Treasury Wine Estates Limited, H1 2024, Earnings Call 2024-02-14

Presentation

Operator

Thank you for standing by, and welcome to the Treasury Wine Estates fiscal year 2024 half-year results. — ***Operator Instructions*** —

I would now like to hand the conference over to Mr. Tim Ford, Managing Director and Chief Executive Officer. Please go ahead, sir.

Tim Ford

Good morning, everyone. Thanks for joining us for our half year results briefing. With me here in Melbourne is Stuart Boxer and Pete Neilson. Ben Dollard is in California and Tom King is in Paris, in France. And I'm sure he'll explain why as we get through his part of the conversation today.

Really pleased to announce the results today for the first half of fiscal '24. It's a period where our group performance was broadly in line with expectations and reflective of the continued strengthening of our luxury wine portfolio and the strong consumer demand that still exists around the world for luxury brands.

There's no question both that it is a challenging operating environment with pretty competitive market dynamics. But I'm pleased with our underlying operating performance, in particular, the dynamic way in which our teams are managing this environment and evolving our business focused on continued execution of our strategy, which we remain very confident will support our long-term growth ambitions.

From a numbers point of view, EBITS declined 6% in the half to $289.8 million. And EBITS margin declined 2.9 percentage points to 22.6%, which reflects our deliberate approach to the phasing of Penfolds Bin and Icon shipments across the year in order to retain flexibility in our global distribution and pricing models given the current review of tariffs on Australian wine into China.

Despite holding back this portion of the bins and Icon shipments, Penfolds continued its strong momentum, particularly in Asia and Australia. Yet it's, still grow EBITS while the Treasury Americas luxury portfolio returned to growth, which again is pleasing driven by a modest increase in availability.

Overall, our luxury net sales revenue grew 4% globally, supporting stability in our top line and offsetting the lower premium commercial revenue, which declined 2% and 6%, respectively, and drove EBITS declines in Treasury Americas and Treasury premium brands.

Market trends in the period were broadly in line with our expectations. As I said, consumer demand for luxury wine remained strong in our key markets, the ongoing resilience in the premium price points and the continued shift to consumer preference away from the commercial wine in the category. And we expect these trends to continue through the remainder of this fiscal year.

Given the planned profile of the Penfolds Bin and Icon shipments, we expect a stronger second half to deliver mid to high single-digit organic EBITS growth for the full year, which excludes the additional expected EBITS from DAOU of USD 23 million to $25 million in the second half.

As we look forward over the half ahead, we are laser focused on 3 key priorities. The first being the expedited review of tariffs on Australian wine remained, which remains ongoing with a determination anticipated in March. And we are well prepared and well placed to reestablish our Australian country of origin portfolio in China, should the review result in the removal of these tariffs.

Importantly, our outlook for the second half that I've just explained does not include any benefit from a positive outcome in relation to the tariff review. Treasury Americas, following the acquisition of DAOU is also a very focused on driving its clear strength we now have as the leading luxury wine portfolio in the United States. And with a return to normalized availability of Luxury wine as we move forward into F '25. And we transition away from the 2020 vintage; we expect to support growth of our existing portfolio plus the acquisition of DAOU.

And third priority work is underway to assess the future operating model for our global portfolio of premium brands with a specific focus on how best to leverage their scale across our network globally with the determination to be made this calendar year 2024. I'll touch on these in more detail shortly.

But from a financial performance, our headline and Stuart will cover in more detail. Our NSR per case increased 9%, driven by the continued and ongoing premiumization of our portfolio mix. Margin, EBITS margin declined 1.4% to 22.6%. And we expect the EBITS margin to normalize importantly in the second half, in line with the weighting of Penfolds Bin and Icon shipments.

Net profit after tax declined 5.9%, in line with the change in EBITS, while earnings per share felled 7.5%, reflecting in part the increase in the average shares outstanding as a result of the capital raise to fund the equity portion of the acquisition for DAOU.

Cash conversion was 75% and excluding the change in premium and luxury noncurrent inventory was 66%, which is below our annual target of 90% or higher. Leverage increased to 2.2x, driven by $445 million of borrowings we used to fund the debt portion of the acquisition of DAOU.

Finally, the Board has declared a 17% share interim dividend, which while representing a $0.01 reduction on the F ’23 interim dividend per share. It is a 6% increase to the value of the dividend paid given the increase in the shares outstanding.

I’ll touch quickly on the divisions. Penfolds result again a standout. NSR and EBITS growth delivered despite the deliberate shipment phasing of the Bin and Icon shipments into the second half. This continued strong momentum in Asia and Australia, in particular, drove the performance. And pleasingly, growth came from all portfolio tiers. Testament to the way the Penfolds team and the brand itself is connecting to a broad range of luxury consumers globally.

We expect NSR per case and EBITS margin again to normalize in the second half, in line with the half-on-half weighting of our shipment profile.

In Treasury Americas, Luxury portfolio returned to growth, supported by a modest increase in wine availability ahead of a return to normalized levels from F ’25, which will see a double-digit increase in availability in the next fiscal year. This, in addition to DAOU, will drive future divisional growth.

However, overall division NSR did decline led by our premium portfolio, which was down 14%, driven by the lower shipments of the 19 Crimes Modern tier innovations that were launched in the same period last fiscal year, while the Classics tier stabilized and performed in line with the prior period. Just one thing to note on the U.S. performance as well, we have not recognized any DAOU earnings in the first half of fiscal ’24.

Higher COGS per case also contributed to the reduction in the divisional EBITS and EBITS margin and TAM with COGS improvement expected in the second half as we transition to selling Vintage 21 wines and through the 2020 California vintage.

As for TPB, lower NSR and EBITS resulted from reduced shipments to Asia and double-digit declines in the commercial portfolio. Within the business there, the Priority Premium portfolio, including 19 Crimes, Squealing Pig and Pepperjack continued to grow, up 8% in the period. And our performance in Australia and the U.K. was in line with our expectations. And shortly, Tom, Ben and Pete will give you a fair bit more detail on their divisions.

So just turning to our 3 key focus areas that I wanted to outline and we are absolutely laser-focused on the management team. First, relating to the review of China tariffs on Australian wine imports, which remains ongoing as I've said; which we expect that decision and therefore, a path forward by the end of March. Should the tariffs be removed, we are both prepared and well placed to reestablish our country, Australian country of origin portfolio in China to supplement our other country of origin portfolios.

We've outlined this before, but as a reminder, what we will do should this change. Firstly, we'll reallocate a portion of Penfolds Bins and Icons back into China to rebuild that market for the Australian portfolio while ensuring that we maintain strong momentum of growth and diversification across the global markets that we have very successfully grown over the past 3 years.

We'll look to implement price increases on certain Bin and Icon tiers given we expect global demand to significantly exceed global supply while pursuing incremental sourcing to produce greater volumes, which is a strong focus of the supply team as we enter Vintage 2024 here in Australia over the course of the next couple of months.

We'll also be able to pretty quickly reestablish distribution of our entry-level Penfolds portfolio, the likes of One by Penfolds Max and Koonunga Hill, where we do have incremental wine to sell pretty much immediately.

From a team point of view, our plan is to expand our sales and marketing resources to support the increased level of product onshore. And we'll continue to grow this over time as the portfolio grows.

And finally, just an important point, if this change does occur, we will continue our multi-country of origin strategy for Penfolds, which we believe can remain a significant element and opportunity of our growth agenda going forward.

From a market perspective, we're confident that China does remain an attractive luxury wine market for our brands and a significant growth opportunity for Penfolds over the long term. Our confidence in this opportunity, however, goes well beyond the market itself. And the dynamics that may exist in the market today and reflects the way that we have maintained our business in the Penfolds brand in China, particularly over the last 3 years, whilst the tariffs have been on Australian wine.

The retention of a very strong organizational presence onshore has been critical with our team of over 120 people today led by an experienced local leadership team, who were a key part of the journey in China prior to 2020 and have retained strong connections with our customers, our consumers and relevant industry bodies as well.

And our investment in the multi-country of origin portfolio has paid clear dividends, allowing us to retain not only one on a shelf but genuine brand presence in the market. We've also been very methodical and deliberate in reinvesting the onshore earnings from those sales back into A&P, allowing Penfolds to retain its unique appeal for the Chinese wine consumers.

As you see on the slide, our recent brand health study, we show here reflects the strength of Penfolds against the top 10 wine brands currently in the Chinese market across a number of key brand attributes and factors. Most notably, Penfolds ranks as the #2 Imported Brand for awareness in China behind only shadow effect, a remarkable achievement given the limited availability of the product in the market and a great confirmation that our investment has actually been successful over the last 3 years.

