

2019

**TREASURY
WINE ESTATES**
Annual 2019 Results
15 August 2019



**TREASURY
WINE ESTATES**

Michael Clarke

Chief Executive Officer



Executive Leadership Team on the call today

Michael Clarke	Chief Executive Officer
Matt Young	Chief Financial Officer
Tim Ford	Chief Operating Officer
Angus McPherson	Managing Director ANZ, Europe and SEAMEA

Results headlines^{1,2,3}

- NSR \$2,831.6m, up 17%; increase of 12% on a constant currency basis represents the strongest organic growth rate in company history⁴
- F19 EBITS \$662.7m in line with guidance, up 25%
- Group EBITS margin of 23.4%, up 1.6 ppts
- NPAT \$419.5m, up 16%
- EPS of 58.4 cents per share, up 18%
- ROCE accretion delivered to 14.9%, up 2.3 ppts
- Cash conversion 75.8%, with Operating Cashflow⁵ increasing by 36%
- Final dividend 20 cents per share, fully franked; F19 full year dividend of 38 cents per share, up 19%, and representing a 62.9% payout ratio⁶
- Increased allocation of Luxury and Masstige wine and outstanding execution drove another year of stellar growth in Asia
- US route-to-market changes have been successfully embedded, with TWE now focused on driving improved performance
- Investment in French production and vineyard assets, and the expansion of Luxury winemaking infrastructure in South Australia announced; to support continuation of the premiumisation strategy

1. Financial information in this report is based on unaudited financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by Management

2. to assess the operational performance of the business and make decisions on the allocation of resources

3. All figures and calculations are subject to rounding

4. Result Headlines metrics disclosed on a reported currency basis, unless marked otherwise

5. Excludes the impact from the Diageo Wine acquisition in F16

6. Net operating cash flow before financing costs, tax and material items

TWE targets a dividend payout ratio of 55%-70% of Net Profit after Tax (pre-material items and SGARA) over a fiscal year

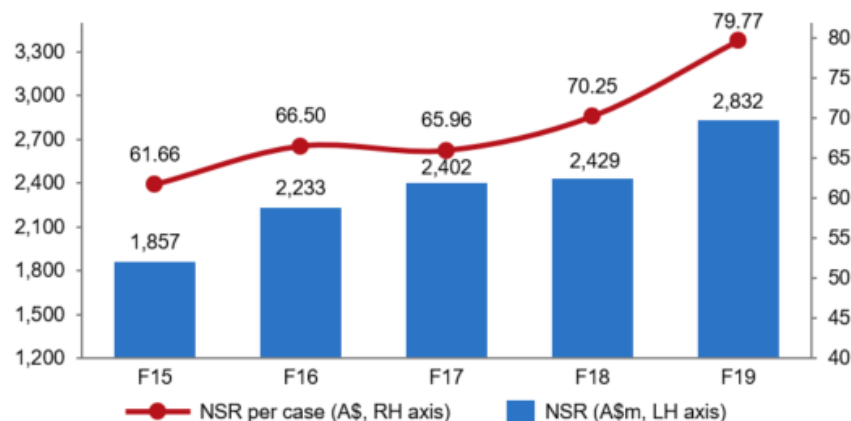
Matt Young

Chief Financial Officer

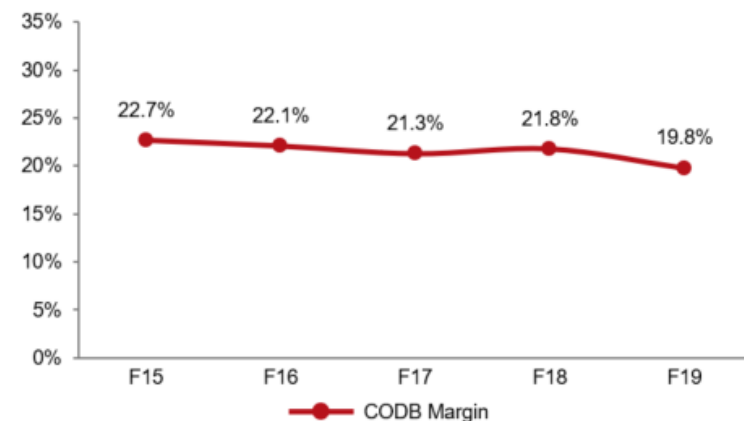


F19 result; key measures of performance^{1,2}

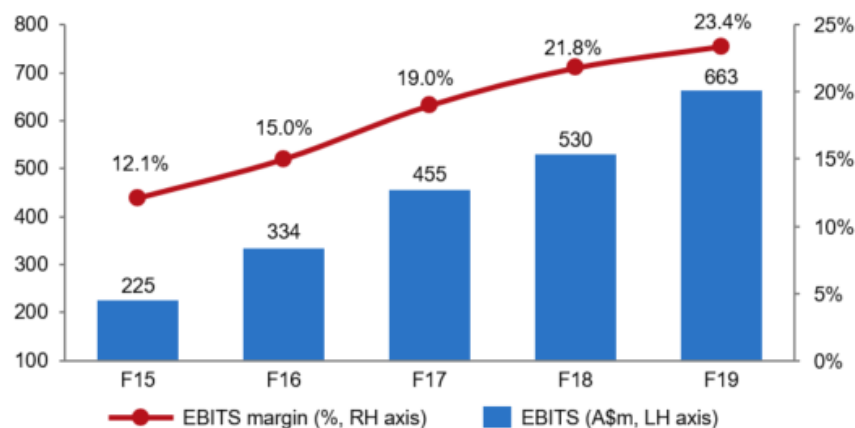
Premiumisation strategy driving topline growth across all regions



