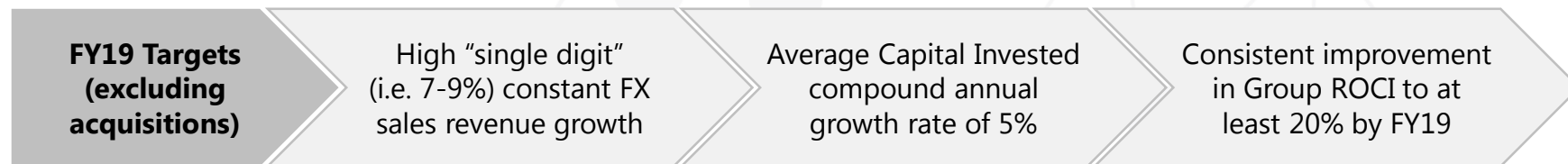
<sup>2</sup> Calculated at 30 June 2014 FX.

# Delivery scorecard

## On track for FY15 guidance and FY19 targets

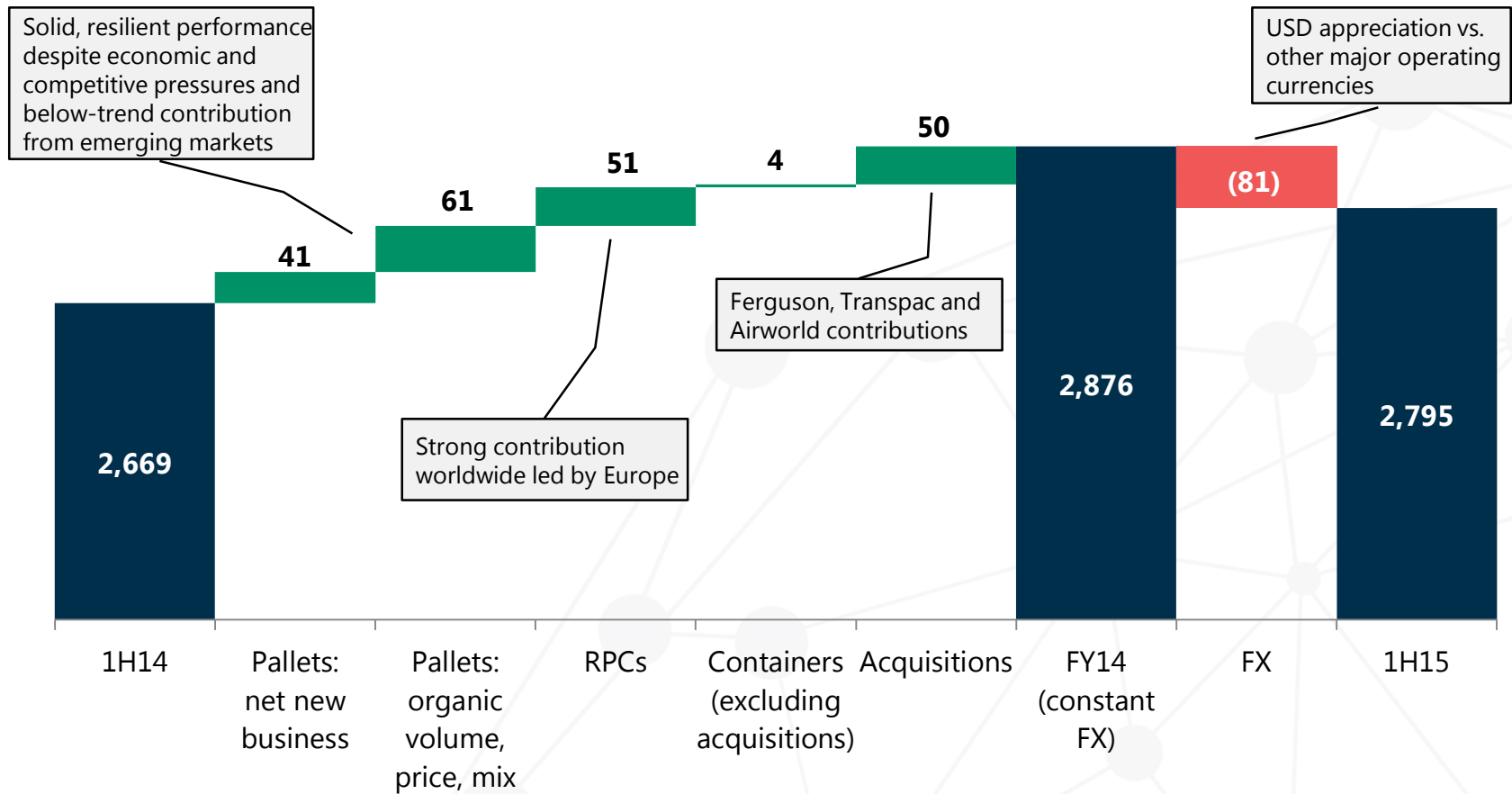
FY15 Guidance	1H15 Progress
Constant FX sales revenue growth of 8-9%	● On track
Delivery of Global Supply Chain efficiencies	● US\$12M delivered in 1H15 ● US\$22M to deliver in 2H15
Underlying Profit: US\$1,055-1,085M (30 June 2014 FX – reflecting growth of 9-12%)	● On track
Improvement in Group ROCI prior to acquisition impacts	● On track
Positive underlying <sup>1</sup> Free Cash Flow after dividends	● US\$(44)M result for 1H15 ● Improvement anticipated in 2H15

<sup>1</sup> Excluding Significant Items and discontinued operations.



# Continued momentum

Sales revenue: constant FX growth of 8% in 1H15 (US\$M)



# Pallets segment result summary

## Solid sales growth with bottom-line leverage

	1H15	Change vs. 1H14	
(US\$M)		Actual FX	Constant FX
Americas	1,181	3%	5%
EMEA	729	1%	5%
Asia-Pacific	181	-	3%
<b>Sales revenue</b>	<b>2,091</b>	<b>2%</b>	<b>5%</b>
Operating profit	403	2%	6%
<b>Underlying Profit</b>	<b>410</b>	<b>4%</b>	<b>7%</b>
<b>ROCI</b>	<b>20.5%</b>	<b>0.4 pp</b>	<b>0.6 pp</b>

- Solid contribution to sales growth from net new business wins, pricing and organic volume growth
- Global Supply Chain efficiencies and modest pricing/mix benefits offset North America direct cost impacts
- Continued ROCI improvement reflects profit growth and asset management benefits



# RPCs segment results summary

## Strong sales growth and improved profitability

	1H15	Change vs. 1H14	
(US\$M)		Actual FX	Constant FX
Europe	305	6%	11%
North America	94	11%	11%
ANZ & South Africa	60	6%	10%
South America	12	14%	36%
<b>Sales revenue</b>	<b>471</b>	<b>7%</b>	<b>11%</b>
Operating profit	67	16%	19%
<b>Underlying Profit</b>	<b>67</b>	<b>16%</b>	<b>19%</b>
<b>ROCI</b>	<b>8.6%</b>	<b>1.1 pp</b>	<b>1.1 pp</b>

- All regions contribute strongly to sales growth, led by Europe, as adoption of RPCs continues
- Modest costs growth compared with 1H14 reflecting scale efficiency as business grows
- Solid improvement in ROCI commensurate with profit improvement

# Containers segment result summary

## Result reflects diverse portfolio of businesses

(US\$M)	1H15	Change vs. 1H14		
		Actual FX	Constant FX	
			Including acquisitions	Excluding acquisitions
Automotive	74	(6)%	(3)%	(3)%
IBCs	66	22%	26%	11%
Oil & Gas	53	153%	160%	(9)%
Aerospace	40	23%	26%	5%
<b>Sales revenue</b>	<b>233</b>	<b>25%</b>	<b>29%</b>	<b>2%</b>
Operating profit	30	70%	75%	14%
<b>Underlying Profit</b>	<b>31</b>	<b>70%</b>	<b>76%</b>	<b>10%</b>
<b>ROCI</b>	<b>8.0%</b>	<b>(0.6) pp</b>	<b>(0.6) pp</b>	<b>0.7 pp</b>

- Sales growth primarily driven by acquisitions of Ferguson, Transpac and Airworld
- Subdued ex-acquisitions growth reflecting:
  - Industry decline in European and Australian automotive
  - Customer activity in CCC related to timing of refinery maintenance
- Positive momentum with profit margins and ROCI, excluding acquisition impacts

# Ferguson and the oil industry cycle

## Well-positioned to weather currently challenging conditions

### Attractive fundamentals

>70%	Sales revenue from mature, producing assets
<5%	Sales revenue share of largest single customer
<1%	Sales revenue from non-conventional oil fields

