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CORPORATE PARTICIPANTS

James Hall *Brambles Ltd - Senior Director Investor Relations and Corporate Affairs*

Tom Gorman *Brambles Ltd - CEO*

Zlatko Todorcevski *Brambles Ltd - CFO*

CONFERENCE CALL PARTICIPANTS

Simon Mitchell *UBS - Analyst*

Scott Kelly *Morgan Stanley - Analyst*

Anthony Moulder *Citigroup - Analyst*

Matt Spence *- Analyst*

Cameron McDonald *Deutsche Bank - Analyst*

Andrew Gibson *Goldman Sachs - Analyst*

Paul Ryan *Evans and Partners - Analyst*

PRESENTATION

James Hall *- Brambles Ltd - Senior Director Investor Relations and Corporate Affairs*

Hi everyone. If I can encourage those of you who haven't taken a seat yet to do so we will get going. Hello and welcome to Brambles investment market briefing for 2013. We're glad you could make it. I'm James Hall from the investor relations team. A few small housekeeping matters before we get the interesting part of the afternoon underway.

(Conference instructions)

A few notes on financial numbers and formats. All currency amounts otherwise stated are going to be in U.S. dollars. All data and commentary excludes recall. All dollars amounts are at actual foreign exchange rates but year-on-year percentage growth rates are in constant currency. And where there are CAGRs they are calculated at 30 June 2013 FX. That's all unless otherwise stated, there'll be footnotes where things vary.

We have a standard disclaimer that's included in your packs. Obviously everything we say over the next couple of days is subject to that. So without any further ado Tom Gorman. Thanks Tom.

Tom Gorman *- Brambles Ltd - CEO*

Well good afternoon everyone and thank you very much for joining us today. The next couple of days I think are going to be very exciting for us here at Brambles and my management team and we really are looking forward to spending the time with you.

I think this is my fourth investor market briefing since I've been with the company. It's the third for me as Chief Executive Officer and it is really pleasing for us to be able to do it here down in Sydney. The number of attendees is about two to two and a half times what we would typically get in a North American or European market briefing. So it's really a great pleasure for us to have so many of you here today.

In just looking at the purpose of these events there are several things that we're trying to communicate and I think this one in a way is no different than what we've done in the past. But clearly today in particular is a very important and momentous day in the history of Brambles.

Today is the last day that we trade with Recall. Tomorrow as a company we'll begin training ex-Recall and as I think all of you would have seen we got the final court approval and we lodged everything with the ASX earlier today. So it is sort of a momentous occasion for us in that way.

And what that really means that all of our discussions now and our objectives are really about a Brambles world post Recall. So it's a great opportunity to talk about our longer term vision, our longer term strategies for our company going forward. We'll also provide detailed updates as we typically do at these events from our key operational management, all of whom I'll introduce in a moment.

And of course related to that it's an opportunity for all of you to meet that management team and to spend some time with them. So let me just start with the introductions for those that you'll be hearing from over the next couple of days. Of course with me on the stage today is Zlatko Todorcevski. Zlatko and I will sort of give a corporate overview in the next hour, hour and a half.

But tomorrow is really the bulk of the detailed discussions of our business plans and we have a number of executives here with us, both local and from overseas. On the pallet side I'll just ask these guys just to stand or raise their hand if they're not doing so but the group presidents for pallet, Peter Mackie is here. Pete's also been in attendance at a number of these events over the last couple of years.

But for those of you that this is the first investor briefing I could encourage you all to get to know Peter. And part of Peter's team is here as well, Phil Austin who's the president of the CHEP operations in Australian/New Zealand. You'll hear from Phil tomorrow. James McCarthy who's the president of the pallets group in Europe. James again has been at a number of these over the past couple of years. And Kim Rumph is sitting in the middle of the room. Kim is the president of pallets for us in North America.

On the RPC side I think those again who have been to these events before have met but Wolfgang Orgeldinger is here. So Wolfgang is right in the front. You can tell he's just been promoted so he wants to sit in the front of the room so well done Wolfgang. But Wolfgang has been with the IFCO team for -- well for over a dozen years and he's just taken over the leadership and we're really pleased and honored to have him and it'll be great to hear from him tomorrow.

And then last but not least on the container side Jason Rabbino who's the group president of global containers. Jason is there. Some of you met Jason before. And then also here with Jason is Neale Myers and Neale is the managing director of CHEP Pallecon Solutions for Asia-Pac. So again all of these guys will be available to you this evening and also again tomorrow.

So as I said one of the major objectives that we have is to try to introduce management to you and they're meant to be no holds barred discussions so please seek our team out. They'll seek you out as well and hopefully it'll lead to a number of good conversations.

As I said one of the things we like to do is to talk about the long term strategy at these sessions but before I do that today I would just like to reconfirm and reaffirm that there is no change in our short term guidance.

So in terms of underlying profit guidance for FY14 we guided back in August that a range of underlying profit between $930 million and $965 million and that is at 30 June 2013 exchange rates and that -- our guidance remains completely unchanged. I would like to note though that first half growth is likely to be stronger than second half growth in FY14. And this really has a lot to do with the major wins that we drove in the second half of last year, also the Pallecon acquisition which occurred in the second half.

So it's more of a comp issue than it is anything else but I just wanted to make that clear when we talk about the first half which is still a number of months ahead of us. You are likely to see growth rates higher in the first half than in the second half. So -- well thank you -- just to get that out of the way and now we'll try to focus on a bit of a longer term future.

What I would like to do is to cover a couple of things with you and really start with our value proposition. And you know when we step back and we look we often ask ourselves the question what is the investment thesis? What is the value proposition when people step back and look at Brambles? And when we look at this we really look across about three basic themes when we define the value proposition.

Firstly as a company we believe that everything starts with the customer. It's actually in our core mission values and guiding principles. We actually say all things begin with the customer. And when it comes to our value proposition it is about creating that sustainable, competitive advantage in the face of the customer.

How do we provide a value proposition that is sustainable over the long period of time and how do we make that a competitive advantage that makes it very, very difficult for new entrants into the market to step up and compete? So first and foremost we believe we have a sustainable competitive advantage.

Secondly we believe that that sustainable competitive advantage allows us to drive superior rates of economic return. So we believe that our businesses today are high quality businesses. Now we'll talk to you about these themes over the next day and a half but the first theme to keep in mind is the quality of the businesses that we have.

And thirdly we believe that we are positioned uniquely to deliver superior levels of growth and so this is the quantity component of the value proposition or the investment thesis. We believe we have a sustainable advantage, high quality opportunity and we believe there are myriad opportunities to spread or myriad opportunities to build the quantity going forward.

So throughout the presentations over the next day and a half you'll constantly hear the team at Brambles talking about both the quality and the quantity side of our offering. Now when we step back and look at that investment thesis or that value proposition what we try to do then is put it in terms of our plans. What are the easiest way to simplify the message for our plan over the next short to medium term period?

And we really run our business now thinking through five year plans and a five year time horizon. So I'd just like to lay out a few concepts for you so that you can sort of judge our business against these concepts. First and foremost it's really about getting the basics right. In simple terms our strategy is unchanged here.

We recognize that a company that is -- as a company we must continue to invest in both the quality of our products and services. It wasn't long ago when you think back over the last four or five years of our company's history where we had to do -- take a massive effort really to fix things that were broken in the company. And as a leadership team nobody wants to go back to that space.

So we are absolutely committed to the ongoing investment in product and service quality and as a component of that our business is about asset management. I think all of you realize that the pooling business is a high volume or a high velocity business. In fact it's high velocity at low transaction value. That really is what the pooling business is all about.

And in order to deliver value in the long term and in terms of getting the basics right you have to control your asset pool. Whether it's in RPCs, containers or pallets asset control and asset management is critical to our success. So before we can think about anything else as a leadership team we are absolutely committed to getting the basics right. And you should over the next day and a half again you'll hear about this idea of getting the basics right repeatedly. This is the quality component of the business.

But at the same time we believe that we're in a position to drive business growth. We think that we're uniquely positioned to continue to grow our business and the two platforms of growth here are really pretty straightforward. We want to take the intellectual property that we possess in asset pooling and do it in more supply chains.

So more asset classes, unique complex supply chains and growing our business in that manner. So when you think about and you'll hear particularly from Jason on a number of initiatives in intermediate bulk containers. That's about taking the IP of pooling and applying it to new asset classes in different supply chains.

And the second component of our growth is about geographic expansion. So taking what we know and doing it in multiple jurisdictions around the world. So again the strategies on the change, get the basics right and grow the business. And we believe if we do that in the medium term we'll be able to deliver two things in terms of a financial outcome.

We should be able to deliver annual percentage sales revenue growth in the high single digits annually over the next five year period and this is organic growth so this excludes any acquisitions that may occur in this time period. And secondly we're on a path to consistently improve our return on capital such that five years out from now in the 2019 financial year we will have group returns on capital at least, at least, at 20%. In fact in excess of 20% during this time period.

Now a number -- as we target these economic returns there is obviously an economic and operating environment in which we perform and there are a number of external factors that will influence our assumptions and our targets over this time period. And I thought it would be good just to share them with you so you get a sense of the things that we're looking at and how we assess some of the opportunities and challenges that we see when we look at our various marketplaces around the world.

From the macro level first and foremost we continue to see flat growth in major economies around the world and we see challenging environments for political leadership. So the major economies in the world we see broadly speaking continued ineffective political leadership and we're not relying on any major turnaround in any of the economics in which we operate. And that is our plan through the five year period.

And also we'll continue to see added cost pressures, not just cost pressures in terms of some inflationary pressure but also cost pressures from our customers as their margins continue to be under pressure and they're looking for all of their partner suppliers to continue to deliver high value at lower cost.

From an industry perspective there are a couple of things that are driving our view of the future. We continue to see the evolution of new store formats and multi-channel fulfilment. There's going to be continued SKU proliferation and more promotional activity and in fact more promotional complexity.

When you look particularly at fast moving consumer goods most of our customers have been driving volume through promotion and we see that going to continue. We do see a continued growth in private label. Online will continue to grow. I think that shouldn't surprise anyone. And omni-channel approaches to the market will also continue.

And in terms of the other parts of our business, particularly in terms of the containers businesses we see continued increase in global flows and a desire from all of our customers to drive standardization of packaging formats. And from a customer perspective here we see a number of things that we think really play to our sweet spot.

First of all our customers are more and more demanding a solution. It's not just a platform that they're looking for. They're really looking for a supply chain solution and we believe we're uniquely positioned to deliver those solutions going forward. Outsourcing of non-core activities will continue and this is keenly important for us particularly in the container space as we continue to grow out a number of new initiatives and different supply chains.

There will be a continued focus on sustainability and I've said this to many of you privately before. Green is important but from a U.S. perspective we often hear the greenback is more important. Clearly being a low cost provider and an efficient provider to our customers is important but if we can add that sustainability focus I think that is a differentiator for us and clearly a space that we should own.

And with all of that I'd like to say that we'll see a continued increase in competitor activity. If you just look over the last couple of years in virtually every one of our businesses we've seen a dynamic change in the facing competitors. Some have been successful for a brief period, sort of flamed out and have gone away. Others have been recapitalized. There have been ownership changes. This is a dynamic space and we continue to see increased competitor activity going forward.

So now that I've tried to set out for you sort of the value that we are seeking to deliver for our investors and I've also given you sort of the operating environment in which we believe we'll be competing over the next three to five years what I would like to do is talk to you a little bit about the areas of focus that we'll continue to drive when it comes to creating value.

So what are we focusing on? And again here we'll try to simplify the message. There are really three areas that will drive all of our business decisions over the coming planned period. So first the thing we want to do is we want to continue to allocate capital to high value growth opportunities. We believe with Brambles that we're blessed with a large number of opportunities for investment and we want to continue to be quite rigorous in terms of applying that capital to those high valued opportunities.

And these include things like continuing the discipline growth that we've been achieving in the RPC business as well as continuing to fund growth in containers. As I mentioned previously we'll continue to focus on geographic expansion and funding growth in high potential emerging markets and you'll hear a fair bit about emerging markets from all of the operating management.

And we want to provide new pallet offerings in the developed markets and I think you'll hear a fair bit of this from both Kim and James tomorrow. The second thing we want to focus on is we want to emphasize our operational expertise, particularly when it comes to asset efficiency.

As I indicated to your previously we are a high volume sort of a business. We will complete the $100 million of cost efficiencies by FY15. Kim will touch on this briefly tomorrow but we're absolutely on track to deliver everything we've committed to and we will deliver that through FY15.

We are continuing to deliver improvements in asset management and again the operating leadership will show you that specifically with some case studies as well. And we are going to have an extensive review of our overheads as a company. We are at a natural point of inflection with the de-merger of Recall and it's now time for us to rip the business open a little bit more and drive overhead efficiency and in a short period of time Zlatko will walk you through some of that detail.

And the third component of what we're trying to do is to really leverage our global scale, leverage our global networks and to leverage our footprint. We have already done quite a bit of this in terms of shared services sort of if you will behind the screen, the non-customer facing activities. But we'll continue to do that and drive a shared services model across our entire global footprint.

We want to do more to leverage the brand and we'll talk about that as well over the next day and a half. And this concept of nurturing a culture of one business/one team whether it be in terms of cross-selling to major accounts or whether it's about moving some of our corporate leaders from one business to another and taking advantage of our scale. We will continue to do all of that.

And all of this really comes down to driving the quality and quantity of our opportunities for our shareholders. So what I would like to do now is to look a little more closely at capital allocation and how we view capital allocation and then shortly I'll hand it over to Zlatko and he'll walk you through some of our views on operational and asset efficiency.

So let me start with how we allocate capital in our view of the world. Now what I'd like to start with here is this slide is a bit of a conceptual model but it really shows you how we think about capital allocation. And it is in a way -- it's a bit of a two by two matrix here which talks about maturity and growth and what this really means is that the more mature or more well-established markets are markets where we deliver very strong returns.

So you can think of this as -- in terms of markets where our returns are well in excess of our cost of capital. Now to the left side here those that are well-established businesses we have a number of businesses here that are quite successful and just to call out too I'd say our CHEP business in Middle-East Africa which is really predominantly our CHEP business in South Africa or the CHEP CCC business.

Two businesses that are strong businesses, very strong market position and very strong returns on capital. But they don't have the growth characteristics of some of our other businesses. So what's really critical for us here if you look on the -- further on the right side of this chart this is the opportunity that we have in some well-established businesses which still have ample growth opportunity. They're really in the center of this chart.

And clearly here the U.S.A. business on the CHEP pallet side, the European business on the pallet side, all plenty of opportunities for us to continue to deliver really strong returns and to deliver solid growth. And on the far right of this chart you can see those businesses that are very, very high growth opportunities but still are small in terms of the overall impact in our company.

Often times businesses talk about horizons of investment. Horizon one, two and three. We think that we're very fortunate to have all three horizons in our portfolio and it is about the disciplined allocation of capital to each one of those horizons that we believe can ensure a high quality return for our shareholders over the long term.

So now moving on a little bit further what I would like to do is to -- just to show you again another conceptual model if you will but to emphasize the point that with many of our new initiatives these initiatives do take time to evolve. And what I'll lay out for you on this slide is to show you how we view market development and you might want to think of this in terms of the U.S.A. pallet business.

So I'll use that as a backdrop to describe how we entered that business in the early 1990s and where we see that business today. So the first phase of this is really about the early adopters. What you see here is that a small number of customers are seen as innovators and we see this in many markets around the world.

There is always that sort of bell weather account or that benchmark customer that is willing to look for efficiencies before anyone else in the market addresses the issue. So we start all of our businesses with the early adopters or early stage customers.

The second phase is really about when other major players start to follow and here in many ways this is really a tipping point for profitability for us. So as we're building scale and as we're building the advantages of our network in the early phases you really don't have that network efficiency so profitability, return on capital, cash returns are negative in the early phase and then you grow to this point where you reach your tipping point.

Now this tipping point differs by market and I think some of the guys will discuss this with you tomorrow when we look particularly in the European context. When we move eastward from Western Europe and we follow our customers to the east in some cases we can turn profitability very quickly.

There are markets where we have a number of known customers, both on the retail side and the manufacture side, so not every case is the same but typically what you'll see over a couple of years, three, four, five years you start to build critical mass and you move to profitability.

The third phase is really where you get mass adoption and this is where you really drive industry standards. In the case of markets like India and China this is going to take some time to get there. But when you compare that to what we've done in other new markets where we've entered you can actually move up the scale much more quickly.

And then the final phase for us really or the fifth phase sorry is really when the core market starts to mature and now we begin to focus on product and service diversification. And you'll see that really in good measure tomorrow as Kim talks about the move that the U.S. team and the North American team is really making as we now look for product diversity after building a very strong business on the 48x40 pallet side.

And when you hear from Phil Austin and you see all of the creative and innovative things that are happening here in Australia this model really proves out. We have a very strong business, we've reached a point of great market penetration and then we start to think about diversification going forward.

And if I could just point out that over the last couple of years I think diversification has been a key driver for growth and value creation for us. This is a very simply slide that just juxtaposes where we were in FY09 and it shows where we are in FY13. Again this is the pooling business only and in '09 we were a $3.3 billion revenue base as a company but only about one-fifth was not coming from developed markets pallet operations.

And where do we find ourselves today at the close of FY13? Well today we're a little bit over $5 billion in revenue and now just about a third of that comes -- I'm sorry, a little bit more than a third comes from the developed markets pallet business. So we have been able to diversify significantly over this period, both in terms of acquisitions and clearly the acquisition of IFCO has been a big part of this.

But a drive to diversify into RPCs, into emerging markets and of course the growth in the containers business. Even though the containers business remains the same in percentage obviously in terms of in absolute terms it's a much bigger business than we had back in 2009.

And also I think this often gets missed in terms of how we present the business but diversification has also been able to deliver strong growth in what we often think about as developed regions. But when you look at the growth that we've been able to deliver over this time period the five year period from '09 to '13 we delivered a CAGR of 12% in North America, 10% in Europe and here in ANZ we've been able to continue to grow at a clip of about 3% and here in ANZ that's again some pretty stiff headwinds that we've had with the automotive business really been in steady decline over this time period.

So diversification is not only a story about specific business units but it is about geographies as well. It isn't all just about emerging markets for us. We can continue to leverage our market position, our intellectual property, our market knowledge in our core markets such as the North American markets, western European markets and continuing to deliver growth here in Australia and New Zealand.

So again what we're trying to do for you today is to give you a high level view of the focus areas that we look to when we think about value creation. I've tried to give you a very, very quick overview of how we look in terms of how we allocate capital and the high growth opportunities that we're faced with today when we look forward over the next three to five year period.

What I'd like to do now is hand over to Zlatko and Zlatko will walk you through our focus on and how we're emphasizing operational and asset efficiency initiatives to deliver if you will the quantity -- the quality component of our value proposition. So with that it's my pleasure to introduce Zlatko Todorcevski.

Zlatko Todorcevski - *Brambles Ltd - CFO*

Thanks very much Tom. Good afternoon to everybody, it's great for me to be here at my first investment market briefing with Brambles. But first let me get that mug shot off the screen. As Tom said what I want to talk to you about is operating and asset efficiency as we see it within our business and particularly talk about how we intend to drive higher quality growth at the same time as we grow the business overall.

In particular the three areas I want to focus on or I give you a little bit of a sense around how we've managed asset efficiency and asset management over the last couple of years and how that is translating into improvements within our financial results and I'll explain that in a bit more detail.

I'll also talk a little bit about the program we've previously spoken to you about to take costs out of our business particularly in the direct cost side within the pallets organization and I'll finally give you a sense for some of the work that we're currently doing around taking overheads out of the business. That still isn't completed but I'll give you a sense of the approach we're taking and the forward program we're looking to do on that.

But let me first by -- start by setting the scene. If you look at our last financial year we delivered return on capital right across the entire pooling business of in excess of 16%. If you adjust that result and exclude goodwill and exclude amortizable intangibles from the results the underlying return on capital from our business is 23%.

But let me be clear, we don't ignore goodwill and we fully expect to deliver acceptable and appropriate returns on capital from the total investments that we make in all acquisitions. The reason we adjust out goodwill is to give us a sense of the quality of the underlying businesses and that's important for us as we think about where we invest incremental money and the marginal types of returns that we should expect from those businesses. So sitting here today underlying businesses generally deliver on average about 23%.

As Tom mentioned the way we're thinking about the business going forward is we're targeting a total return on capital from the pooling business in excess of 20% across all of our businesses in all geographies and including goodwill. If you similarly adjust out goodwill as we see it five years down the track our view of underlying return on capital from those pooling businesses is that they should be at or around 25%.

So the key take away message here is that we have very, very strong quality in our underlying businesses today and as we continue to grow those businesses we feel that we can continue to improve the quality that we're getting out of those businesses as well. If we then quickly touch on return on capital I think it's important for us to explain why return on capital is important to us as opposed to underlying profit or margins from the business.

And this is not about telling you how to suck eggs but I want to talk about how we see the business and how you can see some of these results translate through our financial statements. So clearly underlying profit is critical to us and we've spent a lot of time over the recent years focusing on underlying profit. We've done a great job at improving the business over those years.

And as Tom alluded to we continue to see a lot of opportunities to grow that business over the next five years by targeting high single digit growth right across the pooling business. But we continue to see opportunities to take operating costs out of the company and we continue to see opportunities to tackle our overhead position as it stands today and I'll talk about that in a moment in a bit more detail.

But if you purely focus on underlying profits I think it'd be a bit of a blunt [instrument] and it wouldn't give you the full context and in some cases it could actually be a little bit misleading and I'll come back and talk about that in a moment as well. Our view is you really get a lot of power in the return on capital when you marry improvements in underlying profit whilst at the same time managing the leverage that you get from your invested capital base.

And I'll spend a little bit of time today talking about what we are doing in the capital base and particularly the work we've done around asset control improvements, how we want to drive more efficiency in our asset base and how we can reduce the misuse of our assets. It's probably worth just digressing quickly here and talking about return on capital because as I said our view is it's a good measure in terms of giving you a feel for the overall impact of the measures that we're taking that impact both the profit and loss and the balance sheet.

If you were to purely focus on something like the profit and loss as I said I think you would only get half the story and you'll see tomorrow Peter Mac and his team will talk in a lot more detail about our asset management programs. But there are instances where we do improve our asset management and you'll see that in a moment and that results in lower capital investment required and our results in the lower average capital base that we have.

But if you purely focus on the profit and loss what you might see is lower compensations coming in as we improve our recoveries from the asset management activities we take. And as I said purely on a P&L basis that would look like it's a bad outcome but when you focus on return on capital you get a much more balanced view, I think the correct view of how we're improving the overall performance from the business.

The first area I wanted to spend some time on was talking about asset management and as Tom said we're targeting high single digit growth in the top line over the next five years. But that doesn't come investment free so we do need to continuously reinvest in our business.

But our view is that over the five year period we will only need to increase our capital base by about 5% on average so clearly lower than the top line growth giving us a lot better leverage on that capital investment as we move forward. In part that leverage comes from our ability to improve recoveries and therefore reduce the amount of maintenance capital required to be reinvested in the business. If you look at the chart on the right-hand side of this page, we're currently sitting at a position that has us spending about 70% of our total capital investment each year to maintain or replenish the pool of pooling equipment that we have.

Our view in the five year plan is that we can improve recoveries and improve our asset management capability so that maintenance capital proportion of our total investment spend will reduce down to about 60%. And if you look at our capital spend each year it's broadly around a billion dollars and that 10% improvement alone means that we can potentially save about $100 million per year in replenishing the pool which gives us obviously more capacity to grow the pool.

Another way to look at asset management is from the DIN metric which I think we've shared with you previously. Some of you may not be aware of it so I'll just quickly describe exactly what DIN means. DIN is the sum of depreciation of our pooling equipment plus the annual provision that we take or the expense that we take for irrecoverable pooling equipment, plus the net book value of assets that are compensated by our customers or scrapped.

So the addition of those three is what we call DIN and it's really useful insofar as it's a good proxy for maintenance capital in the business, so we don't report maintenance capital broken out separately. But if you look at DIN it's a reasonable proxy that gives you a sense -- because it really represents the value that you would need to replace on the balance sheet each year, to cater for those three items.

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It's also a good metric because it's readily identifiable in the financial statements and included within the background materials you have in your packs today we've included a page that shows you exactly where -- within our financial statements -- you can find each of those components, so it's something you can track yourselves.

If you then look at our performance in DIN, over the last five years you can see a steady and consistent trend there where we've managed to improve the overall DIN rate, relative to the value of sales increment. That, roughly two percentage point improvement that we've delivered over that five year period. If you think about our pallets business excluding PMS which is obviously a non-pooling business of about $3.5 billion.

That broadly 2% improvement equates to about $70 million worth of benefit. Once again it's a proxy for maintenance capital but it shows that as we continue to focus on asset management we are starting to see some of those results flow through to our financial.

Another way to look at asset management is to look at IPEP directly. I know there's a lot of attention on IPEP not only from the market but from ourselves and rightly so. The one caution I'd give you around IPEP though is that it isn't a holistic measure like DIN is and it can be prone to being a little bit more volatile than DIN and can be event driven. So if we have a number of audits, for example, in a period of time that can drive a little bit of volatility and IPEP but it is, as I said, a very useful measure and one that we track internally.

If you look at the performance of IPEP relative to sales revenue over that same period of time you can, once again, see a fairly steady improvement over that five year period. So I think the key take away here is that the asset management programs we've been working on over the last couple of years are starting to have an impact and whether it's DIN you look at or whether it's the IPEP expense you look at you can see clear financial improvements coming through those numbers.

I want to spend a little bit of time talking about our operating costs in particular. The chart up here is you really focus on the pallets numbers and I'll go through each of the components in a moment but it excludes obviously RPCCs and containers, and for the purposes of the comparison we've also excluded the PMS business which is obviously non-pooling.

Before I talk about each of the components though, I think most of you will be aware that we committed a number of years ago to taking about $100 million out of the business. So I'll come back and give you a sense of how we're tracking towards that overall program.

If I first start with the net transport costs you can see over the five year period that we're comparing here, the transport costs have increased by 3% compound annual growth over that five year period. Now, if you think about what's happened in transport costs, we've clearly grown the volume of the business and we've grown sales over that period of time. So the CAGR for transport cost is actually lower than the overall sales, so it's growing at a slower rate than volumes.

In that period of time we've also had to deal with inflationary pressures including the price of diesel. So I think when you think about an overall 3% growth rate, relative to volume increases and inflationary pressures, I think it's an outstanding achievement, particularly from our supply chain organisation that has been able to live with that kind of result over the last five years, and that result has been principally delivered through optimising our overall network of plant operations around the globe.

The secondary to talk about is plant costs and this is a little bit more complex and, to some degree, we've consciously taken decisions to put more costs back in the system. So if you think about the investment that we've spoken about in the past around better every day to improve the quality of our pallets particularly in the US or the decisions we've taken more recently to put more costs back into our businesses to improve our asset management performance.

The conscious decisions that we've taken to spend more operating costs and that has a direct impact on plant costs and some of our other cost components but in addition to that, we clearly have the same impact of volume, driving plant costs up and as we've spoken about more recently, we also see the impact via inflation particularly in lumbar in the US coming through in plant costs as well.

So although plant costs have risen at a faster rate than transportation costs, I think we're reasonably happy with the performance of plant costs overall. In terms of the overall program that I touched on earlier, the $100 million that we committed to delivering over four years, the current financial year FY14 is the largest single year of that $100 million and we targeted $40 million from this year.

We're on track to deliver that and we still very good about that $40 million program and we will report about that progressively but we're still committed to doing that in this financial year.

The final $20 million of that program is slated for delivery in FY15 and we still feel very good about our ability to live with that final $20 million but clearly we're not going to rest on our laurels and we continue to look at opportunities to drive costs out of the system.

The final area I wanted to touch on here was around indirect costs and if you look at the pallet history here over that same five year period, indirect costs or overheads have grown by about 4%. Broadly in line with the increase in sales we've seen right across the business.

Now, I'll touch on this in a moment in a lot more detail but I think right across our organisation the rate of growth of overheads and the sustainability of that overhead scope is not where we want to be. We think it's not appropriate for our business going forward and that's something we're tackling actively at the moment.

So if I talk about overheads in a little bit more detail, Tom touched on this a moment ago. The de-merger of Recall provides us with a natural opportunity to sit back and rethink how we want to run Brambles once it's a 100% pooling solutions company.

As I said, we also recognise that in the recent past overheads have grown by about $40 million or $50 million per year and that kind of growth is just not sustainable and may have continued were it to go unchecked. So that provided us with the impetus to sit back and think about our overhead cost base in total.

This is not an arbitrary project. We're not giving people a 5% or 10% task and telling them to go cut costs. It is an exercise where we want to have a fundamental rethink about our approach to how we manage those costs. So it is taking some time and we're going through quite a bit of analysis that I'll describe to you in a moment but it is fundamentally thinking through what an appropriate operating model for our company is going forward.

What we are conscious of though is that there are elements of our cost base that are highly valued by our customers and whatever we do with our overheads, we need to preserve those elements of our service offering to our customers, that they value highly. So that's one of the key principles that we're going into this exercise with.

So if I give you a little bit of a flavour for the exercise that we've been running to date, the first port of call for us was to establish the fact base and that's important for a couple of reasons. One is we need to really understand the composition of our costs, the location of our costs, the drivers of those costs.

And to really get into the granularity of that, we put in place a project team back in July of this year which is being led by a senior executive out of pallets business, and staffed by a number of people from our organisation right across the globe with different experiences, and with different functional backgrounds and have made very good progress in understanding the fact base to date.

One of the other things we're working on in parallel with that is conducting executive interviews. So we've done interviews internally with people from right across the business to really understand what the key drivers our cost base today are and, more importantly, what some of the potential in the future might look like as we rethink how we want to run the business.

The final piece of work that we've done in this building of the fact base part of the project is to benchmark ourselves. So internally we looked at all of our operations and the overhead costs that they incur and we've benchmarked each of those operations to really understand why there is a difference and where appropriate and available we've also looked at external benchmarks.

So we've benchmarked each of our functions against similar functions in other organisations and where available we've benchmarked our entire company against similar companies that have a global footprint like ourselves.

So that work, as I said, was quite extensive and took quite a bit of time and we've conducted all of that ourselves. We didn't bring in McKinsey or Bain or anyone like that, unless there's somebody here that works for those organisations, but it's really proven a benefit to us because it's given us the detailed knowledge of the cost base that we may not have been able to build up ourselves.

What it also informed us of was what the opportunity set might look like. So through that building of the fact base, we started to develop views about where the opportunities might be and we've called that exercise the selection and definition of hypotheses. So we have a number of hypotheses that have been developed around what might be driving our overheads, and more importantly, where the opportunity set might be in the future.

We're currently in the process of validating each of those hypotheses, understanding what the potential benefits out of them would look like, the complexity to implement those opportunities, what the investment might look like and we expect to complete that validation by the end of this calendar year and that's really the first phase of the review we're going through at the moment.

The second phase then is all about execution. It's about understanding what's required to deliver those benefits. It's about understanding the level of investment, the timeframe that we should expect and, in particular, thinking about the sequencing of these opportunities. In some cases, there will be a number of different opportunities that could rely on, for example, implementation of an IT system. So we want to make sure we get the sequencing of all those activities right.

There's no doubt that this will need to be a multi-year effort but I think the value potential that's available to us here justifies that kind of assessment. So towards the early part of next year we will complete that work and we will have completed our view of what the execution plan needs to look like and once that's been reviewed and endorsed internally then clearly it will provide some clarity to the market about what that overall program will look like but that will be in the early part of 2014.

In the absence of being able to provide you with a lot of detail today, what we thought might be useful was talking about one element of that and how it might shape up. One of the areas we are looking at is how we deliver functional support services right across our organisation, whether that's finance, HR or IT and currently to a large degree, we deliver those services on a local basis right across the company. Our hypothesis is that there's a much better way, whether it's a much cheaper way or a much more efficient standardised way to do that than we're currently doing that.

One of the blueprints for what we may do in the future is what we have done in our finance transformation more recently. So you may have heard us talk about an internal project that we've called Project Webber. It's about transforming the way that we deliver finance services right across our business and it's taken a fairly narrow suite of services to start with but with a view to seeing how we can consolidate those and deliver them right across the organisation really as a proof of concept.

Through this first phase we've elected to partner with an organisation called Genpact. Some of you might be aware of Genpact. They're a New York Stock Exchange listed company with processing centres in many parts of the globe with a very large hub in India. So we're using four of their processing centres across the globe as part of this exercise and we're still going through that exercise.

We haven't completed it but to date we're very pleased with the results that we're seeing. We are seeing lower costs but in parallel with that, what we're also seeing are a lot of benefits around standardisation and acceleration of that, that we might not have been able to deliver ourselves and a much better control environment.

Just be clear, what we are doing in that space is not just about costs and labour arbitrage or other tangential benefits that come with that.

So with that, before I hand you back to Tom, I just want to quickly re-emphasise that we are targeting a much improved return on capital right across our business as we continue to grow the overall business and we do see a lot of opportunities to continue to do that whether it's improvements in our underlying profit and improved margins or whether it's in better utilisation of our overall capital base. So with that I'll hand you back to Tom.

Tom Gorman - *Brambles Ltd - CEO*

Thanks very much for that, Z. I think that gives you a little bit of an insight again into the whole quantity and quality component of the day and clearly there's a lot of work going on in terms of the quality of our results and really getting into our cost base, continuing to focus on asset efficiency and asset management and much work ahead of us but clearly a lot of opportunity.

What I would like to do now is just to close out the formal component of this presentation before we open up for Q&A and I would just like to talk about the third leg in terms of our focus areas and this is really about leveraging our global scale, leveraging our networks and leveraging our footprint. So what this chart does here is, first of all just to share some facts with you, as a company we believe that we have a unique global positioning and we have therefore a uniquely global penetration opportunity.

Just to share a few numbers with you, today as a pooling operator we operate in more than 50 countries around the world. We have more than 400 million pallets, crates and containers that we're managing the flow of. We have more than 1000 sites that we now use as service centres or distribution locations. We have more than 500,000 customer touch points and, as I said earlier, we are a high volume transaction organisation. We have more than a billion transactions a year.

This clearly is a very unique position and we believe it offers an uncommon opportunity and we also believe that there's considerable untapped penetration opportunity in what are still considered by us to be our core markets. Now, this chart has a lot on it but I'll try to simplify it. The bubbles here show for both the pallet business and the RPC business, it shows the total market opportunity and then again it shows our penetration in each one of those markets.

Some of these data are new in terms of how we cut them, in terms of the total North American market which really includes the USA and Canada but you can see that in all of these markets the size of the market is still very, very large and our actual penetration in those markets remains relatively small.

There is, as I said, considerable untapped penetration opportunities in each of our core markets and there is no other competitor, no other operator has anything approaching our scale or breath when it comes to serving customers in the various supply chains. Nor do they have the opportunity to link their businesses internationally.

If you could just keep that thought as we talk about tomorrow, the build out of our intercontinental business, we have a footprint in over 50 countries around the world and nobody else is as uniquely positioned as we are at Brambles to connect the dots, if you will, for our customers as their supply chains begin to look for more opportunities for solutions providers around the world.

Now, uniquely positioned, we believe really to be the bridge between retailers, manufacturers and increasingly the end consumer. We again, believe that we are uniquely positioned in different parts of the supply chain. What I would like to do here is just to build out graphically and show you how we view the supply chain and how we view diversification and the linkages of our global footprint so important in this supply chain.

Our original business was really about serving manufacturers and mostly we were serving manufacturers in fast moving consumer goods and we served those manufacturers as they sent their goods to distribution points largely on our pallets. Following on from there, our pallets also can be used to downstream goods to the retailer.

So this is really the fundamental building block of our core business today from manufacturer to distribution centre down to retailer and obviously there's a huge benefit that this provides to the supply chain. But this benefit that we're providing to the retailer also drives asset control complexity and we've touched on that a little bit today and we'll touch on more of that tomorrow and what we're really doing to try to manage the supply chain particularly as the retailer moves from DC down to retail store.

The complexity of controlling assets in those flows increases over time. This business model was incredibly overly concentrated and I've touched on that previously. This really was the core business for us. In addition, as part of that business model, we really did not provide solutions to the end user.

If you want, we didn't provide solutions in the last mile so today what we see our customers doing as they move pallet loads from DC to store level that really is a sub-optimal solution. What we want to start to build as a company is the appropriate solution to solve that last mile and that last mile is between the retailer and the consumer.

So what did we do when we were faced with this challenge and we were faced with this set of supply chain dynamics? First we diversified, so the first step -- you know, if you go back pre the IFCO acquisition 3% of our business was really related to the RPC business. That's now about 15% to 17% of our total business and we diversified by really expanding aggressively into adjacent parts of the supply chain.

As I said, really the fundamental change, the first building block, was the IFCO acquisition where we're now driving double digit growth as we now feed the supply chain from the grower into the retailers that we know well and we work with.

We've also begun expanding into containers and this has really been driven over the last couple of years. Most notably, we're trying to consolidate the upstream as consumer goods -- as materials manufacturing materials move through the supply chain particularly as we move through intermediate bulk containers and Jason will walk through in depth tomorrow.

It really is about standardising what are various inputs today and getting a piece of that valuable supply chain, again, with customers that we know very well. So these are talking to manufacturers that are and have been customers of ours for a very long period of time.

The next phase is really to get after the last mile, the solution that we can deliver to the end user. In particular we are doing this primarily through the expansion and display pallets, a business that we know and it's a very profitable and strong and growing business for us in Europe.

We're continuing to drive display pallets many of which you'll see in the room today and throughout tomorrow and we will talk more about this tomorrow but we are also focused on delivering floor-ready displays and new and unique solutions so that we can really control the supply chain from raw material input through manufacturer, through retailer and ultimately down to the end user.

Of course there are a myriad of questions around Omni-Channel and e-channels that exist that we're working to resolve but, first and foremost, it's how do we close the loop in this last mile of the equation?

Everything that we've done today in terms of diversification, I've just given you a few examples and really how we're trying to diversify to provide a full range of solutions for our customers, not just to be the provider of an asset or a platform but really to provide a solution to resolve a supply chain challenge.

There are three aspects to the approach that we're taking and on a broad level, as we now sort of e-recall as we focus on being a global pooling solutions provider, there are a couple of behavioural changes that we're driving within our company and these really come into three basic themes here. One around collaboration, one around innovation and one around thought leadership.

First is collaboration and collaboration really is all about cooperating and collaborating with customers throughout the Brambles customer base. Innovation is about bringing new products and services that simply are not there for the customer today. As I indicated, there are many solutions that the customers use that are truly sub-optimal to what we can deliver in the long term and we're continuing to innovate with our customers.

Last but not least is around thought leadership and you'll hear from the operating guys tomorrow in terms of the actions that we've been taking over the last few years building customer forums, giving our customers opportunities to talk freely, bringing together manufacturers and retailers to solve their distribution problems, to truly be a thought leader in this area.

We've also stepped up to a number of initiatives most notably the work that we're doing with the World Economic Forum to address some of the food safety, food security and the other number of issues that we're working on, relative to getting food to market in a timely and an efficient way. Today we're working on a project in India that really focuses on the tomato or tomato supply chain and how we can bring those products more efficiently to market.

There's somewhere around 30% to 40% of all produce gets lost between grower and consumer in the emerging markets and, as a company, we're now taking a leadership position and really providing thought leadership to attack a number of problems in supply chains that and our customers both care about.

All of this is trying to build a more customer-centric company. We are trying to drive the concept of customer centricity and really make it more than just a saying. As I said earlier, in sort of our missions values and guiding principles we say that everything starts with the customer.

If we really are going to make that part of our culture we believe that we need to continue to build along a collaborative environment and solving problems with our customers being much more innovative than we have been historically and driving the leadership that we have internally and bringing that to bear in the market and really being seen as leaders.

If we can do all of that, if we can both collaborate with customers, if we can innovate with customers and if we can be out front in providing thought leadership we think that the value proposition that we can bring to our shareholders, our customers and our employees will be second to none. So, again, just in summary, what are we going to be focusing on over the next two days?

Again, there are really three core themes that we believe make our value proposition unique and make our investment thesis so important. The first is that we believe we have a fundamental sustainable competitive advantage and it's our job as operating leaders here for Brambles to continue to strengthen that competitive advantage going forward. With that competitive advantage we believe that we can drive superior rates of economic return and, again, what that means is that we are a high quality company and it has a high quality opportunity.

Secondly, we think that we have a high quantity of opportunity in front of us and that really is about delivering superior levels of growth for the foreseeable future. So with that, I'd like to thank you all for listening to intently as we try to set the stage for what I think will be a very important and insightful day tomorrow.

What I might do here is just pause and we'll take -- Zlacti and I will take questions on any of the materials that were presented or any other questions that you may have this afternoon.

I will say, if there's anything that you raise specifically that I think is going to be addressed in a little bit more detail tomorrow, rather than calling on one of the executives from the group, I might just say I'll make sure that we cover that tomorrow and each one of the executives that owns that particular component of our business will do everything that they can to make sure we cover it as part of their presentation.

So with that, I'll say thank you very much and we'll just open for questions. Thank you. I think we have a microphone roaming around.

QUESTIONS AND ANSWERS

Simon Mitchell - *UBS - Analyst*

Hi, Simon Mitchell from UBS. Tom, the reduction in maintenance CapEx burden for the business has been sort of a Holy Grail for Brambles management over many years. What actually makes you think you can achieve that going forward and do you see it more weighted towards loss rates or turn rates?

Tom Gorman - *Brambles Ltd - CEO*

We are going to go through this in quite a bit of detail tomorrow but I would like to respond to that. I think what happened to us as a company, and I think this is more of a USA issue than it is a European issue to a degree, but I think when the USA business lost its way four or five, six years ago the focus on the business then -- we were a slave to margin -- I've said this to a number of you over many years.

As part of that there was a real focus on ripping cost out of the business and my view is we ripped the wrong cost out of the business. We had built up a fairly strong asset management capability in the US and we took it apart and we really shrunk the size of that group. What I can say is there is no silver bullet here.

We have a very, very complex set of businesses and what really drives value in this space is the basic blocking and tackling. I wish it was something sexier than just getting the basics right. I think the difference today is that we are getting the basics right because we're investing in it. I mean, Kim has significant cost to her P&L to put people back in place that were missing.

