

H1 FY22 Results Presentation

3 February 2022



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H1 FY22 Highlights

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Sales Revenue
\$180.3m¹
(+5.4% vs H1 FY21)

Acquisition of Plush
completed Nov 21
for \$101.4m

Outstanding Order
Bank
\$174.7m
(H1 FY21: \$103.1m)

Underlying Net
Profit After Tax²
\$35.6m
(H1 FY21: \$38.1m)

Interim Dividend
35.0 cents per share
Payout Ratio³ 84.5%
(H1 FY21: 79.8%)

Store Network
108 Showrooms
Nick Scali Furniture: 62
Plush: 46

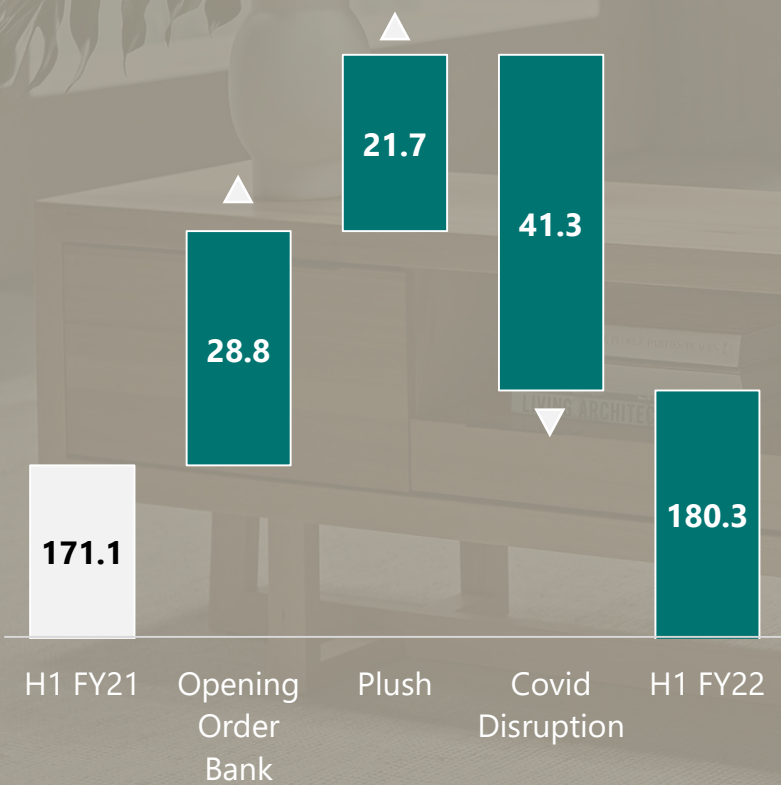
¹ Includes \$21.7m or revenue for Plush for the two months post-acquisition

² Underlying net profit after tax excludes the impact of one-off items. See Appendix 1

³ Payout ratio calculated on a statutory net profit after tax basis, without adjusting for the impact of one-off items

Revenue

Sales revenue (\$'m)



Revenue growth (%)

vs H1 FY21

Total	+5.4%
Nick Scali	-7.5%

- Despite elevated opening order bank at 1 July 2021, Nick Scali revenue down due to Covid disruption to three areas:
 - Temporary store closures between July and November;
 - Lockdowns in sourcing locations; and
 - Shipping container availability
- Revenue of \$21.7m delivered for Plush from order bank acquired on 1 November 2021

Sales Orders & Trading

Group Sales Orders Total

- Total written sales orders of **\$203.4m**, representing growth of 6.4% on H1 FY21

Nick Scali

- Q1 trading capacity reduced by 55% vs FY21 due to temporary store closures in NSW, Victoria and New Zealand
- Total Nick Scali written sales orders of **\$171.8m**, down 10.1% vs H1 FY21, due to temporary store closures
- ¹Underlying like-for-like written sales order growth of 4.9% vs H1 FY21
- Total written sales orders for Nick Scali Online totalled \$16.6m, up 88.6% vs H1 FY21

Plush

- Written sales orders for Plush totalled **\$31.5m** for the two months post-acquisition, up approximately 15% vs H1 FY21

Group Outstanding Order Bank

- Total order bank at 31 December 2021 of **\$174.7m**, up 69.4% on December 2020

Nick Scali Outstanding Order Bank

- Nick Scali order bank closed at **\$123.7m**, compared to \$103.1m at December 2020. It has increased further during January

