Company: **Brambles Limited**

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Graham Chipchase: Good morning, everyone, and welcome to Bramble's full year results presentation for the 2026 financial year.

I'll start with an overview of our FY26 performance, including financial highlights and our key areas of focus this year. I'll then cover the operating environment and our response to the repair capacity constraints that emerged in our US business during the fourth quarter. I'll also provide an update on Bramble's of the Future and Serialisation+ before handing over to Joaquin for a more detailed view of our financial performance.

Let's start with a review of the highlights for FY26. We delivered a resilient financial result while advancing the customer, operational and sustainability initiatives that strengthen our long-term competitive advantage. For the full year, revenue increased 2%, reflecting strong new business growth across the Group and price realisation. These increases more than offset lower like-for-like volumes from softer consumer demand in most regions.

Underlying profit increased 4%, including a US$90 million adverse impact associated with US repair capacity constraints. Excluding the US repair capacity impact, underlying profit increased 11% with price realisation, cost management initiatives, and productivity improvements more than offsetting inflation and strategic investments across the Group.

Free cash flow before dividends exceeded US$1 billion for the second consecutive year, demonstrating the progress we have made in reducing the capital intensity of the business. This supported the 16% increase in total dividends declared for FY26 to US$0.4615 per share. Together with the US$509 million of share buybacks completed in FY26, this brought the total cash returns to shareholders to approximately US$1.2 billion for the year.

These financial outcomes demonstrate the benefits of our transformation over recent years and reinforce the importance of continuing to build the capabilities that strengthen our business and underpin the next phase of value creation.

During the year, we maintained our focus on what matters most to our customers, improving their end-to-end experience and investing to deliver the quality service and insights they need. In the US, we prioritised our customers by making the necessary investments to improve service levels and strengthen the network. We also continued to modernise our network with automation and digital initiatives underway to improve resilience and efficiency while reducing the overall cost to serve.

Finally, we launched our 2030 sustainability programme, marking the next phase of our ambition to create regenerative supply networks. The programme is focused on delivering nature positive outcomes and strengthening the communities and economies we serve.

Turning to the FY26 operating environment, which was characterised by persistent inflationary pressures, subdued consumer demand, and continued new business momentum in key markets. Labour costs increased in all regions and were particularly pronounced in the US where competition for blue collar workers increased significantly in a tightening labour market. Fuel and transport costs also rose significantly in the second half of the year, largely owing to the Middle East conflict.

Transport inflation in the US was further compounded by driver shortages with significant increases in spot rates for transport during the fourth quarter. Although lumber prices varied by region, the weighted average capital cost of our pallets increased by 4% on FY25, largely due to the higher proportion of pallets purchased in the US market. In response to these inflationary pressures, we have maintained commercial discipline, recovering input cost increases through a combination of contractual pricing, indexation, and surcharge mechanisms.

In Europe and Latin America, we have also introduced fuel surcharges and other pricing mechanisms to reduce the lag in recovering fuel cost increases. In addition to strengthening commercial terms, we have continued to focus on productivity improvements and cost efficiencies to reduce cost to serve increases and deliver better value for our customers.

On the demand side, cost of living pressures and macroeconomic uncertainty continued to weigh on consumer demand, particularly in our larger markets of the US, Europe, and Latin America. In the US, we saw a sharp increase in customer demand in Q4 ahead of consumption events, including the FIFA World Cup, while in Australia, inventory optimisation across retailer and manufacturer supply chains contributed to a lower pallet demand in the year.

To offset lower underlying demand from existing customers, we have continued to drive new business growth in key markets with momentum supported by enhancements to our customer value proposition, stronger sales capabilities, and tightening supply of high quality whitewood pallets, particularly in the US and European markets.

We also continue to see higher levels of automation across manufacturer and retail supply chains, increasing the need for consistent high quality pallets. This reinforces the importance of the investments we've been making in automation, digital, and repair consistency initiatives to meet our customers' evolving needs and boost the long-term resilience of our network.

Turning now to the repair capacity constraints that emerged in parts of our US network during the fourth quarter. As outlined on the slide, these constraints were not the result of a single factor, but rather reflect the convergence of several issues in the fourth quarter. As you will see on the slide, one of the contributing factors has since been resolved. Others are improving and a few continue to feature in our operating environment.

Among the ongoing factors are the quality initiatives we have been implementing over the past two years to support increasing levels of automation in customer and retailer supply chains. These initiatives include additional repairs, enhanced quality audits, and more recently the rollout of end of line inspection equipment to improve repair consistency across our network. While strategically important, this focus on repair consistency increased the number of component repairs required per pallet, reducing repair throughput at certain sites in our network.

From April, this planned activity coincided with a number of unexpected developments within our subcontractor network and the broader operating environment. This included the tightening labour market in the US, which remains an ongoing challenge and continues to be an area of focus. With the availability of labour declining, it became more difficult to attract and retain service centre staff across our network, which further reduced repair throughput with some repair benches not being fully utilised.

At the same time, we experienced turnover in our subcontractor base with two operators in the northeastern and central regions of the US choosing to exit the network due to service centre management being non-core to their business and challenging operating conditions. Although all 15 affected sites remained operational, repair throughput was below optimal levels. A transition plan is now in place for these affected sites and importantly, there have been no further subcontractor exits from our network.

These pressures then coincided with higher than expected customer demand in the fourth quarter, which has moderated since July. Individually, each of these factors would have been manageable within the normal course of operations. However, occurring simultaneously, they created temporary repair capacity constraints in parts of our US network and disrupted our ability to fully meet customer demand and onboard new business.

In response to this, we increased pallet relocations across our network to meet customer demand. As these relocations were unplanned, we had to rely on significantly higher spot transport rates, which increased the costs of moving pallets to customers in the fourth quarter. We expect unplanned relocations to reduce as repair capacity constraints are resolved through the first half of FY27.

The repair capacity constraints and flow-on effects resulted in a negative earnings impact of US$90 million, together with US$40 million of additional pooling CapEx associated with new pallet purchases. Joaquin will provide a more detailed breakdown of these financial impacts shortly.

Moving to the next slide, which outlines the actions we are taking to resolve repair capacity constraints by the end of the first half of FY27 and strengthen customer relationships as network performance continues to improve. Since these constraints emerged, our immediate priority has been to restore service levels for our customers. To do this, we have focused on improving pallet availability and increasing repair capacity across the network.

The actions on this slide are primarily short-term measures designed to support customer demand and restore service performance while we implement initiatives to structurally increase network capacity and resilience. To increase repair capacity, we have introduced additional shifts and overtime at existing service centres and increased rates to attract and retain labour across our network.

We have also developed an orderly transition plan for the sites affected by subcontractor turnover. To improve pallet availability in the short term, we have increased pallet relocations across our network and invested in new pallet purchases, adding 1.3 million pallets in the fourth quarter, and expecting to add another two million during the first half of FY27.

Importantly, these actions are already delivering results as we return back to normal service levels with no missed customer orders since mid-June. This improvement reflects increased pallet availability from new pallet purchases, lower customer demand from peak levels, and early improvements in repair capacity. As operational performance continues to improve, we are also focused on strengthening our customer relationships and re-accelerating growth.

This includes delivering consistently on our customer value proposition, restarting new business conversions, and providing additional sources of value to customers, including through our digital offering. Having addressed the immediate actions to restore service levels, this slide outlines the initiatives underway to structurally increase network capacity, strengthen resilience, and provide the headroom required to support our growth ambitions.

Within our subcontractor network, we are progressing the transition of 15 service centres with three sites already transitioned to new subcontractor management in the fourth quarter of FY26. We expect the remaining 12 sites to transition primarily to subcontractors by the end of FY27 and can confirm there have been no further subcontractor exits from our network since April. As part of this transition process, we will take the opportunity to diversify our subcontractor base and reduce concentration across the network.

We are also revising our strategic approach to subcontractors towards value sharing relationships that better support our safety, quality, and productivity priorities. Initiatives are also in place to expand repair capacity by FY28. As shown on the chart, we expect to increase repair capacity by about 20% against the FY26 baseline supported by additional capacity at existing service centres and eight new service centres added to our network.

These new sites will include a mix of subcontractor and CHEP operated facilities providing greater flexibility across the network. The eight new service centres are expected to require total investment of around US$25 million, which remains comfortably within our existing medium term non-pooling CapEx guidance of US$200 million to US$300 million per annum, excluding investment in Serialisation+. Beyond FY28, we will continue expanding repair capacity in line with our growth expectations while maintaining sufficient headroom to support future demand and operational stability.

Automation and technology will also play an important role in improving agility and throughput across the network. This includes progressing our Service Centre of the Future programme towards touchless repair and using AI and machine learning to improve demand planning, collections processes, and capacity management across the network.

Finally, we are establishing specialist teams that can be deployed quickly during operational challenges and network disruptions, improving our ability to respond and sustain customer service levels when issues arise. Taken together, these initiatives will help ensure the US business is better positioned to support customer demand, capture future growth opportunities, and respond more effectively to operational disruption.

