

ASX Announcement

Investor Presentation

Sydney: Tuesday, 10 October 2023

Endeavour Group Limited (**Endeavour**) (ASX:EDV) attaches briefing materials to be used in discussions with Endeavour's institutional investors ahead of its Annual General Meeting to be held on Tuesday, 31 October 2023.

The release of this announcement was authorised by the Board.

Sean O'Sullivan

Investor Relations

+61 (0)412 139 711

investorrelations@edg.com.au

Lizzy Bold

Media

+61 (0)421 765 446

media@edg.com.au



Endeavour Group

Investor presentation

October 2023



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This presentation contains certain non-IFRS measures that Endeavour Group believes are relevant and appropriate to understanding its business. Refer to Endeavour Group's 2023 Financial Report issued on 16 August 2023 for further details. F19 information is based on a normalised 52-week equivalent in F19.

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The release of this presentation has been authorised by the Board of Directors.

Endeavour Group Limited ACN 159 767 843 | 26 Waterloo Street, Surry Hills, NSW, 2010

Responses to Bruce Mathieson Group (BMG) statements¹

The Bruce Mathieson Group has relied on selective and incomplete information to present a negative view of the Company's performance

Where data is available, we view the period between F19 and F23 as most comparable: COVID-19 significantly impacted trading in both our divisions, distorting underlying trends and making comparisons between COVID and non-COVID financial years less relevant

BMG statements

Endeavour Group performance and context

The Endeavour Board has overseen material value destruction

- Since demerger, Endeavour has delivered 19% growth in earnings per share, 14% growth in EBIT and declared \$752m in fully franked dividends to its shareholders²
- The Board and Management of Endeavour acknowledge the Company's disappointing share price performance and are committed to a strategy that we believe will increase shareholder value. It is important to contextualise the EDV share price performance, however, across both retail and gaming peers rather than a select group of food retailers
- **Long term value is created through sustained earnings growth** not short term share price movements (the Bruce Mathieson Group analysis is based on a selective peak to trough analysis)
- Selling groceries is not Endeavour's principal activity; its primary operations are in retail liquor and hotels. **The impacts of regulation (expectation of regulatory change) and Covid have been different for Endeavour relative to companies selected by BMG in its analysis (i.e. Woolworths, Coles and Metcash)**

Endeavour has forgotten the key ingredients of its success

- **Dan Murphy's and BWS maintain the strongest brand preference among consumers versus competitors³**
- Endeavour has no intention of shifting away from its very successful Dan Murphy's large store format
- The My Dan's program (5.2m active members, growing at a 23% compound annual growth rate since F19⁴) delivers Endeavour unique customer insights and the opportunity to explore additional formats similar to the strategies of other leading global and domestic omnichannel retailers. We are trialling three concept stores ("The Cellar" by Dan Murphy's) as an example of this strategy.

Revenue growth is anaemic and behind inflation

- **BMG's analysis uses F21 as a starting reference point, which was the peak retail sales period during the COVID-19 pandemic** when Retail sales were materially elevated compared to competitors, largely due to Endeavour's superior online offering
- When compared to pre-covid (F19), Retail revenue has grown at a compound average annual growth rate of 4.0%⁵. Revenue per store has increased from \$5.4m to \$5.8m⁶
- Since F19, the Retail business has generated >2.5x the total sales uplift of its nearest competitor⁷ and is an eCommerce leader

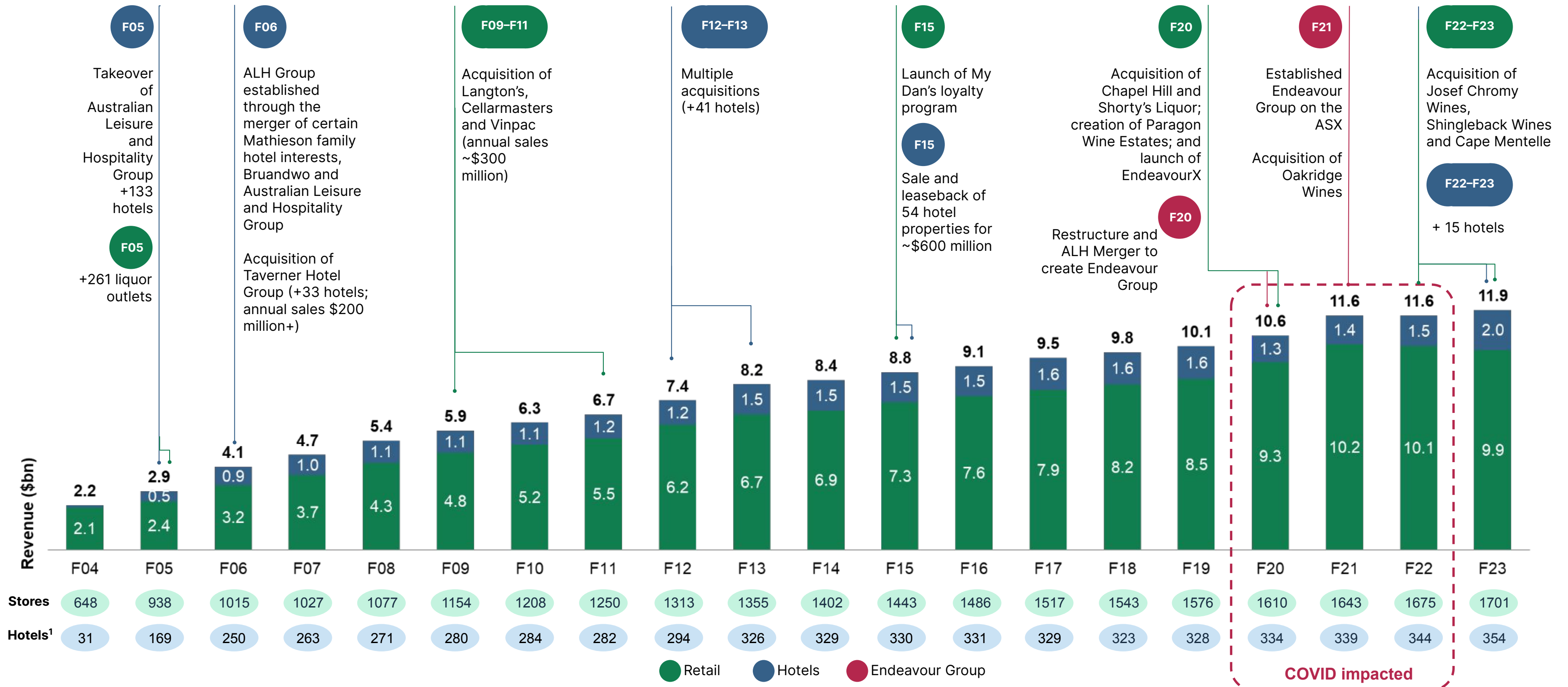
Responses to Bruce Mathieson Group (BMG) statements *(cont'd)*

BMG statements	Endeavour Group performance and context
<p>Costs are out of control</p>	<ul style="list-style-type: none"> From F19 to F23, EBIT has grown at a compound average annual growth rate of 5.3%, ahead of Revenue with a compound average annual growth rate of 4.2% – i.e. EBIT has grown ahead of sales¹ Endeavour targets earnings growth through a balance of gross profit margin management and cost control to mitigate impacts of cost inflation. In the current macroeconomic context, and high-cost-inflation environment, we are focused on continuing to find opportunities for cost containment Endeavour has an optimisation program, endeavourGO, which has delivered \$90m in savings over F22-F23 and aims to deliver \$200 million+ of further optimisation savings between F24-F26² Endeavour's projected annual corporate costs on demerger were \$56m³. Endeavour incurred \$57m in corporate costs in F22 and \$63m in F23⁴. The \$47m of corporate costs at demerger referenced by BMG represent the estimate of additional, rather than total, costs that Endeavour would incur as a separate listed entity, as disclosed in the Endeavour Demerger Booklet Endeavour operates in a regulated industry and is focused on responsible provision of gaming and sale of liquor. The corporate overhead of \$63m in F23 includes investments in legal, risk, compliance and sustainability which are key to our strategy⁵
<p>Absence of direction on One Endeavour Strategy</p>	<ul style="list-style-type: none"> The statement that this program is 'over budget and delayed progress relative to demerger' cannot be substantiated, as this strategy has been developed after the demerger The One Endeavour technology transformation, to transition and simplify our business as a foundation for growth, is underway and updates have been provided to market as part of half yearly results presentations
<p>Balance sheet discipline is weak</p>	<ul style="list-style-type: none"> Balance sheet leverage is in line with the level at demerger; and Endeavour maintains a financial profile consistent with investment grade metrics Inventory days⁶ in F23 is in line with pre-covid level, albeit target is to reduce further given impact of supply chain disruption which inflated F23 inventory levels Debt serviceability is not challenged; in the ordinary course of trading, normalised annual cash realisation is expected to be in the range of 90-110%
<p>Inefficient capital deployment</p>	<ul style="list-style-type: none"> Endeavour's principal activity is not selling groceries; it retails liquor and operates hotels. It operates in regulated markets which require a different mix of assets and capital allocation. For example, the capital requirements of a portfolio of Hotels (including liquor and gaming licence requirements) are fundamentally different to that of a food retailer Endeavour has a disciplined capital management framework ROFE has increased +280bps since F20 (F19 data not available)⁷
<p>Management and the Board not performing or fit for purpose</p>	<ul style="list-style-type: none"> The Board was part of one of the largest demergers in Australian history and has established a solid corporate governance risk management framework Endeavour has a minimum shareholding policy which aligns Board member and Management interests to those of our shareholders The Board are committed and engaged – the Endeavour Board has met 34 times since demerger with 98% director participation⁸ The Endeavour Management team has many years of combined experience in the retail and hotel sectors, with CEO Steve Donohue having 30 years experience across the industry and holding a broad range of roles at Woolworths since commencing at Dan Murphy's in 1994