Should the tariffs be removed, we don't think of this as reestablishing our business in China, but instead executing a clear plan to reestablish the Australian country of origin portfolio in that market.

Our second big execution priority over the course of this second half and beyond links to the December acquisition of DAOU, which now establishes Treasury Americas as the leading luxury wine business in the United States with an iconic portfolio that includes Stags' Leap, Frank Family Vineyards; Beaulieu Vineyard, Beringer as well as obviously DAOU.

We remain very confident in the strategic and financial benefits that we expect this acquisition to deliver to TWE, which we laid out in October, but I'd like to reiterate. What it will allow us to do is accelerate our transformation in the United States into a luxury focused wine business in what is still the world's largest luxury wine market with attractive fundamentals.

It accelerates our global premiumization focus, increasing the contribution for luxury brands across TWE to greater than 50% of our global revenue with immediate accretion to earnings growth, NSR per case and margins.

It will fill a key gap in our portfolio the USD 20 to USD 40 price point, in addition to strengthening the existing portfolio at higher price points. Importantly, provides scale in Luxury wine to support. We've outlined today as our future stand-alone Treasury Americas luxury group and division, which I'll touch on in some more detail shortly. And we'll also deliver mid to high single-digit EPS accretion in F '25, the first full year of ownership, inclusive of the pro forma cost synergies of more than USD 20 million per annum.

Important just to reiterate, now we own that business, and we've had a couple of months in that business that our objectives continue and remain as we outlined at the end of October.

DAOU's 2023 calendar year performance was significantly ahead of the market and in line with the expectations, driven by strong growth across all of the portfolio price tiers and in several key U.S. markets. Pleasingly, the team are delivering sustained growth, particularly outside of California, where the significant distribution expansion and growth opportunities lie as reflected in the data on our presentation for the last 26 and 52 weeks.

Looking forward, our expectations for DAOU are unchanged. The EBITS contribution for the first – sorry, the second half of this fiscal year, i.e., the half we're in, is expected to be in the range of USD 23 million to $25 million. And over the medium term, we expect DAOU to deliver average annual low double-digit NSR growth, led by the growth of Discovery and Journey tiers, which will be ahead of the category, well ahead of the category and accelerated growth in the ultra-luxury tiers with brands like Patrimony.

Business integration plans are on track. The team stood up. And they are working very diligently and hard to achieve what we've outlined. And we remain confident in the realization of synergies of at least USD 20 million we outlined.

We also look forward to welcoming you all to DAOU Mountain and to the Paso Robles region, which I'm sure a number of you haven't actually visited before in June to really experience the business experience, the brand experience, the region, and we can't wait to see you there.

The third priority is a more strategic priority. First to our execution. The strategic priority, given the addition of DAOU, we now have the scale to support a future stand-alone Treasury Americas luxury division with the metrics that we outlined, which will sit alongside Penfolds and leave us with 2 outstanding luxury wine businesses, each with strong long-term growth prospects, attractive financial profiles, supported by the attractive category dynamics that exist in the luxury wine category.

On a pro forma basis, Penfolds and the Treasury Americas Luxury, as we outlined, would already represent over 75% of our group EBITS. To achieve that, our first priority, however, is to create a separate sales and marketing focus for the luxury and premium portfolios under Ben's leadership in the Americas effective from July 1, this year fiscal '25 to start off.

We do know from experience with the separation of Penfolds and the Treasury Premium Brands business that this operating model will bring with the benefits of separate focus to enhance our business plans, our customer relationships the portfolio innovation and ultimately strengthen the financial performance.

Longer term, we do see strong potential benefit in creating a global premium division, which will consist of Treasury Americas and Treasury Premium Brands as a second step, particularly given the similarities that exist in the category dynamics and the consumer trends within these premium price points across our key markets. And with the opportunity to centrally drive insights to innovation and brand building, the brands that are sold across multiple markets.

So the work is underway to assess this future operating model for our premium brands, which an important element will be to include the benefits of scale this business brings to Penfolds and TAM luxury, which are key growth drivers, particularly given the consolidation of our supply chains.

This work will be completed before the end of this calendar year. And clearly, once we've achieved a determination of that work, we'll explain that to our investors as well as what our path forward is.

So with that, I'll hand over to Stuart to cover the financial performance.

Stuart Boxer

Thank you, Tim, and good morning, everyone. It's good to be here. I'm pleased to share with you the financial highlights of our fiscal '24 interim results.

So starting with the key measures of performance. Group net sales revenue declined 2.3% on a constant currency basis, reflecting the premium portfolio declines in Treasury Americas and the commercial portfolio declines within Treasury Premium Brands.

Again, as Tim has already shared, our global luxury NSR grew 4%, with Penfolds maintaining its strong positive momentum and with modestly increased availability of luxury wines within Treasury Americas.

Net sales revenue per case increased 9.1%, reflecting continued portfolio mix shift to luxury and premium wine, which now contributes 86% of group NSR.

Working down the P&L. Cost of goods sold per case increased 13.4%, reflecting the premiumization of the portfolio and the sell-through of higher cost vintages in all divisions. We expect this metric to improve in the second half, particularly for Treasury Americas as we transition to the sell-through of the luxury Vintage 2021 and transition off the short 2020 Vintage.

Cost of doing business margin decreased 1.7 percentage points to 19.9%, driven by lower overheads in Treasury Premium brands following the business restructure in the fourth quarter of fiscal '23. Together with a $3.6 million gain on sale benefit compared to the prior corresponding period and the phasing of advertising and promotion expenditure in Treasury Americas and Penfolds given the planned top line phase.

EBITS was $289.8 million, a decrease of 9.8% on a constant currency basis. And EBITS margin declined 1.4 percentage points to 22.6%, largely driven by the COGS impacts I just described.

Return on capital decreased 0.1 percentage points to 11.1%, largely reflecting the EBITS outcome. This number excludes DAOU. As DAOU will be reflected in return on capital at the full year with the full asset base and effectively half year of income, we do expect a mildly dilutive impact in the near term given the growth nature of the acquisition. But we are confident this will improve relatively quickly given the growth plans and cost synergies we expect to deliver from DAOU. And I'll talk to leverage a little bit later on.

Material items; total material items of $37.5 million or $29 million after tax have been recognized in the half, of which the pretax cash flow was $7 million. That was an outflow. $35.1 million of the material item cost pretax were associated with the DAOU acquisition. We also incurred some residual costs associated with the implementation of our new TPB operating model and supply chain restructure, which will be completed during the second half.

Our overall outlook for net one-off costs associated with the TPB restructure remains at $90 million pretax, inclusive of expected gains on sale of assets, including commercial vineyards, which we expect, to realize this half.

Moving now to the balance sheet. Net assets increased $879 million this half on a reported basis, primarily due to the acquisition of DAOU Vineyards. The recognition of DAOU, which has impacted intangibles, property, plant and equipment, working capital and debt as well as the recognition of the earn-out as part of other liabilities is provisional and subject to final purchase price accounting, which will be finalized ahead of the full year result.

In addition to this, working capital increased, driven by decline in payables due to the timing of grower payments and higher receivables as a result of the timing of sales into Asia, in particular, partly offset by lower inventories.

So turning to some more detail on inventory. Against the prior corresponding period, total inventory volume is flat while value has increased 12%. Current inventory increased $45 million, impacted by the addition of DAOU inventory to the luxury component and partly offset by reduced premium and commercial inventories. Noncurrent inventory increased $193 million versus the prior year. Overall, luxury inventory increased 24%, reflecting the strong 2023 California Vintage in addition to the inclusion of the DAOU inventory, partly offset by the reduced premium and commercial inventories.

Now moving to cash flow and net debt. Operating cash flow before interest tax and material items was $274 million for the half year, with reported cash conversion of 75.2%. Excluding the change in noncurrent luxury and premium inventory, cash conversion was 66.1%. Cash conversion was again impacted by the timing of sales, particularly into Asia, with a greater proportion of export sales shipping in December and also due to the timing of grower payments, which contributed to reduced payables in the half.

We expect F ’24 cash conversion to be approximately 80%, excluding changes in noncurrent luxury and premium inventory. This half year cash conversion outcome and the full year outlook, follows a similar outcome and sales profile in F ’23.

