



Metcash Limited

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

17 October 2022

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

Dear Sir/Madam

**METCASH LIMITED - INVESTOR DAY PRESENTATION, INCLUDING TRADING
UPDATE**

Please find attached a presentation for an Investor Day to be held today, 17 October 2022, including a trading update for the 23 weeks to 9 October 2022.

This document was authorised to be given to the ASX by the Company Secretary of Metcash Limited.

Yours faithfully

A handwritten signature in black ink, appearing to read "Julie D. Hutton".

Julie Hutton
Company Secretary

Mitcash

INVESTOR DAY

17 OCTOBER 2022



Acknowledgement of country

I would like to acknowledge and pay
our respects to the Kurna people,
the Traditional Custodians of the
land on which we meet today, and
pay my respects to Elders, past,
present and emerging.



Agenda

11:00	01. Welcome & Group Overview	Doug Jones Group CEO
12:00	02. Food	Scott Marshall CEO Metcash Food
12:45	LUNCH BREAK	
13:30	03. Hardware	Annette Welsh CEO Hardware
14:15	04. Total Tools	Paul Dumbrell CEO Total Tools
15:00	AFTERNOON TEA BREAK	
15:20	05. Liquor	Chris Baddock CEO Liquor
16:05	06. Horizon	Doug Jones Group CEO
16:25	07. Financial Framework	Alistair Bell Group CFO
16:45	08. Trading Update and Summary	Doug Jones Group CEO
17:00	CLOSE	



GROUP OVERVIEW

Doug Jones
Group CEO



Group overview



Our purpose

Championing
Successful
Independents



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.



Our vision

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

Our management team



Doug Jones
Group CEO

- Joined Metcash Feb 2022. Extensive wholesale, retail & eCommerce experience
- Previous senior roles in Massmart in South Africa (Walmart sub.), Coca Cola and Deloitte



Simon Burton
Chief Strategy & Transformation Officer

- Joined Metcash in 2022
- >25yrs global experience in FMCG, retail business and transformation
- Previous senior roles in Lion, Bupa and McKinsey



Alistair Bell
Group CFO

- Joined Metcash in 2020
- Held various CFO, COO and strategy positions in a range of industries with ASX-listed, private equity and multi-national companies



Penny Coates
Chief People & Culture Officer

- Joined Metcash in 2015
- Extensive international experience across retail, financial and professional services



Scott Marshall
CEO, Metcash Food

- 30yrs with Metcash
- CEO of Food pillar from 2018
- CEO of Liquor pillar 2013 to 2018



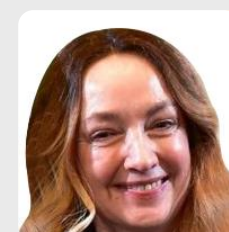
Julie Hutton
Chief Legal, Risk and Compliance Officer & Company Secretary

- Joined Metcash in 2016
- Former Corporate Partner of Baker McKenzie
- Extensive experience in M&A, capital markets transactions and corporate governance



Annette Welsh
CEO, Independent Hardware Group

- Joined Metcash in 2010
- Global experience across retail and wholesale
- Previous senior positions in Marks & Spencer and IBM



Marij Kouwenhoven
Chief Technology Officer

- Joined Metcash in October, 2022
- Extensive experience in IT, data and analytics
- Previous senior roles in The Bountiful Co and Dairy Farmers



Chris Baddock
CEO, Australian Liquor Marketers

- Joined Metcash in 2019
- More than 30yrs experience in FMCG including senior positions in Woolworths and Lion

Our current position

Food



- 4th largest market participant, positioned as alternative to majors
- Largest supplier to independent supermarkets in Australia
- Convenient and differentiated
- Active in the local community
- COVID period has resulted in more 'local' shoppers
- Strategy now focused on holding and growing market share gains, store base and cost reductions

Hardware



- Clear #2 in market with strong Trade focus
- Total Tools #1 in professional tools
- Strong Trade focus – technology leader
- Diverse channels, customers and categories provide resilience
- COVID period saw shift towards DIY
- Opportunity for market consolidation

Liquor



- Clear #2 in market
- Supply ~25% of Australia's liquor
- Supplier to ~90% of independent liquor businesses
- Competitive advantage through localised stores with tailored ranges
- COVID period saw strong sales growth
- Opportunities for growth despite mature market

Group



- Complementary businesses in attractive sectors
- Portfolio benefits through leverage and support from operating model
- Balance of defensive and cyclical exposure
- Strong cash generation
- Strong balance sheet
- Disciplined approach to capital allocation
- Clear strategy for growth and value creation

Strong market positions and financial strength



MFuture success

A key driver of continued strong performance through COVID



Commenced in 2019 and focused on delivering a pathway to sustainable growth



Key initiatives designed to improve competitiveness of retail networks

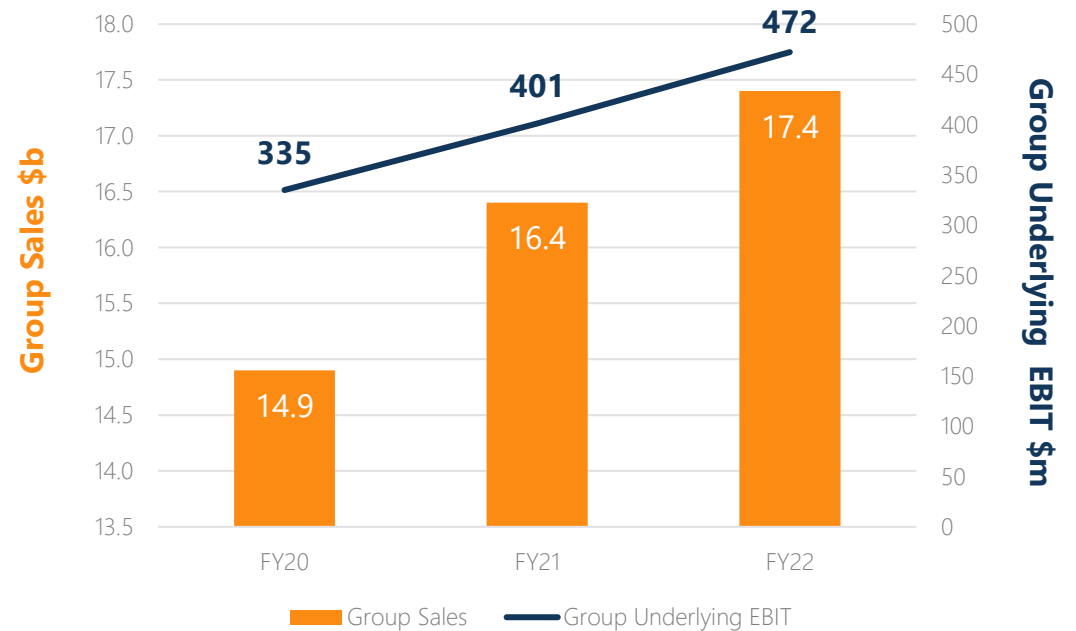
- Store upgrade programs
- Store formats
- Ranging and pricing
- Accelerating eCommerce
- Supply chain



Has proven to be the right strategy

- Laid foundation for strong performance of all pillars through COVID
- Further improvement in health of networks
- Retailers reinvesting into store networks
- Market share gains
- Further strengthening of retailer relationships
- Helping retain new and returning shoppers to our retail networks

Group Sales¹ & Group Underlying EBIT



MFuture has provided a strong platform for continued momentum



Investment highlights

Well positioned for future growth

- Retail network growth
- Growth from strategic acquisitions
- Investment in digital and technology
- MFuture momentum
- Benefits from new ERP (Project Horizon)
- Ability to navigate inflationary environment



Experienced
management team
and Board

Track record of delivering for shareholders

- Consistent and predictable earnings
- Strong cash generation
- Attractive returns to shareholders
- 5 year TSR >100%
- Excess capital returned to shareholders



Ideally positioned
to continue benefiting
from shift in consumer
behaviour

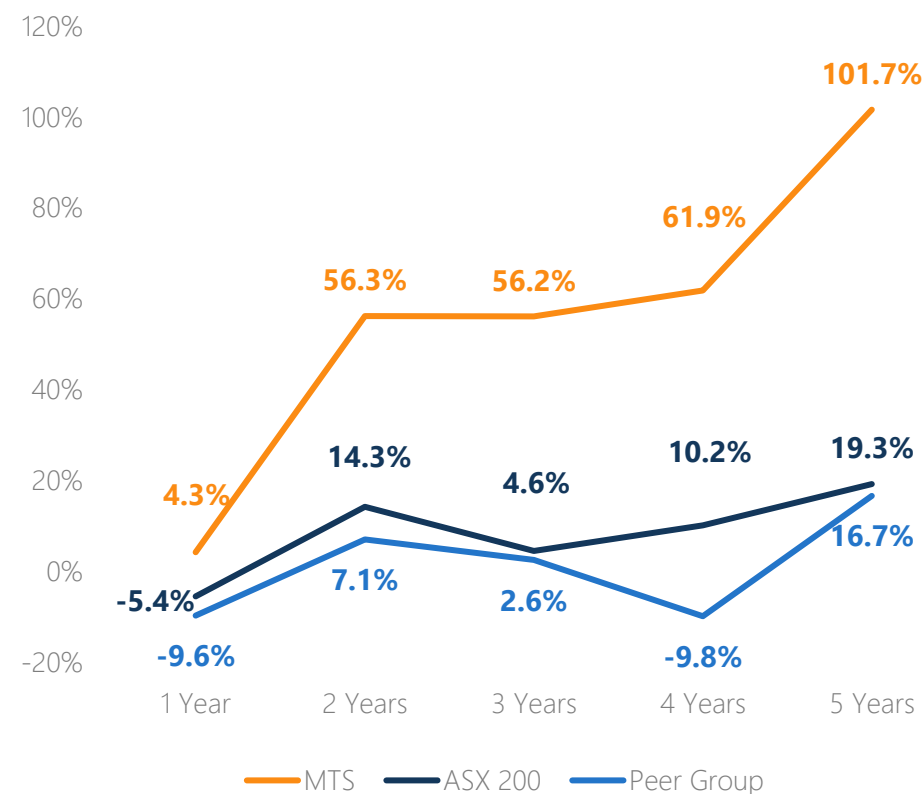
Leading market positions

- Diverse portfolio of businesses in attractive sectors, providing blend of defensive and cyclical exposure
- Network of >5,400 independently owned stores Australia-wide
- Largest supplier to independent supermarkets
- 2nd largest player in Liquor
- 2nd largest player in Hardware
- Largest player in Professional tools



A disciplined
approach to capital
allocation and
investment

Total Shareholder Returns¹



A history of delivering attractive returns for shareholders



Supporting one of the largest retail footprints in ANZ



Retail network sales of our independent retailers **~\$30bn in FY22**



Supplier partners **>4,400**



>10 million transactions per week



Extensive capital deployed across business by both Metcash and retailers

Supplier to:



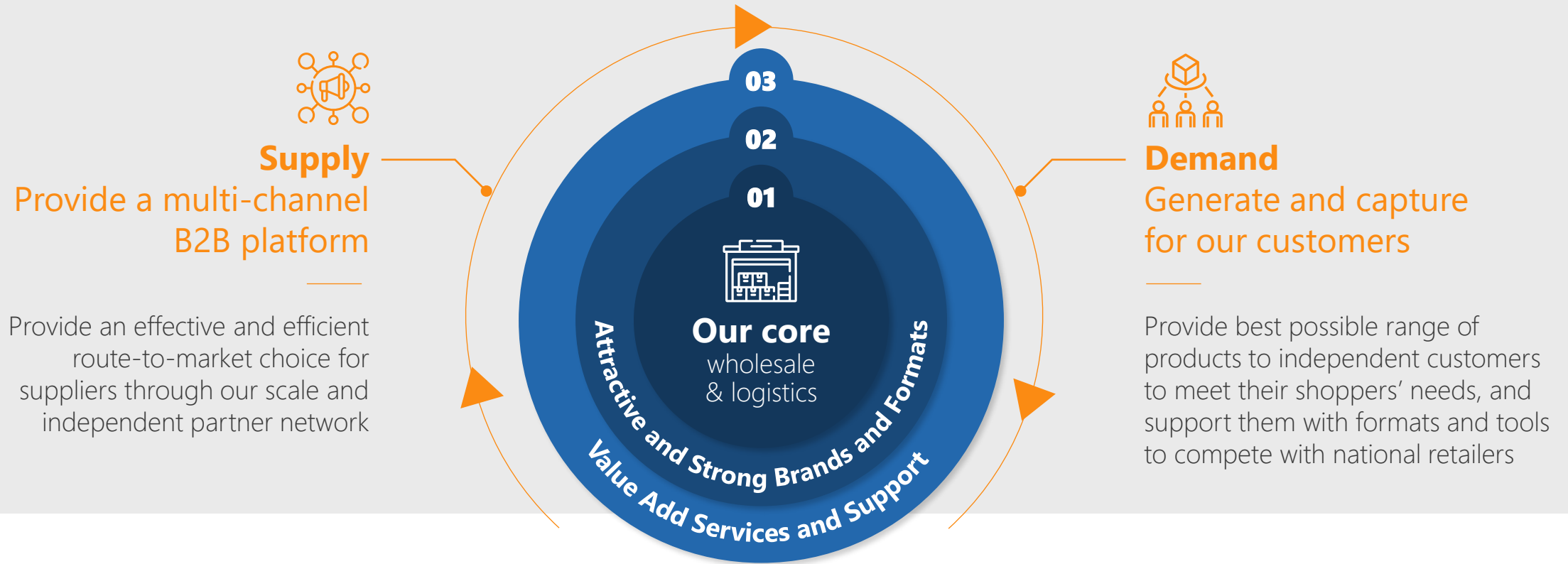
- ~5,400 bannered retail stores across Food, Liquor and Hardware
- ~12,000 liquor customers through ALM
- ~760 non bannered Hardware outlets
- >80,000 convenience customers (restaurants, coffee shops, fresh food outlets, forecourt retail and local convenience stores)

Significant economic contribution



- Employment (Metcash, independent retailers, supply chain)
- Supporting local suppliers
- Community support

Creating value - our flywheel



01

On time, in full,
at the lowest cost

02

Create, build & support multi-channel brands and formats that meet and exceed the needs of shoppers, and that independent retailers want to own and operate

03

Provide the services and support that enable independent retailers to compete and thrive against scaled national chains

Comprises our competitive advantages and underpins our value creation initiatives



Our flywheel

Underpins our competitive advantages



Provide the services and support that add value and enable independent retailers to compete against scaled national chains

03

- Retailer One Stop Shop (ROSS)
- Property services
- Rapid delivery partnerships – DoorDash and Uber, UberEats
- Data & insights
- Non retail support via key 3rd party relationships
- Digital marketing platforms
- Community engagement and support – IGA Community Chest program, disaster relief programs
- ESG program support
- Training academy
- Retailer and supplier engagement

Create, build & support brands and formats across channels that shoppers love, and independents want to own

02

- Network of the Future
- Store refresh programs
- Best Store in Town
- eCommerce and Loyalty platforms
- Quick commerce partnerships
- Digital tools for customers
- Retail network in IHG and Total Tools

Our core: Wholesale & logistics

01

- DC network extension and refresh
- DC technology initiatives
- Planning and replenishment technology
- Horizon ERP replacement
- Range and price programs



Value drivers



The Metcash economic model is comprised of various value drivers



Our strategy leverages the competitive advantages within the flywheel and acts on these value drivers



Volume

- Margin
- Wholesale fees



Product mix

- Grocery/tobacco
- Category
- Trade/DIY



Exclusive and owned brands



CODB



Price

- Inflation
- Services



Customer mix

- DIY/Trade
- Bannered/contract
- Retail/on premise



Owned retail network

- Company & JV stores



Logistics productivity

Strategy - Group

Purpose

Championing Successful Independents

Aspiration

To create long term value for our stakeholders and shareholders by supporting Australia's independent retailers with the best range and value offering to meet the needs of their shoppers and enabling them to best manage and grow their businesses

Where to play

- Australia and New Zealand
- Today: Food, Hardware & Liquor
- Provision of services and products that enable our customers to be the best independent retailers

- Wholesaler as core flywheel
- Banner, franchise and company-owned / JV stores
- Physical and online retail

How to win



For the shopper

Deliver retail experiences and formats that meet their needs and deliver unmatched, differentiated value



For the independent retailer

Provide business models, wholesale supply and support to allow them to run successful operations that deliver excellent financial returns and provide multi-generational opportunities to them and their families



For the supplier

Unmatched route-to-market partner for access to the independent retail sector

Foundations

Wholesale infrastructure. Unique brands and formats, scale and capability

Enabled by Metcash core capabilities:



logistics



supply chain



merchandising



digital



loyalty



eCommerce



brands & marketing

Strategy – Pillars

	Strategy	Goals	Priorities
 Food	Build on momentum and drive growth following stabilisation	Grow to #3 in grocery	• Network of the Future – format clarity • DSA – refresh stores to match format standards and improve CVP • Relevance and competitiveness of network – range, price, convenience • Grow store footprint • Independent retail sustainability and prosperity • Digital customer engagement
 Liquor	Grow IBA footprint and sales. Drive on-premise share and support wholesale customers	Expand #1 independent liquor position	• Store brand and format clarity • Strengthen shopper CVP through range, price and convenience • Extend range through endless aisle and O&E • Independent retailer sustainability and prosperity • Digital customer engagement
 Hardware - IHG	Grow network through organic and market consolidation strategies	Further strengthen leading position in small and medium builders Expand #1 position as strong #2 in DIY	• Grow retail network – owned, JV and independent stores • Network refresh through Sapphire program for improved CVP • Build Trade through 'whole of house' • Deepen digital & loyalty environment
 Hardware - Total Tools	Grow network sales and sales through JV/company-owned retail networks	Further strengthen and fortify #1 position in professional tools	• Grow network – owned, JV and independent stores • Retain JV partners • Grow Exclusive Brands • Deepen digital & loyalty environment
Continued focus on driving further improvement to retailer competitiveness 			

Group initiatives to drive further value

Acceleration of targeted growth and value creation initiatives



Loyalty

- Leverage key existing best practice and insights (e.g. Total Tools)
- Accelerate roll out and expansion of loyalty across all Pillars
- Ensure best-in-class supporting technology and systems



Digital & eCommerce

- Accelerate Pillar eCommerce activities for both shopper (e.g. IGA connect) and customers (e.g. Sorted, endless aisle)
- Identify optimum model to operate and expand eCommerce (technology, delivery partners etc)
- Develop new business models



Network optimisation and development

Retail

- Execute Group-wide property strategy to accelerate growth
- Enable future expansion in omni-channel

DCs

- Ensure single view of logistics capabilities, footprint & investment required to meet current and future business opportunities



Data

- Drive common approach to collection, storage and interrogation of data assets to unlock value and drive efficiencies
- Enhance data analytics capability



Horizon value enablement

- Identify highest value creation opportunities that new ERP platform enables
- Drive structured, returns-focused program to extract value and provide improved offering to customers, suppliers and shoppers
- Reduce legacy ERP risk

Investment prioritised to ensure tangible, measurable returns in line with stretching investment criteria →



Digital engagement

Loyalty



Loyalty initiatives now in place across all pillars—significant progress in TT and Hardware



Significant opportunity to expand and leverage data and insights with customers & suppliers



Current focus on embedding within pillars, longer term opportunity across whole business to leverage group footprint and scale

eCommerce



All pillars progressing eCommerce capabilities



Platforms allow independent retailers to serve their customers in digital channel



Focus on expanding reach and scale

- Loyalty, eCommerce and digital marketing are at varying stages of progress across the pillars with pockets of excellence
- Our strategy is to build an ecosystem that allows our retailers and suppliers to enrich their relationships with shoppers on digital
- We will do this by leveraging investments already made and utilising the most advanced capabilities across the group
- We will deploy common architecture and technologies where possible and where it makes sense for the customer
- Existing loyalty programmes and eCommerce environments as well as specific digital offers such as Trade Technology will be consolidated and offered within the ecosystem
- This is the first step towards a digital platform that supports engagement with our retailers (by consolidating existing offers such as ALM direct and ROSS), our suppliers and ultimately our team members



Significant progress and opportunity for further growth





Leveraging data

Core focus:

- Core analytics
- Data science
- Decision science
- Data engineering
- Data and cyber security
- Provisioning capabilities

This will enable:

- Leveraging real data and insights to drive better outcomes with our customers
- Utilise shopper data and insights from Loyalty programs to drive targeted investment and 'Personalisation' of offers, enhance supplier value creation and co-investment
- Automation of decision-making, freeing up time to allow team members to focus on higher value activities
- Employ data and insights to drive better buying, planning and stock-management for our supply chain and logistics partners
- In time, leverage group-wide insights to develop targeted cross-pillar offers

Our core priorities:

Harmonise and simplify

- Create a single Data environment that is consistent and accessible
- Ensure that it is secured and scalable
- Enable a variety of analytics capabilities and accommodate platform dependencies

01

Empowered decision-making

- Democratise the utilisation of Data and Insights across the organisation
- Allows decisions to be made at the point closest to customer/shopper

02

Data governance

- Embed an enterprise-wide, robust, data governance framework
- Ensure that stewardship of Master data remains with each of the business units
- Provide the appropriate protections and privacy capabilities from the Centre

03

Developing key capabilities and driving value in a number of key areas





Project Horizon – update

The business need



- Critical group technical infrastructure consolidation and replacement
- Provides platform to drive simplification and efficiency across business
- Facilitates 'ease of doing business' for customers and suppliers. Enables wider transformation initiatives
- Stage 1 until end 2023 focused on replacing legacy systems, simplifying and improving core processes



Stage 1 status



- First deployments of Finance and Inventory Management components performing well
- Continual assessment of program governance, independent assurance, Board oversight and program risks
- Recognition that greatest immediate value is in Food and Liquor
- Hardware remains in scope, however we are revisiting build and implementation timeline to focus on accessing Food and Liquor benefits faster and to reduce overall program risk and complexity



Ongoing value delivery



- Following Stage 1, our focus will be on extracting additional value enabled by Horizon
- Delivery capability to be embedded into Pillars
- Tight focus on cost management and disciplined business case development

Repositioning Metcash to be a modern, technology-led wholesaler



Organising for growth



Objectives

- Support high performing operating businesses
- Enable Metcash's strategy and growth initiatives

Rationale



- Support for our strategic initiatives for accelerated growth
- Ensure that we have the best skills and expertise to accelerate our growth and deliver on our strategic choices
- Initial focus across change expertise, data, loyalty, eCommerce and future supply chain
- Build group capacity for faster, lower cost deployment, while being cautious not to impact operating business agility
- Drive pace of cost efficiencies and impact

Key principles



- "Metcash First"
- Cost neutral - enables growth, savings
- Capability investment to be self funded within 24 months
- Fit for purpose models – including corporate services, shared services, centres of excellence and business partnering

Organisational structure provides opportunities to accelerate growth



Disciplined capital management



Significant growth opportunity in all pillars



Risk and return profile different in each pillar

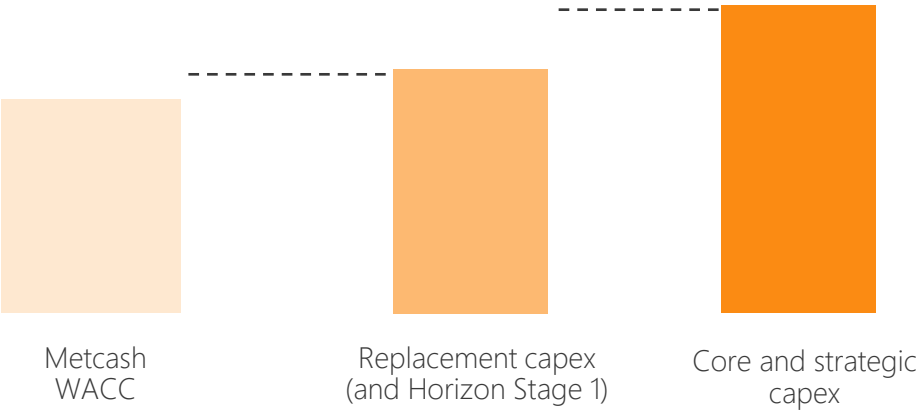


Continued focus on maximising long term shareholder value



Managed from a strategic and absolute return perspective

Illustrative example

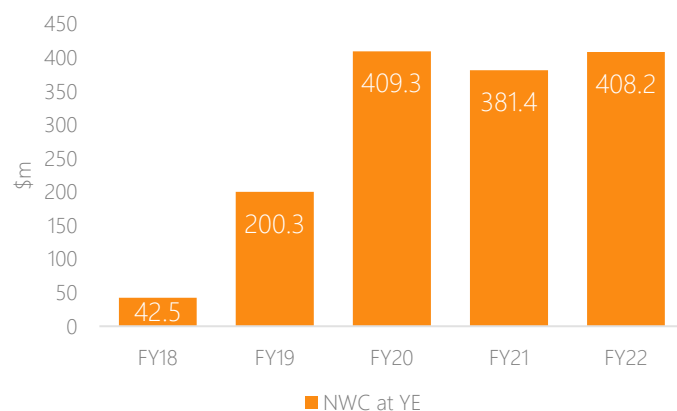


Disciplined capital management



Net working capital (NWC)

- Pillar inventory fully funded by Payables
- B2B sales = Receivables – means overall negative NWC
- Retail store inventory holdings increases inventory days
- Factors increasing inventory – inflation, strategic investment / service levels, annual cycle
- Payables – faster payments for small suppliers

