

Treasury Wine Estates Limited, Investor Day 2023

2023-03-08

Presentation

Tim Ford

So good morning, good afternoon, and good evening, everybody. Thanks for joining us, and a very warm welcome to Napa Valley in California for the Treasury Wine Estates 2023 Investor Day. My name is Tim Ford, and I'm the Treasury Wine Estates' Chief Executive Officer. I'm delighted to have joining me here in the room, the full executive leadership team of TWE, and I'm going to quickly introduce each of them to you now. We have Stuart Boxer, our Chief Strategy and Corporate Development Officer; Ben Dollard, the President of Treasury Americas; Kirsten Gray, our Chief Sustainability, External Affairs Officer; Katie Hodgson, our Chief People Officer, Tom King, the Managing Director of Penfolds, Peter Neilson, the MD of TPB, Kerrin Petty, Chief Supply Officer, and Kate Whitney, our newest Chief Digital and Technology Officer, recently joined us in this critical role. And then, of course, last but certainly not least, Matt Young, the CFO, who you all know very well.

We are really pleased to also introduce you, and I'll point them out in the room because you're going to hear from all the ELT today, our 2 U.S.-based members of our Board and non-executive directors who are here today. Laurie Shanahan, who is the Chair of our Human Resources Committee as well as — *indiscernible* — and Colleen Jay, next to Lauri there, a member of our Wine Operations and Sustainability Committee. So really personally convey my thanks to each of you for joining us here in California. And for those on the webcast, I hope you sit back and enjoy the show here and unfortunately you couldn't be here with us, but it's great you can join us on the webcast.

So we're particularly excited to be hosting this event in Napa, the home of our Treasury Americas division. With the United States being one of the key growth markets for us

going forward with Asia as well. Our objective for today is to update you on the progress we are making towards our 2025 strategy and to showcase the set of unique capabilities or enterprise value drivers, as we call them, you're going to hear that word a lot today, that we believe, over time, will set us apart from our competitors and position us for long-term success as the clear global leader in premium and luxury wine.

Linking to this I will provide updates for you on the next steps in our digital and our technology journey, how we are building capability right through the business, people-wise, and the progression of our sustainability agenda with a particular focus on the impacts of climate change and our plans for adaptation. In addition to these topics, we're in America, Ben will shortly lead a deep dive into our Treasury Americas division, including deeper perspectives on the U.S. wine market, the composition of our portfolio now and what we see as the long-term growth drivers for our business here in Americas.

So to kick off the day, let's start with the recap on our business, our strategy and our ambition for global leadership across what is growing and fast-evolving category for premium and luxury wine. We are a premium and luxury brand focused, global leader in line with strong positions across a number of markets. We supported this by a global footprint of a business model that is unrivaled by any other player in our industry. Diversification is the key element of our business and at the heart of our strategy and everything we do. We are diversified across our multiregional sourcing, our sales geographies, our iconic and award-winning brand portfolio, the price points we offer and the diverse range of consumer experiences that our brand impacts day in and day out.

Our very talented and dedicated global team is 2,500 people strong and has absolutely been the cornerstone of transforming this business into the global leader it is today, focused on our ambition, which is to be the world's most admired premium wine company. Supporting this ambition is our long-term investment case, which comprises 5 elements.

The first of these is the attractive fundamentals of the wine category, strong premiumization trends continue to be a driver of growth, and we are very well positioned to capitalize on this growth through our global portfolio of well-known trusted premium and luxury wine brands.

Secondly, our differentiated route-to-market and sales model provides us with a global multichannel distribution platform that is unrivaled in the world of wine. With our overarching goal, where possible, to be as close to our customers and consumers across all of our markets through whichever channel they purchase our product. We then have a global asset base, which is our foundation, world-class vineyards, world-class wine making world-class production assets in internationally acclaimed winemaking regions right across the world is unparalleled.

Complementing this asset base are our winemakers who consistently produce wines of exceptional quality. And then finally, wrapping this together, our strong and flexible and efficient capital structure is and will remain a fundamental strength of this business. That will continue to support investment and be an enabler for our growth ambitions. So just over 2.5 years ago, it doesn't seem too long. We set ourselves the 2025 strategy or the game plan as we like to call it our strategic blueprint for the next 5 years of our journey, headlined by the ambition that I've started to be the world's most admired premium wine company.

So to deliver on this ambition, we are being bold in our decision-making, how we innovate and driving change in the world of wine. This is our way boldly leading change in the world of wine. Our game plan describes how we operate and how we are growing the business. What success looks like in each part of our company, across our brands, our sales models, our sourcing platforms, our partnerships internally and externally and most importantly, across our talent.

And supporting all of this is our DNA. It's the cultural code with which we act and which defines who we are, why we do, what we do, informs the experience that everyone has, who touches TWE. So we're now effectively at half time on the journey towards 2025 that we've outlined. And with that in mind, it's worth reflecting on the significant progress and the achievement we have delivered over the past 2.5 years. Starting with our focus on the consumer and the evolution of our brand portfolios, and we transitioned to a brand-led operating model in July 2021.

And a significant change with the intention of increasing focus and accountability throughout our business. And now 18 months into that change to business model, we are very pleased with both the operating rhythm and the improved performance that this change is enabled within each of the 3 divisions in particular. Over 85% of our global revenue is now from premium and luxury price points. The segments of the category that are delivering growth globally. Up from 71% at the start of our game plan. A driver of this step change has been the repositioning of Treasury Americas division as a premium and luxury brand focused business.

Achieved not only through the divestment of the commercial brand portfolio but also through the delivery of outstanding category-leading portfolio innovation, some of which you'll see today. Portfolio and innovation has been a strong hallmark for Penfolds and Treasury premium brands as well. And it's an area we'll focus on and give you proof points as we talk through today. We've strengthened our already unrivaled multiregional multichannel sales model.

With the implementation of tariffs in China, having ultimately been an opportunity for us to focus on growth across a number of other highly attractive and growing wine markets through Asia, Europe and in the U.S. There is no doubt that we are now a stronger and better diversified business with our growth being delivered in a more balanced way across

a number of global markets. We've also grown our distribution footprint in a number of these priority markets and channels, particularly in Asia and in the United States. And this is an ongoing focus and always will be.

And we often refer to our people as our most important asset of the factory in the people business, and that is reflected by the fact that world-class talent is central to our game plan. The launch of TWE DNA has enabled the delivery of a significant cultural reset right across our organization, supporting improved levels of engagement, motivation and satisfaction, which are all lead indicators to higher performance. We're actively developing our next generations of leaders through a comprehensive suite of programs that will absolutely step change our leadership and growth capabilities throughout the company.

Later today, you're going to meet and hear directly from some of the members of our global leadership group or our second leadership circle as we call it, on their perspectives of life at TWE. So outside of the ELT as well. So for those that did join us our last Investor Day in 2021, and I know there's a number of you here that did and I'm sure on the webcast. We launched our new and enhanced sustainability framework, which included a comprehensive suite of targets that would form the basis of how we hold ourselves to account as the industry leader.

Pleasingly, we've made significant progress across a number of the elements of that agenda but with a great deal more to do, and we're going to share that again later today. Since that day, we've also completed – since the last Investor Day, we've also completed our global supply chain cost optimization program. With savings of over \$90 million now having been achieved, which will be realized in earnings in full run rate by F '25. And we've continued to expand our global multi-country origin sourcing model with key highlights being the acquisitions in France like Château Lanessan, which has grown our luxury sourcing footprint in France and another highlight clearly being the production of our first-ever

Chinese source wine sold under the label won by Penfolds.

And finally, we're focused on strengthening our key partnerships with the evolution of mutually beneficial partnerships with customers, growers, suppliers with government, with industry bodies, our lenders and the communities in which we produce and sell an absolute priority for us. We must be important in all of those. There's so many highlights that we could call out here. The 3 which are very topical for the conversation, I'm sure today around the world and tomorrow for those in the room, the establishment of our long-term strategic arrangement with the China Alcohol Drinks Association, who are closely partnering with us to develop and grow the local wine industry here in China.

The successful embedding you hear more tomorrow of our distribution partnership with the Republic National, RNDC, as we call it, in 2 of the key states in this country, California and Texas and the strengthening of our other key distributor relationships in the United States. And supporting our focus on inclusion, equity and diversity, it's more than just what's on paper. The long-term partnership we have between our Squealing Pig brand and the Sydney Gay & Lesbian Mardi Gras and Sydney World Pride, a great example of how we're bringing our brands to life with our inclusion agenda as well.

So I'm very proud of that. So the execution of our game plan, it's obviously manifests itself in our financial performance. So we've talked about the how since F '20, a period in which we included both the impacts of the global pandemic and the imposition of tariffs on Australian wine in the Mainland China. So if you look over that period on the screen, while overall revenue has declined over that period, we have significantly premiumized our portfolio mix, which is reflected more than a 30% improvement in our revenue per case through the first half of this fiscal year.

This has resulted in a higher quality business with our portfolio well positioned to participate in these macro category trends that continue to be strong. Through this period,

we've also delivered largely stable earnings at headline level. However, when you exclude the Australian country of original wine sales to Mainland China, we have achieved compound annual EBIT growth of 22% through to F '22, with EBIT continuing to grow strongly in the first half of this year, up 17% on the prior corresponding period. We're also making great progress towards our long-term EBIT margin ambition of 25% and beyond with our expectation for delivery above 23% in this fiscal year.

Return on capital employed is the core metric against which we compare ourselves on our long-term performance, and we are progressing towards our objective of restoring this to what was our F '19 level as our first hurdle of 13.9%. And supporting this, and you'll see Matt talk about this a lot more later on is our disciplined approach to capital allocation and the reshaping of our asset base and portfolio, particularly here in the Americas.

And we've continued to deliver a stable profile of shareholder returns as reflected by the consistent payment of dividends and a payout ratio that is towards the upper end of our policy range, which is 55% to 70% of net profit after tax. So looking ahead, we remain absolutely laser-focused on delivering quality growth with our key financial objective remaining consistent to deliver sustainable top line growth and high single-digit average earnings growth over the long term. At our last Investor Day in 2021, we introduced our 3 brand portfolio divisions as the basis for our operating model transformation. And the majority of that presentation was explaining the strategy of each of those divisions.

Today, you will see how we are and are continuing to execute our plans to deliver on that strategy. Each brand division will continue to contribute differently towards TWE's objectives. However, importantly, nearly 2 years on, the respective divisional growth drivers remain largely unchanged, and the team is delivering as we planned. For Penfolds, the execution priorities remain to drive global distribution in a targeted manner across priority growth markets to bring in and recruit new consumers to the brand and to expand

the portfolio through innovation and multi-country of origin growth whilst maintaining a highly, highly important EBIT margin in the target of 40% to 45% range.

Having had its brand portfolio and asset base now repositioned to support the delivery of sustainable long-term growth, the focus of Treasury Americas right here is to continue growing the premium and luxury portfolios. Continued category-leading portfolio innovation as the strength that we must continue to leverage. And the team here in Americas, and Ben will touch on in a moment, remain laser-focused again on delivery of their 25% margin target with great progress having been delivered to date.

And for Treasury premium brands, we've made some good progress towards our objectives and expectations, including improving the portfolio mix, driving growth in new markets, particularly throughout Asia. And streamlining the cost base. This is reflected in the steady improvement in margin since its inception 18 months ago, now over 11% as we progress towards the mid- to high-teens target, which we still have line of sight of.

We have learned a great deal about this business as we run it separately over the past 18 months and become much, much clearer around the opportunities and the challenges that we have ahead of us within TWE and we'll look to expedite our time lines in dealing with these challenges over the course of 2023. I'm now just going to take a few moments just to highlight the category dynamics that we believe represent a significant long-term growth opportunity for TWE, particularly in the premium and luxury price points where we intend to become the clear global leader.

The 2-speed nature of the wine category is reflected on this slide, with premium and luxury price points exhibiting strong growth over the past 10 years, which are projected to continue. While Commercial wine has seen minimal growth and, in fact, has been a significant multiyear decline across a number of our key markets, particularly in more recent years. Fueling premiumization has been the emergence of the buy better trend that we

call it with younger consumers who desire premium taste and exclusive experience engaging more actively with the category at higher price points in the first instance and the individual purchases and so spending more on individual purchases than any other generation before them. Our portfolio structure is well positioned to harness these trends.

Notably, there are elements within the category that are showing particularly strong growth potential and essentially white space for us at TWE with our portfolio. Sparkling wine is one I've talked about, one area we must look to grow over time through both innovation and acquisition. Our top 10 markets represent approximately 3/4 of the top 10 markets, not ours, represent approximately 3/4 of the global premium and luxury wine consumption.

Now premium and luxury wine is above \$10 a bottle. The U.S., as you can see, is the clear leader with an attractive compound annual growth rate forecast of above 4% over the next 5 years. China remains an important growth market as to a number of emerging markets through Asia, Latin America and the Middle East, which are becoming more prominent with attractive forecast growth trends as well. And on this slide, we have highlighted our priority growth markets, so they are clear, which we define as those where our core countries of origin are widely demanded by consumers, and we have an established market position.

While we are currently the leader globally in premium luxury wine, our share is only 4%. So something we intend to grow over the years ahead as we look to strengthen our global category leadership. And as a consumer-focused organization and everything we do, we strive to be closely connected to the continuously evolving needs of our consumers. And a number of powerful and emerging consumer trends are currently driving the evolution of the global wine category and provide another platform for long-term growth to take advantage of.

Fueled by greater choice, consumers are increasingly looking for unique propositions and end-to-end experiences from point of purchase through consumption and beyond. So within our portfolio, brands like Squealing Pig, 19 Crimes cater particularly well to these consumer desires. Consumer tastes are evolving, increasing popularity of lighter, more refreshing style of wines are particularly evident in recent years. Varietals like sauvignon blanc, Rose, champagne, sparkling wine are growing strongly, and we continue to innovate our portfolio offerings to participate in this trend.

We believe that the mid-strength wine category, lower in alcohol and wine category will develop into a meaningful opportunity in the years ahead. And we're already seeing this for ourselves with innovations like Matua Lighter launched here in the U.S. and performing very well. A number of global trends are also evolving the landscape in which we operate. Like many aspects of our day-to-day lives and any business really, technology is bringing positive disruption more rapidly than we had ever anticipated, and this is no different in wine, breakthrough technologies are influencing business models, influencing go-to-market strategies.

An example, the launch of Penfolds NFT in 2021 provides an example of how technologies like blockchain can provide an opportunity to interact with new consumers or consumers in a different way through emerging channels. E-commerce continues to emerge as an important sales channel for one, presenting a unique opportunity to connect with the consumers in a manner that provides almost instant feedback and insights to us that we can react to. And as a global leader in wine, we are committed to winning on the digital shelf as we are committed to win on the physical shelf.

Finally, sustainability is an area where we must not only continue to adapt and to future-proof our business, but also to meet very, very clear expectations of our consumers and our team. The companies they work for, the companies they purchase goods from must

be sustainable in everything they do. That is only going to be heightened in the future. So as we look forward, there are 6 elements, and you're going to hear a lot about these 6 elements today that set us apart from our competitors and will be the key in the achievement of our ambition to be the world's most admired premium wine company. Today, we're going to tell you how we have, how we are and how we will continue to execute against these 6 elements right across Treasury Wine Estates in every division, in every function.

So with that lens in mind, you will have expected no doubt for us to take you through the plans for each division, each function separately. Our traditional approach to an Investor Day around Penfolds, Treasury Americas, TPB, — *indiscernible* —, et cetera, et cetera. But we're big believers in evolving and improving, so we're going to change it up a bit. So today it is going to be slightly different the way we're going to talk about our business, too. Understanding how these 6 elements on the screen drive what we do through at TWE is what sets us apart.

And that's how we're structured today with one exception. We're in the U.S. So you can touch and feel what is dramatically different and stronger business in so many ways to the last time, most of you are here. And I would argue it's almost unrecognizable aside from the magnificent asset base we have here in Napa Valley. So we feel that it's a great opportunity and a quick deep dive into Treasury Americas is appropriate to kick off given our location, but also in particular given the level of change in this business over the last 3 years led by Ben Dollard and his team. So now it's better Ben to start taking you through that. And Ben, over to you.

Ben Dollard

Okay. Well, good morning. Tim, thank you. My name is Ben Dollard, as Tim mentioned, and it is my absolute pleasure to welcome you to Napa, to the Napa Valley and to the

home of Treasury Americas. It's really our privilege to spend time together and provide context on the U.S. marketplace, our business and a precursor to what you'll see and hear over the next couple of days. As Tim mentioned, we've made significant amount of progress with the Americas business over the past couple of years, resetting our asset base and evolving our portfolio.

This sets us up for success in one of the most attractive wine markets in the world. Our ambition is to lead the premium and luxury wine market in the U.S. The U.S. is the largest market for premium and luxury wine globally and growing. The U.S. currently represents 90% of our division revenues. In order to understand the opportunity, it's important to appreciate the evolving consumer and nuances across markets, channels and price points. This understanding helps give a better sense of why we are focused where we are. Premiumization has been an overarching trend for some time as consumers enjoy better quality, higher-priced wines. In recent years, growth trends have been very strong, above \$11 a and particularly so for luxury wines priced \$20 and above.

Our portfolio is well suited to capitalize on this trend, which we expect will continue. A significant priority for Treasury Americas is to recruit the next generation of consumers into wine. Our commitment to this opportunity is demonstrated through the introduction of 19 Crimes Cali Red, which has brought in over 400,000 new consumers to the wine category. As you can see on the chart on the right, the frequency of wine consumption by millennials and Gen X compared favorably in terms of popularity of other alcohol categories. We believe this trend supports ongoing growth of the wine category, well into the future.

But we must continue to focus on attracting new and younger consumers to the category. As I mentioned, the U.S. market is highly nuanced and complex. And for that reason, it is important that we are focused and targeted in the areas where we have an advan-

tage. We operate in a state-regulated 3-tier system where we partner with distributors who sell to retail e-commerce and on-premise accounts. The route-to-market structure is complemented by the direct-to-consumer network comprising of saladors, wine clubs and e-commerce sales. U.S. wines dominate the marketplace, representing 70% of total consumption by value. There is also a sizable import market made up of Italian, French, Australian and New Zealand wines.

The market continues to premiumize with 84% of the category value attributable to wines above \$10 as consumers increasingly buy less, but better quality wines. In terms of channel mix, premium wines are largely sold in the chain dominant off-premise. Luxury wines have sold 40% in the influential on-premise channel with the balance split across independent fine wine shops and chains.

As we consider the significance of our priority markets, the top 5 states, California, Florida, Texas, New York and Illinois, account for 43% of wine sales. In addition, there are important metropolitan wine markets such as Atlanta, Las Vegas, Boston, Denver, that also represent significant opportunity. To be successful in the U.S., focus is key with the right portfolio of domestic, imported and luxury brands. With the right channel and distributor strategy, we are focused on the most attractive states and retail accounts that can drive the portfolio. We have been actively making changes to achieve the right structure for our business.

Over the past 2 years, we've intentionally reshaped our portfolio and our business, positioning it for sustainable long-term success. Over this time, we have restructured our sales and marketing model, divested our U.S. commercial brands, sold nonstrategic vineyards and wineries, and acquired Frank Family Vineyards and transitioned our distribution arrangement in the key state of California to RNDC.

We've led the market in innovation, particularly within the premium category with ground-

breaking and industry-leading extensions of 19 Crimes, including Cali Red, Cali Rosé, Martha's Chard, Cali Gold, and more recently, Cali Blanc. As a result, over 90% of our revenue comes from our premium and luxury brands, a significant change in just 2 years where these portfolios were contributing below 70% of revenue.

I'd now like to take a moment to provide further insight to the shape and size of our American portfolio. We own one of the preeminent collections in the industry, which includes several treasured and iconic brands. Luxury wine sales represent more than 1/3 of our revenue and has grown at 17% compound growth rate over the past 3 years, well ahead of market. Each of these brands has a long and proud history. Beringer Vineyards founded in 1876 is the oldest continuously operating winery in the Napa Valley.

Beringer is also the only winery in the world to have its Private Reserve Chardonnay and Private Reserve Cabernet Sauvignon as Wine Spectator's #1 wine of the year. Beringer Knights Valley Cabernet is one of the biggest single luxury wines selling in the country. Beaulieu Vineyard was founded in 1900 with an exceptional pedigree and a portfolio led by the iconic Georges de Latour Cabernet Sauvignon. A cult wine sought after by wine aficionados globally.

Treasury Wine Estates purchased Beaulieu Vineyard in 2016 since then, Treasury has invested in winemaking capabilities, vineyard management and consumer experiences. These efforts have been rewarded with incredible accolades; most notably, recent 100-point score and Best Wine of the Year 2022 distinction from James Suckling, in addition to great support from the Wine Spectator. We see tremendous potential for this brand, featured not only in the U.S. but globally.

Stag's Leap winery established in the early 1900s is one of the most beautiful and sought after properties in the Stag's Leap district. Visiting Stag's Leap winery is an experience like no other in the Napa Valley. Importantly, Stag's Leap is our largest luxury revenue

contributor, our second largest contributor behind 19 Crimes and has had very strong growth over the past 3 years with more to come.

Etude winery is home to some of the most respected Pinot Noir in the Carneros region. Etude is a pioneer in the cool climate region and one of our sustainability success stories with holistic farming practices and winemaking approaches. The luxury Pinot Noir category continues to perform well and Etude is a beautiful brand poised for success.

Frank Family Vineyards, our newest addition to the Treasury Americas portfolio, established in 1992 by Rich Frank, a former Disney executive. Rich and his wife, Leslie, have built an incredible brand, which is also known for its unparalleled hospitality. Tomorrow, you'll have a chance to visit Frank Family Vineyards for yourself. And I'm sure you'll understand why the winery was recognized as best white wine, best Napa winery and in Napa's finest awards. Our goal is to become the #1 luxury chardonnay in the U.S. Penfolds is an essential growth driver within our luxury portfolio and the unique proposition across 2 hemispheres resonates with trade and consumers.

Now turning to our premium portfolio, a significant and important component of our overall strategy in the U.S. 19 Crimes represents just under 1/3 of our total divisional revenue or 3 million cases. For 3 years running, we have led the industry in product innovation and market execution.

Our collaborations with Snoop and Martha Stewart have been a huge success as reflected by the 22% compound growth rate over the past 3 years. Our collection of new wines under the Cali range has resonated with new consumers and existing 19 Crimes loyalists. In the classics tier, we're excited to be bringing the new 19 Crimes brand platform in the coming months, which I'll share with you some details shortly.

Matua is a fast-growing brand enjoying the adoption by consumers of Sauvignon Blanc

tapping into the strong trend towards refreshment and lighter, healthier wine styles. The launch of Matua Lighter last year was highly successful, and we're really excited about the potential for this brand and category moving forward.

The Stag from Paso Robles is a fast-growing brand with significant distribution opportunity and innovation runway. Sterling, it's been challenged by softening value trends, but we're actively working to reimagine Sterling with the reopening of the winery this fall. And finally, Gabbiano is an opportunity for us to grow in the large Italian category, and we've reintroduced this brand as a priority.

We hope that by sharing the details of our brand portfolio, this illustrates the confidence we have and the growth opportunities that lie ahead.

To close, I'd like to share the ways in which we're going to drive growth in this market over the long term. Our goal is to be the market leader in luxury and premium segments, and we believe we have the ingredients that give us the competitive edge. Our app to market is supported by strong relationships across our distributor networks, where Treasury Americas represents an important share to our distributors business. Our strong on and off-premise national account relationships, our excellent direct-to-consumer network ensure that we have a great platform, which – to execute our growth ambitions.

We have a portfolio with significant distribution opportunity and innovation capability that is best in class. We will continue to leverage culture-led and lifestyle insights to introduce new brands to build and build existing equities. We'll look to fill gaps in our portfolio over time through M&A. For example, with sparkling French Rosé and propositions in the \$15 to \$30 range.

On the sourcing front, we have significant vineyard resources in the Napa Valley, providing us with the foundation to grow our portfolio. We are one of the largest Napa Valley

growers producing luxury grapes in 10 AVAs supplying the strongest luxury U.S. portfolio of iconic American brands that have been awarded more than 2,000 scores, 90-plus from respected U.S. wine critics. We're also a leader in sustainability within the U.S. wine industry.

Our luxury selling capability is a key source of growth with our dedicated selling team, the Vault Collective, which you'll hear more about later, focused on delivering strong distribution expansion in the right accounts across the country.

