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Press Release
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New stores underpin profit growth

	Year ended June 2011 $'000	Year ended June 2010 $'000	Change %
Sales revenue	100,015	96,365	3.8%
Profit before tax	16,809	16,079	4.5%
Net profit after tax	11,608	11,255	3.1%

Australian furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) has today reported a record net profit before tax of $16.8 million (after tax $11.6 million) for the year ended 30 June 2011; an increase of 4.5% on the previous year.

The Directors have declared a fully franked dividend of 4.5 cents per share, with a record date of 7 October 2011 and payable on 31 October 2011. When added to the interim dividend of 4.5 cents per share, the total dividend for the year amounts 9.0 cents per share fully franked. This compares with a fully franked dividend of 9.0 cents per share for the previous year.

The company has exceeded $100 million in sales for the first time. "A strong start to the second half carried the company through what has otherwise been a period of declining consumer confidence and subdued discretionary spending" said the Managing Director, Mr Anthony Scali. "It is pleasing to be able to report that in these conditions earnings growth of 4.5% was achieved." Sales for the full year increased 3.8% on last year, supported by growth in new stores. Comparative store sales declined 1.6% over the year, with second half comparatives performing better than in the first half.

Despite the prevailing market conditions, the Company has maintained margins at the same level as last year, in contrast to the retail trend toward discounting and margin erosion. This has been achieved through careful price management, continued emphasises on product and brand differentiation in the market, and the opportunities presented by the strong Australian/US dollar.

The Company continues to have a strong internal focus on the management of costs. Increases in operating costs include those incurred to establish new retail brands, strengthened people resources, additional marketing support, costs relating to new premises, and brand protection legal action.

During the year the Company opened a further two Nick Scali branded stores, in Jindalee Queensland, and in the new premises purchased by the Company at Alexandria, NSW. This is a continuation of the growth strategy to expand the Nick Scali brand through the opening of additional stores.

At the half year the company indicated its intention to develop a furniture retail brand called Sofas2Go targeted at entry level consumers and first home buyers. The first two stores opened in March and June 2011 in NSW. Mr Scali explained, “Whilst it is early days, we have had a very good response from customers to the store experience, product offering and price points. With the first stores open and trading well we have confidence that this brand has the ability to deliver future growth for the Company, capitalising on the benefits of leveraging the existing purchasing, distribution and support infrastructure of the business”.

The Company has also secured the Australasian rights for the premium Italian retail brand Chateau d’Ax. Aimed at the top end of the market and represented in 30 countries worldwide, Chateau d’Ax has a strong international reputation for high end quality and contemporary styled furniture. Adding to the over 300 stores worldwide, Nick Scali opened the first Australian Chateau d’Ax at Moore Park NSW in June 2011.

Outlook

In the first half of FY12 the Company is committed to open two Nick Scali and three Sofas2Go stores. During the second half of FY12 it is expected that further stores will open for both Nick Scali and Sofas2Go. In the long term the Company is targeting a store network of 125 Sofas2Go, 75 Nick Scali and 21 Chateau d’Ax stores across Australia and New Zealand.

July 2011 trading produced positive growth in written orders, following a poor FY11 fourth quarter where orders were down on the previous corresponding period. The directors believe that trading conditions are likely to remain difficult with consumer spending susceptible to negative sentiment, including concerns about interest rate increases, the potential impact of rising costs on household budgets, and global economic instability.

Within these volatile market conditions profit growth in the coming year is difficult to predict despite the store roll-out programme and development of the new retail brands.

For further information contact:

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