

Endeavour Group Limited, Q1 2024 TU, Earnings Call

2023-10-29

Presentation

Operator

Thank you for standing by, and welcome to the Endeavour Group's F '24 First Quarter Trading Update. — **Operator Instructions** — Endeavour CEO, Steve Donohue, will provide some opening remarks followed by a question-and-answer session. — **Operator Instructions** — I'd now like to hand the conference over to Mr. Steve Donohue, CEO. Please go ahead.

Steve Donohue

Thanks, and thank you, everyone, for joining us this morning. I'm joined here today by our CFO, Kate Beattie. My plan today is to make some quick opening comments before turning to questions. But before I begin, I'd like to acknowledge the traditional custodians of the land on which we're conducting this call today, the Gadigal people, and pay my respect to their elders past, present and emerging.

Now turning to our trading update. During the first quarter, the group delivered sales of \$3.091 billion up 2.1% on the prior corresponding period. This reflects solid sales performance across both our Retail and Hotel segments. Firstly, a few comments on our Retail performance. In the quarter, BWS and Dan Murphy's sales grew by 2.6% at the top line and by 1.8% on a comparable basis. With the average item price and shopping frequency in both brands growing, which more than offset lower items per basket. Sales growth continues to be supported by product innovation, including through our Pinnacle drinks portfolio, which again grew its share of our retail sales in the quarter. The strong performances of Dan Murphy's and BWS were partially offset by lower sales in our specialty businesses.

When you include the specialty businesses, retail sales growth was 1.9% at a top line and 1.2% comparably. Dan Murphy's remains the top destination for customers seeking the best value and widest range reflected in a value perception score that's almost double that of the nearest competitor. Similarly, Dan Murphy's Voice of Customer score saw a 2-point year-on-year uplift while BWS is offering of both convenience and value also continues to resonate with customers, maintaining a steady voice of customer score. Of the total retail sales in the quarter, 8.7% were transacted online. Online sales of \$221 million represents year-on-year growth of 2.8%. Dan Murphy saw double-digit online sales growth driven by the convenience of pickup at store, which comprised a record 70% of Dan Murphy's online orders placed in the quarter remembering that about 1/3 of our total sales are digitally influenced, and that runs at about 50% for Dan Murphy's.

In contrast, sales in Jimmy brings decline as we reduced our investment levels in that business in response to continued market consolidation in that space. Sales growth in both BWS and Dan Murphy has accelerated through the last 2 weeks of the quarter, coinciding with the 40 finals and favorable weather conditions, and this positive sales momentum has continued into the second quarter. Now on to our Hotel segment. Hotels recorded sales growth of 2.8% in the quarter, supported by major sporting events, including the achievements of the "Matildas in the Women's FIFA World Cup and then later the [40] finals. Weekly sales throughout the quarter remained stable with no new hotels added in the quarter.

Our food offer continues to perform particularly well, serving 4.5% more covers in the period than the prior year. Bars and accommodation were also in growth, while gaming revenue for the first quarter was very slightly lower than Q1 F '23 levels. At the end of August, as we previously informed the market, we moved early to introduce reduced hours in our gaming rooms in Victoria, in line with the planned changes announced by the Victorian government. As anticipated, the early introduction of these trading hours

has had a nominal impact on hotels revenue in the quarter, which was in line with our expectations. Heading into the current quarter, the steady sales momentum in hotels has been sustained, and we anticipate continued strength in food and bars as customers seek affordable value during the entertainment season.

Pleasingly, Christmas bookings are already breaking records. At the end of Q1, 40% of covers have been booked at 266 of our hotels nationwide that are hosting Christmas Day events. We anticipate that close to 46,000 Australians will enjoy festive celebrations at our hotels this year. Looking ahead across both retail and hotels, we continue to closely monitor customer choices in context of rising cost of living pressures. We remain confident that we offer a great breadth of options and value for customers, however they choose to shop, socialize and celebrate. I'd also like to take this opportunity to voice our support for the Commonwealth government's progress regarding tariffs on Australian wine into China.

As one of Australia's largest wine industry participants across retail, winemaking and industry services. This is very encouraging in light of the uncertainty Australian wine makers have faced in recent years. Finally, I'd like to take the opportunity to thank all team members across Endeavour Group for their efforts in the quarter and for the key role [they're playing in] supporting our customer social occasions again this festive season. And now I'd like to open up to any questions.

