



2 May 2023

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

**MACQUARIE INVESTOR CONFERENCE 2023 - PRESENTATION**

Attached is a copy of the Breville Group Limited's presentation at the Macquarie Investor Conference 2023, to be held on 3rd May 2023.

The release of this announcement was authorised by the Board.

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**Master Every Moment™**

# Breville Group Limited (BRG)

## Macquarie Investor Conference Presentation

3<sup>rd</sup> May 2023



Master Every Moment

Breville | Sage

# Disclaimer

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







## Acknowledgement of Country

We would like to acknowledge the traditional custodians on whose land we meet today. We would like to pay respect to their Elders: past and present; and further extend that respect to all Aboriginal and Torres Strait Islanders present here today.

We celebrate the continuing contribution of their food culture, connection to, and custodianship of, this country.

# In Search of alpha ( $\alpha$ )

- ➡ • Presentation Context
- Phase 1 (FY16-FY18 ...)
- Phase 2 (FY19 -
- Phase 3 (FY24 -
- Closing Commentary





# Investor Focused Presentation

- Presentation is intentionally tuned to what I believe a long-term investor should consider when contemplating going in or out of Breville.
- I'm going to focus on the transformation phases the company has been through, and the one it is beginning. These, together, will determine where this company lands 5 years from today as well as the years that follow.

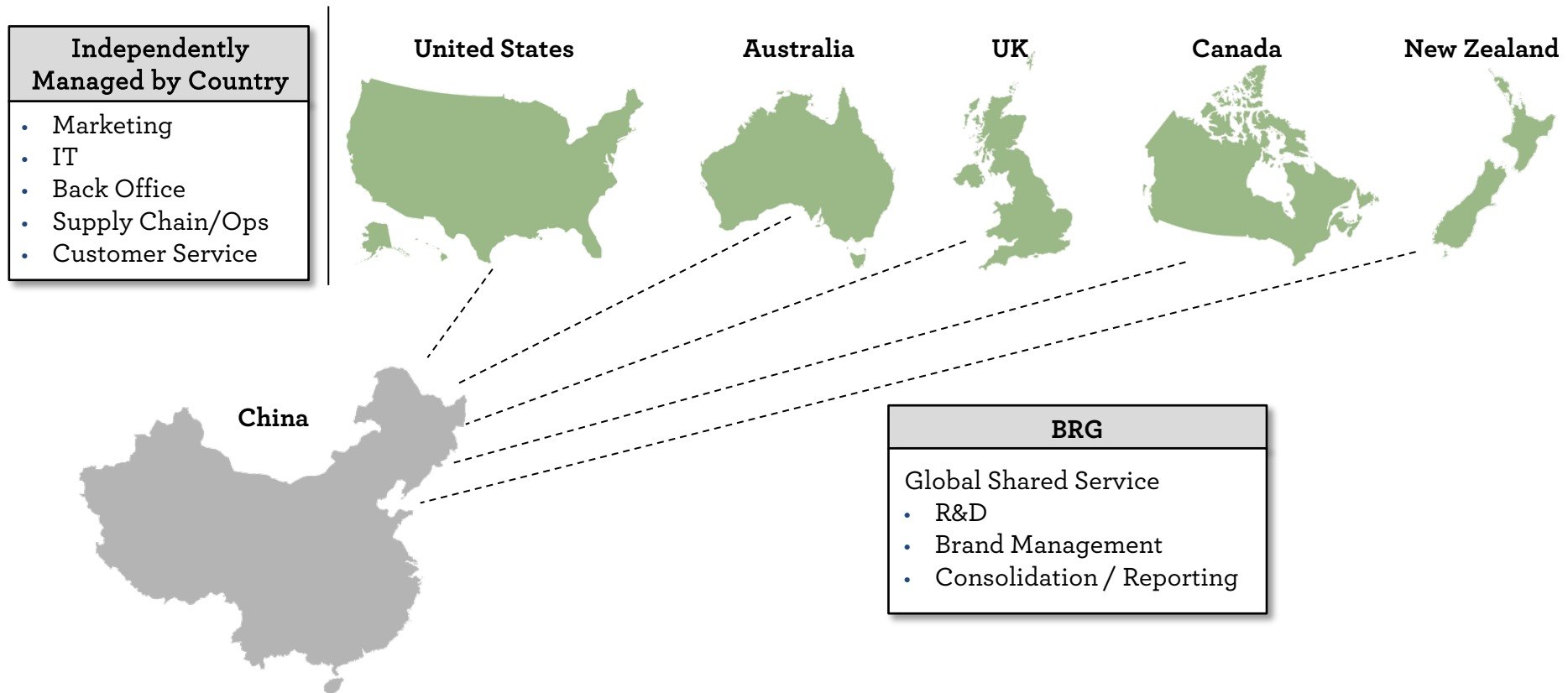


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# Phase 1: Starting Point (2015)