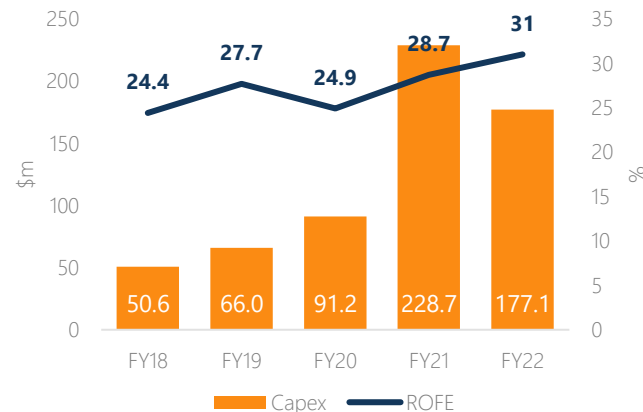


Note: FY18 and FY19 are on a pre-AASB16 basis



Capital expenditure

- Investment on basis of variable hurdle rates
- WACC sets base, plus premium for investment category, risk and Pillar
- Disciplined governance process



Capex excludes put option payments, treated as financing cashflows
ROFE equals underlying EBIT/average funds employed



Funding

- Balance sheet capacity – DLR & bank covenants
- Equity v debt
- Maintaining optimal leverage
- Cash generation, CRR, EBITDA to fund NWC movement
- Capex, NWC, put options and shareholder distributions

	FY18	FY19	FY20	FY21	FY22
Net (debt)/Cash	\$42.8m	(\$42.9m)	\$86.7m	\$124.6m	(\$189.0m)
NWC	\$42.5m	\$200.3m	\$409.3m	\$381.4m	\$408.2m
CRR	101%	92%	33%	114%	91%
Debt leverage ratio (DLR)	(0.11x)	0.09x	(0.22x)	(0.27x)	0.36x

DLR = net debt / (underlying EBITDA less depreciation of ROU assets)
CRR = cash realisation ratio

Creating a sustainable future



Increased focus

- Long history of supporting local communities
- Focus increased significantly in 2020
 - Sustainability added to corporate Vision
 - ESG Council established – chaired by Group CEO
 - New targets and commitments
 - Emissions reduction
 - Enhanced reporting
- Released first comprehensive Sustainability Report in FY22
- Improvement in ESG credentials
 - DJSI score: 33 (+83% on 2yr basis)
 - DJSI percentile: 69 (+47pp on 2yr basis)
- Board Sustainability and Risk Committee to be established



Major initiatives

- Energy and emissions:
 - 2030 science-based reduction target
 - Net zero emissions by 2040 (scope 1&2)
 - 100% renewable by 2025 target
 - Scope 3 estimation and reduction
- Reporting
 - Alignment with GRI in FY23
 - Alignment with TCFD in FY24
 - Adoption of new ISSB standards (when finalised)
 - TNFD consideration
- Waste, packaging and recycling
- Responsible sourcing
- Labour standards in supply chain (modern slavery)
- Supporting our retailers to further improve their sustainability performance



Credentials lifted and program in place to deliver further improvement



External environment



Metcash has navigated the external environment of the last few years well

- Multiple COVID lockdowns
- Shift in shopper behaviour
- Booming regional areas
- Extreme weather events
- Supply chain challenges
- Strong housing market
- Tight labour market
- Inflation



Global inflationary environment and macro uncertainty remains a source of potential damage to world economies



Other material disruptors to trade and commerce are dissipating

- COVID restrictions lifted
- Opening of borders
- Easing of supply constraints



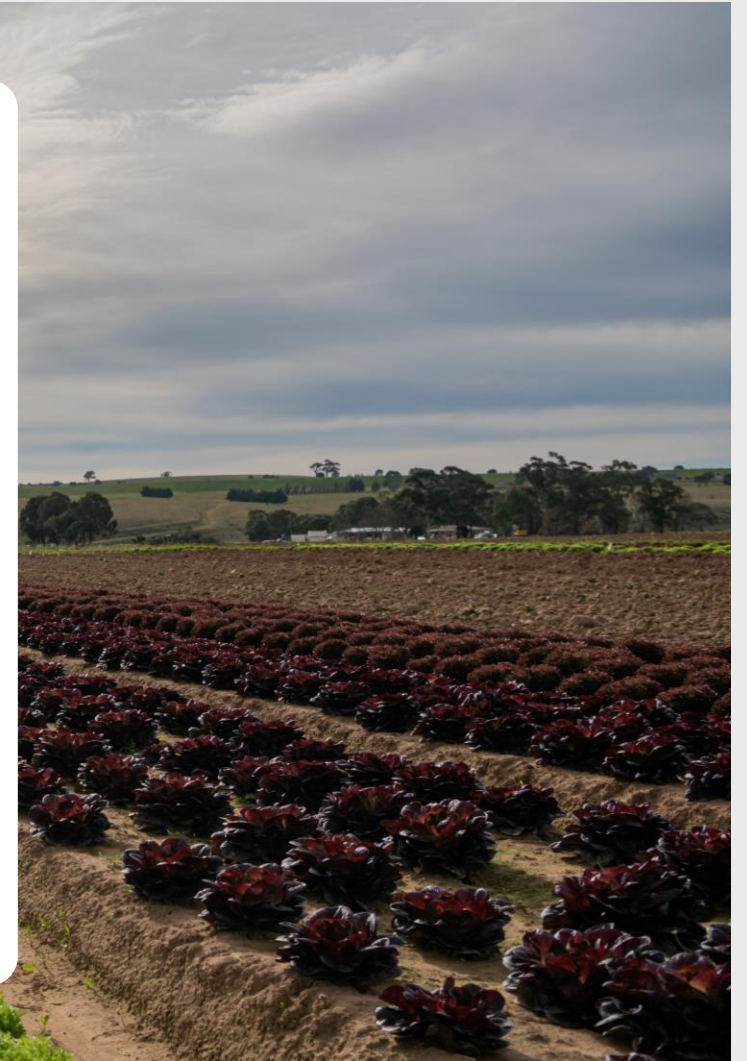
Housing activity is forecast to slow, but to more normal levels



Interest rates and inflation expected to moderate in next 12-24 months (RBA forecasts)



Reflecting this, Metcash is deploying capital cautiously, but planning on a through-the-cycle basis



The underlying environment remains healthy and Metcash is well positioned to continue its success



On track to deliver our ambitious growth plans

01

MFuture and current strategies have helped deliver more competitive and healthy retail networks and strong financial returns

02

Our core businesses are growing and have significant opportunity ahead

03

Strong relationships with our retailers and support from suppliers drive our growth agenda

04

We are resolving legacy systems deficiencies and have a plan to digitise our business in support of our core competitive advantages

05

We are focused on shareholder returns, and committed to careful capital management in pursuit of further growth and sustainable returns

06

We have the right plans and an experienced and capable team to help drive future growth

Grow to
#3 in grocery

Further expand #1 position in
independent liquor, overall strong #2

Leader in small-medium building
Trade, growing #2 in DIY

Fortify and extend #1 position in
professional tools

Metcash

FOOD

Scott Marshall
CEO Food



Overview

About us



- Largest supplier to independent supermarkets in Australia
- Widest distribution network in Australia to independents with unmatched reach and delivery frequency
- Significant supplier to large contract customers
- Convenient and differentiated stores
- Active in the local community
- Significant representation in regional and remote areas

Positive momentum



- Faced and overcome significant challenges and positioned with:
 - A shift in consumer behaviour
 - A healthy network
 - Retention of new and returning shoppers
 - Improved retailer relationships
 - Consistent network plans with retailer support
 - Supportive supplier community
- Positive momentum driven by improved retail network
 - Improved pricing and ranging
 - Better quality stores
 - A digital presence

Good growth opportunities



- Accelerating and leveraging current initiatives
 - Diamond Store Accelerator (DSA) program
 - Core range and price
 - Brand clarity
 - New store formats
 - Private and exclusive label
- Retailers now wanting eCommerce & Loyalty solutions
- Growth in supply base as partner of choice for independent retailers
- Opportunity to grow Team Score
- Significant 'fit for purpose' investment in DC capacity, capability and supply chain systems to support growth

Well positioned to continue growth momentum



Our difference



Local independent stores at the heart of their community

- Everyday value, convenient locations
- Active in their local communities



Trusted partner of largest network of independent retailers

- Right brand, format and location
- Shopper led range
- Competitive pricing



Partner of choice for suppliers and our customers

- Broad range of warehoused and direct products
- National distribution



Leading logistics and distribution capability

- Efficient, flexible and responsive
- Scalable and reliable
- Direct and cross dock capability

Our local independent stores are community focused with a broad and tailored range



"Together we are a force for good"



IGA Network Social Responsibility vision and ESG framework adopted by the IGA independent supermarket network

"Together we are a force for good in our local communities. We will continue to actively address our environmental, social and community impact and inspire our shoppers to make informed choices."



Development of ESG resources, awareness and education programs, as well as tailored state and store format-based implementation roadmaps



Centralised sponsorship and development of initiatives enabling accelerated rollout and adoption by retail network:

- EcoBatt – free battery recycling service for shoppers
- Soft plastics recycling trials



Food donated to food rescue organisations up 55% - Foodbank, OzHarvest and Food for Change



IGA Community Chest program:

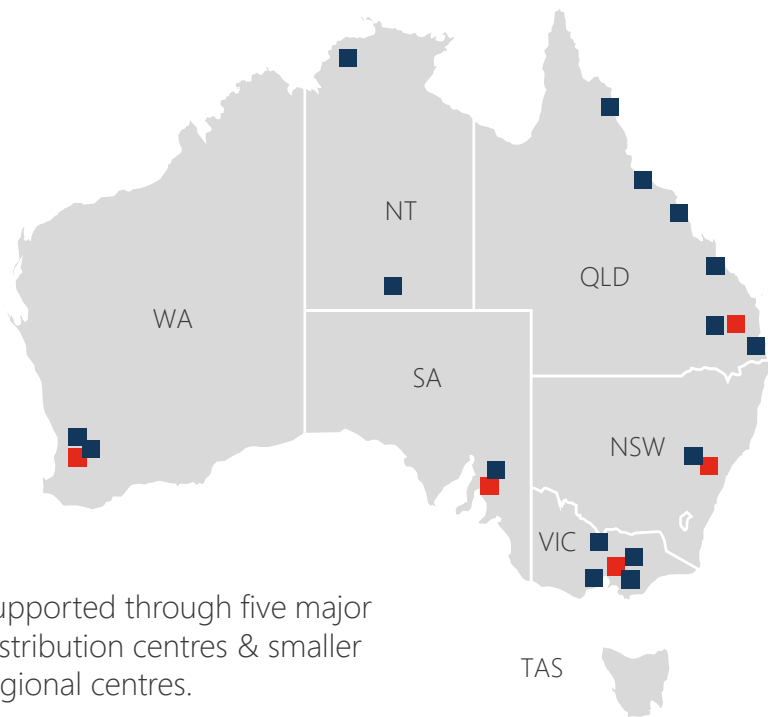
- Supporting our retailers to make a difference in their local communities
- Pulling together to help our communities in times of need
- National Charity Partners delivering support across Australia



National store network



National network of stores



■ Major Distribution centres ■ Regional Distribution centres

Total IGA stores **1,341**

**SUPA
VALU** IGA



IGA
LOCAL GROCER

THE FRESH
PANTRY
IGA



Village Grocer

Wholesale customers

FOODWORKS

Campbells

Chevron



**FRIENDLY
GROCER**

Food Strategy

Purpose	Championing Successful Independents					
Aspiration	Supporting our retail network to grow through a ‘best in class ’ wholesale offer that includes the brands, ranges and prices to ensure they meet the needs of their shoppers					
Where to play	Indispensable partner to thriving independent food businesses			Preferred route to market for suppliers		
	Metro and regional Australia	Wholesaler to independent retail and convenience network		Wholesaler to independent retail and convenience network		In store, online and on site
How to win	For the SHOPPER		For the INDEPENDENT RETAILER			For the SUPPLIER
	Unmatched, differentiated value	Consistent, quality local retail experiences	Competitive and relevant retail brands	Efficient and effective wholesale supply	eCommerce and loyalty platforms to engage and reward shoppers	Unmatched distribution partner for access to the independent supermarket, convenience retail and food service sectors
Foundations	Wholesale and retail infrastructure, consumer insights, strong brands and formats					
	Logistics, supply chain, warehouse & directs range, brand, price & promotions, marketing, digital, loyalty and eCommerce					
	Safe, Values Driven, Achievement Culture					

Food

Our flywheel underpins our competitive advantages



01

Our core: Wholesale & logistics

- DC network – New DC investments – SA (Opened FY21), VIC (mid 2024); existing fleet expansion (QLD, WA, NT)
- DC network digitisation - advanced transport management solution (TMS), upgraded warehouse management system (WMS), Paperless Warehouse (FY23-24)
- Planning and replenishment – Blue Yonder (live)
- Horizon ERP replacement (FY23-24)
- Range – Shopper Led Range, Private label brand extension (ongoing)
- Price – Price Match and Low Prices Everyday programs, supplier promotions
- Sorted platform – warehouse and charge-through range in one portal

02

Create, build & support brands and formats across channels that shoppers love, and independents want to own

- Network of the Future –
 - New formats and brands: Supa Valu, Local Grocer, Fine Food Market & Village Grocer
 - Existing fleet onto new standards
 - DSA program
- Best Store in Town – Store operations standards, marketing programs, merchandise materials, planograms
- eCommerce and Loyalty platforms

03

Provide the services and support that add value and enable independent retailers to compete against scaled national chains

- Retailer 'One Stop Shop' (ROSS)
- Financial support
- Property services
- Rapid delivery partnerships – DoorDash and Uber, UberEats
- Data & insights
- Digital marketing platform
- Community engagement and support – IGA community chest program, disaster relief programs
- ESG programs for retailers – know your impact, food waste reduction, recycling
- IGA Food Training Academy
- Retailer engagement – Metcash Food Expo

Value drivers

Volume



Earned through a mix of margin and fees
Combination of direct (warehouse) and charge through

Category mix



Food / Grocery / tobacco

Customer mix



IGA, contract, food service, convenience

Store format



Large/small, regional/metro

Logistics



Fixed costs, labour, freight, productivity

CODB



Freight, marketing and support office



MFuture initiatives

Store Upgrades



- Store refurbishment program supported by Metcash with proven successful outcomes
- Insight & data driven using catchment demographics and benchmarking
- Mutually agreed business plan ensures targeted investment and maximises returns
- Continued strong retailer demand and willingness to invest in their stores

Store Formats



- Improved shopper experience with consistent store standards, range and price
- Right brand for each store format
- Brands targeting shopper missions
- Formats support our diverse store network – extra-large, large, medium and small
- Non-IGA alternative brand established
- Store transition supported by Metcash and DSA program

Range, price & private label



- Low Prices Everyday program continues to fuel growth and drive prices down
- Price Match extended to all IGA stores including the Foodland brand (South Australia)
- Black & Gold value tier core range price matched to competitors
- Community Co brand expanding into growth categories with quality better and best offering

Accelerating Digital



- IGA Shop Online eCommerce platform removing barrier to entry for retailers to launch and manage an online offer
- Rapid Delivery Partnerships with Uber Eats and Deliveroo
- IGA Rewards loyalty program offering great value to members and being continually enhanced
- Retailer 'One Stop Shop' (ROSS), Sorted (directs) and supplier promotions platforms making it easier for retailers and suppliers
- Advanced shopper analytics delivering insight driven decision making

Systems & Supply chain



- New South Australian DC operational Dec 2020
- Queensland DC expansion completed 2022
- New Victorian DC in Truganina, expected completion 2024
- Western Australia DC expansion, phase 1 completion expected 2023
- Integration of Campbells and DC network (Horizon)
- New forecasting and replenishment system
- Transport Management System deployed
- DC labour transformation to attract and retain staff and improve productivity

Growth

Costs

Store upgrades



730 DSA Store upgrades
(~50% of network) already completed



Targeting a further 100-130 store
upgrades per year over next five years



~90% of IGA network expected
to be upgraded by FY26



Expect ~15% of future DSAs will be a
second refresh, reflecting acknowledgement
of program success



Store upgrades include implementation
of brand clarity initiative



Upgrades drive sustained store
outperformance with average
retailer sales growth ~15%



Program provides a more modernised
store and better customer experience,
driving excellent returns for retailers
and increased sales for Metcash

Targeting more than 1,200 stores (~90% of network) to be upgraded by 2026



Metcash

Store formats



Network of the Future

- Endorsed by retailers
- Tailored to target shopper preferences
- New minimum Channel Standards for every brand
 - 283 stores fully aligned to New Channel Standards
 - Remaining stores now >90% aligned to New Channel Standards
- Store refresh supported by Metcash investment
- Improved shopper experience
- Fully aligned stores outperforming rest of network across all key metrics
- Consistent range and price including Private and Exclusive label

A new suite of Brands

...underpinned by strong

& Shopping Formats

marketing programs!

LARGE	CORE	SMALL	ALTERNATIVE
SUPA VALU WHERE SAVINGS ARE MADE SUPA EASY	IGA A supermarket at the HEART of the community where customers come first	THE LOCAL GROCER The SMALL supermarket with the BIGGEST heart	THE FRESH PANTRY Nourishing locals with quick and easy MEAL SOLUTIONS
BRAND CAMPAIGNS			
SUPA VALU BIG DEALS THIS WEEK!	The core of our network remains IGA - the majority of stores are best suited to compete in this space - a local community supermarket. Within the core format however a second IGA brand will be introduced 'Fine Food Market' for that unique and extra foodie experience. Within each of the brands (IGA and 'IGA Fine Food Market'), there will be two store sizes - large and medium	Our small format stores are perfectly positioned to deliver on quick or daily shopping requirements. There are two brands with a different focus - The Local Grocer for daily essentials, whilst the newly introduced Fresh Pantry IGA has a fresh and meal focus.	For those retailers choosing not to opt-in to any of the new IGA endorsed brands, an alternative brand and catalogue will be offered.

>90% alignment to NEW Channel Standards across all IGA stores



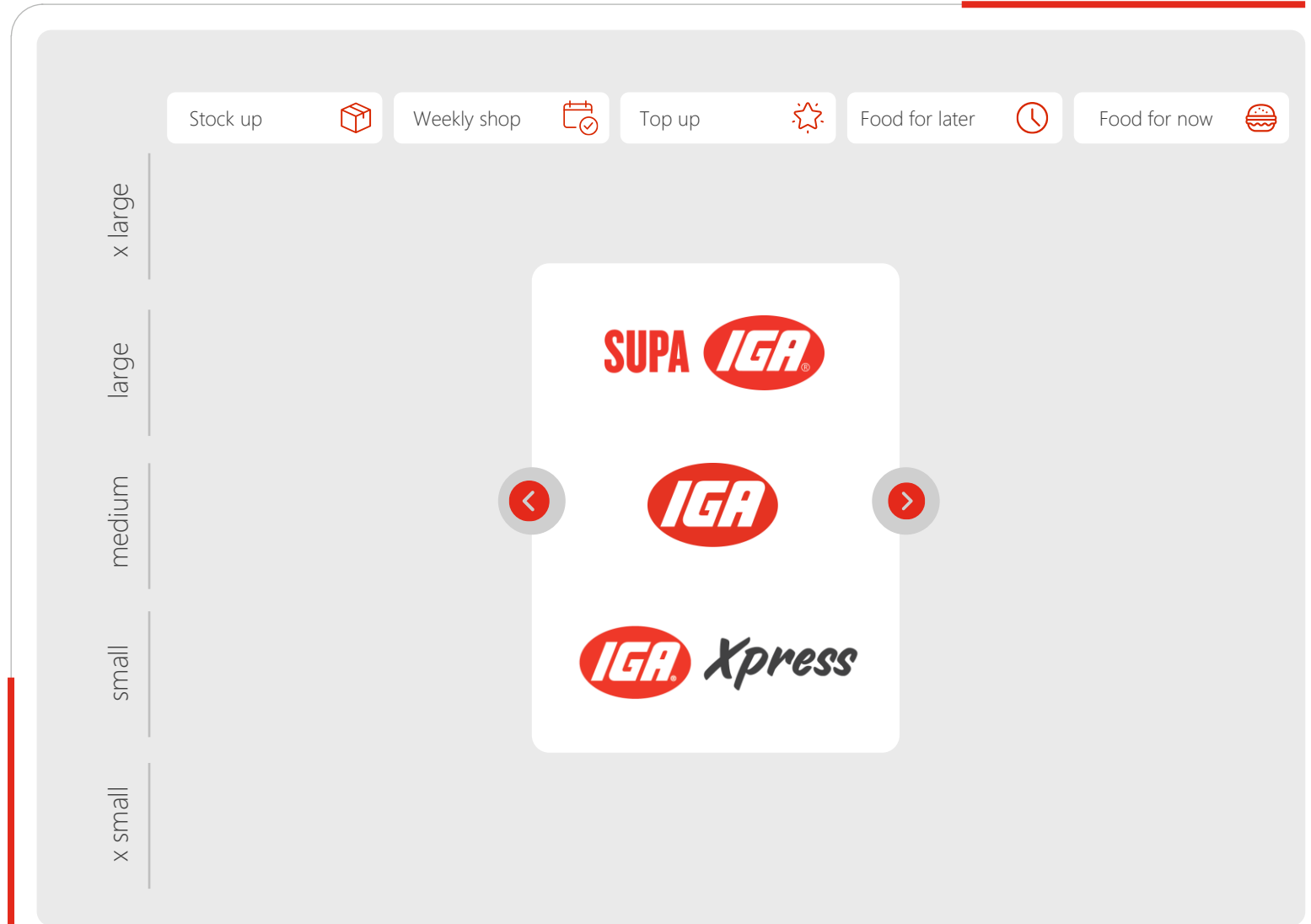
We have evolved the IGA brands

To allow us to appeal to more shoppers



STORE SIZE

SHOPPER MISSION



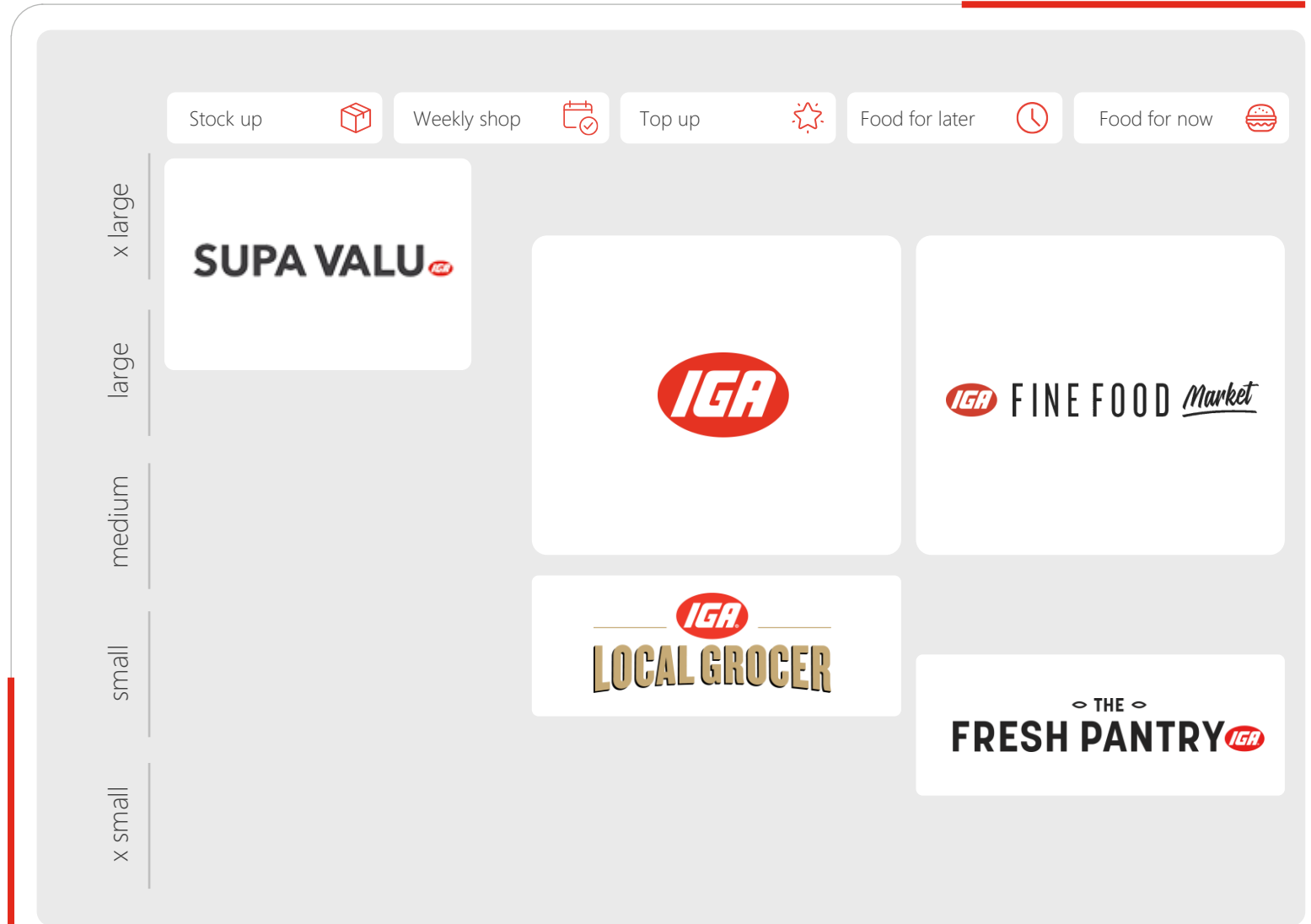
Our new IGA brands

Allow us to appeal
to more shoppers



SHOPPER MISSION

STORE SIZE



Fundamental redesign of our retail network



SUPA VALU 

X Large
Format



 **FINE FOOD** *Market*

Large /Medium
format


LOCAL GROCER

◊ THE ◊
FRESH PANTRY 

Small
format


Village Grocer

Alternate
brand(s)

Tailored solutions based on target shopper mission, store size and retail offer



Best shopper-led range at the right price



Store format core range actively managed to remain relevant and capture growth opportunities



Expanded Every Day Low Price offer with maximum shelf pricing



Relaunch of **Black & Gold** value tier with improved price competitiveness



Partnering with retailers and suppliers to launch new products relevant to our customers



