



# TREASURY WINE ESTATES

15 December 2020

**ASX ANNOUNCEMENT**

## **TWE 2020 Fact Book**

Treasury Wine Estates Limited (ASX:TWE) is pleased to present its inaugural Fact Book.

The Fact Book aims to enhance external understanding of TWE's global business by providing the investment community and other interested parties with access to an official information source in relation to TWE's business model, strategy, investment framework and financial performance. The Fact Book will be updated annually and re-issued after each full year results announcement.

For the purposes of ASX Listing Rule 15.5, TWE confirms that this document has been authorised for release to the market by the Board.

### **Contacts:**

#### **Media**

Melissa O'Neill  
Tel: +61 3 8533 3923  
Mob: +61 467 555 175

#### **Investors**

Bijan Taghian  
Tel: +61 3 8533 3568  
Mob: +61 433 173 664

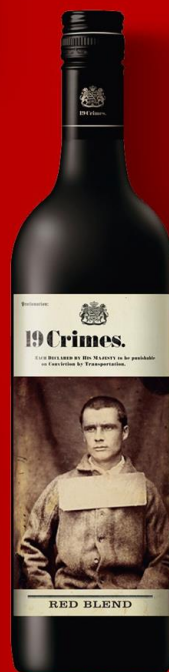


# TREASURY WINE ESTATES

## FACT BOOK



TREASURY  
WINE ESTATES





# Contents

1.	Treasury Wine Estates Overview .....	1
1.1	Group Summary .....	2
1.2	Long-term Investment Case .....	3
1.3	Financial Performance .....	4
1.4	Company History .....	6
1.5	Corporate Strategy .....	7
1.6	Portfolio of Brands .....	8
1.7	Sourcing and Supply Chain Model .....	8
1.8	Sustainability .....	10
1.9	Management Team & Board .....	11
1.10	Substantial Shareholders .....	15
2.	Regional Operations .....	16
2.1	Americas .....	17
2.2	Asia .....	18
2.3	Australia and New Zealand .....	19
2.4	Europe, Middle East and Africa .....	20
3.	Investment Framework & Capital Management .....	21
3.1	Shareholder Value Proposition .....	22
3.2	Investment Priorities .....	22
3.3	Investing in Inventory .....	23
3.4	Capital Management .....	26
4.	Financial Performance .....	27
4.1	Key Metrics .....	28
4.2	Five-year Profit & Loss .....	29
4.3	Five-year Balance Sheet .....	31
4.4	Five-year Cash Flow Statement .....	32
4.5	Key Ratios .....	34
5.	Contact Details .....	35
5.1	Investor Relations .....	36
5.2	Media .....	36

*The information contained in this Fact Book is intended to be a general summary of Treasury Wine Estates Limited, ABN 24 004 373 862 (TWE) and its subsidiaries and related bodies corporate (TWE Group) and their activities as at 30 June 2020 or otherwise as at the date specified in the relevant information and does not purport to be complete in any respect. The information in this document is not advice about shares in TWE (or any other financial product), nor is it intended to influence, or be relied upon by, any person in making a decision in relation to TWE shares (or any other financial product). The information in this Fact Book does not take into account the objectives, financial situation or needs of any particular individual. Accordingly, you should consider your own objectives, financial situation and needs when considering the information in this document and seek independent investment, legal, tax, accounting or such other advice as you consider appropriate before making any financial or investment decisions. No responsibility is accepted by TWE or any of its directors, officers, employees, agents or affiliates, nor any other person, for any action taken by you on the basis of the information or opinions expressed in this document. The information in this document contains historical information about the performance of TWE and TWE securities and may also contain aspirational statements. That information is not an indication or representation about the future performance of TWE or TWE securities (or any other financial product). You should not place undue reliance on any such information. To the extent that the information in this document contains any forward looking statements, those statements reflect the reasonably held, subjective views of TWE as at the date specified in the relevant information, which may change due to certain risks, uncertainties and assumptions, many of which are outside the control of TWE. You should not place undue reliance on any such statements. While every effort has been made to check the accuracy of the information in this document, it may not be free from errors and you should make your own enquiries to verify any information you wish to rely on, as appropriate for your own requirements. This document is not a product disclosure statement or prospectus for the purposes of the Australian Corporations Act 2001 (Cth) (Corporations Act) and does not constitute an offer, invitation, solicitation or recommendation in relation to the subscription, purchase or sale of shares or other securities or financial products in any jurisdiction. Neither this document nor anything in it shall form the basis of any contract, promise, undertaking or commitment. All dollar amounts are in Australian dollars unless otherwise specified. Where figures have been rounded, discrepancies may occur between the sum of the component items and the total, which are derived from figures prior to rounding.*

*In compliance with ASIC Regulatory Guide 230, TWE is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards. The Fact Book is unaudited, and notwithstanding this contains disclosures which are extracted or derived from historical financial statements, which have been audited by the TWE Group's Independent Auditor.*





# 1. Treasury Wine Estates Overview



TREASURY  
WINE ESTATES



## 1.1 Group Summary

Treasury Wine Estates (TWE) is a premium focused, global leader in wine with strong positions in key global markets, supported by an unrivalled global footprint, business model, award-winning premium brand portfolio and a talented global team of over 3,000 people. Listed on the Australian Securities Exchange, TWE had a market capitalisation of \$6.2bn at 30 November 2020 which has grown from \$2.2bn since listing in May 2011.

TWE's ambition is to be the world's most admired premium wine company. As the custodian of some of the world's most trusted premium wine brands from some of the most iconic wine-making regions, TWE recognises the role it plays in shaping a positive future for everyone who touches the business and its products, and is committed to creating long-term value by being sustainable in everything it does.

TWE's global distribution platform, which features competitively advantaged and differentiated routes to market, supports sales in over 70 countries across four key operating regions – the Americas, Asia, Australia and New Zealand (ANZ) and Europe, Middle East and Africa (EMEA).

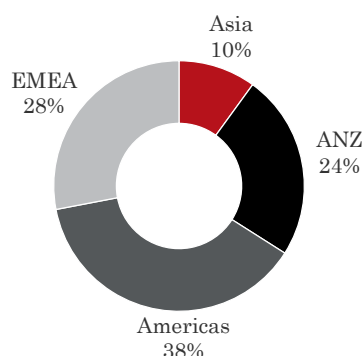
Supported by attractive category fundamentals across its key markets, TWE's premiumisation journey has been a long-term strategic focus which has delivered strong financial performance and one that continues to gain momentum, as measured by the contribution of its premium portfolio<sup>1</sup> which now represents over 70% of global revenue, up from below 50% in 2015.

At the heart of the business is TWE's global, multi-regional sourcing model which includes world class vineyard and production assets in internationally acclaimed wine-making regions including the Barossa Valley in Australia, the Napa Valley in the United States, Marlborough in New Zealand, Bordeaux in France and Tuscany in Italy.

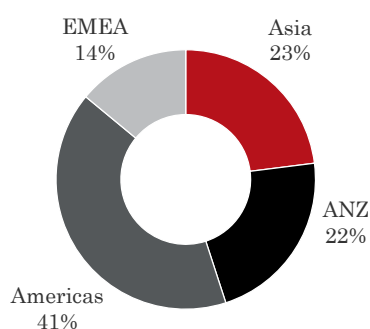
**We are a premium focused wine company with strong positions in key global markets**



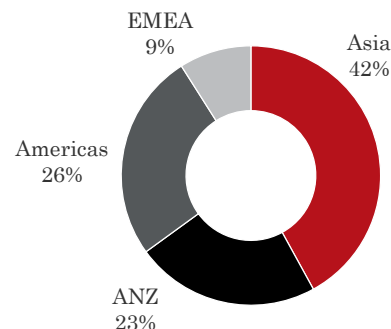
**F20 Sales Volume**



**F20 Net Sales Revenue**



**F20 EBITs**



<sup>1</sup> 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. Premium portfolio refers to Luxury and Masstige wine.

## 1.2 Long-term Investment Case

TWE's long-term investment case comprises five key elements that are expected to be a driver of future performance and the delivery of TWE's long-term Group EBITs margin target of 25% and higher:

- Attractive premium wine category fundamentals, with growing premium wine consumption continuing to drive category volume and value growth across all key markets;
- An unrivalled portfolio of well-known and trusted premium wine brands spanning consumer tastes, consumption occasions and price points;
- Competitively advantaged and differentiated route-to-market models that provide a global, multi-channel distribution platform which is unrivalled in the wine industry;
- World class vineyard and production assets in internationally acclaimed wine making regions, reflecting a truly global, diversified multi-regional sourcing model; and
- A strong, flexible and efficient capital structure, supporting investment for future growth and the ongoing delivery of returns for TWE's shareholders.

 **Group EBITs**  
margin target of **25%**

### Regional growth ambitions

#### Asia Leading in luxury wine



**40%**

F20 EBITs margin

#### Expanding market leadership

*Expand premium multi-country of origin portfolio*  
*Drive distribution depth, breadth and availability*  
*Target margin in the high 30% range*

#### Americas Leader in premium



**14%**

F20 EBITs margin

#### Deliver future state premium wine business

*Restructure and drive mix shift to 25% margin*  
*Invest behind focus brand portfolio*  
*Drive distribution and availability of focus brands*

#### ANZ Category leader



**23%**

F20 EBITs margin

#### Elevate the category

*Boldly innovate and transform channel mix*  
*Deliver to consumer need and occasion expansion*  
*Target margin in the high 20% range*

#### EMEA Dual premiumisation role



**14%**

F20 EBITs margin

#### Develop premium multi-COO portfolio

*Win in priority European cities and markets*  
*Future priority sourcing region for luxury*  
*Target mid-teens margin through premiumisation*

## 1.3 Financial Performance

Since 2014, TWE has delivered strong financial performance through the execution of a strategy focused on premiumisation, brand building, disciplined capital allocation and maximising operational efficiency.

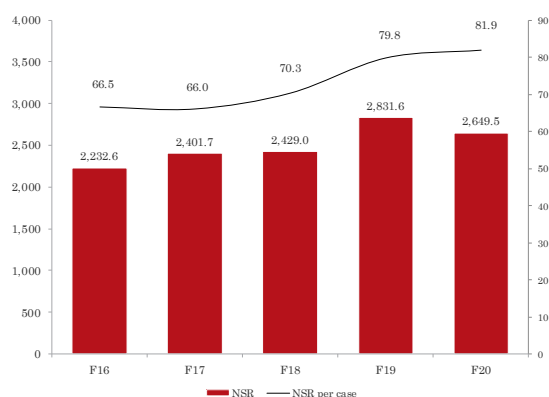
A number of significant changes have been made to the Company's operating model during this period, including:

- Increased investment in targeted brand-building initiatives across the global premium brand portfolio to support top-line growth;
- Optimising routes to market in Asia, the United States and Australia to establish an unrivalled global distribution platform in the wine industry;
- Securing access to incremental luxury sourcing, including the acquisition of Diageo Wine in 2016 and investment in premium wine-making capacity throughout Australia, California and France to drive acceleration of the premiumisation strategy;
- Supply chain optimisation, improving production efficiencies across the asset base and delivering cost savings of greater than \$100m per annum; and
- Establishment of the Global Business Services function to support organisational simplification and cost efficiency.

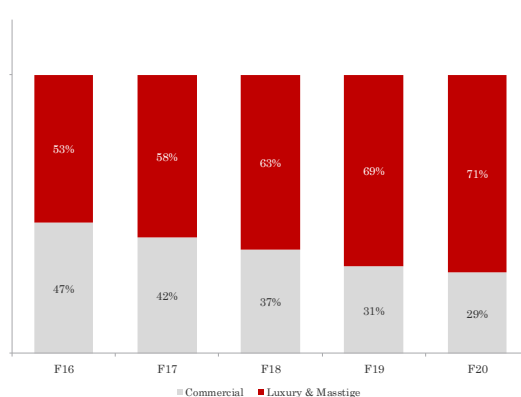
The successful execution of TWE's corporate strategy is reflected in the performance of the Group during this period across its key financial metrics and total shareholder return.

