



Metcash Limited

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

28 August 2019

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

Dear Sir/Madam

METCASH LIMITED 2019 ANNUAL GENERAL MEETING AND TRADING UPDATE

In accordance with Listing Rule 3.13.3, please find attached the following documents that will be delivered at the Metcash Limited 2019 Annual General Meeting later today:

- Chairman's Address
- CEO Presentation

Yours faithfully

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

Julie Hutton
Company Secretary

2019 Annual General Meeting

Chairman's Address

Ladies and Gentlemen

I will now provide you with a high level overview of our FY19 financial performance, as well as comment on other important matters such as our strategic direction, senior management and Board changes, and remuneration outcomes for the year.

I will then invite Jeff to talk in more detail about the company's operating performance and outlook, as well as expand on his future plans for the company.

Turning firstly to the financials. I am pleased to report that the company delivered a solid set of financial results and continued to successfully execute its key strategic initiatives.

Underlying profit after tax for the year was \$210.3m, down slightly on the prior year. Importantly, from a shareholder perspective, underlying earnings per share increased 1.8% to 22.6 cents, reflecting the benefit of the \$150m share buy-back carried out in August last year.

Solid earnings and cash flows were delivered by all Pillars despite challenging market conditions, and we continue to be well positioned with a strong balance sheet.

The Board determined to pay a final dividend of 7.0 cents per share, bringing total dividends for the year to 13.5 cents per share - a half cent increase on the prior year.

Turning to our strategy.

The Group has a clearly defined five-year strategy. This strategy, which we have called MFuture, was presented to investors at our strategy day in March. The MFuture program will continue to have a strong focus on costs. However, importantly the new program also incorporates a strong focus on growing our top line, and includes significant investments to further improve the competitiveness of our Food, Liquor and Hardware retailer networks.

Jeff will talk about MFuture in more detail in his presentation. I however would like to call out the successful HTH acquisition.

The integration of Home Timber & Hardware is now largely complete, with the delivery of further synergies underpinning strong earnings growth in Hardware, despite softer construction activity in the second half of the financial year. HTH has been a successful acquisition for both Metcash and the broader IHG retailer network. The network is now more competitive and stronger, and well positioned as the second-largest player in the market.

There have been a number of senior management and Board changes in the year.

We were pleased to announce the appointment of Chris Baddock as the new Chief Executive Officer of the Liquor pillar. Chris' appointment followed an extensive search for a successor to Scott Marshall following his appointment as CEO of Supermarkets & Convenience in March last year.

Chris has extensive experience in the Liquor market and he has a strong track record of delivering sustainable growth and working with independent retailers. We are delighted to have Chris join the leadership team.

I would like to make a special mention of Rod Pritchard, who has filled in as interim CEO of Liquor admirably up to Chris' joining the company.

We have also appointed a new Chief Strategy and Transformation Officer, Matt Havens who joins us from the Boston Consulting Group, and a new Chief Information Officer, David Reeve who has replaced Edwin Gear following his retirement during the year.

There have also been a number of changes to the Board of Directors.

In June, we announced that Anne Brennan had notified the Board of her intention to step down as a non-executive director due to unforeseen and potential conflicts related to her other directorships. Anne has continued as a non-executive director through to our AGM today, and appropriate protocols were in place to address potential conflicts. I would like to thank Anne for her contribution since joining the Board in March last year.

We also announced in June that Fiona Balfour has decided not to stand for re-election at today's AGM following almost nine years as a non-executive director. The Board sincerely thanks Fiona for her long-term contribution and service to Metcash, which has included providing invaluable insight and guidance as Chair of the People and Culture Committee. As previously announced, Helen Nash has been appointed as the Chair of the People and Culture Committee, to replace Fiona.

I am pleased to say we have found two excellent new Directors; namely Peter Birtles and Wai Tang.

Peter and Wai were appointed non-executive directors effective 1 August 2019 and are standing for election at today's meeting. Both Peter and Wai bring a high level of relevant skills and experience to Metcash and my fellow directors and I look forward to working with them.

