Endeavour Group Limited, Q1 2025 TU, Earnings Call 2024-11-10

Presentation

Operator

Thank you for standing by. Welcome to the Endeavour Group's F '25 first quarter trading update.

— ***Operator Instructions*** — Endeavour CEO Steve Donohue will provide some opening remarks, followed by a question-and-answer session. — ***Operator Instructions*** —

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

Steve Donohue

Thanks, everyone, for joining us this morning.

I'm Steve Donohue. And I'm joined by our CFO, 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, noting, of course, that today is Remembrance Day, so we'll take a pause of the call at 11:00 to observe a minute of silence.

The group delivered a stable trading performance in the first quarter as cost-of-living pressure continued to impact consumer spending in our categories. For the quarter, the group delivered sales of $3.1 billion, up 0.5% on the prior corresponding period. This result demonstrates the value of our diversified portfolio, with the moderation in Retail sales during the quarter offset by a stronger performance in Hotels. It underlines the unique competitive advantage that we have in terms of our combined on-premise and off-premise offerings.

Our Retail business delivered over $2.5 billion of sales in the quarter, in line with the first quarter of F '24. On a comparable store basis, sales for BWS and Dan Murphy's were down 1.1% versus the prior corresponding period. Following a positive start to the year, sales momentum slowed in September. During the quarter, promotional intensity lifted across the sector as consumers became increasingly value conscious. In short, the moderation in our Retail sales reflects the difficult macroeconomic environment where the customer is shopping more selectively and prioritizing value in a highly competitive market.

I think it's very important to contextualize our Retail performance in the quarter against the backdrop of what are very challenging trading conditions. Our Retail business is continuing to execute well. We're controlling the controllables in a tough market and remained focused on delivering profitable sales. We also continued to grow market share. Our offering and service levels are still resonating with our customers, as demonstrated by our market-leading voice of customer scores. And we're continuing to attract new customers, with our My Dan's loyalty base increasing to 5.5 million active members.

In response to growing pressure on household budgets and competitor activity, we've sharpened our focus on delivering the best value to our retail customers. In the near term, softening sales momentum and a lower-margin sales mix resulting from both an increase in our percentage of sales on promotion and from consumer downtrading is expected to impact the profitability of our Retail business. Continued inflationary pressure on operating costs is also impacting margins. And as a result, the group now expects that H1 Retail operating EBIT margin, and to be clear, that's excluding One Endeavour costs, will be between 7% and 7.5% compared to the 8% we delivered in the first half of last year.

Online sales of $235 million were up 6.3% on the prior year, representing 9.3% of total Retail sales in the quarter. This was driven by double-digit online growth in BWS, which benefited from increased sales via ultra-convenience partners and higher online sales in Dan Murphy's.

During the period, the group has taken a number of steps to enhance and expand its ultra-convenience offering. We've evolved our Jimmy Brings business into a partnership model with MILKRUN. And Dan Murphy's and BWS have also recently entered into new delivery partner arrangements with DoorDash and Menulog, respectively. We're excited about the growth opportunities in this ultra-convenience channel as we adapt our offering to meet the changing demands of the customer.

Now on to our Hotels segment, which recorded sales growth of 2.5% to $567 million in the quarter. On a comparable hotels basis, sales were up 2.9% versus the prior corresponding period. Hotels made a positive start in Q1, delivering sales growth in July and August despite cycling the Women's World Cup football in the prior corresponding period. Sales momentum improved in September, driven by higher food and beverage sales over Father's Day, school holidays and the footy finals. Gaming remains resilient, with Queensland exhibiting the strongest growth. Pleasingly, the group started to regain market share in Victoria as mandatory changes to trading hours commenced market-wide from the end of August.

In line with the strategy outlined at our Investor Day last December, we continue to execute our hotel renewal program, focusing on fewer, higher-value renewals to create experiences locals love. This includes the $3 million repositioning of The Morris hotel, formerly known as The Saint, in Western Australia, which relaunched in August. And we've actually managed to double the food sales in that venue. And the venue continues to trade above our investment business case. And then more recently, the Bayswater Hotel or the Baysie in Melbourne – where we completed an upgrade in late October, which was a $2.8 million upgrade of the bar and the beer garden. And the early results that are being delivered by that investment are very encouraging with around 20% growth across food, bars and gaming.

