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TREASURY  
WINE ESTATES

# Treasury Premium Brands

Peter Neilson





# Treasury Premium brands Vision

The world's most inventive  
branded wine business, bringing  
the pleasure of premium wine to  
more people on more occasions





# Treasury Premium Brands snapshot

**60+**

countries



**18m**

**cases**



**12**

priority  
brands



Market  
leadership<sup>2</sup>

**#1 Australia**

**#1 Singapore**

**#2 Hong Kong**

**#2 Nordics**

**#4 UK**

**7**

wineries

**41**

vineyards<sup>1</sup>



<sup>1</sup> Owned and leased vineyards

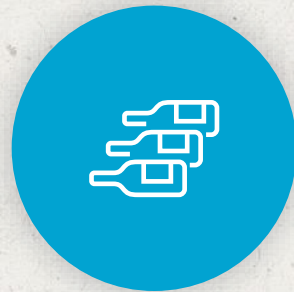
<sup>2</sup> IWSR 2020, still wine, value share, Asia imported wine only



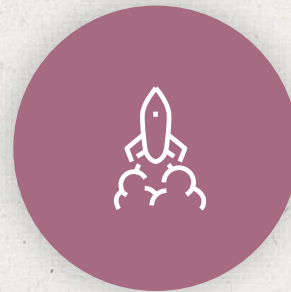
# An enviable premium wine business with significant opportunity



Global footprint with strong positions in key markets and established foundations in priority growth markets



Diverse and iconic portfolio of premium brands, meeting different consumer needs and occasions



Innovation capability based on global insights and experience



Leading winemaking capability and asset base supporting a diversified multi-region and multi-COO sourcing strategy



# Global consumer trends

The five category growth drivers are influencing consumer trends in our priority markets



Discovery



Refreshing sociability



Step Up



Conscious consumption



Comfort of Home

Innovation is driving growth in the \$10–30 price points

Contribution to category growth from innovation and NPD



54%  
Australia

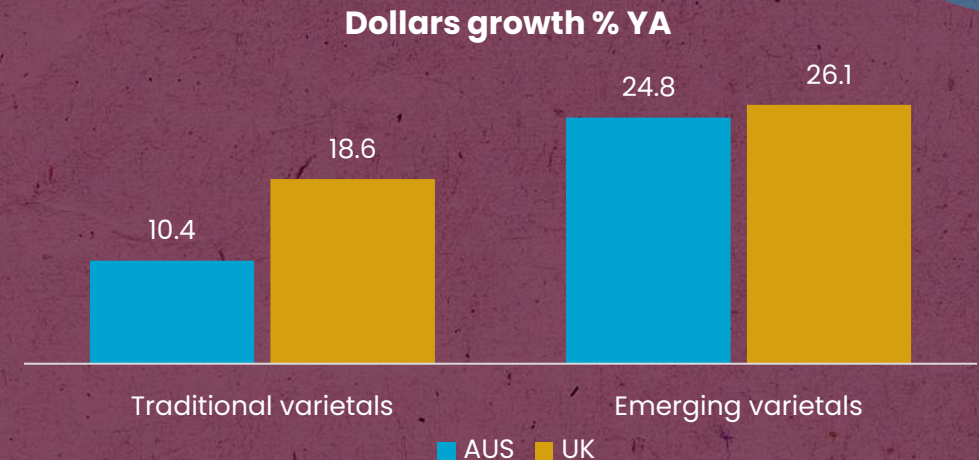


18%  
UK

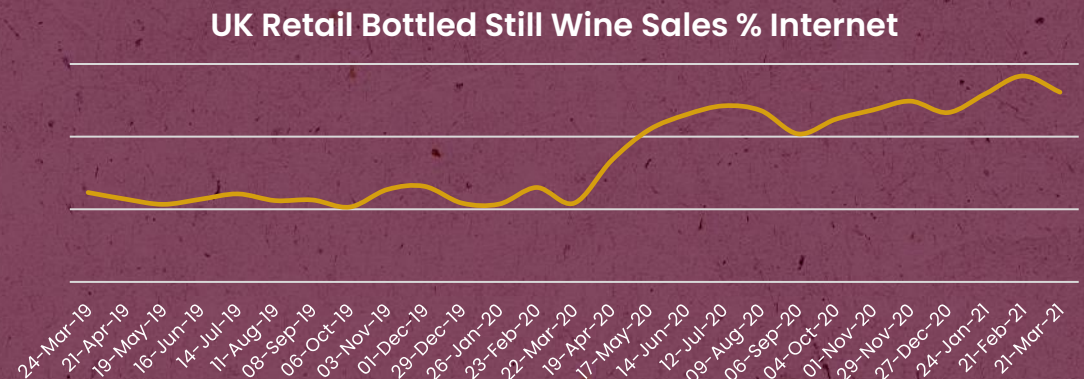
<sup>1</sup> Australia: IRI weighted liquor, last 52 weeks ending 7 March 2021; UK: Nielsen total coverage, week ending 27 March 2021

<sup>2</sup> Kantar Worldpanel, total market, still wine, four weeks ending 21 March 2021

Consumers are turning to new emerging varietals<sup>1</sup>



Consumption and shopper interactions are changing, led by technology and e-commerce<sup>2</sup>





# Our key global markets

Consumers are premiumising across our core and priority growth markets<sup>1</sup>

## Market dimensions

### Core markets – Australia and UK



AU: 54m 9le

UK: 127m 9le



AU: \$8bn

UK: \$24bn

### Growth market example – Asia



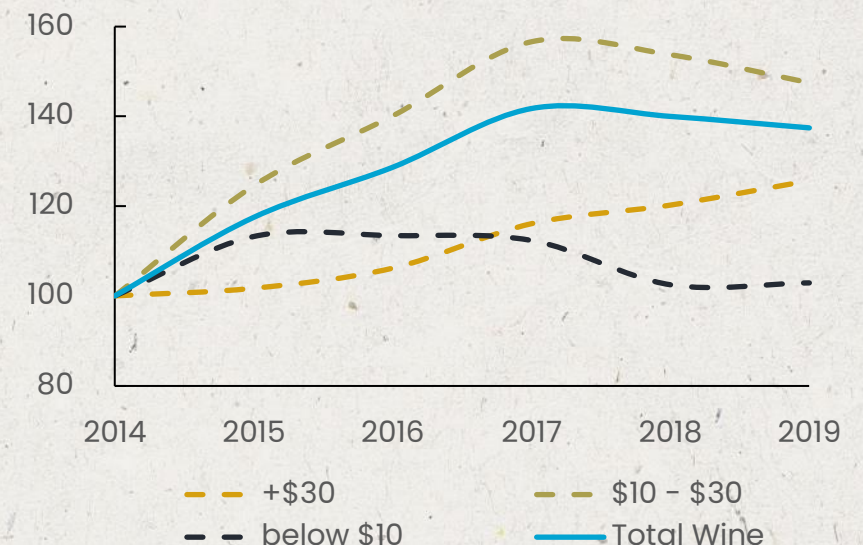
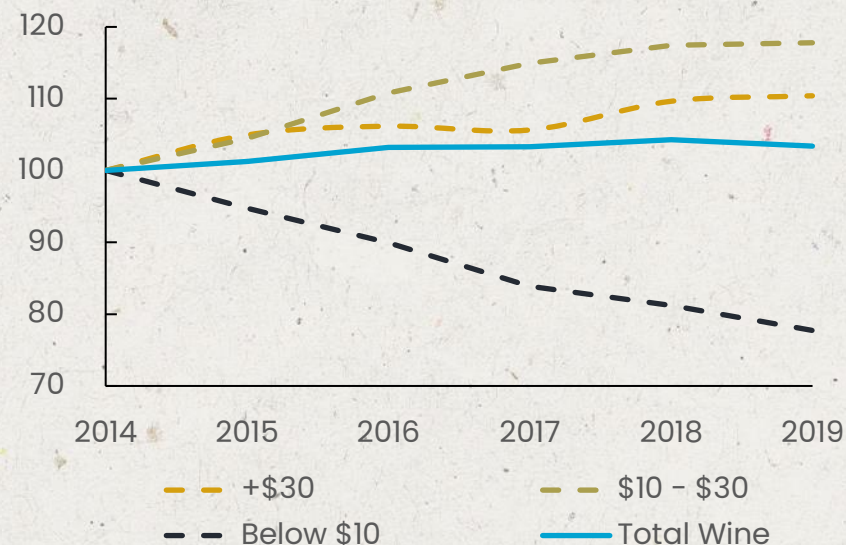
99m 9le



\$25bn

## Category & premiumisation trends

(Index: 2014 = 100)





# Priority portfolio hierarchy

Trusted brands catering to a diverse range of consumer needs and occasions, sourced from the world's most renowned wine regions

