Metcash

FY20 Full Year Results

22 June 2020

Group update and divisional results

Jeff Adams
Group Chief Executive Officer

Our purpose

Championing Successful Independents

Our vision

- Best store in town
- Passionate about independents
- A favourite place to work
- Business partner of choice
- Support thriving communities

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

FY20 – an unprecedented year

A year of challenges

- The year included significant challenges including devastating bushfires and the global COVID-19 pandemic
- These challenges highlighted the vital role our independent retailers play in supporting their local communities
- We proudly supported our independent retailers through these difficult times

Bushfires

- Our strong presence in rural and regional Australia meant the bushfires impacted many of our independent retailers
- Support was focused on ensuring our retailers were safe and supplied with emergency items
- Worked closely with government and emergency services to ensure isolated retailers received appropriate supplies
- Established ‘Tool Libraries’ in affected communities to provide access to trade quality tools to assist with rebuilding
- Metcash, together with the retailer network donated ~$1.3m to support impacted communities
- Stories of extraordinary efforts by our retailers to support their community are available at www.metcash.com

NSW Rural Fire Service collecting items donated by Crookwell IGA

Volunteers unloading items donated by Donges Supa IGA Young at the Tumut Recovery Centre

Championing the success of our independent retailers

FY20 – an unprecedented year continued

COVID-19 pandemic

- Reset business priorities early in response to COVID-19 pandemic
  - Protecting the health and wellbeing of our people
  - Keeping our supply chains open to ensure delivery of essential goods
  - Keeping our business financially strong by protecting our balance sheet
- We managed these key priorities despite extraordinary demand across our businesses, particularly Food, and the closure of a portion of our Liquor business
  - Invested in COVID-19 safe work procedures and PPE which enabled all our facilities to remain operating throughout the crisis period
  - Our Food distribution centres operated 24/7 during the initial period of the crisis, working the equivalent of an additional ~11,000 person days
  - Worked closely with government to ensure supply of product, particularly to country and remote locations
  - Accelerated expansion of digital capability and launched online offers in Food and Liquor
  - Supported Liquor customers impacted by government shutdown of the Australian 'on-premise' market and our New Zealand operations
  - Assisted retailers to implement COVID-19 safe operating environment in stores
  - Strengthened financial position through equity raising
- Impact on reported results
  - Significant uplift in sales in Food as well as in DIY in Hardware
  - Liquor negatively impacted by closures in New Zealand and 'on premise' in Australia (these account for ~20% of total Liquor sales)
  - Incremental operating costs to deliver priorities
  - Impairment of $10.9m (after tax) reported as a significant item

Championing the success of our independent retailers

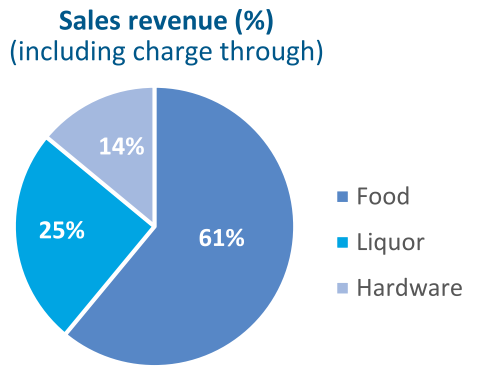
Group highlights

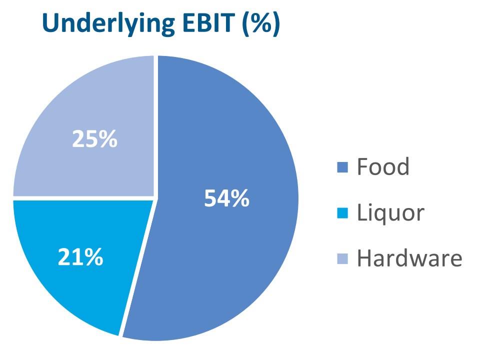
- Group revenue increased 2.9% to $13.0bn and, including charge through sales, was up 2.0% to $14.9bn
- All Pillars responded well to service our retailers in a very challenged environment impacted by both bushfires and COVID-19
- Food delivered sales growth, even if the positive uplift in sales due to COVID-19 in March and April is excluded. Supermarkets wholesale sales (ex-tobacco) reported underlying sales growth for the first time since FY12, confirming our strategic initiatives are delivering positive results
- Liquor delivered its seventh consecutive year of sales growth despite the COVID-19 related closure of Australian 'on-premise' businesses and our New Zealand operations
- Hardware returned to positive sales growth in 2H20 with strong DIY sales
- Underlying Group EBIT (pre AASB16) was $324.2m. Excluding the impact of the loss of Drakes and a lower contribution from lease resolutions, this is an improvement of ~$12m on last year
- Statutory loss after tax (post AASB16) of $56.8m includes impairment to goodwill and other assets in 1H20 of $242.4m (post tax)
- Strengthened financial position through equity raising
- Strong start to FY21 with continued sales growth in the first seven weeks of the new year
- Proposed acquisition of Total Tools Holdings

Results overview by pillar

	FY20 $m	FY19 $m	Change %
Sales revenue (including charge through sales)			
Food	9,103.7	8,794.3	3.5%
Liquor	3,678.4	3,666.9	0.3%
Hardware	2,075.0	2,102.0	(1.3%)
Total sales revenue (including charge through sales)	**14,857.1**	**14,563.2**	**2.0%**
Less: Charge through sales	(1,831.7)	(1,902.9)	(3.7%)
Total sales revenue (Statutory Accounts)	**13,025.4**	**12,660.3**	**2.9%**

