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TRANSCRIPTION

Company: **Brambles Limited**

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Graham Chipchase: Good morning everyone. I'd like to welcome you to Brambles full year results presentation, for FY24. I'll start this morning by presenting an overview of our performance for the year, provide further details on our newly announced capital management initiatives and our revised investor value proposition. Then I'll touch on the operating environment, update on our transformation program and outlook for FY25, before handing over to Joaquin for a detailed review of our financials.

Beginning on slide 3 and our highlights for the year, in FY24 our performance was strong across all aspects of the business. The financial results delivered on our investor value proposition, with sales revenue growth of 7%, significant operating leverage and a material improvement in free cash flow generation. Underlying profit growth of 17% and free cash flow before dividends of US$882.8 million were both ahead of our FY24 guidance.

This reflected ongoing commercial discipline to recover the cost to serve and structural improvements in asset efficiency during the year. These results underpin the 30% uplift in total dividends, which increased to US$0.34 per share in FY24 and resulted in the dividend yield of 3%.

I'm equally proud of the improvements we've made to our business fundamentals through our transformation program. These achievements strengthen our competitive advantage and value creation potential into the future and include significant improvements to our customer experience in all regions, translating to increases in net promoter scores, the reinforcement of our leading sustainability credentials, as we progress towards our FY25 sustainability targets, and a step change in the capital intensity of our business, which has led to the decision to undertake capital management initiatives in FY25.

Turning to slide 4. Before I talk about the FY24 operating environment and performance, I would like to go through our newly announced capital management initiatives and our revised investor value proposition over the next two slides. The improvement in the capital intensity of our business is evident in the material increase in our free cashflow generation and the expectation of this continuing into FY25. Combined with a current leverage position of 1.12 times net debt to EBITDA, this improvement has led to the two capital management initiatives we have announced today. The first being to increase the target dividend payout range from 45% to 60% currently, to 50% to 70% from FY25.

This dividend policy provides flexibility and creates a strong link between the performance of the business over time and annual cash returns to our shareholders. Our second initiative is an on market share buy-

back of up to US$500 million in FY25, subject to market conditions. Both of these initiatives are aligned with a capital allocation framework, which now forms part of our investor value proposition outlined on slide 5.

Most of you will be familiar with the left hand side of this graphic, which articulates the value creation model of our business. This centres on our circular share and reuse model, that leverages our network advantage and expertise to achieve operational and asset efficiencies that, in turn, generate free cash flow we can use to fund growth and shareholder returns. With the structural increase in free cash flow generation, we have embedded our capital allocation framework into our investor value proposition, which seeks to maximise shareholder value through an active and disciplined approach to allocating capital. Under this framework, we will continue to prioritise reinvestment in the business to fund growth and initiatives that optimise and transform our operations.

These investments are expected to consistently deliver annual revenue growth in the mid-single digits, with operating leverage and strong cashflow generation. When assessing growth options, we will consider both organic and inorganic opportunities. However, given our leading market position in all regions, we expect inorganic growth initiatives to be limited and we will maintain a disciplined approach to evaluating such opportunities. Maintaining a strong balance sheet continues to be a priority and we have set a medium-term net debt to EBITDA target of between 1.5x to 2x. We believe this is a prudent and optimal level of leverage for our business, which also supports our investment grade credit rating. After funding reinvestments in the business and maintaining a strong balance sheet, we will focus on shareholder returns.

Firstly, through sustainable dividends, in line with our revised policy and secondly through the deployment of surplus capital to optimise our capital structure and create incremental shareholder value. This strategy has led to our decision today to undertake an on market buy-back in FY25. By allocating capital in accordance with this framework, we expect to deliver total value for shareholders in excess of 10% per annum, while maintaining Group ROCI in the high teens.

Moving to the next slide and back to the FY24 operating environment. Our FY24 results were delivered in markedly different operating conditions to those experienced over the last few years. This included inventory optimisation across retailer and manufacturer supply chains in Europe and North America, which we now believe to be largely complete. During the year, the overall range of input cost inflation moderated from the extraordinary highs of the last few years. This is reflected in lumber and fuel deflation in all markets and lower transport costs in the US.

The capital cost of new pallets has also fallen 15% on the prior year, although it remains higher than historic levels. While these dynamics saw the rate of price growth moderate from prior year levels, we continue to exercise commercial discipline and took price in the year to recover cost-to-serve increases largely related to labour inflation which persisted in all markets. Inventory optimisation contributed to more efficient pallet dynamics, primarily due to widespread pallet availability increase across the industry as retailers and manufacturers reduced pallet balances to near pre-COVID levels in Europe and North America.

This led to 12 million pallets returning back to our network in these markets. Combined with our ongoing efforts in asset efficiency, this supported the significant improvement in pallet cycle times and loss rates within customer supply chains in FY24. These more efficient pallet dynamics materially improved our capital efficiency with 15 million fewer new pallet purchases during the year. Importantly, the capital efficiency benefits are materially higher than the increase in operating costs associated with higher pallet returns and recoveries.

With improving pallet availability, our business was able to pursue and win new business during the year. However, dual sourcing initiatives by some larger customers offset contributions from new contract wins in the period, while declining whitewood prices delayed the decision to convert to pooling by some prospective customers. In addition to weak macroeconomic conditions and the impact of inventory optimisation, these factors limited our volume growth in the year.

Turning to the next slide. The progress we have made with transformation has been critical in creating stability and increasing our resilience in this evolving operating landscape. Among our key achievements have been those directly benefiting our customers. These include improving service levels and investing in the quality of our pool to reinforce the fundamentals of our customer value proposition. Delivering on these core elements of our proposition has been a key driver of the improvement to our customer metrics, including net promoter score, which increased materially across all regions.

Our teams remain focused on improving the customer experience through faster resolution of customer queries, adding digital capabilities such as real-time delivery notifications to our customer portals, and leveraging our evolving data analytics capability to progressively roll out proactive ordering. Our automation investments are delivering cost savings, whilst also improving the efficiency, quality, and safety performance across our operations. Importantly, they have added critical capacity across our network, which enabled us to absorb the high volume of pallet returns from inventory optimisation and continue delivering for our customers.

Through structural changes made to how we collect, repair, and incentivise the efficient use of our assets, we recovered and salvaged an additional 16 million pallets in FY24. This is a substantial improvement on the strong result of 10 million pallets achieved in FY23. These processes and commercial terms are now embedded across the business and crucially underpin our confidence in the structural improvements we have made to asset efficiency and free cash flow generation. As we optimise the performance of our business, we are also reinvesting to shape the Brambles of the future through our digital transformation. Our data analytics capabilities are now an integral part of our organisation and we continue to test, learn and adapt our approach to deploying and extracting value from different asset tracking technologies.

You will see some of our achievements outlined in the slide, but the key thing I want to highlight is that our digital capabilities have been a critical enabler of our customer, commercial and asset productivity achievements this year. At our Investor Day in September, we will take the opportunity to detail the ways in

which our digital transformation has improved our business, the value it has created and how it is setting us up for future success.