Community Co expansion with focus on competitive customer choices across 'good, better and best' offerings



Increased perishables and cross-dock range in new expanded warehouses

Value campaign relaunch

Reinforcing our price credentials

01

Relaunching Price Match across our entire IGA network with an extensive media campaign

02

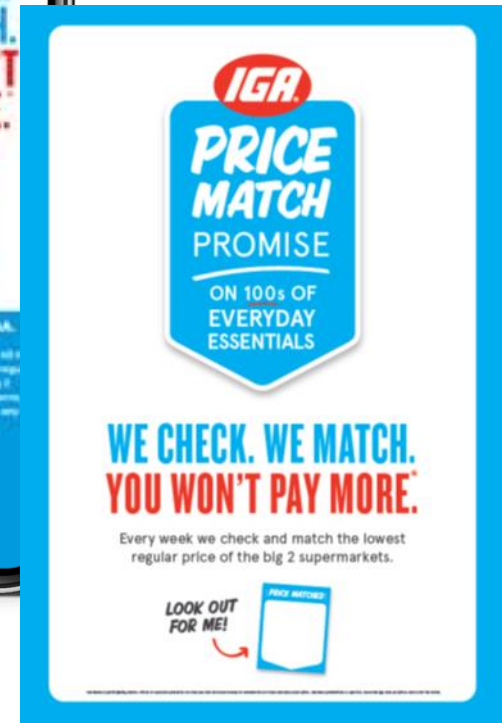
Developed a new Price Match “Essentials basket” for our Small and Remote stores

03

Network participation endorsed by Retailer Representative forums

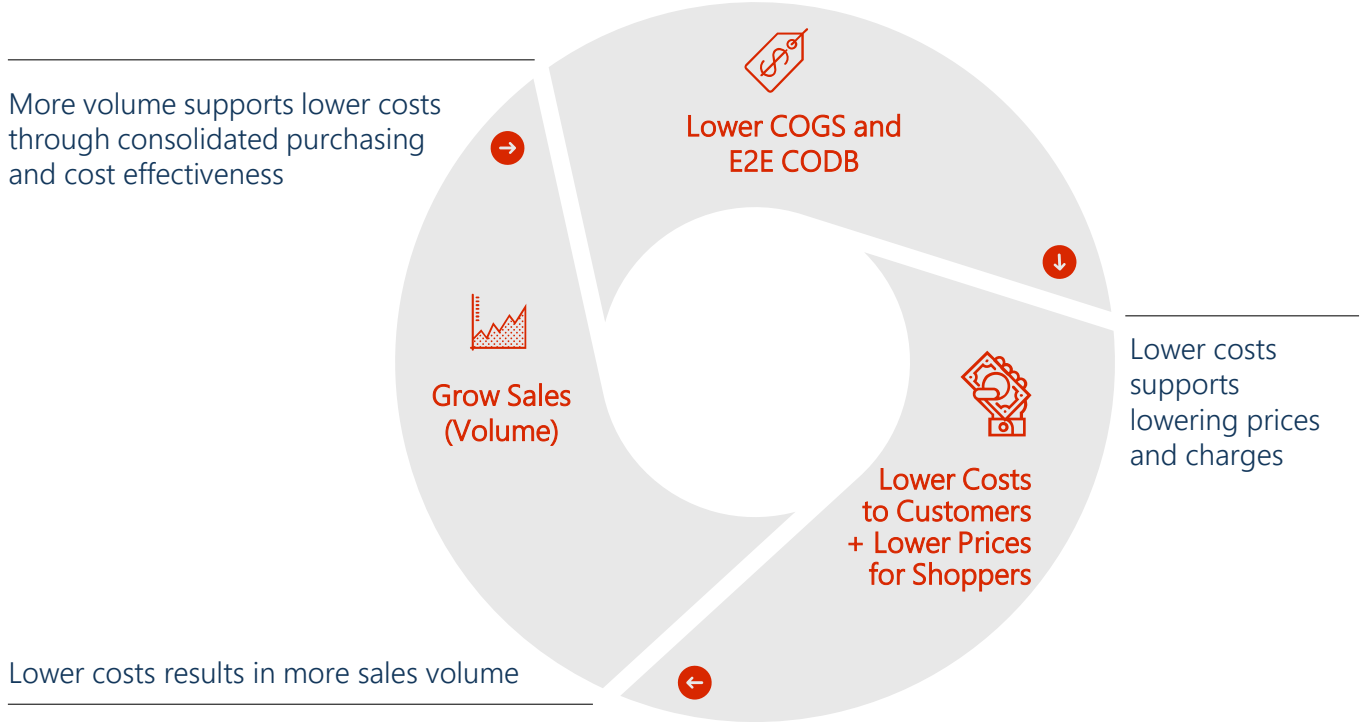
04

Strengthening our Independent Network with a unified approach



Positive momentum driven by improved retail network

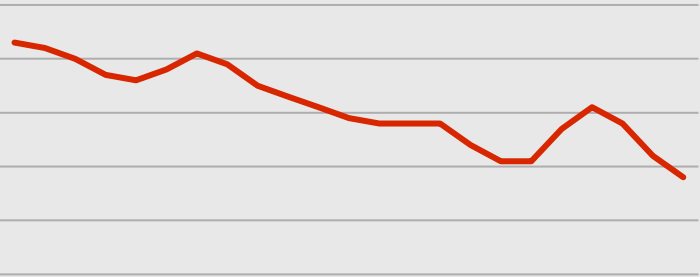
Our wholesale business model thrives on the positive virtuous cycle effect of volume growth...



...driven by retail growth through a better shopper experience

- DSA store upgrades completed for ~50% of network delivering sustained store sales growth of ~15%
- Greater than 90% alignment to new Network of the Future channel standards across all stores
- Improved price competitiveness including Price Match in all IGA stores
- Sustained improvement in retailer margin

Improvement in price competitiveness¹ (Jan 2021-Sept 2022)



1. Price competitiveness index: 13-week rolling average for Large IGAs across all common Coles & Woolworths SKUs, week ending 3 January 2021 to 11 September 2022

Digital acceleration eCommerce



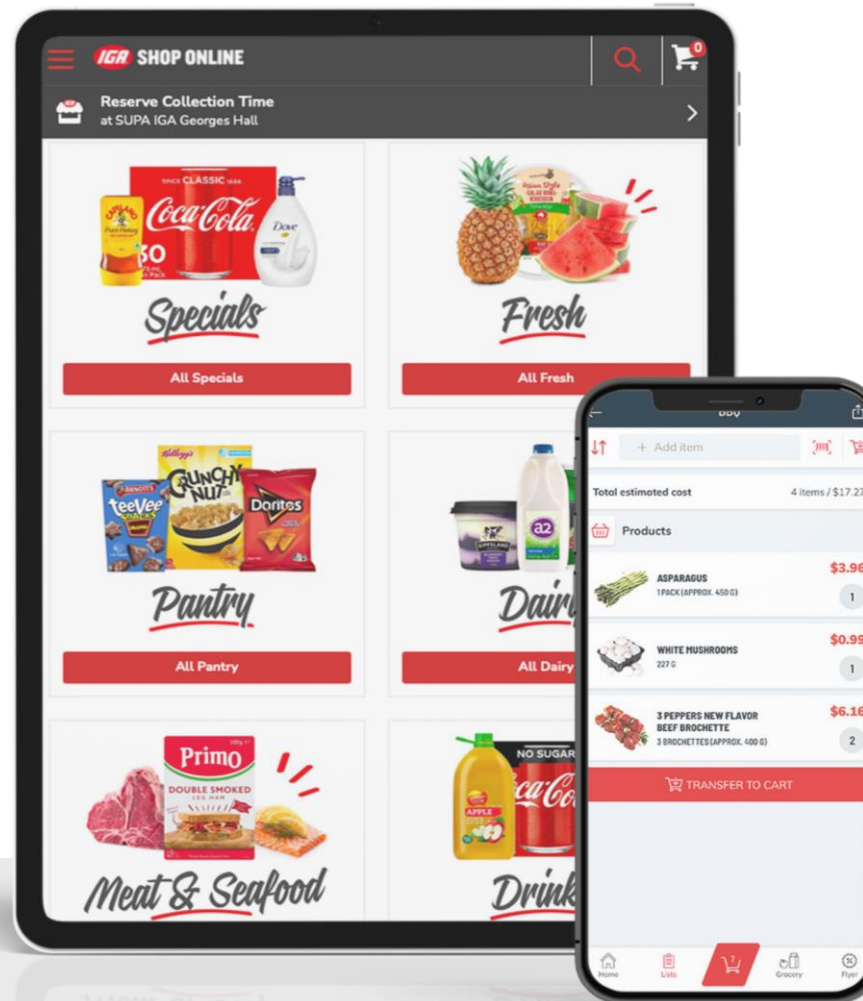
Rollout of the upgraded eCommerce platform now in ~220 stores



Provides store specific ranging and promotions



New features to deliver a more personalised experience for shoppers



Integrated last mile delivery partnership via DoorDash in place



Sophisticated in-store order fulfilment solution with store specific picking App

- Location-based pick routing integrates shopper requests from online order

Digital acceleration

Loyalty



Platform enables retailers to engage with their shoppers through smart-driven marketing

- Personalised shopper communication based on actual in-store shopping behaviour and preferences
- Delivers higher store visit frequency
- Members spend >60% compared with non-members



Program live in 315 stores with further rollout across network underway



Complementary to existing retailer loyalty programs



Shopper insights driving sales growth and monetisation opportunities

A driver of shopper engagement and retention and sales growth for retailers



Digital acceleration

Rapid delivery partnerships



Partnership model, currently with DoorDash and Uber. (Deliveroo coming soon)



Retailers aligned on range and max. RRP for this channel



Marketing investment from Rapid Delivery partners



Utilises partner databases to secure new occasions and incremental sales



Orders delivered in under 30 mins



Utilises Retailer's local store to fulfil orders, 420 stores on board

Digital acceleration

Easy to use digital platforms for retailers and suppliers



Sorted

- Business to business digital platform for Retailers to browse, select and order all the products and services that Metcash Food support irrespective of its 'route to market'
- Low-cost delivery options for 'Direct to Store' Suppliers (cross-dock), driving down the cost of logistics and increasing productivity
- More efficient ways to manage claims, invoices and orders



Retailer one stop shop (ROSS)

- New single sign-on retailer portal that makes it simpler for retailers to manage and access all communications, apps and updates
- Better retail execution with channel specific communication
- Targeted communications to single store or group of stores
- Retailer can self-service their account
- State based rollout including retailer training and onboarding, with completion end of FY23

Supply chain

Providing our retailers with the best level of service at the lowest cost

Leveraging our DC network

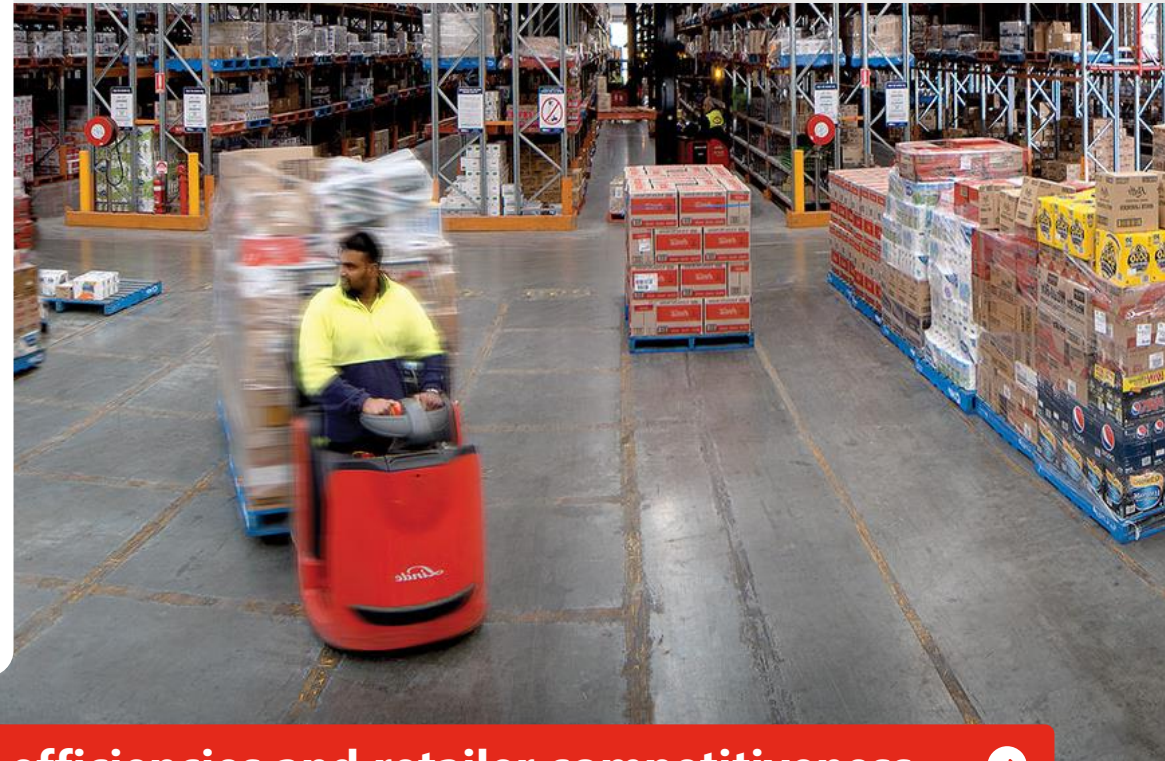


- Delivering productivity benefits and expanded range from new DC in SA
- Supply chain systems efficiencies from deployment of advanced Transport Management Solution and upgrading Warehouse Management System
- Further network review underway focused on improving efficiency of aged facilities

Enhancing our network capability



- Facility reconfiguration to expand range across Fresh and Frozen and ramp up cross dock
- Network collaboration with key suppliers to share capability and improve efficiency
- Optimise network between DCs and Campbells to serve customers at the lowest cost
- Continued focus on DC productivity improvements



Review of DC network underway to drive further efficiencies and retailer competitiveness



Potential capex



Network of the future

- Further DSA store upgrades (additional 100-130 stores targeted annually)
- Network refresh with national brand standards and more consistent offer by format
- Scale new store formats such as Supa Valu

Potential Capex of

~\$12m pa (FY23-FY24)



Digital

- Accelerate eCommerce for IGA retailers including rollout of latest eCommerce platform
- Retailer One Stop Shop – easy to do business with
- Enhance network loyalty programs via IGA Rewards

Potential Capex of

~\$6m pa (FY23-FY24)



Supply chain

- New 'best in class' Distribution Centre in Truganina, Victoria
- Canning Vale DC expansion
- Far North Queensland and Alice Springs DC evaluation
- Transport Management System improvement

Potential Capex of

**~\$110m by FY25
(\$20m in FY23)**

On track to deliver our ambitious growth plans



Strategy execution and network responsiveness founded on trust and constructive culture – better together



MFUTURE programs underpinning competitiveness and health of network



Structural shift in consumer behaviour to shop local benefiting independent network



Rapid rollout of network transformation allowing us to appeal to more shoppers



Continued focus on delivering best shopper-led range at the right price for our independent network



Digital acceleration delivering platforms to engage shoppers, retailers and suppliers



Investment in supply chain capacity and capability to support sustainable growth



Well positioned to continue the growth momentum with a relentless focus on improving how we support our customers to succeed

Grow to #3 in grocery





HARDWARE

Annette Welsh
CEO Hardware



Overview



IHG is 2nd largest player in Australian Hardware market



Company-owned/Joint Venture stores core to strategy



Track record of successful acquisitions and delivering synergies



Diverse portfolio of store owners and end customers reduces exposure



Trade focused, with competitive DIY offer equally important



Continued focus on costs and efficiencies



Rich consumer engagement supported by digital capabilities



Strategy enables us to capitalise on growth opportunities

Our history

In 1959

Eight Timber & Plumbing independents joined together to form a buying group. They met at the Mitre Tavern Melbourne.



Today

We have a network of 736 stores with network sales over \$4.4bn*



1959



Mitre 10 launched with 8 founding members



1965



Stores now operating across mainland Australia

mighty helpful
MITRE 10

2007



Mighty helpful tagline launched – establishment of national structure

Metcash

2012



Metcash acquires 100% of Mitre 10 – JV stores formed



2016



Metcash acquisition of Home Timber & Hardware Group, doubling Hardware sales

Independent Hardware Group
Mitre 10 • Home Timber & Hardware • The Big B • The Big B • The Big B

2017



IHG is formed, uniting independents under one umbrella. IHG sales reach \$2b



2020

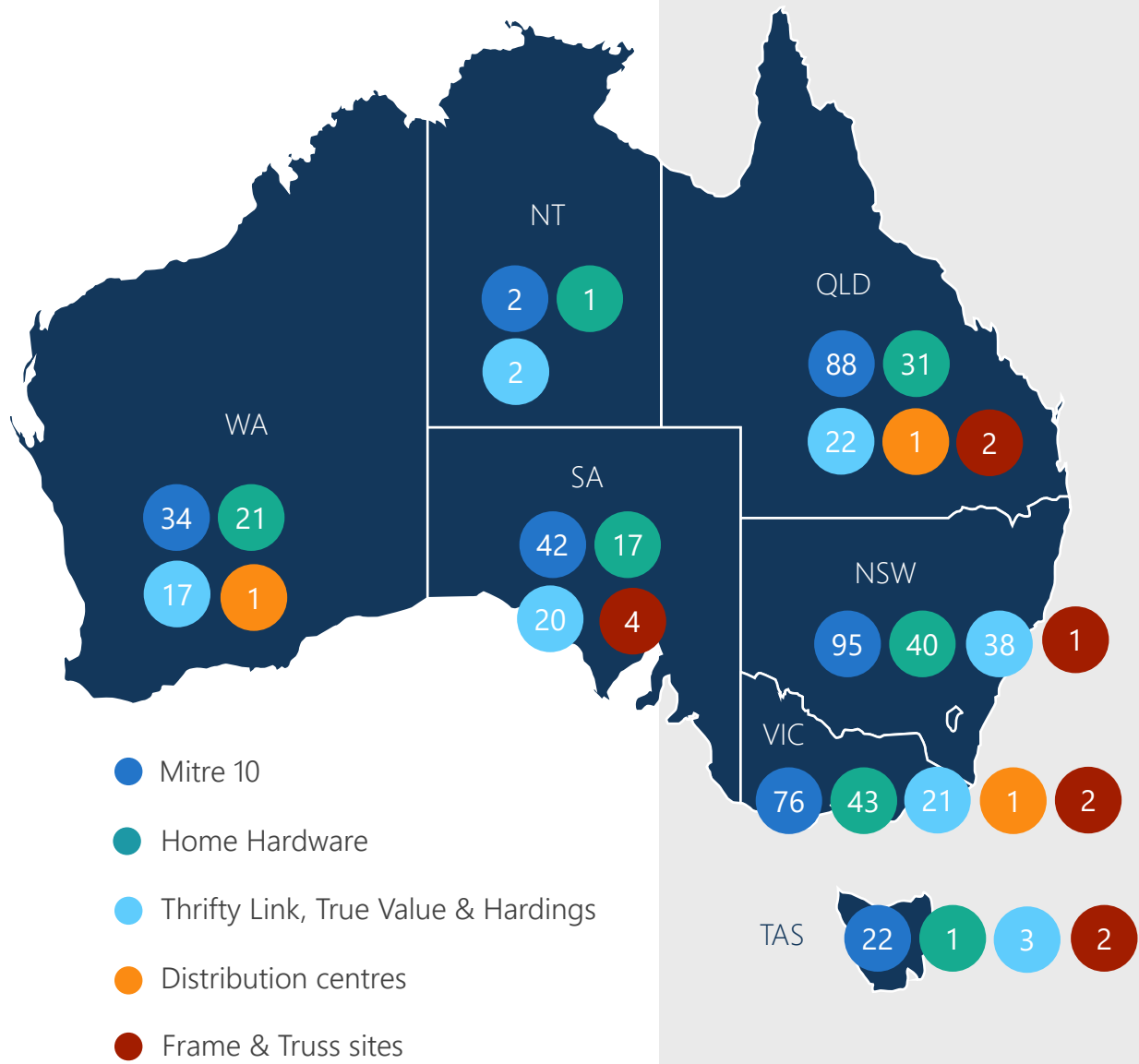


Metcash acquires 70% of Total Tools Holdings. A further 15% acquired in 2021 reaching 85%

IHG network

A national network of 636 stores

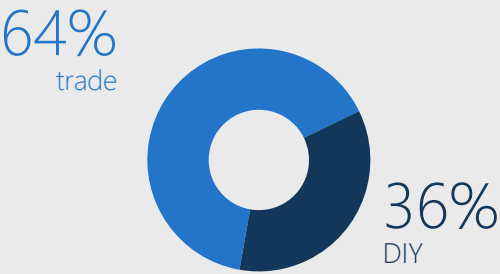
	359
	154
	111
	12



Wide distribution network

3 Distribution centres (rationalised from seven at time of HTH acquisition)

Sales mix weighted to Trade



Market structure

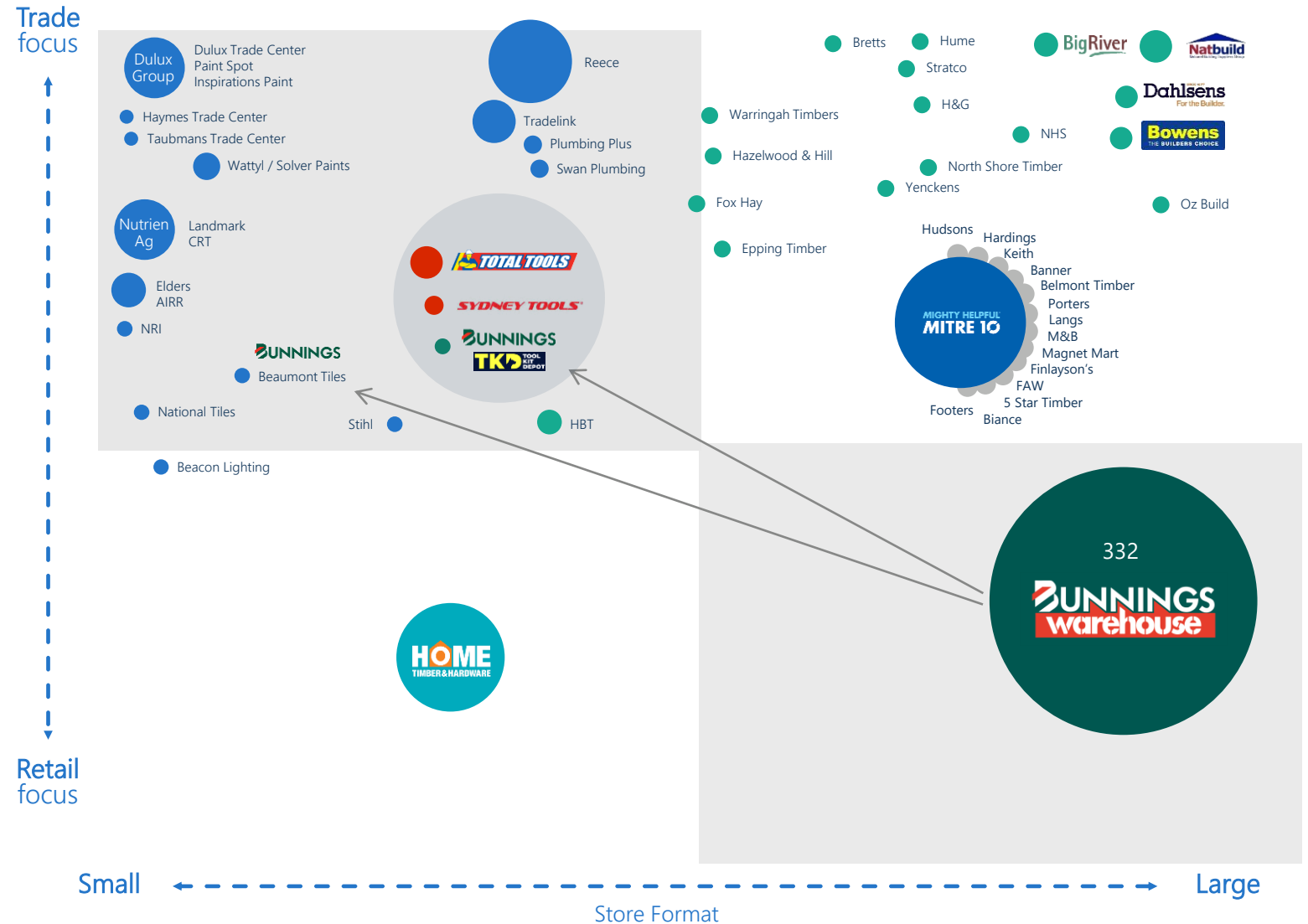


Consolidation continues but market remains fragmented

Our network sales have grown to

> \$3.4bn

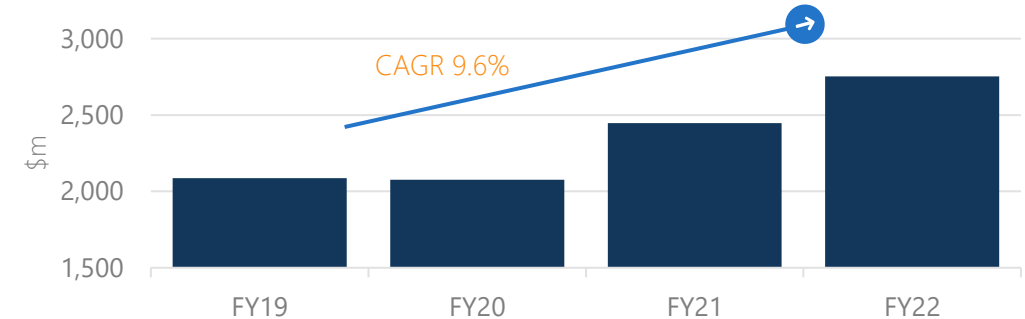
2nd largest player in the Hardware market



