

# Brambles

## Financial Year 2015 Results

20 August 2015





## Overview and Results Highlights

Tom Gorman, CEO

# Key points: FY15 result

## In line with guidance amid challenging conditions

- Sales revenue up 8% and Underlying Profit up 10% at constant FX
- Pallets result reflects strong Europe profit but US cost pressures remain
- Strong sales and profit growth delivered in RPCs
- Solid contribution from Ferguson since September 2014 acquisition
- Final dividend of AU14.0¢ per share, up AU0.5¢ on 2014
- Non-underwritten DRP reactivated at 1.5% discount

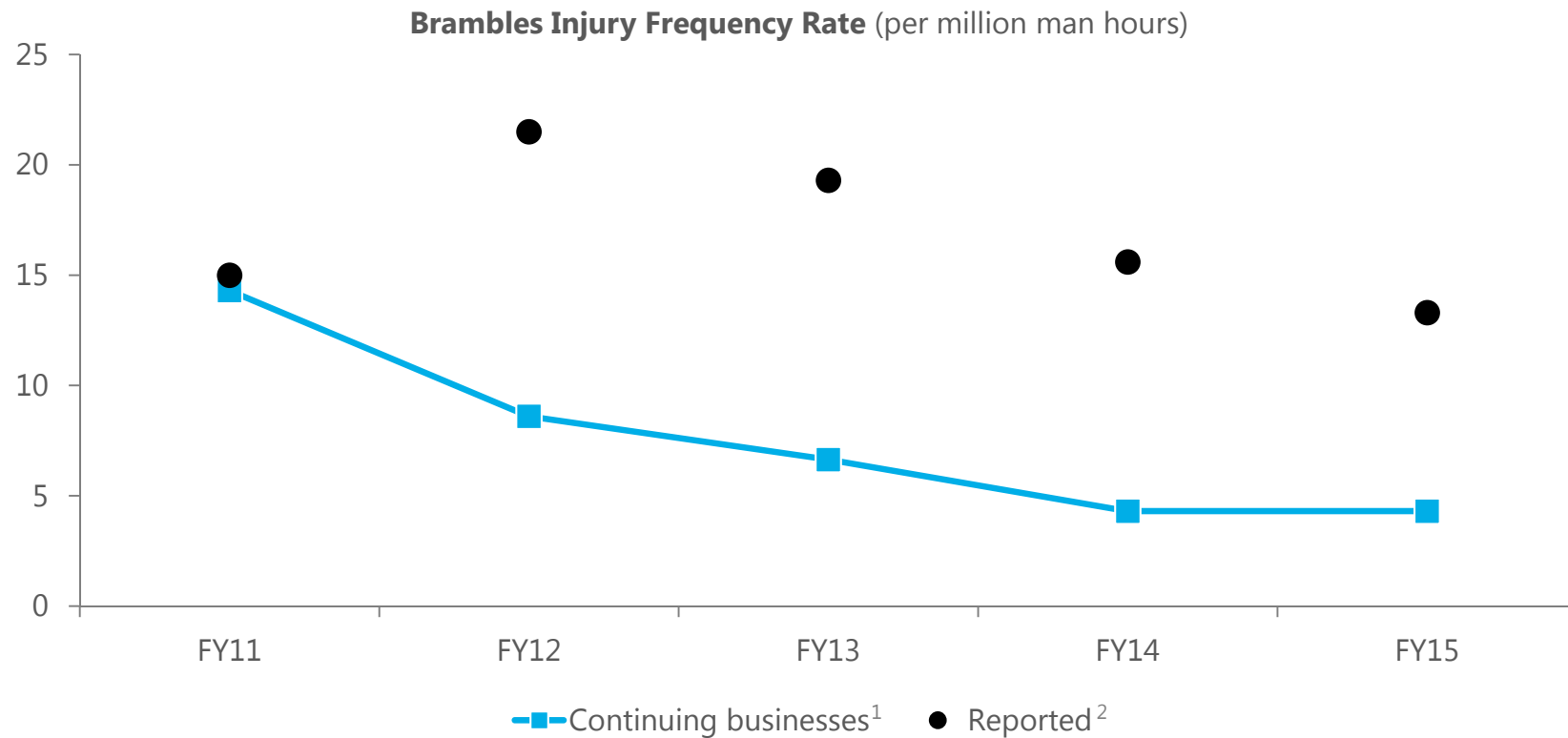
# Key points: outlook

## Reflects increased scope of investment opportunity

- FY16 sales revenue and Underlying Profit growth expected at 6-8% at constant FX
- FY16 Underlying Profit guidance range: US\$1,000-1,020M at 30 June 2015 FX
- FY16 ROCI will reflect short-term impact of increased investment
- FY19 objective reaffirmed for 20% ROCI (before impacts of acquisitions since December 2013)
- Organic growth investment to FY19 of US\$1.5B supports longer-term objectives

# Group safety performance

## Continued positive trend in injury frequency rate



<sup>1</sup> Operations owned continuously throughout FY11 to FY15, 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

## Efficiencies deliver leverage to bottom line

(Continuing operations, US\$M)	FY15 result	Change vs. FY14		
		Actual FX		Constant FX
Sales revenue	5,465	1%	↑	8%
Operating profit	939	1%	↑	8%
Profit after tax	586	-	↑	7%
Underlying Profit	986	3%	↑	10%
Return on Capital Invested (ROCI)	15.7%	(0.6)pp	↓	(0.5)pp
- Prior to acquisitions since December 2013	16.6%	0.3pp	↑	0.3pp
Brambles Value Added	272		↔	-
Cash Flow from Operations	729	(99)	↓	

# Delivery scorecard

## Key FY15 objectives met despite challenging conditions

FY15 Guidance	FY15 Outcome
Constant FX sales revenue growth of 8-9%	 Achieved 8%
Delivery of Global Supply Chain efficiencies	 US\$34M delivered in FY15 Full US\$100M program achieved
Underlying Profit: US\$1,055-1,085M (30 June 2014 FX – reflecting growth of 9-12%)	 FY15 result translates to US\$1,065M at 30 Jun 2014 FX (10% growth)
Improvement in Group ROCI prior to acquisition impacts	 ROCI up 0.3pp ex-acquisitions
Positive Free Cash Flow after dividends	 US\$45M result for FY15

# Key 2H15 actions

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

		What we said – Feb 2015	What we did...
1	<b>Cost</b>	Mitigate transport inflation; deploy pallet durability actions in CHEP USA	<ul style="list-style-type: none"><li>- US transport surcharge Feb 2015</li><li>- US pallet durability actions underway</li></ul>
2	<b>Brand</b>	Refresh brand in CHEP Pallets; roll-out of new customer solution strategy to begin in USA	<ul style="list-style-type: none"><li>- “This is the supply change” go-to-market strategy launched June 2015</li></ul>
3	<b>Innovation</b>	Deploy new technologies/leverage data to build customer relationships and further strengthen asset management	<ul style="list-style-type: none"><li>- Key pilot programs being undertaken in collaboration with customers</li><li>- Analysis continuing of formal structure to support opportunities</li></ul>
4	<b>Growth strategy</b>	Expand in under-penetrated verticals and segments and new geographies	<ul style="list-style-type: none"><li>- Organic growth capex: ~US\$350M</li><li>- RPCs acquisitions: Chile, Japan</li><li>- Africa expansion: South Africa plantations, Zambia, Morocco</li></ul>



# Pallets segment result summary

## Strong Europe result more than offsets US cost challenges

	FY15	Change vs. FY14	
(US\$M)		Actual FX	Constant FX
Americas	2,358	2%	5%
EMEA	1,381	(5)%	5%
Asia-Pacific	344	(5)%	3%
<b>Sales revenue</b>	<b>4,082</b>	<b>(1)%</b>	<b>5%</b>
Operating profit	812	(1)%	5%
<b>Underlying Profit</b>	<b>832</b>	<b>(1)%</b>	<b>6%</b>
<b>ROCI</b>	<b>21.2%</b>	-	<b>0.2pp</b>

- Net new business, like-for-like volumes and price/mix broadly equal contributors to sales growth
- Emerging markets constant FX sales growth of 12% was lower than recent trend, reflecting softer Latin America
- Increased profit
  - Delivery of targeted efficiencies worldwide under Global Supply Chain and One Better programs
  - Outstanding Europe result reflects mix improvements, specific pricing actions and efficiencies
  - US plant and transport cost pressures remain despite slight moderation in 2H15 vs. 1H15

# RPCs segment result summary

## Improved margins reflect scale benefits on European growth

	FY15	Change vs. FY14	
		Actual FX	Constant FX
(US\$M)			
Europe	582	-	12%
North America	192	10%	10%
ANZ & South Africa	118	(1)%	9%
South America	26	20%	44%
<b>Sales revenue</b>	<b>918</b>	<b>2%</b>	<b>12%</b>
Operating profit	131	5%	15%
<b>Underlying Profit</b>	<b>132</b>	<b>6%</b>	<b>15%</b>
<b>ROCI</b>	<b>8.5%</b>	<b>0.6pp</b>	<b>0.7pp</b>

- Strong sales revenue growth in all regions driven by conversions with existing and new retailers
- Profit and ROCI improvements
  - Scale-related network and transportation efficiencies in Europe driven by continued disciplined expansion
  - Non-recurrence of one-off retirement payments, impairments and marketing costs that occurred in FY14
  - Increased depreciation costs as a result of investment to fund pool growth

# Containers segment result summary

Diverse result reflects broadly positive 2H15 trends

	FY15	Change vs. FY14		
		Actual FX	Constant FX	Ex-acquisitions (constant FX)
(US\$M)				
Automotive	147	(9)%	(1)%	N/A
IBCs	130	11%	22%	9%
Oil & Gas	111	168%	193%	(5)%
Aerospace	78	19%	25%	14%
<b>Sales revenue</b>	<b>466</b>	<b>21%</b>	<b>31%</b>	<b>4%</b>
Operating profit	58	62%	79%	
<b>Underlying Profit</b>	<b>59</b>	<b>56%</b>	<b>72%</b>	<b>10%</b>
<b>ROCI</b>	<b>6.8%</b>	<b>(2.0)%</b>	<b>(1.9)pp</b>	<b>0.6pp</b>

- Ongoing challenges in European and Australian automotive businesses weighs on growth
- Continued solid growth in IBCs with stronger second half in Aerospace
- Ferguson pro forma<sup>1</sup> FY15 constant FX sales revenue growth of 7% amid challenging conditions
- Profit growth reflects continued cost disciplines
- ROCI diluted by Ferguson acquisition

<sup>1</sup> Compares sales revenue for 12 months ended 30 June 2015 with prior corresponding period.

