



**Metcash Limited**

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1 June 2010

The Manager, Companies  
Australian Securities Exchange  
Company Announcements Office  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**RE: METCASH LIMITED – CEO PRESENTATION**

Please find attached the CEO presentation which will be presented to analysts and media this morning.

Yours faithfully

A handwritten signature in black ink that reads "John Randall".

John Randall  
Company Secretary

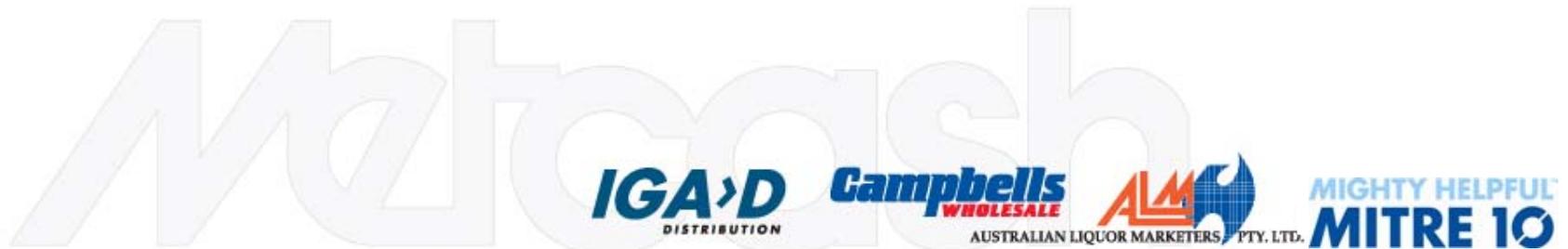
# “Champion of the Independent Retailer”

2010



## Company Results Financial Year Ending 30 April 2010

Andrew Reitzer  
Chief Executive Officer



# GROUP HEADLINES

2010



**Strong sales growth and significant productivity improvements in a low inflationary environment deliver underlying EPS within guidance**

	FY10	FY09	Variance (%)
<b>WHOLESALE SALES (\$m)</b>	<b>11,517</b>	10,974	4.9%
<b>EBITA (\$m) - Reported</b>	<b>415.4</b>	382.5	8.6%
<b>EBITA MARGIN (%) - Reported</b> <sup>1</sup>	<b>3.61%</b>	3.49%	+12bps
<b>CODB / GP (%)</b>	<b>61.58%</b>	62.41%	-83bps
<b>PAT (\$m) - Underlying</b> <sup>2</sup>	<b>244.9</b>	225.9	8.4%
<b>PAT (\$m) - Reported</b>	<b>227.6</b>	202.5	12.4%
<b>OPERATING CASHFLOW (\$m)</b>	<b>294.7</b>	248.1	18.8%
<b>EPS - Reported (cps)</b>	<b>29.74</b>	26.47	12.4%
<b>EPS - Underlying (cps)</b> <sup>2</sup>	<b>32.00</b>	29.53	8.4%
<b>DPS (cps)</b>	<b>26.0</b>	24.0	8.3%
<b>MARKET SHARE (%)</b>	<b>19.9%</b>	19.0%	+9bps

NOTES:

1. Reported EBITA margin based on wholesale sales
2. A definition of "Underlying" is included in the Directory of Terms in the Appendix

# FINANCIAL HIGHLIGHTS

## – GROUP

# WHOLESALE SALES

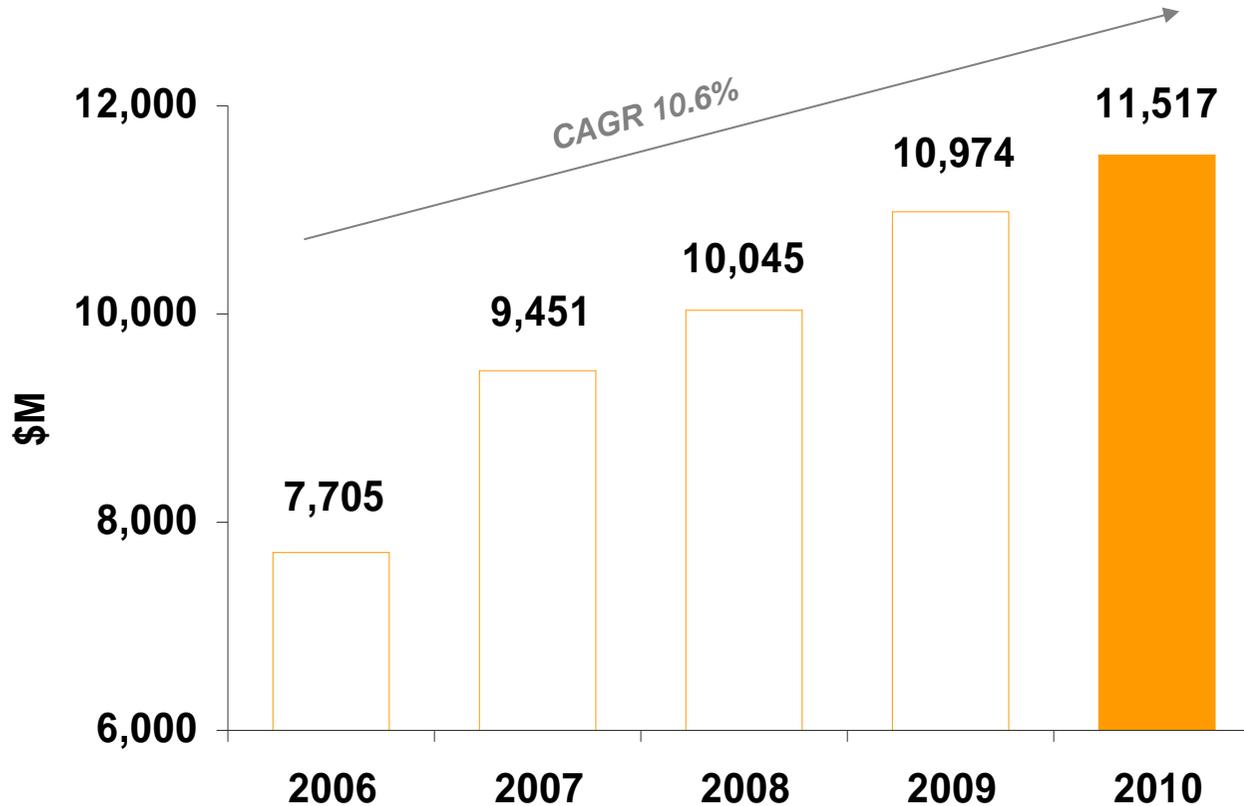
2010



## Group wholesale sales up 4.9% (4.4% ex Mitre 10 sales)

- Solid underlying IGA>D growth (+6.8%)
  - Comparatively lower 2H10 growth due to cycling out of FY09 gov't stimulus which saw significant 2H09 food sector sales growth
  - Constrained by persistent low inflation in core grocery categories and deflation across certain produce categories

+4.9% on pcp



NOTES:

1. Data is for wholesale sales – hence excludes any sales arising from ex-FAL, Action and other corporate stores. FY09 = \$7m, FY10 nil
2. FY10 sales includes M10 sales of \$61.6m

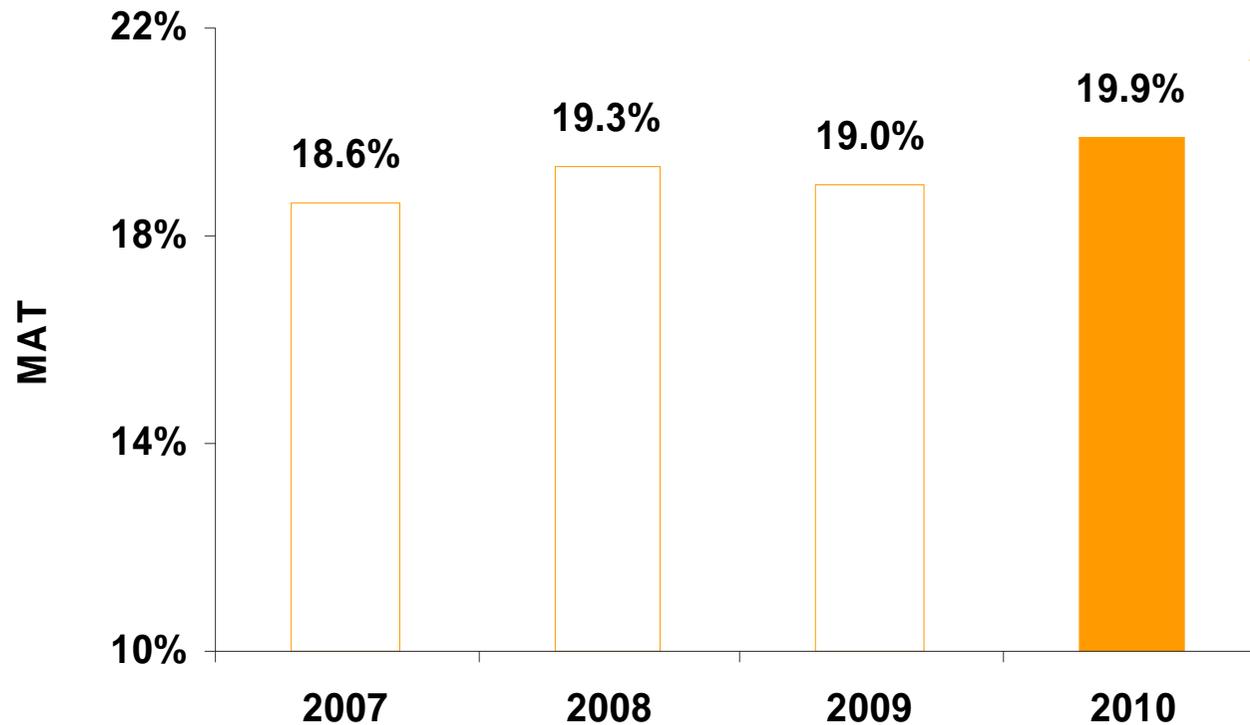
# MARKET SHARE

2010



	<u>April</u>	<u>May</u>
■ MAT	19.7%	19.8%
■ Quarter	19.9%	20.1%

**Market share solid in competitive environment**



NOTES:

