FY18 Full Year Results

25 June 2018

Group update and divisional results

JEFF ADAMS
GROUP CHIEF EXECUTIVE OFFICER

OUR PURPOSE & VISION

CHAMPIONING SUCCESSFUL INDEPENDENTS

INDEPENDENCE IS WORTH FIGHTING FOR

OUR VALUES

WE **BELIEVE** INDEPENDENCE IS WORTH FIGHTING FOR, IN TREATING **OUR PEOPLE, RETAILERS AND SUPPLIERS** THE WAY WE LIKE TO BE TREATED; AND IN **GIVING BACK** TO THE COMMUNITIES WHERE WE LIVE AND WORK

BEST STORE IN TOWN

PASSIONATE ABOUT INDEPENDENTS

A FAVOURITE PLACE TO WORK

BUSINESS PARTNER OF CHOICE

SUPPORT THRIVING COMMUNITIES

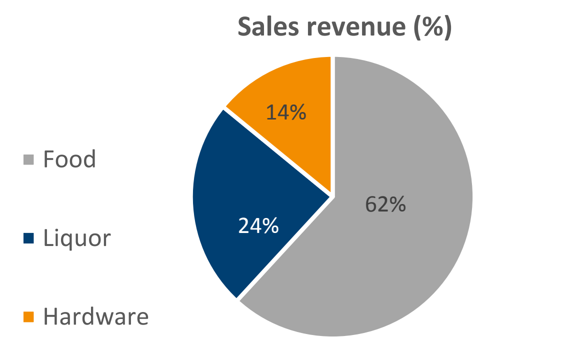
Group overview

- Group sales up 4.3%[1] to $14.5bn
- Group EBIT[2,3] up 9.2% to $332.7m – predominantly driven by growth in Hardware earnings
  - Prior year included a 53rd trading week which contributed sales of $253.5m
  - Food EBIT[3] broadly flat at $188.6m – improved earnings after adjusting for 53rd trading week
  - Liquor EBIT up $1.4m to $68.4m – continued growth in the IBA network
  - Hardware EBIT up $20.5m to $69.0m – inclusion of a full year of HTH earnings and related synergies
- Underlying profit after tax[4] up 10.7% to $215.6m
- Impact of loss of sales to Drakes Supermarkets in SA recognised in asset impairment
  - Focus on operational efficiencies to help address loss of operating leverage in South Australia beyond FY19
- Statutory loss after tax of $149.5m – includes goodwill and net asset impairment of $345.5m (post tax)
- Working Smarter program cumulative savings of ~$95m
- Strong operating cash flows
- Strong balance sheet
  - $125m Off-Market Buy-Back announced
  - Final dividend of 7.0 cents per share, fully franked

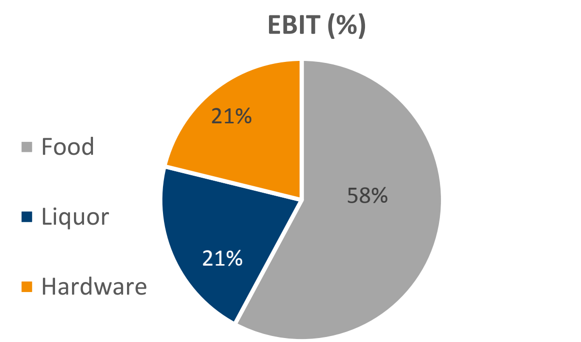
1. FY17 excludes sales of $253.5m relating to the 53rd trading week and FY18 includes a full year of HTH sales (FY17: 7 months)
2. Group EBIT in FY17 includes the earnings on $253.5m of sales relating to the 53rd trading week
3. Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision had no impact on profit/(loss) before tax. A reconciliation is set out in Appendix 2
4. Underlying profit after tax excludes: Working Smarter restructure costs of $7.7m (post tax), HTH integration costs of $11.9m (post tax) and an impairment of goodwill and other net assets of $345.5m (post tax)

Results overview by pillar

	FY18 $m	FY17 $m	% Change
Sales revenue			
Food	8,899.6	9,011.4	(1.2%)
Liquor	3,465.5	3,278.5	5.7%
Hardware[1]	2,098.6	1,578.5	33.0%
Total sales revenue (52 trading weeks)	**14,463.7**	**13,868.4**	**4.3%**
53rd trading week[2]	-	253.5	-
Total sales revenue	**14,463.7**	**14,121.9**	**2.4%**



EBIT[3]			
Food[4]	188.6	188.1	0.3%
Liquor	68.4	67.0	2.1%
Hardware[5]	69.0	48.5	42.3%
Business Pillars	**326.0**	**303.6**	**7.4%**
Corporate[6]	6.7	1.2	-
Total EBIT	**332.7**	**304.8**	**9.2%**



