Consumers starting to head back to the pub

Hospitality Real Estate Summit

September 2025

Craig Woolford
(02) 8999 9971
0404 880 155
craig.woolford@mstmarquee.com.au

Garth Francis
(02) 8999 9988
0402 253 242
garth.francis@mstmarquee.com.au

Noah Hunt
(02) 8999 9988
0420 644 119
noah.hunt@mstmarquee.com.au

Discussion topics

1. Consumers have more money to spend, businesses have to win a share of their wallet

- Australian household income growth trending at 6%+. Cost of living pressures are easing and interest rates are falling.
- Consumers spending likely to hover between 4% and 5% growth. Not spectacular but good enough for the right pub or retail store to grow sales.

2. Pub and liquor markets have lagged behind in spending recovery

- Pub market has seen better trends since mid 2024. Retail liquor volumes are still in decline.
- Gaming revenue improving. Debates about structural issues in liquor may be over-played.

3. Outlook for pub profitability

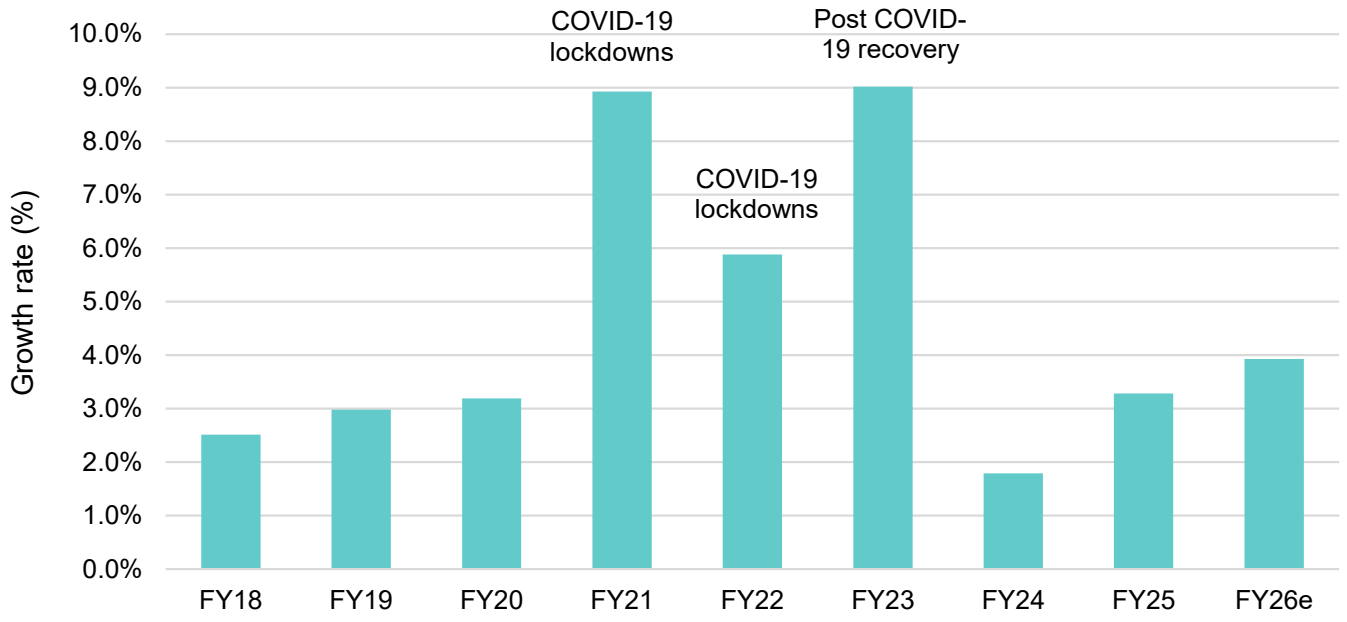
- New store and floor space growth will be limited across the industry over the next few years. Coles consolidating banners under Liquorland. Endeavour focused on Dan's openings.
- While sales trends are good, most businesses are still managing a delicate balancing act on wage costs that should ease in FY27e.

The economic backdrop is conducive for consumers

Retail spending is improving – consumers reopening their wallets

- After a wild ride through COVID-19 and a post COVID-19 dip, retail spending is improving.
- There has been a more noticeable recovery in non-food spending and recreational activities.
- We should see a further improvement in FY26e as well given reduced pressure from cost of living.

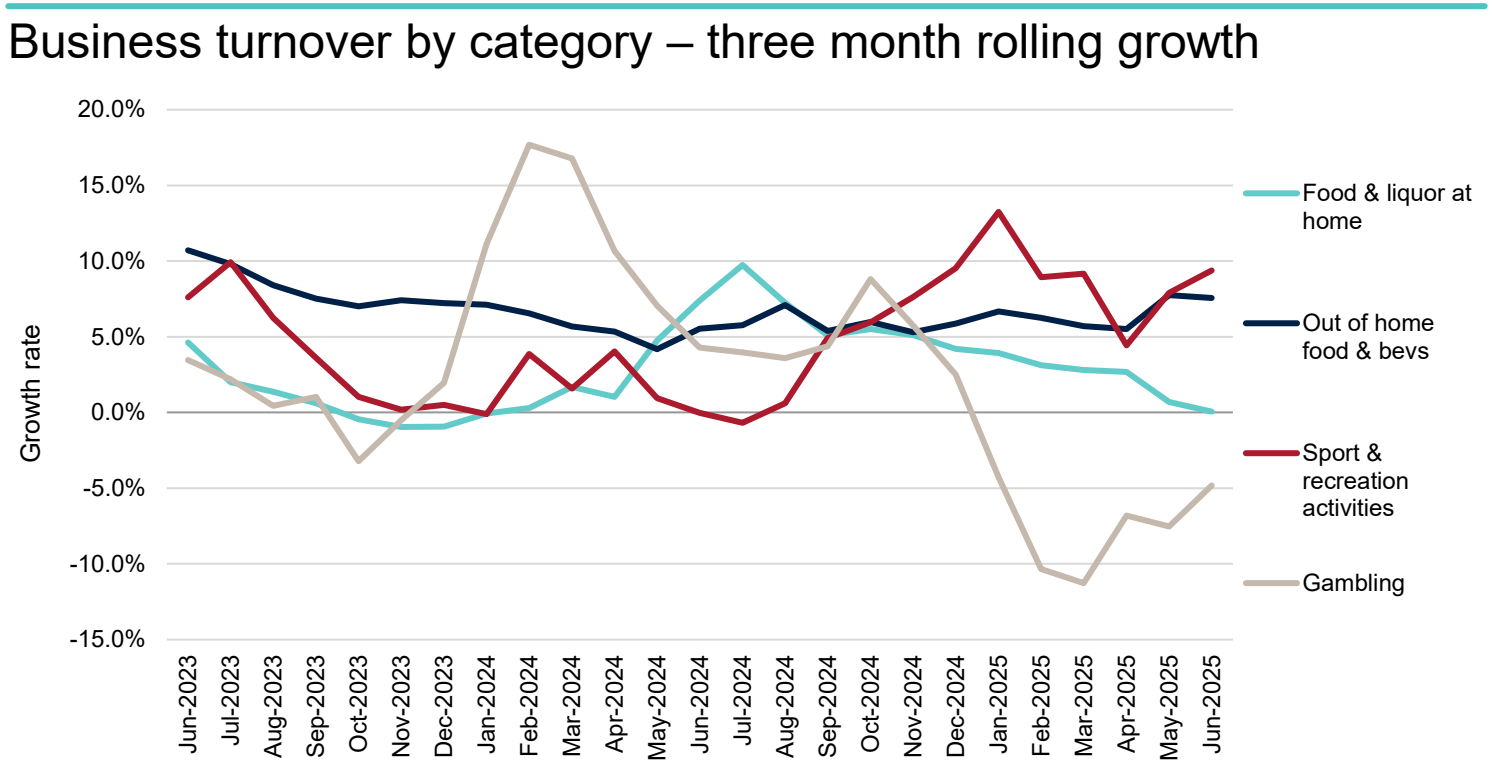
Australian retail sales growth trends



Source: ABS, MST Marquee estimates

We are spending more out of the home “responsibly”

- Spending trends have improved in dining out and pubs, with a notable improvement in mid-market offerings.
- Consumers are also spending more on sport and recreational activities too.
- Gambling spend is down overall, but less so for poker machines.

