

# ASX Announcement

## 2024 Annual General Meeting Chief Executive Officer's Address

**Sydney: Wednesday, 13 November 2024**

The Chief Executive Officers' address to be delivered today at the 2024 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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# Annual General Meeting

## Chief Executive Officer's Address

Steve Donohue, 13 November 2024

*Check against delivery*

Thank you, Ari, 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 Ari, I'd like to reflect on our F24 financial performance and the progress we've made against our strategy. I would also like to focus on the opportunities ahead to drive operational performance and results.

As Ari mentioned, the economic conditions and consumer environment in F24 created challenges for the retail sector, including for Endeavour Group. Consumers remain value-focused in the face of hip-pocket pressure, while elevated supply chain costs and continued inflationary pressure on other operating costs are yet to abate. Against this instability, I'm particularly proud of what the Endeavour team has achieved - maintaining momentum in our core businesses and outperforming the market - while still progressing our strategic initiatives, and living our purpose of 'Creating a more sociable future, together'. This is a testament to the team - in stores, in venues, in wineries, and in our support offices - that I am so proud to have led for the last six years.

I think it is, however, important to acknowledge that these challenges accelerated in the first quarter of F25, and while we also continued to outperform the market, we clearly have more to do to deliver the performance and shareholder returns that investors expect.

That said, overall in F24 the Group delivered a strong trading 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 1.8% on a 52-week basis, and EBIT up 1.8%.

In the retail business, we grew sales 1.7% on a 52-week basis. Our focus on price leadership and value resonated with our customers, with record Christmas sales for Dan Murphy's and for BWS on New Year's Eve. Our eCommerce sales grew 5.9% to comprise 8.9% of total Retail sales. Retail EBIT grew by 3.0%, outpacing sales growth and reflecting strong margin management.

Our Hotels segment grew sales by 2.3% on a 52-week basis, with all drivers in growth in H2 thanks to a focus on value and elevating our food, beverage, accommodation and gaming offers. Earnings Before Interest and Tax grew by 0.5%. Gaming turnover was impacted by our early adoption of the Victorian government's changes to trading hours, which were mandated across Victoria from 30 August 2024. Food and beverage margins improved through F24, as we optimised sourcing and menus, and led with value-based local offers for customers.

We ended F24 with net debt slightly below F23 levels, and our leverage ratio of 3.5x is within our target range and consistent with investment grade credit metrics. Our business continues

to deliver strong net cashflow, which is funding our growth and stay in business investments, including our technology separation from Woolworths.

We achieved our F24 result by delivering on our strategy. We continued to invest in our customer foundations, while simplifying and optimising to become more efficient and prioritising capital allocation for growth.

Our focus on creating meaningful experiences for our shared social customer and our investments in our customer foundations drove performance in our core businesses and delivered value for our customers. Dan Murphy's achieved its highest ever price leadership gap to its nearest competitor; BWS delivered compelling value offers via the Everyday Rewards loyalty partnership and "A win's a win" campaign; and our food & beverage offer in Hotels maintained its leading value position.

Effective investment in our omnichannel capabilities helped drive Active Members of our My Dan's membership program up to 5.4 million, while Dan Murphy's personalised offers delivered material sales uplifts. The launch of BWS 'Appy Deals' drove Monthly Active App Users up 155%, and BWS also added 500,000 new customers through ultra convenience partnerships. In Hotels I am pleased to say that we launched the pub+ loyalty app, to improve guest experiences.

Pinnacle Drinks continues to be a market leader for product innovation and customer choice, which in F24 drove its \$1.8 billion contribution to Retail sales, representing over 4% growth on a 52-week basis. We launched approximately 400 new products this year - which drove over half of Pinnacle's sales growth - and won over 900 product awards. Pinnacle's asset light model also generates returns that are accretive to Retail ROFE.

In line with our commitments in F24, we continued to simplify the business and streamline the way we operate. Our strong focus on sustainable cost control is ongoing, with our endeavourGO optimisation program delivering \$100 million in savings in F24, and on track to reach our target of over \$290 million in cumulative savings by F26. We also improved gross margins by +66 bps in Retail and Hotels, supported by our Advanced Analytics capability.

