



**Metcash Limited**

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

15 September 2023

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

Dear Sir/Madam

**METCASH LIMITED 2023 ANNUAL GENERAL MEETING AND TRADING UPDATE**

In accordance with ASX Listing Rule 3.13.3, please find attached the following documents that will be delivered at the Metcash Limited 2023 Annual General Meeting later today:

- Chairman's Address
- CEO Presentation, including trading update.

Yours faithfully

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

Julie Hutton  
Company Secretary

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These documents have been authorised by the Company Secretary of Metcash Limited, Julie Hutton, to be given to ASX.

# **Metcash 2023 Annual General Meeting**

## **Chairman's Address**

I will now provide you with an overview of how Metcash performed in FY23, as well as comment on other important matters such as our strategic direction, remuneration outcomes for the year, Board and Management changes and ESG.

I will then invite Doug to talk in more detail about the Company's operating performance as well as progress on our key growth initiatives.

Firstly, to the year in review.

As you may have already read, FY23 was a record year for us, and one that represents continued progress on the outstanding results delivered in the prior two years. To be able to deliver the growth we have, on top of the extraordinary growth in FY21 and FY22, is a great achievement.

Pleasingly, the growth momentum continued in all pillars driven by strong demand, the success of our strategic initiatives and the contribution from acquisitions.

Group sales, including charge through, increased 5.7% to exceed \$18bn for the first time, and underlying profit after tax was up 4.6% to a record \$308m. The last three years have seen extraordinary growth for Metcash, with Group revenue up 29.0% and earnings increasing more than 50%.

The continued strong performance is testament to the improved competitiveness of our retail networks and their dedication to serving their local communities, as well as the passion of our Metcash teams who are committed to our purpose of Championing Successful Independents.

Underlying earnings per share increased 6.4% to 31.8 cents a share, an increase of 45.9% over the three years.

The lift in earnings and strong financial position of Metcash led to dividends for FY23 increasing 5% to 22.5 cents a share fully franked, which is an increase of 80% over the three years. Total distributions to shareholders are a substantial \$804m over the same period.

Touching now on strategy.

Our purpose at Metcash is to Champion Successful Independents, and at the core of our strategy is to further improve their competitiveness. This includes continuing to lift the quality and value of their offer to shoppers, and strengthening and growing our own, and our network's capabilities to deliver value to our retailers and suppliers.

Our focus on both the shopper and retailer helps grow sales volumes, which is the key driver of Metcash's flywheel, and it underpins our competitive advantages and performance.

We remain committed to investing in growth and have a significant and expanding pipeline of opportunities across our pillars, particularly in Hardware.

The acquisition of Total Tools and the expansion of our network of joint venture and company-owned stores have been a real success, and present further growth opportunities for us.

Turning now to remuneration.

Short Term Incentive (STI) outcomes for Key Management Personnel (KMP) continued to be based on pool and scorecard results and, reflecting the delivery of outstanding results in FY23, ranged from 65% to 84% of the maximum potential reward.

During the year we reviewed our deferral practices for STI and, commencing in FY24, we are increasing the STI deferral component for the Group CEO from 33% to 40%, with a further increase to 50% in FY25.

The Group CFOs deferral component lifts from 25% to 33% in FY24, then to 40% in FY25 and 50% in FY26.

These changes are to bring us back in line with market best practice and ensure the interests of our most senior executives align with those of our shareholders.

Our FY21 Long Term Incentive vested this year at 100%. The Return on Funds Employed outcome was ~30%, and the Absolute Total Shareholder Return outcome was 21% which reflects growth of ~75% in our share price and dividends over the three-year performance period.

Now to ESG, which has been a significant area of focus for us.

We set an ambitious agenda for lifting our ESG credentials, and it was pleasing to see the Company's efforts recognised by Dow Jones in its Sustainability Index assessment. This year Metcash was placed in the 87<sup>th</sup> percentile of its designated international sector, compared with the 56<sup>th</sup> percentile just two years ago.

Significant progress was made against our ESG plans, including in the key areas of Environment and Climate, Our People and Community and Products.

Our emissions reduced by a further 5%, in line with the trajectory of our Paris Agreement-aligned 2030 science-based target for Scope 1 and 2 emissions.

From a people perspective, our key safety measure (Total Recordable Injury Frequency Rate) improved 34% to 19.9; we achieved our 40/40/20 gender diversity target at Board and Senior Management level; and our engagement and culture score improved.