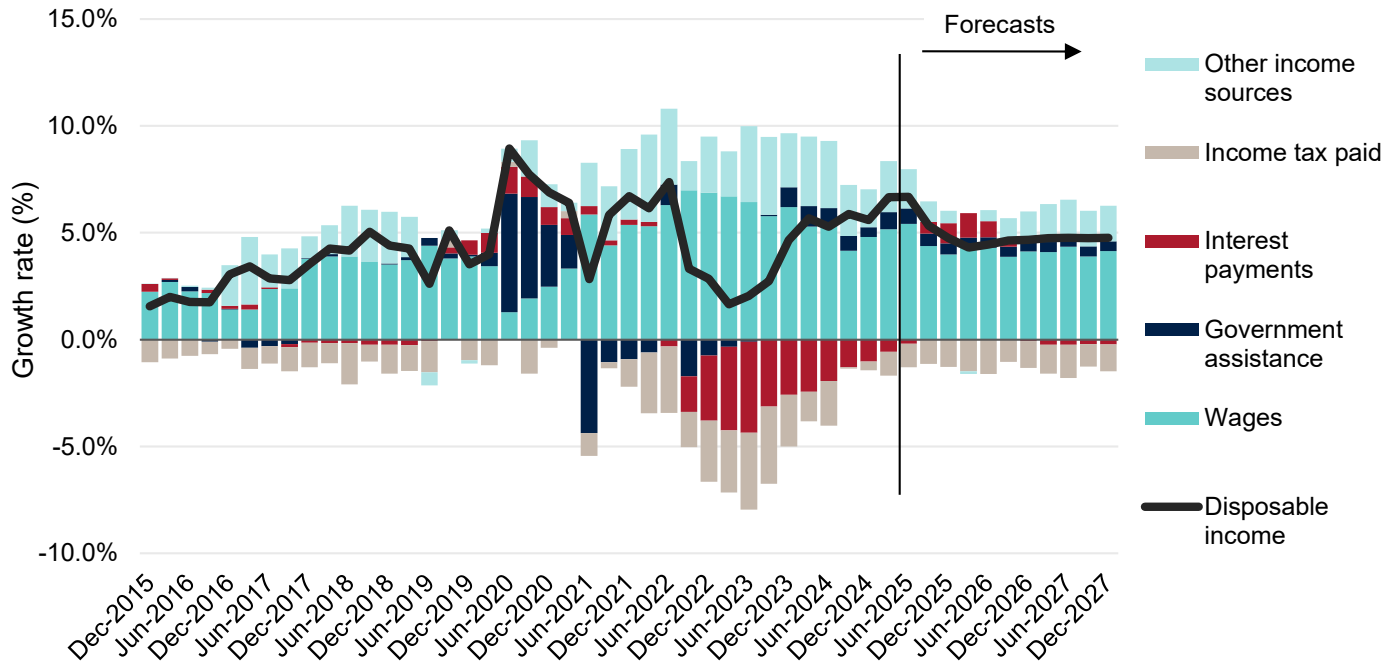


Source: ABS, MST Marquee estimates

Household income growth is peaking

- Household income growth is close to 7% for the March and June quarters of 2025. Typically household income growth is 5% or less.
- As we move into FY26e, household income growth will taper off to 4.7% and settle between 4.5%-5.0% depending on the economic cycle.

Drivers of Australian household income growth

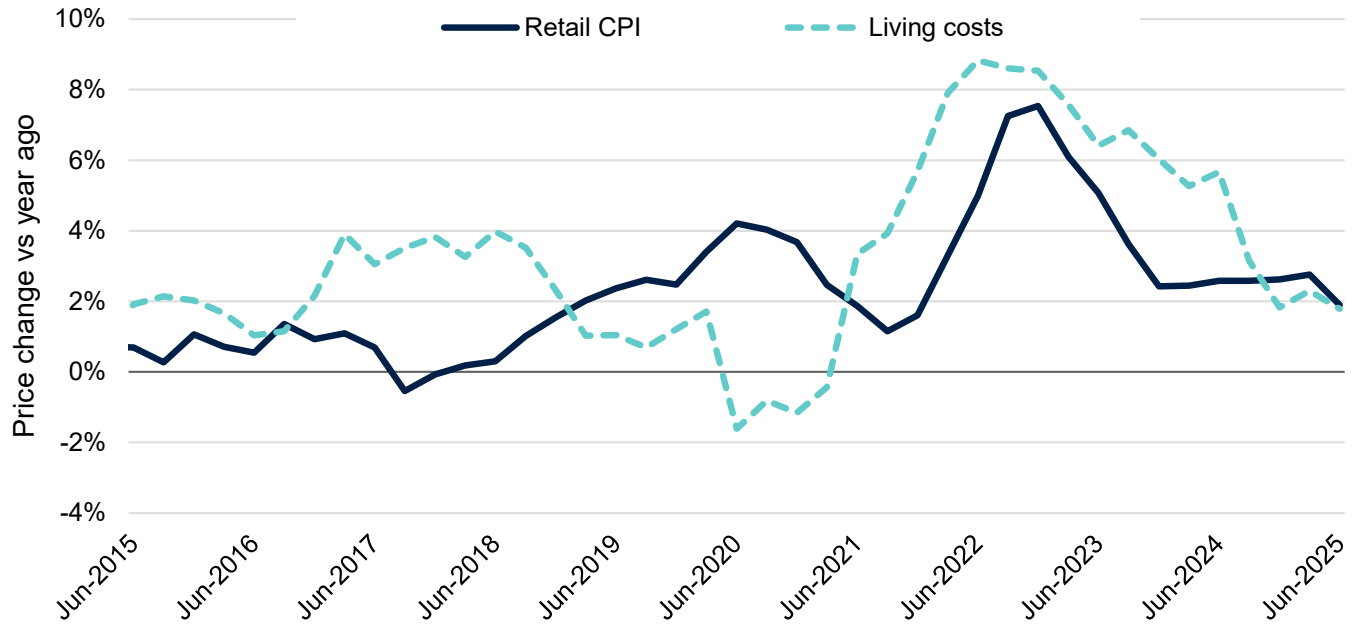


Source: ABS, MST Marquee

Cost of living no longer the excuse

- Cost of living has been a significant drag on the capacity of households to spend. At its peak, CPI was 7.8% (Dec 2022) and has now dropped to 2.1%.
- Underlying cost of living likely to range between 2.5% and 3.2%, which is manageable with wage rate growth likely to be close to 3%.

Cost of living vs retail inflation



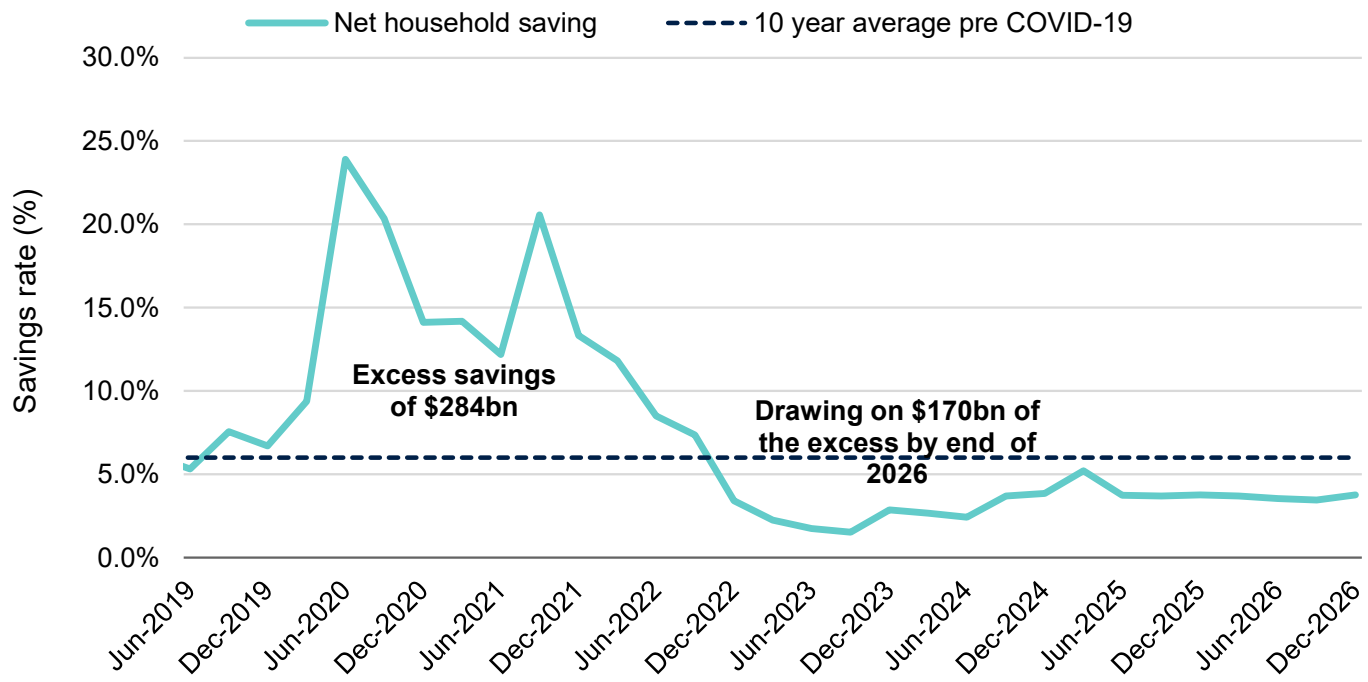
Living costs reflects housing, utilities, education, health, insurance, financial services and petrol costs.

