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

Breville Group Limited – Half Year Ended 31 December 2022
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 2022.

The release of this announcement was authorised by the Board.

Yours faithfully

Sasha Kitto and Craig Robinson
Joint Company Secretaries

Breville Group Limited (BRG) Results

Half Year ended 31 December 2022

Revenue growth of 1.1% to $888.0m

EBIT growth of 7.6% to $121.1m

Interim dividend 15.0 cps (100% franked)

Group Summary Result

AUDm[1]	1H23	1H22	*% Growth*
Revenue	**888.0**	878.7	***1.1%***
Gross Profit	**311.3**	300.0	***3.8%***
Gross Margin %	**35.1%**	34.1%	
EBITDA	**141.9**	125.5	***13.1%***
EBIT	**121.1**	112.5	***7.6%***
NPAT	**78.7**	77.7	***1.3%***

Dividend per share – ordinary (cents)	**15.0**	15.0	
Franked (%)	**100%**	100%	
Net (debt) / cash ($m)	**(212.2)**	31.7	
ROE[2] (%)	**16.1%**	19.7%	

- Sustained EBIT growth of 7.6% against dynamic backdrop
- Record sales half with revenue growing 1.1% and relative geographic Theatre performances in line with expectations – Americas solid growth, APAC steady, and EMEA volatile
- Gross margins well managed and strengthening, despite inflationary pressures and exchange rate volatility
- Operating expenses well controlled and aligned with sales growth
- NPAT and EPS growth tracking overall sales growth after absorption of increased finance costs
- Increase in net debt a function of inventory planning process and the Lelit purchase
- Healthy cash inflow is forecast for 2H23 as receivables are collected and a more predictable supply chain allows a return to a more normal inventory flow model
- ROE return reflects the impact of the Lelit acquisition
- Interim dividend of 15.0c cents per share (100% franked)

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

"A solid half of performance for the Group, delivering 7.6% EBIT growth against a challenging and dynamic backdrop. The strength of our product portfolio, coupled with the maturity and agility of our underlying Acceleration Platform, cut through the macro-economic headwinds of the 1H23.

We grew Gross Profit by tacking into our areas of strength: we managed price to counter material input and logistics cost inflation as well as negative currency swings; we leaned on our geographic diversification to deflect the impact of EMEA retailers buying much less than they were selling; we aligned our supply chain and go-to-market to take advantage of the trending tailwinds of "air frying" and "café quality coffee at home"; we executed a much improved new product launch process that accelerated revenue; and, we captured the benefit from the investments we've made in our digital execution and geographic expansion.

With Gross Profit growing 3.8%, we then grew EBIT by 7.6%. Over the last 8 years, we have typically, and intentionally, grown revenue faster than EBIT, giving the business model a forward tilt. In the 1H23, as we knocked back the macro-headwinds and retailer purchasing behaviour, we adjusted the business model dials to grow EBIT more quickly than revenue, all while continuing to progress the Acceleration Platform for the years ahead.

I was again impressed by the coordination and alignment across the Breville|Sage team to execute all of this simultaneously. Given the facts on the ground, it was a half well played".

Segment Results

AUDm[1]	Revenue			Gross Profit			Gross Margin (%)	
	1H23	1H22	*% change*	**1H23**	1H22	*% change*	**1H23**	1H22
Global Product	**770.5**	733.9	*5.0%*	**284.8**	266.6	*6.8%*	**37.0%**	36.3%
% Growth in constant currency	***0.7%***	*23.8%*						
Distribution	**117.5**	144.7	*(18.8)%*	**26.4**	33.4	*(20.7)%*	**22.5%**	23.0%
TOTAL	**888.0**	878.7	*1.1%*	**311.3**	300.0	*3.8%*	**35.1%**	34.1%

As expected, performances diverged in our two business segments.

In our strategically key *Global Product segment* we grew revenue by 5% and gross profit by almost 7% with improved gross margins.

We consolidated our exceptional revenue gains of 1H21 (+39.2%) and 1H22 (+23.8%), in constant currency. With ovens back in supply we enjoyed the "air fryer tailwind", making Cooking our fastest growing product category in the half. Coffee also grew well, with the tailwind of "at home quality coffee" still driving sales. As expected, the Food Preparation category is rebasing, post COVID.

Groupwide NPD (new product development) launches landed well, with strong sales from both the Barista Express™ Impress and the Joule® Oven Air Fryer Pro, whilst our investment in the Group digital platform paid dividends with DTC (direct-to-consumer) sales growing +66% to become our 5th largest "customer", globally.

Specific price rises in this premium segment, and a normal, pre-Covid level of promotional activity, improved our GM% in the face of widespread inflationary pressures.

Our smaller mass-market *Distribution segment* declined in both revenue and in gross margin, where recovering cost increases proved more challenging. The primary driver of revenue decline was the

Nespresso product line, which faced a major supply disruption during a product changeover involving sourcing from Ukraine.

Global Product Segment Revenue Growth – reported and constant currency

AUDm[1]	Global Product Segment Revenue				6Yr CAGR in constant currency
	1H23	1H22	% change	*% in constant currency*	
Americas	**450.7**	370.1	21.8%	***11.9%***	***16%***
APAC	**163.2**	162.7	0.3%	***0.4%***	***15%***
EMEA	**156.6**	201.1	(22.2)%	***(19.6)%***	***27%***
TOTAL	**770.5**	733.9	5.0%	***0.7%***	***18%***

The Global Product segment grew revenue by +5.0% to $770.5m (1H22: $733.9m). In constant currency, revenue grew +0.7% on top of exceptional growths in 1H21 (+39.2%) and 1H22 (+23.8%).