### Key financial metrics

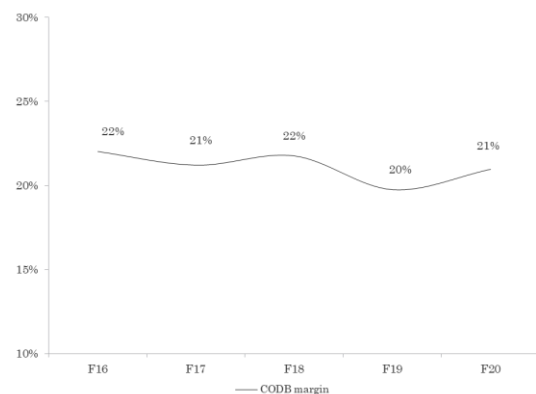
Group NSR (A\$m) and NSR per case



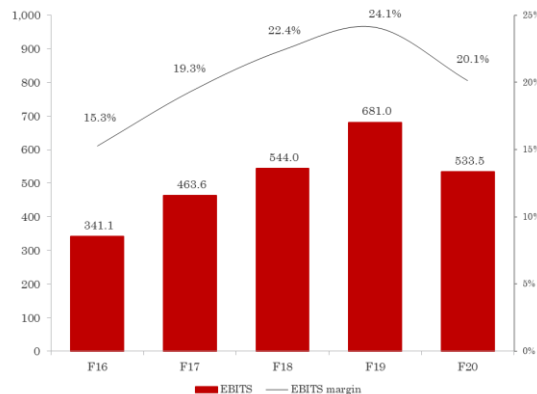
Luxury and masstige contribution to Group NSR



Cost of Doing Business margin

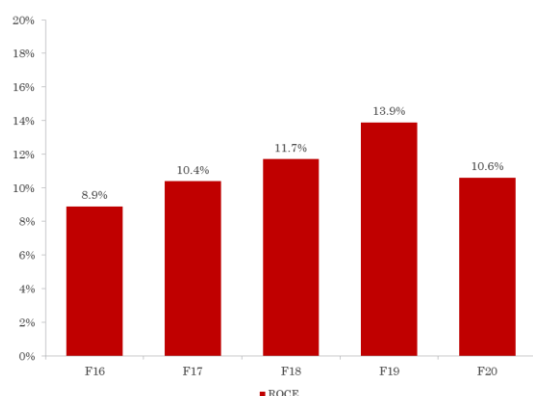


Group EBITs (A\$m) and EBITs margin





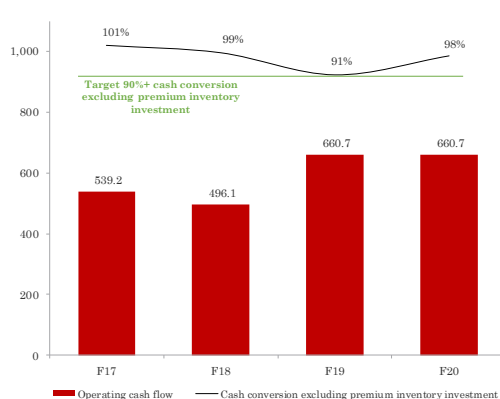
## Return on Capital Employed



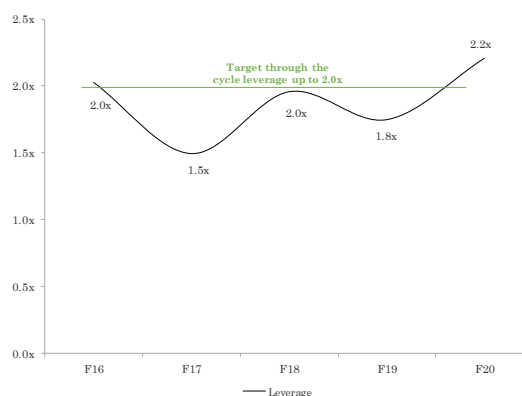
## Earnings and dividends per share<sup>2</sup>



## Cash conversion<sup>3</sup>



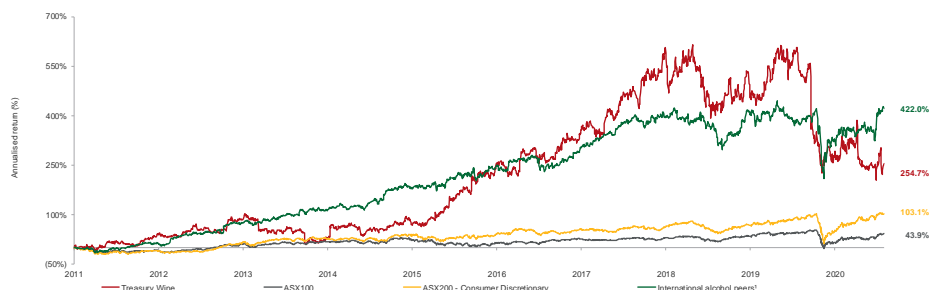
## Net debt to EBITDAS (Leverage)<sup>4</sup>



## Share price performance



## Total shareholder return (TSR)<sup>5</sup>



<sup>2</sup> TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year

<sup>3</sup> Cash conversion excludes the annual investment in luxury and masstige non-current inventory

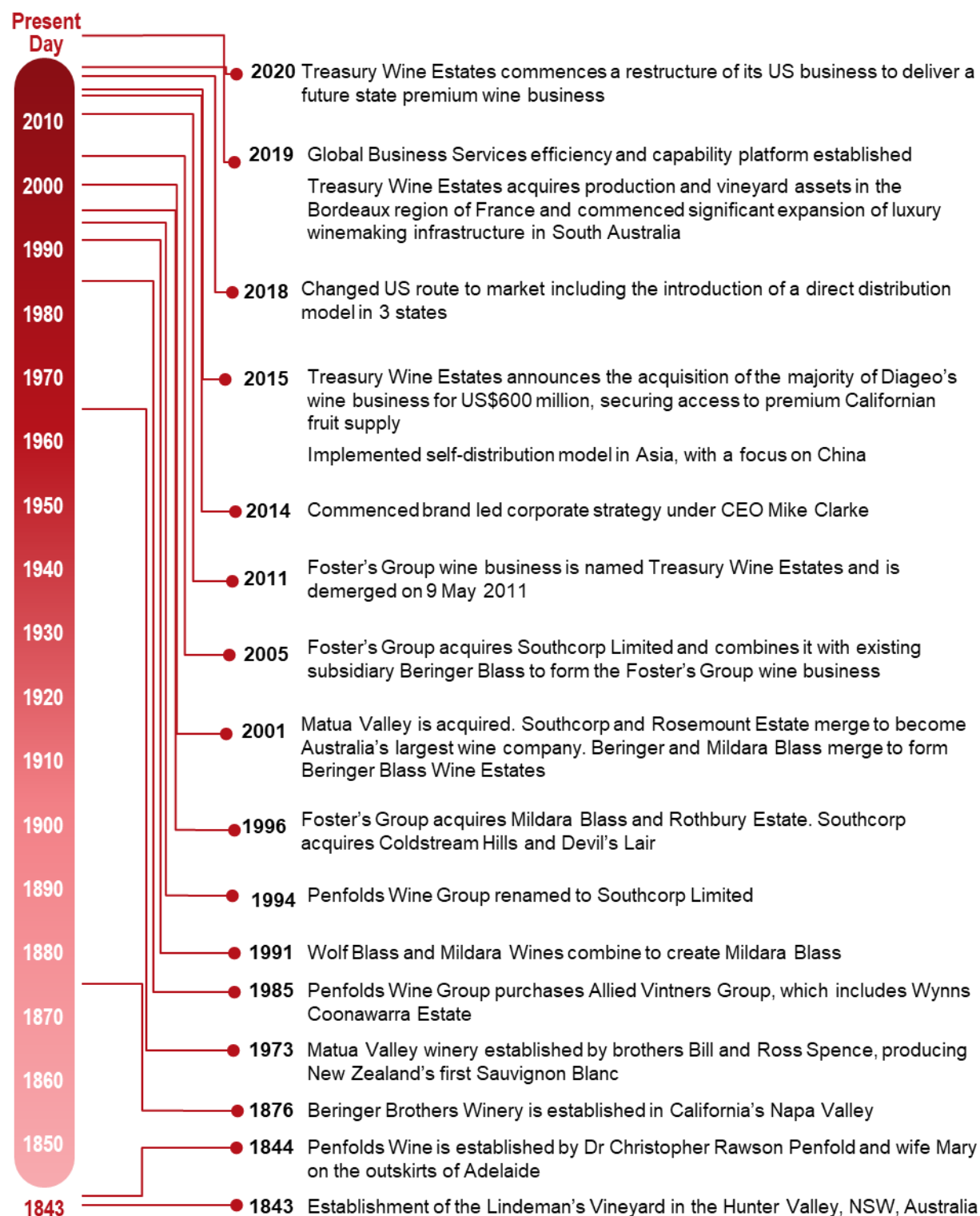
<sup>4</sup> TWE targets a net debt / EBITDAS ratio of up to 2.0x through the cycle

<sup>5</sup> Annualised TSR reflects share price evolution and return from reinvested dividends since 10 May 2011 to 9 December 2020. International alcohol peers include Constellation Brands Inc, Diageo PLC and Pernod Ricard SA

## 1.4 Company History

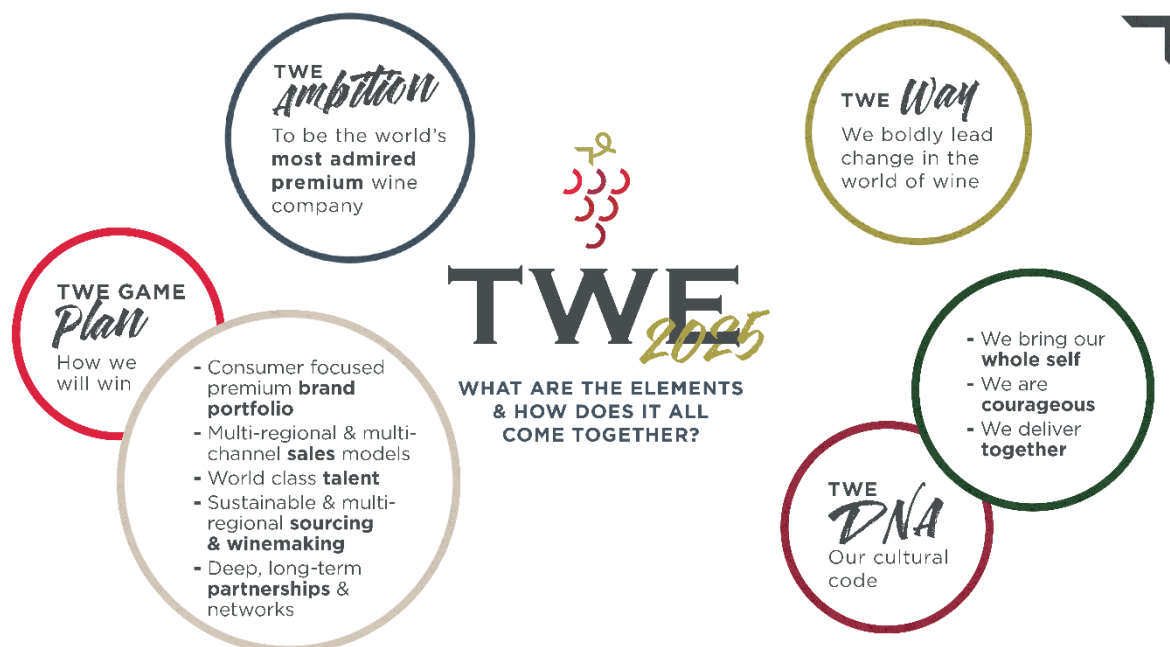
TWE's rich history and regional, brand and segment diversity has evolved over many years through organic growth, acquisition and divestments, and the demerger from the Foster's Group in May 2011.

Following is a summary of key historic milestones and corporate activity:



## 1.5 Corporate Strategy

**TWE 2025** is the strategic blueprint for the next phase of the TWE growth journey, setting out how it will achieve its ambition to be the **world's most admired premium wine company**.



Achievement of this ambition requires bold decision making and innovation, with “boldly leading change in the world of wine” defined as **The TWE Way**.

Supporting this is **TWE’s DNA**, the cultural code that defines the next phase of the cultural journey for the company.

And finally, the **Game Plan** details how TWE will operate and successfully grow its business using a number of distinctive competitive advantages.



## 1.6 Portfolio of Brands

TWE owns a global portfolio of well-known and trusted premium wine brands catering to a wide variety of consumers through differentiated varietals, taste profiles, consumption occasions and price points.

TWE's global marketing vision is to build the boldest portfolio of brands in wine, brought to life by consumer experience focused marketing. TWE will continually evolve its brand portfolio ensuring it has the right portfolio of brands and propositions to fully capitalise on the key drivers of wine category growth. Strategic priorities to support the transformation of the brand portfolio include:

- Driving premiumisation through a focused portfolio strategy
- Delivering scalable breakthrough innovation, including country of origin expansion
- Leveraging consumer experience to meet individual consumer needs
- Elevating in-store programming and digital marketing
- Enhancing marketing spend effectiveness
- Building availability and distribution across the portfolio

TWE takes an increasingly data driven approach to its marketing investment, firmly focused on spend efficiency and effectiveness, supported by a brand life cycle investment framework that guides optimal activation, promotion and brand building strategies to drive continued growth. Return on investment tools are used to measure and monitor the effectiveness of marketing activity.

A key theme of TWE's portfolio strategy is focus, and its focus brand portfolio is segmented across Penfolds and the luxury, masstige and commercial price points.

