Endeavour Group Limited, H1 2025, Earnings Call 2025-02-27

Presentation

Operator

Thank you for standing by and welcome to Endeavour Group's Half Year 2025 Results Briefing. — ***Operator Instructions*** —

I'd now like to hand the conference over to Mr. Steve Donohue, CEO. Please go ahead.

Steve Donohue

Thank you. Good morning, everyone. Thanks for joining us today for Endeavour Group's half year 2025 results announcement. I'm Steve Donohue, Managing Director and CEO of Endeavour Group, and I'm joined today by our Chief Financial Officer, Kate Beattie.

I'd like to begin today by acknowledging the Gadigal people as traditional custodians of the land we're presenting from today, and pay my respects to their elders, past, present and emerging.

I'll start today on Slide 5 and the Group's H1 highlights. Despite a challenging economic environment, the Group delivered stable revenue and strong cash flow in the first half. In Retail, we had strong December trading, even with the significant supply chain disruptions. And I want to say a big thank you to our customers for their patience and to our suppliers for their outstanding support through that challenge.

In Hotels, sales momentum increased across food, bars, gaming and accommodation. Our Hotel renewals and property portfolio optimization are also gaining momentum.

With respect to the Endeavour team, I'm incredibly proud of our 30,000 team members. They drove market-leading customer satisfaction and record performances during key events, again, despite those supply chain challenges in Retail. And in relation to costs, we've continued to maintain disciplined cost management. The endeavourGO program delivered $40 million in savings which partially offset inflationary pressures and our critical One Endeavour Tech transition program remains on time and on budget.

The financial overview on Slide 6 points to the Group's stable revenue, capital discipline and strong operating cash flow. We were obviously disappointed with overall top-line trading, which in Retail was characterized by first quarter of deep discounting in the market and the significant supply chain disruption in Q2 whereas Hotels have been relatively buoyant overall.

A quick comment on the supply chain disruption to clarify our multiple references to it today. The Melbourne liquor distribution center operates as the local DC for Victoria, but is also our national distribution center servicing the entire network. It's also a key consolidation hub for a large range of products imported through our Pinnacle business.

Therefore, the impacts on trade were Australia wide, albeit most acute in Victorian stores attached to supermarkets and persisted beyond the 17 days of the industrial dispute. Having said that, we were pleased that the Group delivered more than $1 billion of operating cash flow in the period. Net debt fell by $273 million and the Group's leverage ratio decreased to 3.2x. In light of that strong operating cash generation, the Board declared a fully franked interim dividend of $0.125 per share, representing a payout ratio of 75% of statutory NPAT.

Turning to Slide 7, which provides a snapshot of how our 2 business segments have performed. For our Retail business, there are 2 points to make. Firstly, as flagged at our Q1 Trading Update, the shape of our Retail result reflects lower margin sales mix as customers chased value and the impact of operating deleverage from lower sales.

Secondly, we delivered a Retail EBIT operating margin of 7.2% within our Q1 guidance range, including the $8 million impact of supply chain disruption as well as $11 million of one-off restructuring costs. Those costs related to Jimmy Brings partnership with MILKRUN, the integration of Shorty's into Dan Murphy's and support office restructuring as we continue to simplify our business. In Hotels, we delivered operating EBIT growth ahead of sales, and we achieved a 35 basis point improvement in return on funds employed.

Now turning to Slide 8, and given this is my last results call for the Group, I wanted to reaffirm my conviction regarding Endeavour's ability to deliver long-term shareholder value. The Group has a unique portfolio of assets and strong business fundamentals. We operate Australia's largest retail drinks and hospitality network, with over 1,725 stores and 350 hotels nationwide. Our customer membership programs are exceptional. One in 4 Australian adults are active members of our My Dan's program. Our pub+ membership program, which only launched in August, already has nearly 0.5 million members. We benefit from a very large and very loyal customer base.

Our Retail omni-channel execution is best-in-class, as evidenced by examples like our very successful BWS Appy Deals and Pinnacle Drinks drives product innovation, customer loyalty and margin benefits. We're driving simplification and efficiency through endeavourGO and One Endeavour, while also improving our hotels and property portfolio, all of which are reasons I remain confident about the future of Endeavour Group.

Now, turning to Slide 9, where you can see that our focus on the customer continued to drive strong outcomes in each of the Retail businesses. As the undisputed price leader and despite significant supply chain issues, Dan Murphy's delivered record Christmas sales and its highest ever customer service scores.

My Dan's membership now has 5.5 million active members with an 83% scan rate and members spending 80% more per basket than non-members. And as Australia's most convenient drinks retailer with more than 1,400 stores and an expanded range of delivery partners, BWS achieved record New Year's Eve sales. The Appy Deals member pricing program has been a huge success with over 600,000 monthly average users in December. And the BWS team also had outstanding customer service feedback despite the significant impacts that the supply chain disruption had on product availability.

Turning to Slide 10. Pinnacle Drinks. Pinnacle remains a key driver of Retail sales and product innovation for the Group. Pinnacle launched around 170 new products this half, including K by Krondorf, which led the red wine new product development performance across our Retail network. Following the completion of the Dorrien winery expansion in F '24, Pinnacle's CapEx reduced – has reduced significantly. The winery expansion has enabled a 50% increase in premium wine grape crush volumes to 17,000 tonnes, putting us well on track to deliver a 30% reduction in grape-to-bottle conversion costs.

Hotels also continue to drive operational and margin improvement through menu optimization and labor efficiencies from improved rostering. These improvements underpinned record food and bar sales during key events. And as I mentioned, we're seeing real early success with pub+ participation ahead of our expectations, providing opportunities to leverage that engagement for improved guest experiences and revenue growth. The results of our recent hotel renewals have given us increased confidence that we have the right formula for investing capital to improve whole of venue performance. I'll talk to this further shortly. We continue to build our pipeline of renewals and progress work on large-scale developments.

Now, turning to Slide 11 and our endeavourGO cost optimization program. We've continued to focus on streamlining and simplifying our business to make us more efficient and drive gross profit and cost of doing business improvements. Our endeavourGO programs delivered $40 million in savings during the first half and is on track to deliver its target of over $290 million in savings by F ’26.

Importantly, it’s doing so in a sustainable way, resulting in a positive impact on our team, customers and trade. The chart on the right-hand side of this slide provides one example of the efficiencies being delivered by our endeavourGO program. Following the introduction of activity-based rostering in our retail business in F ’22, we’ve achieved an 8% improvement in sales per labor hour.

