

Nick Scali Limited (NCK) - Results Presentation

Year Ended 30 June 2014 (FY14)

nickscali
FURNITURE

sofas
2go 



Key Points – FY14

Sales

- Sales increased 11% to \$141.4m (FY13 \$127.4m)

Profit

- NPAT (underlying) increased 16% to \$14.2m (FY13 \$12.2m)

Dividend

- Final dividend of 7.0 cents (FY13 6.0 cents)
- Total dividend for the year of 13.0 cents (FY13 12.0 cents)
- Equates to a payout ratio of 74% (FY13 - 79%)

New Stores

- Two new stores opened during the year; all Nick Scali stores

Earnings Summary – FY14

Year End 30 June (\$m)	FY13	FY14	Change
Sales revenue	127.4	141.4	+11%
Cost of sales	(49.9)	(56.0)	
Gross profit	77.5	85.4	
Other income	0.0	0.2	
Operating expenses	(59.0)	(64.2)	
EBITDA	18.5	21.4	+16%
Depreciation	(1.7)	(1.9)	
EBIT	16.8	19.5	+16%
Net interest	0.7	0.8	
Profit before tax	17.5	20.3	+16%
Taxation	(5.3)	(6.1)	
NPAT - Underlying	12.2	14.2	+16%
Other Income – Land Resumption	3.8	-	
NPAT - Statutory	16.0	14.2	
Gross margin	60.8%	60.4%	
Op expenses / sales	46.4%	45.3%	
EBITDA margin	14.5%	15.1%	
Earnings ¢ per share	15.1	17.5	
Dividends ¢ per share	12.0	13.0	

FY13 Statutory NPAT includes one off net benefit of \$3.8m in relation to land resumption compensation.

- Sales revenue up 11% due to strong comparable store growth of 6.3% and a full year contribution from new stores.
- Sales orders up 9.4%, up 4.9% on a comparable store basis. Comparable sales orders for 2nd half were up 5.7%, slightly ahead of first half 4.0%.
- Small Gross Margin % decline. Improved in 2nd half.
- Operating expenses increased from store growth and investment in resources for future growth. Expenses as a % of sales improved from 46.4% to 45.3%.
- NPAT of \$14.2m up 16% on FY13 underlying NPAT of \$12.2m.



Cash Flow – FY14

Year End 30 June (\$m)	FY13	FY14
Receipts from customers	135.8	166.3
Payments to suppliers/employees	(112.3)	(139.1)
Other	1.0	1.1
Income tax paid	(4.7)	(5.9)
Operating Cash Flow	19.8	22.4
Capital expenditure	(9.3)	(2.9)
Investing Cash Flow	(9.3)	(2.9)
Dividends	(7.7)	(9.7)
Borrowings	3.3	0.0
Interest paid	(0.3)	(0.3)
Financing Cash Flow	(4.7)	(10.0)
Net Cash Flow	5.8	9.5

- Continued strong cash flow.
- Operating Cash Flow up 13% to \$22.4m which includes increased investment in inventory categories and ranges.
- Capital Expenditure down and relates to new and existing store fit-outs only. FY13 includes the purchase of the Sofas2Go property in Fyshwick ACT for \$6.5m.
- No new borrowings during the year with prior period relating to Sofas2Go property purchase in Fyshwick.



Balance Sheet – FY14

Period End (\$m)	Jun 13	Jun 14
Cash	26.4	35.9
Receivables	6.4	0.2
Inventories	14.6	19.0
Fixed assets	22.0	22.9
Intangibles	2.4	2.4
Other	2.1	0.0
Total Assets	73.9	80.4
Payables	23.5	27.4
Current tax payable	3.8	2.4
Provisions	3.5	3.4
Borrowings	6.8	6.8
Other	0.0	0.3
Total Liabilities	37.6	40.3
Net Assets	36.3	40.1
Net cash (debt)	19.6	29.1

- Strong cash position maintained.
- Receivables at Jun 13 includes \$5.8m related to compensation for the properties resumed by the Government.
- Inventory up \$4.4m due to sales growth, new online range, additional stores and increased product range.
- Payables up \$3.9m due to higher customer deposits held (\$2.7m) and creditors (\$1.2m).
- Borrowings remain at last year levels and limited to property purchases.



Store Network

Nick Scali Furniture

- Two new stores opened during the year, Castle Hill (NSW) opened in November 2013 and Taylors Lake (VIC) opened in March 2014.
- Expansion into the Western Australian market on track with a distribution centre and new stores planned. We expect to be trading in the 3rd quarter FY15 with up to three stores opened by the end of the year.
- A further three stores planned to be opened during 2nd and 3rd quarters of FY15 in existing markets.

Sofas2Go

- Store network of 5 stores as at 30 June 2014.
- Opportunities continuing to be evaluated as they arise.

Online

- Steady growth experienced since launch in December 2013

Outlook – FY15

- Good trading conditions in June although July orders received were softer.
- Monthly trading patterns continue to be volatile.
- Directors believe it is difficult to predict the FY15 NPAT with house construction improving but unemployment rising.
- Store expansion continues both in existing markets and into Western Australia.

