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11 November 2021

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



**Breville Group Limited – 2021 Annual General Meeting Presentation**

Please find attached the Chairman's Address to Shareholders and the CEO's Review of Operations to be delivered at the Annual General Meeting of Breville Group Limited at 10:00am AEDT today.

Authorised for release by the Company Secretary.

A handwritten signature in black ink, appearing to read 'Craig Robinson', on a light-colored rectangular piece of paper.

Craig Robinson  
Company Secretary

Telephone: +61 2 9384 8100

11 November 2021

## Chairman's Address at 2021 AGM

### Slide 3

As I try and assess the Financial Year 2021, I believe that it has been an outstanding year for the Group against a backdrop that none of us could have anticipated.

During FY2021, the Group continued to successfully execute its acceleration strategy, delivering strong top-line growth and double-digit EBIT growth, whilst tactically navigating the unpredictable trading environment caused by the global pandemic impacting our consumers, our customers, our supply chain and our Breville | Sage team.

Our CEO, Jim Clayton, and his global team successfully faced these challenges whilst continuing to invest in our long-term growth drivers of NPD and marketing and continuing our geographic roll out – adding France, Portugal, Italy and Mexico to the territories in which we have direct operations.

### Slide 4

In terms of key numbers, the Group delivered record sales of nearly \$1.2bn, a 24.7% increase over prior year, with revenue in the core Global Product segment increasing by 37% in constant currency.

Group EBIT for the year of \$136.4m, represented a 39.6% increase on the prior year after funding increased investment into R&D, marketing and our IT platform and capability.

Net profit after tax increased by 42.3% to \$91.0m whilst Earnings per share increased by 34.8% to 65.8 cents per share.

The Board approved a full year dividend of 26.5 cents, in line with the previously announced decision to reduce the target payout ratio to 40% to enhance the internal funding of numerous growth opportunities on a sustainable basis.

Net cash at 30 June 2021 was \$129.9m, largely in line with the prior year.

As I said the Group had a very successful FY2021.

### Slide 5

I would now like to take the opportunity to express our gratitude to Jim Clayton and his exceptional Breville | Sage team across the globe who have once again shown nimbleness and resilience in delivering these results.

I would also like to express my appreciation to my fellow Board colleagues and our shareholders, customers and suppliers for their continued support in these unprecedented times.

As for myself, after 17 years on the Board, I have decided to not seek re-election today.

I am extremely proud of the team at Breville. They have built a truly international company, recognised amongst our peers as one of the leading SDA brands in the world. The executive team that Jim leads (across the globe) is world class, and I am sure that their passion and unity will deliver continued growth and success as Breville cements its foothold on the world stage.

I have thoroughly enjoyed my journey with Breville, and, as I pass on the baton, I am confident that the company is well placed for continued success. Tim Antonie has been a Director since 2013, and I am very confident that he will guide the Group from strength to strength.

Finally, I thank you all for your attendance at today's AGM.

Prior to moving to the business of this meeting, I will now handover to our CEO, Jim Clayton to present his Review of Operations.

#### **END CHAIRMAN'S ADDRESS**

### **CEO's Review of Operations at 2021 AGM**

Thank you, Steve. I'd like to welcome everyone to Breville's AGM. Thank you for taking the time to join us.

#### **Slide 7**

Today I am going to walk you through our FY21 Year End Results; give you a short update on the 1H FY22; re-lay the foundation for our migration to solution offerings; show you a video clip for the new Joule Oven Air Fryer Pro; and end with some concluding remarks.

#### **Slide 8**

Given we reported these numbers in August, I will focus on the highlights. FY21 was a dynamic and challenging year as we, like so many other companies, wrestled with the second and third order effects of the global pandemic. Throughout the year we chased a resilient demand line, enabling us to report \$1,187.7m in revenue, a 24.7% increase on the prior year. Crossing the \$1bn mark has been a goal of ours for quite some time, so it was good to finally reach it.

The strong demand flowed through to a strong gross margin of 34.8%, resulting in an EBIT of \$136.4m, a 24.1% increase over the prior year on a normalised basis.

#### **Slide 9**

Breaking down the revenue across the two segments, the Global Product segment grew 37.0% in constant currency, and the Distribution segment grew at 8.4%.