In the last six years the segment has nearly trebled with a CAGR of +18% driven by sustained investment in product development, digital marketing, geographic expansion, and a unified global technology platform.

The **Americas**, our largest region grew +22% (+12% in constant currency) with US consumers proving resilient at the premium end of the market. Ovens, now in stock, grew strongly; Coffee delivered solid growth; and our NPD landed well. Mexico also accelerated in its second year. Sell-in and sell-out were broadly in line.

APAC consolidated the exceptional growth of 1H21 and 1H22. Our NPD again performed well, and our first direct entry into Asia, South Korea, is performing above expectations. In ANZ, sell-out moderately exceeded sell-in, and overall we held market share in our categories.

In **EMEA** sell-out, or consumer purchases, actually grew in low single digits in 1H23, in contrast to the reported (22)% sell-in decline, which reflects the level of retailer destocking. We did not participate in discounting to artificially drive retailer sell-in and will look to consumer offtake to pull through stronger retailer orders in future periods.

Group Results

Our business model showed continued flexibility in the half with control over our expense lines delivering +13.1% EBITDA and +7.6% EBIT growth respectively from a +1.1% revenue growth.

Significant gross margin headwinds caused by FOB increases, the punitive ocean and domestic freight rates, and the strength of the USD were more than offset by product-by-product price rises in the premium Global product segment of approximately 4% and a slight benefit in mix, netted against a return to a more normal promotional cadence.

The incremental benefit we captured in revenue growth and gross margin improvement, covered our small increase in overheads, with the rest dropping to EBIT. Total marketing, R&D, and technology services spend was held flat for the half after a number of periods of rapid acceleration.
The completion of major "digital platform projects", and accelerated content development, in FY22 gave us the headroom to do this without impacting consumer-facing spend. Investment levels in R&D and innovation were strategically maintained.

Looking forward we appear to be entering a more benign inflationary environment for our products with recent substantial falls in freight rates, FOB reductions and a moderating USD, all of which should support ongoing healthy gross margins. As with every year before this one, in the 2H, we will work to align our expenses with our Gross Profit trajectory to deliver sustained EBIT growth.

Financial Position

The Group's balance sheet at 31 December 2022 reflects both the risk-based approach the Group takes to inventory planning and the acquisition of Lelit in July 2022.

Inventory and net debt levels are both within our planning parameters, and expectations. Because obsolescence risk is negligible for our products, we hold incremental inventory as a hedge against supply chain uncertainties and ongoing demand fluctuations. Each year we land inventory to support the maximum forecast sales for the peak season and then adjust purchases in the second half to bring each product back to equilibrium. With supply chain uncertainties now abating, we are transitioning back to our normal inventory flow model, which should see reduced inventory cover at the product level and the absolute level over time. As this transition begins in the 2H23, and as we collect peak receivables, we expect to see a healthy cash inflow and reduced net debt.

Total inventory increased by $172m over the pcp, of which $66m arises from the above-described planning approach. A further $106m was built to support future revenue growth streams; $73 million relates to the addition of Lelit and the new geographies of Mexico and South Korea; and $33 million relates to inventory held for NPD launches. Looking forward these "growth" holdings should be broadly stable, with no repeat of the build, assuming a steady NPD cadence.

December receivables were in line with the prior comparative period, with days outstanding well controlled and in line with the prior year.

Our PPE increase is driven by both production tooling investments and $8m acquired from Lelit. "Other Intangibles" reflects our ongoing investment in R&D projects. The increase in "Goodwill and Brands" is again the result of the Lelit acquisition and some exchange rate fluctuations.

The Group's ROE at 16.1% reflects the shares issued as part of the Lelit acquisition.

Net Cash and Free Cash flow

The overall 12-month swing in Net Debt, and cash outflow, is driven by our inventory planning process described above, stock build for NPD and new geographies, and our July purchase of Lelit ($84m of cash).

We expect to see a healthy cash inflow and reduced net debt in the second half as seasonal receivables are collected and inventory transitions towards equilibrium.

Unused debt facilities of ~$200m and cash ~$115m remain in place for further expansion opportunities.

Dividends

An interim dividend of 15.0 cents per share (100% franked) has been declared (1H22: 15.0 cents,100% franked).

The interim dividend will have a record date of 16 March 2023 and will be paid on 27 March 2023.

FY23 Outlook

The financial year continues be one of competing macro headwinds and tailwinds, with Breville bringing company-specific tailwinds of new product launches, a growing DTC channel, maturing new geographies and cost improvements to the year.

Assuming no further significant change in economic conditions in the Group's major trading markets, no material supply chain interruptions and taking into account our expected investment levels into marketing, R&D, and technology services we expect a full year EBIT delivery of between $165m - $172m, or 5-10% growth on the previous year.

For further information, please contact:
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Footnotes:

[1] *Minor differences may arise due to rounding.*

[2] *ROE is calculated based on NPAT for the 12 months ended 31 December 2022 (FY21: 12 months ended 31 December 2021) divided by the average of shareholders' equity in December each year and 12 months earlier.*