

WILCON DEPOT POSTS SOLID P409 MILLION 1Q18 NET INCOME

- Net sales grew 12.5% y-o-y with comparable sales growth of 5.3%
- Gross profit up 16.7% y-o-y as gross margin expanded to 31.3%
- Before tax income jumped 27.6% while net income grew 4.7%

2018 is off to a promising start for Wilcon Depot, Inc. (PSE:WLCON) posting a strong net income of P409 million for the first quarter. The solid earnings came at the back of a 12.5% growth in net sales despite less number of operating days this year and coming off a strong 2017 first quarter base. The P4.705 billion net sales is majority comprised by sales from the depot format stores including institutional or project sales aggregating P4.558 billion or 96.9% of the total while the smaller home essentials format contributed the remaining 3.1% or P147 million. Comparable sales grew at 5.3% with net sales from old stores accounting for 93.6% or P4.402 billion of the total net sales driven by both higher average ticket size and number of transactions. Sales from new stores aged one year and below accounted for 58.0% or P303 million of the total increase and growth from new stores is expected to continue as the Company rolls out more stores during the year. Gross profit is also on track increasing by 16.7% to total P1.472 billion for the quarter with gross profit margin reaching 31.3% as the target contribution of higher margin products of 46% was achieved. Net sales of in-house and exclusive products accounted for 46.2% of total net sales for the period versus 44.1% for the same period in 2017.

Operating expenses expectedly increased by 16.4% to total P991 million during the period attributed to the increase in expenses associated with new store openings and soon-to-be opened stores. Other income meanwhile doubled to P86 million from the previous year's first quarter balance of P43 million accounted for by the P44 million interest earnings from the placement of excess cash from operations and the undisbursed balance of the IPO proceeds. As a result, before tax income climbed 27.6% or P122 million to reach P566 million for the period versus the P444 million achieved in the first quarter of 2017. Net income inched up only by 4.7% to total P409 million versus the prior year's P391 million due to the one-time tax effect of the deductible IPO expenses charged to equity recognized in the first quarter of 2017.

According to the Company's CFO, Mark Andrew Belo, "Wilcon is on track to achieve its 2018 net sales target of mid to high teens and has already breached its product mix target of 46% net sales contribution from its higher margin products. We expect to sustain this momentum until the end of the year as we push for the timely opening of new stores and continued marketing efforts to boost comparable sales growth. We have opened two new depots and one home essential format store so far this year and seven more depots and one mall-based store are in various stages of construction. Barring any unexpected external factors, we should be able to open the 11 stores planned for this year, which together with the stores opened in 2017, should help in the recovery of store expansion-related front-loaded costs for us to realize our projected mid-teens net income growth."