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23 August 2022

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000



Full Year Results Investor Presentation – Year Ended 30 June 2022

Attached is a copy of the Breville Group Limited Full Year Results Investor Presentation for the year ended 30 June 2022.

The release of this announcement was authorised by the Board.

Yours faithfully

Handwritten signatures of Sasha Kitto and Craig Robinson in black ink.

Sasha Kitto and Craig Robinson
Joint Company Secretaries

For personal use only

Breville Group Limited (BRG)

Full Year FY22 Results Investor Presentation

23rd August 2022



an Aboriginal Culinary Journey™

Designed and Engineered in Australia

Breville | **Sage** **90**
YEARS

ersonal use only

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.



Acknowledgement of Country

We would like to acknowledge and pay respects to the traditional custodians of the land and waters on which we work, the Gadigal People of the Eora Nation, and to their elders, past, present and emerging.

We celebrate the continuing contribution of their food culture, and seek to support it, in Australia and the world.



Group Summary Result

Solid Year in line with guidance

AUDm	FY22	FY21	% Chng
Revenue	1,418.4	1,187.7	19.4%
Gross Profit	485.9	413.7	17.5%
Gross margin (%)	34.3%	34.8%	
EBITDA	186.8	163.3	14.4%
EBIT	156.4	136.4	14.6%
EBIT margin (%)	11.0%	11.5%	

Commentary

- Solid year of sales growth in a dynamic environment.
- Gross margin well managed with Global segment pricing power leveraged to protect margins.
- Opex remains focused on growth drivers of marketing, R&D and technology. Spend aligned with gross profit generation.
- EBIT guidance of \$156m met with sustained double digit EBIT growth +14.6%.
- Dividend, 100% franked, reflecting full year target payout ratio of 40% of EPS.
- Cash: reflects planned re-build of working capital plus successful pull forward of inventory to partially de-risk 1H 23.

NPAT	105.7	91.0	16.2%
Basic EPS (cents)	75.9	65.8	15.3%
Dividend per share (cents)	30.0	26.5	13.2%
Franked (%)	100%	100%	
ROE¹ (%)	18.9%	19.7%	
Net cash / (debt) (\$m)	(4.1)	129.9	

Minor differences may arise due to rounding

¹ ROE is calculated based on NPAT for the 12 months ended 30 June 2022 (FY21: 12 months ended 30 June 2021) divided by the average of shareholders' equity in June each year and 12 months earlier.

Segment Results

AUDm	Revenue			Gross Profit			Gross Margin (%)	
	FY22	FY21	% Chng	FY22	FY21	% Chng	FY22	FY21
Global Product	1,178.5	984.2	19.8%	428.7	362.9	18.2%	36.4%	36.9%
% Change CC¹			18.0%					
Distribution	239.9	203.5	17.9%	57.2	50.8	12.5%	23.8%	25.0%
TOTAL	1,418.4	1,187.7	19.4%	485.9	413.7	17.5%	34.3%	34.8%

