

Breville Group Limited
ABN 90 086 933 431
Ground Floor, Suite 2,
170-180 Bourke Road
Alexandria NSW 2015
Australia
T + 61 (2) 9384 8100
F + 61 (2) 9700 1249
breville.com

14 February 2023

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



**Breville Group Limited – Half Year Ended 31 December 2022
Investor Presentation**

Attached is a copy of the Breville Group Limited Investor Presentation for the Half Year Ended 31 December 2022.

The release of this announcement was authorised by the Board.

Yours faithfully

Two handwritten signatures in black ink. The first signature is 'Sasha Kitto' and the second is 'Craig Robinson'. Both are written in a cursive, flowing style.

Sasha Kitto and Craig Robinson
Joint Company Secretaries

For personal use only

Breville Group Limited (BRG)

HALF YEAR RESULTS FY23

Investor Presentation

14th February 2023



Personal 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 the traditional custodians on whose land we meet today. We would like to pay respect to their Elders: past and present; and further extend that respect to all Aboriginal and Torres Strait Islanders present here today.

We celebrate the continuing contribution of their food culture, connection to, and custodianship of, this country.

Group Summary Result

AUDm	1H23	1H22	% Chng
Revenue	888.0	878.7	1.1%
Gross Profit	311.3	300.0	3.8%
Gross margin (%)	35.1%	34.1%	
EBITDA	141.9	125.5	13.1%
EBIT	121.1	112.5	7.6%
EBIT margin (%)	13.6%	12.8%	

NPAT	78.7	77.7	1.3%
Basic EPS (cents)	55.8	55.8	0%
Dividend per share (cents)	15.0	15.0	0%
Franked (%)	100%	100%	
ROE¹ (%)	16.1%	19.7%	
Net (debt) / cash (\$m)	(212.2)	31.7	

Commentary

- Sustained EBIT growth against dynamic backdrop
- Another record sales half with revenue growing 1.1% and relative Theatre performances in line with expectation
- Gross profit well managed with strengthened margins
- Opex well controlled, and aligned with sales growth, to deliver sustained EBIT growth
- NPAT and EPS both steady vs. PY with increased finance costs from working capital build, M&A and interest rates
- Net debt reflects tactical inventory build, plus Lelit purchase
- Healthy cash inflow is forecast for 2H23 as peak receivables are collected and a more predictable supply chain allows a return to a more normal inventory flow model

¹ ROE is calculated based on NPAT for the 12 months ended 31 December 2022 (1H22: 12 months ended 31 December 2021) divided by the average of shareholders' equity in December each year and 12 months earlier.



Segment Results

AUDm	Revenue			Gross Profit			Gross Margin (%)	
	1H23	1H22	% Chng	1H23	1H22	% Chng	1H23	1H22
Global Product	770.5	733.9	5.0%	284.8	266.6	6.8%	37.0%	36.3%
% Change CC¹			0.7%					
Distribution	117.5	144.7	(18.8)%	26.4	33.4	(20.7)%	22.5%	23.0%
TOTAL	888.0	878.7	1.1%	311.3	300.0	3.8%	35.1%	34.1%

Minor differences may arise due to rounding

¹ CC – Constant Currency

Commentary

Global Product Segment: +5% Revenue Growth; +6.8% Gross Profit Growth

- Strong Ovens growth benefitting from air fryer tailwind; steady Coffee growth; Food Prep rebasing
- NPD (New Product Development) selling well with Barista Express™ Impress and Joule® Oven Air Fryer Pro
- Strong DTC (Direct to Consumer) growth +66% to make DTC the Group's fifth largest "customer", globally
- Successfully held constant currency revenue gains after two exceptional periods (+23.8%, 1H22 and +39.2%, 1H21)
- Gross Margins strengthened through price and well controlled promotion more than offsetting cost pressures

Distribution Segment: (18.8)% Revenue Decline; (20.7)% Gross Profit Decline

- Revenue decline led by Nespresso resulting from Ukraine sourcing disruption impacting product changeover



Global Product Segment by Theatre

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	1H23	1H22	% Chng	% Chng CC*
Americas	450.7	370.1	21.8%	11.9%
APAC	163.2	162.7	0.3%	0.4%
EMEA	156.6	201.1	(22.2)%	(19.6)%
TOTAL	770.5	733.9	5.0%	0.7%

