



Treasury Wine Estate Ltd (TWE)

Entry Date: Oct 2014

Exit Date: Still held as of 31 Mar 2017

Approximate Return: 183%

Background

TWE, the world's largest independent wine company, was spun out of Fosters Group in 2011 after it spent A\$6.5b in acquisitions, starting with Mildara Blass in 1996, to create the company.

Energy Argument

Alleron foresaw strong potential in TWE in 2014 due to the scale of the business, the sheer number of premium brands, its clean balance sheet and the fact that the market was only valuing the enterprise at \$A3bn. At the time of purchase, EBIT margins were 10% whereas margins were closer to 20% when Fosters was consolidating the business.

Entry Trigger

In 2014, TWE announced financial results that showed 35% growth and 40% margins in Asian earnings. To place the Asian exposure in perspective, TWE was earning 25% of its EBIT from only 5% of its volume. Alleron entered the stock, highlighting further growth possibilities in the Asian offering and a pathway to return to historical margins.

Alleron still held TWE as of 31 Mar 2017

Alleron was slightly early with the TWE purchase. During our holding period the company wrote down its US business and removed the CEO. Despite this, the Asian business continued to expand. The new CEO views the company as a suite of luxury brands and is flowing volume into the high premium Asian market and creating scarcity in traditional markets, in confirmation of Alleron's entry trigger.

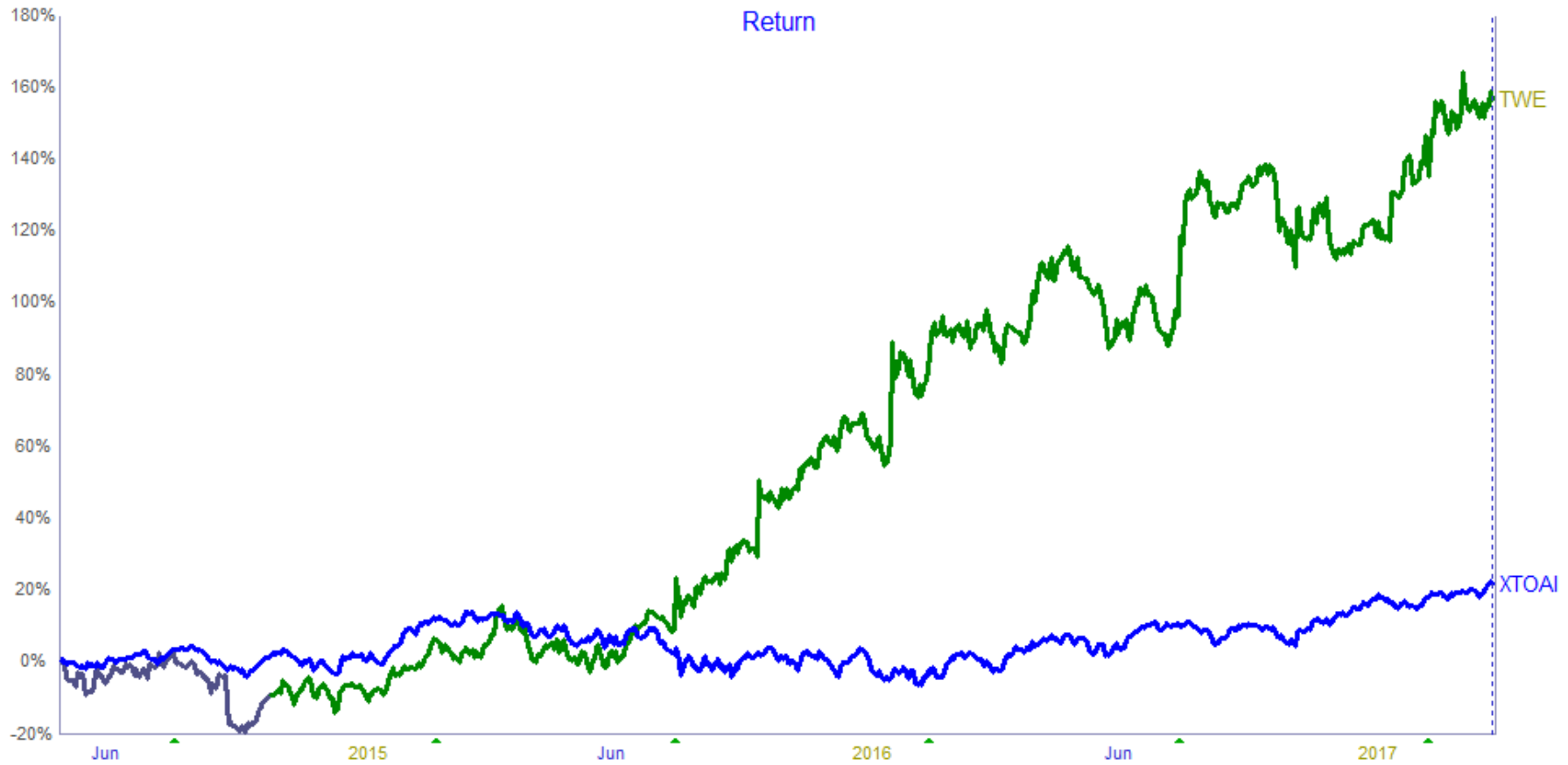


Figure 1: Alleron TWE Investment (Oct 2014 – Mar 2017)



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