



ASX Announcement

24 August 2016

METCASH ANNOUNCES ACQUISITION OF HOME TIMBER & HARDWARE GROUP

- Metcash has entered into a binding agreement to acquire 100% of the Home Timber & Hardware Group (**HTH**) for cash consideration of \$165m
- Funded through a combination of equity (~\$80m) and debt (~\$85m)
- HTH has a strong trade focus and is highly complementary to Mitre 10
- Significant potential for synergies and the acquisition is expected to be EPS accretive

Acquisition of Home Timber & Hardware Group

Metcash Limited (**Metcash**) today announced that its wholly-owned subsidiary, Mitre 10 Australia Pty Ltd, has entered into an agreement with Hydrox Brands Pty Ltd, to acquire 100% of the Home Timber & Hardware Group (**HTH**) for cash consideration of \$165m.

The purchase price equates to a multiple of ~7 times underlying EBITDA, before synergies and an anticipated release of working capital.

The acquisition is expected to be ~4% EPS accretive in the first full financial year following completion of the acquisition, before implementation costs and post synergies.

The acquisition is unconditional and is expected to complete in early October.

The acquisition is in line with Metcash's strategy of being the leading independent wholesaler in each of its three Pillars. The acquisition will result in a combined hardware network of ~1,800¹ stores generating ~\$2bn in sales. The enlarged network will create an opportunity for synergies which are expected to benefit both retailers and shareholders.

Overview of HTH

HTH is an integrated hardware wholesaler and retailer, with over 1,200 stores in its network and strong retail brands including Home Timber & Hardware, Thrifty-Link, Hardings and Hudson Building Supplies. The national store network comprises 43 company-owned stores, 363 bannered independent stores and an additional 865 unbannered stores. These are supported by four distribution centres: two in New South Wales, and one in both Victoria and Western Australia.

Under the terms of the agreement Metcash will not acquire two loss-making stores or the Dandenong (Victoria) distribution centre, which is surplus to the requirements of the combined entity going forward.

For the year ended 26 June 2016 HTH recorded total sales of ~\$970m. As with Mitre 10, the business has a strong focus on trade customers which account for more than 60% of its sales.

¹ Includes ~1,235 unbannered stores. Neither Metcash nor HTH have sole-supply agreements with these stores and there is an element of overlap between Metcash and HTH.

Combined Network Strengthens Hardware Pillar

Combining the Mitre 10 and HTH networks will enable independent retailers from both groups to be more competitive as a result of the increased scale and efficiency opportunities.

Metcash Group CEO, Ian Morrice, said: “Both Mitre 10 and HTH are passionate about supporting independent retailers. The combination of the two businesses will mean that Metcash’s hardware business will have a turnover of ~\$2bn. This increased scale, together with the opportunity to realise significant efficiencies, will enable us to be more competitive and deliver a better outcome for both our hardware retailers and their customers.”

“The interests and values of Mitre 10 and HTH retailers are closely aligned. Our objective is to continue to build successful independent retailers and grow a vibrant independent hardware sector, for the long term.” Mr Morrice said.

Funding and Future Distributions

The acquisition will be funded through a combination of equity and debt comprising a fully underwritten institutional placement of \$80m (**Placement**) and \$85m in debt to be drawn from existing facilities.

Further details on the equity raising are contained in the Appendix to this announcement. Metcash shares will remain in a trading halt until the conclusion of the Placement.

Metcash’s balance sheet will remain strong following the acquisition of HTH and the associated underwritten \$80m institutional placement. Pro forma gearing at 30 April 2016 will increase marginally from 17% to 20%, reflecting the expected equity raising of \$80m and the \$85m increase in drawn debt.

In addition, a non-underwritten share purchase plan (**SPP**) capped at \$20m will be undertaken with proceeds used to reduce debt.

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 the FY17 final dividend.

Trading halt

Metcash requests that the trading halt in its ordinary shares which commenced from the start of trading today continue in place until the earlier of such time as it makes an announcement to the market in relation to the outcome of the Placement and the commencement of trading on Friday, 26 August 2016.

