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Start of Transcript

James Hall: This is James Hall speaking from the Brambles Investor Relations Team. Thank you for joining us at short notice this morning following our announcement of the acquisition of Ferguson Group. Joining us from the Brambles offices in Atlanta are our CEO, Tom Gorman, our CFO, Zlatko Todorcevski and Jason Rabbino, our Group President for Containers and Head of Strategy. Tom will take us through a short presentation before we open for Q&A. Just a reminder to those of you on the line when we get to Q&A to ask a question please press *1. You can also submit questions via the website.

So without further ado, I'll hand over to Tom.

Tom Gorman: Well thank you very much, James, and thank you to everyone for joining us this morning. Today we have announced that we are acquiring the Ferguson Group for an enterprise value of £320 million. The Ferguson Group is a leading provider of container solutions to the global offshore oil and gas industry primarily through the provision of cargo carrying units for the transportation of supplies to offshore facilities. This acquisition is consistent with our strategy of diversifying into high growth segments with equipment pooling characteristics and to which we can apply our unique expertise. Ferguson Group has an unbroken record of increased sales revenue and EBITDA over the last 10 years and an attractive margin and return on capital profile. These are all broadly in line with our existing business on a pre-goodwill basis.

Ferguson Group has exposure to a large addressable market with attractive fundamentals and exciting organic growth prospects linked to the expansion of the offshore oil and gas sector. Although the two businesses serve different ends of the oil and gas value chain we do see the Ferguson Group as complementary to our highly successful CHEP, Catalyst and Chemical Containers business or CCC as we refer to it. The CCC business provides specialist container services at refineries. As we discussed at our Annual Results presentation last month a strategic review of CCC confirmed to us the depth and breadth of opportunities for Brambles in the oil and gas sector.

I will now give some more details on the transaction itself. The enterprise value of £320 million includes £54 million of Ferguson Group's net debt. The enterprise value translates to US$545 million at 30 June 2014 foreign exchange rates and US$515 million at current exchange rates. After working capital and interest adjustments the equity consideration is £270 million. Brambles will assume economic benefit and risk from 1 July of 2014. The transaction multiple of 10.0x Ferguson Group's forecast EBITDA for the 2014 calendar year reflects the Ferguson Group's record and outlook for significant growth. The acquisition is expected to be accretive to Brambles' FY15 underlying earnings per share. This includes impacts from the amortisation

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of acquired, identifiable, intangible assets but will exclude and approximately £10 million of significant items which comes from transaction and integration costs.

The acquisition will be 100% funded by the drawdown of existing committed credit facilities. Now on a pro forma basis that is adjusting to assume we had full year's income from the Ferguson Group we will remain in line with our internal funding policy of maintaining net debt no greater than 1.7x our EBITDA. We will be incorporating the Ferguson Group into the Containers' segment under Jason Rabbino's leadership. Steven Ferguson who is the vendor and the Chairman of the Ferguson Group will remain in an advisory capacity for six months while the appropriate arrangements are in place to keep Ferguson Group's key operational management with the business. We expect to complete the transaction by the end of this month.

I will now just take a couple of moments to place today's announcement in the context of our broader container strategy. Since 2010 we have been communicating our commitment to expand in Containers which today accounts for 9% of sales revenue including the Ferguson Group and has a strong growth outlook. While gestation periods on organic growth have been somewhat longer than we initially expected and the very low cost of debt has made competition for acquisitions intense we continue to make strong progress within the Containers' Group. I'll start with our presence in the general manufacturing sector which we refer to as CHEP Pallecon Solutions which includes the legacy CHEP Intermediate Bulk Container business in Australia and New Zealand and a number of acquired businesses.

These acquired businesses are the CAPS business which we acquired in 2011 in North America and the Pallecon business in Australia and New Zealand and Europe which we acquired in 2012 as well as the Transpac business in Europe and the US which we acquired in June of this year. CAPS and Pallecon specialise in liquid good solutions while Transpac specialises in dry goods. So we have built out our offering in this space and expect to continue solid, organic growth at strong rates of incremental return on capital. We are currently recruiting a global leader of this business.

Next is Automotive where we recently appointed our first global leader and have a very strong business in Europe and an emerging business in Asia and admittedly off a small base, a rapidly growing business in the United States. In Aerospace following a number of acquisitions since 2010 we have now built a maintenance presence in all major airport hubs worldwide and we are developing our position as the only independent provider of unit load device pooling solutions. We were delighted to announce Cathay Pacific as our largest airline customer in pooling last week and this added some 25,000 unit load devices to our pool which is an increase of about 50%.