Key investment highlights

- ✓ We have a portfolio of leading brands and businesses with a proven track record of growth and profitability
- ✓ We operate leading Retail businesses underpinned by our strength in eCommerce
- ✓ We are investing in our Hotels to position them for growth and long-term value creation
- ✓ We have an efficient end-to-end business and a program to deliver continued cost optimisation
- ✓ We have driven earnings growth and ROFE expansion through targeted investments across our portfolio
- ✓ We have a focused and disciplined capital management framework to support continued accretive investment and deliver returns to our shareholders

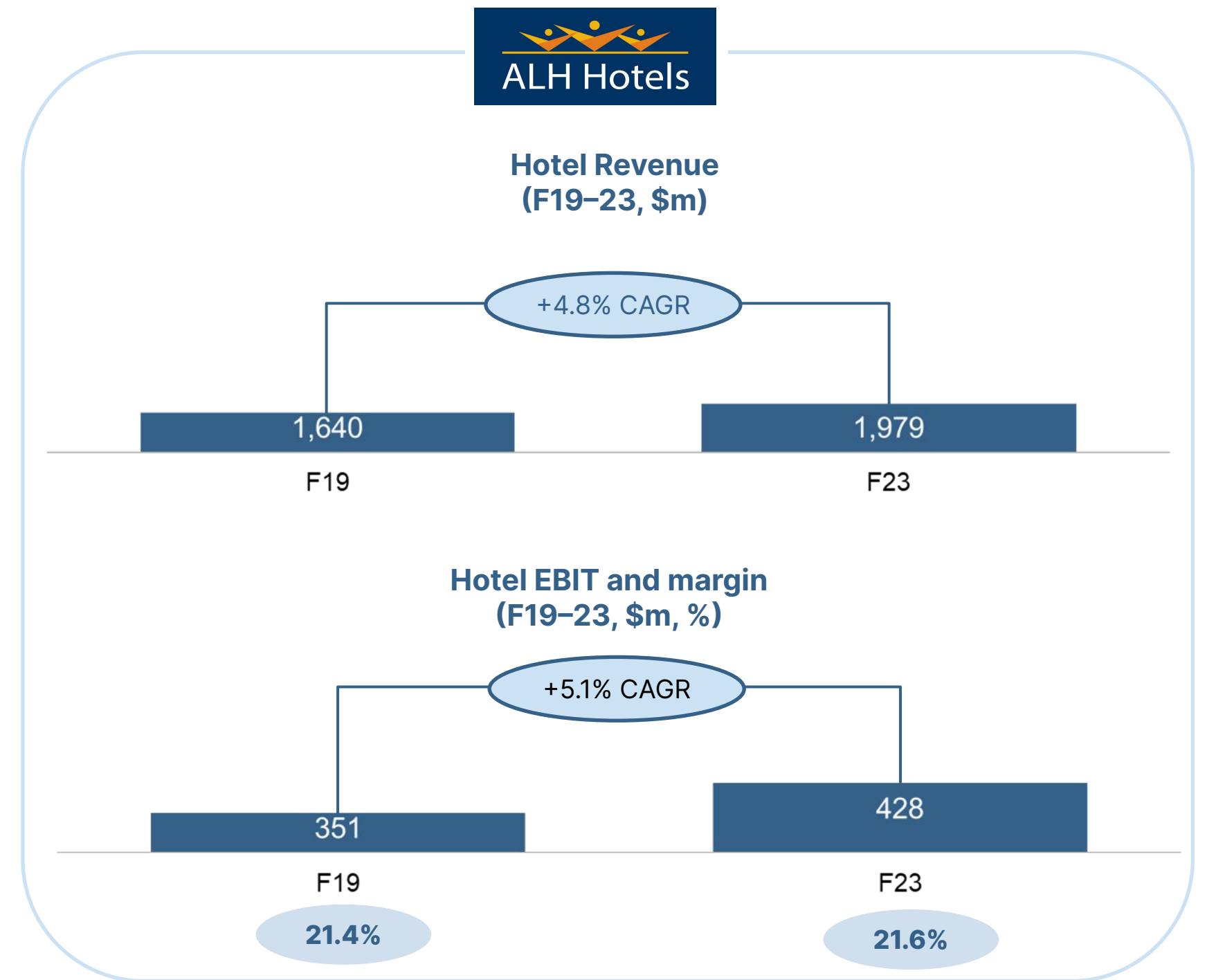
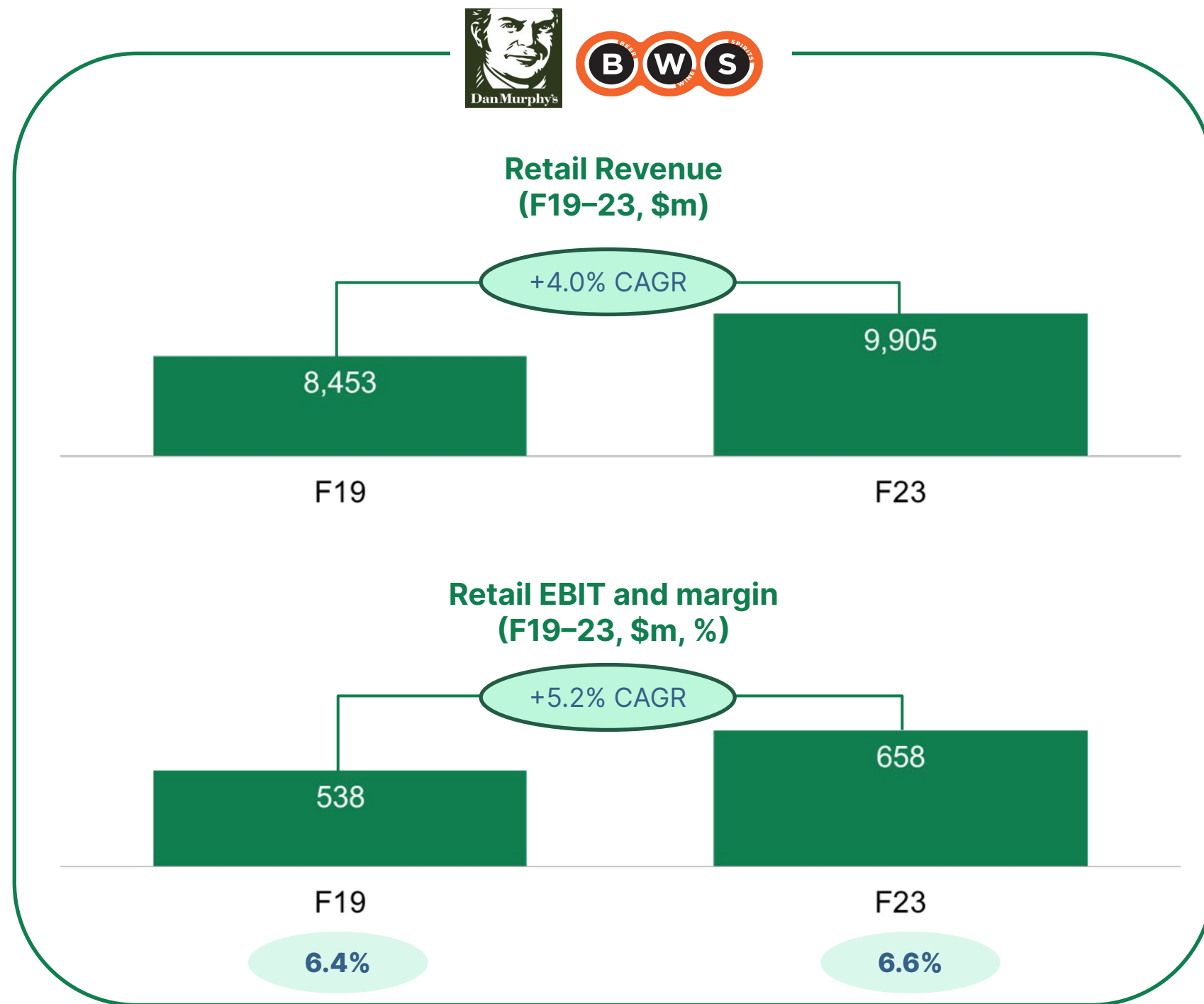
Our business has a history of strong and sustained growth



Notes: Due to rounding, numbers presented in this chart may not add up to precisely to the totals presented. (1) Includes managed clubs

We are delivering results in each of our core businesses

Strong growth demonstrated between the F19-F23 period¹, with profit growing ahead of sales

