
# FY19 HALF YEAR RESULTS
3 December 2018

Metcash

# GROUP UPDATE AND DIVISIONAL RESULTS

JEFF ADAMS
GROUP CHIEF EXECUTIVE OFFICER

Metcash

## 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

- Reported results reflect the adoption of the new Accounting Standard AASB15
- Reported Group sales (which now exclude charge-through sales) increased 2.2% to $6.2bn
  - Excluding the impact of AASB15, Group sales increased 2.3%
  - Sales growth was achieved in all Pillars
- Group EBIT increased 1.2% to $158.1m, up 1.9% excluding impact of AASB15
  - Food EBIT increased 2.4% to $93.0m
    - Excluding impact of AASB15, EBIT increased 1.0%
    - Working Smarter continued to deliver savings
  - Liquor EBIT declined 1.0% to $29.1m
    - Excluding impact of AASB15, EBIT increased 5.4%
    - Continued growth in IBA network
  - Hardware EBIT increased 34.0% to $37.8m
    - Excluding impact of AASB15, EBIT increased 37.6%
    - Additional synergies from HTH acquisition and underlying earnings growth

# Group overview (continued)

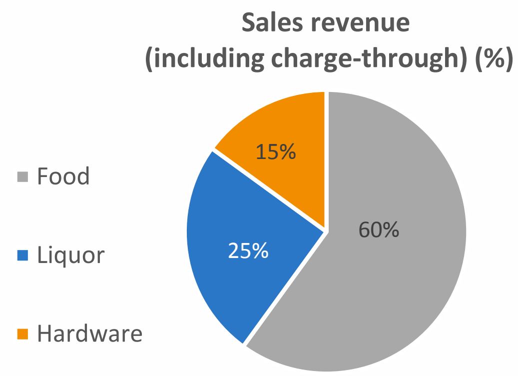


- Underlying profit after tax[1] increased 1.2% to $100.3m, up 2.0% excluding impact of AASB15
- Statutory profit after tax increased 3.0% to $95.8m, up 3.9% excluding impact of AASB15
- Working Smarter program on track to deliver cumulative savings of ~$125m by the end of FY19
- Solid operating cash flows
- Strong balance sheet
  - $150m Off-Market Buy-Back in August 2018
  - Interim dividend of 6.5 cents per share, fully franked
- Mfuture to follow Working Smarter commencing in FY20
- Supply agreement signed with South Australian retailers and commitment to new DC

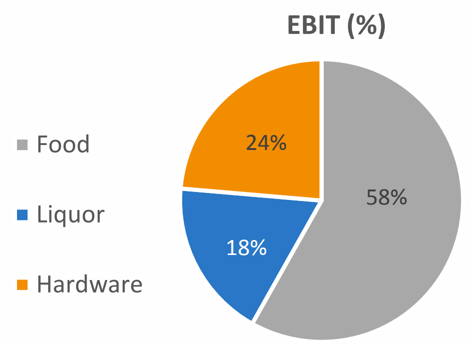
1. Underlying profit after tax excludes Working Smarter restructure costs of $4.5m (post tax) (1H18: excludes Working Smarter restructure costs of $4.4m (post tax) and HTH integration costs of $1.7m (post tax)).

# Results overview by pillar

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| **Sales revenue**[1] **(including charge-through)** | | | |
| Food | 4,330.9 | 4,289.4 | 1.0% |
| Liquor | 1,753.9 | 1,644.5 | 6.7% |
| Hardware | 1,089.6 | 1,076.0 | 1.3% |
| **Total sales revenue (including charge-through)** | **7,174.4** | **7,009.9** | **2.3%** |
| Less: Charge-through sales[2] | (985.2) | (955.1) | 3.2% |
| **Total sales revenue (Statutory Accounts)** | **6,189.2** | **6,054.8** | **2.2%** |




| | | | |
|---|---|---|---|
| **EBIT**[1] | | | |
| Food | 93.0 | 90.8 | 2.4% |
| Liquor | 29.1 | 29.4 | (1.0%) |
| Hardware | 37.8 | 28.2 | 34.0% |
| **Business Pillars** | **159.9** | **148.4** | **7.7%** |
| Corporate[3] | (1.8) | 7.9 | - |
| **Total EBIT** | **158.1** | **156.3** | **1.2%** |




1. The 1H18 results have been adjusted to reflect the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers.*
2. Sales revenue has been adjusted to exclude charge-through sales to comply with AASB15.
3. Corporate EBIT in 1H18 includes the reversal of a provision against the Huntingwood, NSW DC hail insurance claim settled in 1H18.