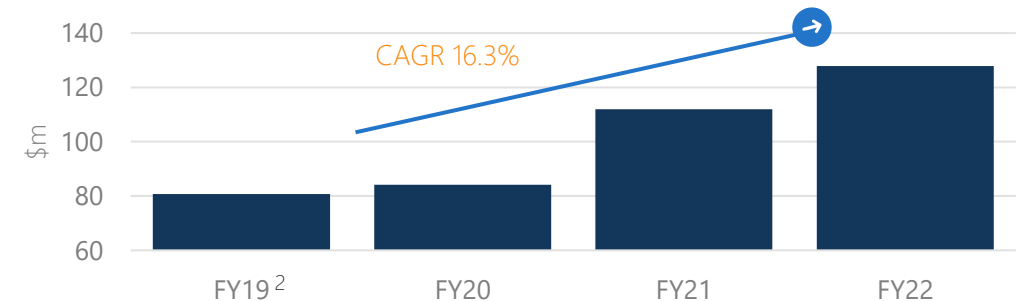
Key drivers of strong performance

- Increased consumer interest in DIY
- Consumers rediscovered their local hardware store
- Government stimulus boosted Trade demand
- Increased time at home alongside high disposable income levels drove DIY & renovation demand
- Stores through Sapphire refresh program have performed particularly strongly, especially in DIY
- Shopper-led range successfully delivers range solutions and includes brands exclusive to Independents e.g. Weber, Stihl, Kings Camping
- Advanced digital capability optimised online demand
- Loyalty programs supporting consumer retention
- Team Score maintained through DC capability and inventory position

IHG¹ Sales (includes charge-through)



IHG¹ EBIT



Strong performance underpinned by MFuture initiatives and shift in consumer behaviour



1. IHG represents Hardware excluding Total Tools
2. Pre-AASB16

MFuture initiatives – update

Grow DIY



- Expanding Sapphire store upgrades
 - Committed to upgrade 300 stores by 2025
 - 170 now completed / target 40 per year
- Two-brand strategy
 - Building a network of ~400 Mitre 10 and ~200 Home Hardware stores
- Investment in distribution capability
 - Ravenhall (VIC) DC opened 2Q23, 50,000m² purpose-built facility
 - Complements Berrinba, QLD (opened 2019) and Welshpool, WA
- Focus on growing emerging categories
 - Focus on Kitchen/Laundry/Bathroom
 - Sales up ~35% v FY21 (2yr: ~75%)
- Expanded digital capability
 - 40,000 SKU's online
 - Loyalty ~1.2m customers



Build Trade



- Trade Centres – servicing the builder
 - Completed 37 of targeted 50 Sapphire Trade Centres
- Network Growth
 - Footers acquisition (SA, Frame & Truss)
 - Seven stores redeveloped/expanded
- Expand 'share of wallet' through 'Whole of House' strategy
 - CRM insights across 500 builders enabling value add support
 - Trade Account managers with strong relationships
 - Frame & Truss network strategy
 - Design 10 five showrooms open plus significant on-line presence
- Develop leading Trade technology
 - Focus on reducing builder CODB
 - Strong uptake from network and builders
 - Truck Tracker grown to >90% Trade Centres
 - Key 3rd party relationships Xero, BuildXact

MFuture success has helped underpin our strong performance



Hardware

Initiatives supporting our flywheel



01

Our core: Wholesale & logistics

- New Ravenhall (VIC) DC; 50,000m2 purpose-built facility
- DC rationalisation program – reducing the number of DCs from 7 to 3
- Shopper-led DIY range
- Focus on value for money; low-cost hardware wholesaler

02

Create, build and support brands and formats across channels that shoppers love, and independents want to own

- Network of the Future
 - Two brand strategy
 - Sapphire store upgrade program
 - Trade focused Trade Centre stores
 - Mitre 10 and Total Tools co-locations
 - Design10 showrooms
- Best Store in Town – Operational Excellence
- eCommerce
- Loyalty
- Digital customer tools
- Metcash retail store ownership (122 retail stores)

03

Provide the services and support that add value and enable independent retailers to compete against scaled national chains

- Trade Technology - Trade online, Trade Sync, Truck Tracker
- Retail network growth
- Metcash retail store ownership for retailer succession, test & learn
- 3rd party relationships with Xero, BuildXact
- Digital solutions
- Member engagement – NAC/EXPO

Value drivers



The Metcash economic model is comprised of various value drivers.



Our strategy leverages the competitive advantages within the flywheel and acts on these value drivers



Volume

Earned through a mix of margin and fees. Combination of warehouse (DIY) and charge-through (Trade) volume



Category mix

Trade and DIY



Retail sales

Sales through owned and JV stores allow participation in full retail margins, with associated capital investment



CODB

Support office, field support, supply chain, marketing, digital solutions, data driven tools and insights

Channel mix

Wholesale, Retail Instore, online & onsite

Customer mix

Builder, renovator, DIYer

Store format

DIY/Trade mix, Trade standalone, DIY small format – regional/ metro

Hardware strategy



Brand strategy

Delivering two strong brands



Positions Mitre 10 as the premier brand across Trade & DIY



Provides Members with a lower-cost strong DIY focused brand



Members have opportunity to fold into either brand and take advantage of the superior offer

2017

2022

2024 target

51% sales

82% sales

85% sales

46% sales

15% sales

15% sales

2% sales
1% sales

2% sales
1% sales

Increased efficiencies from building two strong brands as the preferred home for independents ➡

Mitre 10 brand relaunch



With

359

stores and growing, and over 80% of scan sales, Mitre 10 was well positioned for a brand relaunch



Purpose

Deliberate reminder that:

- There is another hardware store
- ...another shopping experience for Australians...
- One with personality & local connection



Campaign target

- Investment target at:
 - DIY consumer
 - 25-54 age group
 - Awareness, consideration & purchase intent
- Increase in-market investment to 26 weeks
- Connect campaign with The Block, #1 rated entertainment program in Australia
- Grow share of voice from 5% to 20%



Results

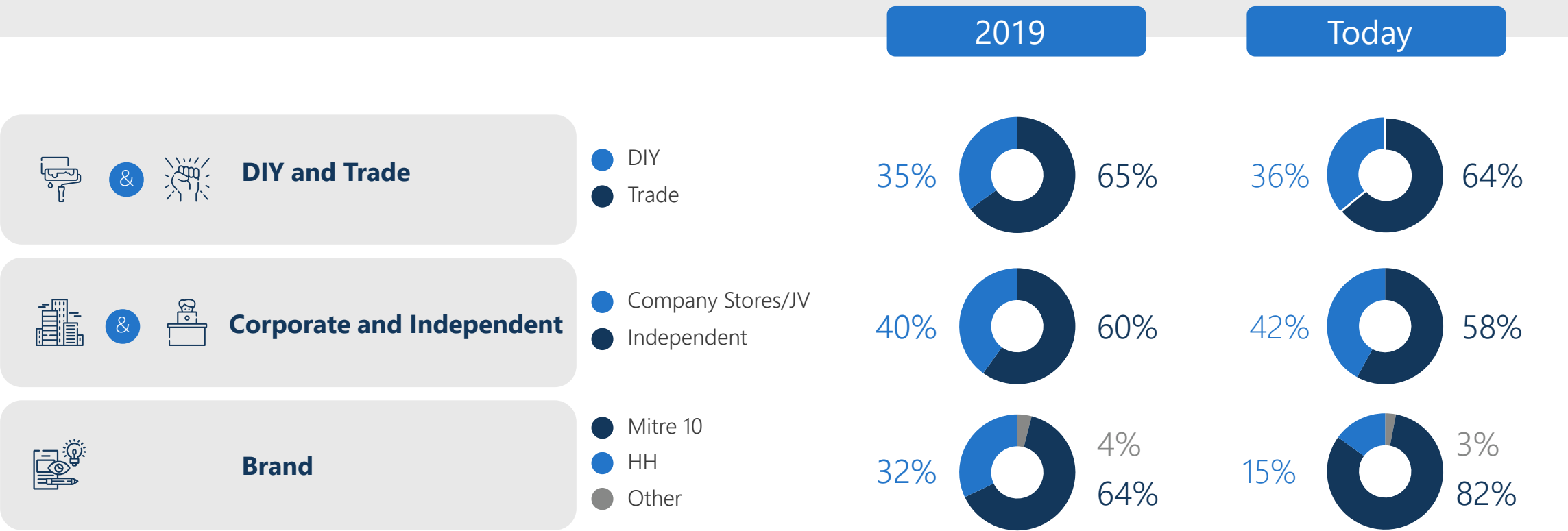
- Campaign reached 4 out of 5 target audience
- Share of voice increased to 26%
- Out of home media seen by 7.8m people 18yo+
- DIY sales growth v pcg continued
- Significant direct and organic web traffic growth

THE OTHER HARDWARE STORE
MIGHTY HELPFUL
MITRE 10



Change in sales, brand and ownership mix

Continued strength in Trade



Strong growth in Mitre 10 brand supported by Sapphire upgrade program



Market activity



Government stimulus drove strong housing demand



Constraints on supply and labor significantly increased build times

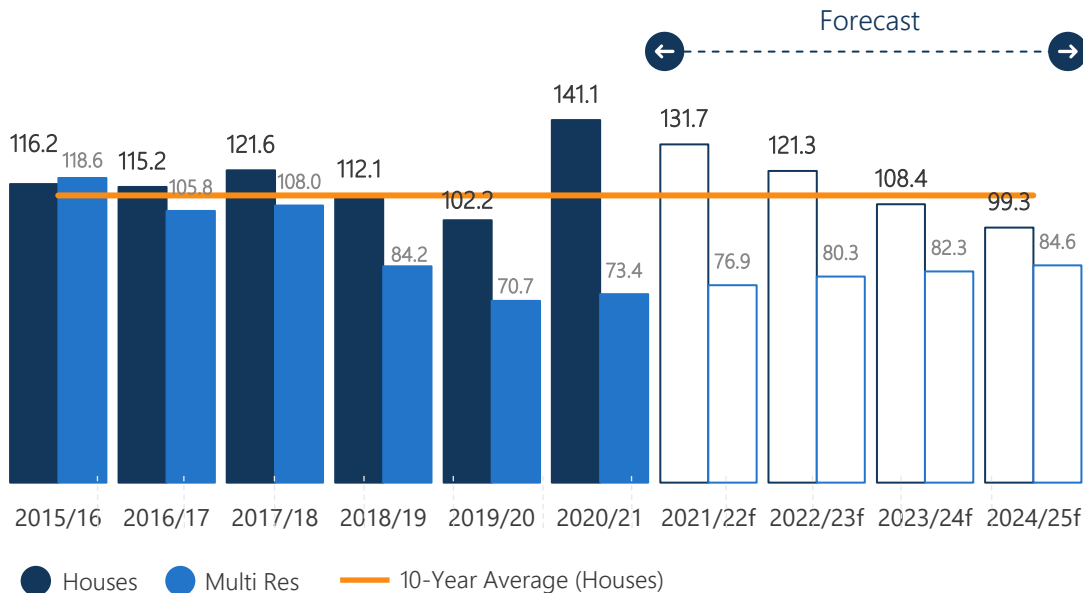


Working from home and population movement to regional locations driving renovation activity

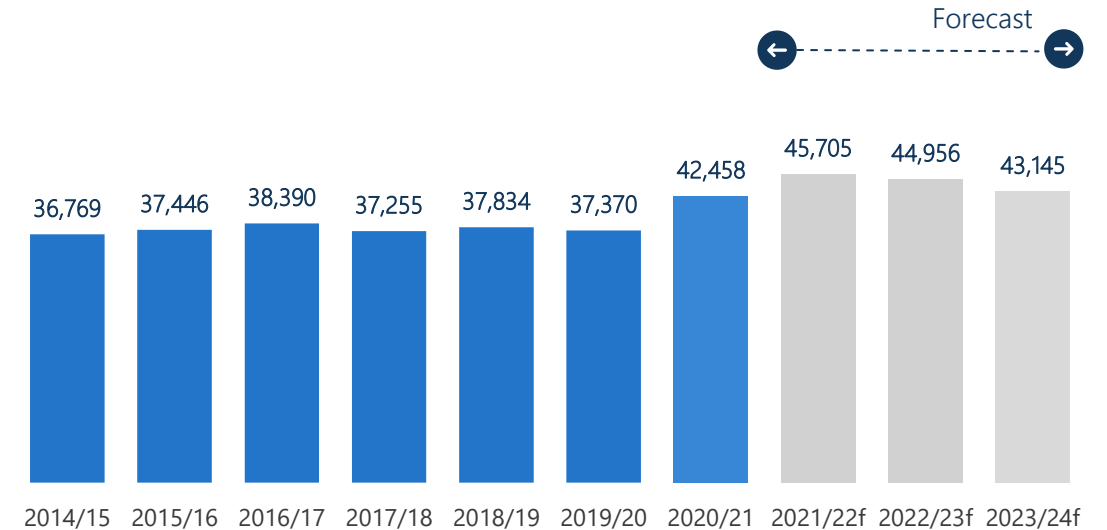


Diversified portfolio of retailers and end consumers limits exposure to any particular segment

Australian dwelling starts forecast¹



Australian renovations forecast¹



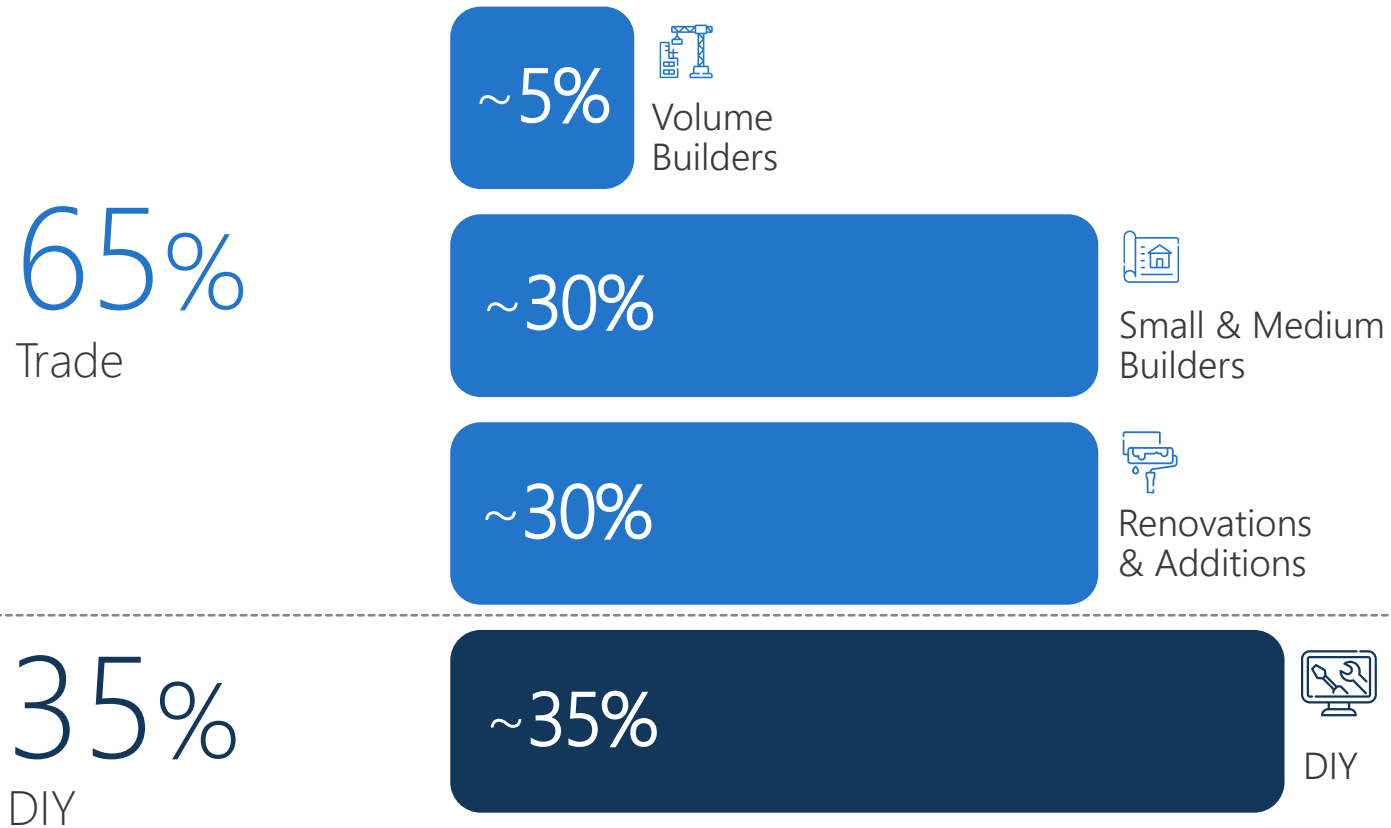
1. Source: HIA National Outlook Winter 2022

Housing forecast to return to historical average, renovations to remain above average



Customer segmentation profile

Minimal exposure to volume builders



Key growth initiatives

NETWORK GROWTH

Support existing and new Members network growth



Fill in network gaps via green/brownfield developments



Continue consolidation of the fragmented market



BUILD TRADE

Continue to open Sapphire standard Trade Centres



Expand our share of 'Whole of House'



Continue to develop our market-leading Trade Technology



GROW DIY

Deliver Sapphire store upgrade program



Continued focus on shopper-led range & emerging categories



Accelerating Digital solutions



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



Network growth

Network plans



- Based on key market insights
- Local knowledge and relationships
- Determine network gaps
- Identify best offer for local market



Opportunities



- Prioritise opportunities
- Determine appropriate format
- Independents engaged
- JV/COS investment



Results



- Target additional 5 stores per year
- Improving network quality
- Increase square meters
- Delivering to ROI hurdle rates



Targeted network development – Independents and IHG reinvesting capital for future growth ➡

Sapphire store upgrade program

Objective



- To keep stores modern and leading edge – predominantly DIY focus
- ~50% investment contribution by IHG

MIXED TRADE & DIY



Roll out plan



- 170 completed by Sept 22
- Success of program has led to expansion of target stores from 200 to 300 by 2025

TRADE ONLY



Results



- Sapphire store sales up >25%
- Significantly outperformed non-Sapphire stores during COVID

SMALL DIY < 700M2



Sapphire stores delivering strong growth – expanded program to 300 stores



Build Trade – Whole of House

Strategy to grow categories not historically sourced through IHG



Foundations

Slab Hardware &
Floor Systems



Frame & Truss

Wall Frames, Roof
Trusses &
Engineered
Timber



Lock Up

Roofing, Facia,
Gutters, Insulation,
Windows, Flooring
& Cladding



Fix

Plaster, Linings,
Doors, Architraves,
Skirting, Kitchen &
Joinery



Fit Out

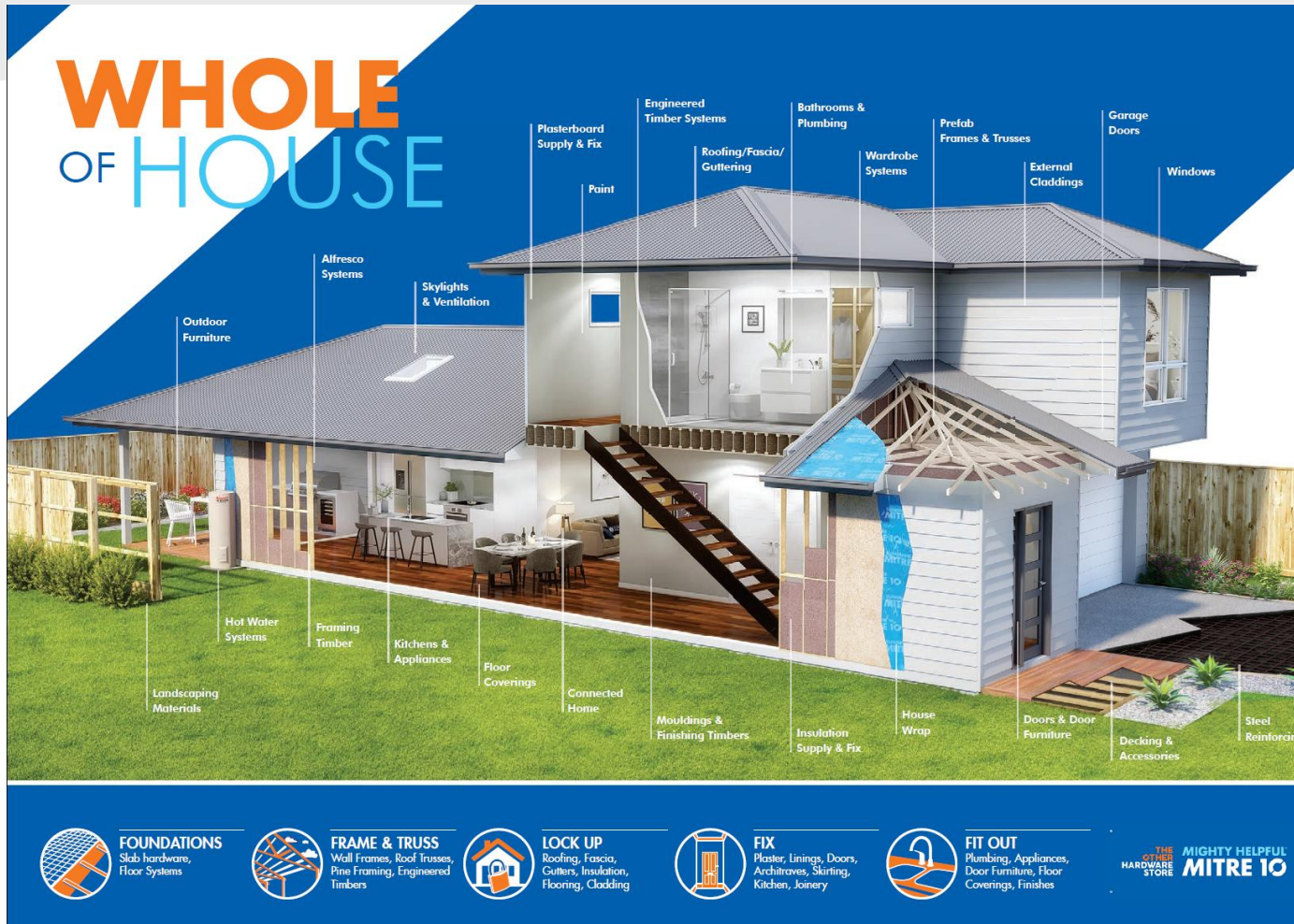
Plumbing,
Appliances, Paint,
Door Furniture,
Floor Coverings &
Finishes

Potential to grow targeted builder's supply from ~35% to ~50% of house build



Build Trade – Whole of House

Delivering growth and supporting our #1 position to small/medium builder



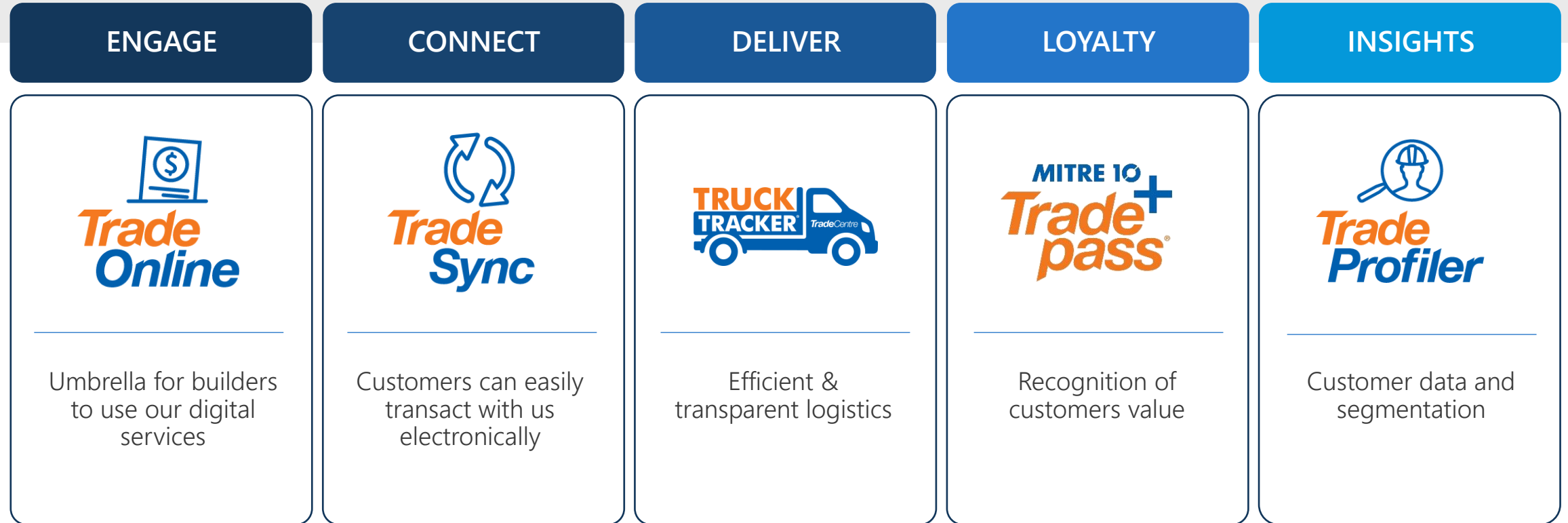
FY22

260
TARGETED BUILDERS

Whole of House
36%
FY21 21%

Build Trade – trade technology

Enables connectivity with builder at all levels, and underpins IHG's trade strategy



Our leading Trade technology rolling out to a growing number of builders



DIY – Shopper-led range

Delivering positive consumer experience and supports strong market position

- Strong & confident in DIY
- Range built on scan data
- National Brands exclusive to Independents
- Competitive price online & instore
- Complete planogram offer supporting members and consumers
- Supported by the only wholesale DC offer available for Independents
- Emerging categories of kitchens, garden, decorate & outdoor living driving growth
- Delivers strong Team Score
- Positive shopper reaction



