



## TWE delivers EBITs and margin growth in F23

### F23 NPAT up 16.6% to \$376.1m and EPS up 16.6% to 52.1cps<sup>1</sup>

#### Announcement headlines

- EBITs grew 11.4% to \$583.5m driven by strong Luxury top-line growth from Penfolds, successful price increases across several brands and cost savings from the global supply chain optimisation program
- Premiumisation trends continue across the wine category, with demand for Luxury wine remaining strong in TWE's key global markets and a resilient Premium wine segment despite the tightening economic environment
- NSR per case increased 12.7%, led by premiumisation and price rises delivered across all divisions
- EBITs margin strengthened 2.9ppts to 24.1%, with progression towards the long-term Group target of 25%+ delivered in an environment of elevated cost inflation
- Strong progress made towards implementation of the new Treasury Premium Brands operating model and restructuring of the Australian Commercial wine supply chain. Total net program cost of up to \$90m (including \$30m of cash costs) to be incurred across F23 and F24. Ongoing benefits from the program will exceed the cash cost, and mitigate the impact of rising cost of goods as a result of lower portfolio volumes
- In F24, TWE is well positioned to deliver growth, supported by Luxury portfolio growth, the strength of its global brand portfolio, its diversified business model and the benefits of key asset base and cost optimisation initiatives

#### Group financial summary

A\$m (unless otherwise stated)	F23	% Chg. Reported	% Chg. Constant Currency
Net Sales Revenue (NSR)	2,423.0	(2.2)%	(4.9)%
NSR per case (A\$)	109.7	12.7%	9.6%
Earnings Before Interest, Tax, SGARA and Material items (EBITs)	583.5	11.4%	8.6%
EBITs Margin	24.1%	2.9ppts	3.0ppts
Net Profit After Tax	254.5	(3.3)%	(5.1)%
Earnings Per Share (A\$ cents)	35.3	(3.3)%	(5.1)%
Net Profit After Tax before Material Items and SGARA	376.1	16.6%	13.8%
Earnings Per Share before Material Items and SGARA (A\$ cents)	52.1	16.6%	13.8%

- NSR declined 2.2% to \$2,423.0m, driven by Premium portfolio volume declines in Treasury Americas and Commercial portfolio volume declines in Treasury Premium Brands, partly offset by strong Luxury portfolio growth for Penfolds; on a constant currency basis NSR declined 4.9%
- NSR per case improved 12.7%, reflecting the Luxury-led portfolio mix shift and price increases across several key brands. The contribution of the Luxury and Premium portfolios is now 85% of Group NSR, up from 83% in the pcg
- EBITs<sup>1</sup> increased 11.4% to \$583.5m and EBITs margin increased 2.9ppts to 24.1%
- NPAT and EPS<sup>1</sup> both improved 16.6% to \$376.1m and 52.1 cents per share respectively
- Post-tax material items loss of \$76.0m recognised, primarily related to implementation of the new Treasury Premium Brands operating model and restructuring of the Australian Commercial wine supply chain (F23 material items cash inflow \$34.5m)
- ROCE 11.3%, up 0.6ppt versus the pcg, driven by higher EBITs and continued capital allocation discipline
- Cash conversion 60.6%; excluding the net change in non-current Luxury and Premium inventory, cash conversion was 76.2%, below TWE's annual target of 90% or higher, reflecting the timing of shipments in Asia within 4Q23 in addition to the timing of supplier payments and promotional spend in Treasury Americas and Penfolds. TWE expects cash conversion to be delivered in line with the annual target in F24
- Net Debt to EBITDAS 1.9x, (1.8x in the pcg), in line with TWE's through the cycle target, with flexibility retained to support continued investment in growth and the delivery of shareholder returns
- Final dividend of 17.0 cents per share declared, fully franked; full year payout of 35.0 cents per share, or 67% of NPAT, at the upper end of TWE's long-term dividend policy and an increase of 12.9% versus the pcg

<sup>1</sup> Unless otherwise stated, all figures and percentage movements within commentary are stated on a reported currency basis versus the prior corresponding period, are pre-SGARA and material items and are subject to rounding. NPAT and EPS exclude earnings attributable to non-controlling interests.



## Performance overview

A\$m	F23	% Chg. Reported	% Chg. Constant Currency
<b>NSR</b>			
Penfolds	819.7	14.3%	13.8%
Treasury Americas	820.9	(11.7)%	(18.4)%
Treasury Premium Brands	782.4	(5.7)%	(4.7)%
<b>Group</b>	<b>2,423.0</b>	<b>(2.2)%</b>	<b>(4.9)%</b>
<i>Luxury &amp; Premium (%NSR)</i>	<i>85.0%</i>	<i>1.7ppts</i>	<i>1.3ppts</i>
<b>EBITS</b>			
Penfolds	364.7	14.2%	15.5%
Treasury Americas	203.9	14.0%	(0.3)%
Treasury Premium Brands	81.7	(5.4)%	4.0%
Corporate	(66.8)	(9.9)%	(9.1)%
<b>Group</b>	<b>583.5</b>	<b>11.4%</b>	<b>8.6%</b>
<i>EBITS Margin (%)</i>	<i>24.1%</i>	<i>2.9ppts</i>	<i>3.0ppts</i>

