Company: **Brambles Limited**

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Graham Chipchase: Good morning everyone and welcome to the Brambles FY25 Half Year Results presentation. I'll start today by sharing some of our performance highlights for the first half of 2025, an overview of the operating environment, and an update on our transformation progress before commenting on our outlook for the full year. I will then pass over to Joaquin to provide a more detailed update on our financials.

Let's start with a look at our highlights for the first half. We achieved an increase in sales revenue of 4%, with equal contributions from price realisation and volume growth, while delivering a 10% uplift in underlying profit against last year. The return to volume growth was pleasing, especially net new business wins in our US pallets business, while pricing continued to recover the cost-to-serve.

Our profit result demonstrates continued operating leverage, driven by ongoing commercial discipline and productivity benefits, including further improvements to asset efficiency, which delivered a material reduction in uncompensated losses in the period. The significant improvement to asset efficiency was also a key contributor to our free cash flow before dividends performance of USUS$429 million, which increased USUS$118 million from the same period last year.

The strength of cash flow generation in the first half has informed our decision today to upgrade our FY25 cash flow outlook by USUS$100 million, primarily driven by lower than expected capital expenditure, which we will discuss in more detail. Our profit performance, combined with the enhanced stability of free cash flow generation has supported us declaring an interim dividend of USUS$0.19 per share. This represents a 27% increase on the prior comparative period and a payout ratio of 58% which is in line with our increased dividend payout ratio range of 50% to 70% announced in August 2024.

These strong financial results are a direct benefit of our Shaping Our Future transformation, which has structurally improved the fundamentals of our business. Our ongoing investments in quality and service are enhancing the customer experience in all regions, while our focus on innovation is uncovering unique opportunities to collaborate with customers to remove waste and improve efficiency in their supply chains.

At the same time, asset efficiency improvements and productivity benefits across our operations are reducing our cost-to-serve, which directly benefits our customers, improves our competitive advantage, and supports the progress we've made towards our FY25 sustainability targets and 2030 decarbonisation goals - which I'll cover in more detail shortly.

Turning to our operating environment and the impact on our business during the first half. Operating conditions were largely shaped by moderating inflationary pressures and normalising pallet market dynamics, following inventory optimisation undertaken by retailers and manufacturers in FY24. From an inflation perspective, we continue to experience labour and transport cost increases, while other key input costs such as fuel and lumber decreased in the half. The latter was a significant driver of the 9% decrease in the Group's average capital cost of a pallet compared to the first half of last year.

As inflationary pressures have moderated, so have increases in our cost-to-serve, with contractual price growth and contributions from inflation recovery mechanisms adjusting accordingly in the period. In terms of consumer demand, on balance, conditions remained subdued globally. Although there are some signs of improvement in the US and Australia, Europe remained challenging, as weak macroeconomic conditions continued to weigh on consumer demand.

For our business, pallet demand from existing customers improved from levels in the first half of the prior year, which was impacted by inventory optimisation. In terms of outlook, we note there is some uncertainty about global consumption and cross-border trade, partly due to the prospect of tariffs. I do want to highlight that for our business, volumes are primarily weighted to the consumer staples sector, which offers a more defensive base in most macroeconomic scenarios, and there is minimal cross-border trade across the Group.

Turning to pallet market dynamics, sustained industry-wide pallet availability, combined with our asset efficiency initiatives, supported lower losses and more efficient use of our pallets across retailer and manufacturer supply chains. The pooled pallet market remains competitive, although there was minimal dual sourcing activity in the first half of this year, which follows very limited activity in the second half of the last fiscal year.

In the whitewood market, there have been moderate increases in whitewood prices at the same time that the availability of quality whitewood pallets has been declining. The combination of these two factors is highlighting the strength of our value proposition and supporting net new business growth, particularly in the US where our teams have seen improved momentum in converting small sized to medium sized manufacturers as well as customers in the produce sector to our share and reuse solutions.

It is also worth noting that we do not see sustained new business volumes being contingent on whitewood returning to historical average pricing levels. The moderate upwards pressure on recycled whitewood pallet pricing and a deterioration in quality is providing a sufficiently fertile environment for us to successfully convert new business.

As indicated at our FY24 results, retailer and manufacturer inventory optimisation is largely complete. However, we experienced a number of flow-on implications for costs and capital expenditure across our business this period. From an operating cost perspective, this included higher repair costs due to elevated damage rates in key markets, along with storage costs from excess plant stocks in the US. We expect US plant stocks to get back to optimal levels by the end of FY25, as we utilise excess pallets to service increasing volumes in this market through the balance of the year.

Finally, from a capital expenditure perspective, we purchased approximately 1 million fewer pallets in the period, driven by asset efficiency improvements and the utilisation of pallets returned from inventory optimisation, including those in storage in the US, which provided a CapEx holiday in the first half. This benefit, combined with the decrease in the capital cost of a pallet, contributed to a Group pooling CapEx to sales reduction of 2.6 points in the first half.

Turning to the next slide and looking at our transformation progress in more detail. Starting with the enhancements we've made to the customer experience which has been supported by utilising machine learning and AI to analyse the considerable data we already have and continue to generate. This includes the increasing speed and efficiency of interactions with customers by resolving queries faster and adding greater self-service functionality. These improvements combined with increased timeliness of customer deliveries and continued investment in quality of our assets have supported an uplift to multiple customer metrics, including our net promoter score in the first half.

Notably, our transformation has also delivered a structural improvement in the capital intensity of the business through the asset efficiency initiatives we have in place, many of which leverage our data analytics and smart asset capabilities. In aggregate, these initiatives led to approximately 12 million additional pallets being recovered and salvaged in the period compared to FY21.

The improvements in asset control can be broadly attributable to two streams of activities. Firstly, the expanded asset recovery capabilities, including specialised field resources and vehicles designed for low volume recovery. Secondly, the rollout of our go-to-market strategies, which includes greater collaboration with retailers and enhanced retailer commercial agreements that seek to identify areas where we can build mutual value, for instance, by identifying leakage points and improving pallet flows.

Another source of efficiencies and a critical aspect of ensuring our business is more agile and resilient in the future has been strengthening operational excellence across our service centres and optimising our network. While the focus is necessarily broad and looks at lifting standards across the business, the particular areas of focus have centred on procurement, repair techniques, automation, and innovation, which are delivering benefits in quality, durability, productivity, and costs.

Finally, our digital transformation continues to demonstrate value through the uplift in digital capabilities across our organisation and the expansion of advanced data analytics solutions which have supported improvements to customer experience, led to better commercial outcomes, and increased asset productivity.

We are also progressing with our smart asset strategy with the continued rollout of autonomous tracking devices and expansion of digital customer solutions, which are continuing to identify opportunities to address inefficiencies in supply chains. Further to the two commercial agreements secured in FY24, more customers have agreed to digital customer solution pilots in the US, UK, New Zealand, and Chile, where we are also leveraging our serialisation capabilities.

