FY22

Half Year Results

6 December 2021

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 OVERVIEW AND DIVISIONAL RESULTS

Jeff Adams
Group Chief Executive Officer

Group highlights

Revenue and earnings growth building on a very strong prior comparative period

Group revenue[1]
↑ **1.5%** to $8.2bn
(+14.0% 2 yrs)

Underlying EPS
↑ **15%** to 14.6c per share

Group EBIT
↑ **13.9%** to $231.2m

Interim Dividend
↑ **31%** to 10.5c per share

UPAT
↑ **13.1%** to $146.6m

Operating cashflow
$212.1m
CRR[2] ~92%

- All pillars continue to benefit from shift in consumer behaviour
- Strong Group leverage with revenue up 1.5% and EBIT up 13.9%
- Strategic acquisitions delivering material contributions to Group earnings
- Continued investment in digital and technology infrastructure
- Further improvement in ESG credentials: DJSI ranking up to 21 and 69th percentile (2020: 29 and 56th percentile)

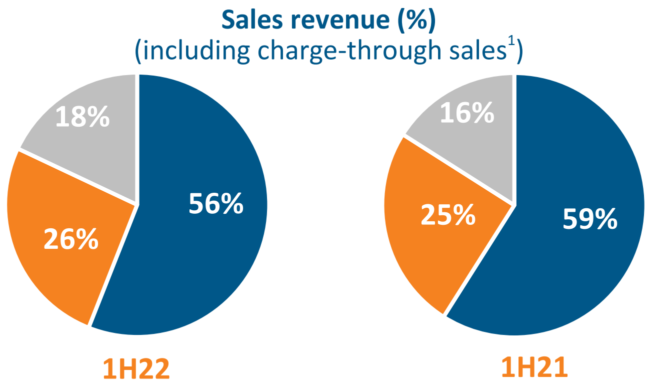
1. Includes charge-through sales
2. Cash realisation ratio (CRR) = Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected)

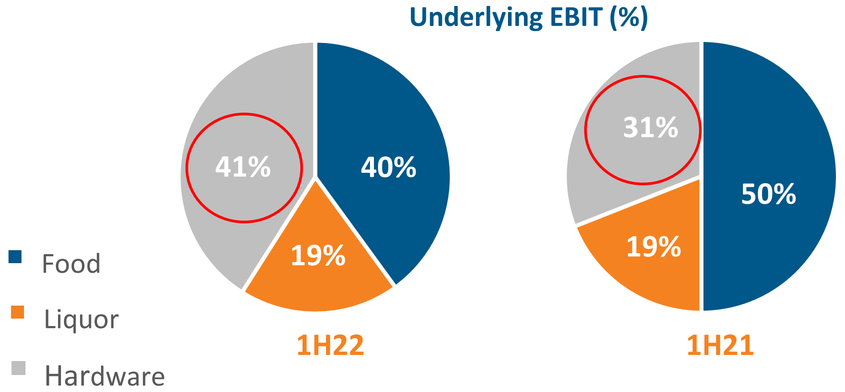
Strong Group revenue and earnings performance

Results overview by pillar

	1H22 $m	1H21 $m	Change %	2yr Change %
Sales revenue (including charge-through sales)				
Food	4,561.0	4,795.9	(4.9%)	4.1%
Liquor	2,174.4	2,039.1	6.6%	21.9%
Hardware	1,483.7	1,258.9	17.9%	42.1%
Total sales revenue (including charge-through sales)	**8,219.1**	**8,093.9**	1.5%	14.0%
Less: Charge-through sales	(1,068.5)	(1,034.2)	3.3%	
Total sales revenue (Statutory Accounts)	**7,150.6**	**7,059.7**	1.3%	

	1H22 $m	1H21 $m	Change %
Underlying EBIT			
Food	95.2	103.0	(7.6%)
Liquor	44.3	40.1	10.5%
Hardware	98.9	64.5	53.3%
Business Pillars	**238.4**	**207.6**	**14.8%**
Corporate	(7.2)	(4.6)	*nm*
Total EBIT	**231.2**	**203.0**	**13.9%**





Diversifying Group Earnings

Strong operating leverage: sales ⬆ 1.5% EBIT ⬆ 13.9%

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

Food – sales

- Total Food sales[1] ex tobacco increased 0.9% (+16.1% v 1H20) ex 7-Eleven impact[2]
- Supermarkets sales[1] declined 0.2% (+14.4% v 1H20 or +18.0% ex Drakes impact[3])
- Total Food sales[1] declined 4.9% or 0.2% ex 7-Eleven impact[2] (+ 4.1% v 1H20 or +16.8% ex Drakes[3] and 7-Eleven impact[2])
- Continued to benefit from shift in consumer behaviour and success of MFuture initiatives to improve competitiveness of retailers – retention of new and returning shoppers and a significant lift in average basket size
- Continuation of elevated sales in all States
  - Compared with 1H20
    - NSW strongest performer
    - Very strong sales growth in states less impacted by COVID restrictions (WA, SA, QLD) with average sales growth (ex Drakes[3] impact) of 15%+
  - Compared with 1H21
    - Flat to positive growth on elevated sales base in all States other than VIC
    - VIC cycling impact of more sustained and prohibitive restrictions than other States
- Wholesale price deflation[4] of 1.0% – focus on retaining competitive prices
- Continued strong performance of IGA network with LfL[5] sales up 0.8% (+18.8% v 1H20)
- Team score of ~73% (FY21: ~74%) – reflects slight decline in tobacco sales
- Net new IGA store openings (17 openings, 15 closures including six de-bannered)
- Total Convenience sales increased 0.7% (+7.3% v 1H20) ex 7-Eleven impact[2] despite the adverse impact of COVID-related restrictions, with increased demand from existing and new customer growth. Including the impact of 7-Eleven, sales declined 33.4%

