



Metcash Limited

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

30 August 2017

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

Dear Sir/Madam

METCASH LIMITED 2017 ANNUAL GENERAL MEETING

In accordance with Listing Rule 3.13.3, please find attached the following documents that will be delivered at the Metcash Limited 2017 Annual General Meeting later today:

- Chairman's Address
- CEO Presentation

Yours faithfully

A handwritten signature in black ink, appearing to read 'Julie Hutton', followed by a period.

Julie Hutton
Company Secretary

**Metcash Limited**

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NSW 2113 Australia

30 August 2017

**2017 Annual General Meeting
Chairman's Address**

Ladies and Gentlemen

I will now provide an overview of our strategy, our financial performance for the year, and other matters such as remuneration and the recent appointment of a new Group CEO to succeed Ian Morrice when he retires from the role.

I will then invite Ian to review the company's financial performance and outlook in more detail, as well as expand on our businesses and their strategic initiatives.

Turning first to the company's strategy and performance.

The 2017 year was one of achievement, change and challenge for Metcash. We faced some of the most difficult external conditions in our history. This was particularly evident in our Supermarkets business where the continuation of intense competition led to continued price deflation.

Our ability to deliver pleasing financial outcomes and continue to successfully execute our strategic initiatives in these conditions is, I believe, admirable.

Our strategy continues to focus on ensuring that independent family-owned retail businesses can thrive across the markets we serve. Key to this is supporting our retail customers to be the 'Best Store in Town' with a differentiated offer tailored to their local community.

We made significant progress with our 'Best Store in Town' initiatives, with a further 100 stores completing the Supermarkets' Diamond Store Accelerator program. This brings the total number of stores that have completed the program to 250. We also completed an additional 10 stores under the Sapphire Store Refurbishment program in Hardware. These have led to some truly remarkable stores that are receiving strong customer support. Ian will elaborate on this as well as show you some examples.

From a financial perspective, we reported an underlying profit after tax for the year of \$194.8m, an increase of 9.3% over the prior year.

It is important to note that FY17 includes an additional trading week compared to last year, and the contribution from Home Timber & Hardware since its acquisition in October last year.

The underlying profit for the year excludes \$22.9 million of costs related to the acquisition and integration of the Home Timber & Hardware Group, and restructuring costs related to our Working Smarter program aimed at simplifying the way we do business.

The Working Smarter program has delivered significant savings, and reflects considerable effort and dedication from our people. The importance of this work in the context of the current difficult trading environment cannot be underestimated.

Turning now to the acquisition of HTH.

HTH is a leading national hardware operator, and highly complementary to our Mitre 10 business. The increased scale the acquisition provides through the creation of Australia's second largest hardware player, now known as the Independent Hardware Group, will enable the expanded network to operate more efficiently and competitively.

The acquisition is also important for the diversification it provides to our Group earnings, which is in line with our strategic focus on ensuring the financial position of the company remains strong and resilient.

The integration of the two businesses is progressing well. We have a very capable management team that is doing a great job bringing together two very sizeable and complex businesses.

As mentioned at our full year results announcement, we now expect annualised synergy benefits from the integration to be at the top end of our \$15-\$20 million target range by the end of this financial year.

You will have noted a special resolution is required in relation to financing arrangements associated with the acquisition. I will address this later in the meeting.

Strengthening our financial position has been a strategic priority for a number of years, and it is pleasing to report that we have reduced net debt by almost \$700 million since FY14. This is a significant achievement.

It was our strong financial position that underpinned the Board's decision to bring forward the recommencement of dividends, with the payment of a 4.5 cent per share fully franked final dividend for FY17.

The Board has also decided to target a dividend payout ratio of 60% commencing in FY18.

Going forward, while there is still much to do, we are well positioned to weather the current difficult market conditions and pursue our growth opportunities and cost efficiencies. We have a strong financial foundation, our strategic initiatives are delivering and there is strong leadership through your Board and senior management.

I would now like to briefly comment on Remuneration.

We continued to refine our remuneration framework during the year to deliver market-aligned practices, and to take into consideration concerns raised at last year's AGM. Our initiatives included a reduction in the weighting of the Short Term Incentive component of total remuneration, and the inclusion of more objective performance measures through moving to a balanced scorecard for all executives.

Remuneration outcomes for the year included a 44% reduction in total bonuses paid to key management personnel compared to the prior year, and fees for non executive directors being left at a consistent level for the fifth consecutive year.

I will provide some further information on remuneration when we discuss Resolution 5.

Last month we announced that Jeff Adams will succeed Ian Morrice as Group Chief Executive. This followed earlier advice from Ian that he intended to retire from the role in 2018.

Ian has held this position since June 2013, and has overseen the repositioning of the company through a consumer focus, a strong balance sheet and putting in place a very capable management team to take the business forward. He also led transformation initiatives that have seen many of our Independent Retail customers improve their competitive position. I would like to sincerely thank Ian for his significant effort and achievements.

