

Q3 2025 TU

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Presentation

Operator

Thank you for standing by, and welcome to the Endeavour Group's F '25 Third Quarter Trading Update. — ***Operator Instructions*** — Endeavour Group's Executive Chairman, Ari Mervis, will provide some opening remarks followed by a question-and-answer session.

— *Operator Instructions* —

I'd now like to hand the conference over to Mr. Ari Mervis. Please go ahead.

Ari Mervis

Thank you, everybody. Good morning, and thank you for joining us today. I'm Ari Mervis, and I'm joined by our Chief Financial Officer, Kate Beattie. I'd like to start by acknowledging the traditional custodians of the land on which we're conducting this call today, the Gadigal people, and pay my respects to their elders past, present and emerging. I'll now make some brief comments on our trading update for the quarter before turning to questions.

For the 13 weeks ending 6 April, we delivered sales of \$2.8 billion, down 1.7% on the prior corresponding period. Softer retail sales were partly offset by improved sales momentum in hotels, demonstrating the value of our diversified portfolio. It is worth noting that the reported Q3 sales growth performance for retail and hotels reflects the misalignment of the key Easter holiday trading period, which occurred in Q3 in F '24 compared with Q4 in F '25.

Our retail business delivered over \$2.3 billion of sales in the quarter, down 3.1% versus Q3 in F '24. On a comparable store basis, sales for BWS and Dan Murphy's were down 3.7%

versus the prior corresponding period. The decline in Q3 sales reflects subdued trading in the quarter as our Retail business continued to recover from the impact of supply chain disruption as well as the impact of timing of key holidays.

Encouragingly, Retail returned to positive sales growth in April following solid Easter trading. On a 16-week normalized basis, which includes Easter and Anzac Day, but excludes New Year's Day in both periods, retail sales were 1.3% lower than F '24 with combined Dan Murphy's and BWS sales down 1%.

Following this supply chain disruption in the first half, which impacted stock availability in our stores, retail voice of customer Net Promoter Scores have returned to their pre-disruption levels. Our offerings and service levels are resonating with our customers and we are continuing to attract new customers.

The My Dan's active membership base has grown to 5.5 million, and we have added more than 180,000 members to our pub+ membership program since the beginning of this calendar year.

Online sales in Dan Murphy's and BWS grew by 6.7%, and this represented 8.4% of total sales in the quarter. On a 16-week normalized basis, online sales in BWS and Dan Murphy's increased by 11.1%. This was driven by strong online growth in BWS, which benefited from an uplift in sales in its ultra-convenience channels and higher online sales in Dan Murphy's.

Now on to our Hotels segment, which recorded sales growth of 5.1% to \$512 million in the quarter. On a comparable hotel basis, sales were up 4.3% versus the prior corresponding period. Sales momentum improved during the quarter with strong performance across key events, including Australia Day, St. Patrick's Day Valentines Day and the Footy Season Kick-off.

Gaming remained resilient with our 2 largest markets of Victoria and Queensland, exhibiting the strongest growth. Pleasingly, the group continued to grow its gaming market share in Victoria. Our pub+ app, launched nationally in August last year, is growing strongly. pub+ now has over 540,000 registered users, who account for 1 in every 4 food and bar transactions within our hotels. We will continue to take a disciplined approach to hotel acquisitions and are building a growing renewals pipeline as we focus our efforts to optimize our existing portfolio. We completed 3 renewals during the quarter with a further 8 renewals scheduled to be completed by the end of H2 F '25.

We also continue to progress our property strategy with the development application lodged for the Morrison Hotel in Queensland for 140 rooms Nightcap plus hotel and residential towers containing 245 apartments. We remain on track to launch 2 more development applications for the Forest Hotel in New South Wales and the Shoppingtown Hotel in Doncaster, Victoria by the end of F 25.

Finally, we're delighted to announce Jayne Hrdlicka as the group's new Managing Director and Chief Executive Officer, and look forward to her commencing in that role on 1 January 2026. In the meantime, Jayne has agreed to make herself available to be frequently with the Board and myself, which gives us the opportunity to engage with her on key business and strategic matters. Jayne is a highly experienced business leader with the skills and expertise to lead the business in our next phase of growth.

