25 February 2016

Manager, Company Announcements,
Australian Securities Exchange Limited,
Level 4, 20 Bridge Street,
Sydney NSW 2000

**Half Year Ended 31 December 2015**
**Investor Presentation**

Attached is a copy of the Breville Group Limited Investor Presentation for the Half Year Ended 31 December 2015.

Yours faithfully

Sasha Kitto
Company Secretary
Breville Group Limited

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*We are* FOOD THINKERS.

# Breville Group Limited

## HALF YEAR RESULTS FY16
## INVESTOR PRESENTATION

February 2016


Breville

# Group Summary Result

| AUDm | 1H16 | 1H15 | % Chng |
|---|---|---|---|
| Revenue | 331.2 | 293.9 | 12.7% |
| EBITDA | 50.7 | 47.2 | 7.4% |
| EBIT | 46.1 | 43.6 | 5.7% |
| NPAT | 30.8 | 29.7 | 4.0% |
| Basic EPS (cents) | 23.7 | 22.8 | 4.0% |
| ROE[1] | 19.4% | 20.3% | |
| Dividend per share (cents) | 14.5 | 14.0 | 3.6% |
| Franked (%) | 75% | 100% | |
| Net cash ($m) | 3.0 | 11.7 | |

*Minor differences may arise due to rounding*

### Key points

- Group revenue and EBIT growth continues
- Continued global revenue growth from Breville designed and developed products
- North America – performed strongly, delivering 10.9% constant currency revenue growth
- ANZ – adversely impacted by the strengthening USD and challenging marketplace
- Rest of World – solid growth from UK business continuing; Rest of World distribution business revenues adversely impacted in part, by the effects of a strengthening USD
- Dividend of 14.5 cps, 75% franked (1H15: 14.0 cps, 100% franked)
- Group has refined its strategic direction, management now focused on implementation

[1] *ROE is calculated based on NPAT for the 12 months ended 31 December 2015 (1H15: 12 months ended 31 December 2014) divided by shareholders' equity at December each year*

# Operating Segments

**Operating segments**

- North America
  - Breville brand – premium kitchen channels and own online retail platform
- Australia and New Zealand (ANZ)
  - Breville brand – premium and sourced kitchen segment (including Breville-Nespresso[2] co-branded single serve coffee machines)
  - Kambrook brand – broader range including irons, vacuums, heating and cooling
  - Philips[2] brand – personal and garment care
- Rest of World
  - Sage brand – premium kitchen channels and own online retail platform in UK; two European distributors operating under Sage brand
  - Europe (excluding UK, Sage distributors) – non-Breville branded 3rd party strategic partners; product supplied from Hong Kong
  - Africa, Middle East, Asia and South America – Breville branded 3rd party strategic partners; product supplied from Hong Kong

[2] *Nespresso products are distributed under a Licence Agreement and Philips products under a Distribution Agreement*



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# Segment Results

| AUDm | REVENUE | | | EBIT | | | EBIT MARGIN (%) | |
|---|---|---|---|---|---|---|---|---|
| | **1H16** | 1H15 | **% Chng** | **1H16** | 1H15 | **% Chng** | **1H16** | 1H15 |
| **North America** | **151.8** | 116.0 | **30.8%** | **28.8** | 20.6 | **39.9%** | **19.0%** | 17.8% |
| **Australia and New Zealand (ANZ)** | **138.8** | 142.9 | **(2.8%)** | **11.3** | 16.3 | **(30.7%)** | **8.1%** | 11.4% |
| **Rest of World** | **40.6** | 35.1 | **15.9%** | **11.3** | 8.8 | **27.7%** | **27.8%** | 25.2% |
| **Other** | **-** | - | **-** | **(5.3)** | (2.2) | **-** | **-** | - |
| **TOTAL** | **331.2** | 293.9 | **12.7%** | **46.1** | 43.6 | **5.7%** | **13.9%** | 14.8% |

*Minor differences may arise due to rounding*

# Segment Results cont'd

**Key points**

North America

- Strong growth – constant currency revenues for the half, 10.9% higher
- Revenue growth in core categories of beverage and cooking (from both new and existing product)
- Juicing category stabilised in the half
- Improved EBIT margin driven by a more favourable product mix

