GODFREYS GROUP LIMITED
(ASX: GFY)

ASX/Media Release

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Strong progress on franchise strategy and debt reduction – Godfreys 2017 financial results

Revenue:
- $174.1m (2.9% decline 'pcp')
- Comparable (LFL) store sales stabilised at -7%;
- Stick vac sales revenue +75% vs pcp

Profitability:
- Underlying EBITDA of $14.1m down 19.8%
- Underlying NPAT $5.9m; EPS 14.5 cents per share
- Reported Net Loss after Tax of $18.4m, including $24m goodwill impairment recognised in 1HFY17

Capital management:
- Established a new $30m senior debt facility on favourable terms
- Reduced net debt by $5.1m to $16.5m
- Dividend of 5 cents, unfranked (2.5 cents interim +2.5 cents final)
- Improved working capital efficiency

Godfrey's Group Limited (**Godfreys** or the **Company;** ASX: GFY**)** today released its financial results for the 2017 financial year.

FY17 - Overview of Performance
Godfreys Managing Director John Hardy, said the company's FY2017 results reflect the disciplined approach management and the board have taken to get the basics right to position the business for future growth.

"In 2017, we introduced a number of new products, including a range of stick vacs and an expanded range of commercial products, refreshed our retail staff training program and incentive structures, enhanced the efficiency and effectiveness of our advertising and introduced 'click and collect' and 'from warehouse to your house' features to support online and in store sales.

"Strong demand saw 22 stores converted to franchises in FY17, for a total of 100 franchise stores out of a total network of 222 stores. The conversion generated franchise fees of $5.3m and improved sales performance from the converted stores," Mr Hardy said.

Mr Hardy also said it was pleasing to see the comparable sales performance of like-for-like stores stabilise during the second half of the financial year, with improvement in the June quarter.

The Company's balance sheet remains sounds with net debt reducing from $21.6 million at 1 July 2016 to $16.5 million at 30 June 2017, with gearing (net debt / net debt + equity) at 16.5% and leverage (Net debt / underlying EBITDA) at 1.2x.

Operating cashflow was $11.3 million, up from $6.7 million last year, with improved working capital efficiency.

The Board today announced an unfranked dividend of 2.5 cents per share. The dividend balances the need to deliver a return to shareholders while ensuring the Company has adequate funds to pursue improvement opportunities and reduce debt.

FY18 - Outlook

Improving performance across the retail network and wholesale business is expected to flow though to improved results.

We expect the contribution from initial franchise fees to reduce in FY2018, and will be weighted to the second half of the financial year.

As a result, underlying EBITDA is expected to be at similar levels to FY2017 but with a change in mix.

The focus on working capital efficiency and cash generation will continue to enable further reductions in debt.

For further information, please contact:

Analysts/investors:
Andrew Ford | CFO | Godfreys
P: +61 (0)3 8514 5521|E: aford@godfreys.com.au

Media:
John Fergusson
P: 0407 826 952|E: john.fergusson@daymark.com.au

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 its head office and a company-operated warehouse located in Victoria. Godfreys' multichannel offering is distributed via over 200 branded retail stores located in standalone 'superstores', and shopping centres and retail shopping strips.