



Independent Hardware Group

Mitre 10 • Home Timber & Hardware • Thrifty-Link • True Value Hardware

Investor day – 23 March 2017

Mitcash

Contents

		Page
1	Metcash – network of successful independents	4
2	Independent Hardware Group	5
3	IHG management team	7
4	Hardware market	8
5	IHG network	9
6	Key strategic initiatives	14
7	Integration update	19
8	Summary	27

Successful Independents

Ian Morrice

Metcash CEO

OUR NETWORK OF
SUCCESSFUL INDEPENDENTS
— INDEPENDENCE IS WORTH FIGHTING FOR —



FOOD



LIQUOR



HARDWARE

HTH acquisition – now second largest in Hardware market

	Metcash Hardware	HTH	Independent Hardware Group
Sales¹	~\$1.1bn	~\$1.0bn	~\$2.1bn
Trade Retail sales split¹	55% 45%	62% 38%	59% 41%
Company-owned Stores	30 majority owned 23 minority interest ²	41 wholly owned	71 majority / wholly owned 23 minority interest
Bannered Stores	373	377	750
Unbannered Stores³	~370	~865	>500
DC Locations	Qld, Vic, WA	NSW (2), Vic, WA	QLD (1), Vic (1), WA (2), NSW (2)
Number of Employees (FTE)	~1,000	~1,600	~2,600

~\$2bn business with significant scale

1. Year ended 30 April 2016 for Metcash Hardware. Year ended 30 June 2016 for HTH

2. Stores held through 8 separate joint ventures

3. Neither Metcash nor HTH have sole-supply agreements with unbannered stores. Combined unbannered network excluding overlap is ~500 stores

