# TWE positioned for continued growth and margin expansion in F23
# F22 NPAT up 4% to $322.6m and EPS up 4% to 44.7cps[1]

## Announcement highlights

- Reported EBITS grew 3% to $523.7m and EBITS margin improved 1.3ppts to 21.1%, reflecting execution of F22 priorities including continued portfolio premiumisation and growth of distribution and availability for priority brands
- Strong performance delivered across TWE, with each brand portfolio division delivering underlying EBITS growth and EBITS margin expansion
- Excluding Penfolds Australian COO sales to Mainland China, NSR and EBITS grew 9% and 22% respectively
- Portfolio premiumisation continues, with the contribution of global NSR from the Premium and Luxury portfolios increasing 6ppts to 83%
- The strength of a number of TWE's Luxury and Premium brands enabled targeted price increases in F22, with additional price increases implemented in early F23 on selected brands
- 104.3% cash conversion and investment grade capital structure enabling a 23% increase for F22 final dividend
- In F23, TWE expects to deliver strong growth and continued EBITS margin expansion

## Group financial summary

| A$m (unless otherwise stated) | F22 | % Chg. Reported | % Chg. Constant Currency | % Chg. Organic[2] |
|---|---|---|---|---|
| Net Sales Revenue (NSR) | 2,476.7 | (3.6)% | (4.7)% | (1.1)% |
| NSR per case (A$) | 97.3 | 16.1% | 14.8% | 7.7% |
| Earnings Before Interest, Tax, SGARA and Material items (EBITS) | 523.7 | 2.6% | 4.0% | 4.1% |
| EBITS Margin | 21.1% | 1.3ppts | 1.8ppts | 1.0ppt |
| Net Profit After Tax | 263.2 | 5.3% | 10.0% | |
| Earnings Per Share (A$ cents) | 36.5 | 5.2% | 10.0% | |
| Net Profit After Tax before Material Items and SGARA | 322.6 | 4.2% | 7.4% | |
| Earnings Per Share before Material Items and SGARA (A$ cents) | 44.7 | 4.1% | 7.3% | |

- NSR declined 3.6% to $2,476.7m, reflecting reduced global Commercial portfolio volumes and the decline in shipments to Mainland China[3], partly offset by strong growth in the Premium and Luxury portfolios
- NSR per case improved 16.1%, with TWE's continued focus on portfolio premiumisation increasing the contribution of the Premium and Luxury portfolios to 83% of Group NSR, up from 77% in F21
- EBITS increased 2.6% to $523.7m; adjusting for the contribution from Penfolds Australian COO wine sold in Mainland China, EBITS increased 22%
- EBITS margin increased 1.3ppts to 21.1%, with improvement delivered across all divisions
- NPAT improved 4.2% to $322.6m and EPS improved 4.1% to 44.7 cents per share
- ROCE 10.7%, down 0.1ppt versus the pcp; excluding divested and acquired brands, ROCE was 10.9%
- Cash conversion 104.3%; excluding the change in Premium and Luxury inventory, cash conversion was 103.1%
- Net Debt to EBITDAS of 1.8x[4] reflects the maintenance of TWE's investment grade profile, up from 1.6x in the pcp following the acquisition of Frank Family Vineyards
- Final dividend of 16.0 cents per share declared, fully franked, an increase of 23% on F21 final dividend; full year payout of 31.0 cents per share, or 69% of NPAT, at the upper end of TWE's long-term dividend policy

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[1] Unless otherwise stated, all figures and percentage movements are stated on a reported currency basis versus the prior corresponding period, are pre-SGARA and material items and are subject to rounding

[2] On a constant currency basis, excluding the contribution of divested and acquired portfolio brands in Treasury Americas. Refer to Appendix 1 for details

[3] In November and December 2020, the Chinese Ministry of Commerce ("MOFCOM") announced provisional anti-dumping and countervailing measures, with a combined duty of 175.6% to be applied to the value of TWE Australian COO wine in containers of two litres or less imported into Mainland China. In March 2021, MOFCOM announced its final determination, announcing that the combined duty rate would remain in place for a minimum of five years

[4] Includes last-twelve months EBITDAS of Frank Family Vineyards

## Performance overview

| A$m | F22 | % Chg. Reported | % Chg. Constant Currency | % Chg. Organic |
|---|---|---|---|---|
| **NSR** | | | | |
| Penfolds | 717.3 | (9.1)% | (9.3)% | - |
| Treasury Americas | 963.4 | 2.5% | (0.1)% | 11.6% |
| Treasury Premium Brands | 796.0 | (5.3)% | (5.6)% | - |
| **Group** | **2,476.7** | **(3.6)%** | **(4.7)%** | **(1.1)%** |
| *Luxury & Premium (%NSR)* | *83.3%* | *6.7ppts* | *6.6ppts* | *3.0ppts* |
| **EBITS** | | | | |
| Penfolds | 319.3 | (7.8)% | (5.4)% | - |
| Treasury Americas | 185.6 | 20.5% | 16.9% | 19.0% |
| Treasury Premium Brands | 79.6 | 27.0% | 33.6% | - |
| Corporate | (60.8) | (15.6)% | (15.6)% | - |
| **Group** | **523.7** | **2.6%** | **4.0%** | **4.1%** |
| *EBITS Margin (%)* | *21.1%* | *1.3ppts* | *1.8ppts* | *1.0ppt* |