	1H22 $m	1H21 $m	Change %	2yr Change %
Revenue (including charge-through)				
Supermarkets	4,112.9	4,123.2	(0.2%)	14.4%
Convenience	448.1	672.7	(33.4%)	(42.9%)
Total revenue (including charge-through)	4,561.0	4,795.9	(4.9%)	4.1%
Charge-through sales	(538.8)	(531.0)	1.5%	14.1%
Total revenue as per Statutory Accounts	**4,022.2**	**4,264.9**	(5.7%)	2.9%

Recognition and Awards

- *IGA rated top for Online Grocery Shopping in Canstar Customer Satisfaction ratings*
- *IGA rated equal top in Online Grocery Delivery Review by Choice*
- *IGA rated top supermarket for Managing the Impact of COVID in Canstar customer survey*
- *IGA rated top supermarket for Sustainability Satisfaction in Nielsen customer survey*

1. Includes charge-through sales
2. The previous east coast supply agreement with 7-Eleven concluded on 17 August 2020. To enable comparison, sales in the comparative period have been adjusted to exclude sales to 7-Eleven
3. Metcash ceased to supply Drakes in South Australia from 30 September 2019. To enable comparison, sales in the comparative period have been adjusted to exclude sales to Drakes
4. Excludes tobacco and produce
5. Based on scan data from 1,115 IGA stores

Retail network continued to benefit from improved competitiveness and shift in consumer behaviour

Food – EBIT

- Total Food EBIT declined $7.8m or 7.6% to $95.2m
- EBIT improved by ~$6m or ~7% after adjusting for:
  - ~$4m contribution from 7-Eleven in 1H21 (1H22: nil)
  - ~$3m decline in contribution from joint venture stores
  - ~$8m net impact from non continuation of tobacco excise increase (impact 1H21: $8m, 2H21: $2m)
  - (~$1m) contribution from the resolution of onerous lease obligations (1H21: nil)
- Strong earnings performance despite challenges associated with impact of COVID and tightness of labour market on DCs and supply chain, and:
  - Additional COVID related costs of ~$3m (COVIDSafe work practices and increased labour cost in DCs)
  - Investment to accelerate eCommerce initiative of ~$2m
- EBIT margin maintained at 2.1%
  - Improved leverage compared to 2H21 with return to more normal sales mix

	1H22 $m	1H21 $m	Change %
Total revenue[1] (including charge-through)	4,561.0	4,795.9	(4.9%)
EBIT	**95.2**	**103.0**	**(7.6%)**
EBIT margin[2]	2.1%	2.1%	-


Allambie Heights IGA, NSW

1. Total revenue includes charge-through sales of $538.8m (1H21: $531.0m)
2. EBIT margin: EBIT / Total revenue (including charge-through)

Adjusted EBIT growth of ~$6m or ~7% building on very strong comparative period

Food – MFuture update

Network of the future

- Network refresh with national brand standards and more consistent offer by format
  - Commenced installation of new signage
  - 40 banner transfers completed with another ~480 underway
  - Launched Local Grocer brand (replaces Xpress)
  - Transition to be completed by 2024
- Further DSA store upgrades
  - 41 DSAs completed in 1H22 despite significant COVID challenges
  - Total stores upgraded 663
  - Average retailer sales growth >10%
  - Targeting ~90% of network to be upgraded by FY26

Supply Chain

- Logistics operations
  - Demonstrated significant resilience in managing COVID-related challenges
- DC capacity and capability expansion
  - Crestmead QLD expansion of chilled ranging capacity
  - Gepps Cross SA delivering significant operational efficiencies – received Greenstar 5 Certification
- Transport Management System upgrade completed for ~65% of freight volumes
- Commenced deployment of Paperless warehouse solution
- Reviewing opportunities to increase DC operational efficiency with facilities in VIC and WA nearing end of life

Driving further network competitiveness and sales growth despite COVID restrictions

Liquor – sales

- Total sales (including charge-through) increased 6.6% to $2.2bn (+21.9% v 1H20) reflecting strong demand from retail network and contract customers, and increased on-premise sales
- The retail network continued to be buoyed by:
  - Increased preference for local neighbourhood shopping
  - Improved competitiveness of stores through MFuture initiatives
  - Home consumption substituting on-premise consumption
- Wholesale sales to IBA banner group increased 0.1% (+24.2% v 1H20) with Cellarbrations and Bottle-O banners the strongest performers
  - Continued growth in Wine, 'Ready To Drink' and Spirit categories
- Despite an increase in on-premise sales in non-lockdown states, the segment was again significantly impacted by COVID related trading restrictions, particularly in NSW, VIC, ACT and NZ
- The IBA banner group continued to perform strongly with LfL[1] sales up 6.9% (1H20: +27%)
- Percentage of sales through IBA bannered network ~52%, partially impacted by on-premise trading restrictions

