



24 August 2018

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

*Via electronic lodgement*

Dear Sir/Madam,

**BRAMBLES LIMITED ANNOUNCES FY18 RESULTS**

Attached is an ASX and Media Release from Brambles Limited on its financial results for the year ended 30 June 2018.

Yours faithfully

**Brambles Limited**

**Robert Gerrard**  
Group Company Secretary

## Brambles FY18 Result: Strong revenue growth, dividends fully funded by Free Cash Flow and progress toward strategic objectives

- **Sales revenue up 6% at constant currency<sup>1</sup>** largely reflecting strong volume growth in key CHEP pallet and IFCO RPC businesses. Price growth of one percentage point included benefits of pricing initiatives in US pallets, emerging markets and IFCO North America.
- **Underlying Profit<sup>2</sup> in line with prior year at constant currency:** Profit growth in CHEP EMEA and IFCO, along with cost control and higher asset compensations in CHEP Asia-Pacific offset a number of headwinds during the year including inflationary cost pressures in most major markets.
- **CHEP US pallets:** Solid volume growth and pricing actions primarily realised in the second half of the year. Effective price, which includes inflation-related surcharges recognised as an offset to costs, increased 2% in 2H18.
- **FY18 Statutory profit after tax** includes US\$127.9 million non-cash tax benefit resulting from the USA tax reform. FY17 statutory profit included the US\$120.0 million non-cash impairment of the HFG joint venture (JV).
- **Material increase in Cash Flow from Operations and positive Free Cash Flow:** Cash flow from operations, before the HFG JV loan repayment, fully funded dividends and capital expenditure reflecting focus on sustainable cash flow generation. Cash Flow from Operations was further strengthened by the HFG JV loan repayment of US\$150.0 million which will partially fund the US accelerated automation programme in FY19-21.
- **2018 final dividend in line with prior year:** 14.5 Australian cents per share, with franking of 30%.
- **Corporate actions: Brambles today announced its intention to separate its IFCO RPC business.** Details of the proposed transaction are contained in a separate announcement also released today. This decision together with the divestment of CHEP Recycled and the HFG joint venture reflects our focus on optimising long-term shareholder value.

### Results Highlights

	FY18	Growth vs. FY17	
	(Actual FX)	(Actual FX)	(Constant FX)
<b>Statutory basis</b>			
Sales revenue – continuing operations	US\$5,596.6m	10%	6%
Operating profit – continuing operations	US\$986.0m	28%	22%
Profit after tax	US\$747.1m	308%	293%
Earnings per share	US47.0¢	309%	292%
Final dividend per share	AU14.5¢	-	-
<b>Non-statutory basis – continuing operations</b>			
Underlying Profit	US\$996.7m	4%	-
Underlying Profit after tax and finance costs	US\$655.9m	7%	3%
Underlying earnings per share	US41.2¢	7%	3%
Return on Capital Invested (ROCI) <sup>3</sup>	16.1%	(0.9)pp	(0.9)pp
<b>Cash flow and balance sheet</b>			
Cash Flow from Operations	US\$892.4m	US\$300.9m	
Free Cash Flow after dividends	US\$202.4m	US\$326.2m	
Net debt – continuing operations	US\$2,308.1m	US\$(264.6)m	

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

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

<sup>3</sup> Underlying Profit divided by Average Capital Invested (ACI) where ACI is defined as: A 12-month average of capital invested; capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

**Sales revenue** was US\$5,596.6 million for the twelve months ended 30 June 2018 (FY18), up 10% at actual FX rates. Constant-currency growth of 6% was driven by strong net new business wins and organic volume growth in pallet businesses across North America, Europe, Latin America and Australia as well as ongoing expansion in IFCO RPCs. Overall price contributed one percentage point to annual revenue growth reflecting price realisation in US pallets, emerging markets and IFCO North America.

**Underlying Profit** from continuing operations was US\$996.7 million, up 4% at actual FX rates. At constant currency, Underlying Profit was in line with prior year as strong sales contributions to profit in CHEP EMEA and IFCO coupled with cost control and higher asset compensations in CHEP Asia-Pacific offset a number of profit headwinds during the year. These headwinds included accelerating inflationary cost pressures in developed markets, cost challenges in CHEP Americas and a two percentage point profit decline associated with RPC and automotive contract losses in CHEP Australia announced to the market in 2016. Cost challenges in CHEP Americas reflected network capacity constraints and changing customer behaviour in US pallets, additional costs associated with the conversion to block pallets in Canada and increased costs in Latin America.