Execution of key F22 strategic priorities delivered strong operating momentum across each brand portfolio division:

- Penfolds reported an 8% decline in EBITS to $319.3m and an EBITS margin of 44.5% (up 0.6ppts). The significant decline in shipments to Mainland China was partly offset by continued strength in a number of global markets and channels. Penfolds continues to attract new consumers and grow distribution and availability, globally, with NSR and EBITS outside of Mainland China increasing by 45% and 25% respectively on a constant currency basis. In Asian markets outside of Mainland China NSR grew 106%, supported by strong depletion trends in multiple markets led by consumer demand and channel penetration.
- Treasury Americas reported a 21% increase in EBITS to $185.6m and an EBITS margin of 19.3% (up 2.9ppts). The priority brand portfolio continued to perform strongly with NSR increasing 15% in the year on a constant currency basis, led by standout growth from Beringer, Stags' Leap, Matua and 19 Crimes. Following the completion of significant changes in brand portfolio and asset base, including the acquisition of Frank Family Vineyards, Treasury Americas has been repositioned as a premium wine business with a focused portfolio of growing brands.
- Treasury Premium Brands reported a 27% increase in EBITS to $79.6m and an EBITS margin of 10.0% (up 2.5ppts). Portfolio premiumisation continued, with strong performance by priority brands including 19 Crimes, Pepperjack, Squealing Pig and Wynns. Significant distribution gains and NSR growth for priority brands in key EMEA and Asia markets was an execution highlight, as was continued innovation success across the portfolio.
- Corporate costs increased 16% reflecting increased investment in technology and higher insurance costs.

## Sustainability

TWE has built significant momentum in F22 towards its sustainability ambition of *cultivating a brighter future*.

Key sustainability highlights in the year included:

- Completion of a comprehensive review of water management across the global viticulture and winery operations, with clear recommendations to drive TWE's water security and efficient usage strategies
- Committed to invest $20m on solar panel and meter technology across TWE's global production network in support of the ambition to achieve 100% renewable electricity by F24
- Improving levels of gender representation across the global business, with overall female representation up 1.3ppts to 41.5% while females in leadership roles were down 0.2ppts to 44.9%
- Refinancing $1.4bn of existing debt facilities to include the establishment of Sustainability Linked Loans, providing a direct link between TWE's sustainability performance and its cost of capital

## Future perspectives

TWE's long-term financial objective remains to deliver sustainable top-line growth, high single-digit average earnings growth[5] and a Group EBITS margin target of 25%+. Supporting this objective will be continued portfolio premiumisation, growth in distribution, demand and availability for TWE's priority brands, cost optimisation and category leading, consumer-led innovation.

In F23, TWE is well positioned to deliver strong growth and continued EBITS margin expansion towards the long-term Group targets through expected category dynamics, its diversified business model, ongoing cost management and the strength of its global brand portfolio:

- Wine consumption in TWE's key global markets is currently, and expected to remain, strong for Premium and Luxury price points, reflecting the continuation of long-term premiumisation trends and the historical resilience of category performance through past economic downturns. TWE expects its portfolio of trusted, well-known and growing brands will continue to perform well in this environment.
- Mix adjusted COGS per case are expected to remain in line with F22, with improvement expected from F24 onwards.

  Supply chain and input-cost inflationary pressures are expected to continue, with an incremental $25m currently estimated in F23. In addition, TWE's Luxury inventory which will be sold in F23 will be primarily from the 2020 Australian and Californian vintages, which were both lower yielding and higher cost.

  Offsetting these costs, TWE's global supply chain optimisation program (which commenced in F21) is now complete, with the program confirmed to deliver savings of $90m (up from $75m previously). The phasing of P&L delivery is now expected to be $65m in F23 (down from $75m previously) with the full run rate of program benefits to flow through by F25 based on the age of release for the Luxury wine portfolios.
- TWE has implemented further price increases within all divisions in F23, specifically on growing Premium and supply constrained Luxury brands.
- Through continued top-line growth across the Premium and Luxury portfolios, targeted price increases and ongoing cost management, TWE expects to deliver strong, margin accretive growth in F23.

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

"Relentless execution of our F22 priorities resulted in strong operating and financial performance in each of our brand portfolio divisions. Pleasingly, we have returned to delivering margin accretive earnings growth in a year where we managed through the effective closure of the Mainland China market, materially reshaped our Treasury Americas division and navigated a global macroeconomic backdrop that included the global pandemic, significant supply chain disruptions and inflationary cost pressures. The results we have announced today reflect the fundamental strengths of our diversified global business, the flexibility of our operating model and the outstanding execution capability of our teams.

After two years of significant change, we enter F23 with momentum, focused on our objectives of delivering quality earnings growth, efficient capital utilisation and sustainable shareholder returns. Our recent track record of successfully adapting our business to deliver growth, despite a number of challenges, gives me great confidence in the fundamental strengths of our business and our capability to navigate future challenges and uncertainty."

