Brambles

Brambles' 1H24 result: Increased first-half profit and strong cash flow generation supporting upgrade to FY24 guidance

- **Material improvements in asset efficiency and cash flow generation** driven by more efficient pallet dynamics across retailer and manufacturer supply chains, including inventory optimisation, and Shaping Our Future transformation initiatives.
- **Inventory optimisation across supply chains in North America and Europe** resulted in ~8 million additional pallet returns, delivering significant capital expenditure benefits with accompanying increases in repair, handling and transport costs.
- **Sales revenue increased 10%[1]** reflecting contributions primarily from prior-year pricing actions and, to a lesser extent, current period pricing to recover cost-to-serve increases, which more than offset a (1)% decline in volumes. Excluding the estimated impact of inventory optimisation, volumes increased 1%.
- **Underlying Profit[2] increased 19%[1]** with operating leverage supported by flow-through of pricing and commercial terms to recover cost-to-serve, and transformation-linked productivity gains, including lower uncompensated asset losses. These benefits more than offset incremental costs associated with increased pallet returns and ongoing transformation investments.
- **Return on Capital Invested[3] increased 2.0pts[1]** as Underlying Profit growth more than offset an 8% increase in Average Capital Invested.
- **Capital expenditure (accruals basis) decreased US$345 million**[1] driven by ~US$266 million benefits of ~10 million fewer pallet purchases from inventory optimisation and asset efficiency initiatives and ~US$90 million benefit from lumber deflation.
- **Free Cash Flow before dividends increased US$303 million** primarily driven by lower capital expenditure, higher earnings, and improved compensation for lost assets.
- **FY24 interim dividend** of 15.0 US cents per share resulting in a payout ratio of 50%.
- **Basic EPS growth of 15%[1]** in line with the growth in Profit after tax.
- **FY24 outlook:** As detailed on page 6, Brambles now expects:
  - Sales revenue growth at constant FX rates of between 6-8% (unchanged);
  - Underlying Profit growth at constant FX rates of between 13-15% (previously 9-12%); and
  - Positive Free Cash Flow before dividends of between US$700-800 million (previously US$450-550 million).

Results highlights

	1H24 result (Actual FX)	Change vs. 1H23 (Actual FX)	Change vs. 1H23 (Constant FX)
Sales revenue (continuing ops.)	US$3,281.8m	12%	10%
Underlying Profit[2] & Operating profit (continuing ops.)	US$664.7m	21%	19%
Operating profit after tax (continuing ops.)	US$392.1m	17%	14%
Basic earnings per share (continuing ops.)	US28.2¢	17%	14%
Profit after tax (incl. discontinued ops.)	US$391.3m	18%	15%
Basic earnings per share	US28.1¢	18%	15%
Return on Capital Invested[3]	21.8%	2.0pts	2.0pts
Cash Flow from Operations	US$517.6m	US$377.2m	
Free Cash Flow before dividends (incl. discontinued ops.)	US$311.1m	US$303.3m	
Free Cash Flow after dividends (incl. discontinued ops.)	US$116.1m	US$262.7m	
Interim dividend declared per share	US15.0¢		

[1] At constant FX, except for the results of hyperinflation economies, which are translated at period end FX rates.
[2] A non-statutory measure that represents profit from continuing operations before finance costs, hyperinflation adjustments, tax and Significant Items. Underlying Profit is equal to Operating profit in 1H24 and in the comparative period as there are no Significant Items from continuing operations.
[3] Underlying Profit multiplied by two, divided by the six-month average of capital invested; capital invested is calculated as net assets before tax balances, cash, borrowings and lease liabilities, but after adjustments for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

Operating environment

Brambles' operating environment in 1H24 was characterised by a significant improvement in market pallet availability and a moderate increase in overall input costs.

During the period, Brambles experienced year-on-year increases in labour inflation across the Group. This was partially offset by deflation across global fuel and lumber prices as well as US third-party freight rates. Lower lumber prices translated to a reduction in the capital cost of pallets in all regions, albeit these remain well above historical averages.

Industry-wide improvements in pallet availability supported more efficient pallet dynamics across retailer and manufacturer supply chains in all regions. These included improved cycle times in most regions, lower loss rates in CHEP Americas and ~8 million additional pallet returns due to inventory optimisation at retailers and manufacturers in North America and Europe.

Combined with ongoing benefits from asset efficiency initiatives, these dynamics resulted in increased pallet recoveries and returns across Brambles' network which significantly improved customer service levels in all regions and had the following impacts on the Group's volume, operating and capital efficiency performance in the period.

Volume from existing customers was impacted by their inventory optimisation initiatives, as manufacturers and retailers used existing pallets to service demand without replenishing orders. At the same time, improved pallet availability across the network allowed Brambles to pursue new business in Europe and North America, with modest contract wins achieved in a more competitive environment.

Operationally, increased pallet returns and recoveries resulted in incremental repair, handling and transportation costs in all regions. This included the impact of higher pallet damage rates linked to the longer time spent in customer and retailer supply chains. The business also incurred additional storage costs with pallet balances temporarily above Brambles' network requirements in North America and Europe. These stored pallets are expected to be used to service new customer contract wins and replace lost or scrapped pallets over the balance of FY24 and into 1H25.

The additional pallet returns and recoveries reduced Brambles' new pallet purchases by ~10 million units in the half. This combined with the year-on-year reduction in the capital cost of new pallets, were the primary drivers of the improvement in Brambles' asset efficiency metric, the pooling capex to sales ratio, which halved to 14% compared with the same period last year.

Brambles expects inventory optimisation to be largely complete by the end of FY24, following an estimated ~5 to 6 million additional pallet returns in 2H24. Existing customer volume impacts, operational cost increases and capital expenditure savings are expected to moderate in line with the lower levels of additional pallet returns in 2H24 and the cycling of ~5 million additional pallet returns in 2H23 due to inventory optimisation. These assumptions are included in Brambles' updated FY24 outlook.