1. FY17 includes 7 months of HTH sales of $521.5m
2. Further information on FY17 sales from 53rd trading week is shown in Appendix 3
3. FY17 EBIT includes earnings on $253.5m of sales related to 53rd trading week
4. Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision had no impact on profit/(loss) before tax. A reconciliation is set out in Appendix 2
5. FY18 Hardware EBIT includes full year of earnings from HTH (FY17: 7 months)
6. FY18 Corporate EBIT includes reversal of provision against the Huntingwood, NSW DC hail insurance claim settled in 1H18

Food - sales

Supermarkets[1]

- Total sales declined 1.4% to $7.41bn
  - Intense competition continued across all states
  - Continued rollout of competitor footprint, particularly in WA
  - Growth on the Eastern seaboard more than offset by declines in SA and WA
  - Improvement in SA in 2H18
  - WA continued to be most challenging market
- Wholesale sales (ex tobacco) decreased 3.6%
  - 2H18 decrease 3.5% v 3.7% in 1H18
  - High level of promotional activity
  - Deflation continued, albeit at a slower rate in 2H18 (2.1% in 2H18 v 2.7% in 1H18)
  - Deflation for the year 2.4% (FY17: 2.0%)
  - QLD negatively impacted by deregulation of trading hours, Commonwealth Games and adverse weather in 2H18
  - No net material impact from new and closed stores (28 IGAs opened, 30 IGAs closed)
- IGA Retail LfL[2] sales decreased 0.9%
- Teamwork score ~70%

Supermarkets	FY18 $m	FY17 $m	% Change
Total revenue	7,406.5	7,651.5	(3.2%)
53rd trading week	-	(140.6)	-
Total revenue (52 trading weeks)	7,406.5	7,510.9	(1.4%)

Summer Hill IGA, NSW

1. All percentage references are based on 52 trading weeks in FY17
2. Scan data from 1,108 IGA stores

Food - sales (cont.)

Convenience[1]

- Total sales decreased 0.5% to $1.49bn
  - Sales in 2H18 increased 3.7% versus a decrease of 4.6% in 1H18 as the business cycled revisions to key contracts
  - Increase in 2H18 sales driven by higher sales to a large contract customer (footprint expansion and stronger LfL sales)
  - Contracts with two largest customers extended beyond FY19

Convenience	FY18 $m	FY17 $m	% Change
Total revenue	1,493.1	1,528.5	(2.3%)
53rd trading week	-	(28.0)	-
Total revenue (52 trading weeks)	1,493.1	1,500.5	(0.5%)

Hill Street Grocer, Hobart

1. All percentage references are based on 52 trading weeks in FY17

Food - EBIT

Food[1]

- EBIT[2] broadly flat at $188.6m
  - FY17 includes EBIT related to $168.6m of sales from 53rd trading week (Supermarkets: $140.6m and Convenience: $28.0m)
  - Positive contribution from Convenience business versus a loss in prior year
  - Impact of the decline in Supermarkets' wholesale sales (ex tobacco) and lower JV earnings (primarily related to prior year one-off adjustments), largely offset by Working Smarter savings

Food	FY18 $m	FY17 $m	% Change
Total revenue (52 trading weeks)	8,899.6	9,011.4	(1.2%)
Total EBIT[2]	188.6	188.1	0.3%
EBIT margin	2.1%	2.1%	-

1. Food EBIT is reported on a combined Supermarkets & Convenience basis
2. Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision had no impact on profit/(loss) before tax. A reconciliation is set out in Appendix 2

Mt Eliza Supa IGA, Vic

Peregian Beach IGA, Qld

Wembley Supa IGA, WA

Food – initiatives update

Winning Range ("Mini DSA")

- Warehouse: ~6,000 SKUs deleted and ~2,900 introduced
- "Winning Range" agreed with retailers and implementation underway
- Positioned to deliver improved wholesaler and retailer efficiencies and sales growth

DSA

- Focus on delivering high quality and competitive stores
- A further 75 completed in FY18, total now completed 325
- Average sales growth > 10% and average growth in basket size > 5%
- Focus on key learnings with the aim to simplify and accelerate the program

Channel Clarity

- Focus on brand that best fits store offer
- Implementation of first phase (Supa IGA) in progress
- Agreement reached with retailer working group on second phase (IGA)

Community Co – mid tier private label range

- Continued expansion in range and network coverage
- Positive customer response
- ~80 products added in FY18
- ~180 products now on offer

