

Brambles third-quarter trading update: Revenue growth across major markets despite current volatility in the global operating environment

Key messages

- **Sales revenue growth of 6%¹ in the third quarter and in the first nine months of FY20².** Growth reflects the resilient and defensive nature of the business, with ongoing price momentum and strong volume growth across Brambles' major markets, notwithstanding increased uncertainty since the outbreak of COVID-19.
- **COVID-19** is driving material changes in operating conditions across all businesses:
 - **Employee safety and continuity across both customer and retail supply chains** are the top priorities for the business as it supports the flow of grocery products to meet increased global consumer demand;
 - **Pallets:** CHEP derives over 80% of revenues from customers in the consumer staples sectors and has experienced record levels of pallet demand across grocery supply chains in key markets during March 2020. Revenue from higher pallet volumes in grocery supply chains has more than offset demand-related increases in pallet repair & collection costs associated with rapid changes in network dynamics and CHEP's increased responsiveness to customer requirements; and
 - **Automotive and Kegstar:** Collectively account for ~5% of Group annual revenues and are materially impacted by automotive manufacturing shutdowns and government lockdowns in key regions.
- **Trading performance for the first nine months of FY20²** is in line with the delivery of the FY20 guidance provided at the 1H20 Result announcement in February 2020, including strong cashflow generation, which has increased by more than US\$150 million from last year.
- **Updated FY20 guidance:** Brambles' previous FY20 guidance has been updated to reflect increased uncertainty in the overall trading environment and the anticipated impacts of COVID-19 on its fourth-quarter trading performance. The COVID-19 impacts include a material reduction in fourth-quarter revenue and earnings contributions from the Automotive and Kegstar businesses, higher short-term costs associated with changes in the network dynamics and potential risks associated with delays in the receipt of compensation income and the collection of receivables. Notwithstanding increased levels of demand volatility and subject to further changes in the operating and economic environment due to COVID-19, Brambles now expects:
 - FY20 sales revenue growth of 5-7% at constant-FX rates; and
 - FY20 Underlying Profit growth of 3-5% at constant-FX rates and including the impact of AASB16.
- **Conservative balance sheet and strong liquidity profile** with A\$1.1 billion of funds on deposit and US\$1.3 billion of undrawn committed credit facilities as at 28 March 2020².
- **Share buy-back programme continuing and dividend policy unchanged** reflecting the strength of Brambles' balance sheet and liquidity profile.
- **May 2020 Investor Day postponed** due to COVID-19 related travel restrictions and government lockdowns. A revised date will be announced in due course.

CEO commentary

Brambles CEO, Graham Chipchase, said: "During this time of uncertainty, we're proud to be playing a vital role in keeping local, regional and international supply chains moving. With over 80% of our revenues derived from the consumer staples and grocery supply chains, our 11,000 people are showing commitment and perseverance in connecting people with life's essentials every day. Our highest priority is keeping our people safe and ensuring our facilities are well protected and appropriately managed to best support the needs of our customers and local communities around the world."

¹ At constant FX rates which is calculated by translating current period results into US dollars at the actual monthly exchange rates applicable in the comparable period, so as to show relative performance between the two periods.

² Brambles' third-quarter ended on 28 March 2020; the first nine months of FY20 refers to the period from 1 July 2019 to 28 March 2020.

“Since the outbreak of COVID-19, our pallets businesses have successfully met an unprecedented surge in customer demand and processed significantly higher repair volumes with minimal disruption across our service centre network. These elevated activity levels and changes in network flows have driven short-term increases in supply chain costs while maintaining service levels, quality standards and asset control in increasingly challenging conditions.

“With limited visibility into the sustainability of current operating conditions and even greater uncertainty about the longer term economic, financial and operating implications of COVID-19 we remain vigilant in how we operate our businesses and allocate capital across our portfolio. We are taking a number of actions around cost mitigation, working capital management and improved cash generation across the Group. In addition, in our US pallets business, plant automation rollouts scheduled for the balance of FY20 have been deferred to FY21 in order to maximise the level of capacity across our US service centre network and avoid any potential disruptions during this period of peak demand.”

Sales revenue for the first nine months of FY20

For Brambles’ largest businesses across Europe, North America and Australia, the effects of government lockdowns, changes in consumer behaviour and automotive manufacturing shutdowns in response to COVID-19 commenced in the last 2 weeks of March 2020. As a result, the impact on the nine-month and third-quarter trading performance was minimal.

Brambles generated sales revenue from continuing operations of US\$3,527.1 million for the first nine months of the financial year ending 30 June 2020 (FY20), reflecting a year-on-year increase of 3% at actual FX rates. At constant FX rates, sales revenue increased 6% and comprised equal contributions from volume and price growth in the period.