1. Market share data is for defined dry grocery product categories
2. Graph shows MAT for quarter ending April
3. Previously collated by Nielsen, now by Aztec. FY10 and FY09 comparative by Aztec

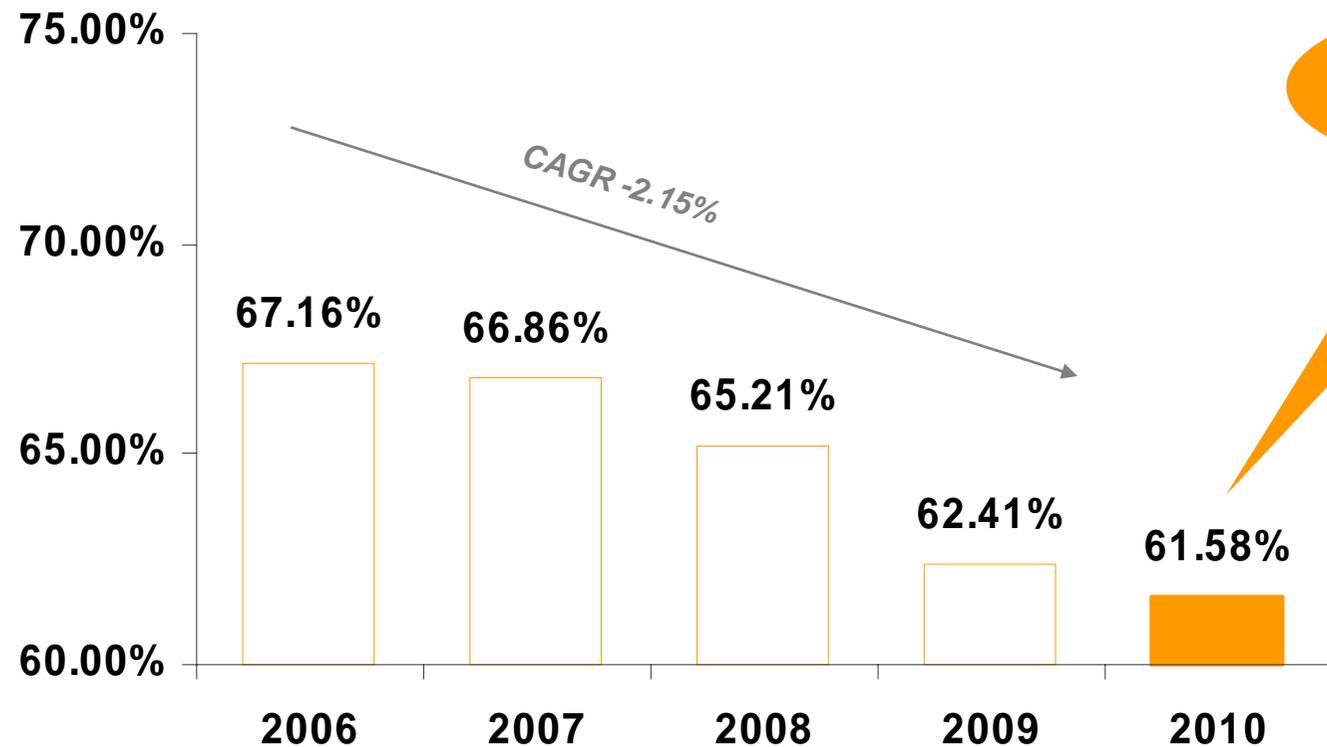
# CODB AS % OF GROSS PROFIT

2010



## Significant CODB reduction achieved this year – down 83bps

- Further 2H CODB reduction achieved on top of 1H 38 bps reduction
  - Ongoing focus on improving warehouse operations and reducing inefficiencies
  - Margins maintained with ongoing supplier support and investment in channel
- This despite high cost inflation in utilities (electricity and rent) and large bad debt in Campbells Wholesale (\$1.5m)

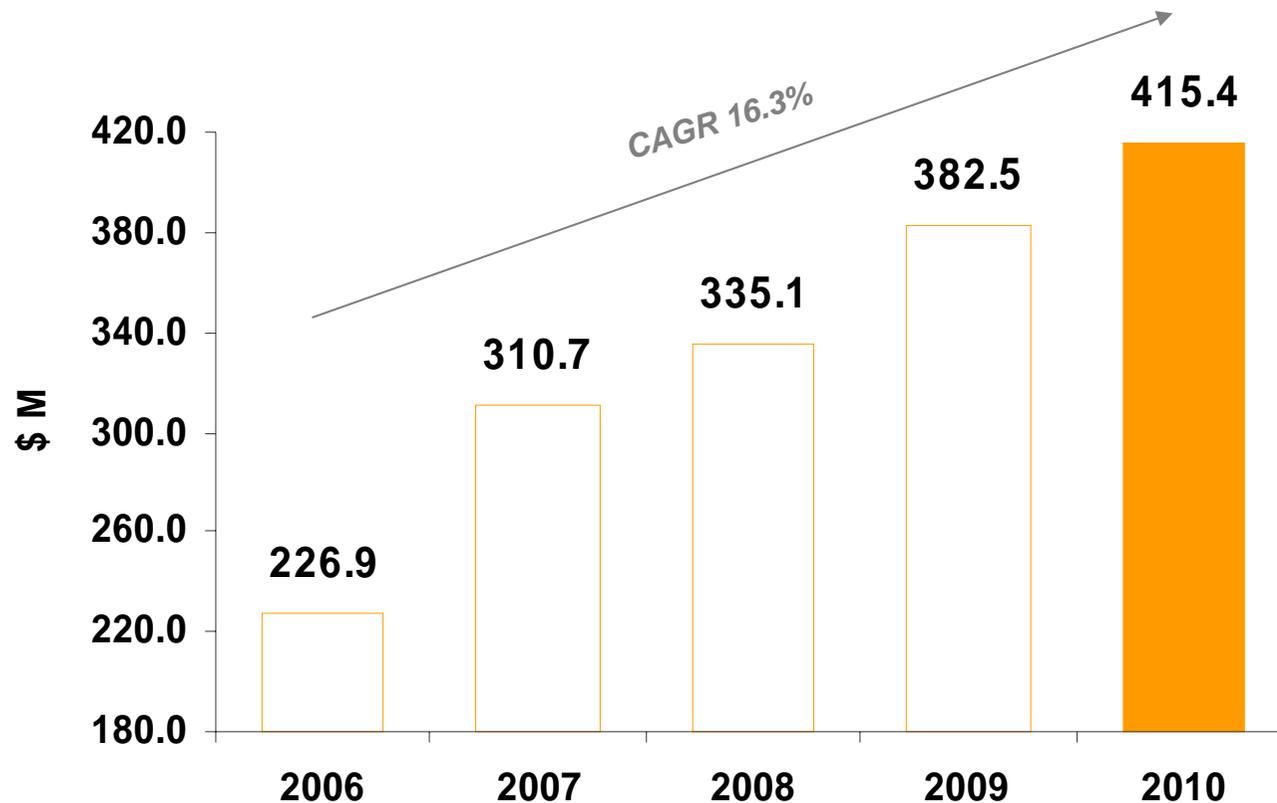


*-83 bps on pcp. Cost containment critical in climate of low product price inflation*



## 8.6% EBITA growth on 4.9% wholesale sales growth

- Reflects operating leverage improvement in 2H10 via cost containment strategies
- Maintenance of operating margins despite softening sales



NOTES:

