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10 November 2022

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



**Breville Group Limited – 2022 Annual General Meeting Presentation**

Please find attached copies of the Chairman's and CEO's addresses, and accompanying presentation, to be delivered at the Annual General Meeting of Breville Group Limited at 10:00am AEDT today.

The release of this announcement was authorised by the Board.

## **Chairman's Address at 2022 AGM**

### **Slide 3**

I would like to begin by acknowledging and paying respects to the traditional custodians of the land and waters on which we work, the Gadigal People of the Eora Nation, and to their elders, past, present and emerging.

We celebrate the continuing contribution of their food culture, and seek to support it, in Australia and the world.

### **Slide 6**

I start my presentation by noting that last Tuesday was Breville's 90th Birthday.

Any history of Breville is automatically linked with the history of the men who founded it – Bill O'Brien and Harry Norville – who started Breville Radio in the midst of the Great Depression in 1932.

The Breville name is a combination of their surnames.

From the first home radios and washing machines, to the ultimate in 21<sup>st</sup> century technology and design, what has carried Breville forward is a passion for innovation and a laser-focus on serving its loyal customers.

Those simple moments of Breville brilliance have made all our shared experiences in the kitchen so much more enjoyable and rewarding.

### **Slide 7**

Turning to the 2022 financial year, Breville delivered record sales and EBIT in a dynamic trading environment, particularly in the second half with the direct impact of the war in Ukraine on our European business and growing global inflation and economic uncertainty.

### **Slide 8**

The business was nimble and reactive to changing conditions to deliver our EBIT guidance for the year.

The Group delivered a 19.4% increase in sales to over \$1.4 billion and a 14.6% increase in EBIT to \$156.4 million.

Over the last 7 years, revenue and EBIT have grown at a very impressive compound average growth rate of 16.2% and 13.4% respectively.

### **Slide 9**

Whilst growing revenue and EBIT in FY22, the group again increased investment in R&D, marketing and technology by 22.3% to support the long-term growth of the business.

Net profit after tax increased by 16.2% to \$105.7 million.

## **Slide 10**

Earnings per share increased by 15.3% to 75.9 cents, and in line with the Board's target payout ratio of 40% of EPS, dividends per share increased by 13.2% to 30 cents.

Breville ended the 2022 financial year with a solid balance sheet including net debt of \$4 million.

## **Slide 11**

On behalf of the Board, I would like to thank our CEO, Jim Clayton, and our team across the globe, for their dedication and prowess in delivering another stellar performance and positioning Breville for long term growth.

I would also like to thank my fellow directors, and our shareholders, customers, retail partners and suppliers for their continued support.

We look forward to sharing the next exciting chapter with you.

## **END CHAIRMAN'S ADDRESS**

## **CEO's Address at 2022 AGM**

### **Slide 12**

I'd like to welcome everyone to Breville's AGM. Thank you for taking the time to join us.

### **Slide 13**

Today I am going to walk you through our FY22 Year End Results; give you a short update on the 1H of FY23; and end with some concluding remarks.

### **Slide 14**

Given we reported these numbers in August, I will focus on the highlights. FY22, as reported, looks like a fairly normal year for Breville – solid top line growth resulting in on-guidance EBIT growth – but behind these numbers, it was anything but normal. FY22 was a year of supply chain disruptions, cost inflation and the war in the Ukraine, just to hit the highlights. The results – \$1.4 billion in revenue, stable gross margins, and 14.6% EBIT growth – is an expression of the Breville|Sage team's "sense and respond" approach to navigating through a dynamic environment.

### **Slide 15**

Breaking down the revenue across the two segments, the Global Product segment grew 18.0% in constant currency on top of 37.0% growth in the prior year, and the Distribution segment grew at 17.7%.

### **Slide 16**

All three Theatres delivered solid growth numbers in the Global Product segment: the Americas led with 22.7% in constant currency; EMEA grew 14.8%; and APAC grew 18.9%. Across the Theatres we saw

revenue diversification play through. As the Ukraine war knocked EMEA off its normal trajectory, the Americas' performance basically closed the gap.

### **Slide 17**

The EBIT bridge between FY21 and FY22 shows we generated an incremental \$72.2 million of Gross Profit of which \$35.8 million was invested back into marketing, R&D and technology; \$16.6 million went to other functions; and \$20.0 million dropped to the EBIT line.

This waterfall is the scorecard that shows the level of control we have over the business. As our growth rate slowed in the second half, we were able to make running adjustments to our expense pattern to end the year on guidance.

