



Metcash Limited

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

1 September 2021

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

Dear Sir/Madam

METCASH LIMITED 2021 ANNUAL GENERAL MEETING AND TRADING UPDATE

In accordance with Listing Rule 3.13.3, please find attached the following documents that will be delivered at the Metcash Limited 2021 Annual General Meeting later today:

- Chairman's Address
- CEO Presentation, including trading update.

Yours faithfully

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

Julie Hutton
Company Secretary

* * * * *

These documents have been authorised by the Board of Directors of Metcash Limited to be given to ASX.

2021 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

I will now provide you with a high-level overview of how we performed in FY21, as well as comment on other important matters such as our strategic direction, capital management, Board changes and remuneration outcomes for the year and ESG.

I will then invite Jeff to talk in more detail about the Company's operating performance as well as progress on key growth initiatives.

Firstly, the year in review.

FY21 was an exceptional year for Metcash with record sales, a significant increase in earnings and record operating cashflow.

The early success of our MFuture initiatives laid the foundation for a very successful year for both Metcash and our independent retailers.

The improved competitiveness of our retailers was a key factor in their retention of new and returning customers gained through COVID which, together with the continuation of an increased preference for local neighbourhood shopping and the migration from cities to regional areas, drove strong sales growth.

All Pillars performed strongly, with the Group continuing to successfully navigate significant challenges and uncertainty associated with COVID.

I am particularly proud of the achievements of our Metcash teams and independent retailers in continuing to drive the implementation of our MFuture growth initiatives despite the challenges they faced in managing unprecedented levels of demand, border restrictions and ever-changing health regulations.

Our financial performance was very strong. Group revenue, including charge-through sales, increased ~10% to a record \$16.4bn, with strong growth in all Pillars. Group EBIT increased ~20% to \$401.4m and underlying profit after tax was ~27% higher at \$252.7m. This represents a ~13% increase in underlying earnings per share to 24.7 cents.

The strong earnings, together with effective working capital management, led to record operating cashflows of ~\$475m, ensuring the Company continued to be in a very strong financial position at the end of the financial year with net cash of ~\$125m.

Turning now to capital management.

I am pleased to report that the strong Group performance and financial position, together with confidence over future operating cashflows, has resulted in Metcash returning ~\$380m to shareholders since the payment of last year's final dividend.

The Board has a strong focus on shareholder returns and is appreciative of the support received from shareholders, particularly through COVID.

The significant amount of capital being returned represents the Board's decision to raise the target dividend payout ratio from 60% to 70% of net underlying profit after tax, together with an off-market buy-back of \$200m.

We originally announced a buy-back of up to \$175m, but the Board decided to increase the amount to \$200m after receiving very strong demand from shareholders.

Importantly, all shareholders, whether or not they participated in the buy-back, will benefit through earnings per share and return on equity accretive outcomes.

Shareholder dividends for the year increased 40% to 17.5 cents a share through the increase in payout ratio and the strong FY21 Group earnings.

Turning now to strategy.

We are now two years into the MFuture program designed to provide a pathway to sustainable growth for Metcash, balanced with cost efficiencies.

This year significant progress was made with key initiatives such as our store upgrade programs, rolling out new store formats, expanding our private and exclusive label ranges and accelerating our digital plans.

We also sharpened our strategic direction to include an increased focus on customers and the community to support our aim of further improving the competitiveness of our retailers.

The early success of MFuture has provided a strong foundation for the remaining three years of the program, which includes initiatives to retain new and returned customers gained through COVID, as well as attracting new shoppers to our retail networks.

The program also includes pursuing attractive growth opportunities, including leveraging recent acquisitions such as Total Tools Holdings (TTH) in Hardware and the Kollaras private label portfolio in Liquor.

We were pleased to announce the acquisition of a 70% stake in TTH in September last year, and you may recall that at last year's AGM we told you we had entered into an agreement to buy the majority stake. TTH has the largest professional tools network in Australia with ~90 stores, and it is complementary to our Independent Hardware Group of stores. In December, TTH acquired a majority interest in 12 Total Tools joint venture stores, and in June we increased our position in TTH to 85%.