They had been taken out of the business over a number of years and some of the work that we did two or three years ago really clearly identified that we were lacking where we should have been stronger so we have invested heavily in people on the ground.

We're investing in technology. We'll talk a little bit about that in terms of the some of the technology advantages. I have to say the acquisition of IFCO and then the IFCO PMS business in the US, gave us a whole different point of view into the recycler community, what can happen there.

We are keenly focused on reverse logistics as a potential service offering. So I think that we have done is we have expanded our view on what drives value and I'll be very direct, we are not a slave to margin. What we are a slave to is improving the return on capital on the business and we would easily trade operating cost if we felt that that was improving return on capital.

That was not the mindset four or five years ago. I think that's a fundamental change. We've raised the visibility of asset management and asset control and I'd like to say that it was something sexier than that, but it really is pounding the basics. I'll put a challenge to Peter in particular and Kim and James to go in more depth than that tomorrow, and that is the plan.

Simon Mitchell - *UBS - Analyst*

Just comments around the second half being lower growth than the first half, would suggest that it would be below the 6% to 8% guidance, and that's with cost savings, so top line you would expect would probably be a bit below that again, so just trying to reconcile the second half growth rate to the high single digit --

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Tom Gorman - *Brambles Ltd - CEO*

The only thing I would caution you on is don't take it as growth is slowing, it's just the comp is different. The comps are very challenging for us because first of all Pallecon came in in the second half of last year and if you look at second half growth last year, in FY13, it was particularly favoured by a number of wins that occur in that period.

So we're still delivering very strong results we believe in both first and second half, but in simple terms the first half comp is a little bit easier. Look, we'll talk a lot more about that when we come to February. I mean look, the natural assumption is that you think we're sandbagging the second half. All I'm trying to do is to warn you that that's not the case, that the comps are quite different, and we'll spend quite a bit of time explaining that to you in February.

I think Anthony has a question.

Scott Kelly - *Morgan Stanley - Analyst*

Tom, it's Scott Kelly at Morgan Stanley.

Tom Gorman - *Brambles Ltd - CEO*

Sorry, Scott.

Scott Kelly - *Morgan Stanley - Analyst*

Just maybe to go into a little bit more detail around that, you talked about stripping out Pallecon and another couple of major acquisitions. Just if you could maybe talk about the run rate of new business wins in terms of that guidance, whether that is slowing relative to organic growth.

Tom Gorman - *Brambles Ltd - CEO*

Yeah look, I think what we would really like to do is to leave some of that for tomorrow, but in fact what we're trying to do in the investor briefing is talk to you about the long term development of our business.

I think if you would allow us some latitude to talk to you about what we see over a five-year period as opposed to the next six months, we will definitely talk about run rates, wins, losses, all of that when we come to February.

I apologise about pushing back on the question, but really what we're trying to do here is to frame the overall investment thesis and not make it a conversation about the next quarter or the next half. We will definitely do that for you as we typically do at our earnings release, and we'll commit to do that in February as well.

Scott Kelly - *Morgan Stanley - Analyst*

Okay, sure.

Tom Gorman - *Brambles Ltd - CEO*

Look the one thing I would say about growth -- I mean what's so important for us is the concept of the diversification. So when you look at what we would call our well established markets, whether it be Western Europe or North America, the opportunity that we have to continue to grow our businesses there we think is substantial.

But the growth in the US is going to have to come from somewhere other than just the 48 by 40 pallet. We still think there's opportunity to grow there, but we can accelerate growth through display pallets, through floor-ready displays, through last mile solutions, and that's really what we want to talk to you about, is the longer term growth opportunity and where so much exists for us going forward.

It isn't just about the base platform. You'll hear both from James and Kim when they talk specifically about their growth opportunities. We have plenty of geographic expansion opportunities in the European framework, and we'll talk about that as well.

Anthony Moulder - *Citigroup - Analyst*

Anthony Moulder from Citigroup. I wanted to talk about CHEP China, where you see that within those five phases that you identified, clearly it's somewhere between one and two, how that's changed and how do you see that market playing out over the next five years.

Tom Gorman - *Brambles Ltd - CEO*

Yeah, I mean, what I was saying earlier, you know, you really can't paint every market with the same brush. I think that we have learned that for sure over the last four or five years. I think we just passed our fifth year anniversary in China. As I've indicated to you before, China is a break-even proposition for us.

We don't lose money in China. But in fact what we're really focused on there is to drive dynamic pooling. We could put more capital into China. There's no question we can do that. But today the Chinese market is still a static hire and a closed loop market, and our business is about driving dynamic pooling.

We are going to increase our dynamic pooled issues in China in FY14 five-fold, in FY14. But still it's a blip on the radar. We're actually working with customers to drive dynamic pooling, because we think that's where the value will come from, and that has been the focus. So deliberately we have slowed down the growth in China in terms of our capital investment, but we still think it's a very important market for us. We think that the opportunity is very large. It's just getting the timing of that opportunity, Anthony, that's difficult for us today.

There are a number of things that have to happen that we don't control. You need to see a few things occur in China, which we are seeing, but they need to accelerate. First of all wage rate increases, which clearly are an issue, and actually the availability of labour is becoming an issue in China.

So as you see that happen, you will see automation increase. What we're talking about in terms of automation here is the use of a fork truck, right? You'll move to palletisation when you automate. We are starting to see the beginnings of that.

But we still need to see improvements in infrastructure. We need to see standardisation and discipline in truck sizes. We need to see platform standardisation. There are two or three platforms that tend to dominate in the pallet business, but there is no standard yet and we're working hard to deliver that standard.

We still think China, and India for that matter, hold great promise for us, but what we are trying to do here is be responsible in our investment and drive an outcome that's going to deliver a sustainable business for us in the long term.

I will just add finally that China is different than the other emerging markets, because typically what happens in an emerging market is we're the first one to enter. We kind of establish the idea and the concept of pooling. We move up that maturity curve, and what I didn't put on the maturity curve is when the competitor comes in. When you get mass market acceptance then the competitor arrives. The difference in China is the competitor's there. That creates a slightly different dynamic for us.

We both want the same thing in terms of driving standards and driving to dynamic pooling, but at the moment I think our strategies are somewhat different here, and we're cognisant of what they're doing. We'll refine our strategy as necessary in China vis-a-vis what Loscam and CMG are doing, but at the moment we're committed to driving dynamic pooling.

Anthony Moulder - *Citigroup - Analyst*

I take from that there's nothing that's changed as far as the economics of the pooling market in China that is behind some of that slowing down as far as the investment of the static pool?

Tom Gorman - *Brambles Ltd - CEO*

No, in fact not. I think we're quite pleased with the growth that we're getting in dynamic pooling. It's a five-fold increase. It's relatively small, but it's a big increase year-on-year, and it's driving education and standards within the market, that's important. I think from a Loscam and CMG standpoint, I think that they're taking an aggressive posture in China, and they are really about getting a lot of pallets into the market for static hire and closed loop.

We need to consider what they're doing and how that may or may not impact our growth perspectives. We are doing just that. But at the moment we have deliberately slowed down because we want to drive dynamic pooling.

I will say at the same time, however, our automotive business continues to grow in China. We now have CAPSA, which is Chang'an PSA, as a very large customer. I went to visit them. We signed a 10-year cooperation agreement. I was in Shenzhen two weeks ago and we signed an agreement with them.

So we're continuing to grow that business. We think that holds a lot of promise for us going forward, and you'll hear from Wolfgang tomorrow about a pilot that's underway in the RPC space. So there are many opportunities for us in China. I just think we need to be responsible here. You can put a lot of capital to work at no return, and that's not what we believe in.

Matt Spence - - *Analyst*

Matt Spence from (inaudible).

Tom Gorman - *Brambles Ltd - CEO*

Hi Matt.

Matt Spence - - *Analyst*

Just those two stats you gave at the start, so the annual percentage sales increase, high single digits, and then the return on capital up 400 (inaudible).

Tom Gorman - *Brambles Ltd - CEO*

Yep. A little bit -- yeah. We're at 16.4 I think in FY13.

Matt Spence - - *Analyst*

Yep. What's the split between revenue and costs in that 400 or so BP improvement? Do you know?

Tom Gorman - *Brambles Ltd - CEO*

Well the top line growth, you know, we said would be high single digits. So I mean, look, pick a number, it's 7% to 9% is kind of what high single digits means for us. I will say though that all of our assumptions in that planned period call for the economic environment that I described.

So very low organic growth and a poor pricing environment. I mean we continue to see 1% to 2% across the Group in terms of organic growth, and 1% to 2% in pricing, so the balance of that growth is really going to come from new initiatives and organic growth. There's no acquisition in that top line.

So you take that top line and our view is that we're going to do two things underneath that, both of which Zlatko covered. One is we're going to get better asset utilisation, which helps your return on capital. So we're going to get top line growth in excess of ACI growth, so average capital invested. That gives you positive capital leverage.

The second bit that we're absolutely committed to doing is to ripping costs out of the business. Even when you can get the growth and hold your costs constant, you get enormous leverage to the bottom line. So that's really -- it's both of those components. Do you agree Z?

Zlatko Todorcevski - *Brambles Ltd - CFO*

Probably the only other thing to mention is the overheads piece that I spoke about, Matt. We haven't assumed any benefits out of that program and those numbers. So anything we're able to deliver out of that will be incremental.

Matt Spence - - *Analyst*

Zlatko you're running these hypotheses, you had 100 people in the room this afternoon, was the original plan three or four months ago to have the hypotheses all done and dusted by now and be in a position where you could talk about a cost outline?

Zlatko Todorcevski - *Brambles Ltd - CFO*

No, definitely not. We've always run the program so that by the end of this calendar year we had a view about what the opportunity set looked like. The intent was always early next year to start working through the execution program. But we wouldn't have put a teaser up there if we didn't feel comfortable that there was some pretty substantial value there for us.

Tom Gorman - *Brambles Ltd - CEO*

I'll just give you an insight. We had a leadership meeting a number of months ago and we're sitting around really trying to come to grips with the issue of overhead costs. One of the guys around the table said let's just cut to the chase, give everybody a 10% haircut.

I've been there, I've done that. I've spent most of my life taking haircuts and giving haircuts. That's not the way we're going to run this company. What we're going to do is we're going to take a disciplined approach to solving the problems that we face.

One of the reasons that we have higher overheads than we should have is because oftentimes the interface with the customer is complex. So the way we fix that is we throw people at the problem. What we want to do is to fix the complexity of the interface. If we can get that right, then we don't need to throw the human capital at solving the problem that shouldn't exist in the first place.

We - even though today we are truly coming together as one business, one team, we still don't have standardised processes behind the curtain. I mean Finance has led the way on this now through the Webber Project that Zlatko referred to.

The team has done a phenomenal job of fixing our core processes while driving costs out. So every time we make an acquisition we now can plug them in much more easily than we used to. But we needed to do that anyway, irrespective of cost savings.

The next thing to come is the HR function. But we're just kicking off a massive HR IT program to try to bring our company together on that front. IT is another area where we think we can - we have allowed too much IT proliferation in our company. Frankly we've learned a heck of a lot from Wolfgang and his team.

We basically run the same stuff. They take what's off the shelf and we customise it. What is that? How did we ever let that happen? What we're trying to do is to dial this stuff back and say you cannot do that.

The degrees of freedom in certain areas of our company are actually expanding, but I will tell you the degrees of freedom in other areas are contracting severely. If we're going to deliver on the promise of high quality returns as a company, we have to get our mind around this. We're absolutely committed. We're doing nothing to stage anything for today. We're just telling you exactly what we've been working on, and our commitment is to deliver a significant improvement over the five-year plan period.

Matt Spence - - *Analyst*

But to take the simple, direct approach that you're taking in IT, there's a cost out number that's coming at the first half '14 result. Is that how we should think about it?

Tom Gorman - *Brambles Ltd - CEO*

Look what I would like you to think about is really the two things we asked you to think about. I know that's hard to do. I just want you to do what we actually presented. What we're trying to do as a company is to say, look, we think we have an outstanding value proposition.

The investment thesis in Brambles is very, very powerful. What we are committing to over the coming five-year period is continued improvement in the return on capital in our business, as you rightly quoted, 400 BPs improvement. That's a significant improvement each year in return on capital, and without any acquisitions, in a very muted economic environment, we are committed to deliver high single deliver of growth with better leverage to the bottom line.

So if we can continue to deliver that, I think you'll get away from saying in the next quarter what's your margin in the US going to be? That was important for us when we were turning the business around. It was very important for us from a credibility standpoint to tell you we will do this, and frankly we have delivered.

What we're trying to do today is to take a step back and do something that we've never done before, which is actually to draw a longer picture for you as the investment community, and to make the argument for long term sustainable value creation as a company.

It would be very easy for me to tell you what's going to happen in the next six months because I can control that very easily. There are a couple of levers we can always pull to squeeze another 5, 10, 15 million out of the business. I don't think that's the responsible way to run this business.

We are uniquely positioned -- what you have in Brambles is a very special company, very special. We have an enormous market position. We have an enormous strength in the markets in which we operate. We cannot abuse that position. We need to treat that like the gem that it is, and at the same time we need to focus on growth. We've been able to do that.

If you look at the last four years of this company, we have turned around our largest operating enterprise. We've taken it from what in my view was a complete disaster and we have gotten it back on its feet, winning customers and moving in the right direction. Is it perfect? No, absolutely not.

But it's moving in the right direction. At the same time we have funded a massive acquisition that has slotted into our company brilliantly. We have run a whole series of new initiatives that Jason will touch on tomorrow, and look, there are challenges and opportunities in that. But we've been able to do that, and all of that we've kept a very strong return on capital.

So we've never destroyed the value proposition but we've given you all these growth opportunities. We want to continue to do that in the long run. That's the fundamental view of I think everybody - all the leadership team. That's what we want to do: take the gem that we have and grow. That's really what we're all about.

Cameron McDonald - *Deutsche Bank - Analyst*

Sorry Tom.

Tom Gorman - *Brambles Ltd - CEO*

We'll come back to you.

Cameron McDonald - *Deutsche Bank - Analyst*

Cameron McDonald from Deutsche. Just a question, Zlatko mentioned the reduction in maintenance CapEx from 70% to 60%, going back to some of the earlier questions, and highlighted it could be the hundred million dollar differential that would be put back into growth, but you've also spoken about increasing asset utilisation. Now both growth and asset utilisation intuitively would indicate that maintenance CapEx actually has to in absolute terms go up, so I'm just trying to reconcile the two messages.

Tom Gorman - *Brambles Ltd - CEO*

What Z showed - you want to respond on your slide?

Zlatko Todorcevski - *Brambles Ltd - CFO*

Yeah, okay.

Tom Gorman - *Brambles Ltd - CEO*

Sorry.

Zlatko Todorcevski - *Brambles Ltd - CFO*

All we're saying on that slide, Cam, is that over the five-year period there are a whole bunch of asset management activities that we are pursuing, and you'll see a full raft of those tomorrow. As Tom said, this is not any silver bullet.

There's a whole bunch of projects we are working on. It's unclear about exactly the pace of delivery against those, but our view is by the end of the five-year period we can get to a point where there is a lower requirement for maintenance capital relative to the growth capital. There will be some increase in capital over that period, but the proportion will be lower.

Cameron McDonald - *Deutsche Bank - Analyst*

Even with asset utilisation --

Zlatko Todorcevski - *Brambles Ltd - CFO*

Yep.

Cameron McDonald - *Deutsche Bank - Analyst*

-- going higher, so presumably their customers are touching this stuff --

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Zlatko Todorcevski - *Brambles Ltd - CFO*

That's right.

Cameron McDonald - *Deutsche Bank - Analyst*

-- more and more often and more damage occurs.

Tom Gorman - *Brambles Ltd - CEO*

Look I think you get a couple of things. In terms of operating expense, this is where we're happy to make the trade-off. The more we cycle an asset, there's no question that as the duty cycles go up, the amount of damage increases. You're absolutely correct there.

What I would also posit, and this is part of the plan, if we come up with better solutions for that last mile, and if we -- specifically with the pallet, if we take the pallet out of that portion of the supply chain, your damage comes down significantly. Most of the damage occurs in reuse between DC and store, and part of our focus with the last mile solutions is presenting alternatives to moving the pallet downstream. That's the first thing.

The second thing, however though, is with multiple uses you will get an increase in operating cost. But you'll also get top line revenue growth, because you'll take that same asset -- let's take for example today in the US, you get -- let's just say a turn rate of three and a half times in the US, $5 a pop, you're getting $17.50 revenue per pallet per year.

Let's just say we shift that turn rate to four, just to make an example, and clearly in the RPC business they focus on this quite a bit more, but you've now just shifted the revenue per asset per year to $20. That's a significant improvement and you've done it with no capital expenditure. It's that sort of leverage that we're really targeting, and that mix should come down as we improve our ability to manage our asset base.

I think there was a question -- yep.

Andrew Gibson - *Goldman Sachs - Analyst*

G'day Tom, Andrew Gibson, Goldman Sachs.

Tom Gorman - *Brambles Ltd - CEO*

Andrew.

Andrew Gibson - *Goldman Sachs - Analyst*

A few questions which are all kind of related and touch on what's already been touched on to an extent. Simplistically, is one read -- one way of reading what you're saying is that you can grow returns and possibly even have negative margin growth?

Tom Gorman - *Brambles Ltd - CEO*

Well the answer to that mathematically is yes. But we're not standing up here and saying that there's no focus on profitability and margins. That's not what we're saying. So I want to be very clear on that, particularly to the guys that work for me. Everyone else can leave the room; we'll have a little chat on that one. Pete, put the pen away. No, the objective here is to deliver a strong return on capital, but I'll give you a very specific example, and Kim can do this better than I can, but she'll do it tomorrow.

We've invested in a lot of people in asset management in the US business. That has an adverse impact on our cost structure in the US. They don't actually generate any revenue, but what they do do is they save us significant capital expenditure.

So we are spending money to reduce our CapEx, and therefore returning our return on capital. If we can leverage that correctly, that gives us, we believe, the right outcome for the shareholder.

But all of the other commitments that we've made, and again the guys will talk about this tomorrow, but the margin commitments that we've made to the market are being achieved. So the 200 to 300 basis point objective that we set in the European business or the EMEA business, James will touch on that tomorrow, but we've achieved that. The margin improvement in the US, we've seen the margin improvement that we wanted to get after.

We're by no means walking away from the fundamental business drivers, which are top line growth, strong contribution, lower asset utilisation. That's what gets you return on capital. So please don't misunderstand anything we said, that we're abandoning a focus on margins. What we'd like to do is to get the market away from looking for what is the margin next half, and focus on the long-term development of an outstanding return business.

Andrew Gibson - *Goldman Sachs - Analyst*

You may touch on this tomorrow so leave it till tomorrow if you choose, but in the US, for example, how important is increasing issuance of white wood from Brambles as part of that reciprocity?

Tom Gorman - *Brambles Ltd - CEO*

I think it would do justice to punt that question till tomorrow and Kim can talk about that, and she'll really talk about how pooling and one-way white wood becomes part of the selling proposition, and how we've now integrated that business I think quite successfully over the last couple of years. So if you don't mind, I think Kim would be better suited to do that. It's in her presentation tomorrow.

Paul Ryan - *Evans and Partners - Analyst*

Tom, Paul Ryan, Evans and Partners.

Tom Gorman - *Brambles Ltd - CEO*

Hey Paul.

Paul Ryan - *Evans and Partners - Analyst*

Two questions, one following on that OpEx/CapEx trade-off which has dogged the Company down the years, and that whole comment about slave to margin going backwards. You've got the guys in the back of the room, can you talk about remuneration and how you're balancing that and how you're actually incentivising managers?

Tom Gorman - *Brambles Ltd - CEO*

We're cutting remuneration. We've decided to eliminate it other than for Z and I.

Paul Ryan - *Evans and Partners - Analyst*

None of them are going to talk to me now. Can you talk about how you balance it?

Tom Gorman - *Brambles Ltd - CEO*

Yeah, so look, there's a number of things. I'll tell you exactly how our rem works. From a senior level, and actually well down into the organisation, so everyone that participates in the short-term incentive program, we call it the [STIX] Program, BVA is the primary driver.

So BVA and return on capital are the same - more or less the same thing. Obviously BVA is EVA just to be clear, so it's Bramble value added, but it's economic value added. We use a 12% pre-tax cost on that, when we look at the cost of assets in the business. So already the team is rewarded on efficient use of capital.

But on a day-to-day, month-to-month basis, we don't calculate BVA and then look at it in that way. The drivers that we really use with our guys are underlying profit or EBIT and CapEx. That's the driver in our business. If we can keep CapEx down and profit up, you get very positive economic value added, and you'll get a very strong return on capital. So we're all compensated as it relates to BVA.

Now whether we shift that to ROCI I think is an interesting question, and one that we're debating within the Remuneration Committee at Brambles. If that's appropriate, we would make that change going forward as long as we stayed focused on asset usage. I think the beauty of BVA, it brings the concept -- in a business such as ours you have to stay focused on asset usage. So that's the first thing.

But I'll also say that all of us are compensated on a number of other objectives. We're compensated on customer satisfaction. Everyone has an NPS objective, of which I share the Group NPS objective. We're focused on customer - sorry, employee satisfaction. We have a thing called an Employee Engagement Survey, and we're focused on that. So that comes into our compensation as well.

Safety is a very big issue in our company and all of our personals have a safety component. Specifically if there's ever a fatality in the company, myself as the senior executive, that gets wiped out to zero, and the executive in the direct line of responsibility gets wiped out if there's ever a fatality in our company.

So we are trying to stay focused across all the constituent groups, you know? The three constituents that we believe in are the employee, the shareholder and the customer, those three. I believe our compensation aligns across those, more heavily skewed towards the shareholder to be honest, but still it's about creating value with the assets and the capital that the shareholders entrust us with.

Paul Ryan - *Evans and Partners - Analyst*

Sorry, just a second cheeky one if you'll indulge me. I understand we're going to talk a lot about the growth opportunities tomorrow at an individual divisional level. Can you talk about sequentially over that five-year period where are the opportunities driving the next two years? Where in the medium term? Just give us a bit of a picture.

Tom Gorman - *Brambles Ltd - CEO*

I think it's very easy. I mean I think - look, in the short term, and I think you should pepper him with a thousand questions tomorrow, I think Wolfgang's the - the target's on Wolfgang here in the short term. I think that the opportunity for RPC growth for us is very strong. I would say that opportunity exists across all of his markets. Wolfgang knows this. We're getting still very strong growth in Europe and he'll show you the opportunities that exist in the European market, but the big play for us is in the US.

We really have what I think is a very strong first mover advantage. That doesn't mean that there aren't competitors, and that competitor set has changed. Tosca bought out GP's business so they're a rational competitor. But we're much, much larger than they are and our penetration and market coverage is enormous. We really need to be driving more rapid growth in that market. We think that's a really big opportunity.

Emerging markets are going to continue to be strong for us, notwithstanding some of the balancing that we're doing in terms of the pace of that growth, but we think we'll continue to deliver strong growth in the emerging markets. We've talked about that repeatedly.

I think when Jason gets a chance to talk to you about the growth potential that exists in containers, you'll see in his presentation tomorrow that we really have multiple different supply chains and you can't paint containers with one brush at all. It's very different. Some of it is quite lumpy. You win a big piece of business and all of a sudden you accelerate the growth.

I think the thing I can say about all of our businesses though, we don't put capital in until we have the customer. It's quite a unique business, just to remind all of you. We don't build a factory, design a widget, manufacture the widget and hope customers like it. That's not what we do. Yes, we do put operating cost in sometimes. We put people on the ground in China and India. Jason's built a small leadership team to manage the containers business. So there's some operating expense in advance. But we don't lay out capital until we have a customer.

I think in the near term, really it's about RPC growth, particularly in North America, and containers growth. Those are the big drivers of growth. But having said that, what James and Kim are responsible for is very important to us. Even though the growth rates might not be double digit growth rates, the marginal return on capital in those businesses is outstanding. So let's not take our eye off that either.

Clearly Peter, Kim and James -- they're focused on driving efficiencies maybe more aggressively than Jason and Wolfgang are, but I think what you'll see within those businesses is they have plenty of opportunities in our better established businesses to still add value.

Unidentified Participant

Thanks Tom. Mine's pretty easy. I like the five-year stories as you know, so my question to you guys is as we sit here at the moment, are you tending to be here in five years to deliver it?

Tom Gorman - *Brambles Ltd - CEO*

You mean me personally, Tom Gorman?

Unidentified Participant

Both Tom and Zlatko.

Tom Gorman - *Brambles Ltd - CEO*

You go first.

Zlatko Todorcevski - *Brambles Ltd - CFO*

My plan is to be here, but it depends on him.

Tom Gorman - *Brambles Ltd - CEO*

I work at the discretion of the Board. I think that - I love this company and I love my job. I think those of you that have gotten to know me over the last four years, if you've missed that point then I've done a poor job of expressing my own enthusiasm for the place. It's been a really fascinating four years for me, and I have to say that the leadership team that we have today I feel very good about.

The path from November of '09 to today was not a straight line. I mean anybody that's been watching us closely would know that. There were a number of ups and downs, and building a team of the quality that we have in this room today, there were some fits and starts in finding the right pieces of the puzzle. But I feel really good about where we are as a company. From the beginning I always had a strategy of get the strategy right, get the organisation designed correct to deliver the strategy, and then populate the organisation design with the right people. I think that's what we've been working very hard to do, and I've been at it for four years.

There have been some wins and losses, I have to say with Patrick sitting in front of us, the new CFO of Goodman Fielder, and sure as shit aren't Goodman Fielder prices going to be under attack, but nevertheless - you can take that off the video please - but let me just say that's an example of a great guy that's been with us for a long time that we wish we could meet his career aspirations with us, but we're really proud of the development that he helped us with and what he's going to move on to. You'll see continued movements like that.

For me, I've been here now four years. I have a view that there are many CEOs that overstay their welcome. I don't think my work is finished by any stretch of the imagination, but I don't know that if you look five, six, seven years from now, I'll still be here. I can't honestly commit to you that today. What I can commit to you is that through the bulk of this planned period, I'm going to be here. The vast majority of this planned period - I don't have a fixed term contract. I serve at the discretion of the Board. I have an enormous amount of enthusiasm, but I do think that as we deliver the things that we want to deliver, people will move.

The strength of the company is not based on the strength of the CEO. I think that that's a mistake. I think the strength of the company is all of the people that do all the work. In many ways I'm kind of the mouth piece for the high quality individuals that we have on our team today, and this company is going to outlive me, whenever that time comes.

Hopefully it's going to outlive all of the executives in the room. We are trying to build a sustainable long-term value proposition, and we built a great team. For the vast majority I can commit - and I never make a promise that I don't deliver, so I can't say five years from now I'm definitely going to be standing here. But I can say for the vast majority of this period I plan to be here and continue to work with the team that I feel really good about.

With that somewhat uncomfortable question, I think what's probably best now is we'll just move on to the next phase of the proceedings which are quite a bit easier, I think, which involves food and drink. Let me just thank you again for your attention over the last hour and a half or so. I'd like to put a challenge out to you.

I know challenge is a funny word to use for shareholders and analysts and the like, but I'd really like to challenge you to get to meet our people today. I know many of you have had a number of years talking to them and learning the business from them, but particularly for those of you that are new, I've asked all of them to really be very active in meeting folks tonight. If you could do the same, spend the time with the team, and get to know them before tomorrow's presentations, I think you'll be impressed by the quality of our company.

Thanks again for your time. Thank you.

James Hall - *Brambles Ltd - Senior Director Investor Relations and Corporate Affairs*

(Conferences instructions) Okay. No worries. Thank you.

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CORPORATE PARTICIPANTS

Tom Gorman *Brambles Limited - CEO*

Peter Mackie *Brambles Limited - Group President Pallets*

Phillip Austin *Brambles Limited - President CHEP, Australia and New Zealand*

Kim Rumph *Brambles Limited - President Pallets, North America*

James McCarthy *Brambles Limited - President Pallets, Europe*

Wolfgang Orgeldinger *Brambles Limited - IFCO, Group President, RPCs*

Jason Rabbino *Brambles Limited - Group President, Containers*

Neale Myers *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Neil Rogers *New Zealand Starch - General Manager*

PRESENTATION

Tom Gorman *- Brambles Limited - CEO*

Well good morning everyone. We'll just take a few minutes while people are finding their seats and I think there might be a few people still -- James, anybody left in the beautiful dining room you've organised? Great.

Well, thank you very much everyone for joining us again for day two of this year's Investor Market Briefing. It was really a very pleasurable evening last night. It was a great opportunity for those that you -- that you were able to stay and join us. Really it was great to see the amount of conversation and I'm really quite proud of our team that our guys really made themselves available. I would encourage you again throughout the day at various breaks in the day to take advantage of that. Then, of course, this evening if you could please stick around for a while we are going to have cocktails out on the porch there. A great opportunity really to wrap up a couple of days with you and a last opportunity for you to talk to a number of our executives.

So again, thank you all for yesterday's attention during the presentations and clearly enthusiastic involvement with our team, my team, in the evening, so thank you very much.

Today we're going to just get back at it pretty quickly. We'll cover all three key business units, so we'll -- a bit of time on pallets, a bit of time on RPCs and a bit of time on the containers business. I think it probably hasn't escaped any of you today that today is a big day for us. This is the day that we trade ex-recall. That actually occurs at noon, which isn't perfectly timed for the presentation. The presentation is set to break at 12:30. There might be a number of you checking phones and the like around noon. We're not oblivious to that. We'll do the best we can to kind of just structure the discussion so that if we need to take a break at noon maybe we can just rejig the agenda, we'll see what we can do and try to move along.

Peter Mackie *- Brambles Limited - Group President Pallets*

We might have a minute's silence Tom.

Tom Gorman *- Brambles Limited - CEO*

Yes, we might do a minute of silence, yes. No one ever really thought much of Pete's sense of humour and it frankly has not improved, so there you go.

Fortunately Pete knows a hell of a lot about the pallet business, so with that as a very disjointed segue it's my pleasure to introduce to all of you today Peter Mackie, thank you.

Peter Mackie - *Brambles Limited - Group President Pallets*

Great, thanks very much Tom. Good morning to everybody. Thanks a lot for coming to listen to us today. The pallets team is determined you're going to get a return on your investment of time for this session. So we have three Q&A opportunities during this, so we're not just going to try and kill you with PowerPoint, and then we'll be around the whole day for any questions that you might have in any of the breaks as well, so please make full use of the team in that sense.

Look, our main focus today will be no surprise after Tom's presentation yesterday. So we're going to talk about the quality of the growth opportunities, our growth initiatives in the pallets business. We're also going to talk about our refreshed approach to asset productivity as well. I'm going to talk just a little bit around our network advantage and really how that relates to (1) growing the business but also improved asset productivity as well.

So just to give you a little sense of what we're going to do in this morning's session, Phillip and I are going to open it up. I intend to be here longer than an English batsman, so probably about half an hour. Phillip is then going to talk about growth in the Australia/New Zealand business. Now Phillip is deliberately up first, okay. He's coming into, I think, his 25th year in the business. The ANZ business has really been the pioneers in the pallet business of new product development, new service development. So Phillip can show you a lot of stuff that's been going on for some time in the ANZ business, which I think is a great start to talk about growth.

We'll then do a Q&A session between the two of us before we break, hopefully around 10 o'clock for coffee. Then after coffee James who runs our European business and Kim, who runs our North American business, will come up and talk about growth in those markets. Then again we'll have a Q&A session with all four of us on the stage to -- any other questions that you might have on growth.

Then we're going to have a separate section focused on asset productivity. So I'll do a little bit of an overview and then each of the team will give you some specific examples of things we're doing under this refreshed -- under this refresh program.

So you'll remember these from Tom's presentation yesterday. Now what I'd like to do is get more specific about what this means for the pallets business itself. So firstly if we -- hopefully -- if we talk about growth, the pallets business really is focused on three areas of growth. So we have still a huge opportunity to grow with the products that we know in the markets that we're already in. So we're in a good position in terms of growth opportunities doing what we know.

We also have a lot of opportunities to support our major global customers so we're in a privileged position to be working with all the major global manufacturers and retailers around the world and we're working on supporting their entry into emerging markets as those supply chains modernise.

Then finally we're working now much more closely with the FMCG industry on their priorities and that's driving a lot of our new product and development work. So very simply, grow with what we know, extend into emerging markets and innovate in new products and new services as the fundamental growth piece. You'll hear a lot more about that from Kim, James and Phillip.

The other piece here is -- the focus for today is really around the asset productivity piece, so there were a number of questions yesterday and we will take you through a bit more detail on asset productivity. But I will just touch very briefly on these other two areas. So as Zlatko said yesterday we're well on track for the $100 million cost saving that we talked about. To some degree although this year is a very big year, the train has left the station and we're underway, so we feel very confident about the delivery over the next couple of years.

Then the other element here on process redesign. So a number of you who will talk to our customers talk about how do we simplify pallet management for our customers. So we've separated out a small innovation group that's working with an external advisory board on really how can we innovate in that space. Make our customer's work much easier around pallet management without losing the real rigour around pricing at the cost to serve and around the data that we need for really good asset management.

However, the focus for today really is around asset productivity. I don't think it escapes anybody that small changes in asset productivity actually have quite a big impact. They can improve customer satisfaction quite significantly, they definitely improve CapEx spend. Now in some cases some of the initiatives there can improve margin but in other cases actually as we alluded to yesterday we have to invest in margin to actually get the

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asset productivity outcome that we want. Really as we talked about yesterday, the big focus here is driving ROCI rather than driving margin. We'll get into that in a bit more detail.

But before I do that I just want to touch on this last bubble really which is around our network advantage. I've tried to do this at a number of IMBs and this time I've decided to use real data to try and get the point across. So if I take a -- I'm going to take an example of our Spanish business, which is one of our very well established businesses. So we started in Spain and then grew contiguously into Portugal. So what you see on the chart here to begin with is just our service centres in Spain, and then we add in our TPMs. So these are really mini service centres that we have either with retailers or manufacturers that do basic sortation or some kind of minor repair, but they're small service centres.

The next dot here really is our manufacturers. Now there are many more manufacturers than we have dots here but to try and at least leave some space on the map we've grouped them into postcode area. So they're all part of our network. The same with the retailers, we've grouped them into postcode areas. But you begin to get a sense of the density of the network that we have in established markets like Spain.

Now there are really three things I want to talk about with this network advantage. So, the first one is around what this means for our customers. So when you look at it from the manufacturers' flows, the manufacturer's flows on this chart -- you can just about see it I think -- are represented by a single blue line. But these are all of our manufacturers' flows in Spain. Now if I was able to print this in 3D you'd see that there's a huge number of lines also mapped on top of each other. Now what this means for our customers is huge coverage across the whole of Iberia. It means that they can ship on our equipment pretty much wherever they want to. That creates a lot of simplicity in their operations rather than having to repalletise or use different types of pallets in their network.

But the other piece here is also about our own efficiency. So when you start looking at collections here you'll see that our collection distances are actually very short. So the key to running an efficient pooling business is let the customer ship wherever they want to and make sure you have a network that means that you can pick them up in all those locations but only move the empty ones a very, very short distance. That's what you see in this network in Spain.

So if you think about this network advantage as efficiency for our customers and efficiency for us that's really one point. The other point -- and you'll hear a lot more today about new products and services -- so once you have this network in place how do you drive more products and services through the same network? You won't see it here in Spain because the contiguous move into Portugal happened many years ago, but if we move onto Europe you'll begin to see the contiguous growth opportunities from the network.

So the same picture again for Europe, there are our plants, there are our TPMs, there are our manufacturers across Europe, there are the retailers across Europe and effectively there's all of their flows and finally there's all their collections. Now this one really does need to be printed in 3D to show you how short really the majority of collections are across that European business.

So to the earlier point around being able to ship around Spain wherever they want to, we have some customers in Europe -- and I think we might have mentioned this at a previous IMB -- about 60% of their flows cross borders. So this network coverage across Europe, this regional network, is really important for them.

There's still quite a lot of national players, so on average it's about 19% of the flows cross a border in Europe, but that has, albeit slowly, consistently grown over the years and we see that still continuing to grow.

So again, the opportunity here to put new products and services through this network is important but then also thinking about contiguous growth from here.

Now look, there's a small error you might have noticed on this slide that are in your handouts that the flows to the west here are to the US and they're a little misleading, because we've only printed this in two dimensions, so those flows to the west actually represent less than 0.5% of the total flows of Europe. So I think at the bottom of your sheets it says less than 1.5% but it's actually less than 0.5%.

So look, there's a -- in the long run joining our regional networks as labour costs go up and filling sea containers by hand becomes uneconomic, but for the pallets business that's quite a long way off. So I wouldn't promise you that's going to happen in the short term. But actually for our containers business this is much more interesting in the short term. Jason will touch on that during his session.

The more interesting part of contiguous growth for Europe is actually moving east. So you'll have seen some of the growth in recent times has been in Eastern Europe and there's still a lot of opportunity for us to move east and also to go into Russia based off these networks.

So that's a little bit about our network advantage. I'm now going to run you through a short set of slides on each of these three areas of growth. So in the -- and many of you will have seen a version of this slide before and I'm afraid I'm going to be a bit of a broken record on this one. So the real opportunity for us is the white space that you see on this chart. It's about converting white-wood opportunities. In many of our well established markets there's still opportunities to do that. We've made great progress in recent years of converting from white-wood to CHEP and we've learnt quite a bit about how to break into some areas that have been quite stubborn to us over the years.

The reality is that growth in this area is continuing to do what we do; we know how to break into this space, continuing to drive down our cost base to open up more of the opportunity in this space. As you'll hear a little bit from everybody, also adapting our service offers to break into this space.

But I think it's also important to understand that there are some tailwinds that help us here. So increased lumber prices help us when we break into white-wood. Increasing demands in the supply chain as they reduce the amount of packaging and put more automation in means higher quality demands, that helps us penetrate more into white-wood. As supply chains become longer and more complex it also impacts our ability to go into white-wood as well.

So look, I have three of these charts, so one for each of those areas. So what I would ask you to do is by the time we've finished the growth session if there's something on here that we haven't talked about please feel free to bring it up in Q&A. I'm not intending to step through the details of all of this chart but they're there for you to see and ask us questions on.

But the main point of this slide is that the lead times in this business can be quite long and some of the wins can be quite lumpy. They're great when you have them and then when you don't have them they're not so great. So there's an importance of having a big, strong pipeline across multiyear horizons. So our focus is working on all of these areas to make sure we keep our growth momentum going in the business. The teams will touch a lot more on some of these things as we go through but one of the areas that I do want to comment on here is as a business we're now -- we spend a lot of time being focused on our conformance to our current quality spec in the pallet.

What we've learnt, I think, over that period of getting into a much better place on quality is the need to keep up with our customers as their needs in the supply chain change. So we've done a global study into what are the improvements in the pallet that they would really appreciate. So changes that we might make that are critical to the quality of their operation, so the CTQ in this comment. We're putting money behind making very targeted changes to the pallet that are of relevance to our customers. Now fortunately here actually there's fairly consistent themes on those all around the world.

But look, the other point -- and it's a bit to I think Simon's question from yesterday, asset productivity, where are we going to get it from, from loss or from turns. The reality is that we're going to get it from both. Now in some cases we can improve terms and the damage rate can go down, but there are a number of cases where we increase terms and make the pool work harder and actually the damage rate will go up. So we have for some time now been working on a pipeline of improvements to the pallet that actually just make it stronger, right? So we know that as lumber prices go up and our competitors' pools begin to age, having a stronger mousetrap is really important to us.

So we already invested last year and the year before in some changes to the pallet to make it stronger and we just have a pipeline of changes that we'll continue to make, because the strength of the pallet is really important. As we begin to make the pool work harder it's really important that the pallet is also stronger.

So if we move onto the emerging markets piece. As I mentioned earlier we have a -- just an incredibly strong relationship with all of the major global players in FMCG, so whether they're retailers or manufacturers, and most of those companies have really good positions in emerging markets and really strong ambitions in emerging markets. This chart really begins to show you why they have so much interest in these markets. So where the projected growth for the middle classes is where they are really interested, because that growth in middle class drives demand for brands and it also drives demand for modern retail. It's the modern retail piece that is the bit that really interests CHEP.

So as you look at this next slide -- and I'm not going to go through the detail of this slide -- but really what happens in some of these markets, or what happens in all of these markets, is the middle class grows, a bigger demand for brand a modern retailers, you see this shift from left to right from the way that goods are sold in the marketplace. Now the reality for us is it just means more warehousing, more racking, more forklifts, more pallets. At some point in this change cycle actually a requirement for a high quality pallet that somebody can pool and move efficiently through the supply chain. So the driver is middle class growth. But really this is the bit that we look to see when we're trying to get into an emerging market is the shift to modern retail.

Across the BRIC countries that shift to modern retail is continuing at pace. I think the data in the small print here talks about 25% in the BRIC countries. Now the reality is that that is averaged across all the cities in these emerging markets, but the reality is in the tier 1 and tier 2 cities modern retail is becoming the dominant force, hence our interest.

Again the pipeline. The reason for showing you the pipeline -- we can talk about these in Q&A. But again, if you go back to Tom's slide yesterday almost on the lifecycle in these markets or our development staged in these markets, it takes a long time to penetrate sometimes and sometimes the growth is either quick or slow, depending on how the supply chain modernised, which we have some degree of influence on but we don't have complete influence on. So the really important thing in this space is having a pipeline of emerging market initiatives underway so we can keep our emerging market momentum going in that 10% to 15% bracket that Tom has been talking about previously.

Now the final piece of this is our product and service innovation. Look, this is one of the -- it's one of the big changes in the last couple of years that we've been driving in the CHEP pallets business, but at the end of the day we're in a unique position in this industry and we're the market leader -- I mean we're the market leader by quite a long way. So we've started learning how to behave like that.

So we've been working much more closely with the major manufacturers and retailers and really trying to play a facilitation role in the industry in each of the regions. So bringing manufacturers and retailers together and trying to work on their key priorities in the industry.