### **Slide 18**

The balance sheet shows that we have finally made it back to an equilibrium working capital level, coupled with two items of note:

1. In the 2H of FY21, we made the explicit decision to de-risk the supply chain challenges we were wrestling with by phasing our 1H23 inventory build much earlier, resulting in a higher inventory number as of June 30<sup>th</sup>. This created a fair bit of discussion when we announced our results on August 23<sup>rd</sup>. One week after our announcement, Shenzhen – where most of our products are manufactured – went into COVID lockdown, exactly the scenario we were hedging against.
2. The second item of note is the increase in Intangibles. As a general rule, this is a leading indicator of new products lining up to come to market.

### **Slide 19**

It's been a while since I've pulled together the Acceleration Program Scorecard. Behind these numbers sits an underlying market environment that is the most dynamic I have experienced in my career: Brexit, Trump's Tariffs, COVID lockdowns, inflation, war, wild currency swings etc. Despite all of this, we have continued to stay on task, methodically executing our long-term strategy while tactically dealing with the challenges presented.

Our underlying strategic cadence has continued to support the progression of the business, within the envelope of EBIT growth.

### **Slide 20**

On to a quick update on the 1H of FY23.

### **Slide 21**

In the 1H of FY23, we have continued the rollout of the Aboriginal Culinary Journey Range. We executed launch events, at the Australian High Commission in Berlin, an Aboriginal Art Gallery in Brussels, and at Australia House in London. Currently, the limited-edition range is available online and at Harrods in London and KaDeWe in Berlin. The team also received the Best-In-Class award from Good Design. We are very proud of this project and look forward to continuing to roll out the range in France and the United States in the 2H.

## Slide 22

Winning a Good Design Award with the Aboriginal Culinary Journey is much appreciated recognition for Breville's prowess in product design. The team has won countless global product design awards through the years. But in October, we experienced a first for Breville in its 90-year history. Breville received 3 Gold Digital Design Awards from W3: Best Home Page, Best Structure and Navigation of a Product Description Page, and Best Use of Video or Motion Graphics on the Joule Oven Page. For those who are not familiar with W3, it is sanctioned and judged by the International Academy of Visual Arts. The importance of this recognition is it means the sophistication of our Digital execution is catching up to our Product execution.

## Slide 23

Looking at the 1H of FY23, I can provide a few updates:

- Despite the August lockdown in Shenzhen and other logistics issues, we successfully landed the inventory we needed to support the 1H;
- The supply chain is becoming more predictable. We expect to transition back to a flow model in the 2HFY23, so we should see a working capital release when we report our annual results;
- Our Launch v2.0 process has worked exceptionally well with the *Barista Express Impress* in all markets;
- In general, retailers are cautious, but leaning into brands they trust, including Breville|Sage. Surveying the Theatres, year-to-date, sell-in is performing as expected on a relative basis: Americas' is solid, APAC is steady, and EMEA continues to be challenging, where sell-out continues to outpace sell-in;
- We are seeing input costs trending in the right direction, which is down; and
- From a planning perspective, the business is currently performing between the goal posts (low end/high end), so we continue to be on plan for the year.

## Slide 24

Finally, a few closing remarks:

- It is with great humility that we recognise Breville's 90<sup>th</sup> anniversary. I certainly feel privileged to be a participant in this journey. Not many companies last this long, with even fewer global success stories from Australia. It is an accomplishment that should be celebrated. Besides, what can be more Australian – a company whose founding capital came from winning a 4-to-1 bet at the Melbourne Cup in 1932;
- I'd like to welcome Tim Baxter to the Board. I, personally, appreciate his willingness to lend his expertise to the road ahead; and
- I'd like to thank every single employee at the company, both new and old, for tacking through yet another challenging year. As best I can tell, the bigger the challenge, the better this team performs. It is truly an honour to be a part of this team.

With that, thank you to everyone for joining us today.

## Disclaimer

To the extent this release 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. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Any forward looking statements are based on information available to Breville as at the date of this release. 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.

