

13 August 2020

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

**Year Ended 30 June 2020  
Year End Report Announcement**

Attached is a copy of the Breville Group Limited Year End Report Announcement for the Year Ended 30 June 2020.

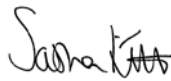
The release of this announcement was authorised by the Board.

Yours faithfully



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Craig Robinson  
Company secretary



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Sasha Kitto  
Company secretary

Breville Group Limited

Telephone: (02) 9384 8100

## Breville Group Limited (BRG) Results

Year ended 30 June 2020

Revenue increase of 25.3% to \$952.2m

Normalised EBIT growth of 14.3%

Dividend increased to 41.0 cps (60% franked)

### Group Summary Result

AUDm <sup>1</sup>	FY20	FY19	% growth
Revenue	952.2	760.0	25.3%
EBITDA	126.5	114.0	11.0%
EBIT	100.9	97.3	3.7%
NPAT	66.2	67.4	(1.8)%
Normalised EBIT <sup>2</sup>	113.1	97.3	16.2%
Normalised EBIT Growth (excluding AASB16 impact <sup>3</sup> )			14.3%
Normalised NPAT <sup>2</sup>	75.0	67.4	11.2%
Normalised EPS <sup>2</sup> (cents)	57.3	51.8	10.6%
Dividend per share - ordinary (cents)	41.0	37.0	10.8%
Franked (%)	60%	60%	
Net cash (\$m)	128.5	9.8	

- Strong performance, in line with initial expectations, delivered against a turbulent backdrop
- Mid-twenties revenue growth % in both Global and Distribution segments with successful expansion into Spain and France
- Global product revenue +20.1% in constant currency. 2H growth matched 1H growth benefiting from relevance of our products to the “working from home” environment
- EBITDA / EBIT / NPAT skewed by both abnormal expenses and abnormal cost savings
- Normalised EBIT<sup>2</sup> growth in line with expectation at +14.3% (or +16.2% including the FY20 benefit of AASB16)
- Dividend increased by +10.8% to 41.0 cents per share, 60% franked with fully underwritten DRP activated to preserve cash and flexibility
- Net cash improvement reflects capital raise (net proceeds \$100.7m) and cashflow from working capital temporarily below equilibrium levels
- Business trajectory is healthy, and the balance sheet has been strengthened to provide resilience against near term turbulence as well as funds for growth

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Master Every Moment™

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

*"Another good year for Breville. In FY20 we faced a cluster of headwinds in the form of Brexit uncertainty, exchange rates, US tariffs and COVID-19 and equally we had our share of good fortune in terms of our inventory levels and the relevance of our products to the 'new normal'. Overall, I am encouraged by the way our team and processes have responded, how our strategic projects have progressed, and by how we have strengthened our balance sheet against any future shocks. We emerge from FY20 with momentum and a hardened foundation to build upon over the next five years."*

## Segment Results

AUDm <sup>1</sup>	Revenue			EBIT			EBIT Margin (%)	
	FY20	FY19	% growth	Normalised FY20 <sup>2</sup>	FY19	% growth	Normalised FY20 <sup>2</sup>	FY19
<b>Global Product</b> <i>% in constant currency</i>	<b>764.4</b>	612.0	24.9% 20.1%	<b>90.2</b>	78.8	14.5%	<b>11.8%</b>	12.9%
<b>Distribution</b>	<b>187.8</b>	148.0	26.9%	<b>22.9</b>	18.5	23.8%	<b>12.3%</b>	12.5%
<b>TOTAL</b>	<b>952.2</b>	760.0	25.3%	<b>113.1</b>	97.3	16.2%	<b>11.9%</b>	12.8%

### Global Product Segment Revenue Growth – as reported and in constant currency

AUDm <sup>1</sup>	Global Product segment revenue			
	FY20	FY19	% growth	% in constant currency
<b>North America (NA)</b>	<b>420.4</b>	357.4	17.6%	<b>11.3%</b>
<b>Australia and New Zealand (ANZ)</b>	<b>157.4</b>	132.9	18.4%	<b>18.3%</b>
<b>Europe</b>	<b>143.3</b>	89.6	60.1%	<b>54.8%</b>
<b>Rest of World (ROW)</b>	<b>43.3</b>	32.1	34.8%	<b>25.6%</b>
<b>TOTAL</b>	<b>764.4</b>	612.0	24.9%	<b>20.1%</b>

### Global Product Segment

The Global Product segment revenue grew by +24.9% to \$764.4m (FY19: \$612.0m). In constant currency, revenue grew +20.1% driven by European expansion and the relevance of our products to a working-from-home environment in 2H20. Our "sell-out" performance remained solid across all geographies whereas our reported "sell-in" patterns reflected local lock down patterns and retailer behaviours.