We continue to see quality as a key source of competitive advantage in the US market and an increasingly important differentiator as customer and retailer supply chains become more automated. You will see that we have a broad range of initiatives underway focused on repair consistency and pallet durability.

Together, these initiatives are designed to ensure our pallets meet the tighter tolerances required in an automated environment while maintaining pallet performance across customer supply chains and reducing repair intensity over time. I don't propose to go through every initiative, but we are confident we have the right roadmap to meet our customer's evolving needs. Two particular highlights are the rollout of end of line inspections to cover 50% of repaired volumes by the end of FY28, as well as the adoption of more rigorous quality measures.

Looking further ahead, the experience of the past several months has underscored the importance of the investments we are making to move towards a touchless plant through our Service Centre of the Future Program. Beyond quality benefits, this has the potential to improve safety and efficiency and reshape how our network operates. During the year, we took the next step in this programme by signing a lease for the facility that will be our global automation and technology centre.

From this dedicated hub, our teams will develop and test technologies with a view to rolling out modular automation solutions in the next three years with the potential for a fully touchless plant thereafter. Importantly, we expect to fund these quality initiatives within our existing non-pooling CapEx framework while still targeting to deliver our investor value proposition of total value creation of more than 10% per year over the medium term.

Let's now turn to Brambles of the Future. During this first year under our new strategy, we have made meaningful progress across each strategic priority. Starting with our customers. We continue to improve their experience by reducing the complexity involved in their interactions with us. Upgrades to the myCHEP portal have now allowed customers to more easily track and manage their queries. Notwithstanding the challenges in the US, this focus on the customer experience has seen us continue to increase both our NPS and collection metrics across the Group.

Next, as part of our work to illuminate supply networks, FY26 saw us continue to develop our portfolio of digital customer solutions towards standardised approaches that support scaling for customers. This includes two of our flagship products, end-to-end quality assurance and promo insights, which generate actionable insights for customers to protect product quality through temperature monitoring and to improve promotional execution.

We have now expanded DCS pilots in multiple markets with growing retailer engagement and advocacy also helping to identify and convert customers to recurring subscriptions.

Turning to operational excellence, we achieved a 10% improvement in our safety performance as measured by lost time injury frequency rate. We are proud of the safety culture we've built, which has driven successive years of improvements and delivered our best ever safety performance. We also continue to drive operational improvements through network optimisation initiatives, together with the rollout of standardised operating procedures across our service centre network.

We are pleased to have made early progress against our 2030 sustainability targets. This included initiating regeneration activities across approximately 10,000 hectares through partnership with Wild Trust in South Africa with the aim to protect and manage 75,000 hectares during our five-year programme. In decarbonisation, we remain ahead of the minimum requirements of our 2030 science-based target trajectory.

Our Scope 1 and 2 emissions decreased by 5% as a result of ongoing electrification of forklift trucks and fleet vehicles. Scope 3 emissions were 1% higher in FY26 due to new pallet purchases in the US and increased downstream transport emissions resulting from pallet relocations. Finally, we established a baseline employee experience index score of 87 out of a possible 100, providing a new measure of our progress in strengthening diversity, equity, and inclusion across our organisation.

We'll move now to Serialisation+ with an update on our rollout in Chile and the work underway to inform our decision on a potential rollout in the US. During the year, we reached an important milestone in Chile with all customers now benefitting from the effortless service offer. This offer has significantly reduced customer's administrative burden, which was reflected in a nine point increase to our net promoter score in FY26.

In addition to improving the customer experience, we have seen benefits to growth with the effortless service offer contributing to 15 net new customer wins and lane expansions. As the rollout in Chile has matured, Serialisation+ continues to demonstrate additional sources of value. These include improved visibility of pallet movements, greater insight into network inefficiencies, and increased opportunities to monetise pallet reuse and other non-compliant flows.

Although we are confident in the multiple sources of value, there are still some key areas we want to understand more fully before deciding on a potential rollout in the US. The most important of these is understanding the customer response to dynamic pricing. We are also excited about the opportunities to explore how serialisation data can be used to improve network efficiency and customer outcomes, including identifying drivers of higher damage rates, longer dwell times, and other cost to serve opportunities across the supply chain.

Finally, we continue to focus on reducing the cost of implementation through lower cost tracking technology and improved tagging solutions. We remain on track to communicate a decision on a US rollout in the third quarter of FY27.

Looking ahead to FY27, we expect to deliver underlying profit growth and strong free cash flow as we resolve our operational challenges in the US during the first half. For the full year, we expect sales revenue growth of 2% to 4% with underlying profit to increase 2% to 6%. Our outlook for cashflow generation before dividends is in the range of US$800 million to US$950 million and we expect our dividend payout ratio to remain within our payout policy of 50% to 70% of underlying profit.

Together with the additional US$400 million on-market share buyback announced in May, we continue to target total value creation of 10% for shareholders in line with our investor value proposition. I'll now hand over to Joaquin to take you through our financial performance in greater detail.

Joaquin Gil: Thanks, Graham, and good morning, everyone. Starting with the financial highlights on slide 15. In FY26, we delivered volume growth, expanded margins, and generated strong free cash flow while managing the impact of repair capacity constraints in our US business. We achieved strong net new business growth of 3% and continued to recover input cost inflation through price realisation.

These, together with productivity improvements and cost management initiatives, delivered underlying profit growth of 4% and margin expansion of 0.6 percentage points after the US$90 million underlying profit impact associated with US repair capacity constraints. Excluding these impacts, underlying profit increased 11% and margin expansion was 1.8 percentage points.

We maintained the structural improvements in asset efficiency achieved in recent years, which supported free cash flow generation of more than US$1 billion. As a result, we delivered total value creation of 9% for the year, comprising 6% EPS growth from continuing operations and a 3% dividend yield.

Turning now to slide 16 for the overview of our full year results. I will focus on profit after tax and EPS with revenue and underlying profit covered in the slides that follow. Profit after tax from continuing operations increased 5%, ahead of underlying profit growth of 4%, as lower net finance costs more than offset the impact from higher tax expense and the increased hyperinflation charge. Our underlying effective tax rate of 29.3% is broadly in line with FY25.

EPS growth from continuing operations increased 6%, including a two percentage point benefit from the on-market share buybacks completed in FY26. Finally, our disciplined approach to capital allocation and focus on productivity improvements resulted in ROCI increasing 0.4 percentage points to 22.6%.

Moving to slide 17. Before stepping through revenue and underlying profit in more detail, I want to take a moment to outline the impact of US repair capacity constraints on our underlying profit performance. As noted earlier, the impact of US repair capacity constraints reduced underlying profit growth by seven percentage points this year with an underlying profit impact of US$90 million.

This primarily reflected short-term revenue and costs associated with pallet availability constraints and the actions we have taken to increase pallet availability and increased repair capacity across our network. Starting at the top of the P&L, revenue impacts reduced ULP by US$25 million. This reflected a US$45 million reduction in revenue driven by our inability to fully service customer demand together with an adverse customer mix impact on price realisation.

From a cost perspective, we incurred an additional US$20 million of plant costs associated with the extra shifts, overtime and incentives we have introduced to increase temporary repair throughput while we structurally increase repair capacity across the network.

Transport costs increased US$35 million as we relocated more pallets to access available repair capacity in our network and meet customer demand. These unplanned movements increased our reliance on the spot transport market, which experienced significant inflation in the fourth quarter.

Finally, IPEP expense increased by US$10 million as pallet scarcity led to higher levels of unauthorised reuse of our pallets in customer and retailer supply chains. This US$90 million earnings impact was US$30 million higher than the expectations we outlined in our May trading update, in part driven by actions to accelerate customer service improvements, including US$15 million of additional pallet relocations.

Turning to slide 18, and looking at the incremental year-on-year impact, we expect US repair capacity constraints to have an underlying profit in FY27. We've separated these impacts into two categories. The first relates to short-term costs associated with the actions already underway to increase repair capacity and improve pallet availability. These costs are largely temporary and are expected to unwind as the constraints are resolved by the end of the first half.

The second category relates to structural increases in supply chain costs, reflecting investments we are making to structurally increase capacity and strengthen the resilience of our network. Starting with the short-term costs, we estimate a US$10 million to US$20 million adverse year-on-year impact to underlying profit in FY27.

In the first half, this impact is expected to be between US$70 million to US$80 million and primarily driven by the same plant, transport, and uncompensated asset loss impact that affected our performance in fourth quarter of FY26. We also expect a negative year-on-year revenue impact reflecting lower volumes and some residual adverse price mix.

As repair constraints are resolved, these impacts are expected to reduce progressively through the first half, resulting in an estimated year-on-year benefit of US$55 million to US$65 million in the second half as we cycle the elevated costs incurred in the fourth quarter of FY26. This improvement reflects the recovery in volumes and associated customer mix benefit, as well as reduce reliance on overtime and additional shifts, lower pallet relocations and spot transport rates, and lower IPEP expense as pallet availability improves.