Luxury

\$30



Coldstream Hills



Premium

\$10



T Gallant

Commercial



CASTELLO DI  
GABBIANO





# Strategic growth drivers



Expansion of premium focused, consumer centric and innovation-led portfolio



Accelerate in priority growth markets and channels



Expand global, multi-COO sourcing footprint



Implement fit for purpose cost and capital base



TWE





# Expansion of premium focused portfolio



Accelerate consumer-led innovation and portfolio expansion



Grow premium offerings, focused on \$10–30 price points



Build the global presence of key focus brands



Develop a differentiated portfolio of emerging and growth varietals







# Expand a consumer-centric portfolio

Growing priority brands into global icons

## Global strategic growth engines



## 19 Crimes



**150%**  
growth in  
F2I<sup>1</sup>, 1m+  
cases in  
the UK



## Building a differentiated portfolio of emerging growth varietals

**New Pepperjack varietals**  
The #1 malbec and fastest growing grenache in the Australian market<sup>2</sup>



## 19 Crimes Malbec and Rose

<sup>1</sup> Nielsen MAT, week ending 27 March 2021, still wine only, value and volume growth

<sup>2</sup> IRI weighted liquor, last 52 weeks ending 22 February 2021





# Unlocking our sleeping giants







# Innovation focused on consumer trends



Harness insights to identify consumer needs



Drive technology led consumer engagement



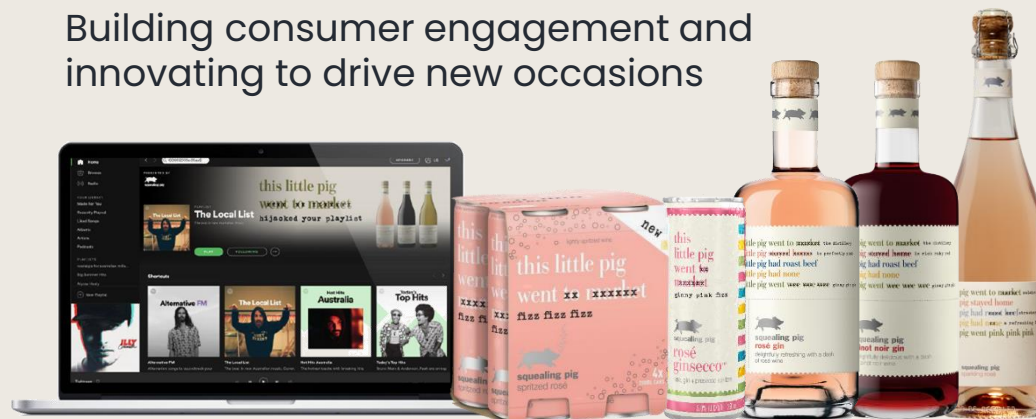
Develop offering to address growing health and wellness trends



Lead the industry with ethical and sustainable sourcing and products

## Squealing Pig

Building consumer engagement and innovating to drive new occasions



## Wolf Blass

'Zero' range launching 2021





# Accelerate in priority growth markets and channels



Diversify and grow sales regions beyond core markets



Drive channel diversification in all markets



COO expansion an opportunity to grow addressable market and consumer base



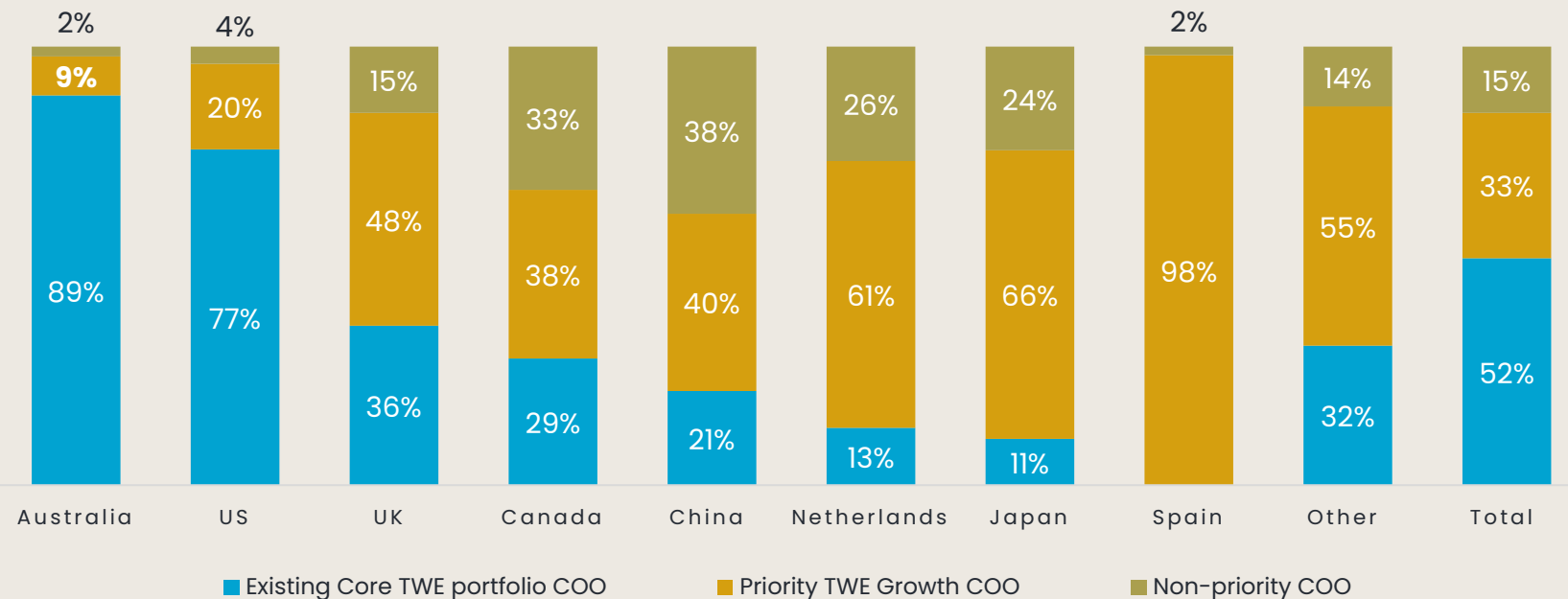




# COO expansion

An opportunity to access more consumers

## Retail sales value by COO – priority markets<sup>1</sup>



By expanding our existing portfolio to include new COO offerings, there is an opportunity to access more consumers in our core and priority growth markets





# Fit-for-purpose cost and capital base

Relentless focus on cost and asset optimisation to drive improved margin and ROCE



Right-size asset base and improve asset utilization



Maintain a lean and efficient cost base



Improve returns on commercial investments through strategic portfolio focus



Grow profitability through improved COGS and inventory management





# Key Financials

## Historical performance<sup>1</sup>

	F18	F19	F20
Volume (m9LE)	18.9	18.8	17.6
NSR (A\$m)	949.2	931.2	869.7
NSR/Case (A\$)	50.2	49.6	49.4
EBITS (A\$m)	163.6	137.9	78.4
EBITS margin (%)	17%	15%	9%
Luxury and premium (%NSR)	43%	46%	48%

EBITS and EBIT margin declines reflect:

- Moderating top-line momentum in F20, driven by impacts from the COVID-19 pandemic
- Higher COGS on Australian sourced vintages from 2019/20 in addition to elevated trade promotional investment

## Financial priorities

### Premiumise sales mix

Reshape portfolio, focused on growing premium and luxury offerings



### Grow EBITs

EBITS growth to be driven by improved mix, cost and investment opportunities



### Expand margin

High-teens EBIT margin ambition





## In summary

Treasury Premium Brands is a **global business with significant opportunity**

Premium focused **portfolio expansion and consumer-led innovation** will be the drivers of our success

We have a clear roadmap to **deliver improved financial performance** with many steps already implemented





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**Supply**

**Kerrin Petty**





# Supply Vision

To be the partner of  
choice for our divisions,  
customers and suppliers



# Supply strategic imperatives





# A world class supply chain model

Global, multi-regional asset base that supports growth and diversifies vintage variation risk



## Australia



**71**

vineyards

**8,676**

planted hectares

**8**

wineries



## United States



**42**

vineyards

**3,213**

planted hectares

**7**

wineries



## New Zealand



**9**

vineyards

**498**

planted hectares

**1**

winery



## France



**2**

vineyards

**61**

planted hectares

**1**

winery



## Italy



**3**

vineyards

**132**

planted hectares

**1**

winery

# Optimising our cost and asset base

## Ongoing areas of focus



Gain incremental access to **luxury supply**



Vineyard **yield optimisation**



Driving uplift in **grade conversion**



Evolve **asset base optimisation**

## Supply chain optimisation program



Implement **product strategy** optimisation



**Maximise winery and packaging** network efficiency



Rationalise sourcing cost **across all input categories**



**Reduce our global cost** to serve



Technology enablement through **robotics and digitisation**

**TWE now expects to achieve annualised benefits of at least \$75m by F23<sup>1</sup>, up from \$50m**





# Expanding our global sourcing footprint

Building a global sourcing model to support divisional portfolio priorities



# Sustainable and innovative viticulture

Leveraging technology to drive excellence in viticulture

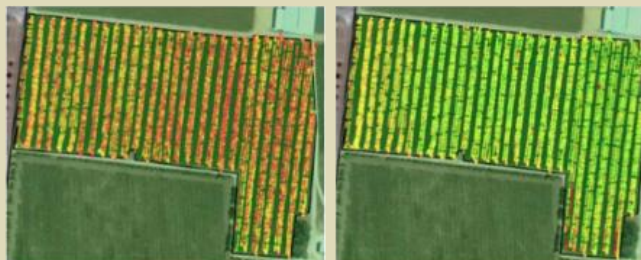


AgTech solutions



## Climate Adaptability

Propagation, climate modelling, irrigation, soil management, climate mitigation strategies



