

F21 Preliminary Final Results Announcement

Establishing Endeavour Group and delivering solid results “Creating a more sociable future together”

F21 Group Highlights

Group Sales  \$11,595m ↑ 9.3%	Online Sales  \$859m ↑ 34.7%	Group EBIT  \$899m ↑ 22.1%	Group NPAT  \$445m	Dividend Per Share  7.0c
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Endeavour Group Managing Director & CEO, Steve Donohue, said “I am pleased to share our first preliminary results announcement as Endeavour Group, an independent listed business. F21 has been an eventful year for the Group. The creation of Endeavour Group and subsequent demerger from Woolworths Group was a significant undertaking and we are now proudly trading on the ASX as Australia’s leading drinks and hospitality business. With 1,643 retail stores, 339 hotels, digital assets that attract up to 18 million visits per month and a high quality portfolio of our own brands, we are excited about how we combine these elements to achieve our purpose of “Creating a more sociable future together”.

“The year was also characterised by the disruption of COVID-19 which had a material impact across our business. We had 169 days with one or more of our hotels closed, 83 exposure sites and over 3,000 team members impacted by these closures. I’m proud of the way the team demonstrated agility and resilience over this period which not only enabled us to constantly optimise our operations but also raised the bar in terms of innovation and remaining connected to our communities.”

“Despite the challenges, our teams managed to continue to improve their customer engagement, lift our Voice of the Customer measure (VOC) from 73 to 75 in the Retail businesses, increase the number of My Dan’s members to 5.5 million, and deliver a solid financial result, increasing EBIT by 22.1% and generating \$1.1 billion of operating cash flow. We also grew our network and invested over \$300 million of capital into the business to maintain our future growth momentum. I want to thank the team for helping to deliver all of this and most importantly, for doing it while maintaining our leading position on responsible service of alcohol and gambling in Australia and our commitment to leaving a positive imprint on each other and the communities we serve.”

Key financial metrics	F21	F20 ¹	CHANGE
Group Sales	11,595	10,606	9.3%
Group EBIT	899	736	22.1%
Group Profit for the year after income tax (Group NPAT)	445	n/a	n/a
Operating cash flow	1,114	n/a	n/a
Net debt	1,277	1,458	(12.4%)
Final dividend per share (cents)	7.0	n/a	n/a

1: F20 refers to the Equivalent F20 result. Refer to the appendix for further detail on comparative figures.

Group Summary

Establishing Endeavour Group

Endeavour formally separated from Woolworths Group on 28 June 2021. As part of the preparation for this, the business established a new board and governance framework, separated key systems, established corporate functions and implemented various partnership agreements with Woolworths. Importantly, we also took the opportunity to define our purpose, “Creating a more sociable future together”, and develop our values and ways of working which will form the cornerstone of the Endeavour culture going forward.

Our Values

We're
real

We're
inclusive

We're
responsible

Our Ways of Working

We work
with spirit

We're team
players

We endeavour
for better

Navigating COVID-19

Throughout the year Endeavour Group was impacted by COVID-19. The Retail business experienced elevated demand from the shift to in-home consumption while the Hotels business was impacted by closures and trading restrictions. There were 169 days in F21 where one or more of our hotels was closed, with the Victorian and Queensland closures having the most material impact. Our team demonstrated agility and resilience throughout the year, closing and reopening hotels as needed, as well as driving new innovation in evolving our contactless customer options like contactless direct-to-boot pick-up in Dan Murphy's, contactless one hour on-demand delivery for BWS and contactless order-and-pay in Hotels.

Group Results

Customer engagement improved during the year across both Retail and Hotels. Combined Retail VOC NPS reached 75 and Hotels achieved an average of 4.2 out of 5 across their external online reviews, a particularly strong result in light of the demerger and COVID-19 disruption.