TTH has a history of strong earnings and is proving to be a fantastic acquisition for Metcash.

I would now like to tell you about some changes to the Board.

In September last year we were pleased to welcome Christine Holman as a non-executive director. Christine is an experienced ASX-listed company director and has more than 25 years of commercial experience across a broad range of areas including mergers and acquisitions, finance, sales, technology, digital transformation and marketing.

Christine's extensive and diverse experience is proving to be an asset to Metcash.

In May this year, we announced that Tonianne Dwyer would retire from the Board following completion of our FY21 financial statements. Tonianne has been a significant contributor to Metcash and has played a key role, particularly while Chair of the Audit, Risk and Compliance Committee, in the oversight of Metcash's growth and governance.

The Board and I sincerely thank Tonianne for her efforts and dedication to Metcash.

Also in May, we welcomed Margie Haseltine to the Board. Margie has over 30 years of experience spanning supply chains and logistics, customer interface in the FMCG sector, change management and governance, and has over 12 years' experience in board directorship. Margie's executive career includes 20 years at Mars Inc. including five years as CEO of Mars Food in Australia.

Turning now to remuneration.

Last year the Board took certain measures in response to the uncertainty associated with COVID. These included:

- Deferring scheduled remuneration increases for executive Key Management Personnel (KMP);
- Determining STI and LTI vesting outcomes based broadly on pre-pandemic outcomes to avoid any undue benefit;
- Increasing the deferred component of the FY20 STI award; and
- Deferring scheduled non-executive director fee increases.

Once the Group's performance stabilised in FY21, the previously approved increases to KMP remuneration were applied and KMP STI deferral percentages returned to standard policy.

Remuneration for the Group CEO has not changed since his appointment in 2017, and while no increase was applied to his fixed pay, there was an increase to his STI and LTI opportunity to better align his pay mix to market practice and increase the 'at risk' component of his total remuneration.

The remuneration package for the CEO of our Food Pillar was increased, positioning him slightly below his peer group benchmark.

Board fees increased 5% in FY21 and remain below medians at between 81% and 99% of peer group benchmarks. The Board is seeking shareholder approval to increase the Board fees pool from \$1.6m to \$2.0m, which will provide capacity to appoint an additional director in the future. This will be the first time the Board has sought an increase in the fees pool since 2012. We will discuss this later in the meeting.

STI outcomes for KMP ranged from 67% to 90% of maximum reflecting the delivery of exceptional results in FY21. Our FY19 LTI vested at 90% reflecting the underlying earnings per share CAGR hurdle being met and the TSR hurdle being exceeded by 6%.

We will have the opportunity to discuss the Remuneration Report later in the meeting.

Now to our workforce.

For the third consecutive year Metcash was awarded an Employer of Choice citation by the Workplace Gender Equality Agency. This is recognition of our deep commitment to gender pay parity and gender equality in the workforce.

Metcash was also awarded Gold level recognition under the Mental Health First Aider Skilled Workplace Program and was identified as a Flexready Certified organisation, which recognises leading employers who support flexible work practices.

And importantly, our overall employee engagement result continued to improve in FY21, lifting a further ~20% to 57% through the significant efforts of our people despite facing many challenges such as the ever-changing health regulations.

I would now like to briefly touch on ESG, as we have significantly stepped up our efforts in this important area.

FY21 included the Company further improving its ESG credentials, expanding its ESG disclosures and embedding sustainability into the Metcash culture.

Our achievements this year, as well as the expanded disclosures, are detailed in our first Sustainability Report which is included in our 2021 Annual Report and can be found on our website in the Sustainability section.

We expect to continue building on this progress over the coming years.

Going forward, while it has been an exceptional year for Metcash, shoppers are continuing to enjoy visiting their local independent stores in our Food, Liquor and Hardware network particularly during the current lockdowns. Sales in the first quarter of FY22 continue to be elevated as Jeff Adams will comment on shortly.