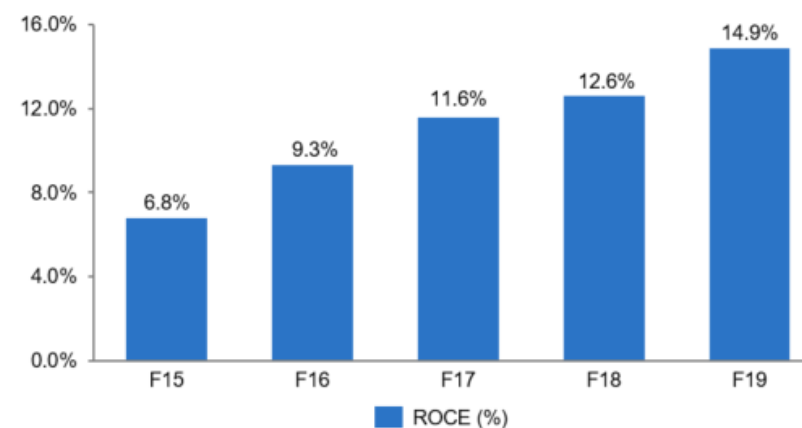
CODB margin improved



EBITS margin accretion delivered



Return on Capital Employed (ROCE)



1. Numbers subject to rounding

2. F16 EBIT and ROCE have been restated in accordance with revised accounting standards relating to vine depreciation

Balance Sheet^{1,2}

A\$m	F19	F18
Cash & cash equivalents	401.8	89.4
Receivables	662.0	593.3
Current inventories	1,024.0	1,012.3
Non-current inventories	1,068.9	952.1
Property, plant & equipment	1,398.7	1,416.5
Agricultural assets	29.4	41.3
Intangibles	1,163.8	1,128.9
Tax assets	152.3	154.5
Assets held for sale	78.3	45.2
Other assets	21.0	12.2
Total assets	6,000.2	5,445.7
Payables	780.7	759.3
Borrowings	1,165.1	879.6
Tax liabilities	289.5	245.3
Provisions	50.2	49.4
Other liabilities	8.6	15.8
Total liabilities	2,294.1	1,949.4
Net assets	3,706.1	3,496.3

Balance Sheet remains efficient and flexible

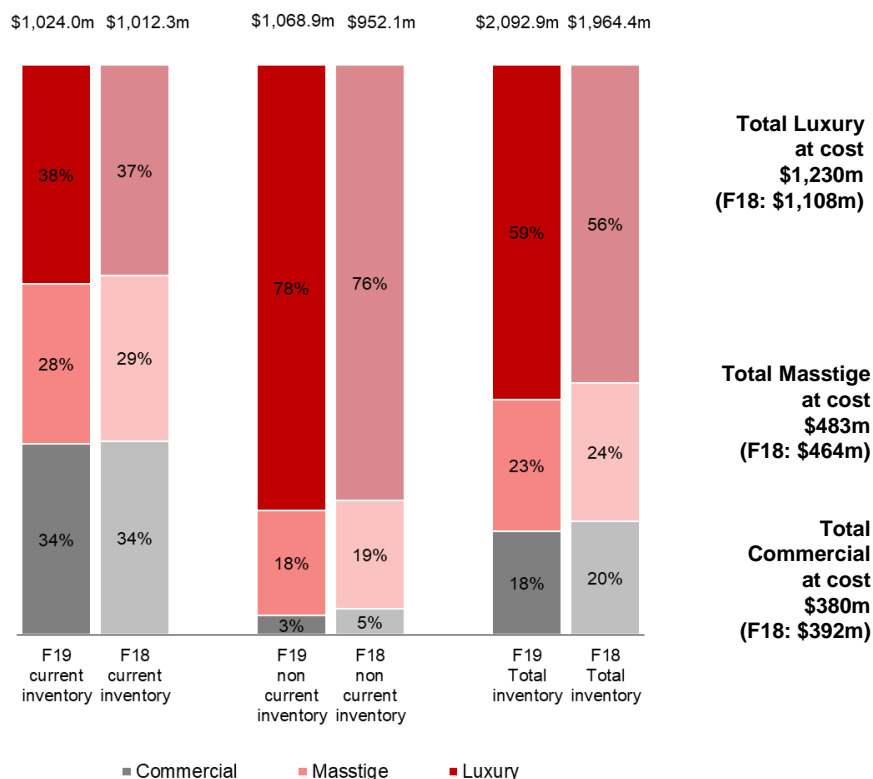
- Net assets increased \$209.8m on a reported currency basis; adjusting for the movement in foreign currency, net assets increased by \$136.4m
- Factors driving the movement in net assets included:
 - Increase in net working capital, driven by;
 - Higher non-current inventory reflecting intake from the 2018 vintage in California and 2019 vintage in Australia; and
 - Higher receivables of 11.6%, driven by strong top-line growth with NSR up 16.6%
 - Reduction in net borrowings
- ROCE 14.9%, an increase of 2.3 ppts in F19

1. Unless otherwise stated, all balance sheet percentage or dollar movements from the previous period are on a reported currency basis

2. Borrowings have been reduced by \$12.1m (F18: \$12.7m increase) to reflect fair value hedges on a portion of US Private Placement notes