### Focus brand portfolio



## 1.7 Sourcing and Supply Chain Model

TWE operates a world class supply chain model that is focused on sustainable multi-regional sourcing and winemaking to produce wines that consumers demand at the best cost. TWE will continue to optimise its supply chain to maximise cost efficiency, agility and a fit for purpose asset base that will support continued premiumisation

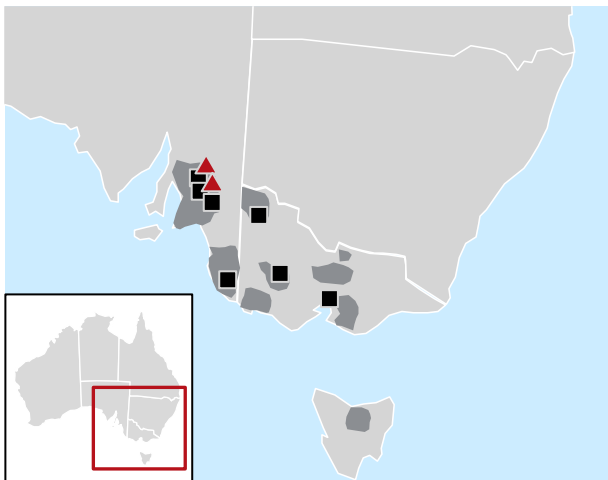
TWE's global asset base is a key foundation of the business consisting of vineyard and production assets in internationally acclaimed winemaking regions including the Barossa Valley in Australia, the Napa Valley in California, the Marlborough region in New Zealand, the Bordeaux region in France and Tuscany in Italy. This global, multi-regional sourcing model supports the growth of TWE's premiumisation strategy and importantly helps to mitigate the risk of regional vintage variation.

Since 2014 TWE has actively refined its sourcing models and asset ownership to create a fit for purpose and agile asset base. Sourcing is balanced between asset ownership and external sourcing from growers and bulk wine partners. This optimised asset ownership approach has contributed to improved financial returns, production efficiency and improved flexibility to meet consumer demand.

Sourcing for TWE's luxury portfolio is primarily through company owned/leased vineyards and long-term grower contracts. In Australia and the US, TWE prioritises flexible sourcing for its commercial and masstige portfolios from the bulk wine market.

## Sourcing model by region

### Australia



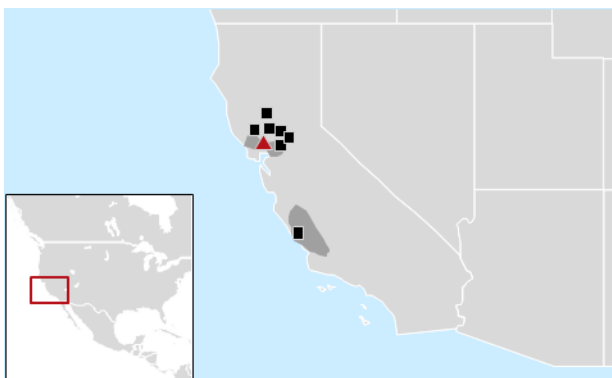
Vintage 2020	Owned & leased	Growers	Bulk Wine
Luxury	34%	47%	19%
Masstige	34%	47%	19%
Commercial	20%	49%	31%
<b>Total</b>	<b>24%</b>	<b>48%</b>	<b>28%</b>

71 vineyards

8,676 Planted hectares

8 wineries

### United States



Vintage 2019	Owned & leased	Growers	Bulk Wine
Luxury	80%	20%	—
Masstige	72%	28%	—
Commercial	8%	14%	78%
<b>Total</b>	<b>24%</b>	<b>16%</b>	<b>60%</b>

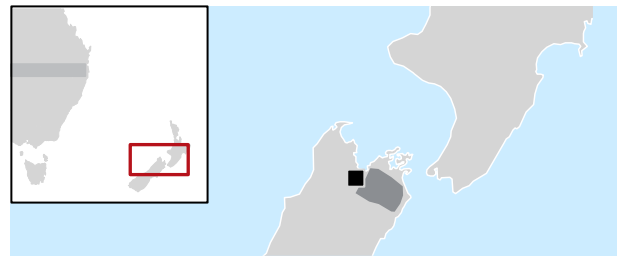
42 vineyards

3,213 Planted hectares

7 wineries

- Packaging facilities
- Wineries
- Company owned and lease vineyards

### New Zealand



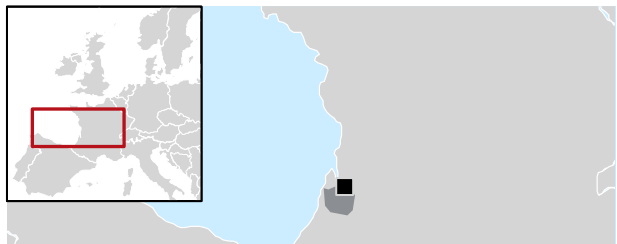
Vintage 2020	Owned & leased	Growers	Bulk Wine
Luxury	46%	54%	—
Masstige	31%	67%	2%
Commercial	—	—	—
<b>Total</b>	<b>31%</b>	<b>67%</b>	<b>2%</b>

9 vineyards

498 Planted hectares

1 winery

### France



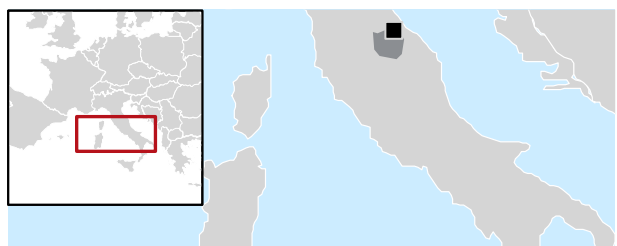
Vintage 2019	Owned & leased	Growers	Bulk Wine
Luxury	34%	—	66%
Masstige	—	—	100%
Commercial	—	—	—
<b>Total</b>	<b>30%</b>	<b>—</b>	<b>70%</b>

2 vineyards

61 Planted hectares

1 winery

### Italy



Vintage 2019	Owned & leased	Growers	Bulk Wine Market
Luxury	100%	—	—
Masstige	—	42%	58%
Commercial	—	—	100%
<b>Total</b>	<b>28%</b>	<b>9%</b>	<b>63%</b>

3 vineyards

132 Planted hectares

1 winery



## 1.8 Sustainability

As the custodian of some of the world's most trusted premium brands from the great wine making regions of the world, TWE recognises the role it plays in shaping a positive future for everyone who touches the business and its products. This means being responsible in how TWE sources and produces wine, and prioritising the wellbeing of TWE's people, the communities in which it operates and its consumers.

TWE's Sustainability Report highlights continued progress towards TWE's sustainability agenda, which includes continued support to local communities, teams and the environment following a difficult year of drought, bushfires and the COVID-19 pandemic in 2020.

TWE aligns its Corporate Responsibility Framework to seven of the United Nations (UN) Sustainable Development Goals (SDGs). The SDGs provide a best-in-class framework and demonstrates TWE's commitment to sustainability in the global context.






TWE's sustainability model is guided by its commitment to drive continuous improvement and positive impacts across its operations globally.






### Sustainability Model

VISION				
To be the world's most celebrated wine company				
MISSION				
Create long term value for TWE and everyone who touches our Company by being sustainable in everything we do				
CR PILLAR				
GUIDING PRINCIPLE	Be transparent and hold ourselves to account	Be sustainable and efficient when sourcing and producing our wine	Respect and enhance the lives of our people and our communities	Create quality wines that are consumed and promoted responsibly and safely
AMBITION	Our stakeholders believe in and trust our Company to operate sustainably	Our environmental impact is sustainable and reducing over time	Our peoples' human rights, safety and wellbeing is protected	Our wines are produced, marketed and consumed responsibly





## 1.9 Management Team & Board

### Executive Leadership team




Name and Title	Biography
<p><b>Tim Ford</b> <i>Chief Executive Officer</i></p> 	<p>Tim was appointed TWE's Chief Executive Officer in July 2020. Since joining TWE in February 2011, Tim has held key roles across the business' global operations, including Director, Global Supply and Managing Director Europe, South East Asia, Middle East and Africa, and Deputy Chief Operating Officer with responsibilities for Asia, Europe and the ANZ regions. In January 2019 Tim was appointed Chief Operating Officer with responsibility for TWE's global operations. Prior to joining TWE, Tim worked at National Foods across multiple business functions as well as Foster's Group in a variety of supply chain roles, from production to logistics. Tim holds a Bachelor of Business from the University of South Australia and a Master of Business Administration from the University of Melbourne.</p>
<p><b>Matt Young</b> <i>Chief Financial Officer</i></p> 	<p>Matt is TWE's Chief Financial Officer (CFO) and is responsible for the Finance, IT and Global Business Services functions. Matt was appointed CFO in May 2018, after several years in various senior finance roles across TWE. Prior to joining TWE, Matt was a Director at PricewaterhouseCoopers Australia, providing commercial support to complex, global organisations in the FMCG and Retail industries. Matt holds a Bachelor of Commerce, a Bachelor of Laws (Honours) and a Master of Business Administration from the University of Melbourne. He is also a member of the Chartered Accountants Australia and New Zealand.</p>
<p><b>Stuart Boxer</b> <i>Chief Strategy &amp; Corporate Development Officer</i></p> 	<p>Stuart is TWE's Chief Strategy and Corporate Development Officer responsible for leading strategic business planning and driving priority growth, transformation and business improvement projects, the commercial investment strategy as well as mergers and acquisitions. Stuart joined TWE in June 2020 after 11 years as Chief Financial Officer and Executive General Manager Strategy with DuluxGroup Ltd. He has significant financial, strategy and M&amp;A experience, tenure in ASX listed entities, as well as a background in management consulting. Stuart holds a Bachelor of Engineering (Mechanical Engineering) from the University of Melbourne and completed the Advanced Management Program at Harvard Business School.</p>
<p><b>Ben Dollard</b> <i>President Americas</i></p> 	<p>Ben is TWE's President for the Americas region with responsibility for leading the commercial operations across the region. With 20 years' experience in the alcohol beverages industry in the Americas region, Ben joined TWE in January 2020 having worked in various senior executive leadership roles with Constellation Brands in the US and Canada. Ben has had extensive experience in leading the agenda for wine and other alcohol beverages, including all aspects of marketing, consumer insights and commercial operations, across a number of key roles including Chief Growth Officer, Chief Marketing Officer and head of International Markets for Constellation Brands' Wine and Spirits Division, as well as President of the Canadian wine business.</p>
<p><b>Tom King</b> <i>Managing Director Asia</i></p> 	<p>Tom is TWE's Managing Director Asia and is responsible for leading the business in a region of considerable growth and opportunity. Tom joined Treasury Wine Estates in 2013 as Commercial Director for Global Travel Retail and has since held multiple senior roles across the business, including Managing Director Europe where he led the team to deliver double digit EBITTS growth and Chief Operating Officer Asia. Prior to working for TWE, Tom held a number of commercial and financial roles at Bacardi Limited and Ernst &amp; Young.</p>

Name and Title	Biography
<p><b>Kirsten Gray</b>  <i>Chief Corporate Services Officer &amp; Company Secretary</i></p> 	<p>Kirsten was appointed as Chief Corporate Services Officer &amp; Company Secretary in March 2020 and has responsibility at TWE for the Corporate Governance, Legal and Corporate Affairs functions. Prior to joining TWE, Kirsten was Chief Corporate Services Officer &amp; Company Secretary at Orica Limited and before that spent twenty years with BHP Limited in various legal roles. Kirsten holds a Bachelor of Laws (Honours), Bachelor of Arts and Post-Graduate Diploma in Business Administration from the University of Melbourne. She is a Fellow of the Governance Institute of Australia.</p>
<p><b>Katie Hodgson</b>  <i>Chief People Officer</i></p> 	<p>Katie is TWE's Chief People Officer responsible for TWE's People strategy, building a high performing organisation and an inclusive, collaborative culture where people and results thrive.</p> <p>Katie has more than 20 years' experience in Human Resources and prior to joining TWE in 2017, Katie was a foundational and executive member of Axieo where she was responsible for the establishment and leadership of the HR, Internal Communications and Environmental Social Governance functions. Prior to Axieo, Katie held numerous leadership roles at Mondelez International/Kraft Foods. Katie holds a Bachelor of Laws (Honours) and a Bachelor of Arts from Monash University.</p>
<p><b>Angus Lilley</b>  <i>Chief Marketing Officer</i></p> 	<p>Angus is TWE's Chief Marketing Officer (CMO) and is responsible for marketing strategy and implementation across TWE's global brand portfolio including the development and implementation of multi-faceted consumer marketing programs, and new product development. Angus was appointed CMO in 2019 after joining TWE in 2013 and holding several senior marketing roles during his time with the business.</p> <p>Angus has vast experience in the global wine industry, gained by prior experience working globally for both the Hardy Wine Company in Australia and Constellation Brands in the US in various marketing and commercial roles.</p>
<p><b>Peter Neilson</b>  <i>Managing Director ANZ</i></p> 	<p>Peter is TWE's Managing Director ANZ and is responsible for leading the ANZ business and ensuring the strength of TWE's position as the region's leading wine company. Peter was appointed in 2018 after joining TWE in 2012 and holding a number of senior sales roles. Peter has over 15 years experience in the wine and spirits industry having held various roles with Diageo, including international experience and prior to that a variety of commercial and leadership roles with Mars Confectionery and Reebok.</p>
<p><b>Kerrin Petty</b>  <i>Director Global Supply</i></p> 	<p>Kerrin was appointed Director, Global Supply Chain on 1 July 2020. He joined TWE in 2004 and has held numerous positions including National Vineyard Manager Australia, Supply Chain Development Manager, and SVP Supply Chain Services, where he oversaw America's supply chain and was responsible for delivering products to the US, Canada, and Latin America. Kerrin has more than fifteen years' experience years in all aspects of wine supply management spanning across viticulture, wine production, wine packaging, and supply chain management. Kerrin holds a Bachelor of Agricultural Science from the University of Adelaide and is currently completing a Master of Business Administration.</p>