CEO commentary

Commenting on the 1H24 result, Brambles' CEO, Graham Chipchase, said: "Building on the momentum generated in FY23, we continued to drive improvements for our customers and progress our transformation while delivering on our investor value proposition.

"Our financial performance was strong and included sales revenue growth of 10% and an uplift in operating leverage with Underlying Profit growth of 19% on a constant currency basis. Cash flow generation also improved materially with Free Cash Flow before dividends increasing by over US$300 million compared to the same period last year.

"This performance reflected our ongoing commercial discipline and more dynamic pricing structures, which better align with our cost-to-serve. Productivity improvements linked to our transformation programme, including higher compensations for lost assets, combined with easing inflationary pressures and more efficient pallet flows across retailer and manufacturer supply chains were also key contributors in the half.

"Our focus continues to be on driving profitable volume growth and our teams in North America and Europe are actively engaging with strong new business pipelines in these markets. While new business momentum is gathering pace, growth with new customers in the half was slower than expected due to an increase in the average time for manufacturers to convert to pooling. This was primarily due to whitewood pricing deflation, which provides an incentive for these businesses to delay, but not stop, an eventual move to pooling. In addition, certain customers dual sourcing a small portion of their pallet volumes has, to a lesser extent, impacted net new business volumes. We are confident in the strength of our competitive advantage and despite some increase in competitor activity our market share in both Europe and the US remains broadly stable.

"We continue to look for opportunities to deliver superior value for our customers and differentiate ourselves as the supply chain partner of choice. Providing unmatched service levels, including delivering high quality platforms to customers on time, is critical and we took meaningful steps to improve our performance in the first half. This included increased investments in quality, further rollout of real time notifications and improved delivery performance, which generated an uplift to our Group net promoter score.

"Our data analytics and asset digitisation capabilities have the potential to create a truly seamless customer experience and unlock significant shared value with our customers, by identifying and proactively removing inefficiencies from their supply chains. Building on the progress made to date, we have further embedded advanced data analytics solutions across our organisation and we continue to test, learn and adapt our approach to deploying tracking technologies as we work through various operational challenges to determine the viability of scaling in the future. In addition, we are developing and piloting a portfolio of new and innovative digital customer solutions that can help our customers transform their own supply chains and make them more efficient, agile and sustainable.

"Finally, I am very proud of the progress across all aspects of our sustainability programme and our ongoing recognition as a global leader in sustainability. Most recently, we advanced one position to be ranked second place in Corporate Knights' Global 100 list and this is testament to the importance of our share and reuse model in reducing environmental impacts on a global scale."

Commenting on the upgraded FY24 guidance, Mr Chipchase said: "Considering the financial performance in the first half, we have upgraded our Underlying Profit and Free Cash Flow before dividend guidance while our revenue outlook remains unchanged.

"We expect volumes to be flat for the year as a return to positive net new business wins, driven by the US and European pallet businesses, is offset by ongoing weakness in like-for-like volumes. As anticipated, the rate of price growth will moderate in the second half as we cycle increasingly challenging prior year comparatives, improved supply chain behaviour reduces contributions from asset efficiency linked pricing mechanisms and inflation continues to moderate.

"Importantly, our pricing will continue to align with the cost-to-serve, with ongoing operating leverage in the second half supported by lower uncompensated losses as supply chain dynamics improve and we accelerate asset efficiency initiatives.

"In addition, cash flow improvements compared to guidance set in August reflects our expectations for higher full-year earnings, greater returns from inventory optimisation and further improvements from asset productivity initiatives supporting fewer pallet purchases, combined with a reduction in the capital cost of pallets."

1H24 result overview

Sales revenue from continuing operations of US$3,281.8 million increased 10%[1] as price growth more than offset a (1)% decline in volumes across the Group. Price growth of 11% comprised an 8-percentage point rollover contribution from pricing actions taken in the prior year and a 3-percentage point contribution from price increases on contracts renewed in 1H24 to recover the cost-to-serve. Like-for-like volumes declined (1)% and included an estimated 2-percentage point adverse impact due to inventory optimisation in North America and Europe. Excluding this impact, like-for-like volumes increased 1%, while net new business volumes were flat across the Group.

Underlying Profit and Operating profit of US$664.7 million increased 19%[1] reflecting transformation-linked productivity gains, including reduced uncompensated asset losses, and the recovery of cost-to-serve through pricing and commercial terms. These benefits more than offset incremental plant and transport costs associated with higher pallet returns and cost increases due to higher depreciation, wage inflation and investments in transformation initiatives including those to support improvements in customer service levels, product quality and asset efficiency.

Profit after tax from continuing operations of US$392.1 million increased 14%[1] as growth in Underlying Profit was partly offset by net finance cost increases reflecting the impact of higher interest rates on debt and leases, and a net non-cash charge of US$25.4 million relating to Brambles' operations in hyperinflationary economies, primarily Argentina and Türkiye.

Return on Capital Invested of 21.8% increased two percentage points[1] as Underlying Profit growth more than offset an 8% increase in Average Capital Invested (ACI). The increase in ACI primarily reflected the net impact of the higher capital cost of assets added to the pool to support the business compared to the value of assets written off.

Cash Flow from Operations of US$517.6 million, increased US$377.2 million as higher earnings, lower capital expenditure, improved compensations for lost assets and favourable working capital movements more than offset the reversal of ~US$90 million FY23 timing benefits. Capital expenditure on a cash basis decreased US$267.2 million reflecting lower pooling capex partially offset by a US$67.5 million unfavourable impact associated with the timing of capex creditor payments.

Free Cash Flow after dividends of US$116.1 million increased US$262.7 million as the improvement in Cash Flow from Operations was partly offset by a reduction in cash flow from discontinued operations, primarily relating to the final settlement of a loan relating to a divestment in 2018 of US$41.5 million, and higher financing, tax and dividend payments in the period.

Interim dividend

The Board has declared a 2024 interim dividend of 15.0 US cents per share.

The payout ratio of 50% is in line with Brambles' dividend policy to pay out between 45% and 60% of Underlying Profit after finance costs and tax[4].

