Nick Scali Limited
PO Box 378
Lidcombe NSW 1825 Australia
3-29 Birnie Ave
Lidcombe NSW 2141 Australia

Tel: 61-2-9748 4000 Fax 61-2-9748 4022
A.B.N: 82 000 403 896

nickscali
LIMITED

ASX Announcement/Media Release

15 May 2012

Nick Scali trading update

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) wishes to provide guidance for its likely full year result for the 12 months ended 30 June 2012.

Total sales revenue for the full year is expected to increase by approximately 10% compared with 2011. Comparable stores sales are forecast to be flat with the overall sales growth attributable to the stores opened during the year. These included two Nick Scali stores (Warrawong and Springvale) and three Sofas 2 Go stores (Campbelltown, Springvale and Prospect).

As previously reported, written orders for comparable stores were down on the previous year in January, as was the case for February. However, written orders for comparable stores in March were in line with last year and written sales orders for April has seen an improvement with substantial positive growth in same store sales orders. This trend is continuing in May and as a result the Company expects total written orders to be greater than total sales for the year, due to the lag between orders received and invoiced sales. The benefit of the recent stronger written orders will translate into sales in the early part of the new financial year.

Consumer purchasing behaviour remains focused on promotional opportunities and in recent months sales have been even more dependent on aggressive discounting. The need to discount, particularly in the second half, will result in gross profit margin being down approximately 200 basis points compared to the historic high of the previous financial year. Additionally, the start up costs associated with the opening of 5 new stores in the year, which is a 15% increase in the store portfolio, has increased operating expenses without the benefit of a full year of sales.

The lower margin, combined with new store start up costs and the lag in delivery of the stronger 4^{th} quarter orders, is now expected to result in NPAT for this financial year of between \$9.0m and \$9.5m, compared to \$11.6m last year.

The result has been underpinned by the Nick Scali branded stores, with the two new Nick Scali stores being positive contributors to the profit for this year. The Sofas 2 Go stores have performed in line with expectation as the roll-out and development of this brand continues.

Outlook

The Directors believe that the Company has considerable room for expansion of the store network. The selection of appropriate new sites is however challenging and a disciplined approach is required to ensure that property rental costs are well managed in the difficult retail environment. The Company has firm commitments for one new store to be opened next financial year in Maroochydore, Queensland, and is actively negotiating a number of other opportunities.

The Company is in a strong financial position given the strength of its balance sheet and significant net cash reserves. Directors are confident of sound profit growth as market conditions improve.

The Company will release its Full Year Results on 9 August 2012.

For further information please contact:

Anthony Scali
Managing Director
(02) 8737 7213

Michael Potts
CFO & Company Secretary
(02) 8737 7225