

FY23 Half Year Results Presentation

6 February 2023



nickskali
L I M I T E D

Sales growth

Sales revenue of \$283.9m, up 57.4% on H1 FY22

Written sales orders of \$210.3m, up 3.4% on H1 FY22

(H1 FY22 included two months of Plush revenue and written sales orders after acquisition November 2021)

Profitability

Group gross profit margin 62.0%, up 1.0% on FY 22 and up 2.5% compared to 2H FY22

¹ Underlying net profit after tax of \$60.6m, up 70.2% on H1 FY22

Record deliveries due to outstanding order bank at June 2022 and six months of Plush

Balance Sheet and Capital Management

\$7.8m Queensland property acquired for new distribution centre to be completed FY24, property debt increased \$7.0m

\$7.0m repaid on corporate debt facility to acquire Plush

Interim dividend 40 cents per share fully franked

Plush acquisition

Integration complete with IT & distribution now fully integrated. \$20m run rate synergy savings on pre acquisition CODB² realised

New product range continued to improve gross margin in 1H FY23 to above 60% from 54.8% pre-acquisition. Plush store refurbishment commences 2H FY23 to complete 2H FY24

¹ Underlying net profit after tax excludes the impact of one-off items in 1H FY22. See Appendix 1

² Cost of Doing Business includes operating expenses, depreciation, and finance costs, and excludes the impact of one-off items. See Appendices 1 & 2

Revenue 1H FY23	\$283.9m
Growth versus 1H FY22	+57.4%

Commentary

- Record deliveries achieved in the first half driven by large opening order bank at June 2022
- Quoted delivery times for new custom orders have recovered to average of 12-13 weeks

Written Sales Orders 1H FY23	\$210.3m
Growth versus 1H FY22	+3.4%

Commentary

- Nick Scali brand sales orders declined 3.0%, cycling off strong 1H FY22 demand after lockdowns lifted
- Plush sales order policies now fully aligned to Group. Deposits now required and restrictions apply on cancellation after the cooling off period, point of sale system integrated to Group in December 2022
- The phased transition of Plush policies from acquisition to December 2022 impacts the comparability of written sales orders for periods before January 2023

	1H FY22	1H FY23
Sales revenue	180.3	283.9
Cost of sales	(66.4)	(107.8)
Gross profit	113.9	176.1
Other income	0.7	2.0
Operating expenses	(41.6)	(64.8)
Depreciation	(17.9)	(21.0)
Finance costs	(3.9)	(5.9)
¹Underlying profit before tax	51.2	86.4
Income tax	(15.7)	(25.8)
¹Underlying profit after tax	35.6	60.6
¹Underlying EBITDA	73.0	112.2
¹Underlying EBIT	55.1	91.2

Gross Profit Margin

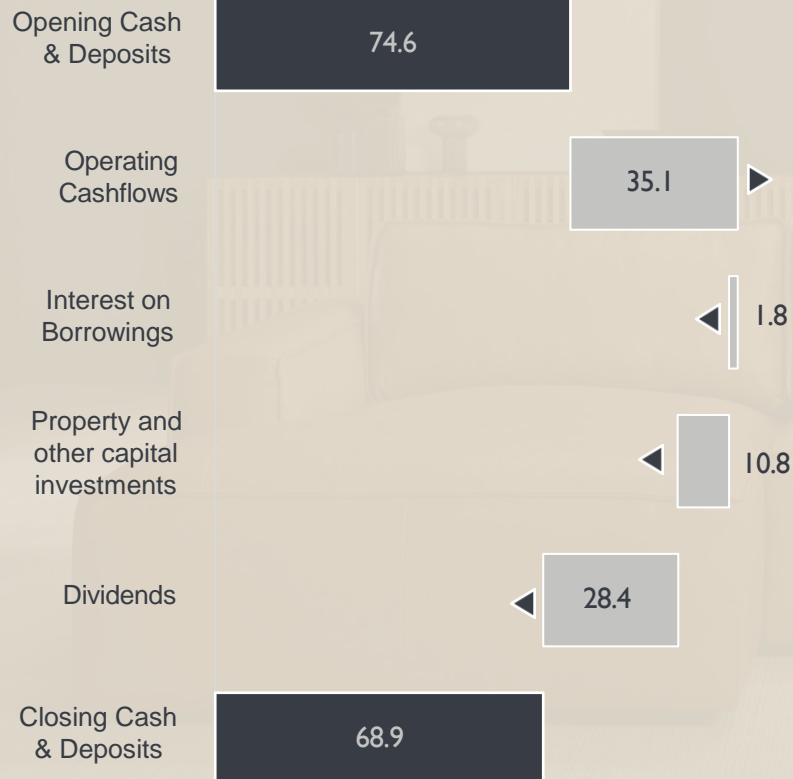
- Group margin 1H FY23 improved 1.0% compared to FY22 and improved 2.5% compared to 2H FY22
- Nick Scali 1H FY23 margin of 62.5% is consistent with FY22
- Plush 1H FY23 margin improved to 60.5% from 54.8% for FY22 with the realisation of supply chain synergies