The 2024 interim dividend declared is 23.09 Australian cents per share[5], with franking of 35%. The unfranked component of the final dividend is conduit foreign income. Consequently, non-resident shareholders will not pay Australian dividend withholding tax on this dividend. The interim dividend is payable on 11 April 2024 to shareholders on Brambles' register at 5.00pm AEDT on 14 March 2024. The ex-dividend date is 13 March 2024.

The non-underwritten Dividend Reinvestment Plan (DRP) will remain in place for this dividend. Shares under the DRP will not attract a discount and the dilutive impact on earnings per share of the DRP will be neutralised.

Shaping Our Future transformation programme

Brambles continues to make good progress with its Shaping Our Future transformation with benefits from the programme delivering improvements in customer service and supporting the strong financial performance in the period.

Key transformation achievements during 1H24 included:

- **Customer value:** Brambles delivered enhancements for customers during 1H24 with multiple feedback metrics improving, including NPS which increased significantly in all regions and across the Group in the last 12 months. The focus on customers has translated to improved speed of interactions, continued investment in pallet quality, increasing real time delivery notifications and a renewed focus on delivery performance. There was a significant improvement in 'delivery in full, on time' to ensure customers receive pooled equipment within the requested time window.
- **Digital transformation:** Brambles has further progressed its digital capabilities generating additional data and insights through its advanced analytics solutions which are being deployed across the organisation. The business also continues to adapt its approach to asset digitisation as it works through various operational challenges to determine the viability of scaling asset tracking technologies. Approximately 480,000 autonomous tracking devices have been deployed to date through either continuous diagnostics across the UK, Canada, US and Chile or targeted smaller-scale deployments in 32 countries. The data generated by tracking devices combined with Brambles' enhanced analytics capabilities have helped secure new business wins by more accurate cost-to-serve pricing and assisted in reducing unauthorised reuse and pallet losses through improved collections. The serialisation+ trial in Chile is ongoing with two million pallets uniquely tagged and the business remains on track to serialise ~3 million pallets by the end of FY24. Finally, three digital customer solutions that assist in identifying

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[4] Subject to Brambles' cash requirements.
[5] This reflects the US cents dividend converted at an A$:US$ exchange rate of 0.6495, the average exchange rate over the five business days ending 15 February 2024.

and remedying inefficiencies for customers in their supply chains were successfully piloted with two of these solutions moving to ongoing commercial engagements.

- **Asset efficiency & network productivity:** Brambles continued to improve on its asset efficiency with ~7.5 million pallets recovered and salvaged in 1H24 (1H23: ~5 million pallets) supported by data analytics, the deployment of smart assets and the continued expansion of asset recovery capabilities with specialised field resources and low volume recovery vehicles. In addition, Brambles continued expanding its retailer collaboration initiatives to improve asset efficiency by identifying points of leakage and increasing visibility of pallet flows within their supply chain. In network productivity, the business is on track to deliver 12 automated repair processes during FY24, in line with the revised plan. Additional network efficiency initiatives commenced this period including a focus on reducing machine downtime at service centres.
- **Business excellence:** In line with its commitment to Zero Harm, Brambles continues to implement its 'safety first' strategy introduced in FY22 and reduced the Brambles Injury Frequency Rate to 3.6 (1H23: 3.8). In addition, the business made further progress against its target of women in management roles achieving 37% as at December 2023. This represents a 2-percentage point improvement on December 2022 and remains on track to achieve the 40% target by end of FY25.
- **Sustainability and ESG**: The business maintained its strict adherence to 100% sustainably sourced timber, an achievement it has held since FY20. Additionally, the Chain of Custody certification increased by five percentage points since 1H23, reaching 77%. Brambles maintained carbon neutrality (Scope 1 and 2) and 100% renewable electricity for its own operations while total Scope 1, 2 and 3 emissions continued to reduce ahead of Brambles' path to deliver its science-based target commitments. During this period, Brambles achieved its FY25 objective of advocating, educating and impacting one million people to become circular economy change makers through events and communications. Brambles also materially exceeded its target of 30% recycled or upcycled plastic going into new platforms. These results reflect the successful integration of sustainability targets into product development processes.

As outlined in the scorecard on slide 7 of the 1H24 results presentation lodged with the ASX today, some metrics have already been achieved and most are on track. However, adverse operating conditions, particularly over the past two years, have impacted the progress on some customer, asset efficiency and network productivity initiatives. The business continues to implement various initiatives to address shortfalls.

In customer value, pallet availability improvements combined with quality initiatives drove a significant increase in NPS scores in 1H24, albeit off a low base. Despite this increase, the business remains below target to increase customer NPS by 8-10 points by the end of FY25 compared to the FY21 baseline. The business is focused on service levels related to pallet delivery, product quality and creating a seamless customer experience to meet this target.

In asset efficiency, Brambles increased the level of compensations for lost assets across the Group and saw early improvements in loss rates in the Americas region in the period. Notwithstanding these improvements, Brambles is currently tracking below the target of reducing uncompensated pallet losses by ~30% by the end of FY25 compared to the FY21 baseline. Industry-wide improvements in pallet availability combined with multiple asset efficiency initiatives are expected to further improve loss rates through the balance of FY24 and into FY25 to deliver the target.

Finally in network productivity, despite the benefits from pallet durability initiatives undertaken since the transformation programme commenced, pallets have spent a longer time in the supply chain which has led to higher rates of damage in 1H24. This impacted Brambles' target to reduce the pallet damage ratio by 75 basis points year-on-year through FY25.

FY24 Outlook

Brambles FY24 guidance, for the year ended 30 June 2024:

- Sales revenue growth of between 6-8% at constant currency (unchanged);
- Underlying Profit growth of between 13-15% at constant currency (previously 9-12%);
- Positive Free Cash Flow before dividends of between US$700-800 million (previously 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 tax[6] 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 inventory optimisation, and movements in FX rates.

Further details on FY24 outlook considerations are outlined on slides 23 and 24 in the 1H24 result presentation lodged with the ASX today.