Now part of our role is facilitation, part of our role is bringing some expertise that don't sit around the table. But I would say whether it's the customer forums that we've been running, or our involvement in the food waste initiatives at the World Economic Forum, the customer response to this has been overwhelmingly positive. My strong belief here is that if you want really relevant new product and new service innovation this is the way to do it. You have to engage in the industry's key priorities if you want new products and services to take off.

So I'm going to talk very briefly about what are some of those priorities as we see them and some of the work that we're doing through the customer forums and you'll get a much greater sense for that as you hear from the rest of the team.

So I've tried to combine things here so we don't take too long on the slides. There are a couple of key issues here around margin compression in retail -- and I'm sure you'll all see that playing out in the marketplace, but also the increased complexity. More demand for local products and more complication in the SKU area. Look, this has been intensifying for some time and it doesn't look like the intensification is going to die away.

So we're working with the industry on how do we drive efficiency in the supply chain, how do we help simplify some of this complication. To some degree it does involve direct pooling solutions, so things where we can help directly with our business, and then in other areas it's about finding other ways to drive efficiency. So an example of that may well be logistics optimisation, where we have some capability and we can help the industry get more out of their logistics networks.

The second area here -- I sort of combine these two together as well -- is the demand for online and also the retailers' response in giving multichannel outlets to consumers and lots of choice. Now what we know from some of the early work that we've done here is that close asset management as these supply chains change actually has the opportunity to make our pallets go faster than they currently do today. But our real focus, to be honest, is the industry's challenge is about profitable replenishment. So you saw the chart yesterday from Tom about getting closer to the consumer. The replenishment as you get closer to the consumer is where all of the real cost is. So we're doing a lot of work in that space.

The third section here I've combined really fresh and the private label range in retail. It's a key space where the retailers differentiate each other. Traditionally these supply chains have been relatively short and relatively simple. It's been difficult in some cases for us to break into white-wood in these channels. But what's becoming clear to us, these supply chains are getting longer and they're also getting more complicated. By adapting our service offers in this space and driving down our cost to serve, we do have the ability to bring much more value than we have done over time.

Then look, the final piece of the puzzle here -- and I'm sure all of you will be aware of this, we're seeing -- over the course of the last four or five years we've seen a big increase in promotional activity and that causes a little bit of chaos in the store. It causes a huge amount of chaos through the supply chain when there's not a standard way of doing that promotional replenishment. You also see the trend actually around the world in the increase in small urban stores. Once again, that's changing the replenishment challenge.

So a number of these places, replenishment on a full size pallet, it just doesn't make any sense whatsoever. So in both of these areas there's a huge opportunity to just try and standardise in this replenishment space and then prove that we can pool those assets better than anybody else in that standard. The guys are going to talk quite a bit about what we're doing in that space over the course of the presentation.

So once again, this may be more useful in Q&A once you've heard everybody's decks, but again, the theme here is really to keep the growth momentum going we have to have a multi-horizon pipeline of initiatives also in this space.

Products take a long time to develop and to be confident that they're poolable is really important and actually creating standards with the industry also takes time. So really, really important that we have a deep pipeline here that's multi-horizon. So it's the perfect segue actually into Phillip. The Australia/New Zealand business has been at this particular area for some time. So pleasure to give Phillip the stage.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Thank you Peter, and I have to say it's a -- for those of you who follow cricket like I do it's a wonderful time to have an Englishman as a boss.

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, thanks Phillip.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Thanks. Well -- and we'll go from there. Look, it really is a delight to be able to talk to you about the business in Australia and New Zealand. There's probably three things that I'd observe about our own business. It's a business of remarkable resilience, it's a business of remarkable capability and it remains, after all this time, a business of remarkable opportunity. So whilst we're tremendously excited about the growth opportunities we have today I would just like to do, I think, three things about the business. One is to show you that we are achieving growth in our very well established core business in what is a very fully penetrated and quite competitive market.

Secondly, that we are already achieving growth in new products and new services and net platforms, and that we're doing that through innovation and collaboration with our manufacturer and retail partners.

Thirdly today I'd just like to show you that we have -- I think the phrase yesterday was both a quantity and a quality. A very strong and active pipeline of scale growth opportunities that can be delivered within that current five year plan window that we have.

So it's important probably also at the start just to acknowledge that here in Australia and New Zealand my team and I have the privilege of running the full portfolio of Brambles' businesses. So today I'll be talking to you in the pallets section about pallets and RPCs. Until recently we also ran the IBC business but obviously with the acquisition of Pallecon we're now in the process of transitioning our very good people and our customers across to the experts in CHEP Pallecon solutions as they continue to drive that business in this market.

So whilst I think in annual reports you'll see breakouts between the pallets in Australia and New Zealand and RPCs, throughout today's presentation we'll actually be talking to you about ANZ as the geographic market and that is the geographic market that my team and I serve.

So there's a number of quite interesting points on the history and as Peter so kindly pointed out, having been here for 25 years I could possibly tell you about all of them but I'd just make three observations again really on this slide. We have a track record of starting new pools that build on the core pallet pool. I'd also point out, I think, the time that it sometimes takes and that stepped nature of growth post launch. Come back to Tom's point yesterday, there are certain tipping points on that maturity cycle at which stage growth is achieved. You can see that on a number of the progressions up there, be it in the RPC business or in our retail solutions business.

I would also note again the acceleration that we've had of growth intensity over the last four to five years as we've actually been able to leverage I think what is inherently in our DNA. We do have the ability to innovate, we do have the ability to bring new products and services to market and we're able to actually leverage the capability that we have in pooling solutions.

So in just continuing, I guess, to provide a baseline to the ANZ business before we look at the growth opportunities, you can see that it is actually quite a wide range of portfolio of products and services that serve a range of sectors already within the Australian and New Zealand business. Again, I think there's probably four or five points that I'd make here. The first one is -- and I think perhaps the scale here doesn't do it justice, we might have needed to break this out -- but the overall growth of the business in Australia and New Zealand over this period and that of the core business, the core pallet business, has outperformed the most relevant benchmark that we have.

Equally to Tom's point yesterday around your expectation of a well-established market, being around one to two points of price and one to two points of organic, that's exactly what the core business here in ANZ has been delivering over this period of time.

What's also obvious -- and I guess particularly given some of the headlines more recently and not unsurprising -- is the continuing negative growth within our domestic automotive business. You can see that that's not a large part of the overall portfolio. We continue to run quite a successful business in international flows in automotive and that remains quite a significant growth opportunity for the business. But our domestic business continues to decline. We continue to work with our customers in automotive as they change and scale down their operations.

Perhaps the one point I'd make here is just that this is a pool we started over 30 years ago. CHEP in ANZ has no asset exposure, it has no property exposure, it has no people exposure to whatever the future timeline of the Australian domestic automotive industry is and we'll continue to support our customers in that space as they make the changes that so many people are talking about right now.

The other point I'd make on this chart is that our early growth rates in some of our retail industry -- recently introduced retail display solutions are quite impressive. I would also note there the very high single digit and in some instances high teen digit growth that we're able to continue to get in our RPC fresh solutions business in this market as well.

So what we have in the CHEP ANZ business is a very solid and still growing foundation. We have a balance of exposures and quite a good range within the portfolio. We have achieved scale in some new growth markets already and we have significant further market penetration and quite frankly market making opportunities in the five years that lay ahead.

We talked earlier about one of the key advantages that CHEP has, and I guess it has it particularly here in one of its most well established markets. It is very much our network scale that gives us a strong and compelling advantage. I spoke at the beginning about the resilience and capability within this business.

So our network provides asset reach and depth and it provides a strong foundation for two things. One is actually the maintenance of our existing pool scale through being able to serve national customers at all these points of presence across the network where they need us to be.

Secondly it absolutely provides an infrastructure that enables for CHEP and for our customers the very efficient and effective edition of new products and services in to the network.

I'd make two further observations here and then talk briefly from that I think some logical outcomes. The first is within this market our network capacity across multiple products out-scales our competitor in this market by a factor of 10 to one. So we have a unique and compelling advantage in scale to be able to serve our customers in ANZ.

Secondly, you would note from the map as well we have a very strong and deep presence in regional Australia. That presence is enabling us to serve our current growing and future fresh and RPC customers in a way that, again, nobody else in this market is able to do.

I think to that point given it may be of interest if you're in this market, it's just a point, I guess, to talk briefly about the competitive landscape across Australia and New Zealand. Obviously I think the overall note I would make is that our competitor activity under CMG ownership has changed a little but there are no scale initiatives within this market. I again would make five points to that. I think the first would be undoubtedly they're a very credible and capable competitor in this market and there's no doubt that the market enjoys having a second operator.

Their penetration in Australia remains largely unchanged over this timeframe. What we have seen in a change in their pricing in Australia has become, I think, what most economists would call more rational. We've seen them actively closing the gap that's previously existed in pricing to CHEP. They have re-entered the New Zealand market. That's been delayed and difficult for them and has failed at this point to reach any material scale. They have had a couple of new product launches, or mooted new product launches, and again, the response to those has been mixed in the market.

So we remain and believe that the network scale that we have, and not just that scale but the deep relationships with customers, the deep ability to collaborate and innovate continues to give us a compelling advantage as we compete in this marketplace.

So I'd like to turn now to start to focus on the growth opportunities that exist within Australia and New Zealand. I think I'd come back to some of Peter's earlier slides because it's those observations and those changes in supply chains that are creating opportunity and they're enabling CHEP to deliver value in supply chains within ANZ. I'd pick out three of those, I think. The increasing importance of fresh, the importance and emphasis on promotion and the trend to small store formats. It's actually those changes as they're occurring in our marketplace that are creating opportunity for CHEP and our growth opportunities are right now really in that retail and fresh supply chain space.

There's I guess, I think a couple of unique things about the Australian market that I'd like to highlight that kind of answer the why CHEP question. Why is CHEP best positioned and why does this work for CHEP as it relates to the Australian marketplace? My first observation there, and it won't be a surprise to you, again, is actually on the very concentrated nature of supermarket retailing in Australia and New Zealand, with two large players in both geographic markets.

What it does mean for us is that as CHEP is able to gain acceptance at a retailer, or advocacy at a retailer, there is actually sufficient scale in one supermarket conversation to establish a pool. The economics of pooling means that if I'm able to bring a product or service to market for one retailer I'm able to very rapidly move up that maturity and profitability scale that Tom outlined yesterday to establish and run a pool in this market.

Secondly, what it means is if I can get two retailers I've pretty much got an industry standard. So that point where the pool really works to the maximum benefits of the supply chain is quite uniquely positioned for CHEP in Australia and New Zealand to be able to take advantage of.

It also means, again as some people have pointed out, growth can be lumpy and the timeframes can also sometimes take longer than we'd like to believe to get that point of retailer acceptance or advocacy. But when it comes it's of a scale that immediately makes pooling work.

I'd make another observation, because we've really enjoyed and you'll see today, I think the fresh approach that particularly ALDI and Costco have brought to this market. Whilst they don't offer us those same scale opportunities they are absolutely offering to CHEP in Australia and New Zealand a channel to market that's about being fast, nimble and being able to prove concepts in the field and in retail formats that then drive manufacture adoption and quite frankly drive the interest of the larger retailers in this market to accelerate their interest and engagement in some of the innovations that we bring to this market.

So the first point that benefits CHEP in ANZ is very much around that supermarket structure that exists in these markets and quite uniquely. The second point I'd make -- and this kind of gets into the technicality of it, but the Australian pallet is unique. It's an 1165 square format, which for you I'm sure is not of great interest. For our manufacturers and our retailers it's a wonderful piece of unique -- there is nowhere else in the world that operates like this. So every forklift, every truck, every piece of warehouse racking in Australia is configured around that 1165.

Again, so what. What it means is this; to bring new solutions to market you can't go and buy anything off the shelf. There is nothing that you can grab out of Europe or the US. If you see a create that you like, if you see a fractional pallet that just might innovate, if you want to start your own retailer owned pool there is nothing you can buy off the shelf. It has to work in a format that's compatible to the now 50-year standard of 1165.

So whilst that works for the timber pallet it actually means that you need someone to be able to bring together best of breed designers. You need moulds. You have to invest heavily in steel moulds that are going to have the capacity to produce the volume that you need. You need to invest in the trade-offs across multiple manufacturers and multiple retailers because nobody's done that work for you in the rest of the world.

So Australia -- to Peter's point earlier -- has to be a hub of innovation. It has to be a hub of collaboration with our retailer and manufacturer partners because we have to design, test, prove and build the products ourselves. There is no one else in the world that runs an 1165 footprint and so to maximise every truck, every pallet space, every floor space in store it has to be done uniquely for this market, it has to achieve scale. Again, that's where CHEP, in terms of its global leverage, its proven innovation capability to date and the relationships that it has in forging those trade-offs between the various partners in the supply chain is uniquely positioned to be able to deliver new products to retail supply chains and new products to fresh supply chains.

So we are uniquely positioned -- I think Tom used the phrase yesterday -- we have quite a position of strength, not just by virtue of scale but actually by virtue of the market dynamics that play here to be able to bring these products to market. They provide us with quite a unique competitive advantage.

What I'd like to do is show you and bring to life -- I think we have a short video now -- to bring to life just one of the retail solutions that we've been bringing to market. Again, it really, I think, shows some of our foundation of our success to date in the last mile, part of the supply chain, being able to get products through store replenishment with the lowest level of touch, with the lowest level of cost and straight to consumer. Again, particularly here we've started serving private label; it's been a fantastic channel to market for us. It's working not only in promotion but in aisle. So I'll show you a brief video that brings our retail display solutions to life for you.

Now clearly that's a bit of a general purpose video so there's a little bit of -- forgive some of the voiceover in there and it's great to see Graham, who's been with CHEP for even longer than I have, being able to talk about some of the things that he's delivered with ALDI.

But the key point here I think is -- to take out -- is that we are already in this business. It's a business we didn't have four years ago, it's already 2% or 3% of the overall CHEP Australia and New Zealand portfolio. So we have a strong and a profitable business already in these retail display pallets. We focused there on one element of how that works and it's obviously gone very deep in private label and beverage. That's the combination of two products for us.

The footprint around a retail display pallet meeting the needs of faster replenishment and smaller store formats but equally being able to add to that a secondary product in the beverage trade. You can see there the level of automation that companies are investing to bring the benefits of that tray and that footprint into their supply chains and critically to make their retail customers delighted with the way that they're able to help them lower their costs in store.

So we have a strong and a very profitable business already in these retail display solutions. I think what's encouraging is, is that we started this pool almost four years ago. We've leveraged CHEP's abilities. We've already improved the underlying product; we've increased its strength, to Peter's point, and its durability. We've increased the range and depth that's available so that retailers don't have out of stocks or a lack of ability to sell their product at the time and date they want to do it. We've now actually been able to bring that product to -- it's in the beverage aisle at another major retailer and as from quarter three of next year it will be in the beverage aisle of the other major retailer.

So we have significant opportunities to continue to expand here in more retailers. We have ability still to expand in organic, as ALDI and other retailers continue to grow their footprint. Critically we have the opportunity to go beyond the beverage category. We already have major FMCG manufacturers delivering into major retailers for promotion. We've seen some wonderfully innovative card and other solutions that are enabling them to drop promotions from DC straight to store and being able then to generate significantly increased sell through rates through it being an optimal footprint and an optimal sell through quantity that's able to be displayed and generate consumer interest.

We still obviously have opportunities to expand into [route], particularly into the petrol and convenience formats, as these sorts of quantities are more saleable and more attractive to the store owner even in smaller formats.

I think the point that I would also add from this slide is critically that we are on the cusp of moving to industry adoption. ECRA, using A.T. Kearney to do a very in-depth study of whether this could be adopted as an industry platform, has just published in Australia in October 2013 their recommendation that the CHEP display pallet, its footprint, is the solution for Australian boarder industry going forward, it is the solution for promotion and it is the solution for in aisle use, replacing shelving. It works in a number of categories beyond beverage. It works in dry goods, it works in heavy can. We actually have Heinz partnering with our business in New Zealand to launch the equivalent product in January in the New Zealand market, again in heavy pet food categories.

So we see significant growth opportunities having done the work over the last three or four years to bring this product to market to a point where it's already of scale. As industry now adopts and moves this into broader categories in retail, broader formats and we continue to gain from high digit organic growth we remain very confident about the future growth opportunity for CHEP in this important category, in fractional retail display pallets. We really are, again to Tom's curve yesterday, at that next tipping point of maturity. We're coming up that curve to the second or third inflection point and across the five year plan we will continue to grow heavily in our retail display pallet solutions.

We're now going to turn to the second of our areas for growth in the Australian and New Zealand market, which is in our fresh RPC business. As I do that I would just like to pause and actually give you a quick outline of just the depth and breadth of the existing business inside CHEP Australia and New Zealand in RPC. We have a strong and established base in our core business from which we are stimulating and managing and delivering a strong pipeline of quality growth opportunities.

I think from this you can see we have a significant history. If you go back to the timeline our first RPC in this marketplace was in 2000. There was a step change in growth in 2006, a further step change in growth in 2009 and, again, a step change last year as we bought ALDI into the pool that's served by CHEP. So we have a strong and successful history of growth, but equally, as you can see, a scale and diversity of products. That gives us incredibly strong relationships, not just at retailers but in the field with growers, with the consolidators, with the pack houses that ultimately are serving the retailers as well.

Again, I think it's a reminder of the core value proposition here against cardboard. Reduced damage, increase sales yield, improved in store replenishment and I would also highlight again here to Tom's point yesterday, significant sustainability benefits, which for the major retailers or for major customers remain a key. We've done the ISO 14000 study here in the Australian supply chain and the CHEP RPC crate takes over 1 kilogram of CO_2e per use out of the Australian greenhouse gas emissions versus the equivalent cardboard box. So when you think of a scale of a retailer doing 40 million or 50 million or 60 million uses a year, that sustainability benefit is substantial and is acknowledged in their sustainability reporting in this market.

So what you see here is a growing business that has depth, it has maturity and what we're excited about is that it has significant scale to grow again of the scale above and beyond even what we have today.

So what I'd again like to do is we've recently launched a crate to market. It's what we call our generation three; it's the third RPC we've introduced to market, so the naming is fairly logical.

It's a substantial improvement in the ability that we have to offer not just the benefits of an RPC to retail but actually to being to drive to industry standardisation across the Australian supply chain. One of the things that I'm excited about is that it leverages the best of our partnership in the Brambles family with IFCO. We've been able to take technology and intellectual property from their experience in European and North American pooling, bring that to bear to the already excellent product that we have in Australia and actually deliver the best of both to the market.

So again, I'm going to show you a brief video that outlines the generation three and particularly, again, its introduction into ALDI and then talk about our growth opportunity past that.

All right, again, somewhat of a promotional nature. But I think the key here is that the opportunity -- and you can see there some of the facts and figures, we deliver significant savings into Australian supply chains. Those reverse logistics costs alone for one major retailer simply in trading from their current crate to this crate would exceed over $2 million a year in direct transport savings just in one leg of their transport. So whilst sometimes you can watch promotional videos and go 29 here, 32 there, the actual ability for CHEP to deliver those savings into supply chains is very real. As we spoke before about the scale of it, it actually translates into millions of dollars for value versus current crates that might be in use or particularly versus the cardboard alternative.

So we genuinely believe that this third generation RPC has the potential to become, if you like, the equivalent of the blue pallet of the fresh supply chain, the industry standard. We say that for a couple of particular reasons. My team kind of encouraged me not to do this but I'm conscious I have a little bit of time. So you see lots of words up here about innovation and scale and best product and what I actually get excited about is, is that sometimes they feel like words on a page. But when my team and I get particularly excited is that they actually come together in a product, so I'm going to do the prop.

This is a generation three RPC, which to all of you might seem once you've seen one crate you've seen them all. But when we talk about why CHEP and why a family of crates there's actually something -- I'm just going to tick to this, because this is where we're going. There's actually something quite unique that CHEP is able to bring here that excites us about our ability to deliver the quantity of growth opportunities that we have and the quality.

So a crate is a crate and to you it looks like four sides of plastic and a base and it goes from there. The sort of intellectual property and technology that we talk about that delivers compelling advantages to all retailers in a pool, not just one, is actually in the strength that comes from the base of this. There are interlocking nodes in here, levels of plastic that you would think why did they do that? It's about meaning that whether you column stack or cross stack on a pallet, which can be critical to the way a pack house works or the way that a piece of retailer infrastructure works, only CHEP's crate locks both ways and locks with itself. Regardless of size, there are three different variances. Then you discover that a retailer decides that it doesn't pick crates one at a time, it picks them up with clamps from the side in totality.

It's only the CHEP crate and only CHEP technology that doesn't have the columns in the middle fall out, which doesn't go a lot for your promise of fresh produce undamaged. It's actually only the CHEP crate, and particularly here in the generation three, that if you then want to layer pick and only take the top of the six layers off, the CHEP crates interlock and retain their strength and their ability to come off regardless of a retailer or a pack house's way that their supply chain infrastructure works. That's IP and that's actually IP that we hold. That's competitive advantage.

As we grow -- this is a new crate. We've learnt a little bit from the software industry. I used the term interoperability or compatibility. In leveraging a new crate into the market as a pooler this works seamlessly and exactly with the prior generation. So you can upgrade without having to change over your entire infrastructure, you can upgrade and run mixed pools and transition yourself quite seamlessly. Therefore, as we bring new retailers and new growers into the market it doesn't matter whether you're using our prior crate or our new crate, they work together.

Critically as we go to build a family of crates -- because we will continue to grow in fresh produce, we have the opportunity to grow organically with our current customers; we have the opportunity to grow as we've done last year by bringing on a new retailer. We have the opportunity still to grow with further retailers in this market. We actually believe that the broader opportunity is in bringing a family of crates to a retailer's entire fresh category. At the moment we serve produce. The teams in retail who run fresh run produce, run protein, the holy grail of bananas, which is a particular segment within produce that I'll talk about shortly. We're actually able to bring three different crate types together within this family, all of which meet the needs inside the broader fresh category and all of which interact with each other.

Why is that important when it comes to value realisation? Because it delivers that seamless upgrade path in compatibility. It delivers the fact that all the existing infrastructure that's in a grower, a pack house, a supply chain DC is able to continue to work with this RPC. So there is no cost in transition. There is actually optimisation of all of the installed supply chain infrastructure.

One of the biggest costs inside a retail store, one is to replenish in that last mile, the other cost is actually if you hold 2000 stores training your staff, having consistent in-store handling operations, managing your OH&S risk, managing your store clean up. All of that went across a multiple range of categories in protein, in fresh produce, when there is one set of procedures, one set of handling, one set of crate family that delivers to that, you are offering your retailer a compelling value advantage in actually converting from card, delivering all of the product and yield benefits but choosing CHEP to deliver that solution for you.

It's only CHEP through its combination of capability, through its collaboration, these crates are built with customers and with retailers. It's only CHEP that can actually make that offer to the Australian and New Zealand marketplace and deliver that.

So where we're currently playing, Australian retailers are all currently reinvigorating and reinvestigating their protein supply chains and their crucial banana supply chain. Many of you I'm sure would remember Michael Luscombe's comments, a store that doesn't have bananas on sale is not hitting its sales target that week. It's just the number one thing that Australians look for when they come into any supermarket; it's the number one product that they buy.

Okay now -- so right now both of those supply chains are under active reinvestigation by both major retailers and we are in the field with them. With prototypes, with testing -- we're testing cooling, we're testing in the real detail of this. One of the great joys in protein, those of you that buy chicken, is what's called purge. That's the liquid that comes out of a chicken somewhere between the start of the supply chain and the end.

Our crate family solution -- you didn't think you were getting to liquid purge today did you? Believe it or not that's actually why CHEP, because within this family we can design, with our best of breed designers, a completely compatible crate, same fold-down height, same in store benefit, same supply chain benefit, that will capture up to a litre -- and you don't even want to think about that -- before it hits the store, before it drips on the floor, before it slips, before the cardboard crushes in the supply chain and the product is unusable. Only CHEP can bring that solution to market.

For a market that's between -- that in meat alone is over another 80 million issues a year, and that's a very conservative estimate in this market. That's why -- forgive me for going into liquid purge -- but that's why we're able to believe that we have unique opportunities right now in this market to bring a family of crates to market that leverages unique IP and unique capability that only CHEP has to deliver retail benefits in these solutions.

We're also currently in field with Australia's largest banana grower, bringing some fantastic technology that IFCO have from their North American market, to design a particular crate for bananas. That wastage on bananas, when you talk about food waste, let alone retail sale, almost 40% of what gets picked does not get sold and it's largely because we're fussy. The moment there is a bruise, the moment there is a slight breakage in the neck an Australian consumer will not buy that banana. That comes from very expensive waxed cardboard that crushes the moment it gets moist.

We've done the 7000 kilometre torture test from Mackay to Perth in a crate designed by IFCO now being integrated into this to deliver less than 10% waste at the end of that supply chain, to do it at a lower starting unit cost and for us to be able to make margin, accretive, profitable investments in a crate family for the future.

So we're very excited right now. CHEP has those unique relationships in regional Australia; it has the unique network presence in Australia and in New Zealand. It has the ability to innovate and collaborate right now in these supply chains to bring that family of products to life to leverage what is already a strong and diverse RPC business with an ability to bring over 100 million of issues additionally per annum into the CHEP business across the five year plan window that we have.

We're delighted to be able to be leveraging off that core, well-established pallet business that gives us the relationships, that gives us the insights into the supply chain to be bringing solutions in retail display, to be bringing solutions in new category, but also to be bringing real, new products to life into the Australian fresh -- broader fresh category that will deliver significant growth for our business and unlock significant value for our retail supply chain partners and our fresh supply chain partners.

So look, to wrap up I think again, hopefully what I've been able to demonstrate to you is exactly those pieces, we are a business of remarkable resilience, a remarkable capability and a remarkable opportunity. We have continuing growth in our very well established, very well penetrated and highly competitive market. We have been very successful in already establishing new products and new pools in this marketplace over the last five years and we're very excited about the opportunities that we have to continue to deliver a scale of new products that leverage CHEP's unique IP and CHEP's unique advantages in this marketplace.

Thank you for the opportunity. Back to Peter.

QUESTIONS AND ANSWERS

Peter Mackie - *Brambles Limited - Group President Pallets*

Great, thanks a lot Phillip. So look, what I'd suggest we do now is open up for Q&A before the coffee break. So if there are any questions -- really I would say we've got Europe and North America to come after the coffee break, so any questions oh Phillip or myself we'd be more than happy to take.

I will say, if anybody wants to ask me about the first half, second half I will set Tom on you, so--

Unidentified Participant

I won't ask about the first test, second test.

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, yes.

Unidentified Participant

Phillip I was wondering -- sorry, I was wondering if you could just comment on the experience on full pallet volumes and turns where you've introduced display pallets into the beverages supply chain?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Yes, look, I think one of the nice opportunities for us in that space. Clearly it takes out a small portion of full size timber pallet volume, it is a substitution. The opportunity though for CHEP in this space is that there's significant value created. I think the best way to understand that footprint is for every two timber pallets we're actually utilising six display pallets. That's the sort of footprint differential that comes. So because of the value that we're unlocking CHEP is able to maintain, or in fact increase, its share of the value that it captures.

So whilst there is a product substitution it is actually a benefit to CHEP because of the overall value that we're creating in that supply chain and we're capturing our share of it. Obviously with the level of penetration in our blue pallet business and the level of scale that small level of substitution is able to be managed in the pool very easily.

Unidentified Participant

So is that you're effectively charging the same price per movement for a display pallet as a wooden pallet?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

I'm not sure I'm here, particularly given customers last night, to talk about exact price points but--

Unidentified Participant

Right.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Yes, again, we're able to capture a greater share of the value in that supply chain because we're unlocking it than we do on timber pallets.

Unidentified Participant

Can you just talk to the reason why you think Coles hasn't come across to an RPC solution yet?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

To be fair Coles use an RPC solution, yes.

Unidentified Participant

Not yours.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Yes, not ours. Again, I think we were -- there's some of us in the room that were there in 2004 when they first introduced them and I think critically at that time they had a range of senior management from a UK retailer that did the owned pool solution, as some retailers continue to do around the world. So we have been -- we continue to talk very actively with Coles.

They're at a point in their supply chain right now where that's working well for them but that pool is, in our view, starting to near the end of its working life. It's quite an old pool. We're aware that last Christmas they had some out of stock issues that arose in the produce category because of crate availability. I think that they've dealt with that. But again, that's capital and investment that an outsourced solution means they don't have to make.

So we've very encouraged by the dialogue that we have with Coles. We've also had a bit of a delay recently; they've changed out some of their senior personnel in that area so we're reengaging with the new.

Unidentified Participant

Morning again.

Peter Mackie - *Brambles Limited - Group President Pallets*

Morning.

Unidentified Participant

Just a few things, changes to pallet, can you elaborate as to what changes you are making to the pallet?

Secondly, following on from that, how do you see the technology developing as far as the pallet space?

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, I'll maybe give you a couple of examples. So one that we're putting into all new pallet designs now is actually a nail plate that goes between the top deck and the block. Now what that's actually enabling us to do is to make the whole structure of the pallet stronger and actually also the leading edge stronger. Now they're actually in play.

Now we took that -- a while ago we took that pallet with nail plates in and put it across our test track, so some of you may or may not be aware but we have a track in Orlando that simulates supply chain and we calibrate -- we put pallets through this test track to try and recreate the type of damage that they would get out in the supply chain. That enables us to do multiple cycles with any new things that we think about.

So that was one of the elements that was first across this test track, just to prove that it would add to the durability of the pallet. So that's one example that's already in play. We have quite a long list of other initiatives on the pallet.

But what I might mention, look, I get very excited about it because I'm a wooden pallets guy, all right, but we've started doing finite element analysis on wood, which is quite an unusual thing to be using finite element analysis for, and it's giving us much greater insight into the types of species of wood we really should be targeting. So we're now looking at not necessarily species that we might be able to buy at the lowest price but actually really understanding the species that will give us the longest durability in the pallet. So I mean they're just a couple of examples, Anthony, that I'll give you.

Look, on the technology side of it you'll hear from Kim actually later today that we have -- you may be aware, we tried a tracking device some time ago and our challenge with that tracking device was the battery life. So it was a device that really could locate a pallet by talking to the closest mobile phone mast, but we couldn't get the battery life right. We now have bought a new tag where the battery life is significantly longer and we're in the process now of putting some of those through the US supply chain. You'll see what kind of information that gives us in Kim's presentation.

But what I would say is also look, this is quite a long way out, I wouldn't write this down for the short term. But this separate innovation group that we set up to look at can we find a way to simplify the way we go to market, actually have come up with now some new devices. Proximity RFID, which is now RFID devices that work over 1 kilometre to 10 kilometres. So you can put them on some pallets and they can identify pallets close to them. Then when you put them in a powered location, so on a building, one of our service centres or somewhere else, you can ramp up to about the full 10 kilometre range and those can spot pallets as well. So moving slowly towards cheaper devices that are enabled really to tell us where our pallets are more effectively in the pool.

There's further developments now, as I was mentioning last night, in Bluetooth technology, much lower power, much higher range, that, again, may well give us the ability to do more and more.

So the technology that we currently have today is still quite expensive, so you can only really put samples through the pool, but it's still giving us quite a bit of decent information. But we see the technology coming down in price and actually also the range of detection also increasing.

Unidentified Participant

And the technology regarding different pallet types, different materials as opposed to wood, how's your continual elevation or evolution into that space looking?

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, so look, if you imagine that anybody that comes up with a smart idea for a pallet, anybody that comes up with a wacky idea for a pallet to be honest with you, always generally comes to us. So we've put a huge amount of pallets across our test track just to work out whether we think they're going to work or not. I mean I'll give you an example, we've had -- over the years we've always had people come to us with metal pallets, but the challenge with metal pallets or metal/combination wood pallets is they're fine for the first move but when they get hit with a forklift they'll end up with lots of sharp edges and that doesn't work in a supply chain where there's still quite a bit of manual handling of equipment.

Look, we've seen more recently some plastic pallets and a lot of those plastic pallets are built around a glass fibre construction. Now we've looked at those pallets and again they look fine in the glossy brochure and the marketing but actually when they travel through the supply chain and get hit you do end up with glass fibre dust and glass fibre dust in a high hygiene environment is -- we have concerns that that wouldn't be the right thing for us to do.

So all I can say Anthony is that we -- I don't think there's an idea out there that we don't test and understand whether we think it's poolable or not.

Plastic becomes -- for us plastic becomes much more interesting when you get to the half and quarter sizes, because the amount of plastic you have to put in to get the strength you need to make the thing poolable, it really makes it work. So I think we'll see more and more plastic stuff in the smaller footprint sizes because it does work, but ultimately it's not just about the strength of the equipment, it's also about the pooling network to run it through, which is a bit -- the reason for my earlier presentation. Our ability to push these through the supply chain now has a lot to do with our ability to collect them efficiently.

Unidentified Participant

And one for Phillip if I could. You talked to the benefits that the banana growers are getting from these crates, the 40% wastage is obviously quite high, why then with that kind of efficiency in the supply chain are you still pricing it lower than the cardboard box?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Again, I think the differential is such that we can earn the margins that we earn now or higher. The cardboard box that's used in bananas is a very expensive cardboard box, so the unit rate there is $1.80 to $2.40 a box. The nature of it in terms of it's waxed; it's a two piece box. It also has about three or four kilos of carbon tied up just inside that box. So the ability to price lower, still deliver value into that supply chain and for CHEP to still be margin accretive exists. So that's what we're taking.

Unidentified Participant

Thank you.

Unidentified Participant

Can I -- Phillip can I ask a question. Sorry. Thanks.

Peter Mackie - *Brambles Limited - Group President Pallets*

(inaudible).

Unidentified Participant

You gave us that RPC target of an extra 100 million issuance over the next five years, so would a high teen growth rate get you to that 100 million?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Look I think, again, to be clear that's the size of the market that's there. We're in there; we're trying to make that market right now. That depends on retailer advocacy and adoption and a range of factors coming into play. I mean in our core business if you look -- you've seen the charts that were up there, at times I felt like a farmer reporting to Peter and Tom, we've had floods, we've had cyclones we've had -- I'm waiting for the locusts kind of thing in terms of running an RPC fresh business.

But we've had high single digit growth and we've had high teen growth in our existing RPC business. So we remain confident that with the range of organic expansion and that addressable market that we can continue to deliver good growth in fresh in Australia and New Zealand.

Unidentified Participant

So where are you in terms of your issuance per annum at the moment in RPCs?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Again, I think it was on -- I'll check my data. I think we showed on the core slide, we do around -- currently I think we do around 60 million issues a year in Australia, we do another 10 million or more in New Zealand, ball park.

Unidentified Participant

Thanks.

Unidentified Participant

Phillip, just a quick question for you. With the ever increasing range of products that you have, do you ever get to a point where there's a trade-off in terms of efficiently managing all those different products, in the sense that there's too many different types to manage efficiently?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Look, I think the joy is I guess almost -- we've been running for a while, so a lot of our products have a natural lifecycle. So we have an ongoing process, whether it's in our automotive business -- to be fair in our previous IBC business I think at one stage we had 17 variants about 10 years ago and that was too many. So I think we've learnt along the way that there's a core product, there's a couple of extensions, invariably, for instance, in our RPC business, that's about size. A 22 litre, 34 litre and 47 litre crate and then that's it. I mean that's part of the core proposition of pooling, standardisation, unitisation.

So I think we're able to deliver that and the market now actually -- whilst they're engaged with us in the process they understand that when we bring a product to market now there'll be two or three within the family, not 17. So I think to the first point we've learnt from some of our history in the 1980s, particularly around our auto and IBC business into the 1990s that too many is too hard to manage and it's not really pooling. That's still the core that we do, deep scale, deep reach, standardisation and then it works for everyone.

So no, we manage those products through in terms of their lifecycle and we're not introducing that many variants as we go through. I think the joy is as we showed, the network scale we have means that it's an infrastructure that has capacity to pump additional assets through. Even now for instance as our automotive business is declining the facilities that were serving those beyond the off sites are actually well located and they're now the infrastructure points through which we're putting our retail display business. So we were actually able to leverage the infrastructure in that way as the portfolio moves.

Peter Mackie - *Brambles Limited - Group President Pallets*

Look, I might also add to that just in general, a lot of the new equipment that you see has significantly lower damage rates than the full size pallets. So within our facilities the operations are simpler and more straightforward than with the full size equipment.

Unidentified Participant

Phillip, just to -- you spoke briefly about your competitor, I was hoping that you could just go into a little bit more detail on that? Last time I spoke to Daniel he was claiming contract wins, market share gains, investment in new products based on customer feedback and investing in new facilities. Can you just talk me through how you think your market share has evolved over the last five years and specific feedback from customers with respect to that?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Yes, there's a range of questions inside there so I might try and unbundle them one at a time if that's okay? If -- and I know Daniel well and we meet and talk I guess. So I'll do the new products one first I think, or the investment piece. They've invested in an IBC pool and I'm sure that Neale, this afternoon, will probably talk to that. When it was under our remit we were surprised of the technology that they introduced, it's very old. It made no change to the market in terms of features and benefits and they've targeted a very, very narrow niche in that space.

Some sub segments of the dairy industry has been their starting point and they've had a level of success there but equally they've been very public with their announcements in terms of the arrangement with Polymer Logistics as a pooler last mile solution provider. But in either Australia or New Zealand none of those products are in the market or have come to fruition.

They did have a fractional pallet that went through a retailer's supply chain earlier this year and that's been withdrawn. So, again, I think my headline might have been that they'd had mixed results and I think that that's fair. So in terms of the change in behaviour, certainly those experiments are new. Again, I think they've been mixed.

When we come to the contract wins I think certainly -- I mean we see two things in their results. One is they do recognise -- their revenue recognition is different than CHEP's. So in their top line they do recognise proceeds from customers for lost assets and that drives top line for Loscam which is not where we report it. It's not a revenue stream in that sense. Equally in terms of their results they have had some customer winds. They've had people who've left CHEP. I think we know particularly -- if I go back over the last few years -- Asahi, Asahi Schweppes went and Smith's Snackfood I think are probably two that -- in speaking with Daniel.

Equally though when we look at the last two or three years it's a neutral kind of game. So we've had Fonterra come back to CHEP, we've had Cerebos come back to CHEP. We've recently picked up, through Montague, Warrnambool Cheese & Butter. So I think we talk about it being quite a -- it is neutral over time. There's a degree of trade that seems to occur in the market. But yes, certainly Daniel has -- Loscam have had some customers choose Loscam over CHEP, we've been delighted to have some Loscam customers choose CHEP.

Unidentified Participant

Thank you.

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, maybe I'll just add to that. I mean the other thing we've seen from Loscam around the region that they operate in is that look, they've also been putting their prices up as well. So some of what you'll see in their top line is actually price increasing.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Yes. Then again I think I mentioned that in the presentation; there's no doubt that they have been closing the price gap that's previously existed to CHEP. A very rational approach.

Unidentified Participant

Hi, just a quick question. The nail plates you're referring to, what would they roughly add to the cost of a pallet?

Peter Mackie - *Brambles Limited - Group President Pallets*

It's quite a small amount, I don't know off the top of my head. Kim, do you? No. I'm not sure. I mean they're basically a small stamped metal plate with basically raised pins that drive into the timber and then the nail goes through various different slots. So it's like they're-- (multiple speakers)

Kim Rumph - *Brambles Limited - President Pallets, North America*

(inaudible - microphone inaccessible)

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes, something like that. It's not a huge amount.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

(multiple speakers) look like.

Peter Mackie - *Brambles Limited - Group President Pallets*

The challenge with all these investments in the pallet though is the benefit comes later. So you incur the cost when you start putting them into the new pallet and the benefits flow over time. But look, it comes back, I think, to really yesterday's conversation is that we're going to have to make some investments with margin in order to be able to get to the long term ROCI.

Part of that is if we want to make these pallets work harder we have to make them stronger. But yes, the nail plates one is -- the reason we went with it first is it's quite a small incremental cost to the pallet.

Okay look, we have five minutes before the break but if there's no questions we can take -- okay, good. I suggest we move to the break and see you back in at 10:30.

PRESENTATION

James McCarthy - *Brambles Limited - President Pallets, Europe*

Okay, welcome back everybody. So we will continue our growth story now. I'll cover Europe; Kim will cover North America, before we move into the asset management piece.

I think the lesson from this morning was that I'm never eating chicken again; it's going to be strictly a banana diet from now on. But thank you, Phillip, for educating me.

So in the Europe session I just want to take you back to a few of the commitments we called out in Zurich 18 months ago and then really spend most of my time on growth subjects.

So this is a slide we used -- this is a summary of some of the key points we called out 18 months ago in Zurich. Just to take you back to that time, it was just after the first half fiscal 2012 results and we'd seen some very high cost increases in Europe, which wasn't unusual, what was different was we didn't offset those costs. So we took a commitment as a business to tackle that problem and we called out a margin improvement of between 2% and 3% to be delivered by FY 2014. We're halfway through FY 2014 now and I can confirm that we're on track to deliver in the midpoint of that and we should exit FY 2014 around the midpoint of that. That's largely become from cost reduction and largely from cost reduction and largely from cost reduction in the supply chain.

In supply chain there's been a couple of things going on. Over the last few years we've really transformed our logistics operation in Europe through technology. So we've implemented lean logistics software throughout the whole business. That's enabled us to do some pretty cool stuff. We've managed to centralise a lot of the activity. I think we've got the activity much more focused, it's improved our purchasing of logistics. So that's driven quite a lot of efficiency and savings.

In the plant operation side we also continue to automate. We're automating -- we're rolling out robotic repair, automatic re-nailing, so that's really a process of investment for automation, driving efficiencies.

The second point we talked about was the Eurozone and 18 months ago the euro looked in a pretty sad state. We were very concerned that a country would leave the euro at that point and we had a fairly detailed mitigation plan in place. Thankfully we've never activated that plan. As we stand here today I guess it's less likely that we see a country exiting the euro. However, I don't think we project any great recovery in the Eurozone economically. I think it'll take many years to see growth return, particularly in Southern Europe, particularly Italy, Spain and Greece. I think there's still a very, very long journey of negative growth ahead of them.