Workplace engagement and culture continues to be a key focus for us, and it was pleasing to see further improvement this year. Our survey results placed us in the 71<sup>st</sup> percentile of internationally benchmarked companies for salaried employees, which is up from the 62<sup>nd</sup> percentile last year.

Donations through the Community Chest program increased 30% to \$3.1m and over 600 thousand meals and 22 tonnes of essential groceries were donated for those in need.

And from a reporting perspective, our 2023 Sustainability Report, which is available from our website, is referenced for the first time to the internationally accepted Global Reporting Index (GRI), and our climate disclosures are aligned to the Taskforce for Climate-Change Financial Disclosures (TCFD). These achievements have been made possible through the completion of three years of preparatory work.

Recognising the importance of safety and ESG at Metcash, the Board established a separate Safety and Sustainability Committee earlier this year. The Committee is chaired by Christine Holman, with Murray

Jordan and myself as members. The Committee oversees Metcash's strategy and reporting in these very important areas.

Turning now to KMP changes.

In March this year Grant Ramage succeeded Scott Marshall as Chief Executive Officer of the Food pillar. Scott had been with Metcash for more than 30 years, and with the Food pillar positioned well for the future, he believed it was the right time to pursue another career opportunity. I would like to record our thanks for Scott's significant contribution to Metcash throughout his long career with us.

Grant was most recently the Food pillar's Executive General Manager Merchandise and, as a member of the Food leadership group, has been a key contributor to the very strong performance of both the Food pillar and IGA network in recent years.

In July we announced the appointment of Deepa Sita as our new Group Chief Financial Officer (CFO) to succeed Alistair Bell, who had earlier advised of his intention to retire from the role.

Deepa is an experienced executive with an extensive career in finance and industry that spans more than 20 years. She is currently CFO of the largest FMCG company in Africa, Tiger Consumer Brands Limited, and was named South Africa's 2022 CFO of the year in the Finance and Technology, and Compliance and Governance categories.

Deepa will be joining us in January next year, and Alistair has kindly agreed to stay on until the end of February to assist with her transition. The Board and I would like to thank Alistair for this, and his efforts in helping oversee the Company's growth over the past three years.

Now to FY24 and the future.

While demand continues to be solid in all pillars, the impact of higher interest rates and cost of living is impacting consumer confidence and the behaviour of some customers and shoppers in our retail networks.

Doug will provide you with a short trading update in his presentation.

Importantly, Metcash is now much larger, more diversified and stronger than it was three years ago, and our management team and retail networks are experienced at managing well through challenges, including changes to the external environment.

The fundamentals for our businesses remain sound, supported by high unemployment, increasing population and immigration and continued government investment in infrastructure and housing.

We have healthy and supportive retail networks and an increasing pipeline of growth opportunities. Our financial position is strong, and we have an experienced management team to continue progressing our growth plans and focus on superior returns for shareholders through the cycle.

In closing, I would like to thank my fellow directors for their support to me in my first year as Metcash Chairman, and for their commitment and contribution over the year.

To the Metcash leadership team and all our people, our independent retailers and suppliers, I would like to express my thanks and that of the entire Board for your ongoing support.

And to you our shareholders, I would like to say a sincere thank you from me and the entire Board for your ongoing support.



# METCASH LIMITED

## 2023 Annual General Meeting

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15 SEPTEMBER 2023







*Care for Country*, Maggie-Jean Douglas, Naidoc week 2021 winning artwork

# Acknowledgement of country

I would like to acknowledge the Traditional Custodians of the lands from which we are all connecting today.

I am connecting from the land of the Gadigal people of the Eora nation, and pay my respects to elders across Country, past, present and emerging and I extend that respect to Aboriginal and Torres Strait Island peoples here today.

# Board of Directors



**Peter Birtles**

Non-Executive  
Chairman



**Doug Jones**

Group Chief  
Executive Officer



**Margie Haseltine**

Chair of the People, Culture  
and Nomination Committee



**Christine Holman**

Chair of the Safety and  
Sustainability Committee



**Mark Johnson**

Non-executive Director



**Murray Jordan**

Non-executive Director



**Helen Nash**

Chair of the Audit, Risk and  
Compliance Committee



**Julie Hutton**

Company Secretary



# Metcash Management



**Doug Jones**

Group Chief  
Executive Officer



**Alistair Bell**

Group Chief  
Financial Officer



**Grant Ramage**

CEO, Food



**Annette Welsh**

CEO, Independent  
Hardware Group



**Chris Baddock**

CEO, Australian Liquor  
Marketers



**Simon Burton**

Chief Strategy &  
Transformation Officer



**Julie Hutton**

Chief Legal Risk &  
Compliance Officer



**Danielle Jenkinson**

Group Chief People &  
Culture Officer



**Marij Kouwenhoven**

Chief Technology Officer

# Meeting Agenda

1. Receive and consider the financial report and reports of the directors and auditor for the year ended 30 April 2023
  - Chairman's Address
  - CEO review of financial performance
2. Resolution to re-elect Murray Jordan as a Director
3. Resolution to adopt the Remuneration Report
4. Resolution to approve grant of performance rights to Mr Douglas Jones, Group CEO