Inventory analysis

Inventory at book value split by segment^{1,2}



Recent investments delivering uplift in Luxury inventory

- Total inventory increased \$128.5m to \$2,092.9m reflecting:
 - \$116.8m increase in non-current inventory
 - \$11.7m increase in current inventory
- Factors impacting the movement in non-current inventory include:
 - Intake of high quality, high volume 2018 vintage from California, and high quality, high volume 2019 Luxury vintage from Australia
 - Foreign currency translation of inventory balances in the Americas
- Total Luxury inventory increased 11% to \$1,230m:
 - 2019 Australian Luxury vintage intake was 10% higher on the prior year, supported by TWE's multi-regional sourcing strategy
 - TWE releases Luxury inventory on a three to five year age of release; 2017 Australian vintage to commence release in F20

1. Inventory composition subject to rounding. Totals based on sum of non-current and current Inventory

2. TWE participates in three segments: Luxury (A\$20+), Masstige (A\$10-A\$20) and Commercial (A\$5-A\$10). Segment price points are retail shelf prices

Cash flow and net debt^{1,2}

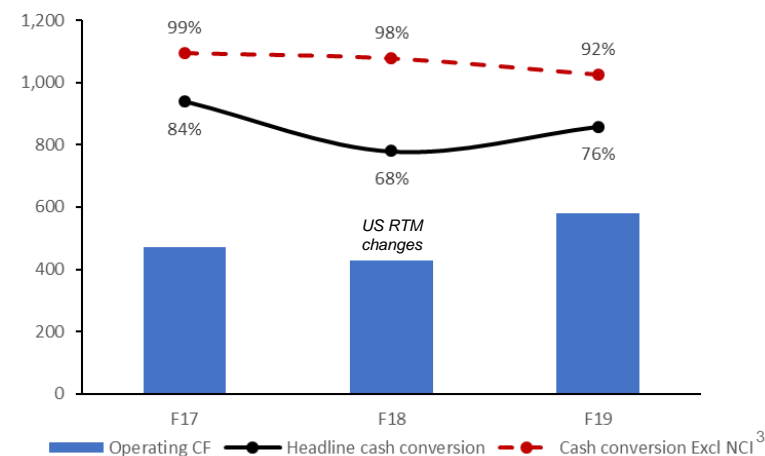
Robust cash flow; reflects investment to drive growth

A\$m (unless otherwise stated)	F19	F18
EBITDAS	765.7	627.7
Change in working capital	(170.2)	(177.1)
Other items	(14.8)	(23.8)
Net operating cash flows before financing costs, tax & material items	580.7	426.8
Cash conversion	75.8%	68.0%
Capital expenditure	(159.8)	(215.4)
Net investment proceeds	101.6	50.1
Net interest paid	(51.1)	(29.3)
Tax paid	(112.5)	(93.7)
Dividends/distributions paid	(244.7)	(203.7)
Material item cash flows	(1.5)	(8.1)
On-market share buyback	-	(300.0)
On-market share purchases	(16.6)	(42.9)
Total cash flows from activities	96.1	(416.2)

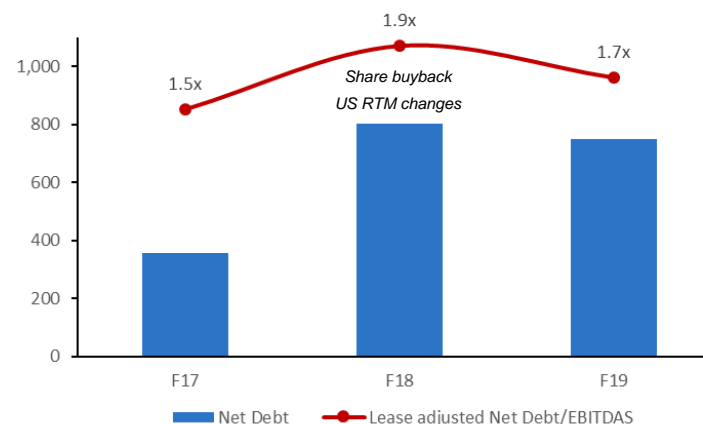
Opening net debt	(802.3)	(354.8)
Total cash flows from activities (above)	96.1	(416.2)
Debt revaluation and foreign exchange movements	(44.3)	(31.3)
Decrease / (Increase) in net debt	51.8	(447.5)
Closing net debt	(750.5)	(802.3)

- Cash conversion 75.8%, ahead of the 60-70% guidance range, a result of cycling through route-to-market changes and an improved sales order profile in the US, and efficient inventory management for the 2019 Australian vintage
- Excluding the \$128.3m investment in Luxury & Masstige non-current inventory, cash conversion was 92.4%
- TWE expects F20 fully year underlying cash conversion to be broadly in line with F19

Cash conversion reflects investment in premiumisation



Investment grade credit profile maintained



1. All cash flow percentage or dollar movements from the previous corresponding period are on a reported currency basis
2. Net debt has been reduced by \$12.1m (F18: \$12.7m increase) to reflect fair value hedges on a portion of US Private Placement notes
3. Cash Conversion excluding non-current inventory investment excludes the annual change in Luxury and Masstige non-current inventory