Minor differences may arise due to rounding

¹ CC – Constant Currency

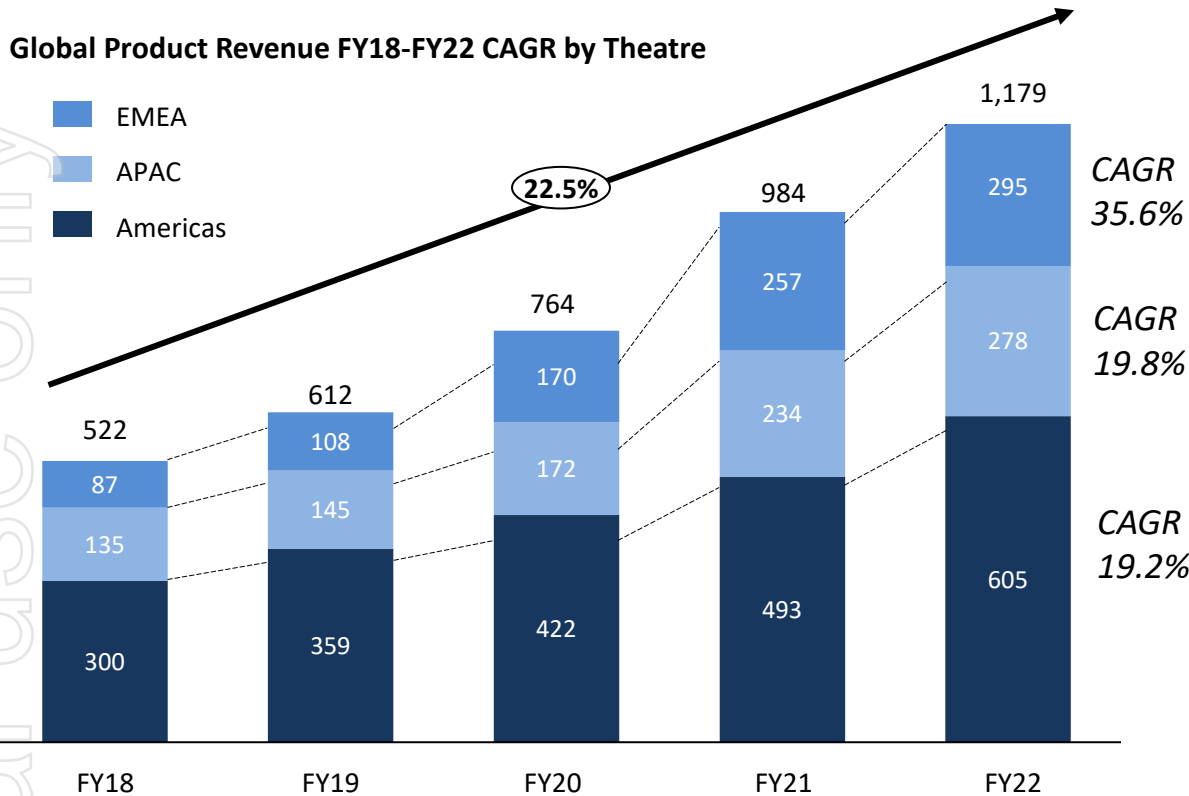
Commentary

- Global Product segment delivered resilient constant currency revenue growth of 18.0% following 37.0% in pcp and 20.1% in FY20. Over 92% constant currency growth in 3 years.
- Pricing power successfully leveraged to protect GM% in Global Product segment despite inflationary pressures from FOB and freight cost.
- Distribution segment growth driven by Nespresso, with restored inventory, and solid growth in Breville Local, offset by lower growth in mass market Kambrook.
- GM% for lower priced, bulkier products in the Distribution segment more affected by inflationary pressures.
- Incremental Distribution segment profits reinvested into Global Product segment.

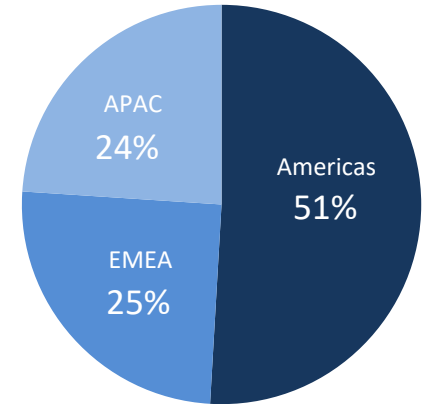


Global Product Segment Revenue by Theatre

4-year-CAGR of 22.5% more than doubling size of business



FY22 Global Product Revenue by Theatre



- Consistent business strategy has delivered sustained revenue growth across all Theatres, while simultaneously increasing regional diversification.
- Business has more than doubled in 4 years with key drivers of geographic expansion, NPD and marketing.
- NPD in play in FY23 / FY24.
- Geographic expansion – South Korea and Poland new in FY23; Mexico, Portugal and Italy in their second year.



Global Segment Revenue by Theatre

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	FY22	FY21	% Chng	% Chng CC*
Americas	605.0	493.0	22.7%	19.4%
EMEA	295.1	257.0	14.8%	15.1%
APAC	278.4	234.2	18.9%	18.2%
TOTAL	1,178.5	984.2	19.8%	18.0%

Minor differences may arise due to rounding

**CC – Constant Currency*

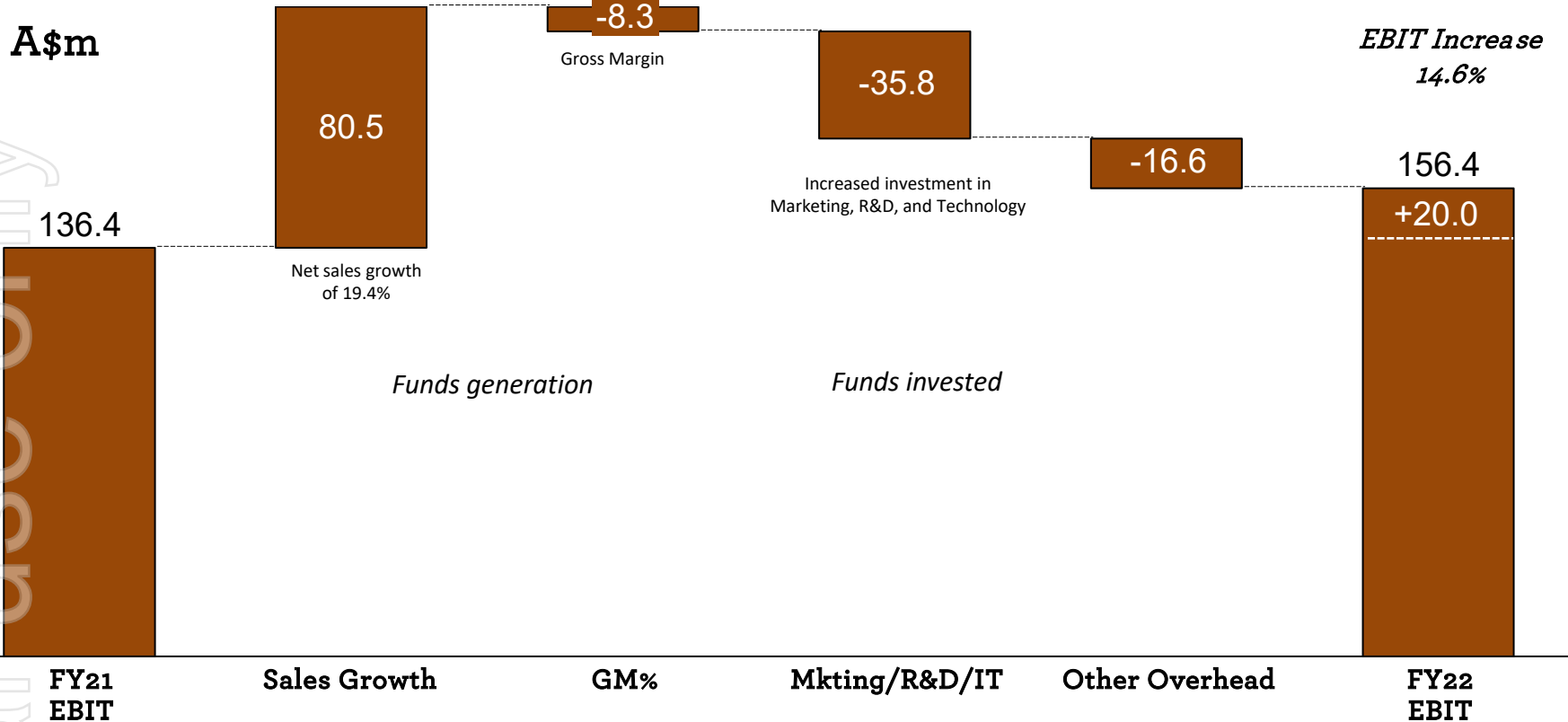
All Theatres delivered solid growth in FY22 with 2H22 strength in Americas partially offsetting softness in EMEA.