Question and Answer

Operator

— ***Operator Instructions*** — Your first question comes from David Errington from Bank of America.

David Errington

Steve, if I could, I suppose, let's address the elephant in the room. Let's get it out on the table. The view out there is that you guys have lost your mojo in Dan Murphy's and BWS, now the numbers don't reflect that because you're growing ahead of the market. But at the end of the day, Dan Murphy's probably needs to be doing better than 1.8% if you're going to be able to grow profit in the future. So my question is, given all the events, what can we expect to see from you in terms of being able to generate stronger growth from Dan Murphy's. What – because you've clearly said the Chairman has come out and said, "You can do things better". What are we looking at now in terms of – because investors want to see you do better. Dan Murphy is such a great brand. I mean there's 3 great brands, Dan Murphy, Bunnings and JB Hi-Fi.

Dan Murphy should be growing a lot better. So what can we expect from you in the next 3 to 6 months as investors to really believe that you haven't lost your mojo in those 2 key businesses. Now it's a bit of a broad question, but it's the elephant in the room, and it's what I think all investors need to hear from you.

Steve Donohue

Yes. Thanks, David. And I appreciate the acknowledgment of the performance. I think, as you've called out, growing our core retail brands at 2.6% is positive momentum and I appreciate you recognizing that. To your question about what do we expect from us going forward, we released some materials to the market over the last couple of weeks. We talked about how we intend to unlock the next phase of growth, which goes to exactly what you're talking about. And the first of those was that we're going to continue to drive earnings through a balance of sales growth, gross margin management and cost control. That won't change. So we'll continue to seek to grow top line sales, but we'll do it in a way that reflects profitable growth. So you should expect that from us in the quarter and years ahead actually.

And to this question of Dan Murphy's, I think we've outlined very clearly in this quarterly announcement, the position that Dan Murphy's has and will continue to have in relation to its [last] price guarantee, it's EDLP, it's resonance with customers, whether that be my Dan's members or its price perception or the fact that it is the preferred place to shop for most Australians and continues to grow in that respect. So we'll continue to leverage that as we seek to grow our top line sales. We did also, though, say that we know we need to go back and pursue the enhancement and optimization of our hotels portfolio.

So in the materials, we shared the returns that we get from retail relative to those that we're achieving in hotels, and we acknowledge that there is some work to do to improve the returns that we get out of the capital that we're investing in our hotel business. So you should expect us to talk to that in more detail at our December Investor Day and to deliver on it, which is absolutely our intent. We also talked about the need for us to continue to focus on our cost management program endeavourGO, and that will continue. We're working hard on managing our working capital, our inventory, and we're making good progress in that respect, I might add, as we come into the peak trading period.

And then the last thing we talked about in that update was the need to continue to engage directly with government and regulators, given the relative uncertainty as it relates to gaming rigs in the market. So stand by all of those focus areas, but do point out, as you have that we have grown our retail sales by 2.6% across the BWS and Dan Murphy's businesses in the quarter.

Operator

Your next question comes from Shaun Cousins from UBS.

Shaun Cousins

Steve, just a question regarding retail. I think your inflation seems to be running a little bit below where excise is. I'm just want to ask a few questions around premiumization.

That didn't seem to be called out at this time where that has arguably been a feature of recent years and then also promotions, has promotional intensity reasoning. And what's been the net impact on sales contrast that might mean lower prices, but your volumes also seem to be falling there. So just a question around retail, please.

Steve Donohue

Yes. Thanks, Shaun. So on the inflation side of things, yes, it's moderated to in the vicinity of 5%, it was sort of well almost a percentage point above 5%, and it's come back a little bit. So that's the reality. That is ahead of excise though. So the excise increase was less than that. So there's some manufacturers price increases in that number as well, as well as our margin. So there's a combination of factors, of course, that play into inflation, but it has come off somewhat in the quarter. The other - [just want to know what's the other] part of your question, Shaun.

Shaun Cousins

Premiumization. Are you still seeing premiumization.