- Penfolds reported a 14.2% increase in EBITs to \$364.7m and an EBITs margin of 44.5% (in line with F22). Strong, NSR growth of 14.3% was delivered through Asia, Australia and EMEA, reflecting the continued momentum behind the Penfolds strategy to build distribution and grow consumer demand. In addition, the successful launch of One by Penfolds and growth of the multi-COO portfolios contributed to NSR growth, particularly in Asia. On a constant currency basis, NSR and EBITs increased 13.8% and 15.5%, respectively
- Treasury Americas reported a 14.0% increase in EBITs to \$203.9m and an EBITs margin of 24.8% (up 5.6ppts). Strong performance of key Luxury brands including Frank Family Vineyards and Beaulieu Vineyard, the continued growth of Matua and favourable foreign exchange rates were partly offset by shipment declines for 19 Crimes and Sterling Vineyards, in addition to constrained Luxury portfolio availability from the lower yielding 2020 Californian vintage. Improved portfolio mix, successful implementation of price increases on key brands and improved COGS and CODB supported EBITs margin growth. On a constant currency basis, NSR and EBITs declined 18.4% and 0.3% respectively
- Treasury Premium Brands reported a 5.4% decline in EBITs to \$81.7m and an EBITs margin of 10.4% (in line with F22). Reduced NSR for the Commercial portfolio in the UK and Australia in addition to unfavourable foreign exchange movements were partly offset by 7.8% NSR growth for priority Premium brands, including 19 Crimes, Squealing Pig and Pepperjack, as well as improved COGS and CODB. The combined Premium and Luxury portfolios delivered high double-digit gross profit growth in F23. On a constant currency basis, NSR declined 4.7% and EBITs increased 4.0%
- The global supply chain optimisation program delivered COGS savings of approximately \$62m in F23, with mix-adjusted COGS per case in line with F22 despite supply chain cost inflationary pressures and inclusion of the higher cost 2020 Australian and Californian Luxury vintages. The program is on-track to deliver incremental benefits in F24 and the full run-rate of \$90m+ in annual savings by F25
- Corporate costs increased 9.9%, driven by investment in cloud-based technology and higher employee expenses
- TWE has implemented a range of initiatives within the Treasury Premium Brands operating model, aimed at delivering greater operational and strategic flexibility to enable the continued growth of its Premium and Luxury portfolio. These changes include:
  - Adjusting Treasury Premium Brands operating model and organisational structure to align with the future scale of the business, in order to reduce fixed costs and increase focus on priority brands;



- Implementing changes to the Commercial wine supply chain, including the exit of future sourcing arrangements, with a focus on improving total network cost to improve future cost of goods sold; and
- The divestiture and/or rationalisation of selected assets, including the closure of the Karadoc winery, the write down of several Commercial wine brands and the divestiture of Commercial vineyards.

Total net program cost of up to \$90m (including \$30m of cash costs) are expected to be incurred across F23 and F24. Ongoing benefits from the program will exceed the cash cost, and mitigate the rising cost of goods as a result of lower portfolio volumes

## Future perspectives

TWE's long-term financial objective remains to deliver sustainable top-line growth, high single-digit average earnings growth<sup>2</sup> and a Group EBITs margin target of 25%+. Supporting this objective will be continued portfolio premiumisation, growth in distribution, demand and availability for TWE's priority brands, cost optimisation and category leading, consumer-led innovation.

TWE is well positioned to deliver growth in F24 supported by continued strong trends for Luxury wine and resilient category dynamics for Premium wine, the strength of its global brand portfolio, its diversified business model and the benefits of key asset base and cost optimisation initiatives.

- Consumer demand for Luxury wine is expected to remain strong globally, with top-line growth to be led by Penfolds through continued execution of the focused strategy to build distribution and grow demand for its portfolio in key markets. Luxury portfolio growth for Treasury Americas will be modest in F24 through the release of the 2021 Californian vintage, laying the platform for a step-up in growth from F25 when the higher volume 2022 vintage will be released
- Consumer demand for Premium wine is expected to remain consistent, with Treasury Americas and Treasury Premium Brands performance to be supported by continued investment and innovation across key priority brands, and for 19 Crimes, the launch of the new global brand platform through 1H24
- Demand for Commercial wine is likely to remain challenged in both Australia and the UK, with further volume declines expected in this segment for Treasury Premium Brands
- Mix-adjusted COGS per case are expected to remain broadly in line with F23 (which was also broadly in line with F22), reflecting impacts from the lower yielding 2023 Australian vintage, reduced Commercial portfolio volume expectations and continuing high inflationary costs which will offset incremental benefits from the global supply chain optimisation program and transition to the higher yielding, lower cost 2021 (Luxury) and 2022 (Premium) vintages
- TWE notes the continued improvement in Australian and Chinese relations, which may have the potential for a future review of tariffs on Australian wine. In light of this, TWE will take a measured approach to the phasing of Penfolds shipments across all markets in order to retain the flexibility of its global distribution and pricing model, which is planned to result in Penfolds EBITs being weighted to the second half in F24

On today's announcement, TWE's Chief Executive Officer Tim Ford commented:

"In F23, we have once again delivered margin accretive earnings growth while continuing to navigate the tightening economic environment across a number of our key markets. At the same time, we made significant progress in strengthening our operating models for the future. The Penfolds result was the standout, with strong top-line Luxury growth reflecting the unparalleled strength of this exceptional brand and outstanding execution by the team. Treasury Americas Luxury portfolio execution was a highlight, with price increases and growth in distribution achieved despite significant volume availability constraints, setting a strong platform for future growth. And Treasury Premium Brands made significant headway towards its new operating model, right-sizing the cost base for the future while enhancing both operational and strategic flexibility, and we will continue to assess additional optimisation initiatives."

"We enter F24 with confidence that the execution of our premiumisation strategy will continue to deliver our long-term growth ambitions through the cycle. We are a much stronger business today and are well placed to succeed in the current macro-environment where consumer demand for Luxury wine is strong and Premium wine remains resilient."

<sup>2</sup> Organic, pre material items and on a constant currency basis



## Important Information

This announcement is in summary form and is not necessarily complete. It should be read together with the Company's Annual Report for 30 June 2023 and other announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

This announcement contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward-looking statements can generally be identified by the use of forward-looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'goal', 'ambition' and other similar expressions. Forward looking statements are subject to a range of risk factors. The Company cautions against reliance on any forward-looking statements, particularly in light of the current economic climate and potential impacts on consumer demand, the impact of continued high inflation on business outcomes, global difficulties in logistics and supply chains, exchange rate impacts given the global nature of the business, vintage variations and the evolving nature of global geopolitical dynamics.

