



**Metcash Limited**

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

16 March 2021

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

Dear Sir/Madam

**METCASH LIMITED INVESTOR DAY, INCLUDING REVISED DIVIDEND POLICY  
AND TRADING UPDATE**

Please find attached a presentation for an Investor Day to be held today, 16 March 2021, including:

- details of a revised dividend policy; and
- a trading update for the first 4 months of 2H21,

both approved today by a Committee of the Board of Directors of Metcash Limited.

Yours faithfully

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

Julie Hutton  
Company Secretary



Metcash

# INVESTOR DAY



16 March 2021





Metcash

# GROUP OVERVIEW



Jeff Adams  
Group CEO

# GROUP OVERVIEW

## OUR PURPOSE & VISION

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.

## INDEPENDENCE IS WORTH FIGHTING FOR



Best store  
in town



Support thriving  
communities



Business partner  
of choice



A favourite  
place to work



Passionate about  
independents





# OUR CURRENT POSITION

## FOOD



- Positioned as alternative to majors – local independent, active in their communities, convenient and differentiated
- MFuture focused on improving retailer competitiveness and was delivering underlying sales growth pre-COVID
- COVID accelerated a shift in consumer behaviour with new/returning customers surprised by changes in stores
- Next phase of strategy focused on continuing to improve the competitiveness of our retailers to retain market share gains, digital, other growth initiatives and cost out

## HARDWARE



- Clear #2 in market with strong Trade focus
- Fragmented market with more consolidation potential
- Acquired 70% of Total Tools Holdings – #1 in professional tools
- Significant sales growth through a shift in consumer behaviour through COVID, particularly DIY supported by Sapphire refresh program
- Well positioned to retain and grow DIY customers
- Return to growth in Trade
- A leader in Trade digital technology
- Pursuing attractive growth opportunities in DIY, Trade, digital and our JV/company store network

## LIQUOR



- Clear #2 in market
- Supplier to ~90% of independent liquor businesses
- Good growth opportunities despite mature market
- Competitive advantage through local and convenient stores with tailored ranges
- Strong retail sales growth from a shift in consumer behaviour through COVID
- Strategic focus 'sharpened' to further improve retailer competitiveness and retain gains achieved through COVID, including from acceleration of digital

## FINANCIAL



- Strong balance sheet
- Strong underlying cashflows
- Net cash position at 1H21
- Well positioned with capacity to fund current growth plans
- Disciplined approach to capital allocation
- History of delivering returns for shareholders

Strong market positions and financial strength



# OUR MANAGEMENT TEAM



**Jeff Adams**  
Group CEO



**Alistair Bell**  
Group CFO



**Scott Marshall**  
CEO, Metcash Food



**Chris Baddock**  
CEO, Australian Liquor Marketers



**Annette Welsh**  
CEO, Independent Hardware Group



**David Reeve**  
CIO



**Penny Coates**  
Chief People & Culture Officer



**Matt Havens**  
Chief Strategy &  
Transformation Officer



**Mark Laidlaw**  
Executive Chair, Total Tools

# INVESTMENT MERITS

## Leading market positions



- Network of >5,000 independently owned stores Australia-wide
- Largest supplier to independent supermarkets
- 2<sup>nd</sup> largest player in Liquor
- 2<sup>nd</sup> largest player in Hardware
- Largest player in Specialised tools

## Well positioned for future growth



- Retail network growth
- Expansion of Total Tools
- Investment in digital and technology
- MFuture momentum
- Benefits from new ERP (Project Horizon)

## Track record of delivering for shareholders



- Strong cash generation
- Attractive returns to shareholders
- 5 year TSR >140%
- Excess capital returned to shareholders

## A disciplined approach to capital allocation and investment



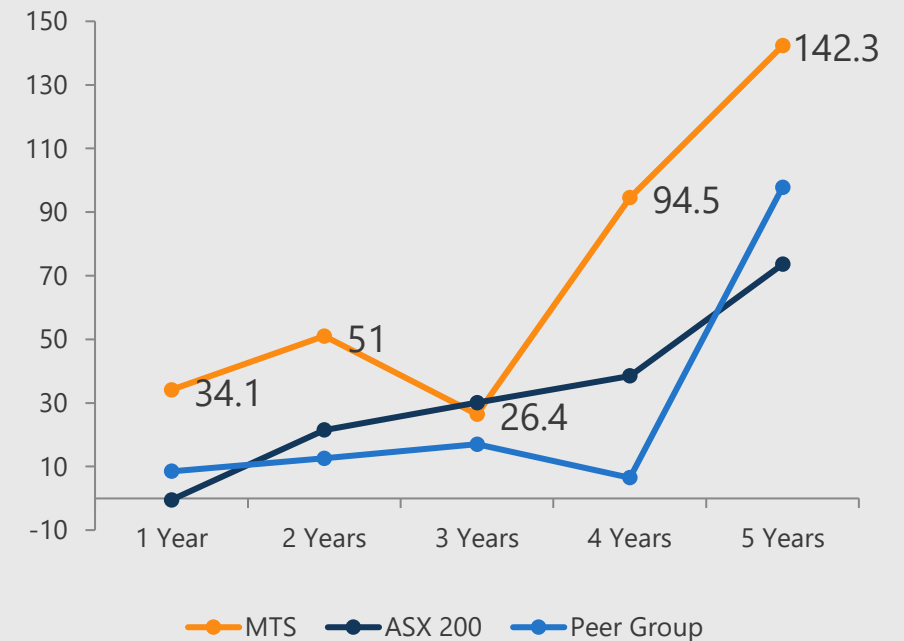
## Experienced management team and Board



## Ideally positioned to continue benefiting from shift in consumer behaviour



## Total Shareholder Returns<sup>1</sup>



A history of delivering attractive returns for shareholders



1. Total Shareholder Return (TSR) defined as share price appreciation plus dividends received. TSR assumes dividends received are reinvested over the respective time period.



# MFUTURE – OUR 5 YEAR VISION

Launched in 2019

Delivering  
a pathway  
to sustainable  
growth



## Our strategy



A balanced approach to revenue growth and cost out:

### GROWTH

- Accelerating successful current initiatives
- Following the shopper into new growth initiatives

### COST

- Improving our infrastructure to enable simpler and cheaper processes
- Ensuring we have a sustainable cost base into the future



Improved competitiveness for our retailer networks:

- Product range
- Service
- Price
- Location



Matching store formats to customer shopping missions

- Trial of new formats and ownership models
- Matching brands to retailer needs and locations
- Modernising retailers' stores through our refresh programs

# COVID UPDATE

## Shift in consumer behaviour



Increased "at home" activities: cooking, DIY maintenance, beverage consumption



Increased preference for shopping locally



## MFuture has proven to be the right strategy



Reflected in performance of all pillars pre COVID



Helping retain new and returning shoppers



Laid foundation for strong performance of all pillars during COVID



Market share gains



Further improvement in health of retail network



Further strengthening of retailer relationships



Retailers reinvesting into store network

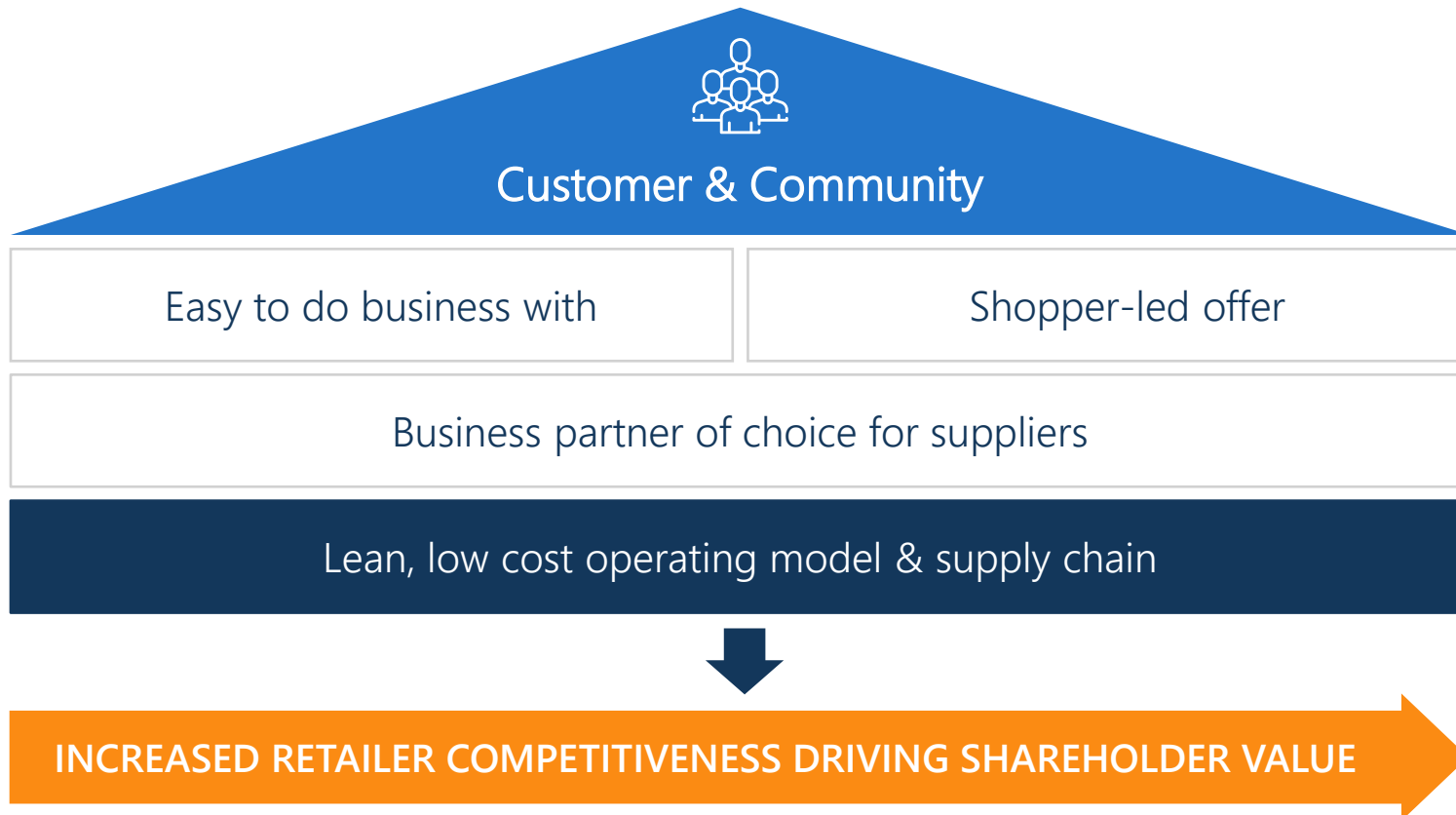


Mecash people engagement score up ~20%

Positioned to continue benefiting from the shift in consumer behaviour



# RE-FOCUSED STRATEGIC DIRECTION









OUR PURPOSE  
CHAMPIONING  
SUCCESSFUL  
INDEPENDENTS





# MFUTURE – NEXT 3 YEARS

Continue supporting our retailers to further improve their competitiveness and retain new and returned customers gained through COVID, as well as attract new shoppers.

GROWTH					COSTS
 Store upgrade programs	 Store formats	 Ranging and pricing	 Private label	New  Accelerating eCommerce	New  System enhancement - Project Horizon

Pursuing attractive growth opportunities, including through leveraging recent acquisitions.



Significant MFuture progress provides strong foundation for next 3 years





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
- Our retail network includes 1,330 IGA stores
- Significant supplier to large contract customers
- Our retailers' stores are conveniently located – sitting in local neighbourhoods at the heart of the local community with significant representation in regional and remote areas

## Positive momentum



- We have faced and overcome significant challenges and are now positioned with:
  - A shift in consumer behaviour
  - Improved retailer relationships
  - Consistent network plans with retailer support
  - Supportive supplier community
- Positive momentum leading into COVID driven by improved retailer competitiveness and operational reset
  - Low Prices Every Day program driving improved value and growth
- Shopper trends favourable for independent network
- ~650 stores using IGA Shop Online
- Retention of new and returning shoppers
- Improved network health

## 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
- Significant growth opportunity with retailers now wanting eCommerce solutions
- Amplification of Loyalty program
- Growth in supply base as partner of choice for independent retailers
- Opportunity to grow Team Score further as partner of choice to the independent network supply base

Well positioned to continue the growth momentum through our focus on 'Customer 1<sup>st</sup>'





# OUR DIFFERENCE

Local independent stores at the heart of their community

01

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

Trusted partner of largest network of independent retailers

02

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

Partner of choice for suppliers and our customers

03

- Broad range of warehoused and direct products
- National distribution

Leading logistics and distribution capability

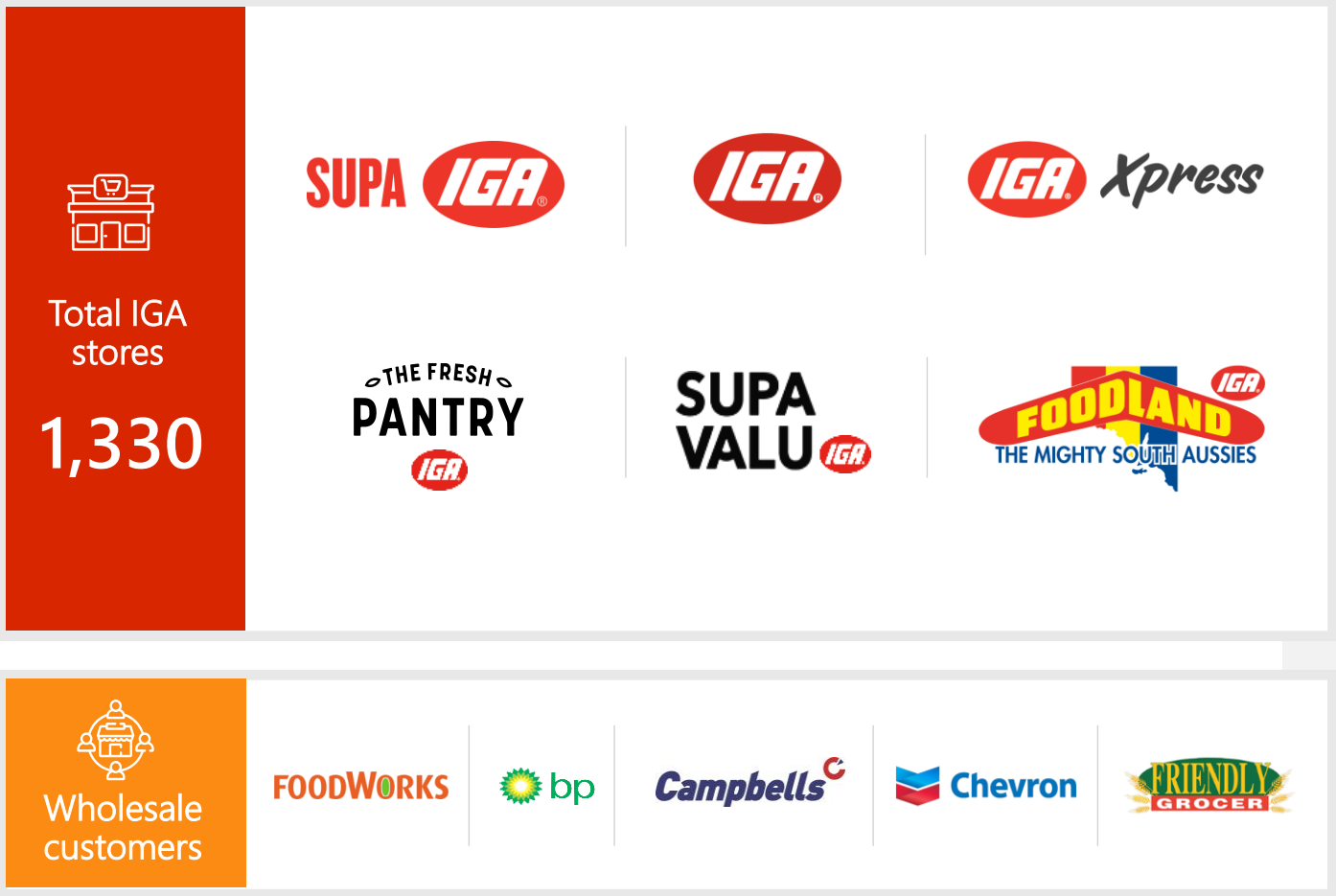
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- Efficient, flexible and responsive
- Scalable and reliable
- Direct and cross dock capability

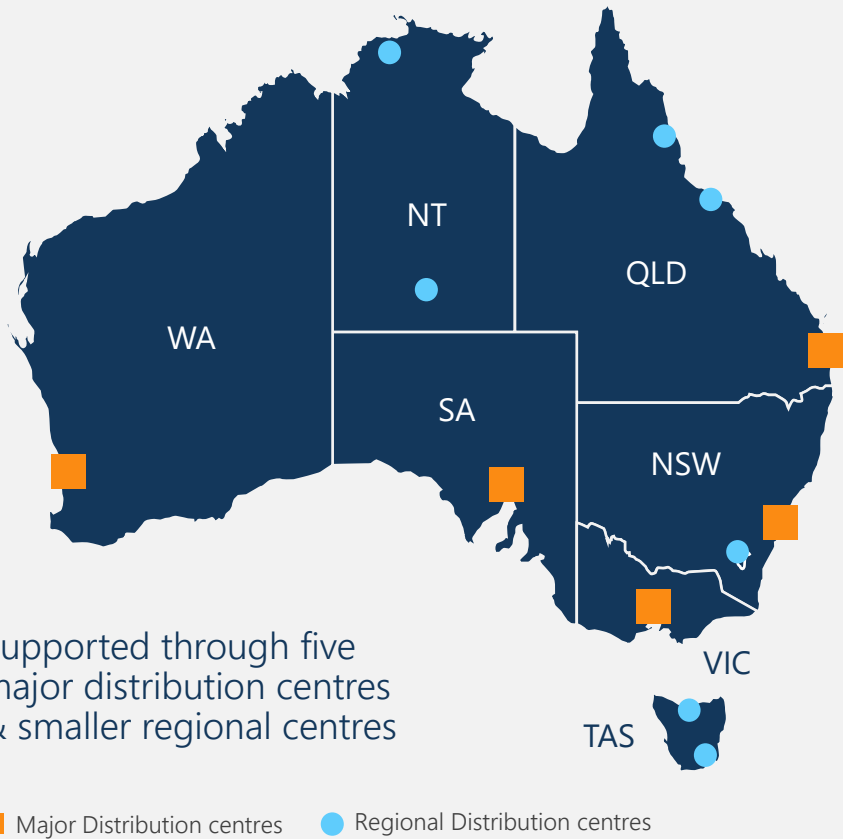
Our local independent stores are community focused with a broad and tailored range