## Slide 10

All three theatres delivered solid growth numbers in the Global Product segment: the Americas grew 27.6% in constant currency; EMEA grew 58.4%; and APAC grew 37.4%. This growth is a reflection of the “global” nature of the pandemic effects as well as the flexibility and adaptability of our supply chain processes.

## Slide 11

The EBIT bridge between FY20 and FY21 shows we generated an incremental \$93.1m of Gross Profit, driven by both sales growth and margin improvement. Of this, we invested \$49m in the growth drivers of the business; spent an incremental \$17.6m on other functions; and dropped an incremental \$26.5m to the EBIT line.

During our year-end reporting, we stated that we pulled investment projects forward into FY21. I'll have more detail to share on this topic in February when we report our 1H for FY22.

## Slide 12

The balance sheet tells the story of FY21. Net Working Capital is basically flat across FY20 and FY21, despite the business growing 24.1%. Inventory is lower than it should be because of a demand line well above our original plan for the year. Receivables is lower than it should be, driven by the shutting down of the Yantian port in the back half of the year, which prevented us from moving products into the Theatres and selling them on to our customers. Taken together, this left us with slightly more cash in FY21 than we had in FY20.

To state the obvious, this is not an equilibrium balance sheet. This is the balance sheet of a company chasing demand. Supply chain permitting, we hope to remedy some or all of this by the end of FY22.

## Slide 13

A quick update from the front lines on our experience thus far in the 1H of FY22.

## Slide 14

Demand from our consumers and customers continues to be solid.

On the supply side of the equation, our forward planning process has helped us avoid the lion's share of parts and manufacturing-related shortfalls experienced by so many others.

For us, the challenges have been primarily logistics-related across the supply chain. Logistic steps that used to take 1 week can now take up to 4-6 weeks. In all countries except the US, our in-country inventory positions are enabling us to absorb most of these delays and continue to flow with our retail partners. In the US, because of the LA port delays, we are running more of a real-time offense across

some SKUs. When the containers are delivered to our warehouse, they are unloaded and immediately shipped out to retailers.

Forward planning coupled with hard work and agility has kept us “on plan” year to date. The team’s focus for the rest of the half will be moving product through the system to our retail partners to meet end-consumer demand.

A solid demand line with a dynamic supply chain has caused us to move our planned inventory rebuild to the 2H FY22 with the goal of calming down the supply chain and preparing for the peak season of FY23.

While it may differ at the detail level, at the aggregate, the 1H FY22 is unfolding in line with our expectations.

#### **Slide 15**

Now on to the solution discussion.

#### **Slide 16**

As Breville matures into a global company, we are increasing the sophistication of our offense, getting closer to the customer with each step.

This slide shows our migration up the customer value curve, and we are now learning how to execute a solution offense.

#### **Slide 17**

In FY19, we acquired ChefSteps. The core thesis behind the transaction was the Joule Oven Air Fryer Pro. The Breville team innovates through hardware, with the goal of helping our customers achieve greater success in the kitchen. ChefSteps had the same objective, but they used content as their tool. In truth, both were right, but the real magic for customers comes when you put them together. This is where our Solutions Platform enters the stage.

As I hope you will see in the video clip, by seamlessly weaving hardware innovation, content, service and software, we are able to help our customers achieve outcomes in the kitchen they didn’t think they were capable of; thus, enabling them to “Master Every Moment”.

#### **Slide 18**

With that setup, let’s cut over to the video clip.

## Slide 19

The Joule Oven Airfryer Pro is our down payment on our migration to selling solutions. The oven is currently in beta in customers' homes and we are getting really positive feedback. We are looking forward to climbing the learning curve with our customers on our new connectivity platform.

To close, I'd like to thank our customers and our partners for the support and flexibility they have shown during what was a challenging year for everyone across the entire value chain.

I'd like to thank every single employee at the company, both new and old, for the relentless focus on our customers and the exceptional teamwork that they showed in FY21. It was "Mateship" at its best. It is in the toughest of times that true colours are shown, and I could not be prouder of what I saw throughout the entire year. I feel privileged to be a part of this team.

It is with a heavy heart that I wish our departing Chairman, Steve Fisher, the best of times. While I did not have the privilege of working with Steve for all 17 of his years, I was fortunate enough to get 6 of them. Steve was an outstanding Chairman for Breville – one need only look at the share price performance over his tenure to see the value he added. On a more personal level, Steve has been an invaluable mentor. He provided sage advice and direction when I needed it and support when it was warranted – a perfect balance.