At the date of this announcement, the Company believes that there are reasonable grounds for these forward-looking statements. While the Company has prepared this information with due care based on its current knowledge and understanding and in good faith, there are risks, uncertainties and other factors beyond the Company's control which could cause results to differ from projections. The Company will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes, and reserves the right to change its projections from time to time. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this announcement, subject to disclosure obligations under the applicable law and ASX listing rules.

## Conference call

Treasury Wine Estates will host an investor and analyst webcast and conference call commencing at 10:00am AEST on 15 August 2023. Links to register are provided below. A replay of the presentation will also be available on the website [www.tweglobal.com](http://www.tweglobal.com) from approximately 1:00pm AEST.

Conference call registration

<https://s1.c-conf.com/diamondpass/10031923-fh86y4.html>

Webcast registration

<https://edge.media-server.com/mmc/p/w878jeqi>

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.

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## Profit and Loss<sup>3</sup>

\$Am (unless otherwise stated)	F23	Reported Currency		Constant Currency	
		F22	Change	F22	Change
Net sales revenue	2,423.0	2,476.7	(2.2)%	2,546.7	(4.9)%
NSR per case (\$)	109.7	97.3	12.7%	100.1	9.6%
Other Revenue	65.3	55.1	18.5%	64.3	1.6%
Cost of goods sold	(1,372.6)	(1,488.5)	7.8%	(1,538.6)	10.8%
Cost of goods sold per case (\$)	62.1	58.5	(6.2)%	60.5	(2.8)%
Gross profit	1,115.7	1,043.2	6.9%	1,072.4	4.0%
Gross profit margin (% of NSR)	46.0%	42.1%	3.9ppts	42.1%	3.9ppts
Cost of doing business	(532.2)	(519.5)	(2.4)%	(534.9)	0.5%
Cost of doing business margin (% of NSR)	22.0%	21.0%	(1.0)ppts	21.0%	(1.0)ppts
<b>EBITS (before material items)</b>	<b>583.5</b>	<b>523.7</b>	<b>11.4%</b>	<b>537.5</b>	<b>8.6%</b>
EBITS margin (%)	24.1%	21.1%	2.9ppts	21.1%	3.0ppts
SGARA	(64.5)	(33.9)	(90.1)%	(34.7)	86.1%
<b>EBIT (before material items)</b>	<b>518.9</b>	<b>489.8</b>	<b>6.0%</b>	<b>502.8</b>	<b>3.2%</b>
Net finance costs	(72.7)	(71.4)	(1.8)%	(74.9)	3.0%
Tax expense	(115.9)	(120.2)	3.5%	(122.5)	5.3%
<b>Net profit after tax (before material items)</b>	<b>330.2</b>	<b>298.2</b>	<b>10.7%</b>	<b>305.5</b>	<b>8.1%</b>
Material items (after tax)	(76.0)	(35.0)	NM	(37.4)	NM
<b>Net profit after tax</b>	<b>254.5</b>	<b>263.2</b>	<b>(3.3)%</b>	<b>268.0</b>	<b>(5.1)%</b>
Reported EPS (Ac)	35.3	36.5	(3.3)%	37.1	(5.1)%
<b>Net profit after tax (before material items and SGARA)</b>	<b>376.1</b>	<b>322.6</b>	<b>16.6%</b>	<b>330.6</b>	<b>13.8%</b>
EPS (before material items and SGARA) (Ac)	52.1	44.7	16.6%	45.8	13.8%
Average no. of shares (m)	721.8	721.8	0.0%	721.8	0.0%
Dividend (Ac)	35.0	31.0	12.9%	31.0	12.9%

**NSR** declined 4.9% driven by Premium and Luxury portfolio volume declines in Treasury Americas, due in part to constrained Luxury availability, and declines in Commercial portfolio volumes in Treasury Premium Brands, partly offset by strong growth for Penfolds

**NSR per case** improved 9.6%, reflecting price increases across several key brands and portfolio mix shift, with the contribution of the Luxury and Premium portfolios now 85% of NSR (up from 83% in the pcg)

**COGS per case** increased 2.8%, driven by the Luxury led portfolio mix shift and inflationary impacts, particularly for dry goods, partly offset by benefits from the global supply chain optimisation program of approximately \$62m in F23. Mix-adjusted COGS per case were in line with the prior year, as expected

**CODB** was broadly in the line with the pcg. A&P as a percentage of NSR rose, reflecting TWE's continued focus on brand building across the portfolio

**EBITS margin** improved 3.0ppts to 24.1%, reflecting the portfolio mix shift, price realisation on key brands and

benefits from the global supply chain optimisation program

**SGARA** loss of \$64.5m is driven by reduced intake from the significantly lower yielding 2023 Australian vintage

**Net finance costs** decreased 3.0%, with the impact of higher net debt and interest rates offset by realised gains from TWE's interest rate hedging programme

**Tax expense** decreased 5.3%, with the effective tax rate (before material items) declining to 26.0%, reflecting one-off tax benefits on the divestment of surplus supply chain assets

**Material Items** A post-tax net material items loss of \$76.0m has been recognised, which primarily relates to costs associated with implementation of the new Treasury Premium Brands operating model and restructuring of the Australian Commercial wine supply chain (F23 Material Items cash inflow \$34.5m)

**EPS (before SGARA and material items)** increased 13.8% to 52.1 cents per share.

<sup>3</sup> Unless otherwise stated, all figures and percentage movements within commentary are stated on a constant currency basis versus the prior corresponding period and are subject to rounding. NPAT and EPS exclude earnings attributable to non-controlling interests.