Source: ABS, MST Marquee

Budget conscious consumer will remain pervasive

- Retailers are still seeing a greater proportion of sales made on discount. Promotional events are seeing large volume spikes.
- Households have a saving rate of 3.8% of their income, which is lower than the 6% historical average.
- As a result, consumers are still cash-flow budgeting and will continue to do so for at least two more years.

Household savings rate outlook

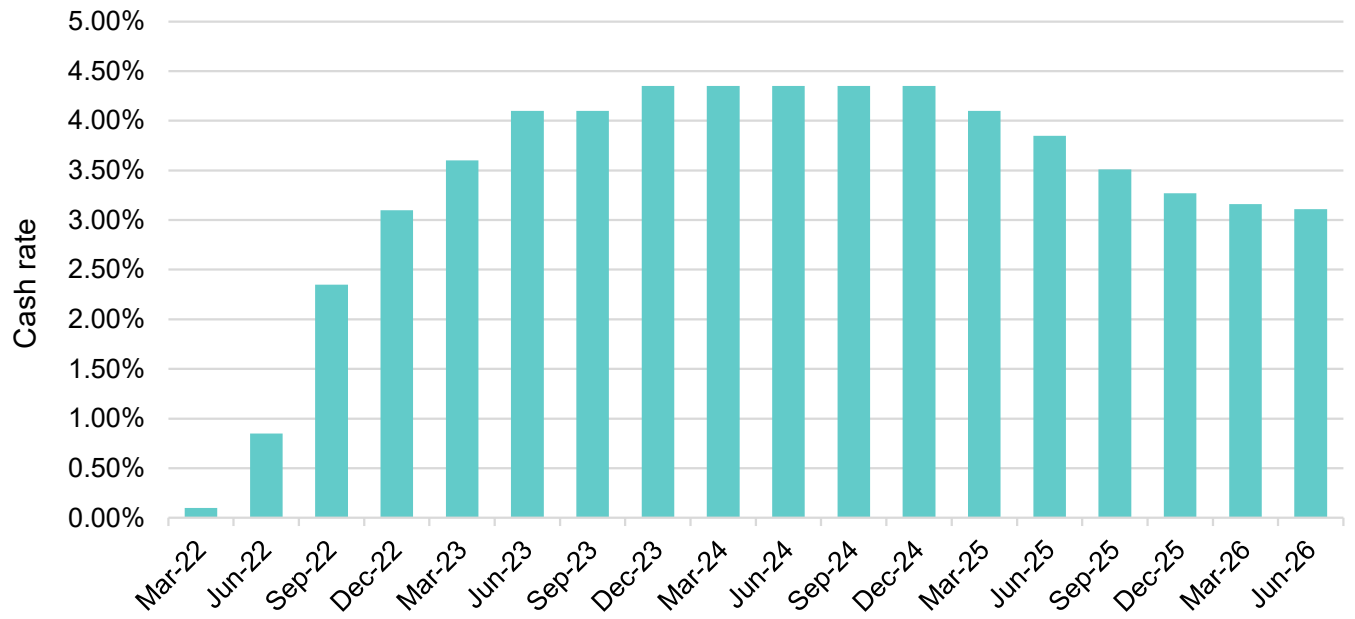


Source: ABS, MST Marquee

Interest rates are falling

- We forecast a 100bp drop in interest rates by the end of 2025 leading to a cash rate of 3.35%.
- Expecting another cut by end of November 2025.
- Inflation data for June 2025 of 2.1% is supportive of further rate cuts.

Outlook for the RBA cash rate to June 2026



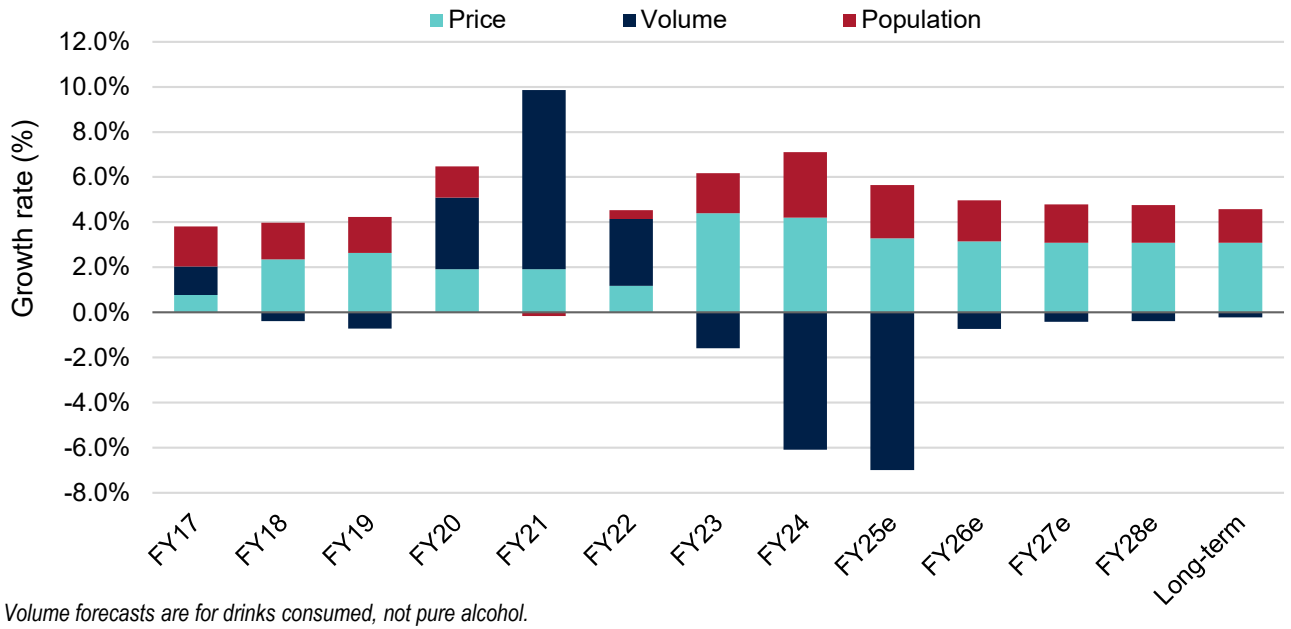
Source: IRESS, MST Marquee

The pub and liquor markets

Outlook for liquor industry growth

- Liquor industry revenue up 1% in FY24 but could decline closer to 1.4 in FY25e. We expect a return to growth in FY26e.
- The strength of population growth and price inflation has masked a substantial drop in liquor volumes per capita.
- There is a long-term trend decline in liquor consumption but still opportunity to grow revenue and mix.

Outlook for Australian liquor industry growth

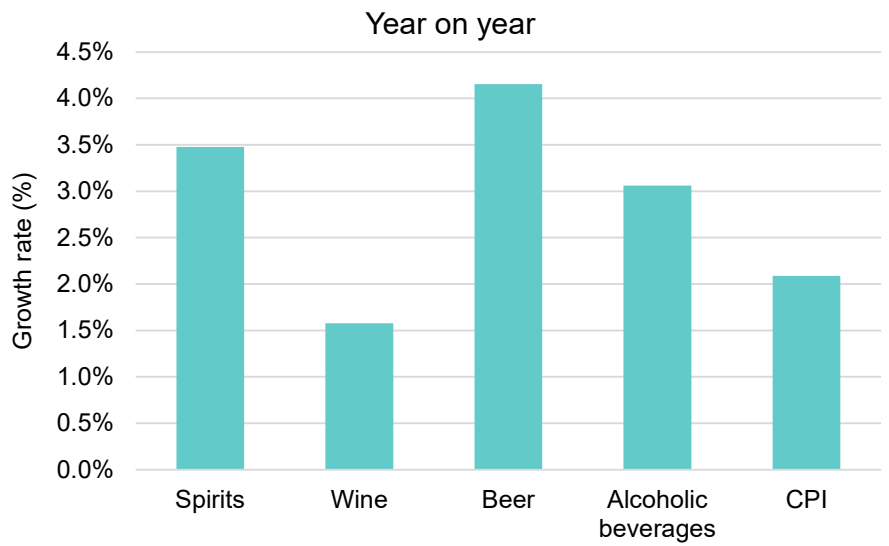


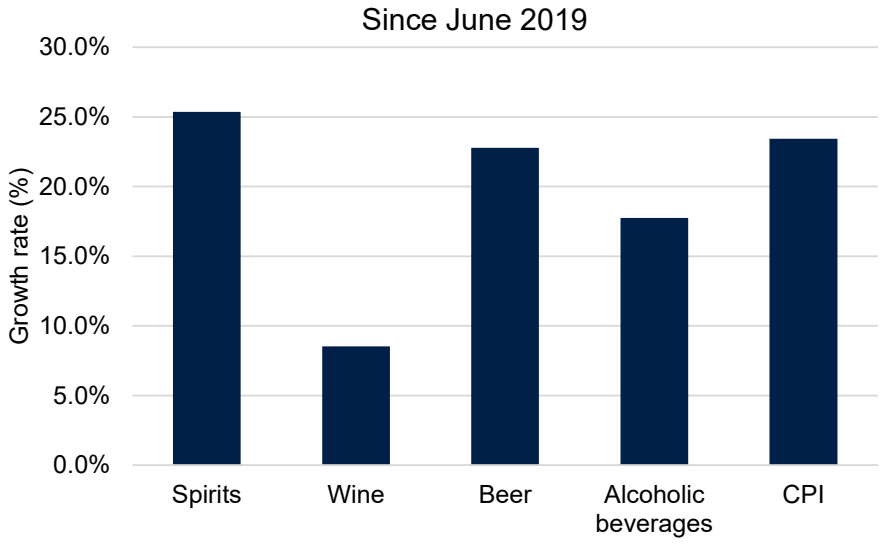
Volume forecasts are for drinks consumed, not pure alcohol.
Source: ABS, ATO, MST Marquee

Price inflation in liquor

- Price rises for beer has matched overall CPI since December 2019, while spirits is ahead and wine behind.
- Longer-term price rises in liquor have outstripped broader measures of inflation. Beer up 2.9% over 25 years vs CPI of 2.8%. Spirits up 3.5% and wine up 1.1%.
- While relative affordability is a key debate, the recent weakness in volumes seems less related to affordability than other issues.

