



TREASURY
WINE ESTATES



Australian wine industry growth and TWE's role within it
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Bank of America Merrill Lynch

Wine Symposium





Adelaide

3 May 2018



Australian wine industry growth and TWE's role within it

Today's agenda

- 1  Treasury Wine Estates – *A snapshot of our Company and our priorities*
- 2  Australian wine industry growth – *A turning of the tide*
- 3  Australian wine industry & TWE – *Alignment of and investment in competitive advantages*
- 4  Closing remarks

TWE; a snapshot of our Company and our priorities

A vertically integrated wine business, operating globally



TWE; a vertically integrated wine company



Grape growing and sourcing

Wine production and packaging



Marketing, sales and distribution



Global business with regional segments

70+ brands

4 key sales regions

100+ countries

3,400 employees



TWE's viticultural footprint

120+ vineyards

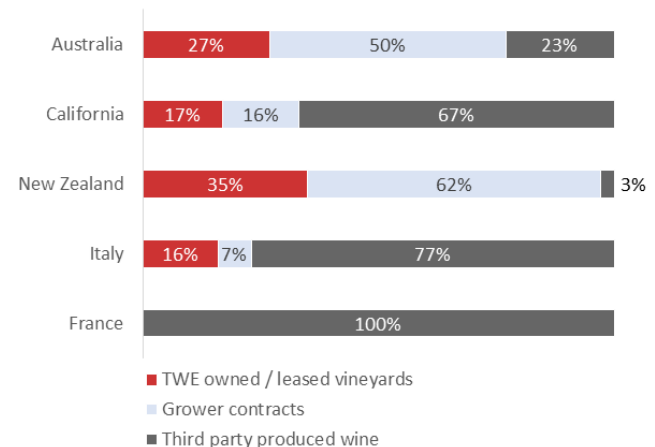
13,000+ planted hectares

16 wineries

5 countries of origin

