16 February 2021

Manager, Company Announcements,
Australian Securities Exchange Limited,
20 Bridge Street,
Sydney NSW 2000

**Half Year Ended 31 December 2020**
**Investor Presentation**

Attached is a copy of the Breville Group Limited Investor Presentation for the Half Year Ended 31 December 2020.

The release of this announcement was authorised by the Board.

Yours faithfully

Craig Robinson
Joint Company Secretary
Breville Group Limited
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Master Every Moment™

# Breville Group Limited
(BRG)

## HALF YEAR RESULTS FY21
## Investor Presentation

16th February 2021

Milestone Achieved
CY 2020 Revenue
$1.1 Billion

# Disclaimer

To the extent this Presentation contains any forward-looking statements, such statements are not guarantees of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Breville, its Directors and management, and involve elements of subjective judgement and assumptions as to future events which may or may not be correct. Actual performance may differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements. The forward-looking statements are based on information available to Breville as at the date of this Presentation. Except as required by law, including the ASX Listing Rules, Breville undertakes no obligation to provide any additional or updated information, whether as a result of new information, future events or results or otherwise.



# Group Summary Result

| AUDm | 1H21 | 1H20 | % Chng |
|---|---|---|---|
| **Revenue** | **711.0** | 552.0 | **28.8%** |
| **EBITDA** | **112.4** | 85.2 | **32.0%** |
| **EBIT** | **94.6** | 73.0 | **29.6%** |
| **EBIT margin (%)** | **13.3%** | 13.2% | |
| **NPAT** | **64.2** | 49.7 | **29.2%** |
| **Basic EPS (cents)** | **46.6** | 38.1 | **22.3%** |
| **ROE[1] (%)** | **19.6%** | 22.8% | |
| **Dividend per share (cents)** | **13.0** | 20.5 | **(36.6)%** |
| **Franked (%)** | **100%** | 60% | |
| **Net cash / (debt) ($m)** | **90.6** | (52.9) | |

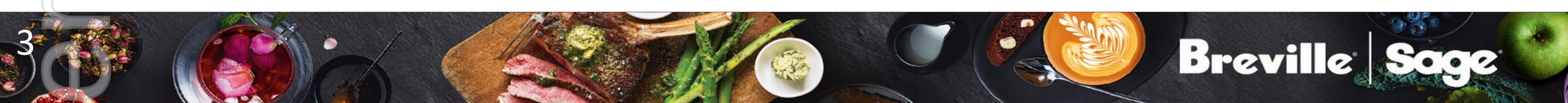
*Minor differences may arise due to rounding*

**Commentary**

- Sustained sales growth across the half
- Improved gross margin
- Opex investments tactically increased
  - Step up in investment in medium-term growth drivers of NPD, IT and GTM
  - Seasonal increase in Bad Debt provision
  - Other costs contained
- EBIT margin stable
- EBIT growth rate accelerated to +29.6% (pcp +15.6%)
- EPS growth reflects capital raise
- Seasonally high net cash position reflects temporarily low working capital and net capital raise

*[1] ROE is calculated based on NPAT for the 12 months ended 31 December 2020 (1H20: 12 months ended 31 December 2019) divided by the average of shareholders' equity in December each year and 12 months earlier. Prior period calculated on a post AASB 16 basis for consistency.*





# Segment Results

| AUDm | REVENUE | | | EBIT[2] | | | EBIT MARGIN (%) | |
|---|---|---|---|---|---|---|---|---|
| | **1H21** | 1H20 | % Chng | **1H21** | 1H20 | % Chng | **1H21** | 1H20 |
| **Global Product** | **592.9** | 442.6 | 34.0% | **79.3** | 59.7 | 32.8% | **13.4%** | **13.5%** |
| ***% Change CC[1]*** | | | *39.2%* | | | | | |
| **Distribution** | **118.1** | 109.4 | 7.9% | **15.3** | 13.3 | 15.3% | **13.0%** | **12.2%** |
| **TOTAL** | **711.0** | 552.0 | 28.8% | **94.6** | 73.0 | 29.6% | **13.3%** | **13.2%** |

