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Merger and separation of Endeavour Drinks and ALH

3 July 2019

Woolworths Group Limited
ABN 88 000 014 675

WOOLWORTHS GROUP



Merger and separation of Endeavour Drinks and ALH

Agreement to merge Endeavour Drinks and ALH Group ('ALH') into a combined entity, expected to be called Endeavour Group Limited ('Endeavour Group')

Following the merger, Woolworths Group will pursue a separation by demerger or value-accretive alternative

Separation will enable simplicity and growth in both groups with the benefits of partnership retained through ongoing service agreements

The merger will create an integrated drinks and hospitality business with ~\$10bn of sales, ~\$1bn of EBITDA and a mandate for investment

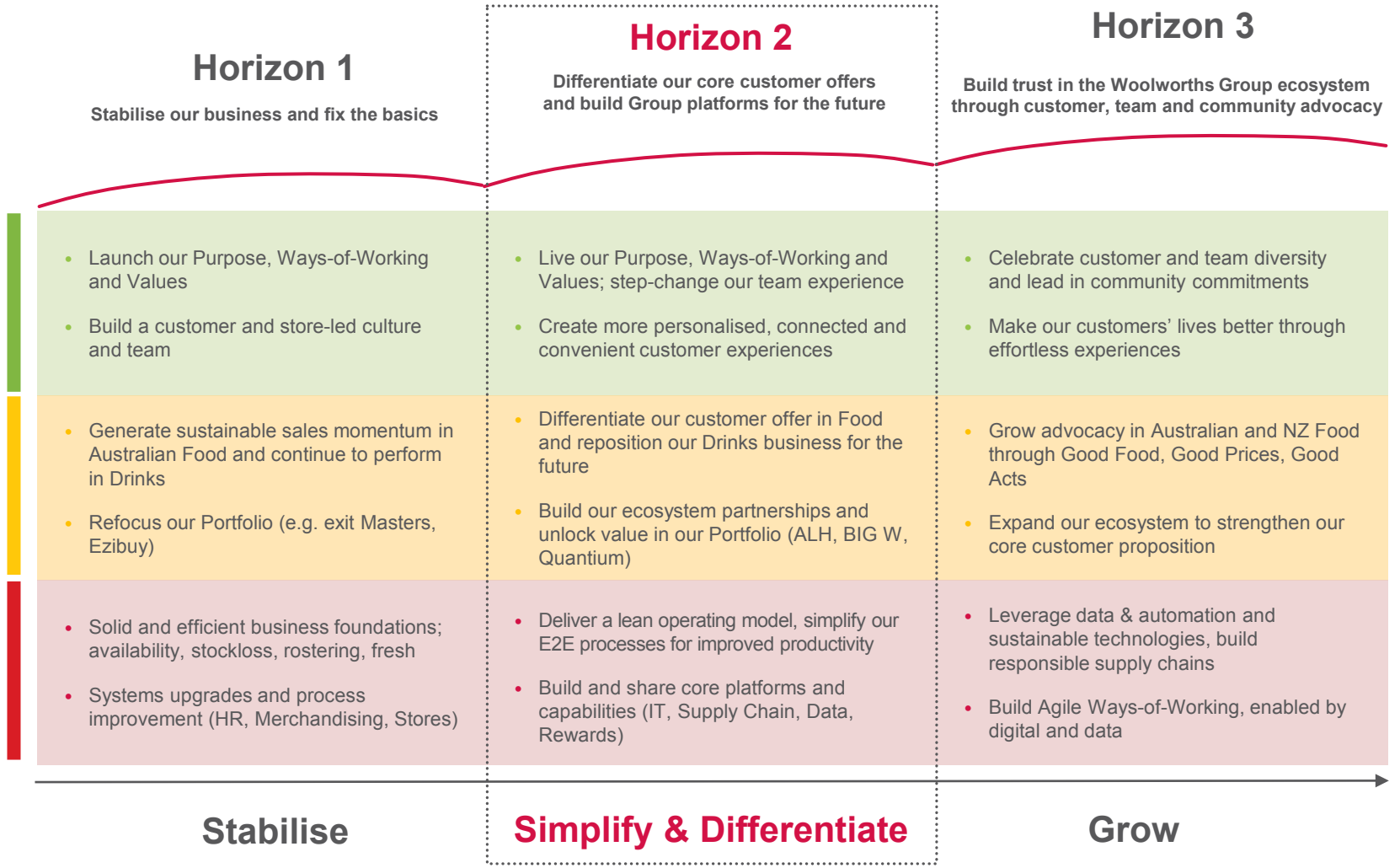
Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business with ~\$47bn of sales and ~\$2.7bn of EBITDA, targeting growth through expansion of its retail ecosystem