Minor differences may arise due to rounding

**CC - Constant Currency*

Commentary

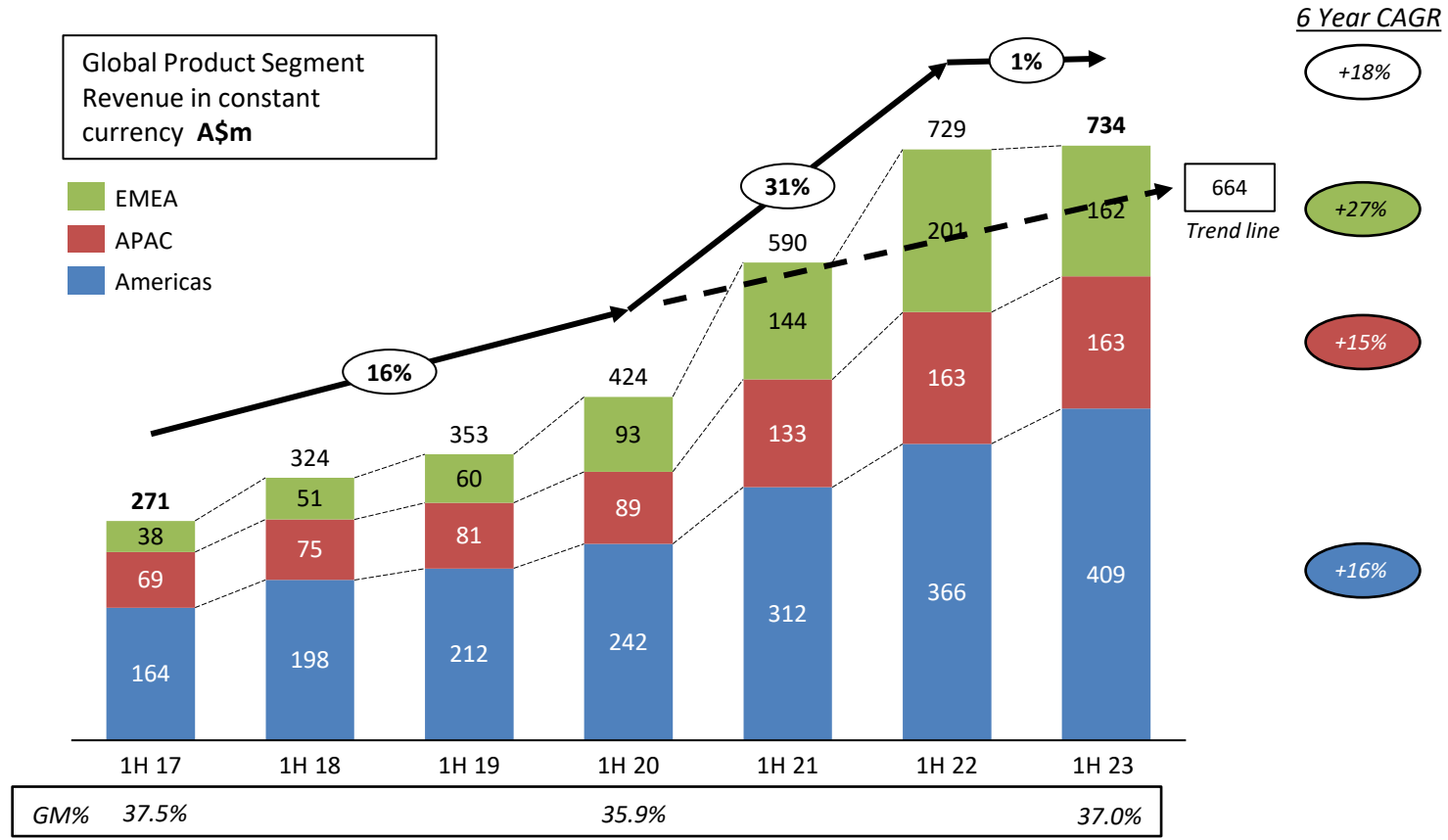
Americas: Good growth in both sell-out and sell-in across the half with resilient demand from US consumers at premium end of the market. Ovens bounced back from inventory constrained position to be fastest growing category in 1H23, with Coffee also in good growth. NPD performing very well, and DTC growing strongly. Mexico performing above expectations. Reported sales boosted by strength of USD.

APAC: Held onto strong revenue gains of 1H21 (+49.7%) and 1H22 (+22.0%) with overall market share holding steady. Sell-out moderately exceeding sell-in. NPD again performing very well. Strong start in South Korea.

EMEA: Sell-out grew by low single digits in 1H23. Declining sell-in reflects retailers destocking across Europe, not consumers' buying pattern. Strong DTC growth, and NPD is again performing well. We did not participate in market discounting to encourage sell-in. Our gross margins improved nicely year-on-year.



