Endeavour Group Limited, H2 2024, Earnings Call 2024-08-26

Presentation

Operator

Thank you for standing by, and welcome to the Endeavour Group Limited FY ’24 Results Management Briefing. — ***Operator Instructions*** — Thank you.

I’d now like to hand the conference over to Mr. Steve Donahue, CEO. Please go ahead. Thanks.

Steve Donohue

Thank you and good morning everyone. Thanks for joining us today for Endeavour Group’s F ’24 full 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 the traditional custodians of the land we’re presenting from today and pay my respects to their elders’ past, present and emerging.

I jump forward to Slide 6. Turning to the headlines that we covered there. I’m very pleased to report that F ’24 was a year of resilience and execution for the group, showcasing our ability to perform in a challenging trading environment.

I’m extremely proud of the efforts of our more than 30,000 team members to consistently execute our strategy and deliver value for customers, returning in record sales in both our retail and hotel segments.

I’m also proud that we delivered record EBIT in an inflationary environment, driven by gross profit margin expansion and cost optimization. As I’ll touch on shortly, we’ve made good progress in executing our strategy with a particular emphasis on streamlining and simplifying the business. And we've maintained our strong capital discipline and cash generation, which has enabled the Board to keep the dividend in line with F '23 at AUD 0.218, bringing full year dividend payments to shareholders of AUD 390 million.

Despite near-term trading headwinds, our ability to deliver these outcomes makes me very confident that we're well positioned to continue to perform through the cycle.

On Slide 7, you can see the financial highlights with the Group delivering growth in revenue and EBIT with impacted by increased finance costs. And to Slide 8 and looking at our performance since our demerger in F '21, you can see the growth we've delivered in sales, earnings and shareholder returns including total paid and declared dividends to shareholders to date of nearly AUD 1.3 billion

Just skip forward to Slide 10. At Endeavour Group, our vision is to be the leading platform enabling social occasions, and we're united around the purpose of creating a more sociable future together. To do that, we leverage our portfolio of leading brands to serve our shared social customer. This customer enjoys the value and convenience of our market-leading retail brands, Dan Murphy's and BWS.

They also drink, dine, play and stay with us in our network of hotels and hospitality venues, which is the largest in the country. The same customer benefits from the unique product innovation capability provided by Pinnacle Drinks, our portfolio of exclusive owned and supplied drinks brands.

The concept of the shared social customer informs our strategy and enables us to deliver better outcomes for our customers, along with greater efficiencies and scale that translates into our performance and value creation.

To Slide 11. We believe we're well positioned to deliver value for all our stakeholders by leveraging our unique and attractive business fundamentals, including our unrivaled scale, deep connection with our customer, strong balance sheet and engaged team, all underpinned by our social license, something which we work extremely hard to protect.

The key to doing this is our strategy, which is simple, scalable and puts the customer at the heart of everything we do.

Our strategy positions us to grow in a way that maximizes the efficient use of our capital and leaves a sustainable and positive imprint on the communities in which we operate. This enables us to create significant value for our millions of customers, 30,000 team members, over 8,000 trade and non-trade suppliers, 90% of which we categorize as small, the community and shareholders for whom we're targeting 10-plus percent value creation, meaning growth in earnings per share and dividends from F '26.

In December, we unveiled our strategy scorecard, which articulates how we intend to achieve our ultimate aim of delivering long-term shareholder value through the cycle. On Slide 12, you can see the good progress we've made in F '24 towards delivering our scorecard commitments.

In a challenged economic environment, we've doubled down on price and value, which is reflected in the Dan Murphy's price index showing that our price leadership has increased to a record level in F '24, with our value perception now 26 points ahead of the nearest competitor, helping us to retain our strong customer advocacy scores.

We've continued to invest in developing a leading omni-channel offer, which is delivering increased engagement with digitally influenced sales growing and active app increase, active app users increasing by 12%.

We've also continued to focus on streamlining and simplifying our business to make us more efficient, delivering AUD 100 million in savings from our endeavourGO cost optimization program during the year, with the program on track to deliver its target of AUD 290 million plus by F ’26.

Further to which, our focus on gross margin management has seen continued margin expansion in both retail and hotels. And as I’ll touch on in more detail shortly, we’re making progress with our One Endeavour program to separate from Woolworths and simplify our technology landscape.

We’ve continued our strong capital discipline, reducing overall CapEx, maintaining a stable operating ROFE, while improving our working capital and inventory. We continue to focus our capital on high returning hotel renewals and make progress towards unlocking value from our property portfolio.

Pleasingly, our team engagement score remained strong at 72%, but our safety performance stepped back in the year. We’re absolutely committed to making sure all team members have a safe place to work in Endeavour and as always, we’ll be focused on improving that safety performance in F ’25.

I’m also pleased to report that we’ve made good progress in responsibility and compliance, including 44 million customer engagements during the year for various responsible consumption and community safety campaigns. So, overall, you can see it’s been another busy year of strategic delivery for the team. And while there is a lot left to do, I’m really pleased with our progress.

Turning to Slide 13, where you can see that our focus on the customer is driving strong outcomes and performance. This includes Dan Murphy’s. We’re our market-leading My Dan’s membership program added 0.25 million active members last year, taking total active members to 5.4 million, with members spending 80% more per transaction than non-members.

The high My Dan's scan rate of 83% enables us to deliver personalized customer offers with those offers delivering 29% better sales outcomes, whether that's in-store or online. In BWS, our focus on value and convenience is delivering growth and engagement, including expanded ultra convenience partnerships that attracted 0.5 million new customers.

Pinnacle Drinks remains a key driver of retail sales and product innovation for the group. Pinnacle delivered AUD 1.8 billion of retail sales in F '24, growing over 4% with more than half of that growth coming from new products. Pinnacle's capital-light model delivers strong returns on capital that are accretive to the retail segment.

In our hotels portfolio, we launched the pub+ loyalty app, which will deliver an improved guest experience and significant data insights to the Group. We also drove operational and margin improvement through AI and improved trade planning. And after extended work on solution development, we launched a cashless gaming trial at the Crows Nest Hotel and the Charles Hotel on the 1st of July.

As I mentioned earlier, we've made progress on our One Endeavour program, as you'll see on Slide 14, and that's to separate our systems from Woolworths and simplify our technology landscape. During F '24, we progressed our people systems separation and consolidation, which we expect to complete in F '25.

We also successfully implemented lease management and non-trade procurement systems for the Group. Our stores infrastructure and system separation is on track to progress materially in F '25 with our ERP build to commence in F '26. As you can see on the right-hand side of this slide, program costs for One Endeavour are set to peak in F '25 and '26.

Moving forward, we'll continue our practice of keeping investors update on our progress and our expected expenditure on a half yearly basis. This is a significant but necessary investment for the group, which we expect to be funded from within our existing capital capacity.

Moving on to our imprint. And again, as I touched on earlier, we've continued to make progress in our sustainability commitments, where our primary commitment towards responsible service of alcohol and responsible service across our gambling offers.

Some of the key highlights are summarized on this slide here, but I really encourage you to also take a look at our third annual sustainability report, which we released to the market today.

And with that, I'll hand over to Kate to talk about the financial results in some more detail.