The Board has a strong interest in ensuring the company has the right culture and behaviour. It was particularly pleasing to see the results of our annual employee survey which showed a further improvement in culture and behaviour scores across the organisation.

The survey showed that the Board and Group leadership team have a constructive behavioural style which is crucial, as it is important to drive change from the top.

Turning now to remuneration.

This was the final year of our five-year remuneration transition which has seen a progressive increase in the 'at risk' component of Key Management Personnel (KMP) total reward. The Board determined that it was an appropriate time to undertake a further review of the structure of executive remuneration having regard to changes in market practice and feedback from our shareholders.

Commencing in FY20, changes made will create a stronger link between executive and shareholder outcomes. These include the deferral of a component of any STI earned to be delivered as equity, and the expansion of our minimum shareholding policy to now include KMPs. Key management will now have the majority of 'on target', 'at risk' remuneration delivered as deferred equity.

While the salaries of certain key executives are below the peer group market median, no member of the Group leadership team was awarded an increase for the upcoming financial year.

STI bonuses paid to KMP in respect of FY19 ranged from 47% to 62% of maximum, and the FY17-19 LTI scheme partially vested this year. This was the first time in 12 years a Metcash LTI scheme has vested.

The Board believes the remuneration outcomes for the year are a fair reflection of the performance of Metcash, our businesses and management.

We will have an opportunity to discuss the remuneration report later in the meeting.

Last year I advised shareholders that we had made a significant improvement in gender pay parity, with the overall gap reducing to less than 2%. I am pleased to advise you today that we have further narrowed this gap, which at the end of FY19 was 1%.

Our achievements in this important area were recognised earlier this year with Metcash receiving an “Employer of Choice” citation from the Workplace Gender Equality Agency.

In conclusion, we are focused on our core purpose, which is championing our independent retailers. I believe our MFuture plans are the right plans and these are supported by a high quality, dedicated and passionate leadership team whose primary purpose is to ensure the success of our independent retailer networks.

While our markets remain challenging, we are encouraged by the confidence of our independent retailers in the future and their willingness to continue to invest in their stores. Together, we are improving the quality and competitiveness of our retailer networks across Supermarkets, Liquor and Hardware to underpin their ongoing success.

I would like to thank my Board colleagues, all our people, the leadership team, our independent retailers and suppliers for their ongoing support.

Finally, on behalf of your Board, I would like to thank you our shareholders for your support.

I will now hand over to Jeff.

Thank you.

Metcash Limited 2019 Annual General Meeting

28 August 2019

Championing Successful Independents

Metcash

Board of Directors



Robert Murray

Chairman



Jeff Adams

Group Chief Executive Officer



Fiona Balfour

Non-executive Director



Peter Birtles

Non-executive Director



Anne Brennan

Non-executive Director



Tonianne Dwyer

Chair of the Audit, Risk and
Compliance Committee



Murray Jordan

Non-executive Director



Helen Nash

Chair of the People and Culture
Committee



Wai Tang

Non-executive Director



Julie Hutton

Company Secretary

Metcash Management



Brad Soller

Group Chief Financial Officer



Scott Marshall

CEO, Supermarkets & Convenience



Chris Baddock

CEO, Australian Liquor Marketers



Mark Laidlaw

CEO, Independent Hardware Group



Matt Havens

Chief Strategy & Transformation Officer



Penny Coates

Chief People & Culture Officer



David Reeve

Chief Information Officer

- 1. Receive and consider the financial report and reports of the directors and auditor for the year ended 30 April 2019**
 - Chairman's Address
 - CEO review of financial performance
- 2. Resolutions to elect and re-elect directors**
 - (a) To elect Mr Peter Birtles as a director
 - (b) To elect Ms Wai Tang as a director
 - (c) To re-elect Ms Helen Nash as a director
- 3. Resolution to adopt the Remuneration Report**
- 4. Resolution to approve grant of performance rights to Mr Jeffery Adams, Group CEO**