Turning to the ongoing investments we are making to build greater resilience into the network. These will see a structural increase in supply chain costs, primarily associated with higher labour rates in response to inflation, additional repair capacity across our network, the specialist resources to manage any potential future disruptions and depreciation on incremental pallet purchases.

These costs are expected to reduce FY27 earnings by US$25 million to US$35 million with the impact recognised in the first half. From the second half, we expect pricing and efficiency initiatives to fully offset these higher costs, meaning there should be no ongoing earnings impact beyond FY27. In summary, we expect the total adverse year-on-year ULP impact in FY27 to be between US$35 million to US$55 million.

Turning now to the FY26 results and Group sales revenue growth performance. Group sales revenue increased 2% with strong new business growth and price realisation more than offsetting lower like-for-like volumes across the Group. Price realisation was 1% as pricing increases to recover inflation were partly offset by efficiency benefits shared with customers and the adverse mix impacts from pallet availability challenges caused by US repair constraints.

As you'll see throughout the presentation, price realisation varied by region, largely due to inflation and benefit sharing with customers in each market. Net new business growth was 3%, driven by the US and European pallet businesses with both delivering 3% volume growth with new customers. Momentum accelerated across the European pallets businesses in the second half of FY26, while the US maintained strong new business growth for the year, despite repair capacity constraints limiting our ability to onboard new customers in the fourth quarter.

Like-for-like volumes declined 2%, reflecting subdued consumer demand across several key markets and inventory optimisation in Australia, partly offset by the benefit of cycling weaker second half 2025 comparatives. In the US, repair capacity constraints limited our ability to fully service the temporary spike in customer demand seen in the fourth quarter. Excluding the US$45 million revenue impact from pallet availability challenges as a result of US repair capacity constraints, Group sales revenue growth would have been 3%.

Turning now to slide 20, underlying profit increased by 4% and included the US$90 million adverse earnings impact from US repair capacity constraints outlined earlier, which is shown separately in the bridge. Excluding this impact, underlying profit increased 11%, reflecting the benefit of overhead restructuring, other cost management initiatives undertaken in the year, and operating leverage from sales growth and pricing. Sales revenue growth contributed US$156 million to profit, while North American surcharge income increased by US$25 million in line with changes in fuel, transport, and lumber market indices.

Plants and transport costs collectively increased by US$66 million [sic – see slide 20 US$65 million] driven by input cost inflation, higher pallet damage rates in the US, increased pallet relocations in EMEA and APAC, and incremental investment in quality and digital initiatives. These increases were partly offset by US$145 million of savings from network optimisation, operational excellence, and procurement initiatives.

Depreciation increased by US$31 million due to pooling equipment purchases and investments in automation and other non-pooling assets, while IPEP increased by US$9 million due to higher uncompensated losses and an increase in the FIFO unit cost of pallets written off in Europe. Other costs reduced by US$40 million driven by overhead restructuring activity and cost management initiatives.

These benefits were partly offset by wage inflation and US$21 million of one-off restructuring costs. Finally, central transformation costs decreased by US$33 million, reflecting the benefit of research and development incentives and the capitalisation of Serialisation+ equipment following increased confidence in the scalability of the technology and the commercial model.

Turning to margin performance on slide 21. As shown on this slide, we continue to make strong progress towards our FY28 margin improvement target with margin expansion of 0.6 percentage points in FY26 or 1.9 percentage points compared to the FY24 baseline. Excluding the impact of the US repair capacity constraints, margin expansion would have been 3.1 percentage points versus FY24.

Progress has been driven by overhead productivity and asset efficiency with supply chain productivity representing the largest opportunity for margin improvement. Supply chain productivity as measured by the Group's net plant and transport cost to sales ratio has decreased margins by 1.3 percentage points since FY24, with the decline primarily reflecting the increased costs associated with US repair constraints.

Moving forward, we have a number of initiatives to drive efficiencies within our supply chain operations, including the use of data, AI, and insights from our digital assets to improve demand planning, collection processes, and capacity management throughout our network. We will continue to drive automation, pallet durability, and procurement initiatives, and we also expect to see reduced inefficiencies in FY28 from a reduction in excess plant stock in the US.

Moving on to overhead productivity, which has provided 2.1 percentage points of margin expansion versus FY24 due to the benefits from streamlining operations, process improvements enabled by technology, and the FY26 restructuring programme. Lastly, asset efficiency initiatives contributed 1.1 percentage points of margin expansion versus FY24 through a range of sustained structural improvements, including enhanced data analytics and improved pallet visibility enabled by our digital capabilities.

Turning to slide 22, our two key measures of asset efficiency, the Group pooling capital expenditure to sales ratio and IPEP to sales ratio continue to demonstrate the strength of our asset control initiatives and the sustained reduction in capital intensity over the past few years. The pooling capital expenditure to sales ratio increased by 0.6 percentage points to 12.9% in FY26, well below historical averages. This was driven by the increased weighted average cost of a new pallet and 1.4 million additional pallet purchases, both largely reflecting the fourth quarter pallet purchases in the US.

During the fourth quarter, the US business also utilised 0.6 million excess pallets held in storage, which resulted in a capital expenditure holiday of US$20 million. Excluding this, FY26 pooling CapEx to sales would have been 13.2%. We have conducted audits of the remaining 3.4 million excess pallets held in storage and confirmed they are suitable for repair and reuse within the network when required.

The FY26 IPEP to sales ratio of 1.7% was a 0.3 percentage point increase on the FY25 ratio due to higher uncompensated losses in the US and Europe. However, it remains well below historical averages reflecting the sustained improvements we have made in asset productivity and the recovery of our assets. The result includes the impact of a higher FIFO unit cost of pallets written off in Europe and a US$10 million impact from higher unauthorised reuse due to pallet availability challenges in the US.

Moving to our cashflow performance on slide 23. Pleasingly, we delivered free cash flow before dividends of over US$1 billion for the second consecutive year, which highlights the progress we have made in structurally improving the capital intensity of our business.

During the period, earnings growth and favourable working capital movements were more than offset by a US$165 million increase in cash capital expenditure, a US$61 million increase in net financing and tax payments, largely reflecting higher tax payments in line with earnings growth, and a US$62 million adverse movement in other cashflow items, primarily reflecting changes in employee benefits provisions and increased technology investment.

Turning now to slide 24, let's look at the segment performance starting with CHEP Americas. Revenue increased 2% with balanced contributions from price and volume. Price realisation of 1% was driven by Latin America and Canada. US price realisation was flat as inflation recovery was offset by sharing efficiency improvements with customers and the adverse mix impacts from repair capacity constraints.

Volume growth was 1% and included a 3% increase in net new business, partly offset by a 2% decline in like-for-like volumes, reflecting lower consumer demand in the US and Latin America, as well as the impact of US repair capacity constraints in the fourth quarter. Margins reduced by

0.2 percentage points, largely driven by the short-term underlying profit impact in the US as discussed earlier.

Adjusting for these, margins improved by two percentage points, driven by a range of productivity benefits across supply chain and overheads, which more than offset additional costs from higher damage rates in the US and the continued investment in pool quality and digital initiatives to enhance the customer experience across the region. Excluding US repair capacity constraints, ROCI improved two percentage points due to underlying profit growth partly offset by a 3% increase in average capital invested, reflecting pallet purchases in the region, investment in service centre automation, and higher leased service centre assets.

Turning to CHEP EMEA, where we reported strong net new business momentum while ROCI and margins were impacted by short-term supply chain headwinds. Revenue increased 2% with equal contributions from price and volume. Pleasingly, net new business wins increased 2% driven by the European pallets business where new business growth increased to 4% in the fourth quarter, giving a strong momentum into FY27. Growth in the region was partly offset by net contract losses in the South African pallets business and a contract loss in the automotive business.

Like-for-like volumes decreased 1% due to lower consumer demand across the automotive business and the pallets businesses in Europe and South Africa. Margins declined by 0.6 percentage points as productivity initiatives were more than offset by short-term supply chain headwinds, including higher relocation costs and inefficiencies associated with lower volumes in the South African pallets business, as well as higher IPEP expense in Europe. Return on capital invested decreased 0.8 percentage points, reflecting a 2% increase in average capital invested as underlying profit remained in line with the prior year.

Moving to CHEP Asia Pacific, where revenue increased 3%, reflecting price realisation of 4%, offset by a 1% decline in volumes. Volume performance was driven by a 3% decline in like-for-like volumes, reflecting a lower average number of pallets on hire due to inventory optimisation at retailers and manufacturers in Australia. This was partly offset by contract wins across the region.

Underlying profit margin improved by 1.8 percentage points as benefits from supply chain and overhead productivity initiatives were partly offset by investments to enhance customer service and quality, as well as increased repair, handling and relocation costs associated with inventory optimisation by retailers and manufacturers. ROCI increased 2.9 percentage points, reflecting profit growth as ACI remained in line with FY25.