I will miss the South African humour in the room, but after 17 years, he has surely earned his right to pass the baton. Steve, may your drives be long and straight – at least off the first tee when everyone is watching. Know that you will be missed.

Likewise, I'd like to welcome Tim Antonie to his new role as Chairman. We have worked together closely for over six years, and I look forward to continuing Breville's globalisation efforts under his guidance.

Thank you again to everyone for joining us today, and I will now hand back to Steve for the rest of the agenda.

## Disclaimer

To the extent this release 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. A number of important factors could cause actual results or performance to differ materially from these forward looking statements. Any forward looking statements are based on information available to Breville as at the date of this release. 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.



# Breville Group Limited



## Annual General Meeting

11<sup>th</sup> November 2021

Breville | Sage

# Chairman's Address

Mr. Steven Fisher





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“An outstanding year for  
Breville in the face of  
unprecedented circumstances ”



# Group FY21 Results Summary

	FY21	% change from FY20
Revenue	\$1,187.7m	24.7%
Earnings before interest at tax (EBIT)	\$136.4m	39.6%
Net profit after taxation (NPAT)	\$91.0m	42.3%
Basic earnings per share (EPS)	65.8 cps	34.8%
Dividends per share (DPS)	26.5 cps	(35.4)%
Net Cash	\$129.9m	PY 128.5m



# Thank You

- Breville | Sage team
- Board colleagues
- Suppliers, customers and consumers
- Valued shareholders



# Jim Clayton



# AGM Agenda



- **The Numbers**
- **1HFY22 Update**
- **Solution Discussion & Demonstration**
- **Closing Remarks**

Personal use only



# Group Summary Result

AUDm	FY21 <sup>1</sup>	FY20 <sup>1</sup>	% Chng
Revenue	1,187.7	952.2	24.7%
Gross Profit	413.7	320.6	29.0%
Gross margin	34.8%	33.7%	
EBITDA	163.3	120.1	36.0%
EBIT	136.4	97.7	39.6%
NPAT	91.0	63.9	42.3%
EPS	65.8	48.8	34.8%

Normalised EBIT <sup>2</sup>	136.4	109.9	24.1%
Normalised NPAT <sup>2</sup>	91.0	72.7	25.1%
Normalised EPS <sup>2</sup>	65.8	55.6	18.3%

Dividends per share (cents)	26.5	41.0	(35.4)%
• Interim	13.0	20.5	
• Final	13.5	20.5	
Franked (%)	100.0%	60.0%	

Net cash (\$m)	129.9	128.5	1.1%
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## Commentary

- Record Group sales reaching ~\$1.2bn
- Improved gross margin with higher average selling price offsetting input cost inflation
- EBIT growth rate +39.6%, or +24.1% against normalised FY20 (pcp +16.2%)
- EPS growth +34.8%
- Full year dividend 26.5c, 100% franked, in line with revised 40% payout ratio to support continued funding of growth agenda
- High net cash position reflects continued low working capital that should reverse in FY22

<sup>1</sup>FY21 and FY20 reflects the impact of the new IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements ("SaaS accounting"). This has decreased FY21 EBITDA by \$10.3m (FY20: \$6.5m) and EBIT by \$6.1m (FY20: \$3.2m).

<sup>2</sup>FY20 shown normalised for impact of both abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing) in Q4 2020. Net impact on EBIT +\$12.2m, NPAT +\$8.8m, EPS +6.8c. No normalisation of FY21 result.