Growth during previous downturns from **product/geographic expansion**

**Capability throughout life-cycle** from exploration to decommissioning

Progress with **strategic sourcing** to leverage Brambles' buying power

Taking sensible steps to **reduce cost** without compromising growth

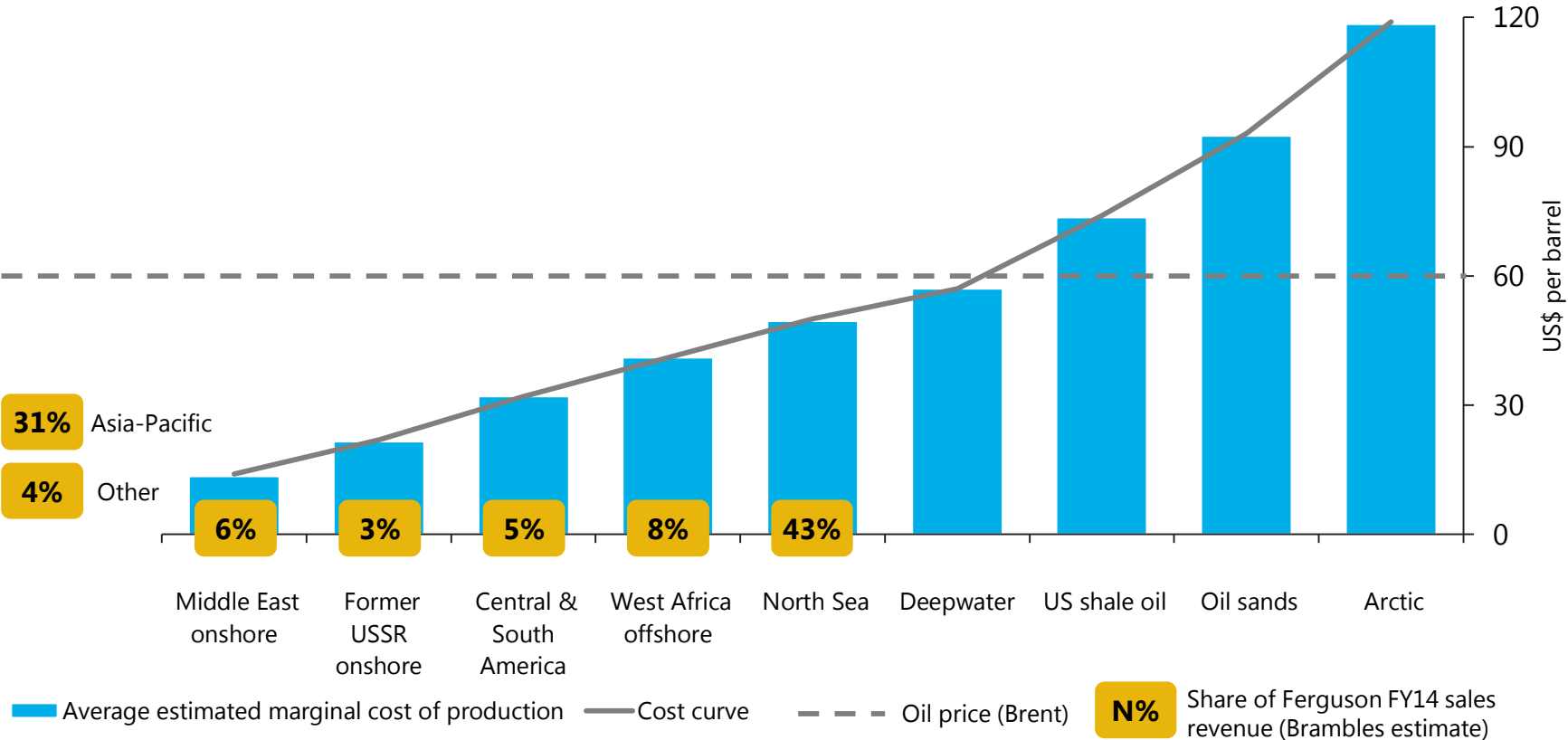
### Mitigating factors

***Appeal of sector to Brambles not dictated by near-term oil price and capex cycle fluctuations***

# Ferguson: cost curve exposure

Customer activities focused on lower cost resources

Ferguson sales revenue vs. estimated marginal cost of new production, by region



Source: Reuters survey August 2014, Brambles internal estimates

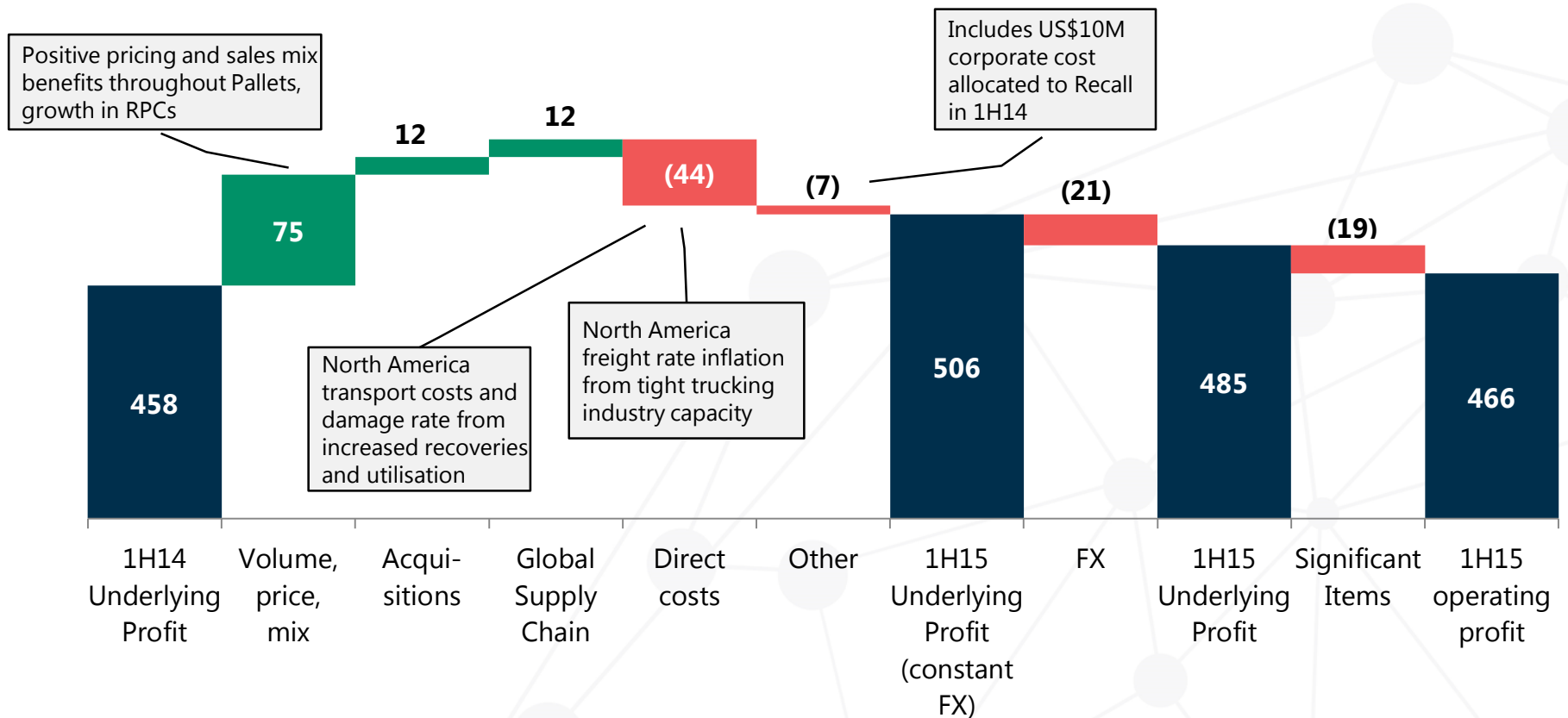


## **Financial Analysis**

Zlatko Todorcevski, CFO

# Operating profit analysis (US\$M)

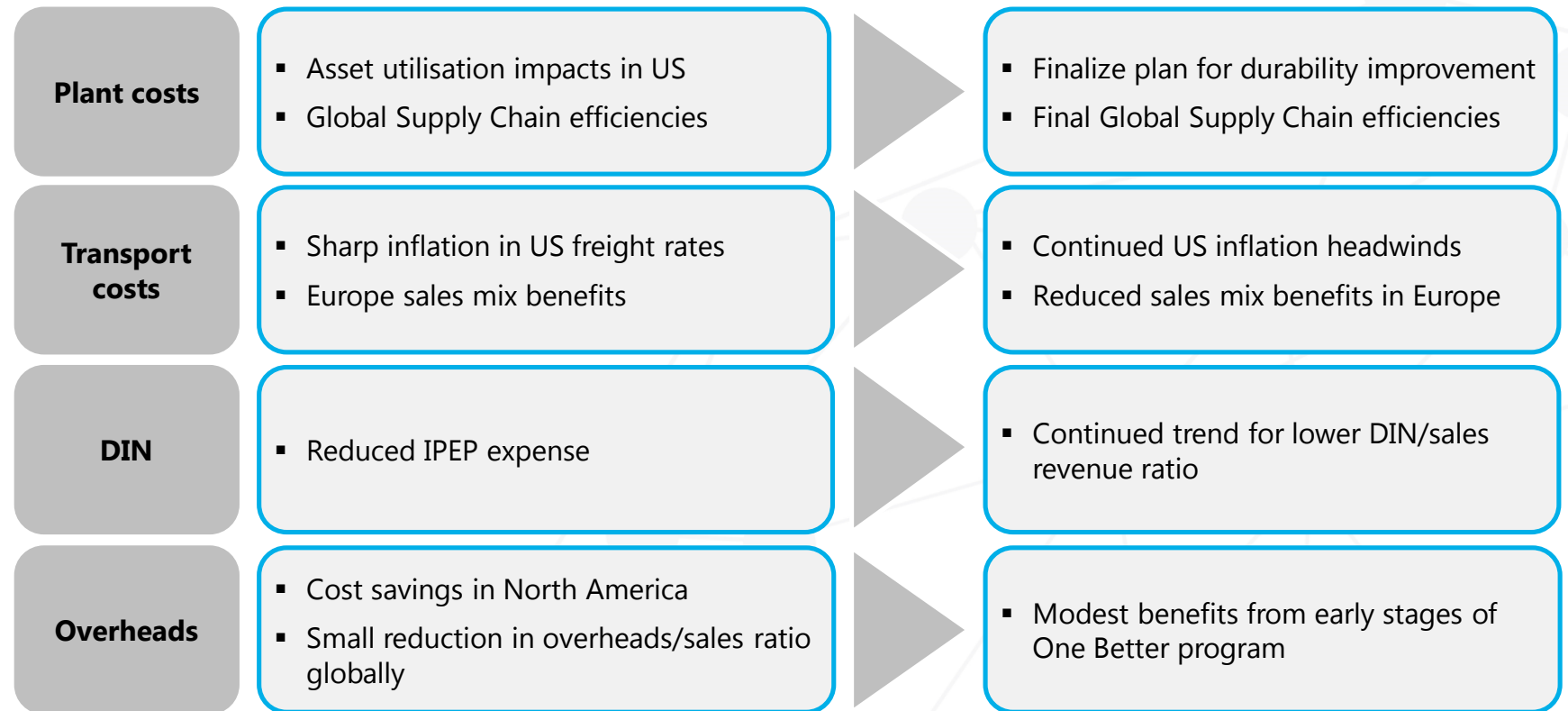
Continued growth offsets cost challenges and enables investment



# Pallets cost trends and outlook

## Outlook improving but headwinds remain

### 1H15 performance and drivers



# Profit reconciliation

## Modest increases in non-operating expenses

(US\$M, continuing operations)	1H15	1H14	Change	
			Actual FX	Constant FX
<b>Underlying Profit</b>	<b>485</b>	<b>458</b>	<b>6%</b>	<b>10%</b>
Significant Items	(19)	(5)		
<b>Operating profit</b>	<b>466</b>	<b>453</b>	<b>3%</b>	<b>7%</b>
Net finance costs	(59)	(57)		
Tax expense	(121)	(116)		
<b>Profit after tax</b>	<b>286</b>	<b>280</b>	<b>2%</b>	<b>6%</b>
Weighted average number of shares	1,564M	1,558M		
<b>Basic earnings per share (US¢)</b>	<b>18.3</b>	<b>18.0</b>	<b>2%</b>	<b>6%</b>



# Cash flow reconciliation

## Increased capital expenditure to support growth

(US\$M)	1H15	1H14	Change
<b>EBITDA</b>	<b>763</b>	<b>719</b>	<b>45</b>
Capital expenditure	(521)	(433)	(88)
Proceeds from sale of property, plant and equipment	38	34	4
Working capital movement	(27)	27	(54)
IPEP expense	42	50	(8)
Other	(27)	(21)	(6)
<b>Cash Flow from Operations</b>	<b>269</b>	<b>376</b>	<b>(107)</b>
Significant Items and discontinued operations	(27)	(42)	15
Financing costs and tax	(127)	(151)	24
<b>Free Cash Flow</b>	<b>115</b>	<b>183</b>	<b>(68)</b>
Dividends paid	(186)	(199)	13
<b>Free Cash Flow after dividends</b>	<b>(72)</b>	<b>(16)</b>	<b>(56)</b>

# Balance sheet position

Reflects debt-funding of Ferguson acquisition

	December 2014	June 2014
Net debt (US\$M)	2,846	2,362
Average term of committed facilities (years)	4.2	4.1

	1H15	1H14
EBITDA/net finance costs (x)	12.9	12.6
Net debt/EBITDA (x)	1.86	1.66



## Summary & Outlook

Tom Gorman, CEO

# Key 2H15 focus areas

## Short-term priorities to drive long-term value

1

**Cost** – mitigate transport inflation; deploy pallet durability actions in CHEP USA

2

**Brand** – refresh brand in CHEP Pallets; roll-out of new customer solution strategy to begin in USA

3

**Innovation** – deploy new technologies/leverage data to build customer relationships and further strengthen asset management

4

**Growth strategy** – expand in under-penetrated verticals and segments and new geographies

# FY15 guidance<sup>1</sup> summary

## Strong sales growth with positive leverage to Underlying Profit

- Constant FX sales revenue growth expected to be 8% to 9%
- Underlying Profit of US\$1,055-1,085M (30 June 2014 FX rates)
  - Equates to growth of 9-12% compared with FY14<sup>2</sup>
  - Includes ~US\$25M forecast contribution from Ferguson
- Net finance costs expected to be US\$125-130M (30 June 2014 FX rates)
- Effective underlying tax rate anticipated at 29% (net of finance costs)
- Continued expectation for ROCI improvement excluding acquisitions
  - Acquisition impacts to result in dilution in reported ROCI vs. FY14

<sup>1</sup> All guidance is subject to the disclaimer on slide 23.

