**Company:** Brambles
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**Start of Transcript**

Graham Chipchase: What we're going to do is I'll do a couple of introductory slides, and then hand over to Nessa to do more on the financials. I'll come back and talk a bit more about the strategy.

Just looking at some key messages from 2017 results, strong revenue growth in all operating segments, underlying profit broadly in line with the guidance we gave back in February. ROCI 17%, so significant in excess of cost of capital, and that's excluding the CHEP Recycled business, which we announced we are putting up for sale 10 days ago. Some corporate actions really focusing on our core business now around pallets, crates, and containers, so you know about the formation of HFG joint venture, the divestments of aerospace, and the intentions to sell Recycled. Finally, we announced today our intention to focus on five key strategic priorities, and I'll talk about that a little bit more later on.

I just thought I'd talk a bit more about CHEP Recycled, as you saw the announcement 10 days ago, our intention is to divest that business. We bought is at part of the IFCO acquisition in 2011, and I think it's important to put into context that the purpose of the IFCO acquisition was definitely to focus on the RPC side of the business. Yes, we said in February that we would have a strategy review of the portfolio, and we have agreed this is non-core, but I think it was pretty clear it was going to be non-core back then. One of the important things to understand is that whilst it's non-core, we're ensuring that we retain the synergies that we got when we bought that business, and that's largely because we're keeping a lot of the service centres and TPMs that we had originally, before we bought the IFCO business, and we're actually the selling the half of the business that came with IFCO.

Again, I said this back in February, one of the things it's important to understand is it's the returns in the business are not delivering what we expect, but it's more to the fact that they will never be able to deliver what we expect, because fundamentally the competition around that business is not one where under Brambles ownership the business can thrive, because it's a very fragmented business. It operates on - in terms of the competitors, operating on very, very low returns, very, very low overheads, it's a much more mom and pop regional type of - or even local type of business, which is just not how a business owned by Brambles can operate, because we will insist on certain health and safety type of SG&A, and we insist obviously on superior financial returns.

However, under alternative ownership, there's no reason to think the business can't thrive, because there'll be lower return expectations, and because actually there are some business that we're not able to access because the customers are dealing with both the CHEP pooled business, and recycling, and they don't want to have the same supplier. We've actually lost some business over the last 12 to 18 months because of that duality, and now this business will be able to gain that business gain.

As I said, we're going to retain all of the service centres and the total pallet management centres, which are servicing our pooled business, and we're divesting of those which are only serving the whitewood business, keeping the synergies. I think there's been a lot of comments around the fact that we might lose insight as to what's going on in the business, but if you think that we are keeping 73 sites and selling 74, we'll still have plenty of insight into what's going on in the market.

There's a significant non-cash impairment, which I think we talked about 10 days ago, nearly $244 million, and that's in significant items, and the other business is obviously reported in discontinued operations, which Nessa will talk about as we go through the numbers. With that, I'll hand over to Nessa.

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Nessa O'Sullivan: Great, thanks Graham. Good morning everybody, I'll start with the results highlights. In FY17 we delivered sales revenue growth of 6%, reflecting growth across all of the business segments, with particularly strong growth across our global IFCO businesses and the pallets business in Europe and Latin America. Underlying profit was broadly flat to prior year, as challenges in the US pallets business offset growth in our other segments. ROCI from continuing operations remain strong at 17%. Cash flow from operations increased $73 million, and net debt reduced by $49.1 million. The Board has declared a final dividend for the year of AUD0.145 per share, with franking on the final dividend of 30%, which is an increase from 25% franking on the interim dividend. Total dividends declared for the year are AUD0.29 per share, and this is in line with the prior year.

Brambles dividend reinvestment plan remains in place with a zero discount, and will continue to be neutralised. Significant items for the year totalled $436.1 million, and included non-cash impairments of $363.8 million, relating to the reclassification of the CHEP Recycled business as an asset held for sale, and the $120 million impairment of our investment in the HFG oil and gas joint venture, which was reported in the first half of the year.

Reviewing out P&L in some more detail. Underlying profit declined 1% at constant currency, despite sales growth across every segment. The decline in earnings was due to a combination of cost increases and pricing pressure, which were particularly evident in the US pallets business. I'll cover this in some detail later in the presentation. Other cost increases across the Group included an increase of $15 million in IPEP expense, IPEP expense is an estimate of lost pooling equipment, which is part of the annual cost of running a pooled equipment business. $7 million of the increase was due to volume growth, and $8 million was due to the higher written down value of unit pallet costs largely in Europe.

$22 million of cost increases in corporate was due to a combination of equity accounted losses in the HFG joint venture and higher BXB Digital investment costs. Net finance costs decreased by 13% largely due to interest income of just over $12 million from the HFG joint venture shareholder loan, and deferred consideration. Tax expense and the effective tax rate on underlying profit both declined reflecting a change in the geographical mix of earnings. Losses from discontinued operations of $262 million includes the $243.8 million non-cash impairment of the CHEP Recycled business now held for sale. The results of discontinued operations also includes the loss and divestment of the oil and gas businesses, which was partly offset by the profit on sale of the aerospace business.

Turning now to sales revenue. We delivered revenue growth across all of our operating segments. CHEP Americas makes up 41% of the Group revenue, and delivered revenue growth of 4% during the year. The growth was driven by a very strong result in Latin America, with modest growth in both the Canadian and the US pallet businesses. CHEP EMEA's revenue grew 5%, and despite active competitors across the European market, the growth was led by the European pallets business with strategic investment in pricing supporting the reported growth.

CHEP Asia-Pacific delivered 3% revenue growth, driven by growth in the Australian and New Zealand pallets and RPC businesses. Finally, IFCO reported exceptionally strong growth across all regions, with global revenues increasing by 12%. Overall IFCO, which makes up 19% of the Group revenue, accounted for 38% of the total Group revenue growth for the year.

Looking at the key components of the Group's underlying profit results. Price, volume and mix contributed $113 million to underlying profit growth. Lower pricing growth in the second half reflected both higher prior year comparators, and increased competition during the year putting pressure on pricing. Depreciation costs increased by $38 million, with the increase in costs heavily weighted to the first half, reflecting the high level of investment in IFCO and US pallets in FY16. The second half increase in depreciation was moderated by lower capital spend, and by higher prior year comparative expense. The full year increase in expense was also due to investment to support growth.

Notwithstanding the delivery of both plant and transport efficiencies across our operations, direct cost pressures in our US pallets business, both structural and [tarning], resulted in overall increases in plant and transport costs during the year. The increase in other costs of $45 million includes the HFG joint venture loss of $12 million, higher investment

spend in BXB Digital of $9 million, $15 million increase in IPEP expense. $8 million of the increase in IPEP reflected higher written down values of pallets primarily in Europe.

Slide 10 sets out the contributions to earnings by segment. As you will know, strong contributions from IFCO and CHEP EMEA were offset by underlying profit declines in CHEP Americas, and higher costs in the corporate segment, which now include the HFG joint venture, and BXB Digital costs. I'll now address each segment in detail starting with CHEP Americas.

US and Canada pallets business delivered modest revenue growth of 2% as increased competition and lower whitewood prices put pressure on both pricing and volume growth during the year. Our pallets business in Latin America reported very strong revenue growth of 18%, reflecting continued expansion with new and existing customers, as well as a solid contribution from pricing in a high inflation environment. The 2.7 percentage points decline in margin was largely due to the US pallets business, which faced a number of cost pressures, both structural and one-off, which we will cover in more detail.

