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

4 December 2023

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

Dear Sir/Madam

METCASH LIMITED – APPENDIX 4D AND FY24 HALF YEAR FINANCIAL REPORT

In accordance with ASX Listing Rule 4.2A, please find attached for release to the market the Appendix 4D and Financial Report (including the Directors' Report and Independent Auditor's Review Report) of Metcash Limited for the half year ended 31 October 2023.

These documents were authorised to be given to ASX by the Board of Directors of Metcash Limited.

Yours faithfully

Julie D. Hutton

Julie Hutton
Company Secretary

METCASH GROUP

METCASH LIMITED (ABN 32 112 073 480) AND ITS CONTROLLED ENTITIES

APPENDIX 4D FOR THE HALF YEAR ENDED 31 OCTOBER 2023 (1H24)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	1H24 $m	1H23 $m	Variance $m	Variance %
Sales revenue	**7,837.7**	**7,737.8**	**99.9**	**1.3**
Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)	340.8	341.0	(0.2)	(0.1)
Depreciation and amortisation	(94.3)	(85.9)	(8.4)	(9.8)
Underlying earnings before interest and tax ('EBIT')	**246.5**	**255.1**	**(8.6)**	**(3.4)**
Net finance costs	(44.9)	(26.8)	(18.1)	(67.5)
Underlying profit before tax	201.6	228.3	(26.7)	(11.7)
Tax expense on underlying profit	(58.8)	(67.7)	8.9	13.1
Non-controlling interests	(0.3)	(0.7)	0.4	57.1
Underlying profit after tax ('UPAT') (i)	**142.5**	**159.9**	**(17.4)**	**(10.9)**
Significant items	(3.8)	(39.5)	35.7	90.4
Tax benefit attributable to significant items	2.3	5.3	(3.0)	(56.6)
Net profit for the year attributable to members	**141.0**	**125.7**	**15.3**	**12.2**
Underlying earnings per share (cents) (ii)	**14.7**	**16.6**	**(1.9)**	**(11.4)**
Reported earnings per share (cents)	14.5	13.0	1.5	11.5

(i) UPAT is defined as reported profit after tax attributable to equity holders of the parent, excluding significant items identified in Note 3.2 (vii) of Metcash's 2024 Half Year Financial Report.

(ii) Underlying earnings per share (UEPS) is calculated by dividing UPAT by the weighted average number of ordinary shares outstanding during the period.

EXPLANATORY NOTE ON RESULTS

Group reported revenue, which excludes charge-through sales[1], increased 1.3% to $7.8 billion (1H23: $7.7 billion). Including charge-through sales[1], Group revenue increased 1.6% to $9.0 billion (1H23: $8.9 billion) with growth in all pillars on their very strong sales performance in 1H23.

Group underlying EBIT decreased by 3.4% to $246.5 million due to earnings growth in Food and Liquor being more than offset by lower earnings in Hardware and increased corporate costs. All pillars were supported by solid demand, good operating discipline and the success of strategic initiatives and acquisitions.

The Food pillar continued to perform very well delivering earnings growth of 3.6% to $101.7 million, reflecting the strong trading performance and improved leverage. The differentiated offer and improved competitiveness of our independent network is continuing to provide an attractive value proposition for shoppers.

Hardware earnings declined 5.1% to $110.6 million with continued earnings growth in Total Tools offset by a decline in IHG earnings. While sales in both the IHG and Total Tools retail networks have been relatively resilient in a more challenging market, increased cost pressures had an adverse impact on first half earnings.

The Liquor pillar has again performed strongly with earnings increasing 3.0% to $50.8 million supported by continued strong demand from retail customers and improved leverage.

Group underlying profit after tax[2] decreased 10.9% to $142.5 million, reflecting lower earnings in Hardware and increased finance costs. Statutory profit after tax increased 12.2% to $141.0 million.

This Appendix 4D should be read in conjunction with the Metcash 2023 Annual Report and the accompanying 2024 Half Year Financial Report.

APPENDIX 4D (CONTINUED)

FOR THE HALF YEAR ENDED 31 OCTOBER 2023

DIVIDENDS ON ORDINARY SHARES

On 4 December 2023, the Board determined to pay a fully franked FY24 interim dividend of 11.0 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 15 December 2023 and payable in cash on 30 January 2024.

Under the Dividend Reinvestment Plan (DRP), eligible shareholders may elect to reinvest all or part of their dividends in additional Metcash shares.

OTHER DISCLOSURES

Net tangible assets[3] backing

At 31 October 2023, the net tangible assets was 24.0 cents per share (1H23: 23.5 cents per share).

Entities where control has been gained or lost

In 1H24, Total Tools acquired ownership interests of 51% in five Total Tools independent retail stores for $14.2 million.

