

F24 Half-Year Profit and Dividend Announcement

For the 27 weeks ended 31 December 2023

Value for customers drives resilient H1 performance

F24 Half-Year Group Highlights

Group Sales	Group EBIT	Group NPAT	Earnings per Share	Interim dividend per share	Return on Funds Employed
\$6.7b	\$661m	\$351m	19.6c	14.3c	11.6%
↑2.5% vs H1 F23	↑2.6% vs H1 F23	↓3.6% vs H1 F23	↓3.4% vs H1 F23	flat vs H1 F23	↓59 bps vs H1 F23

- > **Unrivalled value credentials resonating with customers drove Retail and Hotels sales growth**
- > **Cost optimisation initiatives and gross margin management delivered EBIT growth slightly ahead of sales**
- > **Group NPAT impacted by higher finance costs, in line with previous guidance**
- > **Continued progress in delivering our strategy to achieve 10%+ shareholder returns from F26**
- > **High cash generation underpinning stable dividends and disciplined capital investment program**
- > **Well positioned to perform through the economic cycle, with a unique portfolio of structurally resilient businesses and a strong balance sheet**

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

“Our first half result demonstrated the resilience of Endeavour Group. Group sales grew by 2.5% to \$6.7 billion, with Dan Murphy’s and BWS both driving increased Retail sales, and an improved food and bar offering delivering growth in Hotels sales. Group EBIT increased to \$661 million, benefiting from our disciplined focus on cost optimisation, including \$53 million in savings from our endeavourGo program, and gross margin management.

“Dan Murphy’s strengthened its position as Australia’s preferred drinks destination for events through the festive season, with customers continuing to respond to our great range and Lowest Liquor Price Guarantee. We also opened four new large format stores in the half, taking our popular offer to even more customers. We continue to report market-leading customer metrics and our My Dan’s membership program now has 5.4 million active members, with record high customer engagement.

“BWS performed strongly through the half, with engagement with the younger adult demographic benefiting from the launch of our new brand campaign and innovation in our stores. We reinforced value for customers through BWS’ ‘A Win’s a Win’ campaign, and expanded our online shopping reach with a range of new delivery options. With 1,447 stores servicing communities around the country, including 12 net new stores opened in the half, BWS offers Australia’s most convenient liquor store network.

“Across Australia, people continued to enjoy our hotels, particularly during the festive season, where our value offerings resonated strongly with customers in today’s higher cost-of-living environment. Hotel sales grew by 2.7%, driven by our improved food and beverage offers tailored to local communities, a strong performance at key social events and a record Christmas. We continue to optimise our existing portfolio, with no hotel acquisitions in the half.

“We’re making progress on the strategic priorities outlined at our Investor Day in December, including accelerating plans to unlock value for shareholders from our significant freehold property assets which are valued at over \$1 billion, through portfolio renewal, development and sale opportunities.

“These results are testament to the hard work and dedication of more than 30,000 team members in stores, hotels, wineries and support offices across the country. Their resilience and commitment to our customers has been outstanding throughout the half, enabling us to build even stronger connections in more than 2,000 communities around Australia.”

Outlook

Through the first seven weeks of H2¹, trading activity in Retail was broadly flat, up 0.3%. This reflected subdued sales in January, followed by an improved start to February, which saw sales growth of 1.5% over the first three weeks.

Current trading reflects a similar experience during H1, where we dynamically responded to changing customer spending patterns by refocusing promotional activity to support sales and EBIT momentum.

In Hotels, sales have remained steady in the third quarter, which is typically a quieter period following the festive season. For the first seven weeks of H2, we recorded year-on-year sales growth of 1.0%.

Strong customer advocacy and our leading position on price and value underpins our performance through the economic cycle. We continue to monitor customer dynamics closely, making adjustments to meet changing preferences for value, range and quality, through Australia’s largest offering of products and hospitality experiences with the broadest customer reach.

The structural resilience of the Group, high cash generation and strong balance sheet, position us well to balance short and longer-term objectives. We’ll continue to focus on performance optimisation, including disciplined cost and investment management while delivering against our Strategy Scorecard, targeting 10%+ return to shareholders from F26.

