

Nick Scali Limited (NCK) - Results Presentation

Half Year Ended 31 December 2012 (1H FY13)



Key Points – 1H FY13

Sales

- Sales increased 17.0% to \$62.9m (1H FY12 \$53.8m)

Profit

- NPAT of \$6.4m (1H FY12 \$5.3m)

Dividend

- Interim dividend of 6.0 cents (1H FY12 4.5 cents).
- Equates to a 75.0% payout ratio

New Stores

- Three new stores opened during the period for both Nick Scali and Sofas2Go

Earnings Summary – 1H FY13

Half Year End 30 December (\$m)	1H FY12	1H FY13	Change
Sales revenue	53.8	62.9	17.0%
Cost of sales	(20.9)	(25.3)	
Gross profit	32.9	37.6	
Other income	0.0	0.0	
Operating expenses	(25.5)	(27.9)	
EBITDA	7.4	9.7	30.0%
Depreciation	(0.6)	(0.8)	
EBIT	6.9	8.9	28.7%
Net interest	0.4	0.4	
Profit before tax	7.3	9.2	26.8%
Taxation	(2.0)	(2.8)	
NPAT	5.3	6.4	22.6%
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Gross margin	61.2%	59.8%	
Op expenses / sales	47.4%	44.4%	
EBITDA margin	13.8%	15.4%	
EBIT margin	12.8%	14.1%	
Effective tax rate	27.6%	30.0%	
Earnings ¢ per share	6.5	8.0	
Dividends ¢ per share	4.5	6.0	

- Sales increase of 17.0% due to new stores opened in last 12 months and strong comp store growth of 4.7% on previous year
- Decline in margin compared to previous year, but in line with long term expectation
- Operating expenses as a % to sales down over 300 basis points on previous half as sales growth drives economies of scale and tight management
- Record NPAT result of \$6.5m for the half year



Cash Flow – 1H FY13

Half Year End 30 December (\$m) 1H FY12 1H FY13

Receipts from customers	58.5	67.3
Payments to suppliers/empl.	(51.8)	(59.4)
Other	0.5	0.5
Income tax paid	(2.7)	(2.8)
Operating Cash Flow	4.6	5.6
Capital expenditure	(1.0)	(7.3)
Investing Cash Flow	(1.0)	(7.3)
Dividends	(3.6)	(2.8)
Borrowings	0.0	3.3
Interest paid	(0.1)	(0.1)
Financing Cash Flow	(3.8)	0.3
Net Cash Flow	(0.1)	(1.4)

- Operating Cash Flow has increased by \$1.0m on last year due to the improvement in the NPAT result
- The purchase of the Sofas2Go property in Fyshwick ACT (\$6.5m) was the main reason for the increase in Capital Expenditure on last year and increase in borrowings.
- Net Cash Flow for the half was down \$1.4m on last year.



Balance Sheet – 1H FY13

Period End (\$m)	Jun'12	Dec'12
Cash	20.7	19.3
Receivables	0.8	0.6
Inventories	13.6	14.1
Fixed assets	14.6	22.1
Intangibles	2.4	2.4
Other	1.8	1.8
Total Assets	53.9	60.2
Payables	20.7	18.4
Current tax payable	1.7	1.7
Provisions	0.8	2.3
Borrowings	3.5	6.8
Total Liabilities	26.6	29.2
Net Assets	27.4	31.1
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Net cash (debt)	17.2	12.5
Working capital	(6.2)	(3.7)
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- Closing cash down \$1.4m on prior year
- Inventory up marginally due to floor stock required for new stores
- Fixed Assets up \$6.5m due to purchase of Fyshwick Sofas2Go property
- Payables down \$2.3m from lower balance of customer deposits due to Christmas deliveries
- Borrowings of \$6.8m up \$3.3m on last year due to funding of Fyshwick Sofas2Go property purchase
- The business continues to benefit from negative working capital.

