



13 August 2020

Manager, Company Announcements,
Australian Securities Exchange Limited,
20 Bridge Street,
Sydney NSW 2000

**Year Ended 30 June 2020
Investor Presentation**

Attached is a copy of the Breville Group Limited Investor Presentation for the Year Ended 30 June 2020.

The release of this announcement was authorised by the Board.

Yours faithfully

A handwritten signature in black ink, appearing to read "Craig Robinson".

Craig Robinson
Company secretary

A handwritten signature in black ink, appearing to read "Sasha Kitto".

Sasha Kitto
Company secretary

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Master Every Moment™

Breville Group Limited (BRG)



FULL YEAR FY20 RESULTS Investor Presentation

13th August 2020

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.



Group Summary Result

AUDm	FY20	FY19	% Chng
Revenue	952.2	760.0	25.3%
Gross Profit	320.6	271.2	18.2%
EBITDA	126.5	114.0	11.0%
EBIT	100.9	97.3	3.7%
NPAT	66.2	67.4	(1.8)%
Basic EPS (cents)	50.5	51.8	(2.5)%
Net cash (\$m)	128.5	9.8	

Normalised EBIT ¹	113.1	97.3	16.2%
Normalised EBIT Growth (excluding AASB 16 impact ²)			14.3%
Normalised NPAT ¹	75.0	67.4	11.2%
Normalised EPS ¹	57.3	51.8	10.6%

Dividends per share (cents)	41.0	37.0	10.8%
• Interim	20.5	18.5	
• Final	20.5	18.5	
Franked (%)	60.0%	60.0%	

Commentary

- FY20 well managed with normalised results and trajectory landing as expected against a turbulent backdrop
- Robust Group revenue growth +25.3% underpinned by solid performance across geographies and boosted by a strong USD
- Gross Profit growth +18.2% with margin partially diluted by Fx rate and US tariffs
- EBIT/NPAT skewed by abnormal expenses and abnormal cost savings
- Normalised EBIT¹ growth in line with expectation at +14.3% (or +16.2% including the FY20 benefit of AASB 16)
- Full Year dividend of 41c declared on the basis of Normalised EPS¹, 60% franked, with underwritten DRP activated to preserve cash
- Net Cash reflects capital raise (+\$101m) and working capital below equilibrium

¹ EBIT, NPAT and EPS shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT \$12.2m; NPAT \$8.8m; EPS 6.8c

² Adoption of AASB 16 in FY20 benefited EBIT by \$2m over FY19. Growth is shown on like-for-like basis. Net benefit to NPAT is minimal at \$254k



Segment Results

AUDm	REVENUE			EBIT			EBIT MARGIN (%)	
	FY20	FY19	% Chng	Normalised FY20 ¹	FY19	% Chng	Normalised FY20 ¹	FY19
Global Product	764.4	612.0	24.9%	90.2	78.8	+14.5%	11.8%	12.9%
% Change CC ²			20.1%					
Distribution	187.8	148.0	26.9%	22.9	18.5	+23.8%	12.3%	12.5%
TOTAL	952.2	760.0	25.3%	113.1	97.3	+16.2%	11.9%	12.8%

¹ EBIT and EBIT Margin % shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT \$12.2m.

² CC – Constant Currency

Global Product

- Resilient constant currency revenue growth of +20.1% (+12.0% pcp) driven by geographic expansion and NPD
- 2H20 growth matched 1H20 with product relevance to WFH environment
- May/June sell-in dampened by inability to meet demand due to sporadic inventory shortages plus Amazon Prime Day delay
- Normalised EBIT margin moderated by strong USD (two thirds of reduction) and the impact of US tariffs

Distribution Segment

- Sustained revenue growth +26.9% (+18.8 pcp) with strong sales in Australia boosted by *Breville Air*[™]
- Incremental \$4.4m EBIT strategically reinvested in the Global Segment marketing and R&D



Segment Results cont'd

AUDm	GLOBAL PRODUCT SEGMENT REVENUE			
	FY20	FY19	% Chng \$A	% Chng CC ¹
North America	420.4	357.4	17.6%	11.3%
Australia and New Zealand (ANZ)	157.4	132.9	18.4%	18.3%
Europe	143.3	89.6	60.1%	54.8%
Rest of World (ROW)	43.3	32.1	34.8%	25.6%
TOTAL	764.4	612.0	24.9%	20.1%