ANZ

- Challenging half due to price sensitive marketplace; Breville designed and developed product revenue 4.3% higher than pcp
- 'Sourced product' revenue declining – competitive, price driven segment
- Margin pressure given strong USD
- Price increases, positive sales mix and cost efficiency savings only partially offset strong USD
- Working on initiatives to improve future profitability

# Segment Results cont'd

**Key points**

Rest of World

- UK business under Sage brand continues to build momentum showing solid revenue growth
- Rest of World distribution business delivering lower revenues in constant currency
- Certain distribution partners' markets being materially exposed to the effects of strengthening USD
- Includes revenue from new distribution partners
- Two European distributors operating under Sage brand
- EBIT higher in both AUD and constant currency for both UK and Rest of World distribution business due to positive product mix change

Other

- Higher employee related expenses: mainly the short term and long term incentive
- Increased depreciation/amortisation relating to new (2H15) Group assets
- Lower adverse currency translation impact relating to non-stock related USD payables


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# Financial Position at 31 December

| AUDm | 1H16 | 1H15 |
|---|---|---|
| Inventory | **115.1** | 97.1 |
| Receivables | **137.6** | 133.0 |
| Trade and other payables | **(99.8)** | (93.6) |
| **Working Capital** | **152.9** | 136.5 |
| Fixed assets | **12.4** | 8.7 |
| Intangibles | **89.0** | 84.9 |
| Other assets/(liabilities) (net) | **(10.4)** | (9.1) |
| **NET ASSETS EMPLOYED** | **243.9** | 221.0 |
| Cash (net) | **(3.0)** | (11.7) |
| Shareholders' equity | **246.9** | 232.7 |
| **CAPITAL EMPLOYED** | **243.9** | 221.0 |

*Minor differences may arise due to rounding*

**Key points**

- Translation impact: weakening AUD
- Working capital net increase compared to prior half
  - Inventory: net increase $18.1m, of which $4.1m due to currency effect of translation. Part of remaining movement due to higher landed cost (when converting USD denominated purchases) and a wider SKU range
  - Group currently implementing a global 'sales and operations planning' (S&OP) process with benefits to begin to flow through in next 12 months
  - Receivables and trade and other payables: increase mostly due to translation effect
- Fixed assets: previously highlighted investment in capex project (new leased offices Australia) completed in 2H15
- Intangibles: increase driven by product development projects and investment in Group-wide ERP
- Cash flows used in operating activities $6.1m (1H15: $6.9m)
- Net cash balance retained



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# Outlook

- Given the continued sporadic business conditions across the globe, the Group believes future financial performance will be relatively more unpredictable
- The Board and management, however, are encouraged by the first half performance and assuming no significant change in current economic conditions in the Group's major trading markets, the Group expects FY16 EBIT percentage growth on FY15 in the mid-single digits

# BRG Today

**Many of the ingredients for the strategic direction are already in place……**

- Strong and competitive product portfolio
  - Proven success across the globe
- Committed, quality team
- R&D focus on consumer needs and food challenges
  - Premium product positioning maintained
- Successful international track record
  - Proven ability to successfully enter new geographical markets
- Strong balance sheet

# Global Products - the Driver of Success

## Global Products

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Sage by heston blumenthal

FY15 ≈ 95% of EBIT

## ANZ - Local Products

KAMBROOK THE SMARTER CHOICE

PHILIPS

NESPRESSO.

Breville - ANZ

RONSON

FY15 ≈ 5% of EBIT

*Significant Global Opportunity*

# Key Strategic Pillars

- Global, Innovation-Driven Product Company
- Market Expansion and Optimisation
- Scalable, Global Platform

# Global, Innovation-Driven Product Company

The Group will transition into a global, innovation-driven product company by:

- Increasing the number of new global product releases;
- Shortening development cycles and accelerating new product introductions;
- Increasing the investment in R&D and marketing, which will be funded by cost efficiencies; and
- Aligning the Group behind two distinct global/local go-to-market models (*Global* and *Local*).

**In the last six months the Group has:**

- Expanded Mark O'Kelly's role from GM Australia to GM ANZ
- Reorganised global product under Scott Brady (cradle to grave)
- Adjusted resource allocation to accelerate development of key new products
- Added resources to R&D team, including Internet of Things

***Do More of What has Proven Successful***

# Market Expansion and Optimisation

The Group will focus on accelerating growth by increasing the size of its addressable market by:

- Improving go-to-market and geographic footprint effectiveness;
- Expanding into new channels where appropriate, driving greater penetration into existing markets; and
- Helping our distribution partners grow more quickly.

