FY21

Full Year Results

28 June 2021

About Metcash

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
- Creating a sustainable future

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

Group re-focused strategic direction

Customer & Community

Easy to do business with	Shopper-led offer

Business partner of choice for suppliers

Lean, low cost operating model & supply chain

INCREASED RETAILER COMPETITIVENESS DRIVING SHAREHOLDER VALUE

Improvement in ESG credentials

Our commitment

We are committed to the people and communities where we live and work

↑ 29

in ranking to

Dow Jones Sustainability Index (FY20: ranking of 46)

Environment & Climate

- Greenhouse Gas (GHG) emissions reduced 14% to 72,948 CO_2e
- Transitioned to new 5 Greenstar Distribution Centre in South Australia
- Set 2030 aligned Science Based Target (42% reduction in GHG emissions from 2020 baseline year)
- Completed next stage towards alignment with Taskforce on Climate Change Financial Disclosures
- Waste to landfill reduced 11% to 6,553t
- Business2Business plastic wrapping reduced by 100t and virgin plastic by ~15t (per annum)

Communities & Products

- Donations to local community organisations ~$3m via IGA Community Chest
- Assisted flood impacted communities in NSW and QLD through Food partnership with SES and Vinnies, and by $300k donation to charity partners from Independent Hardware Group
- Donations of 417t to food rescue organisations (provided >850,000 meals)
- Released first Modern Slavery Statement and completed FY21 work program
- Assisted IGA store network with setting of sustainability goals and targets
- FY21 Sustainability Report – first standalone report for stakeholders

Our People

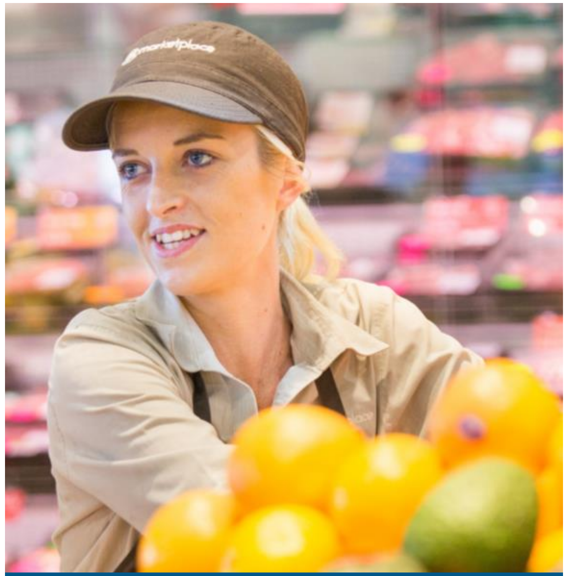
- Safety performance slightly below FY20 reflecting increase in work complexity due to COVID and cycling of higher labour hours. Plans in place to improve performance in FY22
- Metcash people engagement survey score up ~20% despite challenging work conditions (COVID Safe work practices)
- Received WGEA Employer of Choice equality citation for third consecutive year
- Awarded Gold accreditation by Mental Health Australia for our mental health programs
- Awarded FlexReady certification by FlexCareers for achievements in flexible working
- Increase in female representation at manager level from 28.8% to 31.1% and progress towards 40/40/20 gender targets

Group overview and divisional results

Jeff Adams
Group Chief Executive Officer

Group highlights – a standout year

Record sales underpinning significant earnings growth and record operating cash flow



Record Group sales[1]

$16.4bn

Group revenue

↑ 9.9%
to $14.3bn

↑ 10.1%
to $16.4bn incl. charge-through sales

Group EBIT

↑ 19.9%
to $401.4m

UPAT

↑ 27.1%
to $252.7m

Underlying EPS

↑ 13.3%
to 24.7c per share

Strong sales growth in all Pillars driven by shift in consumer behaviour and success of MFuture

Record operating cashflow of $475.5m (FY20: $117.5m)

Statutory PAT $239.0m (FY20: -$56.8m)[2]

1. Includes charge-through sales
2. Statutory loss after tax in FY20 includes an impairment of goodwill and other assets of $237.4m (post tax)

Group highlights – a standout year

Significant return of capital to shareholders while continuing to invest in future growth

$354m

returned to shareholders (FY21 dividends and Share Buy-Back[1])

Disciplined capital management

Target dividend payout ratio ↑ from **60% to 70%**

Final dividend **9.5c** per share
FY21 total ↑40% to 17.5c

Buy-Back announced **(up to $175m)**

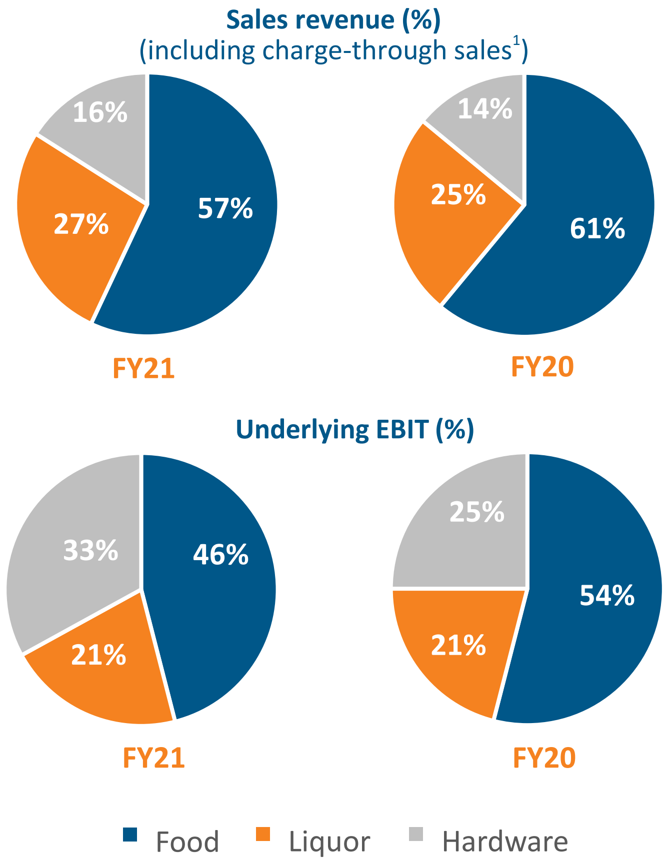
- FY21 acquisitions delivering attractive returns – includes Total Tools and Kollaras private label brands
- Strong financial position with capacity to fund MFuture growth plans
- Strong start to FY22 sales
- Continued investment in digital and systems