	1H22 $m	1H21 $m	Change %	2yr Change %
Total revenue as per Statutory Accounts	2,169.8	2,035.5	6.6%	21.8%
Charge-through sales	4.6	3.6	27.8%	43.8%
Total revenue (including charge-through)	**2,174.4**	**2,039.1**	6.6%	21.9%


Donges IGA Liquor, Young, NSW

Strong sales performance despite impact of trading restrictions on on-premise customers

1. Based on scan data from 592 stores

Liquor – EBIT

- EBIT increased $4.2m or 10.5% to $44.3m
  - Contribution from strong trading performance, which more than offset:
    - Increased weighting of lower-margin categories in sales mix; and
    - Increase in costs due to impact of COVID and tight labour supply on DCs
- EBIT margin in line with prior year at 2.0%

	1H22 $m	1H21 $m	Change %
Total revenue [1] (including charge-through)	2,174.4	2,039.1	6.6%
EBIT	**44.3**	**40.1**	**10.5%**
EBIT margin [2]	2.0%	2.0%	-

IGA Liquor store, Strathfieldsaye, VIC

Earnings growth of 10.5% follows 30.6% growth in prior corresponding period

1. Total revenue includes charge-through sales of $4.6m (1H21: $3.6m)
2. EBIT margin: EBIT / Total Revenue (including charge-through)

Liquor – MFuture update

Drive brand awareness and appeal

- Continued to enhance the network through investment in stores and cool room upgrades (further 31 stores and 9 cool rooms)
- Brand positioning work complete – offering customers and retailers a 'house of brands' within IBA (right brand, right occasion)
- Marketing initiatives have increased brand awareness in Cellarbrations, IGA Liquor, Bottle-O and Porters
- Continued focus on increasing foot traffic, share of 'shopper wallet' and building long term brand equity through balanced programs in conjunction with suppliers including new 'Instore Excellence Program'

Owned & Exclusive brands (O&E)

- Gaining momentum through leveraging acquisition of Kollaras brand portfolio
- O&E sales value up 11% (+31% volume) to 1% of IBA 1H22 sales (targeting 5% by 2024)
- Introduced new brands and built line extensions
- Secured exclusive distribution of 24 pack value beer (Broo)
- Retail & on-premise value wine and house pour brand developed
- Reinforced philosophy of Value, Quality & Margin by introducing O&E rebate to IBA retailers
- Developed training program for Retailers and Field teams to support O&E growth initiatives

Supply chain flexibility and efficiency

- Partnering with key suppliers to realise supply chain efficiencies
- Evolving supply chain capability through charge-through to develop the extended aisle. Pilot to commence early 2022
  - Technology stack in development
  - Suppliers & trial region alignment in place
- Enhance retailer experience through operational simplification ('one stop shop')
- Enriched retailer ordering portal for ease of use after feedback, improving the retailer CX

Improving the competitiveness and success of our retailers – focus on customer retention and growth

Hardware – sales

- Total sales (including charge-through) increased 17.9% (+42.1% v 1H20) to $1.5bn reflecting continued growth in Trade sales, strong DIY sales and acquisitions[1]
- Total IHG sales increased 7.2% (+27.4% v 1H20)
  - Strong growth in Trade sales despite adverse impact of COVID-related construction shutdowns and trading restrictions in NSW, VIC and SA
  - Trade sales partly buoyed by inflation
  - Slightly lower DIY sales, albeit still at very high levels including in States less impacted by COVID related trading restrictions (QLD, SA, WA)
    - Retention of customers through success of MFuture
    - Online sales growth of 114% (~250% v 1H20) represents ~3% of sales (~5% during lockdown)
  - Continuation of supply chain challenges
  - Sales mix: Trade 64% DIY 36% (1H21: Trade 60% DIY 40%)
  - Sapphire refresh stores' average sales growth of >25%
- IHG retail LfL[2] sales in banner group increased 5.6% with DIY -0.1% and Trade +8.8% (+17.7% with DIY +42.4% and Trade +7.7% v 1H20)
- Total Tools (TT) sales $153.5m[3] buoyed by strong trade activity and additional majority-owned joint venture stores, despite the adverse impact of COVID-related restrictions
  - Online sales growth of 33% (1H21: +78%) represents ~9% of sales (~12% during lockdown)
- TT retail network continued to perform strongly with LFL[4] sales up 1.5% on a very strong prior corresponding period (+51%)

	1H22 $m	1H21 $m	Change %	2yr Change %
Total revenue as per Statutory Accounts	958.6	759.3	26.2%	59.8%
Charge-through sales	525.1	499.6	5.1%	18.2%
Total revenue (including charge-through)	**1,483.7**	**1,258.9**	**17.9%**	**42.1%**

1. Acquisitions include: Total Tools Holdings and 13 TT joint venture stores (12 stores held 6 months, 1 store held 2 months), Finlaysons, St Helens and Bacchus Marsh stores
2. Based on a sample of 282 network stores that provide scan data (represents >50% of sales)
3. TT sales include sales from company owned and JV stores, franchisor income and sales of exclusive brand products. Total Tools network sales $907m MAT 31 October 2021 (MAT 30 June 2020 $658m)
4. Based on scan data from 94 network stores

