



TREASURY WINE ESTATES

5 November 2020

ASX ANNOUNCEMENT

TWE 2020 AGM Addresses and Q1 Trading Update

Treasury Wine Estates Limited (ASX:TWE) will today address shareholders at its Annual General Meeting to be held online, commencing at 10:00am Australian Eastern Daylight Time.

Attached is a copy of the address to be delivered by the Chairman, Paul Rayner and the address to be delivered by the Chief Executive Officer, Tim Ford, along with the accompanying presentation materials.

The attached materials provide shareholders with information regarding F21 first quarter trading, and an update on key strategic priorities.

A live webcast of the Annual General Meeting can be viewed at www.tweglobal.com. An archive of proceedings will also be available from the website.

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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F20 Performance Highlights^{1,2,3,4}

Resilient performance through challenging trading conditions

NSR

\$2.65bn ▼ (6.4)%

NSR per case

\$81.9 ▲ 2.6%

EBITS

\$533.5m ▼ (21.7)%

EBITS margin

20.1% ▼ (4.0)ppts

NPAT

\$315.8m ▼ (25.3)%

EPS

43.9cps ▼ (25.5)%

Cash conversion

94.7% ▲ 16.3ppts

Net debt / EBITDAS

2.2x ▲ 0.4x

ROCE

10.6% ▼ (3.3)ppts

Full year dividend

28.0cps ▼ (26.3)%

Luxury and masstige contribution to global NSR

71% ▲ 2.0ppts

1. Financial information in this report is based on audited financial statements. Non-IFRS measures will not be subject to audit or review, and 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; prior year comparatives have been restated for the application of AASB16 Leases and AASB112 Income taxes
3. Result Headlines metrics disclosed on a reported currency basis
4. Before material items and SGARA



Q1 Performance Update



Asia

- TWE saw progressive recovery in demand throughout the **Asia** region in Q1, with depletions up 14%
- In **China**, positive momentum continued through the mid-Autumn festival and Golden Week holiday period
- Consumption normalizing in key **South-East Asia** markets, while on-premise and travel retail channels remain impacted



Australia & New Zealand

- Above \$10 price points driving retail market growth; TWE's **masstige** portfolio growing ahead of the market in Australia, up 21% in Q1²
- **On-premise and cellar door** outlets resuming normal operations ex-Victoria



Americas

- TWE's **Focus 9 brands** continues to outperform the market in retail channels, growing 32% in Q1¹
- **On-premise and cellar door** outlets reopening progressively
- Some minor property damage and cellar door trade impacts from **California wildfires**
- **Smaller vintage** to support rebalancing of industry oversupply; TWE's 2020 intake to be down on prior year



Europe, Middle East & Africa

- Demand through **retail channels** remains strong, TWE's portfolio grew 17% in the UK through Q1³
- **Channel closures** continue to impact on-premise, travel retail and Middle East & Africa business

1. IRI Market Advantage, Multi-Liquor Outlet + Convenience, value growth, 13 weeks ending 4 October 2020
2. Aztec sales value data, bottle and canned wine only. Australia liquor weighted, quarter ending 27 September 2020
3. Nielsen Scantrack, Total market, value growth, 13 weeks ending 3 October 2020



Update on key priorities

Delivering the future state US wine business

- Future state premium wine business will have broadly half the volume, similar level of earnings and progression towards the 25% EBITs margin ambition for the Americas region
- New sales and operating model in place, with progressive reduction of lower margin commercial tier brands in progress
- Continuing to progress on a range of alternatives for the potential divestiture of selected brands and assets

Accelerating separate focus across the portfolio

- Long-term value creation expected from a separate focus for Penfolds and TWE's other premium brands
- TWE is currently prioritising focus on trading performance, delivering structural changes in the US and responding to the China Ministry of Commerce investigation
- Work in relation to the potential demerger of Penfolds has been paused, and TWE is assessing internal operating model opportunities to deliver long-term value through a separate focus across its brand portfolios



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2020 Annual General Meeting

Chairman's Address – Paul Rayner

Fiscal 2020 was an extraordinary year for our business, our industry and many of the markets in which we operate.

