# Treasury Wine Estates Limited, H1 2025, Earnings Call 2025-02-12

## Presentation

### Operator

Thank you for standing by, and welcome to the Treasury Wine Estates FY ’25 Half Year Results Briefing. — ***Operator Instructions*** — I would now like to hand the conference over to Tim Ford, CEO. Please go ahead.

### Tim Ford

Good morning, everybody, and thank you for joining Treasury Wine Estates’ 2025 interim results briefing. Joining me today, we have Stuart Boxer, our Chief Financial and Strategy Officer; Tom King, who’s in Bordeaux, our Managing Director of Penfolds; Ben Dollard in Napa Valley, President of Treasury Americas; and Angus Lilley, our Managing Director of Treasury Premium Brands, who, as we’ve announced today, will take the leadership of our new Global Premium Division upon transition to our modified operating model and ELT from the 1st of July this year.

So I’m pleased to announce today our results for the first half. Our period where clearly, our luxury led focus drives strong performance is reflected in all of our key metrics. EBITS grew 35.1% to $391.4 million, driven by the continued growth of Penfolds and the contribution of DAOU in Treasury Americas. Our Luxury portfolio net sales revenue increased 52% in the period and now represents approximately 56% of our total group NSR.

Our premium and commercial portfolio declined approximately 5%, reflecting the continued softness in demand around the globe for wine at lower price points. And on an organic basis, to be clear, that is excluding the top line expansion from DAOU specifically, our group’s net sales revenue also increased by 5%.

Penfolds' performance clearly was a significant highlight led by the outstanding growth in Asia, and we're extremely pleased to have successfully reestablished the Australian country of origin portfolio in China. The very positive sentiment towards the brand from both our consumers and customers in that market, in particular, strengthening our confidence in what we see as an incredible long-term opportunity for the Penfolds business.

In Treasury Americas, DAOU's NSR grew 11%, in line with our target for low double digit NSR growth and business integration is also progressing very well to plan. Pleasingly, we have announced today the upgrading of our cost synergies of that acquisition to a total run rate of USD 35 million from previous guidance of USD 20 million-plus, further strengthening the business case for this acquisition.

Having now created the leading luxury wine platform in the United States market. We now look forward to further capital on a great opportunity in the years ahead. And I touched on the operating model front, preparations are progressing well ahead of the transition to a global premium division from the start of F '26 or 1st of July this calendar year. With global alignment consistency for brand planning and investment planning now in place. As outlined previously, we consider this model to be the optimal way to drive value from our premium brand portfolios moving forward. While importantly, playing a supporting role to our luxury led focus for the company.

We've also completed the process to explore the divestment of our commercial brand portfolio, for brands in particular that we announced back in August. We've concluded that the offers received for these brands did not represent compelling value. And therefore, that their retention is the best and responsible course of action.

We expect F '25 EBITS to be approximately $780 million, which is at the lower end of the previous got range of $780 million to $810 million back in August, driven primarily by the reduced expectations for Treasury Premium brands.

Now touching on some of the key elements of our financial performance, which Stuart will cover in more detail shortly. Importantly our group net sales revenue increased 20.2% on a reported basis and 20.5% on a constant currency basis and organically, it increased 5.1%. NSR per case increased to $138 per case, up 16%. And pleasingly, EBITS margin also expanded 2.8 percentage points, with the strengthening of both metrics reflecting the significant shift in our portfolio to luxury wine and the quality of this result.

Net profit after tax increased 31.5% to $239.6 million, and earnings per share grew 20% to $0.295 per share. The latter moderated by the increase in shares on issue following the equity raising was used to fund the acquisition of DAOU in late 2023. Cash conversion was 90.4% and excluding the change in inventory was 83.8%, another good result. Leverage was 2x and an improvement on the previous year to within our target range of 1.5 to 2x. Finally, the Board declared an interim dividend of $0.20 per share, 70% franked, which represents a payout ratio of 68% and an increase on the prior year of 17.6%.

Turning briefly to the divisional performance, to which Tom, Ben and Angus will cover in more detail as the normal. Starting with Penfolds, I guess, complementing the strong delivery from Asia was the continuation of the positive momentum from previous years in a number of other key markets where despite the reallocation and the partial reallocation of Bin & Icon wines to China as we reentered that market, we saw continued consumer demand supporting the delivery of what were relatively modest NSR declines in those markets impacted by the reallocation, specifically Australia and the EMEA. This is particularly pleasing, given our focus and the priority to grow Penfolds across all key markets over the longer term. Please note the growth rates shown on this slide do in part reflect the expected phasing and planned phasing of Bin & Icon shipments for the first half of this year given the opportunity of rebuilding distribution in China in the first quarter.

In Treasury Americas, growth rates were largely driven by the contribution of DAOU as reflected in the organic NSR, which was broadly in line with the prior year. Across the other luxury portfolio brands, excluding DAOU, NSR did decline 8%, reflecting below planned performance in the U.S. trade, some decline in our direct-to-consumer business as we've deliberately reduced discounting in that channel on luxury brands, an important channel with high-margin sales and also some weighting of shipments to the first half.

The increased contribution from luxury NSR per case and EBITS saw a real increase in the margin structure that gets us right towards our goal of high 20% over time for Treasury Americas. So we're certainly on track for that, which is pleasing. And finally, Treasury Premium Brands saw NSR decline 8%, driven by lower commercial and premium shipments. The team have implemented a number of important structural changes over this half, led by Angus, which we are confident will support some improvement in top line performance and in the cost and margin profile of the business from the second half onwards.

So with that as the highlights, I'll hand over to Stuart, who will cover the financials in more detail.

**Stuart Boxer**

Thank you, Tim, and good morning, everyone. I'm pleased to share with you the financial highlights for the first half of fiscal '25. Starting with our summary of our key performance metrics, where you can see that the overall health of the business is in good shape with the benefit of our luxury led focus starting to come through. Starting at the top left, the chart clearly shows the impact of our active strategy to focus the business towards luxury wine with the luxury portfolio now representing 56% of group NSR, up from 37% 4 years ago, driven by Penfolds and the transformation of the Treasury Americas portfolio over the period.

The improved quality of the portfolio is also reflected in our NSR per case, which has increased by 2/3 over the same period, including the 16.1% increase on a reported basis in the first half, as Tim mentioned earlier. On a constant currency basis and excluding the acquisition of DAOU, NSR per case increased 8.4% in the first half. Whilst not shown on the chart, COGS per case increased 4.9% driven by portfolio mix with mix-adjusted COGS per case in line with the prior period. Whilst cost of doing business increased 35%, this was driven by the addition of DAOU and the investment in brand building and overhead to support the reestablishment of Penfolds Australian country of origin portfolio in China, which takes us to the EBITS and EBITS margin chart on the top right.

Tim has already talked to the drivers of the 35% increase in EBITS on currency basis to $394.1 million. We were very pleased to deliver a 2.8 percentage point increase in EBITS margin to 25.3%, the first time we've broken a 25% barrier. Return on capital employed increased 0.1 percentage points to 11.2%, so it has effectively been flat over the past 3 periods, impacted by the acquisition of DAOU. However, I do want to pause on that for a moment. We acquired USD 63 million of EBITS against the price of USD 900 million. Today, we've confirmed that the cost synergies will be USD 35 million which when added to the USD 63 million gives us a pro forma EBITS for any top line growth of around USD 100 million, which equates to an 11% return on capital employed pre-growth.

So it's a pretty good start. And given the performance of DAOU so far and the growth potential, we remain confident about the medium-term returns from this acquisition and the flow-through benefit to TWE.

Leverage ended the year at 2x, unchanged from 30 June and impacted by adverse foreign currency movements on the group's U.S. dollar borrowings with the AUD-USD exchange rate having declined by 6% in the half, resulting in a mismatch between the average exchange rate used for EBITDA and the period-end and spot rate used for debt. Based on current rates and outlook, we expect leverage to be at the upper end of our 1.5 to 2x range by the end of the year.

Material items totaled $0.2 million pretax in the half. They relate to the gain on sale from the divestment of the Karadoc Winery, largely being offset by integration costs associated with the acquisition of DAOU and the DAOU integration and the accounting of the DAOU earnout agreement. On a post-tax basis, we recognized material items loss of $8 million, with the difference being driven by the tax effect pertaining to the divestment of Karadoc.

We expect that the Australian commercial supply chain program to be completed in the second half of the fiscal year, in line with the initial program net cost of $90 million, pending the sale of a final commercial vineyard and associated water rights in Australia. And we also expect the remainder of the DAOU integration costs will be incurred during the second half of this fiscal year.

Now moving to the balance sheet. Net assets increased $263 million on a reported currency basis, though $200 million of this increase was due to foreign currency movements. And you'll see FX figure sort of explanations appearing pretty heavily on this slide. So the net movement excluding currency was relatively small with the largest driver being working capital driven by higher receivables reflecting NSR growth and lower payables due to seasonality. Net borrowings are also impacted by vineyard lease renewals in Australia.

Moving now to inventory analysis. As a reminder, we do this analysis on a prior corresponding period basis to address seasonality and these charts are not adjusted for FX. Across the 12 months, total inventory volume reduced 15% while value was increased 4%, reflecting the growth of luxury inventory, in combination with the reduction of premium and commercial inventory. Current inventory increased $35 million, driven by the expected growth in luxury sales and partly offset by moderated expectations for the commercial and premium portfolio. With noncurrent inventory increased to $67 million, driven by luxury intake from the 2024 California vintage.