Increased focus on fresh

- Strong sales growth in 'ready meals'
- Youfoodz introduced into network
- Case ready mince in NSW, QLD and WA in 1H18

indieDirect

- Efficiency benefits through digitalisation of "Charge Through"
- Trials and retailer Working Groups in progress

Metcash

Liquor - sales

- Total sales[1] increased 5.7% to $3.47bn with increased volumes from both existing and new contract customers and from the annualisation of Porters
- Wholesale sales through IBA bannered network increased 8.8% as wholesale customers (Thirsty Camel in NSW and Tasmania as well as Porters and Big Bargain) converted to IBA banner
- LfL retail sales[2] in IBA bannered network increased 1.5% (represents 5 consecutive years of sales growth)
- Continuation of consumer trend to lower consumption but higher quality
- Introduction of NSW Container Deposit Scheme (CDS)
  - Adverse impact on border town retailers – NSW Government response pending
  - Beer category most impacted
- ~55% of sales through IBA bannered network

Liquor	FY18 $m	FY17 $m	% Change
Sales revenue	3,465.5	3,333.1	4.0%
53rd trading week		(54.6)	
Total revenue (52 trading weeks)	3,465.5	3,278.5	5.7%

Kilmore Cellarbrations, Vic

1. All sales percentage references are based on 52 trading weeks in FY17
2. Represents LfL retail sales growth in ~560 IBA bannered stores

Liquor - EBIT

- EBIT increased 2.1% to $68.4m
  - FY17 includes EBIT related to $54.6m of sales from 53rd trading week
  - Increase in sales weighted to lower margin wholesale earnings
  - Adverse impact of costs associated with the introduction of CDS in NSW (~$0.8m) and increase in provision for bad debts in WA in 1H18 (~$0.5m), partly offset by Working Smarter savings
- EBIT margin maintained at 2.0%

	FY18 $m	FY17 $m	% Change
Total revenue (52 trading weeks)	3,465.5	3,278.5	5.7%
EBIT	68.4	67.0	2.1%
EBIT margin	2.0%	2.0%	-

Liquor – initiatives update

Store investment

- Improve quality of IBA store network and shopper experience
- 111 cool rooms upgrades in year (total upgrades ~500)
- 67 stores ‘refreshed’ in year (total ‘refreshed’ ~250)

Core range

- Focused on higher value premium products (wine and spirits)
- Supports differentiated, localised offer
- IBA category and range extension program implemented in ~1,500 stores

Network growth

- Continued focus on converting existing wholesale customers to IBA network and consolidation strategy
- Acquired Thirsty Camel in SA and NT in March 2018 (~ 70 stores)
- New large contract customer added to wholesale platform in 1H18

New brands

PORTERS LIQUOR

Porters rebrand completed and footprint expansion underway

- 3 new stores in Sydney, NSW in 2H18
- Store identification in progress with focus on demographics suitable for premium offer
- Rollout initially focused in NSW with planned national footprint (target ~100 stores)

Hardware - sales

- Total sales[1] increased $520.1m to $2.1bn
- FY18 includes full year of HTH sales (FY17: 7 months)
- Strong construction activity in the year. Some softening in 4Q18, but market still favourable
  - Low interest rates and consumer confidence continued to support housing starts and renovations
  - Cycling unfavourable weather in 1H17
- Total wholesale sales increased 5.3%[2,3]
  - Strong growth in Mitre 10 – up 8.6% (+6.0% LfL)
  - HTH up 1.9% (+ 3.4% LfL)
  - Trade sales increased to 63% of total sales
- Improvement in company-owned stores and majority owned JVs – up 4.7%
- LfL retail sales in IHG banner group up 7.4%[4]

	FY18 $m	FY17 $m	% Change
Sales revenue	2,098.6	1,608.8	30.4%
53rd trading week		(30.3)	
Total revenue (52 trading weeks)	2,098.6	1,578.5	32.9%

Provans HTH, Vic

1. All sales percentage references are based on 52 trading weeks in FY17
2. FY17 includes HTH sales post acquisition on 2 October 2016 and proforma sales pre acquisition
3. Wholesale sales include sales by Mitre 10 and HTH to both independent retailers and company-owned stores
4. LfL sales growth across 104 network stores

Hardware - EBIT

- EBIT increased by $20.5m to $69.0m
  - FY17 includes EBIT related to $30.3m of sales from 53rd trading week
  - FY18 includes a full year of HTH earnings (FY17: 7 months)
  - Gross realised synergies of ~$20m delivered in FY18
  - Margins negatively impacted by increased weighting of Trade in sales mix
- IHG wholesale sales margin 2.4%

