



19 August 2020

The Manager - Listings
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir/Madam,

2020 Full-Year ASX & Media Release

Attached is an ASX and Media Release from Brambles Limited on its financial results for the year ended 30 June 2020.

The release of this announcement was authorised by a Special Committee of the Board of Brambles Limited.

Yours faithfully
Brambles Limited

Robert Gerrard
Group Company Secretary

FY20 results in line with guidance: resilient revenue growth and strong cash flow generation despite Covid-19 and related uncertainty

- **Key priority is supporting customers and essential supply chains safely during the Covid-19 pandemic.** Despite extreme volatility, Brambles has provided uninterrupted service to customers since the outbreak of Covid-19.
- **Covid-19 impact in FY20** largely limited to the fourth quarter and characterised by spikes in pallet demand across global grocery supply chains, significant revenue declines in Automotive and Kegstar businesses and higher costs in all businesses due to demand volatility and changes in network flows.
- **Sales revenue increased 6%¹** as strong growth in the global pallet businesses more than offset Covid-19 related declines in the Automotive and Kegstar businesses which account for ~5% of Group revenue.
- **Underlying Profit² growth of 4%¹** included a 3-percentage point benefit from AASB 16. Excluding this benefit, the sales revenue contribution to profit from the global pallet businesses more than offset a US\$23 million earnings decline in the Automotive and Kegstar businesses, Covid-19 related inefficiencies and other cost increases across the Group.
- **Progress across CHEP Americas segment** including a 1-percentage point increase in US margins and, in Latin America, strong revenue growth and asset efficiency improvements.
- **Free Cash Flow (excluding special dividend) increased US\$261.1 million** and included a US\$114.1 million increase in reported cash flow due to the adoption of AASB 16. Excluding the benefit of AASB 16, Free Cash Flow increased US\$147.0 million reflecting higher earnings, asset efficiency improvements and effective working capital management.
- **2020 final dividend** of 9.0 US cents per share with total dividends for FY20 of 18.0 US cents per share resulting in a payout ratio of 53%, broadly in line with the prior year³ and consistent with Brambles' dividend policy.
- **FY21 outlook:** At constant FX rates, Brambles expects revenue growth in the range of flat to +4% with improved Underlying Profit margins and Underlying Profit growth in the range of flat to +5%. Brambles expects the FY21 dividend payout ratio to be in line with its dividend policy and for the share buy-back programme to continue through FY21. Outlook is subject to assumptions outlined on page 4 of this release.

Results Highlights	FY20 result	Change vs. FY19 ⁴	
	(Actual FX)	(Actual FX)	(Constant FX)
Statutory basis			
Sales revenue (continuing)	US\$4,733.6m	3%	6%
Operating profit (continuing)	US\$767.0m	4%	9%
Profit after tax (continuing)	US\$477.2m	5%	11%
Basic earnings per share (continuing)	US30.8¢	8%	14%
Loss after tax (discontinued operations)	US\$(29.2)m		
Profit after tax	US\$448.0m	(69)%	(68)%
Basic earnings per share	US28.9¢	(69)%	(67)%
Final dividend declared per share	US9.0¢		
Non-statutory basis – continuing operations			
Underlying Profit	US\$795.0m	(1)%	4%
Cash Flow from Operations	US\$743.9m	US\$312.1m	
Free Cash Flow after ordinary dividends	US\$171.5m	US\$261.1m	
Underlying Profit after finance costs and tax	US\$504.0m	(1)%	5%
Underlying earnings per share	US32.5¢	2%	8%
Return on Capital Invested (ROCI)	16.7%	(2.8)pts	(2.5)pts

¹ At constant FX.

² A non-statutory measure that represents profit from continuing operations before finance costs, tax and Significant Items.

³ Including IFCO's 11-month contribution to FY19 earnings.

⁴ The comparative period does not include the impact of AASB 16 Leases and IFCO is presented in discontinued operations.

Covid-19 impact

Covid-19 started impacting Brambles' largest businesses in March 2020 as the pandemic spread across Europe and North America, followed by Latin America and Africa. These impacts varied across regions and Brambles' portfolio of businesses.

