

8 August 2019

Results announcement - year ended 30 June 2019 (FY19)

Summary Result

	FY19	FY18	Change
Sales revenue (\$m)	268.0	250.8	+6.9%
Net profit after tax (\$m)	42.1	41.0	+2.8%
Gross margin	62.9%	62.7%	
Expenses (excl. depreciation and finance costs) (% to sales)	38.9%	38.1%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	64.1	62.8	+2.1%
Earnings before interest and tax (EBIT) (\$m)	59.9	59.0	+1.5%
EBIT margin (% to sales)	22.4%	23.5%	
Basic earnings per share (EPS) (cents)	52.0	50.6	+2.8%
Final dividend per share (cents)	20.0	24.0	-4.0
Full year dividend per share (cents)	45.0	40.0	+5.0
Operating cash flow before interest and tax (\$m)	63.3	59.6	+6.2%
Number of stores* (#)	57	51	+6

* Nick Scali Furniture stores only

For the seventh consecutive year, furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported a record profit, with net profit after tax of \$42.1m for the year ended 30 June 2019, an increase of 2.8% on last year.

Sales revenue increased almost 7% to \$268m with the increase derived from a full year's contribution from the stores opened during FY18 and varying contributions from the six stores opened during FY19. Same store sales were down around 1% for the year.

Despite currency headwinds, gross margins strengthened by 20 bps to 62.9% driven by new product initiatives that resulted in underlying margin improvement.

Increases in wages and property costs outpaced sales revenue growth, particularly in like-for-like stores, resulting in an increase in operating expenses as a percent to sales.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "The result was satisfactory given that furniture purchases are highly discretionary and have a strong correlation with housing sales. In the past twelve months, Australia has experienced a significant slowdown in dwelling sales and the consumer has seen the value of their homes fall with the negative wealth affect resulting in a very cautious consumer."

Dividends

The directors have declared a fully franked final dividend of 20.0 cents per share, bringing the total dividend for the year to 45.0 cents per share (FY18: 40.0 cps), up 12.5% on last year. Total dividends for the year represent a payout ratio of 87%. The final dividend will have a record date of the 8 October 2019 and a payment date of 29 October 2019.

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Store Growth

Six new Nick Scali Furniture stores were opened during the year ended 30 June 2019 including a second store in New Zealand. The company now has a total network of 57 stores, 55 in Australia and two in New Zealand.

The Company will open four new stores this financial year, of which two will be in Auckland, New Zealand.

The Company's long term store network target is 80-85 stores throughout Australia and New Zealand.

Outlook

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.

Conference call

Anthony Scali will be presenting the FY19 results by teleconference at 10h30 AEST on Thursday 8 August 2019. Dial in details are as follows:

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For further information contact:

Anthony Scali	(Chief Executive Officer and Managing Director)
Christopher Malley	(Chief Financial Officer and Company Secretary)

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