Very strong sales driven by growth in Trade and continued elevated DIY activity

Hardware – EBIT

- Substantial increase in EBIT, up $34.4m or 53.3% to $98.9m, driven by:
  - IHG sales growth
  - Strong performance in company-owned / joint venture stores (both IHG and TT)
  - TT EBIT growth (TT 1H22 EBIT: $33.1m-6mths, TT 1H21 EBIT: $4.8m-2mths) and incremental contribution from other acquisitions of $3.5m
  - Costs well managed despite COVID-related pressures, particularly in DCs
- IHG wholesale EBIT margin of 3.0%
- Total EBIT margin of 6.7% includes positive impact of Total Tools and the retail margin from joint venture and company-owned stores
  - IHG EBIT margin 5.0%

	1H22 $m	1H21 $m	Change %
Total revenue[1] (including charge-through)	1,483.7	1,258.9	17.9%
EBIT	**98.9**	**64.5**	**53.3%**
EBIT margin[2]	6.7%	5.1%	160 bps

Total Tools, Hoppers Crossing, VIC

1. Total revenue includes charge-through sales of $525.1m (1H21: $499.6m)
2. EBIT margin: EBIT / Total revenue (including charge-through)

Substantial EBIT growth of 53.3% driven by strong sales and material contribution from acquisitions

Hardware – MFuture update

IHG

GROW DIY

- Expanding Sapphire store upgrade program from 200 to 300 stores by 2025
  - 10 stores upgraded in 1H despite significant COVID-related challenges – total upgrades 140
  - Average retail sales growth >25%
  - Additional 30 stores planned to be upgraded in 2H22
  - Mitre 10 stores now account for ~80% of IHG sales
- Continued focus on shopper led range
  - 73% of target achieved (FY21: 68%)
- Focus on growing emerging categories
  - Kitchen/laundry/bathroom sales up 38% v 1H21
  - Garden sales up 33% v 1H20

BUILD TRADE

- Open Trade Centres – Sapphire stores to support goal of being #1 in Trade
  - Completed 33 of targeted 50 'Trade Only' stores
- Expand share of 'Whole of House'
  - Acquired Footers Frame & Truss in SA
  - Detailed CRM insights on ~260 builders
- Develop leading Trade Technology
  - Established third party relationships
    - Humm Pro Buy Now: Pay Later for Trade
    - XERO – links builders accounting system to Mitre 10 Trade Online reducing their CODB
    - BuildXact – delivers fast take offs & improves speed to quote using Mitre 10 builder specific contract price

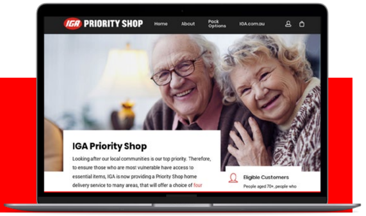
TOTAL TOOLS

- Grow store network
  - Net increase of 5 to bring size of network to 94 stores
  - First TT/Mitre 10 adjacency store opened in Merimbula, NSW – strong customer support
  - Targeting network of ~130 stores by 2025
- JV conversions
  - 12 completed Dec 2020
  - 1 completed September 2021
  - A further 14 expected to be completed by end 2021
- Customer
  - A further 3 store upgrades bringing total to 75
  - Targeting 19 upgrades by 2024
- Synergies
  - Achieved ~$1.5m in 1H22 and expect total of ~$2m in FY22
  - Targeting ~$5m by end FY23

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

Digital update

Food



- Accelerated rollout of digital eCommerce initiatives for IGA retailers with IGA Shop Online
- New platform now live in ~100 stores (FY21: 3) with positive shopper and retailer feedback
  - Initial launch in NSW & VIC with launches in QLD & SA pending
  - Currently 300+ stores signed up
  - Average basket size $100+
  - Targeting ~800 stores by FY25
  - Liquor Aisle now available on IGA Shop Online (currently 30+)
- Enhance network loyalty programs via IGA Rewards
  - Program live in 290+ stores with national rollout continuing
  - Total of ~285k members and ~600k cardholders
- ~$2m opex in 1H22 to continue acceleration

Liquor

- Whole of network eCommerce solution to drive sales for retailers and ALM
  - Branded eCommerce platform launched Nov. 21 for Cellarbrations and The Bottle-O (Porters launch early 2022)
  - Pilot stores across eastern seaboard
  - DoorDash and UberEats 'same day' delivery partners with various other 'next day' delivery partners
  - Average online basket remains $100+
  - ShopMyLocal remains operational with 350+ stores – plan to convert to new branded sites in 2H22
- Loyalty program research and design phase completed
  - Retailer, shopper and supplier surveys
  - Review of technology solutions underway
- POS integration continues with 1,046 stores offering scan data

Hardware

IHG

- Significant increase in online SKUs to ~23K (1H21: ~13K)
- Online sales up 114% (~3% of sales)
- Online transaction growth ~140%
- Loyalty customers ~1.2m
- New Mitre 10 Trade Centre website

Total Tools

- Online sales up 33% (~9% of sales)
- AI driven Personalisation integrated on website
- Enhancements to the website UX including home page, search, category pages and one-click checkout improving conversion rate
- Social media engagement doubled to +50m
- Developed 'game changing' customer insights for sales promotion optimisation
- Loyalty program enhancements and anti-churn AI solutions
- Loyalty customers ~1.2m (represents ~90% of sales)

1. Represents retailers' sales facilitated through Metcash's eCommerce platform

Group online sales[1] of ~$60m, up ~46% on 1H21 with retailers now engaged – substantial growth potential

