13 February 2020

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

Half Year Ended 31 December 2019
Half Year End Report Announcement

Attached is a copy of the Breville Group Limited Half Year End Report Announcement for the Half Year Ended 31 December 2019.

The release of this announcement was authorised by the Breville Group Limited Board.

Yours faithfully

Craig Robinson
Company Secretary
Breville Group Limited

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Breville Group Limited (BRG) Results

Half year ended 31 December 2019

Revenue increase of 25.4% to $552.0m
EBIT[2] increase of 15.6% to $72.0m
Interim dividend increased to 20.5 cps (60% franked)

Group summary result

AUDm[1]	1H20	1H19	% Chng
Revenue	**552.0**	440.4	**25.4%**
EBITDA[2] pre AASB 16	***81.0***	*70.5*	***14.9%***
EBIT[2] pre AASB 16	***72.0***	*62.3*	***15.6%***
EBITDA	**85.2**	70.5	**20.8%**
EBIT	**73.0**	62.3	**17.1%**
NPAT	**49.7**	43.5	**14.1%**
Basic EPS (cents)	**38.1c**	33.5c	**14.0%**
ROE[4] (%)	**22.6%**	22.5%	
Div per share - ordinary (cents)	**20.5c**	18.5c	**10.8%**
Franked (%)	**60%**	60%	
Net (debt) / cash ($m)	**(52.9)**	0.4	

- Pleasing first half results with strong revenue growth, continued successful geographic expansion, double-digit EBIT growth and a normal seasonal pattern to cashflow
- Double-digit revenue growth in all regions and categories in the Global Product segment, with revenue growing +20.3% in constant currency
- Continued double-digit EBIT growth, +15.6% pa on a comparable basis (excluding AASB 16 impact)
- EBIT margin[2] at 13.0% primarily reflects the dilutive effect of strong USD, and, partially, higher growth in our lower margin Distribution segment, and partially the net impact of tariffs in the USA
- NPAT increase of +14.1%
- Normal seasonal cashflow with peak receivables following holiday season sales
- ROE[4] of 22.6% showing continuing strong return on organic growth investments
- Interim dividend of 20.5 cents per share (+10.8%), 60% franked, has been declared

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Master Every Moment™

Commenting on the Group's result, Breville Group CEO, Jim Clayton said:

"The first half of FY20 was a solid half for the Group, continuing the trends seen over the last few reporting periods. We had good growth across all regions and categories and continued to deliver double-digit EBIT growth. Successful European expansion continued, diversifying our global footprint and adding growth and resilience to the portfolio."

Segment results – pre AASB 16 basis

AUDm[1]	REVENUE 1H20	REVENUE 1H19	REVENUE % Chng	EBIT[2] pre AASB 16 1H20	EBIT[2] pre AASB 16 1H19	EBIT[2] pre AASB 16 % Chng	EBIT[2] MARGIN (%) 1H20	EBIT[2] MARGIN (%) 1H19
Global Product	**442.6**	356.1	24.3%	**58.9**	52.1	12.9%	**13.3%**	14.6%
% change in cc[3]			*20.3%*					
Distribution	**109.4**	84.3	29.9%	**13.1**	10.2	28.5%	**12.0%**	12.1%
TOTAL	**552.0**	440.4	25.4%	**72.0**	62.3	15.6%	**13.0%**	14.2%

Global Product segment geographic revenue splits

AUDm[1]	GLOBAL PRODUCT SEGMENT REVENUE 1H20	1H19	% Chng	*% Chng cc [3]*
North America (NA)	**258.1**	214.9	**20.1%**	***14.6%***
Europe	**83.7**	51.4	**63.0%**	***60.0%***
Australia and New Zealand (ANZ)	**82.3**	74.1	**11.0%**	***10.7%***
Rest of World (ROW)	**18.6**	15.7	**18.1%**	***10.9%***
TOTAL	**442.6**	356.1	**24.3%**	***20.3%***

Global Product Segment

The Global Product segment revenue grew by +24.3% to $442.6m (1H19: $356.1m). Importantly, in constant currency, revenue grew by +20.3% for the half year.

All regions and categories (Beverages, Cooking and Food Preparation) posted double-digit growth supported by NPD, including the global roll out of the Barista Pro™, the Bluicer™, and the launch of our new microwave range in North America. Geographic expansion continued to boost growth, and New Zealand, Canada and ROW all benefitted from a weaker 1H19 comparator.

In North America, consistent with recent trends, the Group achieved mid-teens constant currency growth with the USA successfully delivering against a backdrop of tariff complexity and uncertainty, supported by a series of NPD launches. Canada returned to a normal sales trajectory after a weaker 2019.

In ANZ, we achieved double-digit growth with Australia performing robustly, again backed by NPD, with New Zealand rebounding from a reset year in 2019.

In Europe we delivered 60% growth through a combination of good performances across the whole region: in the UK; in mainland Europe, boosted by further geographic expansion into Benelux, Switzerland and Spain; and with our Sage® distributors. This growth saw Europe passing ANZ to become the second largest geographic region in the Global Product segment. Our European expansion leverages an already established European warehousing, logistics, customer service and back office function, as well as a number of common customers.

