

F24 First Quarter Trading Update

Sales growth continues in Retail and Hotels in first quarter of F24

Sales for the 14 weeks from 26 June 2023 to 1 October 2023

\$ million	Q1 F24 (14 WEEKS)	Q1 F23 (14 WEEKS)	CHANGE
Retail	2,538	2,490	1.9%
Hotels	553	538	2.8%
Group	3,091	3,028	2.1%

Endeavour Group Managing Director and CEO, Steve Donohue, said:

“The Group has continued to demonstrate solid trading across the quarter, with our brands and offers resonating strongly with customers.

Retail sales through BWS and Dan Murphy’s grew 2.6% compared to the prior period while our total Retail business, which includes specialty businesses, delivered headline growth of 1.9% and 1.2% on a comparable basis.

In Retail, customers are searching for value and discovery, which is reflected in shifting category trends, including higher demand for mainstream beer, rosé and pre-mixed drinks. New products remain a key driver of customer engagement and growth. In the Pinnacle Drinks (owned and exclusive) brand portfolio we continue to innovate to meet this demand, with products such as the carbon neutral ‘Largo’ beer range, launched in partnership with Australian music act Lime Cordiale, and ‘Ovata by Oakridge’, a premium Yarra Valley sparkling wine crafted from select parcels of Chardonnay and Pinot Noir, launched in time for Spring Racing and the festive season.

Dan Murphy’s continues to have the strongest value perception of any liquor retailer in Australia due to its Lowest Liquor Price Guarantee, which is proactively provided to My Dan’s members in addition to Dan Murphy’s everyday low prices. The My Dan’s program has reached 5.3 million active members with 600,000 additional members joining in the past 12 months. Members now account for almost 90% of Dan Murphy’s sales which allows us to deliver personalised content and offers to members alongside other benefits beyond the lowest prices.

We are delighted that our Paragon Wine Estates (part of Pinnacle Drinks) winemaking teams have continued to be recognised for their industry leading achievements. Cape Mentelle in Margaret River was awarded this year’s Old Vine Trophy in the International Wine and Spirits Competition, for their dedication to preserving and protecting old vines. Oakridge Wines in the Yarra Valley achieved the number one spot in the inaugural Halliday Wine Companion Top 100 Wineries list.

Hotels’ sales revenue grew 2.8% in the quarter, driven by Food and Bars sales as patrons gathered in our venues for major sporting events and Father’s Day in particular, more than offsetting softer Gaming revenue. The “Matildas Effect” saw 1.2 kegs of beer sold every minute in our Hotels during the semi-finals and final in August, and we welcomed a record 65,000-plus guests on Father’s Day. On a comparable basis Hotels’ sales increased 1.2%, cycling an additional public holiday long weekend in September last year.

Christmas bookings in hotels are already breaking records. At the end of Q1, bookings are at 40% of capacity across 266 hotels nationwide that are hosting Christmas Day events. We anticipate that close to 46,000 Australians will enjoy festive celebrations at our hotels.

Looking ahead, we have strong plans in place across the Group to ensure we are the destination of choice for Australians again this festive season, as customers seek out our brands to help them enjoy memorable social occasions with family and friends. Q2 is always an important quarter for the business, with key events such as Black Friday and Cyber Monday adding to the traditional peak associated with Spring Racing, entertaining and gifting at Christmas. We remain focused on profitable growth and delivering long-term value for our shareholders, while offering the very best prices, service and experiences for all customers. Our team of over 30,000 around the country look forward to welcoming customers in our retail stores, hotels and wineries and showcasing our unbeatable range and value.”

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Retail

Retail sales in the quarter remained strong at \$2.5 billion, an increase of 1.9% on the previous year. BWS and Dan Murphy's combined grew by 2.6% in the quarter. On a comparable sales basis total Retail grew by 1.2%, while BWS and Dan Murphy's combined comparable sales growth was 1.8%. After a strong start to the quarter, sales growth moderated somewhat in August, with a softening in demand for Father's Day gifts. Momentum trended up again through the last two weeks in September, and this has continued into the second quarter.

In both brands, shopping frequency and average item prices increased, which more than offset a reduction in items per basket. Average price inflation in the quarter moderated from a peak in Q4, to approximately 5% year-on-year, driven primarily by excise increases in the beer, spirits and pre-mixed drinks categories.

We added 626 new products to our range in the quarter, half of which are from smaller suppliers and 82 of which are part of our Pinnacle Drinks (owned and exclusive) brand portfolio. Over half of the sales growth in BWS and Dan Murphy's this quarter was achieved through new products.

Dan Murphy's remains the destination of choice for customers seeking the lowest prices, widest range and expert service. This is highlighted by the year-on-year uplift in its Voice of Customer score, which was up two points to 81 in the quarter. BWS continues to deliver both convenience and value to customers, maintaining a steady Voice of Customer score of 74 points.

In the quarter, 8.7% of total Retail sales were generated through our eCommerce channels, representing sales of \$221 million. Dan Murphy's saw double digit online sales growth driven by the convenience of pick-up at store, which comprised a record 70% of Dan Murphy's online orders placed in the quarter. By contrast, Jimmy Brings sales were in decline as we recalibrated our cost base and investment levels within this business, in response to channel consolidation in this space.

During the quarter, 11 new BWS stores were opened and four were closed, resulting in a net increase of seven stores and one new Dan Murphy's store was opened in Bulimba, Queensland. We also added a third 'The Cellar by Dan Murphy's' concept store in Martin Place, Sydney. At the end of the quarter Endeavour's retail store network totalled 1,710 stores.