	FY18 $m	FY17 $m	% Change
Total revenue (52 trading weeks)	2,098.6	1,578.5	32.9%
EBIT	69.0	48.5	42.3%
EBIT margin	3.3%	3.0%	30bps

Independent Hardware Group
Mitre 10 • Home Timber & Hardware • Thrifty-Link • True Value Hardware

Hardware – initiatives and integration update

Store investment

Success of Sapphire program supports acceleration of rollout

- Total of 30 stores upgraded
- Average retail sales improvement >15%
- Plans to accelerate program to ~200 stores by 2022

Hardings expansion

- Rollout of Hardings Plumbing into NSW and Tasmania

Trade focus

- 4 new Trade focused stores opened, targeting a further 8 in FY19

Core Ranging

- Core ranging program now across five categories (fasteners, paint, power tools, handtools, cement)

HTH integration

- Integration largely complete with synergy benefits exceeding target
  - New trading terms introduced across IHG in August 2017
  - Merchandising synergies shared with store owners through trading terms
  - Brand strategy launched in February 2018
    - Mitre 10 and HTH both strong brands
    - HTH stores to migrate to Mitre 10 brand through Sapphire program
  - Site rationalisation including 5 company-owned stores at ‘clash’ sites being transitioned to independent retailers
- Annualised gross synergy benefits of ~$34m
  - Brought forward the closure of NSW DC – full savings were expected in FY20
  - Gross realised synergies in FY18 of ~$20m (cumulative $24m)

Strategic focus – next phase

Mfuture
Building a better Metcash

A five year program focused on:

Growth initiatives

- Investing the right way for the benefit of all our stakeholders

Accelerating existing transformation initiatives

- Making what works best happen faster

Improving our infrastructure

- Delivering the systems and processes to enable change

Embedding a sustainable cost culture

- “Working Smarter” as business as usual

Five year aspirations

Food

- Grow the Grocery business
  - Brand clarity – network of the future
  - Winning Range
  - Acceleration of IGA DSA upgrade program
  - Private label (Community Co, Black & Gold)
  - Express format (DSA program) – 10 store trial in FY19
- As strong in Fresh as we are in Grocery
  - A leading convenience offer – leverage the BAYN shopper mission
  - Drive core ranges and growth in: Produce, Centre of Plate, Fresh and Ready Meals
  - Accelerate our Bakery and Deli solution (successful trials completed)
- Drive process simplification and efficiency
  - Project Align – organisational efficiencies for today and the future
  - Increased focus on costs to address loss of sales to Drakes in SA
  - indieDirect – digitalisation of "Charge-Through"

Wembley Supa IGA, WA

Bli Bli Supa IGA, Queensland

Five year aspirations (cont.)

Liquor

- Continue to grow the IBA retail network
  - Retail store trial (acquisition of 10 stores)
  - Increase presence in premium market – expansion of Porters Liquor
  - e-commerce trials
- 'Best Store in Town'
  - Range and stores tailored to community
  - IBA category and range extension program
  - Accelerate store refresh program
  - Private label expansion
  - Shopper loyalty – digital
- World class wholesaler
  - Competitive offer to contract customers – best range and price
  - Providing suppliers with best route to market

Plumpton Cellarbrations, NSW


IGA Liquor Montrose, Vic

Five year aspirations (cont.)

Hardware

- 'Best Store in Town'
  - Sapphire transformation (~40 stores per year)
  - Core Range
  - Store in Store – Stihl, Weber, Hardings Plumbing roll out
  - Dual brand strategy (Mitre 10 & HTH)
  - Digital – Click & Collect now across all brands (growing strongly)
- Leverage the strength of our Trade business (build scale)
  - Sapphire Trade only model
  - Trials completed on four Trade focused stores
  - Further roll out – target of 12 stores by end of FY19
  - Tradies technology (Truck Tracker & Trade+)
  - Attract new Trade business

Logistics

- DC's to be repositioned for the future
  - More frequent / smaller truck deliveries
  - Cross-dock facilities for indieDirect

Danahers Mitre 10, Vic

Financials

BRAD SOLLER
GROUP CHIEF FINANCIAL OFFICER

Financial overview

- Group EBIT[1] up 9.2% to $332.7m
- Underlying profit after tax up $20.8m (10.7%) to $215.6m
- Working Smarter and HTH integration costs of $19.6m (post tax)
- Impairments of $345.5m (post tax)
- Reported loss after tax $149.5m
- Strong operating cash flows
- Strong balance sheet
- Capital management review completed

1. Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision had no impact on profit/(loss) before tax. A reconciliation is set out in Appendix 2

