Brambles

Brambles' first-quarter trading update: Sales revenue up 14% at constant FX[1]; Full-year guidance reconfirmed

Sydney – 18 October 2022: Brambles Limited today reported sales revenue from continuing operations of US$1,346 million for the first three months of the financial year ending 30 June 2023 (FY23), representing an increase of 6%[2] at actual FX rates on the prior corresponding period.

At constant FX rates, sales revenue growth of 14% was driven by price realisation to recover input-cost inflation and other cost-to-serve increases in all regions. This performance was driven by a combination of the rollover benefit of strong pricing in the prior year, as well as pricing actions taken in the first quarter across the Group.

Group volumes were broadly in line with the prior year as growth with new and existing customers was constrained by pallet availability with elevated inventory levels across supply chains continuing to impact pallet cycle times and return rates in all regions. During the first quarter, underlying demand moderated in the US and in some parts of Europe due to challenging macroeconomic conditions.

By segment, first-quarter sales revenue performance at constant FX rates was as follows:

- **CHEP Americas** sales revenue increased 16% at constant currency reflecting price growth (excluding surcharge income contribution) of 18% primarily driven by rollover contribution from pricing actions taken in the second half of the prior year. Volumes decreased (2)% driven by pallet availability constraints and some softening in underlying demand in the US pallet business. This decline was partially offset by like-for-like volume growth and expansion with new customers in Latin America.
- **CHEP EMEA** sales revenue increased 14% at constant currency and included price growth of 10% and volume growth of 4%. Price realisation reflected contractual indexation and other pricing actions to recover cost-to-serve increases across the region. Volume growth was largely driven by the rollover benefit of prior year customer contract wins in the European pallet business.
- **CHEP Asia-Pacific** sales revenue increased 9% at constant currency reflecting price growth of 5% and volume growth of 4%. Pricing growth was largely in the Australia & New Zealand pallet businesses with volume growth reflecting expansion with existing customers in the pallet businesses and net new business growth in the New Zealand RPC business.

	Sales revenue (US$m, actual FX)		Days-adjusted growth vs. 1Q22[2]	
Segment	**1Q23**	**1Q22**	**(actual FX)**	**(constant FX1[1])**
CHEP Americas	750.4	663.0	15%	16%
CHEP Europe, Middle East & Africa	470.0	503.1	(5)%	14%
CHEP Asia-Pacific	126.0	126.0	1%	9%
Continuing operations	**1,346.4**	**1,292.1**	**6%**	**14%**

Note on FX: The variance between actual and constant FX performance reflects the appreciation of Brambles' reporting currency, the US dollar, relative to key operating currencies, primarily the Euro, British Pound, South African Rand and Australian dollar.

Commenting on the first-quarter performance, Brambles CEO, Graham Chipchase said: "The strong momentum generated in FY22 continued in the first quarter with Group sales revenue growth of 14% at constant currency. This performance was driven by price realisation and reflects ongoing commercial discipline to recover cost-to-serve increases in our major markets.

"Consistent with our experience in the prior year, we continue to face inflationary pressures across key inputs including lumber, labour, transport and fuel. Across the Group, our first quarter weighted average price per pallet remained above FY22 levels. In line with our commentary in August, we expect these dynamics to

1 Constant FX growth rates are calculated by translating current period results into US dollars at the actual monthly exchange rates applicable in the comparable period, to show relative performance between two periods.

2 Growth rates have been adjusted for the one additional trading day in 1Q22 compared to 1Q23 to allow for a like-for-like comparison between the two periods.

result in a higher FY23 weighted average cost per pallet compared to FY22, reflecting regional mix impacts with ongoing unit pallet price increases most notable in Latin America and Europe.

“Our volume growth with new and existing customers continues to be impacted by lower pallet return rates and longer cycle times as retailers and manufacturers hold higher levels of inventory to de-risk their supply chains. While we are yet to see any meaningful evidence of destocking, we continue to expect retailers and manufacturers to reduce the levels of inventory they hold in the second half of FY23.

"While the business delivered strong first-quarter sales revenue growth and we continue to expect growth across the balance of the year, the growth rate in the second half of the year is likely to moderate given the strong pricing in the prior-year comparative period and potential impacts of macroeconomic uncertainties in the balance of the year.

“In these challenging operating conditions, customer retention rates remain strong and we are prioritising the service of existing customers. Our teams around the world continue to accelerate asset efficiency initiatives to improve pallet availability and the productivity of our existing pallet pool.

“We are also progressing with our digital transformation initiatives which have the potential to drive a step change in both customer value and asset efficiency. This includes the rollout of continuous diagnostics in North America and the serialisation of our pallet pool in Chile which are both underway.

“While there are signals which point to a slowing global economy, we are yet to see the full impact of cost-of-living pressures and the European energy crisis on both consumer demand patterns and subsequent implications for retailers and manufacturers.

“Notwithstanding the adverse economic outlook and any potential moderation in demand from our existing customers, we remain confident in the defensive characteristics of our business and the growth opportunities we can pursue once pallet availability improves.”

FY23 outlook

In constant-currency terms, Brambles is reconfirming its FY23 guidance. For the year ended 30 June 2023, Brambles expects:

- Sales revenue growth of between 7-10% at constant currency;
- Underlying Profit growth of between 8-11% at constant currency, including ~US$25 million of short-term transformation costs (FY22: US$48.4 million);
- Free Cash Flow after dividends to improve on FY22 but remain a net outflow. The level of underlying improvement is dependent on lumber and pallet pricing, normalisation of inventory levels and flows across global supply chain and other productivity improvements in the asset pool. In addition to an expected underlying improvement, Free Cash Flow after dividends will include the benefit of the US$41.5 million of proceeds received in August 2022 from the repayment of the loan receivable from First Reserve; and
- Dividend payout ratio to be consistent with the dividend payout policy of 45-60% of Underlying Profit after finance costs and tax[3] in US dollar terms.

These financial outcomes are dependent on a number of factors, including material unknowns. These factors include, but are not limited to, prevailing macroeconomic conditions, customer demand, lumber prices, sawmill capacity and efficiency of global supply chains.

[3] Subject to Brambles’ cash requirements.

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Brambles Limited (ASX: BXB) Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs more than 12,000 people and owns approximately 360 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit www.brambles.com

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