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Brambles

25 February 2022

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

Via electronic lodgement

Dear Sir / Madam

Brambles 2022 Half-Year ASX & Media Release

Attached is a release from Brambles Limited on its financial report for the half-year ended 31 December 2021.

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

Yours faithfully
Brambles Limited

Robert Gerrard
Chief Legal Officer & Company Secretary

25 February 2022
ASX & Media Release

Brambles

1H22 result: Profit growth despite extraordinary inflationary environment; FY22 sales and profit guidance upgraded; ongoing lumber inflation and global supply chain disruptions expected to impact Free Cash Flow in FY22

- **Brambles and its customers responded to significant disruptions across global supply chains**, which resulted in extraordinary levels of input-cost inflation, operational inefficiencies and ongoing industry-wide lumber and pallet availability constraints. A range of initiatives were undertaken to support customers through current challenges, improve pallet availability and mitigate operating and capital cost headwinds.
- **Sales revenue growth of 8% and Underlying Profit[1] growth of 4%, ahead of FY22 guidance**
  - Revenue growth driven by price realisation in all regions to recover inflationary cost pressures and other cost-to-serve increases. Volume growth impacted by strong COVID-19 related demand in the first half of the prior year and pallet availability constraints in the current period.
  - Underlying Profit included US$24.4 million of short-term transformation costs associated with the Shaping Our Future programme outlined at Brambles' 2021 Investor Day.
- **Excluding short-term transformation costs, Underlying Profit increased 9% and included 1pt of leverage**, as price realisation, supply chain efficiencies and repair cost timing benefits offset operating cost inflation, higher asset charges and increased investment in Shaping Our Future initiatives, including digital transformation.
- **1H22 cash flow impacted by higher capital expenditure and partial reversal of FY21 timing benefits**
  - Cash Flow from Operations decreased US$260.5 million, reflecting increased capital expenditure, which included lumber inflation of US$270 million and US$80 million of pallet purchases deferred from FY21 due to lumber and pallet availability constraints.
  - Free Cash Flow after dividends decreased US$311.7 million, including outflows of US$115 million relating to the reversal of FY21 cash flow timing benefits associated with delayed pallet purchases and tax payments.
- **Dividend and capital management:** Declared an increased FY22 interim dividend of 10.75 US cents (1H21: US10.0 cents) with payout ratio of 50%. A$2.4 billion share buy-back programme to recommence on 28 February 2022 and expected to complete in FY22.
- **Shaping Our Future transformation programme** making progress with supply chain automation projects, asset productivity initiatives and digital trials underway which will all be instrumental in supporting Brambles to navigate challenging market dynamics and deliver value for its stakeholders.
- **Updated outlook:** in response to Brambles' first half trading results and the current operating environment, the sales and earnings guidance ranges have been upgraded to sales growth of 6-8% and Underlying Profit growth of 3-5%. FY22 Free Cash Flow after dividends outlook guidance revised to a net outflow of US$350 million driven by the impact of increased lumber inflation on pallet prices. Refer to page 3 for further details.
- **Strong EPS growth of 8%** reflecting earnings growth and benefit from the share buy-back programme.

Results highlights

(Continuing operations)	1H22 result	Change vs. 1H21	
	(Actual FX)	(Actual FX)	(Constant FX)
Sales revenue	US$2,766.4m	8%	8%
Underlying Profit & Operating profit	US$481.2m	3%	4%
Profit after tax	US$304.8m	3%	4%
Basic earnings per share	US21.3¢	8%	8%
Return on Capital Invested (ROCI)[2]	18.8%	(0.4)pts	(0.3)pts
Cash Flow from Operations	US$166.8m	US$(260.5)m	
Free Cash Flow after dividends	US$(147.9)m	US$(311.7)m	
Interim dividend declared per share	US10.75¢		

[1] A non-statutory measure that represents profit from continuing operations before finance costs, tax and Significant Items. In the absence of Significant Items in 1H22 and 1H21, Underlying Profit was in line with Operating profit.
[2] Underlying Profit multiplied by two, divided by the six-month average of capital invested; capital invested is calculated as net assets before tax balances, cash, borrowings and lease liabilities, but after adjustments for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

Operating environment and Brambles' response

During the first half of FY22, global supply chains experienced significant disruptions associated with shipping delays, transport and raw material shortages, as well as increasing labour availability challenges and changes in demand due to the emergence of the Delta and Omicron variants of COVID-19. These shortages and disruptions resulted in record levels of input-cost inflation and inefficiencies across global supply chains.

In response to supply chain challenges and scarcity of critical inputs, manufacturers and retailers increased inventory levels to de-risk their supply chains, which has resulted in increased demand for pallets and included empty pallet stockpiling across the supply chain. This increase in inventory levels and pallet stockpiling, especially evident in Europe and Australia, combined with ongoing lumber scarcity and new pallet supply constraints, further exacerbated industry-wide pallet shortages.