So what we are saying is that at this point, we are not seeing an improvement in the sales profile across this year. And there is potential for it to be slightly more back-end weighted. We’ve previously explained that whilst this profile is not entirely unusual for our business, it has become exacerbated given the cost of funds. So our customers are wanting their orders later.

This is not a profile we are happy with. And we are focused as a team on ways we’re going to prove this sustainably, but it's not an instant fix. Beyond F '24, we remain committed to our long-term target for full year cash conversion, excluding the investment in noncurrent premium and luxury inventory of 90% or higher.

Moving now to CapEx. Total CapEx for the period was $66 million, which included maintenance CapEx of $60 million and growth CapEx of $6 million relating to the investment in low and no alcohol wine production technology here in Australia and the continued expansion of our wine operations in France. We continue to expect maintenance CapEx for F '24 to be approximately $100 million and growth CapEx in the second half will include the purchase of a New Zealand vineyard for approximately $50 million, supporting the future sourcing of Marlboro — ***indiscernible*** — [00:24:12], which continues to grow globally.

Turning finally to capital management. Our investment-grade capital structure was retained post the acquisition of DAOU Vineyards with leverage of 2.2x at the first half lower than the 2.5x F '23 pro forma figure we shared on announcement due to favorable currency translation and the accounting recognition of the earn-out liability. We maintain our expectation to delever over the course of F '24 and beyond returning to within our target 1.5 to 2.0 range by the end of FY '25. Our liquidity position remains strong with $1.2 billion of cash and committed undrawn debt facilities.

As Tim said, we've today announced an interim dividend of $0.17 per share, representing a payout ratio of 76%, slightly ahead of the upper end of our target range based on our deliberate decision to wait Penfolds shipments to the second half and not wanting shareholder returns to be impacted by this decision. We expect our full year payout ratio to be within our 55% to 70% target range.

Franking is now at 70% following the acquisition of DAOU given the higher proportion of expected future offshore earnings as outlined as part of the acquisition announcement in October.

Elevating our focus on capital allocation and capital discipline will be a key priority moving forward with 2 particular areas of focus. As I've already stated, improving our revenue phasing and operating cash flow profile. And secondly, driving return on capital growth right across TWE at a company, division, brand and asset level.

So thank you. I will now hand over to Tom to cover Penfolds.

Tom King

Thank you, Stuart, and good morning, everyone, from Paris. I am delighted to report another strong result for Penfolds, driven by our continued focus on executing against our strategic priorities across all regions.

While top line growth was moderated by the planned weighting of shipments to the second half, volume and NSR increased 14% and 8%, respectively, with continued momentum across the portfolio in Asia, driven by strong growth in Bin and Icon volumes and the contribution of one by Penfolds and our multi-country of origin wines in China.

We also maintained our momentum in Australia, particularly across National Accounts and in Travel Retail. NSR per case decreased 5%, reflecting the impact of portfolio mix from the second half Bin and Icon shipment weighting along with the growth delivered in the entry-level tiers.

COGS per case increased 6%, reflecting the sell-through of higher cost 2020 and 2021 Australian vintages relative to the lower cost 2019 Australian vintage that was being sold in the prior period.

We delivered EBITS of $187 million and an EBITS margin of 41.7%. And we expect the margin to normalize towards our long-term target of 45% in the second half with the increased weighting of Bin and Icon shipments as planned.

The first half results have been underpinned by the significant progress we continue to make against our strategic priorities. We continue to leverage our deep understanding of the luxury consumer to build stronger connections with our target demographic and rolled out new and innovative experiences such as transient by Penfolds and voyage by Penfolds, often incorporated into our now highly anticipated Penfolds house activations.

The popularity of our most recent execution in Guangzhou in China gives us great confidence in the continued strength of our brand in China, which was supported by the launch of CWT 521, our first Bin-level wine sourced and produced in China.

We continue to make further gains in distribution and availability across the portfolio. With the deployment of dedicated luxury sales managers continuing to reap benefits in high-profile accounts, whilst our insights and activation investments are seeing us secure increased ranging and space in large retail accounts globally.

The recent launch of our Icon wines on the Plasterboard provides us with a significant incremental distribution channel across the EMEA region and further underlines the belief we and our partners have in the potential growth opportunities that exist.

And just this week in Paris, we announced an exciting expansion of our Champagne portfolio with the introduction of a new champagne in collaboration with our partner, Champagne Thienot. The extension and expansion of this strategic partnership will enable us to expand the availability of our champagne globally, allowing us to play a more meaningful role in more consumer occasions.

In summary, I'm extremely pleased with the progress we're making on our journey to become a global luxury icon. We've connected and reconnected with more consumers than ever before by a great experience led brand activations. We're now showing up in more and more places where these consumers interact or engage with wine or luxury products, both physically and digitally. And we're providing them with more choice to experience quality Penfolds wines from the best winemaking regions around the world through the expansion of our portfolio.

Thank you. I'll now hand over to Ben Dollard in California.

Ben Dollard

Thanks, Tom, and good morning. It's a pleasure to join you today from Napa Valley. We have a full agenda in our Americas business, led by the integration of DAOU expansion of our luxury footprint as the leading luxury wine company in the U.S. and the execution of a number of exciting initiatives to stabilize the 19 Crimes franchise.

Our consumer obsessed strategy remains consistent, centered on nurturing existing loyal customers and attracting new consumers to wine. Our luxury portfolio availability returns to normalized levels beginning in fiscal '25. And our leading portfolio of brands is well positioned in this market where the fundamentals remain attractive.

Turning to the key financial metrics. Volume and NSR declined 7%, respectively, driven by the premium portfolio, in particular, large shipments of 19 Crimes modern tier innovations year-over-year. Our innovation continues to outpace market with strong consumer response.

However, depletions did not perform to the same level as previous 19 Crimes innovations. The 19 Crimes plastic tier performed in line with the prior period, supported by the launch of the new campaign, refresh packaging and promotions along with bold innovations.

We are pleased with the 19 Crimes repack transition. And we are seeing positive initial results as it replaces existing inventory on shelf. Pack transition will be completed across all markets in the second half of fiscal '24 and will be supported by the continued rollout of the new marketing campaign.

We're excited to announce that 19 Crimes have entered into a partnership with USC. This positions the brand as the official wine partner in the U.S. Partly offsetting the premium portfolio decline was growth from the luxury brand portfolio, supported by modestly higher luxury wine availability with Stags' Leap the standout performer.

We experienced increased consumer demand for Frank Family Vineyards with double-digit depletion growth. The brand is well positioned for further distribution expansion as greater supply becomes available in fiscal '25 and beyond.

We saw continued momentum in market leading performance across salad oils and wine clubs and with the reopening of Sterling Vineyards in October, a major milestone; driving NSR growth of 5% from this important channel.

NSR per case increased 1%, with the shift in portfolio mix largely offset by promotional pricing activity on noncore 19 Crimes items. COGS per case increased this period as we continue to sell through the high-cost fire impacted vintage 2020 with improvement expected when we transition to selling Vintage 2021 in the second half.

Cost of doing business reduced, driven by the phasing of promotional activity and in-store activation to support the 19 Crimes Blanc relaunch in the second half of fiscal '24. We delivered EBITS of $93 million and an EBITS margin of 28.8%.

We expect trading conditions to be consistent through the second half, leading to the delivery of NSR growth year-on-year and an EBITS margin of approximately 22% for the full year, excluding DAOU. This will set the platform for fiscal '25 as availability of our luxury portfolio increases by double digits.

Coupled with the acquisition of DAOU, the contribution of our luxury, portfolio increases for approximately 70% of Treasury Americas EBITS margin on a pro forma basis. We are now the leading luxury portfolio in the United States with growth opportunities ahead.

Thank you. I'll now hand over to Peter Neilson in Melbourne.

Peter Neilson

Thanks, Ben, and good morning, everyone. I'm pleased to report the fiscal '24 interim results for the Treasury Premium Brands. Pleasingly, consumers are continuing to engage with the category at premium price points and innovation at these price points continues to introduce new consumers into the wine category.

Our strategy remains focused on premiumizing the portfolio and innovating on our core brands with an increased focus on the strategic role that commercial volume plays in our business and the category.

Turning to the key financial metrics. Volume and net sales revenue declined 12% and 8%, respectively, driven by double-digit volume declines across the commercial portfolio and reduced premium portfolio shipments this period in Asia, where we realigned our inventory levels to trend depletion rates, a dynamic that we expect to continue through the second half.

Outside of Asia, our premium portfolio net sales revenue was in line with the prior year. And we saw continued strong momentum for our Priority Premium Brands, which grew net sales revenue by 8% against the prior comparative period, led by strong performances from Squealing Pig in Australia and 19 Crimes in EMEA.