Moving on to Slide 12 and One Endeavour, which is the program designed to separate our systems from Woolworths and simplify our technology landscape. There is a lot of detail on this slide, but the key message I’d like you to take away from it is that One Endeavour is on time and on budget. The total estimated cost of the program hasn’t changed from our last update.

However, F ’25 expenditure will be at the bottom of the guidance range, with CapEx spend shifting to F ’26. Due to this shift, expenditure for the program is expected to peak in F ’26 before reducing from F ’27. And going forward, we’ll continue our practice of keeping investors updated on our progress with the program and associated expenditure on a half yearly basis.

Turning to Slide 13, which highlights the good progress made in our Hotels renewal strategy, which we relaunched at our December 2023 Investor Day. We completed 16 hotel renewals in the half with a further 13 scheduled for H2. As we indicated back in December ’23, we plan to switch our focus to fewer, larger scale hotel renewals, addressing more parts of the pub. And you can see that progress is demonstrated on the chart on the right. That new approach required the team to test and learn to ensure we maximize the returns on capital.

And pleasingly, their success has given us confidence that we can continue to target larger scale renewals into the future. So in F ’26, the team have bigger projects planned at some of our more iconic venues with $100 million to $120 million in expected hotel renewal CapEx.

And on to Slide 14, which showcases 2 of our more recent renewals, both of which are well on track to deliver our targeted returns. Firstly, the Newmarket Hotel in Queensland. We improved the gaming room, sports and front bars, bistro and kitchen. Early trade is promising with food and bev up 31% and gaming up 13% year-on-year. Within 2 months, this took the Newmarket’s food and bev ranking to 15th out of our 136 hotels in Queensland, and that was up from 26 the prior year.

We also renewed the Bays – the Bayswater Hotel in Victoria, where we upgraded the bistro and bar areas, including a new beer garden. Since the renewal was completed last October, food and bev sales have increased 24% and gaming is up 9% year-on-year. Both of these examples give you a good sense of the opportunity across a network that’s been historically underinvested in compared to many of our competitor operators.

Turning to Slide 15, which provides a summary of some of the opportunities we’re progressing to unlock value in our $1 billion-plus property portfolio. During the half, we realized $38 million in asset and business sales as part of our capital recycling program. The group retains over 50 freehold sites in its property portfolio and this gives us the flexibility to selectively realize the value in that real estate to fund future acquisitions and renewals. We’re also making good headway on our highest priority redevelopment opportunities, which we also highlighted at our December ’23 Investor Day.

In the first half, 2 development applications were lodged for our sites at Camberwell and Chelsea Heights in Victoria. And in the second half, the team expect to lodge a further 3 applications. In aggregate, these 5 freehold property sites have been independently valued at between $100 million and $150 million and we think there’s further upside to those valuations, particularly once the additional applications are approved.

Now turning to Slide 16, creating our positive impact. We've continued to progress our sustainability commitments where our primary commitments towards the responsible service of alcohol and gambling. Some of the key highlights are summarized on this slide, including progress in our unique Leading in Responsibility training and advocating for responsible choices and consumption campaigns.

I'll hand over now to Kate to talk about the financial results in some more detail.

Kate Beattie

Thanks, Steve. As Steve outlined and as you can see on Slide 18, sales were broadly in line with last year, declining 0.7%. Retail was impacted by the supply chain disruption in late November and December, estimated to have resulted in $40 million to $50 million of lost sales. Operating EBIT, which excludes the impact of our One Endeavour program, fell 6.6% overall, with growth in Hotels offset by a decline in Retail due to operating deleverage from lower sales and higher cost of doing business due to a continued inflationary pressure on costs. The Group operating EBIT result also included the impact of $13 million of one-off restructuring costs, as Steve has said, of which $11 million were in Retail.

Absent these charges, underlying operating EBIT declined by 4.7%. The One Endeavour program incurred operating costs of $39 million during the half, in line with our guidance. Finance costs of $158 million increased 3.3%, driven by lease interest expense with debt interest expense reducing due to lower average borrowings. The resulting net profit after tax of $298 million declined 15.1% year-on-year.

Moving to Slide 19. The Group generated net operating cash flows of more than $1 billion in the half. This represented an increase of $122 million compared with the same period last year. Cash realization of 168% was also up 28 percentage points. Working capital improved substantially, down $140 million due to the continued focus on targeted reduction in inventory volumes, which more than offset the impacts of cost of goods inflation and of network expansion. Compared to half 1 of F ’24, total inventory value reduced by $216 million.

Turning to Slide 20. You can see that the significantly improved working capital and disciplined capital expenditure, along with proceeds from asset sales, drove a reduction in net debt of $273 million compared to prior year. It should be noted that due to trading seasonality, net debt is routinely lower in the first half.

In the second half, we expect net debt to move closer to the prior year level due to the seasonal working capital movement and due to capital expenditure timing, which will see a higher net outflow in the second half. The leverage ratio of 3.2x is within our target range and is consistent with investment-grade credit metrics. At the end of the first half, we had material debt facility headroom with $1 billion in undrawn debt facilities.

Our debt maturity profile remains well balanced with average maturity extended to 3.4 years. Prior to the end of this financial year, we expect to complete the refinancing of a $1 billion facility, which is expiring in June 2026. F ’25 full year finance costs are now expected to be between $305 million and $315 million.

As previously outlined, this is an increase compared to F ’24 due to lease interest expense, which is expected to be marginally higher year-on-year as new leases are entered into and as lease liabilities are recalculated using the current higher rate. However, our debt interest expense is expected to be lower than previous guidance due to lower average borrowings.

Turning to Slide 21. You can see gross capital expenditure decreased compared to the prior year by $73 million to $151 million. Net of the $38 million realized from asset sales, capital expenditure reduced year-on-year by $109 million. The reduction is primarily within the Retail segment, which saw a reduction across most categories of spend. Stay-in business and Pinnacle growth capital both reduced, cycling investments, including the Dorrien winery expansion in the prior year as well as a focus on capital-light renewals, which drove less renewal expenditure in the half.

As noted at our Investor Day in December 2023, our growth capital focus is in Hotels, where renewal spend was broadly in line with F ’24, driven by fewer but larger scale renewals touching more sales drivers. In line with our disciplined approach to capital allocation and the relative attractiveness of renewal opportunities within the existing portfolio, the Group made only 1 acquisition in the first half being The Cavenagh Hotel in the Northern Territory. Our full year capital expenditure is now expected to be between $375 million and $425 million, a reduction from our previous guidance due primarily to the rephasing of One Endeavour program expenditure.