Theatres

- **Americas:** +\$112m and 19.4% cc sales growth. Resilient consumer sell-out growth in Breville's largest region delivered 2H 22 growth of 32.0% (24% in cc). Inventory largely normalised with pull forward partially de-risking 1H 23. NPD tail wind in FY23.
- **EMEA:** +\$38m and 15.1% cc sales growth. Consumer sell-out softness since Ukraine invasion, accentuated by retailer destocking, led a 2H22 sales decline of (15.9)%. Promotion lever has not been activated. NPD and geographic expansion (Poland) will provide support to FY23.
- **APAC:** +\$44m and 18.2% cc sales growth. Solid performance in both sell-in and sell-out. Inventory largely restored to equilibrium levels. Strong start for new product in New Zealand, which launched in Australia in July 2022. South Korea live as of June 22.

EBIT Bridge FY21 - FY22

Sales gains reinvestment in Growth Drivers well managed



Commentary

- Another well managed year with \$36m or 50% of growth in gross profits actively re-invested in medium term growth drivers whilst still delivering a 15% growth in EBIT.
- Demonstrated ability to align spend with sales in 2H22, delivering EBIT guidance.
- Other overhead investment related to supply chain costs and investments in the team.



Financial Position at 30 June

Balance Sheet Normalising

AUDm	FY22	FY21
Inventory ¹	445.9	216.7
Trade and other receivables	194.2	119.3
Trade and other payables	(292.3)	(175.8)
Working Capital	347.8	160.2
Fixed assets	33.5	26.8
Intangibles	241.0	217.4
Other (liabilities) / assets	(3.9)	(27.8)
NET ASSETS EMPLOYED	618.5	376.6
Net (Cash) / debt	4.1	(129.9)
Shareholders' equity	614.4	506.5
CAPITAL EMPLOYED	618.5	376.6

Minor differences may arise due to rounding

ROE % ²	18.9%	19.7%
ROA % ³	10.7%	13.0%

Commentary

- Core working capital back in line with equilibrium.
- Supplemented by successful inventory pull forward to partially de-risk 1H23.
- Normal September peak inventory now seen in June.
- Receivable days well controlled at 61 days.
- Payables balance also reflects inventory pulled forward.
- Increase in fixed assets led by tooling investment to accelerate release of new products. Intangibles driven by sustained strategic investment in NPD pipeline.
- Net cash outflow as working capital was rebuilt plus partial pull forward of 1H23 inventory.
- Working capital debt facilities remain in place.
- ROE/ROA reflecting solid returns on invested capital.

¹ FY22 Inventory comprises \$338.3m in warehouse and \$107.6m in-transit; FY21 \$142.1m in warehouse and \$74.6m in-transit.

² ROE is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of shareholders' equity.

³ ROA is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of total assets.

Key Take Outs from FY22

- Solid performance in dynamic times with consistent strategy and tactical nimbleness doubling the business in 4 years.
- 19.4% sales growth in FY22 on prior year growth of 24.7%.
- Strength in portfolio diversity - 2H strength in Americas partially offsetting 2H EMEA softness as consumers react to Ukraine invasion.
- New Product launches re-energized as a growth driver for FY23-FY24.
- Gross margin % well managed with demonstrated pricing power in Global Product segment offsetting inflationary pressures in FOB and freight costs.
- Operating leverage again reinvested in marketing, R&D, and systems capability to support mid-term growth. Proven ability to align spend to revenue trajectory.
- As planned, working capital normalised in FY22, and ongoing supply chain risk was partially mitigated by successfully pulling forward some 1H23 peak inventory.
- EBIT delivered in line with guidance of \$156m.



- ersonal use only
- ➔ • How to think about Breville inventory
 - Is \$446m high or low?
 - Are inventory levels correlated to future gross margins?
 - 1H23 new products
 - Aboriginal culinary journey
 - Continuous new capability release
 - Additional 1H23 new products

Is \$446M of Inventory High or Low?