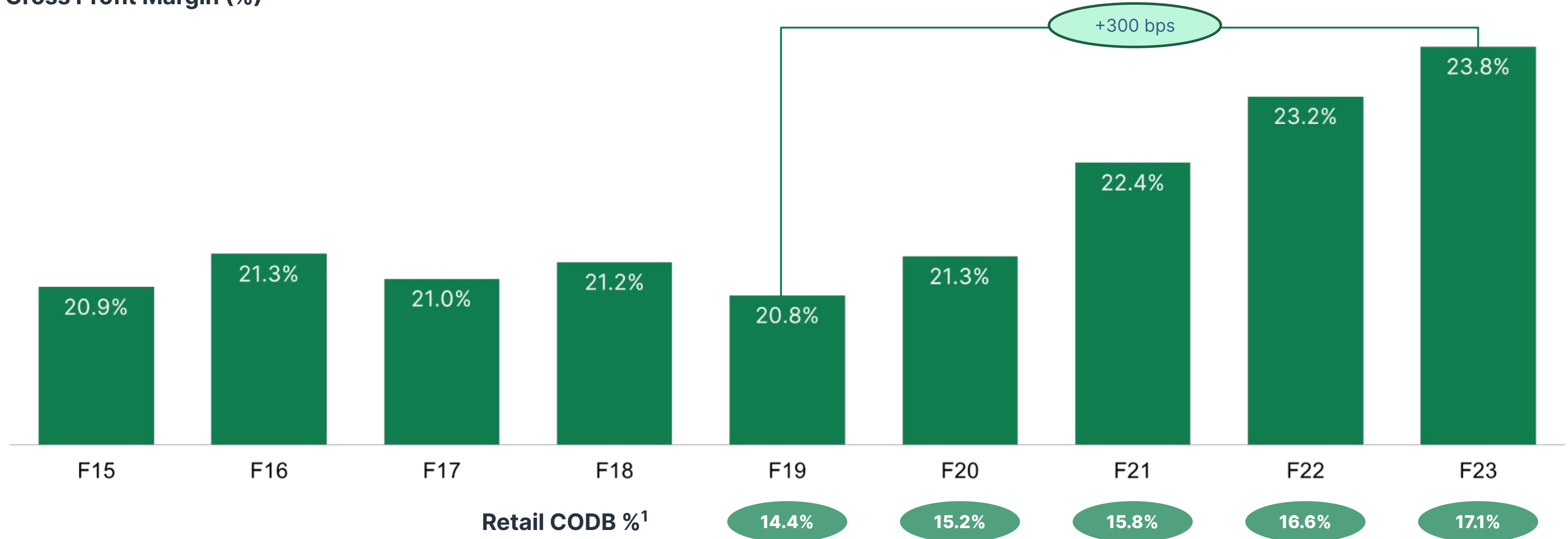


Notes: (1) Comparing results pre-COVID-19 to post-COVID-19 to reflect normalised and undisrupted results

Retail business is sustainably growing trading margin

Gross profit margin growth accelerated F19-23, driven by product innovation, better buying and premiumisation. This was underpinned by a step up in investment in digital, data and analytics.

Retail Gross Profit Margin (%)¹

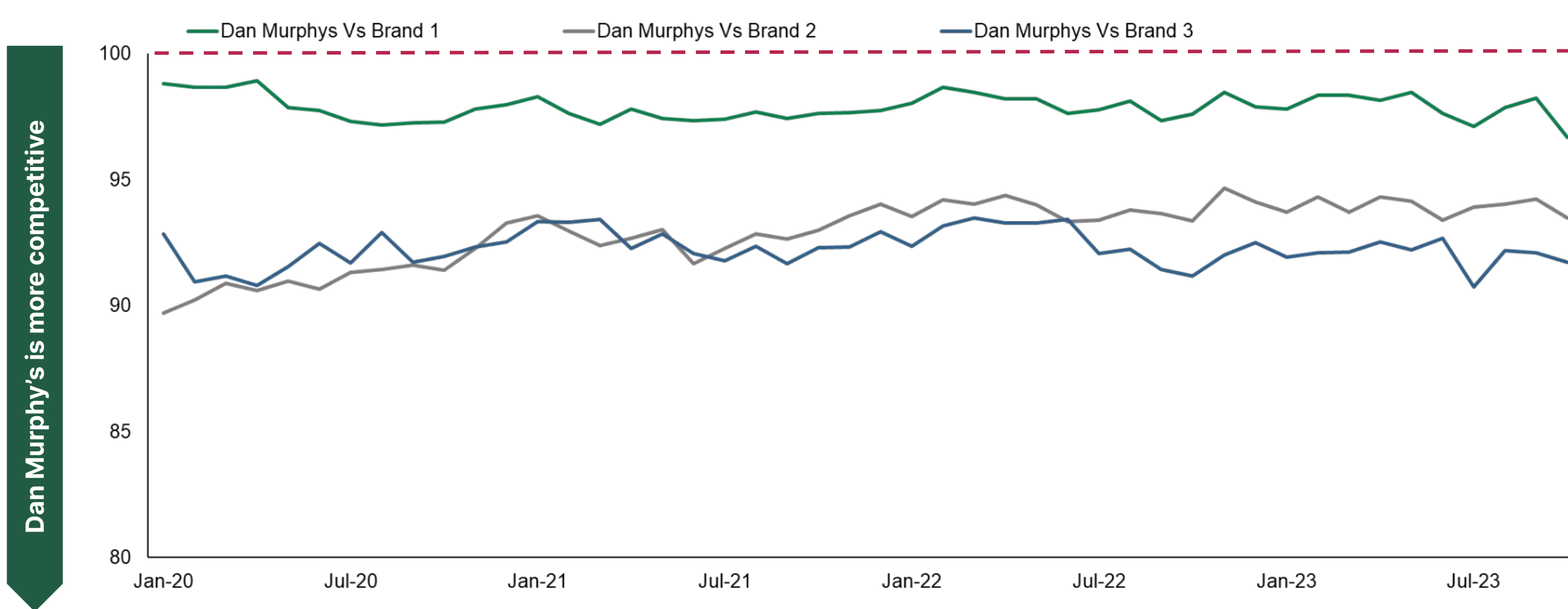


Source: Certain information obtained from Woolworths Company filings

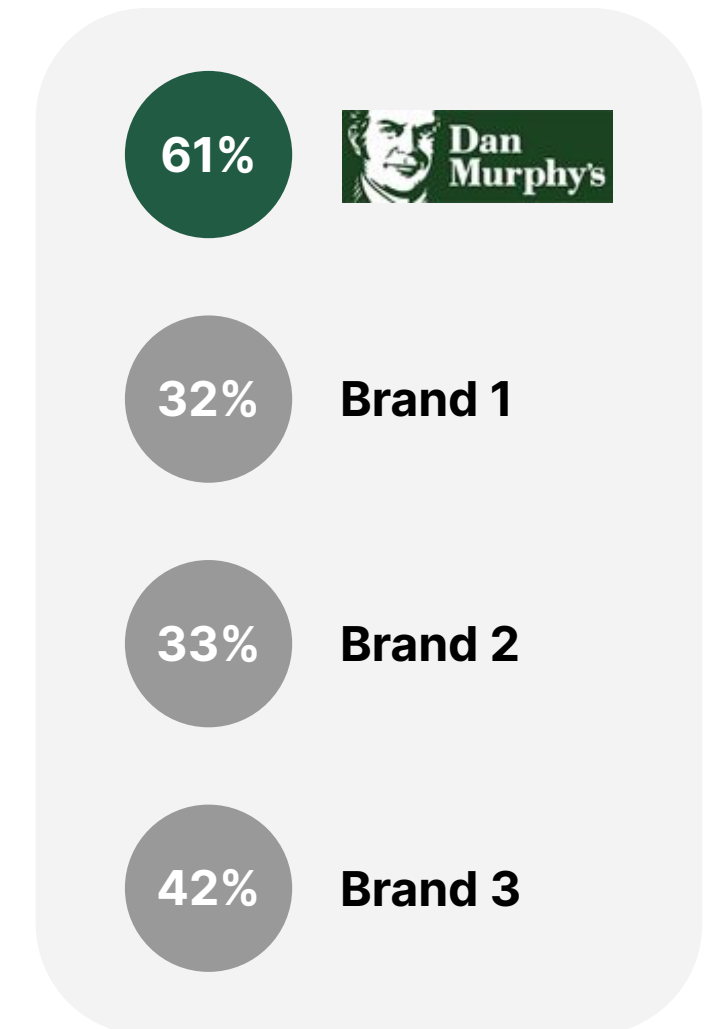
Notes: (1) Gross profit and CODB margins prior to F22 have been restated to account for the estimated impact of reclassification between Gross Profit and Cost of Doing business that occurred in F22, providing a like-for-like comparison

Dan Murphy's lowest liquor price guarantee supports real price leadership, driving market leading value perception

Dan Murphy's actual price index (weighted relative price of product basket¹)



