



METCASH LIMITED
ABN 32 112 073 480

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MACQUARIE PARK
NSW 2113 AUSTRALIA

20 June 2016

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

Dear Sir/ Madam

METCASH LIMITED – 2016 FULL YEAR RESULTS PRESENTATION

Please find attached the Metcash Limited 2016 Full Year Results presentation.

Yours faithfully

Julie Hutton
Company Secretary

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FY16 Full Year Results

20 June 2016

Group Update

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

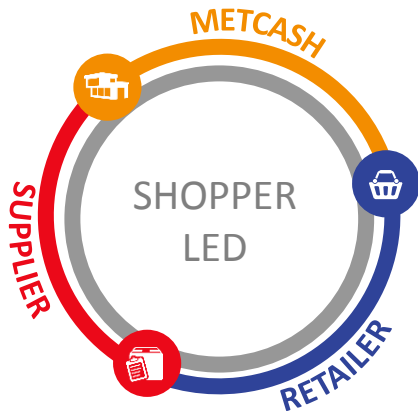
Our purpose and vision

OUR PURPOSE

SUCCESSFUL INDEPENDENTS

Independence is worth fighting for!

OUR MODEL



OUR VALUES

INTEGRITY IS THE FOUNDATION OF OUR VALUES:

- Supporting our customers and suppliers
- Our people are empowered and accountable
- Adding value in our community

OUR VISION

Business Partner of choice for Suppliers and Independents

- Australia's leading portfolio of independent retail brands
- World Class Wholesaler

Best store in every town

- Differentiated offer & service
- Celebrating Individuality
- Loved by Locals

Passionate about Independents

- Unlocking the potential of our people
- Inspiring future leaders

Thriving communities, giving shoppers choice

- Championing local entrepreneurs
- Pipeline of aspiring new business owners
- Sustainable

OUR MARKETS



FOOD & GROCERY



LIQUOR



HARDWARE

Group update – further progress made during the year

- Group revenue up 1.3%
 - Supermarkets sales up 0.5% - adjusting for estimated impact of damage to NSW distribution centre, Supermarkets revenue up 0.9%
 - IGA retailers have experienced growth for last 4 consecutive reporting periods
 - Liquor sales were up 3.7% and Hardware up 0.8%
- Group EBIT of \$275.4m in line with expectations
 - Supermarkets have now cycled a full year of price investment
 - Liquor and Hardware continue to deliver earnings growth
 - Results negatively impacted by decline in Convenience earnings
- Significant reduction in debt through sale of Automotive business, tight cash management and capital recycling
- Completed second year of Transformation Plan
 - Key Diamond Initiatives continue to deliver results
 - Working Smarter Program well underway
 - Focus on Group culture and supporting Successful Independents
 - Strengthened Management Team
- Huntingwood Distribution Centre reoccupied in April 2016
- Intend to recommence half yearly dividend payments with effect from the FY17 final dividend, subject to capital requirements

NSW DC - update

- Huntingwood Distribution Centre damaged by hail on 25 April 2015
- Group's contingency plans activated to ensure continuity of supply to retailers
- Supply restored to NSW retailers through Victoria, Queensland and ACT distribution centres
- Metcash reoccupied Huntingwood site in April 2016 and expect to be fully operational in 2H17
- Insurance policy expected to cover the hail event for material damage and consequential loss
- Insurance recovery progressing, with total recoveries of ~\$60m to date

April 2015



April 2016



Financials

BRAD SOLLER

GROUP CHIEF FINANCIAL OFFICER

Profit & Loss

	FY16 \$m	FY15 \$m	Change
Group Sales	13,541.3	13,369.8	1.3%
Food & Grocery	179.9	216.8	(17.0%)
Liquor	62.1	57.6	7.8%
Hardware	32.8	30.1	9.0%
Corporate ¹	0.6	(7.2)	
EBIT	275.4	297.3	(7.4%)
Net finance costs	(27.0)	(55.1)	51.0%
Tax	(68.4)	(67.2)	(1.8%)
Non-controlling interests	(1.7)	(1.4)	(21.4%)
Underlying profit after tax	178.3	173.6	2.7%
Discontinued operations after tax ²	38.2	19.4	
Significant items after tax	-	(577.2)	
REPORTED PROFIT AFTER TAX	216.5	(384.2)	
Underlying EPS ³	19.2c	19.1c	

1. Corporate includes a \$14.4m profit on the sale of surplus retail properties partially offset by restructuring expense of \$9.1m.

