Treasury Wine Estates Limited, FY 2022, Earnings Call 2022-08-18

Presentation

Operator

Thank you for standing by, and welcome to the Treasury Wine Estates FY '22 Full Year Results. — ***Operator Instructions*** — I would now like to hand the conference over to Mr. Tim Ford, Chief Executive Officer. Please go ahead.

Tim Ford

Good morning, everyone, and thank you for joining Treasury Wine Estates Full Year 2022 results briefing. As per normal, I'm pleased to have joining me on the call today, Matt Young, our CFO; Tom King, the Managing Director of Penfolds; Ben Dollard, the President of Treasury Americas; and Peter Neilson, the Managing Director of Treasury Premium Brands.

I'm delighted to announce today our results for F '22, a year in which we transitioned to our new brand portfolio-led operating model and delivered strong underlying earnings growth and margin accretion across each of those divisions. Once again, demonstrating the strength of our diversified global business, our flexible operating model and the outstanding execution capability of our teams.

Starting with the financial highlights. Portfolio sales premiumization continues to be a key driver of our success, with 83% of our global revenue now generated from the Premium and Luxury portfolios in F '22, an improvement of 6 percentage points on the prior year.

As a result, revenue per case grew 16%, with particularly strong improvement in Treasury Americas and Treasury Premium Brands being a highlight. Net sales revenue did decline 4% to $2.5 billion, reflecting the divestment of the U.S. commercial portfolio, the effective closure of Mainland China to Australian wine and reduced commercial wine sales in Australia and the U.K. following the heightened pandemic related demand of the prior year.

Partly offsetting these declines was the strong execution of our plans to grow distribution and availability of our priority portfolios as well as the acquisition of Frank Family Vineyards, which was reflected in our performance from the second half. EBITS increased 3% to $523.7 million and EBITS margin improved 1.3 percentage points to 21.3%, continuing our progression towards our long-term group EBITS margin target of 25% and then beyond.

When you exclude the contribution of the Australian country of origin sales to Mainland China for Penfolds, EBITS grew 22% year-on-year. We delivered very, very strong operating cash flow once again, with cash conversion of 104%, and our leverage ratio of 1.8x remains comfortably within our target range following the acquisition of Frank Family Vineyards. Our capital structure is simply an outstanding shape and will continue to support our future investment plans and growth ambitions.

The Board has declared a final dividend of $0.16 per share, bringing the full year dividend to be paid in respect of fiscal '22 to $0.31 per share, which represents a payout ratio of 69%, which we are very pleased to have increased to the upper end of our long-term dividend policy range.

The new divisional operating model has been a key enabler of our strong performance in the year with the benefits of separate focus and accountability clearly evident in the underlying earnings growth and margin accretion delivered by each division in fiscal '22.

For Penfolds, the strategy of attracting new consumers and growing distribution and availability continues to gain strength in a number of global markets and channels. Outside of

Mainland China, Penfolds grew NSR and EBITS by 45% and 25%, respectively, in the year with performance in Asia, Europe and the U.S., all highlights.

Treasury Americas has now repositioned as a Premium and Luxury focused wine business with a portfolio of fast-growing brands, delivering on the vision we outlined for this business some 2 years ago.

Strong performance in F ’22 was driven by a variety and a number of our priority brands and also included Frank Family Vineyard from the second half, as I said, it’s an outstanding brand and business that we are delighted to now have as part of the Treasury Americas portfolio. And Treasury Premium Brands, or TPB, achieved great progress towards their key divisional priorities of premiumizing the portfolio, growing EBITS and expanding our EBITS margin, a tick on all 3. Strong growth across key Premium and Luxury brands was underpinned by distribution gains in priority markets across Asia and EMEA, where we see the growth continuing.

Shortly, Tom, Ben and Pete will each provide more detail on their respective divisions, including an update on the progress made towards their strategic priorities in F ’22.

Now moving forward, we intend to provide updates on our sustainability performance in our half and full year results updates. Our sustainability ambition is to cultivate a brighter future for everyone who touches our business and our products. In F ’22, we continue to build momentum towards the delivery of an ambitious suite of targets.

In the critical area of climate change and energy, we completed our strategic road map and defined the specific initiatives and plans to accelerate our progress towards our target for 100% renewable electricity by 2024. As part of this, we’ve decided to invest $20 million on in-house solar energy generation and significantly enhanced metering technology across our global production network in fiscal ’23, a significant commitment that we are very proud to be making.

And as a business with a large agricultural footprint across key global winemaking regions, we have a responsibility to be a leader in water stewardship. In F ’22, we completed a deep and comprehensive review of our water supply footprint and our usage patterns from which we concluded a clear, medium- and long-term recommendations relating to our water security in addition to identifying key strategies and plans, which will focus on improving our water usage efficiency.

For health, safety and well-being, we continue to target Destination Zero Harm. And whilst we did not achieve this goal in FY ’22, the broadening of our safety agenda to encompass mental health alongside physical health, we see as a very, very important expansion of this scope.

Female representation in our business is a critical element of our inclusion, equity and diversity commitments to our team. And we saw continued improvement in fiscal ’22, with an increase in total female representation across TWE to 41.5% of our employee population, an improvement of 1.3 points, while representation of females across our senior leadership cohort held broadly stable.

And finally, we continue to make tangible and positive progress towards a range of sustainable packaging and circular economy targets with increasing recycled content for key pack components, including cartons, labels, sleeves and glass, and we aspire to become a leader in sustainability, not just in the wine industry, but across the global beverages sector. And while we consider ourselves very much a work in progress in this space, I am confident that we are on the right track towards this ambition.

So with that, it’s now over to the team, firstly, to Matt, who will run through our financial results in more detail.

Matthew Young

Thanks, Tim. Good morning, everyone. Our long-term financial objective remains to deliver sustainable top line growth, high single-digit average earnings growth and an EBITS margin of greater than 25% and to restore and grow our ROCE. Our fiscal '22 financial result delivers excellent progress towards these objectives.

Group net sales revenue declined 4%, reflecting the divestment of our U.S. commercial portfolio and the decline in shipments to Mainland China. Excluding these factors, group revenue grew 12%, driven by the strong growth in distribution of our Premium and Luxury portfolios and continued portfolio premiumization. Premiumization was reflected in net sales revenue per case, which increased 16% across the group, led by Treasury Americas and TPB and was supported by price rises in the year.

COGS per case increased 14%, reflecting the premiumization of the portfolio, but also higher COGS from the 2020 vintages and elevated global supply chain and logistics costs. Cost of doing business margin increased 1 percentage point to 21% and remains generally in line with historical averages.

EBITS was $523.7 million, an increase of 4% on a constant currency basis and EBITS margin improved to 21.1%, with margin expansion delivered through top line performance and strong cost management.

ROCE decreased by 0.1 percentage points to 10.7%, reflecting an increase in the capital employed post the acquisition of Frank Family Vineyards. And finally, our leverage increased modestly to 1.8x despite the Frank Family acquisition and still below our up to 2x target, reflecting strong cash flow and capital management.

Despite a challenging cost and inflation outlook and the sale of historically higher cost vintages, TWE expects to deliver stable COGS in F '23, which will support continued margin expansion.

Starting with the baseline, fiscal ’23 will see us transition to selling lower-yielding, higher-cost Australian and Californian Luxury vintages from that were created in 2020. These vintages place upward pressure on premium sales in fiscal ’22 and will impact Luxury COGS in ’23. Partially offsetting this will be the transition to lower cost 2021 and 2022 vintages from Australia in our Premium and Commercial portfolios. And we would note that the cost of our 2022 vintage in Australia was broadly in line with 2021.

Beyond vintage transition, disruptions to supply chains and ongoing inflation saw global supply chain logistics, packaging costs increase by about $25 million in fiscal ’22, slightly higher than expected, and we expect these costs to increase again in fiscal ’23 with a further $25 million impact expected. However, our global supply chain optimization program is now complete, and it’s confirmed to deliver benefits of $90 million, up from the $75 million previously expected. The full run rate will be delivered now by fiscal ’25 with $65 million expected to be delivered in fiscal ’23.

There’s no doubt that the proactive approach to implementing initiatives right across the supply chain over the last couple of years has enabled us to enter fiscal ’23 in a really strong position, where we can deliver stable COGS outcome and therefore, margin expansion despite the high inflationary environment. And we’re also able to look forward to improvement in COGS from fiscal ’24 and beyond on a mix-adjusted basis, supported by the incremental transition to lower cost vintages and the full run rate of our global supply chain optimization savings.