# NATIONAL STORE NETWORK



## NATIONAL NETWORK OF STORES





# POSITIONED WITH A STRONGER FOUNDATION



## 2019 reset

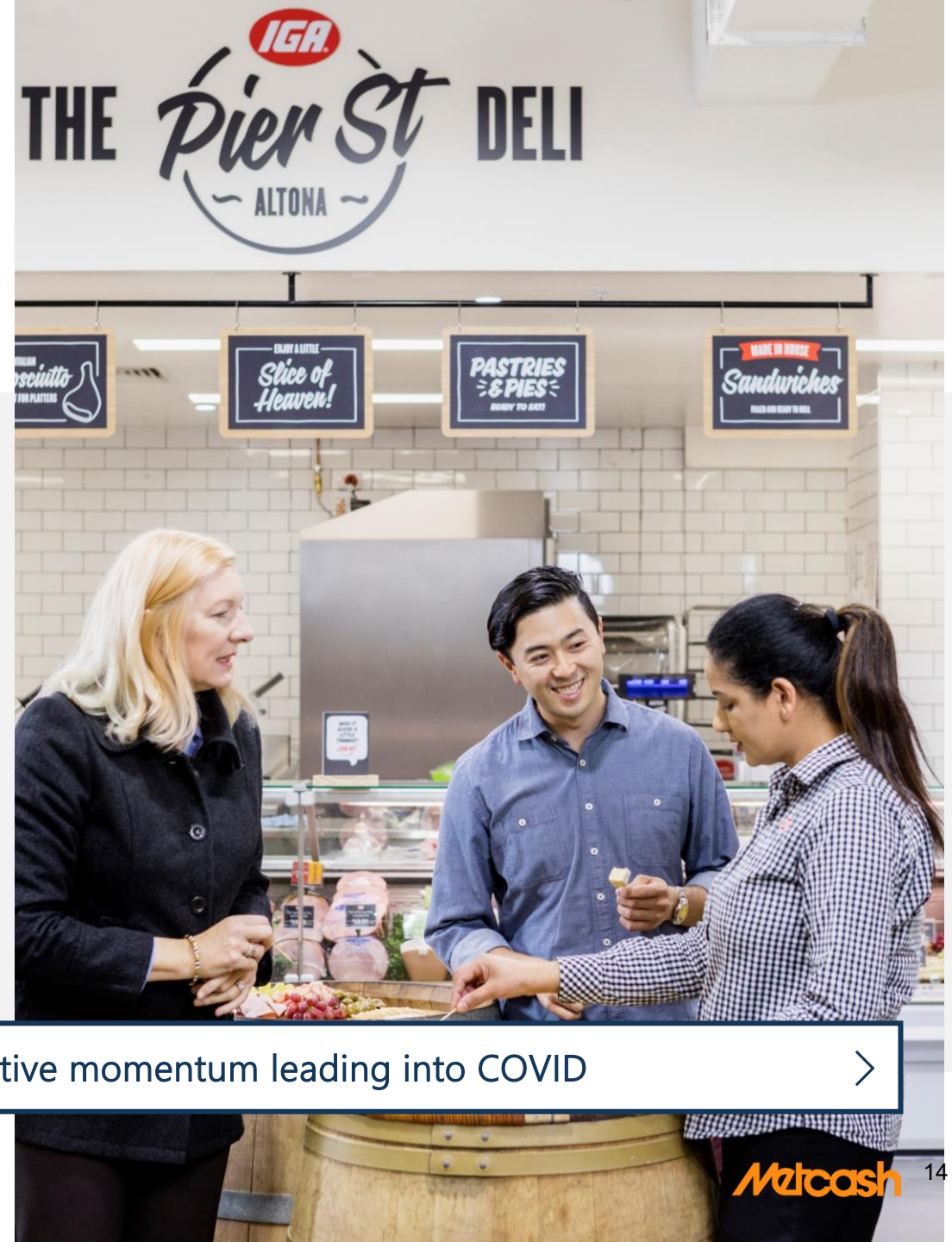
- New operating model to drive improved retailer competitiveness
- New management team
- Better way of working with suppliers focused on driving sales



## Acceleration of DSA program and continued improvement in range, price and supply chain efficiency helped drive positive momentum pre COVID

- Returned to underlying sales growth in Supermarkets
- Teamwork score up 200 bps to 73.3% (Dec 2018 to Dec 2019)
- IGA retailer satisfaction score increased to a record high
- Improved retailer relationships and trust

Reset and success of initiatives delivered positive momentum leading into COVID



# MFUTURE INITIATIVES – PROGRESS TO DATE

## Network of the future

## Core enablers

### DSA PROGRAM



- Store upgrades increased from 320 to 590 (~45% of network)
- Average retailer sales improvement >10%
- Worked with retailers to simplify program
- Retailers have responded with accelerated demand and increased investment in their stores

### BRAND CLARITY



- New suite of brands endorsed by IGA retailers
- Guard rails approved on store standards, ranges and price
- New brand development including alternate non-IGA brand – appropriate brand available for each retailer's needs

### NEW FORMAT TRIALS



- The Fresh Pantry small format stores in Bondi and North Sydney, NSW – learnings embedded in network plans going forward
- First SupaValu large format store in Doonside, NSW. Second store to open in Ballina, NSW in March 21

### SUPPLY CHAIN



- Continuous improvement program across DC network has delivered significant cost savings
- New Distribution Centre in SA operational December 2020 – increased retailer competitiveness through wider range and efficiencies

### SYSTEMS INVESTMENT



- Launched new IGA promotions platform
- IGA Priority Shop established April 2020
- IGA Shop Online launched May 2020. Next generation platform in trial
- Systems improvements including task automation

Investment ~\$50m (2019 estimate ~\$165m over 5 years) – majority of DSAs funded by retailers

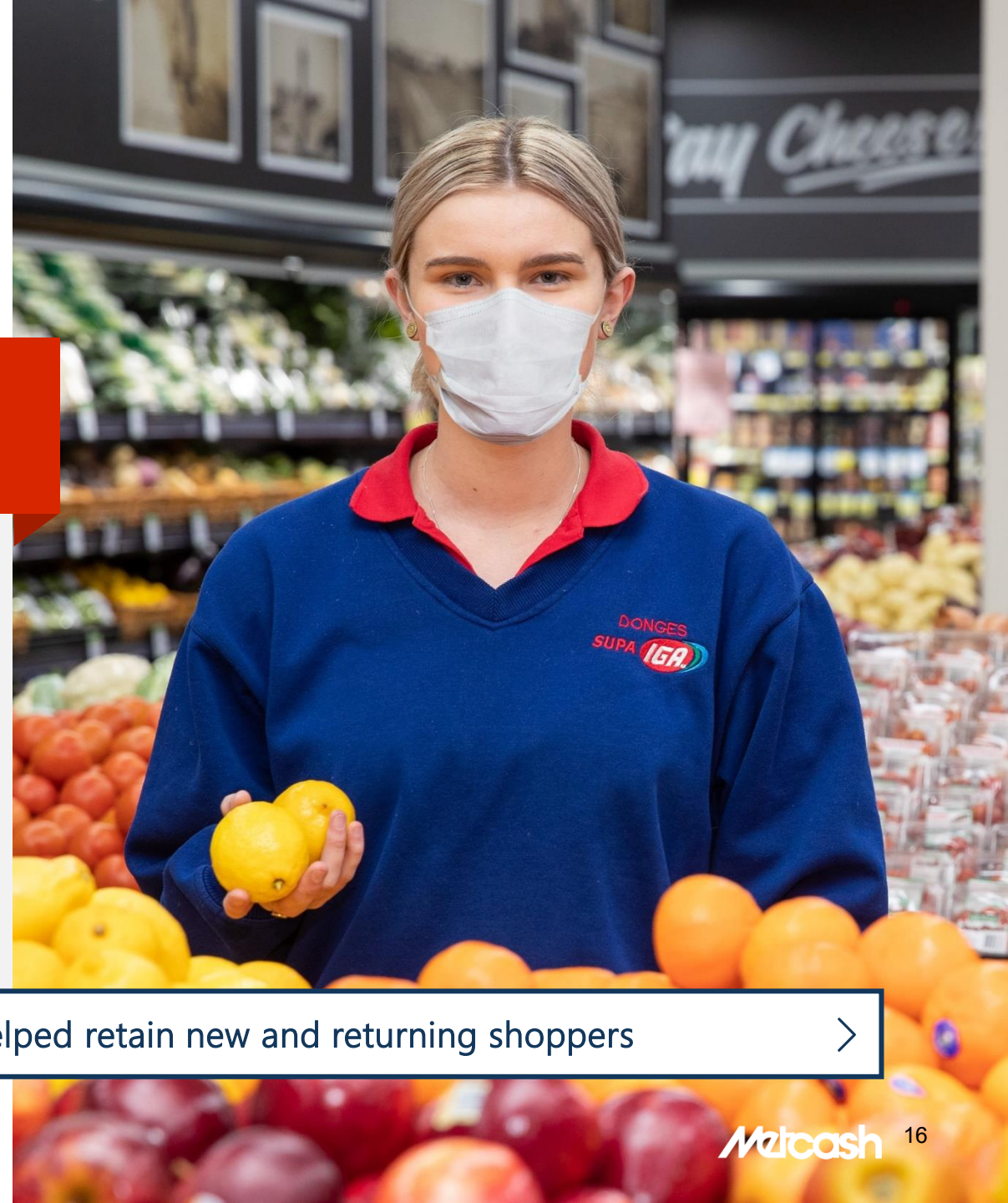




# COVID UPDATE

## Acceleration of shoppers rediscovering 'local'

- Shift in consumer behaviour continuing to drive strong demand across IGA network
  - More flexible working and eating at home
  - Increased preference for local neighbourhood shopping
  - Move from city to regional areas
  - Increased demand for branded products
  - Reduced shopping trips – bigger baskets
  - Significant lift in network health
  - Positive momentum on digital solutions from retailers
  - Further strengthening of relationships and trust
- IGA retailers ideally positioned to continue benefiting from shift in consumer behaviour
  - Stores conveniently located in local neighbourhood
  - Smaller stores enable easy and fast shopping
  - Wide core range of national and local brands
  - Improved competitiveness through MFuture initiatives
- Continued focus on COVID Safe work practices
- Additional COVID related costs not material



Improved retailer competitiveness pre COVID helped retain new and returning shoppers





# SHOPPER RETENTION

- Significant improvement in value perceptions amongst shoppers with positive trend continuing in Q3 FY21
- Low Prices Every Day program continues to drive growth and improved value perception
- Brand emotion (love) improved to the highest score on record in Q3 FY21
- Shopper recognition of improvement in network quality



Overall value perception



Satisfaction with \$ paid at checkout



Store quality perception



Positive shopper perception and brand health metrics underpin retailer shopper retention



# COMMUNITY

Supporting our retailers and communities through challenging times



## The Drought

- IGA Christmas Drought Appeal raised ~\$860,000 for St Vincent de Paul and Drought Angels



## The Bushfires

- Immediate support of \$1.3m for bushfire affected communities through cash donations and emergency provisions from Metcash and our retailers
- Partnered with government and industry to ensure isolated communities continued to be provided with essential goods



## COVID

- Being flexible, agile and creative to ensure we continued to champion our retailers' success
- Set up Home Delivery Service and Virtual Contact Centre with 650+ stores to support vulnerable members of the community
- Worked with Government on support of remote communities and safe store practices
- Sourced and provided COVID Safe supplies to our network
- Foodbank contributions provided 416k meals and 10,500kg of non-food items to people in need in 2020



Retailers actively supporting their local communities, donating > \$95m in the last 10 years through IGA Community Chest >

# STRATEGY 'SHARPENED' TO FOCUS ON CUSTOMER



Purpose

Championing Successful Independents



Mission

To grow by ensuring our customers have a sustainable, competitive offer that enables them to be different, disrupt and win share



Mindset

Shopper loyalty & community engagement

Customer 1<sup>st</sup>



How we win

Relentlessly improve how we support our customers to succeed

Consistently deliver localised unique shopper-led solutions



Strategic drivers

Easy to do business with

Effective value add services

Competitive wholesale prices

Shopper-led range

At the right retail price

In appealing channels



Strong foundations

Effective supplier relationships

Efficient & responsive value chain operations

Safe, engaged & empowered people



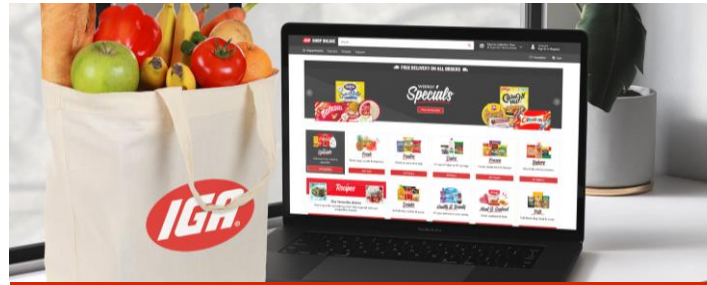
# KEY MFUTURE INITIATIVES GOING FORWARD



## Network of the future



- Network refresh with national brand standards and more consistent offer by format
- Further DSA store upgrades (additional 100-130 stores targeted per year) for next 5 years
- Scale new store formats from trial to rollout
- Continue to drive value for shoppers through competitive core range and price position
- Expansion of Private and Exclusive label



## eCommerce and Loyalty



- Accelerate eCommerce for IGA retailers including rollout of latest eCommerce platform
- Enhance network loyalty programs via IGA Rewards
- Retailer One Stop Shop – improves ease of doing business for retailers



## Supply Chain



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

Driving further network competitiveness and sales growth



# NETWORK OF THE FUTURE



## New IGA brand and channel blueprint

- Endorsed by retailers
- Tailored to target shopper preferences
- Brands aligned to 'guard rails' with a brand for every retailers' need
- Transition to be completed by 2024
- Store refresh supported by Metcash investment
- Improved shopper experience
- Consistent range and price including Private and Exclusive label

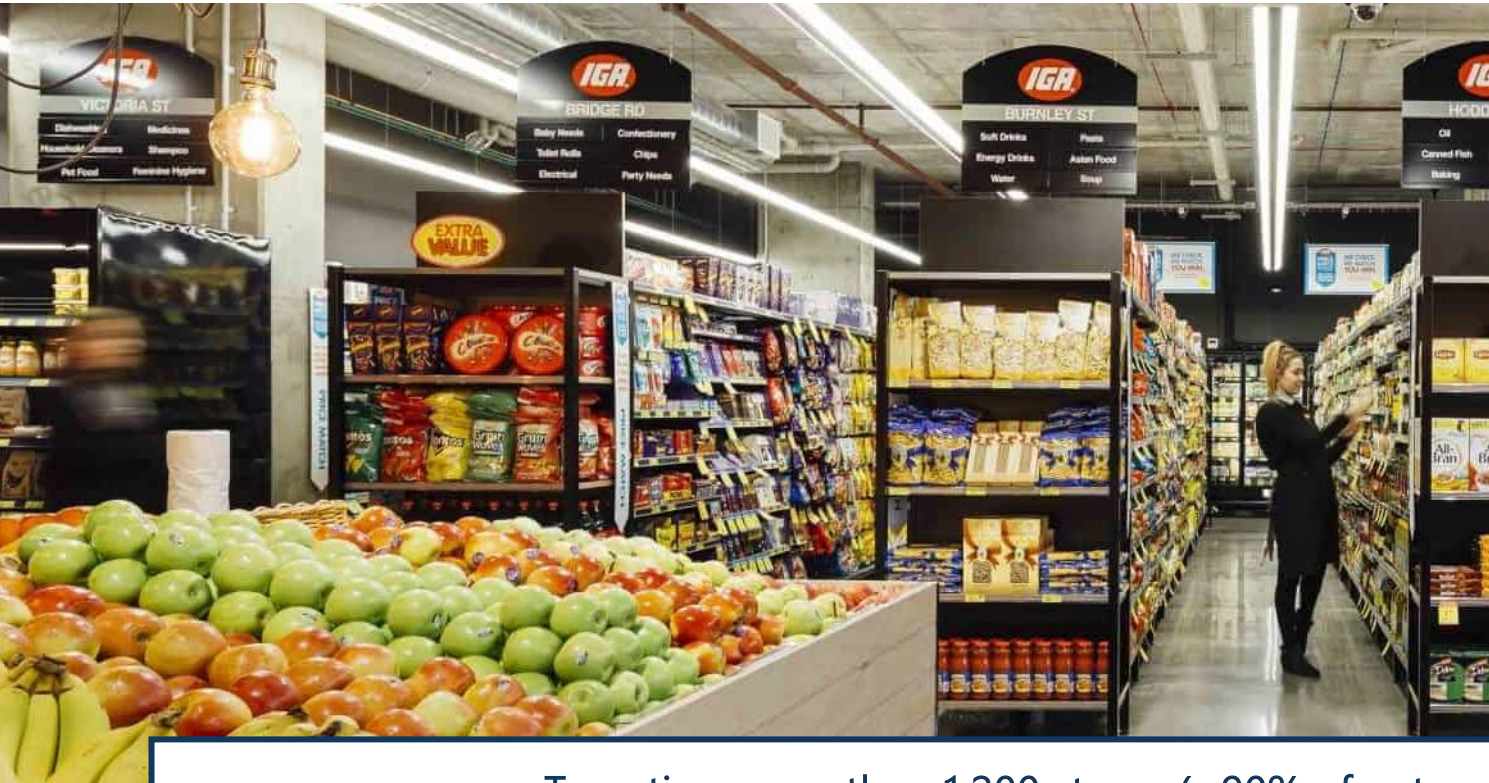


New brands and consistency of shopper offer a driver of sales and network health





# NETWORK OF THE FUTURE DSA PROGRAM



- 590 store upgrades (~45% of IGA network) already completed through Diamond Store Accelerator program
- Targeting a further 100-130 store upgrades per year over next five years
- ~90% of IGA network expected to be upgraded by FY26
- ~20% of future upgrades are a second refresh reflecting acknowledgement of program success
- Store upgrades include implementation of brand clarity initiative
- 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





# eCOMMERCE – UPGRADED PLATFORM



Rollout of the upgraded eCommerce platform to commence end of FY21



Provides store specific ranging and promotions



New features to deliver a more personalised experience for shoppers

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

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



Last mile delivery solutions via Door Dash in place with other options expected to be added with rollout



Current state has resulted in retailers looking to drive eCommerce – new platform into ~800 stores by FY25



# DIGITAL – IGA REWARDS LOYALTY PROGRAM

Rollout of IGA Rewards underway



Enables retailers to better compete and communicate with customers through smart-driven marketing

- Personalised shopper communication based on actual in-store shopping behaviour and preferences
- Delivers higher store visit frequency
- Members spend >80% compared with non-members



Successful trials in Western Australia and Queensland



Program live in 200 stores with further rollout across network underway – opportunity to roll-out to majority of network



Complementary to existing retailer loyalty programs

A driver of customer retention for retailers and sales growth





# SUPPLY CHAIN

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

## Leveraging our DC network

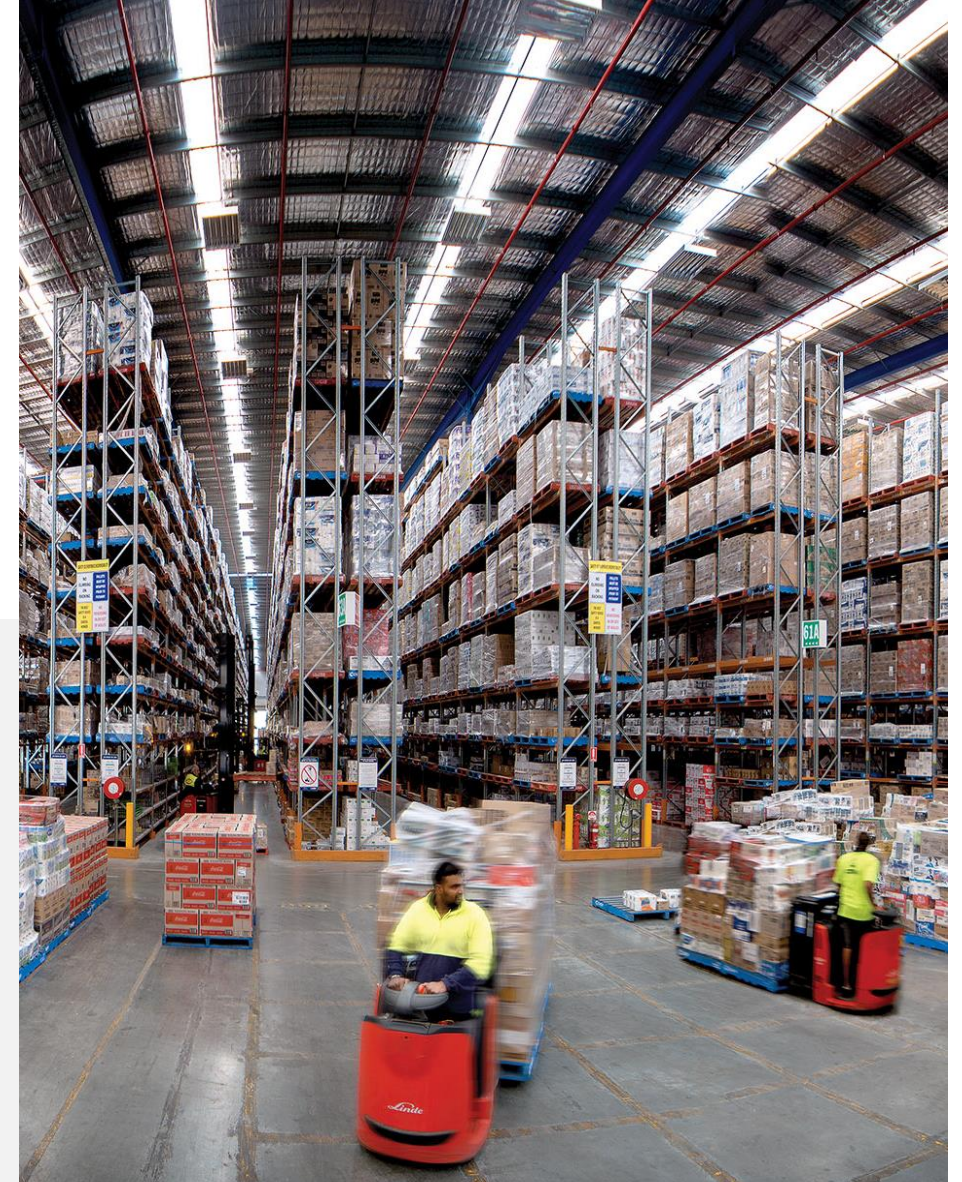


- Delivering productivity benefits and expanded range from new DC in SA
- Supply chain systems efficiencies from deployment of advanced Transport Management Solution and upgrading Warehouse Management System
- Further network review underway focused on improving efficiency of aged facilities