Steve Donohue

Look, we are still seeing premiumization across all categories, but we're seeing more category shift than we have perhaps previously. So we still see strength in categories like glass spirits and wine, but we're also seeing movements across those categories. So the wine space, you're still seeing premium white wine selling, but given the weather conditions, we've seen a bit less premium red wine selling. Father's Day, as we've referenced, had some impacts on premium wine sales, but for gifting more than for consumption. So there is some shifts going on, I think, is the message that we're sharing here, and they're happening as much at a category level. And they're related to the nature of customers, social occasions. So we're seeing some changes in the nature of social occasions, which are then reflected in those category shifts that I've talked about.

Shaun Cousins

Great. And then just promotional intensity and how is that playing out because your volumes seem to be falling?

Steve Donohue

Yes. Promotional – well, volumes are falling across the market as they've always done. So that's the long-term trend. No change to the fact that volumes have fallen. Notwithstanding the rate of inflation having some impact on that. We've seen promotional intensity across the market pretty sustained from the prior quarter, I would say. There's been some switches from some competitors in terms of which categories they're focused on. But overall, the frequency and depth of activities around about the same.

Operator

Your next question comes from Ben Gilbert from Jarden.

Ben Gilbert

[Just interested] – sorry, just into some of the trends across liquor. We've got a situation now with sort of working age populations at record highs. As you said sort of warmer weather, and it feels like a value shopper should benefit Dan in terms of people doing more mission based as opposed to impulse where they might be paying a bit more. I'm just wondering on how – when you sort of talk to those comments around improving trends towards the end of September into October, do you think that the business in terms of how it's structured in terms of the value plays benefiting, i.e., are you gaining share? Or do you think it's more of a market phenomenon? And I'm sorry, second part of it is the volume story, given the strength the population grows, is there an expectation that rate of volume decline starts to ease across the market over the next sort of 3 to 6 months?

Steve Donohue

Yes. Thanks, Ben. A few bits to that. So I'll just go back again on this point about the volume change and customer behavior. The volume declines have been consistent over a long period of time. They've accelerated somewhat in line with the increase in inflation. So it's been a long time since these categories have seen inflation at that level. And what people are doing is spending the same amount, but they are obviously getting less because prices have gone up. So but in terms of shopping patterns, people are shopping more often and buying a little bit less each time they shop. So we could read into that what we will, I suppose, in terms of the psychology of the customer living through cost of living pressures. But that's the overall change in behavior.

As it goes as far as Dan Murphy's is concerned, what we're seeing is the strength of that brand really coming to the fore under the current circumstances. So we've talked about the fact that the total sales being generated by my Dan's members are in the vicinity of 90% these days. That is people using my Dan's membership to access our proactive price beats of every competitor in the market. And you can imagine that, that is very appealing when people are trying to save money. Our customers tell us that their preferred place to shop continues to be Dan Murphy's. In fact, not just our customers but all customers would prefer to shop at Dan Murphy's for a lot of people, the challenge is having one nearby.

So Dan's and the lowest liter price guarantee with the underpinning everyday low prices that it's always had continues to be a real driver of its growth and success. And like you, I think based on the nature of your question, we think that stands Dan's in continued good stead, particularly coming into peak trade. Dan's has always been the big event business. And I think as people come into Christmas, they'll be looking to save the maximum amount of money on the big shop that they do for Christmas and Dan's will absolutely make sure they've beaten everybody else's prices to deliver on that promise.

Operator

Your next question comes from Michael Simotas from Jefferies.

Michael Simotas

Steve and Kate. So you've called out the numbers or the growth rate for BWS and Dan Murphy's specifically, and I understand the reasons for that. The drag from specialty businesses is quite large. Can you sort of talk us through a little bit more detail on what's driving that? I mean you've called out Jimmy Brings, but I'd be surprised if Jimmy Brings could move the numbers that much. So what else is in there, please?

Steve Donohue

Yes. Thanks, Michael. So our specialty businesses comprised Jimmy Brings and then Shorty's and Langtons at the retail level. And then we've got some wholesale business, I suppose, which we roll up into – historically rolled up into the retail number, which is our Pinnacle drinks business. That is our external sales, and that comprises bottling and packaging out of our impact business in South Australia as well as the sales that we make of Pinnacle products through our partners to other retailers and restaurants in Australia as well as our export sales for Pinnacle. So one of the things we wanted to do was give real clarity to the performance of Dan's and BWS which is why we pull all that out.

