



TREASURY WINE ESTATES

17 December 2025

ASX ANNOUNCEMENT

Investor Update & 1H26 Outlook

Treasury Wine Estates Limited (ASX:TWE) today provides an update on performance expectations reflecting recent market conditions and incorporating actions the Board and new CEO have decided upon to ensure TWE remains positioned for sustainable, profitable growth.

Key messages

- Category dynamics have weakened in recent months, particularly in the US and China, with near-term improvement now expected to be unlikely and resulting in depletion growth expectations being moderated
- These dynamics have led to customer inventory holdings in China and the US being above optimal levels, while parallel import activity is causing ongoing disruption to Penfolds pricing in China
- TWE will take deliberate strategic action to ensure the strength of its brands and health of its sales channels, including:
 - Reducing customer inventory holdings in the US and China, to align with moderated depletion growth expectations; and
 - Significantly restricting shipments that are contributing to parallel import activity in China, to protect the strength of the Penfolds brand
- 1H26 EBITs expected to be in the range of \$225m to \$235m; 2H26 EBITs is expected to be higher than 1H26, which was impacted by the California distribution transition. These expectations exclude the benefit of any potential settlement with RNDC.
- Leverage expected to be 2.5x at 1H26 and above the 1.5-2.0x target range for approximately two years, with a range of operational and strategic initiatives to be considered to ensure the strength and flexibility of TWE's capital structure
- Following Sam Fischer's commencement as CEO, TWE is implementing an organisation-wide transformation program, TWE Ascent, designed to position the business for long-term success and to realise material cost benefits
 - Targeting \$100m per annum in cost improvement, with initial benefits commencing in F27 and full realisation across a two to three-year time period

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- With these changes, and supported by strong business foundations, TWE is confident that it will be well-positioned to deliver sustainable, profitable growth

Divisional commentary

Penfolds

Penfolds continues to deliver depletions growth in key markets, led by Bin 389 and Bin 407, which are performing well. The ultra-Luxury tiers, while in growth globally, are performing below expectations, reflecting recent weakness in global fine wine markets.

In China, depletions grew 21% in the three-months to October, including through the mid-Autumn festival period. Depletions growth is expected to continue in China, albeit at a lower rate than the original F26 operating plan, which was set prior to the recent changes that have impacted the frequency of large-style banqueting. Depletions also continue to grow in Asia ex-China and in Australia.

The dynamics in China have led to customer inventory holdings being assessed as above optimal levels, particularly for the ultra-Luxury tiers. Parallel import activity is also driving ongoing disruption to Penfolds pricing.

In response, TWE will take action to reduce China distributor inventory holdings by approximately 0.4m cases (\$215m NSR value) over a two-year period commencing 2Q26, in addition to significantly restricting shipments that are contributing to parallel import activity in the China market, to protect the strength of the Penfolds brand.

Penfolds 1H26 EBITs is expected to be approximately \$200m, with delivery expected to be broadly balanced across the fiscal year.¹

Treasury Americas

Luxury wine² market trends continue to moderate in the US, declining 2.4% in the latest 26 weeks compared to the 3.5% growth reported in the June Investor Update³, driven by market weakness in California.

Treasury Americas continues to deliver depletions growth outside of California (up 2.3% YTD). However, depletions performance in California has been weak, particularly in November, and has been exacerbated by the distribution changes in that state. Nationally, Treasury Americas depletions are down 4.6% YTD.⁴

¹ 1H26 expectation based on achieving the mid-point of the expected 1H26 Group EBITs range of \$225m to \$235m, excludes corporate

² Wine that is sold at a retail shelf price of US\$20+ per bottle

³ Circana Market Advantage Total US MULO+ with Conv; Still Wine Segment, 26 weeks ending 2 November 2025 and 18 May 2025, Value growth

⁴ All depletions data fiscal year to date ending November 2025

As a result of the above factors, near-term depletions growth expectations for Treasury Americas' portfolio have been further moderated.

Against this backdrop, distributor inventory holdings outside of California have been assessed as being above optimal levels by 0.3m cases (A\$125m NSR value) and will be reduced over an approximately two-year period.

Negotiations with RNDC are continuing in relation to inventory and exit arrangements in California, with no change to the previously disclosed impact to F26 operating plan NSR of up to A\$100m related to the remaining inventory in that state.

Due to the revised shipment profile, the recognition of DAOU synergies will also be impacted, with the run-rate benefit in F26 expected to be approximately US\$20m, from US\$30m previously.⁵

Treasury Americas' 1H26 EBITs is expected to be approximately \$40m, impacted by the California distribution transition and commencement of customer inventory reduction initiatives, with 2H26 EBITs expected to be higher than 1H26.⁶

Treasury Collective

The Treasury Collective portfolio continues to perform in line with expectations in Australia and EMEA, led by Growth and Innovation brands.

In the US, the Premium wine⁷ segment remains in decline, with Treasury Collective underperforming the market (latest 26 weeks, category down 6.6%, TWE down 13.7%). US market performance is also being impacted by the Californian distribution transition and the focus on aligning shipments to depletions across F25 and F26, with 0.2m cases of distributor inventory reduced in 1H26.

US tariffs on wine produced in Australia and New Zealand are expected to impact Treasury Collective's EBITs by approximately \$10m, net of pricing actions which are now expected to be insufficient to cover the full impact.