Upon completion of the merger, Endeavour Group will be 85.4% owned by Woolworths Group and 14.6% by Bruce Mathieson Group ('BMG'). If demerged, Woolworths Group is expected to retain a minority stake reflecting the importance of the partnership

The merger will be implemented through a restructure, which is expected to be voted on at the 2019 Annual General Meeting with separation expected to be completed in calendar year 2020

We are in the second horizon of our transformation

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Two market-leading customer focused businesses post separation

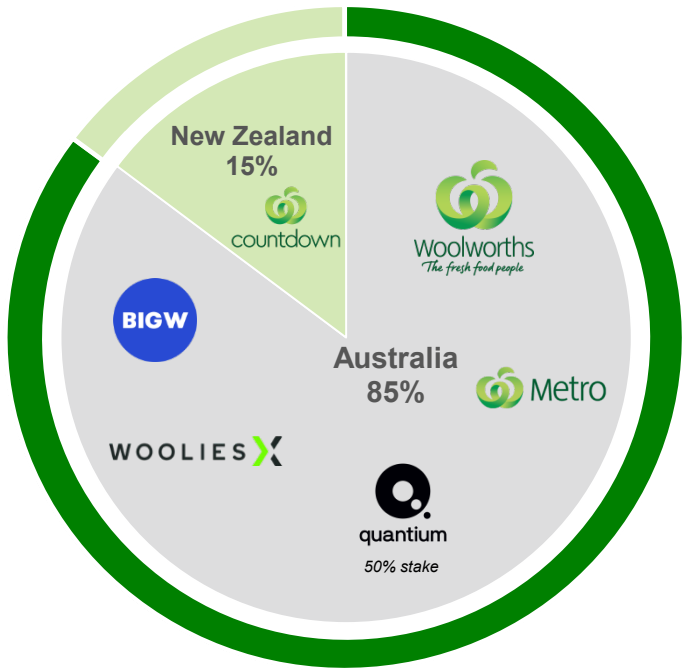
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Australia and New Zealand's leading food and everyday needs business

- F18¹ revenue: \$47.1bn; EBIT: \$1,773m
- 1,020 Woolworths Supermarkets and Metro stores, 180 Countdown and 69 franchise stores, 183 BIG W stores
- Leader in e-commerce in Australia and New Zealand
- ~14m Woolworths Rewards and Countdown One members
- Strong FoodCo brands and back-end capabilities

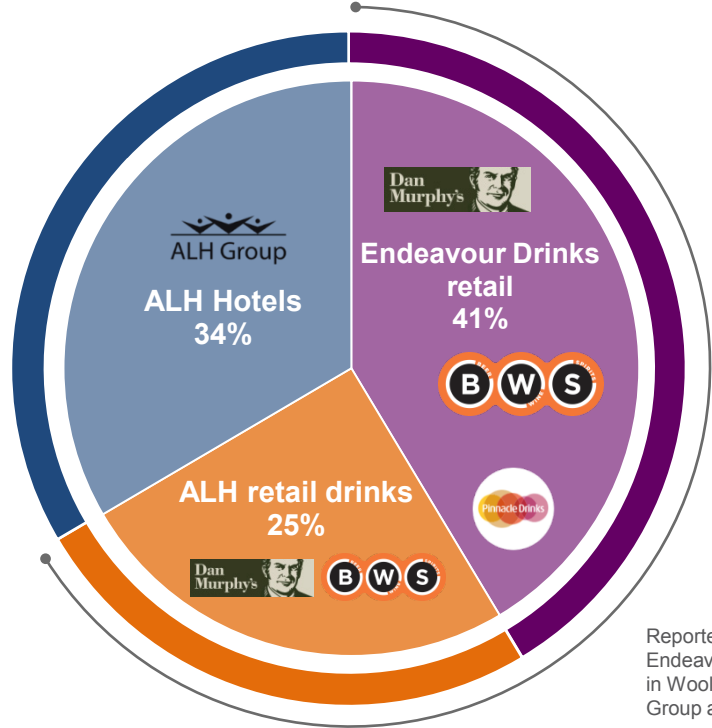
F18 EBIT by segment (continuing ops)