For June '22—neither—it's a deliberate choice

1H22		1H23	
Dec '21 Inv	\$293M	Dec '22 Inv	\$ X M
+ 1H22 COGs	\$516M	+ 1H23 COGs	<u>\$ Y M</u>
- Jun '21 Inv	\$217M	- Jun '22 Inv	\$446M
= Total Landed Jun-Dec	\$592M	= Total Landed Jun-Dec	<u>\$ Z M</u>

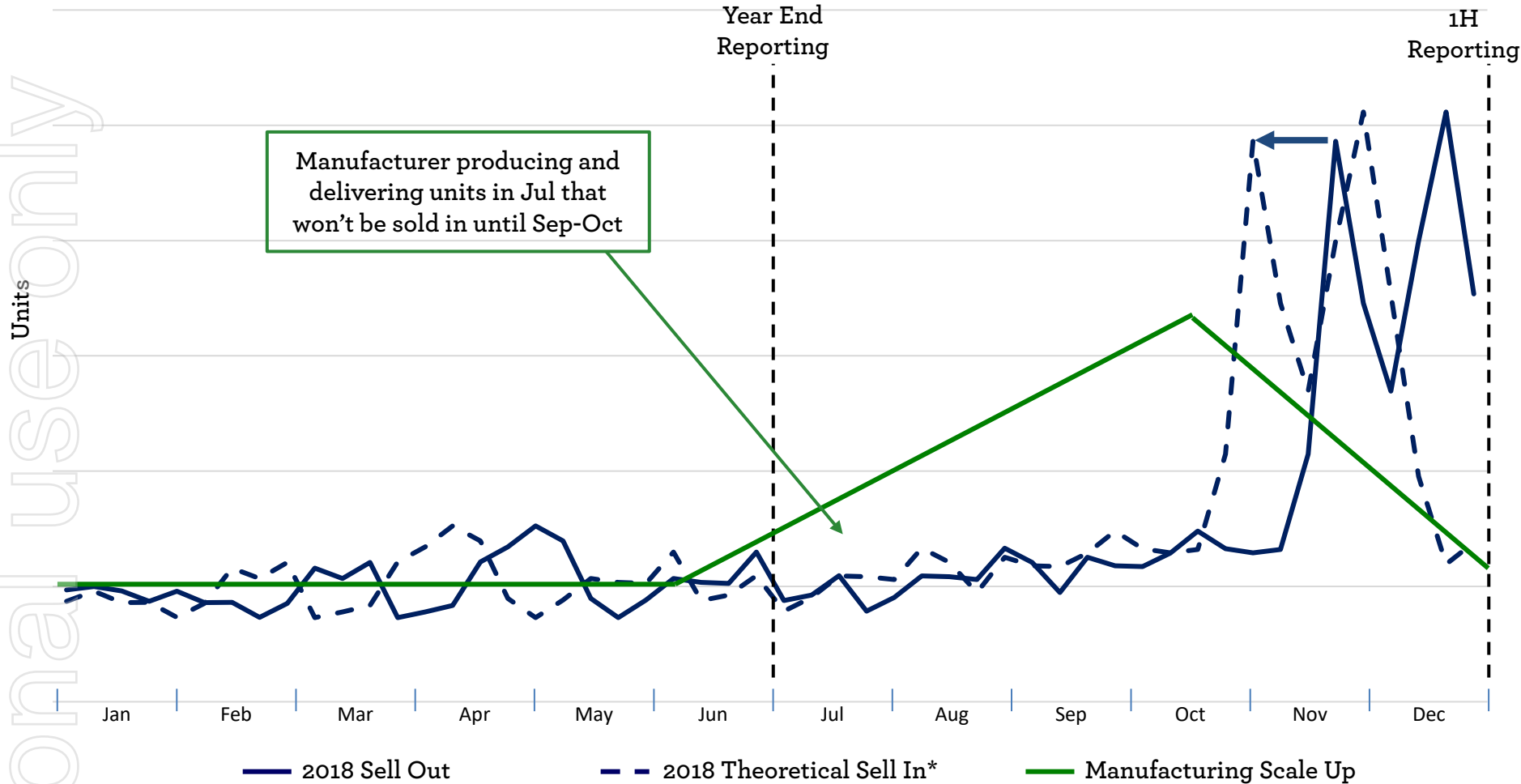
While we have de-risked the supply chain for 1H23 vs. 1H22, particularly for the US, we still have quite a bit of product to make and land to deliver 1H23