We're progressing the One Endeavour program, which is a significant but necessary investment to separate our Retail business technology from Woolworths. It will help simplify our technology landscape, and eventually enable automation and simplified processes to drive efficiency.

In Retail, we continued to enhance our network, adding nine Dan Murphy's and 18 BWS stores, while completing the renewal of 52 BWS stores and 16 Dan Murphy's stores. In Hotels, we focussed on our strong renewal pipeline with 24 completed during the year, while acquiring two Hotels and divesting two at end of their leases.

We recognise that responsible, sustainable growth drives long-term shareholder value. I'm pleased with the progress we've made against our commitment to leaving a Positive and Sustainable Imprint. In F24, we continued to focus on our foundations - resourcing, training, frameworks, controls and oversight - to better support our regulatory obligations and drive responsibility and compliance through our operations. This is reflected in improved metrics like a 92% completion rate for our unique Leading in Responsibility training across all our team members, and 44 million engagements with our customers during the year with responsibility messaging. There is more work to do; but sharing our performance and targets for improving responsibility metrics demonstrates our commitment to transparency and action.

And of course, our team is our most important asset. While our team engagement remains strong, I am disappointed that it declined slightly compared to F23. Our safety performance also clearly wasn't strong enough this year, and is therefore a key focus in F25, as it always is, alongside investing to build capability for the future.

We are now well into F25, and in talking about the outlook for Endeavour I will open by repeating my comments from our first quarter trading update on Monday: this is a difficult macro economic environment in which the customer is shopping more selectively and prioritising value in a highly competitive market dynamic.

Notwithstanding this, our Retail business is continuing to execute well. We are controlling the controllables in a tough market, and remain focused on delivering profitable sales. We're still growing market share because our offering and service levels are still resonating with our customers, as demonstrated by our market leading Voice of Customer scores. And we are continuing to attract new customers.

Within this context, our Retail business delivered first quarter F25 sales in line with the first quarter of last year, while on a comparable store basis, sales for BWS and Dan Murphy's were down 1.1% versus the prior corresponding period.

Hotels recorded sales growth of 2.5% in the quarter, and on a comparable hotel basis, sales were up 2.9% versus the prior corresponding period. This result reflects the growth across all drivers of the business - with particularly strong food and beverage momentum in September over Father's Day, school holidays and the footy finals - and actually some real resilience in gaming.

### **Our Priorities**

Whilst the current market is particularly challenging, the underlying dynamics of the retail liquor industry have been consistent over a very long period: stable low-to-mid single digit growth, delivered through both population-driven volume growth and consistent price growth. We are facing a significant cyclical correction after unprecedented growth during COVID.

In light of the current challenges, it is important that we continue to deliver against our strategy.

By focusing on our customers and maintaining price competitiveness and value, we will profitably grow Retail sales above market and maximise returns from our existing assets. And through a combination of operational improvement and disciplined capital deployment we will continue to work towards unlocking the \$150 million EBIT opportunity that we believe exists in our Hotels business.

We will also continue delivering on our F26 cumulative optimisation savings target of over \$290m, while continuing to simplify our business, investing for growth and safeguarding our licence to operate. This is reflected in our F25 priorities, and in the progress we have made in Q1 against these priorities.

While we face challenges in the short term, we continue to make progress and remain well positioned to deliver sustainable returns through the cycle.

This year, we were saddened by the loss of Mario Volpe, our Managing Director of Hotels, who passed away following a long illness. The imprint Mario left on this business, our people and the industry is enduring. More personally, Mario was a great source of advice, friendship and support to me from 2020 when we brought Hotels and Drinks together to form Endeavour Group. He will be fondly remembered and missed by us all.

I am pleased that we have recently appointed a new Managing Director for the Hotels business - Paul Carew. Paul will join Endeavour in the new year, and will bring new skills and experience to the executive team.

This will be my final AGM as Chief Executive Officer of Endeavour Group. I would like to take this opportunity to thank the people who have made my time with Endeavour as a team member, leader and finally CEO, so important to me.

And finally, with only 42 days till my last Christmas with the business, I'm as invigorated as I was when I first started 30 years ago, and I look forward to supporting our teams and serving our customers this festive season and right through until I eventually pass the leadership of this great business to the next CEO.

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