24 February 2023
ASX & Media Release

Brambles

1H23 result: Strong first-half performance supports FY23 guidance upgrade

- **Supporting customers to navigate supply chain challenges** with increased investment and acceleration of transformation initiatives to restore pallet availability and pool efficiency in all regions.
- **Early signs of improved pallet return rates in the US and UK** with the business well positioned to manage progressive destocking expected across US and European supply chains in the second half of the year.
- **Sales revenue increased 14%[1]** driven by price realisation to recover both operating and capital cost-to-serve increases across the Group. Overall volumes slightly below prior year reflecting pallet availability dynamics and softening consumer demand.
- **Underlying Profit[2] increased 25%[1]** including ~7pt benefit from deferred plant and transport costs due to lower pallet return rates and ~2pt benefit from one-off insurance proceeds. Excluding these items Underlying Profit increased 16% as pricing and surcharge income more than offset cost-to-serve increases and overhead investments to support growth and transformation initiatives.
- **Return on Capital Invested[3] of 19.8%, increased 1.2pts** at constant currency as strong Underlying Profit more than offset the impact of increased capital investment in higher cost pallets to support customers.
- **Cash Flow from Operations decreased US$42.0 million** largely due to the increase in cash capital expenditure reflecting the timing of payments for pallet purchases and the ~US$170 million impact of lumber inflation on the cost of new pallets.
- **Free Cash Flow after dividends was in line with prior year** as the decline in Cash Flow from Operations was offset by the repayment of a receivable relating to a divestment in 2018.
- **FY23 interim dividend** of 12.25 US cents (1H22: 10.75 US cents) is an increase of 14% on the interim dividend in the prior year and represents a payout ratio of 49%, consistent with Brambles' dividend policy.
- **Shaping Our Future transformation programme** continuing to build momentum with commercial outcomes and asset productivity initiatives helping to mitigate cost-to-serve increases and market-related asset efficiency challenges. Expansion of Brambles' digital capabilities and smart asset trials continuing to progress.
- **EPS growth of 24%[1]** reflecting earnings growth and reduction of shares on issue compared with the prior corresponding period following the completion of the share buy-back programme in June 2022.
- **Upgraded FY23 outlook:** For the full-year ended 30 June 2023, Brambles now expects: Revenue growth of between 12-14%[1] ; Underlying Profit growth of between 15-18%[1]; and Free Cash Flow after dividends to improve on FY22 but remain an outflow. Refer to page 5 for further details and outlook assumptions.

Results highlights

	1H23 result	Change vs. 1H22	
	(Actual FX)	(Actual FX)	(Constant FX)
Sales revenue (continuing ops.)	US$2,931.5m	7%	14%
Underlying Profit & Operating profit (continuing ops.)	US$548.8m	14%	25%
Operating profit after tax (continuing ops.)	US$334.5m	9%	21%
Basic earnings per share (continuing ops.)	US24.1¢	13%	25%
Profit after tax	US$331.1	9%	20%
Basic earnings per share	US23.9¢	12%	24%
Return on Capital Invested[3]	19.8%	0.6pts	1.2pts
Cash Flow from Operations	US$140.4m	US$(42.0)m	
Free Cash Flow after dividends[4]	US$(146.6)m	US$1.3m	
Interim dividend declared per share	US12.25¢		

[1] At constant FX.
[2] A non-statutory measure that represents profit from continuing operations before finance costs, hyperinflation adjustments, tax and Significant Items. In the absence of Significant Items in 1H23 and 1H22, Underlying Profit was in line with Operating profit.
[3] Underlying Profit multiplied by two, divided by the six-month average of capital invested; capital invested is calculated as net assets before tax balances, cash, borrowings and lease liabilities, but after adjustments for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments.
[4] Includes discontinued operations.

CEO Commentary

Commenting on the 1H23 result, Brambles' CEO, Graham Chipchase, said: "This is an outstanding result for Brambles, with the business delivering strong revenue and profit growth with operating leverage despite the challenging external environment and ongoing inflationary pressures. This performance reinforces the defensive nature of our business and highlights the critical role our pooled solutions play in supply chains today.

"Growth in sales revenue of 14% and Underlying Profit of 25% on a constant currency basis demonstrates our ongoing financial discipline, including recovery of cost-to-serve increases, and delivery of benefits from the transformation programme. The profit growth in the first half also includes the savings from deferred costs due to lower pallet return rates associated with longer cycle times in key regions.

"While pricing and other initiatives are offsetting operating cost inflation and supporting profit leverage, the increased capital cost of new pallets continues to impact our short-term cash flow performance, which included a lumber inflation impact of ~US$170 million in the first half. Despite this short-term lumber related cash flow headwind, we are confident we have the right commercial arrangements in place to generate appropriate returns on this increased capital investment over the life of our pallets and to deliver improved cash flow outcomes as lumber costs moderate.

"Importantly, we continue to work hard to improve pallet availability across our operations, not only through capital investments in new pallets but also various efficiency initiatives and extensive engagement with customers and retailers to promote the efficient use of our assets through their supply chains.