	FY20 Pre AASB16 $m	FY19 Pre AASB16 $m	Change %
Underlying EBIT			
Food	177.5	182.7	(2.8%)
Liquor	70.6	71.2	(0.8%)
Hardware	81.2	81.2	-
Business Pillars	**329.3**	**335.1**	**(1.7%)**
Corporate	(5.1)	(5.1)	-
Total underlying EBIT (pre AASB16)	**324.2**	**330.0**	**(1.8%)**
Add: AASB16 adjustment[1]	10.7	-	-
Total EBIT (Statutory Accounts)	**334.9**	**330.0**	**1.5%**





1. An analysis of AASB16 adjustments by Pillar is shown in Appendix 2.

Food – sales

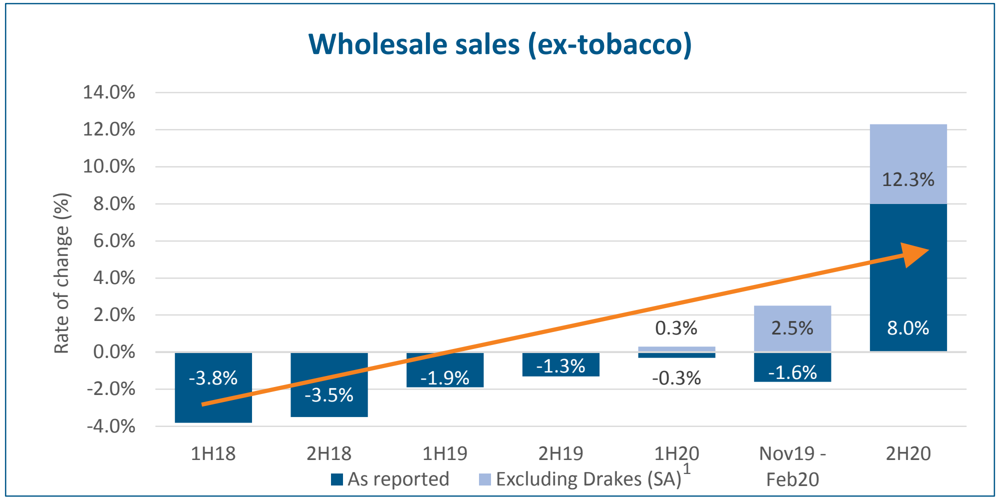
Supermarkets

- Total sales (including charge through) increased 3.8% to $7.5bn (+6.1% ex Drakes impact[1])
- Total sales for the 10 months to February (excludes higher COVID-19 sales months of March and April) were up 0.2% on the prior year
- Significant improvement in the trajectory of wholesale sales (ex-tobacco) during the year:
  - Sales up 3.9% in the full year (+6.3% ex Drakes impact[1])
  - Sales up 2.5%[1] in first four months of 2H20 which excludes any positive impact from COVID-19 related volume increases – confirmation that strategic initiatives delivering positive results
  - Sales up 8.0% in 2H20 (+12.3% ex Drakes impact[1]) reflecting the significant uplift in volumes in March/April
- IGA network performed strongly with LfL[2] sales up 5.6% (FY19: -0.5%) – market share gains
- Net IGA store openings in the year (36 new stores, 35 store closures[3])
- Sales benefited from price inflation of +0.7%[4] versus a headwind of deflation in recent years
- Team score of ~74% in line with 1H20 (FY19: ~72%)

Convenience

- Total Convenience sales increased 2.0% reflecting higher sales from larger customers, mainly tobacco sales

	FY20 $m	FY19 $m	Change %
Food			
Supermarkets revenue (including charge through)	7,512.9	7,235.3	3.8%
Charge through sales	(982.1)	(957.9)	2.5%
Supermarkets revenue (excluding charge through)	**6,530.8**	**6,277.4**	**4.0%**
Convenience revenue	1,590.8	1,559.0	2.0%
Total revenue as per Statutory Accounts	**8,121.6**	**7,836.4**	**3.6%**



1. Metcash ceased to supply Drakes in SA from 30 September 2019. Sales growth has been calculated by removing Drakes sales from the prior period (1 October 2018 to 30 April 2019).
2. Scan data from 950 IGA stores.
3. Excludes Drakes stores and transfers out of the banner group.
4. Excludes tobacco and produce.

Food – EBIT

- Reported EBIT of $182.7m includes a positive AASB16 adjustment of $5.2m
- EBIT (pre AASB16) declined $5.2m (2.8%) to $177.5m
- Underlying EBIT (pre AASB16) improved by ~$12m after adjusting for:
  - A decline in the contribution from the resolution of onerous lease obligations
  - The impact of ceasing to supply Drakes in SA from 30 September 2019
- The movement in underlying EBIT (pre AASB16) reflects:
  - The contribution from increased sales, particularly in March/April
  - Marginally higher costs were incurred in March/April to deliver the spike in sales and manage COVID-19 impacts
  - EBIT margin declined 20bps due to the additional cost to service customers as a result of COVID-19 restrictions and an investment in price, in part driven by higher volume rebates to retailers
  - Continued focus on operating costs helped offset the impact of inflation
  - Improved earnings from joint ventures

	FY20 $m	FY19 $m	Change %
Total revenue[1] (including charge through)	9,103.7	8,794.3	3.5%
EBIT (Statutory Accounts)	**182.7**	**182.7**	**-**
Less: AASB16 adjustment	(5.2)	-	-
EBIT (Pre AASB16)	**177.5**	**182.7**	**(2.8%)**
EBIT margin[2]	1.9%	2.1%	(20bps)

Ritchies IGA, Rowville, VIC

1. Total revenue includes charge through sales of $982.1m (FY19: $957.9m).
2. EBIT margin: EBIT (pre AASB16) / Total revenue (including charge through sales).