1. FY10 Campbells Wholesale store closure costs and FY09 Interest collar termination cost are reported post EBITA

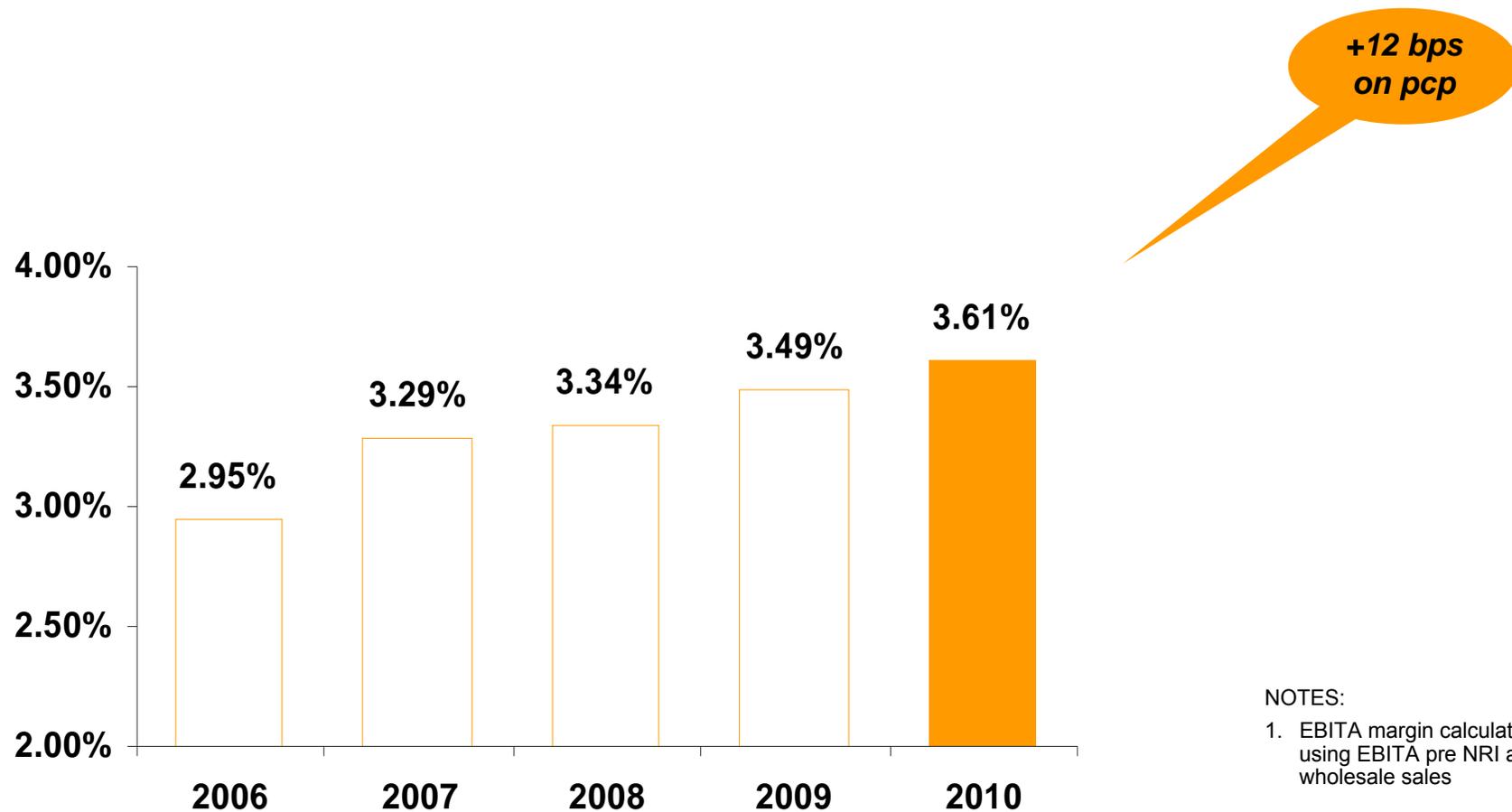
# EBITA MARGIN

2010



## EBITA margin up 12bps on FY09

- Reflects strategies discussed in commentary in CODB and EBITA graphs above

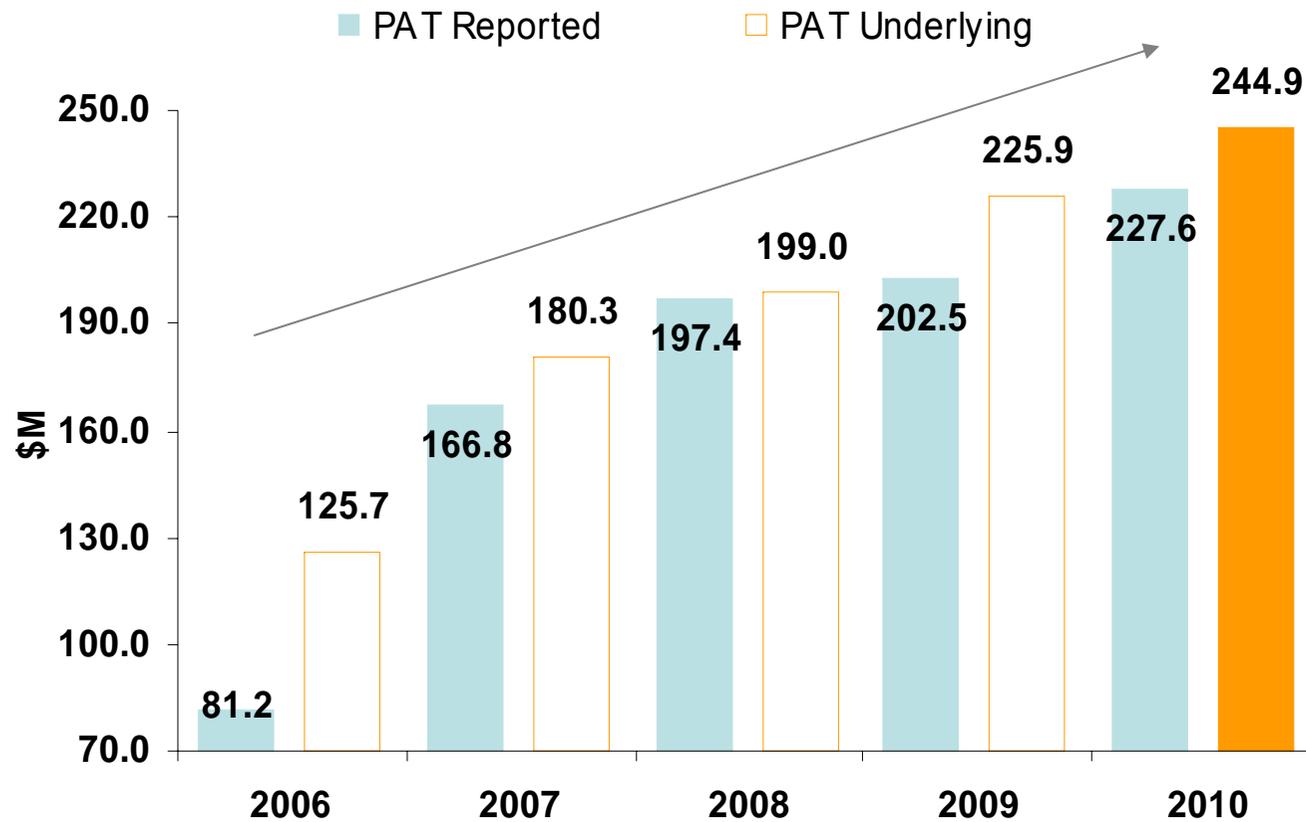


# PAT

2010



	FY10		FY09		Variance (%)
PAT (\$m) - Underlying	244.9	1	225.9	1	8.4%
PAT (\$m) - Reported	227.6		202.5		12.4%



**Underlying PAT  
+8.4% on sales  
growth of 4.9%**

NOTES:

1. A definition of "Underlying" is included in the Directory of Terms in the Appendix
2. Refer Appendix (slide 36) for reconciliation of underlying earnings to those reported in 4E

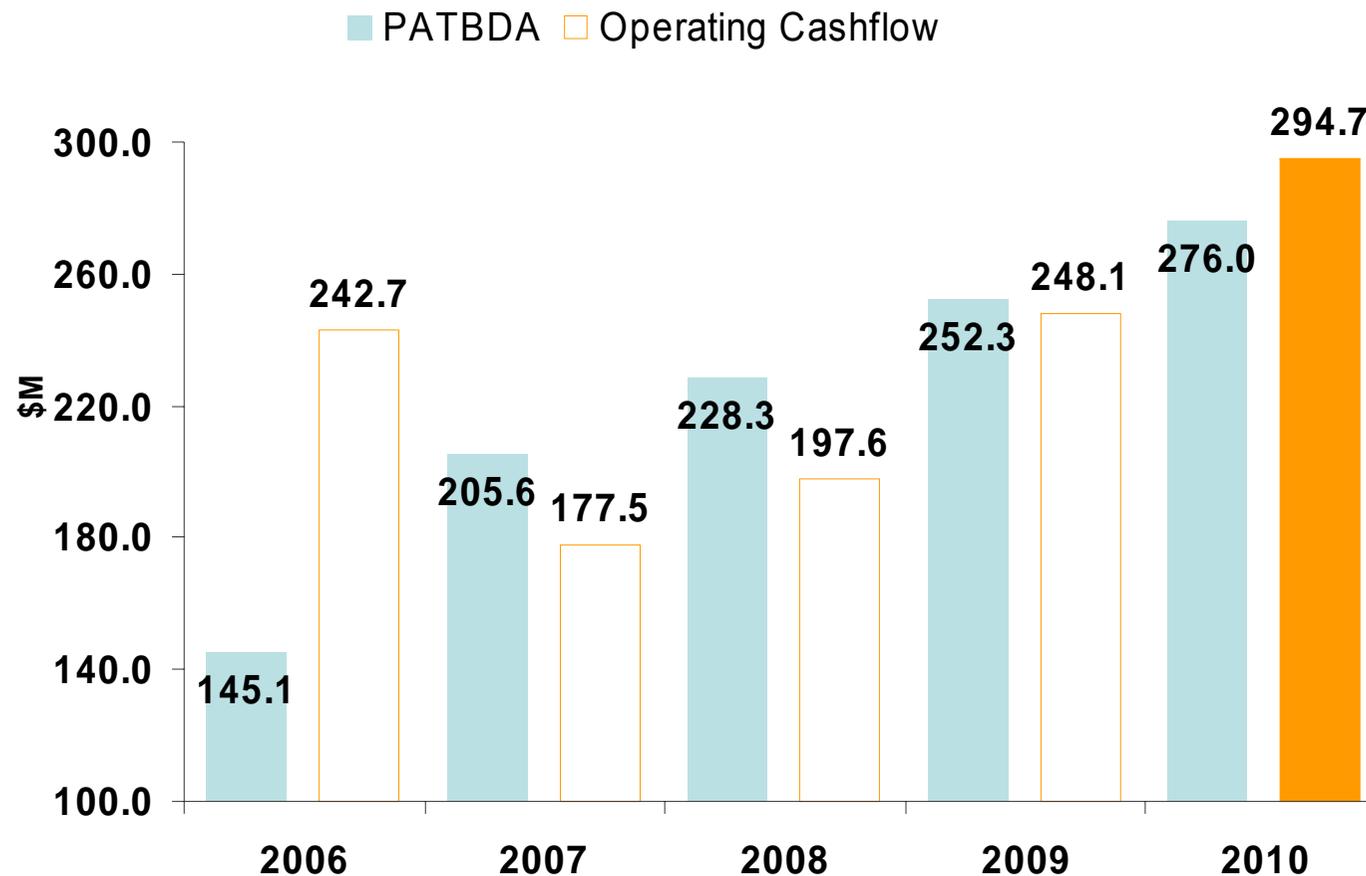
# OPERATING CASHFLOW

2010



**Strong cashflow from operations at \$294.7m**

■ Assisted by some timing impacts



NOTES:

1. PATBDA = Profit after tax before depreciation and amortisation (before NRI)
2. Refer cashflow extract for detail
3. FY06 PATBDA impacted by CULS/ CUPS costs and interest