Total luxury inventory increased 13% in value terms, reflecting increased intake for the

Treasury Americas luxury brands, including DAOU, Stags' Leap and Frank Family Vineyards. Please note that if you do exclude the impact of foreign currency movements from these movements, the trends are similar but moderated.

Moving to cash flow and net debt. Net operating cash flow before interest, tax and material items was $427.8 million for the period, an increase of 56% on the prior corresponding period. Cash conversion, we were pleased was 90.4% and excluding the change in noncurrent luxury and premium inventory, cash conversion was 83.8%, reflecting the favorable phasing of Penfold shipments during the half and in particular, the Q1 sales into China as we rebuild distribution, which you can see reflected in the lower working capital outflow this half compared to the prior year. We continue to expect full year cash conversion of approximately 80%, excluding the change in noncurrent luxury and premium inventory.

So I'll move now to CapEx. Total CapEx for the period was $78 million, which included maintenance CapEx of $53.2 million and growth CapEx of $24.8 million. The growth CapEx included investment in low and no alcohol wine production technology, the commencement of the Beaulieu Vineyard brand home refurbishment in the U.S. and the continued expansion of our luxury winery operations in France.

The outlook for CapEx for F '25 is slightly higher than previously outlined, with maintenance CapEx in line at approximately $100 million and growth CapEx of up to $65 million planned. This is higher than the $50 million outlined at the full year, mainly due to the acquisition of a couple of luxury vineyards in Australia to support Penfolds, which we foreshadowed but excluded in our outlook at the full year, together with FX impacts on U.S. CapEx. Please note that the growth CapEx figure also excludes the acquisition of Stone & Moon for RMB 130 million or approximately AUD 27.5 million, which we expect to complete in the second half.

And finally, capital management. TWE's investment-grade structure remains efficient and flexible. Our liquidity position is strong with $1.2 billion of cash and committed undrawn debt facilities on hand. And as of today, we've announced an interim dividend of $0.20 per share, franked to 70%, representing growth of 17.6% and a payout ratio of 68%, which is within our 55% to 70% target payout range.

So thank you. I will now hand over to Tom King.

**Tom King**

I'm very pleased to report another strong performance for Penfolds in what was a fantastic start to fiscal '25. We continue to see the Penfolds brand resonate with a growing number of luxury consumers globally, supported by some fabulous in-market activation and investment behind the brand in our key markets.

Turning to the financial highlights. Volume and NSR increased 13% and 24%, respectively, driven by strong growth in Bin & Icon shipments to Asia, reflecting both the reestablishment of the Australian country of origin portfolio in China and continued momentum behind the portfolio in other key Asian markets, notably in Hong Kong, Thailand and Malaysia. As we've noted in the disclosures, the growth profile reported for the first half reflects in part the rebuilding of distribution in China through the first quarter and the weighting of Bin & Icon shipments to the second half in fiscal '24 in anticipation of the removal of tariffs.

Outside of Asia, while the partial reallocation of Bin & Icon volumes away from these markets impacted top line results, momentum continued behind the broader portfolio, and we saw pleasing results across both national accounts and independent retail in Australia and in luxury distribution channels in EMEA region. We remain focused on growing Penfolds in these markets with outstanding brand activation supporting depletions growth and increased availability for the Bin & Icon portfolio from late fiscal '26 to support our plans.

NSR per case increased 10.5%, reflecting the benefit of price increases that were taken across the Bin & Icon portfolio. COGS per case was slightly below the prior period, reflecting vintage transition and cost of doing business increased 34%, driven by the step-up in brand investment and overheads in China to support our long-term growth ambitions in that market. We delivered EBITS of $250 million and an EBITS margin of just under 45%, with margin reflecting the strong portfolio mix this half. For the full year, we continue to expect the delivery of low double-digit EBITS growth and an EBITS margin in the range of 43% to 45%.

Turning now to our performance in China, where our Australian portfolio has had an encouraging return, continuing to progress in line with our expectations. Whilst conditions in the broader alcohol beverage market have been mixed in China, we've seen improvement in the wine category this half with total category growth of 2% and 6% for offline retail and e-commerce, respectively. At the luxury end of the market, which we categorize as RMB 150 and above, we saw strong market growth in the half as evidenced by the e-commerce channel, which grew 13% on the prior period and 39% versus the first half of fiscal '20.

Penfolds brand health continues to increase in strength, supported by our significant brand investment and exciting in-market activations that have quickly reestablished Penfolds as the #1 luxury wine brand in the market. Our distribution expansion is making excellent progress with our national distribution network now operational across 30 provinces and regions with the Penfolds core portfolio now available in over 10,000 outlets.

Strong customer demand throughout the first half was supported by encouraging depletion trends, with total portfolio depletion trends comparable to the first half of fiscal '20, the last relevant period before the implementation of tariffs on Australian imports. For the Bin & Icon portfolio, depletions across all channels showed double-digit growth versus the first half of fiscal '20, reflecting strong consumer demand as evidenced by 72% growth in e-commerce over the same period. While e-commerce represents only a portion of our portfolio mix, approximately 20% of Penfolds retail sales value in China, we believe it's a really good real-time indicator of end consumer demand.

Retail pricing continues to normalize despite the presence of competitive pricing in cross-border e-commerce channels, which is estimated to represent approximately 5% of Penfold's total depletion value in the period. So overall, we're very pleased by our progress in reestablishing our Australian portfolio in China, a highly attractive long-term growth opportunity for Penfolds.

There were numerous brand execution highlights for Penfolds globally in the half as we continue to connect with more consumers than ever before. One highlight was the launch of the Nigo holiday gifting campaign, where we took gifting execution to the next level during the festive period, notably in Australia, where the launch of this activation was incredibly well received by our key national retailers with Penfolds brand-led Christmas campaigns and retailer website content driving strong consumer engagement.

We were also thrilled to announce our intention to acquire Ningxia Stone & Moon Winery, an investment that will reinforce our long-term commitment to China and support the future growth of our China country of origin portfolio via an efficient and scalable production model. In addition, we're excited by the future opportunity to establish a brand home for Penfolds in China at the site.

In summary, I'm extremely pleased with our performance in the first half and the steady progress we're making on our journey to become Penfolds a global luxury icon. We remain confident in the long-term growth opportunity for Penfolds globally and are pleased today to reiterate the guidance for annual EBITS growth of 15% in both F '26 and F '27.

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 from Napa Valley, California. It's been another busy and productive period for Treasury Americas. We have progressed the DAOU integration, implemented our new dedicated commercial teams for our luxury and premium portfolios, along with further optimization of our distributor network. All of these efforts designed to set up Treasury Americas for long-term success. We are pleased that consumer support remains strong for our brands with Treasury continuing to lead the U.S. market above $20 and growing share.

Turning to the key financial metrics. Volume and net sales revenue increased 22% and 42%, respectively, driven by the contribution from DAOU. On an organic basis, volume across the total portfolio declined 2% and NSR was broadly in line with the prior calendar period. DAOU grew NSR 11% versus the prior calendar period, in line with expectations and became the #1 luxury cabernet in the U.S. One year post acquisition, we are extremely pleased with how DAOU is performing. DAOU creates a tremendous connection with the consumer, and we see significant distribution expansion well into the future.

Across the remainder of the luxury portfolio, our performance reflects the deliberate targeting of a more balanced shipment profile across the year, resulting in an NSR decline of 8%. Our DTC channel, including e-commerce, clubs and cellar doors is a substantial part of our business, representing 21% of luxury NSR. Our DTC result included reduced shipment volume in the half. This reflects strategic pricing initiatives aimed at ensuring price integrity across channels and elevating consumer engagement and experiences.

In the premium brand portfolio, Matua and Sauvignon Blanc continued its strong performance and remains a top growth brand in the category. Matua outpaces the New Zealand segment with double-digit retail sales growth in the half. These gains more than offset the performance of 19 Crimes, where NSR declined slightly despite the success of new product innovations, including the Halloween limited time offer and Cali Smooth. Excluding NPD, shipments exceeded depletions by approximately 300,000 cases in the first half of fiscal ’25, driven primarily by DAOU and Matua to support forecasted depletion growth.

NSR per case increased 16.5%, reflecting the continuing mix shift to our luxury wine portfolio, which now represents 59% of Treasury Americas NSR. COGS per case were in line with the prior period with portfolio mix offset by the transition to lower-cost 2021 vintage. Cost of doing business increased due to the acquisition of DAOU. We delivered EBITS of $155 million and an EBITS margin of 24.6%.

Turning now to some execution highlights. Scaling our estate-led brands remains a key strategic focus as we create another outstanding luxury-led growth platform for TWE. We continue to be pleased with the growth of Frank Family Vineyards. After 3 years as part of Treasury Americas, Frank Family is firmly on track to deliver its acquisition business case, having delivered NSR growth of 26%, an 8% CAGR over the period. Frank Family continues to leverage our industry-leading hospitality experience, once again voted #1 in Napa Valley to welcome visitors and build long-term equity for the brand. Along with winery experience, we are focused on expanding quality distribution in the on- and off-premise across America.