**Commentary**

- Global Product segment constant currency revenue growth 39.2% driven by:
  - Double-digit revenue growth across all regions
  - Solid performance across categories
  - Sustained geographic expansion
  - WFH / premiumisation trend
- Sell-In revenue growth matched or surpassed by retailer sell-out growth
- Distribution segment revenue growth 7.9 % driven by double-digit growth in Breville Local offset by lower growth in Kambrook & Nespresso

[1] CC – Constant Currency [2] EBIT shown on a post-AASB 16 basis in both periods



# Segment Results cont'd

| AUDm | GLOBAL PRODUCT SEGMENT REVENUE | | | |
|---|---|---|---|---|
| | **1H21** | 1H20 | **% Chng $A** | **% Chng CC*** |
| **Americas** | **314.9** | 258.6 | **21.8%** | **29.1%** |
| **EMEA** | **145.3** | 94.7 | **53.4%** | **56.1%** |
| **APAC** | **132.8** | 89.3 | **48.7%** | **49.7%** |
| **TOTAL** | **592.9** | 442.6 | **34.0%** | **39.2%** |

**CC – Constant Currency*

**Region Definitions**

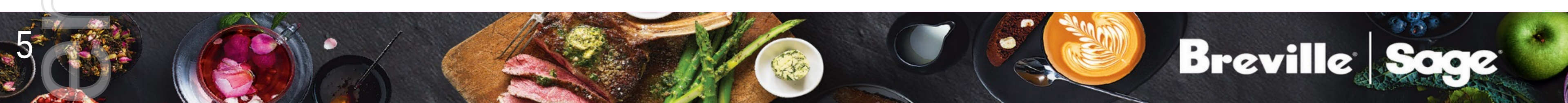
- **Americas:** All countries in North, Central, and South America
- **EMEA:** All countries in Europe (inclusive of Russia), the Middle East, and Africa
- **APAC:** All countries in Australasia, Northeast Asia, Southeast Asia, and South Asia

**Commentary**

**Strong growth in all markets driven by pull through of unit volume and lower discounting.**

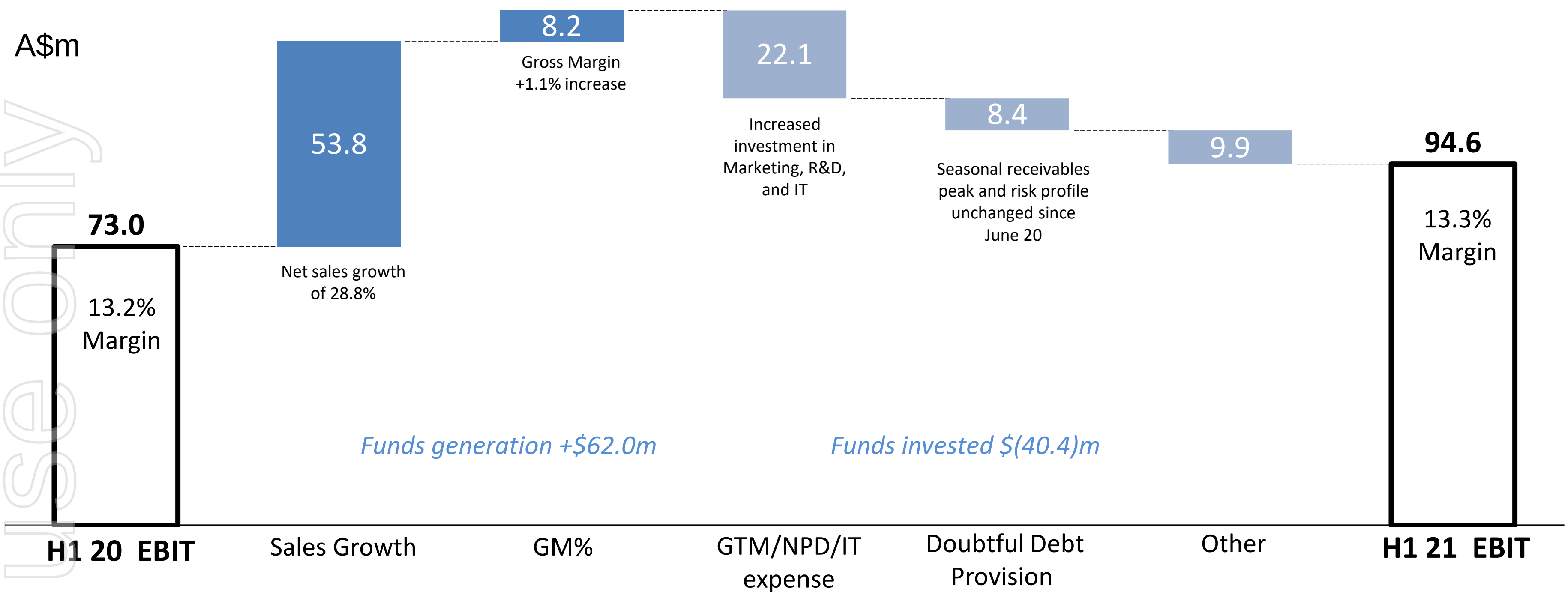
- **Americas:** +$56m. Above trend sell-out growth pulling through sell–in. Strong B2C growth. Bricks-and-mortar retail continued to experience disruption
- **EMEA:** +$51m. Resilient UK growth. Mainland Europe continued to perform well, as did distributor-run markets
- **APAC:** +$44m. Strong performance across the entire region driven by sustained WFH, supply chain management, and consumer access to physical retail
- Gross margins remain comparable across all regions





