

# 2016



**TREASURY  
WINE ESTATES**  
Annual 2016 Results  
18 August 2016



**TREASURY  
WINE ESTATES**

# Michael Clarke

## Chief Executive Officer



# Result headlines<sup>1,2,3</sup>

- Reported net profit after tax \$179.4m; more than double prior year
- Reported Earnings Per Share (EPS) 25.1 cents per share; more than double prior year
- Reported EBITs<sup>5</sup> \$342.0m, up 52%; slightly ahead of guidance
- TWE's base business delivered EBITs \$308.8m, up 37% on prior year
- Diageo Wine delivered EBITs \$33.2m; integration of Diageo Wine largely complete and re-set period ongoing
- Sale of non-priority Commercial (NPC) brand portfolio completed on 4 July 2016
- Significantly enhanced profitability of Priority Brand portfolio<sup>4</sup>; portfolio comprised more than 85% of total NSR
- EBITs margin accretion reported; up 3.2ppts to 15.3%
- Improved Return on Capital Employed (ROCE), up 2.8ppts to 9.6%, representing a 41% improvement
- Cash conversion at 123%
- Annual dividend 20 cents per share<sup>6</sup>, unfranked; 6 cents per share higher than the prior period (up 43%)
- Cash synergies from Diageo Wine acquisition upgraded to US\$35m (up from US\$25m) by F20
- Supply Chain Optimisation delivered \$41m of COGS savings; target upgraded to at least \$100m (up from \$80m) by F20
- TWE now expects to deliver high-teens EBITs margin by F18, two years ahead of previous guidance

1. Financial information in this report is based on unaudited financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by management to assess the operational performance of the business and make decisions on the allocation of resources

2. All figures and calculations are subject to rounding

3. All Result Headlines metrics disclosed on a reported currency basis

4. F16 Priority Brands include: Penfolds, Wolf Blass, Beringer, Lindeman's, Rosemount, Rawson's Retreat, Pepperjack, Wynns, Matua, Chateau St Jean, Stags' Leap, Gabbiano, Yellowglen, 19 Crimes and Etude

5. Earnings before interest, tax, SGARA and material items

6. Interim 2016 dividend: 8 cents per share and Final dividend: 12 cents per share



# Brand and marketing highlights in 2H16

## Strategic Innovation



## Powerful Sponsorships Activation



NBA Sponsorship  
in China



Manchester City  
Sponsorship in  
Asia & MEA



Baseball Sponsorship  
in Japan & South Korea



AFL Sponsorship  
in Australia

## Fine Wine & Awards

### Penfolds Magill Cellar 3 Barrel Program



### TWE 90+ Club Campaign



### Wolf Blass – IWC Red Winemaker of the Year 2016





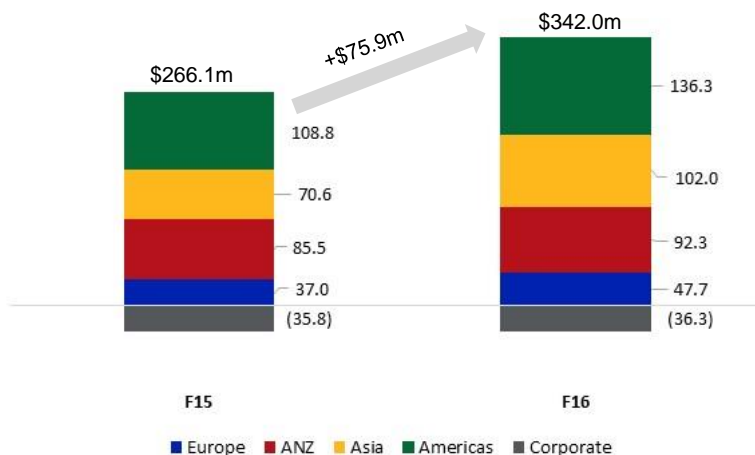
# Noel Meehan

## Chief Financial Officer

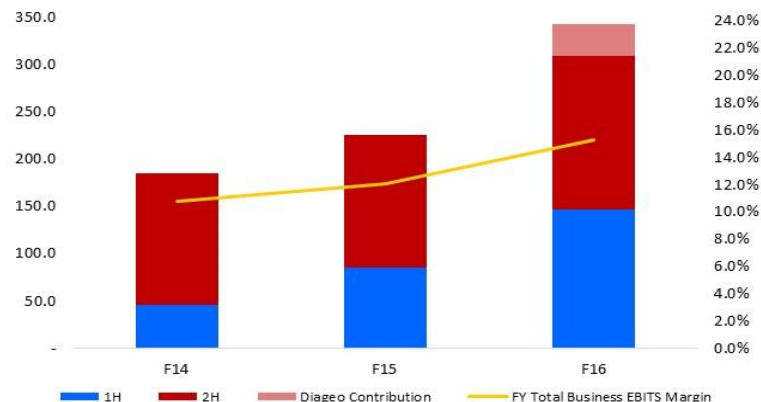


# Profit & Loss<sup>1</sup>

## EBITS growth and regional contribution<sup>2</sup>



## Historical EBITs and EBITs margin<sup>3</sup>



## Balanced, sustainable and quality result delivered in F16

- NPAT before material items and SGARA up \$79.3m to \$221.8m (+56%)<sup>3</sup> principally driven by higher EBITs
- EBITs up 29% to \$342.0m, including \$33.2m from Diageo Wine
- Base business EBITs up 16% to \$308.8m driven by portfolio premiumisation, Supply Chain savings and strong execution of brand building activities
- SGARA loss of \$8.5m (versus loss of \$18.9m in pcp)<sup>3</sup> principally driven by a reduction in yield and tonnage from the 2015 Californian vintage in 1H16
- Lower net finance costs driven by interest earned on funds held on deposit prior to the settlement of the Diageo Wine acquisition, partially offset by higher acquisition-related borrowings in 2H16
- Higher tax expense due to increased earnings, including the acquisition of Diageo Wine
- Material item expense (post tax) of \$38.1m driven by acquisition and integration costs