## Board of Directors

Name and Title	Biography
<b>Paul Rayner</b> <i>Chairman</i> 	<p>Member of the Board since May 2011 and Chairman of the Board and the Nominations Committee since September 2012.</p> <p>Mr Rayner is an independent Director and is an Australian resident. He brings to the Board extensive international experience in markets relevant to TWE including Europe, North America, Asia, as well as Australia. He has worked in the fields of finance, corporate transactions and general management in the consumer goods, manufacturing and resource industries. His last role as an executive was as Finance Director of British American Tobacco plc, based in London, from January 2002 to 2008.</p> <p>Mr Rayner is also a director of Qantas Airways Limited (since July 2008 and where he also serves as Chairman of the Remuneration Committee), Boral Limited (since September 2008 and where he also serves as Chairman of the Audit Committee) and Murdoch Childrens Research Institute (since December 2014 and where he also serves as Chairman of the Audit, Finance and Risk Committee).</p>
<b>Tim Ford</b> <i>Chief Executive Officer</i> 	<p>Mr Ford was appointed TWE's Chief Executive Officer in July 2020. Since joining TWE in February 2011, Tim has held key roles across the business' global operations, including Director, Global Supply and Managing Director Europe, South East Asia, Middle East and Africa, and Deputy Chief Operating Officer with responsibilities for Asia, Europe and the ANZ regions. In January 2019 Tim was appointed Chief Operating Officer with responsibility for TWE's global operations. Prior to joining TWE, Tim worked at National Foods across multiple business functions as well as Foster's Group in a variety of supply chain roles, from production to logistics. Tim holds a Bachelor of Business from the University of South Australia and a Master of Business Administration from the University of Melbourne.</p>
<b>Ed Chan</b> <i>Non-Executive Director</i> 	<p>Member of the Board since September 2012 and member of the Audit and Risk Committee.</p> <p>Mr Chan is an independent Director and a Hong Kong resident. He is currently a director of Hong Kong-listed LINK REIT (since February 2016) and Yum China Holdings, Inc (since October 2016). He is also a Partner at Gaorong Capital (since July 2020).</p> <p>Mr Chan is a former Operating Partner of SoftBank Investment Advisers (from June 2019 to June 2020), the former Vice Chairman of Charoen Pokphand Group (from January 2012 to February 2018) and a former director of Hong Kong-listed CP Lotus (from April 2012 to February 2018). From 2006 to 2011, Mr Chan was the President and CEO of Wal-Mart China. He has also held senior positions with Dairy Farm including his last position as North Asia Regional Director, as well as leading the Bertelsmann Music Group business in Greater China. Mr Chan began his career as a consultant with McKinsey &amp; Co working in both Hong Kong and the United States.</p>
<b>Louisa Cheang</b> <i>Non-Executive Director</i> 	<p>Member of the Board since December 2018.</p> <p>Ms Cheang is an independent Director and a Hong Kong resident. Ms Cheang is currently the Vice Chairman and Chief Executive of Hang Seng Bank, listed on the Stock Exchange of Hong Kong Limited, and has had a successful career spanning a number of critical leadership roles with the HSBC Group throughout the Asia Pacific region. She is also currently Group General Manager of HSBC Holdings plc.</p> <p>Ms Cheang is also a member of key government advisory committees, notably The Twelfth Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Consulting Committee for the China (Guangdong) Pilot Free Trade Zone.</p> <p>Ms Cheang is a former director of The Hongkong and Shanghai Banking Corporation (from September 2017 to August 2020).</p>



Name and Title	Biography
<p><b>Warwick Every-Burns</b>  <i>Non-Executive Director</i></p> 	<p>Member of the Board since May 2011, Chairman of the Human Resources Committee and a member of the Nominations Committee.</p> <p>Mr Every-Burns is an independent Director and is an Australian resident. He was Chief Executive Officer of TWE on an interim basis from 23 September 2013 until 30 March 2014.</p> <p>Mr Every-Burns previously worked for more than 30 years in the consumer-packaged goods sector. Most recently, he was President of International Business and a member of the Worldwide Executive Committee of The Clorox Company, a NYSE listed, S&amp;P 500 business. He was based at The Clorox Company's headquarters in the United States for more than five years. Mr Every-Burns began his career at Unilever; is a former Managing Director of Glad Products of Australia and New Zealand and was formerly on the Advisory Council of the Frontier Strategy Group.</p> <p>Mr Every-Burns is a director of The a2 Milk Company Limited (since August 2016).</p>
<p><b>Gary Hounsell</b>  <i>Non-Executive Director</i></p> 	<p>Member of the Board since September 2012, Chairman of the Audit and Risk Committee and member of the Nominations Committee.</p> <p>Mr Hounsell is an independent Director and is an Australian resident. He is currently Chairman of Helloworld Travel Limited (since October 2016). Mr Hounsell is also a director of the Commonwealth Superannuation Corporation Limited (since July 2016) and Findex Group Limited (since January 2020).</p> <p>Mr Hounsell is a former Chairman of PanAust Limited (from July 2008 to August 2015), Myer Holdings Limited (from November 2017 to October 2020, and a director from September 2017 to October 2020), Spotless Group Holdings Limited (from February 2017 to August 2017, and a director from March 2014 to August 2017) and a former director of Qantas Airways Limited (from January 2005 to February 2015), Integral Diagnostics Limited (from October 2015 to March 2017) and Dulux Group Limited (from July 2010 to December 2017), and has held senior positions at both Ernst &amp; Young and Arthur Andersen.</p>
<p><b>Colleen Jay</b>  <i>Non-Executive Director</i></p> 	<p>Member of the Board since April 2018 and a member of the Human Resources Committee.</p> <p>Ms Jay is an independent Director and a United States resident.</p> <p>Ms Jay has extensive experience in the fast-moving consumer goods industry, acquired over a long and successful career at Procter &amp; Gamble (P&amp;G, NYSE: PG), an American multinational consumer goods company, between 1985 and 2017. She has held a number of senior leadership roles at P&amp;G, including President of Global Retail Hair Care &amp; Colour and her most recent position as President of the US\$5 billion Global Beauty Specialty business, where she also led a complex transition and divestiture of several businesses.</p> <p>Ms Jay has significant global experience having lived and worked in the United States, Europe, China and Canada. Her leadership experience includes significant global line operational leadership, strategy creation and execution, global brand building, new business development, transformational innovation and M&amp;A.</p> <p>Ms Jay is currently an independent non-executive director of The Cooper Companies (NYSE: COO).</p>



Name and Title	Biography
<b>Antonia Korsanos</b> <i>Non-Executive Director</i> 	<p>Member of the Board since April 2020 and member of the Audit and Risk Committee. Ms Korsanos is an independent Director and an Australian resident.</p> <p>Ms Korsanos has extensive senior executive, strategy, M&amp;A, financial and governance experience, acquired over a successful career as Chief Financial Officer of ASX-listed Aristocrat Leisure Limited between 2009 and 2018, where she also served as Company Secretary from 2011. During her career with Aristocrat, Ms Korsanos gained a significant understanding of the US market and regulatory environment and led a number of transformational cross-border acquisitions.</p> <p>Prior to joining Aristocrat, Ms Korsanos held senior leadership roles in the fast-moving consumer goods industry for a period of 10 years, including at Goodman Fielder and Kelloggs. Ms Korsanos commenced her career with accounting firm Coopers &amp; Lybrand (now PwC) and has been a Chartered Accountant since 1994.</p> <p>Ms Korsanos is currently an independent director of ASX listed companies Crown Resorts Limited and Webjet Limited. Ms Korsanos serves as Chair of the Audit Committees of Crown Resorts Limited, and Webjet Limited. Ms Korsanos was also appointed to the Board of Scientific Games Corporation (NASDAQ: SGMS) in September 2020. Ms Korsanos is a former director of Ardent Leisure Group Limited (from July 2018 to June 2020).</p>
<b>Lauri Shanahan</b> <i>Non-Executive Director</i> 	<p>Member of the Board since November 2016 and a member of the Human Resources Committee.</p> <p>Ms Shanahan is an independent Director and an American resident.</p> <p>Ms Shanahan has extensive retail, consumer brand, e-commerce and governance experience. She has held senior executive positions, including as Chief Administrative Officer, Chief Legal Officer and Corporate Secretary with The Gap Inc, where she was involved in leading the company's domestic and international expansion. Ms Shanahan also founded the consulting practice Maroon Peak Advisors of which she is a Principal.</p> <p>Ms Shanahan is currently a director of Cedar Fair Entertainment Company (NYSE: FUN) and Deckers Outdoor Corporation (NYSE: DECK).</p>

## 1.10 Substantial Shareholders<sup>6</sup>

The following shareholders have notified that they are substantial shareholders of TWE.

Shareholder	% of Issued Capital
Capital Group	7.1%
Blackrock Group	6.3%
The Vanguard Group	5.0%
<b>Total</b>	<b>18.4%</b>

<sup>6</sup> Based on ASX substantial shareholder notices as at 30 November 2020



## 2. Regional Operations

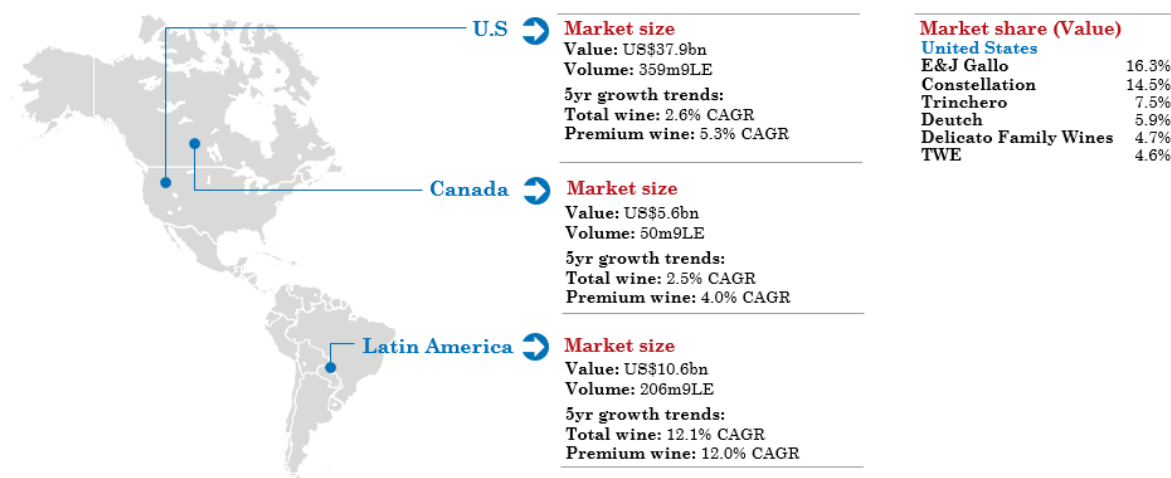


TREASURY  
WINE ESTATES



## 2.1 Americas

### 2.1.1 Key regional markets<sup>7,8</sup>



### 2.1.2 Focus brand portfolio



### 2.1.3 Channel and Country Split

In the US, TWE sells primarily through distribution partners except in three states (California, Florida and Washington) where it employs a direct or hybrid model. In addition, TWE sells through its direct to consumer business, including cellar doors. In Canada, TWE sells through a single distribution partner.

% of Region	Indicative <sup>9</sup>		
Americas	Volume	NSR	Portfolio focus
Bricks & Mortar Retail	86%	73%	Luxury, Masstige, Commercial
E-Commerce	1%	3%	Luxury, Masstige, Commercial
On-premise	10%	11%	Luxury, Masstige
Cellar Doors	1%	9%	Luxury, Masstige
Other	2%	4%	Luxury, Masstige

% of Region	F20	
Americas	Volume	NSR
United States	84%	87%
Canada	14%	10%
Latin America	2%	3%

### 2.1.4 Five-year financial performance<sup>10</sup>

\$Am	F16	F17	F18	F19	F20
Volume (m 9L cases)	15.3	15.8	13.7	14.0	12.4
Net sales revenue	1,011.2	1,083.7	961.8	1,134.4	1,069.4
NSR per case (\$)	66.1	68.8	70.4	80.9	86.1
Luxury & Masstige % of NSR	48%	58%	63%	67%	71%
EBITS	141.7	201.2	203.3	233.4	147.3
EBITS margin (%)	14.0%	18.6%	21.1%	20.6%	13.8%

#### Regional history:

- **F16:** Completed Diageo Wine acquisition, with step-up in premium wine sourcing from California a key transaction highlight
- **F18:** Implemented transformational route to market changes in the US
- **F18:** Executed proactive reduction of lower margin commercial portfolio

<sup>7</sup> Market size. IWSR 2020. Still, sparkling and fortified. Value and volume. Five-year growth trends based on value; premium market wine is greater than US\$8 retail shelf price.