Capital Expenditure

A\$m	F19	F18
IT spend	16.6	17.4
Oak purchases	29.0	33.6
Vineyard redevelopments	33.0	28.5
Upgrades to wine making equipment and facilities	32.3	23.3
Other capital expenditure	21.2	25.6
Total maintenance and replacement capex	132.1	128.4
Diageo Wine integration	-	36.9
Growth Initiatives	27.7	50.1
Total growth capex	27.7	87.0
Gross capital expenditure	159.8	215.4
<i>Oak barrels under sale and leaseback arrangements</i>	(48.2)	(29.6)
Net capital expenditure	111.6	185.8

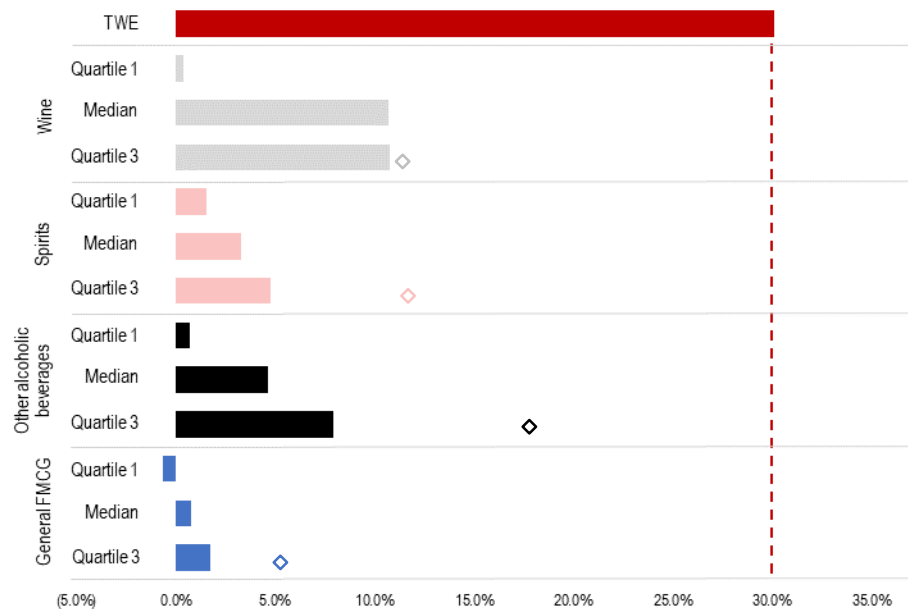
Investing to support growth and efficiency

- Capital expenditure (capex) down \$55.6m to \$159.8m:
 - Maintenance & Replacement capex \$132.1m
 - Growth capex including vineyard acquisitions and IT investments of \$27.7m
 - Offsetting oak purchases were barrels disposed under sale and leaseback arrangements of \$48.2m
- F20 guidance for **Maintenance and Replacement** capex of \$100m - \$110m:
 - Excludes oak barrels which will transition to a direct leasing model and no longer captured in capex
- F20 guidance for **Growth** capex of up to \$135m including:
 - Purchase of French production infrastructure and vineyards in Bordeaux (settled in July 2019)
 - Expansion of Luxury winemaking infrastructure in South Australia (total investment expected to be between \$150m to \$180m across F20 and F21, plus additional one-off charges of approximately \$35m)

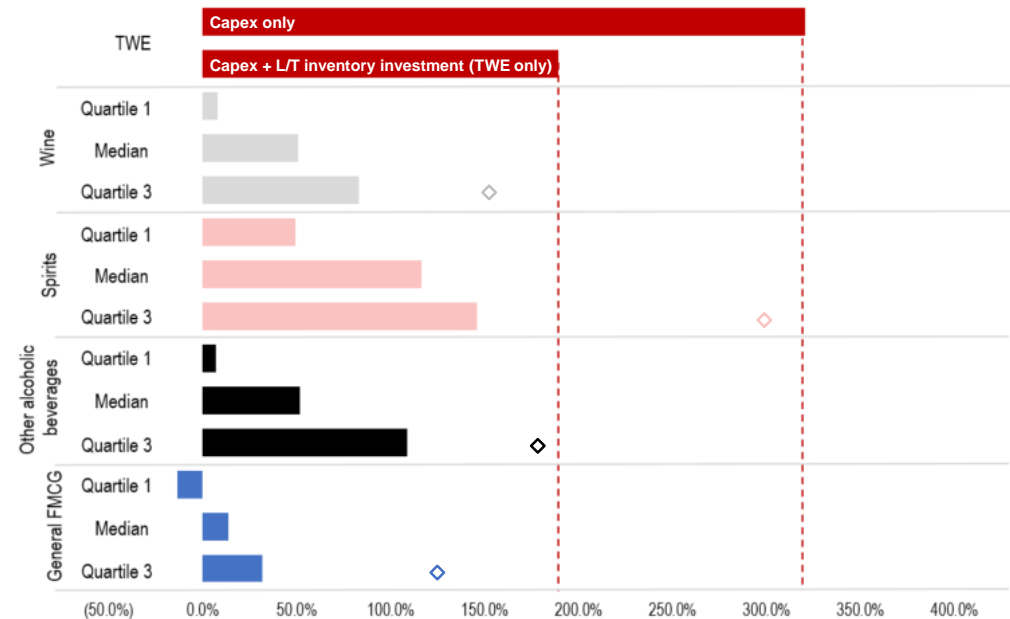
Investing for growth

TWE has delivered earnings growth well ahead of its peers, even when long-term inventory investment is treated as capex

Five year EBITs CAGR performance^{1,2}



Five year ratio of EBITs growth to average capex^{1,2,3}



◇ Exhibits leading performer in peer group (excluding TWE)