Now turning to our recent acquisition of DAOU. The integration is progressing to plan. The successful delivery of vintage 2024 through our integrated California supply chain was a highlight. We are pleased to report an increase in expected cost synergies to USD 35 million, up from the USD 20 million-plus we announced at the time of the acquisition, driven by production and supply chain initiatives. As we have done with Frank Family, we continue to see a significant value creation opportunity, leveraging our asset base and distribution platform to drive the expansion of DAOU portfolio across the U.S..

In summary, a positive start to fiscal ’25 with many achievements for Treasury Americas. For fiscal ’25, we expect EBITS delivery to be second half weighted, reflecting continued momentum for DAOU NSR for the remainder of the luxury portfolio in line with the first half and the realization of acquisition synergies. Foreign exchange rates at the time of reporting are also expected to support delivery in the second half.

Thank you. I will now hand over to Angus Lilley in Melbourne.

**Angus Lilley**

Thanks, Ben, and good morning, everyone. While Treasury Premium Brands first half performance was below our expectations across the half, we have implemented a number of changes throughout the division that gives us confidence from which to build through the remainder of this year and then from F ’26 as part of the Global Premium division.

First, turning to our key financial metrics. Volume and NSR declined 6% and 9%, respectively, driven by volume declines across the commercial and premium portfolios, reflecting continued softness in consumer demand at the lower price points, in addition to our underperformance relative to the category, particularly in the U.K. and Australia.

Elsewhere, NSR declines in the Americas were due to the realignment of inventory levels in Canada as part of the finalization of the current distribution agreement. These declines were partly offset by NSR growth in key brands, including Squealing Pig, which saw double-digit NSR growth for the period and Rawson’s Retreat, underpinned by the reintroduction of the Australian country of origin wines into the China market.

NSR per case decreased 3%, reflecting price investment in the premium brand portfolio, primarily relating to 19 Crimes in the U.K. COGS per case increased 2%, driven by reduced production volumes through the supply chain network. Cost of doing business was in line with the prior period with the decrease in A&P and overheads achieved this half, offset by the cycling of the gain on sale of divested vineyard assets in the prior corresponding period.

EBITS decreased to $23 million and EBITS margin was 6.4%. In the second half, we are targeting EBITS in line with the prior corresponding period, supported by some improvement in top line performance and reduced overhead costs as a result of some of the recently implemented operational model changes, which I'll touch on shortly.

Turning to some execution highlights. Building lifestyle brands of meaningful scale will continue to be a key focus for the Global Premium Brands division. Squealing Pig is a great example of TPB's success on this front, a global brand delivering double-digit NSR growth this half, in line with our 5-year trend, demonstrating our ability to continue to drive growth by innovating to meet consumer preferences. The launch of this spritzes product Squealini and continued growth in the U.K. were key highlights for the brand this period.

Optimizing our portfolio, processes and the cost base has also been a key focus this half as we progress planning for the transition to the global premium division with the global coordination and consistency of brand building for key global brands such as 19 Crimes, Squealing Pig and Matua, representing a significant change to our ways of working. Further, we have implemented a number of operating model changes, which will support an improved cost and margin structure in second half '25 onwards. These include the restructuring of our business in Asia, including overheads and the consolidation of our logistics warehousing model in Europe.

Looking ahead, success for the premium portfolio will be underpinned by a focused portfolio of powerful premium brands that resonate with consumers and lead the category in bold activations that assist our customer base with driving energy and enthusiasm in the premium wine category. Consumer-centric product and activation innovations that drive growth into our focus brands by introducing them to more consumers and more occasions. And finally, a stable base of commercial brands that are performing in line with the category. We have a great opportunity to change the trajectory of our portfolio and to be an important enabler of TWE's luxury-led growth agenda.

Thanks, and I'll now hand back to Tim.

**Tim Ford**

Thanks, Angus, and the rest of the team. So look, in summary, I think the interim 2025 performance highlights the benefit to all of our key financial metrics from the significant transformation over the last number of years, which has established TWE as a luxury-led lower volume but higher margin, higher quality of earnings business. Our 2 luxury platforms are in great shape, and we're well placed to deliver not only now, but over the long term.

Having successfully reestablished Penfolds country of – Australian country of origin in China, we're confident as ever in the long-term opportunity for the brand globally as reflected in the reiteration today of the multiyear guidance that we provided back in June.

In Treasury Americas, the progress we've made significant with the acquisition of DAOU, now creating the leading luxury wine platform in the U.S., the world's largest luxury wine market. The upgrading of the synergies is an outstanding outcome, representing value creation of more than half the EBITS of the stand-alone DAOU business when it was acquired and further strengthening that investment case and our ability to deliver that. We certainly look forward to the momentum of DAOU continuing in the second half in conjunction with these synergies and consistent performance from the rest of the luxury portfolio in the U.S. While there's no doubt conditions at the lower price point end of the market remain challenging, we are confident that the fixes we put in place and the transition to a global premium division is the right model to take us forward. And importantly, the opportunity to improve the performance from this global portfolio of brands.

So bring it all together, as I said at the start, we expect our F ’25 EBITS to be approximately $780 million, which is at the lower end of the previously guided range of $780 million to $810 million, driven primarily by the Treasury Premium Brands expectation for the full year.

Probably just to reflect quickly on the last 12 months before we open up for Q&A. Calendar year ’24 was a year of significant change for TWE. If we go back 12 months. We’ve seen the reopening of China to Australian wine. We’ve seen the integration of DAOU. We’ve seen the separation of our luxury and premium sales and marketing teams within Treasury Americas. We’ve also undertaken the commercial brand divestment process, which we’ve outlined today. So as we enter the year ahead, these changes are behind us, and we have absolute clarity now on portfolio execution priorities and the word execution is key with Penfolds and Treasury Americas luxury business, the absolute clear drivers of our future growth, the global premium business playing a critical role in supporting this growth agenda.

So with that, thank you for joining us, and I’ll open up for questions.

**Question and Answer**

**Operator**

— ***Operator Instructions*** — The first question today comes from Craig Woolford from MST Marquee.

**Craig Woolford**

I thought the disclosure on the Penfolds China was quite interesting and obviously try to give us some more color where you can. Can you just explain the metric you’ve used for that 1H ’25 versus 1H ’20 performance and maybe a bit more context around those numbers?

And then you do give a very confident statement again about the outlook for '26, '27 for Penfolds. Can you give us some substance as to is it about distribution reach? Is it about more brands going in? How do we get more meat on the bone around understanding that confidence for the next couple of years with Penfolds in China?

**Tim Ford**

Sure. Thanks, Craig, and good morning. I'll tackle some of that, and then I'll hand over to Tom to go into a bit more detail because it's obviously a pretty important part of the total result, but also what we've disclosed today as well. I think – if you think about our confidence in the future earnings of the business when we did take the market through back in June, our multiyear guidance, which is a little unusual because of the shift in China, that was based on our view of the wine we had available over the 3 years ahead and our ability to – and our confidence in our ability to build those markets around the world.

I think the 2 proof points that come from this first 6 months is twofold. One, in China, I mean we're talking reality of what we've now seen in China that certainly underpins our confidence and gives us increased confidence that the wine we've got to sell, we're probably closer to not having enough than we were having too much. So that's actually really strong, and Tom can talk through why with some of the data out of China.

I think the other point to make is the markets that we've taken, some of the allocations from, continue to still perform very well. So as more wine comes online for Penfolds over the course of the second half of fiscal '26 into fiscal '27, we certainly got confidence again that we can continue to build those markets as well so we have that diversified business for Penfolds as we go forward. I think the one bit that might confuse some when they look at it today, saying our F '25 guidance for Penfolds is still low double-digit EBITS, even though the first half was up significantly more than that. That purely comes down to the wine available to sell. And very clearly, it's consistent with what we outlined at the start of the year and the shipments and performance in the first half was pretty stellar. And you can probably read through from that if we had more, we would be able to sell more, but we have to wait for the next vintages to come through.

So that's sort of the overarching guidance confidence that we certainly now have. It's built based on fact in the last 6 months.

I think the other point just to make, and then I'll hand to Tom around the – using the 2020 fiscal year comparator, which again might seem a little strange, but we think that's the best comparator given that's when we were really in the market pre-tariffs as well. So for us, that's how we're measuring and building confidence ourselves of our performance in that market versus that period. Otherwise, you get caught up in a lot of category noise and what's actually happening because we're going from 0 to where we are today in China as opposed to a lot of the other companies around that were – had a significant business, whether it be wine or spirits from other markets around the world that have shown declines over the period of time. So for us, we're measuring ourselves against that pre-tariff period of time.

But Tom, you might want to talk a bit more around some of the metrics.

**Tom King**

Yes, sure. And it's a good question there, Craig. That slide that we put together on China is really just to front weight, I guess, some of the questions that might be coming around the performance for Penfolds in H1 and a bit of detail around how we're reading the market in China and whether that's a perspective on what's happening in the luxury wine category. And I think it is important to look back and see the growth of the luxury wine category over the last 4 years, whilst there have been challenges for the category, full stop. The luxury category is close to 40% bigger than it was back in the first half of fiscal ’20.

So that gives us confidence. We’ve had confidence for a long while now in the luxury end of the wine category there. I think, as Tim said, look, there’s – it’s really the best comparative for us to see how we’re tracking. We’ve highlighted, in particular, a number of e-commerce metrics because when we talk about depletions, that’s obviously depletions out of our distributors into retail or other channels, but e-commerce data is true end consumer demand. So it’s live. We get very reliable data. And for us, it’s a chance to really understand what is happening at the consumer end.