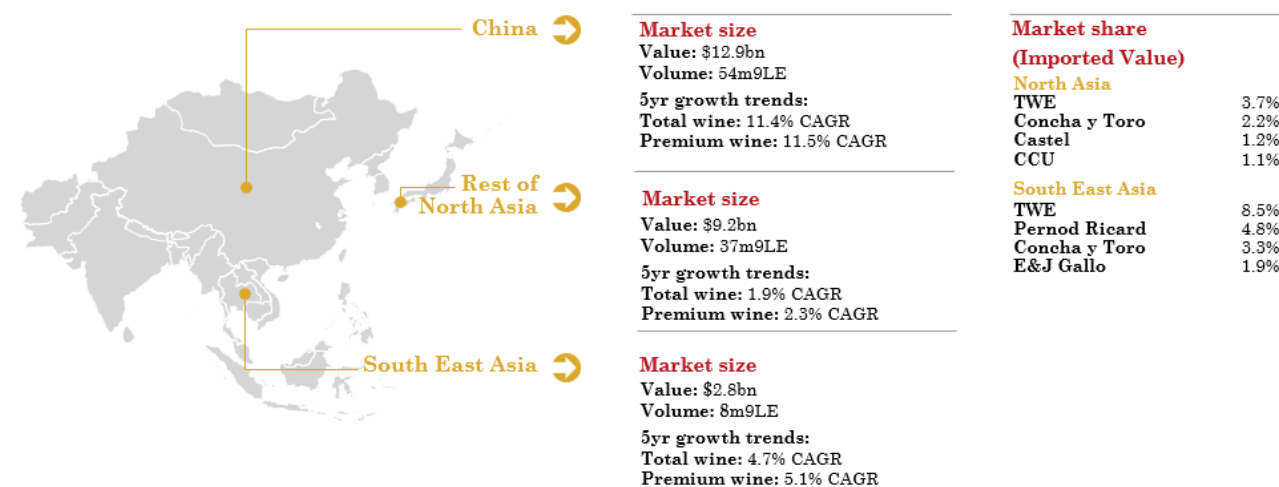
<sup>8</sup> Market share. IRI Market advantage MUL0 + Conv; Table \$4+ Segment; W.E 6 September 2020.

<sup>9</sup> Indicative channel splits are management estimates, based on experience of historical trading. E-commerce includes sales via TWE's e-commerce platforms and estimates of third-party sales through e-commerce.

<sup>10</sup> Prior year comparatives have been restated for AASB 16 Leases and AASB 112 Income Taxes

## 2.2 Asia

### 2.2.1 Key regional markets<sup>11,12</sup>



### 2.2.2 Focus brand portfolio<sup>13</sup>



### 2.2.3 Channel and Country Split

In Asia TWE sells through a combination of retail, wholesale, e-commerce and distributor partners.

% of Region <sup>14</sup>		Indicative	
Asia	Volume	NSR	Portfolio focus
Wholesale	59%	53%	Luxury, Masstige, Commercial
Retail	21%	23%	Luxury, Masstige
E-commerce	15%	18%	Luxury, Commercial
Other	5%	6%	Luxury

% of Region		F20
Asia	Volume	NSR
China	63%	69%
Rest of North Asia	14%	10%
South East Asia	23%	21%

### 2.2.4 Five-year financial performance<sup>15</sup>

\$Am	F16	F17	F18	F19	F20
Volume (m 9L cases)	2.3	3.0	4.0	4.3	3.3
Net sales revenue	286.7	371.9	526.8	721.4	617.1
NSR per case (\$)	126.3	125.0	132.1	167.6	187.8
Luxury & Masstige % NSR	80%	78%	78%	86%	89%
EBITS	101.0	145.6	199.5	283.0	243.7
EBITS margin (%)	35.2%	39.2%	37.9%	39.2%	39.5%

#### Regional history:

- **F15:** Implemented route to market changes in the region, focused on driving self-distribution
- **F16-20:** Increased allocations of luxury wine, driving premiumisation throughout the region
- **F19:** Drove expansion of distribution through the region, supported by significant investment in local sales team

<sup>11</sup> Market size. IWSR 2020. Still, sparkling and fortified wine. Imported wine only. Value and volume. Five-year growth trends based on value; premium market wine is greater than A\$10 retail shelf price.

<sup>12</sup> Market share by value. IWSR 2020. Still and fortified wine. Imported wine only. This data pre-dates the Chinese Ministry of Commerce announcement made on 27 November 2020 regarding the application of provisional measures to Australian wine.

<sup>13</sup> 19 Crimes and Matua are focus brands in South East Asia only.

<sup>14</sup> Indicative channel splits are management estimates, based on experience of historical trading. E-commerce includes sales via TWE's e-commerce platforms and estimates of third-party sales via e-commerce. These estimates do not reflect any current or potential impacts relating to the Chinese Ministry of Commerce investigations and TWE's response as announced on 30 November, 2020

<sup>15</sup> Prior year comparatives have been restated for AASB 16 Leases, AASB 112 Income Taxes and the transition of the MEA business from Asia to EMEA.

## 2.3 Australia and New Zealand

### 2.3.1 Key regional markets<sup>16,17</sup>



### 2.3.2 Focus brand portfolio



### 2.3.3 Country and Channel Split

In Australia, TWE sells direct to a combination of retail and wholesale partners in addition to its direct to consumer business which includes cellar doors.

% of Region	Indicative <sup>18</sup>		
ANZ	Volume	NSR	Portfolio focus
Bricks & Mortar Retail	83%	71%	Luxury, Masstige, Commercial
E-Commerce	6%	9%	Luxury, Masstige
On-premise	7%	7%	Masstige, Commercial
Cellar Doors	2%	10%	Luxury, Masstige
Other	2%	3%	Luxury

% of Region	F20	
ANZ	Volume	NSR
Australia	93%	95%
New Zealand	7%	5%

### 2.3.4 Five-year financial performance<sup>19</sup>

\$Am	F16	F17	F18	F19	F20
Volume (m 9L cases)	7.8	7.8	7.9	7.9	7.8
Net sales revenue	590.7	591.3	598.7	602.3	592.4
NSR per case (\$)	75.9	75.8	75.5	75.9	76.1
Luxury & Masstige % NSR	67%	68%	70%	73%	75%
EBITS	90.0	112.3	137.5	158.0	133.3
EBITS margin (%)	15.2%	19.0%	23.0%	26.2%	22.5%

#### Regional history:

- **F16-20:** Strong portfolio premiumization targeting specific opportunities for growth across premium price points and varietals

<sup>16</sup> Market size. IWSR 2020. Still, sparkling and fortified wine. Value and volume. Five-year growth trends based on value; premium market wine is greater than A\$10 retail shelf price.

<sup>17</sup> Market share. IRI MarketEdge Weighted value data MAT to 25 October 2020 Australia Bottled and canned.

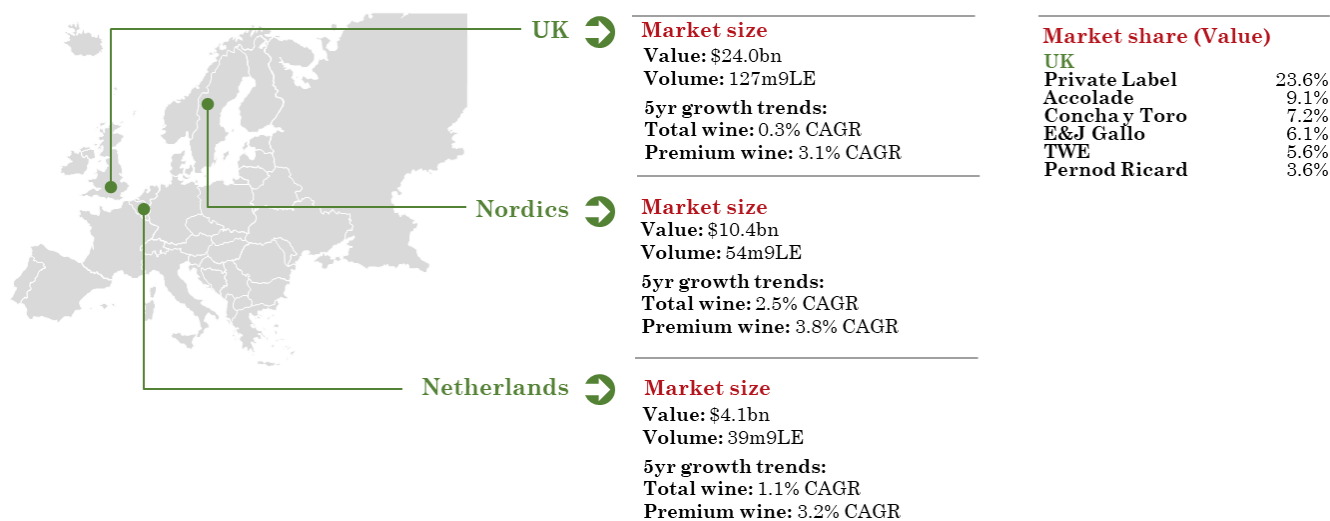
<sup>18</sup> Indicative channel splits are management estimates, based on experience of historical trading. E-commerce includes sales via TWE's e-commerce platforms and estimates of third-party sales via e-commerce.

<sup>19</sup> Prior year comparatives have been restated for AASB 16 Leases and AASB 112 Income Taxes.



## 2.4 Europe, Middle East and Africa

### 2.4.1 Key regional markets<sup>20,21</sup>



### 2.4.2 Focus brand portfolio



### 2.4.3 Country and Channel Split

In EMEA, TWE partners with a combination of direct to retail and monopoly customers across the UK, Netherlands, Sweden, Norway, Switzerland and Denmark. In other regional markets TWE sells through distributors.

% of Region	Indicative <sup>22</sup>		
EMEA	Volume	NSR	Portfolio focus
Bricks & Mortar Retail	91%	89%	Masstige, Commercial
E-commerce	5%	5%	Luxury, Masstige, Commercial
On-premise	2%	4%	Luxury, Masstige
Other	2%	2%	Luxury, Masstige

% of Region	F20	
EMEA	Volume	NSR
UK & Ireland	64%	56%
Nordics	17%	20%
Cont. Europe	16%	18%
Mid-East & Africa	3%	6%

### 2.4.4 Five-year financial performance<sup>23</sup>

\$Am	F16	F17	F18	F19	F20
Volume (m 9L cases)	8.2	9.9	9.0	9.2	8.9
Net sales revenue	344.0	354.8	341.7	373.5	370.6
NSR per case (\$)	41.8	35.9	38.0	40.5	41.8
Luxury & Masstige % NSR	23%	22%	26%	32%	35%
EBITS	43.5	46.4	56.3	63.3	51.7
EBITS margin (%)	12.7%	13.1%	16.5%	16.9%	14.0%

#### Regional history:

- **F16:** Acquired the Blossom Hill brand as part of the Diageo Wine acquisition

- **F20:** Acquired vineyard and production assets in Bordeaux France, a future priority sourcing region to support the French country of origin strategy

<sup>20</sup> Market size. IWSR 2020. Still, sparkling and fortified wine. Value and volume. Five-year growth trends based on value; premium market wine is greater than £6 retail shelf price.

<sup>21</sup> Market share by value. Nielsen, MAT to WE 05 September 2020 (still wine only)

<sup>22</sup> Indicative channel splits are management estimates, based on experience of historical trading. E-commerce includes sales via TWE's e-commerce platforms and estimates of third-party sales via e-commerce.

<sup>23</sup> Prior year comparatives have been restated for AASB 16 Leases, AASB 112 Income Taxes and the transition of the MEA business from Asia to EMEA.