## Divisional Performance Overview

### Penfolds<sup>4</sup>

A\$m (unless otherwise stated)	F23	Reported Currency		Constant currency	
		F22	%	F22	%
<b>Volume (m 9Le)</b>	<b>2.3</b>	<b>2.2</b>	<b>7.1%</b>	<b>2.2</b>	<b>7.1%</b>
<b>NSR (A\$m)</b>	<b>819.7</b>	<b>717.3</b>	<b>14.3%</b>	<b>720.2</b>	<b>13.8%</b>
ANZ	235.9	199.2	18.4%	199.1	18.5%
Asia	467.4	407.2	14.8%	407.0	14.8%
Americas	51.5	54.3	(5.2)%	58.7	(12.4)%
EMEA	65.0	56.6	14.9%	55.3	17.4%
NSR per case (A\$)	354.4	332.2	6.7%	333.5	6.3%
<b>EBITS (A\$m)</b>	<b>364.7</b>	<b>319.3</b>	<b>14.2%</b>	<b>315.7</b>	<b>15.5%</b>
EBITS margin (%)	44.5%	44.5%	(0.0)ppts	43.8%	0.7ppts

### Financial performance

**Volume** and **NSR** increased 7.1% and 13.8% respectively, driven by:

- Continued strong momentum across key Asian markets, growth in the multi-COO and Bin and Icon portfolios in addition to the successful launch of One by Penfolds in Mainland China
- Excellent progress in Australia, with gains delivered across independent retail, national accounts and on-premise
- Growth in key EMEA markets including the UK, and Germany, and in travel retail
- Partly offset by declines in the Americas due to reduced shipments in Latin America, while depletions continue to grow in the US

**NSR per case** increased 6.3%, reflecting improvement in mix as well as price increases on Luxury Cabernet Bins

**COGS per case** increased 15.1%, reflecting the release of wine from the lower yielding 2020 Australian vintage and increased contribution from the higher cost US and French portfolios

**CODB** increased 2.0%, driven by increased brand building investment to accelerate the momentum of distribution and demand growth in Penfolds key global markets

**EBITS** increased 15.5% to \$364.7m and **EBITS margin** increased 0.7ppts to 44.5%

### Division insights

- Key F23 execution highlights include:
  - Strong distribution growth in Asia, Australia and EMEA, reflecting Penfolds focus on building penetration in target accounts across priority markets
  - Successful activation of key brand-building platforms, focused on growing consumer demand, including continued execution of Penfolds "Venture Beyond" thematic, Penfolds House activations in seven global locations and sponsorship of the VRC Derby Day and Australian Open
  - Expansion of Penfolds multi-COO portfolio, with the 2022 Penfolds Collection launch including the release of wines from three countries of origin, Australia, California and the inaugural release from France. This was followed by the successful launch of the Chinese sourced and produced One by Penfolds in September 2022, with a global launch following in July 2023
- Trends for distribution and volume growth are expected to remain consistent across Penfolds priority markets in F24, with top-line growth to reflect continued momentum for the Bin and Icon portfolio in addition to expansion of the newly launched One by Penfolds tier
- TWE notes the continued improvement in Australian and Chinese relations, which may have the potential for a future review of tariffs on Australian wine. In light of this, TWE will take a measured approach to the phasing of Penfolds shipments across all markets in order to retain the flexibility of its global distribution and pricing model, which is planned to result in EBITs being weighted to the second half in F24
- EBITS margin is expected to remain stable in F24, and delivered in line with the revised division target of approximately 45% (replacing the previous target range of 40-45%)

<sup>4</sup> Unless otherwise stated, all figures and percentage movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding



## Divisional Performance Overview

### Treasury Americas<sup>5</sup>

A\$m (unless otherwise stated)	Reported Currency			Constant Currency		
	F23	F22	%	F22	%	% Organic <sup>6</sup>
<b>Volume (m 9Le)</b>	<b>5.5</b>	<b>7.3</b>	<b>(25.4)%</b>	<b>7.3</b>	<b>(25.4)%</b>	<b>(25.4)%</b>
<b>NSR</b>	<b>820.8</b>	<b>929.6</b>	<b>(11.7)%</b>	<b>1,005.8</b>	<b>(18.4)%</b>	<b>(23.1)%</b>
ANZ	-	-	-	-	-	-
Asia	-	-	-	-	-	-
Americas	820.8	929.6	(11.7)%	1,005.8	(18.4)%	(23.1)%
EMEA	-	-	-	-	-	-
<i>NSR per case (A\$)</i>	<i>150.0</i>	<i>126.7</i>	<i>18.4%</i>	<i>137.1</i>	<i>9.4%</i>	<i>3.1%</i>
<b>EBITS</b>	<b>203.9</b>	<b>178.9</b>	<b>14.0%</b>	<b>204.5</b>	<b>(0.3)%</b>	<b>(10.3)%</b>
<i>EBITS margin (%)</i>	<i>24.8%</i>	<i>19.2%</i>	<i>5.6ppts</i>	<i>20.3%</i>	<i>4.5ppts</i>	<i>3.2ppts</i>

### Financial performance

**Volume** and **NSR** declined 25.4% and 18.4% respectively, driven by:

- Premium portfolio shipment declines, led by 19 Crimes and Sterling Vineyards, partly offset by growth for Matua
- Reduced Luxury wine volume availability from the lower yielding 2020 California vintage
- Excluding NPD, depletions exceeded shipments by approximately 0.6m cases, reflecting increased focus on inventory management by distributors and retailers

**NSR per case** increased 9.4%, reflecting the portfolio mix shift towards Luxury and price increases on several portfolio brands

**COGS per case** was in line with F22, with portfolio mix shift impacts largely offset by savings from the global supply chain optimisation program