# Breville Group Limited (BRG)

Annual General Meeting

10<sup>th</sup> November 2022



an Aboriginal Culinary Journey™

Designed and Engineered in Australia

**Breville** | **Sage** **90**  
YEARS

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## Acknowledgement of Country

*We would like to acknowledge and pay respects to the traditional custodians of the land and waters on which we work, the Gadigal People of the Eora Nation, and to their elders, past, present and emerging.*

*We celebrate the continuing contribution of their food culture, and seek to support it, in Australia and the world.*



# Chairman's Address

Mr. Tim Antonie

Introductions & Running Order



## Items of Business

- **2022 Annual Report**
- **Remuneration Report**
- **Re-election and election of Non-Executive Directors**
- **Grant of rights to Managing Director and CEO**
- **Grant of NED rights to Non-Executive Directors**

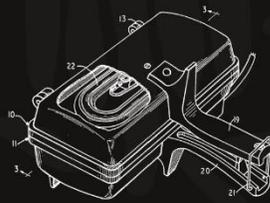


# Breville's 90th Year Anniversary

1932



1932



1970-74



1980s

2022



2013-14



2022



1935



1975-79



2009-12



2019



1939-45



1951



2001-04



2015-17

Master Every Moment®

Breville | Sage 90 YEARS

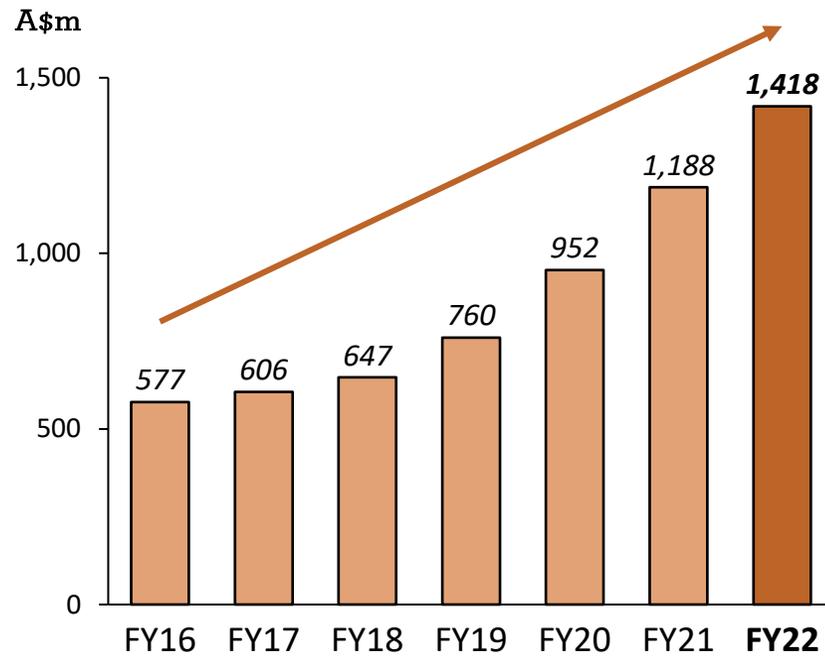
“FY22 was a solid year for Breville, delivering record sales and EBIT against a dynamic second half backdrop”