For personal use only

¹ Sales for the first seven weeks of H2 F24, adjusted for the non-comparable timing of New Year’s Day

Group Performance

\$ million	H1 F24 (27 WEEKS)	H1 F23 (27 WEEKS)	CHANGE
Sales	6,667	6,502	2.5%
Retail EBIT	436	418	4.3%
Hotels EBIT	260	256	1.6%
Other EBIT (incl. corporate costs)	(35)	(30)	16.7%
Earnings before interest and tax (EBIT)	661	644	2.6%
Finance costs	(153)	(119)	28.6%
Profit before income tax	508	525	(3.2%)
Income tax expense	(157)	(161)	(2.5%)
Profit for the period (after income tax)	351	364	(3.6%)

Cash realisation

140%

(H1 F23: 99%)

Return on Funds Employed

11.6%

↓ 59 bps vs H1 F23

Earnings per share

19.6c

↓ 3.4% vs H1 F23

Interim dividend per share

14.3c

flat vs H1 F23

Results Overview

Endeavour Group generated **Sales** of \$6.7 billion during H1 F24, an increase of 2.5% from the prior corresponding period (pcp), driven by growth in both the Retail and Hotels segments.

The Group recorded **Earnings before interest and tax (EBIT)** of \$661 million in the half-year, an increase of 2.6% from the pcp. Cost optimisation initiatives, including \$53 million in benefits delivered in H1 from the Group's optimisation program, endeavourGO, and gross margin management materially offset inflationary impacts on the Group's expense base.

Finance costs of \$153 million incurred in the half-year were in line with the Group's guidance, increasing year on year due to higher interest rates and higher average net debt levels. As a result, **Profit for the period (after income tax)**, of \$351 million, declined by 3.6% compared to the pcp. Full year finance costs are expected to be \$300-310 million.

The effective tax rate for H1 F24 was 30.9%.

Reported Group **Return on Funds Employed (ROFE)** of 11.6% compared to Group ROFE of 11.8% for F23 and 12.2% for H1 F23, with an expected decrease in Hotels ROFE as the increase in Funds employed connected to the renewal of Victorian Gaming entitlements in F23 is annualised. Looking ahead, full year ROFE is expected to improve back toward the F23 level.

Cash realisation for the half-year of 140% benefited from the seasonal improvement in trade working capital. This was significantly above the pcp, which was unusually low due to timing of tax payments and the one-off increase in inventory levels.

On 26 February 2024, the Board determined to pay a fully franked **interim dividend** of 14.3 cents per ordinary share equivalent to a payout ratio of 73.0%, reflecting confidence in the Group's capital position and trading outlook. Endeavour shares will trade ex-dividend from 5 March 2024, the record date is 6 March 2024 and the distribution is expected to be paid to shareholders on 8 April 2024.

Segment Performance - Retail

\$ million	H1 F24 (27 WEEKS)	H1 F23 (27 WEEKS)	CHANGE
Sales	5,583	5,446	2.5%
EBITDA	593	568	4.4%
Depreciation and amortisation	(157)	(150)	4.7%
EBIT	436	418	4.3%
Gross profit margin (%)	24.6%	23.8%	+83bps
Cost of doing business (%)	16.8%	16.1%	+68bps
EBIT to sales (%)	7.8%	7.7%	+13bps

VOC NPS	Dan Murphy's & BWS sales	Number of renewals	Number of stores	ROFE
DM 80 (+2) BWS 75 (+1) vs H1 F23	+2.9% +2.1% Comp	43 vs 60 in H1 F23	1,718 ↑ 22 vs H1 F23	15.0% ↑ 10 bps vs H1 F23 ²

Results Overview

The Retail segment delivered sales growth of 2.5% for the half, including an increase of 2.9% from Dan Murphy's and BWS, with a particularly strong performance across the key retail sales events of Cyber Week and the Christmas period. On a comparable sales basis total Retail grew by 1.8%, while BWS and Dan Murphy's combined comparable sales growth was 2.1%. Ecommerce sales grew 6.2% to 9.2% of total Retail sales.

Our focus on maintaining price leadership and delivering value continues to attract customers to our brands. This price leadership is evident in the Dan Murphy's price index³, which showed the average price discount to competitors increased in the half.

