Impairment of intangible and other assets

Metcash Limited (ASX:MTS) today announced that its financial statements for the half year ended 31 October 2019 will recognise a $237.4 million (post tax) impairment to goodwill and other assets in the Food pillar.

This impairment follows the company’s review of the carrying value of its assets undertaken as part of its process for preparation of the 1H20 financial statements. The review has taken into account the information contained in Metcash’s ASX release dated 22 November 2019 concerning 7-Eleven’s advice that it will not be renewing the current supply agreement with Metcash following its conclusion on 12 August 2020. This advice is expected to result in the loss of ~$15 million EBIT (annualised) in the Food pillar, after adjusting for mitigating costs savings.

In accordance with Australian Accounting Standards, the assessment of the carrying value of goodwill cannot take into account any future mitigating cost savings.

The impairment is non-cash in nature, has no impact on the company’s debt facilities or compliance with banking covenants.

The impairment charge will be disclosed separately as a significant item in the company’s 1H20 financial statements to be released on 5 December 2019.

Ends

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