**CODB** reduced 8.8%, driven by lower discretionary overhead costs

**EBITS** declined 0.3%, with EBIT margin increasing 4.5ppts to 24.8%; on an organic basis EBIT margin declined 10.3%

**Note:** TWE's Canadian operations have been reorganised to better reflect the way brands are being managed. The results of Canada have been restated within Treasury Americas and Treasury Premium Brands. Appendix 2 contains the historical performance of Canadian operations that are now reported in Treasury Premium Brands

### Division insights

- Key F23 execution highlights include:
  - Strong Luxury portfolio strategy execution in a year of constrained availability, laying a strong platform for future growth from F25
  - Double-digit price rises delivered on a number of key brands while selling through all of the available vintage
  - Frank Family Vineyards delivered a strong result, exceeding expectations in its first full year as part of Treasury Americas and with increased availability to support growth from 4Q24
  - Good momentum across cellar doors and wine clubs, with NSR increasing by 10% in F23
- The total 19 Crimes franchise remained in growth across scan channels during F23, up 1% outperforming the Premium segment which declined slightly<sup>7</sup>. Premium portfolio performance in F24 will be supported by the launch of the new brand platform for the 19 Crimes Classics tier through 1H24, continued innovation for 19 Crimes and Matua and the reopening of the Sterling Winery
- The availability of key Luxury portfolio brands will remain relatively constrained in F24, albeit delivering growth, ahead of a return to normalised availability from F25
- EBIT margin is expected to be delivered in the range of 22-23%, reflecting higher COGS and increased investment behind 19 Crimes

<sup>5</sup> Unless otherwise stated, all figures and percentage movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

<sup>6</sup> On a constant currency basis, excluding the contribution of divested and acquired portfolio brands in Treasury Americas. Refer to Appendix 1 for details

<sup>7</sup> IRI Market Advantage, Total MULO+C, US\$8-20 Table & Sparkling, Value, 52 weeks ending 2 July 2023



## Divisional Performance Overview

### Treasury Premium Brands<sup>7</sup>

A\$m (unless otherwise stated)	F23	Reported Currency		Constant currency	
		F22	%	F22	%
<b>Volume (m 9Le)</b>	<b>14.3</b>	<b>16.0</b>	<b>(10.4)%</b>	<b>16.0</b>	<b>(10.4)%</b>
<b>NSR</b>	<b>782.4</b>	<b>829.8</b>	<b>(5.7)%</b>	<b>820.7</b>	<b>(4.7)%</b>
ANZ	367.2	382.1	(3.9)%	381.4	(3.7)%
Asia	73.0	72.7	0.4%	73.3	(0.5)%
Americas	27.4	33.8	(18.9)%	32.5	(15.5)%
EMEA	314.8	341.2	(7.8)%	333.5	(5.6)%
NSR per case (A\$)	54.7	52.0	5.2%	51.5	6.3%
<b>EBITS</b>	<b>81.7</b>	<b>86.4</b>	<b>(5.4)%</b>	<b>78.6</b>	<b>4.0%</b>
EBITS margin (%)	10.4%	10.4%	0.0ppts	9.6%	0.9ppts

### Financial Performance

**Volume** and **NSR** declined 10.4% and 4.7% respectively, reflecting:

- Reduced Commercial portfolio volumes in the UK and Australia
- Asia performance in line with the pcp, with strong growth in South-East Asia offset by pandemic related decline in Mainland China

**NSR per case** increased 6.3%, reflecting the benefit of price increases and improved portfolio mix, with the Premium and Luxury portfolios now contributing 61% of NSR (up from 58% in F22).

**COGS per case** increased 4.8%, driven by the portfolio mix shift and partly offset by benefits from the global supply chain optimisation program

**CODB** improved 3.2%, reflecting the gain on sale of assets of \$5.9m in 1H23 and re-alignment of brand investment due to reduced volume, partly offset by employee expenses

**EBITS** increased 4.0% to \$81.7m, and EBITs margin improved 0.9ppts to 10.4%

**Note:** TWE's Canadian operations have been reorganised to better reflect the way brands are being managed. The results of Canada have been restated within Treasury Americas and Treasury Premium Brands. Appendix 2 contains the historical performance of Canadian operations that are now reported in Treasury Premium Brands

### Division insights

- Key F23 execution highlights include:
  - Solid performance of the priority Premium portfolio where NSR grew 7.8%, led by key brands including 19 Crimes, Squealing Pig and Pepperjack. 19 Crimes NSR increased 8.3%, driven by distribution growth in EMEA and the benefits of price increases
  - The delivery of double-digit gross profit growth from the Premium and Luxury portfolios
  - Category leading innovation in the low and no alcohol segment with the launch of several new products, including Pepperjack Mid-Strength, with \$10m planned capital investment in supporting technology reflecting TWE's focus on becoming the global category leader in low and no alcohol wine
- TWE has implemented a range of initiatives within the Treasury Premium Brands operating model aimed at delivering greater operational and strategic flexibility to enable continued growth of its Premium and Luxury portfolio
- A focus on continued top-line growth of the priority Premium brand portfolio in addition to cost optimisation initiatives is expected to deliver modest EBITs margin growth in F24, towards the revised divisional mid-teens target (from high-teens previously)

<sup>7</sup> Unless otherwise stated, all figures and percentage movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding



**Balance Sheet (condensed)<sup>8</sup>**

A\$m	F23 30-Jun-23	F22 30-Jun-22
Cash & cash equivalents	565.8	430.5
Receivables	612.9	564.4
Current inventories	990.3	947.9
Non-current inventories	1,175.3	1,063.6
Property, plant & equipment	1,576.8	1,521.5
Right of use lease assets	389.7	435.3
Agricultural assets	44.8	32.9
Intangibles	1,426.7	1,399.8
Tax assets	190.9	163.5
Assets held for sale	32.9	35.6
Other assets	85.2	68.7
<b>Total assets</b>	<b>7,091.3</b>	<b>6,663.7</b>
Payables	709.7	747.2
Interest bearing debt	1,388.6	1,064.7
Lease liabilities	548.9	609.0
Tax liabilities	401.7	347.2
Provisions	106.7	81.0
Other liabilities	56.8	25.6
<b>Total liabilities</b>	<b>3,212.4</b>	<b>2,874.7</b>
<b>Net assets</b>	<b>3,878.9</b>	<b>3,789.0</b>

**Net assets** increased \$89.9m to \$3,878.9m at 30 June 2023. Adjusting for foreign exchange rate movements, net assets increased by \$3.5m

**Working capital** increased \$240.1m driven by higher **Luxury** and **Premium Inventory**, higher **Receivables** reflecting the timing of shipments in 4Q23 and a decline in **Payables** following the smaller 2023 Australian vintage

**Inventory** increased \$154.0m to \$2,165.5m:

- Current inventory increased \$42.4m to \$990.3m, driven by strong expected demand for TWE's Luxury portfolio
- Non-current inventory increased \$111.7m to \$1,175.3m, reflecting higher Premium inventory due to the moderation of Premium portfolio sales performance, which will be rebalanced through future vintage intakes
- Total Luxury inventory increased 7% to \$1,230.1m; Luxury inventory volume declined 5% following the lower yielding 2023 Australian vintage

**Property, Plant & Equipment** increased \$55.2m following the acquisition of Chateau Lanessan and a previously leased vineyard in the US, partly offset by the

planned divestiture of assets as part of the Australian Commercial wine supply chain restructuring

**Intangible assets** increased \$27.0m, reflecting the acquisition of Chateau Lanessan

**Assets held for sale** relates to disposal of assets as part of the Australian Commercial wine supply chain restructuring

**Net Borrowings<sup>9</sup>** (including Lease Liabilities) increased \$128.6m to \$1,371.7m

**Net debt to EBITDAS<sup>10</sup>** 1.9x, up from 1.8x at 30 June 2022, and below TWE's up to 2.0x 'through the cycle' target

**Funding structure** includes committed debt facilities totalling \$2.2bn, of which \$800.9m were undrawn at 30 June 2023. The weighted average term to maturity of committed debt facilities was 3.9 years. Total liquidity, comprising cash and committed undrawn debt facilities, totalled \$1.4bn at 30 June 2023

Group cost of funds are expected to increase modestly in F24, with the impact of higher interest rates to be largely mitigated by the high average fixed ratio of gross debt of approximately 75% for the year (F23: 93%)

<sup>8</sup> Unless otherwise stated, balance sheet percentage or dollar movements are from 30 June 2022 and on a reported currency basis.

<sup>9</sup> Interest bearing debt *includes* fair value adjustments related to derivatives that are in a fair value hedge relationship on a portion of US Private Placement notes: F23 \$(20.3)m, F22 \$(11.3)m

<sup>10</sup> Adjusted to include last twelve months EBITDAS for Frank Family Vineyards in F22

**Cash flow – reconciliation of net debt<sup>11</sup>**

<b>A\$m</b>	<b>F23</b>	<b>F22</b>
<b>EBITDAS</b>	<b>730.8</b>	<b>672.3</b>
Change in working capital	(274.9)	34.0
Other items	(12.8)	(5.0)
<b>Net operating cash flows before financing costs, tax &amp; material items</b>	<b>443.1</b>	<b>701.2</b>
<b>Cash conversion</b>	60.6%	104.3%
Payments for capital expenditure <sup>12</sup>	(141.2)	(112.3)
Payments for subsidiaries	(55.8)	(439.6)
Proceeds from sale of assets	22.7	11.2
<b>Cash flows after net capital expenditure, before financing costs, tax &amp; material items</b>	<b>268.8</b>	<b>160.6</b>
Finance costs paid	(73.8)	(66.9)
Tax paid	(69.8)	(95.5)
<b>Cash flows before dividends &amp; material items</b>	<b>125.3</b>	<b>(1.8)</b>
Dividends/distribution paid	(245.4)	(202.1)
<b>Cash flows after dividends before material items</b>	<b>(120.2)</b>	<b>(203.9)</b>
Material item cash flows	34.5	155.2
On-market share purchases	(21.9)	(17.3)
<b>Total cash flows from activities (before debt)</b>	<b>(107.6)</b>	<b>(66.0)</b>
Net proceeds from borrowings	240.1	30.6
<b>Total cash flows from activities</b>	<b>132.4</b>	<b>(35.4)</b>
<b>Opening net debt</b>	<b>(1,254.3)</b>	<b>(1,057.7)</b>
Total cash flows from activities (above)	(107.6)	(66.0)
Lease liability additions	(27.9)	(14.7)
Lease Liability disposed	44.0	6.0
Debt revaluation and foreign exchange movements	(40.4)	(122.0)
<b>(Increase) / Decrease in net debt</b>	<b>(131.9)</b>	<b>(196.6)</b>
<b>Closing net debt<sup>13</sup></b>	<b>(1,386.2)</b>	<b>(1,254.3)</b>

**Cash conversion** 60.6%; excluding the net change in non-current Luxury and Premium inventory, cash conversion was 76.2%, below TWE's annual target of 90% or higher, reflecting the timing of shipments in Asia within 4Q23 in addition to the timing of supplier payments and promotional spend in Treasury Americas and Penfolds. TWE expects cash conversion to be delivered in line with the target in F24

**Capital expenditure** (capex) of \$141.2m includes maintenance and replacement capex of \$102.1m, the purchase of a previously leased vineyard in the US for \$25.4m and growth capex of \$13.7m. Ongoing expectation for maintenance and replacement capex is approximately \$100m per annum