Turning now to the fourth quarter trading and outlook. We delivered positive sales growth in April, which followed improving sales trends in March. In Retail, we achieved an Easter sales result in line with Easter in the previous year. In Hotels, we continue to see good growth across food, bars, gaming and accommodation. It should be noted that the promotional intensity in retail increased at the beginning of Q4 ahead of the key Easter and Anzac Day holiday trading period.

Looking ahead, we expect retail market conditions to gradually improve as inflation moderates and the prospects for interest rate cuts increase. We note, however, that in F '25 year-to-date, consumer spending activity outside of occasions to celebrate has remained relatively subdued and there are a limited number of key events left in the remainder of F '25. Accordingly, the group is targeting flat to modest retail growth in the balance of Q4, citing a 0.2% decline in the comparable store, same-store sales for Dan's and BWS in the pcp.

In Hotels, positive sales momentum has continued, supported by resilience in gaming and strength in food and bar sales. The group is targeting a mid-single-digit Hotels sales growth in the balance of Q4, cycling 2.2% comparable sales in the pcp. While inflationary pressures are gradually easing, cost inflation will remain a headwind for both Retail and Hotels in the remainder of the second half.

Notwithstanding the challenges consumers are continuing to face, we know that occasions remain the lifeblood of our Retail and Hotels businesses. So we'll continue to work hard to be everyone's destination of choice, delivering the best price, value and experience to customers. In line with the group's strategy to focus and simplify the business, we will also continue to pursue opportunities to optimize our assets and cost base to ensure we deliver appropriate returns for shareholders.

Finally, I'd like to take the opportunity to thank all team members across the Endeavour Group for their effort in what it was a tough quarter and for the key role they play in supporting our customers and social occasions.

With that, I'll now hand back to the operator for any questions.

Question and Answer

Operator

— **Operator Instructions** — Your first question comes from Craig Woolford from MST Marquee.

Craig Woolford

Can I just ask a question about the comment you made about discounting activities picked up at the start of the fourth quarter. Some of the trade feedback we've had would be that Endeavour triggered that, like led that discounting. Can you just comment on what kind of discounts there were in market and what signals you're trying to give us about the pressure on gross margins?

Ari Mervis

Thanks for the question. I'll just give an overview as to what is happening, and then I'll hand over to Kate. I think it's safe to say that the lead up to the Easter period and the Anzac Day period are very important, and we do operate in a very competitive environment and have many levers at our disposal. So across our portfolio, Dan Murphy's being the lowest liquor price guarantee, we proactively price [KPIs] to beat the competitor. And in BWS, we also ensure that we are channel competitive. Coupled with this, we obviously have a whole host of different promotions and different activities. But I'll hand over to Kate to give a little bit more specificity on that.

Kate Beattie

Thanks, Ari. Yes, I think what I would say is, I mean, we do always engage in the market in a manner that aims to compete and leading into the key trading periods such as Easter. Typically, you do see an increase in promotional intensity. We have multiple ways in which we seek to provide value to customers. And through times like that, we are particularly leveraging the customer information that we have through our loyalty platforms. And

of course, in the context of your question about GP margin signals, we always focus on achieving a balance between delivering value to our customers and returns to our shareholders through both GP margin management as well, of course, as cost management.

In terms of GP margin, which is I think is where your question was going, we've previously spoken about the various levers that we have to manage GP margin expansion, including through new product development, particularly leveraging our Pinnacle portfolio, but also, of course, the new products that the other parties bring to the market. We leverage better buying. We have been seeing some really good outcomes from price and promotion optimization through advanced analytics. These in combination affords us the capacity to invest in trade driving activity. And as flagged in our first half result commentary, we are seeing increased competition in the context of the soft environment and value-chasing behavior of customers. And these will, we expect for some time continue to dampen the opportunity for net GP margin expansion.

Operator

The next question is from Michael Simotas from Jefferies.

