

Brambles Reports Solid FY14 Result in Line with Guidance; Forecasts Further Profitable Growth in FY15

- Sales revenue growth and Underlying Profit¹ delivered within management guidance range²
- Pallets: constant-currency³ growth across all regions with strong operational efficiencies in Europe
- RPCs: accelerated second-half growth reflecting ongoing investment and improving momentum
- Containers: strong contribution from Pallecon acquisition and improved margin performance
- FY14 Return on Capital Invested⁴ broadly unchanged at ~16%; on track for FY19 target of 20%
- FY15 guidance:
 - Sales revenue consistent with five-year target: high single digit percentage growth at constant-currency
 - Underlying Profit range of US\$1,030 million to US\$1,060 million (at 30 June 2014 FX rates)
- One Better program to drive reduction in overheads/sales ratio of at least 2 percentage points by FY19

Results Highlights

(Continuing operations)	FY14 result	Growth vs. FY13 (actual FX)	Growth vs. FY13 (constant FX)
Sales revenue	US\$5,404.5M	+6%	+7%
Operating profit	US\$929.5M	+5%	+5%
Profit after tax	US\$584.5M	+5%	+4%
Basic earnings per share	US 37.5¢	+5%	+4%
Underlying Profit	US\$960.1M	+5%	+6%
Underlying earnings per share	US 38.7¢	+5%	+5%
Return on Capital Invested	16.3%	-0.1 pts	-
Cash Flow from Operations ⁵	US\$828.2M	+US\$130.9M	
Final dividends per share	AU 13.5¢	-	

Brambles generated sales revenue of US\$5,405 million in the financial year ended 30 June 2014, up 6%, primarily driven by solid organic growth and new business wins in the core Pallets business, continued expansion in Reusable Plastic Crates (RPCs) and the first full-year contribution of the Pallecon acquisition in the Containers segment.

Operating profit was US\$930 million, up 5%. This reflected the positive effect of asset utilisation and operational efficiency gains in Pallets and improved margins in Containers, as well as the negative impact of higher plant and transport costs in Pallets and one-off costs and higher depreciation in RPCs.

Underlying Profit, which excludes Significant Items⁶, was US\$960 million, up 5%. Return on Capital Invested was broadly flat at 16.3%, reflecting the short-term profitability impact in RPCs, although Return on Capital Invested improved in the Pallets and Containers segments.

Cash Flow from Operations increased US\$131 million to US\$828 million, largely as result of increased earnings and a positive movement in working capital.

¹ Profit from continuing operations before interest, tax and Significant Items.

² For FY14, Brambles forecast constant-currency sales revenue growth of 7% and Underlying Profit of between US\$930 million and US\$965 million, at 30 June 2013 foreign exchange rates. At these rates, FY14 Underlying Profit of US\$960 million at actual foreign exchange rates, translates to US\$947 million.

³ Calculated by translating current period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

⁴ Underlying Profit divided by Average Capital Invested (see Footnote 11).

⁵ Cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business.

⁶ Items of income or expense that are, either individually or in aggregate, material to Brambles or to the relevant business segment and: outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or part of the ordinary activities of the business but unusual due to their size and nature.

Dividend

The Board of Brambles has declared a final dividend of 13.5 Australian cents per share, with franking of 30%⁷. Brambles' Chairman Graham Kraehe said: "The final dividend, combined with the interim dividend of 13.5 Australian cents per share paid in April 2014, reflects the Board's commitment to maintain the annual dividend at the FY13 level of 27.0 Australian cents per share after the demerger of Recall in December 2013." The final dividend is payable on 9 October 2014 to shareholders on Brambles' share register at 5pm on 12 September 2014. The ex-dividend date is 10 September 2014.

CEO Commentary

Brambles' CEO Tom Gorman said: "We delivered a solid performance in the 2014 financial year as underlying economic conditions continued to improve gradually, with an encouraging fourth-quarter performance following the disappointment of the weather-affected third quarter.

"The solid result reflects our ability to deliver profitable, year-on-year expansion while we continue to lay the foundations for long-term growth and value creation and make efforts to streamline our business. At the same time, we completed the transition from our historical conglomerate structure with the demerger of Recall.