Now this brings me to the oil and gas sector and today's announcement. Our focus historically has been in the downstream refining sector through our CHEP CCC business which has been operating for more than 25 years. It offers very attractive returns but is somewhat growth constrained given its degree of specialisation. In 2013 we undertook a strategic review of CCC. We took the affirmative decision to retain this business and looked for geographic and product line growth opportunities in the oil and gas services' sector. We did this based on the attractive economics associated in this industry. Today's announcement is really the culmination of that strategy. If Ferguson Group were included the oil and gas sector would account for 29% of our container sales revenue in FY14.

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Now the Ferguson Group is a strongly established business with an attractive global footprint. It was founded in 1976 and its headquarters is in Aberdeen in Scotland. It is a leading global provider of what are known in the oil and gas sector as cargo-carrying units or CCUs. Ferguson Group has a fully certified fleet of approximately 18,500 assets in total. These assets are designed, manufactured and maintained in accordance with highest offshore standards including the stringent DNV2.7-1 and the EN12079 certification standards which govern the safe use of offshore freight containers. The Ferguson Group has a diversified customer base of about 800 and is a trusted partner to some of the world's largest offshore contractors and oil services companies. In addition to Aberdeen the business operates from hubs in Norway, the United Arab Emirates, Singapore and Perth, obviously in Australia. It has strategic partners in other global locations as well.

Let's now look a little more closely at Ferguson Group's financial performance. The business has an unbroken record of revenue and profit growth over the past 10 years with 11% Compound Annual Growth in the five years ended the 31st of December 2013 and compound annual EBITDA growth in the same period of 85. Now the lower rate of EBITDA growth than sales largely reflects investment in people and infrastructure and support functions to build capability in sales, business development, systems and personnel all with a view to building the business for the longer term and supporting it through the next phase of growth. The business is forecasting increased bottom line leverage going forward. Ferguson Group's margin characteristics are very healthy and we are confident that incremental investment in the business will deliver returns on capital invested commensurate with the rest of the Brambles' Group on an ex-goodwill basis and after accounting for good will that the business will make a positive contribution to Brambles' value added in the medium term.

Ferguson Group's average capital expenditure was £24 million over the past three years. We expect CapEx to remain broadly in line with that level going forward and the Ferguson Group net operating assets were about £114 million at 31 December 2013.

I would now like to briefly walk through Ferguson Group's operating model. Containers are critical enablers for a broad range of offshore operations providing secure and safe means of shipping and storage for a variety of equipment, fluids and other goods to and from offshore facilities as well as supporting accommodation, work space and waste management. Containers are required across the full life of field in the offshore value chain and are used across various operations including exploration and appraisal drilling, field development, production and field operation, maintenance and modification and of course decommissioning of oil and gas assets. The flow of assets is well controlled and asset loss is very low. Containers leave the Ferguson Group facilities and are delivered to customers either full or empty and this depends of course on their purpose.

Generalist cargo carrying units generally go offshore full carrying equipment required for offshore operations such as steel, valves, piping and drilling tools. Accommodation and work space modules are of course fitted out onshore and then transported offshore. More specialist modules are used for transporting some fluids, items that require temperature control and to some degree waste management. The purpose of each module

determines whether it is full or empty when it goes offshore. The revenue model is generally one of daily hire whereby customers are charged a daily rate for the use of the containers.

Looking at the asset fleet. Now this slide as well as the appendices to this presentation provide a lot more detail on Ferguson Group's asset fleet. Homogenous design and specification enables higher operational efficiency due to stacking capability resulting in economic improvement for the operators. High design and build quality in conjunction with stringent maintenance standards can result in operational lives well in excess of the 15 years over which assets are depreciated. We depreciate to a 10% residual value. The median age of the fleet is 4 years reflecting the level of investment made in the recent past.

The Ferguson Group has more than 800 customers operating across the life of the oilfield. The Group is a trusted partner for rental of offshore logistic assets to some of the world's largest offshore contractors and oil services companies. It has achieved pre-qualification and approved supplier status with all of its customers and is a preferred supplier in many instances. Where preferred supplier status is not held Ferguson Group is often the default secondary supplier. As you can see from the chart on this slide the customer base is broad with no customer group accounting for more than 25% of sales revenue over the past four years and no single customer accounting for more than 3.5% of revenue.