- Countries were independent fiefdoms, and all functions were replicated 5 times, with limited central direction or control.
- Corporate center made new products and consolidated country-level financials to report to the market.





# Phase 1: Replatform & Realign

## Centralised, Global Functions

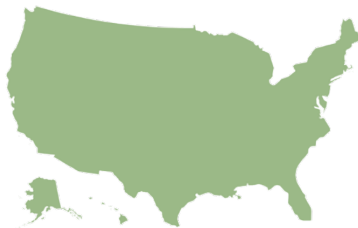
- R&D
- Marketing
- Finance/Legal/HR
- Supply Chain/Operations
- Customer Support
- Technology Services
- Service

## Single, global technology platform

## Single, global supply chain



United States



Australia



UK



Canada



New Zealand



- Centralised functions and replatformed the company into a single entity executing in multiple countries. Countries became sales regions.
- Took a “local” company selling “globally” and turned it into a “global” company selling “locally”.

# Phase 1: Transform Business Model

FY16			Target Bus. Model	
Net Sales	100.0%		Net Sales	100.0%
Marketing / R&D%	8.4%		Marketing / R&D%	≈12.0%
EBIT%	12.8%		EBIT%	≈12.0-13.0%

*Image from Macquarie Investor Conference Presentation, May 2017*

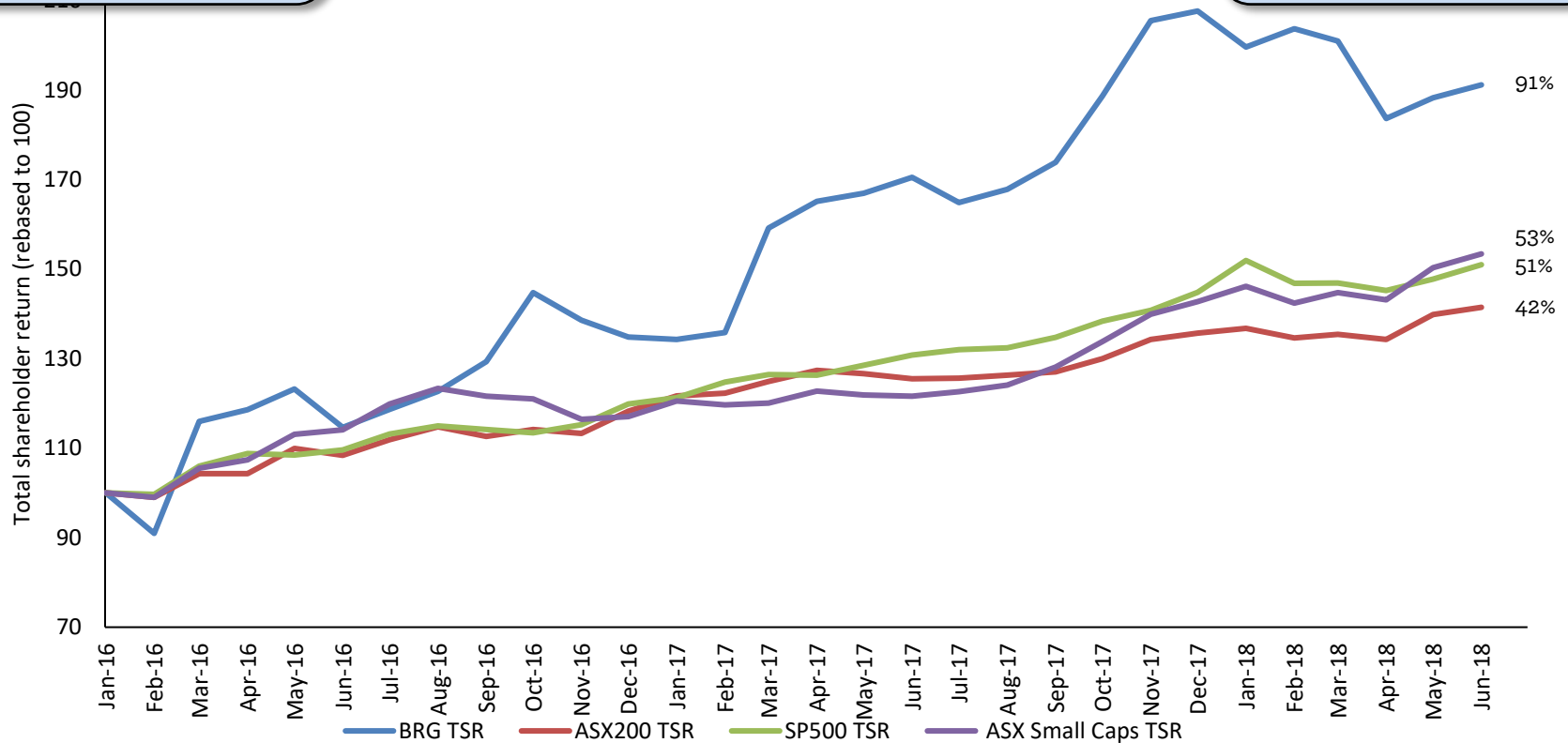
To be a long-term sustainable innovation-driven product company, Breville needed to evolve its business model to invest a materially higher percentage of its Opex into marketing and R&D.