Turning to Serialisation+ on slide 6. Our trial in Chile and operational testing in the US and the UK is progressing as we continue to take a test and learn approach to determining the optimum operational and technological requirements of a Serialisation+ solution and the insights and value it can unlock for us and our customers. One of the key operational achievements in the period was developing new inline tagging equipment in Chile. The equipment removes manual activity associated with tagging the pallet, minimises disruption to existing service centre infrastructure, and importantly delivers a step change in the tagging rate, increasing throughput.

Combined with design modifications to make the inline tagging compatible with space-constrained service centres, this increased efficiency has allowed us to optimise our installation plans for the US and the UK and be more capital efficient, including a USUS$40 million CapEx reduction in FY25, without compromising the speed of progress and quality of learnings from these trials.

In terms of technology learnings, we know that building our understanding of tag performance will be an ongoing process. After testing multiple tags with different materials, adhesives and attachment methods, we have selected and rolled out a new tag in Chile which is demonstrating operational and cost benefits through better readability and lower replacement rates. Knowing that conditions vary between Chile and the UK, we've also adapted our attachment method to generate better tag performance in the UK.

Finally, we are exploring how we capture additional data, the best way for that data to be transferred, and how operating conditions can ultimately impact the solutions we create. Although there has been meaningful progress to date, more testing is still required before we can make a decision on the optimal technology mix required for Serialisation+. With this in mind, the second half of FY25 will focus on what technologies make sense in serialising a pool, weighing up potential costs of the different operational and technology options, as well as testing for local conditions.

Turning to value, it has been encouraging to see positive customer sentiment towards our effortless service offer in Chile. Indeed, a customer in Chile has told us of our effortless service offer, enabled by Serialisation+ is the primary reason they have returned to using blue pallets. The way customers have taken to our new offering gives us confidence in continuing our efforts to migrating additional customers in Chile to the effortless service offer in the second half and validating the value Serialisation+ can generate for our customers and our own operations.

Turning to the Shaping Our Future scorecard on slide 7. You'll see most of our targets are complete while others are progressing and remain on track. I'm particularly proud to see all our customer engagement, revenue growth, and asset efficiency targets being on track to meet our FY25 targets. In the areas where we are tracking below target, in some cases only marginally below, we have identified actions to progress towards our FY25 goals and to compensate for any shortfalls through other initiatives - which I'll take a moment now to outline.

On product quality, we've reduced defects per million pallets by 12% against the FY20 baseline, but are lagging 2% behind the target for the first half. This is primarily due to the prolonged periods our pallets have spent in supply chains, which has led to higher damage rates.

In business excellence, we've increased the representation of women in management roles, which is currently at 38.6%, and hence tracking slightly below our FY25 target of 40%. The shortfall is largely on account of lower employee turnover, and we have strategies in place to hire, retain, and engage female employees to continue progressing against this target.

Turning to network productivity, our efforts to reduce the pallet damage ratio by 75 basis points year on year continues to be challenged by the extended length of time pallets have spent in the supply chain. Although we saw damage rates increase again in the first half which are now in line with FY21 levels, we are confident in the benefits pallet durability initiatives have generated to date.

Looking forward, we expect ongoing investments in quality and platform innovations, including double-walled blocks, enhanced repair techniques, and timber species selection will help us to continue reducing damage rates.

In line with our disciplined approach to capital allocation, we have decided to pause the rollout of automated end-to-end repair processes that had been planned for FY25. This will allow us to learn from those installations that are performing in line with expectations and replicate the success to rectify installations currently not meeting operational performance metrics and therefore return expectations. Improvement plans are in place for the balance of FY25 and we remain confident of rolling out further automated end-to-end repair processes in FY26 and beyond.

On balance, we have demonstrated meaningful progress in the first half towards our targets and I'm confident that we have either implemented or identified the right strategy to make progress in those areas we're tracking behind.

Let's turn now to slide 8 to look at progress towards our FY25 sustainability targets and broader ESG achievements.

Starting with safety, our Brambles Injury Frequency Rate decreased to 3.2 in the first half, representing a 6% improvement on prior period levels. This puts us ahead of the FY25 scorecard target, despite the deterioration against our FY24 performance of 2.9. We've already addressed our women in management target.

Looking to our Planet Positive pillar, you'll see we have maintained 100% timber from certified sourcing, while increasing our Chain-of-Custody sourcing by 8.7 percentage points to 85.5% of all timber procured. Our decarbonisation progress remains on track with a 5% reduction in scope 1 and scope 2 emissions in the first half against last year, largely supported by the increased use of zero emission fuels and the ongoing electrification of our forklift fleet.

We have made meaningful progress towards our target of zero product waste to landfill at all Brambles and subcontracted locations, with 95% of our sites now with solutions in place to divert product waste which is a 12.8 percentage point improvement from first half of FY24.

Finally, our sustainability program and efforts continue to be reaffirmed and recognised through a range of ESG assessments and rankings, including the Dow Jones Best in Class Indices, where Brambles is a constituent for the 11th consecutive year, CDP which awarded us A scores for our action on forests and climate, and Corporate Knight's Global 100, which ranked us fourth most sustainable company in the world.

Finishing now with our FY25 outlook on slide 9. We have reconfirmed our guidance for constant currency sales revenue growth of 4% to 6%, and underlying profit growth of 8% to 11%. As outlined earlier, we have lifted our full year guidance for free cash flow before dividends by USUS$100 million to between USUS$850 million and USUS$950 million. This upgrade is largely driven by lower than expected capital expenditure, reflecting asset efficiency improvements, capital allocation discipline around automated end-to-end repair processes, and the rephasing of Serialisation+ investments.

We continue to target a full year dividend payout ratio of 50% to 70% and are on track to complete our on-market share buyback of up to USUS$500 million by the end of FY25 that we announced at our FY24 result. By achieving our FY25 outlook, we will again deliver on our investor value proposition and deliver total value creation for shareholders in excess of 10%. I would now like to hand over to Joaquin to take you through the financials in more detail.

Joaquin Gil: Thank you, Graham, and good morning everyone. Before diving into the detail of our first half '25 result, I wanted to touch on the key drivers of the result, as these will be recurring themes as we move through the slides and also flow through to our full year forecast.

In line with Graham's comments, the key drivers of our first half result are return to volume growth, and in particular net new business momentum, continued commercial discipline to recover cost-to-serve increases, and productivity initiatives, in particular further improvements in asset efficiency which supported our operating leverage and strong free cash flow generation in the period.

Breaking these components down further, it was pleasing to see positive volume growth of 2% in the half with equal contributions from net new business wins and like-for-like volumes. Price realisation of 2% in the first half demonstrated the continued alignment between our pricing and the cost-to-serve our customers. Increases in the period were largely driven by labour inflation, while improvements in asset efficiency resulted in lower price increases required to recover the cost-to-serve.

The improvement in asset efficiency included significantly lower uncompensated losses, which resulted in a US$68 million decrease in the IPEP expense and contributed to the 2.6 percentage point improvement in the pooling CapEx to sales ratio to 11.9%.

Collectively, our ongoing commercial and capital allocation discipline, combined with asset efficiency improvements and other productivity gains, delivered a 1% point increase in Group underlying profit margins, and US$118 million increase in free cash flow before dividends. Which supported the upgrade to our FY25 free cash flow guidance Graham just outlined. We continue to be focused on delivering our investor value proposition and remain on track to deliver over 10% value creation for the full year.