Profit & Loss

	FY18 $m	FY17 $m	% Change
Sales revenue	14,463.7	14,121.9	2.4%
53rd trading week	-	(253.5)	-
Total revenue (52 trading weeks)	14,463.7	13,868.4	4.3%
EBITDA[1]	**400.7**	**368.3**	**8.8%**
Depreciation and amortisation	(68.0)	(63.5)	(7.1%)
EBIT[1]	**332.7**	**304.8**	**9.2%**
Net finance costs[1]	(26.4)	(33.6)	21.4%
Profit before tax and NCI	**306.3**	**271.2**	**12.9%**
Tax	(87.9)	(74.6)	(17.8%)
Non-controlling interests	(2.8)	(1.8)	-
Underlying profit after tax	**215.6**	**194.8**	**10.7%**
HTH integration and acquisition costs (post tax)	(11.9)	(9.5)	(25.2%)
Working Smarter restructure costs (post tax)	(7.7)	(13.4)	42.5%
Impairment of goodwill and other net assets (post tax)	(345.5)	-	-
Reported (loss)/profit after tax	**(149.5)**	**171.9**	**-**
EPS based on underlying profit after tax	22.1c	20.3c	8.9%
ROFE[2]	20.5%	19.0%	150bps

1. Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. Refer Appendix 2
2. ROFE based on average of opening and closing funds employed. FY18 funds employed calculated prior to $352.1m impairment of goodwill and other net assets.

Impairment of goodwill and other net assets

- Impairment of goodwill and other net assets of $352m in the Food pillar recognised in FY18
  - $318m charge to goodwill and other intangible assets
  - $34m charge to other net assets
- Impairment reflects the change in assumptions concerning future cash flows as a result of:
  - Drakes Supermarkets advice that they will not commit to a long term supply agreement for its stores in South Australia
  - The weakness in the Western Australia economy
  - The ongoing intensity of competition in the sector
- The impairments are non-cash in nature, have no impact on debt facilities or compliance with banking covenants

Working Smarter

- Entering final year of three year program
- Successful in driving cost savings and protecting margins
- FY18 gross savings delivered of ~$45m. Total program savings to date of ~$95m, primarily in the Food pillar
- Benefits reflected in CODB and Gross Profit
- Initiatives include:
  - Supermarkets operating model redesign
  - Convenience operating model consolidation
  - Distribution Centre efficiencies
  - Corporate cost savings
- FY18 opex implementation cost of $11m (pre-tax)
- Targeted gross savings for program (FY17 to FY19) increased to $125m

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.

Cashflows

	FY18 $m	FY17 $m
Net cash from operating activities[1]	288.6	304.6
Net cash used in investing activities	(56.1)	(198.6)
Capital expenditure	(47.0)	(44.4)
Proceeds from sale of assets and net loan repayments	6.8	41.2
Acquisitions of businesses	(15.9)	(195.4)
Dividends paid and other financing activities	(108.9)	(4.1)
Equity raised	-	92.8
Reduction in net debt	**123.6**	**194.7**

Cash realisation ratio[2]	102%	118%
Adjusted cash realisation ratio[3,4]	95%	101%

1. FY18 includes ~$20m received on settlement of the Huntingwood, NSW DC insurance claim. FY17 excludes a non-recurring working capital benefit of ~$43m related to the acquisition of HTH
2. Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected)
3. FY18 adjusted to exclude ~$20m received on settlement of the Huntingwood, NSW DC insurance claim.
4. FY17 adjusted to exclude a non-recurring working capital benefit of ~$43m related to the acquisition of HTH