Michael Simotas

I actually just wanted to follow on from Craig's question, if I can. And specifically, the comment around the priority being to drive retail momentum through price and value leadership, Endeavour is still lagging Coles and arguably some other players in the market. How aggressive are you willing to be, whether it be with the price lever or something else to try to drive that retail momentum in the interim period before Jayne formally takes on the CEO role?

Ari Mervis

Thanks, Michael. I'll start and perhaps Kate will also like to join. Yes, we have made it clear that one of our objectives in the interim period is to focus on driving retail momentum,

but that's a multifaceted approach. We're very fortunate to have 2 brands that have got very distinct characteristics and targeting very different customer needs. So through BWS, the primary objective is to ensure that we have, of course, channel competitive pricing, but we are offering the right range, the right price and the right service in a very convenient location and convenience offering. And that's what we continue to focus on. So there are numerous different methods and methodology that we can apply. We use our Appy deals, which is bespoke to BWS app holders. There's the Everyday Rewards program, which we dial up and also get benefits in that regard.

And then when it comes to Dan Murphy's – or Dan Murphy's is the liquor box of destination of choice. It is where people go specifically for occasion shopping and when they want to have a broader array of opportunities, and we've got a tremendous team out there that are incredibly knowledgeable and incredibly passionate. And so there are many different aspects and angles that are tackled in terms of how we show up, how we present, how we price and what we show up with and what we present. It's a full end-to-end gambit of what we're looking at in order to restore and to drive retail momentum.

Operator

The next question is from Bryan Raymond from JPMorgan.

Bryan Raymond

I'll just follow on from the prior two questions also on gross margin and the promotional cadence that you guys have at the moment. I just wanted to understand a bit better the mix of promotional investment you guys are putting in at the moment, just in terms of the storewide discounts, which, primarily through the online channel, in terms of the \$50 off over \$300 basket, and how that compares to prior period? Is that something that you guys have done much of in the past? I don't think I don't recall it much before this year, but – and also how that – how supply-funded promotions are trending?

And just to clarify, Kate, on your comment earlier around gross margin expansion being somewhat challenging, whether the flattish result in the first half is a good benchmark for the second half given what's going on with the promotional cadence?

Ari Mervis

Thanks, Bryan. I'll hand over to Kate shortly. But I think just the starting point is that we are in a very competitive environment, and we will compete, Dan's has many levers at its disposal, and we'll continue to ensure that we are delighting our customers and providing them with that lowest liquor price guarantees. So there's a holistic approach, as I mentioned a little bit earlier when I was trying to answer Michael's question, but I'll hand over to Kate just to speak maybe a little bit about the promotional frequency and the gross margin impact.

Kate Beattie

Thanks, Ari. I would reiterate what we've said, which is promotional intensity increase as we got into the peak Easter and school holiday and day trading period. The kind of spend stretch offer that you've referred to, Bryan, is just one, promotional mechanic, which, obviously, appeals to a subset of our higher-spending customers and an online channel promotional mechanic, but we also have many other forms of promotional activity, which, as I said, include leveraging our unique customer data to provide tailored offers through our loyalty programs.

We always do focus on achieving a balance between delivering value to our customers and return to our shareholders through GP margin management as well as cost management and we'll continue to do so. I think as Ari has effectively referenced, we're confident that we've got the scale, 2 quite different propositions in markets that drive a strong customer offer, whether it be in convenience channels or whether it be through the Dan Murphy's lowest liquor price guarantee. And we do have through that lowest liquor price

guarantee, the best prices in market. We also have very strong trading margins. So we've got multiple, both promotional levers and mechanics to drive value, and we'll continue to do so.

Operator

The next question is from Ben Gilbert from Jarden.

Ben Gilbert

Just wanted to understand, just to make sure I'm thinking about the maths right for the retail sort of sales guidance you've given. So effectively, we've – you've got – you've adjusted to the 16 weeks is down and then you're going to say we're going to be roughly flat for the residual. So on a sort of on a like-for-like basis, probably imply also a total basis, adjusting to extra week in the pcp – sort of talking sort of down around 1% or a little bit better for the second half to retail now. Is that right? And I suppose a follow-up of a key question for that is what you're saying around the cost inflation, coupled with margins. Is the reason you provided some more color because you think the market sort of needs to rethink the numbers a little bit for that second half in retail?

