



28 May 2018

## ASX Announcement

### **Metcash Limited**

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### **Potential new DC and loss of major customer in South Australia**

Metcash Limited (ASX:MTS) advises that it is planning for a potential new purpose-built Distribution Centre (DC) in South Australia.

If approved and constructed, the DC will enable local independent retailers in South Australia to benefit from significant operational efficiencies, as well as accessing a broader range of products. It would also benefit local suppliers through the opening up of a pathway to access Metcash's extensive distribution network.

The assessment work for the proposed new DC has included site identification, which is well advanced, and preparation for regulatory approvals.

The company has received support for the proposed DC and long-term Metcash supply from its major independent retailer customers in South Australia, other than Drakes Supermarkets. Disappointingly, Drakes has advised that it will not be making a commitment to have its supermarkets in South Australia supplied from Metcash's proposed new DC.

Total Sales including tobacco to Drakes Supermarkets in South Australia were ~\$270 million in FY18.

Metcash has an agreement with Drakes Supermarkets in South Australia to supply its stores through to June 2019, and has not been advised of any intention to change the current supply arrangement with Drakes Supermarkets in Queensland.

Metcash is assessing the implications of this advice from Drakes Supermarkets, which will be taken into account in the company's FY18 year-end review of the carrying value of its goodwill and other assets.

The Supermarkets & Convenience pillar is expected to report a 1.2% decline in Total Sales and a 3.6% decline in Wholesale Sales excluding tobacco for the year ended 30 April 2018. FY18 earnings for Supermarkets & Convenience is expected to be in line with the prior financial year. It is not expected that this advice from Drakes will have a material impact on the earnings of the Supermarkets & Convenience pillar in FY19.

A further update regarding the above will be provided with the release of the company's FY18 results on 25 June 2018, or earlier as appropriate.

**Ends**

#### **For further information:**

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