2. Discontinued operations includes the profit after tax on the sale of the Automotive business of \$34.5m and the Automotive trading profit after tax of \$3.7m for the pre-sale period.

3. Underlying profit after tax / weighted average shares outstanding. Underlying profit excludes significant items and discontinued operations.

Cashflows

	FY16 \$m	FY15 \$m
Net cash from operating activities	165.8	231.7
Proceeds from disposal of Automotive business	242.1	-
Proceeds from disposal of surplus assets and loan repayments	75.8	53.0
Acquisitions of businesses and associates	(15.6)	(42.0)
Capital expenditure	(64.9)	(85.9)
Net cash from/(used in) investing activities	237.4	(74.9)
Dividends paid and other financing activities	(10.9)	(57.7)
Reduction in net debt	392.3	99.1
Cash realisation ratio	70%	97%

- As foreshadowed, Metcash delivered stronger operating cashflows in the second half of the year
- Cashflows from operating activities of \$165.8m represents a cash realisation ratio of 70%
- Investing activities includes \$242.1m in net cash proceeds (before tax) from the sale of the Automotive business
- Asset recycling and loan repayments generated a further \$75.8m in cash
- No dividends were paid in FY16

Balance Sheet

	30 April 2016 \$m	30 April 2015 ¹ \$m
Trade receivables and prepayments	967.7	989.1
Inventories	673.6	712.5
Trade payables and provisions	(1,632.0)	(1,695.4)
Net working capital	9.3	6.2
Intangible assets	1,127.5	1,284.5
Property, plant and equipment	251.9	276.0
Equity accounted investments	102.9	102.1
Customer loans and assets held for resale	72.5	90.6
Total funds employed	1,564.1	1,759.4
Net debt	(275.5)	(667.8)
Tax, put options and derivatives	80.5	65.0
NET ASSETS/EQUITY	1,369.1	1,156.6

1. The 30 April 2015 Balance Sheet includes \$57.8m of net working capital and \$208.8m of total funds employed relating to the Automotive business which was sold during FY16

Borrowings – significantly improved debt ratios

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	FY16	FY15
NET DEBT	\$m	\$m
Gross debt	(301.9)	(751.1)
Cash and cash equivalents	26.4	83.3
Net debt	(275.5)	(667.8)
Total available facilities	1,184.6	1,498.1

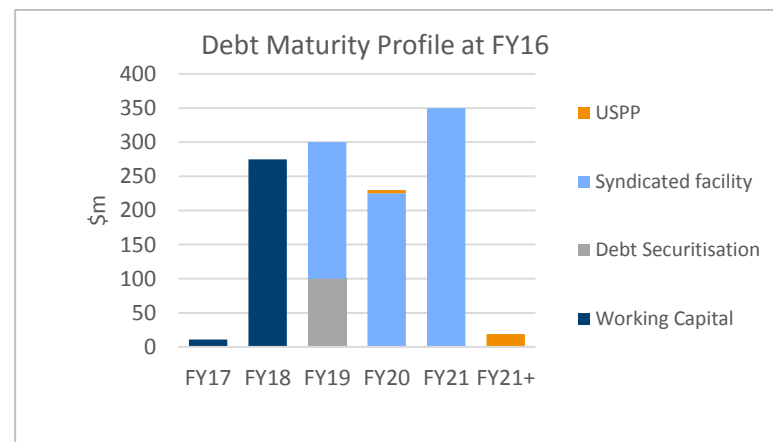
DEBT METRICS		
Weighted average debt maturity	2.7 years	3.7 years
Weighted average cost of debt ¹	4.2%	4.7%
% Fixed debt	59.1%	71.1%