## 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 MFUTURE INVESTMENT



## Network of the future



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

Potential capex of  
**~\$25m**

## Digital



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

Potential capex of  
**~\$20m**

## Supply chain



- Crestmead DC expansion
- Far North Queensland and Alice Springs DC evaluation
- Transport Management System improvement
- Paperless Warehouse

Potential capex of  
**~\$25m**

A Potential capex of ~\$70m (FY22-FY24)



# SUMMARY



Operational reset and MFuture have delivered



Significant improvement in competitiveness and health of network



Shift in consumer behaviour favourable for independent network



Well positioned going forward with right team and plans



Continued focus on retention of new and returning shoppers gained through COVID



Improved retailer relationships and trust



Acceleration of network investment



Acceleration of Digital plans





Mitcash

# HARDWARE



Annette Welsh  
CEO Hardware



# OVERVIEW



IHG is 2nd largest player in Australian Hardware market



Track record of successful acquisitions and delivering synergies



Strategy enables us to capitalise on opportunities



Strong Trade focus, with competitive DIY offer equally important



Company-owned/JV stores core to strategy



Diverse portfolio of store owners and end customers reduces exposure



Continued focus on costs and efficiencies



Strategy includes pursuing attractive growth options

# 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 ~730\* stores with network sales over \$3.5bn.



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

2017



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



2020



Metcash acquires 70% of Total Tools Holdings

\* Includes IHG and Total Tools stores

# OUR BUSINESS TODAY

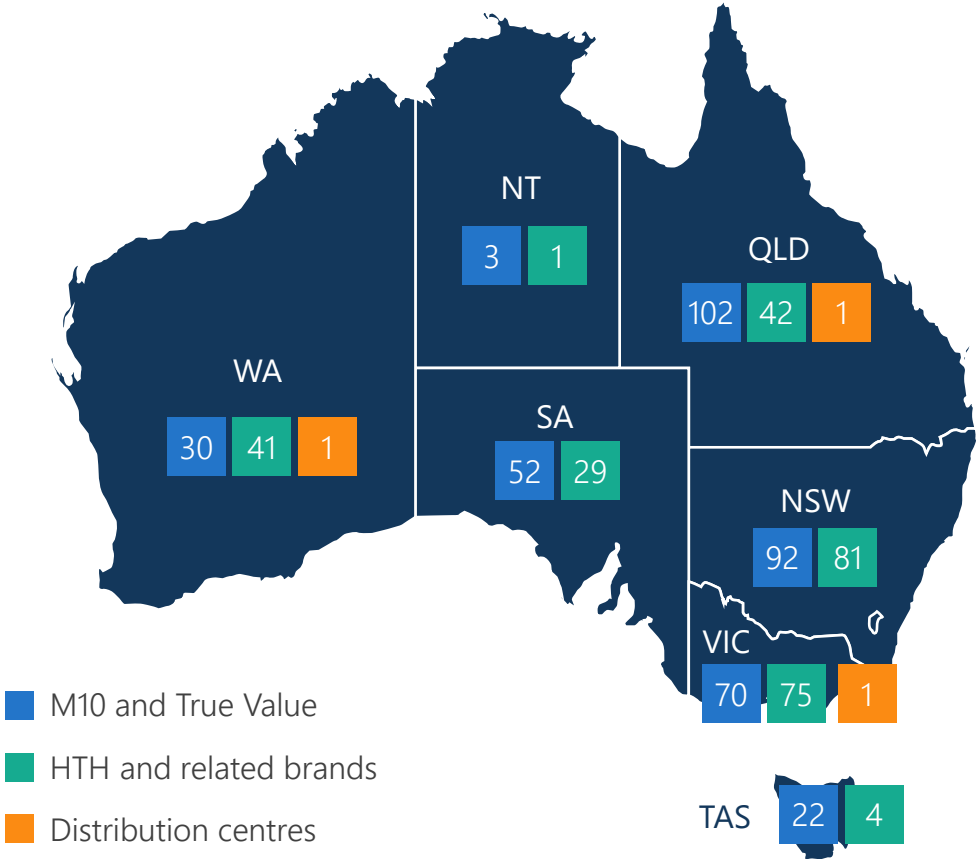
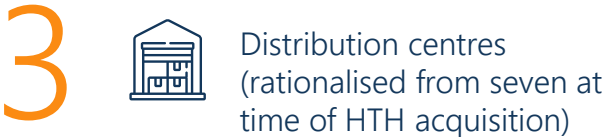
A national network of 644 stores



Sales mix weighted to Trade



Wide distribution network





# COVID UPDATE

- Lockdowns drove increased consumer interest in DIY
- Consumers rediscovered their local hardware store
- Government stimulus and increase in people working from home impacted positively on DIY & Trade consumer demand
- Stores through Sapphire refresh program have performed strongly, particularly in DIY
- Significant sales growth through our shopper led range including: Paint, Garden, Outdoor, Power Tools
- Advanced digital capability optimised online demand
- Loyalty programs supporting consumer retention
- Team Score growth through DC capability and inventory position
- Continued high demand has put pressure on stock availability



Call us  
We're open



~18,000  
Products Online



We Deliver



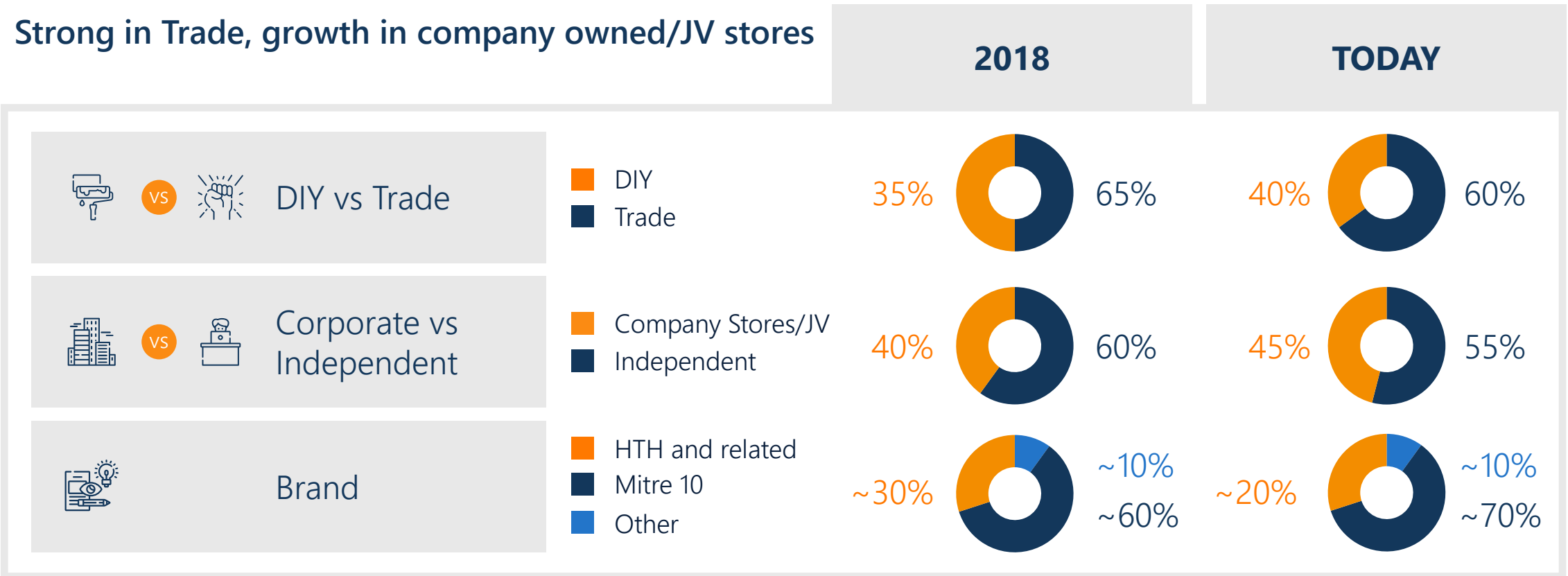
Curbside  
Pick-Up

Stores refreshed through Sapphire program which focus on improving DIY have outperformed



# COVID HAS LED TO A CHANGE IN DIY/TRADE MIX

Strong in Trade, growth in company owned/JV stores



Sapphire store refresh program continues to strengthen the Mitre 10 brand



# MFUTURE INITIATIVES - PROGRESS TO DATE



## Sapphire program

- 130 store upgrades complete by April 2021
- Stores continue to outperform non-Sapphire stores
- Strong interest to invest from independents – good pipeline
- Vehicle to convert Home Timber & Hardware to Mitre 10



## Grow retail network

- Built a retail network of 108 sites
- Completed 100% ownership of an existing minority interest JV
- 15 defensive acquisitions to ensure the consumer retains choice
- Divested stores to successful independents



## Build Trade

- Whole of House Strategy:
  - National coverage from nine Frame & Truss sites owned & operated
  - Sales focused training of 120 Trade Account Managers
  - Supply & Install roll out expanded
  - Increase in percentage supply of a house build from ~30% to ~35%
- Showroom Concept - Four trial locations, TAS, Vic
- 20 Trade Only stores



## Digital & IT support

- Accelerated investment & execution of
  - Trade Technology
  - DIY eCommerce
  - Loyalty
  - Data Insights & Analytics
- Standardise ERP systems across network
- DC rationalisation and system integration

Investment in MFuture initiatives ~\$85m (FY19 estimate:~\$90m)





# STRATEGY TO BE #1 IN TRADE AND ACCELERATE DIGITAL



Purpose

Championing Successful Independents



Mission

To ensure our members can flourish through strength in volume, leadership in innovation and execution of our strategies.



Mindset

Shopper loyalty & community engagement

Consumer Driven



How we win

Protect and grow the network by continuously adding value to our members and consumers through the creation and execution of future-proof strategies



Strategic drivers

Best Store in Town

Shopper-Led Range

Build Trade

Digital, Data & Insights

M-Future



Strong foundations

Supporting our Customers & Suppliers

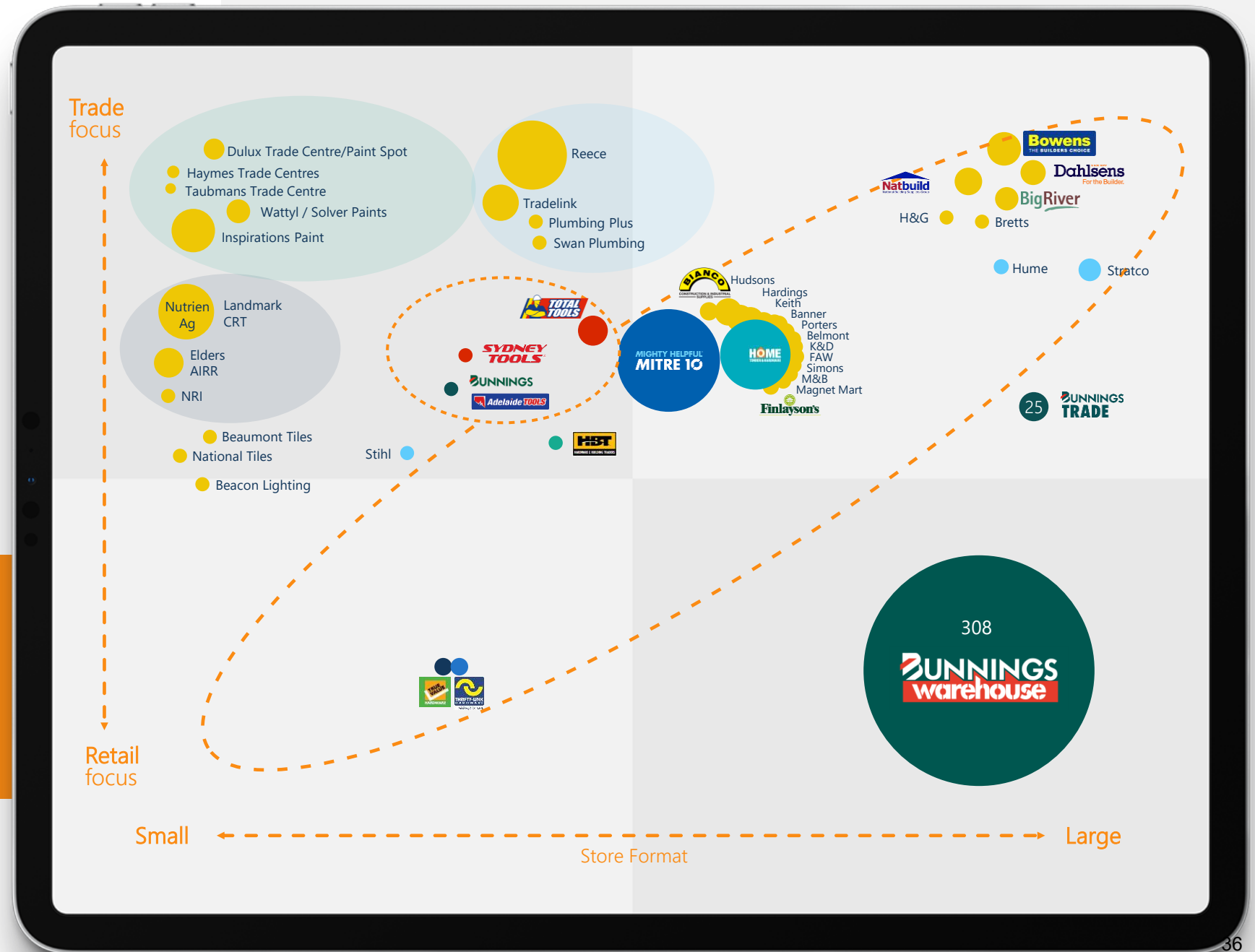
Empowering our People to be Accountable

Giving Back to our Community

# MARKET STRUCTURE

Consolidation continues but remains a fragmented market

Our network sales have grown to  
**> \$3.5bn**  
 2<sup>nd</sup> largest player in the Hardware market



# BRAND STRATEGY 4 YEARS IN THE MAKING



2017

2021

2024



Positions Mitre 10 as the premier IHG brand

51% sales



75% sales



80% sales



Provides Members with a lower-cost strong 2<sup>nd</sup> brand

46% sales



22% sales



20% sales



2% sales



2% sales



1% sales



1% sales

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

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





# MARKET OUTLOOK



Government stimulus driving strong construction activity

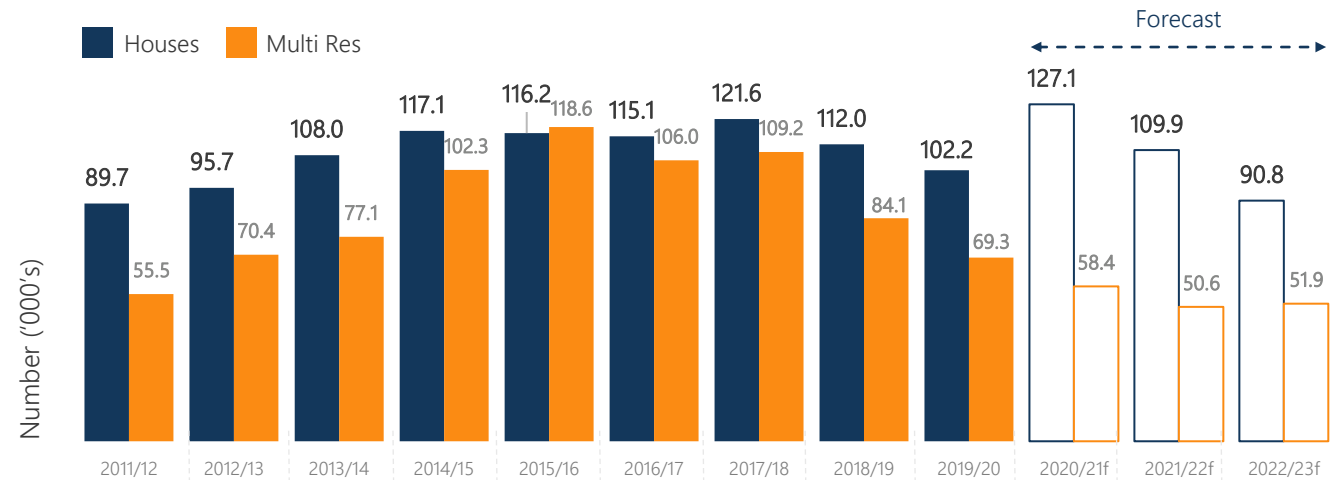


Diversified portfolio of retailers and end customers limits exposure to any particular segment



COVID effects – moves to suburban, regional and continued work from home

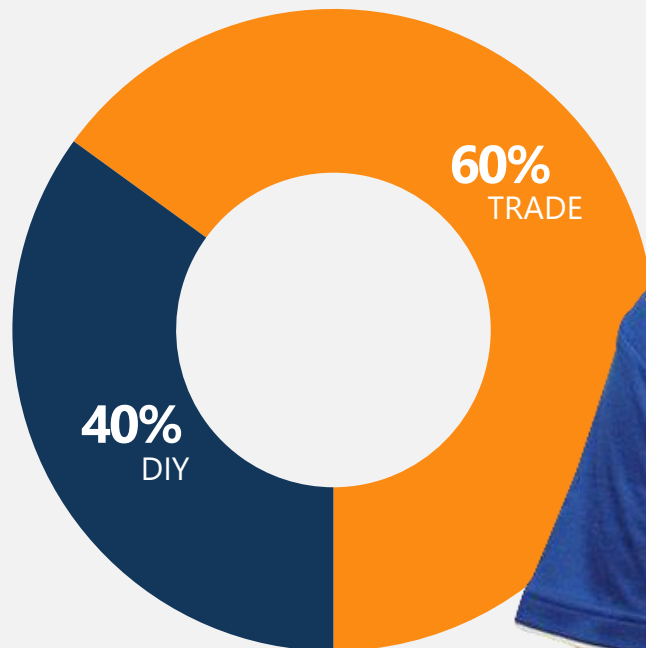
## AUSTRALIAN NEW HOUSING FORECAST



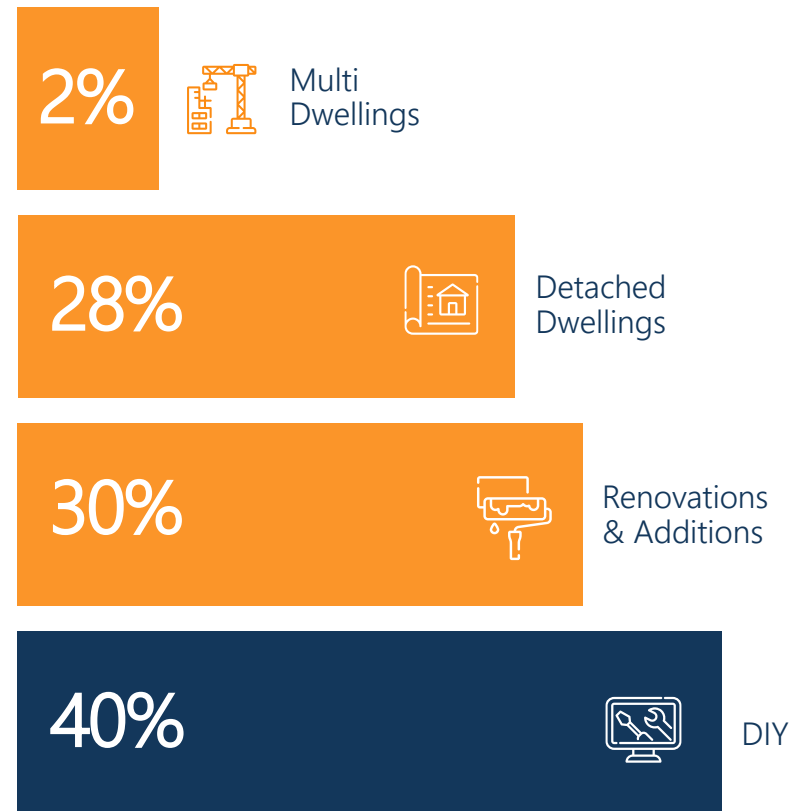
## AUSTRALIAN RENOVATIONS FORECAST



# CUSTOMER SEGMENTATION PROFILE



We supply a diverse group of Trades and Builders with little exposure to Multi-Dwellings