# Group FY22 Financial Highlights

**FY22 Revenue - A\$1,418.4m**

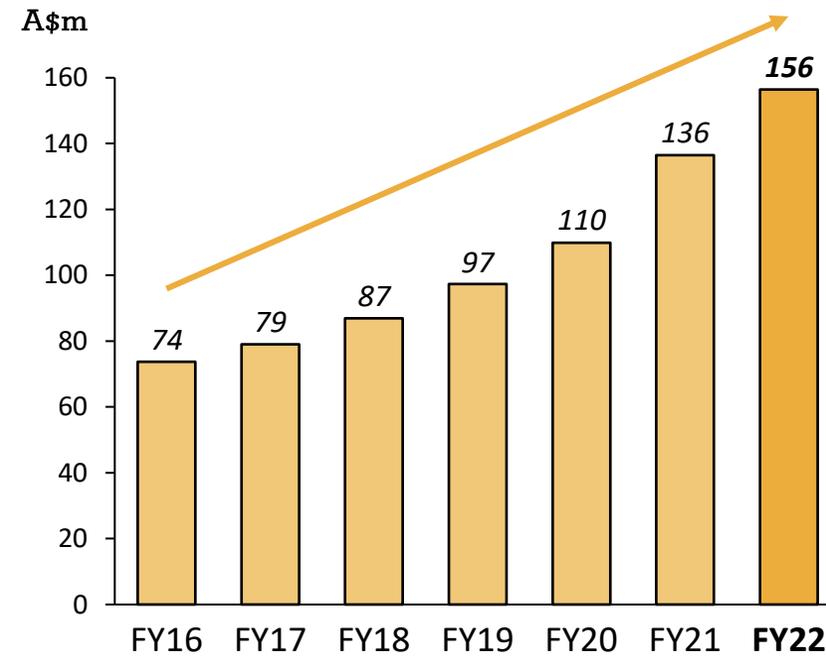
+19.4% vs FY21  
+16.2% 7-year CAGR



Total Revenue by Financial Year

**FY22 EBIT - A\$156.4m**

+14.6% vs FY21  
+13.4% 7-year CAGR

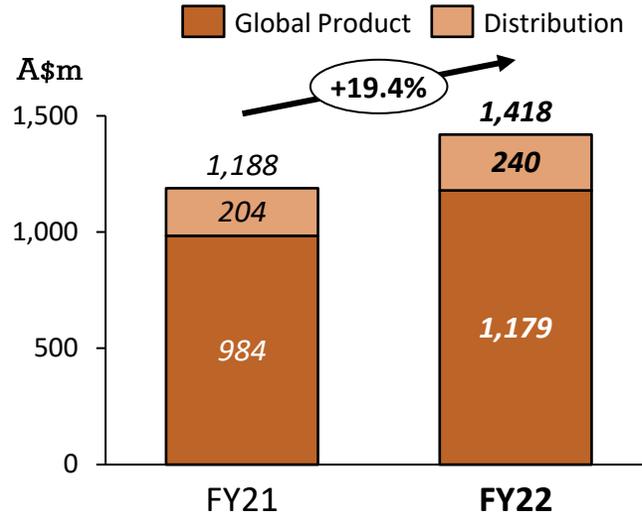


Total EBIT by Financial Year

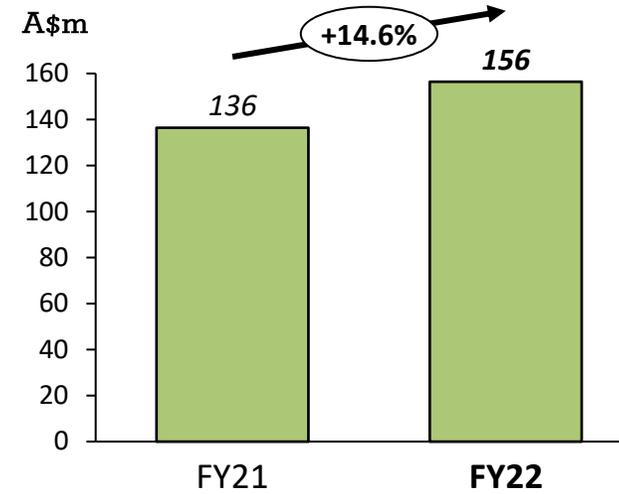


# Group FY22 Results Summary

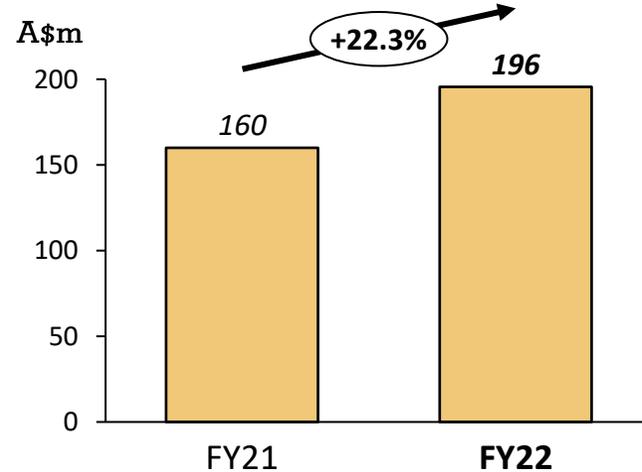
## FY22 Revenue - A\$1,418.4m



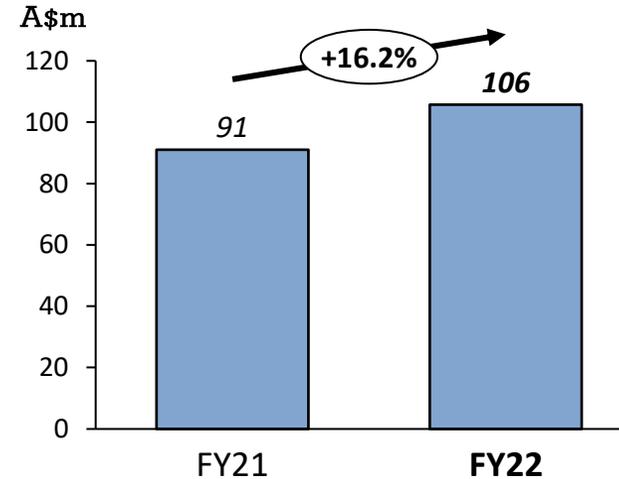
## FY22 EBIT - A\$156.4m



## FY22 Marketing/R&D/ Technology Spend - A\$195.6m

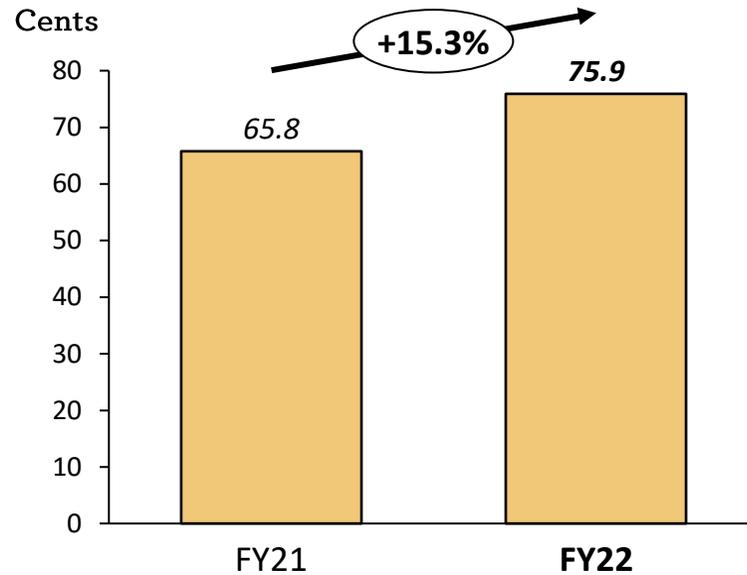


## FY22 NPAT - A\$105.7m

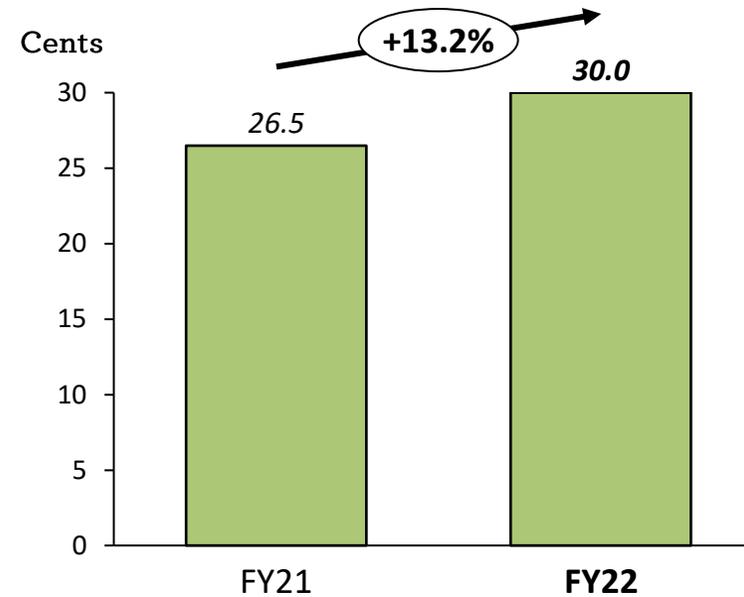


# Group FY22 Results Summary

**FY22 Basic Earnings Per Share (EPS)**  
75.9 cents (+15.3% vs FY21)



**FY22 Dividend Per Share (DPS)**  
30.0 cents (+13.2% vs FY21)



# Thank You

- **Breville | Sage global team**
- **Shareholders**
- **Suppliers, customers and consumers**



# CEO's Address

Jim Clayton