We remain committed to delivering our EBIT margin ambition of 25%, which will be facilitated by carefully planned revenue growth management and optimization of our cost of goods. We have the right strategy portfolio, asset base and most importantly, the right people to capitalize on one of the world's most attractive wine markets.

I'm truly proud of the wonderful experience-driven team who have delivered our success today and will lead us forward. You'll get to meet many of our team members over the next couple of days.

On that note, thank you. Thanks for coming to Napa. Look forward to the next couple of days, and we'd love to open up for questions. Thanks.

Question and Answer

Ben Gilbert

You've got Ben Gilbert from Jarden. Just – Ben, interested just in terms of your views around when the strategy was set to now in terms of how you're seeing the headwinds versus tailwinds in U.S. wine. Specifically, I'm keen on younger drinkers are still losing share throat with wine, so a big shift towards seltzers sort of things. Secondly, it feels like distributors are making more margin selling spirits and categories outside of wine now. And then thirdly, we're seeing some of the end market customers are probably reducing

liking towards wine on things like wineless, et cetera.

So just in terms of the targets, structurally, do you think you need to invest more money behind the category? How is your confidence, it will increase or decrease around that 25% margin?

Ben Dollard

Yes. Look, firstly, there's no doubt as a category, we've got a big opportunity ahead to introduce new consumers to the category. There's just no doubt about that. And I think we've seen firsthand with regards to our innovations around 19 Crimes specifically, where when you have a proposition that resonates, you're inviting new consumers to the category, and that's exactly what happened with us.

And so you think about, as you referred to, the share of throat and other beverage alcohol categories, I do think there's just a very significant opportunity for us to educate around areas that we know are important. And those areas are sustainability, it's legitimate. The ability to bring our experiences to life with these new consumers and these cohorts of consumers who don't know a lot about wine. And we know that, that's very important to this up and emerging group of people. And we've got the portfolio to do that. Plus, I think we've got the skill set to do it with regards to how we think about innovation.

When it comes to the trade and our distributors, the wine component of our distributor's business is extremely important and will continue to be extremely important because they are calling on all of the accounts across the country. They're calling on all of the national accounts independent retail, on-premise, off-premise and wine is a central part of that. So I think the curation of our portfolio over the past 3 years has set us up where we're very relevant, and that gives me confidence.

Ben Gilbert

You have to give up a bit of margin to drive that top line.

Ben Dollard

I think we've been demonstrating well the fact that as we continue to go upstream with the portfolio, that margin ambition is real. And we're not in any way, looking to work that down with our distributors.

Michael Simotas

Michael Simotas from Jefferies. When you look at the U.S. wine category, there's been a tipping point for a long time and below that price point, the category is declining pretty fast and above that price point, it's growing pretty fast. That tipping point has been moving up a couple of dollars. And you have a lot of volume that's pretty close to that tipping point, just above maybe and in particular, 19 Crimes and Matua that have been driving a lot of growth for you. What can you do to either lift your price on those brands or make sure that you continue to perform well in a segment that's potentially getting pretty close to the part of the market that's challenged?

Ben Dollard

Yes. So we have adopted internally tremendous rigor around how we're managing our revenue management and pricing and most importantly, keeping our consumers engaged. And look, as far as 19 Crimes and Matua, you look over the last 3 years, the compounded growth on those brands has been tremendous. And that's by virtue of the fact that we're innovating and remaining relevant. And so the category is always going to have parts of it that might be challenged, but there's also an enormous amount of innovation coming in that's resonating with consumers, and that's where we're focused.

And I'll talk in a moment just around the activity we have behind 19 Crimes. And we've done a tremendous job with innovation, certainly with our relationship with Snoop and with Martha, but the opportunity now for the classic tier, the tier that's existed market

for a long time to bring some to ignite some innovation into that space is where we're focused. And even this half, we're laser-focused on making sure that all of the business we have, the relationship we have with retailers is strong so that when we introduce the rejuvenated component of 19 Crimes, we're well positioned.

So to me, as we think about the category and the moving parts of the category, the premiumization trend is real, and it's live and it's continuing. And how we capitalize that, I think is largely the shape of the portfolio we have now, which as Tim said, is very different than what it was 2 years ago.

Tim Ford

Yes. I think, Mark, what you're referring to, just so everyone's clear, it is 8% to 11% in the U.S. the new below \$8. It's sort of where we're going with the question.

Yes. And I think when you look at our innovation, so you look at all of our innovation with the Cali portfolio. That's all – so that's all higher than that.

So I think differentiated brands in that \$10 and above. I think the tipping is probably getting close to \$10. I think there's no doubt about that. But you have differentiated brands in that \$10, \$11 to \$15. There's still a huge, huge market in there if you are capturing the consumers' attention as part of that. So I think there's – it's a long way to go before we call that the new commercial wine category.

Matua we finally got bullish on price increases or Ben has, which is good on Matua. So we've taken 2 price increases of \$1 a bottle in the last 12 months, and the growth continued probably ahead of what the CAGRs are that were on the screen before as well. So probably just directionally, Bijan. So from that point of view, yes, consumers are still engaging. As long as the margin structure is right, in those portfolios as well can be really additive to our business. So I actually think you'll see us continuing to drive in that prob-

ably closer to \$14, \$15 a bottle and above, but there's still a big opportunity. It's a long way to go before that's a category you don't want to be enough there.

Craig Woolford

Craig Woolford from MST Marquee. Just wanted to ask a question that the evolution of your EBIT margin target. It was kind of a bit more vague, but there in 2019 as a 25% margin target. And at that time, there was about 13 million cases. Now you're close to 7 million cases, might be 7.5 million. You've added Frank's, which probably is a 40% EBIT margin business. Why isn't the margin target higher than 25% given the change of the portfolio?

Tim Ford

Yes, because we haven't achieved it yet as simple as that. So once we achieve 25%, we'll tier the next target, and it will be north of 25%. 25%, both for our company and in Treasury Americas is not a destination where we climb victory. That's just we got to get there. So that's the reason why we haven't adjusted that. Do we have ambitions in our plans to be north of that? Absolutely, we do. But we just – we haven't achieved it yet. That's the reason why.

Thomas Kierath

Tom from Barrenjoey. Just a follow-on the 19 Crimes piece. Obviously, things have slowed quite a lot in the last quarter and it looks like that's continued into Jan and Feb. Why has that happened? Is it a market issue? Is it a TWE issue? And how are you going to kind of turn that around?

Ben Dollard

Yes. So again, I'll share some specific details with you...

Tim Ford

We'll cover to turnaround.

Ben Dollard

Yes, cover to turnaround. And look, we've – you're correct in terms of just how we've seen the market performing leading up into the holidays. And I will say that the activity that we have in place for the next 4, 5 months as we think about this half, but also going into again, to holidays this year. There's a lot behind how we're executing from a tactical standpoint in the market in terms of just how we're engaging with our distributors across the country and also with our retailers.

So I'm confident that the opportunity to get – to launch us as we reinvent the brand and reimagine the brand, and we introduced some new packaging and again, I'll get into that in a moment. But it goes deeper than that. I think innovation drives a lot of the value increases in this space, in this category, specifically between 8% and 11%, and we have an opportunity to get more aggressive in that space. and that's what gives me confidence. But for right now, it really is about managing the equity as a whole, the total 19 Crimes brand.

Shaun Cousins

Shaun Cousins, GBS. Just a quick question on 19 Crimes. Your Cali Blanc is being sold at \$8 for a 6-pack. How are you driving innovation at those higher price points. And then more generally, just on Sterling and particularly around the portfolio has actually been quite well repositioned over time. What's the rationale to continue to hold Sterling, given it centered on that 8% to 11% price point, you're down 12% CAGR over the last 3 years, you stand out as down circa almost high teens, 20% in the last 12 months. Conscious about the venue being closed, and that's an impediment there.

But why not consider further portfolio action again in Sterling because it doesn't appear to sit in a space that's actually working and moreover, it doesn't seem to be working.

Ben Dollard

Yes. So just I want to be clear on Cali Blanc. It's been in market for weeks. It's one retailer. It hasn't yet been rolled out nationally, that's in progress. So I'm not sure...

Tim Ford

What's the question? You said, 6 at \$8, the 6 that we're at.

Ben Dollard

Yes, it is just now coming to market. And our pricing standards – and I'll go and look the safe way, our pricing standards and the premises with which we launch things is very strict.

Tim Ford

It's not in line with our pricing standards to put it that way.

Ben Dollard

Absolutely not. And also, retailers can dictate what they put to the floor, not us. And so I think again, this is very early days for Cali Blanc and we're very optimistic about that.

Tim Ford

One of the analysts got you in the call. It's good. No, no, that's good. We're going to deal with that. That's not right, yes.

Ben Dollard

No, it's definitely not. So and then, look, with regards to Sterling, it is, to your point, the brand is as I mentioned before, is caught up in the category trends. The winery being closed the last couple of years hasn't supported our aspiration for Sterling. It's a very well-known brand across the country. And we believe by simplifying it, just making it more relevant, that there's an opportunity for the consumer. But the last couple of years with the winery closed, we haven't been able to welcome those 185,000 consumers.

Tim Ford

It's not a problem to us, so to speak, decline – you don't have any decline. I get that. But it's – we think we can maintain. It plays a volume role there. The actual site itself is really critical, right? So that's the core reason why that brand is important to us, so to speak.

And when you open the CellarDoor again, and that luxury business through the CellarDoor is actually quite a strong business. So from that point of view, it plays that role. It's not requiring. It's not distracting us in terms of whether it be investment priorities or the rest of it. So – but we're better off showing it as it is because that's the data. And that's a good example. It's not it doesn't have the differentiation in that price point to what everything else does. It is another Californian source \$10 wine. Is it a problem? That's you'd like it to be, it's not a growth engine there. We're not trying to make it a growth engine, but it's not a problem.

Analyst

Yes. Off the back here, Ben and Tim Just, I guess, as a clarification on that same slide. We're looking at if you add up the 5 brands, I think you're getting to 48% of the 56% and yet you're showing Gabbiano as only 1%. So what are we missing? What are the other brands to make up the rest of the mix?

Ben Dollard

It would be largely a commercial profiling that exists here. The brands that we didn't divest essentially.

Analyst

So the fact that we're not talking about them, not calling them out that we can assume that they're in terminal NSR decline?

Ben Dollard

Yes. Look, we feel strongly that the path forward and the opportunity forward is around the focused portfolio. And we have to be deliberate about that and the choices that we make and also how we engage with our distributors because having a very clear mandate and very clear strategy around the portfolio is important and all the decisions we've made.

Tim Ford

You shouldn't assume their internal decline, all these other bits, right? Lindeman's in this market will we – so Lindeman's is a commercial brand that we sell it here because it's a part of our global brand portfolio. So – and it's been in this market for a long time. Are we investing time effort to grow Lindeman's? No, we are not. But there's a number of other brands that play their role and always get investment. They're not all declined, the smaller brands.

The ones on here is the – as the A-List are those we invest behind, drive behind and make sure we monitor and manage with our distributors as well. So very importantly, this is the list that distributor partners run with, retailers run with, and it's got to be consistent all the way through.

Gabbiano is a good one because it sort of talks to the sequencing of what's been going on in this business over here as well, where we've always had Gabbiano, as everyone knows, it's not a new brand, and then 12 months ago, as we did the repositioning, we did the restructuring, you get to the point, okay, there's an Italian opportunity.

We've got an Italian brand. And we do this with all our brands and assets. Do we want to keep it? Do we want to grow it? What do we want to do with this brand and asset being Gabbiano? Take the unemotional, it's a magnificent castle and Tuscany out of it, is it a brand we can drive and grow? And Ben and the team here absolutely believe the answer is yes. Thin decline, we're showing a thin decline, but we don't plan for a big decline.

So yes, we see it as a good opportunity for us to grow going forward. So you look at a Ruffino, you look at these other Italian brands in this market, we should be in that same conversation with Gabbiano. It's going to take us a couple of years, but it's important that we have that as part of the portfolio.

Analyst

Can I just go back also, Tim, the Slide 14, where you highlight the priority, the different markets are the ones you got in the yellow. I guess a question you talked about where the country Your core country of origins are widely consumed. What are you calling your core country of origins, outside of, obviously, Australia and U.S.? What are you including within that?

Tim Ford

Australia and U.S. and New Zealand are right now, our core. Yes, we will – a growing core of France, would be the next one.

Sam Teeger

Sam from Citi. What's the age and demographic of your target customer of 19 Crimes? And what does your research tell you around how well Snoop and Martha is still resonating with this customer group?

Ben Dollard

Yes. Look, it's – they're resonating absolutely, but in very different ways. The relationship we have with Snoop has opened our eyes to a consumer that hasn't historically engaged with the wine category. And that generation, that transcends pretty much every generation of legal drinking age in the country. And that's what we're finding. And there's also a very diverse group of consumers who've come in.

So we continue to see that as we're building out distribution. And with Martha Stewart,

the relationship, again, a very different demographic that we've engaged with Martha, a very engaged wine consumer, but also in some instances, a new consumer. So it's been - I think back to the question around how we think about the portfolio. This is with an absolute consumer lens on it. Everything we think about how we cultivate and nurture this portfolio is we've not so much about where we have gaps in our portfolio, but how we think about the consumers evolving.

And that's exactly why I think as we continue to innovate in this platform, both in the classics tier but also with Cali and with Martha and new characters that are going to come to the franchise, it's with that lens where the consumer is going. And that repeat purchase is absolute, and we've seen over the last 2 years.

Tim Ford

I mean the interesting part is we don't – none of us know the longevity of this, right? You don't. So I'm not going to sit here and say, in 10 years' time, we're still going to be doing what we're doing with this brand. That's just – it's new territory. The interesting part is we now have just launched or are selling the Cali portfolio in 41 countries around the world.

So yes, the U.S. is a big part of it. We've had a really strong push in the last through TPB and what Pete has been doing, in particular, within his business and some of the other Americas markets. But they're starting to see it in these other markets as well. So really and everywhere it goes, that has consumer appeal. It's like 19 Crimes was when it – when we first put it in all the markets around the world. So there's still a big global expansion opportunity within that portfolio outside of the U.S. I mean the appeal of Snoop Dogg, in particular, outside of America is just remarkable.

I can't work it out wide, but it's remarkable. I also they exactly know why given my conversations, if you didn't know, I saw them on Friday. And yes, the conversations we have with

them, but they're all into the next decade. So how we build this global is really important.

Ross Curran

Ross from Macquarie. Just want to go back to the start. You talked about diversification being a benefit for the group versus the other comments around brand focus. How do you reconcile having a pretty big portfolio of brands versus actually – and a limited number of marketing dollars you can spend? Is the portfolio too big? Should you kill 80% of brands and just focus on 2 things and do it well?

Tim Ford

Just Treasury Americans?

Ross Curran

Yes.

Ben Dollard

Yes. Look, we've made a lot of those decisions over the last couple of years with a definitive view that the brands that we have in the portfolio now play a really important role and the division between our luxury portfolio and our premium portfolio, different consumers, different engagement, different experiences, all of those things.

So the decisions around investment largely came after we divested the commercial brands and said, okay, well, look, how do we continue to grow these brands. And I think the mix of the portfolio right now is right on the money in terms of where we're going and how we're thinking about growth and we are not afraid to make those investments where we see an opportunity. And we've done that with 19 Crimes. We've done it with Matua, and we'll also do it with our luxury portfolio.

Ross Curran

Just a follow-up.

Tim Ford

While you're following up, I'm going to actively disagree with Ben on one point there is that it's not right on the money. We don't have enough brands. So the ones we've got, they give \$15 to \$30, and you guys look at IRI and all the rest of it, you see where the growth in this category is we've got St. Hubert's The Stag, which is really growing strongly, but small. So we actually don't have enough brand to compete.

And from how you allocate resource to that. If you've got more growing brands, think about that from a retail account. So luxury is very different to retail in terms of how we execute in the market. And we don't have enough retail growth brands right now. I don't think but what we've got, to Ben's point, is raw, but we need more.

Ross Curran

But further to diversification, it's not just the brand. It's also the style of one, right? So you're very overweight, big, heavy, high alcohol wines and underwrite the lighter style wines. So when you think – again, when you think about diversification and one style, do you think you have enough in the portfolio that reflects it sort of...

Ben Dollard

Look, it was a key driver of the acquisition of Frank Family, right, the ability for us to bring in a luxury Chardonnay that had great growth potential and resonate with consumers. I would argue that from an innovation standpoint, over the last 3 months, we've introduced Martha Shard lighter, and it's doing exceptionally well, early days, but exceptionally well. We have Matua lighter that's been now out in the market for some time, #6, better for you Sauvignon Blanc in that space.

But we're very focused on the balance of the portfolio. And as Tim said and I mentioned in my prepared remarks, the M&A opportunity for us, how we think about some of those opportunities where the category is going 20 to 25, particularly French Rosé would be

really interesting. Other areas sparkling, all of that with an intention of thinking where the consumer is going. And I don't disagree with you on the shape of the portfolio in terms of the opportunity that we have.

Analyst

Just in terms, can we switch to FFV. Just wondering if you can give us kind of a time line on how you're getting to that doubling of the volumes in FFV. What you're thinking about the sourcing model there? And then also, how do we kind of balance, I guess, growing those volumes without kind of diluting the brand equity given obviously the scarcity value involved with FFV?

Ben Dollard

So a couple of things there. One of the key components of the acquisition and the opportunity was the ability for us to tap into our network. You think about our vineyards and particularly in Carneros, also Lower Valley, the ability for us to get more chardonnay was a key driver as we thought about the acquisition. And we're now tapping into that. So you think about Vintage 22, our ability to now source additional wine to support our growth ambition. That is something that we're optimistic about.

Protecting the equity component has been a really big priority for our management team. From day one working with Rich and Leslie and Todd Graff, winemaker; Liam Gearity, Head of Hospitality. We've worked really closely with them to understand, okay, what's the alchemy, what's the magic in the brand and how do we protect it? And I will say we've done a terrific job making sure that the accounts that Rich and Leslie had that we protect day one.

And then as we think about expanding distribution, and we've expanded our points of distribution, 14% since we acquired the brand. And that distribution growth has been driven largely by a very focused approach around the best accounts in the country, by

the glass independent retail and so I'm really confident and excited that we've got protecting that brand front and center and also got the runway for growth. And you'll see it tomorrow when you're out there. And you'll see the engagement from Rich and Leslie because they've been a really important part of it.

Tim Ford

The doubling question is a matter of – ideally, by next vintage, but we'll see how next vintage goes. This vintage, we made a significant step change in our sourcing as the first vintage we've had with access to our network and our growers and our vines itself. So that certainly, we made great progress towards that as it really doubling the business starts with doubling the supply, but also doing it over multiple years.

So it's not just a hockey stick that all of a sudden, you've been you to drive distribution sequentially over that period certainly within the horizon of the medium term extend to be there. But we haven't got there yet in terms of our makes, et cetera. We didn't plan to either this vintage because you just can't go from zero to hero overnight, you need to do a step change over a couple of years.

Analyst

Adam Beak, Bank of the West/Bank of Montreal. So – just to follow up on what she was just saying, all of that with the thought process on one less bottle than the market demands, right, always make sure that scarcity and allocation is still something that's relevant in the consumer's brain we don't just pump out so much to that at some point, it starts losing that scarcity value, right?

Ben Dollard

Look, the way we curating our luxury portfolio right now and Frank Family is a good example. Beaulieu is another good example where scarcity, how we think about building luxury brands. It's part of our Vault Collective. We have a dedicated team, whose job it is

to manage exactly that. And I think there's the – again, sort of areas of confidence for us around building distribution for Frank Family. And that's across the country, and it's in all the big metropolitan areas, but it's where luxury consumers are shopping. That's where we're focused.

Tim Ford

Your point is a good one and it was the whole luxury portfolio, right? So for the first time, let's call it what it is in living memory, our luxury supply is below luxury demand, not so for our U.S. brand portfolio. That's a combination of the growth rates you've seen there, linked in with Vintage 20...

Ben Dollard

2025.

Tim Ford

It's probably the one positive about wildfires in Napa Valley. And now we've taken advantage of that to take some – take price to improve the margin structure of that. So as we get more wine come over the next few years. We are very, very focused on doing it sequentially. So you maintain that scarcity or apparent scarcity, whatever you want to call it, to maintain that. So it's a really strong position to be in. Yes, we've never been in that position before in this market.

Analyst

So real quickly, I love what you're saying about innovation, right? And my opinion, we financed a ton of wineries, is that in that lower price point, that \$11 to \$15 price point, it's more of a demographic issue than it is a consumption issue. We're going from boomers aging out to millennials coming in, millennials not wanting to drink their parents wines, blah, blah, blah. Innovation is how you're going to capture them, right? And so you guys being focused on that makes me feel like you're here at the head of the – you're at the

point of the spear on that. And that's great to hear.

Quick question. How much did you get caught in the pre-pandemic distributor playbook where their deinventorying in '22? We're seeing tons of things where IRI data looks okay, but ship data looks funky. So did you guys get caught in that mix at all where distributor inventory days, they're basically selling the inventory in the warehouse as opposed to replenishing?

Ben Dollard

Look, we have obviously good relationships with our distributors. We manage inventory very carefully based on the demand signal that we're seeing out of the market, and we have the ability to adjust quickly when we need to. So I think there's no doubt, over the last 2 years, the unpredictable nature of the market, just with what we saw, particularly the impact to the on-premise, we're seeing a more normalized view now, and that's how we're thinking about growth. But from an inventory standpoint, I think we manage that tightly. You haven't seen a sell-off in distributor inventory levels.

Tim Ford

No, I think it comes back to what I was saying before, just also around pricing in our guardrail. So we're not allowing for our brands to be, in any way, compromised.

Analyst

Okay. And my very last question around Sterling Napa Valley. Maybe I missed it, but there's the Sterling value proposition Sterling Napa Valley. Did you guys address what the plan is with that?

Ben Dollard

Yes. Look, it's we're reimagining the brand for the reason we were talking about and just making it more simple in terms of the consumer offering. So we think about Sterling that's

available broadly across the country and how do we just reengage with the consumer. And then the winery is going to play a really important role as we think about the Napa Valley Appalachian or the higher component of that, particularly when it comes to our wine club, right? And so that will continue to play a role as it does today because the wine club over the last 2 years has remained in place. Now we're just looking forward to welcoming back 185,000 consumers.

Tim Ford

With the new cable car trains.

Ben Dollard

Yes.

Tim Ford

Right. We need to take a break, getting the wind up at the back. So clearly, lots of other questions throughout the day. We're all together for 2 days. So don't feel like just because that section is over, you stop asking Ben questions for the next 2 days. We do need to be back here at quarter past or 15 minutes past the hour. So it's a quick break. I'll just alert you that the next section is a chunky section. So prepare yourself mentally and physically for that as well. So I'll see you back in 10 minutes. Thanks.

[Break]

Presentation

Stuart Boxer

All right. Well, good morning, everyone here in the room, and good afternoon, evening, good morning to everyone else who's joining us on the webcast. My name is Stuart Boxer. I'm the Chief Strategy and Corporate Development Officer here at Treasury Wine Estates.

In this session, we're going to spend a bit of time working through what we call the enterprise value drivers, and Tim referred a little bit to them earlier this morning. These are attributes or capabilities that we have or building across the company that we believe will set TWE apart over the long term.

The four are shown on the screen, consumer obsession; brand portfolio expansion; innovation for today, tomorrow and the future; and outstanding execution on the physical and digital shelf. We use the word enterprise to describe them because we're developing them across the whole of TWE. As you shortly see, the way they actually come to life will differ across our different portfolio divisions given their brand and market differences.

Over the next hour, we will be discussing using a panel format, how we're progressing on each of these attributes and what you can expect from us in the future. We will do this by discussing and sharing specific examples from each of our portfolio divisions to provide tangible evidence of how we apply these attributes every day across our different brands and markets.

Now there'll be a fair amount that we're going to go through, so strap yourselves in. We are aiming to allow some time for questions at the end, in fact, certainly, there's a fair amount of time for that.

So I'm pleased to have joining me on the stage for this discussion, our divisional leaders, Tom King, Peter Neilson and Ben dollar.

So let's start with consumer obsession. Having strong and deep connections to our consumers is vital to ensuring that we understand and cater our portfolios to their continuously evolving needs. In recent years, we've made significant progress towards making the consumer central to everything we do, including deepening our consumer insights, delivering bold innovation and enriching consumer engagement through digital experi-

ences. But we're not fully there yet, and we have more to achieve to make this a true organizational strength for TWE.