Our unique model enables us to deliver the lowest prices, while sustainably improving gross profit margins, balancing range, price and promotions. We have continued to see customers embrace new product discovery, with over 1,000 new product lines ranged in the half, of which over 60% were sourced from smaller suppliers. H1 gross profit margin benefited from efficiencies in our supply chain and marketing, including savings in online fulfilment supported by record pick-up penetration at 49.5% of Dan Murphy's and BWS online orders.

We have maintained our disciplined focus on managing Cost of Doing Business, responding to inflationary pressures by minimising discretionary spending, leveraging our unique scale and delivering further cost optimisation savings through our Group Optimisation program, endeavourGO. Investments in strategic initiatives such as Advanced Analytics continued in H1, delivering benefits in increased sales and gross profit margin expansion.

The Retail segment delivered EBIT of \$436 million, up 4.3% compared to H1 F23, with the EBIT to sales ratio improving by 13 bps to 7.8%.

During H1, our Retail network grew to 1,718 stores, with the addition of 12 net new BWS stores, four new Dan Murphy's stores and one 'The Cellar by Dan Murphy's' concept store.

² Comparative has been adjusted to reflect a reallocation of funds employed between segments, no Group impact

³ Relative price index to tracked competitors

Segment Performance - Hotels

\$ million	H1 F24 (27 WEEKS)	H1 F23 (27 WEEKS)	CHANGE
Sales	1,084	1,056	2.7%
EBITDA	404	389	3.9%
Depreciation and amortisation	(144)	(133)	8.3%
EBIT	260	256	1.6%
Gross profit margin (%)	84.7%	84.4%	+28bps
Cost of doing business (%)	60.8%	60.2%	+53bps
EBIT to sales (%)	24.0%	24.2%	-26bps

Voice of Customer⁴

8.6/10

↑ 0.2 vs H1 F23

Number of hotels (incl clubs)

353

↓ 1 vs F23

Number of renewals

15

vs 34 in H1 F23

ROFE

9.9%

↓ 122 bps vs H1 F23

Results Overview

Hotels sales for the half-year grew by 2.7%, with comparable sales growing by 1.2%, driven by an improved food and bars offer and strong performance through the festive period, where a record number of guests chose to celebrate with us. Demand for our Hotels remains resilient despite cost of living pressures, with customers continuing to embrace their local pub as a value-for-money destination for social occasions.

Hotels EBITDA grew ahead of sales, up 3.9%, with EBIT impacted by Hotels lease inflation and the annualisation of lease costs from new hotels acquired in the prior financial year, as well as amortisation of Victorian Gaming entitlements which were renewed in August 2022.

At the Investor Day in December, we shared an update on our Hotels strategy, explaining the operational growth levers that will support our EBIT ambition over the next five years. Our focus on enhancing our food and beverage menus and range continues to provide guests with great value, localised offers, and it is delivering results, with Gross margins improving by 28 bps in H1. The relatively strong performance of food and bars resulted in a lower gaming mix as a portion of total Hotels revenue.

Costs have been well managed, with the impacts of high inflation materially mitigated by efficiency savings, predominantly through venue rostering and process optimisation, delivered as part of the endeavourGo program.

Our customer satisfaction score in the half-year rose to 8.6/10, indicating that our offer is increasingly resonating with our customers, particularly at a time when Australians are seeking out value for money.

We successfully launched a team member trial of pub+, our app enabled program that offers guests personalisation, convenience and value, and we are preparing to roll this out to customers nationally before the end of F24.

The active management of our asset portfolio included the discontinuation of our leasehold of the Captain Stirling Hotel (Western Australia) in December. We continue to prioritise optimising our existing portfolio, with no new Hotels added to the portfolio for the half-year, reducing Hotels capex versus the same period last year.

⁴ Voice of Customer for Hotels is based on customer reviews measured by Loopon

Through the first half, we continued to work on our Hotel renewal pipeline, improving guest experiences and maintaining our competitive offer. We completed 15 renewals in the half, including three in the most recent quarter.

We are also accelerating plans to unlock value for shareholders from our significant freehold property assets which are valued at over \$1 billion, through portfolio renewal, development and sale opportunities.