¹ CC – Constant Currency

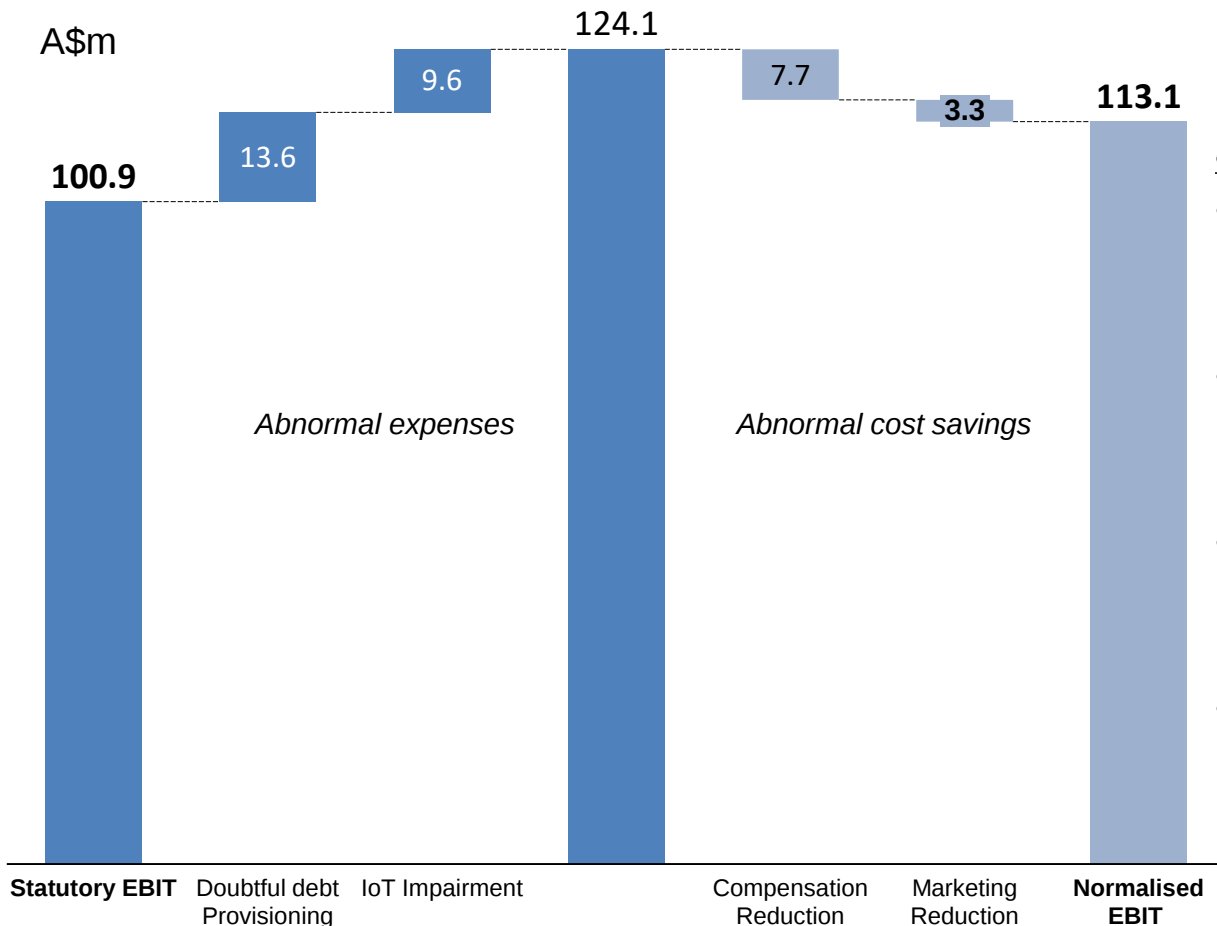
Commentary

“Sell-out” patterns remained solid across regions with divergent “sell-in” patterns reflecting lockdown patterns across geographies and individual retailer behaviours in 2H20

- North America: 2H20 sell-in impacted by physical retail lockdown and Amazon’s retreat to essential items only, as well as delayed Amazon Prime Day
- ANZ: Strong, sell-out led growth with most stores staying open in 2H20 and increased online adoption. Sporadic stock shortages late in the year pushed some orders into 1H21
- Europe: Geographic roll out continued with Spain and France. Strong growth in existing markets supported by well established on-line retail channel
- ROW: Export sales pattern naturally lumpy. Performance in line with expectations against a weaker FY19



Bridge to Normalised EBIT for FY20



Commentary

- **Debtor Provision** Heightened credit risks necessitated one-off step up in provision against uninsured customer balances
- **IoT Platform write down** Write down of proprietary IoT platform triggered by decision to adopt single, standards-based, IoT platform
- **Compensation Reductions** Temporary average 20% base salary cuts across May/June and suspension of FY20 short term incentive plan (STI)
- **Marketing Cutbacks** Spend in May-June was reduced below normal run rate level

“Normalised EBIT” represents base EBIT used to determine FY20 dividend and the baseline for FY21 budgeting.

Financial Position at 30 June

AUDm	FY20	FY19
Inventory	153.7	152.3
Receivables	156.1	154.6
Trade and other payables	(147.9)	(122.7)
Working Capital	161.9	184.2
Fixed assets	13.5	12.0
Intangibles	160.2	123.4
Other (liabilities) / assets	(37.7)	(19.1)
NET ASSETS EMPLOYED	297.9	300.5
Net (Cash) / debt	(128.5)	(9.8)
Shareholders' equity	426.4	310.3
CAPITAL EMPLOYED	297.9	300.5

ROE %¹ normalised/statutory	22.1%/19.5%	22.7%
ROA %² normalised/statutory	13.0%/11.5%	14.1%

Commentary

- Balance sheet strengthened and underlying ROE% remains healthy
- Working capital reduced below equilibrium
 - **Inventory** levels below equilibrium due to partial unwind of stock buffers led by post-Chinese NY supply lag and strong 2H sell-in. Seasonal orders disclosed in the capital raise presentation have been placed
 - **Receivables** dampened by provision, delay of Amazon Prime Day, temporary inability to fill orders for some SKUs, and tightening of terms with higher risk retailers
 - **Payables** grew +20% in line with the business
- Intangibles
 - Step increase due to ChefSteps acquisition (\$28m)
 - Sustained growth in NPD investment
 - Investment in IT global platform
- Net Debt improvement of +\$119m due to \$101m net capital raise plus temporary working capital movement
- \$361m undrawn peak debt facilities provides buffer against future turbulence and fuel for accelerated growth

¹ ROE is calculated based on NPAT (normalised and statutory) for the 12 months ended 30 June for the financial year divided by the average of shareholders' equity.

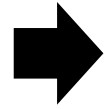
² ROA is calculated based on NPAT (normalised and statutory) for the 12 months ended 30 June for the financial year divided by the average of total assets.



Key Take Outs From Financial Performance

- Topline growth and gross profit delivery has remained strong throughout FY20
- Very noisy expense year with doubtful debt provisioning, IoT impairment and temporary cost cuts. Normalised EBIT growth +14%
- Current business trajectory is healthy, and the balance sheet has been strengthened to provide resilience and funds for growth
- Current economic conditions have created turbulence, we are performing well, but be thoughtful in projecting trends into FY21 & FY22