<sup>2</sup> At 30 June 2014 FX rates, reported 1H15 Underlying Profit of US\$485M was US\$509M and FY14 Underlying Profit of US\$960M was US\$965M



# Q&A

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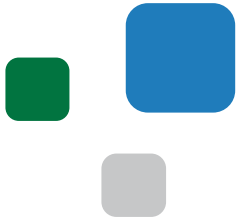
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# Appendices

# Appendix 1

## Glossary of terms and measures

Except where noted, common terms and measures used in this document are based upon the following definitions:

Actual currency/FX	Results translated into US dollars at the applicable actual monthly exchange rates ruling in each period.
Average Capital Invested (ACI)	Average Capital Invested (ACI) is a six-month average of capital invested. Capital invested is calculated as net assets before tax balances, cash and borrowings but after adjustment for accumulated pre-tax Significant Items, actuarial gains and losses and net equity adjustments for equity-settled share-based payments.
Brambles Injury Frequency Rate (BIFR)	Safety performance indicator that measures the combined number of fatalities, lost time injuries, modified duties and medical treatments per million hours worked.
Brambles Value Added (BVA)	Represents the value generated over and above the cost of the capital used to generate that value. It is calculated using fixed June 2014 exchange rates as: <ul style="list-style-type: none"> <li>• Underlying Profit; plus</li> <li>• Significant Items that are part of the ordinary activities of the business; less</li> <li>• Average Capital Invested, adjusted for accumulated pre-tax Significant Items that are part of the ordinary activities of the business, multiplied by 12%.</li> </ul>
Capital expenditure (capex)	Unless otherwise stated, capital expenditure is presented on an accruals basis and excludes intangible assets, investments in associates and equity acquisitions. It is shown gross of any fixed asset disposals proceeds.
Cash Flow from Operations	Cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business.
Constant currency/FX	Current period results translated into US dollars at the actual monthly exchange rates applicable in the comparable period, so as to show relative performance between the two periods before the translation impact of currency fluctuations.

# Appendix 1

## Glossary of terms and measures (continued)

Except where noted, common terms and measures used in this document are based upon the following definitions:

DIN	<p>The sum in a period of:</p> <ul style="list-style-type: none"> <li>- Depreciation expense;</li> <li>- Irrecoverable Pooling Equipment Provision expense; and</li> <li>- Net book value of compensated assets and scraps (disposals).</li> </ul> <p>Used as a proxy for the cost of leakage and scraps in the income statement and estimating replacement capital expenditure.</p>
Earnings per share (EPS)	Profit after tax, minority interests and Significant Items, divided by weighted average number of shares on issue during the period.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating profit from continuing operations after adding back depreciation and amortisation and Significant Items outside the ordinary course of business.
Free Cash Flow	Cash flow generated after net capital expenditure, finance costs and tax, but excluding the net cost of acquisitions and proceeds from business disposals.
Global Supply Chain	Program launched in FY12 for completion in FY15 to reduce global direct costs by US\$100 million through Pallets supply chain and logistics efficiencies and IFCO integration synergies. US\$66M of this target had been delivered at FY14.
Irrecoverable Pooling Equipment Provision (IPEP)	Provision held by Brambles to account for pooling equipment that cannot be economically recovered and for which there is no reasonable expectation of receiving compensation.

# Appendix 1

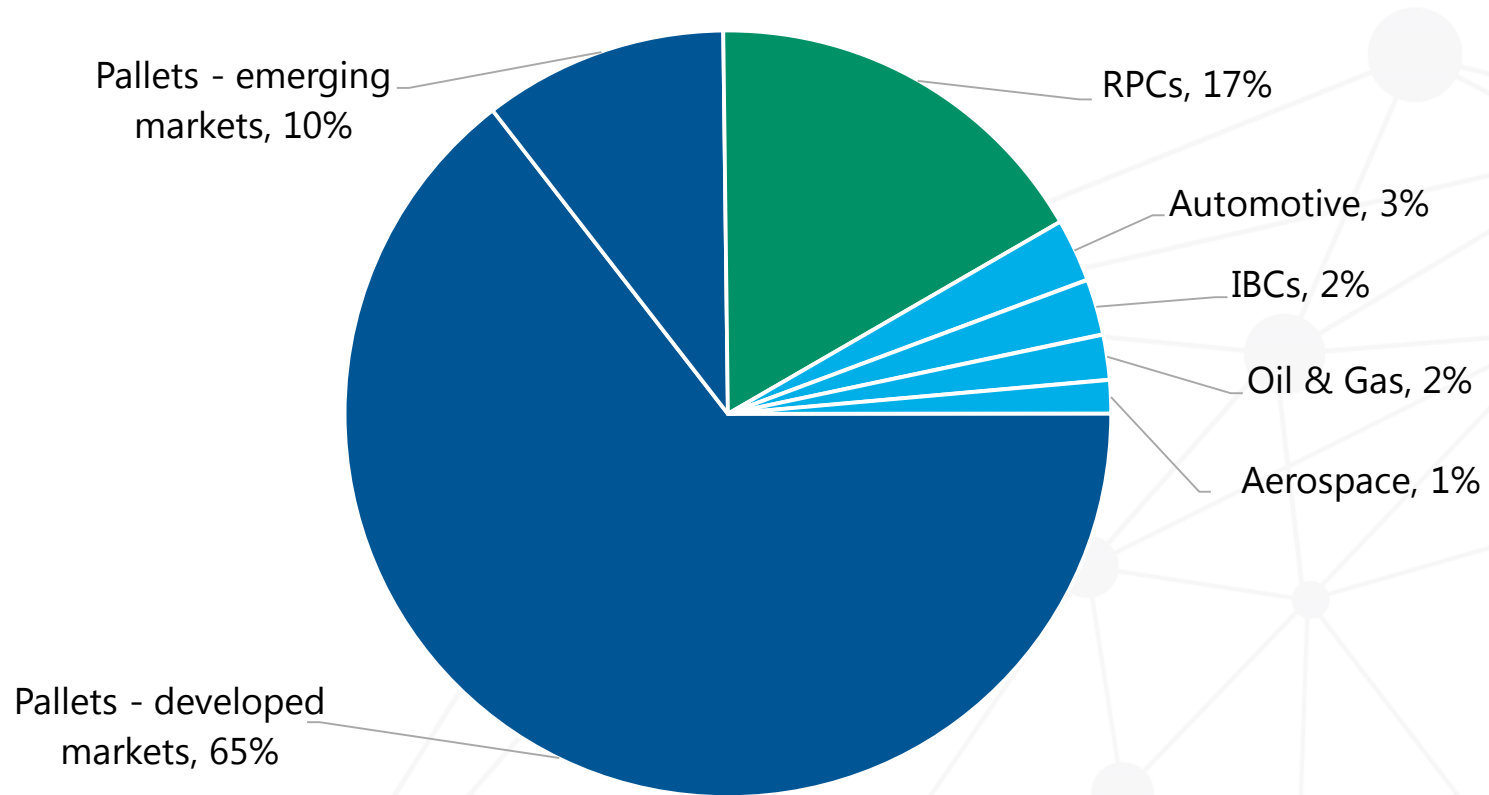
## Glossary of terms and measures (continued)

Except where noted, common terms and measures used in this document are based upon the following definitions:

Net new business	The sales revenue impact in the reporting period from business won or lost in that period and over the previous financial year, included across reporting periods for 12 months from the date of the win or loss, at constant currency.
Operating profit	Profit before finance costs and tax, as shown in the statutory financial statements.
Organic growth	The change in sales revenue in the reporting period resulting from like-for-like sales of the same products with the same customers.
Return on Capital Invested (ROCI)	Underlying Profit divided by Average Capital Invested.
RPCs	Reusable plastic/produce crates or containers, used to transport fresh produce; also the name of one of Brambles' operating segments.
Sales revenue	Excludes revenues of associates and non-trading revenue.
Significant Items	Items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and: <ul style="list-style-type: none"> <li>- Outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or</li> <li>- Part of the ordinary activities of the business but unusual due to their size and nature.</li> </ul>
Underlying Profit	Profit from continuing operations before finance costs, tax and Significant Items.