Other cost increases in the segment relate to the strong growth in Latin America. IPEP expense increased in line with growth, and ROCI for the segment declined 4.8 percentage points, driven by the lower underlying profit in the year, and higher capital balances associated with growth and the full year impact of capital spend in US pallets during FY16.

Looking at the performance of our US pallets business in more detail, and starting with sales, this bar chart provides an overview of sales revenue growth from FY14 through to FY17. The bars show annual revenue growth split into component parts of price mix, like-for-like volumes, and net new business wins. If we start at the left-hand side of the chart, in FY14 and FY15, the run-rate volume growth was 4%, with a point of growth in pricing to deliver 5% annual revenue growth. The 4% volume growth was made up of net new business wins of 3%, and like-for-like volume growth of 1%. In FY16, however, we delivered exceptional revenue growth of 8%, the volume growth increased from the run-rate of 4% to 5%, and price mix contribution grew from 1% to 3%. This growth in pricing was a significant contributor to FY16 earnings growth.

The FY16 revenue growth reflected increased conversions of whitewood pallet users to pooled pallet solutions enabled by higher whitewood prices. The growth also reflected an increase in higher cost to serve non-participating distributor flow, or NPD flow, which drove both volume and pricing growth. Given the higher cost to serve, NPDs attract a price premium and were a key driver of the higher pricing realised in FY16. It's very important to note that in our business revenue tends to be largely earned upfront when the pallet is issued, and the costs associated with the issued pallets are weighted to the end of the cycle, when pallets are sorted, collected, returned to service centres and repaired.

When year-on-year growth rates are broadly consistent, the impact from one period to the next is minimal, however as you can see from the chart the strong revenue growth in FY16 was not sustained, this resulted in higher costs being recognised in FY17 without the benefit of increasing revenues in that period. Revenue growth in FY17 was 2% reflecting the impact of three major factors, firstly, the downturn in whitewood pallet prices impacted customer conversions to pooling, and resulted in reduced net new business wins. Secondly, an increase in competition impacted both volume and pricing. Finally, FY17 growth was also impacted by cycling the high prior year comparatives. These three factors resulted in flat pricing, and a lower volume growth of 2%.

Looking forward, we expect to return to volume growth more in line with our historic run-rates in FY14 and FY15. We expect competitor intensity to continue, and as a result we expect minimal pricing growth. Overall revenue growth will therefore be expected to be delivered by volume growth.

To give some confidence around the sales momentum in the business, it's worth looking in more detail at FY17 sales by quarter, and understanding the prior year comparative. The chart provides a comparison of the revenue growth profile for both FY16 and FY17, and highlights the exceptionally strong revenue growth performance in the second half of

FY16. The left-hand side of the chart shows revenue growth of 7% in the first half of FY16, and 10% in the second half of the year.

Focusing on FY17, in the first quarter the US pallet business achieved 5% revenue growth, largely driven by rollover wins from FY16, and like-for-like growth of 1%. The like-for-like growth was consistent with the FY14, FY15, and FY16 levels of like-for-like growth. In the second quarter we saw, consistent with the first quarter, a price mix rollover benefit of 1%. Issue volumes were below expectations, with no growth in net new business, as falling whitewood pallet prices, and increased competition, led to longer lead times to secure new business, as customers delayed decisions. Like-for-like volume growth did not make the normal run-rate contribution of 1% to revenue growth, partly due to destocking in that quarter.

In the third quarter, we saw a recovery in like-for-like volumes, an increase in net new business of 1%, and a decline in price mix as the business cycled strong pricing mix growth in the previous corresponding period. Likewise, in the fourth quarter, despite a pleasing recovery in net new business wins of 2%, and like-for-like growth of approximately 1%, revenue was flat as the business cycled very high price mix growth in the prior year. We expect improved revenue growth in FY18 as the business benefits from the improved Q4 volume momentum.

Turning now to look at how the margins were impacted by both structural and timing issues during FY17. The chart provides an indicative breakdown of the contributors to the margin decline in the US pallets business during 2017. The first block relates to costs associated with FY16 revenue growth, and associated acceleration in CapEx spend, particularly in second half of the year. This accounted for 35% of the margin decline. These costs included higher repair and handling costs as the significant increase in pallets issued in the second half of the prior year were returned and repaired, and higher depreciation due to increased capital intensity in FY16, which we'll look at in more detail on the next slide.

As we return to more normalised levels of volume growth, we expect to see some minor financial benefits in FY18. The second, and the most significant factor, which accounted for 50% of the margin decline, was the impact of structural changes. This included structural increases in network costs, and the impact of increased competition, which put pressure on both volume and pricing. The cost increases in the network included margin pressure across the supply chain, as well as the increased activity in higher cost to serve channels highlighted earlier.

Going forward we expect supply chain efficiency in cost out programmes to help offset ongoing structural cost pressures. Finally, 15% of the FY17 margin decline related to one-off costs, primarily storage and relocation costs associated with the excess pallet inventories, due to both lower demand and some customer destocking in the second and third quarters of FY17. We have successfully managed our plant stock back to more normalised levels of around 7 million pallets at year end, and we expect these one-off costs to revert and not recur in FY18.

Completing the picture of FY17 US pallets performance, this chart highlights the accelerated growth in US pool capital expenditure in FY16, which drove higher levels of depreciation in FY17. Capital expenditure reduced in FY17 as spend was managed in the context of excess pallet inventories, following accelerated pallet purchases in FY16, and lower volume growth during FY17. We expect the improvement in pooled capital efficiency in FY17 to be sustained into FY18 despite some of the FY17 improvement reflecting the one-off impact of managing down excess pallet inventories during the second half of the year. We also expect to see some further modest improvement in pallet efficiency in the US in FY18.

Turning now to our EMEA segment, which includes Europe, Middle East, and African markets. The FY17 performance of our CHEP EMEA segment delivered strong revenue growth of 5%, this was driven by growth in our European pallets businesses, which was in part supported by strategic price investments. Underlying profit growth was 4%, as the business continued to deliver efficiencies, which largely offset the margin impact of increased investment in First and Last Mile Solutions, and other cost increases, including IPEP expense.

The modest margin decline of 0.3 percentage points reflects a US$8 million increase in the IPEP expense, $6 million of which was due to the increase in the written down pallet values used for the calculation of the provision. We do not expect another step-up in unit pallet values in FY18. In FY18 EMEA is expected to deliver solid volume growth with minimal contribution from pricing, this reflects ongoing competitive pressures, as well as the low inflationary environment. We also expect to achieve some synergy benefits from the incorporation of the containers business into the regional management structure.

Our CHEP Asia-Pacific business delivered sales growth of 3%, and a strong underlying profit growth of 6%. The improved result was driven by mature pallet and RPC businesses in Australia and New Zealand, which offset revenue declines in Asia pallets, reflecting the reductions in our plastic pallet revenues in China, as we focus on growing pooled pallet flows in that region. FY17 underlying profit includes a $23 million contribution, which will not recur in FY18. This is due to the roll off of a large Australian RPC contract, and the loss of automotive income associated with the wind down of the automotive industry in Australia.