In Australia, the rollout of Squealing Pig Summer of Love campaign has once again been a huge success and runs through the summer period across the Australian Open and Marty ground period, including on-premise and in-store activations, ensuring widespread visibility of the brand across summer.

In EMEA, 19 Crimes was the #1 share of voice for an alcohol brand during the Halloween, with the introduction of 2 new designs and an interactive advertising campaign, a huge limited time offer innovation success for the brand.

Net sales revenue per case increased 5%, reflecting portfolio mix shift with the premium and luxury portfolios now contributing 63% of net sales revenue, up 3 percentage points versus the prior comparative period.

Cost of goods per case increased 8%, driven by portfolio mix and input cost inflation for dry goods and logistics and energy costs in the U.K.

Cost of doing business improved 15%, reflecting lower overheads following the division restructure and the realignment of brand investment with reduced divisional volume as well as some incremental gains on the sale of vineyard assets. EBITS decreased 14.9% to $45.8 million and EBITS margin declined 1 percentage points to 11.8%.

Looking ahead to the second half, we expect market conditions to remain largely consistent with higher cost of doing business in the second half to result in full year EBITS margin being delivered in line with the prior year.

Thanks. I'll now hand back to Tim.

Tim Ford

Thanks, Pete. So just, to quickly close, a few of the summary headlines. The first half has seen us deliver in line with expectations at a group level, given the deliberate phasing of the Penfolds shipments across the 2 halves.

And given this half on half weighting, clearly, we expect a stronger and plan for a stronger performance in the second half to deliver the mid to high single-digit organic EBITS growth for the full year, excluding DAOU.

Also, it doesn't change our long-term growth ambition, which is to deliver sustainable top line growth and high single digit earnings growth on a year-on-year basis. That's unchanged. And it will be driven by the performance of our luxury portfolio as Penfolds and within Treasury Americas as the growth engines of the business going forward, supported by what a very attractive category fundamentals in our key markets.

And our 3 very clear priorities we've outlined today. We have ahead of first one, execution-wise, continuing to execute Penfolds growth strategy. Tom and the team are doing a fantastic job. And we must maintain and will maintain the strong momentum we have. And clearly, as I've outlined, we're well prepared and well placed for the opportunity, should it arise with a decision around the tariffs on Australian wine in China.

Second, we've Ben on the team with the acquisition of DAOU; we now have this opportunity to really drive our luxury leadership in the United States. And with the return to normalized availability next year, double-digit, increases on what we have this year, plus DAOU supports the incremental growth for Treasury Americas from F '25 as well.

And finally, we have the strategic initiative, which is our focus in assessing our future operating model for our global portfolio of premium brands, which is again a very important decision will determine over the course of this calendar year.

So with that, I thank you for joining us. And I'll hand over to the operator for the Q&A.

Question and Answer

Operator

— ***Operator Instructions*** — And the first question will come from Lisa Deng with Goldman Sachs.

Lisa Deng

Tim, Stuart, just wanted to ask on Penfolds. Obviously, the Asia volumes are very strong with sales plus 16% and so volumes are probably somewhere in the 20s.

Can we dissect for us in what key regions these were strong in? And if any, indirectly or directly were sold into China for that, please?

Tim Ford

Yes, look, Tom can take that one.

Tom King

Thank you, Tim. Thank you, Lisa. Yes, we're very pleased with the performance across the Asia region. Clearly, it's been a year of – or a first half of new product launches for us in China with CWT and the launch of the One by Penfolds range with our new creative partner Thienot. That's been a very positive outcome for us. And sell-through and depletions for both have been very strong. So China has been a positive half for us.

Across the rest of Asia, we continue to see really good momentum across the board in our priority markets, so the likes of Thailand, Malaysia. Hong Kong has been a real bright spot for us, actually, some really strong retail activations there, one of our key partners in the market there. One of the big retailers is doing really well and winning in the market, and we're actually winning within their business.

And that's underpinned by really strong joint business planning, consumer insight-led activations and strong above the line marketing investments as well. So yes, positive performance across the whole of the Asia region, which makes us feel very good about the future.

Lisa Deng

And especially as a follow-up?

Tim Ford

Sorry, I'll add to your follow-up if you like, Lisa. Well, just on Hong Kong, because I know that's a question on everyone's minds given the Wine Australia data the other week, which surprised me a little bit.

Firstly, we don't – we haven't shipped ahead of a China reopening into a warehouse in Hong Kong. We don't have a warehouse in Hong Kong. The stock that we have in terms of our allocation across the 2 halves and what we'd plan to ship in this year ahead is sitting in the warehouses here in Australia.

So from that point of view, that's not something people should read through with that data. Obviously, Wine Australia data is directional and we always say that don't read through it. But clearly, it creates the questions that we need to respond to.

And without giving our depletions numbers away for Hong Kong because we don't go through it market by market. But Tom touched on it and I'll be a bit more specific. We're not at the 70-plus percent of what the Wine Australia data said. But we have pretty significant growth in that market from a depletions point of view across Dairy Farm, across Park & Shop, across Watsons, across Jebsens all our key customers in that market.

And yes, the activation has been outstanding. So where Hong Kong has been a market for us; which has struggled for a few years, we've certainly seen that as a bright spot. But just I want to make sure it's clear. We have not shipped ahead into our warehouse with a view that we can – if there's a potential positive tariff outcome that we just dropped over the border at the end of March.

Lisa Deng

And can I just follow up on that? Sorry, just with the Hong Kong shipment and even strength in Australia, whilst we haven't shipped ahead. How much of the actual end consumer do you think is the Chinese cover that's now resumed across the border?

Tim Ford

Probably, Tom, you'd be a good one to answer. It's just on GTR as well with our broader GTR business and how that's gone. There's, some pretty fantastic results within that channel over the last 6 months. Global Travel Retail that is, sorry.

Tom King

Talk to GTR, and then I'll talk to the Travel Hong Kong to Mainland China. So GTR, we are going really well in GTR. Now, it's a channel that we maintained a focus on. During the COVID period, we've maintained a team of people to work with our customers to support them. And we're really well placed as travel started opening up across the board.

So we're going really well in our key airport locations, particularly across Asia Pacific, but also globally. Sydney Airport continues to be a massive bright spot for us and we're doing really well. We're up there with the best of the luxury brands overall, not just in wine or alcohol but all categories.

So really pleased with how the brand is coming to life, the engagement we're getting with shoppers and the support we're getting from our retailer and airport partners in terms of space to activate. That's been driven by international travels from a number of different markets.

So in the past, a lot of our travel retail business was heavily skewed towards Chinese travelers. But we're now seeing a much broader mix of travelers buying Penfolds in airport locations, the likes of travelers, from Vietnam, Malaysia, Thailand brands where we've been investing in the domestic markets in those countries. We're now seeing the benefit as those domestic consumers travel and shop internationally.

As it relates to your question about Hong Kong, with borders fully open now, there's some interesting dynamics going on. And what we're seeing from talking to customers on the ground is actually there's a bit of a shift the other way with some Hong Kong movement to Shenzhen and other places for weekend retail shopping.

So our business in Hong Kong is really being driven by domestic retail and by us winning further space and share of the category in store across the retail landscape.

Operator

The next question will come from Michael Simotas with Jefferies.

Michael Simotas

I've got a clarification on the guidance and then just a question on the Americas, if I can. There's been, I guess, a slight reduction in your guidance for the full year from high single-digit to mid to high single-digit. And I appreciate it is very modest. But I just want to understand what the change in thinking is there? And also, is the guidance on a constant currency basis or a reported currency basis?

Tim Ford

I'll take the first bit and then Stuart can jump in on the end just to get him involved. Thank you, Michael. Good morning to, you. I mean really, it's our premium business in Asia within TPB. That's the sort of simple point around where we are with our plans across the globe. We're pretty much where we need to be other than the premium business in Asia, which we've highlighted and called out today. So that's the shift that we need to get on top of and fix.

The reason why, as we said, we don't – the Asia business there has softened. Depletions have softened. And we need to balance our shipments to make sure we're not building inventory. There's no – we will never just ship to hit a number. We've got a ship to a depletions plan. And we've seen softness on the TPB brands in Asia.

We've got to make sure we balance the inventory from that point of view. So it's the right thing to do. Otherwise, bad behavior exists with discounting and it's not good for our brands going forward. So that's the core shift, if you like, in terms of our plans.