Treasury Collective's 1H26 EBITs expected to be approximately \$25m, with 2H26 EBITs expected to be higher than 1H26.⁸

⁵ Following the change in segmentation, approximately 60% of synergies will be recognised in Treasury Americas with the remainder of approximately 40% to be recognised in the Treasury Collective division

⁶ 1H26 based on achieving the mid-point of the expected 1H26 Group EBITs range of \$225m to \$235m, excludes corporate. Excludes the benefit of any potential settlement with RNDC.

⁷ Wine that is sold at a retail shelf price of US\$8-20 per bottle

⁸ 1H26 based on achieving the mid-point of the expected 1H26 Group EBITs range of \$225m to \$235m, excludes corporate.

Balance sheet inventory

The moderated demand expectations in Penfolds and Treasury Americas will lead to an increase of Luxury inventory on TWE's balance sheet, with the long aging profile for Luxury wine providing time and flexibility to manage the position.

In Australia, TWE's sourcing and intake model will enable the rebalancing of supply and demand, with future intakes to be adjusted lower, commencing with the 2026 vintage. Inventory balance is expected to be achieved across two to three-vintages, consistent with the approach taken following the implementation of the China wine tariffs in 2020.

In the US, Luxury portfolio sourcing has a higher weighting to owned/leased vineyards and long-term grower contracts. Changes are likely to be required to the Treasury Americas production network to rebalance the inventory position and increase future flexibility.

TWE is in a good position with respect to Premium and Commercial inventory, with the intake model for these portfolios structurally under-sourced.

Capital structure

Leverage is expected to be above the 1.5-2.0x target range for approximately two years as TWE works through re-balancing customer inventory. Leverage is expected to be approximately 2.5x at 1H26.

TWE has strong liquidity and several levers available to return leverage to the target range. This will include reviewing the dividend payout ratio, undertaking non-core asset sales and reviewing planned capital investments. Additional details on these initiatives will be provided at the F26 half-year results announcement in February.

Further, the on-market share buyback of up to \$200m in F26, of which \$30.5m was completed in 1Q26, has been cancelled.

TWE's debt maturity profile remains well diversified, with minimal near-term maturities. TWE retains significant headroom to the financial covenants under its borrowing arrangements.

Transformation Agenda - TWE Ascent

TWE is initiating a company-wide transformation, TWE Ascent, to create a stronger TWE and to position the business for its next era of sustainable, profitable growth.

The TWE Ascent program is focused on three core pillars:

- **Portfolio evolution:** taking account of category, consumer and competitor trends, and TWE's competitive position in its key markets
- **Operating model transformation:** setting TWE up for the future with the right structure, capabilities and processes to execute future ambitions
- **Operating cost optimisation:** achieving material cost savings to reinvest in growth, mitigate impacts of portfolio rationalisation or to drive margin

TWE is targeting \$100m per annum in cost improvement, with initial benefits commencing in F27 and full realisation across a two to three-year period.

An update on TWE Ascent will be provided at the F26 half-year results announcement in February, with full details to be outlined by the end of F26.

On today's announcement, TWE's CEO Sam Fischer commented:

"We are currently experiencing category weakness in the US and China, two of our key growth markets, which will impact our business performance in the near-term. Maintaining the strength of our brands and the health of their respective sales channels is of critical importance to our Management team and our Board as we navigate through the current environment."

"TWE is a high-quality business with strong foundations in place for sustainable, profitable growth. Our powerful portfolio of brands, leading market positions in attractive growth markets, unparalleled supply chain and highly engaged, capable team are all considerable strengths that position us strongly to deliver sustainable, profitable growth over the long-term."

"I'm energised by the opportunity to accelerate a transformation agenda to reshape TWE for its next era, leveraging these strong foundations. We have commenced work to identify opportunities to simplify the way we operate, to strengthen our execution focus right across the business and to realise significant cost benefits. I look forward to providing our investors with updates on our progress over coming months."

Important Information

This announcement is in summary form and is not necessarily complete. It should be read together with the Company's Annual Report for 30 June 2025 including the Appendix 4E, the Appendix 4D and 2025 Interim Results, and other announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

This announcement contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. The Company cautions against reliance on any forward-looking statements, particularly in light of:

- Changing consumer preferences and consumption occasions in the Company's key markets;
- Changes in economic conditions which impact consumer demand;
- The risks inherent in the Californian distributor change and potential impacts to the US distribution network more broadly;
- Changes to TWE's production cost base, including impact of inflation and tariffs/charges;
- Foreign exchange rate impacts, given the global nature of the business;
- Vintage variations; and
- The Company's continuing exposure to geopolitical risks.



While the Company has prepared this information with due care based on its current knowledge and understanding and in good faith, there are risks, uncertainties and other factors beyond the Company's control which could cause results to differ from projections. The Company will not be liable for the accuracy of the information, nor any differences between the information provided and actual outcomes, and it reserves the right to change its projections. The Company undertakes no obligation to update any forward-looking statement after the date of this announcement, subject to disclosure obligations.

Conference Call

Treasury Wine Estates will host an investor and analyst webcast and conference call commencing at 10:00am AEDT on 17 December 2025. Links to register are provided below. A replay of the presentation will also be available on the website www.tweglobal.com from approximately 2:00pm AEDT.

Conference call registration

<https://s1.c-conf.com/diamondpass/10052085-k3fuhn.html>

Webcast Registration

<https://edge.media-server.com/mmc/p/vbbups5z>

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.

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