Food – COVID-19

COVID-19 change	Impact on Food pillar and response

• Change in consumer behaviour
  • Increase in number of people cooking at home
  • Preference for local neighbourhood shopping
	• Food sales up ~18% in March and April
	• Increase in new customer visits
	• Increase in average basket size
	• Decrease in frequency of customer visits

Look to retain market share gains from new customers who have shifted to IGA

• Increase in online shopping	• Launched 'IGA Shop Online' in May with initial range of 1,800 SKUs

Increase in competitiveness of independent retailers through new online offer

• Importance of supply to regional and remote communities	• Worked with governments and local authorities to supply regional and remote communities

Effective supply to regional and remote communities (~45% of store network)

• Safety of employees and customers a key priority • Support for elderly, vulnerable, isolated and essential service workers	• Invested in COVID safe work practices and PPE in our DCs and support for our retailers through provision at no cost of sanitisers and protective equipment • Launched 'IGA Priority Shop' • Provision of weekly grocery packs to doctors and nurses at St Vincent's Hospital, Sydney

Continued strong focus on safety and community support

Food – MFuture Initiatives

STORE CLARITY

- Small format store trial completed with learnings being rolled out to Xpress network
- First 'SupaValu' large format store opened at Doonside, NSW
- Current focus on core IGA brand, stores and standards
- Roll out of 'Low Prices Every Day' improving price competitiveness and driving sales growth

PRIVATE LABEL

- Community Co well received by retailers and customers
- New ranges launched in ready meals, delivering value to customers and better returns to retailers
- Further range expansion expected in FY21

STORE NETWORK

- DSA program remains key driver of improvement in quality of store network
- Further 124 stores completed DSA program resulting in ~40% of network now being upgraded. Average retail sales growth ~15%
- Increased retailer confidence – 36 new IGA stores opened in FY20

LOW COST OPERATOR

- New Distribution Centre in South Australia to be completed by end of CY20
- Suppliers re-entering network included Bulla & Manassen – supports drive to be broad-range low cost distribution provider
- Warehouse efficiency and cost-out initiatives delivered significant savings

Focus is on further improving competitiveness of retailer network

Liquor – sales

Metcash

- Total sales (including charge through) increased 0.3% to $3.7bn, despite being adversely impacted by COVID-19 restrictions in March/April
- Total sales for the 10 months to February (pre COVID-19 impact) increased 2.2% due to:
  - Value growth from continuation of ‘premiumisation’ trend
  - Increase in ‘on-premise’ sales
- March/April sales impacted by:
  - Government shutdown of Australian ‘on-premise’ market and New Zealand operations from 23 March (represents ~20% of total Liquor pillar sales)
  - Consumers shifting away from ‘premiumisation’ trend
  - An increase in volumes in Australian retailer network due to:
    - Buying in anticipation of government shutdowns
    - Increased demand following shutdown of Australian ‘on-premise’ market
    - Increased preference for local neighbourhood shopping
- IBA LfL[1] retail sales increased 3.2% in the year supported by continued network investment and increased demand in March/April
- Percentage of sales through IBA bannered network in-line with prior year at ~53%

	FY20 $m	FY19 $m	Change %
Total revenue as per Statutory Accounts	3,670.3	3,658.8	0.3%
Charge through sales	8.1	8.1	-
Total revenue (including charge through)	**3,678.4**	**3,666.9**	**0.3%**

Porters Liquor store, Narrabeen, NSW

1. Scan data from 584 stores.

Liquor – EBIT

- Reported EBIT of $72.8m includes a positive AASB16 adjustment of $2.2m
- EBIT (pre AASB16) decreased $0.6m to $70.6m reflecting the impact of COVID-19 restrictions
  - Australian 'on-premise' and New Zealand businesses were unable to trade for five weeks in March/April due to government shut-downs. These two businesses account for ~20% of Liquor pillar sales
  - Additional costs associated with managing impacted Australian 'on-premise' and New Zealand customers
  - Additional costs associated with managing health and safety risks
- EBIT margin[2] maintained at 1.9%

	FY20 $m	FY19 $m	Change %
Total revenue[1] (including charge through)	3,678.4	3,666.9	0.3%
EBIT (Statutory Accounts)	**72.8**	**71.2**	**2.2%**
Less: AASB16 adjustment	(2.2)	-	-
EBIT (Pre AASB16)	**70.6**	**71.2**	**(0.8%)**
EBIT margin[2]	1.9%	1.9%	-

IGA Liquor store, Strathfieldsaye, VIC

1. Total revenue includes charge through sales of $8.1m (FY19: $8.1m).
2. EBIT margin: EBIT (pre AASB16) / Total revenue (including charge through).

Liquor – COVID-19

COVID-19 change	Impact on Liquor pillar and response
• Change in consumer behaviour • Move from 'premiumisation' to everyday value - likely to continue under uncertain economic conditions • Increased preference for localised shopping and convenience	• Sales mix move to classic beer & everyday wine • IBA remained competitive during this period, increase in new customers • Customers focused on everyday fair price, Private Label important driver • Foot traffic down, basket size up
Focus on retaining new shoppers via convenience and everyday value	
• Growth in online shopping	• Launched www.shopmylocal.com.au • Basket size 3 x 'in-store', 200+ stores signed in 4 weeks • Platform launched 6 months ahead of plan
Delivering a uniquely independent marketplace and building a broad range convenient liquor offer	
• On-premise customers looking for assistance in time of need • Helped managed stock levels • Payment plans • Consistent communication	• Increased investment in working capital • Increased interest from new and existing customers • Supporting customers reopen – 'project awakening'
Continuing to support impacted retailers	

Continuing to support impacted retailers

Liquor – MFuture initiatives

DIGITAL

- Accelerating growth opportunities through expansion of digital capability
- Launched new e-commerce platform ‘Shop My Local’ in April with 200+ stores
- Significant retailer engagement and support for Loyalty program
- Integrated POS program underway
- Data excellence program to enhance quality of legacy data

STORE NETWORK

- Continued to enhance the quality of the network through investment in stores and cool room upgrades
- Further expansion of private and exclusive label range available to the network
- Acquired private label brand portfolio from Kollaras – key accelerator of private label growth strategy
- Expansion of Porters network slowed due to COVID-19
- Successfully renewed supply agreement with large contract customer