Jeff has broad international experience in the retail and wholesale industries and is ideally suited to lead the company's continued focus on supporting the success of Independent Retailers. He has held a number of senior positions with Tesco PLC over a 20 year period, including CEO of Tesco Kipa in Turkey, CEO of Tesco Lotus in Thailand, Retail Operations Director of Fresh & Easy in the US, and Director of Operations of Tesco Express in the UK.

Jeff will join Metcash in early September and, following a comprehensive orientation of the business will work with Ian to ensure a smooth transition into the role. He will succeed Ian as Group CEO following completion of the transition in December. Ian will then act as an adviser to Jeff and the Board through to June next year.

Finally, on behalf of the Board, I would like to thank you our shareholders for your support.

I would also like to thank my Board colleagues, the leadership team and all of our partner suppliers and retailers for their ongoing support as we work to ensure a sustainable and healthy Independent Retailer network.

Thank you.



Annual General Meeting

30 August 2017



Review of Financial Performance

Ian Morrice
Group Chief Executive Officer

Our purpose and vision

SUCCESSFUL INDEPENDENTS

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 MARKETS



FOOD



LIQUOR



HARDWARE

OUR VISION



**BEST STORE
IN TOWN**

BEST STORE IN EVERY TOWN

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



**BUSINESS PARTNER
OF CHOICE**

BUSINESS PARTNER OF CHOICE FOR SUPPLIERS AND INDEPENDENTS

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



**PASSIONATE ABOUT
INDEPENDENTS**

PASSIONATE ABOUT INDEPENDENTS

- Unlocking the potential of our people
- Inspiring future leaders



**THRIVING
COMMUNITIES**

THRIVING COMMUNITIES, GIVING SHOPPERS CHOICE

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

"INDEPENDENCE IS WORTH FIGHTING FOR"

Group overview

- Group sales revenue up 5.4% to \$14.12bn
- Group EBIT increased 8% to \$296.7m (including 53rd trading week and acquisition of HTH)
 - Hardware EBIT up \$15.7m (48%) – continued strong performance from Mitre 10 and earnings from HTH in 2H17
 - Liquor EBIT up \$4.9m (8%) – continued growth in the retail (IBA) network
 - Food EBIT in line with prior year despite intense competition and difficult trading conditions in WA, reflecting the benefits of the 53rd trading week and lower operating costs
- Underlying net profit after tax increased 9% to \$194.8m
- Earnings diversified through acquisitions in Hardware and Liquor
- Working Smarter program delivering significant benefits
- Strong operating cash flows
- Strong balance sheet
- Dividend recommencement brought forward due to balance sheet strength

Profit & Loss

	FY17 \$m	FY16 \$m	% Change
Sales revenue ¹	14,121.9	13,402.5	5.4%
EBITDA	360.2	335.7	7.3%
Depreciation and amortisation	(63.5)	(60.3)	5.3%
EBIT	296.7	275.4	7.7%
Net finance costs ²	(25.5)	(27.0)	5.6%
Tax	(74.6)	(68.4)	(9.1%)
Non-controlling interests	(1.8)	(1.7)	(5.9%)
Underlying profit after tax³	194.8	178.3	9.3%
HTH acquisition and integration costs (post tax)	(9.5)	-	-
Working Smarter restructure costs (post tax) ³	(13.4)	-	-
Discontinued operations (post tax) ⁴	-	38.2	-
Reported profit after tax	171.9	216.5	(20.6%)
EPS based on underlying profit after tax	20.3c	19.2c	5.7%
ROFE ⁵	18.5%	16.5%	200bps

1. FY17 sales include \$253.5m from the 53rd trading week and HTH sales since acquisition of \$521.5m

2. Net finance costs in FY16 included a \$9.6m gain relating to a finance facility restructure

3. Working Smarter restructure costs of \$6.4m (post tax) incurred in FY16 were included in underlying profit after tax in that year

4. Discontinued operations in FY16 include \$34.5m profit after tax on the sale of the Automotive business (sold 31 July 2015) and Automotive trading profit of \$3.7m for the pre-sale period

5. ROFE based on average of opening and closing funds employed

Balance Sheet

	30 April 2017 \$m	30 April 2016 \$m
Trade receivables and prepayments	1,133.3	967.7
Inventories	759.2	673.6
Trade payables and provisions	(1,811.4)	(1,632.0)
Net working capital	81.1	9.3
Intangible assets	1,152.7	1,135.5
Property, plant and equipment	242.1	251.9
Equity accounted investments	103.3	102.9
Customer loans and assets held for resale	51.9	72.5
Total funds employed	1,631.1	1,572.1
Net debt	(80.8)	(275.5)
Tax, put options and derivatives	87.1	72.5
NET ASSETS/EQUITY	1,637.4	1,369.1