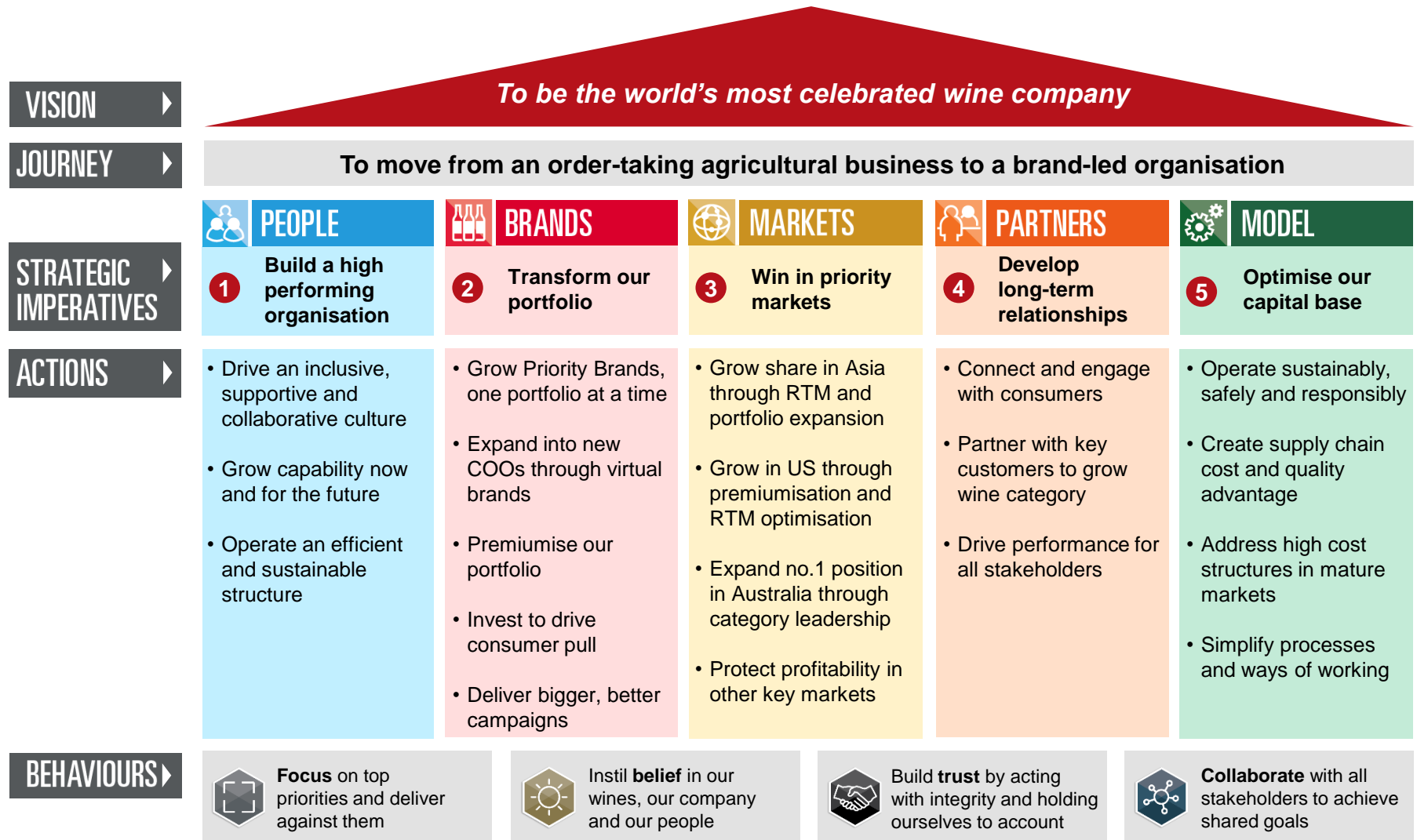


Diversified and flexible sourcing model ¹



TWE; a snapshot of our Company and our priorities

Our global vision and strategy



TWE; a snapshot of our Company and our priorities

TWE's key strategic and financial priorities

- 1  Positioning TWE as global wine category manager across brands, regions and COOs¹
- 2  Investing in supply and sales-led portfolio premiumisation
- 3  Building strategic wholesale and retail customer partnerships, globally
- 4  Driving portfolio availability supported by outstanding brand and in-store activation
- 5  Embedding efficient routes-to-market across regions and channels
- 6  Optimising TWE's capital base; embedding efficiency and removing excess cost
- 7  Selectively pursuing inorganic growth opportunities in priority markets
- 8  Investing in our people; growing capability now and for the future
- 9  Embedding Destination Zero Harm into every decision and action taken

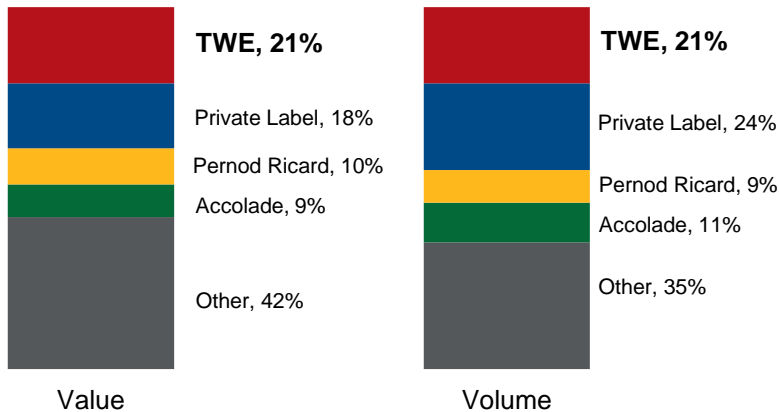
TWE is on a journey to deliver 25% EBITs margin over time