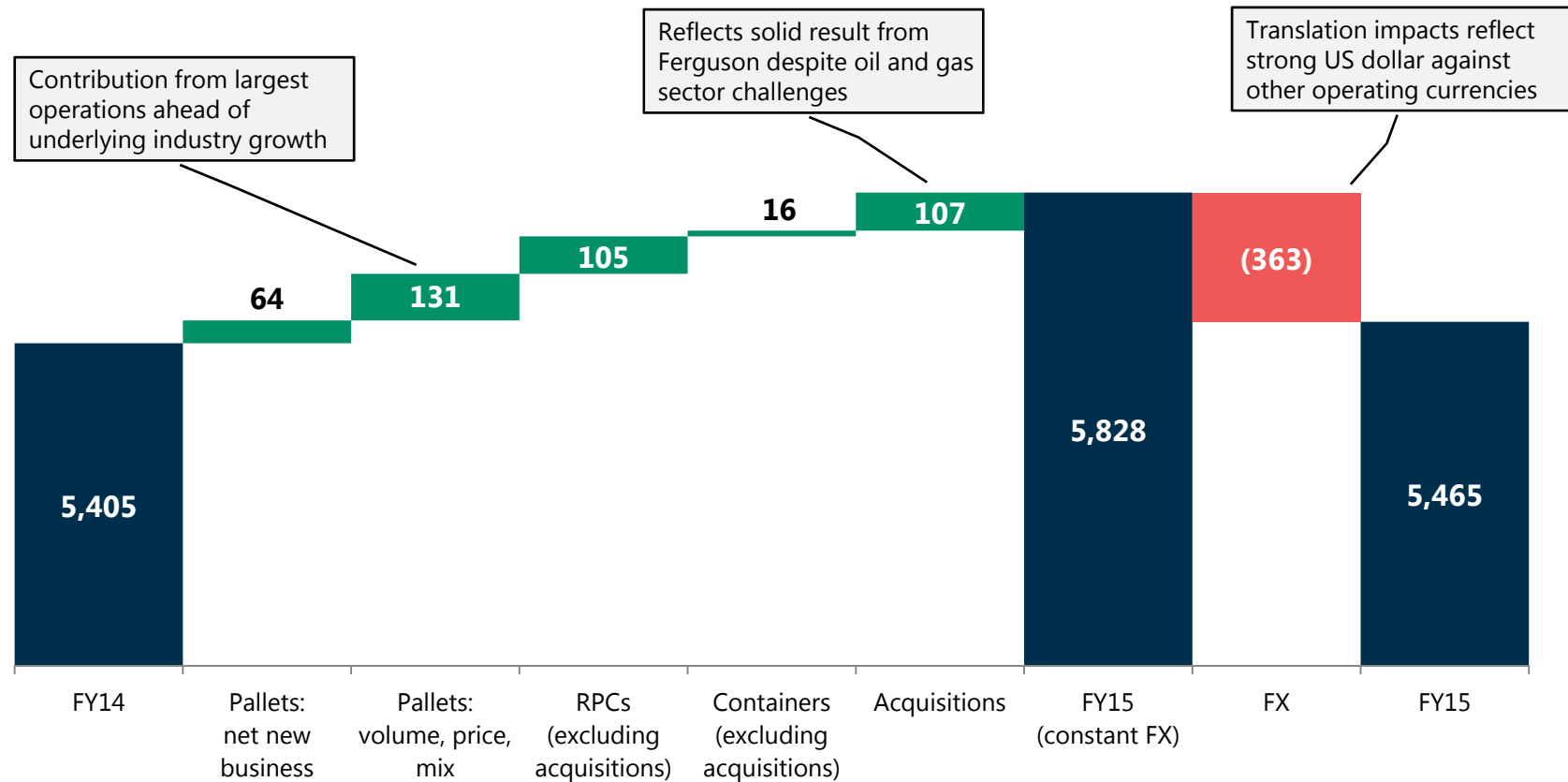


## **Financial Analysis**

Zlatko Todorcevski, CFO

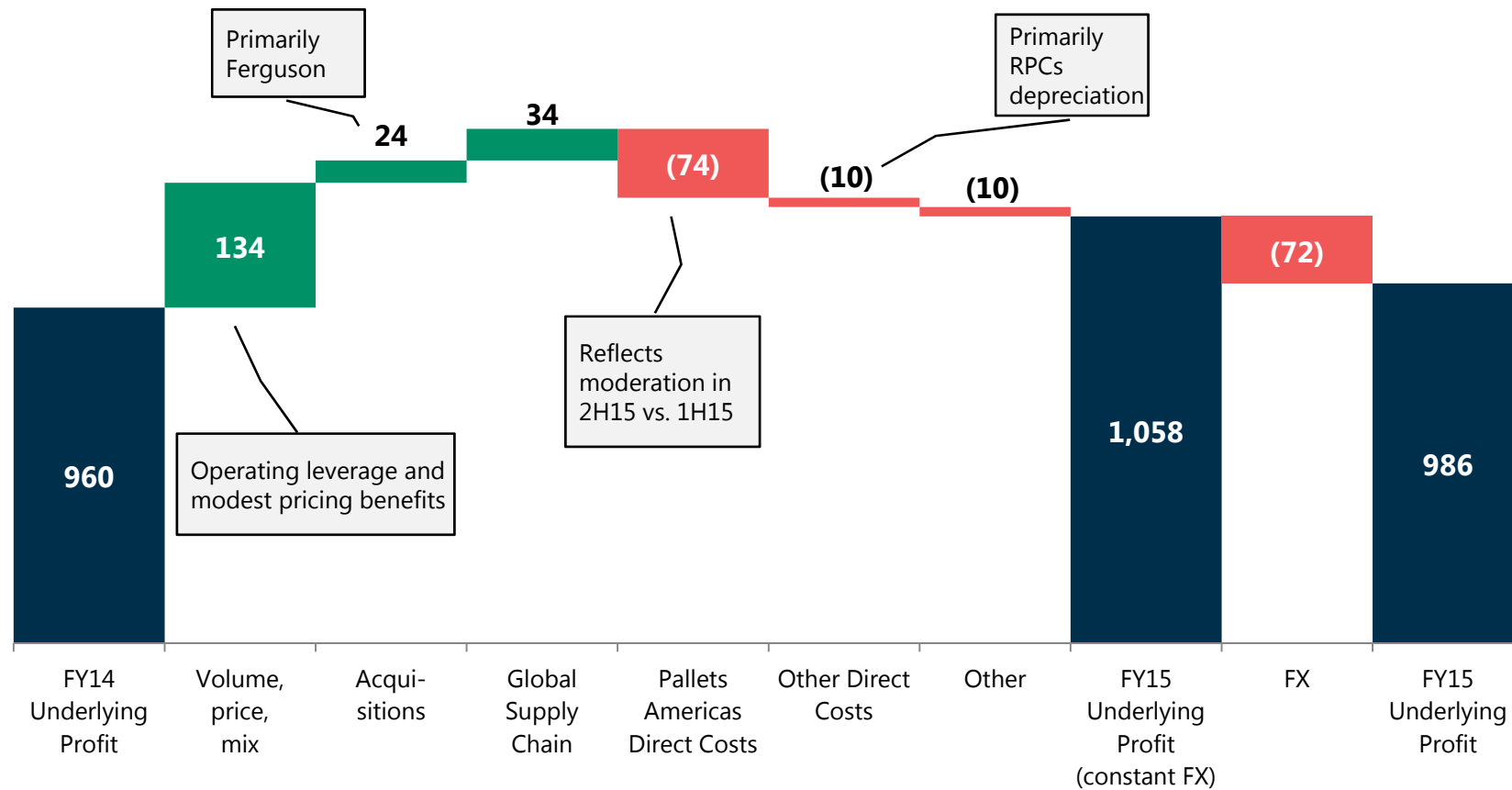
# Continued sales growth momentum

## Key drivers of sales revenue growth (US\$M)



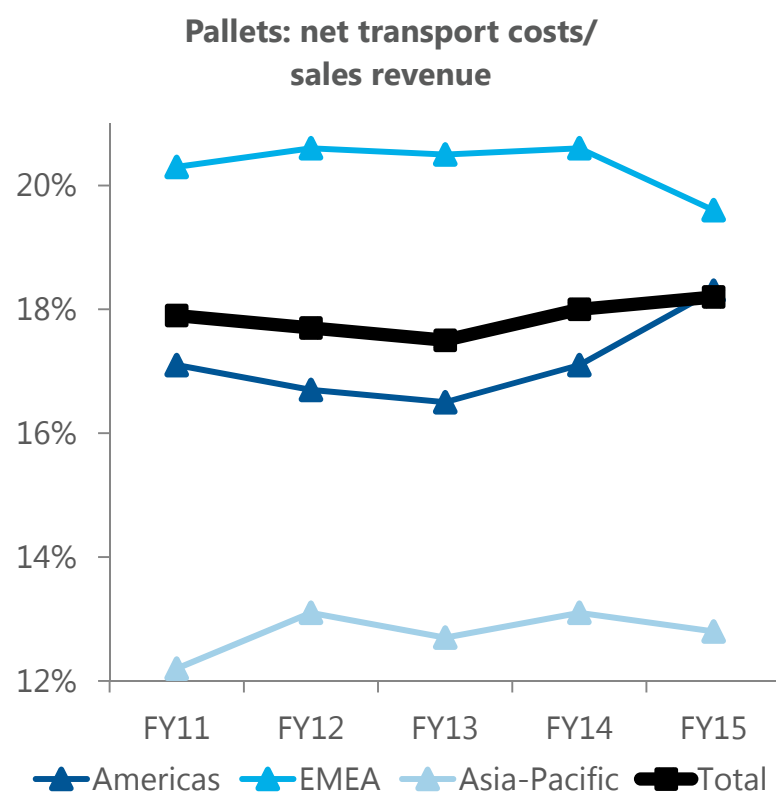
# Group profit analysis (US\$M)

Delivery of margin growth despite US cost challenges



# Key transport cost trends

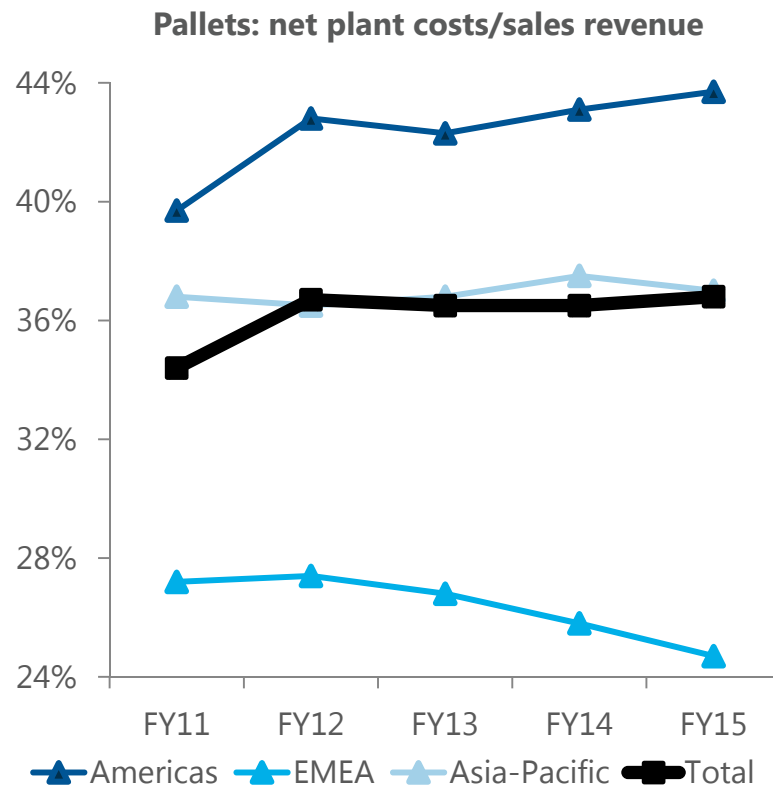
## Strong EMEA broadly offsets spike in US carrier rates



- EMEA FY15 reduction reflects logistics efficiencies and some benefit of lower fuel costs
- Americas carrier rates reflect 8% inflation in third-party freight rates throughout the industry
- Key carrier suppliers impacted by:
  - Insufficient fleet availability
  - Reduced labour availability
  - Increased regulatory measures

