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Press Release
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Solid Result in a Tough Environment

	Half year ended December 2011 \$'000	Half year ended December 2010 \$'000	Change %
Sales revenue	53,801	49,308	9.1%
Profit before tax	7,266	8,434	-13.8%
Net profit after tax	5,259	5,904	-10.9%

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) today reported sales revenue of \$53.8m for the half year to 31 December 2011, a 9% increase on the previous corresponding period. Net profit after tax was \$5.3m, a decrease of 11% compared to the previous corresponding period.

The Directors have declared a fully franked interim dividend of 4.5 cents per share, with a record date of 9 March 2012 and payable on 30 March 2012. This compares with a fully franked interim dividend of 4.5 cents per share for the previous corresponding half year.

The Managing Director, Mr Anthony Scali, said "the result was a solid performance in what remains very tough market conditions. The trading environment throughout the half remained volatile, with some strong months of trading interspersed with periods of weakness. Consumer purchasing activity continues to be focused around promotional opportunities and their behaviour is particularly cautious". Total sales for the first half increased 9%, whilst same store sales were flat. The increase in sales was attributable to the new stores that were opened within the past 12 months.

Profit for the first half was down, impacted by the 'start-up' costs of seven new stores opened since June 2011, and aggressive discounting which resulted in gross margins reducing by 1.7% from the record levels achieved in the previous corresponding period.

Operating Costs remain a close focus for the Company but increased proportionately as a result of the new stores added to the network since December 2010. Whilst the costs associated with these stores are in place, many are yet to fully contribute due to the lag between orders received and invoiced sales.

Two Nick Scali stores were opened in the half, in Warrawong near Wollongong in NSW, and at a new Springvale shopping precinct in Melbourne Victoria. The investment in the refurbishment of existing stores has continued throughout the period to refresh and improve the presentation and to encourage further sales growth.

The Sofas2Go brand was expanded to five stores during the half year, with two stores opened in NSW in Campbelltown and Prospect, and the first Victorian store opened in the Springvale centre. Mr Scali said that "whilst in the early stages of roll-out, the brand has been positively received and the five stores will permit us to more heavily promote the brand and develop brand awareness through the second half".

The premium Chateau d'Ax brand has only one store at this stage and whilst operating close to expectation it services a smaller segment of the market and thus network expansion will naturally be slower. New stores are under investigation.

Outlook

The Nick Scali Furniture brand has considerable room for future expansion before the network can be considered mature and the Company is optimistic following the early performance of the Sofas2Go brand. As such the Company remains committed to locating and investing in the opening of more stores across both brands. During calendar 2012 the Company will open a new Nick Scali store on the Sunshine Coast and a Sofas2Go store in Auburn, NSW. Further stores for both brands are currently under active negotiation with more expected to open during 2012.

The month of January 2012 was strong in written sales orders but less than the previous year, which was a record. As has been widely reported, retail market conditions generally remain subdued, with consumers cautious about how they spend their money and building record levels of savings. In this environment, the contribution from the new stores opened over the previous twelve months will play a leading role in overall business growth for the second half.

Given the large and sporadic shifts in consumers buying behaviour experienced in the first half, it is very difficult to predict the full year results at this time.

For further information contact:

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or

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