"Our Pallets business delivered solid growth in both emerging and developed markets. Efficiency improvements and growth in under-penetrated regions drove a strong performance in Europe, despite intensifying competitive activity in the UK, while asset management improvements continue across the business, particularly in the USA.

"In RPCs, the strategic refocus in North America coupled with strong progress in Europe, Australia, New Zealand and South Africa are delivering strong and improving growth. We are confident of delivering a return to profit growth in RPCs in FY15 at the same time as we continue to invest in expanding our position.

"While non-acquisitive growth was robust in the Containers segment in FY14, we have improving momentum with product launches and contract wins and continue to assess a broad range of organic and acquisitive growth opportunities that offer growth and return characteristics in line with the Group's long-term targets."

One Better Initiative

Mr Gorman said: "In February 2014, we communicated that we had identified US\$100 million of overhead reduction opportunities over the five years to FY19. We have now formally launched the One Better program to achieve these savings, which will be used to maintain our competitive position, serve customers better and drive improved shareholder returns.

"As a result of this program, we expect overheads as a percentage of sales to reduce by at least 2 percentage points by FY19 from approximately 15.5% in FY14, reflecting the US\$100 million reduction in costs as well as a slowing in the rate of overheads growth relative to the rate of sales revenue growth."

Outlook

Mr Gorman said: "We expect constant-currency percentage sales revenue growth for FY15 to be consistent with our five-year target in the high single digits. This reflects continued solid growth in our underlying business amid ongoing global uncertainty. We expect profit growth in FY15 to reflect sales revenue growth as well as efficiency improvements across the Group and a return to profit growth in RPCs. We are giving guidance for Underlying Profit of US\$1,030 million to US\$1,060 million, at 30 June 2014 foreign exchange rates, reflecting growth of 7% to 10%⁸. We expect Return on Capital Invested to improve in FY15 as we progress towards our target of 20% by FY19."

⁷ The unfranked component of the final dividend is conduit foreign income. Consequently, shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend.

⁸ At 30 June 2014 foreign exchange rates, FY14 Underlying Profit of US\$960 million translates to US\$965 million.

Background Information

(US\$M)	1H14	2H14	FY14	1H13	2H13	FY13
Sales revenue						
Pallets – Americas	1,142.4	1,159.5	2,301.9	1,074.7	1,131.1	2,205.8
Pallets – EMEA	713.8	733.5	1,447.3	669.4	677.4	1,346.8
Pallets – Asia-Pacific	186.0	188.2	374.2	198.4	193.4	391.8
Total Pallets	2,042.2	2,081.2	4,123.4	1,942.5	2,001.9	3,944.4
RPCs	440.9	454.9	895.8	405.9	406.9	812.8
Containers	186.2	199.1	385.3	137.7	188.0	325.7
Continuing operations (inc. Corporate)	2,669.3	2,735.2	5,404.5	2,486.1	2,596.8	5,082.9
Operating profit						
Pallets – Americas	204.6	214.4	419.0	190.8	223.8	414.6
Pallets – EMEA	156.9	173.2	330.1	135.1	133.1	268.2
Pallets – Asia-Pacific	32.6	40.4	73.0	34.3	42.9	77.2
Total Pallets	394.1	428.0	822.1	360.2	399.8	760.0
RPCs	58.2	66.1	124.3	68.3	70.1	138.4
Containers	17.8	18.1	35.9	7.6	20.4	28.0
Continuing operations (inc. Corporate)	452.9	476.6	929.5	409.0	478.1	887.1
Operating profit margin						
Pallets – Americas	17.9%	18.5%	18.2%	17.8%	19.8%	18.8%
Pallets – EMEA	22.0%	23.6%	22.8%	20.2%	19.6%	19.9%
Pallets – Asia-Pacific	17.5%	21.5%	19.5%	17.3%	22.2%	19.7%
Total Pallets	19.3%	20.6%	19.9%	18.5%	20.0%	19.3%
RPCs	13.2%	14.5%	13.9%	16.8%	17.2%	17.0%
Containers	9.6%	9.1%	9.3%	5.5%	10.9%	8.6%
Continuing operations (inc. Corporate)	17.0%	17.4 %	17.2%	16.5%	18.4 %	17.5%
EBITDA⁹						
Pallets – Americas	308.0	333.1	641.1	285.1	327.8	612.9
Pallets – EMEA	220.7	238.4	459.1	202.3	209.7	412.0
Pallets – Asia-Pacific	55.1	63.3	118.4	58.6	67.7	126.3
Total Pallets	583.8	634.8	1,218.6	546.0	605.2	1,151.2
RPCs	108.0	117.7	225.7	111.7	112.5	224.2
Containers	39.8	42.4	82.2	24.2	42.2	66.4
Continuing operations (inc. Corporate)	718.6	769.8	1,488.4	663.6	745.1	1,408.7
EBITA¹⁰						
Pallets – Americas	215.7	238.4	454.1	196.9	236.4	433.3
Pallets – EMEA	156.9	172.0	328.9	139.0	146.0	285.0
Pallets – Asia-Pacific	33.0	40.6	73.6	35.1	43.7	78.8
Total Pallets	405.6	451.0	856.6	371.0	426.1	797.1
RPCs	69.0	79.0	148.0	78.2	81.0	159.2
Containers	20.1	22.1	42.2	8.8	22.9	31.7
Continuing operations (inc. Corporate)	481.3	526.3	1,007.6	439.3	514.8	954.1
Underlying Profit						
Pallets – Americas	205.8	229.2	435.0	189.7	229.4	419.1
Pallets – EMEA	156.9	172.0	328.9	136.6	145.8	282.4
Pallets – Asia-Pacific	33.0	40.6	73.6	34.3	44.5	78.8
Total Pallets	395.7	441.8	837.5	360.6	419.7	780.3
RPCs	58.2	66.1	124.3	68.3	70.4	138.7
Containers	18.0	20.0	38.0	7.6	20.8	28.4
Continuing operations (inc. Corporate)	458.1	502.0	960.1	417.6	495.4	913.0