Chairman's Address



- FY19 performance
- Strategy update
- Senior management and Board changes
- Remuneration

Review of FY19 financial performance

Jeff Adams

Group Chief Executive Officer

Our purpose

Championing
Successful
Independents

Our vision

-  Best store in town
-  Passionate about independents
-  A favourite place to work
-  Business partner of choice
-  Support thriving communities

Our values

We believe:

Independence is worth fighting for; in treating our people, retailers and suppliers the way we like to be treated; and in giving back to the communities where we live and work

Group overview

- Reported results reflect adoption of the new Accounting Standard AASB15
- Reported Group sales (which excludes charge-through sales) increased 1.8% to \$12.7bn
 - Group sales (including charge-through sales) increased 1.4% to \$14.6bn
- Group EBIT declined 1.4% to \$330.0m
 - Food EBIT decreased 3.0% to \$182.7m
 - Liquor EBIT increased 1.3% to \$71.2m
 - Hardware EBIT increased 17.2% to \$81.2m
 - Corporate EBIT was -\$5.1m (FY18: +\$6.7m) – FY18 included the reversal of a provision against the NSW DC insurance claim settled in 1H18



- Underlying profit after tax¹ decreased 3.0% to \$210.3m
 - Reversal of provision against NSW DC insurance claim in FY18, and increase in finance costs due to the \$150m share buy-back in 1H19
- Underlying EPS up 1.8% to 22.6 cents reflecting the benefit of the share buy-back
- Statutory profit after tax of \$192.8m (FY18: Loss of \$148.2m)
 - FY18 included a charge of \$345.5m (post tax) related to the impairment of goodwill and other net assets
- Solid operating cash flows and strong balance sheet
- Final dividend of 7.0 cents per share, fully franked
- Working Smarter program completed – cumulative savings ~\$125m
- MFuture (our next 5 year vision) now underway



1. FY19 underlying profit after tax excludes Working Smarter restructure costs and SA DC transition costs of \$17.5m (post tax). FY18 underlying profit after tax excludes Working Smarter restructure costs and HTH integration costs of \$19.6m (post tax), and impairment of goodwill and other net assets of \$345.5m (post tax).

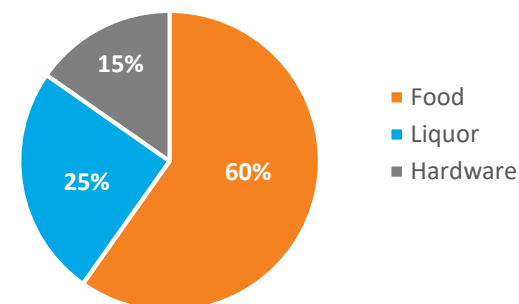
Results – overview by pillar

	FY19 \$m	FY18 ¹ \$m	Change %
Sales revenue (including charge-through sales)			
Food	8,794.3	8,768.6	0.3%
Liquor	3,666.9	3,474.0	5.6%
Hardware	2,102.0	2,120.1	(0.9%)
Total sales revenue (including charge-through sales)	14,563.2	14,362.7	1.4%
Less: Charge-through sales ²	(1,902.9)	(1,920.5)	(0.9%)
Total sales revenue (Statutory Accounts)	12,660.3	12,442.2	1.8%

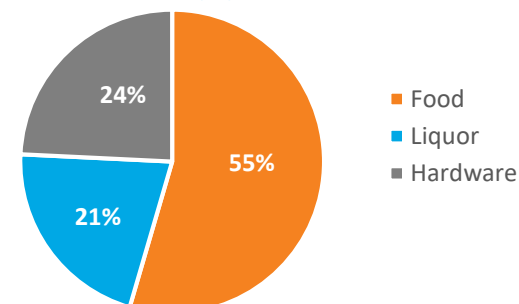
EBIT

Food	182.7	188.3	(3.0%)
Liquor	71.2	70.3	1.3%
Hardware	81.2	69.3	17.2%
Business Pillars	335.1	327.9	2.2%
Corporate ³	(5.1)	6.7	-
Total EBIT	330.0	334.6	(1.4%)

Sales revenue (%)
(including charge-through)



EBIT (%)



1. The FY18 results have been adjusted to reflect the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers*.

2. Sales revenue has been adjusted to exclude charge-through sales to comply with AASB15.

3. Corporate EBIT in FY18 included the reversal of a provision against the Huntingwood, NSW DC hail insurance claim following settlement.