TWE; a snapshot of our Company and our priorities

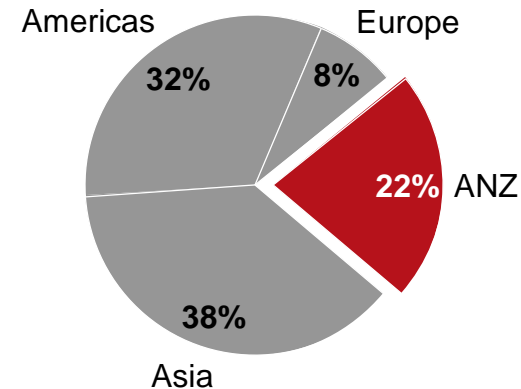
TWE's Australian region is an important driver of Group performance



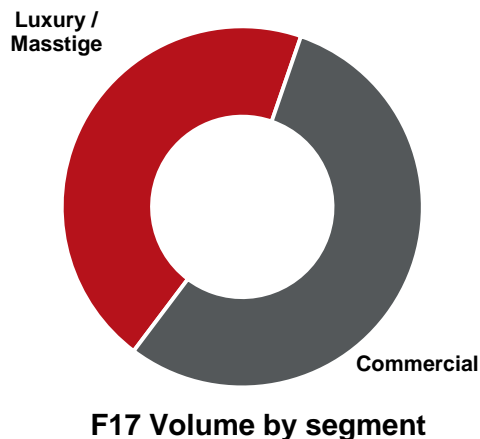
TWE is the #1 producer by value and #2 by volume¹



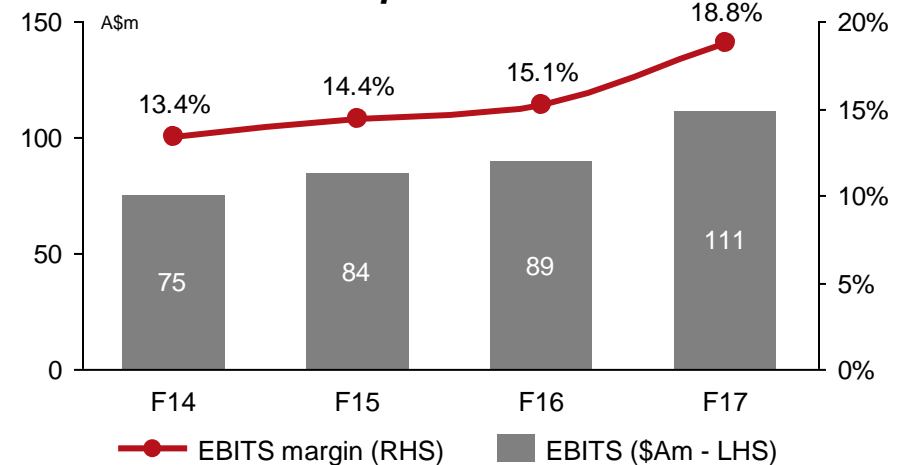
**Australia & New Zealand segment
22% of Group 1H18 EBITs²**



TWE Australia's portfolio mix²







Progressive EBITs & EBITs margin improvement



1. Aztec Sales Data | Off-premise channel only | Bottled wine only excluding fortified wine | Weighted MAT to March 2018 and Management estimates
2. Company data

Australian wine industry growth and TWE's role within it

Today's agenda

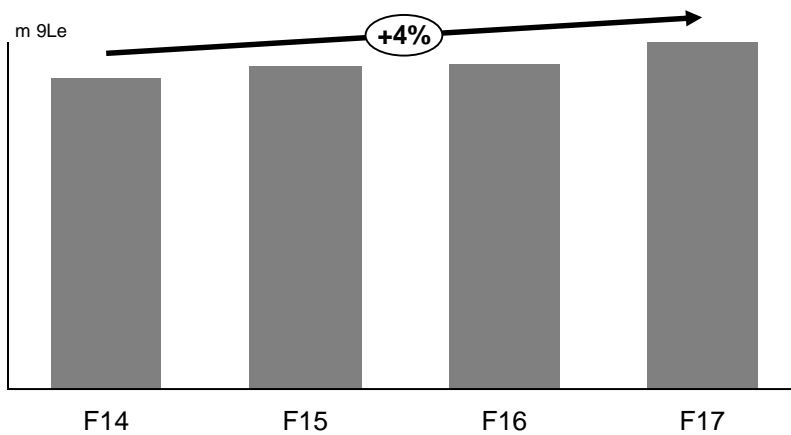
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Australian wine industry growth

