



Metcash Limited

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14 May 2015

ASX Announcement

METCASH TO INVESTIGATE IPO OF AUTOMOTIVE DIVISION

Metcash Limited (MTS) is conducting a strategic review of its Automotive Division. As part of this review, the Board of Metcash is investigating a prospective IPO of the Automotive business.

The Metcash Automotive network includes several leading automotive franchise systems, namely Autobarn, Autopro, ABS and Midas. In addition, the business includes a leading automotive aftermarket parts and accessories wholesale operation. The Metcash Automotive Division generated revenue of approximately \$250m in the year ended 30 April 2015¹.

An IPO of the Automotive business would create a separate ASX listing and allow Metcash to invest the proceeds in both its balance sheet and its core businesses.

A further update will be provided at Metcash's FY15 full year results announcement on 15 June 2015. Metcash cautions investors that there is no certainty that a transaction will result from the strategic review.

Metcash has appointed Citi to advise on the strategic review and the potential IPO.

Accompanying this Announcement is a 'Metcash Automotive Company Introduction' document providing an overview of the Metcash Automotive business.

ENDS

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¹ Unaudited management accounts for the 12 months ended 30 April 2015.

Metcash Automotive

Company introduction



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BUSINESS INTRODUCTION



Metcash Automotive

A leading Australian automotive parts supplier

Generating approximately \$250m in revenue⁽¹⁾



Key facts

Australian market position

Largest automotive aftermarket franchise network⁽²⁾



"Auto store of the year"
2013 & 2014 Roy Morgan Customer Satisfaction Awards⁽³⁾

Customers

3,000+ customer accounts⁽³⁾

Products and sales⁽¹⁾⁽⁴⁾

~130,000 SKUs stocked

~\$250m in Group revenue

Including ~\$175 million wholesale sales

Logistics

10 Distribution centres

Up to 3 daily deliveries made












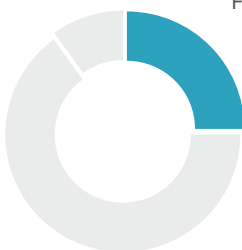

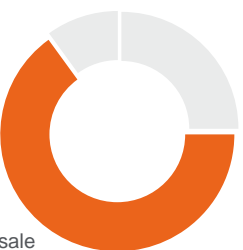
Pickup service and overnight nationally

People

~520 employees⁽⁵⁾

Note: (1) Unaudited management accounts for the 12 month period ending 30 April 2015 (2) Based on branded network store numbers; (2) 2014 Roy Morgan Customer Satisfaction Award <http://www.roymorgan.com/findings/6072-retail-winners-customer-satisfaction-201502182343>; (3) Represents those customers who maintain accounts with Metcash Automotive; (4) Page 4 shows sales split by segment. (5) Jan 2015.

An integrated franchise and wholesale business



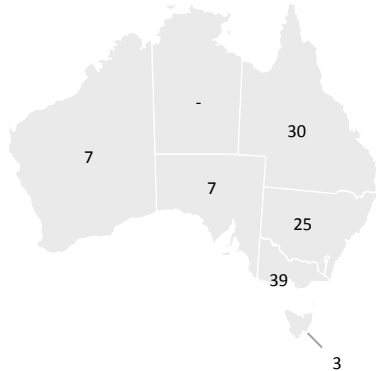
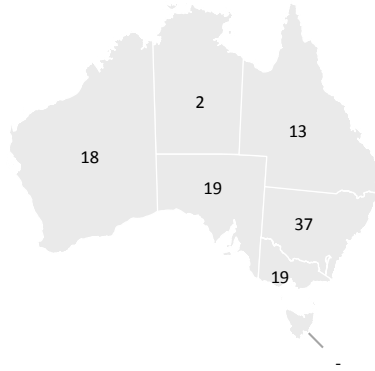
	1 Franchise network	2 Service	3 Wholesale operations
Market position	Australia's largest automotive aftermarket franchise network	Multiple brand entries in a highly fragmented market	A leading automotive wholesale network
Key brands	Automotive Brands Group (ABG)   	 	     
Network scale	~\$400m in network sales ⁽¹⁾ 276 stores nationally ⁽²⁾	~\$110m in network sales ⁽¹⁾ 140 stores nationally	~\$175m in network sales ⁽¹⁾
Revenue contribution (3)	 <p>Franchise Fees</p>	 <p>Service</p>	 <p>Wholesale</p>

Note: (1) Unaudited management accounts for the 12 month period ending 30 April 2015 excluding CarParts which represents the 12 month period ending 31 March 2015; (2) Includes CarParts stores; (3) Includes retail sales in company owned service centres.