In terms of Jimmy's itself, yes, we referenced Jimmy is because there is a change going on in the market, I think as it relates to the way people are shopping for ultra-convenience and there's some consolidation happening in that space and Jimmy's has been a contributor to that decline. And that's the reason why we've pulled back some of the investments that we've made in Jimmy's historically to reflect the need for us to sort of trim that up in relation to our position in the market. Does that help you?

Michael Simotas

It sort of gives us a little bit more context on what's in there. But just to understand the

dynamic, has that drag been consistent for a number of periods? Or is there something that accelerated in this quarter?

Steve Donohue

No, it has actually been pretty consistent. In fact, it's probably moderating in the future we would expect, but it has been consistent historically. And then it's one of the reasons why I referenced the opportunity with export increasing potentially because that's an opportunity. There may not be a scale opportunity at the level of our retail businesses, obviously, but it's something that we're conscious of.

Operator

Your next question comes from Bryan Raymond from JPMorgan.

Bryan Raymond

Just on hotels, just interested in the mix of the business and how that's shifting. I think on gaming, you mentioned that's slightly lower year-on-year in the September quarter. I just noticed Victorian market is down about 5%, Queensland is broadly flat year-on-year. Just wondering if you could give any more context around that? Are you gaining share? And then also, when you talk about nominal impact from opening hours, would that be less than 1%? I assume it's a small impact, but if you could give us a bit more color around how that might be impacting your business. And then just finally on the food side, you mentioned covers up 4.5%, I think. Is that consistent through to sales? Are you seeing that sort of uplift in the food side?

Steve Donohue

Thanks, Bryan. Yes. Look, it is low single digits like the lowest to single digits in the gaming space. So and it's oscillating marginally. So you've called out Victoria, Victoria is one of the more challenging markets, no doubt about it. But overall, with some puts and takes, we see it performing at that level. So I think your observations are valid, but I would say

again that the reduction is very small. And again, I won't talk to the specific dollar or percentage amounts of the decision we made in Victoria other than to reiterate that it's bang on what we expected and is nominal in its scale. So that's the situation as it relates to gaming.

On food, I think a good question as to what's happening with food. I think what you're definitely continuing to see is this appetite, no pun intended for the experience of the hotel and the quality that hotel food experience offers. We're seeing the sales accelerate above the covers a little bit because, obviously, you've got a little bit of inflation in the product. But we're very, very careful to ensure that we've got the lowest prices in town, and you'll see that reflected in \$2 to \$3 cheaper across Parmesan, or rump steak or fishing ships in our pubs relative to a cohort of around 800 pubs that we check regularly around our own. So we're very focused on delivering value on quality in food and bars, I might add in our hotel business, and we think that stands in a really good speed coming into this key trading period.

Bryan Raymond

And just a follow-up quickly on that. It would liquor be similar to third that mid-single-digit kind of run rate at the moment within hotels?

Steve Donohue

Yes. Bar sales are tracking well.

Operator

Your next question comes from Richard Barwick from CLSA.

Richard Barwick

Steve and Kate, I mean, following on from that discussion around the sales in different parts of the hotels business. Just occurs to me that you don't disclose the voice of cus-

tomer within hotels? I mean you gave some pretty granular detail from the retail business. So can you talk to us a little bit of a sense of that? As to how you're performing? And perhaps are you considering actually introducing that level of disclosure.

Steve Donohue

Yes. Thanks, Richard. I think it's a great and probably a really important question in context of the current trading environment and where we go from here. I think we did reference that it had improved and it has. It's not quite the same metric or gathering of data that we do in the retail business. What we do in hotels is gather customer feedback from digital platforms like Google reviews and the like across both our food and accommodation experiences and roll that up into a number. And as I say, it's good that it continues to track well. I think we might come back at a later date and provide a little bit more color on how we do it. But in essence, it's a reference to the food experience and the accommodation experience that we track of those platforms.