Turning to slide 12 and an overview of our first half '25 results. I'll run through our sales and underlying profit performance in more detail shortly, but on this slide, I wanted to call out the key drivers of profit after tax and EPS.

Profit after tax increased 11%, reflecting operating profit growth of 10% and a 2% decline in net finance costs. The decrease in net finance costs reflects a lower average debt balance in the first half '25 due to strong free cash generation, partially offset by higher lease interest expense, relating to higher market rates on lease renewals, and the impact of side additions over the last 12 months.

Profit after tax included a non-cash hyperinflation charge of US$10.2 million relating to our businesses in Türkiye and Argentina, while profit from discontinued operations of US$500,000 relates to our CHEP India business, which was divested on 8 January 2025. EPS also increased 11%, noting that the number of shares purchased and cancelled as part of the on-market share buyback did not have a material impact on EPS growth in the period.

Moving to revenue growth on slide 13. Group sales revenue increased 4% in the first half of '25, driven by equal contributions from volume growth and price realisation. Net new business volumes increased 1%, with the North

America and Asia-Pacific businesses each delivering growth of 2%. Contributions from the EMEA business were modest as new customer contract wins were partially offset by the rollover impact of prior year losses.

Like-for-like volumes increased 1% and benefited from cycling subdued volumes in the first half '24 due to the impact of inventory optimisation across retailer and manufacturer supply chains in that period. Excluding this benefit, like-for-like volumes declined 1%, reflecting the timing impact of an early US harvest season which brought forward first quarter '25 volumes into the last quarter of FY24. Weak macroeconomic conditions in Europe and the average pallet hire balance is normalising in Australia. As mentioned earlier, price realisation of 2% reflects recovery of cost-to-serve increases which was largely driven by labour inflation.

Turning to slide 14, and Group underlying profit, which increased 10% as the sales contribution to profit of US$97 million combined with the US$68 million reduction in IPEP expense, more than offset the impact of inflation, investments in transformation initiatives, and incremental plant and transport costs associated with inventory optimisation in the prior year.

North America surcharge income decreased US$15 million in line with movements in market prices for lumber, fuel, and transport in this region. All surcharge components delivered income in the period. Combined plant and transport costs increased by US$73 million and included inflationary impacts of approximately US$43 million, primarily due to rising labour costs, which were partly offset by deflation in fuel and lumber.

In addition to the incremental supply chain costs driven by inventory optimisation in the prior year that Graham outlined, the balance of plant and transport cost increases included continued investments in asset efficiency initiatives, as well as platform quality and service levels to improve the customer experience. These cost increases were partly offset by supply chain productivity initiatives linked to network optimisation and operational excellence.

Group net plant and transport costs as a percentage of sales revenue was up 1.7 points, driven by plant cost increases, with transport costs as a percentage of sales revenue broadly flat to the prior half. Depreciation increased US$8 million, largely driven by incremental non-pooling investments, including automation. Other costs were flat, as overhead cost discipline offset wage inflation and lower asset compensations in line with lower asset losses due to better asset control and improved pallet market dynamics.

Lastly, Shaping Our Future transformation costs increased USUS$4 million, driven by continued investments in asset digitisation and data analytics capabilities. It's worth noting that this is only a marginal increase as we continue to leverage our previous investment in digital to progress our transformation.

Moving to asset efficiency on slide 15. As you can see from the chart, the capital intensity of our business continued to improve in the first half, with our pooling CapEx to sales ratio reducing 2.6 points on the prior corresponding period. This improvement was driven by fewer pallet purchases, lumber deflation and higher sales revenue. Pooling capital expenditure on an accruals basis decreased US$65 million in the first half, with US$40 million of the decrease driven by lumber deflation and the associated 9% reduction in the weighted average capital cost of a pallet.

The balance of the decrease was driven by 1 million fewer pallet purchases as asset productivity initiatives, improved pallet market dynamics, and the utilisation of excess plant stock in the US limited the pallet purchases required to support growth and replenish the pool. Normalising for the CapEx holiday benefit of excess plant stock in this period, our first half '25 pooling CapEx to sales ratio was approximately 13%.

Turning to slide 16 and free cash flow before dividends, which increased to US$429 million in the first half. Asset efficiency improvements were a key driver in improved cash flow generation, with cash capital expenditure payments reducing by US$172 million in the period. Lower financing and tax costs also contributed US$27 million to the year-on-year improvement in free cash flow, largely due to the timing of Australian tax instalments.

Offsetting these favourable changes was a US$44 million movement in other cash flow items, primarily relating to provisions for employee benefits, and a US$24 million reduction in asset compensations, which, as noted earlier, was driven by lower losses in the half. Working capital movements in the period were modest and mainly reflected growth in the business, while the US$4 million decline in cash flow from discontinued operations reflected lower cash flow from CHEP India compared to the first half of full year '24.

Finally, the CapEx holiday associated with the utilisation of excess pallets in the period provided a cash flow benefit of approximately US$45 million. Adjusting for this benefit, normalised free cash flow before dividends was US$384 million.

Turning to slide 17 on our segment performance. Starting with CHEP Americas which delivered solid top-line growth and operating leverage in the half. Sales revenue increased 6% with equal contributions from volume expansion and price realisation. Net new business wins contributed two percentage points to revenue growth, driven by contract wins in North America, while like-for-like volumes increased 1% with positive contributions from Canada and Latin America.

Price realisation of 3% was in line with moderate cost-to-serve increases. Underlying profit increased 8%, with margins increasing 0.4 percentage points, reflecting ongoing commercial discipline, lower IPEP in line with better asset control in the region, and supply chain efficiencies driven by network optimisation, operational excellence and procurement initiatives. These benefits more than offset inflation, lower surcharge income, and incremental plant and transport activity, including increased investments in quality and other customer experience initiatives.

Inventory optimisation in the prior year also drove higher storage costs in the US and additional repairs linked to damage rate increases across the region. Return on capital invested was flat as increased earnings were offset by an 8% increase in average capital invested, which reflects higher lease costs relating to market rate increases on renewals and site relocations and additions over the preceding 12 months.

Looking at US pallet sales revenue in more detail on slide 18. Sales revenue increased 6%, with price mix of 4% as contractual price increases to recover inflation were partly offset by lower contribution from pricing mechanisms linked to asset efficiency in line with lower loss rates. Pleasingly, net new business wins were 2% as current and prior year contract wins more than offset prior year losses.

Growth was primarily seen in the small to medium enterprise market and the produce sector, with improved momentum reflecting the enhanced sales capability, the strength of the pipeline and changes in whitewood pallet market dynamics Graham outlined earlier. Like-for-like volumes in the period were flat, despite an early US harvest season which brought forward volumes in the produce sector into the fourth quarter of FY24 instead of the first quarter of FY25. Excluding this impact, volumes increased 1% reflecting growth in grocery and other sectors and included the benefit of cycling inventory optimisation in the first half of FY24.