# Food - sales



## Supermarkets

- Total sales (including charge-through) broadly flat at $3.57bn
  - Continuation of highly competitive market conditions, albeit some improvement evident with deflation for the period reducing to 1.3% (1H18: 2.7%)
  - Continued sales growth on the eastern seaboard
  - SA stabilised with total sales broadly flat compared to 1H18
  - WA improved but continues to be our most challenging market
  - Increase in charge-through driven by higher Fresh sales
- Wholesale sales (ex tobacco) decreased 1.9% (1H18: -3.7%)
  - Majority of decline in WA
  - Deflation at 1.3% was a key driver
  - No net material impact from new and closed stores (9 opened, 15 closed)
- Improvement in IGA Retail LfL[1] sales tracking -0.2% (1H18: -1.1%)
- Teamwork score increased 40bps (~72%)

## Convenience

- Total sales increased 5.4% to $762.9m
  - Increased sales to a large contract customer (stronger LfL sales as well as footprint expansion)

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| **Supermarkets** | | | |
| Total revenue as per Statutory Accounts | 3,097.2 | 3,110.4 | (0.4%) |
| Charge-through sales | 470.8 | 455.2 | 3.4% |
| Total revenue (including charge-through) | 3,568.0 | 3,565.6 | 0.1% |

| | | | |
|---|---|---|---|
| **Convenience** | | | |
| Total revenue as per Statutory Accounts[2] | 762.9 | 723.8 | 5.4% |

| | | | |
|---|---|---|---|
| **Food[3]** | | | |
| Total revenue as per Statutory Accounts | 3,860.1 | 3,834.2 | 0.7% |
| Charge-through sales | 470.8 | 455.2 | 3.4% |
| Total revenue (including charge-through) | 4,330.9 | 4,289.4 | 1.0% |

1. Scan data from 1,126 IGA stores.
2. There were no AASB15 adjustments impacting Convenience revenue.
3. Food revenue reported on a combined Supermarkets & Convenience basis.

# Food - EBIT

## Food[1]

- Reported EBIT increased 2.4% to $93.0m
- Excluding the impact of AASB15, EBIT increased 1.0% to $94.5m
  - Includes incremental investment on growth initiatives of ~$2m (additional ~$8m to be incurred in 2H19)
  - Working Smarter savings continued to offset the impact of cost inflation
  - Incremental contribution of ~$7m from the resolution of onerous lease obligations
  - Convenience business continued to make a positive contribution to EBIT

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| Total revenue[2] (including charge-through) | 4,330.9 | 4,289.4 | 1.0% |
| Reported EBIT | 93.0 | 90.8 | 2.4% |
| EBIT (pre AASB15)[3] | 94.5 | 93.6 | 1.0% |
| EBIT margin[4] | 2.1% | 2.1% | - |

1. Food EBIT reported on a combined Supermarkets & Convenience basis.
2. Total revenue includes charge-through sales of $470.8m (1H18: $455.2m).
3. Food EBIT adjusted to exclude the impact of the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers*.
4. EBIT margin: Reported EBIT / Total revenue (including charge-through).


Taylor Road IGA, WA

Chloe Haines

Hill Street Grocer, Hobart, TAS

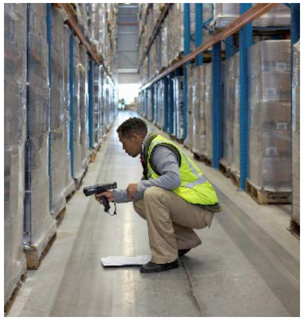
# Food - initiatives update

## Retailer engagement

- Customer key contact point moved to States
- Long-term supply agreement reached with Foodland retailers in SA
- Improved in-store execution of "Winning Range" and pricing strategy
- Successful new trading model introduced in SA. Now rolling out similar model in WA
- Progressing future network plan


## Project Align

- New state-based operational structure
- Bringing business closer to the customer – faster decision making
- Logistics and purchasing moved from Corporate to Pillars
- Focus on driving speed of execution and sales



## Diamond Store Accelerator

- Program simplified with plans to accelerate roll-out beginning in FY20
- A further 23 stores in 1H19 (73 stores in progress)
- Approximately 350 stores have completed the program
- Average sales growth >10%