Kate Beattie

Thank you, Steve. I'll start on Slide 17. As Steve has outlined, and as you can see here, the Group delivered a resilient financial result for F '24 with sales growth of 3.6% or 1.8% on a 52-week basis.

Operating EBIT, which excludes the impact of our One Endeavour program, grew 3.4% on a comparable 52-week basis, ahead of sales growth as a result of our delivery of both gross profit margin expansion and tightly managed costs.

As Steve outlined, we incurred operating costs of AUD 45 million for One Endeavor during the year, which was in line with our guidance. Net profit after tax declined year-on-year, impacted by finance costs of AUD 306 million, also in line with guidance.

Increased finance costs were driven by higher average net debt and the impact of higher interest rates on both debt and lease interest costs. Of the total increase of AUD 46 million was attributable to debt and AUD 10 million to lease interest.

Moving to Slide 18. The Group's cash generation continues to be a real strength seen in net operating cash flows of AUD 1.2 billion in F '24, with cash realization of 108% which was up 38 percentage points on F ’23 and at the upper end of our target range of 90% to 110%.

Working capital improved in the period, driven by reduced inventory volumes, which more than offset the impacts of cost of goods inflation and of network expansion, resulting in inventory value reducing by AUD 31 million.

On Slide 19, you can see that the Group retains ample flexibility and funding capacity. Our strong operating cash flows, improved working capital and lower capital expenditure enabled us to reduce our net debt by AUD 55 million in the period.

In the second half of the year, we refinanced the syndicated debt facility that was originally maturing in June 2025, replacing it with a two-tranche Asian term loan, which increased our weighted average debt maturity to 3.8 years.

We were really pleased with the response to this transaction, which attracted new lenders and was materially oversubscribed. At balance date, we had AUD 670 million in undrawn debt facilities, giving us ample headroom.

Assuming constant interest rates, our F ’25 finance costs are expected to be between AUD 310 million and AUD 325 million. This is due to lease interest expense, which is expected to be marginally higher year-on-year as new leases are entered into and lease liabilities are remeasured at the current higher rates.

Turning to Slide 20, where you can see overall CapEx reduced by AUD 64 million to AUD 446 million, in line with our guidance and our commitment to disciplined capital management.

The retail stay-in business capital increase in the year includes a AUD 30 million one-off catch up cost in replacing end-of-life technology in our stores, which was deferred during

COVID and will not repeat in F ’25.

Reduced retail renewal expenditure reflects the quality of our retail store fleet with fewer renewals required in the year and a mix shift to lighter touch renewals as well as a lower investment in digital shelf-edge labels in the year as we completed the rollout across the Dan Murphy’s store fleet.

During the year, we also completed the Pinnacle Dorrien winery expansion project. This investment almost doubles our winemaking capacity from 12,000 to 20,000 tones and will lead to a material reduction in our grape to bottle conversion costs, which will benefit retail margins. With this project complete, there will be a significant step down in Pinnacle Capital investment going forward.

As noted at our Investor Day in December, our growth capital focus is in hotels, where this year, we undertook fewer but on average, larger scale renewals touching more elements of the hotel. These renewals typically take longer lead times to plan and execute with our renewal pipeline building as we head into F ’25.

As previously flagged, we have also made fewer hotel acquisitions in the year with two during F ’24 compared to 11 in F ’23. One Endeavour capital expenditure increased to AUD 33 million in the year. As Steve highlighted earlier, we expect this to increase to around AUD 60 million to AUD 80 million in F ’25.

We expect to fund the program within our free cash flow funded capital envelope. Specifically, for F ’25, we expect our total capital expenditure to be in the range of AUD 450 million to AUD 500 million, including One Endeavour.

Turning now to our segment results in a little bit more detail, beginning with the retail segment on Slide 22. In our Retail segment, after a relatively strong first half, we experienced softer trading conditions in line with the market after the December festive period.

In this context, we're pleased to have delivered record sales, including positive comp store sales growth, gaining share through consistent execution by our team to deliver value for customers.

As Steve has noted and in line with our strategy scorecard objectives, we expanded gross profit margin supported by new product innovation in which our Pinnacle business plays a key role. We also deployed AI-driven optimization which contributed to margin expansion.

Like all retailers, inflation was a material headwind during the year with award wage increases of over 6% are notable examples. Mitigating this, we continue to deliver sustainable cost savings benefiting supply chain costs in gross profit and multiple areas of cost of doing business, in particular in stores.

The graph on the bottom left chart shows an indicative sizing of these respective drivers of our performance. The resulting operating EBIT growth was 4.7% on a 52-week basis, with EBIT margin up 20 basis points. After allocation of One Endeavour costs, EBIT growth was 3% with both operating and net EBIT growth well ahead of sales growth.

Turning now to Slide 24 where you can see our hotel's performance. We also delivered record sales in hotels with all of food and beverage, gaming and accommodation in growth in the second half. Gaming growth was supported by continued optimization of our gaming fleet including investment in newer trending products.

As we reported at the half, we delivered a strong improvement in food and bar margins underpinned by better sourcing and menu optimization which strengthened further through the second half. We addressed significant inflationary pressures in hotels as well during the year including award wages and lease cost increases.

Our endeavourGO optimization program was able to partly mitigate these impacts but we have more opportunity in hotels ahead of us. Operating EBIT was up 1.8% on a 52- week basis slightly behind sales. After allocation of One Endeavour cost EBIT was up 0.5%.

We are making good early progress on our hotel's property strategy as shown on Slide 25, improving our portfolio quality with two acquisitions and two divestments as well as one further divestment post period end.

We are progressing our strong pipeline of renewals having completed 24 during the year including a complete repositioning of the now renamed Morris Hotel which was previously The Saint in Western Australia which has doubled its weekly food and beverage sales since its renewal and improved its food ranking from number 22 in the state to number 2.

We had always planned to begin somewhat cautiously with our new renewals as we test the approach and returns and I'm very pleased to say that our experience in F '24 based on early post renewal trading to date makes us very confident in the attractive return profile of our strategy.

We are also making good headway on our highest priority redevelopment opportunities highlighted at our December Investor Day with plans for several of these sites now progressing to the development application lodgement stage.

As we've progressed, we've learnt that the opportunity for a number of our sites is larger than we first thought. For example, we believe we can add an additional 20% residential capacity at the Doncaster Shopping Town site in Victoria which would allow for over approximately 600 residential units. And at the Morrison Hotel in Queensland we believe we can add 15 storeys more than we first thought.

In tandem we also continue to explore capital partnership options to unlock the value of our portfolio and we look forward to updating the market on this topic in due course.

On Slide 26, you can see the trading uplift from a sample of our renewals and redevelopment investments. These are well on track to deliver our targeted returns. We have spoken about the book before. This was a complete redevelopment of the hotel adding a new Dan Murphy's store both of which were completed in late F '23.

In F '24 we added a new accommodation tower attached to the hotel which has gone straight to the top 10 of our accommodation venues nationally. After almost 12 months of full trade, this investment is exceeding our business case comfortably delivering over 20% ROI.

So, in summary, overall, we are very pleased with our progress and financial performance in F '24 with multiple proof points of delivery against our strategic scorecard.

With that I'll hand back to Steve.

