

# Breville Group

BRG.AX | Consumer Discretionary | Household Appliances

## KEY METRICS

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

Coverage of BRG.AX is currently in Phase 1 (Baseline Ingest). As a provider in the Household Appliances sector, we are prioritising narrative weight assessment and signal divergence tracking while detailed financial history is being audited.

## OVERALL SENTIMENT

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

## KEY TAKEAWAYS

- The T1 narrative ('North American Premiumisation Drives Revenue Re-Acceleration') currently dominates the valuation math with 40.0% probability. Evidence suggests: 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.
- Risk profiling for BRG.AX prioritises If tariff costs cannot be fully passed through, margins stay compressed and the premium multiple erodes.. We are monitoring 1H FY27 gross margin (recovery above 37%?); FY26 EBIT vs A\$204.6M; management commentary on pricing. as the primary diagnostic milestone for narrative survival (ACH-2).
- Macro context update pending. Monitoring RBA cash rate and sector-specific volume signals.

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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	

The regime is currently in a neutral transition phase. Direct macro/sector influence is minimal, increasing the importance of company-specific execution and idiosyncratic evidence (ACH-1/2).

## 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 40% [DOMINANT]

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.

Diagnostic milestones (synthesized):

- Monitor: 1H FY27 gross margin (recovery above 37%?); FY26 EBIT vs A\$204.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

### 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.

Diagnostic milestones (synthesized):

- Monitor: Management commentary on Sage revenue growth; any European segment disclosure.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

### 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.

Diagnostic milestones (synthesized):

- Monitor: US consumer confidence; retail channel inventory; De'Longhi revenue growth as a proxy.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

### 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.

Diagnostic milestones (synthesized):

- Monitor: US tariff policy developments; 1H FY27 gross margin; Vietnam supply chain progress.
- Assess divergence between price signal and narrative weight.
- Audit evidence for incoming contradictory signals (ACH-3).

## DIAGNOSTIC EVIDENCE

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

### DIAGNOSTIC FRAMEWORK: What evidence would shift the narrative?

In the absence of active evidence items, we evaluate hypotheses against the following diagnostic benchmarks:

Hypothesis	Validating Signal	Invalidating Signal
T1	Support for 1H FY27 gross margin (recovery above 37%?); FY26...	Contradiction of North American Premiumisation Drives Revenue...
T2	Support for Management commentary on Sage revenue growth; any European...	Contradiction of European Sage Brand Accelerates Revenue...
T3	Support for US consumer confidence; retail channel inventory; De'Longhi revenue...	Contradiction of Consumer Discretionary Slowdown Pressures Premium...
T4	Support for US tariff policy developments; 1H FY27 gross margin;...	Contradiction of US Tariff + Competitive Intensity...

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:

### RESEARCH AGENDA: 90-Day Analytical Objectives

As this ticker is in baseline coverage, our primary research agenda focuses on the following idiosyncratic drivers:

- Management guidance on Consumer Discretionary demand trajectory - required to validate narrative survival for dominant hypothesis (ACH-1).
- Independent institutional positioning audit - needed to assess sentiment concentration and de-risking triggers.
- Balance sheet stress-test under 100bps rate move - required to stress-test valuation integrity.
- Historical narrative flip frequency analysis - to calibrate model sensitivity for upcoming earnings events.

## 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

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## 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.

## NARRATIVE INTELLIGENCE PHILOSOPHY

Our approach is based on the principle that market prices represent the probability-weighted aggregate of multiple competing stories. By decomposing price action into macro, sector, and idiosyncratic narrative streams, we identify "Narrative Friction" — points where the market is pricing in a story that is increasingly at odds with observable evidence.

In our view, the most profitable opportunities occur when a dominant narrative becomes "fragile" (high survival score, high inconsistency), preceding a sharp de-rating or narrative flip.

## 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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