Making our retailers more competitive has proven to be the right strategy for Metcash. And importantly, we continue to be well positioned with a strong financial position that includes flexibility to invest in our growth plans.

Our sharpened MFuture plans for the next three years aim to further improve our retailers' competitiveness and include a balance of good growth and cost out initiatives.

While our Hardware pillar is already positioned with leading digital technology, we are stepping up our investment in digital to accelerate the delivery of solutions for our Food and Liquor retailers who now have an increased interest in these solutions.

We are also investing in a new project named 'Horizon' which aims to drive efficiencies through simplification, as well as growth through making it easier to do business with Metcash. This will be a staged program with the first phase focused on simplification and building a better future operating platform.

In closing, I would like to thank all our people, the Metcash leadership team, our independent retailers and suppliers for what has been an exceptional year.

And to you our shareholders, I would like to express my thanks, and that of the entire Board, for your ongoing support.

Finally, I would like to thank my fellow Directors for their commitment and contribution to Metcash over the past year, and for their ongoing support.

Rob Murray

Metcash Limited

2021 Annual General Meeting

1 September 2021



Board of Directors



Robert Murray

Non-Executive
Chairman



Jeff Adams

Group Chief
Executive Officer



Peter Birtles

Chair of the Audit, Risk and
Compliance Committee



Margaret Haseltine

Non-executive Director



Christine Holman

Non-executive Director



Murray Jordan

Non-executive Director



Helen Nash

Chair of the People and
Culture Committee



Julie Hutton

Company Secretary

Metcash Management



Jeff Adams

Group Chief
Executive Officer



Alistair Bell

Group CFO



Scott Marshall

CEO, Food



Annette Welsh

CEO, Independent
Hardware Group



Chris Baddock

CEO, Australian Liquor
Marketers



David Reeve

Chief Information Officer



Penny Coates

Chief People and Culture
Officer



Matt Havens

Chief Strategy and
Transformation Officer

Meeting Agenda

- 1. Receive and consider the financial report and reports of the directors and auditor for the year ended 30 April 2021**
 - Chairman's Address
 - CEO review of financial performance
- 2. Resolutions to elect and re-elect directors**
 - a) To elect Ms Christine Holman as a director
 - b) To elect Ms Margaret Haseltine as a director
 - c) To re-elect Mr Murray Jordan as a director
- 3. Resolution to adopt the Remuneration Report**
- 4. Resolutions to approve grants of performance rights to Mr Jeffery Adams, Group CEO**
- 5. Resolution to increase the non-executive director aggregate fee pool**

Chairman's Address

- Financial performance
- Capital management
- Strategy
- Board changes
- Remuneration
- People
- Environment, Social, Governance
- Going forward

Review of FY21 financial performance

Jeff Adams
Group Chief Executive Officer



About Metcash

Our purpose

*Championing
successful
independents*

Our vision



Best store in town



Passionate about independents



A favourite place to work



Business partner of choice



Support thriving communities



Creating a sustainable future

Our values

We believe: Independence is worth fighting for; in treating our people, retailers and suppliers the way we like to be treated; and in giving back to the communities where we live and work

Group re-focused strategic direction



Improvement in ESG credentials

Our commitment

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

↑ 29
in ranking to

Dow Jones Sustainability Index
(FY20: ranking of 46)

Environment & Climate

- Greenhouse Gas (GHG) emissions reduced 14% to 72,948 CO₂e
- Transitioned to new 5 Greenstar Distribution Centre in South Australia
- Set 2030 aligned Science Based Target (42% reduction in GHG emissions from 2020 baseline year)
- Completed next stage towards alignment with Taskforce on Climate Change Financial Disclosures
- Waste to landfill reduced 11% to 6,553t
- Business2Business plastic wrapping reduced by 100t and virgin plastic by ~15t (per annum)

Communities & Products

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

Our People

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

Group highlights – a standout year

Record sales underpinned significant earnings growth and record operating cash flow



