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

Full Year Results Announcement – Year Ended 30 June 2023

Attached is a copy of the Breville Group Limited Full Year Results Announcement for the year ended 30 June 2023.

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

Year ended 30 June 2023

Revenue growth of 4.2%
EBIT growth 10.0%
Solid year at top end of guidance

Group Summary Result

AUDm[1]	FY23	FY22	% Growth
Revenue	**1,478.6**	1,418.4	***4.2%***
Gross Profit	**516.9**	485.9	***6.4%***
Gross Margin %	**35.0%**	34.3%	
EBITDA	**218.2**	186.8	***16.8%***
EBIT	**172.0**	156.4	***10.0%***
NPAT	**110.2**	105.7	***4.2%***

Dividend per share - ordinary (cents)	**30.5**	30.0	
Franked (%)	**100%**	100%	
Net (debt) / cash ($m)	**(121.3)**	(4.1)	
ROE[2] (%)	**15.9%**	18.9%	

- Solid revenue growth against a subdued consumer backdrop and building on three strong years of growth in FY20-22 of 25.3%, 24.7% and 19.4% respectively
- 2H23 revenue growth rate stepped up to 9.4% led by EMEA recovery
- Gross profit grew by 6.4% (2H23 10.6%) with gross margins strengthening as inflationary costs were recovered and promotions well controlled
- Operating costs aligned to deliver EBIT at top end of guidance with 10.0% growth over PY
- NPAT grew in line with sales at 4.2% after absorbing higher financing costs
- Overall reported inventory was relatively flat, with core inventory managed down $96.6m through reduced 2H23 purchases rather than discounted sales. Further inventory reduction expected in FY24
- Full year dividend of 30.5c cents per share (100% franked)
- Seasonal cash inflow in 2H23 of $90.9m and full year outflow of $(117.2)m primarily due to acquisition of Lelit and higher year-end receivables following strong Q4 sales

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 challenging and dynamic backdrop with a subdued consumer, inflationary headwinds, a strong denominator, and retailer destocking.

Having doubled the size of the business in the last 5 years, the strength of our geographic portfolio again came through in the 2H as EMEA accelerated to pick up the slack in the Americas as Bed Bath and Beyond slowly exited the market.

I was encouraged to see our new product launches firing again and to see strong growth in new markets. We managed margins well, demonstrating the pricing power of our premium products, and commercially chose to manage down inventory through reduced purchases rather than off-brand discounting. In a lower growth year, expenses were moderated to reliably deliver EBIT at the top end of our guidance.

We enter FY24 in a solid position with our NPD pipeline continuing to release, new markets maturing, our solution offering developing, and cost pressures moderating.

A big thank you to the entire BRG team for pushing through the tactical challenges of FY23 with a relentless focus on our customers and a continued prioritisation of long-term growth".

Segment Results

	Revenue			Gross Profit			Gross Margin (%)	
AUDm[1]	**FY23**	FY22	*% Growth*	**FY23**	FY22	*% Growth*	**FY23**	FY22
Global Product	**1,279.2**	1,178.5	***8.5%***	**470.5**	428.7	***9.8%***	**36.8%**	36.4%
% Growth in constant currency			***4.1%***					
Distribution	**199.3**	239.9	***(16.9)%***	**46.4**	57.2	***(18.9)%***	**23.3%**	23.8%
TOTAL	**1,478.6**	1,418.4	***4.2%***	**516.9**	485.9	***6.4%***	**35.0%**	34.3%

Our strategically key Global Product segment grew revenue by 8.5%, and gross profit by 9.8%, as NPD launches landed well, and we successfully leveraged our pricing power in this premium segment.

Our mass market Distribution segment saw revenue and gross profit decline by (16.9)% and (18.9)% respectively, led by weaker demand for Nespresso Distribution products.

In the Global Product segment our NPD launches performed well, with strong sales from *the Barista Express® Impress, the Barista Touch™ Impress*, *the Vertuo Creatista®, the Joule® Oven Air Fryer Pro, the Joule® Turbo Sous Vide* and the *Baratza® Encore ESP*. After a quiet FY21 and FY22, with minimal product launches, these new products added growth to the Global Product segment with a healthy innovation funnel expected to yield further gains in FY24.

In category terms, both Coffee and Cooking grew well – the former benefiting from the continuing trend to premium espresso coffee and the latter supported by the air-fryer tailwind. Our Food Preparation category – juicers, blenders and food processors – proved more discretionary and declined year-on-year.

The bankruptcy of Bed Bath and Beyond (BBB), one of our larger retail customers in the Americas, and the acquisition of Lelit added some volatility into regional numbers and half-on-half comparisons. At a full-year Group level, they nearly exactly netted out, leaving the reported growth and margin numbers a fair reflection of the business run rate performance.

Global Product Segment Revenue Growth – reported and constant currency

AUDm[1]	Global Product Segment Revenue			
	FY23	FY22	**% Growth**	***% in constant currency***
Americas	**701.2**	605.0	**15.9%**	***7.0%***
APAC	**292.2**	278.4	**5.0%**	***4.3%***
EMEA	**285.8**	295.2	**(3.2)%**	***(3.1)%***
TOTAL	**1,279.2**	1,178.6	**8.5%**	***4.1%***

Global Product Segment

Pleasingly all three Theatres posted positive unit sell-out growth, or consumer off-take, for the year. Sell-in growth, or sales to retailers, was also positive and strengthened in the 2H to 14.4% (or 9.8% in constant currency) as EMEA lapped an easier prior period.

The **Americas**, our largest region grew 15.9% (or 7.0% in constant currency) with US consumers proving more resilient at the premium end of the market. Sell-out growth was similar across the first and second half, and so was sell-in, when normalised for the impact of the BBB bankruptcy. Our strong credit control meant there was no credit loss when BBB stopped trading, however, the fact that stores remained open until July delayed the expected consumer migration to other retailers as BBB sold through its Breville inventory acquired pre 2H23.

