



21 August 2017

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

Via electronic lodgement

Dear Sir/Madam,

BRAMBLES LIMITED ANNOUNCES FY17 RESULTS AND STRATEGIC PRIORITIES

Attached is an ASX and Media Release from Brambles Limited on its financial results for the year ended 30 June 2017.

Yours faithfully
Brambles Limited

Robert Gerrard
Company Secretary

Brambles announces FY17 result and strategic priorities

- **Sales revenue growth up 6% at constant currency¹** reflecting growth in all operating segments with significant contributions from global IFCO RPC businesses and pallets businesses in Europe and Latin America
- **Statutory profit measures adversely impacted by Significant Items of US\$436.1 million**
 - Operating profit from continuing operations, down 17% at constant currency, included a US\$120.0 million non-cash impairment of the Group's investment in the HFG joint venture
 - Profit after tax (including discontinued operations), down 69% at constant currency, also included a US\$243.8 million non-cash impairment of the CHEP Recycled business
- **Underlying Profit² broadly in line with prior year** as growth in most businesses was offset by an Underlying Profit decline in the US pallets business, losses in the HFG joint venture and higher BXB Digital investment costs
- **US pallets: Modest revenue growth and lower Underlying Profit** reflecting competitive pressures, structural changes in network costs, as well as one-off costs and inefficiencies associated with excess pallet inventories
- **Cash Flow from Operations increased US\$72.7 million**
- **2017 final dividend in line with prior year** at 14.5 Australian cents per share, with increased franking of 30%
- **Corporate actions**, which include the planned divestment of CHEP Recycled, highlights the focus on core pallet, crate and container pooling businesses
- **Strategic priorities focus on the core drivers of value** and are expected to deliver sustainable growth and returns well in excess of the cost of capital

Results Highlights

	FY17	Growth vs. FY16	
	(Actual FX)	(Actual FX)	(Constant FX)
Statutory basis			
Sales revenue – continuing operations ³	US\$5,104.3m	4%	6%
Operating profit – continuing operations	US\$771.4m	(18)%	(17)%
Profit after tax	US\$182.9m	(69)%	(69)%
Earnings per share	US11.5¢	(69)%	(69)%
Final dividend per share	AU14.5¢	-	-
Non-statutory basis – continuing operations			
Underlying Profit	US\$957.5m	(3)%	(1)%
Underlying Profit after tax and finance costs	US\$611.4m	(1)%	1%
Underlying earnings per share	US38.5¢	(2)%	-
Return on Capital Invested (ROCI) ⁴	17.0%	(2.3)pp	(2.3)pp
Cash flow and balance sheet			
Cash Flow from Operations	US\$591.5m	US\$72.7m	
Free Cash Flow after dividends	US\$(123.8)m	US\$(90.4)m	
Net debt – continuing operations	US\$2,572.7m	US\$(49.1)m	

¹ Constant currency is calculated by translating reported period results into US dollars at the actual monthly FX rates applicable in the prior corresponding period.

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

³ Continuing operations excludes contributions from CHEP Recycled, CHEP Aerospace, the former Oil and Gas businesses now part of the HFG joint venture, and other discontinued operations.

⁴ Underlying Profit, annualised, and divided by a 12-month average of capital invested: capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

Brambles delivered sales revenue of US\$5,104.3 million in the twelve months ended 30 June 2017 (FY17), an increase of 4% at actual FX rates and 6% at constant currency. Growth was largely driven by new business growth in the European pallets business, strong growth with new and existing customers in the global IFCO RPC businesses and continued momentum in the Latin America pallets business. The US pallets business also delivered modest volume growth, making a solid contribution to sales revenue growth in the year.

Operating profit from continuing operations was US\$771.4 million, a decline of 18% at actual FX rates and 17% at constant currency, primarily reflecting Significant Items of US\$186.1 million which included the non-cash impairment of Brambles' investment in the HFG joint venture (US\$120 million).

Profit after tax (including discontinued operations) of US\$182.9 million declined 69% at actual FX and constant-currency rates and included a US\$243.8 million non-cash impairment of Brambles' North America recycled pallets business, CHEP Recycled, which was classified as held for sale and recognised in discontinued operations in FY17.

Underlying Profit from continuing operations (a non-statutory measure which excludes Significant Items) of US\$957.5 million declined 3% at actual FX rates and 1% at constant currency, primarily due to lower earnings in the US pallets business. The decline in the US pallets business reflected: the reversal of benefits associated with strong growth in the second half of FY16; structural increases in network costs; and one-off inefficiencies relating to excess pallet inventories and lower demand in the second and third quarters of FY17. Losses in the HFG joint venture of US\$12.5 million and a US\$9.5 million increase in BXB Digital investment reduced Underlying Profit growth by two percentage points.

