

# Breville Group

BRG.AX | Consumer Discretionary | Household Appliances

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## KEY METRICS

Price	Mkt Cap	Fwd P/E	EV/EBITDA
A\$32.95	A\$4.7B	Pending	Pending
<b>52wk Range</b>	<b>Div Yield</b>	<b>Revenue</b>	<b>NPAT</b>
Pending	Pending	Pending	Pending

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## OVERALL SENTIMENT

Overall Sentiment	+20 UPSIDE
External Environment	N/A
Company Research	+18

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## KEY TAKEAWAYS

- This is the bull case — Breville's premium brand keeps growing despite tariff headwinds, and margins recover as pricing actions and supply chain diversification take hold.
- If tariff costs cannot be fully passed through, margins stay compressed and the premium multiple erodes.
- External environment: pending macro signal update.

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## COMPANY OVERVIEW

Breville Group (ASX: BRG) — 1H FY26 revenue A\$1,098.7M (+10.1%) with gross margin compression to 35.4% (from 36.7%) from US tariff impacts. FY26 EBIT guidance maintained at slight increase on FY25 A\$204.6M. Premium brand resilience intact; margin recovery timeline is the key uncertainty at 35.4x P/E.

## NARRATIVE ASSESSMENT

Breville Group (ASX: BRG) — 1H FY26 revenue A\$1,098.7M (+10.1%) with gross margin compression to 35.4% (from 36.7%) from US tariff impacts. FY26 EBIT guidance maintained at slight increase on FY25 A\$204.6M. Premium brand resilience intact; margin recovery timeline is the key uncertainty at 35.4x P/E.

## MARKET CONTEXT

Macro Environment: NEUTRAL (external signal: +0)

Indicator	Value	Change
ASX 200	9,101.3	+3.2% 1mo
AUD/USD	0.7066	-0.8% 5d
RBA Cash Rate	4.10%	cutting gradually
VIX	19.6	

## SECTOR CONTEXT

Model: COMPANY DOMINANT | Sector signal: +0 (company dominant)

## COMPETING HYPOTHESES

Dominant Narrative: T1: North American Premiumisation Drives Revenue Re-Acceleration (survival probability: 40%)

### T1: North American Premiumisation Drives Revenue Re-Acceleration [DOMINANT]

40%

This is the bull case — Breville's premium brand keeps growing despite tariff headwinds, and margins recover as pricing actions and supply chain diversification take hold.

Watch: 1H FY27 gross margin (recovery above 37%?); FY26 EBIT vs A\$204.6M; management commentary on pricing.

- Evidence gathering in progress.

### T2: European Sage Brand Accelerates Revenue Mix Shift

30%

The European optionality thesis — Sage is where Breville was in North America 10 years ago. As European espresso culture and premium appliance spending grows, Sage captures disproportionate share.

Watch: Management commentary on Sage revenue growth; any European segment disclosure.

- Evidence gathering in progress.

### T3: Consumer Discretionary Slowdown Pressures Premium Demand

35%

The macro bear case — if tariff-driven inflation erodes consumer purchasing power and confidence falls, premium kitchen appliances are discretionary and deferrable.

Watch: US consumer confidence; retail channel inventory; De'Longhi revenue growth as a proxy.

- Evidence gathering in progress.

### T4: US Tariff + Competitive Intensity Erodes Margin Structurally

20%

The structural bear case — if tariff costs cannot be recovered through pricing and supply chain diversification fails to offset the cost impact, Breville's margin profile deteriorates permanently.

Watch: US tariff policy developments; 1H FY27 gross margin; Vietnam supply chain progress.

- Evidence gathering in progress.

## DIAGNOSTIC EVIDENCE

The following evidence items have the highest discriminating power between hypotheses:

Evidence matrix pending - no active evidence items recorded.

C = Consistent, I = Inconsistent, N = Neutral. Diagnosticity = ability to discriminate between hypotheses. HIGH/CRITICAL items are most informative.

## KEY DISCRIMINATORS

Key discriminator analysis pending - will be populated as evidence items are assessed.

## TRIPWIRES

Condition	Trigger	Action
1H FY27 gross margin (recovery above 37%?); FY26 EBIT vs A\$204.6M; management...	Per hypothesis thresholds	Reassess T1 narrative
Management commentary on Sage revenue growth; any European segment disclosure.	Per hypothesis thresholds	Reassess T2 narrative
US consumer confidence; retail channel inventory; De'Longhi revenue growth as a proxy.	Per hypothesis thresholds	Reassess T3 narrative

## TECHNICAL PICTURE

Technical analysis pending - signals will be incorporated when the TA agent is deployed.

## ANALYTICAL GAPS

The following information would materially improve the confidence of this analysis:

- Management guidance on forward P/E and revenue trajectory - required to validate Growth/Recovery hypothesis.
- Independent market share data - needed to assess competitive dynamics and test downside scenarios.
- Balance sheet composition and net debt position - required to stress-test valuation under rate scenarios.
- Analyst consensus estimates and revision trends - to calibrate sentiment score against market positioning.
- Customer cohort data or NPS trends - to validate operational execution claims in company guidance.

## UPCOMING CATALYSTS

Catalyst calendar pending. Key items to monitor:

- Next results date: Pending (monitor ASX announcements)
- Monitor hypothesis tripwires for narrative-change signals.

## IMPORTANT INFORMATION

This document is prepared by DH Capital Partners Pty Ltd for informational purposes only. It does not constitute financial advice, a recommendation, or an offer to buy or sell any securities.

## METHODOLOGY

This analysis uses the Analysis of Competing Hypotheses (ACH) framework, originally developed by Richards Heuer at the CIA for intelligence analysis and adapted here for equity research. ACH evaluates multiple competing explanations against diagnostic evidence, ranking hypotheses by the fewest inconsistencies rather than the most confirmations. This approach is designed to reduce confirmation bias and anchoring effects common in traditional equity research.

Sentiment scores are generated by a three-layer decomposition model separating macro environment, sector/commodity factors, and company-specific research. The 40/60 rule ensures company-specific research always contributes at least 60% of the overall sentiment, maintaining focus on idiosyncratic stock drivers.

## LIMITATIONS

- Hypothesis scores are model outputs, not price targets or investment recommendations.
- Evidence assessment involves subjective judgement and may contain errors.
- Past price performance is not indicative of future returns.
- This analysis does not account for individual investor circumstances, risk tolerance, or tax position.
- Data sources include ASX announcements, broker research, company filings, and market data. Errors in source data will propagate.

## CONFLICTS

DH Capital Partners and/or its principals may hold positions in securities discussed in this document. Positions may change without notice.

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