



13 February 2020

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

**Half Year Ended 31 December 2019
Investor Presentation**

Attached is a copy of the Breville Group Limited Investor Presentation for the Half Year Ended 31 December 2019.

The release of this announcement was authorised by the Breville Group Limited Board.

Yours faithfully

A handwritten signature in black ink that reads "Craig Robinson".

Craig Robinson
Company Secretary
Breville Group Limited

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Master Every Moment™

Breville Group Limited (BRG)

HALF YEAR RESULTS FY20 Investor Presentation

13th February 2020



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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	1H20	1H19	% Chng
Revenue	552.0	440.4	25.4%
EBITDA² pre AASB 16	81.0	70.5	14.9%
EBIT² pre AASB 16	72.0	62.3	15.6%
EBIT margin² (%)	13.0%	14.2%	
NPAT² pre AASB 16	49.6	43.5	14.0%
EBITDA post AASB 16	85.2	70.5	20.8%
EBIT post AASB 16	73.0	62.3	17.1%
NPAT post AASB 16	49.7	43.5	14.1%
Basic EPS (cents)	38.1c	33.5c	14.0%
ROE¹ (%)	22.6%	22.5%	
Dividend per share (cents)	20.5c	18.5c	10.8%
Franked (%)	60%	60%	
Net (debt) / cash (\$m)	(52.9)	0.4	

Commentary

- Group revenue +25.4% increase, driven by good growth across all geographic segments and categories
- Adoption of AASB 16² in FY20 boosts reported 1H20: EBITDA +\$4.2m; EBIT +\$1.0m; NPAT +\$0.1m
- EBIT² margin % diluted primarily due to strengthening USD; partially diluted by segment mix and net effect of US tariffs
- Ongoing increase in Marketing and R&D spend
- EBIT² growth to +15.6% in 1H20 vs +12.9% in 1H19
- Interim dividend of 20.5 cps, 60% franked
- Net Debt in line with normal seasonal pattern for the first half
- ROE% continues to reflect strong returns on investment in organic growth

¹ ROE is calculated based on NPAT for the 12 months ended 31 December 2019 (1H19: 12 months ended 31 December 2018) divided by the average of shareholders' equity in December each year and 12 months earlier. ROE calculated on pre AASB 16 basis to allow comparison to prior period.

² Figures shown pre AASB 16, detailed impact disclosed in Appendix 4D



Segment Results

AUDm	REVENUE			EBIT ¹ <i>pre AASB 16</i>			EBIT ¹ MARGIN (%)	
	1H20	1H19	% Chng	1H20	1H19	% Chng	1H20	1H19
Global Product	442.6	356.1	24.3%	58.9	52.1	12.9%	13.3%	14.6%
% Change CC ²			20.3%					
Distribution	109.4	84.3	29.9%	13.1	10.2	28.5%	12.0%	12.1%
TOTAL	552.0	440.4	25.4%	72.0	62.3	15.6%	13.0%	14.2%

Commentary

- **Global Product segment** constant currency revenue growth, +20.3%, driven by
 - Double digit revenue growth across *all* regions and category segments
 - Geographic expansion
 - NPD including the *Barista Pro™*, the *Bluicer™*, *Wave™* microwaves and *Smart Oven Air Fryer™* as well as the roll out of colour
 - Canada, New Zealand and ROW return to normal sales levels lapping weaker 1H19
- **Distribution segment** strong revenue growth +29.9% driven by
 - Improved performance in ANZ, including the successful launch of the *Breville Air™* range
 - Nespresso sales growth including the *Vertuo™* line
 - Incremental A\$2.9m in EBIT is strategically reinvested into the Global Product segment NPD and marketing
- **Global Product segment EBIT** margin reflects the reinvestment of incremental Distribution segment cash flow into Global Product segment Marketing and R&D as well as the dilutive impact of a strong USD, segment mix, and net effect of US tariffs