Steve Donohue

Thanks, Kate. Now, turning to the outlook and our priorities for F '25. On Slide 28. F '25 is off to a busy start with the team remaining focused on serving our customers and delivering our strategy. This year our main focus areas will be on maximizing returns from our existing assets and growing our network in a capital efficient way focusing on our portfolio of renewals and of course, continued operational optimization.

We'll continue streamlining and simplifying our business through our endeavourGO program as well as progressing our work to separate our systems from Woolworths under One Endeavour. We'll continue to progress plans to unlock value from our property portfolio as Kate's just mentioned and as always we'll continue to focus relentlessly on safeguarding our team and license to operate by operating responsibly and sustainably.

On to the outlook slide. So, through the first seven weeks of trading in F '25, underlying sales momentum in both the retail and hotels improved compared to the last quarter of F

’24, with our focus on offering the best prices across both segments continuing to attract an increasingly value-conscious consumer.

It’s important to note that the FIFA Women’s World Cup that took place in early F ’24 does somewhat limit the comparability between the same period year in F ’24 and ’25, with our sales growth in the first seven weeks of this year being 0.61% up in retail and 2% up in hotels. But to give you a sense of the relatively positive momentum in the retail business, we’re actually down 2% in the first week and then up 2% in the last week versus the prior year.

Across the Board, how brands and venues are without doubt Australia’s go-to destination for social occasions. And we’re looking forward to upcoming first half trading events like Father’s Day, Cyber Week, Spring Racing Carnival and the festive season where the quality of our business really stands out.

Our scale, our unrivaled price and value and our unrivaled connection with customers through loyalty, positions us to continue to outperform in what may well be a tougher market this year.

We’ll continue to respond to inflationary pressures by tightly managing cost of doing business, including progressing initiatives through our proven endeavourGO program, which continues to target over AUD 290 million in cumulative savings by F ’26.

We know that when customers are feeling the pinch, Dan Murphy’s really steps up, proactively bidding more competitors as the competition heats up and helping customers stretch every dollar further, never compromising on service and range.

BWS delivers the most convenient access to a great range and the best deals, especially via the app. And, of course, there’s nowhere better than an ALH Hotel to enjoy great value occasion anytime.

I really believe that the structural resilience of our businesses, which has certainly been on show this year and is evident in the result we've delivered today, combined with our high cash generation and strong balance sheet position us well to deliver through the cycle.

Before I close and hand over to questions, I'd like to reiterate our commitment to delivering our target of 10-plus percent total shareholder value from F '26, in line with our strategy scorecard, the outcomes of which are shown on this slide.

My confidence in delivering these outcomes and in the long-term outlook for Endeavour Group's underpinned by a few simple but important characteristics of the Group that make us globally unique.

We are Australia's largest liquor retailer and hotel operator, with an unrivaled network and customer advocacy. As demonstrated this year, we're able to leverage our unique scale and value credentials to deliver above-market sales growth and EBIT growth.

We have a purpose-driven culture with responsibility in its core and a passionate team of 30,000 people united around the notion of creating a more social future together, and I'd like to thank each and every one of them for their efforts this year.

We use a simple, scalable and customer-focused strategy to deliver sustainable growth by creating meaningful experiences for our shared social customer, understanding this and serving the changing needs of this social customer is critical to our ability to grow.

And all of this enables us to deliver strong defensive cash flows and high cash conversion, which in combination with our robust balance sheet, enables us to invest in a disciplined way to deliver strong returns on our capital, earnings growth and shareholder returns.

Having added connection with this business for over 30 years, I'm very proud to represent such a great team, and I'm excited about the opportunities ahead. So, thanks everybody, for joining us today.

I'd like to hand back to the moderator, and we'll open for questions. Thank you.

Question and Answer

Operator

— Operator Instructions — Your first question is from Michael Simotas from Jefferies.

Michael Simotas

My question is on gross margin in the retail business. Good year-on-year performance through FY '24, and that's across both of the halves.

The margin did drop reasonably significantly in the second half versus the first half. How should we think about that? Is that just seasonality in gross margins? Or has this period of gross margin expansion come to an end for a while given the difficult conditions in the marketplace?

Steve Donohue

Thanks, Michael. Appreciate the question. Yes, you're right, that is the case that the growth was front-end weighted. But it isn't the case that we see an end to the runway in terms of improving gross margin.

I think, what you've observed from us over the last few years, is this balancing act between managing costs and loss has certainly been elevated given the elevated nature inflation in the last little while and offsetting that with gross margin improvement.

So, I wouldn't read too much into the half-on-half movements, but it is the case that as the market gets a bit tougher, the competition does heat up.

Now, as I touched on in my remarks, that's where we doubled down on our efforts to meet customers' needs to win in a market in any situation, whether the market is expanding or contracting. So, we'll keep doing that. We'll keep accentuating the benefits that we're getting from the investments we've made in advanced analytics and AI as it relates to price and promo.

We'll continue to build better products through our Pinnacle portfolio, and the team have just done an outstanding job in the last year of that. And we know we've got a really solid pipeline of work coming up as well.

So, no, I wouldn't say that looking at just one year in isolation is indicative of what the future holds. But it is pretty dynamic, right? Like we have to keep flexing and changing based on the conditions to hand, and we'll certainly do that. Obviously, you've observed that it's a quite different scenario in the hotels business, where it's the opposite cases, those guys have really started to hit these reps.

Michael Simotas

And your priority is to maintain EBIT margins. Do you need to grow gross margin in FY '25 to do that?

Steve Donohue

Well, like I said, I think it's that balancing act through the course of the year. So, we've certainly seen some moderation in, say, wage costs, for example, but that's still relatively like growth in wage costs, but they're still pretty elevated.

And given that, that's the biggest element of the P&L, it will continue to require us to flex whether it's managing costs or managing margins. It's always a combination of both, as you know. So, I think we'll have to see where we land up. But, Kate, you might add to that.

Kate Beattie

I think it's worth, this is a short-term impact, but one that's worth additionally noting. It's not material in the context of our overall GP dollars, but we are currently in the process of moving our Queensland DC between two DCs, and we have a very short-term impact from effectively the dual operating costs of two DCs in Queensland, which was impacting the second half of the year and will impact slightly in the first half of this year as well.

So, that's temporary different.

Operator

Your next question is from Lisa Deng from Goldman Sachs.

Lisa Deng

Just a question on the AUD 100 million of the endeavourGO savings and how we should think about, which part of the business that touched. Can you please help us split it between GP, CODB and retail versus hotels to the extent that you can?

Steve Donohue

Yeah. Thanks, Lisa. I'd like to start with the last part of your question. It's sort of three quarters weighted to retail, one quarter weighted to hotels. We probably won't give you the full detail of the breakdown in terms of where it impacts.

But as you've heard us talk about before, areas of costs like store wages and hotel wages is high priority given the material challenge that it represents. And then we've got the benefits that we get across other areas as you work through the CODB lines in the P&L, Kate would you help us with that?

Kate Beattie

Certainly, more weighted to CODB than it is to GP, Lisa, and it's about I think Steve referenced 75% weighted to retail, 25% to hotels.

Lisa Deng

And then the forward 100, how should we think about the phasing between ’25 and ’26?

Steve Donohue

Yeah. Well, we’re working on that now, right? So, as we see what the inflationary impacts look like, and how the market shapes up, sort of, somewhat back to Michael’s questions and comments, I think we’ll have to work that through.

