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Demerger of Endeavour Group

Attached for release to the market is an update on the proposed demerger of Endeavour Group.

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Demerger of Endeavour Group

As first announced in July 2019, Woolworths Group has been pursuing a separation of Endeavour Group from Woolworths Group. The Woolworths Group Board has determined that a demerger is likely to enhance shareholder value over time and is preferable to other available options.

The proposed demerger is the final step in a process that involved the combination of Woolworths Group's drinks and hospitality businesses to form Endeavour Group through a restructure of Endeavour Drinks and subsequent merger with ALH Group.

If approved and implemented, the demerger will create two independent and leading ASX-listed companies. Woolworths Group shareholders will retain all their existing Woolworths Group shares. Eligible shareholders will receive one new Endeavour Group share for every Woolworths Group share held at the demerger record date.

Woolworths Group and its long-term joint venture partner, Bruce Mathieson Group, will each hold a 14.6% interest in Endeavour Group at the time of the demerger.

Woolworths Group's directors unanimously recommend that shareholders vote in favour of the proposed demerger resolutions and all directors intend to vote their own shares in favour of the demerger. An Independent Expert appointed by Woolworths Group, Grant Samuel, has also concluded that the demerger is in the best interests of shareholders.

Woolworths Group Chairman, Gordon Cairns, said: "The Woolworths Group Board believes that a demerger of Endeavour Group will enhance shareholder value and it will create two leading ASX-listed companies. We believe both businesses, post demerger, have strong future prospects and will benefit from greater simplicity, focus and ongoing partnership."

Australia and New Zealand's leading food and everyday needs business

Following the demerger, Woolworths Group will remain Australia and New Zealand's leading food and everyday needs business with an unrivalled store network; a leading loyalty program; strong eCommerce, digital and data capabilities; and complementary businesses and partnerships. It will continue to own some of the most recognised and trusted brands in Australia and New Zealand including Woolworths, Countdown and BIG W.

Woolworths Group will benefit from a simplified organisational structure, a greater focus on its food and everyday needs markets, and opportunities to continue to build the Woolworths Group retail ecosystem by pursuing adjacent growth opportunities.

Woolworths Group and Endeavour Group will retain the benefits of ongoing partnership between the two groups across five key areas being Supply Chain & Stores, Loyalty & Fintech, Digital & Media, Business Support and International.

Post demerger, Woolworths Group will retain its strong balance sheet with pro forma net cash (excluding lease liabilities) as at 3 January 2021 of \$75 million. Following completion of the demerger and the repayment of the Endeavour Group intercompany borrowings, the Board will consider Woolworths Group's capital management options. Subject to trading conditions and Board approval, \$1.6 billion to \$2.0 billion could be returned to shareholders. Further updates will be provided when a decision has been made.

Woolworths Group CEO, Brad Banducci, said: "We are excited to focus on our retail ecosystem with our customers and everyday needs at the core, while at the same time partnering with Endeavour Group. We are committed to creating *better experiences* together for a *better tomorrow* for all our stakeholders."

Australia's leading retail drinks and hospitality business

Endeavour Group is Australia's leading retail drinks and hospitality business with multi-format brand propositions and capabilities. In its Retail segment, it has the largest store network in Australia through the Dan Murphy's and BWS brands with 1,630¹ stores as well as leading digital assets, strong loyalty programs and complementary specialty businesses. In its Hotels segment, it operates 332¹ venues providing a range of hospitality experiences including food, drinks, gaming and accommodation.

The demerger is intended to enable Endeavour Group to realise its full potential with a clear purpose across Retail, Hotels and its broader business. Post demerger, Endeavour Group will have an independent business strategy and a broad mandate for growth with capacity and access to capital to pursue a range of investment and growth initiatives.