I will now talk a little bit more about Ferguson Group's organic growth drivers before closing out my prepared remarks. First and foremost is increased global demand for oil and gas which is driving increased offshore exploration and development activity in both established and emerging basins and increasingly complex drilling and exploration processes in deeper waters. This in turn is driving increasingly stringent offshore safety and environmental standards for containers as well as increased demand. Our due diligence suggests 7% compound global offshore production spend between 2013 and 2018 and an 11% increase in drilling days over the same period. In this environment Ferguson Group expects to continue to expand its presence and share in the established market while also expanding geographically and expanding its product lines. We see continued opportunities for platform standardisation not the least as regulation increases.

So to summarise we have announced today the addition of a further compelling growth opportunity to the Brambles' families of businesses. The acquisition is consistent with our strategy of diversifying into high growth segments with strong pooling characteristics. We are acquiring a strong, stable business with a record of sales and profit growth and an attractive margin and return on capital profile. The Ferguson Group is exposed to an addressable market with attractive fundamentals and exciting long term growth prospects. Ferguson has a compelling organic growth profile, leveraged to the expansion of the global offshore oil and gas industry and of course, as I've mentioned previously the transaction will be accretive to our earnings per share in FY15.

I would like to thank you again for joining me this morning along with Zlatko and Jason, we'll be happy now to take any of our questions. Thank you.

James Hall: Thanks, Tom, the first question in the queue is Anthony Moulder at Citi. Go ahead, Anthony.

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Anthony Moulder: (Citigroup, Analyst) Good morning, all. Just if we can talk to or if you can talk to that strong growth in incremental returns on capital. How do you see this acquisition giving you that given it looks like you paid a lot for goodwill, I think? Is that more a medium term expectation?

Tom Gorman: I think what, Anthony, I think as you know with acquisitions how we look at them. We look at them both in absolute terms and on the margin. So we think we think we really acquired an outstanding business here, extremely well run with a very strong management team. On the margin, that is excluding goodwill, this will continue to deliver very strong returns on capital. There's no question however that the acquisition will have some goodwill associated with it as we have laid out the numbers for you here. Over time the way we recover that goodwill is to continue to grow the business. We are confident that there is a significant amount of growth ahead of us and we have identified not just the external factors meaning the growth in offshore drilling but the opportunities for us to expand share and to continue to deliver efficiencies is a sign that we believe we'll grow this business quickly and recover that goodwill over the near to medium term.

Anthony Moulder: (Citigroup, Analyst) What do you classify as near to medium term, is that too specific?

Tom Gorman: Yes look I think that what we've said in terms of the objective that we established as a company that we would move from where we are today at roughly a 16.5% return on capital to get to 20% by FY19. We were very clear that that excludes acquisitions. So on the businesses pre-Ferguson we are committed to that objective. This will obviously have an impact on that as we're adding some goodwill to the balance sheet. But we're confident that on the margin this is a very good business for us and it's one that is worthy of our continued investment.

Anthony Moulder: (Citigroup, Analyst) Understood, and if you can talk to the synergy benefits that this business gives you in plugging in with the other acquisitions into the division, please?

Tom Gorman: Well look at I think we've said all along, Anthony. I mean I think what we've always looked for is when we are acquiring businesses we are looking for businesses that have deep knowledge in a particular vertical that as a company we don't possess. Then we try to marry that deep knowledge of the vertical with our expertise in pooling and that's exactly what's happening here. We think we're really frankly acquiring one of the best players in the segment. They have a very long history of success and we're very impressed with the management team. When you take that knowledge of the vertical and combine it with the knowledge that we have in pooling in general we think the combination of those two is incredibly strong.

In addition in this case with the CCC business we are in the oil and gas business, admittedly we're at the other end of the value chain. But there are common customers here and there are common opportunities for us to build the businesses together going forward.

Anthony Moulder: (Citigroup, Analyst) Right, okay and the last question if I could, maybe more for Zlatko, the funding of this, do we think about this coming more so from the UK funding facilities or will it be spread across other regions?

Zlatko Todorcevski: Predominantly from the UK sources, Anthony.

Anthony Moulder: (Citigroup, Analyst) Perfect, thank you very much.

James Hall: Thanks, Anthony. Your next question in the queue is Scott Kelly of Morgan Stanley, please go ahead, Scott.