# GROWTH INITIATIVES

## GROW IN DIY



Expanding Sapphire store upgrade program



Continued focus on shopper-led range & price



Trial and rollout of emerging categories



Accelerating Digital, Data and Insights



PROTECT  
& GROW  
STORE  
NETWORK  
THOUGH  
JV/COMPANY  
OWNED  
STORES



## BUILD TRADE



Continue to open Trade Centre – Sapphire stores



Expand our share of Whole of House



Continue to develop our market-leading Trade Technology

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





# SAPPHIRE PROGRAM

## OBJECTIVE



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

## ROLL OUT PLAN



- 130 completed by April 21
- Success of program has led to expansion of target stores from 200 to 300 by 2025

## RESULTS



- Sapphire store sales up >17%
- Significantly outperformed non-Sapphire stores during COVID



Sapphire stores delivering strong growth – expanding program from 200 to 300 stores



# SAPPHIRE FORMATS & DELIVERABLES



## TRADE ONLY



- 20 completed
- Potential for a further ~30
- Greenfields & upgrades
- Average Metcash investment of ~\$120K per store

## MIXED TRADE & DIY



- 74 completed
- Potential for a further ~126
- Average Metcash investment of ~\$200K per store

## SMALL DIY < 700M2



- 10 completed
- Potential for a further ~40
- Average Metcash investment of ~\$50K per store

## TRADE DELIVERABLES



- Trade drive through
- Separate Trade desk
- Quality undercover timber
- Early opening, clean facilities & coffee
- Relationship at all touch points
- Rapid response (DIFOT)
- Trade Technology and recognition

## DIY DELIVERABLES



- Shopper led range and price
- Consumer focused store layout
- Digital solutions
- Superior customer service









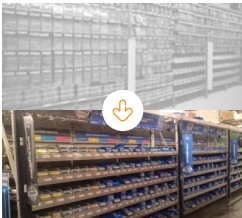
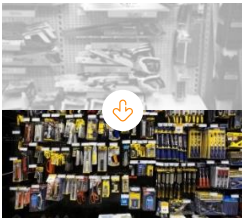
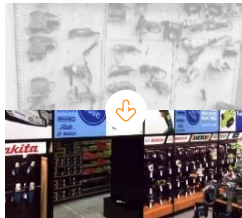
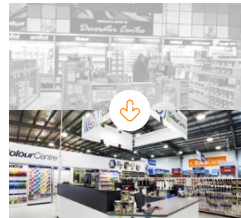


Sapphire sales uplifts providing superior returns on capital invested



# DIY – SHOPPER-LED RANGE

Delivering positive consumer driven experience and team score growth

- Strong & confident in DIY
- Built on solid foundations
- Competitive price online & instore
- Strong core range sales growth
- Complete planogram offer
- Supported by the only wholesale DC offer available for Independents
- Results in Team Score growth

					
<b>FASTENERS</b>	<b>HAND TOOLS</b>	<b>POWER TOOLS</b>	<b>PAINT</b>	<b>STIHL</b>	<b>WEBER</b>
227 Stores	126 Stores	104 Stores	133 Stores	125 Stores	617 Stores
1,157 SKUs	1,361 SKUs	531 SKUs	1,390 SKUs	532 SKUs	73 SKUs
ITW supplied range	Dedicated zone within store	Dedicated zone within store	Hero dept at front of store	Exclusive to Independents	Exclusive to Independents
					



# EMERGING CATEGORIES

Growth strategies executed through rollout of Sapphire stores – 300 stores by 2025

- Drives foot traffic to stores
- Meets customers' aspirational needs
- High service level differentiates IHG from our competitors

Kitchen /  
Laundry /  
Bathroom



Decorate



Garden  
Centre



Connected  
Home




















Significant growth opportunities driven by growing consumer demand and our superior service >

# DIY – DIGITAL

Customer uptake growing strongly – accelerated by COVID and lockdowns

- ~1.2m loyalty members (up 11%\*)
- Online transactions up 151%#
- Online units sold up 187%#
- ~1.2m visitors per month (up ~70%\*)
- 460+ stores per month with orders (up 10%#)

Comparison: \* Feb 21 v Feb 20; #monthly av. over 10 mths to Feb 21 v pcp

  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 have supported members during COVID and accelerated sales growth >

# DATA, ANALYTICS AND INSIGHTS

Value add for Independents



Scan Data



Margin Optimize



Range Reviews



Customer Insights



Benchmarking



Inventory  
Management



Provides insights that drive customer focused decisions – improving sales and margins





# BUILD TRADE – SAPPHIRE TRADE CENTRES



PORTERS MITRE 10

Northern Beaches  
Mackay, QLD



TM&H MITRE 10

Moe, Vic



M&B MITRE 10

Geraldton, WA



DOYLES MITRE 10

Mitchelton, QLD

Supports our goal to be #1 in Trade



# 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

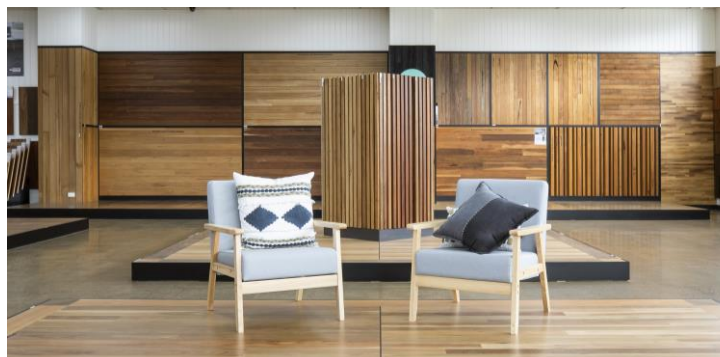
Potential to grow targeted builder's supply from ~35% to ~70% of house build



# BUILD TRADE – OUR NEW DESIGN 10 SHOWROOM

## Strategy to grow share of house

- Enables builders to showcase products to their customers
- Opportunity for Members to leverage floor space and drive sales
- Generates greater customer share of wallet
- Develop an omni-channel solution online and across 10 showrooms by 2024








Supports our strategy for increased share of 'whole of house' >



# BUILD TRADE – TRADE TECHNOLOGY

Enables connectivity with builder at all levels, and underpins IHG’s goal to be #1 in trade

ENGAGE	CONNECT	DELIVER	LOYALTY	INSIGHTS
 <b>Trade Online</b>	 <b>Trade Sync</b>	 <b>TRUCK TRACKER</b>	 <b>MITRE 10 Trade pass</b>	 <b>Trade Profiler</b>
Umbrella for builders to use our digital services	Customers can easily transact with us electronically	Efficient & transparent logistics	Recognition of customers value	Customer data and segmentation



Our leading Trade technology now rolling out to builders and growing



# HARDWARE INITIATIVES

Continued investment to retain DIY gains and build trade

GROW DIY	BUILD TRADE	EXPAND SAPPHIRE PROGRAM	GROW RETAIL NETWORK
<ul style="list-style-type: none"> <li>Accelerate digital solutions               <ul style="list-style-type: none"> <li>Loyalty</li> <li>Website</li> <li>Personalisation</li> </ul> </li> <li>Growth from emerging categories</li> <li>Deliver best in class supply chain</li> <li>Build data and insights to optimise growth</li> </ul>	<ul style="list-style-type: none"> <li>Investment in 'Whole of House' strategy               <ul style="list-style-type: none"> <li>Frame &amp; Truss</li> <li>Appliances and Kitchens</li> <li>Supply &amp; Install</li> </ul> </li> <li>Showroom Concept               <ul style="list-style-type: none"> <li>Online</li> <li>10 showrooms</li> </ul> </li> <li>Technology solutions               <ul style="list-style-type: none"> <li>Add value to builder</li> <li>Provide CRM insights</li> </ul> </li> <li>Targeting 50 Trade Centres</li> </ul>	<ul style="list-style-type: none"> <li>Deliver original target of 200 stores by 2022</li> <li>Increased to 300 stores by 2025</li> <li>Complete two brand strategy by 2024</li> </ul>	<ul style="list-style-type: none"> <li>Develop JV interests with growth driven Independents</li> <li>Build a network of ~150 stores by 2024 that secures future of independents</li> <li>Plan future network opportunities               <ul style="list-style-type: none"> <li>Greenfield</li> <li>Brownfield</li> <li>Digital</li> </ul> </li> <li>Continue to divest where appropriate</li> </ul>
Capex of ~\$20m	Capex of ~\$12m	Capex of ~\$23m	Capex of ~\$75m

Estimate of MFuture initiatives FY22-FY24 ~\$130m



# SUMMARY



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



IHG & Total Tools together targeting #1 position across Trade



Strong focus on supporting Independent store owners



Dual Brand Strategy to be completed by 2024



Sapphire programs expanded to 300 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



Well positioned to retain and grow the DIY consumer



Some potential headwinds from softening government stimulus, shortage of building materials and availability of subcontractors



Well placed to take advantage of future growth opportunities





Metcash  
**TOTAL  
TOOLS**



Mark Laidlaw  
Chair



# OVERVIEW



Clear #1 in specialist tools market with growing national footprint



90% of sales are to Trade



Strong focus on supporting Independent/Franchise store owners



Complements and strengthens IHG #2 position in broader Hardware market



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



Opportunity to grow JV store network – similar to IHG strategy



Market leading loyalty program enabling heightened consumer engagement



Strong pipeline of 'exclusive brand' expansion opportunities



Well placed for long term growth through IHG/Metcash partnership



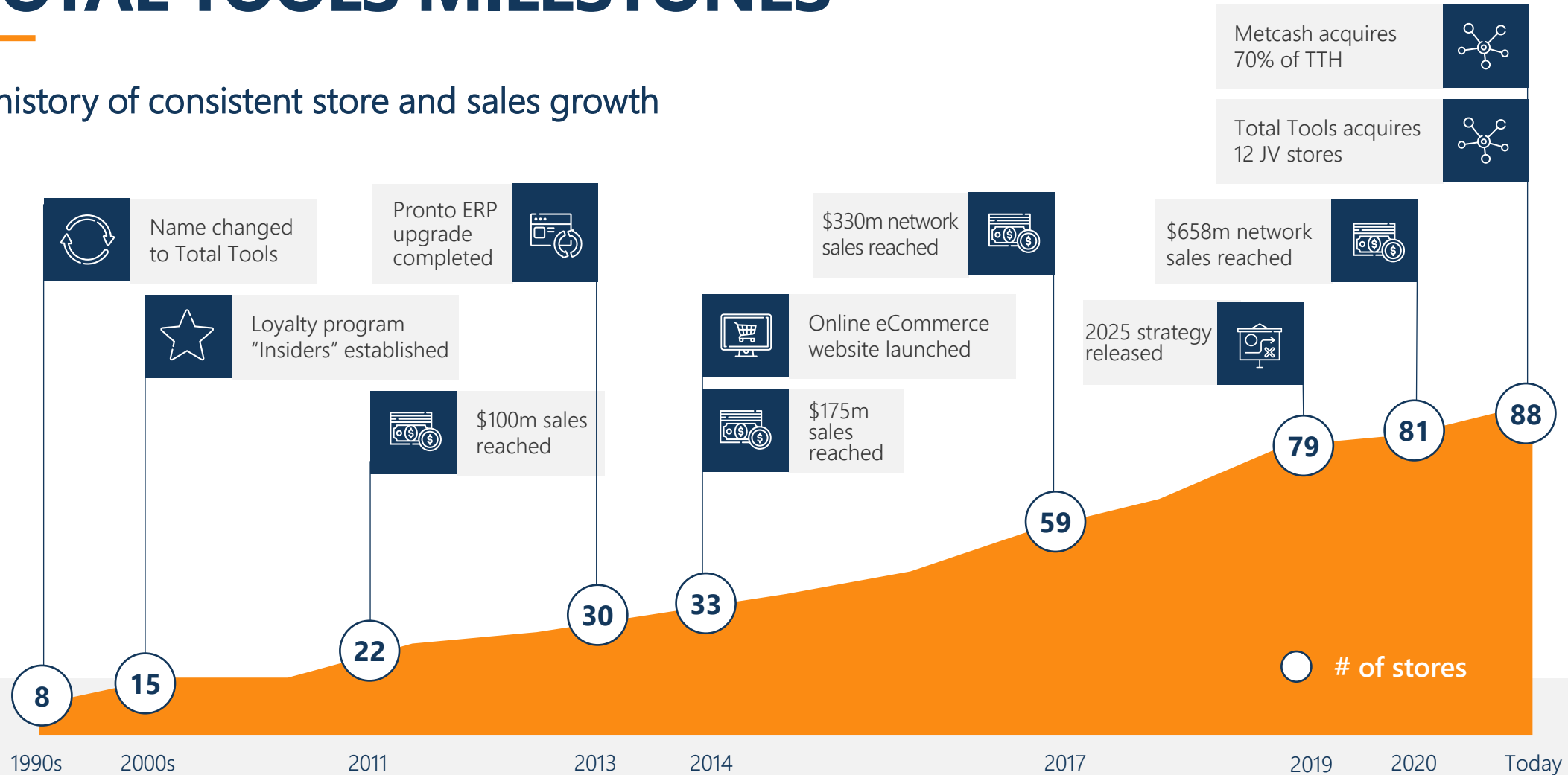
Synergies with IHG/Metcash to be realised over time (not same level as HTH)



One ERP system across support office and all stores

# TOTAL TOOLS MILESTONES

A history of consistent store and sales growth





# TOTAL TOOLS TODAY

#1 professional tools retailer in Australia



**88 stores**

Bigger than #2 and #3 combined in professional tool sector



**100,000+**

SKUs available across the Total Tools network



**\$658m**

Network revenue June 2020



**#1**

Position in professional tools in Australia with many of our top suppliers



**110,000m<sup>2</sup>+**

Retail footprint across the network



**30**

Years of operations



Strong historical financial performance and healthy franchisee network



# THE TOTAL TOOLS STORE



## Store format

- Large store format to offer "Every Tool, Every Trade"
- Highly trained staff providing expert advice
- Modern layout, eye-catching signage for easy navigation
- 7,000-15,000 SKUs in each store (100,000 available across the network)
- Shop size – Total Tools: ~1,250 sqm; Bunnings: <250 sqm; Sydney Tools: >1,250 sqm



**~1,250m<sup>2</sup>**

Average retail footprint



**10,000**

Average store SKUs



**\$8m+**

Average store revenue



# OUR TARGET CUSTOMER

Tradies that use professional tools for a living and come to us for our:

## Range

Consumer-led range, true to our motto "Every Tool, Every Trade"

## Brands

Unrivalled range of the best professional brands in the world

## Service

Professional service, solutions and advice



**1.5m+**

Full-time tradies in Australia

## Total Tools customer base

**1.2m+**

Insider Rewards Loyalty Program members

**86%+**

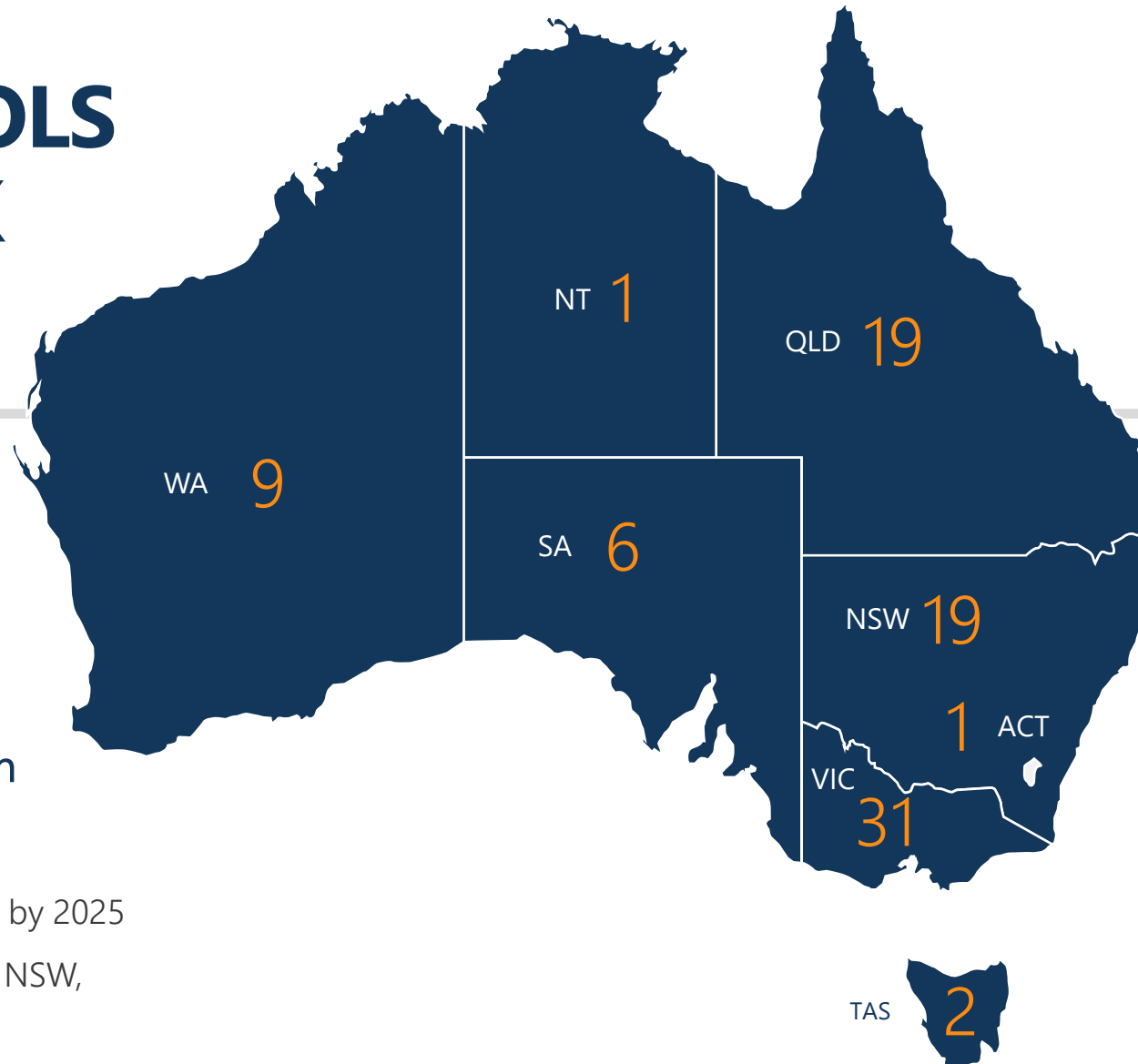
Insider Rewards Loyalty Program sale penetration (excl. Commercial)

**55%+**

of customers are builders, electricians and plumbers



# TOTAL TOOLS NETWORK



88

Existing network stores



Revenue

~40% regional

~60% metro

## Significant expansion opportunities

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

# RETAILER OF CHOICE FOR MAJOR TOOL SUPPLIERS

Long-term relationship with many major tools suppliers

The Milwaukee logo, featuring the word "Milwaukee" in a red script font with a red lightning bolt graphic underneath.The Makita logo, featuring the word "Makita" in a red italicized sans-serif font.The Bosch logo, featuring a circular emblem with a stylized 'H' and the word "BOSCH" in red capital letters.The Sidchrome logo, featuring the word "SIDCHROME" in a red, stylized, blocky font with horizontal lines.The DeWalt logo, featuring the word "DEWALT" in a bold, black, sans-serif font with a yellow background.The EGO logo, featuring the word "EGO" in a green and black sans-serif font.The Diablo logo, featuring the word "DIABLO" in a red, stylized, blocky font with a red lightning bolt graphic.The Cigweld logo, featuring the word "CIGWELD" in a blue, stylized, blocky font with a yellow background and the text "AN ESAB BRAND" below it.The Sutton Tools logo, featuring the word "suttontools" in a blue, lowercase, sans-serif font with the tagline "world class cutting tools" below it.