Our focus on revenue growth management has allowed us to deliver sustainable underlying growth and margin expansion, and this will continue to be an area of focus in fiscal ’23. We’ll continue to invest strongly behind our brands, in the form of increased A&P to capture opportunities and build on the current momentum we are experiencing in many markets, which will drive continued top line growth.

The momentum and strength of our brands has also enabled targeted price rises in fiscal ’22 and opportunities for price rise in fiscal ’23, which we have already implemented. Specifically, brands like Stags’ Leap, Frank Family Vineyards, Matua, 19 Crimes, and even Penfolds Bins, all of which are strong growing brands and many of which have become supply constrained have seen price rises already taken in the last few months. The benefits from our revenue growth management initiatives will support further top line growth and margin expansion in fiscal ’23.

Total material items of $45.5 million or $35 million after tax were recognized relating to previously announced programs of work and the acquisition of Frank Family Vineyards. The most significant cost this year were in connection with the divestment of the U.S. brands and assets and Frank Family integration costs. We expect all these programs to be completed by the first half of fiscal ’23, either in line with or below the initial cost estimate.

Moving to the balance sheet. Net assets increased $108 million versus the prior year on a constant currency basis, with key factors impacting our balance sheet in the year, including the acquisition of Family Frank Vineyards and the divestment of noncore brands and assets in the U.S.

Total inventory value increased 3% on a constant currency basis, while volume declined 5%, reflecting an improved mix of our inventory. Overall Luxury inventory value increased 7%, primarily reflecting the acquisition of Frank Family Vineyards. Current inventory increased $108 million, driven by improved near-term demand expectations for all divisions in addition to the acquisition of Frank Family Vineyards and noncurrent inventory was $7 million higher than the last year, with the acquisition of Frank Family Vineyards, partially offset by the smaller 2021 Californian vintage intake.

Turning to cash flow and net debt. Operating cash flow before interest, tax and material items was $701 million for the year, an increase of 5% with cash conversion of 104.3%. Excluding the net investment in noncurrent Premium and Luxury inventory, cash conversion was 103.1%, consistent with our target of 90% or higher in our financial year.

Outside of operating cash flows, we completed the acquisition of Frank Family Vineyards for $440 million as well as the divestment of U.S. asset sales, netting $155 million in the year as part of our overall $300 million net cash inflow. As a result, our net debt position increased only modestly in the year by $66 million, excluding foreign currency movements and lease liabilities.

Total CapEx for the year was $112 million, which was below our full year expectations and consistent with the half year, supply chain labor constraints have impacted the timing of several projects. Pleasingly, however, we've largely completed the investment of our Luxury winemaking infrastructure in South Australia, and it's already providing us with immediate benefits, delivering improved Luxury grade conversion in Vintage '22.

Replacement and maintenance CapEx is expected to be $100 million on an ongoing basis, with our F '23 investment to see a continued step-up in technology and sustainability-led initiatives, including $20 million investment in solar panel and metering technology around the world.

Overall, our disciplined approach to capital allocation and strong cash flow have ensured we maintain an efficient and flexible investment-grade capital structure. This remains a key source of business strength and importantly, will be an enabler of continued investment in fiscal '23 as well as enabling stronger shareholder returns.

Available liquidity comprising cash and uncommitted undrawn debt facilities totaled $1.3 billion at the end of June. The weighted average term to maturity of our debt commitments is 4.6 years, including a new USD 250 million USPP issue, which was completed in June. Proactive risk management has ensured that our cost of funds in fiscal ’23 will remain consistent with fiscal ’22 despite an environment of rising interest rates.

And finally, as Tim mentioned at the start, we’ve increased our dividend payout in respect of fiscal ’22 towards the top end of our policy range, and we are assessing potential opportunities to supplement our dividend policy with capital management in fiscal ’23.

Thank you. I’ll now hand over to Tom King.

Tom King

Thanks, Matt, and good morning, everyone, from London. It’s my pleasure to report such a strong F ’22 result for Penfolds. As a team, we’ve worked tirelessly to attract new consumers and build demand in addition to growing our distribution and availability across multiple markets and channels.

Our financial performance is a reflection of the progress we are making towards executing our strategy. And in recent weeks, I’ve traveled to a number of these markets across all of our regions to see firsthand the real momentum we’re building.

In fiscal ’22, volume and NSR declined 3% and 9%, respectively, driven by the decline in shipments to Mainland China, partly offset by strong growth in a number of other key markets. Outside of Mainland China, NSR increased by 45%.

Our growth was particularly strong in Asia with NSR in regional markets outside Mainland China growing 106%. In the second half of F ’22, NSR grew 95% in these markets, continuing the momentum from the first half.

Whilst not immediately obvious on these slides, I would highlight or remind everyone that in the second half of fiscal ’21, we recognized approximately $100 million of revenue relating to sales in Mainland China. These shipments were made through our Shanghai warehouse prior to announcement of the provisional tariffs, but didn't clear outbound customs processes until the second half.

NSR per case declined 6%, reflecting the reduction in shipments of Bins and Icon wines to Mainland China and growth in the Max's range. COGS per case improved this period, reflecting the change in mix and the cycling of one-off impacts relating to the implementation of import duties in F '21.

Cost of doing business improved 12%, driven by reduced costs in Mainland China, net of reinvestment into other global markets, which we expect to increase in F '23 as we invest further to accelerate our global momentum. EBITS declined 5% to $319 million, a result we're very proud of, given we lapped the first half of shipments to Mainland China in the prior year.

As we flagged at the half year results update, EBITS was slightly weighted to the first half, reflecting the timing of the annual Penfolds collection release, key gift-giving occasions and the deferral of the second release of our Californian wines to fiscal '23.

Turning now to our strategic priorities and an update on our execution towards these. Once again, some fabulous brand-building initiatives were undertaken this half, focused on scaling our luxury credentials and attracting new consumers to the Penfolds brand. A key highlight was the launch of our Venture Beyond thematic, which is accompanied by a world-class luxury experiences and retail executions in a number of locations around the world, including a pop-up inherited in London, and us welcoming consumers to Penfolds House in Bangkok and more recently in Sydney, with Singapore launching later in this calendar year. These high-profile immersive and playful experiences provide us with a great platform for building stronger connections with our consumers as well as recruiting new consumers to Penfolds for the first time and showcasing our portfolio of wines in a new and disruptive way. This is just a glimpse at some of a long list of exciting brand-building initiatives undertaken globally, and we're really looking forward to executing the great plans we have in store for fiscal '23.

Our second strategic priority is growing global distribution and availability, and we made really strong progress in fiscal '22 across a number of our priority growth markets and channels. Standout growth will deliver in Asia with NSR and regional markets outside of mainland China increasing 106%, supported by strong depletion trends and in EMEA, where NSR grew 33% led by the U.K. and Germany. These trends are expected to remain strong across our priority growth markets.

Growing our global distribution and availability remains a key priority as we enter fiscal '23, and our playbook for this remains unchanged. First, we identify our target account universe and the ideal portfolio offering by outlet type. We then execute a strong sales and depletion plan either directly via our own sales team or in partnership with our distributor sales teams. And finally, we drive our execution in store to accelerate our rate of sale.

In fiscal '22, we commenced an enhanced the ongoing program of work, focused on assessing in detail our target distribution footprint across our growth markets, supported by the use of extensive third-party data and store surveys write down to an individual account level in every market. What this means is that we've now visited our target accounts. We've seen how well distributed Penfolds is in these accounts, and we have a clearer playbook for our teams and our partners going forward, something which will be unique to Penfolds.

To provide some color, we've outlined on this slide a view of some of the outputs of this work, which confirm that the opportunity for growth in our priority growth markets is significant over the medium to long term. [It will] explain this using Australia as an example, our analysis to review the total account universe and used a number of assessments to identify the priority accounts for Penfolds, which are specifically those accounts where consumers are engaging with wine and luxury goods in a meaningful way. From there, we identified the accounts where Penfolds is distributed and the strength of that distribution.

And as you can see from the slide, Australia remains a strong market for Penfolds with distribution coverage of over 80% but with room to grow through on-premise and independent liquor retail. But as we look to a selection of our priority growth markets like the U.S., Hong Kong and Thailand and specifically the segment of Target Penfolds accounts, the distribution opportunity remains significant despite the initial gains we have made in the past 18 months.

