Brambles Limited
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17 August 2021

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

Via electronic lodgement

Dear Sir / Madam

Brambles 2021 Full-Year ASX & Media Release

Attached is a release from Brambles Limited on its financial report for the full-year ended 30 June 2021.

The release of this announcement was authorised by a Special Committee of the Board of Brambles Limited.

Yours faithfully
Brambles Limited

Robert Gerrard
Group Vice President, Legal & Secretariat

17 August 2021
ASX & Media Release

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FY21 result: Strong revenue growth with Underlying Profit[1] leverage and positive Free Cash Flow delivered in a high inflationary environment

- **Earnings growth ahead of FY21 guidance with margin expansion** despite higher operating costs driven by demand volatility, inflationary cost pressures and supply chain disruptions due to pallet availability constraints in all regions.
- **Sales revenue increased 7%[2]** driven by volume and price realisation in the global pallets business and a progressive recovery in the automotive business during the year.
- **Underlying Profit increased 8%[2]** with contributions from pricing, surcharge income, cost efficiencies and return on supply chain investments more than offsetting input-cost inflation, and other increases in operating costs driven by changes in network dynamics and demand patterns impacted by both COVID-19 and Brexit.
- **US margin improvement of ~1pt** reflecting increased price realisation, inflation-linked surcharge income, and benefits from investments in service centre automation as well as lumber procurement and pallet durability initiatives. These operating benefits were partly offset by input-cost inflation, inefficiencies driven by changes in network flows due to COVID-19, pallet shortages in the second half and higher asset charges in the year.
- **Return on Capital Invested of 17.8% increased 1.1pts**[2] as earnings growth and limited pallet purchases due to lumber shortages in the second half of the year offset higher Average Capital Invested driven by the impact of lumber inflation on pallet prices and investments to support volume growth and supply chain initiatives.
- **Free Cash Flow after dividends of US$341.2 million** includes US$215 million of timing benefits, which are expected to reverse in FY22. Timing benefits reflect US$180 million of delayed pallet purchases due to lumber availability constraints and US$35 million of tax payment timing benefits. Excluding these benefits, the surplus positive Free Cash Flow delivered is US$126.2 million reflecting strong earnings, asset compensations and working capital benefits.
- **2021 final dividend** of 10.5 US cents per share with total dividends for FY21 of 20.5 US cents per share resulting in a payout ratio of 54%, in line with the prior year and consistent with Brambles' dividend policy.
- **Shaping Our Future transformation plans** and **FY22 guidance** to be outlined at the 2021 Investor Day on 13 and 14 September 2021.
- **Share buy-back programme to recommence on 15 September 2021** with expected completion in FY22.

Results Highlights	FY21 result	Change vs. FY20	
	(Actual FX)	(Actual FX)	(Constant FX)
Statutory basis			
Sales revenue (continuing)	5,209.8	10%	7%
Operating profit (continuing)	879.3	10%	8%
Profit after tax (continuing)	535.0	5%	5%
Basic earnings per share (continuing)	US36.3¢	11%	11%
Loss after tax (discontinued operations)	(8.9)		
Profit after tax	526.1	17%	19%
Basic earnings per share	US35.7¢	24%	25%
Final dividend declared per share	US10.5¢		
Non-statutory basis – continuing operations			
Underlying Profit	879.3	10%	8%
Cash Flow from Operations	901.1	+146.3	
Free Cash Flow after ordinary dividends	341.2	+169.7	
Underlying Profit after finance costs and tax	557.7	10%	10%
Underlying earnings per share	37.8	15%	15%
Return on Capital Invested (ROCI)	17.8%	+0.8pts	+1.1pts

[1] A non-statutory measure that represents profit from continuing operations before finance costs, tax and Significant Items.
[2] At constant FX.

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Operating environment

During the year, customer demand for pallets was elevated but unpredictable, reflecting COVID-19 related increases in at-home consumption of consumer staple products and numerous changes in restrictions impacting on-premise consumption. Brexit added further supply chain uncertainty resulting in increased inventory levels and changes in demand patterns driving network inefficiencies including higher transport, handling and repair costs.

Inflationary pressures accelerated in the second half of the year with higher lumber and transport costs in all regions. Lumber costs were driven by increased demand and supply challenges which impacted pallet availability and resulted in both higher pallet capex costs and increased repair costs. The impact was particularly evident in the US and resulted in record levels of lumber inflation and industry-wide pallet shortages in key markets, with manufacturers and retailers also increasing pallet balances across their operations to avoid disruptions to their supply chains. COVID-19 and Brexit, combined with lumber and transport availability constraints, drove higher operating costs and capital expenditure, impacted pallet recoveries in the US, and limited access to lumber in the second half of the year.