# Sales Growth Reinvested in Acceleration Platform Drivers

## *EBIT Bridge H1 20-H1 21*




**Commentary**

- Sales growth and gross margin improvement generated ~$62m gross profit increase
- Accelerated investment (+$22.1m, +37% ) in medium-term growth drivers of digital offense, product development, and IT capability
- NPD & GTM as % sales approaching strategic goal of 12% sales during FY21. Investment levels can be flexed in H2 21 depending on sales growth
- Doubtful debt provision flexed up with peak season receivables. Retailers' health remains mixed with cautious insurance market
- Other overheads well controlled
- EBIT margin marginally expanded to 13.3% ; EBIT$ grew by $21.6m

# Financial Position at 31 December

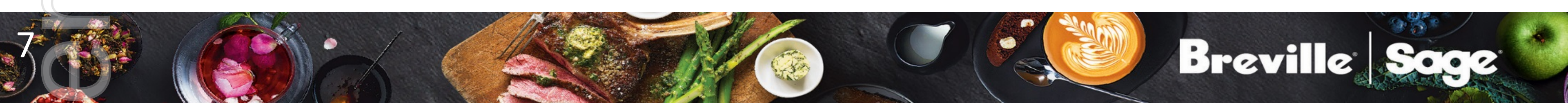
| AUDm | 1H21 | 1H20 |
|---|---|---|
| Inventory | **160.5** | 175.2 |
| Receivables | **270.7** | 257.4 |
| Trade and other payables | **(228.1)** | (174.4) |
| **Working Capital** | **203.1** | 258.2 |
| Fixed assets | **12.2** | 13.4 |
| Intangibles | **237.1** | 160.2 |
| Other (liabilities)/assets (net) | **(53.8)** | (44.7) |
| **NET ASSETS EMPLOYED** | **398.6** | 387.1 |
| Net (Cash) / debt | **(90.6)** | 52.9 |
| Shareholders' equity | **489.2** | 334.2 |
| **CAPITAL EMPLOYED** | **398.6** | 387.1 |
| **ROE %[1]** | ***19.6%*** | 22.8% |
| **ROA%[1]** | ***10.3%*** | 11.4% |

*[1] ROE is calculated as NPAT for the 12 months ended 31 December 2020 (1H20: 12 months ended 31 December 2019) divided by the average of shareholders' equity in December each year and 12 months earlier. ROA is calculated as NPAT for the 12 months ended 31 December 2020 (1H20: 12 months ended 31 December 2019) divided by the average total assets in December each year and 12 months earlier.*