Turning to slide 19 and the CHEP EMEA segment which delivered strong operating leverage supported by asset efficiency improvements and productivity benefits. Sales revenue increased 2% with volume growth of 1% in the half, driven by improved like-for-like volumes as the business cycled inventory optimisation in the first half of '24. Net new wins were flat as modest wins in European pallets, automotive, and RPC businesses were offset by losses in Africa, Middle East, and Türkiye.

Price realisation of 1% was driven by Africa, Middle East and Türkiye, while price in the European pallets business declined 1% as modest contractual price increases to recover inflation were more than offset by lower contributions from pricing mechanisms linked to asset efficiency as loss rates and cycle times improved in the period. It is worth noting that despite the 1% price decline in the European pallets business, it still delivered strong operating leverage and margin improvements.

Underlying profit growth for the region was 14%, with margins improving 2.9 percentage points. This was primarily driven by lower IPEP charges in line with lower losses in the region, supply chain efficiencies and lower overhead spend. Return on capital invested in the period improved 4 percentage points, reflecting the strong profit growth and improved capital efficiency driven by asset productivity improvements.

Turning to slide 20, CHEP APAC maintained strong margins and returns as the [demand] patterns normalised in the Australian market. Sales revenue increased 2%, including price realisation of 4% to recover cost-to-serve increases. Volume decreased 2% and included a 4% decline in like-for-like volumes in the pallets and IBC businesses. The decline in pallets was driven by lower daily higher revenue in Australia as the number of pallets on hire normalised from the peak levels in the first half of FY24 due to the continuation of the return to seasonal demand patterns.

These impacts more than offset improved, albeit still subdued macroeconomic conditions in Australia. Net new wins increased 2% driven by growth in both the pallets and RPC businesses. Underlying profit increased 2% with margins broadly flat as supply chain productivity improvements and lower overhead costs were offset by inflation, lower asset compensation, and higher repair, handling, and relocation costs due to increased pallet returns in the period. ROCI was broadly flat as profit growth offset the increase in average capital invested, which included incremental service centre automation investments and higher lease costs.

Moving to the corporate segment on slide 21. Corporate investments in our Shaping Our Future transformation increased US$4 million, largely driven by incremental investments in asset digitisation and data analytics capabilities. Other corporate cost increases primarily reflected higher personnel-related costs.

Turning to outlook considerations for the full year. We continue to expect year-on-year sales revenue growth of between 4% and 6% with a balanced contribution from both price and volume. Second half '25 like-for-like volume contribution is expected to be broadly in line with second half '24, as underlying improvements to consumer demand in Australia and the US is offset by continued weakness in Europe. We expect an acceleration in second half '25 net new business wins, reflecting continued momentum in the US and a ramp up in conversions in the European pallet business.

Finally, based on our expectations of cost-to-serve increases, we expect second half '25 price realisation to be similar to the first half of FY25. Underlying profit guidance of 8% to 11% remains unchanged and includes expansion in the EMEA, APAC, and Group profit margins. America's margins are still expected to remain in line with FY24 but contract in second half '25 as a result of higher plant costs due to the same factors as first half '25 and an increase in IPEP driven by the unit cost of pallet write-offs and a normalisation in the rate of asset productivity benefits compared to second half '24 levels. We expect that this will be partly offset by supply chain efficiencies and overhead cost discipline.

At a Group level, the second half '25 combined plant and transport cost ratio is expected to improve compared to second half '24 due to benefits from supply chain efficiency initiatives, although these benefits are expected to be partly offset by incremental investment in customer experience, including quality initiatives. We expect second half '25 IPEP expense to be in line with first half '25, reflecting an increase against second half '24, for the same reasons outlined earlier in the Americas.

Shaping Our Future spend in FY25 is revised to approximately US$135 million, which includes approximately US$100 million relating to digital spend to support data analytics capabilities and the smart assets strategy. The net reduction in spend is mainly driven by lower costs in digital as we continue to optimise the required investment to conduct our Serialisation+ operational testing in the US and UK.

Moving to slide 23. For the full year, we expect to deliver between US$850 million to US$950 million in free cash flow before dividends. This US$100 million upgrade on the prior guidance has been primarily driven by two factors. Firstly, a reduction in the pooling CapEx to sales ratio range by one point to between 12% and 14%, reflecting asset efficiency improvements. Secondly, a US$70 million benefit from lower non-pooling capital expenditure, driven by the benefit from optimising the UK and US Serialisation+ pilots and the pause in rollout of the automated end-to-end repair process installations.

In terms of other considerations, while I do not propose to go through each item, the two points to make are that we expect net finance costs to be slightly lower than our original expectations due to strong cash flow performance as well as the receipt of sale proceeds for CHEP India. Also, consistent with the first half of '25 improvement, full year Group ROCI is expected to improve by approximately one percentage point from FY24 levels.

In summary, we are pleased with our performance this half, which reflects improvements across key aspects of our business, underpinned by the Shaping Our Future transformation program. First half '25 saw the return to positive volume growth, and we head into second half '25 with improved momentum in net new business wins while continuing to recover the cost-to-serve.

The structural improvements we have made in relation to asset control, supply chain productivity, and cost discipline continue to deliver sustainable free cash flow generation and an outlook which delivers on our investor value proposition. I will now hand over to the operator for Q&A.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star then two. If you're using a speakerphone, please pick up the handset to ask your question. The first question today comes from Owen Birrell from RBC. Please go ahead.

Owen Birrell: (RBC, Analyst) Yes, good - I should say - it's still good morning, guys. Just a couple of questions with regards to the CapEx reduction, and in particular the non-pooling CapEx reduction. You mentioned the Serialisation+ CapEx reduction of about US$40 million, reflecting the revised US and US pilots. I'm just wondering if there's something that's structural there in that that US$40 million is effectively not going to be spent anymore, or whether that's a deferral. Then just similarly with regards to the US$10 million in the pause of the automated rollout, should we just be deferring that into next year?

Joaquin Gil: Thanks, Owen. It's Joaquin here. Look, on your first question around S+ pilot, we found a more optimal way to do that pilot so that US$40 million is not spend that will occur. For example, it's not spend you should include in FY26. When you think of the pause in the automated end-to-end repair process, that US$10 million may fall into FY26. It'll just depend on the timing of installations as we move forward. Does that help?

Owen Birrell: (RBC, Analyst) Yes, that helps. Just another couple, if I may. On slide 16 in the waterfall, you mentioned US$100 million of lower CapEx creditor payments. I'm just wondering to get a bit of a feel there whether this is just purely price and volume during the period, or there's actually been a change in the timing of your payments?

Joaquin Gil: More what it relates to, Owen, is the improvements that we've made in asset productivity mean that we're buying less pallets. So what happened, we had purchased previously more pallets and so you had a higher CapEx creditor balance. Now that we're not purchasing as many pallets, you don't have that CapEx creditor balance. So it's basically a sign of the...

Owen Birrell: (RBC, Analyst) [Unclear] and volume.

Joaquin Gil: Yes, it's really an improvement that we've made in asset productivity and volume, as you say.

Owen Birrell: (RBC, Analyst) Thanks. Just one final one from me. In terms of the, you called out higher storage costs during the half and expecting that to continue into the second half. I'm wondering if you could quantify that headwind that you faced in the first half? Should we be expecting a similar headwind into the second half?