We are developing market-leading data-driven insights and tools which will form the critical foundation. Through intimate understanding of the current emerging and new wine consumers, our divisions will continuously strive to evolve their portfolios and we will be renowned for retaining and growing our existing customers, attracting new consumers, growing the category through both our traditional and new-to-world wine brands.

So we'll start with the first of the Q&A. We'll start with you, Pete. Can you share some key insights that your team are focusing on, particularly for Gen Z and millennial consumers? And that was obviously your question that came up earlier this morning.

Peter Neilson

Yes. Thanks, Stuart. And good morning, everyone. We've learned a lot about the younger consumer, and there's a few key insights that really helped shape our strategy. Ben mentioned it earlier, but we know that younger consumers are drinking less but drinking better. In fact, 50% of all consumers tell us that they're actually moderating their consumption.

But there's a couple of elements that we know are really key to the consumer. One is that even though they're drinking less as part of their wine journey and their own discovery, they're really open to experimenting with taste and style. And so when you think about it from our portfolio perspective, it's premium nature, it's diversity, we think we're best placed to actually capitalize on that opportunity with those consumers.

The other part is 68% of young consumers tell us that the reason they pick the brands they pick is based on its cultural relevance, it's inclusiveness and also whether it is a true reflection of their personal style and image. So how we use culture going forward is really,

really important. But I think we've been highly successful in doing this so far. We've got Snoop and Martha under 19 Crimes.

I think Tim talked it earlier, our partnership with Squealing Pig and Wolf are great examples of how we've done that. And we're very close to launching a new brand, which will leverage ancient Chinese culture in China but also across broader Asia. Now what's been great with this piece of work is we've taken that to retailers around the world and had a great reaction from a number of them, and so we're finalizing development of those propositions for other markets outside of Asia. What it tells us, though, is if we get culture right, it actually transcends geographies and can be relevant to young consumers all across the world. And so how we use that deliberately going forward will be a key part of what we do.

Stuart Boxer

Thanks, Pete. Ben, you did touch on this a little bit earlier in your Q&A, but do you have any additional perspectives that are unique to younger consumers in your market in the U.S.?

Ben Dollard

Yes. I think the overarching opportunity for the business, you think about the younger cohort of consumers or consumers that are coming into the category, 48% of them identify as non-white as an example. So the diversified nature of the opportunity that we have and how we think about engaging with our consumer, I think it's a really big opportunity.

And the way we do it is vastly different to how historically the one category has talked to this next generation. You think about the power of social media. You think about the ability for us to tell stories and engage with this next consumer, next generation of consumer. That's where we're focused right now.

And really, when you think about this, what I was saying a little earlier, around the shape of the portfolio and how we think about the spending patterns, certainly of Gen Z and beyond, the discretionary money that these consumers have, how do we make sure that we're really relevant as a category because the opportunities that are out there for consumers are vast.

And come back to what I was again saying earlier, the idea that we've got a real story. We own vineyards. We own land. We've got the ability to bring experiences to life. Sustainability is really important. There are the areas that we're focused on really to target and invite new consumers into the category.

Stuart Boxer

Thanks. Let's move a bit to the luxury portfolio. So you covered a bit earlier, Ben, the – our luxury brands in the U.S. and the strong growth that we're seeing. Can you talk a little bit about how the consumption drivers of luxury wine and luxury wine brands are evolving?

Ben Dollard

Yes, we really continue to harness our capability and we'll see this evening, and we'll see it tomorrow, the ability for us to welcome hundreds of thousands of visitors here to the valley is a really big opportunity and something we're excited to continue to nurture.

That said, again, how do we bring these experiences to consumers who aren't coming to Napa Valley. How do we think about engaging with retail – and so that's really with regards to how we're thinking about luxury execution and distribution around our Vault Collective, our dedicated selling team, thinking about how do we tell those stories. So we're really, really focused on that.

And as Tim mentioned, the idea that scarcity and how we think about supply and really

protecting that suppliers with building brands, again, is a really big priority for us as well. So I think our luxury skills and how we think about engaging with consumer are evolving in a really positive way every day.

Stuart Boxer

So we'll stay on the luxury theme for a sec. Tom, so in Asia, it's a really big part of your Penfolds growth plans. Can you share some insights into the fast-emerging Asian luxury wine consumer?

Tom King

Sure. Thank you, Stuart. And good morning, everyone. And I'll just start by saying it's pretty cool to be sat here talking about consumers to this audience for the first time instead of half year or full year results. The reality is myself, Ben and Pete is what we do day in, day out and our teams. We are consumer obsessed.

When it comes to Penfolds, our focus is absolutely on the luxury wine consumer and the future luxury wine consumer. From an Asian perspective, I don't think there's any denying that the center of gravity for luxury across the board is Asia and will be the case for many decades to come. So we've really doubled down on really trying to understand the current and future luxury wine consumer in Asia.

For the first time, we've invested some pretty significant time and resource in going out and talking to these individuals globally, but with a big focus on Asia. And the insights that we glean from that have actually front and center in everything that we do at Penfolds when we go to market. Some are particularly surprising when we got the data back, others less so. Some reinforce some of the hypotheses we had around the consumer for many years.

So I'm just going to pick out a few that sort of spring to mind. One is the importance

of recruiting consumers earlier. We know from the research that the earlier consumers engage with the luxury wine category, the more engaged they will become over time.

Secondly, gifting has always been an important part of how we go to market, how we provide our wines to consumers. But actually, it was the #1 or #2 reason with this luxury wine consumer base of how they first got engaged into the luxury wine category. So the importance of gifting is even more critical to our plans going forward.

Culture, we'll talk a lot about culture today, but culture is king when it comes to luxury. Luxury leads culture, but is also massively influenced by it. So how do we make sure we're turning up in a way that is culturally relevant to our current and future consumers. Females in Asia are more highly represented across the consumer base than in most other regions around the world, which is a really interesting insight for us when we think about luxury wine.

Education is key. The data tells us that the more people know, the more they will spend. In fact, and then really for Asians in particular, this concept of getting inspiration from brands, whether that's through collaborations, experiences, engaging content really gives them that social status, that credibility to talk about their lifestyle, their brand experiences to their social network.

So fair bit to take in there, but some pretty exciting insights that we've developed, and we'll continue to go back and talk to these consumers over time as we go ahead. And hopefully, everything else you'll see from me today. A lot of this will start coming through in those plans.

Stuart Boxer

So I'll stay with you, Tom, a little bit on that theme, and you talked a little bit about recruitment of new consumers. So the venture beyond thematic reflects a bold approach

to recruiting new consumers to the Penfolds brand. So how does that fit into the overall ambition and your objective of Penfolds becoming a global luxury icon?

Tom King

Yes. Thanks, Stuart. It is bold, certainly bold and it's very different to anything else anyone is doing in wine and anything we've ever done before on Penfolds. And I can assure you it prompts a reaction every time people are presented to this or confronted with this. But the reality is that the luxury has changed. What was relevant in luxury 10 years ago or even 5 years ago is not relevant for luxury consumers today.

Consumers are looking for brands these days that are far more playful than serious in the past, much more inclusive than exclusive, looking for brands to be disruptive and bold. And these all form part of what we call the new codes of luxury. And that's really where we're focusing a lot of our energy and resources when it comes to recruiting new consumers, applying the new luxury codes.

And Venture Beyond is a great platform for us to bring those new codes to life in everything that we do. The concept of space exploration, it's a question we get all the time, what are the astronauts about? Well, we've got a near 200-year history of innovation of trial experimentation of pushing the boundaries of exploring what is possible. And that space exploration that you see, how we activate Venture Beyond is a representation of who we are as Penfolds.

The Venture Beyond thematic allows us also to show up in a globally consistent way across the world regardless of where we are. In the past, that hasn't always been the case, but now we operate under this Penfolds global divisional model. We're able to execute at scale and with consistency, which is one of the hallmarks of true luxury brands.

So very pleased with the success of Venture Beyond to date and our exploration into

space, but we're always looking to change things up. And I'm delighted to hopefully be able to share with you where we'll be venturing beyond in 2023.

[Presentation]

Stuart Boxer

So there you go. World premiere, Tom.

Tom King

Certainly is.

Stuart Boxer

There you go. And [Tim feels] very lucky, but the bolder continues clearly. So we'll move on to the next of the enterprise value drivers being brand portfolio expansion.

We think we have an excellent track record of being able to build and expand our portfolio of premium and luxury wine brands to meet the evolving needs of our consumers and ensure that our brands remain relevant, and we'll talk about some of these in a moment. Tim mentioned earlier the importance of the diversity of our business in terms of brands, markets, countries, variations, price points, et cetera, and we're not done yet.

So as we look forward, there are a number of elements that would define our ongoing portfolio expansion success. These include our ability to continue building both heritage brands and what we call culture-led brands, Expanding our presence in underweight and growth varietals, styles and price points, as I just mentioned, as well as building multi-country origin brands that transcend a single location or Appalachian. And ultimately having multiple global brands of scale, beyond 19 Crimes and Penfolds of today by taking more of our existing brands global or establishing new ones that can achieve this.

So I'll start with you Ben on this win. And as promised earlier on, we said we'd go into

a bit more detail on 19 Crimes and where we're going with that. So Ben, can you talk a little bit about what being culture-led means to you? And what's next for 19 Crimes as you look to build on the success over the last few years?

Ben Dollard

Yes, sure. I alluded to the focus we have on 19 Crimes a little bit earlier. And I really love the idea of being culture-led and we actually think about a culture-led, experience-driven. And it's far bigger than our relationship with Snoop and with Martha. So we think about the intersection that consumers have with music, with their friends, with just the social interactions they have with the products that they enjoy, we want to be central to that experience. And that's how we think about culture-led is being there when those matters – when those occasions occur and 19 Crimes is perfectly situated and suited to capitalize on that opportunity and has done now for many years.

It's a 5 million case franchise worldwide. It's a big brand and with big opportunity, and we've shown that over the past 3 years. So as we think about innovation and all of the new elements that we've brought to 19 Crimes, be it Cali Red or Cali Gold or Martha Lighter. It's all with this culture-led lens, and it's just how do we continue to invite new consumers into the franchise. And the opportunity now, as we think about what we've learned from innovation that we've launched over the last 2, 3 years is the consumer is excited to embrace new ideas and new opportunities.

And that's the opportunity now for us as we think about the core part of the portfolio. The part of the portfolio that's existed in market for some time that first introduced 19 Crimes to millions of consumers. And that's been a big part of our focus over the past period of time as we think about how do we keep reimagining 19 Crimes. And I'm really thrilled and excited with the work that the team are doing and this isn't just where the U.S. lens is with a global lens with regards to how we think about continuing to evolve 19

Crimes and making sure that it's really relevant from a cultural sense.

So it'll take on a lot of different components as we think about launching into new markets. And case in point is we're just about to launch into Brazil, same with Mexico as we think about being relevant in emerging markets. And we can take 19 Crimes and it definitely can translate into local environments and local culture. And that's a really big opportunity.

So a lot of detail, and we just thought we would share how we're thinking about that from a packaging standpoint, how we're thinking about engaging more consumers, how we continue to build out distribution but the opportunity ahead as a franchise as a total brand is very powerful, not only here in the U.S., not in Canada, but globally.

So on that note, we've got a little reel we'd like to show you.

[Presentation]

Stuart Boxer

So Ben, is there anything you want to add in terms of the new regions in 19 Crimes?

Ben Dollard

Yes, I think as we imagine the innovation and the innovation into the classics tier, the opportunity to engage our retail partners. And this is a classic example and a great example where we're doing a limited time offer for St. Patricks' Day. And thinking about that into the future of getting far more prescriptive around big holidays and being really relevant on the floor in those moments that matter.

So if you think about innovation into this tier, that's where we're now focused. And this, again, is a good example of that as we think about how we continue to evolve. So we've done a great job with the relationship with Snoop and Martha. We think there's a lot of

runway as we think about new relationships that we can develop. But the opportunity now to innovate into the classics tier and to, again, engage in a lot of consumers who don't know 19 Crimes, that's where we're focused, gives me real confidence and I know our distributors feel the same way.

Stuart Boxer

Great. Moving back to Penfolds. Tom, you launched One by Penfolds in China late last year, an important portfolio extension focused on recruiting new luxury wine consumers. Can you talk to the strategy behind this, how the portfolio is structured?

Tom King

Yes. It's an extremely exciting addition to the portfolio. Again, it's bold. It's something very different for Penfolds, but I'm sure you can now see how it relates to those new codes of luxury that I talked about earlier. For us, One by Penfolds is a key part of the portfolio that we're focused on when it comes to recruiting those new luxury wine consumers.

One is all about culture, community and collaboration. And we launched back in September initially in China, just in China with 3 different country of origin wines. We partnered with Ori Toor, an artist, to bring the unique perspective of each country's culture to the label in a pretty bold and exciting way. We also announced at the time as well that as part of the One by Penfolds launch, we would be supporting the development of the communities where we make our wines. And in this case, in China, we announced at that time, our partnership with the China Agricultural University and the establishment of a an education fund to fund winemaking and viticultural development for Chinese winemaking students and including an exchange program as well.

For us, we've been really pleased with the response to One by Penfolds in China, and it's given us a lot of confidence and pretty excited to be going global later in 2023. And we're going to go bold again. Going global will mean we'll have 4 countries of origin. We'll have

the Australian portfolio included. And we are really stepping up in terms of the partner who has designed the labels for us and will be working with us on all of the marketing and activation content.

Unfortunately, I can't share who that is today or share a hype reel with you today because we're not in a position to announce that publicly yet. But I can assure you it's taking our luxury credentials and our focus on culture and new and emerging consumers across the globe very, very seriously. So we're very excited by it. We've got a pretty sizable ambition in terms of the volume scale. And all I would say is watch this space for later in the year.

Stuart Boxer

Thanks, Tom. So Ben, you may well have fully covered this one earlier, but as we talked about, Frank Family Vineyards was added to our portfolio at the end of 2021, and we've got some good strong growth aspirations for that brand. So do you want to expand a little bit more on how we're thinking about that.

Ben Dollard

Yes. Just to build on what I was saying earlier, the strategy for Frank Family Vineyards and where we see the opportunity has not changed since we acquired the brand. And we think about the building of distribution and the idea that we've built our points of distribution by 14% has been very deliberate and in terms of how we see marketing a luxury brand of the caliber of Frank Family. And in the first half, we actually shipped ahead of what we believe is the distribution and depletion opportunity that exists in the market.

And so our primary job, again, is to make sure that we are really focused on the best accounts that can deliver the velocity and build the awareness for Frank Family, and that's exactly where we've been focused. And I will say also the idea that Frank Family has deep penetration deep roots in the state of California, it's certainly where the brand has

started and has grown out. We feel like that's the template now for us to go to other big metropolitan areas.

So you'll see it tomorrow, firsthand, the most beautiful property, really engaging a best-in-class experience for the consumer and now putting Frank Family into the rest of our portfolio of luxury brands, just gives us an opportunity to talk about how we continue to engage with our consumers. So I think really bullish and excited about the Frank Family business as part of Treasury Americas.

Stuart Boxer

So Tom, back to you. You touched on a moment ago how you're expanding the One by Penfolds range into a multi-country origin range. But we've obviously been at it more broadly with our luxury portfolio in Penfolds for some time. So can you talk about how Penfolds consumers are responding to the luxury multi-country reagent portfolio for Penfolds 2 years into us releasing those wines. And do you have a sense of the scale that we're expecting to achieve in the medium term?

Tom King

Yes, I think the simple answer to how consumers are responding is extremely positively based on the demand that we're seeing across the globe. The multi-country of origin portfolio strategy personally extremely passionate about this, and it will be a fundamental part of our Penfolds growth ambition going forward.

The Penfolds house style actually really enables us to deliver on this strategy in a genuinely authentic way. We've always selected the best grapes from across different regions in Australia and crafted amazing Penfolds wines that have our specific out style and deliver on quality standards for our consumers. We've now taken this just one step further. We're now sourcing grapes from multiple countries of origin as opposed to multiple regions within Australia. And our winemaking team are applying the same techniques in

different parts of the world to craft what are very much Penfold wines, but with unique characteristics of Bordeaux or California and in the future, wine-growing regions in China.

If I think more broadly around how this strategy and the launch of these vintages from California are now board are being received, the first thing we look at is endorsement from critics who are a tough bunch, but both California and vintages and the first French wine have received mid- to high 90-point scores from a number of different critics, and that's no mean fee.

So really strong endorsement from the critics. Within the trade, where we've launched, which is largely here in the U.S. and in China, a huge amount of belief now and momentum, which is really encouraging. And then at a consumer level, look, the reality is here in the U.S., we are now much more relevant, much more visible to consumers and are able to play in many more occasions because we have wines from the region that is most consumed here in the U.S. being Napa.

And what we're seeing is actually the positive impact of the California connection is playing out across both the California collection and the Australian wines as well. So really pleased with the progress and it is actually enabling us to open up more distribution across particularly in the on-premise.

In China, excellent response demand far outstripping the supply that we've got available. And it's just another element of us being able to maintain what was extremely high set of scores from a brand health perspective, pre-2020 and we've gone back out to market and tested it recently, and those scores are as strong as they were.

So having these wines available to provide to consumers to support the trade through a tough period has been extremely important. We talk about consumers a lot and we talk to consumers a lot. And we've gone back out and actually talk to consumers around the

world around their perceptions of Penfolds now making wines in multiple winemaking regions around the world. And the response from consumers has been overwhelmingly positive. They like the fact that we are living and breathing our history, our DNA of innovation, of trial experimentation. And they really believe that actually it gives us credentials, and we are operating in and coming to market as a truly global brand, which is ultimately our vision.

So in terms of scale, look, we're bullish on the opportunity here. The challenge that we've had is being able to secure the right supply to meet the potential demand. So we've got an ambition to get to 100,000 cases of collection quality wines from both France and the U.S. based on where we're at the moment and the great work that Kerrin and his team have done from a supply and sourcing perspective. For France, we're getting close to that. For the U.S., we're a little further behind. So lots more to come in this space. And as I said, feedback already has been very positive, lots of belief, lots of momentum.

Stuart Boxer

Thanks, Tom. Pete, let's talk about multi-country of origin brands from a TPB perspective because that's obviously an important element for you. So can you talk a little bit about the approach you're taking and what's going to come up in the pipeline?

Peter Neilson

Country of origin expansion is a key enabler of the portfolio diversity that we talked about earlier, that's what we need to deliver against our ambitions, especially in markets like the U.K. and other parts of Europe as well as key markets in China. If you take the U.K. as an example, we primarily make and sell Australia and New Zealand and U.S. country of origin wines in that market, but they only represent 34% of all wine consumed in that market. So having a deliberate country of origin expansion strategy, really gives us the opportunity to tap in to more of those consumers more often.

You can't just go and put any country of origin under any brand there. You have to be very deliberate about it. And there's a few things that we think about when we do this is, one is, does it align to the brand essence. What the brand stands for, how we want consumers to think about that brand. You've also then got to assess the market. Is there a consumer opportunity within the market for that country of origin? And then lastly, we just have to make sure that our brands have a right to play. So that we can be successful with the propositions. And we've been deliberately building our multi-country of origin portfolio over the last couple of years.

And we've had great success with it. I take our Pepperjack Argentinian Malbec, for example, what it does is give consumers who want to explore and try something new, and I go back to what I talked about with younger consumers earlier, something that they can try in a brand that they know and trust and love. And so that gives them confidence into the category. And it's working well. It's actually #1 Malbec in Australia by a long way.

We've also taken Squealing Pig outside of its traditional New Zealand sourcing. We have an Argentinian Malbec, an Italian Primitivo and soon we'll be launching a Californian Rosé here in the U.S. market.

And whilst it's certainly a clear part of our portfolio strategy going forward, it also has given us some tactical opportunities. When the tariffs were imposed on Australian wine in China, we were able to quickly transition Rawson's Retreat, an important brand for us in that market to South African sourcing and ultimately, have added Chilean sourcing to that as a secondary tier for the brand. So we know it works well. We know that it resonates with consumers, and we know that we can take our brands outside of their traditional sourcing.

Stuart Boxer

All right. Thanks, Pete. Let's move to the third of the enterprise value drivers being inno-

vation. When we think about innovation, we consider it across our business and across our value chain. The most obvious area relates to product portfolio and category expansion. And we think we've got a very strong track record in developing new products that meet the needs of our consumers. However, we are increasingly using data and insight, some of which we draw from our own direct-to-consumer relationships to help us do this faster and better.

We're also expanding our distribution, partnering with direct-to-consumer channels and developing our own to ensure our consumers can buy our products where they want to. In addition to what you might call Horizon 1 new product development capability, we are also investing in people, facilities and technology to support and develop emerging Horizon 2 and Horizon 3 opportunities in our space.

And finally, across our vast and complex supply chain from vineyard to packaging, we are delivering efficiency and sustainability with industry-defining technology. So we don't consider innovation to just be the domain of our marketers and our winemakers. We think about it across the company, and we consider it part of everyone's role. Evolving our culture to be innovative in everything we do is an organizational priority, which Katie and the team will cover after lunch.

Before we go back to the panel, I'd like to spend a moment talking about Treasury Ventures, which we recently established here in California. Treasury Ventures mandate will be to pursue emerging wine-based opportunities right across our value chain, taking a long-term enterprise view.

We will look to take minority stakes in innovative and high-growth businesses with a likely transaction size in the range of \$5 million to \$20 million. Through Ventures, we expect to be better placed to pursue initiatives that will yield a lot beyond the short to medium term with an expected time horizon of 5 to 10 years.

We've already made a very small investment in VitiRev, which is an ag tech fund focused on sustainability biased investment in the wine industry based in Bordeaux. Looking forward outside of that, our broad focus areas are very much tied to many of the themes that we've talked about today and that we've had through some of the questioning.

So younger consumers, emerging brands, the better-for-you category emerging formats. And we're seeing that many of the opportunities that are out there will actually intersect between a number of those different categories. But it's early days for ventures, but it is something that we're pretty excited about.

Back to the panel. Pete, low and no – sorry, no and low alcohol wine is a fast-emerging space within the wine category, and we have an aspiration to be the global category leader. How big an opportunity do you think this represents for us for the category and for TWE?

Peter Dixon

I wish I had a crystal ball on this one. But what we do believe is the mid-strength opportunity will be a bigger longer-term opportunity for us as it allows consumers to stay in the alcohol occasion in a way that's right for them. We do expect both to grow, though. And – I mean you only have to look at the macro health trends that are happening, the conscious consumption decisions consumers are making to believe in that. I mentioned earlier that half of all consumers are telling us that they're moderating their intake and it's that knowing that, that gives us the confidence to really invest in this space.

There's a couple of things we believe we have to do to get this right, which we are. One is we're using recognized globally relevant brands that actually appeal to the consumer such as Squealing Pig and Matua. What we know is the core consumer in this space, those brands are far more aligned to and resonate with that consumer and the occasion that the product is being purchased for. We also know that perceived taste is a barrier to

entry. And by using well-known recognized brand, it's a signal of quality to the consumer to give them confidence to pick up the proposition and try it.

We also – although we believe we have some of, if not the best tasting zero and mid-strength wines, we are continually investing in this space. And we're investing \$10 million into winemaking technology and capability for zero and mid-strength wines, which we want the consumer experience, be it whether you're buying zero, mid or full-strength wine to be consistent. And so that everyone has a great experience every time, and it's important that we invest in that space.

And we're also really excited later this year, we'll be launching our Pepperjack mid-strength in Australia, which will be available in major retailers. And I think the team have done some great work on some creative marketing campaigns, which again are designed to make sure that the consumer has confidence to pick up the proposition and try it. So if you're in Australia, when you get back and it comes out, I encourage you to try it and let us know your thoughts.

Stuart Boxer

Ben, just to follow up that from a U.S. perspective. What are you seeing in the Americas specifically and how are retailers thinking about the better-for-you category?

Ben Dollard

Yes. I think everything Pete just said, it absolutely resonates certainly with us and how we see the opportunity here in the U.S. The awareness and the space being dedicated to better-for-you product generally, it's something that's exciting. Retailers across the country are reimagining their assortments and we're a key part of that. And just a couple of statistics, I think, really, really interesting for us. Over the last 12 months, the category, the better for your categories, very fast growing, super 100% and total revenue derived from the category is \$100 million.

So this is in national accounts across the country. Sauvignon Blanc being a key driver of that. So the idea of light white refreshing is a really important component as the consumer is looking to engage in this space. And so we – very similar to what Peter said, we're letting the consumer insights drive us and guide us – and we think about the brands and the awareness of our brands in the marketplace, a brand like Matua or 19 Crimes. These brands are well known, consumers understand them and consumers trust them.