Cost of Doing Business²

- Relative to sales, Group CODB 32.3% (1H FY22 35.2%)
- Plush CODB: Reduced from pre acquisition \$58m annualised to \$38m due to synergies realised

¹ Underlying measures of financial performance excludes the impact of one-off items in 1H FY22. See Appendices 1 & 2. No one-off items have been excluded 1H FY23.

² Cost of Doing Business includes operating expenses, depreciation, and finance costs, and excludes the impact of one-off items. See Appendices 1 & 2



Operating Cashflows

- Cash of \$35.1m generated from operating activities (including operating lease payments and interest payments) compared to \$24.2m 1H FY22

Change in Borrowings

- Balance on five year \$65.0m November 2021 corporate facility to fund Plush acquisition reduced to \$48.0m December 2022 from \$55.0m at June 2022
- Net additional \$7.0m borrowings secured against property portfolio to fund land acquisition

Property and Other Capital Investments

- Land acquired December 2022 to facilitate build of new Queensland Distribution centre, settlement of \$7.8m including transfer duty paid in 1H FY23
- Other plant, equipment and intangible assets \$3.0m in total

Capital Management & Dividends

- \$28.4m returned to shareholders in final FY22 dividend
- Closing cash on hand 31 December of Cash and Cash Equivalents \$28.9m and \$40.0m in term deposits

Balance Sheet

	Jun 22	Dec 22
Cash & deposits	74.6	68.9
Inventory – In transit	22.5	13.0
Inventory – On hand	48.0	50.3
Property – At net book value	97.4	105.1
Plant & equipment	15.1	15.5
Leased assets	215.4	203.8
Intangibles	129.4	129.7
Other assets	14.0	9.5
Borrowings	91.7	91.7
Payables	35.0	23.8
Lease liabilities	237.9	226.4
Deferred revenue	86.8	59.2
Provisions	8.3	6.8
Tax and other liabilities	15.8	20.0
Net assets	140.9	167.9

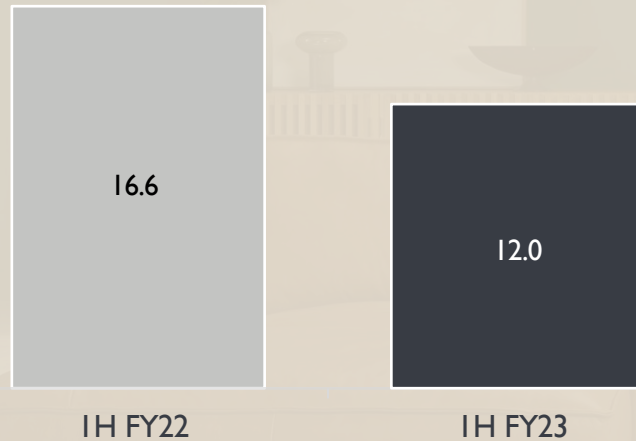
Inventory – On hand

Jun 22	DCs 23.1	Nick Scali Showrooms 18.3	Plush Showrooms 6.6
Dec 22	DCs 26.3	Nick Scali Showrooms 19.0	Plush Showrooms 5.0