So turning to growth. I mean Europe is a fairly big and complex region, so it's a question of where do you start. So I've selected three examples here which I'll spend a little bit of time on. The first is Germany, for obvious reasons, it's been a focus for us for a long time. The second is emerging Europe, which now is run as part of my region. When I stood before you 18 months ago this was run separately but we folded that back into the European region, so I'll call that out, and the third is around new products.

So just to remind you, Germany is the biggest retail market in Europe and we have a very low share, so there goes the opportunity. It's a very concentrated market, so six retailers account for over 80%. That's usually a good condition for us going into a market; concentrated retail is very good for us. But within the German market there are two different pallet platforms broadly, there's the full size pallet, the 1208, and then there's the display pallets, which is the quarter pallet and the half pallet.

We've had a long tradition of being successful in the display pallet but what I want to focus here on is the full size pallet, because that's the real prize for us in this market. So really what you'll see is a diagnosis on the 1208, the full size pallet.

So how have we been tracking here? So what I've tried to do here is lay out -- if you look at success for a market there are five broad things I think you need to get right -- and this applies pretty much to any market. It's kind of a generic pooling, this is what you need to get right, and I've laid them out for you here and it runs like this. I mean you need retailers to accept your product. You need to have manufacturers or customers in the market who have some kind of a pain point; they need to have a problem to solve. We need to have a value proposition that solves that problem. We need an efficient supply chain, so that's if you think of our collection, inspection and repair, we need that to be efficient and coverage for the market. Finally, you need to be able to collect your assets, that simple.

If I look at Germany over last, say, three years we've made some progress across those metrics. The last two on the slide I think we've always been in pretty good shape. We've had a pretty mature supply chain and we've had a pretty good asset recovery track record in Germany. A lot of that was built on the display pallets, because the display pallet is very widely penetrated. So I'm not going to come back to those. But I'll talk about the first three points, so the retailer, the manufacturer pain point and our value proposition.

If we start with retail acceptance -- and we've improved retail acceptance over the last couple of years. On the full size pallet we now have nearly 90% acceptance and on the display pallet it's around 75%. It actually is the same retail landscape but some of the retailers that don't accept us at the moment have a much higher percentage of display, that's why the maths looks slightly different. Whereas I'd love to have 100% acceptance this is fine for us. We can build a very credible business with this level of acceptance. So this is not really a major barrier to our growth going forward.

The next point is the manufacturing pain point as we called it. What we see in Germany -- and we see it in some other markets, is the cost of the pallet service is spread across different actors in the supply chain, so typically spread between the manufacturer will pay something, the LSP pays something and the retailer pays something.

In Germany quite a lot of the cost is borne by the logistic service provider and that's a challenge for us because it makes it difficult to find the transparent benchmark cost for the service. In Germany logistic service providers is very fragmented, there are thousands of LSPs in Germany, so it makes it very difficult to bring that cost out into the open, that's a real barrier for us.

The second thing is you will have seen a range of costs on the previous slide, so there's kind of a plus/minus. What the German white exchange does, which actually doesn't exist in many other markets, it provides different quality standards, so from new to nearly new, used and kind of old pallets. You see the pictures here and you should see the pictures in your deck.

The relevance of this is that the manufacture has variable paying points, the white-wood exchange system serves those paying points. So this challenges CHEP's value proposition. In particular if you look at the class C quality, which is the older pallet, if you like, in your diagram, CHEP, in a typical one way offer, offers an inspected, repaired pallet, so it's pretty high quality. So there's a whole aspect of the market that's missing to us when we look at a market like that.

So the question becomes, what have we been doing about it? This is a chart that kind of comes from the folklore of CHEP -- I think it's probably copyrighted somewhere -- but it's actually a fairly interesting chart about pooling. What it tries to illustrate is that within a market there are different requirements -- customers have different requirements typically. On the right hand side of the graph in the dark colours this is typically customers who need high quality pallets, typically have high automation and have poor recovery rates.

So if you can imagine a branded FMCG business which has got very high tech production, which is shipping to a very wide distribution, they need good pallets and it's difficult for them to recover pallets out of the market because of the breadth of their distribution. In our language we would call them white-wood losers. So these are people that typically inject high quality pallets into the market and recover not so very high quality pallets in the market. So they pay a fairly big delta.

On the other side of the graph you kind of have the opposite. So typically here you would have -- if you can imagine a big private label producer who produces for a very limited number of retailers, produces maybe one product. So doesn't ship to that many points, lower need for automation. So they can survive with very low quality pallets and they also get good recoveries.

What I've tried to illustrate here -- and this isn't perfect science but I think for illustration it holds up, is that on the right hand side the CHEP one way trip is competitive, but you've got to do more. You've got to move up this curve. This is where in Germany we've been introducing our managed recovery service, and managed recovery is giving customers access to trade quality pallets. So allowing customers to take pallets out of the market, which is a kind of exchange, they don't have to go through our repair centres. This offers customers a lower cost option. So it adds value for them, it adds value for us. If we look in Germany three years ago we had about 0% in managed recovery, we're now at about 18% of volume in that market. So this is a real substantial service we've introduced into the market which is driving growth.

The big question is how good can Germany be -- and I've got to be careful because Pete's in the room so I have to sandbag this a little bit. But I mean Germany is a -- it's had a lot of attention from us because of the growth prospects but when I look at comparable benchmarks if we look at Italy, where we've made some really good progress over the last few years, we still only have 18% share. So there's still a lot of big white-wood conversions there.

So the first real milestone is to get Germany up to a kind of -- up to par with the likes of Italy. So clearly the next milestone for us is to get that up to about 20% share. That's something we think is in the medium term horizon for us, that's what we're going to chase. Okay.

The last thing I just wanted to cover on Germany was on product. I talked about us having a display, a long history in display. We're just about to launch a new quarter pallet which is my friend here. So I can hold this with one hand. This product has been in the market for 20 years and we've never innovated it. So a bit of shame on us really.

We've worked very closely with the users of this product and we've come up with a fairly innovative design. It might look the same from distance but actually the product has been designed with the user in mind. In this market the user is people who build displays. So they are third party companies who build displays on behalf of the manufacturers.

So what we've managed to do is make it much easier for them to attach to displays, they can use less cardboard so they make some savings. We've got the handy handle for presentation purposes, you can actually now pick it up. Believe it or not you couldn't pick up the old one like this. It also nests deeper so you can get more onto a truck and we've also moved the feet apart so it's more stable. So quite a lot of features in this product and that should hit the market in Q4 of fiscal 2014. So in about four or five months' time we should have this in the market.

So moving on to emerging Europe, I've used the same five criteria here for simplicity because I think they're transportable to different businesses. I've tried to use a bit poetic license here because Central Eastern Europe, the region I run, has kind of a mixed bag of countries. So what I've tried to show here is what I've called Central Europe is pretty much if you wake a line of all the countries that border Western Europe, so from the Baltic states, Poland, Hungary, Czech, Slovakia, Croatia, probably, Slovenia, these countries are pretty much Western European supply chains now, okay? I mean they still offer very good growth prospects, but if I was scoring our status in those countries it's to me pretty much like Germany, we've got really good retailer acceptance, we've got a very good supply chain, we get very good asset recoveries.

There are a lot of white-wood services there, there's a lot of white-wood services provided by LSP, so we still have that same challenge that we have in Germany. But by and large you can kind of think of this almost as a Western European type business.

The next section is Turkey, and Turkey for us now is around -- it's running at around a $15 million business, we've been in there three years. Turkey's a very different prospect because it doesn't have the same relationships to Europe. So what we found in Turkey is implementing our business model and educating the market around the supply chain practices of CHEP has proved more difficult than we thought when we entered first.

So the concept of asset ownership, always the property of CHEP, that's taking some time to embed. Also getting the retail to understand how the model works and get recoveries. So I still think this is going to be a great business. The fact that we've got it to a $15 million business in a short space of time bodes very, very well. We're making really good progress in turning some of these orange bubbles to green.

The last section of Central Eastern Europe, if you think of the rest, which is really Russia, Ukraine and some of the central -- so Kazakhstan et cetera, this is a much further venture for us. This big prize in all of that is Russia, of course. We are making now some very concrete steps in Russia. So I mean I had the pleasure of hosting Tom and Zlatko and actually the heads of all our businesses, so we had Pete, Wolfgang and Jason in Moscow about six weeks ago. That really was about getting all the businesses of Brambles together in one place and locking ourselves in a room for four or five days and saying look, let's figure out how we're going to enter this market.

We decided to put a small team on the ground -- so the small team will represent all the businesses, so this is all the businesses coming together. There's really four key things we need to answer over the next 12 months to really prepare ourselves for our market entry. The four things, as I've written here, are we need to understand customs -- we have a lot of pallets that get imported into Russia and we've crates that get imported into Russia, so we need to understand how customs is going to work. How it will work if we were on the ground.

We need to do a lot of work with government in terms of relations and that's also associations, it's governments, it's VAT, it's tax [work] and stuff like that. It's kind of announcing your intention to enter and working our way through that, because, again, the pooling concept is going to be quite new and we need to understand that we can navigate our way through that.

The third one is around procurement and pallet standards. The Russian market uses the 1208 in terms of dimension. So it's standardised in terms of dimension, but it's not standard at all in terms of quality. So there's no real quality standard that people work to. This is something we're certainly going to put some energy into. It's not that we want it to be the CHEP standard, that's not the point, but I think there has to be a certain standard of what does a new pallet look like. So even if you take the EPAL standard that we have in Europe, I mean that would be perfectly acceptable for us in Russia, it just doesn't exist today. So I think that's an important piece of work for us.

The last piece is we're going to do some specific work with retailers and manufacturers and do some value chain studies across the three businesses. This is really to understand again does the customer have a pain point, is there something we can do to solve it and we need to do that on a steady basis. So that's really going to be the agenda for Russia for the next 12 months.

Finally, if I finish on products. We've done a lot more work over the last three years with customers. I don't think we could have been accused of being over customer centric four or five years ago. So we've made a real effort to try and get the voice of the customer in to CHEP. That's started -- there was a lot of product discussions around that, but that forum has matured, and that forum now talks a lot about customer collaboration, transport collaboration, sustainability. So it's become a really useful forum for us to get the voice of the customer. From that voice of the customer that also feeds our product development.

I've put three examples into the pack of products we're about to launch and I'll just -- I'm just going to give a few minutes on each. But look, I encourage you that -- look, if anybody wants to get into the detail of these a bit more let's just huddle in the corner around lunchtime and I can explain it in a bit more detail.

But if we start from the furthest out one here, which is just this here. So this is simply -- it's a plastic pallet, plastic half pallet. We're trialling this in Spain at the moment. We see a growing demand for plastic, particularly in the display area. So for some customer plastic on the floor in terms of display is more desirable than wood. Some customers mask that, they put a banner in front of it so they don't care, but some customers actually want to use the plastic pallet. That's really the -- that's the business need that pallet is driving.

What we're working on is getting a pallet where the economics work. So we've got to get a pallet that works at the right cost and when the pallet gets damaged it can be repaired. So that's really where the innovation is coming. That's being developed by a third party with our input, and we've been developing that over the last year.

The second product, which is being trialled in the UK, is this one. This has got wheels in it, so it's a much heavier -- you'll see a lot more kind of technology, if you like, and features in this product. This product is trying to solve a problem -- it's really trying to solve a problem of standardisation. So in UK retail many heavy products, more typically liquid products, things like baked beans for example, these are high rotation, heavy products, where the retailer wants them to arrive in store in a pallet format that goes -- sorry, to arrive through the DC in a format that goes straight to store. That's what they want.

What this wheeled unit does, what this unit does, is you can -- you press a lever and the pallet will wheel. So you can actually load it up, you can move it without any lifting equipment. You can guide it into its destination in store and then you can lock it. So it sits on the ground. I will demonstrate that afterwards for anybody who wants to see that. But at the moment in the UK there's something like six or seven different solutions at play. So when we talk to manufacturers -- we have some manufacturers, they have to produce product on six or seven different solutions for six or seven different retailers.

We've been working hard, really using our position in the supply chain, trying to get these people together saying look, do you want to fix this? Is this something we think we can fix, can we facilitate? Fairly quickly it's emerging that we are in a really good position to corral that dialogue, which is what we're doing. The product actually is not ours, the products is off the shelf. It's an existing product that's it in the market. I mean we've had no input into the design of the product. We're fairly product agnostic. This is really a standardisation play.

The last product is my friend, the cardboard pallet here. So the cardboard pallet is, again, a very specific use in the supply chain. Cardboard has started to be used in the supply chain; we've noticed it over the last number of years. The business need for this pallet is manufacturers more and more are shipping in smaller quantities into retailer DC. So retailers are asking for less than full pallet loads. So the practical consequence of this is when you go -- the manufacturer's having to build a pallet with different layers of product. Different layers of product may be in different sized cartons and different numbers.

So it's a bit of a jenga kind of job. People use all sorts of improvised solutions for this. Often they will use a full-sized pallet. The challenge with that is you're manually manipulating a full-sized pallet, which is 22 kilograms type of manual handling, which is not very safe. Also the weight of the pallet is more likely to damage the product underneath. Actually, you then see five or six wooden pallets in a stack. So it's actually quite a lot of weight being put on the lower products.

So cardboard has been -- has crept into the market as a solution. What we've done over the last few months -- and we're trialing this in France -- is we're trying to understand the economics of this. We're trying to understand how this behaves in the supply chain from end-to-end. The typical stuff you would expect us to look for, what's the damage experience of this? How does it behave in different conditions? What's the user experience? We've done trials now for a number of months in France. We're learning some really good things about this product.

So I think this will never be the biggest product in the world. But I think it's kind of here to stay. I think as CHEP I'm very proud that we've put a CHEP brand on this. This is where CHEP should be. We should be in the supply chain solving customers' problems. I'm going to leave it there in terms of products. Again, I mean it looks -- when you look over there you don't even probably recognise those different products. But I encourage you that if anybody wants you to get into the detail of any of these, then just come and seek me out or at lunchtime we will just hang around here or if anybody wants to see a demonstration. So with that I shall hand you over to Kim. Thank you very much.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Good morning. So this morning I'm going to take you through the growth strategy for CHEP North America. But before I get into the details of how we're approaching growth, let me just set up for you the business unit so that we all have an understanding of what we're talking about. So the CHEP North America customer business is comprised of CHEP USA, CHEP Canada including Paramount which was an acquisition, a small acquisition we made a couple of years ago. That also includes the IFCO pallet management services business. So when we talk North America, we're talking about those three businesses combined and combined they represent about $2 billion in revenue, representing greater than a third of the Brambles portfolio now. So it's a significant piece of our business.

So what I want to do today is take you through our approach to growth. I share with you some of the opportunities that we see in the market. Then really break it down for you in terms of how we're going to go tackle that space in the market. But before I do that, I'd like to just briefly go back to some commitments that we made at the last investor market briefing. So some of you were with us in Zurich and some of you were not. But what I'd like to do is just go back to those for a moment and talk about how we feel we're tracking against some of the things that we committed to deliver against.

So just briefly I'll hit that. Asset productivity we're going to give you a very at length look at that after this presentation, but we're tracking very well in particular in the USA business in terms of getting traction around improving asset productivity. I'll give you some great examples about that later this morning. We're also making great strides in the area of supply chain cost out. So we've talked a lot -- and you've heard it yesterday and today as well -- about the cost-out programs that we have, both the IFCO synergies that we committed to deliver in the marketplace and then also the global pallet efficiencies. Obviously, those IFCO synergies largely sit inside the USA business, with the integration of the IFCO PMS and CHEP USA supply chains.

So we're tracking to deliver against those and those things are manifesting as committed. We're also taking the supply chain cost out that we committed to when we formed our global operating matrix and our supply chain logistics teams. So that is all happening and tracking well.

In addition to that, we also made some commitments about how we are going to position to grow this business. Positioning to grow this business (technical difficulty) at length discussion about how we are going to diversify our product offering. So for those of you who have been following us for a while you are well aware that the USA is probably the last of the key regions to actually begin the diversification journey. A lot of that is related to the fact that we were launching Better Everyday and we were doing quite a few things to continue to improve our business. We have now shifted very much to a growth phase looking at diversification.

So I'll talk to you a little bit today about how we're engaging more deeply with our customers to gain insights to really fuel the innovation pipeline. We are taking a very customer-driven approach to innovation, but also learning a great deal from our partners in the other regions that you just heard from. So certainly the trail has been blazed and now we're following that path with deep insights from our customers. So I'm going to take you into some of that in more detail.

You have seen this, obviously, from Tom, Pete and the other presenters, but we're focused on creating value for Brambles in these three buckets and for investors and shareholders. Today what I'm going to specifically talk about is investing in growth. So how are we investing particularly in the North American business to grow this business and to create more value for Brambles? We have really taken a three-pronged approach to growth. It's a very methodical, systematic and organised approach. But what I'm going to do today is take you through each of these three areas.

The first one is to grow in existing supply chains that we serve today. I'm going to show you that market size in a moment. But we are certain that we are not fully penetrated with existing customers. So there's real opportunity to grow with manufacturers and retailers who are already participants in the CHEP program and who are already partnering with us today. So we will talk about how we're segmenting and breaking that market down so that we can grow and expand market share. The second area is, in fact, around innovating new products and services. So I'll talk about the journey that we're on inside the USA business, in particular, to begin the introduction of new products and services.

Then the last prong of our growth strategy is related to unlocking new verticals so that we can continue to grow the business. What that takes is asset collection capabilities at the end of supply chains that we are not servicing today. We have been working diligently to enhance our asset collection capabilities and we believe that presents opportunity for us to enter new supply chains that we're not currently servicing. So I'll take you through how we are approaching those new verticals as well. So this is quite a chart, but I'd like to explain it to you, because it's a very important piece of the market sizing work that we've done inside North America so that we're certain that we have the proper limbs for growth and that we understand where these opportunities will present themselves.

So what you're looking at here is a North American view of the market size. So some of you -- many of you have seen this chart before in a USA format with the USA opportunity. What we've done now is we've combined Canada and taken a holistic view of North America. So if you draw your attention to the bubble on the right-hand side of this chart, what you will see is that we believe the total market inside North America is $10.3 billion in opportunity. So what's important to note is that today from a pooling perspective between the USA and Canada we have about $1.5 billion of that opportunity. So clearly we can see great opportunities to expand into new spaces. If you just look at pooling -- pooling opportunities that we believe exist there's $2.6 billion.

So if you just focus on pooling in a 48 inches x 40 inches space, there's opportunity for us to move from the $1.5 billion market share we hold today to that $2.6 billion. Then there's opportunity to also expand into new places. So what I would like to do is show you now on this chart the three buckets that we are focused on. So if you take number 1, what you will see is this is the 48 inches x 40 inches opportunity with existing customers that we do business with today. So what you see there is a $1 billion in market space that we are now attacking from a segmentation perspective. I will take you through how we are doing that. So that we can grow in existing supply chains that we are already serving.

So what that means is we already have an asset collection engine behind the end of those retail supply chains. This is about traditional marketing, traditional segmentation converting that to sales leads. I'll take you through an example regarding how we are achieving that. The next bar that we are after is this number two that you see listed here. This is about 48 inches x 40 inches pooling opportunity with customers and supply chains that we do not serve today. So this is what we refer to as new verticals. So when you hear us speak of new verticals this is the $1 billion bar of new vertical opportunity. I will break it down for you a bit more and show you the new verticals that we are specifically targeting in North America here shortly during the presentation.

Then the last area of focus for us is this very large bar totalled at $6.2 billion. There is a lot of opportunity, but also a lot of ambiguity inside this particular bar. So what is inside here are things like fractional pallets that are not pooled today but that present an opportunity for standardisation, which you have seen many of our colleagues do in other regions for CHEP. Also inside this are things like slip sheets. So if converting to pooling or a pallet is not the solution for that slip sheet customer what other innovations might we introduce into the supply chain to crack that $6 billion opportunity? So this is where real innovation, real customer insights will drive and fuel the pipeline.

So these are our three areas of focus. What I would like to do next is talk about the first bar. So the first $1 billion bar that we referenced and explain how we are breaking that down to segmented and really understand how we might grow more and further and more deeply with existing customers that we serve today. So what you are looking at is the actual floor plan of a club store inside the United States. So for club in the United States think about Costco, Sam's Club, BJs, some of you refer to them as warehousing wholesalers. But for us they are referred to as Club stores in the United States. So when you look at this what you will see is the entry to the store literally. So you will see store entrance, you see the cash registers and then you see a series of categories mapped out on this floor plan.

What we have done is we have literally taken our retail customer's floor and we have broken it down by category that they offer inside the retail store. Then what we have done is we have worked to understand how penetrated are we inside each of these categories. In doing that it reveals to us opportunities to grow inside the existing retail channel where we already have asset collection solutions. We simply need to work harder to generate sales leads, to convert that into topline revenue. So what we have done here as an example, you'll see apparel and bedding. So this is an area of low penetration represented by the light blue and it's not a surprise to us, because this is not a traditional category for us apparel and bedding.

So it allows us to make a decision about do we want to enter this vertical? Do we want to tackle this space? Or is this an area that we prefer to defer? Next you can see an area that is quite penetrated and this happens to be durable goods in this particular retail supply chain. We can see that we deliver a margin of 30% in this particular segment. So we're definitely analysing these segments for profitability to understand how satisfied we are with the performance inside each of these segments. So clearly durable goods for us in this particular retail channel is wonderful business. We're delighted with the 30% margin and we're delighted that we're heavily penetrated.

Lastly, what it revealed to us is an opportunity where perhaps we would like to draw further penetration. We know that it is a profitable segment. So in this particular case I don't have the profitability there, but trust me it is, is produce. So we recognise that there's an opportunity with medium penetration to grow further in produce in this particular retail customer supply chain. So what we will then do is drive campaigns, which we're in the middle of doing now. So we have some active marketing campaigns going on with the produce customers who ship into this particular retail chain. So that we can actively work to grow inside this particular category.

Lastly, and I think most important, what this does is it helps us really generate a healthy portfolio. So rather than just focusing on the largest manufacturers, the largest fast-moving consumer goods producers which are very important to us, it allows us to now take a lens across the whole retail supply chain to ensure that we're after all of the business that is available to us. Once we've gone through the effort and we have been successful in creating the collection engine behind the retail supply chain it behooves us to go as deep as we can inside that retailers penetration to make sure that we get all of the available business since we have the asset collection capability.

So this is it is really deep segmentation and marketing work, but it is generating real sales leads that are leading to real profitable, topline growth. So it's a wonderful road map to that $1 billion bar that I shared with you a moment ago related to expanding market share with existing customers. Next I'd like to talk about how segmentation is also leading us to new verticals. So when we look at the opportunity for us to grow inside supply chains that we're not currently servicing, segmentation has brought us to this view of other segments that are not segments that we're serving today or we're certainly not heavily penetrating and serving.

So what you see here is actually a representation of these verticals. I'll just briefly explain the chart so that you can follow along with me. But what is represented here is the potential value. So the size of the bubbles that you see there for each vertical is our segmentation work to determine what we think that market size is worth for us. Then what you see on the X-axis is how challenging is this sale going to be. To be perfectly candid what sale means is asset collection capability. So there is a real value for these segments we are pooling if we make pooling work effectively.

So there are certainly manufacturers and retailers inside these supply chains who would welcome pooling, but we have to make sure that we have an economic solution for recovering our assets at the end of the chain before we unlock these channels. So what you see in the dark blue are the three segments that we have decided to focus on inside the North American business. Those three segments are home and hardware, obviously, the largest opportunities, so hard not to focus on that. Then you also see auto aftercare and you see pet specialty. So home and hardware for us, just to give you an example, would mean retailers like Lowe's in the home depo as an example. Auto aftercare would be things like windshield wipers, anti-freeze, places where you would go to purchase consumables for your automobile. So an example of that in the United States would be Autosave.

Then if you look at pet specialty which is kind of obvious given the name. But pet specialty would be companies for us like PetSmart in the United States. So that just gives you an idea of the types of retail chains that we're talking about creating these solutions, these asset recovery solutions for. Now, it's also very important to note that we believe opening these channels also requires us to present real value creation to these retailers. So there is a collaborative effort inside this as well to not only solve for the collection, but also solve for creating value for those retailers so that they will engage with us and help us find ways to recover the assets.

So what's different? Because we have talked about some of this before. I have asked my team these same questions. We're getting quite serious about opening these channels. So we have mobilised a team around this and I think there are three key things that are different inside the USA business that are going to allow us to open these channels. The first piece is the fact that we have expanded our supply chain capabilities. So you will hear us talk about asset productivity and the things that we're doing to drive asset productivity. But we've also got much more sophisticated about how we approach collections at the end of the supply chain. We believe that is going to give us a real advantage to create these solutions with these retail customers.

The second piece is we have started to innovate. So I'll talk to you today about a new product that we are introducing into the market, a new half pallet that you see here. But also we're looking to expand capabilities like reverse logistics through the acquisition of IFCO and the Pallet Management Services business which also gives us an advantage at the end of those supply chains and also some relationships that we can leverage that came with the IFCO Pallet Management Services business. Then last, but certainly not least we have a dedicated team as I mentioned around this. That team is comprised of supply chain experts.

So this is not just about a relationship sell. For us this is about really creating supply chain solutions. So we have taken some of our best supply chain professionals and we have engaged them in solving this challenge for us in the market. So you know the things we're focused on asset productivity, integrating IFCO, all of those things are going to help enable the unlocking of these channels. So we're very focused on it and we're very focused on taking advantage of the skills that we now have that we bring to bear to open these channels.

So next I want to talk about how we're going to deliver the third piece of growth, which is the innovation piece. So how are we going to innovate and introduce new products into the market that solve real problems for our customers? We're doing that through collecting insights from our customers. We have developed multiple channels and vehicles for funnelling these insights. We are then aggregating these insights and translating them into a pipeline of innovation. Just to give you an example of what these are. Our customer care centre is now on a weekly basis consolidating feedback from our customers. We're using that feedback to create and generate insights.

We have engaged in significant joint business planning with our customers. I mentioned some of that to you in Zurich in the last meeting around really creating multi-year collaborations strategies for helping them solve challenges inside their supply chain. They are providing us with a significant amount of data and information about their supply chains, about their challenges and about where they think there might be synergy with CHEP to help deliver some solutions against these. We have a customer solutions team which is made up of Six Sigma black belts, application engineers, lean manufacturing experts and all of these individuals from our team are inside our customers facilities working with them to understand their challenges, bringing those insights back so that when we innovate we're introducing real solutions that are going to help our customers with these challenges.

Then last but not least, you'll recall that we introduced the net promoter score program several years ago inside our business. We are actively using those insights to understand the real strategic challenges that are customers are facing and how they feel about CHEP's ability to contribute towards those. But lastly I want to talk very specifically about our strategic leadership forum and this is where we are getting the most significant insights related to innovation. So 18 months ago at the last briefing I talked about the introduction of this forum. I would like to share with you what we're learning through this forum and how much traction this forum has generated inside the US market because it's become a very powerful force for us to gain insights in order to innovate.

So we've held five of these forums since I last introduced it to you. The forums consist of very senior level manufacturing and retail supply chain leaders in the US market. So the CHEP US business has been facilitating these forums with these senior level customers. Inside these forums what we're doing is we're talking about macro trends, so the ones that Peter referenced to you earlier, but then we're taking those macro supply chain trends or those challenges that our customers might face and they're boiling them down into topics that affect both the retailer and the manufacturer.

Together we're taking those topics and deciding which ones we would like to work and solve on -- work on and solve inside the US supply chain. So from that CHEP is getting amazing insights. In some cases they're deciding to work on challenges that are not maybe related to US. So, perhaps, they form a subcommittee and they go off on their own to solve these challenges. But in many cases they're presenting challenges that CHEP is uniquely positioned to help solve for. So as an example, you can see here there are five areas that have come from these forums that we're now actively focused on inside the US business. Those include transportation collaboration, which is a very obvious bit for CHEP. Reverse logistics so many of you know when we acquired the IFCO business along with the Pallet Management Services business that they do engage in reverse logistics today.

We see a real opportunity to scale that service potentially to create value for our customers. We're focused on promotional floor-ready displays, food waste which Pete mentioned earlier as well as standardising new platforms across the US. So the so what in all of this, which is what I'm sure you're wondering, is so what is that going to do for CHEP? How is that going to help us grow the business? So let me start with the first most relevant piece that has come out of this forum. That is the introduction of the half pallet into the US market, which happened in October of this year. Now this is a huge tipping point and milestone for us. We have offered one SKU in the market since 1990 so we're incredibly pleased to introduce our second product in the market place as of this past October.

You can see the half pallet here, I'll talk to you about it in a few moments. But I think it is a huge moment for us to demonstrate our capability to introduce diversification into the US market. You have heard from James, you've heard from Phillip. We know that we can scale these. We have a half pallet in Canada, which is a very successful product for us. So it is time and we have done that through these insights from our customers. The second piece is reverse logistics, which I just alluded to a moment ago. Our customers are telling us that this is a challenge for them. It's not their core. It's inefficient. It's fragmented. We have a business today that is performing that service.

So we believe there is a real opportunity to scale reverse logistics inside the market place. We're currently working on a pilot to determine the business model for that work. Also, we believe it brings huge benefits to our business beyond just creating value for our customer. It can present asset collection solutions for us. It could also give us the ability to acquire white-wood cores at the end of the supply chain to grow the PMS business. So real opportunities that we can see coming from the scaling of reverse logistics. Then last, and I think this is the most transformational, rather. I think it's the most exciting. It's also going to take a while, is the potential to standardise the floor-ready display in the US market place. So our manufacturing customers and our retail customers have shared very clearly with us that this is an incredibly wasteful process today with no standardisation.

This came directly from the forum, directly from the engagement with our customers that they believe and they want to work together with us to determine if we can set a standard for the floor-ready display in the US market place. This could lead for CHEP to additional types of fractional pallets, but in a perfect world it could also lead to a pooling solution for the floor-ready display, which would just completely transform promotions across the US supply chain. So we're engaged today with a subcommittee of customers working to explore, can we standardise this? If we could, can we pool it and still allow our manufacturing customers to brand it in a way that allows them to differentiate on the floor in the retail store.

This one has tremendous opportunity. It will be a slow burn. It will take a while to develop acceptance and standardisation, but it could really generate significant efficiency inside the USA supply chain. So the half pallet has been introduced as I mentioned. So you'll see it here on the stage or to the side of the stage. In this -- the design of this pallet was generated with insights from our customer, specifically so that we can solve pain points for the customer. So you'll see here there are real benefits to the introduction to the half pallet into the US market place, a pooled half pallet. It is going to be introduced currently in the first part of the introduction at the retail supply chain and primarily utilised in the promotional space.

So incap promotions, stand-alone promotions and also replenishment on the store floor inside the retail supply chain. We know from studies as well as from the other products that we have in other markets that it will significantly create efficiencies for our retail customers and ultimately our manufacturing customers, reducing picking cost, reducing replenishment time inside the stores and ultimately aiding in merchandising the product on the floor, which can certainly lead to sales uplift for our retail customers. We have designed it very specifically with our customers input. You'll see things on the pallet that are somewhat unique to this pallet, such as, 90% top-deck coverage. Our customers have told us that this design allows them to take cardboard out of their packaging.

So we've specifically designed it with that in mind to allow them to go ahead and take packaging waste out and transport goods more efficiently. We've done things like design a unique metal block which allows for the best and most efficient four-way entry into the pallet, which drives the efficiencies of handling for the retailer. So all of these features were designed specifically with our customers through a significant amount of research and many of them piloted and trialled the asset as well to help us develop the right solution. So we're very excited about the potential opportunity that the introduction of this half pallet presents into the US market place.

It is certainly an opportunity for us to grow the business through this diversification of product offering. So lastly and closing I've talked to you about these three focus areas. So grow in the space where we are today, open new verticals and create new supply chains in which to serve with asset collection, strategies and solutions. Then, lastly, introduce new products that solve real problems for our customers. One of the things that I want to emphasise is we're also focused on this offering of choice for our customer. So the introduction of the half pallet is an example of creating choice, but so is the introduction of white-wood into the CHEP portfolio.

So when we acquired the IFCO pallet management services we also acquired the ability to give our customers a choice, whether a pooling solution makes sense for them or a one-way recycled white-wood pallet makes sense for them. We're seeing real opportunity to take advantage of that in the market place to be able to offer our customer all solutions related to their pallet needs. So we've organised our team in a way that allows us to do that. Essentially, we've bifurcated our sales team into a team that's focused on consumer goods solutions, so the manufacturers. We have a team that is now dedicated and focused on retail solutions to make sure that the services that we're providing, the products that we're introducing are well bedded and well thought out and well socialised with each of these customer stakeholders that we have.

We're also fully integrating the IFCO PMS business into CHEP USA. So that work is ongoing now. They are literally integrating as we speak inside the CHEP USA business and will work inside the business as another product offering that we have available to our customers. It will also help us get closer to understanding and scaling reverse logistics with the capabilities that we acquired from IFCO.

Then lastly this focus on retail, I can't emphasise it enough. So the retailer is so critically important to our business and so we've organised ourself in that way. We've also got significant collaboration from our retailers related to asset productivity, which I'll talk about in the next section of the presentation. And also it's enabling us to look at these new verticals. So this focus on retail -- or this concerted effort around our retail customers is the key to unlocking these channels. And then lastly, as I mentioned earlier, it will give us access to the white-wood cores as well which will aid us in growing that piece of our business, the white-wood recycled pallet.

So there's tremendous opportunity to continue to grow the North American business and we're very organised around this three pronged approach. So with that, what I'd like to do is to hand it back over to Peter and we're going to go next into asset productivity. And then I believe we'll take some questions. Or did you want to take questions now?

Peter Mackie - *Brambles Limited - Group President Pallets*

What about five minutes now?

Kim Rumph - *Brambles Limited - President Pallets, North America*

Okay, yes.

Peter Mackie - *Brambles Limited - Group President Pallets*

I think there was a lot of information in all of that. So we'll maybe take some quick questions now before we dive into asset productivity, yes.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Sure.

QUESTIONS AND ANSWERS

Unidentified Participant

Hi, I just had a question for Kim. If you look at the growth in the US business it's clearly been very strong over the last few years and I guess if we deconstruct that growth and take out the win-backs from IGPS and a little bit from market growth, there's not a great deal of evidence of further penetration into that longer tail of customers that's been talked about over the last couple of years. Can you just comment on that in reference to the target from today's presentation?

Kim Rumph - *Brambles Limited - President Pallets, North America*

Yes, so we definitely made great progress in the win-backs which you're all, I'm sure are quite aware of. So we have definitely seen an uplift and surge in growth related to the return of some of those very large customers back to the CHEP portfolio. But at the same time we are starting to see lane expansion and new business development and continued growth in the SME market space. So the segmentation work that I described here earlier is the real key to expediting that and going deep very quickly into these existing supply chains.

We are seeing this work manifest into top line growth and we are seeing growth beyond organic and new business development. You just saw a very large spurt of growth at one time when you saw those win-backs from IGPS but we'll continue to gain momentum around these existing supply chains that we serve.

Unidentified Participant

And also can we just get a comment on the value proposition now to white-wood in both markets, in US and Europe? In terms of maybe some numbers if you can provide those?

Kim Rumph - *Brambles Limited - President Pallets, North America*

Not --

Peter Mackie - *Brambles Limited - Group President Pallets*

I'm sorry --

Unidentified Participant

Yes, so traditionally it's been a 20%, 30% gap between costs with CHEP and white-wood, just how that's progressed in the markets recently.

Kim Rumph - *Brambles Limited - President Pallets, North America*

So lumber prices have gone up as you guys are I'm sure likely aware. And as the lumber prices go up it does affect the pricing of white-wood. It lags, so we aren't seeing as much price -- we are seeing price in white-wood, by the way, we are seeing prices rise which is obviously good for the pooling solution. So there definitely is still a gap and an opportunity to tip white-wood customers to pooling based on that value proposition. It will be interesting to see in the US market what happens with the economy and in turn what happens with housing and construction which greatly affects lumber pricing and I think Peter eluded to that earlier this morning. So we'll just continue to monitor but we are seeing price in the white-wood business beyond the expectations that we had. So time will tell.

James McCarthy - *Brambles Limited - President Pallets, Europe*

Look, for Europe, it's not a business we're in. I mean I would dispute there is a major gap. I think on a like for like quality basis I think we're just as competitive. And a bit what I tried to show in Germany is, you know, all is not what it seems. Sometimes the cost is buried somewhere in the -- within the supply chain or they're looking at different qualities. So I don't see that as a gap, that's not something we focus on.

Unidentified Participant

Thanks, I was hoping -- I don't know, Peter you direct the question as you see fit. I was hoping to get an idea of how divisional communication has changed since the restructure earlier this year. And specifically how often do you get together in person as a Group --

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes.

Unidentified Participant

-- this year's versus 2012 -- how often do you speak as a Group -- this year versus 2012.

Peter Mackie - *Brambles Limited - Group President Pallets*

Okay, yes, nice. So look there's been -- probably it goes back a bit to my network slide. So the way I look at the business is that it's a -- there's a series of networks around the world and I've split into six customer business units around the world. Which is why James extended into Eastern Europe, which is why Kim looks after North America, Arturo looks after Latin America, Phillip looks after Australia and New Zealand and Lars then looks after -- Lars looks after Asia. And Jurie is really looking after our -- ex-South African and our move into Africa. So we've sort of -- the change in the structure was around those six -- around those six CBUs.

Now I would say it's hard to answer your question because I think when we announced the new structure in March we actually got together as a team quite frequently because it was more around let's all get aligned around the priorities, where we're taking this business to, how we're going to work as a team. So we met probably every six weeks to begin with, which meant a lot of travel for everybody.

I think in reality our rhythm now as we go into the new calendar year is to get together physically once a quarter and then we kind of fill those in with a regular conference call. Which generally means Phillip is up quite late in the evening but it's just a way of us all staying connected to each other. Now we run, with Tom, regular strategy reviews every quarter as well. So there's more then involvement as we move around the markets with -- not necessarily pulling my whole team together but some of the team together around particular regional issues. So yes, at the moment we've spent a lot of time being close in the first period and I think we can now stretch it out to kind of a quarterly basis.

Unidentified Participant

(Inaudible -- microphone inaccessible)

Peter Mackie - *Brambles Limited - Group President Pallets*

Last year I don't think as a global team, we didn't really get together as a group. I mean that's part of the benefit of this new structure is that we can sit with the six -- the owners of the six markets all together in the same room which makes a big difference.

Unidentified Participant

Yes sorry Kim the -- over here. Just going to the slide around the verticals and the opportunities that you've got there. I mean obviously you mentioned -- and I think Tom mentioned yesterday as well -- that the US business had had some issues that it needed to address. But we'd previously obviously been briefed about the opportunity to penetrate these new verticals several investment market briefings ago. When you've re-done this exercise, have those opportunity sets changed and have you -- you know have different verticals become more or less attractive over that timeframe? And why do you think that's changed?

Kim Rumph - *Brambles Limited - President Pallets, North America*

So I would say that I think we've got smarter about which new verticals make sense for us. So we've always talked about -- as you know -- Home & Hardware and Home & Hardware definitely makes sense for us. So we have to solve for the back end of that supply chain and the opportunity is so great. So you know I would say not a lot has changed there other than the fact that we're getting smarter about how to solve for it. And also because IFCO PMS brings tremendous knowledge because they do business in that industry a significant amount. So we believe they can aid us with a lot of insights and capabilities to unlock that channel. Through not only relationships but also know how inside the Home & Hardware supply chain.

I would say that the other two verticals, pet care as well as Auto after market, we've really selected those purposely because of the ease of sell and because they have supply chains that behave in a way that we feel confident we can present a solution to recover assets. I think one that has changed is you used to hear us talk about pharma a good bit and we've decided to back away from pharma for the time being because there are such high needs related to the types of pallets and the quality of pallets. That we've decided that it's best to defer than until we feel like that's a market that we want to go after. They really like a new pallet, a brand new pallet, just to be perfectly candid.

So I think that's one thing that has changed is you used to hear us talk about pharma a lot and we said you know what? Let's just focus on what we want to control here, let's pick three and let's do them really well and then we'll go to the next opportunity and the next opportunity. So I think we're much more focused Ken, than we have been in the past around some of these opportunities.

Unidentified Participant

(Inaudible -- microphone inaccessible)

Kim Rumph - *Brambles Limited - President Pallets, North America*

I'm sorry?

Unidentified Participant

(Inaudible -- microphone inaccessible)

Kim Rumph - *Brambles Limited - President Pallets, North America*

Yes, so office is still there but it's interesting. So inside the US marketplace right now Staples and OfficeMax are in the middle of a merger. So if any of you follow them you'll know that there's a lot of activity taking place between those two companies. So we are very mindful that we'd like to watch and understand how that's going to unfold first and what might change inside their supply chains before we go out and present asset collection solutions to the office supply retail chain. And then it may in some way change through synergies or any other types of activities they may undertake. But it is still very interesting to us and we do still engage with them. We have relationships with those retail customers but given some of the recent changes in their industry I think we should hold and watch.

Peter Mackie - *Brambles Limited - Group President Pallets*

Again I might just add to that that Kim's slide's really looking at the categories that sit within a store -- are really important to the way we're thinking differently about these industry verticals. So previously we've kind of been all in on all suppliers into an industry vertical. So if you take Home & Hardware that's not necessarily the smartest thing to do but if you think about it category by category you end up with those categories that are actually really well suited to pooling. And actually those categories that are really well suited to one way white-wood.

So categories that work their way all the way down to a building site. Great idea for one way white-wood, not brilliant for pooling. So I think as we look at these industry verticals the sort of sub segmentation that Kim and her team are doing are really important for us to grow but actually also grow with the assets being pretty productive.

Unidentified Participant

Can I ask it another way? It goes to dwell effectively, it goes to the asset turn. How do you differentiate -- at what point is it of the cycle of the product et cetera within home improvement or Home & Homeware which is going to have a very wide dwell profile within that group. At what point is it more economic to be on pooling versus being on white?

Kim Rumph - *Brambles Limited - President Pallets, North America*

So that's a great question and I think there are certainly segments inside Home & Hardware that make a lot of sense. So we have some very large manufacturing customers that are already CHEP partners today that ship into those segments. So we know there's a real opportunity to allow them to ship on to CHEP into those segments. So it's about -- I think -- the dwell time based on category, Anthony, and understanding do you want to be fully penetrated or partially penetrated inside those retail channels? Based on the cycle time of the products and how they are moving on the floor.

