

HD **FED:Struggling wine maker considers US buy**

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TREASURY By Trevor Chappell

MELBOURNE, Dec 16 AAP - Penfolds maker Treasury Wine Estates is considering buying a business to help increase its supply of quality wine in North America.

TD

Chief executive Michael Clarke said access to more top-end grapes for its luxury and so-called "masstige" wines could help Treasury Wine boost growth in those categories in both the US and Asia.

Masstige refers to widely available prestige wines.

"We're looking at buying a business which gives us access to luxury and masstige grapes in North America," Mr Clarke told reporters after the company's annual general meeting.

"I'm not looking to buy a business that gives us brands, I'm not looking to buy a business that gives us infrastructure - we have that."

Treasury Wine made a loss of \$101 million in 2013/14, amid senior management changes, company restructuring and the costly destruction of hundreds of thousands of cases of excess wine in the US.

Mr Clarke was appointed in February and he has since set about overhauling the company with a massive marketing push and focus on high-end markets.

He said on Tuesday Treasury Wine could satisfy its current five-year recovery plan with its existing business, but access to higher quality grapes would help increase its presence in North America and reduce its reliance on cheaper commercial wines.

Mr Clarke would not disclose the size of a potential acquisition, but indicated it involved a business rather than just vineyards.

He earlier told shareholders that Australia was Treasury Wine's home market, but the US and Asia, particularly North Asia, were the growth markets.

Expanding its presence in China had been a key priority in the first half of the current financial year.

The US was also a significant growth opportunity and having scale there was critical, meaning Treasury Wine would maintain its portfolio of cheaper commercial wines until the portfolio of more expensive wines grew to a significant size, he said.

But some of the "tail-end" commercial wines, priced under \$US3 a bottle, could be retired or placed into joint ventures.

Treasury Wine shares dropped 21 cents, or 4.6 per cent, to \$4.40.

AAP tsc/dmc

CO trzwn : Treasury Wine Estates Ltd

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

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