Scott Kelly: (Morgan Stanley, Analyst) Good morning, Tom, I'm wondering if you can elaborate on the retention details of key management positions please?

Tom Gorman: Yes I mean look we've had a period of due diligence where we've gotten to know the key management. I think there's a couple of things to notice here. One obviously Steven Ferguson is the vendor, he is the sole owner of the business and Steven has agreed, we've had a great working relationship with him. He's really an outstanding individual and he's agreed to work with us directly on transition over the next six months. We are putting in place opportunities for the senior management to benefit from some of the share ownership programs that exist within Brambles. Look some of these things get disclosed and some don't but it's our intention to keep the management team. As I said we've been very impressed with them. I think they are all very pleased to be joining the Brambles' family. I think you can rest assured that we'll take the appropriate actions to make sure that team is with us as we move through transition and continue to build this business going forward.

Scott Kelly: (Morgan Stanley, Analyst) Okay, understood secondly it looks that in 2011 there was an acquisition with revenues up 20% or so but subsequently revenue growth has been mid-single digits around 4% to 6% in 2012 and 2013. I take your comments about global offshore drilling production spend and drilling days being more high single digits low double digits. Can you just reconcile those - the lower amounts in 2012 and 2013 compared to those forecasts?

Zlatko Todorcevski: Sorry mate, Scott, just to be clear are you talking about the revenue growth that Ferguson has experienced in 2012 and 2013?

Scott Kelly: (Morgan Stanley, Analyst) Yes.

Zlatko Todorcevski: Yes okay just to be clear there are a couple of - so if you look at 2012 there was an instance there where asset sales revenue wasn't as high as it was in prior periods. So actually saw good strong rental growth in the period but it was sales of assets that impacted that too.

Scott Kelly: (Morgan Stanley, Analyst) That was the 2011 uplift was sale of assets primarily?

Zlatko Todorcevski: Yes so let me get the exact year here so 2011 till 2012?

Scott Kelly: (Morgan Stanley, Analyst) Okay, yes.

Zlatko Todorcevski: During the period of 2012 was about the asset sales and then in 2013 there was the transition of a major contract.

Scott Kelly: (Morgan Stanley, Analyst) Okay so on a normalised basis are you suggesting that high single digits is probably what that business has been delivering?

Zlatko Todorcevski: Well if you were to look at the last couple of years I think that's right. But Tom quoted the CAGR up over the last five years of 11%, order of magnitude that blends fairly well with the activity levels you actually see in the industry.

Scott Kelly: (Morgan Stanley, Analyst) Okay and just wondering if you can provide us with a D&A number please?

Zlatko Todorcevski: Not at this stage, Scott. We'd need to work through the purchase price accounting adjustments and clearly there'll be some level of intangibles that need to be amortised. So we'll come back out to the market and provide some guidance at the AGM.

Tom Gorman: Scott, we did give you some guidance there in terms of the net operating assets of approximately £114 million so if you subtract that from the acquisition you'll get close to what the goodwill is. Obviously just working through the purchase price adjustments we'll come out to what the amortisable component of that is. But we'll share all that when we come to the AGM.

Scott Kelly: (Morgan Stanley, Analyst) No problem, thank you very much.

James Hall: Thanks, Scott. Simon Mitchell at UBS is next in the queue. Please go ahead, Simon.

Simon Mitchell: (UBS, Analyst) Good morning, just more on the D&A issue I understand you are still working through the acquisition accounting. But what was the D&A inside the business?

Zlatko Todorcevski: We're not quoting that, Simon.

Simon Mitchell: (UBS, Analyst) Okay so it looks like the return on capital at the starting point is going to be something under 8% at least I would have thought depending on what the acquisition of the intangibles is going to look like.

Zlatko Todorcevski: That's right.

Simon Mitchell: (UBS, Analyst) So to - referencing Tom's comments of getting that up to BVA positive, is that coming more from increasing utilisation of the existing assets or is it because you see the incremental return on capital as being high as you continue to invest?

Tom Gorman: Yes, it's a combination of a high incremental return on capital married to a high growth rate. So if you take the two of those together and look I think you guys know that we look at and when we look at BVA we look at a 12% ROCE pre-tax. So it's really the - our conversation is really referencing getting that up to a 12% ROCE and that that then becomes for us essentially BVA neutral.

Simon Mitchell: (UBS, Analyst) Okay, and Tom, what's the background to this? Was there actually a process run by the owner of Ferguson or was this a direct approach by Brambles?

