

# ASX Announcement

## 2023 Annual General Meeting Chairman's Address

**Sydney: Tuesday, 31 October 2023**

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

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

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## Chairman's Address

Peter Hearl, 31 October 2023

*Check against delivery*

### **Purpose, Values, Ways of Working**

At Endeavour, we are guided by our purpose of 'Creating a more sociable future, together', and our values, which are: We're Real, We're Inclusive, and We're Responsible.

Embedded in Endeavour's culture is a commitment to 'endeavour for better'. The pandemic and post pandemic period has resulted in a volatile market backdrop for our first two years as a public company with the team delivering a solid performance, but we recognise there is much more to do.

The Board is conscious of the recent volatility in Endeavour's share price and we, like you, are disappointed.

In this regard, we face an increasing cost of capital with rising interest rates impacting the value of our significant real asset exposures, as well as lower levels of consumer confidence as household discretionary incomes are put under pressure by those same interest rates, rising petrol prices, utility costs and food inflation.

And while we may have achieved strong performance through our first two years as a listed company; with more to do, your Board is laser-focused on delivering shareholder value through capital discipline and prioritisation as well as cost optimisation.

While we'll never use it as an excuse, the reality is we also face regulatory uncertainty in the gaming sector, and we have been, and will continue, to work with legislators and regulators to bring clarity, consistency and certainty to investors in the area of gaming regulations.

It would also be remiss of me to ignore the significant disruption to the business, our shareholders, our team and customers, from the ongoing board dispute with the Bruce Mathieson Group. I'm sure we will hear from representatives and affiliates of the Bruce Mathieson Group and other shareholders today, but let me first address a number of items:

- We are committed to ensuring the Board operates effectively and managing the renewal of the Board in a way that ensures the right skills are brought to bear for the benefit of ALL shareholders.
- We consider it appropriate that the Bruce Mathieson Group, with its current shareholding, be represented on the Board, and have stated so publicly.
- While we are focused on our share price performance, we prioritise long term value creation. Many of the observations of The Bruce Mathieson Group, and some others, are reflected in our strategic focus going forward — including the importance of sales momentum in our retail businesses, cost discipline across the Group, lifting capital returns in hotels, and more transparency in relation to capital management — however, it is more helpful for this debate to be grounded in fact.

- While we continue to seek a constructive resolution to the current shareholder campaign, we are focused on delivering value for all shareholders, and with this in mind believe that while the Bruce Mathieson Group should have appropriate representation at the Board, this right does not extend to disproportionate control.

While much has been made through this recent campaign regarding the performance of retail, our Retail business continues to perform. Most notably, our first quarter results demonstrate momentum, with Dan Murphy's and BWS delivering 2.6% growth and the total Retail segment delivering sales growth of 1.9%. We believe that the most significant opportunity to accelerate growth in our portfolio is to drive higher returns on Hotels invested capital. To enable greater focus on this opportunity we will, going forward, be more explicit in our strategy to specifically focus on Hotels and capital optimisation. We will be introducing objective scorecard metrics across each of our strategic pillars which we will discuss further at our Investor Day, scheduled for December.

### **Our F23 Results**

Now, onto our F23 performance. Our teams drove the delivery of a strong result in F23, our first full year of operating without disruption from the pandemic, demonstrating the resilience and stability of the Group. Endeavour continues to lead the market in liquor retail and hotel operations - we have a portfolio of leading brands and businesses, with a proven track record of growth and profitability. Notably this year, we have also achieved our first ever \$1 billion Earnings Before Interest and Tax result, up 14% since demerger.

This year, the business grew Group Sales by 2.5% while growing Group Earnings Before Interest and Tax by 10.7% when compared to F22, our first full year operating as a demerged entity. We delivered a Group Profit for the year after tax of \$529 million dollars, an increase of over 6.9% on F22, and Operating Cash Flow of \$767 million dollars. We also delivered a total dividend of 21.8 cents per share, fully franked, up 7.9% on F22.

You've seen a lot of media coverage about business performance, and Steve will cover more on this in his address. I would like to note though that since demerger we have focused on delivering stability and value. We have driven growth in our core businesses through our leading, omnichannel customer offers and strong customer engagement with our brands. We have also continued to optimise our Retail and Hotels network to deliver Earnings Before Interest and Tax growth ahead of sales, and invested in our Hotels portfolio to position it for growth.

However, we are very aware that we have more to do to deliver for our shareholders: We will continue to drive earnings growth through a balance of sales growth, gross profit margin management, and the execution of our cost optimisation program. We are particularly focused on deploying capital in line with our strategy, to maximise returns across our business.

### **Our Strategy**

Our vision — to become the leading platform enabling social occasions — guides our strategy. We deliver strong returns for our shareholders by operating as an interconnected group, using our assets, customer understanding and industry partnerships to achieve this vision.

Our strategy has five pillars: 1) creating leading customer offers and brands; 2) driving an efficient end-to-end business; 3) optimising capital allocation to drive growth; 4) delivering a positive and sustainable imprint; and 5) and perhaps most importantly, enabling and encouraging our one team to live our purpose and values.

We remain laser-focused on our customers and guests: Our team create meaningful omnichannel experiences, bringing together retail and hotel formats customers love, innovative web and app assets, and trend-leading products.