# MARKET LEADER

A differentiated market position that is complementary to IHG

## #1 in a specialised segment



Clear category leader in professional tools



Leading retail channel for the best professional tool brands



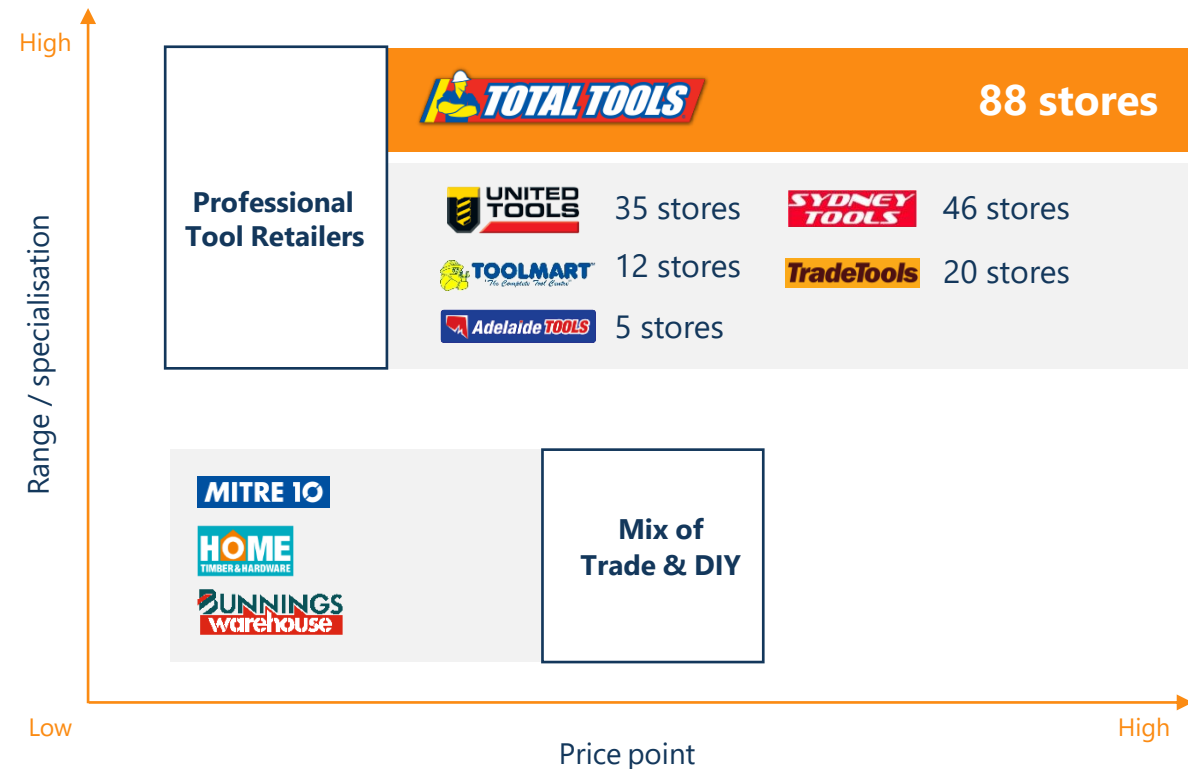
Diversified from its competition:

- Significantly greater in-store SKU offering in comparison to our competitors
- Only player with truly national footprint
- Broader range and larger footprint than our competition



Rated as preferred professional tool retailer

- 85% brand recognition





# COVID UPDATE



Increased demand supported by Government stimulus



Strong sales growth across all categories



Strong online sales through lockdown periods



Strength of loyalty program assisting targeted communication



Delay in store rollouts



Continued high demand impacting supply chain of Owned Brand and local manufacturer inventory level throughout COVID



# VISION AND MISSION

## Vision

To build the Ultimate Tool Shop.  
First choice for Trade Quality  
Tools



## Mission

Every day, delivering the right  
range of tools and advice for  
our customers who are building  
the future



Create the  
ultimate  
customer  
experience –  
however and  
wherever they  
wish to shop



Deliver a  
superior offer  
of trade quality  
tools, ranged at  
a trusted price



Accelerate roll-  
out of the right  
stores, to the  
right places



Working  
together with  
partners. We  
are fast, fair  
and innovative



Focused  
operational  
excellence that  
enhances  
customer  
experience and  
reduces costs



Integrate  
information  
systems to enable  
fast, effective  
decisions across  
the network



Invest in building  
a customer  
focused culture  
that develops and  
empowers people  
while embracing  
change

Together embed a financially strong and resilient network to underpin our growth



# GROWTH DRIVERS FY22 – FY24

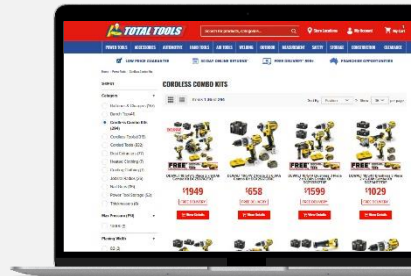
## Grow Store Network



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

Capex ~\$38m

## Online



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

Capex ~\$2m

## JV Conversions



- Potential for 15 stores over three years, from Franchise to JV
- Funded out of TT cash reserves

Capex ~\$50m

## Customer



- Complete store upgrades (24 stores)
- Accelerate loyalty optimization
- Consumer-led ranging

Capex ~\$5m

## Synergies



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

Potential growth capex of ~\$95m (FY22 – FY24)





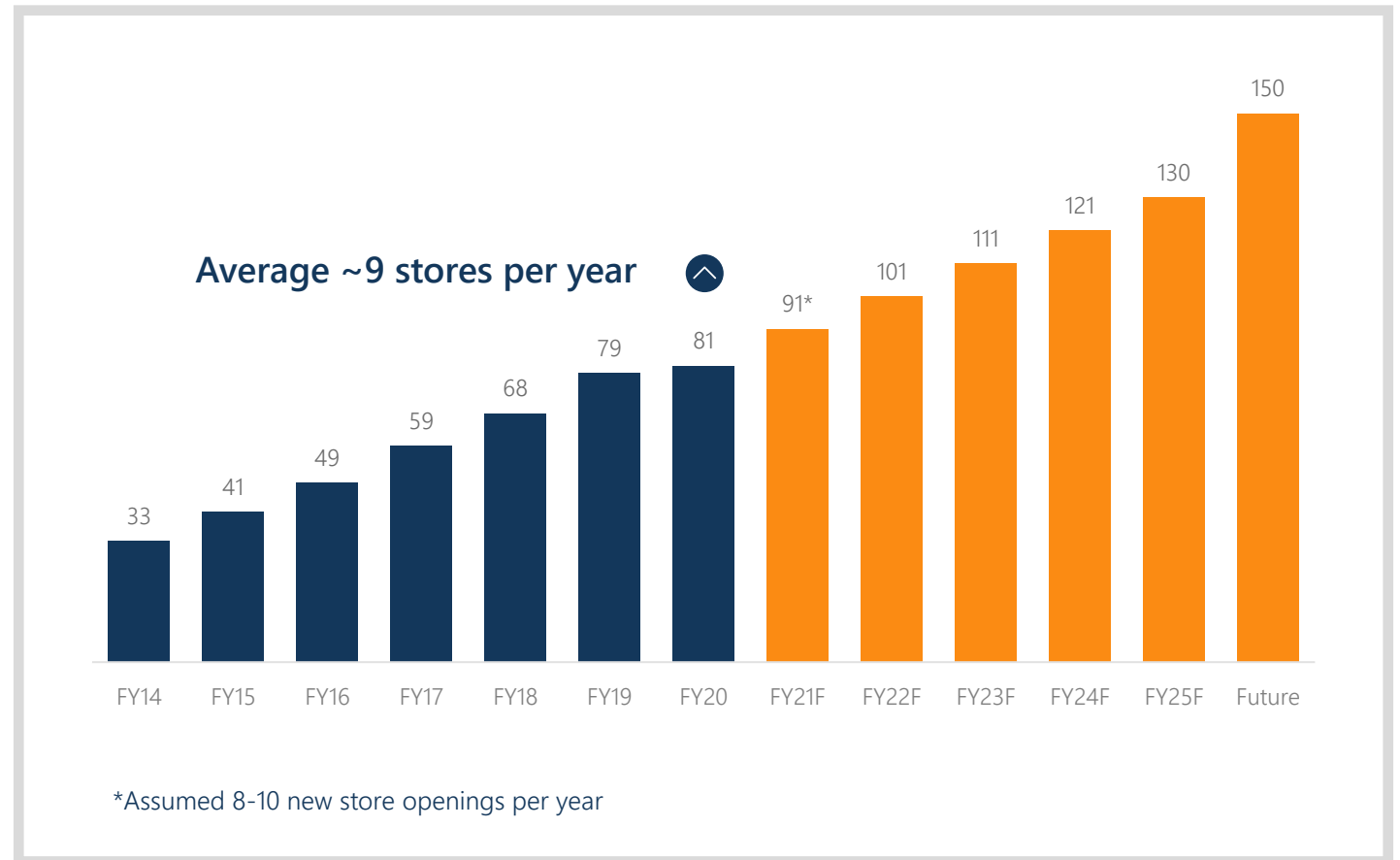
# NETWORK GROWTH

## Track record of network growth

- Opened 40 stores from FY15 to FY20
- History of existing franchisees opening additional stores – demonstrates dedication and belief in model

## Significant growth path remaining

- 150 potential sites identified across Australia



# JV GROWTH PROGRAM

## Background



- One of the key objectives of the transaction 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 \$40m debt facility to TTH to assist with this

## Update



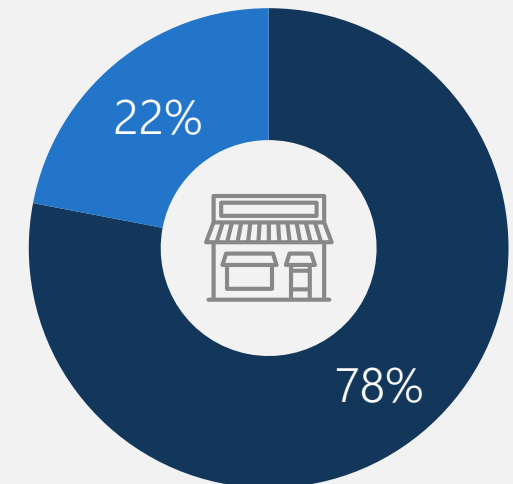
- 12 JV stores from 6 franchise groups acquired in December 2020, TTH ownership ranging from 51% to 60%
- Put/Call arrangement in place in FY24 for Metcash to take full ownership

## Strategy going forward



- ~5 stores per annum expected to convert from franchise to JV, funded out of TT cash reserves and existing MTS facility
- Store growth will be across franchised, company-owned and joint ventures
- No specific target ownership mix

## Revenue by store



■ Franchise ■ JV/Company Owned

IHG has a history of successfully running JV and company-owned store networks

# CUSTOMER & DIGITAL

A step ahead of the pack



Insider Rewards  
Loyalty Program



Full Omni-channel  
Offering



eCommerce



Long Tail Range



Digital Marketing



Social Media



AI Driven  
Personalisation



Order Tracking



Customer Journey  
Optimisation



Customer  
Behaviour Insights



Segmentation



Benchmarking

> **1.3m+** loyalty members (up 27%)

> **+186%** online transactions

> **1m+** online sessions/month (up 77%)

> **90%+** customer satisfaction online

> **70m+** emails sent annually

Digital growing pre-COVID and now accelerating





# STORE UPGRADES – GENERATION 2



64 stores completed



Enhanced customer experience



Sales out performance



Targeting additional 24 refurbishments within 3 years



Average store sales growth post refurbishment >15%



# BEST IN CLASS LOYALTY PROGRAM

## Insider Loyalty Program



1.3m Insider loyalty members



Relaunched in 2017, experiencing significant growth



Strong penetration of 86%+ across network sales



**up to \$700**  
annual spent

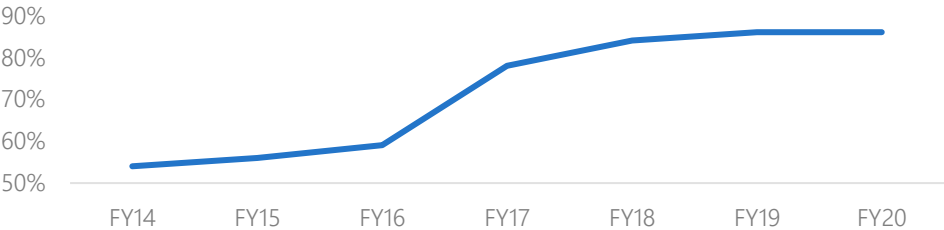


**up to \$2,500**  
annual value

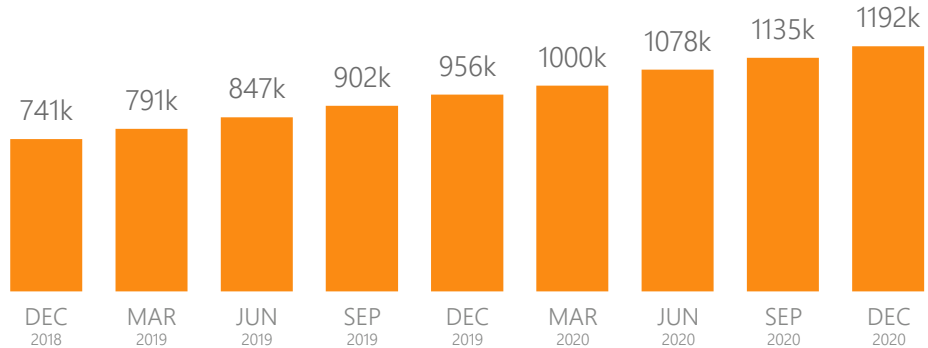


**> \$ 2,500**  
annual spend

## Loyalty Penetration



## Total Members



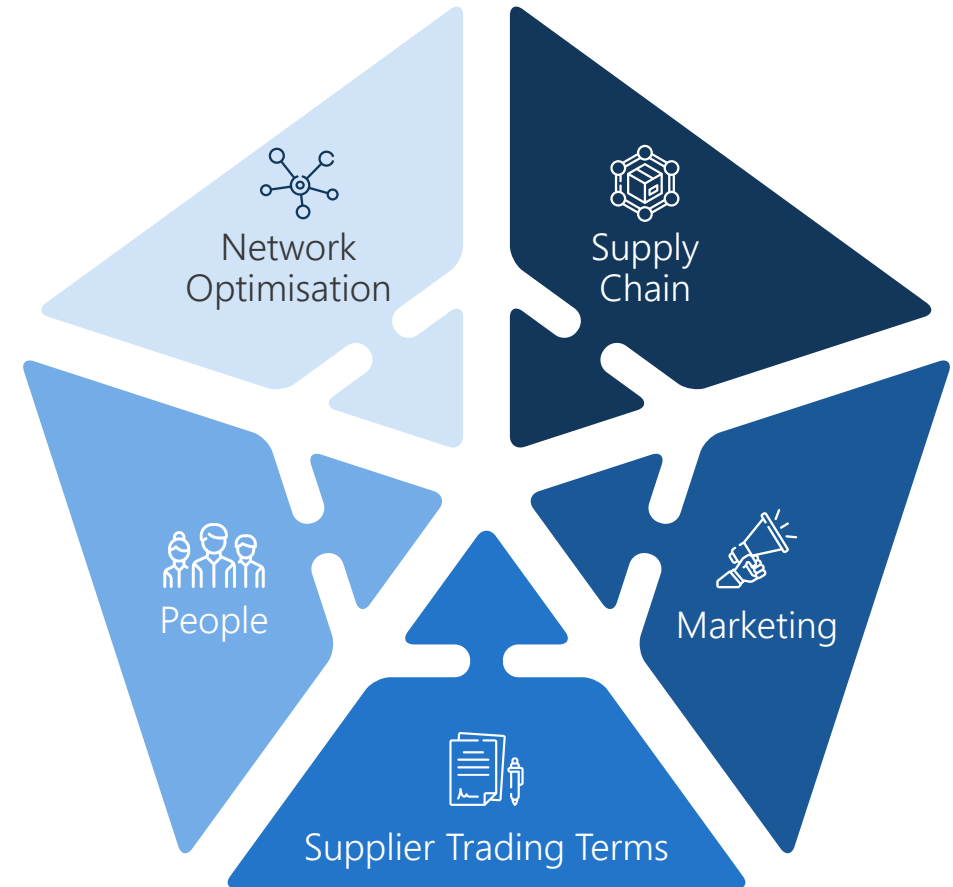
Driving significant growth through high-value customer base



# SYNERGIES



Management  
has identified  
synergies of  
~\$5m over  
three years





# SUMMARY



Strategically an excellent deal for IHG as it aligns with becoming #1 in Trade



Allows Total Tools to retain the #1 position in the Professional Tools segment



Strong business with a long history of sustainable growth



Large and loyal trade customer base



12 Joint Venture stores in the network with potential for another five p.a. over next three years, plus three 100% owned stores



Provides Total Tools with capital to accelerate store expansion plans



Provides a succession planning vehicle for franchisees to exit (only if they want)



Strong synergy opportunities to be realised over the next 3 years, but not to the same extent as HTH



Good plans to continue growth into the future

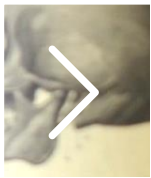




Metcash



# LIQUOR



Chris Baddock  
CEO Liquor

# OVERVIEW

## Strong market position



- Second largest player in Australian liquor market
- Supply ~90% of independent liquor stores in Australia
- Large supply agreements with contract customers in Retail and 'on-premise' segments
- Significant position in NZ bottle shop channel (>25% share)
- Strong national retail brands in Australia and NZ

## Competitive advantage



- Local and convenient stores
- Local ranging tailored for each location / community
- Tailored promotional programs
- Knowledgeable and friendly service
- Strategic decision not to move to big box stores

## Attractive growth opportunities



- Good growth opportunities despite mature market
- Further improving competitiveness of network
  - Store refurbishments
  - Growing owned and exclusive label range
  - Significant and largely untapped opportunity in digital
  - Supply chain efficiencies

ALM is the 2nd largest player in the Australian liquor market





# OUR BUSINESS



ALM (Australian Liquor Marketers) supplies ~12,000 hotels, liquor stores, restaurants & other licensed premises throughout Australia and NZ



The marketing & buying banner group IBA (Independent Brands Australia) retail network consists of ~1,950 Tier 1 bannered stores across Australia & NZ

IBA supports independent retailers through:



- National buying capacity
- Marketing support
- Shopper-led, Artificial Intelligence fuelled promotional programs
- Owned and exclusive brand portfolio
- Network investment to provide 'Best Store in Town'