# AGM Agenda

- ➔ • **The Numbers**
  - **1HFY23 Update**
  - **Closing Remarks**



# Group Summary Result

Solid Year in line with guidance

AUDm	FY 22	FY 21	% Chng
<b>Revenue</b>	<b>1,418.4</b>	1,187.7	<b>19.4%</b>
<b>Gross Profit</b>	<b>485.9</b>	413.7	<b>17.5%</b>
<b>Gross margin (%)</b>	<b>34.3%</b>	34.8%	
<b>EBITDA</b>	<b>186.8</b>	163.3	<b>14.4%</b>
<b>EBIT</b>	<b>156.4</b>	136.4	<b>14.6%</b>
<b>EBIT margin (%)</b>	<b>11.0%</b>	11.5%	

## Commentary

- Solid year of sales growth in a dynamic environment.
- Gross margin well managed with Global segment pricing power leveraged to protect margins.
- Opex remains focused on growth drivers of Marketing, R&D and Technology. Spend aligned with gross profit generation.
- EBIT guidance of \$156m met with sustained double digit EBIT growth +14.6%.
- Dividend, 100% franked, reflecting full year target payout ratio of 40% of EPS.
- Cash: Reflects planned re-build of working capital plus successful partial pull forward of inventory to de-risk 1H 23.