Other than the above, there were no changes in control that were material to the Group. Refer Note 5.2 of Metcash's 2024 Half Year Financial Report for further details.

STATEMENT OF COMPLIANCE

This report is based on the consolidated half year financial report of Metcash Limited and its controlled entities which has been reviewed by Ernst & Young. The financial report was lodged with the ASX on 4 December 2023.

Metcash Limited has a formally constituted audit committee.

On behalf of the Board

Doug Jones
Director
Sydney, 4 December 2023

[1] Direct sales from suppliers to retailers, invoiced through Metcash.
[2] Underlying profit after tax excludes significant items: Project Horizon implementation costs $5.1 million, put option valuation adjustment ($3.9 million), and Mega DC transition costs of $0.3 million.
[3] The calculation of net tangible assets per share includes the right-of-use assets and lease liabilities.

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 OCTOBER 2023

TABLE OF CONTENTS

Your Directors submit their report of Metcash Limited (the 'Company') and its controlled entities (together the 'Group' or 'Metcash') for the half year ended 31 October 2023 ('1H24').

BOARD INFORMATION

The directors in office during 1H24 and up to the date of this report are as follows:

Doug Jones (Chief Executive Officer)
Peter Birtles (Chairman)
Margaret Haseltine
Christine Holman
Mark Johnson
Murray Jordan
Helen Nash

REVIEW OF RESULTS AND OPERATIONS

Consolidated net profit for the period after income tax attributable to shareholders of the Company was $141.0 million (1H23: $125.7 million).

AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the half year ended 31 October 2023 has been received and is included on page 18.

SUBSEQUENT EVENTS

Subsequent to 1H24, Metcash increased its ownership in Total Tools Holdings Pty Ltd (TTH) from 85% to 100% on 30 November 2023, following the exercise of a put option by current owners of the remaining 15%. The purchase consideration for the remaining 15% interest of $101.5 million was paid on 30 November 2023 and accounted for as a reduction in the put option liability to nil.

In addition, Metcash is now in the process of resetting its put option arrangements with the majority of its Total Tools joint venture (JV) stores. This is to provide JV partners with a balance between receiving some capital upfront and remaining both vested and engaged in the ongoing success of their stores through continued equity interest.

Since 1H24, Metcash has reset put option arrangements for 11 JV stores by acquiring an additional ownership interest upfront and deferring the put option in relation to the residual ownership interest by a further three years. The original put options in relation to these 11 stores were exercisable in May 2024 and the put option value recognised in relation to these stores at 1H24 was $62.4 million. Metcash has now increased its ownership of these stores (1H24 ownership interest 51% - 60%, up to revised ownership interest 80% - 95%) for upfront purchase consideration of $42.6 million (allocated against the put option liability). The revised put options over the residual 5% - 20% ownership interests are now exercisable in May 2027 (the put option value of these residual 5% – 20% interests at 1H24 was $18.3 million).

In conjunction with the above JV reset, Metcash also reduced its ownership interest in 4 corporate stores from a 1H24 ownership interest of 100% to a 70% ownership interest, for $6.0 million sale consideration ($4.5 million deferred). Metcash has issued put options in relation to these stores over the residual 30% ownership interest, exercisable in May 2027, which are indicatively valued at $5.6 million.

Metcash anticipates being able to provide further information in the second half of FY24, including detail on any further step acquisitions and the revised maturity profile of those deferred put options.

Further, Metcash has increased its short-term working capital facilities by $200 million. This brings the Group's total credit facilities to $1.3 billion. The additional liquidity helps facilitate Metcash's growth plans including capitalising on potential opportunities that align with the Group's strategic direction.

Other than matters disclosed in this report, there were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $100,000 (where rounding is applicable) under the option available to the Company under *ASIC Corporations Instrument 2016/191*. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the Directors.

Doug Jones
Director
Sydney, 4 December 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 OCTOBER 2023

	Notes	1H24 $m	1H23 $m
Sales revenue	3.1	7,837.7	7,737.8
Cost of sales		(6,880.6)	(6,833.2)
Gross profit		**957.1**	**904.6**
Other income	3.2	11.3	11.5
Share of profit from equity-accounted investments		10.9	10.5
Employee benefit expenses	3.2	(477.7)	(442.4)
Depreciation and amortisation	3.2	(94.3)	(85.9)
Lease expenses	3.2	(37.6)	(33.1)
Provisions for impairment, net of reversals	3.2	(14.5)	(14.6)
Other expenses		(108.7)	(95.5)
Finance costs, net	3.2	(44.9)	(26.8)
Significant items	3.2	(3.8)	(39.5)
Profit before income tax		**197.8**	**188.8**
Income tax expense	3.2	(56.5)	(62.4)
Net profit for the period		**141.3**	**126.4**
Other comprehensive income for the period, net of tax		0.6	0.5
Total comprehensive income for the period		**141.9**	**126.9**
Net profit for the period is attributable to:			
Equity holders of the parent		141.0	125.7
Non-controlling interests		0.3	0.7
		141.3	**126.4**
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		141.6	126.2
Non-controlling interests		0.3	0.7
		141.9	**126.9**
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		14.5	13.0
Diluted earnings per share (cents)		14.5	13.0

