



Metcash Limited

ABN 32 112 073 480
1 Thomas Holt Drive
Macquarie Park
NSW 2113 Australia

31 August 2016

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

Dear Sir/Madam

METCASH LIMITED 2016 ANNUAL GENERAL MEETING

In accordance with Listing Rule 3.13.3, please find enclosed the following documents that will be delivered at the Metcash Limited 2016 Annual General Meeting later today:

- Chairman's Address
- CEO Presentation

Yours faithfully

A handwritten signature in black ink, appearing to read "Julie Hutton".

Julie Hutton
Company Secretary

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NSW 2113 Australia

31 August 2016

**2016 Annual General Meeting
Chairman's Address**

Ladies and Gentlemen

I feel privileged to have been appointed Chairman of Metcash at a time the Group is going through significant change. Both I and your Board are passionate about supporting successful independents to become the "Best Store in Town" which we are able to do in all of our 3 pillars through our network of strong retail brands.

The Group's support for the network is reflected in our strategic plan, and we are now two years into our five year strategic long-term Transformation Plan, which is focused on supporting a healthy and thriving Independent Retail network.

I am pleased to report we have made some solid progress across all areas of the business, with our strategic initiatives gaining momentum and generating positive results. Our Group CEO, Ian Morrice, will further elaborate on this in his address.

The Group's financial performance for FY16 was satisfying with a reported profit after tax of \$216.5m, which includes \$38.2m relating to profit from the sale of our Automotive business. Our underlying profit after tax was \$178.3m with growth in earnings from the Liquor and Hardware businesses and lower finance cost offsetting the expected lower contribution from Food & Grocery.

Importantly, we have built a strong financial foundation with net debt reduced by \$392.3m over the year to \$275.5m and gearing reduced significantly to 16.8%.

While our Transformation Initiatives such as Competitive Pricing, Network Investment and Core Ranging are gaining momentum, our markets - particularly food and grocery - continue to be characterised by deflation and increased competition. The cost-savings expected from our working smarter initiative will support us as we seek to meet these challenges.

The Board is pleased with the announcement that Metcash will acquire 100% of Home Timber & Hardware. We believe this acquisition makes our Hardware Pillar the clear "Number 2" operator in this market. The acquisition will be funded through a combination of debt and equity and is expected to be EPS accretive in the first full year of trading and we believe has the potential to create significant value for shareholders in the long term.

Metcash previously advised an intention to recommence half yearly dividend payments with effect from the FY17 final dividend, subject to capital requirements. Given the acquisition of Home Timber & Hardware and associated funding requirements, Metcash now intends to recommence dividends in FY18, rather than from the FY17 final dividend.

As a Board, we acknowledge the importance a supportive and collaborative culture has in the organisation's success. The Board is committed to leading an organisation where behaviours are as important as results.

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In order to drive a performance culture, the Group needs to ensure we have the right capabilities and experience to support our growth ambitions. Board renewal has continued during the year, with two new directors being appointed to the Board, Ms Helen Nash in October 2015 and Mr Murray Jordan in February 2016.

Ms Nash, as a former executive of McDonalds Australia and Procter & Gamble, brings extensive marketing expertise and experience to the Board while Mr Jordan, as the former managing director of the New Zealand grocery retailer, Foodstuffs North Island Limited, brings a wealth of retail and industry knowledge and expertise.

Both Ms Nash and Mr Jordan are seeking election as directors at this AGM.

Two longstanding directors, Mr Michael Butler and Mr Neil Hamilton, will also retire from the Board at the close of the meeting. Mr Butler is chair of the Audit, Risk and Compliance Committee and will be replaced by Patrick Allaway as chair, subject to him being re-elected as a director at this meeting. Mr Hamilton is a member of the People and Culture Committee (and was previously chair of that Committee) and will be replaced by Murray Jordan, subject to him being elected as a director at this meeting. I would like to thank Michael and Neil for their significant contribution to the Board and to the Company.

The Board and Management continue to be firmly focused on delivering sustainable operational performance and shareholder value.

