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HD **Corporate News: Treasury Wine Considers Brand Sales**

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SYDNEY -- Treasury Wine Estates Ltd. took on the world's biggest vintners with an 80-strong portfolio of wine brands targeting everyone from casual drinkers to connoisseurs willing to pay $1,000 a bottle. Now, the Australian company is considering a new strategy, where less is more.

Treasury's new chief executive, Michael Clarke, said the company's future marketing would focus mainly on the most-profitable brands in a stable that includes Penfolds, one of the world's more sought-after wine brands among collectors. He also pledged to look closely at Treasury Wine's U.S. operations, where poor sales of brands such as Beringer last year led the Australian company to destroy thousands of gallons of wine past its prime.

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In doing so, Mr. Clarke is following a path similar to his overhaul of U.K.-based Premier Foods PLC, where he sold less-profitable lines to focus on eight main brands. "I'm fact-based -- very practical -- and if I have to be cold on selling a particular brand then that's what we will do," Mr. Clarke said in an interview.

Treasury Wine Estates took a write-down of 155 million Australian dollars (US$144 million) largely because of its problems in the U.S. last year. The wine destruction, which involved crushing bottles with steamrollers, contributed to the departure of former CEO David Dearie in September.

Since then, the company has contended with further setbacks. An attempt to raise prices in Australia before the holiday season, for instance, hurt sales. In China, demand for Treasury Wine's bottles has been dented by an economic slowdown and as Beijing clamps down on extravagant gift-giving among businesses and government officials as part of an anticorruption drive.

"We need to prioritize our brands and make sure the top-end ones get the lion-size chunk of our marketing spend," said Mr. Clarke, who once steered Kraft Food Group Inc.'s European business and has held senior positions at Coca-Cola Co. Some of Treasury Wine's other brands are Castello di Gabbiano, Chateau St. Jean, Greg Norman Estates and Pepperjack.

Treasury Wine's shares closed 7.2% higher in Sydney as investors took heart from Mr. Clarke's approach. The new CEO also said he would complete a cost review within weeks to free up funds for additional marketing. A company spokesman declined to comment on whether that review would result in job losses. Some analysts and investors have called on Melbourne-based Treasury Wine to sell its U.S. business, or even look to create a new company for premium assets such as Penfolds that could be listed on the Australian Securities Exchange.

Selling the U.S. business would unshackle the group from a poorly performing asset that has hampered its profit for years. Problems have plagued Treasury Wine since it was spun off from global beverage maker Foster's Group Ltd. in 2011. Back then, a glut of Australian grapes and weak sales in the U.S. and other overseas markets weighed on profit. It made a US$900 million write-down of the business before the spinoff.

Merrill Lynch analyst David Errington said the U.S. business hadn't generated an acceptable return for more than a decade. "I often wonder if the board wants to hold on to the asset for the trips overseas and things like that," Mr. Errington told Treasury **Wine**'s management during an investor call. Mr. Clarke responded by saying that all options are on the table.

However, Mr. Clarke later said in an interview that he would try to turn around the U.S. **business**.

"The U.S. is a keeper," he said. "It's a platform for growth. I'**m** trying to be respectful to people who have been commenting on the **company** for a long time, longer than I've been around."

Mr. Clarke said Treasury **Wine** would continue a recent strategy of focusing on wines **sold** at higher prices in the U.S. to meet the changing tastes of consumers away from mass-market brands. Previously, the **company** relied on sales of cheaper labels with a limited shelf life.



**CO** prpfd : Premier Foods PLC | trzwn : Treasury Wine Estates Ltd

**IN** i41 : Food/Beverages/Tobacco | ibevrge : Beverages/Drinks | icnp : Consumer Goods | i426 : Wine | ialco : Alcoholic Beverages/Drinks | ifood : Food Products

**NS** c31 : Marketing | cbrand : Branding | ccat : Corporate/Industrial News | neqac : Equities Asset Class News | gwine : Wine | gcat : Political/General News | gfod : Food/Drink | glife : Living/Lifestyle | gwbs : Wine/Beer/Spirits | ncat : Content Types | nfact : Factiva Filters | nfcpin : FC&E Industry News Filter

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