High Season Build Cycle

Illustrative

Single Global Product SKU across ANZ, NA, and EU in 2018



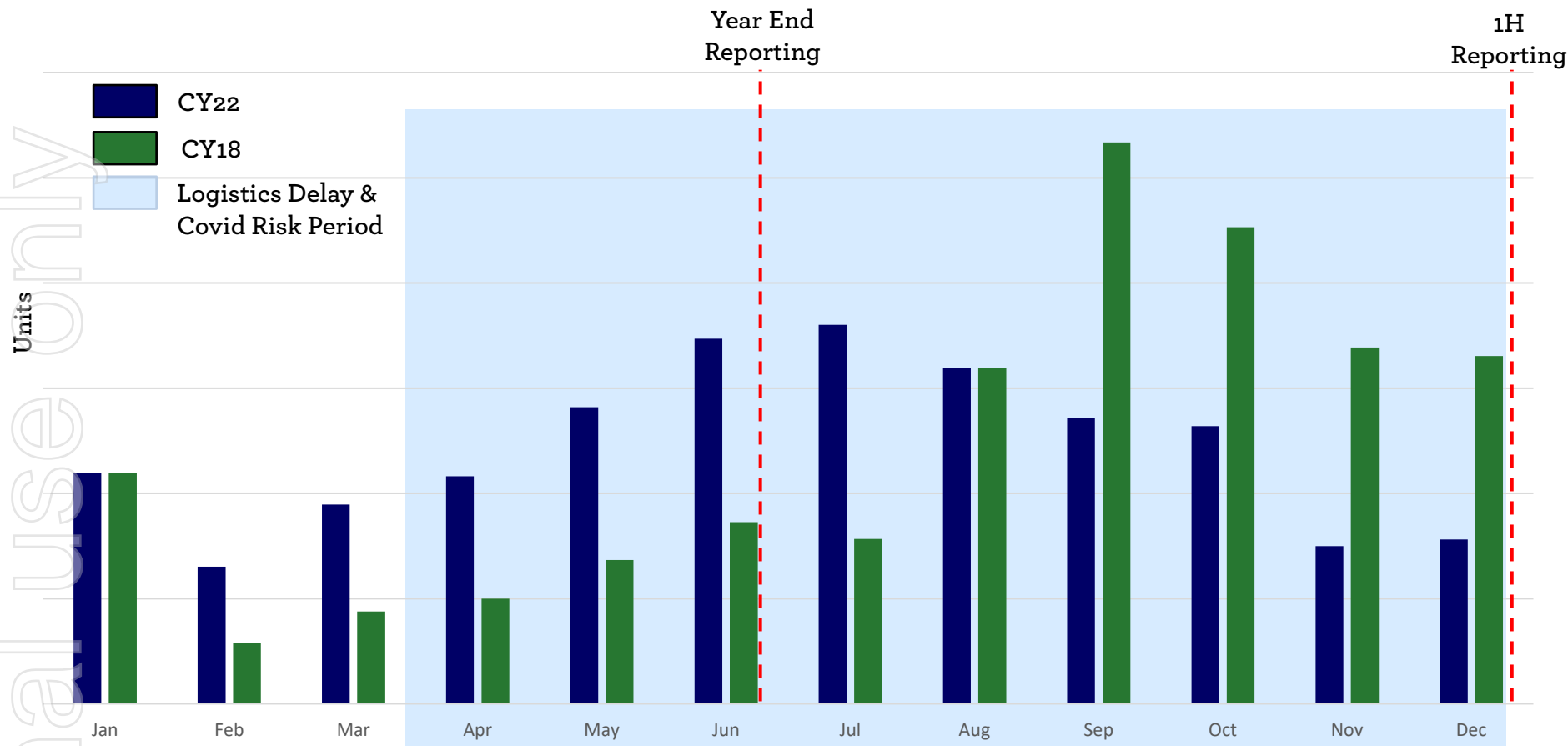
* Sell in is BRG sales to retailers in units. Analysis assumes 4 week delay between sell in and sell out, implying retailers accurately predicting forward sell out.



CY22 Purchase Pattern vs. CY18

Illustrative

Single Global Product SKU across ANZ, NA, and EU



- Illustrative example of what the purchase pattern would look like if we bought CY18 units in our CY22 purchase pattern.
- In this example, the total purchases for the year are exactly the same. The amount of Holiday inventory is a deliberate decision, as is the phasing of when we want to take delivery.



What is the Relationship Between Inventory Levels and Future Gross Margin? There Isn't

What do a hammer, a Rolex, and a coffee machine have in common?

All 3 are long-life-cycle, non-seasonal products with seasonal selling patterns.



- When was the last time you bought a Rolex at a year-end, 50% off, inventory clearance sale sponsored by Rolex? ... NEVER
- If you have too much of a SKU like this, you don't discount to clear inventory; instead, you stop buying more and let the natural monthly sellout take the SKU back to equilibrium, at full margin.

“Inventory” Take Aways

- Each year we make a deliberate choice on the amount of product for the Holiday demand spike and the build pattern we will use to produce and land it.
- For 1H23, we have intentionally chosen to get the Holiday inventory in our warehouse as quickly as we can to avoid the China Covid Zero shutdown risk and the logistics logjam risk, both of which we saw in FY22. We are happy with what we’ve gotten done by June, but we still have work to do.
- Because we sell long-life-cycle, non-seasonal products, if we ever have too much of a particular SKU at a particular time, to get the SKU back into balance, we simply cancel or push out future purchase orders for the SKU.
- Net, net, with Breville, Rolex, and Stanley, inventory levels are not correlated with future gross margin. Inventory levels, however, are perfectly correlated with future revenue if you run out of inventory (either because of demand or supply).
- Some retailers are reporting too much inventory. It is not Breville inventory. We enter FY23 with all retailers having a proper channel weight, with the exception of a couple that are running light.



- ersonal use only
- How to think about Breville inventory
 - Is \$446m high or low?
 - Are inventory levels correlated to future gross margins?