Machine learning to predict yield, harvest timing and fruit quality



## Viticulture Digitisation

Data based decision making, benchmarking, harvest predictions (including yield, timing & grade)



Robotic tractors



## Automation

Robotic tractors and harvesters, automated irrigation, talent acquisition



# Sustainable and innovative winemaking

Efficiency and optimisation of Winery production



**Automated tankfarm** with the capability of complete control of wine movements in tank



**Highly efficient packaging line** to process over 100 bottle types and over 50 carton formats



**Automated guided vehicles** to manage the movement/storage of barrels efficiently



**Robotic barrel line** ensures barrels can be filled, emptied and processed efficiently and safely



*Automated cellar of the future*



*Laser guided forklifts*

# Consumer centric innovation

Supporting our divisions to meet emerging consumer trends



Building **low and no-alcohol** production technology



Pioneering new packaging materials and formats **focused on sustainability, convenience and experience**



Developing new wine at home **dispensing and technologies**



*Wolf Blass Zero*



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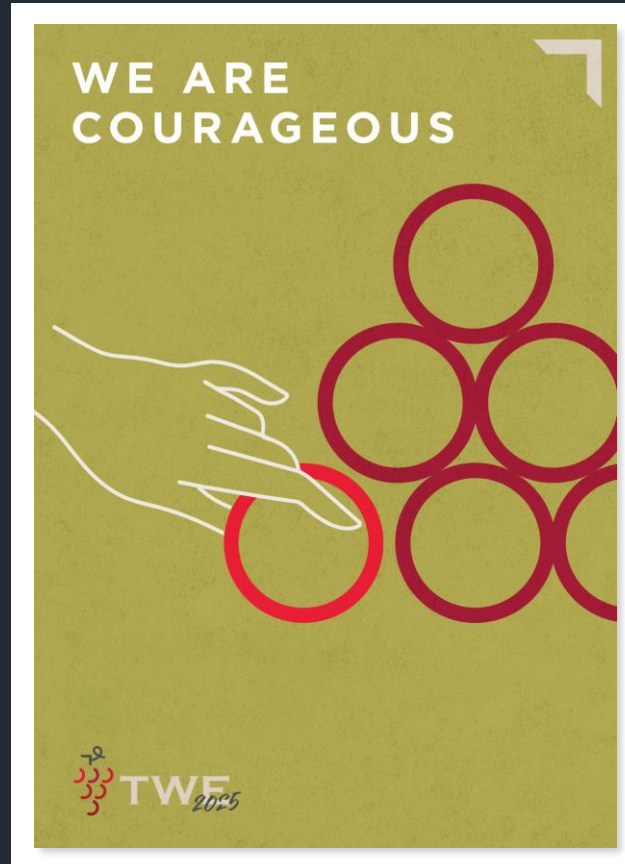
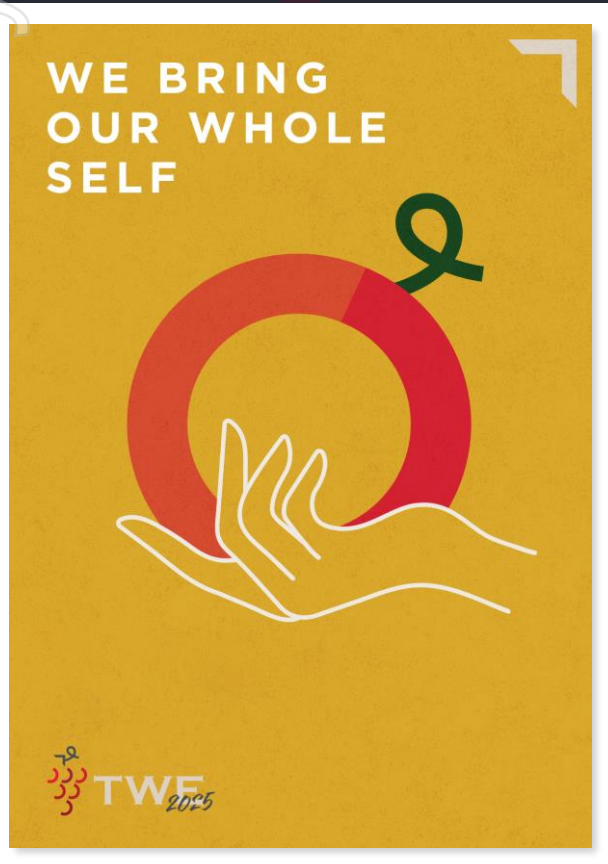
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# World Class talent

Katie Hodgson



# Our DNA forms our cultural code





# Investing in our greatest asset, our people

**TWE**  
*For me*

OUR INVESTMENT  
IN YOU

**TWE***For me*  
**ACADEMY**



Development tools and programs to make a real impact

**PROPEL***me*  
Gain the skills to thrive as a top business leader.

**BOOST***me*  
Accelerate your career development & impact.

**MENTOR***me*  
Develop & learn from the best.

**EMPOWER***me*  
Ignite the strong, female leader in you.

**GROW***me*  
Up-skill to overcome anything.

**MANAGING**  
*people* **AT TWE**

**FUNCTION LED**  
**ACADEMIES**

**LinkedIn** Learning

**TWE***For me*  
**WELLNESS**



Resources and initiatives to improve your health and resilience



MENTAL HEALTH



PHYSICAL HEALTH



LIFE SKILLS

**TWE***For me*  
**COMMUNITY**



Events and programs that enable your whole self to flourish, an that build inclusion and belonging with our communities