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Franchise network – Automotive Brands Group (ABG)

ABG is the franchisor of two automotive aftermarket franchise networks. Attractive economics support network success and growth.



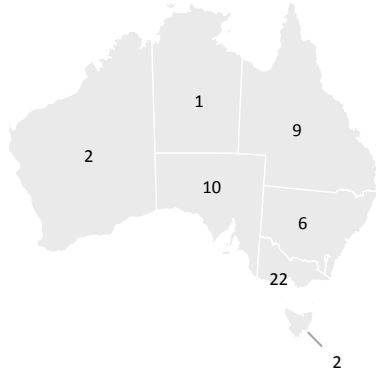
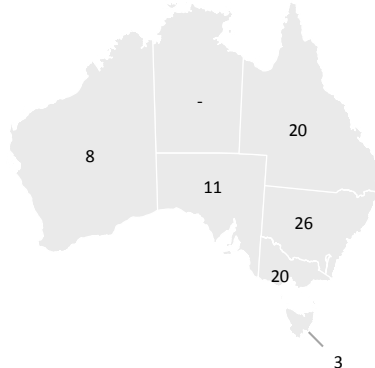
Brands			Comments
Network	111 stores... ~\$250m of network sales ⁽¹⁾	108 stores... ~\$140m of network sales ⁽²⁾	<ul style="list-style-type: none">• Significant network
Positioning	<ul style="list-style-type: none">• Metro focused sites and key regional centres - Prominent and high traffic locations - 95% retail sales, 5% trade⁽²⁾• Customer service and knowledge is key differentiation	<ul style="list-style-type: none">• Strong regional network• 30 year brand heritage• 65% retail sales, 35% trade⁽¹⁾	<ul style="list-style-type: none">• Attractive economics support network growth• Diversified mix of metro and regional sites
Footprint			<ul style="list-style-type: none">• Differentiated offerings in market• Head office support provided to franchisees:<ul style="list-style-type: none">– Learning and development– Store fit out and leasing support– Price file maintenance– IT support

Note: (1) Unaudited management estimates of total annual franchisee sales for the 12 month period ending 30 April 2015; (2) Includes CarParts, based on unaudited management estimates for the 12 month period ending 31 March 2015.

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Service

Metcash Automotive is the franchisor of a major automotive service franchise network. Both ABS and Midas are trusted brands with long histories in Australia.

Brands					Comments
Network	52 stores...	~\$50m of servicing ⁽¹⁾	88 stores...	~\$60m of servicing ⁽¹⁾	<ul style="list-style-type: none"> • Major servicing network
Positioning	<ul style="list-style-type: none"> • Established in 1981 • Positioned as general service provider with brake specialisation <ul style="list-style-type: none"> – <i>Specialisation is key differentiation</i> 		<ul style="list-style-type: none"> • Established in 1976 • General service specialisation 		<ul style="list-style-type: none"> • Brand equity driving customer throughput • Very long brand history in the market
Footprint					<ul style="list-style-type: none"> • Multi-channel brand strategy

Note: (1) Unaudited management estimates of total annual franchisee sales for the 12 month period ending 30 April 2015.

3 Wholesale operations

Metcash Automotive is a major aftermarket parts wholesaler. From a network of 10 distribution centres it supplies a large range of proprietary and heritage branded products.