"In addition, we have recently started to see some early signs of improved pallet return rates from manufacturers and retailers in North America and the UK, which supports our expectation for progressive inventory destocking across North America and European supply chains in the second half of the year. We are yet to see material signs of destocking or improved cycle times in Australia. However, pallet return rates have begun to gradually improve as our teams continue to work collaboratively with retailers and manufacturers, and we maintain our support of customer demand by increasing investment in new pallets.

"With pallet return rates forecast to improve through the balance of FY23, we expect our capital expenditure requirements to reduce as we redeploy these additional pallets to improve service to our existing customers and pursue new business. We also anticipate the deferred repair and transport cost benefits to reverse as more pallets return to our service centres for repair.

"Despite this expected increase in costs, lower volumes associated with destocking and more challenging prior year comparatives in the second half of the year, we have upgraded our full year guidance. This reflects the better-than-expected price realisation, driven by both commercial actions and customer mix, flowing into the second half of the year combined with improvements to both our pipeline of productivity initiatives and outlook on the macroeconomic environment.

"The strong results have also been enabled by the progress in our Shaping Our Future transformation programme, where we continue to improve asset efficiency through pallet remanufacturing activities, increased collections and improved commercial terms. These efforts have been supported by the expansion of our digital and analytical capabilities. We now have over 300,000 GPS enabled pallets in more than 25 countries including Chile, where we are progressing our serialisation trial to individually identify pallets. Our teams are also working on numerous initiatives to improve the customer experience and trialling new solutions that leverage our end-to-end visibility of supply chains and digital expertise to remove inefficiencies.

"Finally, we have further enhanced our leading sustainability credentials in the first half, including the top position in the Dow Jones Sustainability Index in our industry category, being named the world's third most sustainable company by Corporate Knights and being recognised as a Global Top Employer. We have also enhanced our top-tier position in other leading global ESG assessments, reflecting the positive impact of Brambles' circular business model on supply chains."

Operating environment

During the first half of FY23, Brambles and its customers continued to navigate challenging operating conditions with ongoing disruptions and uncertainty across global supply chains.

The inflationary cost pressures, scarcity of raw materials and other critical inputs and geopolitical tensions experienced during FY22 continued into the first half, impacting the efficiency of global supply chains and Brambles' own operations.

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While the cost of all raw materials and other critical input costs remain well above historic levels, early signs of improved pallet availability and moderating rates of inflation were noted in the second quarter of FY23 and in the first two months of the second half.

Stabilising lumber market dynamics have resulted in pallet prices declining in the US, moderating slightly in Europe and stabilising at historic high levels in Latin America in the first half. Despite this moderation, pallet prices in all markets remain well above both pre-pandemic levels and the weighted average price per pallet in the first half of the prior year.

Brambles expects pallet prices to continue moderating in the second half, although the FY23 weighted average cost per pallet is expected to remain above FY22 levels, reflecting regional mix impacts, including a higher proportion of pallets being purchased in Latin America and the US which are higher cost relative to pallets sourced in other regions. The mix impact also reflects increased reliance on higher cost offshore lumber to manufacture new pallets in Australia.

Inventory levels across retailer and manufacturing supply chains remained elevated during the half, resulting in increased pallet cycle times in most regions and additional pallet losses in North America. While it is still too early to call the extent and timing of inventory destocking, there was an improvement in pallet return rates across North America and Europe at the end of the second quarter of FY23. Brambles expects pallet return rates to continue to improve as supply chains across Europe and North America reduce inventory holdings through the second half of FY23. In Australia, pallet return rates are not expected to improve until the fourth quarter of FY23.

Plant stock levels remained below optimal levels during the first half of the year, although additional pallet returns combined with ongoing capital investment in new pallets and benefits from asset productivity initiatives have driven an improvement in plant stock levels in all regions at the start of the second half. This has provided the business with confidence to begin lifting allocations in the US incrementally and commence new business activities in Europe in the second half of the year.

1H23 result overview

Sales revenue from continuing operations of US$2,931.5 million increased 14% at constant currency, driven by price realisation reflecting contributions from pricing actions taken in the current period and the prior year to recover cost-to-serve increases across the Group. Overall volumes decreased 1% as modest net new business growth of 1% from the rollover impact of prior year contract wins in Europe was offset by a decline of 2% in like-for-like volumes, primarily due to pallet availability challenges and softening consumer demand, most notable in the US and Europe.

Underlying Profit and Operating profit of US$548.8 million increased 25% at constant currency and included ~US$35 million of deferred net plant and transport costs due to lower pallet return rates in the period and US$8 million of Australian flood insurance proceeds. Excluding these benefits, Underlying Profit increased 16% at constant currency as contributions from pricing actions and incremental North American surcharge income more than offset input-cost inflation, higher lost equipment charges and incremental overhead investments to support growth and the transformation programme.

Cash Flow from Operations of US$140.4 million decreased US$42.0 million as higher earnings and improvement in compensation recoveries were more than offset by a US$154.1 million increase in cash capital expenditure including a ~US$170 million lumber inflation impact on pallets paid for in 1H23.

On an accruals basis, capital expenditure decreased US$11.6 million at actual FX rates and increased US$55.0 million at constant currency. This increase reflected lumber inflation of ~US$100 million (accruals basis) and additional pallet purchases to support cycle time increases across all regions, replacements for scrapped assets and higher pallet losses in the Americas region. These additional pallet requirements were more than offset by lower volume-related pallet purchases compared to the prior year reflecting the volume declines in the current period.