# Phase 1 Investor alpha (α)

- Holding Company
- 5 Countries
- 8% NS on engine

- Single Company
- 5 Sales Regions
- 10.5% NS on engine

Total Shareholder Return  
January 2016 – June 2018\*



\* UBS analysis. Total shareholder returns for BRG and the three indices is inclusive of dividends.

Investors who bought in January 2016 to ride the Phase 1 transformation received a **~91% return** on their investment over that period.



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# Phase 2: Addressing the Addressable Market

July 13, 2020

Global small kitchen appliance - bottom-up model

REVENUE OPPORTUNITY		A&NZ	N. America	EU	Asia	S. America	RoW	Global
Years of operation	#	46	18	7	NA	NA	NA	NA
Population	m	30.8	368.8	831.4	3537.8	652.1	2278.0	7698.9
Households	m	11.2	144.2	341.3	992.7	193.7	508.2	2191.3
GDP per capita	A\$K	70.2	85.6	36.5	11.4	14.8	20.1	56.6
BRG revenue	A\$m	151.2	432.6	89.6	NA	NA	NA	752.3
Revenue per HH	A\$	13.5	16.4	7.0	2.2	2.8	3.8	4.4
<b>Revenue opportunity</b>	<b>A\$bn</b>	<b>0.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>0.5</b>	<b>2.0</b>	<b>9.7</b>
Upside	x	2.0x	5.5x	26.7x	~70% revenue potential unaddressed			12.9x

Source: Euromonitor, Morgan Stanley Research estimates.



Single, global technology platform

Phase 1: Increasing Investment into R&D, Marketing and Tech Services



# Phase 2: Addressing the Addressable Market



Western Europe & Nordics  
(15 incremental countries)