Plush Outstanding Order Bank

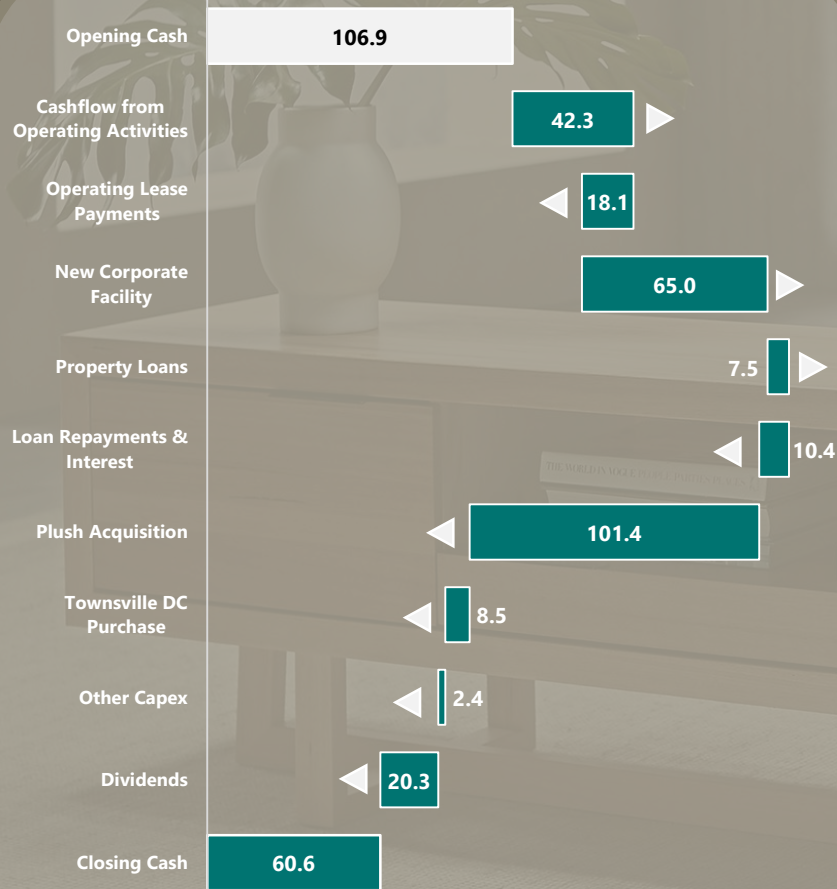
- Order bank at 31 December was **\$51.0m**, with similar ageing profile and days outstanding to Nick Scali

¹ Underlying like-for-like written sales order growth is calculated on a monthly store-by-store basis, and excludes the results of stores for complete months that included periods of temporary closure in either the current or comparative reporting period

Financial Performance

	H1 FY21	H1 FY22
Sales revenue	171.1	180.3
Cost of sales	(61.6)	(66.4)
Gross profit	109.5	113.9
Other income	0.8	0.7
¹ Operating expenses	(37.4)	(41.6)
Depreciation	(15.5)	(17.9)
Finance costs	(3.3)	(3.9)
¹Underlying profit before tax	54.2	51.2
Income tax	(16.1)	(15.7)
¹Underlying profit after tax	38.1	35.6
¹Underlying EBITDA	72.7	73.0
¹Underlying EBIT	57.2	55.1

¹ Operating expenses and underlying EBIT, EBITDA and net profit after tax exclude the impact of one-off items. See Appendices 1 & 2

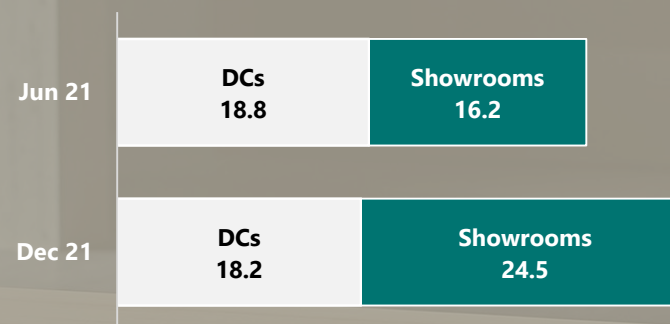


- Cash of **\$24.2m** generated from operating activities (incl. operating lease payments)
- Five year \$65m corporate facility secured to fund Plush acquisition. \$10m repaid in December 2021
- Net \$101.4m paid to acquire Plush
- Further \$7.5m borrowed to fund \$8.5m purchase of new DC and showroom in Townsville
- \$20.3m returned to shareholders through payment of final FY21 dividend (25.0 cps)
- Closing cash on hand at 31 December 2021 in excess of \$60m