Food – initiatives update



Retailer engagement

- Strategic direction endorsed by the National Retailer Council (NRC)
- Working closely with retailer groups (NRC & State boards)
- Establishment of National Retailer Pricing and Promotions Committee to ensure competitive pricing
- Significant improvement in retailer and supplier satisfaction surveys
- Long-term supply agreements with retailers in SA, and new five year supply agreement with Drakes in QLD



Project Align

- Implementation of new state-based operational structure completed
- Business brought closer to customer for faster decision making
- Logistics team repositioned – driving improved performance
- Supports improvement in speed of execution and sales



Diamond Store Accelerator

- A further 79 stores completed the program in FY19
- Brings total stores that have completed the program to ~400
- Average sales growth ~10%
- Program now simplified to accelerate roll-out from FY20
- A further ~500 stores identified based on demographic analysis
- DSA program is core to delivery of brand strategy



Community Co

- Now in all IGA and Supa IGA stores nationally
- A further 100 products added in FY19, total products in range ~280
- Sales increased to ~\$100m in FY19
- Community Co Fresh launched including fresh chilled ready meals and fresh salads
- Key new lines include Value Add produce, sliced and specialty cheese, frozen chickens and ice cream
- Ten products received awards at "Product of the Year" recognition event (five in FY18)



Small format offer

- First of proposed 10 store trial of next generation IGA Express stores opened at Bondi, NSW in May 2019
- Focus on Fresh including meal solutions while also catering for a full grocery shop
- More efficient operating model allows for more competitive pricing
- Shopper behaviour to date in-line with expectations
- Number of customers up ~25%
- Fresh represents ~50% of total sales (ready meals ~10%)

Liquor – initiatives update



Store investment

- Continued improvement in the quality of IBA store network and shopper experience
- 81 stores 'refreshed' in FY19 (total stores 'refreshed' ~330)
- 110 cool room upgrades in FY19 (total cool room upgrades ~610)



Core range

- Focused on higher value premium products (wine and spirits) and aligned with consumption trends
- Range and programs tailored by retail banner
- Regional ranging strategy, with retailer flexibility to deliver local product offering
- Increase in coverage of 'Cellar Selections' premium range marketing program to ~250 stores
- IBA category and range extension program now in ~1,500 stores



Private & exclusive labels

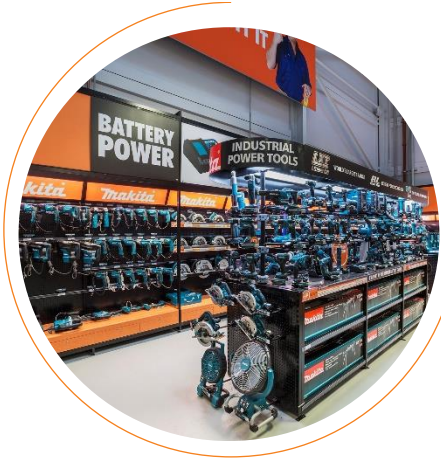
- Continued to evolve and premiumise private label range
- SKUs increased to ~80 across wine, beer and spirit categories
- Wine category sales up 20% on FY18. Now represents 85% of private label sales.
- Over 50 awards received across wine range in FY19
- Increased retailer margins and basket size



On-premise

- Renewed focus on 'on-premise' channel
- Strengthening alignment between key partners including suppliers and customers
- Better leverage of existing network
- Investment in 'on-premise' team
- New contract customers added during the period (Compass, Sodexo)