1. Reflects an Off-Market Buy-Back of ~$175m. Metcash may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and future capital requirements. If Metcash increases the Buy-Back it will not buy back more Shares than allowed within its 10% limit under the Corporations Act

Results overview by pillar

	FY21 $m	FY20 $m	Change %
Sales revenue (including charge-through sales)			
Food	9,389.7	9,103.7	3.1%
Liquor	4,383.2	3,678.4	19.2%
Hardware	2,588.2	2,075.0	24.7%
Total sales revenue (including charge-through sales)	**16,361.1**	**14,857.1**	**10.1%**
Less: Charge-through sales	(2,045.8)	(1,831.7)	11.7%
Total sales revenue (Statutory Accounts)	**14,315.3**	**13,025.4**	**9.9%**

	FY21 $m	FY20 $m	Change %
Underlying EBIT			
Food	192.4	182.7	5.3%
Liquor	88.7	72.8	21.8%
Hardware	136.0	84.2	61.5%
Business Pillars	**417.1**	**339.7**	**22.8%**
Corporate	(15.7)	(4.8)	-
Total EBIT (Statutory Accounts)	**401.4**	**334.9**	**19.9%**



Improved leverage: sales ⬆ ~10%, EBIT ⬆ ~20%

1. Direct sales from suppliers to retailers, invoiced through Metcash

Food – sales

- Total Food sales (including charge-through) increased 3.1% to ~$9.4bn (+11.0% ex Drakes[1] and 7-Eleven impact[2])
- Supermarkets sales increased 10.0% (+11.6% ex Drakes impact[1])[3]
  - 10mths to Feb 2021 +16.7% (ex Drakes impact[1])
  - March/April 2021 -8.0% (pcp includes peak COVID impact) and +15.6% v March/April FY19 (ex Drakes impact[1])
- Retail network continued to benefit from shift in consumer behaviour and success of MFuture to retain new and returning shoppers
  - More flexible working and eating at home
  - Increased preference for local neighbourhood shopping
  - Move from city to regional areas
  - Competitive core range and price driving basket size growth
  - Shopper recognition of improvement in store quality
- Wholesale price inflation[4] of 1.0%
- Strong growth in all states, particularly Victoria due to impact of extended lockdowns
- IGA network continued to perform strongly with LfL[5] sales up 10.5% (up 18.8% v FY19)
- Team score of ~74% in line with prior year despite supply chain challenges
- Net new store openings (32 opened, 29 closed)
- Total Convenience sales increased 6.3% ex 7-Eleven impact (-29.3% including 7-Eleven impact[2]) with increased demand and contract customer growth

	FY21 $m	FY20 $m	Change %
Food			
Revenue (including charge-through)			
Supermarkets	8,264.3	7,512.9	10.0%
Convenience	1,125.4	1,590.8	(29.3%)
Total revenue (including charge-through)	9,389.7	9,103.7	3.1%
Charge-through sales	(1,073.4)	(982.1)	9.3%
Total revenue as per Statutory Accounts	**8,316.3**	**8,121.6**	**2.4%**

1. Metcash ceased to supply Drakes in South Australia from 30 September 2019. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to Drakes
2. The previous supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to 7-Eleven
3. Wholesale sales ex tobacco +6.4%, +8.1% ex Drakes impact
4. Excludes tobacco and produce
5. Based on scan data from 1,103 IGA stores

Retail network continues to benefit from improved competitiveness and shift in consumer behaviour

Food – EBIT

- Total Food EBIT increased $9.7m or 5.3% to $192.4m reflecting:
  - Strong volume growth
  - Increased contribution from joint venture stores
- EBIT improved by ~$20m or ~11% after adjusting for:
  - The impact of Drakes and 7-Eleven
  - A decline in the contribution from the resolution of onerous lease obligations
  - Increased contribution from joint venture stores
- Additional insurance and other costs ~$5m
- Continued strong focus on operating costs helped offset the impact of inflation and COVID costs
- EBIT margin of 2.0% in line with FY20 despite increased weighting in 2H21 of lower-margin charge-through and tobacco sales in the sales mix

1. Total revenue includes charge-through sales of $1,073.4m (FY20: $982.1m)
2. EBIT margin: EBIT / Total revenue (including charge-through)

	FY21 $m	FY20 $m	Change %
Total revenue[1] (including charge-through)	9,389.7	9,103.7	3.1%
EBIT	**192.4**	**182.7**	**5.3%**
EBIT margin[2]	2.0%	2.0%	-

Roseberry IGA, NSW

Adjusted EBIT growth of ~$20m or ~11% driven by strong volumes

Food – MFuture initiatives going forward

Network of the future

- Network refresh with national brand standards and more consistent offer by format
- Further DSA store upgrades
  - ~45% of network completed (622 upgrades)
  - Targeting additional 100-130 stores p.a. (90% of network expected to be completed by FY26)
- Scale new store formats from trial to rollout
- Continue to drive value for shoppers through competitive core range and price position
- Expansion of Private and Exclusive label

eCommerce and Loyalty

- Accelerate eCommerce for IGA retailers including rollout of latest eCommerce platform
  - New platform into ~800 stores by FY25
- Enhance network loyalty programs via IGA Rewards
  - Program live in 200 stores with further rollout underway
  - Opportunity to rollout to majority of network
- Retailer One Stop Shop – improves ease of doing business for retailers