# Chairman's Address



**Peter Birtles**  
Metcash Chairman

# Review of FY23 Financial Performance



**Doug Jones**  
Group Chief Executive Officer



# About Metcash



## Our Purpose

Championing successful independents



## 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



## Our Vision

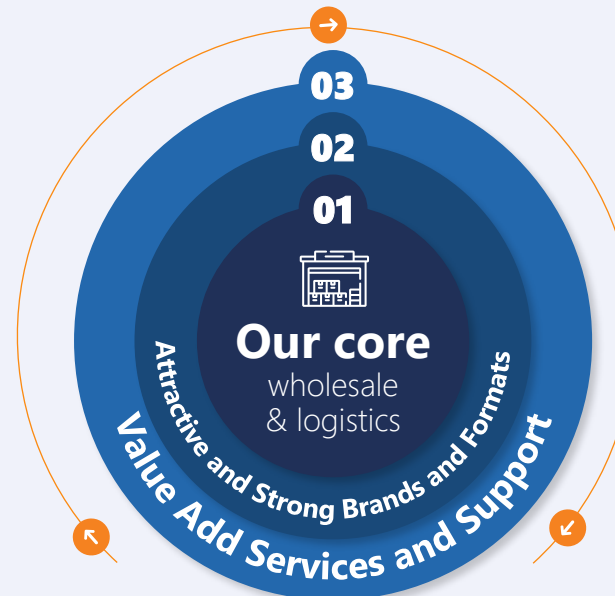
We are passionate about independents and support them to be the best store in their town and their communities to thrive. We aim to be the business partner of choice and help create a sustainable future. For our employees we aim to be a favourite place to work

## Creating Value – Our Flywheel

### Supply

Provide a multi-channel B2B platform

Provide an effective and efficient route-to-market choice for suppliers through our scale and independent partner network.



### Demand

Generate and capture for our customers

Provide best possible range of products to independent customers to meet their shoppers' needs, and support them with formats and tools to compete with national retailers.

# Group highlights



## Another record year

- Continuation of strong sales and earnings growth despite cycling very strong 2H22
- All pillars continued to perform well
  - Strong demand
  - Successful execution of strategic initiatives
  - Success of strategic acquisitions
- Pillar retail networks healthy, confident and continuing to reinvest
- Solid sales growth continued in first seven weeks of FY24
- Outstanding three-year growth rates
- Stable and attractive shareholder distributions
- Group well positioned for continued growth
  - Platform larger, more diversified and stronger
  - Significant and growing pipeline of opportunities
  - Strong financial position
  - Solid fundamentals in all pillars
  - Experienced management team
- Significant ESG achievements

# Group highlights



**Continuation of growth and momentum**

# 50%

3yr underlying EBIT growth

## Group revenue<sup>1</sup>

**+5.7%**  
vs 52 weeks<sup>2</sup>

to record **\$18.1bn**  
(+29.0% 3yr<sup>3</sup>)

## Group EBIT

**+8.1%**  
vs 52 weeks<sup>2</sup>

to record **\$501m** underlying  
(+49.5% 3yr)

## Profit after tax

**+4.6%**  
vs 52 weeks<sup>2</sup>

to record **\$308m** underlying  
(+54.7% 3yr)  
**\$259m** reported +7.6%

## Operating cashflow

**\$373m**

CRR 77%  
(2H: 120%)

## Earnings Per Share

**+6.4%**  
vs 52 weeks<sup>2</sup>

to **31.8cps** underlying  
(+45.9% 3yr)  
**26.8cps** reported

## Total FY23 dividends

**+4.7%**

to **22.5cps**  
(+80% 3yr)

1. Includes charge-through sales

2. Normalised growth (based on 52 week/52 week comparison)

3. 3yr comparison calculated on a normalised basis – sales have been adjusted to exclude the sales to Drakes and 7-Eleven in the relevant sales period as appropriate.