Hardware – initiatives update



Sapphire program

- Keeps stores modern and leading edge
- A further 30 stores upgraded in FY19. Total of 60 stores now upgraded.
- Average retail sales improvement >15%
- Expect to have ~200 stores upgraded by 2022
- Up to 50% investment contribution by IHG (between \$50k - \$200k depending on store size)



Trade focus

- Additional seven store conversions in FY19, bringing total stores completed to 11
- Targeting 40 low-cost Trade stores by 2022
- Average Metcash investment of ~\$120k per store



Hardings expansion

- Strong market position in Victoria
- New in-store at Tooronga ("Design 289")
- Progressing rollout into NSW and Tasmania
- Commenced selling into IHG network



Core range

- Continued to rollout core ranging program
- Program rollout expanded to HTH
- Sales growth of 7% to 23% across categories (fasteners, hand tools, power tools, paint and cements)



HTH integration

- HTH integration delivered a further ~\$10m of synergies in FY19 (cumulative delivered synergies ~\$34m)
- Additional savings through Working Smarter and MFuture

MFuture - next 5 years

Key initiatives

Food

- Retail brand offer – right brand for store size
- Core range and price – better everyday value
- Acceleration of DSA program
- Small format convenience store trial



Liquor

- National rollout of Porters Liquor
- Corporate store trial
- Grow share of 'on-premise' market
- Acceleration of digital capability



Hardware

- Retail growth through acceleration of Sapphire program including Core Range
- Trade growth through 'Trade Only' stores and 'Whole of House'
- Expand footprint of company-owned stores



Cost out

- Our aim is to offset the impact of inflation
- Initial savings identified of ~\$50m over FY20 and FY21



Progress on MFuture key initiatives will be provided in future results



Our 5 year vision

Delivering a pathway to sustainable growth

Our strategy

A balanced approach to revenue growth and cost out

- Accelerating successful current initiatives
- Following the shopper into new growth initiatives
- Improving our infrastructure to enable simpler and cheaper processes
- Ensuring we have a sustainable cost base into the future

Improved competitiveness for our retailer networks

- Product range
- Service
- Price
- Location

Matching store formats to customer shopping missions

- Trial of new formats and ownership models



Food

- While the market remained highly competitive, there was a continued improvement in the sales trajectory through the first quarter of FY20
 - Total Food sales¹ (including charge-through) for 1Q20 was up 0.6% vs pcp² (FY19: +0.3%³)
 - Supermarket wholesale sales (ex tobacco) declined 0.5% vs pcp² (FY19: -1.5%³)
- As announced, Metcash has entered into a five-year supply agreement with Drakes Supermarkets in Queensland. Metcash, however, expects to cease supplying Drakes Supermarkets in South Australia once their new DC becomes operational (expected to be 30 September 2019)



Liquor

- The “premiumisation” consumption trend has continued into the first quarter of FY20
 - Total Liquor sales (including charge-through) for 1Q20 was up 0.7% vs pcp² (FY19: +5.6%³)
 - Sales growth in FY19 included the benefit from cycling addition of new contract customers in FY18



Hardware

- Sales through the first quarter of FY20 are lower than the corresponding prior year period, reflecting the loss of a major customer in Queensland and a slowdown in trade sales
 - Total Hardware sales (including charge-through) for 1Q20 declined 4.4% vs pcp² (FY19: -0.9%³)
 - Total sales declined 2.8% vs pcp² in 1Q20 excluding the impact of lost HTH customer in Queensland (FY19: +0.3%³)

1. Food sales include both Supermarkets and Convenience sales.

2. Comparison of 1Q20 quarter sales (3 months ended July 2019) against 1Q19 quarter sales (3 months ended July 2018).

3. Comparison of FY19 annual sales (12 months ended April 2019) against FY18 annual sales (12 months ended April 2018).

Metcash Limited 2019 Annual General Meeting

28 August 2019

Championing Successful Independents

Metcash