WILCON DEPOT REPORTS FIRST HALF 2020 RESULTS

The Enhanced Community Quarantine (ECQ), which the Philippine government imposed on the whole of Luzon starting March 17, 2020, required Wilcon Depot to close all 44 of its Luzon stores. The Company was allowed to re-open these stores only on May 16, 2020. Sales from its Luzon stores accounted for 84% of Wilcon's total sales pre-ECQ.

According to Wilcon's President and CEO, Ms Lorraine Belo-Cincochan, Wilcon has seen a steady ramp up of its sales from the time all stores were re-opened on May 16, 2020. "We closed all our stores in Visayas and Mindanao from March 31 to reset and prepare the stores and our personnel for the new health and safety protocols. We value the health and safety of our people and customers, so even though we were allowed to operate in these regions, we took time to prepare our stores and our people. We gradually re-opened these stores beginning April 13, as soon as they were ready. It was only on May 16, when the government transitioned most of Luzon into MECQ (Modified Enhanced Community Quarantine) that we were allowed to open our Luzon stores. All our 58 stores were operating since then.

Since we re-opened on May 16, we saw continued improvement in our sales performance week per week. We felt confident enough about the market that we proceeded with the opening of two new depots in Central Luzon in June. We now have 60 branches, of which 53 are depots and seven are Home Essentials."

On a year-on-year basis, Wilcon's first half results were impacted by the closure of its Luzon stores for two months, with the biggest impact felt in the second quarter. However, Wilcon's results per month for the second quarter, showed improving performance:

	APR	MAY	JUN	TOTAL
Sales (PhP Million)	98	1,155	2,196	3,449
Net Income (PhP Million)	**-248**	**18**	**253**	**24**
YOY Sales Growth	-94.7%	-43.8%	2.3%	-42.9%
Comp Sales Growth / SSSG	-95.2%	-48.6%	-5.8%	-47.6%

The blended GPM rate of 33.8% in the first quarter held and even expanded in the second quarter to 35.7% for a first half GPM rate of 34.5%, driven primarily by the sales mix and improved margins from both exclusives and non-exclusives. For the half, exclusive and in-house brands accounted for 51.2% of sales versus 49.0% for the first half of 2019, with the second quarter pulling in 51.3% contribution from the exclusives. Average gross profit margin rates from exclusives and non-exclusives also improved year-on-year especially in the second quarter. More contribution from stores outside of Greater Metro Manila increased the average GPM rate of the exclusives while additional cash and volume discounts accounted for the increase in the average GPM rate of non-exclusives.

Operating expenses (including lease-related expense reclassified as interest expense) in the second quarter registered a modest decline year-on-year of 8.8% or P123 million to amount to P1.274 billion. The declines in manpower costs, utilities, trucking, etc. were partly offset by the increases mainly in depreciation and amortization, lease-related interest expense and donations and contributions. For the half, operating expenses (including lease-related expense reclassified as interest expense) totaled P2.809 billion, up 6.1% or P163 million year-on-year.

Other income including interest income for the second quarter amounted to P72 million, down by 37.2% or P43 million and for the half totaled P174 million, down by 22.3% or P50 million.

Ms. Belo-Cincochan further said, "we are encouraged by our progress although Metro Manila and a few other major cities are still technically on quarantine. We believe that we still have a lot of opportunity to grow our sales since private construction is still very limited, especially in Metro Manila. Customers have now discovered that we have a very good selection of houseware, furnishings and appliances as well since we were able to serve their requirements, which they previously sourced from other retailers. Our people on the ground continue to impress with how they were able to quickly adapt to the new operating protocols, which enabled us to scale up our sales performance quickly despite the many operating challenges. We've received a number of commendations both from customers and local government units. We still have three more stores remaining to be opened in the fourth quarter. We will catch up with our commitment to have 65 branches in the first half of 2021."

FINANCIAL HIGHLIGHTS

(In Php MM)	1H2020	% Sales	1H2019	% Sales	% Growth
Net Sales	**9,040**	**100.0**	**11,778**	**100.0**	**-23.2**
Cost of Sales	-5,918	-65.5	-7,965	-67.6	-25.7
Gross Income	**3,122**	**34.5**	**3,813**	**32.4**	**-18.1**
Operating Expenses	-2,602	-28.8	-2,523	-21.4	3.1
Other Income	135	1.5	140	1.2	-3.6
Interest Income	39	0.4	84	0.7	-53.4
Interest Expense	-206	-2.3	-123	-1.0	67.9
Income Before Tax	**487**	**5.4**	**1,390**	**11.8**	**-65.0**
Income tax	-134	-1.5	-396	-3.4	-66.1
Net Income	**352**	**3.9**	**995**	**8.4**	**-64.6**

Balance Sheet	**Unaudited**	**Audited**
(In Php MM)	**30-Jun-2020**	**31-Dec-2019**
Current Assets	13,697	15,022
Noncurrent Assets	11,668	11,215
Total Assets	**25,365**	**26,237**
Current Liabilities	6,552	7,236
Noncurrent Liabilities	4,542	4,339
Total Liabilities	**11,094**	**11,576**
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Loss	58	63
Retained Earnings	4,739	5,125
Total Equity	**14,271**	**14,662**

COMPARATIVE PAS 17 INCOME STATEMENTS - 2020 VS 2019

	January to June PAS 17 P&L		
(In Php MM)	**2020**	**2019**	**DIFF**
Net Sales	9,040	11,778	-2,738
Cost of Sales	5,918	7,965	-2,047
Gross Income	**3,122**	**3,813**	**-691**
Operating Expenses	**-2,722**	**-2,568**	-154
Rent	-709	-568	-140
Right of Use Depreciation Expense	0	0	0
Depreciation and amortization	-304	-152	-152
Lease interest expense	0	0	0
Others	-1,709	-1,848	139
Other Income (Charges)	135	140	-5
Loan interest expense	0	0	0
Interest income	39	84	-45
Income Before Tax	**573**	**1,468**	**-895**
Income Tax Expense	160	419	-259
Net Income	**413**	**1,049**	**-636**
EBITDA	**838**	**1,536**	**-698**
EBIT	**534**	**1,384**	**-850**