

Nick Scali Limited

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Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

By electronic lodgement

Nick Scali Limited
ACN 000 403 896
ASX Code: NCK

Half Year Ended 31 December 2010

The following document is attached for release to the market.

- Results Presentation.

For further information, contact:

David Clarke
Chief Financial Officer

Results Presentation

Six Months Ended 31 December 2010 (1H11)



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FURNITURE

Key points – 1H11

Sales	<ul style="list-style-type: none">• Sales increased 1.3% to \$49.3m.• Same store sales fell 2.7% against exceptionally strong growth in the prior period
Profit	<ul style="list-style-type: none">• NPBT down 5.7% (\$8.4m vs \$8.9m 1H10)• EPS 7.3 cents, vs 7.7 cents 1H10• Gross margin levels maintained
Cash Flow	<ul style="list-style-type: none">• Operating cash flows of \$5.5m (1H10 \$10.5m)• \$8.3m paid for property acquisition, further construction and fitout costs for the Alexandria showroom
Dividend	<ul style="list-style-type: none">• Interim dividend of 4.5 cents fully franked• Equates to a 62% payout ratio for the half year
Balance Sheet	<ul style="list-style-type: none">• Healthy balance sheet• Net cash at balance date of \$13.6m compared to \$17.3m at June 2010
New Stores	<ul style="list-style-type: none">• Jindalee QLD opened July, Alexandria NSW opened December• 3 further stores committed for FY11 (1) and FY12 (2), more under negotiation
New Brand	<ul style="list-style-type: none">• New brand retail chain announced – Sofas2Go• Compete in lower priced furniture segments• First store to open by April 2011

Earnings Summary

Half Year End 31 Dec (\$m)	1H10	1H11
Sales revenue	48.7	49.3
Cost of sales	(18.3)	(18.3)
Gross profit	30.4	31.0
Other income	0.0	0.0
Operating expenses	(21.3)	(22.5)
EBITDA	9.1	8.5
Depreciation	(0.5)	(0.5)
EBIT	8.6	8.0
Net interest	0.3	0.4
Profit before tax	8.9	8.4
Taxation	(2.6)	(2.5)
NPAT	6.3	5.9
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Gross margin	62.4%	63.0%
Op expenses / sales	43.7%	45.6%
EBITDA margin	18.7%	17.3%
EBIT margin	17.7%	16.3%
Effective tax rate	30.0%	30.0%
Earnings ¢ per share	7.7	7.3
Dividends ¢ per share	4.5	4.5

- Sales volumes reflect contribution of new stores, and challenging Q2 sales environment.
- Same store sales drop 2.7% against exceptionally strong growth in the prior comparable period.
- Margin maintained despite aggressive discounting environment.
- Operating expense increases include decisions to invest further in people resources, marketing, and brand defence action.



Cash flow

Half Year End 31 Dec (\$m)	1H10	1H11
Receipts from customers	54.3	53.1
Pmts to suppliers/employees	(42.1)	(44.9)
Other	0.3	0.4
Income tax paid	(2.0)	(3.1)
Operating Cash Flow	10.5	5.5
Capital expenditure	(0.5)	(9.2)
Investing Cash Flow	(0.5)	(9.2)
Dividends	(4.9)	(3.6)
Borrowings	0.0	3.5
Financing Cash Flow	(4.9)	(0.1)
Net Cash Flow	5.1	(3.8)

- Operating cashflow has reduced due to the difference in timing of sales and payments to suppliers between the two periods
- Capex includes purchase of building (\$7m) and related costs (\$1.3m).
- Capex investment otherwise slightly higher due to store refurbishment and energy use reduction programme.



Balance Sheet

Period End (\$m)	Jun'10	Dec'10
Cash	17.3	13.6
Receivables	0.6	0.3
Inventories	13.9	12.3
Fixed assets	4.7	13.3
Intangibles	2.4	2.4
Other	2.2	2.1
Total Assets	41.1	44.0
Borrowings	0.0	3.5
Payables	17.7	15.1
Current tax payable	1.5	1.3
Provisions	0.5	0.6
Total Liabilities	19.7	20.5
Net Assets	21.4	23.5
Net cash (debt)	17.3	10.1
Working capital	(3.2)	(2.5)

- Inventory stocked in DCs \$5.3m (FY10 \$6.5m)
- Fixed asset increases are due to Alexandria building purchase, construction and fitout (\$8.3m); and store refurbishments
- Use of borrowings to partially fund building purchase
- Payables decreased due to
 - timing of supplier payments, reflecting the slower 2nd quarter
 - reduction in performance based remuneration accruals




sofas 2go




 Sofas only

 Store format approx. 1000m2

 Large choice in specific category

 Entry level price points - first home buyer, renters

 NSW roll out FY11/FY12. Minimal start up costs

 Stores youthful, edgy, fashionable, colourful, unique

 Diverse marketing channels, including internet and social media



Outlook

Sales and Profit

- Consumer spending has been volatile and hence difficult to predict
- Peak trading month of January 2011 was strong – in contrast to a weak Q2
- The strength of the recovery remains uncertain and consumer sentiment reactive to economic commentary and promotional activity

Growth – Sofas2Go

- New brand retail chain for introduction in Q4
- Three stores in NSW in the initial period, with the intention of a national roll-out to follow
- Smaller store layout provides greater site availability and therefore opportunities for a faster store roll out
- Utilises existing purchasing, distribution and support infrastructure; some operating cost increases for resources to assist accelerated growth

Growth – Nick Scali Furniture

- Nick Scali Furniture brand opened two stores in first half of FY11, and a third will open before the end of the year
- Two further stores already committed for 2012
- Further store sites under negotiation