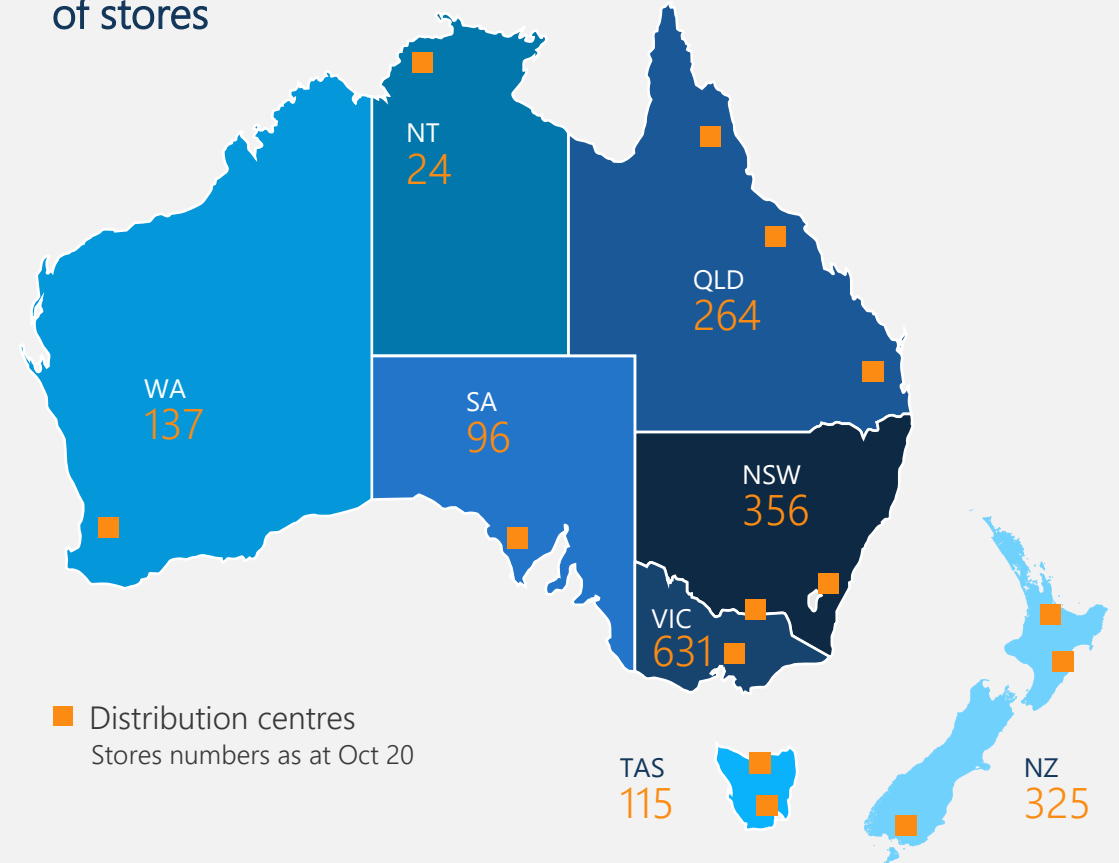


ALM also provides wholesale supply to large and small contract banner groups, un-bannered liquor stores, on-premise and eCommerce retailers



Cost effective and efficient route-to-market through our network of 14 DCs

## IBA network of stores



A national presence in Australia and NZ through our network distribution centres and independent retailers



# IBA BRANDS



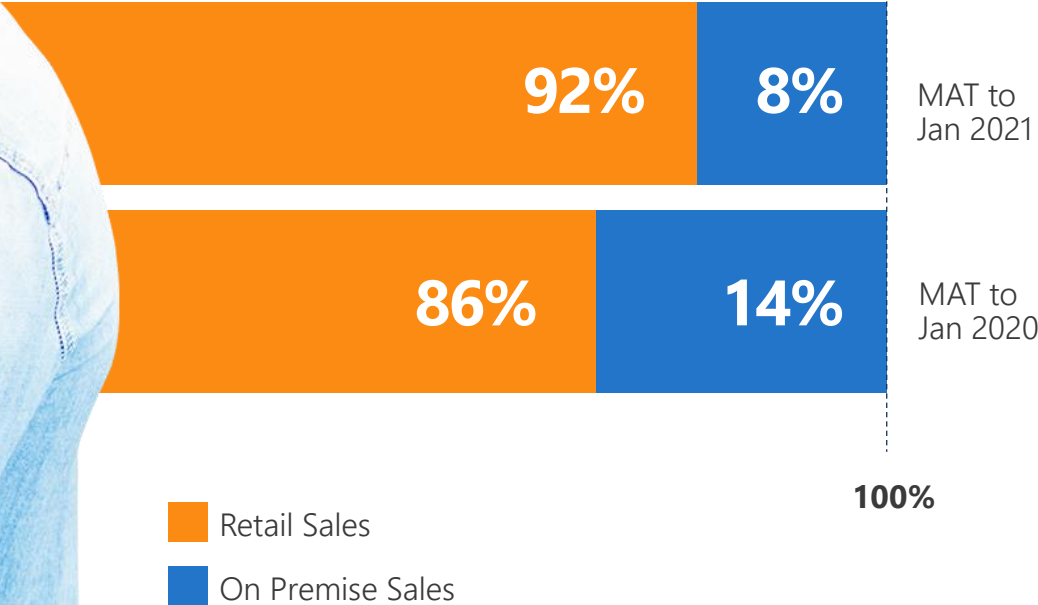
A wide portfolio of brands to suit each retailer and community

# MARKET POSITION

## Market Share\*



## Metcash sales mix



IBA network well positioned with competitive tailored offers in convenient local locations



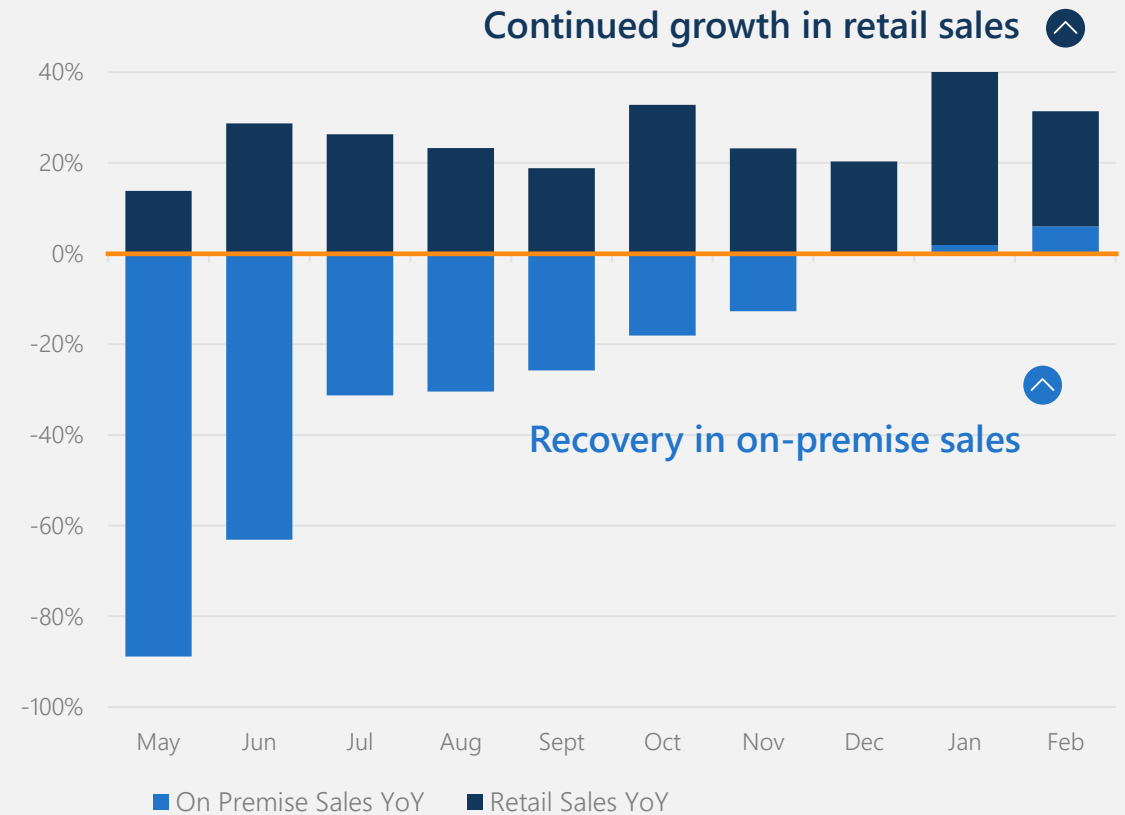
\* Metcash estimates



# COVID UPDATE

## Continued strong sales growth supported by shift to 'local' and competitiveness of stores

- Strong sales growth in IBA and contract customers has continued
  - Increased preference for local neighbourhood shopping
  - Home consumption substituting on-premise consumption
  - Move from cities to regional areas
  - Less overseas travel and duty free shopping
  - Competitiveness of stores: store quality, range, price and service underpinned by success of MFuture initiatives
- Accelerated development and rollout of online offer 'Shop My Local'
- On-premise sales adversely impacted by rolling lockdowns and restrictions in Australia and shutdowns in NZ
- Impacted on-premise customers supported through enabling return of stock, payment plans and re-opening deals
- This support has strengthened customer relationships, increased loyalty and attracted new on-premise customers
- Strong growth in retail sales has continued despite on-premise sales recovering



Source: MTS data

Continued growth in retail sales despite recovery in 'on-premise' sales 

# PROGRESS ON MFUTURE INITIATIVES

## BEST STORE IN TOWN

01

- Store refreshes increased from 290 to 430 stores
- Cool room upgrades increased from 550 to 683
- Expansion of IBA tier one stores from 1,614 to 1,948 (including NZ)



**An ongoing focus on building a great shopping experience**

## OWNED & EXCLUSIVE LABEL

04

- Owned and Exclusive range expanded with the Kollaras portfolio acquisition
- Expansion of wine category initial focus
- Focus on attracting customers through quality and value while adding margin to retailers businesses



**Driving consumer value and quality while building margin**

## CORPORATE STORE TRIAL

02

- Network of eight corporate trial stores
- Further expansion placed on hold to focus on other more significant MFuture growth opportunities
- Will invest in corporate stores as appropriate from a defensive perspective



**Shift in focus from network growth to defence**

## PORTERS NATIONAL EXPANSION

05

- Absorbed into 'IBA business as usual' to take advantage of over arching processes and supplier engagement
- Network of 27 stores with ~10 in the pipeline
- Focus remains on right store location, with the right retail partner



**Established as the premium offer in our market leading brand portfolio**

## ON-PREMISE

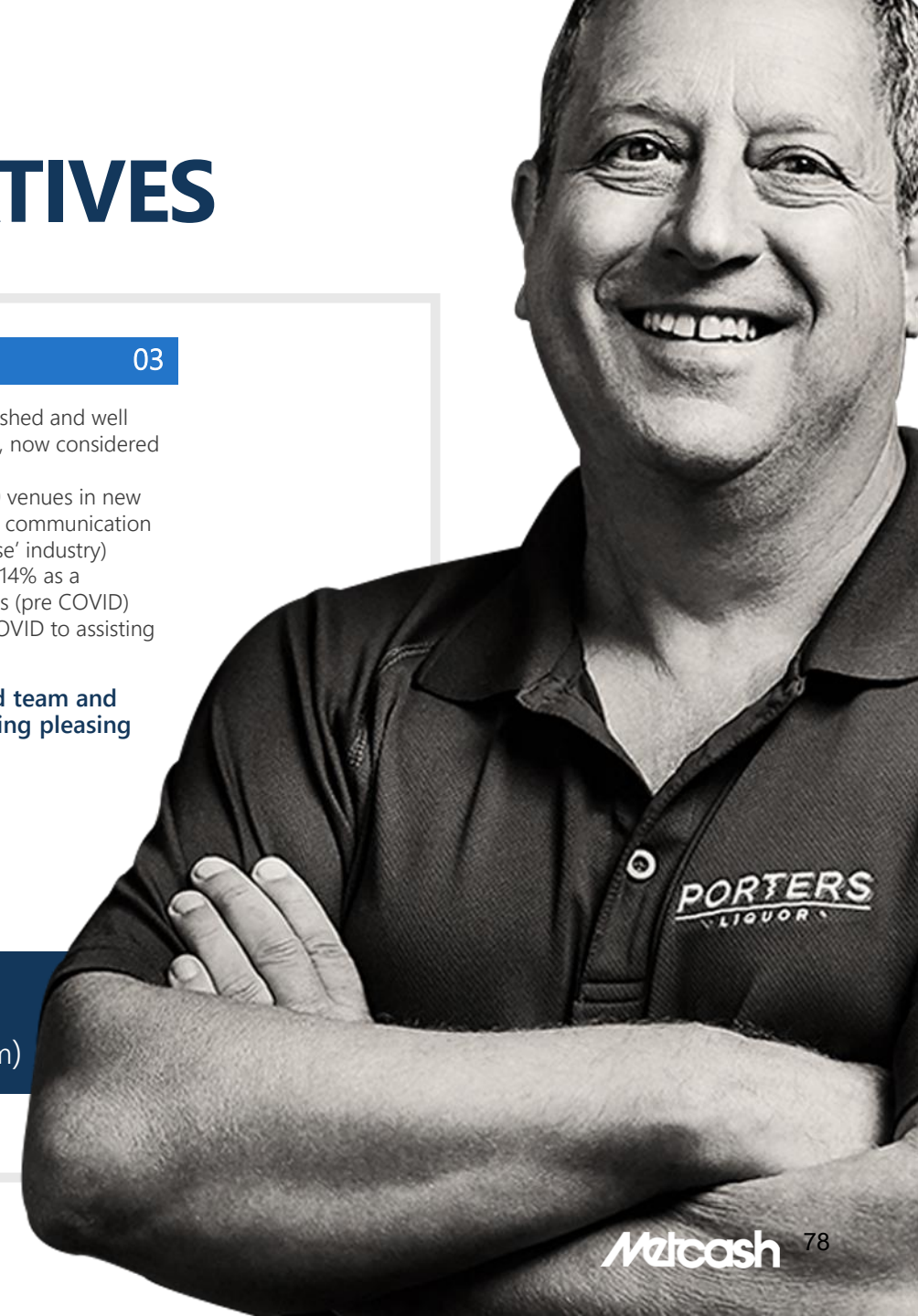
03

- Dedicated team established and well entrenched in business, now considered BAU
- 47 suppliers and ~1900 venues in new Agora platform (Digital communication platform for 'on-premise' industry)
- Increased from 10% to 14% as a proportion of total sales (pre COVID)
- Focus shifted during COVID to assisting impacted customers



**Well established team and strategy delivering pleasing results**

Capex invested  
~\$5m (FY19  
estimate ~\$15m)



# STRATEGY SHARPENED TO FOCUS ON CUSTOMER



Purpose

Championing Successful Independents; they are worth fighting for!



Mission

To be the best broad range liquor wholesaler offering cutting edge, consumer driven retail solutions



Mindset

Customer Centric



How we win

Shoppers have a choice

Retailers & Suppliers have a choice



Strategic drivers

Loved brands with unique personality

Personalised eComm & digital engagement

Rewarding loyalty

Mutually beneficial partnerships

Consumer focused retailer offer

World class effective and efficient 'buy, move, sell'



Strong foundations

Future proof the model – Systems, Process & Capability

Protecting the Core: Better Buying, Efficient Processes

Safe, Constructive Achievement Culture

Strategic focus 'sharpened' to reflect changed environment





# KEY MFUTURE INITIATIVES GOING FORWARD



## Digital transformation

- Integrated POS – enabling closed loop system of data/range/e-Comm/loyalty
- eCommerce – whole of network solution to drive sales for retailers and ALM
- Loyalty – retaining and attracting new customers to IBA network



## Drive brand awareness and appeal

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



## Owned & Exclusive brands

- Leverage acquisition of Kollaras portfolio of brands
- Introduce new brands to grow revenue and retailer margin
- Increase O&E team score through demand for quality and value in all categories



## Supply chain flexibility and efficiency

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

Further improving the competitiveness and success of our retailers



# DIGITAL TRANSFORMATION

An untapped Liquor eCommerce channel for our retailers and ALM

## Point of sale integration

- Enables eCommerce & Loyalty (product, pricing, inventory, scan)
- 16 preferred POS vendors finalising development and testing
- Majority of IBA stores integrated by October 2021
- Customer experience enhanced through POS integration; eCommerce basket size is ~\$50 greater

## Accelerated eCommerce launch

- COVID has led to retailer support for a solution
- Focused on Click & Collect and Click & Deliver
- Two platforms trialled – Shop MyLocal marketplace and Cellarbrations Vic Proof of Concept (Dark Store)
- Learnings from above trials have led to moving forward on a branded eCommerce solution – currently working through this with retailers

## Banner led Loyalty Program

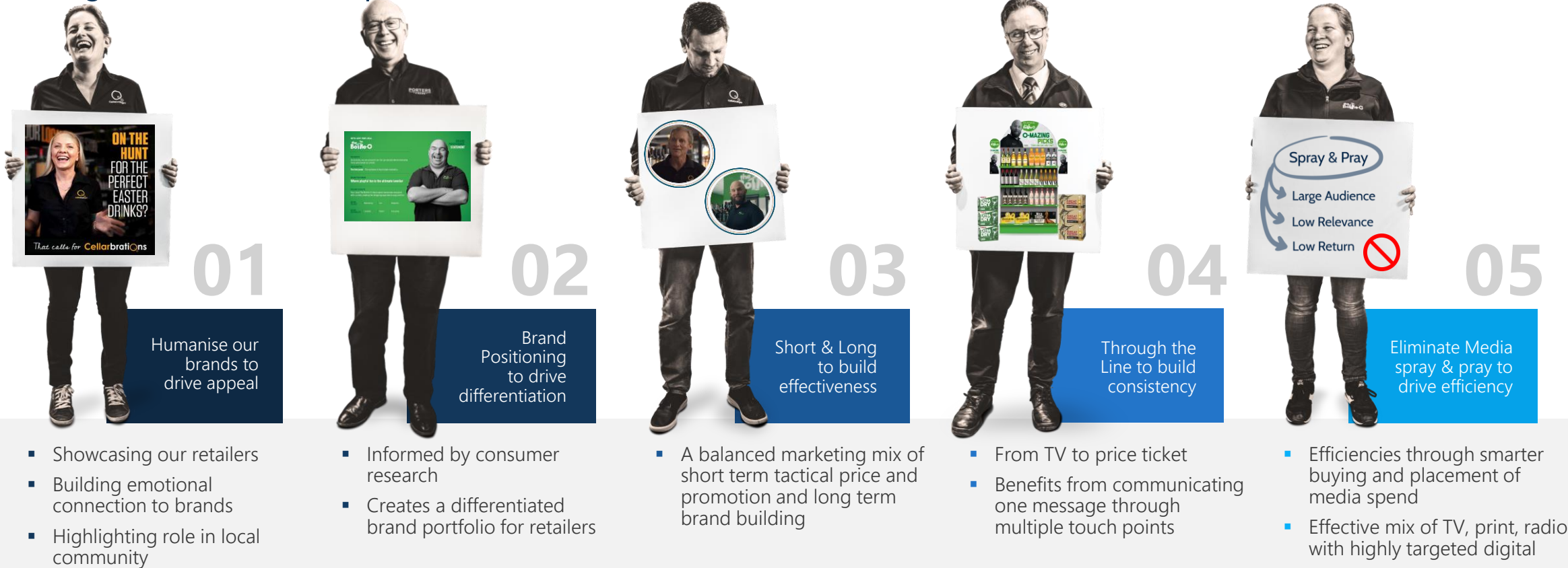
- Work underway with retailers on defining the appropriate Loyalty solution for independent retailers
- Loyalty solution expected to be delivered by end of FY22



Metcash and our retailers well positioned to address ~\$1.3bn channel today

# BRAND AWARENESS AND APPEAL

Driving store foot traffic, shopper retention and increased efficiencies



Providing brand clarity to consumers – drive sales and more efficient marketing spend