Key customers

Retail

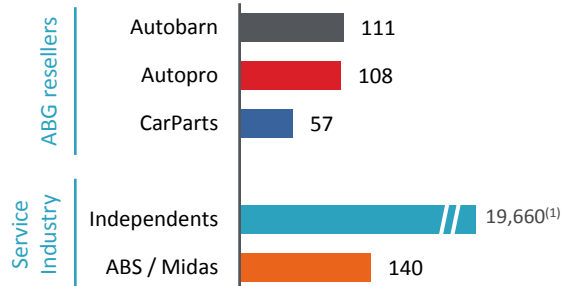


Trade

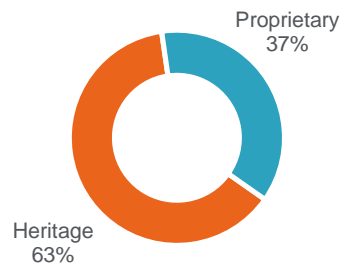
3,000+
customers

Offering tailored product suites

A diverse industry



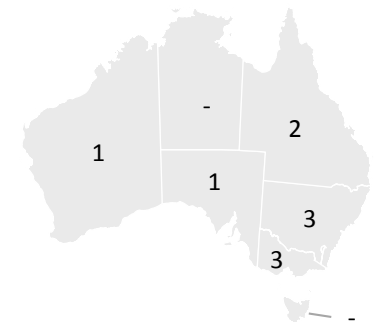
Wholesale brand mix⁽²⁾



From a national DC footprint

- National distribution capability
- Consolidated supply and freight
- ~130,000 SKUs carried, with access to further range depth on order
- Highly flexible service capability
- More than 50,000m² of storage space

Distribution centre footprint



Note: (1) Australian Auto Aftermarket Survey 2013; (2) Unaudited management estimates for the 12 month period ending 30 April 2015.

INDUSTRY OVERVIEW

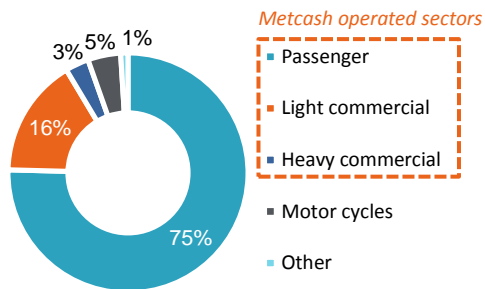


Automotive aftermarket overview

The Australian automotive aftermarket sector is underpinned by the number of registered cars, and the average age of this fleet.

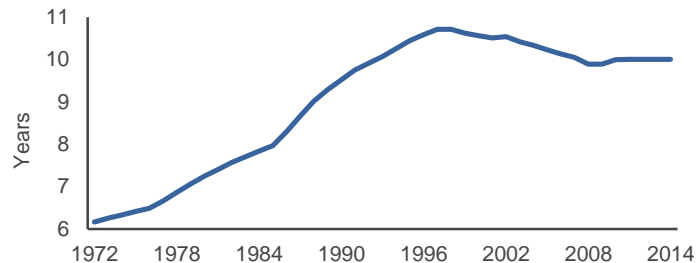
17.6m aging cars...

Type of registered vehicles (2014)



Source: Australian Bureau of Statistics "Motor Vehicle Census" (2014).

Average vehicle age of registered vehicles



Source: Australian Bureau of Statistics "Motor Vehicle Census" (2014).

Customers move to the aftermarket sector after 3-5 years with the original equipment dealer

... creating a very large industry

\$12bn⁽²⁾ wholesale industry

Accessories	Cooling	Tyre
Filtration	Battery	Suspension
Fluids	Chemicals	Electrical
Brake	Oils	General

Supplying...
\$30bn retail industry

Retail	Trade
Service	Tyre

MAH Participation

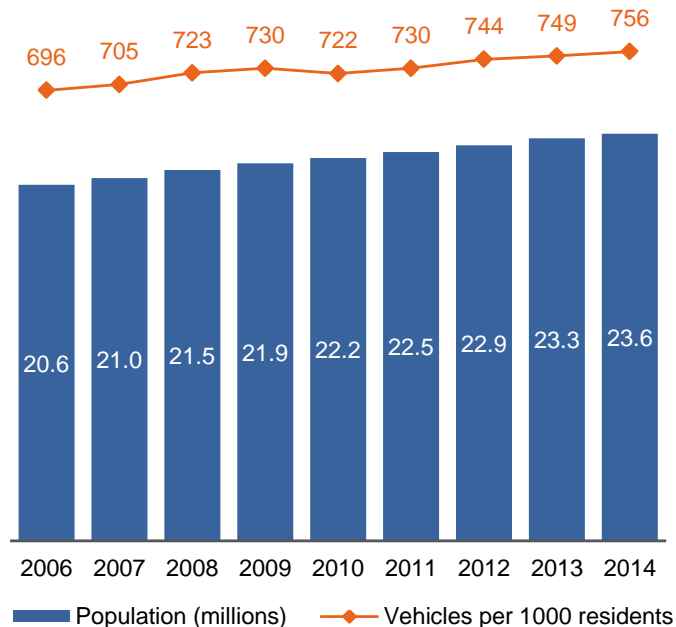
Metcash Automotive focuses on high margin car parts, selling to retail, trade and service customers

Notes: (1) Sourced from various IBIS World Reports (2014 – 2015) with unaudited management estimates applied; (2) Ibis World "Motor Vehicle New Parts Wholesaling in Australia" (2014).