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2023

	Notes	1H24 $m	FY23 $m
ASSETS			
Current assets			
Cash and cash equivalents		96.9	89.5
Trade receivables and loans	4.1	1,956.8	1,767.8
Lease receivables		39.2	41.1
Inventories		1,403.8	1,183.4
Assets held for sale		7.6	7.6
Income tax receivable		2.9	-
Other financial assets		2.4	2.0
Total current assets		**3,509.6**	**3,091.4**
Non-current assets			
Trade receivables and loans	4.1	5.8	9.9
Lease receivables		195.6	216.5
Equity-accounted investments		134.5	123.6
Net deferred tax assets		149.8	152.3
Property, plant and equipment		280.7	273.6
Right-of-use assets		625.5	616.7
Intangible assets		911.4	895.1
Other financial assets		0.6	-
Total non-current assets		**2,303.9**	**2,287.7**
TOTAL ASSETS		**5,813.5**	**5,379.1**
LIABILITIES			
Current liabilities			
Trade and other payables		2,710.9	2,294.9
Interest-bearing borrowings		40.0	168.3
Lease liabilities		143.3	147.8
Provisions		142.6	164.1
Income tax payable		-	11.6
Put options and other financial liabilities	4.2	207.5	109.7
Total current liabilities		**3,244.3**	**2,896.4**
Non-current liabilities			
Interest-bearing borrowings		386.3	270.8
Lease liabilities		896.1	901.6
Provisions		41.3	40.8
Put options and other financial liabilities	4.2	99.6	184.4
Total non-current liabilities		**1,423.3**	**1,397.6**
TOTAL LIABILITIES		**4,667.6**	**4,294.0**
NET ASSETS		**1,145.9**	**1,085.1**
EQUITY			
Contributed equity	3.4	859.7	818.3
Retained earnings		270.3	257.2
Other reserves		3.6	(1.9)
Equity holders of the parent		**1,133.6**	**1,073.6**
Non-controlling interests		12.3	11.5
TOTAL EQUITY		**1,145.9**	**1,085.1**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 OCTOBER 2023

	Notes	Contributed equity $m	Retained earnings $m	Other reserves $m	Equity holders of the parent $m	Non-controlling interests $m	Total equity $m
At 1 May 2023		**818.3**	**257.2**	**(1.9)**	**1,073.6**	**11.5**	**1,085.1**
Total comprehensive income, net of tax		-	141.0	0.6	141.6	0.3	141.9
Transactions with owners							
Share issue, net of transaction costs	3.4	41.4	-	-	41.4	-	41.4
Dividends paid	3.4	-	(106.2)	-	(106.2)	(1.0)	(107.2)
Recognition of put option liabilities	5.2	-	(17.4)	-	(17.4)	-	(17.4)
Transactions with non-controlling interests		-	-	-	-	1.5	1.5
Transfers		-	(4.3)	4.3	-	-	-
Settlement of share-based payments in cash		-	-	(2.6)	(2.6)	-	(2.6)
Share-based payments expense		-	-	3.2	3.2	-	3.2
At 31 October 2023		**859.7**	**270.3**	**3.6**	**1,133.6**	**12.3**	**1,145.9**
At 1 May 2022		**818.3**	**265.0**	**(3.4)**	**1,079.9**	**10.5**	**1,090.4**
Total comprehensive income, net of tax		-	125.7	0.5	126.2	0.7	126.9
Transactions with owners							
Dividends paid	3.4	-	(106.2)	-	(106.2)	(1.4)	(107.6)
Recognition of put option liabilities		-	(16.3)	-	(16.3)	-	(16.3)
Transactions with non-controlling interests		-	-	-	-	1.5	1.5
Shares issued to employees		-	-	(9.6)	(9.6)	-	(9.6)
Share-based payments expense		-	-	4.1	4.1	-	4.1
At 31 October 2022		**818.3**	**268.2**	**(8.4)**	**1,078.1**	**11.3**	**1,089.4**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 OCTOBER 2023