In this operating context, scarcity across Brambles' key inputs of lumber, transport and labour resulted in significant levels of operating and capital cost inflation, with lumber and pallet prices reaching record levels across Europe and Latin America and remaining well above historical averages in the US. Pallet balances across Brambles' plant network have remained below optimal levels, with lower pallet return rates in all regions adversely impacting pallet availability and constraining volume growth in the period.

In response to lower returns and pallet scarcity, Brambles is accelerating asset management initiatives, including deployment of advanced data analytic tools to identify instances of pallet stockpiling and enhancing asset recovery processes, to increase pallet collections and returns. In markets where pallets were scarce, Brambles implemented allocation protocols, prioritised servicing existing customers and worked with customers and retailers to increase returns in order to optimise service levels across its customer base. Brambles also purchased additional pallets in all regions, however these purchases were insufficient to fully alleviate pallet availability challenges as lumber scarcity and pallet production constraints limited new pallet supply in most markets.

Notwithstanding these initiatives and increased capital investment, pallet availability is expected to remain challenging for the balance of the financial year and into the first half of FY23 as customers and retailers continue to hold increased inventory and global supply of lumber and pallets remains constrained.

Brambles' sales revenue and earnings performance in this challenging operating environment is testament to the underlying resilience of its business, while continued investments in transformation initiatives demonstrates Brambles' commitment to improving its business for the benefit of customers, employees and shareholders.

1H22 result overview

Sales revenue from continuing operations of US$2,766.4 million increased 8% at constant currency. This was driven by price growth from contractual price increases (including indexation) and other pricing initiatives to recover record levels of input-cost inflation and other cost-to-serve increases in all regions. Overall volumes were broadly in line with the prior year as net new business growth of 2%, primarily in the European pallet and Australian RPC businesses, offset a 2% decline in like-for-like volume growth as the Europe and North America pallet businesses cycled strong COVID-19 related demand in the prior corresponding period.

Underlying Profit and Operating profit of US$481.2 million increased 4% at constant currency and included US$24.4 million of short-term transformation costs. Excluding these short-term transformation costs, Underlying Profit increased 9% at constant currency. Contributions from pricing initiatives, incremental surcharge income and supply chain efficiencies, more than offset higher operating cost-to-serve and incremental investment in Shaping Our Future transformation initiatives, including digital transformation. Cost-to-serve increases in the half largely reflected plant and transport cost inflation and higher IPEP expense, primarily in the US business where ongoing supply chain disruptions and pallet scarcity impacted pallet recovery rates. Brambles continues to implement a range of asset productivity initiatives with a view to improve return rates and asset efficiency from the second half of FY22.

Cash Flow from Operations decreased US$260.5 million and included an US$80 million partial reversal of the US$180 million prior-year cash flow timing benefit relating to delayed pallet purchases. The balance of this timing benefit is expected to reverse across the second half of FY22 and the first half of FY23, subject to pallet availability and the return rates of pallets on issue. Excluding the timing benefit reversal in the first half, Cash Flow from Operations decreased US$180.5 million as higher earnings and additional pallet compensations were more than offset by increased capital expenditure.

On an accruals basis, capital expenditure increased US$356 million at constant currency, reflecting lumber inflation of US$270 million and US$80 million of additional pallet purchases which were deferred from the prior year.

Although issue volumes were broadly in line with the prior year, additional pallets were required to support lower opening plant stock levels, longer pallet cycle times and lower pallet return rates in the period.

Free Cash Flow after dividends was an outflow of US$147.9 million, reflecting a decrease of US$311.7 million compared to the first half of the prior year and included a US$115 million reversal of FY21 timing benefits comprising the US$80 million of pallet purchases deferred from the prior year and US$35 million relating to the timing of FY21 tax payments.

Interim dividend

The Board has declared an interim dividend of 10.75 US cents per share, representing a payout ratio of 50%, which is in line with the payout ratio in the prior corresponding period and Brambles' dividend policy to pay out between 45% and 60% of Underlying Profit after finance costs and tax[3]. The FY22 interim dividend will be declared in US cents and paid as 15.06 Australian cents per share[4], with franking of 30%. The unfranked component of the interim dividend is conduit foreign income. Consequently, non-resident shareholders will not pay Australian dividend withholding tax on this dividend. The interim dividend is payable on 14 April 2022 to shareholders on Brambles' register at 5.00pm AEDT on Thursday, 10 March 2022. The ex-dividend date is 9 March 2022.

Outlook

Brambles has updated its outlook in the context of its performance in the first half of FY22 and the current operating landscape including ongoing disruptions across global supply chains, inflationary pressures, and COVID-19 developments since September 2021.

