WILCON DEPOT POSTS ₱995 MILLION 1H19 NET PROFIT

- Net sales hiked 17.8% y-o-y to ₱11.778 billion with a comparable sales growth of 4.7%
- Gross profit margin improved to 32.4% from 31.3% in 1H18
- Net income grew 8.8% y-o-y to ₱995 million for a net margin of 8.4%

The Philippines' leading home improvement and finishing construction supplies retailer, Wilcon Depot, Inc. (PSE:WLCON), today reported net income of ₱995 million for the first half of 2019, up ₱80.2 million or 8.8% year-on-year at the back of a 17.8% or ₱1.777 billion increase in net sales to ₱11.778 billion and a gross profit margin expansion of 110 basis points to 32.4%.

Wilcon's net sales growth of 17.8% to ₱11.778 billion with a comparable sales growth of 4.7% impresses considering the base effect of last year's second quarter and first half comparable sales growth of 13.2% and 9.3%, respectively. The net sales growth of ₱1.777 billion is attributed mainly to the contribution of new stores, totaling ₱1.304 billion, while comparable sales which grew 4.7% contributed ₱474 million.

On a per format basis, the depots still contributed the bulk, accounting for 95.7% of total net sales with sales of ₱11.277 billion for the period. The format also drove the improvement in net sales, growing by 18.1% or ₱1.724 billion with a same store sales growth of 4.5%. The high-base and more mature markets, Metro Manila and CALABARZON, together accounting for majority of total net sales, mainly drove the Company's total growth. Four of the depots opened in 2018 are in the CALABARZON region while the remaining five are scattered in different regions.

The Home Essentials format, meanwhile, contributed 2.8% of total net sales amounting to ₱329 million for the first half. Net sales increased by 8.0% or ₱24 million with a same store sales growth of 3.5% since majority of this format are located in Metro Manila and are some of Wilcon's more mature stores.

Project sales or sales to large property developers and to the hospitality industry totaled ₱173 million, up 19.7% or ₱28 million. Project sales account for the remaining 1.5% of Wilcon's total net sales.

The increasing contribution of in-house and exclusive brands' sales to total net sales plus the improving margins of the non-exclusive brands pushed gross profits to improve by 21.9% or ₱685 million to close at ₱3.813 billion by the end of the first half for a gross profit margin of 32.4%. In-house and exclusive brands' sales now comprise 49.0% of the total versus 46.4% for the same period in 2018.

Operating expenses increased ₱484 million or 23.7% to total ₱2.523 billion for the period. Including this period's interest expense, which is part of the re-classified lease expense under the new accounting standard, operating expenses will total ₱2.646 billion. Other than the increase attributable to the change in accounting standard reflected in depreciation and interest expense, actual rent expense, manpower-related expenses and utilities, among others recorded material growth owing to the continued expansion of Wilcon's store network.

The number of leases covered by the new accounting standard on leases or the PFRS 16 increased in the second quarter as new and renewed leases are executed. For the period, depreciation expense attributed to the right-of-use asset totaled ₱234 million while interest expense, which is non-cash and pertain to the lease liability totaled ₱123 million for a total lease-related expense of ₱357 million. Including leases excluded from PFRS 16, total rent expense amounted to ₱616 million. Actual payments for leases due for the period totaled ₱553 million. Total impact of the adoption of PFRS 16 to net income (versus the previous accounting standard, PAS 17) including the downward adjustment of the useful life of store buildings is ₱54 million, net of tax.

Net other income from merchandise and other suppliers amounted to ₱140 million, up 51.2% year-on-year in view of the increasing volume of business. Interest income, however dipped 6.8% to ₱84 million for the period traced to the continuous deployment of the remaining IPO proceeds for the construction of new stores and the distribution of dividends.

Wilcon spent ₱1.307 billion during the period, majority on new store construction and partly on furniture and equipment, computer software and transportation equipment.

According to Lorraine Belo-Cincochan, President and CEO of Wilcon, "The flat earnings growth of 1.1% we had in the second quarter was mainly due to the base effect and the slowdown in sales because of the long holidays in April wherein we also had less number of operating days and the elections in May. We had a record second quarter last year in terms of comparable sales growth which reached 13.2%. Comparable sales growth for the second quarter this year was only 1.9%. But in June, business picked up again and in fact our comparable sales growth reached 7.6% for the month. Plus the changes in accounting standards had a negative ₱29 million net of tax impact on our earnings. Not including this, earnings growth for the quarter would have been 6.9%."

Ms. Belo-Cincochan added, "We are optimistic of our prospects for the rest of the year. Our sales volume has been almost always higher during the second half of the year and thus we believe that we will be able to pull up our earnings growth to low teens level for the whole year as we previously guided."

FINANCIAL HIGHLIGHTS

(In Php MM)	**1H 2019**	**% SALES**	**1H 2018**	**% SALES**	**% GROWTH**
Net Sales	**11,778**	**100.0**	**10,001**	**100.0**	**17.8**
Cost of Sales	-7,965	(67.6)	-6,873	(68.7)	15.9
Gross Income	**3,813**	**32.4**	**3,128**	**31.3**	**21.9**
Operating Expenses	-2,523	(21.4)	-2,039	(20.4)	23.7
Other Income	140	1.2	92	0.9	51.2
Interest Income	84	0.7	90	0.9	(6.8)
Interest Expense	-123	(1.0)	-2	(0.0)	5,139.4
Income before Tax	**1,390**	**11.8**	**1,269**	**12.7**	**9.6**
Income Tax	396	3.4	354	3.5	11.7
Net Income	**995**	**8.4**	**914**	**9.1**	**8.8**

Balance Sheet (In Php MM)	Unaudited 30-Jun-19	Audited 31-Dec-18
Current Assets	10,400	11,123
Noncurrent Assets	11,848	6,379
Total Assets	**22,248**	**17,502**
Current Liabilities	5,420	4,171
Noncurrent Liabilities	3,231	118
Total Liabilities	**8,651**	**4,290**
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Loss	128	83
Retained Earnings	3,995	3,656
Total Equity	**13,596**	**13,212**