Record Group sales¹

\$16.4bn

Group revenue

↑ 9.9%

to \$14.3bn

↑ 10.1%

to \$16.4bn incl.
charge-through
sales

Group EBIT

↑ 19.9%

to \$401.4m

UPAT

↑ 27.1%

to \$252.7m

Underlying EPS

↑ 13.3%

to 24.7c per share

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

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

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

1. Includes charge-through sales

2. Statutory loss after tax in FY20 includes an impairment of goodwill and other assets of \$237.4m (post tax)

Group highlights – a standout year

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



1. Reflects an Off-Market Buy-Back of \$200m

Disciplined capital management

Target dividend
payout ratio ↑ from

60% to 70%

Final dividend
9.5c per share

FY21 total ↑40% to 17.5c

Buy-Back of **~\$200m**

FY21 acquisitions delivering attractive returns – includes Total Tools and Kollaras private label brands

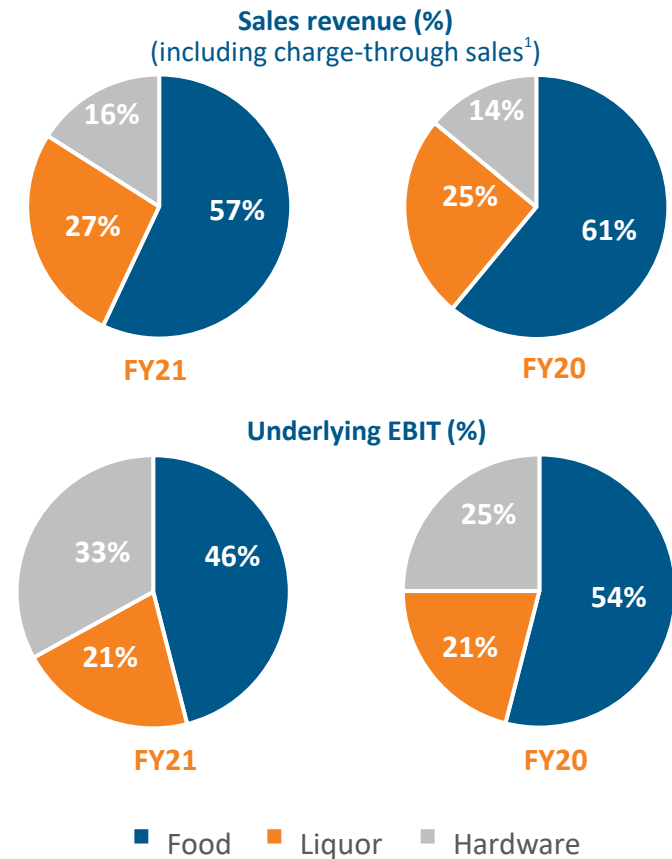
Strong financial position with capacity to fund MFuture growth plans

Strong start to FY22 sales

Continued investment in digital and systems

Results overview by pillar

	FY21 \$m	FY20 \$m	Change %
Sales revenue (including charge-through sales)			
Food	9,389.7	9,103.7	3.1%
Liquor	4,383.2	3,678.4	19.2%
Hardware	2,588.2	2,075.0	24.7%
Total sales revenue (including charge-through sales)	16,361.1	14,857.1	10.1%
Less: Charge-through sales	(2,045.8)	(1,831.7)	11.7%
Total sales revenue (Statutory Accounts)	14,315.3	13,025.4	9.9%
	FY21 \$m	FY20 \$m	Change %
Underlying EBIT			
Food	192.4	182.7	5.3%
Liquor	88.7	72.8	21.8%
Hardware	136.0	84.2	61.5%
Business Pillars	417.1	339.7	22.8%
Corporate	(15.7)	(4.8)	-
Total EBIT (Statutory Accounts)	401.4	334.9	19.9%