Upgraded FY22 sales and Underlying Profit guidance

For the full-year ending 30 June 2022, Brambles now expects:

- Sales revenue growth of 6-8% at constant currency (previous guidance of 5-7%); and
- Underlying Profit growth 3-5% at constant currency (previous guidance of 1-2%) including approximately US$50 million of short-term transformation costs. Excluding short-term transformation costs, Underlying Profit growth is expected to be between 8-10% (previous guidance of 6-7%).

Updated FY22 cash flow guidance and implications for FY23

Brambles' updated guidance is based on the assumption that the extraordinary lumber inflation and supply-chain dynamics which are currently impacting pallet availability and the capital cost of pallets, whilst not structural, are unlikely to moderate until the second half of FY23. In this context:

- Brambles now expects FY22 Free Cash Flow after dividends to be a net outflow of US$350 million (previous guidance for an outflow of US$200 million). The increased outflow expectation reflects additional lumber inflation and pallet purchases due to extended cycle times and lower pallet returns in all regions. This increase will be partially offset by higher-than-expected earnings growth and timing of non-pooling capital expenditure; and
- If the lumber prices and supply chain dynamics that are currently impacting pallet availability and the capital cost of pallets persist, Brambles expects FY23 Free Cash Flow after dividends to also be a net outflow. The amount of any such outflow would depend on a number of material unknowns (and subject to change), including actual lumber prices, capital cost of pallets and pallet purchase levels as well as the cash contribution from ongoing actions to recover cost-to-serve increases and other transformation initiatives.

These Free Cash Flow after dividends expectations do not include the impact of any decision on investment in Costco plastic pallets. A decision is expected by the end of FY22.

Dividend guidance unchanged

Brambles expects FY22 dividends to be in line with its policy to pay out between 45-60% of Underlying Profit after finance costs and tax[3] in US dollar terms.

[3] Subject to Brambles' cash requirements.
[4] This reflects the US cents dividend converted at an A$:US$ exchange rate of 0.7138, the average exchange rate over the five business days ending 17 February 2022.

Shaping Our Future transformation

Brambles aspires to transform the way the world moves goods, using data and analytics insights to enhance its customers' growth and to pioneer smarter, more sustainable regenerative supply chains.

In September 2021, Brambles announced its four-year transformation programme, Shaping Our Future, to deliver this aspiration. Through a twin-track approach, Shaping Our Future builds on the strength of Brambles' sustainable business model to transform the business and unlock value for customers and shareholders.

Track one looks at optimising Brambles' core businesses through asset efficiency, network productivity and commercial optimisation initiatives, and building the technological foundations to make the organisation simpler, more efficient and effective. Track two focuses on building the Brambles of the future by accelerating the digital transformation of the business, improving the customer experience, and identifying new sources of customer value to further strengthen Brambles' competitive advantage.

Track one is already delivering results while track two is trialling solutions which include initiatives being developed collaboratively with customers and early progress is visible.

During the first half, Brambles made progress with the implementation of initiatives across its transformation programme despite challenging market dynamics and operational headwinds:

- **Customer:** Brambles has taken a number of steps to improve customer experience and is in the early phases of simplifying the onboarding process, giving customers greater visibility of delivery timing and piloting proactive ordering. Brambles is also investing in customer insights capabilities and tools to understand customer pain points and is rolling out a range of trials with customers to solve supply chain challenges and improve customer service. Feedback from customers on these initiatives has been very positive.
- **Digital transformation:** Brambles has established the foundations of its digitally-enabled transformation and is progressively building advanced analytics products by leveraging and consolidating global data sets into a central data hub. Brambles is also building digital capabilities across the organisation, upskilling existing employees and onboarding specialist expertise across data science and engineering. Smart asset trials in the UK and Canada are underway, with 100,000 digitised pallets deployed in the first half and a further 100,000 digitised pallets to be deployed by the end of FY22. Initial insights from these trials have identified value potential across pricing, asset efficiency and customer solutions.
- **Asset efficiency & network productivity:** Asset efficiency initiatives have been accelerated in all markets in response to pallet availability constraints and lower pallet returns. These initiatives include pricing mechanisms to incentivise pallet returns as well as the use of advanced data analytics tools in conjunction with the deployment of digitised assets into targeted channels to identify and address sources of inefficiency and loss. The roll out of end-to-end automated repair cells commenced in Europe with two service centre installations completed in the half.
- **Business excellence:** Systems and technology are being upgraded across the organisation with the Cloud migration and the transition to Salesforce on track to be completed in FY22. Brambles delivered ongoing improvements in its safety performance and culture and is actively promoting diversity across the organisation.
- **Sustainability and ESG:** Performance against Brambles' 2025 sustainability targets in 1H22 is on track with the carbon-neutral status across all of Brambles' own operations (scope 1 and 2) and 100% sustainable timber sourcing has already been achieved and is expected to remain at this level. Brambles' decarbonisation plans are progressing well with a clear governance framework and regional resource allocation in place. Importantly, the integration of sustainability into the Shaping Our Future transformation programme has demonstrated clear sustainability benefits, including specific carbon emission and waste reduction targets linked to current initiatives. This visibility is critical as the business transforms the way it works while pursuing an ambitious decarbonisation agenda.