# Segment Results

AUDm	REVENUE			EBIT			EBIT MARGIN (%)	
	FY21	FY20	% Chng	FY21	FY20 <sup>1</sup>	% Chng	FY21	FY20 <sup>1</sup>
Global Product	984.2	764.4	28.7%	111.1	87.0	27.7%	11.3%	11.4%
% Change CC <sup>2</sup>			37.0%					
Distribution	203.5	187.8	8.4%	25.3	22.9	10.6%	12.4%	12.2%
TOTAL	1,187.7	952.2	24.7%	136.4	109.9	24.1%	11.5%	11.5%

## Commentary

- Global Product segment constant currency revenue growth of 37.0%
- Work-from-home conditions and continued geographic expansion offsetting the impact of intermittent supply challenges
- Distribution segment driven by strong growth in Breville Local, offset by lower growth in Kambrook & Nespresso
- Incremental Distribution segment profits reinvested into Global segment

<sup>1</sup> FY20 shown normalised for impact of both abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing) in Q4 2020. Net impact on EBIT +\$12.2m. No normalisation of FY21 result

<sup>2</sup> CC – Constant Currency



# Global Segment Revenue by Theatre

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	FY21	FY20	% Chng \$A	% Chng CC*
Americas	493.0	422.3	16.7%	27.6%
EMEA	257.0	170.0	51.2%	58.4%
APAC	234.2	172.1	36.1%	37.4%
TOTAL	984.2	764.4	28.7%	37.0%

\*CC – Constant Currency

## Group

- Growth in constant currency strong in both halves >30%
- Strong denominator to be lapped in FY22
- Gross margins remain comparable across Theatres