Tom Gorman: No, so I mean to be clear the process is as I articulated is that we have been looking at this space for some period of time. Really spurred by a strategic review of the CCC business and then looking at the fundamentals in oil and gas and finding that as a place that we think is very attractive for us to continue to grow our business. So I think first you have to start with that. Then secondly when we did a survey of the

market and this vertical, as I have to say we've done with many different verticals. We started looking at potential acquisition opportunities.

As it turns out Ferguson was in a process and then we stepped into that process after it had started. Look we've had an opportunity to meet Steven Ferguson. We gave him an opportunity to exit the business at attractive economics for us, it makes great sense for us. At the end of the day I think Steven is concerned about the legacy of the business that they've built over the last 30 years and he believes that Brambles as an owner of this business can continue to deliver that, deliver value for his customers as well as his employees going forward. I think that's really the compelling story back to Steven.

Simon Mitchell: (UBS, Analyst) Okay and just on the revenue mix I see it's about 70% reliant on North Sea offshore rigs, is that right, UK and Norway?

Zlatko Todorcevski: Yes that's right, yes.

Simon Mitchell: (UBS, Analyst) Okay and that from my limited knowledge of the industry I think that's considered to have peaked or the growth rate has been quite low over recent years. So is it correct to assume that the growth going forward is coming more from those other regions on that map on slide 14?

Zlatko Todorcevski: Yes well, Simon, I think in the 90s and 2000s in particular it did peak, but I think particularly with some UK governmental support it's been rejuvenated over the last five years or so. There continues to be some sizeable discoveries there. But I think the good thing about the Ferguson business is it's exposed as Tom said through the lifecycle in oil and gas fields, so not only at the front end where you've got rank exploration but even at the back end where you've got decommissioning activities. So I think particularly when you're thinking about the North Sea it's a good mix of both exploration and development drilling as well as decommissioning to a larger degree. But there are opportunities to aggressively look at other geographies.

Tom Gorman: Look I think this is part of it here as we talk about our look at how are we going to expand this business and investing for the future. I referred it to in my prepared comments but clearly one of the areas that we're looking at is geographic expansion. Jason and the team have already started to work through the due diligence process and that's really where one of the areas of key focus is going to be. Look we're acquiring this business to grow the business. We think we have one of the best players in the space and we want to continue to fund the growth of the business.

Simon Mitchell: (UBS, Analyst) Okay, thank you.

James Hall: Thanks, Simon, Andrew Gibson from Goldman Sachs is…

Andrew Gibson: (Goldman Sachs, Analyst) Hi, guys, can you hear me?

Tom Gorman: Loud and clear.

Andrew Gibson: (Goldman Sachs, Analyst) Right thank you. Just one further question I assume there's no change to your earnings' guidance for this year?

Tom Gorman: No, at the moment we're not changing any guidance at all. I think as Zlatko alluded to when we come out at the AGM in November of this year we'll incorporate Ferguson into any discussion that we might provide and any update that we'll provide on our guidance at that point in time. But based on where we are two months into the year there's no change in guidance ex-Ferguson.

Andrew Gibson: (Goldman Sachs, Analyst) Okay, thanks, guys.

James Hall: Thanks, Andrew. Scott Ryall at CLSA is next. Morning, Scott.

Scott Ryall: (CLSA, Analyst) Thank you, Tom, I was wondering if you could speak to why the Ferguson management team would - are going to be better off under Brambles' ownership if that's something that you've discussed with them?

Tom Gorman: As opposed to what, as opposed to…

Scott Ryall: (CLSA, Analyst) Well why are you the best owner of this business?

Tom Gorman: Well that's a different question than why the management team might be happier with us. Look I think that our argument, our compelling proposition here is that from our perspective we like the oil and gas space. We think it has great growth characteristics. We think it's a space that our expertise in pooling combined with the deep relationships they have the long lasting relationships and the ability to grow this business organically plays perfectly into what we're trying to do as a company. So I think there's a real compelling argument for the strategic fit to our business.

As far as it relates to the Ferguson management team today in pre our acquisition Ferguson was a company that was solely owned by Steven Ferguson. So the opportunity for individuals to benefit from the growth of that business was really somewhat limited. I think Steven probably had two choices. He could do something with a sponsor and look at some private equity deal, that would require as you guys know as well as I do that they roll over a significant amount of the capital into that business. The management team had no equity holding in Ferguson at all. I think what we give though is the management team is the opportunity to participate in the growth of Brambles in total. So the compensation will be in line with industry compensation standards but now they can participate in Brambles' equity programs which gives them some upside.

