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Owner of iconic Penfolds posts $1.1bn full-year loss

By BLAIR JACKSON

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Owner of iconic Australian wine brand Penfolds has delivered an expected full-year $1.08bn loss.

Treasury Wine Estates posted financial results to the ASX on Thursday, days after a $558m writedown on its US business due to chronic oversupply on the global wine market.

Thursday's results show a 13 per cent drop in net sales revenue to $2.56bn, submerged by reduced shipments across all Treasury divisions.

The $1.08bn loss comes 12 months after a $436.9m profit.

Wealth Within analyst Filip Tortevski said a jump in Treasury's share price Thursday after the results reflected "management finally making the tough calls", similar to Guzman y Gomez dialling back US operations.

"TWE initially sold off (Thursday) … but buyers quickly stepped in, pushing the stock back into positive territory and, importantly, above where it was trading after Monday's announcement of its major US reset," Mr Tortevski said.

"America has been a problem for TWE for years, but management is finally making the tough calls, cutting excess capacity, reducing production and inventory and reassessing what the US business should look like.

"We've seen markets reward this exact behaviour recently. Guzman y Gomez pulled the pin on its struggling US expansion earlier this year and its shares jumped almost 10 per cent that day and have continued upwards since."

Treasury Wines' share price hit a 12-year low in March, but on Thursday had risen 56 per cent from that trough.

"TWE's share price has been steadily rising for around two months, well before these announcements landed," Mr Tortevski said.

"The market was already starting to price in something better, and today's reaction only adds to that."

Treasury Wine Estates chairman John Mullen said in the annual report that the global wine industry faced shifting consumption patterns and structural change across many winemaking regions this year.

"We remain positive about TWE's ability to compete and win in the luxury wine category over the long term, and you will see evidence of the progress we have already made throughout this report.

"Our improved depletions performance across a number of markets demonstrates the value and flexibility of our portfolio of iconic brands, complemented by our strong execution capability and distribution networks."

Despite the industry-wide struggles, Penfolds was a silver lining, Mr Mullen said.

"Penfolds' strong performance through the year reinforces its unique position as a luxury wine brand that transcends the category and resonates strongly with consumers in markets that are expected to deliver long-term growth, including China and emerging markets across Asia such as Singapore, Malaysia and Thailand," he said.

Treasury Wines is on a multi-year overhaul to slim down its offerings from 70 brands to 30.

"Wine drinkers' needs are evolving and it's clear we need more focus on our highest-potential brands and market opportunities," chief executive Sam Fischer said.

"To achieve this, we're making deliberate choices about where to compete and invest, focusing on a smaller number of high-potential brands in the segments of luxury red wine, luxury white wine and the growth category of modern, lighter and more refreshing styles of wine."

The changes involve Treasury reshuffling its divisions and 2700 staff. The business is currently broken up into a Penfolds division, Treasury Americas and Treasury Collective; the latter is mainly Australian and New Zealand wine.

From October, the business will morph into four divisions: the Americas; Australia, New Zealand and Europe; Greater China; and emerging markets.

In California and NZ respectively, Treasury owns or leases the vineyards that produce 41 per cent of its wine. In Australia, Treasury owns 27 per cent of its sourcing vineyards.

Amid a protracted downturn in global wine sales, Californian winemakers are increasingly ripping out their vines. Treasury has been forced to destroy white and red wine varieties across the Napa Valley.

Then-owned by Forster, Treasury bought its first Californian vineyard in 2000 and added one more each in 2021 and 2023. The company has not revealed which of the three would be destroyed.

The difficulties in California come despite winemakers producing fewer grapes this season.

Thursday's annual report says for the 2025 season in the US state, late-season rain meant crop yields were below long-term averages in all regions except Napa. But lower winter rainfall meant smaller berry size on the Central Coast and more "quality rejections" on the North Coast and Central Valley.

California-wide production was down 16 per cent on the three year average.

In Australia, production costs exceeded average market prices after a lower yield and a "challenging" and extended growing season.

Treasury highlighted "strong" shiraz vintages in the Barossa Valley and cabernet sauvignon from the Limestone Coast as highlights.

Grapes were harvested in "pristine" condition in New Zealand's Otago region and "superb condition" further north in Marlborough; the latter owing to late-season heat and dry harvesting conditions.

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Blair Jackson is a reporter for the national wire service, NewsWire, based in Melbourne. His journalism career has led from Perth, to New Zealand, to Queensland and now Victoria. While covering everything for the wire service, he is most interested in money; how people spend it, how corporations try to entice it and how banks look after it.

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