**Operating profit** from continuing operations was US\$986.0 million, up 28% at actual FX rates. Constant-currency growth of 22% reflected a US\$175.4 million reduction in Significant Items which was partly driven by the recognition of the US\$120.0 million non-cash impairment of the HFG JV investment in FY17. The balance of the reduction was largely driven by a US\$55.4 million decrease in FY18 Significant Items charges relating to restructuring costs and completion of One Better projects .

**Profit after tax** (including discontinued operations) of US\$747.1 million increased 308% at actual FX rates and 293% at constant currency, largely driven by the cycling of the HFG JV non-cash impairment recognised in FY17, and a one-off, non-cash benefit to income tax expense of US\$127.9 million from a reduction in the Group's net deferred tax liabilities, following the USA tax reform which included a decrease in the federal income tax rate from 35% to 21%, effective 1 January 2018.

**Return on Capital Invested** remains well in excess of the cost of capital at 16.1%. Year-on-year decline of 0.9 percentage points at both actual and constant FX rates, was largely due to the impact of the contract losses in CHEP Australia referenced above and lower margins in CHEP Americas.

**Cash Flow from Operations** of US\$892.4 million, increased US\$300.9 million as increased EBITDA, strong working capital management and higher compensations resulting from improved asset management was partially offset by higher cash capital expenditure to fund growth. Cash Flow from Operations also included proceeds of US\$150.0 million from the repayment of the HFG JV loan.

**Free Cash Flow after Dividends** was US\$202.4 million with Cash Flow from Operations fully funding capital expenditure and dividends. Net debt reduced by US\$264.6 million reflecting net proceeds from the sale of CHEP Recycled of US\$102.2 million, HFG JV loan proceeds of US\$150.0 million and surplus Free Cash Flow after dividends.

## Dividend

The Board has declared a final dividend of 14.5 Australian cents per share with franking of 30%. The final dividend amount is in line with both the 2018 interim and 2017 final dividends. The unfranked component of the final dividend represents foreign conduit income and as such shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend. The 2018 final dividend is payable on 11 October 2018 to shareholders on Brambles' register at 5.00pm on 12 September 2018. The ex-dividend date is 11 September 2018. The non-underwritten Dividend Reinvestment Plan remains in place at zero discount. Brambles will continue to neutralise any dilutive impact by way of on-market purchases.

## CEO commentary

Brambles' CEO Graham Chipchase said: "Our FY18 result reflects the significant progress we have made towards our strategic objectives. Revenue momentum was strong despite robust competition in all major markets and Free Cash Flow fully funded dividends for the first time since FY15. This cash flow result was particularly pleasing as it was achieved during a period of ongoing capital investment to fund growth, automation programmes and innovation initiatives, including BXB Digital. While Underlying Profit remains below revenue growth, we have identified and commenced implementing numerous initiatives to improve profitability over the medium term.

"Our US pallets business returned to historic levels of volume growth and successfully implemented contractual surcharges and repricing in response to accelerating rates of transport, lumber and labour inflation in the second half

of the year. In addition to these surcharges, our teams have also commenced renegotiating contracts as they come up for renewal to ensure terms adequately cover the cost-to-serve in a higher inflationary environment. Collectively, surcharges and pricing actions offset approximately half of the inflation-related cost increases we experienced during the year. While changing customer and retailer behaviour and network capacity constraints also contributed to higher plant and transport costs during the year, the accelerated automation programme and procurement initiatives are expected to increase network capacity and deliver operational efficiencies progressively over the next three years.

"In Europe, our pallets businesses continued to deliver outstanding levels of volume growth as they expand with customers in both developed and emerging markets. Inflationary pressures in the region also accelerated in the second half of the year, however, resulting cost increases were largely offset by supply-chain efficiencies and contributions from annual contractual indexation.

"In Asia-Pacific, our pallet businesses in Australia and New Zealand delivered solid revenue growth and we continue to take a disciplined approach to investment in emerging markets such as China. While the CHEP RPC business in the region had a challenging year following the loss of a large contract in 2017, the team are actively pursuing opportunities to return the business to revenue growth in FY19."

### **Strategic priorities**

Commenting on the Group's strategic priorities, Mr Chipchase said: "The fast-moving consumer goods and retail sectors are changing rapidly. Our customers are increasingly under pressure to meet changing consumer demands more efficiently and sustainably. As the leader in sustainable supply chains, we are uniquely positioned to help our customers navigate this evolving landscape by delivering innovative solutions that reduce both the cost and environmental footprint of their supply chains.