On a pro forma basis, Endeavour Group reported F20 sales of \$10.6 billion (F19: \$10.3 billion), EBIT of \$693² million (F19: \$861 million) and NPAT before significant items of \$328 million (F19: \$445 million). It has committed bank facilities of \$2.5 billion with net debt (before lease liabilities) of \$1.4 billion to \$1.5 billion expected at the time of demerger. The bank facilities will be used to repay intercompany borrowings with Woolworths Group, and provide sufficient liquidity to support Endeavour Group's funding requirements.

Endeavour Group intends to follow Woolworths Group's long established dividend policy which is initially expected to deliver a payout ratio of 70% to 75% of NPAT. Endeavour Group's dividend policy will be determined by the Endeavour Group Board at its discretion and may change over time. Endeavour Group intends for its dividends to be franked to the maximum extent possible and had franking credits available of approximately \$600 million as at 3 January 2021.

¹ As at 3 January 2021

² F20 EBIT impacted by COVID

Endeavour Group has confirmed to Woolworths Group that it expects to pay a dividend of 70% to 75% of NPAT for the second half of financial year 2021, subject to the Endeavour Group directors at that time being satisfied that the payment of the dividend is appropriate, having regard to their fiduciary and statutory duties. Total dividends received by shareholders of Woolworths Group and Endeavour Group in relation to second half earnings in financial year 2021 (having regard to Endeavour Group's approach) are expected to be broadly equivalent to the final dividend that would have been paid by Woolworths Group if the demerger had not gone ahead.

Endeavour Group CEO, Steve Donohue, said: "We believe that Endeavour Group's long-term prospects are strong. We have assembled an experienced and proven team, have a leading store network, digital presence, and market position. Through living our purpose of *creating a more sociable future together* we see many opportunities to grow the business and create value for our shareholders."

Endeavour Group's board and management team

Holly Kramer, Bruce Mathieson Sr, Duncan Makeig, Joe Pollard, Colin Storrie, and Catherine West have been appointed as non-executive directors-elect to the Endeavour Group Board. Further biographical details are included in a demerger booklet also released today and available on the ASX and Woolworths Group website.

Holly Kramer and Bruce Mathieson Sr have been nominated by Woolworths Group and Bruce Mathieson Group respectively, reflecting both groups' material shareholding post demerger.

The directors-elect will join fellow board members Peter Hearl, Chairman-elect, and Steve Donohue, Endeavour Group CEO, who were announced in December 2019. Shane Gannon has been appointed Chief Financial Officer and joined in April 2021.

All board appointments will be effective on demerger, subject to approval of the demerger by the Woolworths Group Board and shareholders.

Woolworths Group Chairman, Gordon Cairns, said: "I am delighted to be able to announce these appointments and am confident that their experience and skills will position Endeavour Group for success as a stand-alone company."

Endeavour Group Chairman-elect, Peter Hearl, added: "I look forward to working with the directors-elect at this exciting time for Endeavour Group. The Board includes a wealth of local and international experience, a diverse mix of backgrounds and complementary skills across fast moving consumer goods, hospitality, marketing, digital and technology, finance and strategy."



Other information

Further information in relation to the demerger is outlined in a demerger booklet and will be sent to shareholders via email later today or by post on 19 May 2021. Shareholders should read the demerger booklet carefully, and consult with their professional advisers, before making any voting or investment decisions in relation to the demerger.

A General Meeting for shareholders to consider the demerger will be held at 11.00 am (AEST) on Friday, 18 June 2021 at the International Convention Centre Sydney, NSW. Acknowledging the potential for restrictions on public gatherings imposed in response to COVID-19, shareholders are encouraged to attend the meeting virtually. Shareholders wishing to attend in person will need to register their attendance. Details on how to participate in the General Meeting will be sent to shareholders and can be found on the Woolworths Group website at www.woolworthsgroup.com.au/demerger.

Analyst and investor call/ webcast

An analyst and investor call is scheduled for 10.30 am (AEST) and will be webcast live at www.woolworthsgroup.com.au.

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