Unidentified Participant

Can you give us that inflection point? At what point -- how many days? Is it 55 days, 65 days that you see that inflection changing?

Kim Rumph - *Brambles Limited - President Pallets, North America*

I think it depends on whether or not we introduce a new model. So you know there may be an introduction of a different business model to fit inside this particular supply chain. Or if we look at our existing supply chain today we certainly don't want to drag cycle time. So you know we would not want to move beyond our average cycle time now. So it would just depend.

Peter Mackie - *Brambles Limited - Group President Pallets*

But to be honest Anthony the cycle time is less of an issue than the pallets that leave and go somewhere else.

Kim Rumph - *Brambles Limited - President Pallets, North America*

The lost (multiple speakers) --

Peter Mackie - *Brambles Limited - Group President Pallets*

So if you take -- I mean sorry for the nerdiness here -- but if you take cement right it has a really, really small shelf life. So it moves quite quickly through the supply chain. However, cement that is for domestic use -- so somebody who might come in and buy a quantity for domestic use, fantastic. Something that actually goes on a pallet load to a building site is something that we definitely want to avoid, but there's a lot of supply chain issues in that sector. So it may well be that we can live with more cycle time with more price. The biggest challenge is the stuff that leaves those locations and goes somewhere that's very, very difficult to collect. And then that's where the economics change. So this category view is really important to all of that, especially in that Home & Hardware section, okay.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Before the next question, let me just clarify. Also I mentioned Staples a moment ago, that's actually OfficeMax and Office Depot, so my apologies to Staples for that. Yes, exactly.

Unidentified Participant

Hi, just a couple of questions. First, just on the SME space, can you just talk in a little more detail around sort of how you're tracking there versus the opportunity. So that was one area highlighted a few years back. And secondly, and this is a bit of a long winded question which will no doubt have quite a long winded answer as well. But can you just talk through now when you're having a negotiation with a customer on a contract renewal how that has changed over the last few years? Because you've now got the PMS business to help deal with the [MBD] issues, you've got all this intel that you just showed us on customer segments et cetera. So just how that translates to a better outcome for CHEP. And how you weigh up price versus cost to serve getting cost to serve down.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Okay, so I'll take SME first, Andrew. So we're definitely continuing to pursue, SME, it is a very important piece of our growth strategy. And back in 2011 we introduced the concept, I believe to all of you, of focusing on the SME market space and growing with that small to medium enterprise customer while we try to diversify our portfolio. And we continue to do that. So since 2011 we've increased the number of affiliates in the SME program with CHEP by 8% and we've also grown revenue on a compounded annual growth rate by 4.5%. So we are seeing good growth with the

SME market space relative to the rest of the growth. Inside the business when you strip the big win-backs from IGPS out, so we're seeing good results there.

The other thing that's very important to note about the SME is the last time we talked about it we discussed the cost to serve and the profitability. And we've continued to prove that the cost to serve is lower for the SME customer making it a very desirable customer but the profitability is also higher. So we're getting really good business with those SME customers. And the last time I spoke with you I mentioned that they're also expanding and growing. So we're getting market expansion with SME customers, which is a very good place to be given the profitability of that segment.

So to answer your question about how are negotiations different now? Or how are the conversations different now? We like to think of it as collaboration with our customer but we are having much deeper conversations with the customer rather than just having a conversation about price and being treated like a commodity which is not the space that we want to be in. So the conversation that we're having with our customer now is how can we jointly create value together over a multi-year relationship? And we believe that that is something uniquely positioned for CHEP to do versus any of the other competitors in the marketplace. We have significant supply chain expertise and we're starting to talk about joint business planning. So when we sit down and look at a multi-year relationship with a large major manufacturer in the United States, the conversation is what do we want to look like together three years from now? Not what is the price today or what is the price for the next 12 months?

It's a conversation about how we can improve both of our businesses together and we reach agreements that vary depending on that customer and the relationship and the synergies that we believe we can create between our two businesses. At times we make joint commitments about cost out year-over-year. So we might agree on a price and we might also agree to jointly work together to take supply chain cost out of their system. And we might also agree to various other collaborations related to new product introduction, their agreement to test and trial new products with us et cetera.

Peter Mackie - *Brambles Limited - Group President Pallets*

Look and I might just add to that answer from Kim. I mean that's consistent from us around the world now. So the pressure on cost has got pretty significant everywhere and this is our response to that in contract renewals. Any other questions?

Unidentified Participant

Kim can you just give us a sense of what's the percentage of your Canadian business that's in half pallet at the moment? So just to sort of scope of the North American opportunity (multiple speakers) --

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Kim Rumph - *Brambles Limited - President Pallets, North America*

Oh, yes, that's a good question, I think I used to have that somewhere. I'll pull that for you. I want to say it is probably 1 million, you know maybe 1 million issues for them, something like that. So in the big scheme of things, it is not that large but for Canada it's very important. So we believe that they're about 75% probably penetrating in the available space. But what's very interesting about the half pallet in Canada is the defined market size is growing. So as the pallet is becoming accepted in the Canadian market new uses for that pallet are manifesting.

So as we continue to put in on the floor inside the retailer, what we are finding is that there is real opportunity for them to present other uses for it. So they're continuing to grow. And I want to say we've grown 7% over the last few years with the half pallet in Canada. So at a 75% penetration we're still seeing good opportunity there.

Peter Mackie - *Brambles Limited - Group President Pallets*

I mean what I would--

Unidentified Participant

Just--

Peter Mackie - *Brambles Limited - Group President Pallets*

--would encourage -- anybody that goes to the US, I would encourage you to walk around some retail stores and you'll see how ad hoc in nature promotions are done in those retail stores. And if you do that you begin to see the opportunity here in this space.

Unidentified Participant

Just a question for James. Following the LPR, EPS merger a couple of years ago and more recently change in management there. Can you just give us your views on any change in behaviour and what impact that has been having on your business?

James McCarthy - *Brambles Limited - President Pallets, Europe*

So the impact of the merger of EPS, LPR is two years old now so it's been in the market quite a long time. We've seen, I would say, a much more renewed competition from LPR. So much more vigorous competition and I think we've seen that manifest itself in a couple of ways. We've seen them compete in sectors which previously they wouldn't have paid attention to, particularly around fresh. And we've seen them in geographies, new geographies which we hadn't really seen before. And we've also seen them competing for a broader base of customers. So that they seem to have been very focused in the past -- they now seem to kind of go for smaller customers. So I think it's been more -- and we've said this publicly -- the competition has been more intense. But I think if we look at the broader scheme, the kind of win some, lose some, I don't think it's really changed the needle that much over the last couple of years.

The most recent news -- and then we're into the realms of speculation, I don't know what's going on and what that signals, if anything. I think from our point of view we just want to keep focused on you know our competitive advantage. Are we continuing to add value? And simply for me if we can keep doing that, the competition will take care of itself. So I don't know what that signals, to be honest.

Unidentified Participant

And just a question for everyone. You talked about growth opportunities and recently business development costs have gone up. I'm just wondering you know whether you see that you are spending enough, whether you should be increasing that, how you all think about that within your own business units?

James McCarthy - *Brambles Limited - President Pallets, Europe*

If you speak to my business development team, we're not spending enough, that's for sure. I think it's a -- look, I think we have to make choices within the envelope of trying to keep costs reasonable for the total business. And I think we've done a pretty good job of that. I think you hear a fairly fragmented story because we're placing a lot of small bets but I think that's the right way. So I think we're fairly judicious on where we're investing our money and I think we've got some good prospects but it's -- I guess it's art more than science.

I mean I think it's a kind of watch this space, but look we're not making commitments that we can't reverse. So we're not placing huge bets. So this is a constant learning trial and error type thing on a relatively small scale I would say for our business given the magnitude of the mature proportion of the business.

Peter Mackie - *Brambles Limited - Group President Pallets*

I'd just add to that that we go through an annual process of looking at all of the initiatives globally, refreshing them, challenging which ones seem to be getting traction, which ones don't. And then that feeds into the budget process with Tom and Zlatko on how much we want to spend on those initiatives. So we have a lot of clarity around -- globally actually -- around all the initiatives we're trying to drive. And that you know we review those on a regular basis.

Okay look I think we might need to move on into the asset productivity piece otherwise you'll miss the--

PRESENTATION

Peter Mackie - *Brambles Limited - Group President Pallets*

So look, as I said earlier this morning, small improvements in asset productivity actually make quite a big difference in this business. So they do make a big difference to customer satisfaction, the do make a big difference to CapEx. In some cases they can improve the margin, in other cases they require an investment in margin. Put simply though, it's a key driver of ROCE within any pooling business, but the thing is that it isn't simple and it actually isn't quick to achieve asset productivity. So look, the reason we gave this a dedicated section is to really -- for me to give you a bit of an overview about how we approach it and then for the rest of the team really to talk to you through some of the detailed projects that we have underway.

So some of you in the room will remember that we had a major revamp of our asset productivity efforts back in the early 2000s. That was a time -- or prior that time -- that asset management was maybe seen as a blocker to growth and it was under invested in. Okay, so one of the things that we did in the early 2000s was put some significant investment into asset management. So we put many more feet on the street, so a lot more people in the field. We put in place call centres to proactively ring locations and have somebody on the end of the line for anybody who wanted a collection of pallets. We put in a much stronger audit process and actually put people on the street again to carry out the audit process. And then we put a lot more effort into the data analytics for two reasons. One, to help us target where the field teams went and also to help us track our progress on asset productivity.

The final piece of that puzzle -- and that will become more evident why as we go through the slides here is that we also put in a much stronger legal process. And I would say a persistent legal process here as well. So we made a huge amount of change in the early 2000s and you'll see that actually a lot of the low hanging fruit in this space came out in that effort in the early 2000s. And I think I would say, I mean my assessment is that we got to a pretty decent steady state after all of those actions of the early 2000s. But I don't think any of us were particularly happy then with the rate of improvement. Knowing that small changes can make a big difference in this space.

So we set about putting global counsellors in place to share best practice. We had a little bit of help actually from the GFC with the de-stocking that came out of the GFC. But in reality we were just not happy with the rate of change given the opportunities. So really as you see on this chart, about three years ago we embarked on Project Blue and we took a much deeper and detailed look in the supply chain to really try to understand where the pools of opportunity were for asset productivity improvement. Now that project took quite some time. It was focused on the US, Europe and Australia and New Zealand -- so our most established businesses.

It really spawned two things. One, some obvious actions that we needed to take -- none of them particularly quick -- but some fairly obvious ones. And then a bunch, I would say, of hypotheses that needed testing. So we carried out quite a bit of pilot work to see whether some of those hypotheses we're correct or not. And in the sort of top level summary here -- and Tom said it yesterday -- there is no silver bullet in this place, we didn't find a silver bullet. You'll see when you look at quite how fragmented the supply chain is in reality from an asset productivity point of view, it's difficult to see a silver bullet there. And again it's a bit like the growth story here. In order to be successful in asset productivity, you actually need a pipeline of activities that you're doing and you need them to be across a multiple horizon and you need to be working this thing the whole time.

So I got some feedback on this slide that it was difficult understand. So for those people that get it straight away, apologies for the next two minutes, but I might just try and explain because this is quite an important description of the asset challenge in a pooling business. So if you look at the x-axis on this chart, this is all -- this is the number of distributor locations or retailer locations across the pool. If you look at it to the right hand side of this chart, they're generally the smaller distributors, there's maybe one location. And as you look to the left hand of this chart you have some of the major retailers there where each dot on the x-axis here represents a group of DCs within the retail environment.

It's important when you look at the title of this slide to understand, we know all these locations and we know from our customers' declarations how many pallets go to these locations, right. So we put a huge amount of asset management effort into these locations because when they become lost from these locations, the world gets significantly complex than this complexity already. Now when you begin -- when you look at the x-axis -- when you look at the y-axis here. This is all about for each of those locations, how much volume is transferred to those locations on an annual basis.

Now when I add these two pieces into the chart, what you'll see here is that, first of all, if you look at Europe, US and Australia, there are some differences there that reflect actually just the differences in the supply chain structure across each of those three markets. But if you look at it very broadly, you say 50% of the transfers go into quite a small number of locations. So the asset management in those locations is -- you can collect in high quantities, you can collect economically in those locations. And actually it's worth the investment of a field force visiting those locations on a regular basis because you're getting quite a good bang for your buck in terms of asset field investment.

About the other 50% of the transfers go into tens and thousands of locations. So the asset management challenge here is significantly different. This is all about using that data to target where you send. Continually working out, finding lower cost ways to do collection in those sorts of locations. And actually in this space also, pricing is really important. Making sure that we price our real cost to serve this long tail of locations in the supply chain. And one point I'll make here and I'll sort of tie it back to the network conversation from earlier. Having a network makes collecting from here more economic that not having a network.

So what we find with a number of pooling competitors is they focus very hard on trying to cherry pick in those 250 locations in each market. The challenge with trying to cherry pick in that space is that there are very few manufacturers that ship only into those 250. The majority of our customers actually require us to give them coverage across this whole piece. All right, so for a pooler that is trying to reduce their asset risk because they do not have a network they have a cap to growth. Then as soon as they start stepping into manufacturers with a profile that ships into this longer tail that is when their challenges arise.

Okay so it is easy to be 20% lower than CHEP or put plastic in at the price of wood in the short term. But if you cannot service this network that's where the challenges arise. If you cannot get your assets back that is where your challenges arise and cherry picking has a kind of natural cap in this industry to growth.

So this is a much -- this one is a much simpler slide, all right, but it belies the complexity that sits in where our pallets get lost to. Okay so we know the other locations we know how many pallets go in and we know how many pallets we recover from those locations. Once they get lost from those locations into these lost to locations the world becomes more complex. Now contrary to what you might expect here, our number one priority in this space is cooperation. Okay so there are recyclers in these markets around the world that there are a number of locations where very small quantities of CHEP pallets sit amongst large quantities of white pallets. And actually they have the coverage and the economics to be able to recover our pallets out of there quite efficiently.

So cooperating with this industry is our number one priority. However, there are a few people as you might expect in this industry that do not want to cooperate. All right, so -- and as you will see later in the presentations here, actually the data analytics and the targeting and the technology that we mentioned earlier to understand more clearly where our assets in this space are really important. And actually having the consistent and persistent legal process in place is really what really encourages people that cooperation is actually a better solution than trading illegally in our equipment. All right, but I will reiterate here that we really -- the first priority is trying to get cooperation and recognising that there is some efficiency with working with the players in this space to just extend our network deeper into these lost to locations.

So the final slide I will finish on here, this is a bit of a set-up for the rest of the team. So as part of this Project Blue work we identified about 72 projects. It was a slightly larger list than that which we culled down after we went through some of the pilots. And really the only point I want to get -- well a couple of points really to get across here is (1) it is -- we have projects in various different stages of development which I talked about

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which is important when there is no silver bullet. And you will also see really the bias towards the lost to -- sorry the lost from locations rather than the lost to locations. So anything we can do to stop the pallets leaving the space where they first become empty of their original load means much better economics from our perspective.

So with that said I might hand over to Phillip who will now take you through some case studies for the Australia and New Zealand business.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

All right, thank you and again I think I am just going to try and really today provide three examples of some of the things that we have been doing in this market around that. And critically for us, for those that have been involved in the Project Blue analysis there are three elements around lost velocity and damage. And by nature of the business model particularly here in ANZ the key for us is to focus on the area of asset loss. And so the three examples that I will be giving you today absolutely focus on, or singularly focus on the issue of loss.

To the point that Peter made earlier as well, this is not new to us. In my own time, I think back in 2004 I think I might have been the inaugural head of the Global Asset Management Council back in those times and it is something that has been within the DNA of the ANZ business and of the leadership team for some time. And I would just start probably with the fact that our current trends are encouraging since 2011 our key metric in this space, which is our loss per issue, has improved by 36% since 2011. That is a significant material change. To the point that Peter has made though I think and that I am going to make again in a couple of instances today, the need to be relentless and to focus on this is I can wind the clock back to 2004 and it has improved by 40%. So in that time frame unless we maintain a relentless focus we lost control of it again for a period inside there. We dragged it back from 2011 and as we go forward it will require relentless, persistent effort to hold the level of change that we have done and then some really bold initiatives I think to try and continue to improve.

So I am going to provide three examples, one that is kind of done, one that is underway and one that is currently in pilot phase. And I think as you look at loss I would actually like to pose to you I think two questions, or two almost contradictory views, one the conundrum and one the essence of the challenge. To some extent this is not that hard and that is often the conversation that I have with customers around the issue of loss. Pretty much this is just what they do already in their business. It is inventory, it is pick, it is stock control, it is reconciling your run sheet with your load sheet and what you paid. And that is actually part of the problem in this, part of our opportunity here is to actually speak to our customers about not losing assets is actually a confidence they already have. They are already doing it whether you are a 3PL, whether you are a retailer, whether you are a manufacturer, it is not that different and it is not that hard.

Our responsibility is to make it much easier for them to do that inside their existing processes and to make it simple and clear and timely. But if it is not that hard the challenge is to some extent, well why is it so hard? And I think again, I think part of my role here today is to kind of give you that gritty reality of what happens on the ground. The reason it is that hard is because they get lost at every back door, every forklift driver, every truck driver. Whether you have got 2,000 stores no matter where they are the point at which control of the assets can be lost is fundamentally down to the wonderful variability of each and every human being that touches a pallet inside the supply chain. And so it should be simple. It should be about consistent processes, consistently followed, routinely and rigorously done. And yet part of the challenge that we need to help our customers with and that we continue to play an active role in is in actually delivering that to every single human being that has the chance to inter-operate with the physical asset or the paperwork that goes with the asset.

So we love the area of asset productivity simply because it poses both that wonderful simplicity and that wonderful challenge. The joy for us is that we are continuing to make significant improvements in the delivery of that and in the metrics and the outcomes that are achieved. And that really frames the three projects that I want to talk to you about briefly today in Australia and New Zealand. And I am going to start at the bottom of the chart to some extent. And if you go back to Peter's complex or otherwise earlier chart, this really is about an approach to the long tail. To the large range of small flows, small users that are out there where there is not that opportunity to go deep and do a significant piece. And this really does also go to the issue of human behaviour and human awareness and that is how we are going to drive asset productivity. A bit like Kim spoke about, one of the things that I am really delighted about is that this issue of dealing with the issue of loss came to us through our strategic forums.

When we sat with our customers we pulled together our top 30 customers and said what would you like us to work with you on? Quite frankly what is the issue that would really make a difference for you? And beyond the new products and beyond the range of issues that you might expect, they said we would love you to work with us on making this simpler. Make it clear, help us reduce loss. And so together with our customers over the last couple of years we have done to some extent what might seem boring, but which is actually about tackling each individual and each point in that long tail.

So we have worked in specific industry forums with the Australian Logistics Council, with Produce Marketing Association, with the Australian Food and Grocery Council to publish simple industry best practice guides. Five point, 10 point steps on how to do this, templated, standard processes. We have delivered online knowledge banks to extend the reach of how to do the job of a pallet controller. Quite frankly if you are a truck driver and you want to know what you should do with pallet dockets you can jump online, YouTube CHEP Australia it may not be where you run this afternoon, but it is there and you can take your two minute video lesson on how to do it. Okay very practical very simple.

We have delivered bite-sized how to training, one of the things that most excites me that has come from this opportunity is that working with government to actually build these skills into Cert 1 to 3 for warehouse and forklift operators across Australian industry. So that we will actually get the chance to truly get reach and get this into the fundamental knowledge that every operator in the supply chain needs to have. We have actually had significant feedback from our customers around the -- I think positive feedback around the fact that we are honouring our responsibility here to make it simpler and clearer for them to keep control and to avoid the issue of loss. And it is delivering results for them in lowering the asset loss rate.

The second one I would highlight briefly is the work that we have done. I will come back to the other end of Peter's chart, those very few high volume locations and in Australia there is no higher volume flow through location for us than Woolworths. And Woolworths came to us a couple of years ago and said we think we have an issue on lost assets. And if you can imagine the number of loads and the number of moving parts within that. And to Peter's point our approach is to collaborate and to work with, not to punish. And so we worked extremely collaboratively with Woolworths, part of the deep relationships that we have with them that we spoke about earlier. And we physically put -- again what our competitors do not do, we physically put people on the ground. We walked and mapped every supply chain inside Woolworths. We identified best practices, we closed gaps and encouragingly Woolworths changed their entire administrative process nationally for every FMCG manufacturer based on the recommendation of CHEP and it has removed duplication, error and omission from their supply chain.

In working with a major retailer we have gone one step further here and Woolworths now provide to CHEP matched data from their own WMS system. So having built on the processes and the training and every operator inside Woolworths now knowing what to do, Woolworths are providing CHEP with data which says, here is every load that we got in. Here is everyone that had pallet paperwork and actually here is everyone that did not. And so rather than waiting three months, six months, 12 months for a customer to do their stock take and reconcile we can now proactively engage in collaboration with our retailer with those customers to get in early. And we proactively contact them and say, you did not fill in your pallet paperwork for a load to Woolworths on this day for that time for this quantity. Get it in we want your records to be right, we do not want you to lose. It is a bit like when the telephone companies used to ring you and say we have got a deal for you. After they first go, come on, they then really engage with us and we are able to be really reducing their incidence proactively of loss.

If you think of all the loads that go into Woolworths on a day a week a year, we are now at the point inside the Woolworths' supply chain where less than 20 loads a week are going in there without perfectly matched pallet paperwork. That is stopping loss at those points that go in, that is stopping the physical and the paper incidence of loss inside the largest retail supply chain in Australia. And so we are delighted (a) with the relationships but we are also delighted with what we learned out of that process. Because it has led us to take we did a particular piece of data modelling and a particular piece of analysis to try and identify which customers were most likely to be exhibiting the attributes which meant they would lose assets and not do their paperwork properly. And this now really, if we try to meet the needs of the long tail in Australia and we tried to meet the needs of the large nodes that Peter showed, this is about a pilot that we are doing to actually try and solve this for all. And so we are taking the insights that we learned from the data analysis that we did at Woolworths and we really are trying to reach and scale those so that we can deliver them to every single one of the 18,000 odd accounts that I have across Australia and New Zealand to take this issue of asset loss away.

And it really is that -- I think again it is about us being able to deliver it without the infield cost. So getting that mix of getting the asset productivity without having to invest the overhead cost in more field resource. And look it is a proof of concept; it is in your pack. But what we are actually doing is being able to put together on dashboards for each customer in real time the combination of elements around their new trading partners, changes in balance, changes in equipment type. We set thresholds for that dynamically either across the pool or by customer. So by their own supply chain or by their own -- this is learning software we have grabbed it from a provider who currently works extensively in financial services, so it is a pretty smart piece of kit that we are using. That is actually able to self-learn the customer's own behaviour and then identify on a daily, weekly or monthly basis changes in their transactional flows which suggest that they are at risk of losing the assets. Now we are in pilot stage, it is remarkably encouraging. We have the ability online to actually move those metrics in and out to determine if it is a threshold or if it is a mix.

We are looking to be able to basically set up a control room inside CHEP that monitors these that can go to the customer directly, automated and tell them that there is a problem. That can trigger a human being to get on board with that customer and have a conversation with them. We are also looking at the ability to actually publish these in secure portals. So that if you are responsible for pallets inside Woolworths or inside Toll or inside Linfox, it is much better again that our own customers are able to see what is going on in their transactions and understand the alerts that could be generated and reduce the risk for them of incurring this incidence of asset loss. It critically leads to enhanced customer satisfaction. It critically leads to enhanced growth and enhanced asset productivity.

So in short three brief examples of what we are doing in this marketplace. We are already actively achieving results in reducing the key -- the rate of loss by our key metric. We are trying to target the long tail and we will continue to relentlessly do that because it is about human behaviour and each and every human that touches them. We are targeting the large nodes in the network and we are trying to seek a very smart and intelligent solution using data to actually scale that and deliver it to all in a very low cost way.

So I think now, James, you are going to provide a few examples of Europe?

James McCarthy - *Brambles Limited - President Pallets, Europe*

Okay thank you, Phillip. So jumping straight into this, again you will see a similar chart. We have been on a similar journey which kicked off as Project Blue. Well I would like to just highlight just a little bit of context here for Europe just to give you an idea of some of the complexity. We have around 20,000 customers, manufacturer customers. We ship to about 270,000 different locations and we run six products and we are probably in more than 25 countries. So just to get the sympathy vote out there, I mean this is a very complex network. Nevertheless we knew that when we started so we had to get on with it, but just to give you that context. And I just -- a few of the examples I would like to pull out is we are going to make progress where we come up with solutions that add value to whether it is a retail partner or a manufacturer. And some of the projects that you see called out here like Last Mile Solutions yes it is a growth project for us but also can solve for loss.

Managed Exchange Services definitely improves control but also drives growth for us and like in any business if you can find activities that bring partners in and add value then we can make some real progress. And we are making progress in terms of our overall asset control in Europe.

And the examples I will share with you, I start here with an example of retail picking. So retailers pretty much all around the world have to get product from a distribution centre down to store in many cases they use pallets. And as you can imagine in a market where CHEP is highly penetrated if the retailer wants to use a pallet they are going to use a CHEP pallet it follows. And that is fine and sometimes that is part of our commercial offer. Where it can get tricky though is once the pallet moves down to store it is exposed to much more points of loss. So obviously it goes from -- if there are 10 DCs then there are probably 500 stores, so just the maths, you have got pallets now in many more locations. And this is very variable from retailer to retailer. So depending on the network and depending on how they are structured and depending on what they pay attention to, I have examples of retailers who pick on CHEP pallets but actually do not lose pallets. They have got a very good internal system; pallets come back from store very little loss. We also have examples where we have had high levels of loss because of store picking and store loss.

And we have become much more assertive I have to say. We have become much more assertive in the last couple of years about those losses. And this is a program we are trying to run retailer by retailer. And we also need to help retailers so what is the alternative? And what you see here and it is a bit of a complicated chart, but we recently commissioned an independent study about the use of roll cages. Because there are a couple of retailers in Europe, two very, very prominent retailers who use roll cages as policy from going from DC to store. They actually standardised their supply chain around that and it is quite an interesting question for us. We say well how come you have got a big sophisticated retailer that thinks roll cages is the answer and others do not. So we started some work here as I said we have done an independent study.

And what I have tried to demonstrate here is roll cages, I mean it is a great answer, it depends whether it is the right answer or not. But what I have tried to show here is that the question is how much of the product as it goes from DC to store has to be re-handled onto shelf, okay? So you can imagine at one end of the scale if the product on the pallet is moving straight on to the store and it is untouched the pallet is the right answer. If 100% of the product has to be decanted from that pallet on to store what happens effectively at the back of store in many cases is they decant it into some kind of a wheeled unit and then on to shelf, so it gets handled twice. That is where roll cages start to become very interesting.

And in our analysis the breakeven for that was around 45% and this is a fine piece of theory. What we are now trying to do is partner with a UK retailer to do a bit more testing around this. And we are trying to drive the conversation here with retail to say, look if you look at the cost of your supply chain from end to end maybe roll cage is something that is a better solution for you. Okay so we move people away from using our pallets downstream. That is the first example.

The second example here is -- and this is a real live French example, I mean names have been withheld for obvious reasons. But this is a real life example and this is the map of a retailer in France who has got 16 distribution centres. We have mapped on there our 25 service centres. And again this is about a dialog with a customer and this is a customer that uses our pallets for picking. So the dialog with the customer is how do we get pallets from store back to DCs or should we collect directly from store and what does your transport do and what does our transport do? And really sitting down and having the relationship where you can map that out together. So in this particular instance we will use as much of the retailer's empty miles as we can get our hands on and there is something like a $1 million in it for the retailer. So we can actually buy a $1 million of empty space from them, so all other things being equal that is a $1 million onto the bottom line for them and it is transport that we would have to buy anyway. So this is a win-win situation and it is just another one example of where if we can work on a win-win basis it is not just about do not use our assets, we can actually work together and drive some value together.

The last example I show here is Managed Exchange and this is a longer story, I guess, in CHEP. I mean we launched Managed Exchange it is nearly three years ago now in the UK and in Benelux. And Managed Exchange in its simplest form is allowing the market to have trade quality pallets. Okay so allowing customers to pick pallets up directly from the trade and then they take on the responsibility themselves for inspection. So it is quite an attractive offer to customers. The administration around that in the past was very much paper-based so what we talked to you about in the past is three years ago we went from a paper-based system in the UK and Benelux to an electronic system. So instead of people turning up at the back door with a piece of paper saying I am authorised to do exchange, they now have to have an authorised order number and that order number is managed through CHEP's portfolio system, which is our customer portfolio. And that is a very important point because it much -- it tightens up the back door of the DC. So now it is a unique reference point for your entitlement that is very important from a control point of view.

What is in it for the retailer also is the scheduling. We can schedule transport now much more effectively. We can schedule the transport for the retailer, we can do a better job of clearing out the yards and that really is the quid-pro-quo for them. And I talked earlier in the presentation I talked in Germany and I talked in total about how we are growing the Managed Recovery offer and again we are trying to do that in partnership. We are trying to show value for retailer, value for manufacturer because they have got access to a lower value service and value for us in terms of better control. So it is again a multi faceted project that drives growth and control, okay. So I will hand you over to Kim now.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Thanks, James, so I am going to take you through a couple of examples inside the USA business as well. And we talked about this fairly extensively in the last market briefing that we conducted in Zurich, so I want to take you back through the journey. But then talk very specifically about some of the examples of some of the things that we are doing in the US business to drive asset productivity. So we have been on the same journey and the journey actually began in the USA with the origin of the Project Blue. Which you guys are all aware of at this point which was a very rigorous review of our cost base inside the business which led us to a very immediate conclusion that we needed to focus very heavily and quickly on asset productivity to improve our business. And so we have been doing that for some time inside the US business.

It started with the formation of an asset control team. There was some mention yesterday and today about really getting back to basics in the beginning around making sure that we have strong collection engines at the end of our supply chain. So we have spent a significant amount of time really building that team and creating a high performing team around asset collection for existing flows inside the business. And that capability will also help us grow. But we have also started to do things like take advantage of the fact that we have IFCO PMS inside our portfolio now.

So IFCO has a very large presence. The pallet management service business does at the end of the retail supply chain inside the USA business. So we are also taking advantage of the fact that we have other reasons to be behind the retail supply chain aside from just collecting CHEP pulled assets. There is a real opportunity back there related to white-wood core acquisition. And when you combine those two it becomes much more compelling to invest behind the end of the supply chain. So we are taking advantage of leveraging IFCO to help bring CHEP assets back, CHEP pulled assets back.

And then we are also leveraging technology. So I am going to talk today about the use of technology to gain intelligence and become much smarter about understanding our cost to serve today, so how our assets are utilised in the supply chain currently. But also tomorrow to guide decisions about pricing and decisions about retailer relationships and how we want to interact and engage with the US supply chain. So I am going to take you through a couple of examples now.

And the first one that I would like to start with is to take you back to one that we talked about in Zurich. So some of you who were there this will be familiar to you but I am going to explain it for everyone in case some have not seen this before. But back after Project Blue we decided to initiate this series of projects on asset productivity in the USA business. And in fact I referenced very specifically 18 of them and this is one of the 18 programs that we launched a couple of years ago. So I want to explain it and then share with you the results that we have been able to drive since the initial launch of this program.

So the concept here is that we rely very heavily on recyclers inside the US business to aid us in the recovery of stray assets. Those recycler partners are very important to us and we rely heavily on them and we appreciate the support that they provide and the relationship that we have with them. So what was happening inside some of our markets is that we had perhaps some smaller recyclers who did not see a value proposition to bring back less than truckloads of pallets to CHEP. So in a certain market you might have a larger player, who is able to accumulate large amounts of pallets and he was happy to return those to a CHEP service centre. But when we looked at the market we saw that there were other recyclers who were not participating on our program for whatever reason. So what we did is we engaged with a larger partner recycler and ask them to serve as a consolidator.

So what that did was it allowed those smaller recyclers in the market who may not see the value in delivering less than truckload or in driving a longer distance to a CHEP service centre to use this consolidator as a touch point to bring back CHEP pallets. To interact directly with that consolidator for a payment and then that consolidator would bring large truck loads and quantities back to CHEP. So allowing them to drive efficiency really in the asset collection engine that is our asset recovery partners.

So what that did then is it allowed us to sign on new partners. So new recyclers who were not aiding in returning stray pallets said this works for me. The consolidator is closer, I can interact more rapidly, I can swing by his yard and drop off CHEP assets and I do not have to drive as far to a CHEP service centre. So by launching this pilot we were able to confirm that yes if we have a consolidator other recyclers will choose to partner with us and help us bring our stray assets back. So since I last spoke with you we have expanded this now into five markets and we continue to see great value through this program. We have 72 new recyclers who are now participating as a CHEP asset recovery program participant, helping us get our stray assets back in the supply chain.

We have also seen a 26% increase in returns in the markets where we have these programs. So we absolutely know that they work and that they are aiding in bringing back stray pallets to CHEP. We have also seen flow through rate go up in these markets as well. So there is no question that it works and we continue to expand and we are looking at the next three markets now where we will re-apply this same concept. So it is definitely aiding us in improving our flow through ration and returning more pallets back to CHEP.

The next example I would like to talk about is this concept that I also introduced at the last investor briefing, which was around collaborating with the retailer to go deep inside their supply chain to understand the points of loss for a CHEP asset. And you have heard us talk over the years about the fact that when assets get downstream to stores, we believe that is a point of leakage and it certainly is. But what we have found over the last 18 months through doing very deep analysis and reviews with our retail customers is that there are also other points of leakage that can be controlled. So yes we want to focus on down streaming to the store, we want to ensure that there is a mechanism to collect our assets, but we are also finding other points.

So in a traditional model the way that it is designed, we would issue our assets as you see here on this diagram to a grower partner or to a manufacturer partner. And then the assumption is that they will ship it down into a distribution centre, in this particular case either to Wet DC or to a Dry DC. Ultimately it would go down in this case -- this is a wholesale -- or excuse me a club channel customer. So it would go down to a club store and our assets would be utilized in that club store. Now if everything works beautifully those assets then come back to a CHEP service centre or they go back to a TPM that is operated with our retail customer.

After this customer who has been a wonderful customer to us engaged in a deep dive analysis with us what we found instead were all these other opportunities for leakage that you see here on the chart now. So by engaging with the customer and getting down into the distribution centre level with their teams we are able to understand that there are other dynamics occurring inside our customer's supply chain that are different than the way that we envisioned the model to begin with.

So they're sharing these insights with us and we're seeing as an example that there are points of loss to a food bank. So they may decide to donate to a food bank and our pallets may go out to that food bank and we may not record that flow or movement and assume that that pallet has become lost.

There could be other opportunities to reject or return a load back to a customer and that may not be properly recorded. We may assume that as a leakage point; write that off as a loss when really there's an opportunity to track those moves. So we're finding real opportunity to get much smarter about where our assets are going inside our customer supply chain. The most powerful piece about this example though is not that we're learning, but it's that our retail customer is helping us to learn and they're engaging with us to solve this challenge. So this is a real example of a real retail customer who has done this analysis with us and who is helping us [solve] this challenge.

So what you see here is just initially as we did this one analysis with this retail customer, these relationships that we're forging through the retail value creation, through bifurcating our sales team. All of that is yielding massive results throughout the business in many areas and this is just one of those examples where the retailer has said, yes we'll collaborate with you and we'll go down this journey to understand leakage and to help you improve it. But in this particular example, just in month one, we find 4000 assets that are really not lost. We can reverse that manually on the books, we can correct that, we no longer have to write those pallets off or assume that they've been lost.

We had four beverage providers in the market place who were participating in unauthorised exchange. So they would bring product into this retail customer and then they would take CHEP pallets back with them. They're now leasing CHEP pallets from us and they are a new customer on the CHEP Program now that we've done this analysis and that we understood that that activity was occurring. But I think the most important finding in all of this is that our retail partner issued a notice from headquarters to all of their distribution centres that said we will not participate in any unauthorised exchange and you're to collaborate and apply the program as it was designed.

The store, retail store leaders are telling us this is what they're hearing from their corporate office related to partnering with CHEP to do things the way that they were intended to be done. So it is an amazing example of where you can take this. When you use insights and you're analytical and you approach it the right way but also when you have the partnerships and you're collaborating with your customer to solve these problems together. So it's a great outcome that we're reapplying across many of our retail customers today.

Next I want to talk about technology. So this is a very exciting improvement since the last time we have spoken with you and we've introduced a new tool into the US business that we call our Field Intelligence Tool. So when we think about these very important recycler partners that I mentioned to you earlier who aid us in recovering stray assets, it's also important for us to understand that we do not know who they all are and we don't have relationships with all of them today yet they are definitely coming into contact with our assets. So we recently launched a tool that we refer to as the Field Intelligence Tool and what this tool does is it actually triangulates information from multiple source points.

It'll pull from Dun & Bradstreet, it'll pull from a CHEP database, it'll pull from the Yellow Pages and what it will do is it will locate with every available source of data that we can find any potential recycler. It'll pull their address and then it will map them on this grid. So what you see here on this map is literally a representation of all of the recyclers as best we can tell that exist inside the US market. Some are known to CHEP and some are quite unknown to CHEP. So the value of the tool is it gives us this visibility and allows us to start understanding what recyclers are in the market and it also allows us to map them against our facilities and against our customers' facilities to understand patterns and behaviours that are occurring in the market.

Maybe you're seeing an increase in returns, maybe you're seeing a decrease in returns, maybe you're seeing customer order patterns go down. There are many things that can be revealed by mapping these geography's together and looking at the behaviours of all of these entities inside these geography's. So I want to give you an example of one that is just really very eye opening and it'll help you understand how we can use this tool. So if you look at the right hand side, I'm showing you here a picture of a facility. So this is a recycler that was unknown to CHEP, so when we triangulated the data, when we pulled all these recycler addresses, this recycler was populated by this tool into the map.

So we said okay well let's go deeper and figure out who this guy is and is this a partner or could this person be a partner? So when we did it we found the address, it was a recycler in Florida and so the tool then uses Google Maps, so Google Maps allows us to not only find the recycler but it allows us to look at the recycler. So when you use Google Maps, what you can see from this photograph is there are clearly what appears to be CHEP pallets on the yard at this recycler. So the next step is you get your asset recovery team, this team I talked about rebuilding and enhancing, that's helping us return assets and they contact this recycler in Florida.

So the first message is, hey you know I'm from CHEP and I want to partner with you and do you have any CHEP assets. So you're wondering what the answer was, well the first answer was no I don't have any CHEP assets and I don't have anything to do with your program and go away and I'm not interested in doing business with you. Well of course his next response was, oh but I think you do and I'm looking at them right now on Google Maps. So that allows us to do a couple of things. Enforce our ownership rights should we need to take that route. It allows us to engage them collaboratively so they can now become a partner and enter our program or locate a consolidator recycler for them so that they can find a way to properly return our assets to us.

So again a very exciting use of technology that our asset recovery team just can't enough of. So it is giving them a beautiful tool and visibility into things they've never been able to see before. So it's a great example of how we're taking these programs to the next level. So one more use of technology and this one is equally as exciting and we've been on this journey for a while and we're starting to see some really, really great results from this. So Peter mentioned earlier that we had been working on a technology to try to smart track -- we call it smart track our assets to understand how our assets are flowing through the supply chain.

Now let me be clear we don't intend to introduce this technology across our entire pool at the moment. What we intend to do is use it to create a statistically significant understanding of what's happening with our pallets. So we've introduced this technology, it does use mobile technology as Pete mentioned earlier and it is allowing us to start tracking assets through the supply chain. So what we're doing is we're actually taking a sampling of assets and we're putting this smart technology on them, we're partnering with our customers to do this and we're following the flow of the pallet through the US supply chain. What you see here on this map is the actual movement of a pallet through the supply chain.

So as you see the dots here, you'll also see a number inside them. That number represents the number of times our pallet was handled. So this technology allows us to understand touches, every time the pallet is touched it allows us to understand cycle time from point A to point B. So as it moves through the system we can see dwell time, we know how long it's been there. We know when it moved to its next location. We can see temperature. So we know if it moved into a cold storage, we know if it moved into a different climate. This technology allows us to capture that with each move and it also gives us pressure and vibration so we can understand damage rates and where are they happening during the course of the life of this movement through the supply chain.

So it is wonderful technology, we launched a pilot of about 250 of them which is what you see here, some results from that and if you look at the right hand side you'll also see an unknown location. So as we follow these assets with the smart technology they led us to locations where we did not expect that asset to flow. We know where we injected it, we partnered with our customers to do that and we know that it left the system from which it was designed to be in. That allows us to understand is there a new customer opportunity, should we be exploring this, is there a legal enforcement opportunity, should we be exploring that? So it's really giving amazing insights about where our assets are travelling.

This is going to help us understand the true cost to serve. It's going to help us find recycler partners for strays. It's going to help us find new customers in the market place that we can engage, so all in it is just an incredibly powerful tool. We will be launching I think 12,000 is the number of those, the second week in December and we have a set of customers who have engaged with us to launch those so that we can study deeply the movements of our assets through their supply chains and understand points of loss and they've agreed to collaborate with us on these projects. So again it's a great example of getting much smarter and using technology to understand how to solve for these leakage and asset control challenges. So we anticipate great results from this study and then we'll determine where we take it from there.

So with that those are some examples from the US business. I'd like to turn it back over to Peter who's going to take us through a Q&A.

QUESTIONS AND ANSWERS

Peter Mackie - *Brambles Limited - Group President Pallets*

Great thanks Kim. We're running a little bit late but James has kindly given us 10 minutes for Q&A. So anything we don't manage to get done in 10 minutes you know we're more than happy to answer questions over lunch. James has also asked that we still come back here for 1.30 to continue on with the rest of the session, so any questions on asset productivity, Simon?

Unidentified Participant

You've done well to talk for an hour without giving us any metrics on loss rates or turn rates. Could you perhaps just touch on the direction of those metrics over the last couple of years and I know it's hard to give targets on where all this will end up but maybe get some colour on loss rate versus turn rate and where you expect the [variance] to come?