I think it’s fair to say as we get through this year, we’re going to need to look at what the next horizons look like as far as costs are concerned, because it’s not going to be 50-50 in the residual in that 290 plus [ph]. So, we have to have a big effort again in the year ahead.

Operator

Your next question is from Shaun Cousins from UBS.

Shaun Cousins

Maybe just a question on the interplay between One endeavourGO costs, GO costs savings and Woolworths costs. Fiscal ’24 appear to be a period where you had the AUD 100 million in GO cost savings and the One Endeavour OpEx seemed to be only AUD 45 million. So, it was a net benefit. But fiscal ’25 seems to be a year where your One Endeavour costs step up and the remaining AUD 100 million over these two years, sort of, is hence lower.

So, I’m just curious, how will Endeavour plan to manage, I guess, a net cost burden from the One Endeavour OpEx relative to a slightly lesser realization of GO costs savings? And more generally, when do you stop paying as much money to Woolworths? When do we start to see that become part of a pool of costs savings that comes to you?

Steve Donohue

Yeah. Thanks, Shaun. In terms of how we're going to manage the increased One Endeavour costs through the year relative to whatever the endeavourGO targets are, there's obviously a lot more to it than that as you look through the P&L, and I touched on wage costs before.

So, we obviously, take an aggregated whole of P&L view. It's not one for the other. And there's a lot of room for us in the P&L to find the space, as we've described for covering the costs associated with One Endeavour and that's at an operating level, we've also touched on our ability to fund that through capital as well.

And in particular, you heard Kate talk about how our CapEx on Pinnacle will materially step back this year, and that gives us some of that headroom that I'm referring to. So, that's in line with what we talked about before in terms of not expanding our investments in that space.

I think, generally speaking, it's looking through all of the lines in the P&L and finding a way to right-size them so that we can deliver the right outcome in line with the strategy scorecard, which we remain committed to.

To the latter part of your question about when do we stop? Well, we've already had progressive roll-offs of costs from Woolworths. If you think about some of the things that we touched on, on that slide in terms of spend management systems or lease management systems, those sorts of things. And there's a variety of other areas that are not on the page where we've rolled off services like facilities management in our retail outlets and those sorts of things. So, there's quite a lot to that.

What we do benefit from is a really strong partnership with Woolworths, particularly as it relates to technology. And when we're embarking on something as significant as our store systems transition, which is a lot of hardware that's moving around. But obviously, additionally, the ERP build and deployment, that we're very much hand in glove with Woolies on that.

So, we benefit from that partnership, but there's lots of moving parts of the broader partnership agreements that we've got with them.

Shaun Cousins

And when do you stop paying Woolworths in aggregate like at all? I'm just curious around, is there a big bucket of savings that arises in one year or another way you like that we are fully independent?

Steve Donohue

Well, if you're talking about technology specific, I can come back to it. But like safer example, Shaun, supply chain, that's an ongoing agreement. We've got lease agreements on the attached stores, those sorts of things. There's some longer-dated elements.

In the case of One Endeavour, there are costs that will be associated with our working with Woolworths all the way through that chart. So, you'll see us continue to work with Woolies and pay for the benefits that we get with working with Woolies on that transition all the way through to 2029. Do you have anything, Kate?

Kate Beattie

I think the important thing to add is, of course, the services fee that we pay Woolworths through our technology costs will be replaced in the future with the cost of operating those same ourselves.

So, it's not that we'll suddenly see a drop off in costs that will fall through to the bottom line as we transition off Woolworths that will just be replaced with hopefully, somewhat similar, possibly even slightly elevated costs in the future as we operate those on a stand-alone basis and lose some of the benefits of scale synergies that are attached to the Woolworths, for example, seeing agreements.

Operator

Your next question is from Tom Kierath from Barrenjoey.

Thomas Kierath

Just a question on FY ’25. Like you’ve kind of said high single-digit EPS growth for ’26 onwards. You’re flagging a color headwinds in terms of interest costs and the One Endeavour cost coming through in ’25, are you expecting kind of a flattish year for EPS for this year? Or how should we kind of think about I guess, the base for which you’re going to grow at that high-single-digit rate in ’26 and onwards?

Steve Donohue

Yeah. Thanks, Tom. Well, as you know, we’ve given that sort of steer on F ’26, and we’re still feeling confident about that. I think we’ll see how F ’25 plays out. But obviously, one thing is for sure, we’re close to F ’26 now so than what we were back in December.

And I guess I’d point you to things like what Kate was talking about with the progress on the property side of things and the value that we know we can unlock there, which actually appears to be even greater than the significant value that we talked about and the team talked about back in December.

So, it’s not over confidence. It’s just quiet confidence based on the track record that we’ve had, particularly since the merger of delivering the right sort of results that will have the capacity to navigate whatever lies ahead in the year that we’re in right now, which there is a degree of uncertainty about it, and certainly, the market conditions are not necessarily getting any easier.

But there, again, I’d point you back to the strength of the portfolio. In particular, Dan Murphy’s, the fact that when things get tougher, we know that the competition heats up and feed more people, more people shop at Dan as a consequence.

And the last point I'd make in relation to your question is that, we don't think of our category as a discretionary one, right? When we look at the retail business, we look at social occasions. We look at our ability to meet the needs of customers in social occasions. It's quite a different mindset the way you think about the category. If you thought it was discretion.

We don't think getting together and enjoying time socially is something that people consider discretionary. What we try and do is give them the best opportunity to take advantage of those social moments. So, that goes to some of the comments I made in my opening remarks about the shared social customer and meeting their needs.

We feel quietly confident, but we're very conscious of a tough market. So, thanks for the question.

Thomas Kierath

Just to paraphrase, so you're confident you can grow your EPS this year? Is that a fair summary?

Steve Donohue

As I said, we're going to take the year as it comes and our commitment's in the scorecard to relate to F '26 and we're going to work hard, as we did last year, to improve outcomes for all of our stakeholders, including investors. So, appreciate the question, Tom.

Operator

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

David Errington

Steve, I want to hone in on the cost side again, on the cost of doing business. And the terrific charts that you provided on page 22 and page 24, those bridge charts which I find very useful but what really did slap me in the face was that inflation number that obviously you've talked about with cost of doing business and majority of its labor.

I'm trying to get down and you've spoken in very general terms, but I'm wondering, if you can bring to life, please, what you're doing to offset that.

Now, I know that, there's the award wage, and I know that you've called out that there's been a 5% increase in productivity in Dan Murphy's labor. And I know that, you've got other cost optimizations but at the end of the day, Steve, where I'm going with this is that my worry is that, if you don't really hack into that inflation number then you're going to be a standstill business at best no matter how hard you work and no matter how hard you run this business.

So, can you go into, please, bring to life for us what are these things that you can do to bring down that cost impost, if you like? The labor productivity in Dan Murphy's, the 5% labor productivity that you've called out, what was that? And how can we expect to see that come through the numbers?

The artificial intelligence in your hotels, what are you doing in there that can help bring that cost down? Because you seem to be running the business really well, but unfortunately, there's things outside your control that just hit, you hitting you, and that chart really is a powerful chart that shows what you're up against in a low volume environment, I might say, with 2% volume growth, with that inflation in costs. Steve, you're not going to get there in terms of delivering growth. So, if you could bring to life some of the things you're doing, that would be really appreciated.