## Community Co

- Continued growth in brand awareness and network coverage
- A further 80 products added, total products on offer ~240
- Community Co Fresh launched
- Key new lines include Value Add Produce, Sliced and Specialty Cheese
- Ten products received awards at "Product of the Year" recognition event (five in FY18)

# New South Australia Distribution Centre

- Long term supply agreements with Foodland retailers
- Long term lease agreement for the construction and leasing of a new DC at Gepps Cross (replaces Kidman Park DC)
- The new purpose built 68,000sqm DC will service both Food and Liquor Pillars
- Improves competitiveness of independent retailers:
    - Efficiency benefits shared
    - Greater range available
    - Improved speed to market
    - Increased cross dock capability
    - Greater delivery / pick up flexibility for retailers
- Access to a more efficient route to market for suppliers
- Construction is expected to be completed in mid 2020
- Current supply agreement with Drakes Supermarkets in SA continues to June 2019
- Costs associated with move to new DC expected to be ~$8m (pre tax)

Gepps Cross DC, SA

# Liquor - sales



- Total sales (including charge-through) increased 6.7% to $1.75bn
  - Modest volume growth – continuation of 'premiumisation' trend with higher value / lower consumption
  - Continued growth in ALM wholesale business with addition of large contract customers
- Wholesale sales to IBA bannered network increased 7.2% – includes conversion of contract customers to IBA banner (Thirsty Camel in SA and NT)
- LfL sales to IBA bannered network up 2.0% (1H18: 0.7%) supported by the on-going success of 'Best Store in Town' initiatives
- ~55% of sales through IBA bannered network
- Rollout of Container Deposit Schemes
  - NSW scheme commenced 1 December 2017
  - ACT scheme commenced 30 June 2018
  - Queensland scheme commenced 1 November 2018
  - Inefficiencies from non-uniform schemes
  - Retail stock builds in advance of commencement dates
  - Beer category most impacted by commenced schemes

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| Total revenue as per Statutory Accounts | 1,749.9 | 1,641.3 | 6.6% |
| Charge-through sales | 4.0 | 3.2 | 25.0% |
| Total revenue (including charge-through) | 1,753.9 | 1,644.5 | 6.7% |


Kilmore Cellarbrations, VIC

# Liquor - EBIT

- Reported EBIT of $29.1m
- Excluding the impact of AASB15, EBIT increased 5.4%
- Some impact to earnings from higher costs including fuel and costs associated with the introduction of the ACT and Queensland CDS schemes
- EBIT margin of 1.7% in line with 1H18 pre adoption of AASB15

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| Total revenue[1] (including charge-through) | 1,753.9 | 1,644.5 | 6.7% |
| Reported EBIT | 29.1 | 29.4 | (1.0%) |
| EBIT (pre AASB15)[2] | 29.1 | 27.6 | 5.4% |
| EBIT margin[3] | 1.7% | 1.8% | (10bps) |

1. Total revenue include charge-through sales of $4.0m (1H18: $3.2m).
2. Liquor EBIT has been adjusted to exclude the impact of adopting the new Accounting Standard AASB15: *Revenue from Contracts with Customers.*
3. EBIT margin: Reported EBIT / Total revenue (including charge-through).


Bottle-O, Swan Hill

ALM Cellarbrations - Simone


Montrose Cellar, IGA plus Liquor

# Liquor - initiatives update

## Private label

- Continued to evolve Private label range
- In-store execution to engage shoppers and grow category
- Focus on increasing basket size and returns
- Increased number of SKUs to 70 across wine, beer and spirits
- Sales growth ~30% (1H19 v 1H18)

## On-premise

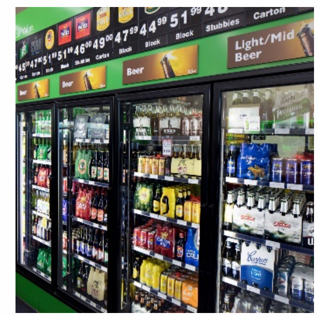
- Strengthening alignment between key partners including suppliers and customers
- Investment in dedicated ‘on-premise’ team
- New contract customers added during the period


## Store investment

- Improve quality of IBA store network and shopper experience
- 38 stores ‘refreshed’ in half (total stores ‘refreshed’ ~290)
- 53 cool room upgrades in half (total cool room upgrades ~550)


## Core range

- Focused on higher value premium products (wine and spirits)
- Supports a regionalised offer with local flexibility
- IBA category and range extension program implemented in ~1,500 stores