Optimizing the portfolio for long-term growth, led by our multi-country of origin strategy is our third priority, as we bring phenomenal wines made from the best winemaking regions globally to more consumers, all while maintaining the enduring Penfolds style and quality. The Penfolds collection launch earlier this month was a significant and exciting event for Penfolds, as we released our first collection comprising 3 countries of origin portfolios: Australian, California, and our inaugural release of the board outsourced French country of origin portfolio.

We launched Penfolds 2, a collaboration Verdot and the French winemaking trial, both of which attained outstanding acclaim from leading wine critics, adding to the many outstanding critic scores we've already seen from around the world for all of these wines, including multiple hundred point scores for the 2018 Penfolds range.

The multi-country of origin portfolio will expand further in F '23 with the release of a China country of origin Luxury wine, which will be sold in Mainland China alongside the French and California releases. We've long held an aspiration to produce wines in China, and this release is just the beginning of our winemaking journey in China, where we believe there's a strong opportunity to create new and exceptional wine experiences for consumers and to play a meaningful role in the development of the domestic wine industry.

Increasing the scale and breadth of the multi-country of origin portfolios will remain a key strategic focus moving forward. And we are delighted to announce today the acquisition of a majority interest in Chateau Lanessan, which we expect to complete later this half. This investment will more than double our existing Vineyard footprint in Bordeaux and provide us with significant incremental winery production capacity to support future growth. We'll continue to pursue additional opportunities to invest in our luxury winemaking asset base in Bordeaux.

In summary, in fiscal '22, we've made excellent progress towards our strategic priorities. We plan to accelerate this momentum in fiscal '23, and I look forward to updating you on our progress next February. Thank you. I'll now hand over to Ben Dollard in California.

Ben Dollard

Thanks, Tom. Good morning, everyone. It's a pleasure to join you today from Napa Valley, California. I'm pleased to share the fiscal '22 results for Treasury Americas in what has been a dynamic year. We have accomplished a tremendous amount and it's rewarding to see our strategy coming to life through our financial results. Our focused portfolio of Premium and Luxury brands are growing earnings well ahead of last year.

Looking at the key metrics for fiscal '22. Reported volume in NSR declined reflecting the divestment of nonpriority brands, including our U.S. commercial portfolio in March 2021. On an organic basis, NSR grew 12%, driven by strong growth across our priority brand portfolio with standout performances from Stags' Leap, Beringer, Matua and 19 Crimes.

Excluding shipments related to new product launches and the one-off stocking as part of our distributor model change to RNDC in the first half, shipments were in line with depletions, ensuring that levels of inventory held by our distributors remains healthy.

NSR per case increased over 40%, reflecting our significantly improved portfolio mix with Premium and Luxury wine now contributing 92% of our NSR compared to 79% this time last year. This led to fiscal ’22 EBITS of $186 million, an increase of 17%. Furthermore, our EBITS margin improved 19.3%, demonstrating significant progress towards our margin ambition of 25%. I’m confident that our diverse portfolio of trusted Luxury and Premium brands is well positioned for continued growth in fiscal ’23.

Turning now to our strategic priorities. I’m pleased to report significant progress. Outstanding innovation continues to drive strong growth in the Premium portfolio after delivering the #1 wine innovation of 2020 and 2021, with Cali Red and Cali Rosé, our launch of Martha’s Chard looks on track to repeat this success. It is the #1 new wine innovation this calendar year to date.

In June, announced that 19 Crimes Cali Red was the #1 wine market innovation of all time for first year sales, a true testament to our innovation capability. For fiscal ’23, we are excited to launch a new 19 Crimes innovation, Cali Gold sparkling wine, capitalizing on the success of Cali Red and Cali Rosé and the increasing popularity of the domestic sparkling category. As part of our augmented reality proposition, first time Snoop will wrap on the label. We’ve also stepped up our Luxury performance across all channels this financial year. While we’ve benefited from the return of on-premise and DTC channels to near pre-pandemic levels, our luxury execution is paying the dividends.

Our second priority is relentless focus on premiumization and execution. We delivered in fiscal ’22 with over 90% of our sales coming from Premium and Luxury brands. Our priority brand portfolio delivered 15% NSR growth in the year.

Our third priority was to deliver asset portfolio and cost optimization. The acquisition of Frank Family Vineyards was a highlight and performed in line with our expectations in the second half. We are very pleased to have acquired this outstanding brand and winery. Integration is now materially complete across the business.

Key focus areas in fiscal ’23 where to ensure increased shortening and cabinet supply over vintage ’22 and ’23 to support growth from fiscal ’24 onwards. We’ll also continue to focus on expanding distribution and introducing new consumers to Frank Family Vineyards.

Two years ago we set a vision for what we refer to as our future state premium wine business. Specifically, a business with broadly half for volume, similar earnings and progress towards our 25% EBITS margin ambition. Since then, we have redesigned our sales and marketing model and implemented key efficiency changes as part of the global supply chain optimization program.

We have also divested nonpriority brands and assets and enhanced our distribution network to support our future growth ambitions, particularly through our partnership with RNDC in the key states of California and Texas. This action is now complete, and we have delivered on our vision, setting Treasury Americas up for future success in one of the world’s most attractive and growing premium line markets.

In summary, I’m proud of all we have achieved in the past year. I look forward to building on this momentum in fiscal ’23, and I’m excited for our future.

I’ll now hand then to Peter Neilson in Melbourne.

Peter Neilson

Thanks, Ben, and good morning, everyone. I’m really pleased to report TPB’s first full year results as a stand-alone division. We’ve absolutely started to see the full potential of our iconic brand portfolio come to life, and the significant and unique opportunity we have before us as a global business to deliver brands that meet consumers’ changing needs. We saw TPB's strong first half performance continue into the second half with further progress towards our key financial priorities of premiumization, earnings growth and margin expansion.

Turning to some of the key performance metrics. Volume and NSR declined 11% and 6%, respectively, driven by a 19% decline in commercial volumes, most notably through U.K. retail channels as we cycled elevated pandemic-related sales in fiscal '21. This was partly offset by strong Premium and Luxury portfolio growth from our priority brands, including 19 Crimes, Pepperjack, Squealing Pig and Wynns.

NSR per case increased 6%, reflecting continued portfolio premiumization with the Premium and Luxury portfolio is now contributing 59% of divisional NSR, up from 53% this time last year. COGS per case increased, driven by the improved mix and increased supply chain costs. We expect costs to remain elevated in F '23 globally and have strategically taken price on brands that can sustain the price realization and more broadly reviewed our margin structures.

Cost of doing business improved, driven by a more focused and strategic investment across our brand portfolio and the lower level of commercial volume. As a result, EBITS increased 34% to $79.6 million, with EBITS margin improving to 10%, another step towards our high-teens margin target.

Turning to some execution highlights against our F '22 strategic priorities. Premium portfolio expansion is a key driver of our success, and we made great progress expanding the portfolio in F '22, increasing distribution and sales velocity, evolving our offerings through innovation and building brand awareness.

On the innovation front, highlights included the successful launch of both Zero and Lighter and no-alcohol products globally for Wolf Blass and Squealing Pig, respectively, supporting the consumer trend for lighter, better-for-you propositions. Our ambition is to take zero alcohol wine to the next level in terms of taste profile, and we're investing in new technology and research and development company-wide to support this ambition.

We innovated in packaging formats, launching 1.5 liter bag noms for Wolf Blass and Squealing Pig, allowing premium wine to cater for an expanded range of consumption occasions in a sustainable packaging format.

We also invested in several high-profile partnerships to raise awareness of our brands, including Wolf Blass, partnering with HBO to launch limited edition wines for the upcoming Game of Thrones, House of the Dragon Series. Squealing Pig formed a 3-year partnership with WorldPride as well as renewing its partnership with the Australian Open, and we transitioned our long-term AFL partnership to Pepperjack.

Our second priority, accelerating in priority growth markets, channels and countries of origins also saw significant progress. Strong growth in Asia was delivered by Rawson's Retreat continuing its strong momentum and providing us with a solid base to build from in China. In Asia, outside of Mainland China, distribution wins across priority brands delivered growth across key markets in Southeast Asia and Hong Kong.

Our focus on making our priority brands bigger globally is paying dividends with new distribution and listings of Wynns, Pepperjack, Squealing Pig and 19 Crimes across our priority growth markets in Europe and Asia, driving premium portfolio NSR growth of 17% and 13%, respectively. This gives us great confidence in our base business heading into fiscal '23.