# OWNED AND EXCLUSIVE LABELS

IBA has historically under-indexed – good sales and gross margin opportunity



## Leverage acquisition of Kollaras brand portfolio

- Managing quality & value; building consumer demand & foot traffic
- Removed a stage in supply chain; growing margin for retailer and ALM



## Expand range to address specific consumer needs

- 26 owned & 35 exclusive brands
- Substantial growth opportunities in wine identified
- Value beer identified as driver of foot traffic
- Driver of retailer and shopper loyalty



## Grow O&E team score

- IBA Owned & Exclusive rebate accelerator launch to assist with instore execution
- Increase in retailer margin drives higher volumes and buying efficiencies



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



# 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 customers
- 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 Delivery, One Invoice'

- 'Endless Aisle' product access through cross dock & charge through functionality
- Flexibility to meet changing consumption/category trends ~ local, craft, premium
- Driver of team score improvement



Enhance customer experience

- Development of 'ALM Buying Portal' technology
- Improved product information & search functionality



Significant opportunity to increase team score and reduce retail costs



# SUMMARY



Position of strength – 2nd largest player in Australia



Strong retail network with local and convenient stores



Driving 'Best Store in Town' through investment in store refreshes



Sales and gross margin growth opportunity in 'Owned and Exclusive' brands (Kollaras acquisition)



'One invoice, one delivery' – driving retailer cost savings and ALM Team Score



Continuing to build brand awareness and appeal – more efficient marketing spend



Developing the core though cross dock and auto charge through – another Team Score opportunity

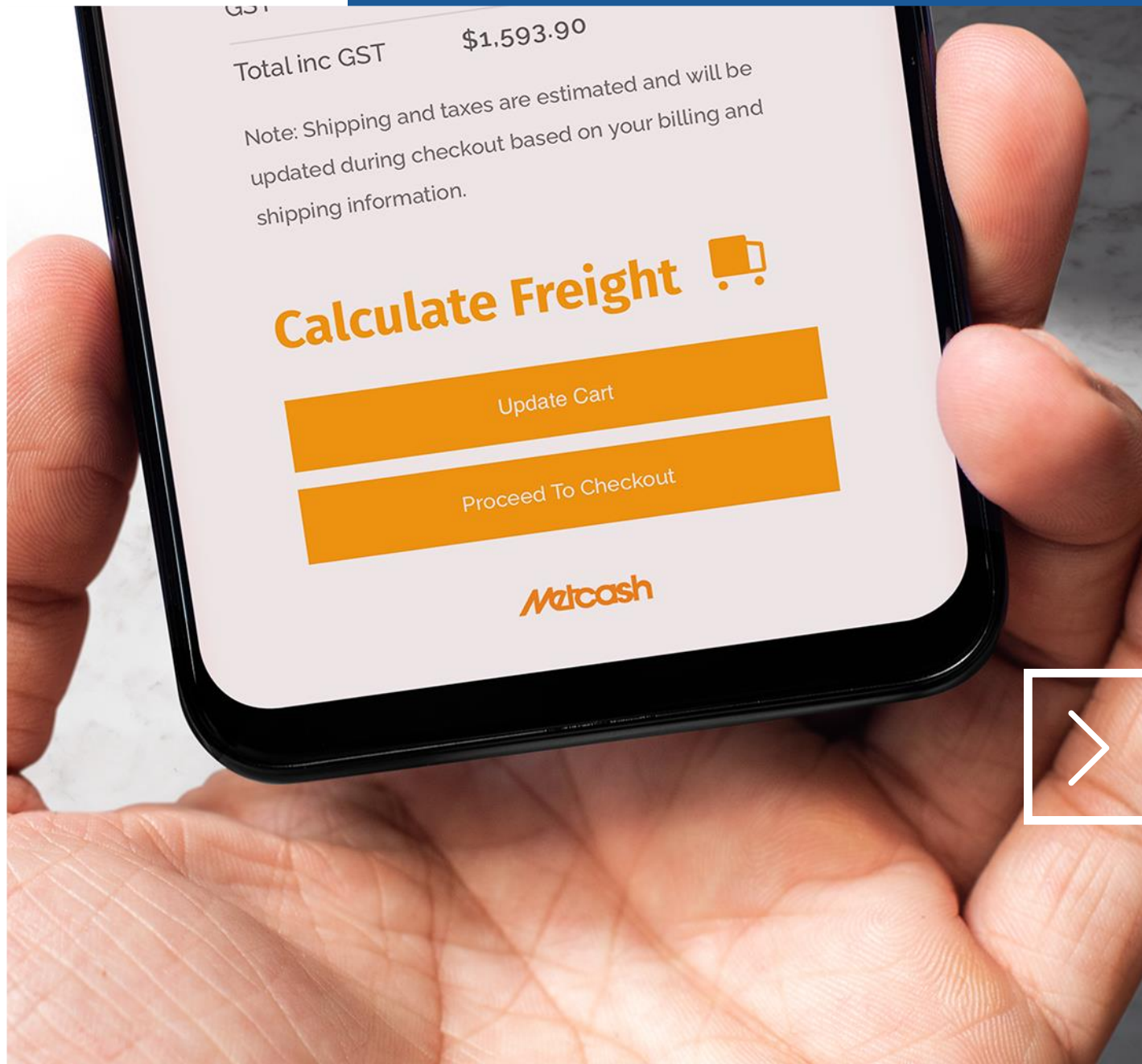


Accelerate eCommerce and Loyalty through POS integration – significant and untapped sales channel



Estimated Capex for MFuture growth initiatives FY22-FY24 <\$10m





Metcash

# ACCELERATING DIGITAL



Jeff Adams

Group CEO

# EXPANSION OF DIGITAL CAPABILITY

A largely untapped Digital channel for our retailers and Metcash

## pre-COVID >

Digital was a low priority for our retailers and hence Metcash

IHG and Total Tools were the exception with market leading digital technology, extensive retailer and shopper take up and strong online sales growth

In Food and Liquor, a small percentage of retailers provided their own digital offer

Hence, Metcash's digital focus was at Pillar rather than at Group level

Legacy, not aligned and aged Group technology limited our ability to leverage data, analytics, AI and other digital capabilities

## COVID impact on Digital >

This has led to a significant increase in online sales and now an increased interest from our retailers in digital solutions

Digital sales accelerated in IHG and Total Tools with Click & Collect and Click & Deliver recognised as critical capabilities during lockdowns – proving Independents can compete in digital

Online offers were 'spun up' in Food and Liquor in record time with strong support and take up by retailers

Our technology replacement program is underway and will provide us more opportunity in the near future to leverage digital

COVID has changed our retailers' views on Digital – providing a significant growth opportunity >

# THE 'SIZE OF PRIZE' IS LARGE FOR OUR RETAILERS AND METCASH



Digital sales growing rapidly in all our markets, accelerated by COVID



Estimated combined annual digital sales of ~\$13bn by 2024 in Food, Liquor and Hardware



Digital opportunity of \$1bn for our retailers and Metcash (applying the Independents' market share to \$13bn sales estimate in 2024)



Food



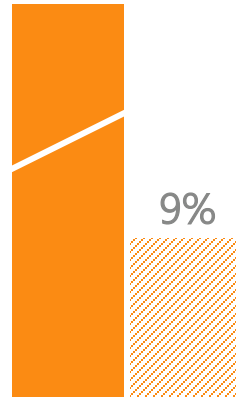
Liquor



Hardware

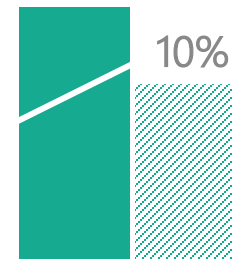
## MARKET SIZE AND % DIGITAL BY 2024

\$108bn



Dig. Market:  
\$10.2bn

\$18bn



Dig. Market:  
\$1.8bn

\$12bn



Dig. Market:  
\$1.3bn

Source: Metcash and industry sources

Achieving online market share relative to our 'bricks & mortar' is ~\$1bn opportunity



# WHY WE BELIEVE NOW IS THE RIGHT TIME TO INVEST

Our retailers have the foundation and interest to grow in Digital



Our retailers are well positioned to compete in digital with the locations, customers, strong well-known brands, infrastructure and scale.



They are now seeking digital solutions and we have the opportunity to work with our retailers to address this significant opportunity.



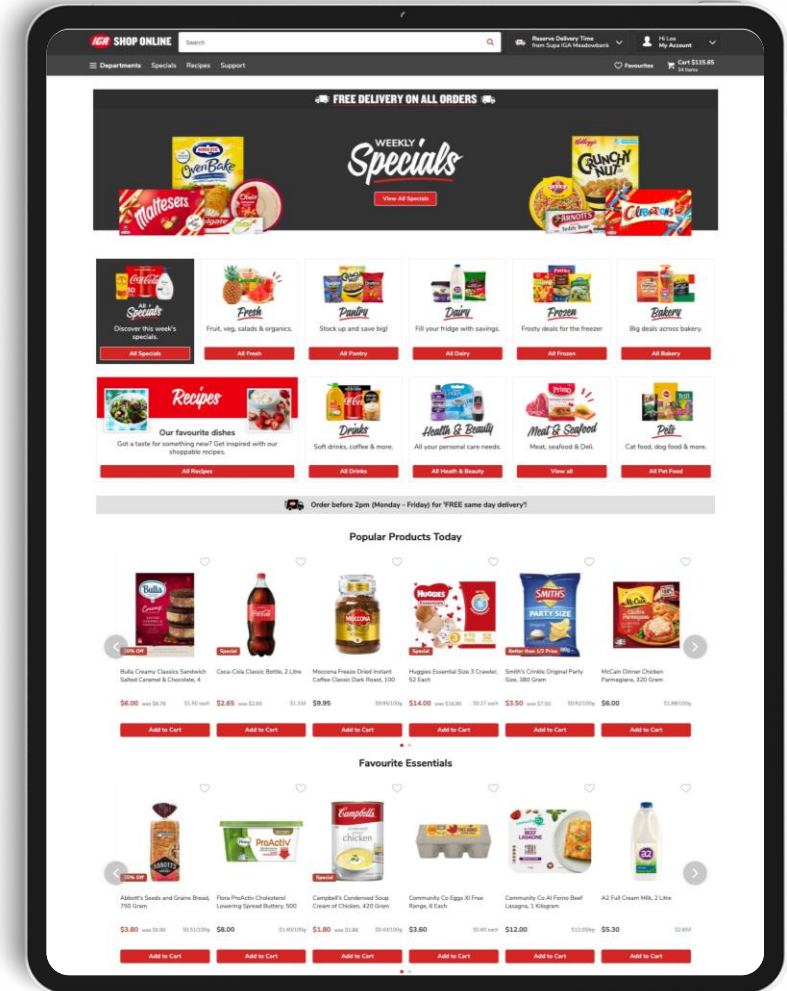
This requires Metcash to invest in expanding its digital capability to deliver these solutions in our Pillars and at Group level



Proven 'off the shelf' technologies are now available that lower development cost and increase 'speed to market'.



The 'last mile' obstacle is now removed with many new providers available to do this for you, makes this more competitive and economic.



Investing in Digital will future-proof the Independent Network – protect market share and potential lost sales >

# THE 'METCASH DIGITAL ACCELERATOR'

Accelerating and improving our delivery of Digital solutions to our retailers and shoppers

## METCASH DIGITAL ACCELERATOR



Investment in Group-wide Digital capability to expedite and improve our digital delivery across the Group



Digital work and focus continues to align into Pillars, with Group support provided to help them go faster



New ways of working with cross-functional, agile, empowered teams – proven methods to accelerate digital solutions

## KEY PRINCIPLES

### Drive Digital sales

Clear visibility to opportunities available to us and our retailers and prioritise based on value

### Invest in Digital capability over time

Recognise where we are today with digital capabilities and invest to close the gap

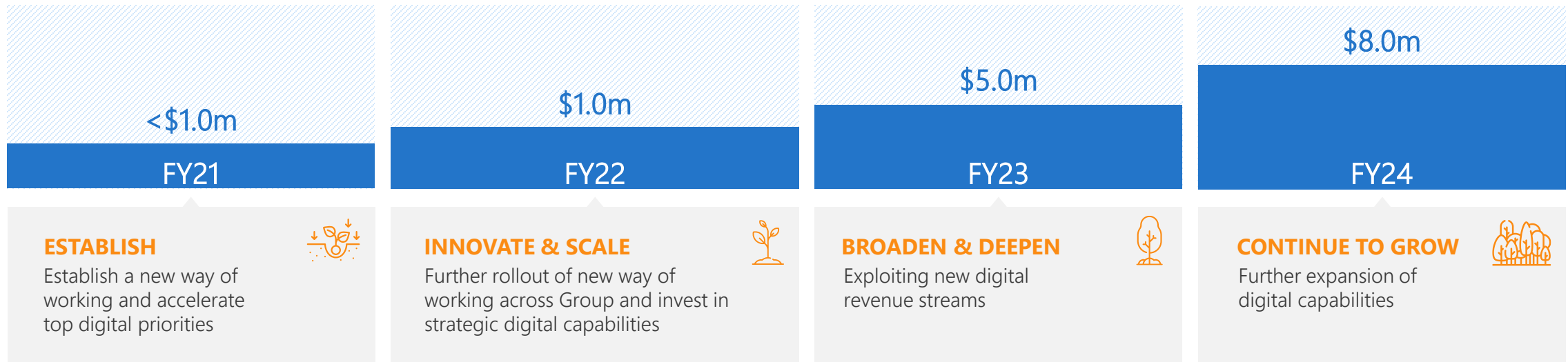
### Use funding more efficiently

Invest once in Group-wide digital capabilities to support Pillars, rather than in each Pillar

Driving efficiency and speed through Pillar leverage of new Group capability



# INCREMENTAL GROUP CAPEX INVESTMENT – NEW CAPABILITY



- Additional investment in digital at Group level to support, accelerate and enhance returns <\$15m
- Further investment by Pillars of ~\$50m, giving total digital investment of ~\$65m (FY21-FY24)

Investment will be subject to our disciplined capital allocation governance process





Meltcash

# COST MANAGEMENT

INTRODUCING PROJECT HORIZON



Jeff Adams  
Group CEO

# COST MANAGEMENT

A good history of delivering cost-out targets



Cost reductions of ~\$125m delivered under Working Smarter in FY17 – FY19 (initial target ~\$100m)



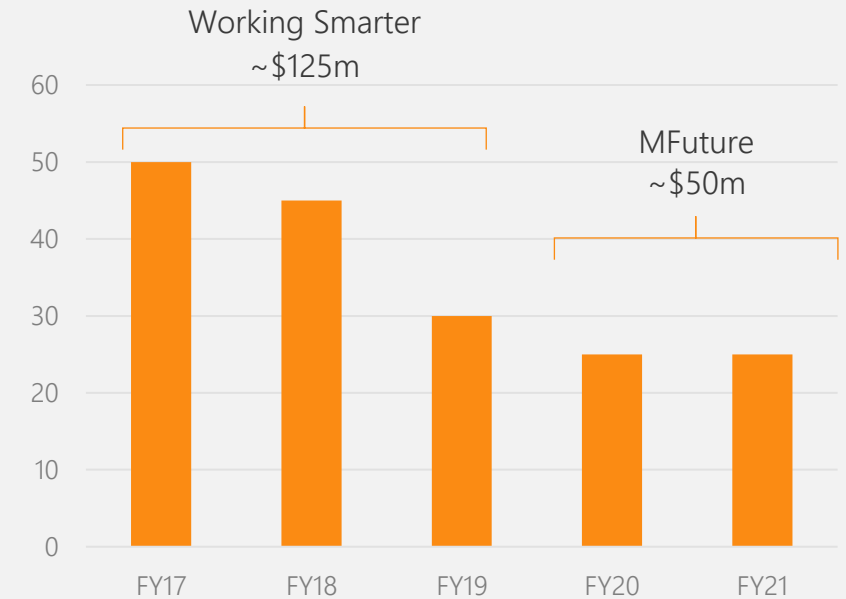
Aim under MFuture is to continue to offset the impact of inflation



On track to deliver ~\$50m cost reduction target over FY20 and FY21 (ex COVID costs)



COVID costs well managed and not material in FY21



Investment in systems now required to drive further significant cost savings (as advised in FY19)



# PROJECT HORIZON – A STAGED PROGRAM

A business (not IT) led program to build a better Metcash for our retailers, suppliers and people

## WHY

To simplify Metcash, whilst building a better future operating platform



- Facilitate a significantly improved customer and supplier experience through addressing identified 'pain points'
- Drive efficiencies through better cross-pillar collaboration and ways of working
- Improved data accuracy, accessibility, insights and reporting
- Simplify complex, often manual and inefficient processes
- Replace end-of-life technology – reducing operational risk & onerous maintenance costs

## WHAT

A modern platform aligned across Metcash that drives efficiencies and makes us easier to do business with



- Improved customers/supplier experience and engagement
- Simpler and aligned processes
- Modernised and digitised customer engagement
- Provides an efficient platform for building future digital capabilities
- Improved financial insights and outcomes
- Enables a future-proof model

## HOW

Establish key principles on how we will work

- Develop a single operating system across Metcash
- Developed by a dedicated cross-pillar, high performing team
- Implement through a staged transformation approach
- Board and Group Leadership Team sponsored and led

Driving efficiencies through simplification and growth through ease of doing business





# PROJECT HORIZON – INVESTMENT

## Stage 01 Key Deliverables



- Group technical infrastructure consolidation & replacement
- Process efficiency foundations
- Ease of doing business with retailers & suppliers
- Better alignment across business
- Simplification



### Stage 1

Estimated capex investment of \$70m-\$80m over FY21 – FY23

- ~\$20m in FY21
- Balance in FY22 – FY23 (weighted to FY22)

### Stage 2 TBD (beyond FY23)

Building and enabling digital capability, insights and analytics to drive future business performance



### Significant item

\$5-\$10m opex expected to be reported as a significant item in FY22 and FY23





Metcash

# CAPITAL MANAGEMENT



Alistair Bell  
Group CFO

# CAPITAL MANAGEMENT OVERVIEW

## Our track record:

- Reliable operating cashflows
- Free cashflow generation and working capital management
- Disciplined approach to capital allocation
- Successful and value accretive acquisitions
- Average ROFE (FY18-FY20) of 25.6%
- Recent equity raising to provide robust balance sheet and liquidity position in light of COVID uncertainty and enable acquisitions
- Delivering returns for shareholders (dividends and buy backs) – 5 year TSR of ~140%

## Going forward:

- Continuation of our disciplined approach to capital allocation
- A conservative approach to funding
- Estimated MFuture capital requirements of ~\$375m FY22-FY24
- Ability to fund growth projects from internal sources and existing facilities
- Appropriate funding structure of any substantial acquisition to be determined at the time
- Increase in target dividend payout ratio from 60% to 70% of underlying profit after tax, effective FY21
- The Board will continue to evaluate appropriate capital structure in uncertain COVID and economic environment
- Board committed to return any surplus capital to shareholders tax efficiently when balanced with fiscal discipline