**Investments in subsidiaries** of \$55.8m reflects the acquisition of Chateau Lanessan in 1H23

**Sale of assets** of \$22.7m relates to the disposal of surplus supply chain assets in Australia

**Material item cash flows** includes proceeds from the sale of surplus supply assets in the US, partly offset by costs associated with the Treasury Premium Brands operating model changes and restructuring of the Australian Commercial wine supply chain

<sup>11</sup> Unless otherwise stated, cash flow percentage or dollar movements from the previous period are on a reported currency basis

<sup>12</sup> Capital expenditure is net of proceeds from the disposal of lease assets: F23: \$107.9m, F22: nil

<sup>13</sup> Net debt *excludes* fair value adjustments related to derivatives in a fair value hedge relationship on a portion of US Private Placement notes: F23 \$(20.3)m, F22 \$(11.3)m



## Vintage update

### Australia

Vintage 2023 was characterized by cooler and wetter conditions, resulting in below-average industry volumes across most regions. Despite the challenges, overall quality remained impressive and TWE's multi-regional and flexible sourcing strategy ensured a consistent supply of high-quality grapes. TWE's total intake for Vintage 2023 was down compared to the prior year and, on a relative basis, Vintage 2023 was a high-cost vintage.

### California

Early growing conditions for the 2023 California season are positive, with high winter rainfall setting up the season for larger yield and a later harvest. All regions and varieties have benefitted from increased water availability. TWE's Luxury intake is expected to be higher than Vintage 2022 due to the favourable conditions to date.

### New Zealand

Vintage 2023 was average volume and high quality, similar to vintage 2022, returning the industry to a balanced supply position after several years of undersupply. TWE's yield was above average and delivered great varietal flavours. TWE is collaborating with new growers in the New Zealand market to increase the supply of Sauvignon Blanc grapes, a varietal where global demand continues to grow.

### France

Conditions in the south of France are supporting a good quality 2023 vintage, with industry tonnage expected to be in line with the long-term average. In the Bordeaux region, disease pressure remains a risk but a warm summer forecast should help manage this risk.

In TWE's own vineyards, yield is expected to be favourable, benefiting from the recent vineyard investment program which includes the acquisition of Chateau Lanessan. TWE's strong partner network in Bordeaux is continuing to support growth in the intake of high quality fruit.

### Italy

Current expectations are for a smaller Vintage 2023 in many regions of Italy after heavy rains created disease pressure across many regions. TWE's intake is expected to meet demand from a quality and volume perspective, with the combination of favourable summer forecasts, proactive management of disease pressure and TWE's flexible sourcing strategy mitigating the vintage risk.

### China

Conditions to date in TWE's key wine production regions in Mainland China - Yunnan and Ningxia - are expected to deliver below average harvests. TWE continues to work with growers in both regions to upgrade vineyards to produce higher quality fruit and expects increased intake in Vintage 2023 which will support Penfolds China COO growth ambitions.



## Definitions

Term	Definition
<b>Cash conversion</b>	Net operating cash flows before financing costs, tax and material items divided by EBITDAS
<b>CFX</b>	Constant foreign exchange rates
<b>COO</b>	Country of origin
<b>CODB</b>	Cost of doing business. Gross profit less EBITs. Excludes non-cash items as well as tax, the cost of the Group's capital structure and non-operating transactions as a measure of underlying operational costs
<b>COGS</b>	Cost of goods sold
<b>Commercial wine</b>	Wine that is sold at a retail shelf price below A\$10 (or equivalent) per bottle
<b>EPS</b>	Earnings per share
<b>EBITDAS</b>	Earnings before interest, tax, depreciation, amortisation, material items and SGARA
<b>EBITS</b>	Earnings before interest, tax, material items and SGARA
<b>EBITS margin</b>	EBITS divided by Net sales revenue
<b>Exchange rates</b>	Average exchange rates used for profit and loss purposes in F23: AUD/USD 0.6732 (F22: AUD/USD 0.7258), AUD/GBP 0.5594 (F22: AUD/GBP 0.5454) Period end exchange rates used for balance sheet items in F23: AUD/USD 0.6620 (F22: AUD/USD 0.6883), AUD/GBP 0.5249 (F22: AUD/GBP 0.5677)
<b>Luxury wine</b>	Wine that is sold at a retail shelf price above A\$30 (or equivalent) per bottle
<b>Material items</b>	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
<b>Net Debt to EBITDAS</b>	Ratio of Net Debt to EBITDAS includes capitalised leases per AASB 16 Leases
<b>Net Operating Cashflow</b>	Operating cash flow before finance costs, tax and material items
<b>NPAT</b>	Net profit after tax
<b>NPD</b>	New product development
<b>NSR</b>	Net sales revenue
<b>Premium wine</b>	Wine that is sold at a retail shelf price between A\$10 and A\$30 (or equivalent) per bottle
<b>ROCE</b>	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
<b>SGARA</b>	Self-generating and re-generating assets. SGARA represents the difference between the fair value of harvested grapes (as determined under AASB 141 Agriculture) and the cost of harvest. The fair value gain or loss is excluded from Management EBITs so that earnings can be assessed based on the cost of harvested grapes, rather than their fair value. This approach results in a better reflection of the true nature of TWE's consumer branded and FMCG business and improved comparability with domestic and global peers.



## Appendix 1: Contribution of divested and acquired Treasury Americas brands

<b>Metric</b>	<b><u>F22</u></b>		<b><u>F23</u></b>
	<b>Divested US brands<sup>1</sup></b>	<b>Frank Family Vineyards<sup>2</sup></b>	<b>Frank Family Vineyards<sup>3</sup></b>
<b>Volume (m 9le)</b>	0.2	0.1	0.2
<b>NSR (A\$m)</b>	21.9	42.9	97.3
<b>EBITS (A\$m)</b>	5.6	17.3	41.4

Unless otherwise stated, all figures are pre-material items and are subject to rounding. F22 metrics are presented on a constant currency basis.