Turning to our transformation scorecard on the next slide. You will see many of our metrics are complete, while others are progressing and remain on track. This has supported the business and been a key driver of our financial and operational success over the last few years. However, adverse operating conditions have impacted the progress on some metrics and we continue to implement various initiatives to address those shortfalls. In customer, Joaquim will cover our volume performance in more detail, so I'll move straight to product quality. Here the defects per million pallets improved by 10% against the FY20 baseline, but this remains 3% behind target. There are plans in place to improve controls in a number of plants to deliver the appropriate pallet quality to customers.

Despite the benefits from pallet durability initiatives, pallets have spent an extended period in the supply chain, leading to higher damage rates in FY24. As a result, we have been challenged on our target to reduce the pallet damage ratio by 75 basis points year on year through FY25. However, we expect ongoing durability initiatives and improving cycle times to support efforts to reduce damage rates. Finally, looking at business excellence, we have continued to make progress towards our target of at least 40% of women in management roles, with female representation now at 37.5%. This represents a six point improvement since FY21, however we are tracking below target and have strategies in place to hire, retain and engage female employees to progress towards achieving our target.

The next slide outlines the pathways to achieve our FY25 target of reducing uncompensated pallet losses by 30% and implementing automated repair processes across our service centres. Starting with uncompensated pallet losses, you can see the significant improvement achieved this year, which is also the first reduction in uncompensated losses since FY16. This improvement was driven by greater pallet availability, leading to lower unauthorised reuse and loss rates, as well as asset efficiency initiatives, and increased collections and shortened cycle times.

Notwithstanding these improvements, we are currently tracking below the target, but our strong exit rate in the second half of FY24 and continued benefits from asset productivity initiatives underpin our expectation of achieving this target by the end of FY25. Moving to automation, our FY25 target for automated repair installations across the network was revised from 70 to 50 sites in FY23 following a site by site return assessment and exercising capital allocation discipline. We implemented 8 automated repair processes in FY24 and expect to implement 36 by the end of FY25. However, we continue to invest in other efficiency and supply chain initiatives to compensate for the returns not generated from the sites where automated repair processes are no longer being pursued.

Moving to slide 10, which outlines some of our sustainability achievements for the year. During FY24, we made considerable progress against our FY25 sustainability targets, moving ever closer towards our ambitious, regenerative vision. We are proud to operate a circular business that supports the reduction of emissions in thousands of customer supply chains across the world. In FY24, working with our customers

and partners, we collectively removed 1.9 megatonnes of CO2 emissions. Decarbonising our own supply chain also remains a core focus for our low carbon operations. Across our entire value chain, representing scope 1, 2 and 3 emissions, we have achieved a 7.9% reduction in greenhouse gas emissions against FY23 and a 15% reduction on our FY20 baseline.

We continue to track ahead of the glide path to deliver our 2030 science-based targets and 2040 net zero targets. Our strong safety culture was demonstrated again in FY24, as we reduced our injury frequency rate by nearly 24%, marking our fifth continuous year of reduction. Through our community initiatives, we have contributed a total value of US$9.4 million back to the communities where we operate. This includes volunteering leave for employees, financial donation and in-kind support, including through our support for food bank organisations, which facilitated meals for 20.6 million people facing food insecurity in FY24.

It is a huge credit to our sustainability program and the employees who work to support it that we have continued to be recognised for our efforts and strengthen our leadership and sustainability. This year, we advanced to number 2 in Corporate Knight's Global 100 List, and were ranked fourth in *Time* magazine's inaugural list of the world's most sustainable companies.

Moving to slide 11 and our FY25 outlook, for the year ahead we expect sales revenue growth of between 4% and 6% at constant currency. Our expectation for underlying profit growth is between 8% to 11% at constant currency. Both these figures sit firmly within our investor value proposition.

Free cash flow before dividends is expected to be between US$750 and US$850 million, supporting the increased dividend payout range and on market share buy-back I outlined earlier. I would now like to hand over to Joaquin to run you through the financials, as well as provide further information on the considerations that underpin our FY25 outlook.

Joaquin Gil: Thanks Graham and good morning everyone. Before diving into the detail of our FY24 financial results, I wanted to touch on the key drivers of the year on year performance, which will be a recurring theme as we move through the slides. As Graham mentioned, we continue to focus on commercial discipline and aligning our pricing with the cost to serve. With ongoing cost to serve increases in FY24, we delivered a new price realisation of 3%, which was consistent throughout the year and continued in the fourth quarter. Importantly, this alignment includes all the work we have done to link pricing to asset productivity in order to incentivise the efficient use of our assets across customer supply chains.

This link, combined with other asset productivity initiatives and the improvement in overall market conditions has led to a US$105 million or a 37% decrease in our IPEP expense in FY24, which reflect the progress we made in reducing uncompensated pallet losses and an increase in asset compensations. Linked to this is the 10 point improvement in the pooling CapEx to sales ratio to 13% in FY24, in line with our guidance. Our ongoing commercial discipline combined with improvements in asset efficiency contributed to the 1.8 percentage point increase in Group profit margins this year and the 385 million

increase in free cash flow before dividends. As Graham outlined, the structural improvements we have made to the business delivered total value creation for shareholders of over 10%.

Turning to slide 14 and an overview of our full year results. I will outline our sales and underlying profit performance in more detail shortly but wanted to take the opportunity on this slide to highlight the key things to know about our profit after tax and EPS performance. Profit after tax from continuing operations increased 17% in line with operating profit and included an 11% increase in net financing costs, which reflects the full year impact of the 8-year €500 million green bond, issued in March 2023 and higher discount rates on lease renewals and extensions. The effective tax rate of 30.5% increased from 30.1% in FY23 mainly due to the full year impact of the UK tax rate increase from 1 April 2023.

Profit after tax included a non-cash hyperinflation charge of US$8.4 million, which relates to our operations in Türkiye, Argentina and Zimbabwe. This charge reflects a revised approach to accounting for hyperinflation, following an annual review of our accounting policies and to align with market practices. The FY23 comparatives have been restated accordingly. Appendix 3 provides specific details about our revised approach, but at a high level, the inflationary impacts on non-monetary net assets, which was previously recognised in the P&L, will now be recognised in equity on our balance sheet along with the FX impacts on all net assets. The inflationary impacts on monetary net assets and P&L items will continue being recognised in the P&L and this is what the $8.4 million charge relates to.

Looking at Group revenue growth in more detail on slide 15. Group sales revenue increased 7%, driven by price realisation. This included a four percentage point rollover contribution from prior year pricing actions and a new price realisation of 3%. Current year pricing included mixed impacts associated with a link between customer pricing and asset efficiency metrics. With the improvements in asset efficiency, we have seen lower contributions from pricing mechanisms linked to cycle times and loss rates in customer supply chains where these metrics improved.

Like for like volumes in the period were flat and included a one point adverse impact linked to inventory optimisation in North America and Europe. Excluding the impact of inventory optimisation, like for like volumes increased 1%, as growth from existing customers in Australia and US pallets businesses more than offset lower pallet volumes in Europe due to softening consumer demand. Net new business growth in the period was also flat, as the contribution from new contract wins in most markets was offset by the factors that Graham outlined earlier.

Pleasingly, we saw an improvement in fourth quarter volumes as we cycle through the impacts of inventory optimisation, dual sourcing having moderated in the second half, and whitewood prices stabilising with some very early signs of increases in certain markets. These factors inform our expectation of positive volume growth in FY25.