Ari Mervis

Sorry, Ben, so I'm not sure I got the entire question appropriately. But I think what we're saying is that if one has to look at the initial 9 weeks of the calendar year, so at the beginning of the quarter that we were trending quite negatively. And then for the balance of Q1, while it was negative, it was an improved negative trend. And then into April, we've seen some slight positive trends going into those key Easter and Anzac Day period.

And with that as the backdrop, and that is the basis to what we have actually known, our expectation is that for the balance of the fiscal, the next 11 weeks or whatever is left is somewhere in the order of flat to maybe moderate growth is what we think of that sort of trend continues in that direction. Being mindful, of course, that there does remain

consumer uncertainty and there aren't many big peak selling occasions, which normally tend to spike towards more growth at that time.

I don't know, Kate, if there's anything that you picked up on the question you may want to answer.

Kate Beattie

I think, Ben, part of your question was about the 53rd week in the last year versus what we're saying about flat to slightly positive sales growth for retail in the second – in the remainder – in the balance of this half, and, the answer to that is we're talking to a comparable week's basis, where excluding the impact of the 53rd week last year.

Operator

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

David Errington

Ari, look, I think the time is appropriate to discuss what Jayne Hrdlicka is going to bring to Endeavour. What – you obviously appointed her, so obviously, she's brought to the table some of the key strategies that she'd like to implement. And maybe you can use this as a forum to talk about some of them. And I'll come from this angle. I've been around the block a few times, as you can imagine, as have you, my concern is that a new CEO comes in, generally, what they do is that they can rip the company to shreds, pull costs out pretty egregiously, make big provisions, bring in a heap of consultants.

Can you give us a bit of a discussion as to what Jayne is likely to bring to the table? Because I've got to say that is my concern is that we could be going through an unstable period at Endeavour. And given you're going to be the Chair, can you basically take this as a forum to tell us as shareholders what we can expect not only in the next 9 months, but probably the next 18 months, that would be really appreciated if you could do that for us.

Ari Mervis

I mean, certainly, David, as you're aware, this is a trading update, but I will take the opportunity given the recency of the announcement with regards to Jayne, just to cover a little bit of ground around that.

The first, as when we spoke previously, I said that the Board had 2 primary objectives. The one was to expedite the appointment of a high-caliber, capable and competent seasoned CEO and the second one was to do it as quickly as possible. And we went through a very thorough process, secured a global recruitment firm to help us in that regard. And we're delighted to have been able to get some one of the caliber, experience and capability of Jayne, who will be joining us in January next year as our CEO and MD.

Jayne has got a terrific track record of having grown businesses and worked in branded businesses, customer-facing, consumer-facing supply chain business and also businesses with very large workforces and large team members – a number of team members. So she's very well credentialed and very capable and very able, and we're really looking forward to her contribution.

We're also very fortunate that Jayne has agreed to make herself available in the interim to engage frequently with the Board and myself. And that will not only help us to get Jayne absolutely up to speed. So when she joins on the 1st of January, she can really hit the ground running, but also helps us to engage with her on any key strategic or other matters that may arise between now and then.

In the interim, we will remain laser-focused as we have said, on driving momentum in retail. We'll continue to focus on the deployment of capital disciplined manner and ensuring that our gross capital is deployed at those projects that are going to deliver the expected return and return on our funds employed. We will also continue to simplify and focus the business, and you will have noted the commentary around the closing of the

Prowine bottling hall. And we also continue to prudently manage our cost base.

So I think we have both the advantage of having secured and landed a very capable, competent and seasoned leader but also have the advantage of working with Jayne as she gets herself up to speed for when she formally joins on the 1st of January, subject, of course, to getting the necessary — *indiscernible* — and other requirements.

David Errington

You mentioned once, I remember you saying, Peter Margin was a very independent director. Can you give us an update why he abruptly left?