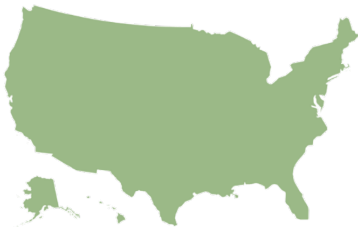


South Korea



Mexico

United States



Australia



UK



Canada



New Zealand



Phase 1: Increasing Investment into R&D, Marketing and Tech Services

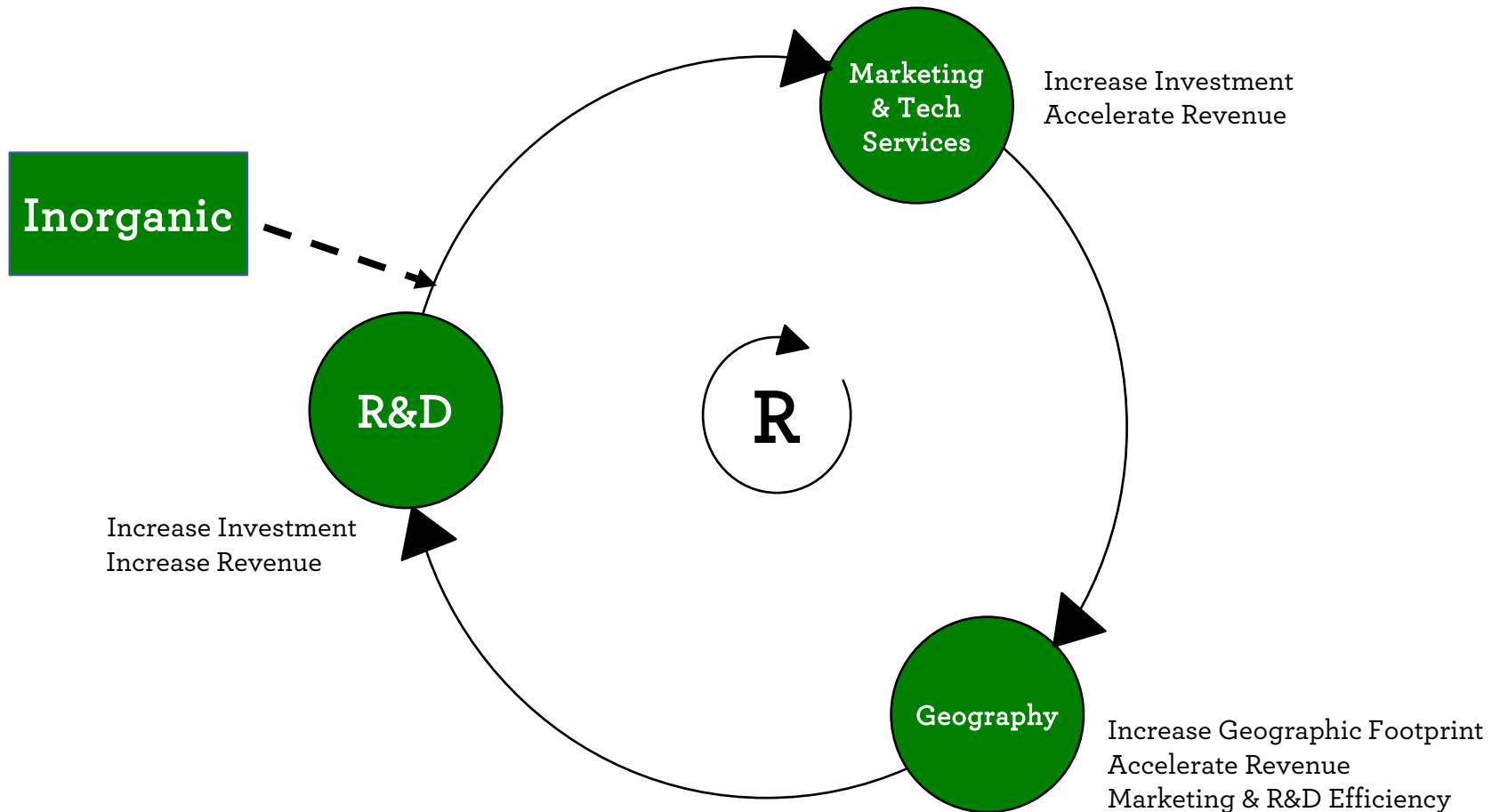
In Phase 2, we have entered 17 countries with a direct go-to-market model, driving revenue acceleration beyond the output of the original 2015 footprint.