## Important Information

This announcement is in summary form and is not necessarily complete. It should be read together with the Company's Annual Report and other announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

This announcement contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. The Company cautions against reliance on any forward-looking statements, particularly in light of the current economic climate and potential impacts on consumer demand, the impact of continued high inflation on business outcomes, global difficulties in logistics and supply chains, the potential ongoing impacts relating to the COVID-19 pandemic, exchange rate impacts given the global nature of the business, vintage variations and the evolving nature of global geopolitical dynamics.

[5] Organic, pre material items and on a constant currency basis

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

## Conference call

Treasury Wine Estates will host an investor and analyst webcast and conference call commencing at 10:00am AEST on 18 August 2022. Links to register are provided below. A replay of the presentation will also be available on the website www.tweglobal.com from approximately 1:00pm AEST.

Conference call registration

https://s1.c-conf.com/diamondpass/10023550-d4nc3s.html

Webcast registration

https://edge.media-server.com/mmc/p/aig3wakw

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

## Contacts / further information


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## Profit and Loss[6]

| $Am (unless otherwise stated) | F22 | Reported Currency F21 | Reported Currency Change | Constant Currency F21 | Constant Currency Change |
|---|---|---|---|---|---|
| Net sales revenue | 2,476.7 | 2,569.6 | (3.6)% | 2,598.1 | (4.7)% |
| *NSR per case ($)* | *97.3* | *83.8* | *16.1%* | *84.8* | *14.8%* |
| Other Revenue | 55.1 | 28.2 | 95.3% | 28.3 | 94.8% |
| Cost of goods sold | (1,488.5) | (1,573.1) | 5.4% | (1,597.8) | 6.8% |
| *Cost of goods sold per case ($)* | *58.5* | *51.3* | *(14.0)%* | *52.1* | *(12.2)%* |
| Gross profit | 1,043.2 | 1,024.7 | 1.8% | 1,028.6 | 1.4% |
| *Gross profit margin (% of NSR)* | *42.1%* | *39.9%* | *2.2ppts* | *39.6%* | *2.5ppts* |
| Cost of doing business | (519.5) | (514.4) | (1.0)% | (525.2) | 1.1% |
| *Cost of doing business margin (% of NSR)* | *21.0%* | *20.0%* | *(1.0)ppts* | *20.2%* | *(0.8)ppts* |
| **EBITS (before material items)** | **523.7** | **510.3** | **2.6%** | **503.4** | **4.0%** |
| *EBITS margin (%)* | *21.1%* | *19.9%* | *1.3ppts* | *19.4%* | *1.8ppts* |
| SGARA | (33.9) | 9.4 | NM | 9.6 | NM |
| **EBIT (before material items)** | **489.8** | **519.7** | **(5.8)%** | **513.0** | **(4.5)%** |
| Net finance costs | (71.4) | (73.5) | 2.8% | (74.8) | 4.5% |
| Tax expense | (120.2) | (130.1) | 7.6% | (131.1) | 8.3% |
| **Net profit after tax (before material items)** | **298.2** | **316.1** | **(5.7)%** | **307.2** | **(2.9)%** |
| Material items (after tax) | (35.0) | (66.1) | 47.1% | (67.9) | 48.5% |
| **Net profit after tax** | **263.2** | **250.0** | **5.3%** | **239.2** | **10.0%** |
| Reported EPS (A¢) | 36.5 | 34.7 | 5.2% | 33.2 | 10.0% |
| **Net profit after tax (before material items and SGARA)** | **322.6** | **309.6** | **4.2%** | **300.5** | **7.4%** |
| EPS (before material items and SGARA) (A¢) | 44.7 | 42.9 | 4.1% | 41.7 | 7.3% |
| Average no. of shares (m) | 721.8 | 721.4 | 0.1% | 721.4 | 0.1% |
| Dividend (A¢) | 31.0 | 28.0 | 10.7% | 28.0 | 10.7% |

**NSR** declined 4.7% reflecting the divestment of the US Commercial portfolio in March 2021, the decline in shipments to Mainland China and reduced Commercial volumes in the UK and Australia. The decline was partly offset by strong Premium and Luxury performance in Treasury Americas and Treasury Premium Brands

**NSR per case** improved 14.8% with TWE's continuing focus on portfolio premiumisation increasing the contribution of the Luxury and Premium portfolios to 83% of Group NSR, up from 77% in the pcp

**COGS per case** increased 12.2% reflecting the portfolio mix shift, higher COGS from the 2020 vintages and elevated global supply chain, logistics and packaging costs which totalled approximately $25m vs pcp

**CODB** improved 1.1% to $519.5m, driven by lower investment in Mainland China in addition to reduced global Commercial portfolio volumes

**EBITS margin** improved 1.8ppts to 21.1%, continuing progress towards TWE's Group EBITS margin target of 25% and beyond

**SGARA** loss reflects reduced intake from the 2021 Californian vintage and 2022 Australian vintage, partially offset by the unwinding of losses from previous vintages

**Net finance costs** improved 4.5%, driven by lower interest expense on right of use leases and a reduction in debt establishment costs

**Tax expense** declined 8.3% in F22, reflecting lower statutory earnings. The effective tax rate (before material items) of 28.7% was in line with the pcp

**Material Items** A post-tax net material items loss of $35.0m has been recognised, and relates to costs associated with the divestment of US brands and assets, the acquisition of Frank Family Vineyards and supply chain changes

**EPS (before SGARA and material items)** increased 7.3 % to 44.7 cents per share. Reported EPS increased 10.0% to 36.5 cents per share.