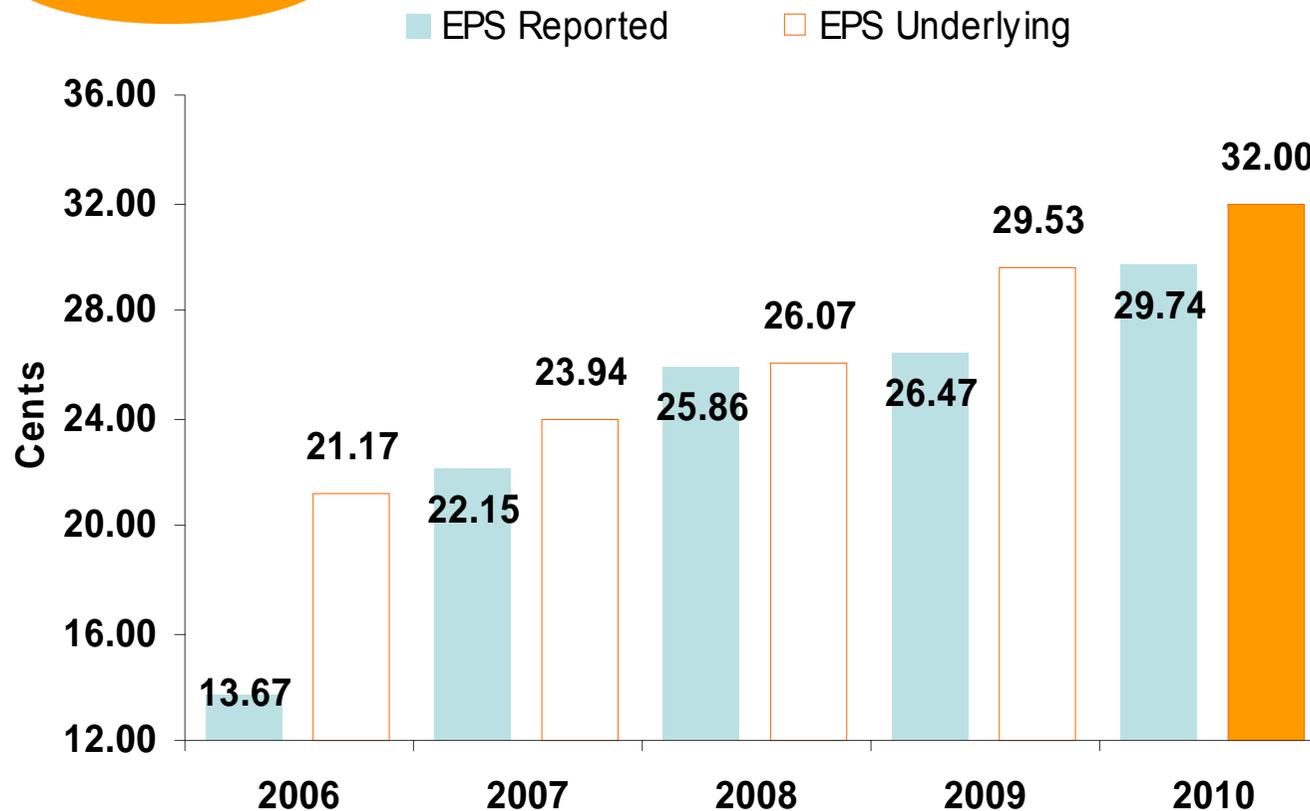
# EPS

2010



	FY10		FY09		Variance (%)
EPS - Underlying	<b>32.00</b>	1	<b>29.53</b>	1	<b>8.4%</b>
EPS - Reported	29.74		26.47		12.4%

**Within guidance**



NOTES:

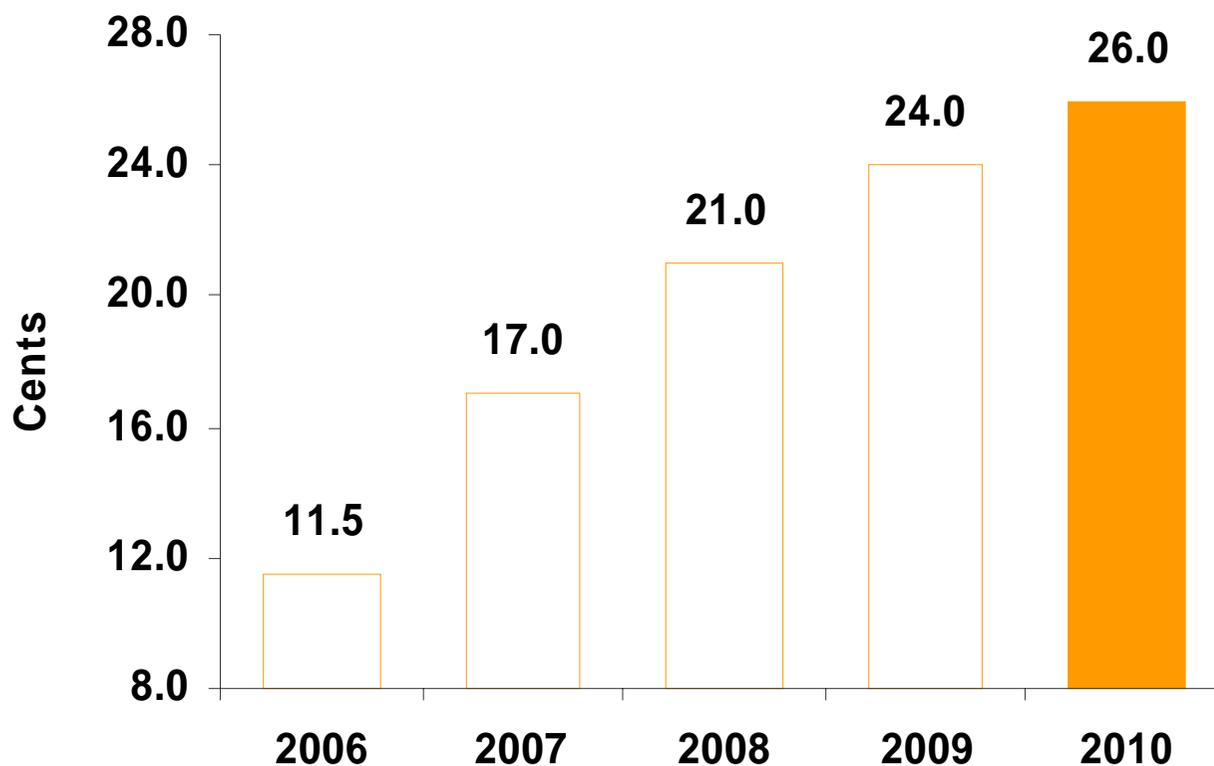
- Underlying EPS is stated pre non-recurring items and pre intangible amortisation (consistent with EPS guidance)
- FY10 EPS guidance at 7-10% of FY09 EPS = 31.60 - 32.48cps
- FY10 EPS based on weighted average shares of 765.2m (764.8m FY09)
- Refer Appendix (slide 36) for reconciliation of underlying earnings to those reported in 4E



**The Board has declared a final dividend of 15.0 cents a share (100% franked)**

The total dividend of 26 cps represents a payout ratio of:

- 87% of Reported EPS (81% for FY09)
- 81% of Underlying EPS



NOTES:

1. Metcash dividend and capital management policy reiterated in Appendix (side 39)

# DIVISIONAL HIGHLIGHTS

- IGA>D



	FY10		FY09		Variance (%)
<b>WHOLESALE SALES (\$m)</b>	<b>7,129.9</b>		<b>6,674.4</b>	1	6.8%
<b>EBITA (\$m)</b>	<b>346.5</b>		<b>315.5</b>		9.8%
<b>EBITA MARGIN (%)</b>	<b>4.86%</b>		<b>4.73%</b>		+13bps

**Operating leverage 1.44x**

NOTES:

1. Wholesale sales – excludes retail sales in MTS hands

**Wholesale Sales up 6.8% (1H10 9.3%) with comp store sales up 4.1%**

- Strong overall sales growth in a competitive market with low inflation
- Government stimulus impact in 2H09 generated strong growth, tailing off in 1H10
  - Growth impacted by lower inflation in FY10, especially in 2H10
  - Full year of Fresh business in FY10 compared with partial impact in FY09

**EBITA of \$346.5m up 9.8% and EBITA margin improvement +13bps**

- Substantial emphasis on achieving greater operational efficiencies and improving warehouse and administrative operations
- Operating leverage at 1.44x, up on on FY09 (1.29x), assisted by maintaining margins despite softening sales and low inflation
- Some operating leverage dilution likely to continue as IGA Fresh continues to invest and cost-out initiatives cycle out, replaced by cost inflation pressures (particularly utilities)



### Strong underlying growth in “comp” sales on a high prior year base

	FY08	FY09	FY10
Base Business	7.4%	11.3%	6.8%
New Store & Acquisitions	(1.2)%	(2.3%)	(2.7%)
Comp Store Growth	6.2%	9.0%	4.1%

- ▶ ■ Solid growth on high prior year comparatives
- ▶ ■ Includes new stores and sales “acquired” under IGA Fresh growth strategy
- ▶ ■ Comparative store sales down on prior period – impact of stimulus receding and low inflation

### Inflation

- Significantly lower inflation in FY10 at 2.4% (FY09: 4.4%)
  - 1Q inflation on par with FY09
  - 2Q saw lowering in inflation resulting in 2H inflation of 3.3%
  - Further decline in 3Q inflation
  - Sharper declines in 4Q with deflation in some core product categories
  - Price deflation through most of the year in produce



Retail development activity continues to be strong

### Branded Stores

(IGA – 3 channels + Friendly Grocer + Eziway)

	COMPLETED 1H		COMPLETED 2H		COMPLETED FULL YEAR	
	NO.	SQM	NO.	SQM	NO.	SQM
<b>New Stores</b>	31	21,888	22	16,045	53	37,933
<b>Conversions</b>	9	8,262	7	4,440	16	12,702
	<b>40</b>		<b>29</b>		<b>69</b>	
<b>Extensions</b>	17	6,223	15	7,538	32	13,761
<b>Refurbishments</b>	26	N/A	43	N/A	69	N/A
	<b>43</b>		<b>58</b>		<b>101</b>	

New stores up on FY09. Mainly mid range & small stores. Four stores completed post year end.