Value perception (%)²

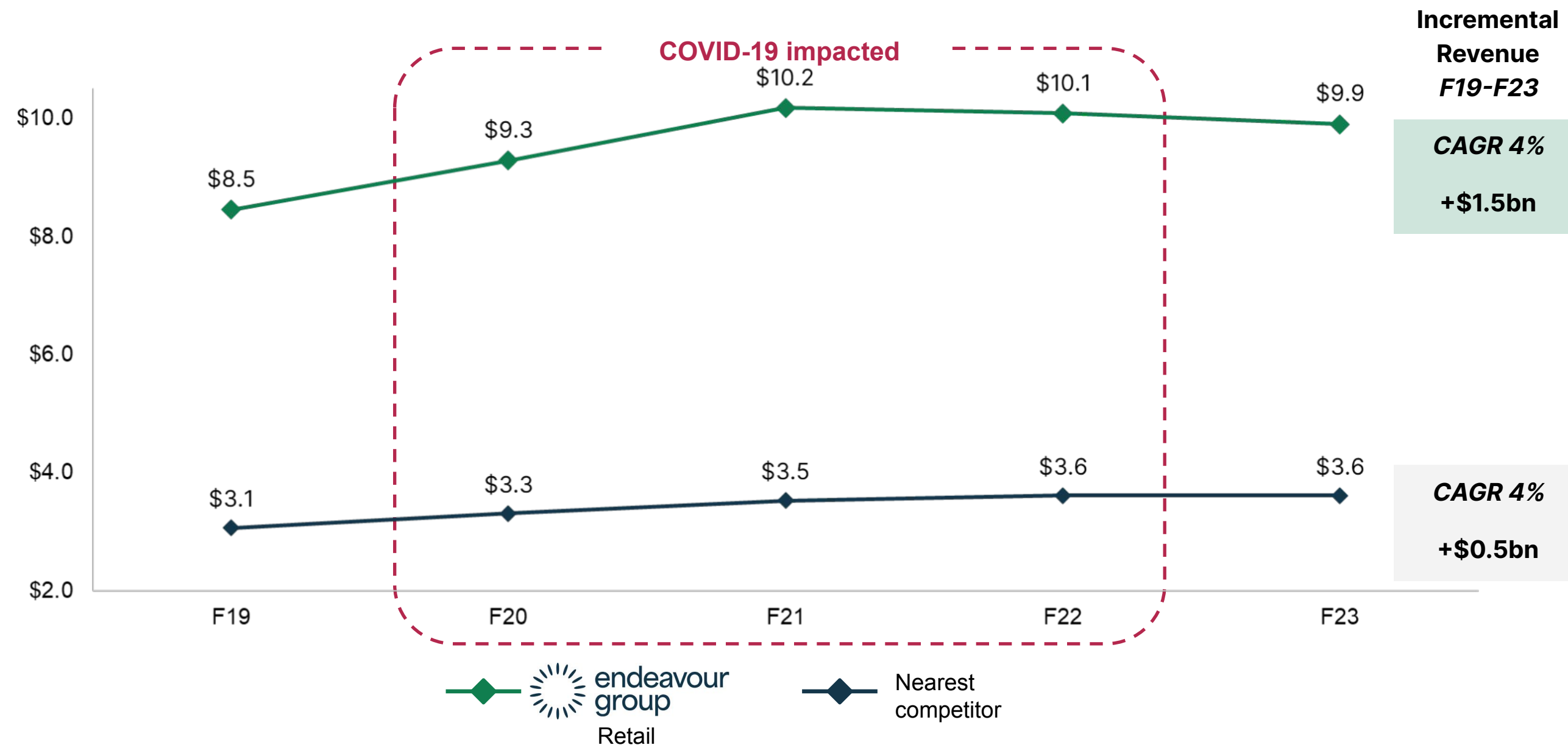


Notes: (1) Source: Competitor product pricing information is sourced by Endeavour through a number of channels, mostly external providers. Pricing is reviewed on a product by product basis against many different suppliers. Product comparisons are weighted by Endeavour's volume mix to create a weighted index. Higher volume lines will have a bigger impact on the index than smaller lines. (2) Source: Ergo Liquortracker survey; based on the average % of people who agree with each of the following statements about each brand: "has low prices", "has great special offers", "Offers good value for money"; 3-month rolled as at August 2023

Our Retail business has grown sales meaningfully since F19

We materially outperformed during COVID, driven by Dan Murphy's category destination status and an extreme acceleration in eCommerce

Retail Revenue (F19–23, \$bn)



We remain focused on profitable growth

We have grown revenue at the same rate as our nearest competitor over F19-23, off a much larger base

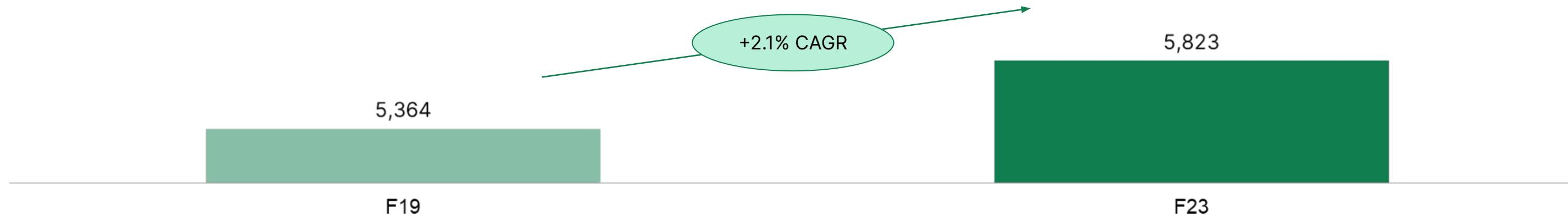
In F23 **we delivered an EBIT margin 200+bps higher** than our nearest competitor

Source: Company filings

Our Retail store network has continued to grow profitably

Revenue and EBIT per store has outpaced store growth across our network

Retail revenue / store (\$'000)¹



Retail EBIT / store (\$'000)¹



Net # of stores¹



Note: (1) Based on store count as at financial year end

We operate an efficient network

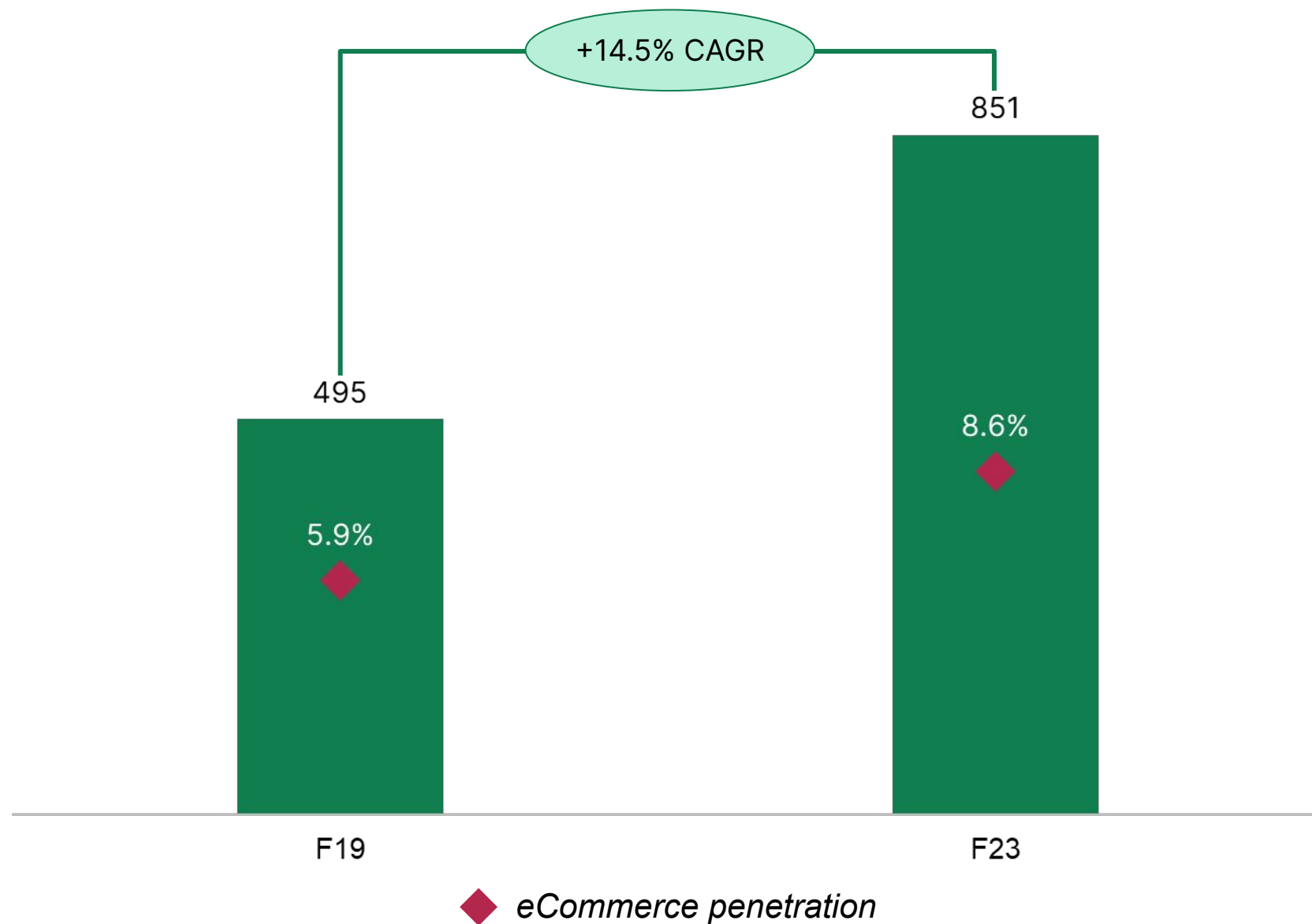
EBIT per store has grown faster than revenue per store - with both measures outpacing network growth

