

COVER SHEET

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S.E.C Registration No.

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(Company's Full name)

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(Principal Office)

Atty. Sheila Pasicolan - Camerino
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Contact Person

(02) 8634-8387

Tel. No.

PRESS RELEASE

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FORM TYPE

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Secondary License, (if applicable type)

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Dept. requiring this doc

N/A

Amended Articles number

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Total stockholders

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Domestic

Foreign

To be accomplished by SEC personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

Item. 9. Other Events

Please see attached Press Release of Wilcon entitled "*WILCON POSTS P2.7B NET INCOME FOR NINE MONTHS 2023*"

SIGNATURES

Registrant Atty. Sheila P. Pasicolan - Camerino
Title Asst. Corporate Secretary/Compliance Officer

Signature 

Date 26 October 2023

WILCON POSTS P2.7 B NET INCOME FOR NINE MONTHS 2023

- *Net sales of P25.9 billion, up 4.9% year-on-year*
- *Gross profit of P10.2 billion, up 6.6% year-on-year*
- *Net income of P2.7 billion, down 7.9% year-on-year*

Wilcon Depot, Inc., the Philippines' leading home improvement and finishing construction supplies retailer, today reported its nine months 2023 net income of P2.726 billion, a decline of 7.9% or P235 million year-on-year. The drop is mainly due to the increase in operating expenses partly offset by the expansion in gross profit margin rate and increase in total net sales.

“Total net sales grew quarter-on-quarter, which is a welcome progress but as expected, the higher base resulted in a decline in comparative sales. Net sales also did not grow enough to cover the increase in operating expenses, over 50% of which was contributed by expansion related expenses. Overall demand for major home improvement and finishing construction supply continues to be soft for retail but resumption of projects by major developers increased project sales by 75.5%. Although project sales only account for 1.4% of total net sales, the buyers of these projects are potential Wilcon customers,” said Lorraine Belo-Cincochan, President and CEO of Wilcon Depot.

She added, “we are still pursuing our store network expansion plan at our current pace. We have opened seven (7) so far with six (6) opened in the last three quarters. We are expecting to finish the year with ten (10) new stores, barring any major delays in construction, and as such we are expecting new stores' operating expense drag on net income to persist until the fourth quarter. We will also be reaching our 100-store target by 2024, a year earlier than promised. We are willing to make these short-term sacrifices as we want to be well-positioned to capture more market share in this still high-potential, highly fragmented market. We remain customer-focused, always finding ways to improve our service delivery and agility to adjust to the changing consumer preferences with the aid of technology so that we can continue to give excellent value to our customers even as we expand our market reach.”

Third Quarter 2023 Results

Net sales totaled P8.79 billion, growth was flattish at 0.1% from the 2022 third quarter of P8.78 billion. Slowdown in foot traffic and transaction count in old stores drove company-wide comparable sales (same store sales growth) to decline 5.7% year-on-year. Comparable transaction count dropped by 7.5% while comparable ticket size still grew by 2.0%.

Two depot format stores were opened during the quarter, one in Luzon and one in Mindanao.

Gross profit increased by 0.5% or P18 million in the 3rd quarter to settle at P3.477 billion, attributed mainly to the expansion in gross profit margin rate from 39.4% to 39.6%.

Operating expenses including lease-related interest expense likewise grew by 10.6% or P225 million year-on-year to total P2.359 billion. The increase is mainly attributable to expansion-related expenses.

Rent and net other income closed lower by 33.3% or P46 million totaling P92 million for the quarter due mainly to the decrease in supplier support for marketing and promotional expenses.

In view of the decline in comparable sales and the increase in operating expenses, net income for the quarter slid by 17.8% or P196 million year-on-year.

Nine Months 2023 Performance

Net sales for the nine months totaled P25.943 billion, up 4.9% or P1.220 billion year-on-year. The increase was mainly driven by the contribution of new stores as comparable sales growth declined by 2.1% for the period. Comparable ticket size expanded by 3.5% offset by the drop in transaction count by 5.4%.

Six (6) new stores were added during the nine-month period while two bottom-dwelling, smaller format branches were closed, ending the period with 87 stores. The depot format accounted for 96.5% of net sales, the home essentials format 2.1% and the remaining 1.4% by project sales.

Gross profit grew by 6.6% or P631 million to total P10.248 billion driven mainly by the expansion in gross profit margin rate from 38.9% to 39.5% year-on-year. In-house and exclusive brands' margin increased enough to overturn the impact of the slight drop in contribution to net sales from 51.1% to 50.9%.

Operating expenses including lease-related interest expense increased 17.6% or P1.053 billion year-on-year to close at P7.036 billion. Expansion-related expenses primarily drove the increase particularly depreciation and amortization and manpower expenses. Eight stores were opened from the fourth quarter of last year to third quarter this year.

Other income jumped 36.4% or P108 million to close at P405 million for the nine-month period traced mainly to the rebate received from a trade supplier for a promotional activity in the first quarter plus the increase in the usual rent and other income from suppliers and delivery fees from customers.

As a result of the decline in comparable sales growth coupled with the increase in operating expenses, net income for the nine months dipped to P2.726 billion, lower by 7.9% or P235 million year-on-year.

FINANCIAL HIGHLIGHTS

(In Php MM)	9M2023	% Sales	% Growth y-o-y	3Q2023	% Sales	% Growth y-o-y
Net Sales	25,943	100.0	4.9	8,791	100.0	0.1
Cost of Sales	-15,695	-60.5	3.9	-5,314	-60.4	-0.1
Gross Income	10,248	39.5	6.6	3,477	39.6	0.5
Operating Expenses	-6,562	-25.3	17.4	-2,195	-25.0	10.6
Interest Exp (Lease Liab)	-473	-1.8	19.9	-164	-1.9	9.9
Other Income - Net	405	1.6	36.4	92	1.0	-33.3
Income from Operations	3,617	13.9	-8.0	1,210	13.8	-17.3
Non PFRS16 Depreciation & Amortization	962	3.7	16.2	334	3.8	15.1
EBITDA -Adjusted	4,578	17.6	-3.8	1,544	17.6	-11.9
Non-operating other income	13	0.1	3.7	0	0.0	-94.8
Income Before Tax	3,630	14.0	-7.9	1,211	13.8	-17.7
Income tax	-904	-3.5	-8.0	-303	-3.4	-17.3
Net Income	2,726	10.5	-7.9	908	10.3	-17.8

Balance Sheet	Unaudited September 30, 2023	Audited December 31, 2022
Current Assets	18,339	17,385
Noncurrent Assets	19,863	18,258
Total Assets	38,202	35,643
Current Liabilities	8,405	7,659
Noncurrent Liabilities	8,045	7,441
Total Liabilities	16,450	15,100
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Income	177	177
Retained Earnings	12,101	10,893
Total Equity	21,752	20,543

The above contains statements about future events and expectations that constitute “forward-looking statements.” These forward-looking statements include words or phrases such as the Company or its management “believes”, “expects”, “anticipates”, “intends”, “may”, “plans”, “foresees”, “targets”, “aims” “would”, “could” or other words or phrases of similar import. Similarly, statements that describe the Company's objectives, plans or goals are also forward-looking statements. All such forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Such forward looking statements are made based on management’s current expectations or beliefs as well as assumptions made by, and information currently available to, management. These forward-looking statements speak only as at the date of this presentation and nothing contained in this presentation is or should be relied upon as a promise, warranty or representation as to the future. The Company expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.