Sales revenue performance by segment was as follows:

- CHEP Americas sales revenue increased 9% at constant FX, including 9% growth in the third quarter. Growth was driven by pricing initiatives across the region and volume growth in the US Pallets business which included the rollover benefit from a large contract win in the prior year and solid like-for-like volume growth in the period;
- CHEP EMEA sales revenue increased 4% at constant FX, including 3% growth in the third quarter. Growth was driven by the rollover contribution from European Pallets and Automotive contracts won in the prior year and price growth across the region. Like-for-like volumes were broadly in line with the prior corresponding period reflecting subdued economic conditions across the region; and
- CHEP Asia-Pacific sales revenue in the first nine months of FY20 was in line with the corresponding period at constant FX rates as price and volume growth in the Australian Pallets business offset the rollover impact of a large Australian RPC contract loss in the prior year. Revenue decreased 3% in the third quarter of FY20 as the decline in RPC revenues more than offset price and volume growth in the pallets businesses.

Sales revenue	First 9 months of FY20			Third quarter of FY20		
	9M20	Growth vs. 9M19		3Q20	Growth vs. 3Q19	
		US\$m actual FX	actual FX		constant FX	actual FX
CHEP Americas	1,823.5	8%	9%	583.9	7%	9%
CHEP Europe, Middle East & Africa	1,379.2	-	4%	443.7	(1)%	3%
CHEP Asia-Pacific	324.4	(6)%	-	101.9	(11)%	(3)%
Continuing operations	3,527.1	3%	6%	1,129.5	2%	6%

Revised FY20 guidance

Brambles acknowledges the extraordinary nature of current operating and economic conditions and the inherent challenge in accurately forecasting trading and financial outcomes beyond the short term.

Notwithstanding Brambles’ trading performance to 28 March 2020 being in line with the FY20 guidance provided at its 1H20 Result announcement on 17 February 2020, Brambles is revising its FY20 expectations to reflect the rapidly

changing operating environment and increased level of economic uncertainty since the outbreak of COVID-19 which are expected to be a more material driver of performance during the fourth quarter of FY20.

The following guidance statements assume trading conditions in the fourth quarter of FY20 reflect current elevated levels of pallet volumes relating to consumer staples and in-home consumption, ongoing government lockdowns and a sustained shutdown of automotive manufacturing.

Whilst acknowledging the increased levels of demand volatility and the possibility of further rapid changes in the operating and economic environment due to COVID-19, Brambles expects FY20 sales revenue growth of between 5-7% at constant FX rates with fourth-quarter revenue growth in CHEP Pallets expected to offset loss of revenue in CHEP Automotive and Kegstar.

Including the impacts of AASB 16, FY20 Underlying Profit growth is expected to be 3-5%, principally reflecting a 1-2 percentage point impact from the fourth-quarter loss of CHEP Automotive and Kegstar revenue, together with short-term cost increases in CHEP Pallets due to changes in the network dynamics and potential risks associated with delays in the receipt of compensation income and the collection of receivables.

Conservative balance sheet and strong liquidity profile

Brambles continues to maintain a strong balance sheet position, a conservative gearing profile and has access to significant liquidity. As at 28 March 2020², Brambles' funding and liquidity profile included:

- A\$1.1 billion of funds on deposit;
- US\$1.5 billion in committed bank credit facilities, of which US\$1.3 billion is currently undrawn. The nearest maturity date being June 2021 for US\$0.2 billion of the committed bank facilities; and
- US\$1.6 billion in outstanding debt capital market issues with the nearest maturity being a €500 million European Medium-Term Note maturing in June 2024.

On-market share buy-back programme

Reflecting the Group's strong balance sheet and liquidity position, the share buy-back programme will recommence post the publication of the trading update. This decision is subject to the ongoing assessment of the Group's funding and liquidity requirements in response to changes in underlying operating and economic conditions.

At the time of the sale of the IFCO business, Brambles announced that up to US\$1.95 billion (A\$2.8 billion)³ of the US\$2.4 billion net sale proceeds would be used to fund a capital management programme.

As at 17 April 2020, A\$1.3 billion of the A\$2.8 billion capital management programme has been completed through a combination of a one-off special dividend and capital return totalling A\$454 million and an on-market share buy-back programme of A\$857 million. Since the 1H20 Result announcement in February 2020, A\$249 million has been spent on the share buy-back programme which is now 36% completed.

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³ US\$1.95 billion of the proceeds from the sale of the IFCO business was allocated to fund the capital management programme. At the time of the completion of the sale, a significant portion of the US dollar proceeds received were converted to Australian dollars to fund the Australian dollar denominated capital management programme. Going forward, Brambles will report progress against the capital management programme in Australian dollars. The A\$2.8 billion represents US\$1.95 billion converted at an exchange rate of A\$/US of 0.6926, the exchange rate at which the US dollars were converted to Australian dollars.

Brambles Limited (ASX: BXB) Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs more than 10,000 people and own approximately 330 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit www.brambles.com

Forward-Looking Statements: Certain statements made in this release are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "will", "should", and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Brambles' current beliefs, assumptions, expectations, estimates and projections. Forward-looking statements are not guarantees of future performance, as they address matters that are uncertain and subject to known and unknown risks, uncertainties and other factors that are beyond the control of Brambles, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Brambles cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the views of Brambles only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made – Brambles will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or events occurring after the date of this release, except as may be required by law or by any appropriate regulatory authority. Past performance cannot be relied on as a guide to future performance.