Results overview by pillar

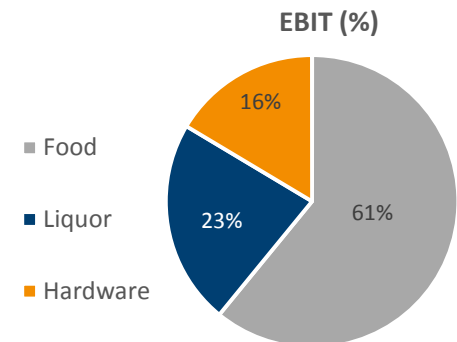
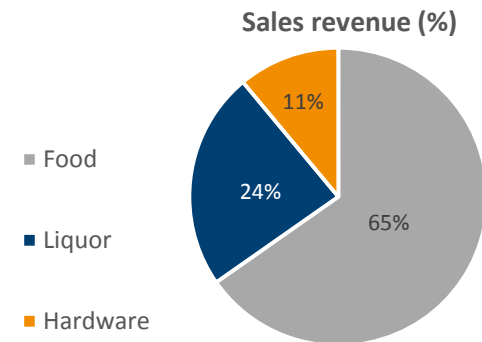
	FY17 \$m	FY16 \$m	% Change
Sales revenue¹			
Food ²	9,180.0	9,126.6	0.6%
Liquor	3,333.1	3,219.3	3.5%
Hardware ³	1,608.8	1,056.6	52.3%
Total sales revenue	14,121.9	13,402.5	5.4%

EBIT			
Food	180.0	179.9	0.1%
Liquor	67.0	62.1	7.9%
Hardware ³	48.5	32.8	47.9%
Business Pillars	295.5	274.8	7.5%
Corporate	1.2	0.6	-
Total EBIT	296.7	275.4	7.7%

1. FY17 includes \$253.5m of sales from 53rd trading week (Food: \$168.6m, Liquor: \$54.6m, and Hardware: \$30.3m) and HTH sales since acquisition of \$521.5m

2. FY16 Food sales have been adjusted to reflect the reclassification of \$138.8m of supplier income

3. Hardware includes HTH sales since acquisition of \$521.5m and EBIT of ~\$12m



Food – ‘Best Store in Town’

- Continued focus on supporting independent retailers to be the ‘Best Store in Town’
- Network is continuing to invest in new stores and upgrades delivering differentiated new formats
- 32 new stores opened and a further ~35 planned for FY18
- Additional 100 stores completed DSA upgrade program – total of 250 stores completed
- Core ranging implementation underway
- Community Co private label launched
 - 100 new products – more to come
- indieDirect B2B marketplace to be launched in FY18
- Working Smarter delivering significant savings



Ritchies - Dromana, Vic



Taylor Road IGA - Nedlands, WA



Romeo's Foodhall – Summer Hill, NSW



Prince's Fresh&Save Food Warehouse - Maryborough, Qld

Liquor – ‘Best Store in Town’

- Network is well positioned for shopper trend to smaller, more frequent buying
- Investment to improve shopper experience
 - ~95 stores ‘refreshed’
 - ~130 cool room upgrades
- Category management and range extension into higher value products (wine and spirits)
- Continued growth in private label
- Focus on conversion of existing wholesale customers to IBA network
 - Acquisition of Thirsty Camel (NSW, Tas), Big Bargain (Tas), Porters
 - ~55% of sales through IBA network



The Bottle-O Albany, WA



Cellarbrations, Cooma, NSW

Hardware – ‘Best Store in Town’

- Acquisition of HTH in October 2016
 - Now 2nd largest in sector
 - A leader in Trade
 - Integration progressing well
 - Synergy benefits being delivered
- Sapphire stores delivering strong growth
 - 22 stores now completed
 - Retail sales uplift of ~17%
- Core ranging program delivering strong sales growth across key ranges
- Competitive pricing program introduced
 - pricing information on ~6,000 SKUs provided to network
 - competitor pricing program on top 500 KVLs
- Opportunity to introduce ‘Best Store in Town’ initiatives to HTH stores



Balhannah Mitre 10, SA



Provans Home Timber & Hardware, Vic

Working Smarter

- Focused on driving cost savings and improving margins
- Exceeded FY17 savings target of \$35m
- Total program targeted savings increased to \$120m (annualised savings through FY17 to FY19) with the objective of helping to mitigate CPI cost increases and incremental investment
- Benefits reflected in CODB and Gross Profit
- Increase in CODB year on year largely reflects HTH acquisition
- Strong program governance framework implemented to sustain cost reduction throughout FY18 and FY19
- FY17 restructure costs of \$13.4m (post tax)

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

- Group
 - FY18 earnings will cycle inclusion of 53rd trading week in FY17
- Liquor
 - Moderate growth in overall liquor market
 - Continued focus on building and improving quality of IBA network
- Hardware
 - FY18 will include a full year of earnings from HTH
 - Synergies expected to be at upper end of \$15m-\$20m (annualised) target range by end of FY18
- Food
 - Sales in the first quarter of FY18 have continued to be impacted by competitive pressure and difficult economic conditions in WA, and it is expected that these external headwinds will continue
 - Working Smarter savings expected to help mitigate the impact of difficult market conditions, cost inflation and investment in new initiatives
 - Further support to help Australian Independents be the 'Best Store in Town'