DIY - Digital

Consumer uptake and initiatives continue to deliver growth

eCommerce

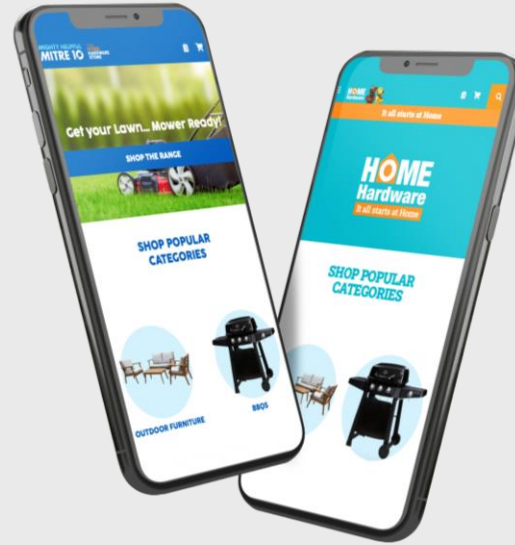
- Technology ecosystem to improve operational efficiency / reduce cost for our Members' suppliers
- New sales channels unlocked: dropship and "endless aisle" online catalogue

Loyalty

- ~1.2m loyalty members
- Leverage insights across IHG & TT consumers
- Driving increased customer engagement through personalisation and AI

Digital marketing

- Marketing automation platform to power customer engagement
- Audience segmentation to drive channel selection and media efficiency
- Hyper-local media to support our member store network
- 360° view of customer behaviour and omni-channel revenue attribution



Loyalty



Click 'N' Collect



Click 'N' Deliver



Personalisation



DIY Videos



Broadcaster Video On-demand



Buy Now Pay Later



Social Media



Kitchens Design Tool



Website



Our digital solutions add value to members and consumers, driving sales growth



Potential capex (FY23-FY24)

Continued investment to grow network, build Trade and retain DIY gains

Grow Retail Network



- Continue consolidation of the fragmented market
- Fill in network gaps via green/brownfield developments
- Support existing and new members network growth

Capex of ~**\$20m-\$30m pa**

Build Trade



- Continue to open Trade Centre – Sapphire stores
- Expand our share of Whole of House
- Continue to develop our market-leading Trade Technology

Capex of ~**\$12m pa**

Grow DIY



- Deliver Sapphire store upgrade program
- Continued focus on shopper-led range & emerging categories
- Accelerating Digital solutions

Capex of ~**\$14m pa**

On track to deliver our ambitious growth plans



IHG clear #2 in Hardware market with an extensive national footprint



Strong focus on supporting Independent store owners



Protect and grow our #1 position to the small and medium builder



Well positioned to retain and grow the DIY customer base



Deliver 300 Sapphire Standard Stores by 2025



Focus on 'Whole of House' – well positioned through existing network and relationships



Digital & Technology programs have shown strong growth and will be accelerated



Consumer mix and geographic diversification enables resilience to market dynamics



Headwinds in Detached Housing starts balanced by growth in renovations and homes/DIY commanding greater share of wallet



Well placed to take advantage of future growth opportunities

Leader in small-medium building Trade, growing #2 in DIY



Mitcash

TOTAL TOOLS

Paul Dumbrell
CEO Total Tools



Overview



Clear #1 in professional tools segment with growing national footprint



Strong growth opportunities of 8-10 new stores per year with target network size of ~130 stores by 2025



Strong focus on supporting Franchise, JV's and company-owned stores



JV & company-owned network now ~40% of store footprint



Data insights provided via a single ERP drive fast and effective decision making



Strong omni-channel shopping experience through physical stores, online and app'



Best in class Loyalty program, driving hyper personalisation



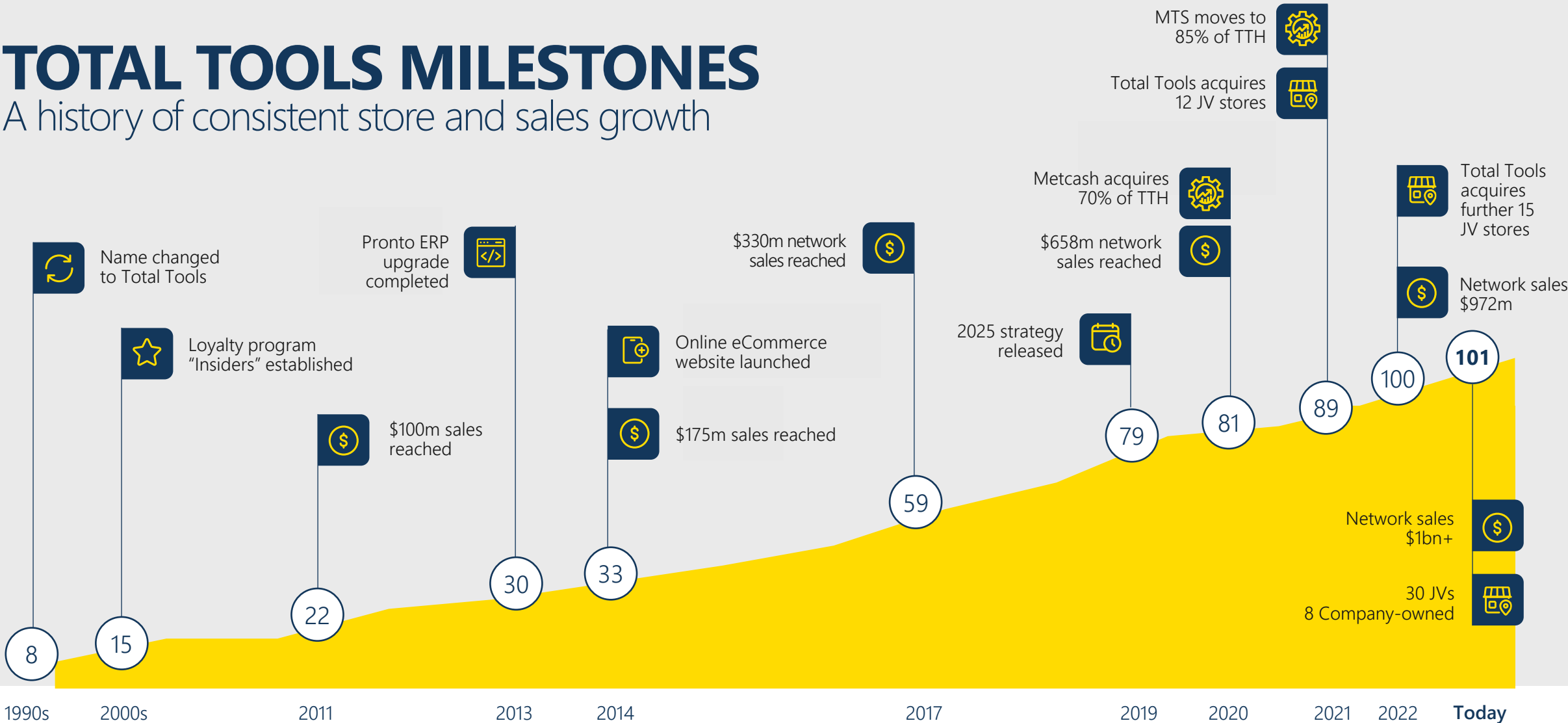
89% of sales through Insider rewards



Strong progress on synergies with IHG/Metcash

TOTAL TOOLS MILESTONES

A history of consistent store and sales growth



Insider penetration:	54%	78%	89%	89%
Online:	<0.1%	0.6%	9%	9%+

Total Tools today

#1 professional tools retailer in Australia



101 stores

20 stores opened
in 2 years since Metcash
partnership



\$1bn+

Network revenue



133,000m²+

Retail footprint across the
network



89%

Loyalty Program penetration
(excl. Commercial) from 1.6m
Insider Rewards members



100,000+

SKUs available across the
Total Tools network



#1

Largest Tool Specialist
ANZ retailer of our top
distribution partners



\$11m+

Average store revenue



~80%

Customer service
excellence driving strong
NPS through retail network



Strong historical financial performance and healthy franchisee network driving growth



The Total Tools Store



Store format

- Large store format to offer "Every Tool, Every Trade"
- Highly trained staff providing differentiated expert advice
- 87 Stores aligned to Gen 2 instore experience
- Store size – Total Tools: >1,500m²; Bunnings: <250m²; TKD ~2,000m²; Sydney Tools: >1,500m²
- Daily price updates driving a low-price guarantee competitive pricing position



1,500m² +

Average retail footprint, stores ranging from 500m² to 3,000m² +



10,000+

Average store SKUs



\$11m+

Average store revenue

Total Tools network

Significant expansion opportunities

- Potential of ~130 stores by 2025
- Strong opportunities in NSW, QLD, WA and VIC



101

Existing network stores

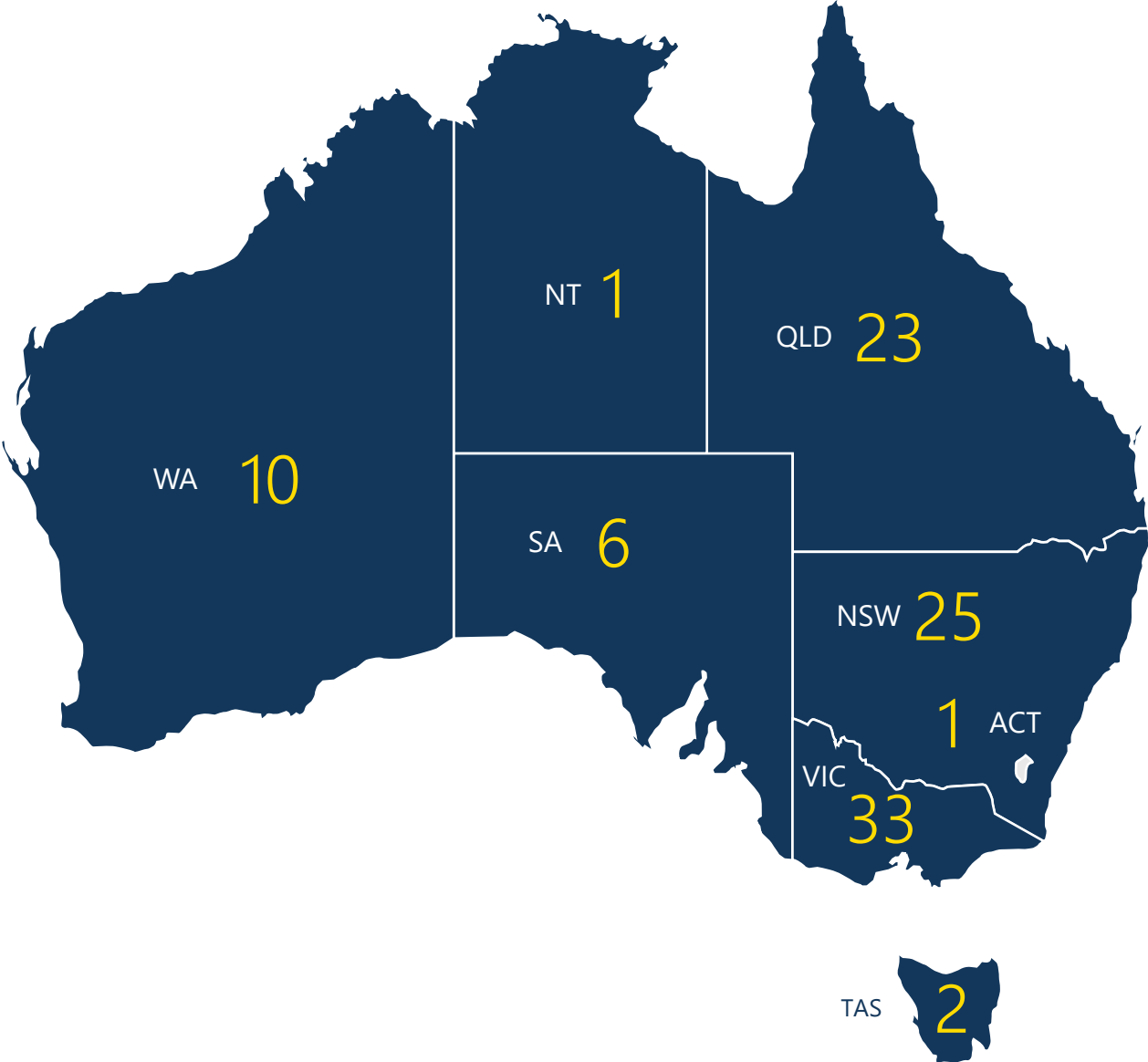
Revenue:

~40%

regional

~60%

metro



Retailer of
choice for
major tool
distribution
partners

Long-term
relationships with
many major
tools distribution
partners

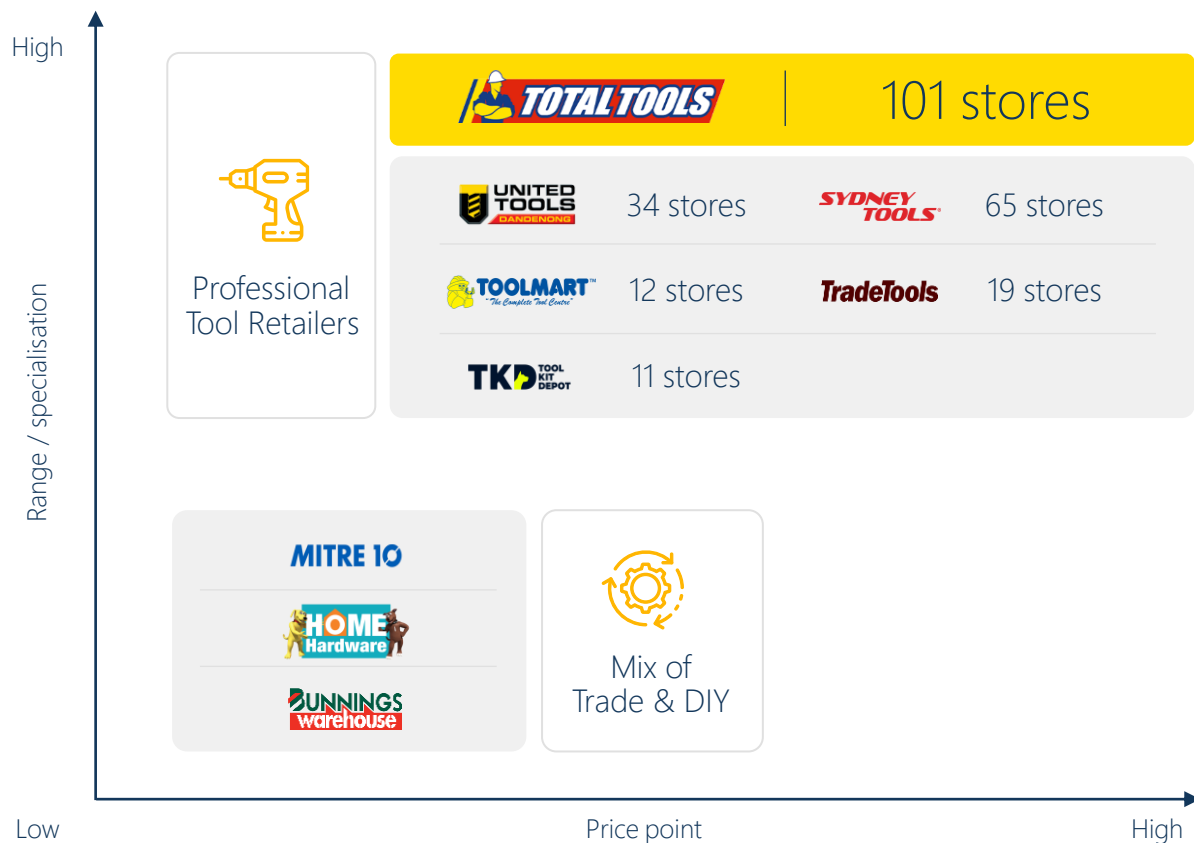
The Milwaukee logo, featuring the word "Milwaukee" in a red, stylized script font with a red lightning bolt graphic underneath.The Makita logo, featuring the word "Makita" in a red, italicized sans-serif font.The DEWALT logo, featuring the word "DEWALT" in a bold, yellow, sans-serif font with a horizontal line above and below the text.The KINCROME logo, featuring the word "KINCROME" in a bold, blue, sans-serif font.The Bosch logo, featuring a circular icon with a stylized 'H' and the word "BOSCH" in a bold, red, sans-serif font.The EGO logo, featuring the word "EGO" in a bold, black, sans-serif font with a green stylized 'E'.The DIABLO logo, featuring the word "DIABLO" in a bold, red, sans-serif font with a red lightning bolt graphic to the right.The CIGWELD logo, featuring the word "CIGWELD" in a bold, blue, sans-serif font with a yellow horizontal line below the text and the text "AN ESAB BRAND" in small black letters below the line.The suttontools logo, featuring the word "suttontools" in a blue, lowercase, sans-serif font.

Largest Tool Specialist ANZ retailer for majority of our distribution partners

The Melcash logo, featuring the word "Melcash" in a stylized, orange, sans-serif font.

Market leader

A differentiated market position that is complementary to IHG



#1 in a specialised segment



Category leader in professional tools



Leading retail channel for the best professional tool brands



Diversified from its competition:

- National footprint
- Broader range and larger footprint than our competition
- Hybrid ownership structure - franchisee, JV and company-owned
- Market leading loyalty platform



Rated as preferred professional tool retailer

- 74% brand recognition

Drivers of strong growth since acquisition



Expansion of store footprint
– Strong reinvestment from network



Acquisition of joint venture stores and opening of company-owned store network



Range expansion



Growth in emerging categories
– Cordless
– Outdoor powered equipment
– Commercial



High level of new infrastructure,, refurbishment and renovation activity



Strength of loyalty program including increased personalisation

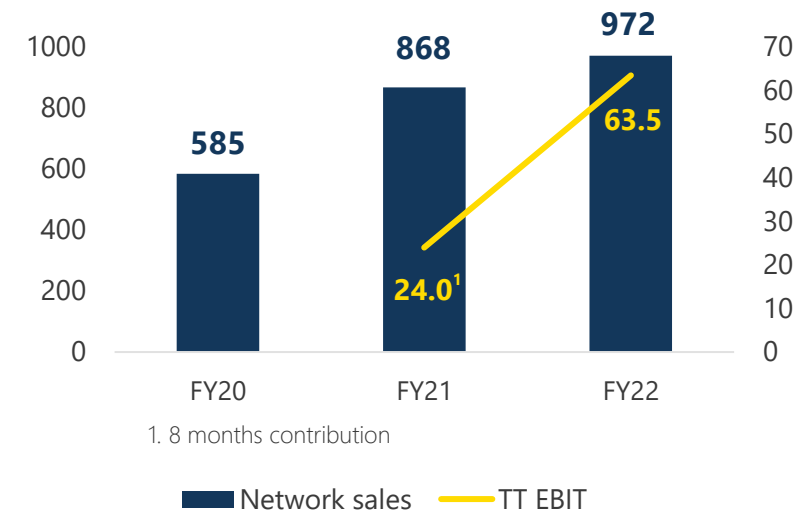


Industry leading eCommerce driving online and offline sales

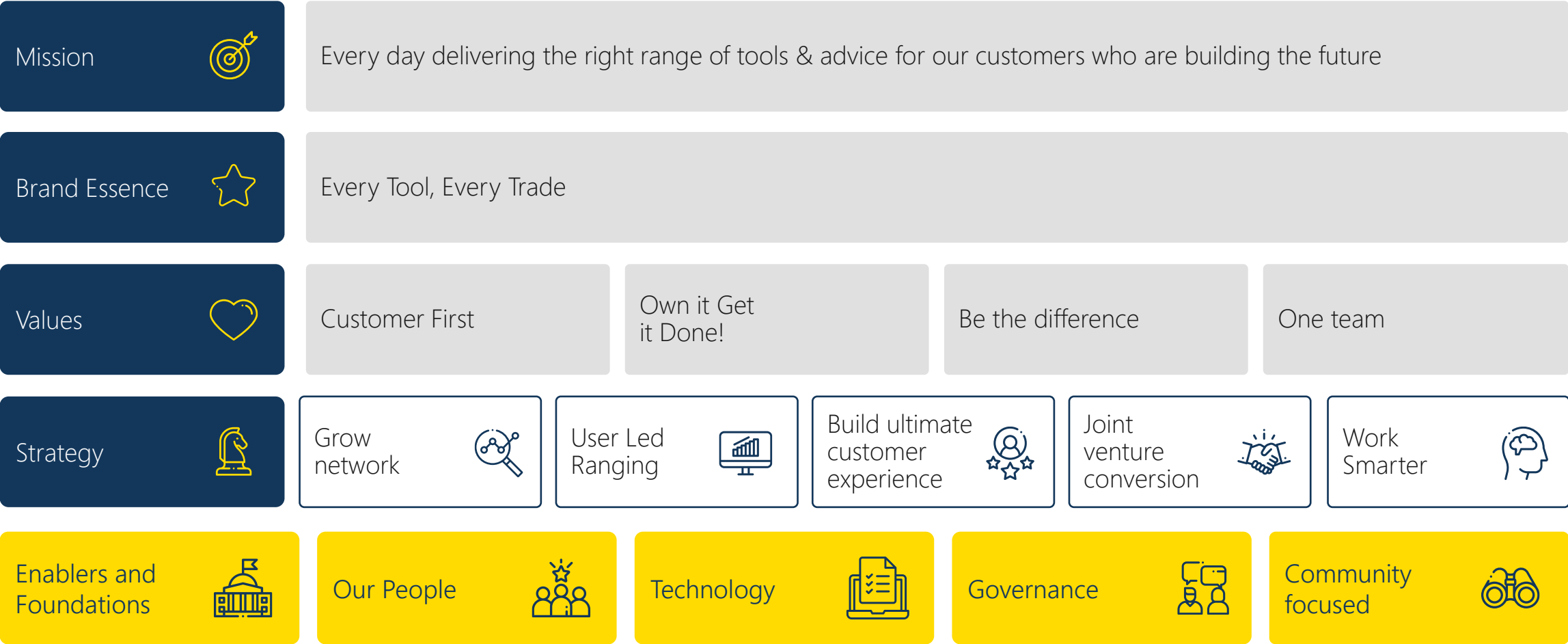


Sales growth in
– Commercial
– Owned brands
– Digital

Network sales & Total Tools Group Underlying EBIT (\$m)



Vision and Mission



Total Tools

is strengthened by our strategic initiatives



01 Our core: Wholesale & logistics

- Leverage IHG supply chain and new Ravenhall DC
- Network optimization and co-location with Mitre 10 for logistics efficiencies
- Key partnerships with leading international professional tools distribution partners
- Owned and exclusive professional tools brands

02 Create, build & support brands and formats across channels that shoppers love, and independents want to own

- Retail Brand
 - Maintain position as leading retail channel for the best professional tool brands
 - Large store format - "Every Tool, Every Trade" -
 - Gen 2 store upgrades
- Best store in town – Retail Operational excellence
- Insider Loyalty program
- eCommerce
- Customer engagement and journey optimisation
 - AI driven personalisation
 - Order Tracking

03 Provide the services and support that add value and enable independent retailers to compete against scaled national chains

- Network growth
- JV growth program - 8 to 12 stores per annum; JV partners reinvesting to drive future growth
- Channel marketing tools – social media, digital marketing
- Digital tools for retailers – customer behaviour insights, segmentation, benchmarking
- Shopper engagement - Insider loyalty
- Supplier and Franchisee engagement – Trade Expo

Value drivers



The Metcash economic model is comprised of various value drivers.