[6] Unless otherwise stated, all figures and percentage movements are stated on a constant currency basis versus the prior corresponding period and are subject to rounding

# Divisional Performance Overview

## Penfolds[7]

| A$m (unless otherwise stated) | F22 | Reported Currency F21 | Reported Currency % | Constant currency F21 | Constant currency % |
|---|---|---|---|---|---|
| **Volume (m 9Le)** | **2.2** | **2.2** | **(3.5)%** | **2.2** | **(3.5)%** |
| **NSR (A$m)** | **717.3** | **788.9** | **(9.1)%** | **790.5** | **(9.3)%** |
| ANZ | 199.2 | 199.2 | 0.0% | 199.2 | 0.0% |
| Asia | 407.2 | 498.6 | (18.3)% | 498.7 | (18.4)% |
| Americas | 54.3 | 48.6 | 11.7% | 50.0 | 8.6% |
| EMEA | 56.6 | 42.4 | 33.3% | 42.6 | 32.9% |
| *NSR per case (A$)* | *332.2* | *352.6* | *(5.8)%* | *353.2* | *(6.0)%* |
| **EBITS (A$m)** | **319.3** | **346.2** | **(7.8)%** | **337.5** | **(5.4)%** |
| *EBITS margin (%)* | *44.5%* | *43.9%* | *0.6ppts* | *42.7%* | *1.8ppts* |

### Financial performance

**Volume** and **NSR** declined 3.5% and 9.3% respectively, driven by:

- The decline in shipments to Mainland China and deferral of the Californian Collection release from 2H22 to F23;
- Partly offset by continued positive momentum across the portfolio globally, with NSR outside of Mainland China increasing by 45.1% in F22

**NSR per case** declined 6.0%, reflecting the impact of reduced Bin and Icon portfolio shipments to Mainland China and growth in the Premium tier Max's range across all markets

**COGS per case** improved 9.1%, reflecting the change in portfolio mix and the cycling of one-off impacts related to demurrage and incremental product costs in F21 following the implementation of import duties by MOFCOM

**CODB** improved 11.9%, driven by reduced costs in Mainland China net of reinvestment to other priority global growth markets

**EBITS** declined 5.4% to $319.3m, and **EBITS margin** increased 1.8ppts to 44.5%; excluding Mainland China, EBITS increased 25.1% in F22

### Division insights

- Key F22 execution highlights include:
  - Growth in volume and NSR across a number of priority growth markets and channels, reflecting the momentum behind Penfolds global execution strategy of building distribution and increasing brand awareness
  - Standout growth delivered in Asia, with NSR in regional markets ex-Mainland China increasing 106%, and in EMEA, particularly the UK and Germany, where NSR grew 32.9%. In Asia, NSR growth was supported by strong depletion trends, and inventory days remain in line with the prior year
- The Penfolds Collection launch in August included the inaugural release of the Bordeaux-sourced, French country of origin portfolio. The multi-country of origin portfolio will expand further in F23, with the release of the inaugural Chinese country of origin wines
- Penfolds will continue to invest in its multi-country of origin portfolio strategy. The acquisition of Chateau Lanessan is expected to be completed in 1H23[8], more than doubling the existing vineyard footprint in Bordeaux and providing significant incremental winery production capacity that will support future growth
- Penfolds has returned to a position of supply constraint across key Luxury Cabernet Bins, and has implemented price increases in F23
- Trends for distribution and volume growth are expected to remain strong across Penfolds priority growth markets. EBITS margin is expected to shift towards the mid-point of Penfolds 40-45% target range in F23, reflecting higher COGS from the 2020 Australian vintage and increased investment to accelerate the momentum in distribution and demand growth achieved in F22

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

[8] TWE to acquire 78.6% stake from the Bouteiller Family, who will remain a shareholder. The cash outflow associated with the acquisition is expected to be approximately A$60m, including a capital injection to fund winery and vineyard development. Completion expected Oct-22, subject to satisfaction of conditions precedent

# Divisional Performance Overview

## Treasury Americas[9]

| | Reported Currency | | | Constant Currency | | |
|---|---|---|---|---|---|---|
| A$m (unless otherwise stated) | F22 | F21 | % | F21 | % | % Organic[10] |
| **Volume (m 9Le)** | **8.0** | **11.2** | **(28.9)%** | **11.2** | **(28.9)%** | **(3.3)%** |
| **NSR** | **963.4** | **940.0** | **2.5%** | **964.2** | **(0.1)%** | **11.6%** |
| ANZ | – | – | – | – | – | – |
| Asia | – | – | – | – | – | – |
| Americas | 963.4 | 940.0 | 2.5% | 964.2 | (0.1)% | 11.6% |
| EMEA | – | – | – | – | – | – |
| *NSR per case (A$)* | *120.9* | *83.8* | *44.1%* | *86.0* | *40.5%* | *15.5%* |
| **EBITS** | **185.6** | **154.0** | **20.5%** | **158.8** | **16.9%** | **19.0%** |
| *EBITS margin (%)* | *19.3%* | *16.4%* | *2.9ppts* | *16.5%* | *2.8ppts* | *1.0ppt* |

