BRG GROUP

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

Breville Group Limited – Half Year Ended 31 December 2023
Half Year Results Announcement

Attached is the Breville Group Limited Half Year Results Announcement for the half year ended 31 December 2023.

The release of this announcement was authorised by the Board.

Yours faithfully

Sasha Kitto and Craig Robinson
Joint Company Secretaries

Breville Group Limited (BRG) Results

Half-Year Ended 31 December 2023

Revenue growth of 2.0%

Gross Profit growth of 6.7%

EBIT growth 8.2%

Solid half with gross profit gains

Group Summary Result

AUDm[1]	1H24	1H23	*% Growth*
Revenue	**905.8**	888.0	***2.0%***
Gross Profit	**332.0**	311.3	***6.7%***
Gross Margin %	**36.7%**	35.1%	
EBITDA	**159.2**	141.9	***12.2%***
EBIT	**131.0**	121.1	***8.2%***
NPAT	**84.0**	78.7	***6.7%***
Dividend per share - ordinary (cents)	**16.0**	15.0	***6.7%***
Franked (%)	**100%**	100%	
Net (debt) / cash ($m)	**(97.5)**	(212.2)	
ROE[2] (%)	**14.8%**	16.1%	

- 2.0% revenue growth against a challenging consumer backdrop
- 5-year Global Segment CAGRs (compound annual growth rate) still strong at 15.5% in constant currency terms
- Gross Profit grew by 6.7% with gross margins strengthening as input costs abated and investment into promotion was well controlled
- Operating costs contained to 5.7% growth
- Forecasted increases in D&A (depreciation and amortisation) occurred following acceleration in new product launches. Other operating costs held broadly flat
- EBIT growth of 8.2%, ahead of sales, and in line with plan
- NPAT growth of 6.7%, after absorbing higher interest costs
- Forecasted inventory and net debt reductions were both delivered. Further inventory reduction and cash inflow is forecast in 2H24
- Interim dividend of 16.0c cents per share (100% franked)

Commenting on the Group's result, Breville Group CEO, Jim Clayton said:

"A solid half of performance for the Group delivering 8.2% EBIT growth against a subdued consumer backdrop, with Gross Profits up 6.7% and Revenue up 2.0%.

The strength of our new product launches, expansion of new markets and the continuing coffee tailwind supported top line growth as cost-of-living pressures and mean reversion buffeted the business. Our 5-year revenue CAGR[3] is running at 15.5%.

Savings in input costs were partially reinvested into promotion and price, but only where ROIs supported the investment, driving gross margin improvements across the Group. In a lower growth environment, expenses were well controlled to deliver an 8.2% EBIT growth.

As planned, inventory and net debt are normalising with further inventory reductions and cash inflow forecast for 2H24.

We enter 2H24 in a solid position with our NPD pipeline continuing to release, new markets maturing, our solutions offering developing, and cost pressures well managed. We expect to deliver EBIT growth of 5.0% to 7.5% for FY24[4].

A big thank you to the entire BRG team for continuing to manage the tactical challenges of the current environment while maintaining a relentless focus on our customers and a continued prioritisation of long-term growth".

Segment Results

	Revenue			**Gross Profit**			**Gross Margin (%)**	
AUDm[1]	**1H24**	1H23	***% Growth***	**1H24**	1H23	***% Growth***	**1H24**	1H23
Global Product	**782.8**	770.5	***1.6%***	**298.5**	284.8	***4.8%***	**38.1%**	37.0%
% Growth in constant currency			***(1.3)%***			***2.0%***		
Distribution	**123.0**	117.5	***4.6%***	**33.5**	26.4	***26.7%***	**27.2%**	22.5%
TOTAL	**905.8**	888.0	***2.0%***	**332.0**	311.3	***6.7%***	**36.7%**	35.1%

Our Global Product segment grew revenue by 1.6% (or a decline of 1.3% in constant currency) and gross profit grew by 4.8%.

Our Distribution segment saw revenue and gross profit grow by 4.6% and 26.7% respectively as *Nespresso* sales bounced back in the USA and Breville local and Kambrook prioritised gross profit delivery.

In the Global Product segment our NPD launches landed well, with strong sales from the *Barista Touch™ Impress, the Vertuo Creatista®,* and the *InFizz™ range.* After a quiet period during Covid, new product launches are firing with a healthy pipeline in place for the remainder of FY24 and FY25.

New geographies also grew well, with countries that we entered during, and since, the Covid period growing at 73%, albeit still off a small base.

In category terms, both Coffee and Cooking performed well, posting good gross profit gains with our Food Preparation category - juicers, blenders and food processors - proving more discretionary and declining period-on-period.

Global Product Segment Revenue Growth – reported and constant currency

AUDm[1]	Global Product Segment Revenue				5 Yr CAGR[3] *in constant currency*
	1H24	1H23	**% Growth**	***% in constant currency***	
Americas	**450.3**	450.7	**(0.1)%**	***(2.2)%***	***13.8%***
APAC	**155.4**	163.2	**(4.8)%**	***(5.7)%***	***13.7%***
EMEA	**177.2**	156.6	**13.2%**	***5.5%***	***23.0%***
TOTAL	**782.8**	770.5	**1.6%**	***(1.3)%***	**15.5%**

Global Product Segment
All three Theatres posted Gross Profit growth, and, from a business planning point of view, it was good to see sell-out (consumer offtake) and sell-in (retailer purchases) broadly tracking each other.