	Notes	1H24 $m	1H23 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,651.4	9,580.0
Payments to suppliers and employees		(9,322.4)	(9,378.0)
Financing component of lease payments, net		(17.4)	(17.1)
Interest and dividends, net		(26.1)	(9.6)
Income tax paid, net of tax refunds	3.2	(67.8)	(85.7)
Net cash generated from operating activities	5.1	**217.7**	**89.6**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		1.6	0.1
Payments for acquisition of assets		(57.2)	(81.1)
Payments for acquisition of subsidiaries, net of cash acquired	5.2	(19.0)	(28.6)
Receipts from subleases, excluding the financing component		20.4	21.5
Loans repaid by other entities, net		3.5	2.8
Net cash used in investing activities		**(50.7)**	**(85.3)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,075.0	2,256.5
Repayments of borrowings		(3,088.6)	(2,130.0)
Payments for acquisition of non-controlling interests		-	(11.6)
Payments for lease liabilities, excluding the financing component		(75.0)	(47.9)
Payments for on-market purchase of shares		-	(7.5)
Payment of dividends to owners of the parent, net of dividend reinvestment	3.4	(64.8)	(106.2)
Payment of dividends to non-controlling interests		(6.2)	(6.0)
Net cash used in financing activities		**(159.6)**	**(52.7)**
Net increase / (decrease) in cash and cash equivalents		**7.4**	**(48.4)**
Add: opening cash and cash equivalents		89.5	104.7
Cash and cash equivalents at the end of the period		**96.9**	**56.3**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The financial statements of Metcash Limited (the 'Company') and its controlled entities (together the 'Group') for the half year ended 31 October 2023 were authorised for issue in accordance with a resolution of the Directors on 4 December 2023.

Metcash Limited is a for-profit company limited by ordinary shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Company is 1 Thomas Holt Drive, Macquarie Park, NSW 2113.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investment activities of the Group as the annual financial report.

The half year financial report should be read in conjunction with the annual financial report of Metcash Limited for the year ended 30 April 2023 ("FY23"). It is also recommended that the half year financial report be considered together with any public announcements made by Metcash Limited during the half year ended 31 October 2023.

The half year financial report has been prepared in accordance with the requirements of the Corporations Act 2001, AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The report presents the results of the current period, which comprised the 26-week period that commenced on 1 May 2023 and ended on 29 October 2023. The prior period results comprise the 26-week period that commenced on 2 May 2022 and ended on 30 October 2022.

2.2 Changes in Accounting Policy

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied in the annual financial report.

There are no accounting pronouncements which have become effective from 1 May 2023 that have a significant impact on the Group's half year financial report.

There are no standards issued but are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

3. GROUP PERFORMANCE

3.1 Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. Discrete financial information about these operating segments is reported on at least a monthly basis.

The information reported to the CEO is aggregated based on product types and the overall economic characteristics of industries in which the Group operates. The Group's reportable segments are therefore as follows:

- Food activities comprise the distribution of a range of products and services to independent supermarkets and convenience retail outlets.
- Hardware activities comprise the distribution of hardware products to independent retail outlets and the operation of corporate and joint venture retail stores.
- Liquor activities comprise the distribution of liquor products to independent retail outlets and hotels.

The Group operates predominantly in Australia. The Group has operations in New Zealand that represent less than 5% of revenue, results and assets of the Group. The Group does not have a single customer which represents greater than 10% of the Group's revenue.

Sales between segments are on similar terms and conditions to those with third party customers and are eliminated from the results below.

Segment results

	Segment revenue		Segment results	
	1H24 $m	1H23 $m	1H24 $m	1H23 $m
Food	4,116.6	4,129.5	101.7	98.2
Hardware	1,242.9	1,187.7	110.6	116.6
Liquor	2,478.2	2,420.6	50.8	49.3
Segment total	**7,837.7**	**7,737.8**	**263.1**	**264.1**
Corporate			(16.6)	(9.0)
Group underlying earnings before interest and tax ('EBIT')			**246.5**	**255.1**
Finance costs, net (Note 3.2(vi))			(44.9)	(26.8)
Significant items (Note 3.2(vii))			(3.8)	(39.5)
Profit before income tax			**197.8**	**188.8**

3.2 Other Income and Expenses

	1H24 $m	1H23 $m
(i) Other income		
Lease income - rent	3.6	3.5
Lease income - outgoings recoveries	6.8	7.2
Net gain from disposal of plant and equipment	0.9	0.8
	11.3	**11.5**
(ii) Employee benefit expenses		
Salaries and wages, incentives and on-costs	439.5	408.7
Superannuation expense	34.4	29.6
Share-based payments expense	3.8	4.1
	477.7	**442.4**
(iii) Depreciation and amortisation		
Depreciation of right-of-use assets	60.2	53.7
Depreciation of property, plant and equipment	21.6	19.0
Amortisation of software	10.3	10.8
Amortisation of other intangible assets	2.2	2.4
	94.3	**85.9**
(iv) Lease expenses		
Property rent	2.0	1.9
Property outgoings	30.5	27.1
Equipment and other leases	5.1	4.1
	37.6	**33.1**
(v) Provision for impairment, net of reversals		
Inventories	13.0	13.3
Trade receivables and loans	2.4	3.1
Property provisions	0.1	1.0
Other impairments (net)	(1.0)	(2.8)
	14.5	**14.6**