1. Source: Capital IQ, June 2019 (peer data only). Peer groups detailed in Definitions
2. Peer data has not been adjusted to exclude SGARA from earnings
3. Capex + L/T inventory investment includes the annual change in TWE's Luxury and Masstige non-current inventory

AASB 16 Leases – Impact on F19 Key Metrics

Key Metrics	Reported	Adjustment	Restated
Profit & Loss			
EBITS	662.7	18.7	681.4
EBITS Margin	23.4%	0.7%	24.1%
Net profit after tax	419.5	(11.2)	408.3
Balance Sheet			
Total Assets	6,000.2	490.5	6,490.7
Total Liabilities	2,294.1	565.2	2,859.3
Cash Flow			
EBITDAS	765.7	77.6	843.3
Net operating cash flows before financing costs, tax & material items	580.7	81.5	662.2
Cash Conversion	75.8%	2.7%	78.5%
Total cash flows from activities	311.5	-	311.5
Other			
Return on Capital Employed	14.9%	(1.1)%	13.8%
Interest Cover (EBITS/Interest) ¹	12.8x	(4.8)x	8.0x
Net Debt/EBITDAS ¹	1.7x	0.1x	1.8x
Reported EPS (A¢)	58.4	(1.6)	56.8
EPS (before material items and SGARA) (A¢)	60.4	(1.6)	58.8

- Under AASB 16 Leases, operating leases will be recognised on the balance sheet as a right of use asset and a lease liability based on the discounted future minimum lease payments
- Operating lease expenses are replaced by depreciation on the leased asset plus an interest charge on the lease liability through interest expense, resulting in a favourable increase in EBITs
- Net assets decrease on initial adoption due to lease liabilities being higher than the right of use assets recognised
- AASB16 adopted by TWE in F20 on a fully retrospective basis
- Maintenance and replacement lease additions are expected to be in the range of \$30m - \$40m in F20²

1. Application of AASB 16 has no impact on the Group's financial covenants

2. Includes estimated renewal of existing leases and contracted rental escalations. Excludes low value leases such as those relating to oak barrels which are excluded from scope per AASB16 Leases

Tim Ford

Chief Operating Officer



Americas

Route-to-market changes embedded while delivering top-line driven earnings growth

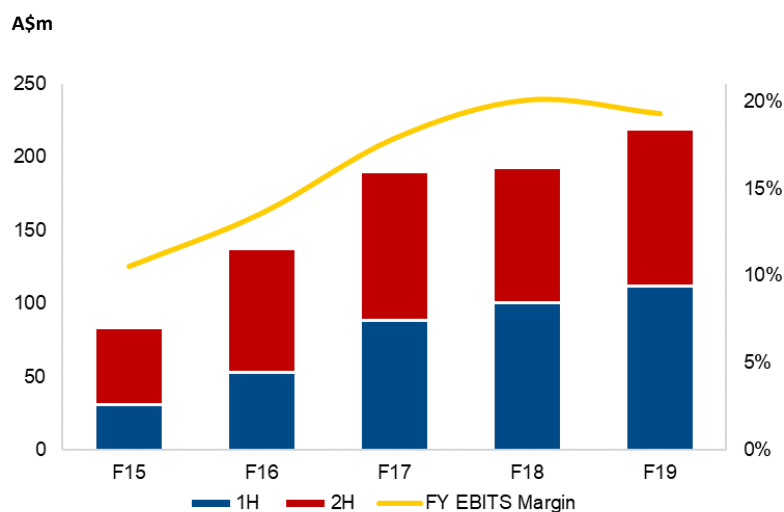
Americas regional performance

A\$m	F19	F18	%	F18	%
	Reported currency			Constant currency	
NSR (A\$m)	1,134.4	961.8	17.9%	1,037.4	9.4%
NSR per case (A\$)	80.87	70.43	14.8%	75.96	6.5%
EBITS (A\$m)	218.7	193.0	13.3%	214.9	1.8%
EBITS margin (%)	19.3%	20.1%	(0.8)ppts	20.7%	(1.4)ppts

Business headlines

- US route-to-market changes have been embedded, with TWE building collaborative relationships with distributor and retail partners, focused on expanding availability and distribution
- Healthy distribution channels maintained; shipments were lower than depletions in F19
- Mix improvement continues to be a key driver of performance:
 - Luxury and Masstige depletions grew 9% in F19
 - Growth momentum across Luxury and Masstige led by a focused portfolio of brands
- EBITs margin accretion expected from F20 onwards, led by:
 - Improved execution, improved availability in the broad market and increased focus on premiumisation
 - Cost base and organisational efficiency to improve over time