Conversions are stores converted to IGA>D from other (non-IGA related) banners

Extensions similar to prior year

Strong 2H refurb activity



### Private Label Brands



- Black & Gold
  - Range strategy being continually refined with focus on developing categories that meet consumer demands for value
  - Sales growth at 4% p.a.



- IGA Signature (premium label range)
  - Retailers and consumers supporting uniform IGA Signature branding
  - Sales growth at 7% p.a.

### Locked Down Low Prices (LDLP)

- Supplier funded LDLP program launched in Mar 10
- 3,000 lines
- Multi-pronged campaign in progress including: TV, press, catalogues and in-store
- Strong in-store support from both our retailers and end-customers



# IGA FRESH STRATEGY

## - OPERATIONAL REVIEW

2010



**Strategic Rationale: Provide independent retailers with comprehensive, consistent and quality fresh food offer to meet customer needs**

### Performance

- Annualised run rate unchanged: Produce ~ \$400m, total Fresh sales ~ \$1b
- YTD category growth: Meat +24%, Deli +24%, Bakery +34%

### Produce

- Strong growth but muted due to price deflation of 6-8% on some categories for most of the year
- Good customer patronage at ~730 supermarkets (up 130 on FY09) & 900 foodservice customers
- Current focus (1-3 years) – rationalising operations and synergy improvements through improved facilities, technology and warehouse operations
  - 7 locations with integrated IT solution with 3 to be completed
  - Cairns facility under construction to meet market demands – completion in FY11

### Initiatives

- Enhance retail offer - ranging, display, location and compliance being driven by retail specialist
  - Project – Focus 140
- Increase farm gate sourcing as opportunities arise
- Grow Fresh Foodservice business nationally

### Meat

- Growth achieved with ~200 plus customers (up 30 on FY09) serviced including major IGA>D retailers
- Local sourcing - 100% of fresh beef, lamb and pork obtained from major Australian meat processors
- Strategic relationships secured with a number of major processors to centralise manufacturing for selected bulk and retail ready products
- WA site relocation under review as capacity limitations hamper breadth of offer – aim to relocate by Apr 11

# DIVISIONAL HIGHLIGHTS

## - ALM

	FY10	FY09	Variance (%)
SALES (\$m)	2,640.6	2,639.5	-
EBITA (\$m)	36.1	33.8	6.9%
EBITA MARGIN (%)	1.37%	1.28%	+9bps

*Good EBITA growth despite flat sales*

### Sales flat on last year as 2H10 market conditions deteriorated

- Absence of inflation year on year has depressed sales growth
- FY09 benefitted significantly from government stimulus
- IBA sales continue to underpin performance
  - Cellarbrations +6% and IGA Plus Liquor +11%
- Growing beer volumes remains challenging with growth at 4.5% p.a
- 'On Premise' supply (hotels, restaurants etc) declined 10%; though decline slowed slightly in 2H

### EBITA performance up 6.9%

- Despite challenging environment and flat sales
- A result of consistent strong focus on cost reduction including:
  - Flow on of labour efficiencies (including shift realignments) in 1H10 and warehouse efficiency savings from radio frequency receiving
  - Service levels improvements and stock level optimisation
  - Remodeled structure and network in NZ



### Independent Brands Australia markets 3 major liquor store brands

- IBA store appraisals and standard benchmarking has resulted in further movement in store numbers
  - Brand renewal – IGA Liquor replaces IGA Plus Liquor and Bottle-O Neighbourhood revamped
  - Strong emphasis on high standard IBA stores - gradual shift away from LiquorForce and obsolete banners
  - 57 refurbishments completed
  - FY11 focus to grow store numbers - ~50

IBA Stores	Oct 08	Apr 09	Oct 09	Apr 10
Cellarbrations	502	509	498	470
Bottle-O / Bottle-O Neighbourhood	635	658	657	610
IGA Plus Liquor	412	411	408	423
	<b>1,549</b>	<b>1,578</b>	<b>1,563</b>	<b>1,503</b>

Brands constantly assessed and rating criteria for stores improved

- higher overall standards instituted
- compliance criteria raised
- non-compliance addressed





# DIVISIONAL HIGHLIGHTS

## - CAMPBELLS WHOLESALE

# CAMPBELLS WHOLESALE

## - FINANCIALS

2010



	FY10	FY09	Variance (%)
<b>SALES (\$m)</b>	<b>1,685.3</b>	<b>1,660.4</b>	1.5%
<b>EBITA (\$m)</b>	<b>28.8</b>	<b>33.0</b>	-12.5%
<b>EBITA MARGIN (%)</b>	<b>1.71%</b>	<b>1.99%</b>	-28bps

### Sales up 1.5%

- Low inflation and unwinding of government stimulus in FY10 has dampened comp sales performance
- Traditional “mum & pop” convenience sales affected by switch away from local convenience to value shopping (discounting)
  - CCC & CWD businesses restructured – 8 stores closed
    - \$15.4m provided for closures with \$14.8m unexpended at year end
    - 70% customer business retention to date (on target)
    - Hybrid model positioned to optimise future growth
- Organised petrol and convenience sector (eg: 7-Eleven, BP) in growth
- Lucky 7 growth +10% with 300 stores in the network
- Foodservice (hospitality focussed) up +9.8%
- Underlying growth adversely affected by major shift to dining at home from restaurant meals; also in 1H, mine closures in QLD & WA impacted ‘institutional’ business. The resource sector and “institutional business” has since improved

### EBITA down 12.5% reflects

- Volume decline in traditional convenience business (addressed via restructure)
- Substantial rise in fixed costs (in particular electricity & rent) for 40+sites
- Margin impacts due to low inflation
- One-off bad debt in 1H10 of \$1.5m
- Other controllable costs well managed, despite the sales headwinds and utility costs increases

# CAMPBELLS WHOLESALE

## - OPERATING PERFORMANCE

2010



### Business Model

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ Cash and Carry format in metropolitan areas supplying grocery, confectionery and other consumer goods</li> <li>■ Walk-in small business (with ABN) customers</li> <li>■ 15 metropolitan cash and carry stores</li> <li>■ Specialty sections including:                     <ul style="list-style-type: none"> <li>- 9 x Sweet Spot (confectionery)</li> <li>- 5 x Catering Connection (Foodservice and hospitality) up 8%</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>■ Regional distribution outlets delivering grocery, confectionery and other consumer goods</li> <li>■ 85% is pick, pack and deliver</li> <li>■ 16 country distribution centres</li> </ul> <p>Specialty operations including:</p> <ul style="list-style-type: none"> <li>■ 10 x Coast and Country specialist confectionery operations</li> </ul> | <ul style="list-style-type: none"> <li>■ Specialist food service business (WA &amp; QLD)</li> <li>■ Supplies hotels, quick service restaurants and catering institutions</li> <li>■ 2 distribution centres in WA &amp; QLD</li> </ul> | <ul style="list-style-type: none"> <li>■ Single unit pick supplying confectionery and convenience products</li> <li>■ Organised petrol and convenience store focus (eg 7-Eleven)</li> <li>■ 4 stockless DCs, 4 Specialist Confectionery DCs</li> <li>■ Voice Pick / Put to Light – small size pick enablers</li> </ul> |
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### Operational Highlights & Future Direction

- |                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                              |                                                                                                                                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>■ Restructure in face of declining traditional convenience market - 6 cash &amp; carry and 2 wholesale distribution outlets closed</li> <li>■ CCC &amp; CWD to merge – provides a hybrid offer of full distribution capabilities along with standard cash and carry format benefiting both walk in and delivered trade</li> </ul> | <ul style="list-style-type: none"> <li>■ Focus on national opportunities in hospitality sector</li> </ul>                                                                    | <ul style="list-style-type: none"> <li>■ Organised convenience – stable with good prospects</li> <li>■ Logistics and technology investments to grow organised convenience reach with a total supply solution.</li> </ul> |
| <ul style="list-style-type: none"> <li>■ Warehouse rationalisation and hybrid formats</li> <li>■ Technology – e.g. Scan pick</li> </ul>                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>■ Regional petrol and convenience sector subdued but good growth prospects</li> <li>■ Aim to provide total supply solution</li> </ul> |                                                                                                                                                                                                                          |



Convenience Store Brand – Total Stores 300  
Aiming to grow Lucky 7 branded stores to 400 by end of FY11



# DIVISIONAL HIGHLIGHTS

## - MITRE 10



### **Business Model**

- Hardware wholesaler and marketer of Mitre 10 hardware store brand
- Supplies ~440 Mitre 10 and True Value branded stores (all independently owned) and 400+ non-branded independents

### **Deal Mechanics**

- Acquisition date – 25 Mar 2010
- Metcash with 50.1% voting power in Mittenmet; former shareholders of M10 with 49.9% voting power
- Right to acquire the remaining 49.9% of Mitre 10 Group in 2012 or 2013, based on an agreed multiple of earnings

### **Performance**

- Sales \$62m and EBIT \$1.5m (1 month's result) taken up in FY10 group results

### **Progress**

- Operational Review conducted and completed May 10
  - Outcome supports our initial assessment that the hardware business is operationally similar to our core wholesale business
  - No unanticipated issues – but market conditions similar to grocery with low inflation and cycling out of stimulus
  - Mark Laidlaw (former General Manager, IGA>D Victoria) replaced Mark Burrowes as CEO on 29 April 2010
  - New strategic plan being fine-tuned

### **Future Direction**

- Focus on improvements in the supply chain, developing a strong merchandise and marketing model and supporting growth strategies for retailers
- Shift from “Stabilise” and repair balance sheet phase to “Growth” orientated focus

# METCASH SUPPLY CHAIN INITIATIVES

2010



Metcash continually searches for opportunities to improve the efficiency and effectiveness of its supply chain, which are shared across the Group