- Geographic Expansion
- Product to Solution Evolution



Sage is Live in France

Galeries
Lafayette

boulanger

CONNEXION
PARTENAIRE 

fnac DARTY

amazon

Sage.com

MaxiCoffee
L'EXPERT CAFÉ N°1 SUR INTERNET

CUISINE
PLAISIR

LE
BON
MARCHÉ
RIVE GAUCHE

lomi

Belleville
BRÔLERIE · PARIS

La Redoute

Manutan

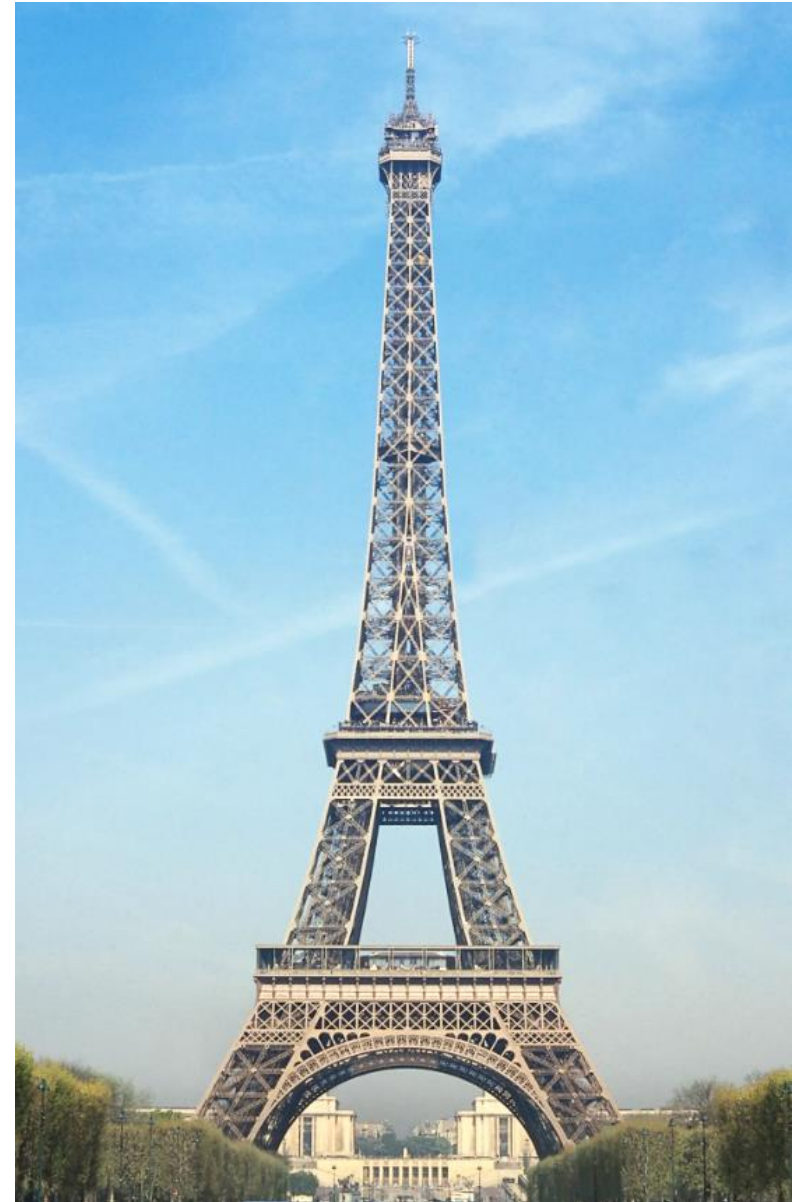
CAFE L'ARBRE

COUTUME

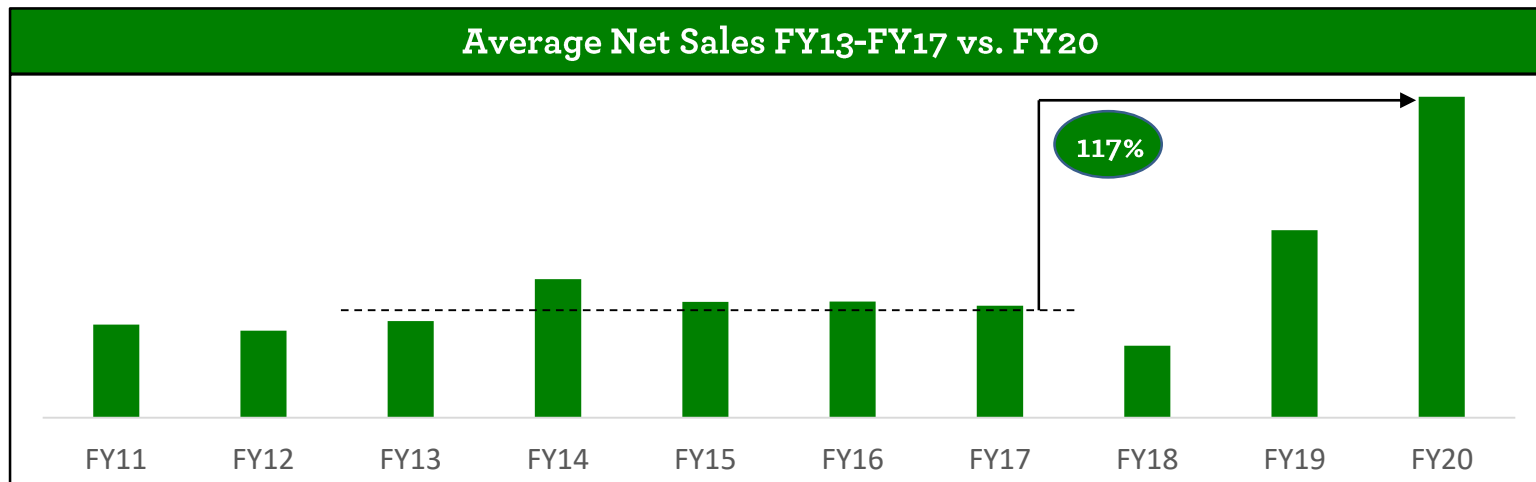
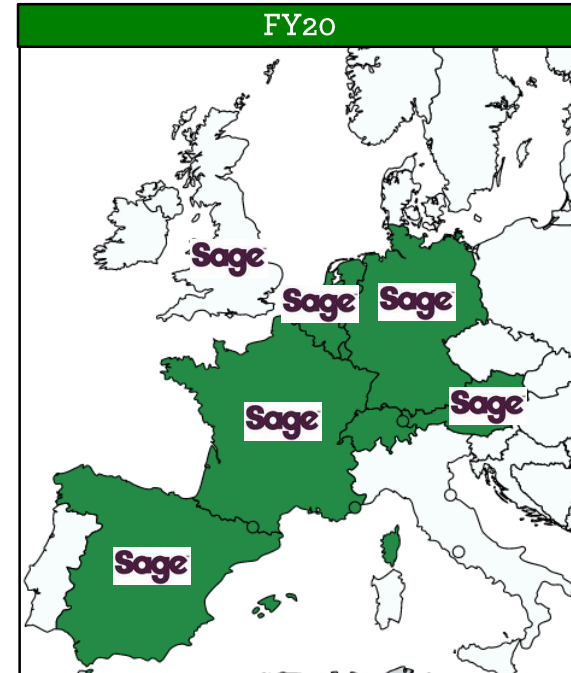
COSTCO
WHOLESALE