In F23 **our revenue per store was ~50% higher than our nearest competitor**

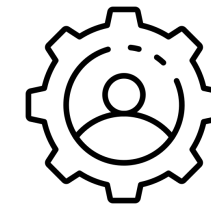
Our Retail businesses are eCommerce leaders in the category

Market leading eCommerce platform, powered by 5.2m active MyDan's members

Retail eCommerce sales (A\$m) and eCommerce penetration (%)



eCommerce business overview¹



~36% of Dan Murphy's and BWS sales digitally influenced



Dan Murphy's has 11% online penetration with ~60% of Dan Murphy's online sales picked up in store



5.2m active My Dan's members

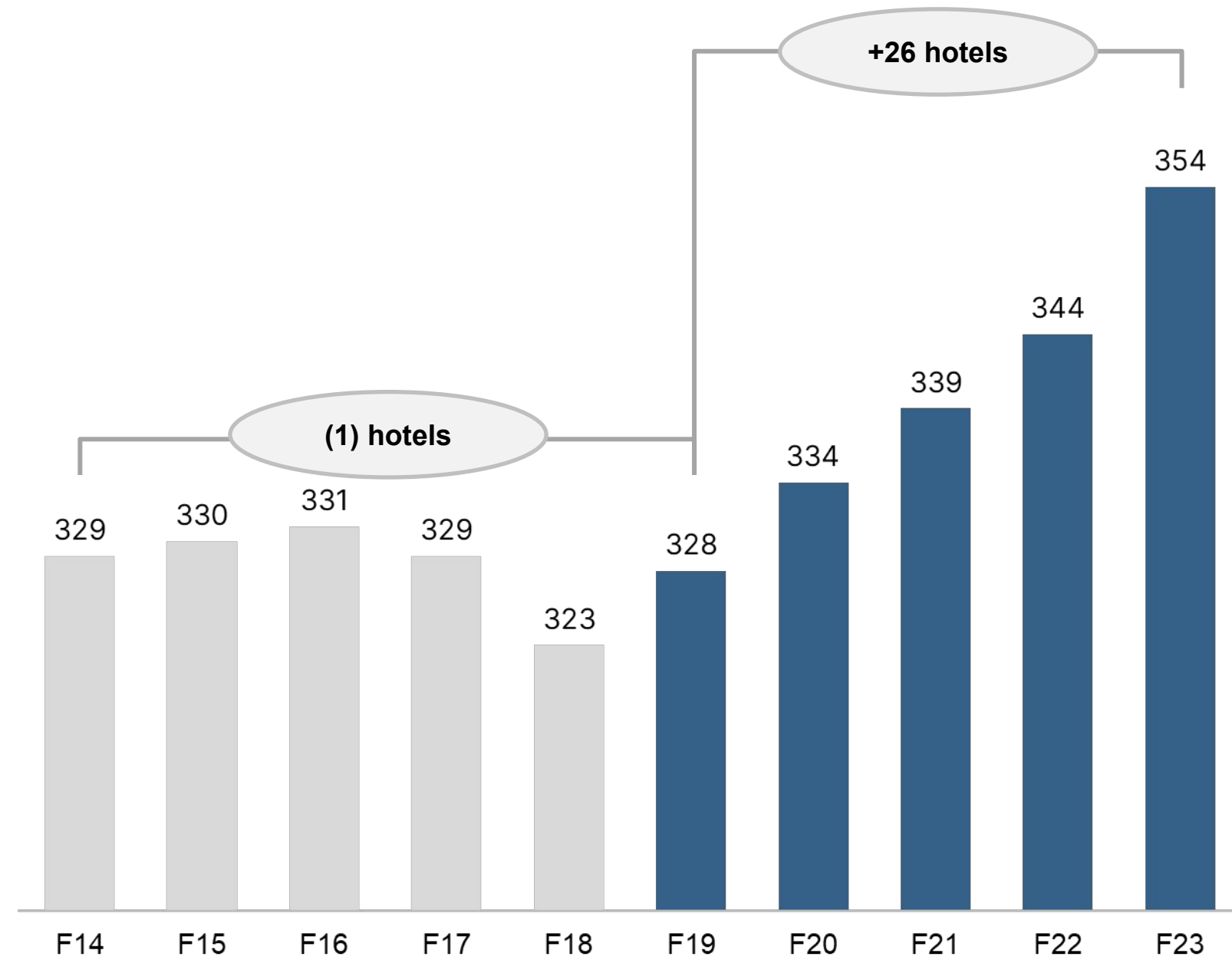


400,000 active users of BWS app during Summer 'cooler' campaign

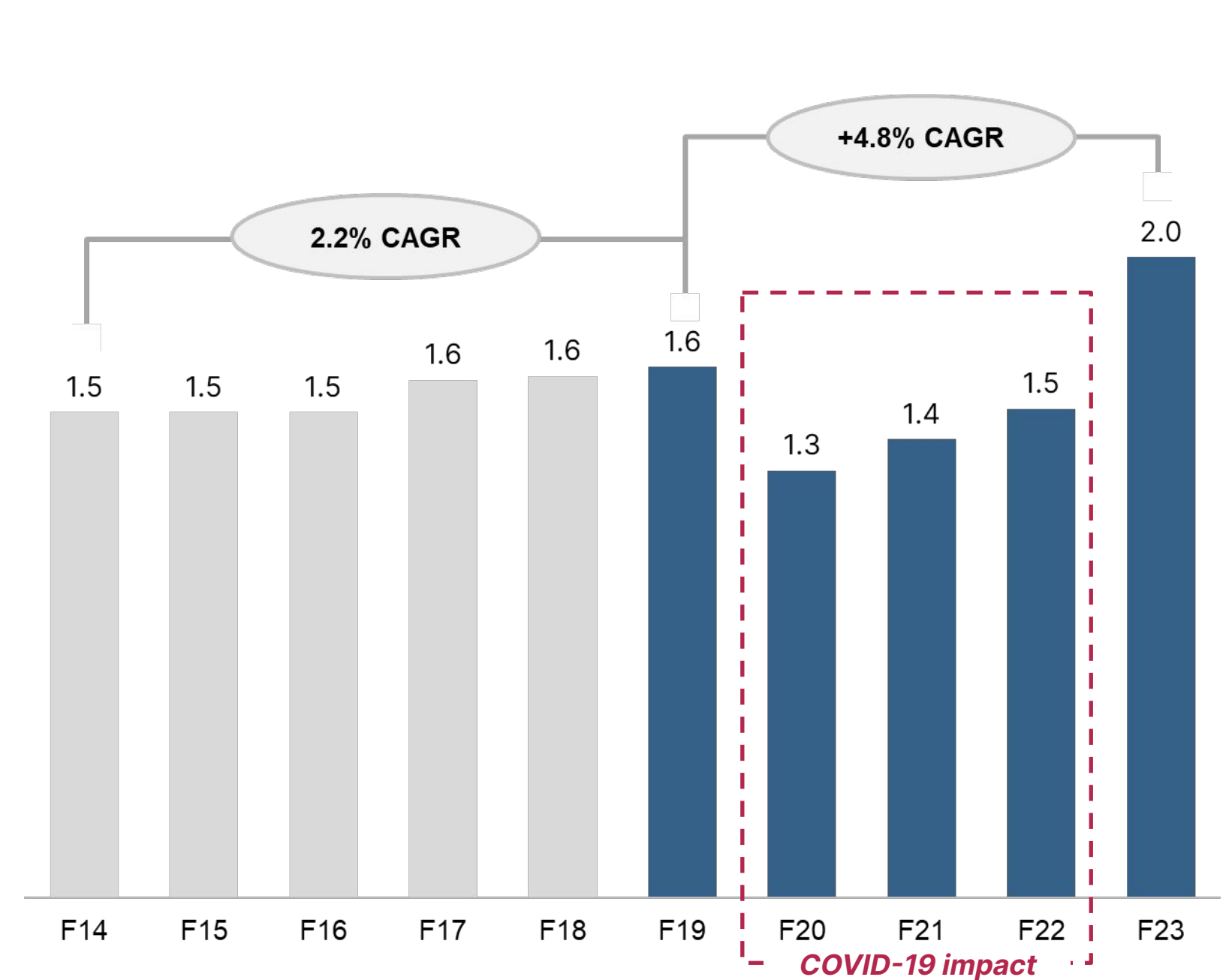
Note: (1) F23 information

We have invested in our Hotels network to position it for growth

Hotels, including managed clubs (#)



Revenue (\$bn)

