



TREASURY WINE ESTATES

18 November 2021

ASX ANNOUNCEMENT

TWE announces the acquisition of Frank Family Vineyards in the United States for US\$315m

Announcement highlights

- Treasury Wine Estates Limited (ASX:TWE) has reached an agreement to acquire Frank Family Vineyards (“FFV”) in the United States
- Transaction value US\$315m, implying an EV / F21 EBITDAS acquisition multiple of 13.2x, favourable to both current TWE and historic luxury wine transaction multiples
- FFV is a highly-acclaimed luxury wine business based in the Napa Valley, California, with a long-term track record of delivering strong revenue and EBITs growth in addition to EBITs margins in the range of 35-40%
- The FFV portfolio is highly complementary to Treasury Americas, filling a key portfolio gap for luxury chardonnay, and Treasury Americas is well placed to enhance FFV’s growth given its leading luxury sales credentials, national distribution network and Californian asset base and sourcing model
- EPS accretive from the acquisition date¹, with EBITs growth expected for FFV from F23, the first full year of ownership
- The acquisition will be funded via a combination of debt and cash, including proceeds from recent US asset divestments
- Reflects TWE’s strategic approach to capital allocation, with Treasury Americas having replaced divested low margin, commercial assets with a sustainably growing, high margin luxury business
- The acquisition is expected to be completed in December 2021, with a commitment to genuine ongoing involvement in the Treasury Americas business by FFV’s founders Rich and Leslie Frank
- TWE has substantially completed its program to divest non-priority US portfolio brands and assets, with total net cash proceeds of approximately A\$300m now confirmed

¹ Before material items and SGARA



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About Frank Family Vineyards

FFV is a luxury wine business founded in 1992 by Rich Frank. The business comprises an award-winning luxury portfolio across three collections, with retail price points ranging from US\$38 to US\$225 per bottle. FFV's portfolio is chardonnay led and supported by a range comprising cabernet sauvignon, pinot noir and sparkling wine.

In F21, FFV generated NSR and EBITs of approximately US\$54m and US\$21m respectively, delivering an EBITs margin of 38%². The business has an impressive track record of growth, with revenue having increased every consecutive year since 2009.

Supporting the portfolio is an efficient, capital-light Napa Valley asset base, comprising two vineyards, a single winery and a highly renowned tasting room and direct to consumer wine club model.

Strategic rationale

The acquisition of FFV presents several compelling strategic benefits and growth opportunities:

- Supports continued premiumisation through the addition of a luxury wine business which has delivered consistent top-line and earnings growth in addition to an outstanding EBITs margin (F18-21 volume and NSR CAGR of 7.7% and 9.1% respectively)
- Strengthens Treasury Americas credentials as a leading player in the US luxury wine market and fills a key portfolio gap in the large and growing luxury chardonnay segment - improving Treasury Americas share in luxury chardonnay to number three overall, and to number two in US\$25 and above³
- Treasury Americas' multi-channel national distribution and sales platform represents a key growth opportunity for the FFV portfolio, with increasing distribution in the off-premise channel and under-penetrated states both key priorities
- Treasury Americas leading Californian asset base and sourcing model will enable incremental supply to grow FFV's portfolios from future vintages, and is expected to support a step up in volumes from F24
- Increases Treasury Americas coverage of on-premise accounts in California where FFV has established a strong presence, and will provide an opportunity for incremental expansion of the existing Treasury Americas luxury portfolio
- Adds an additional pillar to Treasury Americas direct to consumer growth platform, leveraging FFV's best in class tasting room experiences and extensive wine club model

² FFV information, refer to Important Information

³ IRI Market Advantage, MULO and Convenience, Still Wine, 52 weeks ending 3 October 2021

Financial highlights

The acquisition of FFV is financially attractive for TWE's shareholders, with key highlights including:

- An attractive IRR, exceeding TWE's cost of capital
- EPS accretion from the acquisition date⁴, with EBITs growth expected for FFV from F23, the first full year of ownership
- Improved financial metrics for Treasury Americas, with proforma F21 NSR per case and EBITs margin improved by 6% and 170bps respectively
- Run rate cost synergies of US\$5m, driven primarily by supply chain efficiencies, which are expected to be delivered from F24
- Funded via the combination of a new US\$240m underwritten acquisition bridge facility and cash, which includes the proceeds of recent US asset divestments
- Retention of TWE's flexible and efficient capital structure, with proforma leverage of 2.2x consistent with target settings for accretive strategic initiatives and expected to return below 2.0x in F23

Update on divestment of non-priority US brands and assets

Following divestments through 1H22, TWE confirms that it has substantially completed its program to divest non-priority US portfolio brands and assets, with total net cash proceeds of approximately A\$300m now confirmed, in line with expectations.

On today's announcement, Tim Ford, Chief Executive Officer of TWE, commented:

"The acquisition of Frank Family Vineyards represents an outstanding complementary addition to the Treasury Americas brand portfolio and is another important step towards our ambition of becoming the premium wine market leader in the Americas.

"This is a rare opportunity to acquire a luxury brand and portfolio of wines that consumers enjoy and connect with. This business has a proud and consistent history and proven track record of success, having been expertly built and led by Leslie and Rich. Together with them, we are excited by the future potential that will be unlocked by the strengths of the Treasury Americas luxury wine platforms.

"We also look forward to welcoming the broader Frank Family Vineyards team to TWE, including their significant expertise and experience. This is a compelling strategic and financial investment, comfortably meeting our investment criteria and one we expect will deliver attractive growth and financial returns for TWE's shareholders over the long-term."

⁴ Before material items and SGARA



Rich Frank, founder of Frank Family Vineyards added "Leslie and I look forward to continuing to be a part of the next chapter of Frank Family Vineyards, a business we have spent nearly three decades cultivating into a beloved luxury wine brand. We have prided ourselves on creating a family atmosphere among our staff and our guests and know this legacy will carry on. We, along with our team, are excited to remain actively involved with Frank Family, while also taking on new leadership roles with Treasury Americas."

Important Information

This announcement is subject to the same 'Important Information' disclaimer contained on page 2 of the Company's investor presentation titled "Acquisition of Frank Family Vineyards" also lodged with the ASX on 18 November 2021, with any necessary contextual changes.

For the purposes of ASX Listing Rule 15.5, TWE confirms that this document has been authorised for release to the market by the Board.

Treasury Wine Estates will host an investor and analyst webcast and conference call commencing at 10:00am (AEDT) on 18 November 2021. Links to register are provided below. A replay of the presentation will also be available on the website www.tweglobal.com from approximately 1:00pm (AEDT).

Link to register for teleconference

<https://apac.directeventreg.com/registration/event/5076655>

Link to join audio webcast

<https://edge.media-server.com/mmc/p/tpz5i9xs>

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