In late September, we acquired The Cavenagh Hotel in Darwin, a landmark food and beverage venue in the Northern Territory; and discontinued the lease of the Raintrees Tavern in Queensland. We'll continue to take a disciplined approach to hotel acquisitions and are building a growing renewal pipeline as we accelerate our efforts to uplift our existing portfolio, with a further 13 hotel renewals scheduled to be completed by the end of H1 F '25. We also continue to progress our property strategy, with the development application lodged for a Dan Murphy's and residential towers containing more than 180 apartments at our Camberwell site in Melbourne.

Turning now to the second quarter trading and outlook. Entering the second quarter, promotional activity in the retail sector remains elevated and customers continue to gravitate towards value. Achieving Retail sales growth in the second quarter is expected to be challenging, noting that our Retail business is cycling 3% sales growth in the prior corresponding period. Positive sales momentum in Hotels has continued in the second quarter. The level of Christmas bookings in our hotels is very encouraging, with reservations already at 54% of our capacity for Christmas.

Across both Hotels and Retail, cost inflation remains a headwind. In response, the group is tightly managing costs of doing business and continuing to implement a program of measures to make the group a simpler and more efficient end-to-end business. Our established endeavourGO optimization program, which delivered $100 million of cost savings in F '24, continues to drive increased efficiency across the group. In particular, activity-based rostering in Retail continues to deliver improvements in sales per labor hour. The separation and consolidation of our people systems under our One Endeavour program remains on track to complete by the end of F ’25.

The group has evolved the Jimmy Brings business into a partnership model with MILKRUN. And under this new commercial arrangement, Jimmy Brings will become the exclusive liquor provider for MILKRUN and will receive an annual license fee. This new partnership model, which is expected to be EBIT accretive in year 1, will reduce our fixed costs while streamlining our e-commerce operating model.

The group has also made the decision to remodel our digital and marketing teams and consolidate digital projects in endeavourX. And finally, we’re maintaining an ongoing focus on inventory management, which is delivering working capital benefits. These measures are all designed to position the group to deliver improved returns to our shareholders as trading conditions start to recover.

Notwithstanding the challenges consumers are facing, we know that key calendar events will remain the lifeblood of both our Retail and Hotels businesses, especially in the busy weeks ahead, so we’ll continue to work hard to be everyone’s destination of choice, delivering the best prices, service and experiences to customers. When we faced challenges in the past, we’ve always rallied behind our famous customer offers and improved the business to take advantage of the future upside, which is exactly what we’re doing now.

Finally, I’d like to take the opportunity to thank all team members across the Endeavour Group for their efforts in what was a tough quarter and for the key role they’ll play in supporting our customers’ social occasions again this holiday season.

With that, I’ll now hand back to the operator for any questions. And operator, if you’d please help us by pausing the call at 11:00 a.m. so that we can observe that minute of silence for Remembrance Day.

Question and Answer

Operator

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

Craig Woolford

Steve, I guess the new news is the pressure on margins that's come out of this release. I'm interested in really understanding of the margin pressure that's been outlined at EBIT. Like how much of this is about gross margin pressure versus operating deleverage or negative operating leverage? And I guess what's tricky is it feels like there's been more discounting but no improvement in sales trends.

Steve Donohue

Yes. Thanks, Craig. Broadly, you're right. I think the challenge in the category right now is one of sales, first and foremost. So if we were delivering the sort of sales growth that we were at the same time last year, then a lot of the rest of the P&L would be in better shape. So I think you've got to think about it as a sales question, first up, which does go to your point about extra discounting in the market not necessarily increasing demand. So that, of course, plays into the number of promotions, the depth of promotions. And we are seeing an increased intensity of both. So there are more promotions and deeper promotions across the market. There's also increasingly a trade-down factor that's played out in the category. And I think, when we were last talking about the full year results, I was talking about a trade into larger packs. That's continued as well, but we're now seeing in more recent times a bit more trade down than what we were talking about at the time.

But we're also referencing where we think our EBIT is going to land. And of course, it's not just a sales and gross margin impact that's playing out there. There's also cost inflation, as you know, so – and that's most materially in wages, so wages in DCs, wages in stores. So the aggregate of all of those is why we're landing up where we're landing, but you are right to call out the level of promotional intensity in the market. It has definitely stepped up, and it isn't translating into a lift in sales at the moment.

Craig Woolford

Right. Just – so just to clarify: There's no surprise on the cost inflation, though, is there? Like it was cost inflation that you've seen coming and we've been seeing over the last 12 months.

Steve Donohue

Yes, that's right. I think the surprise is in the sales line. So September was a particularly tough month. It was the driest September of all time a year ago, so that certainly played out in the quarter. So yes, sales, first and foremost, is the challenge.

