

## Metcash Limited (MTS)

Distribution Services

HOLD

MTS A\$4.13

TARGET PRICE A\$3.90

Metcash Ltd (MTS) engages in the distribution and marketing of consumer goods. It operates through the following segments: Food, Liquor, and Hardware. The Food segment includes the distribution of a range of products and services to independent supermarket and convenience retail outlets. The Liquor segment offers liquor products to independent retail outlets and hotels. The Hardware segment consists of hardware products to independent retail outlets and the operation of company owned retail stores.

### Company Data

Number of shares	965.5M
Market Capitalisation (\$m)	3,987.7
Free float (%)	64.9
12-month high/low	\$4.80/\$3.66
Average Daily Turnover (\$m)	24.16
% S&P/ASX200	0.206%
DDM Ranking	287
% All Ordinaries	0.160%
GICS Industry Group	Wholesale

Source: FactSet, BPC

### Earnings Summary (AUD)

Year end April	2022A	2023F	2024F	2025F
Revenue (\$M)	15,164.8	16,284.5	16,639.9	19,831.4
EBITDA (\$M)	648.2	660.9	683.5	720.9
Reported NPAT (\$M)	245.4	283.6	290.1	330.5
Adjusted NPAT (\$M)	299.6	287.4	292.0	330.5
Reported EPS (c)	25.0	29.3	30.0	34.1
Adjusted EPS (c - FD)	30.5	29.6	30.1	34.1
Adjusted EPS growth (%)	23.5	-1.5	1.8	14.0
Adjusted P/E (x)	13.5	15.4	15.1	13.3
Dividend (c/sh)	21.5	21.1	21.2	23.8
Gross yield (%)	7.4	7.3	7.3	8.2
Net yield (%)	5.2	5.1	5.1	5.8
ROIC (%)	25.3	18.4	14.7	21.0

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

### Share Price Performance



Source: FactSet, Barclay Pearce Capital

## FY22 Full Year Results

On 27<sup>th</sup> of June 2022, Metcash Limited (MTS) announced its FY22 Full Year Results, with the following highlights:

### Highlights:

- Continued growth on exceptional FY21 results despite significant external challenges;
- Strong sales and earnings in all Pillars underpinned by sustained shift in consumer behaviour and success of MFuture initiatives;
- Group revenue up 5.9% to \$15.2bn, and including charge-through by 6.4% to \$17.4bn (2yr +17.2%);
- Group underlying EBIT up 17.7% to \$472.3m (2yr +41.0%);
- Underlying profit after tax up 18.6% to \$299.6m (2yr +50.7%);
- Statutory profit after tax up 2.7% to \$245.4m;
- Underlying earnings per share up 23.5% to 30.5 cents (2yr +39.9%);
- Strong operating cashflow of \$432.3m (cash realisation ratio 90.9%);
- Significant return to shareholders – dividends and buy-back ~\$400m;
- Total dividends for FY22 up ~23% to 21.5 cents per share (2yr +72.0%);
- Strategic acquisitions delivered accretive returns;
- Balance sheet strength with financing flexibility;
- Long term supply agreements with Australian United Retailers (Foodworks) and Drakes Supermarkets in QLD; and
- Strong sales momentum has continued into FY23.

### Outlook:

- With elevated inflation continuing into 1H23, there is uncertainty over the level of inflation going forward as well as its impacts;
- MTS continues to work with suppliers and retailers to provide better value options; and
- Increased DC labour and COVID related costs have continued into 1H23 and may remain a reality for all pillars over FY23.

## Earnings changes

MTS reported underlying NPAT of \$299.6m for FY22, which compares to market expectations of \$281.3m. Hence, we expect positive earnings revisions of 5% for FY23 and for future periods.

## Valuation

We are updating our price target from \$4.26 to \$3.90 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

**Russell Wright**

27 June 2022

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

**Russell Wright**

27 June 2022

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## Barclay Pearce Capital Recommendation Proportions

Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)