# Hardware - sales

- Total sales (including charge-through) increased 1.3% to $1.09bn
  - Closure of stores (primarily non profitable corporate/JV stores)
  - Loss of large HTH customer in Qld
- Total LfL sales increased 3.3%
- LfL retail sales in IHG banner group up 4.2%[1]
- Solid level of construction activity but down compared to the high level in 1H18
  - Largest decline in multi-dwellings
  - Housing starts remained above historical average
  - Renovations, additions and DIY less impacted
- Trade sales increased to ~65% of total sales
- Limited exposure to multi-dwelling housing. Sales profile is:
  - ~30% renovations and additions
  - ~30% detached dwellings
  - ~5% multi-dwellings
  - ~35% retail/DIY

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| Total revenue as per Statutory Accounts | 579.2 | 579.3 | - |
| Charge-through sales | 510.4 | 496.7 | 2.8% |
| Total revenue (including charge-through) | 1,089.6 | 1,076.0 | 1.3% |


Mitre 10 Mackay, Qld

1. LfL sales growth based on a sample of 167 network stores that provide scan data.

# Hardware - EBIT

- Reported EBIT increased by $9.6m to $37.8m
- EBIT excluding the impact of AASB15 increased by $10.2m to $37.3m
- Includes a further ~$7.5m of synergies from HTH acquisition (cumulative gross realised synergies ~$31.5m)
- Further cost efficiencies
- Improvement in EBIT partly offset by increased weighting of Trade in sales mix
- IHG wholesale sales margin consistent with prior year at 2.2%

| | 1H19 $m | 1H18 $m | Change % |
|---|---|---|---|
| Total revenue[1] (including charge-through) | 1,089.6 | 1,076.0 | 1.3% |
| | | | |
| Reported EBIT | 37.8 | 28.2 | 34.0% |
| | | | |
| EBIT (pre AASB15)[2] | 37.3 | 27.1 | 37.6% |
| | | | |
| EBIT margin[3] | 3.5% | 2.6% | 90bps |

1. Total revenue include charge-through sales of $510.4m (1H18: $496.7m).
2. Hardware EBIT has been adjusted to exclude the impact of adopting the new Accounting Standard AASB15: *Revenue from Contracts with Customers*.
3. EBIT margin: Reported EBIT / Total revenue (including charge-through).


Provans HTH, VIC

Provans HTH, VIC

Tait HTH, Glen Iris, VIC

# Hardware - initiatives update



### Store investment (Sapphire program)

- A further 10 stores upgraded
- Total stores upgraded now at 40
- Average retail sales improvement >15%
- Expect to have ~200 stores upgraded by 2022


### Trade focus

- Four new low-cost Trade focused stores in FY18
- Additional eight store conversions planned for FY19
- Expect to have 40 low-cost Trade stores by 2022


### Hardings expansion

- Strong market position in Victoria
- New store at Tooronga
- Commenced rollout into NSW and Tasmania
- Now selling into rest of IHG network

### Core range

- Core ranging program continuing to deliver sales growth across key categories (fasteners, paint, power tools, hand tools, cement)
- Program rollout expanded to HTH


### HTH Integration

- HTH integration to deliver further synergies of ~$10m in FY19 (cumulative synergies ~$34m)
- Future savings through Working Smarter / Mfuture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# Strategic focus - next phase

- Food
  - Future network strategy
    - Full spectrum of stores from small convenience stores through to large format supermarkets
    - Clear brand strategy by format through appropriate range and price
  - Investment in existing stores and expanded footprint
  - Wholesale strategy to deliver optimum retail solutions
- Liquor
  - Continue to build and improve the quality of the IBA network
  - Investment in systems to drive shopper insights / tailored localised offer
  - Renewed focus on ‘on-premise’ opportunities
  - Continued expansion of private label range
- Hardware
  - Acceleration of Sapphire program
  - Leverage our strength in Trade with new Trade focused stores
  - Expansion of Hardings Plumbing offer
- Strategy day (presentations and site tour) in March 2019