Turning to slide 16 and Group underlying profit, which increased 17% in the year. As you can see, the sales contribution to profit of $403 million combined with the material reduction in IPEP offset cost increases

associated with inflation, higher pallet return rates and investments in transformation initiatives. North American surcharging decreased $38 million in line with moderating market prices for lumbar, fuel and transport in this region.

Combined plant and transport costs increased by $163 million and included inflationary impacts of approximately $65 million, primarily due to rising labour costs which were partly offset by deflation in lumbar, fuel and US transport costs.

The balance of the plant and transport cost increase related to investment in both pallet quality and customer experience initiatives, as well as repair, handling, storage and transport costs linked to inventory optimisation. These cost increases were partly offset by automation and operational efficiencies.

Depreciation increased $46 million, largely driven by the impact of pallet price inflation on the value of assets added to the pool over the preceding 12 months. Other cost increases of $48 million reflect overhead wage inflation and head-count increases to support growth and the delivery of overall transformation benefits. These costs were partly offset by higher asset compensations.

Lastly, Shaping Our Future transformation cost increased $21 million, as higher ongoing corporate transformation costs, including investments in digital, asset productivity, and customer service initiatives, were offset by a $23 million reduction in short-term transformation costs which concluded in the prior year.

Turning to asset efficiency on slide 17 and the significant improvement in our pooling CapEx to sales ratio, which reduced 10 points in the year, driven by 15 million fewer pallet purchases, lumbar deflation and the impact of higher revenue in the year. The 15 million reduction in the number of pallet purchases resulted in a $436 million decrease in pooling capital expenditure.

Pleasingly, eight million fewer pallet purchases in the year reflected a step change in the capital intensity of our business, as we recovered more pallets through asset efficiency initiatives. The balance relates to the benefit of utilising seven of the 12 million pallets returned through inventory optimisation. The residual five million pallets remain in storage in North America and are expected to deliver capital expenditure benefits in FY25. The impact of lumbar deflation reduced our capital expenditure in the year by approximately US$150 million. Inventory optimisation reduced the pooling CapEx to sales ratio by two points. Excluding this benefit, the FY24 pooling capital expenditure was approximately 15%.

Turning to free cash flow, we delivered $883 million of free cash flow before dividends, an increase of $385 million on the prior year. The key driver of this increase was the $523 million reduction in cash capital expenditure outlined earlier. The combined movements in working capital and other cash flow items decreased $199 million and included the reversal of FY23 timing benefits of $90 million, with the balance of the decrease primarily due to movements in deferred revenue and non-cash adjustments, mainly relating to asset disposals.

Cash flow from discontinued operations declined $37 million on the prior year comparative, which benefitted from the $41.5 million final settlement from first reserve. The $108 million increase in financing costs and tax was largely driven by additional tax payments due to increased profit and higher Australian tax instalments.

Moving to slide 19. As noted earlier, a number of one-off items impacted free cash flow. Inventory optimisation resulted in CapEx benefits of $160 million relating to approximately seven million pallets, which were utilised in the period to support business demands. This benefit was partly offset by the reversal of FY23 timing benefits of approximately $90 million. Adjusting for these items normalised FY24 free cash flow before dividends was $813 million.

Turning to slide 20 and our segment performance, starting with the results for CHEP Americas. The Americas segment delivered sales revenue growth of 6%, reflecting both in year pricing and rollover contributions of pricing actions taken in FY23. Volumes were flat, as growth in Canada and Latin America was offset by the impact of inventory optimisation on like for like volumes in the US.

Underlying profit increased 23% and margin increased 2.6 percentage points. Profit growth reflected pricing and commercial initiatives, operational efficiencies and asset efficiency benefits driving lower IPEP. This was partly offset by additional costs associated with higher pallet returns, including additional storage costs, lower surcharge income and increased investments in asset productivity and other transformation initiatives. Return on capital invested improved 3.1 percentage points, driven by increased earnings, partly offset by a 5% increase in average invested capital, which reflects the addition of higher priced pallets to the pool, compared to the value of assets written off.

Turning to the revenue profile of the US pallets business on slide 21. Sales revenue for the US pallet business increased 7%, reflecting price realisation with a three percentage point contribution from in year pricing actions and rollover contributions from the prior year, delivering four percentage points of growth. Like for like volumes in the period were flat due to inventory optimisation. Excluding this impact, like for like volumes increased 1% reflecting growth in produce, beverage and protein sectors. Briefly covering historical like for like volumes, FY22 and FY23 included the impact of pallet availability challenges, while FY21 benefitted from COVID-19 related demand increases.

Net new business volumes in the period were flat, as modest customer wins, largely small and medium enterprises, were offset by some volume lost due to dual sourcing, primarily in half 1, whitewood price deflation delaying pooling conversions and rollover impacts of prior year losses. In line with my comments on quarter 4 Group volume performance, US volumes for the fourth quarter increased 1% with modest organic growth and net new business wins.

Turning to the EMEA region on slide 22. CHEP EMEA delivered sales revenue growth of 7% driven by price growth of 7% as volumes remained in line with FY23, reflecting inventory optimisation and softening consumer demand in the European pallet business. Underlying profit increased 15%, with margins

improving by 1.8 percentage points. This was primarily driven by sales flow through to profit, transport and automation efficiencies, and higher pallet compensations which offset increases associated with labour inflation, costs associated with higher pallet return rates and additional investments to support asset productivity and transformation initiatives. ROCI in the period improved 3.1 percentage points, reflecting the strong profit growth and improved capital efficiency, including the benefit of inventory optimisation and asset productivity improvements driving fewer pallet purchases.

CHEP APAC delivered sales revenue growth of 9%, including price growth of 6% driven by both current and prior year pricing actions, and volume growth of 3%, mainly with existing customers in Australia, driven by improved pallet circulation in FY24. Underlying profit increased 5% on a strong prior year comparative, which included one-off insurance proceeds of $8 million. Excluding prior year one-offs underlying profit growth of 10%, reflected sales growth and higher pallet compensations, partly offset by costs associated with improved pallet circulation in Australia and inflation.

ROCI decreased 0.9 percentage points or, when excluding one-offs, ROCI increased 0.6 points on the prior year. Profit growth in the period, adjusted for the one-off proceeds, more than offset the 8% increase in ACI, which included the impact of pallet purchases in FY23 and FY24 to service customer demand and higher lease costs, including new property leases, taken out in the period.

I will now take you through the corporate segment on slide 24. Overall costs in the corporate segment increased $29 million, largely due to a $21 million in Shaping Our Future spend. The increase includes an additional $32 million investment to support the digital transformation, largely relating to an additional headcount in asset digitisation and data analytics.

Investments in other transformation activities increased $11 million, mainly relating to customer experience initiatives and transformation delivery. These increases were offset by a $23 million reduction in short-term transformation costs, which concluded in FY23. Other corporate costs increased $8 million reflecting labour related cost increases, including wage inflation.

Turning now to our Group guidance for FY25. We expect sales revenue growth between 4% and 6%, with a balance contribution from both price and volume. Underlying profit growth of 8% to 11% includes expansion in the EMEA, APAC and Group profit margins. America’s margins are expected to remain in line with FY24, as we continue to invest in customer and other transformation initiatives.