I’ll now turn to our segment results in a little more detail. On Slide 23, you can see in the Retail segment that sales declined by 1.5% in H1 or 1.9% on a comparable store basis. This sales performance reflected subdued consumer spending outside of key social occasions and the impact of lost sales from the supply chain disruption.

For completeness, please note that New Year’s Day, which delivers only nominal sales for the Retail business, occurred in the first half of F ’25 compared to the second half of F ’24. Adjusting for the impact of the timing of New Year’s Day, sales fell by 1.2%. Retail gross profit margin improved by 11 basis points in the half, supported by product innovation, better buying and AI-driven price and promotion optimization. Inflation remained a material headwind during the half, in particular, across wages and electricity.

Mitigating this, we continue to deliver sustainable cost savings through our endeavourGO optimization program, which benefited supply chain costs in GP as well as multiple areas of cost of doing business, in particular, in stores. As a result, operating cash CODB, excluding restructuring costs, grew 2% in the half. The graph on the bottom left shows an indicative sizing of these respective drivers of our performance.

Half 1 Retail operating EBIT of $397 million represented 7.2% of sales within our previously announced guidance range, inclusive of the restructuring and supply chain disruption impacts. Our Retail operating return on funds employed of 14.5% represented a 112 basis points decline on the prior period, driven by the EBIT performance.

Turning now to Hotels performance on Slide 25. The Hotels business delivered overall sales growth of 3.3% and 3.2% comparable growth versus last year. Sales momentum accelerated during the half with Q2 growth of 4.1%, representing a meaningful step-up from Q1.

Pleasingly, this was seen across all 4 key business drivers, namely food, beverage, gaming and accommodation. Gaming remains resilient with Queensland and South Australia actually the best-performing markets. The Group is regaining market share in Victoria following the commencement of industry-wide mandatory changes to trading hours at the end of August.

Growth in Victorian gaming revenue outpaced the market in the second quarter and also benefited from the reopening of the Werribee Plaza Tavern in December, which had been closed for repairs. Our Queensland hotels delivered strong growth in gaming revenue. However, the market was particularly strong in clubs and in some high-growth regions where we are underrepresented.

Pleasingly, growth in gaming revenue in recently renewed hotel venues was in line with or better than the market. GP margin expanded by 16 basis points, driven by favorable sales mix from accommodation growth, better buying and optimized menus in food and beverage.

As was the case in Retail, inflationary pressure on costs represented a significant head-wind for Hotels in the half, including award, wages and CPI index lease cost increases. The endeavourGO optimization program was able to partly mitigate these impacts, but there remains more opportunity ahead with activity-based rostering hotels still in the trial phase. Operating EBIT was up 3.4%, slightly ahead of sales growth. Hotel operating ROFE of 10.5% represented a 35% basis points increase over the prior comparative period.

With that, I'll now hand back to Steve.

Steve Donohue
Thanks, Kate. We'll turn now to Slide 27, which covers the outlook. Following strong Christmas trading, Retail sales have moderated in early Q3 as we continue to recover from the supply chain disruption, while Hotel sales have accelerated. Sales growth for the first 7 weeks of H2 was negative 0.8% for Retail and positive 4.7% for Hotels. We obviously benefit from an on-premise versus off-premise hedge in our portfolio, and there's obviously a stark difference in the performance of those 2 markets at the moment. And while that indicates that it's relatively tough in Retail, customers are enjoying the pub experience and they're certainly spending there.

So in terms of what the team remains committed to, they're very focused on driving sales through price and value leadership, continuing to dynamically manage our costs and even going harder where possible and maintaining that disciplined capital management that we've spoken so much about. I think across the board, we have a proven track record on all of those topics and have been delivering. We've outlined those and a number of other actions for H2 on the final slide, Slide 28, which lists our H2 priorities for the business.

Under the heading of Simplify and Focus. So in Retail, the plans to open up to 6 new Dan

Murphy's stores and drive returns through capital-light renewals and keep growing leadership in online through expanded ultra convenience channels. There will be a continued focus on optimizing the hotel and property portfolio.

We plan to complete up to 13 hotel renewals in the second half of F '25 with a focus on those bigger whole venue renewals and selectively recycling assets to fund growth. There will also be progress with large-scale development planning approvals.

The team will have an ongoing focus on improving our performance in gaming, which will include 1,000 new cabinets across the EGM network and upgrades to a number of gaming rooms, while also completing the national rollout of the pub+ loyalty program. And finally, cost optimization initiatives will continue to progress as will the technology separation from Woolworths.

So last of all, before I hand back to the operator for Q&A, I'd like to talk to the fact that Endeavour Group's issued a separate ASX release earlier today, which I'm sure you've all seen. That updates about my departure next month and Ari Mervis stepping in as Executive Chairman.

As the announcement references, the start date of a permanent CEO is now expected to be beyond my final notice period in September. And with that in mind, the Board has made this decision to ensure leadership stability and continuity. And providing continuity is important, particularly for our hard-working team.

So given this is my final update as CEO of the Group, I wanted to take the opportunity to say a few very brief words if you'll indulge me. Firstly, I've got to acknowledge the founders of our businesses, Tony Leon, who established the Dan Murphy's powerhouse; [Norm Ornicle], who created and grew the amazing BWS business; Bruce Mathieson, Sr., who built the ALH business; and Brad Banducci, who created Pinnacle from the Cellarmasters business and championed the Endeavour's demerger from Woolies. The entrepreneurial passion of these individuals remains a big part of the culture of the team that I've been beyond lucky to be part of for 30 years and very privileged to lead for the last 7.

I'd also like to thank my leadership team, but most of all, I want to thank everyone who ever has been or is currently an Endeavour Group team member, tens of thousands of people deeply committed to a more sociable future. You've all lived our values being real, inclusive and responsible every day. So for me to you, a very sincere thank you.

I'll now hand back to the operator for your questions on our half year presentation. Thanks.

Question and Answer

Operator
— ***Operator Instructions*** — Your first question comes from Bryan Raymond from JPMorgan.

Bryan Raymond
My first one is just on the gaming profile across the half and then into Jan, Feb. Obviously, there's been some changes in Victoria with opening hours for your competitors. I imagine that weighed on 1Q, but helped a bit in 2Q. I just want to get a feel for the exit run rate either out of the second quarter or out of the trading update on gaming to get a feel for the underlying momentum that we can expect into second half?