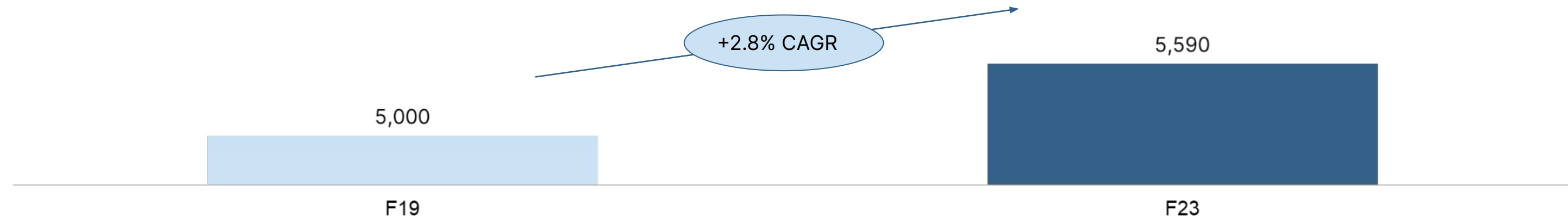


Source: Certain information obtained from Woolworths Company filings

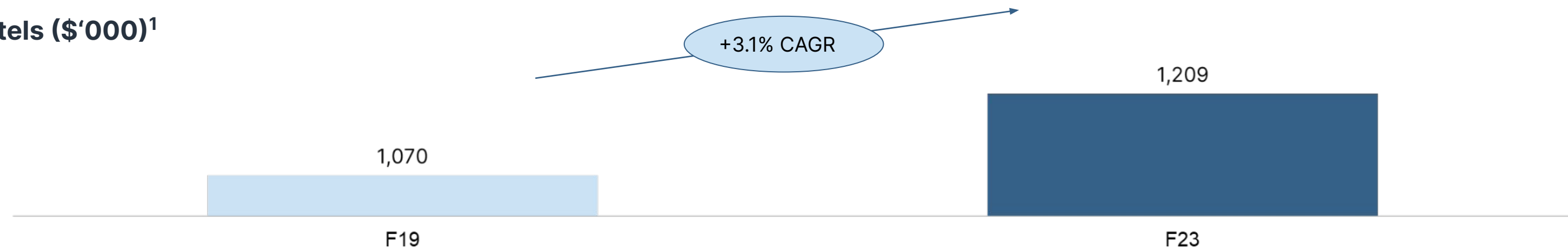
Our Hotels network has continued to grow profitably

Revenue and EBIT per store has outpaced growth of number of hotels in the network

Hotel revenue / hotels (\$'000)¹



Hotel EBIT / hotels (\$'000)¹



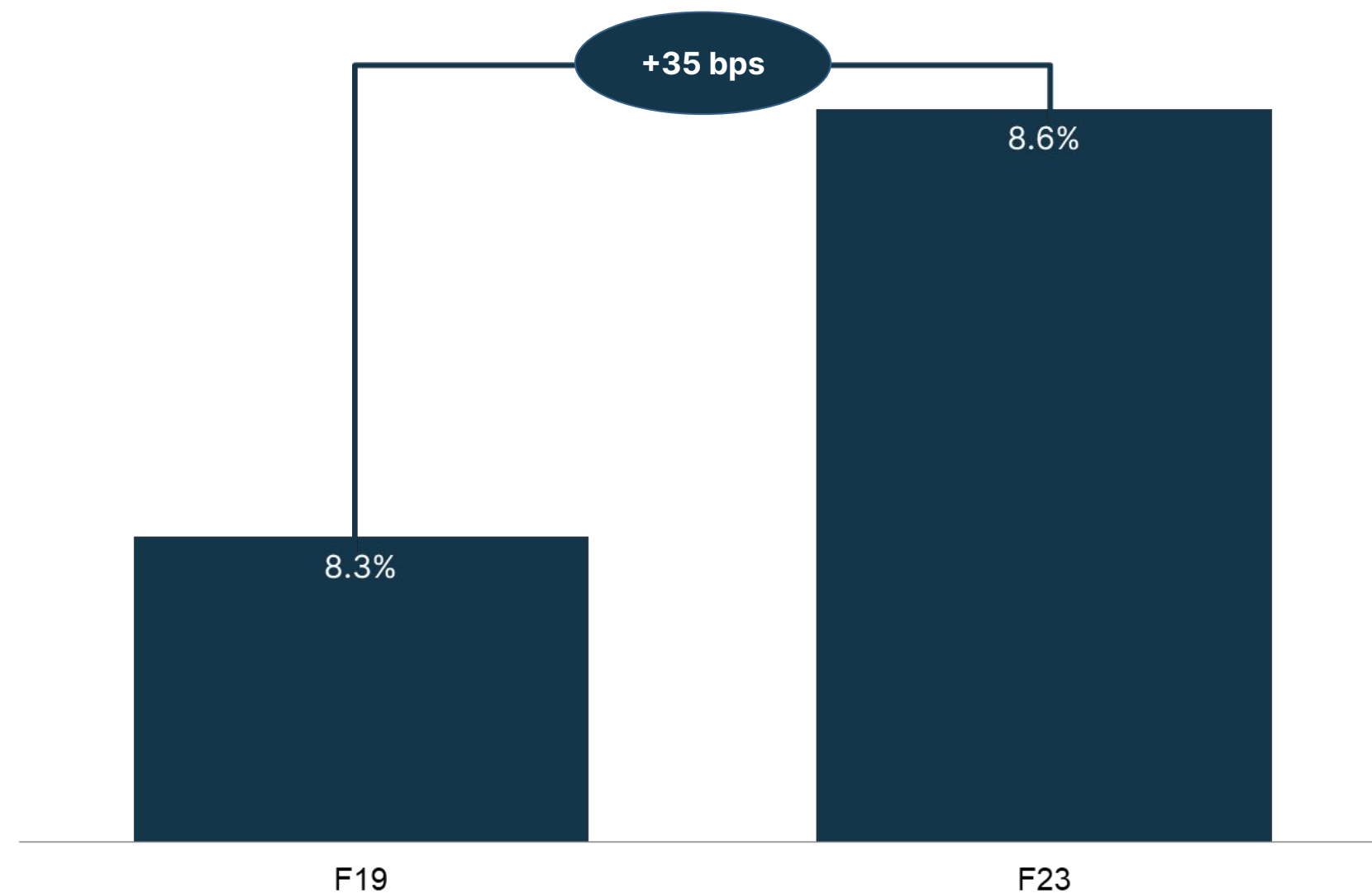
Net # of hotels¹



Source: Certain information obtained from Woolworths Company filings
Note: (1) Based on hotel count as at financial year end, including managed clubs

Growing Group earnings through margin management and cost control

Group EBIT margin (F19-23, %)



- **We grow Group EBIT through a balance of sales growth, gross profit margin management and cost control to mitigate impacts of cost inflation**
- We invest in capability that drives growth and margin expansion: digital, data and online; Pinnacle innovation; and new product development
- In the current macroeconomic context we are focused on continuing to find opportunities for cost containment and are delivering on our optimisation program, endeavourGO
- **We operate in a regulated industry and are focused on the responsible provision of gaming and sale of liquor.** Our corporate overhead includes investments in legal, risk, compliance and sustainability which are key to our strategy

Source: F23 Endeavour Annual Report, Endeavour Demerger Booklet

We have an optimisation program in place that is delivering sustainable operating efficiency



F22

\$30m savings delivered

Created the **Retail GO framework** and **delivered initial Retail benefits**

-  Sophisticated **rostering and labour planning** program
-  Simplified **in-store processes** and routines
-  **eCommerce delivery** Optimisation

F23

\$60m savings delivered

Evolved into endeavourGO, a Center of Excellence, to cover Hotels and Group Services

-  Ongoing **sophisticated workforce planning**
-  Continuation of **in-store processes** simplification
-  Optimisation of hotels **operations and processes**