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

# FINANCIALS

BRAD SOLLER
GROUP CHIEF FINANCIAL OFFICER

# Profit & Loss

| | 1H19 $m | 1H18[1] $m | Change % |
|---|---|---|---|
| Sales revenue | 6,189.2 | 6,054.8 | 2.2% |
| **EBITDA** | **186.2** | **184.0** | **1.2%** |
| Depreciation and amortisation | (28.1) | (27.7) | 1.4% |
| **EBIT** | **158.1** | **156.3** | **1.2%** |
| Net finance costs | (14.5) | (15.2) | 4.6% |
| **Profit before tax and NCI** | **143.6** | **141.1** | **1.8%** |
| Tax | (42.5) | (40.9) | (3.9%) |
| Non-controlling interests | (0.8) | (1.1) | 27.3% |
| **Underlying profit after tax** | **100.3** | **99.1** | **1.2%** |
| Working Smarter restructure costs (post tax) | (4.5) | (4.4) | (2.3%) |
| HTH integration and acquisition costs (post tax) | - | (1.7) | 100% |
| **Reported profit after tax** | **95.8** | **93.0** | **3.0%** |

| | | | |
|---|---|---|---|
| EPS based on underlying profit after tax | 10.6c | 10.2c | 3.9% |

| | | | |
|---|---|---|---|
| ROFE[2] | 24.9% | 21.4% | 350bps |

1. The 1H18 results have been adjusted to reflect the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers.*
2. ROFE based on average of opening and closing funds employed.

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# Working Smarter

- Final year of three year program
- Successful in driving cost savings and protecting margins
- 1H19 gross savings of $11m delivered. Total program savings to date of $106m.
- Benefits reflected in CODB and Gross Profit
- Initiatives include:
  - Supermarkets operating model redesign
  - Convenience operating model consolidation
  - Distribution Centre efficiencies
  - Corporate cost savings
- 1H19 opex implementation cost of $6.5m (pre tax)
- On track to deliver target savings for program (FY17 to FY19) of ~$125m
- Working Smarter to be succeeded by Mfuture program

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

| | 1H19 $m | 1H18 $m |
|---|---|---|
| Net cash from operating activities[1] | 120.3 | 161.4 |
| Net cash used in investing activities | (26.8) | (18.5) |
| Capital expenditure | (24.7) | (18.9) |
| Proceeds from sale of assets and net loan movements | 1.3 | 0.4 |
| Acquisitions of businesses | (3.4) | - |
| Dividends paid and other financing activities | (71.2) | (48.1) |
| Off-market buyback | (150.3) | - |
| **(Increase) / reduction in net debt** | **(128.0)** | **94.8** |

| | | |
|---|---|---|
| Cash realisation ratio[2] | 93.7% | 127.3% |
| Adjusted cash realisation ratio[3] | 93.7% | 111.5% |

1. 1H18 includes ~$20m received on settlement of the Huntingwood, NSW DC insurance claim.
2. Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected).
3. 1H18 adjusted to exclude ~$20m received on settlement of the Huntingwood, NSW DC insurance claim.

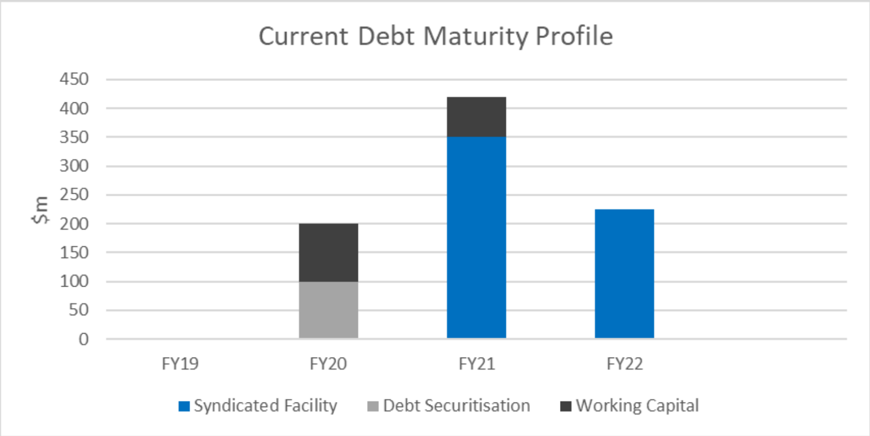
# Balance Sheet

| | 31 October 2018 $m | 30 April 2018 $m | 31 October 2017 $m |
|---|---|---|---|
| Trade receivables and prepayments | 1,279.6 | 1,184.6 | 1,270.3 |
| Current assets - customer charge cards agreement | 212.9 | 274.0 | 266.3 |
| Current liabilities - customer charge cards agreement | (212.9) | (274.0) | (266.3) |
| Inventories | 916.2 | 754.1 | 870.2 |
| Trade payables and provisions | (2,157.4) | (1,896.2) | (2,105.5) |
| **Net working capital** | **38.4** | **42.5** | **35.0** |
| Intangible assets | 792.3 | 792.3 | 1,112.7 |
| Property, plant and equipment | 216.2 | 215.5 | 214.4 |
| Equity accounted investments | 88.6 | 88.3 | 103.7 |
| Customer loans and assets held for resale | 49.8 | 50.9 | 53.1 |
| **Total funds employed** | **1,185.3** | **1,189.5** | **1,518.9** |
| Net (debt)/cash | (85.2) | 42.8 | 14.0 |
| Tax, put options and derivatives | 112.7 | 101.9 | 101.0 |
| **NET ASSETS/EQUITY** | **1,212.8** | **1,334.2** | **1,633.9** |

The balance sheet position reflects the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers* across all reporting periods.