# Key plant cost trends

## Divergent trends in Americas and EMEA continue

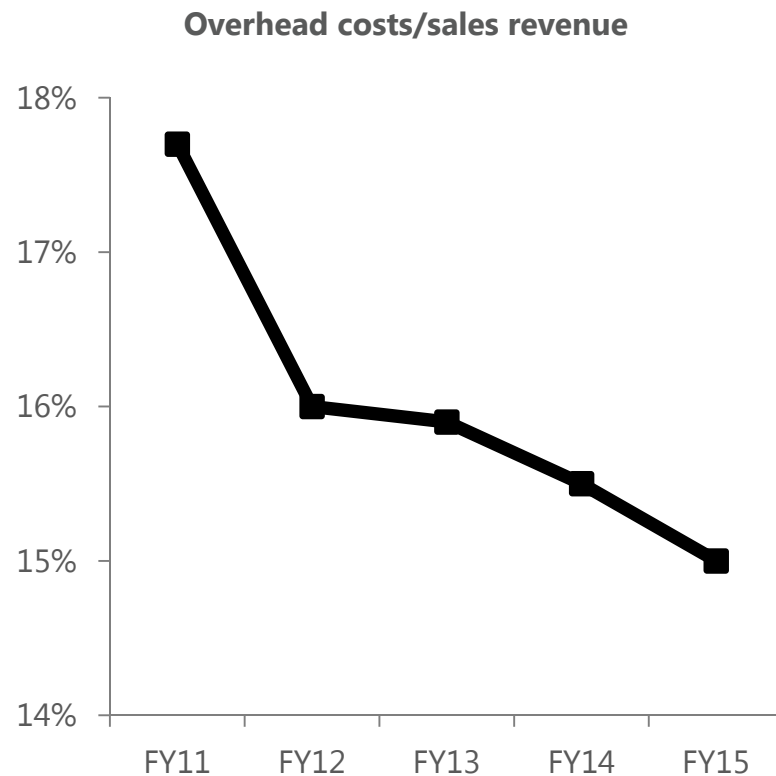


- Americas challenges continue to reflect:
  - Improved asset recovery practices
  - Commitment to meeting customer repair quality requirements
- Positive EMEA trend continues to reflect:
  - Growing use of managed exchange
  - Lower damage rates on fractional and display pallets



# Indirect cost reduction update

## One Better program underway and delivering benefits



- US\$11M cost-outs delivered from quick wins in FY15
- On track to deliver US\$30M total reduction by end FY16
- On track to deliver FY19 targets
  - US\$100M total cost-out
  - At least 2 percentage point reduction in overheads to sales ratio vs. FY14
- Key initiatives:
  - **Better for the Customer:** focus on simplification and ease of doing business
  - **Better for the Business:** alignment and simplification of Finance, HR and IT functions
  - **Better Purchasing:** driving scale benefits from procurement

# Reconciliation to statutory profit

## Small increase in Significant Items and tax expense

(US\$M, continuing operations)	FY15	FY14	Change	
			Actual FX	Constant FX
<b>Underlying Profit</b>	<b>986</b>	<b>960</b>	<b>3%</b>	<b>10%</b>
Significant Items	(47)	(31)		
<b>Operating profit</b>	<b>939</b>	<b>930</b>	<b>1%</b>	<b>8%</b>
Net finance costs	(112)	(113)	1%	(7)%
Tax expense	(241)	(232)	(4)%	(12)%
<b>Profit after tax</b>	<b>586</b>	<b>585</b>	-	<b>7%</b>
Weighted average number of shares	1,566	1,561		
<b>Basic earnings per share (US¢)</b>	<b>37.4¢</b>	<b>37.5¢</b>	-	<b>7%</b>

# Cash flow reconciliation

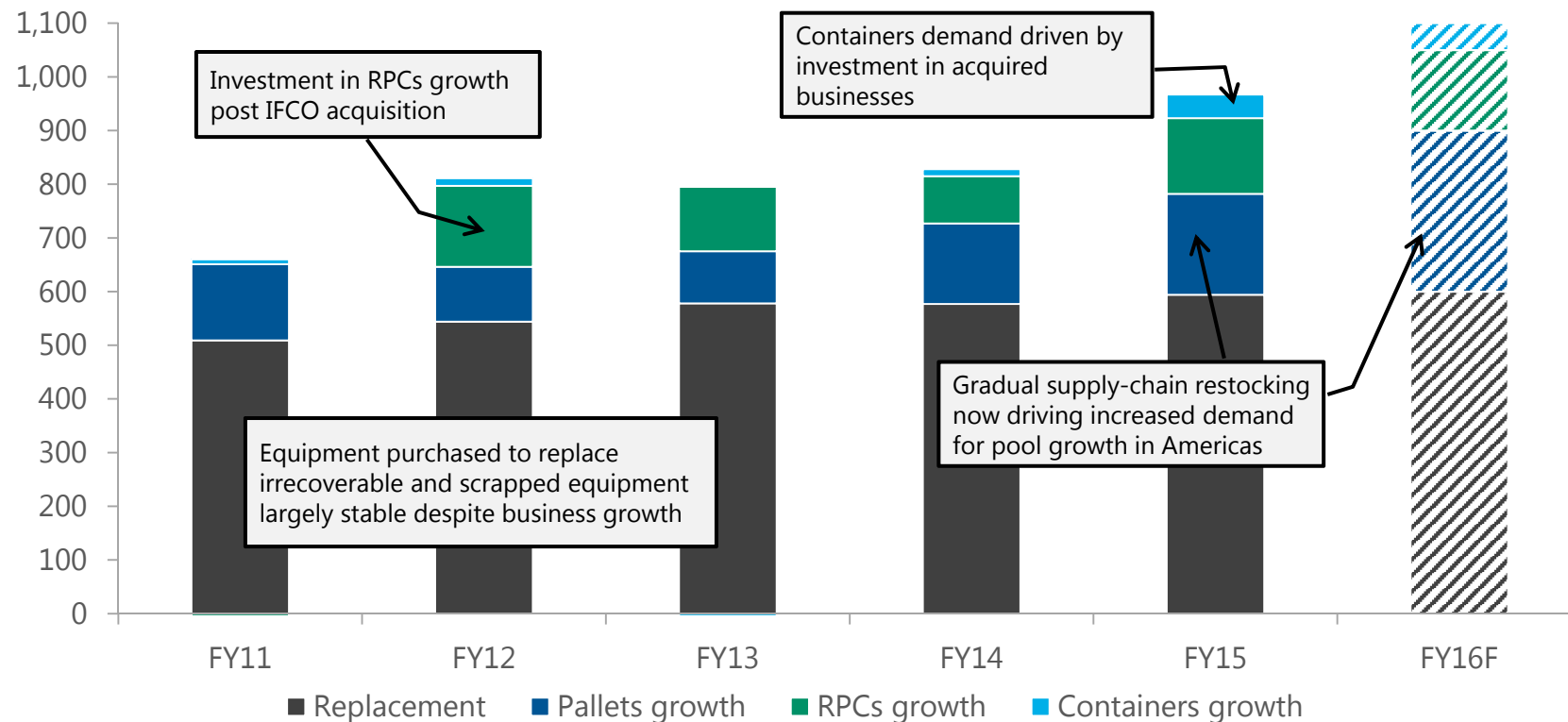
## Higher capital expenditure to support growth

(US\$M)	FY15	FY14	Change
<b>EBITDA</b>	<b>1,535</b>	<b>1,488</b>	<b>47</b>
Capital expenditure	(984)	(854)	(130)
Proceeds from sale of property, plant and equipment	78	78	-
Working capital movement	5	11	(6)
IPEP expense	80	88	(8)
Other	15	17	(2)
<b>Cash Flow from Operations</b>	<b>729</b>	<b>828</b>	<b>(99)</b>
Significant Items and discontinued operations	(52)	(67)	15
Financing costs and tax	(272)	(330)	58
<b>Free Cash Flow</b>	<b>404</b>	<b>431</b>	<b>(27)</b>
Dividends paid	(359)	(394)	35
<b>Free Cash Flow after dividends</b>	<b>45</b>	<b>37</b>	<b>8</b>

# Group capital expenditure analysis

## Gradual increase driven by acquisitions and customer growth

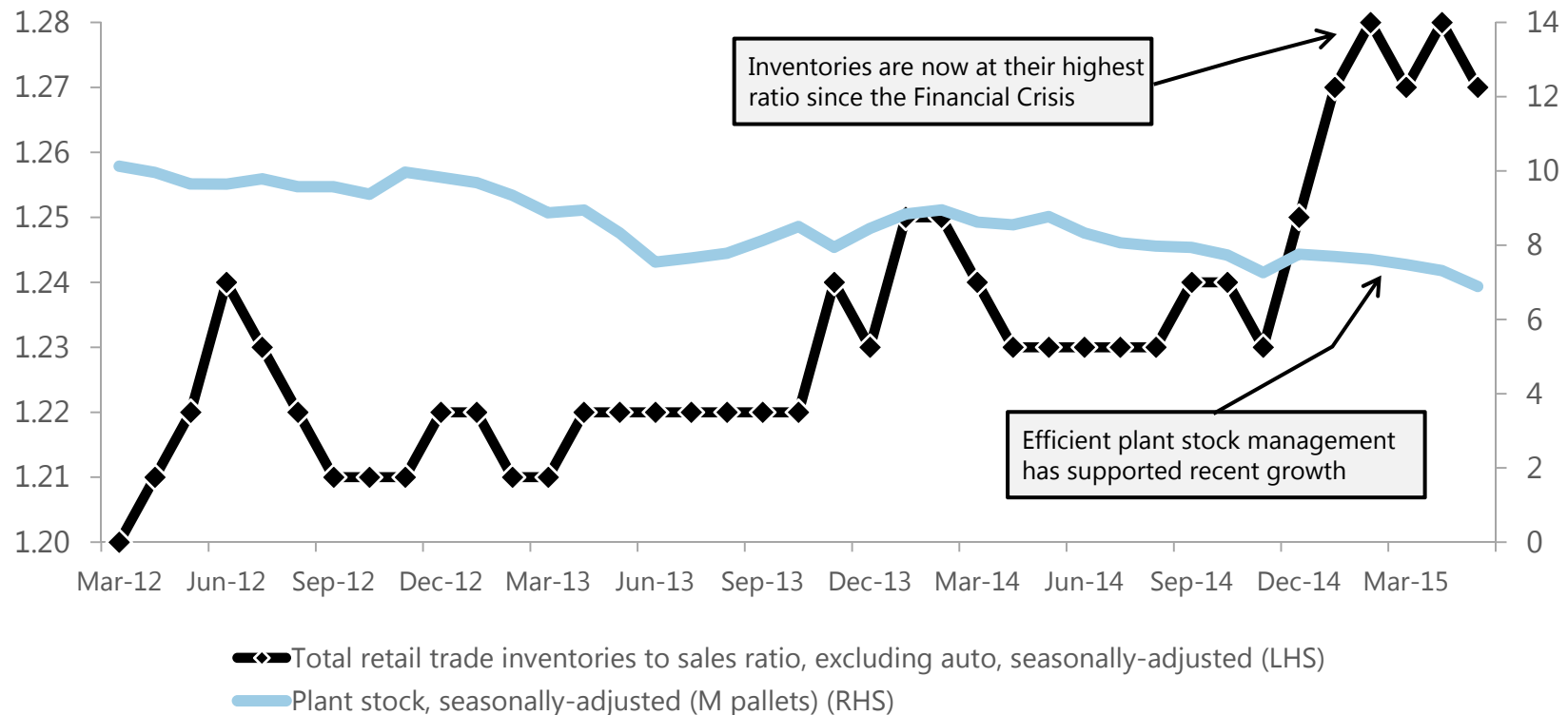
Capital expenditure on pooling equipment (US\$M)



# US inventories and pallet demand

## Increased inventories are a key short-term capex driver

US retail trade inventories<sup>1</sup>/sales vs. CHEP USA plant stock



<sup>1</sup> Source: US Census Bureau

# Balance sheet position

Within key ratios despite use of debt to fund acquisition

	June 2015	June 2014
Net debt (US\$M)	2,689	2,362
Average term of committed facilities (years)	3.9	4.1