¹ EBIT and EBIT margin shown pre AASB 16 to allow comparison to prior period

² CC – Constant Currency



Segment Results cont'd

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	1H20	1H19	% Chng \$A	% Chng CC*
North America	258.1	214.9	20.1%	14.6%
Europe	83.7	51.4	63.0%	60.0%
Australia and New Zealand (ANZ)	82.3	74.1	11.0%	10.7%
Rest of World	18.6	15.7	18.1%	10.9%
TOTAL	442.6	356.1	24.3%	20.3%

*CC - Constant Currency

Commentary

- North America. NA delivered mid-teens constant currency revenue growth with successful NPD launches across the half with US tariff-related complexity and uncertainty being managed well. Canadian growth benefited from normal sales levels after a weaker 2019. Overall North American growth is in line with recent annualised trends.
- Europe. Strong revenue growth driven by a sound performance across the UK, mainland Europe and our distribution partners.
- ANZ. Delivered double digit revenue growth with good retailer support for Breville and NPD across Australia and strong growth in New Zealand following a reset year in 2019.
- ROW. Reverted to more normal growth levels, but will continue to have a lumpy profile driven by long lead times.
- Gross margins remain comparable across North America, Europe and ANZ.



Financial Position at 31 December

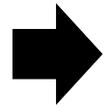
AUDm	1H20	1H19
Inventory	175.2	112.0
Receivables	257.4	217.3
Trade and other payables	(174.4)	(123.2)
Working Capital	258.2	206.1
Fixed assets	13.4	11.4
Intangibles	160.2	115.2
Other (liabilities)/assets (net)	(44.7)	(23.1)
NET ASSETS EMPLOYED	387.1	309.6
Net (Cash) / debt	52.9	0.4
Shareholders' equity	334.2	309.2
CAPITAL EMPLOYED	387.1	309.6
ROE %¹	22.6%	22.5%
ROA %¹	11.6%	12.5%

¹ ROE is calculated as NPAT for the 12 months ended 31 December 2019 (1H19: 12 months ended 31 December 2018) 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 2019 (1H19: 12 months ended 31 December 2018) divided by the average total assets in December each year and 12 months earlier. Both ROE and ROA are calculated pre AASB 16 for comparability purposes.

Commentary

- Working Capital: Normal seasonal build (lower than pc); increase over PY primarily reflecting business growth
- Inventory: includes normal business growth and:
 - US stock brought in pre-tariff (list 4b) and early CNY
 - Impact of tariff % and USD strength on unit costs
 - Brexit stock & unconstrained European pool to fuel accelerated growth
- Receivables: Increasing in line with strong sales growth
- Trade and other payables: Increasing December purchases including pre-tariff & CNY buy up
- Intangibles:
 - Step increase primarily driven by ChefSteps acquisition
 - Growing well below revenue growth excluding acquisition
 - Increasing investment in NPD
 - Investment in IT Global platform 2.0 to support growth
- Other Liabilities: Reflects AASB 16 balances and deferred consideration
- Net debt: Reflects the normal seasonal investment in working capital that seasonally unwinds during 2H
- ROA/ROE%: Solid return on organic investments, and the short term impact of an acquisition and tactical working capital on ROA