We successfully continued our multi-country of origin sourcing expansion with growth in TPB volumes sourced from Europe, South Africa and South America. 19 Crimes continues to perform strongly globally, with shipments outside of the Americas now above 2 million cases for the first time and further growth expected in fiscal '23, led by continued portfolio innovation, including the continued extension of the 19 Crimes collaboration with Snoop Dogg outside of the Americas.

Implementing a fit-for-purpose cost and capital base has been a key focus for TPB in fiscal '22. And we have partnered with our supply colleagues to improve COGS and focused on maintaining a lean cost base. With this strong foundation in place, we are now turning to investing in organizational capability in our priority growth markets, with Asia and in particular, Mainland China, a focus for us in fiscal '23.

In summary, I'm very pleased with TPB's fiscal '22 performance. We've made significant progress on our strategic priorities and pleasing progress towards our financial priorities. We are successfully expanding our premium brand portfolio and delivering on-trend innovation to our customers and consumers. These will be key drivers of our success as a business moving forward.

I'll now hand back to Tim.

Tim Ford

Thanks, Pete. So if you just heard from the team, we now have genuine momentum within each of our brand portfolio divisions who are making great progress on their strategic priorities whilst also delivering strengthened financial performance right across the board. And these priorities will remain largely unchanged for each division in F '23, with the focus of the respective teams being to continue executing what is now a very, very clear path towards their long-term growth and financial objectives. It is simply all about execution.

And right across TWE, we will continue to work to leverage our global strength and capabilities to progress on the key enterprise-wide priorities: elevating our culture, growing our talent, progressing our investment and technology to unlock long-term opportunities across the entire value chain. We continue to pursue category-leading innovation and also complementary M&A that will enhance our brand and asset portfolio and continue to build momentum towards our ambitions.

So for 2 years of significant change, we enter F ’23, very confident that we are absolutely on the right path towards the delivery of our 2025 strategy we outlined 2 years ago and our ambition to be the world’s most admired premium wine company.

It’s important just to spend a bit of time with the current global macroeconomic backdrop, which has some uncertainty to it. In the wine category, whilst not entirely immune to periods of tightening discretionary consumer spending, there are a number of factors that give us confidence and belief that the category fundamentals will continue to remain strong, particularly for Premium and Luxury wine.

Globally, the category continues to rapidly premiumize, fueled by the emergence of the powerful biobetter trend with younger consumers in particular, engaging more actively with wine at higher price points than ever before. We certainly saw this trend accelerate through the pandemic, where Premium and Luxury wine consumption grew strongly across all of our key markets, and it continues.

We have not seen any significant change in consumer behavior in our markets around the world or trading down in price points that would indicate any shift away from this multiyear trend.

Additionally, the wine category has also proven to be resilient through past periods of economic tightening like we’re going through around the globe with wine typically seen as an affordable luxury by many consumers, particularly the Luxury and Premium consumers. Also in home consumption, which tends to increase during such periods, remains at elevated levels, following the shift in consumer behavior since the onset of the pandemic over 2 years ago.

And finally, we expect the trusted well-known and growing brands like many of those in our portfolio will continue to perform well in this environment. As consumers will become, we believe, increasingly discerning in the way they spend their disposable income. So our optimized business model, diversification across our brands, our markets and the sales channels within those markets leaves us very well placed to navigate the evolving economic backdrop. And we continue to closely monitor the consumer trends and are very well prepared to react to any changes that may arise through the adjustment of key investment cost levers should we need to.

So to wrap up before we head to Q&A, in F ’22, we delivered strong underlying growth from an earnings perspective and margin accretion across all divisions in only the first year under our new brand portfolio-led operating model. The result was achieved against the backdrop that included the effective closure of Mainland China market to wine from Australia, ongoing impacts from the pandemic, significant supply chain disruptions and clearly inflationary cost pressures.

In F ’23, however, we are well placed to continue our operating performance momentum and deliver strong growth and EBITS margin expansion towards our group targets. Supporting this expectation are the benefits outlined from deliberate revenue management decisions on our focused growing brands across our Premium and Luxury portfolio as well as our completed supply chain optimization program that we’ll see COGS per case remain in line with F ’22 mix adjusted.

And finally, looking beyond F ’23, these factors as well as the continuing long-term premiumization trends support our commitment to our long-term financial ambitions of top line growth and high single-digit average earnings growth and an EBITS margin of 25% and beyond.

The long-term consumer premiumization trends as well as future improvements in cost of goods all provide us with the confidence and the ability to deliver to that ambition. And as a team, we're very excited to deliver that path ahead.

The last 2 years of significant change in the business environment in our markets, in our business, I think, has taught me and us 2 important things. Firstly, our strategy is the right one, and we have genuine underlying momentum across all divisions within our business. It's now about a laser focus on executing our plans for growth right across TWE and delivering quality earnings growth, efficient capital utilization and sustainable shareholder returns. And secondly, pretty importantly, our track record for being able to successfully adapt our business to deliver growth despite a number of pretty well-documented challenges gives me great confidence in the fundamental strengths of this business and our capability of the team to navigate future challenges and uncertainty.

So thank you for listening. I will now hand over to the operator, who will open up the line for Q&A. Over to you, operator.

Question and Answer

Operator

— Operator Instructions — Your first question comes from Michael Simotas with Jefferies.

Michael Simotas

My first question is relating to the inflationary costs and price increases. The $25 million of cost that you called out in '22 and then another incremental in '23. I presume they are gross cost involved. Please tell me the [surprise]. And then the price increases that you've taken, how much did you manage to offset in FY '22? And how much do you think you can offset in FY '23?

Matthew Young

Thanks, Michael. Yes, they are gross costs. And I think the way we'd likely to think about cost of goods is across the various different aspects of vintage transition of those underlying cost increases, but also our supply chain initiatives, we're delivering flat COGS, which I think it's a fantastic outcome, testament to the work that Kerrin and our supplier TBS teams have done over the last year. So the gross cost, yes, but great outcome overall.

Look, without giving I guess, direct numbers of offset, the way to think about price is not necessarily directly linked to cost, right? We have strong brands which are growing. We have strong brands, which are supply constrained. And we have really strong revenue growth management. Now that has put us in a great position to deliver margin expansion this year. And the way to think about next year is we will deliver margin expansion despite the cost challenges. And so hopefully that gives you a good frame.

The cost – the price rises, they vary, it might be something like $1 on Matua, which is quite significant at a bottle price. It might be $5 or more in a Luxury brand like a Frank Family or a Stags' Leap or it might be alignment of our pricing strategies market by market or channel by market. Each of those are part of our ongoing plans, but are delivering margin expansion. That's the way to think about the price increases.

Tim Ford

Add to that, Michael. So just – I think it's an important one to note is that the price increases have already been implemented. So in F '22, by and large, some August 1 in F '23, which have fall into this year. So the large majority of those have been in market now for a period of time, which gives us the confidence from the future demand, often we take price. The question mark is, well, what's that do to future demand. We think we've got the brands and the price structure is right that will continue the growth of those brands as well. So with some incremental investment behind those brands as well to make sure that we achieve that as an outcome.

Michael Simotas

Yes. Tim, they were quite late in the period, they weren't there, so there should be more of a benefit in '23 than there was in '22?

Tim Ford

For sure. For sure. Some of them were early. New Zealand Sauvignon Blanc across the broad was pretty much throughout the second half of F '22. So that's not just Matua. Sauvignon Blanc as well for the Squealing Pig brand and some of the others around the globe as well. But broadly, the impact will be stronger in F '23 than F '22, for sure.

Michael Simotas

Okay. And the second question I've got related to margin as well. Can you give us some sense of where you're up to in terms of COVID recovery of higher-margin channels? And then maybe sort of on a through FY '22 basis and maybe an exit run rate as well because some of the commentary, particularly out of the U.S. is suggesting that some of those [cyclical] channels, in particular, are running above pre-COVID levels now?

Tim Ford

Yes. Look, we – obviously, most of our last results announcements, Michael, we've shown you the table and the traffic lights, et cetera. I mean basically, we've chosen not to do that this time around purely because broadly, channels are all green and different levels of green. So I'll try and give you a little bit of color, but the way we look at it is channels are open. And consumers are consuming through all the channels that they were pre-COVID. Travel is expanding. Seller doors are more challenged by labor as opposed to consumer demand. So it's actually how many guests can you welcome at our sites and give them the experience you want. So that's slightly down on what we would have seen pre-COVID, which we need to – we expect to over time improve as well.