On behalf of the Board, I would like to thank you, our shareholders, for your continued support of the Company as it implements its Transformation Plan. Through the leadership of your Board and management, the Company is well positioned to continue the momentum in our business into FY17 and we believe we will see further traction across the network from the Transformation Initiatives underway.

Finally, to the Metcash team members, its independent retailers and suppliers, the Board acknowledges and thanks you for your hard work and commitment in a continuing challenging environment.

Thank you.

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Annual General Meeting
31 August 2016

Metcash

Group Update

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

Our purpose and vision

OUR PURPOSE

SUCCESSFUL INDEPENDENTS

Independence is worth fighting for!

OUR MODEL



OUR VALUES

INTEGRITY IS THE FOUNDATION OF OUR VALUES:

- Supporting our customers and suppliers
- Our people are empowered and accountable
- Adding value in our community

OUR VISION

Business Partner of choice for Suppliers and Independents

- Australia's leading portfolio of independent retail brands
- World Class Wholesaler

Best store in every town

- Differentiated offer & service
- Celebrating Individuality
- Loved by Locals

Passionate about Independents

- Unlocking the potential of our people
- Inspiring future leaders

Thriving communities, giving shoppers choice

- Championing local entrepreneurs
- Pipeline of aspiring new business owners
- Sustainable

OUR MARKETS



FOOD & GROCERY



LIQUOR



HARDWARE

Group update

- Group revenue up 1.3%
 - Supermarkets sales up 0.5% - adjusting for estimated impact of damage to NSW distribution centre, Supermarkets revenue up 0.9%
 - IGA retailers have experienced growth for last 4 consecutive reporting periods
 - Liquor sales were up 3.7% and Hardware up 0.8%
- Group EBIT of \$275.4m in line with expectations
 - Liquor and Hardware continue to deliver earnings growth
 - Results negatively impacted by decline in Convenience earnings
- Completed second year of Transformation Plan
 - Key Diamond Initiatives continue to deliver results
 - Working Smarter Program well underway
 - Strengthened Management Team
- Huntingwood Distribution Centre reoccupied in April 2016
- Significant reduction in debt through sale of Automotive business, tight cash management and capital recycling

Group update

- Post year end, completed the acquisition of Home Timber & Hardware Group (HTH)
 - Creates a clear number 2 player in the sector with ~\$2bn of sales
 - Expected to be ~4% EPS accretive in the first full financial year following the completion of the acquisition, pre implementation costs and post synergies
 - Funded through a combination of debt and equity
- Metcash previously advised an intention to recommence half yearly dividend payments with effect from the FY17 final dividend, subject to capital requirements. Given the acquisition of HTH and associated funding requirements, Metcash now intends to recommence dividends in FY18, rather than from the FY17 final dividend.

Profit & Loss

	FY16 \$m	FY15 \$m	Change
Group Sales	13,541.3	13,369.8	1.3%
Food & Grocery	179.9	216.8	(17.0%)
Liquor	62.1	57.6	7.8%
Hardware	32.8	30.1	9.0%
Corporate ¹	0.6	(7.2)	
EBIT	275.4	297.3	(7.4%)
Net finance costs	(27.0)	(55.1)	51.0%
Tax	(68.4)	(67.2)	(1.8%)
Non-controlling interests	(1.7)	(1.4)	(21.4%)
Underlying profit after tax	178.3	173.6	2.7%
Discontinued operations after tax ²	38.2	19.4	
Significant items after tax	-	(577.2)	
REPORTED PROFIT AFTER TAX	216.5	(384.2)	
Underlying EPS ³	19.2c	19.1c	

1. Corporate includes a \$14.4m profit on the sale of surplus retail properties partially offset by restructuring expense of \$9.1m.

2. Discontinued operations includes the profit after tax on the sale of the Automotive business of \$34.5m and the Automotive trading profit after tax of \$3.7m for the pre-sale period.

3. Underlying profit after tax / weighted average shares outstanding. Underlying profit excludes significant items and discontinued operations.