Intangibles

- Includes goodwill and value of Plush brand at acquisition

Written Sales Orders (\$m)



Written Sales Order Growth Nick Scali Brand

- January 2023 online written sales orders \$4.0m, 13% above January 2022
- Online written sales order of \$12.0m, cycling off H1 FY22 which benefitted from temporary store closures due to Covid 19 lockdowns
- Growth of Nick Scali online to be driven by continued enhancements to the lounge buying experience and improving the average transaction value through product bundling

Online Profitability

(1) Contribution to profit from Nick Scali online 1H FY23 revenue of \$14.1m was \$8.1m, a 57.5% margin on revenue

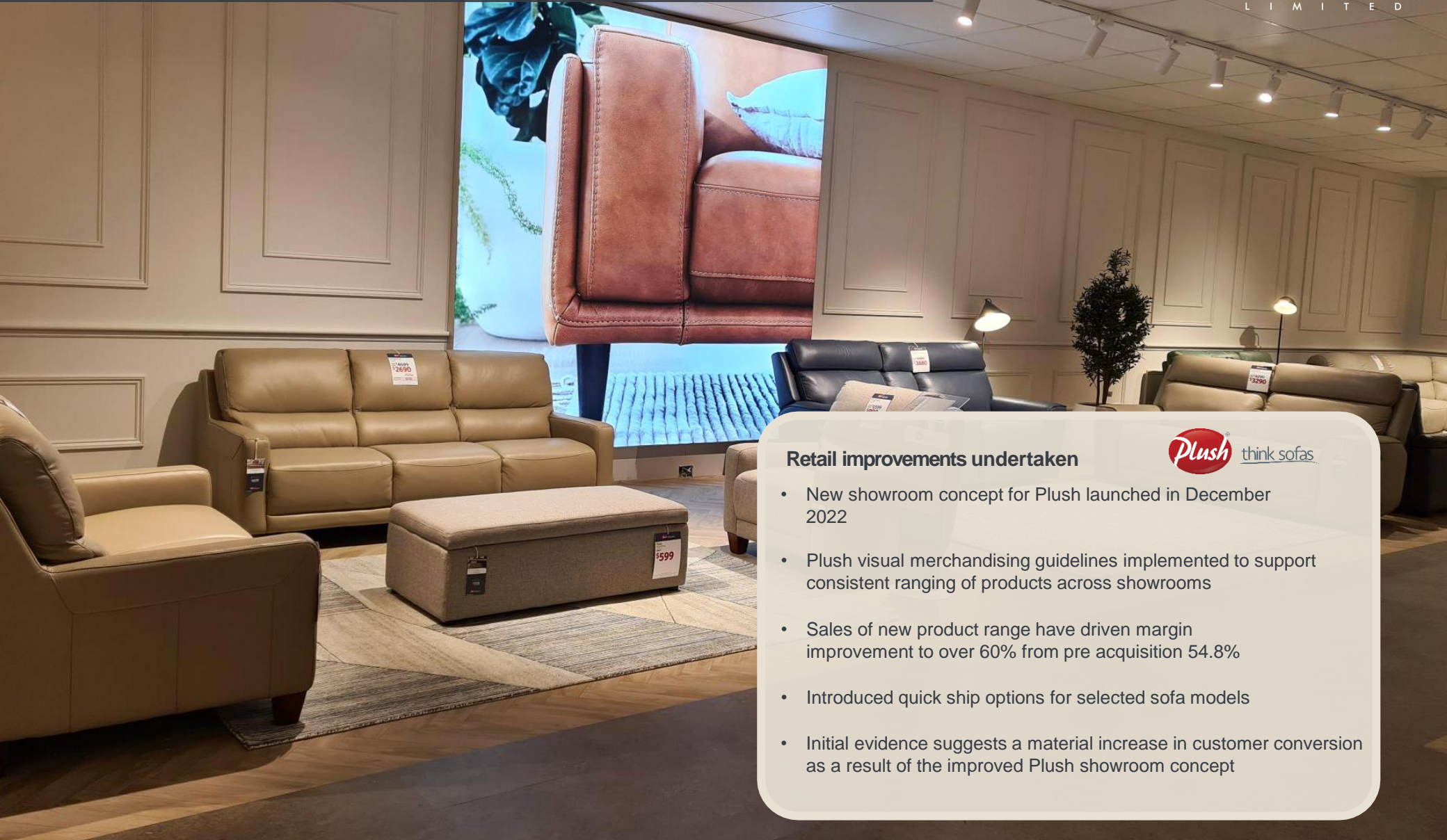
Store Network



	Jun 2022	New Stores	Dec 2022	Target
Nick Scali				
Australia	57	1	58	73
New Zealand	5	-	5	13
	62		63	86
Plush				
Australia	45 ⁽¹⁾	1	44 ⁽¹⁾	85-90
New Zealand	-	-	-	5-10
	45	-	44	90-100
Total	107		107	176-186

1H FY23 one new Nick Scali store in Helensvale, Queensland, and one new Plush store in Capalaba, Queensland.

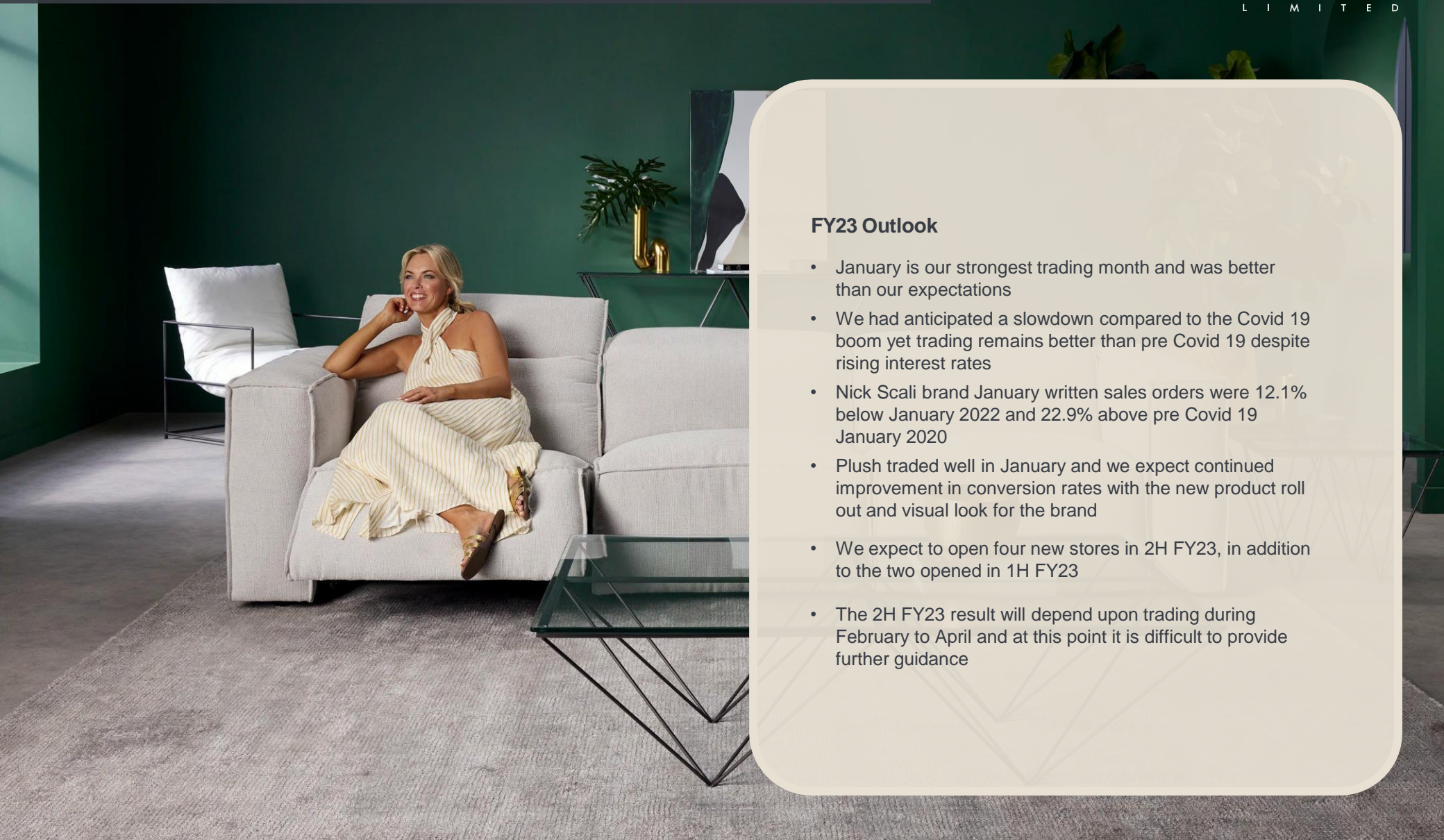
⁽¹⁾ Two Plush showrooms closed in July 2022. One Plush clearance store included in FY22 investor presentation now excluded, consistent with Nick Scali stores