Supply Chain

- Building capability to expand ranges via Direct and Cross Dock solutions
- Leverage SA DC expanded range & scalability
- Transport Management system improvement
- Warehouse Management system upgrade
- Paperless warehouse
- DC reconfiguration and cross dock

Driving further network competitiveness and sales growth – retention of new and returning customers

Liquor – sales

- Total sales (including charge-through) increased a significant 19.2% to $4.4bn reflecting
  - Continued strong demand in the retail network with higher average transactions, basket size and spend
  - Partly offset by lower on-premise sales due to impact of COVID related trading restrictions
- Wholesale sales to IBA banner group increased 22.6%, with strong growth in Cellarbrations, the Bottle-O, IGA Liquor, Duncans, Thirsty Camel, Liquor@, Big Bargain and Porters
- Strong demand in retail network driven by:
  - Increased customer preference for local neighbourhood shopping together with success of MFuture in improving competitiveness of store network
  - Home consumption substituting on-premise consumption
  - Less overseas travel and duty free shopping
- Retail LfL[1] sales in the IBA banner group increased by 19.7% (FY20: +3.2%)
- Strong growth in retail sales continued in 2H21 despite a recovery in 'on-premise' sales
- Percentage of sales through IBA bannered network in-line with prior year at ~50%

	FY21 $m	FY20 $m	Change %
Total revenue as per Statutory Accounts	4,374.3	3,670.3	19.2%
Charge-through sales	8.9	8.1	9.9%
Total revenue (including charge-through)	**4,383.2**	**3,678.4**	**19.2%**

Shearers Arms Bottle-O, Ormeau, Qld

Significant sales growth of 19.2% despite 'on-premise' impacts

1. Based on scan data from 536 stores.

Liquor – EBIT

- EBIT increased a significant $15.9m or 21.8% to $88.7m
  - Contribution from significant sales growth
  - Costs continued to be well managed
- EBIT margin in line with prior year at 2.0%
  - Leverage maintained despite increased weighting of lower-margin categories in sales mix

	FY21 $m	FY20 $m	Change %
Total revenue[1] (including charge-through)	4,383.2	3,678.4	19.2%
EBIT	**88.7**	**72.8**	**21.8%**
EBIT margin[2]	2.0%	2.0%	-

IGA Liquor store, Strathfieldsaye, VIC

Significant EBIT growth of 21.8% - good leverage despite margin mix challenges

1. Total revenue includes charge-through sales of $8.9m (FY20: $8.1m)
2. EBIT margin: EBIT / Total Revenue (including charge-through)

Liquor – MFuture initiatives going forward

Digital transformation

- Integrated POS – enabling closed loop system of data/range/e-Comm/loyalty
- eCommerce – whole of network solution to drive sales for retailers and ALM
- Loyalty – retaining and attracting new customers to IBA network
- Well positioned to address ~$1.3bn online sales channel

Drive brand awareness and appeal

- Brand positioning – giving customers and retailers a choice within IBA (right brand, right occasion)
- Increase foot traffic and share of 'shopper wallet'
- Long term brand equity

Owned & Exclusive brands (O&E)

- Leverage acquisition of Kollaras portfolio of brands
- Introduce new brands to grow revenue and improve retailer margin
- Increase O&E team score through demand for quality and value in all categories
- Targeting O&E to be 5% of IBA sales by 2024 (up $100m)

Supply chain flexibility and efficiency

- Partner with key suppliers to realise supply chain efficiencies
- Evolve supply chain capability through charge-through and cross dock
- Enhance retailer experience through operational simplification ('one stop shop')
- Significant opportunity to increase team score and reduce costs

Further improving the competitiveness and success of our retailers – focused on customer retention and growth

Hardware – sales

- Total sales (including charge-through) increased 24.7% to $2.6bn largely reflecting significant growth in DIY sales and a return to growth in Trade
- Total IHG sales (excludes Total Tools Holdings[1]) increased 17.9% (FY20: -1.3%)
  - 10 months to February 2021 +19.4%
  - March/April 2021 +12.3% (+25.4% v March/April FY19)
- Retail LFL[2] sales in IHG banner group increased 11.4% (FY20: -0.7%) with DIY +25.1% and Trade +4.9%
  - Increase in proportion of higher margin DIY in sales mix to 40% (FY20: 37%)
  - Significant growth in DIY driven by:
    - Shift in consumer behaviour related to COVID
    - Benefit from investment in MFuture initiatives
    - Strong performance of Sapphire refresh stores (average retail sales growth +25%)
    - Optimisations of online demand through advanced digital capability (online sales +122%)
    - Growth in average basket size
- Customer retention supported by Loyalty programs (further ~160k added, total loyalty customers 1.2m)
- Trade sales strengthened in 2H21 supported by Government stimulus to drive increased renovations activity
- Increase in Home Timber & Hardware teamwork score to ~72% (FY20: 68%)

	FY21 $m	FY20 $m	Change %
Total revenue as per Statutory Accounts	1,624.7	1,233.5	31.7%
Charge-through sales	963.5	841.5	14.5%
Total revenue (including charge-through)	**2,588.2**	**2,075.0**	**24.7%**

Mitre 10, Diamond Valley, Vic

Significant sales growth of 24.7% - driven by DIY and return to growth in trade sales

1. Metcash acquired a majority stake in Total Tools Holdings (TTH) on 1 September 2020
2. Based on a sample of 234 network stores that provide scan data (represents >50% of sales)