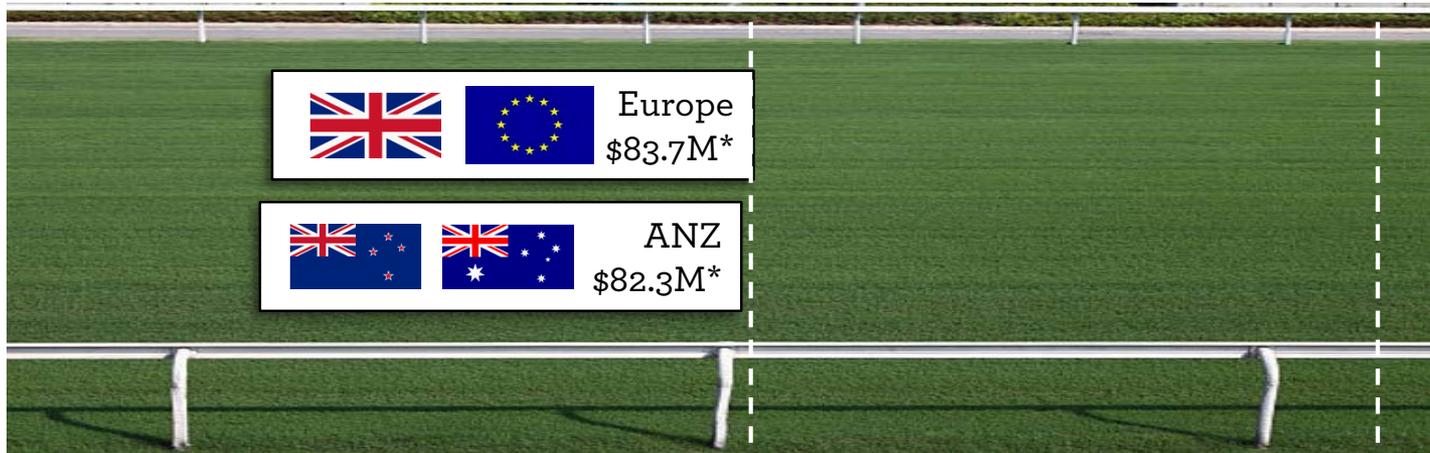




- Europe Update
- Distribution Segment
- 2H Considerations



The Race is On: 1HFY20 Global Product Segment



1HFY20

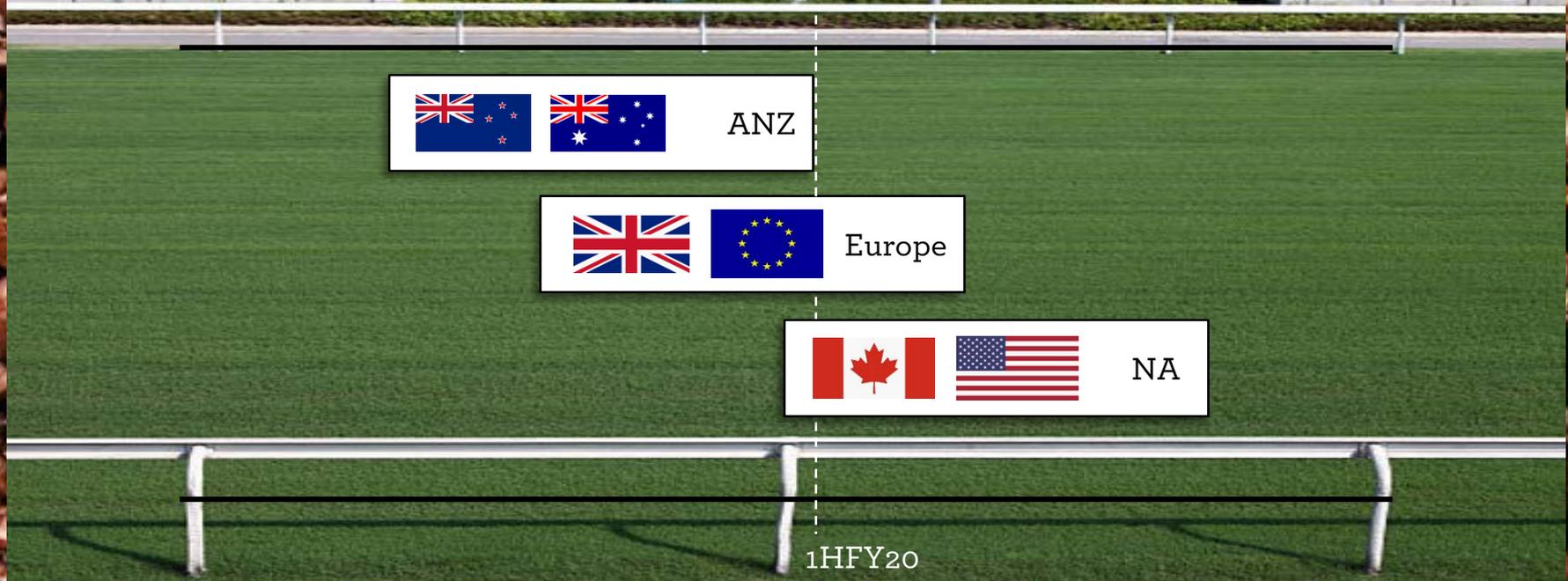
FY20

* Regional Net Sales in the Global Product Segment for the 1HFY20



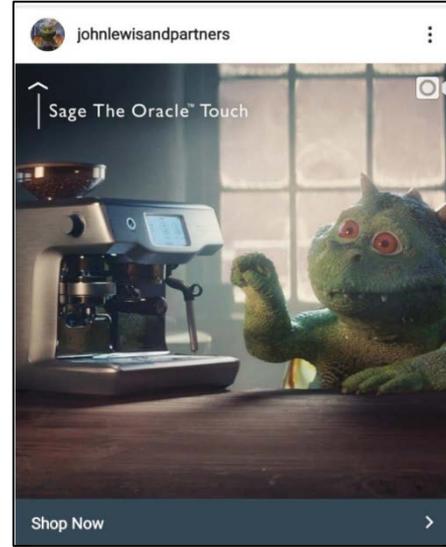
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In Coffee, It's Europe Chasing North America



In the 1HFY20, Europe outsold North America (Net Sales) on a number of coffee SKUs, though North America holds the lead in aggregate.

John Lewis Christmas Partnership



Sage® Entry Into Spain



the Barista Pro™
Velocidad y precisión.

the Barista Pro de Sage, SES878BSS
Interfaz intuitiva, molinillo integrado y extracción precisa para expreso, todo en un tamaño compacto.

Consigue resultados propios de un barista gracias a la nueva interfaz intuitiva que te da toda la información necesaria para crear un café profesional en casa. El molinillo integrado muele la cantidad exacta de café en el momento, para darte un café lleno de sabor. Con un tiempo de calentamiento de 3 segundos y extracción precisa del expreso, pasas del grano a la taza en un abrir y cerrar de ojos.

Los 4 elementos clave del café de calidad profesional son:

- Dosificación
- Temperatura del agua precisa
- Presión del agua óptima
- Presión de vapor suficiente