Approximately 80% of Brambles' revenues are derived from customers in the consumer-staples sectors, which are primarily serviced by the pallet businesses. During March and April 2020, the pallet businesses experienced strong levels of customer demand across global grocery supply chains. This demand was driven by lockdown measures introduced in all major markets and subsequent changes in consumer behaviour including pantry stockpiling in developed markets and a shift to 'at-home' consumption across all regions. This initial surge in activity was followed by a period of high volatility in demand during May and June 2020 as regions across the globe progressed through different phases of the pandemic.

While revenue growth increased in line with higher pallet volumes, servicing the additional customer demand and managing volatility and disruptions across Brambles' network led to higher supply-chain costs during the period from March to June 2020. These cost increases largely related to additional transport, handling and repair costs required to ensure continuity of pallet supply while minimising the level of capital expenditure to service these temporary spikes in customer demand.

Brambles' Automotive containers and Kegstar keg-pooling businesses, which account for approximately 5% of Group revenue, were significantly impacted by Covid-19. Customer demand in the Automotive business was impacted by the closure of the global automotive manufacturing industry while in Kegstar, lockdown laws significantly reduced 'on-premise' consumption of beer in served markets from March to June 2020. Collectively, fourth-quarter revenues in the Automotive and Kegstar businesses decreased 50% on the prior corresponding period, reducing Group Underlying Profit growth by US\$23.0 million or 3-percentage points.

Covid-19 response

In response to the Covid-19 pandemic, Brambles worked with a leading global safety and public health consulting group to ensure processes and responses were in line with best-practice standards. Additional hygiene and safety procedures were swiftly introduced across Brambles' global service centre network, with best-practice and insights shared across more than 60 countries. Office-based staff were transitioned to working from home and provided with the necessary tools and support to adapt to new ways of working.

Operationally, Brambles' focus has been on the continuity of supply to its customers, thereby ensuring the flow of life's essentials to communities around the world. Faced with a surge in customer activity and increased volatility, the business has also focused on disciplined capital allocation, cash generation including working capital initiatives and cost minimisation.

Brambles remains committed to its US supply chain efficiency targets despite delays in rolling out service-centre automation during the fourth quarter of FY20 due to Covid-19 travel restrictions. Implementation of US service-centre automation recommenced in July 2020 and Brambles expects to meet its original FY21 implementation targets, including the completion of site upgrades delayed during FY20, assuming no further travel restrictions due to Covid-19.

Strategically, Brambles has refined its focus across four strategic themes to ensure it remains agile and responsive to changing needs driven by increasing uncertainty and volatility. These strategic themes are:

- **Customer value:** Improve the customer experience through simpler processes, additional services and enhanced platform quality;
- **Digital transformation:** Invest to transform information and digital insights into new sources of value for Brambles and its customers;
- **Asset efficiency & network productivity:** Improve asset and network productivity through ongoing programmes of automation and process standardisation to enhance operational efficiency and resilience; and
- **Business excellence:** Optimising Brambles' organisation, technology and processes to be simpler, more effective and more efficient. The Group is committed to fostering a culture of agility, innovation and continuous improvement, underpinned by appropriate tools and systems.

FY20 results overview

Sales revenue from continuing operations of US\$4,733.6 million increased 6% at constant currency as 8% growth in the global pallet businesses more than offset an 8% decline in the Automotive and Kegstar businesses. Volume expansion contributed 3% to Group revenue growth and was driven by new contract wins in the US and European pallet businesses and the Covid-19 related surge in global pallet volumes during March and April 2020. Price growth of 3% was driven by strong price realisation across the CHEP Americas segment in response to the higher cost-to-serve in the region.

Underlying Profit of US\$795.0 million included a US\$24.2 million benefit from AASB 16. Excluding the impact of AASB 16, Underlying Profit increased 1% at constant currency reflecting the pallet businesses' sales revenue contribution to profit, US supply chain efficiencies and a moderation in global transport and lumber inflation. These improvements were partly offset by a US\$23.0 million decline in Automotive and Kegstar earnings, Covid-19 related supply-chain cost increases, higher IPEP unit pallet costs and indirect cost increases across the Group.

Operating profit of US\$767.0 million increased 9% at constant currency and included a US\$34.8 million reduction in Significant Items. Current year Significant Items included the US\$28.0 million non-cash impairment of Kegstar reflecting the impact of Covid-19 and uncertainties over the ongoing performance of the craft beer segment. Prior year Significant Items of US\$62.8 million included IFCO-related restructuring costs and asset write-offs in Latin America.