Free Cash Flow after dividends net outflow of US$146.6 million was broadly in line with the prior year. The US$42.0 million decline in Cash Flow from Operations combined with the US$8.3 million increase in financing and tax payments were largely offset by a US$50.8 million increase in cash inflows from discontinued operations. Cash flow from discontinued operations includes the US$41.5 million of proceeds from the repayment of the loan receivable from First Reserve and the cash flow from CHEP China, which was classified as a discontinued operation following the proposed divestment announcement made in November 2022.

Shaping Our Future transformation programme

Brambles continues to progress with its transformation programme which builds on the strength of its sustainable business model to transform the business and unlock value for customers and shareholders. Brambles has developed a detailed 'Shaping Our Future' scorecard of operational and financial metrics to measure the progress and success of its transformation programme out to FY25.

As outlined in the scorecard on slide 7 of the 1H23 results presentation lodged with the ASX today, some metrics have already been achieved and others are progressing ahead of target. However, in challenging operating conditions and amidst uncertainty across global supply chains, some metrics are tracking below target. In all instances, comprehensive plans are in place and being implemented to mitigate any headwinds from metrics below target and successfully deliver on the benefits of the transformation programme.

Consistent with FY22, supply chain dynamics led to higher cycle times, increased misuse of pallets and pallet availability challenges across our major regions which impacted volume growth and customer net promoter scores. These market conditions continued to create challenges for asset efficiency metrics with both the pooling capex to sales ratio and uncompensated pallet losses tracking below the scorecard target. Despite the challenging operating conditions, the Group's pooling capex to sales ratio improved in 1H23 by 2.2 points and we expect further improvements in the second half of the year.

The transformation programme across all pillars continues to progress well. Key transformation achievements during 1H23 included:

- **Customer value:** Brambles continued to improve its customer capabilities, underpinned by more customer insights. During 1H23, Brambles continued to rollout dynamic delivery notifications providing real time GPS locations, ensuring full visibility of orders resulting in customers having increased confidence to plan daily production activities. In addition, proactive ordering was launched in the UK, leveraging data analytics to automate customer pallet orders. To further enhance the customer experience, multiple process improvements have been made to the myCHEP workflow while smaller customers in Canada are now benefiting from a simplified commercial model;
- **Digital transformation:** Brambles made further progress in its digital transformation to utilise data and technology to provide better visibility of its assets and network as well as addressing inefficiencies in the supply chain. There are now over 300,000 smart pallets in more than 25 countries including 250,000 dedicated to continuous diagnostics across the UK, North America and Chile. The information generated from the smart assets combined with our advanced data analytics, provides better visibility of our network including leakages as well as actionable insights to optimise the customer experience. Finally, Brambles is well progressed in developing new customer solutions to remove inefficiencies from the supply chain with three trials underway;
- **Asset efficiency & network productivity:** Brambles' asset efficiency initiatives continue to deliver benefits which have mitigated the impact of higher losses and increased cycle times due to challenging supply chain dynamics. In 1H23, an additional five million pallets were made available for customers through improving recovery and remanufacturing processes compared to four million during FY22. In addition to the successful collection activities commenced in FY22 such as the deployment of more specialised field resources and small trucks for efficient low volume collections, adjustments have been made to commercial frameworks to reward collaborative approaches to asset use and efficiency as well as enhanced data analytics to improve collection rates from retailers. In support of our network productivity plans, Brambles expects to implement 23 high returning end-to-end automated repair cells by the end of FY23 and is continuing to implement durability and pallet quality initiatives that delivered an additional 35bps reduction in the damage rate over FY22;
- **Business excellence:** Brambles has invested to upgrade its capabilities, systems and technology as well as evolve its ways of working to support transformation and improve internal productivity. The organisation metrics are progressing and are on-track. The women in management roles metric improved to 35% in December 2022 and remains on-track for 40% by the end of FY25, while the safety performance improved in 1H23 as the Brambles Injury Frequency Rate decreased to 3.8 (FY22: 4.1); and
- **Sustainability and ESG**: Brambles continues to make progress against its 2025 sustainability targets with the business maintaining carbon-neutral status as well as 100% renewable electricity across its own operations (Scope 1 and 2). Brambles' decarbonisation plans continue to progress well against its Science Based Targets with reductions in Scope 1, 2 and 3 emissions as well as waste diverted from landfill improving across both owned and third-party sites.

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Interim dividend

The Board has declared an interim dividend of 12.25 US cents per share, representing a 14% increase over the FY22 interim dividend. The payout ratio of 49% is in line with the payout ratio in the prior corresponding period and Brambles' dividend policy to pay out between 45% and 60% of Underlying Profit after finance costs and tax[5]. The FY23 interim dividend will be declared in US cents and paid as 17.67 Australian cents per share[6], with franking of 35%. The unfranked component of the interim dividend is conduit foreign income. Consequently, non-resident shareholders will not pay Australian dividend withholding tax on this dividend. The interim dividend is payable on 13 April 2023 to shareholders on Brambles' register at 5.00pm AEDT on Thursday, 9 March 2023. The ex-dividend date is 8 March 2023.