### 3. Investment Framework & Capital Management



TREASURY  
WINE ESTATES

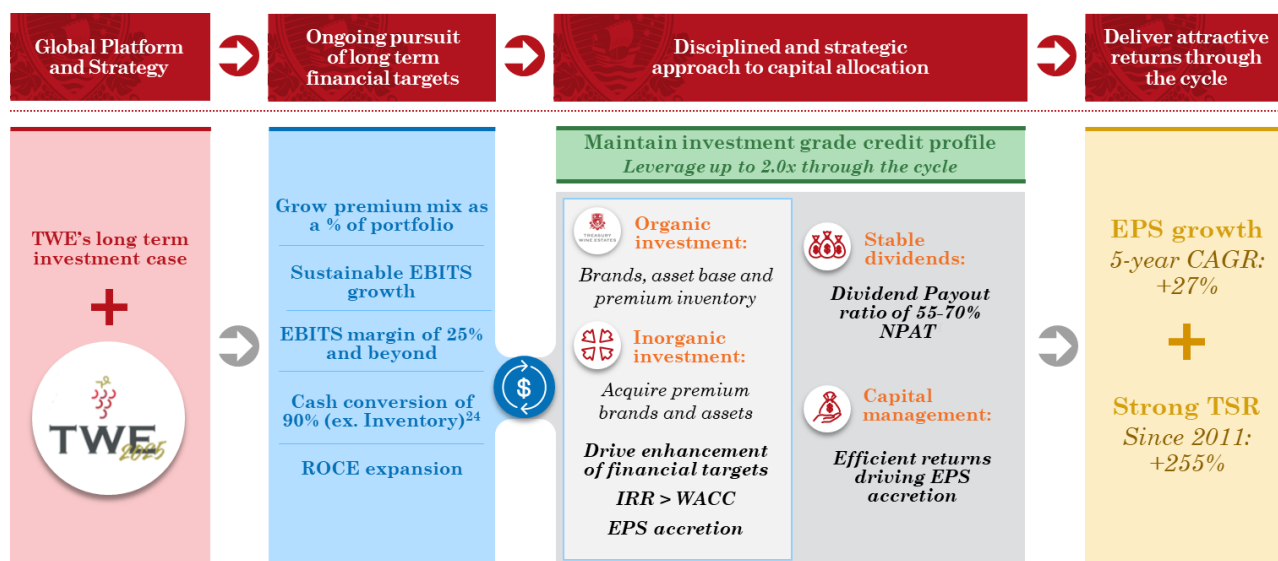


### 3.1 Shareholder Value Proposition

TWE is focused on delivering long-term value for its shareholders by leveraging its unrivalled global platform and continuing to execute its well-established premiumisation strategy, with the blueprint for the next stage of this strategy called TWE 2025.

Progress against key long-term financial targets is a precursor to TWE's disciplined capital allocation model, which balances organic and inorganic business investment with the delivery of sustainable returns to shareholders and maintenance of the investment grade capital structure.

With a proven track record of delivering on key strategic and financial targets, TWE has achieved strong EPS and TSR growth since 2011.



### 3.2 Investment Priorities

TWE's investment priorities are focused on supporting evolution of the long-term premiumisation strategy in the following key areas:

- Consumer led and experience focused brand building for TWE's global portfolio of luxury and masstige brands
- Increasing access to sources of supply to support continued investment in luxury inventory, a key driver of value accretive growth (refer section 3.3)
- Investment in the supply chain network to drive efficiency, capability and the appropriate level of capacity to meet future demand, with ownership of assets closely scrutinised to ensure TWE maintains a flexible, capital-light model

To ensure that investments sustainably support delivery of improved ROCE outcomes, TWE implements a competitive funds process where an internal investment committee identifies the best initiatives to pursue and oversees the delivery of improved returns for minimum levels of investment.

In addition, TWE will also consider inorganic investment opportunities that support strategic imperatives across the business model, brand portfolio and supply chain. Significant recent investments include the acquisitions of Diageo Wine in 2016 and vineyard and production assets in the Bordeaux region of France in 2019.

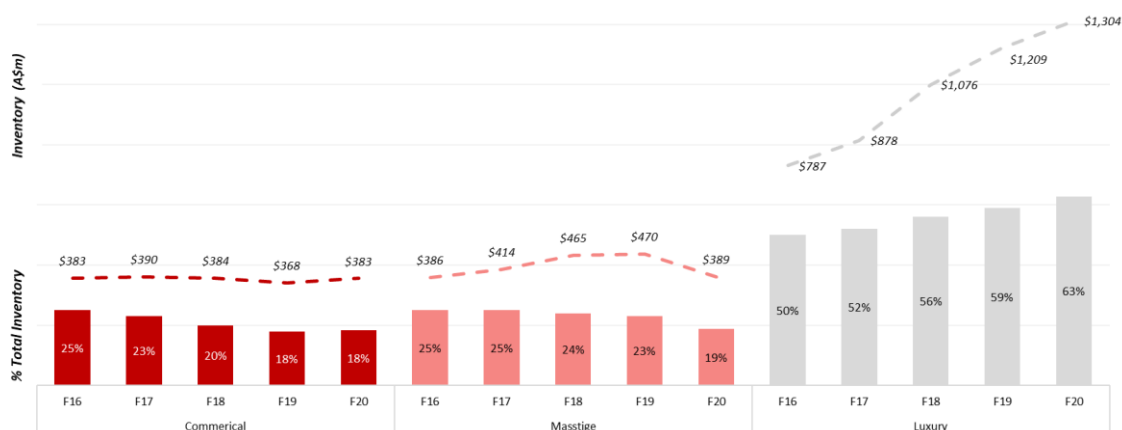
<sup>24</sup> Excludes the annual investment in luxury and masstige non-current inventory

### 3.3 Investing in Inventory

Investment in premium inventory has been a key pillar of TWE's premiumisation strategy, driving earnings growth, margin accretion and improved ROCE across multiple years.

Since F15, TWE has successfully increased its inventory position, focused on active investment to support the growth of the luxury and masstige portfolios where consumption demand has been growing in key markets. This has been achieved through disciplined investment in vineyards, the securing of additional grower contracts and improved grade conversion through the production network.







#### Evolution of inventory position



#### 3.3.1 Wine production and vintage intake

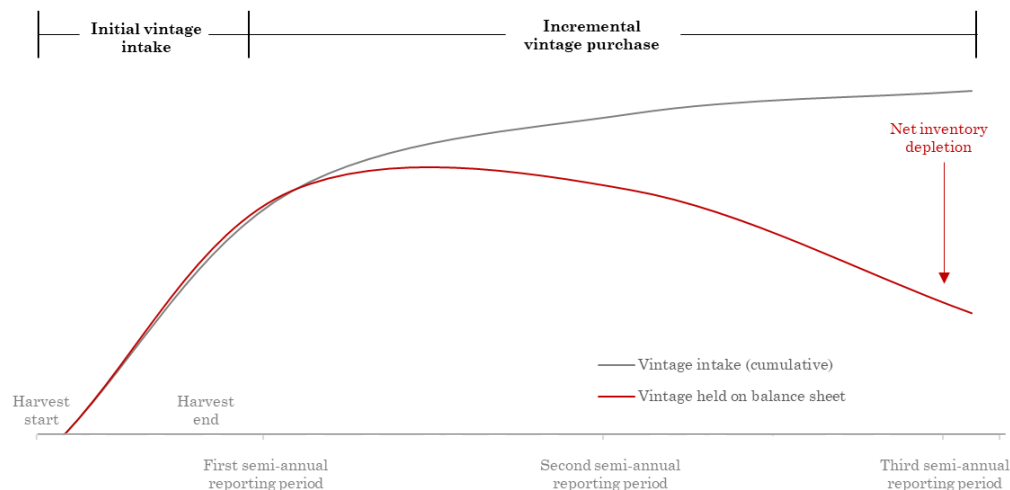
This section outlines the wine production process, the key production inputs and their contribution to cost, and the release profiles for inventory across TWE's brand portfolio.

Wine production is an intricate and complex process, involving a number of phases which vary in timing and length depending on the varietal and quality of the wine produced.

Stage	Description
<b>Harvest</b> 	<p>Harvesting is primarily conducted by machine using precision viticulture and thermal imaging techniques. Hand harvesting is still required for some luxury wines. Weather conditions play an important role in determining the most appropriate time for picking. Certain grape varieties ripen earlier than others – for example grape varieties such as Shiraz, Cabernet Sauvignon and Riesling will require more time for ripening than Pinot Noir or Chardonnay would.</p> <p><i>Harvest takes up to three months from commencement, occurring between February to May in the Southern Hemisphere and August to November in the Northern Hemisphere.</i></p>
<b>Crush</b> 	<p>Wine grapes are crushed by rollers to release the juice. At the same time stalks are removed. The resulting mixture of juice, pulp, skins and seed is called 'must'.</p>
<b>Ferment</b> 	<p>Yeast is added to the must to facilitate the conversion of natural sugars to alcohol. This process typically takes one to three weeks to complete. Prior to fermentation the length of time that the skins spend in contact with the juice will impact the flavour profile of the wine. The temperature at which fermentation takes place is a critical factor.</p> <p><i>An additional fermentation period ranging from two weeks to three months is required for all red wine and luxury white wine.</i></p>
<b>Press</b> 	<p>After collection of the free run juice, grapes are gently pressed to extract all of the juice. Pressings are kept separately, and depending on the style of wine being produced may be added back to the free run juice. The pressings add strength, body, tannin and complexity to the wine.</p>
<b>Maturation</b> 	<p>Maturation is the period of time that the wine spends in tank or oak barrel. Red wines are more typically matured in barrels than white wines. Maturation in oak barrels encourages clarification and stabilisation and over time the wine will pick up the aromas of the oak. For white wines this process is shorter so as not to impact the complexity and body of the wine.</p> <p><i>Maturation period ranges from four weeks for commercial wine up to three years for luxury wine.</i></p>
<b>Bottling</b> 	<p>Maturation may continue once the wine is in bottle, with time to release varying based on quality and price point.</p>



Whilst vintage intake is substantively completed in the months immediately following harvest, under TWE's flexible sourcing model incremental purchases of bulk wine occur into the future, typically for up to one year following the initial intake. These incremental purchases are generally focused on sourcing for the commercial and masstige portfolios and allow TWE to flexibly adjust total intake to meet demand once vintage release has commenced.



### 3.3.2 Production cost

The key elements of production cost relate to the sourcing of grapes or bulk wine, dry good inputs, packaging and additional costs such as warehousing. Per unit production costs generally increase with wine quality which is the key driver of cost for TWE's brand portfolio.

Production costs are recognised as inventory on the balance sheet (at the lower of cost and net realisable value) and recognised through the P&L as cost of goods at the time the product is sold.

#### Composition of per unit production costs<sup>25</sup>

An indicative composition of per unit production costs is shown below for TWE's commercial and luxury & masstige portfolios.

#### Commercial



#### Luxury & Masstige



<b>Logistics &amp; Production Overheads</b>	Includes warehousing and freight costs
<b>Packaging</b>	Includes costs of running packaging lines and site overheads
<b>Dry Goods</b>	Includes bottles, closures, labels, cartons and packaging
<b>Wine</b>	Includes cost of grapes (including SGARA outcomes for TWE grown fruit) bulk wine and oak barrels

<sup>25</sup> Indicative breakdown of production inputs across Australian and Californian portfolios. Will differ across individual products and all inputs are subject to variation over time



### 3.3.3 Inventory release profiles

The age of release for TWE's portfolio varies depending on the varietal and the quality of the wine. Given the more complex and time-intensive production process, luxury wine is typically retained on TWE's balance sheet for significantly longer than commercial and masstige wine. While the age of release is longer for luxury wine, the returns from investment are significantly greater over time (refer 3.3.4 below).

#### Age of release examples



Ideal age of release profiles are shown below for TWE's Australian and Californian sourced portfolios. These provide a rule-of-thumb view of the rate at which a vintage is expected to be sold across a five-year release horizon, commencing from the fiscal year of harvest. The Californian harvest is completed in the first half of each fiscal year, with vintage release commencing from the second half of that same fiscal year (Year 0). In Australia, the harvest is completed in the second half of each fiscal year, with vintage release commencing from the first half of the subsequent fiscal year (Year 1).

#### Ideal age of release profiles (by value)<sup>26</sup>

##### Australian sourced vintage

	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4+
<b>Luxury</b>	0%	0%	35%	60%	5%
<b>Masstige</b>	0%	50%	50%	0%	0%
<b>Commercial</b>	0%	95%	5%	0%	0%

##### Californian sourced vintage

	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4+
<b>Luxury</b>	0%	10%	45%	45%	0%
<b>Masstige</b>	10%	70%	20%	0%	0%
<b>Commercial</b>	20%	80%	0%	0%	0%

For its luxury portfolio TWE's allocation program has incremental flexibility, which is a key strength of its business model and allows for efficient management through short term changes in demand or single vintage variation.

### 3.3.4 Returns from premiumisation

In addition to higher levels of inventory held on the balance sheet, luxury wine production generally requires greater upfront investment in fixed assets such as vineyards, wineries and production equipment. However, the returns realised from the sale of luxury wine are significantly greater than those earned on commercial and masstige wine. Over time, this investment in premiumisation has supported continued improvement in TWE's key financial metrics, including EBITs, EBITs margin and ROCE.