At a Group level, benefits from supply chain initiatives are expected to be partly offset by incremental spend, relating to customer experience and quality initiatives. Surcharge income is expected to be broadly in line with FY24 levels and we expect to see further improvements on the IPEP expense, reflecting continued improvements in asset efficiency, however the benefit of lower pallet losses is expected to be partly offset by higher unit cost of pallets written off.

Shaping Our Future spend in FY25 is expected to increase to approximately $150 million, which includes approximately $110 million relating to digital spend to support data analytics capabilities and the smart assets strategy.

Moving to slide 26. In FY25, we expect to deliver $750 million to $850 million in free cashflow before dividends, with pooling CapEx to sales of approximately 13% to 15%, which includes the benefit of utilising five million pallets currently in storage in North America at the end of FY24.

Non-pooling capital expenditure is expected to increase $130 million, which includes an additional $70 million relating to incremental digital investments as well as additional supply chain investments relating to automation, pallet durability and network optimisation. FY25 ROCI is expected to improve by approximately one percentage point from FY24 levels.

In summary, we are pleased with our performance this year, which reflects fundamental improvements across all aspects of our business. We exit FY24 with improved momentum in key areas of the business that provide us confidence in our FY25 outlook. The structural improvements we have made to free cash flow generation, combined with our strong financial position, has led to us announcing capital management initiatives in FY25. These initiatives are aligned with our active approach to shareholder value creation, which underpins our investor value proposition.

I will now hand over to the operator for Q&A.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speaker phone, please pick up the handset to ask a question. Your first question comes from Andre Fromyhr from UBS.

Andre Fromyhr (UBS, Analyst): Thank you, good morning. My first question is about the free cash flow outlook into next year and I appreciate the normalisation adjustments that you have presented on slide 19 for FY24, but if we look into the guidance of $750 million to $850 million next year – just wondering if you could talk through some of the moving parts there?

A midpoint of $800 million is roughly in line with that normalised number that you present for FY24 but am I right in saying that there is still going to be some CapEx benefits from the five million from getting pallets in FY24, but at the same time you are spending more on non-pooling. Just wondering if you could talk through some of the moving parts to get from FY24 to FY25? Thanks.

Joaquin Gil: Yes, thanks Andre and good morning. Just covering off that question, really, about the cashflow forecast for next year. I think we have given that guidance range of 13 to 15 percentage points of sales and you are right, there are five million of inventory optimisation pallets that we will use in FY25.

So, the way I look at that is if you were to normalise that 14%, then it's running at about 15.5%, which is obviously still below the target we had at Investor Day in 2021, when we said 17%. Then the other comment you made is exactly right, so our non-hire CapEx spend in FY25, we have guided to up $130 million, so that is a continuation of automation spend and also digital spend.

Andre Fromyhr (UBS, Analyst): Okay and then my other question is specifically around the sources of margin expansion. We can see in FY24 the lower IPEP was a strong driver of that margin expansion. You have called it out as one part of the story for FY25 – the operating leverage that you have guided for there. So, maybe you could help us understand how significant a part of the margin story IPEP is going to be in FY25 or is IPEP now at a sustainable level if we were comparing it to sales?

Joaquin Gil: I think there is still an opportunity in asset efficiency and IPEP. What you see heading into FY25 is that we still expect to reduce the number of units on an uncompensated loss basis, but obviously the average cost of pallets that will be written off increases, obviously as we cycle the period of high lumber inflation.

So, you should still expect to still see a benefit from IPEP, but it won't be anywhere near as big as the benefit that we have had in FY24. I think then what you see driving our operating leverage next year is really operational efficiencies in supply chain and you will see, also, that we have guided to overheads being flat year on year, excluding Shaping Our Future. So, again, you can see that sort of cost management, productivity and efficiency that we are driving, to drive leverage, while we continue our disciplined approached to recovery of cost to serve.

Andre Fromyhr (UBS, Analyst): Okay, thank you.

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

Matt Ryan (Barrenjoey, Analyst): Thank you. Just coming back to comments on CapEx. I think within the Shaping Our Future comments, you were talking about 16 million pallets salvaged up from 10 million the year before, so how does that feed into your CapEx expectations? Do you think that 16 million was including anything one-off in nature or do you think that's a reasonable number to think about moving forward?

Joaquin Gil: Yes, I think as we move forward we still see an opportunity to improve that number through asset recovery and go to market, and I think as you touched on, Matt, the benefits that we are getting through digital, both data analytics and the data that we get from continuous and targeted diagnostics or the GPS units that help us track pallets – we still see further runway on that, it's just a more gradual progression than it has been up until now.

Matt Ryan (Barrenjoey, Analyst): Okay, that is helpful. You made a comment that fourth quarter volumes in the US were up 1%. That's obviously a decent improvement on what you have been tracking at. Can you

help us to understand what was going on in that quarter? How does that look within your guidance for next year?

Joaquin Gil: Yes, Matt, what we were trying to help there with is obviously you can see that we're guiding to volume growth in FY25 and so as we've got to that fourth quarter in the US, we are cycling periods of destocking, so like for like growth improves, and then also we are seeing positive and net new business wins as we obviously cycle the rollover losses from the year before. So, how we look at it is we have got good volume momentum both in the US and across the Group as we head into FY25.

Matt Ryan (Barrenjoey, Analyst): Got it. Can I just clarify the IPEP guidance, just coming back to the question a minute ago. So, are you – the second half was a big improvement on the first half. Are you suggesting there is another improvement on the second half or are you just simply saying that you will have a year-on-year improvement in '25 versus '24?

Joaquin Gil: Matt, I would say the full year is what we are guiding to rather than the half. So, obviously you saw a significant improvement in the second half, well, that will flow through into the first half. So, year on year for the full year, you should expect an improvement in IPEP.

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

Operator: Thank you. The next question comes from Justin Barratt from CLSA.

Justin Barratt (CLSA, Analyst): Hi guys, congrats on the results. Just wanted to ask, you made a comment in your presentation just around the competitive dynamic. Very consistent with what you sort of highlighted in the first half, but I just wanted to understand more broadly, has that competitive dynamic – is it increasing in its intensity, is it easing, or is it sort of flat compared to where it was six months ago?

Graham Chipchase: So, I would say overall there's not much change, but I think there are a couple of things which are moving perhaps in a slightly more favourable direction for us and I think we called some of these out. One is we are seeing a slightly lower intensity of customers wanting to switch to dual sourcing. We saw a lot more of that in the first half of '24. We saw a lot less in the second half, so we are hoping that is becoming less of an issue.

Similarly. We are seeing signs that the whitewood price in the US, in particular, has stabilised and might be now moving slightly in the upwards direction which help a little bit with the conversion rate from people using whitewoods moving to pooled. Both of those things are helpful, but when we look at the rest of the competitive landscape in terms of the other pooling competitors, I don't think there's any change really since six months ago. It's competitive, but it's not irrational, so I think it's situation normal from that perspective.

Justin Barratt (CLSA, Analyst): Fantastic, thank you very much. Then the other one I just wanted to ask – I think you sort of guided more to around 13 to 14 million pallet returns for FY24 and you ended up only

getting 12 million pallets back. Is that due to, I guess, surprises in the uplift in volumes in the fourth quarter? I am just trying to understand why you got slightly less pallets back than what you were anticipating.