I want to take this opportunity to acknowledge the dedication and resilience of our team during this past year, who alongside our customers and suppliers, adapted well to the changing environment and trading conditions.

The continued focus on our premiumisation strategy, as well as the competitive advantages of our business models, our collaborative customer partnerships, an unrelenting focus on the consumer and disciplined execution by our global team, gives the Board, and the Executive Leadership Team, confidence in our ability to come out of this period an even stronger business.

The COVID-19 global pandemic and government mandated restrictions, whilst necessary, did impact our operating performance across all regions. Despite this, we managed through the impacts of COVID-19 and pleasingly we are seeing continued improvement in performance across some of our key markets as some of the most impacted channels start to re-open and consumers adapt to what is a new normal.

In addition, shifting market place dynamics in the United States, driven by the structural oversupply of Californian wine, created specific challenges to navigate throughout the year, and I want to commend Tim, our Americas President Ben Dollard, and the team for the work already completed to deliver an operation that is more efficient and focused on becoming a future state premium wine business, in what is the world's largest wine market – a market where premiumisation trends are particularly attractive.

At this point, I want to also respectfully acknowledge the anti-dumping and countervailing duty investigations into Australian wine exports being led by China's Ministry of Commerce.



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I want to make the point to shareholders that these investigations do not change our long-term commitment to China as a priority market.

TWE has been dedicated to the China market since we first introduced Penfolds in 1995, bringing our experience as a trusted, premium global wine business to the local market to help create a strong wine industry that benefits many.

In return, China has embraced TWE and we appreciate the support we have received. Importantly, we continue to see a long-term role for TWE in helping to create a wine culture in China where the industry thrives, and everyone shares the benefits, together.

We respect the process initiated by the Chinese government and we will continue to fully co-operate as these investigations continue.

Despite these challenges, TWE is a strong business. A premium brand-focused global leader in wine with strong positions in our priority markets, supported by a global footprint and business model that is unrivalled by any other player in the industry. Diversification is at the heart of our strategy – we are diversified across multi-regional sourcing and sales geographies, our trusted and award-winning brand portfolio, the price points at which we play and the diverse range of consumer experiences that our brands offer.

Critical progress was also made throughout the year on many important strategic initiatives including the implementation of a new operating model in our Americas region along with initiating the restructuring of the supply chain.

We also announced our decision to explore a demerger of the Penfolds brand and business, and a significant amount of work has been undertaken validating our expectations that separate focus' for Penfolds and TWE's other brands should drive long-term value creation.

Tim will provide an update on these initiatives shortly.

Our portfolio of brands is iconic and continued to find new ways to connect with consumers via online and e-commerce channels throughout the year as government-mandated restrictions changed how they connected with family and friends.



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For example, our Stags' Leap Winery in the US opened a virtual tasting room via social media for weekly tastings that mirrored the traditional guest experience but from the safety of home. Also, Wolf Blass engaged in a partnership with Deliveroo in the UK to help consumers make their 'eating in' occasion all the more special. These are only two of many examples.

TWE continued to lead category innovation with 19 Crimes disrupting the wine market by announcing a multi-year partnership with entertainment icon Snoop Dogg to celebrate the release of its first Californian red wine. Squealing pig also launched a Rose Gin and Pepperjack expanded beyond its celebrated Shiraz and Cabernet Sauvignon to release new varietals including a Malbec with grapes sourced from Argentina.

The rich heritage of our brands was also on show in fiscal 2020 with Penfolds celebrating its 175-year anniversary, as well as 60 years of Bin 389 while Stags' Leap reached 125 years and the Beaulieu Vineyard celebrated its 80-year anniversary.

In fiscal 2020, TWE continued to engage with governments and regulatory bodies across our regions on relevant issues to help ensure the long-term sustainability of our industry.

We are a global business and support strong and consistent relations between trading nations. Those relations arise as a result of the development of trust over time between nations who see themselves as partners in building their economic activity for the mutual benefit of their communities. Good economic relationships also build good security for a nation's people and the chance of long term prosperity across generations.