Clearly, we're trying to achieve the top end of that range, too, by the way. So we're not walking away from that because that is our – where we set to achieve ourselves on an annual basis; so – but right at this point of time with the Asia business for TPB. That's what we see is appropriate just to give you that guidance.

Stuart Boxer
And a quick follow-up, the range we think, Michael, really covers us from both a constant currently and a reported basis.

Michael Simotas
Okay, all right. No, that helps. And then on the Americas business, I mean, clearly, the 2020 Vintage was tough for availability of luxury and perhaps even perceived quality of luxury as well.

Can you give us some sense of what the earnings drag was from that limited availability? And just noting that some comments in the market from other players are now suggesting there is a little bit of softness emerging in luxury. So how should we think about that swing as availability improves?

Tim Ford
Yes. That's I think the best way to put and dimensionalize that for you. So I think if you sort of fast forward to a work back from what we see as normalized inventory that we see coming through next year.

So this year, we've had modest increases on what was 2020. So 2021 was a good vintage compared to 2020, but that was a low buzz. So we've had single-digit increases this year.

On this year, we'll have double-digit availability next year from an NSR point of view.

So to give the profit guidance of that, I think you can work that through with some of the other information we have around the U.S. P&L. So we would expect that that's going to really drive a great level of growth going forward. Our pricing has stuck in the market there.

So there's commentary around softness of luxury wine pricing, we're not seeing it. As we know, we took the opportunity with the reduced supply out of the vintage to increase our pricing over the last 12 to 18 months on the luxury tier. And that pricing has been maintained over the last 6 months and 12 months in particular.

So the margin opportunity that we created out of that, we see as we go into further vintages going forward will be upside for that business and just strengthen the margin profile of Treasury Americas.

The only other point I'll make is our 2020 vintage, no one should ever think that we've released ones that aren't at the right quality. So you touched on there that it's a lower vintage and lower-quality vintage.

The reason, why it was the lower vintage is, because we'll never release wines that are of the right quality. So I just always want to make that point.

Operator

Your next question will come from David Errington with Bank of America.

David Errington

Tim, I just want to follow up. I think where Michael was going and where I want to go is. Look, at the end of the day, we'll probably give you a pass or will give you a leave pass, if you like, for '24 in the U.S. But what we're going to measure you on, which I think you want to be measured on is your ’25 year.

So consequently, what we need is we need a road map as to what ’25 looks like, because at the end of the day, the first half ’24 is pretty miserable in the Americas. I mean it’s miserable. The business is going backwards. The core business is going backwards and you haven’t got much luxury to sell. But we’ll give you a pass on that.

We’ll talk about let’s what ’25 looks like. Now the one thing that concerns me is the information that you gave under your new structure that you’re trying to put out with your brands. And you highlight and Ben highlighted that you’re looking at double-digit growth on what your new portfolio will be.

Now, in your luxury in the U.S., I noticed that your sales of $634 million, net sales revenue, $385 million, with an EBIT margin of 36%. And Ben called out double-digit growth of that luxury in ’25.

Now, if you run the math on that, that’s only $25 million or $30 million EBIT uplift in ’25 on a miserable year in ’24. Tim, that’s not going to get the job done, so can you give us a little bit more detail, please, as to what we can expect in ’25 with the Americas business, because I hate to say it. But earnings consensus is a lot more than what you’re indicating based upon your commentary today.

Tim Ford

Yes, sure. Thank you, David. I think the – from I’ll just comment on the miserable ’24. And I appreciate the view looking forward too, because I think that’s important to understand.

We are seeing the luxury business growth within our base portfolio this year as well, which is a good basis to go from. As we add, if you sort of look at the building blocks of fiscal ’25, we have a luxury business that, again, we have – we’re more wind to sell. And we’re not being specific around the EBITS guidance, et cetera.

On that what we're saying is from a volume point of view that at this point of time, there is double-digit incremental wine to sell in fiscal '25. You then add that, we have DAOU, a full year of DAOU to sell as well, that gives that luxury business portfolio. So we think there's, 2 very strong sources of growth for that.

From the premium business point of view, it sits within there. We expect the stabilization of 19 Crimes. And we also expect Matua, St Huberts The Stag and other premium brands to continue to grow as they are in the market today as well. So that's the building blocks of how we're thinking about driving the business going forward in fiscal '25.

And we're pretty confident that when you add up those multiple sources of growth, but particularly the combination of the luxury portfolio that will deliver a strong year. And multiple strong years going ahead because the consistency of the growth as we build out that distribution, we see as a very strong quality of luxury wine business that has a margin structure that's attractive, but also one that we can build on over time as well.

So as we build out the integration plans as well, we'll be able to give much cleaner view of where we're going. But in principle; that's the sort of eyes up view of how I visualize and Ben visualizes Treasury Americas in fiscal '25.

David Errington

Following up, Tim, though, can you understand our skepticism when you're calling out for the stabilization of the premium when you're down underlying 23% today, sales revenue. And you're down in EBIT terms, down by 23%.

I mean can you understand the skepticism toward the U.S. business and that you probably need to be a little bit more transparent with what double-digit means. So, because at the end of the day, the U.S. has been a black box, that's, just gone backwards. We need to have a little bit more substance as to what your plans are for '25, because you've kept it very, very – not very transparent.

Tim Ford

Yes. No, look, I think – and we've had this conversation a few times around the Treasury Americas transparency. And first step in which we've done here and we'll continue to do, is the separation of the luxury and premium business, right?

And I think having that visibility and transparency of the financials of that business is a step one on that journey. And you should expect to see us continue that going forward as well.

The other point we made around with the numbers today is the second half in America will be better than the second half prior period quite substantially when you think about the guidance we've given around NSR growth for the year.

EBITS growth in the second half versus the second half last year and it will be a stronger financial half than it was in the first half. So we've committed to that. That's our plan in terms of building that base going forward as well.

And a lot of that is driven by the fact that the second half prior period last year was a $400,000 case destock that existed in that market with the way the distributors were managing their inventory at that point. So all of those things combined, I understand – absolutely understand your question.

And I think the transparency that we're starting to give us this half year results, we'll continue to build on over time. And I think that will build confidence in how we're driving that business. So thank you.

Operator

Your next question will come from Bryan Raymond with JPMorgan.

Bryan Raymond

Just on, sticking on the Americas, just on the 19 Crimes modern tier decline that you're seeing. I just want to understand sort of the comment you made around the cycling of some of those new releases, obviously, it will last year. I just wanted to understand the duration of some of these brands as you roll them out. I would have thought they'd have a bit more than 6 or 12 months in them before you needed to continually innovate and develop new product within that 19 Crimes modern tier.

Could you just help us understand sort of the drivers of it? Is it just that that you're seeing declines year-on-year in those particular products or that you haven't innovated? If you could just provide some more color around that modern tier within 19 Crimes, that would be helpful.

Tim Ford

Yes. Thanks, Brian. Ben will talk more broadly about it. But I think, in fact, just gather rather than me headline it, you'd say what you're.

Ben Dollard

Thanks, Tim. Brian, look, we've had really good success with our innovations across the 19 Crimes portfolio over the past 3 years. And so as we launched what we call Cali Blanc and Cali Gold, our expectations were high as they should be because the brand has traction with consumers.

So the innovations in our minds were absolutely successful. We executed from a distribution standpoint. We're certainly connected with our consumers. But that didn't meet some of the thresholds that we set ourselves, which were high relative to the launch of Cali Red a number of years ago.

So in no way does it diminish the excitement our distributors have, or retailers have. In fact, it gives us confidence that we're going to continue to innovate of 19 Crimes of all the tiers. But that said, I think as we look at stabilizing the brand and more normalized shipments as we think about 19 Crimes in general. I think now with all of the tools we have in place across all tiers that stabilizing the brand and then continuing to innovate, is a big priority.

Tim Ford

I'll just add a couple of things to that. I think Ben talked about it. Bryan also asked just around the duration of these brands as well, which I think is a really important one to comment on. But I think all the innovations we've launched under this 19 Crimes portfolio and the Cali in particular. They've led the category when we've launched them.

But none of them have met the Cali Red, which is the initial innovation plan. And our plans we built with our customers. These are numbers we made up. We built the customers with the plans with our customers, with the distributors, with the support behind it that was planned.

So if we use numbers, we planned 100,000 cases. So in half, you ship it this time last year or in the half comparable period last year. Based on a depletions plan of 100,000 cases, if the depletions end up 60,000, which is still better than 0 where we were an innovation point of view. We just have to rightsize the shipments, so we're not building inventory.