Operator

Your next question comes from Michael Simotas with Jefferies.

Michael Simotas

Can I just confirm that the margin guidance you've given for the first half includes the duplicate supply chain costs in Queensland? And can you give us some sense of what the quantum of those will be?

Steve Donohue

Yes. Thanks, Michael. Short answer is, yes, it does. It's not material enough for us to call out. We will have to work through how it plays through in the half. And if there is any merit in talking to the details, we'll do that at the half, but it's certainly included, yes.

Operator

Your next question comes from Shaun Cousins with UBS.

Shaun Cousins

Steve, maybe just a question regarding the One Endeavour costs. Could you maybe talk a bit about, I think it's, the $60 million to $80 million for fiscal '25? How are you seeing them split first half, second half? And I believe, in the fiscal '24, they were split 70-30 Retail-Hotels. Is that a similar split there? Just keen to sort of shape those costs and size those for our aggregate sort of Retail EBIT.

Steve Donohue

Yes, yes, sure. Thanks, Shaun. Kate has got the numbers in front of her, so I'll get her to give you the detail there.

Kate Beattie

Thanks, Steve. Thanks, Shaun, yes. So absolutely, we are reconfirming that we expect it to be approximately $60 million to $80 million in operating expenses for the full year. And it is split approximately 70% to Retail, 30% to Hotels. And it's approximately equal weighted in each half.

Operator

Next question comes from David Errington with Bank of America.

David Errington

Steve, your experience, what do you do in these situations? Do you – 2-pronged question. First of all, endeavourGO, has that capped out in Retail, or is it about the same level? And second pronged question, can you go a little harder, or are you reluctant to do that given that it is a sales issue? Can you find a little bit more? Or are you reluctant because you don't want to basically cripple the business? And when we do turn around, you want to be in a position to get those sales back. I'm really interested in your line of thinking, as where we're at, what you're doing with endeavourGO. Can you push it harder, go a bit harder? Or have you capped out? Or are you reluctant to push it a bit harder because, when it does turn, you want to be in the position to maximize when it grows?

Steve Donohue

Yes, thanks, David. endeavourGO, as you know, we delivered a really solid number last year. And there is an intent to deliver a solid number again this year. It's going to be a different number, but the opportunities are still there. But I think you make a really valid and important point about not wanting to damage the business on the way through the cycle, because we are traversing a cycle here. And a lot of the efficiencies that we've gained through endeavourGO have been through reengineering processes in our stores and our pubs. And we've still got lots of opportunities in pubs. And there's opportunities, some opportunities, in stores. BWS hasn't had it fully rolled out yet, but you and I both know that we've seen businesses that have cut too deep in areas like this in the past. And it doesn't serve you well, so that's why we've talked about some of the other structural adjustments we're making in above-store and venue costs that have resulted in some changes to the way we go to market, with e-com or – and we talked a little bit about Jimmy Brings there. So we are definitely taking this opportunity to look at all aspects of our costs and think really carefully about where we're making investments in context of what has changed. And that is the sales line, first and foremost.

And to your point. When we've done that over the decades past, we found that we get ourselves shipshape and fit for what lies on the other side of these cyclical moments. And we propel the business forward, which is exactly what we intend to do here, so it is always a balancing act. You heard me talk to our customer outcomes in the results announcement. And we will remain very, very focused on that because we're a customer-first business and that's the way we'll run it.

David Errington

I'd have a lot more confidence, Steve, if you were there on the other side when it does turn around. A man of your experience don't come easily, so I'd be more confident if you were there, but anyway, that's a point for another day.

Steve Donohue

Appreciate it, David.

Operator

Your next question comes from Tom Kierath with Barrenjoey.

Thomas Kierath

I just want to ask on the promo intensity. Are you saying it's getting worse in October, like, progressively as the months go on? I'd just be a bit surprised given that Kohl's has kind of walked away from a bunch of these kind of bulk sales, yes. I thought that might have eased up a bit, but I'd just be interesting – in what you're seeing there on the – yes, on the promotional side.

Steve Donohue

Yes, thanks, Tom. I guess it's just worth recognizing there's about 10,000 operators – well, the 10,000 places that – license holders around the market. So there's lots of competitors out there. It's not just one big one. There's many, many thousands in the market; and we're competing with all of them every day. And we do it very actively, so I don't think that anyone would have a better handle on what's happening competitively. You talked about October. I don't see a massive distinction, to be honest, between October and September or what's been playing out through the quarter. Some competitors are adjusting their go-to-market, but the broader activity we're observing is more promotions across the board and deeper promotions. You might find some of the mechanics have shifted from total category to individual items, those sorts of things, but of course, we're beating everyone in Dan Murphy's and continue to do that, so we've got a pretty good grip on what's happening across the market.