DEBT RATIOS		
Interest coverage ²	9.2x	6.6x
Gearing ratio ³	16.8%	36.6%
Underlying EBITDAR coverage ⁴	3.1x	2.9x
Gross debt coverage ⁵	0.9x	2.1x

1. Weighted average cost of debt as at the end of the financial year
2. Underlying EBITDA/Net Interest Expense. Net interest expense in FY16 has been adjusted to exclude the \$9.6m one-off gain
3. Net Debt/(Shareholder's Equity + Net Debt)
4. Underlying EBITDAR/(Net interest expense + Net rent expense). Net interest expense in FY16 has been adjusted to exclude the \$9.6m one-off gain
5. Gross Debt (hedged)/Underlying EBITDA

Key changes in debt profile

- Net debt reduced by ~\$390m, including repayment of US\$200m of USPP debt
- Cancelled a further ~\$130m of debt facilities
- Interest rate hedge restructure together with decline in interest rates reduced the weighted average cost of debt
- Balanced debt maturity profile – no substantial maturities in FY17



Divisional Results

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

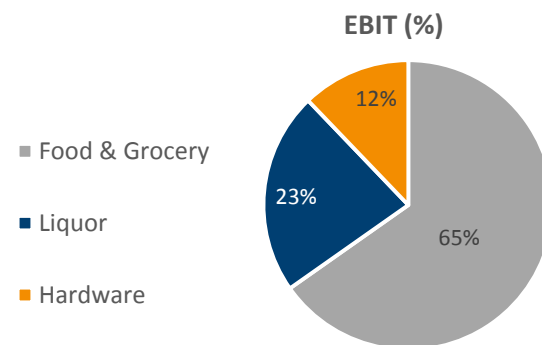
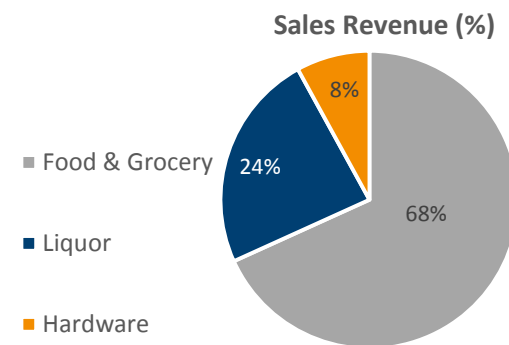
Results – overview by pillar

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	FY16 \$m	FY15 \$m	Change
Sales Revenue			
Food & Grocery	9,265.4	9,217.8	0.5%
Liquor	3,219.3	3,103.6	3.7%
Hardware	1,056.6	1,048.4	0.8%
Total Sales Revenue	13,541.3	13,369.8	1.3%

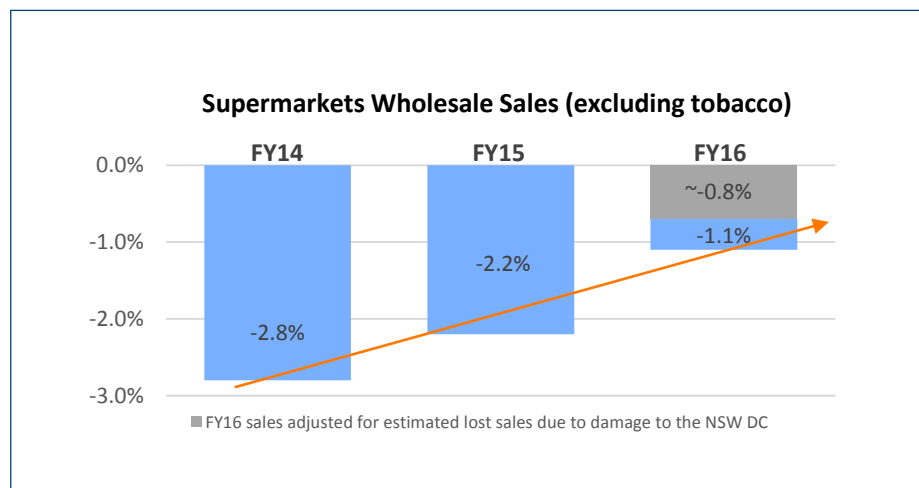
EBIT			
Food & Grocery	179.9	216.8	(17.0%)
Liquor	62.1	57.6	7.8%
Hardware	32.8	30.1	9.0%
Business Pillar Total	274.8	304.5	(9.8%)
Corporate ¹	0.6	(7.2)	
Total EBIT	275.4	297.3	(7.4%)