	1H24 $m	1H23 $m
(vi) Finance costs, net		
Interest expense	19.6	9.3
Transaction fees in relation to customer charge cards	6.6	(0.4)
Deferred borrowing costs	0.8	0.5
Financing component of lease payments, net	17.4	17.1
Finance costs from discounting of provisions	1.1	0.8
Interest income	(0.6)	(0.5)
	44.9	**26.8**
(vii) Significant items		
Project Horizon implementation costs (Note 3.3(i))	7.3	18.3
Put option valuation adjustments (Note 3.3(ii))	(3.9)	21.3
Mega Distribution Centre transition costs (Note 3.3(iii))	0.4	1.9
Impairment, net of reversals	-	(2.0)
Total significant items before tax	**3.8**	**39.5**
Income tax benefit attributable to significant items	(2.3)	(5.3)
Total significant items after tax	**1.5**	**34.2**

(viii) Income taxes

The Group's income tax expense of $56.5 million (1H23: $62.4 million) reflects an effective tax rate (ETR) of 28.6% (1H23: 33.1%). The ETR of 28.6% is largely driven by the Group's share of profit from equity-accounted investments (which are non-assessable) and the put option valuation adjustments (refer note 3.3(ii)) (which are non-assessable/non-deductible).

During the period, the Group paid $67.8 million of income tax (1H23: $85.7 million). The income tax paid exceeded the level of income tax expense largely as a result of balancing payments made during both the current and prior periods arising from increases in deferred tax assets (including the receipt of taxable upfront lease incentives in the prior period), as well as the subsequent associated increase in the income tax instalment rate.

3.3 Significant events and transactions

The following note provides an explanation of significant events and transactions since the end of the last annual reporting period, as required under AASB 134 *Interim Financial Reporting*.

(i) *Project Horizon* implementation costs

Project Horizon is a critical group technical infrastructure consolidation and replacement program aimed at repositioning Metcash to be a modern, technology-led wholesaler. The program provides the platform to drive simplification and efficiency across the business, as well as making it easier for customers and suppliers to do business with Metcash. The program continues to make steady progress, most recently delivering a streamlined all-in-one payables solution. The program is expected to be completed by the end of FY25.

In 1H24, the Group incurred $7.3 million (1H23: $18.3 million) of expenses on the project. The project expenses included resource costs, accelerated amortisation of legacy software assets and incremental software licence and maintenance costs. These costs are separately disclosed within significant items in the Statement of Comprehensive Income to enable a better understanding of the Group's results.

(ii) Put option valuation adjustments

The carrying amounts of the Group's put option liabilities at balance date were remeasured to reflect the estimated put option exercise prices, with a credit relating to the reduction in put option value of $8.6 million (1H23: increase in put option value of $13.4 million) recorded as a significant item, together with an expense relating to the net present value interest unwind on the put option liabilities of $4.7 million (1H23: $5.6 million).

(iii) Mega Distribution Centre (DC) transition costs

The Group continues to invest in its mega DC's capacity, capabilities, footprint & supply chain systems to support current and future business opportunities. During the period, the Group incurred $0.4 million (1H23: $1.9 million) of net costs primarily associated with the planned move to the new DC in Truganina, Victoria.

3.4 Contributed equity and dividends

Contributed equity

	1H24 Number of shares	FY23 Number of shares
Fully paid ordinary shares	977,060,067	965,541,602
Weighted average shares outstanding	970,224,934	965,541,602

Dividends

	1H24 $m	1H23 $m
Dividend paid on ordinary shares during the period		
Final fully franked dividend for FY23: 11.0c (FY22: 11.0c)	106.2	106.2
Dividends declared during the period	106.2	106.2
Shares issued under the DRP (11,518,465 shares issued)	(41.4)	-
Net cash dividends paid on ordinary shares during the period	**64.8**	**106.2**
Dividend determined (not recognised as a liability as at 31 October 2023)		
Interim fully franked dividend for FY24: 11.0c (FY23: 11.5c)	107.5	111.0

On 4 December 2023, the Board determined to pay a fully franked FY24 interim dividend of 11.0 cents per share, sourced from the profit reserve established by Metcash Limited (Parent Company), with a record date of 15 December 2023 and payable in cash on 30 January 2024.

Under the Dividend Reinvestment Plan (DRP), eligible shareholders may elect to reinvest all or part of their dividends in additional Metcash shares.