Business Overview

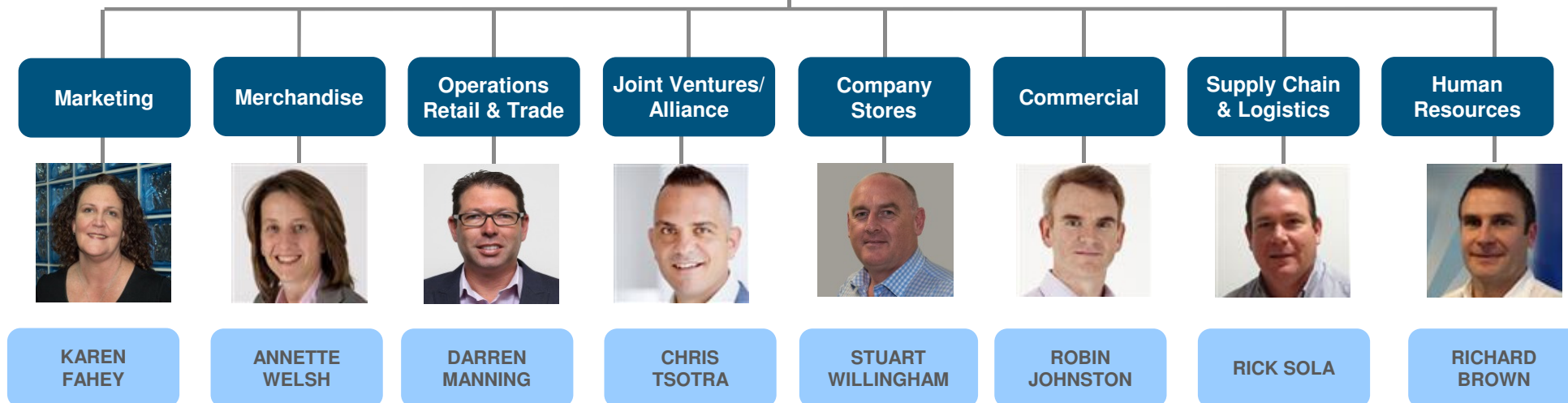
Mark Laidlaw

CEO, Independent Hardware Group

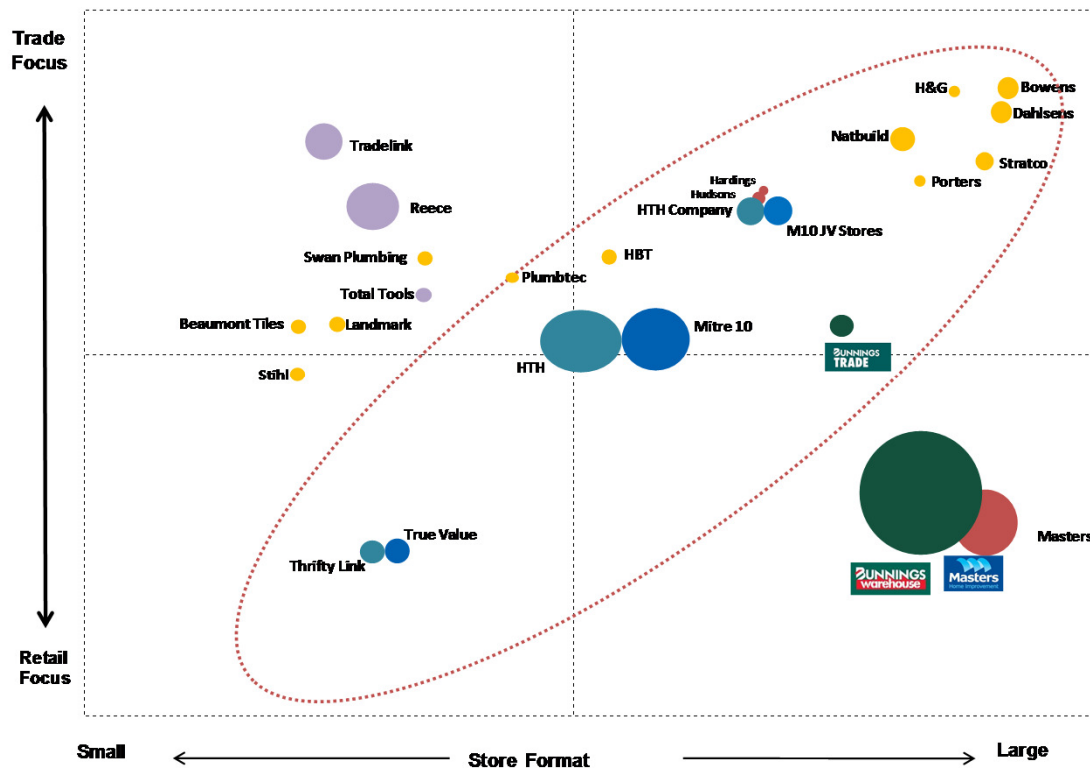
IHG management team



CEO
MARK LAIDLAW



IHG – second largest player in Hardware market



- Acquisition of HTH in October 2016:
 - Now clear #2 in Hardware market
 - Strengthened position in Trade segment
 - HTH and Mitre 10 complementary with limited store overlap
- Opportunity to roll out speciality offers such as plumbing, tiling, power garden equipment and flooring
- Retail offer strengthened through addition of 41 HTH corporate stores to 53 Mitre 10 JV stores
- Masters exited

