

Nick Scali Limited (NCK)
Results Presentation - Half Year 2016 (H1-16)
9 February 2016

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L I M I T E D



Key Highlights : H1-16

Sales

Sales increased 32% to \$102.5m (H1-15: \$77.6m)

Profit

NPAT increased 41% to \$14.1m (H1-15: \$10.0m)

Dividend

Interim dividend of 9.0 cents per share fully franked
(H1-15: 7.0 cps)

New Stores

Two new stores opened during the half

Earnings Summary : H1-16

Year Ended 30 June	H1-16 \$m	H1-15 \$m	Change %
Sales Revenue	102.5	77.6	+ 32%
Cost of sales	(41.0)	(30.9)	
Gross Profit	61.5	46.8	+ 31%
Other income	0.2	0.2	
Operating Expenses	(40.5)	(32.0)	+ 27%
EBITDA	21.1	15.0	+ 41%
Depreciation	(1.1)	(1.0)	
EBIT	20.0	14.0	+ 43%
Net Interest income	0.3	0.4	
Profit before tax	20.2	14.4	+ 41%
Taxation	(6.1)	(4.3)	
Net profit after tax	14.1	10.0	+ 41%
Gross margin	60.0%	60.3%	
Operating Expense to sales	39.5%	41.2%	
EBITDA margin	20.6%	19.3%	
Effective tax rate	30%	30%	
Earnings per share	17.4	12.4	
Dividends per share	9.0	7.0	

- Sales increase of 32% from same store sales growth of 11.6% and the contribution from the opening of new stores
- Total sales orders for the first half were +37% and comparative sales order growth was +12%
- Gross margin maintained at 60.0% (H1-15: 60.3%) despite the falling Australian dollar
- Operating expenses increased by \$8.5m to \$40.5m but decreased as a percentage to sales to 39.5% (H1-15: 41.2%). The increase in operating expenses relates mostly to new store costs and strengthening of the head office and management team
- NPAT result of \$14.1m up 41% for the half year (H1-15: \$10.0m)
- The directors declared a fully franked interim dividend of 9.0 cps (H1-15: 7.0 cps) with a record date of 2nd March 2016 and a payment date of 23rd March 2016

Balance Sheet : H1-16

Year Ended 30 June	Dec 15 \$M	Jun 15 \$M
Cash and term deposit	25.1	33.7
Receivables	0.2	0.2
Inventories	27.5	24.2
Fixed assets	52.0	35.1
Intangibles	2.4	2.4
Other	0.3	0.7
Total Assets	107.4	96.3
Payables	30.2	33.2
Current tax liabilities	1.8	1.1
Provisions	3.3	3.2
Borrowings	18.7	12.1
Other	0.1	0.5
Total Liabilities	54.1	50.1
Net Assets	53.4	46.2
Net cash	6.4	21.6

- Inventory up \$3.3m mainly due to new stores
- Payables down \$3.0m from lower balance of customer deposits
- Fixed assets up \$16.9m as properties purchased at Macgregor (Qld) and Nunawading (Vic) in October 2015
- Borrowings up \$6.6m in relation to financing of the Macgregor and Nunawading property purchases
- All borrowings relate to property, the total value of which is ~\$42m and is included in Fixed Assets
- Strong cash position maintained



Cash Flow : H1-16

	H1-16 \$m	H1-15 \$m
Receipts from customers	112.7	80.0
Payments to suppliers/employees	(98.1)	(70.6)
Interest received	0.4	0.6
Income tax paid	(5.7)	(4.3)
Operating Cash Flow	9.5	5.8
Capital expenditure	(18.0)	(7.2)
Investing Cash Flow	(18.0)	(7.2)
Dividends	(6.5)	(5.7)
Borrowings	6.6	3.0
Interest Paid	(0.2)	(0.2)
Financing Cash Flow	(0.1)	(2.9)
Net Cash Flow	(8.6)	(4.3)

- Operating Cash Flow increased from prior comparative period primarily due to the sales increase with nine new stores opened over the past 12 months and combined with comparable sales growth of +11.6% in H1-16
- Capital Expenditure increased from the purchase of the Macgregor property for \$9.1m and the Nunawading property for \$4.4m with a corresponding increase in borrowings of \$6.6m to part finance these acquisitions
- FY15 final dividend of 8.0 cps paid in October 2015 (FY14: 7.0 cps)



Store Network

Nick Scali Furniture

- 2 new stores opened during H1-16 at Casula (NSW) and Midland (WA) in August and September 2015 respectively and 4 existing stores were refurbished
- The stores in Western Australia continue to trade well and contribute favourably to the Group results
- Store network expansion continues in conjunction with the strategy to selectively purchase properties
- A total of 4-6 new stores are expected to open in existing markets over the next 12 months
- The Company still has considerable store network expansion opportunities. Following a recent review, the network target remains at 75 stores in Australia/New Zealand

Sofas2Go

- Store network includes a total of 5 stores as at 31 December 2015



Store Numbers at 31 December 2015	Nick Scali Furniture	Sofas2GO	Total
NSW	16	3	19
VIC	10	1	11
QLD	8		8
SA	4		4
ACT	1	1	2
WA	4		4
	43	5	48

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FURNITURE

sofas
2go 

Outlook

- January is traditionally the Company's strongest trading month of the year for sales orders received and January 2016 saw a 24% growth in total sales orders and a 3.3% growth in comparative sales orders over the prior comparative period
- Current expectation is for net profit after tax for FY16 to be in the range of \$22 to \$24 million



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