Steve Donohue

David, thank you for the question. And it's a topic I'm absolutely rapt to be talking about because I think the AUD 100 million in savings that is a record for us in the year just gone is a testament to the muscle that's been built, the muscle that's been built, the capability that's been established and the effectiveness thereof. So, I'm happy to talk about it.

Our sales for labor hours have increased by 30% over the last two years thanks to activity-based roistering. And this is a combination of advanced analytics and AI working with our operations teams to understand their processes, to rip out costs, but, goodness me, maintain or actually improve customer outcomes.

You and I both know the experience of businesses where you pull out costs and you forsake the outcome for the customer. It's an untenable outcome and not one which I've ever been willing to entertain.

So, we've really had the benefit of being able to mash together, technology and process and humans to change outcomes in what is essentially productivity. We've driven productivity in that way.

Now, that has predominantly come to life in the retail business. And that's why we said 75% at AUD 100 million retail and 25% is hotels, which tells you that there's still an opportunity in hotels, obviously. So, that's the primary one.

There's a whole lot of other places like, I mean, I'm looking through our P&L, and I can talk to you about our management of supply chain costs, delivery costs like repairs and maintenance costs, those sorts of things. There's a multitude of areas where we've continued to drive efficiency.

But actually, the wage management side of things, given that it's such a material element of the P&L. It had such significant increase challenges that had to be the place we went first.

Now, I said that hotels are still somewhat nascent. What the team have managed to do with hotels is understand at somewhat macro levels, what we can do to support, and once we get through the people systems deployment, right? So, the hotels team are about to go through our One Team People systems deployment in the last quarter of this financial year.

Once we've got that out there, we can take exactly the same capability that's been so successful in retail and bring it to the hotels team and again, help them be more efficient, effective. And actually, one of the big areas that we want to continue to improve on is compliance in hotels, for example, given the critical nature of that one.

So, that's where we anchor a lot of the work in because of the reasons I've just explained and that's before you even get to some of the capital efficiency that's been delivered, for example, through the inventory management of the year.

I mean inventory management in the year just gone was an absolute standout. There is a lot to it, and I really do appreciate the question, but I take a lot of comfort from the great work the team has done in establishing the capability of deploying it, but knowing that we've got a lot more to do as things unfold.

David Errington

Are you setting the business up like it's low volume growth at the moment? Everyone knows that, I mean it's a tough environment. Ideally your volumes are probably pretty flat at the moment. So, when volumes do pick up, can we expect to see leverage better than what it was previously?

Steve Donohue

Yes. It's a great point on volumes, David. As you know, I have been around too long, maybe not as long as some, but 30 years. I've seen volumes decline every year in the retail business, just about this inexorable decline in volumes in the retail drinks category because it's linked to excise increases on a half yearly basis and premiumization.

The customer is over the journey of that 30 years on average, drink a lot better if you cast your mind back to goodness me, what people are drinking 30 years ago. Thankfully, we're all drinking better today. But that's not going to change.

We're going to continue to see declines in volumes, but that's why we've deployed the strategy we have. That's why we're such cost constrained but sensibly executed business. That's why we develop products that augment our margin and increase our customer loyalty through Pinnacle. That's why we work with actual amazing capability in machine learning to be very deliberate about where we place discounts and do that through deep customer knowledge in our system.

So, we don't waste the old spray and pray model of discounting. We are targeted and precise. It's very forensic now to drive your sales. So, the combination of all of those things that, yes, you're right, if something unexpected happened like COVID, and you saw your volumes grow, which we've never seen really outside of COVID, of course, you would get a massive dividend as we did during COVID, but we think that the look forward looks more like the average of the past and that's why we've got all of these strategies deployed to deliver the outcome.

Operator

Your next question is from Bryan Raymond from JPMorgan.

Bryan Raymond

Maybe more one for Kate, just on the net interest guidance and really just trying to put this in context given there's some really good momentum in reducing net debt this year, a lot of that through inventory, which looks like a lot of hard work winning there. But can you just understand the various moving parts? Because I'd assume that net interest guidance is structuring higher net debt into '25.

Could you help us understand sort of interest rate expectations, what you're thinking about in terms of cash realization, hub acquisitions, all the sort of big moving parts that go into that, just so we can unpick it, if possible?

Kate Beattie

Yes, thanks for the question, Bryan. Yes, so, it's probably important to underline the fact that the increase in interest expense in the guidance is driven by the lease interest expense component of interest expense, not by an expectation that net debt or associated interest expense with that is going to increase.

As you've rightly highlighted, we're currently putting, I guess, downward pressure on net debt, if you like, with the ongoing work to improve inventory, which has continued into this year. And by quite deliberately containing our CapEx envelope within what we believe we can fund from a free cash-generated envelope, so the guidance does solely relate to the impact on lease interest expense of the higher interest rates as both new leases come on and as leases are re-measured as they get close to the renewal date.

Bryan Raymond

Just if I could follow up on the working capital piece, would you expect further benefits to flow through? Or is that a bit of a one-off in terms of the inventory management that you saw, just in terms of driving that net debt figure going forward?

Kate Beattie

Yes, great question. Look, I think it's certainly safe to say we have put in place a lot of structural changes to the way we think about inventory management that are continuing to deliver benefits as we've started this year.

I can't speak to how much more there is to go because we're still effectively learning it as we go. But the disciplined approach to managing our inventory levels to, I guess, what we would regard as the minimum viable level to maintain appropriate service and availability for customers is ongoing. And as it stands, we're continuing to see benefits as we start the year.

Operator

Your next question is from Ben Gilbert from Jarden.

Ben Gilbert

For me, just talk a little about the cost. You guys have done a great job around that. But just thinking about the top line, the pricing comment you put around in terms of price per serendipity is great. But can you give us some context around how you think you performed from a share perspective?

And then secondly, just the extents to which you can leverage the Dan's brand more. I'm cognizant it's obvious if you are the liquor brand, but you look at what groups like Paragon have done, even Dorrien Winery and others around finding adjacencies or categories where they've got a right to play in consumers' minds. Just thinking how you get that top line moving potentially starts more materially outpacing the market, including materially upgraded markets.

Steve Donohue

Yes, thanks, Ben. I appreciate the question. I'll start with the topic you started with in terms of market share. So, we're very confident that we grew market share every month through the last financial year, and we can see that continuing.

Actually, if you look at H1 versus H2, as the market softened off a bit in H2, our market share accelerated. So, it's giving us that sort of confidence around our ability to win in a softening market. It doesn't necessarily mean we're going to get a pop in the top line, but we think we'll fare better than others, I think, in the context of where the consumer is at right now.

As far as how to grow the top line to the second part of your question, I talked a bit about how we're leveraging the data, basket is 80% larger from members. And when we use personalization along the lines of what I was talking to David about we get a 29% benefit out of it. So, we really are trying to drive harder in the category we're in.

I take your point about considering other categories, we're actually not there yet because we think we've still got headroom in the categories that we're in. So, I think in the fullness of time, maybe that we considerations made. But right now, just back to that point about the shared social customer thinking about total share of wallet, thinking about total share of occasion and thinking about what happens in a path versus what happens at home.