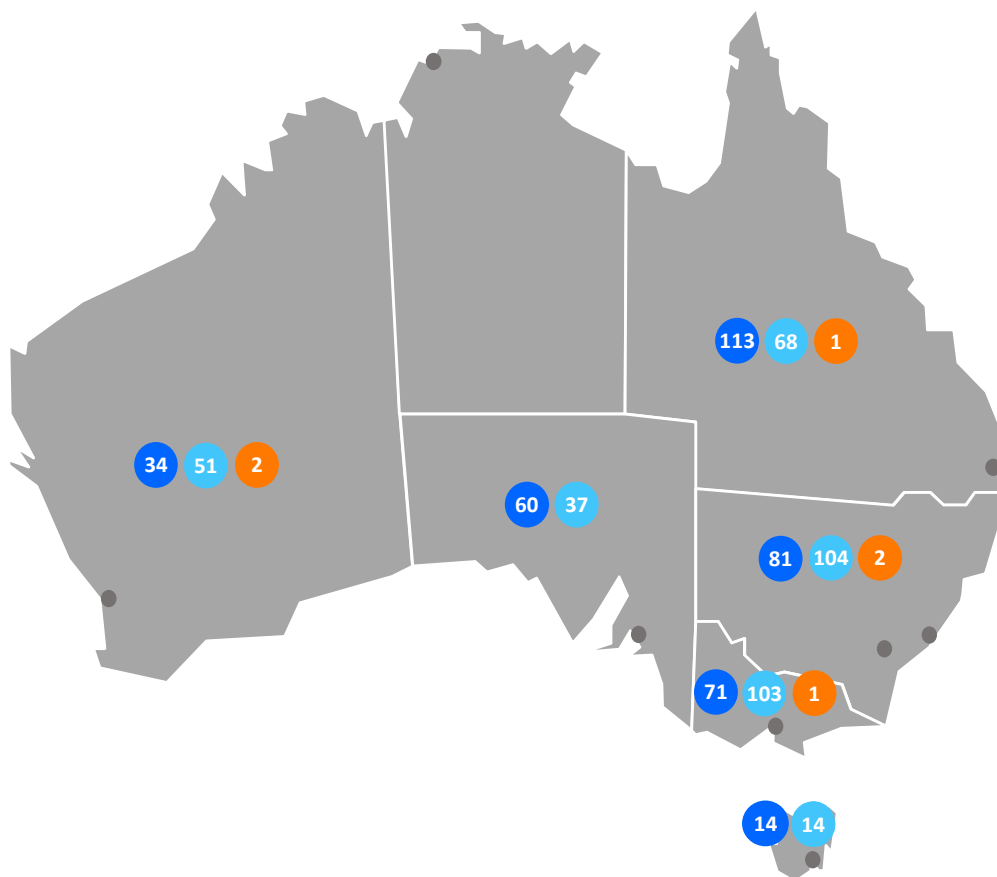
Positive market outlook

IHG brands

Brands	Key customers	# stores	% IHG sales*
	<ul style="list-style-type: none"> Iconic independent and local network Operates in both Trade and DIY segments Customers include national residential builders through to local handy-man 	306	47%
	<ul style="list-style-type: none"> Strong focus on Trade segment and home builders Mix of independently owned and company-owned stores Customers include national residential builders through to local handy-man 	246	37%
	<ul style="list-style-type: none"> "Your local hardware store" National hardware chain with small format stores Services metro and regional communities 	126	2%
	<ul style="list-style-type: none"> "Making hardware easy" National hardware chain with small format stores Services metro and regional communities across Australia 	67	1%
	<ul style="list-style-type: none"> Supplier of quality 'front of wall' plumbing (bathrooms, kitchens, appliances) 6 outlets across Melbourne, Brisbane, Adelaide and surrounding areas Customer base >90% trade 	5	5%

* ~500 unbannered stores contribute ~8% of total sales

An extensive national footprint



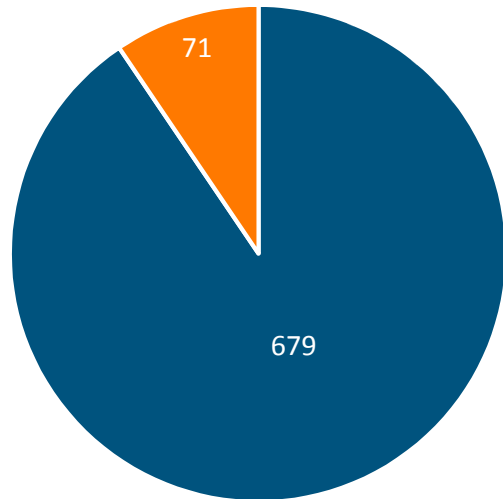
State	Mitre 10 stores	HTH stores	Total stores	DCs
NSW	81	104	185	2
QLD	113	68	181	1
SA / NT	60	37	97	
TAS	14	14	28	
VIC	71	103	174	1*
WA	34	51	85	2
TOTAL	373	377	750	6

* Currently 2. South Dandenong DC to be closed in April.

