

Macquarie Australia Conference 2017

Jim Clayton – Chief Executive Officer
2 May 2017



- Breville Overview
- Acceleration Program
- Investment Case for Breville
- Questions

Our Heritage



On Melbourne Cup day in 1932, just seven months after the opening of the Sydney Harbour Bridge, Bill O'Brien and Harry Norville scraped together 500 pounds in the midst of the nation's worst economic depression to found "Breville Radio".

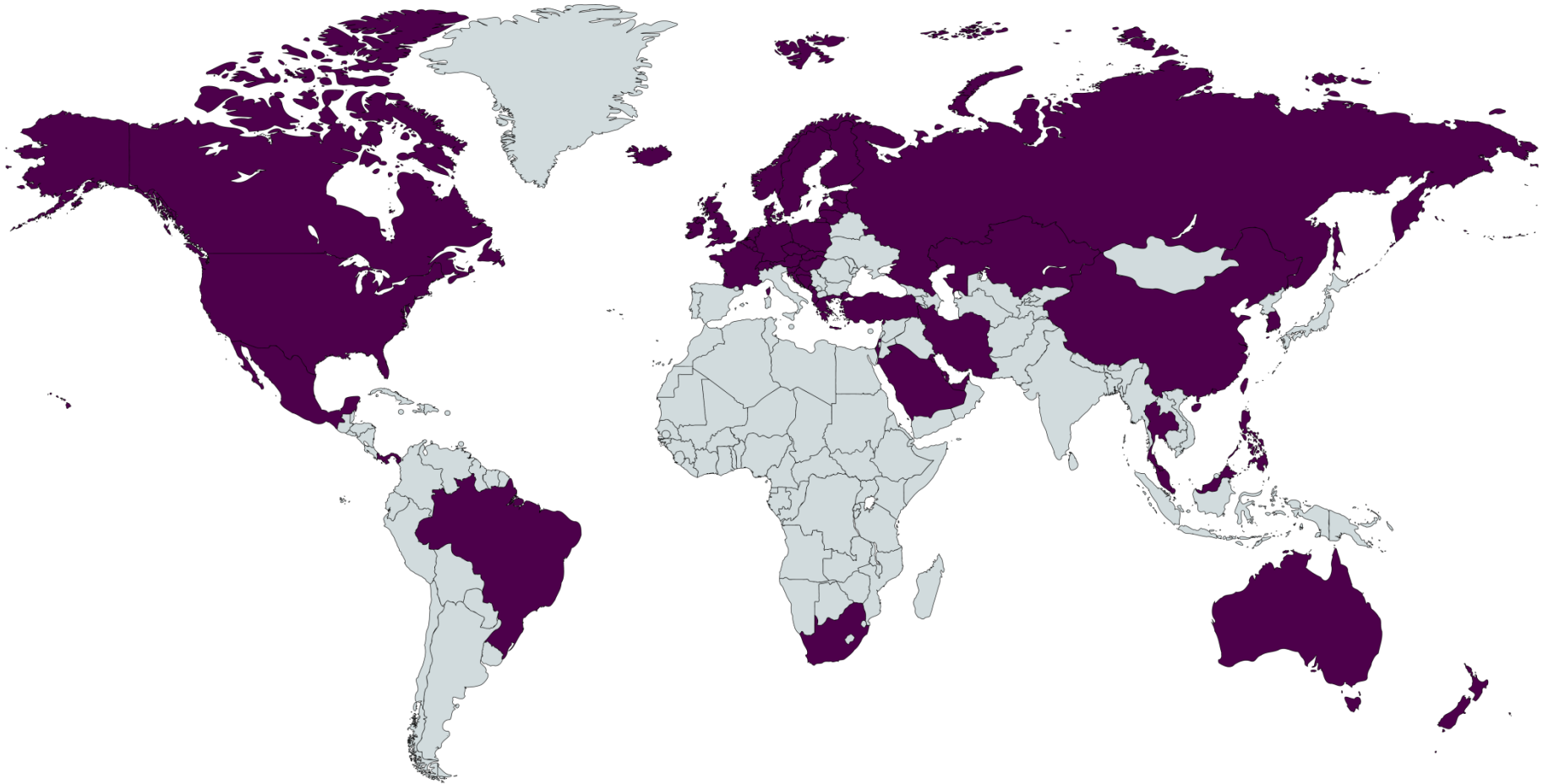
The Breville Business



Breville is the kitchen appliance brand that delivers innovation based on consumer insights, empowering people to do things more impressively or easily than they'd ever thought possible.