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

FY23 Outlook

Brambles has upgraded its FY23 guidance. For the year ended 30 June 2023, Brambles now expects:

- Sales revenue growth of between 12-14% at constant currency;
- Underlying Profit growth of between 15-18% 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 chains and other productivity improvements in the asset pool. In addition to an expected underlying improvement, Free Cash Flow after dividends includes 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[5] 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, the price of lumber and other key inputs and efficiency of global supply chains, including the extent of destocking. Further details on FY23 outlook considerations are outlined on slide 25 of 1H23 result presentation lodged with the ASX today.

[5] Subject to Brambles' cash requirements.

[6] This reflects the US cents dividend converted at an A$:US$ exchange rate of 0.6933, the average exchange rate over the five business days ending 17 February 2022.

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

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

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Background Information

US$m (at actual FX rates)	1H23	1H22	2H22	FY22
Sales revenue				
CHEP Americas	1,639.6	1,436.7	1,514.1	2,950.8
CHEP EMEA	1,039.2	1,059.0	1,013.5	2,072.5
CHEP Asia-Pacific	252.7	251.0	245.5	496.5
Continuing operations	2,931.5	2,746.7	2,773.1	5,519.8
EBITDA				
CHEP Americas	592.9	501.1	510.7	1,011.8
CHEP EMEA	401.8	407.5	365.6	773.1
CHEP Asia-Pacific	124.8	111.0	122.8	233.8
Corporate	(73.5)	(74.0)	(103.2)	(177.2)
Continuing operations	1,046.0	945.6	895.9	1,841.5
Depreciation of property, plant and equipment and Irrecoverable Pooling Equipment Provision (IPEP)				
CHEP Americas	301.8	263.8	253.2	517.0
CHEP EMEA	154.9	158.1	151.7	309.8
CHEP Asia-Pacific	31.6	32.5	31.7	64.2
Corporate	0.5	0.9	0.9	1.8
Continuing operations	488.8	455.3	437.5	892.8
Amortisation of intangibles				
CHEP Americas	5.5	6.3	6.2	12.5
CHEP EMEA	0.9	1.0	1.1	2.1
CHEP Asia-Pacific	0.3	0.3	0.3	0.6
Corporate	1.7	1.2	2.3	3.5
Continuing operations	8.4	8.8	9.9	18.7
Underlying Profit and Operating profit				
CHEP Americas	285.6	231.0	251.3	482.3
CHEP EMEA	246.0	248.4	212.8	461.2
CHEP Asia-Pacific	92.9	78.2	90.8	169.0
Corporate	(75.7)	(76.1)	(106.4)	(182.5)
Continuing operations	548.8	481.5	448.5	930.0
Capital expenditure on property, plant and equipment (accruals basis)				
CHEP Americas	443.2	467.9	513.3	981.2
CHEP EMEA	359.1	362.5	342.0	704.5
CHEP Asia-Pacific	59.9	43.4	57.8	101.2
Corporate	-	-	0.1	0.1
Continuing operations	862.2	873.8	913.2	1,787.0
Cash Flow from Operations				
CHEP Americas	119.3	75.0	110.3	185.3
CHEP EMEA	27.1	130.4	109.8	240.2
CHEP Asia-Pacific	72.9	57.8	86.4	144.2
Corporate	(78.9)	(80.8)	(97.1)	(177.9)
Continuing operations	140.4	182.4	209.4	391.8

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Background Information (continued)

US$m (at actual FX rates)	1H23	1H22	2H22	FY22
Average Capital Invested				
CHEP Americas	2,970.7	2,561.4	2,758.4	2,659.9
CHEP EMEA	2,074.2	1,965.5	2,016.3	1,990.9
CHEP Asia-Pacific	520.3	511.5	513.9	512.7
Corporate	(18.0)	(13.7)	(12.3)	(13.0)
Continuing operations	5,547.2	5,024.7	5,276.3	5,150.5
Return on Capital Invested				
CHEP Americas	19.2%	18.0%	18.2%	18.1%
CHEP EMEA	23.7%	25.3%	21.1%	23.2%
CHEP Asia-Pacific	35.7%	30.6%	35.3%	33.0%
Continuing operations	19.8%	19.2%	17.0%	18.1%
Pooling capital expenditure to sales ratio				
CHEP Americas	25.6%	30.8%	29.5%	30.1%
CHEP EMEA	33.3%	33.3%	32.2%	32.7%
CHEP Asia-Pacific	20.8%	12.9%	18.5%	15.7%
Continuing operations	27.9%	30.1%	29.5%	29.8%
Number of pallets, RPCs and containers – net, after IPEP (millions of units)				
CHEP - Americas				
- Pallets	147	145		146
- Other	-	-		-
Total CHEP Americas	147	145		146
CHEP - EMEA				
- Pallets	158	148		151
- Other	21	21		22
Total CHEP EMEA	179	169		173
CHEP Asia-Pacific				
- Pallets	22	21		22
- Other	13	14		13
Total CHEP Asia-Pacific	35	35		35
Total	361	349		354
Number of pooling equipment purchases (millions of units)				
CHEP - Americas				
- Pallets	13	15	13	28
- Other	-	-	-	-
Total CHEP Americas	13	15	13	28
CHEP - EMEA				
- Pallets	16	16	13	29
- Other	1	2	-	2
Total CHEP EMEA	17	18	13	31
CHEP Asia-Pacific				
- Pallets	2	1	1	2
- Other	-	1	-	1
Total CHEP Asia-Pacific	2	2	1	3
Total	32	35	27	62