1. Unless otherwise stated all percentage or Dollar movements from prior periods are pre material items and on a constant currency basis

2. F15 comparatives have been restated to reflect the transition of Middle East & Africa from Europe to Asia, the transition of LATAM from Americas to Europe, and a change in allocation methodology of corporate overheads, relating to IT

3. Stated on a reported currency basis

# Profit and Loss snapshot by region<sup>1</sup>

|                        | ANZ   |         | ASIA   |         | Europe |         |
|------------------------|-------|---------|--------|---------|--------|---------|
|                        | F16   | F15 CFX | F16    | F15 CFX | F16    | F15 CFX |
| Volume (m 9Le)         | 7.8   | 7.6     | 2.4    | 1.7     | 8.4    | 6.7     |
| NSR (A\$m)             | 590.7 | 585.5   | 293.2  | 209.9   | 357.7  | 314.3   |
| NSR per case (A\$)     | 75.88 | 77.17   | 123.48 | 123.65  | 42.46  | 47.17   |
| EBITS (A\$m)           | 92.3  | 85.5    | 102.0  | 70.6    | 47.7   | 37.0    |
| EBITS Contribution (%) | 27.0% | 32.1%   | 29.8%  | 26.5%   | 13.9%  | 13.9%   |
| EBITS margin (%)       | 15.6% | 14.6%   | 34.8%  | 33.6%   | 13.3%  | 11.8%   |

|                        | Americas |         | Corporate |         | TWE Group |         |
|------------------------|----------|---------|-----------|---------|-----------|---------|
|                        | F16      | F15 CFX | F16       | F15 CFX | F16       | F15 CFX |
| Volume (m 9Le)         | 15.0     | 14.2    |           |         | 33.6      | 30.1    |
| NSR (A\$m)             | 991.0    | 862.5   |           |         | 2,232.6   | 1,972.2 |
| NSR per case (A\$)     | 66.10    | 60.85   |           |         | 66.50     | 65.48   |
| EBITS (A\$m)           | 136.3    | 108.8   | (36.3)    | (35.8)  | 342.0     | 266.1   |
| EBITS Contribution (%) | 39.9%    | 40.9%   |           |         | 100.0%    | 100.0%  |
| EBITS margin (%)       | 13.8%    | 12.6%   |           |         | 15.3%     | 13.5%   |

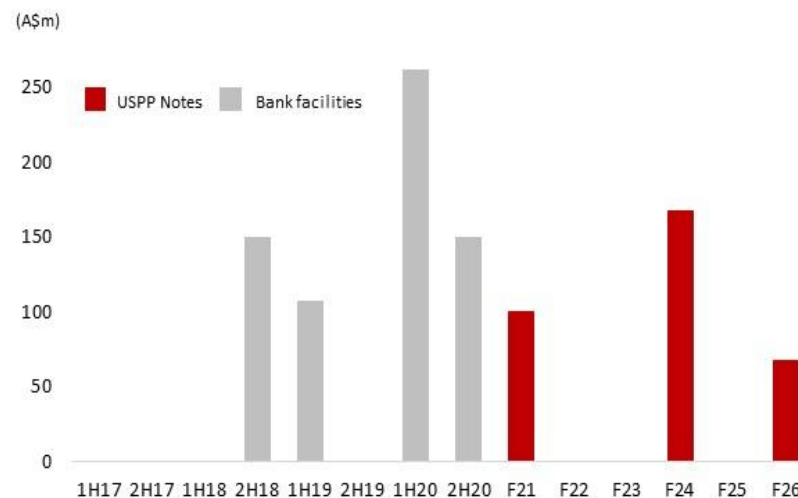
1. F15 comparatives have been restated to reflect the transition of Middle East & Africa from Europe to Asia, the transition of LATAM from Americas to Europe, and a change in allocation methodology of corporate overheads, relating to IT

# Balance Sheet<sup>1</sup>

## Flexible balance sheet maintained

| A\$m                        | F16            | F15            |
|-----------------------------|----------------|----------------|
| Cash & cash equivalents     | 256.1          | 122.1          |
| Receivables                 | 611.4          | 506.6          |
| Current inventories         | 904.0          | 704.2          |
| Non-current inventories     | 678.4          | 533.8          |
| Property, plant & equipment | 1,154.5        | 928.8          |
| Agricultural assets         | 340.0          | 255.1          |
| Intangibles                 | 1,060.2        | 791.1          |
| Other assets                | 372.6          | 308.1          |
| <b>Total assets</b>         | <b>5,377.2</b> | <b>4,149.8</b> |
| Payables                    | 725.4          | 460.6          |
| Borrowings                  | 630.9          | 324.6          |
| Provisions                  | 80.4           | 93.4           |
| Other liabilities           | 305.4          | 220.5          |
| <b>Total liabilities</b>    | <b>1,742.1</b> | <b>1,099.1</b> |
| <b>Net assets</b>           | <b>3,635.1</b> | <b>3,050.7</b> |

## Committed debt facility maturity profile



- Net assets up \$584.4m principally reflecting the acquisition of Diageo Wine and outstanding 2016 vintages in Australia and New Zealand
- TWE continues to target financial metrics consistent with an investment grade credit profile
- Headline net debt<sup>3</sup> / EBITDAS 0.9x (1.6x adjusted for operating leases) and interest cover of 16.5x<sup>2</sup>
- US\$125m Diageo Wine acquisition bridge facility repaid in 2H16
- Weighted average term to maturity of committed facilities 4.4 years, with \$467.8m undrawn
- Gross debt 75% fixed, 25% floating

1. Unless otherwise stated all balance sheet percentage or Dollar movements from the previous corresponding period are on a reported currency basis
2. Interest cover calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre any material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants
3. Borrowings have been adjusted to include \$12.9m fair value of interest rate derivatives designated in a fair value hedge of US Private Placement notes