Balance Sheet

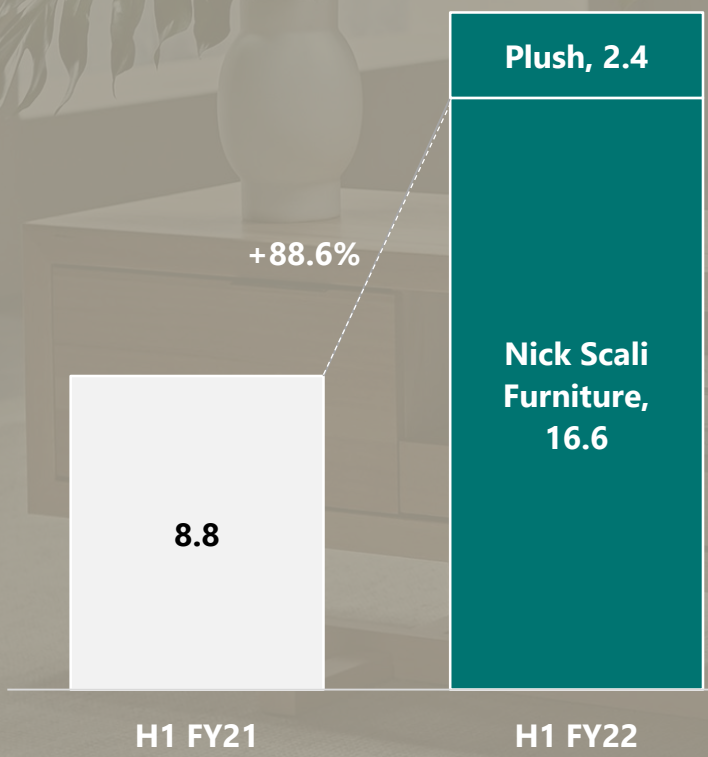
	Jun 21	Dec 21
Cash	106.9	60.6
Inventory – In transit	11.7	17.7
Inventory – On hand	35.0	42.7
Property – At net book value	83.4	91.2
Plant & equipment	15.2	20.8
Leased assets	170.9	224.2
Intangibles	2.7	122.6
Other assets	11.0	10.4
Borrowings	33.7	96.2
Payables	22.1	25.9
Lease liabilities	193.3	246.9
Deferred revenue	53.2	78.2
Provisions	5.0	8.7
Tax and other liabilities	15.5	8.0
Net assets	114.0	126.3

Inventory – On hand (\$'m)



- Property assets increase with Townsville purchase
- \$119.8m of intangibles arising from Plush acquisition (Brand - \$38.0m; Website - \$0.8m; Goodwill - \$80.1m)
- Borrowings increased through ANZ corporate facility (\$55.0m) and incremental property debt (\$7.5m)

Online written sales orders(\$'m)



- Nick Scali Online written sales orders of \$16.6m, up 88.6% vs 1HFY21, supplemented by online written sales orders of \$2.4m for Plush, post-acquisition
- Nick Scali Online revenue of \$13.7m delivering an incremental EBIT contribution of \$8.0m
- Plush online revenue of \$1.8m for the two months post-acquisition
- Nick Scali E-Commerce offering launched in New Zealand in October 2021, Australia to follow

Plush Acquisition

Overview

- Acquisition of 100% of Plush-Think Sofas Pty Ltd completed on 1 November 2021 for **\$101.4m** on an adjusted cash-free debt-free basis
- Funded through debt (\$65.0m) and existing cash reserves (\$36.4m), with \$10m repaid in December 2021
- Network of 46 showrooms across mainland Australia, and over 280 employees
- Order bank of \$42.1m outstanding orders acquired
- Sales orders of \$31.5m written in the two months post-acquisition
- Contribution of \$1.8m to net profit after tax recognised by NCK in H1 FY22

Opportunities

- Supply chain synergies
 - consolidation of overseas suppliers
 - optimisation of shipping and inbound logistics
 - utilisation of existing NCK DC facilities
 - leverage final mile delivery network
- Leverage dual brands to accelerate store roll-out
 - improved viability of regional/sub-scale markets
 - increased access to preferred sites
- Corporate rationalisation and increased operating leverage