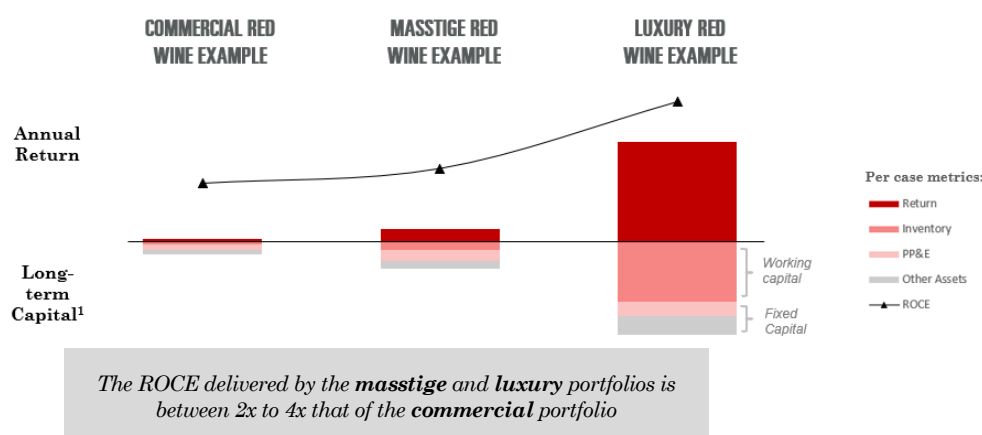
TWE's capital allocation model is differentiated across its portfolio to sustainably maximise ROCE over the long-term:

<sup>26</sup> Indicative. Based on ideal release profile and subject to change for variations in demand or allocations.

- Commercial – capital light model with minimal working or fixed capital employed, and external sourcing prioritised to deliver flexibility, profitability and an appropriate level of ROCE
- Masstige – slightly higher capital employed compared to commercial wine, supported by the strength of the brand portfolio to deliver higher product margins and ROCE
- Luxury – highest degree of capital investment delivering significantly higher level of profitability and ROCE, and the key driver of incremental growth for TWE

### Portfolio ROCE<sup>27</sup>

The diagram below provides examples of the level of profitability that may be earned relative to the degree of capital employed in producing commercial, masstige and luxury wine.



## 3.4 Capital Management

TWE's disciplined approach to capital management balances investment to support long-term growth with the delivery of sustainable shareholder returns. Central to the capital management framework is TWE's commitment to the maintenance of an investment grade capital structure.

### Capital management framework

PILLAR	TARGET / CORE PRINCIPLE
Investment grade credit profile	<ul style="list-style-type: none"> <li>▪ Net debt to EBITDAS up to 2.0x through the cycle and up to 2.5x for strategic initiatives</li> <li>▪ Underpins TWE's investment grade capital structure</li> </ul>
Strong operating cash flow	<ul style="list-style-type: none"> <li>▪ Target cash conversion of 90% or higher for each full financial year, excluding the annual investment in non-current luxury and non-current masstige inventory</li> </ul>
Invest in long term sustainable growth	<ul style="list-style-type: none"> <li>▪ Target positive NPV, IRR&gt;WACC, strong payback</li> <li>▪ Investment aligned to execution of strategic imperatives across business model, brand portfolio and supply chain</li> </ul>
Sustainable shareholder returns	<ul style="list-style-type: none"> <li>▪ Target dividend payout ratio between 55-70% NPAT over a financial year, pre SGARA and Significant Items</li> <li>▪ Supplemented by capital management, where appropriate</li> </ul>

<sup>27</sup> Long term capital scaled to 50%, Other Assets includes intangibles



## 4. Financial Performance



TREASURY  
WINE ESTATES



## 4.1 Key Metrics

Term	Definition
Volume	9 litre equivalent cases of wine sold
NSR	Net sales revenue
EBITDAS	Earnings before interest, tax, depreciation, amortization, material items and SGARA
EBITS	Earnings before interest, tax, materials items and SGARA
EBITS Margin	EBITS divided by Net sales revenue
EBIT	Earnings before interest, tax and material items
CODB	Cost of doing business. Gross profit less EBITs. It excludes non-cash items as well as tax, the cost of the Group's capital structure, and non-operating transactions a measure of underlying operational costs.
CODB Margin	CODB divided by Net sales revenue
NPAT	Net profit after tax
Material items	Items of income or expense which have been determined as being sufficiently significant by their size, nature or incidence and are disclosed separately to assist in understanding the Group's financial performance
EPS	Earnings per Share. NPAT excluding SGARA and material items, divided by the weighted average number of shares outstanding.
DPS	Dividend declared per share.
ROCE	Return on Capital Employed. EBITs divided by Capital Employed (at constant currency). Capital Employed is the sum of average net assets (adjusted for SGARA) and average net debt.
Net debt	Interest bearing borrowings and lease liabilities less cash and cash equivalents
Leverage	Net debt divided by EBITDAS, including capitalised operating leases per AASB16
Cash Conversion	Net operating cash flows before financing costs, tax & material items divided by EBITDAS
SGARA	Australian accounting standard AASB 141 "Agriculture" requires that grapes (i.e.: fruit still on the vine) be classified as an agricultural asset and measured at fair value less costs to sell. Gains and losses arising on measurement are recognised in the profit and loss. Upon completion of harvest, the fair value becomes cost in inventory.
Shipment	Shipments refer to sales volume from TWE to a third party customer.
Depletion	Depletions refer to volume movements from a TWE customer (wholesaler, distributor, retailer) to their customers

## 4.2 Five-year Profit & Loss<sup>28</sup>

\$Am (unless otherwise stated)	F16	F17	F18	F19	F20
Volume (m 9L cases)	33.6	36.4	34.6	35.5	32.4
Net sales revenue	2,232.6	2,401.7	2,429.0	2,831.6	2,649.5
<i>NSR per case (\$)</i>	<i>66.5</i>	<i>66.0</i>	<i>70.3</i>	<i>79.8</i>	<i>81.9</i>
Other Revenue	110.7	132.5	67.4	51.4	28.7
<b>Total Revenue</b>	<b>2,343.3</b>	<b>2,534.2</b>	<b>2,496.4</b>	<b>2,883.0</b>	<b>2,678.2</b>
Cost of goods sold	(1,508.3)	(1,563.2)	(1,425.8)	(1,642.5)	(1,588.9)
<i>Cost of goods sold per case (\$)</i>	<i>44.9</i>	<i>42.9</i>	<i>41.2</i>	<i>46.3</i>	<i>49.1</i>
Gross profit	835.0	971.0	1,070.6	1,240.5	1,089.3
<i>Gross profit margin (% NSR)</i>	<i>37.4%</i>	<i>40.4%</i>	<i>44.1%</i>	<i>43.8%</i>	<i>41.1%</i>
<i>Gross profit per case (\$)</i>	<i>24.9</i>	<i>26.7</i>	<i>31.0</i>	<i>34.9</i>	<i>33.7</i>
Cost of doing business	(493.9)	(507.4)	(526.6)	(559.5)	(555.8)
<i>Cost of doing business margin (% NSR)</i>	<i>22.0%</i>	<i>21.2%</i>	<i>21.8%</i>	<i>19.8%</i>	<i>21.0%</i>
<b>EBITS</b>	<b>341.1</b>	<b>463.6</b>	<b>544.0</b>	<b>681.0</b>	<b>533.5</b>
<i>EBITS margin (%)</i>	<i>15.3%</i>	<i>19.3%</i>	<i>22.4%</i>	<i>24.1%</i>	<i>20.1%</i>
SGARA	(11.1)	(5.7)	(15.0)	(19.7)	(41.3)
<b>EBIT</b>	<b>330.0</b>	<b>457.9</b>	<b>529.0</b>	<b>661.3</b>	<b>492.2</b>
Net finance costs	(42.2)	(58.9)	(63.9)	(85.7)	(85.9)
Tax expense	(84.7)	(121.4)	(119.7)	(167.1)	(119.3)
<b>Net Profit after tax (before material items)</b>	<b>203.1</b>	<b>277.6</b>	<b>345.4</b>	<b>408.5</b>	<b>287.0</b>
Materials items (after tax)	(38.1)	(22.0)	(4.6)	-	(26.2)
Non-controlling interests	(0.1)	(0.8)	(0.1)	-	-
<b>Net profit after tax</b>	<b>164.9</b>	<b>254.8</b>	<b>340.7</b>	<b>408.5</b>	<b>260.8</b>
Reported EPS	23.1	34.6	46.9	56.9	36.2
<b>Net profit after tax (before materials items and SGARA)</b>	<b>209.1</b>	<b>279.1</b>	<b>356.3</b>	<b>422.8</b>	<b>315.8</b>
EPS (before material items and SGARA)	29.3	38.0	49.1	58.9	43.9
Average no. of shares (m)	713.7	736.8	725.7	718.4	719.9
DPS	20.0	26.0	32.0	38.0	28.0

<sup>28</sup> Prior year comparatives have been restated for AASB 16 Leases and AASB 112 Income Taxes



<b>\$Am (unless otherwise stated)</b>	<b>1H16</b>	<b>1H17</b>	<b>1H18</b>	<b>1H19</b>	<b>1H20</b>
Volume (m 9L cases)	15.8	18.7	18.4	18.7	17.7
Net sales revenue	1,079.4	1,294.7	1,295.4	1,507.7	1,536.1
<i>NSR per case (\$)</i>	<i>68.4</i>	<i>69.1</i>	<i>70.3</i>	<i>80.6</i>	<i>87.0</i>
Other Revenue	59.9	73.7	41.2	30.1	15.1
<b>Total Revenue</b>	<b>1,139.3</b>	<b>1,368.4</b>	<b>1,336.6</b>	<b>1,537.8</b>	<b>1,551.2</b>
Cost of goods sold	(737.2)	(864.2)	(784.8)	(884.9)	(868.0)
<i>Cost of goods sold per case (\$)</i>	<i>46.7</i>	<i>46.1</i>	<i>42.6</i>	<i>47.3</i>	<i>49.2</i>
Gross profit	402.1	504.2	551.8	652.9	683.2
<i>Gross profit margin (% NSR)</i>	<i>37.3%</i>	<i>38.9%</i>	<i>42.6%</i>	<i>43.3%</i>	<i>44.5%</i>
<i>Gross profit per case (\$)</i>	<i>25.5</i>	<i>26.9</i>	<i>29.9</i>	<i>34.9</i>	<i>38.7</i>
Cost of doing business	(256.3)	(273.4)	(261.7)	(306.0)	(316.5)
<i>Cost of doing business margin (% NSR)</i>	<i>23.7%</i>	<i>21.1%</i>	<i>20.2%</i>	<i>20.3%</i>	<i>20.6%</i>
<b>EBITS</b>	<b>145.9</b>	<b>230.8</b>	<b>290.1</b>	<b>346.9</b>	<b>366.7</b>
<i>EBITS margin (%)</i>	<i>13.5%</i>	<i>17.8%</i>	<i>22.4%</i>	<i>23.0%</i>	<i>23.9%</i>
SGARA	(14.6)	(10.6)	(24.0)	(6.2)	(2.6)
<b>EBIT</b>	<b>131.3</b>	<b>220.2</b>	<b>266.1</b>	<b>340.7</b>	<b>364.1</b>
Net finance costs	(11.8)	(29.4)	(30.5)	(40.7)	(44.8)
Tax expense	(34.8)	(55.4)	(61.5)	(86.6)	(91.9)
<b>Net Profit after tax (before material items)</b>	<b>84.7</b>	<b>135.4</b>	<b>174.1</b>	<b>213.4</b>	<b>227.4</b>
Materials items (after tax)	(26.9)	(6.1)	(0.9)	-	(16.0)
Non-controlling interests	(0.1)	(0.5)	-	-	-
<b>Net profit after tax</b>	<b>57.7</b>	<b>128.8</b>	<b>173.2</b>	<b>213.4</b>	<b>211.4</b>
Reported EPS	8.4	17.5	23.7	29.7	29.4
<b>Net profit after tax (before materials items and SGARA)</b>	<b>93.5</b>	<b>136.7</b>	<b>193.9</b>	<b>218.0</b>	<b>229.2</b>
EPS (before material items and SGARA)	13.5	18.6	26.5	30.4	31.9
Average no. of shares (m)	690.7	736.6	731.2	718.3	719.5
DPS	8.0	13.0	15.0	18.0	20.0

### 4.3 Five-year Balance Sheet<sup>29</sup>

\$Am (unless otherwise stated)	F16	F17	F18	F19	F20
Cash & cash equivalents	252.2	240.8	89.4	401.8	449.1
Receivables	611.4	607.9	593.3	662.0	554.1
Current inventories	871.7	906.4	957.8	1,001.7	1,017.4
Non-current inventories	684.9	775.4	967.2	1,045.6	1,059.2
Property, plant & equipment	1,321.9	1,304.2	1,386.3	1,369.9	1,397.4
Right of use lease assets	477.0	441.4	456.0	535.9	517.0
Agricultural assets	35.9	37.7	41.3	29.4	34.1
Intangibles	1,246.6	1,241.0	1,273.8	1,308.9	1,331.6
Tax assets	309.3	237.4	183.1	187.0	183.5
Assets held for sale	68.2	36.0	45.2	78.3	74.3
Other assets	21.5	11.5	11.2	21.0	54.2
<b>Total assets</b>	<b>5,900.5</b>	<b>5,839.8</b>	<b>6,004.6</b>	<b>6,641.5</b>	<b>6,671.9</b>
Payables	655.3	654.4	697.1	718.6	682.1
Interest bearing debt	546.0	522.6	802.9	1,090.0	1,227.0
Lease liabilities	629.8	593.1	610.9	704.6	698.6
Tax liabilities	420.8	423.2	385.1	430.1	357.1
Provisions	83.1	64.8	49.4	43.6	53.9
Other liabilities	9.4	0.6	15.8	13.1	29.8
<b>Total liabilities</b>	<b>2,344.4</b>	<b>2,258.8</b>	<b>2,561.3</b>	<b>3,000.0</b>	<b>3,048.5</b>
<b>Net assets</b>	<b>3,556.1</b>	<b>3,581.0</b>	<b>3,443.3</b>	<b>3,641.5</b>	<b>3,623.4</b>