ON-PREMISE

- Good progress in addressing historical under-indexing in ‘on-premise’ market pre COVID-19
- ~650 new customers added in FY20 which helped deliver ‘on-premise’ sales growth of 10% pre COVID-19
- Investment in supporting customers impacted by COVID-19 restrictions
- Launched ALM Agora online market place connecting on-premise venues directly with suppliers

Prioritising growth opportunities in digital, private label

Hardware – sales

- Total sales (including charge through) decreased 1.3% to $2.08bn reflecting the impact of the slowdown in construction activity on Trade sales and the loss of a large HTH customer in QLD in 1H19
- Total sales were down 2.8% for the 10 months to February (pre COVID-19 impact), reflecting a decline in Trade sales and loss of a large HTH customer in QLD in 1H19
- Significant improvement in 2H20 with sales up 1.8% (1H20: -4.2%) buoyed by positive impact of COVID-19 in March/April
  - Strong demand in DIY categories, particularly paint and garden
  - Some forward purchasing in Trade in anticipation of restrictions
  - Benefit from strengthening retail store network
- Total wholesale LfL[1] sales to IHG banner group were flat in 2H20 (1H20: -2.6%) resulting in a full year decline of 1.1%
- Retail LfL[2] sales increased 1.6% in 2H20 (1H20: -3.2%) resulting in a full year decline of 0.7%
- Higher margin DIY sales increased to 37% of sales mix (FY19: 35%)
- Online sales increased ~40%, albeit from a relatively low base
- Supply agreements signed with two new large customers in QLD and SA

	FY20 $m	FY19 $m	Change %
Total revenue as per Statutory Accounts	1,233.5	1,165.1	5.9%
Charge through sales	841.5	936.9	(10.2%)
Total revenue (including charge through)	**2,075.0**	**2,102.0**	**(1.3%)**

Tait Mitre 10 Mt Waverly, VIC

1. Includes sales to independent retailers and company-owned stores.
2. Based on a sample of 198 network stores that provide scan data (represents >50% of sales).

Hardware – EBIT

- Reported EBIT of $84.2m includes a positive AASB16 adjustment of $3.0m
- EBIT (pre AASB16) was in line with FY19 at $81.2m
- The impact of the decline in sales was offset by:
  - Higher contribution from an increase in proportion of DIY sales
  - Cost savings (further rationalisation of DC network and a reduction in company store costs)
  - Acquisitions including G. Gay & Co (Vic) and Keith Timber (SA)
- IHG wholesale EBIT margin of 3.0%
- Total IHG EBIT margin maintained at 3.9%

	FY20 $m	FY19 $m	Change %
Total revenue[1] (including charge through)	2,075.0	2,102.0	(1.3%)
EBIT (Statutory Accounts)	**84.2**	**81.2**	**3.7%**
Less: AASB16 adjustment	(3.0)	-	-
EBIT (Pre AASB16)	**81.2**	**81.2**	**-**
EBIT margin[2]	3.9%	3.9%	-

Versatile Mitre 10, Malaga, WA

1. Total revenue includes charge through sales of $841.5m (FY19: $936.9m).
2. EBIT margin: EBIT (pre AASB16) / Total revenue (including charge through).

Hardware – COVID-19

COVID-19 change	Impact on Hardware pillar and response

• Change in consumer behaviour
  • Increase in DIY projects
  • Preference for local neighbourhood shopping
	• LfL Scan Sales up 11.6% across March/April
	• Increase in customer visits
	• Increase in average basket size

Look to retain new customers who have shifted to Mitre 10 and HTH

• Increase in online shopping	• ~14,000 SKUs now available online • Increased loyalty customer activation

Online sales up ~40% on prior year

• Increased reliance on local supply into rural and regional communities	• Reinforced our role in providing essential goods to our communities • Ensured ongoing supply to our Trade and construction customers

Effective supply to regional and rural communities (represent ~65% of store network)

• Safety of employees and customers a key priority • Move to contactless payments • Increased demand for 'Click 'n' Collect' • Assisted retailers implement COVID-19 safe operating environment	• Invested in COVID-19 safe work practices and PPE in our DCs, stores and the independent network • Mobilised our operations teams to adapt and meet the challenges • Introduced 'Click 'n' Deliver' quickly and free of charge to impacted communities (e.g. Level 4 lockdown communities in North West Tasmania)

Continued focus on safety and wellbeing of our employees and customers

Hardware – MFuture initiatives

SAPPHIRE PROGRAM

- Sapphire store upgrades continuing to improve the quality of the network. 90 stores have completed the program delivering average retail sales growth of >15%
- Significant support of the program by Independents reinvesting into their business and their communities

BUILD TRADE

- Number of Trade Only stores increased to 19, with plans to increase to 40 by 2022
- Progressing 'Whole of House' strategy with frame & truss facilities in place, alliances established and staff training completed
- New supply agreements with large trade customers, QLD and SA
- Proposed acquisition of Total Tools Holdings

GROW RETAIL NETWORK

- Company-owned retail network core to ensuring a strong independent model
- Six acquisitions (17 sites) in FY20 increased network of retail stores to 105
- Retail network represents ~15% of total stores and ~40% of total IHG sales

DIGITAL & TRADE TECHNOLOGY

- Further advanced leading Trade technology including: Truck Tracker, Trade Online and Trade+
- Significant increase in SKUs available online to ~14,000 (FY19: ~3,000)
- Average online retail sale ~$200 which is four times larger than 'in store'
- Online sales growth of 40% in FY20

COSTS

- Closed NSW DC and opened new state-of-the-art DC in QLD (NSW served out of VIC and QLD)
- DC consolidation in WA planned for Q1 FY21
- Continued strong focus on costs
- Cost resets in company-owned retail network most exposed to slowdown in construction activity

IHG remains well positioned as the second largest player in the market

Financials

Brad Soller
Group Chief Financial Officer

AASB16 *Leases*

Metcash adopted AASB16 on 1 May 2019 which has resulted in the recognition of 'right of use' assets, lease receivables and lease liabilities.