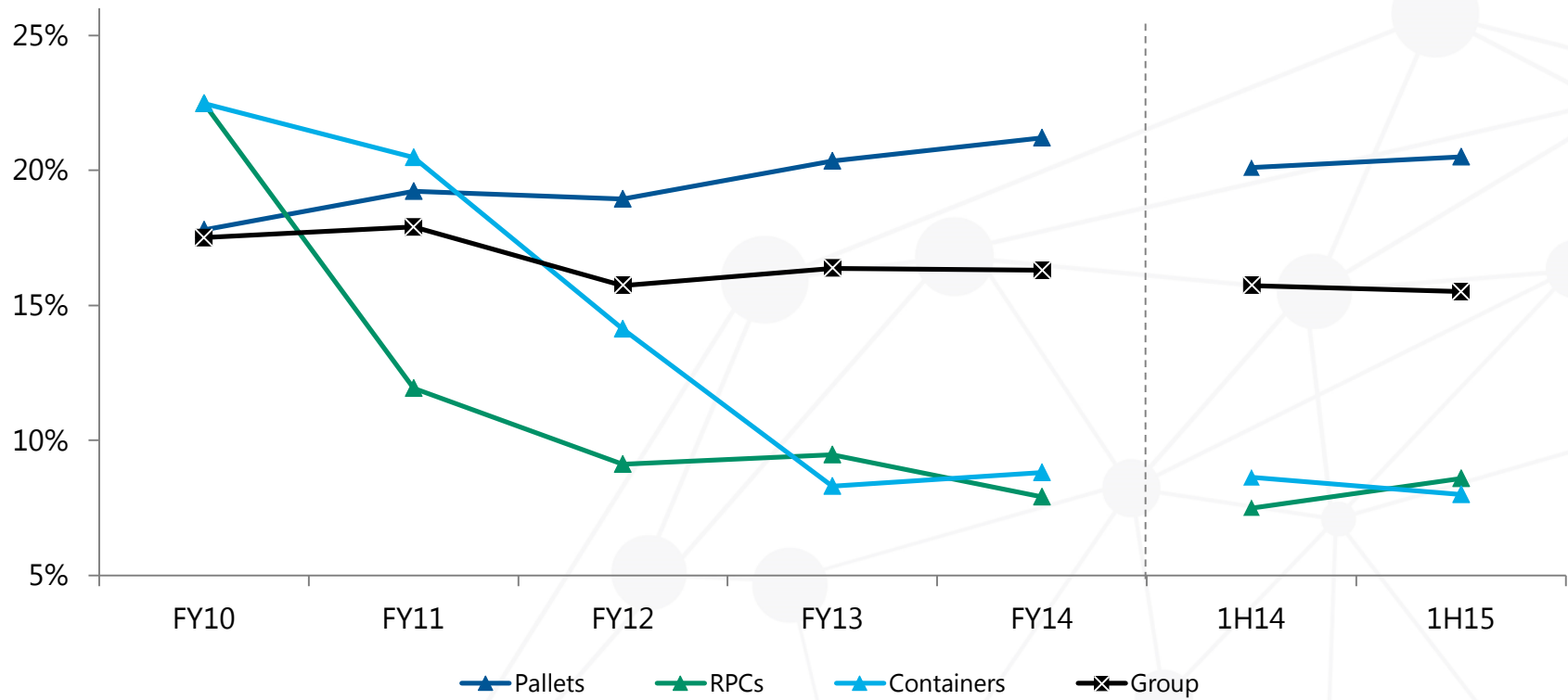
# Appendix 2

## 1H15 sales revenue by segment and industry sector



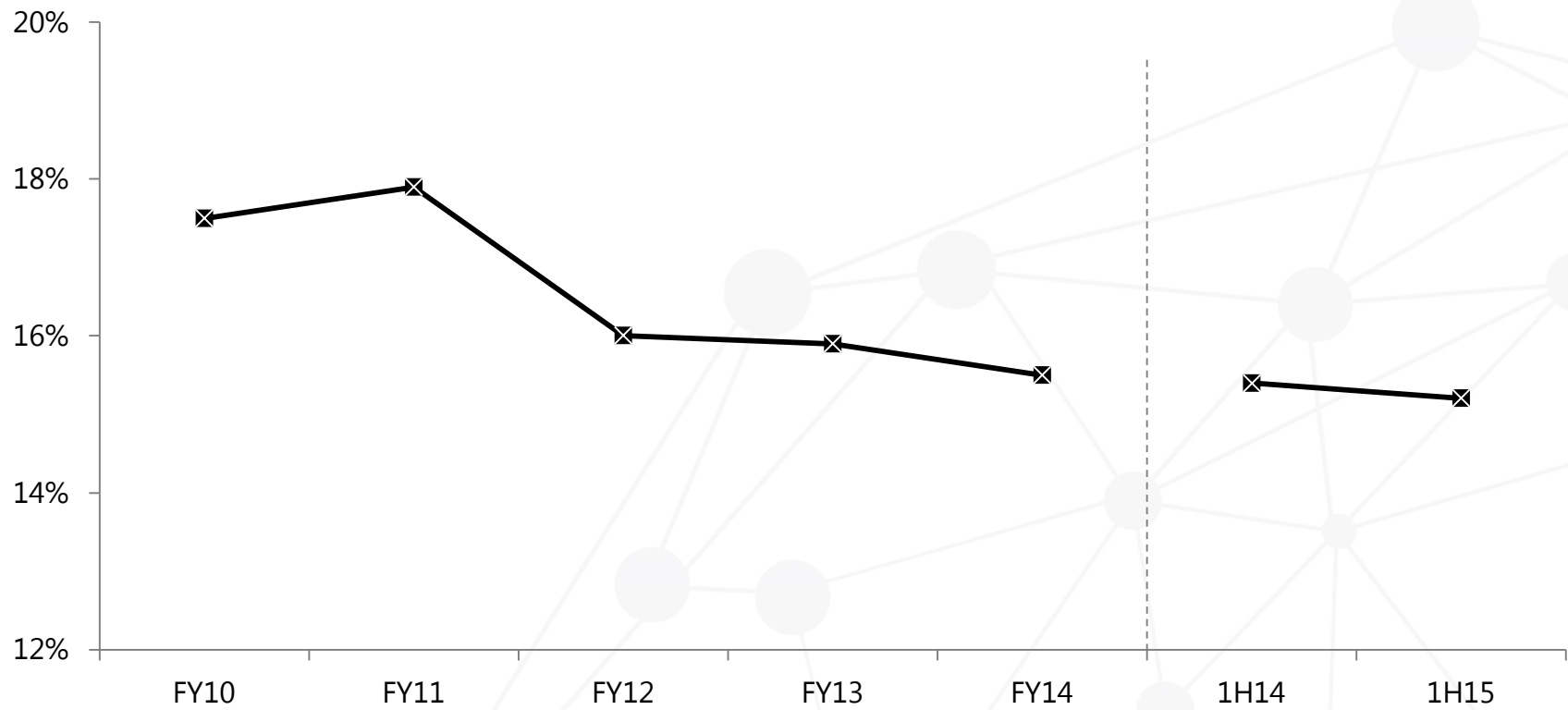
# Appendix 3

## Return on Capital Invested (ROCI)



# Appendix 4

## Overhead costs/sales revenue



# Appendix 5

## 1H15 currency mix

(US\$M)	Total	USD	EUR	GBP	AUD	Other
Pallets	2,091	901	406	184	141	459
RPCs	471	94	223	37	42	75
Containers	233	34	73	58	29	39
Sales revenue	2,795	1,029	702	279	212	573
Share of total		37%	25%	10%	8%	20%
Net debt <sup>1</sup>	2,846	1,341	1,137	378	(151)	141

<sup>1</sup> Net debt shown after adjustments for impact of financial derivatives



# Appendix 6

## Major currency exchange rates

USD exchange rate:	USD	EUR	GBP	AUD	CAD	MXN	ZAR
Average							
1H15	1.0000	1.2759	1.6180	0.8832	0.8959	0.0736	0.0911
1H14	1.0000	1.3488	1.5923	0.9115	0.9546	0.0765	0.0984
As at							
31 Dec 14	1.0000	1.2157	1.5559	0.8182	0.8616	0.0679	0.0864
30 Jun 14	1.0000	1.3643	1.7033	0.9415	0.9375	0.0771	0.0943
Share of 1H15 sales revenue	37%	25%	10%	8%	5%	3%	3%

# Appendix 7

## Effective tax rate

(US\$M)	1H15		1H14	
	Statutory	Underlying	Statutory	Underlying
Continuing operations				
Profit before tax	407.0	426.1	396.0	401.2
Tax expense	(120.9)	(124.8)	(115.6)	(117.1)
<b>Effective tax rate</b>	<b>29.7%</b>	<b>29.3%</b>	<b>29.2%</b>	<b>29.2%</b>

# Appendix 8

## Credit facilities and debt profile

Maturity	Type	Committed facilities	Uncommitted facilities	Debt drawn	Headroom
(US\$B at 31 Dec 2014)					
<12 months	Bank/144A <sup>2</sup> /Other	0.3	0.3	0.3	0.3
1 to 2 years	Bank/USPP <sup>1</sup> /Other	0.5	-	0.4	0.1
2 to 3 years	Bank/Other	0.9	-	0.3	0.6
3 to 4 years	Bank/EMTN <sup>3</sup>	0.8	-	0.6	0.2
4 to 5 years	Bank/USPP <sup>1</sup>	0.5	-	0.3	0.2
>5 years	144A <sup>2</sup> /EMTN <sup>3</sup>	1.1	-	1.1	-
<b>Total</b>		<b>4.1</b>	<b>0.3</b>	<b>3.0</b>	<b>1.4</b>