Our IFCO business delivered double-digit revenue growth across all parts of the business, and made a strong contribution to the Group's overall revenue growth. Revenue growth came from the expansion with existing customers, as well as from the conversion of new customers to RPC solutions largely from disposable cardboard. The exceptionally strong underlying profit growth from the segment was primarily driven by IFCO North America. The North America business delivered both volume and pricing growth, as well as efficiency improvements. The North America business was also cycling one-off costs in the prior year relating to the loss of advocacy of a US retailer, and the operational challenges at one of the wash plants.

Excluding the impact of cycling these one-off items, the FY17 underlying profit growth for the segment as a whole was broadly in line with the revenue growth in the segment. In FY18 we'll continue to invest to support ongoing growth in this segment, and we expect underlying profit growth to be below revenue growth. Of note, the North American business, which is a lower return business, is targeting to deliver improvements in both earnings and overall returns.

Corporate segment costs increased by $15.3 million in FY17, reflecting the first-time inclusion of HFG joint venture losses, and BXB Digital costs in this segment. These costs were partly offset by decline in corporate overhead costs, largely relating to employee entitlements. Noting that FY17 results includes just over eight months of HFG results, in FY18 the underlying profit performance of this segment will include a full year recognition of HFG joint venture results, and will reflect increased FY18 investment in BXB Digital as we increase FY17 investment of $10 million to $17 million in FY18.

Turning to significant items. In FY17 we recognised $436.1 million of significant item expenses, which includes non-cash impairments of $363.8 million relating to the investment in the HFG joint venture, and the carrying value of the CHEP Recycled business now held for sale. Looking at it in terms of continued operations and discontinued operations, significant items in continuing operations was $186.1 million, and includes the non-cash impairments of the investment of the HFG joint venture of $120 million, which was expensed in the first half of the financial year.

Other significant items included $46 million of costs associated with the continuation of the multi-year One Better programme and the CHEP brand refresh projects. A further $20 million related to organisational restructuring and integration initiatives announced in FY16 and FY17.

The $250 million of significant items recognised in discontinued operations largely relates to the $243.8 million non-cash impairment of our CHEP Recycled business. Details of the pre and post-tax charges are set out in Appendix 2 and 3. In terms of outlook, given the nature of significant items, they are hard to predict with certainty, however at this time we do not expect any major restructuring related significant items in FY18. We expect One Better costs to reduce to between $10 million and $15 million, as projects are completed. Any profit or loss in finalisation of a sale of the CHEP Recycled business will be reflected in discontinued operations.

In terms of our cash flow performance for the year, cash outflows related to capital expenditure increase of $25 million in FY17, was due to the timing of payments related to higher FY16 capital spend. The increase in CapEx related cash outflows is despite a $38 million reduction of capital spend commitments in FY17. Movements of working capital resulted in $104 million increase in cash flow, largely due to the cycling of an increase in prior year outflows associated with the standardisation of payment processes across the Group.

Other cash outflows increased by $29 million included the payment of an acquisition related earnout and employee related costs. Dividend payments increased by $143 million largely due to the neutralisation of the impact of the DRP on FY17 dividend payments, cycling FY16 when the impact of the DRP was not neutralised. For FY18 we expect some timing benefits relating to the payments for capital commitments, and we expect working capital to remain broadly in line with FY17 levels.

Turning to capital expenditure. The capital expenditure for the year decreased by $38 million, to $1.023 billion. This decrease in Group capital expenditure occurred despite the volume growth across all segments, and the particularly strong volume growth across all regions in IFCO and in the pallets business in Latin America and Europe. The decrease reflects some efficiency improvements, as well as the cycling of accelerated CapEx spend in FY16 in the US pallets business. Going forward there'll be an increased focus on delivering efficiency improvements across the pooled assets. Reflecting this focus, a portion of short-term remuneration will now be linked to improved pooled asset efficiency. Overall, we expect a modest increase in capital spend in FY18, efficiencies in pooling CapEx are expected to be offset by increased investment to deliver supply chain and other efficiencies to help offset ongoing structural cost challenges across our operations.

Turning now to the balance sheet, our balance sheet remains strong, net debt at 30 June 2017 was $2.57 billion, representing a decrease of $49 million over the prior year. The decrease is primarily due to the received proceeds from divestments of $160 million, largely offset by increased dividends payments of $143 million. Our debt and funding metrics remain strong including the net debt to EBITDA metric of 1.73 times. The Group also has undrawn committed credit facilities of $1.5 billion as at the end of the year.

Now whilst we're not giving specific guidance, there are considerations to keep in mind for FY18. Firstly, growth momentum is expected to continue in the Europe and Latin America pallets business, and across our IFCO RPC businesses. Our US pallets business is robust and fundamentally well-positioned to deliver sustainable growth over the long term. In FY18 we expect this business to build on the improved Q4 FY16 volume momentum, while structural cost increase will remain, the one-off cost experienced in Q2 and Q3 of FY17 are expected to reverse in FY18.

Across the Group we will focus on and invest in achieving supply chain efficiencies to offset the impact of cost and competitive pressures. The benefits of the FY18 investment are expected to be weighted towards the second half of the year and into FY19. Improvements in asset efficiency and cash flow generation will be key areas of focus linked to incentive. Consistent with the message you'll hear from Graham, we are targeting through the cycle to deliver revenue growth in the mid-single digits, and underlying profit growth in excess of sales revenue growth. However, as I highlighted in my presentation, there are a few specific headwinds for underlying profit growth in FY18, which need to be kept in mind. Firstly, the $23 million of underlying profit included in the FY17 results, which will not recur in FY18, due to the loss of an Australian RPC contract, and the loss of automotive income associated with the wind down of the automotive industry in Australia.

Secondly, we anticipated $7 million increase in BXB Digital costs in FY18 as we accelerate investment in digital innovation. Finally, FY18 results will include a full 12 months of HFG equity accounted results. The FY17 results reflect just over 8 months of HFG equity accounted losses. Notwithstanding these headwinds, our business is well positioned to deliver sustainable growth at returns well in excess of the cost of capital. Thank you, I'll now pass over to Graham.

Graham Chipchase: Thanks, Nessa. What I'm going to do is talk a little bit about the business model, and then focus more on the strategic priorities that we set out this morning. I think it's important to remember we are a major global

company, 60 countries, over 14,000 employees, nearly 600 million pallets and crates and containers, and a network of 850 plus service centres, and that is absolutely fundamental when we get to discuss what makes the business model work.

The vision is largely unchanged, although I have to say I think the strategic focus now is much more on the core businesses around pallets, containers, crates, in the pooling side of the business. That is more focus than perhaps we've had in the past. There's been a lot of discussion around what the supply chain solutions mean, and I think if you look at most of the big logistics companies, they're all saying they do this as well, and we're not trying to compete with them. My belief is that when we talk about supply chain solutions for Brambles, we're really saying we're using our market insight and our logistics expertise to deliver value enhancing products and services for our customers to meet their evolving needs. It's not any more complicated than that, not so easy to do, but I think strategically fairly straight forward.

This is our share and reuse model, which you've seen before, but I think it's very fundamental to what we do, and it's underpinned by our network advantage, and the superior network advantage that we have. It's really driven again by the customers, the network advantage which allows the supply chain to become more efficient, so we're creating operational efficiencies for them and for us. It then frees up our customers' cash flow and resources, and it supports them in terms of their sustainability objectives.

