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FY19 Results Presentation

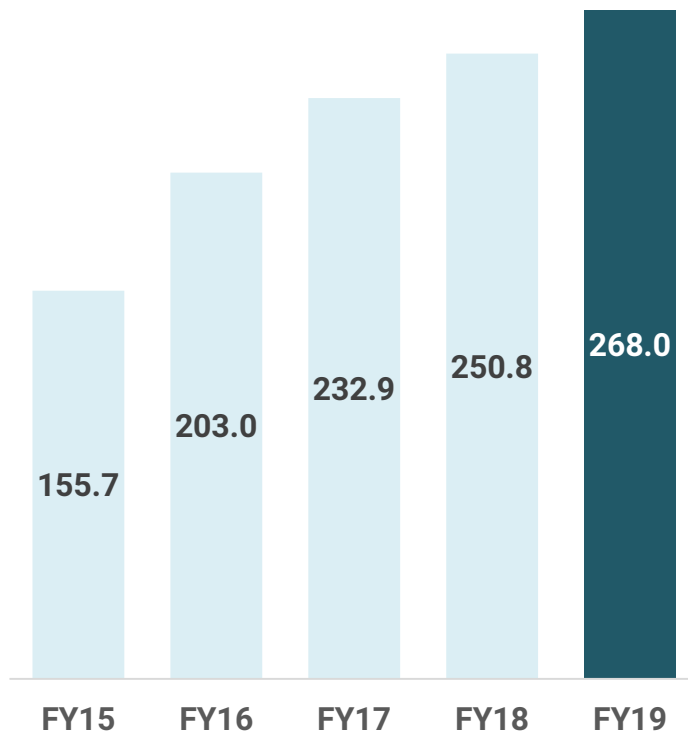
8 August 2019

FY19 Highlights

Sales	<ul style="list-style-type: none">• Sales increased 7% to \$268.0m (FY18: \$250.8m)• Increase assisted by full year of sales from six stores opened in FY18 and part contribution of a further six stores opened in FY19
Margin	<ul style="list-style-type: none">• Gross margin increased by 20 bps to 62.9%
NPAT	<ul style="list-style-type: none">• NPAT increased 3% to \$42.1m (FY18: \$41.0m)
Cashflow	<ul style="list-style-type: none">• Operating cashflow increased 5% to \$45.4m (FY18: \$43.1m)
Dividends	<ul style="list-style-type: none">• Final dividend of 20.0 cps (FY18: 24.0 cps)• Total dividend for the year of 45.0 cps (FY18: 40.0 cps), up 12.5% on last year• Full year payout ratio of 86.5% (FY18: 79.1%)
Store network	<ul style="list-style-type: none">• Six new stores were opened during the year, five in Australia and our second store in New Zealand

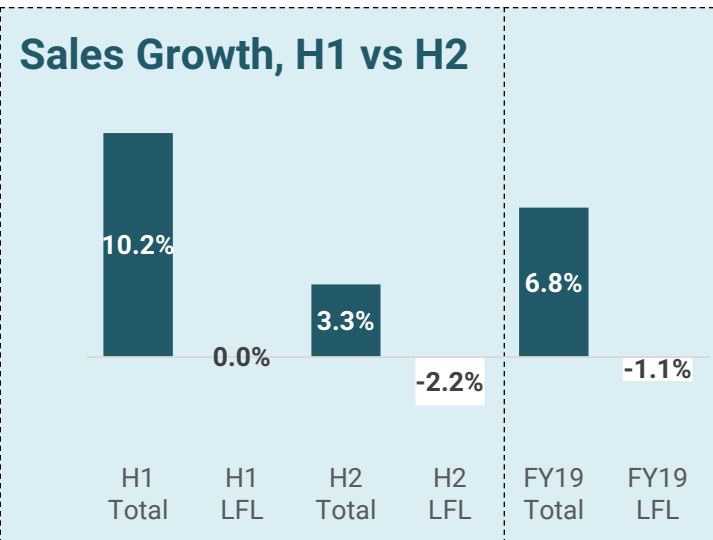
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Sales Revenue \$'m



Sales Commentary

- Sales growth driven by full year contribution of six stores opened in FY18, and part year contribution of four of the six new stores opened in FY19
- LFL sales down 1.1% due to softer second half performance
- Orders up similar to revenue, with network growth outstripping slightly negative LFL performance