Operator

The next question is from Lisa Deng with Goldman Sachs.

Lisa Deng

I wanted to actually ask about Hotels. So Hotels has actually aggressively improved, I think, from the first 7 weeks. And it looks like gaming is actually doing okay. So we've only just called out the margins for first half Retail. How should we kind of think about the Hotels business, especially from a margins perspective, given gaming is strong?

Steve Donohue

Yes. Thanks, Lisa. I think all of your observations are right. Obviously we provided a little bit more detail at our sales update on the profit performance for Retail because of the shift that's taking place there. Conversely, as you point out, in Hotels the performance has been pretty solid actually overall. And it goes to that point again that I made about the [hedge] that we are privileged to have in the group between on premise and off premise. So that's good. Yes, you're right too about gaming. And it's good that we're on a level pegging now in terms of trading hours in the Victorian market. And we're seeing that return some of the share that we gave up there, so overall, gaming has been pretty solid. It's been pretty solid in the market and it's been pretty solid for us. Our best-performing driver in Hotels has been accommodation actually, albeit off a small base. So those two are leading the charge, but we've still had relatively good performance in bars and food too, so overall feeling relatively good about the performance of Hotels. And Kate, do you want to make a comment?

Lisa Deng

But – yes.

Kate Beattie

I think the one add I would make, Lisa, to Steve's comments is you are right. We're very pleased actually that we [had all lines on growth] in Hotels in the quarter. However, Hotels is not immune to the same inflationary cost pressures that we're seeing in Retail would be the one build I would make to Steve's comments.

Lisa Deng

But gaming and accommodation are the higher margin of the 3 businesses, right, even though accommodation is small.

Steve Donohue

Yes, that's right, at those individual drivers, but there are still inflationary challenges when it comes to wages and so on across the whole pub, so as Kate pointed out, not immune.

Operator

Your next question is from Ben Gilbert with Jarden.

Ben Gilbert

Just interested. And this is probably a bigger question, but what if that we're not in a cycle and it is just a structural downturn in – of falling consumption in liquor? Do you have to rethink formats? Because it sounds like convenience might be able to start selling some liquor in some of the Southern states soon if that gets through. Do you need to start trying to put more ranges, more categories? Have you seen anyone globally do a good job finding, where they've sort of got right to play in liquor, sort of stretching? Is it in convenience products; obviously, doing some stuff in lottery tickets? Just interested in what if.

Steve Donohue

Yes. Thanks, Ben. Look. It's definitely a good question and one that we always think about notwithstanding we are still seeing this as a cyclical moment. When we last spoke, of course, we talked about the opportunity with retail media. You're right to call out things like lottery, which we're trialing in a few of our BWS locations. So there's all sorts of considerations in terms of what are the opportunities to sell out of your box or out of the data that you generate off your retail business. I think right now, though, we are very single-mindedly focused on trade. And November and December are such big months of the year. We're really trying to deliver the results, the best possible results, we can; deliver the best performance for shareholders and customers, so that's where the emphasis is, but I think those are good questions for us to be a bit more articulate on perhaps when we get to the half and we've got the half under our belt.

Ben Gilbert

Just following up on that, Steve. In terms of the customer surveys and all sorts of things that you do, I suppose, what gives you confidence that it is sort of cyclical? Are people saying, "We're tightening our belt, so we're buying a bigger pack size. And we're trading down on the vodka," or [going to achieve] a case of beer? What gives you the confidence that it is a cyclical issue?

Steve Donohue

I think, when you look at the inflation moderation, there'll be some time that it takes for volume to catch up to the moderation in price inflation. We've had 2 years of pretty chunky inflation. It actually came off quite a bit in the last quarter, but the consumption pickup in transactions and units needs to catch up to that. So that's my impression of what's going on. As I said before, we're going to have a clearer idea once we get through the half, and perhaps into Q3, as to whether people are – what the impact of a very dry September was last year. Are people saving up for big Christmases this year? Is the cyber event going to be bigger than ever this year? All of those sorts of considerations are what we need to play through, but in terms of the actual metrics in the category, inflation has come off. And transactions haven't picked up yet, but we'll see how it plays through in the next couple of months.

