

Nick Scali Limited

Results Presentation

Year Ended 30 June 2011 (FY11)

10 August 2011



sofas
2go

nickscali
FURNITURE

Chateau d'Ax
ITALIA

Key points – FY11

Sales	<ul style="list-style-type: none">• Sales increased 3.8% to \$100m (FY10 \$96.4m)• Same store sales fell 1.6% - 0.8% in second half vs 2.4% in first half
Profit	<ul style="list-style-type: none">• NPBT up 4.5% to \$16.8m (FY10 \$16.1m)• EPS 14.3 cents, vs 13.9 cents FY10• No decline in gross margin - maintained at FY10 levels
Cash Flow	<ul style="list-style-type: none">• Operating cash flows of \$14.3m• \$8.5m paid for property acquisition & fitout for the Alexandria NSW showroom
Dividend	<ul style="list-style-type: none">• Final dividend of 4.5 cents. Brings full year dividend to 9.0 cents (fully franked)• Equates to a 63% payout ratio for the year
Balance Sheet	<ul style="list-style-type: none">• Strong balance sheet• Net cash at balance date of \$14.1m compared to \$17.3m at June 2010, following property acquisition
New Retail Brands	<ul style="list-style-type: none">• Two new retail brands launched• Sofas2Go - competes in lower priced furniture segments• Chateau d'Ax - premium Italian international retailer and manufacturer
New Stores	<ul style="list-style-type: none">• Two x Nick Scali stores opened July 2010 & December 2010 (QLD & NSW)• Two x Sofas2Go stores opened March & June 2011 (both in NSW)• One x Chateau d'Ax store opened in June 2011 in Moore Park NSW• Five stores planned for first half FY12 (2x Nick Scali, 3x Sofas2Go)

Earnings Summary

Year End 30 June (\$m)	FY10	FY11	Change
Sales revenue	96.4	100.0	3.8%
Cost of sales	(36.0)	(37.3)	
Gross profit	60.4	62.7	
Other income	0.1	0.3	
Operating expenses	(44.2)	(45.8)	
EBITDA	16.3	17.2	5.9%
Depreciation	(0.9)	(1.1)	
EBIT	15.4	16.1	5.0%
Net interest	0.7	0.7	
Profit before tax	16.1	16.8	4.5%
Taxation	(4.8)	(5.2)	
NPAT	11.3	11.6	3.1%
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Gross margin	62.7%	62.7%	
Op expenses / sales	45.9%	45.8%	
EBITDA margin	16.9%	17.2%	
EBIT margin	16.0%	16.1%	
Effective tax rate	30.0%	30.9%	
Earnings ¢ per share	13.9	14.3	
Dividends ¢ per share	9.0	9.0	

- Sales volumes reflect contribution of new stores. Strong start to 2H11 carried business through challenging period.
- Same store sales drop 1.6% against exceptionally strong growth in the prior year.
- Margin maintained despite aggressive discounting environment.
- Operating expense includes \$300k for legal cost of brand defence action.
- Operating expense increases include decisions to invest further in people resources and the establishment of new brands.
- Operating expense includes cost relating to five new stores, three of which were near the end of the financial year.



Cash flow

Year End 30 June (\$m)	FY10	FY11
Receipts from customers	107.6	109.7
Pmts to suppliers/employees	(88.0)	(90.9)
Other	0.6	0.8
Income tax paid	(4.7)	(5.4)
Operating Cash Flow	15.5	14.2
Capital expenditure	(1.2)	(10.1)
Investing Cash Flow	(1.2)	(10.1)
Dividends	(8.5)	(7.3)
Borrowings	0.0	3.5
Interest paid	0.0	(0.1)
Financing Cash Flow	(8.5)	(3.9)
Net Cash Flow	5.8	0.2

- Operating cashflow has reduced due to the difference in timing of payments to suppliers and employees between the two periods
- Capex includes purchase of building (\$7m) and related costs (\$1.5m).
- Capex otherwise slightly higher due to store refurbishment, new stores and energy use reduction programme.