Profit & Loss

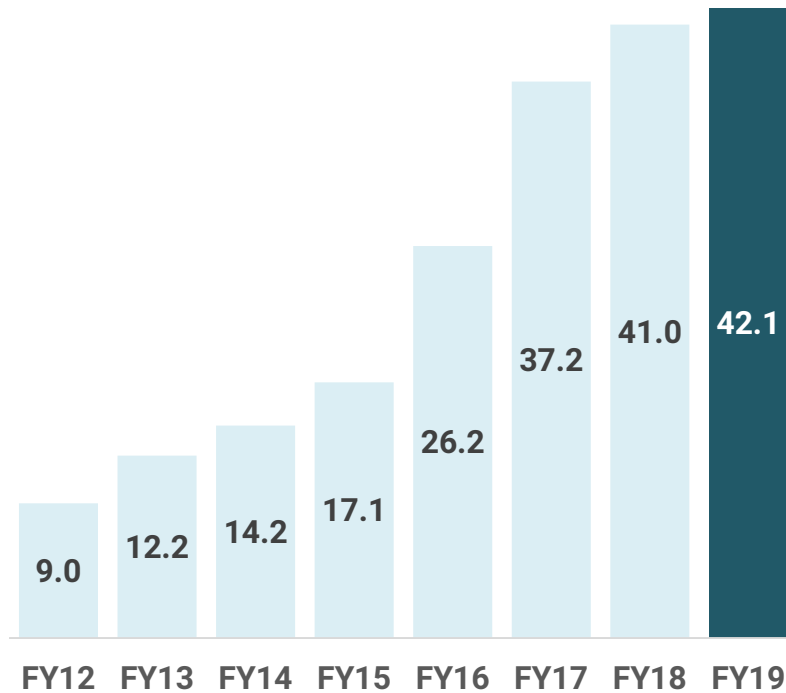
	FY19	FY18	Change
Sales revenue	268.0	250.8	+ 17.2
Cost of sales	(99.4)	(93.6)	- 5.8
Gross profit	168.6	157.2	+ 11.4
Other income	2.2	1.9	+ 0.3
Operating expenses	(105.8)	(95.6)	- 10.2
EBITDA	65.0	63.6	+ 1.4
Depreciation	(4.3)	(3.8)	- 0.5
EBIT	60.7	59.8	+ 0.9
Net interest (expense)/income	(1.1)	(0.9)	- 0.2
Profit before tax	59.6	58.9	+ 0.7
Taxation	(17.5)	(17.9)	+ 0.4
Net profit after tax	42.1	41.0	+ 1.1
Key metrics			
Gross margin %	62.9%	62.7%	
Opex %	39.4%	38.1%	
EBIT margin %	22.4%	23.5%	
Effective tax rate %	29.4%	30.4%	
Earnings per share (cents)	52.0	50.6	+1.4

Gross Profit

- Gross profit up over 7% due to sales growth and 20bps improvement in gross margin
- Gross margin improvement due to new product initiatives
- Operating expenses increased due to new store openings (including full year impact of FY18 new stores), increased marketing spend, investment in DC/Head Office capability and one-offs.
- Opex % increased by 80bps due to decline in same store sales, in addition to increase in operating expenses
- H2 NPAT flat (due to softer sales performance), with profit growth driven by H1 performance

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Net Profit after Tax \$'m



FY13 excludes one-off gain on lease surrender

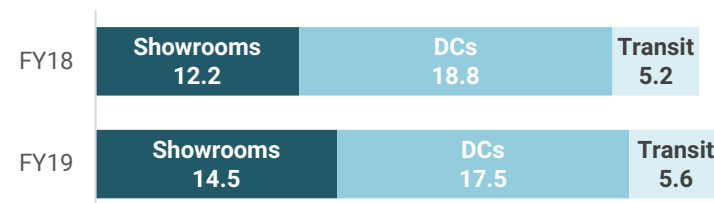
NPAT Commentary

- NPAT up 2.8% to \$42.1m
- Seventh consecutive year of profit growth

	FY19	FY18	Change
Cash	36.3	36.6	- 0.3
Receivables	1.2	1.9	- 0.7
Inventory	37.6	36.2	+ 1.2
Fixed assets	92.7	91.9	+ 0.8
Intangibles	2.4	2.4	
Other	1.9	2.4	- 0.5
Total assets	172.0	171.3	+ 0.7
Borrowings	33.7	33.7	
Payables	16.9	17.7	- 0.8
Deferred revenue	26.5	26.4	+ 0.1
Current tax liabilities	-0.1	1.3	- 1.4
Provisions	9.2	7.8	+ 1.4
Other	0.7	0.8	- 0.1
Total liabilities	86.8	87.7	- 0.9
Net assets	85.2	83.7	+ 1.5

Inventory

- Improvements in inventory management resulting in reduced stock on hand in Distribution Centres
- Increased showroom inventory due to store growth – new stores, relocations and clearance stores



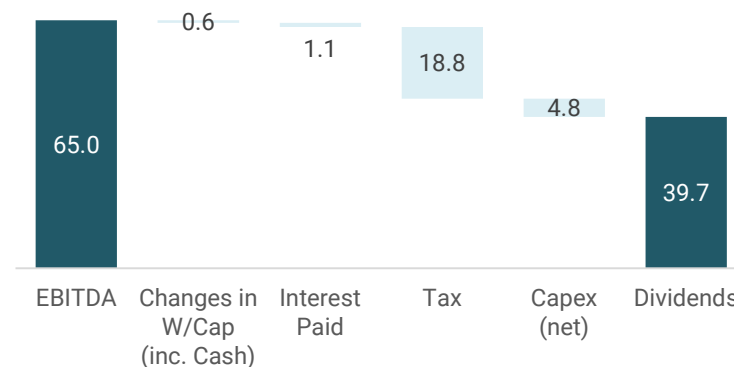
Other Key Items

- No major asset purchases, and no change in borrowings
- Deferred revenue (ie. customer deposits) is flat year-on-year, despite growth in the order bank due to sales mix
- Increase in provisions due to lease incentives for new properties (particularly DCs) in FY18 and FY19