Hardware – EBIT

- Substantial increase in EBIT, up $51.8m or 61.5% to $136m, driven by:
  - Strong growth in sales volumes, particularly DIY
  - Increased contribution from company-owned / joint venture stores
  - Acquisitions[1] contributed $29m (includes $24m from 8mths of Total Tools)
  - Continued focus on operating cost efficiencies
- IHG wholesale EBIT margin of 3.1.%
  - Includes investment to support retention of shoppers gained through COVID
- Total IHG EBIT margin of 5.3% includes positive impact of Total Tools and the retail margin from joint venture and company-owned stores

	FY21 $m	FY20 $m	Change %
Total revenue[1] (including charge-through)	2,588.2	2,075.0	24.7%
EBIT	**136.0**	**84.2**	**61.5%**
EBIT margin[2]	5.3%	4.0%	130bps

Total Tools, Hoppers Crossing, VIC

1. Acquisitions include Total Tools Holdings (8 months) and 12 Total Tools joint venture stores (5 months), Finlaysons, Wilsons HTH and in FY20, G. Gay & Co., Keith Timber and Womersley's
2. Total revenue includes charge-through sales of $963.5m (FY20: $841.5m)
3. EBIT margin: EBIT / Total revenue (including charge-through)

Substantial EBIT growth of 61.5% driven by strong DIY sales and increased contribution from acquisitions

IHG – MFuture initiatives going forward

GROW IN DIY

Expanding Sapphire store upgrade program from 200 to 300 stores by 2025

Continued focus on shopper-led range & price

Trial and rollout of emerging categories including: (kitchen/laundry/bathroom, garden centre, connected home, decorate)

Accelerating Digital, Data and Insights

PROTECT & GROW STORE NETWORK THOUGH JV/COMPANY OWNED STORES

BUILD TRADE

Continue to open Trade Centre – Sapphire stores to support goal of being #1 in Trade. Targeting 50 Trade Centres by FY24

Expand our share of Whole of House (foundations, frame & truss, lock up, fix, fit out) - opportunity to grow from ~35% to ~70%

Continue to develop our market-leading Trade Technology (Trade Online, Trade Sync, Truck Tracker, Mitre 10 Trade+pass, Trade Profiler)

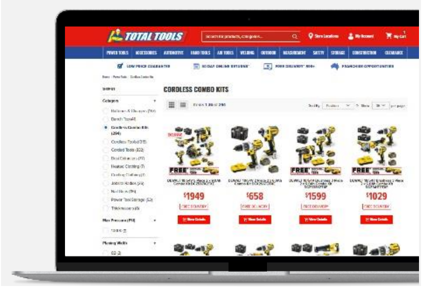
Continued focus on being a low-cost leading hardware wholesaler with retail expertise

Total Tools – key drivers of future growth

Grow Store Network

- Strong growth opportunities of 8-10 stores p.a. with target network size of ~130 stores by 2025
- ~50% of new store growth from JV and company-owned stores

Online



- Website enhancement
- Endless aisle
- Supplier integration
- Personalisation
- Optimised shopping

JV Conversions

- Successfully completed acquisition of 12 JV stores with TTH ownership ranging from 51% - 60%
- Assessing potential to acquire further JV stores

Customer

- Complete 'Generation 2' store upgrades (targeting 24 stores)
- Accelerate loyalty optimisation
- Consumer-led ranging

Synergies

- Joint ranging and sourcing opportunities
- Leverage IHG supply chain
- Network optimisation
- Non-trade procurement

#1 professional tools retailer with significant growth opportunities

Group financials

Alistair Bell
Group Chief Financial Officer

Profit & Loss

	FY21 $m	FY20 $m	Change %
Sales revenue including charge-through sales	16,361.1	14,857.1	10.1%
Charge-through sales	(2,045.8)	(1,831.7)	11.7%
Sales revenue per statutory accounts	14,315.3	13,025.4	9.9%
EBITDA[1]	**565.1**	**492.1**	14.8%
Depreciation and amortisation	(163.7)	(157.2)	4.1%
EBIT	**401.4**	**334.9**	19.9%
Net finance costs	(42.6)	(52.0)	18.1%
Profit before tax and NCI	**358.8**	**282.9**	26.8%
Tax	(103.7)	(82.5)	25.7%
Non-controlling interests	(2.4)	(1.6)	-
Underlying profit after tax	**252.7**	**198.8**	27.1%
Significant items (post tax)[2]	(13.7)	(255.6)	-
Reported profit / (loss) after tax	**239.0**	**(56.8)**	-
EPS based on underlying profit after tax	24.7c	21.8c	13.3%
ROFE[3]	28.6%	24.9%	

1. Includes share of profit from equity accounted investments of $20.1m (FY20: $5.3m)
2. FY21 significant items include: Total Tools Holdings acquisition costs and put option valuation of $6.1m, Project Horizon implementation costs of $5.5m, MFuture implementation and other costs of $2.1m (all post tax)
3. ROFE based on underlying EBIT divided by the average of opening and closing funds employed