### Financial performance

**Volume** and **NSR** declined 28.9% and 0.1% respectively, driven by:

- Structural changes to the Treasury Americas division, including divestment of the US Commercial brand portfolio, Chateau St Jean and Provenance, partly offset by the contribution from the acquired Frank Family Vineyards portfolio in 2H22
- On an organic basis, NSR grew 11.6% led by strong growth across the Premium and Luxury portfolios, partly offset by declines in US$8-11 price point brands
- Excluding new product development and the one-off distributor stocking as part of the 1H22 distributor model change to RNDC in California, shipments were in line with depletions

**NSR per case** increased 40.5% reflecting significantly improved portfolio mix, with the Premium and Luxury portfolios now contributing 92% of divisional NSR (up from 79% in F21).

**COGS per case** increased 35.4%, driven by the improved portfolio mix, higher COGS from recent vintages and elevated supply chain costs related to freight and logistics

**CODB** improved 2.0% and includes insurance proceeds relating to lost profits from the ongoing closure of cellar doors following the 2020 Californian wildfires

**EBITS** increased 16.9% to $185.6m, with **EBITS margin** improving 2.8ppts to 19.3%; on an organic basis EBITS increased 19.0%

The contribution of **Frank Family Vineyards** was in line with expectations, with 2H22 NSR and EBITS of $40.2m and $16.2m respectively, delivering an EBITS margin of 40.2%

### Division insights

- Key F22 execution highlights include:
  - Strong performance across the priority brand portfolio, where NSR increased 15.2% versus the pcp, led by standout growth from Beringer, Stags' Leap, Matua and 19 Crimes
  - Luxury portfolio growth achieved across all channels, led by outstanding execution from Treasury Americas dedicated luxury sales team who drove US distribution growth of 12% in the year
  - Delivery of price increases on a number of fast growing and supply constrained portfolio brands, including Matua and Frank Family Vineyards
  - Completion of significant changes in brand portfolio and asset base that have repositioned Treasury Americas as a premium wine business with a focused portfolio of growing brands. The acquisition of Frank Family Vineyards was a highlight in F22, with integration now materially complete
- Treasury Americas continues to be recognised for its outstanding innovation capability, with 19 Crimes Cali Red recognised by IRI as the number one selling wine in history for first year sales[11]. Innovation success has continued in 2022 with Martha's Chard, the number one US wine market innovation this calendar year[12]. The launch of 19 Crimes Cali Gold sparkling wine is expected to be a significant innovation highlight in F23
- Well positioned to deliver top-line growth and margin expansion in F23, led by continued strength in the Premium portfolio and supported by additional price realisation across key brands, while Luxury portfolio growth will be moderated by reduced availability of wine from the 2020 Californian vintage

[9] Unless otherwise stated, all figures and percentage movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

[10] On a constant currency basis, excluding the contribution of divested and acquired portfolio brands in Treasury Americas. Refer to Appendix 1 for details

[11] IRI New Product Pacesetter announcement, 8 June 2022

[12] IRI, Total US MULO+Convenience, calendar year to date ending 10 July 2022

# Divisional Performance Overview

## Treasury Premium Brands[13]

| | | Reported Currency | | Constant currency | |
|---|---|---|---|---|---|
| **A$m (unless otherwise stated)** | **F22** | **F21** | **%** | **F21** | **%** |
| **Volume (m 9Le)** | **15.3** | **17.2** | **(11.0)%** | **17.2** | **(11.0)%** |
| **NSR** | **796.0** | **840.7** | **(5.3)%** | **843.4** | **(5.6)%** |
| ANZ | 382.1 | 402.9 | (5.2)% | 403.1 | (5.2)% |
| Asia | 72.7 | 66.7 | 8.9% | 66.8 | 8.8% |
| Americas | – | – | – | – | – |
| EMEA | 341.2 | 371.1 | (8.0)% | 373.5 | (8.6)% |
| *NSR per case (A$)* | *52.0* | *48.9* | *6.4%* | *49.0* | *6.0%* |
| **EBITS** | **79.6** | **62.7** | **27.0%** | **59.6** | **33.6%** |
| *EBITS margin (%)* | *10.0%* | *7.5%* | *2.5ppts* | *7.1%* | *2.9ppts* |

### Financial Performance

**Volume** and **NSR** declined 11.0% and 5.6% respectively, driven by:

- Reduced Commercial portfolio volumes in EMEA and ANZ, notably through the UK retail channel following heightened pandemic related demand in F21
- Partly offset by Premium and Luxury portfolio NSR growth of 5.5%, led by priority brands including 19 Crimes, Pepperjack, Squealing Pig, Wynns and Rawson's Retreat

**NSR per case** increased 6.0%, reflecting improved portfolio mix, with the Premium and Luxury portfolios contributing 59% of divisional NSR (up from 53% in F21)

**COGS per case** increased 2.3%, driven by the improved portfolio mix and elevated global supply chain costs, including packaging and freight