When it comes to shareholders, and I'll talk about this a lot more in terms of what does it do for shareholders in terms of sustainable growth, in terms of giving them returns in excess of cost per capital. Also, you can argue, because we're in 60 countries, we're effectively providing a geographic hedge largely driven by what's happening from consumer [staples], those are the sectors that effectively our customers are in. If you want to think about it, I think it says that we're delivering inherently defensive qualities but with a good opportunity to grow.

For our employees, it gives them an opportunity to develop their careers in over 60 countries. I think in the communities in which we operate, again what we're doing is we're making supply chains more efficient, and we're eliminating waste, and you can see there some of the examples of things that our business model allows us to deliver.

This is a fairly important chart, we're talking about the investor value proposition, and how it creates sustainable and attractive shareholder returns. If we start off on the left-hand side there, where you can see the fact if we have network scale, density, and our expertise, that creates scale related operational efficiencies. Then you start moving around and saying, okay, if you get those efficiencies, you should be generating more cash, what do you do with the cash, you invest it back into growth, innovation and your people, and you deliver the shareholder returns. That's the virtuous circle if you like for the business model. As I said, I think it delivers a nice geographic mix for shareholders and gives them hedging against different economies.

When you look at what does it do in terms of the financials and what do we have, we think about the financial model going forwards. You can see there we feel that we can deliver revenue mid-single digit in a sustainable way. The idea then is that we use the efficiencies to effectively leverage the top line, so the bottom line should grow faster than the top line, and hen three very important words, through the cycle. Why do we say through the cycle? Often you'll get a cost increase, so let's call it a cost dislocation that will take place in one year, but it takes you several years to offset that through improving your efficiencies and maybe some pricing. We're talking about through the cycle, if you want to put a timeframe on it, let's say it's three or four years. If you look at it through that three or four-year cycle, we should grow the bottom line faster than the top line. Again, as Nessa just said, we've already highlighted some items in Fiscal 18, which will effectively be a bit of a dislocation. Then when we're doing that and generating good cash flow, we should be able to maintain our return on capital employed in the mid-teens, and then generate sufficient cash to both invest for growth, innovation, and shareholder returns.

Before we get into the strategic focus we've got, talk a little bit about the operating and competitive landscape. Again, none of this will be new to you, but clearly the impact of both e-commerce and omni-channel retailing, as well as the

growth of hard discount retailers, is putting a lot of pressure on the existing established business model. A lot of the retailers and our customers, the FMCG producers, they're experiencing a lot of margin pressure, and of course that gets passed down into the supply chain, so we see it as well.

I think when you look at what's happening, we're seeing a lot of move towards automation, which actually is a good thing for pooled solutions. Again, it explains a little bit why customers will move from whitewood into pooled solutions because increasing automation means you need a much more durable and higher quality pallet to work through the DCs, and not be damaged by the forklift trucks, so that's a good thing for us. But having said that, because of the returns we have, and we've talked about this a bit, we have competitors in every market we operate in, they are there because returns are good, they are there because funding is relatively low cost at the moment, and that's just a fact of life, we have to live with that.

What we do is we invest in innovation, making sure we have a differentiated service offering, and making sure that our asset quality remains high, as well as continuing to deliver operational organisational efficiencies, and that way we maintain our competitive advantage. We have to accept the competition is here stay, but we feel very confident that we can manage that.

Let's just talk about the strategic focus areas we've come up with, there are five of them, and they very much drive value for us, our shareholders, our customers. In order there, and I'll talk about them in a little bit more detail as we go through the presentation. To start off with, it's grow and strengthen our network advantage, then we've got deliver organisational and operational efficiencies, drive disciplined capital allocation and improved cash gen, then innovate to create new value, and then develop world-class talent. I'll talk about all of those in a bit more detail.

The first one, network advantage, again this is around the scale and the density of our customer and service centres, and it's what really drives our competitive differentiation. What we're going to do is we're going to make sure that we develop and grow all of the things that give us network advantage, market share clearly, through conversion of existing customers to pooled solutions, and of course defending what we've got against competition. I think we've done a good job on that in Europe in the last 12 months, as well as beginning to go a very good job in the US.

The next bullet down there in terms of optimising or targeting the appropriate customer mix. What that means is if we look at within a network, and we make sure that we're going for the right customers, that allow us to actually lower and optimise the network costs. We make sure that, for example, we talked in the US, we absolutely have to defend those customers where they fit our network and we can deliver at a low cost, because that's where we then create value.

We need to invest in differentiated service offerings and platform quality. So, again this is again where innovation is very important. It's absolutely key that we maintain and remain at the forefront of delivering a high quality platform which is very durable. Again, that fits into the whole process of automation as I talked about a little bit earlier on.

Then finally, it's about identifying more opportunities for customer collaboration. Just one small example of that is leveraging again our logistics expertise. In Europe we've started doing a lot of transport collaborations with our customers helping them manage the flow inbound and outbound, pairing up two sets of customers, where maybe they're flowing goods in one direction and the trucks are going back empty in another; tying them up with a customer who needs the freight in the other direction.

That for us is very value adding. We do get some recognition for that from our customers. More importantly it lowers our customers' costs so helps them with their cost pressures. Of course, it embed Brambles in with those customers, so makes it much harder for them to switch if they want to, to another competitor.

The next one is operational and organisational efficiencies. Again, this is on top of the normal cost savings you would expect a company like Brambles to have to do year in, year out. The first point is around leveraging scale. We're looking at this in a number of different areas. One of the things I think Brambles has perhaps not done so well in the past is link

up its various regional businesses and start identifying those spend falls where maybe we can actually leverage our global scale to get some more efficient pricing. We're doing that.

The next one is around trials. Again, trialling in various different regions to then see if there's some value to spread it across the whole Group. Just again, one small example, which again is a nice explanation of how we're actually BXB Digital in a more practical more way now. In Spain, we're going to trial some track and trace technology to see where the leakage is and also where we're seeing a retailer reusing the pallets when they're not meant to. That will give us a lot of information around different supply chains and maybe if that trial is successful and what we learn from that we can spread to other territories. It's again a very focused trial in one territory and then leveraging the scale across the whole Group.

The next area is around best practice sharing. Again, I think one important thing is now that the Group Head of Supply Chain and operations on the executive leadership team; that position wasn't there before. That's a way to really drive best practice and things like pallet design, service centre automation and transport and logistics best practice; making sure we drive it across the whole Group. I would have to say that there were pockets of excellence in the Group and they weren't being driven across the whole Group.

We also want to obviously look at things like plant automation and logistics generally. We're looking at both innovation and using some of our digital technology to do that. When we look at best practice for safety and sustainability our customers are finding that's increasingly a focus for them, safety and sustainability. So, we're able to help them because of what we know about logistics and supply chain to both increase or improve their safety statistics and their practices, but also start working with them to develop more fit for purpose products, so that they're eliminating waste and damage in their supply chain.

From a Brambles perspective, the focus on this area is around making sure our employees are safe as well as eliminating waste in our processes and reducing the inputs we have around energy and things like that which we've done a good job on.

Capital allocation and cash flow generation; now Nessa and I spoke a lot about this in February and our commitment to this objective is undiminished. If you look at what we're doing looking at how we allocate capital, again I don't think this will be a surprise to any of you because we have talked about this quite a lot, but it's about making sure that we grow and develop those businesses with proven economic returns, which I would say is the vast majority of the portfolio we've now got. Disciplined investment in new businesses, again this is very much the emerging markets story; making sure that we get the balance right between near and longer term returns, recognising in a wooden pallets business if we're going to go into a new territory it can take five, six, seven, eight, nine, even 10 years to get to a decent level of return. Go back a few slides to the business model; first mover advantage is really important, because that allows you to develop the network advantage, the density and the scale which eventually gives you very good returns.