In **North America**, the Group achieved +11.3% constant currency revenue growth with 2H20 sell-in impacted by retailer lock down and the delay of Amazon Prime Day, which shifted some orders to 1H21.

In **ANZ** the Group saw strong growth in 2H20 with increasing online adoption and delivered +18.3% constant currency full year growth despite some stock shortages late in the year, again shifting some orders into early 1H21.

In **Europe** the Group delivered +54.8% constant currency revenue growth with strong performance in existing markets and a further roll out to Spain and France. The fast-growing European region finished the year at 91% of the size of the Global segment in our ANZ business.

The **ROW** segment is by nature lumpy, and this year revenue grew strongly against a weaker FY19 baseline.

The Global Product segment normalised **EBIT**<sup>2</sup> for the year was \$90.2m (FY19: \$78.8m), representing a +14.5% increase. The segment's normalised EBIT margin<sup>2</sup> of 11.8% compares to 12.9% in FY19 with a strong USD accounting for two thirds of the decline and the impact of US tariffs also moderating the % margin.

### Distribution Segment

The Distribution segment grew revenue strongly increasing sales by +26.9% (against a FY19 +18.8%) driven by strong Breville local sales in ANZ, including the successful launch of the *Breville Air™* range. Importantly, the segment fulfilled its strategic role by delivering an incremental \$4.4m in EBIT reinvested into Global segment marketing and R&D.

### Normalised EBITDA<sup>2</sup>, EBIT<sup>2</sup> and NPAT<sup>2</sup>

In 2H20 the Group incurred significant abnormal expenses and equally, made some sizable abnormal cost savings. When deciding the dividend payout for FY20, and budgeting for FY21, we have looked through these abnormal pluses and minuses to base decisions off a normalised FY20 EBIT of \$113.1m.

In terms of specifics:

1. Since COVID-19 impacted our markets, we have seen credit risks heightening with some customers at the same time as global insurers are reducing coverage limits. This combination led to the judgement to recognise a step change in our doubtful debt provision of \$13.6m in 2H20.
2. In 2H20 we also made the strategic decision to consolidate our various IoT platforms to a single, standards-based platform, triggering the write down of our proprietary IoT platform, developed over three years, at a cost of \$9.6m.
3. In the face of COVID uncertainty, the Group aggressively cut back expenses in Q4 20 to create an expense buffer, and explicitly to protect jobs. The cuts included temporary compensation reductions including directors' fees and base salary (ranging from 40% to 10%) and the suspension of the FY20 short-term incentive program. Neither of these savings, together worth \$7.7m, are planned to repeat in FY21.
4. Equally, we cut back on marketing spend below normal levels in Q4 20 by \$3.3m.

All four impacts are regarded as abnormal and are added back to calculate the Group's normalised profit performance. A full reconciliation table is included in the Appendix to this announcement.

### Financial Position

The Group's total working capital decreased in FY20 by \$22.3m primarily driven by a planned unwind in previous tactical investments in inventory, strong demand in 2H20 further reducing stock balances, and the take up of the doubtful debt provision. With the business growing at +25% pa, this decrease was larger than planned and below equilibrium.

In FY19, tactical inventory builds were made in the USA (timing of tariff price increases), the UK (a buffer against Brexit disruption), and in Europe where we ran an unconstrained stock position to support aggressive growth. In FY20, these were planned to unwind, and they did; however, a slower ramp up of supply post Chinese New Year, combined with unexpectedly strong sell-in in some markets, has driven inventory temporarily below target with replenishment expected throughout FY21.

Reported receivables were flat on prior year despite +25% sales growth partly because of the take up of the doubtful debt provision and partly due to the pattern of sales late in 2H20 with some orders being pushed into 1H21 given the inventory supply constraints and the delay of Amazon Prime day from July to October.

Flat inventory and receivable balances combined with payables growing in line with the business resulted in a reduction of working capital below an equilibrium level.

The growth in intangibles to \$160.2m (or 17% of sales) an increase of \$36.8m, reflects the recognition of goodwill associated with the ChefSteps acquisition (\$28.0m) and the ongoing investment in new product development as well as the Group IT platform.

The Group's ROE<sup>4</sup> on a normalised basis remains healthy at 22.1% (FY19: 22.7%).

### **Net cash**

Net cash at 30 June 2020 was \$128.5m compared to \$9.8m at 30 June 2019, including net proceeds of the capital raise completed in June 2020 of \$100.7m.

