

ASX Announcement

2023 Annual General Meeting Chief Executive Officer's Address

Sydney: Tuesday, 31 October 2023

The Chief Executive Officers' address to be delivered today at the 2023 Annual General Meeting of Endeavour Group Limited is attached.

The release of this announcement was authorised by the Company Secretary.

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Chief Executive Officer's Address

Steve Donohue, 31 October 2023

Check against delivery

Introduction

Thank you, Peter, and good morning everyone.

I'd also like to acknowledge the Traditional Owners of the land on which we are meeting today, and pay my respects to Elders past, present and emerging.

Like Peter, I'd also like to reflect on F23: our financial performance, the progress we've made against our strategy, the challenges we've faced, and our focus on the opportunities ahead to drive operational performance and returns.

In F23 we operated for the first time in three years without pandemic related disruptions, however, we, like other companies, continued to navigate an unpredictable market and an evolving regulatory landscape.

Against this operating backdrop, I'm proud of what the Endeavour team has collectively achieved by maintaining momentum in our core businesses - while still progressing our strategic initiatives to expand and modernise our customer offers, and to separate from the Woolworths Group.

However, I also want to be clear that we acknowledge — and share — the concerns of our investors regarding our share price performance. We clearly have more to do to deliver the performance and shareholder returns that investors expect.

The key principles behind successful retail and hospitality businesses are enduring — deliver your customers a best-in-class offering, that meets their need for value and convenience in the most frictionless way — but the demands of customers today are changing rapidly. Driving change in our business to meet these shifting expectations is critical for all of us in these sectors - and can only be delivered by having the best capability, focussed on improving customer experiences at a faster rate, and more seamlessly and conveniently than ever before.

Our investments through endeavourX in our digital and loyalty capabilities, and the upcoming pub+ app rollout for our Hotels, are all examples of our response to these fast evolving trends, and our acknowledgement that we must know our customers individually, and connect with them in whichever way they prefer. We will increase our transparency in relation to the returns we generate from these investments and continue to take inspiration from global operators like Walmart, Costco, Amazon and our former parent Woolworths Group, with the knowledge that underinvesting in digital capabilities is a path to failure in this new, dynamic and connected age.

I've spent 30 years in this business. I joined Dan Murphy's when it comprised just two stores in Melbourne. I worked directly for Mr Murphy (as we called him) and benefited from his and Tony Leon's coaching over many years. I was there when Woolworths acquired the business in September 1998, and I now have the privilege of leading Endeavour Group as a standalone

company. This is a Group that has always set the pace of change across the sectors we operate in - but there is much more to do.

F23 Performance

That said, overall in F23 the Group delivered a strong result, reflecting our focus on delivering stability and value since the demerger. We've driven profitable growth across our core businesses, with Group sales up 2.5% on last year, to \$11.9 billion, and EBIT up 10.7%, bringing us to our first milestone of over \$1.0 billion in EBIT.

In the retail business, we generated \$9.9 billion in sales, a slight softening of 1.8% from the prior financial year, reflecting the cycling of a strong first half as we normalised from pandemic driven highs. Despite macroeconomic factors being more challenging in the second half of the year, sales momentum actually improved with sales increasing by 0.7% in H2, supported by strong customer metrics.

While Retail EBIT declined at 1.2% to \$658 million, our EBIT margin improved by 4 basis points, a testament to the strength of our brands and the benefits of our strategic investments, alongside operational cost control. We intend to continue our successful strategy of balancing sales growth and margin management to deliver profitable growth.

Our Hotels segment achieved record sales of \$2.0 billion in F23, representing growth of 31.0%, as we celebrated our first year of full operations since the pandemic. In hotels, we also saw a 35.9% increase in EBIT to \$428 million, compared to the prior year.

While our sales and EBIT growth was supported by the relaxation of pandemic-related trading restrictions, when compared to the first half of the prior year, it also reflects the positive impact of our newly acquired hotels, and the appeal of our hotels to customers looking for quality and value.

