

**Nick Scali Limited (NCK)**  
**Results Presentation - Half Year 2016 (H1-16)**  
9 February 2016

**nickscali**  
L I M I T E D



# Key Highlights : H1-16

## Sales

Sales increased 32% to \$102.5m (H1-15: \$77.6m)

## Profit

NPAT increased 41% to \$14.1m (H1-15: \$10.0m)

## Dividend

Interim dividend of 9.0 cents per share fully franked  
(H1-15: 7.0 cps)

## New Stores

Two new stores opened during the half

# Earnings Summary : H1-16

Year Ended 30 June	H1-16 \$m	H1-15 \$m	Change %
<b>Sales Revenue</b>	<b>102.5</b>	<b>77.6</b>	+ 32%
Cost of sales	(41.0)	(30.9)	
<b>Gross Profit</b>	<b>61.5</b>	<b>46.8</b>	+ 31%
Other income	0.2	0.2	
Operating Expenses	(40.5)	(32.0)	+ 27%
<b>EBITDA</b>	<b>21.1</b>	<b>15.0</b>	+ 41%
Depreciation	(1.1)	(1.0)	
<b>EBIT</b>	<b>20.0</b>	<b>14.0</b>	+ 43%
Net Interest income	0.3	0.4	
<b>Profit before tax</b>	<b>20.2</b>	<b>14.4</b>	+ 41%
Taxation	(6.1)	(4.3)	
<b>Net profit after tax</b>	<b>14.1</b>	<b>10.0</b>	+ 41%
Gross margin	60.0%	60.3%	
Operating Expense to sales	39.5%	41.2%	
EBITDA margin	20.6%	19.3%	
Effective tax rate	30%	30%	
<b>Earnings per share</b>	<b>17.4</b>	<b>12.4</b>	
<b>Dividends per share</b>	<b>9.0</b>	<b>7.0</b>	

- Sales increase of 32% from same store sales growth of 11.6% and the contribution from the opening of new stores
- Total sales orders for the first half were +37% and comparative sales order growth was +12%
- Gross margin maintained at 60.0% (H1-15: 60.3%) despite the falling Australian dollar
- Operating expenses increased by \$8.5m to \$40.5m but decreased as a percentage to sales to 39.5% (H1-15: 41.2%). The increase in operating expenses relates mostly to new store costs and strengthening of the head office and management team
- NPAT result of \$14.1m up 41% for the half year (H1-15: \$10.0m)
- The directors declared a fully franked interim dividend of 9.0 cps (H1-15: 7.0 cps) with a record date of 2<sup>nd</sup> March 2016 and a payment date of 23<sup>rd</sup> March 2016

# Balance Sheet : H1-16

Year Ended 30 June	Dec 15 \$M	Jun 15 \$M
Cash and term deposit	25.1	33.7
Receivables	0.2	0.2
Inventories	27.5	24.2
Fixed assets	52.0	35.1
Intangibles	2.4	2.4
Other	0.3	0.7
<b>Total Assets</b>	<b>107.4</b>	<b>96.3</b>
Payables	30.2	33.2
Current tax liabilities	1.8	1.1
Provisions	3.3	3.2
Borrowings	18.7	12.1
Other	0.1	0.5
<b>Total Liabilities</b>	<b>54.1</b>	<b>50.1</b>
<b>Net Assets</b>	<b>53.4</b>	<b>46.2</b>
<b>Net cash</b>	<b>6.4</b>	<b>21.6</b>

- Inventory up \$3.3m mainly due to new stores
- Payables down \$3.0m from lower balance of customer deposits
- Fixed assets up \$16.9m as properties purchased at Macgregor (Qld) and Nunawading (Vic) in October 2015
- Borrowings up \$6.6m in relation to financing of the Macgregor and Nunawading property purchases
- All borrowings relate to property, the total value of which is ~\$42m and is included in Fixed Assets
- Strong cash position maintained



# Cash Flow : H1-16

	H1-16 \$m	H1-15 \$m
Receipts from customers	112.7	80.0
Payments to suppliers/employees	(98.1)	(70.6)
Interest received	0.4	0.6
Income tax paid	(5.7)	(4.3)
<b>Operating Cash Flow</b>	<b>9.5</b>	<b>5.8</b>
Capital expenditure	(18.0)	(7.2)
<b>Investing Cash Flow</b>	<b>(18.0)</b>	<b>(7.2)</b>
Dividends	(6.5)	(5.7)
Borrowings	6.6	3.0
Interest Paid	(0.2)	(0.2)
<b>Financing Cash Flow</b>	<b>(0.1)</b>	<b>(2.9)</b>
<b>Net Cash Flow</b>	<b>(8.6)</b>	<b>(4.3)</b>

- Operating Cash Flow increased from prior comparative period primarily due to the sales increase with nine new stores opened over the past 12 months and combined with comparable sales growth of +11.6% in H1-16
- Capital Expenditure increased from the purchase of the Macgregor property for \$9.1m and the Nunawading property for \$4.4m with a corresponding increase in borrowings of \$6.6m to part finance these acquisitions
- FY15 final dividend of 8.0 cps paid in October 2015 (FY14: 7.0 cps)



# Store Network

## Nick Scali Furniture

- 2 new stores opened during H1-16 at Casula (NSW) and Midland (WA) in August and September 2015 respectively and 4 existing stores were refurbished
- The stores in Western Australia continue to trade well and contribute favourably to the Group results
- Store network expansion continues in conjunction with the strategy to selectively purchase properties
- A total of 4-6 new stores are expected to open in existing markets over the next 12 months
- The Company still has considerable store network expansion opportunities. Following a recent review, the network target remains at 75 stores in Australia/New Zealand

## Sofas2Go

- Store network includes a total of 5 stores as at 31 December 2015



Store Numbers at 31 December 2015	Nick Scali Furniture	Sofas2GO	Total
NSW	16	3	19
VIC	10	1	11
QLD	8		8
SA	4		4
ACT	1	1	2
WA	4		4
	43	5	48

**nickscali**  
FURNITURE

**sofas**  
**2go** 

# Outlook

- January is traditionally the Company's strongest trading month of the year for sales orders received and January 2016 saw a 24% growth in total sales orders and a 3.3% growth in comparative sales orders over the prior comparative period
- Current expectation is for net profit after tax for FY16 to be in the range of \$22 to \$24 million



# Important Notice and Disclaimer

- Nick Scali Limited (the “Company”) advises that the information in this presentation contains general background information about the Company’s activities as at the date of the presentation. It is information given in summary form and is based on information available to the Company that has not been independently verified.
- The information in the presentation contains forward looking statements which may be subject to uncertainties outside the Company’s control and therefore no representation or warranty, express or implied, is made or given as to the accuracy, reliability or completeness of the information, opinions and conclusions expressed.
- The Company disclaims any obligation or undertaking to disseminate updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based.
- This presentation should not be relied upon as a recommendation or forecast by the Company.
- This document should be read in conjunction with the HY16 Results Announcement and HY16 Appendix 4D.