APAC grew 5.0% against a difficult backdrop with market share gains in ANZ and sell-out growth in both halves supported by strong NPD launches. Asia contributed strongly, including a promising early performance in South Korea.

EMEA posted the strongest sell-out growth in both the 1H23 and 2H23, with consumer offtake boosted by NPD and our DTC channel growing well. Sell-in growth, as expected, bounced back strongly in the 2H23 reaching 37.4% against an easy denominator (lapping post-Ukraine invasion nervousness) and as retailer destocking, seen in the 1H23, abated.

FY23 was another strong example of our diversified portfolio and growth levers working for us, delivering a solid result even in testing times.

EBIT and NPAT

In a low-growth year, we contained expense growth to deliver a 10.0% EBIT growth.

An improving gross margin certainly contributed, yielding 6.4% gross profit growth or $31.0m extra gross profit dollars of which fifty percent was absorbed in operating expenses, and the other fifty percent flowed through to EBIT.

In FY23 we held like-for-like headcount flat. Total employment costs increased $24.5m or 15.5% in FY23 due to hires in FY22 serving a full year and annual salary increases.

Partially offsetting this increase was a $15.6m or 22.8% reduction in marketing expenses as a series of marketing platform projects, transitioned from the “build” phase to the less expensive “run and maintain” phase. Market-facing activities, such as advertising and content creation, were kept largely unchanged year-on-year.

Other expenses increased somewhat as we renewed and expanded key warehousing 3PL contracts and leases to prepare for future growth.

Total spend on investment functions – R&D, Marketing, Technology Service and Solutions – was 13.1% of revenue in FY23, a step up from 12.3% in FY20, the pre-Covid period, but a step down from 13.6% during FY21 and FY22, driven by the build phase of key go-to-market platforms. In dollar terms investment functions expenses in FY23 were $77.4m higher than FY20.

NPAT grew 4.2% for the full year, and 12.4% in the second half, after absorbing higher finance costs arising from increased borrowings, largely due to the Lelit acquisition and working capital increases, combined with an increase in effective interest rates.

Financial Position

The Group's net working capital position at 30 June 2023 of $455.1m reflects choices made in managing inventory in FY23, the restoration of a more normal receivables balance and a lower payables balance reflecting the slowdown in purchases in 2H23.

After increasing inventory against a clear supply risk in FY22 and 1H23, we took the commercial decision in 2H23 to right size inventory through constrained purchases, rather than discounted clearances, hence our GM% has improved across the period. In the 2H23 our inventory purchases reduced $140.1m over the same period last year, and overall in FY23 our like-for-like inventory[3] reduced by $96.6m or 22%.

Our reported inventory was broadly flat, impacted by the purchase of Lelit, our new approach to NPD launches, with more inventory held upfront to maximize the velocity of new launches, and the strength of the USD and Euro against AUD. We have passed peak inventory and will continue the downward trend in FY24, but not at the cost of discounting.

Receivables were $82.6m higher at 30 June 2023 than the prior year end, reflecting stronger Q4 sales, especially in EMEA. Average receivable days were well controlled and within terms at 62 days (pcp 61 days). Payables were $30.9m lower than the prior year end reflecting the above-mentioned slowdown in 2H23 inventory purchases.

PPE balances increased $20.3m led by the acquisition of Lelit's manufacturing assets as well as increased investment in tooling as new products are prepared for production.

The increase in capitalised development costs and software of $15.5m in FY23 arises as an increasing number of projects move toward launch. As a reminder, for any given project, all costs are expensed until the project reaches the commercial viability gate, roughly 18 months before launch, at which point we start capitalising expenses. Once the product launches in market, we begin amortising. You can expect to see our amortisation costs increase over the next couple of years as our number, and dollar value, of launches increase.

Overall our level of capitalised PPE, development costs and software has grown over the last few years to about 8.5% of revenue in line with the ratios seen in FY19 and FY20.

The step increase in Goodwill and Brands to $327.2m ($184.8m in the pcp) reflects the purchase of Lelit in July 2022.

Net Debt and Cash flow

Free cashflow was $37.1m for the year improving from an outflow of $(84.8)m in the pcp.

2H23 saw a strong $90.9m cash inflow as peak receivables were collected and inventory purchases were moderated. A full year cash outflow of $(117.2)m was largely due to the Lelit acquisition $79.6m and higher June receivables.

A more benign supply chain environment is expected to allow a continued reduction in inventory purchases during FY24, delivering enhanced cash inflow, especially in the second half, and reduced net debt.

At 0.6x EBITDA the group remains conservatively leveraged and has significant unused debt facilities in place for expansion.

Dividends

A final dividend of 15.5 cents per share (100% franked) has been declared (FY22: 15 cents,100% franked), bringing the total dividends for the year to 30.5 cents per share (FY22: 30.0 cents).

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 14 September 2023 and will be paid on 5 October 2023.

FY24 Landscape

The financial year ahead appears similar to FY23 with macro headwinds playing against company specific tailwinds, including new product launches, maturing new geographies, solution plays and cost improvements.

It is too early to predict how these forces will play out across the whole year, but our expense budget is again set with flexibility to deliver EBIT growth under a range of probable revenue scenarios.

For further information, please contact:
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(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 2023 (FY22: 12 months ended 30 June 2022) divided by the average of shareholders' equity in June each year and 12 months earlier.*

[3] *Like-for-like inventory is reported inventory at constant exchange rate adjusted for inventory acquired with the Lelit acquisition and the increase in product launch inventory holdings arising from new approach to NPD launches.*