Looking forward, we expect to finalise the acquisitions of 2 hotels in March. The Rye Hotel in Victoria's Mornington Peninsula and the Burnie Central Townhouse in Tasmania. The Rye Hotel is a destination for holidaymakers and a social hub for the area, and adds 43 accommodation rooms and 30 EGMs to the network, as well as a drive through retail liquor store. The Burnie Central Townhouse is an accommodation focused venue with 55 rooms. The lease of the Archer Hotel, North Adelaide, SA was handed back at lease expiry in January, in line with our portfolio optimisation strategy.

ENDS

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/10036425-hf97y6.html>

Webcast URL: <https://webcast.openbriefing.com/edv-hyr-2024/>

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 has been authorised by the Board.

Further Information

Investors

Sean O'Sullivan

Mobile: (61) 412 139 711

sean.osullivan@edg.com.au

Media

Lizzy Bold

Mobile: (61) 421 765 446

lizzy.bold@edg.com.au

For personal use only

Appendices

Appendix 1: Non-IFRS Financial Information

This profit and dividend announcement for the 27 weeks ended 31 December 2023 (H1 F24) contains certain non-IFRS financial information related to historical performance, position and cash flows. Non-IFRS financial information is financial information that is not defined or specified under any relevant accounting standards. This information may not be directly comparable with other companies' information but is commonly used in the industry in which Endeavour operates.

Non-IFRS information is also included to provide meaningful information on the underlying drivers of the business, performance and trends (for example, comparable sales growth). This information is used by management and directors to assess the financial performance of Endeavour Group and its segments. Non-IFRS information should be considered in addition to and is not intended to substitute IFRS measures.

The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by the Australian Security and Investments Commission in December 2011 to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of being misled by such information.

Appendix 2: Retail Sales Metrics by Quarter

	H1 F24 (27 WEEKS)	Q2 F24 (13 WEEKS)	Q1 F24 (14 WEEKS)	Q4 F23 (12 WEEKS)	Q3 F23 (13 WEEKS)
Customer metrics					
BWS VOC NPS (Store and Online)	75	75	74	74	73
Dan Murphy's VOC NPS (Store and Online)	80	80	81	80	79
My Dan's active members (million)	5.4	5.4	5.3	5.2	5.1
Sales metrics					
BWS and Dan Murphy's (including The Cellar)	5,445	2,976	2,469	2,057	2,289
Specialty	138	69	69	52	61
Total Retail sales (\$ million)	5,583	3,045	2,538	2,109	2,350
Total Retail sales growth	2.5%	3.0%	1.9%	0.1%	1.2%
Combined BWS and Dan Murphy's sales growth	2.9%	3.2%	2.6%	0.8%	1.5%
Total Retail comparable sales growth	1.8%	2.3%	1.2%	(0.7%)	0.2%
Combined BWS and Dan Murphy's comparable sales growth	2.1%	2.4%	1.8%	(0.1%)	0.3%

Appendix 3: Retail eCommerce Metrics by Quarter

	H1 F24 (27 WEEKS)	Q2 F24 (13 WEEKS)	Q1 F24 (14 WEEKS)	Q4 F23 (12 WEEKS)	Q3 F23 (13 WEEKS)
Customer Metrics					
Dan Murphy's Online VOC NPS	74	73	77	75	73
BWS Online VOC NPS	71	72	71	72	70
eCommerce Metrics					
Online sales (\$ million)	515	294	221	175	191
Online sales growth	6.2%	8.9%	2.8%	(2.8%)	(14.0%)
Online penetration	9.2%	9.7%	8.7%	8.3%	8.1%
BWS and Dan Murphy's Pick-up mix (orders)	49.5%	50.7%	48.0%	46.4%	48.4%
BWS and Dan Murphy's Online					
Average Weekly Traffic (millions)	2.2	2.6	1.9	1.8	2.3
Average Weekly Traffic Growth	9.1%	7.4%	11.2%	6.0%	-9.1%

Appendix 4: Hotels Operating Metrics by Quarter

	H1 F24 (27 WEEKS)	Q2 F24 (13 WEEKS)	Q1 F24 (14 WEEKS)	Q4 F23 (12 WEEKS)	Q3 F23 (13 WEEKS)
Sales metrics					
Total sales (\$ million)	1,084	531	553	443	480
Total sales growth	2.7%	2.5%	2.8%	4.0%	18.5%
Comparable sales growth	1.2%	1.3%	1.2%	2.4%	16.3%