Global Australian Company



1H17: Over 70% of EBIT Outside of ANZ

Two Business Segments

Global Product Segment

Breville Designed and Developed



Beverage



Food Prep



Cooking

1H17

- Revenue growth 12.9% constant currency
- EBIT margin of 17.3%
- Segment 78.1% of revenue, 93.4% of EBIT

Distribution Segment

3rd Party Designed and Developed



KAMBROOK
THE SMARTER CHOICE



NESPRESSO



Breville



PHILIPS*

1H17

- Revenue decline of (13.7%)
- EBIT margin of 4.4%
- Segment 21.9% of revenue, 6.6% of EBIT

Expect FY17 EBIT growth rate to be generally consistent with the 6.7% reported in 1H17

* Distribution of Philips products ends May 2017

Product Awards

1984 – 2016

70 International Design Awards



Good Design Award
+

7,000 x 5 star
consumer reviews

2017

15 Awards and counting:

- 8 Red Dots including our 1st “Best of the Best”
- 6 Australian Design Marks
- 1 SCA Best New Consumer Product, Global Specialty Coffee



Red Dot
Best of the Best

Best New Product
SCA Global Specialty
Coffee

Breville's North Star (Southern Cross)

Vision

“Make every food moment an occasion”

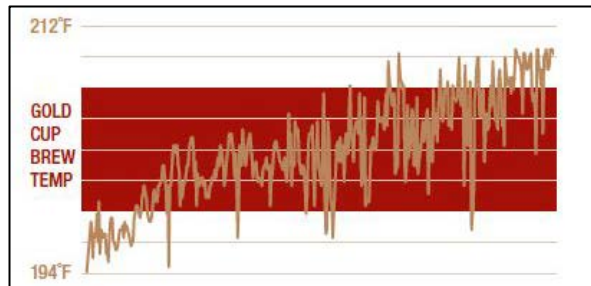
Mission

“To make the process a pleasure and the end result perfect”

Principles

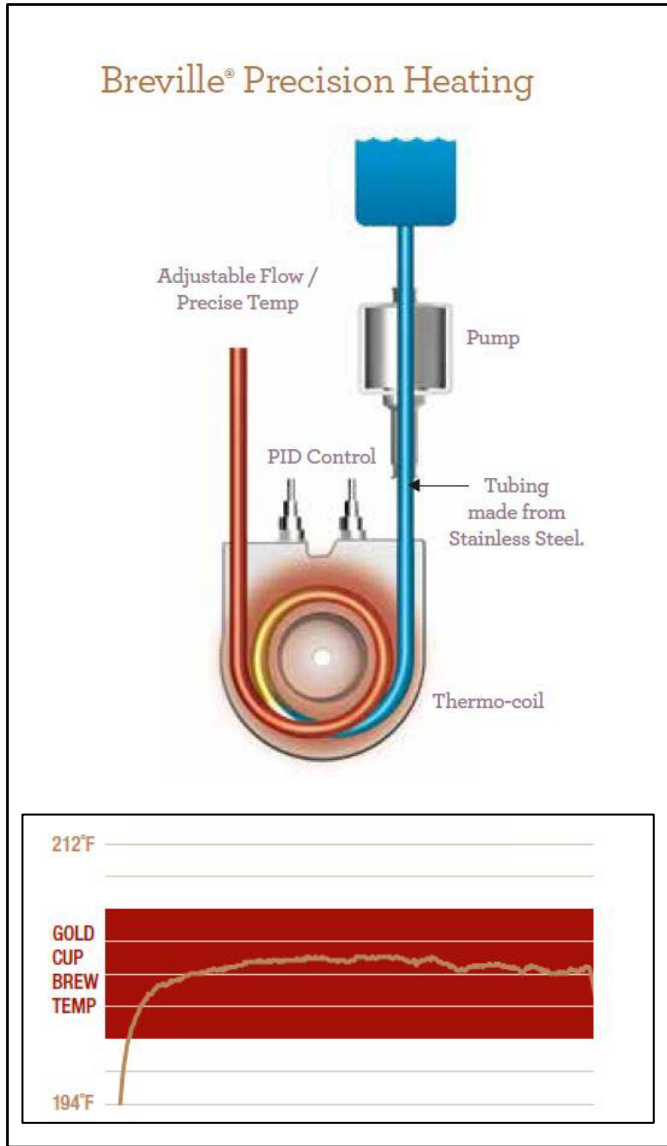
1. “Define the perfect result” and what it takes to achieve it
2. “Innovate to Simplify” make it easy to achieve perfect results
3. Provide “mastery in a box”
4. “Design to Delight”
5. “Inspire you to be extraordinary”