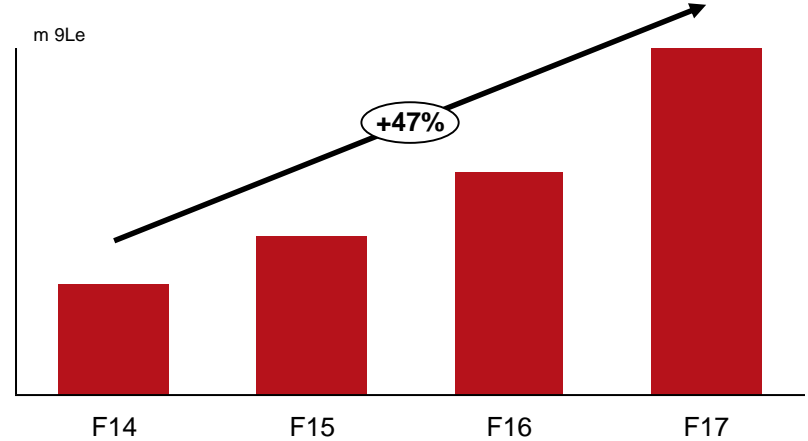
A turning of the tide



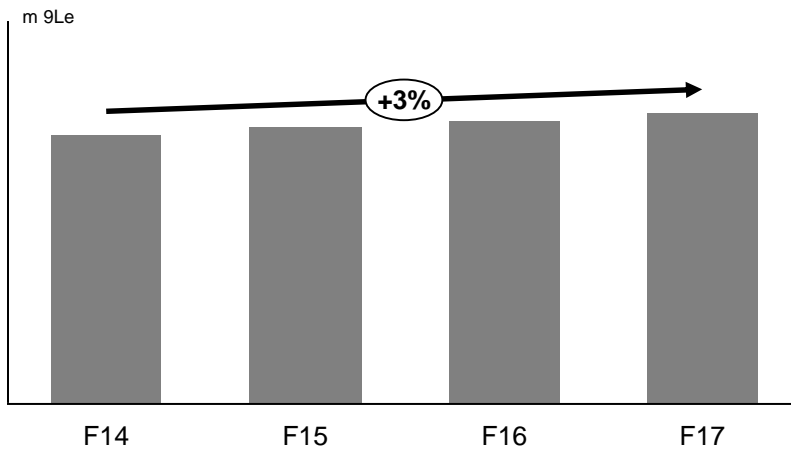
Total Australian wine export growth¹



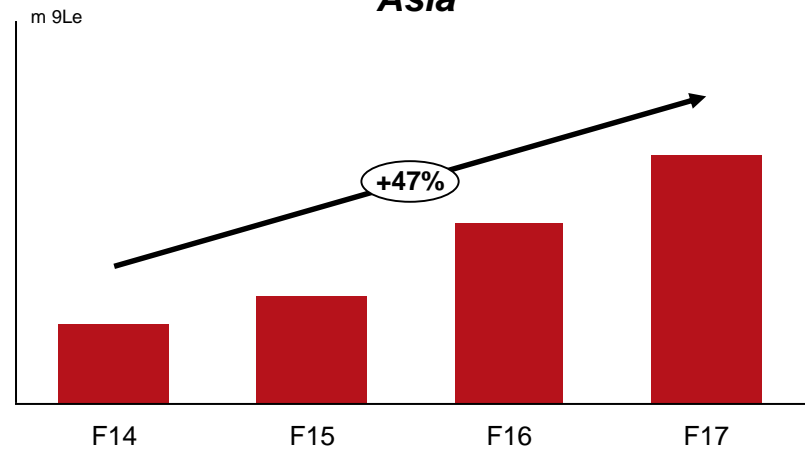
Australian wine exports to China¹



TWE's total Australian wine exports²







TWE's Australian wine exports to North Asia²



1. Wine Australia
2. Company data

Australian wine industry growth and TWE's role within it

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Australian wine industry and TWE – competitive advantages

