



Metcash Limited

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NSW 2113 Australia

28 November 2016

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

Dear Sir/Madam

METCASH LIMITED – 2017 HALF YEAR RESULTS PRESENTATION

Please find attached the Metcash Limited 2017 Half Year Results presentation.

Yours faithfully

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

Julie Hutton
Company Secretary



FY17 Half Year Results

28 November 2016



1H17 Group Update

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

Our purpose and vision

OUR PURPOSE

SUCCESSFUL INDEPENDENTS

Independence is worth fighting for!

OUR MODEL



OUR VALUES

INTEGRITY IS THE FOUNDATION OF OUR VALUES:

- Supporting our customers and suppliers
- Our people are empowered and accountable
- Adding value in our community

OUR VISION

Best store in every town

- Differentiated offer & service
- Celebrating Individuality
- Loved by Locals

Business Partner of choice for Suppliers and Independents

- Australia's leading portfolio of independent retail brands
- World Class Wholesaler

Passionate about Independents

- Unlocking the potential of our people
- Inspiring future leaders

Thriving communities, giving shoppers choice

- Championing local entrepreneurs
- Pipeline of aspiring new business owners
- Sustainable

OUR MARKETS



FOOD



LIQUOR



HARDWARE

Group overview

- Highly competitive trading conditions continued through 1H17, particularly in Food & Grocery
- Group EBIT down 4% to \$128.1m
 - Liquor EBIT up 5% – driven by retailer conversion strategy, well positioned for further consolidation and margin improvement
 - Hardware EBIT up 8% – solid performance from Mitre 10, competitive position strengthened with acquisition of HTH
 - Food & Grocery EBIT down 8% – Supermarkets impacted by an intense trading period, expansion of competitor footprint in SA and WA and closed stores. Campbells business impacted by decline in reseller volumes
- Independent retailers investing in growing their businesses through new footprint and store refurbishments
- Hardware and Liquor acquisitions have diversified Group earnings
- Working Smarter program progressing well – on track to deliver ~\$100m of annualised cost savings by FY19
- Strong balance sheet

Financials

BRAD SOLLER

GROUP CHIEF FINANCIAL OFFICER

Home Timber & Hardware ('HTH') acquisition

- HTH acquisition completed 2 October 2016
- Purchase consideration of ~\$163m including estimated working capital adjustment
- Funded through a combination of equity (\$93m) and existing debt facilities (~\$70m)
- Acquisition accounting is provisional, currently includes no goodwill
- 1H17 includes 3 weeks of HTH trading, contributing \$51m in sales
- No material contribution to earnings in 1H17
- 2H17 EBIT contribution from HTH anticipated to be >\$10m (excluding integration costs)
- Synergy target of \$15m-\$20m annual run rate by end of FY18, after sharing benefits with retailers

Net assets acquired ¹	\$m
Trade receivables and loans	171.1
Inventories	125.6
Property, plant and equipment	26.1
Deferred tax assets	8.5
Trade payables and provisions	(168.1)
Net assets	163.2

1. Acquisition accounting to be finalised in 2H17

Profit & Loss – Group overview

	1H17 \$m	1H16 \$m	Change
Sales ¹	6,629.0	6,606.0	0.3%
EBITDA	159.7	165.0	(3.2%)
Depreciation and amortisation	(31.6)	(31.3)	(1.0%)
EBIT	128.1	133.7	(4.2%)
Net finance costs ²	(12.9)	(12.8)	(0.8%)
Tax	(31.7)	(33.5)	5.4%
Non-controlling interests	(0.7)	(0.5)	nm
Underlying profit after tax	82.8	86.9	(4.7%)
Transaction costs ^{3,5}	(4.5)	-	na
Working Smarter implementation costs ⁵	(3.4)	-	na
Discontinued operations ^{4,5}	-	35.1	na
Reported profit after tax	74.9	122.0	(38.6%)
EPS based on underlying profit after tax ⁶	8.8c	9.4c	(6.4%)