We've got to get the balance right. We don't want to be putting all our investment into those new markets, but we've got to make sure we're in enough of the important ones for the future.

Addressing underperforming businesses, so you've seen what we've done with recycles and we'll continue to have a focus on businesses which are not performing. Then investment in innovation. Again, we'll talk about that a little bit more when we talk about digital. M&A, I think a big change in terms of the strategy is it's going to be a much more focused M&A strategy. We will still do M&A. It will be more in terms of bolt-on's. A good example is something we've done in the last few months, to the small acquisition in Australia to support our Kegstar business and allowing them to give a much more comprehensive service offering to the customers in Australia.

Finally, then, we're talking about capital efficiency improvements and Nessa has talked about this already. Very much a focus on cycle times, asset returns, damage and loss rates, which again we talked about in February, but continuing to

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focus on that. As Nessa said, we're ensuring that a proportion of the short term remuneration for everybody in the Group is now based on delivering on those asset efficiency targets.

Innovation; there are two parts to innovation. One is driven by customers and the other is more internal process focused. With customers if you look at what's happening with both omni-channel and e-commerce what we're trying to do is to work with our customers to give them standardised solutions that improve sales for them, improve their market insight into what's going on and allow the replenishment of their stores much faster and more efficiently. There are some things there you can see. I think with omni-channel a good example is - and we're calling it our Last Mile Solutions part of the business. We're developing a whole range of fractional pallets, so quarter pallets, half pallets which will go into those channels and allow the customer to replenish the channels quicker and more effectively. Think about a gas station and you're trying to get something in quickly at the end of aisle or into an aisle, having a quarter pallet is much easier to just wheel it in, wheel it out. We're trying to work there.

Also, that will help customers promote product as well. If you think about the bigger retailers and the promotional pallets which go on the end of an aisle. We're doing a lot around there and that's being quite well received by our customers. With e-commerce and let's not talk about [Amazon] for the moment. We're working with a whole load of retailers who are challenged and are looking at opportunities in the e-commerce space. What we're doing is we're trying to work with them to see the opportunities in the supply chain. There are opportunities in the supply chain to make (a) the replenishment more efficient, but also to boost our customer's sales.

Just a very small example and again, Amazon gets raised all the time, I think it's overdone when it comes to looking at the impact on Brambles in terms of a negative. We're not yet sure it's a complete positive, but there are as many opportunities as there are threats with things like Amazon. In Europe we're working with Amazon; active conversations on number of different innovative ideas. Initially looking at how we can make the use of pallets in their fulfillment centres more effective, but also helping them with their picking process to make that more effective as well as eliminating waste in their processes. For example, how can we eliminate the use of cardboard in their processes?

In time, and we are looking in other regions, how do we then try and deliver a standard platform for the online retailers to deliver their products from their fulfilment centres to the consumer? That's the bit obviously that everyone is trying to get into.

When it comes to innovation in terms of our products and processes, we're using a lot of innovation around automation in our service centres, both to actually do the repairs and also the inspections. When it comes to product design and material science, again I feel this is an area where Brambles has done quite a lot but we need to do even more, because we absolutely have to remain at the forefront in terms of quality and durability. There will be a lot going on there. Then let's talk about digital for a bit.

You'll see we're increasing our investment from $10 million to $17 million in digital. It's a really exciting part of the business. It's one of the reasons I joined the company in the first place. I think there's a lot of opportunity here. It's very important that we fail or succeed fast. There's no point doing this over five years and then deciding whether we've got something or not. We've got to be as quick as we can. This year is a big year for BXB Digital because we're putting a lot of investment as you can see into a lot of different trials. You can see what we're trying to do with it there. It's using the technology to transform our data into services, but largely I think the one that everyone can understand easily is the track and trace around our platforms and where they're going to, where they're being lost and how can we therefore run our business more efficiently and more effectively?

Also, illuminating what's going on in the supply chain for the benefit of our customers and the retailers as well as improving the overall supply chain efficiency. Just a very small example, again just to show this is not just us being very theoretical. There are some practical and real life examples being used, we've just done a trial in South Africa with bananas. The issue there was that the bananas are being transferred from the grower into the store in South Africa in cardboard and corrugate packages. What we did was we put digitised devices into both the corrugate package with the

bananas and into our plastic RBC solution. Nothing very complicated, we just chucked the digitised devices into the banana crate with the bananas; nothing too difficult technically.

Then used those digitised devices to monitor some of the environmental factors like temperature and airflow, which obviously then are an indicator of the quality and damage to the bananas as they go from the grower to the retailer. You can see very clearly that with the plastic RBC crate you can get the temperature down quicker and it stays cooler for longer. Therefore, there's less damage to the bananas, therefore there's more available for the retailer and sales improve. As a result of that very simple trial and of course the other key thing I ask being an ex-finance person I would ask this question was, did we get all the digitised devices back at the end of the trial? We did funnily enough.

What that data allowed us to show and then persuaded the grower was to switch from corrugate packages into our plastic RBC containers. It's a very simple example, but that's the sort of power the data can give you when it comes to talking to customers about trying to use our products. Hopefully we'll have a lot more of those sorts of trials going on in fiscal 2018.

Finally, around talent, it is absolutely critical that we can attract and retain talent to sustain our business model and to deliver on the strategy. We have a very, very strong focus on zero harm, on safety. I'm delighted that we've seen yet another improvement in our safety performance in fiscal 2017 compared to 2016 and clearly that focus will continue. We have a lot of commitment around engagement and promoting an inclusive and diverse culture. One of the really important things is making sure that our employees feel that they can develop their own careers and for us what's important is that we put them through world class development programs which are really driven off our 70 years' worth of experience in logistics and supply chain. What we really want them to come away from is a lot of expertise in supply chain logistics, innovation so that they can develop tailored solutions for our customers. That's what we're trying to achieve here.

We've got some very good programs now around both technological and customer market insights to train our employees. I think when you think about it in a very holistic way, if we can get our employees with the right skills operating in the right culture then our customers will win and fundamentally we will win and our shareholders will win.

This is the outlook statement. I'm not going to read it verbatim, but I think it's very important. This is a straight lift from the ASX release. We talked a fair about this. Nessa's talked about it already. I think the key headlines there are if we deliver on the strategic objectives then we should be able to deliver sustainable growth and returns well in excess of the cost of capital. We've talked about revenue being mid to single digits. This whole point about through the cycle we should be able to get leverage on the bottom line as well as good cash generation and keeping the ROC in the mid-teens.

Fiscal 2018, Nessa's called it that. I will do again. Yet there are some items to think about. We've got the 23 million impact on the Australian RPC and automotive business, the increase in the investment in BXB Digital and including a full year of HFG.

Just to finalise, finish up, yes, we have got a very strong business. I think it's a very sustainable business model, underpinned by the network advantage and the market leading position which I talked about. There's a very high performance culture, clear focus on delivering value to the customer, big focus on operational excellence as you would expect and absolutely now a disciplined focus on capital allocation and making sure we're focused on returns. Growth and innovation absolutely remain at the core of the strategy and I think again, if we can deliver on all these things, focusing on the five strategic priorities that I've just talked about we will deliver sustainably good top line growth, generating returns well in excess of the cost of capital, generating enough cash to fund growth, innovation and shareholder returns. Thank you very much and with that we'll go to questions.