1. Access to some of the world's oldest and best vines



Australia's clonal material has a strong pedigree



Australia boasts some of the oldest geology and most complex soils in the world

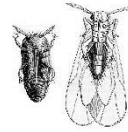


Today's Australian wine industry dates back to the explorers of the past

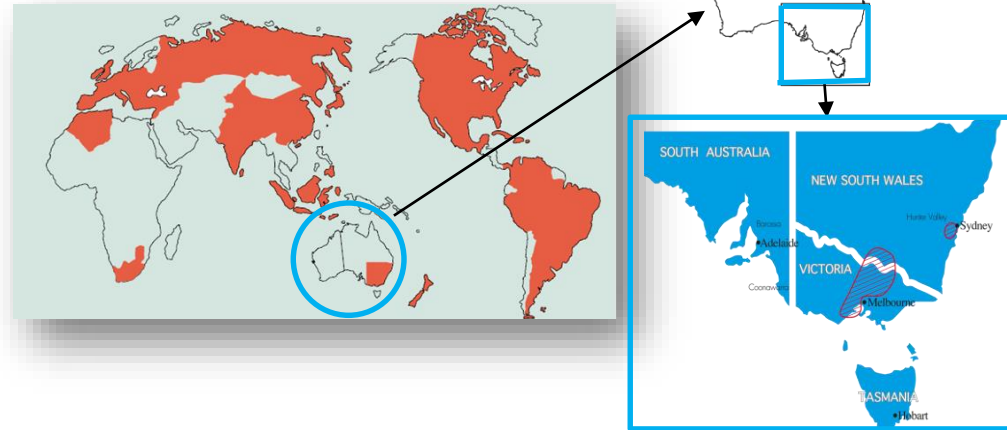
European planting material introduced to Australia in 1820s



Australia's climate, soils and regions are completely unique on a global scale



Australia has remained relatively phylloxera free



TWE is custodian of some of Australia's oldest and most prized viticultural assets

Magill Estate was officially established in 1844



1859; 10 acres of Shiraz planted in Barossa Valley, owned by William Salter



Saltram

Planted in 1885, Penfolds Block 42 one of Australia's heritage vineyards



Australian wine industry and TWE – competitive advantages

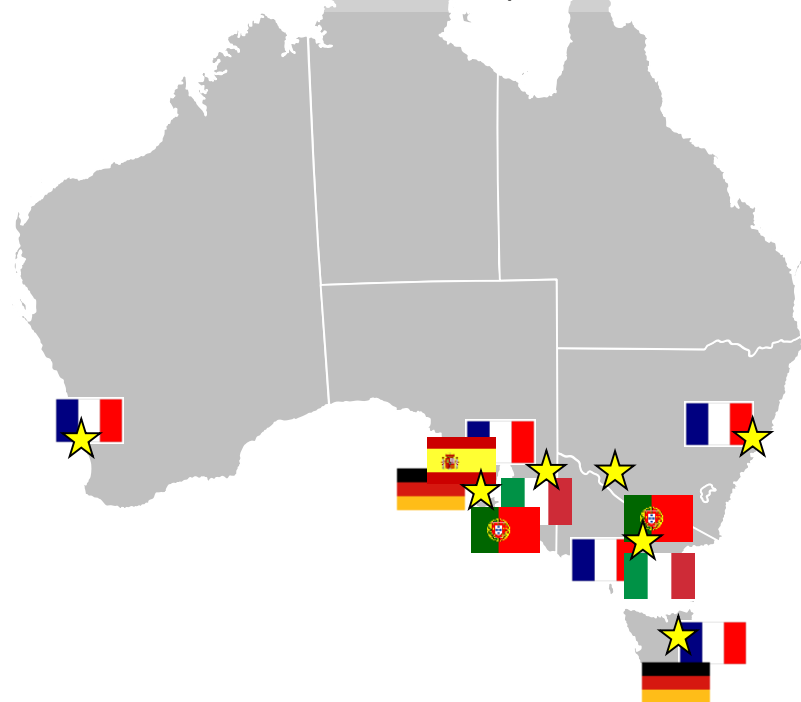
2. Diversity of growing regions akin to Europe in one country