Return on Capital Invested of 17.0% declined 2.3 percentage points at actual FX and constant-currency rates largely due to lower Underlying Profit, primarily in the US pallets business, and an increase in Average Capital Invested.

Cash Flow from Operations of US\$591.5 million increased \$72.7 million over the prior year as favourable movements in working capital offset increased capital expenditure, partly driven by higher capital commitments in FY16.

Free Cash Flow after Dividends was reduced by US\$90.4 million reflecting higher dividend payments largely due to the impact of the Dividend Reinvestment Plan (DRP) being neutralised. Net debt was reduced by US\$49.1 million primarily due to the receipt of proceeds from the sale of CHEP Aerospace and creation of the HFG joint venture.

Dividend

The Board has declared a final dividend of 14.5 Australian cents per share with increased franking of 30%. The final dividend amount is in line with both the 2017 interim and 2016 final dividends. The unfranked component of the final dividend represents foreign conduit income and as such shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend. The 2017 final dividend is payable on 12 October 2017 to shareholders on Brambles' register at 5pm on 14 September 2017. The ex-dividend date is 13 September 2017.

The non-underwritten DRP remains in place at zero discount. Brambles will continue to neutralise any dilutive impact by way of on-market purchases.

CEO results commentary

Brambles' CEO Graham Chipchase said: "The Group's FY17 performance was broadly in line with the updated guidance provided at the 2017 half-year results. All segments delivered positive sales revenue growth, with Underlying Profit growth in all segments with the exception of CHEP Americas, which reflected challenges in our US pallets business.

"It was pleasing to see strong levels of volume growth in our European pallets business and continued momentum in our Latin America pallets business. Our global IFCO RPC businesses also continued to expand with both new and existing customers and delivered strong growth in Underlying Profit, led by the improvement in North America.

"Our US pallets business had a challenging year, with increasing competition and direct cost pressures impacting both revenue growth and profitability in the period. It was encouraging to see an increase in net new business wins and organic growth in the second half of the fiscal year. The pricing environment remains challenged given competitive pressures and cyclically low whitewood pallet prices."

Mr Chipchase added: "We are taking steps to address the impact of increased competition and the higher network cost structure in the US pallets business. These steps include a stronger focus on improving network efficiency and leveraging our global expertise to deliver additional cost savings across our operations."

Strategic priorities

Mr Chipchase said: "Brambles is a strong business with a sustainable operating model, superior network advantage and unique expertise. We are committed to leveraging our competitive advantage to ensure that, in a rapidly changing and increasingly competitive environment, we continue to deliver superior value for our customers, shareholders and employees. It is within this context that today we have articulated our strategy, focusing on the five core drivers which are critical to delivering value to our key stakeholders.

"These five core value drivers are:

- **Growing and strengthening our network advantage:** We are committed to strengthening our industry-leading positions and optimising our network by investing in platform quality and differentiated, value-enhancing customer solutions;
- **Delivering operational and organisational efficiencies:** We aim to reduce cost and improve productivity by leveraging our global scale and implementing global best practice in areas such as procurement, plant automation and transport optimisation;
- **Driving disciplined allocation of capital and improved cash generation:** By focusing investment on core pooling businesses and delivering asset efficiencies, we will seek to generate the cash needed to fully fund both dividends and reinvestment in the business;
- **Innovating to create new value:** Investing in technology that enhances our customer offering, product quality and efficiency. This includes increasing investment in the BXB Digital business to accelerate digital innovation in the areas of smart assets and data analytics; and
- **Developing world-class talent:** Empowering our people with individual skills and capabilities, building a leadership pipeline and fostering a safe, inclusive and diverse organisation."

Outlook

By delivering on its strategic objectives, Brambles expects to deliver sustainable growth and returns well in excess of the cost of capital.

Sales revenue growth is expected to be in the mid-single digits⁵, primarily driven by the ongoing conversion of customers to pooled solutions and expansion across geographies. Through the progressive delivery of operational, organisational and capital efficiencies, Brambles' expects to deliver Underlying Profit growth⁵ in excess of sales revenue growth through the cycle, a Return On Capital Invested in the mid-teens and sufficient cash generation to fund growth, innovation and shareholder returns.