# Cash flow and net debt<sup>1</sup>

## Cash conversion maintained

| A\$m (unless otherwise stated)  | F16            | F15            |
|---|----------------|----------------|
| <b>Opening net debt</b>   | <b>(213.9)</b> | <b>(209.4)</b> |
| Net operating cash flows before financing costs, tax & material items | 544.4          | 317.2          |
| Capital expenditure   | (133.8)        | (90.8)         |
| Net investment expenditure/other                                      | (798.3)        | 5.5            |
| Net interest paid   | (21.7)         | (22.1)         |
| Net tax paid  | (10.8)         | (34.2)         |
| Dividends/distributions paid  | (111.2)        | (84.7)         |
| Material item cashflows   | (13.7)         | (85.1)         |
| Issue of shares less transaction costs                                | 475.4          | -              |
| On-market share purchase  | (4.5)          | (0.1)          |
| <b>Total cash flows from activities</b>                               | <b>(74.2)</b>  | <b>5.7</b>     |
| Proceeds from settlement of derivatives                               | 10.3           | 47.0           |
| Acquired Diageo Wine finance lease                                    | (85.1)         | -              |
| Debt revaluation and foreign exchange movements                       | (2.1)          | (57.2)         |
| <b>Increase in net debt</b>   | <b>(151.1)</b> | <b>(4.5)</b>   |
| <b>Closing net debt</b>   | <b>(365.0)</b> | <b>(213.9)</b> |

- Net debt<sup>2</sup> increased \$151.1m to \$365.0m
- Acquired Diageo Wine finance lease relates to the capitalised lease acquired upon settlement of the Diageo Wine acquisition on 1 January 2016
- Other drivers of the movement in net debt include increased EBITDAS, favourable movements in working capital and lower material item outflows
- Cash conversion at 123%<sup>3</sup>

1. All cash flow percentage or Dollar movements from the previous corresponding period are on a reported currency basis

2. Borrowings have been adjusted to include \$12.9m fair value of interest rate derivatives designated in a fair value hedge of US Private Placement notes

3. Cash conversion (Net operating cash flows before financing costs, tax and material items divided by EBITDAS)

## Investment in quality and efficient asset base

| A\$m   | F16          | F15         |
|--|--------------|-------------|
| IT spend                                       | 11.5         | 12.0        |
| Oak purchases                                  | 21.8         | 18.2        |
| Vineyard redevelopments                        | 24.3         | 21.8        |
| Upgrades to luxury facilities                  | 17.1         | 23.4        |
| Other capex                                    | 16.7         | 15.4        |
| <b>Total maintenance and replacement capex</b> | <b>91.4</b>  | <b>90.8</b> |
| Supply Chain Optimisation initiative           | 26.9         | -           |
| Diageo Wine integration                        | 15.5         | -           |
| <b>Total capital expenditure</b>               | <b>133.8</b> | <b>90.8</b> |

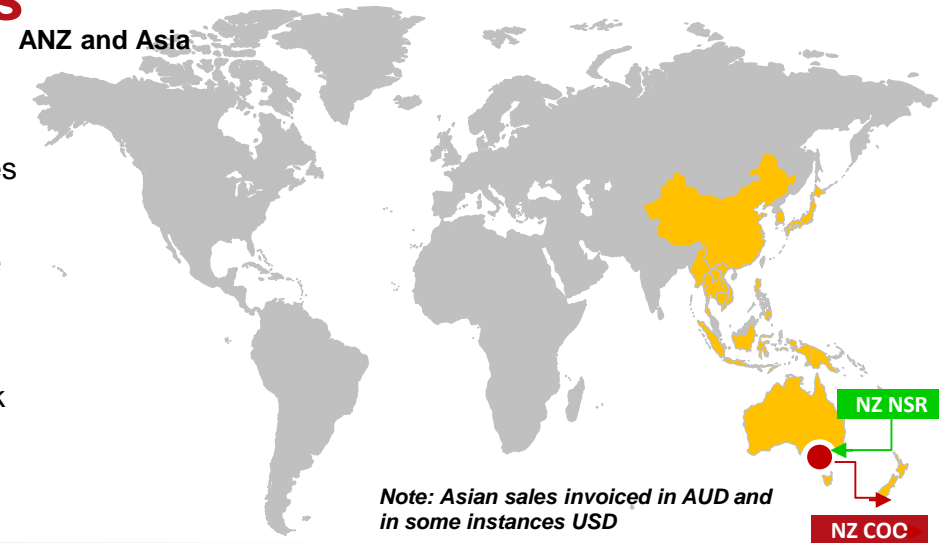
- Capital expenditure up \$43.0m to \$133.8m, driven by:
  - Continued investment in premiumisation activities
  - Execution of Supply Chain Optimisation initiative
  - Integration of Diageo Wine
- Wine barrel leasing commencing in 1H17
- Maintenance and replacement capital expenditure not expected to exceed \$110m in F17
- Capital expenditure of circa \$80m expected in F17 to deliver acquisition synergy run rate of US\$35m by F20