Our strategy leverages the competitive advantages within the flywheel and acts on these value drivers



Volume

Current supplier direct and offshore EB 3PL



Product range

Cordless power tools & accessories, outdoor powered equipment, automotive, machinery



Retail sales

Sales through JV and owned stores allow participation in full retail margins with associated capital investment



COBD

Support office, freight and marketing

Channel mix

In store, online and commercial B2B direct

Customer mix

Trades people, builders, renovators, serious DIYers

Store format

Large/small, regional/metro

Logistics

Fixed costs, labour, freight, productivity

Key initiatives and potential capex (FY23-FY24)



Grow Store Network

- Strong growth opportunities of 8-12 stores p.a. with target network size of ~130 stores by 2025
- ~50% of new store growth from JV and company-owned stores
- Targeting 50% of store network as JV / company-owned stores

Capex ~\$3m pa



Customer Engagement

- Online conversion
- Delivery Experience
- Accelerate loyalty optimisation through Hyper Personalisation
- Endless aisle/range extension
- Daily NPS
- Trade Account Loyalty Program

Capex ~\$2m pa



In Store Experience

- Customer Value Proposition
- Customer Experience enhancements
- Consumer-led ranging
- Complete store upgrades (14 stores)

Capex ~\$3m pa



JV Conversions

- 30 Stores September 22
- Potential for 8-12 stores p.a. over three years, from Franchise to JV
- JV partners expanding existing network
- Funded out of TT cash reserves

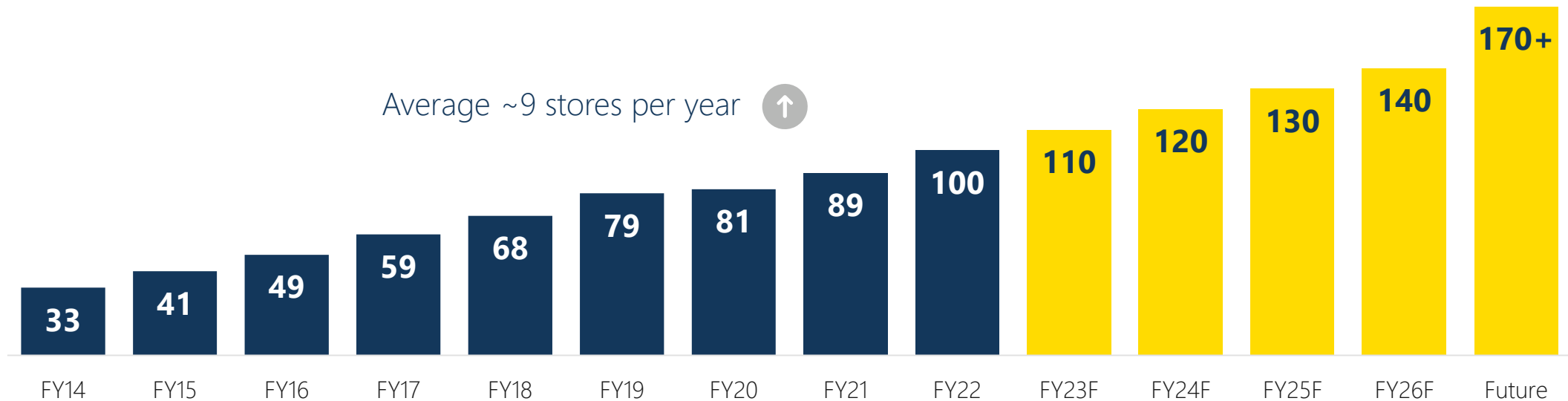
Capex ~\$27m-\$32m pa



Synergies

- Joint ranging and sourcing opportunities with IHG
- Leverage IHG supply chain, DC - 2023
- Network optimisation & co-located Stores
- Non-trade procurement

Network growth



Track record of network growth:

- Opened 59 stores from FY15 to FY22
- History of existing franchisees opening additional stores – demonstrates dedication and belief in model
- JV partners expanding networks
- Four co-located stores with Mitre 10 & opportunity for 13+ stores

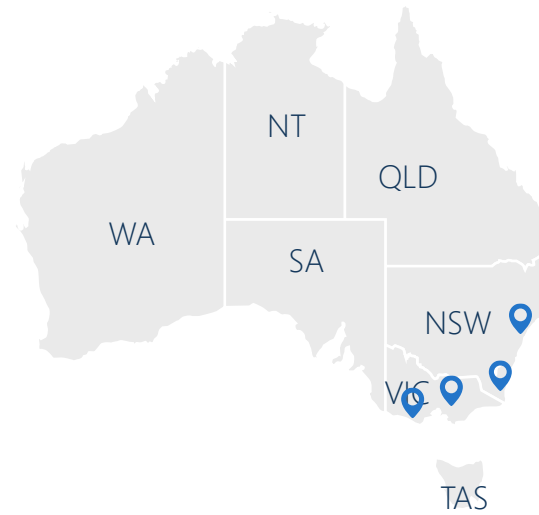
Significant growth path remaining

170 potential sites identified across Australia

Network growth through joint locations



- Forms part of our acquisition strategy and is a growth opportunity for both Mitre 10 and Total Tools
 - Delivers a stronger hardware offer in regional locations
 - Attracts a broader customer base
 - Drives improved floor space productivity
- Four joint locations opened to test and trial strategy
- Early sales and EBIT results encouraging
- A further 13 sites identified and in review



Unique shopping destinations for local builders and trades delivering growth

Customer & digital

A step ahead of the pack



Insider Rewards
Loyalty Program



Full Omni-
channel Offering



Leading eCommerce
& APP



Long Tail
Range



Digital Marketing



Social Media



AI Driven
Personalisation



Order Tracking



Customer Journey
Optimisation



Customer Behaviour
Insights



Segmentation



Benchmarking

~1.6m

loyalty members (up 21%)

+43%

online transactions

80m+

emails sent annually

90%+

customer satisfaction online

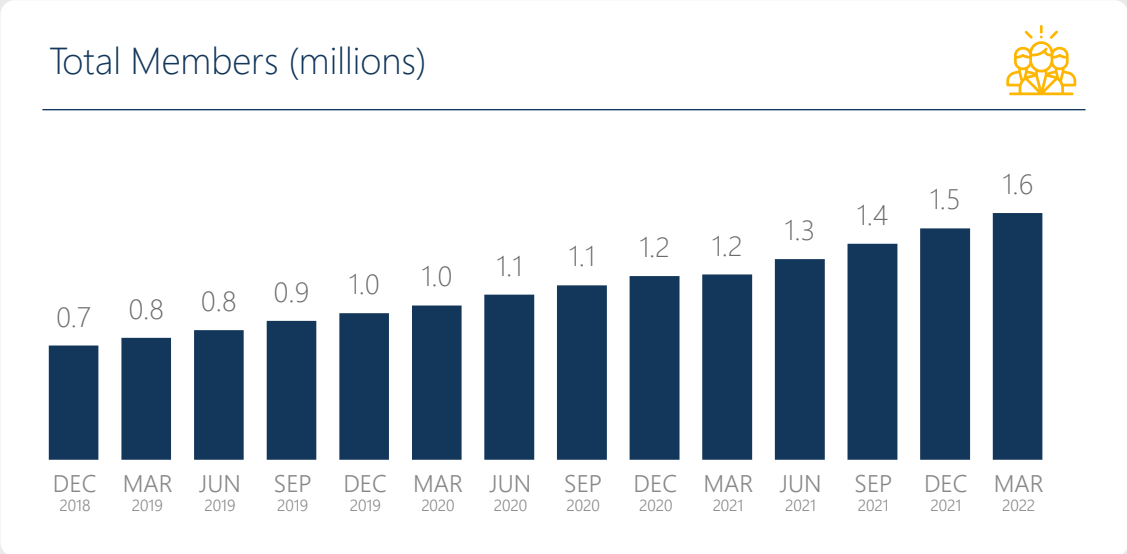
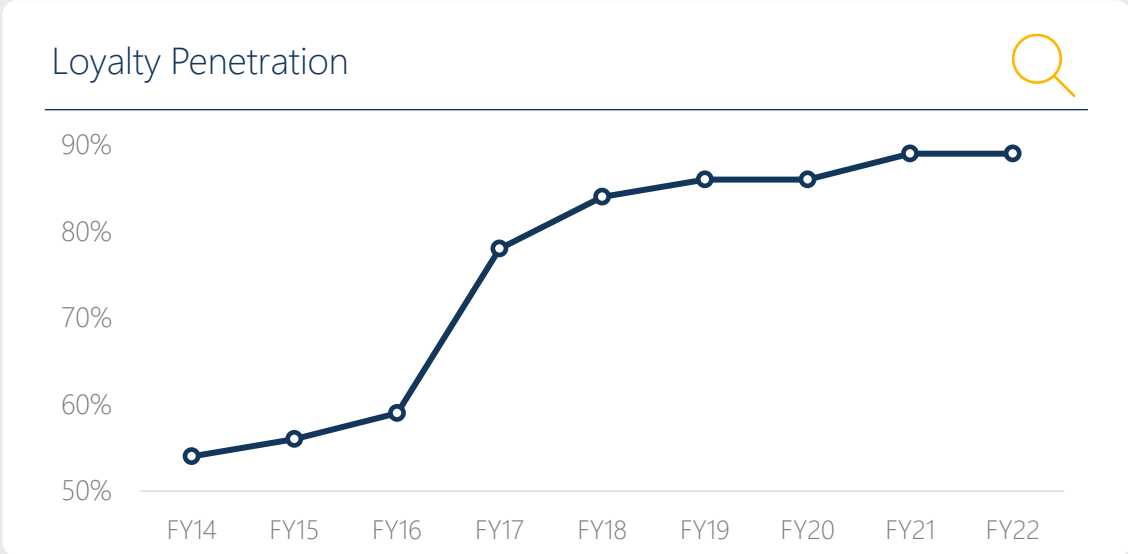
2m+

online sessions/month (up 13%)

Hyper-personalisation driving sustainable growth



Best in class loyalty program



Insider Loyalty Program



~1.6m Insider loyalty members



Hyper-personalisation to drive next wave of growth



Strong penetration of 89%+ across network sales

up to \$700
annual spent

up to \$2,500
annual value

>\$ 2,500
annual spend

Personalisation to drive growth through high-value customer base →

JV growth program



Background:

- One of the key objectives of the joint venture with MTS for the TTH shareholders was to provide a path for succession for its network of franchise stores over time, and to partner with retailers to support future growth
- MTS provided a \$65m debt facility to TTH to assist with this growth



Update:

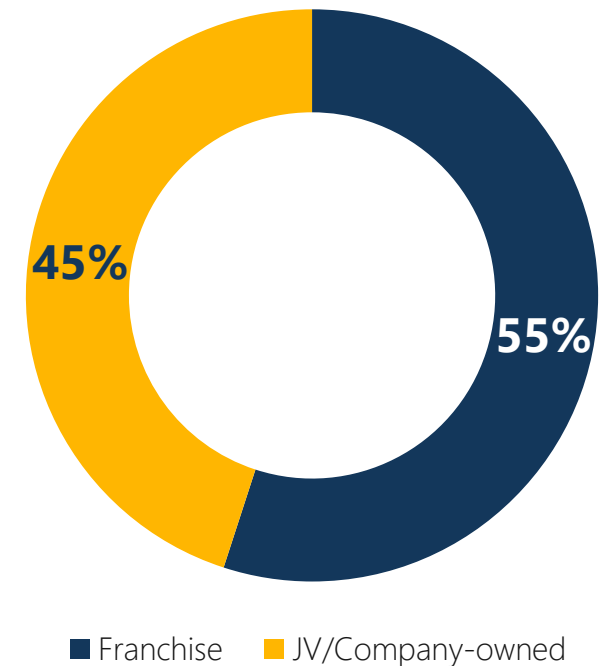
- 30 JV stores from 12 franchise groups acquired, TTH ownership ranging from 51% to 80%
- Put/Call arrangement in place in FY24 for Metcash to take full ownership for tranche 1 and every 12 months thereafter
- Some existing JV partners extending Put/Call options



Strategy going forward:

- 8-12 stores per annum expected to convert from franchise to JV, funded out of TT cash reserves and existing MTS facility
- Future JV partners will be split between medium term and long-term options
- Store growth will be across franchised, company-owned and joint ventures, leveraging strong combined balance sheets
- ~50% of network stores to be JV / company-owned

Revenue split



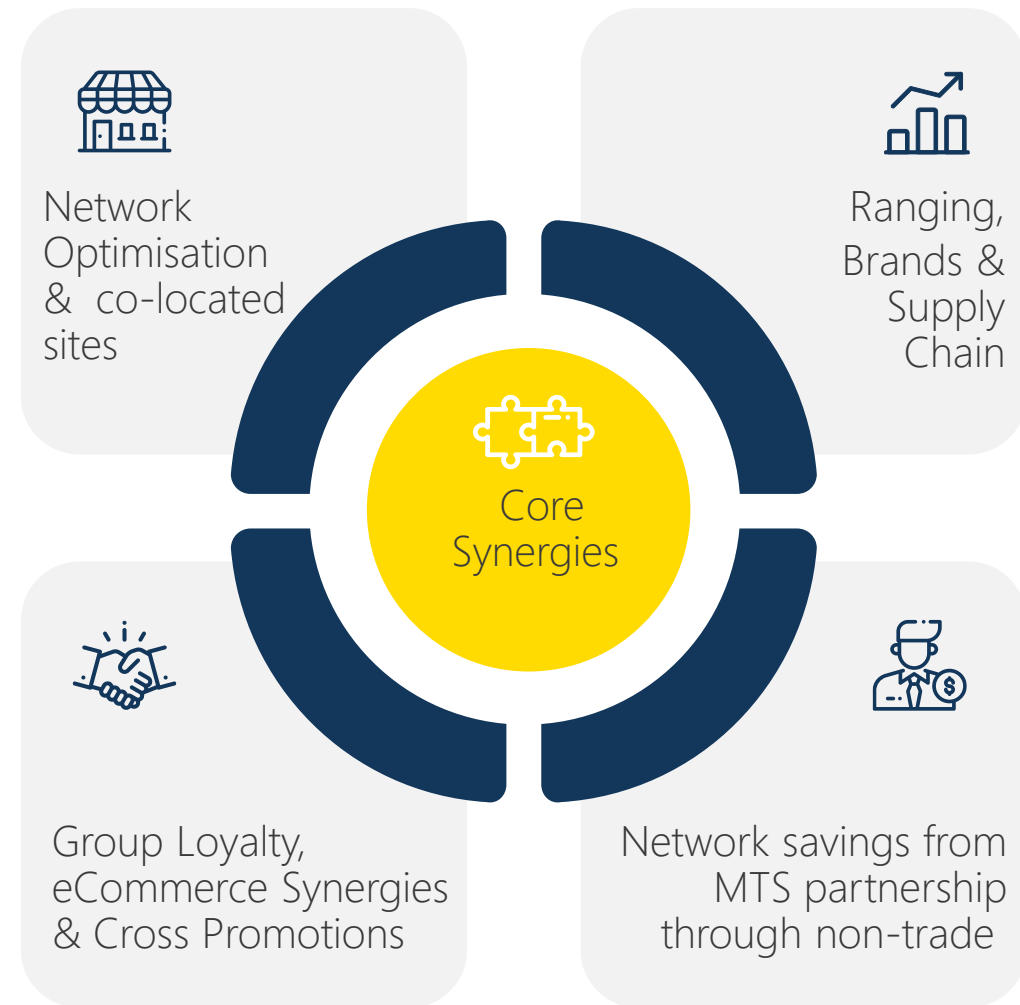
Founding TT Shareholders and JV Partners Reinvesting to drive future growth



Synergies



Further synergy opportunities available



On track to deliver our ambitious growth plans

01

Clear #1 in Professional Tools segment

02

Continued strong history of sustainable growth

03

Network Growth to 130 stores by FY25 with further growth opportunities identified

04

Strong execution of JV and company-owned acquisitions strategies

05

Focus on supporting Independent/Franchise, JV's and company-owned stores

06

Strong affinity with 'Tradie customer'

07

New products and technology shifts continue to provide growth opportunities

08

Well positioned to leverage market leading loyalty strategy

09

Industry leading eCommerce driving online and offline sales

10

Additional growth synergies with IHG to be realised

Fortify and extend #1 position in professional tools





LIQUOR

Chris Baddock
CEO Liquor



Overview

Strong market position



- Strong #2 in liquor market
- Diversified channel and customer portfolio
 - IBA Retail banners, contract customers, on premise
 - Strong national retail brands (IBA)
 - Wholesale supply ~90% of independent liquor stores in Australia
 - Supply agreements with large contract customers in Retail and 'on-premise' segments
- Significant position in NZ bottle shop channel (>25% share)

Competitive advantage



- 14 distribution facilities across Australia (11) and NZ (3). Five shared with Food, creating efficiencies and scale
- Retail locations aligned to consumer convenience shopping
- Local ranging tailored to each community
- Tailored promotional programs by brand and region
- Evolving digital services; centrally built, locally executed (eCommerce & Loyalty)
- Knowledgeable, local and friendly service
- 'Branded house' (supplier partnerships) with supporting Owned & Exclusive portfolio

Attractive growth opportunities



- Significant growth achieved in past 2 years, and further potential ahead through improved competitiveness and relevance of retailers
- Store refurbishments (Ruby Refresh)
- Growing owned and exclusive label range
- Consistent brand marketing to improve awareness and appeal - converting shopper to IBA brands
- Good progress in eCommerce and Loyalty, allowing retailers to engage and serve shoppers better
- Supply chain efficiencies including extended aisle through ALM Connect
- Continued focus on Better Buying to grow consumer appeal to retail brands

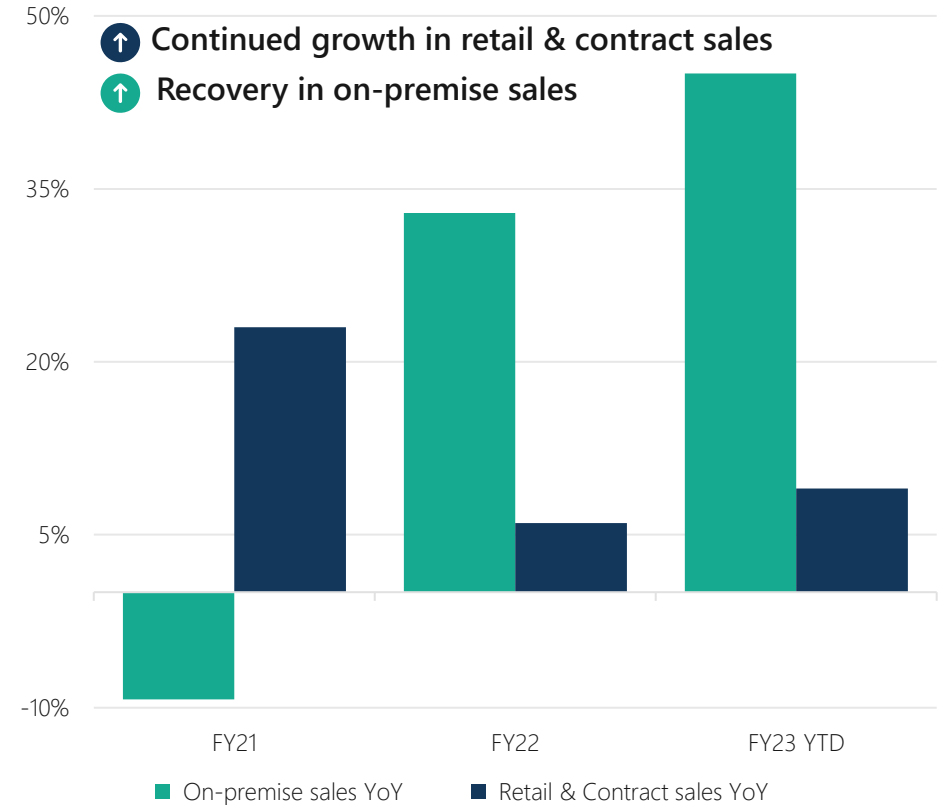
Resilient, effective route-to-market network serving healthy independent network across all channels ➔

Continued strong performance



Retail gains consolidated, on-premise sales continued to recover

- Sales growth in IBA and contract customers has been strong and maintained at the start of FY23
 - On-premise growth strong in FY23; cycling lockdowns in NSW and Vic
 - New account growth in on-premise
 - Retail holding onto gains of last two years
 - Competitiveness of stores: store quality, range, price and service underpinned by success of MFuture initiatives
- Direct labour costs have been elevated by absenteeism and labour challenges
- Freight and fuel costs increasing on back of inflation and supply restraints – costs being shared; price increases and fuel levy
- IBA Loyalty pilot in market; Branded online store and Q-commerce growing
- New product launches for Independent Beverage Partners O&E portfolio
- Multi-channel sales mix advantageous during and post lockdowns



Retail sales holding, on premise growth continues with new accounts and cycling lockdowns



Liquor market and sales mix

The Liquor market



Retail



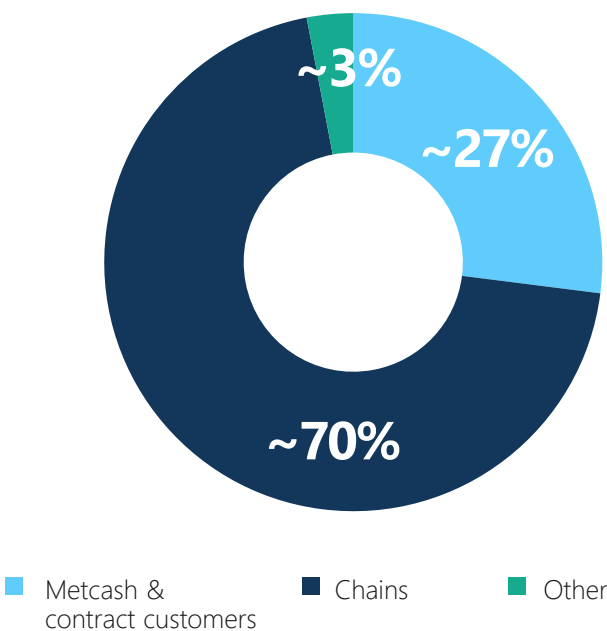
Wholesale

Retail Sales (est)	\$19.3b	\$14.4b
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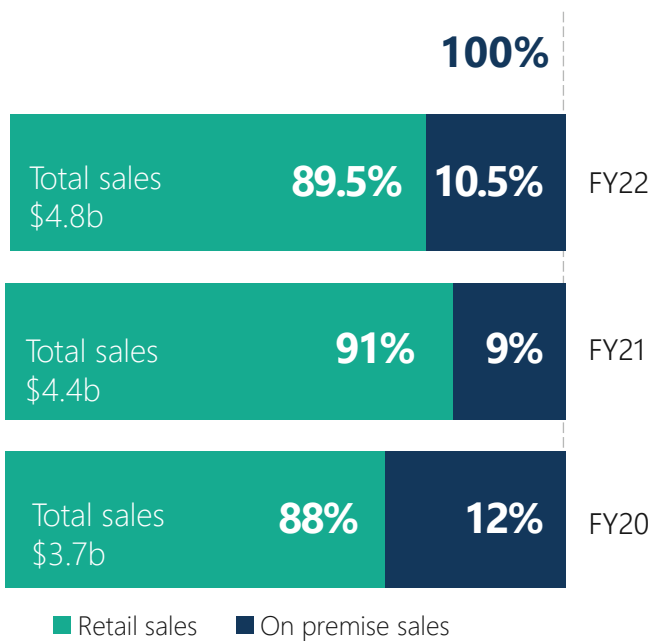
On-Premise sales (est)	\$13.9b	\$3.1b
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Total Market (est)	\$33.2b	\$17.5b
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Market Share



Metcash sales mix



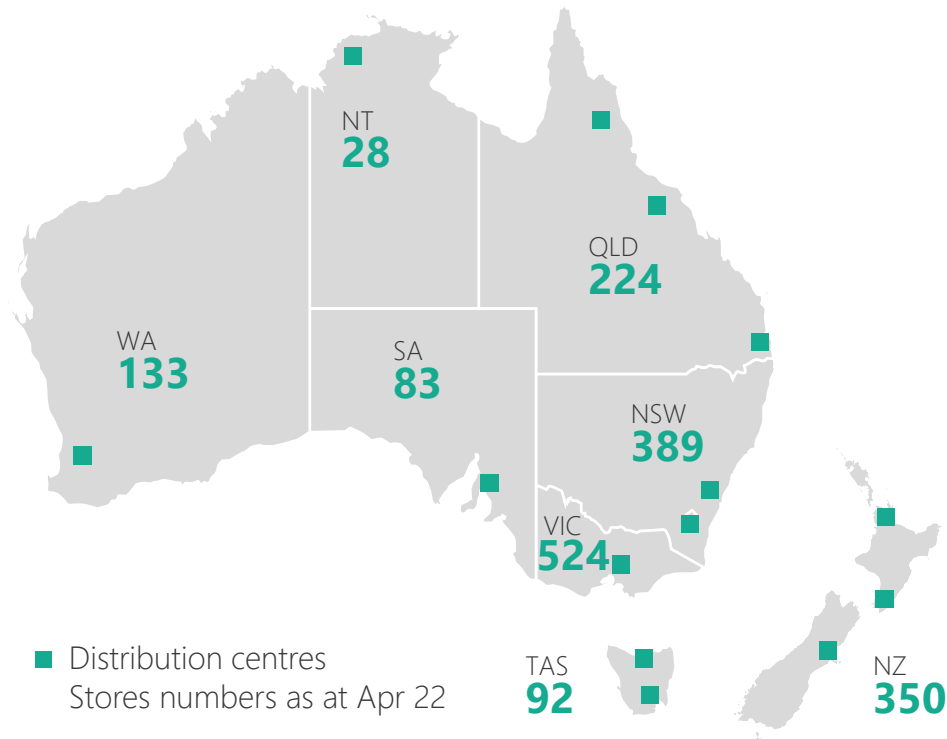
IBA has benefited from customer mix - IBA, Retail contract customers and on-premise



IBA brands (Australia)



IBA network of stores



Cellarbrations

538

IGA LIQUOR

483

the Bottle-O

259

THIRSTY CAMEL

140

big bargain bottleshop

22

PORTERS LIQUOR

31

IBA national network of stores

1,473

AU

350

NZ

(An additional 350 stores are supported in NZ and under other banners)



A wide portfolio of brands to suit each retailer and community



Liquor

Initiatives supporting
our flywheel



01

Our core: Wholesale & logistics

- DC network – New DC investments – SA (Opened FY21), VIC (mid 2024); existing fleet expansion (QLD, FNQ, WA, NT)
- DC network digitisation - advanced Transport Management Solution (TMS), upgraded warehouse management system (WMS), Paperless Warehouse (FY23-24)
- Planning and replenishment – Blue Yonder (live)
- Horizon ERP replacement (FY23-24)
- Range – Owned and Exclusive Brands; ALM Connect for extended range
- Price – competitive pricing, right products on the right promotions
- One Delivery, One Invoice program to realise operational efficiencies

02

Create, build & support brands and formats across channels that shoppers love, and independents want to own

- Network of the Future
 - Leading brands relevant for each market – Cellarbrations, IGA liquor, The Bottle-O, Thirsty Camel, big bargain bottleshop and Porters Liquor
 - Brand positioning to drive awareness, appeal and conversion of IBA brands
- Best Store in Town
 - Ruby Refresh store upgrade program
 - Retail standards
- eCommerce and loyalty platforms
- Quick commerce partnerships – UberEats and DoorDash

03

Provide the services and support that add value and enable independent retailers to compete against scaled national chains

- Retailer 'One Stop Shop' (ROSS)
- Financial and operational support
- ALM Training Academy
- Supplier and Retailer engagement – Trade Workshops

Value drivers

Volume



Mix of margin and fees

Price inflation



Some impact on dollar margins, allows our wholesale scale to deliver value to network
Driven by six monthly excise CPI

Customer growth



Driver of sales and, through IBA in particular, support the growth ambitions of suppliers

Channel mix



Retail vs on-premise vs contract customers

Category mix



Deliver different margins and attract different wholesale fees (directs vs warehouse)