Historical EBITs & EBITs margin performance¹



1. Presented on a reported currency basis

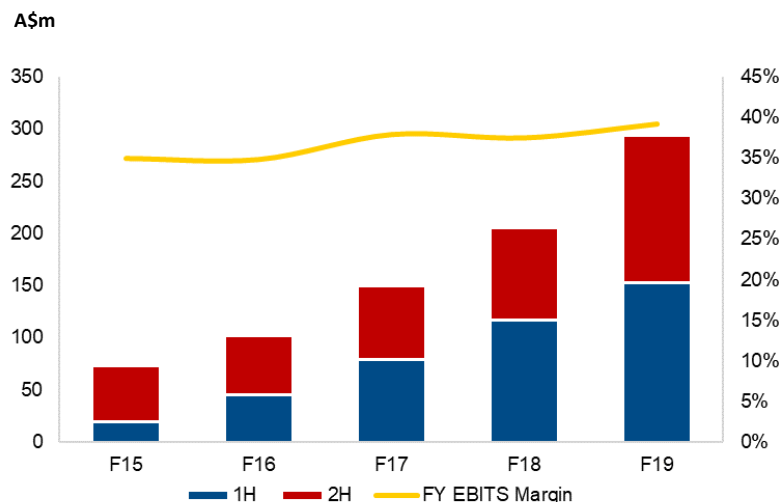
Asia

Outstanding execution delivering strong growth across key regional markets

Asia regional performance

A\$m	F19	F18	%	F18	%
	Reported currency			Constant currency	
NSR (A\$m)	748.9	547.6	36.8%	552.2	35.6%
NSR per case (A\$)	161.19	125.93	28.0%	126.99	26.9%
EBITS (A\$m)	293.5	205.2	43.0%	197.4	48.7%
EBITS margin (%)	39.2%	37.5%	1.7ppts	35.7%	3.5ppts

Historical EBITs & EBITs margin performance¹



Business headlines

- Strong top-line and earnings growth driven by increased availability of Luxury and Masstige wine, growth in demand for TWE's multi COO brand portfolio and outstanding sales execution:
 - Positive momentum across all major markets in the region
 - Australian and French brand portfolio NSR up 44% and 38% respectively in F19²
- Healthy sales channels remain throughout the region; record depletions achieved in F19 and forward days of inventory cover broadly in line with the prior year³
- Higher CODB reflects investments to drive distribution, brand building and organisational capability that will support future growth
- Increasing the use of the Shanghai warehouse model is a priority over time
- 35%+ EBITs margin guidance maintained

1. Presented on a reported currency basis
 2. French brand portfolio growth includes third party distributed brands
 3. Excludes first year impact of new product launches

Angus McPherson

Managing Director, ANZ & Europe



Australia & New Zealand

Premiumisation and disciplined cost management driving earnings and margin performance

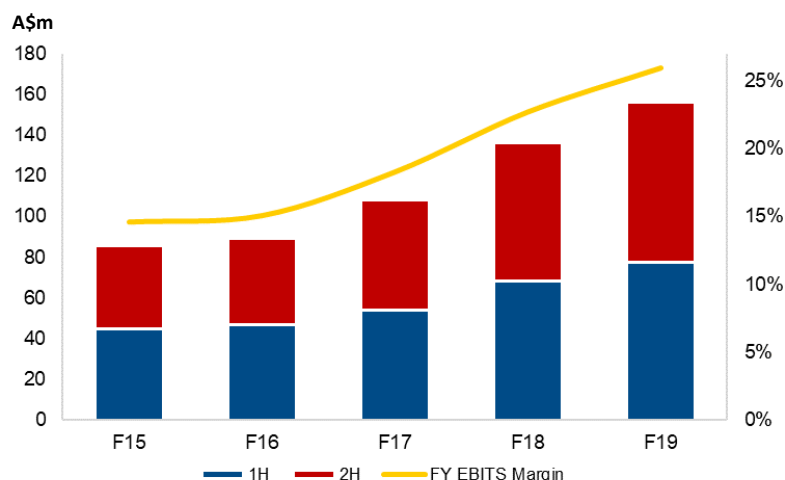
ANZ regional performance

A\$m	F19	F18	%	F18	%
	Reported currency			Constant currency	
NSR (A\$m)	602.3	598.7	0.6%	598.8	0.6%
NSR per case (A\$)	75.89	75.47	0.6%	75.49	0.5%
EBITS (A\$m)	156.5	136.1	15.0%	133.8	17.0%
EBITS margin (%)	26.0%	22.7%	3.3ppts	22.3%	3.7ppts

Business headlines

- Continued top-line growth momentum reflects:
 - NSR growth in Australia of 3.1%, led by gains across the Masstige and lower Luxury portfolios, and within the on-premise channel
 - Offset by NSR declines in New Zealand which reflect cycling of the 1H18 transition to distributor model
- Strong EBITs margin accretion of 3.7ppts to 26.0% reflects continued improvement in COGS per case and CODB
- Maintaining 25%+ EBITs margin a priority for F20 while managing impacts from higher Commercial COGS from the 2019 vintage
 - 25% market share target in Australia maintained; current value share 22%²

Historical EBITs & EBITs margin performance¹



1. Presented on a reported currency basis

2. Aztec Sales Value Data, bottled & canned wine only, Australia Liquor Weighted, Scan 52 weeks to 23 June 2019

Europe

Topline growth delivered through premiumisation; mid teen EBITs margin maintained