\$Am (unless otherwise stated)	1H16	1H17	1H18	1H19	1H20
Cash & cash equivalents	1,101.2	339.9	202.5	183.0	335.6
Receivables	593.8	622.3	662.1	829.1	703.5
Current inventories	695.0	893.0	1,005.6	1,069.1	996.6
Non-current inventories	465.2	654.6	674.8	893.3	1,015.3
Property, plant & equipment	1,090.0	1,329.2	1,295.0	1,410.3	1,393.0
Right of use lease assets	124.8	481.7	443.3	535.8	537.7
Agricultural assets	36.0	37.2	37.0	40.7	39.1
Intangibles	957.2	1,265.3	1,235.6	1,301.8	1,322.7
Tax assets	189.9	285.9	162.5	177.7	178.0
Assets held for sale	17.6	37.7	15.5	39.1	72.3
Other assets	9.3	14.0	13.2	16.9	18.8
<b>Total assets</b>	<b>5,280.0</b>	<b>5,960.7</b>	<b>5,747.2</b>	<b>6,496.8</b>	<b>6,612.6</b>
Payables	505.4	632.5	705.1	745.9	665.6
Interest bearing debt	666.6	554.9	624.6	1,050.6	1,082.5
Lease liabilities	149.6	642.6	593.5	700.1	708.6
Tax liabilities	301.7	425.5	335.9	377.4	381.7
Provisions	105.9	78.3	50.8	49.8	56.6
Other liabilities	14.9	1.3	3.3	15.2	8.2
<b>Total liabilities</b>	<b>1,744.1</b>	<b>2,335.0</b>	<b>2,313.2</b>	<b>2,939.0</b>	<b>2,903.1</b>
<b>Net assets</b>	<b>3,535.9</b>	<b>3,625.7</b>	<b>3,434.0</b>	<b>3,557.9</b>	<b>3,709.5</b>

<sup>29</sup> Prior year comparatives have been restated for AASB 16 Leases and AASB 112 Income Taxes

## 4.4 Five-year Cash Flow Statement<sup>30</sup>

\$Am (unless otherwise stated)	F16	F17	F18	F19	F20
<b>EBITDAS</b>	<b>477.5</b>	<b>618.5</b>	<b>691.5</b>	<b>842.9</b>	<b>697.9</b>
Change in working capital	93.2	(56.0)	(171.4)	(167.5)	(22.2)
Other items	16.3	(23.3)	(24.0)	(14.7)	(15.0)
<b>Net operating cash flows before financing costs, tax &amp; material items</b>	<b>587.0</b>	<b>539.2</b>	<b>496.1</b>	<b>660.7</b>	<b>660.7</b>
<b>Cash conversion</b>	<b>122.9%</b>	<b>87.2%</b>	<b>71.7%</b>	<b>78.4%</b>	<b>94.7%</b>
Payments for capital expenditure and subsidiaries	(937.5)	(236.8)	(215.4)	(160.7)	(188.8)
Proceeds from sale of assets	5.4	77.3	50.1	102.5	100.2
<b>Cash flows after net capital expenditure, before financing costs, tax &amp; material items</b>	<b>(345.0)</b>	<b>379.7</b>	<b>330.9</b>	<b>602.5</b>	<b>572.1</b>
Net interest paid	(42.7)	(56.3)	(59.8)	(84.8)	(84.1)
Tax paid	(10.8)	(32.0)	(93.7)	(112.5)	(168.0)
<b>Cash flows before dividends &amp; material items</b>	<b>(398.5)</b>	<b>291.4</b>	<b>177.4</b>	<b>405.2</b>	<b>320.0</b>
Dividends/distributions paid	(111.2)	(184.6)	(203.6)	(244.7)	(276.3)
<b>Cash flows after dividends before material items</b>	<b>(509.7)</b>	<b>106.8</b>	<b>(26.2)</b>	<b>160.5</b>	<b>43.7</b>
Material item cash flows	(13.7)	(3.9)	(8.1)	(1.5)	(19.8)
Issue of shares, less transaction costs	475.4	-	-	-	-
On-market share buyback	-	-	(300.0)	-	-
On-market share purchases	(4.5)	(65.9)	(42.9)	(16.6)	(4.9)
<b>Total cash flows from activities (before debt)</b>	<b>(52.5)</b>	<b>36.9</b>	<b>(377.3)</b>	<b>142.4</b>	<b>19.0</b>
Net (repayment) / proceeds from borrowings	200.6	(37.0)	228.1	169.1	28.8
<b>Total cash flows from activities</b>	<b>148.1</b>	<b>(0.1)</b>	<b>(149.2)</b>	<b>311.5</b>	<b>47.8</b>
<b>Opening net debt</b>	<b>(331.0)</b>	<b>(909.9)</b>	<b>(870.3)</b>	<b>(1,336.9)</b>	<b>(1,380.0)</b>
Total cash flows from activities (above)	(52.5)	36.9	(377.3)	142.4	19.0
Net lease liability additions	(474.9)	(19.8)	(38.3)	(117.8)	(41.3)
Proceeds from settlement of derivatives	10.4	0.6	-	-	-
Net debt acquired	-	-	-	-	(4.9)
Debt revaluation and foreign exchange movements	(61.9)	21.9	(50.9)	(67.7)	(27.0)
<b>Increase in net debt</b>	<b>(578.9)</b>	<b>39.6</b>	<b>(466.6)</b>	<b>(43.1)</b>	<b>(54.2)</b>
<b>Closing net debt</b>	<b>(909.9)</b>	<b>(870.3)</b>	<b>(1,336.9)</b>	<b>(1,380.0)</b>	<b>(1,434.2)</b>

<sup>30</sup> Prior year comparatives have been restated for AASB 16 Leases

<b>\$Am (unless otherwise stated)</b>	<b>1H16</b>	<b>1H17</b>	<b>1H18</b>	<b>1H19</b>	<b>1H20</b>
<b>EBITDAS</b>	200.9	311.1	363.0	425.5	444.7
Change in working capital	43.2	10.7	(41.9)	(187.7)	(73.8)
Other items	6.1	(5.8)	(10.8)	7.8	7.5
<b>Net operating cash flows before financing costs, tax &amp; material items</b>	<b>250.3</b>	<b>316.0</b>	<b>310.3</b>	<b>245.8</b>	<b>378.3</b>
<b>Cash conversion</b>	<b>124.5%</b>	<b>101.6%</b>	<b>85.5%</b>	<b>57.7%</b>	<b>85.1%</b>
Payments for capital expenditure and subsidiaries	(43.4)	(87.1)	(83.9)	(93.6)	(113.2)
Proceeds from sale of assets	2.2	31.3	35.8	26.6	28.7
<b>Cash flows after net capital expenditure, before financing costs, tax &amp; material items</b>	<b>209.1</b>	<b>260.2</b>	<b>262.1</b>	<b>178.8</b>	<b>293.8</b>
Net interest paid	(10.7)	(27.8)	(28.6)	(41.9)	(43.8)
Tax paid	(2.2)	(22.8)	(70.2)	(88.7)	(123.7)
<b>Cash flows before dividends &amp; material items</b>	<b>196.3</b>	<b>209.6</b>	<b>163.4</b>	<b>48.2</b>	<b>126.3</b>
Dividends/distributions paid	(52.1)	(88.6)	(96.0)	(122.2)	(140.2)
<b>Cash flows after dividends before material items</b>	<b>144.2</b>	<b>121.0</b>	<b>67.3</b>	<b>(74.0)</b>	<b>(13.9)</b>
Material item cash flows	35.9	3.1	(7.8)	(0.7)	(6.3)
Issue of shares, less transaction costs	475.5	-	-	-	-
On-market share buyback	-	-	(162.7)	-	-
On-market share purchases	(4.6)	(18.3)	(24.4)	(16.6)	(4.9)
<b>Total cash flows from activities (before debt)</b>	<b>651.1</b>	<b>105.7</b>	<b>(127.5)</b>	<b>(91.3)</b>	<b>(25.1)</b>
Net (repayment) / proceeds from borrowings	332.8	(15.4)	94.4	183.2	(42.2)
<b>Total cash flows from activities</b>	<b>983.8</b>	<b>90.4</b>	<b>(33.1)</b>	<b>91.9</b>	<b>(67.3)</b>
<b>Opening net debt</b>	<b>(331.0)</b>	<b>(909.9)</b>	<b>(870.3)</b>	<b>(1,336.9)</b>	<b>(1,380.0)</b>
Total cash flows from activities (above)	651.1	105.7	(127.5)	(91.3)	(25.1)
Net lease liability additions	(33.8)	(14.1)	(30.4)	(88.8)	(30.9)
Proceeds from settlement of derivatives	13.6	1.1	(0.2)	-	-
Net debt acquired	-	-	-	-	(3.2)
Debt revaluation and foreign exchange movements	(9.5)	(37.0)	13.9	(56.1)	(2.4)
<b>Increase in net debt</b>	<b>621.3</b>	<b>55.7</b>	<b>(144.2)</b>	<b>(236.2)</b>	<b>(61.6)</b>
<b>Closing net debt</b>	<b>290.4</b>	<b>(854.2)</b>	<b>(1,014.5)</b>	<b>(1,573.1)</b>	<b>(1,441.6)</b>

## 4.5 Key Ratios<sup>31</sup>

\$Am (unless otherwise stated)	F16	F17	F18	F19	F20
NSR per case (\$)	66.5	66.0	70.3	79.8	81.9
Cost of Goods sold per case (\$)	44.9	42.9	41.2	46.3	49.1
Gross profit margin (% of NSR)	37.4%	40.4%	44.1%	43.8%	41.1%
Cost of doing business margin (% of NSR)	22.0%	21.2%	21.8%	19.8%	21.0%
EBITS margin (%)	15.3%	19.3%	22.4%	24.1%	20.1%
Reported EPS	23.1	34.6	46.9	56.9	36.2
EPS (Before material items and SGARA)	29.3	38.0	49.1	58.9	43.9
ROCE	8.9%	10.4%	11.7%	13.9%	10.6%
Cash Conversion	122.9%	87.4%	72.0%	78.4%	94.7%
Cash Conversion (Excl. movement in luxury & masstige non-current inventory)	151.1%	101.3%	98.7%	90.9%	97.6%
Luxury & Masstige Contribution to Global NSR	53%	58%	63%	69%	71%
Net Debt/EBITDAS	2.0x	1.5x	2.0x	1.8x	2.2x
DPS	20.0	26.0	32.0	38.0	28.0

\$Am (unless otherwise stated)	1H16	1H17	1H18	1H19	1H20
NSR per case (\$)	68.4	69.1	70.3	80.6	87.0
Cost of Goods sold per case (\$)	46.5	46.3	42.4	47.3	49.2
Gross profit margin (% of NSR)	37.5%	38.7%	41.6%	43.3%	44.5%
Cost of doing business margin (% of NSR)	23.7%	21.1%	20.2%	20.3%	20.6%
EBITS margin (%)	13.5%	17.8%	22.4%	23.0%	23.9%
Reported EPS	8.4	17.5	23.7	29.7	29.4
EPS (Before material items and SGARA)	13.5	18.6	26.5	30.4	31.9
ROCE	8.7%	11.0%	11.6%	12.5%	13.6%
Cash Conversion	121.4%	102.9%	80.1%	57.7%	85.1%
Cash Conversion (Excl. Luxury & Masstige Inventory)	95.4%	97.9%	64.6%	53.3%	77.5%
Luxury & Masstige Contribution to Global NSR	54%	61%	62%	70%	73%
Net Debt/EBITDAS	(0.0)x	1.6x	1.6x	2.1x	1.8x
DPS	8.0	13.0	15.0	18.0	20.0

<sup>31</sup> Prior year comparatives have been restated for AASB 16 Leases and AASB 112 Income Taxes





## 5. Contact Details



TREASURY  
WINE ESTATES





## 5.1 Investor Relations

Investors@tweglobal.com

### **Bijan Taghian**

Director, Corporate Finance

bijan.taghian@tweglobal.com

Tel: +61 3 8533 3568

Mob: +61 433 173 664

### **Melinda George**

Senior Manager, Investor Relations

melinda.george@tweglobal.com

Tel: +61 3 8533 3189

Mob: +61 417 918 599

## 5.2 Media

### **Melissa O'Neill**

Director, Corporate Affairs

melissa.oneill@tweglobal.com

Tel: +61 3 8533 3923

Mob: +61 467 555 175