

Breville Group Limited
ABN 90 086 933 431
Ground Floor, Suite 2,
170-180 Bourke Road
Alexandria NSW 2015
Australia
T + 61 (2) 9384 8100
F + 61 (2) 9700 1249
breville.com

23 August 2022

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



Full Year Results Announcement – Year Ended 30 June 2022

Attached is a copy of the Breville Group Limited Full Year Results Announcement for the year ended 30 June 2022.

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

Breville Group Limited (BRG) Results

Year ended 30 June 2022

Revenue growth of 19.4%

EBIT growth 14.6%

Inventory pull forward to partially de-risk 1H23

Group Summary Result

AUDm ¹	FY22	FY21	% Growth
Revenue	1,418.4	1,187.7	19.4%
Gross Profit	485.9	413.7	17.5%
Gross Margin %	34.3%	34.8%	
EBITDA	186.8	163.3	14.4%
EBIT	156.4	136.4	14.6%
NPAT	105.7	91.0	16.2%
Dividend per share - ordinary (cents)	30.0	26.5	13.2%
Franked (%)	100%	100%	
Net cash / (debt) (\$m)	(4.1)	129.9	
ROE ² (%)	18.9%	19.7%	

- Record revenue of over \$1.4bn with another year of solid sales growth of +19.4%
- 2H22 revenue growth rate moderated to +13.2% as revenue acceleration in the Americas partially offset softness in EMEA as consumers and retailers reacted to the Ukraine invasion
- Gross margins were well managed, with demonstrated pricing power in the global segment, offsetting an inflationary backdrop of increased freight and product costs and a strong USD
- Operating leverage was again reinvested into the medium-term growth drivers of R&D, marketing and technology with 2H22 spend aligned to revenue trajectory to deliver committed EBIT
- EBIT guidance of \$156m maintained, and met, delivering another year of double-digit profit growth
- Full year dividend of 30.0c cents per share (100% franked)
- Cash outflow as working capital rebuilt to equilibrium level, and 1H23 inventory pulled forward to partially de-risk supply chain in advance of the peak season
- ROE shows continuing robust returns on invested capital

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

“A solid year of performance for the Group, delivering guidance once again, against a dynamic backdrop of supply chain challenges, inflationary pressures, and headwinds resulting from the Ukraine invasion.

Having doubled the size of the business in the last 4 years, the strength of our geographic portfolio came through in FY22 as the Americas accelerated in the 2H to pick up the slack in Europe. We managed margins well, demonstrating the pricing power of our brand and our premium products. The investment in growth drivers continued, while demonstrating the ability to align expenses with revenue, within the envelope of guidance.

We enter FY23 in a solid position: we’ve successfully pulled forward our inventory build for 1HFY23, and our NPD pipeline is beginning to release. A big thank you to the entire Breville/Sage team for pushing through the tactical challenges of FY22 with a relentless focus on our customers and partners and a continued prioritisation of long-term growth”.

Segment Results

AUDm ¹	Revenue			Gross Profit			Gross Margin (%)	
	FY22	FY21	% Growth	FY22	FY21	% Growth	FY22	FY21
Global Product	1,178.5	984.2	19.8%	428.7	362.9	18.2%	36.4%	36.9%
<i>% Growth in constant currency</i>	18.0%	37.0%						
Distribution	239.9	203.5	17.9%	57.2	50.8	12.5%	23.8%	25.0%
TOTAL	1,418.4	1,187.7	19.4%	485.9	413.7	17.5%	34.3%	34.8%

Our strategically key Global Product segment grew by nearly 20%, or 18% in constant currency terms. We successfully raised price in this premium segment in all geographies to protect our GM% in the face of inflationary pressures.

In the mass market Distribution segment, we also saw good sales growth with Nespresso back in stock, and solid growth in Breville Local, offsetting lower growth in our mass market Kambrook brand.

Gross margins in this segment were more affected by inflationary pressures given the lower retail value per unit shipped and higher shelf price sensitivity. Importantly, the Distribution segment was again successfully managed to fulfill its strategic role of generating profit dollars for re-investment in growing the Global Product segment.