**TWE**



**TWE** *for she*



#FINDYOURFLEX

**INCLUSION & DIVERSITY**  
CELEBRATIONS & EVENTS

# Cultivating a culture of inclusion to leverage the power of diversity



## A diverse global team

% global workforce by geography

Australia &  
New Zealand

**53%**

Americas

**31%**

Asia

**10%**

Europe

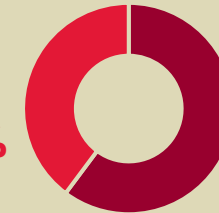
**6%**



TWE *for she*



**39.8%**

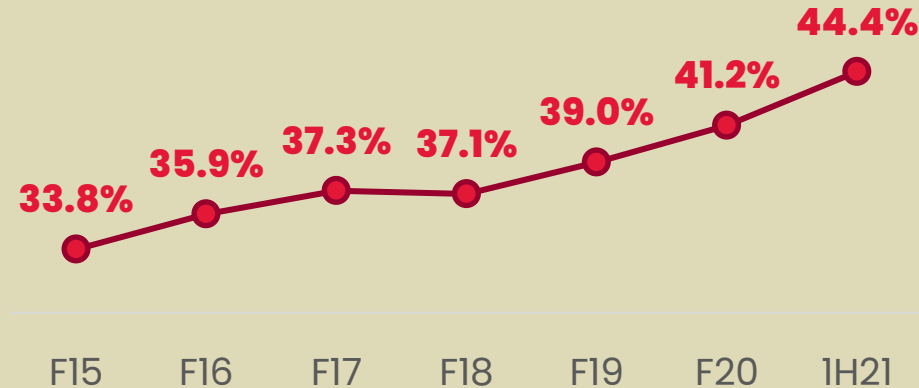


**60.2%**



## Focused on growing gender diversity in leadership

% female representation in leadership<sup>1</sup>



Committed to

**50%**

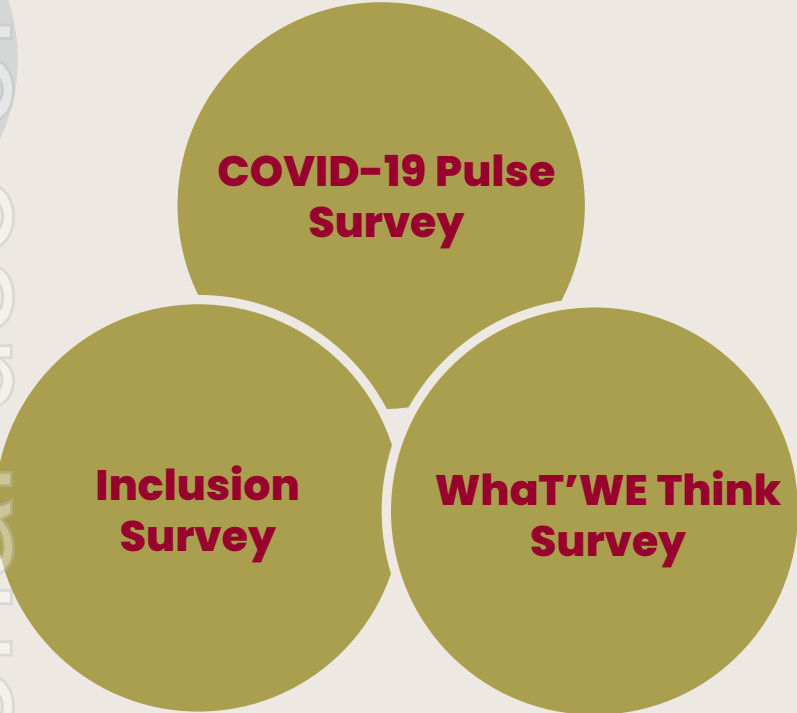


women in leadership roles target by 2025

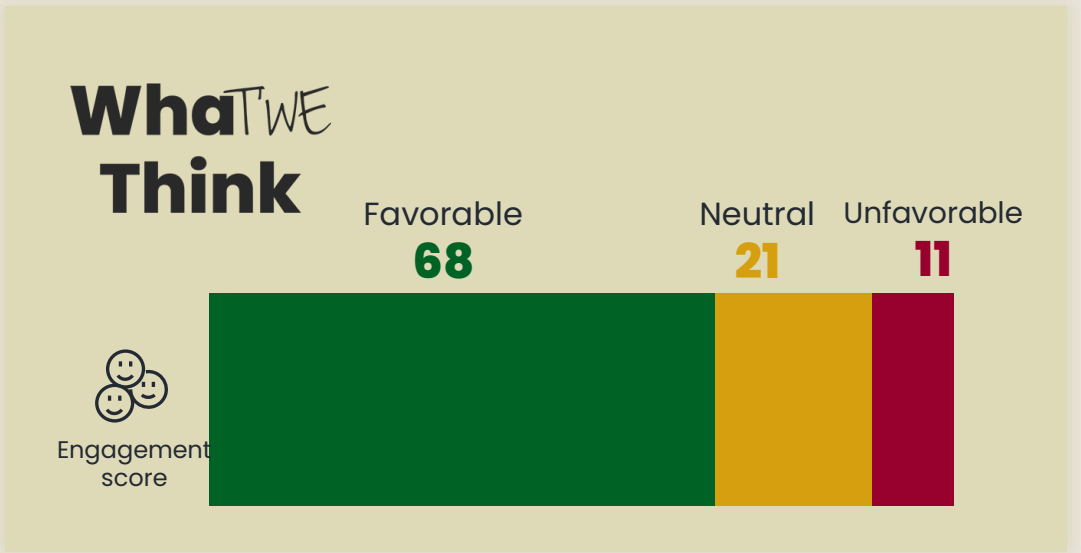


# Investing in employee engagement

TWE has increased its tools to listen to employees

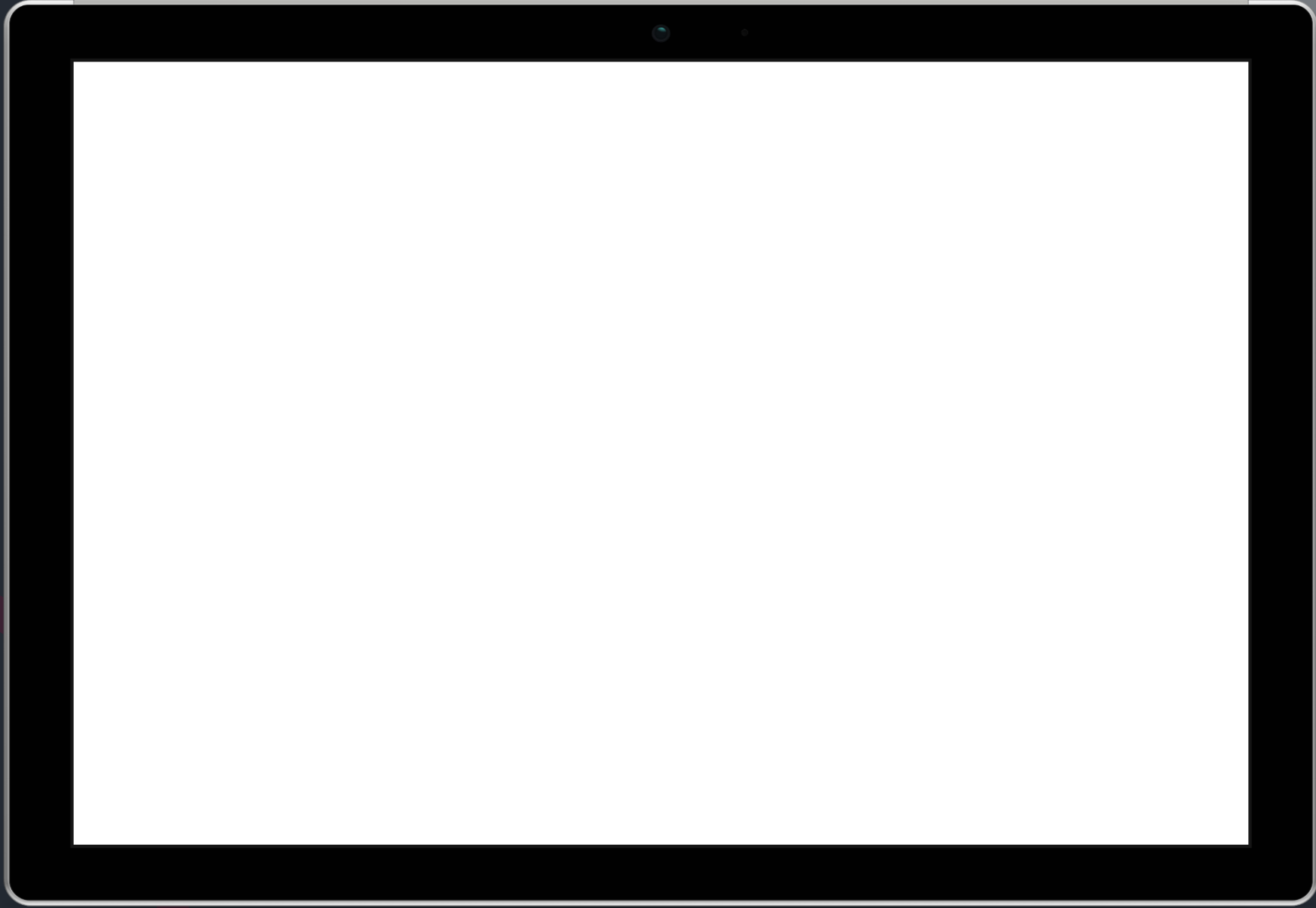


## Engagement score



FINANCIAL REVIEW BOSS  
**BEST** PLACES TO WORK

**#2** manufacturing and consumer goods 2021







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# Towards a sustainable future

Kirsten Gray  
Kerrin Petty



# Cultivating a brighter future

1

Building a resilient business

2

Fostering healthy and inclusive communities

3

Producing sustainable wine



# Leading by example

We are developing an expanded suite of targets and commitments that demonstrate we will lead by example



## Health, safety & Wellbeing

- Destination Zero Harm



## Water stewardship

- Comprehensive review of TWEs water footprint and usage at a catchment level
- Enhance our water strategy to help us effectively respond to a changing climate and stakeholder expectations



## Climate risk and GHG emissions

- 100% renewable electricity by 2024
- Net zero emissions (Scope 1 and 2) by 2030
- Assess Scope 3 emissions

# Leading by example

We are developing an expanded suite of targets and commitments that demonstrate we will lead by example



## **Sustainable packaging and circular economy**

- 100% of product packaging to be recyclable, reusable, or compostable by 2022
- 100% of product packaging to comprise 50% recycled content by 2025
- Collaborate with glass and carton partners on a closed loop packaging solution by 2025



## **Inclusion and diversity**

- 50% women in senior leadership by 2025
- 42% female representation overall by 2025
- 30% female representation on Board



## **Reporting**

- Mature our annual sustainability reporting, with a greater focus on transparency against targets and commitments, including external assurance
- Implement TCFD reporting roadmap to align with our approach and targets





# Taking action on climate change

**We support the Paris Climate Agreement objectives and will prioritise the delivery of key targets**

## **Setting emissions reduction targets**

- 100% renewable electricity by 2024
- Net zero emissions (Scope 1 and 2) by 2030
- Fast track assessment of Scope 3 emissions and management plan

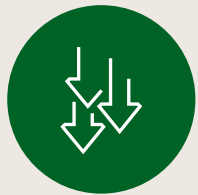


## **Building resilience into our operations**

- We are undertaking a global climate scenario analysis to test the resilience of our long-term strategy
- The findings will inform the range of potential climate impacts on our business and ensure we make informed strategic decisions as well as identify adaptation plans that leverage technology, infrastructure and partnerships

# Case Study: TWE Barossa Packaging and Winery

A state-of-the-art luxury winemaking facility designed with long term sustainability in mind



## Impacting Less

- Reduced CO<sub>2</sub>e by 5%
- Waste to landfill minimisation
- Recycling initiatives



## Adapting More

- Renewable energy to account for up to 50% of site electricity needs
- Climate adaptation
- Increased water security





# Case Study: Global packaging guidelines

Innovating our packaging to deliver a positive impact on the resource and energy efficiency of our supply partners

## Glass | Labels | Screwcaps | Capsules

Expected benefits to be delivered by F23<sup>1</sup>:



Materials reduction 3,500 tons



CO<sub>2</sub>e emissions reduction 3,200 tons



Energy usage reduction 7.6m kWh



# A roadmap for maturing our approach



F21-22

## Phase 1

### Focus & Momentum

- Ambition, goals & targets defined
- Materiality assessment completed
- Roadmaps established with clear F22 priorities and commitments



F23-24

## Phase 2

### Accelerate Agenda

- Disciplined execution of roadmaps
- Enhanced disclosure against progress
- Brands amplify sustainability commitments
- Improved stakeholder engagement



F24-25+

## Phase 3

### Integration

- Sustainability leadership in collaboration with stakeholders and partners





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# Technology as a platform for growth

