

## **WILCON DEPOT POSTS ₱1.390 BILLION NET INCOME FOR NINE MONTHS 2018**

- Net Income jumped 24.3% y-o-y to ₱1.390 billion for a net margin of 9.0%
- Net Sales increased 17.9% y-o-y to ₱15.359 billion with a comparable sales growth of 8.2%
- Gross profit margin improved to 31.3% from 30.1% in 9M2017 as gross profit rose 22.5% y-o-y

Wilcon Depot, Inc. (PSE:WLCON) generated net income of ₱475 million in the third quarter of 2018, pushing its net income tally to ₱1.390 billion for the year. The 24.3% or ₱272 million nine-month net income improvement year-on-year was driven mainly by the opening and ramp up of new stores, strong comparable sales growth and sustained gross margin expansion as the target product mix continue to be achieved.

Net sales for the year reached ₱15.359 billion, up 17.9% or ₱2.332 billion, accounted for by an 8.2% comparable sales growth and ₱1.258 billion contribution from new (below one year) stores. Third quarter 2018 net sales amounting to ₱5.358 billion is up 17.8% year-on-year as new stores continued to ramp up, contributing ₱521 million for the quarter. Comparable sales growth slowed to 6.3% for the quarter mainly due to the slowdown in project sales. Excluding project sales, same store sales growth (sssg) for the quarter reached 8.6%.

Wilcon opened seven new branches for the nine-month period which included two new home essentials. Three depot-format stores were opened in provincial Luzon, one in the Visayas and one in Mindanao while one stand-alone home essentials store was opened in Metro Manila and one mall-based store in the Visayas. The Company will open four more depots in the last quarter of 2018 bringing to 51 the total number of branches by the end of the year.

Net sales from depot format stores comprised the bulk of net sales, accounting for 95.6%, the smaller format Home Essentials contributed 3.0% while the remaining 1.4% were project sales for the nine months in 2018. Excluding project sales, same store sales grew 9.6% with depots achieving a similar 9.6% sssg while the home essentials' sssg reached 11.1% for the nine-month period.

Gross profit margin for the nine-month period held steady at 31.3%, as gross profit reached ₱4.808 billion, increasing by 22.5% or ₱882 million year-on-year. The target contribution of the higher margin in-house and exclusive products to net sales continued to be achieved at 46.6% for the nine-month period. This mainly drove the year-on-year gross margin expansion augmented by the improvement in the gross margins of non-exclusive products as a result of better-negotiated terms including volume-related discounts.

Operating expenses expectedly continued its upward trend as the number of stores and volume of business continue to grow. Operating expenses grew 20.5% or ₱534 million year-on-year to total ₱3.145 billion for the nine-month period. Biggest contributors to the increase included rent, manpower and trucking expenses.

Other income likewise increased by 63.2% year-on-year to close at ₱266 million at the end of the third quarter in view of higher interest income and charges to and from suppliers for share in marketing, promotions and other operating expenses.

Consequently, EBIT and EBITDA levels also remained on the growth path, increasing by 30.5% and 31.1% to tally at ₱1.929 billion and ₱2.036 billion for margins of 12.6% and 13.3%, respectively.

“Because of the continued healthy sales growth in the third quarter and anticipating the continued contribution of newly opened stores in the fourth quarter, Wilcon is looking to exceed its mid-teens 2018 net income growth target despite the expected continuing inflationary cost pressures. We also expect to meet our store opening target for the year of nine depots with a bonus of two home essentials. We’ve opened six depots so far and will open the last three before the end of the year,” said Mark Andrew Belo, CFO of the Company.

#### FINANCIAL HIGHLIGHTS:

(In Million PHP)

	9M 2018	% OF SALES	9M 2017	% OF SALES	% GROWTH
<b>NET SALES</b>	15,359	100.0	13,027	100.0	17.9
COST OF SALES	10,551	68.7	9,101	69.9	15.9
<b>GROSS INCOME</b>	4,808	31.3	3,926	30.1	22.5
OPERATING EXPENSES	-3,145	(20.5)	-2,611	(20.0)	20.5
OTHER INCOME – NET	266	1.7	163	1.3	63.2
<b>EBIT</b>	1,929	12.6	1,479	11.4	30.5
INTEREST EXPENSE	-2	(0.0)	-20	(0.1)	(88.0)
<b>INCOME BEFORE TAX</b>	1,927	12.5	1,459	11.2	32.1
INCOME TAX	537	3.5	341	2.6	57.4
<b>NET INCOME</b>	1,390	9.0	1,118	8.6	24.3
Depreciation	107	0.7	74	0.6	44.2
<b>EBITDA</b>	2,036	13.3	1,553	11.9	31.1

<b>Balance Sheet</b>	<b>Unaudited Sep 30, 2018</b>	<b>Audited Dec 31, 2017</b>
Current Assets	11,165	11,748
Noncurrent Assets*	5,535	4,277
<b>Total Assets</b>	<b>16,700</b>	<b>16,024</b>
Current Liabilities	3,803	3,725
Noncurrent Liabilities	125	381
<b>Total Liabilities</b>	<b>3,928</b>	<b>4,106</b>
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Loss	88	173
Retained Earnings	3,210	2,272
<b>Total Equity</b>	<b>12,772</b>	<b>11,918</b>