We know there's still room for us to move there and still room for us to grow our share, both in the market and of individual customers from a share of wallet standpoint. So, I think it's a really good prompt for us to go away and think more about what you're saying. But right now, our strategy is pretty focused on share of wallet share market.

Ben Gilbert

And pub+ and your media business in terms of how that sort of move. Obviously, maybe you've got a business moving now, but in terms of the ability to sort of turn those two things into more material parts of the business? Obviously, maybe there's big guys as word and focus in retail and at loans coming, it's 20% of Walmart's earnings out of that. It's big numbers now.

Steve Donohue

Yes. I mean, it's a great point. That's probably the opportunity that we have to progress into new categories is areas like media and we haven't talked about it a lot in these materials. It's that you see there in the annual report.

We've done a reasonable job, I would say, in the last year of getting set up. We probably had a bigger aspiration for mixing than what we've achieved, but we've also had a bit of change there, and we know we can sort of ground ourselves and regroup and get after it again in the year ahead and F '26, of course, because you're right, it is a material opportunity, but it does require us to the other part of your point to have really sound, robust customer data.

Now, we remain market-leading in that space as it relates to retail. And I think everybody is familiar with the benefits that we derive from that. We've got a huge opportunity in hotels now.

I don't want to over rig that, but when you stand back and think about a Pub when you think about the number of screens that are in pubs, the number of places that customers engage with all forms of information sharing alongside pub+, there is going to be a huge opportunity in the future there.

So, it's a bit nascent at the moment. But when I look at what the team did with retail, they around 1,700 campaigns last year in the retail space. Now, that's just the beginning. There's a lot more we can do, and there's certainly a lot more we can do when we think about a shared social customer.

When we're conscious and we engage with potential advertisers on here's somebody who's doing multiple things in our environment, how do you want to engage with them? And what are the things that are interesting for you in a way that we can demonstrate enormous returns on the investment that people are making. So, we're building the muscle like we have in other areas, and I'm looking forward to talking about it in the year and years to come.

Operator

Your next question is from Craig Woolford from MST Marquee.

Craig Woolford

I think I'd follow up on the sales backdrop. Just want to clear up what you were, I guess, hinting at it as terms of that exit run rate on sales, but just more importantly, there has been a really tough 12 months on underlying volumes for the liquor industry.

While they typically do decline, do you see that easing off at some point in the next few months? Or what's the outlook for the industry backdrop for liquor retail in your mind?

Steve Donohue

Yes. Thanks, Craig. I mean, no, on the volume side of things and you've reported on for a lot of years, the volumes have continued to decline year-on-year or year in, year out, with the exception of COVID.

What we are seeing, I suppose, in terms of consumer behavior is, particularly in Dan's, as I said at the last update, we're seeing real resilience in transactions. And that's a confidence booster for us. But the way customers are shopping is shifting a bit, right? So, they're not so much trading down as they are trading into value.

So, if you think about that in terms of beer, for example, like 30-can blocks have taken about 100 points of share off 24 cans or 24 bottle cartons of beer, the customer is spending more on the unit, but they're getting more bang for their buck on a per liter basis. And you see that in spirits as well, with the shift out of 700 ml glass into one liter spirits, that's about 150 basis points of movement there. The biggest shift is taking place in RTDs.

And I think this talks to the whole psychology of convenience and value that's shifted out there, because for a long time, we've been saying, well, younger customers don't seem to be too concerned with cost of living, because they continue to buy four packs of RTDs at the highest possible price.

Many of them do it on ultra convenience platforms. But actually, when you look back into the retail space, we've seen a nearly 600 basis point shift at a four and six pack RTD into 10 pack RTD, just because you're getting more bang for your buck on a per mil or a per liter basis.

So, people continue to spend about the same amount of money. They're just demanding value for money when they do that. And that's where Dan's comes into its fall, because you've got everybody's price beaten. And then when you get to the store, you know you've got everything you could want to buy. So, you can hunt for the best value pack, if you like, on a per liter basis. That's more of what we're seeing play out right now.

And I touched a little bit on what's going on in BWS, where Appy Deals, honestly, I never thought I'd see anything like it to be like, we've got half a million monthly average users now. It's up 155% on where it was a month ago. It's just like, people are going crazy for Appy Deals. Heaven knows why. It's not how I would shop, but I'm so pleased that everybody else wants to shop that way.

It's like the hunt for value is exciting, right? People love doing it. People are back to loving chasing down a bargain because you feel good about it, particularly in light of the other impacts and pressures that you've got on your household budget. You want to feel good when you're shopping at BWS or Dan's, and people do.

Craig Woolford

And that 2% exit run rate that was retail that you were referring to? Do you want us to think about the 2% as the sensible figure? It's one week, so, we don't want to extrapolate too much on a single week, but what do you think the underlying trend is?

Steve Donohue

No, no, Craig, they're not mind tricks. They're just facts. Like we came in down to, we came out up to, there was bumps on the way through. What I don't want people to do is say, well, 0.6 is as good as it gets. It doesn't have to be.

We're going to have a tough half to cycle, as Kate touched on before, because we had a really strong half a year ago, as did the market, but that's our job is to outperform the market.

So, what I was really trying to say was that there is a lot of ups and downs through that seven-weeks, and in particular, things that happened last year, things that happened this year, like CrowdStrike.

We haven't even bothered to bore everybody with the weather impacts, but they're a thing too. So, I just don't want people to overestimate what seven or six or whatever it is weeks matters over the course of 52.

Kate Beattie

I guess the add to the build to that is, I think Steve said in his opening remarks was, we're an event driven business. So, we're a social occasions business, and relative to last year in particular, the first seven weeks of this year didn't have any of those material social occasions that we saw from the big Women's World Cup effect that we had last year.

So, I think what we see is the event season is still to come and there's everything to play for. As Steve alluded to, obviously we're cycling a relatively stronger first half last year and softening sales in the second half. So, we expect to see something of the inverse this year, obviously, as we cycle load factors moving into F '25.

Operator

Your next question is from Richard Barwick from CLSA.

Richard Barwick

I've got a question around the gross margin within retail. I know you sort of touched on it a little bit already, but if you look at what you've called out a driver has been the product innovation with Pinnacle playing a big role. And I think you've been pretty clear that you expect that to continue.

But it's the AI-driven price and promotion optimization. Is there more that you think you can deliver there? Or is this more captured in this result? I'm just trying to think about a baseline figure for this GP margin and what are the positive drivers going forward?

Steve Donohue

Yes. Thanks, Richard. Appreciate the question. Look, as I've said, there is going to need to be flex up and down in lines like CODB and gross margin relative to whatever conditions play out. But to come back to your specific point, in the half, the half of the upside was generated out of AI. And we're seeing that benefit become even greater as time goes by.

As the machine learning model understands how it has a higher, more beneficial impact, we get better outcomes. So, that AI capability has really pay for itself quite quickly, and we see upside.

Now, I'm not quantifying that for you. All I'm saying is that we've got confidence around our ability to continue with it. You mentioned Pinnacle and Pinnacle will continue to be a factor, but I think we've got to take account of where the consumer is at right now. And actually, as important as new is, and it will continue to be important.