Ari Mervis

David, I'll take it to your second question that he actually — everything around Peter's departure is included in the ASX announcement that we put out there. He did decide to step back to focus more on some personal requirements and commitments that he had and we respect Peter's decision.

Operator

The next question is from Shaun Cousins from UBS.

Shaun Cousins

Maybe to jump to Hotels. Could you talk a little bit about how gaming market share is performance — sorry, performing? I'm just curious around, I think in February, the company noted that it was somewhat challenged that the clubs seem to be doing better than pubs, regionals seem to be doing better than metro and venues closer to the casino seem to be doing better than the suburbs and each of those were negative for Endeavour. I'm just curious if those trends are still playing out? Further, in Victoria, is your market share now above or below the level it was prior to the closures the company embarked on when you closed — sorry, pardon me, you closed earlier around that 4 to 10 a.m. period and your

peers chose to sort of close later, please?

Ari Mervis

Thanks, Shaun. I'll start off and maybe again, Kate will help me on this one. So we do continue to regain share in Victoria. We're still continuing to grow our share back to the pre hours changing. And we're also seeing performance improvement both in Queensland and in South Australia coupled with the fact that regional continues to still do better than the city hotels. And what we're also noting is that renewals continue to deliver performance improvements.

What we've also done, Shaun, is that as we mentioned at the half year that we were going to be rolling out replacement cabinets or new cabinets, we started rolling out the Baron by Aristocrat and Kascada 27 by Light & Wonder Cascade. We targeted to do 1,000 by the end of the half. We'll probably get quite close to 900 on by the end of the half. So we're doing a whole of different activities and actions in that regard. And I'll continue to see really positive growth and momentum in all 4 of the real value drivers within the hotel category.

Shaun Cousins

Great. And just to confirm that you're not yet back at the level of market share you had pre the decision to close between 4 to 10 a.m. ahead of your peers. You're working towards that, but you were not there. And I just want to, sorry – just seeking some clarity in that answer, please?

Kate Beattie

Shaun, that's right. We're continuing to grow back towards that, and we're very comfortable with the trajectory, we're not quite there yet.

Operator

Next question is from Phil Kimber from E&P Capital.

Phillip Kimber

I just had a question around Queensland. Obviously, your Hotels business, in particular, does skew to that market as well as Victoria. Was there any impact either to your Retail business or your Hotels business for all the weather events in the third quarter? Is there anything to call out there?

Kate Beattie

Thanks, Phil. There was no net material impact to retail. We did see a bit of stocking up ahead of the event, which, obviously, was well heralded in the market. People knew it was coming. But broadly, between that and then temporary store closure, it was neutralized. Hotels were slightly more impacted because, of course, they're not a buy up venue, but in the context of the performance for the quarter, it was immaterial.

Operator

Thank you. The next question is from Sam Teeger from Citi.

Sam Teeger

Just can you help us understand how you're thinking about the impact on your retail sales and margins over the year as Coles progresses with the Liquorland conversions and especially interested from a BWS perspective?

Ari Mervis

Thanks, Sam. I can't speak about my competitors and their strategy. What I can say is that we are very clear that we have 2 distinct propositions that meet and exceed customers' needs. So Dan Murphy's will remain the lowest liquor price guarantee and is now the destination of choice of big box formatting for anybody who is looking for occasion shopping or looking to browse the aisles and get some incredibly good service and incredibly

knowledgeable service provider to them.

And then BWS will remain category competitive. So BWS has the ability to be category competitive across the convenience channel. Again, providing the right range, price and service that it needs to be competitive within that category.

Operator

The next question is from Tom Kierath from Barrenjoey.

Thomas Kierath

Just a question on Jayne's appointment. 8 months is a fair while, I suppose, until she starts given, as I understand she is not currently employed or she's not coming from a competitor, but just be interested in why it's taking so long, a.; and then b, whether you can actually bring that date forward a little if property checks, kind of happen maybe faster than you thought. I just guess I'm concerned that performance in the next kind of few quarters suffers a little bit without her in the building?

