



17 August 2017

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

**Year Ended 30 June 2017
Year End Report Announcement**

Attached is a copy of the Breville Group Limited Year End Report Announcement for the Year Ended 30 June 2017.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sasha Kitto', is positioned above the typed name.

Sasha Kitto
Company Secretary
Breville Group Limited

Telephone: (02) 9384 8100

17 August 2017

Breville Group Limited results – year ended 30 June 2017

Revenue increase of 5.1% to \$605.7m

EBIT increase of 7.2% to \$79.0m

Final dividend increased to 15.0 cps (60% franked)

Group summary result

AUDm ¹	FY17	FY16	% Chng
Revenue	605.7	576.6	5.1%
EBITDA	89.8	83.4	7.6%
EBIT	79.0	73.7	7.2%
NPAT	53.8	50.2	7.3%
Basic EPS (cents)	41.4	38.6	7.3%
ROE ² (%)	21.3%	21.0%	
Div per share - ordinary (cents)	30.5	28.5	7.0%
Franked (%)	60.0%	72.6%	
Net cash (\$m)	41.3	36.1	

- Solid revenue growth - Global Product segment revenue (constant currency) increased 14.3%
- Continuing EBIT growth rate acceleration to 7.2% in FY17 compared to 5.9% in FY16
- Steady Group EBIT margin of 13.0% (FY16: 12.8%)
- Total dividends for the year increased by 7.0% to 30.5 cents per share, 60% franked
- Group acceleration plan remains on track
- Net cash flow from operating activities increased by 19.9% to \$62.7m

Commenting on the Group's result, Breville Group CEO, Jim Clayton said, *"The Group continues to progress through our strategic acceleration program while delivering a solid result for FY17. With many of the fundamental transformation components in place, we are entering the phase of learning how to leverage our new platform."*

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We are FOOD THINKERS.

Segment results

AUDm ¹	REVENUE			EBIT			EBIT MARGIN (%)	
	FY17	FY16	% Chng	FY17	FY16	% Chng	FY17	FY16
Global Product	469.6	427.2	9.9%	72.4	65.1	11.1%	15.4%	15.3%
Distribution	136.2	149.4	(8.8%)	6.6	8.6	(22.5%)	4.9%	5.7%
TOTAL	605.7	576.6	5.1%	79.0	73.7	7.2%	13.0%	12.8%

Global Product segment

Global Product segment revenue

AUDm ¹	GLOBAL PRODUCT SEGMENT REVENUE			
	FY17	FY16	% Chng AUD	% Chng ConstCurr ³
North America	265.1	251.8	5.3%	9.8%
Australia and New Zealand (ANZ)	114.1	93.2	22.4%	22.0%
Rest of World	90.4	82.3	9.9%	18.9%
TOTAL	469.6	427.2	9.9%	14.3%

The Global Product segment continued its strong growth, with revenue for the year increasing by 9.9% to \$469.6m (FY16: \$427.2m). In constant currency, revenue in this segment for the year grew by 14.3%.

North American revenue of \$265.1m was 5.3% higher (FY16: \$251.8m). In constant currency, revenue increased by a solid 9.8%, demonstrating the continued momentum in the region. The key categories of beverage and cooking benefited from 2017 financial year product launches as well as revenue increases from existing products.

The ANZ region reported the highest revenue growth with revenue increasing by 22.0% in constant currency. This increase was driven primarily by successful new product launches in the beverage category.

Rest of World revenues increased by 9.9% to \$90.4m (FY16: \$82.3m). In constant currency, revenues were 18.9% higher, with both the Hong Kong distribution and the UK businesses reporting double digit constant currency growth. Revenue in the UK business grew by 25.0% in constant currency.

The Hong Kong distribution business continues to exhibit a lumpy revenue profile with second half revenues higher than the first half in FY17. The increased full year Hong Kong revenue was driven by new products across various markets along with an improved performance from certain distribution partners. The higher UK business' revenue flowed from both new product releases and the sustained positive momentum of existing products.

Global Product segment EBIT

Global Product segment EBIT for the year increased by 11.1% to \$72.4m (FY16: \$65.1m) reporting a stable EBIT margin of 15.4% compared to 15.3% in FY16.

The EBIT margin was positively impacted by the revenue mix towards higher margin products offsetting the effect of a stronger USD exchange rate and increased marketing and R&D related expenditure.

Distribution Segment

Distribution segment revenue

Revenue for the year of \$136.2m was \$13.2m or 8.8% lower than FY16: \$149.4m.

The second half of FY17 included new revenues from the commencement of the new North American Nespresso machine partnership. This new revenue stream lessened the combined impact of the revenue decline in the discount retailer channel and the expiry of the Philips distribution agreement in ANZ toward the end of the year. First half revenue for the segment was 13.7% lower than prior corresponding period (pcp), compared to being 2.3% lower in the second half FY17 compared to the pcp.