4. ASSETS AND LIABILITIES

4.1 Trade receivables and loans

	1H24 $m	FY23 $m
Current		
Trade receivables	1,531.4	1,392.6
Allowance for impairment loss	(51.8)	(49.7)
Trade receivables	1,479.6	1,342.9
Customer charge cards agreement (a)	243.8	232.5
Other receivables and prepayments	229.4	189.3
Trade and other receivables	**1,952.8**	**1,764.7**
Customer loans	4.6	3.8
Allowance for impairment loss	(0.6)	(0.7)
Customer loans	**4.0**	**3.1**
Total trade receivables and loans – current	**1,956.8**	**1,767.8**
Non-current		
Customer loans	8.2	12.3
Allowance for impairment loss	(2.4)	(2.4)
Total trade receivables and loans - non-current	**5.8**	**9.9**

(a) Amounts receivable from customers under a customer charge card agreement. A corresponding liability to the charge card provider is included in trade and other payables.

4.2 Put options and other financial liabilities

	Put option liabilities $m	Other financial liabilities $m	Total $m
31 October 2023			
Current	199.2	8.3	207.5
Non-current	96.5	3.1	99.6
	295.7	**11.4**	**307.1**
30 April 2023			
Current	108.5	1.2	109.7
Non-current	173.7	10.7	184.4
	282.2	**11.9**	**294.1**

Put options liabilities

		1H24		FY23	
Put Option Maturity	Financial Year	Number of stores	Put option value $m	Number of stores	Put option value $m
Total Tools Holdings Pty Ltd - Franchisor					
Between November 2023 and January 2024	FY24	n/a	101.5	n/a	95.8
Total Tools JV Stores					
Between May 2024 and July 2024	FY25	16	86.7	16	91.9
Between May 2025 and July 2025	FY26	14	44.2	14	52.6
Between May 2026 and July 2026	FY27	2	8.6	2	8.2
Between May 2027 and July 2027	FY28	5	21.7	-	-
Between May 2030 and July 2030	FY31	7	22.0	6	20.1
		44	183.2	38	172.8
Total Tools Group put options			**284.7**		**268.6**
Other put options			**11.0**		**13.6**
Total			**295.7**		**282.2**

Total Tools Group put options

At the end of the half year, Metcash had an 85% ownership interest in Total Tools Holdings Pty Ltd (Total Tools), which is the parent entity in the Total Tools Group, comprising the franchisor operations, 7 corporate stores and ownership interests in 44 Total Tools independent retail stores (JV stores).

The remaining shareholders in Total Tools had the right to put their 15% ownership interest to Metcash, via a put option, exercisable between 1 November 2023 and 31 January 2024. The exercise price of the put option is based on a multiple of the Total Tools Group EBITDA adjusted for a number of items, including net debt and working capital over the 12-month period ended 31 July 2023 (an agreed variation from the previous reference period of 12-months ended 29 October 2023).

Subsequent to 1H24, Metcash increased its ownership in Total Tools from 85% to 100% (refer note 5.4).

In addition, Total Tools has ownership of between 51% and 80% in 44 Total Tools JV stores, including five JV stores acquired in 1H24 from franchise owners (refer note 5.2). During the period, Total Tools also partially divested an interest in a corporate store, resulting in Total Tools holding a 51% interest.

The Total Tools JV Store put option agreements allow individual minority shareholders to sell their remaining equity interests in the 44 JV Stores to Total Tools. Metcash has the right to acquire the remaining equity interests via call options, generally exercisable at any time. The exercise price of the put options are based on a multiple of the respective store's EBITDA over a 12-month period immediately prior to the respective exercise dates, adjusted for a number of items, including net debt and working capital.

Subsequent to 1H24, Metcash reset 11 JV Store put options and partially divested 4 corporate stores (refer note 5.4).

In accordance with AASB 10 *Consolidated Financial Statements*, the Group has recognised financial liabilities for the Total Tools put option and the JV Store put options, has derecognised the non-controlling interests in Total Tools and the JV Stores and has ceased accounting for the non-controlling interests. Accordingly, the Statement of Comprehensive Income includes 100% of the net profit of Total Tools and includes 100% of the net profits of the JV Stores.

The above put option liabilities are remeasured at each reporting date at the estimated put option exercise price, with any change in value recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability. Refer note 3.3(ii) of the financial report for details in relation to the put option valuation adjustments recognised during the period.

At balance date, the carrying amount of the Total Tools Group put option liabilities was $284.7 million (FY23: $268.6 million). Subsequent to 1H24, Metcash paid $144.1 million in cash in relation to the Total Tools 15% step acquisition and the 11 store JV reset step acquisitions. These acquisitions, together with the partial divestment of 4 corporate stores, reduced the Total Tools Group put option liabilities to $144.7 million (refer note 5.4).

Other put options

The Group has also recognised a liability of $11.0 million (FY23: $13.6 million) in respect of an additional three put options written over non-controlling interests in non-wholly owned subsidiaries within the Hardware pillar. These put option arrangements allow minority shareholders to sell their equity interests to Metcash, subject to specific terms and conditions. These put options are measured at the present value of the redemption amount under the option.