## Commentary

- BRG is an internationally expanding business that structurally invests in working capital to drive organic growth under normal conditions
  - Dec 20 balance of $203m is approximately $95m below "equilibrium" due to short-term trends
  - Inventory levels are supressed by strong sales
  - Receivables growth is below par with temporarily shortened terms, early holiday selling, and provisioning impact
  - Payables reflects business growth and seasonally high rebate provisions
  - It is expected that working capital levels will be rebuilt in CY21 with associated cash outflow
- **Acquired Intangibles:** +$73m (Baratza acquisition)
- **Developed Intangibles**: +$4m reflecting sustained net investment in NPD and Global IT, offset by amortisation and impairment of IOT platform in June 20
- Seasonally strong net cash position due to impact of low working capital +$95m and net impact of May 20 capital raise, less Baratza acquisition +$42m
- **ROA/ROE%:** show continued strong returns on the Group's growth investments

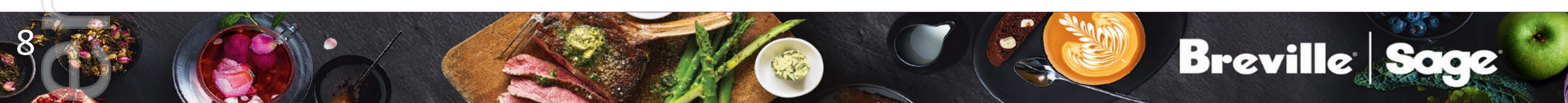




# Key Points 1HFY21

- Throughout the 1H, we experienced strong demand for our Global products in all geographies with the demand spread broadly across our range
- The Distribution Segment growth rate slowed as previously forecast. Breville Local grew double digit, while Nespresso and Kambrook grew single digits
- Increased gross profits were tactically reinvested in marketing, R&D, and IT infrastructure to support continued mid-term growth
- Consistent risk approach to doubtful debts with other costs contained
- The balance sheet is not at equilibrium: Inventory and Receivables are temporarily suppressed and, thus, cash flow is temporarily overstated





- Acceleration Platform Update
- 2H Considerations and FY21 Outlook

# Acceleration Platform Cadence Continues

**US/China Tariffs** | **COVID** | **Brexit**

↓ ↓ ↓

*Tactical Operations Platform*

- Sales and Operations Planning
- Real-time order management
- Real-time credit management

*Strategic Acceleration Platform*

- Geographic Expansion
- New Product Development
- Go-To-Market
- Corporate Platform Rollout
- Strategic Acquisitions
- Balance Sheet Management

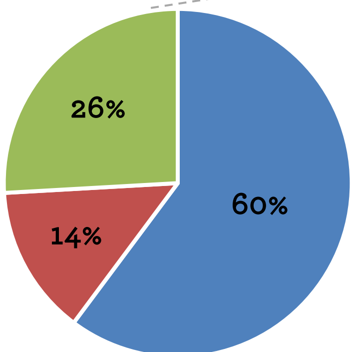
↑

**Continued Investment and Execution Cadence**

# Strategy Driving Geographic Diversification

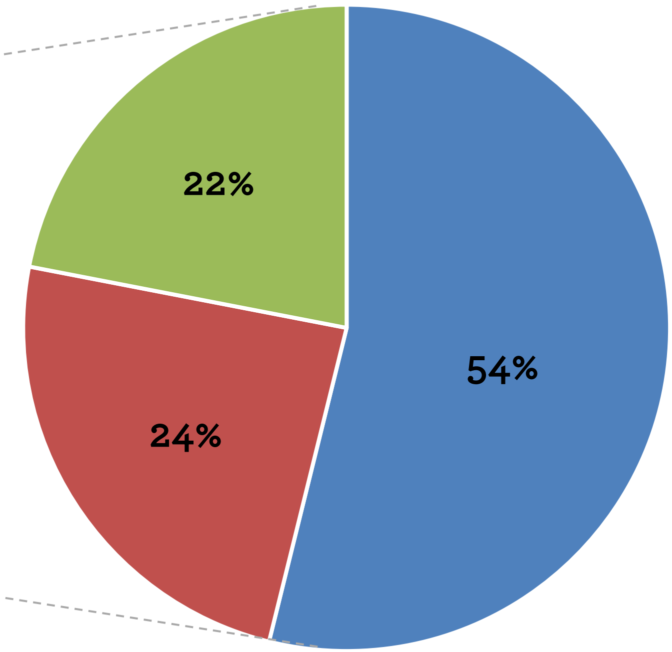
## 1HFY17 Global Product Segment Net Sales