# Phase 1 + Phase 2 Combined:

## Reinforcing Loop of Innovation-Driven Growth

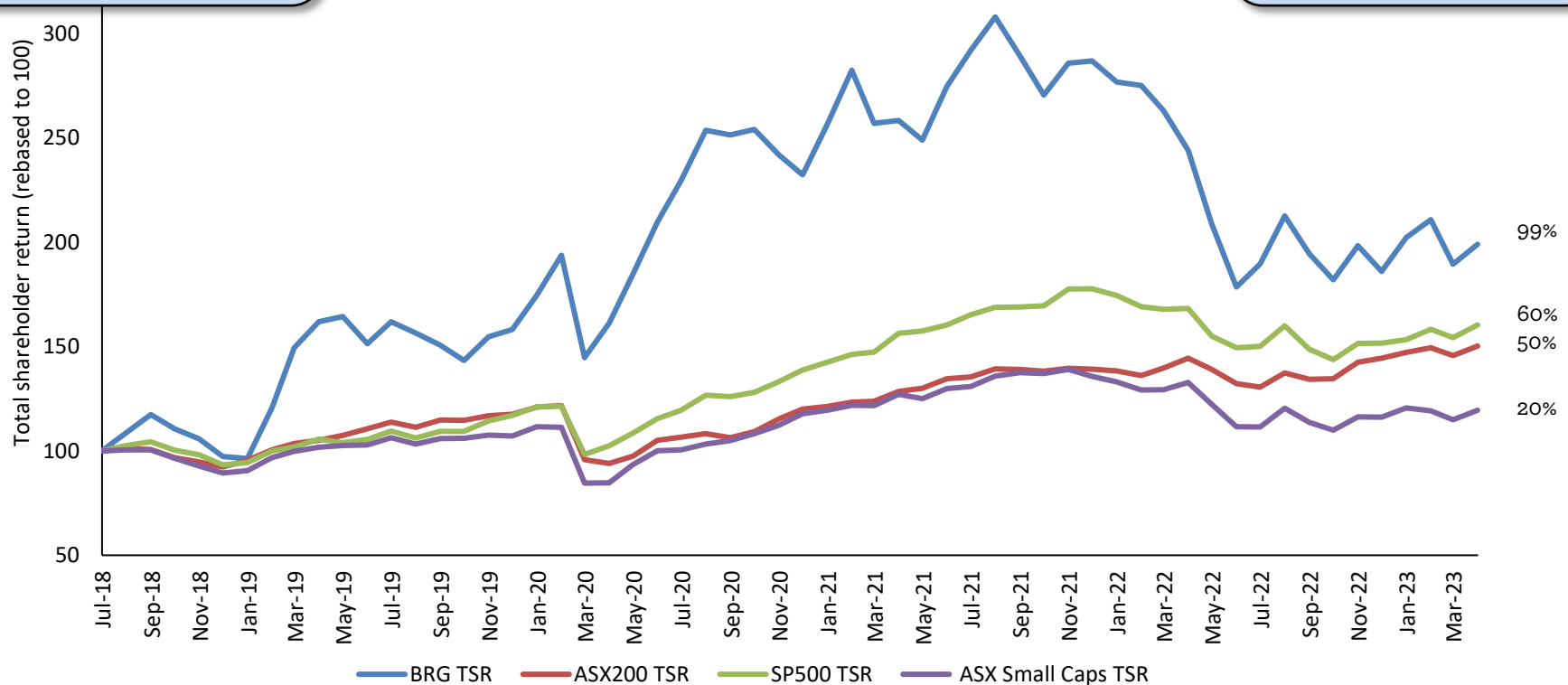


# Phase 2 Investor Period-to-Date Alpha ( $\alpha$ )

- “Global” Company
- 5 Sales Regions
- 10.5% NS on engine

Total Shareholder Return  
July 2018 – April 28, 2023\*

- 22 Sales Regions
- Single Platform
- 12%+ NS on engine
- 3 Acquisitions



\* UBS analysis. Total shareholder return for BRG and the three indices is inclusive of dividends.

Investors who bought in July 2018 to ride the Phase 2 transformation have received a **~99% return** on their investment period to date.