As I think everyone is aware Brambles has a program which we refer to as the MyShare program which provides share ownership for all employees. So at every level of the 220 odd employees they'll now be able to participate in that upside. The other thing I would just point out is that being part of the Brambles' organisation takes what is a relatively small company and gives management at all levels an opportunity really to develop their career much more broadly if they so choose. I just point out that all of the acquisitions that we've made over the last five years in virtually every case the key management has remained with the company. The only two significant changes we've had in that are with Karl Pohler and Michael Nimtsch who both retired from IFCO, but they stayed through their three year period with us.

So I think that - if I can speak for Steven in this case - I think that we were able to present a case to both himself and to the management team that we are a company that had some skill integrating companies into our business and providing opportunities for long term career development. I think that was compelling to

Steven as I think he really cares about his legacy here and we care deeply about building this business. I think that resonates with the management team. We'll see how this goes over the coming years but it's clearly our intention to present opportunities to all of the Ferguson employees to continue to benefit and develop their careers.

Scott Ryall: (CLSA, Analyst) Okay, so let me ask you a slightly different question but related. What are the opportunities that Brambles can pursue with this business that were not able to be pursued with the current ownership structure?

Tom Gorman: Well I'm sorry, Scott, I'm not really sure I understand the question. I mean the opportunities that we can pursue here obviously we want to grow the business we can continue to do that. We can provide equity incentives for the management team to benefit from the growth of Brambles over time. In the present structure with the Ferguson structure pre-acquisition there was no equity upside for any of the management team. The growth of the business was going to be really dependent on the sole owner, in this case Steven Ferguson his willingness to continue to reinvest in the business.

I think as we've shown here and as I've said in the prepared comments, Steven has run this business extremely well and he's invested in the past several years to prepare for that next level of growth. I think we're in the position now having acquired the business to deliver that next level of growth.

Scott Ryall: (CLSA, Analyst) But what - what I'm asking is what do you bring to the table that Steven didn't bring to the table already. With IFCO they were a little bit capital constrained and you could invest in the business and grow it through CapEx. I mean you've just said Steven had invested in the business and therefore had positioned the company for growth. I mean what are you delivering that wouldn't have come with the business already, that's what I'm trying to get to?

Tom Gorman: Yes look I think there are two things. I mean one clearly is capital, so we have the capital and we can provide that capital for continued growth. That's not unlike any other businesses that we acquired. So if you go back and look at IFCO coming out of PE and with the end of the PE ownership cycle there they weren't investing in growth and we've been able to do that and deliver significant growth. Even if you look at the acquisition of Pallecon out of CEVA. I mean it was a very similar situation where they were starved of capital and we provided that capital. We will provide capital here but if the assumption is that's all we're providing I think you're misinterpreting.

I think in addition we can provide and as I said previously we take the vertical expertise that the Ferguson management team has and we combine that with the pooling expertise that we have on a global basis. But we have experience with a wide range of container types as a company. We can make the business more efficient from a pooling expertise standpoint. We can draw linkages to the CCC business back to this end of the value chain and we can continue to drive growth successfully through the combination of core knowledge in the vertical combined with our expertise in pooling. That's the fundamental proposition that we're making here. It's not just access to capital. But I mean I think the situation with Steven is that if he were going to pursue something in private equity as you guys know as I said previously private equity doesn't give the seller a clean exit. I think Steven was wrestling between those two options. Whether you stay with the

business for another five to seven years and you roll your capital over or you elect to exit. He elected to exit with a company that I - if I could speak for him that I think he believes will continue to build on the legacy that he's established over the last 30 years.

Scott Ryall: (CLSA, Analyst) Okay and then can you just, you touched on it then, but can you just mention what do you see as the real overlap between the CCC business that you have currently and this business? I guess what I mean is who - the commonality between decision-makers, the customers. How does it all fit in together?

Tom Gorman: No but look I wouldn't draw too tight a comparison here. I mean as we said in my prepared comments they are at different ends of the value chain in the oil and gas vertical. So I wouldn't - I'm not going to imply to you here that they're all common customers and there's going to be a lot of joint selling between the two. But they are both in the oil and gas space. One is downstream and one is upstream. There are some common customers, there are some common opportunities for cross selling. But largely what we're saying here is we like the vertical itself. We like the economics of oil and gas. We like the growth prospects. We like the return on capital and we like what we believe is a strong opportunity for us to bring our expertise and to create incremental value in the space.