GROUPE FINDIS

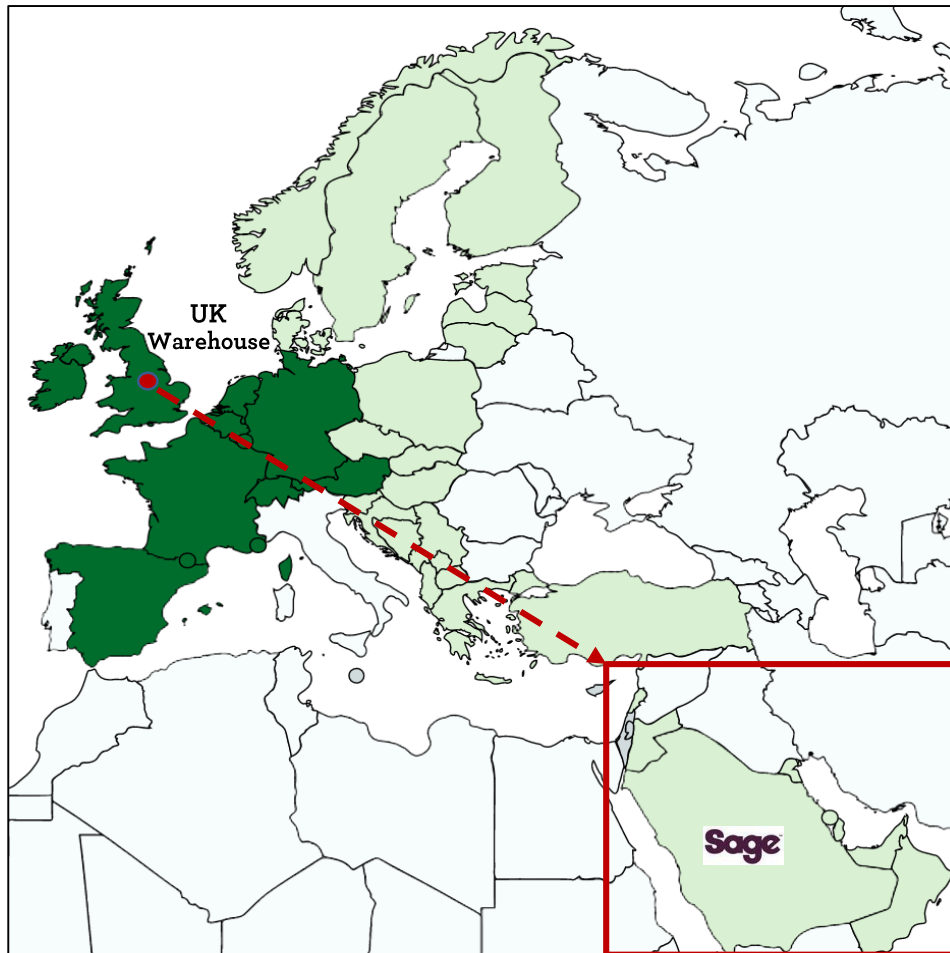
THE Coffee Lovers



Revenue Impact of Sage Direct Model



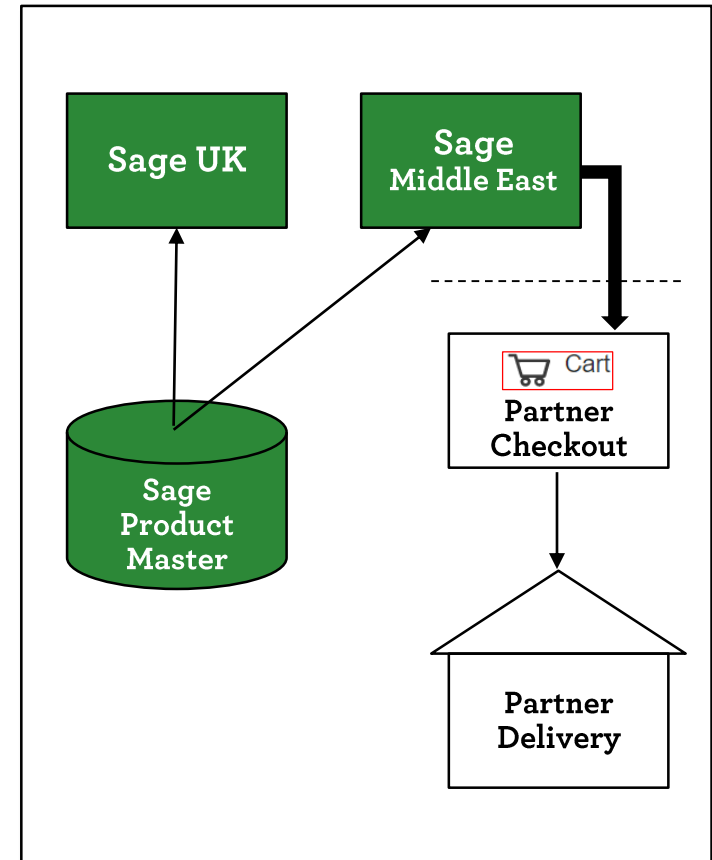
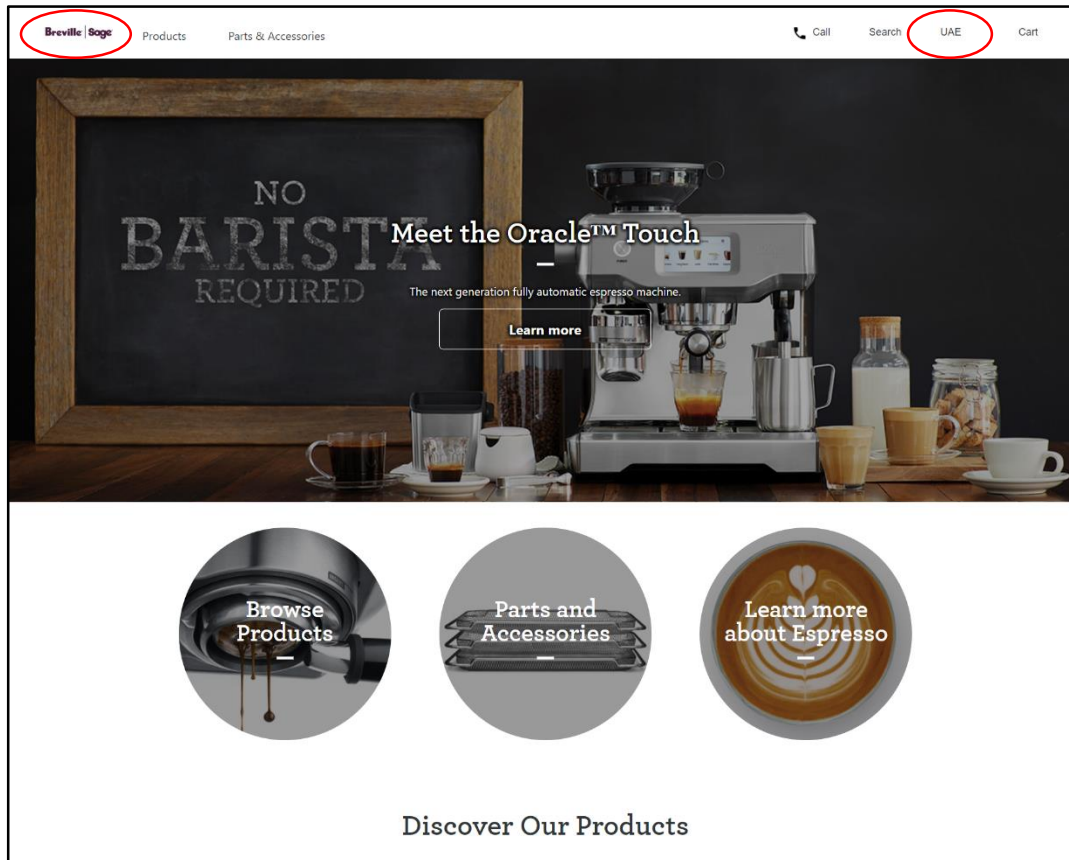
Sage is Expanding: Middle East