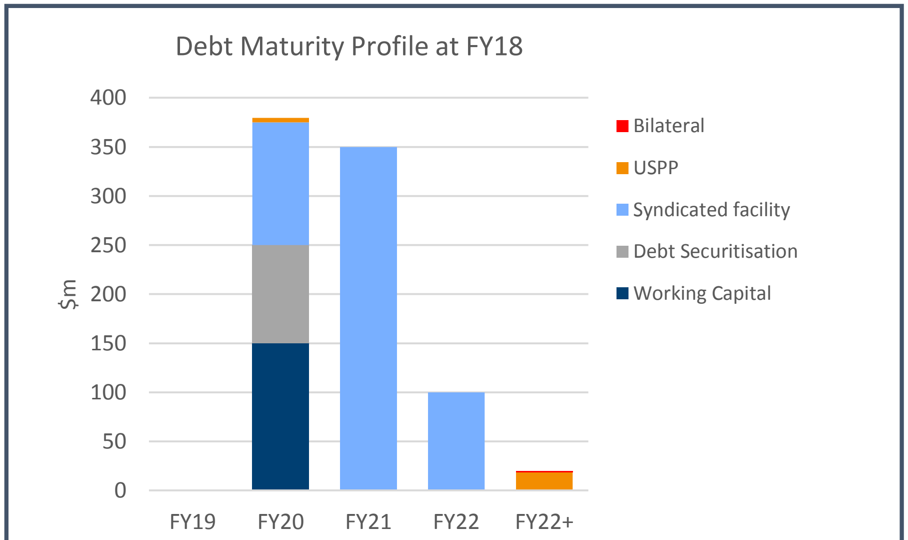
Balance Sheet

	30 April 2018 $m	30 April 2017 $m
Trade receivables and prepayments	1,184.2	1,133.3
Current assets - customer charge cards agreement[1]	274.0	276.0
Current liabilities - customer charge cards agreement[1]	(274.0)	(276.0)
Inventories	784.4	759.2
Trade payables and provisions	(1,896.2)	(1,811.4)
Net working capital	**72.4**	**81.1**
Intangible assets	818.4	1,152.7
Property, plant and equipment	236.7	242.1
Equity accounted investments	88.3	103.3
Customer loans and assets held for resale	51.4	51.9
Total funds employed	**1,267.2**	**1,631.1**
Net cash / (debt)	42.8	(80.8)
Tax, put options and derivatives	78.6	87.1
NET ASSETS/EQUITY	**1,388.6**	**1,637.4**

1. The Group revised its presentation of the Customer Charge Cards Agreement, which was disclosed as a contingent liability in previous financial years. During the current year, the Group has reported matching amounts receivable and payable on the balance sheet, each of $274m (FY17: $276.0m) in respect of this agreement. Refer Appendix 2

Net cash / (debt)

- Net debt reduced by $123.6m to give a net cash position of $42.8m at year-end
- Average net debt of ~$150m over FY18
- A further ~$120m of debt facilities cancelled in the year (~$650m cancelled in past 3 years)
- No debt maturities in FY19
- The net cash / (debt) balance excludes the matching receivables and payables under the Customer Charge Cards Agreement of $274m (FY17: $276m)



	FY18	FY17
Net debt	**$m**	**$m**
Gross debt	(118.4)	(177.3)
Cash and cash equivalents	161.2	96.5
Net cash / (debt)	**42.8**	**(80.8)**

Debt metrics and ratios		
Weighted average debt maturity	1.9 years	2.6 years
Weighted average cost of debt[1]	4.7%	4.5%
% Fixed debt	79%	87%
Interest coverage[2,6]	15.2x	11.0x
(Cash)/debt gearing ratio[3]	(3.2%)	4.7%
Underlying EBITDAR coverage[4,6]	3.5x	3.2x
Gross debt coverage[5]	0.3x	0.5x

1. Weighted average cost of debt as at the end of the financial year
2. Underlying EBITDA/Net Interest Expense
3. Net Debt/(Shareholders' Equity + Net Debt)
4. Underlying EBITDAR/(Net Interest Expense + Net Rent Expense)
5. Gross Debt (hedged)/Underlying EBITDA
6. FY17 restated due to the reclassification of the Customer Charge Cards Agreement. Refer Appendix 2

Capital management review

- Metcash advised in December 2017 it was undertaking a capital management review reflecting:
  - The company's strong financial position
  - The expected continuation of a low debt position through strong operating cashflows
  - The appointment of a new CEO
- The review determined that:
  - Metcash has capacity to return funds to shareholders while retaining sufficient capacity to fund future growth plans
  - A range of options were considered with an Off-Market Buy-Back determined to be the preferred option
- The benefits of an Off-Market Buy-Back include:
  - EPS and ROE accretive outcomes which benefit all shareholders
  - The Buy-Back of shares at a discount to market
  - Utilisation of surplus franking credits
- The company today announced a $125m Off-Market Buy-Back

Note: The Buy-Back information presented in this announcement does not constitute or give rise to a legally binding offer capable of acceptance by shareholders. Shareholders that are eligible to participate in the off-market tender buy-back (Buy-Back) will be sent a Buy-Back booklet by around 4 July 2018, which will contain all of the relevant details (including the proposed timetable) regarding the Buy-Back and how to participate.

Participation in the Buy-Back is entirely voluntary. It is important that shareholders seek their own advice as to the taxation, financial and other consequences of participating in the Buy-Back, having regard to each shareholder's personal circumstances. In some circumstances, selling shares under the Buy-Back may be more advantageous for a particular shareholder than selling their shares on the ASX.

While Metcash does not anticipate changing any of the dates and times relating to the Buy-Back, it reserves the right to vary them. Metcash may, in its absolute discretion, also decide not to proceed with the Buy-Back or vary the size of the Buy-Back. Any such change will be announced on the ASX as soon as practicable following authorisation by Metcash.