# Transformation – larger, more diversified and stronger



A substantially larger earnings base

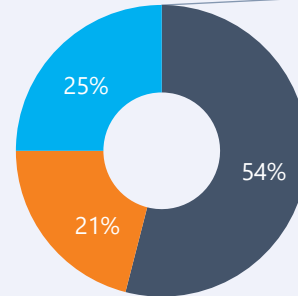


A balanced portfolio of businesses (Hardware now largest EBIT contributor)



Retail sales doubled

**FY20 EBIT<sup>1</sup>: \$335m**

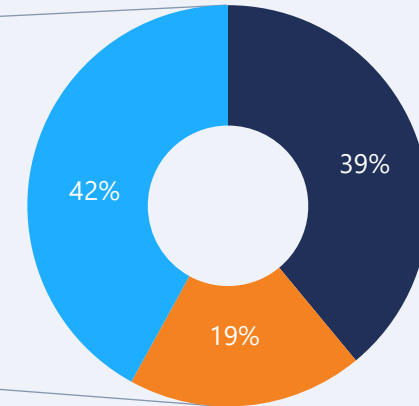


**FY20 retail sales: \$929m**

105 Hardware JV/Co owned stores

**50% EBIT growth**

**FY23 EBIT<sup>1</sup>: \$501m**



**FY23 retail sales: \$1.85b**

~40% of Hardware network rev.  
177 Hardware JV/Co owned stores

● Food ● Hardware ● Liquor



Stronger market positions, healthier and more competitive retail networks

## Food

Largest supplier to independent supermarkets in Australia



## Hardware

Leading supplier to S/M size builders  
#1 in Professional Tools  
#2 in DIY

## Liquor

2<sup>nd</sup> largest player and market outperformance



Growth opportunities

- ◇ New stores: independent and JV/company-owned
- ◇ Store upgrades
- ◇ New customers
- ◇ New categories
- ◇ Consolidation of fragmented market in Hardware
- ◇ Potential M&A

**Portfolio balanced and positioned for continued growth momentum**



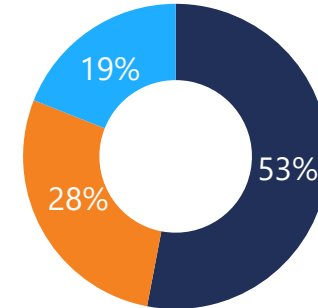


# Results overview by pillar

## Sales revenue

(including charge-through sales<sup>1</sup>)

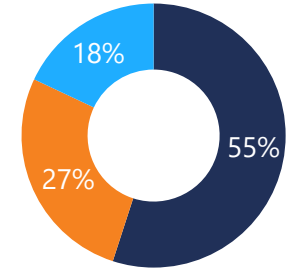
	FY23 \$m	FY22 <sup>2</sup> \$m	%	norm. <sup>3</sup> %	3yr <sup>4</sup> %
Food	9,604.3	9,522.3	0.9	2.8	16.6
Hardware	3,384.3	3,119.5	8.5	10.6	63.1
Liquor	5,063.8	4,763.9	6.3	8.3	37.7
<b>Total sales revenue (including charge-through sales)</b>	<b>18,052.4</b>	<b>17,405.7</b>	<b>3.7</b>	<b>5.7</b>	<b>29.0</b>
Less: Charge-through sales <sup>1</sup>	(2,249.0)	(2,240.9)	0.4		22.8
<b>Total sales revenue (Statutory Accounts)</b>	<b>15,803.4</b>	<b>15,164.8</b>	<b>4.2</b>	<b>6.2</b>	<b>21.3</b>



**FY23**

Total Pillar sales revenue  
\$18.1b

● Food ● Hardware ● Liquor

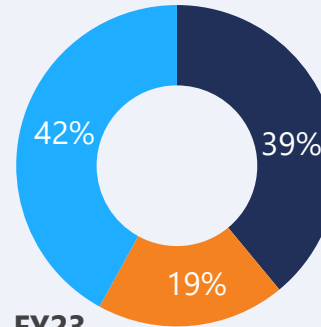


**FY22**

Total Pillar sales revenue  
\$17.4b

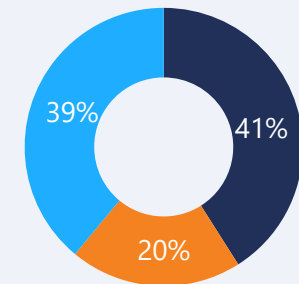
## Underlying EBIT

	FY23 \$m	FY22 \$m	%	norm. <sup>3</sup> %	3yr %
Food	204.0	200.3	1.8	3.8	11.7
Hardware	219.2	191.3	14.6	16.8	160.3
Liquor	104.1	97.4	6.9	8.9	43.0
<b>Business Pillars</b>	<b>527.3</b>	<b>489.0</b>	<b>7.8</b>	<b>9.9</b>	<b>55.2</b>
Corporate	(26.5)	(16.7)	58.7		452.1
<b>Total EBIT</b>	<b>500.8</b>	<b>472.3</b>	<b>6.0</b>	<b>8.1</b>	<b>49.5</b>