Matt Young



# Disruption is coming to wine

## "Old world" winemaking



**360  
engagement**



**Connected  
brands**



**New business  
models**



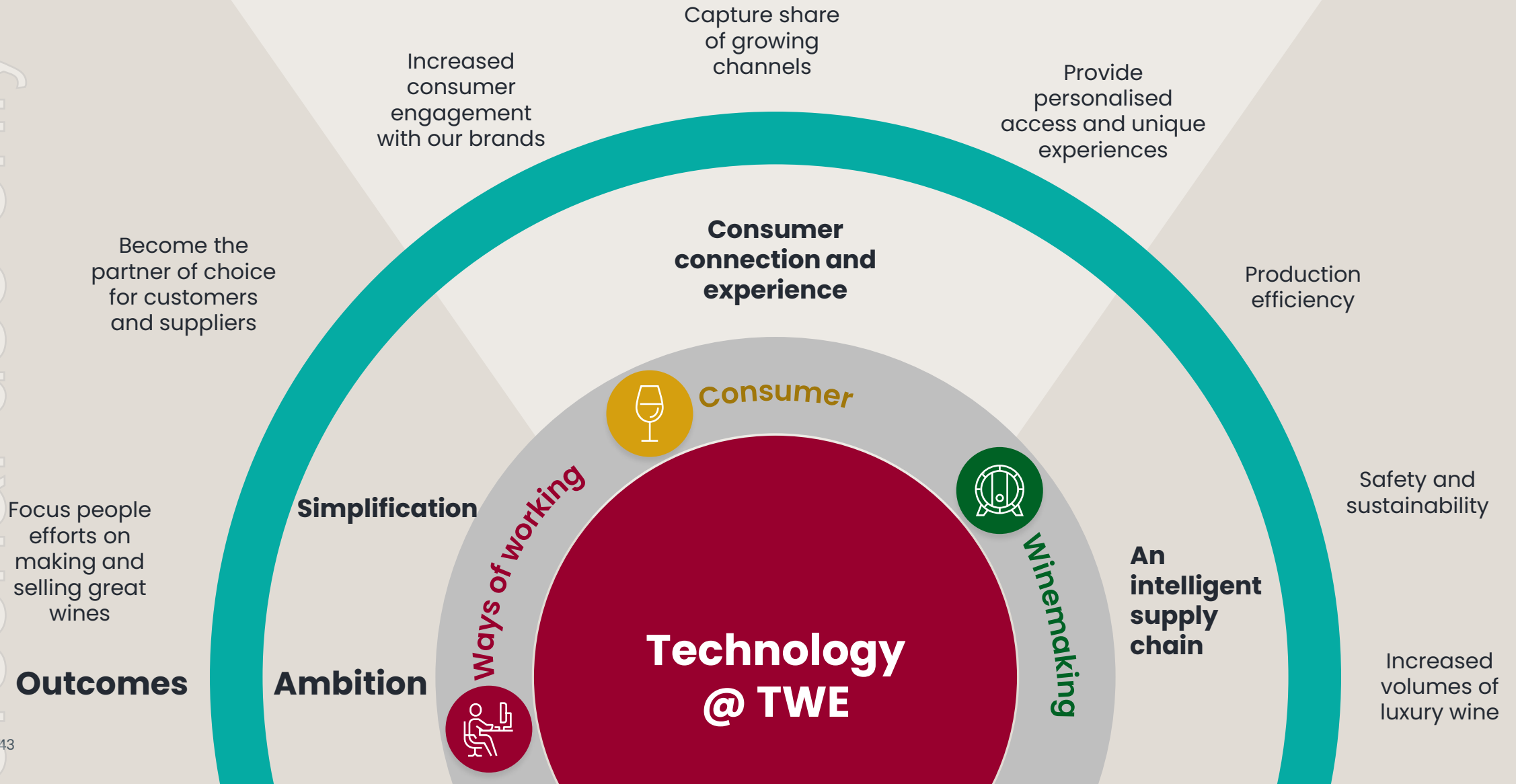
**Data  
& insights**

## "Consumer experience?"

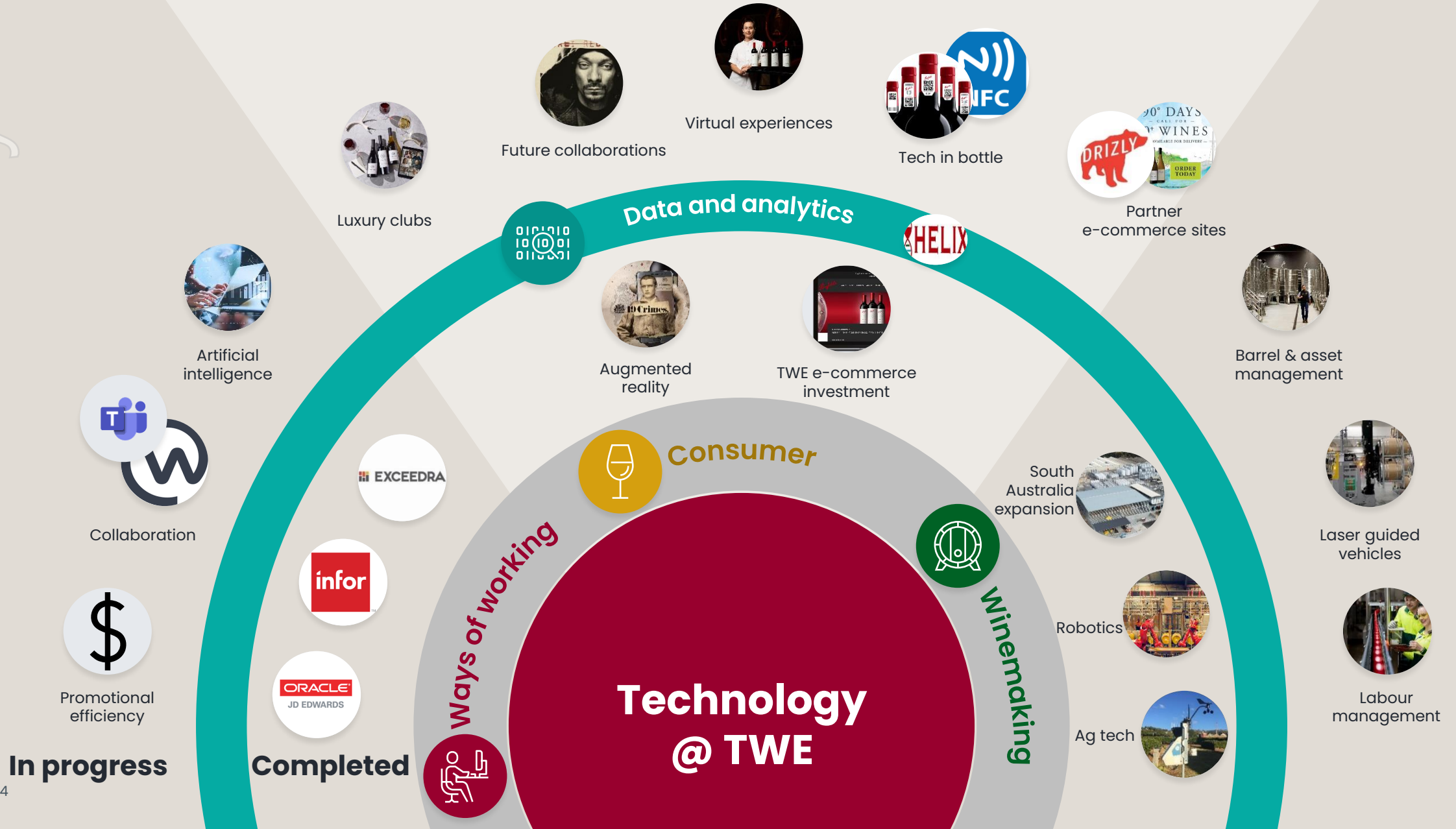




# Technology as an advantage



# Key investment priorities





# Technology investment profile

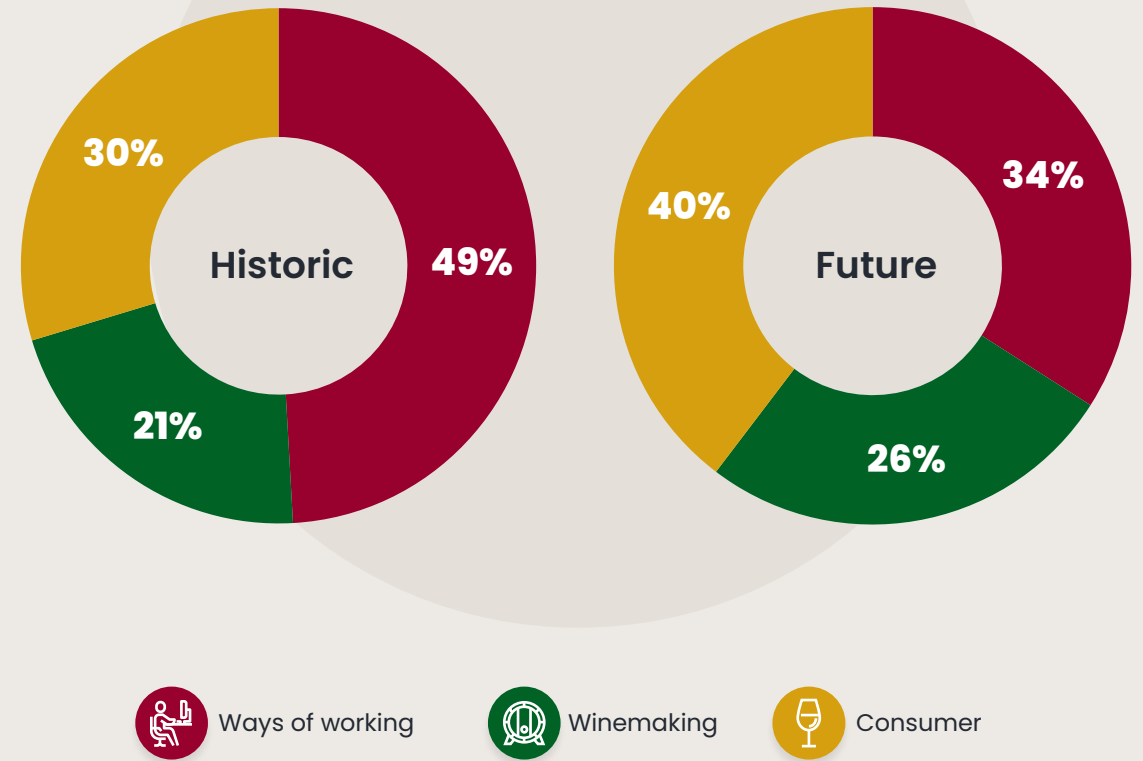
Prioritising incremental technology investment – up to 25% of total annual capital expenditure

Increasing the weighting of technology investment for winemaking and consumer facing priorities

## To drive benefits of

- Lower COGS and CODB
- Improved sales and marketing
- Improved ROI
- Capturing market scale and delivering margin accretion

## By category





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# Our long-term growth

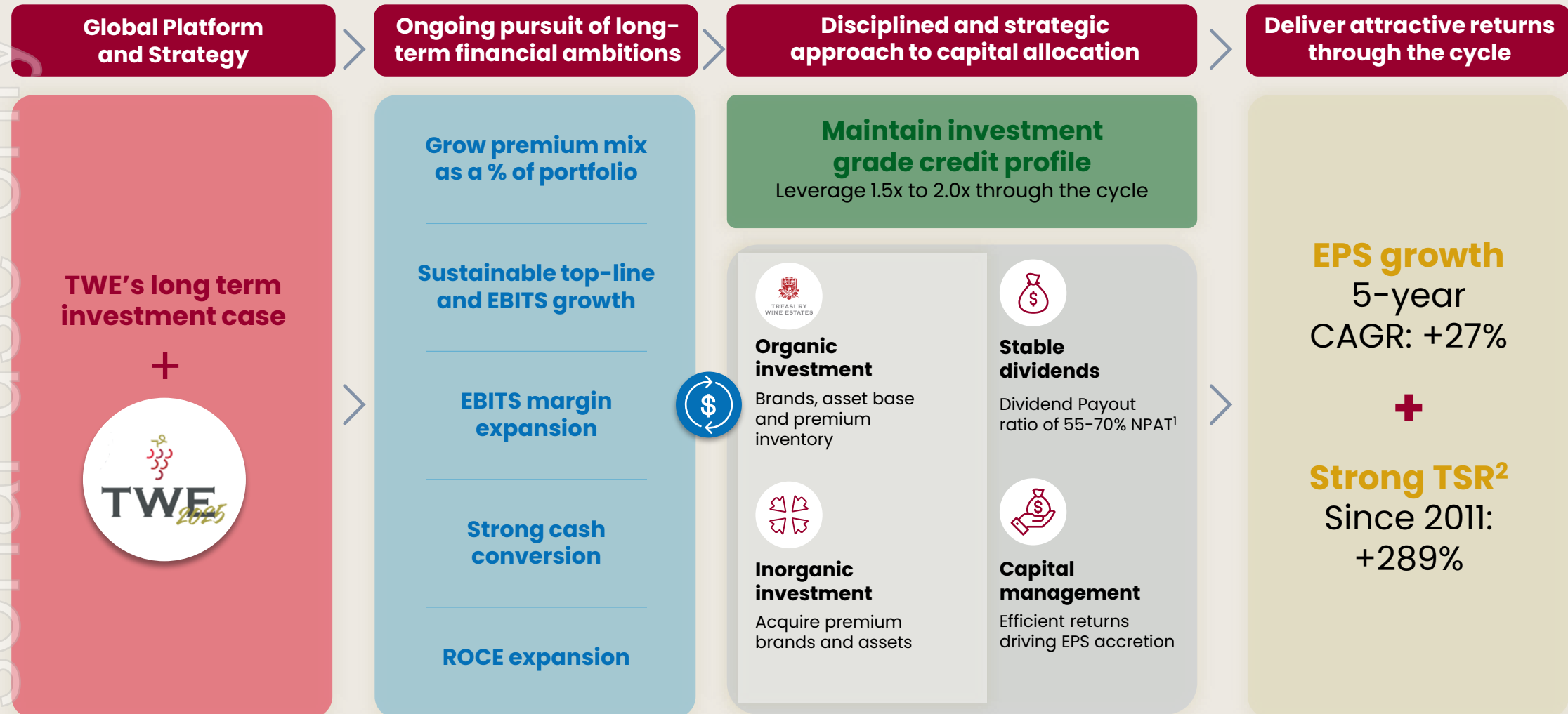
Matt Young