Case Study: Drip Coffee



Traditional steam driven drip filter coffee architecture fundamentally flawed—does not hold temperature during the cycle ... burns coffee at end of cycle

The Breville Precision Brewer



By bringing espresso machine architecture to drip filter coffee, Breville is able to hold the optimal temperature and optimize the flow rate throughout the entire drip cycle, providing consumers with the precision required to enjoy craft coffee at home

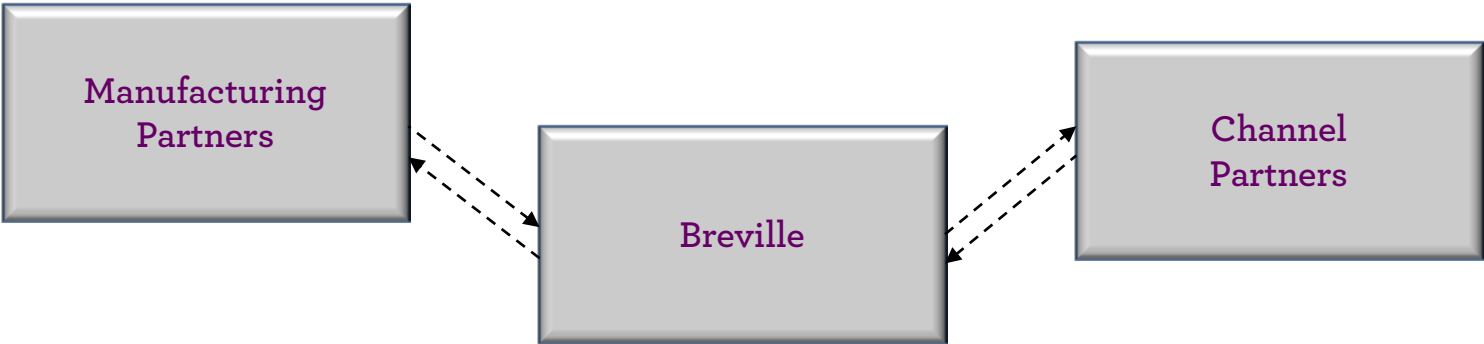
- Breville Overview



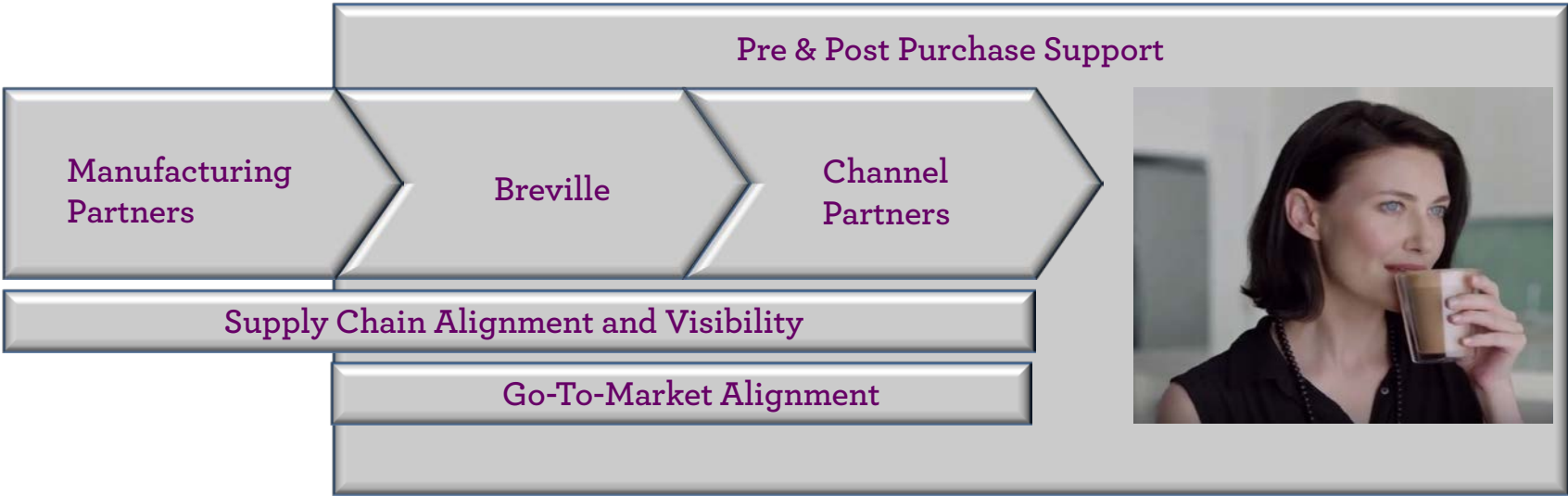
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Align the Value Chain To Accelerate

