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16 February 2022

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



**Breville Group Limited – Half Year Ended 31 December 2021
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 2021.

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'.

Sasha Kitto and Craig Robinson
Joint Company Secretaries

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Breville Group Limited (BRG) Results

Half year ended 31 December 2021

Revenue increase of 23.6% to \$878.7M

EBIT increase of 22.8% to \$112.5M

Interim dividend 15.0 cps (100% franked)

Group summary result

| AUDm ¹ | 1H22 | 1H21 | % Chng |
|----------------------------------|-------|-------|--------|
| Revenue | 878.7 | 711.0 | 23.6% |
| EBITDA | 125.5 | 107.6 | 16.6% |
| EBIT | 112.5 | 91.7 | 22.8% |
| NPAT | 77.7 | 62.1 | 25.1% |
| Basic EPS (cents) | 55.8c | 45.1c | 23.7% |
| ROE ³ (%) | 19.7% | 19.7% | |
| Div per share - ordinary (cents) | 15.0c | 13.0c | 15.4% |
| Franked (%) | 100% | 100% | |
| Net (debt) / cash | 31.7 | 90.6 | |

- Strong consumer demand across all regions and categories underpinned revenue growth of 23.6% despite ongoing logistical challenges
- Gross margins were well managed in a turbulent environment with price rises, restrained promotional spend, and mix largely offsetting ongoing inflationary pressures in freight and product costs
- Gross profit increases were again strategically invested in medium-term growth drivers of R&D, marketing and technology while still delivering strong EBIT growth
- Continued double-digit EBIT growth +22.8% with NPAT increase of +25.1%
- Balance sheet improving, but still not at equilibrium, with temporarily suppressed levels of available inventory
- ROE³ of 19.7% showing continuing strong return on organic growth investments
- Interim dividend of 15.0c cents per share (100% franked)

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

"Sustained consumer demand across geographies and categories underpinned our 1H22 performance. The business continued its move from strength to strength delivering 23.6% sales growth, despite a strong prior period and global logistical constraints (most acute in the US); double digit EBIT growth with continued investment in mid-term growth drivers; and, an improved inventory position, which we plan to further reinforce in the 2H to support growth in the 1H23".

Segment results

| AUDm ¹ | REVENUE | | | EBIT | | | EBIT margin (%) | |
|-----------------------------------|--------------|-------|--------|--------------|------|--------|-----------------|-------|
| | 1H22 | 1H21 | % Chng | 1H22 | 1H21 | % Chng | 1H22 | 1H21 |
| Global Product | 733.9 | 592.9 | 23.8% | 96.2 | 76.3 | 26.1% | 13.1% | 12.9% |
| % change in cc² | | | 23.8% | | | | | |
| Distribution | 144.7 | 118.1 | 22.6% | 16.3 | 15.3 | 6.1% | 11.2% | 13.0% |
| TOTAL | 878.7 | 711.0 | 23.6% | 112.5 | 91.7 | 22.8% | 12.8% | 12.9% |

Global product segment geographic revenue splits

| AUDm ¹ | GLOBAL PRODUCT SEGMENT REVENUE | | | | 1H19-1H22 3 yr CAGR cc ² |
|--|--------------------------------|-------|--------------|---------------------------|---|
| | 1H22 | 1H21 | % Chng | % Chng cc ² | |
| Americas | 370.1 | 314.9 | 17.5% | 17.1% | 20.0% |
| EMEA (Europe, Middle East and Africa) | 201.1 | 145.3 | 38.4% | 39.4% | 50.0% |
| APAC (Asia Pacific) | 162.7 | 132.8 | 22.6% | 22.0% | 26.0% |
| TOTAL | 733.9 | 592.9 | 23.8% | 23.8% | 27.5% |

Global Product Segment

Our Global Product segment carried its sales momentum from FY21 into the 1H22 delivering +23.8% sales growth on a constant currency basis on top of the prior comparative period (pcp) growth of 39.2%.

We saw broad based regional and category growths, despite some logistics disruption. EBIT margins were maintained with headwinds and tail winds largely netting out at an EBIT level.

Pleasingly all theatres delivered healthy double-digit growth, over strong prior periods, with gains across all categories.

In the **Americas**, the Group delivered +17.1% cc growth, but this does not reflect actual customer demand as the well-publicised LA port congestion delayed inventory receipts into our warehouse and constrained our ability to satisfy customer orders. We will look to recover some of this in 2H22.

