16 February 2021

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

Half Year Ended 31 December 2020
Half Year End Report Announcement

Attached is a copy of the Breville Group Limited Half Year End Report Announcement for the Half Year Ended 31 December 2020.

The release of this announcement was authorised by the Board.

Yours faithfully

Craig Robinson
Joint Company Secretary
Breville Group Limited

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Master Every Moment™

Breville Group Limited (BRG) Results

Half year ended 31 December 2020

Revenue increase of 28.8% to $711.0m
EBIT increase of 29.6% to $94.6m
Interim dividend 13.0 cps (100% franked)

Group summary result

AUDm[1]	1H21	1H20	% Chng
Revenue	**711.0**	552.0	**28.8%**
EBITDA	**112.4**	85.2	**32.0%**
EBIT	**94.6**	73.0	**29.6%**
NPAT	**64.2**	49.7	**29.2%**
Basic EPS (cents)	**46.6c**	38.1c	**22.3%**
ROE[3] (%)	**19.6 %**	22.8%	
Div per share - ordinary (cents)	**13.0c**	20.5c	**(36.6)%**
Franked (%)	**100%**	60%	
Net (debt) / cash ($m)	**90.6**	(52.9)	

- Solid revenue growth in all regions and categories, supported by the WFH (working from home) and premiumisation trends, as well as the operational decision to invest in inventory in May 2020 supported by the capital raise
- Improved gross margins (+1.1%) driven by lower promotional spend, swing in mix to premium products, and a weaker USD, which more than offset increased freight costs
- Gross profits tactically invested in medium-term growth drivers of our digital offense, product development, and IT capability, while maintaining strong EBIT growth
- Continued double-digit EBIT growth +29.6% (pcp 15.6%) with NPAT increase of +29.2%
- Abnormally strong cash position with working capital temporarily below equilibrium levels
- ROE[3] of 19.6% showing continuing strong return on organic growth investments
- Interim dividend of 13.0c cents per shares (100% franked) reflects decision to reduce target payout ratio to allow continued funding of growth opportunities on a cash-neutral basis

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

"A good half for the Group, building on the momentum seen over the last few reporting periods and benefiting from the WFH phenomenon. All regions and categories delivered growth, despite experiencing very different and erratic retail backdrops. We continued to accelerate our double-digit EBIT growth, while tactically investing in selected growth drivers and capabilities. Geographic expansion is delivering an increasingly diversified and balanced global portfolio, adding growth and resilience in a dynamic market environment."

Segment results

AUDm[1]	REVENUE			EBIT			EBIT margin (%)	
	1H21	1H20	% Chng	1H21	1H20	% Chng	1H21	1H20
Global Product	**592.9**	442.6	34.0%	**79.3**	59.7	32.8%	**13.4%**	13.5%
% change in cc[2]			*39.2%*					
Distribution	**118.1**	109.4	7.9%	**15.3**	13.3	15.3%	**13.0%**	12.2%
TOTAL	**711.0**	552.0	28.8%	**94.6**	73.0	29.6%	**13.3%**	13.2%

Global product segment geographic revenue splits

AUDm[1]	GLOBAL PRODUCT SEGMENT REVENUE			
	1H21	1H20	% Chng	*% Chng cc [2]*
Americas	**314.9**	258.6	**21.8%**	***29.1%***
EMEA (Europe, Middle East and Africa)	**145.3**	94.7	**53.4%**	***56.1%***
APAC (Asia Pacific)	**132.8**	89.3	**48.7%**	***49.7%***
TOTAL	**592.9**	442.6	**34.0%**	***39.2%***

Global Product Segment

The Global Product segment revenue grew 34.0% to $592.9m (1H20: $442.6m), adding over $150m half-on-half. More importantly, in constant currency, revenue grew by 39.2% for the half year.

As previously announced, the Global Product segment will now be reported in three geographic theatres – Americas, EMEA and APAC – to reflect the operating structure of the business. Prior periods have been restated to facilitate comparison.

All regions delivered double-digit growth with solid gains across all categories (Beverages, Cooking and Food Preparation). The Group benefited from sustained geographic expansion in Europe and an addressable market expansion and premiumisation trend arising from the WFH phenomenon. The operational decision to invest in growth inventory in May 2020, supported by the capital raise, allowed the Group to chase strong sell-out growth across the globe.

In the Americas, the Group delivered +29.1% constant currency growth bolstered by strong growth in B2C and online channels generally, as the bricks-and-mortar retail environment continued to face disruption. The Baratza acquisition was successfully completed mid 1H 21.

In EMEA, despite on-going retail disruption, the region performed well with robust growth across the UK, mainland Europe, and distributor-run markets. France successfully posted its first Holiday season.