*Total: A$ 265M*




## 1HFY21 Global Product Segment Net Sales

*Total: A$ 593M*

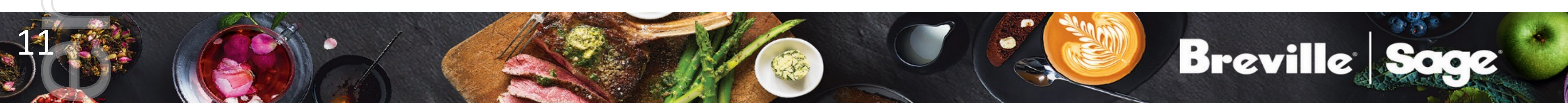



*Global Product Segment*
*4 Year CAGR*: 21%*

| | EMEA | APAC | Americas |
|---|---|---|---|
| *4 Year CAGR** | *39%* | *18%* | *18%* |

***EMEA + APAC is almost equal to the Americas Region. Any shortfall in one region can now be covered by another. EMEA and APAC can cover each other, and EMEA+APAC can cover Americas***

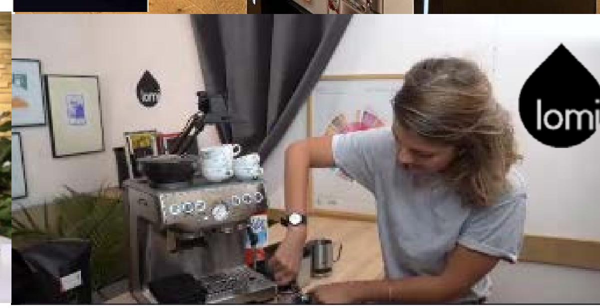
** CAGRs (compound annual growth rate) are calculated in constant currency*



# France Delivered First Holiday Cycle

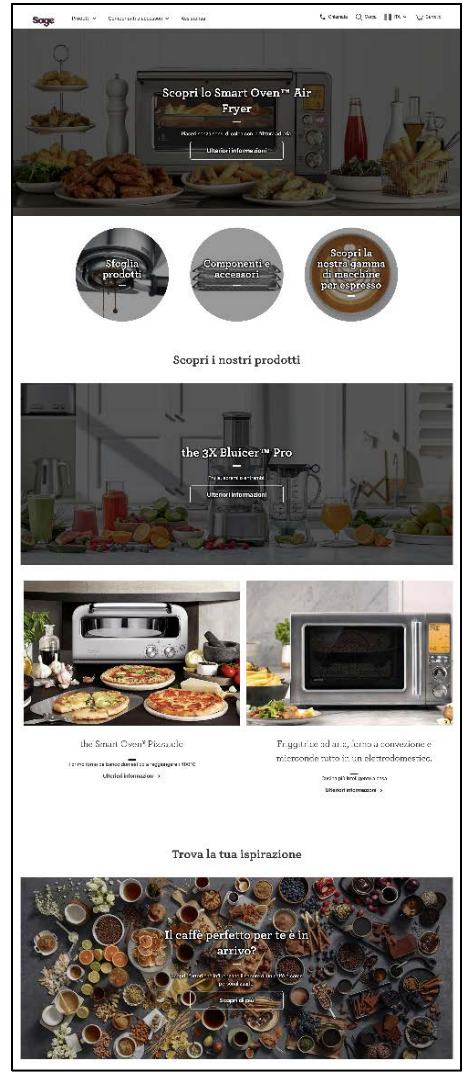







*Despite the complexity of COVID, we are represented in every major premium retailer in France, and we are running Masterclasses in partnership with premium roasters.*