There is no question about it. You are seeing a little bit of a reversion from consumers back into trusted brands because they don't want to risk the dollar they're spending on something that they haven't tried before. So, just like I was talking before about the shift into value packs, we're also seeing a slight shift into bigger brands.

Now, we happen to have a few bigger brands in our Pinnacle portfolio. So, we feel good about that. What I'm trying to say is that the mix between Pinnacle proprietary NPD and upside out of AI and machine learning benefits in GP will continue to sort of mix around a little bit. But we do have a pretty good degree of confidence in the allocation of our promotional resources being done in world-leading industry, high-quality fashion.

Now, of course, you've got to stand back from the market and say what's going to happen with competition because we're not going to step out of line in terms of the price and convenience in BWS, and we're going to continue to beat everybody's price in Dan Murphy's.

So, there's a lot of variables that need to be thought about. But certainly, we've got a degree of growing confidence in our margin management as it relates to price and primary investment.

Richard Barwick

And just to clarify one comment there. That shift from the consumer into the bigger pack sizes as they hunt value. What does that mean for GP for you guys? Is that a positive or a negative driver into the GP margin?

Steve Donohue

Yes. I mean it goes back to this point about winning in a softening market. If you can keep that flywheel going at the top line, it does obviously help through all the cost lines. And you wouldn't want to be in a business where you had declining sales, obviously, because it just puts such enormous pressure through the rest of the P&L.

So, even if the market is declining, we want to keep growing and then it's growing, we want to manage our costs and manage our margins. So, I don't mind if that shift is taking place so long as they're shifting and buying from us. And that's the point I tried to make about Dan's before you cross the threshold. You know you've got the best price. You've also got member offers, if you're a My Dan's customer, and you can get as many 10 packs, one liters and 30 packs as you could get, actually more than you can get in any other liquor store in the country.

Operator

Your next question is from Ross Curran from Macquarie.

Ross Curran

This is one question, I know it's got two parts to it. But just looking at The Board's assessment of your performance over the last year those two areas that sort of pinged you on. One was around working capital days.

So, firstly, what's happening with working capital days? And then second, around safety, have you gone too hard on taking jobs out of the business? And is that driving that pickup in ours loss on safety?

Steve Donohue

Thanks, Ross, I might let Kate just talk to the working capital outcome and we'll come back to safety.

Kate Beattie

Yes. Thanks, Steve. So, working capital, I think when you look at the remuneration report, you'll see our scorecard and what we would regard with hindsight is a pretty optimistic outcome on working capital days embedded in it. Certainly relative to where we landed.

And while we're very pleased and actually very proud of the work that we've done during the year to continue to optimize the inventory, and we do believe that result has been seen in the decline in inventory values. It was a way off where we set our target.

So, we're continuing to work back what was the target recognizing the target was actually better than we've ever experienced historically. So it was a pretty ambitious target.

Steve Donohue

And on the safety side of things, it's actually a very insightful question, Ross, because manual handling was the area in our safety performance where we fell short.

But to your question about how we pushed things too far, actually, we haven't pushed things far enough. And what we need to do is keep mixing up roles inside the stores because if you end up breaking down the load every day, then you're at a higher risk of being the first new suffers an injury. And it's just one example.

But with the data that we now capture on where our team are and what their movements are, we are going to get increasingly more sophisticated at putting people into roles for certain periods of time and then shifting them into other roles.

I'd put that in the context of actually very strong safety performance from an industry standpoint, but we did have a step back last year. And we do have high expectations of ourselves, particularly in safety.

So, we've got a degree of, well, a degree of confidence, we've got a lot of effort going on in addressing the topic with our team right now. We've reinstituted some stretching programs, which are important and good to do. And we've got a whole variety of other measures that I've sort of touched on there. So, you're right to observe it, but we think it's a great opportunity actually to do better for our team and look after them.

Operator

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

Phillip Kimber

Just a question on the hotel business, where if I look on a 52-week basis, looks like the second half might have just been down a bit. And when I brought out, it looks like it's more at the cost of doing business and than at the gross profit end. So, I was just wondering, is that just a timing issue? Or is there something else going on there?

And then my sort of follow-up question was just around in the hotel business. When do you start cycling your voluntary changes around big gaming? I think that might be coming up, too. So, whether that was a bit of a meaningful drag that's about to cycle?

Steve Donohue

Yes. Thanks, Phil. Appreciate the questions. I'll come back on the big gaming thing. The first thing I'd say is that in hotel, sales were a bit tougher in the second half. So, you've got that sort of downward pressure through the rest of the cost lines, no doubt about it. It's the right thing to observe. And inflation was a reality for us through there as well.

So, what you see through that P&L is the great efforts the team did around managing actually gross margin, because they really doubled down on the outcomes related to COGS in our food business and the customer offers. So, it's again back to that balancing act of, okay, we know we've got these challenges coming through on the cost side, we're going to imagine on the margin side.

So, I think it was a job well done net-net, I would say there, but I think you make the right call out. And it goes to the point I was sharing with David Errington before about this capability that we've built around roster management and process management. We are going to get deployed into our hotels in a more fulsome way over time, and that's going to give us that opportunity we've been so good at getting after in retail into that side of the business.

So, we feel good about that, albeit it's a little longer dated, but we're sort of juggling to get through, which is, I think, true for everybody in the industry right now.

To the second part of your question about Victorian Gaming, yes, you're right, that change takes place this week. So, we'll move back into like-for-like with everybody in that market. And I think a lot of the things that we've learned through the time that we've taken the leadership position, standards in really good stead.

I think it's another important point to make, though, that we've continued to invest quite heavily in gaming product and we've always taken a market-leading position on the deployment of new gaming product and as you all know, I'm sure, full well, Phil, there is a great new product in the market called Dragon Train, which is really driving a lot of demand.

And we are leading the market in the deployment of that game. It is market leading, and we are market leading in its deployment to a factor of about 2x the rest of the market, best I can tell, in the limited insights and data we get.

So, yes, that, I think, coupled with the fact that we're going to normalize those trading hours, gives us a real opportunity actually through this half in a category that has remained just enormously resilient I would say. So, we look forward to seeing what happens.

Operator

Your next question is from Sam Teeger from Citi.

Sam Teeger

Just keen for your latest thoughts around potential gaming rechanges or broader impacts on the business from the upcoming Queensland election this year and the Western Australian election early next year?

Steve Donohue

Yes. Thanks, Sam. Look, gaming regulation like drinks regulation, competition regulation continues to evolve. I think we have made a real point of engaging with regulators, the community regulators and government around how to be part of the progress that is relevant and appropriate in this space.

And I mentioned in my opening remarks of the cashless gaming trial, which we've got underway in New South Wales at the moment. We are deeply engaged with government and regulators in every jurisdiction on what the opportunities are to progress.

We've had ministers from some jurisdictions, come across borders into other jurisdictions with our support to come and see some of the things that are happening in other places, because we have for some time now put it out there that as the only national operator in the pubs business at the scale that we are.

We really know we've got an obligation to share industry best practice, and that's something that we've been very committed to. And actually, I think made really good progress on.

So, your question on Western Australia, of course, in the pubs business, there's no gaming. There's only slots in casinos in WA. And that is what it is. I think it's a great opportunity for me to plug the Morris though. So, anyone who's getting to WA goodness, may guarantee the Morris Hotel. It's an absolute ripper.