We are equally focused on the need to continue optimising our business end-to-end, and accelerating profitable growth. We will do this through disciplined capital investments, operational optimisation and cost control. The One Endeavour Technology Transformation — to transition and simplify our business — is underway and will ultimately unlock significant simplification, and optimisation opportunities for productivity and costs.

We are also continually focused on progressing our sustainability ambition, with emphasis on responsibility and compliance, and ensuring we have the talent and capability to deliver Endeavour's strategic goals.

I'll now say a few words on Endeavour's remuneration framework. This framework is designed to align performance with reward. The Board sets targets for both short and long-term rewards to encourage performance. The Board is confident that the determinations made, facilitated the right alignment between performance, reward and stakeholders' interests. Equally, we recognise the need to review this framework to ensure it aligns management's focus with shareholder expectations and will consider appropriate adjustments as we look to F25.

## **Our imprint**

We continue to make considerable progress against our sustainability strategy, on our key pillars of Community & Responsibility, People and Planet.

While we're pleased with the progress we've made, we recognise we don't have all the answers yet. We'll continue to listen, adapt, and reflect stakeholder feedback as we mature our approach.

Aligned with that approach, this year, we completed our first extensive, independent materiality assessment aimed at identifying and prioritising our most material environmental, social and governance issues and opportunities. This work confirmed that our focus on responsibility and compliance can make the biggest social impact, and is the strong foundation we need for the positive imprint we're creating.

## **Our Board**

Over the course of the year, we have had some changes to the Board. Bruce Mathieson Junior joined the Board in November after receiving the required regulatory approvals. In June, we welcomed Rod van Onselen as an independent non-executive director who brings a wealth of knowledge and experience in digital innovation and technology, business transformation and business growth strategies. Holly Kramer, a non-independent non-executive director stepped down from the Board in August and Colin Storrie, another non-independent non-executive director, will leave us at the end of this calendar year. Both Holly and Colin have made significant contributions to Endeavour since demerger, and, in the case of Colin, going back to

2018 when he joined the old ALH board and subsequently the pre-demerger board of Endeavour.

We are focused on adhering to the highest standards of corporate governance as we consider Board composition and cohesion for the benefit of all Endeavour shareholders. This includes having appropriate diversity, experience and skills, and comprising a majority of independent directors. In seeking replacement directors for Holly and Colin, an externally facilitated non-executive director search is well underway, and we are currently engaging with prospective candidates. We intend to be in a position to announce the outcomes of our search process in the first quarter of the 2024 calendar year. We are focused on establishing a board that can operate constructively and collaboratively, and provide an appropriate level of governance and oversight, in the interests of all shareholders and to deliver shareholder value creation.

### **Mr Wavish / Bruce Mathieson Group**

On the day the director nominations closed, we received a nomination from Mr William (Bill) Wavish seeking election as an independent non-executive director. Mr Wavish has declared he meets Endeavour's independence criteria despite being strongly linked to the Bruce Mathieson Group. While Mr Wavish has rejected our offer for him to participate in the Board renewal process, Endeavour continues to extend that offer to Mr Wavish.

The resolution to elect Mr Wavish will be voted on later today, and thanks to the efforts of our team, we have been able to procure all necessary regulatory approvals for Mr Wavish's appointment from the gaming and liquor regulators where prior approval is required, in the states of South Australia, Western Australia and Victoria.

Turning now to Bruce Mathieson Junior, who is the current representative of The Bruce Mathieson Group on the Board. The Board endorsed Bruce Mathieson Junior's nomination to be put forward to shareholders prior to the release of the Notice of Meeting and the commencement of the campaign conducted by The Bruce Mathieson Group and Bruce Mathieson Senior. As I said earlier, even if shareholders choose not to support Bruce Junior's election, the Board intends to extend a Board seat to the Bruce Mathieson Group, assuming the maintenance of at least their current level of shareholding. The Board remains committed to, and recognises the importance of, working constructively together and it remains our genuine hope that we can move quickly to resolve the current dispute between the Bruce Mathieson Group and Endeavour.

### **Closing**

In closing, I would like to acknowledge and thank you for your continued support of our business and brands, and assure you that our focus remains on delivering the best results for our shareholders. Your Board is committed to working together in the interests of all shareholders.

I would also like to thank Steve, and our team of 30,000 dedicated and passionate "customer enthusiasts", as we continue to make Endeavour a stronger and better business, led by our purpose and values.

Most importantly, I would like to thank our customers and the communities of which we're part and who have supported our journey as we work on creating a more sociable future together.

As we look forward, we do face changing and challenging macroeconomic conditions; normalising but higher capital costs and the ongoing, gradual evolution in our regulatory landscape. The Board and Management will continue to focus on supporting our responsibility initiatives, adapting our business plans to meet the evolving market and delivering profitable growth through our compelling offers, disciplined capital investments, operational optimisation, and focussed and disciplined cost control.

While we still have work to do, as a business, we have a clear purpose, a strong commitment to making a positive imprint, a 30,000 strong team of exceptional people, a portfolio of leading brands and a customer-focused strategy - I have no doubt that going forward, we are well placed and ready to deliver for all stakeholders and shareholders.

In closing I thank you for your time and attention so far and I look forward to answering your questions shortly. I will now ask our CEO, Steve Donohue, to address the meeting.

-ENDS-