APAC achieved very strong 1H21 growth with demand boosted by WFH and the strength of the Breville brand and price realisation. Retail stayed largely accessible to consumers throughout the period, and the region was supported by nimble supply chain management to match demand.

Gross margin percentages remained similar across the key geographies. Breville's diversifying global sales footprint increasingly provides stability in sales and profit delivery against a volatile market. EMEA and APAC are a similar size, and together, match the Americas.

Distribution segment

The Distribution segment fulfilled its strategic role by delivering an incremental $2.0m in EBIT, with double-digit sales growth in "Breville Local", including the Breville Air™ range, and single-digit growth in Kambrook and Nespresso. Well controlled core opex spend, outside of the investment in the medium-term growth drivers in the Global Product segment, yielded 15% EBIT growth for the Distribution segment.

EBIT margins

The steady 1H21 EBIT margin, 13.3% (pcp 13.2%), reflects our increasing gross profits, selectively and tactically reinvested in opex to boost medium-term growth, as well as the headwind of doubtful debt provisioning during a high growth and enhanced risk period.

Gross margins were boosted by the tailwinds of a mix swing to the higher margin Global Product segment, lower promotional activity, a consumer trend towards more premium products and the weaker USD, which more than offset the headwinds of increased transport, container and duty costs ex China.

Core overheads and opex were well controlled with sustained investment in headcount expansion to support growth.

However, opex investment was accelerated in GTM (go-to-market), specifically on our digital offense, in product development, and in our IT team and capability, to drive medium-term growth. This increased investment level can be largely pulled back should sales momentum slow.

Doubtful debt provisioning costs increased as our receivables balance grew, yet the appetite of our insurers to provide receivables cover remained mixed, as did the financial position of our retail partners. The percentage of our total receivables insured, provided for, or not requiring cover, held steady at approximately 90%.

Financial Position

Under normal conditions the Group structurally invests in working capital to drive organic growth and working capital peaks in the first half. However, despite 29% sales growth, Dec 2020 working capital was 21% below the prior year and approximately $(95)m below the expected "equilibrium level".

Inventory levels have been suppressed by continued strong demand constraining our ability to build normal cover levels. Receivables have grown slower than sales as we have shortened terms to some customers and the Christmas selling period began earlier in the half. Meanwhile, payables have largely grown with the business. Collectively, this resulted in abnormally low working capital, high cash flow, and high net Cash as of Dec 31, 2020. This imbalance should unwind during CY2021, but perhaps not by June 2021.

Intangible assets of $237m grew by $77m on the pcp primarily due to the acquisition of Baratza in October 2020. Excluding the acquisition, and the IOT platform impairment taken in June 2020, intangibles are growing in line with recent trends as we invest in NPD and our Group 2.0 IT platform.

At 31 December 2020, the Group had a net cash position of $90.6m which reflects the working capital flow mentioned above and the net inflow of $42m arising from the May 2020 capital raise less the acquisition of Baratza.

The Group's ROE% was 19.6% showing continued strong returns on the Group's growth investments.

Dividends

An interim dividend of 13.0 cents per share (100% franked) has been declared (1H20: 20.5 cents, 60% franked).

The declared dividend level reflects a decision to reduce the target payout ratio from 70% of EPS to 40% on a full year basis to allow continued funding of numerous growth opportunities on a sustainable cash-neutral basis.

This interim dividend will have a record date of 26 February 2021 and will be payable on 18 March 2021. The previously activated DRP has been suspended until further notice.

Considerations for 2H21

We expect continued constant currency Global Product segment growth in the second half of FY21, with momentum in all markets. The Distribution segment growth is expected to remain at subdued levels.

Inventory levels remain tight across all geographies, and although we are working to get ahead of demand and re-pipeline the channel, it is unclear whether we can achieve this by June 2021.

With continued healthy demand we expect to keep investing in NPD, marketing, and IT to support medium-term growth momentum.

FY21 Outlook

Assuming no significant change in economic conditions in our major trading markets, we expect EBIT for the full year of FY21 to be approximately $136m, an increase from the guidance we provided at the AGM (AGM guidance $128m-$132m).

Investment in NPD & GTM as a percent of Net Sales is approaching the strategic goal of 12% and investment levels will be flexed in 2H 21 depending on the sales growth delivered.

For further information, please contact:
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[1] *Minor differences may arise due to rounding*

[2] *cc: constant currency*

[3] *ROE is calculated based on NPAT for the 12 months ended 31 December 2020 (1H20: 12 months ended 31 December 2019) divided by the average of shareholders' equity at 31 December each year and 12 months earlier.*