Performance supports increasing target dividend payout ratio to 70%





# OUR FRAMEWORK

## Our objectives:

01

Maximising returns  
for shareholders

02

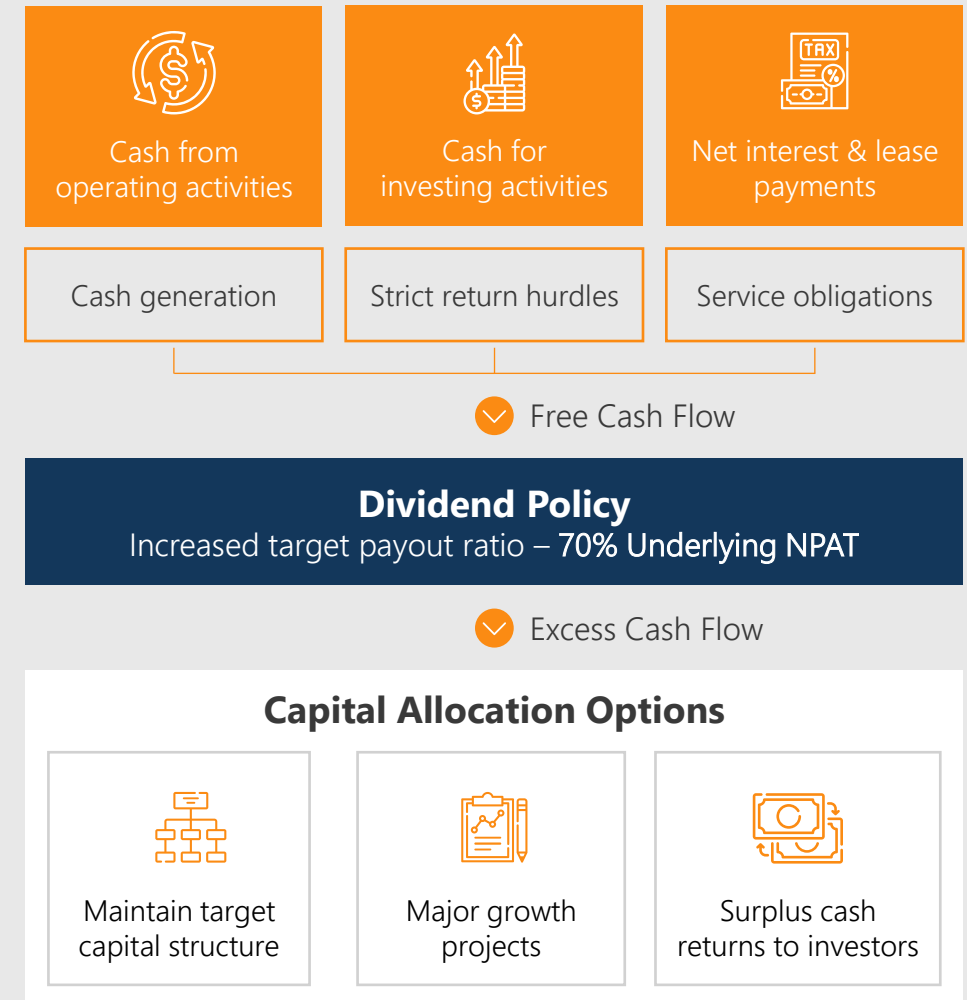
Maintaining  
financial strength

03

Retain flexibility for  
portfolio management

## Our principles:

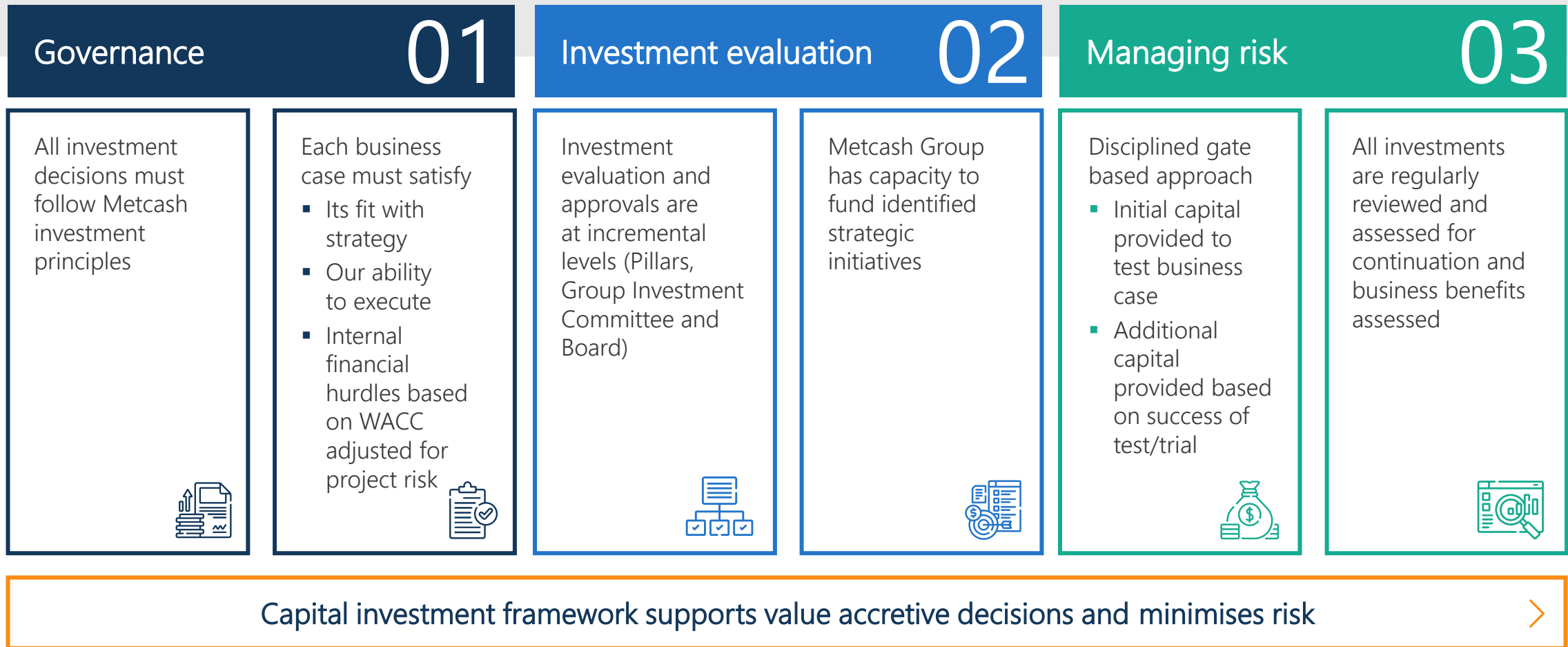
- Strong free cash flow generation
- Maintain a strong balance sheet and credit profile during and post COVID
- Disciplined capital allocation governance processes in place with strict criteria and hurdles
- Ensure dividend remains fully-franked and paid from annual cash flows
- Retain capital structure flexibility including minimal net debt during COVID and economic uncertainty
- On-going assessment of capital structure which includes consideration of prevailing economic environment



A disciplined approach to capital allocation



# A DISCIPLINED INVESTMENT PROCESS

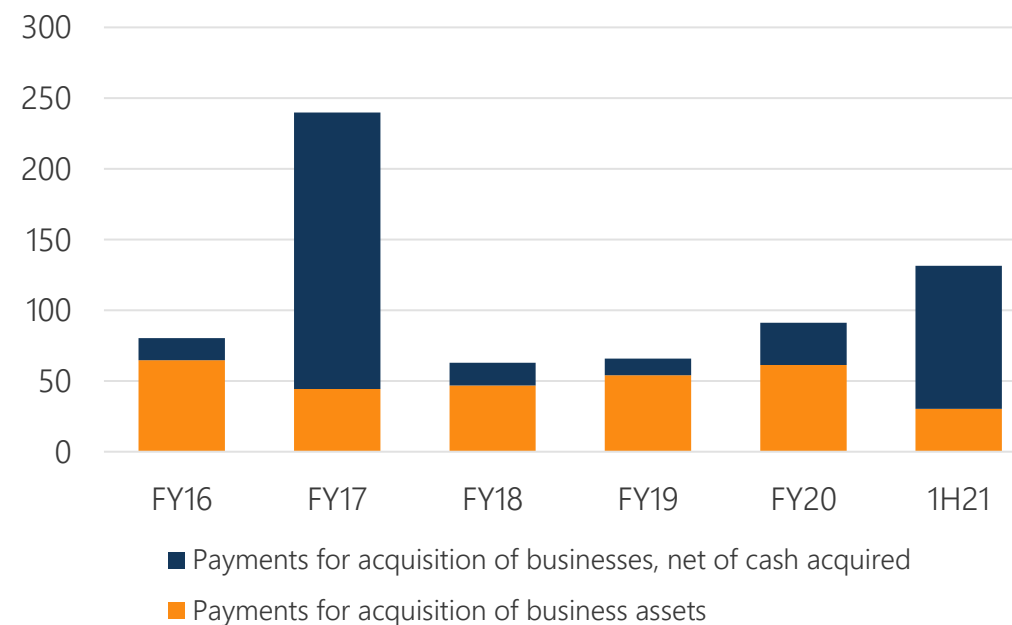


# POTENTIAL CAPITAL INVESTMENT FY22 – FY24

## MFuture growth funding (\$m)

	Food	~70
	Hardware (includes Total Tools <sup>1</sup> )	~225
	Liquor	~10
	Group-wide <sup>2</sup>	~70
	Total potential growth capex <sup>3</sup>	~375
	Stay-in-business capex	~55 p.a.

## Capital Expenditure (\$m)



1. Includes \$95m capex for Total Tools

2. Capex for Project Horizon and Metcash Digital Accelerator

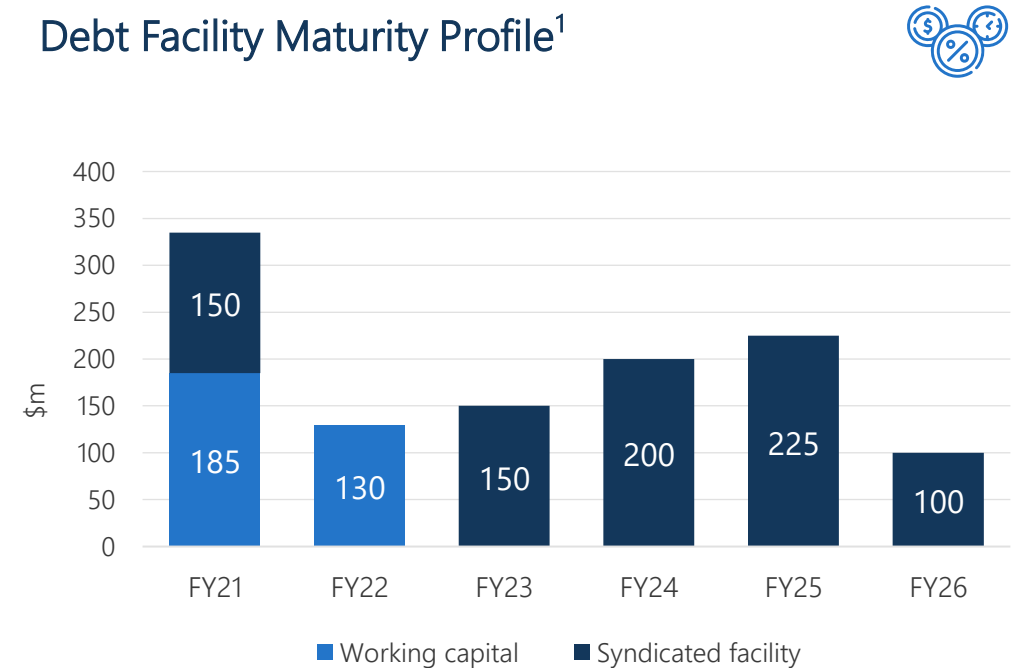
3. Excludes any substantial acquisitions of businesses or exercise of put options (Total Tools options expire FY24 and FY25)



# DEBT MANAGEMENT

- Continued optimisation of debt book
  - Maintain financing flexibility at competitive average cost of debt
  - Maintain a solid credit profile
  - A balanced maturity profile – average debt term to maturity >2.0 years
  - Accommodation of seasonal fluctuations in working capital
  - Undrawn debt facilities of ~\$1bn
- Intention to maintain a low level of Net Debt/Net Cash in line with prior years and during current uncertain economic times – reassessment post COVID
- Debt covenants relate to Senior Leverage Ratio and Fixed Charges Cover Ratio

Debt Facility Maturity Profile<sup>1</sup>



<sup>1</sup> Excludes lease liabilities

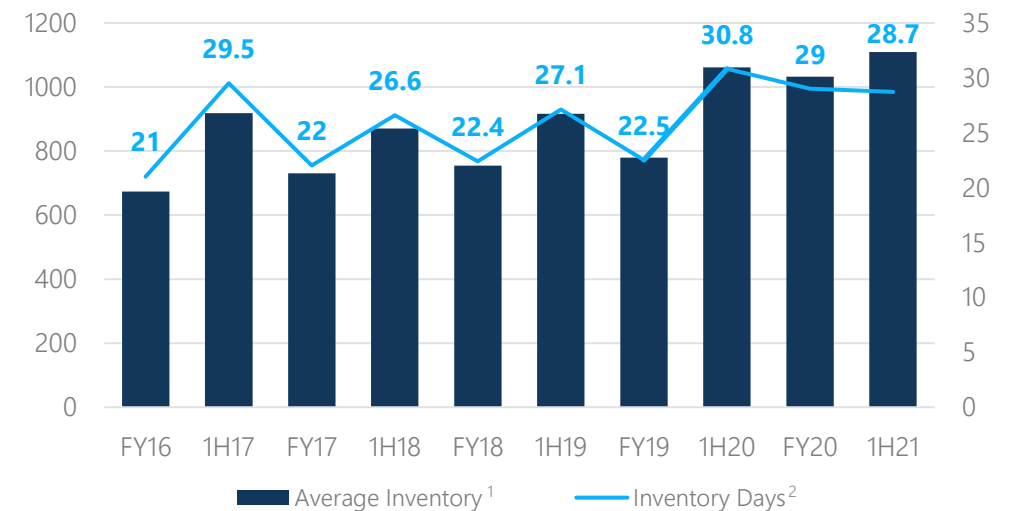
Strong balance sheet with significant financing flexibility



# WORKING CAPITAL

- Continue to generate strong operating cash through focus on managing working capital fluctuations from seasonal sales and buying opportunities
- Cash realisation rates at high levels
- Inventory \$ amounts increasing mainly due to elevated sales, inflation and acquisitions
- Inventory days have decreased due to sales velocity
- Working capital levels being maintained in current environment to accommodate elevated sales and disruptions to supply chains from COVID and health directives

## Inventory and Inventory Days



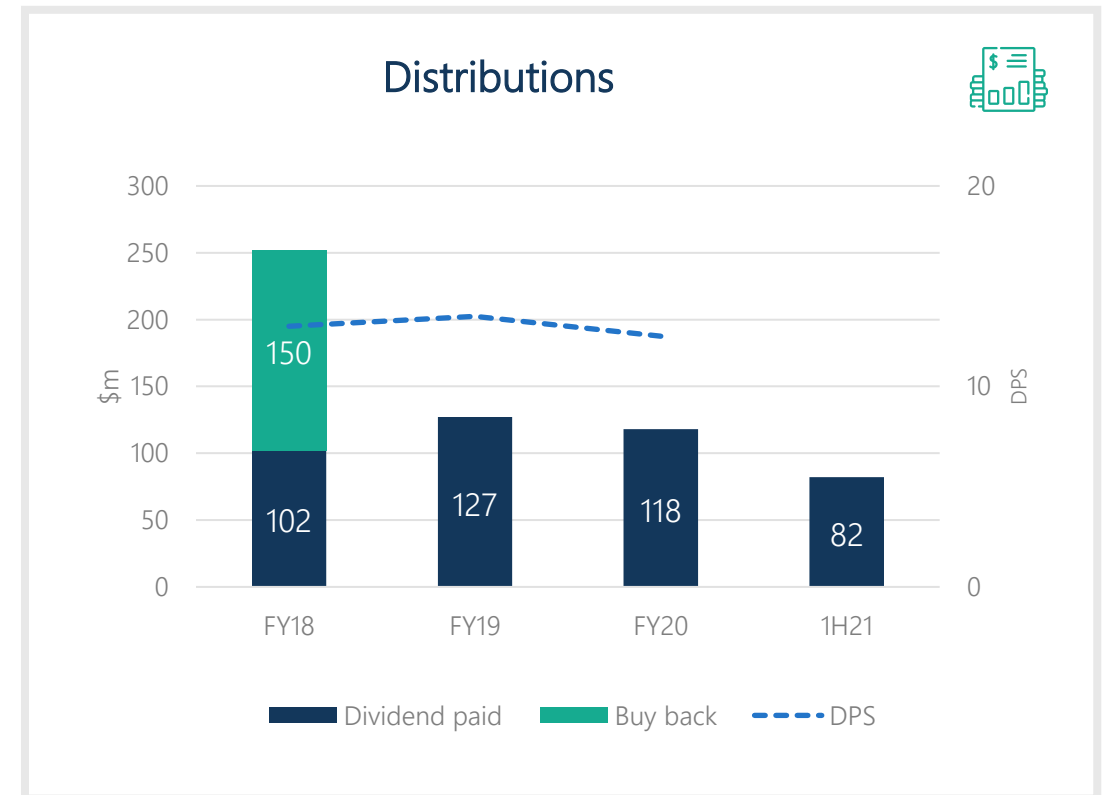
1 HY & FY closing inventory  
2 Closing inventory/sales for period

Continued focus on working capital to drive operating cash

# SHAREHOLDER RETURNS

- Track record of capital management to improve shareholder returns
  - Average dividend payout ratio of ~60%
  - ~\$500m of cash distributions and buy backs over past 3 years
- Dividend yield of 4.02%<sup>1</sup>
- Target dividend payout ratio increased from 60% to 70% of underlying profit after tax, effective FY21
- Fully franked dividends to be paid from annual cash flows
- Continuing to evaluate appropriate capital structure in uncertain COVID and economic environment
- The Board will continue to assess the potential for distributing excess capital to shareholders having regard to:
  - Near term capital investment and working capital needs
  - Opportunities to support growth and create shareholder value
  - Maintaining a strong balance sheet
- Significant franking credits available (~\$180m end FY20)

1. Source ASX @ 12 March 2021



Strong focus on delivering superior shareholder returns





Meltcash

# SUMMARY AND TRADING UPDATE



Jeff Adams  
Group CEO

# SUMMARY

Making our retailers more competitive through MFuture has proven to be the right strategy for Metcash

- Helping our retailers to retain new and returning customers gained during COVID
- Driving continued strong trading through the first four months of 2H21

Our Pillars have 'sharpened' their MFuture plans. MFuture continues to be the right strategy, focused on good growth opportunities and cost out

Food and Liquor retailers are now more interested in digital solutions. The 'size of the prize' in digital is large – we are stepping up our investment at the Pillar and Group levels to accelerate the delivery of solutions

Investment in Project Horizon supports our continued efforts to reduce costs, simplify the business and reduce operational risks

Strong financial performance and cashflows support raising our target dividend payout ratio to 70% of underlying NPAT, effective FY21

The Board will continue to evaluate the appropriate capital structure for the Group while we operate in an uncertain COVID and economic environment

# TRADING UPDATE – FIRST 4 MONTHS 2H21

## Group



- Strong sales momentum has continued in all Pillars from a shift in consumer behaviour, improved competitiveness of our retailers, additional investment in shopper retention, and a favourable Christmas/New Year period
- March and April 2021 will include cycling the spike in sales volumes in the Food and Hardware pillars in FY20, associated with the onset of COVID-19 related restrictions
- Corporate costs in FY21 are expected to be ~\$15m (FY20: \$5m) largely reflecting increased insurance costs in line with broader industry experience, and a higher provision for employee performance incentives

## Food



- Supermarkets sales increased 14.4% vs pcp (10.6% ex tobacco) and includes an increase in the weighting of charge through in the sales mix
- Total Food sales increased 4.1% vs pcp (+14.1% ex 7-Eleven impact)
- Contributions from joint ventures has continued to be strong

## Hardware



- Hardware sales increased 31.6% vs pcp (19.2% ex Total Tools) with increased investment in customer retention, helping drive continued strong demand in DIY, and Trade tracking positively
- IHG retail scan sales increased 32.1% vs pcp in DIY and 4.7% in Trade
- Strong contributions from joint ventures
- Total Tools sales in 2H21 will include a majority interest in 12 stores acquired in December 2020

## Liquor



- Liquor sales increased 19.6% vs pcp with continued strong sales in the retail network more than offsetting the adverse impact of COVID-19 restrictions on 'on-premise' customers
- Sales to the IBA retail banner group increased 23.7% vs pcp, and IBA retail scan sales for the same period were up 20.6%
- On-premise sales have continued to recover in States with easing restrictions and were slightly below the prior comparative period