From ...



To ...



Growth Acceleration Framework

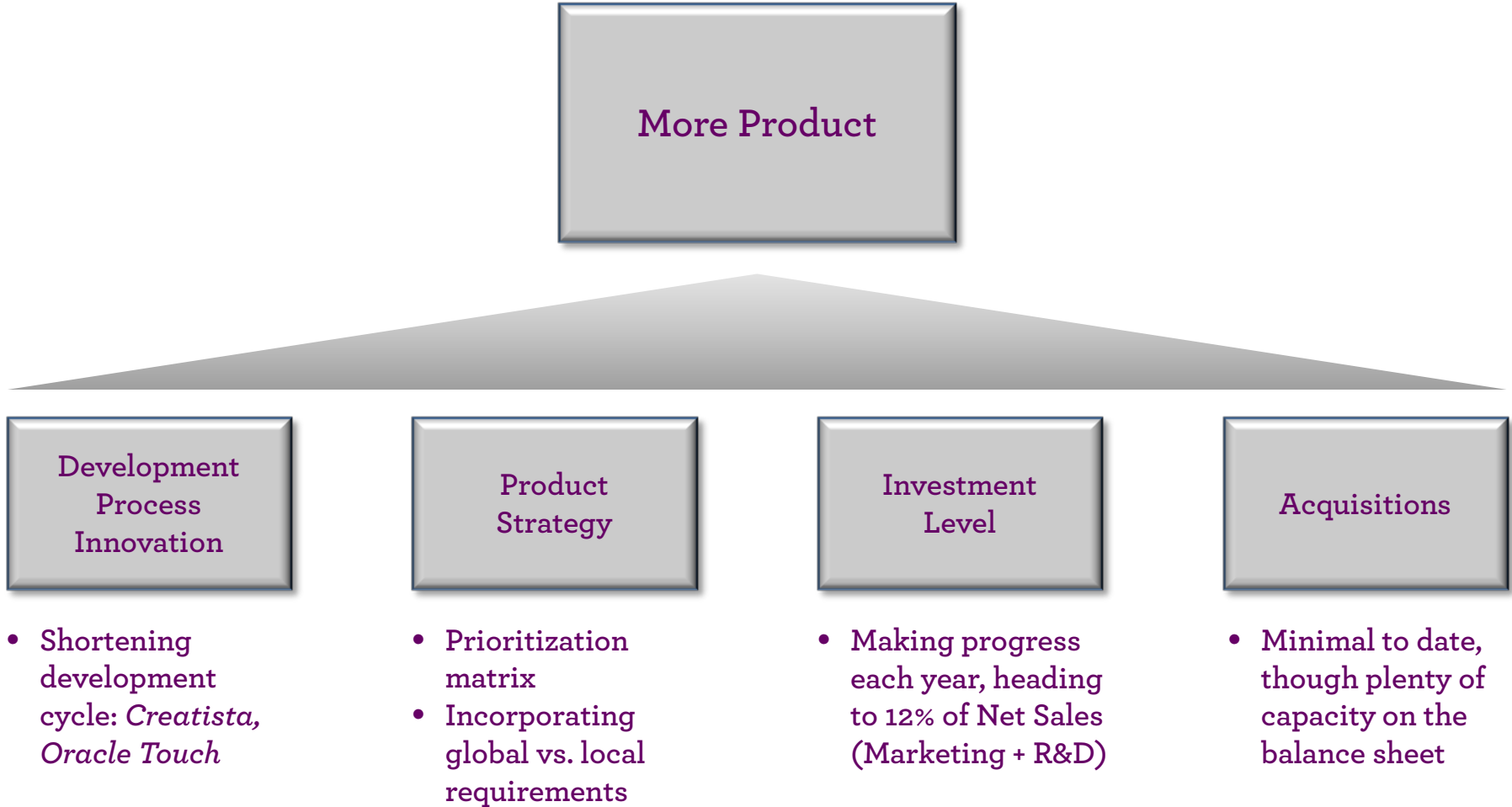
**More
Product**

**Larger
Market**

Scalable, Acceleration Platform

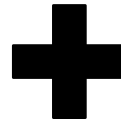
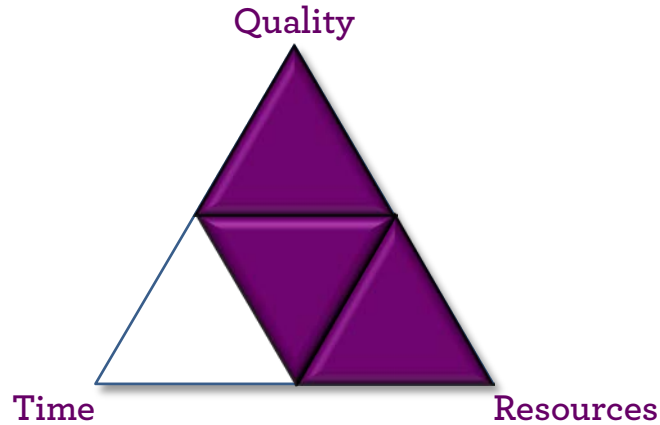
Growth-oriented Business Model

Accelerating New Product Introduction

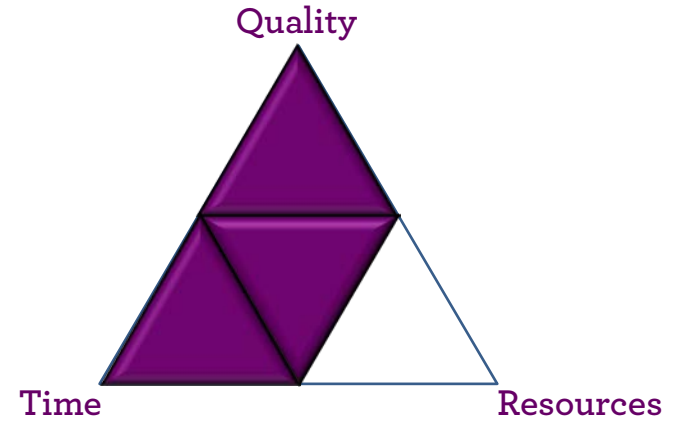


Development Process Innovation

Historical Process



New Process



- Fix Quality and Resources (2), letting Time float
- More challenging projects took more time
- Uncertain release date, making retail partner alignment difficult

- Fix Quality and Time, letting Resources float