"In this increasingly challenging operating environment, our commitment to our strategic priorities is critical to our ability to deliver superior value for customers, shareholders and employees. In FY18, we strengthened our network advantage by funding growth in our core pooling businesses and innovation initiatives to address changing customer needs. By divesting CHEP Recycled and our interest in the HFG joint venture, we further focused our portfolio and generated proceeds which will be used to fund opportunities in high-returning businesses. Finally, through BXB Digital, we took meaningful steps towards identifying the role technology can play in improving the efficiency of our operations and providing richer insights for our customers."

### **Outlook**

Mr Chipchase said: "By delivering on our strategic priorities, Brambles expects to deliver sustainable growth and returns well in excess of the cost of capital. We expect constant-currency sales revenue growth in the mid-single digits, primarily driven by the ongoing conversion of customers to pooled solutions and expansion across geographies. Through the progressive delivery of operational, organisational and capital efficiencies, Brambles expects to deliver Underlying Profit growth in excess of sales revenue growth through the cycle. We will also focus on generating sufficient cash to fully fund dividends and reinvestment for growth, innovation, and the development of our people."

Commenting on FY19, Mr Chipchase said: "FY19 Underlying Profit will continue to reflect ongoing input-cost inflation and other cost challenges. We expect the multi-year automation, procurement and pricing initiatives we are currently undertaking to progressively deliver efficiencies and earnings benefits over the medium term."

### **Further Information**

#### **Investors & Media**

Sean O'Sullivan  
Vice President, Investor Relations  
+61 2 9256 5262  
+61 412 139 711  
[sean.osullivan@brambles.com](mailto:sean.osullivan@brambles.com)

#### **Investors**

Raluca Chiriacescu  
Director, Investor Relations  
+44 2038 809 412  
+44 7810 658 044  
[raluca.chiriacescu@brambles.com](mailto:raluca.chiriacescu@brambles.com)

**Brambles Limited** (ASX:BXB): Under the CHEP and IFCO brands 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 us to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs approximately 12,000 people and own approximately 610 million pallets, crates and containers through a network of more than 850 service centres. Brambles operates in more than 60 countries with its largest operations in North America and Western Europe. For further information, please visit [www.brambles.com](http://www.brambles.com)

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

## Background Information

(US\$m)	1H18	2H18	FY18	1H17	2H17	FY17
<b>Sales revenue</b>						
CHEP Americas	1,082.3	1,113.0	2,195.3	1,022.4	1,051.1	2,073.5
CHEP EMEA	882.9	942.2	1,825.1	779.3	795.9	1,575.2
CHEP Asia-Pacific	238.1	237.0	475.1	243.6	241.2	484.8
IFCO	542.8	558.3	1,101.1	478.1	492.7	970.8
Continuing operations	2,746.1	2,850.5	5,596.6	2,523.4	2,580.9	5,104.3
<b>Underlying EBITDA</b>						
CHEP Americas	295.8	299.6	595.4	304.6	323.6	628.2
CHEP EMEA	299.8	321.6	621.4	263.5	268.7	532.2
CHEP Asia-Pacific	84.9	79.0	163.9	81.9	82.5	164.4
IFCO	118.8	132.9	251.7	106.8	106.4	213.2
Corporate	(22.5)	(33.7)	(56.2)	(24.0)	(29.8)	(53.8)
Continuing operations	776.8	799.4	1,576.2	732.8	751.4	1,484.2
<b>Depreciation of property, plant and equipment</b>						
CHEP Americas	115.7	118.2	233.9	110.1	113.3	223.4
CHEP EMEA	80.0	84.5	164.5	70.1	72.9	143.0
CHEP Asia-Pacific	25.6	25.9	51.5	26.0	25.5	51.5
IFCO	47.3	53.1	100.4	42.2	39.6	81.8
Corporate	0.4	0.3	0.7	0.1	0.2	0.3
Continuing operations	269.0	282.0	551.0	248.5	251.5	500.0
<b>Amortisation of intangibles</b>						
CHEP Americas	5.2	5.7	10.9	5.3	4.4	9.7
CHEP EMEA	1.3	0.8	2.1	0.9	1.2	2.1
CHEP Asia-Pacific	0.4	0.3	0.7	0.4	0.4	0.8
IFCO	7.2	7.6	14.8	6.8	7.0	13.8
Corporate	-	-	-	0.3	-	0.3
Continuing operations	14.1	14.4	28.5	13.7	13.0	26.7
<b>Underlying Profit</b>						
CHEP Americas	174.9	175.7	350.6	189.2	205.9	395.1
CHEP EMEA	218.5	236.3	454.8	192.5	194.6	387.1
CHEP Asia-Pacific	58.9	52.8	111.7	55.5	56.6	112.1
IFCO	64.3	72.2	136.5	57.8	59.8	117.6
Corporate	(22.9)	(34.0)	(56.9)	(24.4)	(30.0)	(54.4)
Continuing operations	493.7	503.0	996.7	470.6	486.9	957.5
<b>Operating profit</b>						
CHEP Americas	173.0	137.3	310.3	184.3	193.0	377.3
CHEP EMEA	217.2	234.8	452.0	191.6	183.5	375.1
CHEP Asia-Pacific	58.8	52.6	111.4	55.5	55.4	110.9
IFCO	64.3	108.9	173.2	57.3	59.4	116.7
Corporate	(24.3)	(36.6)	(60.9)	(156.6)	(52.0)	(208.6)
Continuing operations	489.0	497.0	986.0	332.1	439.3	771.4