Steve Donohue
Yes. Thanks, Bryan. I think Kate put it well. We are certainly focused on improving performance in gaming, but Kate talked about the improvements that we've seen in Victoria as the opening hours have been normalized. And that feels relatively on track for us. So

we're growing ahead of the market there, Victoria being a big and important market for us.

Kate also gave you a bit of context in the other big market for us, which is Queensland insofar as the market is performing pretty well up there, but we're lagging the market right now. And that market data that you see obviously includes clubs. Clubs are outperforming pubs up in Queensland.

Regional areas of pubs are outperforming metro and we're kind of over-indexed on the metro side of things. So, definitely committed to continuing to improve the performance up there in terms of that context. And we feel like we've got it there to do. So you heard me talk about the 1,000 new machines we're going to roll out.

The most important factor has been what we've observed with our renewals. So you heard me talk to one of our Queensland pubs. We know very well that the ALH network is historically underinvested in, right? So in terms of where you go, there's lots of options and we know that we've got to raise the bar, if you like, in terms of the quality of the experience in our rooms.

And when we've done that, we've seen it manifest and we gave you a couple of examples, as I said. So it kind of all go hand-in-hand, new machines, continued operational improvements and environmental improvements gives us that confidence that in key markets like Queensland and Victoria, we can continue to improve. Other markets are less consequential, obviously, but that's the sort of trajectory that we're steering at in gaming.

Bryan Raymond

Would gaming be above the overall, I think, 4.7% in Hotels in the first 7 weeks? Or would food and bev be running stronger than the overall?

Steve Donohue

They're both going pretty well, I would say. Food and bev is strong overall. [Accom] is actually our fastest-growing driver at the moment, but that's probably as much detail I'd give you on. It's a very small period of time, obviously, that 7 weeks, yes.

Bryan Raymond

Absolutely. Just if I can sneak one more in. Just on the Retail side of things on – could you help us maybe unpick the performance of – either within Victoria or Victoria versus the rest of the country in terms of the issues with Woolworths at the moment and the traffic issues they're facing. Imagine a large portion of your venues are – sorry, of your liquor stores are attached. And just what could we see once those issues do clear for Woolworths, whenever that happens to be, in traffic terms, how are the rest of your network going, those that are not affected by what's going on there with Woolworths?

Steve Donohue

Yes. Thanks, Bryan. Well, as I said in my opening remarks, it is the case that for us, the impacts of the Victorian distribution center disruption were national in their effect. So that's because that DC is the local DC for Victoria, but also the national DC for the whole network.

So that's the first point to reiterate as well as the fact that a lot of our Pinnacle imported product flows through there. And actually, that was a real challenge, too, because a lot of that product is actually entry price point product. So we had challenges through the course of that event in staying in stock of a key value item as it relates to that.

Now, in terms of what's happened since, there has been an improvement, but the biggest impact has been in our partner stores. So effectively, what you saw with the supply chain disruption was a free kick for anybody who has a liquor store attached to a supermarket that's not Woolworths and quite a material one at that. And that has continued, particularly in Victoria.

In Victoria, we've seen continued transaction challenges in that first 7 weeks that we've called out there. But having said all of that, we're now back to a position where our on-shelf availability level is as it should be before we kicked off. And I would say that the most important factor with our confidence around customers returning to our stores is the amazing efforts of our team.

Like our customer satisfaction scores have been extraordinarily strong. If you look at, say, Dan Murphy's offered service scores, they have not missed a beat. And it was so hard for that team with people coming into the stores, trying to buy their Christmas shopping. And for us not to have things that they thought were critical.

Our team did an outstanding job of helping them choose an alternative product to that, which they otherwise came in to shop for. So you can't beat our team is the reality. And that – it's a combination of those things, but most importantly, the team that give me an enormous amount of confidence on the go forward here. We are back in shape and we are the preferred place for customers to shop. That's not going to change.

Operator

Your next question comes from Craig Woolford from MST Marquee.

Craig Woolford

Congratulations on an amazing career at Endeavour and Dan's and all its incarnations too. So just I might talk about – ask about the developments. There's more detail that you're giving on those property developments. Just trying to be clear about what role Endeavour plays within those developments and maybe a bit more clarity on the $100 million to $150 million valuation that you've put on those. So does Endeavour do these themselves? Or you just partner with someone and then crystallize the value to property developments might work?

Steve Donohue

Yes. Thanks, Craig. Appreciate the question and the sentiment. I'll let Kate give you a response to that one.

Kate Beattie

Thanks, Craig. So I might start with what role do we play? We're clearly not a property developer. So the development process or the actual development will be done by somebody else. Our role is – we view our role as realizing the maximum valuation upside from these sites.

So we'll progress the development applications through to completion and we will work on what's the right structure within which to partner with a developer to access the development as well as on what's the right way to rebuild the assets that we retain in the site once developed. So we'll retain an interest. We'll partner with the developer and through that process, we'll realize the upside from the capital appreciation from the developed portfolio.

Craig Woolford

And that valuation of $100 million to $150 million, like it's the footnote talks – gives some nuance on each of the 5 – yes, some of them have different, I guess, attributes to the valuation?

Kate Beattie

That's right. It's a combination of developed – valuation of the land with the development application approved and current valuation without the development application approved. So it's safe to say we would characterize it as a somewhat conservative estimate of the potential cash proceeds should we wish to sell those assets on an as needed basis.

Operator

Your next question comes from David Errington from Bank of America.

David Errington

Yes, Steve, I've really enjoyed you as a CEO. I thought you've done a terrific job given the hand that you've been dealt. I mean you've given no free kicks from Woolworths, that's for sure, and you've really done really well. So I'm disappointed. I bet you're leaving. But on another note, before I ask my question, I'm really surprised Ari Mervis is not on this call.

Endeavour has got a large shareholder base and corporate governance is critical for us to be able to assess whether the company is being run independently and run for all shareholders. So I'm really surprised he's not on this call. I hope that he's planning to have some sort of call to highlight how he's going to run the company after you leave as Chairman and CEO and how it's going to operate and how we can be assured that there's independence in the day-to-day running of the business.

So look, I'm just really surprised he's not on this call. And maybe if you could get that back to him that probably if he could do another call with analysts so as he could talk to us about how he's planning to run the company as Chair and CEO to maintain high-quality corporate governance, that would be really appreciated, Steve.