Price inflation across liquor categories

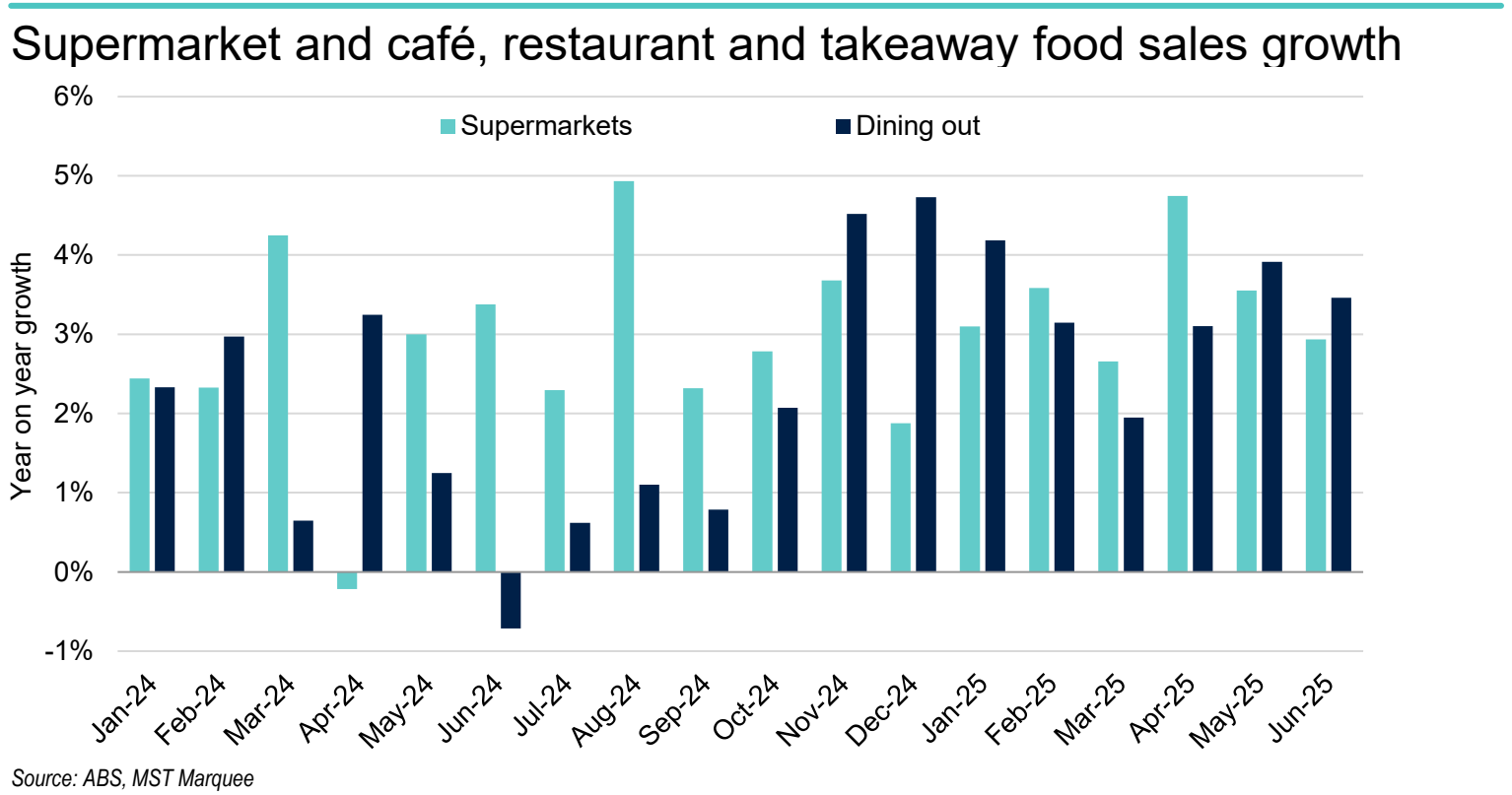




Source: ABS, MST Marquee

Dining out is starting to win share of wallet

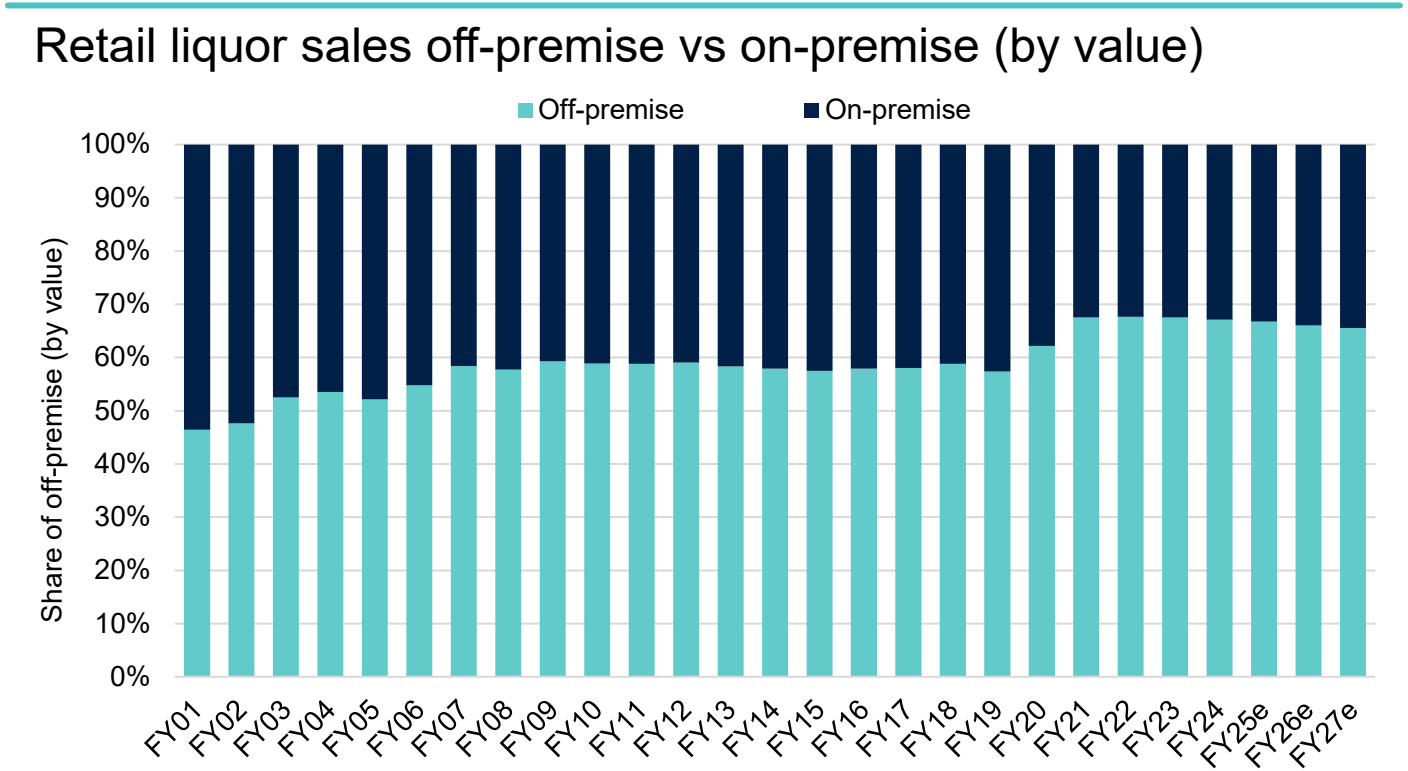
- Restaurant, cafe and takeaway food growth of 3.3% for past six months vs supermarkets of 3.4% (supermarkets likely closer to 4% ex-tobacco).
- Supermarkets remain near record low as a share of total food spending. The strength in dining out has been correlated to better income growth.