Long term industry growth

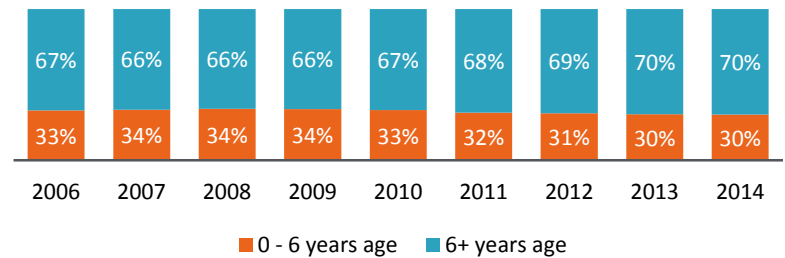
The industry has been characterised by long term growth. Per capita vehicle ownership has grown alongside population growth, with older cars driving longer distances.

Population and per capita vehicle ownership



Source: Australian Bureau of Statistics "Motor Vehicle Census" (2006 – 2014), Australian Bureau of Statistics "Australian Demographic Statistics" (2011 – 2014)

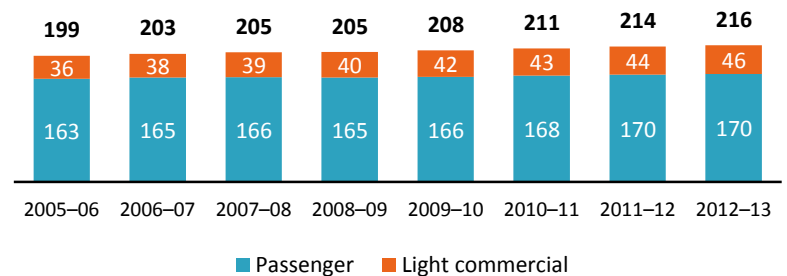
Passenger vehicle population by age



Source: Australian Bureau of Statistics "Motor Vehicle Census" (2006 – 2014).