**CODB** improved 6.9% reflecting more focused, prioritised brand investment and lower commercial portfolio volumes

**EBITS** increased 33.6% to $79.6m, and **EBITS margin** improved 2.9ppts to 10.0%

### Division insights

- Key F22 execution highlights include:
  - Progression towards key divisional financial priorities, including portfolio premiumisation, EBITS growth and EBITS margin expansion
  - Distribution and NSR growth of priority brands in key global markets, with the Premium portfolio performance in EMEA a highlight led by 19 Crimes and Squealing Pig
  - Strong growth in Asia driven by Chilean sourced Rawson's Retreat in China and Premium portfolio distribution gains in South East Asia
  - Price increases across the Premium portfolio in EMEA, partly offsetting impacts from higher global supply chain costs
  - Strong innovation focus with key highlights including the launch of the Wolf Blass Zero alcohol and Squealing Pig Lighter ranges and the Wolf Blass House of the Dragon partnership with HBO, an innovative new platform to introduce new consumers to the portfolio
- 19 Crimes continues to grow strongly outside of the US with shipments across Treasury Premium Brands geographies increasing over 20% in F22 to surpass the two million case mark. Continued growth is expected in F23, supported by an innovation pipeline that includes extension of the 19 Crimes collaboration with Snoop Dogg beyond the Americas region
- Treasury Premium Brands is investing in organisational capability in Asia, including Mainland China, to support growth plans throughout the region in F23 and beyond
- Focused on continued premiumisation and top-line margin accretive growth in F23, supported by ongoing price realisation and cost mitigation strategies

[13] Unless otherwise stated, all figures and percentage movements from prior periods are pre-material items on a constant currency basis versus the prior corresponding period and are subject to rounding

## Balance Sheet (condensed)[14]

| A$m | F22 | F21 |
|---|---|---|
| Cash & cash equivalents | 430.5 | 448.1 |
| Receivables | 564.4 | 621.3 |
| Current inventories | 947.9 | 839.7 |
| Non-current inventories | 1,063.6 | 1,056.8 |
| Property, plant & equipment | 1,521.5 | 1,322.5 |
| Right of use lease assets | 435.3 | 448.4 |
| Agricultural assets | 32.9 | 33.8 |
| Intangibles | 1,399.8 | 1,155.5 |
| Tax assets | 163.5 | 183.7 |
| Assets held for sale | 35.6 | 140.2 |
| Other assets | 68.7 | 34.2 |
| **Total assets** | **6,663.7** | **6,284.2** |
| Payables | 747.2 | 703.6 |
| Interest bearing debt | 1,064.7 | 915.2 |
| Lease liabilities | 609.0 | 612.6 |
| Tax liabilities | 347.2 | 330.7 |
| Provisions | 81.0 | 104.8 |
| Other liabilities | 25.6 | 26.1 |
| **Total liabilities** | **2,874.7** | **2,693.0** |
| **Net assets** | **3,789.0** | **3,591.2** |

**Net assets** increased $197.8m to $3,789.0m in F22. Adjusting for foreign exchange rate movements, net assets increased by $108.2m

**Working capital** increased $14.5m, driven by higher luxury inventory and partly offset by favourable movements in **Receivables** (primarily associated with divestment of the US commercial portfolio) and **Payables**

**Inventory** increased $115.0m to $2,011.5m in F22.

- Current inventory increased $108.2m to $947.9m reflecting improved demand expectations for the Penfolds, Treasury Premium Brands and Treasury Americas portfolios, in addition to the acquisition of Frank Family Vineyards
- Non-current inventory increased $6.8m to $1,063.6m, driven by the acquisition of Frank Family Vineyards and partly offset by the smaller 2021 Californian vintage intake
- Luxury inventory increased 7.4% to $1,152.3m

**Property, Plant & Equipment** increased $199.0m to $1,521.5m driven by the Frank Family Vineyards acquisition, investment in South Australian Luxury winemaking infrastructure and foreign currency movements

**Intangible assets** increased by $244.3m to $1,399.8m, reflecting the acquisition of Frank Family Vineyards and foreign currency movements

**Assets held for sale** declined $104.6m following the divestment of Provenance, Chateau St Jean and surplus supply chain assets in the US

**Provisions** includes employee provisions and allowance for future repairs on leased assets damaged by the Californian wildfires, which are recoverable under insurance

**Net Borrowings**[15] (including Lease Liabilities) increased by $163.5m to $1,243.2m, with interest bearing debt increasing by $149.5m following the acquisition of Frank Family Vineyards, partly offset by cash proceeds from asset divestments.

**Net debt to EBITDAS**[16] 1.8x, up from 1.6x in F21 and below TWE's up to 2.0x 'through the cycle' target.

**Funding structure** includes committed debt facilities totalling $1.9bn, of which $827.3m were undrawn at 30 June 2022. New US Private Placement Notes totalling US$250m were issued in 2H22, with funding to take place in September 2022. The weighted average term to maturity of committed debt facilities was 4.6 years

[14] Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis
[15] Interest bearing debt *includes* fair value adjustments related to derivatives that are in a fair value hedge relationship on a portion of US Private Placement notes: F22 $(11.3)m, F21 +$21.6m
[16] Adjusted to include last twelve months EBITDAS for Frank Family Vineyards