- Middle East region (excluding Israel) is transitioning from *Breville* to *Sage*
- Region uses the same plug as the UK. Brand flip enables partner to take mixed container shipments from UK warehouse
- Can extend range and launch new products at the same time as the UK
- Increased demand will incrementally help UK warehouse turn faster

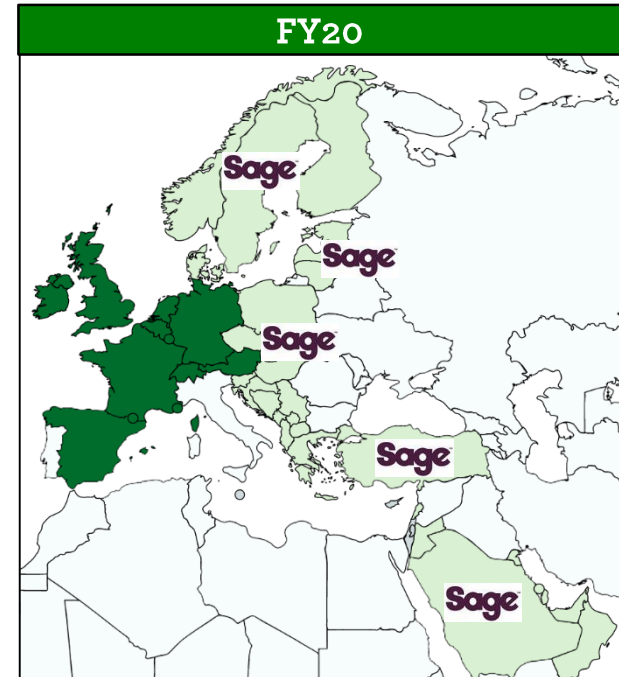
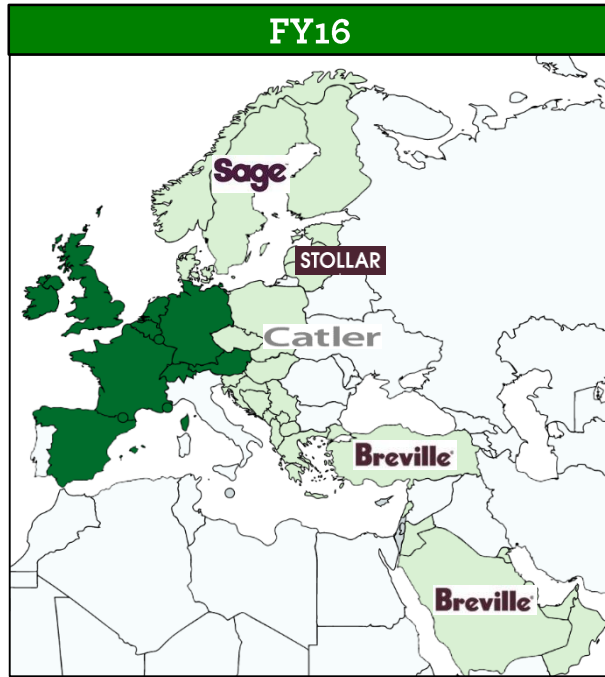


Extending Website Infrastructure To Distributor

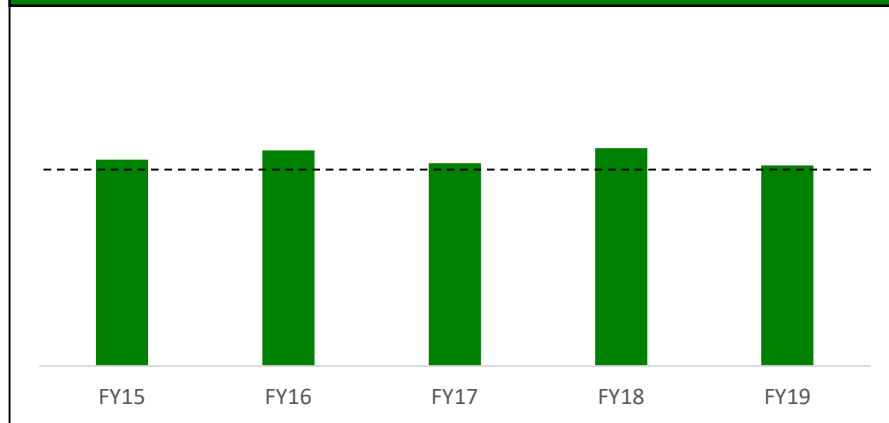


- Phase I: Supply Chain
- Phase II: Go To Market

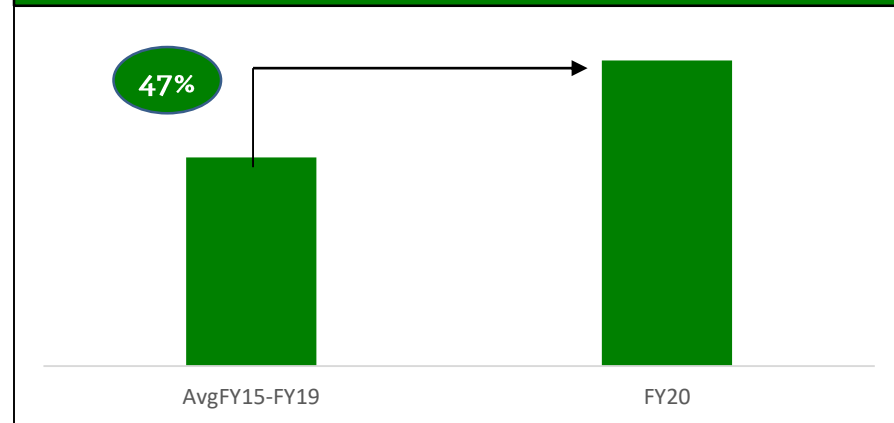
Sage Unification: Impact on Distributor Revenue