	FY15	FY14
EBITDA/net finance costs (x)	13.7	13.2
Net debt/EBITDA (x)	1.75	1.59

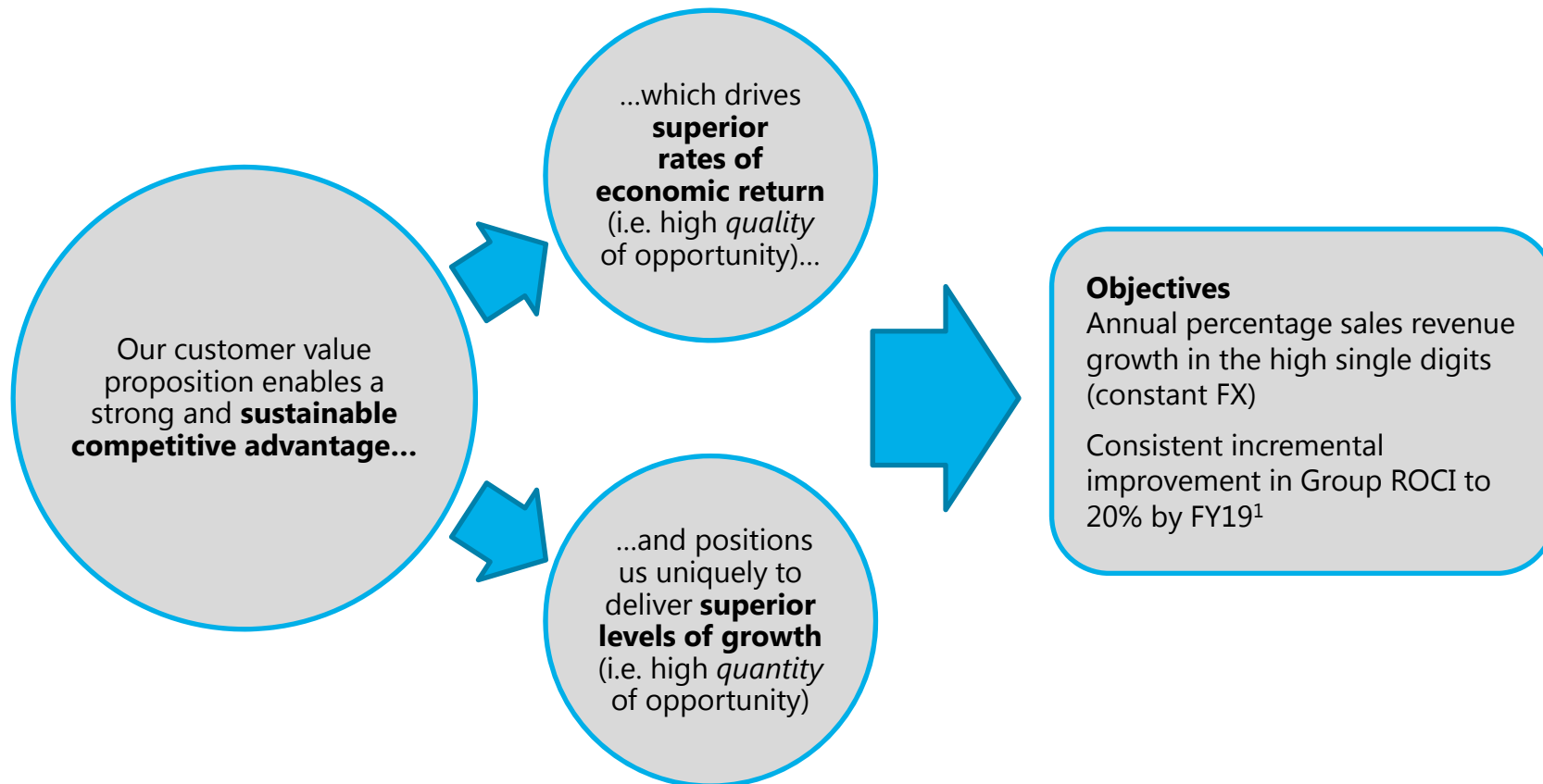


## Summary and Outlook

Tom Gorman, CEO

# Investment proposition unchanged

We are driven by our focus on the customer



<sup>1</sup> FY19 objectives were provided in December 2013 prior to the impact of future acquisitions



# What *has* changed since December 2013?

## Increased investment opportunity despite challenges

### Assumptions – December 2013

#### Macro

- Flat growth in major economies
- Challenging environment for political leadership
- Cost pressures

#### Industry

- New store formats and multi-channel fulfilment
- SKU proliferation and promotional complexity
- Growth of private label, online and omni-channel
- Global flows and standardization

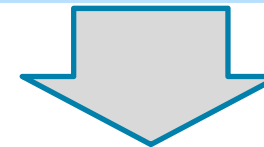
#### Customer

- Demand for solutions providers
- Outsourcing of non-core activities
- Sustainability focus
- Competitor activity

**~5% compound annual growth rate  
in Average Capital Invested**

### Additional assumptions – August 2015

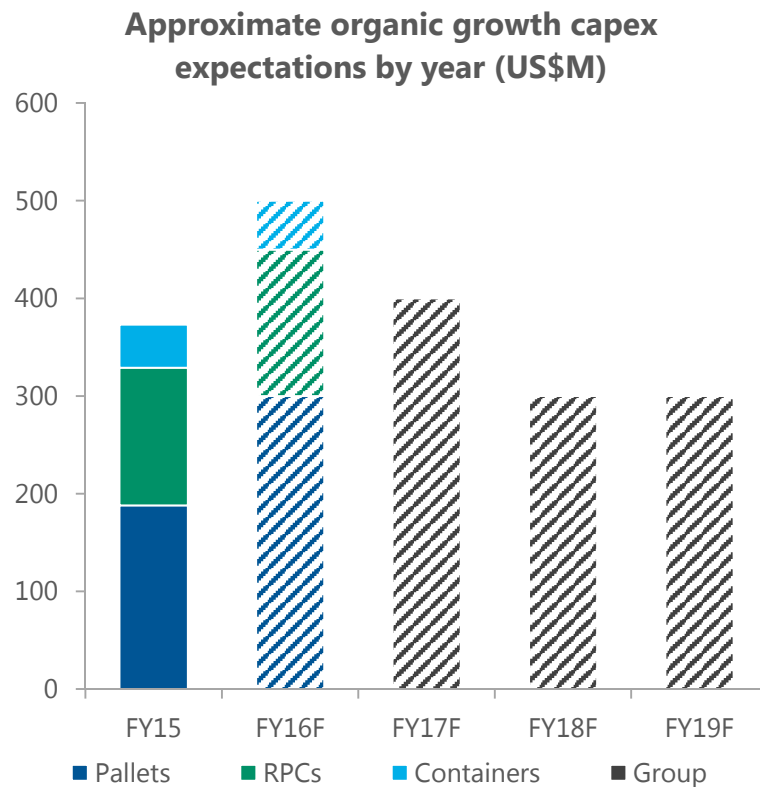
- Impacts of improved US pallet pool management and support for increased retail inventories
- IFCO pool growth and crate diversification
- Pervasive impact of weak global growth outlook
- Intensifying competitor activity
- Scale of opportunity for differentiated offering



**Higher rate of investment growth as Brambles, given superior scale and funding capability, invests proactively to support customers and enhance network advantage**

# More investment to drive value

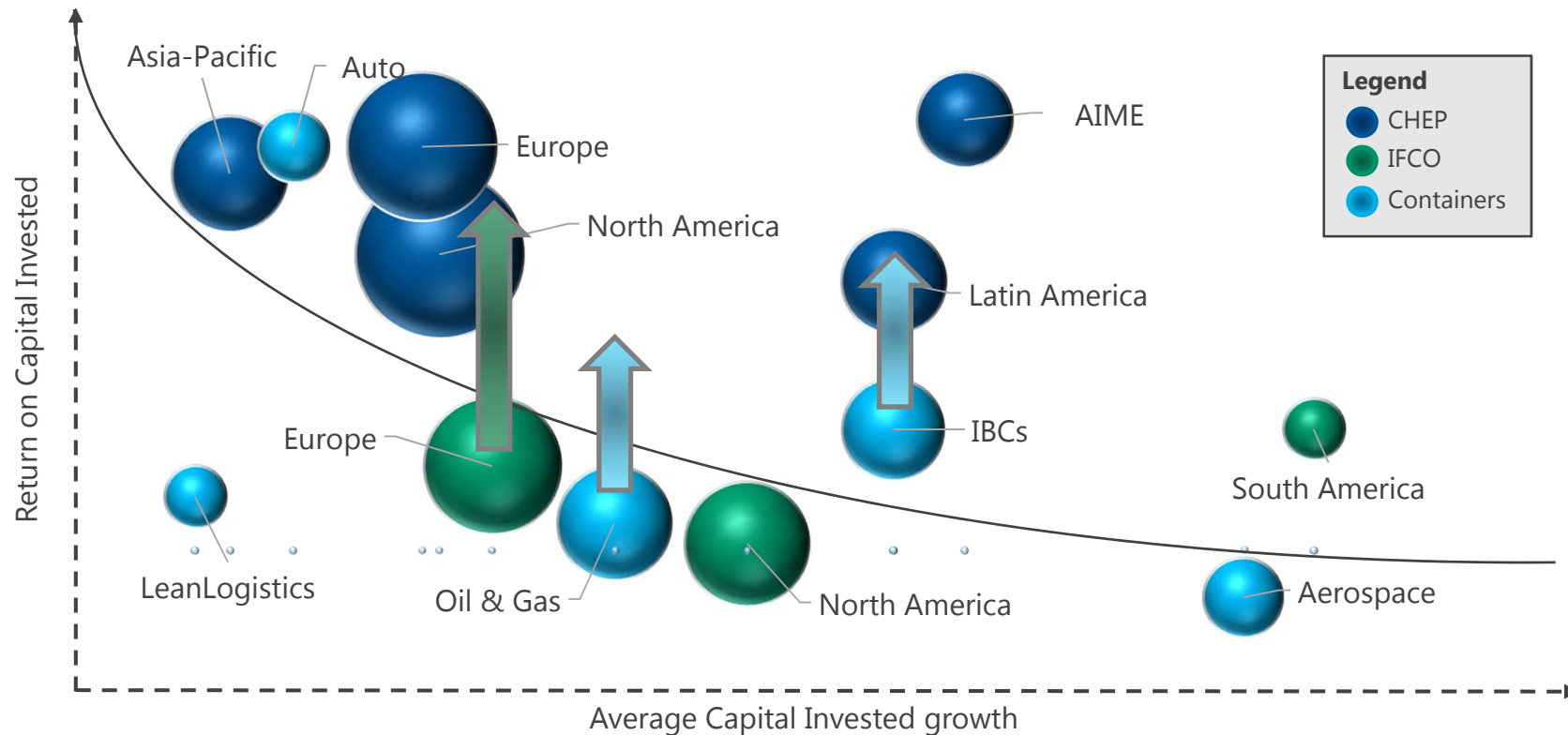
## Organic growth capex opportunity to FY19 of US\$1.5B



- Key FY16-FY19 organic growth investment focus areas:
  - Expansion and replenishment of US pallet pool to support supply-chain restocking
  - Differentiation of RPC offerings in support of major retail partner merchandising programs
  - Rollout of new pallet platforms to provide better solutions for customers
  - Emerging markets expansion
- Investment heavily weighted towards opportunities with incremental returns well above Brambles' cost of capital

# Disciplined capital allocation focus

## Managing the portfolio for maximisation of value



Notes: Return on Capital Invested and Average Capital invested growth based on FY15 organic trends but not shown to scale; bubble sizes reflect FY15 Average Capital Invested; operating business unit structures used (i.e. ANZ and South Africa RPCs and Auto shown within CHEP); arrows represent incremental Return on Capital Invested excluding acquired intangibles.