1. Corporate includes a \$14.4m profit on the sale of surplus retail properties partially offset by restructuring expense of \$9.1m.



Food & Grocery - Financials

	FY16 \$m	FY15 \$m	Change
Sales Revenue			
Supermarkets	7,694.1	7,653.3	0.5%
Convenience	1,571.3	1,564.5	0.4%
Total Sales	9,265.4	9,217.8	0.5%
Total EBIT	179.9	216.8	(17.0%)
EBIT (%)	1.9%	2.4%	(41bps)



1. Scan data from 1,005 IGA stores

Sales Revenue

Supermarkets

- Total sales up 0.5%
- Total wholesale sales (excluding tobacco) were down 1.1%
 - Adjusting for the estimated impact of damage to the NSW DC, wholesale sales (excluding tobacco) were down ~0.8%
 - This reflects continuing improvement in the underlying sales trend (excluding tobacco)
- Sales (excluding tobacco) impacted by ongoing deflation of 2.2%, reflecting a highly competitive market
- Teamwork score maintained
- IGA Retail sales¹ up 1.4% (FY15: up 0.7%) reflecting improving underlying health of the network
- IGA retailers have experienced growth for last 4 consecutive reporting periods

Convenience

- Convenience sales up 0.4%
- Growth in CSD revenues offset by significant decline in Campbells reseller revenues

Food & Grocery - Financials

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	FY16 \$m	FY15 \$m	Change
Sales Revenue			
Supermarkets	7,694.1	7,653.3	0.5%
Convenience	1,571.3	1,564.5	0.4%
Total Sales	9,265.4	9,217.8	0.5%
Total EBIT	179.9	216.8	(17.0%)
EBIT (%)	1.9%	2.4%	(41bps)



EBIT

- Total EBIT of \$179.9m
- **Supermarkets EBIT** declined by ~\$21m, largely reflecting planned incremental price investment
- Supermarkets have now cycled price investment with 2H16 profit in line with 1H16
- **Convenience EBIT** declined by ~\$16m reflecting a challenging business environment:
 - Accelerated decline in Campbells reseller business, particularly in tobacco
 - Decline was not offset by growth in Food Services
 - Margin pressure from major CSD contracts
- Convenience business integrated with Supermarkets with new General Manager appointed to Campbells

Food & Grocery – FY16 key initiatives and FY17 focus

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NETWORK INVESTMENT & RETAIL EXCELLENCE

- ❖ Target of ~150 Diamond stores achieved
- ❖ 100 Diamond stores refurbished in FY16
- ❖ Sales uplift from Diamond Stores continues, with a ~16% increase in both warehouse and retail sales
- ❖ Metcash Training Academy - ~10,000 registered users



COMPETITIVE PRICING

- ❖ Price Match roll out complete, now in ~960 stores
- ❖ Program backed by above-the-line advertising
- ❖ Scan data shows ~99% price compliance
- ❖ Continued improvement in consumer price perception
- ❖ Cost of price investment now in earnings base