Source: ABS, MST Marquee

Retail liquor shifting channels

- Off premise liquor was averaging 58% of spend in FY10-FY19. This stepped up to 68% through COVID-19 and has since faded to 66% at the end of FY24.
- The proportion is likely to normalise at a new equilibrium and therefore pubs and clubs likely to do better than retail liquor over the next 12 months.

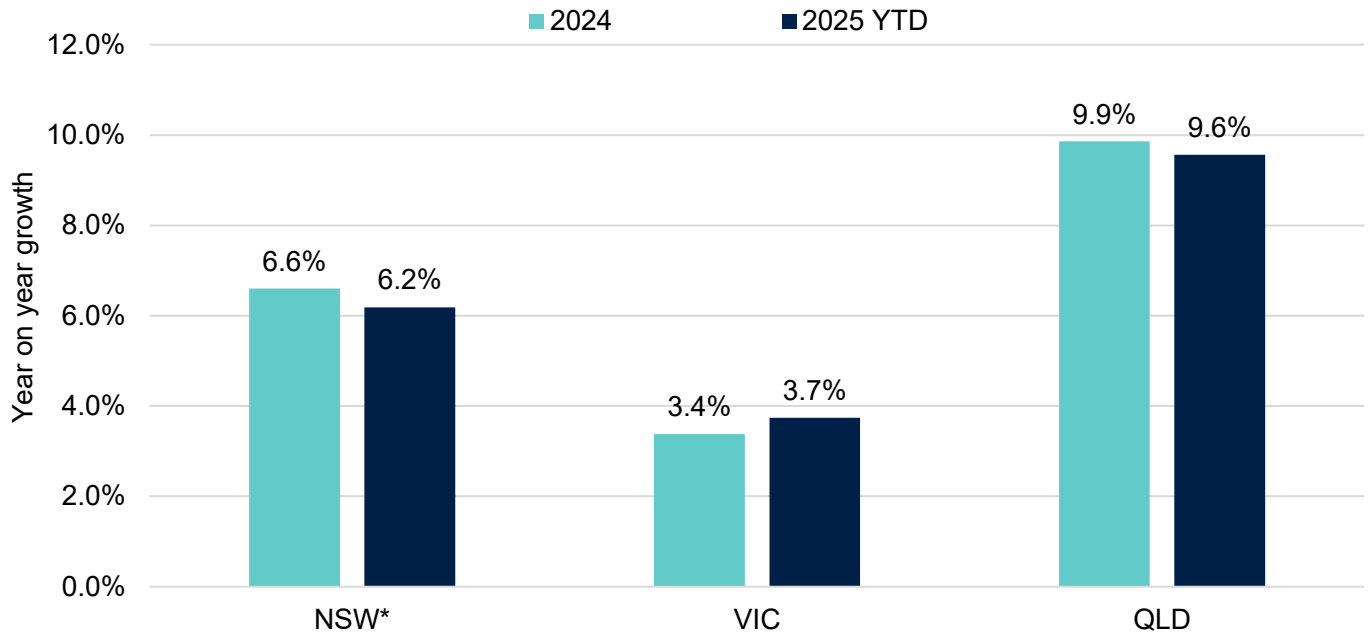


Source: ABS, MST Marquee

Club and hotel gaming machine revenue varies by state

- Gaming strength has continued in 2025 across key states, and this is mirrored in consumer outflows.
- QLD state-wide gaming machine gross revenues (clubs and hotels ex casinos) are strongest and were up 10% YoY in the month of June. This is up more than 65% on June 2019 levels.

Club and hotel (ex. Casino) gaming machine revenue growth by state



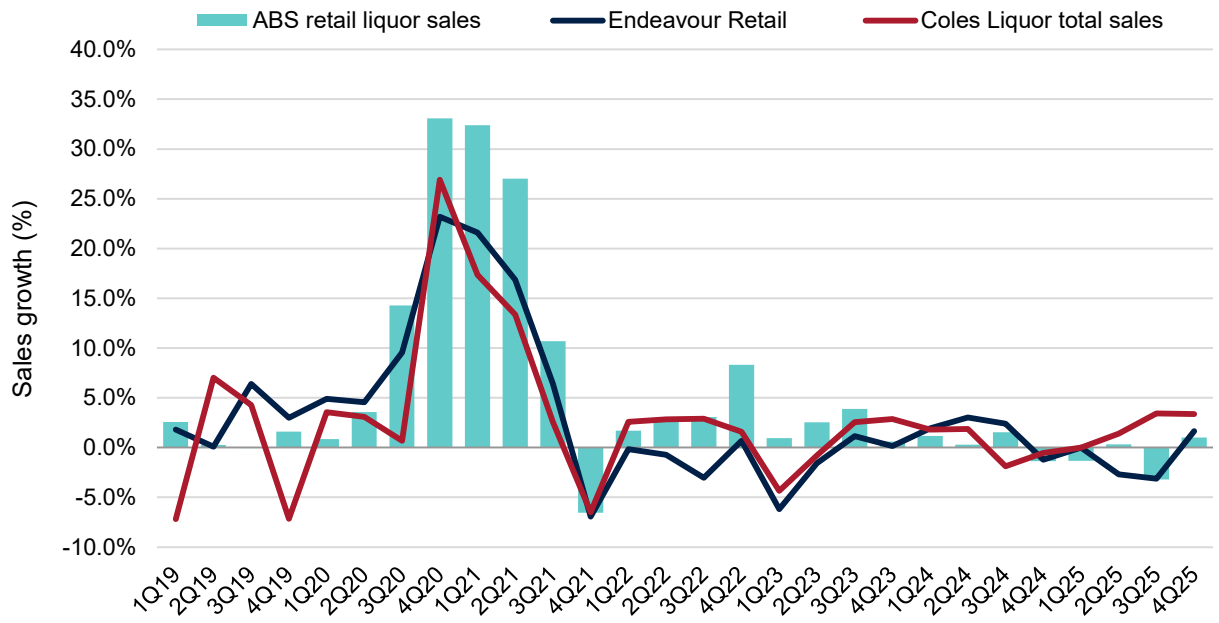
NSW gaming revenue is across pubs and clubs.
Source: Liquor & Gaming NSW, Victorian gambling and casino commission, QLD government, MST Marquee

Profitability considerations

Independents have won share in retail liquor

- Coles and Endeavour have reported better growth in the most recent quarter, but the five-year story is that independent liquor retailers have won market share.
- In retail liquor, the weak industry volumes combined with market share pressure have resulted in lower profitability for the retailers.

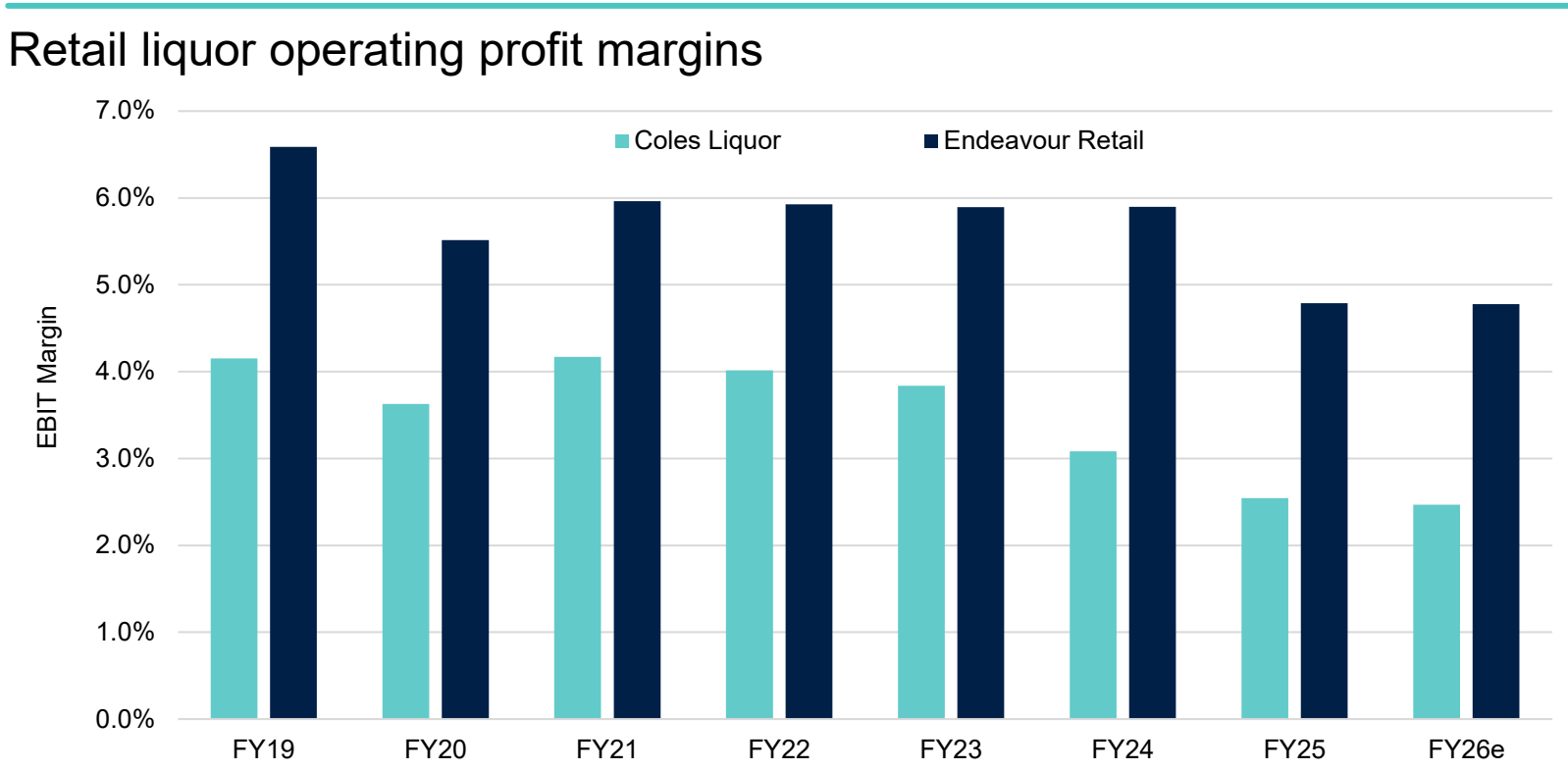
Major retailer performance and retail liquor industry spend