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Summary of Key Metrics

US$m			Change	
Continuing operations	**1H23**	**1H22**	**Actual FX**	**Constant FX**
CHEP Americas	1,639.6	1,436.7	14%	15%
CHEP EMEA	1,039.2	1,059.0	(2)%	14%
CHEP Asia-Pacific	252.7	251.0	1%	10%
Sales revenue	**2,931.5**	**2,746.7**	**7%**	**14%**
Other income and other revenue	**181.5**	**107.1**	**69%**	**75%**
CHEP Americas	285.6	231.0	24%	26%
CHEP EMEA	246.0	248.4	(1)%	16%
CHEP Asia-Pacific	92.9	78.2	19%	31%
Corporate (incl. transformation)	(75.7)	(76.1)	1%	(4)%
Underlying Profit	**548.8**	**481.5**	**14%**	**25%**
Significant items	-	-	-	-
Operating profit	**548.8**	**481.5**	**14%**	**25%**
Net finance costs	(49.7)	(41.9)	(19)%	(21)%
Net impact arising from hyperinflationary economies[1]	(12.4)	-		
Tax expense	(152.2)	(133.8)	(14)%	(23)%
Profit after tax from continuing operations	**334.5**	**305.8**	**9%**	**21%**
Loss from discontinued operations	(3.4)	(1.3)		
Profit after tax	**331.1**	**304.5**	**9%**	**20%**
Average Capital Invested	5,547.2	5,024.7	10%	18%
Return on Capital Invested	**19.8%**	**19.2%**	**0.6pts**	**1.2pts**
Weighted average number of shares (m)	1,387.1	1,431.7	(3)%	(3)%
Basic EPS (US cents)	**23.9**	**21.3**	**12%**	**24%**
Basic EPS from continuing operations (US cents)	**24.1**	**21.4**	**13%**	**25%**

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

Note: Change against the prior year calculated at constant FX rates unless otherwise stated.

Sales revenue from continuing operations of US$2,931.5 million increased 14% at constant currency driven by strong pricing growth to recover both operating and capital cost-to-serve increases in all regions. This price realisation reflected contractual price increases (including indexation) and additional pricing initiatives taken in the current period as well as rollover contributions from pricing actions taken in the prior year.

Overall volumes decreased (1)% with lower like-for-like volumes offsetting modest net new business growth. This performance reflected:

- Like-for-like volumes declines of (2)% reflecting pallet availability challenges and softening consumer demand most notable in the US and European pallet businesses. These declines were partly offset by growth with existing customers in the automotive business and pallet businesses in other regions; and
- Net new business growth of 1% largely due to the rollover contribution from prior year contract wins in Europe, with pallet availability challenges in all regions limiting new customer contract wins in the current period.

Other income and other revenue of US$181.5 million, included US$122.5 million of income relating to North American surcharges, which are pricing mechanisms that seek to recover the impact of fuel, lumber and transport inflation on the operating and capital cost-to-serve in the region.
North American surcharge income increased US$38 million at constant currency in the first half, largely driven by higher contributions from the fuel and transport surcharges which more than offset a decline in lumber surcharge income.

The balance of other income and the year-on-year increase relates primarily to the profit on disposal of assets and includes Australian flood insurance proceeds.

Underlying Profit and **Operating profit** of US$548.8 million increased 25% at constant currency and included a seven percentage point benefit from ~US$35 million of deferred net plant and transport costs due to lower pallet returns rates in the period, with an additional two percentage points of benefit relating to the US$8 million of Australian flood insurance proceeds.

[1] Relating to operations in Türkiye, Argentina and Zimbabwe.

Excluding these benefits, Underlying Profit increased 16% at constant currency as contributions from pricing actions and incremental North American surcharge income offset cost-to-serve increases including input-cost inflation, lost equipment charges and incremental overhead investments to support growth and the transformation programme.

At the Group level, the sales revenue contribution to profit of US$416 million and incremental North American surcharge income of US$38 million, more than offset:

- Plant cost increases of US$126 million reflecting input-cost inflation (including repair lumber) of US$92 million, additional repair and handling costs to remanufacture pallets that would otherwise be scrapped and inefficiencies due to sub-optimal plant stock levels. These cost increases were partly offset by automation benefits in the Australian RPC business, damage rate improvements in the US and European pallet businesses and ~US$20 million of the ~US$35 million combined net plant and transport timing benefit which related to repair cost savings due to lower pallet return rates in the half;
- Transport cost increases of US$72 million reflecting fuel and transport inflation of US$48 million with the balance primarily due to longer haulage distances and incremental costs to improve asset recovery. These increases were partly offset by ~US$15 million of the ~US$35 million combined net plant and transport timing benefit which related to transport savings from lower pallet return rates in the half;
- IPEP expense increases of US$21 million, mainly reflecting higher pallet loss rates in the US business as supply chain dynamics continued to impact pallet cycle times and return rates in that market despite asset productivity initiatives undertaken;
- Depreciation expense increases of US$36 million, reflecting growth in the pool and impact of pallet price inflation on pallets purchased in the preceding 12 months; and
- Other cost increases of US$78 million, which included overhead investments to support growth and transformation initiatives across the regions and indirect tax provisions. These cost increases were partly offset by increased asset compensations, one-off insurance proceeds in Australia and an US$11 million decrease in consulting-related short-term transformation costs.