Australia's leading drinks and hospitality business

- F18² revenue: \$9.9bn; EBIT: \$775m
- 1,565 retail outlets and 327 hotels
- 3.5m My Dan Murphy's members
- Multi-format retail brand proposition
- Highly integrated store-based and online offerings
- Strong Pinnacle brands and production platforms

F18 EBIT by segment

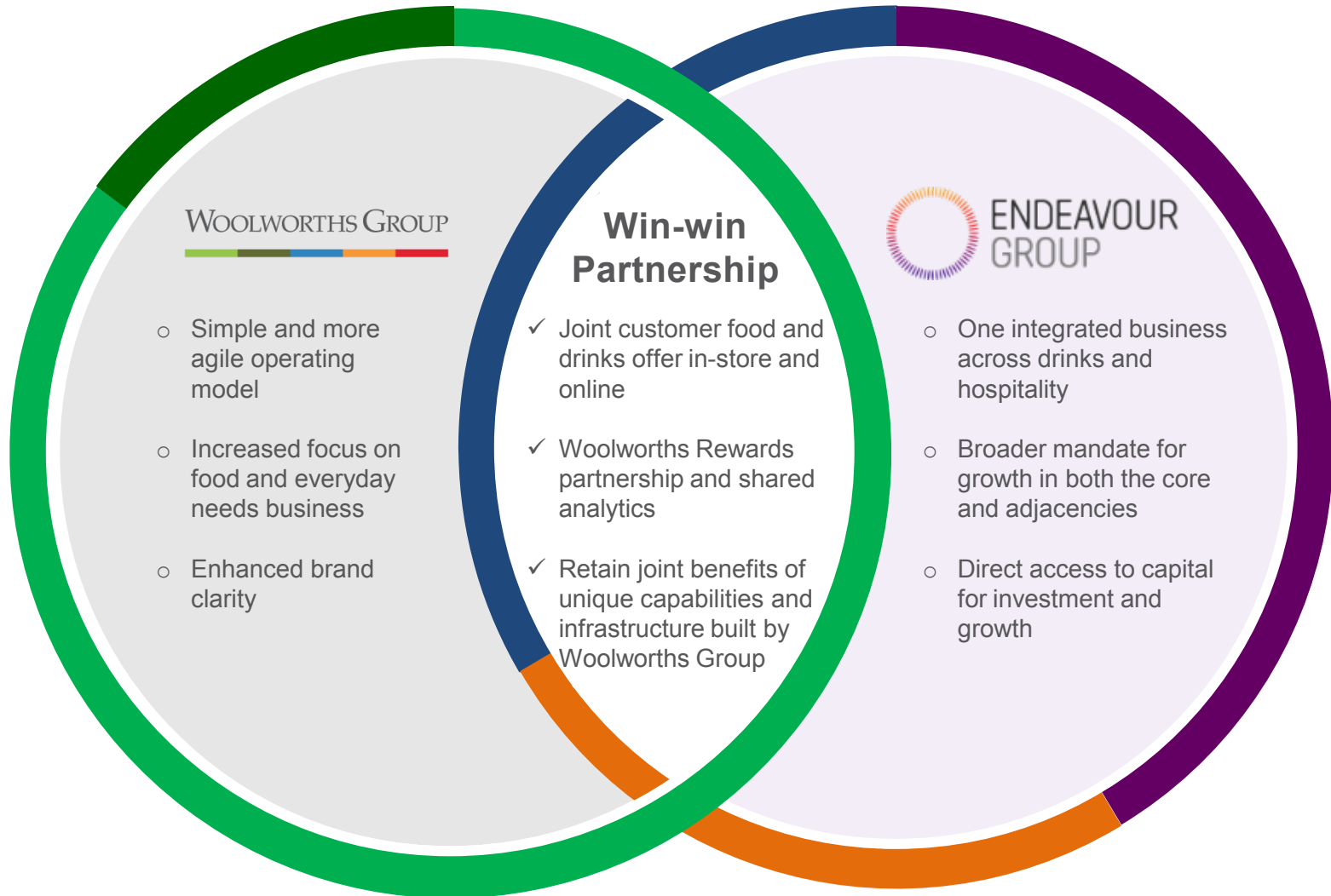


Reported as Endeavour Drinks in Woolworths Group accounts

Note: Data as at Q3'19 unless otherwise stated
 1. Woolworths Group sales and EBIT from continuing operations as reported in F18 excl. Endeavour Drinks and Hotels sales and EBIT
 2. Endeavour Group sales and EBIT is aggregated Endeavour Drinks and Hotels sales and EBIT as reported in F18

The new structure positions both groups to succeed in partnership

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Endeavour Group: Australia's leading drinks and hospitality business



Leading drinks retail brands

Dan Murphy's

- 227 stores (including flagship Prahran Cellars)

BWS

- 767 attached stores (including QLD), 214 Drive thru, 70 metro stores and 287 standalone stores

Online

- Leading online drinks offering and digital capabilities

Other specialty

- Langton's: Fine wine auction and retail
- Cellarmasters: Vertically integrated wine club
- Jimmy Brings: Ultra-convenient drinks delivery specialist

Pinnacle

- Selection of own brands across wine, spirits and beer
- Wine manufacturing assets including vineyards, wineries and bottling plants



Market leader in hospitality

327 ALH operated hotels

On-premise drinks

- >1,000 bars including traditional bars, night clubs and themed areas

Food and dining

- 295 venues operate restaurants or bistros ranging from 50-400 seat capacities

Accommodation

- ~2,000 rooms across 96 locations (including 42 Nightcap hotels) providing ~740,000 room nights per year

