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## Profit drop for Australian distributor



Wholesale distributor Metcash has reported a drop in underlying profits on the back of a decline in its food segment

**M**etcash's full year underlying profit fell 3 per cent to A\$330m (US\$235m) for the 2019 financial year, with the company's food division noted as a significant contributor to the result.

The wholesaler distributes to independent retailers such as IGA and Drakes and although it also has hardware and liquor divisions, better results in those areas could not cover the decrease in food earnings.

Metcash's food earnings before interest and taxes (EBIT) decreased 3 per cent to

A\$182.7m (US\$127m). This was despite a 0.3 increase in total food sales to A\$8.79bn (US\$6.1bn).

"In foods, the decline in EBIT was largely due to the decline in wholesale sales (excluding tobacco) and incremental operating expenditure related to MFuture initiatives which is expected to deliver revenue benefits in the future," Metcash's 2019 Full Year Financial Report said.

The report also noted the trajectory of the decline in wholesale sales (excluding tobacco) in the second

half of the year improved to -1.3 per cent. This was the fourth consecutive half-year period of improvement in the rate of decline.

Looking forward, Metcash said it will continue to invest in growth initiatives in supermarkets. Meanwhile costs savings through its MFuture program next year will help offset inflation in the company's food division.