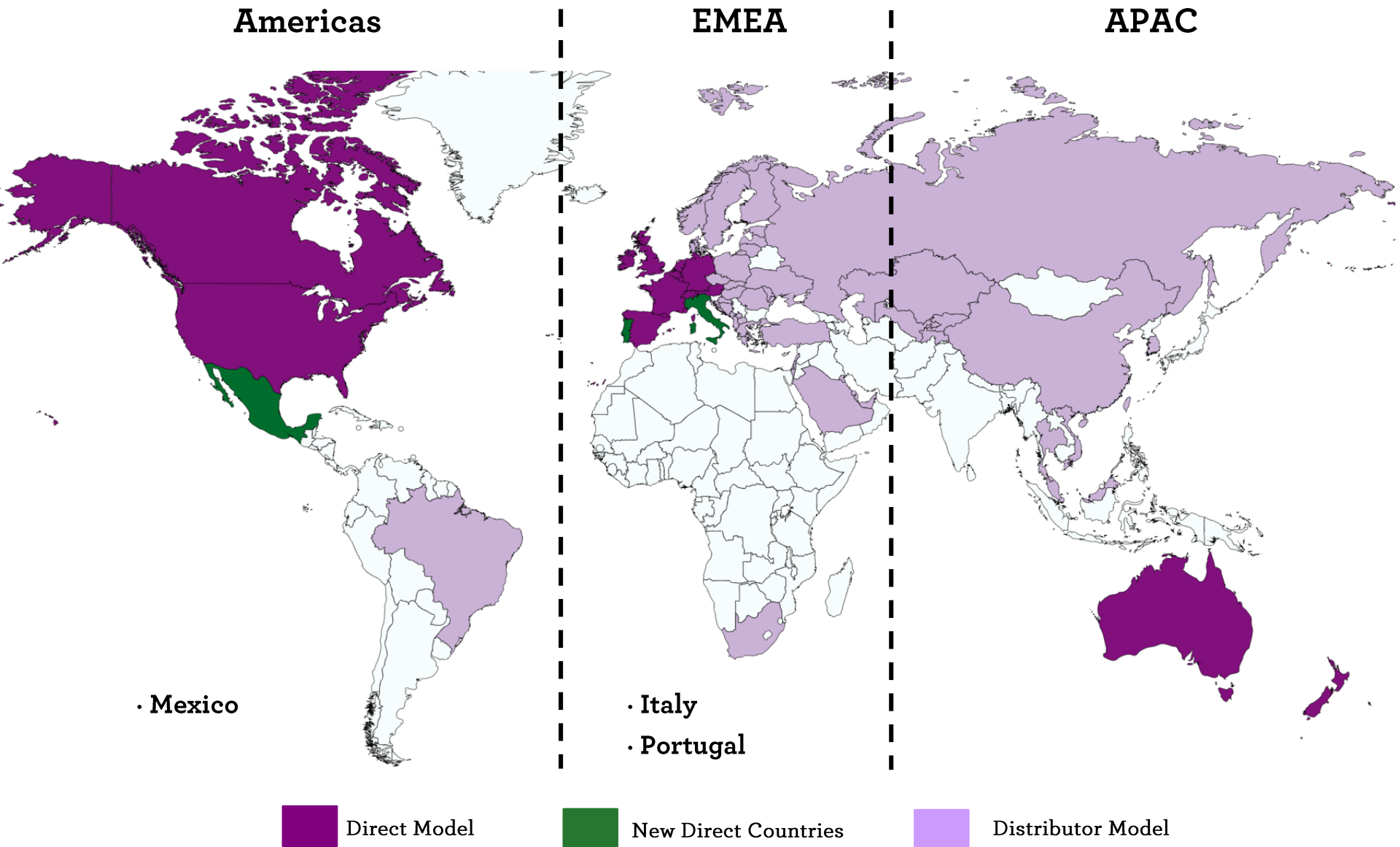
Net Sales to Distributors FY15-FY19



Avg Net Sales to Distributors (FY15-FY19) vs. FY20



FY21: Geographic Expansion Now Multi-Theatre



• Mexico

• Italy
• Portugal

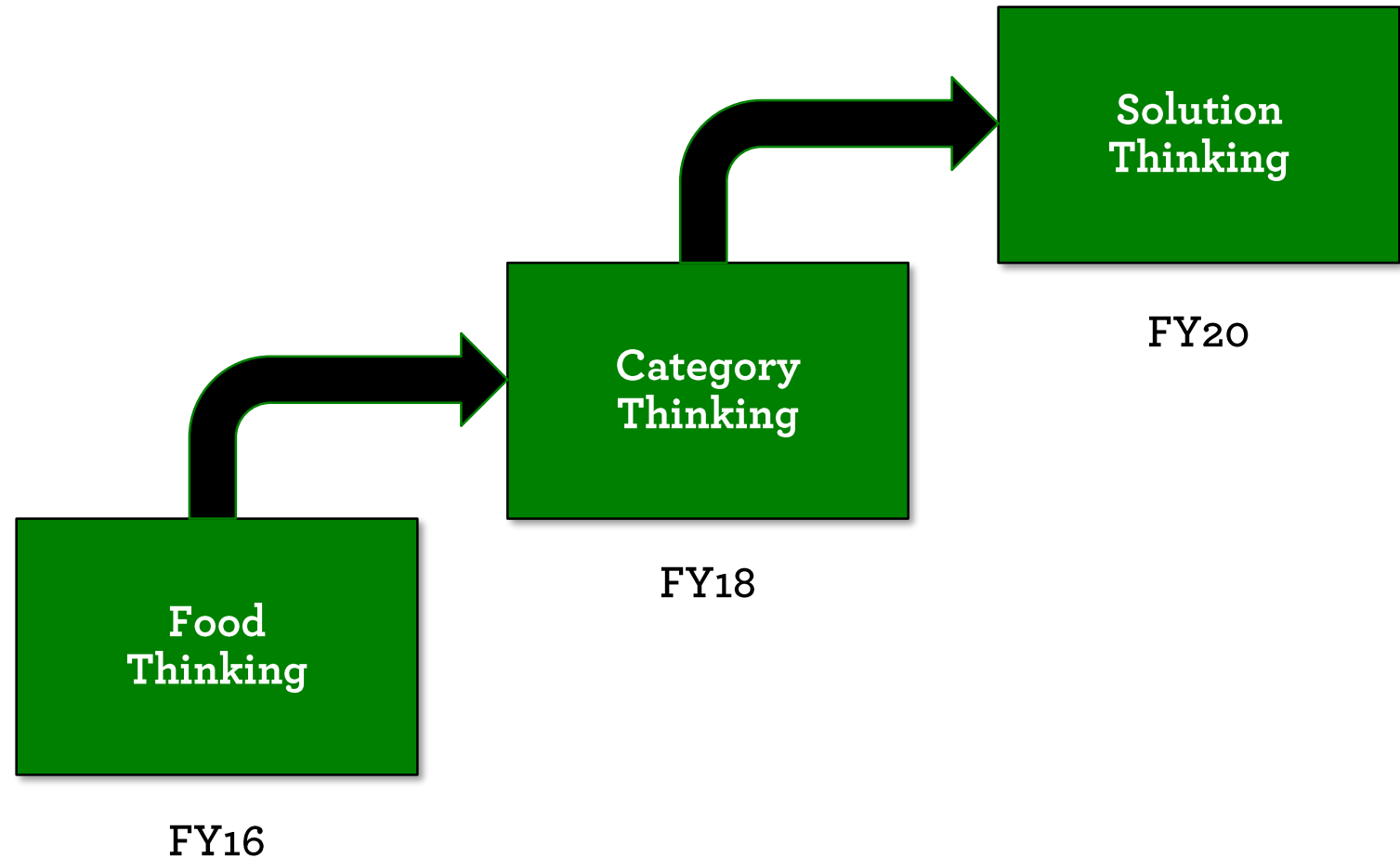