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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.

[6] Subject to Brambles' cash requirements.

Background Information

US$m (at actual FX rates)	1H24	1H23	2H23	FY23
Sales revenue				
CHEP Americas	1,799.5	1,639.6	1,731.4	3,371.0
CHEP EMEA	1,209.3	1,039.2	1,151.9	2,191.1
CHEP Asia-Pacific	273.0	252.7	262.0	514.7
Continuing operations	3,281.8	2,931.5	3,145.3	6,076.8
EBITDA				
CHEP Americas	682.8	592.9	589.4	1,182.3
CHEP EMEA	479.2	401.8	442.6	844.4
CHEP Asia-Pacific	126.7	124.8	119.5	244.3
Corporate	(94.2)	(73.5)	(115.3)	(188.8)
Continuing operations	1,194.5	1,046.0	1,036.2	2,082.2
Depreciation of property, plant and equipment and Irrecoverable Pooling Equipment Provision (IPEP)				
CHEP Americas	318.3	301.8	296.1	597.9
CHEP EMEA	170.0	154.9	181.5	336.4
CHEP Asia-Pacific	32.9	31.6	31.8	63.4
Corporate	0.5	0.5	0.6	1.1
Continuing operations	521.7	488.8	510.0	998.8
Amortisation of intangibles				
CHEP Americas	6.4	5.5	5.6	11.1
CHEP EMEA	0.6	0.9	0.6	1.5
CHEP Asia-Pacific	-	0.3	0.1	0.4
Corporate	1.1	1.7	1.7	3.4
Continuing operations	8.1	8.4	8.0	16.4
Underlying Profit and Operating profit				
CHEP Americas	358.1	285.6	287.7	573.3
CHEP EMEA	308.6	246.0	260.5	506.5
CHEP Asia-Pacific	93.8	92.9	87.6	180.5
Corporate	(95.8)	(75.7)	(117.6)	(193.3)
Continuing operations	664.7	548.8	518.2	1,067.0
Capital expenditure on property, plant and equipment (accruals basis)				
CHEP Americas	338.9	443.2	461.0	904.2
CHEP EMEA	153.1	359.1	187.4	546.5
CHEP Asia-Pacific	35.5	59.9	56.2	116.1
Corporate	-	-	0.3	0.3
Continuing operations	527.5	862.2	704.9	1,567.1
Cash Flow from Operations				
CHEP Americas	215.7	119.3	344.2	463.5
CHEP EMEA	331.3	27.1	305.9	333.0
CHEP Asia-Pacific	76.7	72.9	77.2	150.1
Corporate	(106.1)	(78.9)	(77.9)	(156.8)
Continuing operations	517.6	140.4	649.4	789.8

Background Information (continued)

US$m (at actual FX rates)	1H24	1H23	2H23	FY23
Average Capital Invested				
CHEP Americas	3,140.1	2,970.7	3,095.9	3,033.3
CHEP EMEA	2,323.6	2,074.2	2,363.0	2,218.6
CHEP Asia-Pacific	552.8	520.3	540.5	530.4
Corporate	80.2	(18.0)	(19.4)	(18.7)
Continuing operations	6,096.7	5,547.2	5,980.0	5,763.6
Return on Capital Invested				
CHEP Americas	22.8%	19.2%	18.6%	18.9%
CHEP EMEA	26.6%	23.7%	22.0%	22.8%
CHEP Asia-Pacific	33.9%	35.7%	32.4%	34.0%
Continuing operations	21.8%	19.8%	17.3%	18.5%
Pooling capital expenditure to sales ratio				
CHEP Americas	16.9%	25.6%	22.9%	24.2%
CHEP EMEA	11.4%	33.3%	14.0%	23.2%
CHEP Asia-Pacific	11.6%	20.8%	17.0%	18.9%
Continuing operations	14.4%	27.9%	19.1%	23.4%
Number of pallets, RPCs and containers – net, after IPEP (millions of units)				
CHEP Americas				
- Pallets	142	147		144
- Other	-	-		-
Total CHEP Americas	142	147		144
CHEP EMEA				
- Pallets	149	158		151
- Other	21	21		21
Total CHEP EMEA	170	179		172
CHEP Asia-Pacific				
- Pallets	24	22		25
- Other	12	13		12
Total CHEP Asia-Pacific	36	35		37
Total	348	361		353
Number of pooling equipment purchases (millions of units)				
CHEP Americas				
- Pallets	11	13	12	25
- Other	-	-	-	-
Total CHEP Americas	11	13	12	25
CHEP EMEA				
- Pallets	9	16	7	23
- Other	1	1	1	2
Total CHEP EMEA	10	17	8	25
CHEP Asia-Pacific				
- Pallets	1	2	1	3
- Other	-	-	-	-
Total CHEP Asia-Pacific	1	2	1	3
Total	22	32	21	53

Summary of Key Metrics

US$m			Change	
Continuing operations	**1H24**	**1H23**	**Actual FX**	**Constant FX**
CHEP Americas	1,799.5	1,639.6	10%	8%
CHEP EMEA	1,209.3	1,039.2	16%	11%
CHEP Asia-Pacific	273.0	252.7	8%	11%
Sales revenue	**3,281.8**	**2,931.5**	**12%**	**10%**
Other income and other revenue	**142.4**	**181.5**	**(22)%**	**(21)%**
CHEP Americas	358.1	285.6	25%	24%
CHEP EMEA	308.6	246.0	25%	21%
CHEP Asia-Pacific	93.8	92.9	1%	5%
Corporate (incl. transformation)	(95.8)	(75.7)	(27)%	(24)%
Underlying Profit and Operating profit	**664.7**	**548.8**	**21%**	**19%**
Net finance costs	(64.0)	(49.7)	(29)%	(25)%
Net impact arising from hyperinflationary economies[7]	(25.4)	(12.4)	(105)%	(182)%
Tax expense	(183.2)	(152.2)	(20)%	(19)%
Profit after tax from continuing operations	**392.1**	**334.5**	**17%**	**14%**
Loss from discontinued operations	(0.8)	(3.4)		
Profit after tax	**391.3**	**331.1**	**18%**	**15%**
Average Capital Invested	6,096.7	5,547.2	10%	8%
Return on Capital Invested	**21.8%**	**19.8%**	**2.0pts**	**2.0pts**
Weighted average number of shares (m)	1,390.4	1,387.1	-	-
Basic EPS (US cents)	**28.1**	**23.9**	**18%**	**15%**
Basic EPS from continuing operations (US cents)	**28.2**	**24.1**	**17%**	**14%**

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

Note: Commentary and comparisons against prior corresponding period at constant FX rates[8]. Cash flow and debt commentary and comparisons at actual FX rates. Other commentary and comparatives as stated.