Profit after tax from continuing operations of US$334.5 million, increased 21% at constant currency as the strong Underlying Profit performance was partly offset by higher net finance costs and a net charge relating to hyperinflationary economies.

Net finance costs increased 21% at constant currency reflecting higher interest rates on variable rate debt as well as higher net debt to fund the cash flow requirements of the Group.

The net charge of US$12.4 million arising from hyperinflationary economies relates to Brambles' operations in Türkiye, Argentina and Zimbabwe. The trigger for hyperinflation accounting is inflation of over 100% across a three-year period. Brambles first applied hyperinflation accounting in the second half of FY22, with a review to be performed at each subsequent reporting period.

The effective tax rate on Underlying Profit in the first half of 30.5% was broadly in line with the prior corresponding period.

Return on Capital Invested was 19.8%, up 1.2 percentage points at constant currency as the strong Underlying Profit performance more than offset an 18% constant currency increase in Average Capital Invested.

The increase in Average Capital Invested reflected the higher per unit cost of pallets purchased over the last 12 months and pallet purchases to support cycle time increases and higher inventory balances across supply chains in key regions.

Cash Flow Reconciliation

US$m (at actual FX rates)	1H23	1H22	Change
Underlying Profit	548.8	481.5	67.3
Depreciation and amortisation	350.9	334.3	16.6
IPEP expense	146.3	129.8	16.5
Underlying EBITDA[2]	**1,046.0**	**945.6**	**100.4**
Capital expenditure (cash basis)	(922.0)	(767.9)	(154.1)
Proceeds from sale of PP&E	88.2	74.3	13.9
Working capital movement	(8.0)	(21.0)	13.0
Other	(63.8)	(48.6)	(15.2)
Cash Flow from Operations	**140.4**	**182.4**	**(42.0)**
Significant Items	(0.5)	(0.9)	0.4
Discontinued operations	34.3	(16.5)	50.8
Financing & tax costs	(166.4)	(158.1)	(8.3)
Free Cash Flow[3]	**7.8**	**6.9**	**0.9**
Dividends paid – ordinary	(154.4)	(154.8)	0.4
Free Cash Flow after dividends	**(146.6)**	**(147.9)**	**1.3**

Cash Flow from Operations of US$140.4 million decreased US$42.0 million as higher earnings were more than offset by a US$154.1 million increase in cash capital expenditure primarily due to changes in capex creditors. Capex creditor payments increased US$165.8 million and included a ~US$170 million impact of lumber inflation on pallets paid for in 1H23.

On an accruals basis, capital expenditure decreased US$11.6 million at actual FX rates and increased US$55.0 million at constant currency. This increase reflected lumber inflation of ~US$100 million (accruals basis) and additional pallet purchases to support cycle time increases and replacements for scrapped assets across all regions in addition to higher pallet losses in the

[2] Earnings before interest, tax, IPEP, depreciation and amortisation: calculated as Underlying Profit after adding back depreciation, amortisation and IPEP.
[3] Cash Flow generated after net capital expenditure, finance costs and tax, but excluding the net cost of acquisitions and proceeds from business disposals.

Americas region. These additional pallet requirements were more than offset by lower volume-related pallet purchases compared to the prior year reflecting the volume declines in the current period.

Proceeds from the sale of PP&E increased US$13.9 million driven by an improvement in compensation recoveries and US$8 million of Australian flood insurance proceeds.

Working capital movements include improved debtor collections in the period and the recovery of non-domestic VAT in Europe.

Other cash flow items include non-cash items mainly relating to asset disposals.

Free Cash Flow after dividends was an outflow of US$146.6 million, broadly in line with the prior corresponding period. The decline in Cash Flow from Operations combined with the US$8.3 million increase in financing and tax costs offset a US$50.8 million increase in cash flow from discontinued operations.

Cash flow from discontinued operations includes the cash flow from CHEP China which was classified as 'held for sale' in 1H23, and the US$41.5 million final settlement from First Reserve relating to the divestment of the Hoover Ferguson Group investment in 2018.

Dividend payments were in line with the prior year despite an increase in dividends per share reflecting the benefit of lower shares on issue in the current period due to the share buy-back programme completed in FY22 and FX movements.

Net Debt & Key Ratios[4]

US$m (at actual FX rates)	Dec 2022	Jun 2022	Change
Current debt	128.6	193.7	(65.1)
Non-current debt	2,959.0	2,681.8	277.2
Gross debt	**3,087.6**	**2,875.5**	**212.1**
Less cash & deposits	(187.8)	(158.2)	(29.6)
Net debt	**2,899.8**	**2,717.3**	**182.5**
Key ratios[5]	**1H23**	**1H22**	
Net debt to EBITDA	1.49x	1.37x	
EBITDA interest cover	20.6x	21.1x	

Net debt as at 31 December 2022, was US$2,899.8 million, including US$689.5 million of lease liabilities.