And so the first 2 offerings that we have in this space, Matua Lighter has already, since it's been launched, the #6 brand in the space and growing. And Matua Lighter also quite recent in history is #11 in the category. So we continue to think about this opportunity in a really robust way. It's a big part of how we're engaging with our distributors and our retailers. But it's moving fast, and it's evolving in terms of how the consumer is engaging.

We believe it's going to be a great way to introduce new consumers into wine. As they think about the opportunity and the importance, particularly for the younger generation, the health and well-being and all of the signals that are directing them, wine plays a really important role when you think about the organic nature of what we do. So we're really, really bullish and excited and I think we've got a couple of amazing brands to fill out this opportunity. And if you get a chance, just outside, there's a great display of Matua cans that we're just launching, which looks beautiful.

Stuart Boxer

Thanks, Ben. So I talked earlier about how we think about innovation across the supply chain. So I'd now like to invite Kerrin Petty, our Chief Supply Officer, to come and join us up on the stage.

KP, can you share some of the recent innovation the supply team have been leading, particularly when you think about ag tech and winery automation?

Kerrin Petty

Thanks, Stuart, and hello, everyone. Yes, so we're incredibly proud of the progress we've made both in ag tech and winery innovation. And we'll have the pleasure of showing you a lot of that tomorrow as we move around our facilities. But we sort of think about innovation in supply chain, so three discrete streams. Sustainability on the left or you're right, where you're sitting; vineyard of the future; and also a winery in the future.

And just to bring those streams to life. The examples, I won't just talk through the examples that are being showed there. So what you see, and these are actually our properties. What you see there in the first picture is a – I'll call it a data now, it's a little piece of technology that captures micro weather information or micro climate information, consolidates that data, then provide insights to our vineyard managers and winemakers. So the power of that is we know weather events. We know what our yields will be, and we also know things like quality of our grapes.

And in the middle, something quite impressive. We've got a global team that have been working on autonomous vehicles. So [scouring] the earth for the best versions of these units, and this is one that we've actually purchased. I think we'll see this tomorrow, Rachel, called [Guss], great name. So effectively, what we're trying to solve for here is labor shortages, skill shortages, cost, carbon, health and safety, all these sort of things the field of view when we're talking about autonomous vehicles.

There's some great progress on that, which I look forward to showing you tomorrow. And then after the right, it looks like just a few screens, but it is the brain or the nervous center, I understand of the Beringer winery so effectively very similar to the first picture. This is the winery that has sensors all through it. And effectively, it's about creating insights and data for our winemakers. So they can make in the moment decisions, they can be quite agile.

And it's a vast difference from where we've come in the past where there's been lots of manual labor, people going out, collecting samples and coming back into lags of time before we can actually implement those decisions. So a huge amount going on, Stuart, something we're quite proud of really looking forward to showing you all tomorrow as we move around the facilities.

Stuart Boxer

Great. Thanks. And as we continue to move beyond the product. Tom, in Penfolds, how are you innovating in the way that you interact and engage with your consumers?

Tom King

In a number of ways, actually, Stuart, but I want to talk to a couple of specific examples today that are all both linked to experience. And Ben and Pete have talked already today about the importance of providing engaging memorable experiences with our – for our consumers to drive that real strong emotional connection.

Two examples I'm going to give today a very, very different but talk to two separate parts of our consumer base. And the first one is an activity that we've been doing now for more than 30 years, which is very uniquely Penfolds and what we believe is the best post-sale service of any luxury brand in the world, and that's our recalling clinics. It provides collectors, connoisseur, anyone who has a bottle of Penfolds that's older than 15 years old, a chance to meet our winemakers one-on-one and have some dedicated time understanding more about the wine and build that connection back into the heart of the Penfolds team.

In the past, maybe it's been a little bit of a functional experience, and we've evolved that much more recently to be much more rounded experience providing live music, the opportunity to taste wines, to relax in a more luxury environment. And we've been bringing a more personalization and a personalized service to this experience. At the other end of

the spectrum, you have Penfolds house, and this is an incredibly exciting, truly immersive experience that we've been providing consumers around the world with over the last 12 to 18 months.

It really is about applying and adopting those new codes of luxury to a Penfolds experience. So providing consumers with the opportunity to learn, we know education is important, but in a fun engaging way through digital installations, but also through master classes, but in a more lively high-energy upbeat environment. We invite a lot of celebrities, movers and shakers, important DJs to bring a whole new energy to the Penfolds experience. And we've already activated Penfolds house in 9 cities around the world. The challenge for us now is how do we go again, how do we bring more of the new luxury, more of that experience to consumers as we look ahead to F '24. But yes, two examples of innovation when it comes to consumer engagement.

Stuart Boxer

Thanks, Tom. Okay. So let's move to the final of the enterprise value drivers, which is one that we can never lose sight of its outstanding execution on the physical and digital shelf. While we already have a wine industry best global distribution platform, we cannot forget the importance of the last three feat that final interaction with our consumer in store. We think we're pretty good at this, and we'll share some examples shortly, but we also continue to challenge ourselves to aspire to the standard of leading global consumer companies, not just wine companies across our priority markets.

To do this, we must continue our relentless approach to building distribution on both the physical and digital shelf across our accounts and points of distribution. We must build and invest in retailer and distributor relationships that grow the category, supported by consumer insights that we will – that ensure that we remain a partner of choice. and deliver in-store theater that ultimately is the envy of our competitors.

Tom, expanding global distribution and availability is a key growth driver for Penfolds. How are you pursuing that opportunity in markets such as Asia, the U.S. and Europe?

Tom King

Yes, it's a huge focus for us. It has been for the last couple of years, and it will be for many years to come. We've taken a lot of learnings of where we've had success historically in building distribution in the past around the world and consolidated that learnings and with the support of third-party data and insights to build a really now targeted and methodical approach to building distribution that can be applied to any of our markets around the world.

And it's quite a simple playbook really. It's firstly, identifying through the use of data and insights, the specific accounts in a market that we want to be listed in and the optimal elements of our broad portfolio that are going to be relevant for the consumers in those specific accounts. We then move into the real work, which is the selling, and this is where we work in combination with our own team. Out in the field or with our partners' teams in markets where we operate through third-party distributors.

And we sell into the account specifically, not just a listing, but a listing and a range of activation because importantly, distribution is important, but it's actually how you activate and then drive rate of sale once you've got that distribution, which maintains your listing, maintains your distribution and can grow your distribution. So three simple steps really there. We've had a lot of success in activating this in a number of markets.

I wanted to call out today a market we've spoken about on a number of earnings calls in the past, which is Thailand, as a success story, a real standout in terms of delivery financially, but also as you can see from the. The bar charts on this slide, a large part of that performance has been driven by 122% growth in distribution points just in the last 18 months. So we're by no means finished in Thailand, but it's just to help give you a sense

of the different channels that we're approaching. This isn't focused on one particular channel on or off-premise or one type of outlet. It really is across the board.

And as it relates then to how we operate in other markets, yes, each market is different, has unique dynamics, be it market structure or consumers or where we see the opportunity from a portfolio perspective, but the fundamentals of the distribution playbook are consistent, and we've been seeing some pretty impressive results a number of different markets.

So where this goes, this isn't a finite initiative. There will always be more distribution for us to go after. The important thing, as I said, is distribution is the first step, and then it's how we activate and drive rate of sale off the back of that, which drives depletions and then shipments. So that's our distribution play.

Stuart Boxer

Thank you. Ben, you talked earlier about our luxury brands in Treasury Americas. Can you go a little deeper on your plans on how you're building and growing the distribution of that luxury portfolio?

Ben Dollard

Just to give a little bit of context for how we embarked on this opportunity a couple of years ago, actually, Sarah Bakx, our Chief Sales Officer, who's sitting here, is the architect of our Vault Collective effort. And so really, we just stood back and did a very thorough evaluation on the distribution opportunity for our luxury portfolio. So as you think about what Tim and I were talking about the balanced approach we have to supply and thinking about how we nurture that as we think about demand. And that's essentially building equity in our brands.

And so we took an approach where we looked at all of the distribution opportunities

across the country, understanding that there's a big role for national accounts to play. But as we build brands and particularly luxury brands, the bigger opportunity was around the independent arena, particularly in the on-premise and the off-premise. And so we refer to that as our universe of accounts for our luxury portfolio. And really, we have our bull's eye list, our red list of accounts and our gold list of accounts. We have a dedicated selling team that call on that red list of accounts.

So we are having those conversations along with our distributors. But having those conversations in person really nurturing the luxury portfolio that we have. And if you think about it from Matua to Stag's Leap to Beringer to Beaulieu to Frank Family to Penfolds, you put the portfolio together, it presents for a really compelling conversation. And so as we think about that, we are targeting the highest velocity accounts in the country. And those accounts that can work with us to build our brands and to engage with consumers and bring those experiences to life.

And again, just another statistic as we think about the results of that effort we've increased our red list distribution by 44% in the past period. So that's a really targeted approach, and it's very much around those key areas that I referred to, the big markets in the country, but it doesn't stop there. We see opportunities in other metropolitan areas across the country, but also anywhere consumers are enjoying luxury wines and engaging with our brands.

So a very prescriptive approach as we think about moving forward and expanding our points of distribution. But equally as important is engaging directly with the consumer and telling our story. So a really important part of our overall strategy as a business. Also culturally, we think about the quality of the talent that we have. We have some amazing luxury selling capability built into this space.

Stuart Boxer

So I'll stay with you, Ben, and we'll talk a little bit about e-commerce. So in the U.S., your e-commerce strategy is focused on easy to find, easy to buy, easy to enjoy. So can you talk about how you're partnering with both retail partners and online delivery partners to make this a reality? And how do you think about the opportunity to scale?

Ben Dollard

Yes, about March 2020, we had a realization, we had a big opportunity. And it gave us the opportunity to reimagine our engagement with the digital shelf and really importantly, with retail partners and our distributor partners. So I'll look at it in two components. One is we've really been aligned with our distributors, particularly RNDC, BBG and others to ensure that we're in lockstep with regards to how we're curating our brands online.

So before we get to the consumer, we have to get to the retailer. And in a category that has a lot of offerings being really present and present in the most compelling fashion was a big priority for us. So that's the idea of easy to find. We want our retailers and our retail partners to understand that we've got brands that consumers want and love. And we want to make it really easy for them to see it and visualize it and to get engaged with it.

So our working alongside our distributors has been a really big priority as we bring our digital activation and our e-commerce efforts to life. Equally as important is the engagement with retail. If you imagine that Walmart and again, another statistic that I have in June, Walmart revealed the 82% of their food and beverage shoppers use their phone in store to engage with the brand.

And so when our brands show up and we want to make sure that it's really easy to understand the story that we're telling. So again, another area that we've been really focused on not only from a retail shelf standpoint, but also then how we think about the experience our consumers have when they come to the wineries.

So the digital engagement of the follow-up the activation when we're launching new vintages, all of that comes into our philosophy around easy to find, easy to buy, easy to enjoy. So again, we've got great capability our distributors love what we're doing in this space and love engaging with us. And I think the opportunity ahead for us to continue to present new innovations to consumers and existing brands, I think, is pretty powerful. Lot of enthusiasm in our business for this space.

Stuart Boxer

Thanks, Ben. So finally, to one of our real strengths, which is how we activate in-store and drive brand awareness and sales velocity. Could you each talk to some of the key things in your division is doing it stands out against the broader category. I'll start with you, Tom, then Pete and then Ben.

Tom King

Yes, sure. Stuart, I think – I'm very lucky to travel extensively in my role. And what I'm most proud of when our travel is how we show up in store. And that's how we show up for consumers and shoppers regardless of the channel. In a really compelling, consistent way. My belief, my perspective on this is that Penfold shows up as good as, if not better, than other luxury spirits and champagne brands, whether that's in Sydney Airport or Harrods in London and everything in between.

Now whilst pictures like this and visibility units like this are great to look at and really drive the wow-factor, this real estate is highly priced. And whilst we have very good relationships with retail partners across the globe and our business is a relationship business, we only get this space because it drives footfall and it drives sales. And that's because how we are using the space to engage with shoppers and to drive that purchase, whether it's through what we call digital entertainment, which is where consumers may get a chance to have a sensorial experience through digital units, whether it's through bringing our

gifting campaigns to life in a really fun and exciting way.

And the benefit of us being able to command this sort of real estate and space is that when we go live with a big activation, whether it's a thematic activation of Venture Beyond and spaceships and space rockets, we can go everywhere at the same time in a really consistent luxury way. Similarly, when we get into a festive gifting season, whether it's Lunar New Year, Christmas, that whole period, we know gifting is a massive driver of both recruitment and ongoing sales for luxury wine. We can own this space and really drive and capitalize on those gifting opportunities.

So the added benefits of this is you're driving mental availability in consumers and shoppers minds. We use our distinctive brand assets, being the Red and the Penfolds Italics to make a lasting impression for anyone who's passing by any of these activations that we do.

And the real success we've had in the last year or so is actually coming out of the store and being given and provided space out in the middle of luxury malls in Kuala Lumpur or Singapore, unheard of for liquor brands before, but we're now being able to access that space because the landlord or the retailer is actually seeing what it can do in terms of those two key important metrics of driving footfall and driving sales.

Peter Neilson

What I'm really proud of with what we're doing is I think we've become significantly better at connecting our brands, our partnerships and our activations together so that we can bring to life retailer activations and consumer experiences that create a greater lasting connection to our brands, which will obviously help us with future sales, future connection with consumers and engagement and loyalty.

We've also become, I think, much better at identifying the right partnerships that not

only allow us to engage with our core consumer and our brands, but also really speak to new consumers. And the pride partnership with Squealing Pig, I think, is probably the best example of that, that we have at the moment.

The other thing we've done is like the Americas team, we have a broad portfolio, but we've become exceptionally focused on the brands that we believe and based on our conversations with customers, bring a genuine uniqueness to the category, which allows us to get some cut through. And also what that does is it gives the customers confidence to not only execute our activations, but also amplify them because they know the role that our brands play within the wine category and the wine category plays in recruiting consumers into their businesses.

So we become far more streamlined in this space. There's more we're working on, but very confident that what we have at the moment is really suits our portfolio and really talks to the consumers we're targeting.

Ben Dollard

Yes. And I'll just build on that. The U.S. marketplace presents an amazing array of opportunity when it comes to in-store theater. And no surprise depending on the size of the footprint and the geography. But generally speaking, we refer to it as feature and display the ability. It's exactly what Tom said. This is important real estate and so our ability to get on the floor and to have our brands present, particularly at those key engagement times with the consumer is paramount.

And the other amazing thing and the opportunity is the creativity that goes into these displays and it's just a couple of examples, but this happens across the country, certainly in big national accounts, where you can really bring your brands to life and that could be 50 cases, 100, 150, 300 case displays that allows you to tell your story. So again, for brands like 19 Crimes or Matua, this is where we're focused.

Stuart Boxer

Thank you. So a lot to take in, but we're pretty proud to be able to share with you all what we're doing across these four enterprise value drivers. And I'll repeat them, consumer obsession, brand portfolio expansion, innovation, and execution excellence.

These form a unique set of capabilities that we currently have or are investing in to make stronger right across TWE. Today, we have seen plenty of examples of how we're applying them right now across our divisions and across the company. But ultimately, it all comes back to our consumers, getting closer and closer to them, current ones and new ones. Having a portfolio of brands they trust, developing products and services that meet their needs, and then making sure that our products are front and center where our consumers want to buy them.

We think we have a good track record and are confident that collectively, these capabilities will enable Treasury Wine Estates to be able to deliver ongoing growth across our markets. In fact, we believe we're the only wine company that has a scale, capability, brand portfolio, geographic spread, and focus to achieve this across our global markets, setting us apart from our competitors over the long term and supporting our ambition to be the clear global leader in premium and luxury wine.

But we are never satisfied, which is why we're continuing to challenge ourselves to be better and better. And one of those areas where we are focusing a lot of effort and where we have recently added new capability is in digital and technology, a key enabler of these value drivers in our business.

So I'd like now to introduce Kate Whitney, our new Chief Digital and Technology Officer, who will provide a snapshot of how we are thinking in this exciting space. And then once Kate has finished, we'll pause for questions across this whole sections.

Kate Whitney

Thank you, Stuart. It is so good to be here. It is amazing to be back in the U.S., back in the Napa specifically. I would far call, I'm the newest newbie today. I'm 8 weeks in, but I felt like I've been here for months. So thank you.

It's wonderful after my time at Pernod Ricard U.S.A. I spent 3 years in the Australian wine business and then 3 years in the spirits business in the U.S. And it's fair to say that, that was my last stint at Malibu in a high-octane start-up as a CMO in Australia. The combination of those 2 in a relatively long career has been the great setup for my time now at Treasury. It is a journey that we're embarking on. I'm super excited about, and I'm going to take you through a few of the highlights in the next 10 minutes. It's all about technology and driving outcomes at scale and pace. That is what we're about.

So back to those 4 attributes, you haven't heard the last of them yet. So I will touch on each of these as briefly as possible. And the first one is Consumer Obsession. So we talk about Consumer Obsession and the guys have just spoken to that now. This is about, from a digital point of view, getting as close as we are legally and contractually allowed to get to consumers in the various markets we operate in. Firstly, we have the ultimate weapon in selling direct to consumers in our key markets, and that is the brands themselves. You've just seen how great we are at building brands that drive interest and intrigue beyond the shelf and we're able to harness that traffic and sell our product direct to those consumers, highly engaged audiences and gain valuable insights at the same time. What those shoppers love, what they don't love and really importantly, how their tastes change over time.

Secondly, this is about building a consistent and ongoing dialogue with those consumers. The core factor is – and I've proven this myself in the states that a consumer that is exposed to receives and engages with communications from a brand is more likely to choose

that brand at full price when the nearest competitor is discounted. I'll let that sink in for a minute. So we're building loyalty programs and nurturing the very best consumers for a very good reason. We'll past the promotional campaign period ending, our consumers will still put us in their car.

However, we aren't the only brand doing this. So providing consumers a reason to keep engaging with our brands online is actually the challenge. And that's why the digital teams across all 3 divisions will be pouring enormous effort into engagement platforms and programs that create a value exchange in the consumers' favor. Just like the new AR feature actually coming down the line for 19 crimes, we want to keep that door and that dialogue open as long as we possibly can.

So on to the next attribute, which is portfolio expansion. How can digital possibly help with portfolio expansion? Well, it's all about the second biggest weapon we have, and that is the data. We're currently standing up a global data infrastructure into which we are piping dozens of mega data sets, so that these teams will have the fingertip – we'll have that data at the fingertips and be able to look at the data and gain insights on that fraction of the time it has been taken previously.

Right now on the screen, you're looking at the supply insight shop, just one of the many dashboards that we have stood up in the last 6 months. It's super easy to use. It's real time and it's accurate. Now with all of that data, we must be choiceful about what we look at and one of the most useful things we're doing is we're starting to look at data signals in order to nail the perfect portfolio of wines.

What is selling? Well, yes, that's part of the picture. But more importantly, what consumers click on, Smile app, where they shop, map references, global trend lines, thousands of data artifacts that together form a much clearer picture of the consumer in 3 and 5 years' time than what we've ever had or ever trusted before. We're at the intersection

at Treasury of culture and consumption and the data is the weapon within. These are all signals that will help our business grow and understand how to better serve the future consumers' needs. These signals extracted straight from our own desktops in near to real time will drive our innovation pipeline for the next 12 to 36 months. So we can develop winning products, winning product ranges that will win at the physical and digital shelf.

So on to our innovation landscape. Technology already, as you've heard, surrounds the operation at TWE. We are a business that innovates at its core, and we've been doing that for a long time. From robotic barrel management, which is what you can see on the screen here, to fully Internet-connected tanks, the technology is already at TWE. So the strategy here is actually about making choices on where to apply that technology for the greatest operational efficiency and return on investment.

The second part of this is, again, back to the data. In one role of wines, if you just heard KP talk about, there's hundreds of data points. You might not think of it, you'll probably see it tomorrow: light, heat, moisture, soil temperature, wind direction, rainfall, the list goes on. Now, in that data set lies another weapon. So sure, the viticulturists will use that data to observe and manage the vines that day. But the ability to look back at the winning conditions and specific environments and data in which our best wines are produced and then use that data in a machine learning capability, forecasting where to plant, how to plant in the future for maximum yield. Now I don't want to steal thunder about climate predictions as well. So I'll stop right there. But suffice to say, if we can enable the data practice, and put that data at the fingertips of these divisions and with the supply team, the supply team will enable the product.

Lastly, of the 4 attributes. Let's touch briefly on excellence at the physical and digital shelf. It's a real heartland for Treasury. There are a hundred ways that you've just seen of how technology in our business is already enabling our teams to achieve this. But the humble

e-commerce at — *indiscernible* — is one of my favorites. This is a page I took a shot over a few days ago on target.com here in the U.S.

The image you see here and all of the 100% accurate product information on the Matua Lighter SKU, which has just launched, was uploaded by our own [Tommy Ackerman] right here in the Napa office probably 10 days ago on to the tool. Now here are some important things about that one task. We didn't e-mail it to Target. We didn't set up a private console for them or a dashboard for them to download an information, nor did we let the very worst thing happen, nor did we allow the retailer to simply make it up themselves. By uploading that image and that information once on to that tool, we ensured that over 36,000 retailers in the U.S. had the right information and more importantly, had all the information we know they need to aid conversion of that particular SKU.

Now it's not particularly new tech, I'm showing you, but it's foundational at winning at e-commerce here in the U.S. and in fact, in EMEA and also in A&Z. And also, it's a mandatory part of our innovation toolkit at TWE from now on.

So I'm going to leave it there. That's it from me, but I'll leave you with the 5 core operating principles of digital and technology at TWE: The first one is, let's solve for the enterprise, not just the brand or division to get maximal ROI. So we're tracking a truly enterprise-wide approach. Secondly, pilot or experiment before diving too deep in making those big bets on technology. We have innovation labs in wine. We have innovation labs in digital and technology as well. Third, we will protect ourselves against the future. So rather than fearing the seismic shifts in consumer spending or trends as we have before, we will embrace them, and we will literally look forward to them, thinking in both the near and the far term and having a 2-speed operating model for technology is the game now. Cost efficiency, coming from [OSB] and I can tell you this is something that I'm become pretty good at, is at the heart of all tech decisions, and it will be enabled by using data to

make our decisions ongoing. Prioritizing only the tech that enables speed, accuracy and connectivity over anything else.

And on that note, it's about pace. So we have to move at the speed of consumer culture as the guys have just spoken about. We have to remain relevant and culture moves like lightning. We will make decisions faster because the digital and technology tools we will use internally and externally with our partners will simply enable that.

So that's it for me. Thank you very much, and we'll now open for some questions.

Question and Answer

Shaun Cousins

Shaun Cousins, UBS. Just a question on 19 Crimes. In the Australian core business, have you gained or lost shelf space? And has any of that gone to the partner 19 Crimes product? I'm curious around how your innovation in the partner product might be having a detrimental impact on access to your broader aggregate to shelf space and your promotional space policy in retail?

Ben Dollard

Are you referring here in the U.S.?

Shaun Cousins

Americas.

Ben Dollard

Yes. It's – first and foremost, we manage 19 Crimes as a whole. It's a brand. It's a franchise and how we think about that is exactly how we think about managing the shelf. So you think about the classic part of the portfolio and the innovation. How do we merchandise them to get, that's been a really important consideration. And to the point that early on

when we introduced Cali Red, we merchandise the brands together. And then we saw a bigger opportunity by having them in different parts of the store, particularly on display.

So we've seen good interaction between the two. And we're monitoring it really carefully, but that's where I come back to what I was referring to as we reimagine 19 Crimes and we think about how the brand was first introduced with the AR, as an example. We're going to relaunch that and we're going to reimagine that. And so the best way for me to answer your question is we look at it as a total brand. And how the SKUs interact with one another and how we think about innovation, all of that is carefully managed on the shelf.

Thomas Kierath

Is that me – go ahead. Just want to understand a couple of things on this consumer obsession, one for Tom. You mentioned that the distribution in Thailand has improved. You've got this consumer obsession. So where and who is consuming the product up in Asia? I was expecting maybe some data on that because of the surveys and the understanding that you have. Because I think we all sit in this room, and we know some is going to China. We don't know if it was 1%, 10%, 80%. So I'd just love to understand what you think is happening there and what data you can share?