**In the last six months the Group has:**

- Developed and implemented new sales and distribution partner model (two European partners)
- Allocated commercial resources to directly support our distribution partners
- Hired Cliff Torng as global Go-To-Market Officer (Sydney based)
- Commenced allocating marketing spend based on global level optimisation vs. individual country level

***Build Upon New Market Successes***

# Scalable, Global Platform

To support accelerated growth, the Group needs a global platform designed to scale:

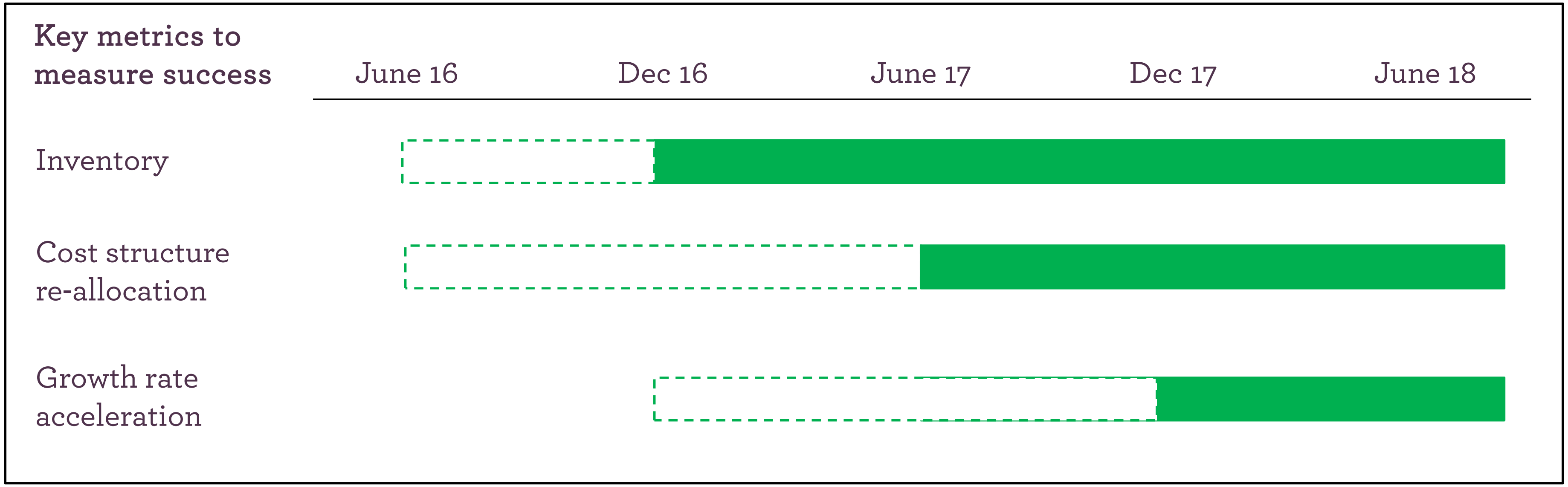
- Transitioning from a historical decentralised structure into a functional global model to facilitate global alignment and resource allocation;
- Up-skilling key capabilities where appropriate;
- Granular management of global product flow (inventory management); and
- Group-wide business application stack, giving 360° visibility (ERP, CRM, eCommerce and S&OP).

**In the last six months the Group has:**

- Rolled out a global, functional organisation structure
- Hired Mark Payne as Chief Operating Officer (LA based)
- Commenced the Implementation of a global 'sales & operations planning' (S&OP) process
- Continued the roll out of a Group-wide application stack

***Align Company to Support Accelerated Growth***

# Measuring Success




**Inventory**

- New S&OP process impact should appear in 1H17, full run rate benefit realised by end FY18

**Cost structure re-allocation**

- Shift in expenditure to R&D and marketing should begin in FY17 evolving until optimal level is reached
- Increased R&D expenditure will appear in both expense and amortisation; IT system investment will be funded through operating expenditure and capex

**Growth rate acceleration**

- Subject to market conditions, expected to commence FY18