In **EMEA**, the region performed strongly delivering nearly 40% growth with robust sales in both the UK and mainland Europe. In \$ terms, EMEA's Global Product growth again outstripped both the Americas and APAC.

APAC continued to show strength over a very strong pcp delivering 22% constant currency growth. Inventory and our ability to satisfy orders has largely normalised in APAC.

Over the 3-year period from 1H19 to 1H22 all theatres have delivered strong, sustained growth profiles, and the Group's Global Product Segment's revenue more than doubled.

Gross margins remain similar across all theatres.

Distribution segment

Our Distribution segment revenue also grew strongly at 22.6% led by Nespresso in the Americas lapping a weak pcg. This was partially offset by lower revenue growth in APAC where, in line with the segment's role, maximising margin \$ was prioritised over top line growth.

Importantly, the Distribution segment fulfilled its strategic role by delivering \$0.9M in incremental EBIT to reinvest into the Global Product Segment.

EBIT margins

1H22 EBIT margin at 12.8% (pcg 12.9%), was largely flat on prior year.

Gross margins were managed well in a turbulent environment with selective price rises, restrained promotional spend, and mix largely offsetting the ongoing inflationary pressures in ocean freight and product costs in the Global Product segment. In the Distribution segment inflationary pressure in shipping costs saw some erosion in gross margins.

Driven by strong revenue growth, our increasing gross profits were strategically invested in R&D, marketing and technology to drive medium-term growth. Core overheads and opex continued to be well controlled, growing at 11% with increases largely limited to headcount expansion necessary to support growth.

Financial Position

Under normal conditions the Group structurally invests in working capital to drive growth, and we expect to see working capital peak in the first half of any year.

The balance sheet for the 1H22 looks markedly more normal than the 1H21 when the Group reported working capital of \$203M, which we flagged as being about \$95M below equilibrium. 1H22 total working capital of \$334M, represents a 12% increase over an equilibrium 1H21 (reported plus shortfall). Thus, the 1H22 working capital expansion is still running behind sales growth of 23.6%, but is approaching a normal level.

Despite this move toward equilibrium working capital, our inventory position is still not balanced. Too much of our inventory remains as goods-in-transit as opposed to being landed in our warehouse. It is primarily sitting on ships waiting to get into the LA port. This has impacted our ability to completely satisfy consumer demand in the USA.

To avoid a replay of these supply challenges in the first half of FY23, our aim in the 2H22 is to get in front of any future supply chain problems by accelerating our inventory build for the 1H23. If we are successful, we should see a peak inventory number for FY22 in June.

The ongoing growth in intangibles reflects the Group's strategic investments in NPD (New Product Development).

Cash behaved as expected for this time of year, coming off an abnormally high starting position in both Dec 20 and June 21. Underlying cash flow generation remains healthy as do our available funds for expansion with ~\$380M of undrawn debt facilities and cash.

The Group's ROE% was 19.7% showing continued strong returns on the Group's growth investments.

Dividends

An interim dividend of 15.0 cents per share (100% franked) has been declared (1H21: 13.0 cents, 100% franked).

This interim dividend will have a record date of 25 February 2022 and will be payable on 17 March 2022.

Considerations for 2H22

Given current momentum we expect continued constant currency Global Product segment growth in the second half of FY22.

We also expect supply chain complexities and inflationary pressures to continue with the former managed through forward planning and the latter by increasing prices where appropriate.

Consistent with prior years we will continue to invest in R&D, marketing and technology in the 2H to support growth in FY23 and beyond. Also, as in prior years, we expect to enter new geographies and launch new products in the 2H of FY22.

Supply chain permitting, we will begin building inventory for peak season FY23 to try to get ahead of ongoing logistical challenges. The holding cost, or obsolescence risk, of inventory for Breville is negligible with long life cycles, no price degradation, and no seasonality.

FY22 Outlook

Assuming no significant change in economic conditions in the Group's major trading markets or material supply chain interruptions, and accounting for expected 2H investment levels in R&D, marketing and technology, we expect EBIT for the full year of FY22 to be consistent with the markets' current consensus forecast of ~A\$156M.

For further information, please contact:
Jim Clayton (CEO) / Martin Nicholas (Group CFO)

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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 2021 (1H21: 12 months ended 31 December 2020) divided by the average of shareholders' equity at 31 December each year and 12 months earlier.