Moving to the corporate segment on slide 27, where central transformation costs decreased by US$33 million. As I mentioned earlier, this was primarily driven by the incremental benefit from research and development incentives and the capitalisation of Serialisation+ equipment following increased confidence in the scalability of the technology, equipment, and commercial model. Other corporate costs decreased US$11 million due to restructuring benefits and a range of cost management initiatives which more than offset wage inflation and one-off restructuring costs.

Turning to our FY27 outlook considerations on slide 28, we expect sales revenue growth of between 2% and 4%, including equal contributions from price and volume, with growth expected to be weighted to the second half due to the impact of US repair capacity constraints. Continued momentum is expected in net new wins in Europe, while US net new business growth is likely to be slightly below FY26 levels. Like-for-like volumes are expected to be broadly flat, subject to consumer demand trends.

Underlying profit is expected to grow between 2% to 6% with efficiencies expected to offset the impact of US repair capacity constraints and continued investment in strategic initiatives. We expect a mid to high single digit profit decline in the first half, followed by low double digit growth in the second half.

A modest improvement in the underlying profit margin is expected versus FY26, with improvement in EMEA, a modest decline in APAC, and broadly flat margins in the Americas, despite a US$35 million to US$55 million adverse year-on-year impact from US repair capacity constraints.

The plant and transport cost ratio is expected to be broadly flat, slightly unfavourable, with an elevated cost ratio in the first half offset by improvements in the second half, reflecting costs associated with US repair capacity constraints largely offset by supply chain productivity benefits. We expect a modest improvement in the IPEP to sales ratio from ongoing asset controlled initiatives.

Lastly, overhead and other costs as a percentage of sales is expected to be broadly in line with FY26 with labour inflation, higher depreciation, and strategic investments offset by productivity initiatives, including a net US$40 million benefit from the FY26 restructuring programme.

Moving to slide 29. In FY27, we expect free cash flow before dividends of US$800 million to US$950 million with a pooling CapEx to sales ratio of between 13% to 15%. Higher pooling CapEx reflects increased pallet prices and additional pallet purchases to support growth and address US repair capacity constraints, partly offset by asset productivity benefits.

FY27 cash outflows include US$40 million relating to pallets purchased in the fourth quarter of FY26 and US$60 million for an additional two million pallets expected to be purchased in 1H27. These investments support the resolution of customer impacts from US repair capacity constraints.

Non-pooling capital expenditure is expected to be between US$350 million and US$400 million, including accelerated investment in supply chain initiatives such as end of line quality control and automated digital inspection. Digital CapEx is expected to be US$120 million, including US$110 million of spend on Serialisation+ with spend weighted to the second half given the expected timing of the North America rollout decision. We also expect net finance costs to increase by US$30 million and dividend franking to reduce to 15% from the current 20%.

In summary, in FY26, we delivered earnings growth, margin expansion, and strong free cash flow generation in a challenging operating environment. We achieved strong new business growth across the Group while efficiency initiatives helped to offset the short-term earnings impact of the US repair capacity challenges. Strong free cash flow generation enabled us to continue investing in the future of the business while returning US$1.2 billion to shareholders through dividends and share buybacks.

Looking ahead to FY27, our focus remains on resolving the US repair capacity challenges, building greater resilience in our network and delivering further efficiency benefits across the Group. We expect these actions to support underlying profit growth, further progress towards our FY28 margin target and sustainable free cash flow generation while maintaining investment in our strategic priorities. I will now hand over to the operator for Q&A.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Niraj Shah with Goldman Sachs. Please go ahead.

Niraj Shah: (Goldman Sachs, Analyst) Hi guys. Just a couple from me. Firstly, can you help us quantify how much your repair capacity was reduced by versus normal in the fourth quarter and also the magnitude of demand uplift that you guys saw?

Joaquin Gil: Hi Niraj. Thanks for the questions. In terms of your question, the first one was around quantifying the impact on repair capacity.

Niraj Shah: (Goldman Sachs, Analyst) Yes, in the US.

Joaquin Gil: In the US. Obviously varies by region, but we gave a guide of somewhere between let's say 5% to 10% was the impact on repair capacity. Then the magnitude of demand was your question again, very significantly by region, but again, what we said was that we saw a significant lift versus what we'd already forecast. So obviously in some areas we saw high single digits demand growth, if that helps.

Niraj Shah: (Goldman Sachs, Analyst) That does. Secondly, just keen to get an understanding of what gives you, I guess, confidence in being able to offset those structural costs from fiscal FY27 and holding onto the productivity benefits, just given how subdued the end demand backdrop is currently.

Graham Chipchase: Yes, I think Niraj, one of the things here is I think it's very clear that we recognise that to the extent this is self-inflicted, we have to eat it, but to the extent this is now structural costs, which initially when we talked back in May, no one believed us that there were big problems with labour availability in the US, but now more and more people are recognising that this is not just a Brambles issue.

I think that gives some confidence that it will be part of the normal inflationary related cost to serve increases, which we've had, I think several years, if not many years now, of structurally being able to recover that through our contracts.

So I think that's what gives us confidence, it is a general issue which everyone's going to have to address. I think specifically we have got very clear plans with the US team around how do we go about both the pricing element of offsetting the cost, but also the productivity piece. This is not just about going to customers and getting it all through pricing.

We have got to be very clear about the productivity plans, and of course, as you would expect, we have a lot of detailed plans with milestones and resources against that to ensure that we attack both bits of that solution.

Niraj Shah: (Goldman Sachs, Analyst) Helpful. Thank you.

Operator: Thank you. Your next question comes from Sam Seow with Citi. Please go ahead.

Sam Seow: (Citi, Analyst) Good morning guys. Thanks for taking my question. I just want to ask on the underlying EBIT growth you're expecting in your business, excluding the repair costs. It looks like in FY27, if I adjust out those supply costs, you're expecting ULP growth around 4% to 5%. I just want to know, is that correct? Then two, it appears slightly lower than the value proposition. I guess, is that a function of lower like-for-likes or just any additional colour there please?

Joaquin Gil: Yes, hi Sam. Just coming back to your first point, the way I look at it is we've guided underlying profit growth of between 2% to 6%, and then if you look at the total year-on-year impact in FY27 of US repair capacity repair constraints, that's US$35 million to US$55 million. So, I'd be adding that back to the number. Does that help you?

Sam Seow: (Citi, Analyst) Got it. Yes, that's helpful. Then maybe on that and the like-for-likes, I mean, as it relates to your repair capacity constraints, counterintuitively almost, do you actually want a softer or declining like-for-like environment to help you with the recovery? Maybe just any colour on the environment that will help with the repair recovery and anything that you don't want to see per se, like the spike in demand?

Graham Chipchase: Yes, so I think I'd go back to what we said around the Q4 environment, which is we already were planning for an increase in like-for-likes and we had this additional spike on top driven by things like the World Cup and the 250th 4 July celebrations. So we don't need the like-for-likes to be any softer than we currently think they're going to be. If you look at what everyone's saying, Nielsen have come out fairly recently with what's going on in the US. It is pretty soft still, but that's what we were planning for.

We don't need it to be softer because we have got the plans already now to recover the capacity part of the issue by the time we get to December. I don't think. I would prefer stronger like-for-likes to be honest, because that's what drives our business. So I don't think we need any additional help from what we've already planned for.

Sam Seow: (Citi, Analyst) Thank you.

Operator: Thank you. Your next question comes from Andre Fromyhr with UBS. Please go ahead.

Andre Fromyhr: (UBS, Analyst) Thank you. Good morning. Just following up on the costs associated with the repair constraints. Joaquin, I appreciate the disclosure splitting out short-term impacts and structural costs. Am I right in understanding because these numbers are quoted as year-on-year and the improvement in the second half not fully recovering the US$90 million that you've just recorded in second half FY26, that there's also a US$30-odd million run rate second half or let's say a full year run rate of about US$60 million of structural costs expected?

Joaquin Gil: Yes, so Andre, let me just have a go and see if I can cover that. So you're right in terms of what the second half FY27 short-term costs ULP, what we're saying, the benefit is US$55 million to US$65 million, and you're right, we don't fully reverse the US$90 million that we incurred in FY26. Part of that is because obviously the volume impact takes time to recover. So it's not a like-for-like. So you can see, we said the price volume impact on earnings was US$25 million in FY26. Then we're saying in the second half it's a US$10 million benefit.

So that's because obviously it's about building relationships with customers again and converting those customers or lanes back to us. Then what we've tried to be clear on is then at the end of the first half FY27, essentially, there are no more short-term costs. Then there are the structural costs or investments, and that ends up being US$25 million to US$35 million that we don't cover in the first half. Then as we go forward, so from the second half onwards, as Graham just outlined, we recover those through other productivity initiatives and through price realisation.

Andre Fromyhr: (UBS, Analyst) Okay. So what's reflected there is the net expectation after things like pricing recovery and the cost efficiencies as well, which of course will have full year impacts then once you get into '28.

Joaquin Gil: Exactly. So the way I would think about it is essentially you have the half one FY27 and full year impact and then in FY28, you are back to business as normal.