Strong performance supports increase in target dividend payout ratio to 70%

Cashflows

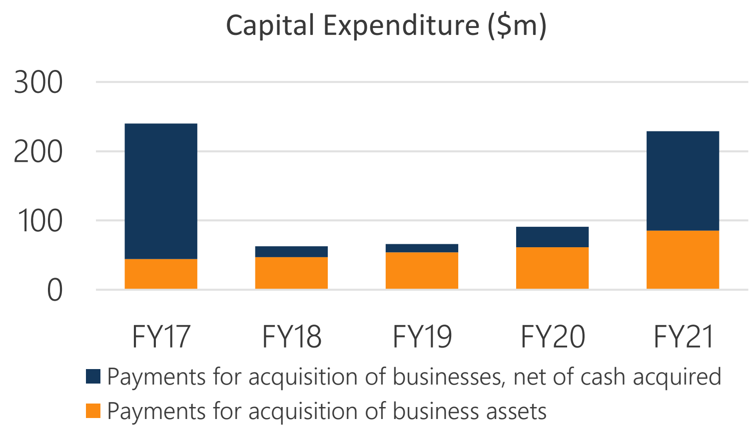
	FY21 $m	FY20 $m
Net cash from operating activities[1]	475.5	117.5
Net cash used in investing activities	(171.7)	(36.4)
Capital expenditure	(85.6)	(61.5)
Acquisitions of businesses	(143.1)	(29.7)
Proceeds from sale of businesses / assets and net loan movements	12.7	9.6
Receipts from subleases	44.3	45.2
Dividends paid	(148.3)	(118.2)
Payments for lease liabilities	(122.0)	(129.7)
Proceeds from equity raising	13.5	294.3
Other financing activities	(9.1)	(5.3)
Net movement in Net Debt	**37.9**	**122.2**
Cash realisation ratio (CRR)[2]	114.2%	33.0%

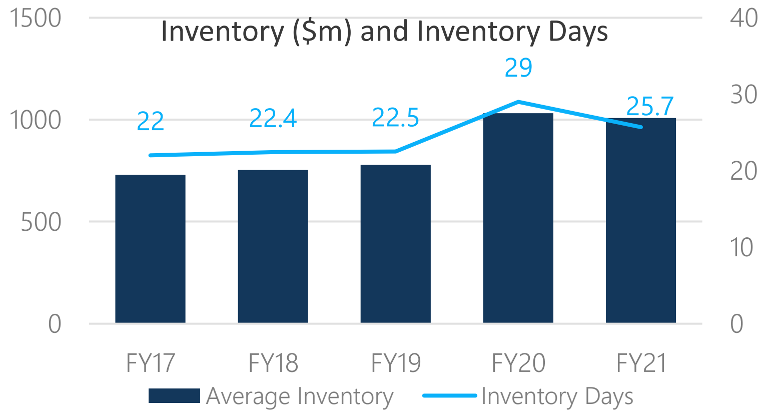
1. Includes $8.6m cash inflow from change in working capital (excluding acquisitions)
2. Cash realisation ratio (CRR) = Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected)

Strong cashflow generation and value accretive acquisitions

Balance Sheet

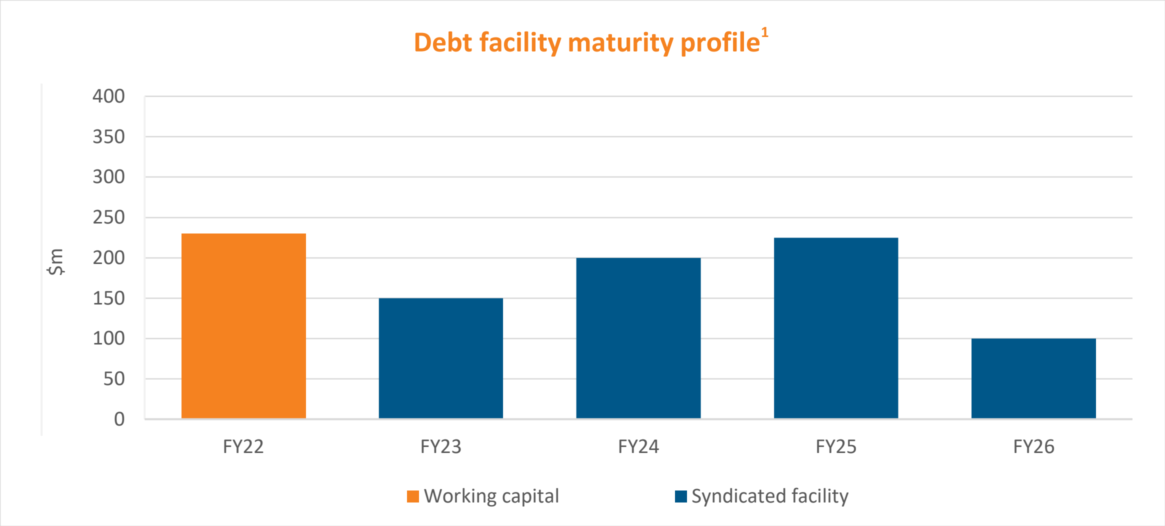
	30 April 2021 $m	30 April 2020 $m
Trade receivables and prepayments	1,607.8	1,559.0
Inventories	1,008.0	1,032.2
Trade payables and provisions	(2,234.4)	(2,181.9)
Net working capital	**381.4**	**409.3**
Intangible assets	729.1	581.8
Property, plant and equipment	231.8	214.0
Equity accounted investments	82.5	77.6
Customer loans and assets held for resale	41.3	56.3
Capital investments	**1,084.7**	**929.7**
Total funds employed	**1,466.1**	**1,339.0**
Lease receivables and 'right of use' assets	899.4	778.1
Lease provisions and liabilities	(1,079.3)	(944.2)
Net lease balances	**(179.9)**	**(166.1)**
Net cash	124.6	86.7
Put option liabilities	(212.5)	(6.1)
Tax and derivatives	92.8	118.1
Net Assets/Equity	**1,291.1**	**1,371.6**





Continued strong focus on working capital management

Debt management



- Net cash of $124.6m (FY20: $86.7m)
- Average net cash of ~$47m (FY20: ~$345m net debt)
- Undrawn debt facilities of $905m
- Average tenor of debt facilities 2.0 years
- Balanced debt maturity profile at competitive average cost of debt
- Cancelled $150m of syndicated debt facilities in November 2020
- Refinanced $225m of debt facilities in FY21
- Expect to refinance $380m of debt facilities in FY22 ($245m already completed)

	FY21 $m	FY20 $m
Net cash		
Gross debt	-	(188.4)
Cash and cash equivalents	124.6	275.1
Net cash	**124.6**	**86.7**

