

# WOOLWORTHS LIMITED

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ASX RELEASE

## Woolworths expands liquor portfolio with acquisition of Cellarmasters

Woolworths Limited (**Woolworths**) has today announced it will acquire The Cellarmasters Group (**Cellarmasters**) from Archer Capital for \$340 million. Cellarmasters is one of the largest direct-to-home wine retailers and providers of contract bottling and wine services with operations in Australia and New Zealand. The business represents an attractive and complementary bolt-on to Woolworths' existing liquor portfolio, which includes successful brands such as Dan Murphy's, BWS, Woolworths Liquor and Langton's.

Cellarmasters has a direct marketing business model which has seen it become a leading provider of wine plans and wine sales through outbound direct contact and online platforms. Cellarmasters' proven expertise in direct wine marketing will add a new and complementary customer channel to the Woolworths Liquor Group, reflecting the multiple ways in which consumers now search for and purchase wine.

Importantly, Cellarmasters' multi-banner platform covers all customer types:

**Wine** – Cellarmasters and NZ Wine Society

**Fine Wine** – WineIQ and CellarForce

**Value Wine** – WineMarket.com.au

Cellarmasters also has a winemaking operation, Dorrien, which produces a range of wines which are distributed through the Cellarmasters direct channel.

In addition, Cellarmasters provides a range of services to the winemaking community such as bottling, packaging, storage, filtration and testing.

Woolworths' Chief Executive Officer Michael Luscombe said: "Direct wine marketing is an exciting and emerging segment of the industry that is ripe for further investment and innovation. Cellarmasters is a specialised business and a logical extension to our existing liquor portfolio. It also underlines our continued focus on achieving ongoing growth for shareholders while meeting the evolving needs of our customers.

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“Cellarmasters’ portfolio of innovative businesses and brands will benefit from the added value of Woolworths’ logistical and distribution capabilities, as well as the ongoing support of our capital and managerial resources. In return, this acquisition will not only accelerate growth in our liquor business through new and enhanced capabilities in production and operational services but will enable us to serve a whole new customer segment in terms of the direct marketing channel. The Cellarmasters’ wine production facility Dorrien will also enable Woolworths to enhance its capability in private label wine products. This is a combination that will help Cellarmasters to further cement its strong reputation as a direct wine business and realise its future growth potential.”

Steve Greentree, General Manager Woolworths Liquor Group said: “Cellarmasters is a successful and profitable business, and we are thrilled to welcome them into the Woolworths family. While direct retail wine sales are a small percentage of the overall market, it is a high-growth and highly-specialised sector and one in which we are very keen to participate. Our strategy is to innovate in line with evolving customer trends through a multi-channel, multi-brand and multi-platform liquor offer and the addition of Cellarmasters represents a perfect fit.”

Woolworths intends to retain the existing senior management. Mr Greentree added: “We greatly value the expertise and experience of the whole Cellarmasters team and look forward to working closely with them.”

The acquisition is consistent with Woolworths’ strict and disciplined approach to acquisitions. It will be fully funded through existing debt facilities and will be EPS accretive in the first full year (FY2012) and Woolworths expects to realise substantial synergies from this acquisition.

Completion of the acquisition is expected to occur no later than May 2011, subject to closing conditions, including no regulatory intervention.

Citi is acting as financial advisor to Woolworths.

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