# Our shareholder value proposition

Delivering sustainable long term growth for our shareholders



<sup>1</sup> Pre SGARA and material items

<sup>2</sup> 10 May 2011 to 30 April 2021

# Our long-term growth objectives

Sustainable growth,  
profitability and efficient  
capital utilisation

**Deliver sustainable top-line growth and high-single digit average earnings growth over the long-term<sup>1</sup>**

**Premiumise  
our sales mix**

**Deliver EBITs  
margin 25%+**

**Restore and grow  
our ROCE**

Divisional targets based on operating profile and long-term strategic objectives

**Disciplined capital  
management as  
our foundation**

**Leverage up to 2.0x  
through the cycle**

**Cash  
conversion 90%+<sup>2</sup>**

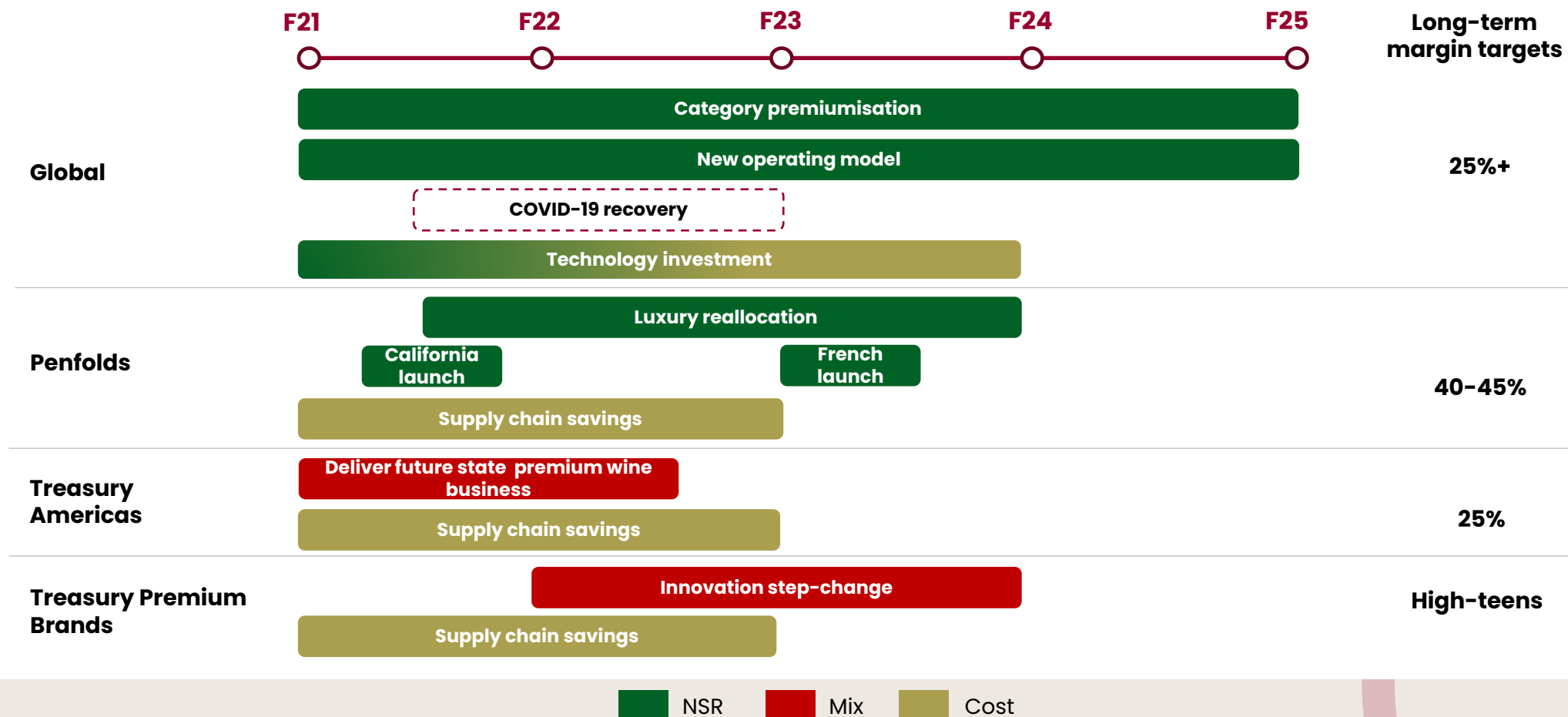
<sup>1</sup> Organic, pre material items and on a constant currency basis. Continuation of COVID-19 related disruptions to key sales channels for luxury wine may influence short-term performance

