

WOOLWORTHS GROUP

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ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Intention to separate Endeavour Group following merger of Endeavour Drinks and ALH

Woolworths Group Limited ('Woolworths Group') is today announcing an agreement to combine its drinks and hospitality businesses, Endeavour Drinks and ALH Group ('ALH') into a single entity expected to be referred to as Endeavour Group Limited ('Endeavour Group'). Following the combination, Woolworths Group intends to pursue a separation of the business through a demerger or other value-accretive alternative. The separation is expected to take place in calendar year 2020.

Woolworths Group Chairman, Gordon Cairns, said: "The Board believes that a merger of Endeavour Drinks and ALH followed by a separation, is in shareholders' best interests and will benefit customers and team members of both groups. The decision has been taken after consideration of the future prospects of both businesses and how they can be best realised. It reflects the Board's focus on maximising long-term shareholder value."

Bruce Mathieson Senior of Bruce Mathieson Group ('BMG'), Woolworths Group's joint venture partner in ALH, said: "Woolworths Group and BMG have enjoyed a long and successful partnership in ALH since 2004 which has created significant value for both sets of shareholders. This transaction is the natural evolution of the partnership and will allow Endeavour Drinks and ALH to reach their full potential. We look forward to continuing the partnership for many years to come."

The separation will allow Woolworths Group to benefit from a simplified organisational structure, a greater focus on its core food and everyday needs markets and opportunities to continue to build out the Woolworths Group retail ecosystem. Separation will also allow Endeavour Group to realise its full potential through business simplification and efficiencies with greater access to capital to pursue investment and growth, while retaining the benefits from a strong partnership with Woolworths Group.

Woolworths Group CEO, Brad Banducci, said: "Over the past three years we have progressively moved from a period of fixing the basics as part of our turnaround to investing for the future as part of our transformation. As we look to build customer differentiation in all of our businesses, and prepare for an agile and digitally-enabled future, we have decided to simplify Woolworths Group through a combination and subsequent separation of Endeavour Group."

Endeavour Group

The merger of Endeavour Drinks and ALH will create Australia's largest integrated drinks and hospitality business with sales of approximately \$10 billion and EBITDA¹ of \$1 billion. Endeavour Group will have leading market positions, strong cash flow to fund investments in growth and an attractive and resilient revenue and earnings profile. It will comprise highly integrated store-based and online offerings, with over 1,500 BWS and Dan Murphy's retail drinks outlets and 327 ALH hotels. ALH retail drinks outlets currently comprise approximately 35% of Woolworths Group retail drinks sales with 86 Dan Murphy's and 512 BWS stores owned by ALH at the end of March 2019.

¹ Based on aggregation of F18 Endeavour Drinks and Hotels sales and EBITDA



Other businesses to be included in the merger include Endeavour Drinks' own and exclusive brands business, Pinnacle Drinks; Langton's, a fine wine auction and retail business; Cellarmasters, a wine subscription business; and an 8.7% stake in ALE Property Group.

Merger implementation

BMG has agreed to swap its interest in ALH (including all contractual entitlements²) for a 14.6% stake in the combined Endeavour Group and will maintain Board representation in the event that a demerger becomes effective. Woolworths Group expects to retain a minority holding in a demerged Endeavour Group reflecting the importance of the ongoing partnership.

The merger of Endeavour Drinks and ALH is expected to complete in the second half of calendar year 2019, subject to final Board approval, third party consents, regulatory approval and completion of the restructure. The process of restructure of Endeavour Group is expected to be subject to Woolworths Group shareholder approval. It is currently anticipated that shareholder approval will be sought at Woolworths Group's 2019 AGM. A subsequent demerger or alternative transaction is currently expected to complete in calendar year 2020.

Management changes

As part of the separation process, David Marr, Woolworths Group CFO will move to the new role of Chief Operating Officer, Woolworths Group, with primary responsibility for overseeing the merger and subsequent separation of Endeavour Group. Stephen Harrison, currently Finance Director, Australian Food, will take over from David as Woolworths Group CFO, effective 1 August. David will continue to support Steve during a transition period including the delivery of the full year results. Colin Storrie, Woolworths Group Portfolio Director, will continue to lead the shareholder aspects of the transaction.

On the management changes, Brad Banducci, Woolworths Group CEO, said: "David has been Woolworths Group CFO for five and half years and has made a significant contribution to the Group over this period. Given the commitment required to oversee the merger and separation process, we have asked David to make this his primary focus. We are delighted that we have someone of Stephen Harrison's calibre to take over as CFO, which is testament to the Group's strong talent pool and succession planning process. Stephen's experience as finance director for Endeavour Drinks and subsequently Woolworths Supermarkets and Australian Food (including WooliesX) will be invaluable in his new role. Finally, I would also like to recognise the efforts of Colin Storrie and the Portfolio team over the last 12 months, who in addition to managing the sale of our Petrol business, have overseen the extensive preparation work relating to this transaction."

Analyst and investor call/ webcast:

An analyst and investor call is scheduled for 10.30 am Australian Eastern Standard Time and will be webcast live at www.woolworthsgroup.com.au

For further information contact:

Investors and Analysts: Paul van Meurs, Head of Investor Relations: +61 407 521 651

Media: Woolworths Group Press Office: +61 2 8885 1033 media@woolworths.com.au

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² BMG also holds contractual entitlements in addition to its 25% shareholding. In F18, BMG's economic entitlements resulted in distributions equivalent to 29% of total distributions



Appendix

About Stephen Harrison

Stephen has been Finance Director for Australian Food for the last four years and prior to that, held the equivalent role in Endeavour Drinks for two years.

Before joining Woolworths Group in 2013, Stephen worked for a number of leading FMCG businesses in Australia and New Zealand, including as Finance Director for Valspar ANZ (formerly Wattyl Paints) and Finance Director for Bluebird Foods in New Zealand, a subsidiary of PepsiCo. Stephen also spent time working for PepsiCo in Australia and prior to that worked for Foster's for four years.

Stephen is a Chartered Accountant, spending over a decade with KPMG, following his graduation from Macquarie University.

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