SHOPPER-LED WAY

- ❖ Improved catalogue and promotional program
- ❖ Black and Gold sales growth 9.7%
- ❖ 175 mid tier private label SKUs added in the year



COMPELLING FRESH

- ❖ ~200 'Your Kitchen' modules implemented
- ❖ ~125 Cheese Shop modules
- ❖ Fresh retail growth of ~25% maintained in Diamond Stores
- ❖ Improved customer perception in DSA stores



FY17 FOCUS

- ❖ Best Store In Town
- ❖ Core Ranging 'Mini DSA' – pilot & roll out
- ❖ New mid-tier private label brand launch
- ❖ Working Smarter program continues

Diamond Transformation scorecard

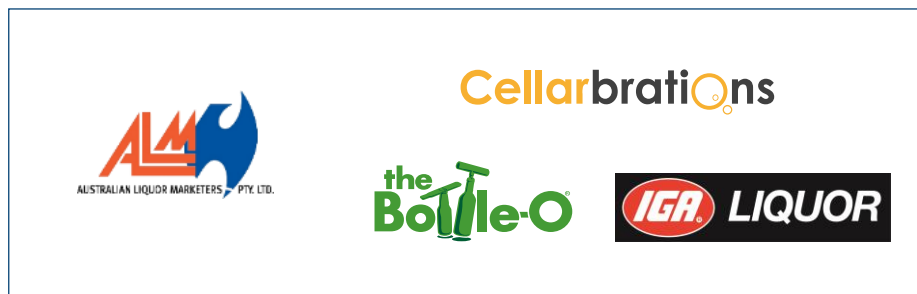
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Phase 1 Fix the Basics	Phase 2 Invest in Growth	Phase 3 Sustain Growth
FY15 / FY16	FY15 / FY17	FY17 / FY19+
<ul style="list-style-type: none"> ▪ Offer competitive prices and promotions ✓ ▪ Develop shopper-led way ✓ ▪ Competitive own brands ✓ ▪ Set 'Fresh' standards ✓ ▪ Improve retail execution ✓ ▪ Build shopper-led culture ✓ ▪ Improve marketing competencies ✓ ▪ Build strong retail capabilities ✓ 	<ul style="list-style-type: none"> ▪ Expand innovation in price and promotions – “Price Match” ✓ ▪ Grow new, exciting offers and categories – core ranging “Mini DSA” ✓ ▪ Tiered own brand offer ◆ ▪ Develop compelling Fresh ✓ ▪ Retailers aligned with banner discipline/guidelines ◆ ▪ Make network investments ✓ ▪ Working Smarter ◆ 	<ul style="list-style-type: none"> ▪ Make every store famous as a local shopper destination – ‘Best store in town’ ◆ ▪ Emphasise strong local focus ✓ ▪ New and tailored formats ◆ ▪ Digital platform in place ◆ ▪ Full ‘independent’ category management ◆ ▪ Distribution network strategy investment ◆ ▪ EDI / VMI accelerated with suppliers ◆
<p>DELIVERED KEY INITIATIVES</p>	<p>GROWTH INITIATIVES PROGRESSING WELL</p>	<p>COMMENCED SUSTAIN GROWTH INITIATIVES</p>

✓ Initiatives delivered ◆ Significant progress

Liquor - Financials

	FY16 \$m	FY15 \$m	Change
Sales Revenue	3,219.3	3,103.6	3.7%
EBIT	62.1	57.6	7.8%
EBIT (%)	1.9%	1.9%	7bps



Sales Revenue

- Total sales increased by 3.7%
- LfL retail sales¹ in the IBA bannered network increased 3.5%
- In line with strategy, continued to convert wholesale customers to IBA bannered network. Wholesale sales through the IBA bannered network increased 13% over prior year
- More than half of total sales are now through the IBA bannered network

EBIT

- EBIT increased by \$4.5m (+7.8%) reflecting:
 - Conversion of stores to IBA bannered network
 - Strong focus on cost control