Global Product Segment Revenue Growth – reported and constant currency

AUDm ¹	Global Product Segment Revenue				4Yr CAGR
	FY22	FY21	% Growth	% in constant currency	
Americas	605.0	493.0	22.7%	19.4%	19.2%
EMEA	295.1	257.0	14.8%	15.1%	35.6%
APAC	278.4	234.2	18.9%	18.2%	19.8%
TOTAL	1,178.5	984.2	19.8%	18.0%	22.5%

Global Product Segment

Global Product segment revenue grew by 19.8% to \$1,178.5m (FY21: \$984.2m). In constant currency, revenue grew 18.0% on top of a strong 37.0% in FY21.

In the four years since FY18, the segment has more than doubled with a CAGR of 22.5% driven by sustained investment in product development, digital marketing, geographic expansion, and a single global technology platform.

2H22 strength in the Americas, and another solid performance from APAC, partially offset 2H22 softness in EMEA.

The **Americas**, our largest region, was also our fastest growing region in FY22 at 22.7%. Growth accelerated in the 2H22 as the theatre returned to an in-stock-position, and consumer sell-out proved resilient with 32% 2H22 growth, as reported, or 24% in constant currency terms.

EMEA slowed in the 2H with consumer nervousness following the Russian invasion of Ukraine, exacerbated by a general retailer destocking. We did not engage in the widespread discounting seen in the market in 2H22 and saw 2H22 sales decline by (15.9)% despite overall holding market share.

Conversely **APAC** delivered a solid performance in both the first and second half, and we saw good signs of things to come from the early performance of our new coffee SKU the Barista Express Impress in New Zealand. June 2022 also saw the Group's first direct entry into Asia as we launched in South Korea.

FY22 was another strong example of our portfolio working for us and delivering a good result even in testing times.

Financial Position

The Group's net working capital position at 30 June 2022 of \$347.8m reflects both the restoration of a more normal, or equilibrium, working capital level, and the pull forward of a portion of 1H23 peak inventory.

In FY21, the Group's total working capital position of \$160.2m at 30 June 2021 was reported as being at least \$80m below equilibrium with insufficient landed inventory resulting in constrained sales and unusually low receivables. During FY22 a more normal inventory and receivables pattern has been successfully rebuilt.

The group typically builds towards peak inventory in September, allowing delivery to customers in October and November, to in turn meet peak seasonal consumer demand in November and December. Given the current supply chain risks of manufacturing shut down and/or transport restrictions, the operations team has successfully landed a portion of peak inventory earlier than normal.

To meet expected 1H23 sales a significant amount of stock will still need to be built and landed in the first half, however, this pull forward at least partially de-risks our 1H23 and has contributed to an inventory of \$445.9m at 30 June 2022.

Average receivable days were well controlled, and within terms, at 61 days (pcp 59 days). Trade receivables at 30th June 2022 reflects a more normal Q422 sales pattern than seen in the prior year and the impact of USD translation at the end of the year. The increase in trade and other payables at the year-end reflects higher payables arising from the pulled forward stock purchases as well as general business growth.

Our fixed assets increase reflects a stepped-up investment in production tools as new products are readied for release. Our intangibles continue to grow with the business as we continue to strategically invest in product development and deliver new products.

The Group's ROE remains healthy at 18.9%.

Net Cash and Free Cash flow

Lower net cash reflects a year of free cash outflow as working capital has been normalised and inventory pulled forward. This follows a strong cash inflow the year before when working capital was driven below equilibrium.

Our assessment of supply chain risks will inform our approach to inventory holdings in FY23. The negligible obsolescence risk of our products makes holding stock an attractive mitigant to current supply chain uncertainties.

Dividends

A final dividend of 15.0 cents per share (100% franked) has been declared (FY21: 13.5 cents, 100% franked) bringing the total dividends for the year to 30.0 cents per share, a 13.2% growth over the pcp.

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

The final dividend will have a record date of 15 September 2022 and will be paid on 6 October 2022.

FY23 Landscape

The financial year ahead appears to be one of competing macro headwinds and tailwinds. In addition, Breville brings the tailwinds of new product launches, maturing new geographies, and cost improvements to the year. It is too early to predict how these forces will play out across the whole year, but in the first few weeks of FY23 sell-out is up on the pcp, and we are on plan for 1H23.

For further information, please contact:

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

Footnotes:

¹ Minor differences may arise due to rounding.

² ROE is calculated based on NPAT for the 12 months ended 30 June 2022 (FY21: 12 months ended 30 June 2021) divided by the average of shareholders' equity in June each year and 12 months earlier.