Ari Mervis

Yes. Tom, thanks. So firstly, Jayne made it quite clear when she left her previous role that she did need to take some time out and refresh. And coupled with the fact that she has a son who's in his final year of schooling and she is committed to giving him the necessary support to help usher him through that final year of schooling, we respect that. As I said, we're very fortunate that Jayne has agreed to make herself available and accessible on a very frequent basis so will help us get it up to speed and help us also ensure that if there are any big ticket items that she needs to get across that we can bring across that and help in that regard.

But as I say, in the interim, we're not going to be standing still and we will really be driving momentum in Retail and optimizing our cost base and our capital deployment and make

sure that we do continue to simplify and focus this terrific business.

Operator

The next question is from Richard Barwick from CLSA.

Richard Barwick

Can I just – I just want to clarify exactly your thinking behind the your sales expectations for retail in the next fourth quarter because you've made the point that outside of seasonal or promotional events, the sales have been quite subdued. So i.e., those events have been very important in driving sales. You've just been through a period with Anzac Day and Easter, which is obviously key. They're big events to help drive sales. And so therefore, arguably, having those 2 events together would have been a big contributor to sales momentum. And you make the point that there's a lack or there's less of these events for the remainder of the quarter. So I'm just sort of struggling to understand why you think sales momentum is going to continue to improve from here.

Ari Mervis

Yes, I think what we're saying, Richard, is that we expect it to be sort of moderate to flat to slight improvement compared to last year for the balance of the period. I mean there's quite a few things that I need to look through when we look at both Easter and Anzac Day. But last year, Anzac Day falling on a Thursday, that provided people to take the Friday off and have an additional almost long weekend, which would have given opportunity, coupled with the fact that Easter was quite a bit later this year, and hence, you not only have a slightly colder Easter, but you also lose out on the daylight saving hour that was in last year's Easter. So there are quite a few swings around about.

So I think what we're saying is that while we've had that positive growth in the run-up into Easter, we don't want to get ahead of ourselves and think that that's just going to be necessarily a continuous momentum, and we believe that something in the order of

being flat to moderate growth would be probably more realistically expected.

Operator

The next question is from Lisa Deng from Goldman Sachs.

Lisa Deng

I think it's a follow-up on Tom's question because Jayne's starting 1st January, but I think over 60% of our numbers or our EBIT is made in the first half. So in the frequent consultation, up to her official starting point, will she have a decision how - or I guess, like how involved will she get in the first half '26 operational decisions. And then I guess a follow-up on that is post-election and where really the first half will be up on us soon. What are we sort of thinking in terms of any policy impact, consumer changes and category changes?

Ari Mervis

Lisa, as I've said, Jayne will make herself available to engage with the company on the big strategic matters. We will continue very much to drive the asset base and drive the business in the interim period. And as I said, we have the advantage of her being available if there's anything we need to engage her on. I think you might have referenced the election. And I think just from our side to congratulate Prime Minister Albanese and Labor on receiving a mandate to run the country for the next 3 years.

We look forward to continuing to engage proactively and constructively with government at all levels, not only at a federal level, but equally at state level, where many of our categories are determined and managed at a state level. So continue to look forward at driving that going forward.

Operator

Thank you. The next question is from Pete Meichelboeck from Select Equities.

Peter Meichelboeck

A follow-up question in relation to gaming and some of the comments you made earlier around the increased market share in Victoria, which we understand, and also the comments I think you made around sort of its improved performance in some of the hotels where new cabinets have gone in. I'm just wondering, have any of the other state markets seen an improvement in market share for you guys?

Kate Beattie

I think we spoke to the pleasing performance in Victoria, where we're gaining share, and we spoke to a change of momentum in both Queensland and in South Australia. We also continue to see really good results where we're renewing our hotels where we tend to focus not just on the gaming proposition but on the whole of venue experience. And we're seeing some really pleasing outcomes as and when we do that, which we've spoken to as a key opportunity for the group.

Operator

There are no further questions. I'll now hand back to Mr. Mervis for closing remarks.

Ari Mervis

Thanks very much, operator. And again, thank you all very much for your interest and your ongoing support of Endeavour Group. It is really appreciated, and thank you very much for those questions, and have a very good day.

Operator

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