Source: ABS, Company reports, MST Marquee

Retail liquor margins have dropped for the major chains

- Endeavour's Retail business includes Dan Murphy's, BWS and its Pinnacle Drinks own sourcing. Margins have slipped largely due to weak sales and rising operating costs.
- Coles is embarking on a banner consolidation that may eventually lift margins, but there will be some downward pressure in FY26e.

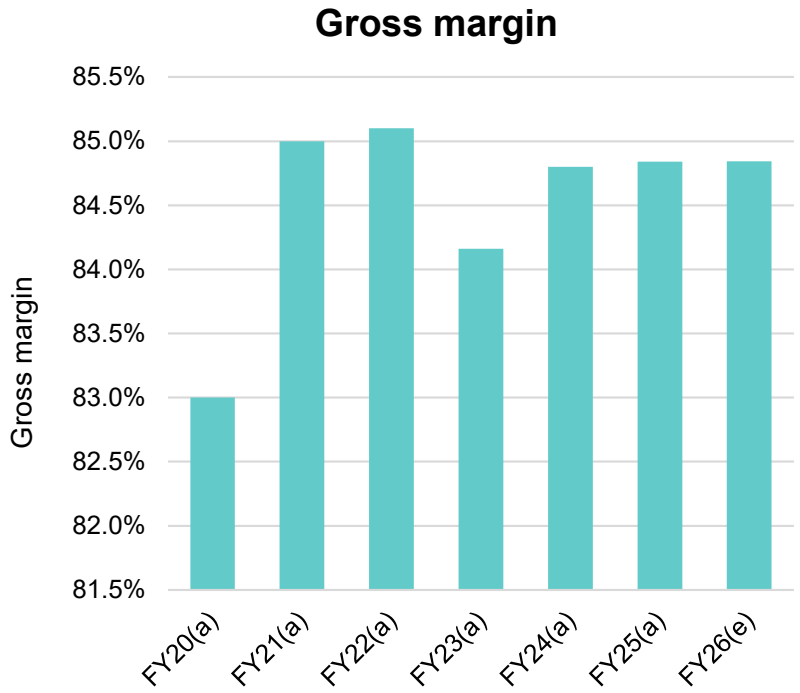


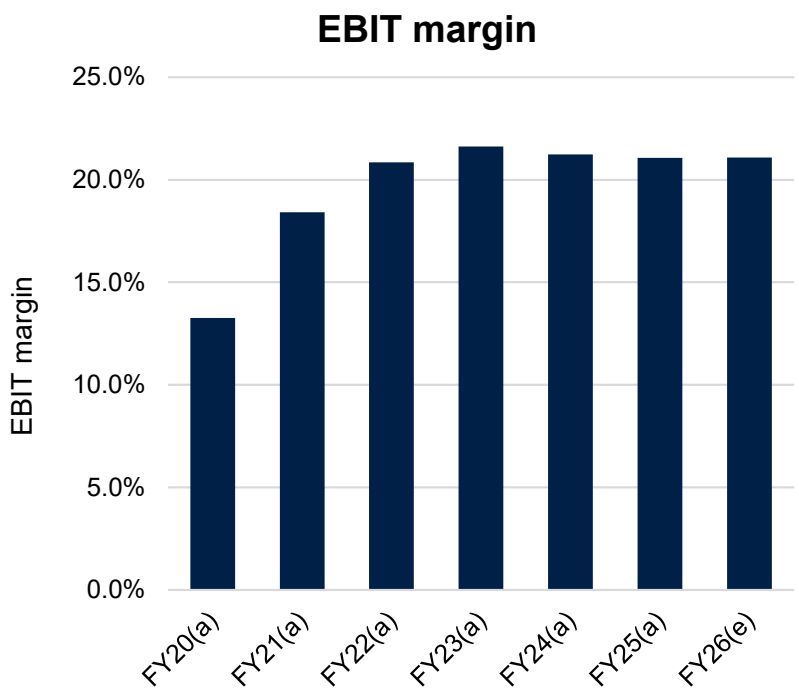
Presented on pre AASB-16 basis.
Source: Company reports, MST Marquee estimates

Pub profit margins have held up better

- Endeavour's pub (Hotel) segment has kept gross margins very steady despite some pressure on gaming regulations in VIC. The strength of gaming in QLD has helped. Focused now on pub refurbishments.
- Operating profit margins are largely steady, which is a decent result given the higher wage cost environment for all businesses.

Endeavour Hotel segment metrics



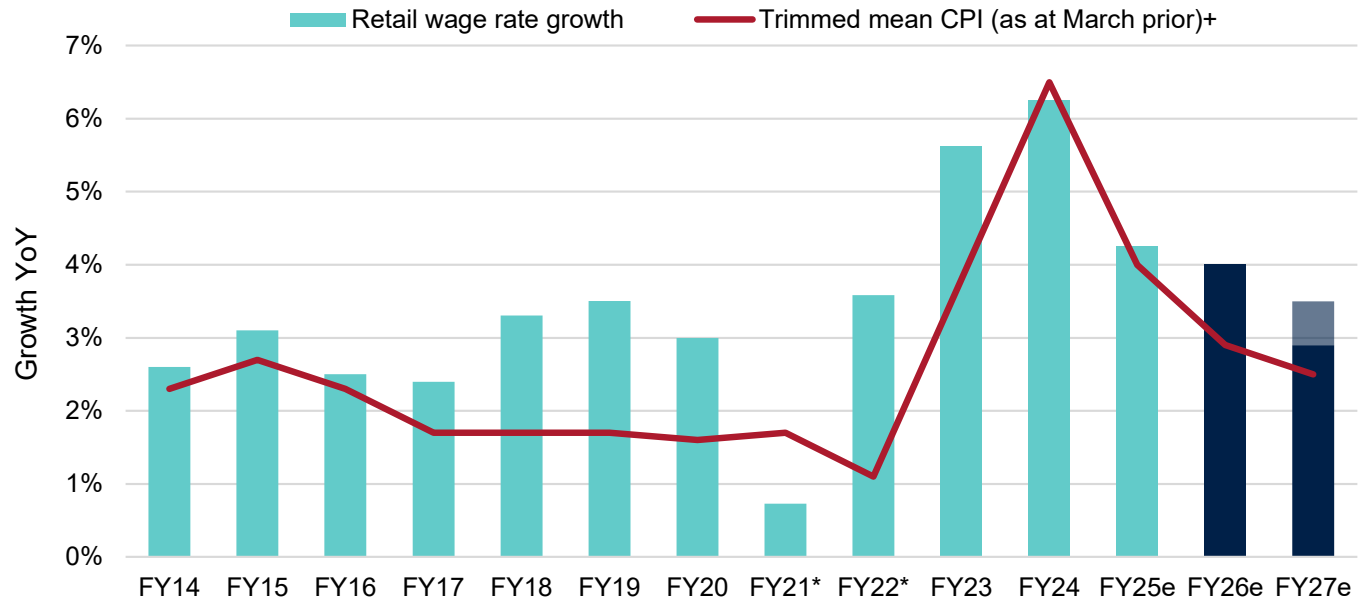


Source: Company reports, MST Marquee estimates

Retail wage costs still a challenge for another 12 months

- The Fair Work Commission has announced a minimum wage increase of 3.5% for FY26e. With a further 0.5% increase in superannuation payments, retail wage rate growth will be 4.0% in FY26e.
- This will be challenging for most business to offset given sales growth is likely to be 3%-4%.