Just on the second question around confidence in the multiyear outlook. Tim touched on it when he mentioned the availability of wine that we have and the great result that our winemaking and supply teams have done to step up the availability of that wine. But what really gives us confidence, availability of wine is one thing, but the momentum we’ve got and the progress we’ve been making in the health of the brand around the globe. And again, we’re tracking this quarterly, and we are seeing steps forward in all of the markets where we track the brand. And that gives us real confidence that we are continuing to invest in the right places to connect with the right consumers with the right portfolio.

So strong brand health, strong customer demand from all of our key markets around the world, healthy depletion trends to support the shipments and the consumer demand. But we also see significant opportunity to continue building out distribution and availability. If you think back to the last 3 or 4 years, what we’ve been doing around the world is really driving a sharper focus on the outlets we want our portfolio to be in and which parts of the portfolio. We’ve got a really clear understanding of where the opportunities still exist. And if we continue to combine the right resources on the ground with the right partnerships to drive that distribution and availability, continue to invest with rigor and science behind where we activate the brand, and we have the availability of the wine to fulfill that demand. So, yes, look, at the moment, we're feeling very positive about the future outlook for Penfolds and particularly off the back of a really encouraging, really positive return to China for the Australian portfolio.

**Tim Ford**

Thanks, Craig. I think the other underlying point, and Tom won't say it himself, but Tom and his team led by Jack Wu up in China have executed outstandingly in the last 6 months, in particular. So the reestablishment of that market with our customers, the brand activation, the team that we've now got on board, they've really, really done a great job. So very, very pleased, and they deserve a lot of credit.

**Operator**

The next question comes from Michael Simotas from Jefferies.

**Michael Simotas**

Can we talk a little bit about cash realization? It was pretty solid in the first half and above the level that you've guided to for the full year. Remembering back to August, you had suggested that cash realization might have been a little bit softer in the first half based on less cash sales into China. How are you managing to collect the cash so quickly? And can you just maybe without putting numbers on it, just give us some indication of the dynamic across the businesses and whether it is, in fact, reflective of being able to collect the cash in China more quickly than you used to in the past?

**Stuart Boxer**

Michael, Stuart here. I'll take that one. So first and foremost, yes, we were pretty happy with the cash generation in the half, particularly because to your question, typically, the seasonality means that the cash flow is weaker in the first half, and that's actually more about sort of phasing of expenses and those sorts of things. So to have a very strong performance was great. And it really comes down to the timing of the sales into China.

That was the biggest difference.

I think when we were guiding for the half and the year, until we had those in the bank, we weren't going to sort of guide to the phasing of those sales. But the reality of what's happened is with the successful distribution that we had in the first half into China, as we continue to rebuild that distribution following the tariffs. A lot of that volume and sales was more biased to the first quarter than what it would be in a typical year. And so the flow-through on that was that the cash flowed earlier than you'd recall quite often what has happened in the past is that we do have pretty big sales sort of on a quarterly basis, particularly at the end of the half and into the full year, which we've talked about before.

So it was a much steadier profile in the half. But a little bit of that is reflective of the circumstances around the rebuild of China. And so as we think about the full year and the future, we'd expect things to revert to a bit more of a normal profile in the future, albeit as we said before, we're certainly working to reduce that impact of those late in the half sales.

**Michael Simotas**

Okay. And could I just ask another quick one on Penfolds pricing. When you gave us the guidance on Penfolds, you made the comment that there were no further substantial price increases beyond – or assumed beyond the FY '25 year. Given the success you're having in China and depletions being as strong as they are now as well as the fact that your non-China markets look like they're supply constrained, do you think there might be some ability to take some additional price?

**Tim Ford**

Yes. Look, as we get more confidence in that demand side of the demand-supply balance, we're a little conservative as I think we outlined quite succinctly last time around. We do – this is an annual process for us to review, which we will go through over the next 6 months as we finalize our F ’26 actual internal plans and budgets by market and line item, et cetera. But clearly, as demand continues to exceed supply, it’s an opportunity we have to explore balancing that out with when the wine comes online in ’26 back end and ’27. So probably building more confidence towards that potential, Michael, but a bit early to call from that point of view at the moment. But it’s a nice problem to have, to have to analyze, put it that way.

**Operator**

The next question comes from David Errington from Bank of America.

**David Errington**

Tim, just 2 quick questions. The first one on Penfolds, and I’m going to play a little game with you. I’m going to be the devil’s advocate here, and I want to hear what your response is. I’m going to say to you, okay, you give depletions, and it looks quite positive, and that Slide 17 looks positive. But your depletion basically, as you say, is just from distributors to retailers. I’m going to say to you, I don’t believe you that more consumers are drinking Penfolds. I don’t believe you that people are buying Penfolds and storing it in their cellars. In other words, what Tom said, you’re only using indicative data as to what the strength is at the consumer end.

So can you convince us because the main important question is, what is the end consumer demand growth? I mean you’re building up distribution again, you’re rolling out new cities, you’re doing all of that. But I know e-commerce, but who can – you can’t really compare e-commerce today compared to 2020. So I’m playing a game. I’m being devil’s advocate. – please convince us that your end consumer, Chinese are drinking more Penfolds or they’re drinking a lot of Penfolds and/or they’re storing it or whatever. So I’d like to get to that end consumer, not to the distributor, not to the retailer. It’s not just the distribution field. This is genuine consumer demand for Penfolds.

**Tom King**

Yes. Can you do that?

**Tim Ford**

Yes. I guess that's why we do. And I'm going to disagree on part on your e-commerce perspective because forget versus H1 2020, for example, e-commerce is genuine demand and genuine demand for consumer demand, consumer pull-through for what we would call as the heartland of our consumers in China as well. So it's not the high net worth. It's not all the corporate channels that we know are highly profitable and also going strongly. So that is the best proxy to give to investors and analysts and what we use ourselves internally at a point in time now that really gives us the confidence around the demand pull-through. Now there's clearly as the half – over the half, you'd sort of look at it over the half, we certainly believe that Q1 was more distribution build versus demand pull-through. Q2, as we look at our monthly data, will be more demand driven than distribution build.

But that's the data proof point that we have that we can give. I think it is genuinely an absolute proxy for consumer demand because that is consumers buying those bottles and taking them. And it's a pretty substantial part of the market as well, albeit not the total market. So that's what gives us the confidence of the gap. Do we know exactly where every depletion is and do we characterize it as demand pull versus distribution build? That's difficult to really – to be able to provide that with real confidence, and that's why we use the e-commerce data. And that's been a pretty good proxy over the years as to what that demand pull-through looks like.

So that's the best way for me to answer that question. It's what our customers view as well. Then they look at pricing, they look at pull-through, they look at all the different aspects of how the brand is performing in China. It's also growing the category. That's the one – the other thing we do know. Then you roll that through say well, the category is growing on the back of Penfolds being back in that market, above RMB 150.

**David Errington**

Okay. Good answer.

**Tim Ford**

Did I convince you or…

**David Errington**

Yes. Yes, you did. Yes, you did. Now this one is going to be an even better one. Treasury Americas, I'm playing devil's advocate. Because at the end of the day, excluding DAOU, that looked a pretty ordinary result where your net NSR is down 8% on luxury, excluding DAOU. You've basically found another $15 of synergies where you've just got them and you've got currency support. So can you convince us that Treasury Americas is on track and doing a good performance, given that you're supported by synergies and given that you've got currency support, can you convince us that TAM is on a good result, too. So same sort of deal, can you convince us why TAM, why we should be okay with that result?

**Tim Ford**

Yes. Yes, sure. And it's – just to clarify, $15 of synergies actually is USD 15 million of synergies, which is a big number that we're very pleased with, I've got to say. That said, we didn't buy this business, we didn't buy and build this luxury platform to save our way to glory. It's an added bonus. So from a top line point of view, when you look for each of those brands. And it's part of the reason why we explained the 3-year numbers around Frank Family because you have your half-to-half variations when you do look at it, and that happens based on shipments versus depletions.

But the consistent year-on-year growth over that 3-year period with Frank Family, for example, is strong, and we've given those numbers today. So that's the second largest brand behind DAOU we have in the luxury portfolio there in the United States. And the DAOU numbers are clear for everyone, outperforming the category by a fair way. Luxury wine still continues to grow 2%. Our brands like a Stags' Leap, for example, we're behind the category for the half from a shipment point of view. We've got some work to do on the depletion side of it there. But realistically, the 2 key brands that we must drive and that we will continue to provide visibility on, and we have today is DAOU and Frank Family, which over time, you look at the numbers, that's 65%, 70% of the earnings of the luxury business going forward.

The other brands like Beringer, Beringer is continuing to perform well above market in that market as well. We don't talk about that too much. What am I missing? BV, Beaulieu Vineyard is in the same case as Stags' Leap. So we don't have all boats rising at the same time in the last 6 months as we've integrated the business, as we've changed the distribution model, as we've reset that. But I look at our – and we don't declare it today in the numbers because otherwise, we get caught up in a monthly to monthly set of depletions data. But Q2 was stronger than Q1 for us, gives us confidence as we go into the second half of the year.