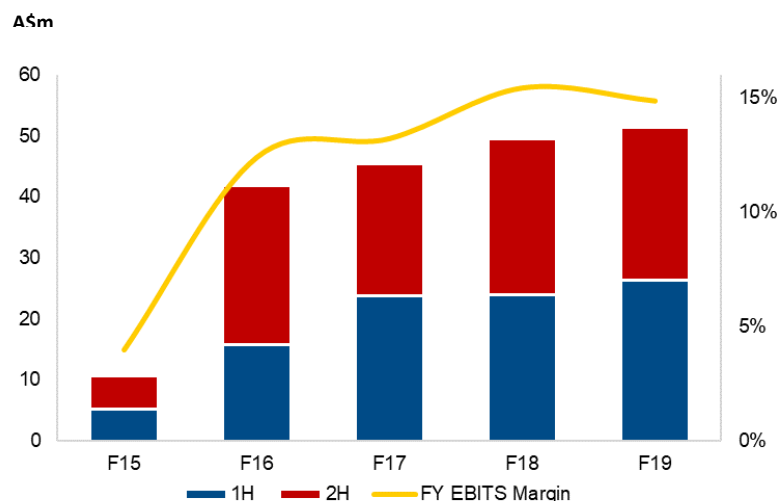
Europe regional performance

A\$m	F19	F18	%	F18	%
	Reported currency			Constant currency	
NSR (A\$m)	346.0	320.9	7.8%	331.4	4.4%
NSR per case (A\$)	38.93	37.16	4.8%	38.37	1.5%
EBITS (A\$m)	51.4	49.5	3.8%	52.8	(2.7)%
EBITS margin (%)	14.9%	15.4%	(0.5)ppts	15.9%	(1.0)ppts

Business headlines

- NSR growth reflects strong trading performance across all key regional markets alongside Masstige-led mix improvement
- Unfavourable COGS per case impacted by pricing pressure on Australian and US sourced Commercial wine
- Flat CODB reflects a disciplined approach to brand building investment and cost management
- Mid-teens EBITs margin maintained at 14.9%

Historical EBITs & EBITs margin performance¹



1. Presented on a reported currency basis

Michael Clarke | Summary & Outlook



Summary and outlook

- TWE has the people, brands, wine, business models and customer partnerships to successfully execute its premiumisation strategy in F20 and beyond
- Ongoing optimisation of business models remains a priority, particularly in the US and Asia where TWE is focused on growing distribution and availability to support growth across a focused portfolio of brands
- Investments in French production and vineyard assets and increased Luxury winemaking capacity in Australia to support the next stage of growth
- Reported EBITS growth rate of approximately 15% to 20% re-iterated for F20¹

1. Assuming no material changes due to vintage or foreign exchange movements. Does not include impacts from the application of AASB16 Leases or one-off costs of approximately \$35m associated with the expansion of Luxury winemaking infrastructure in South Australia

Questions



Supplementary Information



Capital Management

Disciplined capital management delivering sustainable returns

Investment grade credit metrics maintained:

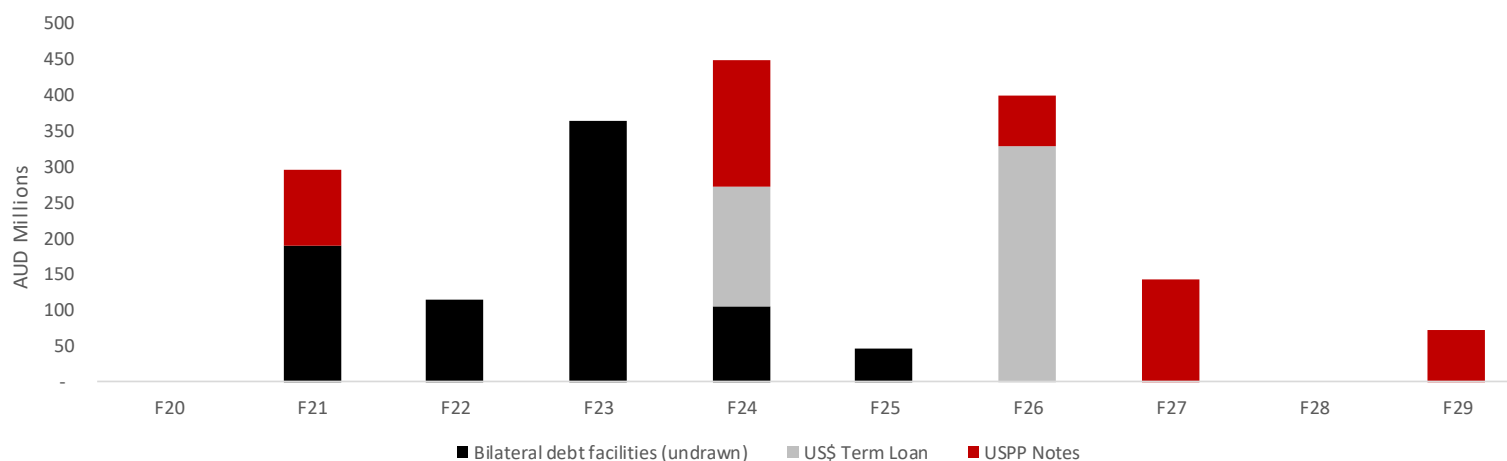
- Lease adjusted net debt / EBITDAS of 1.7x at F19¹; a reduction of 0.2x in the year
- Interest cover of 12.8x
- Continued focus on delivering shareholder returns in a disciplined and sustainable manner
- F19 final dividend of 20 cents per share declared, fully franked, representing a full year dividend of 38 cents per share and a 62.9% payout ratio²

Strengthened financing structure enhances flexibility

Optimised debt financing profile resulting in improved mix, spread and tenor of committed debt facilities, including:

- New US\$ syndicated term loan, totalling US\$350m established in 1H19, split across five and seven year maturities
- Refinanced bilateral bank facilities for commitments totalling approximately \$500m in the year
- Average duration of commitments increased to 4.6 years; no material change to cost of funds
- Available liquidity comprising cash of \$401.8m and undrawn committed debt facilities of \$821.1m