Retail wages growth



+ Yardstick for CPI near time when FWC makes its decision.
* pay rises in retail were deferred from start of period to later date. Wage growth includes superannuation

Source: Fair Work Commission, ABS, MST Marquee

Conclusions

- **The consumer has more cash to spend**
  - The household income growth backdrop began improving mid-2024 and remains constructive for broader spending trends.
  - Don’t expect interest rates alone to change the course of sales growth trends. Consumer likely to display some value-seeking behaviours.
- **The pub and liquor demand backdrop to improve**
  - Pub patronage is starting to rise and gaming revenue is growing. Demand backdrop supports circa 4% growth.
  - Retail liquor still likely to lag as off-premise sales are still resetting lower to a more normal share of the market.
- **Profitability challenges remain over FY26e**
  - Pubs have done a good job balancing the gross margin mix between gaming, food and beverages.
  - Businesses have one more year of elevated wage rate growth to manage and then conditions should normalise.

Questions

If you would like a copy of the presentation, please email

craig.woolford@mstmarquee.com.au

For more on the retail and economic outlook and access to our research, clients can subscribe to our website. Please visit.....

www.retailmosaic.com.au

Retail Mosaic
PIECING RETAIL TOGETHER

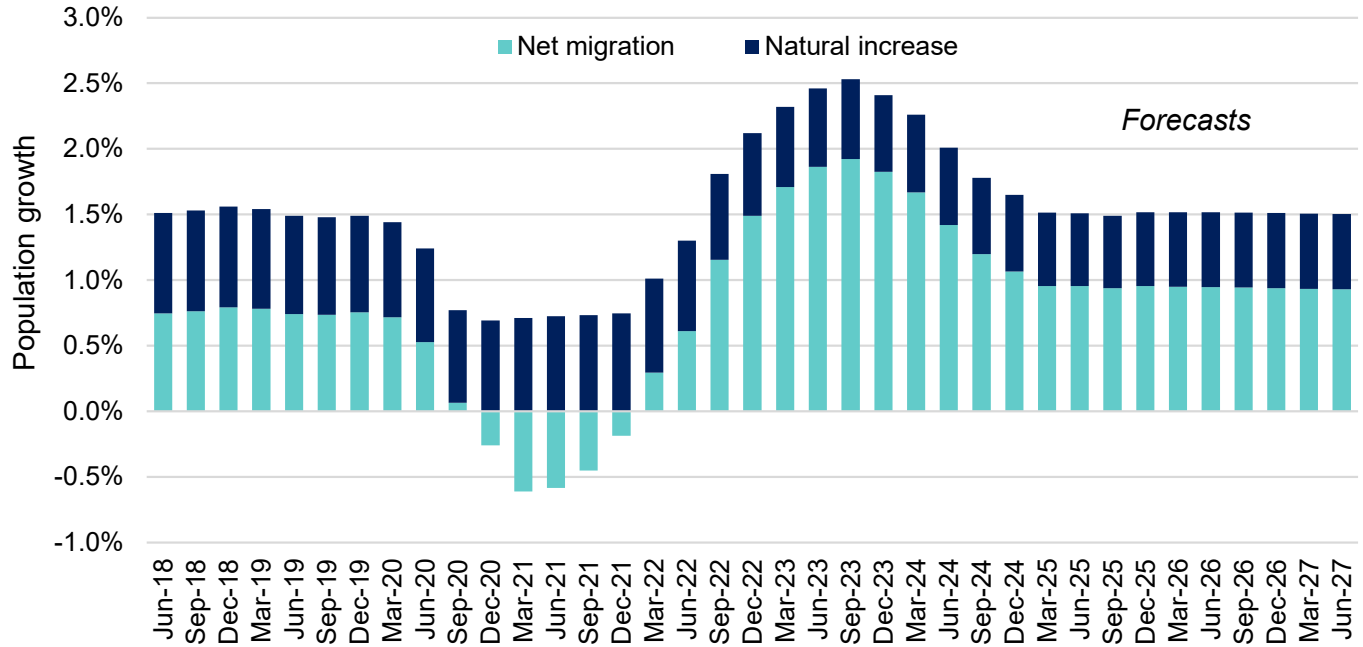
Follow us on LinkedIn

Appendix

Population growth slowdown for 2025

- Population growth peaked at 2.6% for September quarter of 2023. We estimate that two-thirds of the net migration was from international student enrolments in 2023.
- We forecast a slowdown for population growth from 2.1% in 2024 to 1.7% for 2025, which is a headwind for liquor.

Australian population growth outlook



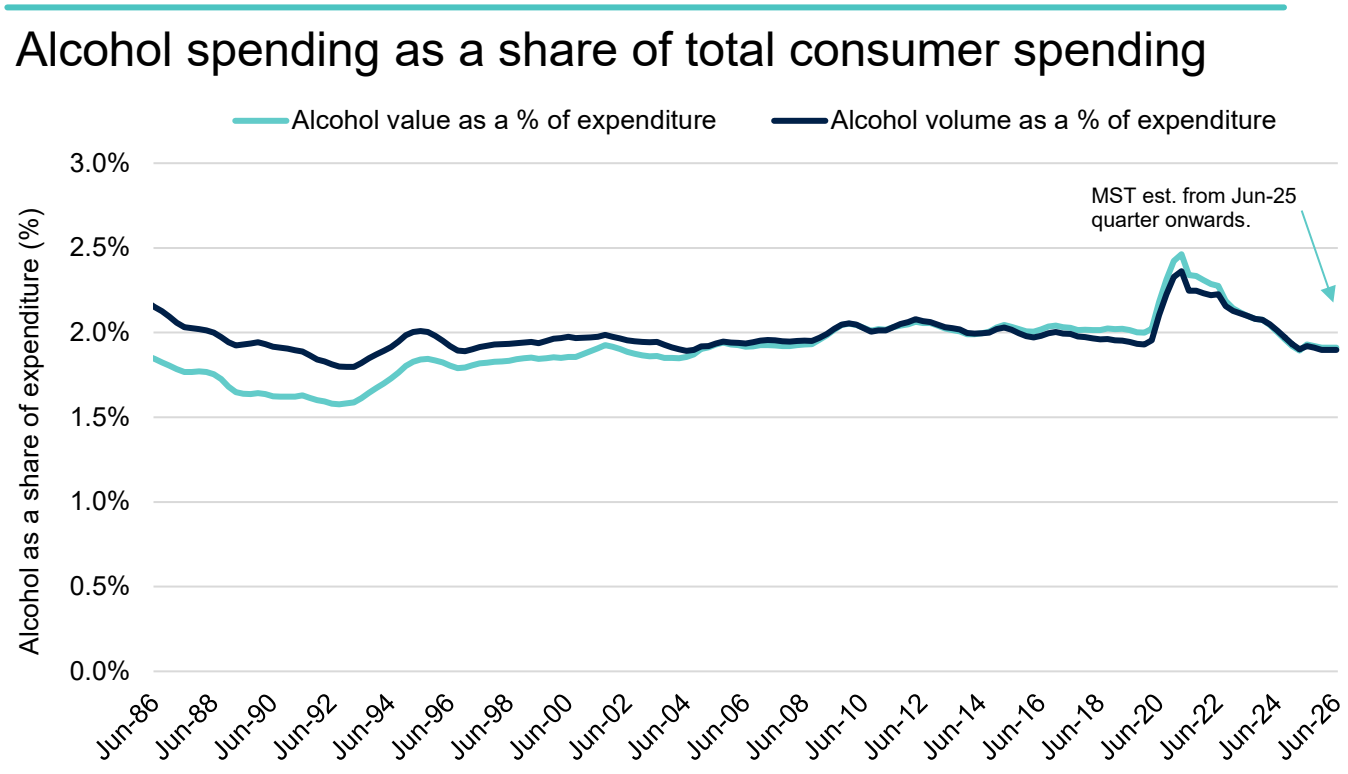
Source: ABS, MST Marquee

Alcohol spend has reduced back to pre COVID-19 levels

- Alcohol spending (by volume) dropped from 2.09% of all spending in December 2023 to 1.89% as at March 2025.