Store Network

Nick Scali Furniture

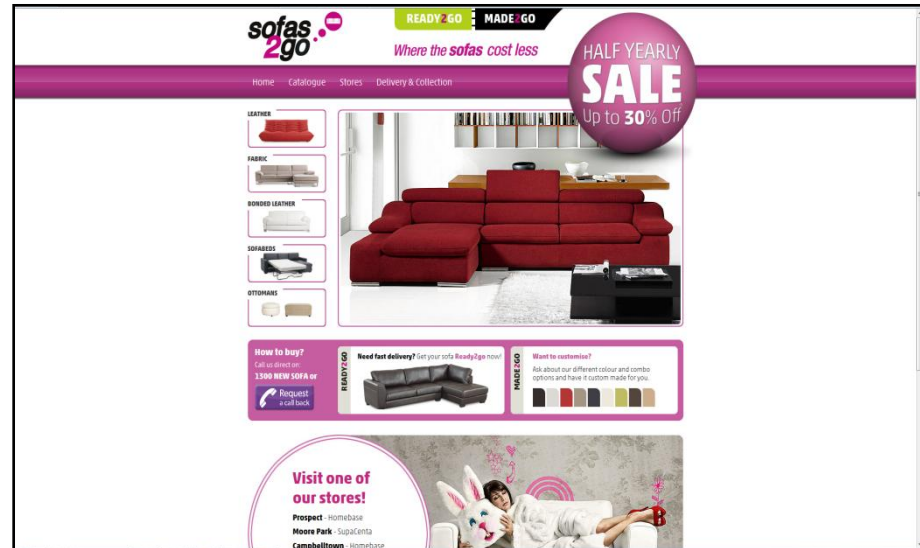
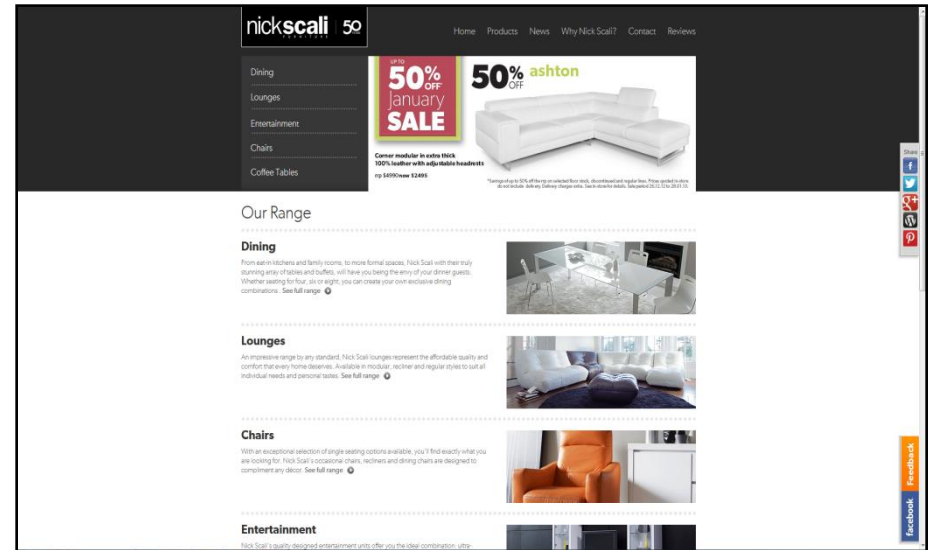
- Two new stores opened during the half
- Bankstown (NSW) opened on 29 September 2012 and is trading well
- Maroochydore (QLD) opened on 12 November 2012 and is trading well
- This brings the store network to 32 stores as at 31 December 2012
- The Company will be opening a new Nick Scali store at Moorabbin in Victoria in March 2013.
- The Company also has plans for one more Nick Scali store to open the second half of the year.

Sofas2Go

- One new store opened during the half
- Fyshwick (ACT) opened on 23 December 2012 and has traded in line with expectation
- This brings the store network to a total of 6 stores as at 31 December 2012
- The Company also has plans for two Sofas2Go stores in open in the second half of the year.

Digital Strategy

- Plans in place to increase our online presence and digital marketing spend.
- Continual investment in website to engage our customers and encourage them in to our stores.
- Websites redesigned to allow easier interaction with social media.
- We believe that customers need to have an in store experience before buying our core product category of sofas. This is due to the complexity and enormous choices offered by Nick Scali compared to our competitors.
- Online selling opportunities exist in less complex product categories, that are not currently part of Nick Scali's core business.



Outlook – FY13

- Nick Scali has increased market share over the past 6 months, with competitors either consolidating or exiting the market. (Nick Scali sales were up 17.0% for the 6 months to December 2012 while the furniture market* was down 6.8%).
- January, which is our strongest month in terms of written sales orders, had a strong result which augurs well for 2H FY13
- If the robust trading conditions experienced in January continue, Directors believe the FY13 NPAT result will be up at least 20% on last year.

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