



Metcash Limited

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28 August 2013

ASX Limited
Company Announcements Office
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/ Madam

METCASH LIMITED 2013 ANNUAL GENERAL MEETING

We attach the following documents to be presented at the 2013 Annual General Meeting today:

- Chairman's Address
- CEO Presentation

Yours faithfully

A handwritten signature in black ink, appearing to read "G. Watson". The signature is fluid and cursive, with a large loop at the end of the first name.

Greg Watson
Company Secretary



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2013 Annual General Meeting Chairman's Address

Ladies and Gentlemen

Metcash this year produced results in line with guidance despite difficult operating conditions. Our Food & Grocery business performed reasonably under great pressure; Australian Liquor Marketers performed extremely well; the Hardware & Automotive business performed in line with expectations; and our strategic acquisitions are progressing soundly.

Conditions for the independent retail sector remain challenging with low consumer confidence and the self-service supermarket chains locked in an ongoing marketing war. As a core wholesaling business, Metcash is particularly affected by the sustained price deflation in the market, which will be covered by Ian in his presentation.

An equity raising undertaken in 2012 resulted in an additional 109 million shares being issued to the value of \$375 million. These shares impacted the capital structure of the company through an 11.6 per cent increase in weighted average shares outstanding, causing a dilution in the underlying earnings per share.

The funds raised were used to purchase the remaining 49.9 percent of Mitre 10 and set up seven hardware joint ventures; further automation of the NSW Distribution Centre; acquisitions in the liquor market including three hotel joint ventures; the purchase of 75.1 percent of Automotive Brands Group and the purchase of Australian Truck and Auto Parts Group.

Let me give you a snap shot of what your company achieved over the last 12 months:

- Reported Revenue rose 3.8% to \$13.1 billion;
- Wholesale Sales rose 3.8% to \$13.0 billion;
- Reported Profit After Tax grew 129% to \$206 million;
- Underlying Profit After Tax rose 6.9% to \$281 million;
- Operating Cash Flow grew 5.5% to \$300 million; and
- Final Dividend at 16.5 cents per share fully franked for the half - full year 28 cents.

The Board was pleased to announce a full year dividend of 28 cents for this financial year which represents a payout ratio of 85.9 percent of underlying earnings per share.

The Board renewal process continued this year with Richard Longes retiring from the Board as a Non-executive Director after 12 years. Richard's contribution to the Board's deliberations and decisions was significant and greatly appreciated.

Michael Butler succeeded Richard as Chair of the Audit Risk & Compliance Committee.

Ian Morrice and Patrick Allaway joined the Board as Independent Non Executive Director in June 2012 and November 2012 respectively.

Andrew Reitzer stepped down as CEO and Executive Director on 30 June 2013. The Board acknowledges Andrew's outstanding service and the value that was delivered to shareholders under Andrew's stewardship.

Ian Morrice was appointed Executive Director on 1 March 2013 and assumed the role of CEO from 1 July 2013. Ian brings over 30 years international retail experience, most recently as Group CEO and Managing Director of The Warehouse Group Limited and we are fortunate to have secured Ian as Metcash's next leader.

The Metcash management team and staff have once again provided excellent service in a challenging year and we thank them for their efforts.

Importantly, we acknowledge the support of our customers and suppliers on your behalf. As a wholesale, merchandising, marketing and service company they are our lifeblood.



Annual General Meeting 28 August 2013

Ian Morrice
Chief Executive Officer



Agenda

- Overview
- Division Highlights
- Looking Forward
- Trading Update



Successful
Independents

Overview – FY13

- Highlights
 - Franklins sell-off virtually complete
 - Liquor business maintained momentum
 - Mitre 10 continued to strengthen network and market position
 - ABG delivered year one on plan
 - Capital raising proceeds fully committed
- Group Results influenced by
 - Continuing elevated marketing intensity in Food & Grocery sector
 - Cautious, value conscious consumer
 - Deleveraging effect of continued deflation in core grocery

Food & Grocery

- Financials

Food and Grocery	FY13	FY12	Variance \$M	Variance %
SALES (\$M)	9,120.6	9,331.7	(211.1)	(2.3%)
EBITA (\$M)	377.9	397.7	(19.8)	(5.0%)
EBITA MARGIN (%)	4.14%	4.26%		

- Sales and market share down overall; reflecting effect of deregulated trading hours in WA plus Qld and WA store exits and Campbells closures, not being fully off-set by Franklins stores sales and share in NSW
- EBITA down reflecting significant investment in marketing, higher utility costs and deleveraging impact of deflation (Wholesale deflation of -1.2% for MF&G)
- 55 new stores plus 57 extensions and refurbishments
- Store Buy-Back Program - 50 completed for the full year with average retail uplift of +10%
 - Underlines the opportunity to improve sales throughout network with improved execution