Around 50% of our capital expenditure is deployed to our hotels business, however, we acknowledge the need to improve the returns generated from these investments. Lifting returns from Hotels is our most significant opportunity and is something we're very focussed on.

Our F23 financial performance reflects the strength and stability of earnings derived from our core businesses: it confirms the customer appeal of our brands, particularly Dan Murphy's, and the resilience of our businesses as we continually navigate change.

F23 Strategic Highlights

We delivered that F23 result by focusing on key priority initiatives across all five of our strategic pillars.

Our leading customer offers drive growth across our business.

We've continued to grow customer reach - leveraging our iconic brands and strong capabilities to create compelling offers that cater for all customer needs and occasions. This saw us growing My Dan's membership by 15.6% to 5.2 million active users; growing our BWS app active base to a peak of 400,000 users; and reaching 2 million social media followers of our ALH Hotels.

Additionally, Pinnacle Drinks has contributed to our continued delivery of high quality and award winning products at competitive prices, achieving \$1.7 billion in retail sales in F23, backed by 730 innovative Pinnacle owned and exclusive brands.

Supporting this, we've made advancements in our digital and omnichannel capabilities that enabled us to better understand and engage with customers at the right place, and at the right time. My Dan's continues to lead the market with a 79% scan rate, and in our Hotels we now have 343 venues equipped with contactless order and pay technology. In September, we launched our new retail media platform, 'MixIn by endeavour', which uses our significant data sets to provide suppliers the opportunity to better communicate and engage with customers through our media channels.

We remain focused on optimising our business across the value chain. The Group's optimisation program, 'endeavourGO', has been effective driving sustainable cost-out across the business, delivering \$60 million in cost savings in F23 as we faced headwinds driven by inflation.

We've also invested in step-changing our Advanced Analytics capabilities to drive margin and cost benefits, and progressed the One Endeavour technology transformation program to transition and simplify our business as a foundation for future growth. Notably, this year we've implemented a standalone Group-wide spend management system and progressed the consolidation of our people systems.

We continued to drive growth in our core business through the prioritised deployment of capital. We've invested in improving our market-leading network, executing 122 store renewals and 46 hotel renewals throughout the year, including rolling out the innovative BWS 4.0 store format. We further expanded our network, adding eight Dan Murphy's stores, 18 net new BWS stores, and acquiring 11 new Hotels. We also added to our Paragon Wine Estates portfolio, with the acquisition of Shingleback Wines in McLaren Vale and Cape Mentelle in Margaret River.

As mentioned, we're reviewing our Hotels portfolio with the aim of lifting our returns on capital deployed, in-line with our Group targets. We will update the market in relation to the status of this work at our Investor Day in December.

And of course, as Peter mentioned earlier, our continuous focus on Sustainability and Team underpins everything we do. I'm pleased with the progress we've made against our Sustainability commitment across the three pillars of Responsibility & Community, People, and Planet.

Our commitment to Responsibility & Community goes beyond merely meeting our regulatory obligations; it extends to strengthening our responsibility culture and driving compliance through every part of our operations. This year we launched Player Protect, an evolution of our approach to responsible service of gambling across our Hotels throughout Australia. And separately, through our Darwin Community Advisory Committee we signed a landmark partnership with Larrakia Nation, signalling our long-term commitment to local engagement on community issues and supporting positive change in the Darwin community.

On the topic of People, we're pleased with our progress in relation to inclusion, and activated our 'Reflect' level Reconciliation Action Plan which focussed on enabling team engagement and connection with First Nations peoples in our own businesses and beyond.

Finally, on Planet, we've continued to invest in driving efficiencies and innovation as we remain committed to better understand the environmental impacts of our operations to inform our climate change strategy and action our progress towards decarbonisation.

F24 Outlook

In F24, we expect macroeconomic conditions to continue to be challenging, with heightened inflation increasing the cost of labour, supply chain, lease and energy costs. As consumers face continued cost of living pressures, we expect that they'll continue to seek out value, while also looking for opportunities to enjoy new, quality products and experiences. We'll therefore stay focussed on delivering our lowest price proposition at Dan Murphy's; outstanding value, service and convenience at BWS; and our unique local offerings across our Hotels network.