Total vehicle kilometres travelled

Billion vehicle kilometres travelled



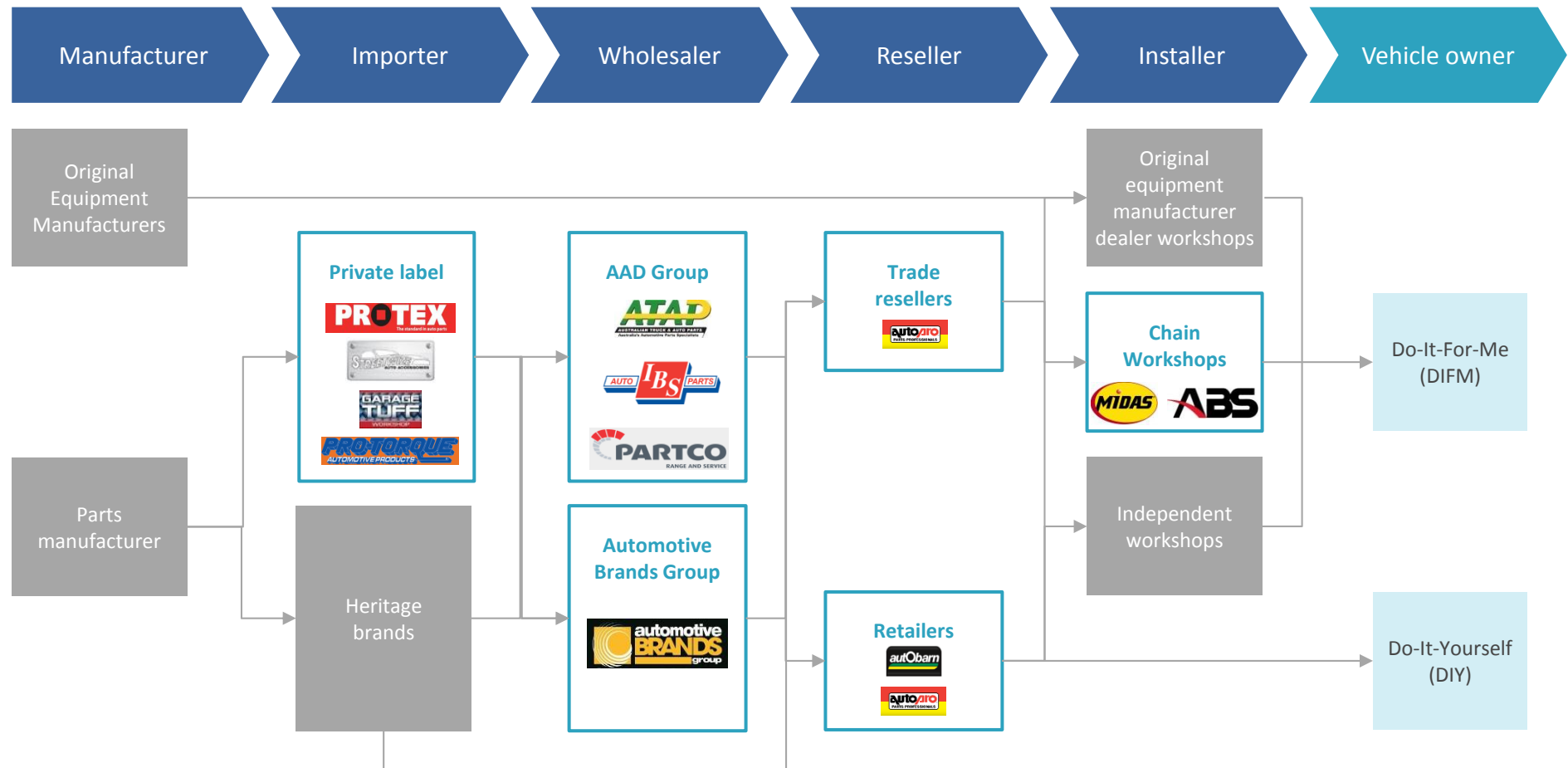
Source: Department of Infrastructure and Regional Development "Yearbook 2014: Australian infrastructure statistics" (2014).

KEY INVESTMENT HIGHLIGHTS



Well positioned across the automotive parts value chain

The automotive parts value chain has remained complex. Metcash Automotive operates throughout the value chain, and is well positioned to both capture margins and drive consolidation.

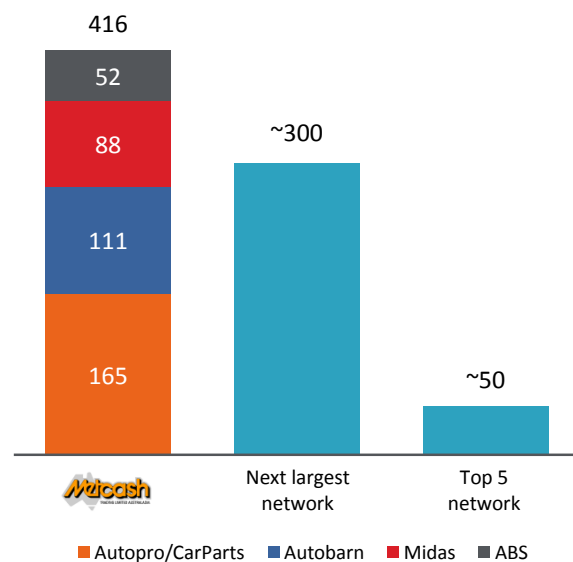


A leading, growing automotive aftermarket franchise network

A leading automotive aftermarket franchise network spanning Australia, generating defensive income for the group. Strong network growth over the last twelve months by store numbers⁽¹⁾.

Large and growing store network⁽²⁾

A leading store presence with 400+ stores
Strong network growth LTM by store numbers⁽¹⁾