Scott Ryall: (CLSA, Analyst) Okay and will you have a single person sit over the top of the oil and gas vertical or will downstream and upstream report directly into Jason?

Jason Rabbino: Yes hi, Scott. This is Jason. In terms of how we're going to manage the business going forward as Tom said the two businesses actually serve different ends of the value chain. So for the foreseeable we're really going to run the Ferguson business as very much a standalone. We'd like to learn from their expertise there and bring them our expertise in asset pooling and diversification. Over time we may find ways to bring the two businesses together, but in the near term we actually like John Tribou running our CCC business we think he's doing a great job. Likewise we're really very impressed with the Ferguson management team. So the intent is to keep them as separate, find synergies in the space where we can but really keep them as separate operating divisions underneath an overall oil and gas heading.

Tom Gorman: Yes I mean I think if you look closely at what Jason has done over the last two or three years, I mean what's very important for us is that when companies come into the Brambles' family that what makes them unique and what makes them valuable is retained. That's critically important to us and I think we have exhibited some skill in doing that. Over time as we get to know each of the companies that we bring in we then find the appropriate way and the appropriate fit for them that makes long term sense.

A couple of examples, when we acquired IFCO we clearly wanted to roll the CHEP RPC business into the IFCO RPC business we felt that they were expert and we did that immediately. With the white wood business in the US we actually left if quite independent for about a year and a half two years. As we learned that business more and we felt that we could drive a lot more value we then fully integrated it into the CHEP Pallet business in the US. I think you can look at what we've done in the IBC space, how we've made changes there and combined the businesses and combined the brands. I think the same will happen here. I think it would be silly for us on day one to declare exactly how each year is going to unfold. But there clearly

is symmetry I would say rather than direct synergies. But there's symmetry in the oil and gas space and over time we'll measure what's the best way to combine CCC and Ferguson to get the best result for our customers and for our shareholders.

Scott Ryall: (CLSA, Analyst) Okay and can you just remind, me I apologise I don't have all the management backgrounds and things. But obviously Zlatko has come out of an oil and gas company. Who else within Brambles has oil and gas experience apart from the CCC business?

Tom Gorman: Do you want to do that?

Jason Rabbino: Yes, Scott, so I mean prior to joining Brambles I think many of you know I was with Tyco International. As part of my responsibility there my last several years were spent involved in all of our cross selling efforts. Our principal customers actually were large oil and gas companies as the main segment of that. So I was the executive sponsor for all of our operations in the Middle East which was very much oil and gas focused both onshore and offshore and as well I did a lot of work up in the tar sands up in Canada. So well not as extensive as Zlatko's experience I've actually spent quite a few years in the industry myself.

Scott Ryall: (CLSA, Analyst) All right, perfect, that's reassuring. Just one last question on the financials, Tom, I apologise I came on a touch late. So on slide 6 where you show the increase in earnings and revenue and EBITDA. Did return on capital for the business go up over that five year period?

Zlatko Todorcevski: Yes, it did, Scott. Look just recognising as Tom said in his prepared comments there was a period of relatively high investment in 2011, 2012 and 2013. But it is an improving ROCE profile in that business.

Scott Ryall: (CLSA, Analyst) Okay, so even with the increased investment in the space the business managed to increase return on capital?

Zlatko Todorcevski: Yes it wasn't as large as prior to that.

Scott Ryall: (CLSA, Analyst) Yes okay, all right, that's all I had, thanks.

James Hall: Thanks, Scott, you have got David McGregor from Macquarie up next. Dave, please go ahead.

Sam Dobson: Oh hi guys, it's Sam Dobson [unclear].

James Hall: Sorry, Sam.

Sam Dobson: (Macquarie, Analyst) That's all right.

Tom Gorman: Hi, Sam.

Sam Dobson: (Macquarie, Analyst) Just a couple of questions just touching on that earnings' profile. So the EBITDA margin has come down from 60% to a 53.5%, 54% level and I know obviously you've said that there's been investment in the business. What's the expectation going forward and is there further investment that's still required.