# Guidance and outlook summary

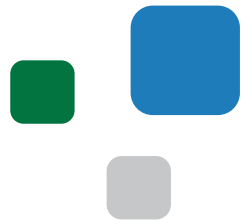
## Increased investment to support long-term objectives

### ■ FY19 objectives

- Commitment remains to 20% ROCI target, prior to acquisition impacts
- Average Capital Invested CAGR likely to exceed original 5% expectation
- Organic growth investment now anticipated at US\$1.5B from FY16 to FY19

### ■ FY16 expectations

- Sales revenue and Underlying Profit growth expected at 6-8% at constant FX
- Translates to Underlying Profit of US\$1,000-1,020M at 30 June 2015 FX
- ROCI to be down slightly, reflecting short-term impact of increased investment and FY15 acquisitions
- Interest costs of approximately US\$120-125M, at 30 June 2105 FX rates
- Effective tax rate of approximately 29%



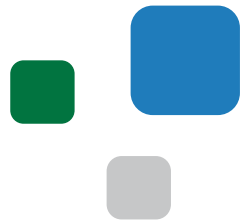
# Q&A

# Brambles

## Full-Year Results

20 August 2015





# 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 twelve-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. The target has been achieved at the end of FY15.
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

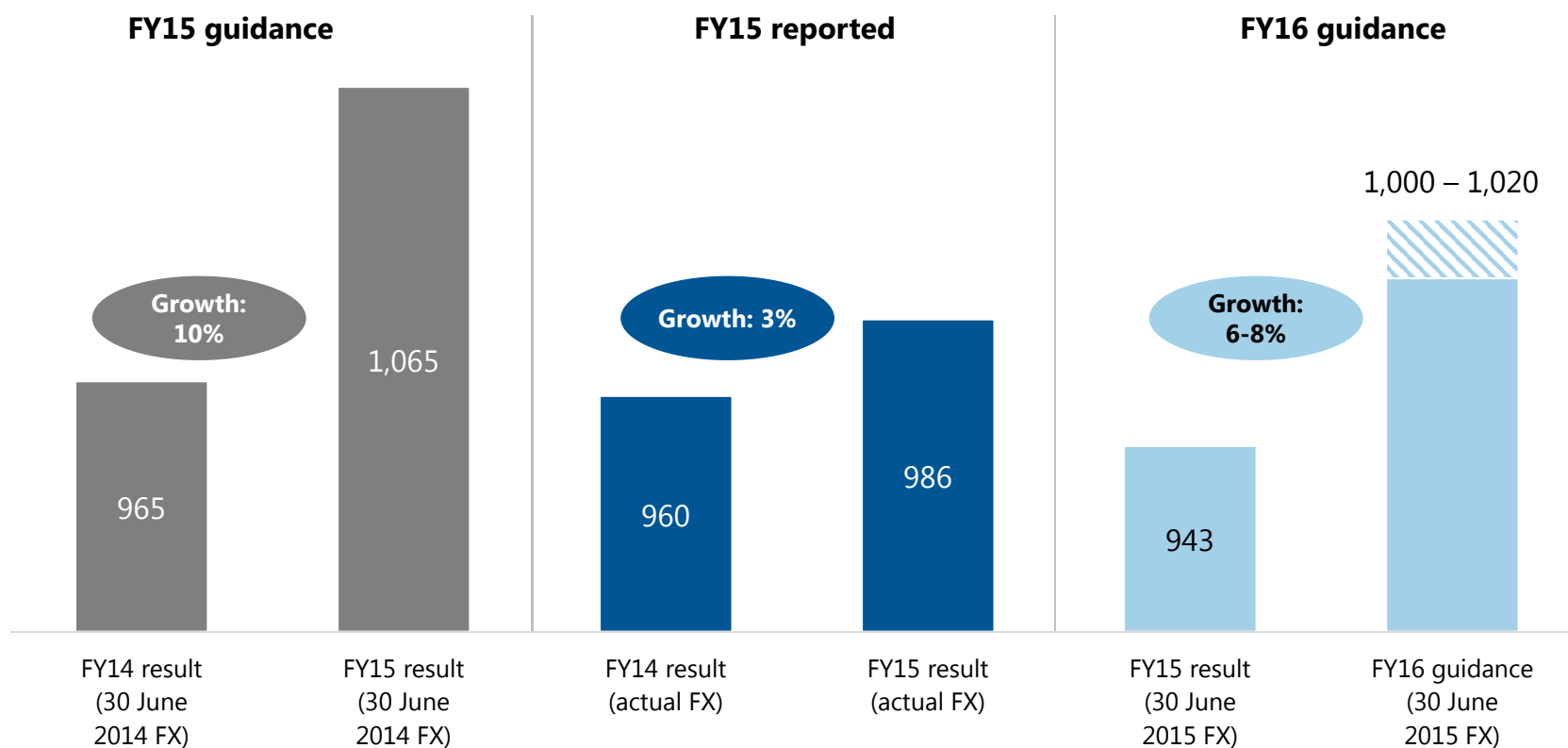
## Glossary of terms and measures (continued)

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.

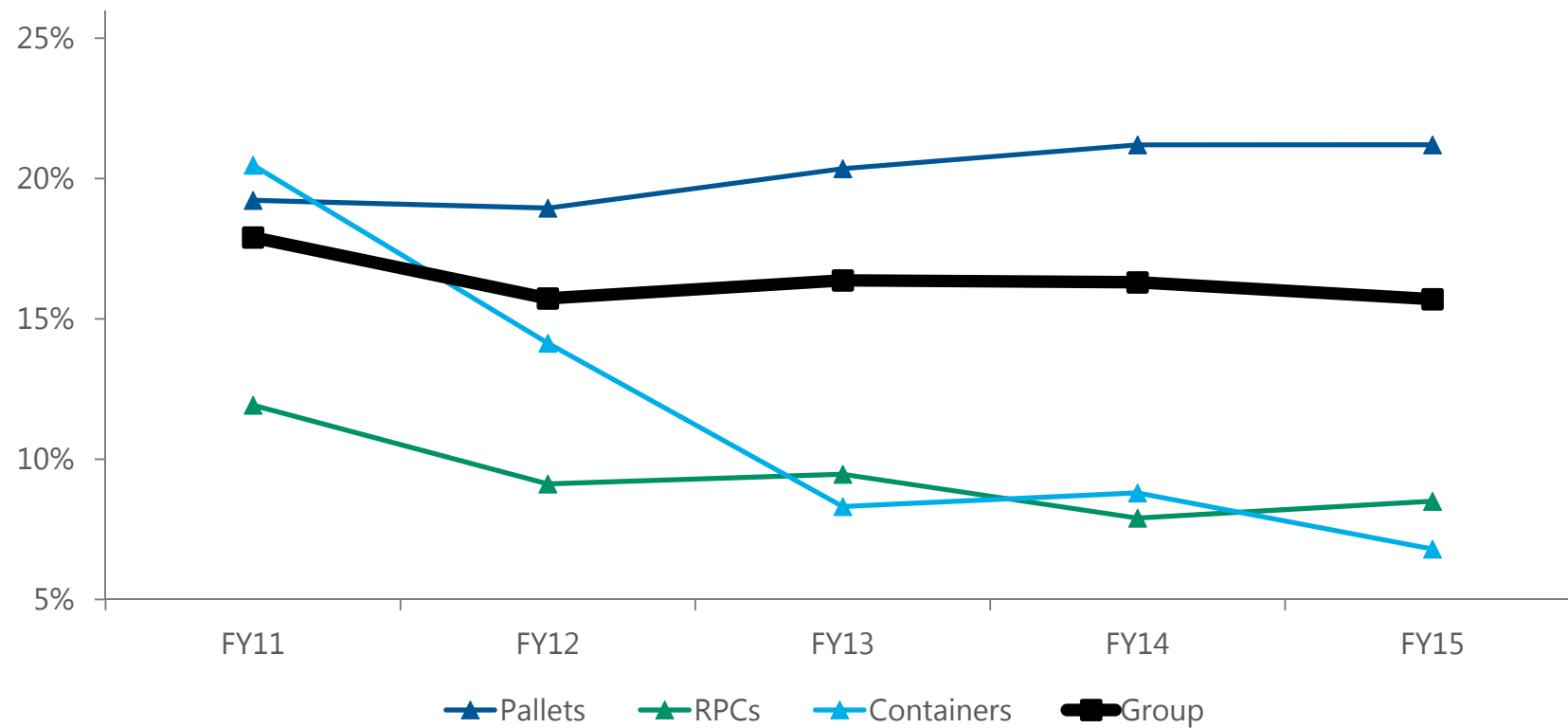
# Appendix 2

## Underlying Profit currency reconciliation (US\$M)



# Appendix 3

## Return on Capital Invested (ROCI)



## Appendix 4

### FY15 currency mix

(US\$M)	Total	USD	EUR	GBP	AUD	CAD	MXN	ZAR	CHF	BRL	Other <sup>1</sup>
Pallets	<b>4,082</b>	1,818	761	349	264	274	155	112	11	66	271
RPCs	<b>918</b>	192	426	74	80	-	-	23	55	13	55
Containers	<b>466</b>	69	145	86	66	14	-	12	22	2	50
Sales revenue	<b>5,465</b>	2,079	1,332	509	410	288	155	147	88	81	376
Share	<b>100%</b>	38.0%	24.4%	9.3%	7.5%	5.3%	2.8%	2.7%	1.6%	1.5%	6.9%
Net debt <sup>2</sup>	<b>2,689</b>	1,298	1,476	260	(480)	(58)	(19)	60	11	27	114

<sup>1</sup> No individual currency within 'Other' exceeds 1% of FY15 Group sales revenue at actual FX rates

<sup>2</sup> Net debt shown after adjustments for impact of financial derivatives

# Appendix 5

## Major currency exchange rates<sup>1</sup>

USD exchange rate:		USD	EUR	GBP	AUD	CAD	MXN	ZAR	CHF	BRL
Average	FY15	1.0000	1.1946	1.5734	0.8301	0.8505	0.0697	0.0876	1.0605	0.3748
	FY14	1.0000	1.3587	1.6331	0.9142	0.9334	0.0765	0.0961	1.1089	0.4373
As at	30 Jun 15	1.0000	1.1220	1.5729	0.7673	0.8056	0.0637	0.0816	1.0800	0.3207
	30 Jun 14	1.0000	1.3643	1.7033	0.9415	0.9375	0.0772	0.0943	1.1222	0.4559

<sup>1</sup> Includes all currencies that exceed 1.0% of FY15 Group sales revenue, at actual FX rates

# Appendix 6

## Credit facilities and debt profile

Maturity	Type	Committed facilities	Uncommitted facilities	Debt drawn	Headroom
(US\$B at 30 June 2015)					
<12 months	Bank/USPP <sup>1</sup> /Other	0.1	0.2	0.1	0.2
1 to 2 years	Bank/USPP <sup>1</sup> /Other	0.8	-	0.4	0.4
2 to 3 years	Bank/EMTN <sup>2</sup> /Other	1.0	-	0.8	0.2
3 to 4 years	Bank/USPP <sup>1</sup> /Other	0.3	-	0.1	0.2
4 to 5 years	Bank/144A <sup>3</sup> /Other	0.9	-	0.8	0.1
>5 years	EMTN <sup>2</sup> /Other	0.6	-	0.6	-
<b>Total</b>		<b>3.7</b>	<b>0.2</b>	<b>2.8</b>	<b>1.1</b>