Global Product Segment Revenue - Constant Currency

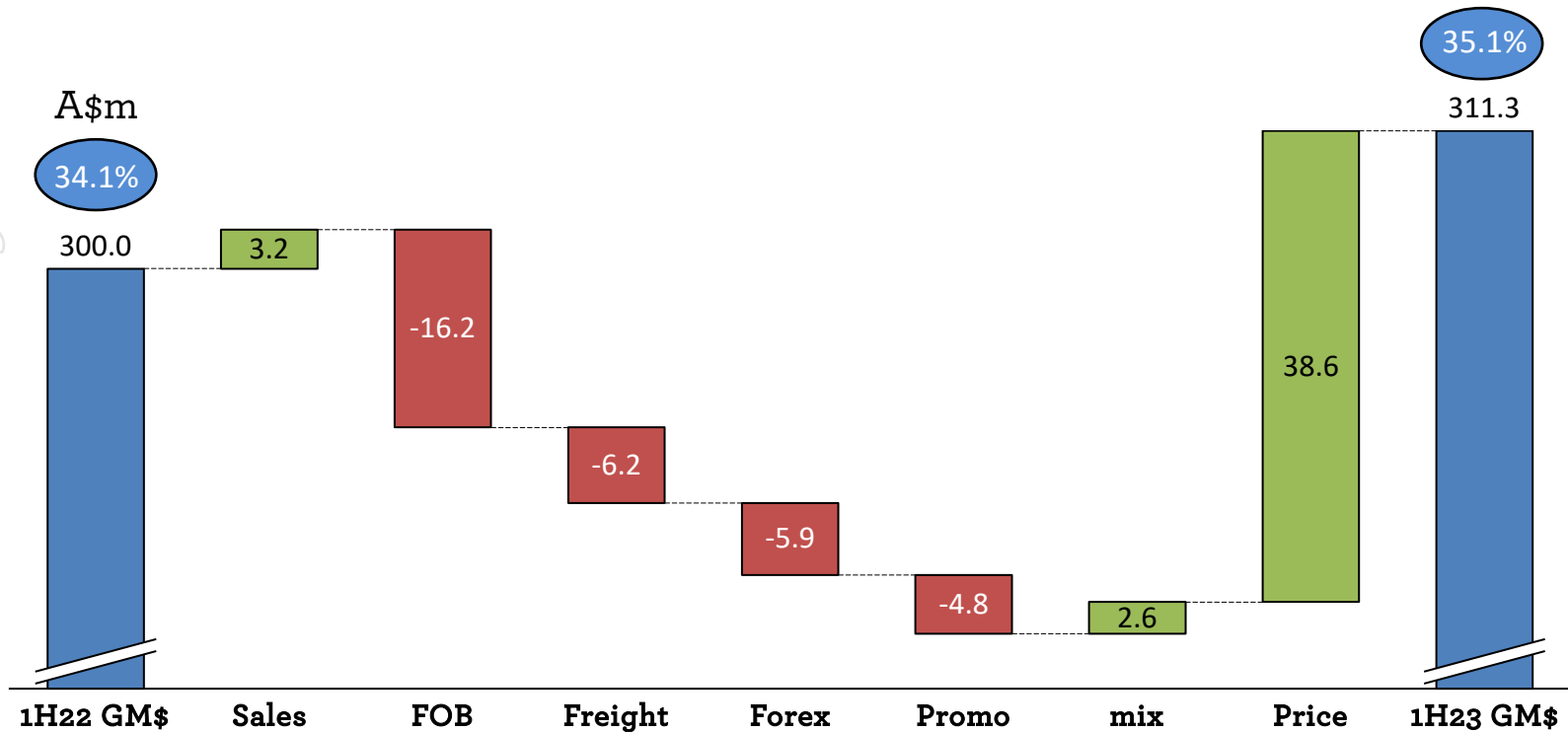


Commentary

- +16% CAGR growth from 1H17-1H20; accelerated to +31% through 1H21 and 1H22
- Gains were held in 1H23 with revenue ~A\$70m higher than if +16% “run rate” growth was sustained 1H17-1H23
- Gross Margins strengthened in 1H23 having previously dipped in the face of Trump tariffs and increased freight costs
- Acceleration Program driving superior growth