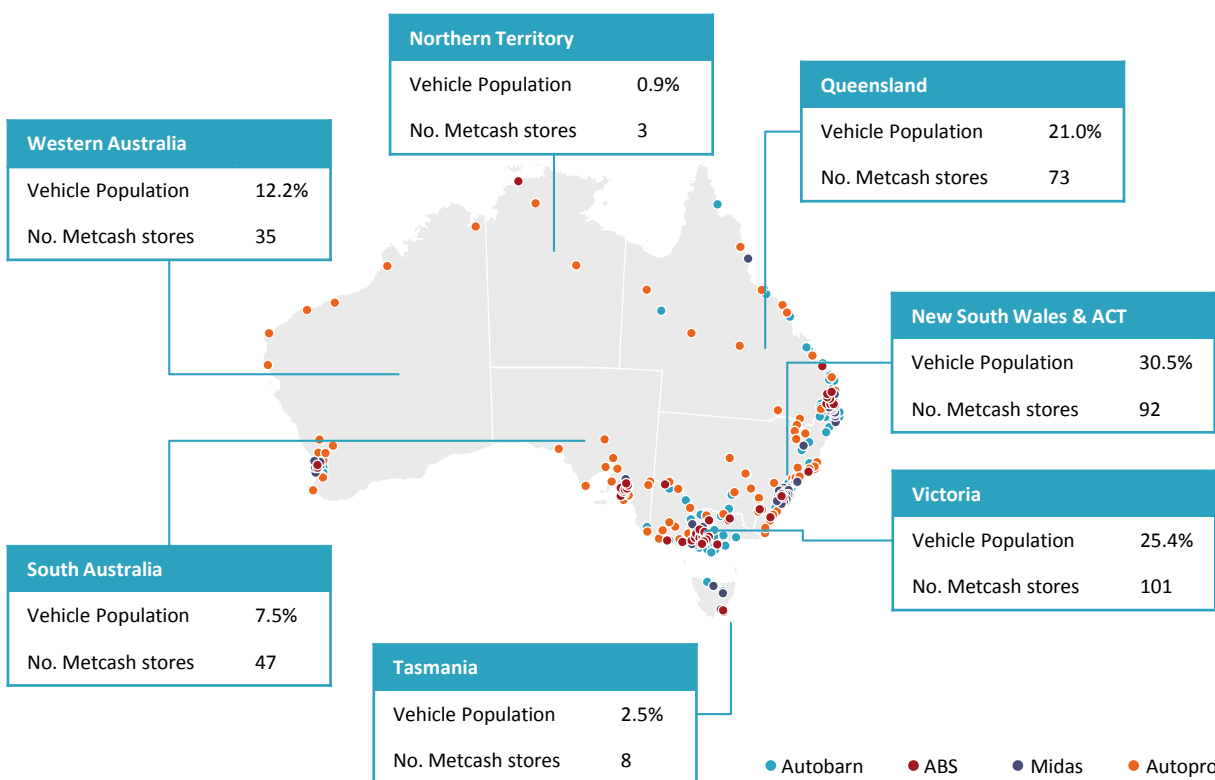
Brand recognition



**Auto Store of the Year
2013 & 2014⁽³⁾**

*Roy Morgan Customer
Satisfaction Awards*

Diverse geographies⁽⁴⁾



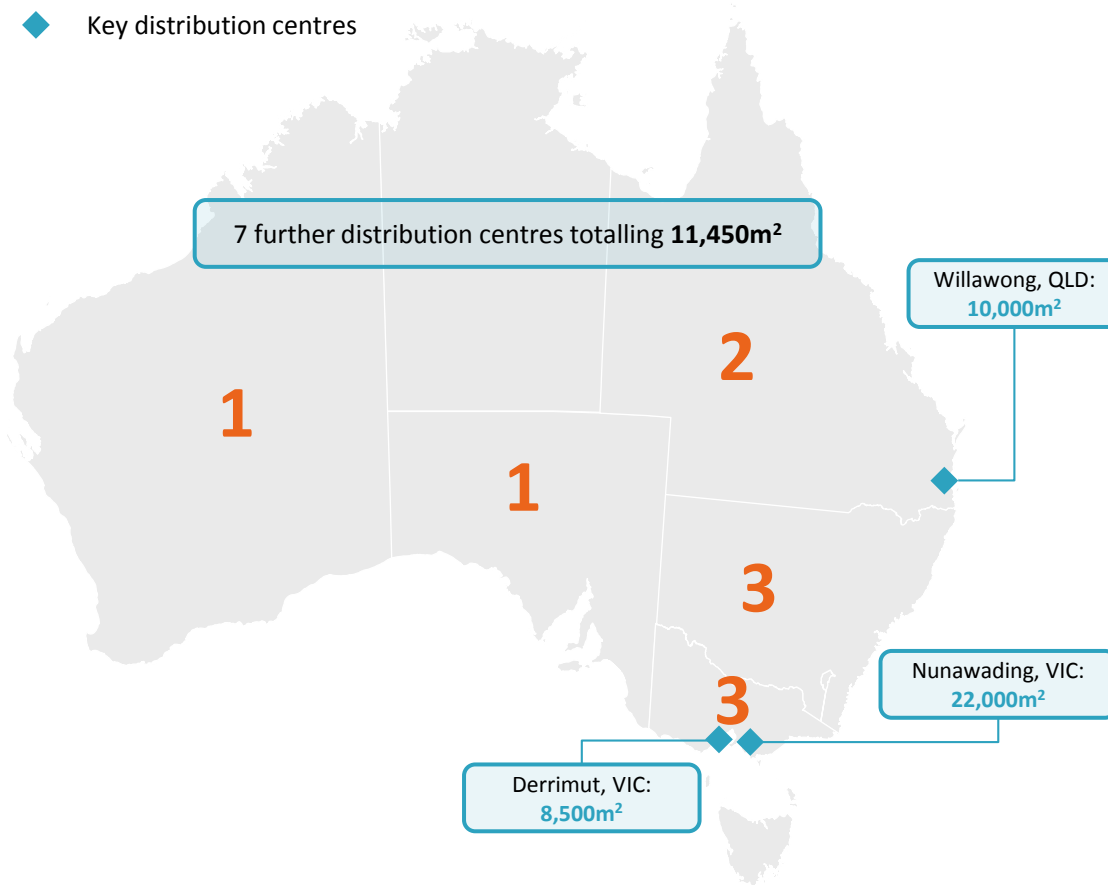
Notes: (1) Includes acquisitions of Midas. Excludes CarParts; (2) Competitor store numbers sourced from company websites, company filings & management records; (3) 2014 Roy Morgan Customer Satisfaction Award <http://www.roymorgan.com/findings/6072-retail-winners-customer-satisfaction-201502182343>; (4) Population of passenger and light commercial vehicles only, sourced from Australian Bureau of Statistics "Motor Vehicle Census" (2014). Metcash stores exclude CarParts.

Underpinned by a national distribution network

National distribution network

Distribution centres per state

◆ Key distribution centres



Key facts

Products

- 130,000 SKUs carried in stock
- Access to further range depth on customer order

Service

- Up to 3x scheduled daily delivery, national overnight service, weekly palletised stock order, palletised catalogue delivery program

Systems

- MometumPro integrated ERP in most locations, significant national upgrade ongoing to facilitating more efficient inventory management
- IFS Smartfreight solution integrated with ERP provides Transport Management System, freight consolidation and optimisation opportunities

Logistics & delivery



- Weekly order – palletised shipments