Peter Mackie - *Brambles Limited - Group President Pallets*

No it was very deliberate Simon. I mean the way we -- well it's -- the way we look at the business is that we don't have a single metric on asset productivity so we have a -- we actually have a scorecard on asset productivity. So we're sort of trying to get away from sharing single metrics because they can be very, very confusing. So you know we've shared -- I think we've shared control ratio in the past but there's lots of things that influence control ratio that aren't asset productivity. So growth influences it. Stocking and re-stocking influences it. You know as we grow into Eastern Europe out of pool shipments that we get compensated for, they all impact that.

So look we very deliberately don't look at one single metric. We look at a scorecard and really people understand the various ins and outs when they're looking at the scorecard and understanding progress. So look what I'd rather encourage you to do is really the metric that Zlatko showed you yesterday, is to look at our (inaudible) to sales because you can extract it out of our accounts and I think that is probably the best thing to look at in terms of, are we doing what we said we were going to do on asset control? So look we're seeing improvements on all the metrics. There's a certain volatility in the metrics that's associated with other things that impact them. So I think there probably -- we've probably shared too much of metrics that are actually not very good on their own. You have to think about them as a -- altogether. But we are seeing improvement in turns, we are seeing improvements in loss rates but I mean that's all really reflected in the metrics that Zlatko presented yesterday.

Unidentified Participant

I have to ask. $100 million, how do you get to that figure? We've gone through all the case studies obviously it's incremental as to how you get to a point of saving a $100 million in maintenance CapEx in FY 2019 but how can you piece that together from what you've told us this afternoon?

Peter Mackie - *Brambles Limited - Group President Pallets*

Yes look what I would say to you is that is a target that we've set ourselves and you know when we put our five year plan together we've targeted ourselves in each year for improvements in the kind of metrics that Simon was talking about and it kind of leads you to that answer. Now if I put it really simply, on the $100 million target for the cost out initiatives, we know which plants, how much capital we're going to invest, what we think the productivity's going to be out of those plants. So we were -- when we put that $100 million in front of you for the plant cost reduction or the overall cost reduction thing, we're pretty confident we're going to be able to get to it.

In the asset productivity area, the number of variations are huge right so we might do an initiative that says, let's increase the frequency of our collections at smaller locations so we can flush out more pallets, we can reduce the amount of CapEx. Now what we know from doing that is (1) we know our collection cost is going to go up but we -- and we also know that our CapEx is going to improve. Now what we don't know is, is that going to produce an improvement in the damage rate coming out of the back pool or a frequency of the stuff coming out of the back pool and almost in all these actions we take here, there's a lot more uncertainty in the outcome. So I would say there isn't a nailed on plan behind the $100 million but I think from the build-up of our sort of run rate of improvement and how we see that going forwards, I think it's broadly in the right space.

Unidentified Participant

Can you talk to -- obviously you have a club store up there, Walmart have been a massive user of pallets in the secondary circuit, I think it was quantified many years ago at 7.2 million pallets. How do you get them out? How do you change their use of the pallet or is that just a too hard basket?

Peter Mackie - *Brambles Limited - Group President Pallets*

No I think we're getting a -- I should let Kim answer this one but I think I will. Look the reality is what you've got from -- I think hopefully what you've picked up from the presentations is that our experience of going into a retailer and demanding change doesn't generally end up in a nice outcome and even if that is the case it takes multiple years for us to have an impact. So the team's now much more focused on how do we collaborate and try and bring some value? So James's example of the transport collaboration this is -- with this particular Walmart that Kim -- Walmart, wasn't Walmart -- this particular company that Kim was talking about, we're doing lots of things with them.

So when we're sat in the middle of a room saying, look we're really concerned about the loss rates here, they then begin to engage and really help us with the kind of study that was talked about. So what we're finding is that the faster path here is to engage and collaborate and try and bring value and that's -- we're taking that approach to Walmart that we're taking with all of the other retailers across the world. Because we're finding that actually going in there without giving them something back in return is a long and hard process to slog through. So -- and Walmart is kind of no exception to that. So -- I mean we talked earlier Anthony about some of the other replenishment products here are actually quite a good way of -- for Walmart of bringing value to Walmart.

So in some cases use of a full sized pallet all the way down to the store and all of the lifting that has to go on and the unpacking and putting onto the shelf is a huge cost for Walmart and many retailers. So it's not the best use of a full size pallet. So these sorts of items are a brilliant use for some areas of those retail stores and as we talked about earlier, not only does that help us grow in that space it helps make our core pool turn a lot faster.

Unidentified Participant

Because you can't rack a half pallet ultimately. You can't rack a half pallet so I guess it's [multiple speakers).

Peter Mackie - *Brambles Limited - Group President Pallets*

Well you might want to ask Phillip the question, can you rack a half pallet?

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Well it's a third [of a] pallet I guess in Australia so it's a -- yes to the point that you've made yes it's much more less likely to get captive inside there. One of the things that we're doing in the Australia and New Zealand market the -- again if you come to the geek's corner later with James and I around the new products, the second pallet that we have there the display pallet, you can beam rack and that's actually about being able -- now a retailer's got to set aside some bays and move the steel or insert some new steel obviously. But that's also about enabling penetration for us of pool scale to say there's certain categories that work fast across stock.

As we move into promotion or as we move into some of the other categories, the economics still work where a period of storage in racking actually does work DC to store and it can hold in a DC, so where we've built some technology into the second of the two pallets that will enable it to be racked. For us again we have good capture back from store but maybe a different answer to the question you asked.

Peter Mackie - *Brambles Limited - Group President Pallets*

But I think there's a message in there Anthony about that when we know things are possible, we drive it because the industry's going to move that direction and it's all about trying to make those supply chains better than they are today.

Unidentified Participant

A couple of years ago I think the holy grail was going to be the automated build of mixed SKU pallets and from your commentary this morning we're talking more about half pallets, quarter pallets et cetera. Are the customers moving away from mixed SKU pallets, for Just in Time et cetera just to the smaller pallet size?

Peter Mackie - *Brambles Limited - Group President Pallets*

I don't know, anybody want to take that.

Phillip Austin - *Brambles Limited - President CHEP, Australia and New Zealand*

Again the smaller of the markets up here I mean we tend to see mixed SKU pallets come in and out of vogue. I think it tends to depend sometimes on different supply chain managers or I guess just the cycle of change that tends to occur in supply chains. So you could go back eight or nine years ago in this market and mixed SKU pallets were pretty much banned. There was a drive around efficiency at retailer. We've seen some re-introduction of mixed SKU on full sized pallets but I think what we are finding again is retailers are driving much more to the fractional solutions.

Because it's about sell through rates, it's about the enablement of replenishment and particularly as even in this market, our retailers have adopted -- even if it's a petrol station, lots of small format stores. If they can run a standardised solution that actually puts the right quantity in there and it's off the back of the truck and ready for sale rather than re-pack, re-pick, mix layer at either end. Then I think we are seeing a sort of realisation that the smaller format delivers the most flexibility with the most standardised process. So I think we'll see mixed SKUs come in and out but it doesn't drive a significant difference for us in this market.

Kim Rumph - *Brambles Limited - President Pallets, North America*

Yes so just to comment in the US, I mean what's interesting is what we're hearing but not what we're seeing which is this concept of combined mixing centres. So retailers are very focused in the US business on reducing days on hand inventory. So when you speak with them you hear them make reference to their desire for combined mixing centres meaning manufacturers, two different manufacturers or multiple manufacturers sharing mixing centres so that they can send out mixed loads to the retailers, which would allow the retailer to reduce days on hand inventory. So it's interesting when we talk to the manufacturing customers about that, that they're not opposed necessarily but they're struggling with the legal ramifications of combined mixing centres and products being combined in warehouses with other companies.

So it appears that it could be something that tips inside the US market at some point if the retailer continues to feel massive pressure around margins, if we don't see the uplift in the economy then they may push that harder. We have not seen it manifest yet, I'm not aware of a combined mixing centre sending down multi SKU products to our retail customers yet. We certainly have some manufacturers who do some mixing with their own products but I think the real thing to watch for is, do we move to this combined mixing centre concept and then the question for CHEP is, how much opportunity can that create for us because we believe it could present some raw opportunity to engage somewhere in the middle of that process.

Peter Mackie - *Brambles Limited - Group President Pallets*

Can I just maybe clarify the question, were you also talking about non-competing manufacturers mixing loads of heavy and light goods, was that--

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Unidentified Participant

No (inaudible- microphone inaccessible)

Peter Mackie - *Brambles Limited - Group President Pallets*

Okay brilliant all right look unfortunately we are definitely out of time so we're open to talk about asset productivity over lunch but if you could all be back by 1.30 that would be fantastic. Thank you very much.

PRESENTATION

Tom Gorman - *Brambles Limited - CEO*

Good we're good okay. Look thank you all again I thought that was really a fantastic set of discussions this morning. So to the entire pallet team which is now somewhere behind the bar I think they all of a sudden lost interest in the rest of our Company but we'll rally them quickly. Just thank you again Pete and your entire team for what I thought was really an insightful set of very specific things that are underway in our Company.

We're going to shift gears now and we'll move into the RPC discussion. It's really a pleasure to hand over to Wolfgang at this point in time. You know I've known Wolfgang since we acquired IFCO back in April of 2011 so time has flown by and Wolfgang has always been a big part of the entire team that we acquired with IFCO.

A number of investors and analysts have asked me about the transition and I thought I would just address that first and then pass off to Wolfgang. When we acquired the IFCO team it's really two businesses, Dave Russell really runs the PMS business and he's still with us reporting into Kim in the United States and the RPC business was really driven by Wolfgang, Karl and Michael Nimtsch. All three guys have a commitment to stay with us until at least June of 2014 and when we step back and we do -- we spend a lot of time as a Company on succession planning. What I was always concerned about is we were going be in a position where we lost a lot of talent all at once in a business that was really very important to us.

So when we started evaluating the team and thinking about their ability to contribute in the longer run it was clear to me and to the Board and to the rest of the Leadership Team that it was a great opportunity to give Wolfgang the opportunity to take IFCO to the next level of growth. Then that also allowed us to have a bit of a staged transition so Karl retired and Wolfgang stepped into that and then Michael Nimtsch is retiring at the end of this calendar year. So we stage six month, six months and so forth and at the same time we've been able to add a number of executives into the IFCO team both in the US and the new CFO comes from the CHEP side of the business.

So it's been -- it's always been a pleasure to work with Wolfgang I have to say, he's enormously collaborative, you'll hear that from a lot of guys around the room. He's always the first one to help and to bring the knowledge and IP that IFCO has developed over so many years. What we have in Wolfgang is an enormously talented individual. Been working at IFCO now for 14 years, 13 years, 14 years so he knows the business frontwards and backwards and he's just a really hell of a nice guy. So with that I'd like to hand over Wolfgang and we'll go through the RPC business. Thank you.

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

So thanks very much Tom and good afternoon to all of you. I have the pleasure to keep you awake after lunch and I hope I will be successful with this. As you can easily hear I'm German by my accent right and probably the blonde hair and I'm delighted to be in your country, specifically at this time of the year because in Munich where I come from the weather is not as nice currently as it is here. So I really enjoy being with you and I want to now spend one hour with you on the RPC business and you have seen the focus areas before. I actually want to focus on growth. So I will not spend a lot of time on the other areas although they are also important to us and the other areas are covered in the appendices so if you want to know how we're doing in terms of asset management or in terms of cost managers please refer to the appendix.

When I come to growth, there's really three pillars of growth and one is winning new retailers and increasing our penetration with existing retailers. The second one is implementation of new applications and the third one is expansion into new geography's. I will cover all three but I will focus on North America because this is where we really have the highest growth potential. Before I do this I want to just talk briefly about profitability, I know you're all investors and analysts so profitability means a lot to you. If you look to the Annual Report the RPC business actually does not look that profitable. We only show a ROCI of 9% however this ROCI includes goodwill and acquisition amortisation and if you adjust the ROCI by this then we arrive at 24% which is already in line with Brambles' targets and this shows that the underlying business is really profitable and we want to drive profitable business further.

That leads me to the first market development strategy pillar which is new retailer wins and increased penetration and I want to start with Europe and Europe is actually the most established market we have. IFCO started in 1992 providing its services in Europe and in the meantime the market is really well established and as you can see there is however still a huge growth opportunity.

Of the roughly $3 billion market size there is still 47% unserved and the remainder, the remaining 53% are shared between IFCO, we have 17% market share and our competitors and proprietary pools. I should say proprietary pools still play a big role in Europe specifically in the UK. So if you look at this number, we have 17% and with this 17% we are the clear RPC pooling market leader in Europe.

Therefore we are very well established for further growth. We are present in all countries in Western Europe and in most countries already in Eastern Europe. We run a pool of 120 million (sic - see press release 119 million) RPCs in Europe. We have 295 (sic - see press release 285) people, we have a great team by the way with very experienced leaders. We have cut the responsibility in Europe to two regions; we have the South Region with Manuel Monetero who has been around for more than 10 years, great guy. The Northern and Central Region is headed up by Michael Meierhofer, so two very experienced people with good teams. We have the most dense service centre network in Europe with 26 service centres and we have a capacity of 760 million wash units per year and our crate supplier has a production capacity of 35 million units per year.

Last year we achieved a revenue of $551 (sic - see press release $511 million) and despite quite challenging economic conditions in Europe, specifically in South Europe, we were able to generate a growth of 8% which is very in line with Brambles guidance of high single digit growth. Now if you come back to growth, the really important thing is that there remains a significant opportunity to grow with existing and with new retailers.

If you look at our top 20 retailers in Europe they account for 780 million recollections per year and our penetration rate with these top 20 retailers is at 60%. Now this means we have another 40% to go and among these 20 retailers you see that for example the number three has a 100% penetration and there is some where we have more potential but I think going forward standardisation of packaging becomes more and more important.

Category management of these retailers becomes more and more important and this leads to the situation where retailers work together with a small number of category suppliers and this allows us to really determine the packaging. So I think this helps us to grow the business further within our existing accounts but I should also say in our last fiscal year we added 11 retailers in Europe and we didn't lose a single one. So we have both an emphasis on winning new retailers but there is a clear strong focus on maintaining the relationship with the retailers we have.

Now I want to give you one little case study how we are winning new retailers. This is actually a case study from Turkey and is the story how we run Migros. Migros is the leading retailer in Turkey, has more than 700 stores. We used the typical sales support to pitch our value proposition but on top of that we brought the team of Migros to Spain. We toured our retail partners in Spain, we introduced the Migros people to them, we let them raise questions, we showed them how the system works. We invited them to see growers and after this tour the Migros team was really convinced, signed a contract with us and we started in August to convert Migros and we believe this is now the second retailer which we have in Turkey, that this will really lead to more conversions as other retailers will follow this example of Carrefour and Migros in Turkey.

With this I come to North America and what you see on this graph is really a proof of a tremendous growth opportunity. The total market potential is roughly $1.9 billion (sic - see press release $1.8 billion) and of that 89% are still unserved. IFCO has a market share of 9% and our competitors have a market share of 2% which means that among the poolers we have a market share of more than 80% and I think with this we are really very well positioned for further growth.

We run a pool of 57 million RPCs currently in North America. We are constantly adding RPCs to this pool. We have five service centres and we will add a sixth one very soon and with this we have the highest density in North America. We have a wash capacity of 284 million wash units per annum and our crate supplier has a production capacity of 21 million RPCs per year.

So we are very well positioned for further growth in North America and I shouldn't forget -- Tom mentioned it -- that we recently appointed a new President of our US RPC business, he happens to be an Australian chap. His name is Dan Walsh, he has been working for Brambles for more than 10 years, he's a very experienced guy with a lot of commercial background. Worked his way through the organisation, spent some time in Europe, was overseeing the UK RPC business for a while and most recently was for three or four years heading up the sales team of CHEP USA. So we really have a very commercially driven, very experienced guy to help us to drive the growth in North America.

We [won that bet] we achieved a sales revenue of $163 million last year and this translates into a growth rate of 18% but if you look at the opportunity there is clearly more growth which we like to utilise. As in Europe if you look to our top 15 existing retailers in the US you see that they add up to a total potential of 790 million recollections and here we only have a penetration rate of 27%. If you compare that with Europe where we have 60% it is obvious that there is a huge growth potential and I should say in North America, the retail industry and the produce industry is more consolidated, so if we achieve a certain tipping point I expect that the penetration rates in North America should be higher than in Europe, because in Europe you have a more fragmented retail and fresh produce industry.

When it comes to the value proposition of pooled RPCs where the cardboard corrugate it is really proven. RPCs deliver superior product quality, mainly because of improved temperature control and physical protection. They also provide lower total supply chain cost via lower costs of delivered goods and greater label efficiencies. They are clearly better in terms of environmental aspects, reduce waste, emissions and use of resources are here important and they offer more effective merchandising solutions. Studies show that shoppers perceive RPCs as the better display. So I talked about the great potential which we have in the market, I talked about a great value proposition, I talked about the positioning of IFCO. So everything is perfect and you may wonder why are we not growing faster?

This is actually a good question and if you come to that you should first of all compare the market dynamics in North America with the market dynamics in other markets. I want to do this in a comparison between Europe and North America and I want to start with product sourcing. In Europe we really have a diversified -- we have diversified growing regions and this means we have a low impact of concentrated crop issues. In other words if we have a freeze in Spain then most probably this can be compensated by the crop which comes from Italy. This is different in North America. In North America we have very concentrated growing regions, for example, more than 65% of the total fresh produce production comes from California. This means there is a high potential impact from crop failures.

The other big variance is the retailer dynamics. In Europe we have many small to mid-sized national or regional retailers and even the well-known brands tend to operate locally. They are not managed centrally. These small to medium sized national retailers tend typically to have comparably flat organisations with a limited number of stakeholders. In North America we have a high share of national retailers, some of them really huge, the Walmart's, the Kroger's, the Safeway's of this world and we have some regional players. But large retailers tend to have quite complex organisations and this means they have many stakeholders which are involved in the decision taking. In Europe retailers have exclusive relationships with one pooler whereof in North America it's a different model, retailers do not work exclusively with one pooler but they leave the choice to the grower.

We also have significant variances in terms of the produce, producer dynamics. In Europe again the market is quite fragmented. We have many small to mid-sized growers with only modest collective organisations whereof in the US we have a consolidated market. We have large growers with significant negotiating power. In some commodities there is only two or three large players who add up to 90% market share and these growers tend to have brands and they are very powerful and this makes a huge difference to Europe. Because in Europe the growers typically use the packaging type the retailer asks for whereof in America growers may push back on the preferred packaging of the retailer because they think for their produce they want to have another packaging. In Europe the choice of the pooler is determined by the retailer whereof in North America growers have the choice which pooler to use.

Based on these different dynamics, we actually made quite some learning lessons in building up our business in North America. I want to share some of the challenges with you and I want to share with you what mitigating actions we have implemented to overcome these challenges. I want to start with the differences in terms of retailers and growers, what we really learned is that there is many people involved in the decision of the packaging and the total supply chain benefit is not always evident to all stakeholders.

Now, I shared with you that we have many studies but we are missing so far is really an end-to-end supply chain calculation tool. We will roll that out now, we have one in Europe, we will adapt it to North America and this will actually provide us with the opportunity that we can show the value proposition to each stakeholder. So the transportation guy gets his view, the producer gets his view, the merchandiser gets his view and all of them get the total supply chain benefit view. So this is something we're currently working no. It will be rolled out in Q1 of calendar year 2014 and we're looking forward to that because it will help our commercial teams to sell the value proposition.

We also learned that it is not good enough to convince retail executives and to get their sponsorship, because, as I said, there is so many people involved and you need to convince all of them. It's not always good enough that the senior vice president of fresh produce sourcing is convinced, you also need to convince his buyers, you need to convince the guy who is in charge of food safety, you need to convince the guy who is in charge of distribution, the guy who is in charge of transportation, the guy who is in charge of store operations. So there is many stakeholders and this is a complex solution sales process and we need to apply that.

Last, but not least, growers are really important in that process. So we really, also, need to address their needs. We need to collaborate with them to convince retailers and we need to convince them that RPCs have value for them as well. So repacking all these aspects together and we really want to solidify our value proposition and align with all stakeholders.

The other areas where we made some learnings, changes now our strategy to go to market. One interesting learning was that some of the retailers, although they were quite convinced about the value proposition of RPCs, tended to change back on high craft corrugated for sales promotions. The perception was an RPC cannot be used for sales promotions, and we worked on this, we addressed their requirements here and we actually came up with some very innovative RPC merchandising solutions and I will later on show you how that looked like. It's quite successful.

The other area is how we address the market and we learned that there is a high concentration on some produce categories and if there's crop issues, we are suffering in our top line and to mitigate this, we really want to balance our commodity portfolio and I'll walk you through that later on.

Last but not least, there are some high seasonal items and this business for these high season items tends to result in poor asset utilisation and we increased our focus on year-round and counter-seasonal items to mitigate this. Last but not least, it's not good enough to have a very good value proposition and a good strategy, you also need to drive execution and we are doing this. This starts with the management of conversions. We learned that we cannot count on retailers to manage a conversion, this is something we need to do. We need to make sure that everybody in the process is informed, that everybody knows what to do, and we need to manage this process. We have established a launch management which is quite successful.

Once you've converted a commodity, the work is not finished. Then you need to ensure that there is compliance. In this market, there is constant change, there are buyers who change to different jobs and new guys are coming in. Retailers also tend to change their suppliers once in a while and we need to make sure that we manage this change and that nobody forgets about using RPCs. We're doing this by implementing a -- we have done this by implementing an audit team which constantly monitors the RPC compliance and feeds that back.

Last but not least, we also learned that in the market of North America, where you play with some real huge retailers, the volume is so high that it is better to use a staggered approach, compared to doing a big bang conversion for one category for all retailers. Because if you don't have historic data, the likelihood that you don't have enough RPCs to fulfil the demand of the retailers is high. For that reason we are choosing now to apply a staggered implementation approach, do it retailer by retailer and by this, have more security and can better serve our customers.

I now want to give you some examples of successful implementation of what I just said. I want to start with a case study, which is a good example of collaboration with growers. In this case, the retailer wasn't convinced that RPCs were a good packaging solution for iceberg lettuce. We partnered up with the leading grower for lettuce, Tanimura and Antle, and this was already a customer for us and he worked for other retailers on RPCs. We partnered up with him, we asked him to support us, we went jointly to the retailer, we agreed a pilot, the pilot was successful and we convinced the retailer to convert to RPCs for iceberg lettuce.

This is a good example which we want to replicate to other commodities, so we will check by retailer what commodities are the retailers using in terms of RPCs and we will raise the question, if Walmart uses RPCs for apples, to give you an example, why is Safeway not using RPCs for apples? Then we will look for the lead growers and work jointly to standardise the market and this is to the benefit of all parties involved.

I talked about merchandising solutions for sales promotions, here you see some examples. We really did a good job, our marketing people did a good job, to develop some patented clips, sign displays and dividers. With them, we are now able to also support sales promotions. This gives you another example where we work with RPC reps, so RPCs can be used for sales promotions and we have proven that and our retail partners are now using these solutions. They are not going back to cardboard.

I talked about a structured approach to the market. We have started to categorise all commodities by volume, by length of season and by loop length. Clearly, the higher the volume, the longer the season and the shorter the loop, the better. We will now apply a very structured approach to convert commodity by commodity and we will, of course, concentrate our efforts on the most desirable commodities.

This leads to the reduction of the reliance on particular commodities. I have one example here, in North America, 75% of the apples are grown in Washington State. For comparison, in Europe, 70% of the apples are grown in five countries. So if we have a problem like a freeze in Poland, the likelihood that this really impacts our volumes is pretty low. In North America it's different, if you have a crop issue in such a concentrated growing area, it really hits your top line and you are impacted. Now, unfortunately we can't change mother nature, so we can't influence weather impacts but what we can do, actually, is to diversify our commodity portfolio and to balance our portfolio in a better way.

On the graph, you can see that we started doing this and we will continue our path to do that. We will grow categories which are so-far small and by this, reduce the dependency on the large categories.

I also talked about high seasonal items and the challenges which we have with asset management, but also with availability. Grapes is a good example for that. Grapes are grown during a period of three months, primarily in California and also in Mexico. The pool which we used there was heavily under-utilised during winter. Now, during winter there is a lot of grapes imported from Chile, that is a very long and challenging supply chain, we worked with our retailer Loblaw to find solutions for that. We were successful and we just started shipping RPCs from Chile to North America to two retailers, Loblaw and also one in the US.

THOMSON REUTERS

This is a good example how we actually can find contra-seasonal applications for our RPCs. This helps us with asset utilisation but it also helps us to position a big enough pool. Again, we want to replicate this example, we want to extend it to other commodities to serve our customers better and also to improve our asset utilisation.

This leads me to execution. We are improving the conversion project management by assisting retailers better in the conversion. As I have said, we cannot count on the retailer to manage a conversion, we have to do this. Actually, we have implemented a new function in our organisation, we have a commercial team which takes care of the retailer and we have a commercial team which takes care of the grower. In between the two, we have implemented so-called category coordinators. Now these category coordinators are subject matter experts, so we have a category coordinator for stone fruit, one for citrus and so on. So they really understand the business from a grower side and also from a retailer side. They actually manage conversions.

A typical approach to a conversion starts with a collaboration. We bring a grower to the retailer, we explain the value proposition and ideally the milestone of this process is that the retailer agrees to a test. Then we run the test, we measure the results, we present the results in the end and that typically leads to the milestone that the retailer agrees to the conversion. Then the real hard work stats, which means we need to secure the commitment, we really need to define all the details which is, which DCs are involved, what are the pack specs, does this involve any changes in the ERP system of the retailer. We need to discuss which suppliers are involved and the milestone here is that the retailer confirms the supplier list.

Then the supplier list goes to our grower sales team, the grower sales team really pursues the suppliers from the retail list and the milestone here is that the grower sales communicates the volume forecast to the commodity coordinator. We then plan the pool demand and come to the later stage which is actually forecasting and shipping. This involves that new growers are on-boarded which means we explain the usage of RPCs to them, existing customer agreements are adjusted to reflect new volumes and in the end everybody is informed what's going on, we manage the process, we make sure that all milestones are achieved. This eventually leads to successful conversions.

As I said before, after successful conversion, the work is not finished. There may be new buyers, there may be new suppliers and we need to make sure that we maintain a good compliance and that's why we have implemented an audit team and these auditors collect RPC compliance and use of competitor RPC data via a tablet-based audit program. So they go into the retail DCs and into the stores and by season they see all the commodities which should be in RPCs and if they are not in RPCs, they will note it down and the result is immediately transferred to a database which we have centrally. These results are distributed weekly to grower sales teams for grower targeting and these results are also communicated to retailers to assist in buy compliance efforts.

So I think we have a great potential in North America, we have a good team, we have the right strategy, we are very well positioned and what it requires now to utilise this potential is hard work. I think it can be done, we have done it before and I'm very confident that we will grow the North American market step by step over the upcoming years. As I said, my personal expectation would be that taking the high consolidation of the market into account, we should achieve in the end state a higher penetration and a clear standardisation for RPCs on this market. Because there is only a few growers and there is only a few retailers and if we all sign them up for RPCs, it's in the interest of the industry to work with one packaging standard.

Now let me spend some words on Latin America. We are currently present in Brazil, Argentina and Uruguay. We had a kind of challenging year last year and that was due to tough economic environments in Argentina and in Brazil, high inflation rates, high unemployment rates, so it was really tough. We are now really back on track in Brazil, we added one new retailer last year and we were just this year able to reach an agreement with Walmart to implement RPCs in the south of Brazil. We also developed meat, egg and poultry applications and we expect that we are able to develop regional retailers following the conversion of Walmart.

Similar picture in Argentina, we were able to grow the penetration, we were able to add new applications and we gained some market share from our competitor there. Last but not least, Uruguay, we also expanded our market share there and we're specifically collaborating very well there with the CHEP folks.

This leads me now to the second pillar of our growth which is implementation of new RPC applications. To give you a background for this, our current business is really dominated by fresh food and vegetable offering and that's why we have a very strong focus on the product development to broaden this portfolio. Examples are bananas, eggs and meat. Doing this, we really concentrate on new applications that provide synergies with existing applications. What we really want to avoid is any distractions. So typically, any fresh product is overseen by the same management at the retailers. So we typically have a way into the retailer organisation, it is a similar supply chain, we can use our existing service centres. So that is the way forward for these kind of applications.

Typically, there is a long sales and implementation cycle and frankly speaking not all innovations make it to the market successfully. To give you one example we started implementing a beverage tray about three years ago in Germany. We were very enthusiastic, the value proposition was great and we got a very slow start. In the meantime, we're doing about a million trips a year and it shows you need to persist and you slowly gain momentum. I think what we need to implement this, we need to fill a pipeline so that in three, four, five years from now, we have additional growth opportunities after we have grown the penetration of the fresh produce market.

So we're really working on that and this is a very nice example of a successful application of this strategy. It is about Carrefour in Spain. You see that with Carrefour Spain, we started in 2007, converting fruit and vegetable crates, then in 2008 we implemented the big box for bulk items such as potatoes and onions. Then in 2008, we implemented eggs. In 2011, a meat crate for packaged meat and most recently we also implemented the crate solution for convenience products.

Again, this kind of approach we want to replicate, we want to roll it out to all our retailers. We are sharing best practices and this is a great example because Spain is managed by Manuel Montero and he is also the Vice President for Southern Europe. So he really brings that idea of that approach to the guys in Greece, in Turkey, in Italy and in France. The same is true for the northern and central region.

Now we have a movie and it's -- and this is a movie about banana. Unfortunately, we don't have any sound for the movie but I just wanted to show you how the banana RPC is actually used today in the banana supply chain. You see this is where the bananas are picked and packed in Ecuador. This is how they bring them to the vessel. How they come to the harbour in the end. They do the ripening in the RPC, they come to the retailer and eventually to the store. They are used as one-touch display and sold straight out of the box. Then they are going back in our normal cycle, we collect them, we sanitise them and we issue them again.

Now, banana is one of the categories which has the highest volume potential. It has a quite unique supply chain. The supply chain has its challenges. We started quite a while ago in implementing a solution for bananas. We did many tests and in the mean time we were able to convert two retailers in the UK and one retailer in Germany. We faced some challenges with some push-back from brand banana suppliers and we overcame them by concentrating first on the private label suppliers in collaboration with the retailers. We are proving the value proposition and then we go back to the branded banana suppliers and say, look, it works very well for private label bananas, why don't we implement it also for your product?

This brings me finally to the last point of our growth strategy, which is further geographical expansion. Everything which is green and blue on the map are areas where Brambles has an RPC business. We now want to examine the expansion into new geographic regions. What we need are conditions to support a long term sustainable business. We have a focus on regions where we are already -- maybe already have an access point for a market entry. Typical examples are, we are present in a neighbour country, that's the approach we apply in Eastern Europe.

So for example, we are in the Czech Republic, we have a subsidiary there, we have infrastructure there and from there we move to Poland and we use the infrastructure in Czech here to build up the business in Poland. Or an example which we may apply for Russia, we have an existing customer relationship with growers who export to a Russian retailer, that also helps. So we typically find -- typically try to concentrate on these examples where we have an entry point. That's, of course, also true for the global presence of CHEP. CHEP is really present in many of the Asian countries already, where we are not yet present. It really helps if you use their presence, their back offices to build up RPC business.

So regions of interest are currently Eastern Europe, Russia, China and parts of Latin America. Again, I want to show you how we actually implement this kind of strategy. This is our expansion into Eastern Europe. So we started in 2005 from Austria, into Slovenia. Then we added Slovakia and Hungary, we went to Bulgaria, we went to the Czech Republic, to Serbia, to Croatia and most recently, this year, to Poland and to Romania. We will further expand into Eastern European countries until we reach the Russian border. Russia, as James told you earlier on, is a market which we evaluate in a joint project which involves all three business units of Brambles.

For emerging markets, the collaboration with supply chain partners is a key part. With the support of CHEP China, we started a pilot with the leading Chinese retailer, Wumart, in Beijing. This is currently in progress. It is quite an interesting project. We don't know yet whether this will actually evolve in the end, because I think Tom mentioned it, in these countries, you really face some challenges in terms of labour costs, in terms of logistics infrastructure. We think we have a good value proposition, we will run the tests and if it is successful, we will consider a market entry to China. In parallel, we're currently conducting a market evaluation study for India. We are examining organic and acquisitive expansion to Latin America.

With this, I come to the end of my presentation. As a short summary, I think we have a great growth potential in all regions we are, both by increasing the penetration and by winning new customers. We are very well positioned in all markets. We are clear market leaders around the globe. We have the biggest pool. We have a lot of possibilities to collaborate with our colleagues from CHEP. We have a great team. We also can grow by adding new applications and by expanding our geographic footprint. So I think we are really prepared for growth and over the next five years, we really want to grow this business step by step.

With this, thanks very much and I'm open for questions now.

QUESTIONS AND ANSWERS

Unidentified Participant

Just a question on asset utilisation. The turn rates that you've got in the appendix, jumping up from about five to five and a half the last couple of years, where do you see that going forward?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

We actually are higher than four and a half in the meantime.

Unidentified Participant

Five and a half.

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Five and a half, yes. I think the turn rates will slightly improve. They will improve in Europe, they will improve in Latin America, but for North America we put a higher focus on capturing market share and we don't worry so much about turn rates. So we will really build the pool ahead of the curve because as we grow, we will automatically get a good asset utilisation in the end. But our clear focus for now is growth.

Unidentified Participant

Where is pricing now in Europe versus cardboard?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Sorry?

Unidentified Participant

Where is the pricing now for crates for the industry versus cardboard?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

We have a competitive pricing, definitely, but the price for cardboard is kind of a moving target because there is no cardboard price as such. There is various qualities, it depends on various geographies. So it's very hard to really come to a price of cardboard. If it's short distance, it may be a very low quality cardboard which is used so it's hard to tell. But overall, I think we are really competitive.

Unidentified Participant

I just want to ask a question about your North American business versus your European business. You've got about a third of revenues in the North American business that you have in Europe, but you've got two times the number of people employed. Just wondering what the structural differences are? I guess what I'm getting at is there an opportunity here for potential costs out in the North American business? Or is that positioned for further growth?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Sorry, I didn't understand you completely.

Unidentified Participant

So you've got two times the number of employees in the North American business, so the structural differences --

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Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Very good question. There is a very simple answer. In Europe, we have outsourced almost our entire service centre operations, in North America, we run all our service centres on our own. That's really the difference. Then, of course, we have more commercial people in North America, for two reason; one is we grow the market, the other one is we need to put more emphasis on the grower side than we need to do in Europe. But I think if you would really compare apples with apples, we probably have 20% more people in North America compared to Europe and it's primarily salespeople.

Unidentified Participant

Given the benefits of RPCs, given the lower damage rates, given the lower cost -- and I think that's over 20% cost differential on a unit price between cardboard and RPCs, where is the slowness in the conversion? Who's the resistance and why do you see that they have that resistance to change?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

I think it's just that people to a certain extent don't like change. It is what it is. You really need to convince everybody, right? And as I said, there is many people involved in retailers and in growers. It just takes some now. Now we try to accelerate but the value proposition is really very clear. Nevertheless, you talk to many people, some people are very traditional. The industry is quite traditional. It just takes some time. But could we accelerate it? I think yes.

Unidentified Participant

But I would imagine a grower doesn't like waste and if they see 40% of their produce that's not sold then arguably that would, I would think, lead to a stronger level of conversion. So there must be some reason that they have an aversion to that change? Is it how you deliver the product? Is it the ability to get crates to their fields in a timely manner? Is it the back dock efficiencies from the retailers? Can you give us some guide as to if there is a pressure point that you see? Clearly there must be one.

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Yes. To be fair, specifically if you grow a market, up to a certain tipping point, RPCs are the exception, which means the grower likes cardboard because he can pack in cardboard and he can ship it everywhere. So you typically need to reach a certain tipping point and then it's the other way around. Then the grower actually advocates the standard. The other element which plays a role is the more you have a tight and constant relationship between retailer and grower, the higher likely it is that the retailer and the grower can determine the packaging.

Now, in North America as well as in Europe, most retailers actually put more and more emphasis on supply chain management. This means that they're really growing into a situation where they work together with a few category suppliers and that they have long term relationships and then they really can determine and plan the packaging. Whereas traditionally, many retailers did spot buying, or a lot of spot buying. But the share of retailers who do spot buying is going constantly down.

Unidentified Participant

Another question if I could. A lot of the retailers like the concept of produce being a differentiator. If they look at -- if I look at your produce in your crates, it would look very similar across the multiple people -- retailers that have converted. Is there a technology risk that someone will look for a differentiation as to how that RPC is packaged?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

No, I think not in the sense that there is a technology risk. I think we're really ahead of the curve here. I think we have the most sophisticated RPCs, currently, on the market. There is one aspect which sometimes comes up and this is the one-touch usage of RPCs. A number of retailers think it is better to display in a different way. However, interesting enough, all studies reveal that the shopper actually perceives the product in an RPC as fresher and of better quality. Even some retailers who were very strong advocates of using baskets, creating a market atmosphere and so on, did tests and were surprised about the good results.

Now, having said that, we don't mind whether our RPC is used for display purposes or not, we are also happy if it's just used to transport the fresh produce to the store and then they take it out. But all studies really have revealed that a uniform display in RPCs is perceived as very good and as of higher quality. So even some North American retailers which were very sceptical in the beginning and said, okay, it's a great solution to transport the products to the store, but we won't use it for display purposes, are now moving to display.

Unidentified Participant

Can you give us an example? Are wholefoods still --

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

Kroger for example. They, in the beginning, didn't intend to use RPCs for display purposes. They have tested it now, the results are very promising.

Unidentified Participant

Wolfgang, can you talk about the size of the market opportunity outside of fruit and veg; so in eggs, bananas, meat? How do we think about the charts you've put up here about the opportunity? And what's a realistic lead time to think about breaking into those markets?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

I don't have concrete numbers in my mind, but I can give you a direction. I would think that meat will probably account for at least 50% of the potential which we have for fruit and veg, but I would need to really check the numbers. But it is a huge opportunity, specifically because many retailers are really moving to ready-packed meat. That's also a trend in the industry which helps us. Then there is clearly a huge market for eggs, but again, I would need to come back to you because I don't have the numbers here. Bread is another application, fish is another application so fresh products offer many applications.

I think the more retailers convert to RPCs, the more they like it because packaging standardisation plays specifically a very high role when it comes to store distribution because they're all inter-stackable and easy to build pillars with. All right, I think if there's no further questions.

Unidentified Company Representative

We have one here.

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

One more.

Unidentified Participant

Wolfgang, I was just wondering if you could explain the -- how the economic environment makes it harder or easier to convince customers to make the switch? Clearly the targets that have been previous set haven't quite been met. I'm just trying to work out how much of that is due to the economic environment and how much is actually just customer gestation taking longer?

Wolfgang Orgeldinger - *Brambles Limited - IFCO, Group President, RPCs*

I think actually the tougher the economic environment gets and the tougher the marching pressure gets for retailers, the better is our value proposition. Because if they come under marching pressure, they need to work on their supply chain efficiency, because typically the first thing they do is work on the purchasing price and there comes a natural button to that. Then they need to work on supply chain efficiency and that's where we come in. So I wouldn't say that we are dependent on the economic situation but the tougher the market is, the better our value proposition.

Vice versa, I think it's also interesting to note that in markets where the market -- where the economic conditions were very tough, we still had growth and this is also because the nice thing about our transport packaging is we transport food and people need to eat. They don't spend money on other goods but they always need to spend money on food. So even in countries like Greece or Spain or Portugal, we really have nice growth rates.

Okay, so thanks very much. We have a break, yes. Thanks.

THOMSON REUTERS

PRESENTATION

Tom Gorman - *Brambles Limited - CEO*

Great, well thank you very much again. We're really closing in on the end of what I think has been a great day thus far. So there's really two components left in today's presentation. We're -- we'll hand off in a moment, I'll introduce Jason in a moment and we'll go through the containers story at a high level and then in a little more detail with Neale, specifically around what's happening in the CHEP Pallecon Solutions business here in Asia-Pacific, so I think you'll get a lot more granularity, get understanding, of where we're trying to build our businesses going forward here.

Then after that I'll come back up, I'll make a few thank you and wrap up comments, and I will open up for Q&A again at the end, so if there's anything from any one of the sessions throughout either yesterday with Zlatko and myself or anyone today. I'll sort of moderate a Q&A period for as long as you like to let that run. With all the executives from the Brambles team in the room we'll pass microphones around as necessary.

So you'll have plenty of opportunities to ask some questions in the formal environment. I just encourage you again that tonight when we have some sort of end of session drinks please take advantage of that. So it is my pleasure to introduce to Jason Rabbino. Jason joined us, how long?

Jason Rabbino - *Brambles Limited - Group President, Containers*

18 months.

Tom Gorman - *Brambles Limited - CEO*

Eighteen months, not that he's counting. So a year and a half ago Jason joined us and it's interesting because you -- all the presentations up to now really were mostly long-serving Brambles CHEP IFCO employees. Jason did join us about a year and a half ago, and I have to say that I think we're really fortunate to have him. He's come in to really put -- make sense out a long-term horizon, three set of strategies. I don't think we could have expected anymore than he's delivered, so it's been great to have him on his team, and I think you'll all benefit from getting his view where we're taking the containers business going forward. So with that, Jason Rabbino.

Jason Rabbino - *Brambles Limited - Group President, Containers*

Great, thanks Tom, and thank all of you for returning from the afternoon tea break. So I didn't see too many people slipping out the back door which is good. In the next hour or so we're going to try to share with you a bit about the container story. I think even if you've been to Zurich -- for those of you particularly who haven't -- a lot of this is fairly new. In some cases they're things that we might have talked about within Brambles over the years, but in terms of the approach, the structure, and the focus we have, it's a very different opportunity for us than we've discussed in the past.

We serve four different supply chains. I'm going to attempt to do justice to fairly complex supply chains in three or four pages, so please bear with me as we go through each of the four. In some ways I'm more interested in your questions at the end, so we're going to provide a couple of things as we go through.

Number one, a state of the land today. What have we accomplished and what are we focused on at present. Secondly, a pretty candid assessment about what we've learned particularly in the last 18 to 24 months. As with any early stage business, some things work out exactly as you hope, some of them work out a little bit better, and along the way there's some surprises. We're going to be candid and honest about all the things that are working. In some areas where some of our assumptions may have been challenged, what we're doing to work around those challenges and keep moving forward.