Gaming and entertainment

- 286 venues with gaming rooms
- 391 dedicated function rooms
- 100 venues hosting live ticketed events



Endeavour Group a leader in responsible service

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Responsible service of alcohol across stores, e-Com and hotels

- “ID 25” age verification and “Don’t buy for them” secondary supply initiatives
- Responsible buying charter to govern the ranging of alcohol products in our stores
- Implemented industry code of conduct for online alcohol sales and delivery
- Signatory and financial supporter of the Alcohol Beverage Advertising Code (ABAC)
- Member and financial supporter of DrinkWise



DrinkWise.

Responsible gaming measures implemented

- Established a common charter for the responsible service of gaming and alcohol to ensure consistent approach to patron engagement
- Enhanced training programs to help gaming staff with customer care
- Implemented uniform policy precluding service of complimentary alcohol in gaming rooms
- Programs to promote voluntary pre-commitment across all venues
- Enhanced privacy training and procedures



Endeavour Group able to realise its full potential

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Simplify into a more customer-centric operating model

Create a leaner and more customer focused business across Endeavour Drinks and ALH

Further develop our retail drinks and hospitality network

Capitalise on network growth opportunities, ramp-up renewal program and continue new store openings

Leverage our store network and digital capabilities to increase online penetration

Continue to rapidly expand Drive up and last-mile delivery and use rewards to drive personalisation

Continue to innovate and differentiate our drinks product range

Curate range for local customers and selectively build out portfolio of exclusive Pinnacle brands