On-premises is very strong now across the board. Again, the hospitality industry has labor limitations as well. So it's probably more linked to the ability to fully execute in those channels as opposed to openness of those channels. But to be honest, we don't spend a huge amount of time internally now talking about what more channel growth or opening is going to come. We sort of, I guess, more focused on just executing in all of them, given they're all now open.

Operator

Next question comes from David Errington with Bank of America.

David Errington

Tim, Matt, I've got 1 question, but it's two-pronged. It's relating to your slide, I tend to ask this question a lot. Actually, it's a bit like a broken record, but your inventory analysis slide – on Slide 13. In particular, your current inventory, where if I do the math, both on the Premium and the Luxury, you're up significantly. In other words, you're looking to sell a lot more this year than what you did in the most recent – in the year just gone.

Now I know that COGS are a factor. But when I look at your COGS increase, your COGS per case increased if we exclude the $25 million by around 12%. And I'm assuming that, that's probably going to be similar going forward this year, but you're sitting on 28% or nearly 30% increase more to be sold this year than what you sold last year in both Premium and Luxury.

Now I know Frank is in there, but can you expel out a little bit because I'm trying to reconcile your future sales in '23 relative – so I'm trying to reconcile the current inventory position because there's been a huge step up, not only luxury but also premium. So can you give us a little bit more substance around that, please? Because it's sort of like a tantalizing number.

And then the second part of the question is on – I was surprised to hear you saying that your supply constrained in some of the Bin series, particularly Cabernet. Now I know the 20 year was difficult, but given the investments that you've been making in that area, the supply optimization in South Australia. I'm surprised that you supply constrained and that you haven't had China to sell into. So can you go into a little bit of that because I mean, there's 2 ways of looking at it. That is bullish because there's a shortage, but it's not as good because I thought you'd have a bit more than what you've got. So can you go through those questions, please, Tim and Matt?

Tim Ford

Sure. I'll headline and then I'll hand over to Matt, who can hopefully help you pick apart and put back together the inventory numbers. But as a headline, David, and good morning, I should have said at the start. I think the position of our Luxury inventory in the current Luxury and Premium inventory certainly supports the confidence and the belief and the plans we have from a growth perspective over FY '23. So we've got the wine to sell to continue to hit our growth plans over 23%, which is a really strong position to be in and with – given a couple of factors. There is the Vintage '20, Californian vintage, which was a smaller luxury vintage, but we certainly have enough wine to sell, as you see within those numbers. Yes, there's a mix – there might be a mix shift between certain brands. But again, certainly enough for us to sell in terms of growth top line as well as our margin expansion. So that's a real positive.

Yes. I think the other part of the question around Penfolds, and then I'll hand over to Matt to dive in more detail, we really didn't expect to be in a supply-constrained position at this point of time on some of the Penfolds SKUs either 12, 18 months ago, it's fair to say, and it's a good thing. So it's enabled us to, one, — ***indiscernible*** — on certain SKUs within Penfolds, and I know you're going to ask you what SKUs. I'm not going to go through the specific SKUs, but broadly the range of Cabernet.

Vintage ’20 was slightly smaller, but yes, there’s still plenty of wine to sell to ground going forward. So we shouldn’t take the supply-constrained commentary, I think, as a negative. It really actually sets us up in F ’23, as we have more wine come online in ’24 and ’25 out of the other Australian vintages that have happened subsequent with a pricing structure and a margin structure that continues to be strong. So yes, we’re pleased that’s the position we’re in. We certainly didn’t expect to be in this position some 12, 18 months ago. That’s for sure. But I think it’s also another proof point that the growth we’re seeing in markets and our ability to execute this reallocation plan. It’s been very, very strong. So Matt, I’m sure you’re going to want to build on that.

Matthew Young

Yes. Look, I’ll just read – just to address that point on the Cabernet, look, reiterate the point. We undertook a rebalancing exercise of intakes of vintages. And as we sit today, the success that Tom and the team have put into place in building distribution is giving us confidence that as we – there is a supply constraint as we look out over the next few years. So I fully think this is a great thing to be able to be taking price on Penfolds, only a couple of years after losing the China market. So we think it’s fantastic.

Dave, to your point on current inventory, yes, we – I reiterate Tim’s comment that what you see there is supportive of our – what we’ve said today around strong growth this year, but also growth into the out years supporting our long-term ambitions. As I sort of called out at the half year, and again, I would say the same, within that number, there are some structural things. So Frank Family Vineyards, I’d call that’s probably about $35 million of that Luxury current increase. There are higher-cost vintages, U.S. and Australia, which you’ve called out as well without giving specifics there.

And look, the only other thing I’d call out, again, in the prior year, and I reiterate this point, the prior year number you see there was our expectation 12 months ago. And it is a richer mix that we see in the current number. So last year, we probably saw a lower – more in lower luxury and this year, our expectations are certainly for higher luxury growth. So whilst those are the structural things, we fully expect these will support our underlying plans, particularly for Penfolds.

And thank you for highlighting premium because I think this is a fantastic – that's – we often focus on the Luxury, but the Premium should be a really strong indication of how we see the potential within our markets within TAM and within TPB, the underlying premiumization trends continue, and the strength of our brands is supporting that as well. So hopefully, that helps, David, in terms of the structural, but at a high level, it's supporting what we're saying today around strong underlying growth.

David Errington

Yes, it does matter. I must admit, when I bug it up my me there about 15 years ago, and the surge – you've got a complex tear. I said, what's complex. He said, "Well, it's complex." What does strong mean, Tim, when you say strong growth? What does that mean?

Tim Ford

Other than being strong.

David Errington

Can you give us a bit of substance as to what strong means?

Matthew Young

I'm not going to open the and help explain the difference between strong and very strong. However, I think you know, I think everyone knows that we're focused on long-term ambitions, right? That's included top line margin growth, 25% beyond ROCE, but it includes a long-term ambition, high single-digits average earnings growth. And that's what we'll keep coming back to. It's what we want to be known for strong underlying sustainable growth.

Now we do recognize that when we set that ambition back in fiscal ’21, with a fiscal ’20 reference base, we – and you guys also appreciate it wouldn’t be a straight line to that. We were cycling China, COVID, higher cost vintages. However, we’re now through that initial stage. So we’ve been through couple of years of essentially flat care line earnings. And whilst it’s been…

David Errington

It’s cheeky question, Matt.

Matthew Young

Sorry.

David Errington

It’s a cheeky question.

Tim Ford

It’s a good question.

Matthew Young

I actually think this is really important because…

Tim Ford

Someone will ask it as well.

Matthew Young

Someone will ask it as well. So we’ve been flat for 2 years, right? We’ve cycled a lot $200 million of earnings from China. But as we maintain our focus on that long term, we’ve now moved through the flat earnings, and you should expect that a strong level of earnings growth will be required over the next – over the coming years to deliver that engine. I think the market understands that. We've been very clear in understanding that. And essentially, I think what we've provided today is extra color on shape of how that gets delivered in fiscal '23. So hopefully, that's sort of a tender. The strength of underlying growth that we've seen today get 22% EBITS CAGR for the last 3 years, I think, is strong underlying growth. So I hope that helps people give a sense of what we mean by strong.

Operator

Your next question comes from Shaun Cousins of UBS .

Shaun Cousins

Can you talk a little bit about the supply chain costs that you've highlighted the $25 million in '22, obviously higher than what you thought initially there. How should we think around the first half, second half split within first half, second half '23, please? Just given that it was sort of quite different between the 5 to 10 that you called out in the first half '22, please?

Matthew Young

It's predominantly around the logistics of what we've seen in the dry goods. So we've seen early stage of it first half fiscal '20 with clearly a higher run rate into the second half. But – and essentially, the $25 million is an ongoing – the new $25 million is an ongoing run rate. So we saw a higher impact of it in the second half, but that will now essentially continue slightly offset by some savings we've put in place to manage that or costs that have come off a little bit since then. So it was – in what we've seen in this half, you can see it was slightly higher in the second half of fiscal '22, so.

Shaun Cousins

And then hence, that would really sort of continue on for '24 at that like your bank in what you're going to incur in '23 going forward...

Matthew Young

Look, we're not providing a specific sense of '24, right? Because the market dynamic on logistics and fuel and packaging material, it needs to – there's work to be done, right, over the next year and changes to come. We're not giving a sense of that, we would – or full trust – we're planning as if that's the case, and we'll manage our way through that. But certainly, it's not – we're not building an expectation necessarily externally on that.