Brambles was able to offset operating cost increases due to inflationary pressures, demand variability and pallet shortages through pricing, surcharge income, asset compensations, supply chain efficiencies and other cost control initiatives across the Group. Lumber surcharge income linked to market indices in North America only partially recovered the impact of higher lumber costs in the year, which was primarily reflected in higher pallet costs included in capital expenditure and, to a lesser extent, higher lumber costs used for pallet repairs reflected in operating costs.

FY21 results overview

Sales revenue from continuing operations of US$5,209.8 million increased 7% at constant currency with pricing growth of 4% and volume growth of 3%. Pricing growth reflected initiatives to recover cost-to-serve increases in all regions due to inflationary pressures and challenging operating conditions. Like-for-like volume growth of 2% reflected increased pallet demand from existing customers to support elevated levels of at-home consumption in developed markets and a return to volume growth in the automotive business which was severely impacted by COVID-19 in the prior year. Net new business growth of 1% was primarily driven by market share gains in Central & Eastern Europe and contributions from a large Australian RPC contract win. Pallet availability constraints, particularly evident in North America, limited new customer conversions in the Americas region as the businesses prioritised servicing existing customers.

Underlying Profit and **Operating profit** of US$879.3 million increased 8% at constant currency reflecting the strong revenue contribution to profit, supply chain efficiencies combined with income from lumber surcharges in North America of approximately US$60 million and one-off compensation payments of US$10 million primarily relating to the compulsory relocation of a service centre in the Asia-Pacific region. These contributions to profit more than offset input-cost inflation and higher operating costs as pallet availability constraints resulted in additional repairs and relocations of the existing pallet pool to support strong customer demand and changes in network flows.

Asset charges increased in the year in line with higher pallet unit costs across the Group and higher losses in the US market reflecting lower pallet returns from recyclers and other market participants. This was driven by a combination of escalating pallet prices relative to recycler incentives, transport capacity and labour availability constraints and industry-wide pallet shortages which resulted in customer stockpiling of pallets. Profit performance in the year also included additional investments in BXB Digital and other Shaping Our Future initiatives.

Profit after tax from continuing operations of US$535.0 million increased 5% at constant currency with operating profit growth partly offset by a 15% increase in tax costs driven by a US$22.7 million Significant Item expense related to the revaluation of deferred tax balances in response to the announced increase in the United Kingdom corporate tax rate from 19% to 25% with effect from 1 April 2023. Finance costs also increased in the year reflecting the drawdown of Australian cash deposits to fund the on-market share buy-back and lower interest rates in Australia.

Statutory profit after tax (including discontinued operations) of US$526.1 million increased 19% at constant currency reflecting lower losses from discontinued operations. The current-year loss of US$8.9 million primarily relates to the operating performance of Kegstar and loss on divestment of this business in April 2021.

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Cash Flow from Operations of US$901.1 million increased US$146.3 million reflecting higher earnings, increased compensations for lost equipment in the US and Europe and proceeds primarily relating to the one-off compensation payment for the mandatory relocation of a service centre in the Asia-Pacific region. Operating cash flow also includes a US$180 million timing benefit relating to delayed pallet purchases due to lumber availability constraints. This benefit is expected to reverse in FY22. On an accruals basis, and notwithstanding the delay of pallet purchases into FY22, **capital expenditure** increased US$220.1 million reflecting a US$150 million increase in the cost of new pallets due to lumber inflation and US$80 million of additional equipment purchases to support volume growth in the global pallets and Australian RPC business, as well as higher inventory levels particularly evident in European supply chains. These increases were partly offset by lower automation investments during the year in line with the completion of the US automation programme announced in 2018.

Free Cash Flow after ordinary dividends was a surplus of US$341.2 million and included US$215 million of timing benefits, including the delay of US$180 million of pallet purchases recognised in Cash Flow from Operations and US$35 million relating to tax payments. Excluding these timing benefits, which are expected to reverse in FY22, Free Cash Flow was a surplus of US$126.2 million.