- Opportunity to accelerate key new products
- Can more easily align with retail partners



Growing the Addressable Market

Larger Market

GTM
Effectiveness

- Migrating from “releasing” to “launching” new products
- Improved partner model and European migration to common brand

Channel
Expansion

- Maintaining premium position
- Minor expansion in some geographies

Geographic
Expansion

- Evaluating where appropriate (65 countries to date)

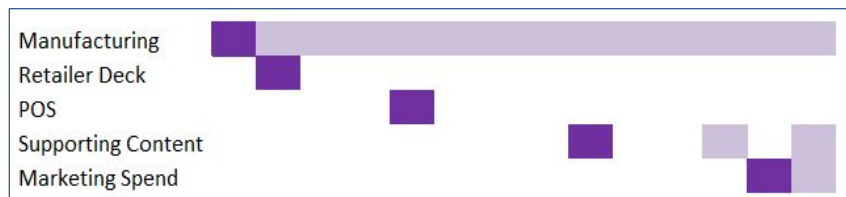
Category
Expansion

- Capsule Coffee - Creatista

Improving our Go-to-Market (GTM) Effectiveness

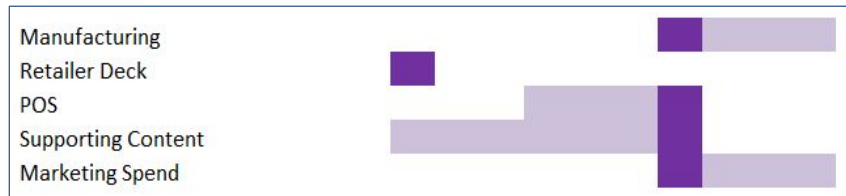
Migrating from “Release” to “Launch”

