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ASX Announcement

METCASH SEES UPSIDE FROM MOVE INTO AUTO PARTS & AFTERMARKET SECTOR

Metcash Limited today announced that it has entered into an agreement to acquire 75.1% of the Automotive Brands Group (ABG) for \$53.8 million.

ABG is Australia's largest privately owned distributor and franchise operator in the automotive parts aftermarket sector, distributing product to a network of 241 stores. ABG owns and manages the Autobarn franchise (102 mainly retail stores), Autopro dealership groups (118 mainly trade based stores) and its Car Parts division services a further 21 independent operators. ABG is the third largest player in Australia servicing the automotive parts and aftermarket sector.

Andrew Reitzer, Metcash CEO, said this was an exciting opportunity for Metcash as the automotive parts and aftermarket sector provided good growth potential both in terms of growing their existing network and servicing the established 2,500 independent operators and service stations.

"We are very pleased that the Automotive Brands Group will join Metcash," Mr Reitzer said. "The Automotive Brands Group is a strong business and is a very good fit for us operating a highly effective customer focused business that fits well with our successful model of servicing our grocery, hardware and liquor retailers.

"The opportunity exists for Metcash to provide merchandising and marketing skills, supply chain expertise and infrastructure to grow the business and realise significant synergies. The automotive parts and aftermarket retail sector has proven to be resilient to economic downturns as consumers tend to retain cars, increasing maintenance and demand for car parts," Mr Reitzer said. He added "Our success with improving and growing the Mitre 10 business has given us insight and confidence regarding the potential for growth within this market segment."

Paul Dumbrell, CEO of ABG, said he was delighted with the transaction as the company had been looking to align with a business that could improve its brand strength, provide improved ranging and supply efficiencies to current and future customers as well as support ABG's growth strategies.

"We have a clear plan to grow the business. There are thousands of independent operators in the automotive parts and aftermarket sector and they are all opportunities for us.

Metcash will add significant value to our business and provide our franchisees and suppliers with the level of support they need in order for us to remain at the forefront of the automotive and aftermarket segment," Mr Dumbrell said.

Mr Dumbrell, who will retain the remaining ownership interest in ABG, will continue as the CEO of ABG and will join the Metcash Executive team.

The transaction is expected to close in early July. Upon obtaining its initial 75.1% ownership of ABG, Metcash will have typical majority shareholder rights including the right to appoint the majority of directors. Metcash is able to move to full ownership at various points over the next 3-5 years at an EBITDA multiple consistent with that paid for the initial 75.1% stake.

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