F24-F26

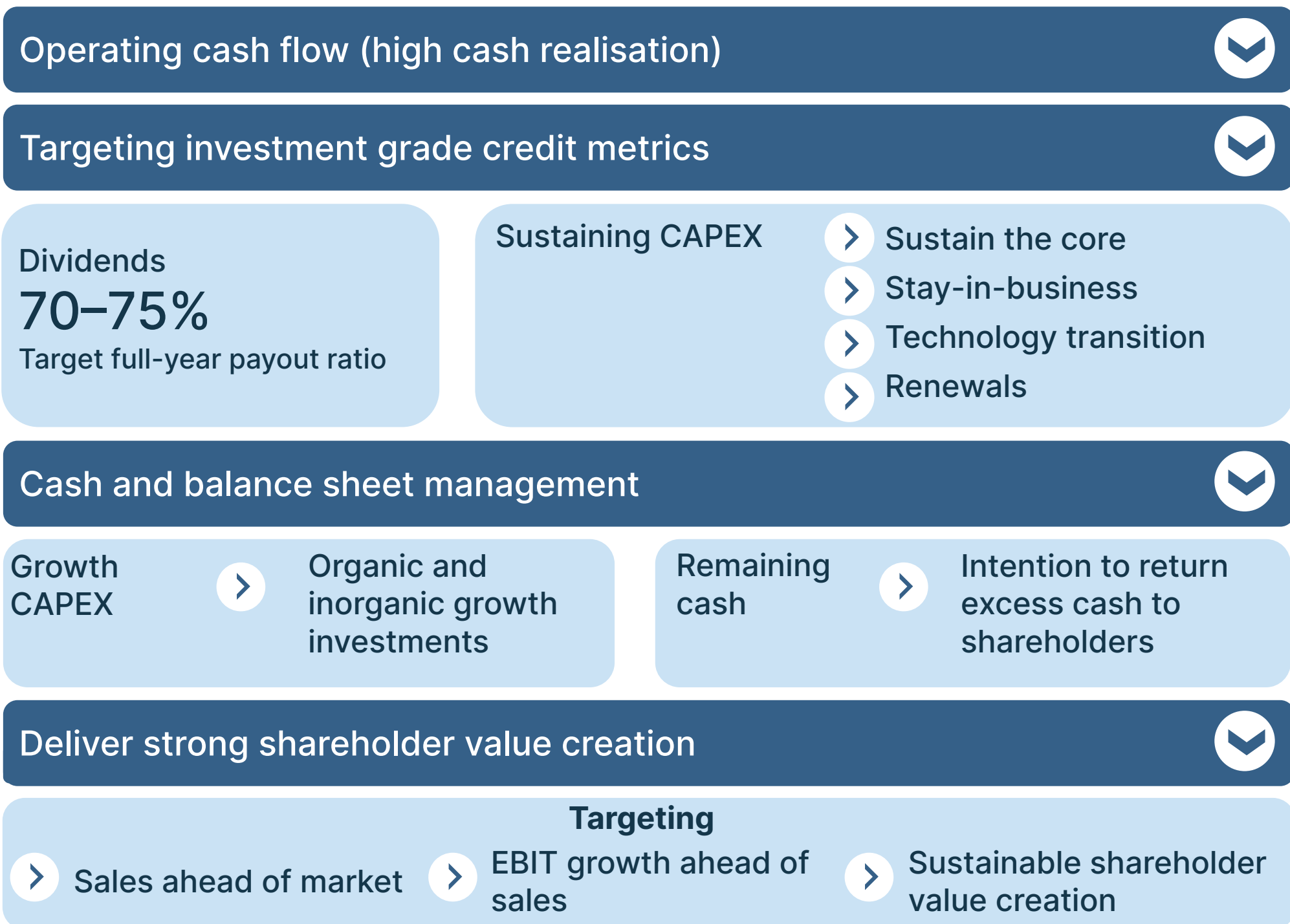
\$200m+ savings target

Technology enabled **Group wide program**, targeting efficiencies across the **end-to-end value chain**

-  **Retail GO:** Building robust and cross-functional retail capabilities
-  **Hotel GO:** Leveraging learnings from Retail to unlock savings in Hotels
-  **Group Services GO:** Building our long-term Group Services strategy

Source: F23 Endeavour investor presentation

Disciplined capital allocation framework in place

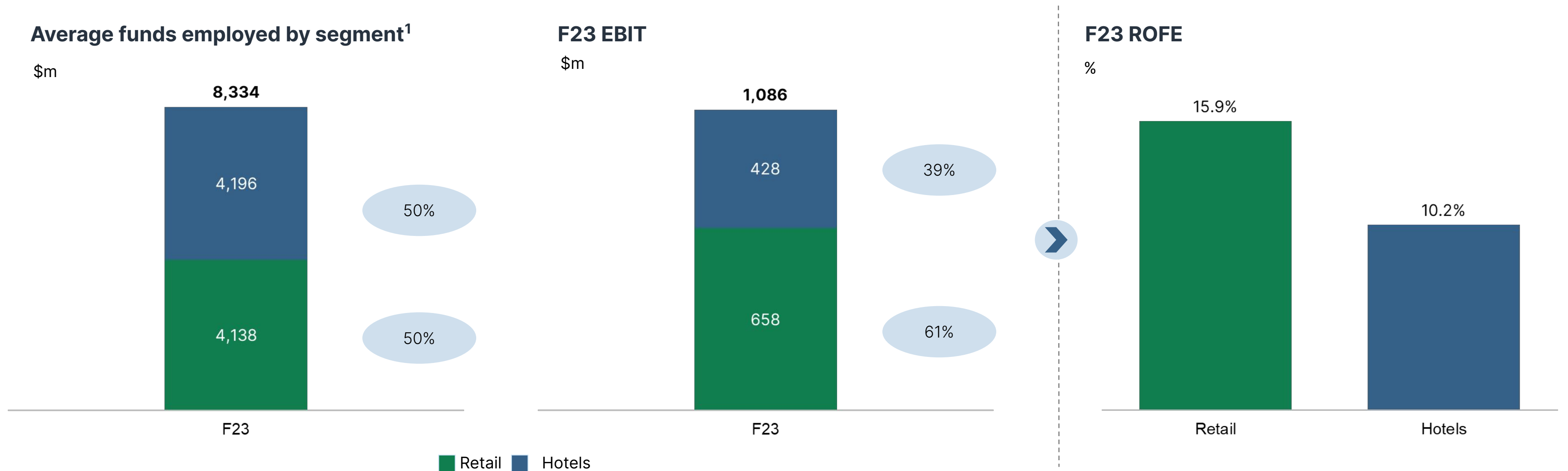


- **Annual cash realisation expected to be ~90-110%** (COVID / one off impacts have driven fluctuation)
- Free cashflow deployed to dividends and capital investments
- Growth capex return hurdles are risk weighted, with low risk investment hurdle ~15% ROI¹
- Opportunity to generate further cash flow from freehold property assets

Note: (1) Return on investment is calculated as Year 2 EBIT as a percentage of invested capital. Invested capital is total capital expenditure, net of depreciation

Capital allocation between segments

In a rising cost of capital environment, we are actively exploring opportunities to continually optimise capital across the group



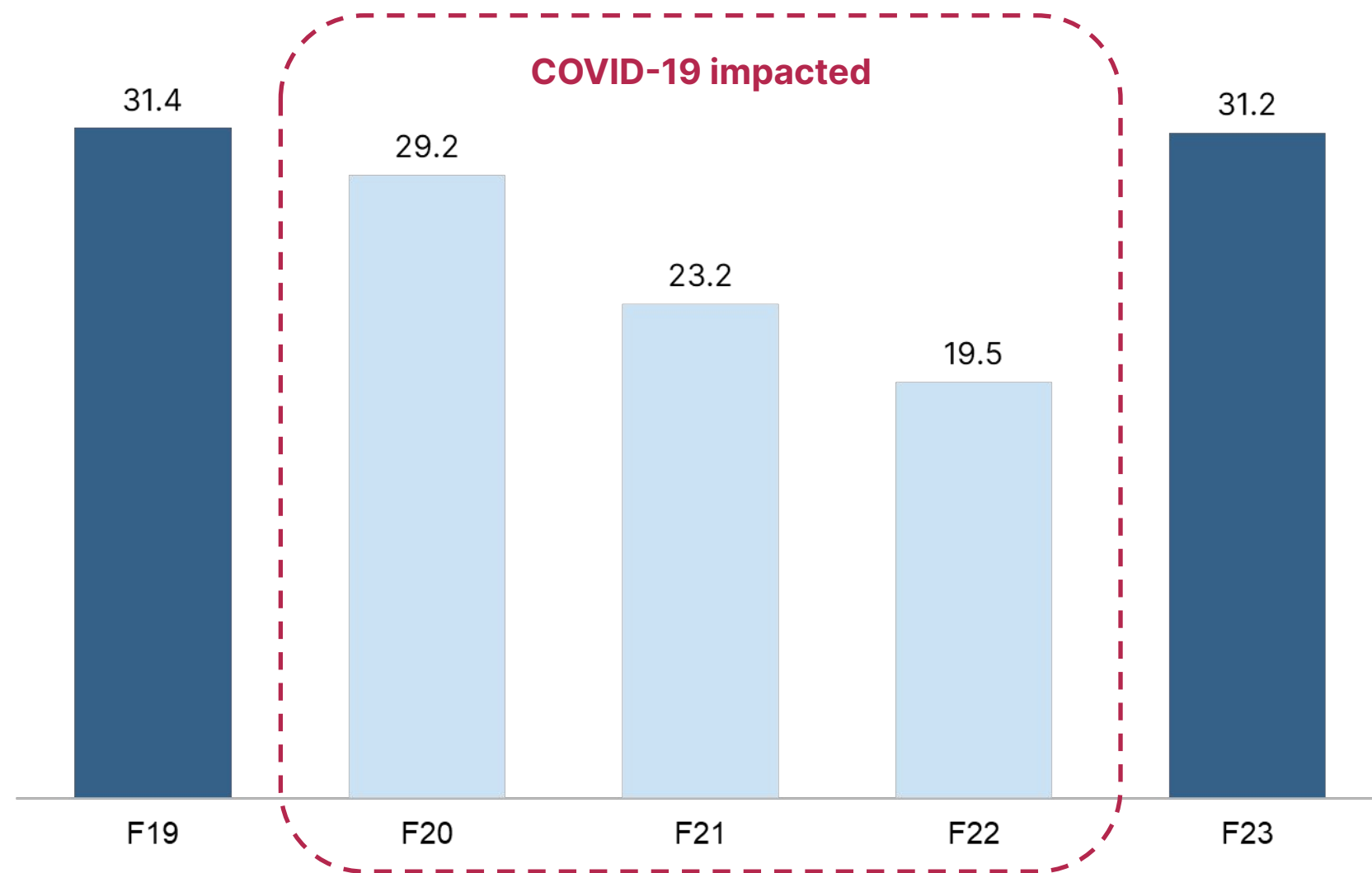
We are focused on enhancing the performance of our Hotels portfolio to drive improved returns