Shaun Cousins

Great. And maybe just a quick question on the $65 million supply chain savings to the broader supply chain program that's now $90 million, was any realized in fiscal '22 and what's driven – what's the source of upside from that plus $75 million to now you're confident to call out $90 million what's if you could sort of point to some things that have given you confidence to call that out by – at $90 million, please?

Matthew Young

We probably saw about $20 million flow through in fiscal '22. So it's a good step-up into fiscal '23. Look, there was – I wouldn't say there was new initiatives identified, just greater execution of those and greater confidence as we've now finished the program. So similar things in terms of how we manage dry goods, how we manage winery overheads, vineyard overheads and general supply chain logistics. The program that had put in place was certainly always aspiring to deliver more than we commit to and the team were very successful. So again, Kerrin and the team should be really proud of that.

Shaun Cousins

And sorry, Matt, just to clarify that. So that means is the incremental $45 million in '23 or is the incremental the $60 million?

Matthew Young

Approximately $45 million.

Shaun Cousins

$65 million minus $20 million, it's incremental $45 million.

Matthew Young

That's correct.

Operator

You next question comes from Tom Kierath with Barrenjoey.

Thomas Kierath

A couple of questions on Penfolds actually. Just on the Asia ex China sales, like they've gone up almost 3x now in the last 4 years from pre-COVID. Can you just maybe give some color on how much you think of that is kind of being consumed in those markets versus how much is kind of sitting with distributors versus how much is being reexported to other markets?

Tim Ford

Yes, Tom, over to you. Sorry. Good morning, Tom and over to other Tom, I mean, in London.

Tom King

Thank you, Tim. And yes, good morning, Tom. Look, we're – yes, they are strong numbers that we've delivered again in this half and for the full year in the markets in Asia outside of Mainland China. But we're really confident about the growth of the business in those markets. We always knew there was really strong equity for the brand across not just those markets in Asia, but more broadly across the globe. The reality is that as we've always run our business, the growth in shipments and therefore, NSR is actually driven by strong depletion performance, which is driven by ultimately a number of different levers, but one of which has helped some of that strong growth is our focus on building distribution and availability.

The new operating model has given that focus and even greater boost and we're feeling pretty confident actually that we're on to something pretty special in terms of building a very diversified global brand across multiple global markets, inventory days remain in line with the prior year.

And as we look into 2023, we're really now about executing continually more distribution, but the distribution we've gained already, really starting to accelerate the rate of sale across all the different channels that we've sold into. So look, we are comfortable with where we sit in terms of inventory. We have dedicated partners and joint business plans with all of our partners in all of our markets and channels, and we'll continue to invest in those partnerships to ensure that the brand continues to grow, continues to bring new consumers into the world of Penfolds and build the stores our vision of becoming a global luxury icon.

Thomas Kierath

And maybe just a second one. The sales of Penfolds were flat in the second half, but the margin was up a bit over 300 bps. And I noticed that you're flagging that kind of the margin falls back in '23. Can you maybe just step through why the uptick in margin in the second half? And then again, why the margin reduction that you're expecting next year?

Tom King

Yes. So we had a pretty strong mix in the second half of the year and also linked to the change we made this year in terms of moving all of our Penfolds wines released to one release date, which has all just happened in early August this year. So that actually meant a deferral of what was a planned release in the second half for our second California collection. So that has now been shifted to H1 in fiscal '23, and it's just happened. So some investment was deferred, if you like, out of the second half of fiscal '22.

And then really, as we look ahead to ’23, that expected shift towards more of the midpoint of our target 40% to 45% is driven by 2 things. One is the impact of higher COGS coming through in the 2020 Australian vintage and then a continued step-up in investment, as I spoke about in my first answer there to support that pull-through in that demand led growth at a consumer level. So investment in the brand across the board and higher cost of goods from Vintage ’20.

Tim Ford

Thanks, Tom and Tom. I’m going to add to that. Actually, operator, before you move to the next one, if we can because I think it really – I’m going to spend just a little bit of time on what was Page 20 of the slide because there’s a really important couple of points to take out of that. First one is – sorry, Page 20 for those that have done at the slides again, is around this distribution footprint work we’ve done. Yes, there’s rightly been lots of questions from investors ask us to go. What’s the runway in these Asian markets. They’re small. It’s not China, they’re not China.

But what we’ve tried to do with this work, and this has been a 12-month piece of work and a significant piece of work of investment of time, effort and resource with feet on the street to get this data is that we’ve got a very clear path that there is still significant growth of distribution in these markets. And if you go back and look at those slides, the red portions of those pie charts is the growth we have in these markets. So we’re very, very confident that we have a significant runway still to go in building distribution in some of these markets around the world, and the data supports that. The data is evidence there. It’s not there to try and put this up every 6 months to show you our distribution growth. But I think for investors, it’s really important to understand the methodology that goes behind what gives us that confidence. So I’m sure we’ll get questions of that as we go through the investor meetings over the next couple of weeks as well, but a really critical piece of work that will unlock a lot of the potential I see in Asia going forward as well the team has done. So thanks, operator, back to you.

Operator

Your next question comes from Benjamin Gilbert with Jarden.

Ben Gilbert

Just 2 questions from me. Just first one around volume. I was just interested in the comment there around sort of the release of the Penfolds in the U.S. got a big number, but there were some expectations out there but maybe the volumes could have come close to sort of 27 million cases just based on some comments previously. Was there much deferral in terms of volume and we did it come in around where you're expecting in terms of sort of that 25-odd million cases?

Tim Ford

Yes. Good day, Benjamin. Thank you for – good to hear from you. Yes, from a volume plan, we ended up – volumes were slightly down for the year across the board on where we planned at the start of the year, largely driven by the commercial line portfolio. Certainly, our volume growth across Luxury and the Premium portfolio was certainly strong and delivered, if not better, certainly where we expected it to land for the year. So we don't really spend a huge amount of time explaining our global volumes. I do know it's got picked up in some media outlets in terms of our 27 million case number that I might have put out there at some point through discussions externally. And that's a broad average across a couple of years around expectations.

So certainly, yes, our volume plans delivered on what we expect across particularly the Luxury and Premium. And we plan for commercial volume to continue to decline, right? So our business plans, our objectives, our growth plans are all based on a commercial volume decline for those commercial brands that do exist within the TPB portfolio today. It plays an important role, but more so from a cost absorption point of view, it's certainly not part of our growth agenda going forward. However, it still plays an important role.

Ben Gilbert

And then just a second one for me, just around channel mix. I could appreciate the comments you said then you've obviously taken it out of the back book this year in terms of the channel mix. But just interested in particularly travel, because travel is obviously very important for Penfolds. It's a nice margin channel from what I understand as well. Where do you see channel – sorry, travel moving to in terms of the run rate through the last half? And how much of a driver is that of margin as we move into '23 and '24?

Tim Ford

Tom, do you want to take that?

Tom King

Yes, sure. Thank you, Ben. So I think Tim covered it off and we talked about the channels before. And I think as everyone knows, I know many of you have been struggling to do channel checks, et cetera. And likewise, myself travel is back, that ultimately Penfolds business historically in the travel channels was heavily influenced by Chinese passengers. So we've got a slightly different mix of passengers that are purchasing Penfolds, but the sales to date have been pretty positive, spend levels are good for us. The positive that we are seeing is actually a stronger mix of nationalities that are now picking up Penfolds as they travel through duty-free stores in airports.

And for us, this is another demonstration as we build Penfolds invest in the brand in global markets. We're now driving that awareness to consumers in their domestic market as much as in the travel retail environment when they travel. So we're feeling pretty positive about the potential for Penfolds back in travel retail. We made a call very early on in the COVID times to maintain a dedicated team for this channel to support our customers throughout a very, very challenging period. And I think we're now seeing the benefit of that goodwill come back to us with the availability of space and promotional slots and distribution opportunity. So we've put the effort in when times are tough, not everyone did. But now we're well on the road to recovery in terms of travel, and we're looking forward to what we always try to achieve with travel and retail is the ultimate luxury [allocate], which becomes even more critical now for us in the Penfolds world.

Ben Gilbert

Tom, could that be 5% to 10% of sales for travel channel for Penfolds?

Tom King

I wouldn't want to disclose a specific number, but we're coming off a pretty low base, but it will be expanding as a percentage of our business going forward.