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

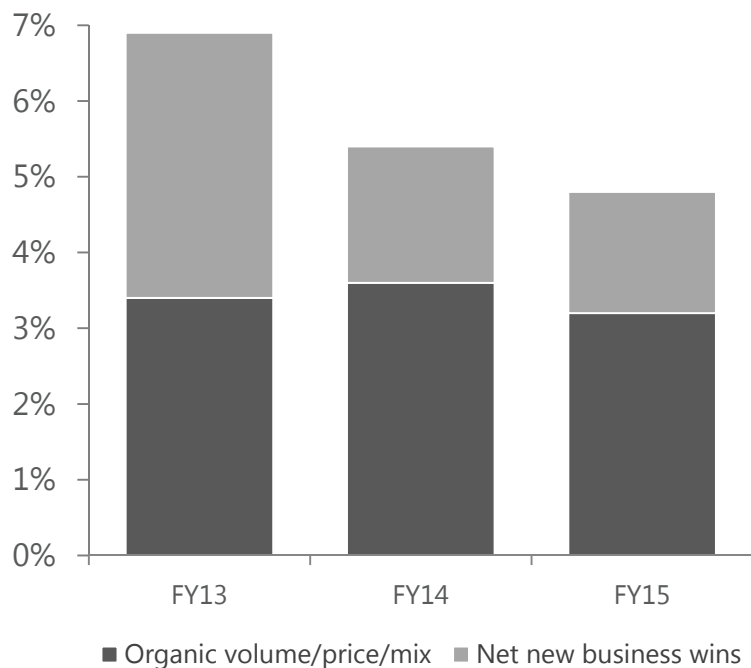
<sup>2</sup> European Medium Term Notes

<sup>3</sup> US 144A bonds

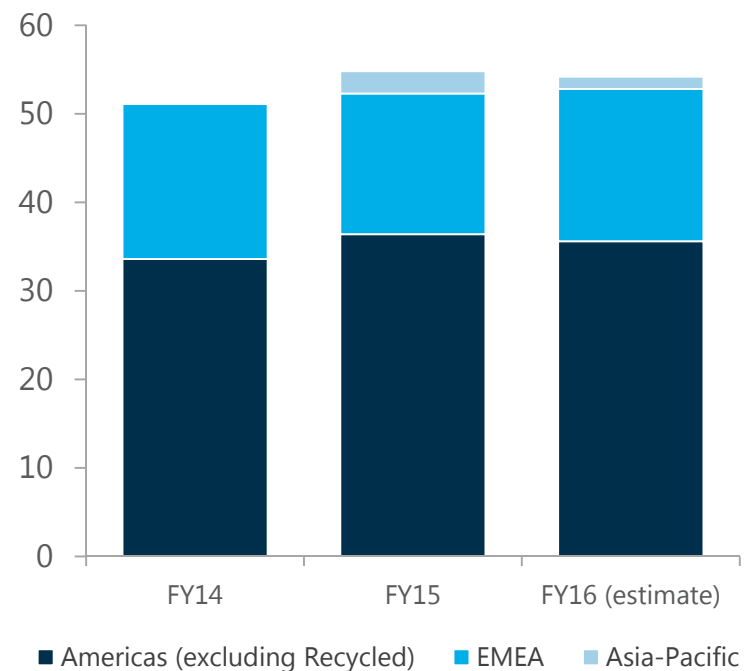
# Appendix 7

## Pallets: net new business wins

Composition of Pallets' constant FX sales revenue growth



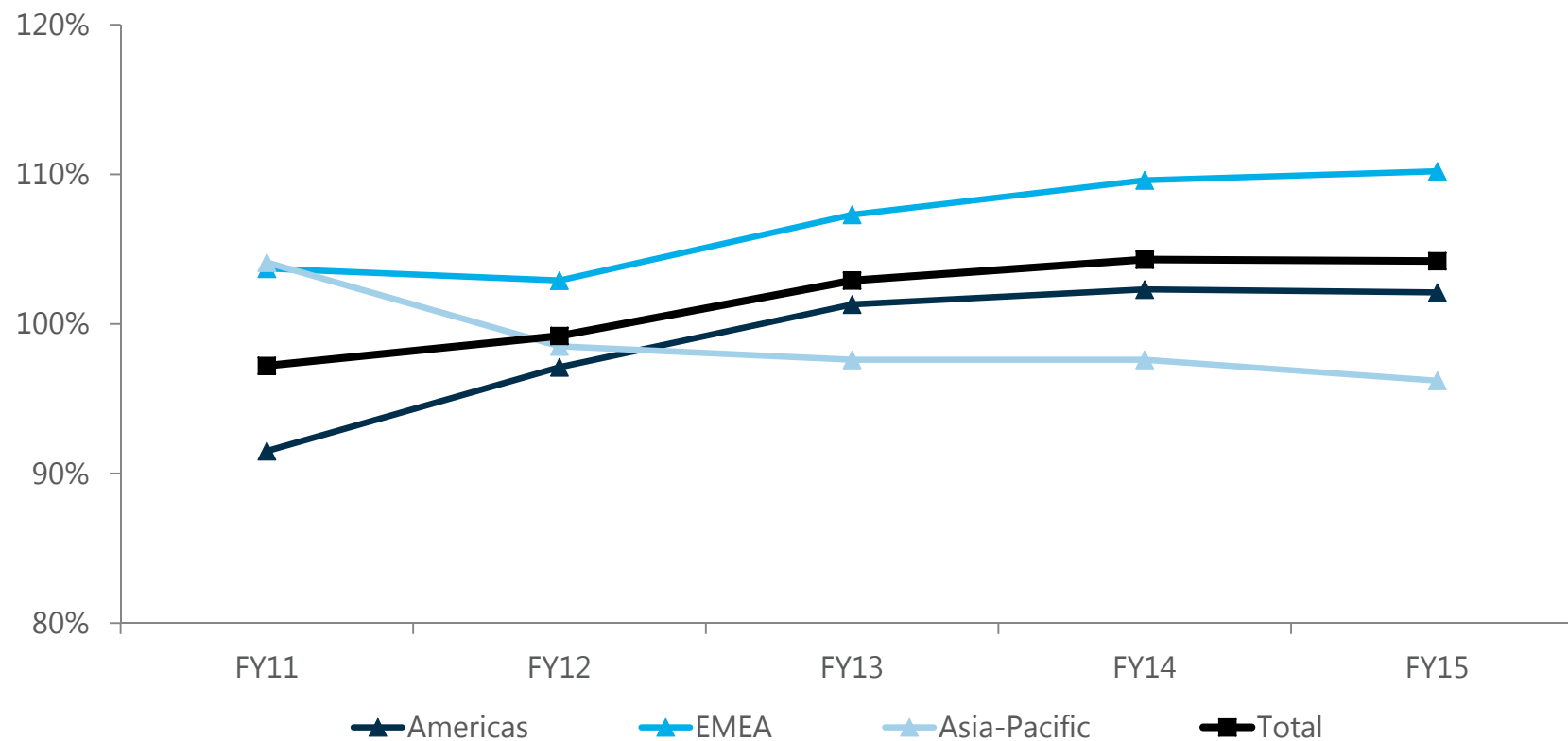
Forward contribution of prior year (US\$M)





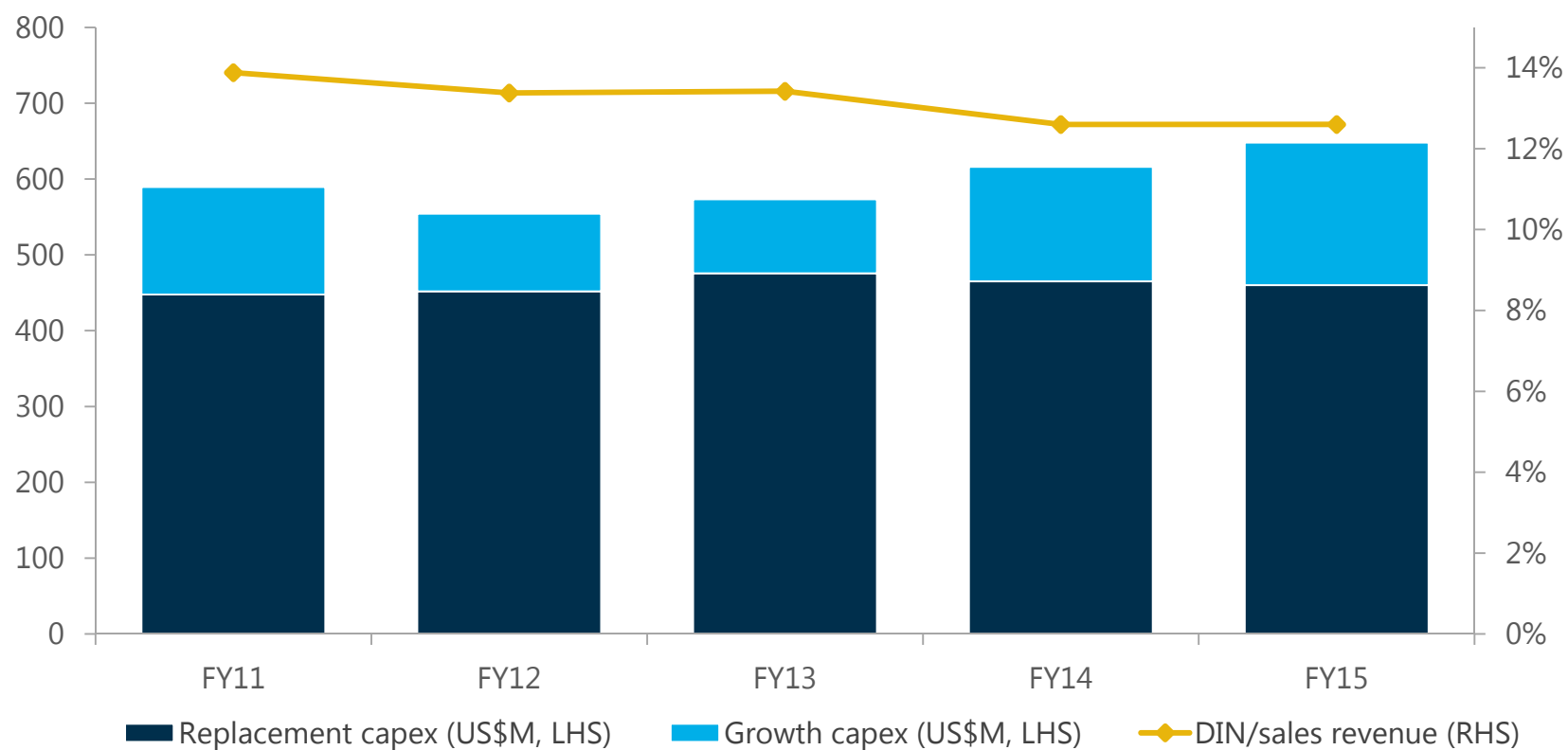
# Appendix 8

## Pallets sales revenue/Average Capital Invested



# Appendix 9

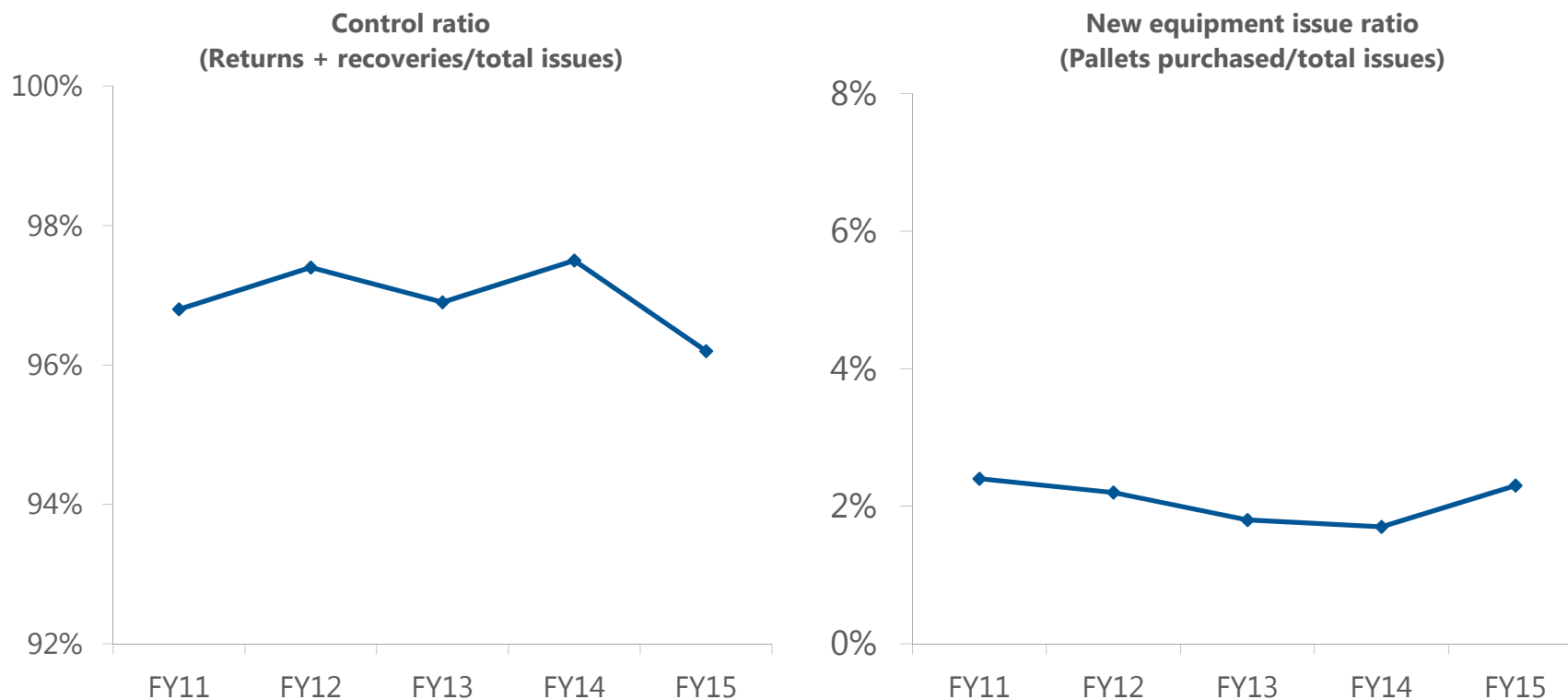
## Pallets capital expenditure: growth vs. replacement