Unlock the property development potential of our existing real estate

Develop key existing venues into large-scale mixed use and accommodation properties



Woolworths Group: Australia and New Zealand's leading food and everyday needs business

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Strong core retail food business




Supermarkets and Convenience

- Network of 984 Woolworths Supermarkets in Australia and 180 Countdown Supermarkets in New Zealand
- 36 Metro branded convenience stores in Australia and 69 franchise stores in NZ
- Strong renewal program and pipeline of new stores



Market-leading digital capabilities





Rewards


- ~11.5m members across Woolworths Rewards and ~2.4m across Countdown One

Digital

- Strong digital capabilities and growth platforms embedded in each business
- Expansion into new channels including Pick up, Drive up, Drive thru and On Demand



Complementary portfolio businesses and partnerships



BIG W








- Extends our offer in general merchandise everyday needs

Endeavour Group

- Complements our food offer with drinks

Complementary partnerships

- Extends our capabilities in data and media, and expands our loyalty network



Woolworths Group focus on the core and evolve for the future

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Simplify our operating model and focus on growing our core food and everyday needs retail businesses

Continue our renewal and new store opening program with emphasis on convenience, focus on fresh and health, and strategically expand own and exclusive brands

Sustain our digital growth, underpinned by Rewards and personalisation

Continue to rapidly grow digital (incl. e-commerce), leverage rewards and digital payments to create a frictionless experience

Build out our retail ecosystem, through adjacencies and partnerships

Build out an ecosystem of adjacent new business models (e.g. Cartology) and new partnerships (e.g. Caltex)

Leverage core Group platforms, providing access to our key strategic partners

Rewards & Payments, Media & Data Analytics, Supply Chain & Property Development, IT & Digital, People & Transaction Services

Use technology to transform and future proof our operating model

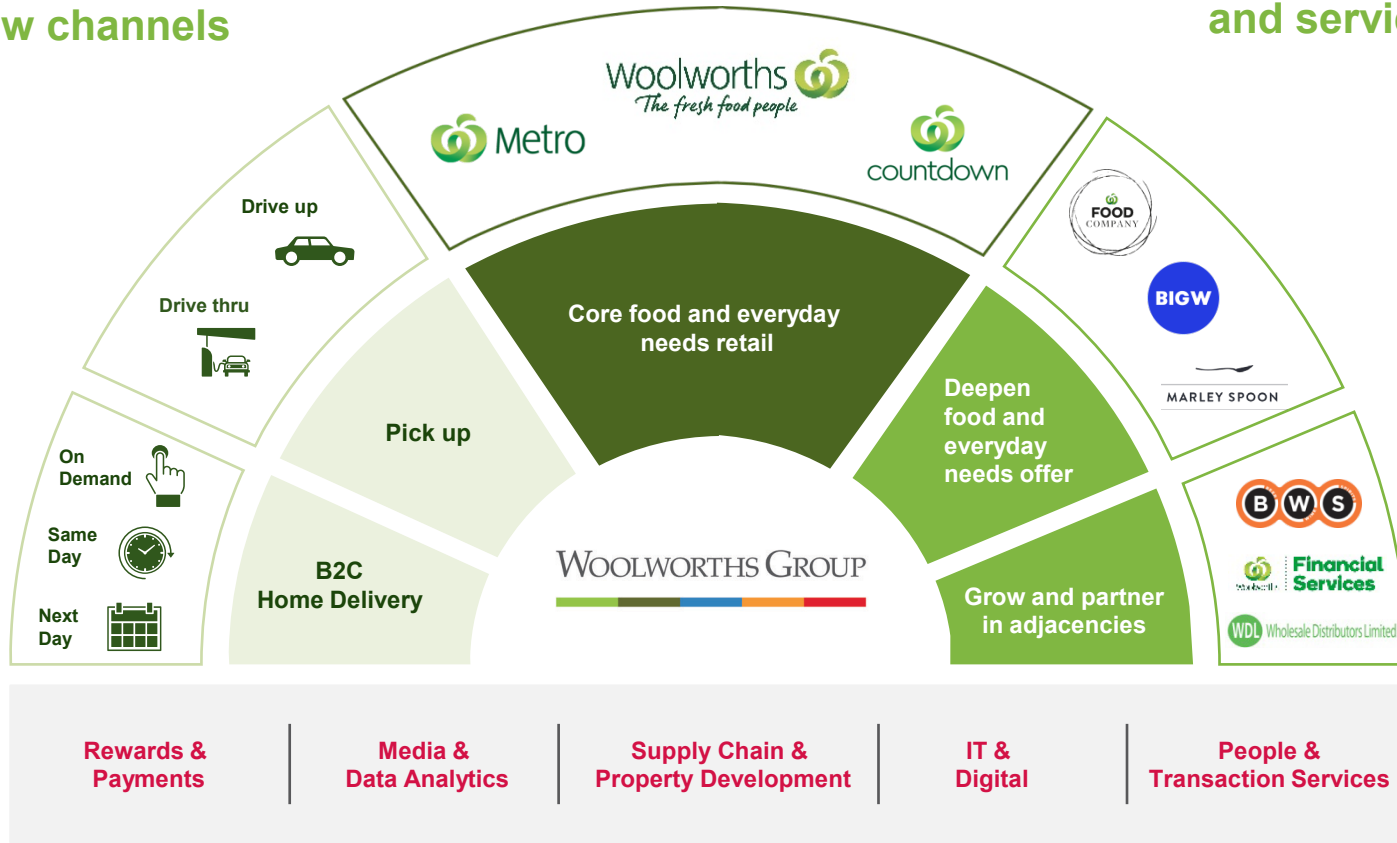
Rapidly adopting smart technology and automation, and integrating data science with retail art to streamline our processes