Balance Sheet

	30 April 2016 \$m	30 April 2015 ¹ \$m
Trade receivables and prepayments	967.7	989.1
Inventories	673.6	712.5
Trade payables and provisions	(1,632.0)	(1,695.4)
Net working capital	9.3	6.2
Intangible assets	1,127.5	1,284.5
Property, plant and equipment	251.9	276.0
Equity accounted investments	102.9	102.1
Customer loans and assets held for resale	72.5	90.6
Total funds employed	1,564.1	1,759.4
Net debt	(275.5)	(667.8)
Tax, put options and derivatives	80.5	65.0
NET ASSETS/EQUITY	1,369.1	1,156.6
DEBT RATIOS		
Interest coverage ²	9.2x	6.6x
Gearing ratio ³	16.8%	36.6%

1. The 30 April 2015 Balance Sheet includes \$57.8m of net working capital and \$208.8m of total funds employed relating to the Automotive business which was sold during FY16

2. Underlying EBITDA/Net Interest Expense. Net interest expense in FY16 has been adjusted to exclude the \$9.6m one-off gain

3. Net Debt/(Shareholder's Equity + Net Debt)

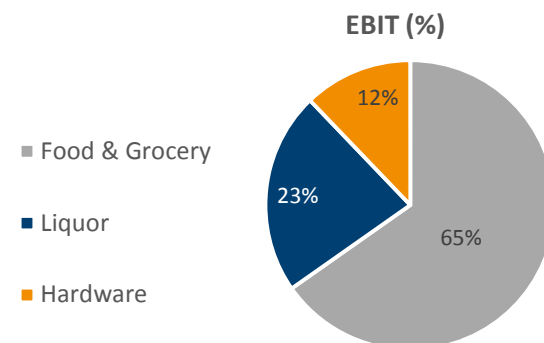
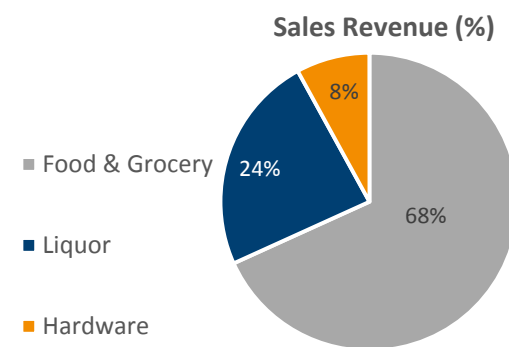
Results – overview by pillar

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	FY16 \$m	FY15 \$m	Change
Sales Revenue			
Food & Grocery	9,265.4	9,217.8	0.5%
Liquor	3,219.3	3,103.6	3.7%
Hardware	1,056.6	1,048.4	0.8%
Total Sales Revenue	13,541.3	13,369.8	1.3%

EBIT			
Food & Grocery	179.9	216.8	(17.0%)
Liquor	62.1	57.6	7.8%
Hardware	32.8	30.1	9.0%
Business Pillar Total	274.8	304.5	(9.8%)
Corporate ¹	0.6	(7.2)	
Total EBIT	275.4	297.3	(7.4%)

1. Corporate includes a \$14.4m profit on the sale of surplus retail properties partially offset by restructuring expense of \$9.1m.



Food & Grocery – FY16 key initiatives and FY17 focus



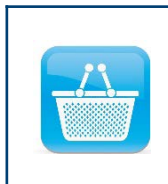
NETWORK INVESTMENT & RETAIL EXCELLENCE

- ❖ Target of ~150 Diamond stores achieved
- ❖ 100 Diamond stores refurbished in FY16
- ❖ Sales uplift from Diamond Stores continues, with a ~16% increase in both warehouse and retail sales
- ❖ Metcash Training Academy - ~10,000 registered users



COMPETITIVE PRICING

- ❖ Price Match roll out complete, now in ~960 stores
- ❖ Program backed by above-the-line advertising
- ❖ Scan data shows ~99% price compliance
- ❖ Continued improvement in consumer price perception
- ❖ Cost of price investment now in earnings base