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Operating Metrics

	Q1 F24 (14 WEEKS)	Q1 F23 (14 WEEKS)
Customer metrics		
BWS VOC NPS (Store and Online)	74	74
Dan Murphy's VOC NPS (Store and Online)	81	79
My Dan's active members (million)	5.3	4.7
Sales metrics		
BWS and Dan Murphy's (including The Cellar)	2,469	2,407
Specialty ¹	69	83
Total Retail sales (\$ million)	2,538	2,490
Total Retail sales growth	1.9%	(6.2%)
BWS and Dan Murphy's sales growth	2.6%	(6.0%)
Total Retail comparable sales growth	1.2%	(7.5%)
BWS and Dan Murphy's comparable sales growth	1.8%	(7.4%)

eCommerce Metrics

	Q1 F24 (14 WEEKS)	Q1 F23 (14 WEEKS)
Customer Metrics		
Dan Murphy's Online VOC NPS	77	74
BWS Online VOC NPS	71	71
eCommerce Metrics		
eCommerce sales (\$ million)	221	215
eCommerce sales growth	2.8%	(29.5%)
eCommerce penetration	8.7%	8.6%
BWS and Dan Murphy's Pick-up mix (orders)	48.0%	42.9%
BWS and Dan Murphy's Online		
Average Weekly Traffic (millions)	1.9	1.7
Average Weekly Traffic Growth	11.2%	(28.1%)

¹ Specialty includes Jimmy Brings, Langtons, Shorty's Liquor, Vinpac and Pinnacle Drinks external sales. Specialty sales are included in eCommerce metrics where relevant.

Hotels

Hotels sales in the first quarter increased by 2.8% to \$553 million. Weekly sales throughout the quarter remained relatively stable, with year-on-year growth in Bars, Food and Accommodation, partly offset by a low single digit decline in Gaming. Sales momentum has remained steady heading into the second quarter.

Comparable sales increased 1.2% for the quarter, and we did not add any new Hotels to the portfolio. Year-on-year comparatives were impacted by the additional Queen's Memorial public holiday in September last year.

At the end of August, we moved early to introduce reduced hours for our gaming rooms in Victoria following the changes announced by the Victorian Government. The sales impact of this change in the quarter was nominal and in line with our expectations. We continue to work directly with governments and regulators in all jurisdictions regarding clarity and certainty in Electronic Gaming Machine (EGM) policy.

Australians continue to seek out local, quality social experiences in hotels, which offer outstanding value for money. We were pleased to have improved our customer satisfaction scores which reached record levels in the quarter. Food offers performed particularly well, serving 4.5% more covers in the period versus the prior year. Key trading events such as Father's Day, the FIFA Women's World Cup and Footy Finals supported this strong performance.

In the quarter, we completed renewals in 12 hotels, including significant refurbishments in two of our hotels, the Dublin Docks and the Gap Tavern, both in Queensland. Encouragingly, both of these venues are showing early positive signs of resonating with our customers, with sales uplifts across Bars, Food and Gaming in the first few weeks of reopening.

In addition to these projects, following the launch of the redeveloped Brook Hotel, Queensland in May 2023, we have since opened a 40-room Nightcap Plus hotel at The Brook. This accommodation offering is showing early strong demand, with The Brook redevelopment as a whole on track to exceed our return hurdles.

Operating Metrics

	Q1 F24 (14 WEEKS)	Q1 F23 (14 WEEKS)
Sales metrics		
Total sales (\$ million)	553	538
Total sales growth	2.8%	90.8%
Comparable sales growth	1.2%	n.a.

Group

Finance costs

As previously communicated, we expect full year finance costs in the range of \$280 million to \$310 million on a 52 week equivalent basis. This is weighted towards H1, in line with the 27 weeks in this period.

The contents of this F24 First Quarter Trading Update are derived from the unaudited accounting records of Endeavour Group.

Endeavour Group Managing Director and CEO, Steve Donohue, and Chief Financial Officer, Kate Beattie, will host an analyst and investor conference call today at 10:30am (AEDT). Analysts, investors and media can access the management briefing via the following:

Teleconference Registration : <https://s1.c-conf.com/diamondpass/10033938-8j4esv.html>

Participants will need to pre-register for the call at the link above. You will receive a calendar invite and a unique code which is to be quoted when dialling into the call.

The release of this announcement was authorised by the Board.

Further Information

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Appendices

Appendix 1: New stores and renewals

	OPENING BALANCE	GROSS NEW STORES / HOTELS (INCL. ACQUISITIONS)	CLOSURES	ENDING BALANCE	RENEWALS
F24 First Quarter					
BWS	1,435	11	4	1,442	16
Dan Murphy's	264	1	0	265	5
The Cellar (by Dan Murphy's)	2	1	0	3	0
Retail	1,701	13	4	1,710	21
Hotels	354	0	0	354	12
Endeavour Group	2,055	13	4	2,064	33

Appendix 2: Glossary

TERM	DESCRIPTION
Comparable sales	Measure of sales which excludes stores that have been opened or closed in the last 12 months and demonstrable impact on existing stores from store disruption from new store openings/closures
My Dan's active members	My Dan's active members are the number of unique members who have transacted in the last twelve months.
n.a.	Not applicable
Online penetration	Online penetration is calculated as total online sales as a percentage of total Retail sales for the same time period
Renewals	A significant upgrade to the store / hotel environment, enhancing customer experience, range and process efficiency (including digital)
Specialty	Specialty includes Jimmy Brings, Langtons, Shorty's Liquor, Vinpac and Pinnacle Drinks external sales.
VOC NPS	Voice of Customer Net Promoter Score (VOC NPS) is based on feedback from customers, and represents the number of promoters (score of nine or 10) less the number of detractors (score of six or below). This includes scores from in-store and online customers.