Andre Fromyhr: (UBS, Analyst) Okay, cool. Then just another one about the non-pooling CapEx budget for FY27. It's quite a step up from the run rate that we've seen in previous years. I understand there might be heightened urgency to get the automation equipment rolled out given the circumstances of the US operations, but how much risk is there to the timing of getting the equipment and deployment that you want on those initiatives? Then I guess related, is US$110 million on Serialisation+ just a very firm signal that you are leaning towards proceeding with that initiative?

Joaquin Gil: So thanks again, Andre. I think that's a good point that I just wanted to make sure everyone was clear on. While you do see that step up in non-pooling CapEx, there is that step up in digital that you talked about of that US$110 million for serialisation. So you have to adjust the numbers when you think about run rate.

I would adjust it by that US$110 million because as we gave that range of US$200 million to US$300 million, that was before spend on S+. So that brings it back to a more normalised level. I think if you adjust for that, you're running at about US$240 million of non-high stock.

Then your question I think then was followed about the risk of timing of automation, end of line, those pieces of equipment that we're putting in. Look, we have a really detailed plan. The team have done a good job of delivering against that plan. More at times what may change is the timing of payments at some point with suppliers, et cetera. So we would like to spend all of that non-higher stock CapEx, let me be clear, because what we're trying to do is set the business up for the long term.

Andre Fromyhr: (UBS, Analyst) Okay. Thank you.

Joaquin Gil: Thanks, Andre.

Operator: Thank you. Your next question comes from Owen Birrell with RBC. Please go ahead.

Owen Birrell: (RBC Capital, Analyst) Yes, hi guys. I just wanted to follow up on Sam's question around the underlying operating leverage, ex the service centre issues. Regarding sales of 2% to 4%, you had a one percentage point impact in FY26. Let's assume that happens again in FY27., so we have underlying sales of say 3% to 5%. Your EBIT guide is 2% to 6%.

Adjusting for the net impact that you referred to there, Joaquin, we should be getting somewhere between 5% and 9% but as you have highlighted for FY26, you had 11% EBIT growth on an underlying basis.

So, it looks like there's, call it 2%, 3% or 4% delta on your operating leverage in FY27 on FY26. Can I just ask, is the vast majority of that an inability to reclaim that structural cost impact that you've referred to? I think it's US$25 million to US$35 million in additional cost in FY27?

Joaquin Gil: Hi, Owen, look, for me, it's more about obviously as we've been restoring service levels in the US, it impacts, for example, your ability to chase new business. So as we pointed out, we expect US net new wins to be lower in FY27 than they were in FY26 because essentially we're not converting new business until the second half, if that helps.

Then also when you think about supply chain and efficiency initiatives, obviously the focus in the US is against restoring service levels. So some of those efficiency initiatives will take longer to execute than we had originally planned.

Owen Birrell: (RBC Capital, Analyst) It's very much a volume issue in terms of that like-for-like coming backwards.

Joaquin Gil: Yes, I think in terms of like-for-like, that's based on what we think consumer demand will look like in the market. That's what we've tried to be really clear on the ranges is to say this is a range based on consumer demand so people can make their own decisions around that. Also inflation obviously impacts pricing depending on how you consider that. So, for me, that's how I'd more think about the comparison year-on-year, if that's okay.

Owen Birrell: (RBC Capital, Analyst) Okay and then just in terms of, I guess what you saw in the fourth quarter on that consumer demand issue, you've mentioned that like-for-like volumes in FY27 was down 2%. You saw subdued underlying consumer demand, but then you also talked about peak demand from US customers in the fourth quarter. I just want to marry up those comments. Was that fourth quarter just a one-off pull forward of demand that you're effectively going to have to cycle as you roll through into FY27?

Graham Chipchase: No, it's really driven by those big consumption events, which won't repeat next year, I suspect, i.e. The World Cup and the fact that because 4 July this year was for the 250th anniversary, it was almost a week long celebration rather than a day or two.

So that's what we - and whilst we obviously knew about the World Cup, because it does happen every four years, and we knew it was in the US, and we'd planned for an increase based on forecasts we were getting from customers, the actual demand was much higher, but it was in certain customers, certain segments, it wasn't across the board in the US.

So next year, depending on what happens to the economy generally and consumption generally, which hopefully will be better than it was in FY26, but you never know, those specific events won't repeat. So you will be having to cycle them. Remember, we didn't actually fulfil all of that spike in the first place so hopefully the cycling impact will not be as great as it would have been if we'd actually met all the sales.

Owen Birrell: (RBC Capital, Analyst) Understood. Just one last question from me. I guess on those structural cost impacts that you're guiding to for FY27, just looking to the appendixes, the plant costs in the US have incrementally stepped up. I'm just wondering if you can give us a sense of where you think those plant costs should land in FY27 as a ratio of sales, given this additional structural cost. How much of that is going to be net offset by productivity or should we just not be assuming that at the moment?

Joaquin Gil: Thanks, Owen. So in terms of when the outlook considerations, what we've talked about, that's slide 28, is that we expect net plant and transport cost ratio to be broadly flat or slightly deteriorate in FY27. Obviously that includes the impact of US repair capacity constraints. Essentially what I do - that's why we tried to break it out as plant and transport for you. So if you want to see the underlying, I would add those costs back.

Owen Birrell: (RBC Capital, Analyst) Okay, understood. Thank you.

Joaquin Gil: Thanks.

Operator: Thank you. Your next question comes from Jakob Cakarnis with Jarden. Please go ahead.

Jakob Cakarnis: (Jarden, Analyst) Hi Graham. Hi, Joaquin, I'm just going to start on slide 19 with the Group sales growth, if I could please. Just the half-on-half momentum, it looks like price you had in the first half up to, and then the implied price mix in the second half was flat, so zero to get to the 1% that's on the slide. Can you just help me understand what dynamics have gone on there at the Group level please?

Joaquin Gil: Yes, so again, one of the things is price realisation is around, I guess, recovery of cost to serve, taking away what I would say is the short-term costs that we feel were not recoverable from customers. I think the other thing that I would think about is obviously now pricing surcharges in the

US are not included in that price realisation. I think I wouldn't quite look at it as that being the only way that we've recovered cost to serve increases in the market.

Jakob Cakarnis: (Jarden, Analyst) Yes, Joaquin, just to carry that logic on though, you're getting us to think in the second half of FY27 that there's some recovery mechanisms available. I'm just wondering how that plays through given that profile that we've seen through FY26.

Joaquin Gil: How I think about this, Jakob, is that we're very disciplined about recovering that cost to serve. So if I give you a different example, but you think about the spike that happened or the increase in fuel costs that's happened, where our recovery mechanisms weren't going to recover at all, so that's in Europe and Latin America, we put in fuel surcharges or the equivalent of that to recover. So I think the team are very clear where it's a structural increase in costs, then we will recover that cost to serve in the pricing mechanisms or other mechanisms that we have available.

Jakob Cakarnis: (Jarden, Analyst) Okay and then just a second one, slide 21, I'll read it as though you're still committing to the 300 points of margin expansion relative to FY24 by FY28. You've told us that FY27, you're going to have modest underlying expansion. So you're starting from 190, call it relative to '24 is yes, FY26 base and then modest next year.

How do we reconcile the 50 to 100 that you need to do in FY28 and I guess in a challenging environment for everyone, from your customers to yourselves, how do we think about the ability to realise that? Is that more from internal rather than external mechanisms, please?

Joaquin Gil: Yes, a couple of things I would say there, Jakob. I think the first point is I think of the starting point as being the underlying performance of the business. So obviously the 1.9 you quoted is impacted by the US fourth quarter and those costs coming into FY27. So if you think of underlying at the end of FY26, we're running at 3.1, right? We did say three points plus. Then as I look at that opportunity, that first bar supply chain productivity, if you adjusted that for the impact of US repair capacity, we'd essentially be flat over two years.

So, we haven't made any margin improvement there. That's the opportunity area. Also. things for example, we're still storing excess pallets in the US. So we'll work our way through that, which will give us a tailwind into FY28. Then obviously there's still opportunity in overhead productivity and asset efficiency. I think the easiest way to look at this is to look at underlying as opposed to taking the headline number.

Jakob Cakarnis: (Jarden, Analyst) I appreciate that, but the US has happened and it's in the Company's earnings now. So I get what it could have been, but I'm just trying to reconcile how it will all bridge to FY28. Obviously you've said US$300 million plus, I think some others are reflecting that. So yes, I get that what you're saying is that it's a one-off, but there are now structural changes that you guys are flagging that we wouldn't have foreseen when this was issued, so I'm just trying to bridge the two.

Joaquin Gil: I think I'd separate it a little bit because it's not like we're trying to help people read through. It's not like we're excluding an event that doesn't reverse in terms of costs. Then as per the answers on a couple of other questions, those structural costs, we're saying we will recover in the second half and onwards. So look, I think you're right, Jake. Everyone can form their own view. What we're trying to do is put the numbers and our assumptions out there, but recognise that people may have a different view on that.