1. Group sales in 1H17 includes 3 weeks (\$51.5m) of HTH sales relating to post acquisition period

2. Net finance costs in 1H16 includes a \$9.6m gain relating to finance facility restructure

3. Transaction costs relate to the HTH acquisition

4. Discontinued operations for 1H16 included \$31.4m profit after tax on the sale of the Automotive business (sold 31 July 2015) and Automotive trading profit after tax of \$3.7m for the pre-sale period

5. Costs are reported on a post-tax basis

6. Underlying profit after tax / weighted average shares outstanding. Underlying profit excludes the significant items and discontinued operations separately disclosed above

Cashflows

	1H17 \$m	1H16 \$m
Net cash from operating activities	130.6	3.1
Net cash from/(used in) investing activities	(141.6)	237.0
<i>Disposal of businesses</i>	1.6	239.7
<i>Disposal of surplus assets and loan repayments</i>	30.7	33.0
<i>Acquisitions of businesses</i>	(154.9)	(9.6)
<i>Capital expenditure</i>	(19.0)	(26.1)
Dividends paid and other financing activities	(3.9)	(7.6)
Equity raised	92.8	-
Reduction in net debt	77.9	232.5

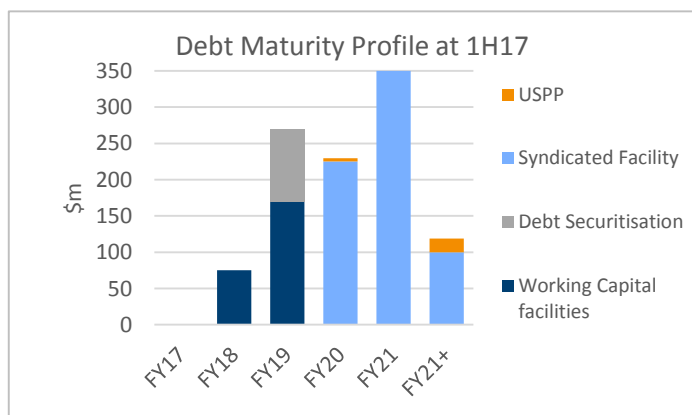
Balance Sheet

	1H17 \$m	FY16 \$m	1H16 \$m
Trade receivables and prepayments	1,150.9	967.7	1,055.0
Inventories	917.6	673.6	803.5
Trade payables and provisions	(1,974.8)	(1,632.0)	(1,801.6)
Net working capital	93.7	9.3	56.9
Intangible assets	1,125.0	1,127.5	1,141.4
Property, plant and equipment	262.8	251.9	269.6
Equity accounted investments	106.7	102.9	103.7
Customer loans and assets held for resale	50.9	72.5	56.9
Total funds employed	1,639.1	1,564.1	1,628.5
Net debt	(197.6)	(275.5)	(435.3)
Tax, put options and derivatives	96.9	80.5	82.0
NET ASSETS/EQUITY	1,538.4	1,369.1	1,275.2

- HTH acquisition accounting is provisional and includes \$120.0m of net assets at 1H17:
 - Working capital \$85.4m
 - Property, plant and equipment \$26.1m
 - Deferred tax assets \$8.5m
 - No intangible assets

Borrowings

- Net debt reduced to \$198m
- Average net debt of ~\$375m
- Retired additional \$140m of debt facilities
- Refinanced \$270m of existing debt facilities
- Average tenor increased to 3.3 years
- Average interest rate on drawn debt of 4.1%
- No significant maturities in FY17 or FY18



	1H17	FY16
NET DEBT	\$m	\$m
Gross debt	(243.8)	(301.9)
Cash and cash equivalents	46.2	26.4
Net debt	(197.6)	(275.5)
Total available facilities	1,044.4	1,184.6

DEBT METRICS		
Weighted average debt maturity	3.3 years	2.7 years
Weighted average cost of debt ¹	4.1%	4.2%
% Fixed debt	74.6%	59.1%

DEBT RATIOS		
Interest coverage ²	12.4x	9.2x
Gearing ratio ³	11.4%	16.8%
Underlying EBITDAR coverage ⁴	3.2x	3.1x
Gross debt coverage ⁵	0.7x	0.9x