- Daily, overnight – freight company



- Up to 3x daily delivery run – combination of internal and external resources
- Pick up
- Overnight interstate – freight company

Proprietary brands offer enhanced margins

Proprietary brand offering

Multi brand strategy for retail & trade

Brands



Accessories / Tools



Protex brand a market leader

A leading auto parts brand in Australia for over 10 years

Wide range of parts and accessories

Pads / friction



Rotors



Suspension / steering



Engine general



Clutch



Engine cooling



Wiper blades



Car covers



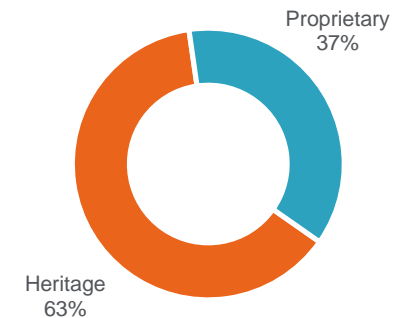
Other accessories



Key benefits

Driving competitiveness for franchisees and Metcash Auto

Wholesale brand mix⁽¹⁾



- Meaningful pull-through of adjacent sales given Protex has a leading position
- Ownership key point of difference; allows for control over brand, marketing and distribution
- Capacity to develop new products

Notes: (1) Unaudited management accounts for the 12 month period ending 30 April 2015.

SUMMARY



Summary

✓ A leading Australian automotive aftermarket parts supplier

✓ Well positioned across the value chain

✓ Attractive, growing market

✓ A leading, growing automotive aftermarket franchise network

✓ Long term industry growth

✓ Underpinned by a national distribution network

✓ Integrated franchise and wholesale business

✓ Strong proprietary brands and capacity to develop