We're very careful to track customer metrics across both hotels and retail, particularly given the inflationary pressures that both our customers and our P&L has right now. So we want to make sure that not only are we offering the best value, we're also offering the best service experience, but particularly in an environment where we've had to put so much effort through our endeavourGO program in optimizing processes in both stores and hotels. It's critical to stay focused on your customer experience, at the same time as you're focusing on your cost management and your process management so as not to decrease the customer experience, whilst you've had to pull labor out of your store or your hotel. They're very, very important correlated data points that we use to make sure that our customer experience doesn't dip.

Richard Barwick

And how do we get a sense, Steve, of – so I'll take your point exactly. And how do we get

a sense of how hotels is performing across those sort of metrics? And in the context of retail, obviously, you'd be measuring different things because there's different outcomes and so on. But can you, for example, tell us if you think that the hotel's performance on these metrics is doing better or worse than the way you're achieving in retail?

Steve Donohue

Yes. So I'll give you a stat that we use just for your reference. So our voice of customer in hotels was [8.63%] in the quarter versus 8.46% in the corresponding quarter a year ago. So I think that's a testament to the efforts of the management of our hotels and the teams in our hotels being able to find out ways to manage their costs in a world where our wages have increased 5.75% and still be able to offer customers that sort of experience. So that's the stats just so that you've got them.

Operator

Your next question comes from Craig Woolford from MST Financial.

Craig Woolford

Just a question, if I could, around the hotels. I guess, contribution from acquisitions. So 2 parts to it. One, there were no hotel acquisitions in the quarter. Is that just an aberration? Or should we expect some coming through? And in terms of the hotels that were acquired last fiscal year, would you say they were representative. It just feels like there - it looks like on the numbers that the contribution from those previous last year acquisitions is at a slightly lower average sales per store than the group average on hotels?

Steve Donohue

Lower average hotels than the group...

Craig Woolford

Yes, yes, they're small – maybe they're smaller hotels or something.

Steve Donohue

Yes, that's probably the case. But I think the thing to remember in hotels is no - I mean there is a numerical average, but no hotel is average. So it's a bit hard to sort of take it back the other way. On the question, though, of where we stand on acquisitions. Yes, there were none in the quarter, as you've observed and we've communicated. We do have a few on the go at the moment that we're considering, but it is the case that - we've said that we're going to be very prudent all along with our use of capital, and that remains the case. That probably means in the year we are going to buy, I would expect considerably less hotels than we did in the prior year, where we did ramp it up. And whilst we do have a few on the go at the moment, the prospects, I think, of us doing anything like what we did in the last year very low to nil.

So we're going to be very, very careful with hotel acquisitions. And when we get together in December, we want to give investors a bit more clarity on how we're improving the existing network. And demonstrate where we've got better returns on our capital from investing in our own network rather than expanding it, which is probably more of our focus right now. And we're really pleased with some of the outcomes that we've had in a couple of hotels, which we referenced in the materials as well. So we're looking forward to explaining more there because as I said in response to David's first question, we recognize that we've got some work to do in improving particularly our hotel network and the returns there from, and that's an area of real focus for us right now.

Operator

Your next question comes from Lisa Deng from Goldman Sachs.

Lisa Deng

Just a question on retail in online. So we grew 2.8% that our key competitor grew over 30% during the period. I think you talked a little bit about Dan still doing double digit

and Jimmy Brings being down. So does that by implication mean that BWS is tacking back a lot. Can you give us like an explanation of kind of what's going on there in terms of competitor dynamics, pricing, structural versus cyclical sort of moving bits.

Steve Donohue

Yes. Thanks, Lisa. No, it's not the case that BWS is going backwards, both Dan's and BWS grew their e-com in the quarter. I think our e-com is about 4x the size of our next largest competitor. So that's probably worth acknowledging as well. And what's actually happening in our – across our business is that our bricks and mortar sales are really underpinning a lot of our growth right now. So – and when you actually deal back the very high pickup penetration that Dan Murphy's, as you see that we're getting enormously positive utility out of stores, not to mention the fact that we have the most efficient sales level out of our stores of any operator in the market. So that's what's happening in that space. The growth in e-com was off the back of what is already a very, very high base. So that's the way I would think about that one.

Lisa Deng

Okay. So just a follow-up on both Dan's and BWS grew, but Dan's grew double digit. Like what are we missing then to get the e-com to be only 2.8% like numerically?