Challenges to trade relations and economic development have come thick and fast in 2020, and there has been an enormous amount of public commentary and debate on the relationship between the Chinese and Australian governments, not all of it constructive or helpful. A balanced and respectful approach to this relationship and the surrounding debate is needed and I'm sure it can be found with strong leadership from both government and business leaders.



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I hope that companies like ours can continue to form a constructive bridge between our two economies and I want to express our belief in China's ability to develop its economy and its people's standard of living through domestic activity, and also through international trade. We hope to be a long term and committed partner in that endeavour.

Now I would like to turn to the sustainability of our business. We remain committed to being sustainable in everything we do. In fiscal 20 we continued to integrate a greater Environmental, Social and Governance (ESG) focus across the business, and delivered against our Corporate Responsibility framework, which is structured on four key pillars of Performance, Planet, People and Product. We proudly published our annual Sustainability Report in September, which highlights our achievements in this important area, and our concentration on operating sustainably, safely and responsibly.

Progress included the implementation of our roadmap towards compliance with the recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD). We started a two-year Climate Scenario Analysis program to identify risks and opportunities arising from climate change, launched our Global Packaging Guidelines and targets, introduced a rigorous supplier onboarding and risk assessment platform and advanced our Human Rights Roadmap.

We continued to focus on driving greater awareness across the business on reducing the use of resources such as energy and water, as well as reducing emissions.

In fiscal 20 many of our communities faced significant impacts from drought and bushfire through to the health and economic impacts of the COVID-19 global pandemic. We have maintained our commitment to supporting those most vulnerable in our communities through a mix of volunteering, charitable donations and product donations. Importantly we have also directly supported our team with counselling and support services and regular engagement programs to strengthen our people's mental health and wellbeing, as well as providing them with a range of processes, tools and activities to keep them physically safe and healthy during the COVID-19 global pandemic.



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Looking ahead, TWE is well positioned to emerge a stronger, fitter business that is focused on the disciplined execution of its premiumisation strategy in F21 and beyond. In doing so we will realise our ambition to be the world's most admired premium wine company by boldly leading change in the world of wine.

Before I conclude with my final thanks, I would like to remind shareholders that later in the meeting, you will be asked to consider and vote in favour of a number of items of business. On this, and all matters, I ask for shareholder support.

In closing: I would like to take the opportunity to acknowledge Mike Clarke for the transformative contribution he made to TWE during his tenure with the business. The growth of our business and significant improvement in our operating and financial performance over his tenure reflects Mike's strong and decisive leadership.

On behalf of the Board, I would also like to thank our people at TWE, led by Tim Ford, for the results delivered in what has been a challenging and difficult operating environment. We are extremely proud to have such an outstanding, high-calibre team that is committed to delivering against our strategy.

Finally, I would like to extend my thanks to you, our shareholders for your continued belief, investment and support of TWE.

I'll now hand over to Tim Ford to provide a detailed breakdown of business performance in the past financial year, as well as an update on the first quarter of this financial year and our priorities and focus for the remainder of fiscal 2021.



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2020 Annual General Meeting

Chief Executive Officer's Address – Tim Ford

Thank you, Paul. And welcome to our shareholders joining us from around the world. It's a pleasure to join you today for my first Annual General Meeting as your CEO.

Our 2020 financial year results reflect resilient performance through challenging conditions. The impact of the COVID-19 pandemic on trading in the second half, along with continued challenging conditions in the US wine market, were the key drivers of lower earnings in fiscal year '20. Taking into account these factors, Treasury Wine Estates delivered a profit result that reflects the fundamental strength of our global business, our brand portfolios and our organizational capability. This strength was underpinned by strong cash conversion and a healthy balance sheet position. I am very proud of the way that our team, our customers and our suppliers have managed through the disruptive impacts of the pandemic.