Contingent put option liabilities

Ritchies Stores Pty Ltd (Ritchies)

The Group has a put option with Ritchies Stores Pty Ltd (Ritchies). Metcash has a 29.9% ownership interest in Ritchies, which is recognised as an equity-accounted investment on the Group's balance sheet. The remaining shareholders in Ritchies have the right to put their 70.1% ownership interests to Metcash, via put option, subject to a margin related annual financial hurdle ('hurdle') being achieved.

The put option can be exercised collectively by all shareholders during a prescribed period following the approval of Ritchies' annual audited financial report ('group put option' representing the remaining 70.1% shareholding) or in certain circumstances by individual minority shareholders within a prescribed period ('small shareholder put option').

Should the hurdle be achieved, and the shareholders elect to exercise any put option, the purchase consideration payable by Metcash is based on a multiple of the prior year reported earnings, normalised for certain adjustments.

Whilst the financial hurdle was achieved in respect of Ritchies' 2023 financial year, the group put option was not exercised in relation to that year. Metcash estimates that the group put option consideration payable to Ritchies shareholders in respect of the 2023 financial year would have been between $255 million and $265 million.

If any put options were to be exercised in future years, the exercise price will be determined with reference to Ritchies' results for that financial year and the consideration payable would reflect those results.

The put option agreement terminates when Metcash ceases to hold shares in Ritchies or if Ritchies lists on the ASX.

The Ritchies put option is recognised at a fair value of nil.

5. OTHER DISCLOSURES

5.1 Reconciliation of cash flows from operating activities

	1H24 $m	1H23 $m
Net profit for the year	141.3	126.4
Adjustments for:		
Depreciation and amortisation	94.3	85.9
Provisions for impairment, net of reversals	14.5	14.6
Share of profit from equity-accounted investments	(10.9)	(10.5)
Movements in put option liabilities	(3.9)	20.5
Share-based payments expense	3.8	4.1
Other adjustments	2.2	(0.2)
Changes in assets and liabilities:		
Increase in trade and other receivables	(185.9)	(114.4)
Increase in inventories	(220.5)	(104.4)
Increase in payables and provisions	394.1	90.8
Decrease in tax balances	(11.3)	(23.2)
Cash flows from operating activities	**217.7**	**89.6**

5.2 Business combinations

Total Tools 'JV stores'

In 1H24, Total Tools acquired ownership interests of 51% in 5 Total Tools independent retail stores.

Details of the purchase consideration and the provisional fair values of the net assets acquired at the date of acquisition are as follows:

	Total Tools JV Stores $m
Net assets acquired	
Trade and other receivables	2.0
Inventories	12.0
Trade payables and provisions	(7.2)
Other assets - net	2.0
Net identifiable assets acquired (a)	**8.8**
Non-controlling interest	(4.3)
Goodwill	9.7
Total purchase consideration	**14.2**

(a) Net identifiable assets acquired include $5.5 million of right-of-use assets and lease liabilities.

Put and call options written over non-controlling interests

In accordance with AASB 10 *Consolidated Financial Statements*, the Group has recognised financial liabilities for the Total Tools JV Store put options at their provisional fair values totaling $21.7 million and has derecognised the non-controlling interests of $4.3 million related to these acquisitions. As at the date of acquisition, the net amount of $17.4 million has been recognised as an adjustment to retained earnings as shown below:

	$m
Non-controlling interests derecognised	4.3
Adjustment recognised directly in equity (retained earnings)	17.4
Fair value of put options recognised as a financial liability	**21.7**

Any changes in the value of the put option financial liabilities that occur subsequent to initial recognition will be recognised in the Statement of Comprehensive Income and will be disclosed within significant items.

Other business combinations

During the period, the Group also entered into a number of other business combinations that were not material to the Group, individually or in aggregate. The total cash purchase consideration paid for these businesses was $4.8 million, of which $5.5 million is allocated to goodwill.

The accounting for the above business combinations is provisional as at 31 October 2023.

5.3 Contingent liabilities

	1H24 $m	FY23 $m
Bank guarantees to third parties in respect of property lease obligations	1.3	1.0
Bank guarantees in respect of Work Cover	2.0	2.0

Financial guarantee contracts

The Group has granted a financial guarantee contract relating to the bank loan of a joint venture, Adcome Pty Ltd (Cornetts). Under the contract, the bank has the right to require Metcash to repay the debt under certain prescribed circumstances of default. The estimate of the maximum amount payable in respect of the guarantee, if exercised, is $40.0 million (FY23: $40.0 million).

Had the guarantee been exercised at 31 October 2023, the amount payable would have been $20.2 million (FY23: $25.2 million). The fair value of the financial guarantee contract at the reporting date was $0.6 million (FY23: $0.9 million) and is recognised as a financial liability.