1. Weighted average cost of debt at end of financial period

2. Underlying EBITDA/Net Interest Expense. Net interest expense in FY16 has been adjusted to exclude a \$9.6m one-off gain

3. Net Debt (hedged)/(Shareholder Equity + Net Debt (hedged))

4. Underlying EBITDAR/(Net interest expense + Net rent expense) (rolling 12 months). Net interest expense in FY16 has been adjusted to exclude a \$9.6m one-off gain

5. Gross Debt (hedged)/Underlying EBITDA (rolling 12 months)

Divisional Results

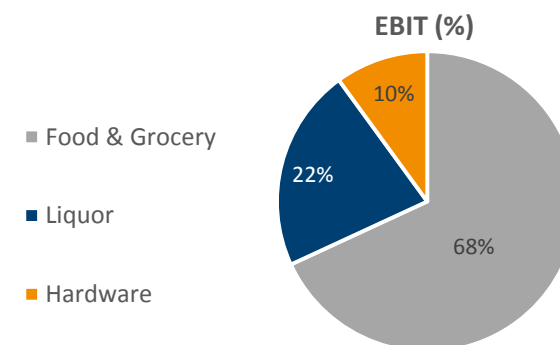
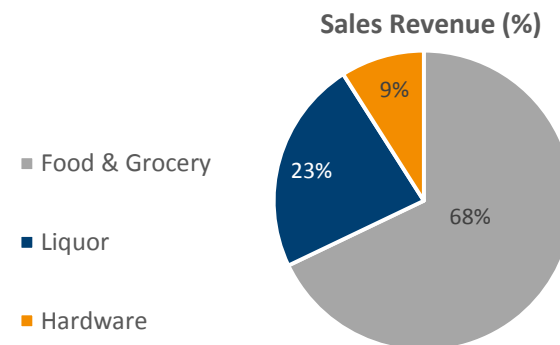
IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

Results – overview by pillar

Sales	1H17 \$m	1H16 \$m	Change
Food & Grocery	4,487.6	4,540.2	(1.2%)
Liquor	1,559.8	1,535.1	1.6%
Hardware	581.6	530.7	9.6%
Total	6,629.0	6,606.0	0.3%

EBIT	1H17 \$m	1H16 \$m	Change
Food & Grocery	84.5	91.9	(8.1%)
Liquor	27.1	25.9	4.6%
Hardware	12.5	11.6	7.8%
Business Pillar Total	124.1	129.4	(4.1%)
Corporate ¹	4.0	4.3	
Total	128.1	133.7	(4.2%)



1. Corporate includes a net \$4.9m (1H16: \$4.2m) profit on sale of surplus retail properties

Food & Grocery - overview

Market Conditions

- Further increase in competitive intensity
- Deflation in retail prices continued
- Promotional activity, including Loyalty, has intensified across the sector
- Increased competitor retail store footprint in SA and WA

Diamond Initiatives

- Cost of Price Match investment now reflected in earnings base
- DSA stores: Total completed ~190 (41 in 1H17), on track to have a further ~60 completed by end of FY17
- DSA retail and warehouse sales uplift of 13%¹
- Core Ranging (Mini DSA) pilots completed – implementation to commence in 2H17
- Working Smarter delivering savings
- Community Co. mid-tier private label range launched in 2H17

Network investing for growth

- Multi-store owners investing for growth
 - Ritchies acquired Fishers and completed 3 DSA refurbishments
 - Chapley's investing in key SA stores and Foodland to open 8 by end FY18
 - Romeo's NSW expansion
- 18 new stores opened in 1H17 and an additional ~20 new stores in pipeline for 2H17

Convenience

- Key CSD contract negotiations completed
- Significant Working Smarter initiatives being implemented
- Expected to generate a positive EBIT in 2H17