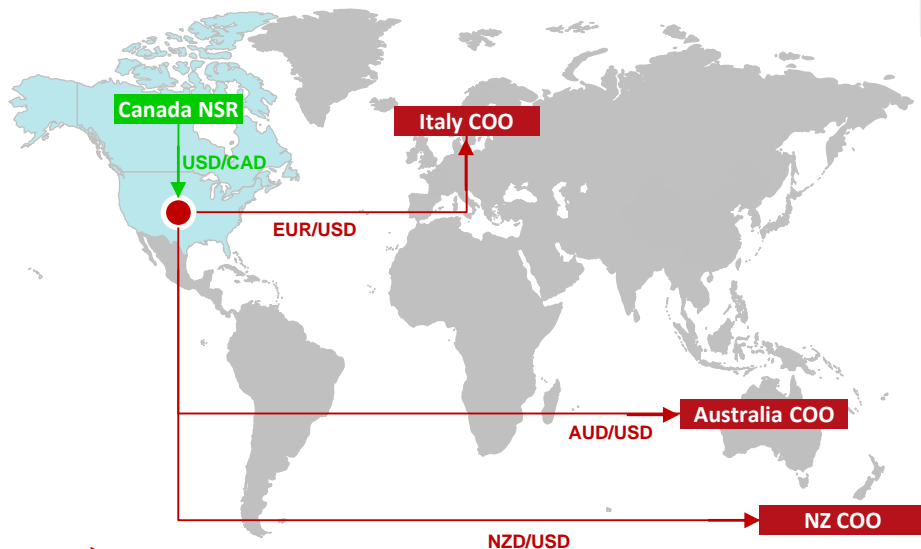
# Foreign exchange exposures

- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
- The map illustrate TWE's key transactional foreign exchange flows by region
- Moderate increase to cross border transactional exposures following Diageo Wine acquisition, with US denominated bulk wine sourcing for Blossom Hill the key incremental exposure

ANZ and Asia

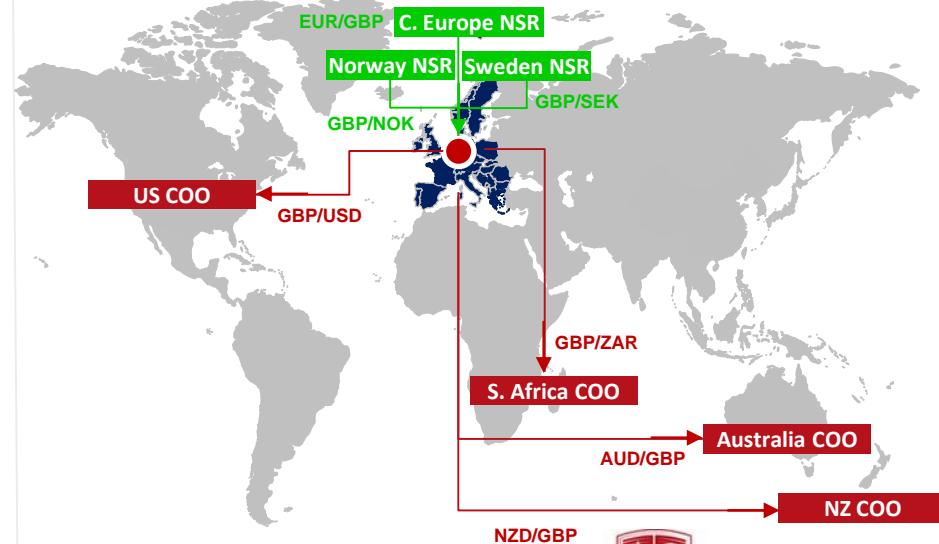


Americas



→ Indicate cash flow direction  
 COO: Country of origin / production  
 NSR: Net sales revenue

Europe



# Impact of foreign exchange rate movements & hedging

## F16 Constant currency impact

| CFX Impact (A\$m)    |             |                          |             |
|----------------------|-------------|--------------------------|-------------|
| Currency             | Underlying  | Hedging <sup>2</sup>     | Total       |
| AUD/USD and AUD/GBP  | 44.3        | 5.1                      | 49.4        |
| Net other currencies | (8.4)       | -                        | (8.4)       |
| <b>F16</b>           | <b>35.9</b> | <b>5.1</b>               | <b>41.0</b> |
| AUD/USD and AUD/GBP  | 40.4        | (9.6)                    | 30.8        |
| Net other currencies | (21.6)      | -                        | (21.6)      |
| <b>F15</b>           | <b>18.8</b> | <b>(9.6)<sup>1</sup></b> | <b>9.2</b>  |

- \$41.0m constant currency foreign exchange benefit in F16 (comprising transaction and translation impacts)
- TWE has a diversified portfolio of currency exposures where production cost currencies and revenue generating currencies are not matched
  - \$44.3m benefit from depreciation of the AUD relative to the main currency pairs (USD and GBP), offset by (\$8.4m) adverse revenue impact from depreciation of TWE's primary revenue currencies<sup>1</sup>
  - \$5.1m relative benefit from hedging in F16 versus the prior year (\$4.9m loss in F16 versus \$10.0m<sup>1</sup> loss in the prior year based on constant currency)

<sup>1</sup> CAD relative to the USD and EUR, SEK and NOK relative to the GBP

<sup>2</sup> CFX hedging impact relative to the prior year (realised hedge loss \$4.9m in F16)

<sup>3</sup> Updated to include hedge positions established since reporting date; weighted average basis

