

Endeavour Drinks

Endeavour Drinks continued to evolve in F19 with early progress on Dan Murphy's repositioning.



Sales (\$M)

\$8,657

▲ 3.2%¹ from F18

EBIT (\$M)

\$474

▼ (9.7)%¹ from F18

New stores medium term annual target

DAN MURPHY'S **6-10**

BWS **6-10²**

TRADING PERFORMANCE

In Endeavour Drinks, BWS and Dan Murphy's key VOC metrics ended F19 at record highs, with improvements both in-store and Online. Sales increased by 5.0% (3.2% normalised) to \$8.7 billion with comparable sales increasing 2.3%. The market remained subdued throughout the year with declining volumes offset by price and mix improvements. Sales growth in H2 improved on H1 in both Dan Murphy's and BWS, with Endeavour Drinks' sales increasing by 4.8% (normalised) with comparable sales increasing 4.0%, compared to 0.7% growth in H1. The timing of New Year's Day boosted sales in H2 by 84 bps and Q3, in particular, also benefitted from more stable weather compared to Q2. Dan Murphy's focus on 'discovery' driven range, service and convenience is also beginning to resonate with customers.

BWS maintained its strong trading momentum, with enhancements to localised ranging and tailored Woolworths Rewards offerings. The BWS store network grew to 1,346 stores with 30 net new stores and the new BWS Renewal format successfully extended to key urban standalone stores. BWS' convenience offering continued to expand, with On Demand delivery now available in 605 stores, supporting double-digit online sales growth. Jimmy Brings expanded its geographical reach to Brisbane, Gold Coast, Canberra and new suburbs in Sydney and Melbourne.

Dan Murphy's delivered double-digit Online sales growth with new customer offerings, including the roll out of On Demand delivery to 91 stores and 30-minute

Pick up from all stores. In-store customer experience was enhanced with the introduction of wine merchants in key stores, to improve team product knowledge and customer discovery, while memberships in My Dan's loyalty program increased 15% on the prior year. Dan Murphy's store network grew to 230 with three new store openings in Q4 including the first store to be powered by solar energy.

Endeavour Drinks sales per square metre increased by 3.2% (1.4% normalised) with sales growth above net average space growth of 1.7%.

Gross margin was 22.9%, 14 bps down on a normalised basis, with trading margin improvements offset by higher freight costs attributable to petrol prices, growth in online delivery and category mix.

Normalised CODB as a percentage of sales grew 64 bps, driven by a \$21 million impairment charge related to goodwill and other intangible assets associated with the Summergate business in China. Summergate has now transitioned to ExportCo. Excluding Summergate, normalised CODB as a percentage of sales increased by 40 bps due to above-inflationary cost pressures, as well as targeted investment in key focus areas including customer experience, ranging, data and analytics.

Endeavour Drinks EBIT for F19 decreased 8.2% to \$474 million. EBIT normalised for the 53rd week and Summergate impairment of \$21 million decreased 5.6%. Normalised ROFE (excluding the Summergate impairment) declined 148 bps driven by the decline in EBIT.

	F19 53 WEEKS	F18 ³ 52 WEEKS	CHANGE	CHANGE NORMALISED
\$ MILLION				
Sales	8,657	8,244	5.0%	3.2%
EBITDA	579	603	(4.1)%	(5.4)%
Depreciation and amortisation	(105)	(87)	20.1%	20.1%
EBIT	474	516	(8.2)%	(9.7)%
Gross margin (%)	22.9	23.1	(16) bps	(14) bps
Cost of doing business (%)	17.4	16.8	63 bps	64 bps
EBIT to sales (%)	5.5	6.3	(78) bps	(78) bps
Sales per square metre (\$)	18,675	18,094	3.2%	1.4%
Funds employed	3,185	3,214	(0.9)%	
ROFE (%)	15.2	17.1	(190) bps	(215) bps

1 Normalised for the 53rd week.
2 Standalone.

3 During the period, the management of the New Zealand Wine Cellars business transferred from Endeavour Drinks to New Zealand Food. The prior period has been re-presented to conform with the current period presentation.