Brambles has created a detailed scorecard of operational and financial metrics to measure the success of its transformation initiatives out to FY25. This scorecard and progress in the first half of FY22 is outlined on slide 25 of the 1H22 results presentation.

CEO Commentary

Commenting on the 1H22 result, Brambles' CEO, Graham Chipchase, said: "Brambles delivered a resilient performance in the face of unprecedented supply chain disruptions and operating cost inflation.

"Our teams across the world have worked tirelessly to support our customers through significant COVID-19 disruptions including port congestions, container capacity constraints and shortages in transport, raw materials and other critical inputs.

"While Brambles is not immune to the pressures across global supply chains and pallet industries around the world, our scale, network advantage and the supply chain investments we have been making across our businesses have helped us respond to a range of cost and supply challenges in the first half.

"We continue to focus on improving the customer experience and solving supply chain challenges is key to strengthening our customer value proposition and competitive advantage. A key area of focus is on accelerating our asset productivity initiatives by investing in technology and growing our pallet pool to address growing customer demand.

"I am pleased to report that we are making good progress with our Shaping Our Future transformation programme, which is critical to our future success. The work our teams are doing to improve asset efficiency and productivity across our service centre network is instrumental in mitigating short-term pallet availability and cost headwinds. Early insights from our smart asset trials indicate real value potential for both our customers and Brambles. Our focus now is on expanding the trials across the UK and Canada to validate scalability beyond these markets.

"Importantly, the integration of sustainability across our transformation initiatives ensures we are well positioned to deliver on our ambition to pioneer regenerative supply chains and maintain our global leadership position in sustainability."

Further Information

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Summary of Key Metrics

US$m			Change	
Continuing operations	1H22	1H21	Actual FX	Constant FX
CHEP Americas	1,436.7	1,299.2	11%	10%
CHEP EMEA	1,059.0	1,010.0	5%	6%
CHEP Asia-Pacific	270.7	251.3	8%	7%
Sales revenue	**2,766.4**	**2,560.5**	**8%**	**8%**
CHEP Americas	231.0	191.9	20%	19%
CHEP EMEA	248.4	242.0	3%	4%
CHEP Asia-Pacific	77.9	67.9	15%	15%
Corporate (incl. transformation)	(76.1)	(35.8)		
Underlying Profit & Operating profit	**481.2**	**466.0**	**3%**	**4%**
Net finance costs	(42.6)	(42.6)	-	2%
Tax expense	(133.8)	(127.7)	(5)%	(6)%
Profit after tax from continuing operations	**304.8**	**295.7**	**3%**	**4%**
Loss from discontinued operations	(0.3)	(3.8)		
Profit after tax	**304.5**	**291.9**	**4%**	**5%**
Average Capital Invested	5,106.4	4,846.2	5%	6%
Return on Capital Invested	**18.8%**	**19.2%**	**(0.4)pts**	**(0.3)pts**
Weighted average number of shares (m)	1,431.7	1,493.0	(4)%	(4)%
Basic EPS (US cents)	**21.3**	**19.6**	**9%**	**9%**
Basic EPS from continuing operations (US cents)	**21.3**	**19.8**	**8%**	**8%**

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

Sales revenue from continuing operations of US$2,766.4 million increased 8% at constant currency driven by price growth, reflecting contractual price increases (including indexation) and other pricing initiatives to recover record levels of input-cost inflation and other cost-to-serve increases in all regions.

Overall volumes were broadly in line with the prior year as net new business growth offset lower like-for-like volumes.

Net new business growth of 2%, reflected new customer contract wins in the Central, Eastern and Southern European pallet businesses and contributions from a large Australian RPC contract which commenced in the prior year.

Like-for-like volumes decreased 2% as the business cycled strong COVID-19 related demand in the prior corresponding period. Growth in the current period was also impacted by pallet availability constraints, most noticeable in the US and Australian businesses.

Underlying Profit and **Operating profit** of US$481.2 million increased 4% at constant currency and included US$24.4 million of short-term transformation costs associated with the Shaping Our Future transformation programme outlined at the 2021 Investor Day.

Excluding these short-term transformation costs, Underlying Profit increased 9% at constant currency. Contributions from pricing initiatives, incremental surcharge income and supply chain efficiencies, more than offset higher cost-to-serve and increased investments in Shaping Our Future transformation initiatives, including digital transformation.