<sup>2</sup> Excludes the annual investment in premium and luxury non-current inventory



Ongoing pursuit of long term financial ambitions

# Enablers of our long-term growth objectives



# Australian wine production

In 2019, Australia produced 1.2bn litres of wine<sup>1</sup>

## Other export markets

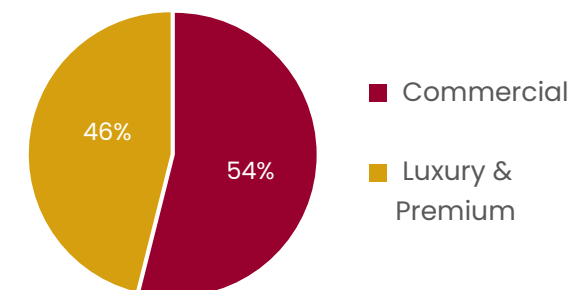
52% of Australian production was exported to markets outside of Mainland China

## Domestic consumption

37% of Australian wine production is consumed domestically

## China exports

11% of Australian wine production was exported to China

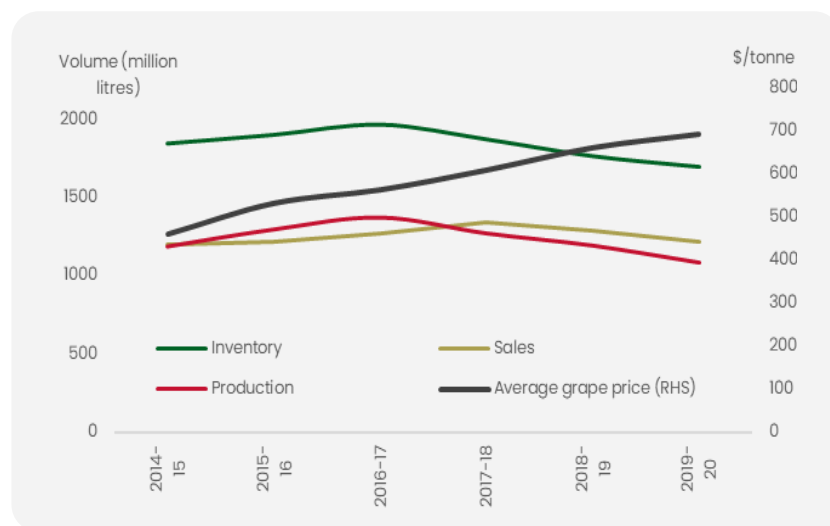




Ongoing pursuit of long term financial ambitions

# Supply and demand dynamics for Australian wine

Australia was in a position of under-supply going into vintage 2021<sup>1</sup>



Global wine production is likely to be lower across other key producing regions<sup>2</sup>

*"Overseas vintages are expected to be challenging in 2021 with France and Italy struck by a severe and protracted frost wave and NZ's crush is estimated to be down on prior year"<sup>5</sup>*

Export markets for Australian wine have been growing significantly in 2020/2021<sup>3</sup>

Total Australian exports (excl China) +8%



UK  
+21%



US  
-1%



Canada  
+4%

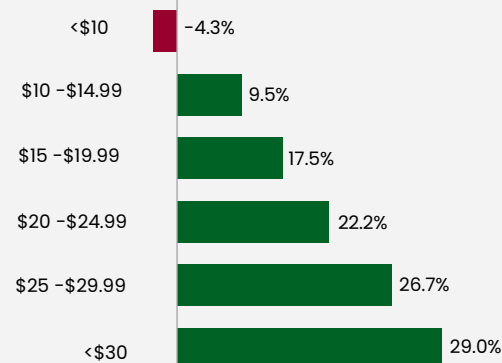


Germany  
+22%

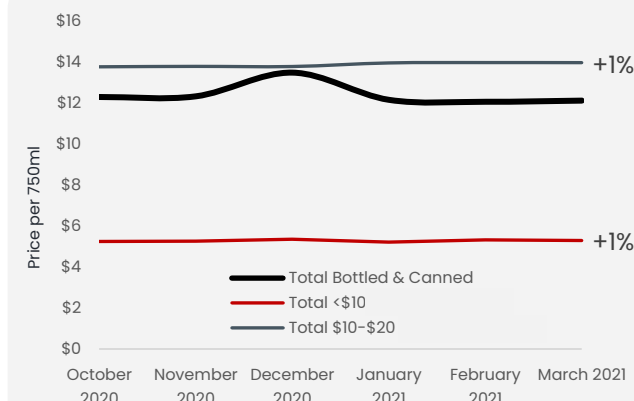


NZ  
+3%

Australian domestic sales are also in strong growth<sup>4</sup>



And retail pricing remains stable<sup>5</sup>



1. Wine Australia. Production, sales and inventory report 2020.  
2. Ciatti Global Market Report. April 2021.

3. Wine Australia. Export data. Volume. March 2021. Growth vs YA.  
4. IRI Aztec. Australian liquor weighted. MAT w.e 28.03.2021

5. IRI Aztec. Australian Liquor Unweighted. Price per unit. Period ending March 2021.

Ongoing pursuit of long  
term financial ambitions

# We are well placed to manage through impacts

## Luxury & Premium

- Global Bins and Icons expansion strategy underway
- Immaterial cost to carry inventories into future years
- Flexible sourcing model

TWE largely retained it's V21 luxury and premium intake

## Commercial

- Flexible sourcing model
- Well established premiumisation strategy

TWE is not significantly exposed to the potential risks.  
Commercial red wine varieties represent less than 5% of  
Group revenue and less than 1-2% of Group gross profit

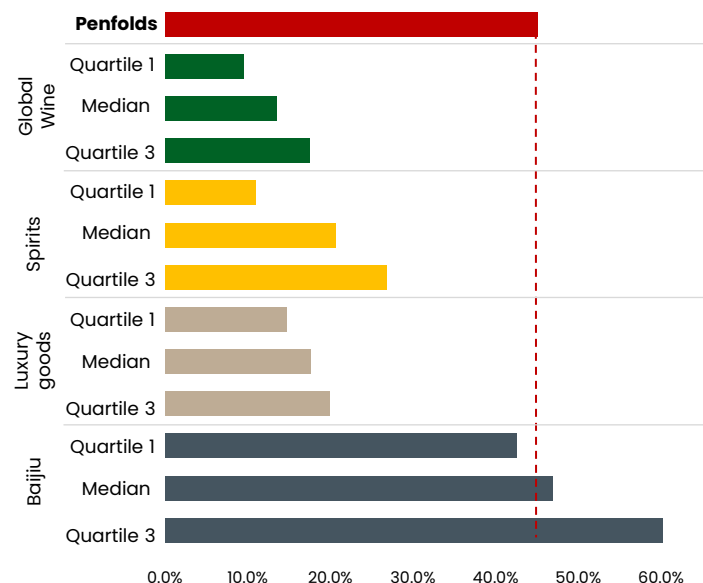


Ongoing pursuit of long term financial ambitions

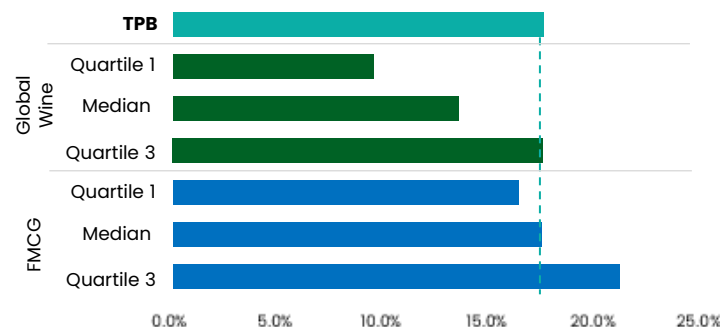
# Benchmarking divisional targets

Five year peer group EBITs margin performance<sup>1</sup> vs. divisional margin targets