# Net (debt) / cash

- Net debt of $85.2m (FY18: Net cash $42.8m)
- $150m share buy-back in August 2018
- Average net debt of ~$215m in 1H19
- No debt maturities in FY19
- Cancelled a further ~$25m of USPPs
- Extended maturity of $125m of debt facilities from FY20 to FY22
- The net (debt) / cash balance excludes matching receivables and payables under the Customer Charge Cards Agreement




| | 1H19 $m | FY18 $m |
|---|---|---|
| **Net debt** | | |
| Gross debt | (197.6) | (118.4) |
| Cash and cash equivalents | 112.4 | 161.2 |
| **Net (debt) / cash** | **(85.2)** | **42.8** |

| | 1H19 | FY18 |
|---|---|---|
| **Debt metrics and ratios** | | |
| Weighted average debt maturity | 1.7 years | 1.9 years |
| Weighted average cost of debt[1] | 4.0% | 4.1% |
| % Fixed debt | 48% | 79% |
| Interest coverage[2] | 15.7x | 15.2x |
| Gearing ratio (net hedged)[3] | 6.6% | - |
| Underlying EBITDAR coverage[4] | 3.6x | 3.5x |
| Gross debt coverage[5] | 0.5x | 0.3x |

1. Weighted average cost of debt over the period (excludes line fees).
2. Underlying EBITDA/Net Interest Expense.
3. Net Debt (hedged)/(Shareholders' Equity + Net Debt).
4. Underlying EBITDAR/(Net Interest Expense + Net Rent Expense).
5. Gross Debt (hedged)/Underlying EBITDA.

# Interim dividend

- FY19 interim dividend of 6.5 cents per share, fully franked
- Dividend payout ratio of ~60% of underlying earnings
- Ex-dividend date: 13 December 2018
- Record date: 14 December 2018
- Payment date: 18 January 2019

# GROUP OUTLOOK

JEFF ADAMS
GROUP CHIEF EXECUTIVE OFFICER

# Group Outlook

- **Food**
  - Highly competitive market conditions are expected to continue through the balance of FY19. We are, however, encouraged by the slowdown in the rate of decline in non-tobacco sales and progress on key initiatives in the first half
  - We expect 2H19 EBIT to be impacted by ~$8m of operating investment by the Supermarkets business in growth opportunities. This investment is expected to deliver earnings benefits beyond FY19
  - Working Smarter savings are expected to help mitigate the impact of difficult market conditions and cost inflation
- **Liquor**
  - We expect volume growth over the balance of FY19 to continue to be at modest levels due to the on-going trend of 'premiumisation'
  - Uncertainty related to the roll-out of non-uniform state container deposit schemes is expected to continue
  - Continued focus on building and improving quality of IBA network
- **Hardware**
  - Some further softening in new construction and DIY activity is expected over the balance of FY19, but to levels that are still above historical averages
  - Full synergy benefits from the acquisition of HTH expected to be realised by the end of FY19
- **Network investment**
  - We are pleased with the commitment of our independent retailers across all Pillars to continue to invest in their stores. This underpins the future health of the networks.

# Appendices

1. Financial history
2. New Accounting Standards – Revenues and Leases
3. Restatement – AASB15 and Charge Card Reclassification
4. Sales revenue reconciliation
5. Bannered store numbers
6. Contact details