⁹ Earnings before interest, tax, depreciation and amortisation: defined as operating profit from continuing operations after adding back depreciation and amortisation and Significant Items outside the ordinary course of business.

¹⁰ As EBITDA but without adding back depreciation.

(US\$M)	1H14	2H14	FY14	1H13	2H13	FY13
Underlying Profit margin						
Pallets – Americas	18.0%	19.8%	18.9%	17.7%	20.3%	19.0%
Pallets – EMEA	22.0%	23.4%	22.7%	20.4%	21.5%	21.0%
Pallets – Asia-Pacific	17.7%	21.6%	19.7%	17.3%	23.0%	20.1%
Total Pallets	19.4%	21.2%	20.3%	18.6%	21.0%	19.8%
RPCs	13.2%	14.5%	13.9%	16.8%	17.3%	17.1%
Containers	9.7%	10.0 %	9.9%	5.5%	11.1%	8.7%
Continuing operations (inc. Corporate)	17.2%	18.4%	17.8%	16.8%	19.1%	18.0%
Average Capital Invested¹¹						
Pallets – Americas	2,244.9	2,257.3	2,251.1	2,147.0	2,208.4	2,177.7
Pallets – EMEA	1,290.9	1,305.9	1,298.4	1,240.3	1,234.5	1,237.4
Pallets – Asia-Pacific	398.4	409.2	403.8	421.1	415.9	418.5
Total Pallets	3,934.2	3,972.4	3,953.3	3,808.4	3,858.8	3,833.6
RPCs	1,552.2	1,594.2	1,573.2	1,429.6	1,501.4	1,465.5
Containers	417.4	445.0	431.2	248.3	435.3	341.8
Continuing operations (inc. Corporate)	5,831.8	5,947.4	5,889.6	5,423.8	5,730.0	5,576.9
Return on Capital Invested						
Pallets – Americas	18.3%	20.3%	19.3%	17.7%	20.8%	19.2%
Pallets – EMEA	24.3%	26.3%	25.3%	22.0%	23.6%	22.8%
Pallets – Asia-Pacific	16.6%	19.8%	18.2%	16.3%	21.4%	18.8%
Total Pallets	20.1%	22.2%	21.2%	18.9%	21.8%	20.4%
RPCs	7.5%	8.3%	7.9%	9.6%	9.4%	9.5%
Containers	8.6%	9.0%	8.8%	6.1%	9.6%	8.3%
Continuing operations (inc. Corporate)	15.7%	16.9%	16.3%	15.4%	17.3%	16.4%
Brambles Value Added¹²						
Pallets – Americas	79.4	104.0	183.4	67.5	103.9	171.4
Pallets – EMEA	77.6	87.5	165.1	58.4	70.3	128.7
Pallets – Asia-Pacific	8.9	15.4	24.3	6.9	17.6	24.5
Total Pallets	165.9	206.9	372.8	132.8	191.8	324.6
RPCs	(34.6)	(28.3)	(62.9)	(18.9)	(20.6)	(39.5)
Containers	(7.0)	(5.1)	(12.1)	(7.9)	(5.7)	(13.6)
Continuing operations (inc. Corporate)	113.2	153.3	266.5	92.7	154.1	246.8
Cash Flow from Operations						
Pallets – Americas	161.4	234.5	395.9	159.1	159.2	318.3
Pallets – EMEA	132.7	166.4	299.1	89.1	173.4	262.5
Pallets – Asia-Pacific	20.9	39.0	59.9	20.9	42.6	63.5
Total Pallets	315.0	439.9	754.9	269.1	375.2	644.3
RPCs	59.5	37.8	97.3	43.5	7.2	50.7
Containers	10.3	16.4	26.7	6.3	31.0	37.3
Continuing operations (inc. Corporate)	375.8	452.4	828.2	295.2	402.1	697.3
Capital expenditure on property plant and equipment (accruals basis)						
Pallets – Americas	170.4	173.2	343.6	153.9	176.2	330.1
Pallets – EMEA	128.5	134.2	262.7	132.3	101.4	233.7
Pallets – Asia-Pacific	31.5	35.5	67.0	32.9	39.6	72.5
Total Pallets	330.4	342.9	673.3	319.1	317.2	636.3
RPCs	87.2	93.2	180.4	112.9	83.1	196.0
Containers	25.6	28.5	54.1	15.7	16.5	32.2
Continuing operations (inc. Corporate)	443.3	464.7	908.0	448.7	417.0	865.7