Profit after tax from continuing operations of US\$477.2 million increased 11% at constant currency reflecting the improvement in operating profit and a reduction in net finance costs driven by the repayment of debt and increased Australian-dollar deposits following the receipt of IFCO sale proceeds in FY19.

Statutory profit after tax (including discontinued operations) of US\$448.0 million decreased 68% at constant currency reflecting the current-year loss in discontinued operations of US\$29.2 million which decreased from a profit of US\$1,013.6 million in the prior year which reflected the operating results and gain on sale of IFCO. The current-year loss relates to a US\$26.8 million post-tax impairment of the deferred consideration receivable from First Reserve in response to market conditions in the oil and gas industry.

Return on Capital Invested of 16.7% remained strong and well above the cost of capital despite a 2.5-percentage point reduction at constant currency. Excluding the impact of AASB 16, ROCI decreased 0.9-percentage points largely due to capital expenditure to support volume growth and investment in US supply chain programmes.

Cash Flow from Operations of US\$743.9 million increased US\$312.1 million reflecting higher earnings, lower cash capital expenditure across the Group and favourable working capital movements. Capital expenditure decreased US\$59.3 million driven by lower pooling capital expenditure which reflected asset efficiency improvements, a reduction in new pallet costs associated with the US lumber procurement programme and the non-recurrence of prior-year investments to support a large European Automotive contract and Brexit-related retailer stocking. These benefits were partly offset by higher non-pooling capital expenditure largely due to service centre maintenance and upgrades across the globe.

Free Cash Flow after ordinary dividends was a surplus of US\$171.5 million, up US\$261.1 million on the prior year driven by the strong improvement in Cash Flow from Operations, a US\$114.1 million increase in reported cash flow due to AASB 16 and lower cash financing and tax costs. These improvements more than offset the loss of cash flow from the divested IFCO business which made a US\$137.7 million contribution to prior-year cash flow from discontinued operations. In addition to ordinary dividends, Brambles paid a US\$183.2 million special dividend in October 2019 which was funded by the IFCO sale proceeds received in the prior year.

The Board has declared a **2020 final dividend** of 9.0 US cents per share bringing total ordinary dividends for 2020 to 18.0 US cents per share. This results in a payout ratio of 53% which is broadly in line with the prior year and consistent with Brambles' dividend policy to payout between 45% and 60% of Underlying Profit after finance costs and tax⁵. The 2020 final dividend will be paid in Australian dollars and will be 12.54 Australian cents per share⁶, with franking of 30%. The final dividend is payable on 8 October 2020 to shareholders on Brambles' register at 5.00pm on 10 September 2020. The ex-dividend date is 9 September 2020.

⁵ Subject to Brambles' cash requirements.

⁶ This reflects the US cents dividend converted at an A\$:US\$ exchange rate of 0.7175, the average exchange rate over the five business days ending 12 August 2020.

Outlook

Key assumptions and inputs for FY21 outlook include:

- No further widespread lockdowns due to Covid-19 in key markets of operation;
- A U-shaped economic recovery with economic headwinds to persist for the duration of FY21;
- A slow recovery in the Automotive and Kegstar businesses; and
- The broad continuation of current trends in input costs.

Within this context, the FY21 outlook is:

- Sales revenue growth between flat to +4% at constant FX rates, with improved Underlying Profit margins;
- Underlying Profit growth between flat to +5% at constant FX rates;
- Free cash flow expected to fund dividends and core business capex with investments to support new business opportunities within the core business and to further develop digital and efficiency objectives.
- Dividend payout ratio to be consistent with our dividend payout policy of 45% to 60%; and
- Share buy-back programme to continue subject to the ongoing assessment of the Group's funding and liquidity requirements in the context of increased volatility and economic uncertainty.

Given the unprecedented nature of the Covid-19 pandemic and resulting volatility, it is difficult to forecast with accuracy the likely impact on Brambles' business in FY21. For this reason, Brambles will update its internal FY21 forecast after the first three months of trading and review guidance in this context. While July may not be representative of the full-year, due to the phasing of government economic stimuli and the timing of known changes in customer contracts, Group revenues in July increased on a like-for-like basis 4% on the prior corresponding period, with high levels of volatility continuing across all regions.