Joaquin Gil: Yes, Justin, as you would know, forecasting is a challenging thing and particularly industry optimisation. So, it was based on the best information we had at the time and we were slightly wrong. We got slightly less pallets back. I think the big benefit for us is that we have done a lot of work over the last couple of years to manage our CapEx purchasing, so we are able to flex up and down to allow for the quantities that come back. So, it was just a question that we saw slightly less pallets come back.

Justin Barratt (CLSA, Analyst): Not a problem. Thank you very much.

Operator: Thank you. Your next question comes from Anthony Longo with JPMorgan. Please go ahead.

Anthony Longo (JPMorgan, Analyst): Good morning Graham, good morning Joaquin. I just wanted to ask a question on pricing. Again, that was extremely strong throughout the year and ultimately you got 3% realisation through the new contract structure in the year. How are you thinking now about cost to serve and the pricing outlook, going forward, given that you have really spoken to commercial discipline a number of times on this call thus far.

Graham Chipchase: Yes, I think what we are seeing is there is still labour inflation pretty much everywhere around the world and it is in that mid-single digits, I guess, roughly. We still think that the cost to serve are increasing, driven largely by that. As a result – and particularly some of it we get through a contractual mechanism anyway, we should be making sure we recover that. Having said that, as we know, the environment for our customers and the retailers is pretty tough out there at the moment.

I think what is incumbent on us then is to start upping our game on our own productivity and our own operational excellence, making sure that we're not letting overheads run away with themselves. So, I think there's a bit of self-help we have to do, too, but to the extent that the cost to serve does increase through things like labour, we are still aiming to recover that and as you saw in the FY24 numbers, we have been doing that through this year from that in-year pricing. That is largely driven by cost to serve increasing due to labour. I think, again, we don't see much change going forward based on that sort of information.

Anthony Longo (JPMorgan, Analyst): That's great and just a follow-up, again, on the pooling CapEx to sales ratio. On the call thus far, you have really highlighted step change a number of times in terms of your cashflows and what that looks like going forward and in the context of the pallets that have come back. How are you thinking about this business now going forward from a free cashflow after dividends perspective and then even at that ROCI target that you have given for next year. I mean, that is well north of what you have generated historically and on an increased investment base. How are you thinking about all of those dynamics together, going forward?

Joaquin Gil: Yes, I think as you have touched on, we feel that we have made a structural change in terms of our productivity and efficiency and I think to the earlier question around pricing, one of the things that we

have done really well is align our pricing mechanism to our set efficiency in terms of losses and cycle times. I think you can see our cashflow performance in FY24 and what we are guiding to FY25, subject to operating conditions, et cetera, we are comfortable in terms of our free cashflow going forward.

I think the other thing that, for me, gives us confidence is one, you can see the improvement, obviously, in IPEP and in CapEx to sales, but I think also what is really helpful is the progress we have made on asset productivity is literally hundreds and hundreds of initiatives, so it is not dependent on one initiative. So, hence, if one initiative underdelivers, then there is a range of other initiatives that help us overdeliver. I think, again, just reiterating that at that 2021 Investor Day, we thought the run rate for CapEx to sales was about 17% and now we are confident that it is below that number.

Graham Chipchase: I think the broader message that we are trying to get across here is that – and given the institutional history with Brambles, everyone knows that we have this history of doing a couple of years of good stuff and then it goes a bit backwards. We are really confident now that we have made changes in the business model to make the business much more resilient and that is manifesting itself in the cashflow generation. That was always the challenge, it was always the target, to get the cash generation up.

We were highlighting a year ago that we thought we were getting there, but because of the history, we wanted to at least do a couple of years in a row. I think what you are hearing us now say is the combination of actually delivering the second year and going out with the capital management initiatives, that should be a signal that we are much more confident that we have changed the business for the better in terms of the fundamentals and I think that is what we are trying to get across without getting too triumphant about it, because clearly two years is only two years.

But yes, I think that is where we are. It is driven, as Joaquin said, by a host of projects and initiatives and a lot of them are driven by data analytics and digital, but a lot of them are driven by more normal things like more trucks and more people on the ground. So, it's a whole combination across a whole scope of different technologies and actions and that is what gives us the confidence, I think, that this is a sustainable change that we are seeing.

Anthony Longo (JPMorgan, Analyst): Thanks very much, I appreciate it.

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

Owen Birrell (RBC Capital Markets, Analyst): Yes, thanks guys. Sorry to I guess linger on this point, but second half of '24, IPEP to sales, it looks like it fell down to roughly around 1.4%. Now that's – assuming my calculations are correct, that is well below historic levels of around 2% to 3%. I just wanted to understand, is that driven principally by the reduction in absolute losses or is there a material shift in the uncompensated to compensated ratio of those loses? Then I guess the question – back to Andre's point around how sustainable is that 1.4% into FY25?

Joaquin Gil: Yes, thanks Owen. I think just touching on a couple of your questions there. It's both a combination of losing less pallets and obviously that's the first prize and that is what we strive for. Then where pallets are lost, then being compensated for those. So, the improvement in IPEP is a combination of both of those and then what I would say is…

Owen Birrell (RBC Capital Markets, Analyst): Is it more skewed to one or the other – sorry, can I just ask, is it skewed to one more than the other?

Joaquin Gil: Reduction in loses is where it is skewed, but we have done a better job, obviously, in compensations as well.

Owen Birrell (RBC Capital Markets, Analyst): Okay, thank you.

Joaquin Gil: Then I think, you know, I would be a little careful on your percentage in halves. It depends on timing of audits of customers, et cetera, et cetera. The way I look at it – and we don't use this metric internally, but I know a lot of you do – which is if you look at FY23 IPEP as a percentage of sales, it was at 4.7%. Then if you look at FY24, we are at 2.8%. Then if you go back historically, a period where I had hair, it was at about 2%, right? So, for me, what that tells us is, yes, we have made a significant improvement but over time we still have an opportunity for further improvement to hopefully get back to that 2% number.

Owen Birrell (RBC Capital Markets, Analyst): That is excellent and just another question, if I may? One line in the slide pack talks about commercial solutions signed with two digital customer solutions? I'm just wondering if you can give us a bit of colour around what those customer solutions are. Are they external customer solutions and is that different from, I guess, the core business?

Graham Chipchase: Yes, so what we plan to do is give you a lot more colour when we get to the Investor Day but let me briefly say what it is. It is not our traditional business in the extent that it is not about renting a pallet, it's about digitising pallets for an existing customer but doing it in a way which gives them much more insight as to what is going on with the flow of products on the pallet, so they can intervene much more quickly and, for example, extend shelf-life. It is a new type of business for us. It is one which is clearly solving problems that our customers are having where there is a value destruction, therefore it is a real value creation opportunity for our customers and they are happy to share some of that value that is created with us.

It's a relatively low-cost solution for us, because it is about us utilising the data that is coming from the pallets and the sophisticated trackers. So, that is what it is. We will tell you a lot more about it when we get to the Investor Day, but I think it is very exciting. It is very small at the moment, so we don't want to get ahead of ourselves, but it is one of those areas where I think we can grow the business and it is one where it is not cannibalising our existing business. So, it really is a new add on, but again, early days.

