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ASX Announcement

Metcash Limited

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Proposed acquisition – Total Tools

Metcash (ASX: MTS) today announced that it has entered the final stage of negotiations to acquire 70% of Total Tools Holdings Pty Ltd (“Total Tools”), a leading participant in the professional tool segment in Australia, for ~\$57m. The proposed acquisition is subject to negotiation of final binding transaction documentation, which will be undertaken under a period of exclusivity.

Total Tools is the franchisor to the largest tool retail network in Australia with 81 bannered retail stores nationwide. It has been operating for over 30 years and targets professional tradespeople who require high quality tools for commercial use. The retail store network generated sales of ~\$555m for the 12 months ended 31 December 2019.

The proposed acquisition relates to Total Tools’ franchisor operations and one company owned store. 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. 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 proposal includes Metcash having a clear pathway to acquire the remaining 30% stake in Total Tools within the next three years, by way of put and call arrangements.

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; and
- Result in significant value creation opportunities and synergies.

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.

This announcement is authorised by the Board of Directors of Metcash Limited.

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