Store Network



	Jun 2021	New Stores	Dec 2021	Target
Nick Scali				
Australia	57	-	57	73
New Zealand	4	1	5	13
	61	1	62	86
Plush Think Sofas				
Australia	46	-	46	85-90
New Zealand	-	-	-	5-10
	46	-	46	90-100
Total	107	1	108	176-186

Location	Date Acquired	Net Lettable Area (m ²)
Auburn, NSW	Dec 2017	5,469
Auburn, NSW	Feb 2020	788
Alexandria, NSW	Jul 2010	1,680
Caringbah, NSW	Jul 2014	2,633
Fyshwick, ACT	Nov 2012	4,120
Nunawading, VIC	Sep 2014	2,667
Macgregor, QLD	Oct 2015	4,839
Townsville, QLD	Nov 2021	5,396
Keswick, SA	Jul 2020	2,573
Joondalup, WA	Mar 2015	2,198
Total		32,363

Historical cost	\$98.5m
<i>Net book value</i>	<i>\$91.2m</i>

- Townsville purchase of a combined showroom and distribution centre completed in November 2021
- Redevelopment of the Fyshwick property expected to reach handover in February 2022
- Property acquisition remains a key component of the Nick Scali group strategy

FY22 Outlook

	Jan FY22	
	vs FY21	vs FY20
Group¹		
Total Written Sales Orders	+ 30.5%	+92.0%
Outstanding Order Bank	+ 70.0%	+286.1%
Nick Scali		
Total Written Sales Orders	- 6.0%	+38.3%
Plush²		
Total Written Sales Orders	- 0.7%	+ 39.9%

- January trading has provided a strong foundation for revenue growth
- Trading during January in Nick Scali stores was down 6% due to a 25% decline in store traffic and difficulties caused by the Omicron variant. However, the Group saw a marked improvement in traffic and sales orders towards the end of the month
- Plush delivered sales orders in January in line with January 2021, benefitting from a redirection in media spend
- Overall, the outstanding order bank at the end of January 2022 was 70% higher than in the previous year.
- The Group's suppliers have recently reinstated normal lead times, and this should facilitate revenue growth over the coming months. However, shipping costs and the availability of containers remains uncertain, and will be a major obstacle in the delivery of the outstanding order bank. Whilst the Group continues to expect revenue to increase materially during the second half, the costs of shipping could well impact profitability during the period.

¹ Group figures only include Plush figures for the period of NCK ownership only (ie. Plush figures are excluded from FY21 and FY20 comparative figures)

² Plush figures include comparative periods outside NCK ownership



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This document should be read in conjunction with the H1 FY22 Results Announcement and H1 FY22 Appendix 4D

Appendix 1

NPAT Reconciliation

	H1 FY21			H1 FY22		
	<i>Reported</i>	¹ <i>One-off Items</i>	<i>Underlying</i>	<i>Reported</i>	² <i>One-off Items</i>	<i>Underlying</i>
Sales revenue	171.1	-	171.1	180.3	-	180.3
Cost of sales	(61.6)	-	(61.6)	(66.4)	-	(66.4)
Gross profit	109.5	-	109.5	113.9	-	113.9
Other income	0.8	-	0.8	0.7	-	0.7
Operating expenses	(33.8)	(3.6)	(37.4)	(44.5)	2.9	(41.6)
Depreciation	(15.5)	-	(15.5)	(17.9)	-	(17.9)
Finance costs	(3.3)	-	(3.3)	(3.9)	-	(3.9)
Profit before tax	57.8	(3.6)	54.2	48.3	2.9	51.2
Taxation	(17.2)	1.1	(16.1)	(14.8)	(0.9)	(15.7)
Profit after tax	40.6	(2.5)	38.1	33.6	2.0	35.6

¹ One-off items in H1 FY21 relate to the JobKeeper wage subsidy received in H1 FY21, and subsequently repaid in H2 FY21

² One-off items in H1 FY22 relate to the acquisition of Plush-Think Sofas Pty Ltd

Appendix 2

EBIT Reconciliation

	H1 FY21	H1 FY22
Reported EBITDA	76.3	70.1
¹ One-off items	(3.6)	2.9
Underlying EBITDA	72.7	73.0
Depreciation & Amortisation	(15.5)	(17.9)
Underlying EBIT	57.2	55.1

¹ One-off items in H1 FY22 relate to the acquisition of Plush-Think Sofas Pty Ltd. One-off items in H1 FY21 relate to the JobKeeper wage subsidy received in H1 FY21, and subsequently repaid in H2 FY21