Net debt increased by US$182.5 million from 30 June 2022, mainly reflecting the net free cash outflow after dividends of US$146.6 million and the impact of FX translation.

Liquidity remains strong with US$1.0 billion of undrawn committed credit facilities and US$0.2 billion of cash at 31 December 2022.

Segment Analysis

CHEP Americas

US$m			Change	
	1H23	1H22	Actual FX	Constant FX
Pallets	1,622.3	1,418.2	14%	15%
Containers	17.3	18.5	(6)%	(6)%
Sales revenue	**1,639.6**	**1,436.7**	**14%**	**15%**
Underlying Profit	**285.6**	**231.0**	**24%**	**26%**
Average Capital Invested	2,970.7	2,561.4	16%	17%
Return on Capital Invested	**19.2%**	**18.0%**	**1.2pts**	**1.4pts**

Sales revenue

Pallets sales revenue of US$1,622.3 million increased 15% at constant currency as pricing initiatives to recover cost-to-serve increases across the region combined with volume growth in Latin America more than offset volume declines in North America.

US pallets sales revenue of US$1,183.1 million increased 13% and comprised:

- Price growth of 19% reflecting rollover benefits from pricing actions taken in the prior year and additional pricing initiatives to offset ongoing operating and capital input-cost inflation;
- Net new business in line with the prior corresponding period as pallet availability constraints in the previous 12 months limited expansion with new customers; and
- Like-for-like volume decline of (6)% reflecting softening consumer demand and the impact of demand management initiatives in response to ongoing pallet availability constraints in the period.

Canada pallets sales revenue of US$190.7 million increased 15% at constant currency due to strong pricing growth, with volumes marginally below the prior corresponding period.

Latin America pallets sales revenue of US$248.5 million increased 28% at constant currency, driven by price realisation and volume growth with both new and existing customers.

Containers sales revenue of US$17.3 million declined (6)% at constant currency as price growth in the period was more than offset by lower volumes in the North American Intermediate Bulk Container (IBC) business.

Profit

Underlying Profit of US$285.6 million increased 26% at constant currency with segment margin improvement of 1.5 percentage points at constant currency as increases in pricing and surcharge income more than offset operating cost increases.

[4] December 2022 balances and 1H23 ratios exclude the results of CHEP China.

[5] Key financial ratios using EBITDA and net interest expense are on a twelve-month rolling basis.

The sales revenue contribution to profit of US$252 million and incremental surcharge income in North America of US$38 million were partly offset by:

- Plant cost increases of US$110 million including repair lumber and other input-cost inflation of US$72 million. Other plant cost increases reflected operational inefficiencies due to sub-optimal plant stock levels and additional costs to refurbish pallets that would otherwise be scrapped. These costs were partly offset by net benefits of ~US$12 million relating to reduced plant activity due to lower pallet return rates, primarily in the US business;
- Transport cost increases of US$42 million primarily reflecting fuel and transport inflation of US$18 million, with the balance primarily due to longer haulage distance and additional asset recovery costs in the US business. These cost increases were partly offset by lower transport rates and deferred benefits in the US of ~US$15 million due to lower pallet return rates in the period;
- IPEP expense increases of US$20 million reflecting higher pallet losses as supply chain dynamics continued to impact pallet cycle times and return rates in the US despite asset productivity initiatives;
- Depreciation expense increases of US$18 million due to pallet pool growth and increased per unit pallet costs; and
- Other cost increases of US$41 million reflecting investments to support business growth, transformation and asset recovery initiatives, partly offset by increased pallet compensations and lower pallet scraps.

Return on Capital

Return on Capital Invested of 19.2% increased 1.4 percentage points at constant currency reflecting the strong performance in Underlying Profit. Average Capital Invested increased 17% at constant currency reflecting the impact of elevated lumber prices on the per unit cost of pallets purchased in the preceding 12-month period.

CHEP EMEA

US$m			Change	
	1H23	1H22	Actual FX	Constant FX
Pallets	902.6	917.9	(2)%	14%
RPC	13.2	14.2	(7)%	11%
Containers	123.4	126.9	(3)%	10%
Sales revenue	**1,039.2**	**1,059.0**	**(2)%**	**14%**
Underlying Profit	**246.0**	**248.4**	**(1)%**	**16%**
Average Capital Invested	2,074.2	1,965.5	6%	21%
Return on Capital Invested	**23.7%**	**25.3%**	**(1.6)pts**	**(0.9)pts**

Sales revenue

Pallets sales revenue of US$902.6 million increased 14% at constant currency, largely driven by price realisation across the region and net new business growth.

Europe pallets sales revenue of US$796.7 million increased 13% at constant currency, comprising:

- Price growth of 13% including contractual indexation and other pricing actions to recover cost-to-serve increases;
- Net new business growth of 4% largely relating to rollover contributions from prior year contract wins in Southern, Central and Eastern Europe; and
- Like-for-like volume decline of (4)% predominantly due to softening consumer demand in line with challenging macroeconomic conditions.