But next, the question I want to ask is – and I don't expect you to comment on that, but the question I want to ask is on your sales outlook, I think Bryan – he's 3 or 4 questions that he asked. Bryan asked about the retail unlocking. If you strip out New Year, you're down 2.6% in the first 7 weeks of trading. That's pretty soft. And I think Coles were in the positive territory.

Now you've called out that you're still being impacted by the ongoing effects of supply chain. Is there something a bit more going on? I know you called out that your team is doing really well. I mean I can't get around. I think your team – how they're not affected by what's going on with Endeavour. It's amazing.

But is there something going on more because that looked to be a very soft 7 weeks? And how are you going to improve it? Do you have to go harder on promotions to get customers back? Or what is going on there? Because that 2.6% down for the first 7 weeks did look a little soft to me.

Steve Donohue

David, thank you for the question. I'll talk to that. So it's definitely softer than we'd like. There's no doubt about it. I think with – if you want to draw comparisons, I'll allow you to go back and look at what various businesses are cycling. We had a pretty sound number, the same corresponding period a year ago that we're climbing over. So that's one thing to note.

There's nothing else really apart from the supply chain and the challenges for the consumer. So, Australia Day was the highlight of a soft 7 weeks. It's a relatively small chunk of what the year looks like. It's fair to say, though, to the latter part of your question, we feel very well placed. I mean if you look at the quality of the assets we've got, if you look at the operating leverage we manage on the way down and on the way up, I think it should give people real confidence on the look forward here.

So now that you've seen that resolution to the supply chain challenges, you should expect us to continue, as we've articulated here, to drive sales off the back of price, value, service, range, all the things that our business is famous for. And we do it with a balance sheet that is in extremely good condition. So I think the broader organization, particularly the retail businesses remain formidable in the marketplace and much loved by our customers.

And to your point, that's all down to the team, right? Like the team just do an amazing job. The way they constrain costs, manage customer service was simply outstanding in that 7 weeks, but particularly across the half. So you should expect that to continue. That's what I expect.

David Errington

Does BWS hit harder than normal? And is that the one that got whacked the hardest in this period? Or is that trading below Dan Murphy's in the 7 weeks? I know you don't want to break it out too much, but is BWS –

Steve Donohue

Happy to talk to it. I mean, Dan's – transactions in Dan's are holding pretty soundly in context of the softer market. It's true that BWS has had the biggest impacts and I think that's reflected across the convenience channel generally. It's very much exacerbated by the supply chain challenges that we've had because you can think of how many of our BWS stores are attached to Woolworths' supermarkets.

And if you look through specifically the Victorian market, where those supermarkets were most impacted, that's where we've had very acute effects. So you've got a sort of combination of negative impacts there across the declining transaction volumes in the convenience channel across the market, but then this doubling down of our challenge, which, as I said before, to your point about free kicks, gives a free kick to anyone else out there who's got a liquor store attached to a supermarket.

David Errington

And hopefully, the pies get a few free kicks this year and maybe we get together and get a game. Hopefully, they go well.

Steve Donohue

Good on you, guys.

Operator

Your next question comes from Sam Teeger from Citi.

Sam Teeger

Just 2 questions. First one, there's been quite a bit of chatter about One Endeavour cost flowing out. I'm sure you've read it all. But on Slide 12, it suggests that everything remains on track. So well done to the team there. Do you want to give us a bit of insight in terms of what specific projects are planned for '26 and the key variables that could see the program hit the bottom or top end of your cost estimates going forward?

Steve Donohue

Yes. Thanks, Sam, for the question and appreciate the observation despite some conjecture, we've stuck to the facts and they're clearly outlined there on Slide 12, as you say.

So it's an opportunity for me to repeat what I said in relation to the good outcomes in relation to spend management, property lease management, people systems. People systems are at the tail end of their rollout. And I say that like there's not much to do. There's actually heaps more to do and it's going to affect our hotels team. So they're going to have new people systems roll out. That's a lot of change for them. And that's why we've got to maintain this focus and simplicity approach so that we can put our energy behind fewer things when it comes to the amount of change that's going to impact on them.

So that's a couple to talk to. But the big ones that lie ahead, the retail and finance ERP, which is now in the design phase. So we've appointed a partner, a partner's in our building. Right now, we're working together on the design – important design work as it relates to retail and finance ERP. And there's a lot of heavy lifting going on in preparation for the stores rollout. And we'll actually commence the stores rollout, as you see on Slide 12, in F '25 is the expected plan. That actually starts with building a store that's not a store. You've got to build store zero, a test lab where you create the environment that you then want to roll out across what is actually Australia's largest retail network, wholly owned, non-franchise.

So it's a lot to be done but I think there should be a degree of confidence in the team's ability given the progress to date, the execution to date and the real focus on delivery that these guys have been able to show so far.

Sam Teeger

Yes. Excellent. And just a second one, on the renewal strategy, it's really great to see the strong performance of Newmarket and Bayswater since their recent renewals. But can you give us any comments or color around performance in the first half of the cohort of pubs that you renewed in FY '23 and '24? Just want to get a sense as to how sustainable you're seeing the uplift from the ones you did a little while ago?

Steve Donohue

Thank you for the question, Sam. I think the key point here is that they've been meeting hurdle rates. So we have targeted 15-plus percent return on capital for these sorts of efforts over a 2-year horizon. So we're achieving that actually in many cases, in a 1-year horizon. So it goes to that point around confidence that we've articulated and our willingness to actually touch in a very material way some of our more iconic venues on the go forward

And it's so important, as I said before, when you consider the challenges that we've got in the legacy network and these are great pubs, but the great pub down the road has been renewed by our competitor and we need to catch up to that. So that's what the look forward looks like.

But great question on the look back because it's what's giving us the confidence on our plans going forward. And you think there's a detailed slide on Slide 38 in the appendix that articulates that probably more clearly than what I have now.

Sam Teeger

All right. And just as a follow-on to that, I guess, given the gaming performance is a bit soft compared to the market in certain regions and the success you've had on these renewals and the gaming in these renewals are outperforming the market and doing so well, why not speed up the refurbishments?

Steve Donohue

Yes, fair question. I think it goes to the way we used to do things, which was to perhaps focus more on the gaming side of the pub and not the whole pub. What we're seeing and we tried to articulate it in the examples is a very big pop in food and bev, 30-plus percent increases in food and bev. We already trade at a relatively high level compared to competitors in the gaming space.