- Geographic Expansion

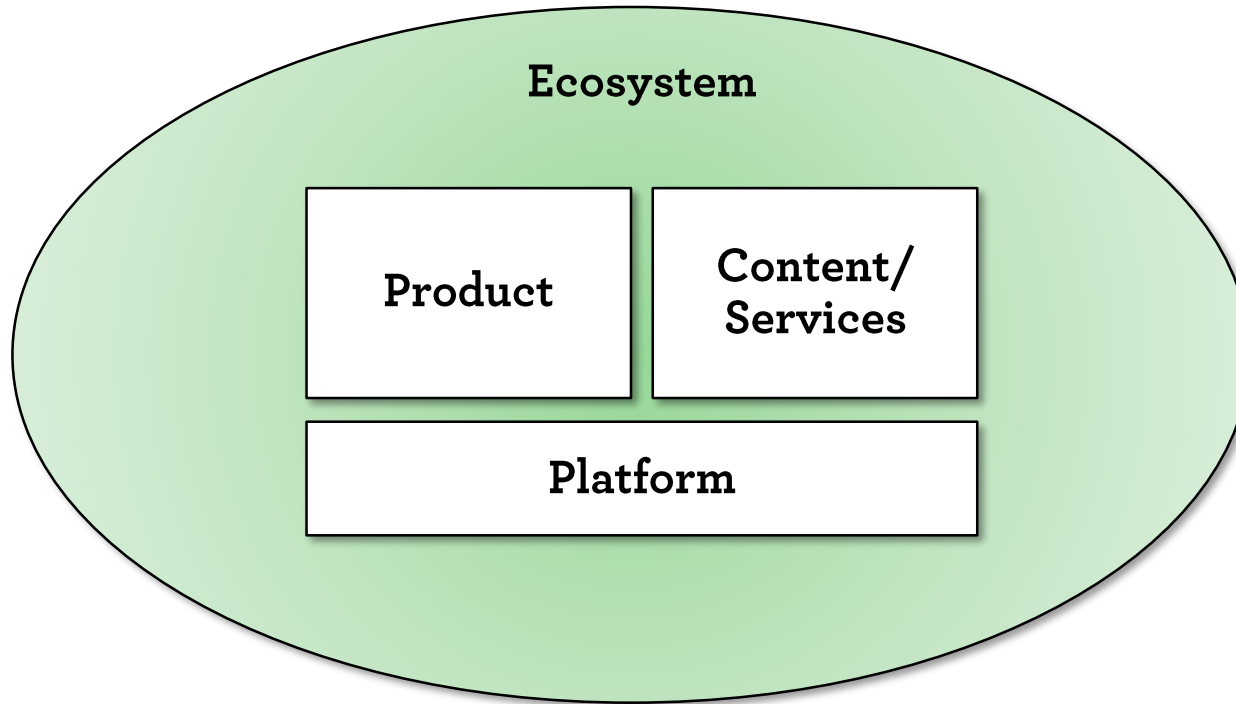
➡ • Product to Solution Evolution



Migrating Up the Product Value Curve



Solution Framework



When there's a buyer and a seller, one of them is typically responsible for providing the solution.