But we also got work to do. But the key brands are delivering above category, and that's in all the data. It's not just us marking our own homework, so to speak, because I know you like to use the term homework too. So that's what gives us confidence. But we've got some work to do, and Ben can add to that because I know he knows well and truly the task ahead of him. But Ben, do you want to add anything to that, that I've missed that gives you the belief, and you can also be a good chance – I hate you to miss out on having a chat with David.

**Ben Dollard**

Look, Tim said it well, and I'll just build on that. Our focus, integrating a brand of DAOU's size was a significant undertaking, and I'm really pleased with the fashion in which we've gone about that and the quality of our combined teams. And so all of those things and the performance of the brand, frankly, as we think about the first half. As Tim said, we also went through a fairly significant amount of change as we think about bringing the 2 businesses together and also thinking about our distribution footprint across the country.

So Q1, there was some disruption to our commercial rhythm. And then as Tim mentioned, we picked that up in Q2. So if we look at our scan data, the actual consumer pull and as we think about the health of our brands, I'm really pleased certainly relative to the rest of the market and the opportunity that we have because there continues to be significant distribution runway for DAOU and Frank Family and the remainder of the portfolio. And that's what we're very focused on. So a lot of the integration work is now behind us. The teams on both sides of the portfolio are now up and running. And importantly, certainly above $20, the category and consumers continue to engage with us. And that really is the test for us as we think about the opportunity for these brands. So I remain confident that the focus on our luxury portfolio is absolutely the right way to go.

**Tim Ford**

The other point I'll make is it's you think about the landscape in the U.S. at the moment across wine and spirits as well, which is where our distributor partners play. The performance we've delivered and we said in our outlook, our luxury brands outside of DAOU we're behind our plan, and that's what we set out to achieve for the year. So we're not hiding from that. We know we've got work to do. The majority of distributor partners in the U.S., whether that be the ones we use or others, have also over December into January, gone through a huge amount of change themselves. And that's something that we navigate and we are best placed to take advantage of that when they take choices.

And the changes they've gone through have been cost-cutting focus because the spirits businesses, in particular, in the United States are challenging. So we've got to make sure that being that #1 luxury supplier in these distributors, we are on that every day, every week, every month and make sure we're getting the priority and the focus whilst they're going through those periods of change as well. And that's up to us from an execution point of view.

**Operator**

The next question comes from Lisa Deng from Goldman Sachs.

**Lisa Deng**

I have one on Penfolds. I appreciate that the China market is quite volatile and frantic through calendar '24 as you reentered. But I just wanted to understand from an Asia perspective, I see that the growth year-on-year was about 50%. From your best information, how much of that was restocking of channels and how much of that was the retail, so not depletion, but how much of that would have been a retail sell-through, please?

**Tim Ford**

Yes. I think – I mean, hopefully, I've answered a big chunk of that from a China perspective. But Tom, you might want to talk about some of the other markets there as well because it's a good question in terms of that where they have actually less inventory than what they would have had 6 months ago as we reallocated because it's an important point around the strength of Penfolds in the other Asian markets, too.

**Tom King**

Yes, it's a good question, Lisa. And good one for me just to touch on what's been happening across the rest of Asia because obviously, every time we've spoken publicly over the last 12 months, we've zoned in on China because it has been a significant period of transition and reentry for us. But that's taken up a lot of time and energy and effort from the China team. But I can assure you across the rest of my team right around the world, their energy and effort has been maintained across that period with executing the plans as they have done over the last 3 or 4 years with some fantastic results that's coming through in brand health, but also in the data that we're seeing at depletion level.

And across Asia, we're continuing to see some really good depletion growth, really pleasingly, the shift in the portfolio to the higher price points is continuing to transition. As we've reallocated wine to China, Tim pointed on it there, we've had to make decisions in certain markets, certain channels around the globe that we're going to pause investment while we refocus on China. But our priority markets around the world, we're continuing to support with allocation with investment in brand and actually even more people on the ground. So generally, our customer partners are probably holding less inventory than they have done in the past, but continue to execute because whilst we know there's more wine available coming over the coming years, our partners know that as well.

So they're all fully engaged in the medium- and long-term opportunity that they have with us in growing Penfolds in each of the markets. So inventory levels are healthy right around the world. Depletion trends continue to be positive despite what we might be seeing in some markets around challenges in the wine category and the alcohol categories as a whole. And it proves the power of winning brands in categories can buck trends, if you like. So yes, we're feeling pretty good around performance right around Asia, in particular, because that's where your question was and look to seeing that continue to grow over the coming years through '26 and '27. So yes, all very positive.

**Lisa Deng**

Got it. And then I have a follow-up specifically on China retail pricing. So we do track the Bin 389 and 407, I guess, China retail prices regularly. And what we saw is that – correct me if I'm wrong, but Bin 389 did see a noticeable price drop, I guess, into January and February. So RMB 718 normally and then now RMB 598 on some of the major e-comm channels. If we are understocked, I suppose, and if we did raise our sell-out prices, why are we not seeing that reflected through the retail channels? And how do we get comfort around the 5% parallel import or the CBEC import, which is priced at 30% to 40% discount to the China prices, please?

**Tom King**

Yes, sure. A lot to cover there, Lisa, but I'll do my best. Look, I think the important thing to focus on in terms of the activity that we put in place for Chinese New Year was the breadth of activity across the portfolio. And yes, we did have a pretty significant focus on Bins & Icons, and in particular, 389, we introduced a concept that we were planning for 4 years ago and didn't get the chance to execute, which is the Hometown Pride offering, and that was extremely well received right across the customer base. So the lead up to Chinese New Year for us was very positive with strong initial selling. It's a little bit too early to assess the final results at a consumer level. We're waiting for that final data to come through. But the activity we put in place was as big, if not bigger, than we've ever done before in China, but also right around the world for Chinese New Year.

When it comes to pricing, obviously, we can't set retail pricing, that's absolutely at the discretion of retailers right around the world. So there's nothing that we can do about that. The comment around the cross-border e-commerce pricing, yes, it's frustrating that very sharp competitive pricing is still out there, but we get the data on that. And the 5% disclosure today around the total retail depletion value is about right. More broadly on parallel, we knew the first 6 to 12 months of our reentry into China was going to be a period of time where there was going to be some disruption from parallel. I think we've been able to manage through that as best as we possibly can.

The feedback we're hearing from our partners on the ground because that's where we hear it from loudest, I can assure you, is that it's starting to trend back towards what normal level would be. So it's not getting any worse. We know there continues to be a small amount of sharp pricing out there on the cross-border e-channels. But our focus has been on supporting our partners with really strong activation that we know is really connecting with consumers and driving that consumption and purchase through our official channels. So we'll continue to monitor it, obviously, as we always have done, but we feel like all the actions and initiatives we've put in place are the right ones, and we'll continue to be vigilant.

**Tim Ford**

Lisa, I'm interested. So 389 price checks RMB 700 with promo at RMB 600. What's the 407 data tell you?

**Lisa Deng**

RMB 958, normally RMB 1080. I think today – sorry, RMB 975 with the gift box.

**Tim Ford**

That says that the rationality of the market is pretty good. I think for any investor on these calls, we had this conversation 6 months ago that said – as Tom said, we don't set retail pricing, but our ambition would be to have broadly RMB 1,000 for 407 and RMB 700 for 389 is the ideal outcome in the marketplace that would then limit the risk of parallel product from different markets around the world. So the fact that, that supports that actually is a really good extra proof point. So I appreciate that. And…

**Lisa Deng**

407 has been strong, just 389.

**Tim Ford**

No, I'm happy with 389. Tom is happy with 389 at that level. That's the right level for it to be in that market as we look at where we want it to be. There will be a difference between

407 and 389 going forward. Absolutely no doubt about that. And the cross-border one is — ***indiscernible*** — We will have the cross-border e-commerce discussion every results for the next 10 years because it exists and they ain't going to go away. We wish it did, but it's a channel that exists. And so we monitor it as all of you are monitoring it as well. And we'll continue just to provide the share of the business because we can't control that. Minimizing it is ideal, no question about that as every other spirits company, handbag company, fashion label would like to do around the world as well. So we'll continue to provide that disclosure because it's a channel that exists and is always going to exist. But the fact is our pricing in the market, which is 95-odd-percent of our sales into China that you've outlined, that's a pretty good bit of feedback. So I appreciate it.

**Operator**

The next question comes from Richard Barwick from CLSA.

**Richard Barwick**

I just had a question on DAOU. I mean you've given volume, you've given NSR, but I can't see anywhere where you've actually talked to an earnings number for the brand for the half. So I just wanted to – I guess – but you're also saying it's on target. So I just want to clarify, when you bought the business, you talked about just the weighting first half, second half. So we know what it delivered for the previous half, you disclosed that in U.S. dollars. Is it fair to say that seasonality, the historical seasonality has still played out. So we use that sort of the last reported number to gross up for the full year, we'll get this half?

**Stuart Boxer**

Rich, it's Stuart here. So just to sort of take your first part of the question on profit. So DAOU is now effectively integrated into the business for Treasury Americas. So we don't actually sort of report or measure a bottom line profit for DAOU anymore because it's now part of the business. But certainly, the top line performance of the business gives you some indication as to how it's going and how that would flow through if you could sort of theoretically split it through. So we're pretty happy with the contribution that, that brand is making to Treasury Americas.

