

Nick Scali Limited (NCK) - Results Presentation

Year Ended 30 June 2013 (FY13)



sofas
2go 

nickscali
FURNITURE

Key Points – FY13

Sales

- Nick Scali Limited continues to outperform the market
- Sales increased 16.5% to \$127.4m (FY12 \$109.6m)
- The ABS furniture market was down 4.4% for the same period (*ABS Series ID A3349863W*)

Profit

- Underlying NPAT of \$12.2m up 35.6%(FY12 \$9.0m)
- Statutory NPAT of \$16.0m (includes one off net benefit of \$3.8m – land resumption compensation)

Dividend

- Final dividend of 6.0 cents (FY12 3.5 cents).
- Total dividend for the year of 12.0 cents (FY12 8.0 cents)
- Equates to a payout ratio to underlying profit of 79%

New Stores

- Four new stores opened during the year; 3 Nick Scali and 1 Sofas2Go

Earnings Summary – FY13

Year End 30 June (\$m)	FY12	FY13 - Underlying	Change	FY13 - Statutory
Sales revenue	109.4	127.4	16.5%	127.4
Cost of sales	(42.9)	(49.9)		(49.9)
Gross profit	66.5	77.6		77.6
Other income	0.1	0.0		5.4
Operating expenses	(53.4)	(59.1)		(59.1)
EBITDA	13.2	18.5	39.9%	23.9
Depreciation	(1.3)	(1.7)		(1.7)
EBIT	11.9	16.7	40.9%	22.1
Net interest	0.8	0.7		0.7
Profit before tax	12.6	17.5	38.3%	22.9
Taxation	(3.6)	(5.2)		(6.9)
NPAT	9.0	12.2	35.6%	16.0
Gross margin	60.8%	60.9%		60.9%
Op expenses / sales	48.8%	46.4%		46.4%
EBITDA margin	12.1%	14.5%		18.7%
EBIT margin	10.9%	13.1%		17.4%
Effective tax rate	28.6%	30.0%		30.0%
Earnings ¢ per share	11.1	15.1		19.8
Dividends ¢ per share	8.0	12.0		12.0

- Sales increase of 16.5% due to new stores opened in last 18 months and strong comp store growth of 5.9%
- Gross margin % mainly in line with last year
- Other income includes \$5.4m net compensation from the NSW Government for the closure of the Nick Scali and Sofas2Go stores at Bella Vista in North West Sydney.
- Operating expenses as a % to sales down over 200 basis points on previous year due to strong sales growth and tight management.
- Statutory NPAT result of \$16.0m for the year
- Record underlying NPAT of \$12.2m (excludes compensation) up 35.6% on last year

Cash Flow – FY13

Year End 30 June (\$m)	FY12	FY13
Receipts from customers	123.7	135.8
Pmts to suppliers/employees	(108.4)	(112.3)
Other	1.0	1.0
Income tax paid	(3.4)	(4.7)
Operating Cash Flow	12.9	19.7
Capital expenditure	(2.2)	(9.3)
Investing Cash Flow	(2.2)	(9.3)
Dividends	(7.3)	(7.7)
Borrowings	0.0	3.3
Interest paid	(0.2)	(0.3)
Financing Cash Flow	(7.5)	(4.7)
Net Cash Flow	3.1	5.8

- Operating Cash Flow up \$6.8m on last year due to improved EBITDA.

- Capital expenditure increased by \$7.1m due to the purchase of the property in Fyshwick, ACT (\$6.5m).

- Borrowings of \$3.3m also relate to the Fyshwick property that was purchased on a 50% LVR.

- Net Cash Flow for the year of \$5.8m was up \$2.7m on last year.



Balance Sheet – FY13

Period End (\$m)	Jun'12	Jun'13
Cash	20.7	26.4
Receivables	0.8	6.4
Inventories	13.6	14.6
Fixed assets	14.6	22.0
Intangibles	2.4	2.4
Other	1.8	2.3
Total Assets	53.9	74.2
Payables	20.7	23.5
Current tax payable	1.7	3.8
Provisions	0.8	3.8
Borrowings	3.5	6.8
Total Liabilities	26.6	37.8
Net Assets	27.4	36.3
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Net cash (debt)	17.2	19.7
Working capital	(6.2)	(2.5)
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- Closing cash up \$5.8m on prior year
- Receivables up \$6.4m due to compensation payment not received until July
- Inventory up marginally due to floor stock required for new stores
- Fixed Assets up \$7.4m due to purchase of Fyshwick Sofas2Go property (\$6.5m)
- Payables up \$2.8m due to an increase in customer deposits at year end
- 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

- Three new stores opened during the year are all performing to expectation:
 - Bankstown (NSW) opened on 29 September 2012
 - Maroochydore (QLD) opened on 12 November 2012
 - Moorabbin (VIC) opened on 15 March 2013
- One store closed during the year at Bella Vista (NSW) due to compulsory acquisition by the NSW Government
- This brings the store network to 33 stores as at 30 June 2013
- We expect at least 2-3 stores to be opened during the FY14

Sofas2Go

- One new store opened during the year at Fyshwick (ACT) on 23 December 2012
- One store closed during the year at Bella Vista (NSW) due to compulsory acquisition by the NSW Government
- Network now a total of 5 stores as at 30 June 2013
- A number of stores currently under negotiation

Outlook – FY14

- The Company experienced good trading conditions in June and July, which will assist first quarter revenues.
- The rapid fall in currency may challenge margins, whilst historically low interest rates may be a catalyst for housing sales and furniture retail growth.
- Monthly trading patterns continue to be volatile and uncertain, with recent retail industry statistics flat.
- As a result, Directors believe it is difficult to predict the FY14 NPAT.
- Store expansion continues.
- The Company is well positioned to capitalise on any improvement in consumer confidence given its strong balance sheet.