So we're getting a lift, but it's in the sort of high single digit, low double digits because of the sort of underlying inherent high performance of gaming. So it doesn't mean that we want to switch back to just focusing on gaming rooms. We've got a balanced approach to the way we're bringing our pubs up to scratch in the future. And the performance of food and bev has been very encouraging, too.

So we're trying to keep balance, I suppose, on the way forward. The key will be the number and the scale that we can do and the pace with which we can do them. That's actually really challenging, but it's something that the team are very committed to working hard on.

Operator

Your next question comes from Michael Simotas from Jefferies.

Michael Simotas

I've got a question on the cash flow. So you had a very strong performance in the first half. In the second half, you typically have a working capital investment of around about $250 million on average. If that repeats this year, it would still imply cash realization well above 100% for the full year. Is there something unusual that happened in the first half that means the outflow will be bigger in the second half? Or do you think you can retain some of the working capital that you've extracted?

And just as a follow-up to that, just a comment on whether the supply chain issues had any impact on working capital as well.

Steve Donohue

Thanks, Michael. I'll hand to Kate for this one.

Kate Beattie

Thanks, Michael. Great questions. So I think the important thing – the important aspect that characterized the first half was the inventory values were materially below the comparable prior period. That was driven primarily by what's been an ongoing focus on inventory optimization.

And in particular, normally heading into the peak trading period, we do quite a high inventory buildup that then we have to unwind in the – to the extent that there is surplus in that, we have to unwind it in the first couple of months of the second half. That buildup was much less material this year. And that wasn't specifically driven by the supply chain disruption.

We've actually got a chart in the slide, which I will point you to the number of that breaks down the different inventory impacts, but it was primarily the focus on inventory optimization.

What happens in the second half this year is we start to cycle the inventory reduction benefits that we got last year. So we're not expecting to see that level of working capital benefit repeat in the second half, but we are expecting to continue to see inventory levels track below the prior year and therefore, to continue to benefit from that.

In terms of where the cash position will end at the end of the year, we are expecting higher CapEx outflows in the second half, which will somewhat offset the benefit we've had in the first half.

Steve Donohue
Thanks, Pat. I mean it does all sound very financial. What though, there's people behind the scenes who make that happen. I think it's a testament again to the team on the management of inventory in our stores, in our supply chain network that has been one of the key drivers behind what Kate just explained. So thanks, Michael, for the question.

Kate Beattie
Page 19 of the presentation deck on the right-hand side has the inventory reduction explanation.

Michael Simotas
Can I just ask a quick clarification question as well? Just on your slide on the One Endeavour costs for FY '26 and then '27, there's a comment that expenditure will peak in FY '26, which I think is consistent with previous commentary. But then there's another one that says that the split between OpEx and CapEx will vary by stage of implementation. Should we interpret that to mean that OpEx won't necessarily be lower in '27 than it will be in '26?

Kate Beattie

Great question. So the OpEx primarily relates to the core program team running the program as well as the early-stage costs of standing up the programs that aren't able to be capitalized until you're in the build phase. So we expect the split of cash expenditure to shift to capital in the later phases of the programs and the core operating cost to remain stable with a degree of reduction as we move into the – out of the design phase and into the build phase.

Michael Simotas

Okay. So it sounds like '27 OpEx, all else equal, should still be below '26?

Kate Beattie

That would be our expectation, yes.

Operator

Your next question comes from Shaun Cousins from UBS.

Shaun Cousins

Steve, I've asked over the years. I appreciate the insights and the candor. Maybe just my first question is just really around One Endeavour. How will this OpEx and CapEx be offset in time by paying Woolworths less? I'm just curious around how the company is ensuring that the One Endeavour spend is sort of fit for a company of Endeavour's size and needs and not sort of gold plated per se? And overall, will the company be in a better or worse sort of OpEx position given what in time you'll start paying Woolworths less money, but then you'll be incurring some money yourself. Just maybe what's the going-forward position look like from a net cost base? And how do you make sure you're actually in a better position or limit the downside, say?

Steve Donohue

Thanks, Shaun. Thanks for the sentiment. And likewise, I've appreciated your curiosity over the journey as well. Thanks for that. In terms of the rundown of costs in relation to technology with Woolworths, we anticipate a proportionate reduction in those costs relative to the shift of the Woolworths systems. I won't go into all the dirty detail, if you like, that sits behind that agreement, but that's it in a nutshell. And I mean it makes logical sense. You use less of the service, you don't pay for the service.

So I think over the course of that time scale that's referenced on Slide 12, we'll continue, as we do on the half yearly basis to update on the program and we can help the market understand what commensurate impacts look like in relation to costs.

Kate, do you want to add to that?

Kate Beattie

I think the important build to that also is, I think we've talked before about the fact that this program is effectively a simplification program for the group. So particularly in the context of both people systems and a new ERP we will get not directly because of the technology. It's not a technology cost saving, but they will enable group simplification initiatives that we haven't been able to unlock because of the complexity of the technology landscape we're operating on. So there will be flow-through productivity benefits to the group once we're able to operate on the new system infrastructure.

Shaun Cousins

Fantastic. And my second question is just around the Retail gross margin. There was some expansion there, but can you maybe just sort of walk through some of the drivers you've called out innovation buying and AI helping price and promotion optimization. But can you maybe talk a little bit about the headwinds, particularly be it premiumization, promotional intensity and maybe what role Pinnacle played? Again, just curious regarding the sort of puts and takes on gross margins, please?

Steve Donohue

Yes. Thanks, Shaun. It's a really good question because in the half, it was a tale of 2 quarters. We had and we called it out and we spoke about it at the first quarter update, quite a high degree of promotional intensity across the market, which we responded to.

What we saw in the second quarter was a real step back. And it probably had something to do with the free kicks that were being achieved off the back of the supply chain disruption. So for us, our challenge was the fact that we couldn't – we didn't have sufficient stock to support promotions.

So the team had a mad scramble trying to remanage and rebalance inventory as well as promotional activity and so on and so forth. So I think those contributed to a much softer promotional marketplace in the second quarter. That's actually persisted in that first 7 weeks as well, I might add.

As far as product and mix is concerned, there has been a continued challenge with the premiumization of product, which has actually gone into reverse, right? So you are seeing down trading across a number of categories. Probably the most acute is in the champagne to sparkling wine space. And I've talked before about the material price increases that have flowed through in French champagne and at a time when the consumer is really challenged from a cost of living standpoint.