Maturity profile – committed debt facilities



1. Operating leases capitalised using AASB 16 Leases

2. TWE targets an dividend payout ratio of 55-70% of NPAT (pre-material items and SGARA) over a fiscal year

Impact of foreign exchange rate movements & hedging

F19 constant currency impact

CFX Impact (A\$m)			
Currency	Underlying	Hedging ¹	Total
AUD/USD and AUD/GBP	28.9	(4.8)	24.1
Net other currencies	(9.7)	0.7	(9.0)
F19	19.2	(4.1)	15.1
AUD/USD and AUD/GBP	0.2	(3.8)	(3.6)
Net other currencies	(2.1)	(0.3)	(2.4)
F18	(1.9)	(4.1)	(6.0)

- \$15.1m constant currency foreign exchange benefit in F19 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
 - \$28.9m benefit from depreciation of the AUD relative to the main currency pairs (USD and GBP), offset by (\$9.7m) adverse revenue impact largely reflecting movements in TWE's primary revenue and regional operating currencies²
 - \$4.1m adverse relative impact from hedging in F19 versus the prior year (\$2.3m realised loss in F19 vs \$1.8m gain in the prior year based on constant currency basis)

¹ CFX hedging impact relative to the prior year

² USD relative to the CAD in the Americas, GBP relative to the EUR, SEK and NOK in Europe, AUD relative to the CNY and SGD in Asia

F20 EBITs sensitivity and risk management

Currency Pair	Primary Exposure	Movement	EBITs Sensitivity (A\$m)
AUD/USD	COGS, EBITs	+1%	(4.6)
AUD/GBP	COGS, EBITs	+1%	(1.5)
CAD/USD	NSR	+1%	1.3
EUR/GBP	NSR	+1%	1.1
USD/GBP	COGS	+1%	(0.3)

- The sensitivity of EBITs to a 1% change in primary cost and revenue currencies is shown in the accompanying table (excludes potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and lower Masstige price segments:
 - AUD/GBP: c.79% of F20 exposure protected against appreciation of the exchange rate above 0.54
 - AUD/USD: c.51% of F20 exposure protected against appreciation of the exchange rate above 0.73
 - Modest hedge positions in place for other currency exposures, with hedge positions structured to provide a degree of participation in favourable exchange rate movements

Volume

A\$m	F19	F18	%
(Volume, m 9Le)			
ANZ	7.9	7.9	0.1%
Asia	4.6	4.3	6.8%
Americas	14.0	13.7	2.7%
Europe	8.9	8.6	2.9%
TWE	35.5	34.6	2.7%

Commentary

- ANZ: Australia volume increase of 2.0% driven by Masstige portfolio growth, partly offset by volume decline in New Zealand due to the transitional impact of the change to a distributor model in 1H18
- Asia: Volume growth reflects increased availability of Luxury and Masstige wine partly offset by more balanced sales profile of Rawson's Retreat in F19 and the continued exit of lower margin commercial volumes in SEAMEA in 1Q19. 2H19 volume growth was 13.1%
- Americas: Higher volume reflecting positive execution under the new route-to-market model
- Europe: Volume increase driven by growth across key regional markets

Definitions

Term	Definition
Constant currency	Throughout this presentation, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates
NSR	Net sales revenue
EBITDAS	Earnings before interest, tax, depreciation, amortisation, material items & SGARA
EBITS	Earnings before interest, tax, material items and SGARA
EBIT	Earnings before interest, tax and material items
Exchange rates	Average exchange rates used for profit and loss purposes in the F19 results are: \$A1 = \$US 0.7154 (F18: \$A1 = \$US 0.7754), \$A1 = GBP 0.5528 (F18 \$A1 = GBP 0.5759). Period end exchange rates used for balance sheet items in F19 results are: \$A1 = \$US 0.7005 (F18: \$A1 = \$US 0.7349), \$A1 = GBP 0.5529 (F18: \$A1 = GBP 0. 5620)
SGARA	Australian accounting standard AASB 141 “Agriculture”. From 1 July 2016, changes to AASB 141 applied in respect of vine assets. Vines are no longer recorded at fair value, but are recorded at cost and depreciated
Shipment	Shipments refer to volume movement from TWE to a third party off-premise or on-premise distributor or retailer
Depletion	Depletions refer to volume movements from a distributor to an on-premise or off-premise retailer
Peer groups	Wine: Australian Vintage, Delegat Wines, Baron de Ley, Laurent Perrier, Vina Concha; Spirits: Brown-Forman, Davide Campari-Milano, Diageo, Pernod Ricard, Remy Cointreau; Other Alcoholic Beverages: Compania Cervecerias, Constellation Brands, AB inBev, Heineken, Carlsberg, The Boston Beer Company, Molson Coors Brewing Company General FMCG: Nestle, Mondelez, Unilever, Procter & Gamble, Coca-Cola, Pepsi

Disclaimer

Summary information

The material in this presentation is summary information about Treasury Wine Estates Limited (TWE) and its subsidiaries and their activities, current as at the date of this presentation unless otherwise stated. It should be read in conjunction with TWE's other announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au.

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This presentation contains forward looking statements, which may be identified by the use of terminology including 'expects', 'believes', 'targets', 'likely', 'should', 'could', 'intends', 'aims' or similar expressions. Indicators of and guidance on future earnings and financial position are also forward looking statements. These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TWE, and which may cause actual results to differ materially from those expressed or implied in such statements. Readers are cautioned not to place undue reliance on forward looking statements.

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