Note: data excluded USA recycled pallet operations

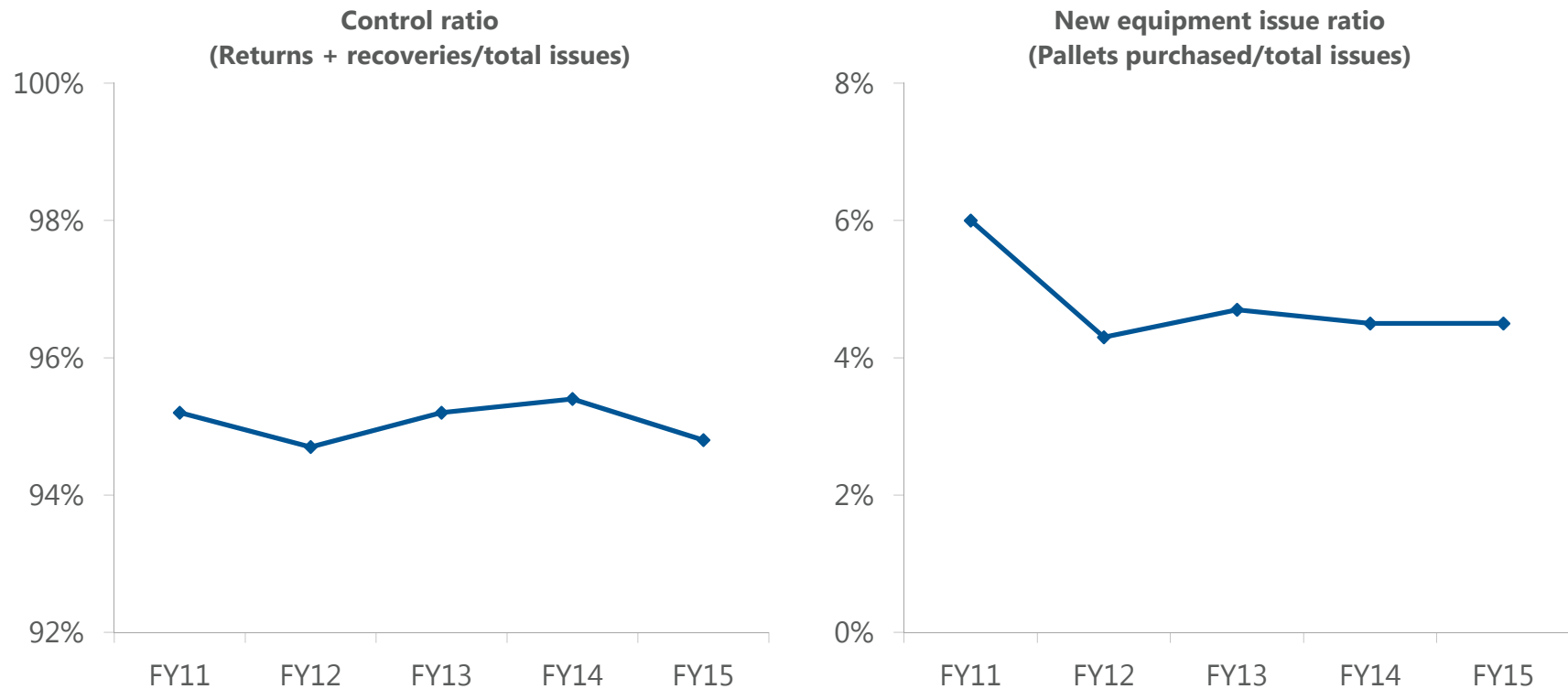
# Appendix 10a

## CHEP USA pallet productivity trends (B4840)



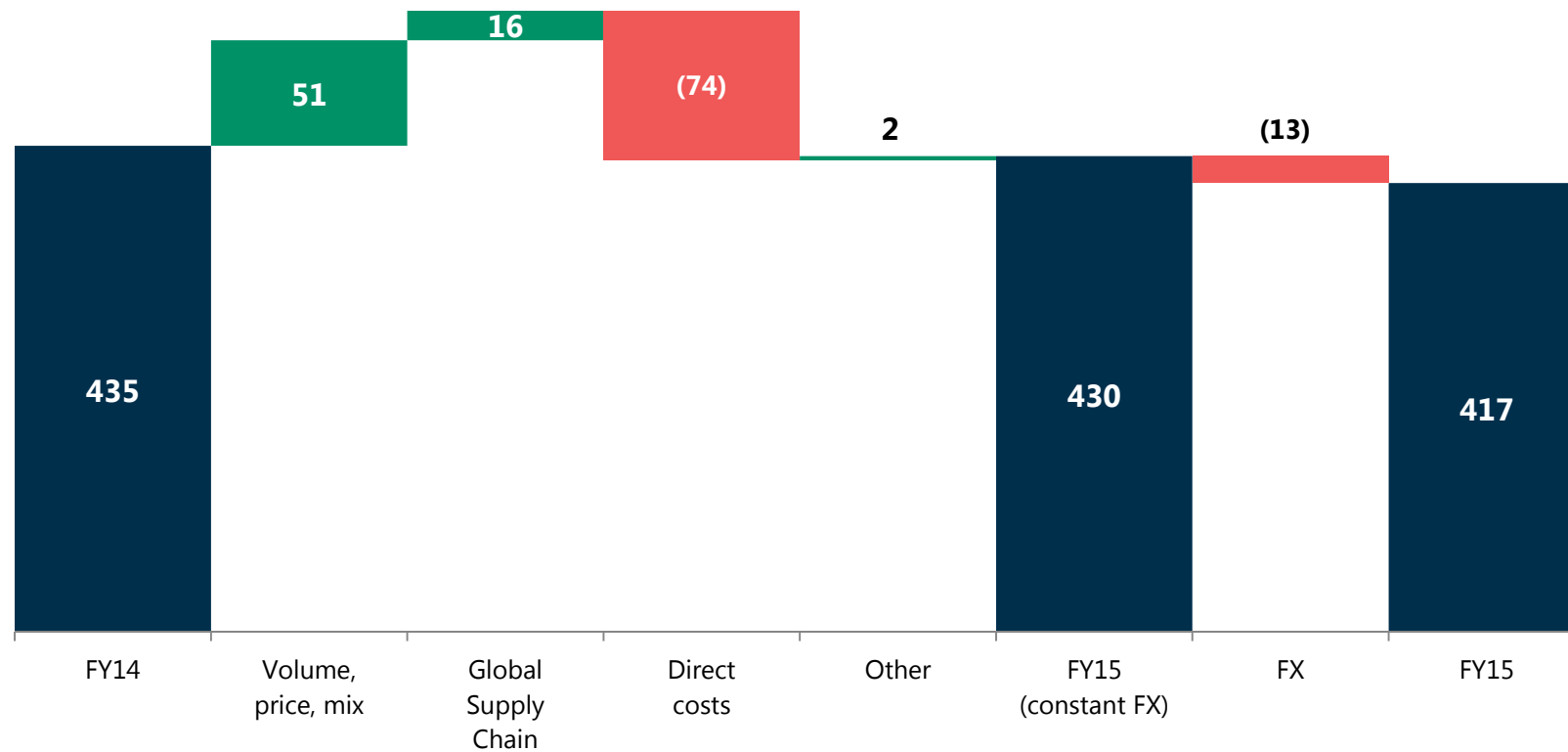
# Appendix 10b

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



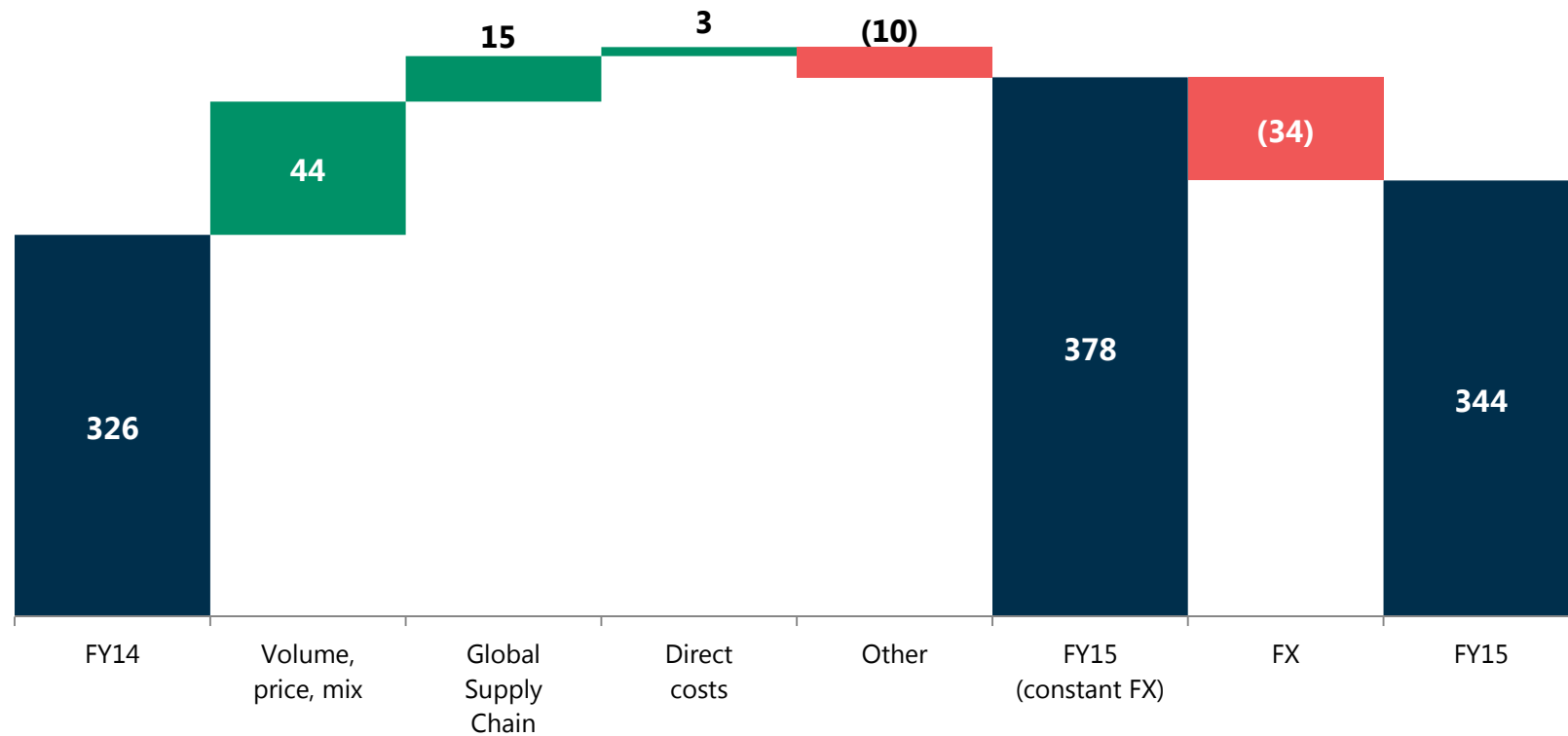
# Appendix 11a

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



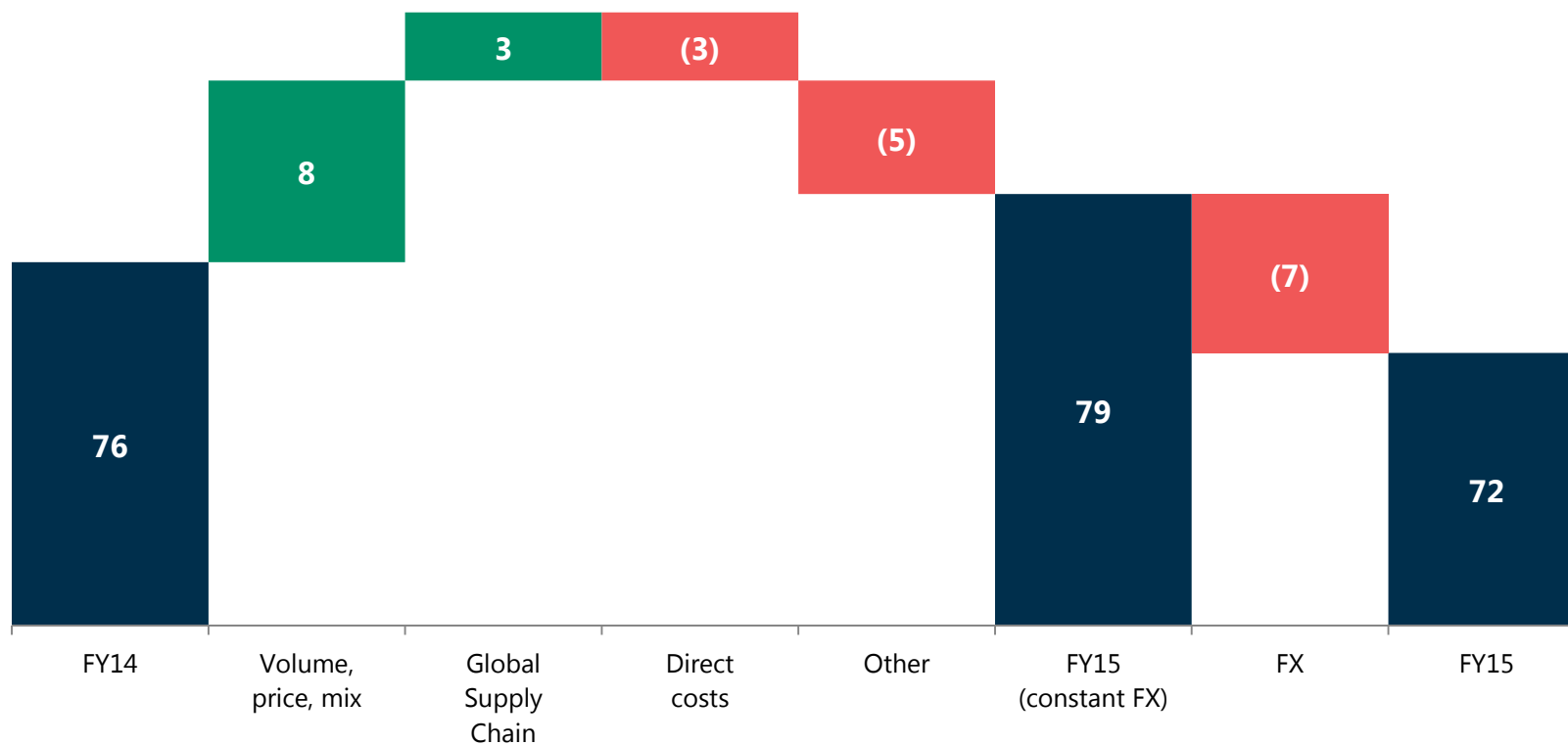