Dividends

The Board has declared a 2021 final dividend of 10.5 US cents per share, bringing total ordinary dividends for 2021 to 20.5 US cents per share. This results in a payout ratio of 54%, which is broadly in line with the prior year and consistent with Brambles' dividend policy to payout between 45% and 60% of Underlying Profit after finance costs and tax[3]. The 2021 final dividend will be paid in Australian dollars and will be 14.24 Australian cents per share[4], with franking of 30%. The final dividend is payable on 14 October 2021 to shareholders on Brambles' register at 5.00pm on 9 September 2021. The ex-dividend date is 8 September 2021.

Shaping Our Future transformation

During the year, Brambles developed a range of existing initiatives and identified new opportunities to deliver on its transformation ambition through its Shaping Our Future programme. Shaping Our Future seeks to strengthen Brambles' market-leading position by innovating to create value for customers, increasing the efficiency and resilience of operations and deploying digital technology and increasing data analytics capabilities to unlock significant value across the organisation while ensuring we maintain our global leadership in sustainability.

In FY22, Brambles will be recognising increased investments in numerous initiatives which are expected to drive a significant and sustainable uplift in shareholder value creation by supporting revenue growth with operating leverage and Free Cash Flow generation across the Group from FY23 onwards. Brambles is in the process of finalising its transformation plan and will be in a position to outline its Shaping Our Future initiatives, the expected future financial outcomes and more specific guidance for FY22, including transformation programme costs, at its Investor Day on 13 and 14 September 2021.

CEO commentary

Commenting on the FY21 result Brambles' CEO, Graham Chipchase, said: "This is a strong result for Brambles as we continue to support our customers to deliver goods safely and sustainably around the world.

"I am very proud of how our teams responded to the challenges we faced in 2021 and our ability to strengthen our global leading position in sustainability while continuing to manage ongoing uncertainty across supply chains due to COVID-19, Brexit and the unprecedented conditions experienced across global lumber markets.

"Delivering all of our FY21 financial commitments despite these challenges is testament to the teams' efforts over the past three years to improve our ability to recover cost-to-serve increases through better commercial terms and the investments made to increase the efficiency of our operations.

"Looking forward, we are accelerating our Shaping Our Future programme to transform our business to benefit our people, our customers, and our shareholders. This will include a step change in digitisation and improved customer experience as well as further developing our culture of innovation and continuous improvement. We look forward to outlining our ambitions and the next phase of value creation at our Investor Day in September."

[3] Subject to Brambles' cash requirements.
[4] This reflects the US cents dividend converted at an A$:US$ exchange rate of 0.7374, the average exchange rate over the five business days ending 10 August 2021.

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Further Information

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Brambles Limited (ASX: BXB): Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs approximately 12,000 people and owns approximately 345 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit 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.

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Background Information

US$m	1H21	2H21	FY21	1H20	2H20	FY20
Sales revenue						
CHEP Americas	1,299.2	1,328.3	2,627.5	1,228.9	1,220.3	2,449.2
CHEP EMEA	1,010.0	1,046.4	2,056.4	935.2	896.7	1,831.9
CHEP Asia-Pacific	251.3	274.6	525.9	222.5	214.3	436.8
Continuing operations	2,560.5	2,649.3	5,209.8	2,386.6	2,331.3	4,717.9
EBITDA						
CHEP Americas	414.2	442.1	856.3	390.8	364.5	755.3
CHEP EMEA	395.6	381.1	776.7	358.1	338.2	696.3
CHEP Asia-Pacific	102.6	116.7	219.3	89.1	89.9	179.0
Corporate	(30.9)	(78.8)	(109.7)	(27.9)	(40.9)	(68.8)
Continuing operations	881.5	861.1	1,742.6	810.1	751.7	1,561.8
Depreciation of property, plant and equipment and Irrecoverable Pooling Equipment Provision (IPEP)						
CHEP Americas	216.0	242.6	458.6	196.6	203.2	399.8
CHEP EMEA	152.3	159.4	311.7	138.5	144.8	283.3
CHEP Asia-Pacific	34.4	38.1	72.5	30.1	30.3	60.4
Corporate	0.9	1.0	1.9	1.0	0.8	1.8
Continuing operations	403.6	441.1	844.7	366.2	379.1	745.3
Amortisation of intangibles						
CHEP Americas	6.3	5.9	12.2	5.5	5.8	11.3
CHEP EMEA	1.3	1.0	2.3	1.1	1.6	2.7
CHEP Asia-Pacific	0.3	0.3	0.6	0.3	0.3	0.6
Corporate	1.7	1.8	3.5	1.2	1.3	2.5
Continuing operations	9.6	9.0	18.6	8.1	9.0	17.1
Underlying Profit						
CHEP Americas	191.9	193.6	385.5	188.7	155.5	344.2
CHEP EMEA	242.0	220.7	462.7	218.5	191.8	410.3
CHEP Asia-Pacific	67.9	78.3	146.2	58.7	59.3	118.0
Corporate	(33.5)	(81.6)	(115.1)	(30.1)	(43.0)	(73.1)
Continuing operations	468.3	411.0	879.3	435.8	363.6	799.4
Operating profit						
CHEP Americas	191.9	193.6	385.5	188.7	155.5	344.2
CHEP EMEA	242.0	220.7	462.7	218.5	191.8	410.3
CHEP Asia-Pacific	67.9	78.3	146.2	58.7	59.3	118.0
Corporate	(33.5)	(81.6)	(115.1)	(30.1)	(43.0)	(73.1)
Continuing operations	468.3	411.0	879.3	435.8	363.6	799.4
Capital expenditure on property, plant and equipment (accruals basis)						
CHEP Americas	284.6	424.6	709.2	262.8	282.1	544.9
CHEP EMEA	177.8	199.2	377.0	200.0	146.1	346.1
CHEP Asia-Pacific	72.6	60.2	132.8	37.4	40.0	77.4
Corporate	-	-	-	-	-	-
Continuing operations	535.0	684.0	1,219.0	500.2	468.2	968.4
Cash Flow from Operations						
CHEP Americas	177.3	179.5	356.8	106.8	150.1	256.9
CHEP EMEA	238.7	248.7	487.4	203.4	223.5	426.9
CHEP Asia-Pacific	46.2	91.4	137.6	58.0	74.8	132.8
Corporate	(34.9)	(45.8)	(80.7)	(38.0)	(23.8)	(61.8)
Continuing operations	427.3	473.8	901.1	330.2	424.6	754.8