1. Represents retail sales uplift in DSA stores since project commencement

Food & Grocery – Best Store in Town



Tramsheds – Harold Park, NSW



Taylor Road IGA, WA



Dromana IGA, VIC



Happy Valley Foodland, SA



Peregian Beach IGA, QLD

Mitcash

Food & Grocery – sales

Supermarkets

- Total sales declined 1.0%
- Increased weighting of tobacco in sales mix, reflective of excise price increase
- Wholesale sales (excluding tobacco) declined 4.0% reflecting:
 - Uplift from strategic initiatives and new store openings of ~1.3%
 - Sale of stores and store closures (~1.5%)
 - Deflation (~1.8%)
 - Increased competitor promotional activity and competitor entry into SA and WA (~2.0%)
- Teamwork score maintained at ~70%
- IGA Retailers have experienced growth for last 5 reporting periods, with total LfL sales¹ up 0.3% (FY16: up 1.4%)

Convenience

- Total sales declined 2.0%
- Increase in CSD sales more than offset by impact of decline in reseller volumes in Campbells

Sales	1H17 \$m	1H16 \$m	Change
Supermarkets	3,729.1	3,766.2	(1.0%)
Convenience	758.5	774.0	(2.0%)
Total	4,487.6	4,540.2	(1.2%)
EBIT	84.5	91.9	(8.1%)
EBIT (%)	1.9%	2.0%	(14bps)



1. Scan data from 1,061 IGA stores

Food & Grocery - EBIT

Food & Grocery

- Food & Grocery EBIT declined \$7.4m to \$84.5m due to lower earnings in both Supermarkets and Convenience

Supermarkets

- Supermarkets earnings declined \$2.0m to \$88.8m
- Margin pressure due to change in sales and promotional mix
- Partly offset by Working Smarter savings

Convenience

- Operating loss of \$4.3m in 1H17 (1H16: \$1.1m profit) impacted by write downs and a decline in sales in Campbells
- Key CSD contract negotiations completed with improved earnings expected in 2H17
- Significant Working Smarter initiatives being implemented

	1H17 \$m	1H16 \$m	Change
Sales			
Supermarkets	3,729.1	3,766.2	(1.0%)
Convenience	758.5	774.0	(2.0%)
Total Sales	4,487.6	4,540.2	(1.2%)
Total EBIT	84.5	91.9	(8.1%)
EBIT (%)	1.9%	2.0%	(14bps)



Liquor - overview

Market conditions

- Consumer habits continue to shift to higher quality, less volume consumption (health and wellbeing trend)
- Smaller, more frequent shopping behaviours continue to increase, playing to our strength of small format stores
- Continuing high level of competition, driven by big box retailers

Initiatives update

- Improve shopper experience
 - Network investment program continued with ~60 stores “refreshed” and ~70 cool room upgrades
- Focus on category growth
 - Category and range extension into higher value products (wine and spirits)
 - Continued Private Label growth – predominantly in wine

Network investing for growth

- Consolidation strategy continued
 - Acquisition of Thirsty Camel (NSW, Tas) in September
 - Acquisition of Big Bargain (Tas) to complete in 2H17
 - Independent Retailers investing in growing their businesses to improve store standards and shopping experience
- Customer satisfaction – Cellarbrations customer satisfaction score of 93%¹



1. Roy Morgan Liquor Store satisfaction survey (August 2016)

Liquor - financials

Sales

- Total sales increased 1.6%
- Wholesale sales through IBA bannered network increased 6.1% pcp
- LfL retail sales¹ in IBA bannered network increased 2.5%
- Approximately 55% of sales through IBA bannered network

	1H17 \$m	1H16 \$m	Change
Sales	1,559.8	1,535.1	1.6%
EBIT	27.1	25.9	4.6%
EBIT (%)	1.7%	1.7%	5bps

EBIT

- EBIT increased 4.6% to \$27.1m
- Working Smarter process simplification
- Continued improvement in CODB



1. Represents LfL retail sales growth in ~1,048 bannered stores

Hardware - overview

Market conditions

- Ongoing high level of competition
- Competitor stock liquidation negatively impacted market
- Unseasonal adverse weather

Initiatives update

- Retail excellence – further 4 Sapphire stores completed (total now 16) with average sales uplift of 17%
- Core ranging program implemented across a number of key ranges