During this period, in-home consumption of wine has increased significantly across many markets, driving high levels of activity through the bricks and mortar retail channels, and accelerating activity through e-commerce channels. Away from retail and e-commerce however, key sales channels for higher-margin luxury wine – which include on-premise, cellar doors and travel retail – were closed or significantly impacted during the period.

On the positive side, we were able to manage the impacts of COVID-19 across our global supply chain with no material interruptions, and our strong capital structure and operating cash flow enabled us to keep investing behind our brands and asset base to support the future growth of the business.

Looking at the key financial results. Net Sales Revenue declined 6% over the prior year as a result of the challenging conditions in the US wine market and the impacts of COVID-19 in the second half. Pleasingly, NSR per case increased driven by continued portfolio premiumization with the premium portfolios now contributing 71% of global NSR, up from 69% in the prior year, and from 43% six years ago.



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Group EBITs declined 22% to \$534m and earnings per share declined 26% to 43.9 cents per share, reflecting not only the decline in top-line performance but also the impacts of higher COGS per case through F20, particularly across our Australian sourced commercial and masstige portfolios.

Pleasingly our cash flow performance was strong, with a 95% cash conversion outcome supporting the maintenance of our strong balance sheet. As a result, we declared a final dividend of 8 cents per share, representing a 28 cent per share payment for the full year and a payout ratio of 64% of NPAT which is in line with our long-term dividend policy.

I'd now like to provide a short update on trading conditions across our key markets for the first quarter of Fiscal '21, which we feel is important to share with you given the ongoing uncertainty created by the COVID-19 pandemic.

Across Asia we have seen progressive and consistent recovery of demand month on month, with depletions for the total Treasury Wine Estates brand portfolio growing 14% in the first quarter versus the prior year. This is despite ongoing restrictions to travel and on-premise venues throughout the region, which led to a variation of recovery across some of our key markets through the quarter.

In China specifically, we have continued to see strong recovery in consumer demand for our brands. Pleasingly, we also saw strong consumption throughout the Golden Week holiday season and mid-autumn festival in September and into early October, driven by outstanding brand building investment execution from our local team and the return of banquet and social gathering occasions.

I will take a moment now to reflect on the status of the ongoing MOFCOM investigation into anti-dumping and countervailing duties.

Yesterday, we advised the market that the Chinese Alcoholic Drinks Association had applied to MOFCOM requesting that imports of Australian wine in containers of two litres or less into China be subject to retrospective tariffs. At this point in time it is unclear whether this application will be successful.



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In recent days we have also become aware of media reports and speculation relating to a potential embargo of Australian exports, including wine, into China. We have not received any advice or notification from the Chinese authorities in relation to this speculation and are not in a position to comment further at this point in time other than to state the following:

- Firstly, these investigations do not change our long-term commitment to China and we will continue to focus on building our brands in this market, and further developing the deep relationships we have with our customers and strategic partners.
- Secondly, we welcome the opportunity to participate in this investigation directly, and the team is currently responding to detailed information requests by MOFCOM - we respect the process and will continue to fully cooperate as these investigations continue.

In the Americas region, and the US specifically, the wine category is still seeing strong growth in retail channels with 12% value growth in the first quarter. Importantly, a strong premiumization story continues to play out, with above \$11 price points growing 23% during the same period and above \$20 the fastest growing price segment. These premiumisation dynamics set a very positive backdrop for our Focus 9 brand portfolio that is performing very well, growing value, as measured by IRI, collectively by 32% in the first quarter. As a result, our US business has delivered depletions growth across all channels for the quarter of 5% across the total portfolio, and more importantly 31% across our Focus 9 brand portfolio.

Whilst this performance is particularly pleasing, there continues to be the ongoing restrictions in the on-premise channels in the United States, and in our California based cellar doors which have both historically been strong profit contributors to our business. The upcoming Thanksgiving and Christmas holidays, which are key selling periods in the US, will be very important to our first half performance in the Americas region.