In other categories, spirits are probably one of the more affected, obviously, by the CPI indexation of excise and that's where we do see some of the more larger declines in volume, offset a little bit by unit price, but not enough to make up for some of those volume declines.

On the other side of things, beer is actually overall relatively stable and you've got cool phenomenas like splitting the G with Guinness that are driving volumes up 20-odd percent as well as their amazing zero product that is doing exceptionally well.

And in the wine category, you heard me call out the K by Krondorf, which I think really the team should be credited for in Pinnacle. They've turned Krondorf into a $20 million-plus brand and that one has generated about $2.5 million in sales revenue since its launch in May. And it's 2 red wines that are quite traditional priced at about $13 each, really hitting the mark when it comes to value for money and quality.

So there's a lot of movements. There is challenges for the consumer that we see reflected in premiumization or the reversal of – and mix. But there's also some light in there, particularly in important categories for us like wine and overall beer.

Operator

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

Phillip Kimber

Just wanted to check, you called out a $30 million cash inflow from capital recycling. Are there any associated profits with that in the half? And if there are, how does that compare to the prior first half '24? Like are we getting an incremental benefit there?

Steve Donohue

Thanks, Phil. I'll let Kate respond to that.

Kate Beattie

Thanks, Phil. Yes, there was a small amount of capital benefit we obtained from those disposals, but we also took the opportunity to write down some of our hotel property assets in the half. So the 2 netted off with no impact on the bottom line and therefore, nothing that's non-comparable to the prior half.

Phillip Kimber

Awesome. And then just on your guidance, I think in one of the slides had hotel renewal CapEx next year, $100 million to $120 million is a step up, which is great. I just wanted to get a sense, is that a material step-up from ’25? I just can’t remember the number, sorry. And then if you add that and the Endeavour CapEx phasing, does it – I know you’re not going to give a number, but should we think about FY ’26 Group CapEx stepping up a bit from ’25?

Steve Donohue

Thanks, Phil. So we’ll come back on the total Group CapEx, but just scouring around you trying to pluck out a number for hotel CapEx for the prior year. I think it’s definitely a step up. I’m not sure the sale.

Kate Beattie

I’m talking off the top of my head, but it’s in the order of $20 million to $30 million up that we’re expecting hotel renewal capital to be next year.

Steve Donohue

And then overall capital, I think we’ve guided on that for the half.

Phillip Kimber

Yes. No, it was more in ’26. Yes, the Group –

Kate Beattie

At the Group level in F ’26, we are expecting a step up, which will be a combination of that hotel renewal capital, although we’ll continue to optimize capital across the rest of the portfolio as well as focus on asset recycling. But the more material step-up or perhaps at least as material step-up will be the impact of the One Endeavour technology program moving into phases that have a higher level of capitalization.

Steve Donohue

I mean it's a long way off, really, and you've got to look at the comments we've made about recycling opportunities that right in the redevelopment network that we've touched on as well.

Kate Beattie

Yes. So there'll certainly be puts and takes. I guess, as we've said before, the most important, I guess, part of the equation is we will continue to manage our capital outflow envelope in line with free cash flow generation. So we don't expect any material movement in capital such that we would change our position on our target leverage ratio or the net debt outcome for the Group.

Operator

Your next question comes from Tom Kierath from Barrenjoey.

Thomas Kierath

Just another one on the 7-week trading update. I think, Steve, you said that you're back in stock position now. I'd just be interested in like how long you have been like fully stocked and then kind of how the sales are trending while you've been fully stocked? Like is it, I don't know, improving on the negative 2.6% or flat or up? Would just be interested in any color you can share there?

Steve Donohue

Yes, it's quite recent, Tom, to the point like 7 weeks have just elapsed and we're finally just getting back into shape. But yes, that's probably all I can really say on that one at the moment. The numbers speak for themselves.

But I would, though, I guess, point you back to the comments I made earlier about the relative position of the organization, the brands that we offer, the service and advice that goes into our stores and the confidence that we've got that the look forward is as good as the preceding 4 quarters where we quite obviously, we chair, we've had this anomaly and we're really confident about that returning to the norm.

Thomas Kierath

Yes. Yes. Okay. And I suppose I would echo [Erro's] comments around having Ari on the call. Just with the CEO search, like do you know if a person has been found and there's a long notice period there? Or is the search still ongoing? I mean, any color you can share around when your successor is likely to be appointed other than obviously being not for a while until they start?

Steve Donohue

Look, Tom, I think we'd refer you back to the announcement that was shared with the ASX today. That's the sum of the topic from our point of view at the moment.

Operator

Your next question comes from Benjamin Gilbert from Jarden.

Ben Gilbert

Echo all the positive sentiment towards you, Steve. Is there – like it's just surprising – I know it's been asked about to ask for the third time, but you stepping down from McPherson temporarily for 12 months, it's pretty significant. You're obviously extremely well respected and liked and could be very in the Group, Steve.

So it's just – I suppose, the 12-month period seems a long period to stepping down. It's just a lot of uncertainty for a Group that's from our standpoint, trying to understand sort of strategy and what's happening. Is it there? It'd just be good to hear some comments around plans or if anything is going to change.

Steve Donohue

Yes. Look, Ben, thanks. I mean it's Kate and I today and we're here to talk about the first half results, which we've presided over. So that's the focus of today's conversation. There will be plenty of opportunities down the track, I'm sure, to engage directly, but refer you back to the answer I gave, Tom.

Ben Gilbert

Maybe just a second one for me, then if I squeeze one in. Just interested in just the promotional backdrop and how you're seeing it. And I know Coles is only doing a small trial down in South Australia at the moment. But ultimately, I would have thought consolidating brands is going to be a positive in terms of matching. I just interested in how you're seeing the promotional backdrop across the liquor space at the moment.

Steve Donohue

Yes. Thanks, Ben. I guess I won't repeat what I said about Q1 and Q2 and that persisting through, but the level of promotional intensity has certainly moderated and that's actually an opportunity for us, right? That's an opportunity to go harder.

And remember, too, there's 10,000 liquor licenses in Australia. We account for some 1,700-odd of them. We've got a lot of competitors. It's not just one. It's not just 2. There's competitors on just about every corner. So when we give you a perspective on overall promotional intensity, we're not talking about one, we're talking about all.

And yes, again, that look forward for me is one of real confidence because if you normalize – if you're able to remove any impact of the supply chain disruption that affected us on a national scale, as I said, and in particular, affected our Pinnacle EPP products, we think we would have continued to have grown share as we've done in the preceding quarters. So it gives me the confidence that I'm sharing in relation to look forward. And I know I might be boringly repetitious on this, but no one's got a team like ours.