Regional and varietal diversity of major European wine industry IN AUSTRALIA



Major European wine producing nations

65 wine regions in Australia; each boast distinct characteristics that are expressed in wines



Australia's diverse winemaking production

★ TWE's viticultural assets

Australian wine industry and TWE – competitive advantages

2. Diversity of growing regions akin to Europe in one country

Diversity of regions de-risks portfolio through multi-region sourcing

Sourcing model for Penfolds Luxury SKU in 2016

Blend Vintage	Barossa Valley	Limestone Coast	Clare Valley	Coonawarra	Langhorne Creek	McLaren Vale	Other
2006	34%	13%	4%	12%	20%	9%	8%
2007	5%	9%		28%	19%	24%	15%
2008	28%	20%	0%	20%	14%	10%	7%
2009	23%	41%	0%	13%	1%	14%	6%
2010	33%	24%	1%	30%		6%	6%
2011	23%	2%	0%	3%	0%	63%	9%
2012	20%	30%	0%	5%	10%	20%	15%
2013	28%	29%	0%	6%	0%	27%	10%
2014	42%	23%	3%	8%	0%	14%	10%
2015	17%	41%	0%	15%	1%	18%	8%
2016	32%	21%	1%	20%	0%	20%	8%

Multi-appellation sourcing for
Maison de Grand Esprit



De-risking portfolio through
MULTI-COUNTRY
SOURCING



De-risking portfolio through
BROADENING OF
APPELLATIONS



Australian wine industry and TWE – competitive advantages

3. Leaders in viticultural science and technology

Australia winemakers at the forefront of viticultural science and technology

The Europeans are unlikely to admit it, but visiting Australian winemakers played a strong hand in improving the viticulture and winemaking across their region in the 1980s as the so-called “flying winemakers” arrived in Europe en masse.

- **“The winemakers global roaming”**
Dave Brookes

Flying Winemakers¹;

known for:



Attention to detail



Strict winery hygiene



Experts across array of fermentation techniques



Meticulous analysis of grape sugar, acidity and pH

Australian Wine Industry investment and collaboration



The Australian Wine
Research Institute

**Wine
Australia**

TWE's investment in viticultural assets and technology optimises production intake and margin

1



Viticultural excellence is improving yield and quality

Grade	2009	2016
Icon & A	1%	12%
B	17%	56%
C	24%	32%
D	58%	Outsourced

**** Higher quality harvests underpin premiumisation but also higher COGS per case**

2



Investment in precision viticulture to maximise yield and quality

3



TWE is investing in organic and inorganic options to increase production

4



Investment in fruit grade conversion to extract maximum value from every grape

5



TWE is investing in Sustainable Supply and Sourcing

1. Flying winemakers was a term first used by, and thereafter registered by, Tony Laithwaite of the Sunday Times Wine Club in 1980s. Laithwaite employed Australian winemakers during the 1987 vintage to work at French co-operative wineries and produce wines for the club

TWE's Australian supply region – priorities





Investing to strengthen TWE's leading position in Australian wine



TWE's global supply mission statement:

Embed optimised supply chain for the Commercial, Masstige and Luxury categories with industry leading standards in quality, service and safety

TWE's Australian supply strategic imperatives

-  1 Embed Destination Zero Harm
-  2 Increase access to Luxury and Masstige fruit to meet demand
-  3 Continuously optimise production infrastructure to drive efficiencies
-  4 Deliver EBITs margin and ROCE accretion to support Group target