Joaquin Gil: Yes. So as we said, we expect pallet inventory levels to return to optimum levels by the end of FY25. So you should expect storage costs to continue. I think the best way rather than guide you to a particular number in the FY25 outlook considerations on slide 22, we've given some guidance around plant and transport costs as a percentage of sales relative to second half '24, so I'd use that as your guide.

Owen Birrell: (RBC, Analyst) From that perspective then, as we look into next year and trying to adjust for this additional storage cost, should we be looking at the plan and transport cost ratios from second half '24 as a good guide for next year?

Joaquin Gil: Look, as you know, Owen, we don't give guidance out to FY26. We'll do that in August. Definitely in terms of what you've said, you can assume that we are obviously experiencing higher repair and storage costs in FY25.

Owen Birrell: (RBC, Analyst) Okay. Thanks, guys.

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

Matt Ryan: (Barrenjoey, Analyst) Thank you. I saw a number on slide 6 that sparked my attention, and that was the US$40 million CapEx reduction from the serialisation in the US and the UK. So just keen to better understand what that number represents, and just in terms of further rollouts of serialisation whether we should start to think that that number goes up quite a bit.

Graham Chipchase: Matt, I think the reason that you've got the decrease this year is that through looking at different technologies and setups of the auto tagging machines, we found a more efficient way to do it. So that's a rate improvement, but you're right. If we go forwards and decide to roll out more volume, then the number would go up in future years, but we haven't decided on how fast we're going to go. That's something we'll obviously talk about in the full year. The good news is that, based on what we've seen so far, we found a more efficient way per unit of tagging the pallets. That's what's driven the improvement in FY25.

Matt Ryan: (Barrenjoey, Analyst) Thank you. There looks to be a range of measures that you're delivering on with asset efficiency. I don't expect you're going to revise your CapEx to sales ratio guidance, the medium term, but I'd be curious to know the scenarios that you're thinking about from what we're seeing today in the numbers. I guess you're probably pretty confident about delivering numbers probably more at the bottom end of that range than the higher end?

Graham Chipchase: I think we'll stick to what we said at the Investor Day, which is - and I think we did say, look, the number we're looking at through the cycle with some growth is nearer the 15%, but we think we can do better than that. I think all we're saying is that you're seeing what you're seeing at the moment, even if you adjust for the inventory optimisation and get back up to a 13%. That feels to me, given that the growth is a bit lower than we would like over the medium-term, that 13% to 15% looks like a good range to me. I think it's the only conclusion you can draw from what we've seen in the first half.

Matt Ryan: (Barrenjoey, Analyst) Okay, that's helpful, thank you.

Graham Chipchase: Thanks, Matt.

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

Peter Steyn: (Macquarie, Analyst) Hi, Graham and Joaquin, thanks for your time. The [process] on your new business wins, you've coloured in the detail around the US produce SME whitewood. Graham, you also mentioned that whitewood is - lumber prices on whitewood is not the only basis of your competition or competitive capability. Could you give us a sense of what customers are saying to you? What is your experience in these wins? What gives you comfort that your development efforts will continue to bear fruit around new business, particularly given the optimism you reflect in the second half, and then seemingly ongoing?

Graham Chipchase: I think what is great about the first half results is we've been signalling for some time that we felt the pipeline of opportunities - particularly in the US - to convert whitewood users to a pooled solution was strong, but it was going to take some time just because we'd stopped looking at that pipeline and interacting with that pipeline for a couple of years because of the pallet shortage in the US Market.

So when we then start talking to those, and they are largely SME manufacturers, about the benefits of a pooled solution, that is what is driving the conversion. It's helped by the fact that there's, as you pointed out, some improvement in that differential between a whitewood pallet and a pooled pallet cost. The main reason is people seeing the benefits of the share and reuse model, the economics of that, if they want to transport their product over a wider distance than their immediate surroundings where they manufacture. As well as we're starting to see - you do see people looking at the sustainability benefits of a pooled solution rather than a one-way solution.

I think the other thing to say, contrary to what some people think that all these - the majority of these benefits have come from taking business from our competitor PECO in the US, the majority of the wins are coming from whitewood conversion. I think that's a very good indicator of what we think the future shape will be, which is there is a large market out there in the US which can be converted to pooled over time. This is not a quick solution. It does take time. That's why we stick with that 1% to 2% of net new business wins in markets like the US over time. I think this is - it's great that we're now seeing that become something that we can prove out with the numbers rather than just us saying it.

Peter Steyn: (Macquarie, Analyst) Yes, absolutely. Just a quick extension, propositionally, are you seeing any benefits or at the very least the promise of serialisation or digital investment starting to play into some of your business development efforts?

Graham Chipchase: Yes, I think we made a comment - reference to it about Chile. So if you look at what we're trialling in Chile, this whole idea of giving customers a less difficult interaction with us. In the past, they've often complained about this need for doing audits and declarations. So we've now really putting that into practice with this effortless customer service offering.

There's a very - great quote, which is - admittedly it's one customer, but saying that it's - the delivery of this effortless offering is what's decided for them to move from whitewood to blue. If that is something we can extrapolate and replicate elsewhere, I think it's a great opportunity to win new business, but it's more, as importantly - it's a great opportunity to retain existing business. Because what you're doing is you're widening that competitive moat because this sort of offering can only be delivered in - if you've got serialisation so you know where your pallets are.

We are so far ahead, I think, at the moment of our competitors in being able to do that. Now, it's still early days. We want to really understand what the value versus the cost of doing this is. That's something we're working on at the moment. When we get to August, we'll obviously have a more thought out plan about how we can roll this out. The early signs are extremely encouraging. This gives us yet another differentiating product offering and competitive difference.

Peter Steyn: (Macquarie, Analyst) Yes, perfect. Sorry, can't help that last follow on. You've spoken essentially about the benefits on CapEx related to tagging. Are you thinking differently as well about the QRs that you were planning to install on the rest of the pool at all yet or is that still a plan?

Graham Chipchase: Yes the plan is still QR codes at the moment, but I think what we've been very clear about both internally and externally is that we are technology agnostic on this. I think you have to be because the technology is changing so rapidly that it's very difficult to predict what the right technology will be in a few years' time. I think as long as we are setting ourselves up so that we're not stuck on one solution which we have to roll out over 350 million pallets, that we can be agile and change what we're doing, then that I think is the right solution. So yes, for the moment it's QR codes, but two years' time, three years' time, who knows.

Peter Steyn: (Macquarie, Analyst) Perfect. Thanks, Graham.

Graham Chipchase: Thanks.

Peter Steyn: (Macquarie, Analyst) Appreciate that.

Operator: Thank you. The next question comes from Jakob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: (Jarden Australia, Analyst) Hi, Graham. Hi, Joaquin. If I can go to slide 18, just where you're talking about the US pallets revenue. In the net new business line, there's just an interesting comment saying that there's part of a contribution from prior year contract wins and current year contract wins. Can you just break down of that 2% what's come from each, please?