Jakob Cakarnis: (Jarden, Analyst) Thanks guys.

Joaquin Gil: Thanks.

Operator: Thank you. Your next question comes from Anthony Moulder with Jefferies. Please go ahead.

Anthony Moulder: (Jefferies, Analyst) Good morning all. If I can go back to that pricing recovery of the, whatever it is, the US$25 million to US$35 million, how much of that is price you're expecting to recover through second half, FY27 please?

Joaquin Gil: Anthony, how I would look at that is, and I think Graham touched on this earlier, our first priority is to drive efficiencies within the business to offset that. Then obviously then where we can't, then that flows through to pricing to customers, right? I think what our customers would expect us to do is to look for efficiencies in our own business first.

Anthony Moulder: (Jefferies, Analyst) Sure. It sounds like you can open contracts, you don't have to wait like COVID over three years. You can push through pricing increases for these structural costs in a shorter timeframe. Is that what we're hearing?

Graham Chipchase: I mean, I think Anthony, what I would say is the fact that labour inflation is an issue for everybody, every business sector in the US implies that it might be a bit easier to do than it just being a Brambles specific problem. So I think that would be my take on it.

Anthony Moulder: (Jefferies, Analyst) Yes, okay. If we can switch to the corporate costs, they were down. It looks like you've capitalised some OpEx going forward. So how did you come to that decision because it doesn't look like that was part of the guidance that you gave even back in May for that reduction in corporate costs through FY26. So just help me understand as to at what point you came to the decision to capitalise some of that OpEx please?

Joaquin Gil: Yes, just so I'm clear, Anthony, a couple of things. So firstly, in the corporate segment from corporate costs, there was an US$11 million roughly decrease and that's due to the restructuring programme that we did in cost management. Then I think what you're referring to here is essentially the digital transformation costs and it's a couple of items. One is there are research and development incentives that we get for the work we do in digital. So that's included.

Then we had, as you'd expect us to do, to be conservative on where we're testing equipment related to Serialisation+ our philosophy has been that we will take a provision against that until we are comfortable that the equipment has a useful life and that we're actually going to execute it. As Graham touched on, we've had very encouraging signs both from the Chile S+ rollout and then we've been testing equipment in the US and we're comfortable now that that equipment we'll either use for S+ or we can use it for other areas of our business.

I think it looks like a large quantum. I'd think about it differently because in a way you take a provision, let's say last year and then if you release it this year, you've almost got to halve that number, Anthony. So it's not like it was a huge capitalisation that we then released.

Anthony Moulder: (Jefferies, Analyst) Right, but I guess the question is when did you come to that decision? It looks like it's clearly post 18 May.

Joaquin Gil: I think a couple of things to note. One is that if you look at the first half of FY26, we already had research and development incentives and we had also released the S+ in Chile equipment provision that we'd taken. So it's not like it was a reaction to it. It's just progressively like you'd expect us to do we review our provisions every half.

Anthony Moulder: (Jefferies, Analyst) Okay and lastly, a comment on overhead, it looks like overhead was scaled higher through second half of FY26 as well. If I'm reading this correctly, it looks like you haven't changed the quantum of overhead reduction expected through FY27. Is that how I should think about overhead?

Joaquin Gil: No, I think we might need to align numbers here, but from what I can see, we slightly over delivered on our restructuring benefits in the full year. So as you think about FY27, there is a US$40 million benefit from restructuring initiatives, which is what we committed to at the start of FY26.

Anthony Moulder: (Jefferies, Analyst) Yes, so that's no change, I guess is the point.

Joaquin Gil: Yes, exactly.

Anthony Moulder: (Jefferies, Analyst) It's just you've dragged higher provisions or higher overhead reductions through to make the FY26 numbers.

Joaquin Gil: No, that's not how I think about it, Anthony. What I'd say is we've done the restructuring initiative and the benefits are being delivered. What we have done is we've taken the cost of restructuring above the line essentially. So that's how you get to the US$40 million. Then we've covered the R&D and the Serialisation+ in the earlier reply. I think this isn't a case of - sorry, let me just reply a little bit more there, Anthony. I think you can see that we are doing the right thing for the business.

So if this was about protecting earnings, we wouldn't be making the investments that we're making in the US business. So priority number one is our customers and then the results will be what they'll be for the short-term. It's about making sure that we're setting the business up for long-term success.

Anthony Moulder: (Jefferies, Analyst) Yeah, lastly, if I could then on EMEA, a bit of a weaker result. I appreciate parts of the continent are not performing and even the UK not performing as well. You've lost or pushed the head of the UK business out. How do you think about EMEA through FY27, the growth that you're expecting through that business, please? A pretty important business from a margin perspective and growth.

Joaquin Gil: So Anthony, on the EMEA result, challenging environment as you've said. Also, as we talked about in the May trading update, again, changes in volume demand impacted relocation costs, and also changes in volume have impacted fixed cost recovery within supply chain. So we've had some supply chain headwinds.

Then also in terms of asset productivity, we had higher uncompensated losses in Europe and also an increase in FIFO. So when we think about both of those, as we're building our FY27 plan, they're two key areas that we're tackling. So we've put in additional asset productivity measures in and we've upweighted our supply chain efficiencies. Does that...

Anthony Moulder: (Jefferies, Analyst) Yes, that helps. Very good. Thank you.

Joaquin Gil: Thanks, Anthony.

Operator: Thank you. Your next question comes from Lee Power with JP Morgan. Please go ahead.

Lee Power: (JP Morgan, Analyst) Morning all. How should we take the mix of subcontractor versus internalised repair capacity going forward? It looks like, if I think about what you've said, your rollout to '28, it's a 50/50 split versus what you've been doing 85% subcontractor currently. Just your view on it, does that make it easier or harder from a cost perspective to manage given the labour issues don't seem like they're going away from an inflation point?

Graham Chipchase: I mean, I think they're trying to come up with what's the optimum mix between subcontracted and in-house is quite tricky. Clearly, I would say what we've learnt over the last three or four months is that we need to develop more of a partnership approach with some of the subcontractors so that we're jointly investing in capability to ensure we're consistently delivering the repair quality. It doesn't really matter whether it's in-house or subcontracted at that point.

Also, one of the other lessons we've learnt in the US is that we do need to ensure that the capacity is not concentrated with certain groups of subcontractors in certain regions. So one of the objectives over the next couple of years is to dilute that concentration effect. Some of our subcontractor plants perform as highly as our own ones. So I think it's more about where do you want the ability to variabilise the cost a little bit more and have that flexibility?

I think going forwards, I would look at the development of what we might do around touchless repair capacity. So this Plant of the Future, Service Centre of the Future we've been talking about, when you start developing those, clearly with a lot of technology and it's a lot of IP in it, you are more likely to have those as being in-house plants. To get the scale benefits, they will handle much higher percentage of the repair capacity. I suspect over time you'll see the 80%-odd coming down, but I have no idea what it will come down to. Whether it's 50%, 60%, 40%, it doesn't really matter as long as we're getting consistent performance out of both the subcontracted plants and the in-house plants.

Again, to the point about the labour costs, over time, what we're trying to do is reduce the percentage of the cost base, which is driven by labour and have it more driven by things like automation and robotics. So yes, that's the direction of travel.

Lee Power: (JP Morgan, Analyst) Okay. Thank you. Then slide 7, so 35% of the fulfillment improvement is lower demand. I take your comments earlier, but it's still, it would be good to get any additional colour in what you've actually seen in your business from a demand perspective in July and August because it feels like everyone saw a little bit of the bump, but we get very mixed commentary around whether that's continued to FY27, regardless of what the Nielsen data says. So, what have you actually seen year to date in your business and how has that progression looked?

Graham Chipchase: Well, I think we've seen what we thought we might see when we talked back in May, which is that demand was going to normalise. It is quite mixed between categories. So, you've got to think a little bit about the fresh produce season, which is peak time in the middle of the summer in the US, which is now of course dropping off a little bit. The beverages were definitely impacted by the World Cup and have now normalised.

Then against that, you've got to start looking at what's the underlying macroeconomic direction in the US, which appears to be getting slightly better, but it's not really dropping into the consumption numbers yet. That's what Nielsen is showing. Again, even with Nielsen, you've got to look so carefully across the categories and even within the categories, the drinks companies, there were very different performances between the big beverage companies.

So it's hard to give you a definitive answer, but our view is that consumption has definitely normalised. The big question is, well, what's it going to do going forwards in terms of the macroeconomics?

Lee Power: (JP Morgan, Analyst) Okay and then just one more if I can. The S+ [unclear] guide, it feels like going on from I think Andre's comment earlier, it feels like you're more likely than not to push out regardless of the pricing piece. What does that actually get you? What do we assume if we've got that in FY27, what's a sensible assumption in '28 and do we run a similar non-pooling CapEx number into '28 regardless of your longer term numbers guidance on change?