<b>NPAT</b>	<b>105.7</b>	91.0	<b>16.2%</b>
<b>Basic EPS (cents)</b>	<b>75.9</b>	65.8	<b>15.3%</b>
<b>Dividend per share (cents)</b>	<b>30.0</b>	26.5	<b>13.2%</b>
<b>Franked (%)</b>	<b>100%</b>	100%	
<b>ROE<sup>1</sup> (%)</b>	<b>18.9%</b>	19.7%	
<b>Net cash / (debt) (\$m)</b>	<b>(4.1)</b>	129.9	

*Minor differences may arise due to rounding*

<sup>1</sup> 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.

# Segment Results

AUDm	Revenue			Gross Profit			Gross Margin (%)	
	FY22	FY21	% Chng	FY22	FY21	% Chng	FY22	FY21
<b>Global Product</b>	<b>1,178.5</b>	984.2	<b>19.8%</b>	<b>428.7</b>	362.9	<b>18.2%</b>	<b>36.4%</b>	36.9%
<i>% Change CC<sup>1</sup></i>			<b>18.0%</b>					
<b>Distribution</b>	<b>239.9</b>	203.5	<b>17.7%</b>	<b>57.2</b>	50.8	<b>12.5%</b>	<b>23.8%</b>	25.0%
<b>TOTAL</b>	<b>1,418.4</b>	1,187.7	<b>19.4%</b>	<b>485.9</b>	413.7	<b>17.5%</b>	<b>34.3%</b>	34.8%

*Minor differences may arise due to rounding*

<sup>1</sup> CC – Constant Currency

## Commentary

- Global Product segment delivered resilient constant currency revenue growth of 18.0% following 37.0% in pcp and 20.1% in FY20. Over 92% constant currency growth in 3 years.
- Pricing power successfully leveraged to protect GM% in Global Product segment despite inflationary pressures from FOB and freight cost.
- Distribution segment growth driven by Nespresso, with restored inventory, and solid growth in Breville Local, offset by lower growth in mass market Kambrook.
- GM% for lower priced, bulkier products in the Distribution segment more affected by inflationary pressures.
- Incremental Distribution segment profits reinvested into Global Product segment.



# Global Product Segment Revenue by Theatre

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	FY22	FY21	% Chng	% Chng CC*
<b>Americas</b>	<b>605.0</b>	493.0	<b>22.7%</b>	<b>19.4%</b>
<b>EMEA</b>	<b>295.1</b>	257.0	<b>14.8%</b>	<b>15.1%</b>
<b>APAC</b>	<b>278.4</b>	234.2	<b>18.9%</b>	<b>18.2%</b>
<b>TOTAL</b>	<b>1,178.5</b>	984.2	<b>19.8%</b>	<b>18.0%</b>

*Minor differences may arise due to rounding*

*\*CC – Constant Currency*

All Theatres delivered solid growth in FY22 with 2H22 strength in Americas partially offsetting softness in EMEA.