Joaquin Gil: Look, while we don't give a specific breakdown, I think, we've - through the commentary and what you can see in the FY25 considerations is we obviously have good momentum in the US. So we're expecting that continuing to the second half, which should give you comfort that we're seeing really good new wins in the US in the first half.

Jakob Cakarnis: (Jarden Australia, Analyst) To rephrase that, Joaquin, though, is the wins in half the 2% that's reported, or it's less than that?

Joaquin Gil: No. Obviously that new business wins number includes rollover and in-half wins. The total comes to two, but what we're saying is that we've obviously seen significant wins in the first half, and that's what gives us the guidance around momentum coming into the second half.

Jakob Cakarnis: (Jarden Australia, Analyst) Thank you. Then slide 22, you've just spoken about an expectation for margins in the Americas to contract in the second half. Do we think that the balance there is the IPEP normalisation offset some of the operating leverage benefits that you might have from volume growth restoring and net new customer wins? Then I guess on that, as IPEP does normalise, do we get to a more steady state of margin accretion in that marketplace?

Joaquin Gil: I think the way I would look at IPEP is - and the way we've got it in the considerations, is that what you see at a Group level for the first half basically continues into the second half. I think in terms of normalising in the Americas in the second half, how I'd describe that is obviously as an example, when you find a new location for pallets, you might go there for the first time and you might find 200 pallets, right? Then when you continue to go back there regularly, you might only recover 80 pallets. So obviously in the second half of '24, we got some benefits that don't continue, but we're still on track in terms of our asset productivity plan.

Jakob Cakarnis: (Jarden Australia, Analyst) Thanks, guys.

Operator: Thank you. The next question comes from Justin Barratt from CLSA. Please go ahead.

Justin Barratt: (CLSA, Analyst) Hi, guys. Thanks for your time today. I was just curious about your increase in your free cash flow guidance. When I think about, I guess, a 1% reduction in your pooling CapEx sales ratio. Then it looks like about a US$70 million benefit from a reduction in non-pooling CapEx. It seems like it might be a little bit more than US$100 million. So I wanted to just understand if I've got my maths wrong there, or if there's anything that may have worked a little bit against you as it relates to your previous expectations on that in the half.

Joaquin Gil: Justin, I can confirm you're very good at maths and it comes in a little bit more than that. Basically, on the flip side, working capital has moved a little bit the other way. So that's how you net to the US$100 million. So timing of payments.

Justin Barratt: (CLSA, Analyst) Okay. No worries at all. That's clear. Okay. Yes, no worries at all. Then just - I appreciate you think you're going to get to an optimised level of pallet stock by the end of this financial year. I think you said that you had about 5 million surplus pallets at the end of FY24. So just wanted to see, how are you progressing against that? How many pallets do you have in excess at the end of the first half?

Joaquin Gil: Justin, you've obviously got a good memory as well. Look, what I would say is in terms of that, obviously the optimum level is set on demand and outlook. So rather than maybe get into the specific number that we're holding today, I think you'd just take comfort that we're working our way through that excess pallet stock. We have tried to give you visibility around that. So we've adjusted cash flow at the half so you can see the impact of that. On CapEx to sales, what we've said is we've given you that range of 12% to 14%, but then said we've got a one point benefit. So hopefully that helps you in terms of your modelling, et cetera.

Justin Barratt: (CLSA, Analyst) No worries, thanks guys.

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

Anthony Moulder: (Jefferies, Analyst) Good morning, all. If I can start on asset efficiency, I think, obviously, a key part. The pallet purchases for this half down US$1 million, if I compare that, obviously, to first half '24. You've talked in this presentation about pallet recoveries of US$12 million. How do we think about that? Is that effectively you recovering those pallets quicker than you would have normally, and that's driving down the [dwell] of the pool?

Joaquin Gil: Yes, that's right, Anthony. So cycle time is improving.

Anthony Moulder: (Jefferies, Analyst) So you're getting CapEx savings as a consequence of that faster asset turn, effectively.

Joaquin Gil: Exactly right.

Anthony Moulder: (Jefferies, Analyst) Okay, so because if I look at that US$1 million down, it doesn't scream as if you've delivered a massive amount in pure CapEx sense. So do you think that the pool is where it is and the asset efficiency just comes from that higher asset turn going forward as well?

Joaquin Gil: I think the way I would look at it, Anthony, is obviously we've had volume growth of 2%. So you've got to factor that into the US$1 million. So that US$1 million is net, it's asset efficiency net of demand growth and also cycling some inventory optimisation from the year before. So the impact of asset efficiency is much greater than that US$1 million.

Anthony Moulder: (Jefferies, Analyst) Yes, okay. You've also got - Justin was trying to get to a surplus number of pallets in the US. Why not deplete those faster than purchase 9 million through the Americas and first half '25, please?

Joaquin Gil: Yes, I think what you've got to think about is the Americas is just not the US. So we obviously have a LATAM business and we continue to purchase pallets to support that business.

Anthony Moulder: (Jefferies, Analyst) Yes, but two-thirds is in North America, isn't it, through the US?

Joaquin Gil: We don't give that split, Anthony, but what you can see is obviously, I think it's just an outline. We had 5 million pallets. We're planning to use those all through the US and then we're purchasing pallets for other regions.

Anthony Moulder: (Jefferies, Analyst) Yes. The stronger net new wins through the US, in particular you called out produce. We're aware of a large customer you've taken off PECO. Why focus on PECO customers? I appreciate you're focusing on trying to grow wood into the wood space, but why isn't the greater focus to deliver conversion of customers of white as opposed to take PECO customers knowing that they're going to come back and use their surplus pallets to take one of your customers?

Graham Chipchase: Well, I think I said in response to an earlier question, I disagree with your analysis that the majority of those wins we've got this year have been from PECO. There's one customer which you know about, and it is not the majority of the wins. So I think we're doing exactly what we should be doing, which is looking on the whitewoods business, I would agree with you. At the same time, we were very clear six months ago and since then that because of the dual sourcing strategy of some of our large customers, PECO had won some market share against us, which was fine. It's completely logical.

We said that if one or two customers came to us, which they did, said they want to because of either their network matching ours better or quality or service levels, that if it made sense for us to win that business at as high or higher price than it was previously serviced at, we would do that. That's what we've done. So I think this is all completely rational. I think if you look at market shares between us and PECO, there's been very minimal move across a two-year period. If anything, we've lost a little bit, but not much. The majority of our efforts as we've always said are to focus on that small, medium business whitewood market and convert that which is what we've been doing.

Anthony Moulder: (Jefferies, Analyst) Yes, I didn't think it was the majority of what you were winning personally, and I was just surprised that there wasn't a greater focus to really grow into that white pellet space.

Graham Chipchase: But there is.

Anthony Moulder: (Jefferies, Analyst) I appreciate you are doing that. I appreciate you are doing that, but just even closer to full growth coming from whitewood as opposed to other pallets. If I can comment on or ask a question on overheads, reduction in overheads through EMEA was almost half of the growth in EBIT. How do you think overhead profiles from here, given that drop that you saw in the first half '25, please.

