

GODFREYS GROUP LIMITED

(ASX: GFY)

ASX/Media Release

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FY2017 HALF YEAR FINANCIAL RESULTS ANNOUNCEMENT

Summary

- Sales of \$92.4 million, an increase of 2.8% on the previous corresponding period ('pcp')
- Underlying EBITDA of \$6.3 million, down from \$8.7 million in pcp
- Underlying NPAT of \$2.3 million, down from \$4.5 million in pcp
- Following a one off, non-cash impairment of \$24.0 million, the Company incurred a net loss after tax of \$21.4 million
- Cashflow from operations \$7.0 million, up from (\$1.1 million) in pcp
- Franchise strategy underway and on track
- Interim dividend of 2.5 cents per share

Godfrey's Group Limited (**Godfreys** or the **Company**), announces half year underlying Net Profit After Tax (NPAT) of \$2.3 million for the half year ended 30 December 2016, compared to \$4.5 million for the half year to 25 December 2015. Following a one off, non-cash impairment of \$24.0 million, the Company incurred a net loss after tax of \$21.4 million. The accounting impairment is non-cash in nature, has no impact on current trading and does not affect the Company's compliance with its banking covenants. It relates to the historical valuation of intangibles and does not impact on goodwill in relation to The Service Company acquisition in 2016.

The Company generated underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$6.3 million during the period. Sales for the period were \$92.4 million, an increase of 2.8% on the prior year which included the contribution from The Service Company. Comparable stores sales for the half were down by 7.0%. Operating gross margins were down by 3.5 percentage points.

Cash inflows from operations were \$7.0 million, up from a cash outflow of \$1.1 million in the pcp.

The Company's balance sheet remains sound with net debt reducing from \$21.6 million at 1 July 2016 to \$18.3 million at 30 December 2016. Gearing (net debt / net debt + equity) is 18.3%.

During the period, Godfreys opened four stores and closed three ending the period with 223 stores operating in Australia and New Zealand.

The strategy to move to a majority franchise model announced in October 2016 is underway with the Company on track to deliver 18 store conversions to franchise stores for the 2017 financial year.

The Board today announced an unfranked dividend of 2.5 cents per share. The record date for the dividend is 17 March 2017 and the dividend will be paid on 7 April 2017.

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Overview of Performance

Commenting on the Company's FY2017 half year results, Godfrey's CEO Mr John Hardy said:
"While the financial performance for the half was disappointing, I am pleased by the progress we have made in improving fundamental areas of the business; these changes have set the foundation to restore Godfrey's financial performance to acceptable levels.

"Our initial priorities have been to address gaps in our product range; realign our marketing strategy; improve store presentation; and enhance the training of our sales teams. During the half we made solid progress in these areas, particularly in terms of realigning the product range and we now expect to have this largely in place by May.

"We have taken a fresh, strategic approach to our advertising and have utilised a range of media formats to give Godfreys greater overall visibility than previously.

"Underpinned by new additions to our team, Godfreys approach to sales training has been enhanced and standardised across the group and is delivering early improvements although this journey will take time.

"The franchise strategy announced in October last year is progressing well and has been well received by potential franchisees generating a solid pipeline. As foreshadowed, store conversions will be weighted towards the second half and we are on track to deliver 18 store conversions by the end of the financial year. Bernie Bicknell leads the implementation team and is now working exclusively on the project following the appointment of Andrew Ford as CFO," he said.

The Board today announced an unfranked dividend of 2,5 cents per share. The dividend provides a return for our shareholders, while ensuring the Company is well capitalised and in a position to deliver improvements in the business.

Outlook

In addition to the franchise conversion strategy, the focus in the second half of the financial year will remain on continuing to put in place the fundamentals to deliver long term business improvement.

Trading conditions are expected to remain difficult in the second half until the benefits of the changes being made flow through to improved financial performance.

Cash generation during the second half will be used to pay down debt.

FY17 underlying forecast EBITDA remains in the \$14 – 15m range.

-Ends

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About Godfreys

Godfreys Group (ASX: GFY) listed on the ASX in 2014 and is Australia's largest speciality retailer of domestic and commercial floorcare and associated cleaning products, offering an extensive range of company-owned brands, an exclusively licensed brand (Hoover) and a number of third party brands. Godfreys is regarded by Australians as the 'experts' in vacuum cleaners and cleaning products, accommodating consumers at all price points. Godfreys has 470 permanent employees, with its head office and a company-operated warehouse located in Victoria. Godfreys' multichannel offering is distributed via 223 branded retail stores located in standalone 'superstores', and shopping centres and retail shopping strips.