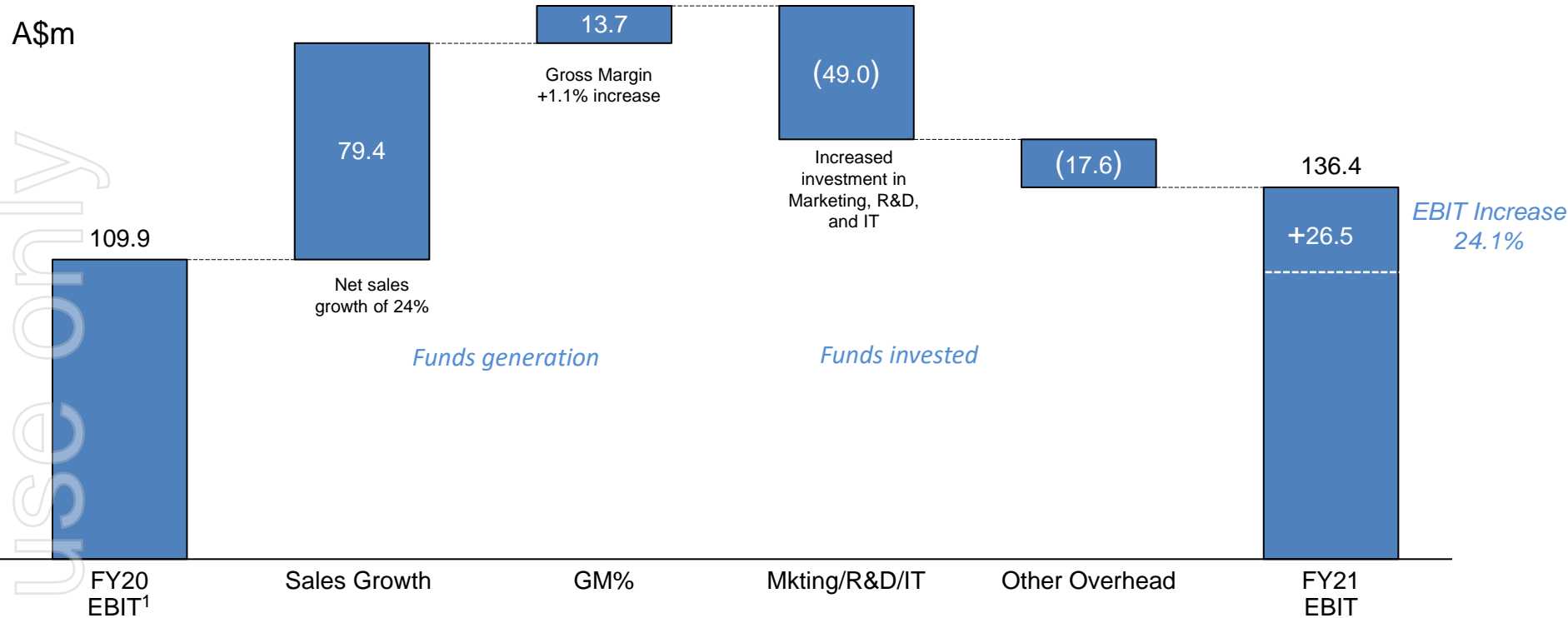
## Theatres

- **Americas:** +\$71m and 27.6% cc sales growth. Consistent above trend sell-out growth supporting sell-in growth. Operations in Mexico commenced in Q4. Bricks-and-mortar retail largely now open. Some transportation-led inventory constraints in Q4. Weaker USD in H2 dampens A\$ reported growth
- **EMEA:** +\$87m and 58.4% cc sales growth. Europe, both new and existing markets, continuing to perform well. France entry completed in Q1, and Portugal and Italy entered in Q4. Some transport led inventory constraints in Q4
- **APAC:** +\$62m and 37.4% cc sales growth. Strong performance across the entire region driven by sustained WFH, supply chain management, and consumer access to physical retail. Slower H2 (+24.3%) after remarkable H1 (+49.7%). Inventory largely restored to equilibrium levels



# EBIT Bridge FY20 - FY21

## Sales & Margin Gains Reinvested in Growth Drivers



### Commentary

- Sales growth and gross margin improvement generated an incremental \$93m gross profit
- Incremental Gross Profit and operating leverage reinvested in medium-term growth drivers
- Increased investment in marketing, R&D and IT by \$49m or 43% over prior year
- Other overheads well controlled, declining as % sales from 10.3% in FY20 to 9.6% in FY21
- EBIT margin stable at 11.5%; EBIT\$ grew by \$27m or 24.1%

<sup>1</sup> FY20 shown normalised for impact of both abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing) in Q4 2020. Net impact on EBIT +\$12.2m. No normalisation of FY21 result

# Financial Position at 30 June

AUDm	FY21	FY20 <sup>1</sup>
Inventory <sup>2</sup>	216.7	153.7
Receivables	119.3	156.1
Trade and other payables	(175.8)	(147.9)
<b>Working Capital</b>	<b>160.2</b>	161.9
Fixed assets	14.4	13.5
Intangibles	229.8	144.0
Other (liabilities) / assets	(27.9)	(32.8)
<b>NET ASSETS EMPLOYED</b>	<b>376.6</b>	286.6
Net (Cash) / debt	(129.9)	(128.5)
Shareholders' equity	506.5	415.1
<b>CAPITAL EMPLOYED</b>	<b>376.6</b>	286.6

<b>ROE %<sup>3</sup></b>	<b>19.7%</b>	17.9%
<b>ROA %<sup>4</sup></b>	<b>13.0%</b>	11.3%

## Commentary

- Working capital below equilibrium by ~\$80m
  - Inventory recovering, but a high proportion still in transit due to Yantian and Suez incidents and inbound port delays
  - Receivables below prior year due to improved debtor days (75days→62days), exchange rate, and constrained Q4 deliveries
  - Payables growing in line with business
- Increase in intangibles +\$85.8m driven by
  - Baratz acquisition (+\$81.6m)
  - Continued NPD investment
- Net cash of \$130m
  - Significant outflow planned for FY22 as working capital normalises
- Adequate working capital debt facilities in place
- ROE/ROA showing good returns on invested capital

<sup>1</sup> FY20 balance sheet has been restated to reflect adoption of IFRIC agenda decision on SaaS accounting

<sup>2</sup> FY21 Inventory comprises \$142.1m in warehouse and \$74.6m in-transit; FY20 \$127m in warehouse and \$27m in-transit

<sup>3</sup> ROE is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of shareholders' equity.

<sup>4</sup> ROA is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of total assets.

# AGM Agenda

- The Numbers
- ➔ • 1HFY22 Update
- Solution Discussion & Demonstration
- Closing Remarks

# 1HFY22 Update

- Consumer and retailer demand continues to be solid
- Supply chain challenges experienced across geographies - primarily logistics related
- Year-to-date on plan. Operational focus for remainder of 1H 22 is to meet end-consumer demand
- Inventory rebuild still planned but phased back to 2H 22 in preparation for peak season FY23.