Sales revenue from continuing operations of US$3,281.8 million increased 10% as price growth offset a (1)% decline in volumes across the Group. Price growth of 11% included an 8-percentage point rollover contribution from pricing actions taken in the prior year to recover cost-to-serve increases in all regions. The balance of price growth related to price increases on contracts renewed in 1H24.

Like-for-like volumes declined (1)% and included an estimated 2-percentage point adverse impact from inventory optimisation across retailer and manufacturer supply chains, primarily in North America and Europe. Excluding the impact of inventory optimisation, like-for-like volumes increased 1% as growth with existing customers in Australia pallets, US pallets and Europe automotive businesses offset lower pallet volumes in Europe due to soft underlying consumer demand.

Net new business volumes were flat as modest new contract wins in Europe pallets, Canada pallets and North America automotive businesses were offset by net losses of (1)% in US pallets primarily driven by the rollover impact of contracts lost in the prior year.

Other income and other revenue of US$142.4 million included US$93.3 million of income relating to North American surcharges which are pricing mechanisms that seek to recover the impact of lumber, fuel and transport inflation on the operating and capital cost-to-serve in that region.

During the period, North American surcharge income decreased US$29.0 million, in line with deflation in market prices for lumber, fuel and transport in that region.

The balance of 'other income and other revenue' decreased US$8.7 million on the prior year as higher compensations for lost assets across the Group were more than offset by decreases in various other income items.

Underlying Profit and Operating profit of US$664.7 million increased 19% notwithstanding ongoing investments in various transformation initiatives, including those to support improvements in customer service levels, product quality and asset efficiency. This growth performance was also relative to a strong prior corresponding period which included ~US$43 million of timing and one-off benefits relating to lower pallet return rates and Australian flood insurance proceeds which did not repeat in 1H24.

Operating leverage in 1H24 was supported by better pricing and commercial terms to recover the cost-to-serve and

[7] Relating to operations in Argentina, Türkiye and Zimbabwe.
[8] For the hyperinflationary economies of Argentina, Türkiye and Zimbabwe, financials are translated at period end FX rates.

productivity improvements linked to the transformation programme. These included operational efficiencies and better asset control, with lower pallet losses in the CHEP Americas segment and higher compensations for lost assets across the Group.

Collectively, these benefits more than offset direct and indirect cost increases across the Group.

Direct cost increases included incremental plant and transport costs associated with higher pallet returns across our major markets, higher depreciation charges as well as inflation, primarily in labour, as fuel and lumber costs experienced deflation in most markets. Transport inflation in most markets was largely offset by transport deflation in the US.

Indirect cost increases reflected higher overhead costs linked to wage inflation and additional resources to support transformation initiatives at both a Group and regional level.

Profit after tax from continuing operations of US$392.1 million, increased 14% as the growth in Underlying Profit was partly offset by higher net finance costs and a net non-cash charge of US$25.4 million relating to Brambles' operations in hyperinflationary economies, primarily Argentina and Türkiye.

Net finance costs increased 25% reflecting the six-month impact of the 8-year €500m green bond refinancing in March 2023 and the impact of higher interest rates on floating debt and lease renewals.

The effective tax rate on Underlying Profit in 1H24 of 30.5% was in line with the prior corresponding period.

Return on Capital Invested[9] was 21.8%, up 2.0 percentage points as Underlying Profit growth more than offset an 8% increase in Average Capital Invested.

The increase in Average Capital Invested reflected capital investments to support the business and the net impact of the higher capital cost of assets added to the pool compared to the value of assets written off.

Cash Flow Reconciliation

US$m (at actual FX rates)	1H24	1H23	Change
Underlying Profit	664.7	548.8	115.9
Depreciation and amortisation	390.2	350.9	39.3
IPEP expense	139.6	146.3	(6.7)
Underlying EBITDA[10]	**1,194.5**	**1,046.0**	**148.5**
Capital expenditure (cash basis)	(654.8)	(922.0)	267.2
Proceeds from sale of PP&E	117.0	88.2	28.8
Working capital movement	(24.3)	(27.2)	2.9
Purchase of intangibles	(6.0)	(5.7)	(0.3)
Other	(108.8)	(38.9)	(69.9)
Cash Flow from Operations	**517.6**	**140.4**	**377.2**
Significant Items	-	(0.5)	0.5
Discontinued operations	(1.0)	34.3	(35.3)
Financing & tax costs	(205.5)	(166.4)	(39.1)
Free Cash Flow before dividends	**311.1**	**7.8**	**303.3**
Dividends paid	(195.0)	(154.4)	(40.6)
Free Cash Flow after dividends	**116.1**	**(146.6)**	**262.7**

Cash Flow from Operations of US$517.6 million increased US$377.2 million as higher earnings, lower capital expenditure, improved compensations for lost assets and favourable working capital movements were partly offset by the reversal of ~US$90 million FY23 timing benefits.

Capital expenditure decreased US$267.2 million on a cash basis which included an increase of US$67.5 million associated with the timing of capex creditor payments.