Then finally at the end to make sure you understand as we invest in growth in these new areas we understand that we have a responsibility to all of you and the people you represent to deliver a return on capital over time. So we'll make sure you understand it's not just a growth story, although that's the primary focus for the team looking at our value levers. But it's a story of profitability and long-term success for brambles and its investors.

So with that, if you look at our portfolio today, as you might expect from a somewhat earlier stage of businesses, we have a fairly wide dispersion in terms of how large the businesses are, how fast they're growing, and how profitable they are today. Obviously our goal is to ship things over to the right-hand side of the curve as much as we can and as fast as we can, and grow the circles while moving them up.

I think if you look at the circles you see up there, our more mature businesses -- so our Asia-Pacific Pallecon business, our automotive business in Europe, and our CCC catalyst business are all very nice profitable businesses, delivering a very good return on our investments today.

At the same time, you see a number of businesses towards the centre of the chart. These are businesses somewhere in the middle of their growth platform, businesses we're continuing to invest in in new ways as we understand these markets better, and businesses where in some cases we brought in new leadership or new sales models.

Then finally on the left-hand side of the chart, you see automotive Americas, and a bit over from that in aerospace. In both these cases, these are businesses that we either restarted several years ago in the case of automotive North America, or we invested in through acquisitions in the case of aerospace.

New ventures and new opportunities for us as a team and for our employees, and areas where while they're growing obviously the base they're growing off of is much smaller. These are businesses that we particularly pay close attention, to make sure that as they grow and as they develop they're continuing to hit certain milestones in delivering the returns we expect from growth businesses.

Over the last four years, how have we performed as a Group as we brought this set of businesses together, as we've carved them out in some cases from the pallet business, so just the automotive business in Europe, or have acquired them in cases such as the aerospace business and most of the Pallecon solutions business. The answer as you see is that we've actually enjoyed a very nice growth rate during the four year time horizon, approaching 20% on a compound growth rate. Now that's been obviously very heavy influenced by M&A activity, but organic growth is now beginning to kick in as the businesses become a bit more mature as part of our portfolio, and we understand better how to add value to these businesses.

Again, in many cases some of these teams, most notable Pallecon, have been part of Brambles for less than a year, so while we expect a growth rate to begin to accelerate in this year and particularly in the year following, we're still in some cases integrating the teams, and getting the systems and processes standardised to deliver the management control and financial oversight that we expect as part of Brambles. At the same time, this growth rate has been offsetting headwinds in some of our mature businesses. Many of you are obviously familiar with the automotive situation here in Australia.

Likewise the European automotive business -- the largest portion of the portfolio today -- has experienced some very significant headwinds over the last four or five years, and so the growth rate, while not quite as level as we'd hope, has actually been off-setting some challenges in our mature markets, most notably in Europe.

Over the last 18 months what have we been working on, and what has been our focus and some of our accomplishments? Initially I'll talk about it at high level at the Group, and then as we go through the businesses in a minute, we'll drill down a bit more. At the most senior level from a Group perspective, when I joined 18 months ago, the containers group as a management team had one employee. That was me. So I answered my own phones, I sent out my own mail, and actually I still answer my own phone and send out my own mail.

But in order to put some structure around this we needed to hire a small, but very accomplished, team of professionals to run this as a separate organisation underneath Brambles. So we've on boarded a management team. We've put in place process using controls, so we have good oversight over the business. We can actually identify opportunities to invest capital in a prudent way, and allocate capital across the four areas.

Then within each of the businesses for CHEP Pallecon Solutions, we obviously made the acquisition of Pallecon covering the European and ANZ regions in January of this year. You'll hear from Neale Myers in a few minutes on that, but we're delighted that this has been integrated on time and on budget and has allowed us to rebrand our entire global IBC business as CHEP Pallecon Solutions Worldwide. So for those of you who were in Zurich or saw the transcript, Bob [Wedemeyer] was there representing the CAPS business, which is our North American IBC business. Now, everywhere in the world we go to market, CHEP IBC goes to market as CHEP Pallecon Solutions.

In our aerospace business, we've had a number of key wins, on both the pooling and the maintenance repair and overhaul or MRO sides of the business. We'll show you more about those in a few minutes, but we have begun to see the conversions of pooling that we've talked about for quite a while. We understand that not the pooling conversion aerospace doesn't happen as quickly as we thought we might as we were investing in the business initially, but we do have the better handle on what the conversion cycle looks like and what it takes to win.

In the automotive business in Europe, despite the headwinds, we've actually recently won our largest tier 1 supplier in almost ten years. That customer's in the on boarding phase right now. It's gone extremely well to date, and we're actually very excited about the opportunity not just to work with them in Europe, but also to work with them inter-continentally, as Tom, Pete and Wolfgang have alluded to, with inter-continental being a key growth opportunity across all of Brambles.

Finally in our CHEP CCC, or our CHEP catalyst business, for those of you who are familiar this is a very cyclical business based upon the refining industry cycle worldwide. The last couple of years have been quite challenging. In CCC in the US and Canada, our two largest markets, we've begun to see a rebound within the last 12 months and are reaping some of the rewards of that, while at the same time have begun developing new solutions to penetrate the emerging CCC market in regions such as the Middle East, Latin America, and China, where we don't have presence today, but where global refining is shifting on a fairly rapid basis.

Then finally on a macro level, we've invested in a couple of new areas that are very early stage for us right now, but have tremendous potential and great enthusiasm not only within Brambles but within our customers. Those two areas we've touched on throughout the day have been inter-continental flows, as well as cross-selling.

The opportunity for my team, for Pete's team, and for Wolfgang's team, to work together and say what's the value we can bring as one integrated team to customers? Where does that Brambles sell? Where does an integrated solution approach work, and frankly where doesn't it? We're just in the early stages for both inter-con and cross-selling, but already in the first couple of quarters we've got a number of wins on the board and a rapidly growing pipeline in both areas.

As I mentioned at the start, a lot of good developments, but at the same time, there's certainly been challenges along the way, and bluntly there'll be challenges in areas to come. What's incumbent upon us is to recognise the challenges as we grow new businesses and invest in new areas and then use our resources and our people and our skills to adapt to them where we can, where ultimately we make decisions as a management team if we have to change direction or change strategy. You'll see here that there are a number of challenges identified in the last 18 months, and they roughly cluster into three categories.

Number one is that while the addressable markets may be large in these sectors, we do not currently today have the solutions to address that full market. So if you think back to Kim's presentation, there's a total market size out there that's theoretically addressable by CHEP, and then there's the market we can address today with the products and services we have in our portfolio. We have a twofold responsibility. One is obviously to capture more and more share of the things we can do today with the assets and capabilities, but the second bigger and more exciting is to move beyond what we do today to develop new solutions and new offerings to capture more of that market out there in these new areas.

A second challenge we've identified is that while we've got great people and we've got great expertise, by the nature of these businesses that are relatively small and relatively geographically fragmented, we tend to have pockets of expertise in one part of the business or another which in most cases means one part of the world or another. For those of you who've had the opportunity to come up and touch -- put your hands on the blue Kool-Aid container up here, you can see it's quite warm. That's a product that Neil and his team offer. The container, the M3, is part of the solution. The liner bag that sits inside is another.

But one of the secret soft solutions in there is the thing that's keeping it warm which is called the heater baseboard. It allows us to work with customers who have products that require very specific temperature control; things such as chocolates and oils that can't congeal or solidify in transit. Neil and his team are extremely successful with heater baseboards here in the ANZ region and through our partnership with Sumitomo, it's also quite successful in Japan.

However, as we've integrated Pallecon, we've identified this is not a solution that we currently offer in the North American market. Now the types of flows and types of customers we serve in many cases are similar, so without spending a lot of time and resources recreating entirely new solutions, we need to be able to take solutions such as this from one region and move it to another.

Then the third learning, or the third category of areas that we've gotten, I'd say, smarter on in the last 18 months is the conversion timelines. Since many of these were new businesses for Brambles and for CHEP, as we entered into them either through greenfield investment or through acquisition, we attempted to apply our best practices and our assumptions based upon our experiences in pallets, and in RPCs, as to how long it takes from initially contacting customer to get them to convert over. In many cases the assumptions hold up quite well. They're all pooling businesses so there are a lot of similar characteristics, one of which in many cases can be the conversion timeline.

However, we've discovered in other segments, probably most visibly our aerospace segment, the similarities are quite less in that segment, and as we've worked with customers there we've realised there's a longer timeline to conversion. So while we've begun to make very good progress in aerospace and we remain quite confident on it, we're much smarter now about what it takes to convert and what a reasonable timeline is.

The implications for us in that area have been we need to change a bit of our sales approach, in some cases become more technical, to embed ourselves with the customer thinking, but also in businesses that are taking longer to develop, be mature and responsible about it and adjust our cost structure to fit the opportunity in the development stage. You'll see as we go through in some cases we've made decisions to change our investment profile, not walking away from these sectors but investing in a more prudent way based upon the market cycle.

As with all three businesses that you've heard from today, we're focused really in three areas of value creation. For containers, investing in new growth is our top priority as it is for Wolfgang and his team as well. We're very excited about what we're doing there, and you see a quick summary of some of the key priorities. At the same time, we understand that growth for growth's sake is insufficient to deliver the returns you want, so while we are growing these businesses, at the same time we're optimising our asset efficiency, and we're taking cost out in improving operations day to day.

Finally, on leveraging Brambles. For us this ties very much directly back into the growth opportunity. We're a small high growth business relative to the rest of the Company. We can succeed only if we leverage the rest of Brambles. So whether it's working on cross-selling with the sales teams in the field, sharing service centres in regions where it makes sense, or moving talent back and forth between the more established business and containers, leveraging the rest of Brambles in terms of assets, geographic reach, and talent, is a key part of our growth strategy.

So with that overview let me shift to each of the businesses. As I mentioned we'll go through them in relatively short form so please feel free to ask any questions at the end that clarify more about how the businesses work or how these supply chains are organised.

Starting off with Pallecon, the largest acquisition we've made within the group to date, and the one which is really delivering in early months of integrating Neale's team as well as Martin's team in Europe. Very positive returns and positive contribution. Looking back over the last several years, the Pallecon business overall has actually grown quite nicely. However, this reflects a mix of organic growth in our businesses and a great deal of acquisition through both the Caps acquisition in North America in FY 2011 and most recently Pallecon in Europe and Asia Pacific.

So for those of you who've been around Brambles for a while, you probably look at this chart and think back to the last two IMBs or four IMBs or six IMBs you've attended, and say well we've been hearing about intermediate bulk containers for a long time. What's new and what's different? Why is this going to take off and be material now when it hasn't in the past?

I think that's a fair question, but I think we have some pretty fair answers to that. What's different is threefold. First the IBC business today is not part of the pallet organisation, it's actually a separate entity within the containers group. So we understand very differently about the importance of this. We have a unique focus on growing IBCs that as part of a very large pallet organisation the prioritisation would never be there. It's not to say we weren't doing the best we could within the structure we had before, but breaking it out and letting people focus on it as a core growth engine makes us able to make better trade-offs between capital investments and talent allocation.

Secondly, a lot of our business today is made up of the Caps organisation, now Pallecon North America, Pallecon Solutions Asia-Pacific under Neale, and Pallecon Solutions EMEA under Martin. All three of these businesses were acquired within the last two or three years from private equity. These were large investors, Lazard and [Sieven Apollo] who didn't have any focus on pooling, didn't understand or appreciate the value of these businesses, and as a result didn't invest the capital or the time to help them grow.

Under Bramble's ownership, and with our core focus entirely on pooling, these are fundamental to our growth story and are a true part of where we go forward. That doesn't mean we just give a large check book to the teams and let them go off and start buying things, although Neil and his colleagues have asked me for the cheque book several times.

What it does mean is that we do give them capital but we also give them support, we give them resources, we give them the leverage of the global CHEP and IFCO customer base, so it is both the investment capital, the management focus, but then also the insight and expertise that Brambles brings to the table, that allows us to add far more value than we've been able to add internally and that any of the acquired businesses could achieve on their own.

That translates into new solutions and new service offerings that are just beginning to come online right now. But importantly we have an incredibly strong innovation pipeline that we've developed over the last 18 to 24 months that you'll see in a minute. Secondly it's allowing us to enter new markets, so not just expanding the range of what we offer but getting out to different customers who have not been exposed to IBCs or to CHEP before in opening up new regions and allowing us to globalize our flows in new ways.

In terms of globalising what we do, we are now the distinctive leader in the markets we can serve. There are other people who do IBC business on a multi-national or regional or in some cases a global basis. But in terms of combining our customer footprint with our geographic coverage within Pallecon Solutions, we feel that we have a unique capability to serve the market in very different ways than any other competitor out there.

We feel that the Brambles and CHEP scope and scale actually create an economic moat, a barrier to entry for other people who don't have this footprint and don't have the capabilities that we have to serve customers around the world on a consistent basis, in many cases with their global movements from market to market.

I mentioned before we've learned a bit more about our markets. Certainly bringing in leadership from the CAPS businesses and from Pallecon have helped us to be much smarter about segmenting. For those of you who've been with us for a while, you've probably heard us in the past talk about a market size of $3 billion in addressable market.

I've been here for 18 months and spent a fair amount of time figuring out what it is we're going after, and I actually remain pretty confident that the overall potential market, that size is about right. We think there is $3 billion of opportunity for us to go after. I think the difference from the last time we spoke to you is that we hadn't broken that down and said okay of the $3 billion that's out there, where can we compete today? What solutions -- what can our people do to win and what does that look like?

We've done a fair amount of work on that and we think of the theoretical market that we have the capability to go after that fits in the sweet spot of what we do and avoids areas that we don't feel are appropriate for CHEP and our investments, we think today there's $400 million of the market that we could effectively serve.

If you compare our market size and the size of the business today to $3 billion, you'd say hey you're not making a lot of progress, you're relatively small. I'd ask you to look at it in one other context which is to say of the $400 million that we have the ability to serve today, and considering that much of our team and much of our business is actually relatively new to Brambles, I actually think we're doing a fine job and we're making very good progress.

So as I said before, our responsibility and our opportunity is to capture more share within the $400 million as rapidly as we can, but move very quickly to expand the range of what we do through new solutions and new geographies, to start bringing more and more of that $3 billion underneath the scope of our capabilities.

We think we have a pretty good bead now on what it takes to leverage that global footprint and begin to do this. In terms of making this a truly global Pallecon business, not just in name but in reality, there's three areas that we're focusing on. The three of them actually build on one another, so these are not things we're pursuing entirely separately.

The first is to globalise our sales. Historically each of the three businesses that make this up worked very much in their own region. I think Neale and his colleague Martin would share that even under the [Sieven] umbrella, the ANZ businesses and the EMEA businesses never spoke to one another. So we have sometimes trouble communicating across lines of business. It's always nice to see that people within the same business sometimes have trouble talking to one another as well. It makes you feel a little more comforted on some days when things are frustrating.

So we're trying to globalise what we do, and leverage our sales teams. So we're talking to customers in a more holistic way and saying we're serving you in ANZ, we know you've got operations in Europe, let me introduce you to my colleagues there, because you'll get the same service, the same offering, the same quality from CHEP Pallecon Solutions in Europe you get here today.

I also mentioned the idea of cross-selling. Not just working within Pallecon Solutions, but working across the different businesses, and using our global footprint and our customer base. The second area is new market expansion. Certainly our businesses to date have not expanded the markets prior to us taking ownership of them and even within the legacy CHEP IBC business, they were pretty tightly focused on one market or one geography.

As we look to globalise the business, we understand where our customers are moving and what the flows look like to be successful. There's some markets that we have business today but no presence on the ground. We have assets going in with customers but we have no ability to cross-sell and to leverage the assets once they're on the ground.

Those are the markets we're targeting first. Places like Thailand and the Middle East, which are incredibly strong growth markets overall for what Pallecon Solutions does, and we know we can capture share very quickly with people and presence on the ground.

We've already established a presence in Thailand just in the last three months. [Apong Siri] who leads that business for us is off to a great start, and I'll complement him on one of his first accomplishments, was bring a $200,000 cross-selling opportunity into the pallet organisation. So while I've told him I'd like him to go and win some IBC business for us, the fact that he's helping our colleagues in pallets win business early on is a pretty nice sign as well.

There's some other markets, places like Turkey, and Latin America, where we think that the customer demand is going to pull us sooner rather than later. But we're also cognisant we can only do so much at one time. We don't want to go into five new markets simultaneously and be small and ineffective in each. So we actually do have a phase investment plan to move into markets as the markets and our team are ready.

Then last but not least, there's some very large theoretical markets: places like Russia, which you've heard about quite a bit, China and India. These are very large markets today. Obviously growing in terms of the economy and the consumer demand. Theoretically things such as IBCs should be quite attractive there. However, we don't understand these markets in the IBC context yet.

Also, there's some issues around trade regulations, customs, and tariffs, that are not set up to deal with a product like an IBC. So before we start investing substantial funds in these markets, we do want to make sure that we work with our government affairs team and the local authorities to help them understand how IBCs work so the containers don't just go in, but the containers actually come out and generate value for us. So we think these are very much a part of our future, but we think that there's work to do to make sure our investments there are going to pay off in a reasonable period of time.

Then last but not least is the idea of using these advantages to capture the inter-continental flows. There's a huge amount of opportunity out there that we know we can address in a very distinctive fashion, but you need the right products, you need the right solutions, and you need the right people with a focus on them.

Some of you have seen the [ICO] cube up here, the grey container, and some of you have seen the large blue one in the back. Many of you have seen the large blue one filled with drinks last night. Not the primary use for it but obviously we develop assets to do lots of different things. So the ICO cube is a product we just launched in this fiscal year. It is already up and running with customers today. In this example of how we're taking innovation and using innovation to help us capture global flows in inter-con.

Inter-continental's a very complex sell. You need to understand the flows on both sides of the ocean or the border you're moving across. There tend to be multiple parties involved as opposed to one customer, so while we think this is ultimately the biggest growth opportunity for us in terms of IBCs, we realise it's the most complex and is certainly going to take time to mature.

I've mentioned a couple of times around innovation and you'll see a recurring theme across all the business. Innovation for any organisation, but particularly for a new business like ours, it's the lifeblood of your future. You can't rely on today's products and services to grow. Your customers' needs are evolving, and frankly we want to work with customers who are excited about CHEP being an innovator who helps make them better. It helps bring them ideas they haven't thought of in the first place.

You'll see up here our first ever innovation pipeline. So aside from my wife and the Brambles team you get to see it first. You don't need to put it on your holiday cards, but I think it actually tells a pretty nice story about how we're trying to build the business through new products and services.

You'll see from the chart we actually have very clear timelines in terms of what products come online in what timeframe and how they add value to specific customer segments. So if you go back to that $3 billion segment, we're addressing individual parts of that market in very distinct ways based upon our ability to innovate new products and bring them successfully to market in a positive return way.

This'll keep us busy for the next three or four years, but we're also respectful of our customers. In cases where an innovation pipeline doesn't match up with needs, we'll continue to evolve our products and adapt what we're doing to make sure innovation creates value.

For all our innovations, we're investing significant capital. We're using a good rule of thumb, which is called the 1% strategy. What we're saying is any time we're creating a new product or new offering at a bare minimum, it needs to address 1% of the addressable market.

Obviously as a pooling company we want and expect our solutions to deliver far more than that. They need to be global platforms and globally scalable, but to make sure we're making good use of resources, we can't chase small segments, or individual customer demands. We need to develop products and services that address enough of the market to deliver a fair return.

Finally, just switching a moment to the operating side of things. We're pretty focused on making sure the business gets better every day, not just growing. We've developed a lot more operating rigor within the last 18 months. As my teams would probably share with you, maybe more operational oversight than they would like some days, but I think everyone's benefitting from having a more focused look at how we can constantly improve while also delivering on growth. Up here, you see two examples from our North American business. We obviously haven't applied this quite yet to Pallecon given it's not even through the first year. But we understand the value of improving asset utilisations and turning our assets around faster.

It's a little bit different story in the IBC business than it is in a pallet business or an RPC business, but the basic theory is the same. We know that most cases for every five days reduction in cycle time we actually get 82 basis points of return improvement. That's a pretty powerful equation and we've been working on that quite a bit. You'll note that for the last couple of years that's flat-lined out before an expected improvement again in FY 2015.

The reason there is that as we enter new segments of the market, they may have different cycle times. So this is not a homogenous business where all cycle times apply to all people, so new segments will often vary this back and forth, but the team is overall very focused on making sure we turn the assets faster and going after segments where fast returns, means faster returns.

Likewise on the bottom you see our network optimisation approach. What we've said to our team here is that the business is growing quite nicely, your customer base is expanding, clearly where your footprint is today is probably needing to evolve as well. So we have developed a small but dedicated team with expertise in managing complex supply chain networks and locating developing service centres. In our first run through with this team in North America we were able to close down a number of old service centres that based upon the shifting customer needs were no longer in the right geographies. Instead we opened up three lower cost much more efficient service centres much closer to the customer.

This kind of network optimisation allows us to take out cost which is key, but at the same time by being closer to the customer it actually improves our customer service and customer satisfaction, so it's a win on both sides of the house. Just snapshots of what we're doing. We need to bring it to other regions, but network optimisation is not just a Pallecon Solutions approach. It applies to other portions of containers as well.

So to bring it all together, what's different, as I said at the beginning? The difference is for the first time we have a standalone business with focus, with dedicated management attention, and an integrated strategy for how we're going to grow the business on a global basis. We understand what we need to do today to start putting more gas in the tank, and starting to really expand the range of the business and how we get more organic growth moving ahead of the acquisition driven growth. Once we accomplish in the next 12 to 24 months, we understand how to build on to it by going to the next set of geographies, by expanding our M&A pipeline to bring on more bolt-ons, where now we have operations in place to develop very clear cost synergies through the acquisitions.

Finally, in the further out timeframe, as we're starting to saturate that core market we can serve today in beginning to expand, looking at newer verticals that we don't serve in substantive ways today. Things such as chemicals, both hazardous and non-hazardous chemicals, as well as taking our new products that are coming online and continuing to innovate and develop, taking both cost out and expanding the range and flexibility of these offerings. A couple of years ago before we acquired CAPS and we acquired Pallecon Solutions, I look back. The average tenure within the IBC space of leaders across most of the CHEP organization was less than four years. We had people running our businesses that had less than four years of expertise in IBCs.

In the last three years, bringing Neale on board, bringing Martin on board, and bringing Bob on board, the average tenure for our leadership on IBCs is more than 15 years. So for me, what we do at the end of the day is not about the box or about the power cord, it's about our people. You look at that change in leadership, that change in customer and market insight, you bring them together and combine them with all the things that Brambles can bring to the table. I think this is a fundamentally different business or set of businesses than it was a few years ago and we're really very excited about where we go next.

So with that let me switch gears and talk about aerospace. I think many of you know either from talking or from my bio, I spent ten years as a military pilot, so aerospace solutions is relatively near and dear to my heart, not that I didn't grow up thinking about being an IBC business leader. But I probably thought more about aerospace than I did about IBCs. So let's talk about where we are. This is definitely a business which is as I said before quite new to Brambles overall.

Of all our businesses, the one we're really trying to create an industry. That leads to a lot of opportunity and a unique set of challenges. I think as we go through the story, you'll see that we're capturing the opportunity and we're confronting the challenges at the same time. Since we entered the business through acquisition of [Unipool] and subsequently through JMI and Driessen in the maintenance and repair side, the business has grown quite significantly.

While the number here is largely influenced by the acquisitions, we have seen very nice organic growth at the same time as we brought new customers on board and expanded what we can do with the customers. You see on the chart our global footprint today. Some CHEP owned facilities, some through partners. This network of service centres around the world is an unmatched resource. While we have a competitor in the pooling space, that competitor does not have boots on the ground, and does not do in most case the maintenance, repair, and overhaul that we perform today.

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Just in the last couple of years we've added six new locations to our MRO network to serve our customers as we've won new customer business and brought them on board. In fact in many cases where other people perform services for customers today, even when we compete with them, they still rely on CHEP to provide the maintenance, because no-one has the footprint that we can offer.

However, despite having the global scope and scale to date it's been a mix of successes and some challenges in the business. Let's talk about what's working and what we need to improve and change. Looking back on where we've come and where we are today, we have some real clear highlights. Most notably a number of you have asked me over the course of the last two days what's the conversion cycle, what's the pipeline look like. You'll see on here that our pipeline has expanded threefold since the last time we spoke to you. Obviously all of you and all of us are interested in converting the customers and winning them. But as a sales leader I can tell you you can't convert customers until you have them in the sales pipeline.

Right now we're talking to 25% of all the airlines around the world about pooling opportunities and MRO opportunities, up from 8% just a couple of years ago. That's tremendous progress, and we've begun to see the conversions coming through, but the rapid growth of the pipeline suggests that for an industry which didn't exist a couple of years ago, we're starting to get the message out. Pooling is very unique and very different for the airlines. Not sometime they're traditionally comfortable with, so there's a whole portion of customer education that we've been working on quite hard, and I think the growth in the pipeline reflects success in educating customers about the value of pooling.

Another great success for the team is that we've proven, if you look at the bottom of the chart, once we win a customer, they're thrilled with us. The customers that we serve today have among the highest net promoter score satisfaction across all of Brambles regardless of business line. They're very enthusiastic and in fact, in talking to some of our customers, they have directly said to me if anyone else is interested in CHEP, please tell them to call me, I want to tell them how good you're doing. Now, I've never really had that many customers come to me and say I want to be a reference for you please find people for me to talk to me.

For me that suggests our team's doping a great job, and our teams on the ground are very passionate. Aerospace as an industry tends to inspire a lot of loyalty in the people, and our folks are very excited about serving our customers, and that level of customer support and willingness to serve as references is a great sign.

Now, I'll contrast that with at the end of the day this business is about conversion, and winning new customers, getting them not just in the pipeline but over the end zone into the goal. That has not moved as quickly as we thought when we originally got into the business and there are number of reasons for that. Most notably I think we've learned over this period of time that airlines relative even to the rest of our customers across Brambles are extremely risk averse. As you probably hope as a flier, airlines are pretty careful about everything they do. But any change for an airline is a major, major effort.

So while they don't see a particular risk in terms of switching over to the CHEP Aerospace Solutions model, it is something very new. There are not enough airlines out there using the pool approach today to have enough data points for them to point to and say yes I get it, this is the way we run the industry now. We do believe that in the coming years we collectively will reach a tipping-point in the industry where this will be more the norm going forward, but that risk aversion, that resistance to change, is quite strong when you're creating a new industry such as this.

Then the result of that is with the pipeline not moving as fast as we like, the business still has not reached efficient scale in terms of the number of assets and the density of our network and this is not delivering the returns at this point we would have expected several years ago. Again we continue to make very good progress so the directional momentum is quite good, but the timeframe is lagging behind where we thought.

I do like to talk about the good news side of things as much as the challenges, so let me go back for a second and talk a bit about some great success stories we've had just since we spoke to you last.

Four major customer wins over the course of this time, quite a few smaller ones but obviously we focus on the bigger wins in these forms and you see here on the pooling side Air Canada and most recently Hawaiian Airlines have joined the CHEP pool. We're thrilled to have them onboard (1) because they're big and important customers for us, but (2) both of them are known in the industry as very strong operators. So while we want to serve all customers, working with people who are leaders in the space who other airlines look to and say hey if they can entrust CHEP I'm probably

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willing to take a look at them as well, has served us quite well, so customers such as these can serve as great references for other airlines as they begin to think about pooling.

On the MRO side of the house, a bit less sensitive for the airlines because maintenance tends to be more outsourced than pooling does and so there we've had two very large wins, one with American Airlines which as most of you know is a much larger airline today with the merger of US Air as well as Qatar Airways, one of the fastest growing air carriers in the world and a very large airline unto itself. Both these companies have entrusted CHEP to do all their maintenance repair for their ULDs and increasingly for their galley carts on a worldwide basis.

We're thrilled to have them as part of our organisation, we think we're delivering a great offering and their feedback has been quite positive, but what we need to do is we actually need to accelerate this. Now our expectation is that we're going to have at least six notable wins per year and one or two what we call mega-carriers, people who are the alliance leaders, major airlines that you'd recognise by brand name.

So we've got some of them in our portfolio today, we have a lot of very positive conversations going on and so we're optimistic that in the coming months we'll have more to share with you, but again we're happy with what we've done today but we're not satisfied. We need to do more to prove out the opportunity in the business.

So what do we do as a leadership team to make sure we are making progress? Obviously with any business you have a score card, you have milestones and you have metrics but that's true even more so in these early-stage growth businesses where you want to make sure that we're moving up that maturity curve that Tom talked about yesterday, not just in size of the business but in returns and profitability. This is an example of part of the scorecard that we use for the Aerospace Solutions team.

We have very rigorous operating reviews and very regular dialogue about new customer movement through the pipeline as well as operating improvement and we understand that we need to see the pace of advancement in the business accelerate. The team is incredibly focused on that and is quite passionate about delivering. So we think with the broader range of offerings we're starting to innovate with more a focus on cost out to align with the market readiness and with the passion that we see in our existing customers, this type of discipline approach will allow us to monitor the business quite carefully and make sure we continue to invest in growth as the industry warrants it.

Innovation within aerospace is quite fertile like within Pallecon. Here our innovation is a mix of cost out innovations as well as customer focused or growth innovations. Some of the things we're doing right now -- and many of these are in the early to medium stages -- we're upgrading our ULD fleet, our container fleet, to be more focused on lightweight ULDs relative to the traditional aluminium container most of you are used to seeing at the airport. This weighs approximately 25% to 30% less. What that means for our customer is $25,000 a year per aircraft in fuel savings at a time when all airlines, perhaps particularly some local airlines, are in need of some cost savings, we think the shift to lightweight ULDs is a huge value-add for our customers.

Secondly is coming up with new service offerings, so one of the areas we've begun to focus on in the last year is on galley carts. Galley carts, the ones that they wheel down the aisle and hit you in the knees and the elbows occasionally with, are a core part of the airline's service offering and are something where unlike the ULDs, which are quite sensitive given the fact that they're part of the cargo operation which is a key enabler for the airline's profitability, galley carts are not quite as visible on the risk-sensitivity radar screen but are truly a pain point for the airlines. They tend to get damaged, lost and misplaced at an extremely high rate so we believe this is an area as we develop the offering, maybe less sensitive and may have a shorter conversion cycle.

We're developing the offer here very much in conjunction with the customers, so it's not a build it and maybe they'll come approach, it's a let's build it together with you, let's understand what your pain points are, let's make sure we get the cost right and let's be your partner in doing this. The early feedback from customers has been quite positive as we've been working out the business model. This is something if we continue to make good progress we expect to launch formally as an offering in FY 2015.

In terms of the containers, you heard a bit from Pete about tracking the pallets throughout the supply chain. We have our own version of this for ULDs for airline cargo containers which is GPS-based and using a GPRS system. Right now we're in beta tests of this today, we're quite optimistic about the early results, but actually making a tracking system that can turn on and off when an aircraft takes off the ground to avoid interfering with flight equipment and allows you to track the asset even when it's inside despite being solar powered is not a particularly easy thing to come up with.

CHEP is by far at the leading edge of the industry in terms of developing this. As I said, we're in beta phase right now, we do have units in trial, but we think this is something that in the coming years will not only increase our value proposition for customers because they have much more real time visibility into where their equipment is, but also allow us to take costs out of our offering because we actually reduce losses within the overall system.

Then finally on reducing costs, in January we roll out Tracker 4. Tracker 4 is the latest evolution of our unique and proprietary ULD management system. This allows us to run a pool on a global basis across dozens of airlines and most importantly for us, Tracker 4 allows us to take quite a bit of the cost, the manual calculation in tracking of containers, and automates this within the system. The direct cost savings will be notable to us. We can deliver some of that in terms of margin improvement, but also pass along the savings to customers hopefully speeding their decision on the conversion cycle.

That sums up in a few brief minutes where we are in aerospace. Again, we think some very positive developments, a lot of things in the works right now, but we're very aware of what the challenges have been and we think we've got plans in place to address those.

Now let's turn our attention for a few minutes to the automotive business and really it's a tale of two markets here. We're not going to focus as much on the ANZ region given that's run within Phillip's business and he's touched on it briefly, so I'm just going to focus on the European business first and then turn our attentions briefly to the North American business as well.

Within Europe I'm sure you're all aware the European automotive industry has gone through some very tough challenges since the 2007 peak. Overall OEM production in Europe is down 15% from the peak period and the CHEP customer base has been uniquely exposed to the downturn and our customer base is down about 30% during the same period of time.

Despite that, our top line and our bottom line has held up relatively well. We think we've built a resilient business, but as the industry's been turning down, we've pulled a number of levers over that period to try to address it. First, we've expanded the range of things we bring to our customers, so even as the pie has shrunk we've been able to solve more of their needs. Secondly, we've actually followed the industry to the east, so as the supply [basin has] -- the business in western Europe has contracted, we followed our customers into places like Hungary, Poland and more recently into places like Turkey and Russia.

You start hearing a theme about emerging markets across all three business segments and as we've talked a bit, in places like Turkey and Russia we're working together as one Brambles organisation to leverage the resources and to build these markets in a much more scalable way.

Then finally as we've pursued new customers, we've tried to identify in segment in this new automotive market in Europe who do we think are going to be the winners, where is the opportunity going forward and we've directed our sales efforts towards going after the customers we think have the highest growth potential.

We think that when the industry does begin to recover within the next two to four years based upon what numbers you look at, CHEP is well positioned to benefit from that, however at the same time we do acknowledge that the market has changed quite a bit. Customers are under more cost pressures than ever and are demanding CHEP work with them to take cost out and competition has been fighting very aggressively for an increasingly shrinking pie. So while we like our core business, we do realize that growth in Europe requires not just relying on what we've done successfully to date but expanding the range of things we can do going forward.

Our team's very much focused on doing that today and you'll see here examples of types of areas that we're focused on, things such as expanding our footprint in emerging markets such as Turkey and Russia. Russia's projected to be the second largest automotive market in Europe by 2020. We have business there today but clearly we need to do more and have a more established presence to capture some of that growth.

Looking to develop new solutions for tier 2 and tier 3 suppliers, while the OEM market in Europe as well as tier-one is relatively well covered in terms of plastic containers and pooling either own pooling or third-party, the tier 2 and tier 3 supply chain still largely moves in cardboard today. As those suppliers start doing more complex subassemblies, we think there's far more opportunity to educate them about what CHEP does and develop a slightly different model that cost effectively can serve them in pooling.

We think that expanding beyond automotive also is a great opportunity for us. When we talk about the European automotive business we actually refer to it as the automotive and industrial solutions business today and that's because we've expanded beyond just automotive and are starting to work with customers in places such as whitegoods, agricultural equipment and aerospace. These segments are largely un-penetrated in terms of container pooling and while they have some unique needs that we need to respond to, we've had some early wins in this segment and are moving forward with deeper analysis of the market to find the ways that CHEP can serve these new segments more effectively.

Finally, much like we talked about with Pallecon, intercontinental is a tremendous opportunity within automotive as well. Most of the automotive intercontinental supply chain today still moves in corrugate or in very cumbersome wooden boxes so when we can create opportunities for Brambles and CHEP, it tends to be when there's a disruptive event in the industry. Trying to transition that global corrugate supply chain to reusable containers is a huge opportunity for us and as I mentioned, we've just begun to launch our team and launch intercontinental flows.

We've made some great progress today and we have our first lanes up and running between Japan and Australia and Asia. We have lanes coming onboard in the next month between the US and Europe and we're starting to trial flows between Europe and Latin America. For those of you who've had an opportunity to see the [ICO] cubes they're a tremendous resource for our customers and I'll just give you one example to make it more tangible.

We have a customer in Europe, it's actually an FMCG customer which does a lot of manufacturing, and they saw an opportunity to work with us and with the ICO cube product on flows from Europe to Brazil. We spent quite a bit of time working with the manager of that project to see where the savings were and after a few months of work he said well it's somewhat interesting to me, there's probably about a 10% savings here and that's sort of my minimum for making a change.

We said well how do you think about your supply chain, what's your responsibility? And his response was well I need to get the product from Germany FOB to Brazil and after that it's out of my hands, it goes to my local colleague down there. We said well if we can save you 10% doesn't he have costs he'd want to take out as well? And the customer said well I don't know we've never talked about sharing our supply chain costs.

So we spent the next two months working with his team in Brazil and identified another 10% cost savings on that end of the intercontinental supply chain. The trail flows are just underway but we think now between both sides of that customer supply chain we actually may save them between 18% and 20% of their total supply chain cost. That goes back to understanding the complexity of intercontinental and not just thinking about it as one discrete flow but understanding all the cost inputs and we think when we do that we have a very compelling value proposition to bring.

This is our customer example in Asia that I touched on before. In this particular case switching to the automotive side, we had a customer who knew what their pain points were but initially didn't even know that CHEP could help them solve it. We spent a number of months on the ground in Japan as well as had them spend time with us on the ground within the CHEP facilities and identified a range of savings across six distinct areas. Everything from significantly reducing their warehouse cost to reducing their direct labour to notably increasing their CSR score by taking corrugate out of the supply chain.

This customer has just launched in the first half of FY 2014, initial results are extremely promising and we're beginning to now take the ICO cube product and leverage it across a broader base of customers across all the regions of the world and again it's allowing us to globalise what we do and so the ICO cube as well as other products we use for intercontinental are a global offering. So whether you work with us in ANZ, you work with us in Europe, Brazil, India, Japan, China or the US, you get the same products, the same quality and ultimately the same types of savings on a worldwide basis.

Finally, innovation in European automotive is no exception to the rule, we need to innovate here as well and you see just some of the things that we've rolled out within the last 12 months or are developing today; a 1208 footprint large container which is called an FLC in some parts of the world. The FLC 1208 serves a segment of the market that we couldn't serve with our traditional 1210 footprint. There was demand from the customers but we hadn't responded to that demand until this year.

In the three quarters since we introduced the 1208 we've expanded our sales pipeline by over 7% and in the last 30 days converted our first two customers over to the 1208. This is entirely new business with customers we wouldn't have had if we hadn't expanded the range of what we do by listening to the customers.

In terms of leveraging the capabilities across the containers group, we have a great capability within Pallecon that's called track and trace, allowing us to keep track of our assets through both barcode scanning and RFID. Rather than developing an entirely new solution for automotive where there was a demand for track and trace in asset management, we're modifying our existing platforms within Pallecon and transitioning those over to the automotive customers.

This allows us to be at the cutting edge of innovation, solve a customer pain point, but also take costs out of the system by reducing losses and allowing cost allocation to the right party using a container at each point in the supply chain.

Finally, coming up with collapsible KLTs, small folding totes, this allows us to reduce relocation costs by up to 50%, a huge benefit for the customer as well as improving the margins for CHEP. These are the kind of things we're doing far more of now and will continue to do more of in the future to make sure that our growth is not dependent on industry recovery alone, but dependent upon us controlling our own destiny to build this business out.

So let's switch gears to a somewhat different story which is our North American automotive business. This business was re-launched by CHEP in North America in 2010 so this was a greenfield start up for us, putting people on the ground in the US. At the time given our success in Europe, our success in ANZ and emerging success in new markets such as China, we felt we could leverage those capabilities and relationships to quickly build out a scalable, profitable North American business.

We had the fortune and ultimately the misfortune of having a very large customer express a strong level of interest as we were building out the business. As a result of being able to serve the OEM in a way that made sense for them with the scale and scope, we invested quite heavily in building out a team, in building out a capability, to serve a large OEM as our launch customer.

After a period of time it turned out that that OEM was not indeed ready to outsource their container management and as we talked to the rest of the market and spent more time going from customer to customer and hearing what their stories were, we realised that the pain point for large OEM conversions in North America was not there. Sometimes your timing is impeccably good, sometimes your timing is a little bit challenging.

We re-entered the US market exactly at the moment that the US automotive industry was starting to pick up an incredibly strong head of steam and so while people acknowledge on the OEM side that CHEP does bring value and they appreciate the value that container pooling can offer them, right now they're running all of their factories full out to keep up with the incredible production demand they have today. So the idea of introducing any risk into their supply chain, switching over something that's working, even if it's not the most cost-efficient to a third party, is not a priority for US OEMs.

When I came in a year and a half ago I had some reservations about the progress of the business, but as hopefully any new business leader does, you'll want to step back, take some time, make sure you understand the dynamics and so I spent several months going out and meeting with customers, hearing what they had to say firsthand and working with our team. After doing that for a bit of time it became obvious that we did have some challenges in what we built and what the market was ready for.

So at the beginning of this year we made a somewhat difficult decision to realign our cost structure and our team with a market-readiness. We felt this was a prudent decision, not to back away from the market and exit the US market, but have a sustainable cost basis that was much more aligned to the segment that expressed the interest in CHEP today which is more the tier 1 and tier 2 supply base. These are people who are more focused on corrugate traditionally and so have conversion needs and didn't have quite the same production pressures that the OEMs have.

Within 30 days we were able to reduce the costs in our business by approximately 50%, while at the same time maintaining the quality and service levels for the existing customers we had established. The business right now is not as ready to respond to a large OEM as we would have been a year or two ago, but importantly we think we're actually ready to respond to the demands the market has today.

So going forward, we have a much better position in terms of the cost structure we put in place, we think we're much better positioned to address the market that's ready for us today, but as OEMs become more interested particularly in the intercontinental side of what we do which is still largely in corrugate in the North American market, we think we've got a position established that allows us to capitalize that when the market's ready.

Now with any business, especially one that you've had to revisit your strategy on, we're not committed to blindly going forward for the next five years and hoping the market comes to us. So we do have very clear milestones and very clear priorities over the next two year time horizon. The business needs to meet certain thresholds in terms of customer adoption, CHEP becoming much more a partner of choice initially within tier 1 and tier 2 and then beyond, and developing a set of solutions and a team that's capable of winning in this segment.

We remain quite optimistic about what the North American market could be, but acknowledge that our initial expectations were quite a bit overstated relative to market-readiness and we think our current position in the market is the right one for our shareholders, our team and the customers that we have today.