Business	Project	Start Date	Due Date
IGA>D VIC / CSD	<b>'Mini-loader' automated storage and retrieval system</b> - Phase 4: Start servicing convenience customers with single item picking (commences Aug 2010)	Oct 2008	Sep 2010
IGA>D /ALM WA	<b>Grocery warehouse extension</b> - add ~15,000sqm & ALM to relocate to this facility - Project 50 % complete despite 1 month delay in April due to cyclonic weather	Nov 2009	Sep 2010
ALM Hobart	<b>Small DC Solution</b> - Providing smaller operations with major aspects of warehouse systems used in larger DCs (eg IGA>D) - Voice and scan picking and productive performance management – CODB benefits - To trial in other areas eg CWD and IGA Fresh	Mar 2010	Jan 2011
IGA>D QLD	<b>Fresh warehouse (Cairns)</b> - add ~1,600sqms - Project 50 % complete despite 4 weeks rain delay with no forecast change to due date	Late Jan 2010	Sep 2010
IGA>D NSW	<b>Cross Docking barcoding enhancement</b> - Use of our data in supplier barcodes to enhance receiving and matching	Jun 2009	Jul 2010
	<b>New NSW Mega DC</b> - Leases for IGA>D's Blacktown and Silverwater warehouses to end in May 2013 - In negotiation with parties to commence a mega DC development - to consolidate all NSW operations - New facility will be similar to our Crestmead (QLD) which has delivered significant cost savings over past few years - Expect to announce successful party shortly and expect to commence construction later in FY11	TBA	

## Completed during FY10

- IGA>D VIC / CSD – Phases 1 to 3 of “mini-loader” completed
- IGA>D & ALM - RF (radio frequency) receiving to improving accuracy in goods received processing (Apr10)
- IGA>D WA Cold store expansion - Building completed Dec 08, Relay + Voice pick installed by May 09
- IGA>D QLD Perishable warehouse extension - completed Jul 09

# FINANCIALS

- BALANCE SHEET EXTRACT
- CASHFLOW EXTRACT
- INTEREST EXPENSE

# BALANCE SHEET - EXTRACT

2010



	30-Apr-09	30-Apr-10	Movement		Commentary
	\$'m	\$'m	\$m	%	
Trade and other payables	-1,188.0	-1,294.4	-106.4	9%	Increase due to Mitre 10 acquisition (\$116m). Payment terms largely maintained with increased Fresh mix reducing overall payment terms being offset by longer terms inherited from Mitre 10. Overall + 1.6 days
Inventories	680.5	747.2	66.7	10%	Increase due to Mitre 10 acquisition and volume increase. Inventory days ex: Mitre 10 constant; including Mitre 10 + 1 day
<b>Net Trade Creditor Funding</b>	<b>-507.5</b>	<b>-547.2</b>	<b>-39.7</b>	<b>8%</b>	
Other Creditors	-131.8	-164.2	-32.4	11%	Increase over prior year due to employee entitlement increases as a result of "pay freeze" measures put in place for FY10 only (paid post year-end)
<b>Net Creditor Funding</b>	<b>-639.3</b>	<b>-711.4</b>	<b>-72.0</b>	<b>11%</b>	
Receivables	1,007.8	1,073.3	65.5	7%	Due to Mitre 10 acquisition (\$107m) offset by increased usage of Amex facility reducing overall debtor days by 3 days
Assets held for resale	-	4.0	4.0	100%	
<b>Net Working Capital</b>	<b>368.5</b>	<b>365.9</b>	<b>-2.5</b>	<b>-1%</b>	Excess property acquired with Mitre 10
Fixed Assets and Investments	253.4	294.6	41.2	16%	Major increase due to business combinations (\$26.8m) and additional investment in Cornett Group of \$7m increasing MTS stake to 45%
Intangible assets	1,180.1	1,282.0	101.9	9%	
<b>Total Funds Employed</b>	<b>1,433.5</b>	<b>1,576.7</b>	<b>143.2</b>	<b>10%</b>	Business combinations impact of \$76.3m (Mitre 10, Fresh Market Meats & Produce Traders Trust) and software development projects (SAP and Power Enterprise) of \$27.4m
Net tax balances	-26.1	-18.4	7.8	-30%	
<b>Net Assets Employed</b>	<b>1,407.4</b>	<b>1,558.3</b>	<b>150.9</b>	<b>11%</b>	Increase in tax provision reflecting FY10 ITE offset by increase in DTA due to increased provisions and Mitre 10
Net repayable debt	-496.4	-546.7	-50.3	10%	
	911.0	1,011.6	100.6	11%	Additional borrowings to fund business combinations primarily
<b>NET ASSETS</b>	<b>1,279.4</b>	<b>1,377.6</b>	<b>98.1</b>	<b>8%</b>	
<b>EQUITY</b>					
Shareholders Equity	1,279.4	1,377.6	98.1	8%	Increases in equity due to retained profits and Minority Interest in Mitre 10 of \$55m. Minor increases in reserves and Issued Capital also impact balance
<b>TOTAL EQUITY</b>	<b>1,279.4</b>	<b>1,377.6</b>	<b>98.1</b>	<b>8%</b>	

# CASHFLOW - EXTRACT

2010



	FY Apr 09		FY Apr 10		Incl/(Dec) \$m	Commentary
	\$m	\$m	\$m	\$m		
<b>EBITDA</b>	422.9		440.2		17.3	
Net Interest Paid	(54.7)		(60.2)		(5.5)	Increase due to increased "line fees", higher average debt levels and rising interest rates
Taxation Paid	<u>(31.0)</u>		<u>(101.6)</u>		(70.6)	
		337.2		278.4	(58.8)	Prior year result contained credit adjustment for prior period returns (FAL related)
Other Non Cash Items	(2.3)		0.8		3.0	
Working Capital Movement	<u>(86.8)</u>		<u>15.5</u>		<u>102.3</u>	Prior year included substantial increases in inventory (including restocking of Blacktown). Current year more stable
<b>TOTAL CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>248.1</b>		<b>294.7</b>		<b>46.5</b>	
Proceeds from sale of property, plant and equipment		7.1		1.2	(5.9)	Prior year includes proceeds from sale of a property at Hexham NSW
Purchase of property, plant and equipment & software		(58.0)		(70.2)	(12.2)	Increase primarily due to expenditure on SAP Financials implementation in FY10
Other proceeds		7.1		0.1	(7.0)	Prior year includes proceeds from sell down certain retail stores
Loans to customers (net)		5.0		(4.4)	(9.4)	Current year includes loans to customers for temporary restructuring of their financing arrangements
Payment on acquisition of businesses and associates		<u>(67.4)</u>		<u>(62.9)</u>	<u>4.6</u>	
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(106.2)</b>		<b>(136.2)</b>		<b>(29.9)</b>	Prior year includes acquisition of Fresh Produce network, current year predominantly Mitre 10 acquisition
Proceeds from issue of shares		0.3		2.5	2.2	Additional funding for Mitre 10 acquisition and some short term working capital requirements
Drawdown/(Repayment) of debt		25.0		106.3	81.3	Final dividend from FY09 and Interim dividend from FY10
Dividend payments		(168.3)		(191.6)	(23.3)	
Other payments		<u>(30.8)</u>		<u>(13.6)</u>	<u>17.2</u>	Prior year includes \$24.6m termination of Interest rate collar, current year includes \$6.1m of refinancing costs
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(173.8)</b>		<b>(96.4)</b>		<b>77.4</b>	
<b>Opening Cash balance at beginning of year</b>	<b>180.5</b>		<b>148.6</b>			
Cash Movement in the Period	<u>(31.8)</u>		<u>62.1</u>			Increase in cash represented by above movements
Foreign Exchange Effect	<u>(0.1)</u>		<u>(0.1)</u>			
<b>Closing Cash balance at end of year</b>	<b><u>148.6</u></b>		<b><u>210.6</u></b>			Cash and cash equivalents as shown on Balance Sheet Extract

# INTEREST EXPENSE

2010



Interest Expense	Apr 10	Apr 09
	\$m	\$m
- 1H	32.3	37.8
- 2H	39.4	32.4
<b>Interest Expense (Total)</b>	<b>71.7</b>	<b>70.2</b>
Interest Income	(8.2)	(9.2)
<b>Interest Expense (Net)</b>	<b>63.5</b>	<b>61.0</b>

## Interest expense \$71.7m (\$70.2m pc)

- FY10 average debt slightly higher than in FY09
  - lower cash rates in 1H10 offset by higher margin and line fees and 125 basis points increase in cash rate in 2H10

## Interest expense expectations for FY11

- Further interest rate rises likely according to market “experts”
  - As a result of higher base cash rates and higher average debt (post M10), FY11 net interest expense expected to rise to approximately \$71 - \$73m
  - FY11 guidance reflects these expectations
- Interest cover still healthy at 6.4x

# CONCLUSIONS

- KEY MESSAGES
- EARNINGS GUIDANCE

# KEY MESSAGES

2010



## PERFORMANCE

Sales +6.8% ✓ EBIT +9.8% ✓ Operating leverage at 1.4x ✓	Sales 0% ✗ EBIT + 6.9% ✓ Operating leverage ✓	Sales +1.5% ✓ EBIT -12.5% ✗ Operating leverage ✗	Sales N/A EBIT N/A Operating leverage N/A
---------------------------------------------------------------	-----------------------------------------------------	--------------------------------------------------------	-------------------------------------------------

## FUTURE DIRECTION

<ul style="list-style-type: none"> <li>■ Introduction of Value Statement: Value, Fresh, Local</li> <li>■ Store growth</li> <li>■ Refurbishments &amp; extensions</li> <li>■ Retail execution</li> <li>■ Underperforming stores</li> </ul>	<ul style="list-style-type: none"> <li>■ IBA and Liquor Alliance store number growth</li> <li>■ Beer volume growth – one stop supply to the Independent channel</li> <li>■ Win-back on-premise market</li> </ul>	<ul style="list-style-type: none"> <li>■ Confectionery expansion</li> <li>■ Organised P&amp;C expansion</li> <li>■ Foodservice expansion</li> </ul>	<ul style="list-style-type: none"> <li>■ Supply chain improvements</li> <li>■ Build strong merchandise &amp; marketing model</li> <li>■ Growth</li> </ul>
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- ✓ Deploy strong balance sheet & cashflows in pursuit of:
  - ✓ Organic growth opportunities (all pillars)
  - ✓ Acquisitions (if attractive opportunities are found)
  - ✓ High dividend payout if funds unutilised



