

Nick Scali Limited (NCK) - Results Presentation
Half Year Ended 31 December 2013 (1H FY14)



nickscali
FURNITURE

sofas
2go

Key Points – 1H FY14

Sales

- Sales increased 14% to a record \$71.7m (1H FY13 \$62.9m)

Profit

- NPAT increased 22% to a record \$7.9m (1H FY13 \$6.4m)

Dividend

- Interim dividend of 6.0 cents (1H FY13 6.0 cents)
- Equates to a 62% payout ratio

New Stores

- One new store opened during the half

Earnings Summary – 1H FY14

Half Year End 30 December (\$m)	1H FY13	1H FY14	Change
Sales revenue	62.9	71.7	+14%
Cost of sales	(25.3)	(28.4)	
Gross profit	37.6	43.3	
Other income	0.0	0.1	
Operating expenses	(28.0)	(31.5)	
EBITDA	9.6	11.9	+24%
Depreciation	(0.8)	(1.0)	
EBIT	8.8	10.9	+24%
Net interest	0.4	0.4	
Profit before tax	9.2	11.3	+23%
Taxation	(2.8)	(3.4)	
NPAT	6.4	7.9	+22%
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Gross margin	59.8%	60.4%	
Op expenses / sales	44.5%	43.9%	
EBITDA margin	15.3%	16.6%	
EBIT margin	14.0%	15.2%	
Effective tax rate	30.0%	30.0%	
Earnings ¢ per share	8.0	9.7	
Dividends ¢ per share	6.0	6.0	

- Sales increase of 14% due to strong comparable store growth of 8.5% and a full half contribution from new stores opened in previous half.
- Sales orders for the first half were up 8.4%, +4% on a comparable store basis.
- Slight improvement in margin despite a decline in \$A.
- Operating expenses increased in line with store growth and investment in additional resources to support future growth. Overall expenses as a % of sales lower at 43.9% compared to 44.5% in the previous half.
- Record NPAT result of \$7.9m for the half year.



Cash Flow – 1H FY14

Half Year End 30 December (\$m) 1H FY13 1H FY14

Receipts from customers	67.3	82.0
Payments to suppliers/employees	(59.4)	(71.8)
Other	0.5	0.6
Income tax paid	(2.8)	(3.7)
Operating Cash Flow	5.6	7.1
Capital expenditure	(7.3)	(1.3)
Investing Cash Flow	(7.3)	(1.3)
Dividends	(2.8)	(4.9)
Borrowings	3.2	0.0
Interest paid	(0.1)	(0.1)
Financing Cash Flow	0.3	(5.0)
Net Cash Flow	(1.4)	0.8

- Operating Cash Flow increase due primarily to improved EBITDA result.
- Capital Expenditure down and includes new and existing store fit-outs only. Prior period includes the purchase of the Sofas2Go property in Fyshwick ACT for \$6.5m.
- Borrowings in prior period relates to Sofas2Go property purchase in Fyshwick.



Balance Sheet – 1H FY14

Period End (\$m)	Jun 13	Dec 13
Cash	26.4	27.2
Receivables	6.4	0.0
Inventories	14.6	18.9
Fixed assets	22.0	22.4
Intangibles	2.4	2.4
Other	2.1	0.8
Total Assets	73.9	71.7
Payables	23.5	20.0
Current tax payable	3.8	1.6
Provisions	3.5	3.6
Borrowings	6.8	6.8
Other	0.0	0.7
Total Liabilities	37.6	32.7
Net Assets	36.3	39.0
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Net cash (debt)	19.6	20.4
Working capital	(2.5)	(1.1)
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- Strong cash position maintained.
- Receivables at Jun 13 includes \$5.8m related to compensation for the properties resumed by the Government.
- Inventory up \$4.3m due to sales growth, new online product range, additional store and increased ranges.
- Payables down \$3.5m from lower balance of customer deposits due to strong Christmas deliveries.
- Borrowings remain low and limited to property purchases.

Store Network

Nick Scali Furniture

- One new store opened during the half at Castle Hill (NSW) opened in November 2013 and is trading strongly.
- New store for Nick Scali at Taylors Lake in Victoria in March 2014.
- One additional new store planned in 2nd Half which will bring new stores for the year to 3.
- Planning to open 1-2 stores in Western Australia in the second half of FY15 and two new stores in existing markets during the first half of FY15.

Sofas2Go

- Store network is a total of 5 stores as at 31 December 2013

Online Store

- Launched December 17 2013.
- Exclusive collection of replica and designer furniture, not part of the regular Nick Scali range.
- Only available for purchase online.
- Product range displayed in a selection of showrooms in each capital city.
- Ipad kiosks installed in store for easy online purchase.
- Dynamic pricing model.
Competitive space – dynamic pricing is essential.
- Products warehoused & distributed from our DC's in Sydney, Melbourne, Brisbane and Adelaide through our existing logistics network, as well as 3rd party carriers for out of metro sales.
- Focus on immediate availability of products for fast fulfillment (1-3 days).
- Robust, widely deployed e-commerce platform for future expansion.
- Directly interfaced with legacy Nick Scali IT system for data integrity.



Outlook – FY14

- Solid performance in 1st Half FY14 was underpinned by strong sales order growth in Q4 FY 13 and Q1 FY14.
- Q2 FY14 sales orders has shown modest growth which will be reflected in Q3 FY14 Sales.
- January 2014 sales orders were up on the previous year with positive comparative store growth with the remainder of FY14 difficult to predict.
- Given the strong 1st Half results, Directors believe the FY14 NPAT will reflect low double digit growth.