

# LETTER FROM THE CHAIRMAN & THE CEO



Brambles' CEO Tom Gorman (L) and Chairman Graham Kraehe AO (R)

20 August 2014

The theme of Brambles' 2014 Annual Report is **One Business, One Team**. This reflects our journey from an industrial conglomerate to becoming a logistics services company focused on our leading global position as a pooler of unit-load equipment to some of the world's most important supply chains.

Over the past 15 years, this journey has included the merger with the support services arm of GKN in 2001; the sale of Cleanaway, Brambles Industrial Services and other non-core businesses over 2005 and 2006; the Unification of our dual-listed companies structure in 2006 and subsequent return of US\$3.7 billion to shareholders; a number of strategic acquisitions, most notable that of IFCO Systems in 2011; and the demerger of the Recall information management business in December 2013.

We have built unrivalled expertise and customer relationships in equipment pooling since we acquired the Commonwealth Handling Equipment Pool (CHEP) from the Australian Government in 1958. Today, we are proud to own and operate more than 470 million pallets, crates and containers on behalf of customers that include some of the world's leading companies, in more than 50 countries. We believe we have a unique and sustainable advantage, from which we can continue to pursue compelling growth opportunities, which will continue to drive superior economic returns for shareholders.

## 2014 RESULT

Our 2014 result, on a constant-currency<sup>1</sup> basis, comprised a 7% increase in sales revenue to US\$5.4 billion, a 6% increase in Underlying Profit<sup>2</sup> to US\$960 million and Return on Capital Invested<sup>3</sup> of 16.3%. Dividends for the year of 27.0 Australian cents per share were in line with FY13, reflecting the Board's stated intention not to reduce dividends after the Recall demerger. (Full details of our dividends are available on Page 5.)

Over the 2014 financial year (FY14), Brambles' delivered total shareholder return<sup>4</sup> of 24%, compared with 20% for the benchmark S&P/ASX200 Index and 19% for the S&P/ASX200 Industrials Index. Over the five years to the end of FY14, Brambles' total shareholder return has been 122%, compared with 73% for the benchmark S&P/ASX200 Index and 65% for the S&P/ASX200 Industrials Index.

## STRATEGY & OBJECTIVES

Today - by focusing on our unique capabilities and acting as one business, one team - we are seeking to optimise our position and more effectively leverage our global scale and experience to drive the next stage of growth and value creation. Our communication of five-year financial performance objectives reflects our confidence in the future. Subject to unforeseen circumstances<sup>5</sup>, we are targeting annual sales revenue growth in the high single digits and consistent incremental improvement in Return on Capital Invested to at least 20% by FY19<sup>6</sup>. More detail of our strategy to achieve these

objectives, including our Strategy Scorecard, is set out in the Operating & Financial Review on Pages 3 to 15.

To support these objectives, and in line with our One Business ethos, is the One Better cost leadership program to reduce our annual overhead costs by US\$100 million by FY19. These savings will be invested in serving our customers better, maintaining our competitive position and improving returns for our shareholders. The program emphasises being "better for the customer" through improving our customer value proposition; "better for our business" through optimising global functions; and "better buying" through organising our procurement activities to reflect our global scale.

## BOARD RENEWAL

Against the backdrop of our confidence in our strategy, Brambles announced that Graham Kraehe will step down from the Board in September 2014 after six years as Chairman, having first joined as a Non-Executive Director in 2000. Following a considered succession planning process, the Board has elected Stephen Johns as Graham's successor, an appointment that represents continuity and stability. Stephen has exceptional experience and expertise. He is a former Director of Westfield, with which he had a long and distinguished career, and a former Chairman of Leighton Holdings and Spark Infrastructure. He has been a Brambles Non-Executive Director for 10 years, over which time he has developed a deep knowledge of the Group and made a major contribution to the Board.

Two new Directors were appointed in 2014: Christine Cross and Brian Long, who replaced Luke Mayhew and Brian Schwartz, each of whom retired having made extremely valuable contributions. Ms Cross and Mr Long bring outstanding experience in retail and finance respectively, in effect replacing the skills of Mr Mayhew and Mr Schwartz - and ensuring the continuation of a strong Board skills mix. Details of the skills matrix we use to assess Board composition are set out in the Corporate Governance Statement on Page 22.

## OUTLOOK

We are confident of delivering progress in line with our five-year plan in FY15, with constant-currency percentage sales revenue expected in the high single digits and a further improvement in Return on Capital Invested. We have forecast Underlying Profit of US\$1,030 million to US\$1,060 million, at 30 June 2014 foreign exchange rates, representing growth of 7% to 10%.

We wish to thank our customers, our shareholders and Brambles' 14,000 employees - as well as the Company's management team and our fellow directors - as we look to the Year ahead.

Graham Kraehe AO  
Chairman

Tom Gorman  
Chief Executive Officer

<sup>1</sup> Calculated by translating reported period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

<sup>2</sup> Profit from continuing operations before finance costs, tax and Significant Items.

<sup>3</sup> Underlying Profit divided by Average Capital Invested.

<sup>4</sup> All data sourced from Bloomberg. Total shareholder return reflects share price movements and reinvestment of dividends and continued ownership of Recall shares from demerger.

<sup>5</sup> See Disclaimer on Page 1.

<sup>6</sup> Five-year performance objectives are provided on a constant-currency basis, exclusive of the impact of merger, acquisition or divestment activity.