¹¹ Average Capital Invested is a 12-month average of capital invested in the period, calculated as net assets before tax balances, cash and borrowings but after adjustment for accumulated pre-tax Significant Items, actuarial gains and losses and net equity adjustments for equity-settled share-based payments.

¹² Brambles Value Added (BVA) is the value generated over and above the cost of capital used to generate that value. It is calculated using fixed 30 June 2013 exchange rates as: Underlying Profit; plus Significant Items that are part of the ordinary activities of the business; less Average Capital Invested, adjusted for accumulated pre-tax Significant Items that are part of the ordinary course of business, multiplied by 12%.

(US\$M)	1H14	2H14	FY14	1H13	2H13	FY13
Depreciation of property, plant and equipment						
Pallets – Americas	92.3	94.7	187.0	88.2	91.4	179.6
Pallets – EMEA	63.8	66.4	130.2	63.3	63.7	127.0
Pallets – Asia-Pacific	22.1	22.7	44.8	23.5	24.0	47.5
Total Pallets	178.2	183.8	362.0	175.0	179.1	354.1
RPCs	39.0	38.7	77.7	33.5	31.5	65.0
Containers	19.7	20.3	40.0	15.4	19.3	34.7
Continuing operations (inc. Corporate)	237.3	243.5	480.8	224.3	230.3	454.6
Number of pallets, RPCs and containers¹³						
Pallets – Americas	111		115	106		107
Pallets – EMEA	115		115	115		112
Pallets – Asia-Pacific	22		23	21		21
Total Pallets	248		253	242		240
RPCs	199		207	183		190
Containers	13		13	14		13
Continuing operations	460		473	439		443

Further information

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Brambles Limited (ASX:BXB) is a supply-chain logistics company operating in more than 50 countries, primarily through the CHEP and IFCO brands. The Group specialises in the pooling of unit-load equipment and associated services, focusing on the outsourced management of pallets, crates and containers. Brambles primarily serves the consumer goods, dry grocery, fresh food, retail and general manufacturing supply chains. In addition, the Group operates specialist businesses serving the automotive, aviation and refining sectors. Brambles employs more than 14,000 people and owns more than 470 million pallets, crates and containers through a network of approximately 850 service centres. For further information, please visit www.brambles.com.

Forward-Looking Statements

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

¹³ Shown gross, before provisions.