SHOPPER-LED WAY

- ❖ Improved catalogue and promotional program
- ❖ Black and Gold sales growth 9.7%
- ❖ 175 mid tier private label SKUs added in the year



COMPELLING FRESH

- ❖ ~200 'Your Kitchen' modules implemented
- ❖ ~125 Cheese Shop modules
- ❖ Fresh retail growth of ~25% maintained in Diamond Stores
- ❖ Improved customer perception in DSA stores



FY17 FOCUS

- ❖ Best Store In Town
- ❖ Core Ranging 'Mini DSA' – pilot & roll out
- ❖ New mid-tier private label brand launch
- ❖ Working Smarter program continues

Working Smarter

THE WHY

- We need to simplify the way we operate so we can meet the future needs of our customers, retailers, and suppliers
- Our organisation has become too complex. Savings target of ~ \$100m over 3 years (FY17-FY19)
- Enables our business to pursue growth opportunities in an increasingly competitive trading environment and help offset the underlying inflation in our cost base



THE HOW

Working Smarter will make doing business with Metcash simpler for customers, suppliers and our people through:



SMARTER BUYING



SIMPLER WAYS OF WORKING



FOCUS ON OUR SALES CHANNELS



BUILD THE POSITIVE ASPECTS OF OUR CULTURE

Plans in place to deliver ~\$35m gross savings in FY17

NSW DC - update

- Huntingwood Distribution Centre damaged by hail on 25 April 2015
- Group's contingency plans activated to ensure continuity of supply to retailers
- Supply restored to NSW retailers through Victoria, Queensland and ACT distribution centres
- Metcash reoccupied Huntingwood site in April 2016 and expects it to be fully operational in 2H17
- Insurance policy expected to cover the hail event for material damage and consequential loss
- Insurance recovery progressing, with total recoveries of ~\$60m to date

April 2015



April 2016



Home Timber & Hardware acquisition

- Metcash entered into a binding agreement to acquire 100% of the Home Timber & Hardware Group ('HTH'), a leading participant in the hardware market in Australia
 - Purchase consideration of \$165m, equates to a multiple of ~7 times underlying EBITDA before synergies and anticipated release of working capital
 - Acquisition is highly complementary to Metcash's existing hardware business
 - Acquisition is expected to be ~4% earnings accretive in the first full financial year following the completion of the acquisition, pre implementation costs and post synergies
 - Completion is expected to occur in early October 2016
- Acquisition aligns with Metcash's strategy of being the leading independent wholesaler in each of its three pillars
 - Combined hardware turnover of ~\$2b, servicing a national network of ~1,800¹ stores
 - Strengthens Metcash's existing independent hardware network
 - Significant value creation opportunities and synergies
 - Provides Metcash with a more balanced earnings mix across its operating pillars
- Acquisition will be funded through a combination of equity (\$80m) and debt (\$85m)
 - Balance Sheet remains strong post acquisition
 - Pro forma gearing increases from 17% as at 30 April 2016 to 20%
 - Share Purchase Plan capped at \$20m available to retail shareholders, proceeds to reduce debt

1. Neither Metcash nor HTH have sole-supply agreements with unbannered independent stores and there is an element of overlap between Metcash and HTH

Group outlook

- FY17 includes a 53rd trading week¹
- Highly competitive trading conditions remain in all our markets
- Additional impact from increased Food & Grocery competition in both the South Australian and Western Australian markets
- The Food & Grocery business continues to face headwinds from competition, deflation and a rising cost base
- We will continue to progress the Transformation Plan (including Working Smarter) in FY17
- We expect further consolidation and positive momentum in the Liquor and Hardware Pillars
- Metcash previously advised an intention to recommence half yearly dividend payments with effect from the FY17 final dividend, subject to capital requirements. Given the acquisition and associated funding requirements, Metcash now intends to recommence dividends in FY18, rather than from the FY17 dividend

1. The 53rd week comprises four business trading days over the week ending Sunday 30 April 2017 (Anzac Day is on 25 April)

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