## F17 EBITs sensitivity and risk management strategy

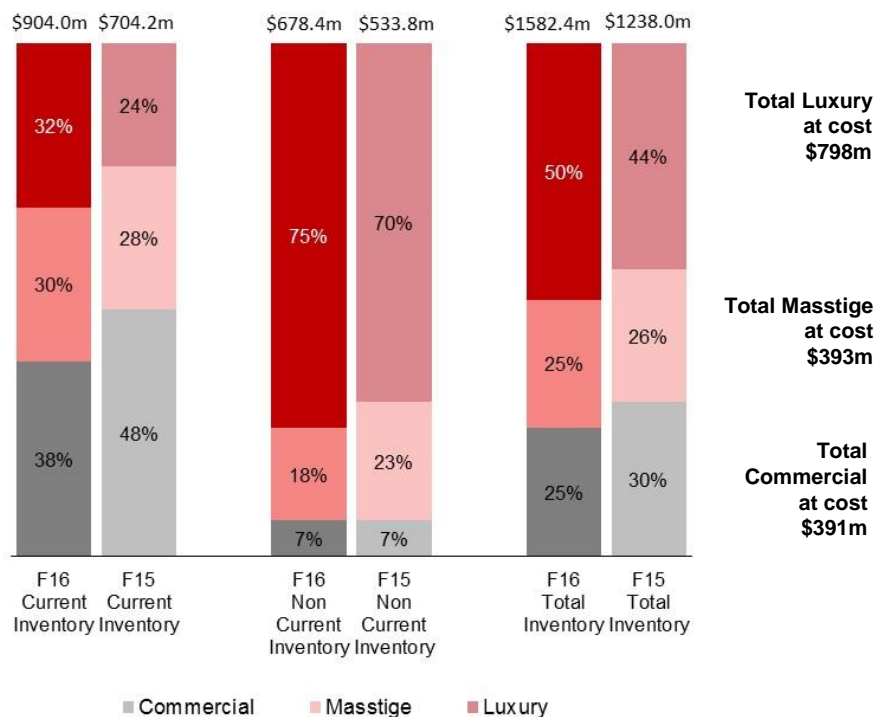
| Currency Pair | Primary Exposure | Movement | EBITS Sensitivity (A\$m) |
|---------------|------------------|----------|--------------------------|
| AUD/USD       | COGS, EBITs      | + 1%     | (3.1)                    |
| AUD/GBP       | COGS, EBITs      | + 1%     | (1.4)                    |
| CAD/USD       | NSR              | + 1%     | 1.1                      |
| EUR/GBP       | NSR              | + 1%     | 0.6                      |
| USD/GBP       | COGS             | + 1%     | (0.6)                    |

- The sensitivity of EBITs to 1% change in primary cost and revenue currencies shown in the accompanying table (excluding potential impact of currency hedging)
- TWE maintains an active foreign exchange risk management strategy, focused on the transactional exposures associated with the Commercial and lower Masstige price segments:
  - AUD/GBP: 70% of F17 exposure protected against appreciation of the exchange rate above 0.55<sup>3</sup>
  - AUD/USD: 50% of F17 exposure protected against appreciation of the exchange rate above 0.78<sup>3</sup>
  - Modest hedge positions in place for other key currency exposures, with hedge positions structured to provide significant participation in favourable exchange rate movements



# Inventory analysis

## Inventory at book value split by segment – F16 & F15<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

<sup>1</sup> Inventory composition subject to rounding. Totals based on sum of Non-Current and Current Inventory

<sup>2</sup> NPC portfolio divested on 4 July 2016. Adjusted for divested inventory, TWE estimates Total Inventory composition in F16 would have been: Luxury 52%, Masstige 25% and Commercial 23%

## Outstanding inventory position

- Total inventory increased \$344m to \$1,582m reflecting:
  - \$144.6m increase in non-current inventory
  - \$199.8m increase in current inventory
- Luxury inventory increased \$255m to \$798m in F16
- Factors impacting the movement in inventory included:
  - Acquisition of Diageo Wine in 2H16
  - Outstanding 2016 vintages in Australia and New Zealand
  - Lower yielding, high quality 2015 vintage in California
  - Lower average production costs across Luxury, Masstige and Commercial inventory driven by Supply Chain Optimisation initiative executed in F16
  - 30% SKU rationalisation completed in F16
  - Continued optimisation of inventory mix; reducing Commercial and lower-end Masstige inventory holdings. TWE managed down NPC<sup>2</sup> portfolio in F16, prior to divestment on 4 July 2016
- Inventory mix allows TWE to be in a strong position to deliver continued earnings and margin growth in F19 and beyond





**Angus McPherson | ANZ**

**Robert Foye | Asia & Europe**

**Bob Spooner | Americas**

**Michael Clarke | Diageo Wine update, Brands & Outlook**

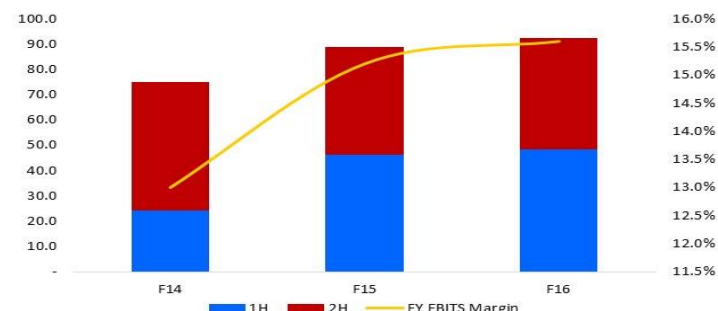


# Australia & New Zealand

## Regional performance<sup>1</sup>

| A\$m               | F16               | F15   | %       | F15               | %       |
|--------------------|-------------------|-------|---------|-------------------|---------|
|                    | Reported currency |       |         | Constant currency |         |
| Volume (m 9Le)     | 7.8               | 7.6   | 2.6%    | 7.6               | 2.6%    |
| NSR (A\$m)         | 590.7             | 586.3 | 0.8%    | 585.5             | 0.9%    |
| NSR per case (A\$) | 75.88             | 77.28 | (1.8)%  | 77.17             | (1.7)%  |
| EBITS (A\$m)       | 92.3              | 88.9  | 3.8%    | 85.5              | 8.0%    |
| EBITS margin (%)   | 15.6%             | 15.2% | 0.4ppts | 14.6%             | 1.0ppts |

## Historical EBITs & EBITs margin performance<sup>2</sup>



## Strengthen leadership position by driving wine category solutions and delivering outstanding innovation to consumers

- Australia volume growth of 3% achieved in a mature wine market
- Innovation and strong customer and consumer re-connections with Masstige tiers of flagship Priority Brands driving refreshed Masstige category
- Improved price realisation on supply constrained tiers of Penfolds, Annie's Lane, Pepperjack and Wynns, highlighting strong brand health
- TWE gaining share in Australian Luxury category driven by outstanding consumer and brand-led marketing campaigns; Luxury volume growth up 26%<sup>3</sup> in F16
- Gem Brand portfolio now well positioned for growth; innovation launches commenced
- EBITs growth and EBITs margin accretion delivered despite broadened portfolio mix
- Focus on category leadership initiatives and cost management expected to support sustained future growth and margin accretion