“Release”



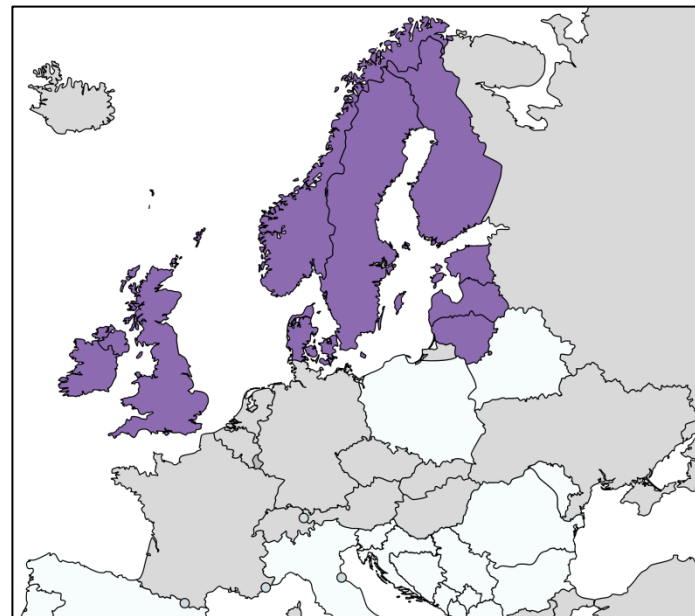
- Sales regions own GTM (different execution)
- Put it on the shelf, see what works, and chase it
- Slow revenue ramp of successful product

“Launch”



- Corporate centre drives and aligns global GTM, regions support
- Consumer value proposition clearly communicated at time of launch
- Accelerates revenue trajectory of successful product

Incorporating Europe into GTM



- Including unique European requirements in original product specification
- Expanding use of “Sage” brand across Europe
- Developing “European” SKU, supply chain simplicity
- Moving distribution partners to new partnership model

Building a Platform Capable of Supporting Acceleration

Scalable,
Acceleration
Platform

Global Structure

- Flipped from decentralized to centralized model
- Global functional roles with distributed teams
- Add functional expertise where appropriate

Sales &
Operations
Planning

- Forward-managing product flow throughout entire system
- Supplier portal
- Retailer co-planning

Supply Chain

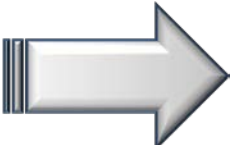
- Consolidation warehouse
- Variablizing components where appropriate

Systems

- System-wide replatforming to single instance of business applications

Migrating to a Growth-Oriented 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%



Early in the transition. FY17 expect marketing/R&D to be 9.0% – 9.5% of net sales. Will continue the migration until the target model is achieved.