Operator

Your next question is from Bryan Raymond with JPMorgan.

Bryan Raymond

Just on – back on the retail promotional environment, just keen to understand a bit more about how that's impacting BWS versus Dan Murphy's. Are you seeing this comes through mainly in promotional activity in BWS? Or is it the lowest liquor price guarantee in Dan is the predominant impact? Are you sort of matching others or doing more of your own promotions? I'm just trying to understand sort of the supplier mix – sorry, supplier funding mix within this as well and how we should think about this into the key trading period ahead.

Steve Donohue

Yes, thanks, Bryan. The performance of the destination channel for us, Dan Murphy's, is outpacing that of convenience channels. I think that kind of makes sense in an environment like the type we're talking about at the moment. We're seeing more solid transaction performance, and this is not dissimilar to what I said at the full year, in Dan's relative to BWS. So when we look at across the convenience market, we think it's a more challenged market for convenience than it is for destination, but you're right. Destination and Dan's in particular is the price leader and proactively gets out and beats a whole bunch of competitors' prices. So that's just the matters of fact as to how the category – or the segments are performing in the market right now. Again we'll have to see what happens over the next bunch of weeks to understand the full wash-up, but it is a combination. We're promoting, right? So we promote. Our competitors promote. And then when you roll all that up together, there is an increased promotional intensity out there.

I wouldn't say one leads the other, other than to say Dan Murphy's continues to beat everybody and, in so doing, maintains its price leadership and preference for customers. Customer preference scores for Dan's are as strong as ever. The recognition of Nobody Beats and the lowest prices in Dan's are as strong as ever. The NPS is as strong as ever. So notwithstanding the challenges of the category, we've grown market share in the period we've just talked to, Dan's just continuing to take the leadership it's always taken.

So Christmas is a very, very big deal for this category. And it's also a very big deal for Dan's, so we'll see, once we get through, just how good a job we've done. And that's again one of the points that I've made today is that we're very focused on executing for Christmas. That's where all of our team and my own energy is very much pointed towards.

Operator

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

Phillip Kimber

Following on from that, just – I just wanted to explore a bit more. This is the environment really when Dan's should be dominating value offer with a strong price component, and yet your sales are flat. And profits, it sounds like it's going to be down more than 10% in the first half, if – well, give or take. I mean, what gives you confidence that it's a market issue and there isn't a problem at Dan's that it's not doing as well as maybe it should be doing in these environment?

Steve Donohue

Yes, thanks, Phil. Look. As I said before, we – our data says that transactions are much more solid in Dan's than they are across the rest of our business. And we see our performance of both of those businesses in context of the total market. So it's continuing to perform – outperform the market. Dan's is outperforming BWS. And both BWS and Dan's collectively are outperforming the market. I think, though, to your question, the areas that we focus a lot of attention on are customer scores. When we ask customers where they intend to shop next and particularly at this time of year, it's a resounding Dan Murphy's. When we ask our customers who's got the best prices in town, resoundingly it's Dan Murphy's. Who has the best range? Resoundingly, Dan Murphy's. Who has the best service? Dan Murphy's.

So the customer very much recognizes the benefits of Dan Murphy's. The challenge for the customers is there's only 270 stores. There's 10,000-odd convenience stores out there, so what we're seeing is customers driving past more stores to get to a Dan Murphy's. And we're intending for that to be very compelling for customers this Christmas. It really does nowadays kick off with the cyber event, so as cyber plays out and as we edge towards Christmas, we're going to have a much better handle on how we trade, but we are very, very committed to continuing to deliver for customers that which they expect from Dan Murphy's, which is all those things I've just talked about.

Operator

Your next question is from Caleb Wheatley with Macquarie.

Caleb Wheatley

Congratulations on your tenure. Just in the Hotels business and the renewal program: So flagging 16 for the half and noting your comments that you're looking to accelerate those renewals, how should we think about the pipeline for store renewals for the remainder of '25; and '26, onwards? And also if you could provide an update just on what incremental returns are looking at on those. Are they stacking up to that 15% ROI you previously spoke to, please?

Steve Donohue

Thanks, Caleb. I appreciate the question and the comment. Just so I've got the question clearly in my mind: Are you asking specifically about Hotels? Or would you like us to talk to our Retail plans as well?