1. F15 EBITs restated to \$88.9m (from \$84.4m) and 1H16 ANZ EBITs restated to \$48.5m (from \$46.7m), reflecting a change in allocation methodology of corporate overheads, relating to IT

2. Presented on a reported currency basis

3. Aztec Sales Data | Off-premise Channel Only | Bottled Wine Only | Weighted MAT to June 2016

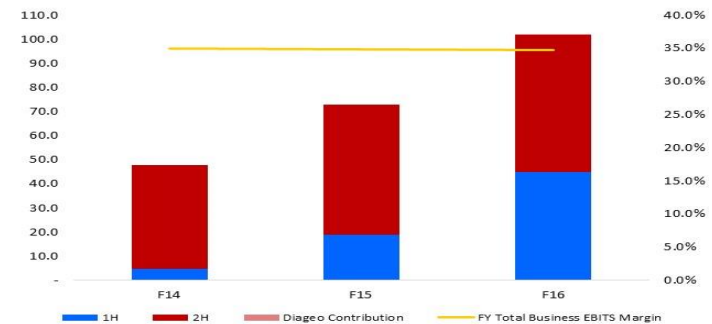


# Asia

## Asia regional performance<sup>1</sup>

| A\$m               | F16    | F15               | %     | F15               | %       |
|--------------------|--------|-------------------|-------|-------------------|---------|
|                    |        | Reported currency |       | Constant currency |         |
| Volume (m 9Le)     | 2.4    | 1.7               | 39.9% | 1.7               | 39.9%   |
| NSR (A\$m)         | 293.2  | 208.6             | 40.6% | 209.9             | 39.7%   |
| NSR per case (A\$) | 123.48 | 122.88            | 0.5%  | 123.65            | (0.1)%  |
| EBITS (A\$m)       | 102.0  | 72.9              | 39.9% | 70.6              | 44.5%   |
| EBITS margin (%)   | 34.8%  | 34.9%             | -     | 33.6%             | 1.2ppts |

## Historical EBITs & EBITs margin performance<sup>2</sup>



## Sustainably grow volume and EBITs by supporting a broadened portfolio with outstanding brand building campaigns and superior execution

- Attractive wine industry fundamentals in Asia continue; imported wine category in double-digit growth and accelerating
- Increasing portfolio depth and distribution breadth with retail customers across key markets, notably across North Asia
- Excluding Penfolds, rest of portfolio volume up 43% in F16, led by Wolf Blass, Rawson's Retreat, Lindeman's and Beringer
- Route-to-market expansion in China focused on driving retail channel growth, optimising the wholesaler network and ramping up the E-Commerce channel
- Brand building investment weighted to 1H16 ahead of key consumption and gift giving occasions including; Mid-Autumn Festival, Chinese New Year, Easter, winemaker visits and tasting events
- US brands will continue to play a key role in Asia growth
- Achieved strong EBITs growth and stable EBITs margin despite portfolio diversification and elevated investment in brands and people
- Positive outlook driven by attractive market fundamentals and TWE's competitive advantages: brands, marketing and people

1. F15 EBITs restated to \$72.9m (from \$73.1m) to reflect the inclusion of the Middle East & Africa (MEA) business (\$2.9m) and changes in allocation methodology of corporate overheads, relating to IT. MEA contributed EBITs of \$1.4m in F16. 1H16 Asia EBITs restated to \$45.0m (from \$46.5m) reflecting the change in allocation methodology of corporate overheads, relating to IT

2. Presented on a reported currency basis

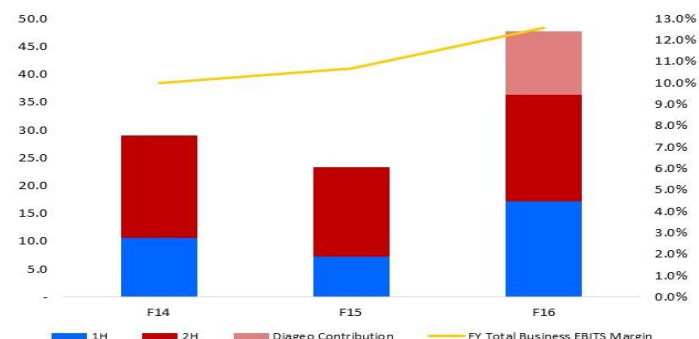


# Europe

## Regional performance<sup>1</sup>

| A\$m               | F16               | F15   | %       | F15               | %       |
|--------------------|-------------------|-------|---------|-------------------|---------|
|                    | Reported currency |       |         | Constant currency |         |
| Volume (m 9Le)     | 8.4               | 6.7   | 26.4%   | 6.7               | 26.4%   |
| NSR (A\$m)         | 357.7             | 286.1 | 25.0%   | 314.3             | 13.8%   |
| NSR per case (A\$) | 42.5              | 42.9  | (1.1)%  | 47.2              | (10.0)% |
| EBITS (A\$m)       | 47.7              | 16.0  | 198.1%  | 37.0              | 28.9%   |
| EBITS margin (%)   | 13.3%             | 5.6%  | 7.7ppts | 11.8%             | 1.5ppts |

## Historical EBITs & EBITs margin performance<sup>2</sup>



## Deliver sustainable volume and mix improvements by optimising brand market combinations, New Product Development while vigorously managing costs

- Delivered EBITs growth and EBITs margin accretion despite challenging market conditions; ongoing price competition and soft wine category growth
- Continued focus, investment and optimisation of brand market combinations driving volume and value growth from core brand tiers
- Significantly strengthened customer partnerships – particularly in UK grocery – underpinned by category leading insights and brand health
- Wolf Blass Red and Yellow Label and Lindeman's Bins in double-digit growth; continuing to build on outstanding marketing campaigns executed in 1H16
- Vigorous approach to cost management; reduction in overheads more than offset increase in brand building investment
- Successful integration of Blossom Hill