Debt metrics and ratios

Weighted average debt maturity	2.0 years	1.8 years
Weighted average cost of debt[2]	1.9%	2.8%
% Fixed debt	-	68%
Gearing ratio[3]	(10.7.%)	(6.7%)
Underlying EBITDA Coverage[4]	4.2x	3.5x
Net Debt Coverage[5]	-	-

1. Excludes lease liabilities
2. Weighted average cost of debt over the period (excludes line fees)
3. Net Cash/(Shareholders' Equity + Net Cash)
4. Underlying EBITDA/(Net Interest Expense (excludes lease interest) + Net Rent Expense + ROU depreciation)
5. Net Debt/Underlying EBITDA

Strong balance sheet with significant financing flexibility

Capital management – up to ~$175m Off-Market Buy-Back

- Metcash's strong FY21 performance reflects our ability to successfully navigate significant COVID related challenges and uncertainty, while continuing to implement our MFuture growth initiatives
- The Board remains focused on maximising returns for shareholders while maintaining a strong financial position, and is appreciative of the support received from shareholders, particularly through COVID
- Target dividend payout ratio increased from 60% to 70% of Underlying NPAT (effective FY21)
  - Reflects Metcash's strong financial performance and increased confidence over future operating cashflows
- The Board has continued to assess the potential for distributing excess capital having regard to:
  - An improvement in the level of economic certainty
  - Near term CAPEX and working capital needs
  - Opportunities to grow and create shareholder value
  - A fiscal discipline to maintain a strong balance sheet with low gearing

- After considering various alternatives for returning excess capital, the Board determined an off-market buy-back (**Off-Market Buy-Back** or **Buy-Back**) is the most tax efficient and value enhancing strategy to distribute excess capital. The benefits of an Off-Market Buy-Back include:
  - EPS and ROE accretive outcomes which benefit all shareholders who continue to hold shares following the Buy-Back irrespective of whether they participate in the Buy-Back or not
  - The buy back of shares at a discount to the Market Price
  - Utilisation of surplus franking credits
  - The targeted amount of capital can be bought back within a relatively short period of time
  - Metcash is able to determine the most appropriate number of shares to buy back based on shareholder demand
- Metcash announced today an Off-Market Buy-Back of up to ~$175m (~5.5%[1] of issued capital)
- The Company has the capacity to fund its growth plans through operating cashflows and existing debt facilities
- Appropriate funding structure of any substantial acquisition to be determined at the time

1. Reflects a Buy-Back of $175m at a Buy-Back Price of $3.10 per share (based on an assumed Market Price of $3.60 per Share and an assumed 14% Buy-Back Discount) and 1,022,362,821 shares on issue. Metcash may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and future capital requirements. If Metcash increases the Buy-Back it will not buy back more Shares than allowed within its 10% limit under the Corporations Act

Capital management – Off-Market Buy-Back

- Target size
  - Up to ~$175m[1]
- Discount
  - 8% - 14% of Market Price (5 day VWAP to 13 August 2021)
- Composition
  - Capital component: $0.85 per share
  - Balance is a fully franked dividend
- Key dates (refer Appendix 3)
  - 30 June: Last day shares can be acquired to be eligible to participate in Buy-Back and to qualify for franking credit entitlements in respect of the Buy-Back consideration
  - 19 July – 13 August: Tender period
- Buy-Back funded from cash and existing debt facilities
- Pro forma FY21 gearing of 4.3%[2]
- Shareholders participating in the Buy-Back will also receive the final FY21 dividend, which is 9.5 cents per share, fully franked

Note: The Buy-Back information presented in this announcement does not constitute or give rise to a legally binding offer capable of acceptance by shareholders. Shareholders that are eligible to participate in the Buy-Back will be sent a Buy-Back booklet by 7 July 2021, which will contain all of the relevant details (including the proposed timetable) regarding the Buy-Back and how to participate.

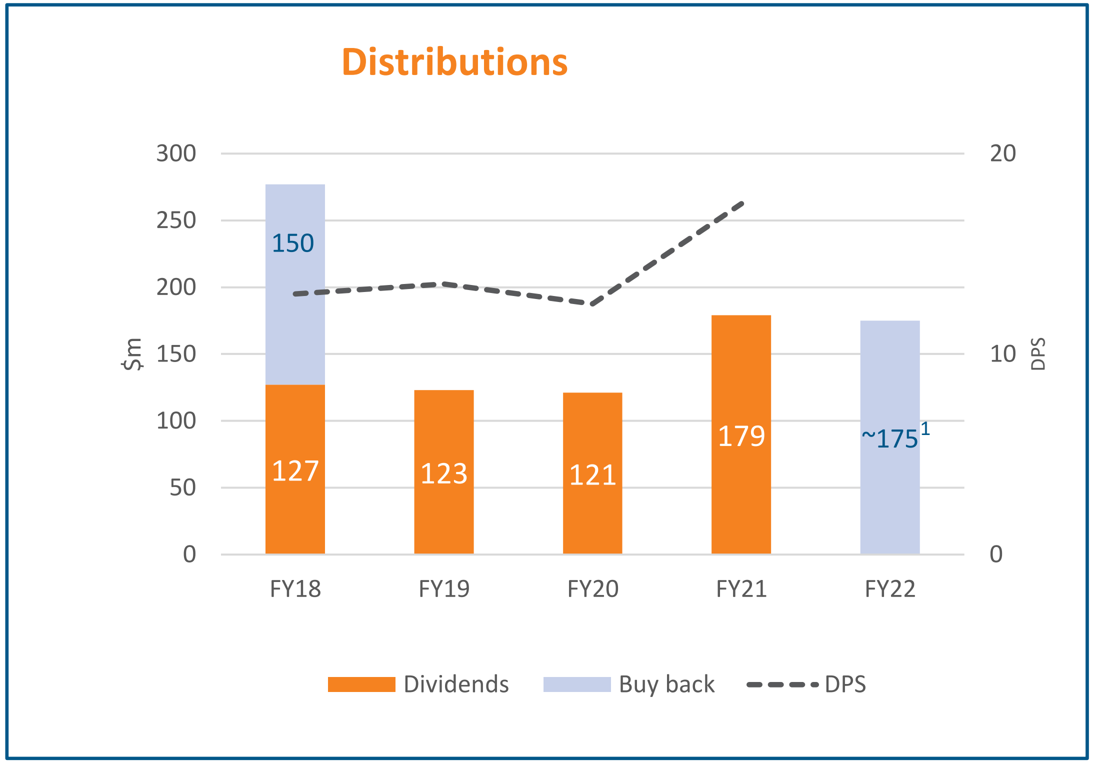
Participation in the Buy-Back is entirely voluntary. It is important that shareholders seek their own advice as to the taxation, financial and other consequences of participating in the Buy-Back, having regard to each shareholder's personal circumstances. In some circumstances, selling shares under the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