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

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

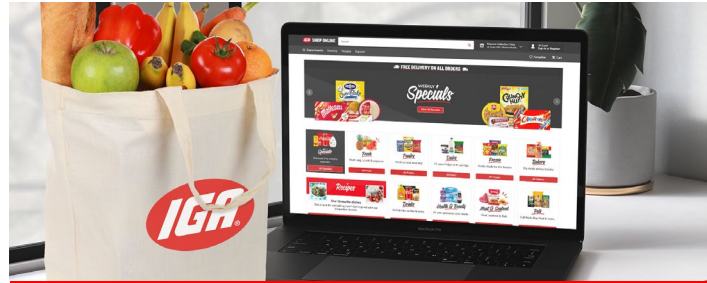
Food – MFuture initiatives going forward



Network of the Future



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



eCommerce and Loyalty



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



Supply Chain



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

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

Liquor – MFuture initiatives going forward



Digital transformation

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



Drive brand awareness and appeal

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



Owned & Exclusive brands (O&E)

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



Supply chain flexibility and efficiency

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

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

IHG – MFuture initiatives going forward

GROW IN DIY



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



Continued focus on shopper-led range & price



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



Accelerating Digital, Data and Insights



PROTECT
& GROW
STORE
NETWORK
THOUGH
JV/COMPANY
OWNED
STORES



BUILD TRADE



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



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

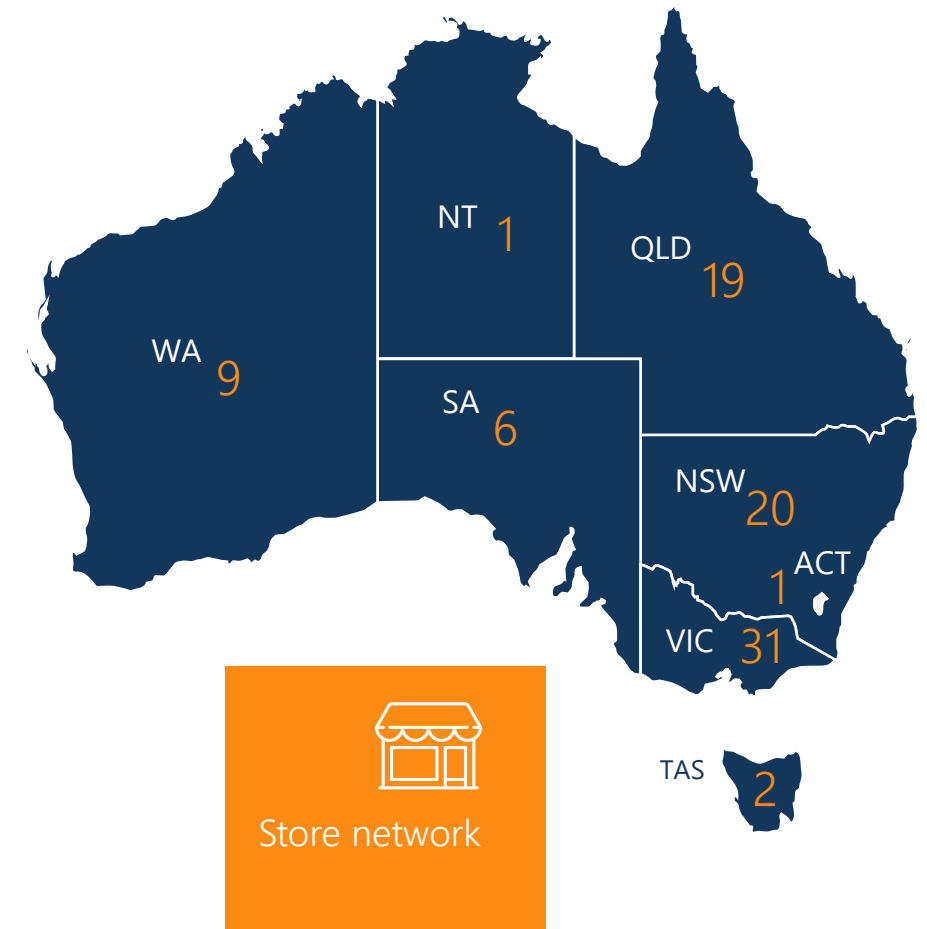


Continue to develop our market-leading Trade Technology (Trade Online, Trade Sync, Truck Tracker, Mitre 10 Trade+pass, Trade Profiler)