On an accruals basis and at constant currency, capital expenditure decreased US$345.3 million, driven by a US$356.2 million reduction in pooling capital expenditure reflecting:

- ~US$266 million benefit from ~10 million fewer pallets purchased in the period driven by ~8 million additional pallet returns due to inventory optimisation across retailer and manufacturer supply chains with the balance relating to benefits from asset productivity initiatives; and
- ~US$90 million benefit from the impact of lumber deflation on the unit cost of pallets purchases.

This reduction in pooling capital expenditure, combined with sales revenue growth, led to a material improvement in the Group's asset efficiency metric, the pooling capital expenditure to sales ratio, which decreased to 14.4% in 1H24, from 27.9% in 1H23.

[9] Underlying Profit multiplied by two to calculate an annualised amount, divided by the six-month average of capital invested; capital invested is calculated as net assets before tax balances, cash, borrowings and lease liabilities, but after adjustments for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

[10] Earnings before interest, tax, IPEP, depreciation and amortisation: calculated as Underlying Profit after adding back depreciation, amortisation and IPEP.

Other key movements in the period included:

- Proceeds from the sale of PP&E which increased US$28.8 million, notwithstanding a US$8 million one-off cash benefit relating to Australian flood insurance proceeds in 1H23. The increase in the period was driven by improved collection of compensations for lost assets across the major markets;
- Working capital movements which remained broadly in line with 1H23 as the reversal of FY23 timing benefits of ~US$50 million was offset by improvements in working capital in the period; and
- Other cash flow items decreased US$69.9 million mainly due to the reversal of FY23 timing benefits of ~US$40 million, the cycling of higher deferred revenue in the prior corresponding period and non-cash adjustments relating to asset disposals.

Free Cash Flow after dividends of US$116.1 million increased US$262.7 million as the improvement in Cash Flow from Operations was partly offset by a reduction in cash flow from discontinued operations, and higher financing, tax and dividend payments in the period.

Cash flow from discontinued operations declined US$35.3 million on the prior-year comparative which benefited from the US$41.5 million final settlement from First Reserve relating to the divestment of the Hoover Ferguson Group investment in 2018. This benefit was partly offset by the cash outflow from CHEP China, which was divested in March 2023.

Financing and tax payments increased US$39.1 million reflecting a US$40.7 million increase in tax payments due to increased profits and the timing of US Base Erosion and Anti-Abuse Tax ('BEAT') payments. This was offset by a US$1.6 million reduction in net interest paid as a result of the timing of interest payments.

Dividend payments increased US$40.6 million reflecting an increase in the final dividend per share declared in FY23 and paid in 1H24, as well as the impact of FX movements.

Net Debt & Key Ratios

US$m (at actual FX rates)	Dec 2023	Jun 2023	Change
Current debt	712.1	672.3	39.8
Non-current debt	2,225.3	2,212.0	13.3
Gross debt	**2,937.4**	**2,884.3**	**53.1**
Less cash & deposits	(195.9)	(160.7)	(35.2)
Net debt	**2,741.5**	**2,723.6**	**17.9**
Key ratios[11]	**1H24**	**1H23**	
Net debt to EBITDA	1.23x	1.49x	
EBITDA interest cover	17.4x	20.6x	

Net debt as at 31 December 2023, was US$2,741.5 million, including US$737.7 million of lease liabilities.

Net debt increased US$17.9 million as the free cash generation in the period was offset by lease capitalisations and FX impacts on Euro denominated borrowings.

Liquidity remains strong with US$1.6 billion of undrawn committed credit facilities and US$195.9 million of cash at 31 December 2023.

ESG Metrics

Metric	1H24	FY23
Scope 1 & 2 GHG emissions	15.8ktCO_2-e	32.6ktCO_2-e
Scope 3 GHG emissions[12]	650.2ktCO_2-e	1,406.5ktCO_2-e
Women in management roles	37%	36%
Sustainably sourced timber	100%	100%
Sites with product waste diverted from landfill	82%	80%[13]

Refer to the Brambles website for KPMG's statements of Limited Assurance over the 1H24 and FY23 ESG metrics.

Scope 1 & 2 GHG emissions

- Scope 1 represents emissions from Brambles' use of diesel, natural gas and liquid petroleum gas (LPG).
- Scope 2 represents emissions from Brambles' use of electricity.

Scope 3 GHG emissions

- Scope 3 represents indirect emissions (outside of Brambles' direct control). For Brambles, material Scope 3 categories include waste, logistics, capital expenditure and third-party managed service centres.

1H24 represents the first time Brambles has assured its half-year emissions data. This information is presented alongside the FY23 data to set an assured comparative benchmark for future half and full-year emissions disclosures.

Given seasonality and other factors during a fiscal year period, half and full-year emissions trends cannot be compared and therefore no commentary has been provided in this update. Brambles will provide commentary and analysis on assured emissions data on a half-year basis at the 1H25 result.

Women in management roles

- Management covers the following roles: Manager, Senior Manager, Director, Senior Director, Vice President and above.

The percentage of women in management roles reached 37% as at 1H24, an increase of 1-percentage point from the end of FY23. The increase has been driven by a proactive approach to talent acquisition and succession planning processes across all regions and functions. This represents continued progress and Brambles remains on track to reach its 40% target by the end of FY25.

[11] Key financial ratios using EBITDA and net interest expense are on a twelve-month rolling basis. 1H23 ratios exclude the results of CHEP China.

[12] Scope 3 GHG emissions have been prepared in accordance with the GHG Protocol. Scope 3 GHG emissions are indirect emissions from the generation of fuel from sources outside the organisational boundary as a consequence of activities of the Group. As Scope 3 emissions are outside of Brambles' direct control, we apply assumptions based on historical experience and available information to estimate Scope 3 emissions.

[13] The result for FY23 has been restated from 74% to 80%. The FY23 restatement reflects a revision to the list of sites under Brambles' operating control and enables a like-for-like comparison to the 1H24 result.

Sustainably sourced timber

- Sustainably sourced timber is timber certified by either the Forest Stewardship Council (FSC®)(FSC®-N004324) or the Programme for the Endorsement of Forest Certification (PEFC) (PEFC/01-44-79).