Retail improvements undertaken



- New showroom concept for Plush launched in December 2022
- Plush visual merchandising guidelines implemented to support consistent ranging of products across showrooms
- Sales of new product range have driven margin improvement to over 60% from pre acquisition 54.8%
- Introduced quick ship options for selected sofa models
- Initial evidence suggests a material increase in customer conversion as a result of the improved Plush showroom concept



FY23 Outlook

- January is our strongest trading month and was better than our expectations
- We had anticipated a slowdown compared to the Covid 19 boom yet trading remains better than pre Covid 19 despite rising interest rates
- Nick Scali brand January written sales orders were 12.1% below January 2022 and 22.9% above pre Covid 19 January 2020
- Plush traded well in January and we expect continued improvement in conversion rates with the new product roll out and visual look for the brand
- We expect to open four new stores in 2H FY23, in addition to the two opened in 1H FY23
- The 2H FY23 result will depend upon trading during February to April and at this point it is difficult to provide further guidance



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 H1 FY23 Results Announcement and H1 FY23 Appendix 4D

Appendix 1 –NPAT Reconciliation

	H1 FY22			H1 FY23
	Reported	One-off items ⁽¹⁾	Underlying	Reported and Underlying
Sales revenue	180.3	-	180.3	283.9
Cost of sales	(66.4)	-	(66.4)	(107.8)
Gross profit	113.9	-	113.9	176.1
Other income	0.7	-	0.7	2.0
Operating expenses	(44.5)	2.9	(41.6)	(64.8)
Depreciation	(17.9)	-	(17.9)	(21.0)
Finance costs	(3.9)	-	(3.9)	(5.9)
Profit before tax	48.3	2.9	51.2	86.4
Taxation	(14.8)	(0.9)	(15.7)	(25.8)
Profit after tax	33.6	2.0	35.6	60.6

(1.) One-off items H1 FY22 relate to the acquisition of Plush-Think Sofas Pty Ltd

Appendix 2 – EBIT Reconciliation

	1H FY22	1H FY23
Gross Margin	113.9	176.1
Other Income	0.7	0.9
Operating Expenses	(44.5)	(64.8)
One-off items in EBITDA		
- Acquisition costs Plush	2.9	-
Underlying EBITDA	73.0	112.2
Reported Depreciation & Amortisation	(17.9)	(21.0)
Underlying EBIT	55.1	91.2