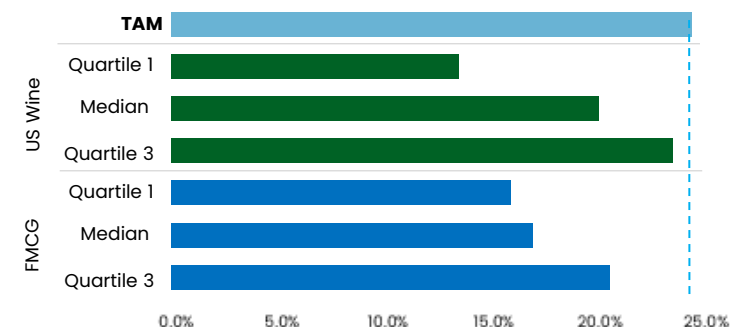
Penfolds



Treasury Premium Brands



Treasury Americas



**Disciplined and strategic  
approach to capital allocation**  
Maintain investment grade capital structure

# The importance of an investment grade capital structure

**We target net debt to EBITDAs of 1.5–2.0x through the cycle and up to 3.0x for accretive strategic initiatives**

## Optimise capital structure



Stable  
shareholder  
returns



Strong  
lender  
support



Minimise  
WACC

## Protect against external shocks



Geopolitical  
events



Economic  
cycles



COVID-19



Vintage  
variation

## Enable significant levels of investment



Luxury  
inventory



Asset  
base



Technology

**Disciplined and strategic  
approach to capital allocation**  
Organic and inorganic investment

# Investment priorities for growth

## Growth opportunities

Portfolio expansion

COO expansion

Supply optimisation

RTM enhancement

*Penfolds*

**French COO capacity**

**Luxury vineyards**

**New RTM expansion**



**Treasury  
Premium Brands**

**Portfolio enhancing growth brands**

**Expand multi-COO sourcing model**



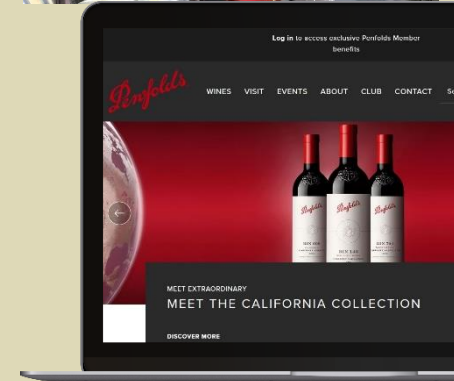
**Treasury  
Americas**

**Asset base consolidation**



# Capital allocation principles

- 1 Structure to ensure availability of capital for accretive investments
- 2 Each division will have differentiated capital return benchmarks whilst contributing to enhanced Group ROCE
- 3 Capital will be allocated based on expectations of achieving returns above the divisional benchmark



# Sustainable shareholder returns

1 Continue to target dividend payout between 55–70% NPAT over a fiscal year<sup>1</sup>

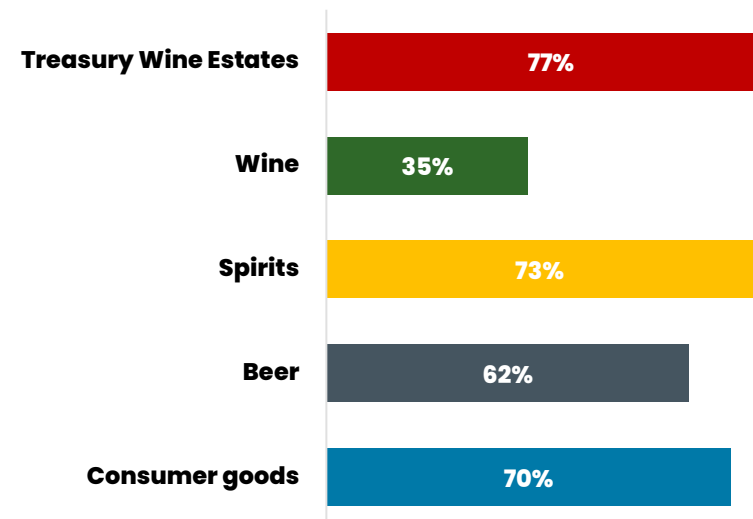
2 Explore supplementing with capital management where leverage is significantly and sustainably below 1.5x

## Since 2011:

Over **\$1.8bn** of  
shareholder  
distributions

Dividends paid **every  
half-year**

## Dividend payout ratio – peer benchmarking<sup>2</sup>



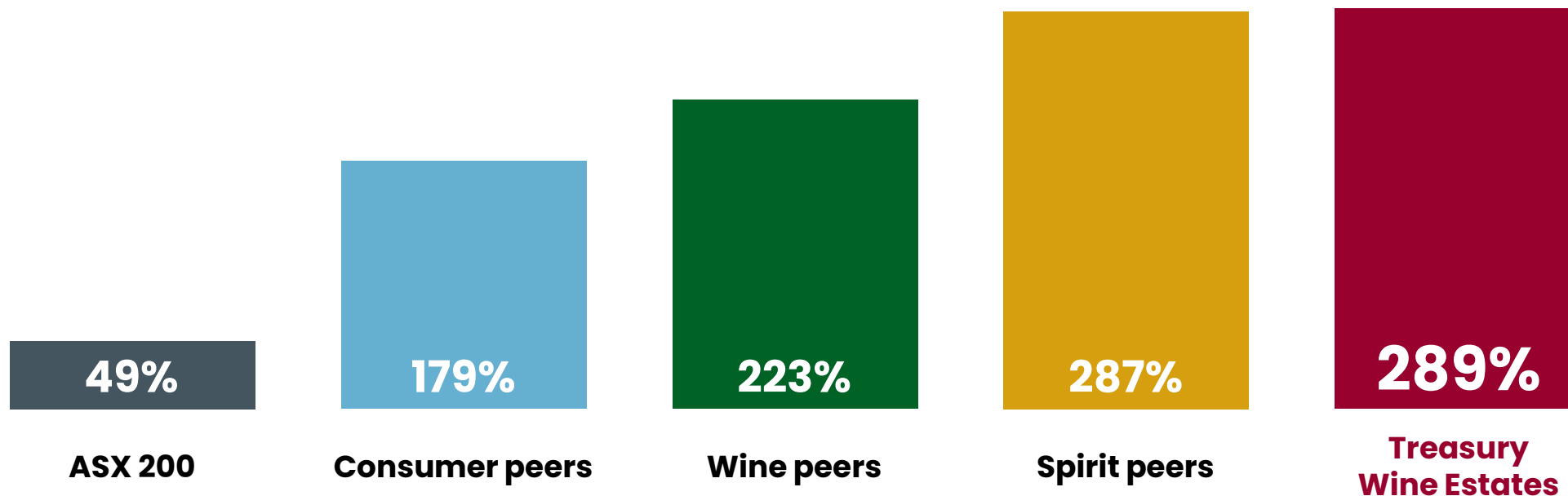
<sup>1</sup> Pre material items and SGARA

<sup>2</sup> Source Factset; TWE and peer benchmarks are shown on a reported basis

Deliver attractive returns  
through the cycle

# A strong track record

Total shareholder return – since May 2011<sup>1</sup>







TREASURY  
WINE ESTATES

# Conclusion

Tim Ford



# Conclusion



Our 10 year journey has delivered substantial change and strengthened our business



We are reshaping TWE to be consumer-led and experience driven



Our new operating model will drive increased focus and accountability, unlocking our long-term growth potential



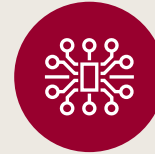
Leading this will be our three divisions – Penfolds, Treasury Americas and Treasury Premium Brands – each of whom have differentiated operational and financial priorities



Our people are our most valuable asset and we are building a world class culture



Sustainability is at the heart of everything we do, and we aspire to lead our industry



We will invest in technology to uplift efficiency and growth across our business



Our capital structure is a source of value creation and competitive advantage for TWE



We remain focused on quality growth, with a balanced set of financial targets designed to drive profitability and capital efficiency

# Thank you



# Definitions

Term	Definition
B2B	Business to business
CAGR	Compound Annual Growth Rate
COO	Country of origin
COGS	Cost of goods sold
Commercial wine	Wine that is sold at a price point below \$10 per bottle
DTC	Direct to consumer
EBITDAS	Earnings before interest, tax, depreciation, amortization, material items and SGARA
EBITS	Earnings before interest, tax, material items and SGARA
EBITS Margin	EBITS divided by net sales revenue
EBITDAS	Earnings before interest, tax, depreciation, amortization, material items and SGARA
Luxury wine	Wine that is sold at a price point above \$30 per bottle
NPD	New product development
NSR	Net sales revenue
Peer Groups	<b>Wine:</b> Australian Vintage, Delegat Wines, Foley Family Wines, Crimson Wine, Andrew Peller, Baron de Ley, Laurent Perrier, Massi Agricola, Vina Concha, Vin San Pedro. <b>US Wine:</b> Constellation Brands (wine & spirits division), Duckhorn Portfolio (fiscal 19 and 20 average), Crimson Wine. <b>Spirits:</b> Altia, Acrus, Distell, Becele, Brown-Forman, Davide Campari-Milano, Diageo, Pernod Ricard, Remy Cointreau. <b>Luxury Goods:</b> LVMH, Kering, Richemont, Prada, Burberry. <b>Beer:</b> Compania Cervecerias, Constellation Brands, AB Inbev, Heineken, Carlsberg, The Boston Beer Company, Molson Coors Brewing Company. <b>Baijiu:</b> Wiliangye Yibin, Kweichow Moutai, Lizhou Laojiao. <b>Consumer goods:</b> Nestle, Mondelez, Unilever, Procter & Gamble, Coca Cola, Pepsi.
Premium wine	Wine that is sold at a price point between \$10 and \$30 per bottle.
ROCE	Return on Capital Employed. EBITs divided by Capital Employed (at constant currency). Capital Employed is the sum of average net assets (adjusted for SGARA) and average net debt.
TSR	Total shareholder return

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