Finally, let's turn our attention to the CHEP CCC business, our chemicals and catalyst container business. This is a place which we're very excited about in terms of our market position today, perhaps not quite as excited about the growth potential within the core of what we do. CHEP CCC is by far the global leader in catalyst movements and catalyst containers. We've got a very strong position across all the major regions of refining around the world and our competition which is quite fragmented doesn't really hold a candle to us in most places we do business. It's a great place to be and we built this business over time with a lot of hard work and a lot of expertise in all of our regions.

The challenge for us is that the refining industry is increasingly shifting as I mentioned earlier to lower cost regions of the world, places we don't have established presence in relationship we don't have that depth, also markets which tend to be much more price-sensitive and much less environmentally sensitive than more mature markets.

The second challenge we have is that as you see here the overall catalyst handling industry for the containerization portion worldwide is roughly $65 million in size, so we are by far the very biggest fish and we are swimming in a relatively small pond. So we love the business, we love our customers, we think we deliver very good returns for our US shareholders on the business, but as a growth platform we need to go beyond what we do today or reconsider the growth relevance of CCC to Brambles.

This industry, unlike most of the rest of what we do across the entire Company, is unique and it's a very event-driven business and for those of you who have been covering us for many years or investing with us for many years, you've heard about CCC before. The way we make our money is when a refinery is temporarily shut down for maintenance purposes or because there's an operating issue, we come in, we actually remove the catalyst from the refinery and help them replace it with a fresh catalyst which is what is used to take the impurity our of petroleum products.

We do quite well and we are the partner of choice for the majority of the industry around the world, but the issue is that what we do is a relatively small portion of their overall business and so refineries tend to shut down on very short notice when there's a market change or an operating issue. But likewise when things are going extremely well and prices for refined products are high, they may on a week's notice delay a turnaround for six months, 12 months, a year or even two years at a time. So for all of us, myself very much included, who like entirely predictable businesses or at least largely predictable businesses, CCC is not the business for you.

Sometimes we get great upside surprises and sometimes we get some downside surprises which cause you to have greyer hair than you would like as I am living testimony just in 18 months in the business. These are not customers that we lose, but these are customers where we could see a one month, a six month, an 18 month delay in a very large project. In a business that's very project-driven with large opportunities either won or lost or delayed, we actually can see fairly lumpy returns in the business. Over time, like any cyclical industry, it tends to balance out, but within any given quarter, even with any given year, CCC bounces around quite a bit through no fault of our team and frankly no fault of our customers. That's the nature of the business we play in.

We need to make this a bit more predictable even within that backdrop, so one of the things we've done within the last year is actually made a leadership change for this business. The previous leader had been in place for a very long period of time, we'd experienced a period of real stagnation in terms of the top line performance and more importantly, we actually hadn't made any progress in several years in terms of narrowing down the cone of uncertainty around the business performance.

So while we don't make these decisions lightly, we've actually brought in a new leader for the business. John has done a great job in just a 12 month period of time re-energising the team, refocusing them on both sustaining the core business as well as starting to identify new channels of growth and working with the finance team, the sales team and the operating team to improve our predictability.

I mentioned the geographic challenge, so we don't just play in a small space we play in a somewhat shifting space as well. You see here the bulk of the refining industry represented by these bars which show that in the US market, in the Canadian market and in the European market we have a very strong share of the industry. That's great for today, the challenge for us is that these are markets where in the case of Canada are largely flat for the next five to 10 year planning horizon. In the case of the US, and particularly in the case of Europe, the market is shifting more towards lower cost countries.

As we said, places such as Latin America, China and the Middle East, are the growth markets going forward but today they have very small position and the exact timing is a bit uncertain. A typical refinery from announcement of refinery development until daily operation generally runs somewhere between five and 15 years so there is no typical refinery, they tend to vary quite a bit. So as we think about the market, we think (1) these are very price-sensitive environmentally, not worry type markets, but (2) we're not sure how quickly these industries will develop.

So we are very cognisant, we want to retain our global position, we want to play in these markets but we probably need new solutions and we need to make sure that we're investing in a prudent and time effective way so we're putting our capital to good use roughly in line with the market evolution, not over-investing ourselves before the market's quite ready.

So for CCC we have five priority areas. As I said, (1) and foremost is figuring out how to follow the market over whatever timeframe it does evolve into lower cost countries; (2) is we have seen increased competition within our segment in the last three or four years so how do we respond to that competition in a way that actually maintains the quality of the business we have today and the quantity of the business we have as well.

As the business expands into new areas and new offerings, finding entrepreneurial leaders who are excited about building these businesses in some pretty tough geographies to work in is always a challenge. Brambles always wants to have the best talent. In this case you're competing against the oil and gas industry which is incredibly high demand for talent and you're competing in some very thin markets for great leaders, so finding that talent to help us succeed is a clear strategic priority for us.

We've talked about improving the visibility and the predictability of the business. This will always be uncertain as anyone who works in oil and gas maintenance can tell you, the industry is uncertain, but as part of Brambles we do want to narrow down that uncertainty to something we can manage a bit more effectively.

Then finally like with all of our businesses but notably here because we haven't invested for a while, we're the industry leader, we feel we need to have a fleet of assets that represent that and we feel that over the next couple of years some additional capital to upgrade the fleet as well as respond to the growing demand in the cycle is important for us to maintain our leadership position.

So in summary, CCC's a great business, we've got a world class leading team, we've got a new, highly-motivated management and we like the position we have today in terms of both the market share and the performance. The challenge here (1) is to follow the industry evolution to make sure we maintain what we built, but (2) while doing that is to make sure we decide what the CCC business looks like for us going forward and is it a growth engine, do we expand into new areas, do we harvest the business and so the cash it generates is great and fuels other parts of growth or do we look at other strategic alternatives.

Frankly that's no different from what any business does with any part of its portfolio, but given the size of the CCC market as we serve it today, it probably is the most notable of the four segments in terms of that decision.

So hopefully over the course of this time you've gotten a little bit of insight across all four of our segments in terms of how we're thinking about investing in growth, the fact that we haven't given up any of our focus on operating improvements and asset productivity while we do that and certainly some clarity about the importance and the enthusiasm we have for leveraging all the things that Brambles does across all three of the businesses.

So when people ask me to sum up where we are today, 18 months into my adventure with the Brambles team, it's a pretty clear story. We've got good growth and improving operational performance across the containers group, we've done a great deal to build and strengthen the team we have in place and have far more discipline around the operating side of what we do as well as financial management and oversight about what we do in the business.

We think all four of our sectors have very clear opportunities but also have unique sets of challenges and we need to obviously double-down on the opportunities and find ways to mitigate the challenges everywhere we can.

Going forward we need to have more organic growth and we're making progress across all businesses on that, but we realise we have great opportunity to balance that off with additional M&A opportunities where we can create value from the shareholder perspective.

So on behalf of our entire team, the 1200 employees I have the opportunity to represent on the stage as well as all of Brambles, we're very confident and very excited about our container's journey which is still in many cases at very early stages and at the same time we recognise we have responsibility and accountability to all of Brambles and all of you to make sure that our investments in these growth areas continue to grow and deliver the returns that all of us expect in the future.

We know we can do that, what that looks like is going to evolve in the days, months and years to come, but personally we're all excited about the journey and I'm thrilled to be part of the team working with Brambles. Thanks very much.

Let's open it up for some questions.

QUESTIONS AND ANSWERS

Unidentified Participant

Jason at the investor market briefing in Zurich there was a fair bit of time spent on the capital that's been invested in the containers business and the trajectory of the return on capital improving and there was a target given of return on capital getting to 20% in 2016. I appreciate that pre-dated your leadership so I thought it was worth asking if that is still the target or the intention.

Jason Rabbino - *Brambles Limited - Group President, Containers*

Sure. Obviously like with any part of the portfolio we're committed to being part of the Brambles aspiration that Tom laid out yesterday. The return on capital has not advanced at the rate we would have expected a few years ago, so I think we're pretty clear on that and you're probably even more clear on that.

So right now if you look at our return on capital you saw on the earlier charts currently we're at about 8% return on capital. We need to generate a return on goodwill, so much like Wolfgang talked about that we understand that. If for comparison purposes though you do extract a goodwill from our business, we're performing somewhere around the 15.8%, 16% range.

Then what I'd ask you to do is if you actually want to look at the businesses without going through the specific numbers but you break it out those more mature, more established businesses on the right-side of that bubble chart at the beginning, we've proven that as we mature these businesses and we move them up the curve they actually do start delivering that 20% plus range. So if you break out mature established businesses that are on the maturity curve versus early stage businesses such as auto North America and aerospace, you do see kind of a tale of two cities.

So we need to continue to get those earlier stage businesses up the curve. Tom had used the numbers with you yesterday three to five years to actually generate a good return. I think we're still learning in some of the containers businesses what that number is which is a bit different than you'd see in pallets.

Certainly by the 2019 year when Brambles is shooting for the 20% overall Group return, we expect to be a material contributor to that. All of our businesses won't be at that level because they'll be in different stages, but the bulk of the containers group, barring any major portfolio changes, should be in line with the overall Brambles results.

Unidentified Participant

How should we think about capital invested to grow revenue, so for example, $50 million or $100 million of extra revenue what type of capital do you think would need to be deployed into the business to achieve that, so I guess like a revenue to invested capital measure?

Jason Rabbino - *Brambles Limited - Group President, Containers*

Yes, it's a good question. It varies a bit by the four segments so in many cases I won't try to put a peanut butter approach on all of this. Right now we're putting about $100 million in CapEx into the business a year. About two-thirds of that is orientated towards growth and about one-third towards maintenance, so I think if you see our top line performance you'll see some expectation that it's not quite a one to one ratio but you'll see a ratio somewhere along those lines.

Unidentified Participant

I guess I've got a couple. The key growth rates that you've delivered -- you point to these presentations, obviously they are impacted by the acquisitions which you've made probably quite noticeably. Can you strip out what, if any, the organic growth rates are for the respective businesses within the portfolio?

Jason Rabbino - *Brambles Limited - Group President, Containers*

Sure. The organic growth rates again they vary from segment to segment. I don't think we're going to go into individual business by business levels, but the overall organic growth rate is in the double-digit range, lower end of the double-digit range. The organic growth is obviously offsetting that quite a bit. You then have to factor back in markets such as European automotive which have been going backwards for a couple of years, so overall we've got double-digit growth within the parts of the portfolio that are growing.

Unidentified Participant

Then acquisition led growth, how do you focus on that? Obviously you've had some. Is there still an appetite for further acquisition led?

Jason Rabbino - *Brambles Limited - Group President, Containers*

Yes absolutely. As I said as we went through, acquisitions are an inherent part of our strategy within the business. Tom, Zlatko and I talk about acquisitions every couple of weeks and we have a fairly active pipeline there. We're going to be quite thoughtful. For those of you who obviously follow the Pallecon acquisition quite closely, I think we did a nice job there, as well as we did with IFCO, about establishing a bar. We know where these businesses should be valued and so we're not going to overpay for businesses.

I think if we go back a year and a half we had people coming out of the woodwork left and right saying my business is worth X, my business is worth Y, we congratulated them and said you should keep running your own business in that case. So I think we've shown a good discipline in terms of what we're willing to pay. Again Pallecon at early stages is off to a good start in meeting our targets for what we expected from the business.

We do expect to do more M&A. We do expect to get synergies that we haven't been able to do early on because we didn't have anything to bolt it onto. So how much going forward is going to be acquisition-driven versus how much is organic is a bit tough to say right now. We still have to be a little bit opportunistic. There's not a lot to buy in our spaces in what we do today, so you won't be seeing a whole raft of acquisitions would be my assumption, but you will see acquisitions as a key growth enabler for us.

Unidentified Participant

Okay thank you for that, and do I take that you could look to exit the CCC business if that's one outcome and is there a timeframe in which you'll consider making either a reinvestment into that business or an exit of it?

Jason Rabbino - *Brambles Limited - Group President, Containers*

I singled out CCC from the standpoint of we know what the market size is and what share we have today so it's unique only in that aspect. I think with any company, whether it's growth businesses or really any portfolio of businesses you have a responsibility to your shareholders to always look at what the best way to create shareholder value is. So I think with any portion of what we do in containers -- but again I don't think it's unique to containers -- if we see an opportunity to create more value by exiting a segment, we'll consider doing that.

Right now we're actually quite comfortable with the portfolio we built, but as I said, particularly given the stage of these businesses, we're applying probably more scrutiny than we would certainly in a pallet business or an RPC business to what's the right way to create the most value for it.

In a business where you have a relatively confined market segment, you would certainly need to grow beyond what you currently do today in order to generate the growth returns we're looking at, so CCC does stick out from that standpoint. But we're very pleased with the business, it's just strategically a bit different than the others.

Unidentified Participant

Jason, just over here on your right.

Jason Rabbino - *Brambles Limited - Group President, Containers*

Yes.

Unidentified Participant

You mentioned cross-selling a couple of times, which is usually great in theory but far more difficult in practice. Could you just provide a specific example of how that worked and are you able to try and quantify the opportunity in terms of what percentage of existing customers can you target, what percentage of your growth came from existing customers of Brambles?

Jason Rabbino - *Brambles Limited - Group President, Containers*

Sure. To the question, can I provide a specific example, I'll say yes. To the question can I quantify it, I'll say no. So let me start with the easier part of your question. Well, I gave one quick example before which is our new employee, I mean literally three months in, in Thailand. He joined us in the Pallecon business but in viewing a customer site, he saw opportunities to help them convert from whitewood over to the CHEP pallet solution in Thailand, and that customer is up and running on CHEP today. So you know, it's kind of encouraging that if the person who his still finding his way to the restroom can help a customer cross-sell, it means that probably the people who've been around for a while longer could do that as well.

Probably a more specific example is in the US market and I won't use specific customer names but I'll give kind of general guidelines. We have one of the large agriculture companies who does a lot of work within the pallet side. The pallet team has spent time actually training with the IBC team in the US, so they've come to Livonia which is right outside of Detroit and we've done a hands on one day training for all of them. They've gotten to actually see the products, they've gotten to fill them up and empty them out, so they really understand on the pallet side how our products work to some extent.

They were actually with the customer and they saw in the customer's location they were using 55 gallon drums to move a product around. And they said well, you know, for us if the drum is sort of the [sweets bottle], when we see drums our eyes light up and we get really excited because that's when we know we can convert and win in most cases.

So they mention to the customer are you familiar with IBCs or familiar with Pallecons, the customer, which is one of the leading agriculture companies in the world, had never heard of IBCs before. So we began a trial program with them. It's actually been a pretty challenging trial because the product is peanut butter. Peanut butter, for those of you who have young children like I do, tends to stick to a lot of things and doesn't like to flow very easily and so we hadn't been tasked with trying to move peanut butter in IBCs before. We spent about six months working with the customer, doing some trial lanes. That customer converted about 60 days ago. The initial lanes are roughly $100,000 in size to give you an order of magnitude, but given the size of the customer, this is one flow with one of their brand lines.

So you know, to that point, is that one customer $500,000, $1,000,000? We don't really know, but we do think this is a big opportunity for us. To your question how big is it and how material is it, you know, at my last company I actually ran cross-selling so I know firsthand being in the trenches how hard this can be. I think the nice part here is that unlike other organisations where there's sometimes political barriers or other barriers, our barrier is more about educating our team and building awareness on the customer side. So we know we're going to have a lot of success on this, how material it's going to be in the greater scheme of containers for Brambles is a bit tough to predict right now.

But I think unlike what we've done in the past as a Company -- and you know, I mean this precedes me -- we've talked about the theory of cross-selling before. We now have a dedicated team working on it, which that doesn't solve the problem but saying it's everyone's job, I know that doesn't work. I think many companies have proven if it's everyone's responsibility it doesn't work, having a dedicated team does.

Steve McGhee, who's leading that team for us, has been with Brambles for more than 20 years. He's worked in IBCs, he's worked across almost all portions of the pallet organisation. So we didn't just put someone who was sitting around with nothing to do in charge, we actually took one of our top up and coming leaders and said this is critical to the Company, we want someone at this level to drive it. So again, we're quite excited about it. It's early stages but the pipeline has built up very quickly so I think in the months -- and certainly in the next IMB, we can probably rattle off a pretty nice list for you.

Unidentified Participant

Thank you.

Jason Rabbino - *Brambles Limited - Group President, Containers*

Any other questions? No? Okay.

PRESENTATION

Jason Rabbino - *Brambles Limited - Group President, Containers*

So with that I'm actually going to turn the panel over to actually Neale and Neil, and you can spell it whichever way you like since we've got both of them covered up here. So Neale Myers, as I mentioned a couple of times, leads our Pallecon Solutions business here in the APAC region and he joined us in January through the acquisition of CEVA Pallecon and he's become a great member of my leadership team.

Neil Rogers is the leader for New Zealand Starch, one of our favoured customers, perhaps our favourite customer right now as we begin the Q&A with him. During the time we were doing the acquisition, one of the customers that I had an opportunity along with Neil to sit down with -- and when you do acquisitions you want to make sure that you don't screw anything up. And in kind of recognition of Neil, when we had dinner together back in February in Auckland, I think the first thing Neil said to me was it's great you bought Pallecon, don't screw stuff up. So he'll -- I'll turn over to Neale and Neil to let them go through it but hopefully one of the themes you'll hear is that Pallecon acquisition we've done a pretty good job on so far. So with that, Neale and Neil.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Thanks, Jason and good afternoon everyone. I'm Neale Myers, I lead the Pallecon business in Asia Pacific. I'm based in Melbourne and have been with the business for eight years and joined Brambles as Jason said in January this year following the acquisition. This is my first IMB and I've been allocated the last presentation slot before closing drinks so perhaps some sort of recognition that I'm the new kid on the block here.

So in my briefing I'd like to share with you details of our strategy and information about our key opportunities and challenges in our new operating environment. We are an entrepreneurial basis and for added flavour we do have Neil here with us today, and I will pause during my presentation to ask him some questions and there will also be an opportunity at the end during the Q&A for you to hear directly from Neil.

I've also included two case studies covering our continuing focus on new product development and also our approach to building revenue in the South-East Asian market. So I would like you to know I'm really excited to be part of a core business with a winning team culture, and as Tom has made clear, there is an expectation that we will deliver on our promise.

Many of you would know Pallecon started in 1976 in Australia, went under TNT ownership and has built an impressive history as a leader in pioneering re-usable rental IBCs as a more efficient alternative and better environmental solution to owning and using drums.

You heard earlier we were private equity owned by Apollo for six years and this simply starved us of capital during that time before we were bought by Brambles in January. This has been a great transformation for us. It's invigorated our people and we now have an owner who gets us and will help us grow through market expansion. Brambles also understands a commitment is needed to innovation as a key to maximising our potential and I know Brambles will deliver on that commitment.

We like to amplify our customer proposition. It's a great reminder for our people, customers and suppliers that nobody else does what we do or does it as well as we do. We have an unrivalled synergy between our full service offer, our product range, technologies and network. This drives our strong customer relationships and our high retention rates. From a service perspective there is no other rental provider that also manufactures and supplies liner bags. This enables us to provide a more flexible approach to bespoke solutions as well as enhancing our margins.

We also design and supply a range of valves and fittings which assist in more efficient filling and discharge of our containers and we will launch a new generation container in early 2014. This container has been under development for the past two years, which is the normal product cycle time for new product development and it will be a significant improvement on any collapsible IBC in the market today. It will in fact supersede the blue plastic one you see here to my right and it's in fact our sort of equivalent of Phillip's generation 3 RPC. So we're looking forward to bringing that into the market early 2014.

To manage and control our assets across our customer supply chain, we've elected to retain Paltrak, which is our proprietary fleet management system that we first launched 13 years ago. Our customers tell us Paltrak is straightforward to implement and operate and it's fully automated, so no human intervention is needed to manage the container flows. So with that, I might just turn to Neil and ask him is it really straightforward and how does it benefit your business?

Neil Rogers - *New Zealand Starch - General Manager*

Thanks, Neale. My name is Neil Rogers. I'm the General Manager of NZ Starch, just to put things in a little bit of context. We manufacture starches and glucose syrups and being a country New Zealand's size, you have to be all things to all men. We've been fiddling around with IBCs for 25 years in one shape or another and we supply the glucose syrup into the food industry, confectionery manufacturers and such, which means they have to be food factory friendly, all the facilities have to match, no sticky little hands getting in the place. Syrup is a specialised medium. It's 1.5 times the density of water, it's highly viscous, so we require Pallecons with heated pads so that the customer can warm the syrup up so that they can pump it and use it.

When you've got a resource like that you need to know where it is. So for our business, inventory management is really cost control and Paltrak offered us for the early days the ability to understand who had what of the assets and who was paying for it, and that's fairly important to us. So that innovation is exceptionally successful. As Mr. Rabbino mentioned, when I first saw them, I think that was my second sentence, don't muck with Paltrak, it's working just fine thanks very much, and it was important to our business that that continuity stayed there.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Fantastic. Thanks, Neil. We have a fantastic record in key customer retention. Our top 10 customers generate about a third of our total revenue in Australia and New Zealand but what's not evident there, is most of these customers started with us on a small scale and we have been successful over time in growing those customers organically. The average length of relationship with that top 10 is just over 13 years and what it demonstrates is that when we win a customer they generally stick with us and they grow and also our churn rate is very low.

So what I've found is, we remain a vital link in our customer's supply chain and even over time as people and ownership changes occur, a constant is the continuing link with our product and services. You'd be familiar with most of our bigger customers that we have there at the bottom of the page. Some of those have already renewed their term agreements with us this year and others have committed to formalising their renewal with us. So I might just turn to Neil one more time and ask, you know, following the acquisition, why did you choose to stick with us?

Neil Rogers - *New Zealand Starch - General Manager*

We have had experience with other IBCs suppliers. We'd even gone down the track of trying to develop IBCs ourselves. As I said earlier, we're all things to all men in the New Zealand and the Australian market. We sell glucose syrup by the drum, by the IBC and by the 20-tonne truckload.

It was important to us that first of all we gave the new owners of Pallecon an opportunity to do what they said they would do and we had long established relationships with their people on the ground. Being a bulk supplier, the relationship that we had with those people gave an informal relationship with our customer and that was part of the thing that I didn't want to see fractured in any way.

When you have issues, when there are problems, we always got very good service and we were able to rectify the faults. And as I said before, this can be from not being able to get the syrup out of the box, the box is not heating up. When everything's going fine these are small things but when they're not working they become very large things. So that was important that we kept those relationships running and services running.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Sure. I guess in past discussions, you've also said to me in the past that we're your front of house with your customers. What do you mean by that?

Neil Rogers - *New Zealand Starch - General Manager*

As I said, we're an industrial supplier and you don't have somebody knocking on the door offering a Pallecon of syrup this week. You have a requirement of maybe 300 tonnes or 400 tonnes going in on an organised supply chain. So the people that the customer -- our customer sees are our transport people, our logistics people and our service providers like CHEP Pallecon. Their expertise of our product and their own product is what makes it work.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Fantastic. Thank you. If we just turn to the next slide, in the APAC region we have achieved a strong leadership position in the Australian and New Zealand domestic market. We specialise in liquid food grade with Australia still our key market. Just in the chart there you'll see 12% of our revenue is generated out of Japan and that comes from our agency relationship rather than the actual revenue generated in the Japanese market and I'll touch on that for you shortly. And then of course Neil is a strong contributor to our New Zealand numbers.

Jason spoke about Chemicals earlier. By [end] market we have diversified our risk with Chemicals contributing 22% of our rental revenue and we are also a small player in the automotive market with the aftermarket manufacturers. So we have relationships with Holden, Mazda and Honda where we supply equipment for them for replenishment through to their dealer network. That's still a focus for our business and we expect that we can achieve growth there going forward.

Currently, we don't offer Haztainers outside of the APAC region and our EMEA and US teams are reviewing this segment as a growth opportunity in their respective markets.

Both in APAC and USA, we see upside in the pharma and cosmetic sector and already in EMEA this is generating 28% of their total rental revenue. And that's why we're following our customers that manufacture these products into the Thailand market.

In our service mix, which represents -- you'll see 60% of our revenue is generated from our rental activities and in the ancillary sector that just represents revenue from transport, recoveries, issue fees and revenue that we generate from equipment sales.

So next, if I move to Japan. Since 1992 we've had an agency relationship with the Sumitomo Corporation, or SGL, to develop the Japanese domestic IBC market. At the time this approach was taken as a low risk entry into a new and relatively unknown market. The benefit was there was no capital investment required and it now still provides a consistent revenue stream from liner and equipment sales and a royalty applied to the rental revenue generated by SGL. SGL has a fleet of about 16,000 IBCs and they are the largest domestic provider in Japan with a market share estimated at 60%.

Since 2011, SGL has performed impressively in the cosmetics sector where the product cost per litre is lower than food commodities and therefore there's less sensitivity around pricing.

This year, the cosmetics sector is expected to grow by 20% for SGL to represent 35% of their total rental revenue, and under Brambles ownership there are now enhanced cross-selling and joint venture opportunities with Sumitomo.

Previously there was a reluctance to engage with CEVA, our former owner and also TNT Logistics, because both were direct players in the 3PL space. So we're currently exploring the range of opportunities through their direct automotive and aerospace relationships and we're working together with them on a strategic basis to grow the Asian IBC market where we will look to leverage their freight forwarding and customs brokerage services. So tomorrow we do have some representatives from SGL visiting Jason and I here in Sydney and that will be an opportunity for us to continue our dialogue along those lines.

So here is how we see ourselves in the market. As I think Phillip mentioned earlier today, following our acquisition, we have carved out and combined the IBC business from CHEP Australia into the global containers group to provide a singular more specialised focus.

Relative to our competitors, CHEP has a consistent and strong market position and a capability that provides continuous sustainable growth opportunities. Our new alignment and connection to pallets also better supports our cross-selling opportunities, and there was a question earlier about, you know, what is that doing and that is something we are measuring at the moment. And within our pipeline we've identified 60 cross-selling opportunities within the IBC business that have been generated through the communication with the pallets business here in Australia.

So this offers us a platform to consolidate and strengthen our key customer relationships where there is a demand for returnable, reusable bulk containers, where there is a focus on safety, user friendliness, hygiene and an ability to protect the product from loss or damage.

There has been some discussion about Loscam earlier today also, so it's worth noting that with the two businesses coming together, that has in effect escalated Loscam from being the number 3 player in the Australian market to the number 2 player. We haven't seen a lot just yet that worries us. We are mindful, we're certainly not disrespectful of their presence but there certainly hasn't been any business lost to Loscam this year.

Our business is primed for growth and will remain underpinned by our core food grade liquid focus. We are mapping and validating opportunities for regional expansion which has commenced with our entry into Thailand and we are aiming to further maximise the advantage of developing our own range of liners and valves. This approach is an enabler. It makes it easier for our customers to use our products safely and cost effectively and also ensures our technology tools are seamlessly and readily provided.

So again, I might just bring Neil into play, and one of the things we are looking at, Neil, is building our intercontinental capability and Jason referred to that earlier as well. Do you see that can bring benefits to your business as we improve our scale and network, particularly across South-East Asia?

Neil Rogers - *New Zealand Starch - General Manager*

Yes, I can. New Zealand supplies Australia. 30% of what we manufacture in New Zealand comes across to Australia and for our own business we see Thailand and Japan as areas of expansion for our particular products. It's difficult to get material up there in the manner in which especially the Japanese market expects. So anything that adds to the ability or acceptability of packaging and transport systems would offer us an opportunity.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Sure. And just one final question, and it comes back to our people and we now have a good mix of people within our business in terms of length of experience and new talent coming through. But I guess in an overall sense, what's your sort of general view towards our people and the expertise that they bring to your business?

Neil Rogers - *New Zealand Starch - General Manager*

We're very critical of service suppliers. We service the food industry and our customers are very critical of us, so -- and so they should be. Food safety is a very serious topic in this world today and you know, if you ask anybody about -- who works for Fonterra about that, they'll give you lock, stock and barrel on that one.

The expertise that Steve and his people bring to help us has been well-developed and it's been developed in conjunction with ourselves and also with what our customers want and what our customers expect of us in a timely manner. It's not always easy to front up and say hi, I'm here to help when you've got a customer who believes that they are doing things the right way. And I think that's what Steve met when he first came to see us. He's a -- the New Zealand and Australian businesses established very good relationships with our customers and it's a strategic point that holds the relationship together.

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Sure. Thank you. So in our local market we're conditioned to what we call casual or open loop rental where typically the hire cycle is 45 plus days and the receiving customer generally transfers the hire to their customer before de-hire occurs. We know our customers like flexible commercial options but in Europe it's certainly more common to see term or closed loop activity occur, and in these instances the cycle time can generally extend up to 12 months, transfers typically don't happen and IBCs are returned to the issuing service centre. This means there's reduced depot throughput activity and handling costs with minimal relocation activity required, and as a result the utilisation rates also tend to be a little higher.

So here if I just flick through this animation, it does show how the different flows operate. The previous slide showed trip rates which are becoming more prevalent in the industrial sector, particularly with products such as adhesives and paint additives where the certainty of fixed price packaging provides a strong competitive proposition to the alternative of customers purchasing their own new or used bottle in cage containers. We've started to have good success in converting bottle in cage users to fixed -- to our fixed [trip rate] solution and this is a continuing focus for our sales team.

So I don't need to be convinced that Pallecon belongs with Brambles. We're a natural fit to the global leader of pooling solutions. Our people now know that robust business cases for geographic expansion and new product development will be supported by capital investment. We have maintained our rigour and discipline in tightly managing our costs and this is certainly one positive carryover from six years of private equity ownership. And we have adapted quickly also, our people are now encouraged to think and act globally and to best use their capabilities to support our customers' requirements and their supply chain challenges.

So we know innovation is critical for us in staying ahead of the curve, meeting the changing needs of our customers. It's driven our success and been a significant point of difference for us. So far this year we've obviously focused on customer retention as we've moved through the migration process and we've continued our focus on quarterly business reviews, and our focus on these reviews helps us to formally acknowledge with our customers the good work that they've done for them. It helps gets decisions made and it supports engagement with our senior management contacts.

From a new product development point of view, I've included pictures here of our Maxivalve which we released into the market in 2012, which is patent-protected. The advantage of this valve is that it provides superior functionality and performance to any other valve in the market with a 30% faster discharge rate and no leakage. It's also ideally suited to the more specialised aseptic market and we're generating interest here in Australia in that market with multiple customer trials underway that will provide us with new growth opportunities, and without this valve that was a market we couldn't play in previously.

I also spoke earlier about trip rates which are gaining momentum and awareness across the industrial market segment for us, and we're also analysing opportunities to use Paltrak, or use Paltrak technology to generate revenue and relieve the headache for our customers in managing their own equipment pools.

So just next on to Thailand and Jason again touched on that a little earlier, but we chose to take a low cost, low risk entry into the Thailand market aiming to replicate the success of our EMEA colleagues and also SGL in Japan, where they have grown the cosmetics and pharma sector and to achieve this growth we've had to follow our customers into Thailand as a manufacturing hub for this segment. We're now a registered entity in Thailand and we open for business in August and that was preceded by the appointment of [Pongsiri, our] highly talented local sales manager who was known to us previously.

We're currently supporting Procter & Gamble and also a chemicals manufacturer who is an existing Australian customer and we're otherwise building our pipeline and validating our full service commercial offer. Thailand provides a logical platform to extend into adjacent countries and we're currently supplying containers in Australia that are moving into Malaysia and Singapore and it's these markets that we've also started to watch.

So Brambles acquired a business that was performing strongly under challenging internal circumstances, with a proven sales process based on proof of concept where we can quantify and measure customer operational and quality benefits and importantly, deliver cost savings. The improved access to capital supports our growth aspirations. It's already accelerated our entry into Thailand and has supported the investment in our new plastic IBC.

We are also enthused about growing our global service capabilities. This was previously thinkable but not doable and we've begun to share our expertise mix through the containers group to have a consistency of quality and service across our businesses.

And as you know, we do operate in an intensive manual handling environment where safety is paramount. The introduction of zero harm has driven an even stronger safety culture and awareness with our people and this has been universally embraced by everybody. And importantly, following our sale we have retained all of our people, and they've worked tirelessly and maintained their focus on our customers. They're also being rewarded with access to a better career development path and this includes the scope for international assignments, and they're also enjoying the recognition of belonging to a market leader where they can propel shareholder value.

Our business is built on the strength of the relationships we have with our customers and the early indicators have been positive. We have renewed eight customer contracts this year. We've maintained, as you see there, our close to customer relationships and this has certainly eased any concerns that may have existed following our acquisition. We are building and maintaining a fairly dynamic new business pipeline and we're continuing to deliver value and efficiencies which perhaps weren't easily accessible under our previous ownership and importantly, we haven't lost any customers since our acquisition.

So in closing, I've showcased these customer testimonials and they are representative of the type of customer feedback we generally receive. You'll see up the top the reference from Goodman Fielder to our m3 container which we have over there in the corner. That is another of our units that is patent-protected with its split lid design. It certainly provides various operational and safety benefits to our customers. But there is a common thread around this feedback and it focuses on quality, safety, operational excellence and proactive support for our customers and their customers.

I met recently with Chelsea Sugar in Auckland and I was thrilled to hear their story of how we've saved them time, money, reduced their waste and packaging disposal costs. This is what we do. On that note I'd like to finish and open up to any questions that you may have. Thank you.

QUESTIONS AND ANSWERS

Unidentified Participant

Me first? Okay. Thanks, Neale. Could you -- you touched on a little bit of this when you talked about Japan, but if you were to think about new market opportunities, the regional expansion that you highlighted as reactive and an opportunity to go from bottom left to top right, what are the specific countries you would be most excited about entering? And yes, so -- but could you talk a little bit more about how they fit in the regional supply chain that you're trying to operate within?

Neale Myers *- Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

Sure. That's something we're currently mapping and prior to the acquisition we had identified Thailand as a target market for us. So as I mentioned, Brambles helped accelerate that entry. We've only been there now for a couple of months but we do know that once we enter into that market, we're logically going to have to extend into other adjacent markets to support customer flows. So, you know, logically, Singapore, Malaysia, Vietnam come into play. China is one that we will look at, at a -- I guess on a more strategic basis within the Group to just work out when and what we do there. But certainly they're the priority countries. Then with our dialogue with SGL in Japan, you know, we'll certainly seek their input and look at how we work together.

Oh, sorry. Yes?

Unidentified Participant

Just in the -- in the IBC market, can you just talk to, like when you approach a customer, what's the value proposition? How much do you think you can save them by converting across?

Neale Myers - *Brambles Limited - Managing Director, CHEP Pallecon Solutions - Asia Pacific*

It varies in a lot of instances. So Jason spoke earlier about getting 10% and 20% cost savings. We tend to look at most opportunities on a case by case basis and part of the proposition is not just the cost saving but the other, I guess, softer factors in terms of environmental benefits, waste reduction, and less risk with hygiene factors. We're certainly seeing that with bottle in cage, particularly with used containers, there is a risk of contamination of product. That appears to be particularly prevalent now in the olive oil sector, so there are users out there that are I guess more risk adverse and are looking to go to single use liners. So, you know, everyone's looking for a cost saving. We focus on that as part of our proposition but it's also well-supported by the service levels we give and that's, you know, part of what we try and put forward to our customers.

Tom Gorman - *Brambles Limited - CEO*

Neale, maybe I could just ask Neil Rogers the same question? I mean, what's the point of inflection as a customer when you start thinking about your willingness to change from one process to another. At what point do you start paying attention?

Neil Rogers - *New Zealand Starch - General Manager*

There are a number of break points for the customers. One Pallecon of syrup is equal to four drums of glucose syrup. Smaller customers handle -- manhandle the drums so you've got significant health and safety issues. As I said, it's a very dense liquid, once they begin to get to the level of consumption that you can offer them the Pallecon as an alternative -- perhaps I can also tell you some of the costs. I mean, each drum costs around $70 and it's a one way trip, whereas with a Pallecon you've got the cost of the liner and then perhaps the cost of pipes to hook up which would be one-off costs and the specialised valves for putting them into your syrup. So you've got the health and safety thing, you've got the ability to handle the product, which is an improvement and it's one which our customers when they move are astonished that they didn't do that sooner.

The second one is, is how you get the syrup out of the drum. You can imagine a drum turned up and the syrup glugging out and what you're offering the customer is a completely closed system where the liner just collapses in the Pallecon as you consume the liquid. It's a little bit difficult to put the lid on a drum again and come back the next day and you know, hope things -- that there's no bugs have got in it or, you know, ants, wasps, bees. So that also is a food safety thing as well. So there's four or five pretty well-determined things that you can go to and say well, this is our next system for your level of consumption.

Unidentified Participant

Okay, thank you.

Tom Gorman - *Brambles Limited - CEO*

If there are no more questions, thank you Neale and maybe I'll just wrap up.

Well, thank you again. We're sort of at the end of the day. I'll just make a few comments and then see if there's any appetite for more questions. If there are, as I said, the team is happy to stick around. If not, again plenty of one-on-one time when we head out to the veranda and have a few drinks. But I just would like to wrap up just with one or two comments. I mean, really what we tried to do over the last day and a half, was really again to present the investment thesis, or the what is the value proposition for us here at Brambles, and I'll just reiterate the three core themes.

We believe strongly that we have a very defensible and very sustainable competitive advantage and we tried to present the entire pooling solutions business to you over the last day and a half so you got to see, in some quite level of detail, really where the value proposition is and why we think we have such a strong, sustainable competitive advantage.

Secondly, we tried to talk to you about our superior rates of return, again which is the quality component and Zlatko in particular really went through some of the things you want to do from a corporate level to drive that improvement, and then I think you saw that in a number of places. Focusing on the basics, which is really around asset control, asset management and continuing to focus on cost, particularly the discussion yesterday around ripping overheads out of our business over the coming years. That is the quality component and of course, there's the quantity component.

We tried to demonstrate to you over the last several days in some of our better established businesses that still have a myriad of opportunities for growth, ranging all the way to a set of our newest businesses with really Jason and then Neale and Neil covered today in a wrap-up. There are plenty of opportunities for us to get after. The challenge obviously is along with that quality -- I'm sorry, along with that quantity of business, making sure that it does in fact deliver high quality returns and I think Jason in particular addressed that. We will adjust, we will refine strategies over time. We clearly have done that to a degree in the US automotive business as we sort of got to understand the market potential better. That pushes out some of our investment plans and the timing, but again we're going to be responsible in how we deploy capital.

So those are really the key messages over the last day and a half, and again, on behalf of the entire team of presenters and all those folks that didn't present but did all the work to get us ready, I just wanted to say thank you to all of you for your strong attention.

The other thing that we try to do in these meetings in the initial objectives, is give you access to our management team and I just think just sitting in the back for today and participating up here, I mean the management that we now have within Brambles I think is a very strong team. And it's an interesting group of folks, I mean you got to see a number of people that have been in the business for a long time, and clearly Phil a long time, with a number of CHEP and Brambles businesses here in Australia. When you look at Wolfgang with the IFCO business or Neale in the CHEP Pallecon solutions business, guys that have been in the business and really have a deep and really strong understanding.

Then another group of individuals that have progressed through our Company, and many of you now over the last four IMBs I guess have seen people progress and take on more leadership roles. James McCarthy and I started at roughly the same time. Almost six years ago James started as my CFO and he moved on to operational roles and leadership roles in Europe and now runs all of Europe for us. Kim really was the major implementer of the Better Everyday program in the US, then she went on to lead the integration of the IFCO acquisition and for her sins there she got to run the US business and now that's expanded to North America and as part of that obviously she's now really actively fully integrating the PMS business. So I think we've shown you a series of individuals that have continued to build their career with us.

Peter is one of the few executives that we have that's worked in all three of our regions now, having worked in Europe, the US and here in the Asia Pacific region. Then the third component -- well, there's actually two more components. I mean, the folks that have joined us through acquisition, I mean, we've been very, very fortunate on acquisition and I think both Neale and Wolfgang I think point that out extremely well that when we've acquired companies we've been very, very fortunate to like the management team, to value them, for them to be excited about the opportunities with us and to build their careers.

In all the acquisitions we've made over the last five years, we've only had now really two senior executives leave and that's both Karl and Michael and they elected to retire at the end of their time with us. So we've been able to keep management excited and energised and believing in the Brambles growth story and building value over the long term.

And then of course the last component is people that have just really come in to join us and I think Jason really stands out as an extremely high quality executive that we were able to attract to our business and really take a challenging role to say the least, but I think something that's enormously stimulating intellectually and exciting and something that you can look back on and say -- you know, very few times in your business career do you really have a chance to build something from the ground up and that's really what he's doing in many cases and I think that's fantastic.

And last but not least, I mean Zlatko joined the team just a bit over a year ago and I think you know, Z coming on here, you know, coming into a business that I think was new for him but bringing a disciplined set of financial skills that will make us a better Company but also a mindset to get involved in the business in a real operating focus is something that really I think rounds out the leadership team brilliantly.

So it's been a pleasure for me to sit here and sort of watch my team present over the last couple of days and it's been a real pleasure to have the opportunity to present our Company to all of you again in a somewhat formal way as these IMBs tend to be, but also the informal one-on-ones have been fantastic.

So with that, look, I'll pause here and open the -- everyone on my team is standing and they all put their jackets on I think and they're ready to look professional and answer a question if you have any. So I'll open the floor but if there are no questions I fully understand that and we'll just break and we can have one-on-one discussions, but any questions, and just fire away? No. Okay. Well, that made that easy, so I stand in the way of drinks.

Look, the last thing I'll do then is just to thank Louise and Kathy and James and all the guys that have been running around, Sabitha and Michael and everyone that's been running around to support us on this. There's a heck of a lot of work that goes into preparing these events and it tends to be the people that, you know, don't get the glamour to stand in front of you, but you guys did a fantastic job, so on behalf of all of us at Brambles thank you very much for that.

And last but not least, I -- what's your nickname? Is it Hardbody? Is James still known as Hardbody or -- I can't remember that. But anyway, I think it's Hardbody's birthday today. So I'm not going to make you suffer through me singing to him but, you know, we don't really care for James very much, so -- you can turn the TV off now. I strongly encourage all of you to raise a glass with him and wish him a birthday, I think he's 17 today, so. Anyway, thanks again very much. We greatly appreciate your attention and your continuing support of our Company. Thank you.