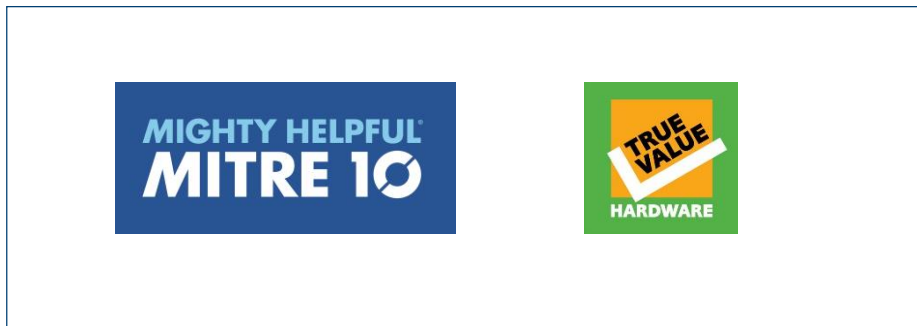
Initiatives update

- Continued investment in the network with ~85 stores refreshed and ~220 cool room upgrades
- Net ~100 stores converted to IBA bannered network
- Further private label brands launched
- Continued investment in retail store initiatives to improve shopper experience

1. Represents LfL retail sales growth achieved in ~1,170 stores

Hardware - Financials

	FY16 \$m	FY15 \$m	Change
Sales Revenue	1,056.6	1,048.4	0.8%
EBIT	32.8	30.1	9.0%
EBIT (%)	3.1%	2.9%	23bps



Sales Revenue

- Total Hardware sales up 0.8%
- Wholesale LfL growth was up 2.5%
- Trade and joint ventures experienced solid growth

EBIT

- EBIT increased by \$2.7m (+9.0%)
- Key driver of 23bps improvement was strong performance of JV stores, supply chain efficiency and tight cost control
- Wholesale margins maintained at ~2.5%

Initiatives update

- Retail excellence – 12 Sapphire stores completed with average sales uplift of 17%
- Core ranging - 45 stores completed with focus on power tools, hand tools and paint
- Category management – significant benefit to members in timber and fastener categories

Working Smarter – continued progress

THE WHY

- We need to simplify the way we operate so we can meet the future needs of our customers, retailers, and suppliers
- Our organisation has become too complex. Savings target of ~ \$100m over 3 years (FY17-FY19)
- Enables our business to pursue growth opportunities in an increasingly competitive trading environment and help offset the underlying inflation in our cost base



THE HOW

Working Smarter will make doing business with Metcash simpler for customers, suppliers and our people through:



SMARTER BUYING



SIMPLER WAYS OF WORKING



FOCUS ON OUR SALES CHANNELS



BUILD THE POSITIVE ASPECTS OF OUR CULTURE

Plans in place to deliver ~\$35m gross savings in FY17

Group Outlook

IAN MORRICE

GROUP CHIEF EXECUTIVE OFFICER

Group outlook

- FY17 includes a 53rd trading week¹
- Highly competitive trading conditions remain in all our markets.
- Additional impact from increased Food & Grocery competition in both the South Australian and Western Australian markets
- The Food & Grocery business continues to face headwinds from competition, deflation and a rising cost base
- We will continue to progress the Transformation Plan (including Working Smarter) in FY17
- We expect further consolidation and positive momentum in the Liquor and Hardware Pillars
- The Group's solid financial position underpins our intention to recommence half yearly dividend payments with effect from the final FY17 dividend, subject to capital requirements

1. The 53rd week comprises four business trading days over the week ending Sunday 30 April 2017 (Anzac Day is on 25 April)

Appendices

1. Financial highlights
2. Restated Sales and EBIT to reflect the sale of Automotive
3. Bannered store numbers
4. Contact details