<sup>1</sup> US Private Placement notes

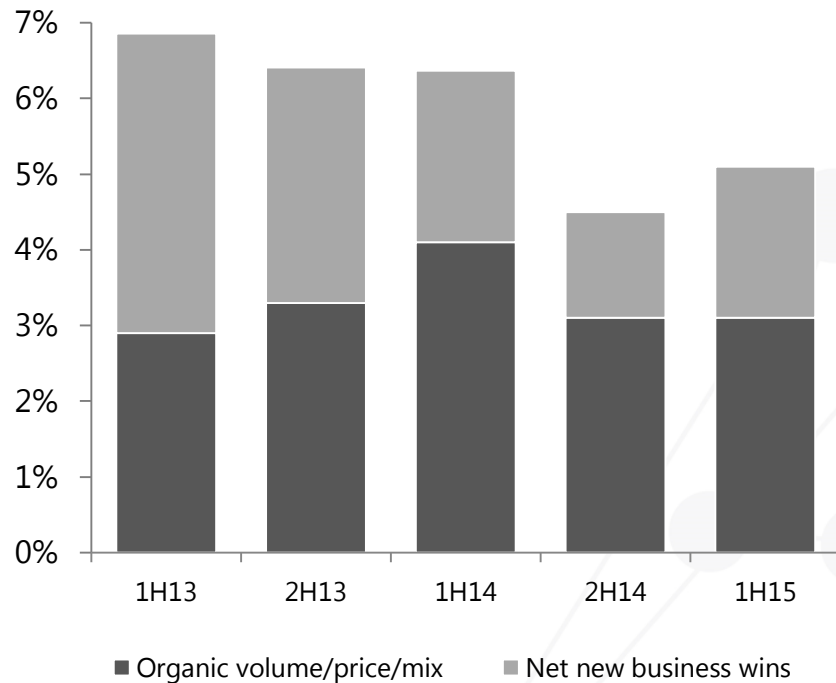
<sup>2</sup> US 144A bonds

<sup>3</sup> European Medium Term Notes

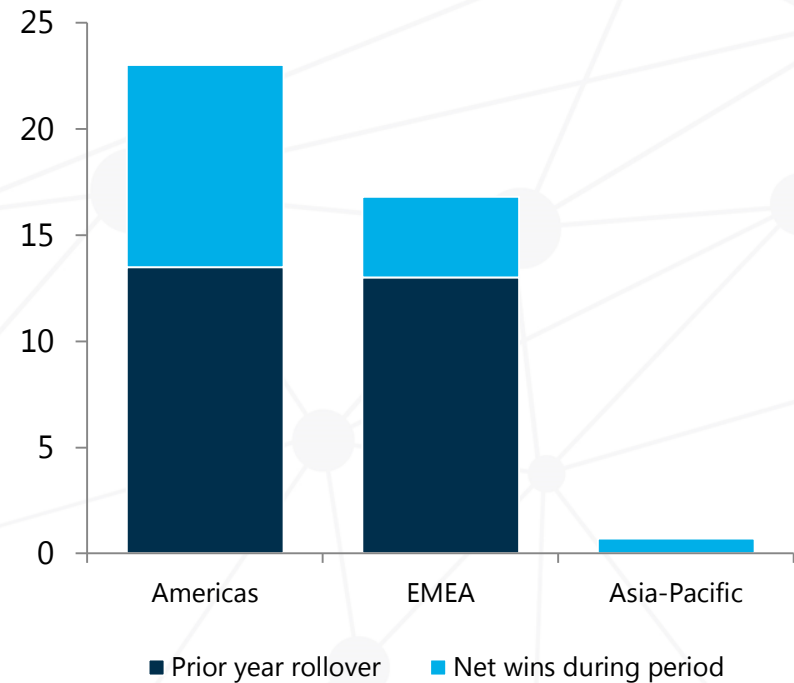
# Appendix 9

## Pallets: net new business wins

Composition of Pallets' constant FX sales revenue growth by half-year period

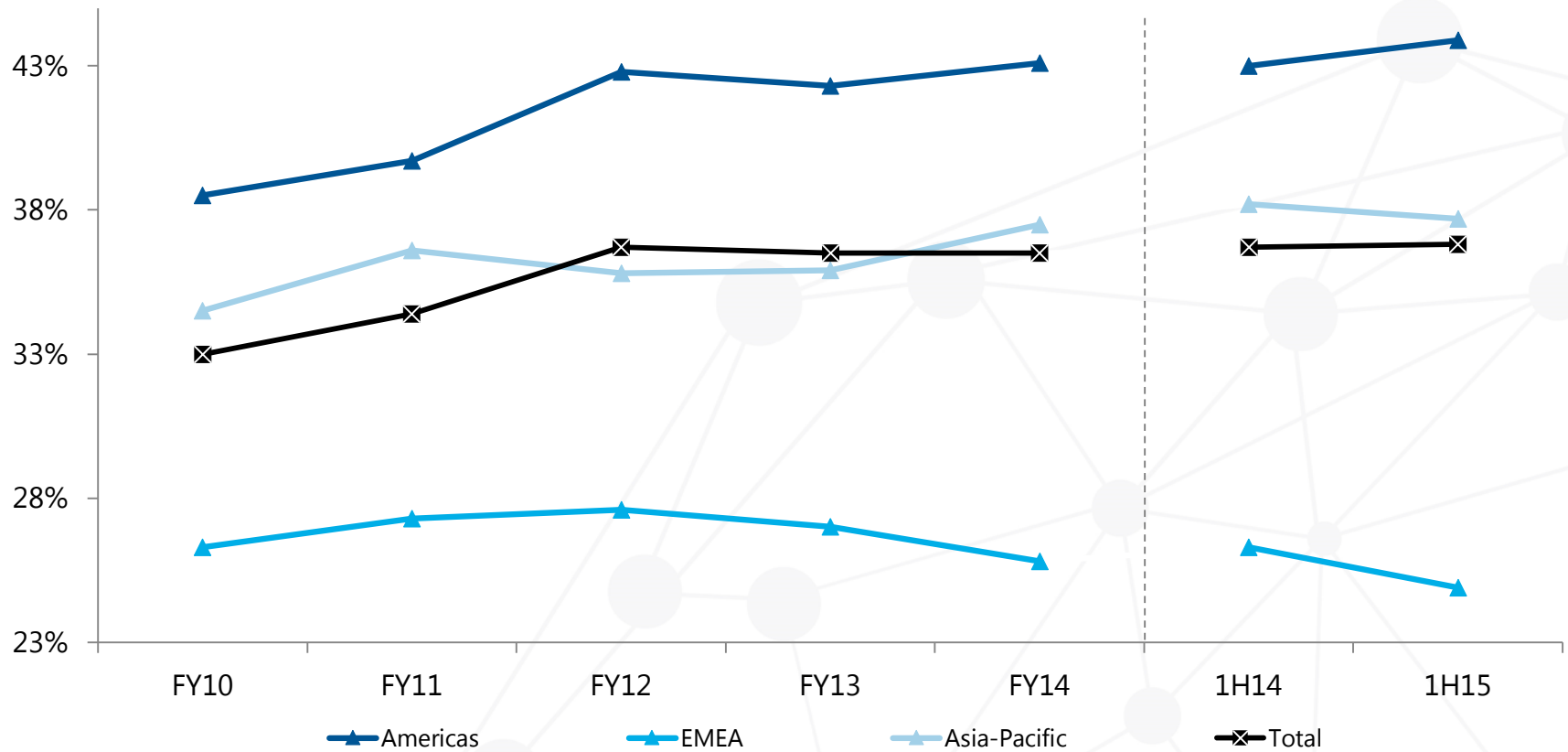


Contribution from net new business wins to Pallets' 1H15 sales revenue (US\$M)