How we'll handle that is we've got Sean and [Reluca] with a microphone. We'll do questions from the floor first and then take questions from the telephone and the web. Thanks.

Matthew Spence: (Bank of America Merrill Lynch, Analyst) Matt Spence from Merrill Lynch, hi. Graham, back In February you prioritised your relationship with the very large US end retailer, can you give us an update on what discussions you've had with them over the past six months? What you're looking for from that relationship?

Graham Chipchase: I won't go into detail with the conversations I've had with the customers because I don't think they'd be too happy about that. That's not really what we should be doing, but you're right it's a key driver of performance in the US. We've had some good conversations explaining how the setup we have there is actually driving inefficiency in our business model, which they then recognise and understand. We're working through a whole series of different things to try and improve that. We haven't seen much improvement in fiscal 2017. I think we're expecting to see some in 2018, but it's a bit like trying to change a super bank. It's a big thing and it will take a while to get some notable returns, but we have to address it and we've made some progress.

Matthew Spence: (Bank of America Merrill Lynch, Analyst) Would you consider paying a fee to that retailer as others perhaps do to get your asset turns going in there?

Graham Chipchase: No, I think it's more about ensuring that they understand that we should be treated the same as everybody else and that one of the benefits of keeping half of the recycled business is it effectively allows us more resources in terms of asset recovery. We should be going in and trying to get our assets back quicker. That's how we'll address it.

Matthew Spence: (Bank of America Merrill Lynch, Analyst) Yeah, so an extension to that is I mean the key to the CHEP business really is better asset turns and the trend in the US has been poor on that front for the last few periods. Can you just talk about what have asset turns done in second half 2017 in the US and what do you think you can do to turn it around?

Graham Chipchase:  Do you want to get that one?

Nessa O'Sullivan: First of all, I think it's about trend. You could look at a short period and you could say well if you're not having that many issues and you're getting a lot of pallets back you could look at your control ratio and say look we're doing a stellar job because we're getting loads of pallets back relative to what we're issuing. We have seen some improvement and I call that out in terms of the overall decrease in Capex spend. If you look at the Capex to sales ratio you'll see from the charts it came down. That's something we have to do on a sustainable basis over a period of time. They're the type of targets that we're setting internally are geared around cycle times for the businesses.

We don't give specifics on actual cycle times. A small improvement in FY17 is how I would characterise it with I think we see progressive improvements over the next few years and because cycle times are long it's over a longer period that you see the benefits as well.

Matthew Spence: (Bank of America Merrill Lynch, Analyst) Okay thanks. Just one more for Graham, if IFCO North America is that other division that's under review outside of CHEP Recycled is there any update on that?

Graham Chipchase: Yes, so I mean we talked about this in February that that was something where unlike recycled where structurally it was hard to see how returns could improve. IFCO North America, we think there is a pathway to improve returns and therefore we're going to give it some time to improve returns to get where we want them to be and in 2017 there was an improvement because they were focusing very much on pricing and being more efficient. We've seen some improvement.

Simon Mitchell: (UBS, Analyst) Can you touch on conditions in the whitewood market? You are the owner for now of the largest recycling business. Can you touch on what's actually caused the price drop now that you've gone into that business in more detail and the outlook for it?

Graham Chipchase: Yes, I mean it's very difficult to get a consistent answer for that question. I think again partly because it's a very fragmented market. One of the things that clearly drives the whitewood pricing over time is the lumber price and that has been coming and therefore driving prices down. The bigger thing is supply and demand and because if you think about those numbers that Nessa put up for fiscal 2016 there was a big improvement in the conversion from whitewood to [pooled] that left a lot of whitewood producers with excess stock and therefore I think they dumped that on that market and were driving prices down with that, us included I suspect.

Those are some of the main reasons and I am sort of challenging a little bit the question of whether the whitewood pricing is what really drives conversion. I am not so sure about that whether there's a direct correlation, ipso facto it's not the biggest one. I think the bigger factor is have you got customers who are getting big enough and wanting to transport their products nationally enough that they're starting to have to go through the bigger retailers and therefore more automation, therefore they need to have a better quality pallet. I think that's more of a driver than whitewood pricing myself. I don't know if there's anything you want to add to that?

Simon Mitchell: (UBS, Analyst) You've obviously had the last six months to go around and see customers. What's been the feedback?

Graham Chipchase: I think by and large very supportive. The thing that comes up and this is kind of the reason I said what I said about the strategy. They want first and foremost high quality product available when they need it where they need it. It comes back completely to making sure the asset quality is the right quality. To make sure you've got sufficient pallets in the right places for the peak demands and you're servicing the customers, which is where our network advantage is really important. We've got the breadth and the density to be able to do that. We just need to make sure we continually keep an eye on the asset quality. That's what I hear.

They're very interested in what we're doing at digital. Again, a slightly throwaway comment, we had one beverage customer who went on a tour of Silicon Valley. They went to Google, Facebook and they came to us last. What they said was you're the first guys that are doing something practical with Big Data and digital, which is a great piece of feedback for us. I think they are interested but it's still early days. There's the two key things.

Simon Mitchell: (UBS, Analyst) Just one last question for Nessa; depreciation policy is a perennial debate in this company. Do we take it that you have reviewed and you are comfortable with the policy?

Nessa O'Sullivan: Yes, we have reviewed it and we're comfortable with it.

Scott Ryall: (Rimor Equity Research, Analyst) Scott Ryall from Rimor. Graham and Nessa, could you just give me a sense in the last six months of how much time you've spent in each of the main geographic locations please?

Graham Chipchase: I've got on a plane a hell of a lot.

Nessa O'Sullivan: Me too.

Graham Chipchase: So has Nessa. I've been - we've probably spent more time in the US than some of the other regions as you would expect. I've been down here…

Scott Ryall: (Rimor Equity Research, Analyst) More than half of your time?

Graham Chipchase: I haven't added it up, but we've spent a significant amount of time in the US. It's not about us going in and trying to micromanage it. We've got a really good team in the US. It's about making sure that they've got the right focus and support and we can do that without having to be in the country. It's important and you've got to remember, yes the US and the Americas is 40% of the total but there is 60% of the business which is also very good and also

needs us to be there as well, so a lot of time in Europe. Sometime down here and then I'm going off to South Africa in October. It's got to cover the whole globe.

Nessa O'Sullivan: Yeah, it's probably also fair to say that we've had a fair few of the subject matter experts from different parts of the globe also spend a fair bit of time with the US team helping them as they work through some of the challenges that were in the business. We're starting to see that good cross-flow of best practice from one market to the other. That's why one of the references is about increasing investment in plant in the US for efficiencies because we've had really good outcomes in delivering efficiencies for that investment in Europe and now we're going to take a lot of that learning to the US business going forward. It's not just us, it's a bigger team involved.

Scott Ryall: (Rimor Equity Research, Analyst) Sorry, just one more question. How many customers have you seen in the last six months, roughly?

Graham Chipchase: A lot. Again, I mean I've seen at least 15, at least, a lot.

Scott Ryall: (Rimor Equity Research, Analyst) Thanks that's all I have.

Paul Butler: (Credit Suisse, Analyst) Hi, Paul Butler from Credit Suisse, you've talked about the whitewood business as being the key competitor for pooled and you've obviously got CHEP Recycled that you're looking to sell. Surely there's no incentive to want to see that as a thriving business in somebody else's hands is there?