Gross Profit Strengthened 1H22 – 1H23

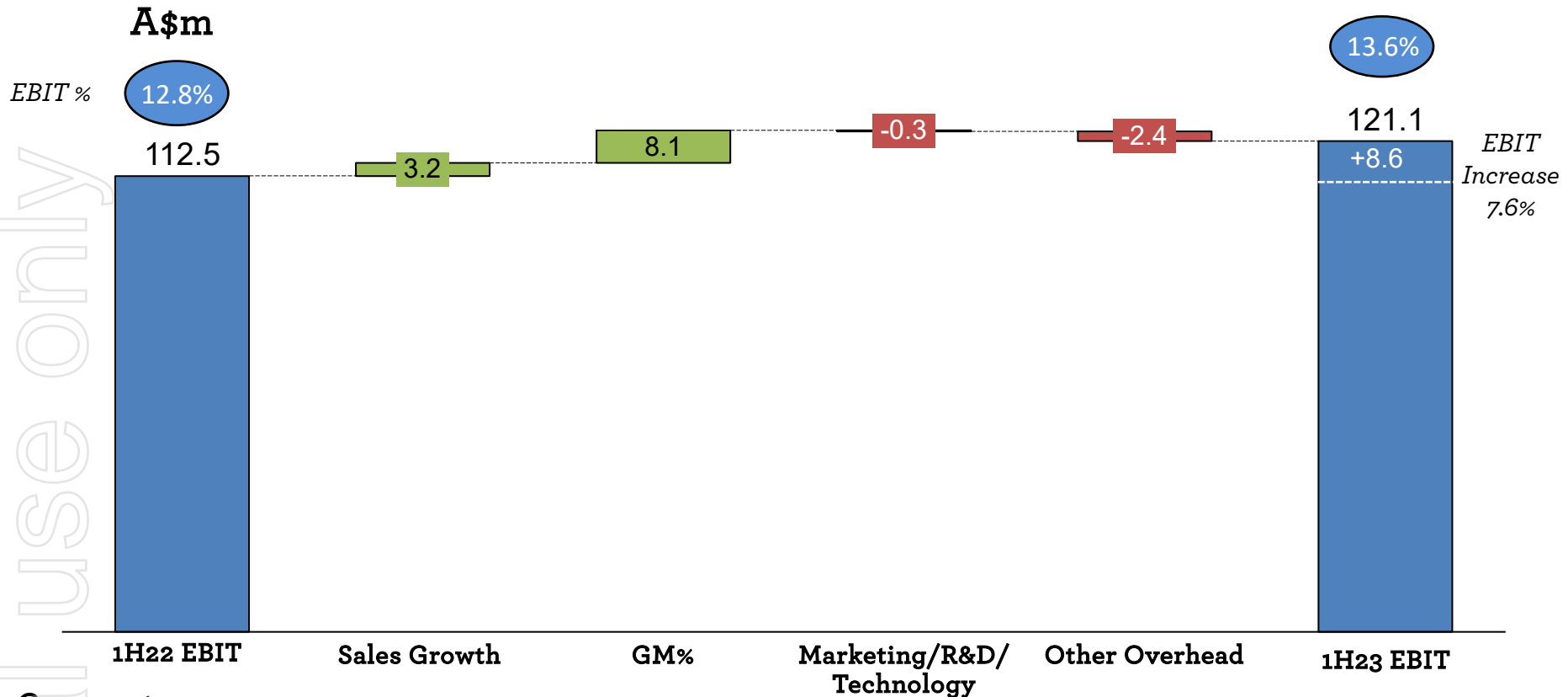


Commentary

- Gross margin well managed against complex backdrop with GM% improving 100bps year-on-year
- Continued input inflation in FOB and freight costs accentuated by strength of USD
- Price rises successfully implemented through 2H22 and 1H23
- Promotional activity well controlled
- Positive mix impact from both customer and product mix



EBIT Growth 1H22 – 1H23



Commentary

- Well managed half with Opex contained to sustain EBIT growth
- Marketing and IT projects adjusted to align with trajectory; R&D spend maintained
- Overhead increases relate to storage costs, team retention (STI)
- Demonstrated ability to align spend with sales to deliver sustained EBIT progression of +7.6% growth
- Opex in 2H23 will again be planned to align to level of emerging revenue and Gross Profit growth

Financial Position at 31 December

AUDm	Dec 22	Dec 21
Inventory	465.2	293.3
Receivables	388.8	375.4
Trade and other payables	(303.8)	(335.1)
Working Capital	550.2	333.6
PPE	45.0	29.3
Other Intangibles	66.5	48.3
Goodwill and Brands	321.7	178.6
Other (liabilities) / assets	(33.6)	(37.4)
NET ASSETS EMPLOYED	949.8	552.4
Net debt / (cash)	212.2	(31.7)
Shareholders' equity	737.6	584.1
CAPITAL EMPLOYED	949.8	552.4
ROE%¹	16.1%	19.7%

Commentary

- December '22 inventory within plan range
 - Core increase +\$66m driven by increase in weeks cover (to mitigate supply chain risk), unit cost increases, and lower EMEA sell-in
 - NPD drives +\$33m increase (launched and ready to launch)
 - Remaining +\$73m from Lelit, new countries, and FX translation
- Receivables reflect peak sales season
 - Days outstanding in line with prior period. Strong seasonal cash collection in Jan / Feb
- Increase in Goodwill and Brands arises from Lelit purchase. Other intangibles reflects sustained R&D investment
- Net Debt increase due to peak season inventory investment plus Lelit purchase
- Healthy cash inflow expected in 2H23 as peak receivables are collected and a more predictable supply chain allows a return to a more normal inventory flow model
- Unused Debt facilities ~\$200m and cash of ~\$115m remain in place for expansion
- ROE change in return reflects Lelit acquisition

¹ ROE is calculated as NPAT for the 12 months ended 31 December 2022 (1H21: 12 months ended 31 December 2021) divided by the average of shareholders' equity in December each year and 12 months earlier.



Key Points 1H23

- Another record sales performance and well controlled result with sustained EBIT growth against volatile backdrop
- Strong performance from NPD and DTC channel globally, as well as new countries, support medium-term growth trajectory
- Oven and coffee growth benefitting from quality coffee and air fryer tailwinds
- Healthy Gross Margin improvement with pricing / promotions offsetting input inflationary pressure – reflection of premium product value
- Expenses aligned with sales trajectory to deliver sustained EBIT growth
- Cash outflow reflects in-plan inventory build during period of supply chain uncertainty and our purchase of Lelit
- Healthy, seasonal cash inflow now expected in 2H23 as supply chain predictability returns

Personal use only



- **Product Launch v2.0**
- **Breville as “Virtual IP/Information Management Company”**
- **1H23 Reflections, 2H23 Considerations and FY23 Outlook**