Exclusive and owned brands



Differentiated value for our shopper and retailer. Delivers higher margin for the retailer and ALM

CODB



Freight and marketing are key elements, one variable and less controllable than the other

Earnings driven by numerous levers



Liquor strategy

Purpose	Championing Successful Independents					
Aspiration	Consolidate 2nd largest liquor position in ANZ; grow IBA, on premise and support contract customers through wholesale excellence					
Where to play	Indispensable provider of scale economics to thriving small independent businesses			Preferred route to market for liquor suppliers		
	Australia and New Zealand	Bannered and contract retail, on premise		Physical and digital retail		
How to win	FAMOUS For the right offer		FRictionLESS For best core processes		STICKY For the value add	
	Renowned brands with character	World class CRM	Frictionless from order to cash	Better and then Bigger footprint	Value adds you can't live without	The best experience in any channel
Foundations	Effective and efficient logistics and wholesale infrastructure – unmatched reach and service					
	The best & sustainable infrastructure, technology and systems					
	Safe, Values Driven, Achievement Culture					

ACCELERATION OF DIGITAL CAPABILITY

eCommerce offers new business to IBA Retailers

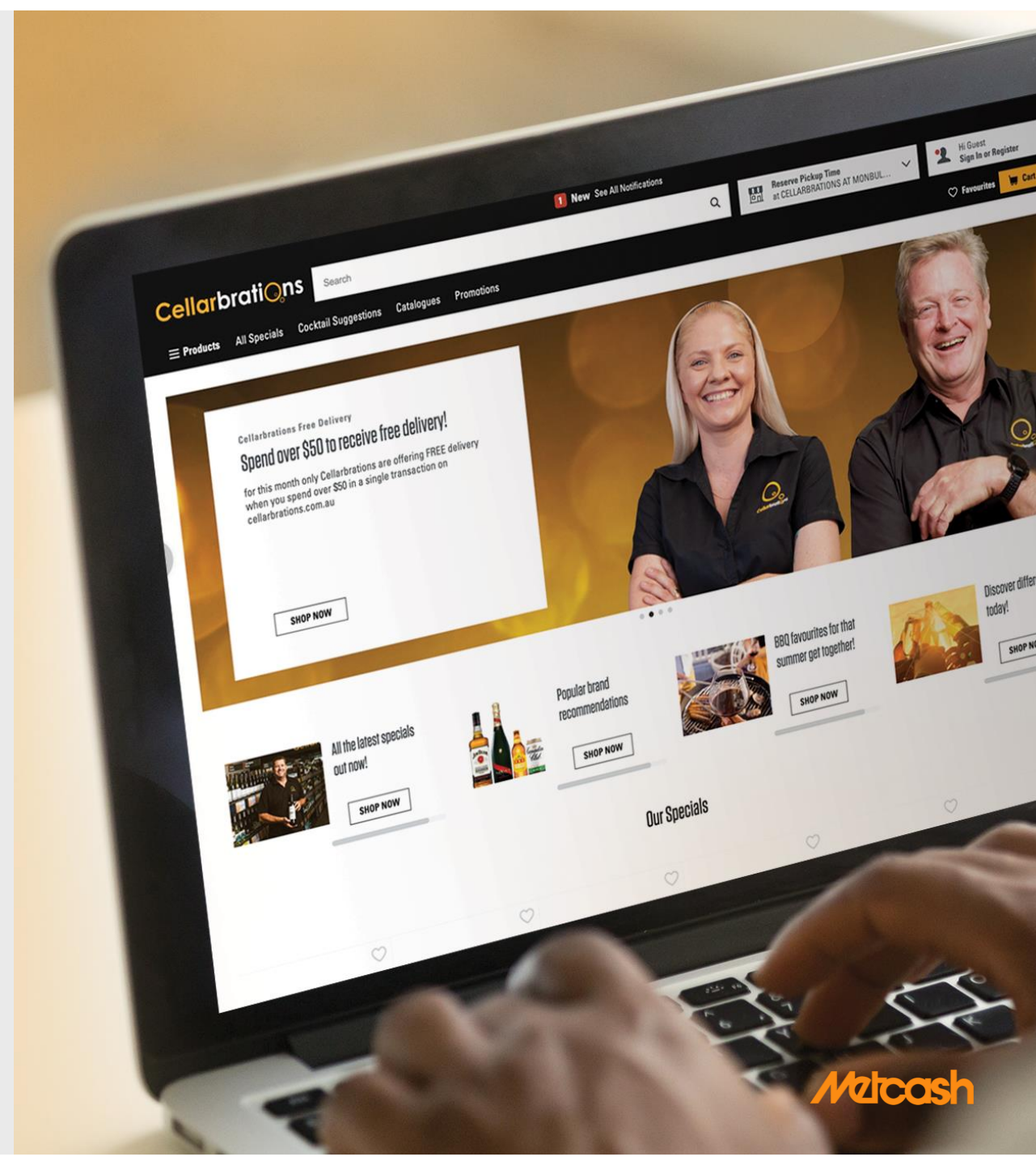
Quick Commerce

- Being active with hyper local delivery, the next-generation of eCommerce
- 200+ stores in NSW, VIC, QLD and growing
- Tapping into a younger demographic
- Elevated basket size of \$45



eCommerce

- Bannered eCommerce stores deployed for Cellarbrations, The Bottle-O and Porters Liquor
- 'Liquor Aisle' introduced to IGA Online Shop
- Relentless focus on digital success factors:
 - Enhancing CX/UX
 - Providing alternate payment methods
 - Frictionless checkout
 - Purchase Incentives – integrating IBA Loyalty Program
 - Personalised programs and communications for shoppers



Loyalty

Cellarbrations Top Drop Rewards & The Bottle-O Rewards

IBA has launched a loyalty program pilot which will drive foot traffic, increase retention of retailers, and derive consumer insights and data. Full launch Feb 2023

The loyalty program solution features:

01

Mobile First:

Offer mobile first loyalty solution via a mobile app and digital membership card

02

Personalisation & Omni-channel Presence:

Produce highly personalised communications to loyalty members with an omni-channel approach

03

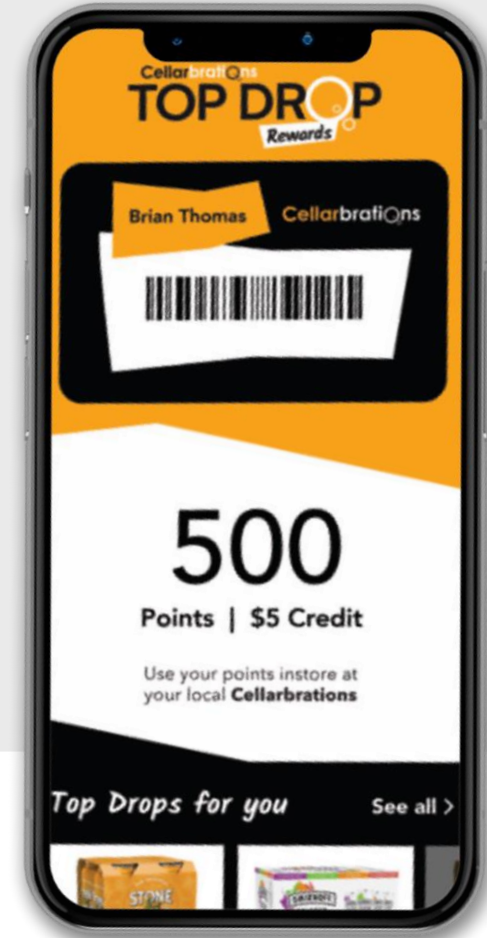
Rich Data:

Collect data on shopper behaviours and demographics that can be leveraged by creating a single customer view

04

Simple to Implement:

Easily understood by consumers, simple for retailers and easily scalable



Loyalty members earn points on eligible products redeemable for savings on future purchases, enjoy exclusive member pricing and promotions, and receive personalised communications based on their drinking preferences and behaviours

Supply chain flexibility and efficiency

Greater retailer choice and efficiency
driving increased competitiveness



Partner with key suppliers to realise operational efficiencies through:

- 'One Delivery, One Invoice' route-to-market, freeing retailers to focus on customer
- Reduce supply chain costs from source to store
- Better buying program. Taking costs out of the supply chain to ensure retailers buy at the lowest possible price



Evolve supply chain capability to support 'One Invoice'

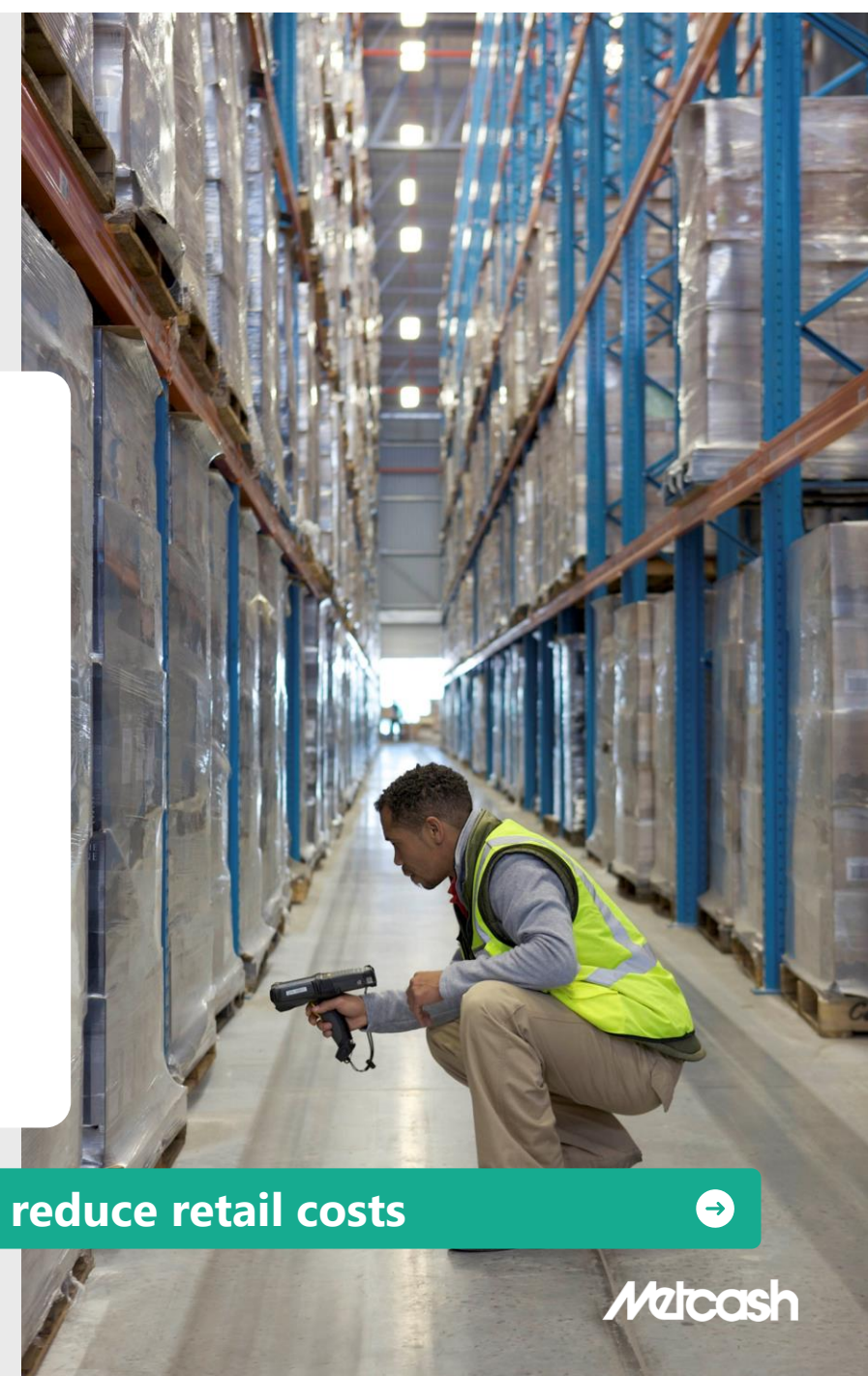
- 'Endless Aisle' product access via ALM ordering portal, through 'ALM Connect' charge-through functionality
- Expand supplier base
- Greater agility to meet changing consumption / category trends
- Driver of team score improvement



Enhanced technology to improve customer experience

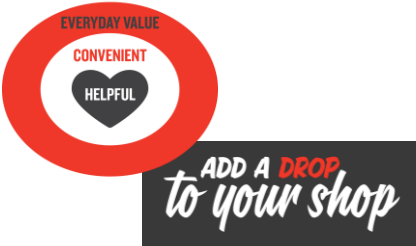
- 'Development of 'ALM Buying Portal' technology
- Improved product information and search functionality
- Introduction of Delivery Notification capability
- Launch of 'Retailer One-Stop-Shop' portal (mid 2023)

Significant opportunity to increase team score and reduce retail costs



Renowned brands with character

Each of our brands has a reason for being with this communicated 'through the line'

	Cellarbrations	IGA LIQUOR	the Bottle-O	PORTERS LIQUOR
Awareness 	- Regional TV - Subscription TV - Metro Digital Screen	- National TV (Food) - Local Sponsorship - Radio	- Regional TV - Subscription TV - Metro Digital - Screen	- Hyper-local - Outdoor
Appeal 	- Digital display - Social - Promotion	- Social - Digital - Radio	- Digital display - Social - Promotion	- Digital - Social - Radio
Conversion 	- Catalogue - Digi display - Social - In store	- Catalogue - Digi display - Social - In store	- Catalogue - Digi display - Social - In store	- Catalogue - Digi display - Social - In store
				

A TASTE FOR DISCOVERY

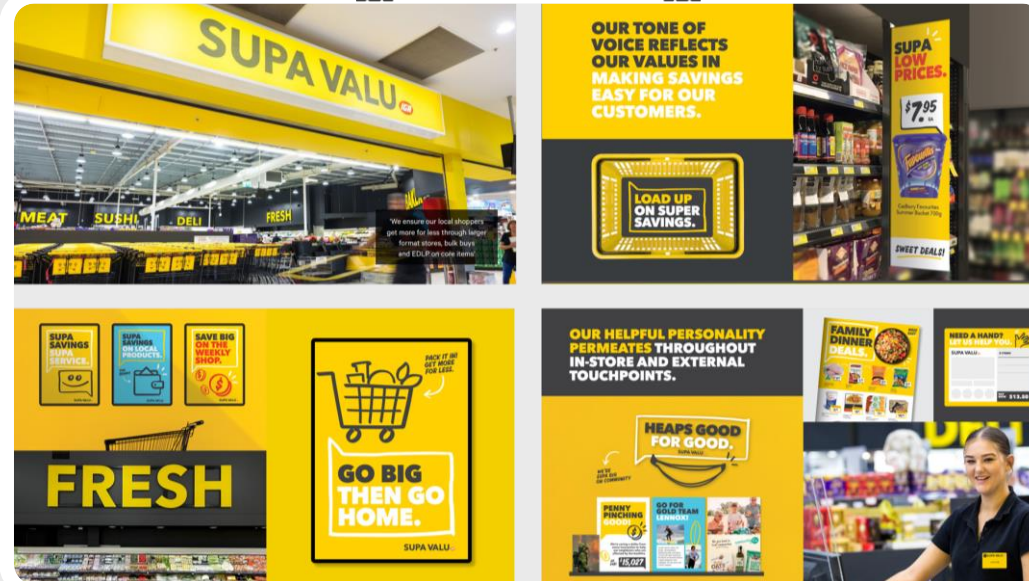
PORTERS

◆ LIQUOR ◆

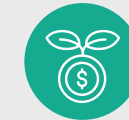


Ruby Renno's

Winning in the **LAST 20 FEET** is a priority for delivering programs which add value to our retailers



Metcash Food Pillar have led the way in defining what exceptional retail standards look like in their banner strategy. Liquor is undertaking a similar exercise to ensure our banner strategy is clearly defined in how we show up.



Similar to Food's Diamond Store Accelerator and Hardware's Sapphire Program, **Liquor is introducing the Ruby Renno's Program**. It is designed to lift the retail standards of our network in order to drive sustainable, profitable growth.

Owned and Exclusive brands

Creating stickiness with shoppers and retailers – quality products representing great value for the shopper and delivering exceptional margin to the retailer



Build Momentum

- Created Independent Beverage Partners (IBP)
- Focused team for better sourcing
- Sustainability centre of all decisions
- Shopper led and insightful new product development

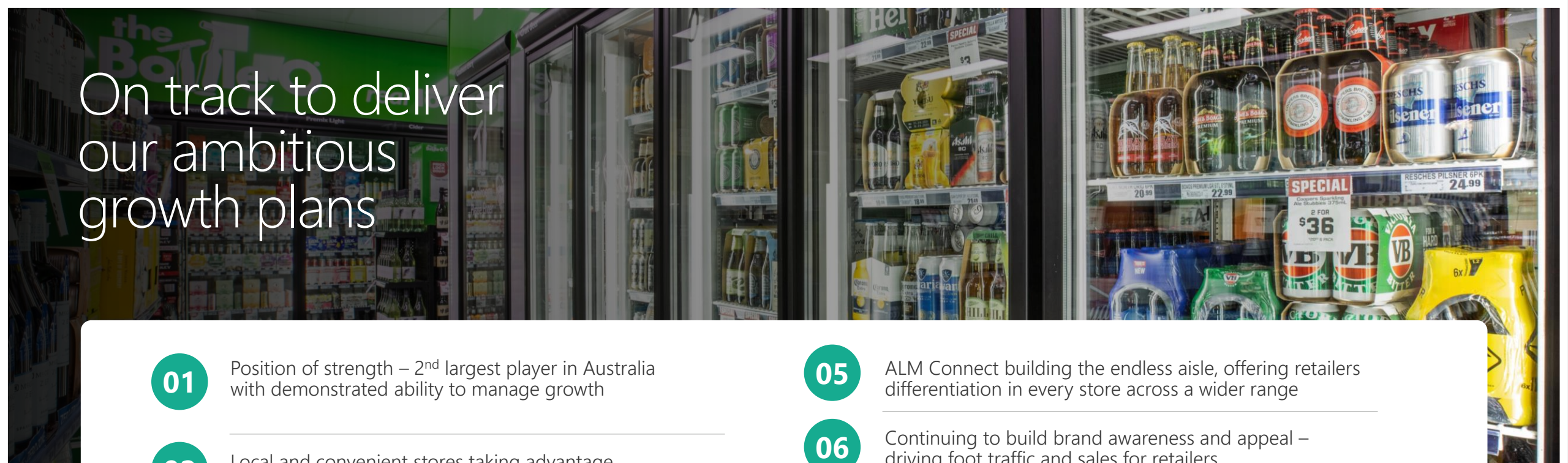
Brand creation and leveraging supplier exclusives

- Rationalised poor performing brands
- Creation of exciting new products
- Collaboration with suppliers on exclusive brand extensions – aim is to collaborate with suppliers first and create owned brands second

Grow IBA volumes and create new channels

- Utilise supplier field engagement driving brand adoration
- Quality, Value & Margin proposition centre of strategy
- On premise growth with exclusive brands
- Contract group and other distribution channel opportunities
- Commenced distribution in South Pacific and Cruise Liners

Targeting 'Owned and Exclusive' wholesale sales to be 5% of total IBA sales by 2024 (up ~\$100m) ➔



On track to deliver our ambitious growth plans

- 01 Position of strength – 2nd largest player in Australia with demonstrated ability to manage growth
- 02 Local and convenient stores taking advantage of consumer shift to 'local shopping'
- 03 Driving 'Best Store in Town' through 'Ruby Renno's' refresh program
- 04 Sales and gross margin growth opportunity in 'Owned and Exclusive' brands

- 05 ALM Connect building the endless aisle, offering retailers differentiation in every store across a wider range
- 06 Continuing to build brand awareness and appeal – driving foot traffic and sales for retailers
- 07 Better Buying ongoing, supporting improved retailer competitiveness and sales
- 08 Accelerate eCommerce, Q-Commerce and Loyalty through POS integration
- 09 Potential capex ~\$10m pa (FY23-FY24)

Further strengthen #1 position in independent liquor



PROJECT HORIZON

Doug Jones
Group CEO



Project Horizon

Why Horizon

- Multiple legacy ERP systems across Metcash – backbone to critical operations
- Many systems facing 'end of life' scenarios: requirement to replace (technology no longer supported)
- Requirement to integrate multiple legacy systems in Hardware
- Horizon **objectives remain valid**:
 - De-risk systems
 - Simplification
 - Remove inefficiencies
 - Build new capabilities to improve customer and supplier experience and value creation
 - Provide platform for future growth

Implementation status

- Stage 1 well progressed with first roll outs in
 - Finance
 - Forecasting and Replenishing
- Design phase nearing completion
- Food & Liquor in build phase across "Plan, Buy, Move, Sell" with rollout in CY23
- Significant complexity:
 - Nine ERP systems
 - Complex underlying business structures and processes
 - Numerous sites: 19 Food, 11 Liquor and six Hardware,
 - Change impacts ~6,000 team members, >4k suppliers and >70k customers

Program update

- Continue to assess delivery program management and governance. Focus on delivering to time, cost efficiencies and minimising risk
- Key focus in CY22 and CY23 is Food and Liquor
- Hardware continues to consolidate and strengthen its existing operating systems
 - Remains committed to D365
 - Reassessing future path (upgrade vs. migration)
- No change to Horizon capex and opex guidance provided in FY22 results materials

Going forward

- Post Stage 1 (value creation phase):
 - Transition to 'business as usual' with pillars maintaining and driving new functionality enabled by D365.
 - 'One-off' costs to be treated 'above the line'

Project Horizon – Stage 1 benefits

Finance

In conjunction with operations, expected to enable a range of enhancements across our core Finance functions, within a modern and scalable ecosystem

Standardised processes



- Access to centralised data through single ERP, providing a 'single source of the truth'
- Drive transactional and operational efficiency by implementing standardised processes
- Automation, including straight-through processing, workflows and enablement of robotics
- Ecosystem enables process benchmarking and enhances access to specialist partners

Cashflow management



- Enhanced demand planning and working capital management
- Optimised debt funding and cashflow management facilitated by a consolidated treasury function

Insights



- Multi-dimension analysis and reporting capability, leading to better evidence-based decisions and value creation
- Singular ERP provides improved visibility of end to end processes
- Access to more granular and right-time financial data, improving commercial insights and resource allocation

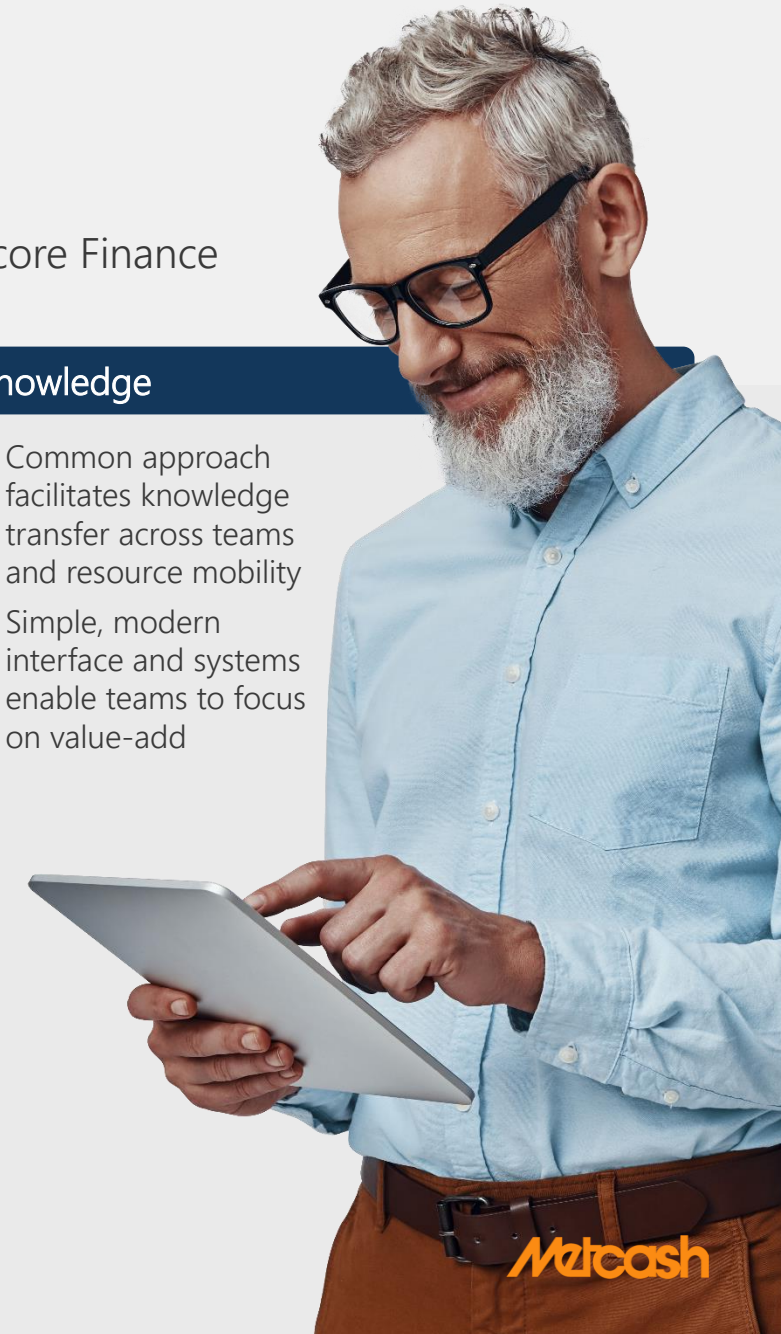
Governance



- Improved governance through a singular integrated internal control environment
- Contemporary core ERP system that is better suited to link in with upstream and downstream systems and modules (including digital)
- Modern architecture enhances system reliability, automatically updated and aligned with the global best practice approach including emerging trends & capabilities