GROUP FINANCIALS

Alistair Bell
Group Chief Financial Officer

Profit & Loss

	1H22 $m	1H21 $m	Change %
Sales revenue including charge-through sales	8,219.1	8,093.9	1.5%
Charge-through sales	(1,068.5)	(1,034.2)	3.3%
Sales revenue per statutory accounts	7,150.6	7,059.7	1.3%
EBITDA[1]	**316.2**	**280.9**	12.6%
Depreciation and amortisation	(85.0)	(77.9)	9.1%
EBIT	**231.2**	**203.0**	13.9%
Net finance costs	(22.8)	(21.3)	7.0%
Profit before tax and NCI	**208.4**	**181.7**	14.7%
Tax	(60.9)	(51.7)	17.8%
Non-controlling interests	(0.9)	(0.4)	*nm*
Underlying profit after tax	**146.6**	**129.6**	13.1%
Significant items (post tax)[2]	(17.8)	(4.5)	*nm*
Reported profit after tax	**128.8**	**125.1**	3.0%
EPS based on underlying profit after tax	14.6c	12.7c	15.0%
ROFE[3]	30.5%	30.4%	*nm*

1. Includes share of profit from equity accounted investments of $6.9m (1H21: $11.1m)
2. 1H22 significant items include: Project Horizon implementation costs of $8.0m, Total Tools put option valuation adjustments of $7.1m, and other costs of $2.7m (all post tax). Further details are contained in note 3 (vii) and 4 of the 1H22 Financial Report
3. ROFE based on underlying EBIT (calculated on a rolling 12 months basis from 1 November 2020 to 31 October 2021) and the average of opening and closing funds employed

Strong performance continued

Project Horizon update : technology infrastructure 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

Progress

- Delivered first milestone with Core Finance successfully going live in Nov-21 with no interruption to business operations or customers
- Detailed design of operations (Plan, Buy, Move, Sell) is well advanced
- Scope and schedule to be completed in 2H22, with deployment into CY23
- Reviewing Stage 1 scope and cost estimate

Stage 1

Estimated capex investment over FY22-CY23

- $24m Capex in 1H22
- $25m-$30m expected in 2H22
- Balance in CY23 – subject to scope and cost review

Stage 2 (beyond CY23)

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

Significant item

- $8m reported as significant item in 1H22 (post tax)
- Similar amount estimated in 2H22

Driving efficiencies, simplification and growth through ease of doing business

Cashflows

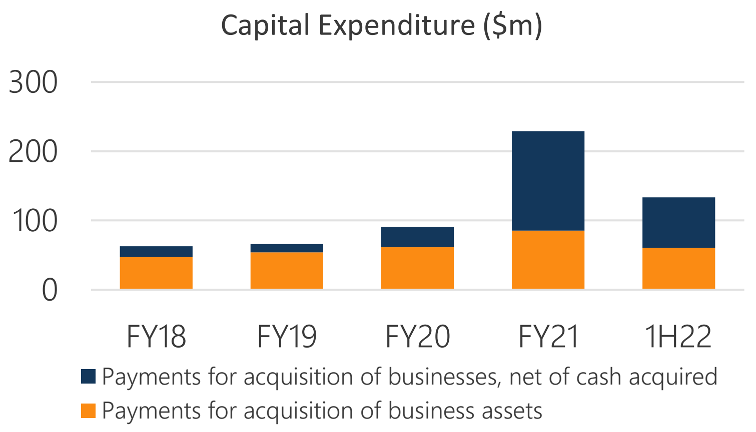
	1H22 $m	1H21 $m
Net cash from operating activities	212.1	314.9
Net cash used in investing activities	(104.9)	(102.1)
Capital expenditure	(60.7)	(30.4)
Acquisitions of businesses	(72.8)	(101.1)
Proceeds from sale of assets and net loan movements	7.0	7.2
Receipts from subleases	21.6	22.2
Dividends paid	(97.1)	(66.5)
Payments for lease liabilities	(73.2)	(70.1)
Payment for off-market buyback of shares	(200.3)	-
Proceeds from equity raising	-	13.5
Other financing activities	(9.8)	(3.9)
Net decrease/(increase) in Net Debt	**(273.2)**	**85.8**
Cash realisation ratio (CRR)[1]	91.6%	151.8%

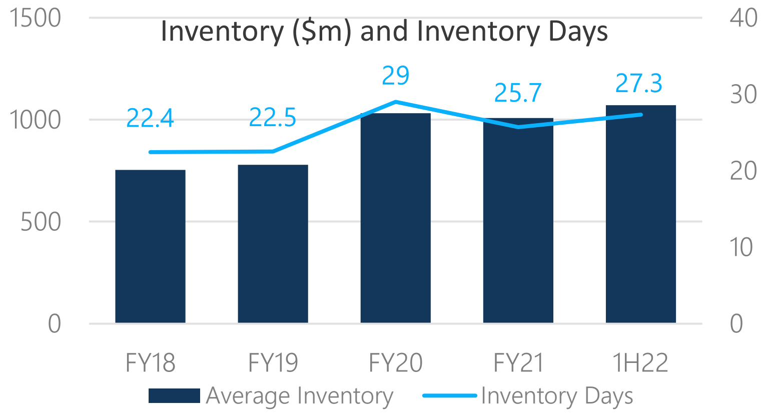
1. Cash realisation ratio (CRR) = Cash flow from operations/underlying NPATDA (depreciation and amortisation not tax effected)