Launch v1.0 vs. v2.0



Barista Pro™
A\$1,099

Launch v1.0



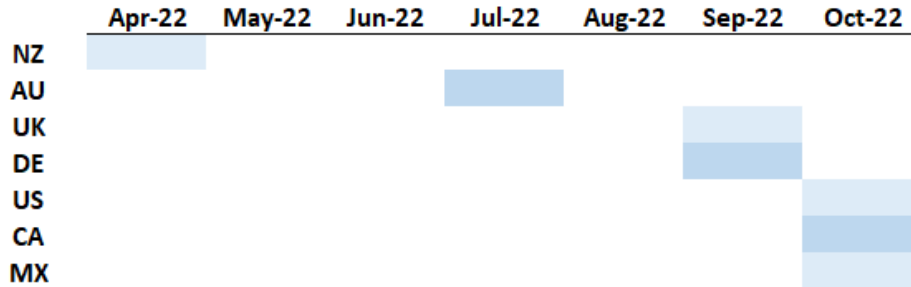
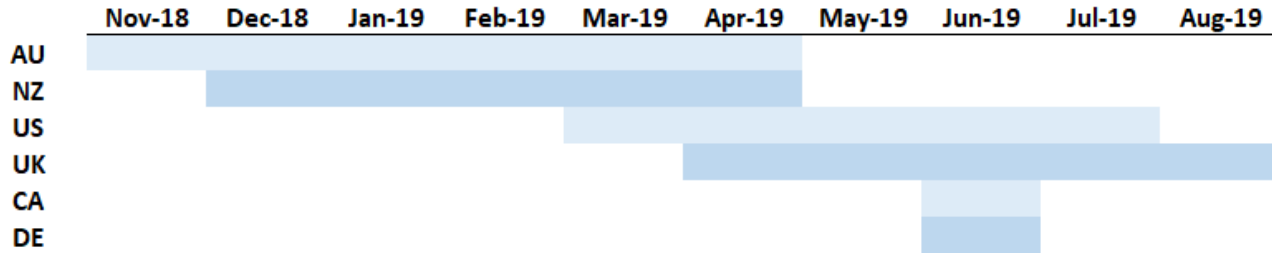
Barista Express™ Impress
A\$1,199

Launch v2.0

Personal use only



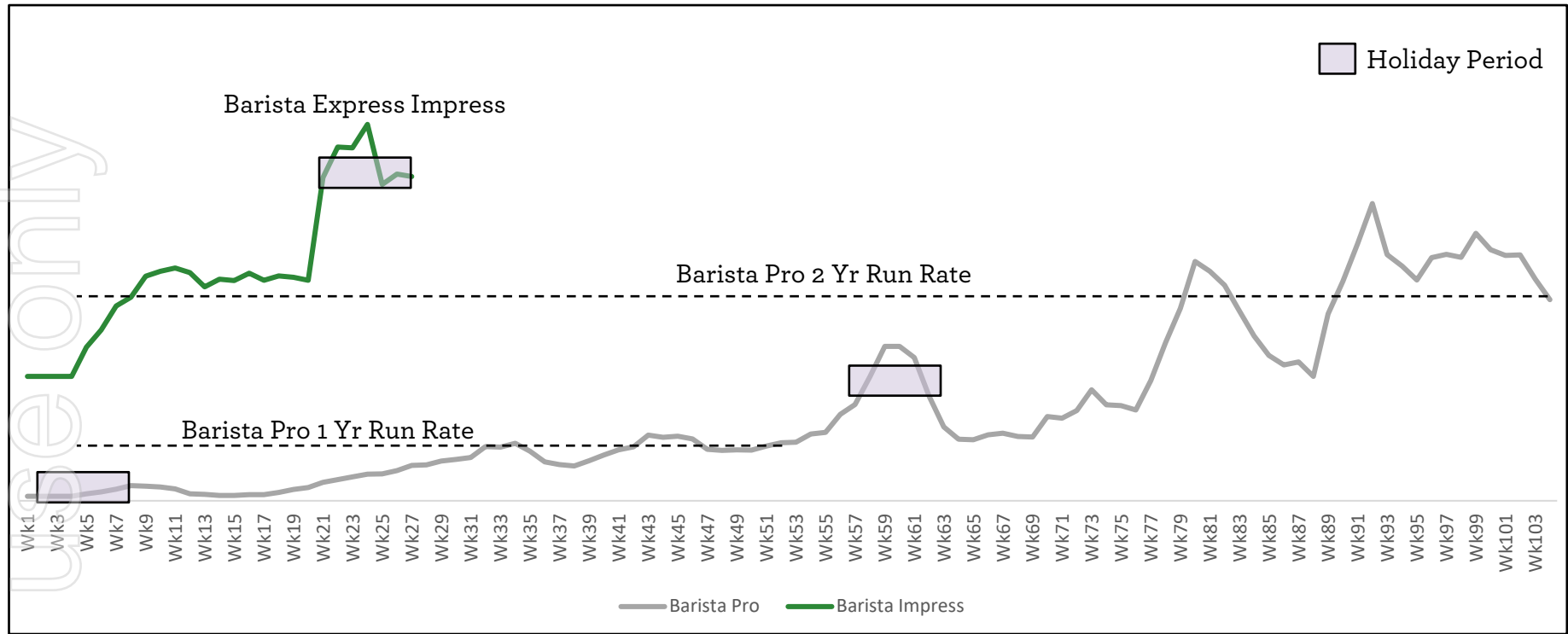
Time to Full Distribution



- Launch v2.0 process was 3 months faster to total distribution
- Equally important, the “retailer rollout” process of v1.0 meant there was no “launch date” for the country, limiting the ability of GTM and local retailers to get behind the product at the same time
- For v2.0 launch SKUs, we are building “launch” inventory before the launch date vs. incrementally expanding manufacturing as new geographies turn on