Put options

Refer note 4.2 for details of put options outstanding at balance date.

5.4 Subsequent events

Subsequent to 1H24, Metcash increased its ownership in Total Tools Holdings Pty Ltd (TTH) from 85% to 100% on 30 November 2023, following the exercise of a put option by current owners of the remaining 15%. The purchase consideration for the remaining 15% interest of $101.5 million was paid on 30 November 2023 and accounted for as a reduction in the put option liability to nil.

In addition, Metcash is now in the process of resetting its put option arrangements with the majority of its Total Tools joint venture (JV) stores. This is to provide JV partners with a balance between receiving some capital upfront and remaining both vested and engaged in the ongoing success of their stores through continued equity interest.

Since 1H24, Metcash has reset put option arrangements for 11 JV stores by acquiring an additional ownership interest upfront and deferring the put option in relation to the residual ownership interest by a further three years. The original put options in relation to these 11 stores were exercisable in May 2024 and the put option value recognised in relation to these stores at 1H24 was $62.4 million. Metcash has now increased its ownership of these stores (1H24 ownership interest 51% - 60%, up to revised ownership interest 80% - 95%) for upfront purchase consideration of $42.6 million (allocated against the put option liability). The revised put options over the residual 5% - 20% ownership interests are now exercisable in May 2027 (the put option value of these residual 5% – 20% interests at 1H24 was $18.3 million).

In conjunction with the above JV reset, Metcash also reduced its ownership interest in 4 corporate stores from a 1H24 ownership interest of 100% to a 70% ownership interest, for $6.0 million sale consideration ($4.5 million deferred). Metcash has issued put options in relation to these stores over the residual 30% ownership interest, exercisable in May 2027, which are indicatively valued at $5.6 million.

Metcash anticipates being able to provide further information in the second half of FY24, including detail on any further step acquisitions and the revised maturity profile of those deferred put options.

Further, Metcash has increased its short-term working capital facilities by $200 million. This brings the Group's total credit facilities to $1.3 billion. The additional liquidity helps facilitate Metcash's growth plans including capitalising on potential opportunities that align with the Group's strategic direction.

Other than matters disclosed in this report, there were no events that have occurred after the end of the half year that would materially affect the reported results or would require disclosure in this report.

APPENDIX A – EQUITY-ACCOUNTED INVESTMENTS

The following table presents key information about the nature and extent of the Group's interests in joint ventures and associates.

INVESTEE	PRINCIPAL ACTIVITIES	REPORTING DATE	1H24 %	FY23 %
Associates				
Ritchies Stores Proprietary Limited	Grocery retailing	30 June	29.9	29.9
Dramet Holdings Pty Ltd	Grocery retailing	30 June	26.0	26.0
Metcash Export Services Pty Ltd	Grocery retailing	30 April	15.0	15.0
Joint ventures				
Adcome Pty Ltd (Cornetts)	Grocery retailing	30 April	45.0	45.0
BMS Retail Group Holdings Pty Ltd	Grocery retailing	30 June	49.0	49.0
Waltock Pty Limited	Hardware retailing	30 June	49.0	49.0
LA United Pty Ltd (a)	Liquor wholesaling	30 June	75.3	75.3
Liquor Alliance Pty Ltd (a)	Liquor wholesaling	30 June	66.7	66.7

(a) The Group has a direct ownership of 26.0% in LA United Pty Ltd, an indirect ownership of 49.3% via its interest in Liquor Alliance Pty Ltd. While the Group has beneficial ownership of more than 50% of the entity, key operating and financial decisions require the unanimous consent of other joint venture partners. Accordingly, LA United Pty Ltd and Liquor Alliance Pty Ltd are accounted for as joint arrangements.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Metcash Limited, I state that:

In the opinion of the Directors:

a. The financial statements and notes of the consolidated entity:

   i. give a true and fair view of its financial position as at 31 October 2023 and of its performance for the half year ended on that date; and

   ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Doug Jones
Director
Sydney, 4 December 2023

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Metcash Limited

As lead auditor for the review of the half-year financial report of Metcash Limited for the half-year ended 31 October 2023, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review*;*
b) No contraventions of any applicable code of professional conduct in relation to the review; and
c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metcash Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Christopher George
Partner
4 December 2023

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Review Report to the Members of Metcash Limited

Conclusion

We have reviewed the accompanying half-year financial report of Metcash Limited (the Company) and its subsidiaries (collectively the Group), which comprises the Statement of Financial Position as at 31 October 2023, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 October 2023 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 October 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Christopher George
Partner
Sydney
4 December 2023

CHAMPIONING SUCCESSFUL INDEPENDENTS

WWW.METCASH.COM

Metcash