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Background Information (continued)

	1H21	2H21	FY21	1H20	2H20	FY20
Average Capital Invested (US$m)						
CHEP Americas	2,411.4	2,487.4	2,449.4	2,357.4	2,379.8	2,368.6
CHEP EMEA	1,925.7	1,961.3	1,943.5	1,837.2	1,823.0	1,830.1
CHEP Asia-Pacific	548.9	590.3	569.6	500.3	480.9	490.6
Corporate	(33.5)	(15.7)	(24.6)	12.7	6.1	9.4
Continuing operations	4,852.5	5,023.3	4,937.9	4,707.6	4,689.8	4,698.7
Return on Capital Invested						
CHEP Americas	15.9%	15.6%	15.7%	16.0%	13.1%	14.5%
CHEP EMEA	25.1%	22.5%	23.8%	23.8%	21.0%	22.4%
CHEP Asia-Pacific	24.7%	26.5%	25.7%	23.5%	24.7%	24.1%
Continuing operations	19.3%	16.4%	17.8%	18.5%	15.5%	17.0%
Pooling capital expenditure to sales ratio						
CHEP Americas	19.9%	27.4%	23.6%	19.1%	16.4%	17.8%
CHEP EMEA	16.3%	17.5%	16.9%	20.2%	14.9%	17.6%
CHEP Asia-Pacific	21.9%	17.6%	19.6%	15.5%	12.3%	13.9%
Continuing operations	18.7%	22.5%	20.6%	19.2%	15.5%	17.4%
Number of pallets, RPCs and containers – net, after Irrecoverable Pooling Equipment Provision (millions of units)						
CHEP Americas						
– Pallets	144		142	142		141
– Other	-		-	-		-
Total CHEP Americas	144		142	142		141
CHEP EMEA						
– Pallets	140		142	136		136
– Other	23		22	24		22
Total CHEP EMEA	163		164	160		158
CHEP Asia-Pacific						
– Pallets	26		26	25		25
– Other	12		14	7		7
Total CHEP Asia-Pacific	38		40	32		32
Total	345		346	334		331
Number of pooling equipment purchases (millions of units)						
CHEP Americas						
– Pallets	12	13	25	12	10	22
– Other	-	-	-	-	-	-
Total CHEP Americas	12	13	25	12	10	22
CHEP EMEA						
– Pallets	13	10	23	14	8	22
– Other	1	1	2	2	-	2
Total CHEP EMEA	14	11	25	16	8	24
CHEP Asia-Pacific						
– Pallets	1	2	3	1	1	2
– Other	5	2	7	1	-	1
Total CHEP Asia-Pacific	6	4	10	2	1	3
Total	32	28	60	30	19	49

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