Balance Sheet

- Initial recognition of 'right of use' asset, sublease receivable and offsetting liability
- Asset value of $936.8m (includes 'right of use' assets of $601.5m and sublease receivable of $335.3m)
- Liability of $939.1m (includes both Metcash occupied properties and back to back retail lease obligations)

Profit and Loss

- The new standard results in an increase in EBIT of $10.7m and an increase in EBITDA of $108.5m in FY20
- This is offset by higher depreciation of $97.8m and net finance costs of $26.1m
- The impact on Net Profit After Tax in FY20 was to reduce profit by $10.9m

Cashflows

- No impact on net cashflows
- Increase in reported operating cashflows offset by higher investing and financing cashflows

Comparatives

- The prior comparative year has not been restated in the statutory accounts

Further details are contained in Appendix A of the FY20 statutory financial report

Profit & Loss

Metcash

	FY20 (Post AASB16) $m	FY20 (Pre AASB16) $m	FY19 (Pre AASB16) $m
Sales revenue	13,025.4	13,025.4	12,660.3
EBITDA	**492.1**	**383.6**	**386.4**
Depreciation and amortisation	(157.2)	(59.4)	(56.4)
EBIT	**334.9**	**324.2**	**330.0**
Net finance costs	(52.0)	(25.9)	(28.9)
Profit before tax and NCI	**282.9**	**298.3**	**301.1**
Tax	(82.5)	(87.0)	(88.5)
Non-controlling interests	(1.6)	(1.6)	(2.3)
Underlying profit after tax	**198.8**	**209.7**	**210.3**
Significant items (post tax)	(255.6)	(255.6)	(17.5)
Reported (loss)/profit after tax	**(56.8)**	**(45.9)**	**192.8**
EPS based on underlying profit after tax	21.8c	23.0c	22.6c
ROFE[1]	24.9%	N/A	27.7%

1. ROFE based on underlying EBIT and the average of opening and closing funds employed.

Significant items

	FY20 $m	1H20 $m	FY19 $m
Impairment of goodwill and other assets	242.4	242.4	-
COVID-19 related impairment	15.6	-	-
MFuture restructure costs and South Australia DC costs	10.5	6.9	5.6
Working Smarter and HTH restructure costs	-	-	19.4
Total significant items before tax	**268.5**	**249.3**	**25.0**
Tax	(12.9)	(7.1)	(7.5)
Significant items after tax	**255.6**	**242.2**	**17.5**

- Impairment of goodwill and other assets – impairment of goodwill in the Food pillar in 1H20 related to advice from 7-Eleven that it does not intend to renew its current supply agreement which concludes on 12 August 2020
- COVID-19 related impairment primarily relates to provisions for losses on receivables from customers impacted by COVID-19 restrictions and the write off of prepaid commitments for events
- MFuture restructure and South Australia DC costs of $3.6m were incurred in 2H20

Cashflows

	FY20 (Post AASB16) $m	FY20 (Pre AASB16) $m	FY19 (Pre AASB16) $m
Net cash from operating activities	117.5	33.0	244.9
Net cash used in investing activities	(36.4)	(81.6)	(47.9)
Capital expenditure	(61.5)	(61.5)	(54.2)
Acquisitions of businesses	(29.7)	(29.7)	(11.8)
Proceeds from sale of businesses/assets and net loan movements	9.6	9.6	18.1
Receipts from subleases	45.2	-	-
Dividends paid	(118.2)	(118.2)	(127.4)
Payments for lease liabilities	(129.7)	-	-
Proceeds from equity raising	294.3	294.3	-
Off-market share buy-back	-	-	(150.3)
Other financing activities	(5.3)	(5.3)	(2.9)
Reduction/(increase) in net debt	**122.2**	**122.2**	**(83.6)**
Cash realisation ratio (CRR)[1]	33.0%	12.3%	91.8%
Adjusted cash realisation ratio (CRR)[2]	68.1%	58.7%	91.8%

- AASB16 has no impact on net cashflows but does require significant reclassifications. FY19 is presented on a pre AASB16 basis except for net debt which has been revised to comply with AASB16
- Operating cashflows in FY20 negatively impacted by a $209m increase in working capital, of which ~$125m is related to COVID-19
- Capital expenditure broadly in line with depreciation and amortisation (pre AASB16)
- The outflow from acquisitions of businesses primarily relates to acquisitions in the Hardware pillar
- Metcash raised $294.3m of equity in April 2020, net of costs

1. Cash realisation ratio (CRR) = Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected).
2. Adjusted for $125m increase in working capital related to COVID-19 restrictions.

Balance Sheet

	30 April 2020 (Post AASB16) $m	30 April 2019[1] (Pre AASB16) $m
Trade receivables and prepayments	1,559.0	1,472.5
Inventories	1,032.2	779.3
Trade payables and provisions	(2,181.9)	(2,051.5)
Net working capital	**409.3**	**200.3**
Intangible assets	581.8	793.5
Property, plant and equipment	214.0	218.0
Equity accounted investments	77.6	87.7
Customer loans and assets held for resale	56.3	48.2
Capital investments	**929.7**	**1,147.4**
Total funds employed	**1,339.0**	**1,347.7**
Lease receivables	292.7	-
'Right of use' assets	485.4	7.8
Lease provisions	(58.1)	(159.0)
Lease liabilities	(886.1)	(7.4)
Lease balances	**(166.1)**	**(158.6)**
Net cash/(debt)	86.7	(35.5)
Tax, put options and derivatives	112.0	96.5
Net Assets/Equity	**1,371.6**	**1,250.1**

1. The Group revised the presentation of lease balances on its Balance Sheet upon adoption of AASB16. Comparative information has been reclassified to align with the current presentation.