# Mexico, Italy, and Portugal

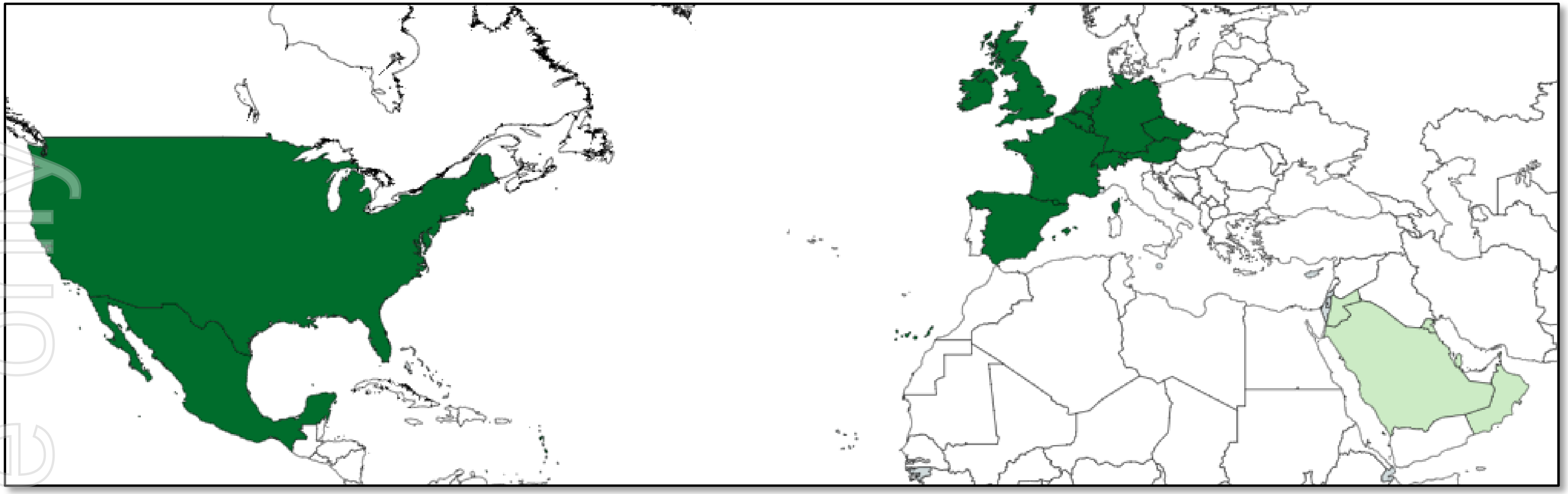

- *Content websites are live for Italy and Mexico (Portugal coming shortly)*
- *Portugal, Italy, and Mexico will all go live with retailers in March-April*