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

1. Metcash may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and future capital requirements. If Metcash increases the Buy-Back it will not buy back more shares than allowed within its 10% limit under the Corporations Act
2. Assuming a Buy-Back of $175m. This excludes the FY21 final dividend of $97.1m and the step acquisition of a further 15% interest in Total Tools of $59.4m which both occur subsequent to FY21

Dividends

- Increase in target payout ratio from 60% to 70% of underlying net profit after tax (effective FY21)
- FY21 final dividend
  - 9.5 cents per share, fully franked (FY20: 6.5c)
  - Ex-dividend date: 1 July 2021
  - Record date: 2 July 2021
  - Payment date: 11 August 2021
- Total dividends for FY21 increased 40% to 17.5 cents per share, fully franked, reflecting strong underlying earnings and increased confidence over future operating cashflows (FY20: 12.5c)



1. Reflects a Buy-Back of ~$175m and excludes any potential FY22 dividends
2. Reflects a Buy-Back of ~$175m. Metcash may vary the size of the Buy-Back depending on a number of factors including shareholder demand, market conditions and future capital requirements. If Metcash increases the Buy-Back it will not buy back more Shares than allowed within its 10% limit under the Corporations Act

$354m to be returned to shareholders (FY21 dividends and FY22 Share Buy-Back[2])

Group outlook

Jeff Adams
Group Chief Executive Officer

Outlook

Group

- The Group has continued to benefit from the shift in consumer behaviour with strong sales in the first eight weeks of FY22
- Sales comparisons will be provided against FY20 (in addition to FY21) where appropriate to assist disclosure of performance excluding significantly higher sales volumes in FY21
- The Group has managed well through the significant challenges associated with COVID in FY20 and FY21, however there continues to be uncertainty over the potential impact of any future COVID related trading restrictions or changes in consumer behaviour
- FY22 will include a 53rd week of trading in all Pillars

Food

- Food sales in the first eight weeks of FY22 increased 13.7% compared with the same period in FY20, and decreased 1.4% compared with the same period in FY21 (ex Drakes[1] and 7-Eleven[2] impact). This reflects the success of MFuture in improving the competitiveness of our IGA retail network and retaining new and returning customers gained through COVID
- Including the impact of Drakes[1] and 7-Eleven[2], total Food sales increased 1.1% compared with the same period in FY20, and decreased 8.2% compared with the same period in FY21
- Supermarket sales for the first eight weeks of FY22 increased 10.1% (+14.2% ex Drakes[1] impact) compared with the same period in FY20, and decreased 2.4% compared with the same period in FY21
- The Food pillar is focused on the successful execution of the next phase of MFuture aimed at further improving the competitiveness of our retail network to support the continued retention and growth of our shopper base
- As previously announced, Food earnings in FY22 will include an estimated net adverse impact of ~$10m from the loss of stock profits[3] due to there being no tobacco excise increase in September 2021. This is expected to be largely reflected in 1H22

1. Metcash ceased to supply Drakes in South Australia from 30 September 2019. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to Drakes
2. The previous supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to 7-Eleven
3. The estimated net impact is after anticipated mitigating actions including revised trading terms with suppliers and cost reductions

Outlook continued

Liquor

- Very strong sales have continued in the first eight weeks of FY22, increasing 26.0% compared with the same period in FY20, and 17.3% compared with the same period in FY21
- The significant uplift reflects continued strong demand across retail stores and an improvement in sales to ‘on-premise’ customers
- Sales to the IBA retail banner group in the first eight weeks of FY22 increased 23.1% compared with the same period in FY20, and 2.8% compared with the same period in FY21
- The Liquor pillar is focused on progressing our MFuture initiatives including private and exclusive label, digital transformation, supply chain flexibility and efficiency and driving brand awareness and appeal

Hardware

- Hardware sales for the first eight weeks of FY22 increased 29.1% compared with the same period in FY20, and 15.5% compared with the same period in FY21
- IHG sales for the first eight weeks of FY22 increased 15.1% compared with the same period in FY20, and 3.1% compared with the same period in FY21
- There continues to be a solid pipeline of residential construction activity despite the Government stimulus program aimed at boosting renovations ceasing in March this year
- Strong demand is placing some continued pressure on stock availability, particularly timber
- FY22 will include a full year of trading in Total Tools
- The business is continuing to progress our growth initiatives under MFuture to grow Trade and DIY and remains focused on being a low-cost leading hardware and professional tools wholesaler with retail expertise