- Low sales growth in food and liquor sector will continue to December 2010
  - Cycling of the government stimulus felt in FY09
  - Continued low inflation
  - Interest rates rose 150 basis points in FY10 and projected to rise further
  - Macro economic climate unsettled
- With this backdrop, management provides guidance of 6-8% growth in underlying EPS for FY10
- This EPS guidance is given subject to the following key observations:
  - Comparative FY10 underlying EPS is 32.00 cps
    - Excludes intangible amortisation and NRI
  - FY11 for MTS will be a 53 week year, albeit only 3 working days in week 53
  - Interest cost for FY11 is in line with management expectations (as outlined above)
  - Includes loss of ALH business (already announced to market)
  - Will include full year of M10

“Champion of the Independent”

2010

**Metcash**

**Metcash**

# APPENDICES

1. Reconciliation - Group Results
2. Reconciliation – Profit Before Tax
3. Split of Business – EBITA by Division
4. Dividend and Capital Management Policy
5. Trend Metrics (Financial & Operational)
6. Metcash TSR
7. Directory of Terms

# RECONCILIATION

## - GROUP RESULTS

2010



	Apr 10	Apr 09
	\$m	\$m
<b>EBITA</b>	418.0	387.0
Share Based Payments	(2.6)	(4.5)
<b>Operating EBITA after share based payments</b>	<b>415.4</b>	<b>382.5</b>
Net Interest	(63.5)	(61.0)
<b>Profit Before Tax</b>	<b>351.9</b>	<b>321.5</b>
Tax	(104.3)	(94.9)
Minority Interest	(2.7)	(0.7)
<b>Underlying Profit After Tax</b>	<b>244.9</b>	<b>225.9</b>
Intangible Amortisation	(6.5)	(6.2)
<b>Profit After Tax pre NRI</b>	<b>238.4</b>	<b>219.7</b>
Significant and Non-recurring items after tax	(10.8)	(17.2)
<b>Reported Profit After Tax</b>	<b>227.6</b>	<b>202.5</b>
<b>- Reported EPS (basic)</b>	<b>29.74 cps</b>	<b>26.47 cps</b>
<b>Reported Profit After Tax</b>	227.6	202.5
Intangible Amortisation	6.5	6.2
Non-Recurring Item after tax	10.8	17.2
<b>Underlying Profit After Tax</b>	<b>244.8</b>	<b>225.9</b>
<b>- Underlying EPS</b>	<b>32.00 cps</b>	<b>29.53 cps</b>
Weighted average shares	765.2	764.8

Note :

1. Reconciliation of Profit before tax (above) to Profit before tax per App4E Consolidated Statement of Comprehensive Income - shown on slide 37
2. Campbells Wholesale store restructure provision
3. Interest collar termination costs

# RECONCILIATION

## - PROFIT BEFORE TAX

2010



		Apr 10		Apr 09
		\$m		\$m
Profit Before Tax	1	351.9		321.5
Amortisation		(6.5)		(6.2)
Significant and Non-recurring items before tax	2	(15.4)	3	(24.6)
<b>Profit before tax per Appendix 4 E (Consolidated Statement of Comprehensive Income)</b>		<b>330.0</b>		<b>290.7</b>

Note :

1. Reconciliation of Profit before tax (slide 36) to Profit before tax per App4E Consolidated Statement of Comprehensive Income
2. Campbells Wholesale store restructure provision
3. Interest collar termination costs

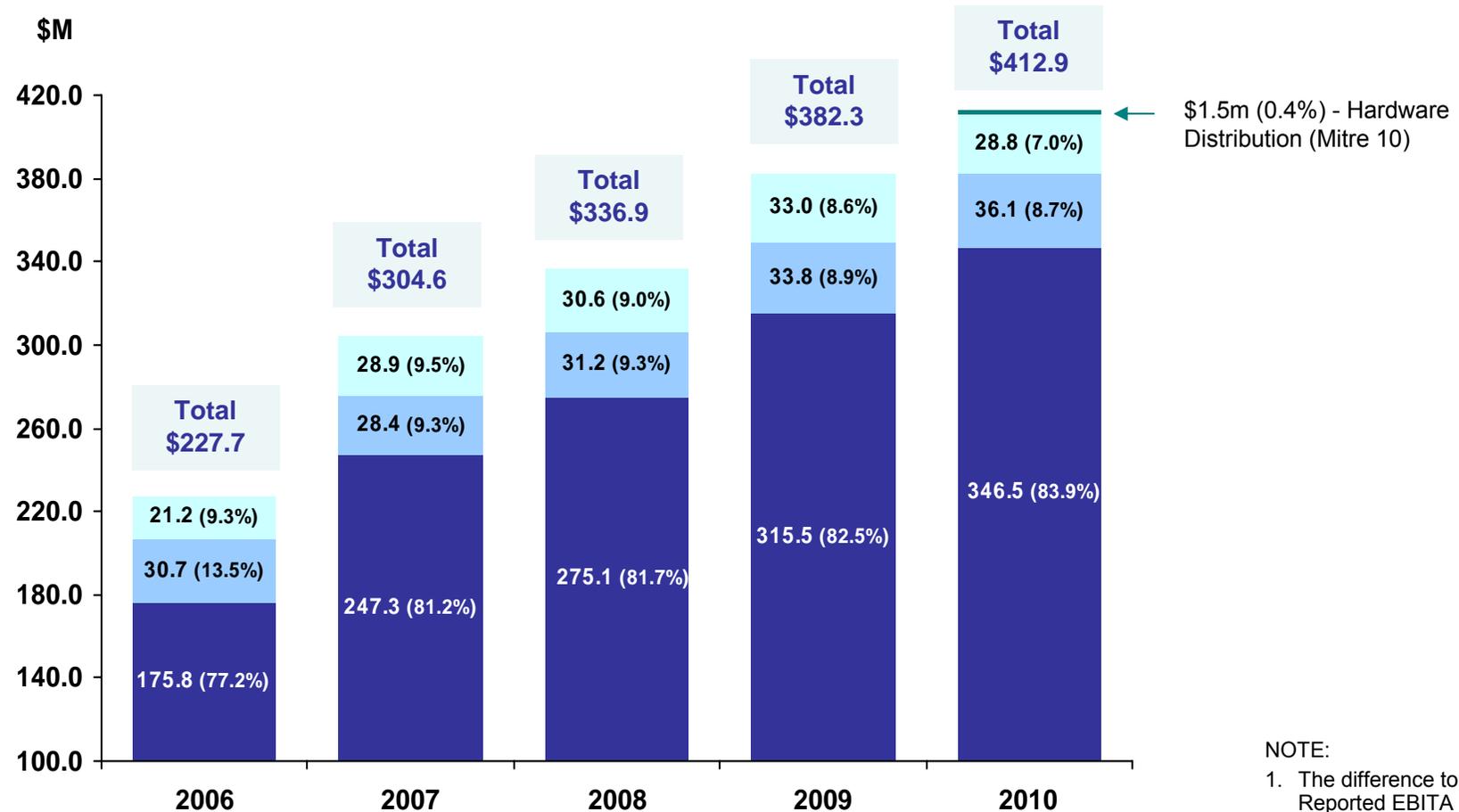
# SPLIT OF BUSINESS

## – EBITA BY Division

2010



■ Food Distribution ■ Liquor Distribution ■ Cash & Carry Distribution ■ Hardware Distribution



NOTE:

1. The difference to the Reported EBITA will be in "Corporate"



- The Board's intention is to return earnings to shareholders whilst retaining adequate funds within the business to invest in future growth opportunities
- The proposed FY10 final dividend of 15.0 cents per share takes the total FY10 dividend to 26.0 cents per share and represents approximately:
  - 87% of Reported EPS, (pcp 91%)
  - 81% of Underlying EPS
- From a capital management perspective the following points should be noted:
  - Management and the Board remain focussed on seeking growth opportunities (both organic and via acquisition)
  - Metcash continues to consider it important to achieve and maintain balance sheet ratios that would satisfy an investment grade rating
  - In this regard, Management will continue to monitor an uncertain macro economic environment

NOTE: No change in Dividend and Capital Management Policy since FY06

# TREND METRICS

## – FINANCIAL

2010



FULL YEAR		FY 2006 Apr 06	FY 2007 Apr 07	FY 2008 Apr 08	FY 2009 Apr 09	FY 2010 Apr 10	CAGR*
Sales (all sources)	\$ millions	8,214	9,695	10,116	10,981	11,517	8.8%
Sales (wholesale)	\$ millions	7,705	9,451	10,045	10,974	11,517	10.6%
EBITDA - reported	\$ millions	277.5	354.6	383.3	422.9	455.6	13.2%
EBITDA - pre NRI	\$ millions	280.7	335.4	376.9	422.9	455.6	12.9%
EBITA - reported	\$ millions	223.7	309.9	341.3	382.5	415.4	16.7%
EBITA - pre NRI	\$ millions	226.9	310.7	335.1	382.5	415.4	16.3%
PAT - reported	\$ millions	81.2	166.8	197.4	202.5	227.6	29.4%
PAT - pre NRI	\$ millions	122.7	174.3	193.1	219.7	238.4	18.1%
PAT - underlying	\$ millions	125.7	180.3	199.0	225.9	244.9	18.2%
Operating cashflow	\$ millions	242.7	177.5	197.6	248.1	294.7	5.0%
EPS - reported	\$' cents	13.67	22.15	25.86	26.47	29.74	21.5%
EPS - pre NRI	\$' cents	20.68	23.15	25.29	28.73	31.15	10.8%
EPS - underlying	\$' cents	21.17	23.94	26.07	29.53	32.00	10.9%
Dividend per share	\$' cents	11.5	17.0	21.0	24.0	26.0	22.6%
Payout ratio (on EPS - reported)	%	84.1%	76.8%	81.2%	90.7%	87.4%	-
Payout ratio (on EPS - underlying)	%	54.3%	71.0%	80.6%	81.2%	81.2%	-
Cash Realisation Ratio	%	148.5%	86.3%	86.5%	98.3%	109.6%	-
Interest Cover	times	5.63	5.49	6.09	6.02	6.35	-
Return on Capital Employed	%	12.5%	17.2%	17.7%	19.6%	19.2%	-
Return on Equity	%	11.9%	15.0%	15.6%	17.2%	17.3%	-
Gearing	%	42.3%	34.4%	33.2%	33.5%	35.5%	-
Debt / EBITDA (pre NRI)	times	2.73	1.72	1.64	1.53	1.66	-

Notes: 1. Definitions and explanations provided in Directory of Terms (slides 43-45)

# TREND METRICS

## - OPERATIONAL

2010



Branded Stores - Grocery (IGA – 3 channels + Friendly Grocer + Eziway)	Oct 07	Apr 08	Oct 08	Apr 09	Oct 09	Apr 10
Supa IGA	416	418	425	430	440	446
IGA	719	717	720	717	720	718
Xpress	249	153	129	131	140	156
<b>IGA branded stores</b>	<b>1,384</b>	<b>1,288</b>	<b>1,274</b>	<b>1,278</b>	<b>1,300</b>	<b>1,320</b>
Friendly Grocer / Eziway		298	323	351	339	324
<b>Total Stores</b>		<b>1,586</b>	<b>1,597</b>	<b>1,629</b>	<b>1,639</b>	<b>1,644</b>

**Note:** Metcash also services ~ 720 Foodworks stores and a number of non-bannered independents.

Total number of stores serviced is approximately 2,500.