Caleb Wheatley

It was more specific on Hotels, but…

Steve Donohue

Okay, — ***indiscernible*** — Retail, yes. So yes, you're spot on, 3 in the quarter gone, but I touched on the colloquially known as the Baysie, the Bayswater Hotel, in Victoria, where we've got a good uplift. We've got 13 more planned in Q2, many of those underway like the Baysie; and about 30 for the year, so you really are starting to see that ramp-up play through. We've had a couple that have been delayed for various reasons. We've got a couple of others that we've been able to accelerate sooner than we thought, but what we have held true to is our intention to do bigger, more meaningful changes. And the best recent example is The Morris, formerly The Saint, over there in WA, which of course means we don't have gaming, but we've managed to double food sales off the back of what has been actually an outstanding effort by the team and very much well received by the local community over there. So learning all the time as we go and have put a lot of effort and energy into getting prepared for it – but I'm going to stop now because we just hit 11:00. So we'd like to observe that minute of silence.

Thanks, everybody. I appreciate you doing that.

Caleb, I think I answered your question. Did you get that? We can – Kate can talk to more numbers if you'd like some more…

Caleb Wheatley

No. That was helpful. Just around the 15% ROI as well, if that's continuing to stack up…

Steve Donohue

Sorry. Go ahead…

Kate Beattie

Yes. I'm happy to add some color on that. As, I think, we said before, we do target 15% ROI on the capital invested in the renewal program. And on average, we're comfortable we're exceeding that target. We've also spoken before about the fact that the – we're growing the funnel. So the pipeline will take a little bit of time to grow just because of the fact that it's not cookie-cutter. Every hotel has a different requirement in the way the renewal shows up. And so we're being – we're taking time to diligently look at making sure that the capital [expenditure] is going to deliver the returns. We're measuring the impact as we go. And we're building out a growing funnel of venues over the coming years; as Steve said, approximately 30 this year. The 16 or so we'll deliver in the half are all in progress at the moment.

Steve Donohue

Thanks, Caleb.

Operator

Your next question comes from Richard Barwick with CLSA.

Richard Barwick

Steve and Kate, I'm just – pick up. You made a comment that you are remodeling the digital marketing teams and consolidating some of these digital projects. What exactly is going on there? This sounds like there might be a reduction in head count. And I guess one of my questions would be are there any one-off costs associated with what you're doing.

Steve Donohue

Yes, thanks, Richard. Look. The focus of the changes we've made is, first of all, to be more effective with customers, so we looked at our marketing and – sorry, e-com and demand gen teams and thought about how we could sort of bring them closer together and get them more focused on customer outcomes. So that was the exercise we undertook. There were a number of folks that left the business in that process, which we can potentially talk to at the half if there's an – if it rolls up into anything of any worthwhile materiality. We also, of course, talked about the change to – the structural change we made with Jimmy Brings. So just a couple of examples. We wanted to give a bit of color on us continuing to try and bring focus and simplification to the organization on the way through, but Kate, do you want to add anything on the question Richard is asking?

Kate Beattie

Thanks, Steve. Thanks, Richard, yes. The one thing I would add is a lot of the investments we're making or the changes we're making are in the interest of trying to build greater operational agility so that we can dial up or dial down go-forward investments and projects more flexibly than we have been able to previously. So that's a lot of the benefit we're looking for. In terms of materiality of the costs, we'll comment on that at the half if they become material enough to talk about, but at this stage, we're not.

Steve Donohue

And obviously – thanks, Kate. Obviously important for us to be focusing on the core systems transitions from Woolies right now too, so that's been another [input into our] thinking on how we structure in those areas we've touched on.

Operator

Next question is from Sam Teeger with Citi.

Sam Teeger

You might have just touched on a bit of it, but it seems like there have been several relatively recent departures and new appointments across key management roles such as strategy, transformation, media and marketing. Can you please touch on what roles are still vacant, what we can expect from the new pool in Hotels? And any update on the CEO search more broadly?

Steve Donohue

Yes, thanks, Sam. Well, we're really – to start with, Paul: We're really pleased, obviously, to make that announcement. He comes with a great deal of experience across hospitality and gaming, so we're looking forward to having him join the team in due course that, as we said at the time, could be a number of months whilst he finishes up, but we'll keep everybody informed on that. Those other roles that you talked about, those folks are – some of them will – certainly the senior leaders will be with us through to the new year, so we can update in due course there. And of course, we made the statements we made back on the 27th of September about my intention to step down. And those stand, so the Board continues to do the work they need to in relation of that. So big focus right now, of course, is trade, as I said before. And you're right to reference those things, but we'll see how they play out; and update again, of course, when we get to the half year.

Operator

You have a follow-up question from Michael Simotas with Jefferies.