Tim Ford

We expect and you should expect – I think of a run rate through '22, it's got better, but it's certainly not back to what we would expect to travel retail category to be at this point in time. And the good news is everyone's being stuck in airports for hours at the moment. So I've got some time to buy, but it's still not back to where we expect it to be over time.

Operator

Your next question comes from Richard Barwick from CLSA.

Richard Barwick

Tim, can I pick up on, firstly, that Slide 20 that you were talking about before, just the progress on expanding the points of distribution. Obviously, you've included U.S., Hong Kong and Thailand, some example markets. Can you give us some more broader brush sort of view if we were to look at this by region. So how far are you progressed in building this distribution if you took Asia ex Mainland China, for instance?

Tim Ford

Tom's best placed to answer. Good morning, Richard. You go on Tom first, and I'll build on that.

Tom King

Yes, Richard, good to say this slide is giving some attention. As Tim said, it's a really important one for us to share – demonstrate the rigor and the level of accuracy that we're now putting into our distribution road map. I think it'd be pretty hard to get that blanket number across Asia. We don't really think about Asia. We think about specific markets and then specific channels within market. I think the other point to call out on here is on those grain red bars or red part of the pie charts on the market, but ultimately, that's a level of penetration within a target universe. So this is about us really ensuring we're focused on the right accounts as opposed to just pure quantity of accounts.

In some of these markets, if you looked at the full university of the distribution points that aren't included in our target, that's great. But we are prioritizing the target accounts that have got – going to give us the right level of execution, availability to the right consumers at the right price points as well. So we've carried out this work across a selection of markets to date, but we now have a methodology and a way of assessing distribution opportunity, tracking and measuring that we can then roll out through other markets as we get to them. At the moment, we're focused on a handful across Asia, North America and Europe. But over time, we expect this to become a fundamental part of how we continue to manage and grow our business.

Richard Barwick

I guess what I'm trying to shape up here is you think back to when the Chinese tariffs were introduced, Tim talked then about the sort of the timetable – or the expected timetable, how long it would take to redeploy the volume that effectively has been lost into China. And so I'm just trying to square that off with where you are on this. If I look at your revenue from Penfolds for the year and your earnings and compare it to – this is a pre-COVID, pre-tariff scenario. So if you just compare it to FY ’19, you still have $100 million of revenue and $55 million of EBITS to go from what you’ve delivered in FY ’22. I’m just trying to get a sense of how progressed are you and how quickly you can get back to at least an FY ’19 level? And then I’ve got a question on top of that, which should be around the multi-country of origin as well.

Tim Ford

Okay. I’ll take the middle one there and then come back to Tom for the multi COI. We certainly being – it’s one of those are trying to sort of where do you draw the line on what’s reallocation versus future demand that gets blurred. But we certainly think that the task we had from 18 months ago where we said it was going to be 2 to 3 years will certainly be completed in fiscal ’23. That’s how our plans tell us that, and that’s where we think we’ll land on that. So closer to the 2 to 3 years probably, but certainly within that 2 to 2.5 year component, Richard, is the way we would line that up in terms of that task we outlined for ourselves 18 months ago.

Richard Barwick

All right. And that’s really the reallocation of the 600,000 cases in the…

Tim Ford

Bin and above, yes, so the entry-level Bins and above, spot on.

Richard Barwick

Yes. Okay. And then just the country of origin question really, I was just – I mean fantastic to see the French come in. I was a little bit surprised to see there’s only 2 SKUs initially. Can you just give some sort of sense as to the materiality or not as we think about what’s the sort of the ramp-up as we go from ’23, ’24 to ’25 from, I guess, the U.S. and the French and then ultimately, the Chinese as well?

Tom King

It's a great question. The multi-country of origin piece is something that has been building confidence for us over the last 18 months ever since we launched the first California wines, the reaction to our first wines from France. And yes, just 2 wines in relatively small quantities, one a collaboration and one is still very much a trial. It has been really fantastic in terms of interest in terms of critic scores. So again, it gives us confidence.

Look, the announcement today about the acquisition of Chateau Lanessan is all part of our confidence in the future potential for wines from France as much as from California. I think over time, it will become a much more meaningful part of our portfolio, but that would be over time. Right now, we'll continue to drive the Australian wine strongly around the globe, and it will be a significant part of the business. The Australian portfolio is still the core but the new country of origin will be the focus in Mainland China. We will be selling some outside of Mainland China. And over time, hopefully, as we are able to fulfill demand and source more fruit and make more wine. We'll be selling more of the multi-country of origin around the globe.

Tim Ford

And Richard, I've also sort of said before, I don't know there's a great desire for that, and we have it too, to dimensionalize what the future China business can look like with our new strategy there, excluding Australian source wine. And certainly, in this year, we look at it as our first year of rebuilding the China business, yes, with smallish amount of French wine available, we've got more of the California wine which we're going to sell within the China market given there's new vintages coming online, yes, we'll have more wine to sell in the U.S. as well, but certainly, we'll be allocating more to China and the Asian markets.

And then the Chinese country of origin release, which is not far away as well at sort of entry level, it's a pretty exciting time, but it's also pretty early to call here's what the quantum is going to look like until we see what the consumer reaction is broadly across the board, particularly on the Chinese country of origin and what the scale of that opportunity is. So we are eager to see that ourselves.

I think Tom's point, I've said it before, French Bin level luxury wine in the order of 100,000-odd cases is really what our ambition is as our first ambition. It's like our EBITS margin target. We want to get to 25%, and then we'll do more. Chateau Lanessan is a meaningful step towards that ambition in terms of our French produced wine, which clearly we're going to be taking fruit for the first vintage this year.

So it's a really important, not only strategic step of a partnership within Bordeaux, but also to help us build that and/or a meaningful business. And when we are ready, I guarantee we'll be explaining what the size and scale of China is we do have strong ambition, but it's just a little premature at the moment, notwithstanding I know everyone wants to know.

Operator

Your next question comes from Craig Woolford with MST Marquee.

Craig Woolford

Maybe just a question, I guess the heart of my question is around the seasonality going forward of the business, the split of earnings between the first half and the second half, obviously, the timing of the release of Penfolds pulls things into the first half. But so just if you can clarify that as well as whether TPB's drop in volume for the second half is the right baseline to think about? Or is there going to be a further drop in volume to TPB?

Matthew Young

Yes, Craig, it's Matt here. Thanks for your question. Look, we never really provide specific half-on-half. But certainly, what you've seen in fiscal '22 is a reasonable way to think about both Penfolds and the other markets. There's a few dynamics in there in terms of release date. But generally, we're looking to deliver a fairly balanced earnings delivery. But certainly, in Penfolds, it tends to be slightly first half weighted similar what you've seen this year as well.

And look, on a volume basis and if we focus on Treasury Premium Brands, maybe hand to Pete in a second just for that context. Tim mentioned before, it's part of our expectation that commercial category is generally in decline. We – it's not part of our plans to take share in commercial or to grow that part of our market. But certainly, it plays an important role for us. So we – our expectations are that it will decline. Whereas really our focus from a profitability, from a top line perspective comes from the Premium and Luxury categories.

Peter Neilson

Thanks, Craig. What I would say is that the premiumization trend is happening across the globe. So we're really well positioned to capitalize on that with brands like 19 Crimes, Squealing Pig, Pepperjack, Wynns. And that shift in consumer preference towards the premium end of the market is seeing a decline in commercial portfolio across the globe. But as Tim said earlier, it's a really important part of our business. It actually underpins and provides a resource we need to continue to focus on growing the Premium and Luxury portfolios. It's still a sizable market out there. But as Matt said, it's not our priority to grow in this area. And our expectation and outlook is that we'll be in line with market. And if you look at market, the forecast are for that to continue to decline – for commercial.

Craig Woolford

Got it. And then just secondly, on the overhead costs, it looks like second half overhead costs were circa $42 million or thereabouts. And in the commentary, you talked about technology and insurance costs, what can we expect for the overhead costs in FY '23?

Matthew Young

Yes, I'm not sure. I think more at $36 million, I think maybe talking about the corporate segment was a bit higher. I think it might have been about $36 million, $24 million in the first half. But those are certainly in the insurance and IT investment and not to get too accounting-wise, but a lot of IT costs no longer gets capitalized anymore. It gets taken through. So basically, our investments in a lot of really exciting projects we're doing within the business will now go through OpEx. That was always part of our plans and part of our expectations.