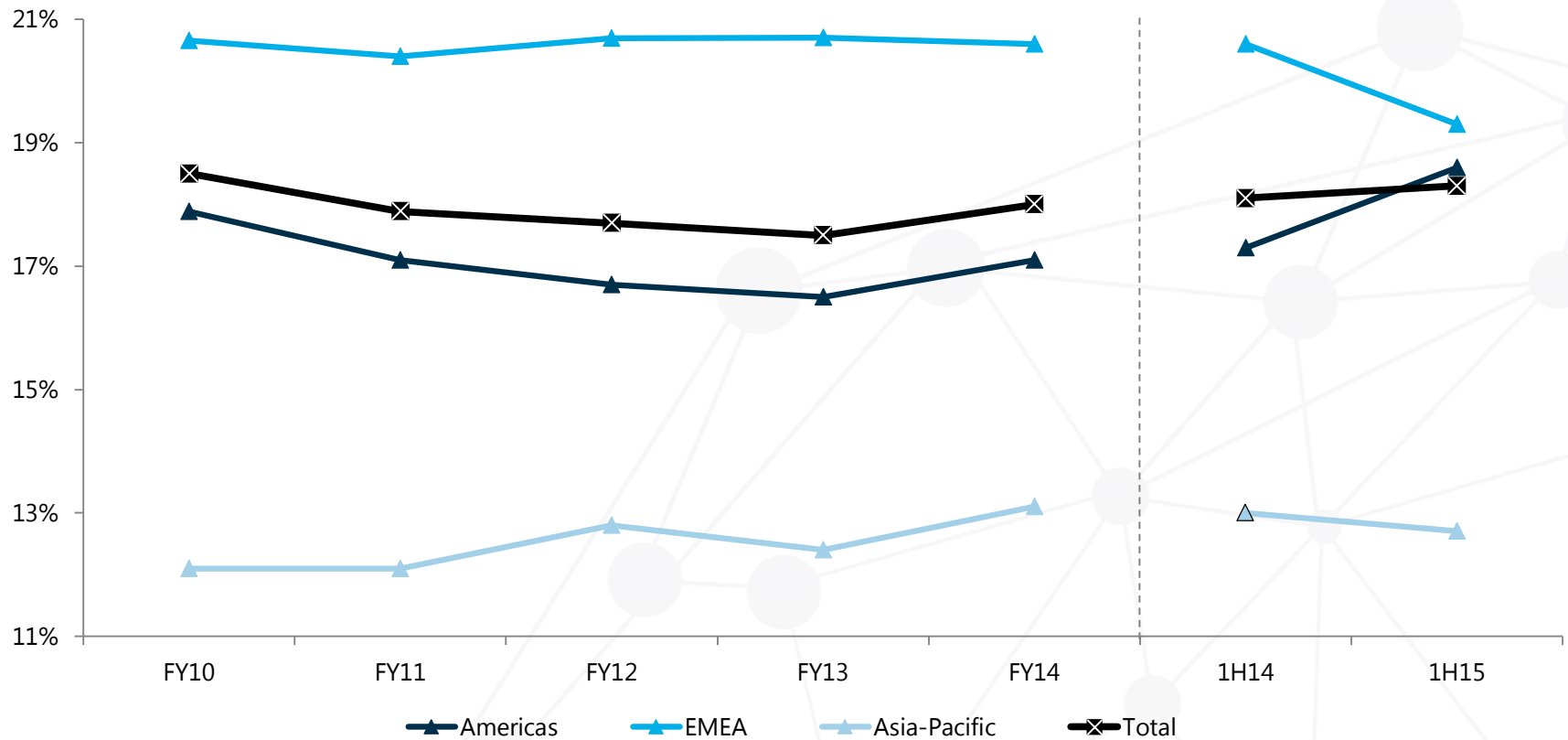
# Appendix 10

## Pallets: net plant costs/sales revenue



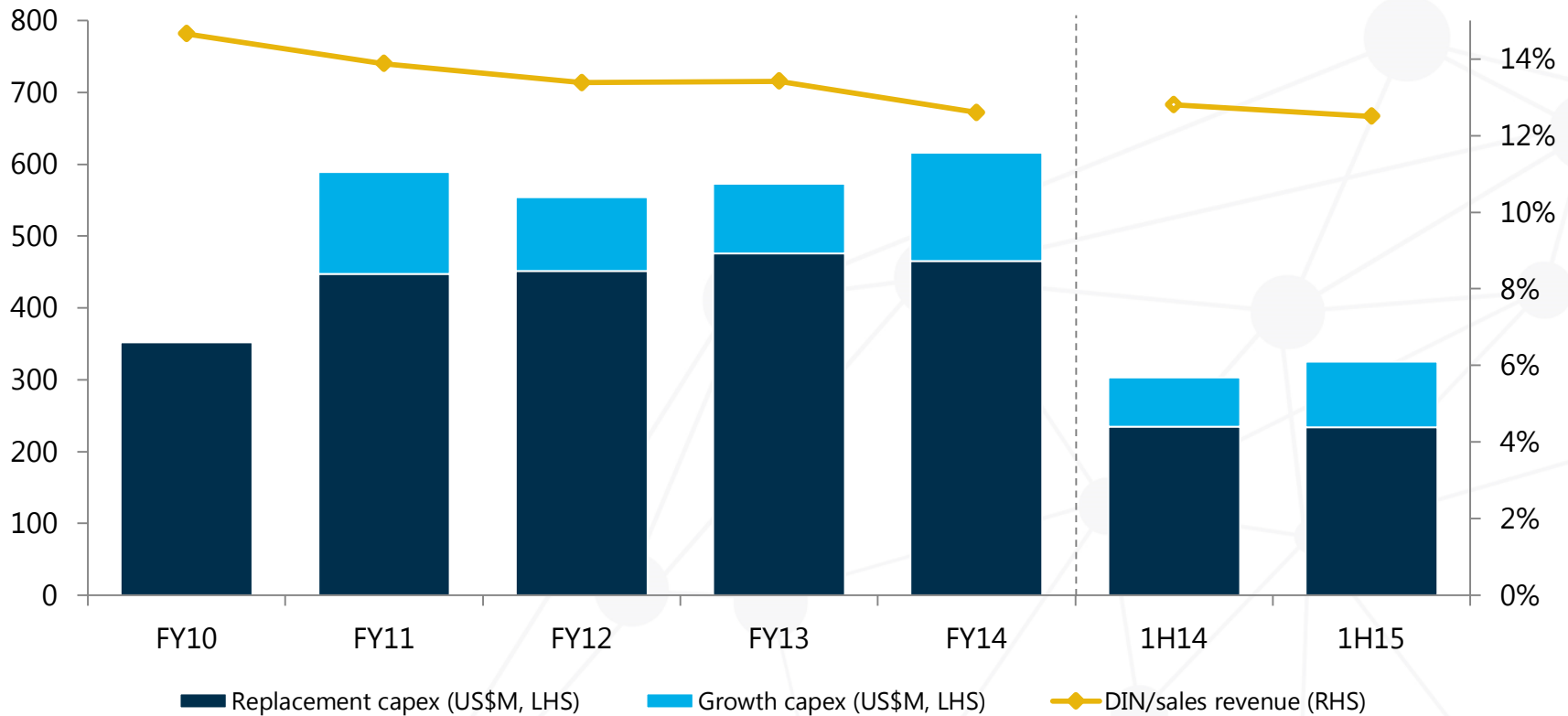
# Appendix 11

## Pallets: net transport costs/sales revenue



# Appendix 12

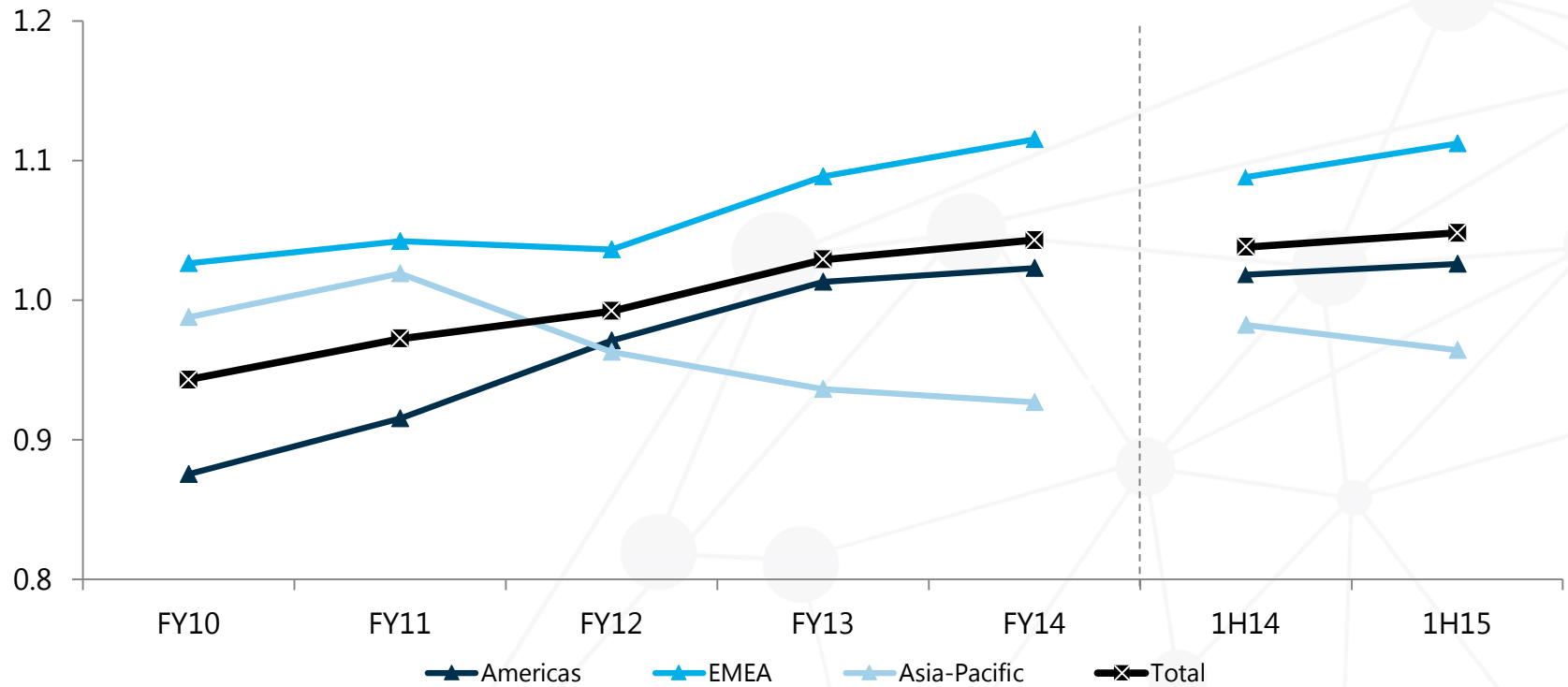
## Pallets: replacement capex vs. maintenance capex



Note: data excludes USA recycled pallet operations.

# Appendix 13

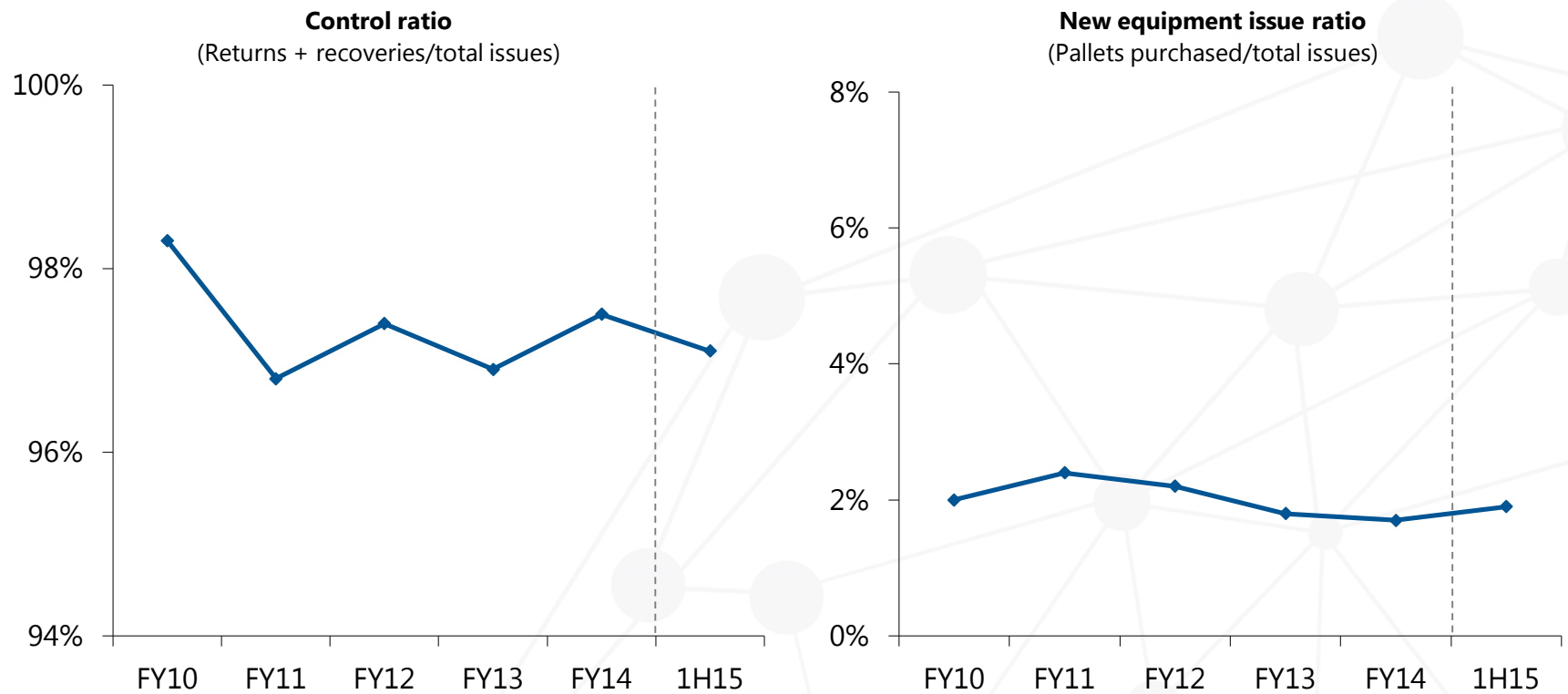
## Pallets: sales revenue/Average Capital Invested