Balance Sheet

- Inventory held in DCs \$5.0m (FY10 \$6.5m).
- Fixed asset increases are due to Alexandria building purchase, construction and fitout (\$8.5m); plus new stores and store refurbishments
- Use of borrowings to partially fund building purchase



Period End (\$m)	Jun'10	Jun'11
Cash	17.3	17.6
Receivables	0.6	0.8
Inventories	13.9	12.2
Fixed assets	4.7	13.7
Intangibles	2.4	2.4
Other	2.2	1.7
Total Assets	41.1	48.4
Payables	17.7	17.0
Current tax payable	1.5	1.6
Provisions	0.5	0.7
Borrowings	0.0	3.5
Total Liabilities	19.7	22.8
Net Assets	21.4	25.6
Net cash (debt)	17.3	14.1
Working capital	(3.2)	(4.0)

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Where the sofas cost less



Rigolli RRP \$790

3 seater in fabric
get the 2 seater for RRP \$590



sofa up 2 sofa down
in one easy motion



Vermont 3 Seater Sofa Bed

(Polyurethane) RRP \$299
Available for immediate delivery in Black



Tilley RRP \$690

3 seater in fabric
get the 2 seater for RRP \$590



Varena RRP \$1290

2 seater with chaise in fabric
get the 2 seater for RRP \$590



2

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- Brand targeted at entry level consumers and first home buyers – sofas only
- Offering a unique store experience to customers in the furniture market
- Positive response from customers to the product range and price points
- Brand has the ability to deliver future growth, capitalising on the benefits of leveraging the existing purchasing, distribution and support infrastructure
- First two stores opened March and June 2011 in NSW

Chateau d'Ax. Made in Italy. 330 stores worldwide.
Now open, Moore Park SupaCenta

Silhouette

Modular sofa that can be adapted to your space: young and comfortable, with low seating, enveloping and versatile modules. Available in more than 1500 different covers of upholstery, including leather, fabric and microfibre.

Chateau d'Ax
ITALIA

ESTABLISHED IN 1948, MILAN, ITALY

For more than 60 years Chateau d'Ax Italia has created, studied and built quality sofas to bring into the homes of people who appreciate beautiful items.
Chateau d'Ax Italia, now open at the Moore Park Supa Centa, phone 02 9662 0212

www.chateaudax.com.au



- Premium Italian retail brand
- Represented in 30 countries worldwide, network of over 300 stores
- Designing and manufacturing since 1948
- Chateau d'Ax has a strong international reputation for high end quality and contemporary styled furniture
- Secured licence to operate this international retail brand in Australia and New Zealand
- First store opened in Moore Park NSW June 2011

Outlook

SALES AND PROFIT

- July 2011 trading produced positive growth in written sales orders
- Written sales orders Q4 2011 were down on corresponding period
- Negative Consumer sentiment has caused month to month trading conditions to be inconsistent and volatile. This makes it difficult to forecast sales and profit for the short term
- The increase in the number of new stores during FY11 and FY12 positions the company well for future growth in sales and profit

STORE GROWTH

Sofas2Go

- Three more stores to open first half FY12 – plans to open further stores in second half FY12
- 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
- Market segment allows wider scope for store locations

Chateau d'Ax

- Long term strategy to enhance growth gradually
- Store locations demographic specific



Outlook (continued)



Nick Scali Furniture

- Two new stores will be opened in first half of FY12
- More stores committed and planned for second half FY12 and in FY13

Long Term Store Targets - Australia and New Zealand

- Sofas2Go 125
- Chateau d'Ax 21
- Nick Scali 75

ONLINE

- Furniture retailing has a level of protection from direct online overseas competition due both to the physical properties of the product and the high personal engagement in the consumer decision making process
- The company has a further advantage in that its products are sourced exclusively for it and it does not rely on or resell common branded products
- The web is becoming more critical in the consumers' research and information gathering processes preceding big ticket discretionary purchases, particularly in the mid to upper range
- The company's web strategy is to provide an information rich web presence that is easily located and navigated
- This will be complemented by the ability for customers to purchase online should they choose to
- Online sales is particularly important for Sofas2Go where low price points are not considered "big ticket" and net savvy customers will expect and be prepared to buy online, with or without visiting a store
- The online initiative will be developed alongside the Sofas2Go store rollout programme