Again, it's that balance between shipments and inventory. So with innovation, there's that are no one that we've just got to – we're getting better at managing, I mean. But from a brand point of view, Ben, it's pretty worth talking about that because it's not overnight and it's gone in 6 months.

Ben Dollard

Yes. No, I think that's exactly right. And then as we think about our future pipeline of innovation, it's those learnings Tim just talked about that guide us. But again, we have a robust plan as we think about extending off the modern tier.

And then also, I mentioned before. We're seeing some initial signals out of the market for the repack and the launch of our campaign for Classics tier that give us some confidence as well. So again, the brand is – it reacts really well to innovation. And that innovation is done in conjunction with execution with our retailers and wholesalers. So we're certainly going to continue to and learn from what we've done over the past number of periods.

Bryan Raymond

Okay, great. Just if I could follow up just with one more. Just on the new operating, global operating model. Is this sort of a precursor for a potential demerger or a sale of the premium product? Or are they too integrated operationally in terms of all the different moving parts around production and distribution in order to do that. I'll just be interested in the motivation behind this new operating model, if there's any sort of big changes that we could expect down the track from that.

Tim Ford

Yes. Look, it's premature to sort of guide towards what the outcome of the work we're doing might be Bryan. But it's a fair question because we'll assess what the role of our premium business is across TWE going forward as part of this.

What's with the acquisition of DAOU, yes, that's unlocked a second luxury wine business strength that we have with Penfolds. We now have with Treasury Americas that we've got to maximize. And we've got to get the returns on the invested money and the investors' capital that we've actually put into those businesses. So that's priority number one.

The premium business while has it got some elements where it's performing really well. There's, also some challenges within this business. And we need to look at how we drive that portfolio in the first instance, better and perform better.

Going forward, we accept it's not where we want it to be. However, it's also going to have a strategic role and a benefit to our luxury portfolios going forward as well in the total TWE global business. So yes, there's, integrated supply chains and there's benefits of scale and those things.

But all options are on the table as we go through this process, right? And we need to do the diligence to come to that conclusion. So certainly shouldn't be reading through as I was definitely going to sell that business, but it could be an outcome in the future. Who knows we've got to go through the work.

Operator

The next question will come from Tom Kierath with Barrenjoey.

Thomas Kierath

Just got a question on the receivables increase. So I think it went up $120 million, which I think about $70 million of that is like if you exclude DAOU. Can you maybe just step through where that has come from? And I'm just reading between the lines here. But it looks like you shipped heaps of Penfolds into Asia in December, which on my back in the envelope, it's like a $30 million to $40 million profit tailwind from that. Just be keen to get some thoughts on that, please?

Stuart Boxer

Yes, sure. Tom, I'll take that one. So it's linking to really the timing of the shipments that impacted the cash conversion and the cash flow. The 2 parts of it really, one, being the Asian component; one being a little bit also in the Americas.

And so one of the key drivers; there is the cost of funds for our customers in Asia. And what that – the behavior that's driving is ordering later. So it's not a demand question.

It’s a timing of shipments question.

And so as we sort of see them manage their own inventories against that cost of funds, they wanting us to be shipping later. So that’s just – it’s always been a characteristic of the market around shipments occurring at the back end of quarters. And it’s just a sort of an exacerbation of that. But it’s more linked to that holding cost of the inventory than it is to an underlying demand for the product.

In the Americas, sort of similar, but also we saw our distributors wanting to be sort of confident with the sales profile through the critical October, November, December period before they were finalizing and receiving those orders and so again a driver of later orders and shipments occurring in that market.

But it’s sort of important to point out that across the half in the Americas, notwithstanding that that profile was pushed towards the back end of the half. The distributor stock levels actually slightly declined across the half.

Thomas Kierath

Okay, cool. And then the second one is just on the DAOU contribution in the half. So I think you had said it would settle on the 31st of December, ended up settling on the 13th of December. It makes about $10 million a month, I think, based on what you’re saying. But you haven’t included any earnings contribution in the half, like on the accounting expert. But I would have thought that maybe you might have got $5 million or $6 million of earnings from DAOU. But there hasn’t been anything recognized. Could you just explain that one for me?

Stuart Boxer

Yes. So ultimately, as you said in the accounts, the net contribution was immaterial, so we didn’t include it within the half. Part of the reason for that is really the timing around

December. In that a lot of the shipments occurred earlier in the month just to get it into the market.

So when you look at the timing for the back end of the month, are you getting down to micro days and the like here, the contribution at a top line level at the back end of the month necessarily because of the way that that month works would be smaller. And you've sort of got the costs occurring on a linear basis. So that's really just an interim analysis thing as to why it was immaterial, Tom.

Tim Ford

And similar to exactly how we treated Frank Family Vineyards. Ironically, the acquisition date is almost exactly the same date from a couple of years earlier. I just want to reiterate one thing Stuart said. Just so, it's absolutely crystal clear to everybody is that the cash conversion result is based on shipment phasing, which is driven. And shipments are all defined on depletions, plans and demand.

It's a really important point. We're not happy with the phasing of it. We're not happy with the cash conversion side of things. But with the back-ended nature of the shipments, it does raise the question in investors and analysts minds as well as it shipping to hit a number. It is not sure of that.

So when we look at our warehouse inventory and all our customers to finalize those shipments later than we would have liked in the half. That's the reality.

Thomas Kierath

Tim, do you stopped shipping to them? Is that the way to solve it? You just said you can't have the stock if you're going to behave on this or that you would potentially do?

Tim Ford

Yes. Look, in some instances, you could do that. It's also the case of – when you do the customers in, there are 2 discrete, I guess, issues when it comes to Asia versus Asia, which is Penfolds and the U.S., which is the broader portfolio, I think.

The Asia – from an Asia shipment point of view, we had the orders in normal time. It's as you go through the process of clearance of funds and credit clearance, et cetera, just took longer. And that's happened for a couple of halves now. So from that point of view, it's not a case of not getting the funds. It's not a case not getting the shipments. But we also need them to have the inventory for us to build the market. So yes, it's a balancing act, Tom, from that point of view.

The U.S. is slightly different where a year ago, as you know, we did – there was a, destock in the second half. That was driven by inventory reductions through distributors based on their cost of funds increasing. Whereas this time around, they were very wary and wanted to make sure that we were going to deliver our depletions plan that we've signed up for across October, November. So that became more December, more December focused, but broadly depletions in line with shipments.

I think it was 100,000 cases below depletions. So making sure we don't destock to that level. It was a pretty important part of those negotiations. So it's not a one-size-fits-all answer. But hopefully, that just gives you a bit of color on.

Operator

Your next question will come from Richard Barwick with CLSA.

Richard Barwick

Just noticed that you didn't include, I think, for the first time, the Vintage update. And so I just got a question around this. I mean, there's, a few snippets throughout the presentation, suggesting the intake in California was pretty good.

So I'd love to hear your thoughts there or some comments. And then, just as importantly, what the outlook is for the pending Vintage 24 in Australia? And how you're feeling about, getting access to the right quantity of the high-quality; fruit because you've previously talked about basically being; active in Vintage 24 in Australia buying on the assumption that tariffs are removed.

And so do you foresee being able to get enough fruit to tap into the Chinese demand? And there's a little flow-on question from that. How are you thinking about Chinese demand potential? Since theoretical post tariff world, given all the news flow on China just in terms of the Chinese wine market, it's actually pretty bearish.

I get the exclusion of Penfolds is a factor. But how are you thinking about that?

Tim Ford

Richard, and I'll $100, I reckon for that noticing that we've taken the vintage consumer. And I debated it for a couple of weeks. My view was that it doesn't actually tell investors or analysts anything. And we didn't need it and he disagreed. So you're right, Ben.

We'll include something going forward, apologies. But to give you the color, so look, Vintage 23 in Treasury Americas was an outstanding vintage. Simply from both a quality, quantity across all of our brands was the best Vintage we've had in our long, long time in the United States.

So we will look forward to selling that through into the future as well. It ended up. It was light. It was compressed, but delivered great. So we expect good volumes and then obviously good COGS going forward on the luxury portfolio in the United States when we sell that in a couple of years' time as well. So thanks for asking that.

Australia is and I'll get to the sort of how we see China a bit. The Australia, with a couple of weeks before we bring our luxury in, they start to bring our luxury intake in. We've worked. Kerrin and the team have worked very hard to source incremental particularly luxury cabinet.