Sell-Out Shows the Impact: Single Country

Launch week anchored, 4-week trailing average

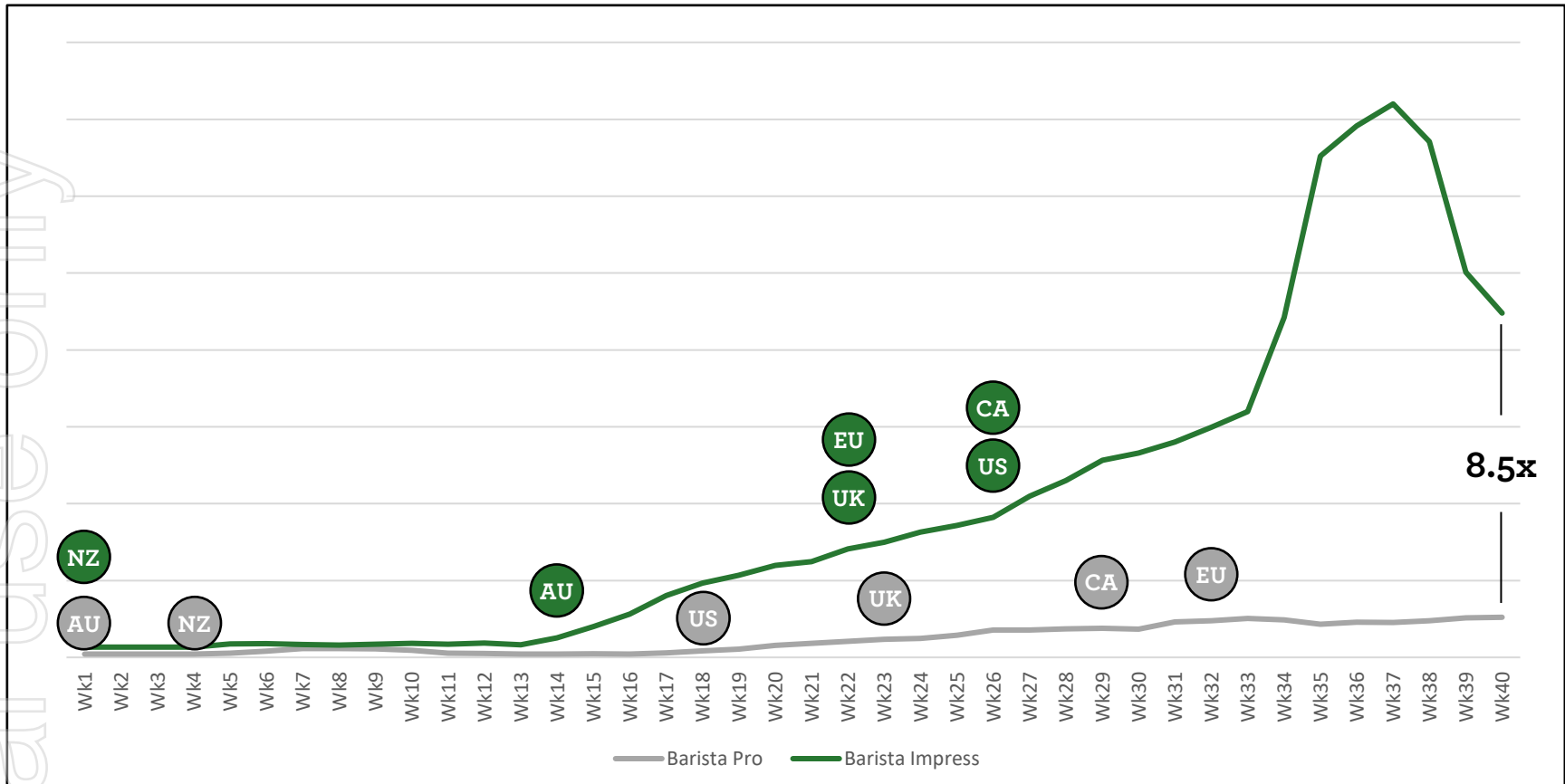


- By week 7, the *Barista Express™ Impress* had reached the sellout run rate that the *Barista Pro™* reached after 2 year
- New launch process is materially accelerating getting the SKU to its long-term run rate. Capturing incremental area under the curve

Note: The data in this chart begins at each SKU's launch week, which was not the same. This means the holiday spike is happening in a different week range for each—weeks 21-27 for the Barista Express™ Impress, and weeks 2-8 and 57-64 for the Barista Pro™.