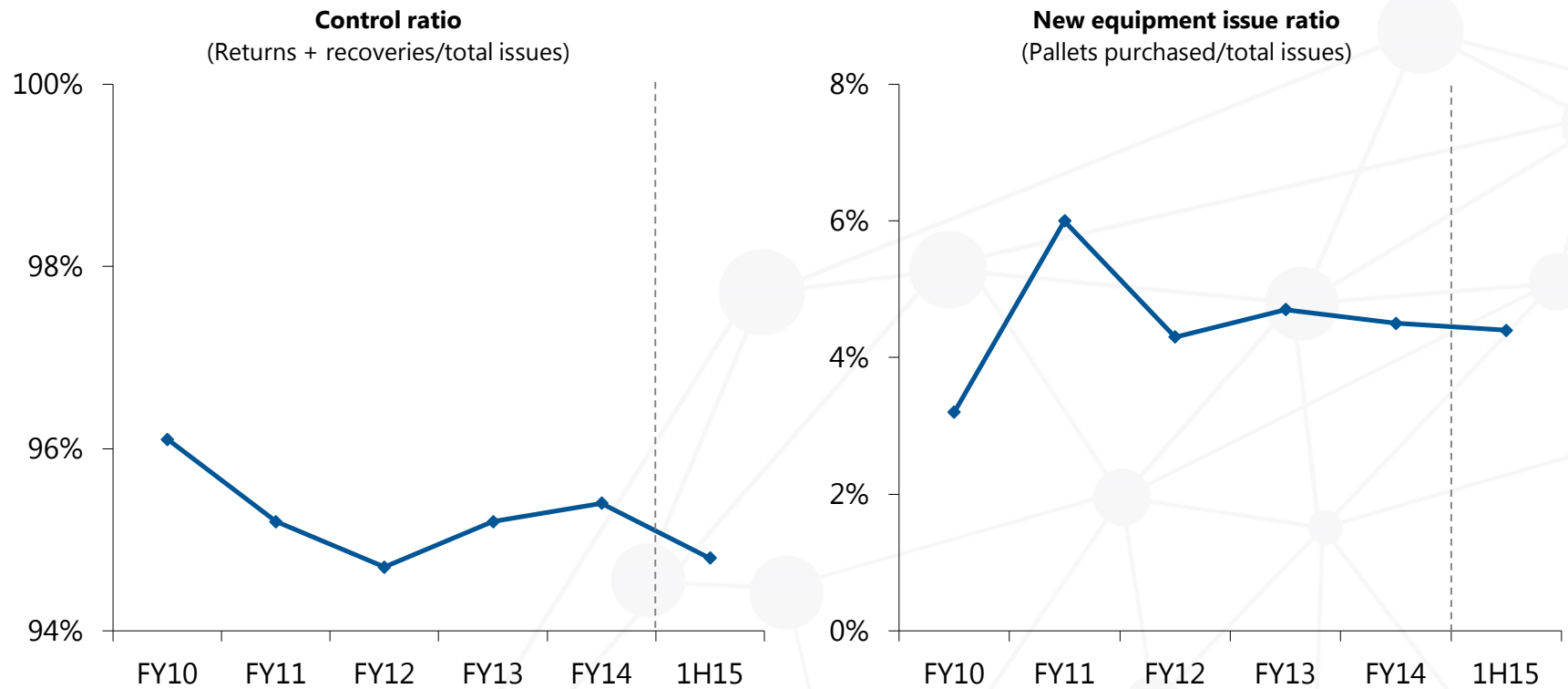
# Appendix 14a

## CHEP USA pallet productivity trends (B4840)



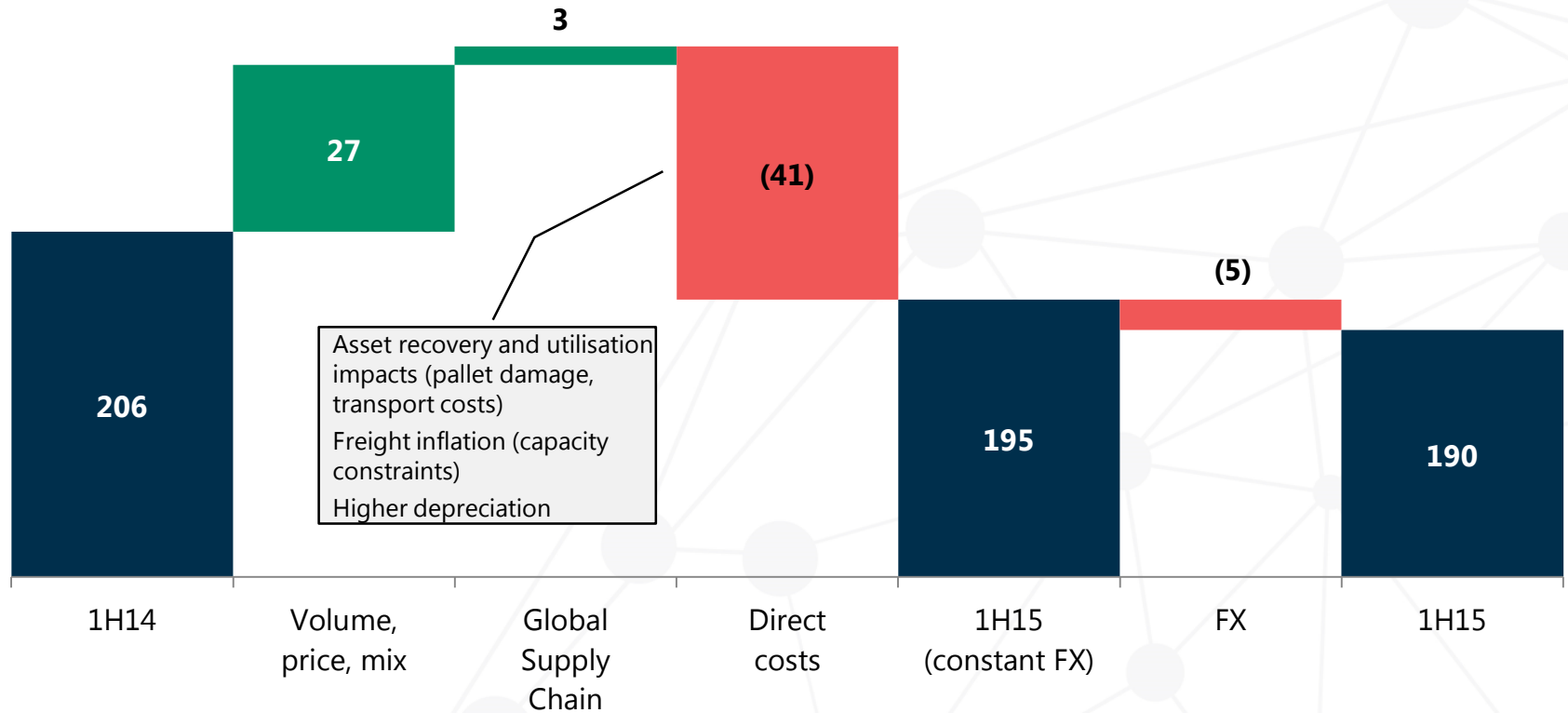
# Appendix 14b

## CHEP Europe pallet productivity trends (B1210 and B1208)



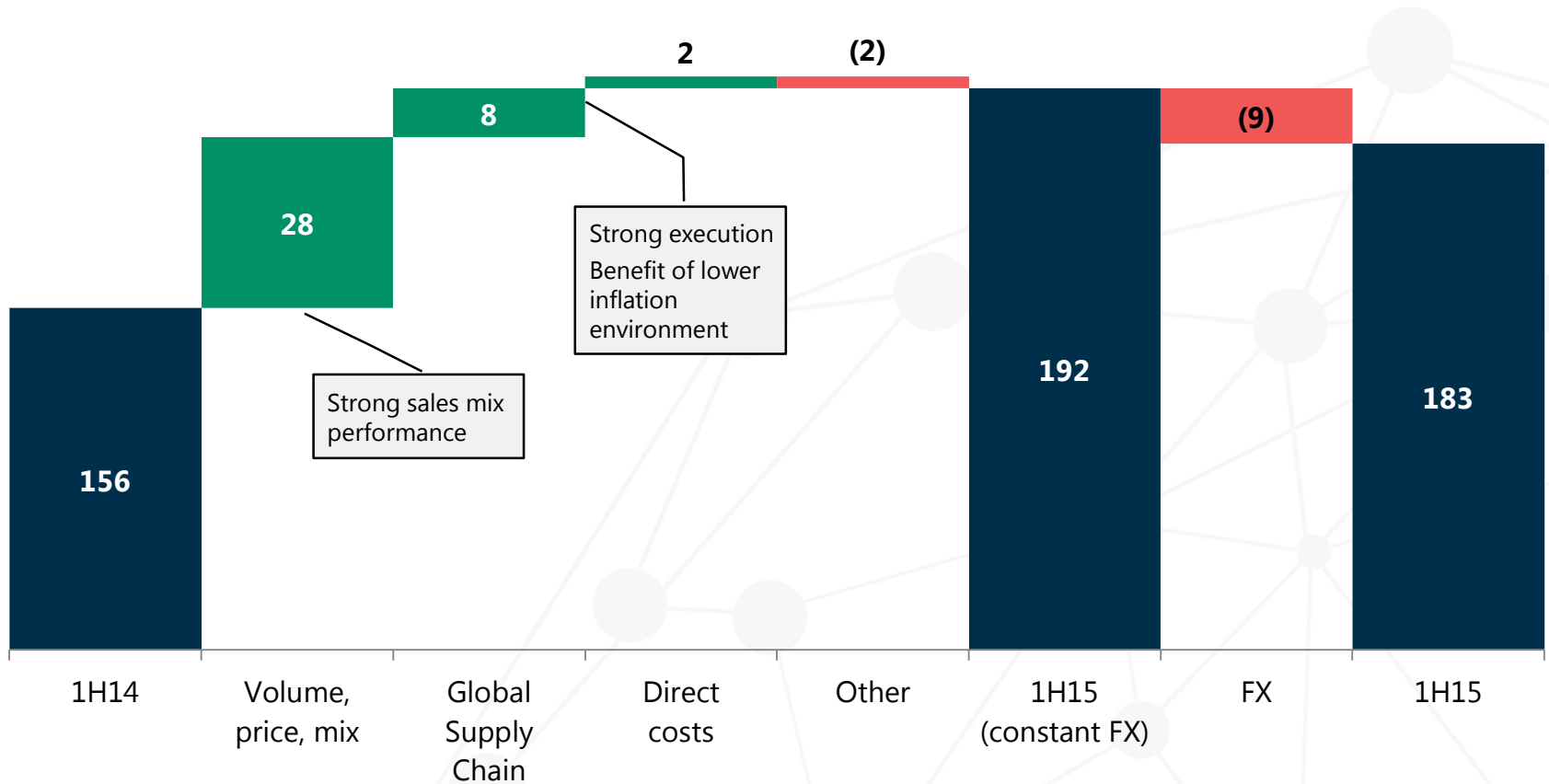
# Appendix 15a

## Pallets Americas: Underlying Profit analysis (US\$M)



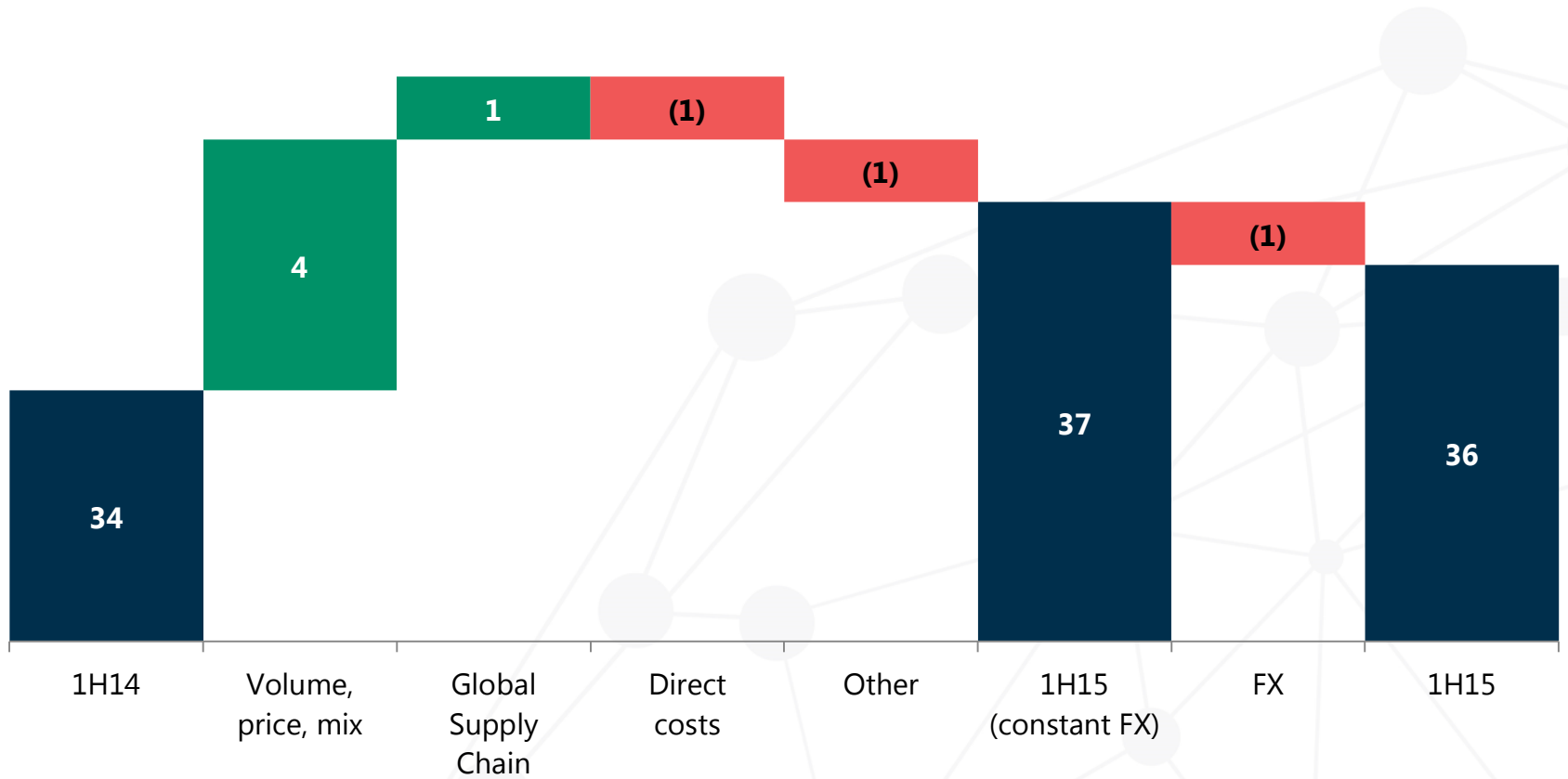
# Appendix 15b

## Pallets EMEA: Underlying Profit analysis (US\$M)



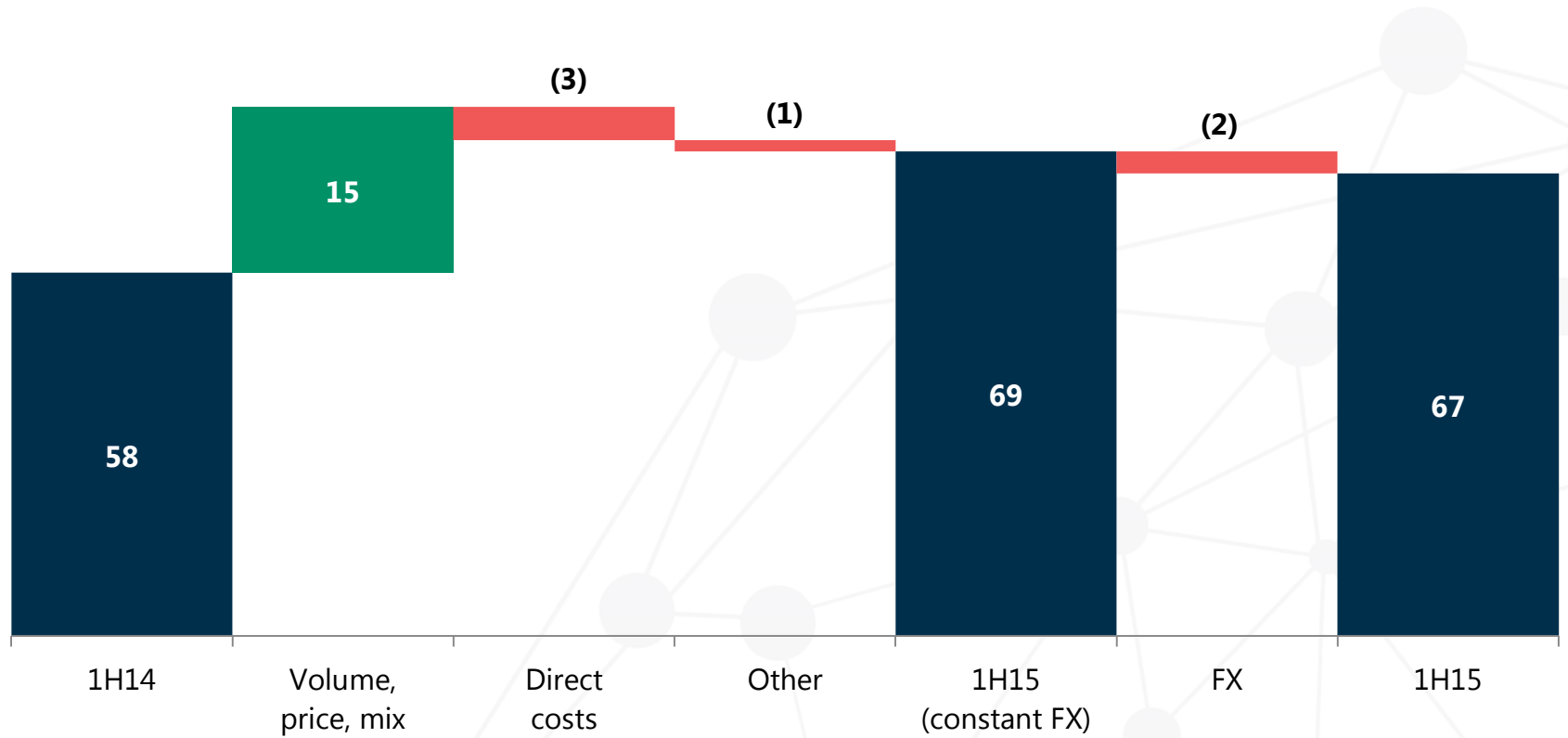
# Appendix 15c

## Pallets Asia-Pacific: Underlying Profit analysis (US\$M)



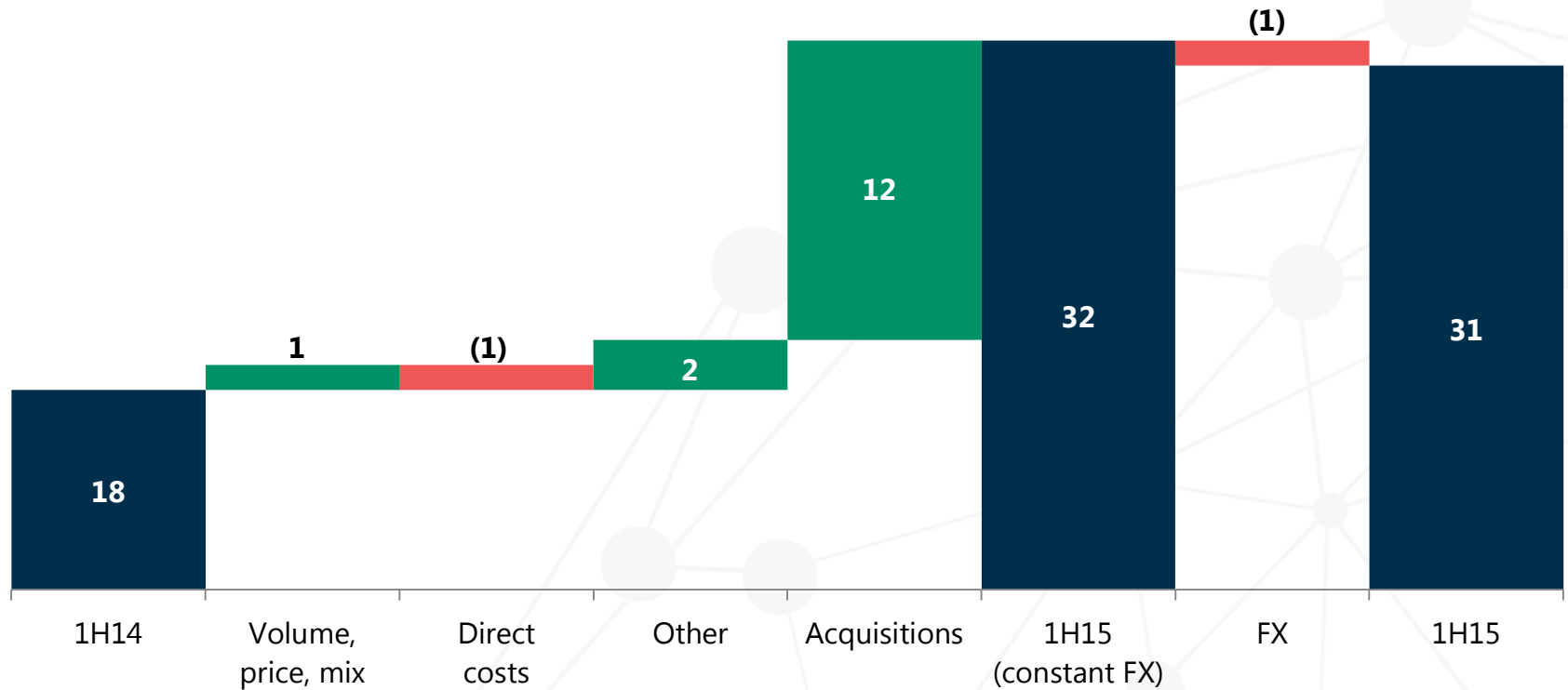