Look, in terms of the sort of seasonality, look, I'm not going to sort of turn around and give you a basis to get your full year number. But I think the broad seasonality is not that different, noting that the seasonality that we gave on acquisition was done on a calendar year basis. And when you sort of think about the growth of the brand and put it on a financial year basis, those splits actually change a little bit because it's a growing brand. So we're not seeing anything that's sort of dramatically different from a seasonality perspective for DAOU.

**Richard Barwick**

Okay. And then the – just a little bit of confusion, I think, around – you talked about the remainder of the luxury portfolio being down at 8%. But then there's a comment saying on an organic basis, NSR was broadly in line with PCP. Can you just clarify is that – when you're talking about organic basis, so that is literally about the remainder of the luxury portfolio? Or is that a comment that sort of is capturing everything? Is that – does that comment relate to the luxury portfolio?

**Stuart Boxer**

No, it's the latter. It's the rest of the Treasury Americas business overall.

**Richard Barwick**

So it's everything.

**Stuart Boxer**

Yes.

**Richard Barwick**

So therefore, I mean, that tells us that the luxury ex DAOU basically pretty weak. And so really, you've done probably a hell of a lot better on the ex luxury piece in the U.S.?

**Stuart Boxer**

Yes, that's exactly right. And we talked a little bit about…

**Richard Barwick**

Is that a surprise? I mean you had been – if you go back to the way you've been talking about the guidance, you said you're expecting double-digit increased availability in luxury and a fairly stable outcome in the remainder, whereas the numbers you reported is sort of weaker luxury but stronger for the premium.

**Stuart Boxer**

Yes. Look, it was a little bit better. There is some sort of phasing seasonality in there as well, Rich. But Matua was good, for example, and we continue to be sort of very happy with the way that brand is performing. I don't know if Ben wants to add anything further to that one.

**Ben Dollard**

Yes, you've said it well. And I think our premium portfolio, particularly as we think about Matua outperforming market and it's offsetting some of the declines we are seeing in 19 Crimes, which we're clearly very focused on and not satisfied where that brand is. I think you've covered it well. And I think from a luxury standpoint, obviously, as we talked about, we've got to get and we'll continue to focus on the execution of DAOU and against Frank Family as well.

**Operator**

The next question comes from Bryan Raymond from JPMorgan.

**Bryan Raymond**

Just on Penfolds, just going back to the USD 20 million that you guys outlined last year in terms of investment in the market there to grow the brand and implementation, obviously. How did that phase in? Is the – because I was surprised at the strength of the Penfolds EBITS delivery in the first half to the upside. Is that fully implemented? Would there have been circa USD 10 million of post costs in there in the first half? Or do we need to think about phasing that in and think about that into the second half and potentially why the second half EBITS might be down slightly to get to your lower [ digit ] guidance?

**Stuart Boxer**

Look, I'll have a go at that one, Bryan. So most of that would have been in for the half because we were sort of geared up that business pretty much at the back end of the last financial year to be good to go. So – but the overdelivery is really top line driven relative to that cost base. So for the reasons we've described earlier around that sort of first quarter sell-in. So that's sort of really the driver of the equation overall. But remember, we haven't moved from our sort of full year guidance for that business.

**Bryan Raymond**

No, that's right. So that's why I'm just trying to think about the risk to the upside or downside going forward for second half and then into '26.

**Tim Ford**

— ***indiscernible*** — Risk on downside. The reality is it's what is available to sell in the second half.

**Bryan Raymond**

Right. Excellent. And then just in the U.S., the DAOU synergy upgrade, not entirely surprising given I think it's a little conservative initially. But just wanting to understand again how that phased in and how you're expecting those synergies to be realized. So is there a way you could help us understand sort of how much of that contributed to the first half result, how much you think in the second half? I think you've guided to USD 30 million in FY '26, but just trying to think about the underlying performance ex synergies in Americas.

**Tim Ford**

Yes. I'll just touch on the headline first on this and then Stuart, because I think – and I do remember, Bryan, yourself and plenty of others when we did do the DAOU visit, we walked around and I think to a person, everyone said you've been soft on your synergy target. So I think that's why we had the plus on the top right of the USD 20 million, so – and which is fair. But it's exceeded our expectations. So that's – it's an important point to make. We weren't low balling to try and be heroes, 12 months later this has exceeded our expectations fairly significantly. So I think Stuart can outline where it comes from and how it flows through because I think that's really important to understand because it's not just wineries, but fair to say the team has done an amazing job.

**Stuart Boxer**

Yes. No, I agree. So yes, I'll sort of go through that which will lead a little bit to the phasing, Bryan. So we saw last year the work we were doing to move the production into the winery, and that happened as scheduled for the vintage last year. So that's great, although that won't flow through the numbers until we sell that wine. So there'll be nothing associated with that flowing through. We've also more recently now moved the bottling up to the Sonoma Bottling Center. So that's been successfully done now really in this sort of calendar year. So again, there's no sort of benefit, but there is going to start to be some benefit coming through for the second half.

The last piece to talk to is really around the procurement side of things, and that's where there was pretty strong delivery. And that will start to flow through in the second half.

But as we’ve said, we expect USD 30 million of the USD 35 million to be realized in F ’26. And so we’re going to see – start to see benefits flow through at the back end of this financial year, which is part of the driver of the financial delivery for the Treasury Americas business versus the first half.

**Bryan Raymond**

Right. So just to be clear, first half versus second half, how much synergies were realized in each period?

**Stuart Boxer**

Yes. Well, we’re not disclosing exactly what the numbers were, but there wasn’t much in the first half, and there will be some in the second half, but the big step-up is going to be in F ’26.

**Operator**

The next question comes from Ben Gilbert from Jarden.

**Ben Gilbert**

Just first question for me, maybe to you, Tim, and no disrespect to Ben and Angus with this question. But it feels like you look at the business, obviously, Penfolds is flying, its not enough product to satisfy demand in the second half. It seems like your confidence is materially higher for your fiscal ’26, ’27 expectations, but the multiple is not reflecting it. And arguably, the halo is from some of the lower multiple businesses in Americas and TPB. The commercial sale is obviously not happening. How – when you’re talking to the board, Tim is the Board and yourself thinking about capital structure, would – is there an option? Or would you explore demerging Penfolds to realize the multiple? Just interested in how you guys think about that because it doesn’t feel like Penfolds is being rewarded for the performance and opportunity within the group at the moment.

**Tim Ford**

Yes. Look, the discussions without disclosing our Board discussions, Ben, the way we look at it is that the portfolios we have today are important portfolios for us going forward, particularly in the next 12-, 18-month period of time. So from that discussion there, how this business works, clearly driving the 2 luxury platforms of Penfolds as well as the Treasury Americas luxury business. That's a big reason why we're going to this global premium division to allow Ben and the team in the U.S. to be absolutely singularly focused on those handful of key luxury brands. So that we think is the best way to run the business. The reality is our back end of our business and our support structures in our business are also supporting all 3 of those divisions. And we've analyzed this numerous times.

But the role of the premium business is to stabilize the top line and play a supportive role in terms of not just the top line, but also cost absorption across the business that enables us to get 45% margin on Penfolds, enables us to get high 30s margin goal on the TAM luxury portfolio as well. So I think we're very clear on the roles that each of those play that adds up to a better collective business and an ability to continue to grow margins the way we have, which we think is a quality of earnings.

Now does that get reflected in the market in terms of multiples? Clearly. Your perspective is it doesn't, and I tend to agree with you. But I think by the separation of – as we go forward, having real clarity on value of the Penfolds business, value of the TAM Luxury business, what the role and then value of the Global Premium business does for the rest of Treasury Wine Estates as we get to that point from F '26, I would expect that to have real clarity for not only investors, but everybody who analyzes our business. So that's the goal.

**Ben Gilbert**

Maybe just a second question for me. Tim, just on the outlook for wine consumption.

Like it looks like the West Coast in the U.S. has had a shocker from production, not you guys specifically, it looks like production is down over 20% from 30-plus in [ capstone ] and throughout. How are you thinking about the demand outlook? And I suppose, particularly how you can have confidence saying that your TPB profits are going to be flat year-on-year in the second half. Are you seeing anything to give you confidence around improving supply-demand balance? How much cost have you actually taken out to TPB to give us confidence around getting a flat outcome for second half?

**Tim Ford**

The first part was just around the U.S. as well, yes?

**Ben Gilbert**

Yes around the U.S., looks like the vintage has been pretty terrible. Seems like low quality, but it's got to be helpful.

**Tim Ford**

It's an interesting one because I don't agree, albeit obviously the headlines of the total harvest in the U.S. that's come out more recently would suggest so. But looking at our – what our vintage was, and it's very similar for us with, I guess, the right level of inventory we need to grow the business going forward to what vintage '23 was. And we talked pretty effusively about not only the quality of '23, but also then the cost of goods impact of having full wineries from a luxury perspective. It is only going to improve with the integration of DAOU in '24.

So the vintage for us, our guys in the U.S. are talking quality-wise, best vintage we've had in a long, long time. So yes, I won't comment on what everyone else is doing, but we're pretty happy with the levels of inventory and quality we've got to continue to grow the business in the U.S. That's for sure. I think – and I'll let Angus build on this.