In 1H24, Brambles maintained its strict adherence to 100% sustainably sourced timber, an achievement it has held since FY20.

Sites with product waste diverted from landfill

- Landfill is defined as the disposal of waste material by burying it or burning it (with no energy or heat reclaim process).

In 1H24, the percentage of sites (both Brambles and third-party managed) that diverted product waste from landfill improved by 2-percentage points since the end of FY23. This was achieved through active engagement with operations teams to improve waste diversion practices and implement sustainable waste solutions to achieve zero-waste declaration at additional sites. Brambles remains on track with its target to divert all product waste from landfill by the end of FY25.

Segment Analysis

CHEP Americas

US$m			Change	
	1H24	1H23	Actual FX	Constant FX
Pallets	1,779.2	1,622.3	10%	8%
Containers	20.3	17.3	17%	17%
Sales revenue	**1,799.5**	**1,639.6**	**10%**	**8%**
Underlying Profit	**358.1**	**285.6**	**25%**	**24%**
Average Capital Invested	3,140.1	2,970.7	6%	5%
Return on Capital Invested	**22.8%**	**19.2%**	**3.6pts**	**3.4pts**

Sales revenue

Pallets sales revenue of US$1,779.2 million increased 8% driven by rollover contributions from pricing actions taken in FY23, and to a lesser extent, in the current period, to align contractual pricing with the cost-to-serve across respective regions. Volumes decreased (1)% as modest growth in Canada and Latin America was more than offset by lower US volumes.

US pallets sales revenue of US$1,293.2 million increased 9% and comprised:

- Price growth of 11% driven by rollover contributions from pricing actions taken in FY23 to recover the cost-to-serve as contractual price increases in 1H24 was largely offset by adverse customer mix impact;
- Net new business decline of (1)% as modest customer wins were offset by losses in small to medium businesses, primarily driven by the rollover impact of prior-year customer losses; and
- Like-for-like volume decline of (1)% driven by the impact of inventory optimisation at manufacturers and retailers. Excluding the impact of inventory optimisation, like-for-like volumes increased 1% as growth with existing customers in the beverage and protein sectors offset lower consumer demand in other categories.

Canada pallets sales revenue of US$197.1 million increased 5%, primarily reflecting pricing to recover cost-to-serve increases. Volume growth was modest as net new wins were partly offset by lower like-for-like volumes driven by inventory optimisation.

Latin America pallets sales revenue of US$288.9 million increased 6%, driven by price realisation to recover cost-to-serve as well as 2% volume growth with new and existing customers mainly in Mexico and Brazil.

Containers sales revenue of US$20.3 million increased 17% reflecting rollover contributions from prior-year pricing actions to recover cost-to-serve. Volumes were broadly in line with the prior year as growth in like-for-like volumes was offset by the rollover impact of customer losses in FY23.

Profit

Underlying Profit of US$358.1 million increased 24% as price realisation, improved asset control and increased asset compensations for lost assets more than offset additional costs associated with higher pallet return rates due to inventory optimisation and increased investment in asset productivity and other transformation initiatives.

Underlying Profit growth reflected the sales contribution to profit of US$154 million and the following movements in key cost and other income items:

- Plant cost increases of US$19 million included input-cost inflation of US$20 million as labour and other input-cost increases were partly offset by lumber deflation. Higher pallet returns, damage rate increases and investments in quality initiatives in 1H24 resulted in incremental repair, handling and storage costs compared to 1H23, which included ~US$12 million of deferred cost benefits due to lower pallet returns in that period. These increases were largely offset by productivity improvements in the period and cycling one-off supply chain disruptions;
- Transport cost increases of US$15 million as higher pallet return rates and asset productivity initiatives in 1H24 resulted in longer travel distances and incremental pallet collections and relocations compared to 1H23, which included deferred cost benefits of ~US$15 million from lower pallet returns in that period. These increases were partly offset by fuel and transport deflation;
- North American surcharge income decreases of US$29 million in line with lumber, fuel and transport deflation of US$26 million in the period;
- Depreciation expense increases of US$24 million driven by the higher unit cost of pallets added to the pool over the preceding 12 months;
- IPEP expense decrease of US$14 million, reflecting lower pallet losses due to continued focus on asset control initiatives and improved pallet market dynamics. This improvement was partly offset by the higher per unit write-off costs in the US; and
- Other cost increases of US$13 million, primarily reflecting rollover impacts of additional employees in

FY23 and, to a lesser extent, additional hires in 1H24, including the associated impact of wage inflation, to support business growth and transformation. These increases were partly offset by increased compensations for lost pallets and lower pallet scraps.

Return on Capital

Return on Capital Invested of 22.8% increased 3.4 percentage points reflecting the strong performance in Underlying Profit, which more than offset a 5% increase in Average Capital Invested. The increase in Average Capital Invested reflected the net impact of the higher capital cost of assets added to the pool compared to the value of assets written off.

CHEP EMEA

US$m			Change	
	1H24	1H23	Actual FX	Constant FX
Pallets	1,064.5	902.6	18%	13%
RPC	12.9	13.2	(2)%	8%
Containers	131.9	123.4	7%	3%
Sales revenue	**1,209.3**	**1,039.2**	**16%**	**11%**
Underlying Profit	**308.6**	**246.0**	**25%**	**21%**
Average Capital Invested	2,323.6	2,074.2	12%	7%
Return on Capital Invested	**26.6%**	**23.7%**	**2.9pts**	**3.0pts**

Sales revenue

Pallets sales revenue of US$1,064.5 million increased 13%, reflecting strong price realisation in all markets and modest net new business growth in Europe, partly offset by a decline in like-for-like volumes in the European pallet business.