Australia Supply region

Investing for growth in Luxury and Masstige

1 Increase access to Masstige and Luxury fruit to meet demand

ANZ region; Viticultural excellence driving improved yields

Vineyard redevelopments to shift varietal mix and uplift yield and grade



Increased supply through expanded and additional long term grower contracts

2 Continuously optimise production infrastructure to drive efficiencies

ANZ region; Production efficiencies through innovation

Centre of production excellence – Bilyara and Karadoc wineries

Ongoing winery and packaging consolidation through **Supply Chain Optimisation**



3 Selectively invest in infrastructure to support growth

ANZ region; Investment to support long term domestic and export growth

Penfield Distribution Centre expansion

Targeted vineyard acquisitions to support growth in key Luxury varietals



Wetherall Vineyard, Coonawarra

Americas region; Diageo Wine acquisition and integration

Access to **premium Napa Valley** fruit



Continued investment in shifting varietal mix

Europe region; Introduction of new Countries of Origin

Alignment to TWE Group imperatives

Americas region; Consolidation of operational facilities in California

Sonoma Packaging Center

Creating production **Centres of Excellence**

Luxury hub at Beringer



Masstige hub at Paso Robles



Europe region; In-market bottling

Americas region; Investment in Diageo Wine integration to drive cost synergies

Asia region; Establishment of third party warehouse model in Shanghai



Australian wine industry and TWE – competitive advantages

4. Freedom to invest in, market and sell wine brands

Old world wine marketing tends to be more
REGION-LED

New world wine marketing tends to be more
CONSUMER and BRAND-LED



TWE's Australian Demand region – priorities

Strengthening market share with outstanding execution and an efficient model






TWE's Australia & New Zealand region mission statement:

Deliver 25% volume and value share in Australia underpinned by strong strategic partnerships, outstanding brand building activity and an efficient operating model

DRIVE
TO 25

TWE's Australian Demand strategic imperatives

-  1 Build strategic and sustainable customer partnerships
-  2 Drive category growth with outstanding portfolio and brand building activity
-  3 Optimise a competitive and efficient route-to-market

Sales, Distribution and Marketing initiatives

Targeting 25% volume and value share

1 Build strategic & sustainable customer partnerships



2 Drive category growth with outstanding portfolio & brand building



3 Optimise a competitive and efficient RTM and operating model

ANZ region; Australia the priority market

Direct partnership model in Australia

Distributor partnership in New Zealand executed in F17 facilitating greater focus in Australia



Alignment to TWE Group imperatives

SHARE BEST PRACTICE by leveraging TWE's global footprint

- Build closer partnerships
- Strengthen and drive more JBPs
- Set clear share targets
- Link sales champions & global salesforces



Priority market operating model

DIRECT partnerships with strategic customers

Smaller retail and on-premise channels serviced via distributors



Lower priority market operating model

PARTNERING with growth-oriented distributors in lower priority markets



Sales, Distribution and Marketing initiatives

Augmented reality delivered by LIVING WINE LABELS

*Award winning technology with
GLOBAL reach*



1.3m+ downloads

3.9m+ App sessions

15.0m+ screen views

Available in over
90 countries

DOWNLOAD THE LIVING WINE LABELS APP



*Connecting with consumers and driving
BRAND ENGAGEMENT*



Increased **AWARENESS** and **INTEREST** in related brands

Greater consumer **ENGAGEMENT** via **SOCIAL** media

SCALABLE TECHNOLOGY will see more brands introduced



Australian wine industry growth and TWE's role within it

Closing remarks



Australian wine is in high demand.....globally



Australia is rich in heritage and regional diversity



Australia leads in viticultural advancement and technology



Brand-led investment drives a vibrant, Australian wine category



**TREASURY
WINE ESTATES**



TWE plays an important role in the Australian wine industry story



TWE has the people, brands and viticultural assets to deliver value



Industry ❖ Customer partners ❖ Consumers ❖ Shareholders



TREASURY WINE ESTATES



Disclaimer

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