Woolworths Group is evolving into a food and everyday needs retail ecosystem

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Extend our brand into new channels

Build out our range and services



Core Group platforms

Our key Group platforms forming the basis of our partnerships

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Rewards & Payments



- Access to our Rewards program, with ~11.5m members and world class 1:1 personalisation
- Low cost digital payments including acquisition and processing

Media & Data Analytics



- Leading scale and reach of physical and digital marketing platforms and assets
- Deep AI driven retail insights underpinned by an extensive retail dataset

Supply Chain & Property Development



- Tailored and efficient E2E supply chain solutions for customers in Australia and NZ
- State of the art direct to home delivery platform covering ~95% of Australian households
- Woolworths Group national property and network development capabilities

IT & Digital



- Scale efficiencies and advanced capabilities in core IT infrastructure and applications
- Core IT intellectual property with evolving functionality and ongoing support

People & Transaction Services

- Best in class capabilities and access to platforms for payroll and transaction services
- Additional support for safety and wellbeing of team members

Intention to separate Endeavour Group in calendar 2020

- Intention to pursue a separation by demerger or value-accretive alternative
- Separation to be undertaken in calendar 2020 following completion of the Endeavour Drinks/ ALH merger
- Overarching objective is to maximise shareholder value
- Dis-synergies through separation and stranded costs expected to be neutralised through cost savings and growth opportunities

Separation considerations

- The separation process will be structured to minimise costs and operational disruption
- Services arrangements to be entered into with Woolworths Group on a long-term basis
- Benefits of integration to be retained:
 - e.g. attached BWS store operations, Rewards, supply chain and property development, IT and digital