Joaquin Gil: Anthony, in our FY25 considerations on slide 22, what we've said that overhead costs we expect to be in line with FY24. I think again, it's a credit to the team in our EMEA business that they've shown good cost discipline. Also, as you know, we've made investments in the past in overheads, and now what we're able to do is leverage those as we grow.

Anthony Moulder: (Jefferies, Analyst) Very good. So that's on an over - on a Group basis, but there'll be some movements and overheads across the regions then?

Joaquin Gil: There will be.

Anthony Moulder: (Jefferies, Analyst) So the profile relative to second half '24 then?

Joaquin Gil: Look, I - again, we don't guide to that, Anthony, but I think what - your comment is right, obviously, a really big improvement in EMEA in the first half. You wouldn't expect that quantum of improvement in the second half, but you'd still expect them to show cost discipline and cost management and leverage existing overheads.

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

Operator: Thank you. The next question comes from Andre Fromyhr from UBS, please go ahead.

Andre Fromyhr: (UBS, Analyst) Hello, Thank you. My first question is about Serialisation+. We might understand a bit more about the lower capital costs that you've learnt on the US and UK. So firstly, does that improve your expected returns on a scaled rollout of that project? Does it give you any more clarity as to what the total capital [task] would be if you were to roll out Serialisation+ in the US, for example?

Graham Chipchase: I think, yes, just arithmetically and intellectually it must improve the returns because the cost is going to be lower than we thought it was. Given that we don't know what the benefits are yet, then to answer anything more than yes, directionally that must be right, I think is the only answer I can give. Yes, it informs - it will inform the total cost of rolling out when we get to that point, but we're not there yet. We've still got to do quite a bit of work on trying to quantify what the value is.

We know there is value, but it's a question of how much is there, and then obviously setting that against the cost to implement. This is a good step in knowing that that cost to implement was lower than we thought it was six months ago. That's about as much detail and colour as I can give you on that at the moment.

Andre Fromyhr: (UBS, Analyst) Sure. Can you update us on when - what that timeline looks like? At what point would we expect to go, no go decision on those two markets?

Graham Chipchase: We're still planning to be able to give a lot more detail about what we've learnt in Chile in August. I'm not even at this stage want to say and we'll give you a decision on go or no go. I don't think it's going to be that straightforward. I think it's - in essence, we're already learning a lot in Chile. Challenges, do we know how we're going to roll that out because of what - where are the benefits going to be greatest first?

We don't know that yet. We need to do more work in the next few months. So that's the plan. I think we will definitely have a much more detailed view about what the benefits are and what the value is in August. Then I would hope we'd be able to give more detail about potential rollout, but I'm not committing to that at this stage because I don't think we know yet.

Andre Fromyhr: (UBS, Analyst) Sure. Maybe the final question around that is, what role Serialisation+ could be playing in the median-term for cash flow guidance that you gave at the Invested Day of greater than US$750 million per annum. If we look at this year in a midpoint of the new guidance range, being around US$900 million but less a CapEx holiday benefit, so let's say US$100 million, that's my number, not yours. Is that suggesting that - are you reconfirming that the US$750 million is something that you will deliver, which is lower than that map that I just talked through to this year. The US$750 million is achievable even if you proceed with a scaled rollout of Serialisation+.

Graham Chipchase: Yes, short answer is yes. The more - the longer answer is when we gave the investor value prop back in the Investor Day of the - at least US$750 million. That took into account our views that the rollout of things like Serialisation+ or automation or any of the other capital projects we look at isn't going to be - it's going to be lumpy. It's not going to be a smooth rollout, but that US$750 million was the minimum, if you like. We'll say - which is why we said that at least US$750 million, and that took into account our views on - views at the time of Serialisation+.

What we've learnt so far hasn't changed our views that we should still be sticking to that minimum of US$750 million. I think it's also - the flip side of that is don't get carried away with the fact we might do better this year because as we said, these things are somewhat driven by CapEx rollouts.

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

Graham Chipchase: Thanks.

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

Sam Seow: (Citi, Analyst) Morning, guys. Thanks for the time. Just a quick question on second half margin. With the reversal of IPEC, Just wondering at a Group level, are you expecting second half negative operating leverage or should we assume EMEA and APAC can offset that US drag? Thanks.

Joaquin Gil: We've said at a Group level we're expecting margins to improve. I think to your point, Sam, first half operating leverage partly driven by IPEP. In the second half you should see a stronger contribution at a Group level from supply chain efficiencies helping to maintain delivering margin improvement and leverage.

Sam Seow: (Citi, Analyst) Okay. That's good. Then just maybe on that US margin contraction, just trying to understand what that exit rate means for FY26. I know you're not going to provide guidance, but is there any obvious reasons you can point to why margins in the US or even other regions might not contract in first half '26 as well? Thanks.

Joaquin Gil: I think without giving FY26 guidance again, but what I would say is - and we talked about this a little earlier in the call, when you look at the Americas in FY25, we've obviously got much higher repair, inspection costs, et cetera, driven by inventory optimisation in FY24. So you would expect our plant and transport ratio as a percentage of sales to improve as we go out.

Sam Seow: (Citi, Analyst) Helpful, thanks guys, appreciate it.

Joaquin Gil: Thanks, Sam.

Operator: Thank you, the next question comes from Scott Ryle from Rimor Equity Research. Please go ahead.

Scott Ryle: (Rimor Equity Research, Analyst) Hi there, thank you very much. Graham, you talked about the pause you put on the investment in automated end-to-end pallet repairs in the US market. I'm wondering if you could just share a little bit more about that, what percentage you've done so far. In theory, and I know this is probably what you're testing, but this is the sort of investment that should help reduce damage rates in the medium to long term. Is that still how you're thinking about it? Obviously, it's more efficient to repair the damage, but in terms of the future as well, the idea is that it should reduce damage rates.

Graham Chipchase: I think there are a range of things that will help reduce damage rates, not just the automation. I think it is, yes, because in theory you should be reducing more of the actual damage rate because you've got a better process for identifying it and it's being repaired in a more consistent way and therefore closer to what our quality standards are. So I think I think at an intellectual level that statement is correct. I think the impact of things like looking at different wood species and some things like double-wall block, we've talked about in the past, those are all contributing too.

The reason we did the pause was when we did a quick review of what we'd implemented so far, some of the installations were not delivering the returns we would have expected at that point of the cycle. So we felt it was better to pause, get everybody up to the required standard, and get any lessons learnt from the implementation, which we can then roll out and make sure that the future implementations were hitting the ground running right from day 1. That was the reason.

As well as, I think - and we said this earlier, that we did - we were expecting lower total installations based on the fact that some of the volumes in some of our plants were not as great as we expected. Therefore the economics didn't work because of the volume throughput wasn't there. So it's a combination of - I think of us just effectively sticking to our guns on capital discipline and saying if it doesn't make sense to spend the capital we won't do it and we can always do it later, but at the moment it didn't make sense.

So at the moment this is - I don't actually see this as a negative at all. I see this as - both internally and externally as a positive. Which is someone raises an issue and says to us, actually these things aren't delivering the returns they should be. We don't go and kill them and say, no don't give us bad news. It's, okay, let's pause. Let's come up with positive work around to get these things working properly and let's crack on. Then externally, it absolutely reinforces the whole capital discipline that we have in the business.