### **Dividends**

A final dividend of 20.5 cents per share (60% franked) has been declared (FY19: 18.5 cents, 60% franked) bringing the total dividends for the year to 41.0 cents per share. The final dividend is payable on 8 October 2020.

The Group has established a new Dividend Reinvestment Plan ("DRP") for its shareholders, replacing its previous inactive DRP. The DRP will apply to the final dividend for the year ending 30 June 2020 and has been fully underwritten to preserve cash and balance sheet flexibility. The DRP will remain in place until further notice.

Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in BRG with a registered address in Australia or New Zealand as at the record date of 15 September 2020. Shareholders who successfully participate in the DRP for the final FY20 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of ten trading days, commencing on 17 September 2020. The last date for shareholders to elect to participate in the DRP is 5:00pm (AEST) on 16 September 2020.

### **For further information, please contact:**

**Jim Clayton (Group CEO) or Martin Nicholas (Group CFO)**  
**(02) 9384 8100**

### **Footnotes:**

<sup>1</sup> Minor differences may arise due to rounding.

<sup>2</sup> EBIT, NPAT and EPS shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT \$12.2m; NPAT \$8.8m; EPS 6.8c.

<sup>3</sup> Adoption of AASB 16 in FY20 benefited EBIT by \$2m over FY19. Growth is shown on like-for-like basis. Net benefit to NPAT is minimal at \$254k.

<sup>4</sup> ROE is calculated based on NPAT (normalised or statutory) for the 12 months ended 30 June for the financial year divided by the average of shareholders' equity.

## Appendix – Group Results Summary – Normalisation Adjustments

AUD \$m	FY19	FY20	% Growth	Normalisation				FY20	% Growth
	Statutory	Statutory	Statutory	Doubtful debt provision <sup>1</sup>	IoT impairment <sup>2</sup>	Compensation reduction <sup>3</sup>	Reduced marketing spend <sup>4</sup>	Normalised	Normalised
Revenue	760.0	952.2	25.3%					952.2	25.3%
Gross Profit	271.2	320.6	18.2%					320.6	18.2%
Mktg Expenses	(32.2)	(35.1)	8.9%				(3.3)	(38.4)	19.1%
Other Expenses	(125.0)	(159.0)	27.2%	13.6	9.6	(7.7)		(143.4)	14.8%
EBITDA	114.0	126.5	11.0%	13.6	9.6	(7.7)	(3.3)	138.8	21.7%
Depn/Amort	(16.6)	(25.6)	54.1%					(25.6)	54.1%
EBIT	97.3	100.9	3.7%	13.6	9.6	(7.7)	(3.3)	113.1	16.2%
Finance Costs	(3.0)	(8.2)	173.3%					(8.2)	173.3%
Tax Expenses	(26.9)	(26.6)	(1.3%)	(3.9)	(2.8)	2.2	0.9	(30.1)	11.8%
NPAT	67.4	66.2	(1.8%)	9.7	6.9	(5.5)	(2.4)	75.0	11.2%
Basic EPS (cents)	51.8	50.5	(2.5%)					57.3	10.6%

Growth excluding AASB 16 impact <sup>5</sup>

14.3%

The Group incurred two sizable, abnormal expenses in 2H20 and equally made some abnormal one-off cost savings in the second half. In deciding the FY20 final dividend, and setting budgets for FY21, we have looked through both these pluses and minuses to base our decisions off a normalised FY20 EBIT of \$113.1m.

<sup>1</sup> Step change in doubtful debt provision to reflect heightened credit risk with retailers weakened by changes in consumer patterns and physical lock downs.

<sup>2</sup> One off impairment charge arising as a result of strategic decision to move to a standards-based IoT platform and to write off development work on our proprietary IoT platform.

<sup>3</sup> Temporary compensation reductions. Base salary cut by an average of 20% in May and June 2020. Cuts ranged from 40% for directors' fees and 30% to 10% of base salary. The FY20 STI scheme was suspended. These savings are considered abnormal with salaries reverting to normal levels as of July 2020 and a STI scheme planned for FY21.

<sup>4</sup> In response to uncertainty in the COVID-19 environment, marketing spend was reduced across April-June. Spend would normally grow at least in line with gross profit. The \$3.3m add back reflects specific abnormal cuts made in April-June. After adding this amount, growth in marketing spend is at a more normal level.

<sup>5</sup> FY20 benefited by \$2m at EBIT level from adoption of AASB 16 but is stripped out for a like-for-like comparison to FY19. Net benefit to NPAT is minimal at \$254k.