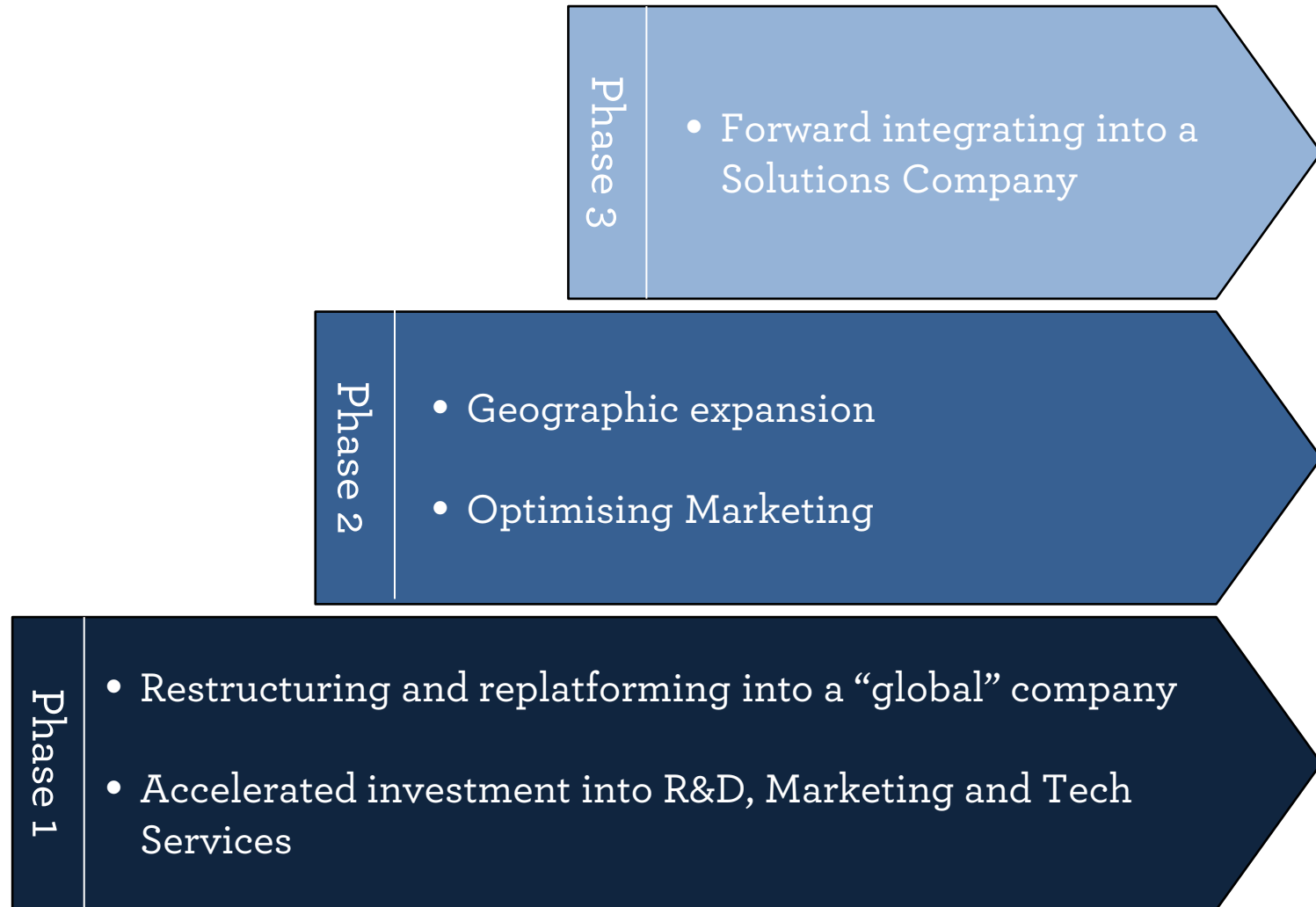
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# Phase 3: Forward Integrating into Solutions



# Executing Two Solution Plays



Coffee



Cooking

# What You Get vs. What You Want

What You Get



*Frustration and Failure*

What You Want



Do we sell products, or do we sell problems?



# Unfortunately, It's Not Simply a Hardware Problem

Local, “farm to table”, perishable product with wide range of flavour profiles (like wine)



Espresso tools for dialing in a shot



Service platform for training new customers



Machine capable of delivering café-quality coffee



Getting what you want sits at the intersection of hardware, software, content, and services.





# This Solution Arch Is Not For the Faint of Heart

## *Smartphone Case Study*

### Executed The Transition



#### New Breville Board Members



##### Tim Baxter

- Samsung, CEO North America
- Sony America, SVP Strategic Marketing



##### Tuula Rytila

- Microsoft, Corp VP Digital Stores
- Nokia, Chief Marketing Officer
  - SVP Smart Devices Portfolio

### Failed To Execute The Transition



Sony Ericsson



**MOTOROLA**

Marrying and aligning the capabilities of hardware, software, content, and services into the same organisation is a bit harder than it looks.



# BRG's Café Quality Coffee at Home Solution is Live



+



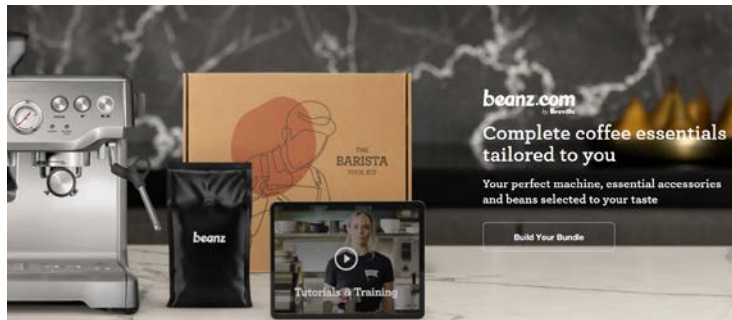
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Breville.com



Retail Partners



BRG has cleared the toughest/riskiest phase of this transition. Our solutions are live, meaning we have successfully woven divergent capabilities into the company.