India, Middle East, Türkiye and Africa (IMETA) pallets sales revenue was US$105.9 million, up 29% at constant currency and included a material impact from hyperinflation in Türkiye and Zimbabwe. Excluding these markets, growth in the region was 6% at constant currency, reflecting price realisation, like-for-like volume growth and rollover contributions from prior year contract wins.

RPC and Containers businesses generated sales revenue of US$136.6 million, up 10% at constant currency, comprising:

- Automotive sales revenue of US$93.6m up 14%, largely reflecting strong like-for-like growth in Europe and North America;
- IBCs sales revenue of US$29.8 million up 1% as revenue on liners was offset by lower container demand; and
- RPCs sales revenue of US$13.2 million up 11%, reflecting pricing to recover cost-to-serve increases.

Profit

Underlying Profit of US$246.0 million increased 16% at constant currency. The sales revenue contribution to profit of US$139 million, which includes contractual indexation and other pricing actions, was partly offset by:

- Plant cost increases of US$20 million which were primarily driven by lumber and other input-cost inflation of US$17 million;

- Transport cost increases of US$30 million primarily due to inflation of US$28 million;
- Depreciation expense increases of US$15 million in line with growth in the pool and impact of higher unit cost of pallets purchased over the past 12 months; and
- Other cost increases of US$33 million, largely reflecting overhead cost increases, including cost-inflation and additional personnel costs to support growth and transformation initiatives in the region, partly offset by increased pallet compensations.

Return on Capital

Return on Capital Invested of 23.7% declined (0.9) percentage points at constant currency as increases in Average Capital Invested more than offset strong Underlying Profit growth in the period.

Average Capital Invested increased 21%, reflecting the impact of lumber inflation on the unit cost of pallets purchased over the last 12 months and additional pallet purchases to support volume growth relating to prior year customer contract wins.

CHEP Asia-Pacific

US$m			Change	
	1H23	1H22	Actual FX	Constant FX
Pallets	185.0	184.3	-	9%
RPC	46.6	46.7	-	9%
Containers	21.1	20.0	6%	16%
Sales revenue	**252.7**	**251.0**	**1%**	**10%**
Underlying Profit	**92.9**	**78.2**	**19%**	**31%**
Average Capital Invested	520.3	511.5	2%	11%
Return on Capital Invested	**35.7%**	**30.6%**	**5.1pts**	**5.4pts**

Corporate actions

CHEP China (formerly part of CHEP Asia-Pacific), has been classified as held for sale and recognised in discontinued operations in 1H23 following the proposed transaction announced in November 2022. Prior year comparatives for CHEP Asia-Pacific have been restated.

Sales revenue

Pallets sales revenue of US$185.0 million, increased 9% at constant currency driven by a combination of price realisation, customer mix benefits and volume growth with existing customers. Revenue growth with existing customers reflects increased daily hire revenue due to volume growth and longer cycle times in Australia as manufacturers and retailers continued to hold higher levels of inventory. Transport revenue continues to be impacted by lower pallet issue volumes and return rates in Australia.

RPC and Containers sales revenue of US$67.7 million increased 11% at constant currency, primarily driven by the RPC business which delivered like-for-like volume growth in Australia and net new business wins in New Zealand.

Profit

Underlying Profit of US$92.9 million, increased 31% at constant currency and includes one-off net income of US$8 million from insurance proceeds relating to floods in Australia and a timing benefit of ~US$6 million associated with deferred plant costs due to lower pallet return rates. Excluding these benefits, Underlying Profit increased 13% at constant currency as the sales contribution to profit from all products and automation-related efficiencies in the Australian RPC business more than offset plant and transport cost inflation.

Return on Capital

Return on Capital Invested was 35.7%, up 5.4 percentage points at constant currency, and included a 4.9 percentage point contribution from the one-off proceeds and timing benefits included in Underlying Profit and outlined above.

Excluding these items, Return on Capital Invested increased 0.5 percentage points at constant currency as profit growth offset an 11% increase in Average Capital Invested. The increase in Average Capital Invested reflected growth in the pallet pool to support higher inventory balances across manufacturer and retailer supply chains and the impact of the higher per unit cost of pallets purchased over the past 12 months.

Corporate

US$m			Change	
	1H23	1H22	Actual FX	Constant FX
Short-term transformation costs	(13.2)	(24.4)	11.2	10.9
Ongoing corporate transformation costs	(30.9)	(26.6)	(4.3)	(6.7)
Shaping Our Future transformation costs	**(44.1)**	**(51.0)**	**6.9**	**4.2**
Corporate costs	(31.6)	(25.1)	(6.5)	(7.0)
Underlying Profit	**(75.7)**	**(76.1)**	**0.4**	**(2.8)**

Profit

Shaping Our Future costs of US$44.1 million decreased US$4.2 million at constant currency, due to the US$10.9 million constant currency reduction in short-term transformation costs. These short-term costs are in line with the estimate provided to the market in August 2022 and reflect consulting fees and internal resources required to support the transformation programme.

Ongoing corporate transformation costs of US$30.9 million increased US$6.7 million at constant currency, largely reflecting continued investments to support the digital and data analytics strategy and initiatives to improve the customer experience.

Corporate costs of US$31.6 million increased US$7.0 million at constant currency, primarily reflecting labour-related cost increases.