Metcash is not aware of any reason why the trading halt should not continue or of any other information necessary to inform the market about the trading halt.

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Retail investor enquiries:

Retail investors should address their enquiries to our Registry Manager -
Boardroom Pty Ltd
9.00am to 5.00pm Monday to Friday
1800 655 325 (callers within Australia) or
+61 2 9290 9600 (callers outside Australia)

Appendix – Additional information regarding capital raising

Placement

Metcash is undertaking a fully underwritten Placement to eligible institutional investors, of 40 million new Metcash shares to partially fund the acquisition of HTH. The Placement will be conducted at a fixed price of \$2.00 per new Metcash share (**Placement Price**) to raise \$80 million, representing a 2.9% discount to last close on Tuesday, 23 August 2016.

The Placement is fully underwritten by Macquarie Capital (Australia) Limited (**Macquarie**).

Metcash's shares will remain in trading halt today while the Placement is conducted. Normal trading in Metcash shares is expected to recommence tomorrow or such other time that is announced to the market.

New Metcash shares issued under the Placement will rank equally with existing Metcash shares and are expected to settle on Monday, 29 August 2016 and be allotted on the following business day, Tuesday, 30 August 2016.

SPP

In addition to the Placement, Metcash will also offer Eligible Shareholders² the opportunity to participate in an SPP, which will be capped at \$20 million, with the potential for scaleback if applications exceed the \$20 million cap.

The SPP will enable Eligible Shareholders to apply for up to \$10,000 worth of new Metcash shares, subject to scaleback. An SPP Booklet with further details on the SPP will be despatched to Eligible Shareholders on or around Monday, 5 September 2016.

The issue price of the new Metcash shares to be issued under the SPP (**SPP Shares**) will be the lower of:

- the price at which Metcash shares are issued to investors under the Placement; and
- a price which is a 2.5% discount to the volume weighted average price of Metcash shares traded on the ASX between Monday, 12 September 2016 and Friday, 16 September 2016 (**SPP Pricing Period**).

Funds raised from the SPP are expected to be applied by Metcash to reduce debt used to partly fund the acquisition.

New Metcash shares issued under the SPP will rank equally with existing Metcash shares.

² Being holders of fully paid ordinary shares in Metcash at 7.00pm (AEST) on the Record Date and whose address on the share register is in Australia or New Zealand, provided that such Shareholder is not in the United States, or acting for the account or benefit of a person in the United States. The SPP is also being extended to eligible shareholders who are custodians to participate in the SPP on behalf of certain eligible beneficiaries on the terms and conditions to be set out in the SPP Offer Booklet.

Key dates for the capital raising

Record Date for SPP (the date that eligibility to participate in the SPP Offer is determined)	7.00pm Tuesday, 23 August 2016
Trading halt, announcement of the acquisition, Placement bookbuild conducted	Wednesday, 24 August 2016
Announcement of completion of Placement, Metcash shares re-commence trading on ASX	Thursday, 25 August 2016
Settlement of new shares issued under the Placement	Monday, 29 August 2016
Allotment of new shares issued under the Placement, Placement Shares commence trading on ASX	Tuesday, 30 August 2016
SPP documentation distributed to Eligible Shareholders SPP opens	Monday, 5 September 2016
SPP Pricing Period	Monday, 12 September 2016 – Friday 16 September 2016 (inclusive)
SPP closes	5pm Friday, 16 September 2016
Allotment of new shares under SPP	Tuesday, 27 September 2016
SPP Shares commence trading on ASX	Wednesday, 28 September 2016
Despatch of holding statements and refund advice (if applicable)	Thursday, 29 September 2016

This timetable is indicative only and Metcash may, at its discretion, vary any of the above dates by sending a revised timetable to ASX. All times are Sydney time.

(ENDS)

Disclaimer

Further information in relation to the specific details of the Placement Offer described in this announcement including important notices and key risks, and including in relation to certain forward looking information, is set out in an investor presentation released to ASX today by Metcash. The information in the 'Disclaimer' and 'Key Risks' sections of the investor presentation applies to this announcement as if set out in full in this announcement.

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