## Cash flow – reconciliation of net debt[17]

| A$m | F22 | F21 |
|---|---|---|
| **EBITDAS** | **672.3** | **661.0** |
| Change in working capital | 34.0 | (60.3) |
| Other items | (5.0) | 65.6 |
| **Net operating cash flows before financing costs, tax & material items** | **701.2** | **666.3** |
| **Cash conversion** | **104.3%** | **100.8%** |
| Payments for capital expenditure | (112.2) | (121.2) |
| Payments for subsidiaries | (439.6) | (0.0) |
| Proceeds from sale of assets | 11.1 | 4.8 |
| **Cash flows after net capital expenditure, before financing costs, tax & material items** | **160.6** | **549.9** |
| Finance costs paid | (66.9) | (72.3) |
| Tax paid | (95.5) | (118.4) |
| **Cash flows before dividends & material items** | **(1.8)** | **359.2** |
| Dividends/distribution paid | (202.1) | (158.7) |
| **Cash flows after dividends before material items** | **(203.9)** | **200.5** |
| Material item cash flows – proceeds from asset sales | 155.2 | 53.1 |
| (On-market share purchases) / issue of shares | (17.3) | 0.9 |
| **Total cash flows from activities (before debt)** | **(66.0)** | **254.5** |
| Net (repayment) / proceeds from borrowings | 30.6 | (245.8) |
| **Total cash flows from activities** | **(35.4)** | **8.7** |
| | | |
| **Opening net debt** | **(1,057.7)** | **(1,434.2)** |
| Total cash flows from activities (above) | (66.0) | 254.5 |
| Net lease liability additions | (8.7) | (18.7) |
| Debt revaluation and foreign exchange movements | (122.0) | 140.7 |
| **(Increase) / Decrease in net debt** | **(196.6)** | **376.5** |
| **Closing net debt[18]** | **(1,254.3)** | **(1,057.7)** |

**Cash conversion** of 104.3% reflects continued strong operating cash flow performance in addition to improved working capital. Excluding the net change in non-current Luxury and Premium inventory, cash conversion was 103.1%

**Capital expenditure** (capex) of $112.2m comprised maintenance and replacement capex of $70.6m and growth capex of $41.6m, including the completion of investment in South Australian Luxury winemaking infrastructure. Ongoing expectation for maintenance and replacement capex of approximately $100m

**Investment in subsidiaries** of $439.6 is driven by the acquisition of Frank Family Vineyards in December 2021, in addition to the purchase of supply assets in the Bordeaux region of France.

**Material item cash flows** includes the divestiture of vineyard assets in Australia and the US, partly offset by integration costs for Frank Family Vineyards and restructuring costs relating to the new divisional model

With respect to the confirmed total net cash proceeds of approximately $300m from divestments in Treasury Americas, approximately $235m had been received as cash by 30 June 2022, with the remainder expected to be received by the end of calendar year 2022

[17] Unless otherwise stated, cash flow percentage or dollar movements from the previous period are on a reported currency basis
[18] Net debt *excludes* fair value adjustments related to derivatives in a fair value hedge relationship on a portion of US Private Placement notes: F22 $(11.3)m, F21 +$21.6m

# Vintage update

## Australia

Vintage 2022 industry yield was in line with long-term averages, but significantly below last year's record crush. It has been a high-quality Shiraz and Cabernet vintage across all regions. TWE proactively took in a smaller 2022 vintage intake as part of its plans to manage its inventory position following the reduction in shipments to Mainland China. Red wine intake was a highlight, reflecting high-quality fruit and the benefits of the $165m investment in South Australian Luxury winemaking infrastructure, which was completed in-time for vintage 2022 with fruit processed through this new facility achieving exceptional grade conversion outcomes that will support future luxury portfolio growth.

Bulk wine and grape pricing has reduced over the last 18 months driven by a number of factors, including the large vintage 2021 harvest and the significant reduction in demand from Mainland China.

## California

Early growing conditions for the 2022 California season are positive. Temperatures for the first half of the season were moderate, ensuring optimal growing conditions in much of California. Above average temperatures are predicted for the second half of the year across most of the state. The expectation across California is that vintage 2022 will be higher yielding than Vintage 2021.

Following two short vintages, increased demand has led to higher prices throughout the grape and bulk wine market.

## New Zealand

Vintage 2022 was an excellent vintage in New Zealand, with strong yields across all varietals and regions. The harvest crush for Marlborough Sauvignon Blanc was 51% higher than 2021. Central Otago Pinot Noir had an outstanding vintage with high quality wine and strong yields.

Grape pricing is likely to remain high in the short term, with bulk wine prices easing, but remaining high compared to long term average.

## France

France has experienced a challenging growing season to date with a mild to dry winter, early frost in the Bordeaux region and heat waves in all regions. The current heat and sunshine are helping the late varietals such as Cabernet Sauvignon to fully mature. Expectations are for below average industry intake in vintage 2022. For TWE, intake will be higher due to the acquisition of new vineyards which are providing access to incremental sourcing of Luxury fruit.

Luxury grape and bulk wine pricing is largely stable.

## Italy

Growing conditions in Italy have been challenging due to hot weather and a lack of rain. This will impact vintage 2022 industry intake, which is expected to be below the long-term average. For TWE, company-owned vineyards are performing well with heat impacting only a small percentage of vines on the properties.