Europe pallets sales revenue of US$963.1 million increased 13%, reflecting:

- Price growth of 16% (including indexation) to recover ongoing cost-to-serve increases through contractual pricing including a 12-percentage point contribution from rollover benefits from pricing actions taken in FY23 and a 4-percentage point contribution from contractual price increases in 1H24;
- Net new business growth of 1% relating to 1H24 contract wins across the region and, to a lesser extent, rollover contributions from prior-year contract wins primarily in Central and Eastern Europe; and
- Like-for-like volume decline of (4)% reflecting the softening consumer demand in the region and inventory optimisation across retailer and manufacturer supply chains. Excluding the impact of inventory optimisation, like-for-like volumes declined (3)%.

India, Middle East, Türkiye and Africa pallets sales revenue of US$101.4 million, up 8% primarily reflecting price realisation to recover cost-to-serve in the hyperinflationary markets of Türkiye and Zimbabwe in addition to pricing actions taken in the rest of the region.

RPCs and Containers sales revenue of US$144.8 million, up 4%, comprising:

- Automotive sales revenue of US$102.7 million up 7%, driven by strong like-for-like growth in Europe and rollover impact of prior-year customer wins in North America;
- IBCs sales revenue of US$29.2 million down (7)% due to lower container demand partly offset by price growth; and
- RPCs sales revenue of US$12.9 million up 8%, reflecting pricing to recover cost-to-serve increases.

Profit

Underlying Profit of US$308.6 million increased 21% primarily driven by rollover pricing contributions, transport efficiencies and increased asset compensations. These collectively offset additional costs associated with labour inflation, higher pallet return rates due to inventory optimisation and increased investments in asset productivity and other transformation initiatives.

Overall, the sales revenue contribution to profit of US$131 million was partly offset by:

- Plant cost increases of US$21 million which included input-cost inflation of US$9 million as labour and other cost inflation was partly offset by lumber deflation. The balance of the increase related to additional repair and handling costs associated with higher pallet returns in the period, partly offset by automation benefits;
- Transport cost increases of US$10 million, included input-cost inflation of US$4 million as higher third-party freight rates were partly offset by fuel deflation. The balance of the increase reflected additional transport miles associated with incremental pallet collections and relocations driven by higher pallet returns and asset productivity initiatives. These cost increases were partly offset by network efficiencies in the period;
- Depreciation expense increases of US$4 million driven by the higher unit cost of pallets added to the pool over the preceding 12 months;
- IPEP expense increase of US$3 million due to marginally higher pallet loss rates in the period; and
- Other cost increases of US$42 million largely driven by additional overhead investments in FY23 and 1H24 including the associated impact of wage inflation, to support growth and transformation initiatives in the region. These increases were partly offset by higher compensations for lost pallets.

Return on Capital

Return on Capital Invested of 26.6% increased 3.0 percentage points as the strong Underlying Profit performance more than offset a 7% increase in Average Capital Invested. The increase in Average Capital Invested reflected the net impact of the higher capital cost of assets added to the pool compared to the value of assets written off.

CHEP Asia-Pacific

US$m			Change	
	1H24	1H23	Actual FX	Constant FX
Pallets	202.2	185.0	9%	12%
RPC	49.6	46.6	6%	10%
Containers	21.2	21.1	-	3%
Sales revenue	**273.0**	**252.7**	**8%**	**11%**
Underlying Profit	**93.8**	**92.9**	**1%**	**5%**
Average Capital Invested	552.8	520.3	6%	9%
Return on Capital Invested	**33.9%**	**35.7%**	**(1.8)pts**	**(1.5)pts**

Sales revenue

Pallets sales revenue of US$202.2 million increased 12% with volume growth of 7% and price growth of 5%. Volume growth was predominantly weighted to existing customers in Australia, reflecting an increase in daily hire revenue driven by strong pallet demand and higher transport revenue as improved pallet circulation resulted in higher issue volumes and pallet return volumes. Price growth included a 3-percentage point rollover contribution from pricing actions taken in FY23 with the balance reflecting contractual price increases in 1H24.

RPC and Containers sales revenue of US$70.8 million increased 8%, primarily driven by the RPC business delivering both pricing and volume growth.

Profit

Underlying Profit of US$93.8 million increased 5% on a strong prior comparative period which included benefits that did not repeat in 1H24. These benefits included one-off insurance proceeds of US$8 million and deferred cost benefits in 1H23 of ~US$6 million due to lower pallet return rates.

During 1H24, the sales contribution to profit and increased compensations for lost assets more than offset plant and transport cost inflation and additional costs associated with increased pallet circulation and higher pallet return volumes. These additional costs included the repair, handling and relocation of pallets across the network, as well as transport that the business facilitates on behalf of customers which is associated with the transport revenue noted above.

Return on Capital

Return on Capital Invested of 33.9%, decreased 1.5 percentage points as the 9% increase in Average Capital Invested exceeded profit growth in the period.

The increase in Average Capital Invested included the net impact of the higher capital cost of assets added to the pool compared to the value of assets written off, growth in the pallet pool to support both customer demand and increased inventory holdings across their supply chains, and incremental service centre investments, including automation, to support the pallet and RPC businesses.

Corporate

US$m			Change	
	1H24	1H23	Actual FX	Constant FX
Short-term transformation costs	-	(13.2)	13.2	13.2
Ongoing corporate transformation costs	(60.6)	(30.9)	(29.7)	(28.1)
Shaping Our Future transformation costs	**(60.6)**	**(44.1)**	**(16.5)**	**(14.9)**
Corporate costs	(35.2)	(31.6)	(3.6)	(3.6)
Underlying Profit	**(95.8)**	**(75.7)**	**(20.1)**	**(18.5)**

Profit

Ongoing Shaping our Future transformation costs of US$60.6 million increased US$28.1 million and included:

- Digital transformation costs of US$45.7 million which increased US$21.4 million reflecting additional personnel to support asset digitisation and data analytics activities; and
- Other transformation costs of US$14.9 million which increased US$6.7 million reflecting increased investments to improve the customer experience and support the delivery of the transformation.

The increase in ongoing transformation spend was partly offset by the conclusion of short-term transformation costs, which were US$13.2 million in the prior corresponding period.

Corporate costs of US$35.2 million increased US$3.6 million, primarily reflecting labour-related cost increases including wage inflation and additional headcount.