Food & Grocery

- Franklins

Franklins Store Handover Summary

- Handover virtually complete:
 - Significant new footprint in NSW and increased market share
 - Increased operational leverage through Huntingwood DC
- Significant management effort to execute conversion of Franklins retail operations to independent operators
- Of the 90 stores (including 10 franchised stores):
 - 65 stores sold, 3 stores under management, 22 stores closed
- The economic cost of acquiring the wholesale component of the Franklins business was \$354m expected to yield circa \$350 million of incremental wholesale revenue
- Lower than expected ROI reflecting 2 'lost years' whilst transaction considered by ACCC, store revenues declined significantly whilst 'in limbo'

Food & Grocery Summary

- recent years very challenging

- Competitive intensity & deflationary environment continuing
- Group restructure undertaken;
 - combined Metcash Food & Grocery pillar
- Restructure of Cornetts & Walters including store closures
- Closures of Campbells Wholesale Stores
- WA deregulation resulted in market share loss
- Franklins acquisition
 - timeframe extended and very challenging exercise

ALM

- Financials and Operations

Liquor	FY13	FY12	Variance \$M	Variance %
SALES (\$M)	2,917.6	2,336.2	581.4	24.9%
EBITA (\$M)	47.1	34.9	12.2	35.0%
EBITA MARGIN (%)	1.61%	1.49%		

- Overall sales growth +24.9% and EBITA +35% - Good leverage
- Continued strong performance driven by improved execution and retail offer at store level
- IBA Beer sales up 7% L4L compared to market growth of only 0.2%
- Supplier support improving in line with stronger retail store execution
- Strategy to lift mix of wine sales through network achieving good results

LMG

- Supply contract commenced Oct 2012
 - successfully integrated increased volume across network

Hardware & Automotive

– Financials & Operating Activities

Hardware and Automotive	FY13	FY12	Variance \$M	Variance %
SALES (\$M)	938.4	833.2	105.2	12.6%
EBITA (\$M)	36.2	21.2	15.0	70.8%
EBITA MARGIN (%)	3.86%	2.54%		

Hardware

- Retail sales positive despite cautious discretionary consumer spend
- Trade sales continued to be soft due to impact of a depressed construction market
- EBIT improvement driven by:
 - Gross margin growth through increased buying power
 - Supply chain initiatives including China 3PL facility and new national DC in Vic beginning to have positive impact
- Network includes 825 stores
 - 20 stores converted from competitors in the FY (52 converted since acquisition)
 - 7 JVs established. Newest include Dahlsens (Qld) and Banner (SA)
- Trade business strengthened with formalisation of Natbuild alliance
- Other initiatives include new 'click & collect' and loyalty card programs

Hardware & Automotive

Hardware and Automotive	FY13	FY12	Variance \$M	Variance %
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EBITA (\$M)	36.2	21.2	15.0	70.8%
EBITA MARGIN (%)	3.86%	2.54%		

Automotive

- Business performing in line with acquisition expectations (sales \$83.5m during the period)
- Delivered a strong first year contribution to divisional EBIT result
- Acquisition of ATAP
 - Announced on 16 May 2013
 - Acquisition provides access to 2,500 independents (\$1.5bn addressable market)
 - Opportunity for buying synergies and range expansion for both ATAP and ABG
 - Addition of warehouses in NSW and SA

Looking forward

Transition period prior to appointment as CEO effective 1 July:

- Key insights and learnings from stakeholders: team, retailers and suppliers
- Understanding the challenges and opportunities

Strategic Planning commenced – will update progress at 1H14 (December):

- Develop strategic priorities; the key priority is the Food & Grocery review
- Response to the ongoing deflationary market conditions
- Clear plan for each business pillar
- Build on our core capabilities
- Identify opportunities for growth

Ongoing Focus:

- Continue to champion sustainable independent businesses
- Leading supply chain evolution
- Optimise recent acquisitions and new wholesale supply contracts

Current Trading Environment

Trading environment tough in every retail sector as consumer confidence remains low

- Unlikely to recover until there are stable macro conditions:
 - Election, A\$ exchange rate and house prices
- Particularly in Food & Grocery;
 - Highly value driven, cost conscious consumer
 - High promotional intensity expected to continue to drive deflation
 - Our retailers are responding by reducing costs and inventory

Trading Update

- All divisions performing to plan with the exception of Food & Grocery which had a tough first quarter reflecting the factors noted above
- Management's expectations are for these challenging conditions to remain in place for the remainder of the year
- For this reason, Management anticipate underlying earnings per share dilution for the year to be in the high single digits (including the year-on-year impact of the additional shares on issue)
- As previously foreshadowed, Management have commenced a detailed strategic planning process including the formulation of initiatives to address the issues facing Food & Grocery
- An update on both the strategic planning process and earnings expectations for the full year will be provided in December



Successful Independents