Graham Chipchase: Let me do the, what do you get bit first and we'll let Joaquin do the FY28 impact. So I think the first thing to say is we are going to stick to our communication around the fact that we will make a decision about the rollout in February or March next year because there are still things we want to check out. The reason that we can still be confident about the investment is that we know that even if we don't roll out Serialisation+ in the US, the equipment and the smart pallets that we would use, we get value from using them anyways. So, we'd put those into the system and get value back.

The only other high level thing I would say is we've been very consistent in saying we expect a five year payback from those sorts of investments. We would still stick with that from what we've seen so far in Chile. So, do you want to do a bit more of the FY28?

Joaquin Gil: Yes, and I think it was something we talked a little bit about internally. The reason we've given you a Serialisation+ CapEx number for FY27 is should we decide to roll out, we didn't want to take you by surprise, right? So to have a major change in our cashflow forecast. That's why we have included it. Then as you think about it, or as part of making that decision, we will take you through the detail in terms of what are the returns we expect, what are the timing of those returns, et cetera. So I would treat the investment more as a placeholder in the numbers at this stage.

Lee Power: (JP Morgan, Analyst) Okay. Thank you. Appreciate the colour. Thanks.

Joaquin Gil: Thank you.

Operator: Thank you. Your next question comes from Scott Ryall with Rimor Equity Research. Please go ahead.

Scott Ryall: (Rimor Equity Research, Analyst) Hi, thanks very much. Joaquin, just a real quick question on the corporate costs and I'm only talking corporate, not the transformation costs here. Do you think they can go down much further?

Joaquin Gil: Scott, I think the way I think about it more is looking at our overhead costs across the business rather than a specific element. I think what we work through is what's best done locally, what's best done centrally. So I would look at it more in totality than just the transformation costs as a one item. Then in general, do I think there is more productivity that the business can grow without adding the same level of overheads at the same rate? I think that's an opportunity for us.

Scott Ryall: (Rimor Equity Research, Analyst) Yes, okay, I'll take that as a half answer. Then Graham, first of all, I think it's great that the STI mechanisms recognise the issues in North America in particular. So that was really good. My question's actually on the LTI and the change in structure going forward. You've talked in the presentation and for many years about the value creation framework and targeting the - well, having a 10% plus as your threshold.

Do I read the new LTI structure as management will only earn a relatively small proportion of the LTI if you deliver 10% as a threshold, but actually you really get incentivised when you get to 14% as a target or 17% as your maximum. Do you want to talk about that a little bit more in the context of why the changes are made please?

Graham Chipchase: Yes, sure. So, as we've discussed over the years, I think the LTI being split between TSR, RTSR, and then this grid between sales revenue growth and ROCI was potentially incentivising people to do the wrong thing in terms of maximising the ROCI when in fact we should have been reinvesting in the business. So that was the background to it, recognising also that I personally don't believe that revenue growth drives the share price. I believe that cashflow generation and how you distribute it back to shareholders drives the share price.

So if we're looking to align long-term incentives with the experience of our shareholders, then clearly, I think given that we've told the shareholders that we are committed to delivering 10% plus per year in total value, we needed to change the structure of the LTI. So that's one good thing. I think the things that we've also tried to manage, because there have been varying comments about this is one, we haven't dropped any measure of sales growth in the incentive structure. It comes back into the STI structure. So there's still incentive around that split between total revenue growth and net new business win growth.

That's covered that bit. There's also a flaw on the LTI paying out related to ROCI. So we haven't given up on having to keep the ROCI at a high level as well. So then you go back to your point, which is it's around this total value creation and it is very much skewed towards out delivery at the upper ends rather than just hitting 10%. Again, I think that's appropriate because we're also asking for the opportunity to go up as well. We should be getting paid more if we deliver exceptional amounts and I think that's how we've tried to structure it.

Scott Ryall: (Rimor Equity Research, Analyst) Yes, okay, great. Just the confirmation, it's a 20% ROCI is the underpin, right?

Graham Chipchase: Yes.

Scott Ryall: (Rimor Equity Research, Analyst): Okay. That's all I had. Thank you.

Graham Chipchase: Thanks, Scott.

Joaquin Gil: Thank you.

Operator: Thank you. Your next question comes from Cameron McDonald with E&P. Please go...

Cameron McDonald: (E&P, Analyst) Good morning. I just wanted to unpick the revenue impact of the pallet availability issues. So the US$25 million impact in that fourth quarter, if I look at how many, and then put that forward, annualise, it's US$100 million run rate. You're making about US$25 an issue in the US per pallet per year.

So for the full year, it's four million pallets, but you've got turns. So you're looking - it looks to me as if you're somewhere between 1.5 million to one million pallets shortfall. Is that maths correct and then how does that relate back to the pallet purchases that you've announced?

Joaquin Gil: So just a couple of comments, Cameron, to make sure we're just aligned here. What I would say is that US$25 million includes both volume and price. So we've talked about it's had an adverse customer mix. So I wouldn't relate it all to volume, which I think is how I heard your maths, if that helped.

Cameron McDonald: (E&P, Analyst) Okay. Well, that would make the pallet shortage even less if it's got price attached to that as well.

Joaquin Gil: Yes.

Cameron McDonald: (E&P, Analyst) So what I'm trying to get to is if you're only short a million pallets, why are you buying three?

Joaquin Gil: So I think a couple of things that I would think about there is one, obviously we're continuing to improve the consistency of repairs across the network. So making sure we have capacity as we do that. We're obviously transitioning some contractors or some subcos, and then obviously we're looking to set ourselves up for growth as soon as we can. So, it's a combination of all those elements that I would think about.

Cameron McDonald: (E&P, Analyst) Yes, but that's the point of the question is, so break that back down. How many pallets do you need to purchase just because of the availability issue that you highlighted in May, not for investing in further growth, not for anything else, just that particular issue.

Joaquin Gil: So I guess how I'd look at it is we've said we bought 1.3 million issues in the quarter or pallets that we purchased. They're paid for in FY27. You can see that we've not shorted any customers essentially. So we've not missed any customer orders. Then we've given a forecast for the first half of FY27, which is two million pallets. So that tells you we're using those pallets to service demand and make sure that also as we improve repair consistency and we transition, that we have enough buffer stock to make sure that we continue to service our customers.

Cameron McDonald: (E&P, Analyst) Okay, that's where I was somewhat hitting, right?

Joaquin Gil: Sorry it took me a while to get there, Cameron, sorry.

Cameron McDonald: (E&P, Analyst) So the two million they're actually not - yes, but the two - no, that was good. I mean, the two million is effectively additional pallets but is not specifically tied to that pallet availability issue that you've tried to solve. So that's fine. Then just on that back in the May number, and this is going back to particularly the guidance that you've given around this.

The initial guidance was [US$60 million]. You've missed that by 50%. That's eight weeks ago before - not even six weeks to the end of the financial year. Why aren't you going to be 50% out on the full year basis in FY27 when that's looking forward 12 months?

Joaquin Gil: Yes, I'd think about that a little differently. So if you think about that May trading update, we had not expected to not be shorting customers at this point in time. So what we were able to do was invest faster to resolve the issue for customers. That's why essentially we've spent that additional US$30 million.

There is a portion of that that we did not foresee, which was the increased losses as pallet availability has become more challenging, recyclers, et cetera, it's been more difficult to get pallets back. I would say obviously the bulk of that US$30 million relates to resolving the issue faster for customers. It's not a forecasting error, for want of a better word.

Cameron McDonald: (E&P, Analyst) Okay. That's great. Thank you.

Joaquin Gil: Thanks, Cameron.

Operator: Thank you. Your next question comes from Matt Ryan with Barrenjoey. Please go ahead.

Matt Ryan: (Barrenjoey, Analyst) Thank you. I just wanted to look at slide 18. Down the bottom, you've got the total year-on-year profit impact from the capacity constraints at US$35 million to US$55 million. Are they the two numbers that you're putting into your guidance of 2% to 6% for the Group? So the US$35 million and the US$55 million goes into that range?

Joaquin Gil: Yes, that's right, Matt.

Matt Ryan: (Barrenjoey, Analyst) Okay, so I guess the midpoint of that would be, I don't know, a little bit over 1% EBIT. So in effect, I guess three out of the four points of your range does not relate to the capacity issues. Just interested in your thoughts on the moving parts there. Are the like-for-like volumes the biggest area of uncertainty, or maybe you could just talk a little bit about how you see the high and the low end of the range playing out.

Joaquin Gil: Yes, so just to make sure, if I don't answer your question, Matt, then just let me know. In terms of thinking of the variance in the range, I guess the first key factor that we think about is consumer demand. Obviously very variable. As we've talked about various views, what's going to happen to that. So we wanted to make sure people understood that's a cornerstone of a sales revenue, that range as we talked about, and also inflation. So we recover cost to serve increases.

If inflation varies, then our price realisation varies. Then obviously you have a wider spread of both of those items when you think about profit because of one point of revenue is roughly US$70 million, whereas one point of profit is roughly US$14 million. Does that answer it?