- F15 EBITs restated to \$16.0m (from \$14.4m) to reflect the inclusion of the LATAM business (\$5.3m), the exclusion of the Middle East & Africa (MEA) business (\$2.9m) and changes in allocation methodology of corporate overheads, relating to IT. LATAM contributed EBITs of \$5.8m in F16 and MEA contributed EBITs of \$1.4m in F16. No change 1H16 EBITs
- Presented on a reported currency basis



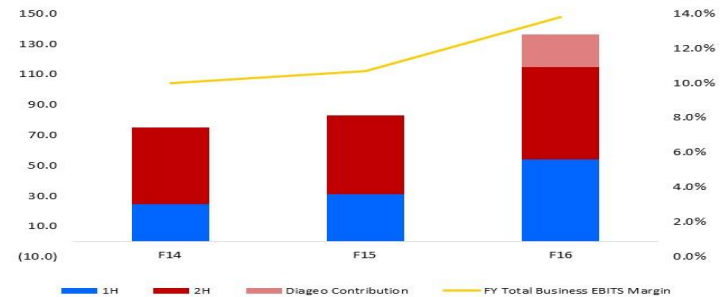


# Americas

## Regional performance<sup>1</sup>

| A\$m               | F16               | F15   | %       | F15               | %       |
|--------------------|-------------------|-------|---------|-------------------|---------|
|                    | Reported currency |       |         | Constant currency |         |
| Volume (m 9Le)     | 15.0              | 14.2  | 5.8%    | 14.2              | 5.8%    |
| NSR (A\$m)         | 991.0             | 776.2 | 27.7%   | 862.5             | 14.9%   |
| NSR per case (A\$) | 66.1              | 54.8  | 20.7%   | 60.9              | 8.6%    |
| EBITS (A\$m)       | 136.3             | 83.2  | 63.8%   | 108.8             | 25.3%   |
| EBITS margin (%)   | 13.8%             | 10.7% | 3.1ppts | 12.6%             | 1.2ppts |

## Historical EBITs & EBITs margin performance<sup>2</sup>



## Accelerate growth and lead in Luxury and Masstige segments by revitalising flagship Californian brands via innovative and consumer-led brand investment

- Delivered EBITs and EBITs margin accretion whilst integrating Diageo Wine and realigning Commercial portfolio
- NPC portfolio divested on 4 July 2016; Commercial portfolio now realigned and positioned for sustainable growth
- Nielsen data in F16 not representative of TWE's underlying volume or profitability performance, adjusted volume up 2%
- Delivered 6<sup>th</sup> consecutive half of Luxury volume growth and 10<sup>th</sup> consecutive half of Masstige volume growth in F16
- Luxury depletions and Masstige depletions<sup>3</sup> in double digit growth despite price increases on flagship brands
- Significantly strengthened partnerships with distributor and retail customers in 2H16; enabled "fast start" to F17
- Building a Luxury and Masstige brand powerhouse – in the US and internationally – with existing and acquired brands, led by Beringer, Stags' Leap, Sterling Vineyards and Beaulieu Vineyard
- Sustainable momentum and EBITs margin accretion expected

1. F15 EBITs restated to \$83.2m (from \$93.2m) to reflect the exclusion of the LATAM business (\$5.3m) and changes in allocation methodology of corporate overheads, relating to IT. LATAM contributed EBITs of \$5.8m in F16. 1H16 Americas EBITs restated to \$54.1m (from \$56.2m) reflecting the change in allocation methodology of corporate overheads, relating to IT

2. Presented on a reported currency basis

3. Nielsen (Food, Drug and Liquor channels), 52 weeks ending 18 June 2016 and Company estimates

4. Depletions measured as stock shipped from customer warehouses to retail stores. Adjusted for Special Depletions impact volume and divested brands



# Acquisition of Diageo Wine – progress update

| Actions taken in 2H16   | Financial performance  | F17 priorities |     |                |     |            |       |                    |       |              |      |                  |       |   |
|---|--|----------------|-----|----------------|-----|------------|-------|--------------------|-------|--------------|------|------------------|-------|---|
| <ul style="list-style-type: none"><li>Integration largely complete</li><li>12 month re-set period ongoing</li><li>Aggressive withdrawal from unprofitable volume and unsustainable customer contracts in US and Europe</li><li>Worked with distributor and retail partners to deplete old-pack product, ahead of creative refresh and innovation in 1H17</li><li>Accelerated consumer marketing investment ahead of fast start to 1H17</li><li>Realigned Blossom Hill pricing across Europe</li><li>Included Sterling, Beaulieu Vineyard and Blossom Hill in Priority Brand portfolio</li><li>Reduced complexity and improved mix &amp; profitability with discontinuation of 11 non-core Diageo Wine Brands (in addition to 7 divested brands<sup>1</sup>)</li></ul> | <table><tr><th></th><th>F16</th></tr><tr><td>Volume (m 9Le)</td><td>3.4</td></tr><tr><td>NSR (A\$m)</td><td>200.7</td></tr><tr><td>NSR per case (A\$)</td><td>59.26</td></tr><tr><td>EBITS (A\$m)</td><td>33.2</td></tr><tr><td>EBITS margin (%)</td><td>16.5%</td></tr></table> <ul style="list-style-type: none"><li>Delivered immediate EBITs margin accretion to TWE’s business</li><li>EBITS contribution in line with expectation</li><li>Diageo Wine EBITs margin driven by:<ul style="list-style-type: none"><li>Favourable mix driven by aggressive withdrawal from unprofitable volume and unsustainable customer contracts in 2H16</li><li>Absorption of overheads into TWE’s base business as part of integration in 2H16, notably in Europe</li><li>Partially offset by significantly elevated brand building investment</li></ul></li><li>EPS<sup>2</sup> neutral in first six months of owning business</li></ul> |                | F16 | Volume (m 9Le) | 3.4 | NSR (A\$m) | 200.7 | NSR per case (A\$) | 59.26 | EBITS (A\$m) | 33.2 | EBITS margin (%) | 16.5% | <ul style="list-style-type: none"><li>Complete re-set period by end of 1H17</li><li>Enhance brand health of acquired brands; investing in consumer pull strategies</li><li>Take US brands to new markets and channels, notably Asia</li><li>Take price on new vintages, supported by consumer marketing</li><li>Execute revised sourcing models for acquired brands and redirect fruit to optimise brand margins</li><li>Launch Blossom Hill in Asia</li><li>Manage COGS to mitigate impact of changes in foreign currency, notably Brexit impact on Blossom Hill</li><li>Total cash synergies now expected to reach a run rate of US\$35m (up from US\$25m) by F20</li><li>Deliver on TWE’s commitment made in October 2015 that the acquisition will drive low double digit percent EPS<sup>2</sup> accretion</li></ul> |
|   | F16  |                |     |                |     |            |       |                    |       |              |      |                  |       |   |
| Volume (m 9Le)  | 3.4  |                |     |                |     |            |       |                    |       |              |      |                  |       |   |
| NSR (A\$m)  | 200.7  |                |     |                |     |            |       |                    |       |              |      |                  |       |   |
| NSR per case (A\$)  | 59.26  |                |     |                |     |            |       |                    |       |              |      |                  |       |   |
| EBITS (A\$m)  | 33.2   |                |     |                |     |            |       |                    |       |              |      |                  |       |   |
| EBITS margin (%)  | 16.5%  |                |     |                |     |            |       |                    |       |              |      |                  |       |   |