Tom King

Well, there's a lot of questions in there, Tom. I'll try and pick it apart. But fundamentally, and I know the evolution of our business over the last 2 years has opened, I think, everyone's minds to the genuine potential for Penfolds as opposed to the center of gravity historically been about China and what's going on in China. And I think it's been an interesting journey to go on with everyone as we've – I hope, helped to try and explain what's going on in many other markets in Asia. Thailand is a great example. We've had a good business in China for many years with some good engagement at consumer and a trade

level.

What we've done over the last couple of years is really stepped into that in a really powerful way through investment in the brand, investment in partnerships, and we've put our own people on the ground in that market now. So you take that equity that was there and that demand and you accelerate it by investing. And what we're seeing now is the fruits of that come through distribution is one element of it. But it's very hard to say who is consuming this wine in Asia. I mean that's - I'm not sure the way I could answer that because it's across the board.

Thomas Kierath

— *indiscernible* —

Tom King

How do you mean – which countries they're from?

Thomas Kierath

— *indiscernible* — consume the product — *indiscernible* — country consuming that as opposed to the product being sold that — *indiscernible* —

Tom King

Okay. So the question is about reexport. That's ultimately what you're trying to get to. Yes. Yes, yes. No. So look, in each of these markets, and you can list out a number of different Southeast Asian markets that I know you're - you have top of mind. But in each of those, our absolute focus is on building domestic business for the long term. And Thailand is a good example. Vietnam, extremely bullish on Vietnam. I haven't visited recently. And I can assure you that the wine is getting consumed in market, whether that's in high-end on-premise, whether it's in banquets or whether it's in Chinese dining venues. There is demand for the product locally, and that's what we're focused on.

This narrative around reexport and parallel into China. We know that has always been a challenge. And we've always stayed close to what's happening in those routes and when we become aware that product is making its way in, then we go and investigate. We don't want that product disrupting our business in China, which at the moment is solely focused on French and U.S. and now Chinese ones. So it's disruptive for us. It's disruptive for our partners. We want our partners on the ground in Thailand, Vietnam, Malaysia, Singapore, Indonesia, Korea, Japan. Every one of these markets in Asia where we're seeing significant growth to be about long-term sustainable domestic business growth, and that's what we're going after.

Richard Barwick

Richard from CLSA. This a question for Ben. Another one on 19 Crimes, I'm sorry. But the – I think we can take some comfort. It seems like you've got the answer to the problem and there's some exciting things coming. But my question is, how did you get the situation you're in with the 19 Crimes core? If you talk about being consumer-centric, it seems like you were caught out by what's happening with the consumer or caught out by what's happened with that core part of the range? So you can see what the solution is now, but shouldn't you have been doing what you're doing now ahead of the game?

Ben Dollard

Yes. I mean, look, I think the success we had innovating with 19 Crimes, again, come back to the point I just made before. We look at this as a total brand and a total franchise. And so the idea that we have an opportunity now. I don't want to second guess how the brand evolved or anything like that. It's just how do we make sure now it remains relevant. And so we can think, okay, maybe we could have done this or we could have done that. I think now is a great time for us to say, look, we've got a platform here. You've seen how we're thinking about it in terms of pack refresh. How we're thinking about refreshing the AR, the engagement of new partnerships. All of that is going towards I think our fundamental

belief that 19 Crimes has a bright future ahead. And so with regards to its history or how we keep remaining relevant, I think exactly what Kate said, these consumers are moving quickly, and their choices are abundant. So we just got to make sure that 19 Crimes has a really unique role relative to the rest of the category to play in this culture space. And that's something we can own and that's where we're headed.

Richard Barwick

Sorry, another one around 19 Crimes, all sort of moving forward. And maybe even for Stuart is, you've got such a heavy concentration with 19 Crimes and presume the recollection for consumers in the U.S., it says, probably, I don't know, when Tim and I thought about it. These sort of brands obviously from — *indiscernible* — until they don't. You look at the easy days sort of things that happened recently. How do you think about trying to diversify the explosion around 19 Crimes? Is this what you're doing now trying to diversify, so it's not fully associated with Snoop? And then the second thing following on from that is, how do you thinking maybe caters well to as a few questions here, trying to expand and leverage off this celebrity endorsement because you're seeing \$100 million/billion brands like you look at Tequila, you look at Rose, — *indiscernible* — 6 to 18 months. Why don't you try to diversify more around the celebrity piece and leverage the portfolio, leverage the sourcing, leverage the distribution more?

Ben Dollard

Yes. So we – as I mentioned before, 19 Crimes is about 1/3 of our business in the total franchise. And we think about the engagement with Snoop, it's an important relationship we have, and it's brought us a lot of new consumers. But it's a part of our portfolio. It's not the only part. It's just a part. And so we think about what we've learned from that. The idea that we can get more relevance in the classics tier team that's been here for some time. A lot of consumers who don't know the brand, that's an opportunity, but also thinking about other relationships we might have alongside the relationship we

have with Snoop Dogg with Martha. So it gives us a big platform to think about – in a creative fashion around this idea of culture led and experience-driven. So that's exactly how we're thinking about it. And I'm not concerned that we're overly weighted in one corner in actual fact. I think that just gives us an opportunity to think more broadly about innovation. So – that's exactly what we are imagining as we launch out this new campaign.

Kate Whitney

Can I build on that, Ben?

Ben Dollard

yes, of course.

Kate Whitney

So I guess I'd add to that, and it's about the audience. So the Snoop audience is vast, as we know, globally vast, at the moment rather than divisionally putting that into a media play, which is typically what a big CPG business would do. Treasury has the unique advantage in that we can harness that Snoop audience because we now have access to them and find out where else that culture movement is going. So the big dark sort of bad boy red, it will move, and it will do something else. And so we want to be with that audience when they move. And that's all down to the data and having consumer data platforms and things like that in our head office at our fingertips is where we can start to have that physical and critical advantage. So we're sort of – we're on it, but it's a consumer data play as opposed to who's the next celebrity. I think it's about finding those signals that I spoke about and pushing on those.

Phillip Kimber

Phil Kimber from Evans & Partners. A question for Peter. TPB, we've seen the U.S. reposition its business. I think TPB still has 40% roughly of NSR commercial level, and we've seen the trends on the slide. So how do you think about repositioning this business? I

think Tim mentioned that may be accelerating over the next year. Does it require M&A? How do you think about stranded costs back in Australia, in particular, in the supply chain?

Peter Neilson

Yes. I mean we've been running division as it is now for a little over 18 months. And we've learned awful lot about the division in that time. What we're clear on is the strategy we have is right. How we execute that strategy is what we're currently reviewing and will accelerate a transition to. And commercial portfolio, it's not quite the same as the U.S. is, it is as you talk about restrained costs and assets that we have to consider through that process. But what we are looking at doing is making sure we prioritize our focus and resources in the right areas. The commercial portfolio still plays a role for us within the business. And there is still a commercial market out there. But what consumers are telling us is that they're more interested in the premium space, and they're moving into that space. That's where the growth is.

Good luck Ben, in the U.S., we have to make purposeful choices about where we invest our time, effort, resources, and everything we see in all the data points tell us to concentrate that on our premium portfolio across the world, and that's working now. The acceleration that Tim refers to is how we set the business up in a different way to be able to execute that strategy differently. But we will continue to sell other commercial portfolio across the world. It still does play a role. And again, to your point, the cost impacts of any decision around something like a divestment is significantly different to the U.S. And so we're going to set up differently to execute differently. But strategy remains the same.

Michael Simotas

It's Michael from Jefferies. Can we talk a little bit about direct-to-consumer? How do you think about – it's probably worth talking about across the divisions, I guess, how do you think about the current mix of direct-to-consumer? Is there an opportunity to grow that?

And then specifically through COVID, the industry in the U.S., in particular, looks like it accumulated a lot of customers to that channel. Not sure whether you feel as though you were equally represented in that. But if you were, can you hold on to those customers? Or do they just naturally migrate back to their normal channels?

Ben Dollard

Yes, do you want me go as – Okay. No doubt, more engagement over the past 2 years in terms of how we have activated our digital shelf and direct engagement. I don't think we're underweight relative to our peer group at all. In fact, I think we're – just given the makeup of the portfolio, we're doing a lot just around curating that group and the engagement directly with consumers. Do we feel that opportunity continues to exist in a big way, yes? We do. I mean, I think just the interest in – certainly in our luxury portfolio, and again, you'll see it in the next 24 hours the experience that we can bring. Now I will say we've also invested alongside that in our digital capability.

So if you think about DTC generally, you've got your e-commerce platform, the direct engagement digitally with our consumers. We've got our set all the experience that we have and then we have our wine club. So those 3 elements. And we have a portfolio as big as ours, it allows us to be really definitive with regards to how we're communicating with our consumers. So – yes, we're really bullish in that space. We expect to continue. We're seeing traffic despite we've had some fairly wet weather over the last couple of months. We're starting to see traffic just picking up even this last weekend coming into spring. So that gives us confidence. And then there's another component of that, which is I'm sure Tom will talk about, which is the engagement directly with our consumer. And Penfolds is a really good example about where we can engage with luxury in the true sense of consumers you want to engage directly with the winery.

Tom King

Yes. And just to build on that, Ben, from a Penfolds perspective. We've – we're lucky that we've had a pretty sizable direct-to-consumer business in Australia that's been built up over a number of years. We are looking now to see how we can replicate some of the fundamentals of that business in other parts of the world. But this really isn't necessarily about purely competing with retailers and trying to bypass the retailer with an attractive price proposition. It's really about driving that long-term connection with consumers or with collectors in the Penfolds world as well, and building that loyalty. And Kate touched on it earlier, the upside and the benefits over the long term of really driving that loyalty is fundamentally where the big price is.

Ben Dollard

Do you want to...

Kate Whitney

Yes. I guess at the moment, we have a wonderful kind of traffic going through those e-commerce sites and sell the doors. The trick for the next stage of this and the next chapter of this will be to have an overarching or sort of a helicopter view of what that audience is. The global consumer and pulling together the insights so that we can really turn that into a performance marketing engine of its own right. And I think at the moment, there's a lot of experiments going on. And now it's the time to sort of scale that and see what else is in there, from an audience and also from a product portfolio point of view on those digital shelves that we own.

Peter Neilson

And from a TPB perspective, we think about direct-to-consumer very differently. For us it's not a channel we're focused on in terms of selling. It's how we actually create a connection to consumers. And we do that through partnerships and how we create events and experiences that creates a connection to our brands and long-term loyalty. It's a

different mindset for us in TPB.

Phillip Kimber

Can you sell the Luxury brands director within TPB?

Peter Neilson

I mean we still sell – we have a direct-to-consumer business in Australia, which is managed through Tom and the team, and we still sell luxury wines through there, as well as our entire portfolio. The potential longer-term opportunities as we grow luxury brands outside of Australia, thinking about that channel as an opportunity. But we first got to establish the brands, get them to the right scale, awareness before you go down that path. So it's a longer-term proposition for us, certainly not immediate future.

Craig Woolford

It's Craig from MST Marquee. Just wanted to – I want to ask about 19 Crimes. I'll give you a break from that. I just wanted to ask about the distribution arrangements you have here in the U.S. just to clear my mind, to be honest, obviously, been quite a lot of change over the last 5 years. Which distributors are you using in which state, you have to give me a laundry list, but it would be good to understand how much is with RNDC breakthrough and then other distributors?

Ben Dollard

Yes, I'm not going to list every distributor in the country because that would be quite an undertaking. Look, our relationship with RNDC, it's our largest relationship. They cover 2 of our most important geographies, Texas and also California. And then – but we're with them in another 13 states or thereabouts and some important markets like Louisiana as an example, in Georgia, again. So that relationship with RNDC is our single biggest relationship. And then second to that is with BBG. So Breakthrough Beverage Group who operate in another 2 of our key markets, Florida and Illinois. And so that relationship has

a long-standing relationship with Treasury, has not changed for some time. And its origins come up through various acquisitions, but it is rooted in the fact they've been distributing Beringer for a long, long time. And again, really, really important relationship.

If you think about other key markets in the country, so you take New York as an example, we were with a company called Empire Distributing Company. Again, long-standing relationship hasn't changed and has been with all of the treasury portfolio for a long time. And again, the way we think about it, and it's an activity that we've embarked on. We created a forum that we call the TWE Trust, and it's quite unique and it's certainly proprietary to Treasury. But we engage with our key distributor partners in a very deliberate fashion all around the idea that we're building brands. You take a like Massachusetts example, we the company called Martinet, independent market, family-owned and again, long-standing relationship with Treasury.

So when you refer to change, really what's changed over the past period of time is our relationship in the market in California because it is the biggest market in the country. We would say it's the market with the greatest opportunity, and we were direct in the state of California, and we made a move to RNDC 2 years ago with a goal of expanding our distribution and with the goal of building brands, and that's exactly what we're doing. So you'll meet Nick tomorrow when he's here, and you'll see firsthand kind of what that relationship looks like, what's important to him and how he thinks about growing our business together because he certainly has a desire to grow his business as well. So – I'd say our relationships with our distributors just to kind of round it out, are strong. They have a long history, by and large, and we are very much aligned on what we're striving to achieve. And I'm happy to get the list, but it's rather long.

Analyst

It's Brad from Credit Swiss here. Just a question around alternative packaging types. How

big do you sort of see that opportunity? And what would the margin profile be on wine in a can, like a Matua cool and how does that drive towards your TPB and Americas EBIT target in the long term?

Peter Neilson

I'll start on the alternative packaging. We've recently over the last 12 months, launched [Bagnams] in Australia, we're starting to take that proposition across to Europe as well. We're working on solutions for alternative packaging across Asia. It's – it represents a significant opportunity. You have to take the consumer on that journey with you. There's a reason the vast majority of wine is sold in 750 ml, 1.5-liter bottles, it's what the consumer expects. But giving consumers confidence that the alternative packaging doesn't create any compromises is a really important part of that journey.

We also are doing a lot of work through our Nordics and Netherlands on sustainable packaging, and that's very much becoming an expectation of our customers in those markets. And to be honest, it's becoming a bigger expectations of customers across the world. And it's some of those – the sustainability agenda that will help us start to transform packaging. It also has a significant opportunity around how we tap into occasions where wine may not be considered today, the single glass consumption occasion at home. So there's plenty of opportunity. It's just that you do have to take the consumer on that journey with you. Now what we do with any of that packaging and alternative format is it allows you to position the product in a market because it serves a consumer need at a position that's accretive to the margins of the division. So you have to have a little bit of patience. Some of them will take a little more time than others. And there will be test and learn where some of these fail for different reasons. But it's certainly something we're focused on and working on and more to come in that space soon.

Ben Dollard

Yes. No, I just to build on that. The idea of these mega trends intersection – intersecting, that's exactly what we're seeing when it comes to convenience. So as we were referring to earlier around the idea of betterment generally speaking, okay, what route is a small slim line can play in that. And again, when you pop outside, and you have a look at Matua and how we're thinking about that. There's a lot of colliding of trends, we actually think quite exciting. So you think about convenience is important. The role that cans play. It needs to be, in our view, more around refreshment, and the component of the experience consumers are having in the moment.

And then also the fact that it's kind of easy to find. And so all of those things are directing us to kind of a refreshment play in this space. And we've got certainly some new innovation ideas that are in the pipeline that we think will tailor to that kind of convenience space.

Sam Teeger

Sam from Citi. Look, in Asia, you've got Travel Retail opening up that over here in the U.S., we're seeing increased headwinds facing the consumer. Just hint for any thoughts or comments in terms of are you seeing any softening in the on-premise channels? Or any commentary around what you're seeing in the on-premise channels more broadly?

Ben Dollard

In the U.S.?

Sam Teeger

Yes, please.

Ben Dollard

Yes. Our sense is that the on-premise is very much – not a sense. We know it's alive and well. And the total number of accounts that have been covered by our distributors,

year-over-year is actually not growing materially. But what is happening is that those on-premise accounts that are in place, and particularly our focus on the luxury space are thriving. And the trend around brands that have a reputation and brands that hit certain buy the glass opportunities is where the success is to be had. And again, back to the efforts we have around the Volt Collective and thinking about our direct relationship with retail, that's exactly where we're focused. So on-premise, is a central part of how we're thinking about building our luxury portfolio.

Ross Curran

It's Ross Curran from Macquarie. Just got a question for you, Tom. If you go through Hong Kong or Singapore Airport, like the in-store theater is just as good as it gets and the royalties, absolutely fantastic. The Tram in Hong Kong is amazing. Can that be expanded to other regions? Or is that specific to those markets where you're getting enough volume like – and what you've learned and done there be expanding globally? And then maybe for the rest of the team, is there anything you can take from – how it's run in Hong Kong and Singapore and expand that across other brands?

Tom King

I'll go first. Yes, absolutely. It can be expanded to other markets in terms of that – that scale of activation. For us, it really comes down to where is the brand in each market in terms of its life cycle. So would we be investing in significant funds in butter line outdoor activity, taking trams over in the U.K., not yet. Not yet. The focus right now is driving that distribution availability, bringing people into Penfolds for the first time. In-store activation as the brand grows and we build out distribution. And we start now thinking about how do we build awareness, that's when we would start considering those types of investments. I mean you talk about Singapore and Hong Kong and appreciate the feedback on how we show up there. I think if you – from an airport location perspective, very different to what we're doing in the domestic market because in the airport environment, you're taking a

global traveler who could be from anywhere, and you're owning them for a period of time in that environment. So he throws a good example.

Would we be investing in displays activation in Heathrow Airport? Yes, absolutely, because we know there is a global international traveler coming through there who may be from Hong Kong, Singapore, Australia, China, the U.S. and getting that golden hour. We've all done it. We have an hour in an airport, hang around waiting for your gate, what better way to spend that time than engaging with a knowledgeable member of staff who can talk to you about Penfolds and potentially share a glass of wine with you.

So Travel Retail is fundamentally a really important part of our business, not necessarily from a financial delivery perspective, but in terms of being able to provide that showcase and that shop window and that experience is great news that Travel now is back globally. So yes, we will be looking to expand that sort of investment and activation from Hong Kong and Singapore, but when the time is right for the brand in the domestic market.

Peter Neilson

I guess I'd add to that is we have the benefit of being in the same business as Penfold. So we get to take a lot of the learnings that they're well established in this space. And it's not about replicating what Tom and the team do with understanding the insights and how we leverage them for our brands. I agree 100% with what Tom said around understanding where the brand is at in its life cycle. We've got some great activations of 19 Crimes in Stansted. We've had Squealing Pig in Sydney. We've got Wynns BV. And I see it as a real channel of opportunity to help us build brand awareness and actually tell a story. It's 1 of the places you get to actually bring the story of the brand to life, which is a fantastic way to actually engage the consumer and get them board into the brand proposition.

We – now that Travel is back, and we started to establish some foundational baselines of distribution, et cetera, in markets, we will start to focus on Travel Retail as well. But Travel

Retail is a big channel. It's not just Duty Free Airports. So we want to be really deliberate about where we go and when and with what brands because we can't do it with every brand. Now what I can say is it will be on our priority brands that we've talked about but it won't necessarily be a big bang approach across the world. It will be very deliberate based on where we're at in each of those markets.

Executive

Any more questions like to our stats for you.

[Break]

Presentation

Katie Hodgson

All right. We're good to go. Everyone is back from lunch, and we're talking capability and culture for the future. So hi, everyone. I'm Katie, if you've been following TWE for a while now, this is my third investor conference, so I get to use my joke, which is it's not my first rodeo. And I can say that because I was in Houston on the weekend, and I did go to my first rodeo. I'm going to take you through a brief scene setting on where and on what we've been placing our big organizational investment bit. It will make perfect sense after everything you've heard this morning in terms of not only the culture and the capability, but the finer details that sit underneath that and how both of those things really come together to create the experience that all of our people have with our culture and where we're really focused on making sure people and performance thrive.

I'm then going to invite some of our global leadership group. This wonderful people sitting to the right of me to share in their own words and from their own perspective, what their experience is like at TWE. But first off, a little bit of context. So that 1 is pretty simple because it remains our strategy. And you've heard a bit about it through the day. Tim

set it up nicely for me in the beginning. It's called our game plan, and it's the building blocks that we use to create not only our TWE DNA, but bring those to life through our leadership attributes. On our TWE DNA, we capture the essence of our culture.

So it's that powerful mix of what we do really well and are already famous for as well as some behaviors that we think we could be a little bit better at especially if we really want to reach our potential. Our DNA is our cultural code that guides who we are and how we act and the strands of those DNA are on the screen there. So we bring our whole self, which is all about openness diversity, keeping it real with each other. We're courageous. So we speak out, we innovate, we're bold, and we just deliver together, which is all about collaborating, learning and celebrating.

Our leadership attributes, which are the 6 elements above that are our leadership capabilities that we talk about, and they are there to reinforce our DNA. So they define the skills and the mindset that help us lead. They equip this with a shared language so that we can have courageous conversations about leadership, both our expectations and our feedback, and they help create a consistently great place to work for everyone. Complementary to this are our organizational capabilities, what we call our growth capabilities, and they are really around what you heard a lot talked about in that last section, innovation, experience, design, digital data analytics.

And these growth capabilities were identified through strategic workforce planning as those critical capabilities that we need to be good at in order to deliver our game plan. And so we have dedicated programs throughout the entire global organization, purely focused on building those capabilities consistently across the globe as well as we put them all through our leadership programs as well so that we reinforce them at numerous points. So when you put those 3 things together, our DNA, our growth capabilities and our leadership attributes, not only are they built and reinforced through our talent programs,

which is where we invest a lot of money, they are underpinned by who we hire and the investment decisions that we continue to guide. And combined, they help us deliver our plans, achieve our growth ambition and set us up for the future.

Now really importantly, as we skip through that is thinking about creating not only the culture in which our people an outperformance thrive but the capability and investing more than ever in well-being as well as our world class talent through what we call our TWEforME Academy. Our focus in the last 12 months has really been building on that future-ready organization now by raising our bar on leadership and embedding those attributes that I talked about through all levels of our business. And speaking about our attributes, we've honed in on 2 particular attributes in the last 12 months, which is a direct result of feedback that we got through our engagement survey, having great conversations and helping people belong.

Now those themes coming of our survey was really a response to people not necessarily having a consistent sense of belonging in our organization, especially on the back of COVID, where there wasn't lot of travel, some of our sites felt a little bit more remote than others. So we've made it our mission to change that. And we're doing that by investing at every single level. So we start with our global leadership group, basically the top 80 people in our organization. We've equipped them with storytelling skills that they can apply to basically drive strategic alignment through the organization and ensure we're building safe psychological courageous teams. Supporting our people managers then at that next level is to really equip them to engage in ongoing feedback and development conversations, helping them navigate what can be really complex — ***indiscernible*** — situations and how they can bring courage and entrepreneurial spirit into our culture.

And then promoting ways that everyone can be having really good conversations about resource prioritization, managing their workload, their health and well-being and pro-

ductivity, which we know are critical ingredients to not only being able to perform at our peak but sustain that performance year in and year out. Now speaking about our global leadership group, or our GLG, as we call it for short, loving acronyms that we do. We continue to invest and involve what we call our second circle of leadership. So pretty much they are the group that either report to the executive leadership team or they're in big people leadership roles underneath that. So we continue to raise our bar on our expectations of this group, but we do that whilst investing in them. So we're investing and equipping them whilst raising a bar and really holding those high expectations that we have of this group to help us deliver not only for today but for tomorrow.

And as mentioned before, we continue to seek feedback from our employees on their experience at TWE. So the last time I spoke, it was the first time we've done an annual engagement survey across all of our workforce. We've now done our second survey, and the scores out there on the screen for you. What you will see is that 1 of our key strengths is our business is in safety. So the top 3 items from our survey, all linked to safety, and that's mental and physical safety. And really giving people confidence that that's taken really seriously by us at TWE. We also saw positive results and support for flexible working, obviously, an uptick since the pandemic, and we saw a really big increase in the participation rate. So you can see that rise in the year, which really helps us feel confident that we're building trust not only in the survey itself, but that we will take on board the feedback and act on it, which is critically important.

We did also hear there were 3 areas in particular that we could boost our engagement further, and there on the bottom of the screen there. So systems and process being #1, basically helping people improve the way they get their work done. The second was around feedback and recognition so that people feel valued for the contribution that they're making and then creating that sense of belonging across all of our workforce. So they're connected to TWE and to each other. Now we often get feedback that we don't see our own

praises very well. So on the next slide, I am pleased to share that not only have we been getting good feedback through our survey, we're getting some really positive external awards.