## Background Information

(US\$m)	1H18	2H18	FY18	1H17	2H17	FY17
<b>Capital expenditure on property plant and equipment (accruals basis)</b>						
CHEP Americas	237.6	275.1	512.7	215.2	219.4	434.6
CHEP EMEA	204.2	224.4	428.6	162.2	159.4	321.6
CHEP Asia-Pacific	33.3	37.6	70.9	29.5	35.2	64.7
IFCO	116.8	63.2	180.0	120.1	80.4	200.5
Corporate	0.5	(0.2)	0.3	-	2.1	2.1
Continuing operations	592.4	600.1	1,192.5	527.0	496.5	1,023.5
<b>Cash Flow from Operations</b>						
CHEP Americas	91.9	127.2	219.1	82.7	136.2	218.9
CHEP EMEA	114.7	196.0	310.7	99.9	162.4	262.3
CHEP Asia-Pacific	45.5	65.3	110.8	41.0	70.6	111.6
IFCO	77.4	81.4	158.8	22.3	32.7	55.0
Corporate	(18.3)	111.3	93.0	(32.8)	(23.5)	(56.3)
Continuing operations	311.2	581.2	892.4	213.1	378.4	591.5
<b>Average Capital Invested</b>						
CHEP Americas	2,095.1	2,142.3	2,118.7	1,915.3	2,002.1	1,958.7
CHEP EMEA	1,791.1	1,910.1	1,850.6	1,543.0	1,593.8	1,568.4
CHEP Asia-Pacific	438.6	437.8	438.2	430.5	425.1	427.8
IFCO	1,650.6	1,683.4	1,667.0	1,565.5	1,599.1	1,582.3
Corporate	136.9	59.5	98.2	77.3	141.1	109.2
Continuing operations	6,112.3	6,233.1	6,172.7	5,531.6	5,761.2	5,646.4
<b>Return on Capital Invested</b>						
CHEP Americas	16.7%	16.4%	16.5%	19.8%	20.6%	20.2%
CHEP EMEA	24.4%	24.7%	24.6%	25.0%	24.4%	24.7%
CHEP Asia-Pacific	26.9%	24.1%	25.5%	25.8%	26.6%	26.2%
IFCO	7.8%	8.6%	8.2%	7.4%	7.5%	7.4%
Continuing operations	16.2%	16.1%	16.1%	17.0%	16.9%	17.0%

## Background Information

	1H18	2H18	FY18	1H17	2H17	FY17
<b>Number of pallets, RPCs and containers – net, after Irrecoverable Pooling Equipment Provision (millions of units)</b>						
CHEP Americas						
- Pallets	142		139	134		137
- Other	1		1	1		1
Total CHEP Americas	143		140	135		138
CHEP EMEA						
- Pallets	125		126	119		119
- Other	18		20	17		17
Total CHEP EMEA	143		146	136		136
CHEP Asia-Pacific						
- Pallets	23		24	22		23
- Other	6		6	7		8
Total CHEP Asia-Pacific	29		30	29		31
IFCO - RPCs	294		294	275		282
Total	609		610	575		587
<b>Number of pooling equipment purchases (millions of units)</b>						
CHEP Americas						
- Pallets	11	12	23	11	9	20
- Other	-	-	-	-	-	-
Total CHEP Americas	11	12	23	11	9	20
CHEP EMEA						
- Pallets	14	11	25	13	12	25
- Other	1	3	4	1	1	2
Total CHEP EMEA	15	14	29	14	13	27
CHEP Asia-Pacific						
- Pallets	1	1	2	1	1	2
- Other	-	1	1	1	-	1
Total CHEP Asia-Pacific	1	2	3	2	1	3
IFCO - RPCs	25	12	37	24	18	42
Total	52	40	92	51	41	92