- HTH store footprint is complementary to Mitre 10 – limited overlap
- DCs will reduce from 7 to 6 (South Dandenong to close) – delivers synergy benefits

IHG committed to “Successful Independents”

750 bannered stores

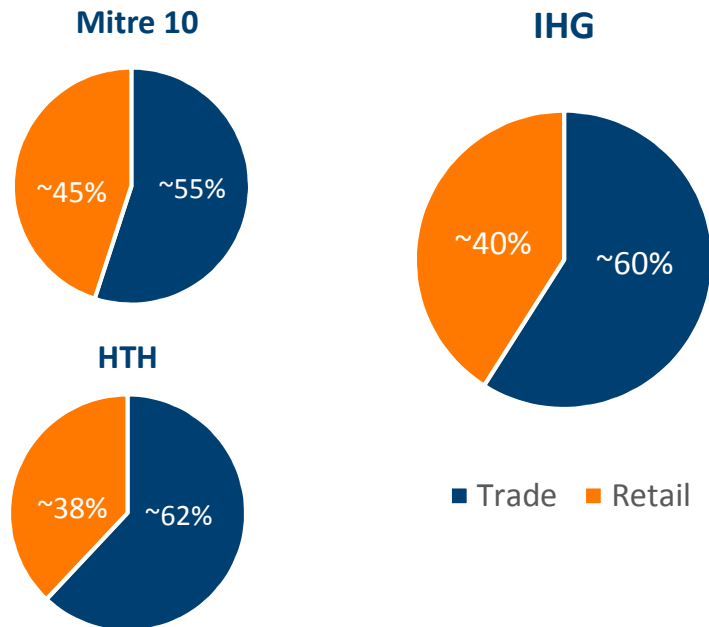


■ Independent ■ Majority owned or Company-owned

- Successful Independents is key focus
- Independent store owners >90% of IHG network
- Company-owned stores are an important component of the Hardware business
- 53 Mitre 10 JV stores (30 majority owned)
- 41 Company-owned stores added through HTH acquisition, supported by a strong and experienced management team
- Hardware offer extended through addition of stores such as Hardings Hardware and Tait Timber
- Location of Independent and Company-owned stores are complementary, with minimal conflict sites

Strengthened position in Trade segment

Sales mix*



- Proportion of Trade sales increased from ~55% to ~60% through HTH acquisition
- Attractive service offer: “Get in, get out, get on with it” and “Go where the Tradies go”
- Focus on delivering what Tradies want:
 - Low cost and transparent
 - Rapid response from order to delivery (DIFOT)
 - Timber undercover
 - Relationship at all touch points
 - Trade drive through and separate Trade desk
 - Early opening, clean facilities, coffee
 - Investment in technology to improve efficiency

* Based on sales for year ended 30 April 2016 for Metcash Hardware and 30 June 2016 for HTH

Consumer led strategy



BEST STORE
IN TOWN
SAPPHIRE PROGRAM



SHOPPER LED RANGE &
COMPETITIVE PRICING



BUILD
TRADE



DIGITAL,
DATA, INSIGHTS



WORKING
SMARTER

Good progress across all Mitre 10 stores

HTH opportunities identified

Combined the best of both to make a better business

Key strategic initiatives

Annette Welsh

GM – Merchandise

Mitre 10 – “Best Store in Town”



OBJECTIVE



- Re-invest in Top 50 stores based on Sapphire Standards
- Targeted sales uplift 15%

ROLL OUT PLAN



- 10 per year
- 18 completed to date

RESULTS













- Store sales **up ~17%**
- Basket numbers **up 13%**
- Basket size **up 4%**

Sapphire stores delivering strong growth in Mitre 10

Equivalent program in HTH – “XCLR8”

Mitre 10 – Shopper led range

	SALES GROWTH	BEFORE	AFTER
FASTENERS	Growth ↑ 6%		
HAND TOOLS	Growth ↑ 10%		
POWER TOOLS	Growth ↑ 9%		
PAINT	Growth ↑ 3%		
CEMENT	Growth ↑ 14%		

Core ranging delivering strong sales growth – ability to roll out to HTH

Competitive pricing

- Scan data received from ~120 stores
- Competitor pricing information provided to the network (~6,000 SKUs)
- Competitive pricing program on top 500 KVIs
 - >85% price matched¹
- Private label provides competitive entry point pricing
 - “Buy Right” has ~250 SKUs
 - ~80% price matched¹
- Merchandising synergies
- “Click & Collect”