Appendix 5: New stores and renewals

F24 Half-Year	OPENING BALANCE	GROSS NEW STORES / HOTELS (INCL. ACQUISITIONS)	CLOSURES	ENDING BALANCE	RENEWALS
BWS	1,435	20	8	1,447	31
Dan Murphy's	264	4	0	268	12
The Cellar (by Dan Murphy's)	2	1	0	3	0
Retail	1,701	25	8	1,718	43
Hotels	354	0	1	353	15
Endeavour Group	2,055	25	9	2,071	58

Appendix 6: F24 Half-Year Group Funds Employed

\$ million	H1 F24 31 DEC 2023	F23 25 JUNE 2023	H1 F23 1 JAN 2023
Trade working capital ⁵	592	778	545
Lease assets	3,271	3,208	3,211
Property, plant and equipment	2,187	2,095	1,973
Intangible assets	4,253	4,260	4,172
Other liabilities (net) ⁶	(790)	(731)	(783)
Funds employed	9,513	9,610	9,118
Tax liabilities (net)	168	151	192
Other (assets)/liabilities (net) ⁷	(38)	(60)	(54)
Lease liabilities	3,936	3,883	3,855
Net debt	1,546	1,927	1,333
Equity	3,901	3,709	3,792
Total funding and tax	9,513	9,610	9,118
Return on funds employed (ROFE) (%)	11.6	11.8	12.2

Appendix 7: F24 Half-Year Group Cash Flow

\$ million	H1 F24 (27 WEEKS)	H1 F23 (27 WEEKS)	CHANGE
EBIT	661	644	17
Depreciation and amortisation expenses	301	283	18
Changes in trade working capital	186	(33)	219
Changes in assets and liabilities and other non-cash items	49	127	(78)
Finance costs on borrowings paid	(54)	(28)	(26)
Payment for the interest component of lease liabilities	(94)	(94)	0
Income tax paid	(135)	(256)	121
Operating cash flows	914	643	271
Payments for property, plant and equipment and intangible assets	(221)	(165)	(56)
Payments to acquire businesses, net of cash acquired	(2)	(20)	18
Repayment of lease liabilities	(163)	(147)	(16)
Dividend paid	(134)	(138)	4
Other	(10)	(6)	(4)
Free cash flow	384	167	217
<i>Cash realisation ratio (%)</i>	<i>140</i>	<i>99</i>	

⁵ Includes trade and other receivables and payables (excluding all related party balances), and inventories.

⁶ Includes accruals, provisions, related party balances, investments and other assets and liabilities.

⁷ Includes derivatives and unamortised borrowing costs.

Appendix 8: Glossary

TERM	DESCRIPTION
Cash realisation ratio	Operating cash flow as a percentage of Group profit for the period after income tax but before depreciation and amortisation
Comparable sales	Retail: 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 Hotels: Measure of sales which excludes hotels opened or closed in the last 12 months
Cost of doing business (CODB)	Expenses which relate to the operation of the business
EBITDA	Earnings before interest, tax, depreciation and amortisation
EGM	Electronic Gaming Machines
Funds employed	Net assets excluding net debt, leases liabilities, other financing-related assets and liabilities, and net tax balances
Gaming	Refers to the operation of Electronic Gaming Machines
My Dan's active members	My Dan's active members are the number of unique members who have transacted in the last 12 months
n.m.	Not meaningful
Online penetration	Online penetration is calculated as total online sales as a percentage of total Retail sales for the same time period
Relative price index	An index comparing Dan Murphy's pricing to selected competitors. Competitor product pricing information is sourced by Endeavour through a number of channels, mostly via external providers. Pricing is reviewed on a product by product basis against many different suppliers. Product comparisons are weighted by Endeavour's volume mix to create a weighted index.
Renewals	A significant upgrade to the store / hotel environment, enhancing customer experience, range and process efficiency (including digital)
Return on Funds Employed (ROFE)	ROFE is calculated as EBIT for the previous 12 months as a percentage of 13 month average adjusted funds employed, where adjusted funds employed refers to funds employed adjusted to exclude deferred taxes on indefinite life intangible assets
VOC NPS	VOC NPS is based on feedback from Everyday Rewards members (for BWS) or My Dan's members (for Dan Murphy's). VOC NPS is the number of promoters (score of nine or 10) less the number of detractors (score of six or below).

For personal use only