Demerger considerations

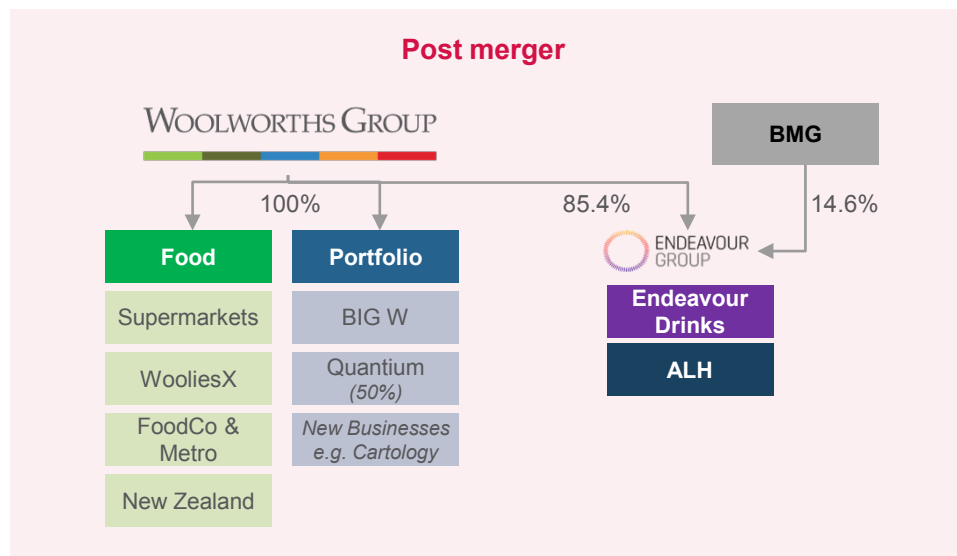
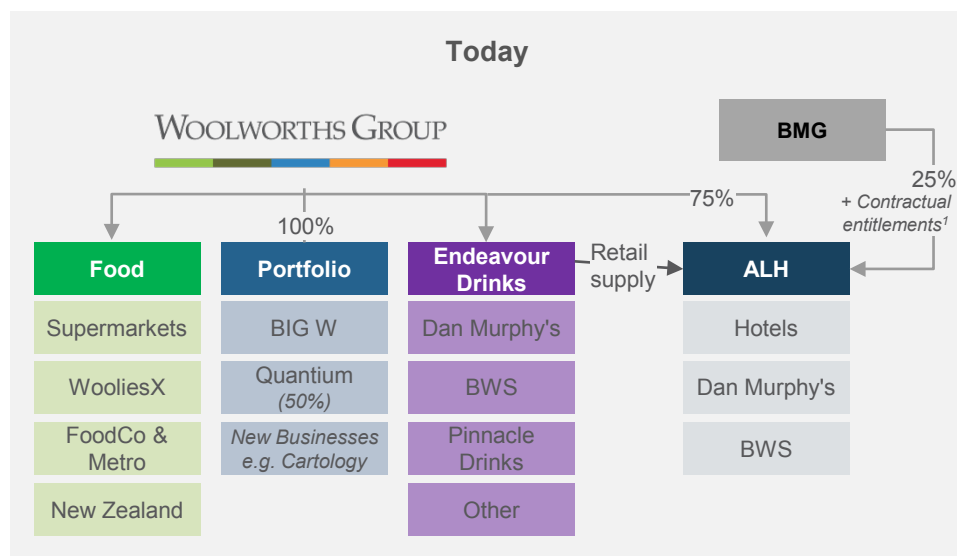
- In the event of a demerger, Endeavour Group capital structure would be determined with an investment grade rating targeted
- Mutually-beneficial partnership between Woolworths Group and Endeavour Group
- Woolworths Group expects to retain a minority stake reflecting the importance of the partnership
- Estimated one-off costs are not expected to exceed \$275m
- Woolworths Group expected to remain an ASX20 company while Endeavour Group expected to be an ASX100 company

Key transaction steps

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Merger (second half CY 2019)

- Formal transfer of assets and liabilities from Woolworths Group to form Endeavour Group
- Subject to Woolworths Group shareholders' vote, expected to be held at the 2019 Annual General Meeting
- Endeavour Group acquires ALH for scrip
- BMG swaps contractual entitlements¹ and 25% interest in ALH for a 14.6% stake in Endeavour Group
- Remaining 85.4% to be owned by Woolworths Group
- Demerger or value-accretive alternative to be pursued in calendar 2020



1. BMG also holds contractual entitlements in addition to its 25% shareholding. In F18, BMG's economic entitlements resulted in distributions equivalent to 29% of total distributions

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Q&A

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