Steve Donohue

That includes the specialty businesses. Yes. So you have to back – what we're trying to say is that Jimmy has got some challenges. So when you back out Jimmy's both BWS and Dan Murphy's grew their e-com.

Lisa Deng

So most of the \$69 million in specialty is Jimmy's and that's part of the online. Can you tell us how much roughly in specialty is Jimmy.

Steve Donohue

Look, I'm not going to break it all down on the call today. I'm sure we can provide you a bit more color separately. But it is Jimmy's, Shorty's, Langtons [have impact on] Pinnacle wholesale export. So there's quite a lot in that. But Kate, do you want to make a further comment.

Kate Beattie

Yes, Lisa, just for clarity, the specialty business sales dollars is not mostly Jimmy's, but the year-on-year decline in specialty is primarily sitting in e-com channels and therefore, a material drag on that 2.8% number.

Operator

The next question comes from Ross Curran from Macquarie.

Ross Curran

I might just go right back to the very start around David's question. Are you able to give us a bit more color around the relative performance of Dan's and BWS. Are they both growing at a similar rate? Or are you seeing customers prefer the big box stores or the convenience stores at the moment?

Steve Donohue

Thanks, Ross. Relatively similar, I would say. And I think it somewhat goes back to this dichotomy of changing social occasions and the demand for value. So as customers are inclined to shop more frequently with smaller baskets, it probably provides some support to convenience channels or BWS for example, whereas we're seeing customers seeking that real value that Dan Murphy's bring. So you've got it happening at both ends of the spectrum. I think it's also important to remember that Dan Murphy's is a real event type of store. So people that are near Dan and use it as their everyday shop, but everybody uses it as their event shop, and that's what distinguishes it from a convenience channel

where it's just the nearest store that I can get to. One of the benefits, apart from the great service, price and range that BWS has is that we've got more of those than any other competitor. So it is the most convenient channel in the market.

Operator

Your next question comes from Phil Kimber from E&P Capital.

Phillip Kimber

Steve and Kate, I just had a question on hotels. You mentioned before to Craig's question, that the acquisitions this year, we'll be probably not like they were in numbers since compared to last year. So if you think about renewals, and you did 12 in the quarter. Should we assume that there will be a step up relative to the last couple of years in renewals on hotels?

Steve Donohue

Yes. Thanks, Phil. Look, I think we have our track record is about 49, 50-odd renewals a year across hotels. That will move around a bit because they're not all created equal. And this is something that we're going to dip into more detail at our Investor Day on. We talk about the drivers of the hotel as well as bars, bistros, gaming, e-com, retail, et cetera. We know that the more elements of the hotel you touch, the bigger the returns you get in terms of customer response. So what we'll talk to when we get together in December is the way we're approaching that and what it means for the numbers. But as I said, historically it's tracked around that 45 to 50 mark per annum. I think [we have] opportunity, and we'll talk more about it, is to deploy our capital back into our network and leverage those returns up because as we said in the investor material we shared a couple of weeks ago, the returns from hotels do sit below those of our retail and Pinnacle business. But Kate, can you just add to that.

Kate Beattie

Sure, thanks. Phil, I think the important thing for us to note in hotels is that unlike retail, where you can kind of count the returns based on the number of renewals, no hotel is the same as any other and therefore, the opportunity is very different by hotel. And so rather than look at the number, what we'll be looking at is what's the return on capital we can deploy and what kind of earnings growth can we deliver. And I think we've said before that we're particularly focused in this next phase of building the renewal pipeline on enhancing the multi-revenue drivers of our venues rather than doing a small mix of capital scattered across the network on small improvements, we're really focused on deploying capital in light of all of the data we've been able to gather on what our customers are looking for in our venues – at a venue specific level to drive earnings growth across the [Endeavour].

Phillip Kimber

Great. And just 1 follow-up on the specialty business. I just want to double check when it sounds like it's the big driver of the percentage change is Jimmy brings. But I did want to check when you on some of the external – or the external sales from some of the Pinnacle brands. When you buy those businesses, do you get sort of a onetime step down because other channels, other retailers that might be selling that product given the change of ownership stop ordering and then you rebuild over time. Is that something that goes on? Or is that not really relevant?