Our team is the best team. They deliver the best customer service. They deliver the best prices. They deliver the best range and they do it every single day of the year. That's not going to change. We will outcompete anybody on those factors given our team.

Operator

Your next question comes from Lisa Deng from Goldman Sachs.

Lisa Deng

Yes, Steve, echo everybody else and the best of luck for your next chapter. I've got 2 questions. First is the promotional strategy into the second half. So Woolies indicated that they would hold some of the discounts that was planned for first half into second half to recover traffic. Now that you've got the stock back and you didn't actually do the promotional calendar you planned in second quarter, would you be looking to do something similar and actually shift what you plan to do in second quarter into the second half? Question one.

Steve Donohue

Yes. Thanks, Lisa. I think when I talked about the outlook for H2, I said we would continue to drive trade through value and price. And we always have done that. But I think if you take note of the settings that I'm talking about across the market at the moment, you should expect us to continue as we've done in the past, continue to beat everybody's prices, continue to have best in-channel pricing in BWS.

Maybe the amount of exposure we give price might continue to increase. But it's not the case that we've – I mean, there's been a moderation in the market of promotions, but Dan is still the cheapest. And it's the cheapest by a long way. And reminding people of that and encouraging them to travel past the 2 or 3 competitor stores they've got to get to Dan Murphy's will be a continued focus for the team.

I talked a little bit about Appy Deals. These are market-leading prices available to customers who use the BWS app. They basically beat everybody else in the convenience channel. It's proving hugely popular and it gives us the opportunity to serve those customers better given that we understand what their preferences are.

So I think to my earlier comments, we are very, very well-positioned. Our brands are the most preferred by our customers. Our team does the best job of any out there. Our prices are the lowest and we will keep reminding people of that as it plays through in the half ahead.

Lisa Deng

Okay. So you're not indicating anything out of normal promotional calendar.

Steve Donohue

No, I don't think it's an appropriate comparison of, say, Woolworths to BWS and Dan's. They're very different markets and serving different occasions, notwithstanding the point about the attached stores, but that's more a foot traffic challenge than a category one.

Lisa Deng

Got it. And then the second question is on endeavourGO. It seems like we've actually been doing a decent job of realizing the $290 million plus to FY '26. We've already done $230 million, right? And we've got another quite a long time to go. Is there any more opportunity to improve on the $290 million?

Steve Donohue

Yes. Thanks, Lisa. I appreciate the recognition. It is, as you say, nearing $0.25 billion of cost savings over the life of the program, which like you, I think, is outstanding. And we did say $290 million plus and I think plus is where the emphasis has to be right now in context of challenged consumer market. So that's where the focus of the team will be.

It would appear on face value that given that number and given our great progress to date, we're going to get there, but it's a question now of what the plus looks like, which is where the team's efforts and energy are going to go over the next 6 months thinking that through.

Operator

Your next question comes from Richard Barwick with CLSA.

Richard Barwick

Just good to see that you're still targeting the long-term shareholder value of 10% plus from next year. But it's worrying like in the context of today's news, you've dropped the strategy scorecard and the shareholder creation slides from the pack. Is there anything we should be reading into that? Or are you still committed to the various elements that you've previously disclosed?

Steve Donohue

Thanks, Richard, for the question. We haven't dropped them necessarily. We just haven't emphasized them today. So they're in the appendix, you'll see the scorecard commitments on Slide 44. And in all cases, what we try and update on is our progress. The strategic direction is not changing. The progress towards it is what we're focused on in these conversations. So, no, by no means. And again, they're there in the appendix on Slide 44.

Richard Barwick

Well, it's not the same level of detail, Steve, that you've included before. It looks like it's quite different compared to what you've disclosed in the full year results, for instance.

Steve Donohue

If you're thinking about the matrix checkerboard, yes, that's not in the pack this time, but the long-form wordy version is it's the same message in a different form.

Operator

Your next question comes from Caleb Wheatley from Macquarie.

Caleb Wheatley

Steve, congratulations on your tenure. My question is just a follow-up on the development capital recycling front. Just keen to hear some additional color, if you can, on how your property partners are thinking about growth in their own property holdings, bearing in mind where we are in the cap rate cycle and a few of your partners potentially looking to manage their own balance sheets as well at the moment. If you can provide any additional color there?

Steve Donohue

Thanks, Cal. Again, I appreciate the sentiment. I'm going to ask Kate to help me with this. You got a perspective you'd share.

Kate Beattie

I could ask you to re-ask the question. Apologies, I'm not quite sure what you're referring to.

Steve Donohue

Capital partners –

Kate Beattie

Are you talking to about our landlords and their property portfolio?

Caleb Wheatley

Yes. I mean if you're looking to crystallize sort of that value that you put on the earlier slide there just in terms of being able to divest or sell on '21 as you mentioned you're not going to do development yourself per se, but just yes, how keen is the buyers to sort of take on a bit more of that at the moment?

Kate Beattie

I see. Thank you. Okay. So it's safe to say we're engaging with a number of potential development partners, but we're probably not at a stage where we can disclose what the timing or how they're thinking about it. But we certainly have a firm level of interest in the opportunity and it's somewhat different by site and somewhat localized to developers and sites. But we're certainly live on that topic and we'll update you as soon as we're able to.

Caleb Wheatley

Okay. Great. And maybe just a small follow-up, if I could, on the CapEx guide. I know that you've called out One Endeavour is going to be the lower end of the $60 million to $80 million, I think it was the previous number. It seems to account for about $20 million of the reduction, but the overall is about $75 million. How do I reconcile the additional movement down there?

Kate Beattie

I think it's a combination of a couple of things. One is we are containing things like stay-in business capital expenditure to the lower end of our expectations. And we had also assumed a level of network expansion that we're not now going to undertake this year as we continue to grow our conviction in the renewal performance of hotels and the opportunity to prioritize putting capital there.

Steve Donohue

I think you've heard us talk about continuing to leverage the investments we've made in Pinnacle as well.

Operator

That does conclude our question-and-answer session. I'll now hand back to Mr. Donohue for closing remarks.

Steve Donohue

I've always appreciated the curiosity, the questions and the input into the business. So thanks, everybody, for joining the call again today. I always say I look forward to seeing you in a winery, a pub or a bottle shop, but you can chat me this time. Look forward to seeing you all out there, and thanks for being on the call. Cheers.

Operator

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