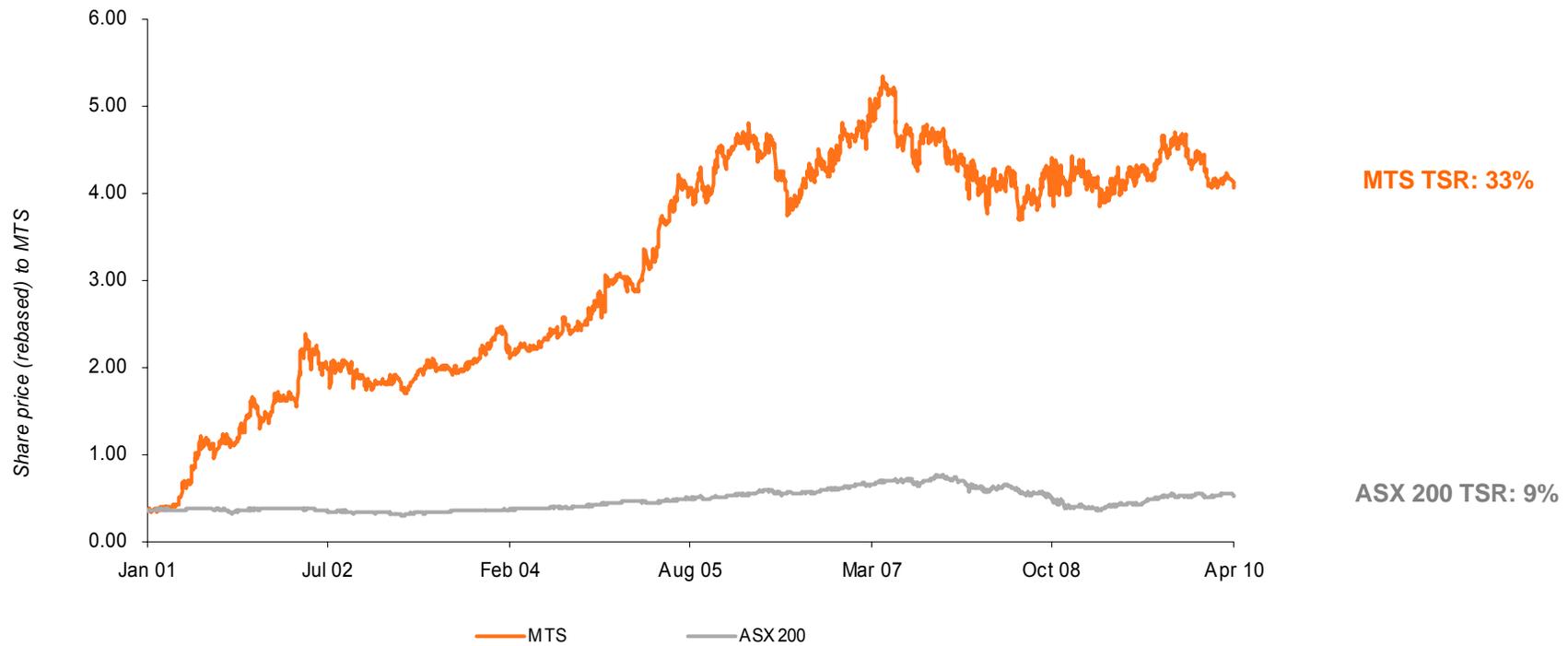
Friendly Grocers were previously bannered Friendly Grocer IGA.

Eziway was part of the FAL acquisition and has been maintained in WA. Eziway exists only in WA.

IBA Stores - Liquor	Apr 08	Oct 08	Apr 09	Oct 09	Apr 10
Cellarbrations	467	502	509	498	470
Bottle-O / Bottle-O Neighbourhood	595	635	658	657	610
IGA Plus Liquor	465	412	411	408	423
<b>IBA – 3 major banners</b>	<b>1,527</b>	<b>1,549</b>	<b>1,578</b>	<b>1,563</b>	<b>1,503</b>
Liquor Force / Other Banners	890	736	730	683	635
<b>Total IBA Stores</b>	<b>2,417</b>	<b>2,285</b>	<b>2,308</b>	<b>2,246</b>	<b>2,138</b>



## TSR under current management vs market



Note: Total Shareholder Returns (TSR) represents share price appreciation and dividend returns to shareholders.



**ALM** - Australian Liquor Marketers is Australia and New Zealand's leading broad range liquor wholesaler. ALM operates from 18 distribution locations across the country. Larger 'off-premise' customers are supplied through the main distribution system; a specialist 'on-premise' distribution arm, Harbottle On-Premise (HOP) supplies pubs, clubs and restaurants. ALM also provides marketing support and a range of services to assist their customers grow their business.

**Bottle O** - Retail liquor brand developed by Independent Brands of Australia (IBA)

**'Catering Connection'** - A dedicated, high profile in-store area focussed on food service for larger scale supplies to customers such as restaurants (CW)

**CCC** - Campbells Cash & Carry (a division of CW) is a bulk retail outlet format serving major metropolitan markets. CCC caters to a high proportion of small business customers providing a wide range of products (groceries, liquor, confectionery, and foodservice lines) and strong promotions.

**Cellarbrations** - Retail liquor brand (part of IBA/ALM) with bold visual identity as a genuine alternative to chains

**Coast & Country** - Specialist confectionery wholesaler attached to a CWD

**CODB** - Cost of doing business

**CSD** - C-Store Distribution (a division of CW) focuses on the convenience sector, servicing customers that cannot be economically serviced through a full case grocery distribution centre. CSD has 4 distribution centres complemented by 4 specialist confectionery wholesalers nationally.

**CW** - Campbells Wholesale is Metcash's retail services pillar with four divisions: CCC, CSD, CWD and FoodLink. FoodLink is based in QLD and WA. The other divisions are based in a number of states.

**CWD** - Campbells Wholesale Distribution (a division of CW) provides specialist distribution services to regional Australia, delivering a wide range of products to large geographical areas. CWD services route, petrol and convenience, hospitality, and foodservice channels of trade.

**Eziway** - Small format branded grocery stores which exist solely in WA. The brand was acquired as part of the 2005 FAL acquisition.



## Financial Metrics Definitions

- **CAGR** - Compound Annual Growth Rate over 4 years (FY06 to FY10)
- **Cash realisation ratio** - Net operating cash flow (not adjusted for non-recurring items) / [Profit after tax pre non recurring items + Depreciation + Amortisation (tax effected) ]
- **Gearing** - Debt / [Debt + Shareholders equity]
- **Interest cover** - EBITDA / Interest Expense
- **Return on Capital Employed** - EBIT / [Average Shareholders Equity + Average Debt]
- **Return on Equity** - Profit after tax (pre NRI) / Shareholders equity (closing)

**FoodLink** - Food service division of CW based in WA and QLD

**Friendly Grocer stores** - Small format stores existing across the Eastern seaboard

**IBA** - Independent Brands Australia. Allied to the resources of ALM, and backed by the IGA>D, IBA aims to develop strong national brands to meet retailer and consumer needs.

**IG** - Independent Grocers - trading name of some CWD operations

**IGA>D** - Grocery wholesaler serving ~ 2,500 independent retail grocery stores (including IGA branded stores) across Australia. IGA>D operates 6 major distribution centres, carrying dry, chilled and frozen grocery products. IGA>D supports independent retailers with a comprehensive range of services including: 24 hour retail system, in-store training, retail development and store equipment service to assist in expanding, refurbishing or building new sites.

**IGA Fresh** - A division of IGA>D focusing on fresh food (fruit, vegetables, meat, deli and bakery) supply to independent retailers.

**Intangible Amortisation (IA)** – Amortised costs of customer relationships, calculated on a straight line basis over 25 years



**Moving Average Total (MAT)** - A 12 month running average measure of market share

**Non-recurring items (NRI)** - Items not expected to recur in the ordinary course of business in subsequent trading periods. Non recurring items reflected are: FY10 – Campbells Wholesale store closure costs of \$15.4m pre tax (\$10.8m post tax); and FY09 – interest rate collar termination cost of \$24.6 m pre tax (\$17.2m post tax).

**Underlying** - Adjusts for non-recurring items and intangible amortisation.

- Used in relation to earnings and earnings per share
- Used for guidance purposes
- Used in calculation of hurdles rates for long term incentives

**PATBDA** - Profit after tax before depreciation and amortisation = proxy for real cash generation by business in financial period

**PCP** - Prior corresponding period

**SBP** - Share based payments - expenses associated with the Metcash employee share option scheme

**'Sweet Spot'** - A dedicated, high profile in-store area focussed on confectionery and snacks (CW)

**Teamwork** - Percentage of a retailer's total store purchases made through IGA>D



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