

Nick Scali Limited  
ABN 82 000 403 896  
Head Office  
3-29 Birnie Avenue  
Lidcombe NSW 2141  
Australia

**nickscali**  
L I M I T E D

Phone: +61 2 9748 4000  
Facsimile: +61 2 9748 4022

---

## **NICK SCALI LIMITED**

### **ANNUAL GENERAL MEETING**

**29<sup>th</sup> OCTOBER 2015  
10h00**

### **CHAIRMAN AND MANAGING DIRECTOR'S ADDRESSES**

## Chairman's Address

*The following is a transcript of the address to shareholders by the Chairman of Nick Scali Limited, Mr John Ingram*

I am pleased to report that for the year ended 30 June 2015 Nick Scali achieved another record sales revenue and net profit after tax. This was a most solid result in a retail trading environment where many consumers remained cautious with their spending, even in the low interest rate environment. Importantly, same store sales increased, as well as the Company benefitting from new store openings.

A fully franked final dividend of 8 cents per share, which was paid on 28<sup>th</sup> October, brings the total dividend for the 2014/15 financial year to 15 cents per share fully franked. This represents a 71% payout ratio and the Board believes that in the present environment, this appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth.

The Company continues its strategy of expansion of the store network into carefully determined locations along with investment in its people. The Nick Scali brand launch into Western Australia was planned and successfully implemented during the year. The reception to the brand has been strong and the region now represents a significant opportunity for the business.

The Board continues to focus on the development of a strong executive team, talented & well trained staff and the maintenance of an appropriately qualified Board. In addition, in the previous year the Board was expanded with the appointment of Carole Molyneux and we continue to keep the appointment of another director under review, to ensure the Board has an appropriate mix of skills as the Company grows.

The Company's strong balance sheet, supported by a healthy cash position and minimal debt, which is utilised for the financing of appropriate property purchases, ensures that the Company has the resources to grow its existing business and also take advantage of future opportunities that may be presented.

I take this opportunity to thank my fellow Directors for their input and support. I also thank Mr Anthony Scali, our Managing Director, for his successful management of the Company over the past year and leading us to these record results. Similarly I thank the executive team and all our loyal employees for their commitment and efforts towards achieving the strong result. Finally, on behalf of the Board, I also thank our shareholders for their continued support.

I will now invite Mr Scali to address the meeting to give us an overview of the operations of the Company and a glimpse of current trading.

## Managing Director's Address

*The following is a transcript of the address to shareholders by the Managing Director of Nick Scali Limited, Mr Anthony Scali*

Thank you John and welcome everyone.

The 10.1% increase in sales revenue to \$155.7m for the year resulted from same store sales growth of 3.4%, some contribution from the seven new stores opened in the latter part of FY15 and a consistent investment in marketing. A strong result given the competitive environment in which we continued to operate.

Net Profit after Tax of \$17.1 million was a pleasing increase of 20% on the previous corresponding period.

Gross margins were slightly higher than last year despite the decline in the Australian dollar throughout the period. This reflected successful foreign exchange management and also an appropriate product range and pricing adjustments.

Operating expenses decreased as a percentage of sales from 45.3% to 44.3% due to continued cost efficiency through the period of sales growth. This was a particularly pleasing outcome given the start-up costs incurred in the expansion into Western Australia.

The higher sales, our ability to hold gross margin above 60% and the continued vigilance in cost control, has delivered the record net profit after tax for the financial year 2015.

During the year, our store network continued to expand with seven Nick Scali Furniture stores opening, bringing the total Group stores at fiscal year end to forty six.

Two new stores opened during the first half of the fiscal year at Rutherford (New South Wales) and Cairns (Queensland) both in late December 2014, in time for the end of season promotion.

In an exciting development, the Nick Scali brand was launched in Western Australia during March 2015. A distribution centre was opened in Perth in the first half and three new stores commenced trading in the second half. These stores are at Joondalup, O'Connor and Osborne Park.

In the eastern states, two new stores were also opened - in West Gosford and Penrith, NSW, in the final quarter of the year.

For the present year so far a store at Casula (NSW) has opened and a fourth store in Western Australia has opened at Midland.

Properties were purchased during the year in Caringbah (NSW) and for the new store at Joondalup (WA). The Company has also purchased properties in the current fiscal year at Nunawading (VIC) and our existing store at Macgregor (QLD), bringing the total number of owned properties to six.

## **Outlook**

I now turn to our current trading performance and I can report that we have made a positive start to the year. Total sales order growth for the first quarter was 34% and comparative sales order growth, on the back of a very strong July trading month, was 10%. This overall result was influenced by the opening of 7 new stores in the 2015 financial year and a further 2 in the current year.

Whilst consumer confidence and attitudes to spending remain unpredictable, our current expectation for net profit after tax for the six months to December 2015 is for growth of approximately 20% on the prior corresponding period.

The Company expects continued sales growth for the full 2016 financial year, driven by the new store openings, particularly, the recent move into Western Australia. Store network expansion continues in conjunction with the strategy to selectively purchase properties where strict financial hurdles are expected to be met. Whilst absorbing capital, these selective purchases will assist in generating improved operating performance over time.

A continuing decline in the Australian dollar will bring further challenges in maintaining sales and/or margins and this will continue to require careful management.

Overall, the business is well placed to face the challenges expected in the current year and presently expects another year of profit growth.

In conclusion, on behalf of the Company I want to thank all of our employees for their hard work during the year and I would also like to thank my fellow Directors for their guidance and support throughout the year and I look forward to their continued support into the future.