1. Incremental to 12 non-priority Commercial brands divested on 4 July 2016

2. Before material items and SGARA

# US brands defined, reinvigorated and positioned for growth



# Outstanding new brand campaigns

**BLOSSOM HILL.**

- SHARE A LITTLE -  
**LOVELINESS**

- LET IT -  
**BLOSSOM**

**BLOSSOM HILL. PINOT GRIGIO**  
LIVELY & CRISP  
WITH FRESH PEACH & CITRUS FLAVORS  
CALIFORNIA


**BLOSSOM HILL. WHITE ZINFANDEL**  
JUICY & FRESH  
FLAVOR & BERRY FRUIT  
WITH SUGARCOATED BERRIES  
CALIFORNIA

**BLOSSOM HILL. MERLOT**  
VELVETY & SOFT  
WITH RICH RED BERRIES  
DARK, CRISP TANNIN  
CALIFORNIA

for the facts [drinkaware.co.uk](http://drinkaware.co.uk)

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*Honor matters.*  
NOW, MORE THAN EVER.

*Beaulieu Vineyard.*  
SINCE **BV** 1900

A TIME-HONORED TRADITION  
AT STATE DINNERS





NAPA VALLEY, CALIFORNIA



STERLING  
VINEYARDS®

ALWAYS POLISHED  
NEVER DULL



# Summary and outlook

- TWE is transitioning **from** an order-taking, agricultural company **to** a brand-led, marketing organisation
- TWE is delivering consistent earnings growth and margin accretion on a more balanced and sustainable base business
- Priority Brand portfolio refreshed; includes recently acquired Sterling Vineyards, Beaulieu Vineyard and Blossom Hill
- Re-set period for Diageo Wine on track; investment in 1H17 expected to deliver exciting 2H17
- Sustainable and quality earnings basis delivered in F16 is expected to deliver continued momentum in F17
- Cash synergies recognised from the acquisition of Diageo to reach a run rate of US\$35m (up from US\$25m) by F20
- COGS savings from Supply Chain Optimisation to reach a run rate of at least \$100m (up from \$80m) by F20
- High-teens EBITs margin by F18; representing a two year acceleration of this target
- Continued focus on ROCE improvement; delivered via earnings growth and Capital Employed optimisation





# Questions





## Disclaimer

Treasury Wine Estates (TWE) advises that this presentation contains forward looking statements which may be subject to significant uncertainties outside of TWE's control.

No representation is made as to the accuracy or reliability of forecasts or the assumptions on which they are based.

Actual future events may vary from these forecasts and you are cautioned not to place undue reliance on any forward looking statement.



# Supplementary Information



# Definitions

| Term                     | Definition  |
|--------------------------|---|
| <b>Constant currency</b> | Throughout this presentation, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates  |
| <b>NSR</b>               | Net sales revenue   |
| <b>EBITDAS</b>           | Earnings before interest, tax, depreciation, amortisation, material items & SGARA   |
| <b>EBITS</b>             | Earnings before interest, tax, material items and SGARA   |
| <b>EBIT</b>              | Earnings before interest, tax and material items  |
| <b>Exchange rates</b>    | Average exchange rates used for profit and loss purposes in the F16 results are: \$A1 = \$US 0.7283 (F15: \$A1 = \$US 0.8368), \$A1 = GBP 0.4915 (F15 \$A1 = GBP 0.5304). Period end exchange rates used for balance sheet items in F16 results are: \$A1 = \$US 0.7449 (F15: \$A1 = \$US 0.7673), \$A1 = GBP 0.5537 (F15: \$A1 = GBP 0.4878)   |
| <b>SGARA</b>             | Australian accounting standard AASB141 "Agriculture." From 1 July 2016, changes to AASB 141 will apply in respect of vine assets. Vines will no longer be recorded at fair value, but will be recorded at cost and depreciated. Had the standard been applied in F16, depreciation expense would have been approximately \$6.0 million higher. In F17, TWE expects the incremental depreciation charge to be approximately \$8.0 million. |
| <b>Shipment</b>          | Shipments refer to volume movement from TWE to a third party off-premise or on-premise distributor or retailer  |
| <b>Depletion</b>         | Depletions refer to volume movements from a distributor to an on-premise or off-premise retailer  |