Strong cashflow generation and successful completion of $200m OMB

Balance Sheet

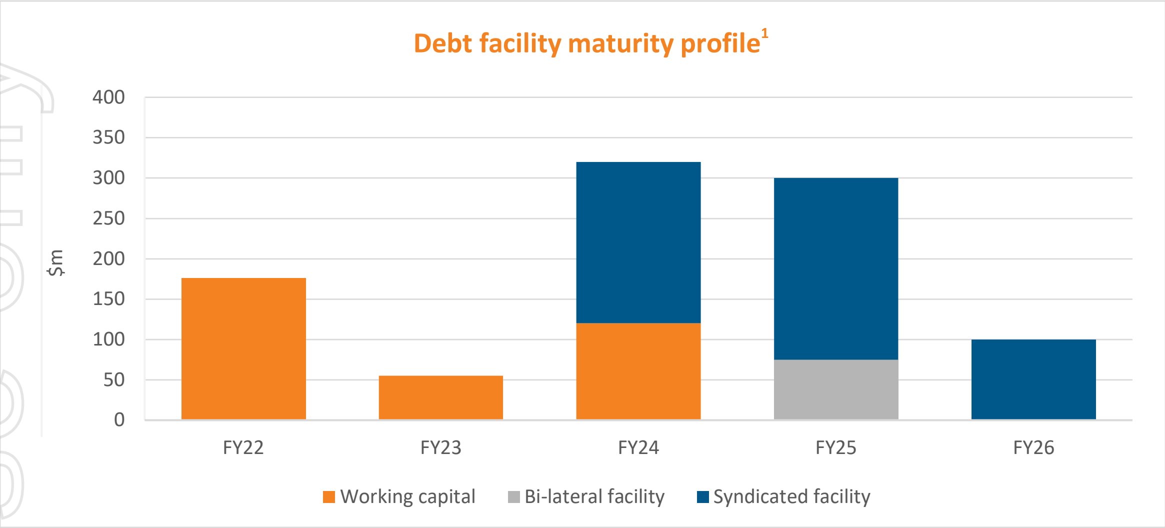
	31 Oct 2021 $m	30 April 2021 $m	31 Oct 2020 $m
Trade receivables and prepayments	1,736.1	1,607.8	1,660.9
Inventories	1,070.1	1,008.0	1,109.1
Trade payables and provisions	(2,423.7)	(2,234.4)	(2,445.5)
Net working capital	**382.5**	**381.4**	**324.5**
Intangible assets	738.2	722.8	660.4
Property, plant and equipment	256.4	231.8	217.1
Equity accounted investments	83.3	82.5	76.9
Customer loans and assets held for resale	33.4	41.3	48.1
Capital investments	**1,111.3**	**1,078.4**	**1,002.5**
Total funds employed	**1,493.8**	**1,459.8**	**1,327.0**
Lease receivables and 'right of use' assets	876.2	899.4	746.0
Lease provisions and liabilities	(1,054.8)	(1,079.3)	(913.0)
Net lease balances	**(178.6)**	**(179.9)**	**(167.0)**
Net (debt)/cash	(148.6)	124.6	172.5
Put option liabilities	(161.3)	(212.5)	(77.0)
Tax and derivatives	112.2	99.1	113.6
Net Assets/Equity	**1,117.5**	**1,291.1**	**1,369.1**





Continued focus on working capital management and capital allocation

Debt management



- Net debt of $148.6m (FY21: $124.6m net cash)
- Average net debt of ~$74m (FY21: ~$47m net cash)
- Undrawn debt facilities of ~$600m
- Average tenor of debt facilities remains at 2.0 years
- Refinanced $275m debt into working capital and term facilities
- Expect to refinance $200m of syndicated debt facilities in 2022
- Maintaining fiscal discipline with modest levels of gearing

	1H22 $m	FY21 $m
Net debt/(cash)		
Gross debt	350.9	-
Cash and cash equivalents	(202.3)	(124.6)
Net debt/(cash)	**148.6**	**(124.6)**