But I think from a premium brands business point of view, so as you sort of sit back and there's been a lot of fixing done as Angus has taken over this business on a few fronts. But within the TPB portfolio, it's essentially now an Australian and U.K. business as it's reported today with essentially the same brands sold there as they are through the Americas premium business as well. So we think the combined investment behind those key brands, which are actually growing globally today. So there's this heart of the premium business around that sort of $15 mark, whether it be Squealing Pig, Matua, Pepperjack, some of these other brands as well that we actually have some very good confidence levels in how we're executing. I mean we've made some decisions over the last 12 months where we've taken price on certain brands in certain markets where if we had our time again, we wouldn't have. That's hit volume, but we've got that fixed now.

So there's a lot of these execution paths that we're taking. I think we'll continue to improve that business. The business – let's not hide from it. Premium business is never going to be the growth engine or the margin growth engine that Penfolds or the TAM luxury business will be, but it plays a pretty important role to ensuring we can continue to invest and drive those businesses for us going forward. So it's more than just cost efficiency. It really does bring that top line to our business that enables us to have the right resource allocation, the right capital structure. But we're not going to overinvest in that side of the business. And Angus knows that, and that's the way he's setting up the business to run it going forward. Did I miss anything? You want to cover, Angus?

**Angus Lilley**

No, I think that's a good outline, Tim. I think in terms of the way we're thinking about the business, very clear, there's 2 key components. There's the focused core growth brands in the premium category. that we're investing behind, we're bringing to market, we're energizing the market and working with our key customers to appeal to sort of more consumers and more occasions. And that's a key focus for that top line growth that Tim has referenced.

I think in terms of the commercial management and having made the announcement we have today, I think there's a couple of key things that we'll do differently in that space to stabilize growth and ultimately sort of have those brands performing in the category. Clearly, the category is challenged. We're not sort of looking to all of a sudden be driving huge growth through them, but we do and our ambition is that they perform in line with the category. And with that in mind, I think there is having made the announcement opportunity to reengage with our key customers and consumers – sorry, our key customer base around the globe.

There's no doubt there's been a bit of a period of uncertainty with those brands over the first half. There's an opportunity to reengage those customers. And we're really confident when we do that in that the likes of Wolf Blass, Lindeman's, Yellowglen here in Australia, albeit playing in a category that's challenged in the eyes of consumers and the eyes of the customers, they do hold equity, they do have scale. So opportunity to reset, refocus. I think with that in mind, we'll be ruthless on pricing, promotional planning. And I think as well, we'll dedicate some more focus to our revenue management processes globally to ensure that we underpin the right pricing, promotional planning. So a few different things that we will put in place against that commercial portfolio to best stabilize the business.

**Operator**

The next question comes from Tom Kierath from Barrenjoey.

**Thomas Kierath**

Just got a question on the Americas business. Shipments exceeded depletions by about 300,000 cases, excluding new products. And most of that is from DAOU and Matua. You did 3.4 million cases in the half. Like it's a good chunk of it. And I think you're saying a lot of that kind of build is from DAOU, which only did 700,000 cases. So I guess I'm just thinking like when does that square up? Or are we going to continue to see shipments exceeding depletions for the Americas business in the foreseeable future?

**Tim Ford**

Yes. Thanks, Tom. I think the good news is that I think it takes destocking questions off the table doesn't it for us, which is good, which is a tick on that. But when you – I think I've been consistent in saying this a normal up and down in terms of shipment depletions is in the order of a couple of hundred thousand cases each half as you balance that. So I don't get too worried about a couple of hundred thousand case destock or I think get too worried about a couple of hundred thousand case increase, if you like, of shipments ahead of depletions. So we plan – we always plan to balance that inventory in the next half once we close the half, so it's right for depletions. You should expect with DAOU and Matua as the 2 sort of real growth brands from a volume point of view, the shipments should be ahead of depletions. But you can balance that by 100,000 cases or so and to get it back to within that normal range, I think, in the next half or so is the way to think about how we manage that inventory with the distributors.

**Thomas Kierath**

And then just – I mean, secondly, just kind of related to that, I mean, I look at the Nielsen scan data and for the last kind of 4-week period, 19 crimes, negative 18%, DAOU, up 8%, which has been kind of in the 20s, Frank down 16%. But I think Ben was saying he was happy with how scan was going. So I'd just be really interested in how you square that away. And are you getting a lot more growth in the on-prem and some of the independent channels? It'd just be interesting to hear some comments around that channel because, obviously, the data that certainly I look at is not consistent with that.

**Tim Ford**

Yes. Ben can really take that in detail. I just caution that the 4-week year-on-year periods are always going to have whiplash. So we sort of – yes, obviously, we monitor it as well every week, actually. And – but it's that 13-week is – I think that's the minimum I'll be looking at as a comparator, but understand the data is out there. So Ben, why don't you cover off sort of the broader channel mix on some of these brands as well?

**Ben Dollard**

Yes, sure. I'll tackle your first point around 19 Crimes and the performance you're seeing in the syndicated data. And I mentioned before, we're not entirely satisfied with regards to the performance of 19 Crimes and as I mentioned, it's being offset by the growth we're seeing in Matua. So there's a lot of activity that's happening and will continue to happen around 19 Crimes activation and innovation and really focusing against the national account channel. I will – and I'll build on what Tim said, which I think is really important. When we look at syndicated data in a moment in time, it really does distort what is happening with regards to the trend or the health line of the brand. So we look at it over periods particularly when we see periods of holidays or increased selling periods, and that's when we monitor the brand health and the brand performance.

So when I refer to a brand like DAOU or Frank Family that I'm pleased with their performance, I look at it over an extended period of time, including those really important holiday periods. And we look at rate of sale and we look at pricing and we look at velocity, and that's when we determine the health of the brand is strong. And that's exactly how our team feels about DAOU and Frank Family. And the really key component of that is the ongoing opportunity we have for distribution expansion.

And then the final component of your question, just with regards to how we think about channels outside of Nielsen are critically important. And so when we refer to the component of our business, particularly on the luxury side that's related to DTC, I mentioned it's 21% of our total business. So it's a very important component of our overall growth and how we think about engaging with the consumer. That is equally as important as independent on and off-trade. So all of these components as we think about distribution and expansion of distribution are really important. So Nielsen is one component of it. And then clearly, those other channels are equally as important.

**Tim Ford**

We're going to be more succinct with our answers now. I want to make sure everyone gets a chance to ask what they want to ask and I'm being told to be more succinct. So I will do so.

**Operator**

The next question comes from Shaun Cousins from UBS.

**Shaun Cousins**

Maybe just in fiscal '26 Penfolds guidance, just it looks like your luxury volumes are somewhat constrained. And further to Mike's question, you don't really go on price. I'm just curious how you actually grow by 15%. Is it that margin expansion or you access more volumes at the low-end Penfolds where volumes are more easily able to get access to or you get the non-Australian volumes. Just if you could just break that up a little bit about how you get there just in that it's – your business is a product of what you've got to sell. It seems as though really only in the fourth quarter '26, do you get more volumes of those luxury – the important luxury volumes to sell. So just maybe just break down some of the building blocks, please, for '26.

**Tim Ford**

Yes, there's 2. You've hit on one of them, which is the second half step-up in – really Q4, as you say, but second half in terms of how we're going to report the business of wine becoming available. And the same one is it's a richer mix of what's available. So think about it as more of a mix of 407 and 389 versus Bin — ***indiscernible*** —, and that's not actually 100% correct, but that's the way to think about the mix on the 2 things.

**Shaun Cousins**

Yes. Great. And then 19 Crimes, further to Tom's question, if I look at October, November, December or July, August, September, you're both in Nielsen, it's down 13% and 14%. So I think that's a reasonable indication. You've called out that 19 Crimes has declined slightly. Is 13%, 14% the right number? Or is there a bunch of other channels out there that makes 19 Crimes more that drives growth? And more generally, you've had ambitions to stabilize this brand for some time. This is a question on your ability to execute in 19 Crimes, which I don't think has been as good as what you've done in Matua. I'm just curious, can – are you confident you can actually get to stabilization? Or is this a brand like a Lindeman's that's sort of in a managed decline?

**Tim Ford**

I'm not sure we said slightly decline. But anyway, if we have, that's not the point really. The low teens decline has been consistent. I couldn't agree more with our ability to execute that versus Matua hasn't been anywhere near as successful. And we sort of split the 2 19 Crimes portfolio in the U.S. into the core portfolio out of Australia and then you've got the Cali by Snoop, and we'll divorce those brands more and more as we move forward as well. We certainly think stabilization and future opportunity exists in the Cali by Snoop.

I think the – we've tried a lot of activity behind the core 19 Crimes tier and the consumers just have not responded. And it's not for a lack of effort, not for lack of what you would normally do to improve the performance of the brand. We haven't successfully done so, Shaun, on that component of it. In the U.S. – outside the U.S. it's still a brand that's performing pretty well. It's broadly flat. But I think a bit of that, as I said, I touched on pricing in the U.K. before, for example, that was our own little own goal from about earlier this fiscal year. So yes, I think that's the fair summary of how we're going across that brand.

**Operator**

The next question comes from Phil Kimber from E&P Capital.