FY18, however, will include a number of items which will weigh on FY18 Underlying Profit growth, including:

- US\$23 million of FY17 Underlying Profit which will not recur in FY18 due to the roll-off of a large Australian RPC contract and the impact of automotive plant closures on a number of Australian automotive contracts;
- US\$7 million increase in BXB Digital investment, expected to be US\$17 million in FY18; and
- Full 12-month inclusion of the HFG joint venture.

Mr Chipchase said: "Brambles is in a strong position to deliver continued growth and attractive returns for shareholders. Our pallets businesses in Europe, Asia-Pacific and Latin America as well as our global IFCO RPC businesses are expected to remain strong contributors to growth and earnings, while our US pallets business remains robust and fundamentally well positioned to deliver sustainable growth over the long term."

Further Information

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⁵ At constant currency.

Brambles Limited (ASX:BXB) is a supply-chain logistics company operating primarily through the CHEP and IFCO brands. Brambles enhances performance for customers by helping them transport goods through their supply chains more efficiently, sustainably and safely. The Group's primary activity is the provision of reusable unit-load equipment such as pallets, crates and containers for shared use by multiple participants throughout the supply chain, 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, counting many of the world's best-known brands among its customers. The Group also operates specialist container logistics business serving the automotive sector. Brambles operates in more than 60 countries, with its largest operations in North America and Western Europe. Brambles employs approximately 14,000 people and owns approximately 590 million pallets, crates and containers through a network of more than 850 service centres. For further information, please visit www.brambles.com

Forward-Looking Statements Certain statements made in this release are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "will", "should", 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. Past performance cannot be relied on as a guide to future performance.

Background Information

(US\$m)	1H17	2H17	FY17	1H16	2H16	FY16
Sales revenue						
CHEP Americas	1,022.4	1,051.1	2,073.5	982.5	1,028.0	2,010.5
CHEP EMEA	779.3	795.9	1,575.2	774.8	775.3	1,550.1
CHEP Asia-Pacific	243.6	241.2	484.8	225.7	232.1	457.8
IFCO	478.1	492.7	970.8	428.6	453.1	881.7
Corporate	-	-	-	-	-	-
Continuing operations	2,523.4	2,580.9	5,104.3	2,411.6	2,488.5	4,900.1
Underlying EBITDA						
CHEP Americas	304.6	323.6	628.2	311.9	342.1	654.0
CHEP EMEA	263.5	268.7	532.2	257.2	268.5	525.7
CHEP Asia-Pacific	81.9	82.5	164.4	74.2	79.4	153.6
IFCO	106.8	106.4	213.2	89.7	101.5	191.2
Corporate	(24.0)	(29.8)	(53.8)	(20.4)	(17.5)	(37.9)
Continuing operations	732.8	751.4	1,484.2	712.6	774.0	1,486.6
Depreciation of property, plant and equipment						
CHEP Americas	110.1	113.3	223.4	99.2	104.2	203.4
CHEP EMEA	70.1	72.9	143.0	68.1	69.3	137.4
CHEP Asia-Pacific	26.0	25.5	51.5	26.1	25.6	51.7
IFCO	42.2	39.6	81.8	37.4	38.7	76.1
Corporate	0.1	0.2	0.3	0.4	0.3	0.7
Continuing operations	248.5	251.5	500.0	231.2	238.1	469.3
Amortisation of intangibles						
CHEP Americas	5.3	4.4	9.7	5.5	5.7	11.2
CHEP EMEA	0.9	1.2	2.1	1.1	1.2	2.3
CHEP Asia-Pacific	0.4	0.4	0.8	0.5	0.5	1.0
IFCO	6.8	7.0	13.8	9.4	8.4	17.8
Corporate	0.3	-	0.3	0.2	0.3	0.5
Continuing operations	13.7	13.0	26.7	16.7	16.1	32.8
Underlying Profit						
CHEP Americas	189.2	205.9	395.1	207.2	232.2	439.4
CHEP EMEA	192.5	194.6	387.1	188.0	198.0	386.0
CHEP Asia-Pacific	55.5	56.6	112.1	47.6	53.3	100.9
IFCO	57.8	59.8	117.6	42.9	54.4	97.3
Corporate	(24.4)	(30.0)	(54.4)	(21.0)	(18.1)	(39.1)
Continuing operations	470.6	486.9	957.5	464.7	519.8	984.5
Operating profit						
CHEP Americas	184.3	193.0	377.3	200.2	226.1	426.3
CHEP EMEA	191.6	183.5	375.1	187.5	194.7	382.2
CHEP Asia-Pacific	55.5	55.4	110.9	47.4	53.2	100.6
IFCO	57.3	59.4	116.7	47.2	53.0	100.2
Corporate	(156.6)	(52.0)	(208.6)	(27.2)	(36.8)	(64.0)
Continuing operations	332.1	439.3	771.4	455.1	490.2	945.3