F21 Group sales increased 9.3% to \$11.6 billion with strong growth in Retail and a resilient Hotels performance. Group EBIT was up 22.1% to \$899 million. Retail EBIT increased by 17.6% to \$669 million and Hotels by 49.1% to \$261 million. The Group's net profit for the year after tax was \$445m.

The Board determined to pay a fully franked final dividend of 7.0 cents per share. This represents an expected total payment of \$125 million to the Group's 450,000+ shareholders. Endeavour Group shares will trade ex-dividend from 1 September 2021 and the distribution will be paid to shareholders on 22 September 2021.

Endeavour Group has historically been funded through a combination of internally generated cash flows, as well as financing facilities with Woolworths Group. As at 27 June 2021, Endeavour Group had \$1.7 billion in intercompany borrowings from Woolworths Group and net debt was \$1.3 billion. At demerger, the intercompany borrowings were repaid and replaced with external financing facilities in aggregate totalling \$2.5 billion, consisting of a five year \$1.0 billion syndicated credit facility, a four year \$900 million syndicated credit facility, plus four, three year bilateral loan facilities totalling \$600 million.

As a result, Endeavour Group has a robust balance sheet, supported by strong operating cash flow and available financing facilities. A cash realisation ratio of 117.3% was achieved in F21.

Investing For The Future

During the year, we also focused on building foundations for the future, investing operational effort and \$312 million in capital expenditure against our top growth priorities. Key achievements for the year included:

Growing digital engagement	Expanding and enhancing our network	Optimising our group
<ul style="list-style-type: none"> • Launched new personalisation capabilities • Improved web & app CX driving up conversion • Evolved the store enabled pick-up experience • Expanded the Jimmy Brings on demand delivery capability into BWS • Online penetration grew to 8.4% • Evolved Hotels food and beverage experience through contactless order-and-pay technology 	<ul style="list-style-type: none"> • Expanded our physical footprint by 33 retail stores and 5 hotels • Renewed 64 stores and 26 hotels • Launched a new format Dan Murphy's in Sth Melbourne • Developed our accommodation offering under the NightCap brand • Launched a new concept gaming room at the Sunnybank Hotel • Welcomed Oakridge to our premium Paragon Wine Estates portfolio 	<ul style="list-style-type: none"> • Reset the cost base for Hotels • Rolled out Simpler For Stores program in Retail • Centralised support functions • Launched new digital tools • Launched 530+ new Pinnacle products and introduced 570+ new suppliers • Updated over 500 Electronic Gaming Machines (EGMs) across the network • Rolled out ticket in, ticket out (TITO) to our VIC & SA gaming fleet

Commitment to “our imprint”

Endeavour Group aims to be Australia’s most responsible drinks retailer and hotels operator, ensuring there is a focus across the business on the safety, social, economic and environmental impacts of our operations. Our brand symbol - the imprint - represents the mark we leave on each other and on the communities we serve, as individuals and as a team, and provides us with a visual constant that focuses us daily on the responsibilities we have.

This year we advanced our responsibility agenda through key initiatives centred on rolling out voluntary pre-commitment for every gaming machine, enabling enhanced self-exclusion through facial recognition in South Australia and continuing our harm-minimisation initiatives: ID25, “Don’t Buy It for Them” and “Choose to DrinkWise”. Together with our customers we supported a variety of local and national charities, completed over 90 solar installations, made progress towards reducing waste and a circular economy in our South Australian winemaking and packaging operations, and launched family violence awareness training for our 28,000+ team members. We are currently working on finalising our Endeavour Group Sustainability Strategy which will be released in Q2 F22.

Retail

	F21	F20 ¹	CHANGE
Sales (\$m)	10,178	9,286	9.6%
EBITDA (\$m)	936	807	16.0%
Depreciation and amortisation (\$m)	267	238	12.2%
EBIT (\$m)	669	569	17.6%
Gross margin (%)	24.2	23.1	110 bps
Cost of doing business (%)	17.6	17.0	63 bps
EBIT to sales (%)	6.6	6.1	45 bps

1: F20 refers to the Equivalent F20 result. Refer to the appendix for further detail on comparative figures.