At a Group level, the sales revenue contribution to profit of US$211 million and incremental lumber, transport and fuel surcharges in North America of US$32 million were partly offset by:

- Plant cost increases of US$61 million, which included US$85 million of input cost inflation (primarily lumber), most evident in North America and Europe. These inflationary cost pressures and pallet heat-treatment costs in Europe were partly offset by service centre automation benefits, damage rate improvements in the US and Europe and US$25 million of repair timing benefits due to lower pallet returns in the half;
- Transport cost increases of US$71 million, which included fuel and transport inflation across the Group of US$93 million and additional asset recovery and relocation costs. These increases were partly offset by network efficiencies in the Americas region and lower transport costs in the Automotive business;
- IPEP expense increases of US$43 million, reflecting additional losses of US$35 million largely due to higher losses in the US business where ongoing supply chain disruptions and pallet scarcity resulted in lower pallet recovery rates. As outlined at the FY21 results presentation, Brambles continues to implement a range of asset productivity initiatives with a view to improve return rates and asset efficiency from the second half of FY22. The US$8 million balance of the IPEP expense increase related to higher written-down values of pallets;
- Depreciation expense increases of US$10 million, in line with prior-year investments to support volume growth and the impact of lumber inflation on recent pallet purchases;

- Shaping Our Future cost increases of US$34 million, reflecting short-term transformation costs of US$24 million, and US$10 million of additional costs to accelerate transformation initiatives; and
- Other cost increases of US$6 million, which included the year-on-year impact of the US$8 million one-off compensation benefit recognised in the Asia-Pacific region in the first half of the prior year. In the period, increased asset compensations were partly offset by Brambles' share of MicroStar's post-tax results and overhead cost increases.

Profit after tax from continuing operations of US$304.8 million, increased 4% at constant currency in line with Underlying Profit growth.

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

Return on Capital Invested was 18.8%, down 0.3 percentage points at constant currency reflecting the impact of Shaping Our Future transformation costs on Underlying Profit and a 6% increase in Average Capital Invested mainly due to the impact of lumber inflation on pallet purchases.

Cash Flow Reconciliation

US$m	1H22	1H21	Change
Underlying Profit	481.2	466.0	15.2
Depreciation and amortisation	340.6	325.9	14.7
IPEP expense	129.8	87.0	42.8
Underlying EBITDA[5]	**951.6**	**878.9**	**72.7**
Capital expenditure (cash basis)	(785.1)	(477.9)	(307.2)
Proceeds from sale of PP&E	76.3	63.8	12.5
Working capital movement	(25.6)	(5.6)	(20.0)
Other	(50.4)	(31.9)	(18.5)
Cash Flow from Operations	**166.8**	**427.3**	**(260.5)**
Significant Items	(0.9)	-	(0.9)
Discontinued operations	(0.9)	(5.3)	4.4
Financing & tax costs	(158.1)	(125.7)	(32.4)
Free Cash Flow[6]	**6.9**	**296.3**	**(289.4)**
Dividends paid – ordinary	(154.8)	(132.5)	(22.3)
Free Cash Flow after dividends	**(147.9)**	**163.8**	**(311.7)**

Cash Flow from Operations of US$166.8 million, decreased US$260.5 million driven by increased pallet cost inflation and an US$80 million reversal of the US$180 million prior-year capex timing benefit relating to delayed pallet purchases due to scarcity of lumber and pallet availability constraints. The balance of this timing benefit is expected to reverse across the second half of FY22 and the first half of FY23, subject to pallet availability and the return rates of pallets on issue.

Excluding the timing benefit reversal in the first half, Cash Flow from Operations decreased US$180.5 million as higher earnings and additional pallet compensations were more than offset by cash capital expenditure.

On an accruals basis, capital expenditure increased US$356.0 million at constant currency, reflecting lumber inflation of US$270 million and US$80 million of additional pallet purchases which were deferred from the prior year. Notwithstanding issue volumes being broadly in line with the prior year, additional pallet purchases were required in the half in response to lower opening plant stock levels, longer pallet cycle times and lower pallet return rates.

Working capital movements largely reflected the impact of lumber inflation on inventory purchases.

Free Cash Flow after dividends was an outflow of US$147.9 million, reflecting a decrease of US$311.7 million compared to the first half of the prior year. This decrease included a US$115 million reversal of FY21 timing benefits comprising the US$80 million of pallet purchases deferred from

[5] Earnings before interest, tax, IPEP, depreciation and amortisation: calculated as Underlying Profit after adding back depreciation, amortisation and IPEP.

[6] Cash Flow generated after net capital expenditure, finance costs and tax, but excluding the net cost of acquisitions and proceeds from business disposals.

the prior year outlined in Cash Flow from Operations above and US$35 million relating to the timing of FY21 tax payments. Excluding the reversal of the FY21 tax timing benefit, financing costs and tax payments were broadly in line with the prior year.

Dividend payments increased US$22.3 million, reflecting a 1.5 US cent increase in the FY21 final dividend payment compared to the FY20 final dividend payment.