CEO commentary

Commenting on the FY20 result Brambles' CEO, Graham Chipchase, said: "Our purpose as a company is to connect people with life's essentials every day and this has never been more important than now. I am extremely proud of the critical role our people have played in keeping supply chains open. They have overcome significant challenges to provide customers with uninterrupted supply of pallets, crates and containers to ensure the flow of essential goods to consumers around the world.

"Our FY20 result is testament to the efforts of our people, the agility of our network and the resilience of our businesses which serve customers in the consumer-staples sectors. Notwithstanding the operational and financial challenges associated with Covid-19, sales revenue and Underlying Profit growth were in line with guidance. In addition, we delivered on our commitment to increase US margins by one percentage point in the year while also improving asset efficiency and cost recoverability in Latin America. Cash flow generation improved significantly in the year and our balance sheet remains strong while we continued with the share buy-back programme and maintained dividend payments in line with our policy.

"Sustainability is at the heart of what we do and who we are as a company. I am very proud of the significant achievements we have made against our 2020 sustainability goals, which were considered very ambitious when they were announced in 2015. Among many other achievements, 100% of our lumber now comes from sustainable sources and we have over 30% female representation in leadership positions at both a Board and management level. As we look to the next phase of our sustainability journey and the announcement of 2025 sustainability goals in September, we will seek to leverage our position as a pioneer of the circular economy to contribute to a more positive and regenerative future."

Commenting on the outlook, Mr Chipchase added: "The Covid-19 pandemic has introduced significant operational and macroeconomic uncertainty which is likely to last for an extended period. Our outlook for FY21 assumes ongoing demand volatility in the context of a weaker economic environment and recognises the inefficiencies which arise across our network during periods of volatility. In response, we are vigilant in our approach to capital allocation and cost management. We remain committed to delivering our US margin improvement targets within the original timeframe set in 2018 and continue to seek further cost savings and efficiencies across our portfolio of businesses.

"Our highest priorities remain the health and safety of our people and ensuring uninterrupted service for our customers. The core elements of our strategy are robust and the focus on our four strategic themes - customer value, digital transformation, asset productivity and business excellence - position us well to manage near-term volatility and deliver sustainable value for customers, shareholders and employees over the long term."

Further Information

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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 approximately 12,000 people and owns 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", 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.

Background Information

US\$m	1H20	2H20	FY20	1H19	2H19	FY19
Sales revenue						
CHEP Americas	1,239.6	1229.4	2,469.0	1,140.8	1,147.0	2,287.8
CHEP EMEA	935.5	892.3	1,827.8	931.4	917.7	1,849.1
CHEP Asia-Pacific	222.5	214.3	436.8	228.9	229.5	458.4
Continuing operations	2,397.6	2,336.0	4,733.6	2,301.1	2,294.2	4,595.3
EBITDA						
CHEP Americas	388.1	368.5	756.6	322.3	300.3	622.6
CHEP EMEA	363.4	332.2	695.6	335.4	342.5	677.9
CHEP Asia-Pacific	89.1	89.9	179.0	81.8	85.2	167.0
Corporate	(27.7)	(40.6)	(68.3)	(22.0)	(30.4)	(52.4)
Continuing operations	812.9	750.0	1,562.9	717.5	697.6	1,415.1
Depreciation of property, plant and equipment and Irrecoverable Pooling Equipment Provision (IPEP)						
CHEP Americas	198.2	204.3	402.5	148.6	164.2	312.8
CHEP EMEA	139.4	145.5	284.9	106.5	126.6	233.1
CHEP Asia-Pacific	30.1	30.3	60.4	24.3	23.8	48.1
Corporate	1.0	0.8	1.8	0.4	0.5	0.9
Continuing operations	368.7	380.9	749.6	279.8	315.1	594.9
Amortisation of intangibles						
CHEP Americas	5.6	6.0	11.6	5.5	5.9	11.4
CHEP EMEA	1.6	2.0	3.6	1.6	1.4	3.0
CHEP Asia-Pacific	0.3	0.3	0.6	0.3	0.3	0.6
Corporate	1.2	1.3	2.5	0.8	0.7	1.5
Continuing operations	8.7	9.6	18.3	8.2	8.3	16.5
Underlying Profit						
CHEP Americas	184.3	158.2	342.5	168.2	130.2	298.4
CHEP EMEA	222.4	184.7	407.1	227.3	214.5	441.8
CHEP Asia-Pacific	58.7	59.3	118.0	57.2	61.1	118.3
Corporate	(29.9)	(42.7)	(72.6)	(23.2)	(31.6)	(54.8)
Continuing operations	435.5	359.5	795.0	429.5	374.2	803.7
Operating profit						
CHEP Americas	184.3	158.2	342.5	168.2	93.1	261.3
CHEP EMEA	222.4	156.7	379.1	227.3	203.8	431.1
CHEP Asia-Pacific	58.7	59.3	118.0	57.2	61.1	118.3
Corporate	(29.9)	(42.7)	(72.6)	(23.2)	(46.6)	(69.8)
Continuing operations	435.5	331.5	767.0	429.5	311.4	740.9
Capital expenditure on property plant and equipment (accruals basis)						
CHEP Americas	262.8	282.1	544.9	264.6	286.5	551.1
CHEP EMEA	210.4	148.5	358.9	250.4	193.1	443.5
CHEP Asia-Pacific	37.4	40.0	77.4	32.8	32.3	65.1
Corporate	-	-	-	0.6	0.1	0.7
Continuing operations	510.6	470.6	981.2	548.4	512.0	1,060.4
Cash Flow from Operations						
CHEP Americas	104.7	153.6	258.3	70.0	100.4	170.4
CHEP EMEA	196.9	217.2	414.1	65.8	162.2	228.0
CHEP Asia-Pacific	58.0	74.8	132.8	35.9	65.2	101.1
Corporate	(37.8)	(23.5)	(61.3)	(33.8)	(33.9)	(67.7)
Continuing operations	321.8	422.1	743.9	137.9	293.9	431.8