  In December 2019 it was 1.93%

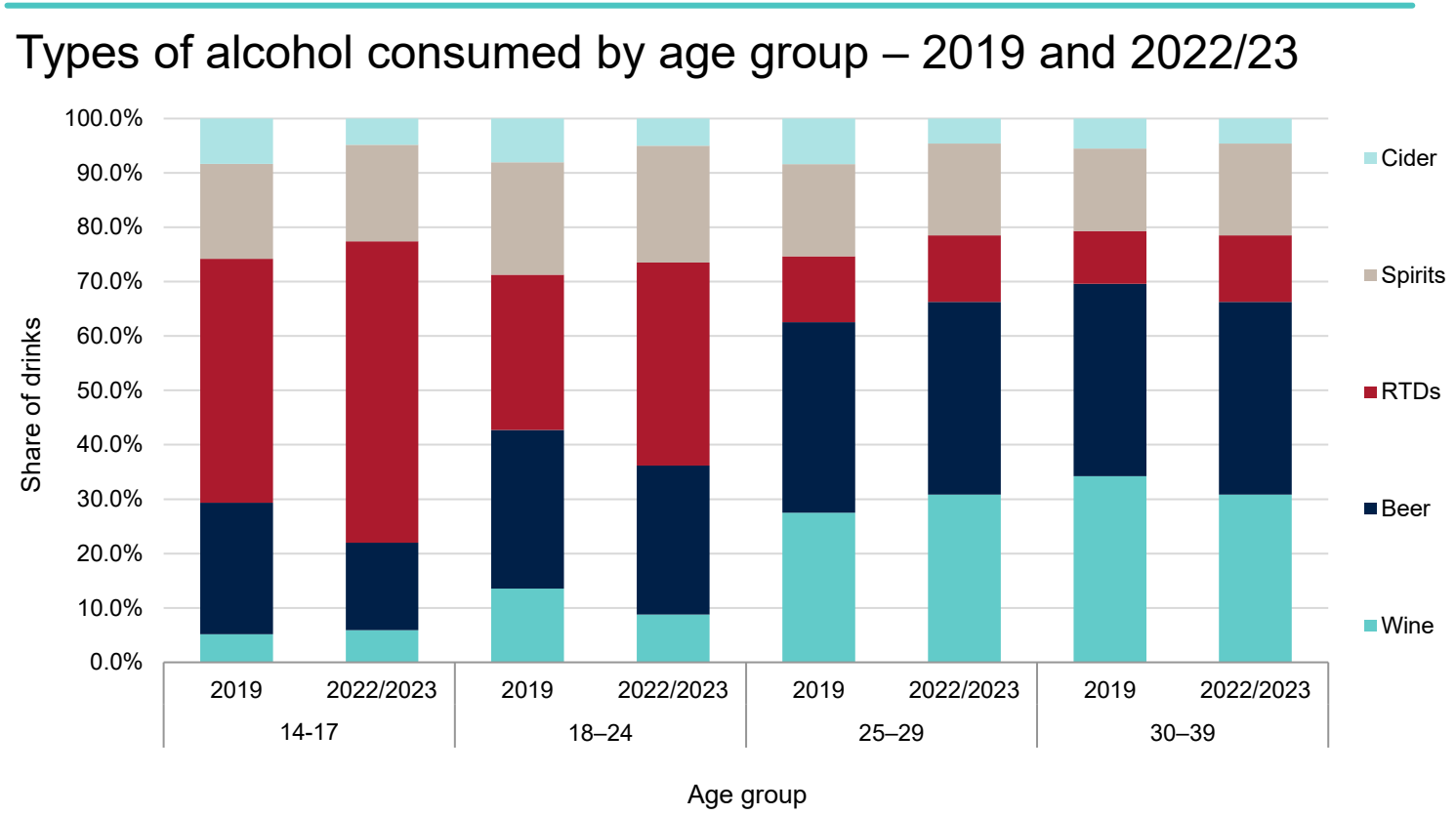
- Our forecasts have alcohol spending normalising at 1.90% of all spending by June 2026.



Source: ABS, MST Marquee

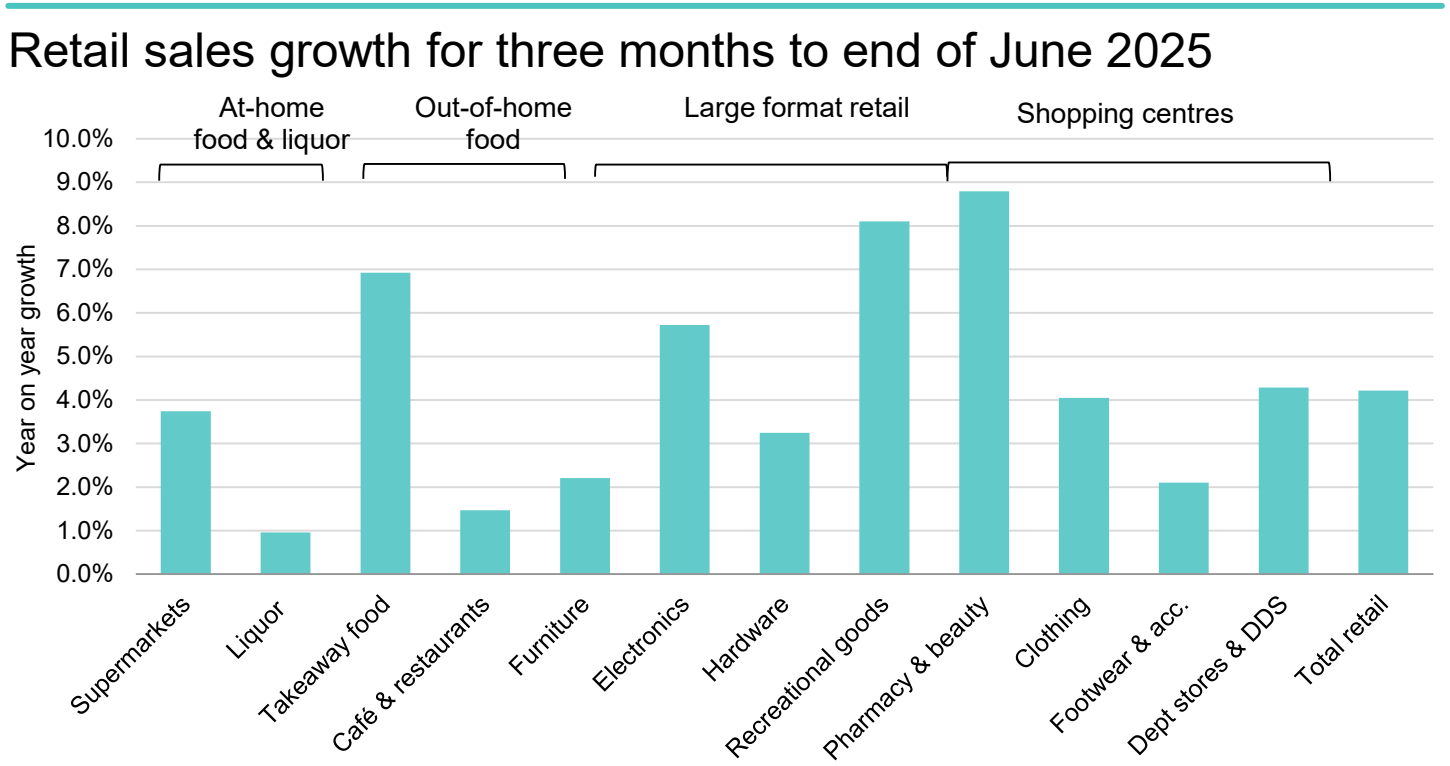
Change in drinks preferences over past four years by age

- RTD volumes have grown at a 6.3% CAGR since 2019, notably taking market share from declining beer volumes in younger age brackets.
- The recruitment of younger drinkers into RTDs may have implications for future consumption trends



Retail spending approaching trend growth

- Retail spending is trending at 4% as at June 2025 and has been on a gradual recovery path since October 2024.
- Categories reporting growth above trend are pharmacy & beauty, recreational goods, electronics, apparel and takeaway food.



Source: ABS, MST Marquee estimates

About MST Marquee and Craig Woolford

Craig Woolford is the lead consumer sector analyst at MST Marquee and has been covering all aspects of the retail sector in Australia for more than 24 years. He was previously the Head of Research and also the lead consumer analyst at Citigroup for 16 years and before that CommSec. Craig's clients include major superannuation funds that invest in the retail sector and companies across the retail value chain looking to understand the factors that will impact retail sales and profitability. Craig and his team also have a website, ***retailmosaic.com.au*** where subscribers can access his insights on the sector and key retailers. Craig is highly ranked by his investor clients and regularly cited in industry journals and the media for his insights about the state of Australian retailing and performance of the major companies across the retail and food and beverages sectors. Craig Woolford is appointed as an authorised representative of Retail Mosaic Pty Ltd, who is an authorised representative of MST Financial.

Disclaimer

This document does not constitute financial product advice and is provided for information purposes only. This document has been prepared without taking into account any investor's objectives, financial situation or needs. This document does not constitute an offer or invitation to invest in any financial product. Any such offer will only be made in an offer document prepared for the financial product. This document must not be circulated and is confidential in nature. The information provided in this document is current only at the date recorded on the document and has been prepared based on information believed to be accurate as of this date. Past performance is not indicative of future performance. Assumptions and estimates may have been made which may prove not to be accurate. MST Financial Services Pty Ltd (ACN. 617 475 180, AFSL 500557) undertakes no responsibility to correct any such inaccuracy. Subsequent changes in circumstances may occur at any time and may impact the accuracy of the information. To the full extent permitted by law, neither MST Financial or its related entities makes any warranty as to the accuracy or completeness of the information in this document and disclaims all liability that may arise due to any information contained in this document being inaccurate, unreliable or incomplete.