Knowledge

- Common approach facilitates knowledge transfer across teams and resource mobility
- Simple, modern interface and systems enable teams to focus on value-add



Project Horizon - Stage 1 benefits

Operations

Anticipated benefits including operating cost efficiency, working capital improvement and transformation of customer experience across critical operational areas

Forecasting & planning



- Enhanced stock tracking and management
- Improved forecasting accuracy to improve availability, supplier support and manage working capital
- Greater automation, less manual purchase orders and streamline

Order management



- Allows optimised and automated order fulfilment
- Scalable solution for seasonality, growth and expansion of offering (B2B and B2C if required)

Pricing



- Common pricing tree structure and methodology
- Enhanced and streamlined process to calculate base inventory cost and wholesale price

Data



- Master data – enables consistent approach and governance across pillars with simplified 'single source of truth' across all attributes
- Enables data to be hosted in leading edge, single-site data lake (Azure)

Promotions and rebates



- Aligned and consistent process to manage and report promotions (enhanced supplier visibility)
- Simplified process to calculate and schedule customer and vendor rebates
- Enables more targeted rebate program

Simplify and streamline



- Standardised documentation across all pillars
- Build in excise component to simplify liquor governance and reporting
- Enables access to full bonded range for all satellite DCs

Beyond Stage 1

Leveraging platform to create value



Horizon creates a leading edge, value creation platform

- New technology backbone opens up a wide range of opportunities to create value with customers and suppliers (includes operating efficiencies through removal of complexity and manual processes)



Significant potential opportunities

- Improvements in end-to-end supply chain and how we serve customers and shoppers
- Enhanced inventory management building on Forecasting and Replenishment capabilities
- Acceleration of insight generation and activation to drive value for Metcash, suppliers and customers



Transition to an embedded value delivery model

- Embedding a scaled-down capability into the business to both drive ongoing system upgrades but to also enable continued improvements



Continued strong focus on cost/benefit

- Initiatives subject to rigorous business case analysis with returns to be in line with our capital strategy



FINANCIAL FRAMEWORK

Alistair Bell
Group CFO



Key focus areas

Active capital allocation



- Delivering long term earnings and cash flow growth
- Delivering Project Horizon and DC redevelopments
- Sustaining capex for:
 - ‘Stay-In-Business’ capex
 - Core growth initiatives
- Flexibility to respond to opportunities/risks (i.e. changing economic conditions)
- Recognising our put option obligations for Total Tools, Ritchies and IHG joint venture stores

Maintaining a disciplined approach to working capital



- Maintain appropriate inventory to ensure our retailers have access to best-cost inventory in sufficient quantities
- Meet seasonal fluctuations in demand
- Deliver appropriate cash conversion

Maintaining a strong and flexible balance sheet



- Maintain net debt levels within our Group debt metrics
- Appropriate buffer to support working capital, investments and earnings growth
- Maintain an appropriate debt portfolio to support growth and operations
- Maintain attractive pillar returns

Key objective is to maximise sustainable value for shareholders



Track record of delivering attractive returns

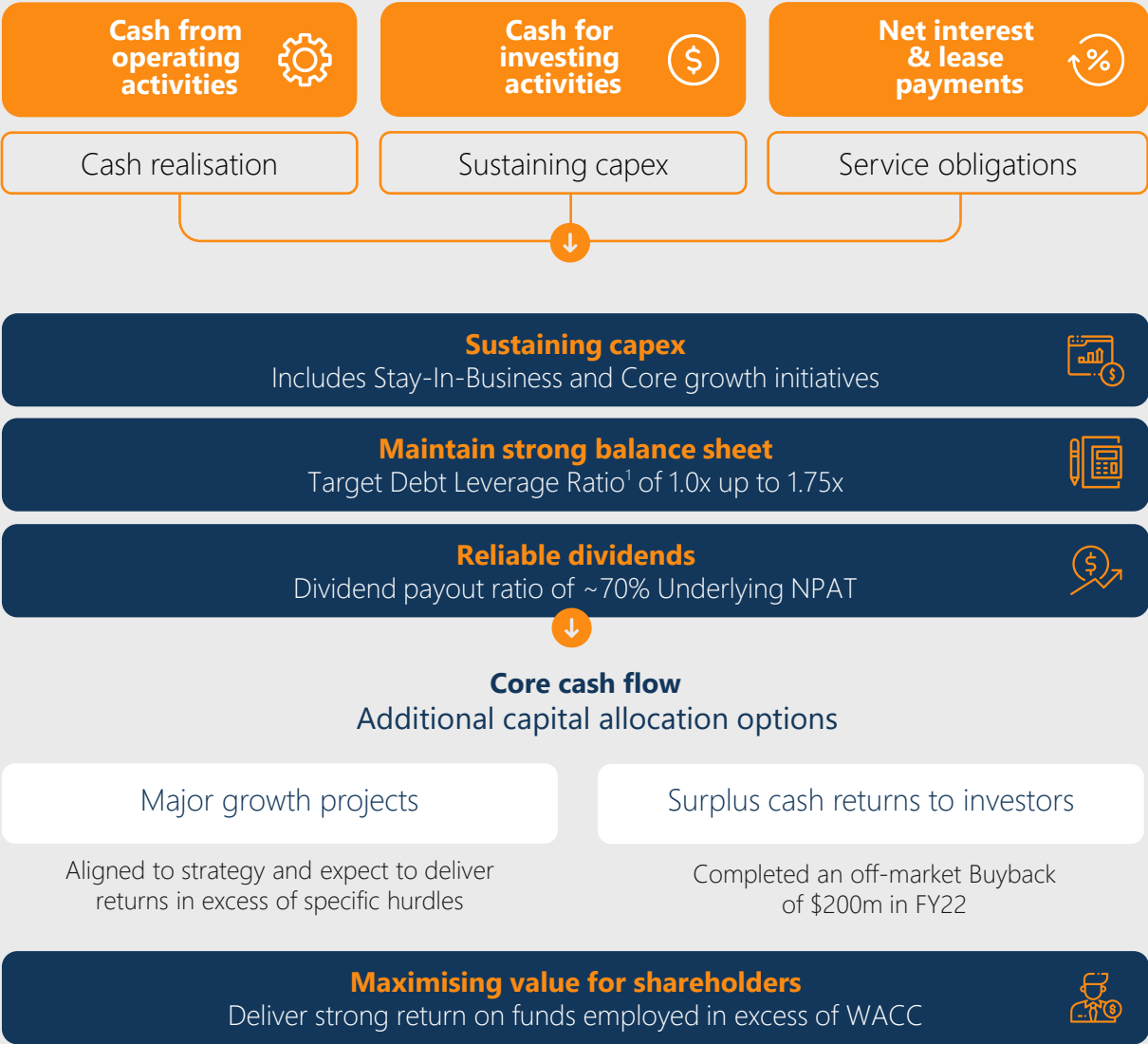
- Growth in EBIT and acquisition of Total Tools key drivers of improved ROFE
- FY22 was an extraordinary year in terms of our performance and ROFE. Going forward, there is a step up in funds employed with key drivers being multi-year investments including:
 - Hardware strategic growth investments in both Total Tools and IHG
 - DC redevelopments in Victoria and WA
 - Horizon
 - Increased inventory due to inflation, supply chain challenges and store acquisitions, digital and other bolt-on M&A
- The earnings benefits from investments in structural items such as Horizon and new stores expected to accrue as projects mature
- Average funds employed can be impacted year to year depending on the levels of trade working capital

	FY18	FY19	FY20	FY21	FY22
Group Sales (\$b) (incl. charge-through)	14.4	14.6	14.9	16.4	17.4
Group EBIT (\$m)	334.6 ²	330.0 ²	334.9	401.4	472.3
Average funds employed¹ (\$m)	1,371 ²	1,193 ²	1,339	1,460	1,523
Group ROFE	24.4% ²	27.7% ²	24.9%	28.7%	31.0%
Group EBIT Margin	2.3%	2.3%	2.3%	2.5%	2.7%

1. Average of opening and closing annual funds employed, including certain allocation assumptions

2. Pre-AASB16

Capital management framework



Free cash flow from operations less lease & interest obligations and less sustaining capex

Cash realisation ratio dependent on working capital management, significant items and trading results - achieved 91% in FY22

Strong free cash flow generation

Annual spend for SIB in line with depreciation (ex ROU assets)

Annual spend on Core Growth dependent on initiatives

Actual DLR¹ of 0.36x for FY22

Target dividend payout ratio increased to ~70% in FY21

Total dividends for FY22 increased ~23% to 21.5cps

Major growth projects principally relating to Hardware in recent years

Measured in various ways – EBIT growth ahead of sales, ROFE, EPS growth, dividend yield

1. Debt Leverage Ratio (DLR) = Net Debt/(Underlying EBITDA less depreciation of ROU assets)

Active capital allocation – approach

Capex investment is categorised to focus on achieving attractive portfolio returns

	Sustaining		Major growth projects
	Stay In Business	Core growth initiatives	Strategic growth
Category 	Replacement of capital items that have reached the end of their useful life or become obsolete	Initiatives to deliver synergies, leverage, efficiencies and optimisation	Investing in value accretive transactions (organic and inorganic)
Description 	- Maintenance capex - IT and technology - DCs and supply chain - Horizon Stage 1	- DC upgrades - Store upgrades and renewals - Retailer support - Most other MFuture projects - IT and technology - Productivity - eCommerce - Horizon value realisation	- Acquisitions - IHG retail stores - Total Tools Holdings interest - Total Tools JVs - New stores - Digital and eCommerce
Returns 	- Ongoing business benefits at least matching annual depreciation (ex ROU Assets) (NB a growing portion of technology investments are operating expenses, forming part of CODB)	- Annual hurdle rates by pillar above WACC – organic profit growth - Essential to support sustainable earnings growth in line with historical average	- Risk adjusted hurdle rates and minimum ROFE – achieving attractive returns above our long term WACC - More general metrics also considered (EPS/DPS)

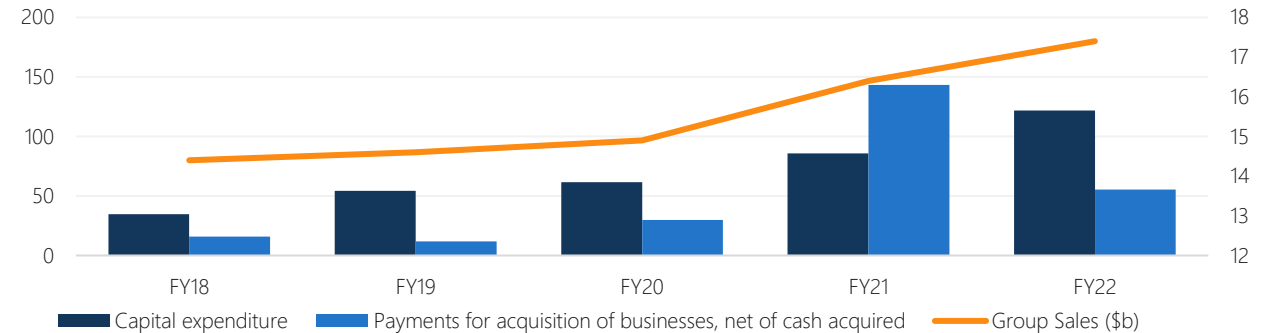
A disciplined approach to delivering attractive returns



Active capital allocation – capital expenditure

- Capital investment categories/projects have differing rates of returns but are expected to achieve hurdle rates well above the long term WACC, and overall achieve attractive blended returns for the Group
- In FY21-22, ~60% of capex allocated to Hardware (excl. Horizon)
- Pillar discount rates used for impairment testing are outlined in the Company's Financial Statements
 - Due to strong performance in Food, its discount rate is expected to reduce in FY23 to be in line with Hardware and Liquor (13.4% pre tax), which is a premium to the long term WACC.
- Annual hurdle rate setting has regard to risk and return potential of each pillar – Group blended rate @ premium to accounting rates
- DCF/IRR and ROFE analysis used to analyse and evaluate projects
- Investments are regularly reviewed and assessed for continuation and business benefits

Capital expenditure (\$m)



Potential capex (\$m) FY23-FY24



	Sustaining	Strategic & multi-year
Stay in business	~55 pa	
Core growth initiatives	~55-65 pa ¹	
Strategic growth		~45-60 pa ¹
Plus: Multi-year projects		
Major DCs (core)		~110 by FY25 (~20m in FY23)
Horizon Stage 1		~90-105 for 20 months to end CY23

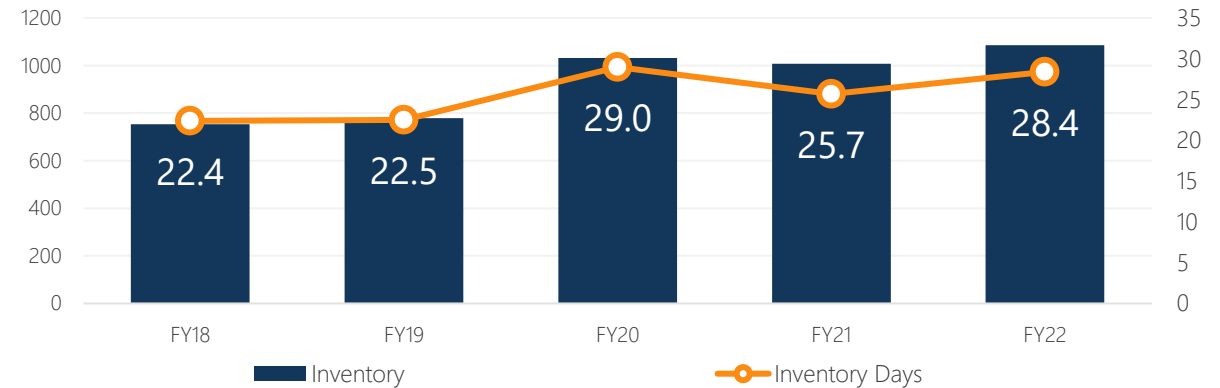
Deliver value creation and EBIT growth



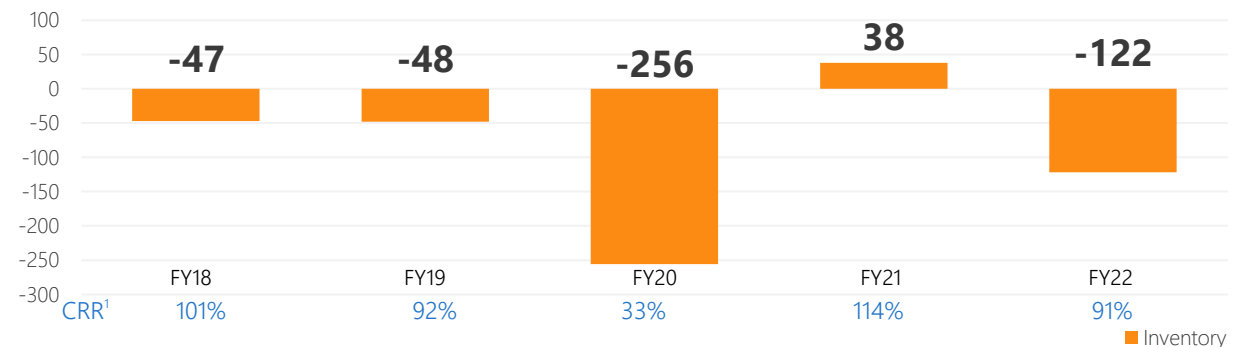
Working capital

- Continue to generate strong operating cash through focus on managing working capital fluctuations from seasonal sales and buying opportunities
- Achieved pleasing cash realisation ratio of 91% in FY22. Includes:
 - Strategic investment in inventory
 - Significant seasonal movements in working capital and impact of inflation
 - Growth in receivables in line with growth in sales – relatively low level of past dues
 - Significant items
- Factors impacting inventory levels and cash realisation ratio
 - Growth in sales, seasonality and price inflation
 - Differing pillar working capital profiles
 - Recently, greater weighting to Hardware, which has higher inventory days, and holds inventory in retail stores
 - Strategic investment in higher levels of inventory and stock availability
 - Pillar inventory fully funded Payables
 - Normalisation of inventory and payables positions
 - Acquisitions

Inventory (\$m) and inventory days



Inventory cash flow \$m



Continued focus on working capital to drive operating cash

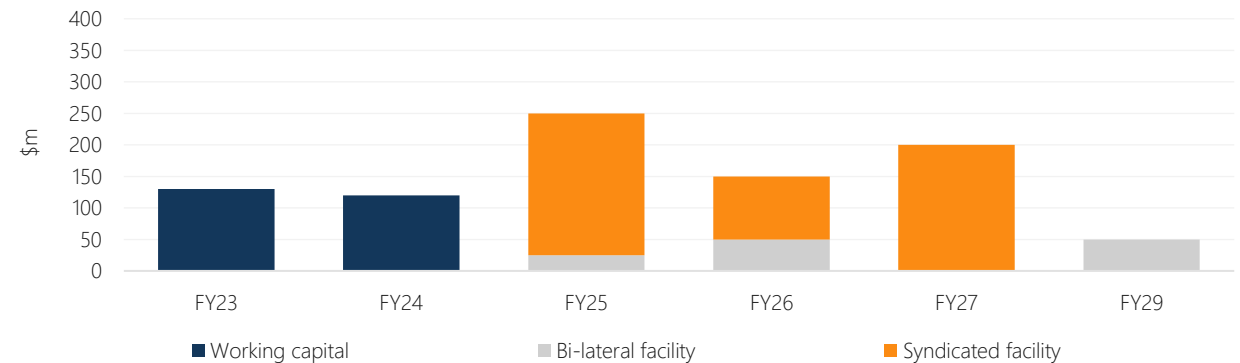


1. Cash realisation ratio

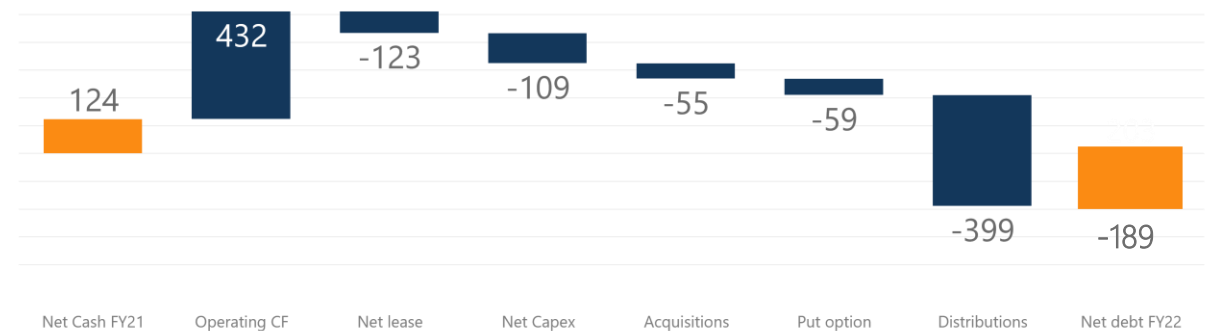
Debt management

- Continuing to focus on optimisation of debt book
 - Maintaining flexibility at competitive average cost of debt – credit margins improving but substantial increase in BBSY since Feb. 2022
 - Maintaining a solid credit profile
 - Ensuring a balanced maturity profile – average tenure >2.0yrs
 - Flexibility to accommodate seasonal fluctuations: working capital facilities, AMEX receivables facility and supplier finance facilities
 - Two primary covenants which apply to the syndicated, bilateral and working capital bank facilities. They include a Fixed Charges Cover Ratio and a Senior Leverage Ratio. All bank debt facilities are in A\$
- Focus on maintaining modest levels of long-term leverage
 - Monitored through debt leverage ratio (target: 1.0x up to 1.75x, with 1.0x equating to ~\$530m based on FY22 results)
 - FY22 Net Debt of \$189m and debt leverage ratio of 0.36x
- Gearing reintroduced into capital structure in FY22 with \$200m off-market buyback and Total Tools acquisitions
- Expect to introduce sustainability linked facilities
- Payment of put option liabilities treated as financing activity in cash flows – FY24 and beyond

Debt facility maturity profile



Group cash movements (\$m) – FY22



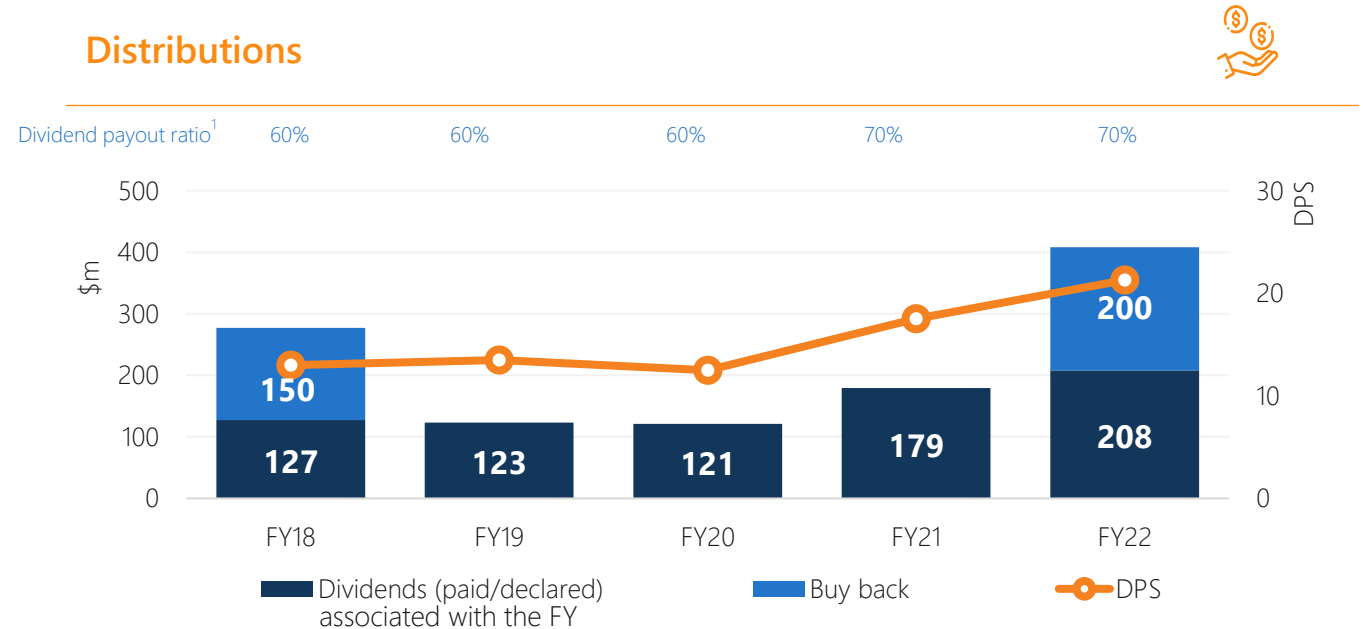
Strong balance sheet with significant healthy flexibility



Shareholder distributions

- Focus on delivering superior shareholder returns
- Our objective is to pay reliable dividends to shareholders
 - Target dividend payout ratio ~70% of underlying profit after tax
 - Fully franked dividends to be paid from annual cash flow
 - Franking balance of ~\$135m end FY22
 - Dividend policy and capital management will continue to be considered by the Board periodically
- Successfully completed an upscaled off market buyback of \$200m in August 21

Distributions



1. Target dividend payout ratio (actual payout ratio may vary slightly)



TRADING UPDATE & SUMMARY

Doug Jones
Group CEO



Trading update – YTD FY23

23 weeks to 9th October

Group

- Strong sales momentum has continued in 1H23 in all pillars, supported by continued preference for local neighbourhood shopping and underpinned by the improved competitiveness of our independent retail networks, and by inflation
- In the face of a higher inflationary environment, we have maintained our focus on keeping our independent retailers well stocked and price competitive to support their delivery of differentiated value for shoppers
- We have continued to work closely with our suppliers and independent retailers to help shoppers manage the impact of inflation by providing better value options through offering a wider range of products at competitive prices
- COVID-related costs have started to normalise and there has been some improvement in supply chain challenges, with corresponding improvement in stock and service levels. However, the availability of labour remains very tight
- We continue to manage costs and service levels in the face of higher supply chain and labour costs
- YTD sales growth includes cycling the impact of COVID-related restrictions and lockdowns in the prior corresponding period

Group sales



+7.7%

with growth in all pillars

Food



Sales increased **2.6%** (+**5.7%** ex tobacco) despite cycling impacts of extensive lockdowns in pcp – strong demand in both the Supermarkets and Convenience businesses supported pleasing volume performance

Wholesale inflation +5.8%²

Supermarkets sales up **1.5%** (+**4.6%** ex tobacco) reflecting continued strong demand and higher wholesale inflation

Hardware



Sales increased **17.1%** with continued strong demand in both IHG and Total Tools, contribution from acquisitions and the impact of elevated inflation (IHG sales +9.6%, Total Tools sales +75.2%)

IHG retail scan sales +8.1% (LfL +4.6%)

Inflation remained high, particularly in Trade, albeit there has been an improvement in the availability of supply

Liquor



Sales increased **12.0%** reflecting continuation of the recovery in on-premise sales and strong demand from retail stores

Sales were partly buoyed by a higher than normal CPI increase that resulted in strong demand from customers

Wholesale sales to IBA on-premise customers increased 46.0%

Focus now on further growth, with ambitious plans to win market share in our independent networks



Our strategy is sound and working – MFuture and existing pillar strategies, together with key acquisitions have materially improved the competitiveness of our independent networks and delivered good financial returns



The businesses we operate are diverse and complementary, with further opportunity for value realisation in the way we are organised



We will continue to step-change our capabilities in key areas:

- Digital customer engagement – Loyalty, eCommerce, Social, Marketing (both B2B and B2C)
- Data
- Property and network development
- Our core logistics and operating model
- Leveraging our investment in Horizon



Our focus on accelerated growth is supported by our competitive advantages; the Metcash flywheel; our DCs; investments in acquisitions; digital platforms; systems and a renewed articulation of our value drivers