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Financial highlights

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	FY16	FY15	FY14	FY13	FY12
Financial Performance					
Sales (\$m)	13,541.3	13,369.8	13,175.0	12,893.1	12,501.1
EBIT (\$m)	275.4	297.3	368.4	437.7	441.5
Net finance costs (\$m)	(27.0)	(55.1)	(57.3)	(61.7)	(67.6)
Underlying profit after tax (\$m)	178.3	173.6	218.4	261.2	252.8
Reported profit after tax (\$m)	216.5	(384.2)	169.2	206.0	90.0
Operating cash flows (\$m)	165.8	231.7	388.7	299.8	284.3
Cash realisation ratio (%) ¹	70%	97%	137%	94%	93%
Financial Position					
Shareholder equity (\$m)	1,369.1	1,156.6	1,594.0	1,624.2	1,335.1
Net debt (hedged)	275.5	667.8	766.9	719.8	910.4
Gearing ratio (net hedged) ² (%)	16.8%	36.6%	32.5%	30.7%	40.5%
Return on funds employed ³ (%)	16.6%	14.4%	15.8%	19.6%	20.6%
Share Statistics					
Fully paid ordinary shares	928.4	928.4	888.3	880.7	771.3
Weighted average ordinary shares	928.4	907.0	882.7	859.7	770.4
Underlying earnings per share (cents)	19.2	19.1	24.7	30.4	32.8
Reported earnings per share (cents)	23.3	(42.4)	19.2	24.0	11.7
Dividends declared per share (cents)	-	6.5	18.5	28.0	28.0

1. Cash flow from operations / Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected)

2. Net Debt (hedged)/(Shareholders Equity + Net Debt)

3. Underlying EBIT / Average funds employed

Restated Sales and EBIT to reflect sale of Automotive

	FY15	FY14	FY13	FY12
Full year result (\$m)				
Sales				
Food & Grocery	9,217.8	9,072.4	9,120.6	9,331.7
Liquor	3,103.6	3,160.8	2,917.6	2,336.2
Hardware	1,048.4	941.8	854.9	833.2
Continuing operations	13,369.8	13,175.0	12,893.1	12,501.1
Discontinued operations (Automotive)	256.4	217.7	83.5	-
TOTAL	13,626.2	13,392.7	12,976.6	12,501.1
EBIT				
Food & Grocery	216.8	293.4	368.9	388.4
Liquor	57.6	52.1	46.1	34.9
Hardware	30.1	28.0	23.5	20.8
Corporate	(7.2)	(5.1)	(0.8)	(2.6)
Continuing operations	297.3	368.4	437.7	441.5
Discontinued operations (Automotive)	27.8	21.9	10.1	-
TOTAL	325.1	390.3	447.8	441.5

Metcash disposed of its Automotive business in July 2015. The results for the Automotive and Hardware businesses were previously reported in aggregate. The historical result for the Hardware business has been separately disclosed in the above table, and the Automotive division is reported as discontinued operations.

Bannered store numbers

	April 2016	April 2015
Pillar		
Supermarkets	1,678	1,708
Campbells	18	18
Liquor	2,674	2,571
Hardware	378	396
TOTAL	4,748	4,693

	Supermarkets	Liquor	Hardware
Store movement			
Number of stores at April 2015	1,708	2,571	396
Stores joined banner during the period	44	399	10
Stores left banner during the period	(74)	(296)	(28)
Number of stores at April 2016	1,678	2,674	378

Bannered store numbers

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	April 2016	April 2015
Supermarkets		
Supa IGA	415	428
IGA	822	829
IGA-Xpress	202	198
Total IGA bannered stores	1,439	1,455
Friendly Grocer / Eziway	239	253
Total Supermarkets	1,678	1,708
Liquor		
Cellarbrations	518	478
Bottle-O & Bottle-O Neighbourhood	601	636
IGA Liquor	491	486
Other	1,064	971
Total Liquor	2,674	2,571
Hardware		
Mitre 10	310	327
True Value Hardware	68	69
Total Hardware	378	396

Contact details

For additional information contact:

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www.metcash.com

Metcash

FY16 Full Year Result

20 June, 2016