Distribution segment EBIT

Distribution segment EBIT for FY17 reduced by \$2.0m to \$6.6m (FY16: \$8.6m). 2H17 EBIT was \$0.1m lower than the pcp, compared to 1H17 which reported EBIT of \$1.8m lower than 1H16.

The segment EBIT margin of 4.9% is lower than FY16: 5.7%. The segment margin has been negatively impacted by a stronger transactional USD exchange rate partially offset by cost efficiencies and lower marketing expenditure. The segment EBIT margin improved in the second half of FY17 driven by positive brand and product mix.

Working capital

The Group's total investment in working capital resulted in a net increase of \$5.9m compared to 30 June 2016.

Inventory balances of \$116.6m at 30 June 2017 are \$8.8m higher than FY16: \$107.7m. Excluding North America, inventory balances are where we expected them to be - lower than prior year. The one-off North America spike associated with the commencement of the North American Nespresso machine partnership as well as an adjustment to the Group's overall purchasing pattern, whereby purchases are now expected to peak in September as opposed to the traditional December period, resulted a net increase over FY16.

Receivables compared to 30 June 2016 were \$16.9m higher, with the increase driven by stronger sales in the fourth quarter of the 2017 financial year compared to the fourth quarter of the 2016 financial year.

Trade and other payables increased \$19.9m over 30 June 2016 to \$94.8m (FY16: \$74.9m). This increase being driven primarily by higher stock related payables, especially in North America as a result of our changed purchasing pattern.

Net cash at 30 June 2017 was \$41.3m compared to \$36.1m at 30 June 2016. Net cash flow generated from operating activities of \$62.7m was 19.9% higher than the \$52.3m generated in the prior year. In line with the Group's acceleration program, the Group continued its investment in capital projects, including product development projects and marketing and global IT systems, with cash flows used in investing activities increasing from \$13.8m in FY16 to \$19.3m.

Dividends

A final dividend of 15.0 cents per share (60% franked) has been declared (FY16: 14.0 cents, 70% franked) bringing the total dividends to 30.5 cents per share, 60% franked. This final dividend has a record date of 15 September 2017 and is payable on 6 October 2017.

The Directors have resolved to continue to suspend the operation of the Dividend Reinvestment Plan.

The ongoing relative contribution of the businesses outside of Australia will continue to impact the extent to which the Group is able to frank future dividends.

Group strategic acceleration program update

During FY17, the Group has continued to progress through its acceleration program of selling more product into an expanding market on a corporate platform designed for acceleration.

“Larger” market lever

To support our acceleration, the Group is:

- Moving from a model of impressions (how many people saw something) to a model of engagement (how many people meaningfully engaged in our product);
- Improving the in-store customer experience;
- Revamping the sales demonstration program and piloting a retail sales associate training program; and
- Expanding the Sage brand transition to parts of Southern and Eastern Europe, with Sage branded product targeted to be ‘on shelf’ in the second half of FY18.

Other levers

The Group is now operating under a 4 Region structure, being ANZ, North America, Europe and Rest of World.

From an operations perspective, we have implemented a system-wide new product launch process, and we are currently executing the IT integration for the consolidation warehouse. In addition, we have reshaped the FY18 inventory purchase pattern and are realigning our Australian supply chain to improve efficacy and scalability.

Looking at Group systems, the ERP system and v1.0 of both Salesforce.com and the eCommerce solution are now live across all Regions.

We recently executed the acquisition of Aquaport, an Australian business operating in the water and air purification categories, which will be included within the Distribution segment. The rationale for acquiring Aquaport is as follows:

- It will lay down the Group acquisition and integration process foundation and expect full integration within thirty days;
- Accretive acquisition with revenue upside in New Zealand and cost structure synergy;
- The Aquaport EBIT will be applied to the Global Product segment marketing and R&D acceleration; and
- It may drive broader global product opportunities.

Key metrics to measure success

- Inventory: Inventory as a percentage of cost of sales⁴ at 30 June 2017 represents 32.0% of the last twelve months of cost of sales⁴ compared to 26.3% as at 31 December 2016. Excluding North America, this percentage amounts to 26.4%, which is comparable to 31 December 2016. This metric for North America only at 30 June 2017, is 46.3%, driven by the new North American Nespresso machine partnership and the change in the FY18 purchasing profile.
- Cost structure re-allocation towards product and marketing: We spent 9.5% of revenue on marketing and R&D in FY17, up from 8.5% spent in FY16.
- Growth rate acceleration: The EBIT growth rate of 7.2% in FY17 compares to 5.9% in FY16.

Looking forward, as always, it is difficult to provide financial guidance prior to Christmas trading. While the macro environment continues to be dynamic and challenging, we believe our acceleration program is progressing well and will position us for continued success.

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

² *ROE is calculated based on NPAT for the 12 months ended 30 June 2017 (FY16: 12 months ended 30 June 2016) divided by the average of shareholders' equity at the beginning and the end of the financial year.*

³ *ConstCurr - constant currency.*

⁴ *Cost of sales comprises only the cost of inventory.*