Nick Scali Limited (NCK) - Results Presentation

Year Ended 30 June 2012 (FY12)

Key Points – FY12

Sales	➢ Sales increased 9.4% to $109.4m (FY11 $100.0m) ➢ Sales orders increased 16.3% to $116.7m (FY11 $100.3m)
Profit	➢ NPAT of $9.0m for FY12 ➢ At lower end of guidance given to the market on May 15 ($9.0m to $9.5m)
Dividend	➢ Final dividend of 3.5 cents. Brings full year dividend to 8.0 cents (fully franked) ➢ Equates to an 71.8% payout ratio for the year
New Stores	➢ Five new stores opened during the year for both Nick Scali and Sofas 2 Go

Earnings Summary – FY12

Year End 30 June ($m)	FY11	FY12	Change
Sales Orders	100.3	116.7	
Sales revenue	**100.0**	**109.4**	**9.4%**
Cost of sales	(37.3)	42.9	
Gross profit	**62.7**	**66.5**	
Other income	0.3	0.1	
Operating expenses	(45.8)	(53.4)	
EBITDA	**17.2**	**13.2**	**(23.4%)**
Depreciation	(1.1)	(1.3)	
EBIT	**16.1**	**11.9**	**(26.4%)**
Net interest	0.7	0.8	
Profit before tax	**16.8**	**12.6**	**(24.8%)**
Taxation	(5.2)	(3.6)	
NPAT	**11.6**	**9.0**	**(22.3%)**
Gross margin	62.7%	60.8%	
Op expenses / sales	45.8%	48.8%	
Op expenses / sales orders	45.6%	45.7%	
EBITDA margin	17.2%	12.1%	
EBIT margin	16.1%	10.9%	
Effective tax rate	30.9%	28.6%	
Earnings ¢ per share	14.3	11.1	
Dividends ¢ per share	9.0	9.0	

- Sales increase of 9.4% driven from new stores
- Sales orders increase of 16.4% helped by strong 4th quarter
- Same store sales drop of 1.9% highlights tough trading during 2nd and 3rd quarter of the year
- Same store sales orders up 3.8%
- Decline in margin compared to previous all time high, but in line with long term expectation
- Operating expenses included start up costs for new stores and increased proportionately in line with sales orders
- Lower effective tax rate due to prior year adjustment

Cash Flow – FY12

Year End 30 June ($m)	FY11	FY12
Receipts from customers	109.7	123.7
Pmts to suppliers/employees	(90.9)	(108.4)
Other	0.8	1.0
Income tax paid	(5.4)	(3.4)
Operating Cash Flow	**14.2**	**12.9**
Capital expenditure	(10.1)	(2.2)
Investing Cash Flow	**(10.1)**	**(2.2)**
Dividends	(7.3)	(7.3)
Borrowings	3.5	0.0
Interest paid	(0.1)	(0.2)
Financing Cash Flow	**(3.9)**	**(7.5)**
Net Cash Flow	**0.2**	**3.1**

- Operating Cash Flow has reduced due to a lower NPAT result
- Prior year Capital Expenditure of $10.1m included the purchase of the Alexandria store
- Prior year borrowings of $3.5m is the loan to purchase the Alexandria store
- Net Cash Flow for the year up $2.9m

Balance Sheet – FY12

Period End ($m)	Jun'11	Jun'12
Cash	17.6	20.7
Receivables	0.8	0.8
Inventories	12.2	13.6
Fixed assets	13.7	14.6
Intangibles	2.4	2.4
Other	1.7	1.8
Total Assets	**48.4**	**53.9**
Payables	17.0	20.7
Current tax payable	1.6	1.7
Provisions	0.7	0.8
Borrowings	3.5	3.5
Total Liabilities	**22.8**	**26.6**
Net Assets	**25.6**	**27.4**
Net cash (debt)	14.1	17.2
Working capital	(4.0)	(6.2)
Return on net assets	45.3%	33.0%

- Closing cash up $3.1m on prior year
- Inventory up $1.4m due to floor stock required for new stores
- Fixed Assets up $0.9m as a result of fitout costs for new stores
- Payables up $3.7m due to higher balance of customer deposits from increased sales orders
- Borrowings of $3.5m for Alexandria property purchase unchanged from last year
- The business model continues to benefit from low working capital requirements.
- Return on net assets down on last year due to lower NPAT, but still a strong result

Store Growth

Nick Scali Furniture

- Two new stores opened during the year - Warrawong (NSW) and Springvale (VIC)
- This brings the store network to 30 stores as at 30 June 2012
- Two new stores committed for the first half of the 2013 financial year – Bankstown (NSW) and Maroochydore (QLD)

Sofas 2 Go

- Three new stores opened during the year – Prospect (NSW), Campbelltown (NSW) and Springvale (VIC)
- This brings the store network to a total of five stores as at 30 June 2012
- One new store committed for the second half of the 2012 calendar year – Fyshwick (ACT)

- The Company is actively negotiating a number of opportunities for both Nick Scali and Sofas 2 Go, both leasehold and freehold

Outlook – FY13

• Strong written orders in the final quarter of FY2012, helped by interest rate cuts and possibly the carbon tax compensation payments

• July written orders up on last year, but down on same stores

• Consumers may continue to save rather than spend, causing trading conditions to remain volatile

•Directors believe it is difficult to predict the full year result given the difficult trading conditions

• Profit growth will depend on the contribution from new stores opened during the previous 18 months and on consumer confidence