Capital management

- Steps taken to strengthen balance sheet in April due to uncertainty associated with COVID-19
  - Raised ~$300m of equity
  - Secured additional $180m of committed short term debt facilities
- Additional financial flexibility has enabled the Group to:
  - Support the retailer network during COVID-19 restrictions
  - Invest in growth opportunities
    - Continued investment in MFuture growth program
    - Three bolt-on acquisitions (~$45m)
      - Liquor Centre in NZ completed
      - Kollaras private label liquor brand portfolio
      - Large Hardware independent retailer – in progress
    - Proposed acquisition of 70% of Total Tools Holdings for ~$57m – in final negotiations

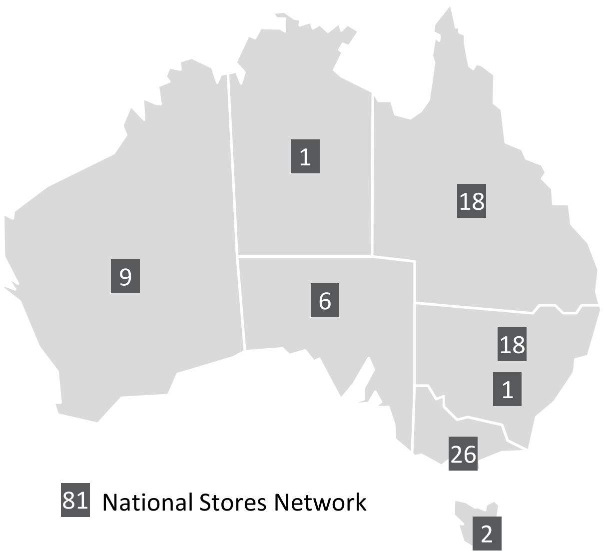
Total Tools

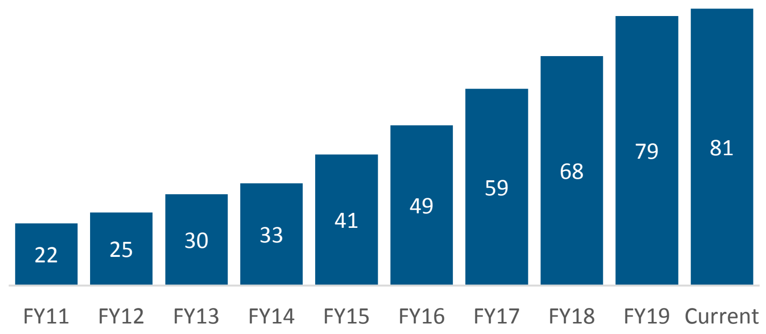
About Total Tools

- Total Tools Holdings Pty Ltd (“Total Tools”) is the franchisor to the largest tool retail network in Australia
- 81 stores nationwide generating sales of ~$555m[1]
- Differentiated by targeting professional tradespeople (“tradies”) who require high quality tools for commercial use
- Total Tools’ offer:
  - Range: A broad range of tools, accessories, consumables and specialist trade equipment
  - Brands: Leading local and global professional tool brands as well as a successful own brand offering
  - Service: Professional services, solutions and advice to help customers get the most out of their tools and improve onsite efficiency
- Operating for over 30 years

Metcash believes the rationale for acquiring Total Tools is compelling as the acquisition would:

- Align with Metcash’s strategy to be the leading supplier to independents in each of its three Pillars
- Enhance Metcash’s position in the Australian hardware market which will benefit independent retailers in both Total Tools and the Independent Hardware Group
- Increase the Hardware pillar’s exposure to trade customers
- Support Total Tools’ vision to remain a leading professional tool retail network
- Strengthen both Metcash’s and Total Tools’ existing independent networks
- Provide Metcash with a more balanced mix of earnings across its operating pillars
- Result in significant value creation opportunities and synergies





1. 12 months ended 31 December 2019.