And clearly, over the view going forward, if there's a potential China reopening at the heart of Penfolds has been 407 or 309 in that market. Clearly, the Icon Tiers et cetera, we can make more of those. Then, we'll work to do that as well.

So we've got some very strong future makes that we're working towards in Vintage 24. We managed to source it. The vineyards are looking in great condition. While it was cool over the last month or so in the last 2 weeks has given us some very strong view that should be a good vintage going forward in those growing regions.

So touchwood, other nature in the next 2 weeks does the right thing. And if you're watching the weather from up north in Queensland, its 30-odd degrees down in South Australia, then we're pleased with that. So it's looking positive going forward. So yes, we – importance around these vintages can't be understated, I think, as well and hence, why it's one to give a bit of color on. So thanks for asking.

In terms of China, look, the reality is, as I've talked about, the single largest opportunity have should the marketplace reopen to Australian wine given we've got the wine we've made from the last 2 vintages, which weren't huge vintages, 22 and 23 in Australia, but enough to guide us to our growth that we need within the Penfolds business.

The first opportunity is pricing and margin that would come as global demand and supply, which also gives us the opportunity over those couple of years to really understand, assess the market and see how the market evolves.

Yes, there's a lot of negativity around the market. But as we outlined today, it's – our brand is still very strong in China and 0% of even a declining but still large luxury wine category is opportunity for us. So it's – that's how we view it.

We'll have time to understand it. We'll have time to really build this business because if we get back in and reestablish Australia one, that's a reestablishment for the next decade and beyond as opposed to what are we going to do in the first quarter, so albeit clearly, we've got plans for that first quarter.

So that's the way we think about it. That's the way we plan. The business, we look forward to getting more wine in this vintage and be able to then properly assess what our upside can be, should the tariffs change once that vintage is complete as well. So I think I answered all your components of your questions.

Richard Barwick

Can I just clarify one thing? You have. But if I just maybe a little point here in the answer. If you're taking in your vintage 24, obviously, that's predominantly going to be sell-through in FY '27. What I'm getting at, should we be thinking about the contribution from China all the way the less you're thinking about the potential contribution from China in FY '27. Does that accord with what it looked like in FY '19, for instance, or FY '20? Because I mean, obviously, you have to make a decision now as to what level of grapes you take in. So you have to take a view on what you're going to sell on that time.

Tim Ford

Yes. No, I think the answer is I can't tell you right now, because not because I don't want to tell it, but because it's going to depend on what the vintage intake is.

But the way we're thinking about this vintage, we've got a fair bit of confidence that if we're taking more luxury fruit than we have supply than we have demand for, should the tariffs not change. Then we're pretty good at balancing our inventory strategically and allocating that around the globe.

We've proven that over the last 3 years in particular. So I think our gloves-off approach to bringing in volume through this vintage will – if we've got more than what we actually ask for it, we'll take it. And then we'll be able to define what the future would look like.

I wouldn't be expecting that one vintage would get us back to where we were, no, certainly not. We shouldn't be building that into our mindset or our models, I don't think. But the upside will be based on what we can bring in over the course of the next 3 months.

Operator

And your next question will come from Craig Woolford with MST Marquee.

Craig Woolford

Tim and Stuart, just wanted to extend on that question around China. I think you got a summary on Slide 7 about the plans if the tariff moves and where Penfolds is positioned. But just like you say you look to implement global price increases on certain products. I just want to be really clear that you would obviously maintain that price harmony across the globe.

But it would be an increase on Penfolds in all markets, not just the pricing that would go into Asia, for example.

Tim Ford

Yes. I'll hand to Tom, but I'll just headline. We're not going to talk in detail around that what we know what we would do with pricing. Should this review be a positive outcome in just around the corner in a few weeks' time? But yes, we also need to make sure we manage that and balance that communication around customers. So we will communicate at the appropriate time. So there will be clarity for all analysts and investors out there.

But Tom, it's top of mind for you how we manage global pricing going forward. So I wanted to give some color in terms of how you and the team are planning should that occur.

Tom King

Yes, sure. And I think the first thing just to reiterate is we do work to global pricing templates and frameworks. So the margin we make on any product wherever it's sold around the world is consistent. In the past, we may have – or people may have had the assumption that we would charge or we sell at higher prices into markets like China, that's not the case.

The higher margins we earn into our markets, is all due to the mix of the portfolio that's sold in those markets. So when we assess our future pricing road map, we're looking at it at a global level and a single price level for each product.

And as we look ahead to the point where we are getting more demand versus what we have available over the next couple of years. We're making pretty informed but rational decisions around where and when we will plan to take price. We've got that mapped out already as it is.

But clearly, we won't be communicating anything at this point in time. But I'm confident the consistency and the strength of our global pricing framework will remain intact and will all move at the same point in time whenever we push those buttons.

Craig Woolford

And can I just clarify on the Americas pricing commentary, the NSR per case commentary. Is it true that the luxury portfolio had a constant FX and its uppercase growth?

Ben Dollard

There's a mix of – the reason for the question is the –

Craig Woolford

Sorry, got a feedback, the 0.9% overall pricing growth. But then luxury NSR was stronger and also volumes were up or better in the luxury versus the premium?

Tim Ford

I think can we just make sure we give you the proper answer and analyze that. Can Stuart that offline and just bring that back when you guys catch up later on. It's not trying to dance. But we want to make sure I understand the question. But I'd be talking directionally right now. We need to give you the details. Is that okay?

Craig Woolford

Sure.

Operator

Your next question will come from Ben Gilbert with Jarden.

Ben Gilbert

Just 2 questions. One, what are you seeing in terms of like-for-like COGS that you're taking in for Penfolds? Are they coming down given the productivity gains you've got the facility and obviously juice prices have been weaker for Red over the last couple of years?

Stuart Boxer

So for Penfolds, I mean, the factors that we are seeing. Tim has touched on a couple of them is the differences in the vintages. And it's more about the volume coming off the vintages impacting COGS than sort of flow-through impacts associated with the facility.

So I think as we've said that part of the impact that we've seen was a slightly higher cost of the vintage going through Penfolds and the next one will be a little bit better off. But those variances are relatively small for Penfolds compared to some of the variances that we've talked about for Treasury Americas, given the much more sort of significant weakness of the V20 vintage, so nothing that material Pinfolds.

Ben Gilbert

But pretty steady, we should think about of the like-for-like COGS in Penfolds?

Tim Ford

Hopefully. Hopefully, with a lot of volume in Vintage 24, it will be a very good COGS as well.

Ben Gilbert

And some price as well.

Tim Ford

And some price as well. It's not a bad mix.

Ben Gilbert

And then just a follow-on for me. Just on the Americas, just following up from the question before. The fact you're progressing down this path or in terms of the split now. Would this suggest and to Bryan's question before, obviously, we'll see what you're doing in time around potential of the merger or if it does remain quarter treasury.

But would it suggest that there weren't any obvious buyers of those brands? Or would you still be open to – looking to sell some of, if not all of the premium business, particularly in the Americas?

Tim Ford

Within the Americas, priority one, step one is separating the teams from a sales and marketing point of view by July 1. That's absolutely priority number one, with a very close priority, 0.5% of delivering the luxury growth and the integration of DAOU.

So from that perspective, that's step one. Whilst Ben and the team are driving that, we'll assess as more of a corporate strategy piece of work as to what the future model looks like as well. So it's not driven by a lack of buyers, because we have actually gone to the market and said it's up for sale.

So yes, it really is – let's get it on the table. Let's really strongly assess it. Let's make the right decision for the next 5, 10 years, which is an opportunity is now unlocked by the luxury portfolio we now have with DAOU being the last piece of that puzzle that we've been working to pull together over the last couple of years.

Operator

The next question will come from Phil Kimber with E&P Capital.

Phillip Kimber

I just had a question on Penfolds. I'm wondering if you can give us sort of any slightly more detail just on the phasing of the Bin and Icons. I mean are we talking, I don't know, 50,000, 100,000 cases? Or was it more than that?

And I'm just trying to understand that sort of what comes back into the second half? And then, again, presumably in FY '25, we go back to more normal shipments, that were my questions.

Tim Ford

Yes, no, rather than cases because then you get into mix and all the rest of it. As we outlined, the strategy was broadly 45-55. So that's how you should think about the Penfolds business from first half to second half.

And we're very confident in that plan whether China reopens, or doesn't reopen. So we've got the alternative plans to deliver on that. In terms of moving forward, we don't plan to stick with the 45-55 split. Just the 1 year deliberate, making sure we had the optionality in the second half. That's not how we'll run the business going forward. It will be much more back to the broader 50-50.