Voice of Customer	Comparable sales growth	Online Sales	Online penetration	ROFE
+75 ↑ 2	8.6% (2-year average 8.2%)	\$859m ↑ 34.7%	8.4% ↑ 157 bps	16.5% ↑ 311 bps

Both BWS and Dan Murphy's are well positioned in the market with customer engagement metrics (VOC NPS) improving again in F21. The My Dan's Membership program attracted an additional 1 million members, growing steadily over the year with total membership now exceeding 5.5 million.

Retail sales for the year were up 9.6% to \$10.2 billion while EBIT grew 17.6% to \$669 million.

Customers switched to in-home consumption, sparked by COVID-19 related restrictions and the closure of on-premise venues which began in March 2020. This created increased retail demand which remained elevated across the first half of F21. During the second half of the financial year, on-premise restrictions eased and retail trading began to normalise.

All major categories of drinks were in growth in F21. The trend towards spirits continued, with this category growing at over 20% in F21 following similarly strong growth in F20. The ongoing shift to premium products was also seen across many categories. There was particularly strong growth in craft beer, Champagne and gin, as well as no-alcohol and low-alcohol alternatives.

The Group made targeted investments to enhance its digital customer experience including improved websites and apps, personalising the My Dan's loyalty offer and improving online fulfilment through both pick-up and delivery. This created the foundation for Endeavour's strong online sales which grew 34.7% in F21. Online now accounts for 8.4% of total Retail sales, up from the prior year's 6.9%.

Endeavour's digital business model leverages its extensive network to offer exceptional convenience to customers, including fast delivery and pick-up options. In F21, sales fulfilled by pick-up grew ahead of delivery and the shift to digital has been sustained even as restrictions eased in various states.

The store network was selectively expanded during F21 and at the end of the financial year, there were 251 Dan Murphy's stores and 1,392 BWS stores in Australia. This represents a net increase of 33 stores during F21.

Hotels

	F21	F20 ¹	CHANGE
Sales (\$m)	1,417	1,320	7.3%
EBITDA (\$m)	499	408	22.3%
Depreciation and amortisation (\$m)	238	233	2.1%
EBIT (\$m)	261	175	49.1%
Gross margin (%)	85.0	83.0	208 bps
Cost of doing business (%)	66.6	69.7	(308) bps
EBIT to sales (%)	18.4	13.3	516 bps

1: F20 refers to the Equivalent F20 result. Refer to the appendix for further detail on comparative figures.

External online reviews	Number of hotels (incl clubs)	Days when all hotels were open	2-year sales growth (decline)	ROFE
4.2/5 ↑0.1	339 ↑+5	195	↓ (13.6%)	6.7% ↑ 224 bps

The 2021 financial year was challenging for the Hotels business due to continuing COVID-19 related trading restrictions and associated costs. Despite these challenges, sales were up 7.3% to \$1.4 billion, while EBIT grew by 49.1% to \$261 million with COVID-19 having significant impacts on both the current and prior year results. In the prior year extensive COVID-19 restrictions were first introduced from March 2020 and full closures were in place for much of Q4 F20.

Restrictions ranged from full nation-wide closures to localised lockdowns and ongoing capacity constraints. To highlight the extent of the impact of COVID-19, there were only 195 days where all of our hotels were open for trading. Additional expenditure was incurred as a result of the pandemic including security and cleaning costs.

Given the challenges presented by COVID-19, the quality of the result is a testament to the resilience of the business and the agility and commitment of the Hotels team. Once restrictions were lifted in each market, strong trading conditions quickly resumed as customers returned to hotels. However towards the end of F21 many jurisdictions returned to a state of lockdown or increased restrictions which has again impacted the operations and profitability of the Hotels business.