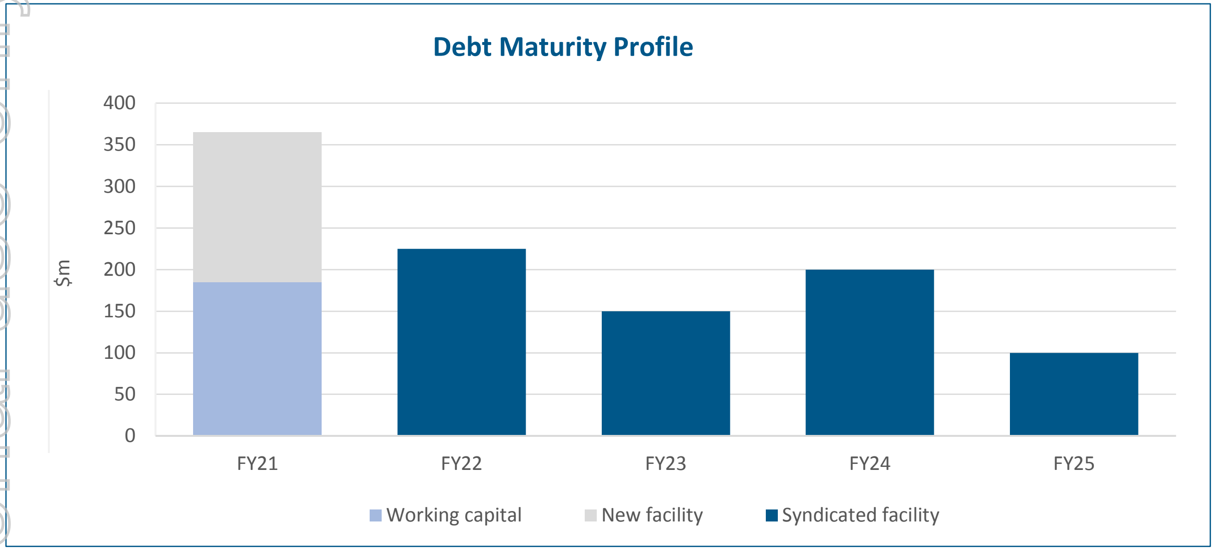
Total Tools continued

Proposed acquisition

- To acquire 70% of Total Tools for ~$57m[1]
- Consistent with Metcash's successful approach in its Hardware pillar, Metcash would look, over time, to have a mix of store ownership, including both independently owned and joint venture retail stores
- The proposal includes Metcash having a clear pathway to acquire the remaining 30% stake in Total Tools via a put and call option
- Metcash will provide Total Tools with a $35m debt facility as part of the acquisition to support its growth plans and the potential future acquisition of interests in a select number of stores
- The proposed acquisition is subject to negotiation of final binding transaction documentation, which will be undertaken under a period of exclusivity. Metcash can give no assurances at this stage as to whether these discussions will lead to a binding transaction
- The proposed acquisition is subject to approval by the ACCC

1. Calculated with reference to 70% of the headline Enterprise Value on a cash free, debt free basis and assuming a normal level of working capital on completion.

Net debt



- Net cash of $86.7m (FY19: Net debt $35.5m)
- Average net debt of ~$345m (FY19: ~$300m)
- Average tenor of debt 1.8 years
- Refinanced $85m of existing debt facilities
- Secured additional $180m of committed short-term debt facilities
- Balanced debt maturity profile
- Looking to refinance $225m of debt facilities in 1H21 (matures 08/21)

	FY20 $m	FY19 $m
Net debt[1]		
Gross debt	(188.4)	(178.1)
Cash and cash equivalents	275.1	142.6
Net cash / (debt)	**86.7**	**(35.5)**
Debt metrics and ratios		
Weighted average debt maturity	1.8 years	2.9 years
Weighted average cost of debt[2]	2.8%	3.4%
% Fixed debt	68%	50%
Interest coverage[3]	25.9x	25.2x
Gearing ratio[4]	(6.7%)	2.8%
Underlying EBITDAR coverage[5]	3.8x	3.8x
Gross debt coverage[6]	0.5x	0.5x

1. The Group revised the presentation of net debt on its Balance Sheet upon adoption of AASB16. Net debt excludes all liabilities related to AASB16 and lease liabilities. Finance lease obligations which were previously classified as net debt are now separately disclosed as Lease Liabilities on the Balance Sheet under the new standard (FY19: $7.4m)
2. Weighted average cost of debt over the period (excludes line fees)
3. Underlying EBITDA/Net Interest Expense (pre AASB16)
4. Net Debt/(Shareholders' Equity + Net Debt)
5. Underlying EBITDAR/(Net Interest Expense + Net Rent Expense) (pre AASB16)
6. Gross Debt/Underlying EBITDA (pre AASB16)

Dividends

- FY20 final dividend
  - 6.5 cents per share, fully franked
  - Ex-dividend date: 7 July 2020
  - Record date: 8 July 2020
  - Payment date: 5 August 2020
- Total dividends for FY20 12.5 cents per share, fully franked
- Dividend payout ratio of ~60% of underlying earnings per share

Group Outlook

Jeff Adams
Group Chief Executive Officer

Outlook

Food

- Sales in the first seven weeks of FY21 continued to benefit from a change in consumer behaviour with total Food sales up 9.3%, and Supermarkets wholesale sales (ex-tobacco) up 16.7% (ex Drakes impact)
- The earnings benefit from the increase in sales continues to be marginally offset by higher costs to service the elevated demand and manage health and safety risks
- As previously advised, there will be no sales to Drakes in South Australia in FY21 and there will be lower sales to 7-Eleven
- The business is continuing to progress its growth initiatives focused on further improving the competitiveness of its retailer network and its strong focus on costs to help offset the impact of inflation and other cost pressures

Liquor

- Sales for the first seven weeks of FY21 increased 5.5% despite customers in New Zealand and ‘on premise’ customers in Australia being impacted by COVID-19 trading restrictions
- New Zealand and Australia ‘on-premise’ trading restrictions were partially lifted in May and early June, and all trading restrictions in New Zealand lifted on 9 June 2020
- The increase in sales for the first seven weeks, excluding customers impacted by the trading restrictions, was ~15%
- The business is focused on managing through the changed external environment while also progressing its strategic initiatives including private label and accelerating the rollout of its new ‘Shop My Local’ online offer across the network

Outlook continued

Hardware

- Hardware sales for the first seven weeks of FY21 have increased 9.4% underpinned by continuing strong demand in DIY categories
- Trade sales in FY21 are expected to continue to be impacted by a slowdown in construction activity. Weak indicators of future residential construction suggest further weakness in the Trade sector is likely from the second half of FY21. However, the Government's recently announced stimulus package to boost residential construction and renovations activity is expected to help mitigate this weakness
- The business is continuing to progress its growth initiatives in Trade, DIY and digital, and has a strong focus on costs to help offset the impact of any reduction in sales volumes

COVID-19

- There is uncertainty over the timing of further lifting of COVID-19 restrictions in Australia and the extent that our businesses will continue to benefit from the favourable change in consumer behaviour