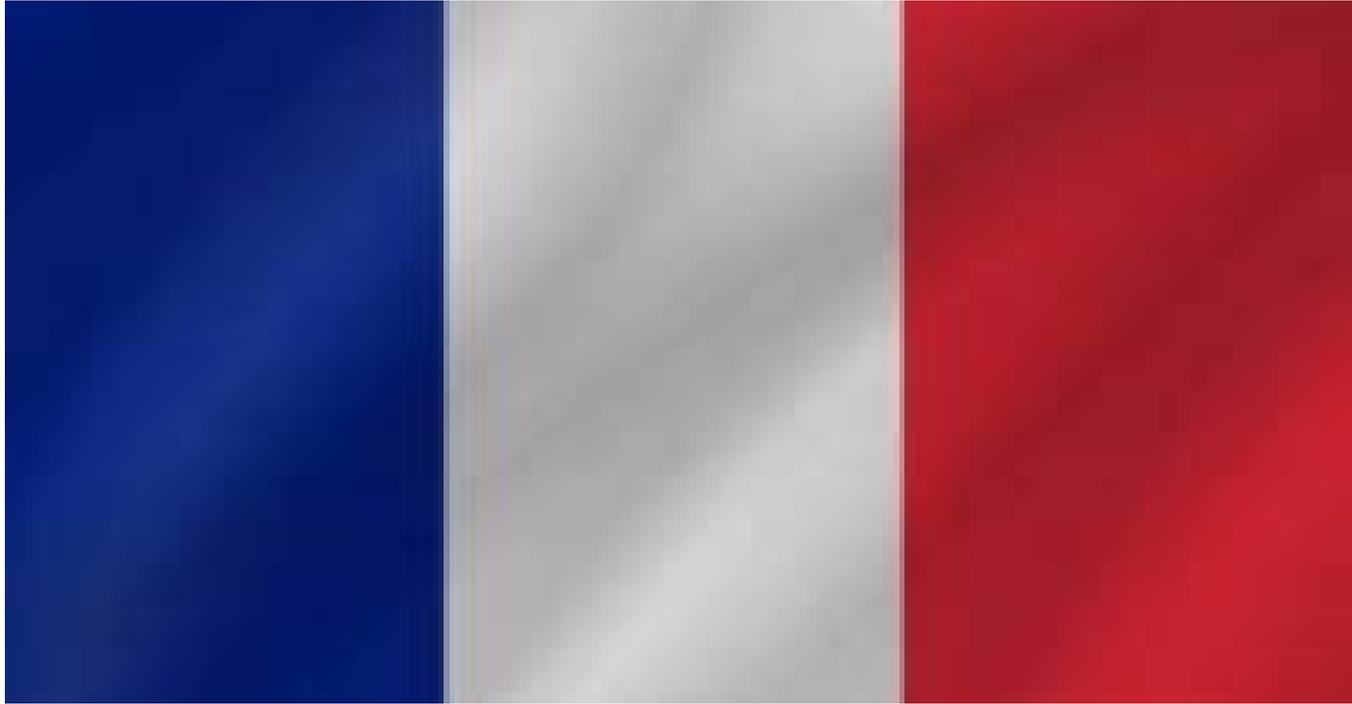
Sage®

Electrodomésticos de cocina diseñados para inspirar a las personas a elaborar comida y bebidas con resultados óptimos de una manera fácil en sus hogares. Desde las máquinas de café expreso hasta los procesadores de alimentos, la innovación destaca en cada uno de nuestros productos. Con Sage, disfrutarás del proceso y obtendrás resultados perfectos en todo momento.

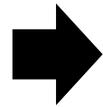
El Corte Inglés



Next Up



- Europe Update



- Distribution Segment

- 2H Considerations



Distribution Segment Turn Around

	FY15	FY16	FY17	FY18	FY19
Revenue	\$153.7	\$149.4	\$136.2	\$124.6	\$148.0
EBIT	NA	\$8.6	\$6.6	\$13.6	\$18.5
	   	   	   	     	     



Reinvigorating Breville (ANZ): NPD FY17-FY19



We have launched 21 new products in the last 3 years, driving over 30% of the Breville-branded revenue in Distribution over that same period.



Continued Progress in FY20





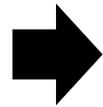


				
the Smart Air Plus™ Purifier <small>Air purification for large rooms</small>	the Smart Air™ Purifier <small>Air purification for medium rooms</small>	the Easy Air™ Purifier <small>Air purification for small rooms</small>	the Smart Mist™ Humidifier <small>Air humidification for small to large rooms</small>	the Easy Mist™ Humidifier <small>Air humidification for medium rooms</small>
				
the Smart Dry™ Dehumidifier <small>Air Dehumidification for small rooms</small>	the Smart Dry Plus™ Dehumidifier <small>Air Dehumidification for medium rooms</small>	the All Climate™ Dehumidifier <small>Air Dehumidification for medium rooms</small>	the Smart Dry Ultimate™ Dehumidifier <small>Air Dehumidification for large rooms</small>	