# 1. Financial history



| | 1H19 | 1H18 | 1H17 | 1H16 | 1H15 |
|---|---|---|---|---|---|
| **Financial Performance** | | | | | |
| Sales revenue[1] ($m) | 6,189.2 | 6,054.8 | 5,743.7 | 5,698.5 | 5,650.3 |
| EBIT[2,3] ($m) | 158.1 | 156.3 | 132.1 | 140.7 | 160.6 |
| Net finance costs[3] ($m) | (14.5) | (15.2) | (16.9) | (19.8) | (31.4) |
| Underlying profit after tax[4] ($m) | 100.3 | 99.1 | 82.8 | 86.9 | 92.5 |
| Reported profit after tax[4] ($m) | 95.8 | 93.0 | 74.9 | 122.0 | 101.7 |
| Operating cash flows ($m) | 120.3 | 161.4 | 130.6 | 3.1 | 128.0 |
| Cash realisation ratio[5] (%) | 93.7% | 127.3% | 114.2% | 2.6% | 100.5% |
| **Financial Position** | | | | | |
| Shareholder's equity[4] ($m) | 1,212.8 | 1,633.9 | 1,538.4 | 1,275.2 | 1,654.7 |
| Net (debt) / cash (hedged) | (85.2) | 14.0 | (197.6) | (435.3) | (756.1) |
| Gearing ratio (net hedged)[6] (%) | 6.6% | - | 11.4% | 25.4% | 31.4% |
| Return on funds employed[7] (%) | 24.9% | 21.4% | 17.0% | 14.4% | 14.9% |
| **Share Statistics** | | | | | |
| Fully paid ordinary shares | 909.3 | 975.6 | 975.6 | 928.4 | 903.3 |
| Weighted average ordinary shares | 947.9 | 975.6 | 941.3 | 928.4 | 896.0 |
| Underlying earnings per share[4] (cents) | 10.6 | 10.2 | 8.8 | 9.4 | 10.3 |
| Reported earnings per share[4] (cents) | 10.1 | 9.5 | 8.0 | 13.1 | 11.4 |
| Dividends declared per share (cents) | [6.5] | 6.0 | - | - | 6.5 |

1. Sales revenue has been adjusted to reflect the new Accounting Standard AASB15 in all reporting periods.
2. EBIT has been adjusted for AASB15 in 1H19 and 1H18. EBIT has not been adjusted for AASB15 in earlier reporting periods.
3. EBIT and net finance costs in 1H15 – 1H17 have now been restated due to the reclassification of the Customer Charge Cards Agreement.
4. Underlying profit after tax, Reported profit after tax, Shareholder's equity and EPS reflect the adjustments in 1-3 above.
5. Cash flow from operations / Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected)
6. Net Debt (hedged) / (Shareholders Equity + Net Debt)
7. Underlying EBIT / Average funds employed

# 2. New Accounting Standards - Revenue and Leases



**AASB 15: *Revenue from Contracts with Customers***

- Effective from 1H19. Comparative period balances have been restated
- Key change is the derecognition of ~$2 billion in chargethrough revenue (on an annualised basis)
- Changes relating to EBIT were relatively immaterial
- See Appendix 3 for reconciliation
- Details relating to the change are included in the 1H19 statutory financial report

**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, Metcash-occupied properties and material handling equipment
- Net rental expense in the P&L will largely 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 statutory financial report

# 3. Restatement – AASB15 and Charge Card Reclassification



| $m | 1H19 | | | | 1H18 | | | | FY18 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As reported | AASB15 adjustment[1] | Charge Card reclass[2] | Adjusted | As reported | AASB15 adjustment[1] | Charge Card reclass[2] | Restated | As reported | AASB15 adjustment[1] | Restated |
| Food | 90.3 | (1.5) | 4.2 | **93.0** | 89.4 | (2.8) | 4.2 | **90.8** | 188.6 | (0.3) | **188.3** |
| Liquor | 29.1 | - | - | **29.1** | 27.6 | 1.8 | - | **29.4** | 68.4 | 1.9 | **70.3** |
| Hardware | 37.3 | 0.5 | - | **37.8** | 27.1 | 1.1 | - | **28.2** | 69.0 | 0.3 | **69.3** |
| **Total Pillar EBIT** | **156.7** | **(1.0)** | **4.2** | **159.9** | **144.1** | **0.1** | **4.2** | **148.4** | **326.0** | **1.9** | **327.9** |
| Corporate | (1.8) | - | - | **(1.8)** | 7.9 | - | - | **7.9** | 6.7 | - | **6.7** |
| **Total EBIT** | **154.9** | **(1.0)** | **4.2** | **158.1** | **152.0** | **0.1** | **4.2** | **156.3** | **332.7** | **1.9** | **334.6** |
| Net finance costs | (10.3) | - | (4.2) | **(14.5)** | (11.0) | - | (4.2) | **(15.2)** | (26.4) | - | **(26.4)** |
| Tax | (42.8) | 0.3 | - | **(42.5)** | (40.9) | - | - | **(40.9)** | (87.9) | (0.6) | **(88.5)** |
| Non-controlling interest | (0.8) | - | - | **(0.8)** | (1.1) | - | - | **(1.1)** | (2.8) | - | **(2.8)** |
| **Underlying profit after tax** | **101.0** | **(0.7)** | **-** | **100.3** | **99.0** | **0.1** | **-** | **99.1** | **215.6** | **1.3** | **216.9** |