HTH Acquisition

- Acquisition (completed 2 October 2016) in line with strategy of being leading independent wholesaler in each pillar
- Created ~\$2bn hardware business, positioning Metcash as clear #2 in the sector
- Positive engagement with retailer network
- HTH retention rebate of 2% provided by vendor was discontinued in October
- Integration commenced and progressing well – target completion end of FY18. Initial focus:
 - Support office and distribution centre consolidation
 - Inventory review and core ranging
 - Systems integration
- 2H17 EBIT contribution from HTH anticipated to be >\$10m (excluding integration costs)
- Synergy target of \$15m-\$20m annual run rate by end of FY18, after sharing benefits with retailers

Hardware - financials

Sales

- Includes \$51.5m HTH sales for post acquisition period
- Mitre 10 sales in line with pcp. Impacted by:
 - Unseasonal adverse weather
 - Cycling of closed stores
 - Competitor liquidation sales
- Mitre 10 wholesale LfL sales up 1.7% (1H16: +1.3%)

EBIT

- No EBIT contribution from HTH in 1H17
- Mitre 10 EBIT increased by \$0.9m despite flat sales, reflecting focus on cost efficiencies
- Synergy benefits from HTH acquisition expected to be realised in FY18

	1H17 \$m	1H16 \$m	Change
Sales	581.6	530.7	9.6%
EBIT	12.5	11.6	7.8%
EBIT (%)	2.1%	2.2%	(4bps)



Working Smarter

- On track to deliver targeted annualised savings of ~\$100m over 3 years (FY17-FY19)
- Forecast to exceed FY17 target of \$35m. Initiatives include:
 - Redesign and alignment of Supermarkets operating model
 - Distribution Centre efficiencies
 - Corporate cost savings
 - Renegotiation of non-trade procurement contracts
- Strong program governance framework implemented to sustain cost reduction throughout FY18 and FY19
- One-off implementation cost of \$4.8m incurred in 1H17, anticipate FY17 cost of ~\$15m

Working Smarter will make doing business with Metcash simpler for customers, suppliers and our people through:



SMARTER BUYING



SIMPLER WAYS OF WORKING



FOCUS ON OUR SALES CHANNELS



BUILD THE POSITIVE ASPECTS OF OUR CULTURE

By simplifying the way we operate we can meet the future needs of our customers, retailers and suppliers.

Group Outlook

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

Group outlook

- FY17 includes a 53rd trading week¹
- Liquor pillar – positive momentum expected to continue in 2H17
- Hardware pillar – earnings contribution from Home Timber & Hardware in 2H17
- Food & Grocery pillar – despite significant headwinds, 2H17 earnings expected to be greater than 2H16
 - Includes an additional trading week
 - FY17 Working Smarter cost savings weighted to second half
 - Repositioned Convenience business expected to generate a positive EBIT in 2H17
- No FY17 interim dividend declared as per guidance. Expect to recommence dividend in FY18
- The Group continues to focus on supporting Australian Independent Retailers to be ‘The Best Store in Town’

1. The 53rd week comprises four business trading days over the week ending Sunday 30 April 2017 (Anzac Day is on 25 April)

Appendices

1. Financial highlights
2. Bannered store numbers
3. Hardware acquisition
4. Contact details

Financial highlights

	1H17	1H16	1H15	1H14	1H13
Financial Performance					
Sales (\$m)	6,629.0	6,606.0	6,515.3	6,471.9	6,246.3
EBIT (\$m)	128.1	133.7	153.2	175.4	197.0
Net finance costs (\$m)	(12.9)	(12.8)	(24.0)	(28.5)	(29.8)
Underlying profit after tax (\$m)	82.8	86.9	92.5	99.6	113.3
Reported profit after tax (\$m)	74.9	122.0	101.7	98.9	82.0
Operating cash flows (\$m)	130.6	3.1	128.0	229.3	144.7
Cash realisation ratio (%) ¹	122.6%	2.0%	93.8%	174.6%	131.5%
Financial Position					
Shareholder equity (\$m)	1,538.4	1,275.2	1,654.7	1,583.5	1,613.1
Net debt (hedged)	197.6	435.3	756.1	803.6	677.7
Gearing ratio (net hedged) ² (%)	11.4%	25.4%	31.4%	33.7%	29.6%
Return on funds employed ³ (%)	16.5%	13.8%	14.5%	18.2%	22.2%
Share Statistics					
Fully paid ordinary shares	975.6	928.4	903.3	880.7	880.7
Weighted average ordinary shares	941.3	928.4	896.0	880.7	838.4
Underlying earnings per share (cents)	8.8	9.4	10.3	11.3	13.5
Reported earnings per share (cents)	8.0	13.1	11.4	11.2	9.8
Dividends declared per share (cents)	-	-	6.5	9.5	11.5