Net Debt & Key Ratios

US$m	Dec 2022	Jun 2021	Change
Current debt	191.8	179.9	11.9
Non-current debt	2,481.9	2,283.2	198.7
Gross debt	**2,673.7**	**2,463.1**	**210.6**
Less cash & deposits	(194.0)	(408.5)	214.5
Net debt	**2,479.7**	**2,054.6**	**425.1**
Key ratios[7]	**1H22**	**FY21**	
Net debt to EBITDA	1.37x	1.18x	
EBITDA interest cover	21.1x	20.4x	

Net debt as at 31 December 2021, was US$2,479.7 million and includes US$689.6 million of lease liabilities.

Net debt increased by US$425.1 million from 30 June 2021, mainly reflecting US$273.3 million of share buy-backs undertaken in the first half and the net free cash outflow after dividends of US$147.9 million.

Liquidity remains strong with US$1.1 billion of undrawn committed credit facilities and US$0.2 billion of cash at 31 December 2021.

Segment Analysis

CHEP Americas

US$m			Change	
	1H22	1H21	Actual FX	Constant FX
Pallets	1,418.2	1,281.0	11%	10%
Containers	18.5	18.2	2%	2%
Sales revenue	**1,436.7**	**1,299.2**	**11%**	**10%**
Underlying Profit	**231.0**	**191.9**	**20%**	**19%**
Average Capital Invested	2,561.4	2,411.4	6%	6%
Return on Capital Invested	**18.0%**	**15.9%**	**2.1pts**	**2.1pts**

Sales revenue

Pallets sales revenue of US$1,418.2 million increased 10% at constant currency primarily driven by pricing actions to recover cost-to-serve increases across the region and rollover benefits of new contracts won in the prior year.

US pallets revenue of US$1,047.6 million increased 9% and comprised:

- Price growth of 13% reflecting recovery actions in response to significant increases in the cost-to-serve;
- Net new business growth of 1% largely driven by rollover benefits from contracts won in the second half of FY21. New customer wins in the period were impacted by pallet availability constraints as the business prioritised servicing existing customers; and
- Like-for-like volume declines of (5)% as the business cycled strong growth from COVID-19 related demand in the prior corresponding period and implemented demand management initiatives in response to pallet availability constraints in the current half.

Canada pallets sales revenue of US$175.2 million increased 11% at constant currency as price realisation and net new business wins offset lower demand from existing customers.

Latin America pallets sales revenue of US$195.4 million increased 18% at constant currency, reflecting pricing actions to recover cost inflation and volume growth, notwithstanding COVID-19 related headwinds.

Containers sales revenue of US$18.5 million increased 2% at constant currency, reflecting pricing actions in the North American Intermediate Bulk Container (IBC) business.

Profit

Underlying Profit of US$231.0 million increased 19% at constant currency as pricing and surcharge mechanisms offset significant operational headwinds and cost inflation in the period.

Margin expansion in the region was driven by the Canadian and Latin American businesses, while margins in the US business remained flat in the first half.

The sales revenue contribution to profit of US$154 million and incremental lumber, fuel and transport surcharge income in North America of US$32 million were partly offset by:

- Plant cost increases of US$43 million as cost inflation of US$58 million, primarily lumber, was partly offset by damage rate improvements and lower repair and storage costs due to lower pallet returns in the half;
- Transport cost increases of US$59 million as transport and fuel inflation of US$67 million and additional asset recovery and relocations costs were partly offset by network efficiencies associated with automation initiatives in the US and network and collection optimisation initiatives in Latin America;
- IPEP increases of US$40 million reflecting higher losses in the US business and higher written-down values of pallets in the US and Mexico businesses;
- Depreciation expense increases of US$5 million due to pallet pool growth and increased per unit pallet costs; and

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

- Other indirect cost increases of US$2 million.

Return on Capital
Return on Capital Invested of 18.0% increased 2.1 percentage points in line with the Underlying Profit performance. Average Capital Invested increased 6% and included the impact of higher lumber prices on pallet purchases.

CHEP EMEA

US$m			Change	
	1H22	1H21	Actual FX	Constant FX
Pallets	917.9	874.6	5%	6%
RPC	14.2	12.6	13%	7%
Containers	126.9	122.8	3%	5%
Sales revenue	**1,059.0**	**1,010.0**	**5%**	**6%**
Underlying Profit	**248.4**	**242.0**	**3%**	**4%**
Average Capital Invested	1,956.2	1,925.7	2%	3%
Return on Capital Invested	**25.4%**	**25.1%**	**0.3pts**	**0.2pts**

Sales revenue
Pallets sales revenue of US$917.9 million increased 6% at constant currency reflecting price realisation to recover cost-to-serve increases in the region and net new business growth in the European pallets business.