Graham Chipchase: So, if you think about what we're really doing, the business that we're divesting is the business which is very much in that buy on the market, repair, sell on the market for a thin margin. That's not our core, but we're keeping the bit which supports the pooled business. If someone can take that business and is successful it doesn't really impact us. I would be very happy if someone can make a success of that. It's going to be very fragmented and small compared to our business. I don't see it as a threat selling it. It's actually keeping it is a distraction. It's obviously a distraction from management time because it's a lot of people. We don't really have the health and safety standards that we would like and the returns are low. I'm not concerned about that.

Paul Butler: (Credit Suisse, Analyst) With the centres that you are retaining, what proportion of pallets are you repairing, processing in house versus the sub-contracted?

Graham Chipchase: It was about 25%, I guess it stays about that I think, 25-30%.

Paul Butler: (Credit Suisse, Analyst) You're comfortable that the contracting structures and the incentives that you have in place for those contractors are delivering good outcomes or is that focus?

Graham Chipchase: They have been delivering good outcomes. It remains a focus and one of the benefits of having the contracted setup is a couple of things; it allows you to variablise the cost better. If you start seeing an increase in volume in one area and a decrease in another you can say okay well we're going to stop using that service centre. It's a variable cost, not a fixed cost. The other thing is there are service level agreements which are monitored pretty closely by our operations team to make sure the quality and service standards are where they want it to be, so it's not an issue.

Paul Butler: (Credit Suisse, Analyst) Okay and you've said you want to pay the dividend out of free cash. I mean obviously that didn't happen in the past year. At what point does free cash need to cover the dividend?

Graham Chipchase: In the next year or two.

Paul Butler: (Credit Suisse, Analyst) Thank you.

Sean: Right we'll now take questions from…

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Operator: The first phone question comes from Anthony Moulder, from Citigroup.

Anthony Moulder: (Citigroup, Analyst) Good morning all, just a few if I could. Let's start with aggressive competition in the US market, which I think was a function or certainly a factor in the first half. Have you continued to see that form of competition from PEKO I think was who you called out. Would that mean that you've lost contracts in the second half or has there been a net new win coming from competition in pooled?

Graham Chipchase: Again, when we spoke in February we did say we were confident that we would win some business back from PEKO in second half and that has been what we've seen. When we look at the year in total, from what we can see and I think you've got to bear in mind we will see the bids on pooled business. We know how we've done there and I think we're very clear in saying we've won more than we've lost in the pooled area. What is more difficult to see is how we've done on conversions from whitewood to pooled because you don't necessarily get involved in all the bids, particularly around the SME type of space. It could be that they've done better than we have there, but our view based on what we know is that we've actually certainly stopped and reversed the trend that we saw in the first half and we've done okay in the second half.

Anthony Moulder: (Citigroup, Analyst) I guess Scott is a big part of that. Are they still aggressive on pricing? Is that where the aggressive form of competition still resides?

Graham Chipchase: Again, if you look at what Nessa was saying, looking at that quarterly chart we are seeing and we have seen some negative impacts on pricing in fiscal 2017. I'm not going to talk about what we did or didn't do to win specific contracts, but going forwards you're seeing, as Nessa said that for 2018 in the US, we expect to see some 4% volume growth and no pricing opportunity. Similarly, we're not seeing much in the way in pricing downside either. There might be a little bit to maintain volume, but nothing material. The key thing is we've done what we had to do to retain the contracts we wanted to in 2017 and we'll do the same again in 2018 if needs be.

Anthony Moulder: (Citigroup, Analyst) Right thank you and on to the Americas; would the sale of the recycled business, should we expect any change to the plant costs for the pooled business in the Americas?

Graham Chipchase: Not specifically, I think what we're trying to do is make sure that we have enough of the investment in the plants themselves, the service centres and enough operational efficiency investment to offset the increase that we saw in 2017 in terms of plant costs. It's about making sure that they don't go up rather than seeing a big step down, I think that would be fair.

Anthony Moulder: (Citigroup, Analyst) Okay and if I look at the math on that, the invested capital base recycled was about 350, obviously the 244 write down. Does that suggest that difference is kind of what you're thinking as far as what you could get for that business on the sale?

Graham Chipchase: That would be your assumption. I wouldn't disagree with you.

Anthony Moulder: (Citigroup, Analyst) Lastly, if I could, following on from that are you seeing other retailers follow on from what Walmart do as far as charging for that sourcing and return of pallets in the US?

Graham Chipchase: We haven't really seen much. I wouldn't really want to comment on that either particularly.

Anthony Moulder: (Citigroup, Analyst) Thank you.

Operator: The next question comes from Damon Kitney, from The Australian.

Damon Kitney: (The Australian, Journalist) Hi Graham, how are you? Just flesh out those comments you made on Amazon. You mentioned and used the word overdone in looking at the impact on Brambles. Can you flesh that out a little bit more and secondly in relation to the work you're doing with Amazon in Europe, can you give us a little bit more detail about how that's progressing?

Graham Chipchase: When I said overdone, I think that's in relation to what happened in February where I think the timing of our results with the announcement that Amazon was coming into the Australian market seemed to me to have an overly adverse on what people felt about the sustainability of Bramble's business model. Therefore, we spent a lot of time after those results came out talking about well actually what really happens and what really happens is in the Brambles model, with an online retailer like Amazon, the FMCG producers are still needing to get their products, which are being sold by Amazon to the consumer. Those go on Brambles pallets from the FMCG producer to the Amazon fulfillment centre in just the same way as if you were buying it through a bricks and mortar retailer it would go to the retailer's distribution centre.

So that bit is the same. It doesn't really matter to us whether it's going one way or the other. The bit that's different, yes we don't play in there today anyway at the moment in how does it get from the distribution centre to the consumer. I don't think it's necessarily a negative. It could be a positive for us if we can develop a standard platform that Amazon will use to get product from their fulfillment centres to the consumer. It's an opportunity. We're working on stuff but nothing has happened yet. I don't think there's that big negative that people think about. The example we use is the UK where Amazon are highly penetrated and we see an increase in pallet growth in the UK, not driven by Amazon as such but it's certainly not stopping pallet growth.

I think the way; again I don't like using the word holistic, but if you look at it holistically, I think online retailers actually help stimulate consumer consumption and that therefore helps maintain growth from the FMCG producers which then clearly helps us.

In terms of you asking for a bit more detail on what we're doing in Europe, I'm not going to give you much more detail because it's actually only early days. Really, it's about Amazon recognising that we are a supplier to them today. That we do understand a lot about the flows in and out of distribution centres, so we're helping them in terms of making sure their use of pallets within the distribution centre is more efficient. We're helping them a little bit with how they pick products from distribution centre, because again, we see that with other customers. We're trying to help them eliminate some of the waste around their corrugate that they use in their processes.

Damon Kitney: (The Australian, Journalist) Thank you, one other one just in terms of power costs and energy costs in Australia specifically. Is that having much of an impact on your business?

Nessa O'Sullivan: It's a relatively small part of the total Group. Obviously, each sector gets some increases, but certainly not a material issue compared to the $23 million that we referenced of underlying profit that rolls off.

Damon Kitney: (The Australian, Journalist) Thank you.

Operator: The next question comes from Sam Dobson from Macquarie.