Background Information (continued)

	1H20	2H20	FY20	1H19	2H19	FY19
Average Capital Invested (US\$m)						
CHEP Americas	2,358.5	2,380.7	2,369.6	1,905.8	1,979.4	1,942.6
CHEP EMEA	1,913.0	1,895.0	1,904.0	1,736.9	1,815.9	1,776.4
CHEP Asia-Pacific	500.3	480.9	490.6	423.1	425.9	424.5
Corporate	12.7	6.1	9.4	(16.0)	(9.8)	(12.9)
Continuing operations	4,784.5	4,762.7	4,773.6	4,049.8	4,211.4	4,130.6
Return on Capital Invested						
CHEP Americas	15.6%	13.3%	14.5%	17.7%	13.2%	15.4%
CHEP EMEA	23.3%	19.5%	21.4%	26.2%	23.6%	24.9%
CHEP Asia-Pacific	23.5%	24.7%	24.1%	27.0%	28.7%	27.9%
Continuing operations	18.2%	15.1%	16.7%	21.2%	17.8%	19.5%
Pooling capital expenditure to sales ratio						
CHEP Americas	19.0%	16.3%	17.6%	19.6%	20.8%	20.2%
CHEP EMEA	21.3%	15.2%	18.3%	25.7%	19.8%	22.8%
CHEP Asia-Pacific	15.5%	12.3%	13.9%	12.6%	11.1%	11.8%
Continuing operations	19.6%	15.5%	17.6%	21.4%	19.4%	20.4%
Number of pallets, RPCs and containers – net, after Irrecoverable Pooling Equipment Provision (millions of units)						
CHEP Americas						
– Pallets	142		141	140		140
– Other	1		1	1		1
Total CHEP Americas	143		142	141		141
CHEP EMEA						
– Pallets	137		137	134		134
– Other	23		21	22		23
Total CHEP EMEA	160		158	156		157
CHEP Asia-Pacific						
– Pallets	25		25	25		25
– Other	7		7	7		6
Total CHEP Asia-Pacific	32		32	32		31
Total	335		332	329		329
Number of pooling equipment purchases (millions of units)						
CHEP Americas						
– Pallets	12	10	22	11	16	27
– Other	-	-	-	-	-	-
Total CHEP Americas	12	10	22	11	16	27
CHEP EMEA						
– Pallets	14	8	22	15	10	25
– Other	2	-	2	2	2	4
Total CHEP EMEA	16	8	24	17	12	29
CHEP Asia-Pacific						
– Pallets	1	1	2	1	1	2
– Other	1	-	1	1	-	1
Total CHEP Asia-Pacific	2	1	3	2	1	3
Total	30	19	49	30	29	59