Capital management – Buy-Back announced

- Target size
  - ~$125m, but scalable upwards
- Discount
  - 8% - 14% of market price (5 day VWAP to 10 August 2018)
- Composition
  - Capital component: $0.61 per share
  - Balance is a fully franked dividend
- Key dates (refer Appendix 6)
  - 27 June: Last day shares can be acquired to be eligible to participate in Buy-Back
  - 16 July – 10 August: Tender period
- Shareholders participating in the Buy-Back will also receive the final FY18 of 7.0 cents per share, fully franked
- EPS accretive estimated at 4.1%[1] (annualised)
- Pro forma FY18 gearing of 6.1%[1]

Note: The Buy-Back information presented in this announcement does not constitute or give rise to a legally binding offer capable of acceptance by shareholders. Shareholders that are eligible to participate in the off-market tender buy-back (Buy-Back) will be sent a Buy-Back booklet by around 4 July 2018, which will contain all of the relevant details (including the proposed timetable) regarding the Buy-Back and how to participate.

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1. Assuming $125m Buy-Back, at a market price of $2.80/share and at a 14% discount

Capital management – dividends

- Dividend payout ratio maintained at ~60% of underlying earnings
- FY18 final dividend
  - 7.0 cents per share, fully franked
  - Ex-dividend date: 10 July 2018
  - Record date: 11 July 2018
  - Payment date: 8 August 2018
- Total dividends for FY18 of 13.0 cents per share, fully franked

Group Outlook

JEFF ADAMS

GROUP CHIEF EXECUTIVE OFFICER

Group Outlook

- **Food**
  - There has been some improvement in sales through the first seven weeks of FY19
  - We do not expect a material change in FY19 to the highly competitive market conditions experienced in FY18
  - The announcement regarding Drakes Supermarkets in South Australia is not expected to have a material impact on Supermarkets' earnings in FY19. The business will focus on operational efficiencies to help address the impact of the loss of operating leverage in South Australia beyond FY19.
  - FY19 earnings is expected to be impacted by ~$10m of operating investment by the Supermarkets business in growth opportunities that we anticipate will deliver earnings benefits beyond FY19
  - Additional Working Smarter savings are expected to help mitigate the impact of difficult market conditions and cost inflation
- **Liquor**
  - Modest growth in Liquor market expected to continue
  - Uncertainty associated with further rollout of CDS in ACT, Qld and WA
  - Continued focus on building and improving quality of IBA network
- **Hardware**
  - Solid level of new construction and DIY activity expected to continue into 1H19
  - Full synergy benefits expected to be realised in FY19

Appendices

1. Financial history
2. Revision – Customer Charge Cards Agreement
3. Sales revenue reconciliation
4. Accounting Standards – Revenues and Leases
5. Bannered store numbers
6. Off market buy-back timetable
7. Contact details

1. Financial history

	FY18	FY17[1]	FY16	FY15	FY14
Financial Performance					
Sales revenue ($m)	14,463.7	14,121.9	13,402.5	13,244.3	13,045.1
EBIT ($m) [2]	332.7	304.8	286.7	310.6	378.7
Net finance costs ($m) [2]	(26.4)	(33.6)	(38.3)	(68.4)	(67.6)
Underlying profit after tax ($m)	215.6	194.8	178.3	173.6	218.4
Reported (loss) / profit after tax ($m)	(149.5)	171.9	216.5	(384.2)	169.2
Operating cash flows ($m)	288.6	304.6	165.8	231.7	388.7
Cash realisation ratio (%)[3]	102%	118%	70%	97%	137%
Financial Position					
Shareholder's equity ($m)	1,388.6	1,637.4	1,369.1	1,156.6	1,594.0
Net (cash)/debt (hedged)	(42.8)	80.8	275.5	667.8	766.9
Gearing ratio (net hedged)[4] (%)	(3.2%)	4.7%	16.8%	36.6%	32.5%
Return on funds employed[5,6] (%)	23.0%	19.0%	17.2%	15.1%	16.2%
Share Statistics					
Fully paid ordinary shares	975.6	975.6	928.4	928.4	888.3
Weighted average ordinary shares	975.6	958.8	928.4	907.0	882.7
Underlying earnings per share (cents)	22.1	20.3	19.2	19.1	24.7
Reported (loss) / earnings per share (cents)	(15.3)	17.9	23.3	(42.4)	19.2
Dividends declared per share (cents)	13.0	4.5	-	6.5	18.5

1. Includes a 53rd week of trading
2. Food EBIT has been increased by $8.4m (FY17: $8.1m) along with prior years to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision no impact on profit/(loss) before tax. Refer Appendix 2
3. Cash flow from operations / Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected)
4. Net Debt (hedged)/(Shareholders Equity + Net Debt)
5. Underlying EBIT / Average funds employed
6. FY14 – FY17 balances restated due to the reclassification of the Customer Charge Cards Agreement. Refer Appendix 2.