Appendices

1. Financial history
2. AASB16 reconciliation
3. Bannered store numbers

1. Financial history

	FY20 (Post AASB16)	FY20 (Pre AASB16)	FY19[1] (Pre AASB16)	FY18[1] (Pre AASB16)	FY17[1] (Pre AASB16)	FY16[1] (Pre AASB16)
Financial Performance						
Sales revenue ($m)	13,025.4	13,025.4	12,660.3	12,442.2	12,293.0	11,716.5
EBIT[2] ($m)	334.9	324.2	330.0	334.6	304.8	286.7
Net finance costs ($m)	(52.0)	(25.9)	(28.9)	(26.4)	(33.6)	(38.3)
Underlying profit after tax[2] ($m)	198.8	209.7	210.3	216.9	194.8	178.3
Reported (loss)/profit after tax[2] ($m)	(56.8)	(45.9)	192.8	(148.2)	171.9	216.5
Operating cash flows ($m)	117.5	33.0	244.9	276.3	304.6	165.8
Cash realisation ratio[3] (%)	33%	12%	92%	101%	118%	70%
Financial Position						
Shareholder's equity[2] ($m)	1,371.6	N/A	1,250.1	1,334.2	1,583.2	1,369.1
Net cash/(debt) ($m)	86.7	N/A	(42.9)	42.8	(80.8)	(275.5)
Gearing ratio[4] (%)	(6.7%)	N/A	3.3%	(3.2%)	4.7%	16.8%
Return on funds employed[5] (%)	24.9%	N/A	27.7%	24.4%	19.0%	17.2%
Share Statistics						
Fully paid ordinary shares	1,016.4	1,016.4	909.3	975.6	975.6	928.4
Weighted average ordinary shares	910.1	910.1	928.6	975.6	958.8	928.4
Underlying earnings per share[2] (cents)	21.8	23.0	22.6	22.2	20.3	19.2
Reported (loss)/earnings per share[2] (cents)	(6.2)	(5.0)	20.8	(15.2)	17.9	23.3
Dividends declared per share (cents)	12.5	12.5	13.5	13.0	4.5	-

1. No prior periods have been restated for the impact of AASB16
2. EBIT, profit after tax, shareholder's equity and EPS have been adjusted to reflect AASB15 in FY19 and FY18 and not in earlier periods
3. Cash flows from operations / Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected)
4. Net Debt / (Shareholders' Equity + Net Debt)
5. Underlying EBIT / Average funds employed

2. Impact of AASB16 – Profit & Loss

	FY20		
	Pre AASB16 $m	AASB16 adjustment[1] $m	Post AASB16 $m
Food	177.5	5.2	182.7
Liquor	70.6	2.2	72.8
Hardware	81.2	3.0	84.2
Total Pillar EBIT	329.3	10.4	339.7
Corporate	(5.1)	0.3	(4.8)
Total underlying EBIT	**324.2**	**10.7**	**334.9**
Net finance costs	(25.9)	(26.1)	(52.0)
Tax	(87.0)	4.5	(82.5)
Non-controlling interest	(1.6)	-	(1.6)
Underlying profit after tax	**209.7**	**(10.9)**	**198.8**

	FY20 $m
Total underlying EBIT pre AASB16	324.2
Add: Net rent	110.4
Less: Depreciation of 'Right of Use' assets	(97.8)
Less: Other movements	(1.9)
Total underlying EBIT post AASB16	**334.9**

1. Details relating to the change are included in Appendix A of the FY20 statutory financial report.

2. Impact of AASB16 – Balance Sheet

	30 April 2019 (As reported) $m	AASB16 reclassifications $m	AASB16 adjustments $m	1 May 2019 (Post transition) $m
Trade receivables and prepayments	1,472.5	-	-	1,472.5
Inventories	779.3	-	-	779.3
Trade payables and provisions	(2,210.5)	159.0	-	(2,051.5)
Net working capital	**41.3**	**159.0**	**-**	**200.3**
Intangible assets	793.5	-	-	793.5
Property, plant and equipment	225.8	(7.8)	-	218.0
Equity accounted investments	87.7	-	-	87.7
Customer loans and assets held for resale	48.2	-	-	48.2
Capital investments	**1,155.2**	**(7.8)**	**-**	**1,147.4**
Total funds employed	**1,196.5**	**151.2**	**-**	**1,347.7**
Lease receivables	-	-	316.0	316.0
'Right of use' assets	-	7.8	546.7	554.5
Lease provisions	-	(159.0)	74.1	(84.9)
Lease liabilities	-	(7.4)	(939.1)	(946.5)
Lease balances	**-**	**(158.6)**	**(2.3)**	**(160.9)**
Net debt	(42.9)	7.4	-	(35.5)
Tax, put options and derivatives	96.5	-	0.7	97.2
Net Assets / Equity	**1,250.1**	**-**	**(1.6)**	**1,248.5**

3. Bannered store numbers

	April 2020	April 2019
Pillar		
Supermarkets	1,623	1,673
Campbells	16	17
Liquor	2,679	2,667
Hardware	650	668
Total	**4,968**	**5,025**

	Supermarkets	Campbells	Liquor	Hardware	Total
Store movement					
Number of stores at April 2019	1,673	17	2,667	668	5,025
Stores opened / joined banner group during the period	49	-	227	7	283
Stores closed / left banner group during the period	(99)	(1)	(215)	(25)	(340)
Number of stores at April 2020	1,623	16	2,679	650	4,968

3. Bannered store numbers

	April 2020	April 2019
Supermarkets		
Supa IGA	323	373
IGA	789	792
IGA-Xpress	225	220
Total IGA bannered stores	**1,337**	**1,385**
Friendly Grocer / Eziway	286	288
Total Supermarkets	**1,623**	**1,673**
Liquor		
Cellarbrations	543	557
Bottle-O & Bottle-O Neighbourhood	232	237
IGA Liquor	471	467
Porters	26	22
Thirsty Camel (NSW/ACT, QLD, TAS, SA/NT)	141	150
Big Bargain	47	54
Other	1,219	1,180
Total Liquor	**2,679**	**2,667**
Hardware		
Mitre 10	321	308
Home Timber & Hardware	168	196
True Value Hardware and Thrifty-Link	161	164
Total Hardware	**650**	**668**

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Metcash

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