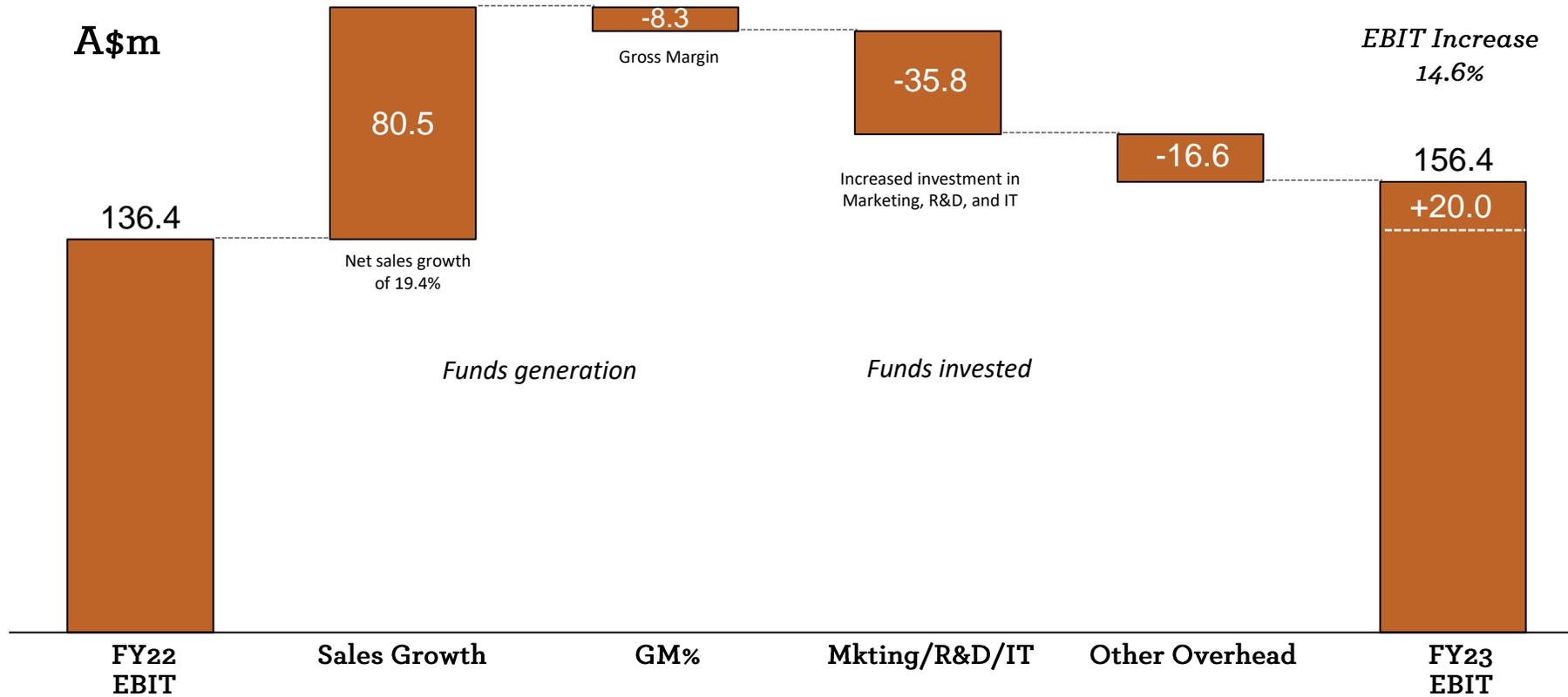
## Theatres

- **Americas:** +\$112m and 19.4% cc sales growth. Resilient consumer sell-out growth in Breville's largest region delivered 2H 22 growth of 32.0% (24% in cc). Inventory largely normalised with pull forward partially de-risking 1H 23. NPD tail wind in FY23.
- **EMEA:** +\$38m and 15.1% cc sales growth. Consumer sell-out softness since Ukraine invasion, accentuated by retailer destocking, led 2H22 sales decline by (14.9)%. Promotion lever has not been activated. NPD and geographic expansion (Poland) will provide support to FY23.
- **APAC:** +\$44m and 18.2% cc sales growth. Solid performance in both sell-in and sell-out. Inventory largely restored to equilibrium levels. Strong start for new product in New Zealand, which launched in Australia in July 2022. South Korea live as of June 22.



# EBIT Bridge FY21 - FY22

Sales gains reinvestment in Growth Drivers well managed



## Commentary

- Another well managed year with \$36m or 50% of growth in gross profits actively re-invested in medium term growth drivers whilst still delivering a 15% growth in EBIT.
- Demonstrated ability to align spend with sales in 2H22, delivering EBIT guidance.
- Other overhead investment related to supply chain costs and investments in the team.



# Financial Position at 30 June

## Balance Sheet Normalising

AUDm	FY22	FY21
Inventory <sup>1</sup>	445.9	216.7
Trade and other receivables	194.2	119.3
Trade and other payables	(292.3)	(175.8)
<b>Working Capital</b>	<b>347.8</b>	160.2
Fixed assets	33.5	26.8
Intangibles	241.0	217.4
Other (liabilities) / assets	(3.9)	(27.8)
<b>NET ASSETS EMPLOYED</b>	<b>618.5</b>	376.6
Net (Cash) / debt	4.1	(129.9)
Shareholders' equity	614.4	506.5
<b>CAPITAL EMPLOYED</b>	<b>618.5</b>	376.6

<b>ROE %<sup>2</sup></b>	<b>18.9%</b>	19.7%
<b>ROA %<sup>3</sup></b>	<b>10.7%</b>	13.0%

### Commentary

- Core working capital back in line with equilibrium.
- Supplemented by successful inventory pull forward to partially de-risk 1H23.
- Normal September peak inventory now seen in June.
- Receivable days well controlled at 61 days
- Payables balance also reflects inventory pulled forward.
- Increase in fixed assets led by tooling investment to accelerate release of new products. Intangibles driven by sustained strategic investment in NPD pipeline.
- Net cash outflow as working capital was rebuilt plus partial pull forward of 1H23 inventory
- Working capital debt facilities remain in place.
- ROE/ROA reflecting solid returns on invested capital.

