

Brambles' first-quarter trading update: Sales revenue growth +13% at constant FX rates^{1,2}; FY24 guidance reconfirmed.

Sydney – 26 October 2023: Brambles Limited today reported sales revenue from continuing operations of US\$1,640.8 million for the first three months of the financial year ending 30 June 2024 (FY24), representing an increase of 13% at constant FX rates¹ (15% at actual FX rates) on the prior corresponding period.

Sales revenue growth was mainly driven by rollover contributions from prior-year pricing initiatives. Group volumes were flat with both like-for-like and net new business volumes broadly in line with the prior corresponding period.

By segment, the sales revenue performance for the first three-months of FY24 was as follows:

- **CHEP Americas** sales revenue increased 12% at constant currency with price growth of 12%³ driven by pricing actions taken in the prior year and first quarter. Overall segment volumes were flat as volume growth in Canada and Latin America offset lower volumes in the US. US volumes declined (1)% largely due to lower like-for-like volumes as the impact of supply chain inventory optimisation and softer underlying consumer demand was partially offset by increased beverage and dairy sector volumes. US net new business wins were broadly flat;
- **CHEP EMEA** sales revenue increased 14% at constant currency including price growth of 15% and volume declines of (1)%. Price growth primarily reflected rollover contributions from prior-year contractual price increases (including indexation) and other pricing actions taken in the pallet businesses to recover the cost-to-serve. Net new business growth of 1% reflected contributions from prior and current-year contract wins in the European pallet business of 1% as well as growth in the automotive business. Like-for-like volumes decreased (2)% driven by a (3)% decline in the European pallets business reflecting soft underlying demand and the impact of supply chain inventory optimisation. This decrease was partly offset by strong demand from existing customers in the automotive businesses; and
- **CHEP Asia-Pacific** sales revenue increased 13% at constant currency including volume growth of 8%, driven by strong pallet demand across manufacturer and retailer supply chains in Australia leading to increased daily hire revenue as well as increased transport revenue from improved pallet circulation. Price growth of 5% reflected price realisation to recover the cost-to-serve and favourable customer mix.

Segment	Sales revenue (US\$m, actual FX)		Days-adjusted growth vs. 1Q23 ²	
	1Q24	1Q23	(actual FX)	(constant FX ¹)
CHEP Americas	907.7	747.9	14%	12%
CHEP Europe, Middle East & Africa	599.0	466.8	20%	14%
CHEP Asia-Pacific ⁴	134.1	117.1	7%	13%
Continuing operations	1,640.8	1,331.8	15%	13%

Note on FX: The variance between actual and constant FX performance reflects movements in Brambles' reporting currency, the US dollar, relative to operating currencies.

¹ Constant FX growth rates are calculated by translating the results (excluding hyperinflationary economies) into US dollars at the actual monthly exchange rates applicable in the comparable period, to show relative performance between two periods. For hyperinflationary economies, the results for 1Q24, at both actual FX rates and constant FX rates, are translated to US dollars using the period end spot rate whereas the prior comparative period results are translated using 30 June 2023 FX rates.

² Growth rates have been adjusted for the additional trading days in 1Q24 compared to 1Q23 to allow for a like-for-like comparison between the two periods.

³ Price in CHEP Americas excludes contributions from North American surcharges which are recognised as 'Other income and other revenue' in the Consolidated Statement of Comprehensive Income in Brambles Limited's financial reports.

⁴ Comparatives for CHEP Asia-Pacific and Continuing operations have been restated following the completion of the merger of CHEP China with Loscam (Greater China) in March 2023.

Commenting on the first-quarter performance, Brambles' CEO, Graham Chipchase said: "The momentum from FY23 has carried forward into the first quarter of FY24, with sales revenue increasing 13% on a constant FX basis. While pricing on current-year contractual renewals continued to increase, this revenue performance predominantly reflected rollover contributions from prior-year pricing initiatives as volumes in our largest markets remained subdued.

"Volumes with existing customers in our US and European pallet businesses continued to decline, however, the rate of this decline moderated compared to the previous quarter, reflecting broader consumption activity and improved pallet availability across our US and European network.

"New business wins were modest with our teams across US and Europe actively engaging with the new business pipeline to convert customers from single use alternatives. Despite changing whitewood pricing dynamics and a slight increase in competitor activity moderating net new business growth in the first quarter, we have seen an increase in new customer contract wins and remain confident in the value proposition of our share and reuse solutions. We expect new customer contract wins to continue increasing in the second half, supporting our expectations for a return to net new business growth for the year.

"Turning to the operating environment, extraordinary inflationary pressures, challenges to pallet availability and supply chain inefficiencies that contributed to the elevated cost-to-serve and pricing environment over the past two years have started to moderate.

"While broader inflationary pressures, including labour, have increased our input costs in aggregate, we have continued to see a moderation in US transport costs and Group lumber prices. As anticipated, this has also led to a year-on-year decline in the average price we have paid for new pallets across the Group in the first quarter.

"Pallet return rates continued to improve in the first quarter reflecting our comprehensive asset efficiency programme and an additional 4 million pallets were returned in the first quarter through progressive inventory optimisation at retailers and manufacturers, predominantly in the US and Europe. Accordingly, this has led to improved pallet availability and increased plant stock levels in all markets.

"This increased pallet availability is improving customer service levels and outcomes. We have continued to see an upward trend in customer satisfaction scores and the percentage of deliveries that are made in full and on time, which have resulted in net promoter scores improving in all regions during the first quarter. While this represents progress, we recognise there are further opportunities to identify and unlock sources of shared value for our customers while creating an effortless experience that makes Brambles the natural partner of choice.

"Finally, we have reconfirmed our FY24 outlook today for sales revenue growth, Underlying Profit leverage and Free Cash Flow generation aligned with our investor value proposition. Although sales revenue performance was strong through the first quarter and ahead of our sales revenue growth guidance for the full year, we expect pricing growth to moderate through the balance of the year as we cycle through stronger prior year comparatives and the rollover contributions from FY23 pricing initiatives. In addition, we expect current-year price realisation to align with a lower cost-to-serve environment, including any benefits of improved supply chain behaviour.

"Importantly, as pricing moderates and the cost-to-serve declines, we remain focused on volume growth while continuing to demonstrate commercial discipline to generate appropriate margins, return on capital invested and sustainable Free Cash Flow."

FY24 outlook

In constant-currency terms, Brambles is reconfirming its FY24 guidance. For the year ended 30 June 2024, Brambles expects:

- Sales revenue growth of between 6-8% at constant currency;
- Underlying Profit growth of between 9-12% at constant currency;
- Positive Free Cash Flow before dividends of between US\$450-550 million; and
- Dividend payout ratio to be consistent with the dividend payout policy of 45-60% of Underlying Profit after finance costs and tax⁵ in US dollar terms and fully funded through Free Cash Flow.

These financial outcomes are dependent on a number of factors, including material unknowns. These factors include, but are not limited to, prevailing macroeconomic conditions, customer demand, the price of lumber and other key inputs, the efficiency of global supply chains, including the extent of destocking, and movements in FX rates.

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Brambles Limited (ASX: BXB) Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs approximately 12,000 people and owns approximately 353 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit brambles.com

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

⁵ Subject to Brambles' cash requirements.