

WILCON DEPOT REPORTS THIRD QUARTER RESULTS

- *3Q20 net sales grew by 7.9% year-on-year to P6.749 billion*
- *3Q20 gross profit reached P2.314 billion, up 10.3% year-on-year*
- *3Q20 operating income grew by 8.1% to P755 million year-on-year*

Wilcon Depot reported the results of its third quarter performance, its first fully operational quarter in 2020. Net sales for the third quarter totaled P6.749 billion, up by 7.9% or P492 million year-on-year. The increase was accounted for by sales from new stores as comparable sales growth was flat at 0.4%.

2020	JUL	AUG	SEP	3Q20	3Q19
Sales (PhP MM)	2,384	2,126	2,239	6,749	6,257
Operating Inc (PhP MM)*	301	188	266	755	698
Net Income (PhP MM)	213	135	186	533	549
YOY Sales Growth	12.4%	1.7%	9.4%	7.9%	
Comp Sales Growth / SSSG	3.1%	-4.7%	2.9%	0.4%	
MM Quarantine Status	GCQ	MECQ	GCQ		

*Income before Interest Income and Income Tax

It can be recalled that upon the re-opening of the Luzon branches on May 16, 2020, there was an immediate uptick in foot traffic and sales. The ramp up continued until July with comparable sales growing by 3.1% but was disrupted in August when Metro Manila and some nearby provinces were placed back under stricter quarantine measures for two weeks. All branches remained open, with shortened operating hours, but foot traffic again dropped. After transitioning back to looser quarantine measures, sales gradually picked up in September resulting in a 2.9% growth in comparable sales. For the quarter, same store sales of the depot format grew by 1.5%, while the Home Essentials declined by 11.1% and project sales by 54.3%. The depot format accounted for 97.3% of net sales, the Home Essentials for 2.1% and projects for 0.6% for the quarter.

Gross profit grew by 10.3% or P215 million to total P2.314 billion for the quarter. Gross profit margin rate also expanded to 34.3% for the quarter and to 34.4% for the nine-month period in 2020 from 33.5% and 32.8%, respectively in 2019. The expansion was mainly driven by the increase in the contribution of exclusive and in-house brands to 51.4% in 2020 from 49.2% for the same nine-month period in 2019.

Operating expenses, including reclassified rent-related expenses to interest expense, likewise grew by 10.1% or P149 million for the quarter to amount to P1.621 billion; and by 7.6% or P312 million to total P4.430 billion for the nine-month period. The increase was traced mainly to expansion related expenses partly offset by the reduced expenses due to the suspension of operations for majority of the stores for two months in the first half.

Other income, meanwhile, declined by 13.6% or P10 million to amount to P61 million for the quarter and by 7.0% or P15 million to total P196 million for the nine-month period due mainly to lower reimbursable expenses and other non-merchandise sale-related charges to suppliers and customers.

Interest income also dropped by 79.1% or P28 million for the quarter and by 61.1% or P73 million for the nine-period to amount to P7 million and P46 million, respectively.

Operating income for the quarter increased by 8.1% or P57 million to reach P755 million but due to lower interest income and higher income tax, net income declined by 2.9% to amount to P533 million. For the nine-month period, operating income declined by 40% to P1.203 billion, owing to the two-month closure of Luzon stores. The negative growth in net income of 64.6% in the first half was cut to 42.6% for the nine-month period to settle at P886 million.

Wilcon’s CEO, Lorraine Belo-Cincochan said, “we are very encouraged by the ramp up of our sales in the third quarter and we are hopeful that the growth trajectory will continue in the fourth. We in fact opened another branch in Laguna this September bringing to 61 our total number of stores. It is particularly challenging though that we have such a high base as we did extremely well in the fourth quarter of 2019. We are continuously studying ways by which we can improve efficiencies given our results amid this pandemic, but we are also trying to balance this vis-à-vis our long-term goals and our obligations and commitments to all our stakeholders – including our customers, suppliers, employees and communities.”

She added that management believes that the market will continue to improve and the expansion plan which is focused on expanding Wilcon’s reach outside of its base, Metro Manila, is still going in the right direction and still on track. Private construction is gradually picking up in Metro Manila and more so in the provinces. In the third quarter, only Metro Manila stores registered negative growth while the rest of the branches already turned in positive same store sales growth.

FINANCIAL HIGHLIGHTS

(In Php MM)	9M2020	% Sales	9M2019	% Sales	% Growth
Net Sales	15,789	100.0	18,035	100.0	-12.5
Cost of Sales	-10,353	-65.6	-12,123	-67.2	-14.6
Gross Income	5,436	34.4	5,912	32.8	-8.1
Operating Expenses	-4,113	-26.1	-3,910	-21.7	5.2
Interest Exp (Lease Liab)	-317	-2.0	-208	-1.2	52.3
Other Income - Net	196	1.2	211	1.2	-7.0
Income from Operations	1,203	7.6	2,005	11.1	-40.0
Interest Income	46	0.3	119	0.7	-61.1
Income Before Tax	1,249	7.9	2,124	11.8	-41.2
Income tax	-363	-2.3	-580	-3.2	-37.4
Net Income	886	5.6	1,544	8.6	-42.6

(In Php MM)	3Q2020	% Sales	3Q2019	% Sales	% Growth
Net Sales	6,749	100.0	6,257	100.0	7.9
Gross Income	2,314	34.3	2,099	33.5	10.3
Income from Operations	755	11.2	698	11.2	8.1
Interest Income	7	0.1	36	0.6	-79.1
Income Before Tax	762	11.3	734	11.7	3.9
Income tax	-229	-3.4	-185	-2.9	24.2
Net Income	533	7.9	549	8.8	-2.9

Balance Sheet	Unaudited	Audited
(In Php MM)	30-Sep-2020	31-Dec-2019
Current Assets	13,937	15,022
Noncurrent Assets	12,600	11,215
Total Assets	26,536	26,237
Current Liabilities	7,158	7,236
Noncurrent Liabilities	4,577	4,339
Total Liabilities	11,735	11,576
Capital Stock	4,100	4,100
Additional Paid-in Capital	5,374	5,374
Other Comprehensive Loss	56	63
Retained Earnings	5,272	5,125
Total Equity	14,802	14,662