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2. Revision – Customer Charge Cards Agreement

$m	FY18	Change	FY18 Adjusted	FY17 Actual	Change	FY17 Restated
Food	180.2	8.4	188.6	180.0	8.1	**188.1**
Liquor	68.4	-	68.4	67.0	-	**67.0**
Hardware	69.0	-	69.0	48.5	-	**48.5**
Total Pillar EBIT	**317.6**	**8.4**	**326.0**	**295.5**	**8.1**	**303.6**
Corporate	6.7	-	6.7	1.2	-	1.2
Total EBIT	**324.3**	**8.4**	**332.7**	**296.7**	**8.1**	**304.8**
Net finance costs	(18.0)	(8.4)	(26.4)	(25.5)	(8.1)	(33.6)
Profit before tax and NCI	**306.3**	**-**	**306.3**	**271.2**	**-**	**271.2**

Food EBIT has been increased by $8.4m (FY17: $8.1m) to reflect the reclassification of net transaction costs associated with the Customer Charge Cards Agreement out of EBIT and into finance costs. The revision had no impact on profit/(loss) before tax

3. Sales revenue reconciliation

$m	FY17 Actual	53rd week[1]	FY17 (excluding 53rd week)
Supermarkets	7,651.5	(140.6)	7,510.9
Convenience	1,528.5	(28.0)	1,500.5
Food	9,180.0	(168.6)	**9,011.4**
Liquor	3,333.1	(54.6)	**3,278.5**
Hardware	1,608.8	(30.3)	**1,578.5**
Sales revenue	**14,121.9**	**(253.5)**	**13,868.4**

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

4. Accounting Standards – Revenues and Leases

AASB 15 *Revenue from Contracts with Customers*

- Effective from FY19 - restatements to be made to comparative year balances
- Key change is the derecognition of ~$2 billion in charge-through revenue. This change will not impact gross margin or EBIT
- Other changes are expected to be immaterial – no material EBIT or gross margin impacts expected

AASB 16 *Leases*

- Effective from FY20 - potentially no change to comparative year balances under the “modified retrospective” adoption method
- Significant “gross up” impact expected on the balance sheet, given the large portfolio of back-to-back leases and Metcash-occupied properties
- Net rental expense in the P&L will be replaced by a “front-loaded” net interest expense and a straight-lined depreciation expense
- Expected to significantly rebase EBIT and ROFE

Further details are contained in Appendix A of the FY18 Financial Statements

5. Bannered store numbers

	April 2018	April 2017
Pillar		
Supermarkets	1,674	1,683
Campbells	18	18
Liquor	2,794	2,517
Hardware	710	740
TOTAL	5,196	4,958

	Supermarkets	Liquor	Hardware
Store movement			
Number of stores at April 2017	1,683	2,517	740
Stores joined banner group during the period	55	734	5
Stores left banner group during the period	(64)	(457)	(35)
Number of stores at April 2018	1,674	2,794	710

5. Bannered store numbers (cont.)

	April 2018	April 2017
Supermarkets		
Supa IGA	376	397
IGA	808	823
IGA-Xpress	209	206
Total IGA bannered stores	**1,393**	**1,426**
Friendly Grocer / Eziway	281	257
Total Supermarkets	**1,674**	**1,683**
Liquor		
Cellarbrations	574	553
Bottle-O & Bottle-O Neighbourhood	239	238
IGA Liquor	458	462
Porters	24	21
Thirsty Camel (NSW/ACT, Qld, Tas, SA/NT)	198	114
Big Bargain	54	53
Other	1,247	1,076
Total Liquor	**2,794**	**2,517**
Hardware		
Mitre 10	299	305
Home Timber & Hardware and related brands	347	368
True Value Hardware	64	67
Total Hardware	**710**	**740**

6. Off market buy-back timetable

Announcement of Buy-Back	**25 June**
Last day shares can be acquired to be eligible to participate in Buy-Back	**27 June**
Buy-Back ex-entitlement date	28 June
Buy-Back record date	29 June
Mailing of Buy-Back booklet to shareholders	4 July
Tender period opening date	16 July
Tender period closing date	**10 August**
Buy-Back date (announcement of Buy-Back price and scale-back if any)	13 August
Payment date	20 August

Shareholders participating in the Buy-Back will also receive the final FY18 of 7.0 cents per share, fully franked

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7. Contact details

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