Background Information

(US\$m)	1H17	2H17	FY17	1H16	2H16	FY16
Capital expenditure on property plant and equipment (accruals basis)						
CHEP Americas	215.2	219.4	434.6	229.7	227.9	457.6
CHEP EMEA	162.2	159.4	321.6	163.7	156.3	320.0
CHEP Asia-Pacific	29.5	35.2	64.7	30.3	40.5	70.8
IFCO	120.1	80.4	200.5	104.6	107.6	212.2
Corporate	-	2.1	2.1	-	0.2	0.2
Continuing operations	527.0	496.5	1,023.5	528.3	532.5	1,060.8
Cash Flow from Operations						
CHEP Americas	82.7	136.2	218.9	103.1	96.6	199.7
CHEP EMEA	99.9	162.4	262.3	125.3	110.7	236.0
CHEP Asia-Pacific	41.0	70.6	111.6	44.7	45.3	90.0
IFCO	22.3	32.7	55.0	9.5	17.2	26.7
Corporate	(32.8)	(23.5)	(56.3)	(27.3)	(6.3)	(33.6)
Continuing operations	213.1	378.4	591.5	255.3	263.5	518.8
Average Capital Invested						
CHEP Americas	1,915.3	2,002.1	1,958.7	1,705.5	1,795.3	1,750.4
CHEP EMEA	1,543.0	1,593.8	1,568.4	1,438.1	1,490.9	1,464.5
CHEP Asia-Pacific	430.5	425.1	427.8	411.3	414.7	413.0
IFCO	1,565.5	1,599.1	1,582.3	1,493.9	1,566.3	1,530.1
Corporate	77.3	141.1	109.2	(55.0)	(68.2)	(61.6)
Continuing operations	5,531.6	5,761.2	5,646.4	4,993.8	5,199.0	5,096.4
Return on Capital Invested						
CHEP Americas	19.8%	20.6%	20.2%	24.3%	25.9%	25.1%
CHEP EMEA	25.0%	24.4%	24.7%	26.1%	26.6%	26.4%
CHEP Asia-Pacific	25.8%	26.6%	26.2%	23.1%	25.7%	24.4%
IFCO	7.4%	7.5%	7.4%	5.7%	6.9%	6.4%
Continuing operations	17.0%	16.9%	17.0%	18.6%	20.0%	19.3%
Brambles Value Added⁶						
CHEP Americas	65.5	77.2	142.7	95.2	114.9	210.1
CHEP EMEA	95.2	94.3	189.5	93.5	102.9	196.4
CHEP Asia-Pacific	28.6	29.7	58.3	23.8	28.3	52.1
IFCO	(36.5)	(37.0)	(73.5)	(47.9)	(40.1)	(88.0)
Corporate	(33.4)	(48.5)	(81.9)	(19.7)	(18.0)	(37.7)
Continuing operations	119.4	115.7	235.1	144.9	188.0	332.9

⁶ At 30 June 2016 exchange rates

Background Information

	1H17	2H17	FY17	1H16	2H16	FY16
Number of pallets, RPCs and containers – net, after Irrecoverable Pooling Equipment Provision (millions of units)						
CHEP Americas						
- Pallets	134		137	125		130
- Other	1		1	1		1
Total CHEP Americas	135		138	126		131
CHEP EMEA						
- Pallets	119		119	112		115
- Other	17		17	16		17
Total CHEP EMEA	136		136	128		132
CHEP Asia-Pacific						
- Pallets	22		23	22		22
- Other	7		8	8		9
Total CHEP Asia-Pacific	29		31	30		31
IFCO - RPCs	275		282	248		262
Total	575		587	532		556
Number of pooling equipment purchases (millions of units)						
CHEP Americas						
- Pallets	11	9	20	11	10	21
- Other	-	-	-	-	-	-
Total CHEP Americas	11	9	20	11	10	21
CHEP EMEA						
- Pallets	13	12	25	13	12	25
- Other	1	1	2	1	1	2
Total CHEP EMEA	14	13	27	14	13	27
CHEP Asia-Pacific						
- Pallets	1	1	2	1	1	2
- Other	1	-	1	-	1	1
Total CHEP Asia-Pacific	2	1	3	1	2	3
IFCO - RPCs	24	18	42	23	23	46
Total	51	41	92	49	48	97