Michael Simotas

I was just hoping you could give us a little bit of color around the categories and price points where you're seeing the most promotional intensity and the most consumer trade-down. Is it at the lower price points? Is it more in beer? Just interested in any sort of color you can give.

Steve Donohue

Yes. Thanks, Michael. It's probably worth starting with how the retail categories are performing, first up. So the ones that are holding their own more than others are actually wine. Wine is holding up okay. Spirits is not doing too bad, but beer and RTDs have probably been challenged from both a volume and value standpoint. RTD is a bit different, but we are really seeing promotions across categories and the market and oftentimes market-leading brands. That's the go to for a lot of activity. And a lot of those market-leading brands are managed by the larger suppliers, so yes, it plays out the way you would expect, I suppose, in those circumstances, but I think the category performance is relative somewhat to the accessibility from a price standpoint but also the swing that we've had in the weather. I mentioned that September was the driest September on record a year ago. It wasn't the case this year, so a lot of cycling that's going through categories, but the broad impact is more promotions deeper across the market. We can talk to detail that's going on in fizz and Australian sparkling going well, French champagne continuing to find it tough, but they're pretty well the same trends that we've talked to before, as is the larger pack sizes that I talked to at the half and people hunting value. That continues to play forward.

Michael Simotas

Okay. And other than French champagne versus Aussie sparkling, is there anything else you can sort of call out across the price points? Like are you seeing discounting and trade-down from upper price points as well as lower price points?

Steve Donohue

Yes, we've definitely seen more trade-down in the last little while. And maybe, as a means of an example, you could talk to vodka is in growth. Now glass vodka is relatively good value compared to an RTD form of vodka. And therefore, you might find that consumers are switching into that because they'll mix their own and do that for a net lower cost, yes. That's probably the other example that's worth calling out. We're still getting value growth out of premix, but there's been some hefty excise and price increases in premix, which have slowed down the volumes.

Operator

The next question is a follow-up from Shaun Cousins.

Shaun Cousins

Just regarding the path of the incremental EBIT in Hotels, some further $150 million. Can we just confirm that's still on track given the change in hotel CEO? And can you confirm that we should be thinking about that as sort of back-end weighted? And then within that, are you comfortable that the current progress from Hotels sort of means you are on track to that even though it may be a wee bit more back-end weighted, please?

Steve Donohue

Yes, thanks, Shaun. Certainly we can't speak for the incoming CEO, but I think what we have said is that there is definitely an opportunity to improve the profitability of our Hotels business over time. And I think that's certainly been the expectation of the market. We did talk about a 5-year horizon, and I think that was appropriate. It's really us talking to the opportunity. And when you hear us talk about what we're doing with ramping up renewal programs and the like, hopefully, you're starting to see it come to fruition and in the performance of the business as well. We obviously had some challenges last year as it related to the decision we took on trading hours in Victoria, but I think that there is enormous potential for our hotels business and that, that will play out in the fullness of time.

Shaun Cousins

And that's the $150 million that we should be thinking about as the enormous potential.

Steve Donohue

Well, that's the number we put out there as the opportunity that we should go after, but Kate, do you want to add to what I said?

Kate Beattie

Not add to what you said, Steve, but just while we've got you back, Shaun: We spoke earlier about the One Endeavour guidance on OpEx for the half – for the year. It's worth reiterating, I think, that we've also guided on CapEx for the year to the same level. So $60 million to $80 million in capital expenditure on One Endeavour for the year is also – we're also reiterating that guidance.

Operator

You have follow-up question from Tom Kierath.

Thomas Kierath

Just wanted to ask on store growth in the retail liquor side. So BWS, 6 closures and 3 new stores. Dan's was flat. Like how are you kind of thinking about that maybe for the rest of the year just in terms of planning, so I get the models right, please?

Steve Donohue

Yes. Thanks, Tom. Look. We would expect to still be able to generate sort of 8 to 10 Dan Murphy's over the course of the year. So that's the plan. In the BWS business, we'll probably manage to get something like 17 stores over the course of the year, but we may well close 17 as well, really trying to improve that quality of the breed of the network, if you like, in BWS. So you're certainly going to see growth in the Dan's network, but it depends on how many closures we do offsetting that 17 expected openings in BWS as we go through the year.

Operator

You have a follow-up question from Lisa Deng.

Lisa Deng

Just on the follow-up. It's around the retail trading across Christmas and new year that you referred to as being so important. We've called out that challenged – growth is likely to be challenged. How are we tactically going to trade or operate during the peak season? And how different would it be compared to last year, like, the tactical trading strategy?