Debt metrics and ratios

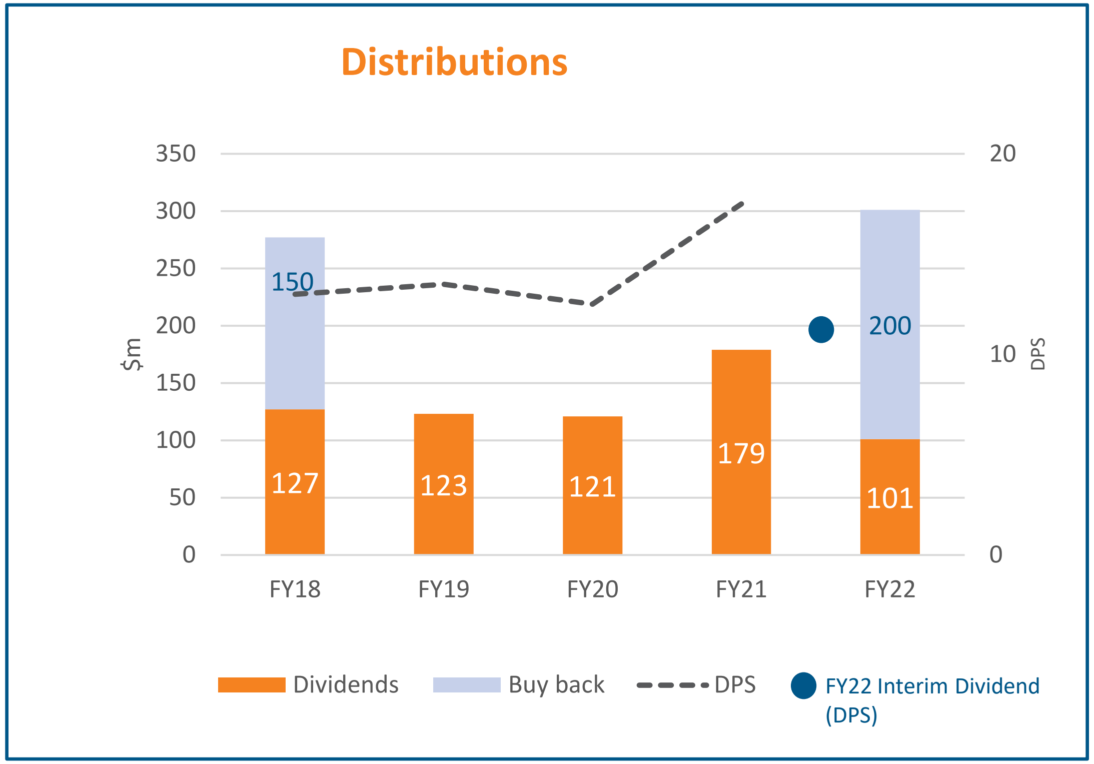
	1H22	FY21
Weighted average debt maturity	2.0 years	2.0 years
Weighted average cost of debt[2]	1.6%	1.9%
% Fixed debt	-	-
Gearing ratio[3]	11.7%	(10.7%)
Underlying EBITDA Coverage[4]	4.8x	4.2x
Net Debt Coverage[5]	0.2x	-

1. Excludes lease liabilities
2. Weighted average cost of debt over the period (excludes line fees)
3. Net debt / (Shareholders' Equity + Net debt)
4. Underlying EBITDA/(Net Interest Expense (excludes lease interest) + Net Rent Expense + ROU depreciation) (on a 12-month rolling basis)
5. Net Debt/Underlying EBITDA (on a 12 month rolling basis)

Balance sheet maintains significant financing flexibility

Shareholder distributions

- Successfully completed up-scaled off market buy back in August 2021 ($200m)
- Target dividend payout ratio ~70% of underlying profit after tax
- FY22 interim dividend increased 31% to 10.5 cents per share, fully franked (1H21: 8.0 cents)
- Ex-dividend date: 21 December 2021
- Record date: 22 December 2021
- Payment date: 28 January 2022



Strong focus on shareholder returns

GROUP OUTLOOK

Jeff Adams
Group Chief Executive Officer

Outlook

Group

- Strong sales have continued in the first five weeks of 2H22 buoyed by the shift in consumer behaviour and improved retailer competitiveness
- The Food and Liquor pillars are expected to benefit from a strong Christmas/New Year trading period and the network's extensive regional presence
- Supply chain disruptions, increased DC labour and COVID-related costs continue to be a risk for all Pillars in 2H22
- Additional Digital opex investment in 2H22 to accelerate online shopping rollout (Food ~$3m, Liquor ~$1m)
- Continued uncertainty over the potential impact of any future COVID-related trading restrictions or changes in consumer behaviour
- FY22 will include a 53rd week of trading in all Pillars

Food – 2H22

- First five weeks trading:
  - Supermarket sales increased 2.3% compared with the same period in 2H21, and 14.7% compared with the same period in 2H20
  - Total Food sales increased 2.3% compared with the same period in 2H21 and 4.8% compared with the same period in 2H20 – reflects the shift in consumer behaviour and improved competitiveness of the IGA retail network
  - Excluding the impact of 7-Eleven[1], Total Food sales increased 2.6% compared with the same period in 2H21 and 14.6% compared with the same period in 2H20
- A low level of wholesale inflation is expected over the balance of FY22, as the business continues to focus on the network maintaining price competitiveness
- Continued focus on MFuture initiatives to retain and grow our shopper base by further improving the competitiveness of the IGA retail network, including accelerating the rollout of IGA Shop Online

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

Outlook continued

Liquor – 2H22

- First five weeks trading:
  - Total Liquor sales increased 7.6% compared with the same period in 2H21, and 25.8% compared with the same period in 2H20
  - The significant uplift reflects continued strong demand across retail stores and increased sales to on-premise customers
  - Sales to the IBA retail banner group increased 3.0% compared with the same period in 2H21, and 25.8% compared with the same period in 2H20
- Continued focus on progressing MFuture initiatives including private and exclusive label, accelerating online rollout, building a loyalty program, supply chain flexibility and efficiency, and driving brand awareness and appeal

Hardware – 2H22

- First five weeks trading:
  - Total Hardware sales increased 20.1% compared with the same period in 2H21, and 51.3% compared with the same period in 2H20
  - IHG sales increased 14.4% compared with the same period in 2H21, and 36.4% compared with the same period in 2H20
  - Strong demand continues to place some pressure on stock availability in a number of categories
- Hardware sales are seasonally weighted to the first half of the financial year
- There is uncertainty over the level of inflation in Trade and DIY categories in 2H22
- Total Tools sales in 2H22 to benefit from six months sales in 12 JV stores acquired December 2020 and the expected addition of a further 14 JV stores in December 2021
- Continued focus on progressing MFuture initiatives to grow Trade and DIY, and capitalise on growth opportunities in Total Tools