This is just something, again, that we – this is exactly the thing that we talked about in the Investor Day in September '21, where we had an idea that it was something interesting. We put a page marker in for the

cost, but we did not know what the benefit was, so this is the very early signs that it is an interesting area to develop further, but we will talk about it more in a few weeks' time.

Owen Birrell (RBC Capital Markets, Analyst): Thank you.

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

Jakob Cakarnis (Jarden Australia, Analyst): Good evening Graham, good evening Joaquin. Can you just talk through the volume growth in the fourth quarter? I think your commentary in the third quarter trading update was that you expected volume growth in line with your customers. We have seen a lot of the FMCG brands report pretty decent reacceleration in volume growth, maybe as some of their own pricing pressure and pass through rolls off. Can you just talk to, firstly, the shape of that in the fourth quarter and then how we expect that to move to fiscal '25, please?

Joaquin Gil: Yes, no problem, Jakob, and good evening to you. As we touched on, obviously as you cycle that period of inventory optimisation from the prior year, then you see a recovery in like for like volumes and to your point about, let's say, other manufacturers, et cetera, for example, if you look at US Nielsen, our US volumes are tracking relatively close to those Nielsen numbers for consumer products in the US.

As you look out to FY25, what we expect is that you will see growth in like for like volume and will also see an improvement in net new wins. We have had a very strong new business pipeline but obviously historically low whitewood prices have delayed conversions and so we see that early signs of whitewood pricing at least being flat and starting to increase in some markets. So, that also gives us confidence that our rates of conversion should improve as we head to FY25.

How I look at it is revenue next year is much more – revenue growth is much more in line with our investor value proposition, where we have said one to two points from like for like or existing customer growth, one to two points from net new business, and pricing of around two to three.

Jakob Cakarnis (Jarden Australia, Analyst): Awesome, thanks for the extra colour there, Joaquin. Just one for Graham. I'm noticing in the LTI framework, moving forward, that there has been a large step up in those ROCI gains. I think it's probably adjusting more symbolic with wherever business is at, but can you just give us a sense – it doesn't look as though those sales CAGRs have changed much but the ROCI gates have, I think consistent with what you are acknowledging today, that the business is generating good free cashflow, maybe sustainably good. Can you just talk us through your discussions or some of the shape just around those ROCI targets, as well, please?

Graham Chipchase: Yes, I think as ever when it comes to LTI targets when you have had a couple of years of doing really well, then there is the natural requirement to stretch a bit further. So, there is an element of we have done well and therefore we need to make sure there is stretch in those targets otherwise people are going to start challenging whether the targets are too soft. But I think if you go back to it in a more

technical way, the revenue one hasn't changed even though I think we are going to – it is going to be a bit tough over the next year or so to get to the upper end of those limits.

But I think that's fair enough, you know? Because if you look at the longer-term, then those revenue targets are in line with investor value props, so we should stick to those. The ROCI one is an interesting one, because I think what we are doing now, because of the sustained – the much more structural improvement in free cash flow and the ability to exercise capital discipline – and, in theory, your ROCI is going to keep going up. But I think we have got to be a little careful that this doesn't then encourage us not to invest in longer-term projects, like digital, where the payback might be a little longer than 3 years or whatever it would be to keep on improving the ROCI.

So, I think where we have ended up is trying to balance that need for a stretching target, but recognising that in the medium-term, we should be investing a little bit more in things like digital and therefore, one would be very wary if ROCI kept on increasing and extrapolating over a five or six year period, because I think then we should be, rightly, trying to defend why we are not investing more in the business for the longer-term. That's kind of where we got to with it and I am very comfortable with where those grids are in terms of setting a stretching target but not being ridiculous.

Jakob Cakarnis (Jarden Australia, Analyst): Yes, thanks Graham. I appreciate that the press and maybe some of the financial advisors have a different opinion on this, but is there anything that we should read into your lack of appetite for inorganic growth? Is that flagging maybe to the market today that Loscam's not of interest, despite the press reports?

Graham Chipchase: I mean, I would not read too much specific in that. I think the broader context around inorganic is there isn't much we can do. If you look at our market shares in most countries around the world, there isn't much we can do and the one that you have quoted is about the only one that we would be silly not to look at. But at the same time, I think we have been very clear over the last 12 months or so whenever it has come up in the press that we are not going to do anything that is going to compromise the, I hope, now well-embedded view that we exercise capital discipline. I think that, for us, is first and foremost.

I think the other way of looking at it is we, by announcing the capital management initiatives – you do that because you take a view out into the future and you look at your balance sheet strength and the cashflow you aim to generation and the things that you know you have got to invest in for organic growth and things like digital, and you make a decision based on that. That does not mean that we cannot do a deal if we needed to or wanted to, but that does not mean that we are doing it, either.

I think you have just got to look at it on that basis. I think the most important element is you can rely on us to exercise capital discipline, like we did with Costco plastic pallets. The same would be, I think, with any inorganic MLA opportunity. We know that that's what our investors are expecting of us, so we absolutely don't want to compromise that.

Jakob Cakarnis (Jarden Australia, Analyst): Thanks guys, great result.

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

Anthony Moulder (Jefferies, Analyst): Good morning all. If I could get back to IPEP, this is probably the most questions you have ever had on IPEP, but I just wanted to understand the very strong result in that second half at [$45.9 million]. Are you telling us that that is the new norm on a half on half basis? Because it is a very strong improvement to FY25 that you would be looking into. Or is there a little bit of increase but it is certainly not going anywhere near back to that first half of ’24 result, but is that $46 million of IPEP effectively the new norm as we think about half on half for FY25, please?

Joaquin Gil: Yes, so I think, Anthony, just going back to something I said to one of the earlier questions again, I think looking half on half is not necessarily the right way to look at it because the timing of audits can change year on year. Instead, if you want to look at it in line with how others have been, which is that percentage of sales, what we are expecting is that, you know, you are at 4.7[%] in FY23, this year it is at 2.8[%], then you should expect a small decline in that percentage heading into FY25.

Anthony Moulder (Jefferies, Analyst): Well, I understand that certain things will go up from that second half of ’24 level, but still down on where they totalled for FY24.

Joaquin Gil: Maybe if I help you, Anthony, at a different way to look at this. I think included in the slide pack you have the glide path on uncompensated losses. If you look at the progress that we have made obviously this year, and then our commitment was to get to that 30% reduction, so you can see from that slide that we still expect the reduction in the number of lost units but as I said earlier, that is obviously going to be partly offset by the increase in the cost of pallets that we write off. So, that might be another way to help guide you to the FY25 IPEP forecast.

Anthony Moulder (Jefferies, Analyst): Okay and it sounds like it is skewed not so much towards the compensation levels from customers, but am I right in thinking that is an accounting change that you might not have received the full benefit of those higher compensated loss levels through FY24 and the rest of the potential benefit through ’25?

Joaquin Gil: No, look, Anthony, it’s not about accounting. For me, the first prize for us is to not lose assets and be able to pass those benefits onto customers. That is what we always do and then if we have suffered a loss, then to be compensated. So, I think as I said earlier, the majority of the IPEP improvement has come from a reduction in losses, but there has been some increase in compensation. Just so I cover it off, there has been no change in the IPEP methodology for over five years. I think it’s a lot longer than five years, but in the time I have been with the business, it is a bit over five. So, again, we are very consistent in our accounting methodologies.