Tom Gorman: Yes look I mean we’re not going to give guidance today on where we think the margins ought to be in the near term. I think you'll get more from us when we go to the AGM when we go through as we

indicated earlier, I am not sure if you were on the line then, Sam. But we indicated earlier that once we get through all the purchase price accounting and the like we'll give a bit more guidance in terms of goodwill and the amortisation of intangibles. At that point in time we'll be able to talk to you a little bit more about the outlook. But look what we've been talking about as a company is really the investment thesis for us over the coming five year period. Really giving margins by each business unit is probably not the best way really to understand the business for us going forward. But we will come back to you in November and give you a sense of at least the impact of this acquisition on the broader Brambles' financials.

Sam Dobson: (Macquarie, Analyst) Can you comment then just on the investment in the business? Is there further investment that needs to be made?

Tom Gorman: Well no I think what we said here in the prepared comments is that the CapEx will stay broadly in line with where we've been in the £24 million annual.

Sam Dobson: (Macquarie, Analyst) Right okay and then just on the asset fleet, is there commonality between the Ferguson fleet and the existing Brambles' fleet or is it all new kit?

Tom Gorman: No, the CCUs are quite different than the containers that we use for Catalyst within CCC so they're quite different.

Sam Dobson: (Macquarie, Analyst) Right, okay, thanks for that.

James Hall: Thanks, Sam, [Aaron Mazur] from Merrill Lynch, please go ahead, Aaron you're next.

Aaron Mazur: (Merrill Lynch, Analyst) Sure, hi guys, just a couple of questions for Zlatko if I can. Just firstly on what the all-in funding cost is? Secondly just on the tax position of Ferguson?

Zlatko Todorcevski: Aaron, let me take that second one first. So on average their effective tax rate has historically been between 20% and 25%. So we'll obviously work through implications for Brambles and we'll give you some guidance as Tom said when we come out at the AGM. On the first part of your question I'll defer that to the AGM as well. So we're going to work through, and I'm not dodging that question. But we need to work through not only the funding of the acquisition. But as Tom says it's about £54 million of net debt that Ferguson currently has. It's predominantly finance leases and hire purchase arrangements. We need to work through what we're going to do with those. So we'll just need a period of time to work through the mechanics.

Aaron Mazur: (Merrill Lynch, Analyst) Okay, sure, thanks.

James Hall: Thank you, Aaron, we have one final question on the line it's from Alex [Epoesis] from JP Morgan, Alex, please go ahead.

Alex Epoesis: (JP Morgan, Analyst) Morning, guys.

Tom Gorman: Hi, Alex.

Alex Epoesis: (JP Morgan, Analyst) Just a quick one, just wondering if you could elaborate on some of the customer names or even contract links typically?

Jason Rabbino: Yes, sure, Alex. So the customer names I mean I think we're going to get into that more also at the AGM. But suffice to say that for all the major players whether they're O&G, exploration and production companies or the major services companies that serve them offshore. Again I think these are all pretty household [Bogos] that all of you would recognise. As people pointed out our greatest strength with the Ferguson brand are in the North Sea and off the Norwegian coast. But that being said the companies who do the same exploration work in Singapore and South East Asia, in the Australian basin and to some extent in places like Trinidad and West Africa. We do have a pretty variety based mix of customers there. So again I think we'll share more specifics on the AGM. But they are all people that you would know and recognise in those markets we tend to serve the largest players.

Alex Epoesis: (JP Morgan, Analyst) Okay thanks and how does the contract links typically work?

Jason Rabbino: Yes the contract link tends to vary based upon the term. Most of the contracts in the space tend to be either for a fixed period of time, anywhere from one to three years or for a specific project basis. So we have two major asset types here. We have the CCUs which are really based very much on a daily hire rate and then we have the accommodation and work space modules. The accommodation and work space modules tend to be more project specific and the project link there can range anywhere from one to five years in duration. It had been pointed out we actually have one point a couple of years ago in the financials where one large project came to an end and there was a bit of a slowdown in the revenue ramp up. That was during the period where Ferguson was looking to replace the module. So those are the two major contract types the daily hire, short to medium term and works based modules which tends to be medium to long term hire.

Alex Epoesis: (JP Morgan, Analyst) Okay, thank you very much.

Jason Rabbino: Sure thing.

James Hall: No further questions, so with that we will wrap up. Tom, did you have any final comments you wanted to make?

Tom Gorman: No, I'd just say thank you for joining us this morning. We are really excited about this opportunity. We think it fits extremely well with our overall growth expectations as a company and again we appreciate your support in joining the call this morning. Thank you.

James Hall: Thanks, everyone.

End of Transcript