**FY23**

Total Pillar EBIT \$527m



**FY22**

Total Pillar EBIT \$489m

**Sales and earnings momentum continued in all pillars**



1. Direct sales from suppliers to retailers, invoiced through Metcash

2. FY22 total sales revenue (including charge-through sales) includes an estimated \$328.5m of sales from 53<sup>rd</sup> trading week (Food: \$179.7m; Hardware \$58.9m; and Liquor: \$89.9m)

3. Normalised growth (based on 52 week/52 week comparison)

4. Sales revenue calculated on a normalised basis – sales have been adjusted to exclude the sales to Drakes and 7-Eleven in the relevant sales period as appropriate

# Pillar strategic initiatives



## Food

### Improved value to support network competitiveness

- Network of the Future – continued strong progress
- ~55% store network upgraded target of 90% by FY26
- Investments into range, price, private/exclusive label and supply chain efficiency
- Further narrowing of IGA price gap to competitors
- Customer service levels maintained, above supplier inbound service levels
- New Victorian DC build on track

## Hardware

### Growing store and customer network together with retail/franchise excellence

- Store network growth through independent and company-owned stores
- Consolidation of fragmented market – proactively assessing opportunities
- Mitre 10 and Total Tools co-located sites
- Increased sales to existing customers- 'Whole of House'
- Trade-focused tools and ranges to expand trade customer base
- Exclusive brands offering

## Liquor

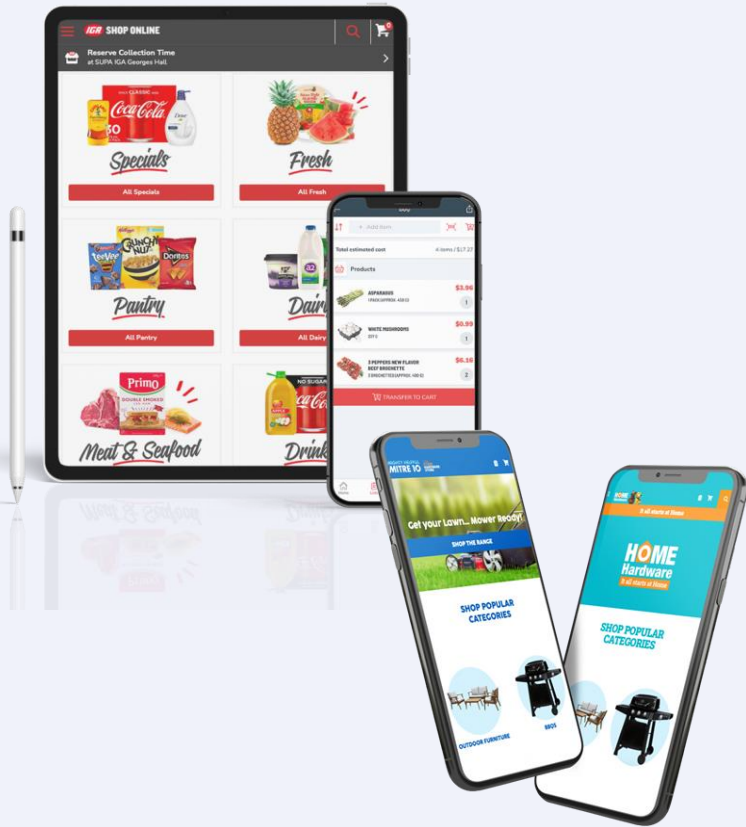
### Investment in network growth and enhancement

- Store and cool room upgrades
- Value for shoppers through loyalty programs
- Owned & Exclusive portfolio
- Shopper value programs
- Grow on-premise share

**MFuture and other strategic initiatives underpinning strong performance and returns**



# Digital & Horizon update



## Digital

**Accelerating digital progress for shoppers and retailers, and suppliers – focus on both B2C and B2B**

### Food

- Expansion of IGA Rewards and IGA Shop Online
- On-Demand performing strongly (Uber, DoorDash partnerships)
- ~60% of charge through sales now through “Sorted” (retailer/supplier marketplace)
- Sorted and R.O.S.S (retailer one stop shop) solutions

### Hardware

- Continued growth in loyalty (3.2m members across IHG/TT), online
- Expansion and increased take-up of IHG Trade Technology

### Liquor

- Continued growth in branded e-commerce platform, loyalty program, and commenced rollout of ALM Connect (retailer/supplier marketplace) and R.O.S.S.