Matt Ryan: (Barrenjoey, Analyst) Got it. Yes, So I mean, a lot of it does come back to that like-for- like inflation area.

Joaquin Gil: Exactly.

Matt Ryan: (Barrenjoey, Analyst) Rather than pricing and new business wins and things like that. Then obviously you're not giving FY28 guidance, but you said that these issues are resolved. So I guess the most important number in most of our models is that plant cost to sales ratio. I think you've said that you've had improvement with the relocations. So maybe we put the transport cost to one side. Are we to, I guess, summarise your mitigation of these issues to say that you're back into that historical range of plant cost to sales ratios in the US in FY28?

Joaquin Gil: Answering this one carefully, Matt, because we're obviously not giving FY28 guidance, but maybe if I - I think we're trying to help you with what the underlying plant to transport ratio is in FY27 and then more how I would think about it is that we are looking to deliver on our investor value proposition in FY28.

So obviously that would be high single digits ULP is how we would look at that. The other thing is why we went to some detail in the slides, and I know they are quite detailed, but was to split out things like plant and transport costs so you could adjust the ratio accordingly. So does that help without giving FY28 guidance?

Matt Ryan: (Barrenjoey, Analyst) Yes, I mean, I think the summary is you're going to incur higher rates for service centres, but then your cost to serve initiatives are what kicks in thereafter to get you back to that number in '28 by the sounds of it.

Joaquin Gil: Exactly right, or also where efficiencies don't offset the increase in cost to serve, they will deliver price realisation to offset that.

Matt Ryan: (Barrenjoey, Analyst) Okay, thank you.

Joaquin Gil: Thanks, Matt.

Operator: Thank you. Your next question comes from Peter Steyn with Macquarie. Please go ahead.

Peter Steyn: (Macquarie, Analyst) Thanks, Graham and Joaquin. Just tying a few things together. Graham, particularly interested in your perspective around utilisation of capacity in the network and your expectations of having to potentially have more latency in the network on a structural basis over the next number of years, how you think about that playing into returns, particularly if you get to a place where more of it is going to be on your own balance sheet and potentially diluting your ROCI outcomes ever so slightly. Maybe just frame that up for us, please.

Graham Chipchase: Yes, I mean, I think the problem that has arisen in the US has been twofold. One is that we've had a number of years of very low organic growth and therefore people were comfortable with low latency in capacity. Secondly, I think the other thing to think about is that the volatility of demand has changed dramatically over the last few years. So if you put those together, I think there is definitely, to your point, a need to increase the latency around our repair capacity. The way to do that is not just - we shouldn't assume that the solution for the future is the same as the solution in the past.

What I mean by that is I think the investments we're making now in things like automation technology, but more importantly, I think going forward, because we've obviously always done a bit around automation, is the adoption of tools based on AI. It's not just an AI play. I think it's more about how we manage better the data we've already got to do the demand and supply planning better and to be more effective in how we're relocating pallets around the network. I think all of those will allow you to increase your ability to withstand demand spikes better without having to add a lot more capacity.

So, I don't see it as a risk to the balance sheet. I see it as more a risk that we have to pull our finger out a little bit and get on with the technology changes that we're already planning to do around Plant of the Future, and also make sure that we are adopting and rolling out some of the quite clever stuff that's around AI now and demand and supply planning. That would be my reaction to that question.

Peter Steyn: (Macquarie, Analyst) Perfect. Thanks for that, Graham. Useful. Appreciate it.

Graham Chipchase: Thank you.

Operator: Thank you. Your next question comes from Justin Barrett with CLSA. Please go ahead.

Justin Barrett: (CLSA, Analyst) Hi, Joaquin. Hi, Graham. Maybe a question for Joaquin, and then I guess a bit of a follow-up on some previous questions. Joaquin, can you give us an idea of what you think the total short-term underlying profit impact is from the pallet shortages that you've incurred recently?

I guess you're looking at the US$90 million in FY26, US$70 million to US$80 million in the first half, but again, it does look like you're not fully recouping the US$90 million impact into the second half. So I just wanted to see if you can give us an idea of how much that impact is, and is that impact higher than what you thought back in May?

Joaquin Gil: Thanks, Justin. I think the way, if I understand your question correctly, that we've been doing it is you have the reported numbers or our guidance numbers and then adding back the US to look at what the underlying profit would be. So for example, as you said, in the FY26 result, you could add back US$90 million and then when you look at FY27, you would add back if you're not doing year-on-year, the cumulative of the US$90 million and then the US$35 million to US$55 million range.

Justin Barrett: (CLSA, Analyst) Yes, I think for mine, the way that you described it back in May was that the impact in that the last quarter of FY26 would be 60.

Joaquin Gil: Yes.

Justin Barrett, (CLSA, Analyst) Then as we look to try and size it up into FY27, it would be in the range of US$60 million per quarter and that the impact would be largely resolved by the end. Is that still at the top line of more broadly how we should be thinking about it? Obviously the US$30 million has been brought forward into FY26.

Joaquin Gil: Exactly right and then there's some structural costs that are not those short-term costs that then impact the first half that we don't recover, and then we recover them in the second half. So exactly how you're thinking about is the right way. The costs exactly are broadly in line with the comments we made in May, but there is that US$30 million that has come through earlier to deliver better service to our customers.

Justin Barrett: (CLSA, Analyst) Then so, sorry, how do I understand the second half with the growth being US$55 million to US$65 million, but the US$90 million impact was in the second half of last year?

Joaquin Gil: So I guess a couple of things. One is we talked about it a little earlier, but the impact in FY26, that US$25 million of customer mix and volume, our view is that it will take time to recover that. So essentially when you think of the second half FY27, we're saying it will take time to build relationships and convert some of those customers or lanes back to us. So that's why in essence, there's US$15 million in just that, that you don't recover.

Justin Barrett: (CLSA, Analyst) So then isn't the EBIT impact then larger than what you described back in May, if it's going to take you a while to recover that lost revenue?

Joaquin Gil: I guess what I would say is we didn't necessarily give a number in May, but I know people did the maths, which was to say exactly what you said. We flagged a US$60 million impact in the quarter. What people I think did was double that number because you had a half and then say, but there will be some recovery. So net-net where people may have ended up. I think obviously it is difficult to predict things like transport spot rates, fuel at the moment, et cetera. So this is our best estimate now. I think it's reasonably close to what we thought in May, but there is a bit of variability.

Justin Barrett: (CLSA, Analyst) Yes, okay. Understood. Then maybe one for you, Graham. I just wanted to get an update on how your conversations are going with potential converters to your offering from, I guess a whitewood offering, that's where you've been getting most of your new business wins. From my perspective, if I was a whitewood user potentially thinking about moving to a pooled option, I would have a bit of a pause for concern given the recent update where they might have been caught short pallets, I guess.

Graham Chipchase: Yes, so I think what we said back in May has turned out to be pretty accurate, which is clearly we've let some of those SME type customers down who are existing customers. We were in the process of talking to ones who wanted to convert and we had to basically go back to them and say, look, we can't convert you right now, but this is when we think we can convert you, i.e. the second half. I would say with the exception of one, they've all been fine with that.

So we had one customer who decided no, they didn't want to wait and they've gone back to white. The one thing I would say though is what we're seeing in the market in the US is that the availability of good whitewood pallets is extremely tight at the moment. So that's helping the conversation a little bit, which is - and again, it's a bit like what we did a few years ago. If you're with us, we can guarantee.

That's part of our value prop is to make sure that we have got pallets when you need them. The signs that we are spending money on new pallets in the US to ensure that we've got that availability, I think allows us to give a bit more confidence to those people who are thinking about converting together with the tightness on whitewoods.

People are increasingly interested in and engaged in the other benefits of a pooled solution versus white, which is a sustainability one. So it is becoming more of an attraction. People realise that the benefits of a circular solution outweigh that of a one-way solution. I think all those things are helping us, but we have disappointed people and as Joaquin said earlier, we have to spend a bit of time getting that trust back before we convert. So not a terminal issue as far as I'm concerned.

Justin Barrett: (CLSA, Analyst) Thank you.

Graham Chipchase: Great. I think we're finished with the questions. I don't normally do this, but I would just like to say we've given a lot of numbers and detail in the pack. So, if I could just step back from that a little bit and just give a few comments.

The first thing is we've delivered a really good set of results in FY26, even after the impact of what's happened in the US in Q4. I hope you now see it really was a perfect storm. We're no longer falling short of customer orders and we have a clear plan to fix the issues relating to the repair capacity by December of this year.

We're going to continue to invest in quality and the resilience to support our customers and make sure we service future growth in the US. We fully expect to exit FY27 in strong shape as we're recovering the structural increases in cost to serve through both productivity and pricing. I know we'll be speaking to you a lot over the next few days and weeks, so I look forward to all the conversations around H1, H2 and next year, but Joaquin is looking forward to it even more than I am.

Thanks very much for joining the call. Thanks.

[END OF TRANSCRIPT]