

WILCON DEPOT ANNOUNCES ₱914 MILLION FIRST HALF 2018 NET INCOME

- Net income hiked 19.9% y-o-y to ₱914 million for a net margin of 9.1%
- Net sales grew 18.0% y-o-y with comparable sales growth of 9.3%
- Gross profit up 22.3% y-o-y as gross margin expanded to 31.3%

Wilcon Depot, Inc. (PSE:WLCN), recorded net income of ₱914 million for the first half of 2018, up 19.9% from the ₱763 million reported during the same period in 2017. The improvement was driven by strong comparable sales, the roll out and ramp up of new stores, and margin enhancement due to effective product mix strategy.

Net sales tallied at a solid ₱10.001 billion for the first half of 2018, up 18.0% from the ₱8.478 billion in the first half of 2017. Expectedly, the second quarter results delivered following the relatively weaker first quarter because of the long holidays in March this year. Second quarter 2018 sales totaled ₱5.296 billion, up 23.3% or ₱1.000 billion year-on-year. The strong second quarter net sales balance is traced mainly from spillovers from the previous quarter, effective marketing efforts, the opening of three new depots and the sales ramp up of the five depots opened in 2017. Comparable sales growth for the half reached 9.3% as the old stores delivered an impressive 13.2% growth in the second quarter despite the decrease in project sales or sales to large institutional customers.

Net sales from the Company's depot-format stores including project sales totalled ₱9.697 billion representing 97.0% of total net sales for the period. This is 18.2% or ₱1.491 billion higher than the same period the previous year attributable mainly to the opening of new depots and the better than expected sales growth from old depots partly offset by a decline in institutional or project sales. Excluding project sales, depot-only sales grew by 19.3% or ₱1.545 billion to total ₱9.552 billion for the first half of 2018 with same store sales growth reaching 10.1%. The remaining 3.0% of net sales was from the smaller format "Home Essentials", which likewise reported an upswing of 12.0% or ₱33 million to settle at ₱304 million by the end of the six-month period from the prior year's ₱272 million. There were two Home Essentials stores added during the first half, but the increase was still largely contributed by the old stores with same store sales growth for the format reaching 11.4%.

Gross profit for the first half of 2018 amounted to ₱3.128 billion, up 22.3% or ₱571 million from the same period in 2017. The margin enhancing product mix strategy continued to work, with the gross profit margin maintained at 31.3% for the half as exclusive and in-house products accounted for 46.4% of total sales.

Operating expenses also rose by 21.9% or ₱366 million to ₱2.039 billion for the half from the same period in 2017 of ₱1.673 billion traced mainly to the increased number of stores and volume of business. Other income likewise rose for the half to ₱182 million versus last year's ₱94 million due primarily to the interest income earned from the placement of the remaining IPO proceeds and cash generated from operations. Interest expense meanwhile dropped to ₱2 million for the half from the previous year's ₱16 million due to the paydown of bank loans.

EBIT and EBITDA margins as a result were similarly on the upward track reaching 12.7% and 13.3% for the half from the prior year's first half of 11.5% and 12.1%, respectively.

According to the Company's CFO, Mark Andrew Belo, "Wilcon is looking at maintaining its 2018 net sales target growth rate of mid to high teens. While we have achieved our target for the first half, we have to continue to work hard in the second half to sustain our momentum. We have opened four depots and

two home essentials so far (as of August 9, 2018) and we continue to push for the timely opening of the remaining five depots we committed to open within the year. As we are on track to achieve our sales growth target, we are likewise optimistic that we will achieve our mid-teens net income growth target.”

FINANCIAL HIGHLIGHTS:

(In Million PHP)

	1H 2018	% OF SALES	1H 2017	% OF SALES	% GROWTH
NET SALES	10,001	100.0	8,478	100.0	18.0
COST OF SALES	6,873	68.7	5,921	69.8	16.1
GROSS INCOME	3,128	31.3	2,557	30.2	22.3
OPERATING EXPENSES	-2,039	(20.4)	-1,673	(19.7)	21.9
OTHER INCOME – NET	182	1.8	94	1.1	94.5
EBIT	1,271	12.7	978	11.5	30.0
INTEREST EXPENSE	-2	(0.0)	-16	(0.2)	(84.9)
INCOME BEFORE TAX	1,269	12.7	962	11.3	31.9
INCOME TAX	354	3.5	199	2.4	77.7
NET INCOME	914	9.1	763	9.0	19.9
Depreciation	64	0.6	47	0.6	35.7
EBITDA	1,335	13.3	1,025	12.1	30.3

Balance Sheet	Unaudited	Audited
	June 30, 2018	December 31, 2017
Current Assets	11,717	11,748
Noncurrent Assets*	5,074	4,277
Total Assets	16,791	16,024
Current Liabilities	4,318	3,725
Noncurrent Liabilities	119	381
Total Liabilities	4,437	4,106
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Loss	146	173
Retained Earnings	2,735	2,272
Total Equity	12,354	11,918

*Includes AFS assets of P3.0B comprising of RTBs and representing part of the IPO proceeds