- Breville Overview

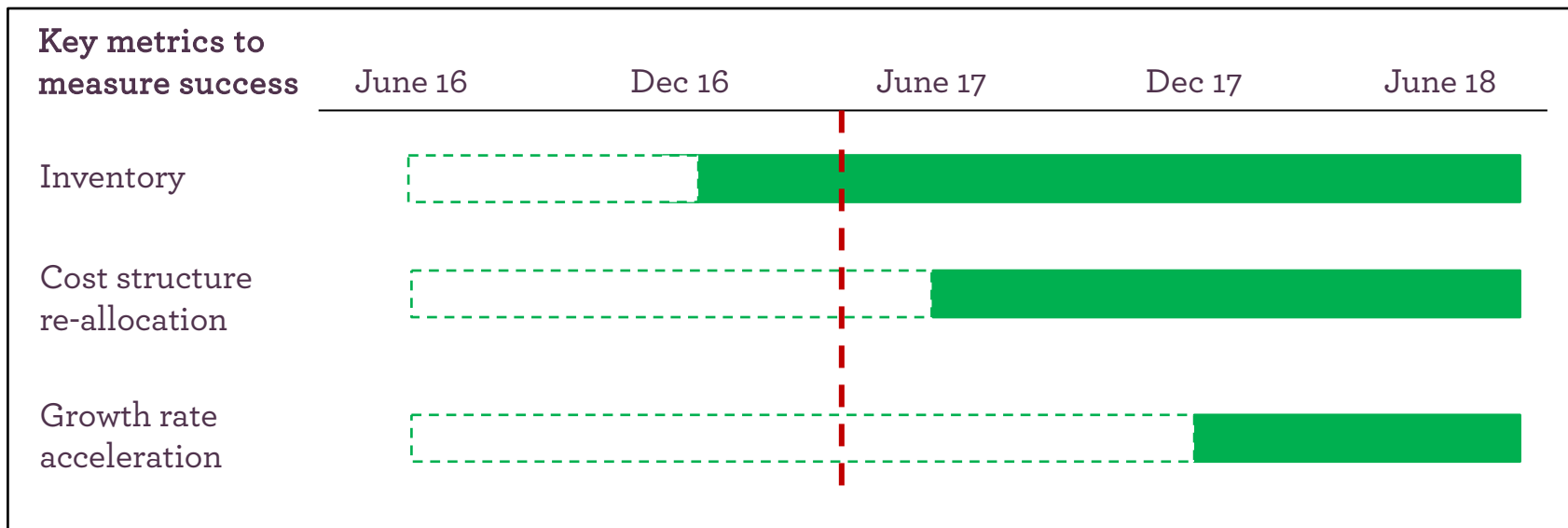
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Financial Statement Acceleration Program Scorecard



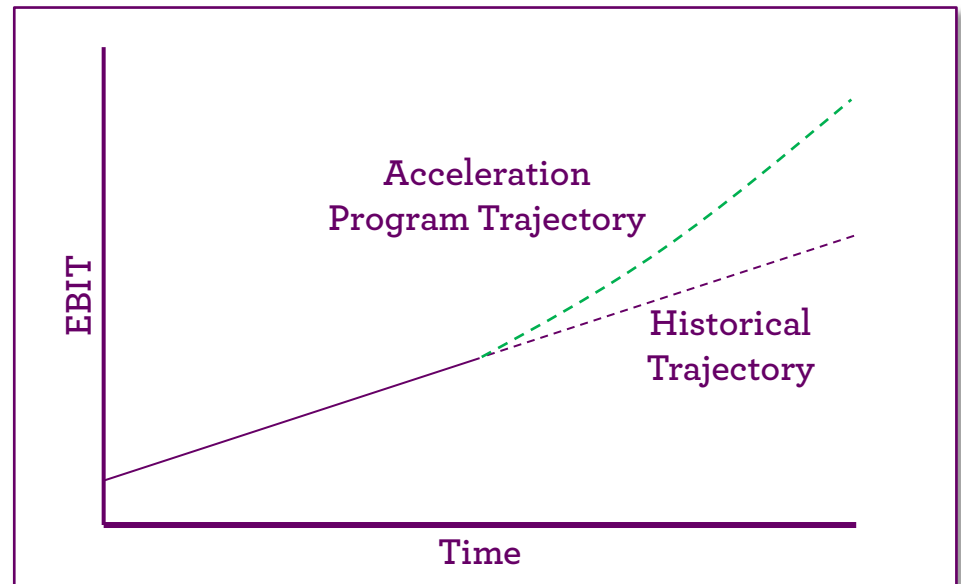
1H17

- Inventory: reduced inventory as a percentage of cost of sales* from 33.9% to 26.3% (vs. 1H FY16)
- Business model: marketing/R&D as % of net sales in FY17 (9.0% - 9.5%, up from 8.4% in FY16)
- EBIT acceleration: 6.7% growth 1H17/1H16 vs. 5.7% 1H16/1H15

* Cost of sales comprises only the cost of inventory and is based on a trailing 12 months

Breville Investment Case

- Historical track record of successful innovation-driven products
- Premium positioning in the SDA Market (more defensible)
- Global exposure beyond ANZ
- Significant market size in front of Breville (room to grow)
- Debt-free balance sheet providing degrees of freedom
- Acceleration program in process and showing progress



Q&A