Our Retail and Hotels businesses are well positioned to continue to grow in this environment, and, reflecting this, we have seen good momentum in the first quarter of F24.

In Retail we grew sales by 1.9% in the first quarter of the year, and Dan Murphy's and BWS recorded combined sales growth of 2.6%, continuing to be the most preferred brands by customers. Dan Murphy's has the strongest value perception of any liquor retailer in Australia, due to the Lowest Liquor Price Guarantee, the widest range and expert service. Over 600,000 active members joined the MyDan's membership program in the past 12 months, gaining access to our proactive price beats and reflecting the program's importance as cost of living pressures impact customers.

Our hotels remain well-positioned as an affordable destination for social occasions, with sales up 2.8% in Q1. Food and bar sales were particularly strong, as customers gathered in our venues for major sporting events and Father's Day. We, along with the rest of Australia, celebrated with the Matildas, and our Hotels sold 1.2 kegs of beer every minute during the semi-finals and final in August. We also welcomed a record 65,000-plus guests on Father's Day.

As we look forward, we are maintaining trading momentum, with continued improvements in October and the all important months of November and December ahead. But as I said earlier, I do recognise the need to deliver improved shareholder returns and we remain focussed on that too.

Our Priorities

We'll continue to connect with our customers through our brands, supported by increasingly integrated omnichannel experiences which drive earnings growth. We'll further improve our existing retail and hotel networks and undertake innovation through examples like the new BWS 4.0 format and concept stores like 'The Cellar by Dan Murphy's', to provide pathways to future growth. Alongside this, our Pinnacle Drinks business will remain responsive to fast-changing customer needs, and continue to deliver returns on the capital we invest in it.

We always aim to deliver profitable growth that efficiently balances sales, gross margin and cost control. We've committed to delivering at least \$200 million in savings between F24 and F26 from endeavourGO, our group optimisation program, supported by a zero-based approach to above-store and venue costs; optimising in-store and hotel operations; and driving supply chain efficiency. We'll continue to progress the One Endeavour Technology Transformation: transitioning to standalone technology capabilities to simplify our business and lay foundations for future growth.

We recognise the need to bring greater transparency to how we plan to optimise capital across the group. In particular we know we need to enhance the performance of our Hotels portfolio and drive improved returns. We're also committed to maintaining net debt at a level that supports future growth and shareholder distributions, including by driving a reduction in working capital.

We understand that shareholders are seeking more information from us on our strategic plans for F24 and beyond, and we are looking forward to sharing in more detail our plans for Hotels in particular at our planned investor day in early December. We will, at that forum, also provide greater transparency for investors on the metrics and measures that we use to hold ourselves to account as we deliver our strategy. In particular, as previewed by Peter, we'll be introducing objective scorecard metrics, across each of our strategic pillars that will enable us to articulate to shareholders in greater detail, exactly what our ambition looks like, and how we'll measure performance.

The progression of our sustainability and team ambitions; in particular responsibility and compliance, will also remain a key priority for us. We continue to work with governments and regulators to bring clarity, consistency and certainty to the market, and to ensure that we are prepared for any proposed changes to regulation in all jurisdictions. And, as always, we remain focused on ensuring that we have the talent and capabilities to deliver our strategic goals.

Closing

In closing, while we are operating in a complex environment, our purpose of 'creating a more sociable future together' remains as relevant and important as ever. As people turn to places and moments of social connection in challenging times, we'll be there to bring them together. We operate some of the most iconic and loved retail brands in Australia and an impossible to replicate network of Hotels across the country - we don't take any of this for granted and we're committed to driving continued performance and shareholder returns as we enter F24.

To conclude, on behalf of our 30,000 team members, I'd like to thank all shareholders for your continued support.

I will now hand back to Peter.

-ENDS-