1. F22 contribution of Provenance (divested November 2021) and Chateau St Jean (divested December 2021)
2. F22 contribution of Frank Family Vineyards (acquired December 2021)
3. F23 contribution of Frank Family Vineyards (acquired December 2021)





## Appendix 2: Treasury Premium Brands Canada performance metrics

The following information reflects the historic performance of the portion of TWE sales in Canada that has been allocated to Treasury Premium Brands.

<b>Metric</b>	<b>F23</b>	<b>F22</b>
<b>Volume (m9le)</b>	0.5	0.6
<b>NSR (A\$m)</b>	27.4	33.8
<b>EBITS (A\$m)</b>	2.4	6.8

### Treasury Premium Brands (pre-Canada reallocation)

<b>A\$m (unless otherwise stated)</b>	<b>F23</b>	<b>Reported Currency</b>		<b>Constant currency</b>	
		<b>F22</b>	<b>%</b>	<b>F22</b>	<b>%</b>
<b>Volume (m 9Le)</b>	<b>13.8</b>	<b>15.3</b>	<b>(10.1)%</b>	<b>15.3</b>	<b>(10.1)%</b>
<b>NSR (A\$m)</b>	<b>755.0</b>	<b>796.0</b>	<b>(5.2)%</b>	<b>788.3</b>	<b>(4.2)%</b>
ANZ	367.2	382.1	(3.9)%	381.4	(3.7)%
Asia	73.0	72.7	0.4%	73.3	(0.5)%
Americas	-	-	-	-	-
EMEA	314.8	341.2	(7.8)%	333.5	(5.6)%
<i>NSR per case (A\$)</i>	<i>54.9</i>	<i>52.0</i>	<i>5.5%</i>	<i>51.5</i>	<i>6.6%</i>
<b>EBITS (A\$m)</b>	<b>79.4</b>	<b>79.6</b>	<b>(0.4)%</b>	<b>71.6</b>	<b>10.8%</b>
<i>EBITS margin (%)</i>	<i>10.5%</i>	<i>10.0%</i>	<i>0.5ppts</i>	<i>9.1%</i>	<i>1.4ppts</i>

### Treasury Americas (pre-Canada reallocation)

<b>A\$m (unless otherwise stated)</b>	<b>F23</b>	<b>Reported Currency</b>		<b>Constant currency</b>	
		<b>F22</b>	<b>%</b>	<b>F22</b>	<b>%</b>
<b>Volume (m 9Le)</b>	<b>6.0</b>	<b>8.0</b>	<b>(24.6)%</b>	<b>8.0</b>	<b>(24.6)%</b>
<b>NSR (A\$m)</b>	<b>848.3</b>	<b>963.4</b>	<b>(11.9)%</b>	<b>1,041.1</b>	<b>(18.5)%</b>
ANZ	-	-	-	-	-
Asia	-	-	-	-	-
Americas	848.3	963.4	(11.9)%	1041.1	(18.5)%
EMEA	-	-	-	-	-
<i>NSR per case (A\$)</i>	<i>141.2</i>	<i>120.9</i>	<i>16.8%</i>	<i>130.6</i>	<i>8.1%</i>
<b>EBITS (A\$m)</b>	<b>206.3</b>	<b>185.6</b>	<b>11.1%</b>	<b>217.2</b>	<b>(5.0)%</b>
<i>EBITS margin (%)</i>	<i>24.3%</i>	<i>19.3%</i>	<i>5.0ppts</i>	<i>20.9%</i>	<i>3.5ppts</i>



## Appendix 3: Reconciliation of key performance measures

Metric (A\$m unless otherwise stated)	Management calculation	F23	F22
<b>EBITS</b>	Statutory net profit	254.3	263.2
	Income tax expense	82.8	109.7
	Net finance costs	72.7	71.4
	Material items (gain) / loss	109.2	45.5
	SGARA (gain) / loss	64.5	33.9
	<b>EBITS</b>	<b>583.5</b>	<b>523.7</b>
<b>EBITDAS</b>	EBITS	583.5	523.7
	Depreciation & Amortisation	147.3	148.6
	<b>EBITDAS</b>	<b>730.8</b>	<b>672.3</b>
<b>EPS<sup>14</sup></b>	Statutory net profit	254.5	263.2
	Material items (gain) / loss	109.2	45.5
	Tax on material items	(33.2)	(10.5)
	SGARA	64.5	33.9
	Tax on SGARA	(18.9)	(9.5)
	<b>NPAT (before material items &amp; SGARA)</b>	<b>376.1</b>	<b>322.6</b>
	Weighted average number of shares (millions)	721.8	721.8
	<b>EPS (cents)</b>	<b>52.1</b>	<b>44.7</b>
<b>ROCE</b>	EBITS (LTM)	583.5	523.7
	Net assets	3,878.9	3,789.0
	SGARA in inventory	(37.8)	(45.0)
	Net debt	1,386.2	1,254.3
	<b>Capital employed – Current year</b>	<b>5,227.4</b>	<b>4,998.3</b>
	Net assets (CFX)	3,875.7	3,690.0
	SGARA in inventory (CFX)	(44.9)	(30.3)
	Net debt (CFX)	1,285.2	1,130.0
	<b>Capital employed – Prior year (CFX)</b>	<b>5,116.0</b>	<b>4,789.7</b>
	Average capital employed	5,171.7	4,894.0
	<b>ROCE<sup>15</sup></b>	<b>11.3%</b>	<b>10.7%</b>

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<sup>14</sup> Excludes earnings attributable to non-controlling interests.

<sup>15</sup> F22 includes impacts from divested and acquired portfolio brands in Treasury Americas