Bulk-wine contracts are in place, albeit at slightly higher prices than vintage 2021, reflecting increased demand for Italian country of origin wine.

## Definitions

| Term | Definition |
|---|---|
| **Cash conversion** | Net operating cash flows before financing costs, tax and material items divided by EBITDAS |
| **COO** | Country of origin |
| **CODB** | Cost of doing business. Gross profit less EBITS. Excludes non-cash items as well as tax, the cost of the Group's capital structure and non-operating transactions as a measure of underlying operational costs |
| **COGS** | Cost of goods sold |
| **Commercial wine** | Wine that is sold at a retail shelf price below A$10 (or equivalent) per bottle |
| **EPS** | Earnings per share |
| **EBITDAS** | Earnings before interest, tax, depreciation, amortisation, material items and SGARA |
| **EBITS** | Earnings before interest, tax, material items and SGARA |
| **EBITS margin** | EBITS divided by Net sales revenue |
| **Exchange rates** | Average exchange rates used for profit and loss purposes in F22: AUD/USD 0.7258 (F21: AUD/USD 0.7472), AUD/GBP 0.5454 (F21: AUD/GBP 0.5547)<br>Period end exchange rates used for balance sheet items in F22: AUD/USD 0.6883 (F21: AUD/USD 0.7511), AUD/GBP 0.5677 (F21: AUD/ GBP 0.5426) |
| **Luxury wine** | Wine that is sold at a retail shelf price above A$30 (or equivalent) per bottle |
| **Material items** | Items of income or expense which have been determined as being sufficiently significant by their size, nature or incidence and are disclosed separately to assist in understanding the Group's financial performance |
| **Net Debt to EBITDAS** | Ratio of Net Debt to EBITDAS includes capitalised leases per *AASB 16 Leases* |
| **Net Operating Cashflow** | Operating cash flow before finance costs, tax and material items |
| **NPAT** | Net profit after tax |
| **NSR** | Net sales revenue |
| **Premium wine** | Wine that is sold at a retail shelf price between A$10 and A$30 (or equivalent) 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 |
| **SGARA** | Self-generating and re-generating assets. SGARA represents the difference between the fair value of harvested grapes (as determined under AASB 141 Agriculture) and the cost of harvest. The fair value gain or loss is excluded from Management EBITS so that earnings can be assessed based on the cost of harvested grapes, rather than their fair value. This approach results in a better reflection of the true nature of TWE's consumer branded and FMCG business and improved comparability with domestic and global peers. |

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

| Metric | F21 Divested US brands[1] | F22 Divested US brands[2] | F22 Frank Family Vineyards[3] |
|---|---|---|---|
| **Volume (m9le)** | 3.2 | 0.2 | 0.1 |
| **NSR (A$m)** | 153.2 | 20.0 | 40.2 |
| **EBITS (A$m)** | 20.5 | 5.1 | 16.2 |

1. Includes F21 contribution of US Commercial brand portfolio (divested March 2021), Provenance (divested November 2021) and Chateau St Jean (divested December 2021)
2. Includes F22 contribution of Provenance and Chateau St Jean
3. Includes F22 contribution of Frank Family Vineyards (acquired December 2021)

# Appendix 2: Reconciliation of key performance measures

| Metric (A$m unless otherwise stated) | Management calculation | F22 | F21 |
|---|---|---|---|
| EBITS | Statutory net profit | 263.2 | 250.0 |
| | Income tax expense | 109.7 | 107.7 |
| | Net finance costs | 71.4 | 73.5 |
| | Material items | 45.5 | 88.5 |
| | SGARA (gain) / loss | 33.9 | (9.4) |
| | **EBITS** | **523.7** | **510.3** |
| EBITDAS | EBITS | 523.7 | 510.3 |
| | Depreciation & Amortisation | 148.6 | 150.7 |
| | **EBITDAS** | **672.3** | **661.0** |
| EPS | Statutory net profit | 263.2 | 250.0 |
| | Material items | 45.5 | 88.5 |
| | Tax on material items | (10.5) | (22.4) |
| | SGARA | 33.9 | (9.4) |
| | Tax on SGARA | (9.5) | 3.0 |
| | **NPAT (before material items & SGARA)** | **322.6** | **309.7** |
| | Weighted average number of shares (millions) | 721.8 | 721.4 |
| | **EPS (cents)** | **44.7** | **42.9** |
| ROCE | EBITS (LTM) | 523.7 | 510.3 |
| | Net assets | 3,789.0 | 3,591.2 |
| | SGARA in inventory | (45.0) | (32.2) |
| | Net debt | 1,254.3 | 1,057.7 |
| | **Capital employed – Current year** | **4,998.3** | **4,616.7** |
| | Net assets (CFX) | 3,690.0 | 3,477.7 |
| | SGARA in inventory (CFX) | (30.3) | (22.9) |
| | Net debt (CFX) | 1,130.0 | 1,343.0 |
| | **Capital employed – Prior year (CFX)** | **4,789.7** | **4,797.8** |
| | Average capital employed | 4,894.0 | 4,707.3 |
| | **ROCE[19]** | **10.7%** | **10.8%** |

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[19] Includes impacts from divested and acquired portfolio brands in Treasury Americas