Europe pallets sales revenue of US$812.0 million increased 6% at constant currency, comprising:

- Price increases of 4% reflecting contractual price indexation and pricing initiatives to recover input-cost inflation and Brexit-related increases in the cost-to-serve;
- Net new business growth of 3% driven by contributions from current and prior year contract wins in Central, Eastern and Southern Europe; and
- Like-for-like volume decline of (1)% as the business cycled strong COVID-19 and Brexit related demand in the prior year.

India, Middle East, Turkey and Africa (IMETA) pallets sales revenue was US$105.9 million, up 4% at constant currency as price realisation in the region offset volume declines in India and Turkey.

RPC and Containers businesses generated sales revenue of US$141.1 million, up 5% at constant currency driven by growth in the Automotive and IBC businesses:

- Automotive sales revenue of US$93.3m increased 3% reflecting price growth in the North American automotive business;
- IBCs sales revenue of US$33.6 million increased 11% on the prior year reflecting favourable pricing and increased demand in Europe; and
- RPCs sales revenue of US$14.2 million increased 7% reflecting pricing gains.

Profit
Underlying Profit of US$248.4 million increased 4% at constant currency reflecting revenue contributions to profit of US$46 million and gains of US$9 million, which included higher pallet compensations and a reduction in scrapped assets. These profit contributions were partly offset by:

- Plant cost increases of US$24 million reflecting input cost inflation of US$25 million and incremental costs relating to the heat treatment of pallets. These increases were partly offset by efficiencies including damage rate improvements and lower repair and handling costs in the Automotive business due to customer plant shutdowns;
- Transport cost increases of US$16 million as transport inflation and transport inefficiencies of US$25 million were partly offset by lower transport costs in the Automotive business;
- Depreciation expense increases of US$3 million in line with growth in the pallet pool and increased lumber prices; and
- IPEP expense increases of US$3 million reflecting increased losses in Europe.

Return on Capital
Return on Capital Invested of 25.4% was broadly in line with prior year. Average capital invested increased 3%, reflecting pallet purchases to support volume growth and lumber inflation impacts on pallet purchases.

CHEP Asia-Pacific

US$m			Change	
	1H22	1H21	Actual FX	Constant FX
Pallets	200.2	192.4	4%	3%
RPC	46.7	34.9	34%	32%
Containers	23.8	24.0	(1)%	(2)%
Sales revenue	**270.7**	**251.3**	**8%**	**7%**
Underlying Profit	**77.9**	**67.9**	**15%**	**15%**
Average Capital Invested	603.0	548.9	10%	8%
Return on Capital Invested	**25.8%**	**24.7%**	**1.1pts**	**1.5pts**

Sales revenue
Pallets sales revenue of US$200.2 million, increased 3% at constant currency driven by price realisation and volume increases in Australia and continued volume growth in China. These increases were partly offset by lower customer transport revenue in line with lower customer pallet issues and returns in Australia.

RPC and Containers sales revenue of US$70.5 million increased 18% at constant currency reflecting rollover contributions from a large Australian RPC contract, which commenced part way through the first half of the prior year.

Profit
Underlying Profit of US$77.9 million, increased 15% at constant currency and included a ~US$7 million benefit related to the

Brambles

delayed timing of pallet repair and inspection costs due to lower pallet returns in the current period. This benefit largely offset the year-on-year growth impact of an US$8 million one-off compensation benefit recognised in the first half of the prior year related to the compulsory relocation of a service centre in Australia. Excluding these items, the sales contribution to profit and lower transport costs due to lower pallet returns offset supply chain cost inflation.

Return on Capital
Return on Capital Invested was 25.8%, up 1.5 percentage points at constant currency driven by profit growth. Average Capital Invested increased 8% at constant currency driven by capital investment to support the RPC and pallet businesses in Australia.

Corporate

US$m			**Change**	
	1H22	**1H21**	**Actual FX**	**Constant FX**
Short-term transformation costs	(24.4)	-	(24.4)	(24.4)
Ongoing transformation costs	(26.6)	(16.5)	(10.1)	(10.0)
Shaping Our Future transformation costs	**(51.0)**	**(16.5)**	**(34.5)**	**(34.4)**
Corporate costs	(25.1)	(19.3)	(5.8)	(3.6)
Underlying Profit	**(76.1)**	**(35.8)**	**(40.3)**	**(38.0)**

Profit
Shaping Our Future costs of US$51.0 million increased US$34.4 million at constant currency and included short-term transformation costs of US$24.4 million primarily relating to consulting fees and internal cost of resources to support the implementation phase of the transformation programme.

Ongoing transformation costs included digital transformation costs of US$15.4 million, an increase of US$5.1 million at constant currency. The balance of the year-on-year increase primarily relates to IT spend to support transformation initiatives, including migration to the Cloud.