We have completely replatformed *Climate*® with the launch of *Breville Air*™



- Europe Update
- Distribution Segment

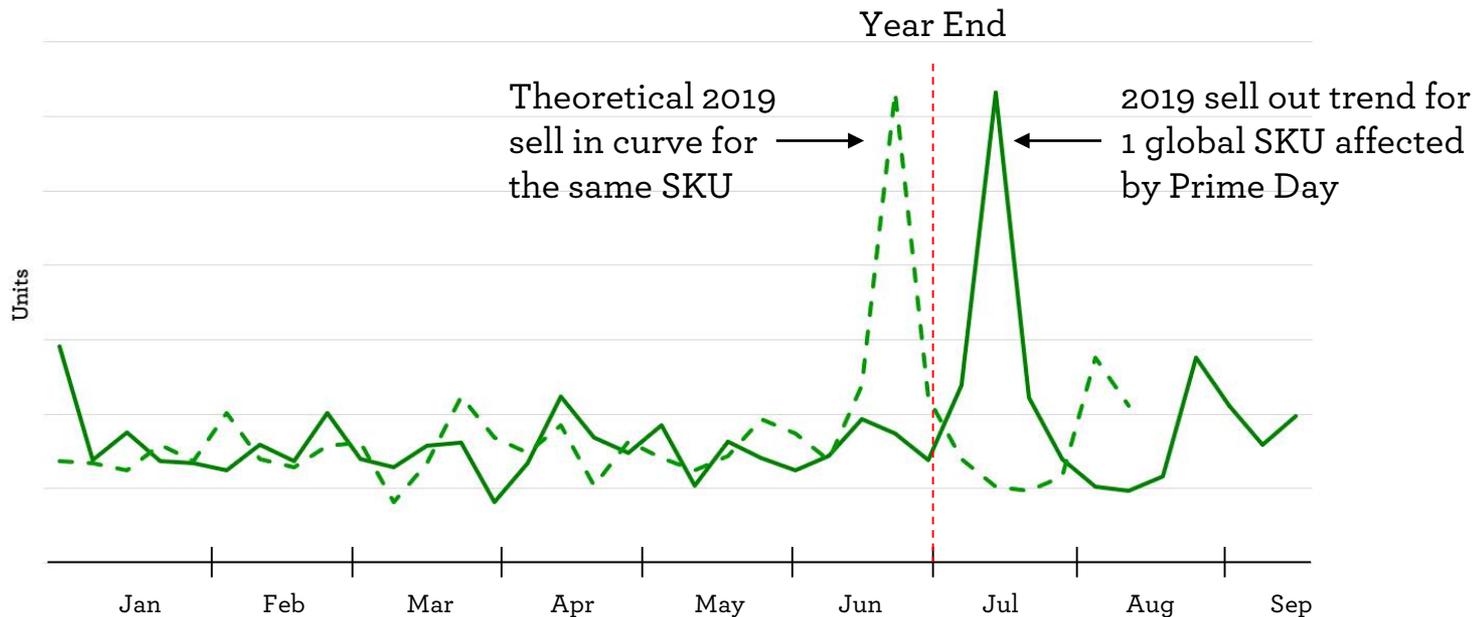


- 2H Considerations



2H20 Considerations

- We expect our constant currency revenue growth rate for the Global Product segment to remain healthy through the 2HFY20.
- In Europe, 2H growth will be driven by the (i) continued progress in existing countries, both ranging and channel where appropriate; and (ii) our entry into France and continued penetration into Spain.
- After posting a strong 1H revenue growth, we expect Distribution Segment 2H growth to be in the single digits as it begins to comp its run rate in the 2HFY19.
- While not fully at equilibrium, inventory will be closer to the equilibrium state than in FY19.
- We expect the 2HFY20 sell-out trend line to resemble the 2HFY19 sell out trend line; thus, FY20 should be comparative to FY19 at year end reporting.



Intersection of Coronavirus News and Breville

Manufacturing Partners

- Manufacturers located in Shenzhen area. No manufacturers or suppliers in Hubei Province (Wuhan)
- Manufacturers opening this week and next (Chinese health audit process)
- All manufacturers are implementing government-required processes to minimize exposure risk

Breville Inventory Position

- Coming out of 1H, holding “above normal flow rates” of inventory in North America (tariff tail) and Europe because of Brexit insurance policy and unconstrained mainland warehouse
- Each year we buy enough before CNY to cover the CNY holiday plus a few weeks; thus, we have been unaffected by the CNY holiday extension
- 2H is low volume part of the year, so less pressure on manufacturers

Demand Line

- Revenue derived from China (ROW segment) is immaterial



Outlook

- The Board and management are mindful of the dynamic nature of the current global political and economic environment, but are encouraged by the continued progress of the acceleration program.
- Assuming no significant change in economic conditions in the Group's major trading markets, we expect EBIT for the full year of FY20 to be consistent with the markets' current consensus forecast of ~\$110M (pre AASB 16 basis), with increased spending on marketing and R&D as a percent of net sales.