Appendices

1. Financial history
2. Bannered store numbers
3. Total Tools accounting

1. Financial history

	1H22	1H21	1H20	1H19[1]	1H18[1]
Financial Performance					
Sales revenue ($m)	**7,150.6**	7,059.7	6,289.8	6,189.2	6,054.8
EBIT ($m)	**231.2**	203.0	155.7	158.1	156.3
Net finance costs ($m)	**(22.8)**	(21.3)	(27.0)	(14.5)	(15.2)
Underlying profit after tax ($m)	**146.6**	129.6	90.6	100.3	99.1
Reported profit/(loss) after tax ($m)	**128.8**	125.1	(151.6)	95.8	93.0
Operating cash flows ($m)	**212.1**	314.9	88.8	120.3	161.4
Cash realisation ratio[2] (%)	**91.6%**	151.8%	52.4%	93.7%	127.3%
Financial Position					
Shareholder's equity ($m)	**1,117.5**	1,369.1	1,028.8	1,212.8	1,633.9
Net (debt)/cash ($m)	**(148.6)**	172.5	(95.3)	(85.2)	14.0
Gearing ratio[3] (%)	**11.7%**	NA	8.5%	6.6%	-
Return on funds employed[4] (%)	**30.5%**	30.4%	26.1%	24.9%	21.4%
Share Statistics					
Fully paid ordinary shares (m)	**965.5**	1,022.4	909.3	909.3	975.6
Weighted average ordinary shares (m)	**1,000.8**	1,021.5	909.3	947.9	975.6
Underlying earnings per share (cents)	**14.6**	12.7	10.0	10.6	10.2
Reported earnings / (loss) per share (cents)	**12.9**	12.2	(16.7)	10.1	9.5
Dividends declared per share (cents)	**10.5**	8.0	6.0	6.5	6.0

1. 1H18 and 1H19 financials are reported on a pre-AASB16 basis
2. Cash flows from operations / Underlying NPAT + Depreciation and Amortisation (depreciation and amortisation not tax effected)
3. Net Debt / (Shareholders' Equity + Net Debt)
4. Underlying EBIT (calculated on a rolling 12 months basis from 1 November 2020 to 31 October 2021) / Average funds employed

2. Bannered store numbers

Pillar	October 2021	April 2021
Supermarkets	1,625	1,627
Convenience	16	16
Liquor	3,044	2,838
Hardware	731	731
Total	**5,416**	**5,212**

Store movement	Supermarkets	Convenience	Liquor	Hardware	Total
Number of stores at April 2021	1,627	16	2,838	731	5,212
Stores opened / joined banner group during the period	33	-	436	11	480
Stores closed / left banner group during the period	(35)	-	(230)	(11)	(276)
Number of stores at October 2021	**1,625**	**16**	**3,044**	**731**	**5,416**

2. Bannered store numbers

	October 2021	April 2021
Supermarkets		
Supa Valu IGA	2	2
Core IGA	1,083	1,084
Small Format IGA	257	254
Total IGA bannered stores	**1,342**	**1,340**
Friendly Grocer / Eziway	283	287
Total Supermarkets	**1,625**	**1,627**
Liquor		
Cellarbrations	556	548
Bottle-O & Bottle-O Neighbourhood	271	250
IGA Liquor	484	481
Porters	30	33
Thirsty Camel (NSW/ACT, QLD, TAS, SA/NT)	155	155
Big Bargain	27	43
Other	1,521	1,328
Total Liquor	**3,044**	**2,838**
Hardware		
Mitre 10	348	340
Home Timber & Hardware	149	157
True Value Hardware and Thrifty-Link	140	145
Total Tools	94	89
Total Hardware	**731**	**731**

3. Total Tools accounting

- Metcash is required to consolidate 100% of Total Tools Group earnings (with no non-controlling interest) and 100% of Total Tools Group balance sheet, notwithstanding:
  - Metcash's ownership interest of 70% in Total Tools Holding (TTH), acquired 1 September 2020 and a further 15% acquired in 1H22
  - TTH's ownership interest of between 51% - 60% in 12 Total Tools joint venture stores, acquired in December 2020, and an additional store acquired in 1H22
- At 31 October 2021, Metcash has recognised put option liabilities in relation to:
  - A put option over the residual 15% interest in TTH valued at ~$70m and exercisable by put holders in late 2023/early 2024
  - Put options over the residual 40% - 49% interest in 13 joint venture stores valued in aggregate at ~$72m, and exercisable by put holders in mid 2024
  - The exercise price of the put options are based on a multiple of the relevant EBITDA adjusted for a number of items including net debt and working capital
- From an accounting policy perspective, the above put option liabilities:
  - Initially measured at the present values of the put option exercise prices estimated to be payable under each option
  - Are subsequently remeasured at each reporting date at the estimated put option exercise price. Any change in value is recorded as a significant item within the Statement of Comprehensive Income, together with the net present value interest unwind on the put option liability
  - As a result of recognising the put options, Metcash has not recognised the minority shareholders' non-controlling interest in TTH and the joint venture stores, and has not accounted for the non-controlling interests
- Further details are contained in notes 4 and 7 of the 1H22 Financial Report

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