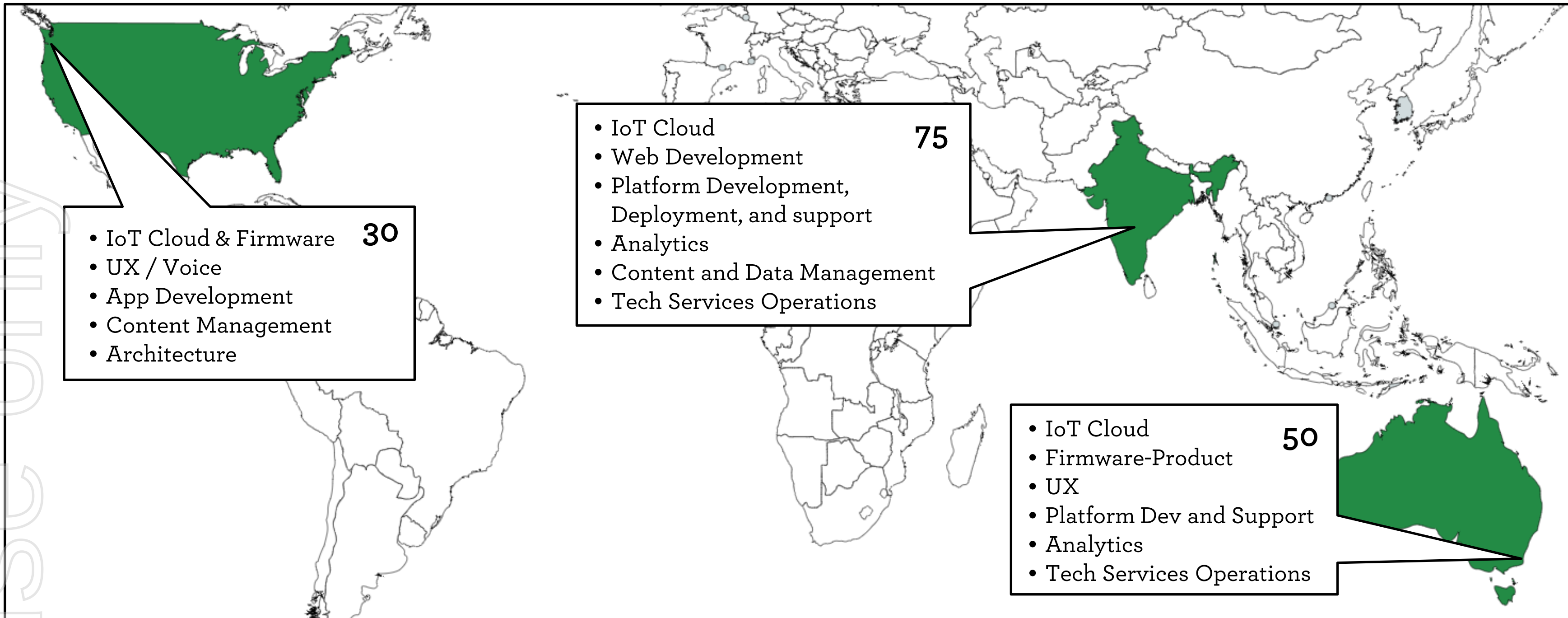
Breville | Sage

# Global Corporate Platform Rollout Continues



- Europe, UK, US, Mexico and Hong Kong now live on new corporate platform, and content website is live in the Middle East
- Remaining Geographies: Italy/Portugal, Canada, New Zealand and Australia

# Global Platform Capability Centres




Breville has built the internal capability to drive its digital platform:

- *Joule Oven Air* and *Beanz.com* 100% internally developed, deployed, and managed
- Internal resources will do 100% of the corporate platform configuration and deployment for Portugal and Italy

Not only will the corporate-wide project re-platform Breville, but we have the internal capability to continue to evolve and improve our digital offense

- Acceleration Platform Update
- 2H Considerations and FY21 Outlook

# 2H21 Considerations

- We expect our constant currency revenue growth rate for the Global Product segment to remain healthy through the 2H21
- Inventory is tight across all geographies. Working to get in front of demand and re-pipeline the channel, but at this point, it's unclear whether this will occur by year end or in FY22
- Inventory cushion built going into Brexit. Experiencing some logistics delays because of Brexit, but we believe we have enough inventory to cover the spread
- Expect to continue to drive investment into NPD, Marketing, and IT infrastructure in the 2H, with the objective of shoring up the acceleration platform for FY22 and FY23

# Dividend Policy & Outlook

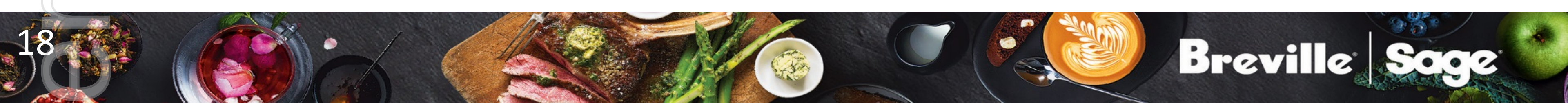
## Dividend Policy

- The Board has resolved to adjust its targeted dividend payout ratio, from approximately 70% to 40% of EPS, having regard to the funding of company growth through geographic expansion (working capital), capital investment (including NPD and customer facing IT Platforms) and selective acquisitions
- The Group will aim to 100% frank its dividends (an increase from historical 60% level)

## Outlook

- Assuming no significant change in economic conditions in the Group's major trading markets, given the encouraging H1 21 performance, we expect EBIT for the full year of FY21 to be approximately $136M, an increase from the guidance we provided at the AGM (AGM guidance $128M-$132M)
- Over the 2H, we expect continued investment in marketing, R&D, and infrastructure projects, consistent with our commitment to continue investing in our long-term strategy for the company





# Breville Group Limited
# (BRG)

## HALF YEAR RESULTS
## FY21
## Investor Presentation

16th February 2021

Milestone Achieved
CY 2020 Revenue
$1.1 Billion