So on the screen there, you'll see our Americas team ranked #1 healthiest employer in the Bay Area and actually placed on this year's healthiest 100 workplaces in America. We've also won awards for our best reward and recognition program, which basically brings to life our DNA, so recognizing and rewarding those that are living the culture that we're trying to create as well as for the second year running winning the Australian Drinks Industry Award for the work that we're doing in inclusion and diversity.

We've got a great place to work award out of the U.K. and again, we've won second place in the Australian Financial Review, Best Places to Work list. So we've got confidence that what we're doing is working, and we're on the right track, which is really positive. But rather than me talking all about it, a great chance to introduce my colleagues from the GLG, have a mix here from corporate and from our Treasury Americas headquarters. I love that we've turned the table on Bijan. So we're calling up here to participate today. So I'm going to introduce them and we'll get this conversation started. And we're going to start with culture Bijan. I know we've talked about a bit of a cultural reset and the journey that we've been on. But you've been here 15 years. So maybe talk about the experience that you've had.

Bijan Taghian

Yes, sure. Thanks, Katie. And I might actually start this by thinking back. So I've always seen TWE as a company that's had a great foundation of a culture that's why I wanted to be a part of it. So yes, as Katie said, nearly 15 years. There's a real passion across our organization for the industry, for the brands, for the assets and also for one another. So if I may get personal being at TWE, there's a bit of real sense of family around being part of

the organization, which absolutely love.

If I look at what we've delivered as a company over the 10-, 11-year journey since we've demerged went from a \$2 billion market cap company to a \$10 billion market company. For the people in this room who are sort of financially oriented, that's a 463% TSR. You don't deliver that sort of outcome without a great culture. So that's – I just want to underline that. If I look back – probably just in the sort of year or so before Tim and his current leadership team took over or took charge. We probably started getting the balance of it wrong between performance and outcome and really important cultural drivers like recognition, empowerment and those sorts of things. And that just wasn't sustainable.

So what was great when the 2025 strategy game plan, DNA came back and Tim and team really drove that was that refocus or reemphasis on our culture. Now it didn't mean we weren't performance-oriented. We weren't outcome oriented. I think you can still see in our results that we're still laser-focused on that. It was about getting the balance right, bringing empowerment back, bringing recognition back, bringing acceleration back. And I think we've done that really well. I think it shows in those engagement scores, and I think we're very much on the right path again.

Katie Hodgson

Well, maybe I'll change tax a little bit, so go from corporate headquarters into the land of American supply, similar teeth Rachel. So maybe talk a little bit about your experience.

Rachel Ashley

Absolutely. So Katie, for me, when we talk about culture, actions speak a lot louder than voice. I've been around, I've been with the company 18 years, 15 of those in California. And I've got some really great examples of how the culture has evolved during that time. The first one is around safety and the safety culture we've created as part of the Treasury Americas team. We have a program called — ***indiscernible*** — a take a moment. So really

about stopping, pausing and focus on safety, and that subsequently morphed into Build Safe together, which is our global program.

We went from a program-led safety culture to a culture-led safety program. And I think a great example of that is as challenging as the fires were in 2017 and 2020. They're a real turning point in our safety culture. We stopped picking [Midfield]. Middle of peak of harvest, we closed the wineries for up to 5 days to ensure that our people could get home safe to their families. And we were not putting them at risk of what was happening around them. If you think about the message that sends, it doesn't get any stronger than that. And we continually reiterate that safety comes before production.

We walked to the talk. Another great example is around health benefits and don't underestimate how important health plans are in the Americas. So what we've been working with is our plan providers in the U.S. to really shape those plans, making sure they include what's important to our team members and taking out what's not. And in doing so, we've been able to maintain cost to employees at a flat level for the past 5 years. And if you think about that in terms of the ongoing pressures around living costs, that's a big driver in the day-to-day living of our team members.

The next one is personal. And that's around the stability of the leadership team. I sat on the Americas leadership team now for 8 years. And in the past 3 years, we have a stability of the team members as well as a very focused, concise strategy. And what that delivers is a trust and a belief, not just amongst the leadership team but also amongst our greater team. So that is a real turning point in our culture.

Katie Hodgson

It's called. It still gives me goosebumps stories about the fires. The other thing, Carl, that gives me goosebumps, I have to compare is a — *indiscernible* — So I'm curious, obviously, you had up marketing for the Americas. We heard a bit today about consumer recession,

about innovation, how are we building that capability?

Carl Evans

Thanks, Katie. A couple of things come to mind. Starting with consumer obsession and how we built our capability around research and insights against the consumer over the last couple of years outside of the data that we get from IRI or Nielsen or IWSR, we went out and fielded over 30 proprietary research projects with consumers. We went and talked to 21,000 consumers about our brands, about new brand concepts, about packaging, about shopping behavior, how they're switching from digital shelf to retail back to digital shelf. We've talked to them about experiences at the winery, and we really gleaned from them deep insights around what motivates their purchases.

So when we think about where we're going with 19 Crimes, for example, that's rooted in an insight that we got from ethnography research, the consumers. We got into consumers' homes. We met their friends. We figured out where they worked, what motivates them to buy our brand and what we got to was it feels good to be bad. So that's what gets us to obedience gets you nowhere, right? A really simple insight from our research, it feels good to be bad. So anyone who's wondering what does 19 Crimes about? It's a very simple insight on the brand that's going to take us forward with where we're going with our transformation.

The second thing, and this is really in conjunction with Sarah's team around capabilities, activation, how we bring our brands to life at retail in the on-premise. We've developed very good muscle around our planning calendars, our programming calendars, what brand is on focus in what month and what week against what holiday? And how do we then bring that brand to life at the point of purchase. So we've done a very good job creating those playbooks, partnering with our sales team and bringing those capabilities to bear in the business.

Rachel Ashley

And I'm going to pile on — *indiscernible* — I'm not going to say about this, but to mention marketing activation. We're repeatedly told by our distributors that we have the best-in-class marketing in. And it's really — it honors this marketing team because what they've been able to do is seek a concept like good to be bad, obedience gets you nowhere. And they've created the bridge from the theme to the consumer. So that connection is everything when we think about how to bring in a younger demographic, how to open up to every inclusive audience, it's about making that connection. What is this brand about and how is it seen by the consumer, right? We can all sit here and look at really pretty signs and messages. But if you don't see that in store as a target demographic, if it doesn't resonate with you on an emotional level. We're not doing anything to move business forward.

So this marketing activation team, they are the ones that create those experiences. To give you an example, I'm going to go down a bit of a rabbit hole bear with me just to paint the picture around obedience gets you nowhere. So 1 of the activations that the team came up with that really bridges the message into sales through the trade to our consumers is this concept called ink and drink. So it sounds super silly, but if you're a younger consumer, without a lot of knowledge around the wine category, it's intriguing, you're curious. So what happens is you go and you sample 19 Crimes and at the same time, you get an air brush tattoo with some catchy sayings around obedience gets you nowhere.

So it sounds like a silly activation. It's an opportunity to speak to our consumer around this message, and it's a lasting emotional connection. So those are the types of things that this marketing activation team is bringing to life, all day, every day, not just with our premium brands, but with luxury as well. You heard Ben earlier talk about our Vault Collective team. So they're focused all day, every day on luxury. And what we know from

a lot of this consumer research, Carl and I have this conversation a lot. Luxury doesn't look the way it used to 10 years ago in the wine business. Luxury is showing up in really interesting venues, it's not necessarily a business dinner at a white table class steakhouse anymore.

Younger consumers want to explore with luxury, they're coming into the category at a higher price point than ever before. So we need to be there to meet them to create those connections. So I think marketing activation has a big role to play in how we get that message out to our consumers in conjunction with sales. all day, every day, that partnership is super imperative.

Carl Evans

Absolutely.

Rachel Ashley

Couldn't help myself.

Katie Hodgson

I was going to say putting you 2 together. I know where we're going to go.

Rachel Ashley

I'll behave — *indiscernible* —

Katie Hodgson

We're going to change tack a little bit building on that theme about capability. One of the programs I mentioned before in our leadership – for our global leadership group was the — *indiscernible* — program, which is all about taking enterprise leaders and truly catapulting them into the future. But rather than me describing the design velocity behind an L&D program, Bijan, Sarah, you've just been on it. Can you maybe describe sort of what you'll take away — *indiscernible* — that's going to help us deliver?

Bijan Taghian

Propel is great in a couple of areas. Firstly, connecting with the global leadership group and really building it into a functional part of the organizations. I was lucky enough to spend that quality time with Carl and Sarah and I know Rachel, you're doing it now in a different cohort to really bring that connection between – within the business as leaders. But then also the growth minded or the focus on being growth-minded and the transition of ourselves as leaders to really thinking more and more that way.

For me, one of the things that really stood out was the focus on innovation. We spent a week over here in the U.S. We spent a week in Australia. We went and visited companies that were best-in-class at innovation. We saw what good looks like. Here in the U.S., we spent a couple of days down in Silicon Valley that was like a mind-opening career-changing experience for me. And you can see what we're trying to do as a company with our aspirations around portfolio expansion being connected consumer portfolio innovation. So we're trying to build that muscle, not just in the marketing and sales teams, but broadly across the organization.

One of the things that was a real key learning for me from Propel was this thinking about multi-horizon thinking, which I know Stuart touched on earlier, say Horizon 1, years 1 to 5, Horizon 2 years 5 to 7 and Horizon 3, 7 to 10. We as leaders need to spend more time in Horizons 2 and 3 because the opportunities that we need to deliver on in years 5 to 10, we need to start planning and executing on now. So again, just that sort of thought that we as leaders are being exposed to and being driven is a real positive. Yes, Sarah, I don't know what you thought.

Sarah Steffanci Bakx

I love that you brought up. The innovation was the standout for you as well. And just this concept, which holds true that innovation is everyone's responsibility. It's not a depart-

ment that sits in an office somewhere that innovates all day. These ideas come truly from everywhere. And they're not just products, right? They can be innovative processes can be, we talk about pack sizes or digital marketing, right? Innovation comes from everywhere. So that was a key theme for me. One other 1 that I love is this day 1 mindset. I feel like many of us are entrepreneurs at heart, when we think about the business. And this day 1 mindset encourages this excitement and ambition around the fact that every day is day 1 of your own startup business. So I think if we could multiply that throughout the organization, so everyone wakes up every day thinking about how they're going to grow their function or their piece of the business, it encourages innovation. It encourages that energy and that creative thinking on how we bring the business forward.

So for me, whenever I feel like we might be kind of lacking in a creative way, we have that day 1 conversation. If this were our business, were the entrepreneurs, how do we think about this more boldly, how do we be more disruptive in our thinking. And I love that whole process of us being together really encouraged, thinking differently overall, not just about leadership, but about the business.

Katie Hodgson

Yes, yes. And you've actually mentioned innovation. I know rate tomorrow, we're going to see some of that live as we go around. But I mean you lead a really big and diverse team. So how do you build capability in that and especially given some of the technology coming down the pipe?

Rachel Ashley

Yes. You get to know on the head, it is a big team. But it's also diverse in terms of its spread across California. So a head up supply team is over 400 people as part of my team that's across 35 vineyards, 7 wineries and a packaging center. But beyond that, it's also predominantly Hispanic and it's an aging work group. So it's not just enough to invest

in us in upper management, but we also need to invest let's say the leaders that are on the ground, those ones that are working with the operators with their technicians and so we've rolled out a program here called frontline leaders. And it's targeted at the team leads, the supervisors, the assistant managers that are coming up and building our bench.

We've just finished Cohort 3 in English, and we've done our first cohort in Spanish as well. And it's focusing on safety, communication and also professional development. And for a lot of these team leaders, they just haven't had that investment in the past, so it's really, really important. The other great thing is we've now rolled that across ANZ as well. So we're sharing that knowledge and really building that capability globally.

In regards to technology, I think we are now really starting to build capability in that space. And if you think about the opportunity we have in increasing our communication, being able to get the message the strategy, where are we headed? Why are we headed in that direction from Tim to the operator driving the tractor has a big gap. So how do we really lean into technology such as our tools workplace. For those that haven't seen that before, it's a Facebook equivalent for corporates. But it automatically translates to Spanish. So it gives accessibility to the majority of my team. It's intuitive, it's easy to use. But with that, we need to really increase our mobile access. A lot of these employees don't have computers. So having mobile devices, be it phones or iPads are going to be really important to capitalize on making sure that they can hear the same message from Tim as we hear.

I think the last one is around engaging with that next generation. I mentioned that it is an aging workforce. So the investments we're making in cutting-edge technology. Kerrin's told a little bit of a limelight with — ***indiscernible*** — spray unit, but what he didn't mention was that was a driverless unit that is automated by 1 team lead on an iPad. They can have up to 3 or 4 units going at 1 time. Think multifunction tractors that are operated with

joysticks and touch pads. This is a whole new shift, which I don't know about your kids, but mine are pretty good at gaming. And when you want to bring on that next generation, they're really going to be able to engage with where we are headed and why we headed that way. Plus it's pretty cool, and you will get to see it tomorrow.

Katie Hodgson

Maybe it's very cool. I've also come up at lunch. It is International Women's Day today. So thank you for reminding me, everyone. I will acknowledge the increasing diversity that we've got in the room today. There's at least more Papa jackets than pinstripe suits than what I've seen in the past. So progress. But more serious note across this team here, especially Sarah, you, Rachel, you are in pretty much nontraditional female-led functions. So I'm interested, can you bring to life sort of how that plays out in creating an inclusive culture.

Sarah Steffanci Bakx

Yes. Love the company, I keep here at Treasury. It's a huge source of pride for me personally. Having done with Treasury for only 3 years, I've been in the wine business for 27. So I'm very used to being the only female at the table, became a comfortable norm that we get used to. Here, Treasury, our Americas leadership team is 70% female. And first, we lead with – we have great leaders around the table and 70% of them happen to be women. So for us, that's a huge win-win. We have the best talent, and we have women in this industry that are now role models.

I get to sit next to Rachel and 4 other super talented women in this industry, so the message that sends not just to our team internally, but to our distributors and the entire industry is that there is a path for women. There is a lens on diversity in this industry that we all need to take responsibility for. And I think we're doing a great job through a lot of the development programs that Katie leads in terms of really bringing in and inviting

in employees and talent that look different than 27 years ago in terms of who's sitting around the table. So love working next to Rachel. What's your take on all that.

Rachel Ashley

Like Sarah, I believe that you recognized for your talent, not your gender, but I've also been in the industry for 20 years and more often not, I'm the only female sitting at the table, particularly on the supply side. That's not the case here. And not just the Americas leadership team, but also my supply leadership team is a 50-50 gender mix. So - but it's more than just that balance. It's also being allowed to bring who I am to the table and that being valued, particularly valued by the likes of Ben and team and allow to grow underneath that. It's really, really important.

I think my role in what does that empowerment look like for the next generation is we still have a gender gap when we look further into the business around some of our mid-level management but also our operations and that's where I can really help drive that shift. Think about building up that bench strength, I'll be sitting on a panel tonight with winemakers, and I'll be the only female there again. But underneath them is a generation of female winemakers that is coming up that will replace them. And that's how I can drive the change, which is pretty cool going.

Katie Hodgson

Well, we could probably talk all afternoon. We're very passionate about our people and culture here, but we've actually got a nice segue on the social part of ESG to hand over to the next speaker. So thanks for having us. Thank you, guys, for coming along.

Kirsten Gray

We'll do a little sop up here on the platform, but you'll see some guys back again in a minute. Good afternoon, everyone. My name is Kirsten Gray, and alongside Kerrin, I'm very pleased to be updating you today on the progress we're making on our sustainability

agenda. So progress in sustainable operations involves doing things new ways and finding solutions to solve problems. I'm very pleased with what we've achieved in the last 2 years, and I hope that some of this progress will be evident to you during our visit to some of the sites — *indiscernible* —

So as a recap, our ambition is to cultivate a brighter future for everyone who touches our business and our products. Our approach to sustainability has been embedded in our ambition and in our game plan, and it reflects a really clear commitment to innovation to partnership and taking a sustainability leadership role, not just in the wine industry, but across the global beverages sector. The areas that are most important to our business are the ones that frame our strategy, you can see that on the screen around the edge. Those are reflected in our key focus areas.

So the first of these is building a more resilient business, which acknowledges that our business needs to be resilient in the face of change and it relies on the health of the planet. The second focus area is fostering healthy and inclusive communities. It's a healthy and safe workforce will always be our first priority, and you've heard a bit about that today but we also want to foster sociable and connected communities where our brands are promoted and our wine is consumed, both safely and responsibly.

And the third focus area is to produce sustainable one. We want every consumer to experience wine that is sustainably grown, made and packaged, and our efforts here span from ensuring that our asset base and our grower network meets sustainability criteria through to joint innovation on some of our shared challenges. We'll talk a little bit about those today.

To hold ourselves to account, as you know, we set a range of commitments which are aligned to each of the areas we think really matter to the business. And I'll just run briefly now through progress against these. So what is stewardship One of the most important

elements in building the resilience of our business is our stewardship of water. I think you are all very aware of that. In F '22, we completed a comprehensive review of our global water footprint and our usage patterns.

And this year, we're using those recommendations and findings from that study to establish a global water strategy. Kerrin will address that strategy shortly and new targets associated with that strategy will be announced in our sustainability report in September. We're targeting 100% renewable electricity by 2024 and Net 0 Scope 1 and 2 emissions by 2030. As part of this, we're investing \$20 million on in-house solar energy generation and significantly enhanced metering technology across our global production network in F '23, which is quite a large and significant commitment for us with 9 projects now underway globally, including our winery solar development in Australia.

In relation to the Net 0 Scope 1 and 2 target, we've completed definition of the initiatives, which is a key part of these longer-term targets and plans to progress towards our target and reaching 100% renewable electricity is a really significant part of that. For health safety and well-being, we continue to consistently target and we need to be consistent destination 0 harm. And we're making good progress so far in F '23 against our Serious Incident Frequency Rate target in addition to substantive work on critical risk controls and you heard from the team on the launch of our Build Safe Together program builds on our — ***indiscernible*** — program in the U.S.

We've recently put a lot of thought also into our position on consumer health. So we believe that the misuse of alcohol causes harm. And therefore, we believe in and support the World Health Organization and the UN sustainable development goals to reduce the harmful use of alcohol by 20% by 2030. So with that in mind, we've launched our global alcohol and health policy that's available for you to review on our website, and it recognizes the important role that companies like TWE can play in promoting moderation. So

this year, we've committed to have energy labeling and a general health warning on all TWE products by 2025.

Female representation. You've heard a bit about that is a critical element of our inclusion equity and diversity equipments to our team, and we're making good progress with overall female representation across TWE currently at 42.3%, which is ahead of our F '25 target. While representation of females across our senior leadership cohort has held broadly stable, currently just under 45%. We continue to make some tangible progress towards a range of sustainable packaging and circular economy targets. We achieved an outcome of more than 95% of packaging being recyclable, reusable or compostable at the end of 2022 against our target of 100%.

So with the shortfall relating to some elements that couldn't yet be sourced as recyclable without affecting mine quality. We're continuing to work on those. We're continuing also to make some good progress towards the other longer-dated packaging targets that you see on the screen. We are really very pleased with our progress in sustainable growing.

The TWE works very hard to ensure that our vineyards and wineries are certified to credible sustainability standards, and they need to be credible. In recent years, our drive to certify our products to these standards has grown, as you would all understand, alongside the expectations of customers and consumers. So we're currently undergoing vintage in Australia, where we've been working with our growers and our bulk wine providers to ensure that they obtain certification under sustainable wine growing Australia. We have more work to do. But in addition to our own fruit, we anticipate that around 75% of our grower-sourced fruit will be SWA certified this year in Australia and, similarly, in the U.S., around 72% of fruit is certified sustainable with certification currently called out on label for Etude. And we've got additional luxury brands in progress in that direction.

And finally, in relation to our responsible supply chain ambition, we've completed the

development of a new supplier governance and risk assessment framework, which will assess our suppliers against key assessment elements you would expect us to manage, and it includes things like modern slavery and bribery and corruption. And that ensures that our partners are aligned with our own expectations across those areas.

Now that's a super-fast snapshot of some of the progress we're making towards our commitments. For some more depth on our most important topics, I'll now hand over to Kerrin Petty, who'll spend some time on how we're building resilience across our global operations.

Kerrin Petty

Thank you, Kirsten. Hello again. With grape growing and winemaking at the heart of our business, our dependency on the environment is at the center of our sustainability thinking. We've identified climate change as a material business risk for us with our exposure to both physical risks such as extreme weather events as well as transition risks associated with the shift to a low-carbon economy.

We're approaching climate change in a number of ways. Firstly, through measuring carbon to understand our footprint and reducing our emissions to decarbonize our business. We support the aims of the Paris Agreement and intend to reach net zero Scope 1 and Scope 2 emissions by 2030. Equally, we're actively managing the risk that climate change poses, which we're doing through adaptation focused on innovation and partnerships, to ensure that our vineyards and our winemaking network is resilient for the long-term success of our business.

Our emissions profile covering Scope 1, 2 and 3 emissions are covered here. Our Scope 1 and 2 emissions are generated from the use of fertilizers, fuels and electricity, and we consider this fully within our control. And therefore, our immediate focus is around eliminating these emissions. But we do recognize they only represent 5% of our total emis-

sions. And while we address this as a priority, in parallel, we spent time understanding our Scope 3 emissions, the makeup of this carbon pool and where to focus our effort, which I'll speak to shortly.

Here, we present our decarbonization road map and the key enablers to deliver our target net zero by 2030. The majority of our Scope 1 and 2 emissions, approximately 70%, will be reduced through our transition to renewable electricity. Therefore, meeting our target of 100% renewable electricity by 2024 will go a long way to us becoming net zero on Scope 1 and 2, which I'm pleased to say we are well progressed on. This leaves us with the remaining 30%, which we're going to target through improving efficiency of our operations, innovation and adoption of emerging technologies.

Over half of our Scope 3 emissions relate to logistics and packaging, and the strength of our partnerships across key elements of our supply chain gives us confidence that we can deliver a meaningful reduction in these emissions over time. A great example of this is with Orora, our glass supplier in Australia. They have a vision for decarbonizing with an agenda to create a lower carbon glass future. Orora has invested in an on-site beneficiation plant that takes the waste glass and puts it straight back into the furnaces. Now recycled glass uses approximately 40% less energy. The new glass producing less carbon to make a bottle.

Building on this, the closed-loop recycling program that we've established means that 100% of the glass that does end up in finish – that doesn't end up a finished product gets sent back to Orora for recycling. Light-weight glass is another initiative that we have with our glass partners. Using bottles that are lighter in weight ensures you're using less energy to produce – to reduce Scope 1 and Scope 3 emissions, a benefit for both us and Orora. So strong long-term partnerships will be key to our decarbonization plans, and we see our relationship with Orora as being a model partnership that we're seeking to

replicate across the rest of our supply chain.

In F '22, we completed a number of comprehensive pieces of work that essentially looked at how climate is changing and what impact that might have on our viticultural assets, our operations and ultimately the wine we make. There are 3 fundamental areas that we have assessed: the suitability of grape varieties to growing temperatures; the temperature change itself, including the likelihood of extreme events; and finally, water, which we have assessed in a number of ways, including total availability, future rainfall scenarios and so on.

The key findings of this work, first and foremost, is that our existing assets footprint will broadly remain viable into the future, but adaptation will be required. We believe that focusing on this now allows us to develop and implement a measured and sensible adaptation pathway.

We'll also be generally getting hotter across our growing regions, meaning potential impacts to quality or grade, and in some instances, some varieties may no longer be suitable in certain regions. We also expect our demand for water will go up with more resources needed to respond to the rising temperatures and a generally dry environment. And for that, we are preparing.

Tomorrow, you're going to see some great examples how we're responding to this risk at a local level by adapting our approach and techniques and investing in new technology, which takes us up to how we're adapting our business and the actions we're taking to make sure we're viable into the future.

We think about adaptation in 2 separate tranches. Firstly, on the left, protecting our business. These are the tangible things we've done to make sure we're on top of our key findings from the climate analysis work. One of those, for example, is understanding the

environment, which we're doing through our climate risk work. And to inform this, we're investing in predictive technology.

We're growing resilient vineyards by improving soil health, changing viticultural techniques such as how we prune, — *indiscernible* — as well as the use of cover crops in the mid row. We're also exploring things like rapid breeding techniques that ensure that our vines have desirable characteristics such as drought and disease tolerance. We're investing in technology in our wineries to making sure that when vintage compression does occur that we have the right asset base to deal with it.