# Beanz.com: Solving the “Coffee” Problem



Beanz is a single, localised ecosystem platform running in multiple countries.





# Coffee Solution is not Hardware Dependent



No matter which machine a consumer chooses, they still need the same incremental components to make café quality coffee at home: beans, accessories, and training.





# With New Products, “Solution” Extends the Value

*Barista  
Express®  
Impress*



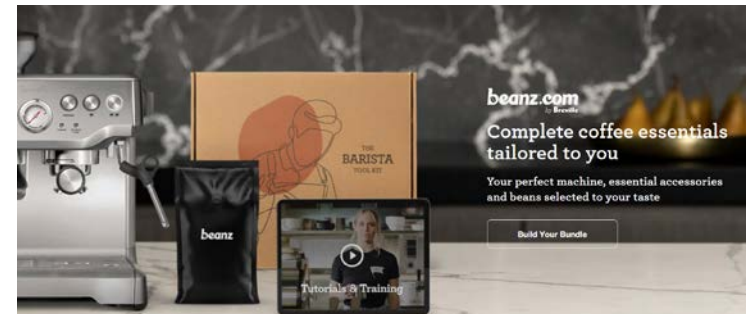
*Barista  
Touch™  
Impress*

## Non-Solution Market: Launch Process v2.0

- Launch in all retailers, all doors at the same time
- Upweight BRG marketing spend
- Coordinate and align with retailers' marketing spend

## Solution Market: Launch Process v2.5

- Launch in all retailers, all doors at the same time
- Upweight BRG marketing spend
- Coordinate and align with retailers' marketing spend
- **Extend to Café Quality at Home**



# Snapshot of Phase Progression & Runway

## Phase 1

- Core “global” structure and platform is complete. Now it’s about increasing efficiency and effectiveness of global execution.
- Continued investment into R&D, Marketing, and Technology Services drive acceleration.

## Phase 2

- Productisation of new country entry process complete.
- Roughly 50% of the way through the globalization process (6 years to date). It will take another 8-10 years to finish.

## Phase 3

- Just starting the solutions phase.
- It will take 3-5 years for BRG (vs a country) to get to 80/20, and it will take ~10 years to fully execute this phase.

## Acquisition

- This is a tool in the box for accelerating phase progression: more product (Phase 1); critical mass in geography (Phase 2); breath and depth / capability addition (Phase 3).

# Why Does this Matter?

- Companies that successfully deliver solutions that consumers value outperform
- It ultimately changes the basis of competition in the category
- A manufacturer or competitor can copy hardware, but copying a solution is infinitely more difficult
- Ultimately, the company trades at an elevated multiple



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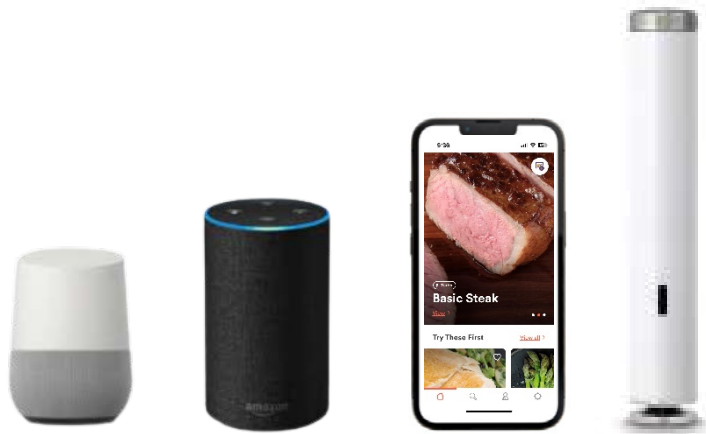
# 2H23 New Products



Barista Touch Impress (v2.0)



Vertuo Creatista (v2.0)



Joule Turbo (v1.0)

... We also make great products.



# FY23 Outlook: Maintaining Guidance

We reiterate and maintain our previous guidance for the fiscal year. We expect EBIT for the full year of between \$165M - \$172M (5-10% growth).



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