Anthony Moulder (Jefferies, Analyst): A question for Graham, if I could? I appreciate you are on the Board, the business delivering return on investor capital of over 20%. How do you think about that buy-back as opposed to using some of that capital for greater organic growth? I appreciate that you have got a five

million pallet surplus in the US, but I am thinking more broadly around the world, how do you balance that decision between buying back stock or investing harder for a 20% return?

Graham Chipchase: Yes, I think when we look at the priorities, we always look at the organic growth opportunities first. That will be not just about growing volumes, it will be about investing in things like automation, investing in digital – so, it's the things that can give us operational cost benefits as well as topline growth. So, we go through the process and that will always be as maxed out as we think is reasonable and is doable with the resources that we have got.

The areas where I think we do look at it a little bit more now are can we go fast on some of these digital initiatives, and I think we will talk around digital customer solutions. That might be somewhere we can go faster. That is absolutely front and centre when we discuss these things at the Board. Then when you have exhausted all of those opportunities, you start looking at what to do in terms of the capital management ones. That is kind of where we got to, because I think I have seen a few comments around the 500, you know, how did we get – can't we do more than that? Does that send any signals?

I think just to be really clear, the 500 is largely driven by the fact that we can only buy a certain number of shares based on previous volumes of trading and we cannot trade in closed periods, and that is kind of where we get to the numbers. So, I do not think anyone should read anything more than that into that number, but in terms of order or priority, as I said, the first one is always what can we do to optimise organic growth first?

Anthony Moulder (Jefferies, Analyst): Understood and lastly, if I've got the net new wins that you talk of in the US – you are starting to see those coming from the whitewood conversion as opposed to other [ports]?

Graham Chipchase: Yes, I think that is, again, where we are focusing but I think there might be a few opportunities with some customers who are currently all on red pallets thinking about maybe doing a little sourcing, as well, so we are hoping a bit of that might come back in our favour. But the majority of this is all around converting the whitewood back into pooled.

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

Operator: Thank you. Your next question comes from Sam Seow with Citi. Please go ahead.

Sam Seow (Citi, Analyst): Good morning guys, congrats on the results. I just wanted to ask on EMEA there, it looks like they had almost an 800 basis point sequential improvement there in volumes, kind of fourth quarter on third quarter. I just wanted to check (1) is that correct and (2) just maybe help us understand the drivers. If the underlying market is that strong, net new wins or was there an impact in the PCP from an accounting adjustment?

Joaquin Gil: Yes, so thanks Sam. I think again, similar dynamics in EMEA and Europe as we have talked about earlier that obviously we are cycling a period of destocking and so we had a softer quarter four last

year, so you see that improvement in volumes. That is one of the drivers of the improved volume performance.

Sam Seow (Citi, Analyst): Okay, so the market is that strong? There was no adjustment in the PCP?

Joaquin Gil: No, so again, no adjustments to the numbers. Again, I think what you have just got to think about is that you are cycling a period of destocking, so we have talked about that in Europe, obviously, there is at least a one point impact from that impact of destocking.

Sam Seow (Citi, Analyst): Got it, got it. Then America's, the price and [unclear] material increase, as well, in the fourth quarter, I just want to get some colour there to help us understand the key drivers on that inflection and if you would call out I guess anything to suggest that isn't the right exit rate into FY25?

Joaquin Gil: I think we might need to take that away, Anthony (sic), from our perspective, pricing that again in that in-year price realisation has been pretty consistent within the period. It may be something to do with the comparative, but we talked about that at a Group level and it applies as you look at Europe around that 3% in-year pricing. So, that is the sort of number, but sometimes it is about cycling particular contracts in particular years. But that is how I would think about it, Sam.

Sam Seow (Citi, Analyst): That's helpful. Great result, guys.

Operator: Thank you. Your next question comes from Cameron McDonald with E&P. Go ahead.

Cameron McDonald (Evans and Partners, Analyst): Good morning, to start with the capital management framework, Graham, if I can? So if we think about what you have said so far with the proforma gearing at 1.35, I think you have said, inclusive of that buy-back, and then the guidance that you have given already. It does look like you have continued to de-gear into FY25. How do we think about the ongoing likelihood of capital management as leverage continues to fall?

Graham Chipchase: So, I am going to have to give you the very unhelpful answer, which is that this is a Board decision which we will discuss this time each year and then announce this time each year what the plans are for the following year. Now, I think it is fair to say that if we are continuing with this level of free cashflow and aren't seeing any significant incremental opportunities for organic growth or any other sort of growth, then clearly there are only two places we can get that cash. It is either going to be more dividends or it will be more buy-backs. I think what I always prefer doing is if we can do a mixture of the two but that just depends on where we are at any given point in the process.

I think the value and the reason we wanted to put the capital management framework into the investor value prop is to at least give the signal that it is now something that we are considering every single year going forwards. But we don't know what the answer is going to be every single year. So, I think one can draw one's own mathematical conclusions from those gearing limits and where we are now, but at the same time you would expect us to be reasonably prudent, too, and not go absolutely up to the max every

time we can because life is very uncertain, markets are very volatile at the moment, et cetera, et cetera, et cetera. It probably doesn't help you too much, but it might give you a bit more flavour around how we are thinking about it.

Cameron McDonald (Evans and Partners, Analyst): Yes, thank you, and just in terms of the outlook, you have got 400 and 500 basis points worth of margin expansion embedded in the outlook. How do we – so, traditionally that has been closer to two to three. As we roll forward into FY26, should we be expecting that that leverage comes back down into that normal range?

Joaquin Gil: Cameron, I am going to borrow one of Graham's lines, if I can, and I am going to be unhelpful here and say, look we really only give FY25 guidance, but I think, obviously, we have an Investor Day coming up and we will give you a bit more colour as to post FY25, the shape of both profit growth and investments and cashflow. So, if maybe we can hold that one over until Investor Day?

Cameron McDonald (Evans and Partners, Analyst): Yes, okay, because I mean clearly you did previously have goal posts out there from the last Investor Day, as well.

Joaquin Gil: Yes, and I think a couple of things, as you said, we had some goal posts out there and again we are committed to our investor value proposition, which says over the medium-term we will deliver operating leverage.

Cameron McDonald (Evans and Partners, Analyst): Okay and then last question is just on the outlook. You are guiding to some volume growth, but you are expecting it to be second half weighted. What gives you the confidence that that second half is going to come through relative to your caution around the first half?

Joaquin Gil: I think that second half weighting was in relation to net new business wins and that is based on, really, just the environment, as we see whitewood prices – our view, is will increase through FY25, so that will help the conversion rate of white to pooled pallets. Then on like for like volumes, we are obviously going to cycle destocking throughout the year.

Cameron McDonald (Evans and Partners, Analyst): No, I get the destocking thing, but how long does a normal – on average, does it take to contract someone from whitewood to pooled and – because what I am trying to get to is, are these conversations that you are going to convert in the second half, are these conversations that are currently under way, or are these conversations that are yet to commence?