What I'd suggest is, yes, the second half that you're seeing there is probably a good reflection of the investment we intend to make in technology to drive top line, et cetera. But certainly not a surprise to us in line with our plans in line with our margin and growth expectations we've communicated long term and for fiscal '23.

Operator

Your next question comes from Larry Gandler with Credit Suisse.

Larry Gandler

Matt, before I start my 2 questions, just a clarification on your comment. You mentioned 22% EBITS growth, it was kind of breaking up there. Was that – can you give the period when that CAGR EBITS growth was achieved?

Matthew Young

Sure. We actually included it on the slide, probably didn't talk to it. But if – and I apologize, it sounded like I've got a bit of feedback that – my money answer perhaps wasn't as strong. So if I point you to Slide 8 of the presentation, you'll see the top right graph there, you can see that from fiscal '20 to fiscal '22, our 3-year underlying earnings CAGR, excluding China and divested brands is 22%. So that's what I was referring to in that respect.

Larry Gandler

Great. Very clear. Okay. Two questions. First, on Treasury Premium Brands. You guys talked to higher-cost vintages, the 2020 vintage. I would have thought that, that vintage really wouldn't be a major influence on TPB COGS. Could we expect TPB COGS to be doing better than the group for FY '23?

Matthew Young

Yes, Vintage 2020 is unlikely to impact. But in a meaningful way, it's sort of moved through those vintages, that's more of an impact on Penfolds. It's now – and TPB has moved more into the 2021, 2022 vintages. Now the way to think about that is they are lower cost vintages, broadly in line with one and another, and that's possibly an important thing that just reemphasize. So Vintage '22 in Australia broadly – cost-wise will be broadly in line.

And the reason for that, as we flagged at year-end, yes, we're seeing lower grape prices in the market, but we balanced our vintage intake, meaning we've participated less in that. And clearly, the price declines we've seen in grapes at the commercial end don't really impact us quite as much as perhaps given the premium nature portfolio. So we would certainly see that when it comes to COGS improvement on a divisional basis, it's reasonable to expect that, that Australian premium and commercial, which will impact TPB and TAM to extent. It will be a benefit to the business or as we've also called out at the Luxury end, California 2020, Australia 2020 will be an impact on TAM and Penfolds.

Larry Gandler

Okay. And related to this, TPB competes in some pretty price-sensitive markets, U.K. and even Australia. Are your price increases in that division as strong as your other divisions?

Peter Neilson

We've looked at price specifically on brands that we believe can sustain price and have the brand awareness and brand health to support price increases. So at the moment, we're not – it's not a blanket approach to price increases. It's very strategic and tactical – or strategic and brands that we believe have that capacity to hang on to it. At the moment, we're seeing that past on confidently. So there's not a way to look at it as in there's a generic approach to this. It's specific by brand and by market to understand where those opportunities are to realign price.

Matthew Young

And I'll add, if you're trying to dimensionalize it, look, Treasury Americas is a big driver of price given the supply constrained New Zealand, the supply constrained Luxury U.S. and what we're doing there in Premium with TPB. TPB probably did more work and price taking that in fiscal '22, which will continue into fiscal '23.

Larry Gandler

Okay. Great. And last question for me, just be quick, probably a question for Tom. You guys may remember when up in China, you had – Penfolds wasn't really a balanced product portfolio. You've got obviously great distribution opportunities in Asia. But when we look at the product portfolio in Asia ex China, are you finding it's heavily dependent on [407] or are we seeing more of a balance? I don't want to lead you to an answer, but maybe you can fill that in.

Tom King

Yes. It's good question. Larry, thank you. I think what we've seen over the last 12 to 18 months and particularly the last 12 months as we've put in place this new division is it's really allowed us to pull apart the portfolio and really think about the role of each wine in the portfolio as opposed to maybe previously before it was a Penfolds' opportunity. And certainly, certain wines had and some of the bins across many markets had more demand than others. Where we've now got to is we are taking a much more targeted approach to the likes of Max's, if you like, and the role that it plays in the portfolio. So we're seeing some really positive growth on Max's across the board, and this plays a really important role when we talk about recruiting new and younger consumers into Penfolds.

Equally, the more entry-level bins, the bin 2, bin 8 have always been popular across markets in Southeast Asia. And so they continue to move ahead very strongly as well as, obviously, the powerhouse in the middle of the [389 of the 407]. So yes, absolutely, we're taking a very balanced approach to the portfolio and a renewed focus at the top end from the Luxury and Icon, putting in dedicated teams that are focused on what we call Luxury sales, which is the very top end of the portfolio, and let's say, in many cases, a very different set of capabilities, set of customers and way of selling. So a much more balanced approach to portfolio growth, but clearly, Heartland and for us, the growth engine over the years ahead will be bins and above ultimately.

Matthew Young

Operator, just before we go to the next question, it's Matt here. I just want to reiterate, I think my answer to David Errington's question earlier may have been a little bit hard to hear, and I won't repeat it fully. But what I do when I understand, when we talk about strong growth, again, we think the market has a pretty good understanding that we've built over time of our long-term ambition of high single-digit average earnings growth, and we set that a couple of years ago. We've now gone through 2 years of flat earnings. And we remain committed slight growth – okay, Tim.

But we have gone through our period of flat earnings. And as the market, I think, fully understood it was going to be strong growth from there. We don't think we've sort of changed our view on that. And hopefully, the markets that understands that it's consistent with their view. What we've done today is provide greater color, whether that be at the cost line, the divisional line, the top line of how that gets delivered. And that was probably the most important thing to reiterate in that.

Operator

Your next question comes from Phil Kimber with E&P Capital.

Phillip Kimber

My first question is just on Treasury Premium Brands. If I look at your 3 sort of divisions, Penfolds, I think it's back to 90% of FY '19 earnings, and that's obviously a fantastic result given the rebalancing required there. Treasury Americas is similar, about just under 90% of what you did in FY '19. And again, you've repositioned the portfolio there. The one that's set a long way away is Treasury Premium Brands, which obviously potentially provide some big opportunity there. I just wanted to understand is, is '19 or going back in the past are still relevant for that brand in terms of where it could get to – in terms of its earnings. So not just margins, it's actual dollar earnings? And what would be the big driver to get there? Because it didn't sound like COGS was going to drop a lot of the COGS benefit sort have happened?

Peter Neilson

Yes. Thanks, Phil. In terms of how to think about TPB, as we've said, our expectations on the division is around premiumization, margin growth and margin expansion, and that continues to be our priority. And we've also talked about maintaining top line or NSR as a division and whilst we did see some slight decline in fiscal '22 of the back of some of the elevated commercial volumes from fiscal '21, we still believe that's the right outlook for the division.

In terms of where the drivers are going to come from, year 1 for us was absolutely about fixing a number of fundamentals that we had to address as a year 1 business essentially reshaping what was multiregional or multiregional priorities into 1 division was a priority for us in year 1. We've got real confidence in our plans for year 2 as we head into this financial year. So our priorities at the moment is starting to execute the initiatives that will give us the growth platforms for growth in F ’24 and beyond. So there’s no one single thing. But really, when you – if I try to give you some context of where those priorities will sit, a number of our big global brands is where we’ll focus on 19 Crimes, Pepperjack, Wynns, Squealing Pig. We still see a lot of upside for growth through Asia and within that Mainland China as well with a number of initiatives that we’re working on at the moment.

We also still have plenty of opportunity for innovation growth. So whilst we’ve done some great work in innovation in ’22, some of the initiatives coming through for ’23 and ’24, we’re really excited about as future growth for the division across multiple regions.

Then as we think about the cost management or growth, we think through all the lines of the P&L and how we drive top line growth, we’ll look at price where we can, where it’s sustainable, how we work closely with our supply partners on cost optimization, making sure we’re optimizing our A&P investment as well as continuing management and cost of doing business. So there’s no one single initiative that’s going to drive that growth, it is multifaceted. But very confident we’ve got the plans in place for this year and building all the initiatives that allow us to grow ’24 and beyond.

Tim Ford

Thanks, Bill. We’re going to need to – I know we like to stick to time, and I know everyone else does. So if we’ve missed out on a chance to take questions, I apologize. We will no doubt pick those up through the one-to-one meetings we’ll do over the next couple of weeks. So thank you very much for joining us. Finally, thank you to our team for delivering an outstanding year but more importantly, delivering the plans that are going to deliver another outstanding year going forward that we’re pretty excited about and full steam ahead from our point of view. So I look forward to talking to everyone in the next couple of weeks. Cheers.