

16 February 2021

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## Breville Group Limited

### Consumer Discretionary

#### UNDERPERFORM

**BRG A\$29.86**      **TARGET PRICE A\$22.38**

Breville Group Limited (BRG) is engaged in the design and development of small electrical kitchen appliances and marketing of these products across multiple geographies. BRG has two operating segments namely Global Product and Distribution.

#### Company Data

Number of shares	138.9 M
Market Capitalisation	\$4,239.1 M
Free float (%)	67.7
12-month high/low	\$30.8/\$10.8
Average Daily Turnover (\$m)	6.53
% S&P/ASX200	0.22%
DDM Ranking	380
% All Ordinaries	0.19%
GICS Industry Group	Consumer Durables & Apparel

Source: FactSet, Barclay Pearce Capital

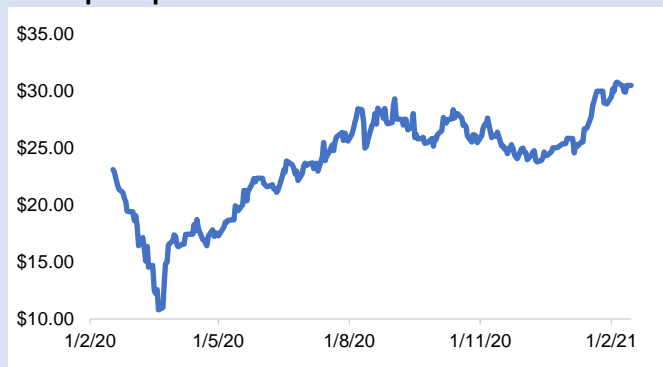
#### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	952.2	1,154.5	1,292.5	1,443.0
EBITDA (\$M)	138.8	166.8	187.4	210.0
Reported NPAT (\$M)	66.2	92.6	103.7	115.6
Adjusted NPAT (\$M)	75.0	90.3	101.2	112.9
Reported EPS (c)	50.5	67.6	75.9	86.0
Adjusted EPS (c - FD)	50.5	66.5	74.9	84.2
Adjusted EPS growth (%)	-2.5	31.6	12.7	12.4
Adjusted P/E (x)	60.4	45.9	40.7	36.2
Dividend (c/sh)	41.0	46.3	51.6	57.6
Gross yield (%)	1.9	2.1	2.3	2.6
Net yield (%)	1.3	1.4	1.6	1.8
ROIC (%)	21.4	20.1	20.7	21.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## Half Year End Report Announcement

On 16<sup>th</sup> February, Breville Group Limited (BRG) released their interim results for the half year ended 31 December 2020 with the following highlights:

AUD (\$m)	1H21	1H20	% Chng
Revenue	711.0	552.0	28.8%
EBITDA	112.4	85.2	32.0%
EBIT	94.6	73.0	29.6%
NPAT	64.2	49.7	29.25
Basic EPS (cents)	46.6c	38.1c	22.3%
ROE %	19.6%	22.8%	
Div per share – ordinary (cents)	13.0c	20.5c	(36.6)%
Franked %	100%		
Net (debt)/Cash(\$m)	90.6	(52.9)	

#### Group Summary Results

- Solid revenue growth in all regions and categories, supported by the WFH (working from home) and premiumisation trends, as well as the operational decision to invest in inventory in May 2020 supported by the capital raise;
- Improved gross margins (+1.1%) driven by lower promotional spend, swing in mix to premium products, and a weaker USD, which more than offset increased freight costs;
- Gross profits tactically invested in medium-term growth drivers of our digital offense, product development, and IT capability, while maintaining strong EBIT growth;
- Continued double-digit EBIT growth +29.6% (pcp 15.6%) with NPAT increase of +29.2%;
- Abnormally strong cash position with working capital temporarily below equilibrium levels;
- ROE3 of 19.6% showing continuing strong return on organic growth investments; and
- Interim dividend of 13.0c cents per shares (100% franked) reflects decision to reduce target payout ratio to allow continued funding of growth opportunities on a cash-neutral basis.

Commenting on the Group's result, BRG CEO, Jim Clayton said, "A good half for the Group, building on the momentum seen over the last few reporting periods and benefiting from the WFH phenomenon. All regions and categories delivered growth, despite experiencing very different and erratic retail backdrops. We continued to accelerate our double-digit EBIT growth, while tactically investing in selected growth drivers and capabilities. Geographic expansion is delivering an increasingly diversified and balanced global portfolio, adding growth and resilience in a dynamic market environment."

## Earnings changes

For H1 FY21 BRG reported underlying net profit of \$64.2M, representing growth of 29.2% from the previous comparable period. This compares to market expectations of \$59.2m. Hence, we expect positive earnings revisions of 5% for FY21 and future periods.

## Valuation

We are initiating on BRG with a price target of \$22.38 and an UNDERPERFORM recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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### Valuation Methodology

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Buy	40.2%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	( 0.0% of stocks with recommendations are Barclay Pearce clients)