1. Based on scan data from ~120 stores

Digital data and insights

LOYALTY PROGRAM



- Mighty Rewards Loyalty Program in 160 Mitre 10 stores
- HTH DIY Rewards Card in 134 stores

WEB, CLICK & COLLECT SOCIAL MEDIA



- Relaunched website Sept 2016
- 6,000 SKUs online
- Click & Collect 1,100 SKUs

TRADE DIGITAL



Tradies Online

- Targeting the Builder/ Tradie
 - Truck Tracker
 - Tradies Online

BENCHMARKING & ANALYTICS



- Dashboard for store managers
- Benchmarking of company-owned stores

Integration update

Mark Laidlaw

CEO, Independent Hardware Group

Integration update

- Steering Committee oversight
- Key focus areas:
 - Retention of customers
 - Cost synergies
 - Merchandise benefits
 - Branding
- On track to achieve net synergy benefits (after sharing with store owners) at upper end of \$15m – \$20m target range by end of FY18



Integration update (cont.)

Retention of customers

- First gathering of new IHG network at EXPO held in February 2017
 - ~2,100 attendees including ~1,050 store delegates and ~950 suppliers
 - High level of goodwill and optimism from store owners
- Woolworths removed HTH retention rebate in September 2016
- Aligned customer trading terms will deliver benefits to store owners
- HTH store owners have remained loyal



Delegates at IHG Expo, Feb 2017

Integration update (cont.)

Property rationalisation

- Two unprofitable stores retained by Woolworths (Launceston, Gungahlin) now closed
- Rationalisation of DC network – South Dandenong exit planned for April
- Head Office consolidated at Heatherton, Victoria

Management structure

- New leadership team in place (mix of HTH and Mitre 10 executives)
- Consolidating support service teams
 - Merchandising – completed
 - Operations
 - Marketing
 - Finance
 - IT

Integration update (cont.)

Merchandising synergies

- Focus on delivering store owners the best products at the most competitive prices
- Alignment of supplier trading terms
- Consolidation of core ranges
- Increased volumes expected to result in more competitive pricing
- Savings to be shared with store owners

Branding

- HTH and Mitre 10 are both strong brands
- Review of branding strategy underway
- Decision expected by end of 2017

Marketing – Mitre 10



Marketing – HTH



Marketing – Video

Summary

Mark Laidlaw

CEO, Independent Hardware Group

Summary

- IHG is clear number 2 in Hardware market with an extensive national footprint
- Strengthened position in Trade segment, which accounts for ~60% of our sales
- Strong focus on supporting our independent store owners and growing our brand footprint
- Our Sapphire and Core Ranging programs are delivering strong growth, and will be rolled into HTH
- The integration of HTH is progressing well, with a high level of goodwill and optimism within the new expanded IHG network
- Synergy benefits expected to be at top end of guidance range
- EBIT contribution from HTH is tracking in line with guidance of >\$10m in 2H17 (excluding integration costs)

Disclaimer

This presentation contains summary information about Metcash Limited (ABN 32 112 073 480) (**Metcash**) and its activities current as at the date of this presentation. The information in this presentation is of general background and does not purport to be complete. It should be read in conjunction with Metcash's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au.

This presentation is for information purposes only and is not a prospectus or product disclosure statement, financial product or investment advice or a recommendation to acquire Metcash shares or other securities. It has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, financial and taxation advice appropriate to their jurisdiction. Metcash is not licensed to provide financial product advice in respect of Metcash shares or other securities. Past performance is no guarantee of future performance.

No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of Metcash and its related bodies corporate, or their respective directors, employees or agents, nor any other person accepts liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on the part of Metcash, its related bodies corporate, or any of their respective directors, employees or agents.

This presentation may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to Metcash's business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices. When used in this presentation, the words 'likely', 'estimate', 'project', 'intend', 'forecast', 'anticipate', 'believe', 'expect', 'may', 'aim', 'should', 'potential' and similar expressions, as they relate to Metcash and its management, are intended to identify forward looking statements. Forward looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of Metcash to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof.