

20 April 2023

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

Via electronic lodgement

Dear Sir / Madam

BRAMBLES FY23 THIRD QUARTER TRADING UPDATE

Please see the attached announcement relating to the above.

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

Yours faithfully
Brambles Limited

Robert Gerrard
Chief Legal Officer & Company Secretary

Brambles' third-quarter trading update: Continued sales revenue momentum; Upgraded FY23 guidance.

Sydney – 20 April 2023: Brambles Limited today reported sales revenue from continuing operations of US\$4,481.8 million for the first nine months of the financial year ending 30 June 2023 (FY23), representing an increase of 9% at actual FX rates on the prior corresponding period.

At constant FX rates¹, sales revenue growth of 15% reflected contributions from both current and prior-year pricing initiatives to recover cost-to-serve increases, including input-cost inflation and the impact of global supply chain dynamics, which have driven increased cycles times and pallet prices in all regions.

Group volumes were broadly in line with the prior year, despite pallet availability challenges in the first half. Improved pallet availability in the third quarter has enabled the business to recommence pursuing and developing the new business pipeline in both the US and Europe.

By segment, the sales revenue performance for the first nine-months of FY23 was as follows:

- **CHEP Americas** sales revenue increased 15% at constant currency due to price growth (excluding surcharge income contribution) of 19% primarily driven by pricing actions taken in the current and prior years to recover the cost-to-serve. Overall volumes in the segment were down (4)%, reflecting a (6)% reduction in like-for-like volumes in the US business partly offset by volume growth with new and existing customers in Latin America. The decline in US volumes was driven by a combination of softening underlying consumer demand, pallet availability challenges in the first half of the year, some managed loss of flows unsuited to pooled solutions, due to high risk of loss, and progressive inventory optimisation at manufacturers and retailers in the third quarter. Notwithstanding these volume declines, the US business has retained all key customers and identified opportunities for new business growth.
- **CHEP EMEA** sales revenue increased 15% at constant currency including price growth of 12% and volume growth of 3%. Price growth reflected contractual price increases (including indexation) and other pricing actions in the pallet businesses to recover cost-to-serve increases across the region. Net new business growth of 4% was driven by rollover contributions from prior-year contract wins in the European pallet business. Like-for-like volume was down (1)% as pallet availability and softening demand in the European business was only partly offset by strong growth across the European and North American automotive businesses and IMETA pallet business.
- **CHEP Asia-Pacific** sales revenue increased 10% at constant currency reflecting price realisation to recover cost-to-serve increases and like-for-like volume growth primarily in the Australian pallet business reflecting increased daily hire revenue from continued strong demand for pallets across manufacturer and retailer supply chains.

Segment	Sales revenue (US\$m, actual FX)		Days-adjusted growth vs. 9M22 ²	
	9M23	9M22	(actual FX)	(constant FX ¹)
CHEP Americas	2,492.3	2,126.1	15%	15%
CHEP Europe, Middle East & Africa	1,604.9	1,544.1	2%	15%
CHEP Asia-Pacific	384.6	367.5	2%	10%
Continuing operations	4,481.8	4,037.7	9%	15%

Note on FX: The variance between actual and constant FX performance reflects the appreciation of Brambles' reporting currency, the US dollar, relative to key operating currencies, primarily the Euro, British Pound, Australian dollar, South African Rand and Zimbabwean dollar.

¹ Constant FX growth rates are calculated by translating current period results into US dollars at the actual monthly exchange rates applicable in the comparable period, to show relative performance between two periods.

² Growth rates have been adjusted for the additional trading days in 9M23 compared to 9M22 to allow for a like-for-like comparison between the two periods.

Commenting on the third-quarter performance, Brambles' CEO, Graham Chipchase said: "The strong momentum generated in the first half of the year has continued into the third quarter with sales revenue growth of 15% at constant currency for the first nine months of FY23.

"This sales performance reflects our ongoing pricing discipline to recover cost-to-serve increases in all regions. It is also a testament to the resilience of our globally diversified business, with volumes remaining broadly in line with the prior year. This is despite some inventory optimisation at retailers and manufacturers, and the ongoing impact of macroeconomic headwinds on underlying consumer demand in our major markets.

"During the third quarter, the cost of key inputs including labour, transport and lumber remained above historical averages and prior-year levels despite lumber and transport costs continuing to moderate. While we still expect the weighted average cost of new pallets in FY23 to be above prior-year levels, we have seen the cost of new pallets across the Group start to moderate in line with lower lumber prices.

"In addition to inflationary pressures, the cost-to-serve in all regions continues to reflect the impact of elevated inventory levels and increased cycle times across customer and manufacturer supply chains. This is notwithstanding early signs of progressive destocking, which resulted in approximately two million additional pallet returns across our network in the third quarter.

"Pleasingly, the combination of these additional pallet returns, new pallet purchases and a range of asset productivity initiatives have resulted in improved pallet availability across our networks. This has enabled us to remove allocation protocols for our customers in the US with both our European and US businesses now in a position to pursue new business wins. As a result, we are focused on rebuilding the pipeline with opportunities to convert whitewood users to our pooled solutions. Encouragingly, there has been some early success in our major markets although given customer conversion lead times, we anticipate the volume benefits to be delivered in FY24.

"While there are signs of supply chains progressively optimising inventory levels, we now anticipate destocking of approximately four to five million pallets in the second half of FY23³. This is approximately one million fewer pallet returns than previously anticipated which will result in lower-than-expected repair, handling and transport costs in the second half of this year.

"The ongoing strength in price and customer mix benefits in our major markets combined with the short-term cost benefit of lower-than-expected pallet returns in the second half have been the key drivers of the upgrade to our FY23 guidance for sales, earnings and Free Cash Flow after dividends.

"We remain focused on delivering on the Shaping Our Future transformation programme and investing in numerous initiatives to improve the customer experience and drive efficiencies across their supply chains and our own operations. This includes investing in new pallets, quality initiatives and service centre automation. Our Serialisation+ trial continues to gather pace with over 660,000 pallets now uniquely tagged and on track to reach one million pallets by June 2023. Importantly, our continued progress will allow us to start generating data and insights to unlock the potential benefits and returns of scaling this technology.

"Finally, we are extremely proud of completing our first green bond finance offering in March 2023, raising €500 million to refinance a Eurobond of the same amount that is due to mature in June 2024. Our green bond is the first by an Australian company to be fully dedicated to the circular economy, reflecting our leading sustainability position as a circular business pioneer through our pooling model."

FY23 outlook

Brambles has upgraded its FY23 guidance. For the year ended 30 June 2023, Brambles now expects:

- Sales revenue growth of between 14-15% at constant currency (previous guidance of 12-14%);
- Underlying Profit growth of between 17-19% at constant currency (previous guidance of 15-18%), including ~US\$25 million of short-term transformation costs (FY22: US\$48.4 million);

³ Previously anticipated ~5-6 million additional pallet returns in 2H23 from 'progressive' destocking as outlined in the 1H23 financial results. Current assumptions are dependent on actual pace and extent of destocking and other factors including, but not limited to, prevailing macroeconomic conditions, customer demand and efficiency of global supply chains.

- Free Cash Flow after dividends to be positive (previous guidance for Free Cash Flow after dividends to improve on FY22 but remain a net outflow). The Free Cash Flow after dividends outcome is dependent on currency fluctuations, lumber and pallet pricing, normalisation of inventory levels and flows across global supply chains and other productivity improvements in the asset pool. Free Cash Flow after dividends includes the benefit of the US\$41.5 million of proceeds received in August 2022 from the repayment of the loan receivable from First Reserve; and
- Dividend payout ratio to be consistent with the dividend payout policy of 45-60% of Underlying Profit after finance costs and tax⁴ in US dollar terms.

These financial outcomes are dependent on a number of factors which have been assessed in the context of uncertain trading conditions. These include, but are not limited to, prevailing macroeconomic conditions, customer demand, the price of lumber and other key inputs and efficiency of global supply chains, including the extent of destocking.

For further information, please contact:

Investors:

Raluca Chiriacescu
Vice President, Investor Relations
+44 7810 658 044
raluca.chiriacescu@brambles.com

Suk Hee Lee
Director, Investor Relations
+61 433 343 888
sukhee.lee@brambles.com

Media:

Sandra Tang
Senior Manager, Media & Communications
+61 404 066 107
sandra.tang@brambles.com

Brambles Limited (ASX: BXB) Under the CHEP brand Brambles helps move more goods to more people, in more places than any other organisation on earth. Its pallets, crates and containers form the invisible backbone of the global supply chain and the world's biggest brands trust Brambles to help them transport their goods more efficiently, sustainably and safely. As pioneers of the sharing economy, Brambles created one of the world's most sustainable logistics businesses through the share and reuse of its platforms under a model known as 'pooling'. Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries. The Group employs more than 12,000 people and owns approximately 360 million pallets, crates and containers through a network of more than 750 service centres. Brambles operates in approximately 60 countries with its largest operations in North America and Western Europe. For further information, please visit www.brambles.com

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

⁴ Subject to Brambles' cash requirements.