During F21, Endeavour Group invested in 26 hotel renewals and 5 hotel acquisitions. The Hotels business also took the opportunity to upgrade a significant portion of its electronic gaming machine fleet, bringing down average fleet age, and to roll out new technology led innovation like facial recognition to facilitate self exclusion, Ticket In Ticket Out (TITO) technology to enable cashless gaming and contactless order-and-pay through me&u.

F22 Outlook

Commenting on the outlook for the 2022 financial year Steve Donohue said: “The strength of this year's result has demonstrated the resilience of our business model and the commitment of our team to living our purpose and values and delivering for their customers and communities. We are excited that we are entering the new year with a robust balance sheet and a significant number of opportunities to create value, including growing our digital engagement, expanding and enhancing our network and optimising our business through a focus on profitability and capital management.”

“We remain committed to maintaining the efforts that saw us deliver positive outcomes for our stakeholders in F21. The recent COVID-19 trading restrictions, which began in June, make it extremely difficult for us to forecast with any degree of certainty how our businesses will perform over the next 12 months. We do know that our teams will continue to adjust and respond to the changing conditions and we will continue to innovate and build for the future beyond COVID-19.

We look forward to keeping you updated as we progress on the journey.”

The release of this announcement has been authorised by the Board.

Further Information

Investors

Warwick Bryan

Mobile: (61) 417 987 304

warwick.bryan@edg.com.au

Media

James Lopez

Mobile: (61) 402 876 947

james.lopez@edg.com.au

The financial information contained in this release is sourced from our Appendix 4E Preliminary Final Report which is sourced from the unaudited Financial Report of Endeavour. The Financial Report is being audited and is expected to be made available on 8 September 2021.

Appendix 1: F21 Earnings Summary

\$ million	F21	F20 ¹	CHANGE
Sales	11,595	10,606	9.3%
Earnings before interest and tax (EBIT)	899	736	22.1%
Finance costs	(247)	n/a	n/a
Profit before income tax	652	n/a	n/a
Income tax expense	(207)	n/a	n/a
Profit for the year (after income tax)	445	n/a	n/a

Appendix 2: F21 Group funds employed

\$ million	F21	F20 ²	CHANGE
Trade working capital ³	483	477	6
Lease assets	3,117	2,983	134
Property, plant and equipment	1,887	1,843	44
Intangible assets	3,845	3,838	7
Other liabilities (net) ⁴	(535)	(507)	(28)
Funds employed	8,797	8,634	163
Tax liabilities (net)	268	224	44
Related party liabilities / (assets)	85	(46)	131
Net debt	1,277	1,458	(181)
Lease liabilities	3,779	3,611	168
Equity	3,388	3,387	1
Total funding & tax	8,797	8,634	163

1. F20 refers to the Equivalent F20 result. Refer to the Appendix 3 for further detail on comparative figures.
2. As the balance sheet is presented at a point in time, the Statutory F20 and Equivalent F20 balance sheets are the same.
3. Comprises trade and other receivables (excluding related party balances), inventories and trade payables.
4. Comprises mainly other financial assets, accruals and provisions.

Appendix 3: Note on comparatives F20 Statutory and Equivalent Information

Statutory F20 relates to the 52-week period ended 28 June 2020. However, this 52-week period only includes the results for Woolworths' Drinks and Hotels businesses after they were transferred to, and merged with, Endeavour Group Limited (Endeavour Group) on 2 February 2020 and 4 February 2020, respectively. Prior to this only the results of Endeavour Group Limited, previously known as Pinnacle Liquor Group Pty Limited, were included.

To enhance comparability of profit or loss information between reporting periods Equivalent F20 financial information is presented, which includes the results of Woolworths' Drinks and Hotels businesses for the full 52-week period ended 28 June 2020. This information has been sourced from the data used in the F20 Woolworths Group Limited ('Woolworths Group') Annual Report, before significant items and adjusted to exclude consolidation adjustments not applicable to the Endeavour Group on a standalone basis.