- ➔ • 1H23 new products
 - Aboriginal culinary journey
 - Continuous new capability release
 - Additional 1H23 new products



an Aboriginal Culinary Journey™



Celebrating 65,000 years of Australian food culture



Limited Release Series

acj.breville.com

All project profits being donated to charities to create opportunities for Indigenous Australians



Unique Partnership Model



Margo Ngawa Neale

*Head of Centre for
Indigenous Knowledge*

Mat Trinca

*Director, National Museum
of Australia*



Australian Government



Yukultji (Nolia)
Napangati



Yalti
Napangati



Warlimpirrnga
Tjapaltjarr



Lucy
Simpson

Dr Terri Janke

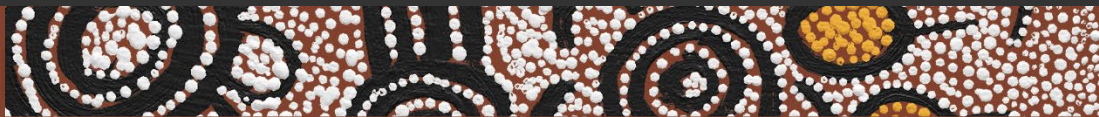
*Solicitor General, Terri Janke
Associates, Expert in First Nation's
Intellectual Property Law*

Breville

Master Every Moment™

Alison Page

*Founder,
National Aboriginal Design
Agency*





Alison Page

*Founder,
National Aboriginal Design Agency*

“An Aboriginal Culinary Journey is an ambitious initiative to tell stories of Country using products as canvas”.



Margo Neale

*Senior Indigenous Curator,
National Museum of Australia*

“It’s a really unique and benchmark-setting way of a really socially responsible Australian company partnering with First Nations artists and with a cultural institution”.



Launch Cities FY23

- London: *British Museum, Harrods, Australian High Commission*
- Berlin: *Humboldt Forum, KaDeWe, Australian Embassy*
- Paris: *Musee du Quai Branly, Australian Embassy*
- Brussels: *Art Aborigène Galerie à Brussel, Australian Embassy*
- New York/Washington DC: *Bloomingdales, Australian Embassy*



- How to think about inventory at Breville
 - Is \$446M high or low?
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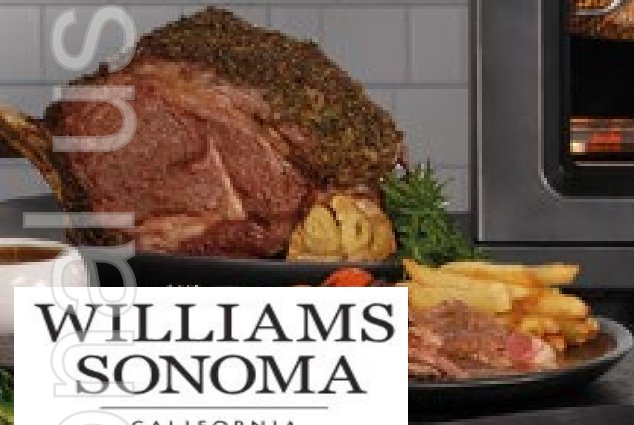


Review: The Joule Oven Air Fryer Pro by Breville

Breville's new countertop air fryer oven can be controlled by a mobile app. Unlike with many other connected appliances, that's a good thing.

the *Joule*™ Oven Air Fryer Pro

use only



WILLIAMS SONOMA
CALIFORNIA

Average Customer Ratings

Overall ★★★★★ 4.8

Breville | Sage

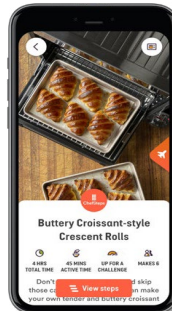
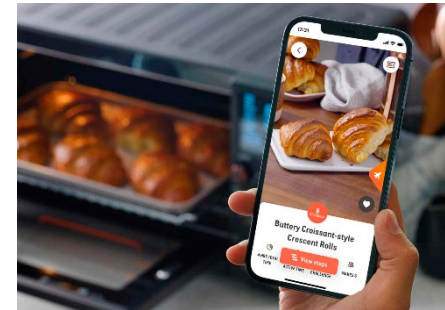
Solution Products Keep Getting Better

Hardware Model



Features and capabilities frozen and locked at launch

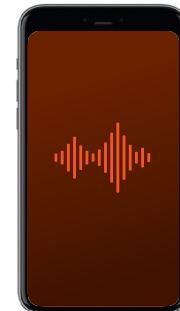
Solution Model



Guided Cooks



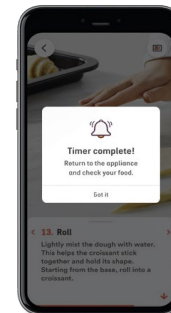
Joule Autopilot



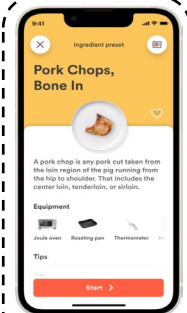
Voice Activation



Tips & Tricks



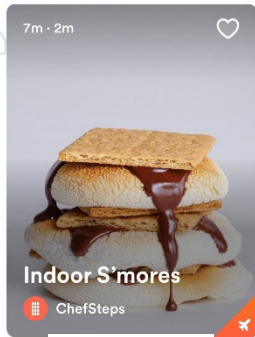
Progress Monitoring



Food Guides

Joule™ Oven Air Fryer Pro Content Ecosystem

Launch: March 2022
115 Recipes



ChefSteps



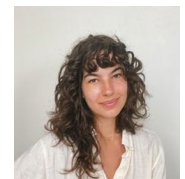
End of December 2022
~400 Recipes



WILLIAMS SONOMA



Chef Series



Collectively 1.4M
Instagram Followers

- How to think about inventory at Breville
 - Is \$446m high or low?
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- 1H23 new products
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Red Velvet Colour Range



ersonal use only



Barista Express™ Impress



reddot winner 2022
best of the best



Intelligent Dose

- Remembers the last dose
- Central grinds loading for even tamping

Assisted Tamping

- Precise 10kg of pressure
- Barista twist finish

Precision Measurement

- Measures and indicates correct dose
- Remembers and auto-corrects the next dose

