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NICK SCALI LIMITED

ANNUAL GENERAL MEETING

**27th OCTOBER 2016
12h00**

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 the financial year ended 30 June 2016 was a record year for Nick Scali in terms of sales revenue and net profit after tax. This result was achieved in a buoyant retail trading environment for our sector. The exceptional profit growth achieved in FY16 was driven by the large number of store openings and strong comparable store growth.

A fully franked final dividend of 14 cents per share and a special dividend of 3 cents per share (totalling 17 cents per share), which was paid on 26th October, brings the total dividend for the 2015/16 financial year to 26 cents per share, fully franked. The dividend payout ratio for the full year of 71% (excluding the special dividend) appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth, with the special dividend being a recognition of the particularly strong result and the Company's franking credit balance.

Nick Scali Limited continues its strategy of expansion of the store network into carefully determined locations, along with investment in its people. The strong balance sheet, supported by a healthy cash position and minimal debt, ensures that the Company has the resources to grow its existing business and also take advantage of future opportunities that may be presented.

Today's meeting is one of great significance:

1. In March of this year, the Scali Family rebalanced their family investment portfolio which resulted in the reduction of their overall holding in Nick Scali Limited from 50% to 27.3%. This shareholding, which is subject to conditions precedent, will be held by Anthony Scali and his associated entities. Anthony, by increasing his personal ownership, has demonstrated his commitment and confidence in the Company's future.
2. Mr Nick Scali advised the Board of his intention to retire and not seek re-election at this AGM. Nick founded the Company over 54 years ago and is widely recognised as a leader and a visionary in the furniture industry. On behalf of the Board, staff and shareholders, I would like to thank Nick for his service and contribution to the success of the Company and in particular as a member of the Board since listing in 2004. We all join in wishing Nick a long and well deserved retirement and hope that he enjoys it in good health and happiness.
3. I would also like to recognise the service and contribution made by Nicky Scali who retired from the Company in April after 23 years of service as a senior executive of the Company and we wish him well for the future.

The Board continues to focus on the development of a strong executive team, talented and well trained staff and the maintenance of an appropriately qualified Board.

In conclusion, the Board expresses its sincere thanks to Mr Anthony Scali, our Managing Director, for his successful management of the Company over the past year and leading us to another year of record results, and also thanks to our employees, whose commitment and dedication allows us to deliver value to our shareholders and our customers.

As Chairman of the Board, I would also like to express my thanks to my fellow Directors for their continued support and contribution to the success of Nick Scali Limited

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.

For the fourth consecutive year, in the year to 30 June 2016, your Company achieved another record profit and continues to deliver on its strategy of executing careful network growth and furthering operational efficiency.

The 30.4% increase in sales revenue to \$203.0m for the year resulted from same store sales growth of 11.1%, seven stores opened during FY15 and now trading for the full year FY16, and two new stores opened in early FY16. A strong result given the competitive environment of our sector.

Net Profit after Tax of \$26.2 million was an increase of 53% on the previous corresponding period.

The Company's gross margin held strong at 60.8%, slightly better than last year's 60.7%, despite the decline in the Australian Dollar through the period. This again resulted from tight control of both pricing and product together with consistent foreign exchange management.

Operating expenses as a % of sales decreased from 44.3% to 41.3%. This reduction came about from the economies of scale and operating efficiencies derived from our substantial growth in sales and volume off existing infrastructure.

The WA business which was launched in FY15 with three stores and a further store added in FY16, has made a significant contribution to the growth of the sales and profit in FY16. It has exceeded our expectations and demonstrates the ability of our brand to enter a new market and almost immediately gain significant market share.

Outlook

I now turn to our current trading performance and I can report that for the first quarter of this fiscal year there has been a continuation of the favourable trading conditions we experienced the previous year.

Again similar to the previous year we have seen strong same store sales growth across all our national markets with New South Wales being the standout.

In the current financial year we have opened two new stores, the first was in Geelong, Victoria and the second was in Hobart our first store in Tasmania. Both these two stores have traded well since opening in mid - August.

In December we will open our third store for this year in Jandakot, Western Australia.

In the second half we expect to open a further 2-3 stores, achieving our 5-6 new store target for the year.

A new, custom built and larger warehouse facility for NSW is to be constructed for the Company and is expected to open in June 2017 to support the growth of the business and to improve supply chain efficiency.

Our long term store network target remains at around 75 stores across Australia and New Zealand. The Company is in the early planning phase for the launch of the Nick Scali brand into New Zealand in fiscal year 2018.

In conclusion, for the fiscal year 2017, the Company expects another year of profit growth along with the continued expansion of our store network.

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.