	FY19	FY18	Change
Receipts from customers	295.4	274.2	+ 21.2
Payments to suppliers/employees	(232.1)	(214.6)	- 17.5
Operating cashflow before interest and tax	63.3	59.6	+ 3.7
Interest received	0.8	0.8	
Income tax paid	(18.8)	(17.3)	- 1.5
Operating cash flow	45.4	43.1	+2.3
Capital expenditure	(5.2)	(28.8)	+ 23.6
Proceeds from disposals	0.4	-	- 0.4
Investing cash flow	(4.8)	(28.8)	+24.0
Dividends	(39.7)	(29.2)	- 10.5
Borrowings	-	12.5	-12.5
Interest paid	(1.1)	(0.9)	- 0.2
Financing cash flow	(40.7)	(17.6)	-23.2
Net cash flow	(0.3)	(3.4)	+3.1

Cashflow Commentary

- Strong correlation between profitability and cashflow, due to stable balance sheet and tight working capital management
- Modest capex during FY19, primarily related to six new stores and establishment of new larger Vic Distribution centre.
- Almost \$40m returned to shareholders in dividends in FY19
- Dividend payout ratio increased to 87% of FY19 NPAT



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New stores

The Company will open four new stores in the current financial year, two of which will be in Auckland, New Zealand. It is important we continue to capitalise on the successful launch of the brand in New Zealand.

Our long-term store network target is 80-85 stores throughout Australia and New Zealand

Trading conditions

Same store sales were flat for most of the year, with some decline in the fourth quarter. This trend has continued into the FY20 year and July same store sales growth remained negative.

The performance of the New Zealand stores has been very encouraging with strong same store sales growth reflecting the high level of product and brand acceptance. With the New Zealand store network increasing to four this year, this market should make a significant contribution to profit growth in the medium term.

Whilst there is a favourable economic environment of very low interest rates and low unemployment combined with recent tax cuts, there is uncertainty as to whether this will translate to an improvement in consumer confidence. As a furniture retailer, Nick Scali Limited is very dependent on housing sales and renovations which have been in decline, and trading conditions will likely only materially improve when there is an uplift in housing sales and renovations.

With the store network continuing to grow, the company has demonstrated it can deliver a solid profit performance in an environment of flat to negative same store sales growth. Despite the current difficult trading conditions, the Company is well positioned with a strong balance sheet and solid cash flow. This will facilitate the continued growth of its store network and allow the Company to explore other growth opportunities as they arise.

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.

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This presentation should not be relied upon as a recommendation or forecast by the Company.

This document should be read in conjunction with the FY19 Results Announcement and FY19 Appendix 4E.

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Appendix 1 – Store network

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NSF store network, at 30 June 2019



Network changes, FY19

	FY18	Opened	Closed	FY19
Australia				
Nick Scali Furniture	50	5	-	55
Nick Scali Clearance	4	2	1	5
	54	7	1	60
New Zealand				
Nick Scali Furniture	1	1	-	2
	1	1	-	2
Total	55	8	1	62

Six new NSF stores opened in FY19:

- Morayfield (Qld)
- Mackay (Qld)
- Hamilton (New Zealand)
- Skygate, Brisbane Airport (Qld)
- Prospect (NSW)
- Craigieburn (Vic)

Two NSF stores relocated in FY19:

- Bundall (Qld)
- Rutherford (NSW)

Appendix 2 – Historical Performance

	FY15	FY16	FY17	FY18	FY19
Sales revenue	155.7	203.0	232.9	250.8	268.0
Cost of sales	(61.3)	(79.7)	(87.3)	(93.6)	(99.4)
Gross profit	94.5	123.4	145.6	157.2	168.6
Other income	1.5	1.4	1.6	1.9	2.2
Operating expenses	(69.0)	(83.8)	(90.5)	(95.6)	(105.8)
EBITDA	27.0	41.0	56.6	63.6	65.0
Depreciation	(2.1)	(3.1)	(2.8)	(3.8)	(4.3)
EBIT	24.8	37.9	53.8	59.8	60.7
Net interest (expense)/income	(0.4)	(0.4)	(0.6)	(0.9)	(1.1)
Profit before tax	24.4	37.5	53.2	58.9	59.6
Taxation	(7.3)	(11.3)	(16.0)	(17.9)	(17.5)
Net profit after tax	17.1	26.2	37.2	41.0	42.1
Earnings per share (Cents)	21.1	32.3	46.0	50.6	52.0
Dividends per share (Cents)	15.0	23.0	34.0	40.0	45.0
Stores (#)	41	42	45	51	57