The second focus is the evolution of our business. Multiregional sourcing has always been a core part of our strategy, derisking our supplier. Now this is being amplified with multicountry of origin expansion of brands like Penfolds and 19 Crimes, further insulating us from the impacts of climate change in our growing regions.

And then we're diversifying our portfolio, prioritizing more sustainable sourcing regions that suits the style and wine that consumers are demanding. We're putting the data and insights that Kate has detailed to good use, helping to inform us for target regions. A great example of this is the recent acquisition of Beenak Vineyard in the Yarra Valley.

With water one of our most critical assets, we undertook a strategic review of water usage in F '22, with key findings being that we have a good operational management and the appropriate portfolio to support our asset base. From these findings, we've developed a water strategy, including some targets that will be released within this financial year.

The key elements of our water stewardship strategy are summarized by 3 key pillars: securing sustainable supply; being efficient in our water use; and promoting circular thinking, where recycling, reuse and recovery will feature across our operations. There are a number of initiatives that we have in place to ensure we manage this precious asset the

right way while ensuring we demonstrate the sustainable leadership across our communities.

In summary, we're taking climate change very seriously. We're very clear about how we're going to reduce our carbon footprint and taking the right steps to ensure our business is resilient. And to that end, I'm extremely happy with the progress we've made and the speed at which we're approaching our sustainability agenda.

So thank you. Now we'll open up to questions.

Question and Answer

Kerrin Petty

I think Katie and Sarah, are you going to rejoin us and Carl, thank you.

Richard Barwick

It's Richard from CLSA. Kerrin, a question for you. Just picking up on the – was it the Beenak acquisition, and it sounds like you've done obviously a lot of work. You've got a sense of where the areas within your existing portfolio would be weak and you're saying you have to evolve. Is – does this mean – or should we be expecting more acquisitions now as you presumably get ahead of the curve because competitors might not have the knowledge that you have at this point, but they will soon you'd expect. There's a chance to get basically ahead and move into these newer areas or perhaps shift the center of gravity of the portfolio south, I'd imagine, in an Aussie context.

Kerrin Petty

Yes. Thank you, and thanks for the question. You did bore me at lunch. So – how to answer this. So the answer is I'd like to think we are ahead of the curve. So this climate scenario analysis, a piece of work that we did do was really comprehensive, and I'm unaware in Australian context, particularly of that piece of work being done by anyone else at this

point in time.

Now there's plenty of symptoms and signals that suggest people should be migrating south, but we've probably got a few more insights to drive us towards secure water as well as just temperature. And also, we have a clear view of what varietal changes we want to see in our portfolio. So that drives our other decision-making.

So short answer is I think we're ahead of the pack. Will we be making more acquisitions? Probably, and it's going to be balanced with adaptation as well some investment.

Richard Barwick

— *indiscernible* —

Kerrin Petty

Sorry?

Richard Barwick

Did you say divestment as well?

Kerrin Petty

Divestment and adaptation, so investing in protecting what we've got.

Craig Woolford

It's Craig Woolford here from MST Marquee. Just on the employee side. Some of your measures were against 2021. And obviously, we've all been through a pretty crazy couple of years. Do you have any sense on employee engagement versus 2019 levels? And also, do you have any measure or any guide you can give us on what the staff turnover has been for the [GLG]?

Katie Hodgson

Yes. So good question. So our first annual survey, we only did in 2020. So it was one of

those scenarios where we went, we really want to do our first one in the midst of a global pandemic, but we wanted to create a baseline. So we did it. And it is an annual event now. We do some pulse checks in between, especially as we're navigating future of work question for our workforce. So we sort of supplement the annual survey with some pulses around things that matter to our employees to guide some of their decision-making. And we're live at the moment in our current annual survey, which measures both inclusion and engagement. So that's live. So I'm not allowed to go and look in and talk about the data just yet. They try and hold me back from that.

But certainly, we're seeing a steady increase in both engagement and participation. And participation for us is a lead indicator of engagement just because if people care enough to go in – to the survey and complete it, then they're passionate about something.

What we saw the increase from 2021 into 2022 was, in particular, our supply workforce coming online. So their ability to do things through apps and technology to really be able to have a voice. So that was quite a shift.

To your question around turnover, we've been tracking that pretty fiercely. Again, engagement and disengagement, in particular, is a good predictor of turnover. And we've got some algorithms that sit behind that with some of our technology partners that we have. And what we're seeing is that our turnover rate, when we look at country, we look at different industries, the hospitality versus retail versus production manufacturing environment is lower than benchmark. So we've been able to hold, which is really, really good. And at our global leadership group, we've had next to no turnover.

Craig Woolford

If I can sneak another one in just on, I guess, the environmental side. In some of the opportunities for some of the goals over the next 5 to 10 years, there is a sweet spot where there is a win for the environment, win for the consumer and win for the business.

Deweighting glass stood out on the slide to me, but is there anything you can call out that feels like it's that category where there's a triple win on some of these initiatives?

Kirsten Gray

Look, I think the nature of our business is such that most of the things that we will progress in sustainability are likely to be a win for us and a win for the consumer. They're really interested in products that are working across the range of elements that go towards making it a really holistically sustainable business, and therefore, product for them to purchase.

The sort of broad I would say – that the broad sustainable farming piece and what I would anticipate to be an increasing bar around the quality and kind of definition and standards around what constitutes sustainable viticulture and other things is going to be something that we certainly expect to be a win for our business in terms of the long-term health of our vineyards and a clear win for our products in the hands of the consumer as we are were to communicate that more holistically. We don't want to ever get out over our skis in terms of how we communicate what we're doing in the vineyard to the consumer. So we're being very careful about not taking that too far forward before. We're very comfortable with all of our practices, justifying the claims we can make.

Craig Woolford

Yes. I guess I was also just thinking around impact on yields or costs in trying to achieve some of these goals. So the deweighting of glass is obviously might end up as a cheaper cost of goods as well as a good outcome for the consumer and the business and the environment. But how do you see some of these environmental goals impacting productivity measures, yields and the like?

Kerrin Petty

Yes. You have to think water would be in the same boat. So you're using every drop like

it's your last is important. And water costs money in this day and age so making sure you are using it efficiently and investing to make that so. So that sort of ticks the box of not only the sustainable farming piece that you've just spoken about, but equally the cost piece.

Kirsten Gray

I can also add the renewable electricity. There's no – we certainly expect that our electricity costs will be well lower than they would have been if we hadn't gone down that path.

Analyst

[Ben here]. So two, just first one, Kristen just interesting how — *indiscernible* — [peace] sits when you got a drink responsibly sticker on the label. And then the second one was probably more so to you, Kerrin, was just around how you think – following up from Craig's question, how do you think about the stakeholders when you're sourcing juice. I think it's pretty well documented. You have some big COGS tailwinds in fiscal '24, because you sort of sourced 10%, 15%, 20% lower. But you also hear a lot of stories like — *indiscernible* — there, fruit being left on the vine, Carl and [Bakx] around there are getting pretty material reductions on their price of fruit. How do you weigh that up from a business decision standpoint as well?

Kirsten Gray

Let's think about that while I talk about 19 Crimes. Yes. So it's troublesome brand from that perspective to some degree, but I feel pretty comfortable that we walk that line in a way that is appealing in a modern cultural sense, that doesn't step over any lines that we regard as sort of offensive from a community perspective. And we knocked lots of rough edges off the edges of those marketing campaigns as they go through, which Carl and the others can attest to. There's a strong debate that goes on, and we have an eye

on a number of things, yes, consumer health and when we're talking about lower and no alcohol brands, the way that we market those needs to be really responsible. If it's lower alcohol, it might be better for you, but it doesn't mean it's healthy and all of those things we're very aware of.

And when it comes to violence and other things, we have a strong value internally around women and doing what we can to assist our employees and management of issues like domestic violence and other things, and we talk about that internally. We're not going to support brands that we think have direct relations with violence, but you can be engaged in modern culture and disobedience without going down those paths.

And I think there's something quite – when you see the full platform for the new 19 Crimes classic range, it will be – it's quite inspirational in a number of ways at around don't always have to do what's expected of you. Don't follow the rules in all ways. So there's a number of different ways to interpret those messages, I think.

Kerrin Petty

Just to clarify your question. So it's about in this environment where there's a downturn, what's happening with the environment. So I suppose now the two are tied together.

Analyst

Yes, so I think whether it's your — *indiscernible* — supply — *indiscernible* — and reduce cost to the extent that some of your goals will be very much harder and so I'm thinking about longevity of those growers, but also from a standpoint on managing supply.

Kerrin Petty

Yes. I mean maybe I'll just talk to the environmental aspect first. I mean this has been all inclusive just as a level setter. So whether it's bulk wine, growers or company. We led the charge with, obviously, our company vineyards, which is easy to do since we control

them. We've supported the auditing process in some instances where we've needed to, to make sure there is this financial support or just in-kind support of growers to make sure they can get audited.

We haven't had too much resistance. I think the Australian industry is looking for a point of difference and being able to sell it in under this banner of sustainability and making that our winning charges has been important. To that extent, the industry bodies like Wine Australia, for example, have been commending us for lifting the bar and making sure we're bringing the grower groups now along with us. So once again, this is clean green type of methodology, the sustainable methodology, making that ours and helping the industry go that way.

Shaun Cousins

Shaun Cousins, UBS. Just a question – you obviously also got quite a lot of comprehensive information here in leadership and sustainability. Maybe for Carl, how are you expecting this to be communicated to customers? Is this something where you can charge a premium because you're ahead? Or are the consumers just expecting this and the win, so to speak, from a revenue perspective is volume and market share? I'm just curious about how you kind of monetize maybe not on the cost-out side, as Craig was saying, but on the revenue side, how are you actually winning on this, be it volume or price? I'm curious how you think about that and where the consumer is today, please.

Carl Evans

Yes. I think from a consumer standpoint, we feel strongly that consumers care more about the products that they're consuming and buying now more than ever. So our ability to communicate what we're doing in the vineyards, what we're doing to give back to community, it's really important.

So I'll give you an example, and we talked a little bit about Etude, a brand out of Carneros

rooted in sustainability – certified sustainable vineyards as well as the practices around the winery. We communicate that very overtly through the marketing messages. So we'll lean into Earth Day as a platform this year. We'll activate around that. We make sure that on the label, you see the sustainable certifications. And the consumer who wants to know more, they can then engage through a QR code, come and find out more about what we're doing.

As a portfolio, I would say we've actually been quite humble in communicating our sustainability efforts, and that's something with our PR team. We're doing better now to make sure that we're seen as a leader. We've been a leader, but maybe a little too humble of a leader. So you'll expect to see more from us in that regard.

Michael Simotas

It's Michael from Jefferies. I think this fits here, but it's got some overlap with earlier sessions as well. Wine really used to own the health piece in beverage alcohol, and it seems like that's potentially no longer the case. Can the product get back to that leadership from a health perspective what needs to happen? And does the industry need to do this as a whole or can you lead that charge yourselves?

Kirsten Gray

Yes. I think – look, I think different sectors of – in the beverage industry have been under greater pressure, I think, on health issues for a longer period of time. So maybe wine was perhaps a bit quieter if you – if that's what you're referring to in terms of sort of perceptions around health. I think nonetheless, it's important for every alcohol sector. So – and you don't want to – ***indiscernible*** – begin any niches, if you like, in that regard. And I think we think it's really important to step out. It's a risk management issue for our business. It's the right thing for us to do. If we're consumer obsessed, we have to be actively caring about how our product impacts on the consumers from every angle. It's a

good thing for us to be much more verse about.

Can you do it on your own? Can you – or do you need the industry? I think in the end, you need the industry to sort of make an impact on these sorts of issues. And there's always interplays with governments and health sectors and those things as you progress through debates on those issues. So you would prefer not to act alone. I don't think wine has broadly stepped into this space overtly. So at the moment, I'd say that we're speaking more on the front foot than other companies often are.

Carl Evans

Just want to build on that, and I think you're quite right. Wine was the original better-for-you beverage alcohol. The French paradox was widely understood. I think we feel like in the category that tequila has crept into that position, especially in the minds of younger consumers. Agave grown, it's from the earth. Starting to communicate to consumers about the benefits, resveratrol, some of the polyphenols within wine, mid-strength that we talked about a lot, right, that we're playing into occasions there. There's absolutely a position for wine to take back with regards to better for you.

Ross Curran

It's Ross Curran from Macquarie. Sorry, Carl, this sort of drags back to the questions from the earlier session. But you mentioned at the start of the...

Carl Evans

I thought Ben answered them all.

Ross Curran

And so you mentioned that you undertaken nearly 30 customer surveys. I'm just wondering maybe you could share some of the detail from those surveys maybe by brand. What are you seeing customer demographics by brand? How does it look? Is it consis-

tent across the country? Is it consistent by distributor? Can you just help us flesh that out a bit?

Carl Evans

Yes. Sure. It really depends on the questions that we're asking. And I think many of the questions today have been around 19 Crimes. Maybe I'll focus in on some of research there.

And what we found and what's led us to where we're going, really 2 sets of consumers, one that is loyal. And when they have found 19 Crimes, they've arrived. Another that passes through our brand and is looking for more credentials around the product that maybe our stories aren't providing to them. Hence, you see in our new label, we've got broader callouts on things like varietal, on country of origin as well as what we're calling a flavor meter that tells them about the intensity of the wine, right? So we're giving them that information that they're looking for so that our lapsed consumers, they'll come back to us. So it's not a pass-through for them. They may journey and go and discover other wines, but they'll absolutely come back to us.

What we've also found through our research is that recruitment is the key to the brand. So we know that there are going to be some consumers that try us and move on. Maybe they'll come back. We certainly would like them to. But our ability to recruit new consumers, we know it's going to be important to the brand. Ben mentioned what's going on with Cali Red. 30% of those consumers are new to the wine category. So think about the selling story to our retailers. They weren't drinking wine previously. So our ability to be a wine brand that recruits and brings in consumers to the category, critically important to us. So those are just a few of the insights that we're getting from consumers.

The big one that I mentioned that I love is just the basic insight on the brand, the emotional insight, feels good to be bad, right? We know what the brand is about, the con-

sumers played that back to us, and that's what we can slide that brief to any agency, any retailer, any partner around the world, and they very quickly understand what our brand is about and where we're going.

Katie Hodgson

Did you want to build anything from a distributor-customer perspective?

Sarah Steffanci Bakx

Yes. I think Carl's points are great. As we look at demographics, especially, as we look at Cali Red. Snoop is one of those personalities that transcends demographics, right? I think our assumptions on who he was going to speak to were very wrong initially. We saw the broad reach that he has. But if we look geographically by distributors, we see trends more by banner and occasion than by geography.

We're looking at incremental opportunities now within 19 Crimes. You saw the St. Patrick's Day label that's showing up across chain grocery right now. So we're learning more about these consumers and how to bring them in, in a way that's incremental to the franchise through these LTOs. But broad stroke, it's not specific to a distributor or to a geography, but more demographic-based, occasion-based and how we're building on that incremental theme.

[Break]

Presentation

Matthew Young

I'll make a start in just a sec. Take your seats. Thanks. All right. One sec. All right we're good to go. And I know it's been said a few times, but welcome, everyone. It's great to have you in Napa. It's one of my favorite places in the world, and I'm really excited with what you're going to get to see tomorrow, which is a bit different to those who've been

here before. So fantastic to welcome you here.

In our final session today, we would like to highlight our strong focus on delivering consistently through the cycle for our shareholders. As I'll take you through, the focus on driving near-term growth enablers as well as investing for the future has delivered attractive returns consistently for our shareholders. Our proposition for shareholder value is very simple, we operate in an industry with attractive fundamentals. And it's through our strategy that we put to use our market-leading brands, business models and assets to take advantage of those market fundamentals.

When we do this, we strive to achieve market-leading returns at the top line and the bottom line. And we want to drive strong cash flow and return on capital. We maintained a disciplined approach to capital allocation. We invest effectively so that we create a virtuous cycle, again, enhancing the long-term financial outcomes. And we also provide strong returns to shareholders through dividends and capital returns. All of this drives EPS and TSR growth, which are well ahead of many of our industry peers.

Now today, we spent most of our time presenting the first element here, and particularly the elements of our strategy that will set us apart over the long term. I'd now like to share more detail on the other elements.

Let's start with our long-term financial ambition. Our long-term ambition establishes the mindset that we have within our business. Our plans are centered around an expectation that we are a growth company. But equally as importantly, we want to deliver that growth sustainably and consistently. Our aims is to be stronger for longer, building every quarter, every half, every year. And it's a mindset that also applies to each division who are measured and managed against their own targets for top line growth, earnings, margin expansion, cash flow and ROCE, each of which supports the group-wide targets of sustainable top line and a high single-digit average earnings growth over the long term.

Alongside this, we're focused on premiumizing our sales mix, delivering EBIT margin of 25% and beyond, restoring our ROCE to 13.9% and to grow from there, and cash conversion, excluding changes in noncurrent premium and luxury inventory, of 90% or higher.

And as we reach half time in our 2025 strategy, we believe we've made good progress against these targets, including premium luxury sales now represent 85% of sales, up 14%; EBIT margin in first half '23 was 23.9%, strong progress towards our 25% target. ROCE reached 11.2% as we return our earnings to growth and manage our asset base. And cash conversion each year continues to deliver above the 90% or higher target for the full year.

At a top line and earnings level, we've made excellent progress on an underlying basis, taking account of the loss of China. And we now look forward to a period of growth on a reported basis as we remain committed to delivering against our long-term ambition.

But as we say at TWE, it's not the what, it's the how it's done that matters. You may remember the first half of this slide from our last Investor Day where we highlighted the growth enablers as we saw them through fiscal '21 and fiscal '22. The successful execution of these enablers, including our COVID recovery, luxury reallocation, the changes we made in Treasury Americas and supply chain savings programs, which will deliver well into fiscal '25, were all strong contributors to our performance to date, which was enabled through the implementation of our new operating model.

Looking forward, the context is different, but the enablers for us remain clear. At an enterprise level, ongoing premiumization trends are an enabler for all divisions, but we will continue to on category expansion through innovation as well as technological investments to drive growth.

Divisionally, Penfolds will be focused on multicountry of origin growth, building global

distribution and availability, and ongoing pricing opportunities as demand exceeds supply. Treasury Americas will drive growth through the factors you heard earlier today, in particular, expanded distribution growth, ongoing brand innovation, portfolio expansion and opportunities around revenue management.

For TPB, the focus will be distribution growth in key Asian markets as well as brand innovation and revenue management opportunities globally. Importantly, whether it's enterprise-wide or by division, each of these initiatives and capabilities are already in place, which gives us the confidence to set our ambitions over the longer term.

Moving to the next element of our shareholder value proposition. Capital management is a true strength and comparative advantage for TWE. As we've always said, we target investment-grade capital structure, targeting leverage of between 1.5 to 2x and up to 3x for accretive acquisitions. This structure reflects the optimal level of leverage to ensure that we minimize our cost of capital, have sufficient flexibility to support ongoing organic and inorganic investment, but also to ensure that we can provide stable and consistent dividends and returns to shareholders.

In addition, the structure has allowed us to navigate recent significant shocks whilst maintaining a focus on growth. Within that structure, we're disciplined in our decision-making with respect to capital allocation. Each division has different capital return expectations, which must enhance not only our group ROCE, but also deliver above the divisional targets we set.

Where decisions must be made and where to allocate capital, we'll invest in the spot that delivers enhanced returns against today and, ultimately, the best returns for shareholders. And when it comes to direct shareholder returns by way of dividends or other mechanisms like buybacks, the way we think about it is this: we maintain dividend payout ratio of between 55% and 70% of NPAT, very strong, we believe, for a company in

a growth phase. We also actively consider capital management options where we can see that leverage will be sustainably below 1.5x. This approach is evidenced through our disciplined and balanced deployment of capital since listing, with more than \$5 billion in capital sourced from our business subsequently deployed in a balanced way across accretive capital investments and return to shareholders.

That disciplined approach to capital deployment has us very well positioned to support our growth, and we've invested deliberately against the key strategic priorities of the divisions and the company-wide opportunities, whether it be the significant investment in our Australian luxury winemaking asset in the Barossa, incremental vineyard acquisitions and redevelopments of \$180 million, the restructuring of our portfolio in the U.S. through acquisitions and disposals or the significant investment we've made in data and analytics capabilities. These investments delivered today will be critical to the ongoing delivery of our financial objectives, but also demonstrate the strength of the approach that we take.

Looking forward, we're clear on the areas for investment for the future, which will drive the next phase of our growth. The majority of the priorities actually focus on those enterprise-wide drivers you heard about earlier, including continued investment in digital enablement, which Kate took you through; our major investments in low and no alcohol, which we believe will be category expanding; our investments in sustainability, including investments in solar and water management, which will protect the business into the long term.

At a divisional level, however, there is less of a need to invest capital to deliver our growth ambitions. Our view is that the majority of major growth level investment has been completed. And rather, the priorities are focused on opportunities, which will extend or enhance our financial ambitions, including through acquisition of portfolio-enhancing brands or expansion of sourcing for Penfolds multicountry of origin and New Zealand port-

folio, both of which are valuable additions and supportive to the growth strategy. This is really a strong position to be in, having invested the capital carefully over time and to retain a strong balance sheet position, which will enable us to identify acquisitions that will focus on future growth, which is something we continue to remain focused on to deliver strong returns for shareholders.

As I mentioned earlier, as a company, we've delivered shareholder returns well above the ASX 200 and ahead of consumer, wine and spirits peers since we demerged. But even over a shorter time frame, if we look more recently, since we commenced our TWE 2025 strategy, we've continued to deliver total shareholder returns above that same group, and that's despite losing the Chinese market during that period.

But it's not something we're ever satisfied with. We're only at half time of our TWE 2025 game plan. And whilst we feel we're ahead, we're determined to build on the strength and resilience shown by this business over the last 2.5 years, implement our global enterprise drivers, invest carefully and deliver our long-term growth objectives to ensure we continue to deliver strong returns to shareholders, just as we have in the past.

Thank you. And with that, I'm going to welcome team up to the stage, and we will open up to questions.

Question and Answer

Craig Woolford

Craig from MST. Just wanted to ask – might be here or learn more tomorrow. What is the production capacity now in your U.S. business in terms of cases?

Matthew Young

I don't think we've shared that specifically in terms of a breakdown. There's obviously – we think of capacity in different levels in terms of winery capacity, in terms of tonnage

and then packaging. So I'm not sure I can share that without sort of getting – going more specific and releasing something like that. But what – is there something specific you want to...

Tim Ford

Let's do in dimensionalize it for you...

Craig Woolford

13 million, 14 million case business 3 or 4 years ago, you've consolidated some. Maybe you can tell us what's being removed?

Tim Ford

Yes. So the – what you'll see tomorrow so there's 3 key assets here in the [Vintage launch] in California, it's not in the valley, that make up essentially the heart of the supply chain outside of the vineyards. First one is a winery in Paso Robles, which is now very much operating at a, I'd call it, a streamlined capacity given it does a lot of the Cali portfolio set you down there from the sort of Central Coast. So that's a pretty important winery in our network, probably one we've never really talked about much before. Size and scale of that would be pretty close to the largest – one of the largest winery's down there on the Central Coast in Paso Robles, if not the largest, right? Yes. It's not factually correct, and you can test me on it. That's fine but it'll be a little bit on the top couple, no doubt. And then here in Napa, you'll see the San Helena winery, which is where we expanded that capacity after the Diageo acquisition when we consolidate the winery network and is the largest luxury wine in the Napa Valley. So – yes that's – then I can factually back up. So the asset base is good capacity to really continue to grow in that winery. So we have the capacity to grow in the future. So the intake from that, it's not full. The biggest underutilized asset we have is packaging. So – when we bought the Diageo business, we acquired the Sonoma bottling facility. And that was set up to do 15 million, 16 million

cases. It's now doing a lot less than that. So there is surplus capacity in that facility. But when you look at the cost of packaging versus all the other costs – cost of goods, et cetera, it's the least impactful across that supply chain. So really strong infrastructure in the Central Coast, growth capability, but great new facility, as I said, – I won't – still tomorrow's thunder, but it's a [Federal winery] and then the packagings issue.

Matthew Young

The brands we divested weren't a big winery utilization. So a lot of that was bulk wine third-party producer was the packaging side that we were putting through our site.

Craig Woolford

Excellent. And this might be almost a Board type question, but...

Tim Ford

We have directors here, so – there we go.