Steve Donohue

No, it's actually been upside for us, Phil. We've been. The biggest surprise we had in that whole building out of the Paragon Wine Estates portfolio with the Oakridge Acquisition where – when we brought it into the portfolio, a lot of actually retail customers and certainly on-prem restaurant customers we're still going to carry the product, which, I guess, is understandable given it's just again taking out the #1 winery from Holiday's wine companion in the last couple of weeks. So I think it's – you can't think of the Pinnacle portfolio

as you would a private label portfolio that might exist in other businesses or a supermarket environment. This is a branded portfolio of products that has real history and a real brand [run] by real people. And the same goes for businesses like Cape Mentelle. In fact, Cape Mentelle has one of the most significant international exposures of any of our brands and the team, our international export team are working hard on building on that. So no, it's the case that actually, we've been surprised on the upside in relation to those brands, not the [country].

Operator

Your next question comes from Lisa Deng from Goldman Sachs.

Lisa Deng

I just wanted to understand a little bit about the opportunity of some adjacencies. So for example, what does the change in potential tariff in China give us in terms of the percentage opportunity and even challenges on the local cost of wines. What about retail media that we've briefly touched on previously, like how should we think about some of these adjacent opportunities again in the sort of next 6 to 12 months?

Steve Donohue

Yes. Thanks, Lisa. Look, on the export and China opportunity, there is that element that I was just talking to Phil about, but we've already got an existing business in our Vinpac Bottling business in South Australia, which serves 500 different customers that come to us to have their wine packed and they buy their labels and their bottles and their [capsules], et cetera. And then we have that packaging service and that produced a historically run at about 10 million, 9-liter cases per annum and a lot of that going up into China. So I think there's that existing business that we've got there in South Australia that has that opportunity to take advantage of any pending changes. Alongside, as I just said, to fill the opportunity that we perhaps have with our own brands. And we've got an export team

that will seek to take advantage of that in Q4.

So I would not as I think others have, that is probably going to be a slow build in the event that the change that people are anticipating does take place in relation to China. But we're right there and we're keen to participate at both levels of the industry services level and also the actual export of our own brand. Your question on the retail media platform with mixing is a good one. I think we'll come back perhaps at the half with some more information there. The team has done a really good job in building it, and there's been some really good progress made, particularly with selling, advertising across our peak trading period into Christmas. So it's becoming a tighter product as the team has done such a great job in getting it out there. But we'll definitely come back with some more info after the half transpired post Christmas.

Operator

Your next question comes from [Rob Super].

Analyst

My name is [Rob Super]. Is there any reason why you choose not to report equivalent case volumes for Dan and BWS.

Steve Donohue

Hi, Rob, when you say case volumes, do you mean to separate the trade for those 2 businesses?

Analyst

No, I just mean physical volumes of equivalent cases that you sell through BWS and Dan. On an equivalent case basis, you mentioned in the last month, you talked about 9- liter equivalent cases.

Steve Donohue

Sorry. So the 9-liter equivalent cases that I was talking about referred to our Vinpac business. So that's a packaging business that we provide to the wine industry. And they produce – they pack off about 10 million 9-liter cases for various customers. And that sits inside our specialty number that we've been referring to. We don't talk to a 9-liter equivalent, and it only relates really to the wine category in the retail business. So they're quite different businesses. One of them is a wholesale packaging and services business and the other is the retail business. And so in the retail business, we tend to focus on the total sales and the category shifts that I touched on earlier as it relates to — *indiscernible* — wine [spirits].

Analyst

Yes, I understand that. But is there any reason why you choose not to report equivalent cases for retail.

Steve Donohue

It's not generally been our practice. So it's not an industry practice to talk to 9-liter case equivalents for retail.

Operator

There are no further questions at this time. I will now hand back to Mr. Donohue for closing remarks.

Steve Donohue

Thanks, everybody, for joining the call today and for your ongoing interest in Endeavour. I appreciate there is a lot of that at the moment, and we look forward to welcoming those of you who are going to join us tomorrow for our IGM. And certainly, perhaps more importantly, hope to see you in a pub wine real bottle shop between now and Christmas. Thanks everyone.

Operator

That does conclude our conference for today. Thank you for participating. You may now disconnect.

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