# Appendix 15d

## RPCs: Underlying Profit analysis (US\$M)



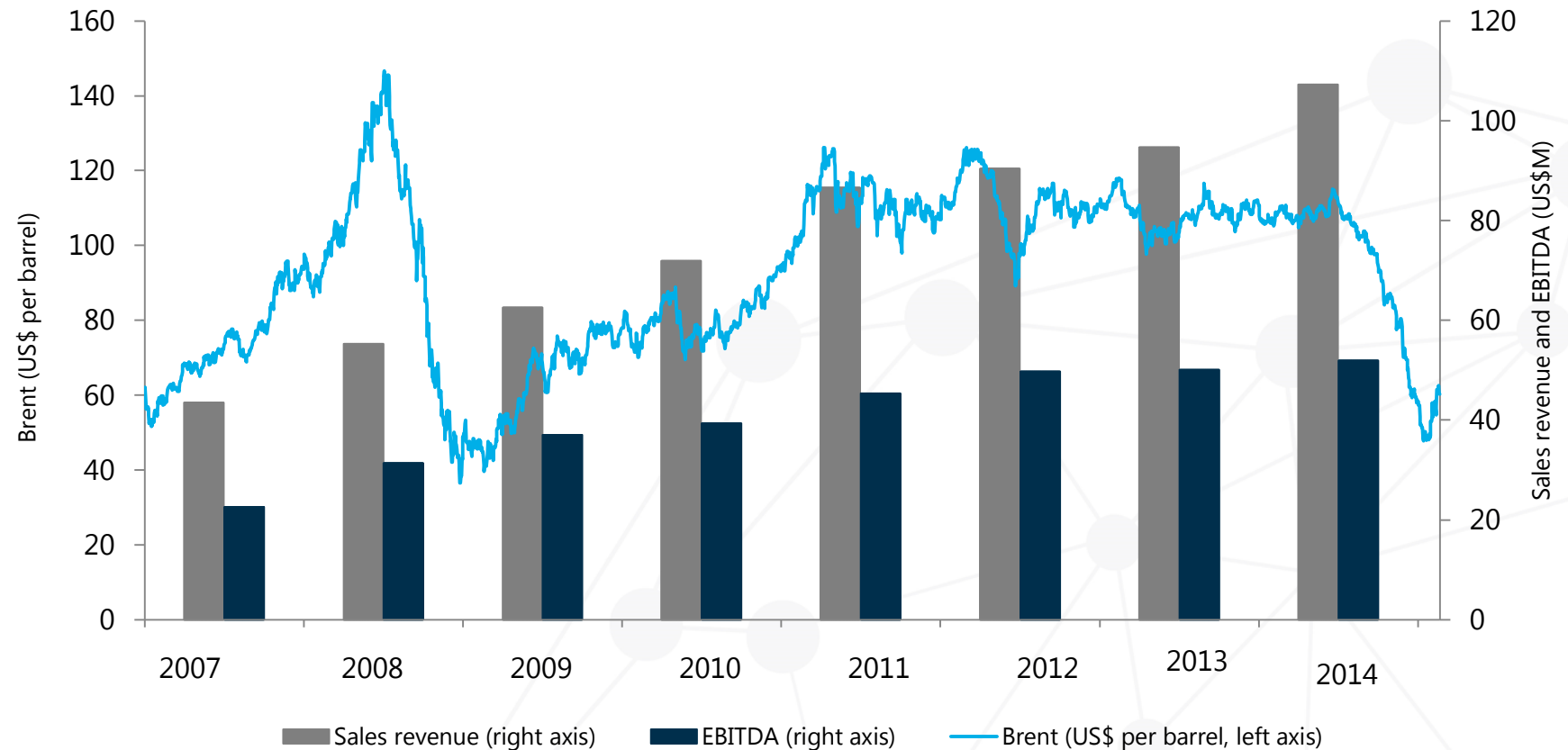
# Appendix 15e

## Containers: Underlying Profit analysis (US\$M)



# Appendix 16

## Ferguson Group historical results (right axis) vs. oil price (left axis)



Note: Historic Ferguson financial results translated from GBP at 30 June 2014 FX rates.





**Brambles**

**Half-year  
results**

[www.brambles.com](http://www.brambles.com)

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