Joaquin Gil: I would say probably a combination of both. We have a very strong pipeline and it takes time to convert and that really depends on an individual customer, you know? For small to medium enterprises, sometimes it takes a long time to build a relationship with customers. That is why forecasting is particularly challenging in this area. But I think what gives me comfort about that is that we do have a very strong new business pipeline in Europe and the US, in particular. So, it is a combination of existing customers, who are going to expand lanes and convert their whitewood to pooled and then also SMEs that we will convert.

Cameron McDonald (Evans and Partners, Analyst): Just as an extension of that, Joaquin, while I have got the floor, how many salespeople do you actually employ?

Joaquin Gil: Look, I think, again we have got a range of commercial people and it is difficult to in terms of where you want to draw that line, right? We have people who visit customers, we have got a customer service team, you have got asset protection people and productivity people. So, I think what I would say – and it is a variety of selling techniques. It is a combination of people, you also – we have myCHEP – so how I would look at it is one of the real benefits from the transformation program is that we are investing in key areas of the business. Improving customer service, growing the value proposition, as Graham talked about in digital – so, I think you have got to look at it a bit more than just number of people on the street when you think about our opportunity to grow new business.

Cameron McDonald (Evans and Partners, Analyst): Okay, great, thank you.

Operator: Thank you. Your next question comes from Scott Ryle with Rimor Equity Research. Go ahead.

Scott Ryle (Rimor Equity Research, Analyst): Hi, thank you very much. I have a question – the first one is hopefully relatively easy. In terms of – obviously you have had to purchase fewer pallets this year for the reasons that you have well discussed. I am wondering do you expect still to get many pallets back over the course of the next 12 months and in terms of the pallets that you are purchasing and building, virgin pallets, are you having any issues around availability, please?

Joaquin Gil: Coming to your first question, Scott – you might just need to remind me, sorry, I just lost my train of thought there. Your question was around…

Scott Ryle (Rimor Equity Research, Analyst): No, that is all right, I do it all the time. Are you expecting – you had 12 million or so pallets come back this year. Are you expecting many to come back over the next 12 months or is that kind of done now?

Joaquin Gil: Yes, certainly in Europe and the US, what we are saying is that we think that is largely complete. Probably the only market we are expecting a little bit more destocking is in Australia and then, you know, I think we are not struggling for access to new pallets. I think just what is really pleasing across the business is the improvements in asset productivity, cycle times, reduction in loss rates, means that we are needing to purchase less pallets than we have in the past.

Scott Ryle (Rimor Equity Research, Analyst): No, I get that but in terms of the ones that you do have to purchase – I mean, there has been some talk about lumber mills struggling financially and things like that. You're not having any problem with capacity of those lumber mills to deliver what you do need, which is admittedly less than what you have needed?

Graham Chipchase: No, absolutely not and I think if you remember, also, some of the deals we did four, five years ago, particularly in the US, have put us in quite an attractive position in terms of priority with

those mills and the flipside of it is we are supporting those mills by giving them some guaranteed volume. So, we don't anticipate any problems there.

Scott Ryle (Rimor Equity Research, Analyst): Okay, good, and then the second question. This is probably for you, Graham, I mean you have over the last few years – you know, even though there is more to go, as you say, the step change in asset efficiency, cashflow, et cetera has been extraordinary, if I can put it that way. What do you think a customer is noticing that is different from CHEP at the minute and maybe over the next two or three years, what are you hoping the customers notice?

I get you talked a little bit about scratching the surface on digital solutions, but I am more meaning just in terms of the core offering that CHEP gives to your customer base. What are you hoping that they notice already and what do you think they will notice over the next two or three years?

Graham Chipchase: I think what they have noticed already, and you can see it in the NPS scores, is that we are delivering on time better. Now you could argue that some of that has been because there are more pallets available and I think that would be a fair comment. But what we are seeing is that we are going beyond that now and that is – our focus on delivery and full-on time is absolutely making a difference. So, I think that is one thing and at the most basic level, what our customers want is to get the pallet they ordered, where they ordered it, when they ordered it and in a fit state to be used.

It's not much more complicated than that. I think the focus on delivery. There is a focus on quality, which again we are seeing the feedback from customers both directly and indirectly from people who go out and do surveys in various markets that people are now noticing that our quality is good. I think there is a challenge ahead there which is as more and more manufacturers and, particularly, retailers go to automated DCs, there is a quality of pallet that is required to ensure it works seamlessly in an automated environment and we are working really hard on trying to make sure that that is something we can deliver.

I think, then, there is the bit addressing the stuff which has always been a bugbear with Brambles around the ease of doing business. So, we are putting a lot of effort into things like MyCHEP and to delivering a much more seamless experience for our customers and trying to help them as well, so proactive ordering and giving them more insight as to what is going on in the market so they can manage their supply chains better. That is beginning to start having some traction where, you know, giving people advance notice of when we are coming to pick pallets up or when we are going to deliver them.

We are beginning to see that actually start flowing through into some of the metrics. I think we can go a lot further than that and this is where some of the things that we are experimenting with in terms of getting away with the audit process and just completely doing away with all that cost and time and effort to verify who has got which pallets where. That is something, if we can get that to work, is going to be really exciting and we will be in a unique position to deliver that for customers compared to anybody else. So, I think there is still a lot of stuff to do and you are right, it is not just that digital customer solutions are the bolt-on really

exciting stuff, this is also going to change – I think if we get it right – the way that people see the pallet providers and the pallet business of the future.

I think on top of that, if you can start giving more insights and helping them reduce waste generally and make supply chains more efficient, great, and we are also putting a lot more focus on showing our customers how using our pallets can help them with their sustainability targets. So, showing them that it can actually reduce emissions and help them, too. That is something that we have always known is important but we have not really gone on the front foot as hard showing why we can help more than anybody else because of our sustainability credentials. I think there is a lot of exciting stuff to come on the customer piece.

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

Operator: Thank you. Your next question comes from Ian Myles with Macquarie Research. Please go ahead.

Ian Myles (Macquarie Research, Analyst): Thank you, I will be very brief. Just on the Shaping Our Future transformation costs and CapEx. How long do you still see those being sustained or are they going to actually only get – be permanent sort of costs given technology tends to only have a life of circa three to four years?

Joaquin Gil: Thanks Ian. Look, I think as we get to Investor Day we will give you a bit more of a shape on the outlook in terms of – certainly as Graham has touched on quite a bit today, from a digital perspective we see there is obviously – depending on the success of some of the pilots that are underway – obviously continued investment in that area. Then, you are right, some of the initiatives are more – they were part of the transformation are more becoming BAU or business as normal, as Graham I think touched on.

You know, they have become embedded in the business and the way we do business today. But also, there still is investment to go into customer service and improving our interactions with customers. So, I think that is something we will give you more of a flavour for at Investor Day.

Ian Myles (Macquarie Research, Analyst): Okay, thank you.

Graham Chipchase: Everybody thanks very much for all your questions. I am sure I will be seeing some of you in the next couple of days and or Investor Day – I look forward to that. But as I say, we are very, very proud of these results. We are really happy with the progress on the transformation program and how it has translating into a much more resilient and structurally better business, demonstrated by the cashflow and the capital management initiatives. So, I really look forward to seeing you over the coming days and weeks. Thanks a lot.

[END OF TRANSCRIPT]