In **The Americas** (-0.1% Net Sales, +1.2% Gross Profit), US consumers continued to respond well in key promotional periods with the strongest performances in Coffee and Cooking. Our reported sales growth number for the half is dampened by the presence of Bed Bath and Beyond (BBB) in the prior period, partially compensated for by our launch into Target.

In **APAC** (-4.8% Net Sales, +2.5% Gross Profit), Asia continued its strong growth trajectory, moving from strength to strength. ANZ experienced a weaker first quarter, followed by a stronger second quarter, beginning with Black Friday. Given this environment, we restricted our promotional cadence, and, instead, focused on gross profit, which grew half-on-half.

In **EMEA** (+13.2% Net Sales, +19.6% Gross Profit), the Ukraine backdrop was perhaps not as impactful as in the prior period and sales and gross profits grew. Performance was particularly strong in our key direct markets, somewhat tempered by lower growth in markets still served by distributors.

1H24 was another example of our diversified portfolio and growth levers working for us, delivering a solid result even in testing times.

EBIT and NPAT

In a low-growth revenue period we optimised gross profit and contained operating expenses to deliver an 8.2% increase in EBIT.

Input cost savings flowed through the half in both freight and product costs. We were measured in our promotional calendar, only participating where we believed we would deliver a positive ROI. This approach drove gross margin % gains and maximised gross profits.

Gross profit grew by 6.7% or $20.8m of which approximately fifty percent was absorbed in operating expenses, and the other fifty percent flowed through to EBIT.

D&A expenses increased, in line with plan, by $7.4m period-on-period due to the acceleration in the rate of new product launches post-covid and an increase in depreciation of ROU assets in line with our warehouse footprint expansion in FY23.

Like-for-like headcount was relatively flat with total employment costs increasing $4.0m (or 3.9%) period-over-period largely due to wage inflation. Other expenses were broadly flat period-on-period.

NPAT grew 6.7% due to higher borrowing costs during peak season. These are expected to reduce in the second half of the year as net debt decreases.

Financial Position

The Group's lower net working capital position at 31 December 2023 of $496.1m ($550.2m in the pcp) reflects the continuing normalisation of inventory levels. This has been delivered through measured purchase reductions, rather than discounting, with gross margins strengthened as inventory balances were reduced by $85.3m to $379.9m (pcp $465.2m). A further reduction is forecast for 2H24 as a normal inventory flow model continues.

The increase in the Group's receivables balance by $61.0m to $449.8m (pcp $388.8m) reflects strong Q2 24 sales growth, with strong Black Friday sales increasing the receivables book as of 31 December 2023. Like-for-like debtor days are in line with the prior period, after adjusting for BBB, which was on near to cash terms in Q2 23. The Group's receivables balance had reduced to $323.7m by 31 January 2024 as peak season receivables started to be collected.

The development of new products and solutions is a key element of the Group's growth strategy and is reflected in the balance sheet as "Capitalised Development Costs and Software". As more new products are developed, and then launched, capitalisation increases, and with a lag, driven by the length of our development cycle, so does amortisation.

In the half to 31 December 2023 the Group capitalised Development Costs and Software of $16.8m (pcp: $15.7m) and recognised an amortisation expense of $10.2m (pcp: $7.3m), increasing the capitalised value to $78.2m. This intangible balance is a good leading indicator of future growth, with the growing balance signalling that the Group has larger projects moving toward launch or recently launched.

PPE balances increased by $7.0m in the half year partly due to the above mentioned acceleration in new product development increasing the number of projects investing in tooling, as well as investments to support the business (e.g. store fit out, manufacturing equipment and land and buildings etc), and the forex translation movement on overseas assets.

Net Debt and Cash flow

Free cashflow (FCF) for the six months to 31 December 2023 was an inflow of $50.5m (pcp an outflow of $(80.1)m) driven by the reduction in inventory balances as a normal inventory flow model has been restored.

Strong FCF over the last 12 months has supported a net debt reduction to $97.5m (pcp $212.2m).

Further cash inflow is forecast for 2H24 as peak receivables are collected and inventory continues to normalise. As at 31 January 2024 net debt had reduced to $34.7m.

At 0.4x last 12 months EBITDA, the Group remains conservatively leveraged and has significant cash ($146.2m) and unused debt facilities ($214.1m) in place for expansion.

Dividends

An interim dividend of 16.0 cents per share (100% franked) has been declared (1H23: 15.0 cents,100% franked).

The interim dividend reflects the target payout ratio of 40% of EPS on a full year basis.

This interim dividend will have a record date of 15 March 2024 and will be paid on 28 March 2024.

FY24 Outlook

Macroeconomic and mean reversion headwinds are expected to continue through the second half. The Group will have new product launches in the second half and the continued regional rollout of products already launched. In this uncertain environment the Group will continue to focus on gross profit dollars while continuing to invest for medium-term growth.

For FY24 we expect to deliver EBIT growth of 5%-7.5%[4].

Inventory is expected to continue transitioning into our flow model, with a further release of working capital forecast for the 2H24.

For further information, please contact:
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Footnotes:

[1] *Minor differences may arise due to rounding.*

[2] *ROE is calculated based on NPAT for the 12 months ended 31 Dec 2023 (1H23: 12 months ended 31 Dec 2022) divided by the average of shareholders' equity in December each year and 12 months earlier.*

[3] *CAGR – Compound Annual Growth Rate from 1H19 to 1H24*

[4] *This guidance assumes:*
- a. *No significant changes in the economic conditions in the Group's major trading markets;*
- b. *No material supply chain interruptions; and*
- c. *The Group's expected 2H investment levels into marketing, R&D and technology*