In Australia, trading conditions are consistent with those we called out at the full year results, with elevated retail performance driven by the above \$10 price points. TWE's performance continues to be weighted to the masstige and lower luxury portfolio, and our masstige



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portfolio is growing ahead of the market, up 21% value in Q1. Upper end luxury wine sales, whilst lower than the prior year comparative quarter, are showing improving trends compared to the second half of fiscal '20.

As in the US, other key sales channels outside of retail are re-opening with various levels of restrictions, with the exception of Victoria, which remained closed in the first quarter.

In Europe, the Middle East and Africa we continued to see strong performance through retail channels in the UK, where TWE's portfolio grew 17% value in Q1, along with Continental Europe and the Nordics. Performance declines continued in travel retail, Middle East & Africa and the on-premise due to channel closures.

I will also comment briefly on the recently completed 2020 Californian and French vintages. In California, which has been recently impacted by several wildfires in the Napa Valley and surrounding regions, I am pleased to say that all of our team and their families are safe, and this remained our major priority through the fires.

Our Sterling Winery suffered minor external damage to buildings and surrounds as a result of the fires, the impact of which is covered by insurance, and we are well progressed with our plans to return operations to normal. At this stage it is too early to comment specifically on the impact of the fires to our overall vintage intake. However, we do expect to have a reduced overall intake, particularly for the luxury tiers, driven by both the impact of the fires, related smoke taint, and lower overall yields. We are confident that our flexible sourcing model will allow us to continue to meet customer demand across our brand portfolio. From an industry perspective, we expect that this smaller 2020 Californian vintage will assist to accelerate the re-balancing of supply across the US wine industry.

In relation to the French vintage, we are excited about our first major intake from a quality and yield perspective, which will support our French portfolio ambitions. This more meaningful intake will help drive momentum behind our French country of origin strategy, particularly for the Penfolds brand, that is focused in the first instance on meeting consumer demand for premium wine in the Asian market.



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Finally, we are becoming increasingly optimistic around the prospects for earnings recovery from the second half of fiscal '20 in each of our markets outside of China, where the MOFCOM investigation remains a considerable point of uncertainty. Supporting this optimism are the positive underlying trends we have outlined across these markets through the first quarter. We do note that a degree of uncertainty remains as to the pace and timing of the recovery, particularly due to ongoing restrictions to key sales channels for higher margin luxury wine, and the upcoming November and December holiday season will be an important period for our overall first half earnings performance. Therefore, based on this, we are not in a position to provide earnings guidance.

Turning now to an update on our key strategic priorities.

The restructure of the US business is on track and we are continuing to progress on the initiatives we have announced in recent months. Building on the new sales and marketing operating model we now have in place, we are currently prioritising the potential divestment of brands and assets to deliver a future state business with broadly half of the today's volume but heavily concentrated on the premium price points. We are continuing to progress on a range of alternatives for the divestment of brands and assets, with a focus on delivering the future state business in a timely manner, whilst ensuring we achieve the right outcome from any sale for our shareholders. We will provide more details in future, when appropriate.

In respect of a potential Penfolds de-merger, we continue to believe that incremental long-term value will be created from a separate focus for Penfolds and TWE's other brand portfolios. We have decided to formally pause work on a demerger to focus on key priorities including trading through COVID, the US business restructuring and most specifically the MOFCOM investigation in China. Therefore, the previously announced timeline for implementation of the potential demerger by the end of calendar year 2021 is no longer applicable.



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However, we are continuing to actively assess internal operating model and structure options to deliver value through a more defined separate focus across our brand portfolios, and regional businesses, as the platform for the next phase of Treasury Wine Estates growth.

In conclusion, whilst fiscal '20 was a challenging year, the outlook for your company remains fundamentally strong, with consumer premiumisation trends continuing in our key markets and strong customer support for our brands. The trends outlined in our first quarter trading update provided today reflect that strength.

We continue to invest to drive the strengths of our business – including increased Luxury sourcing, investment behind growing sales channels such as e-commerce, and behind our COVID-19 plan ahead agenda – investments that will place us in an even stronger position as trading conditions recover.

I would like to thank shareholders for their continued support and I look forward to updating you on our first half results in February.

Thankyou.

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