



Woolworths to spin off Endeavour Group at last

Company/ASX Code	Woolworths Group Limited/WOW
GM date	Friday 18 June 2021
Time and location	11:00 am, ICC Sydney, Level 4, 14 Darling Drive, Sydney and online.
Registry	Link Market Services Limited
Webcast	Online participation at www.woolworthsgroup.com.au/demerger or at https://web.lumiagm.com/309403870
Poll or show of hands	Poll on all items
Monitor	Donald Adams assisted by Julieanne Mills
Pre AGM Meeting?	No

The individuals involved in the preparation of this voting intention have a shareholding in this company.

While the meeting is presently structured as a hybrid with both in-person and online participation it is possible that the COVID situation may change this. More details are available at www.woolworthsgroup.com.au/demerger.

This is a General Meeting to approve the demerger of Endeavour Group Limited

After the Woolworths 2019 AGM on 16 December 2019 and Extraordinary General Meeting was held to approve the creation of a subsidiary called the Endeavour Group which would hold all the alcohol and hotel businesses of Woolworths (Dan Murphy's, BWS, ALH, et al). The intention was to spin off Endeavour at a future date. This did not happen in 2020 as planned, but now the company judges that the time is right. It has taken time to disentangle the intertwined operations of the two companies. The present meeting is to approve a demerger whereby one share in Endeavour will be issued to each Woolworths' shareholder for each Woolworths share they own.

Other means of disposal were considered, such as a trade sale or an IPO, but the company has opted for a demerger. Full details are in the Demerger Booklet which is available at the website mentioned above or from the ASX Announcements of 10 May 2021. This booklet includes the Notice of Meeting for this GM.

We urge shareholders to read the booklet but since it has 228 pages, they should, at an absolute minimum, read pages 10 to 13 which describe the nature of the demerger transaction and the timetable for distribution of Endeavour shares and their listing on the ASX. There is a sale facility for the Endeavour shares received under the demerger by small shareholders – see pp 15 and 105 for details how to opt in if you decide that is what suits your circumstances and remember to check the pages on tax implications.

Item 1(a)	Demerger Approval Resolution
ASA Vote	For

At present BMG own 14.6% of Endeavour. BMG had owned 25% of ALH, the hotels business, and at the EGM held in December 2019 it was agreed to convert this to a 14.6% holding in the new company Endeavour. Woolworths intend to retain the same 14.6% ownership and the remaining 70.8% of Endeavour will be distributed to Woolworths shareholders by issuing one Endeavour share for each share held in Woolworths. There is a nice diagram on page 10 of the Demerger Booklet.

Woolworths' shareholders effectively endorsed the spin-off when they voted to create Endeavour at the 2019 EGM. While we encourage shareholders to direct their vote, we will be voting any open proxies in favour of the motion for that reason.

We also support the motion for the social and governance benefits it brings. It will separate Woolworths from the highly visible social issues that have plagued the company. These range from the Darwin Dan Murphy's to the issue of poker machines. Woolworths, through the hotel business, is the largest holder of poker machines in Australia. Woolworths has come under intense pressure to reveal how much revenue they derive from poker machines. We do not know how much it is, but total revenue for hotels is less than 3% of Woolworths total revenue, so it is a much smaller fraction than that.

The main economic benefit of the demerger should be the increased focus that each company can bring to their respective markets. There is a service contract between them where Woolworths provides Endeavour with services such as IT and logistics support, as well as real estate. There will be a substantial number of sub-leases to liquor stores located on Woolworths premises, for example. This continued close operating cooperation is why Woolworths will retain 14.6% of Endeavour.

At present Woolworths' shareholders have an indirect economic interest in 85.4% of Endeavour. After the transaction they will have the same economic interest, 70.8% directly and 14.6% indirectly through the 14.6% portion held by Woolworths.

We do not predict share markets, but it is almost certain that Woolworths shares will lose market value after the transaction, and this will be more or less offset by the market value of the Endeavour shares.

There are a small proportion of ineligible shareholders in countries where the Endeavour shares cannot be offered. The Endeavour shares that they would have received will be sold and the cash value sent to them free of brokerage. Small shareholders with (less than 800 shares) may also sell their Endeavour shares in the same manner. See page 105 of the Demerger Booklet for more information on how to use this facility.

This demerger transaction itself is not expected to create a taxable event for Australian resident taxpayers where the Commissioner determines demerger tax relief is available and shareholders elects to use it. A detailed statement of the Australian and New Zealand tax treatment is on pages 107 to 113 of the Demerger Booklet. Shareholders should be aware of their own individual circumstances when reading this section. Note that shareholders will be advised (after the shares

have traded and their market values established) how to determine the revised Cost Base of their Woolworths and Endeavour shares for future capital gains tax purposes when the shares are sold (such as the Endeavour shares sold using small shareholder sale facility) .

Item 1(b)	Capital Reduction Resolution
ASA Vote	For

This resolution to reduce Woolworths Share Capital Amount is required for accounting and taxation purposes. It enables the Endeavour shares distributed to Woolworths' shareholders to be regarded, to some extent, as a return of capital. The fraction by which capital will be reduced is calculated by taking the market value of the newly issued Endeavour shares to the total market value of Woolworths plus Endeavour shares after listing.

This resolution and the Demerger Approval are interconditional in that they must both be approved to be effective.

Item 2	Employee Incentive Resolution
ASA Vote	For

There are two parts to this resolution.

The first is to approve termination benefits for Endeavour team members that are in line with similar approvals given to Woolworths at the 2017 and 2020 AGMs.

The second is to pass on to team members moving from Woolworths to Endeavour the benefit of any STI or LTI equity performance rights that they have been awarded. There is no change to the value of these rights, but they will be converted in rights over Endeavour shares as described in detail in Annexure C.3 on page 202 of the Demerger Booklet. This approval is necessary since it can be considered that these team members are terminating their Woolworths employment.

Since there is no change in the value of these performance rights, we support this resolution.

The Demerger Booklet (Annexure C.4, page 212) includes interesting information on adjustments to the Woolworths equity plans to account for the fall in the Woolworths share price when separation takes place. First, the number of performance rights will be increased so that the face value immediately after separation is equal to the face value immediately before separation. Second the calculation of TSR for the LTI plans will be adjusted to exclude the effect of the share price fall at separation. There will also be adjustments to the ROFE and Sales/m² measures.

The Endeavour STI and LTI plans appear to be modelled on the Woolworths plans with one interesting twist. The Sales/m² measure for LTI has been dropped and replaced with a *Leading in Responsibility* measure which is based on the management of the sale and consumption of alcohol and the conduct of gaming. This is directed at "running a sustainable business for the long term."

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