Steve Donohue

Yes. Thanks, Lisa. Well, we're going to trade it hard, and we do every year. And our planning for Christmas starts on Boxing Day generally. We know what the wash-up is and we start getting organized for next year, so we're not left wondering how we're going to attack the next bunch of weeks. What has changed is the impact of Cyber Week. And we had a reasonable Cyber Week from a trade standpoint last year, but we know we can do better again this year, so we put a lot of – we put actually as much preparation into Cyber Week this week as in some respects we have Christmas. So be well prepared is the way to attack Christmas. And we certainly feel as well prepared this year as we did last year, but I'll reiterate the point we made about the cycling of that 3% growth that we had in the quarter a year ago.

So in context of current trading performance across the market, notwithstanding we continue to grow market share, it is challenging conditions from a sales perspective, so we intend to continue that path we've been on for some time now in terms of growing market share irrespective of how challenged the market is. And that is absolutely our intent, so we will certainly come and avail the market of the results as we get through the half year, but we're very, very focused on trading well.

Operator

Your next question is a follow-up from Bryan Raymond.

Bryan Raymond

Just to be really clear on the guidance for Retail in the first half, conceptually how you're thinking about the operating environment in terms of trading down and promotional investment and so on. If you said – I think you mentioned earlier, Steve, October was not all that dissimilar to September. Are you assuming that current conditions persist in November, December? Or are they going to – or is that guidance embedding a further deterioration? And then from a sales perspective, do you – is it sort of similar to that negative 1.1% like-for-like that we saw in the first quarter there persisting? Just so we understand how conservative that guidance is.

Steve Donohue

Yes. Thanks, Bryan. Look. September is a more important month for the first quarter than October is for the second quarter, obviously, given how big November and December are [in terms of] the retail category. The truth is we don't know how it's going to trade, but every indication we've seen through September and October has led us to the position we're in today in terms of what we think is going to happen.

So we've said specifically that we think it will be hard to grow sales in the second quarter. And it will be hard to grow sales in the second quarter. The market will find it hard to grow sales in the second quarter, we predict, but these are predictions. And they're based on our tracking of the consumer behavior in the year-to-date, so it may well be the case that something else happens with cyber or Christmas, but we've put out there what we think is most likely to happen at this point in time.

Bryan Raymond

Great. And the customer trends you called out in September, October, they're just kind of the current run rate persists. Is that the way – like, putting aside the sales lens for the moment just thinking about gross margin, which I know is oversimplifying things, but some of the gross margin impacts you've seen, is that just largely consistent with what we've seen in recent months? Or are you building in further downside essentially for earnings from that deteriorating further? I just want to understand if that's getting worse or sort of about the same.

Steve Donohue

Yes. Look. It's probably one of the harder things to predict, I would say, Bryan. What we've done is prepare for a variety of scenarios, which is why we've provided the sort of range we have in the performance outlook. So hard to tell but certainly feeling very well prepared.

Operator

Your next question is a follow-up from Sam Teeger.

Sam Teeger

Just wanted to ask: Given the importance of Christmas to the business, what's the impact from the change of Christmas timing? Last year, Christmas Eve is on a weekend. This year, it's on a Tuesday.

Steve Donohue

Yes, there is definitely an impact from the change of Christmas timing, and it will probably result in people leaving it later. And for 30 years now, I have watched people leave it later and didn't think that it was possible to leave it later, but I suspect that is what will happen again this year, Sam, which will make us sweat harder than ever before. But it's not our preference to have Christmas falling this year. Put it that way. I'd rather have it over a weekend or something like that. So we'll have to wait and see, but we've seen Christmases fall these days many years in the past. It just comes down to how organized customers are.

I think the big thing, though, that's worth remembering is the quite material impact of Cyber Week these days. It really did jump up out of the ground last year. We're expecting to see that again this year, particularly in context of the challenges for the consumer and the trading of the category itself, so that may have an impact on trading performance at Christmas. We'll have to wait and see.

Operator

There are no further questions at this time. I'll now hand back to Steve for closing remarks.

Steve Donohue

Thanks for that. Thanks, everybody, for joining the call today. Thanks for recognizing Remembrance Day at 11:00. We appreciate it, appreciate the interest in the business. And definitely more than ever before, we look forward to seeing you in a pub or store over Christmas. And we want to speak to you again.

So we wish you all a very, very merry Christmas and a happy new year. Thanks, everyone.

Operator

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

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