The team has done a great job. We're doubling and quadrupling our food in that pub. And it gives us enormous confidence to know that not just there, but in the other pubs that we've renewed lately, we've got a huge opportunity in food and bars.

So, as we bring these sort of somewhat dilapidated pubs back to life and the Morris was formerly the saint and trust me, he was dilapidated. So, it's an absolute ripper now and a great testament to the work the team has done and the things that we can do long ahead. So, thanks for the question, Sam.

Operator

Your next question is from Peter Meichelbeck from Select Equities.

Peter Meichelbeck

Just in relation to the hotel segment, at the Investor Day, you provided some segmentation of how you're looking at the business these days in the city, suburban regional, et cetera. I was just wondering if you could provide any color in terms of any differences you're seeing across those segments?

Particularly for food and gaming, are you seeing differences in growth between those segments for city versus suburban versus regional, et cetera?

Steve Donohue

Yes. Thanks, Peter, for the question, and thanks for the reference back to the segmentation that we talked about. I must be honest, I haven't got a whole bunch of data that I can share with you right now, which is, if you break down the segmentation on a region-by-region basis, things are performing. What I would say is that there is some shifts taking place in food, no doubt about it.

So, I'll talk a little bit about what's happening in the gaming space and as I said, it's held up and been very resilient. If I may, though, talk to some of the more macro factors at play in food, it might help give you a bit of color because I don't think that there's that bigger distinction between metro and regional when it comes to this.

We continue to focus on offering the best value in food and grumps, the biggest stake by volume that we offer, and we're trying to stay sort of 10% to 15% below the next operator in ramp.

The team has done a really good job in the last year of protein procurement. So, we've actually protected our margins by getting better quality and lower prices. But what we're seeing consumers do is continue to trade out of protein. Even Schnitzels are under a little bit of pressure as people trade into fish and chips and burgers. So, that's a reference to what's going on sort of at the macros through the menu.

I see that happening in both metro and regional areas. So, I don't think that we can draw conclusions from food in terms of what it means from one part of the country to the other. But you're definitely seeing some sort of trade through as it relates to that.

Now, that is what it is. That's categories at play. The good and important offsetting news is that we've got 90,000 covers coming into our pubs for Father's Day this weekend, like that is going to be a massive event. It's a 4% increase on where we thought we'd be or where we were a year ago.

So, it goes back to this point about events. Events is what matters. Engineering and augmenting your food offer through your calls and your menu management is critical at all the time, but understanding how you're e-capitalizing on events.

And as we continue to roll out pub+, we're just going to learn more about our customers, right? We've got 155,000 of them now that are members of pub+, as that continues to grow, we're going to understand their needs better and be able to give them better outcomes as we've done in the retail business.

So, probably a longer answer than you'd hoped for, but I was just trying to give you a bit of color as to how we see it.

Operator

Your next question is from Lisa Deng from Goldman Sachs.

Lisa Deng

I just was trying to understand the CapEx guidance for AUD 450 million to AUD 500 million, if I take the midpoint of that and then also reverse out the midpoint of the One Endeavor, I get to roughly to AUD 400. That's a little, like call it, AUD 20 million lower than what FY '24 was ex-One Endeavor.

But then we also called out state in business had AUD 30 million one-off that won't repaid. Pinnacle will be done massively. So, that's basically, call it, AUD 70 million, AUD 80 million down. So, does that mean hotels will see a large step up from this year?

Kate Beattie

That's right, Lisa. I don't know how large it will end up being because as I said earlier, the plans for renewals can take some time to get planning approval, get designed and so on. But our intention certainly is that hotel renewals investment will be higher in F '25 than it was in F '24.

Lisa Deng

So, does that hotel CapEx already include the potential redevelopment potential that you had earlier talked about, like that's going to DA and all of that?

Kate Beattie

No, it doesn't. We expect that for those very substantial redevelopments, Lisa, we would not be funding the major part of the redevelopment assets, recognizing the departments and so on. And that's not the nature of our business.

So, that's why we're talking about looking for capital partners to support us in bringing those to life. And the goal would be at the end of that, that we would have a redeveloped new and shiny hotel accommodation, Dan Murphy's, et cetera, that we would retain and operate post the redevelopment.

Lisa Deng

So, it's mainly in the hotel sort of normal course of renewals and expansion to be higher than what it was in '24?

Steve Donohue

As they ramp up, we get them all the time that will continue to do more.

Operator

And we have a follow-up question from Bryan Raymond from JPMorgan.

Bryan Raymond

Just on the retail business quickly, probably one for Steve, is around the BWS performance relative to Dan Murphy's. It's the comment you made before around one market share in every month. I think it was through FY '24. Just beginning to understand if you're seeing that those trends predominantly driven by Dan Murphy's and if you are comfortable with where BWS is from a value perspective and how it's resonating as an offer more broadly or if there's something you need to address there?

Steve Donohue

Yes. Thanks, Bryan. Well, actually, both brands did almost all the way through, but BWS has led the way. And Dan says, picked up the pace, as I said in that second half as we saw the market start to soften off a little bit.

You did see this switch out of convenience into more destination and price, which is obviously where Dan has its key leadership strength. There's a lot of convenience, liquor stores out there. There's not so many destination liquor stores. So, obviously, Dan is kind of overtrade in that space, and that's one way to think about it.

So, yes, look, that's how we're seeing it. BWS is nailing it in terms of value from an – I touched on that Appy Deals side of things. So, it gives us a lot of confidence that because we know our customers, we're going to be able to continue to communicate with them and draw them to us when they're on a convenience mission.

So, you've got to understand that there's a distinction between a destination mission and a convenience mission. And most customers are on a convenience mission.

Like most of the stores in the country are convenient liquor stores. As the shift plays out from convenience to destination driven by price, if you think about who Dan's key competitors are in that space, when you think about big box destination stores delivering EDLP and member prices, there's not a vast array. There is a vast array of convenience stores, bigger retailers. So, that's how we're seeing it play right now.

Kate Beattie

Yes. I think maybe just to add to that. I think when we say obviously, we have our reads on what we think we're doing relative to the market, and we're confident in the performance of both our brands in that context. It's not one brand necessarily outperforming.

Bryan Raymond

So, just to confirm, I'm just looking through at the announcement, on a 52-week basis, BWS and Dan Murphy's 4Q sales were down 0.2% flat in the third quarter, and up about 1% overall.

Based on the feedback there, Steve, I think you mentioned BWS leading the way earlier in the year and Dan had improved, but BWS would probably be above that 1% and Dan below? Would that be a fair assumption?

Steve Donohue

The data's in front of me, Bryan, I'll leave you with the anecdote about the switch in second half and first really, and Dan is driving it right now.

Operator

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

Steve Donohue

Well, thanks, everybody, for joining us today. I appreciate the time and the questions. I'd point you back to the headline of our profit announcement that we felt we had resilient trading and disciplined execution in the year end and that is exactly the way we intend to take on the year that we're in.

We appreciate your interest in the business and look forward to seeing you in a store or pub before its too long. Thanks very much.

Operator

Thank you. That does conclude the conference for today. Thank you all for attending. You may now disconnect your lines.