

11 August 2023

Results announcement – year ended 30 June 2023 (FY23)

Result

Furniture retailer Nick Scali Limited ("the Group") (ASX: NCK) today reported its results for the year ended 30 June 2023, with EBIT of \$154.3m and a record net profit after tax of \$101.1m.

A\$m	FY23	FY22 (Underlying ¹)	Change
Revenue (\$m)	507.7	441.0	+15.1%
Net profit after tax (NPAT, \$m)	101.1	80.2	+26.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA, \$m) ²	197.1	163.2	+20.8%
Earnings before interest and tax (EBIT, \$m) ²	154.3	124.6	+23.8%
Gross margin	63.5%	61.0%	+250bps
Final Dividend per shares	35.0	35.0	+0%
Total dividends per share (cents)	75.0	70.0	+7.1%

Overview

FY23 revenue of \$507.7m, increased 15.1% from FY22 and was favourably impacted by increased deliveries and the reduction in the aging of the order bank as lead times returned to pre Covid levels. The year includes twelve months of revenue contribution from Plush-Think Sofas Pty Ltd ("Plush") which was acquired on 1 November 2021.

Group gross margin of 63.5% improved 2.5% compared to FY22 primarily due to margin improvement for Plush as acquisition synergies were realised through combined Group product sourcing, and reduced freight costs for the Group.

Total expenses reflect the inclusion of Plush for the full year, and \$4m additional logistics costs to support peak volumes delivered which are not expected to recur.

Net profit after tax of \$101.1m increased 26.1% compared to the FY22 underlying result and increased 34.9% compared to FY22 statutory result.

Group written sales orders for the period were \$437.0m, representing a reduction of 7.8% on the prior year. First half written sales orders were \$210.3m and second half written sales orders \$226.7m.

¹ FY22 Underlying net profit after tax excluded the impact of one-off items related to the Plush Acquisition. No one-off items have been adjusted from FY23 net profit after tax.

² EBITDA and EBIT are calculated on net finance expense after deduction of \$2.5m of interest income reported in other income.

First half written sales orders for FY23 were up on the prior period due to Covid 19 induced closures during the first half of FY22 and the inclusion of Plush orders for the whole period. Like for like store comparison is difficult due to Covid store closures in the first quarter, but were negative when comparing the second quarter with all stores open for both periods.

The second half written sales orders for FY23 were down 16.2% on the prior period. Trading was very volatile over the half although improved in June 2023 where written sales orders totalled \$51.5m, up 4.5% on the prior year.

Nick Scali brand online written sales orders 2H FY23 of \$14.5m were up 14.5% on 2H FY22 with enhancements in the user experience driving growth.

Nick Scali brand online written sales orders 1H FY23 of \$12.0m were down 27.7% cycling off 1H FY22 where online benefited from temporary store closures due to Covid 19 lockdowns.

Commenting on the result, the Managing Director, Anthony Scali, said "Revenue in the year has been underpinned by the efforts of our Logistics team who were able to manage the peaks of product inflows enabling our lead times to customers to reduce as shipping delays eased. In FY23 we completed the full integration of the Plush operations and processes with the sales order process the last key process to be integrated in December 2022. Our Plush refurbishment programme is well under way with new and improved product, image and store appeal to customers. Trading during the year has been variable and challenging as consumer sentiment deteriorated in line with interest rate increases. "

Dividends and capital management

Cash of \$89.8m was generated from operating activities net of operating lease and interest payments, an increase of 12.7% compared to \$79.8m in the prior year. Capital investments of \$12.9m in the year included \$7.8m for land acquired for the construction of a new Queensland distribution centre.

Cash and bank deposits at 30 June 2023 were \$89.3m increasing from \$74.6m in June 2022.

This morning, the directors declared a fully franked interim dividend of 35 cents per share, with a record date of 27 September 2023 and a payment date of 18 October 2023, bringing full year dividends to 75 cents per share and increase of 7.1% over the prior year. This represents a payout ratio of 60% for FY23.

In August 2023 a further \$20 million was repaid on the \$65 million corporate debt facility taken out in November 2021 to assist in funding the Plush acquisition. After the \$20 million August repayment the outstanding amount on the facility is \$28 million.

Store Growth

During the year, two new Nick Scali stores were opened, in Helensvale Queensland and Shepparton Victoria. One new Plush store in Capalaba Queensland was added to the store network and in August 2023 a Plush store was opened in Helensvale Queensland. As the Group continues to optimise the acquired Plush store network for floor size and quality locations, three Plush stores were closed in the period.

At June 2023 the store network is 64 Nick Scali stores and 43 Plush stores.

The Group expects to open three new Plush stores and one new Nick Scali store in 1H FY24.

The Group has a long-term target of at least 86 Nick Scali stores and 90-100 Plush stores for locations identified based on demographic data and proximity to existing stores. Timing of store roll outs is dependent on site availability and commercial terms.

Recent Trading

July 2023 orders of \$39.7m were down 8.1% cycling off a strong July 2022.

Results Presentation

Anthony Scali will be presenting the FY23 results by teleconference at 10h00 AEDT on Friday 11 August 2023.

Attendees are required to pre-register for the conference using the following link and will receive dial-in details upon completion of the brief pre-registration process.

Registration Link <https://s1.c-conf.com/diamondpass/10032447-0maoli.html>

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