<sup>1</sup> FY22 Inventory comprises \$378.8m in warehouse and \$67.1m in-transit; FY21 \$142.1m in warehouse and \$74.6m in-transit.

<sup>2</sup> ROE is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of shareholders' equity.

<sup>3</sup> ROA is calculated based on NPAT for the 12 months ended 30 June for the financial year divided by the average of total assets.

# Acceleration Program Scorecard

Acceleration Program Scorecard	FY18	FY19	FY20	FY21	FY22	FY18-FY22 CAGR
<b>BRG Revenue (AUDm)</b>	<b>646.8</b>	<b>760.0</b>	<b>952.2</b>	<b>1,187.7</b>	<b>1,418.4</b>	<b>21.7%</b>
<i>Revenue Yr/Yr Growth</i>	<i>6.8%</i>	<i>17.5%</i>	<i>25.3%</i>	<i>24.7%</i>	<i>19.4%</i>	
Global Segment Revenue	<b>522.2</b>	<b>612.0</b>	<b>764.4</b>	<b>984.2</b>	<b>1,178.5</b>	<b>22.6%</b>
Global Segment CC Growth	13.4%	12.0%	20.1%	37.0%	18.0%	
Global Segment GM%	38.2%	38.2%	35.7%	36.9%	36.4%	
Distribution Gross Profit	30.0	37.7	48.0	50.8	57.2	
<b>BRG EBIT</b>	<b>86.9</b>	<b>97.3</b>	<b>109.9*</b>	<b>136.4</b>	<b>156.4</b>	<b>15.8%</b>
<i>EBIT Yr/Yr Growth</i>	<i>10.0%</i>	<i>12.0%</i>	<i>12.9%</i>	<i>24.1%</i>	<i>14.7%</i>	
<b>Marketing/R&amp;D/Technology Spend**</b>	79.4	94.5	113.1	160.0	195.6	<b>25.3%</b>
<i>Marketing/R&amp;D/Tech as % Revenue</i>	12.3%	12.4%	11.9%	13.5%	13.8%	
<b>ROE</b>	21.5%	22.7%	17.9%	19.7%	18.9%	
<b>ROA</b>	13.5%	14.1%	11.3%	13.0%	10.7%	
<b>AUD:USD (yearly average)</b>	0.775	0.716	0.671	0.747	0.726	<b>-1.6%</b>
<i>Yr/Yr Change</i>	<i>2.8%</i>	<i>-7.7%</i>	<i>-6.3%</i>	<i>11.3%</i>	<i>-2.8%</i>	

\* Normalised EBIT as reported in FY21.

\*\* While our core target metric is Marketing and R&D as a percent of Net Sales, Technology is included in this version of the scorecard because at this point in the program, it is difficult to separate Technology spend from Marketing and R&D spend.

Despite a dynamic currency and market environment, we have continued to deliver on the core strategy we set out in FY16:

Increase investment in marketing, R&D, and technology to drive Global Segment revenue acceleration while delivering consistent EBIT yr/yr growth.

# AGM Agenda

- The Numbers
- ➔ • 1HFY23 Update
- Closing Remarks



# Aboriginal Culinary Journey Project Update



The team received the Best-in-Class Good Design Award for the range, which has now been launched across Europe.



# Digital Design Catching Up to Product Design



- Home Page: Best Home Page
- Product Description Page: Best Structure and Navigation
- Joule Oven: Best Use of Video or Motion Graphics

Breville's First Global Digital Design Award.



# 1HFY23 Update

- We've landed the inventory we needed to support the 1H.
- Supply chain now predictable enough to transition back to flow model in 2HFY23, meaning working capital release.
- Leveraging our Launch v2.0 process, the *Barista Express Impress* new product is performing well in all geographies.
- Regional sell-in performing as expected: Americas is solid, APAC is steady, and EMEA sell-out continues to outpace sell-in.
- Logistics costs and FOBs are trending in the right direction--down.
- Currently the business is performing between the goal posts (low end-high end), so we continue to be within our FY23 plan parameters.

# AGM Agenda

- **The Numbers**
- **1HFY23 Update**
- ➔ • **Closing Remarks**



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