Espresso Accessories



The Dosing Funnel



The Puck Sucker™
Patent Pending

Breville Water



The AquaStation™



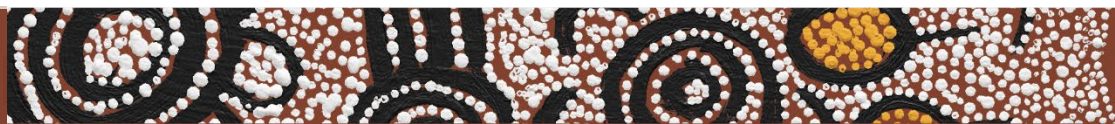
The AquaStation™ Hot

- 3L capacity
- Instant hot water (select temp and volume)
- 3x faster filter flow rate
- Filter lasts 3x longer



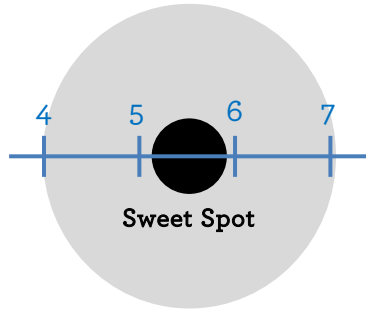
The Active360™ Filter

ersonal use only

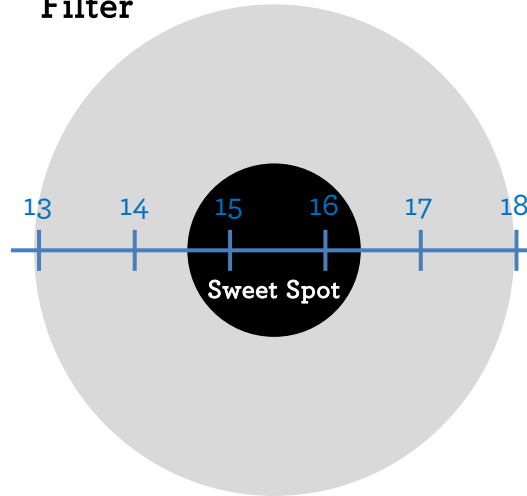


The Elusive Single Grinder

Espresso

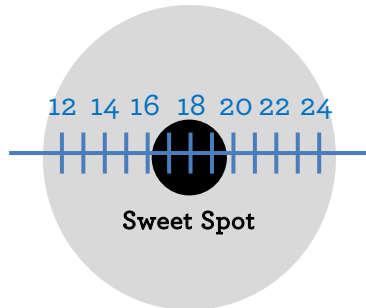


Filter

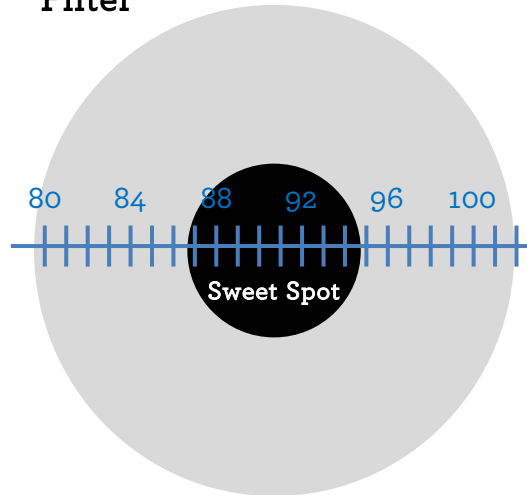


40 Steps

Espresso



Filter



270 Steps

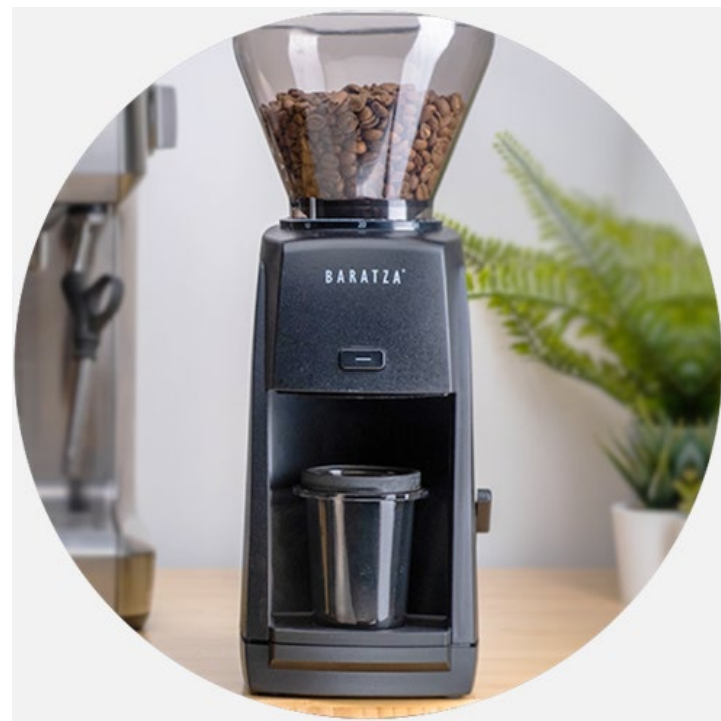
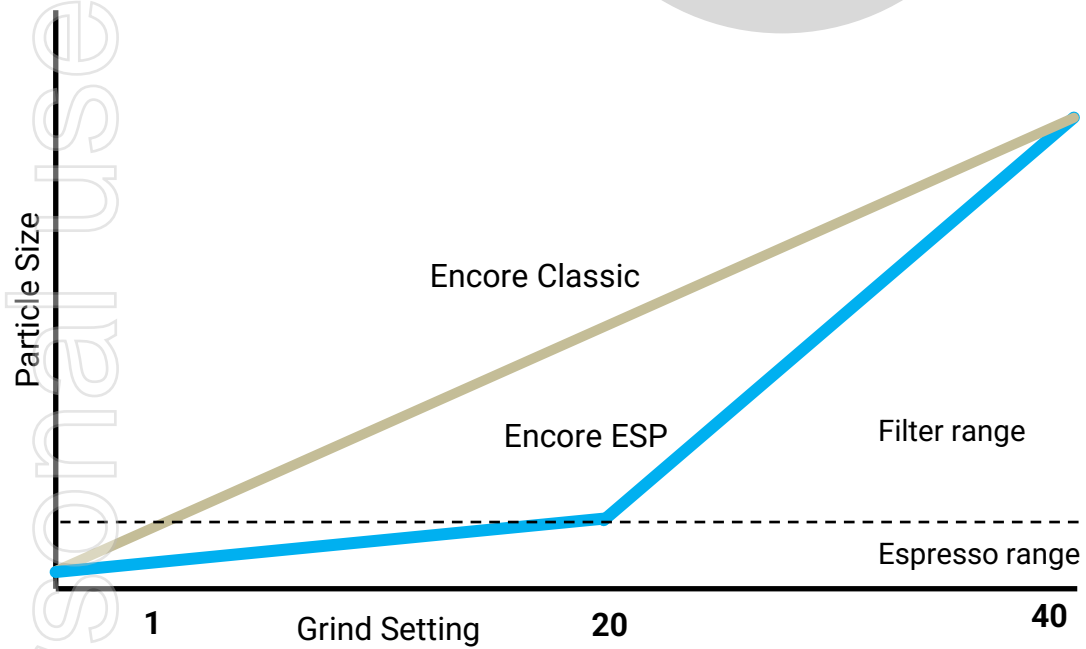
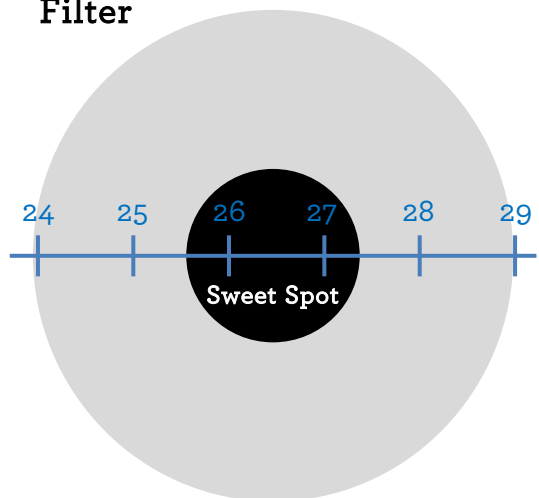
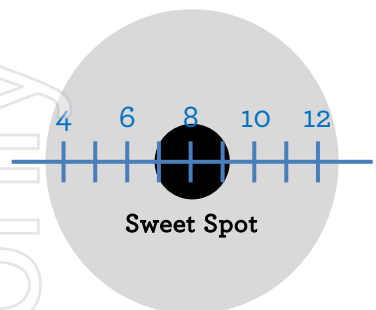
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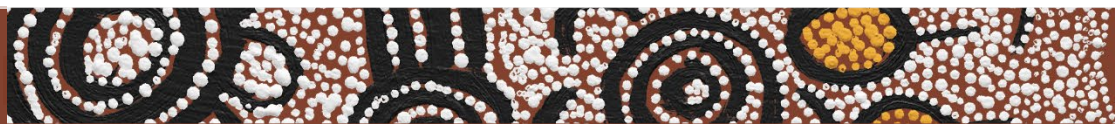
Baratza Encore ESP

Espresso

Filter



Patent Pending



FY23 Landscape as of 23rd Aug

Headwinds

- Ukraine war, impact on Europe
- Strong USD (Distributors)
- Macro Forces: inflation, central banks increasing interest rates

VS

Tailwinds

- NPD in core categories + Launch v2.0
- New geographies 1 year older
- Baratza/Lelit rollout
- Cost declines vs FY22 (logistics, tariffs)
- Pricing power validated to date
- Coffee quality migration trend
- Macro Forces: strong employment, solid consumer balance sheets
- Sell out up and currently on plan

Risks

- Supply chain: China COVID Zero policy, US longshoreman agreement, EU strikes and port congestion, California trucking legislation, Shanghai back online, blank sailings, etc.
- Length of Ukraine war and risk of spreading
- Retailer disruptions (credit risk)

Mitigation

- Premium positioning
- Pull forward inventory build for Holiday
- Net USD exposure hedged at \$0.74
- Start with tight cost structure, land inventory for the upside, true up expense level and inventory in the 2H
- Insured and provisioned for credit risk
- Lean into revenue diversification

Get in front of what we can control—minimize risks and maximise opportunities—and be positioned to quickly react to things we can't.

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YEARS

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