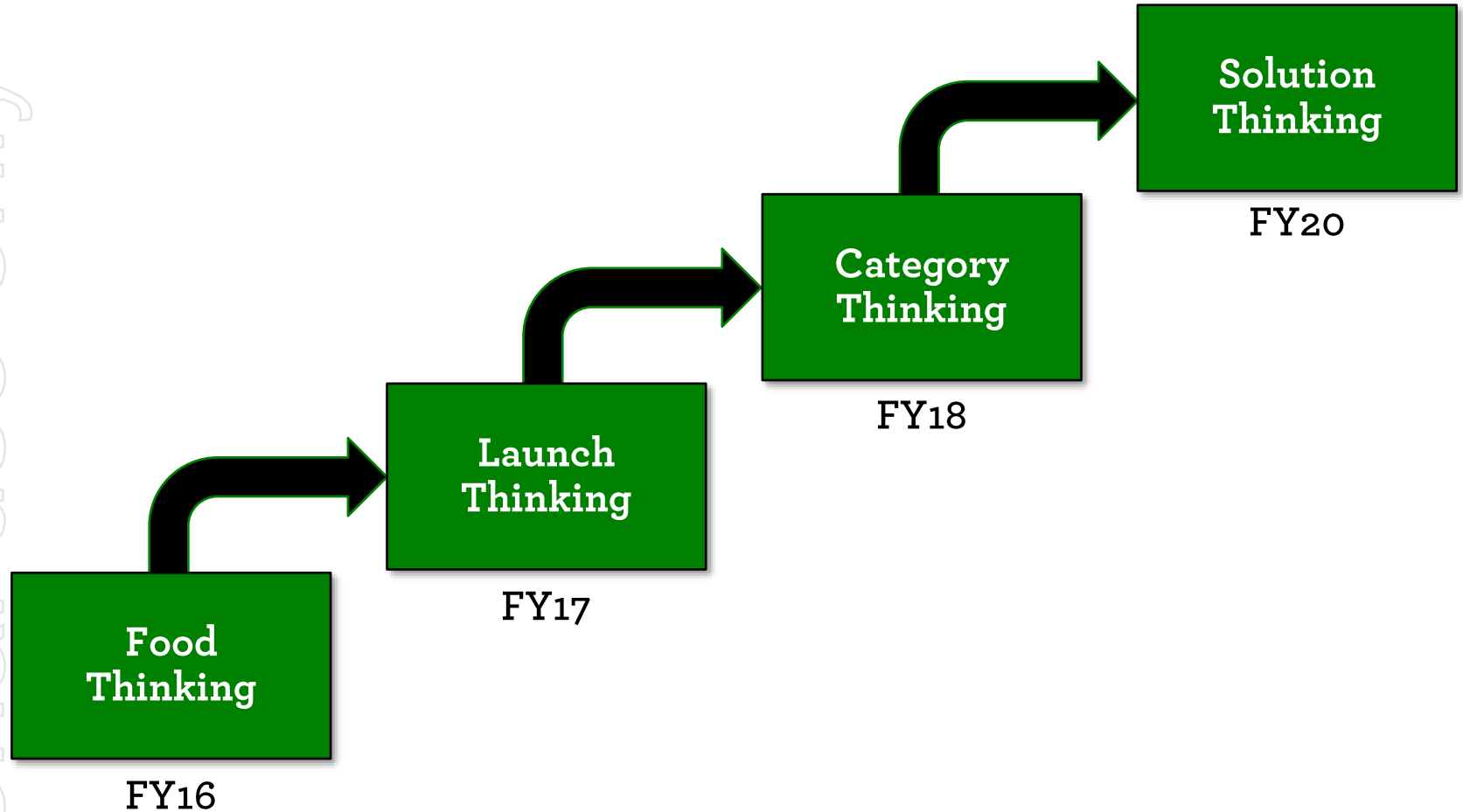
*Overall 1H 22 is unfolding in line with management expectations*



# AGM Agenda

- The Numbers
- 1HFY22 Update
- ➔ • Solution Discussion & Demonstration
- Closing Remarks

# Breville's Value Journey



# Joule Oven Air Fryer Pro: FY21 Launch

## Ecosystem

### Product



### Content



### Platform

## Standards-based IoT Platform



- Chefs
- 1,000,000 users of Chefsteps.com (user generated content)
- Breville Smart Oven Air Customers

# *Joule Oven Air Fryer Pro Demonstration*



# AGM Agenda

- The Numbers
- 1HFY22 Update
- Solution Discussion & Demonstration
- ➔ • Closing Remarks

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# Breville Group Limited



## Annual General Meeting

11<sup>th</sup> November 2021

**Breville | Sage**