

GODFREYS GROUP LIMITED (ASX: GFY)

ASX/Media Release

1 February 2018

TRADING UPDATE

Godfreys Group Limited (ASX: GFY, the **Company**) today provided a trading update based on unaudited financial results for the half year ended 29 December 2017.

Today's update precedes the release of financial results and the strategic update to be provided by the new CEO, Jason Gowie, scheduled for 20 February 2018.

On 1 December 2017, the Company reported that like-for-like (**LFL**) sales during October and November 2017 were volatile and weaker than expected. This reversed what had been an improving trend in LFL sales through until the end of the September 2017 quarter. Godfreys trading across the Christmas period was also weaker than expected. Unaudited LFL sales for the half year ended 29 December 2017 were 6.2% lower than the prior corresponding period.

Underlying weakness in LFL sales coupled with the planned reduction in franchise conversions has produced an unaudited underlying EBITDA result of \$3.6 million. Underlying EBITDA reported in the prior corresponding period (i.e. 1H FY17) was \$6.3 million.

The reduction in franchise conversions and softer underlying trading performance will necessitate further impairment of goodwill and intangibles. The non-cash impairment of goodwill and intangibles is expected to be \$75 million before tax. Should this impairment be recognised in the financial report for the half year ended 29 December 2017 the Company expects to report a net loss after tax of around \$59 million.

The unaudited results also include a positive free cash flow result and continued reduction in net debt at 29 December 2017 to \$16.2 million, down from \$18.3 million in the previous corresponding period and down from \$16.5 million as at 30 June 2017.

Consistent with the Company's announcement on 1 December 2017 (titled "*Leadership Changes and Trading Update*") the Company will re-set the outlook for underlying FY18 EBITDA with the release of the half-year results scheduled for 20 February 2018.

For further information, please contact:**Analysts/investors:**

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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 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.