As our GM%s are very similar across the key geographies, Breville's diversifying global sales footprint provides increasing stability in both our sales and profit delivery.

Distribution segment

The Distribution segment successfully fulfilled its strategic role by delivering an incremental $2.9m in EBIT, with good growth in ANZ, supported by new product introductions, including the successful launch of the Breville Air™ range and on-going Nespresso sales growth including the Vertuo™ line in North America and ANZ.

EBIT margins

The changing segment EBIT margins reflects the ongoing, and increasing, investment in marketing and R&D in the Global Product segment, which is partly funded by the growing profits of the Distribution segment.

EBIT margins were also impacted by the strength of the USD, which boosts sales via translation, but is mitigated, or hedged, at an EBIT level. This impacts the Global Product segment more than the Distribution segment as does the net impact of increased tariffs in the USA, which impacted Global Product margins especially on our counter-top ovens.

Financial Position

The Group's peak investment in working capital seasonally occurs in December, and the 6 months since 30 June 2019 saw an investment of $74m into working capital. This was 15% lower than in the same period last year.

Year-on-year the Group's total net working capital increased by $52.1m (+25.2%) primarily driven by a sales increase of 25.4% and the tactical investments in inventory made in 2H19 and flagged in our FY19 results.

Our inventory balance at 31 December 2019 was $175.2m, or +$22.9m (15%) higher than 30 June 2019, with the increase primarily in the USA where we brought in inventory in advance of the announced list 4B tariffs and bore the increased tariff costs on list 3 and 4A. We also executed our normal stock build in advance of Chinese New Year which this year fell in January.

The Group's 31 December 2019 inventory balances still include specific tactical holdings built in 2H19 in the UK, as a buffer against potential Brexit disruption, and in Europe, as we run an unconstrained stock position until a predictable demand curve emerges.

Receivables seasonally peaked with sales and payables tracked year-end stock purchases. Year on year, they are tracking with business growth on a net basis.

Intangible assets of $160.2m grew by $45m on the prior comparable period primarily due to the acquisition of the ChefSteps business in July 2019. Excluding the acquisition, intangibles are growing well below revenue with increases reflecting our ongoing ramp up of investments in NPD and our Group 2.0 IT platform.

At 31 December 2019, the Group had a net debt position of $52.9m, representing the seasonal low point in the Group's net cash position, with peak season sales yet to be collected.

The Group's ROE%[4] was 22.6% (pcp 22.5%) showing continued strong returns on the Group's organic growth investments.

Dividends

An interim dividend of 20.5 cents per share (60% franked) has been declared (1H19: 18.5 cents, 60% franked). This interim dividend will have a record date of 26 February 2020 and will be payable on 18 March 2020.

Considerations for 2H20

We expect continued Global Product segment growth in the second half of FY20, with momentum in Europe and a more certain tariff backdrop in the USA. The Distribution segment growth is expected to slow from its 1H20 rate as it begins to comp a strong 2H19.

Inventory levels are expected to begin trending toward equilibrium as (i) Europe migrates into flowing inventory with conservative thresholds to account for demand variability; (ii) we begin to winddown a portion of the Brexit stock insurance policy; and, (iii) the US flows through the tail effects of the tariffs. 2H sell in and sellout patterns are expected to resemble the prior year with the primary driver being Prime Day in July.

With regard to the specific impact of the Coronavirus situation on Breville there are three key considerations. Firstly, we do not have any manufacturing partners, or parts suppliers, located in the Hubei Province. As at 13 February 2020, our manufacturers were coming back online after CNY having implemented the safety processes as defined by the Chinese government. This means that the post-CNY production ramp up is likely to happen more slowly than in prior years.
Secondly, for unrelated reasons, Breville is holding finished goods inventory above our normal equilibrium levels: the Brexit insurance policy, Europe running unconstrained, and the US tail driven by our price increases post the tariffs. In addition, each year we systemically buy forward a few weeks beyond CNY as a hedge against a slower ramp up post-holiday. These higher inventory holdings are in effect a buffer for any slower post CNY production ramp up. When combined with the fact, that 2H is the low part of the year this means, as a general rule, that our manufacturers have flexibility in the rate at which they build back to a throughput level sufficient to meet Breville's needs for 2H. Thirdly, as a sales market, China is immaterial to the group and is recorded in the ROW segment.

FY20 Outlook

The Board and management are encouraged by the Group's first half performance. Assuming no significant change in economic conditions in our major trading markets we expect EBIT for the full year of FY20 to be consistent with the markets' current consensus forecast of ~$110M (pre AASB 16 basis) with increased spending on marketing and R&D as a percent of net sales.

For further information, please contact:
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[1] *Minor differences may arise due to rounding*

[2] *Figures shown pre AASB 16, detailed impact disclosed in Appendix 4D*

[3] *cc: constant currency*

[4] *ROE is calculated based on NPAT for the 12 months ended 31 December 2019 (1H19: 12 months ended 31 December 2018) divided by the average of shareholders' equity at 31 December each year and 12 months earlier. ROE is calculated on pre AASB 16 basis to allow comparison to prior period.*