1. Cash flow from operations / Reported NPATDA (depreciation and amortisation not tax effected)

2. Net Debt (hedged)/(Shareholder Equity + Net Debt(hedged))

3. Underlying EBIT / Average funds employed (rolling 12 months)

Bannered store numbers








	October 2016	April 2016
Pillar		
Supermarkets	1,684	1,678
Campbells	18	18
Liquor	2,571	2,674
Hardware	755	378
TOTAL	5,028	4,748

	Supermarkets	Liquor	Hardware
Store movement			
Number of stores at April 2016	1,678	2,674	378
Stores joined banner during the period	44	135	5
Stores left banner during the period	(38)	(238)	(9)
HTH bannered stores acquired			381
Number of stores at October 2016	1,684	2,571	755

Bannered store numbers

	October 2016	April 2016
Supermarkets		
Supa IGA	406	415
IGA	825	822
IGA-Xpress	203	202
Total IGA bannered stores	1,434	1,439
Friendly Grocer / Eziway	250	239
Total Supermarkets	1,684	1,678
Liquor		
Cellarbrations	544	518
Bottle-O & Bottle-O Neighbourhood	558	601
IGA Liquor	464	491
Other	1,005	1,064
Total Liquor	2,571	2,674
Hardware		
Mitre 10	307	310
Home Timber & Hardware and related brands	381	-
True Value Hardware	67	68
Total Hardware	755	378

Hardware - acquisition creates significant scale

	Metcash	HTH	Independent Hardware Group
Key Brands	 	   	
Sales (\$m) ¹	~\$1,100m	~\$970m	~\$2b
Trade Retail sales split ¹	55% 45%	62% 38%	59% 41%
Company-Owned Stores ²	30 majority owned 23 minority interest ⁴	41 wholly owned ⁵	71 majority / wholly owned ⁵ 23 minority interest
Bannered Stores ²	~370	~380	~750
Unbannered Stores ^{3,6}	~370	~865	>500
DC Locations	Qld, Vic, WA	NSW (2), Vic, WA	QLD (1), Vic (1), WA (2), NSW (2) ⁵
Number of Employees (FTE) ¹	~980	~1,600	~2,580

Notes:

1. Year ended April 2016 for Metcash Hardware. Year ended June 2016 for HTH

2. As at October 2016

3. Year ended April 2016 for Metcash Hardware. As at December 2015 for HTH

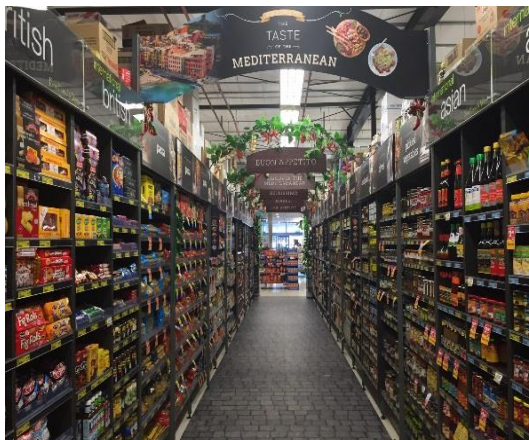
4. Stores held through 8 separate joint ventures

5. The portfolio has been adjusted to reflect the two stores and one distribution centre (Victoria) not being acquired by Mitre 10

6. Neither Metcash nor HTH have sole-supply agreements with unbannered stores. Combined unbannered network excluding overlap is ~500 stores

Food & Grocery – Best Store in Town

1
INDIVIDUAL
Character



SERVICE
WITH
Soul
2



3
Heart
OF THE
COMMUNITY



Mitcash

Disclaimer

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Metcash

FY17 Half Year Results

28 November, 2016