Craig Woolford

Why does the company have a percentage EBIT margin target? And the reason I asked that question is it feels you're on track for the percentage EBIT margin outcome. But if I always think about mine forecast or consensus from 4 or 5 years ago, it will be on a smaller revenue base. And – so it's always a dilemma for any business, what's your target? Is it a volume? Is it a sales target? Is it a percentage margin target, obviously it's a ROCE and the returns, we care about shareholder return?

Tim Ford

Yes. Looks – look, I'll answer that because it's been quite a clear strategy across the Board and the reason why, I mean, EBITS margins are very important indicator for us over the last 5, 6 years, probably. Something my thought as a real focus for our business. If you think about the shift in terms of our premiumization of the business. So where we were 5

years ago, 50% commercial, 50% you see half your business is going to decline in segment. The other half is in a growing segment of the category, continues to be the case today in terms of that growth. We're now 85:15, I think it was in the last half. So the margin mentality and driver as a primary decision-making driver and KPI and incentive structure KPI ensures you stick the path on that strategy. Now that doesn't mean you don't like volume, but you like volume at the right price points that create that margin structure. What it also does is ensures you innovate. So you start to add in terms of your EBITs margin as well. So there's no point driving a profit growth that's at a 6% margin because that – we believe that goes into a category that's actually declining. And we also judge our quality of business based on our margin structure. Very important, I also think just to manage through things like these cost changes that have happened over the last 12 years – the last 12 years – last 12 months, in particular. If you've got the margin structure there, you can manage through these periods of time as well. So it measures the cost fluctuations a lot better. So that's why it's important. I mean it's an interesting debate. I mean, we have it often, which is between not so much volume, but NSR, total versus EBITs margin. And you look at the – how we incentivize the 3 divisions is actually quite different from how we focus that top line as well. Penfolds is about NSR, not really about volume. Whereas the balance between volume, NSR, and NSR application for Pete and Ben's businesses are much greater focus in terms of how we manage it, so.

Craig Woolford

Okay. That makes sense. And then lastly then, because one of your key elements is ruthless portfolio discipline. Should we expect further drop in volumes for the commercial part of the portfolio?

Tim Ford

Yes. Yes is the answer. I probably don't need to expand on that too more. But it's how you manage those drops in volume as well. Yes, that does – does need to pause for yields

- you got to make sure your cost base is right – for what that volume and that sales revenue actually does provide us. So yes, but you should not expect them to grow. And that's offline with

Ben Gilbert

Ben from Jarden – maybe just two. First one, is there an industry body in the states for the wine industry that pulls all the marketing to try and drive consumption? Is that something that you guys could labelish – look to push here?

Tim Ford

The one – the wine institute here in the U.S. which is – what it's called. It has a very, very strong industry body that probably more ben – ben can jump in here as well, probably more leads the policy direction and the sort of more government to government type of discussions. So we'll drive and deal with key issues on behalf of the industry, whether it be export, how you drive certain markets. But less so marketing of the wine industry would be my sense, Ben, but you're closer to it.

Ben Dollard

Yes. No, you're exactly right. It's a regulatory body that largely interacts with government, local government, federal government, state government. There's not an industry body that is actively out building brand wine. That said, there's a lot of efforts locally, certainly Napa valley vineyards, Sonoma County vineyards all of these local groups that are very active out in the community – certainly, big cities, promotions, and we participate in them aggressively. But not an overarching industry body that's – that's capturing mind in general.

Tim Ford

Yes. But you – whether this is your question, I'm going to answer it because you've got a thought on my head, which is – then we'll be talking about – only in colleagues in the

room at the lunch break. We actually need this whole industry to focus on bringing young consumers into wine. That's the challenge. So for us, we want to be seen as the champions at. So we get asked all the time how the hell did you – how the hell does it work? – we just keep banging the drum, it's bringing younger consumers, new consumers into wine. There's other companies in this industry over here, in particular, but absolutely focused on it, and there's some that don't even talk about it, which is crazy. So we just got to keep pushing that drum, keep talking about that, keep making sure and influencing across the industry where we can – particularly those that are in that, I'll call it – sort of \$15 to \$30 price point as well because that's – the only consumers don't come in at \$90 Napa Cabinas necessarily, some are, but not too many of them, it's getting that body – so that's what we've got to take the lead on, we think.

Ben Gilbert

And final one for me, probably a little bit of a near-term one is at the half year result, you're saying expect similar trends in the U.S. for the second half as you saw in the first half. But obviously, your December quarter was a lot softer – sorry, December was a lot softer than September. To Tom's point before, it looks like Jan and Feb started pretty soft as well. So what gives you that confidence as we move towards June through the fourth quarter, things are going to kick? Is it the 19 Crimes launch and not as extra price increases and you're still very – you're still confident with that statement you made at half?

Tim Ford

Yes, certainly still confident around the statement we've made. The things that we talked about through the results period that – to do that. We released some NPD towards the back end of that quarter. So that will be in the market for a little bit longer, not just the 19 Crimes, but things around Matua. And we've got some NPD release for later in the year as well, which, if anybody saw the big display outside, you might get a sneak peek to what some of those are. So that – but the second is the execution. So the work that the team

have in place around activations, particularly around 19 Crimes, Matua in that premium space, that's what the plans are in place as we're working with our customers right now, and that's what the plan is for the second half.

Thomas Kierath

It's Tom from Barrenjoey. Maybe further to that point, that the whole strong comment was a really topical one. I know it's – so I guess the question is – is the year panning out how you expected it? Because it looks like the Americas business is a bit softer. Is it – I guess the question is like – is your definition of strong today the same as what it was back in August?

Matthew Young

I'll answer the first question. The year is panning out how we thought it would with the exception of 1 brand in 1 market, and 1 part of 1 brand in 1 market. So going around the world, absolutely so Penfolds being on track. Exactly how we thought it would be, and still great confidence in where that goes. TPB, we're under no illusion that the commercial part of our business was going to decline. We expected it a little bit faster than we thought, but the strength of the other parts of that portfolio have – are delivering. So in terms of the strategy of that business, the earnings are a bit behind, but certainly, the strategy is how would – and in Treasury Americas, there's a lot happening here in luxury that is fantastic and the plans in place. And I don't want to oversell what that is, but in a year where we are supply-constrained to have taken price, to have built distribution, to have the platform ready for that luxury portfolio when new volume comes online is a once-in-a-lifetime opportunity that the team has taken advantage of. So luxury is exactly what we were hoping we would be able to do. And so absolutely. And then across the 19 Crimes portfolio, it's been fantastic. The innovation behind the core tier is probably 4 to 5 months behind where it turns out it needed to be, but it's being worked on – 4, 6, 7 months as it is. So that's how I summarize how it's going.

Tim Ford

Yes. We're shifting the costs. There's different ways we're managing the business to get there - the market dynamics of where we expect it to be. The consumer is changing pretty quick. But broadly - broadly there's not too many surprises in the first 8 months of the year from that point of view.

Thomas Kierath

And then how - like in the past, this business like before you - guys time - like dive for the line did some unsustainable stuff to hit a profit number? Like how important is delivering whatever, 12%, 15%, 20% growth this year versus the longer term?

Tim Ford

I think the longer term is absolutely the answer for us, that's our goal. We will not do things just to hit a couple of percentage point improvement at the end of December or the end of June because what's the point? It's - and I think, hopefully, there's trust in this management team that we run the business sustainably and we'll do those things. We're quite overt about things like we didn't ship the LatAm in December because we don't want to get credit, but don't want to manage the business the wrong way. We've talked quite openly about some of those things. So that's the philosophy. We'd rather run it that way. Still that's the thing. It's an interesting one because we beat ourselves up a bit because there - it was a miss by a couple of percent, wrong in terms of the EBITS, and that's where the reaction was on our day. But then you flip back and go, well, actually grew 17% report, 15% organic, which is more important because that's the real number, and we're doing okay. It's not 100% exactly where we wanted to be on one aspect. So that's how we look at running the business. Half is a half and you sort of get very focused on it for about a 2- or 3-week period because we've got to explain it to everyone here. But most of our time is on - right, what are we doing now for next year and the year after? Is the way - way we run the business.

Analyst

A couple of quick things. So, so excited to hear you guys talking about innovation and dragging in the young consumers. That is absolutely what we need. And I talked to a lot of wine companies and you guys sound like, again, you're at the tip of the spear on that. Really excited, and thank you very much for your leadership in that. Two quick things. Going after the younger consumer, that \$15 to \$30 price point sounds great. The production dynamics behind that. That's really hard to do in the North Coast, right? You've got your Central Coast. – stuff. And that supports that pretty well. Have you started thinking about branching out to some other regions, specifically Pacific Northwest and Eastern Washington where you have a lot of those same production dynamics and in some ways, a little bit better water situation?

Tim Ford

Yes. So we started thinking about it. We've got nothing to share on it at this point in time. But I think the real advantage we've got on what we found is, one, how we actually build these cultural brands at these lower price points. Now ironically, our 2 successful brands were Australian-sourced 19 Crimes and New Zealand sourced Matua. So clearly, the economics at that price point from outside California works better. Then you have the innovation under the Cali collection, which is Californian source, which is a higher price point, except for one store of Safeway in – down the road unless you found another one since you want to share or – but generally speaking, it is 99% of the time above \$14 a bottle, hopefully. But that that's surprise with the California sourced. Now up North, I think there's some nice brands. Again, we look at brands up there, the Innovator – do you buy – and for us, if we were to purchase brands from up there, has to fit the portfolio gap, which a lot of them would, so tick. Secondly, it's better COGS. So definitely, there's probably broader access to supply. So if you look at all of those, yes, there's certainly options we would look at in that part of North America as well.

Analyst

Also Self-serving. I'd love to talk to you about that. And then – in terms of holes in the portfolio that you talk about in terms of Treasury Wine America, is there anything you want to talk about in that?

Tim Ford

No, very clear. It's 15 to 30 basically across the board. It is sparkling wine, not across the board there. We've launched the Cali Gold which is a pretty unique proposition. So that's at a good price point to have some volume play with good margin and price point. Some of the imported brands, I mean, we still look at the Rose category, the lighter varietal category, which we're not necessarily participating in that strongly. We are with some propositions, local propositions. We're launching Squealing Pig Rose here as we think Squealing Pig is going to be one of our global brands over the time as well. So we're launching that here out of California this year as well. So again, you should expect us to be in the next short period of time in that sort of real focused price point. Because if you think about our distributors, they've got our luxury portfolio. They've got Matua, they've got 19 Crimes. But in the – get in the middle there, when they go in to retailers, in particular, they're driving someone else's brands. So we want them to be driving our brands. So they've got the full suite, so have become more important to every sales in the – certainly they love – salesperson, I should say, exactly.

Michael Simotas

It's Michael from Jefferies. Can I follow on from that? You've talked about sparkling a few times over the last couple of years. And I think I heard you say today luxury sparkling. Does that have to be champagne? And if it does, can you do champagne? Can you require something? And can you talk about the economics of it as well? Obviously, there's working capital, which you guys are used to. But can you talk about margin economics as well?

Tim Ford

Yes. Yes. Look, I haven't been 2 years I've been going to that sparkling, just to be clear, it's been one. It has been one, and it's been quite consistent, and we haven't delivered anything yet. So thanks for pointing that out. It's not for lack of trying. So yes, certainly, we have looked at some options around champagne. And what we found is that – the question around margin economics is challenging, with champagne out of France. So from our perspective, we would still love to have a French champagne. And we have a French champagne, which is a partnership with T&O and Penfolds. But hopefully, working with T&O, we can broaden over time. That's the path we will more likely try and explore the short term given the other paths we've tried to explore. I would – I am not additive to the financials of this business as much as emotionally, I'd love one. Emotions gets overwritten by numbers very quickly, and particularly by Math. My motion goes away quickly. On the fund killer.

Michael Simotas

You do luxury U.S. country of origin or even Australian country of origin?

Tim Ford

Sparkling year, I don't think – so I will get the marketplace – can't hear me now apologies. I think U.S., yes, you can. I mean you look at brands that have been successful in this by Shandong has been very successful in the entry-level luxury is at \$70, \$80, no, it's not. But then you've got a Frank Family tomorrow, and you'll see – got niche and small but really fantastic sparkling proposition that is not going to be a dominant U.S. trade product. So you can do it. But I think you have to have to get the price point, you probably have to have the French champagne at that level. Thanks for pointing out my failings on the sparkling.

Richard Barwick

Tim and Matt, Richard, I won't ask anything about Mays on the ground of spring – on the sparkling front. But I want to talk about China if we could. I think on the result call, you talked about, obviously, that demand would exceed supply if tariffs dropped away, but would there be a, I guess, a lag before you could respond in a sourcing and then supply? So that would give you the opportunity to put up price. So I mean – that's a statement, how progressed – how much work have you done on that? So what sort of opportunity is there to put up price? How would you go about that? If you could give us some metrics to work with.

Matthew Young

Metrics. No, no, I can't give you metrics. The what – we have done a lot of work, but we are – it will be really important if this happens for us to get back into market, speak to our customers more and really test that out. So the work we've done certainly around thinking around crossing opportunities is long term. So if we think multiyear 3, 4 years by the time we've accessed incremental sourcing from bins and above, we need to be conscious of our global floor pricing, make sure that if we were to take price, it was consistent around the world because that's really important to the equity of the brand, to maintain pricing and maintain the risk of gray markets emerging, so that would be really important. So we would take price up globally, but we wouldn't be greedy because we'd be looking at a 3- to 5-year journey of incremental sourcing coming online, and we need to make sure the pricing holds up over time. So that's the way we think about it. But as I say, Tom and team are more and more back in market speaking to customers now and understanding lay of the land. Penfold still has fantastic brand recognition there. It's the actual brand awareness and consideration to purchase, not intent to purchase because you can't – but consideration to purchase has increased since the tariffs came online. So we've got – we know the strength is there. We know the opportunity is and we know what we've got globally, but that pricing strategy will be for a long-term impact.

Tim Ford

Yes. The only thing I'll say is – it's a philosophical point really, which is we will go very conservative on pricing to start with. And the reason why we do it is because the biggest risk should churn or reopen, I still use those terms, the biggest risk we have in the short, medium and long term is that we lose control of pricing or we get pricing too high in a certain market by China, that then it becomes a vacuum of product that goes up there. All of a sudden then we've lost control of global pricing. And I'll be more than happy to be criticized with 6 months slowing, taking opportunities on pricing to make sure that doesn't happen. So that's sort of the sequences we think that we have to get that right, that's mission-critical.

Richard Barwick

Just to clarify or rather confirm, to recreate or – the 600,000 cases of bins and icons, you sort of say 3 to 5, is that a 3 years to at least create the stuff...

Tim Ford

It won't be 3 years to recreate that.

Richard Barwick

And then for it to actually get it into market, then are you – is it – are we talking 5 and 6 years. What's the sort of time to...

Matthew Young

Obviously, generally, particularly you've been throughout 9 4 07, the workhorse of Penfolds is a 3-year age of release. So as we source that incremental supply, it will be a 3 and then 5 years for the really high end. So it will come down to increasing the access and how fast we are able to access that sourcing.

Tim Ford

I think we'd find it challenging to find an incremental 600,000 cases in 1 vintage, that's for sure. But I have a multiple. Karen, can you?

probably the wrong forum to anyway.

Well, can I actually – Rich reminds me, I didn't want to answer your question earlier because I was sitting at the back and there's nothing worse than people sit on the front and someone in the back answers the question for us. But 19 Crimes, so you asked the question, did we make a mistake with 19 Crimes with our focus on core? Yes, missed the trick, same as a mistake isn't it. The answer is no. I'll tell you, absolutely, I don't think we did. And it depends if your glass is half full, or your glass is half empty, mine is generally half full. And the reason why we would not have created 1.5 million new cases of Kelly, Red, Gold, Blanc, bit of Rose, Martha Chard, Martha Lighter in over the last 2 years, if we didn't – that took our focus? Absolutely. I'm not apologizing for that, right? So the core brand, yes, it's declined at a decline quicker than we thought, but we've seen at that. We know what we need to do to get back on track with that brand. If we had spent last 18 months focused on that and the other – okay, can you argue or do both? Yes. But I don't think we've made a mistake. Obviously, we get the balance right now going forward.

Shaun Cousins

Just around your growth options. You've spoken a bit about the U.S. So U.S. Red in that sort of 2025 or 15% to 30%, is that where Tapestry plays a big role in that?

Tim Ford

Yes, Tapestry will. So for those that haven't seen Tapestry, thanks for pointing that out. The Tapestry on the – what do you call it, picture board, that's the one, as front – in the middle is an NPD that the team have come up with here, which is what's a \$25 car – which has - passed the rivals essentially, based on the BV Tapestry philosophy, but a stand-alone brand. So it's not a buy BV but it is a Sterling brand. Absolutely, we will innovate in that

space. So that is designed to play in that \$25 – called entry-level luxury portfolio. So that will fill a gap for us, but it's a new brand, so it'll take years. So you got some Hubert's The Stag which is \$20 a bottle. That's going really well, but it takes years. And we've been at it now for 3 years, I'm going to say, Yes, and that's going to be one. So you need to have 4 or 5 of those that are innovating as well. And again, if we can balance that with acquisition, all of a sudden you come out with a portfolio – because not all your innovation is going to work, we know that, and we're fine with that. Because if you're not filing with some of your innovation, then you're go on safe, way too safe. .

Shaun Cousins

Then maybe to think a bit about – you've highlighted the opportunity there for acquisitions. Is that really going to have to be in that French Rose sort of space and sort of as Mike was saying on sparkling...

Tim Ford

You look at that center of gravity where there's still good volume as well is that \$20, \$25 space, whether it be French Rose whether it be sparkling, will it be some of the sort of central coast Reds, whites, probably more reds than whites sales at Central Coast.

Shaun Cousins

And given the potential for sort of M&A to plug some of those gaps, maybe, how then do you think about capital management? And you've called it out, I think, from August last year, you said, hey, I've thinking about supplementing dividends with capital management is – M&A seems to be something you're more fulsome about in discussing now. Is that something where we should not anticipate capital management or you can do cap management and still have firepower for acquisition up to that 3 times?

Matthew Young

We unashamedly and if I upset someone here, I apologize, we unashamedly would rather

redirect our capital in areas of growth. And so we will prioritize that. And as long as it hits the markers and the targets over the longer term. So that's what we're prioritized on. We think a lot of those – if we think about those M&A opportunities for us and where we can add value, they're going to be where we can add value through our sourcing, our distribution and other attributes that we've got. So – right now, when we look at those, they're more likely to be in the bolt-on space. It's a smaller size that we feel like won't hamper, I guess, the – I won't put a big challenge against our capital structure, early days. Never say never. There might be bigger opportunities out there. But when you think about the universe of opportunities and the fact that we need – we would be prioritizing something that we can add value to from our strengths, it's likely to be smaller. So that's why we say we continue to look at those opportunities, and we're on a growth path. But given we bought Frank Family, we've essentially paid that off very quickly. We're on a path to delevering below 1.5x, it's still right for us to flag that we're in that window where – growth opportunities aside, we would be thinking about capital management actions.

Shaun Cousins

Great. And just upon the – you talking about asset consolidation in TPB. How do you think about the portfolio you've got there? You're obviously sort of quite bold in the changes you made in the Americas around sort of reshaping that commercial doesn't seem to be as problematic in ANZ or in the core markets that TPB operates in. But what should we anticipate from that asset consolidation that you're thinking about in terms of – be it proceeds or change in shape of that business, please?

Matthew Young

At this stage, as Pete sort of alluded to, great parts of our business that are going really well. We have ambitions to achieve – in our accelerated outcome around that margin target, certainly faster. We could achieve that margin target with the business we have today over a period of time. We have bolder ambitions for that business than that. We – there

is a – you'll hear a lot – a lot of the language we use around the challenge of the commercial tier and the prioritization of Premium Brands. It's a consistent language that we use with the Americas a few years ago. And there are similarities in how we think about it with one very big difference that the asset base is very different. As I sort of alluded to before, the commercial brands that we divested here in the Americas. We're largely third-party sourced. There wasn't a great degree of asset overlap other than packaging, whereas here, we have an asset base that is highly integrated with the Penfolds business as well as – that volume does play a role in terms of absorbing other costs, whether that be IT or other sourcing as well. So it's a slightly different challenge, which is why it's not as simple an exercise when it comes to getting the premiumization story for TPB. So we're undertaking work around looking at the right model for that business to achieve the focus on those premium brands. And we need to look at the right cost base for that business probably as a priority. And then thinking about what are those business models that can have us focus on the right portfolio of brands and less dependent on that commercial tier, which is going to continue to decline.

Ross Curran

Can I just outsize – Ross from Macquarie. Can I just ask around, you talked a lot about youth engagement and dragging youth consumers to wine. What's the benefits of doing that versus going to where the customer is and creating a spirit product that addresses what the consumers are trying to buy anyway?

Tim Ford

I think it's multigenerational challenge for us that we have to – when we're a wine company. And it's about our future as well. So yes, there's a current consumer opportunity to bring younger consumers into – we have to bring them into the category so that in 10 years' time, 20 years' time, they are the Penfolds, the BV, the Beringer drinkers, the Frank Family drinkers that we – because we'll continue to have these heritage luxury brands

over that period of time. So – to be it's getting them into the category. Number one, yes, there's a financial opportunity today because I think we can do it better than anybody else, but it's just as much about making sure that we are bringing consumers in the category. Once they're in the category, wine becomes part of their consumption occasion, part of the occasions that they do with friends, with family, gifting, all those sorts of things. So once they start, they generally stick, hopefully, with our brands, but often with other brands, but it's getting to that point. That's the key why the younger consumer is so important.

Ross Curran

Is there a halfway house. One of your competitors – that big in zero alkaline, they capture the alcohol that's evaporated off, put it in the can in carton espresso martini and that seems to capture a customer demographic. Can you do something like that? Or is that a step too far?

Tim Ford

No, you can do that. You can do that. And we've sort of started to play around with that. We've got one of our sort of innovating turn or the innovation groups to get together and come up and solve some of these. They kind of have some pretty cool ideas on that front. So yes, I think you should expect to – expect us to come up with – where we have alcohols and offshoot of some of those processes that it ends up in a product that goes somewhere as opposed to – yes, and we can use it for – not so much commercial but also it's a great part of the whole mindset of the circular economy that we want to drive as well, which is important.

All right. No more questions, so I'll wrap it up. Don't get up. You can stay there. You might not be able to sit down, if you are that excited.

Well, firstly, before we sort of come into the last 3 or 4 points I want to make just to

round out the day. Again, thank you for joining us today. We truly hope you've enjoyed what was – what we really tried to do is give you a look under the hood of how we run Treasury Wine Estates. Yes, the conversations, the themes, the how we've talked about our business today is how we run our business, how we talk about our business every day. And also to give you a glimpse of the strength of the leadership team, because they are the ones that run the business, and thanks to the team and everyone that presented today because I certainly think you did a fabulous job. So I appreciate that.

So to wrap it up, my final statements that hopefully you remember each of these as much as all the other points during the day. But we're essentially – we're at half time, as we've said, of our 2025 game plan at TWE. And the summary in our minds is we're winning against the 6 success measures we set ourselves at the start of July 2020. And we'll continue to evolve how we execute to achieve the strategy, but the strategy hasn't changed, and it's consistent and it's the right one. And we firmly believe that. And we also firmly believe in the value of focus and consistency.

Now we believe the strategy is right because it links the attractive category and consumer growth opportunities that exist in our priority markets around the globe with our strength and capabilities. And that's for us to take advantage of. And that's why it will work. This provides us with a very, very clear opportunity in our mind to be the global category leader in luxury and premium wine. But whilst we are winning today, we're certainly not complacent or think that this will simply keep happening by doing more of the same because it won't. We're very clear on the 6 key elements that will drive global enterprise value for TWE up on the screen. I won't go through them again, but you know what they are. That is what's going to set us apart today, tomorrow, in particular, over the long term. And as you see with our people, we'll build capability to drive these across our consumer and brand-led global operating model. But most importantly, yes, we are developing the culture, the mindset the leaders and the team that are aligned from the Board through

to the ELT of GLG further through our organization and energize, most importantly, to maximize the opportunity we have in front of us.

So how we do all of this is driving the outcome, and our financial outcome is – the sign as our strategy, consistent, sustainable top line growth, high single-digit average earnings growth over the long term is our expectation and should be your expectation of us. So thanks for joining us in the room or on the video today, on the webcast, and for those in the room, we look forward to the next 24 hours, we do to bring all of this to life out there in the real world in Napa Valley. So cheers, thank you for joining us. Bye.

Copyright © 2023, S&P Global Market Intelligence. All rights reserved