Sam Dobson: (Macquarie, Analyst) Good morning, a question for Graham to start with; you mentioned that you expect to see underlying profit growth through the cycle and profit leverage. Just thinking about the return invested capital and the comment you made is that you expect that to remain in the mid-teens. Is there an expectation that you'll need to invest at a higher rate to achieve that profit leverage?

Graham Chipchase: I think that's exactly why we're saying - if you take the model and say okay mid-single digit revenue you're going to get profit leverage that would therefore be somewhere a little bit above mid-single digits, therefore why wouldn't the ROC just creep up and up and up. Of course, the point there is you do need to invest both in capital to get

the growth, but clearly where we want to see a bit more effective about how we do that, but I think we need to invest in more innovation. We need to invest in our people a bit more and I think you'll see us investing in price as well. Again, I think for this model to work properly we need to maintain the network advantage. We need to maintain the density that we've got and that means we absolutely with a large contract we need to make sure that we're very, very competitive. I think that's why we're saying look we think the ROC is not going to start growing.

I think one of the other things we have to do and I referenced it a bit earlier on was if we really want to think forward about the sustainability of Brambles, the top line growth, in due course the existing more developed markets will slow down, so we've got to put more into emerging markets. We're doing very well in Latin America, but we need to start thinking about places like Russia, the Middle East, maybe China and I think that will be a bit of a drag on ROC, because as I said it can take five to 10 years for those markets to develop whilst we're investing.

Sam Dobson: (Macquarie, Analyst) That's clear, so I guess it probably doesn't matter how we classify that investment, but should we be thinking that there's an increase in proportion of the investment going into BXB Digital over time?

Graham Chipchase: Yes, I mean I think what we said was we'd double up from 2017 to 2018. We haven't quite done that. I think it will depend a little bit on what we see over the next 12 months, because one of the things I'd like to do is find out quicker whether there's some good business cases to invest in or not. So, without wanting to overdo the pun it could become a bit binary and digital, which is either would be very successful and we'll actually invest more. Or we'll find that there's not quite the opportunity we thought and we'll invest less. I just don't know the answer to that yet. I wouldn't expect necessarily to see a massive increase over the next couple of years. I think we maintained the current level for 2018 into 2019 that would not be a bad assumption.

Sam Dobson: (Macquarie, Analyst) Right, okay you've been asked a couple of times about customer feedback. Can you share with us the specific feedback around the revised structure? Under the CHEP banner, can you just give us a sense of what customers are thinking about that reporting line and how that works for them?

Graham Chipchase: I don't think they're interested in that to be honest. They were absolutely - the people they've got who look after them regionally are still the same people by and large. They're very comfortable with what we're doing. They are more interested in the focus we've got on innovation, digital and clearly as I've said the number one question is always making sure that we understand how important quality and availability of the product is for them. That's what I hear most of all.

Sam Dobson: (Macquarie, Analyst) Finally, just a question for Nessa, just a minor one, but can you just elaborate on why IFCO transport cost of sales decreased versus all other segments which increased?

Nessa O'Sullivan: IFCO did a fair bit of work on transport collaboration. I think it's fair to say it was probably higher in some markets in the prior year than was ideal. They did take some learnings from the CHEP Europe team in terms of optimising transport moves et cetera, but they had a particularly good outcome in terms of transport this year.

Sam Dobson: (Macquarie, Analyst) Should we expect that to flow over to the rest of the business in 2018?

Nessa O'Sullivan: Overall, you mean in terms of transport costs?

Sam Dobson: (Macquarie, Analyst) Yes.

Nessa O'Sullivan: In major markets, you're starting to see a return to higher inflation. We've had a relatively benign transport environment through 2017 and starting to see in the US some inflation costs go up. Similarly, in Europe and it seems to be more capacity driven rather than anything else. Look, we're confident that we've got a really good team on that who will minimise the impact. We will have an impact from it, but I think they've got some good initiatives to offset at least part of that increase.

Sam Dobson: (Macquarie, Analyst) Okay, thanks very much.

Operator: The next question comes from Guy Bunce from JP Morgan.

Guy Bunce: (JP Morgan, Analyst) Good morning, US customers and distributors still seem very focused on tightening their inventory management. Just wondering what impact this has had and will have on CHEP America's margins through higher pallet returns and also higher damage rates?

Nessa O'Sullivan: Look, I think it's fair to say we did see, if you went back to 2015 there was some concerns that excess inventories were being held and I think there was a view that there was going to be stronger outlook growth. What we did see last year and it was evident in our pallet returns, we did see some customer destocking. The sense that we get from our certainly as we look at the inventories that are being held, we haven't seen that destocking continue once we got past say the third quarter. We've seen that stabilise.

There's no doubt that people will want to continue to optimise their supply chains and look for efficiencies as we will have to as well.

Guy Bunce: (JP Morgan, Analyst) Thank you.

Operator: Your next question comes from Simon Evans from Financial Review.

Simon Evans: (Financial Review, Journalist) Good morning, just wanted to ask you in the outlook you talk about how there's US$23 million which won't be there this year because of two things. Can you tell me just exactly what you do to some of the big car assemblers and how much of the US$23 million is the automotive plant closure aspect to that?

Nessa O'Sullivan: Look, we're not actually splitting it up. We think it's commercially in confidence given that there's also a major OPC contract which I think is pretty well known where that's from. So, look there is a component of it there's no doubt. Part of our business in containers we have and we do globally that we do have a good automotive business where we do ship and transport parts for assembly lines et cetera and spare parts. So, it's that sort of income streams that won't be there anymore.

Simon Evans: (Financial Review, Journalist) Okay, and is that to both Holden and Toyota at the moment?

Nessa O'Sullivan: We're not going to comment on specific customers. It was just to at least give people an insight and to be clear that there is income in there that's not recurring. That's the US$23 million.

Simon Evans: (Financial Review, Journalist) Graham, can I just ask in the Australian context and sorry to obsess over Amazon, what sort of impact do you think they will have on the logistics market in Australia when they start their Australian operations?

Graham Chipchase: I don't think it's very easy to tell because if you look at what they've done in other markets you could argue that they've helped efficiency in the supply chains because of the way the volumes work with them and how they've set up is very efficient. It's not necessarily a read across to Australia, just because you think about the way the dense population density works and the huge distances involved. I think it's very hard to call what impact they'll have. I'm afraid my answer to that will be let's wait and see. In other markets they've probably had a positive impact on the supply chain efficiency because of the way they operate.

Simon Evans: (Financial Review, Journalist) Okay, thank you.

Operator: There are no further phone questions.

Sean: There's no more questions thank you very much for coming.

Graham Chipchase: Hang on there's one more, which was how do you think the growth of e-commerce will affect overall pallet demand in the USA and Europe over the next five years? What about fewer pallets needed for delivery to retail stores? I think we've answered that. The comment about fewer pallets needed for delivery to retail stores; I don't think that's impacted because instead of going to the retail stores, through a retailer's DC it will go from say the online retailer's fulfillment centre. It's kind of the same flow. The key thing is can we start operating in that last mile solution which is going from the distribution centre, the fulfillment centre to the consumer?

In terms of overall pallet demand, in the USA and Europe all we can really point to is in the UK which has got the most penetrated online retailer presence in the world, we actually grew our pallet volumes by low single digits. So that hopefully will not affect us too much. Great, so thank you very much for your time everybody. We'll speak to you soon.

**End of Transcript**