## Horizon Stage 1

**Driving efficiencies, simplification and growth through replacement of legacy systems**

- Steady progress made – core finance, Blue Yonder forecasting and replenishment – seeing benefits
- Design >90% complete, build underway
- Build finalisation and deployment brought in-house
- Timeline extended to end FY25 to reduce risk and maximise outcomes
- Existing legacy ERP solution hardened and made more resilient (still requires replacement) to support less risky deployment approach
- No change to capital cost guidance, limited additional opex required

**Building a technology-enabled wholesaler and banner network with a modern architecture at the core**



# ESG highlights



## FY23 significant achievements

- Alignment with TCFD
- Alignment with GRI standards
- First standalone comprehensive Sustainability Report published
- 87<sup>th</sup> percentile<sup>1</sup> – Dow Jones Sustainability Index (up from 56<sup>th</sup> in FY21)
- 'B' assessment - Carbon Disclosure Project
- Modern Slavery Statement
  - Top third – Human Rights Law Centre
  - ACSI acknowledgement for ongoing improvement and sustained effort
- Sustainability finance facility established – \$525m



### Environment and climate



- Emissions reduced 5.2% to 73,659t CO<sub>2</sub>e – in line with targets
  - 2030 SBT Paris Agreement aligned (scope 1 & 2) – 42% reduction from 2020 baseline
  - Net Zero by 2040 (Scope 1 & 2)
- Updated estimate of Scope 3 emissions (1.158m tonnes CO<sub>2</sub>e) – assessment of reduction opportunities underway
- Target for waste to landfill reduction established (80% by 2028)



### Our people



- Key safety measure (TRIFR) improved 34% to 19.9
- Group employee engagement score improved 9 ppts to 71<sup>st</sup> percentile
- Gender diversity target (40/40/20) achieved at Board level – 50% female representation
- Gold accreditation from Mental Health Australia
- Employer of Choice from WGEA for gender equality – 5<sup>th</sup> consecutive year



### Community and products



- \$3.1m donated through Community Chest (up 30%)
- >606k meals and 22t of essential grocery items donated
- Australian Recycling Label on Food and Liquor private label products
- Battery recycling now available at >1,000 network stores
- Introduction of Metsafe database to improve scope of product-level data

**Continuing to make good progress against our ESG plans**





# Trading update – FY24 YTD (18 weeks to 3 September)

## Group

- Total Group sales increased 1.7%
  - Demand and sales continue to be at solid levels with all pillars delivering sales growth YTD
  - Increased cost of living pressures impacting some shoppers' behaviour, but differentiated offer of independents is continuing to resonate with many

## Food

- Total Food sales ex-tobacco increased 6.0% (+1.1% including tobacco)
- Total tobacco sales declined 11.0% (FY23: 6.8%) reflecting acceleration of illicit trade and decline in smoking
- Supermarkets wholesale sales ex-tobacco increased 6.2% (+1.0% including tobacco)
  - More consumers shopping around for promotions/discounts
  - IGA continues to be included in shopper repertoire
  - Continued strong focus on retailer competitiveness and differentiated value
- Wholesale price inflation (ex-tobacco and produce) 7.3% (Aug: 6.1%)

## Hardware

- Total Hardware sales increased 3.2%
- Total Tools sales increased 23.1% reflecting solid demand and the contribution from acquisitions
- Total IHG sales declined 1.0%
  - Prior comparative period included strong wholesale Trade sales with members responding to supply constraints
  - Retail network scan sales increased 1.1% (DIY +1.8%, Trade +0.5%)
    - Solid demand, particularly in DIY
    - Trade activity down on prior year but still at solid levels

## Liquor

- Total sales increased 1.7% with growth in retail partly offset by a decline in on-premise sales
  - Continued strong demand in retail network and from contract customers
  - Increase in preference for more 'value' options
  - On-premise patrons spending less



# Championing successful independents