Sell-Out Shows the Impact: Aggregate BRG View

Launch week anchored, 4-week trailing average

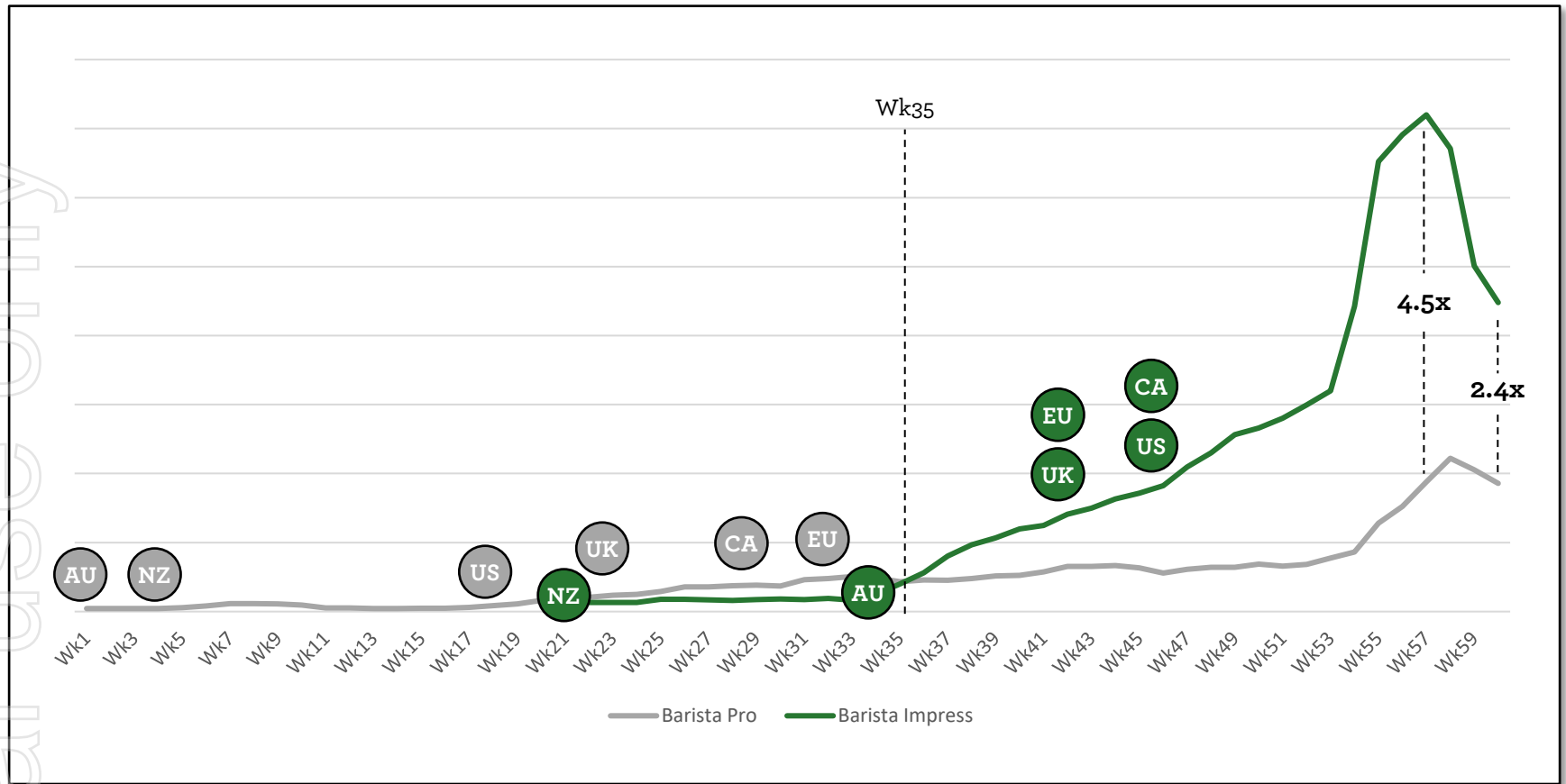


- As new markets come online, individual country behaviour compounds
- By week 40, sellout ran 8.5x higher in aggregate

Note: The data in this chart begins at each SKU's launch week, which was not the same. Across this dataset, all regions are going through a holiday period with the Barista Express™ Impress, but that is not the case with the Barista Pro™.

Sell-Out Shows the Impact: Aggregate BRG View

Calendar week anchored, 4-week trailing average



- Anchoring the analysis to the calendar week will ensure the comparison is not affected by seasonality impacts, though the *Barista Pro*TM gets a 5-month head start
- The *Barista Express*TM *Impress* after 15 weeks from first launch (only in Australia and New Zealand) was outperforming the *Barista Pro*TM launched in all countries 35 weeks from first launch