1. The 1H19, FY18 and 1H18 results have been adjusted to adopt the new Accounting Standard AASB15: *Revenue from Contracts with Customers*. Details relating to the change are included in the 1H19 statutory financial report.
2. Food EBIT was increased to reflect the reclassification of net transaction costs associated with the Customer Charge Card Agreement out of EBIT and into finance costs, as a result of a change in accounting policy in FY18. The revision had no impact on the Group's profit/(loss) before tax.

# 4. Sales revenue reconciliation[1]



| $m | 1H19 Statutory | Charge-through sales | 1H19 (including charge-through) | 1H18 Statutory | Charge-through sales | 1H18 (including charge-through) | FY18 Statutory | Charge-through sales | FY18 (including charge-through) |
|---|---|---|---|---|---|---|---|---|---|
| Supermarkets | 3,097.2 | 470.8 | **3,568.0** | 3,110.4 | 455.2 | **3,565.6** | 6,338.2 | 936.8 | **7,275.0** |
| Convenience | 762.9 | - | **762.9** | 723.8 | - | **723.8** | 1,493.6 | - | **1,493.6** |
| Food | 3,860.1 | 470.8 | **4,330.9** | 3,834.2 | 455.2 | **4,289.4** | 7,831.8 | 936.8 | **8,768.6** |
| Liquor | 1,749.9 | 4.0 | **1,753.9** | 1,641.3 | 3.2 | **1,644.5** | 3,467.1 | 6.9 | **3,474.0** |
| Hardware | 579.2 | 510.4 | **1,089.6** | 579.3 | 496.7 | **1,076.0** | 1,143.3 | 976.8 | **2,120.1** |
| **Sales revenue** | **6,189.2** | **985.2** | **7,174.4** | **6,054.8** | **955.1** | **7,009.9** | **12,442.2** | **1,920.5** | **14,362.7** |

1. The 1H19, FY18 and 1H18 sales revenue was adjusted to reflect the adoption of the new Accounting Standard AASB15: *Revenue from Contracts with Customers*. Details relating to the change are included in the 1H19 statutory financial report.

# 5. Bannered store numbers

| | October 2018 | April 2018 |
|---|---|---|
| **Pillar** | | |
| Supermarkets | 1,668 | 1,674 |
| Campbells | 18 | 18 |
| Liquor | 2,735 | 2,754 |
| Hardware | 682 | 710 |
| TOTAL | 5,103 | 5,156 |

| | Supermarkets | Liquor | Hardware |
|---|---|---|---|
| **Store movement** | | | |
| Number of stores at April 2018 | 1,674 | 2,754 | 710 |
| Stores joined banner group during the period | 9 | 230 | 5 |
| Stores left banner group during the period | (15) | (249) | (33) |
| Number of stores at October 2018 | 1,668 | 2,735 | 682 |

# 5. Bannered store numbers (continued)

| | October 2018 | April 2018 |
|---|---|---|
| **Supermarkets** | | |
| Supa IGA | 376 | 376 |
| IGA | 796 | 808 |
| IGA-Xpress | 211 | 209 |
| **Total IGA bannered stores** | **1,383** | **1,393** |
| Friendly Grocer / Eziway | 285 | 281 |
| **Total Supermarkets** | **1,668** | **1,674** |
| | | |
| **Liquor** | | |
| Cellarbrations | 573 | 574 |
| Bottle-O & Bottle-O Neighbourhood | 245 | 239 |
| IGA Liquor | 463 | 458 |
| Porters | 24 | 24 |
| Thirsty Camel (NSW/ACT, Qld, Tas, SA/NT) | 164 | 158 |
| Big Bargain | 54 | 54 |
| Other | 1,212 | 1,247 |
| **Total Liquor** | **2,735** | **2,754** |
| | | |
| **Hardware** | | |
| Mitre 10 | 294 | 299 |
| Home Timber & Hardware and related brands | 327 | 347 |
| True Value Hardware | 61 | 64 |
| **Total Hardware** | **682** | **710** |

# 6. Contact details

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