Note: (1) F23. Calculated by dividing segment EBIT by reported segment ROFE. ROFE is calculated as EBIT for the previous 12 months as a percentage of 13 month average adjusted funds employed

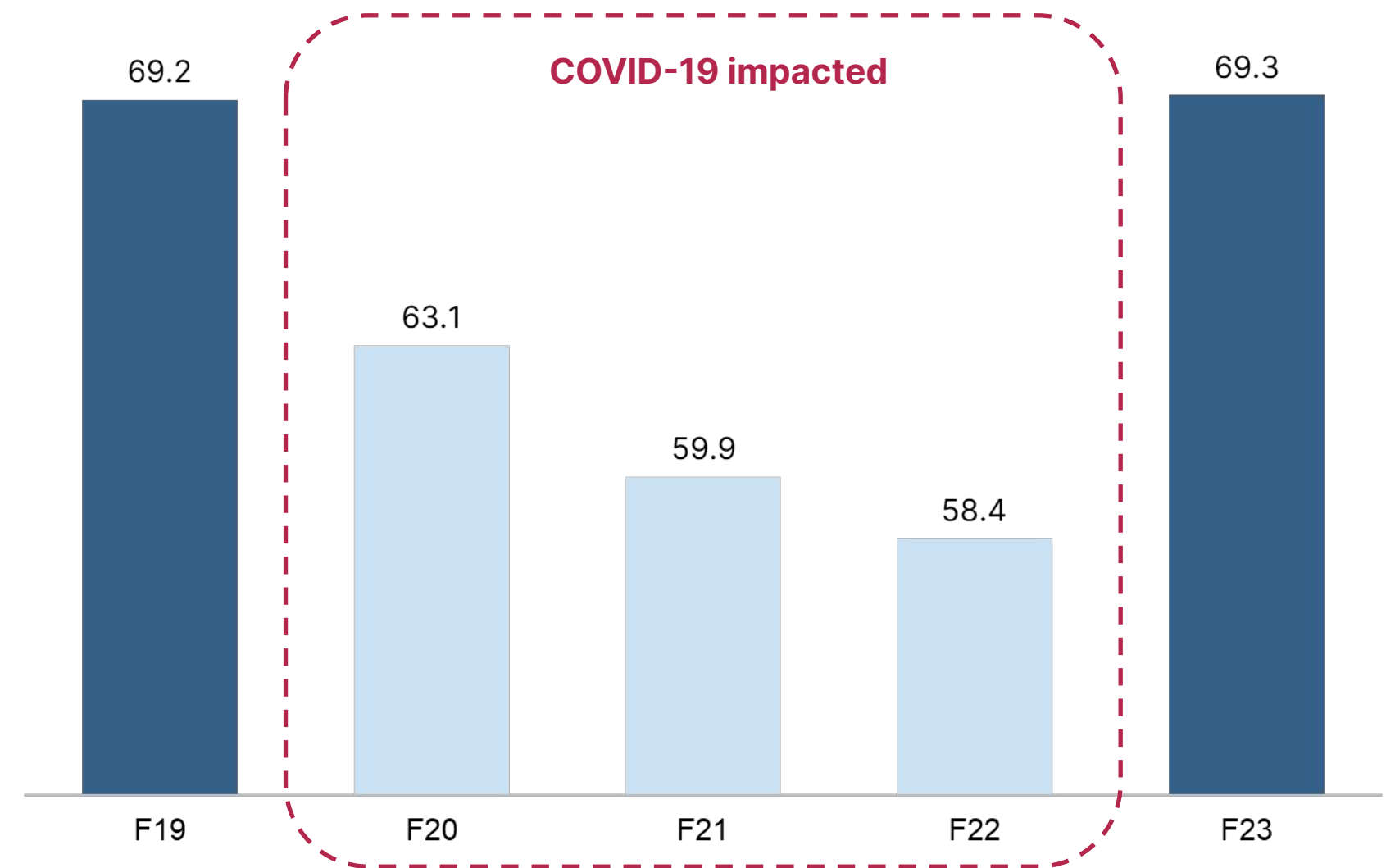
Working capital management

Working capital levels have normalised following COVID-19 supply chain disruptions

Trade working capital days¹



Inventory days²



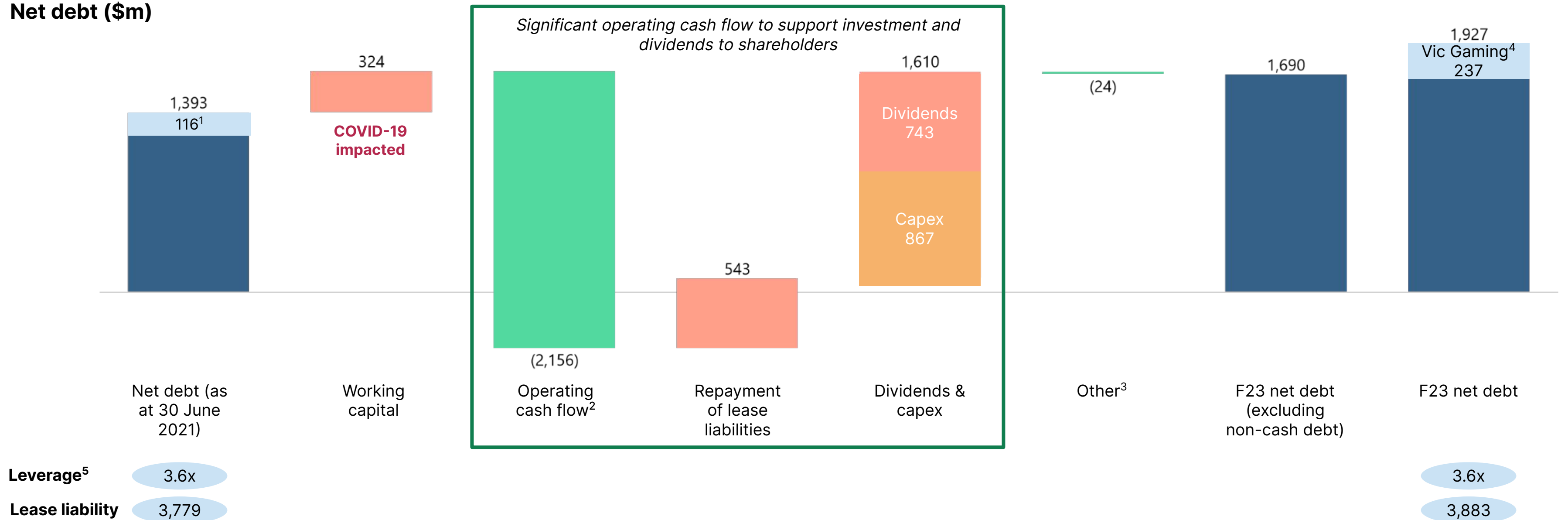
We are targeting further working capital days reduction from F24

Notes: (1) Trade working capital days calculated as the average monthly Trade Working Capital for the 13 month period divided by the total COGS for the year, multiplied by 364 (except for FY19, which was multiplied by 371 being a 53 week year). Trade Working Capital calculated as the sum of receivables, payables and inventory. (2) Inventory days calculated as the average 13 month inventory balance divided by the total COGS for the year, multiplied by 364

Net debt remains within target levels supportive of future growth and returns

Significant free cashflow generation supports shareholder distributions and investment

Net debt (\$m)



Growth in net debt primarily driven by (one-off) working capital increase post COVID disruption, catch up in tax payments and Victorian gaming entitlement 10 year renewal

Since demerger we have been investing in our sustainability agenda with an emphasis on responsibility & community

Player Protect

Player Protect is our commitment to leading the way in responsible gaming

- Evolution of the Group's holistic approach to responsible gaming in ALH
- Whole-of-business framework
- Covering policies, support for players inside and outside the pub, information, education and pastoral care programs
- Includes new technology and trials in consultation with Governments and regulators



We're committed to compliance to ensure we are **leaders in the responsible alcohol and gaming service**



We work closely with regulators to ensure we pursue **leading standards** and **meet industry requirements**



We're here for our customers, and are dedicated to ensuring they **engage with us responsibly**



We respect our customers' privacy and emphasise the need for **robust privacy principles and practices**

We are continuing to work with Governments and regulators on trials and pilots for proposed changes in all jurisdictions

Strong performance through our first two years as a listed company, but there is more to do

We have focused on delivering stability and value since demerger



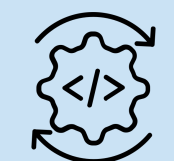
Strong, sustained and profitable growth across our core businesses



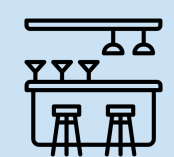
Digital investments have delivered an engaged customer base and driven mix-shift benefits across our omnichannel Retail portfolio



Price leadership maintained, with strong brand resonance across Dan Murphy's and BWS



Optimisation of Retail and Hotels network to deliver EBIT growth ahead of sales



Investment and enhancement of our Hotels portfolio to position it for growth

...with more to do to unlock the next phase of growth



Drive earnings growth through a balance of sales growth, gross profit margin management, and cost control



Continued enhancement and optimisation of our Hotels portfolio



Execution of our cost optimisation program, endeavourGO



Active reduction in working capital



Continued engagement with Government and regulators