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

Total Tools

- Acquired 70% of Total Tools Holding (TTH) in September 2020
- TTH is franchisor to the largest professional tools network in Australia with ~90 bannered stores
- Operating for >30 years
- Complementary business to IHG
- Retailer of choice for major tool suppliers
- Loyal customer base (loyalty members represent 86% of sales base ex-commercial)
- Significant growth opportunities
 - Expansion of store network
 - Acquisition of ownership interest in select number of joint venture stores
- TTH acquired majority interest in 12 joint venture stores in December 2020
- Metcash increased ownership of TTH to 85% in June 2021



#1 professional tools retailer with significant growth opportunities

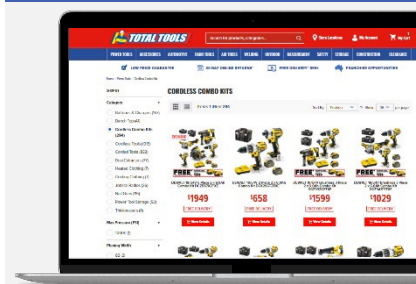
Total Tools – key drivers of future growth

Grow Store Network



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

Online



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

JV Conversions



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

Customer



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

Synergies



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

#1 professional tools retailer with significant growth opportunities

Trading update

First 16 weeks ended 15 August 2021

Group

- Trading has continued to be strong in all pillars and well above pre-COVID levels in FY20, driven by
 - A shift in consumer behaviour
 - More local neighbourhood shopping
 - Move from city to regional areas
 - More eating at home
 - Home consumption of liquor substituting on-premise consumption
 - Less overseas travel and duty free shopping
 - A high level of home renovation and DIY activity
 - The improved competitiveness of the store networks supported by our MFuture program
- COVID-related trading restrictions in Australia and New Zealand
- COVID-related costs have increased but are not at a material level at this stage

Food

- Supermarkets sales increased 12.9% compared with the same period in FY20, and were 17.2% higher excluding the impact of Drakes¹. Compared with the same period in FY21, Supermarkets sales were 1.8% lower
- Total Food sales increased 3.1% compared with the same period in FY20, and were 16.0% higher excluding the impact of Drakes¹ and 7-Eleven². Compared with the same period in FY21, total Food sales were down 7.4%, and 1.4% excluding the impact of 7-Eleven².

1. Metcash ceased to supply Drakes in South Australia from 30 September 2019. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to Drakes

2. The previous supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted accordingly, to exclude the impact of sales to 7-Eleven

Trading update continued

First 16 weeks ended 15 August 2021

Liquor

- Total Liquor sales increased 23.1% compared with the same period in FY20, and were 9.5% higher compared with the same period in FY21
- Sales to the IBA banner group increased 24.0% compared with the same period in FY20, and were 1.4% higher compared with the same period in FY21
- Sales to on-premise customers continued to recover prior to new COVID-related trading restrictions being imposed in mid July 2021
- COVID-related trading restrictions are now in place for on-premise customers in NSW, Vic, and the ACT, and there are new trading restrictions in New Zealand. These restrictions impact ~10% of sales in the Liquor pillar. Offsetting this is an increase in retail bottle shop sales.

Hardware

- Total Hardware sales increased 37.8% compared to the same period in FY20, and were 16.3% higher compared with the same period in FY21
- Total IHG sales (excludes Total Tools Holdings) increased 22.7% compared to the same period in FY20, and were 3.6% higher compared with the same period in FY21 with both DIY and Trade sales continuing at an elevated level
- Trade sales continued to be strong, buoyed by a high level of residential construction and renovations activity. This more than offset a decline in DIY compared with the same period in FY21, although DIY activity continues to be strong compared with the same period in FY20
- Strong demand is continuing to put pressure on stock availability, particularly timber
- Various COVID-related trading restrictions have impacted sales in all states and territories, except WA and Tasmania. The restrictions have led to construction slowdowns and impacted DIY sales in the affected areas, albeit to varying degrees

Championing Successful Independents