Scott Ryle: (Rimor Equity Research, Analyst) I'm not arguing with that. What proportion did you get done so far?

Joaquin Gil: We've done 30...

Scott Ryle: (Rimor Equity Research, Analyst) What proportion of sites?

Joaquin Gil: We've done 30 sites so far. If you remember back to the scorecard, originally it was 70, and then we revised that to get to about 50. So that gives you the proportion that we're at, Scott.

Scott Ryle: (Rimor Equity Research, Analyst) All right, perfect. Thank you. Then, Graham, I'd be interested, since you've really got the business humming at the minute and the metrics that you've provided operationally and financially mostly headed in the right direction.

I'm just wondering, as you speak to customers now, what's the feedback they give you on how - well, do they give you feedback on how you are helping their business? If they do, can you let us know what's the feedback given? I'd say maybe five years ago, the feedback was somewhat adversarial, and I say five because it's pre-COVID. That's a normalised times. So I'm just wondering if you can comment on your time in charge, how you think the discussion has changed with customers, please.

Graham Chipchase: I would hope that - and I think this is definitely being reflected in the stuff that we get back on things like net promoter scores. The perception of our approach to customers is now seen as less arrogant. When I took over, the perception was we were very arrogant with customers. I think that, I hope, has largely disappeared. I think on a more less emotional level, things like being easy to do business with. So improving the processes around [MyCheck], which was always a big issue, reducing the complexity of the invoices, this whole idea about now trying to help with removing some of the need for the administration and the audits.

The things that we've been focusing on over the last 12 months, 18 months, are things like delivery in full on time, which was not great. Now we're focusing on it and we're getting up into the 90s, which is where our customers expect it to be. We've been doing a lot of - I would say it's not quick fixes, but easier things to do, like we're giving them advanced notice of arrivals in terms of deliveries, and that's helping them plan better.

So I think they would say and they are saying that we are easier to do business and we are trying - and we are being more focused on their business. The other strand which is coming through, notwithstanding obviously some big customers pulling back a little bit from what they're saying publicly, but they are fully recognising what we do to help them meet their sustainability commitments.

If you look at places like Europe where we do actually go to customers with a certificate saying we have - we can guarantee an audit and support that if you use a blue pallet, you will be saving this much in terms of carbon emissions. They are then obviously using that with their customers and particularly people like the retailers to support why they are helping their customers do the right thing in terms of sustainability. So I think those things are getting more traction.

The next step really, and I think we're seeing a lot of this already is much more openness to engage with us around things like asset efficiency. So improving the cycle time because we've now - they now understand because we've been I think much clearer with them, which if they can help us get the pallets back quicker, the cost-to-serve goes down and therefore their total cost of using us, [okay, so] - the equivalent of a cost of ownership comes down. I think that is a win-win.

So we're definitely seeing that get some more traction throughout all our businesses. So I think those are some of the main things. Again, it's always hard to quantify, but things like MPS, look at those scores, they are moving in absolutely the right direction and things like DIFOT as well which are going well.

Scott Ryle: (Rimor Equity Research, Analyst) Great, thank you. That's all I have.

Graham Chipchase: Thanks.

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

Cameron McDonald: (E&P, Analyst) Good morning. Just on the scorecard, if I can, you have said you've met the interim target on the uncompensated pallet losses down by 30% to - by the end of FY25. You updated that at the Investor Day be 40% to 50% by '26, I believe. Whereabouts - how much over the 30% actually are you at this point?

Joaquin Gil: Maybe Cameron, that additional reduction that you talked about was out to FY28 at Investor Day. Then for me, I wouldn't - although we're well on track and hence that's the scorecard, we won't be popping the champagne corks till we get to the end of the year, right? We're definitely on track to deliver that number, if that helps.

Cameron McDonald: (E&P, Analyst) Sorry, so are you at 30% or you're over 30%?

Joaquin Gil: Look, we don't disclose that, but you'd say at the moment we are delivering on that 30% commitment.

Cameron McDonald: (E&P, Analyst) Okay, thank you.

Joaquin Gil: So we've hit it at the half, if that makes it a bit clearer, sorry, but obviously we then have to hold it for the second half, which we're confident we'll do.

Cameron McDonald: (E&P, Analyst) Yes, absolutely. Just in terms of the net new wins, can we get some further clarity? We've touched on this a little bit through the call around the whitewood. What are the sectors that you're really now targeting given that the majority of the FMCG space I think would have largely converted onto pooled anyway. Where are the big opportunities from an exposure or sector perspective that you think are prospective, please?

Graham Chipchase: The majority of the large global FMC manufacturers have converted, but actually even if you look at some of the big customers we've got, they still use some lanes on whitewood. In the past we wouldn't have been necessarily that happy for them to convert to a pooled solution. Because we've now got better asset control, we are seeing in some of those big customers there is still an opportunity to convert some of the business from white to blue, and we've done that.

There's also a whole raft of small-sized and medium-sized manufacturers. So they may not be the big FMCG producers, but there's a whole raft of the SMEs who are still doing food and beverage and home and personal care type products, which we can convert. Because again, as ever they have historically only really sold product within let's say 100 miles of where they've manufactured it.

They can do that on white and not be a problem, but if they want to sell beyond that geographic constriction, they have to go into the modern supply chain. They have to put product on a pallet which is able to survive multiple forklift truck handling, be stored in high-bay warehouses. If they put it on something that breaks, the logistics provider is not going to put the product on a new pallet, it just gets lost. So they want it to survive the journey that has to go on a high-quality pallet.

Now, that could be whitewood. I mean you've got the A grade whitewood pallets, but then if they do that they have to go and pick up the pallet from the other side of the country, which they don't do. So this is what's driving the conversion from whitewood to blue. In Europe we still see there are still some big producers. When we announced earlier this year, Barilla, they were launching on white in Italy and we've converted pretty much all of their business to blue. So there are still some big opportunities there.

Cameron McDonald: (E&P, Analyst) Okay, thank you. Then just in - I realise it's small, but an 8% reduction in Asia-Pac containers, can we just get some clarity around what happened there, please?

Joaquin Gil: Yes. That was - that's driven by volumes and obviously depends on customer demand, et cetera.

Cameron McDonald: (E&P, Analyst) Yes, but isn't - are those - what containers - it's a reasonably big move, so I'm just trying to understand - albeit small number - understand that demand impact that would have dropped that volume.

Joaquin Gil: I think again, it is a very small component. So you're talking about 8% on a number that is USUS$19.6 million. So it only takes a very minor movement to move that number by a large percentage, Cameron.

Cameron McDonald: (E&P, Analyst) Okay. I appreciate that, but it just stuck out, that was all. Okay, thank you.

Graham Chipchase: Thanks.

Joaquin Gil: Thanks.

Operator: Thank you. At this time, we're showing no further questions. I'd like to hand the conference back to Graham Chipchase.

Graham Chipchase: Thanks, everyone, for joining us. Hopefully, we'll see all of you in the next week or so and look forward to that. Thanks very much for your attention. I hope you agree it's a really, really good set of results. Thanks.

[END OF TRANSCRIPT]