

**Metcash Limited**

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ASX Announcement**Total Tools**

Metcash (ASX: MTS) today announced that it is increasing its ownership in Total Tools Holdings Pty Ltd (TTH) from 85% to 100% in late November 2023.

This follows the exercise of a put option by current owners of the remaining 15% of TTH, as flagged in the Company's FY23 results materials. The consideration for the remaining 15% is \$101.5m.

TTH is franchisor to the largest professional tools retail network in Australia. Since Metcash acquired a majority ownership in 2020, the business has delivered remarkable growth with annual sales in the retail network almost doubling from \$585m in FY20 to \$1,085m in FY23. In addition to strong demand, the growth has been supported by an expansion of the retail store network from 81 to 112 stores, with plans to add around 10 stores a year for the foreseeable future.

Consistent with the successful approach in Metcash's Independent Hardware Group, Metcash's growth strategy for TTH has included having a mix of independently owned and Metcash majority-owned joint venture retail stores. There are currently 44 joint venture stores which have put and call option arrangements in place for the remaining ownership of these stores.

The combined acquisition multiple is approximately five times EBITDA for 100% of TTH and the acquired joint venture or company-owned Total Tools stores.

Reset of joint venture store put options

Metcash is currently in advanced discussions with the majority of its Total Tools store joint venture partners on resetting the current put option arrangements. This is to provide joint venture partners with a balance between receiving some capital and remaining both vested and engaged in the ongoing success of their stores. Most of these joint venture partners have indicated interest in further reinvesting in their stores and/or opening new stores as the network continues to expand. Retaining the experience and enthusiasm of these retailers in the network helps to further underpin the ongoing growth and success of Total Tools.

Resetting the current put option arrangements involves Metcash acquiring a further equity interest in the joint venture stores and deferring the put option in relation to the residual ownership interest a further three to five years.



Metcash disclosed in its FY23 results materials that these put options had a maturity profile ranging between FY24 and FY31, with a valuation of \$172.8m at the end of FY23.

The Company anticipates being able to provide further information in the second half of FY24, including detail on the expected step acquisitions and the new maturity profile.

Management change

Paul Dumbrell has advised that he intends to step down as CEO of TTH after more than five years in the role.

Paul was appointed CEO of TTH in 2018 and agreed to stay on in the role after Metcash's acquisition of a majority stake in 2020. Under Paul's leadership, Total Tools has seen enormous growth, including establishing and maintaining a clear leading position in the Australian professional tools market.

Paul has indicated he intends to remain in the role to the end of April 2024 to continue driving the business' growth strategy and to remain integrally involved in the design and implementation of the reset of arrangements with our joint venture stores. He then intends to take an extended break with his family.

Metcash Group CEO, Doug Jones said: "Paul has played a key role in the growth of Total Tools and in the smooth and seamless transition to Metcash ownership. Paul is leaving the Total Tools business in great shape with a successful winning strategy and a strong leadership team. I sincerely thank him for his considerable efforts and support, and we wish him all the best for the future, including his well-deserved extended break."

Paul Dumbrell said: "It's been a pleasure to lead such a strong and exciting growth business and I wish to thank Metcash, all our franchisees and supplier partners for their significant support. I would also like to personally thank Doug for his support over the last 18 months, he has been instrumental in progressing the Total Tools growth strategy.

"We have a network of very experienced and passionate franchisees, and I am particularly pleased that our joint venture partners want to remain in the business and help drive our continued success. This is clearly a great outcome for the business, and I am looking forward to supporting and executing this reset before taking my extended break."

An executive search has commenced for a successor that includes both internal and external candidates.

This announcement is authorised for release by the Board of Directors of Metcash Limited.

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