If not slightly first half in the future, I would expect. But we'll guide that on – when we get to the end of this year.

Operator

Your Next question will come from Shaun Cousins with UBS.

Shaun Cousins

Maybe just a question on premium brands. Could you maybe just sort of talk a little bit about what drove explicitly that 45% decline in Premium Brands to Asian revenue? I get the idea you're seeking to match shipments to depletions, but was it the product like varietal brands? Was it the selling or was it end market demand that ultimately meant prior shipments were unable to be matched by depletions?

Tim Ford

Pete spent a lot of time working and thinking about this. So he can answer.

Peter Neilson

Yes. Thanks, Shaun. Look, we have looked at it. And as you know, data out of the Asian markets can be a little bit difficult and challenging to get a really clear view on. But what we have been able to get our hands on when we look at the commercial and premium brand or premium categories within those markets is. Our performance is, by and large, in line with the market.

So we don't see it as a downturn in performance of our brands relative to the market. We see it in line with market. And then as Tim said earlier, we're just there's a correction in shipments to make sure that we're not building inventory and that our plans that we have with our distributors, where we ship to a depletion plan is maintained. So that we hold the appropriate inventory levels over the duration for the depletions that we're seeing now.

There's still plenty of opportunities that we see within the Asia market to continue to drive our core portfolio, be that premium and commercial, equally opportunities to innovate into that market as well. But we see our performance by and large, in line with the market.

Shaun Cousins

And my second question is just around your effective tax rate. So if I think about your result came in line on an EBITS but beat on an NPAT basis the way we can see it. How are you thinking about effective tax rate for full year '24, please?

Tim Ford

Okay. Stuart?

Stuart Boxer

Yes. Pretty much in line with what it was in the first half based on mix.

Shaun Cousins

Okay. And then we should think about that sort of stepping down a bit as well as we get more of the U.S. business in terms of DAOU come along?

Stuart Boxer

Yes.

Operator

Your next question will come from Ross Curran with Macquarie.

Ross Curran

Tim, I just want to ask about DAOU and you've talked about launching a Napa DAOU brand tiers there. Can you give us some of your thoughts around and how that have been at to be for the group going forward?

Tim Ford

I'll let Ben talk about this one, because this is very really, enjoys me throwing my ideas out there randomly and then he has to go and execute on it. So I'll touch – I'll start by and he will probably touch on focus, I'm sure, which is what his conversation with me was.

But we are aligned that DAOU as a brand, as a luxury brand, has a wonderful opportunity to broaden outside of its Paso Robles routes, et cetera, as well, whether that'd be through our multi-country of origin sourcing or also through that.

But we've made a little bit of Napa 1 for DAOU over the last vintage in '23. But I think, Ben, you can probably best comment on your priorities around DAOU, because you're the one that's going to deliver it.

Ben Dollard

Yes. No worries. Thanks, Ross. Look, as Tim mentioned earlier, really – look, we've got a great brand in our portfolio now. And it has a really tremendous distribution here in California and opportunity for us to expand that across the country and build on what the team has already done.

So the idea around DAOU Cabinet and building up our portfolio and then leaning into the luxury opportunity out of Paso Robles with DAOU reserve and patch money. That absolutely is a priority for us. And then, as Tim said, the brand has – and George and Daniel and the team have shared this view that the brand has the ability to reach consumers in new ways.

And that will include innovation down the track, be it out of Napa or elsewhere around the world. But as a priority right now very clearly is for us to continue to deliver and build on the good work the team have been doing because there is a very, very significant distribution opportunity.

Ross Curran

But can we just dig in a little bit more detail. So DAOU is known for buying volume in. You have some assets in Napa that are probably underperforming the portfolio as a whole.

Is there an opportunity to take some of the existing assets in NAPA, perhaps kill some of those brands and drop the DAOU name on to some existing assets in Napa?

Tim Ford

I'll take that. Well, firstly, the assets and brands we have out of Napa, as I said, they're underperforming with BV Stags, Frank Family. With the reason the Frank Family acquisition made so much sense for us is not only brought us to #2 SGARA in the U.S.

But it also enabled us to utilize the asset base we have in the U.S. from that point of view. So let's not go down a path of the big opportunity for DAOU is out of Napa, right, the big opportunity for DAOU. And we've seen a bit more in the last 3 months, of course, as we've actually looked to that business.

And yes, the opportunity for DAOU is very clear and we've outlined it. However, what we've learned, it's probably interesting to hear. What we've learned in the last couple of months on DAOU, which was, one, their O&D period was incredibly strong. And they are continuing to outperform the category significantly.

And we've got a lot of runway to build distribution. You look at the numbers we've talked about today around outside of California. California is that's not a priority, but distribution is so strong there. It's everywhere. We just need to drive velocity. Outside of California, it's there.

We need to build the international business for DAOU, not from scratch, but from a very small base. And we've got plans to really drive that. The innovation with DAOU, not just within their cabinet core, is incredibly successful, whether it's the Rose Eye, whether it's their Wafer-Idles, et cetera. The brand just delivers every time they launch something to market.

So that's what we've learned. But the most exciting part is the DAOU team are incredible.

And the people in that business right through that organization that we've got to know. And we knew their leadership team. We knew the owners clearly as we went through the diligence process.

But now we're getting to know that team. The power of bringing that capability with the top end capability in our business and bringing that as a firm business is fantastic. So I think they're the focused areas for DAOU. That's what's going to deliver us the return on a significant amount of capital we've invested. That's what we're going to focus on and that's what we're going to deliver.

Operator

And your last question will come from Sam Teeger with Citi.

Sam Teeger

Stuart, at the full year result, you had a good slide in the Penfolds section, where you quantified the distribution growth across your key markets. I couldn't see that in the deck today. But I was just wondering, can you talk to the outlet growth for Penfolds in the first half '24? I mean in Asia, is it similar to the mid-teens growth that that slide implied over CY '23?

Tim Ford

Yes, you're right. It wasn't even the deck today. Tom, I mean, you can talk more broadly around distribution without having all the detailed numbers there this time around. I'm not going to go through that detail. But Tom, just talk about the continued distribution growth that we've outlined before in some of these markets and just the consistency of it, just briefly around out that will be great.

Tom King

Yes, sure. I mean the data is something that we've done for a couple of years now. But it's a once a year process. And it's a pretty significant undertaking to get that all audited. But the data we're getting from our teams on the ground and our customers tells us that that momentum that we've got building distribution continues across the board. And some great growth rates that we are seeing in Asia to your question, Sam.

But pleasingly, we're seeing it right around the world. And the numbers today, you'd have seen volume was significantly ahead of value. A big driver of that was obviously the phasing has been an Icon Shipments. But it also indicative of the strength of the growth we're seeing in entry-level tiers right around the world.

And that's off the back of some great work that we've been doing with core retail partners in terms of activating in store and getting more space, more ranging, more distribution for the likes of Max in our entry-level Bins, in outlets and retailers that we've never been in before, reflecting the strength of the brand and the premiumization of the category.

So we're really pleased with that. At the very top end, one of the great pieces of news that we've had in the half is a deal for us to put 6 of our Icon luxury wines on the plasterboard for distribution across EMEA, which again opens up a whole new avenue for us to access top end on and off-trade outlets across the European markets.

And a real vote of confidence for Penfolds from what is a really quite prestigious distribution platform that isn't open to everyone. And being in Paris this week of Vinexpo meeting or the negotiations that we're working for or working with some, real positivity, excitement and appreciation that we're working with them.

So if we needed any more confidence that there was more distribution to go after, we've got it this week, and that's in Europe. But similarly, across the board, and I touched on it in my script. We've got a lot more targeted now in terms of how we're going after and executing against this distribution road map and tweaking some of the roles we have in market to be really absolutely focused on the top end of the portfolio.

So it's not just a numbers game. We've always said a number of outlets, is great, but it's the quality of that distribution. So as we've got this data-led approach and this database now of outlets, that's continually updating. We're constantly looking at what we've got where, how it's performing and where further opportunities exist.

So whilst we don't have data to share today, Sam, I can tell you that there is still very much a positive momentum across the board from a distribution perspective.

Tim Ford

Great. Thank you, Tom. Thanks, Sam. I think we're at time. So appreciate all the questions. And I hope everyone has got the chance to ask what they wanted to or at least others asked what was in your mind. So thank you for joining us. And we look forward to catch up individually with a number of you over the next couple of weeks, so cheers. Thanks.