# Appendix 11b

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



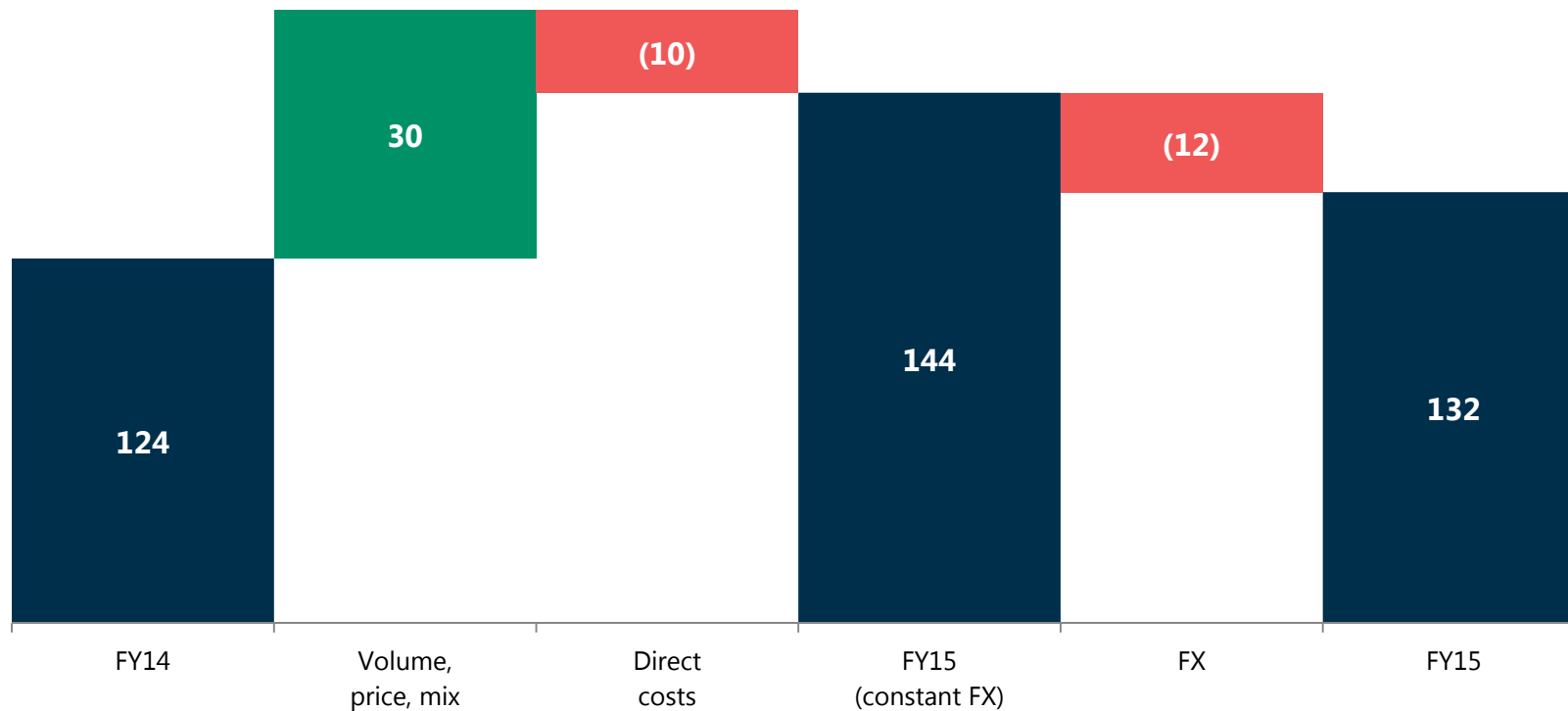
# Appendix 11c

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



# Appendix 11d

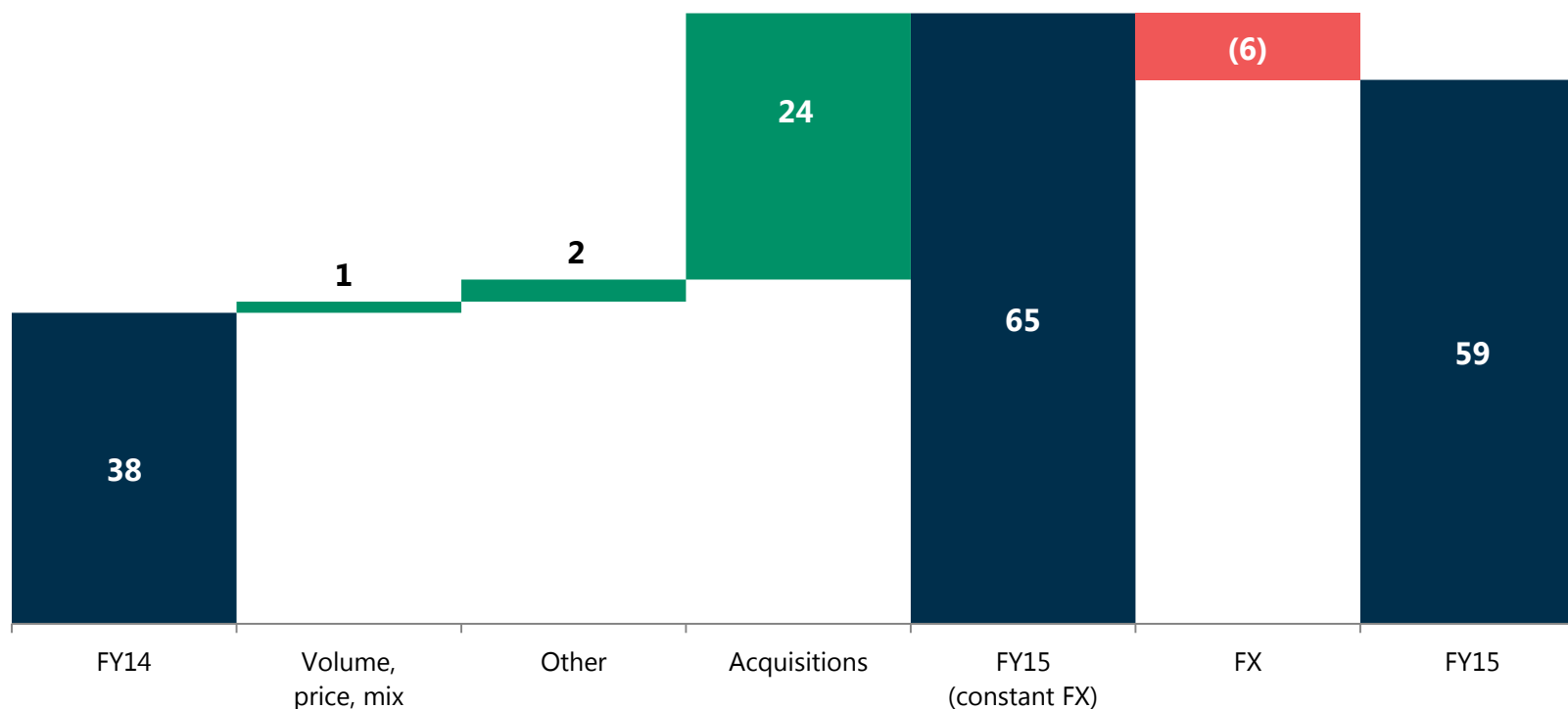
## RPCs: Underlying Profit analysis (US\$M)





# Appendix 11e

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



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# Brambles

## Full-Year Results

20 August 2015