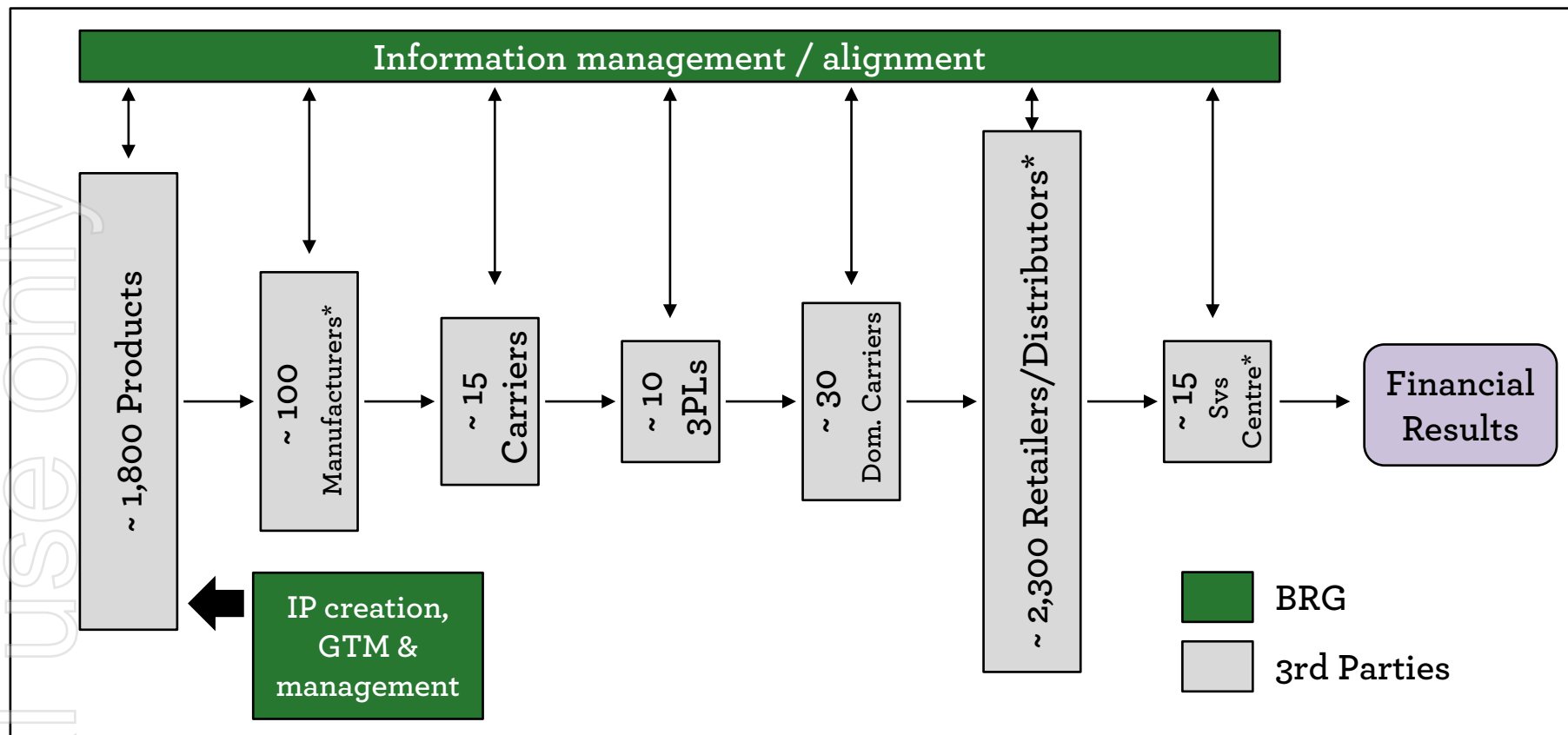
- personal use only
- **Product Launch v2.0**
 - **Breville as “Virtual IP/Information Management Company”**
 - **1H23 Reflections, 2H23 Considerations and FY23 Outlook**

Breville in Abstraction



Personal use only

BRG is a “Virtual” IP Company*



- We are an asset light company that (i) designs and engineers market-leading products, and (ii) manages the sale and support of those products by aligning 3rd parties around the world
- The metrics reflect the business model: Property, Plant and Equipment is ~3% of Total Assets, and our EBIT/Employee metric is ~A\$160K

* There are three exceptions to this chart: Baratza services its products in the US and Canada; Lelit manufactures its own products; and, Breville|Sage transacts through its websites.



Advantages of Virtualisation

1. **Speed** – Because we are not constrained by physical assets, we are able to move quickly, whether that be entering a new country or assimilating an acquisition
2. **Agility** – in a dynamic environment, we can more quickly realign the value chain to capture opportunities and avoid risks
3. **Lack of Negative Operating Leverage** – if faced with a headwind, our minimal fixed costs limits the complexity of aligning the company with the revenue trajectory

- personal use only →
- **Product Launch v2.0**
 - **Breville as “Virtual IP/Information Management Company”**
 - **1H23 Reflections, 2H23 Considerations and FY23 Outlook**

1H23 Reflections

Predictability

Looks like we're back "on model": Theatres behaved as expected on relative basis; consumer sell-out pattern normal (e.g., 1H19); and supply chain more predictable, enabling us to transition back to inventory flow model, releasing working capital.

Acceleration Levers

Acceleration levers of NPD, geographic expansion, and acquisition performing well; NPD pipeline is strong; Mexico and South Korea performing above expectations; and Lelit integration plan on track.

Business Model

Innovation-driven product focus, Theatre diversification, and business model virtualisation has, thus far, given us the flexibility to ride the undulating economic waves washing through various countries (including retailer and competitor behaviours), while holding Gross Margins.

Ovens & Digital

Work to unlock the capacity constraint we were experiencing in ovens over the last couple of years paid off, enabling Cooking to be the fastest growing product category. Multi-year investment in digital offense showing results as DTC ascended to the 5th largest "customer", globally.

2H23 Considerations

- Some of our manufacturers are managing through COVID outbreaks. Our inventory insurance policy has shielded us from any material impacts.
- With the exception of the COVID outbreak in China, which we expect to be a temporary disruption, the supply chain is behaving more predictably. As such, we will begin the transition back to our standard flow model, meaning working capital will begin to release.
- We should begin to see the benefit of lower input costs flowing through our COGs as we turn our inventory (input and logistics costs).
- Our NPD pipeline continues to release. In the 2H, we expect 3 new product launches, 2 of which will go through the Launch v2.0 process.
- Within the envelope of Gross Profit and EBIT, we will continue to invest in marketing, R&D and technology.

FY23 Outlook

We expect EBIT for the full year of between \$165M - \$172M (5-10% growth) assuming:

- No significant change in economic conditions in the Group's major trading markets;
- No material supply chain interruptions; and,
- Taking into account our expected 2H investment levels into marketing, R&D and technology.

Breville Group Limited (BRG)

HALF YEAR RESULTS FY23

Investor Presentation

14th February 2023



Personal use only