**Phillip Kimber**

My question is sort of back on China, where all the feedback and what you're saying suggests is actually been very strong and demand is exceeding the limited supply, particularly at the upper end at the moment. But some of those numbers, I think Lisa quoted, and I know they're retail prices, but they're materially higher than what you can buy the product for in Australia. So it's AUD 150 versus AUD 100-ish, AUD 120 your website, AUD 100 at Dan Murphy's. Can you sort of confirm whether there is a material difference in what price – they're obviously retail prices, what price you're selling at in China for? Just because there's been a number of articles on this parallel importing issue. And I know ultimately, you're selling the product somewhere, but I just sort of wanted to understand whether there was a material difference in wholesale prices in China versus other markets like, say, Australia.

**Tim Ford**

Yes. Phil, the answer is no. The global pricing structure we have in place is very consistent. There's plus or minus single-digit percentage differences in some markets, et cetera, but generally not. It's very, very consistent. So that's pretty important in the way we manage it. And as you say, there's lots of guesses on parallel versus not. But if we look at the shipments to our customers in China, and we marry that to where we look at our depletions, et cetera, while parallel is decreasing significantly over the 6, 7 months since we've been back in the market.

**Phillip Kimber**

Sorry, you said decreasing. So it started off higher, which was sort of as expected when you reenter the market. But do you feel that it's sort of washing through now to see…

**Tim Ford**

Decreasing is absolutely – make sure I got that right, not increasing. Decreasing is exactly the word.

**Operator**

The next question comes from Mark Southwell-Keely from Select Equities.

**Mark Southwell-Keely**

I have 2 questions. My first question relates to today's comments around the level of parallel imports currently in China. Back in August, you said there were only isolated instances of these products and you expected these products to be cleared by the end of 2024 and before Chinese New Year. Given today's acknowledgment by the company that there's continued availability of these products, how can the market be confident in relation to the update on this issue?

**Tim Ford**

I would suggest because the way we've explained it and we talk very transparently and honestly about how we're running the business and what we see in the business. So from that perspective, we said it has decreased significantly in line with where we expected it to be. So I really don't have much more to say other than that, Mark, than the management team know the data, we know what we're doing, and we explain it to the market when we know.

**Mark Southwell-Keely**

In terms of my second question, a number of Penfolds top-tier distributors in China are state-owned enterprises who are motivated by a number of factors, some of which are not related to profit. This can lead to situations, for example, where they might buy inventories from a brand, notwithstanding relatively weak consumer demand for the product. How do you think dealing with these customers is impacted on the behavior of management and the health of Penfolds value chain?

**Tim Ford**

You read that very effectively. Look, our customers – yes, which of our customers, some are state-owned or private or e-commerce channels or whatever it might be. So there's no difference in behavior within our team, whether it's in our customers, how we operate in that market and to suggest otherwise is just fundamentally wrong.

**Mark Southwell-Keely**

So you don't believe you're overstocking the market?

**Tim Ford**

Not so I don't believe. I know, Mark. We are not overstocking the market.

**Mark Southwell-Keely**

Well, how do you explain the fact that a retail consumer can easily purchase Bin 407 today via a variety of platforms well below the recommended wholesale price?

**Tim Ford**

I think we've touched on the pricing. We've touched on the channels, and there's isolated. I'm sure you've got one that you can share around your note after this, Mark, I look forward to reading it. So thanks for your questions.

**Operator**

The next question comes from Sam Teeger from Citi.

**Sam Teeger**

I've got 2 quick ones for you, one on China distribution and one on U.S. luxury. The first question, the disclosure you gave of being in 10,000-plus outlets in China is really helpful. How many outlets do you think you might be in at the end of the financial year? And is there a longer-term target? And how many potential outlets are there in China overall?

And the second question on the U.S. luxury, can you just help us understand a bit more around your plans to stabilize some of the NSR declines ex DAOU and get them back into growth? To what extent is some of the older brands such as Beringer and Stags' need some investment and how much?

**Tim Ford**

Yes. Tom, you take the first one. Ben take the second. Good questions.

**Tom King**

In there just to give a sense of the scale of the distribution we've reestablished since the reopening. 10,000 is a pretty sizable number in terms of actual outlets. We're not going to put a number on specific targets by fiscal year, but we've identified 25,000 outlets that we're prioritizing across our team and our distribution partners. So yes, good progress today, as we've said, and more scope for us to continue to expand.

**Ben Dollard**

Great. And I'll just take the U.S. component, and thanks for the question. I think one of the key elements of what we're doing is this very deliberate focus around our luxury portfolio. As Tim mentioned, the creation of a dedicated luxury team. That's the first step in getting really focused across this portfolio of brands and really getting deliberate around that. And as we've talked about today, the focus on DAOU and Frank Family really are our 2 key priorities and continuing to drive momentum around those 2, not only in wholesale but also around our DTC and the experience our consumer has. That becomes a very big priority. But by no means does that mean the remainder of the portfolio becomes less of an opportunity out in the marketplace, but we're being very deliberate around how we're curating that.

So if I take Beaulieu as an example, we're investing very significantly in the experience our consumer has at the winery. And that will be the launch pad for how we think about the ongoing development of that brand and think about the media and the accolades we've received. And so the focus on our individual brands, be it Beaulieu or Beringer or Stag's Leap, each of them play a really important role from a consumer standpoint. So we think about investment, again, DAOU and Frank Family are very much our priorities. But we also have, I'd say, very thorough plans around, again, how do the other brands play an important role in the portfolio.

**Tim Ford**

Sam, I can assure you, Ben and team have a very clear goal for each of these luxury brands, they are looking forward to the first set of results when they grow every one of them at both the top line and at the margin line. That is their objective. So it's a very different approach Ben and the team are taking there. When you get to this luxury selling team and luxury brand team, they've got 6 brands. And every brand has to have its own plans, its own strategy behind it rather than the bigger portfolio that he's had to have the team focus on over the years. So it's a really important shift that is in its infancy, but it really is the best way to build each of those brands. And that is success for us, every brand growing every half.

**Operator**

The next question comes from Jason Palmer from Taylor Collison.

**Jason Palmer**

I just had one question. Just in respect of the Americas 2023 vintage. I think 12 months ago, Tim, you were talking quite positively about the volume, and you kind of touched on it in Ben's response around the COGS benefits, but also the volume benefits. Now I would have thought some of that luxury in Americas, in particular, the cabernet for Napa and the Sonoma chard would have been tailwinds for the luxury business very late this financial year and into FY ’26. I’m just curious whether you can explore that a little bit more for everyone. That’s my question.

**Tim Ford**

Thanks. Yes, you’re right. We expect with the release of the vintage ’23 wines that there is a COGS improvement as well as the increased volume that comes from that vintage ’23, which will largely be in F ’26. And then now the good news is vintage ’24 is very similar on both fronts. So it’s probably the first time in a very long time, ever that I can remember that the 2 consistent vintages from both quality, volume and the COGS side for the U.S. And we’ve got a pretty stable COGS platform going forward, which is nice because as you know, we’ve been explaining ups and downs of cost of goods in the U.S. for about 3 or 4 different years now. So we’ll have some continuity there, but it’s a net benefit going forward, no doubt.

**Jason Palmer**

Sure. But you’ve included that in your synergies for DAOUs.

**Tim Ford**

No, no, no. That’s not – the availability of wine and the flow-through of that through COGS on a volume side of things is not within the synergies. The synergies are purely integration synergies, whether it be procurement, the winery side of things will be a bang it together, and that’s taking cost out as opposed to vintage intake. So let’s say, I’ll make up a number. We did 30 – we might have done 13,000 tonnes for our luxury winery in vintage ’23 at a luxury level. We’ve done 13,000 tonnes in vintage ’24. That’s nothing to do with the synergy side of it up in Napa, for example. So they’re separated.

**Jason Palmer**

Okay. So you're not willing to advise us what the intake increase would be because the crush data for those regions for those years are actually very high, in particular 2023.

**Tim Ford**

Yes. No, I think it's hard to take the industry data. So from our point of view, and you sort of see it as it flows through our noncurrent inventory, I guess we've got the wine that we needed to from a crush perspective to deliver on the outlooks that we provide. So – and Paso, for example, broadly, you say Paso – I think the reporting said it was down as well in the Central Coast, but we certainly didn't see that. We access more fruit. Yields were down, but we got that the necessary tonnes of fruit in the winery to deliver the plan we needed. That makes sense?

**Jason Palmer**

It sort of makes sense. I don't disagree with what you're saying there. It was more so I thought it would have been more of a positive for 2026 with obviously more volume of luxury if you can sell it in fact. And I thought you might explore that a little bit more in your response around the type of volume availability increase that we might have for V '23?

**Tim Ford**

I think it's similar to what we said. So we've got – we had double-digit increases coming along this line. Now we haven't managed to sell that through at the same rate as we've seen with our NSR yet. But you sort of – from a make point of view, we consistently want to outperform the market, right? And you look at the numbers of DAOU and you look at the numbers of our other brands, you should expect that level of growth. But I'm not hiding or trying to dumb down the vintage '23 COGS benefit or availability benefit that will come through in '26. That's real. We just haven't given specific guidance on '26 out of Treasury Americas yet.

**Operator**

There are no further questions at this time. I'll hand the conference back to Tim for any closing remarks.

**Tim Ford**

Thanks. Great questions, by and large. So thank you very much for those and look forward to talking to you all over the next couple of weeks. I appreciate you jumping on and your support. Cheers. Bye.

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