Appendices

1. Financial history
2. Bannered store numbers
3. Buy-Back timetable
4. Total Tools accounting

1. Financial history

	FY21	FY20	FY19[1]	FY18[1]	FY17[1,2]
Financial Performance					
Sales revenue ($m)	**14,315.3**	13,025.4	12,660.3	12,442.2	12,293.0
EBIT ($m)	**401.4**	334.9	330.0	334.6	304.8
Net finance costs ($m)	**(42.6)**	(52.0)	(28.9)	(26.4)	(33.6)
Underlying profit after tax ($m)	**252.7**	198.8	210.3	216.9	194.8
Reported profit/(loss) after tax ($m)	**239.0**	(56.8)	192.8	(148.2)	171.9
Operating cash flows ($m)	**475.5**	117.5	244.9	276.3	304.6
Cash realisation ratio[3] (%)	**114%**	33%	92%	101%	118%
Financial Position					
Shareholder's equity ($m)	**1,291.1**	1,371.6	1,250.1	1,334.2	1,583.2
Net cash/(debt) ($m)	**124.6**	86.7	(42.9)	42.8	(80.8)
Gearing ratio[4] (%)	**(10.7%)**	(6.7%)	3.3%	(3.2%)	4.7%
Return on funds employed[5] (%)	**28.6%**	24.9%	27.7%	24.4%	19.0%
Share Statistics					
Fully paid ordinary shares	**1,022.4**	1,016.4	909.3	975.6	975.6
Weighted average ordinary shares	**1,021.9**	910.1	928.6	975.6	958.8
Underlying earnings per share (cents)	**24.7**	21.8	22.6	22.2	20.3
Reported earnings / (loss) per share (cents)	**23.4**	(6.2)	20.8	(15.2)	17.9
Dividends declared per share (cents)	**17.5**	12.5	13.5	13.0	4.5

1. FY17 to FY19 financials are reported on a pre-AASB16 basis
2. FY17 EBIT, profit after tax, shareholder's equity and EPS has not been adjusted to reflect AASB15
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. Bannered store numbers

	April 2021	April 2020
Pillar		
Supermarkets	1,641	1,623
Convenience	16	16
Liquor	2,838	2,679
Hardware	731	650
Total	**5,226**	**4,968**

	Supermarkets	Convenience	Liquor	Hardware	Total
Store movement					
Number of stores at April 2020	1,623	16	2,679	650	4,968
Stores opened / joined banner group during the period	51	-	567	97	715
Stores closed / left banner group during the period	(33)	-	(408)	(16)	(457)
Number of stores at April 2021	1,641	16	2,838	731	5,226

2. Bannered store numbers

	April 2021	April 2020
Supermarkets		
Supa Valu IGA	2	-
Core IGA	1,084	1,094
Small Format IGA	254	243
Total IGA bannered stores	**1,340**	**1,337**
Friendly Grocer / Eziway	301	286
Total Supermarkets	**1,641**	**1,623**
Liquor		
Cellarbrations	548	543
Bottle-O & Bottle-O Neighbourhood	250	232
IGA Liquor	481	471
Porters	33	26
Thirsty Camel (NSW/ACT, QLD, TAS, SA/NT)	155	141
Big Bargain	43	47
Other	1,328	1,219
Total Liquor	**2,838**	**2,679**
Hardware		
Mitre 10	340	321
Home Timber & Hardware	157	168
True Value Hardware and Thrifty-Link	145	161
Total Tools	89	-
Total Hardware	**731**	**650**

3. Off-Market Buy-Back timetable

Announcement of Buy-Back	**28 June**
Last day shares can be acquired to be eligible to participate in the Buy-Back and to qualify for franking credit entitlements in respect of the Buy-Back consideration	**30 June**
Buy-Back ex-entitlement date	1 July
Buy-Back record date	2 July
Mailing of Buy-Back booklet to shareholders expected to be completed	7 July
Tender period opening date	19 July
Tender period closing date	**13 August**
Buy-Back date (announcement of Buy-Back price and scale-back if any)	16 August
Payment date	23 August

Note: The Buy-Back information presented in this announcement does not constitute or give rise to a legally binding offer capable of acceptance by shareholders. Shareholders that are eligible to participate in the Buy-Back will be sent a Buy-Back booklet by 7 July 2021, which will contain all of the relevant details (including the proposed timetable) regarding the Buy-Back and how to participate.

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4. Total Tools accounting

- Metcash is required to consolidate 100% of Total Tools Group earnings (with no non-controlling interest) and 100% of Total Tools Group balance sheet, notwithstanding:
  - Metcash's ownership interest of 70% in Total Tools Holding (TTH), acquired 1 September 2020
  - TTH's ownership interest of between 51% - 60% in 12 Total Tools joint venture stores, acquired in December 2020
- At 30 April 2021, Metcash has recognised put option liabilities in relation to:
  - A put option over the residual 30% interest in TTH valued at ~$125m and exercisable by put holders in late 2023/early 2024
  - Put options over the residual 40% - 49% interest in 12 joint venture stores valued in aggregate at ~$70m, and exercisable by put holders in mid 2024
  - The exercise price of the put options are based on a multiple of the relevant EBITDA adjusted for a number of items including net debt and working capital
- From an accounting policy perspective, the above put option liabilities:
  - Initially measured at the present values of the put option exercise prices estimated to be payable under each option
  - Are subsequently remeasured at each reporting date at the estimated put option exercise price. Any change in value is recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability
  - As a result of recognising the put options, Metcash has not recognised the minority shareholders' non-controlling interest in TTH and the joint venture stores, and has not accounted for the non-controlling interests
- Metcash today announced the step acquisition of a further 15% interest in TTH, which increases Metcash's ownership interest to 85%. It is expected that this will be accounted for by derecognising half of the existing put option liability against the purchase price and accounting for the difference, estimated to be ~$3m, as a credit to significant items within the Statement of Comprehensive Income
- Further details are contained in note 3(vii), 13 and 23 of the FY21 Financial Report

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