UNIVERSITY OF TECHNOLOGY
BACHELOR OF BUSINESS

FINANCIAL STATEMENT ANALYSIS

BREVILLE GROUP LTD PROSPECTIVE ANALYSIS

AND MANAGERS CONSULTANT REPORT

[YOUR NAME]

[YOUR STUDENT NO.]

[DUE DATE]

Breville®

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Executive Summary

This report consist of two parts, prospective analysis and managers consulting. Prospective analysis is conduct with the aim of forecasting future performance of Breville Group Ltd using fours valuation models, to produce an estimate for Breville's value of share in comparison with market valuation, and follow by sensitive analysis. Second part of this report is managers consulting, which place focus on discuss potential opportunities for the Group improve their performance, potential challenge and also remedies for the concerns.

A. Prospective Analysis

1. Sales Growth

Breville sale growth is forecasted to be 5.5% in FY 2016, which is better than FY15 with negative growth of -2.7% due to the poor performance of Australia and New Zealand division,where both revenue and EBITDA fell by 6.3% and 26.2%. According to the Morningstar, this is all due to the promotion activity of competitors. However, for FY16, forecast (figure 1)show that salesmay pick up to 5.5%, this is due to the strong rebound performance in North America's business, which in the second half of FY15 brings an uplift of 25% to the Group revenue (Parsons. F, 2015). In addition, there's sign that the Juicer categories are starting to recover from their poor performance in the US in FY14, also, revenue in UK sector for FY15 has positive growth with double digit, and this trend is forecast to continue into subsequence years (Parsons. F, 2015). Therefore, salesis assumed to maintain at 5.6% from FY17 to FY20.

2. Asset Turnover

ATO would be stable over time since it is a function for the technology of the industry (Palepu et al 2013). As historical data show, from FY13 to FY15, Breville's ATO is stable around 1.5, this is higher than industry ATO which is only 1.39. High asset turnover means the company is performing very well compared to the whole industry. ATO relates to how many sales the Group make compared to how much they invest. As mentioned before, Breville sales forecast show positive growth for the next five financial years. Therefore, their ATO is assume to maintain at 1.5 for the next 5 year from FY16 to FY20.

3. Profit Margin

Breville has adopted differentiate strategy through creative and innovative products, along with cost leading strategy. Hence, profit margin (PM) able to maintain a sustainable growth, as in bad economic condition, customer will able to switch to Breville low-end brand like Kambrook and Ronson. Forecast data was based on historical positive growing trend of Breville PM. As forecast, FY16 will have a strong bounce back from the challenging year 2015, at 9.70%, and continuously increase to FY18 at 10.10% and assumed to maintain at 10.10% for FY19 and FY10 .Breville's profit margin is higher than the whole industry, which is at 8.37% for FY15. (Investing, 2015)

4. ***Dividend Payout Ratio***

Most firms will have very stable dividend payout ratio, in Breville's case, from FY13, dividend payout ratio has maintainedaround 70%. By FY15 the ratio has increase to 75%.However this does not imply a high profit. As mentioned above in the challenging year, the ratio increased only due to the increase in total dividend payout, not necessarily the increase in profit, as dividend payout ratio is the result of total dividend divide by net profit. Hence, by FY16 and onward, the ratio comes back to a stable rate of 74.80%

5. ***Net After Tax Cost of Debt (NBC)***

The RBA interest rate has been maintain at 2% for some period and, it is expected to maintain at 2% over few period ahead. Historically, Breville cost of debt is 3% and it will maintain 3% in FY16. However, the Federal Reserve is expected to start increasing its policy rate (The Reserve Bank of Australia). Therefore, cost of debt will increase, as forecast, it may increase to 4% due to interest rate is assume to raise to more than 2% by FY17. Moreover, there are no significant change in capital structure of the Group. As forecasted, Breville NBC will maintain 4% throughout the forecast period from FY16 to FY20.