Corporate costs of US$25.1 million, increased US$3.6 million at constant currency primarily reflecting Brambles' share of the MicroStar post-tax loss.

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Background Information

US$m	1H22	1H21	2H21	FY21
Sales revenue				
CHEP Americas	1,436.7	1,299.2	1,328.3	2,627.5
CHEP EMEA	1,059.0	1,010.0	1,046.4	2,056.4
CHEP Asia-Pacific	270.7	251.3	274.6	525.9
Continuing operations	2,766.4	2,560.5	2,649.3	5,209.8
EBITDA				
CHEP Americas	501.1	414.2	442.1	856.3
CHEP EMEA	407.5	395.6	381.1	776.7
CHEP Asia-Pacific	117.0	102.6	116.7	219.3
Corporate	(74.0)	(33.5)	(81.6)	(115.1)
Continuing operations	951.6	878.9	858.3	1,737.2
Depreciation of property, plant and equipment and Irrecoverable Pooling Equipment Provision (IPEP)				
CHEP Americas	263.8	216.0	242.6	458.6
CHEP EMEA	158.1	152.3	159.4	311.7
CHEP Asia-Pacific	38.8	34.4	38.1	72.5
Corporate	0.9	0.9	1.0	1.9
Continuing operations	461.6	403.6	441.1	844.7
Amortisation of intangibles				
CHEP Americas	6.3	6.3	5.9	12.2
CHEP EMEA	1.0	1.3	1.0	2.3
CHEP Asia-Pacific	0.3	0.3	0.3	0.6
Corporate	1.2	1.4	1.4	2.8
Continuing operations	8.8	9.3	8.6	17.9
Underlying Profit and Operating profit				
CHEP Americas	231.0	191.9	193.6	385.5
CHEP EMEA	248.4	242.0	220.7	462.7
CHEP Asia-Pacific	77.9	67.9	78.3	146.2
Corporate	(76.1)	(35.8)	(84.0)	(119.8)
Continuing operations	481.2	466.0	408.6	874.6
Capital expenditure on property, plant and equipment (accruals basis)				
CHEP Americas	467.9	284.6	424.6	709.2
CHEP EMEA	362.5	177.8	199.2	377.0
CHEP Asia-Pacific	54.1	72.6	60.2	132.8
Corporate	-	-	-	-
Continuing operations	884.5	535.0	684.0	1,219.0
Cash Flow from Operations				
CHEP Americas	75.0	177.3	179.5	356.8
CHEP EMEA	130.4	238.7	248.7	487.4
CHEP Asia-Pacific	42.2	46.2	91.4	137.6
Corporate	(80.8)	(34.9)	(45.8)	(80.7)
Continuing operations	166.8	427.3	473.8	901.1

Brambles

Background Information (continued)

US$m	1H22	1H21	2H21	FY21
Average Capital Invested				
CHEP Americas	2,561.4	2,411.4	2,487.4	2,449.4
CHEP EMEA	1,956.2	1,925.7	1,961.3	1,943.5
CHEP Asia-Pacific	603.0	548.9	590.3	569.6
Corporate	(14.2)	(39.8)	(24.2)	(32.0)
Continuing operations	5,106.4	4,846.2	5,014.8	4,930.5
Return on Capital Invested				
CHEP Americas	18.0%	15.9%	15.6%	15.7%
CHEP EMEA	25.4%	25.1%	22.5%	23.8%
CHEP Asia-Pacific	25.8%	24.7%	26.5%	25.7%
Continuing operations	18.8%	19.2%	16.3%	17.7%
Pooling capital expenditure to sales ratio				
CHEP Americas	30.8%	19.9%	27.4%	23.6%
CHEP EMEA	33.3%	16.3%	17.5%	16.9%
CHEP Asia-Pacific	15.8%	21.9%	17.6%	19.6%
Continuing operations	30.3%	18.7%	22.5%	20.6%
Number of pallets, RPCs and containers – net, after IPEP (millions of units)				
CHEP - Americas				
- Pallets	145	144		142
- Other	-	-		-
Total CHEP Americas	145	144		142
CHEP - EMEA				
- Pallets	148	140		142
- Other	21	23		22
Total CHEP EMEA	169	163		164
CHEP Asia-Pacific				
- Pallets	27	26		26
- Other	14	12		14
Total CHEP Asia-Pacific	41	38		40
Total	355	345		346
Number of pooling equipment purchases (millions of units)				
CHEP - Americas				
- Pallets	15	12	13	25
- Other	-	-	-	-
Total CHEP Americas	15	12	13	25
CHEP - EMEA				
- Pallets	16	13	10	23
- Other	2	1	1	2
Total CHEP EMEA	18	14	11	25
CHEP Asia-Pacific				
- Pallets	1	1	2	3
- Other	1	5	2	7
Total CHEP Asia-Pacific	2	6	4	10
Total	35	32	28	60