ChefSteps Joule Sous Vide

Ecosystem

Product



Content



ChefSteps

20%

Platform

Proprietary IoT Platform



1,000,000 users of Chefsteps.com

User Generated Content

Joule Oven Air Fryer Pro: FY21 Launch

Ecosystem

Product



Content



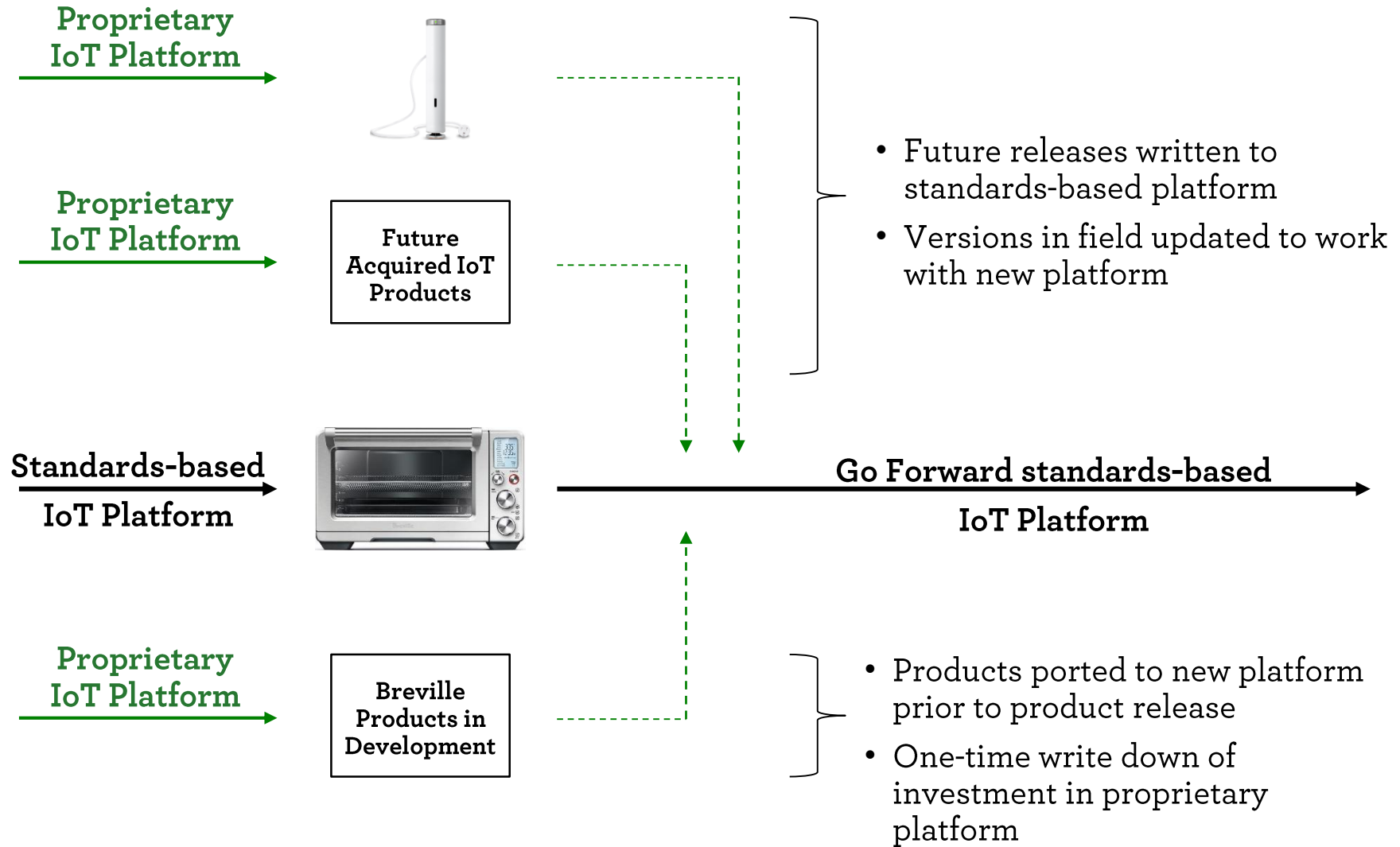
Platform

Standards-based IoT Platform



- Chefs
- 1,000,000 users of Chefsteps.com (user generated content)
- Breville Smart Oven Air Customers

Convergence to standards-based IoT Platform



Thoughts Exiting FY20

- Breville was more fortunate than most
 - No COVID outbreak at our manufacturers forcing a prolonged shutdown
 - Breville's strong inventory position in Northern Hemisphere when COVID began
 - Quarantine and work-from-home has been a tailwind so far
- After initial shock, value chain transitioning into a state of “new normal”, which includes a material component of unpredictability - lining up against uncertainty for FY21
- Brexit + Exchange Rate + Tariffs + COVID has been a litmus test. Team at all levels and processes have performed exceptionally well
 - Transaction processes and decision-making running at a near-real-time flow rate, while strategic projects moving forward at a methodical cadence, unaffected by noise
 - Global-local processes quickly adjusted to new reality
 - Encouraging, hardened foundation to build on over the next 5 years

Appendix 1: Group Results Summary – Normalisation Adjustments

AUD \$m	FY19	FY20	% Growth	Normalisation				FY20	% Growth
	Statutory	Statutory	Statutory	Doubtful debt provision ¹	IoT impairment ²	Compensation reductions ³	Reduced marketing spend ⁴	Normalised	Normalised
Revenue	760.0	952.2	25.3%					952.2	25.3%
Gross Profit	271.2	320.6	18.2%					320.6	18.2%
Mktg Expenses	(32.2)	(35.1)	8.9%				(3.3)	(38.4)	19.1%
Other Expenses	(125.0)	(159.0)	27.2%	13.6	9.6	(7.7)		(143.4)	14.8%
EBITDA	114.0	126.5	11.0%	13.6	9.6	(7.7)	(3.3)	138.8	21.7%
Dep'n/Amort	(16.6)	(25.6)	54.1%					(25.6)	54.1%
EBIT	97.3	100.9	3.7%	13.6	9.6	(7.7)	(3.3)	113.1	16.2%
Finance Costs	(3.0)	(8.2)	173.3%					(8.2)	173.3%
Tax Expenses	(26.9)	(26.6)	(1.3%)	(3.9)	(2.8)	2.2	0.9	(30.1)	11.8%
NPAT	67.4	66.2	(1.8%)	9.7	6.9	(5.5)	(2.4)	75.0	11.2%
Basic EPS (cents)	51.8	50.5	(2.5%)					57.3	10.6%

Growth excluding AASB 16 impact ⁵

14.3%

The Group incurred two sizable, abnormal expenses in 2H20 and equally made some one-off cost savings in the second half. In deciding the FY20 final dividend, and as the Group budgets for FY21, we have looked through both these pluses and minuses to base our decisions off a normalised FY20 EBIT of \$113.1m.

¹ Step change in doubtful debt provision to reflect heightened credit risk with retailers weakened by changes in consumer patterns and physical lock downs.

² One off impairment charge arising as a result of strategic decision to move to a standards-based IoT platform and to write off development work on our proprietary IoT platform.

³ Temporary compensation reductions. Base salary cut by an average of 20% in May and June 2020. Cuts ranged from 40% for directors' fees and 30% to 10% of base salary. The FY20 STI scheme was suspended. These savings are considered abnormal with salaries reverting to normal levels as of July 2020 and a STI scheme planned for FY21.

⁴ In response to uncertainty in the COVID-19 environment, marketing spend was reduced across April-June. Spend would normally grow at least in line with gross profit. The \$3.3m add back reflects specific abnormal cuts made in April-June. After adding this amount, growth in marketing spend is at a more normal level.

⁵ FY20 benefited by \$2m at EBIT level from adoption of AASB 16 but is stripped out for a like-for-like comparison to FY19. Net benefit to NPAT is minimal at \$254k.



Breville Group Limited (BRG)



FULL YEAR FY20 RESULTS Investor Presentation

13th August 2020

