

Macquarie Conference Investor Presentation 4 May 2022

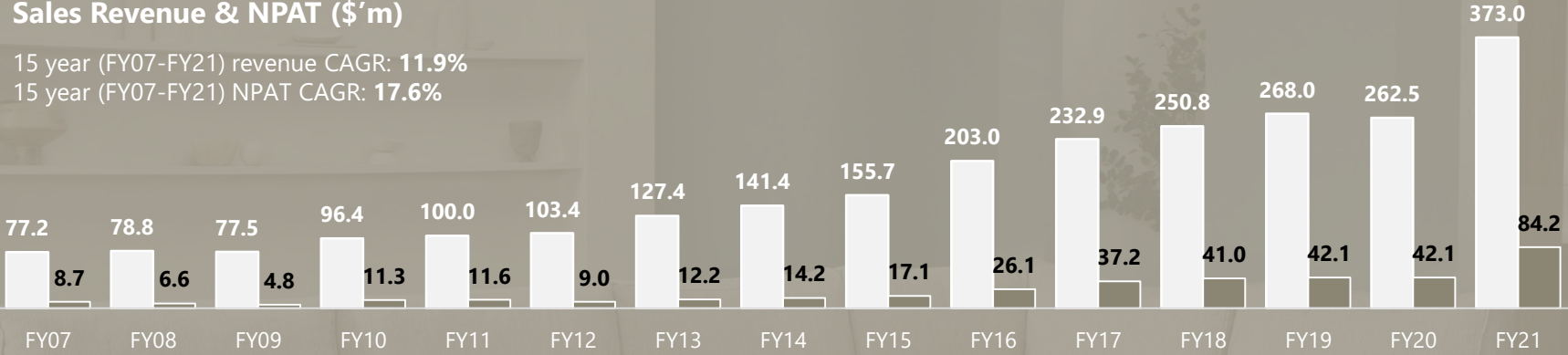


nickskali
L I M I T E D

Historical Performance

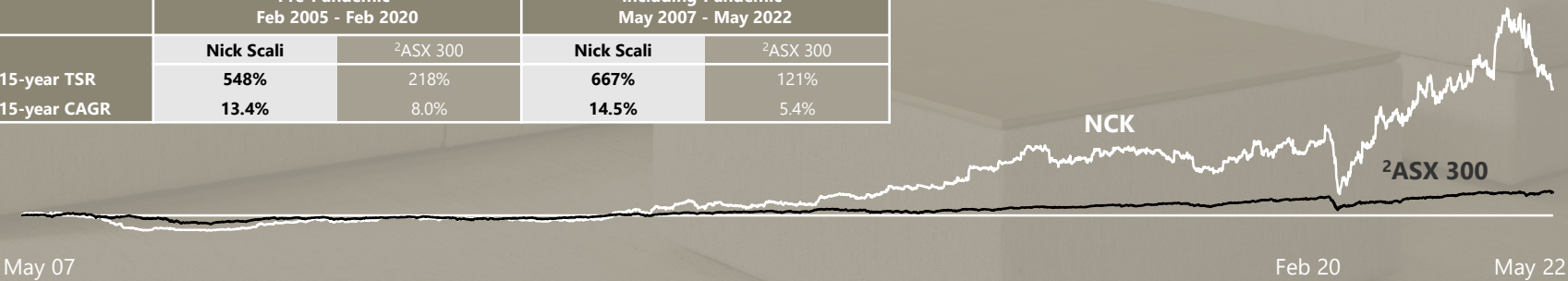
Sales Revenue & NPAT (\$'m)

15 year (FY07-FY21) revenue CAGR: **11.9%**
 15 year (FY07-FY21) NPAT CAGR: **17.6%**



Total Shareholder Return (NCK vs ASX 300 Accumulation index)

	Pre-Pandemic ¹ Feb 2005 - Feb 2020		Including Pandemic ¹ May 2007 - May 2022	
	Nick Scali	² ASX 300	Nick Scali	² ASX 300
15-year TSR	548%	218%	667%	121%
15-year CAGR	13.4%	8.0%	14.5%	5.4%



¹ Pre Pandemic Total Shareholder Return from 28 February 2005 to 28 February 2020, Including Pandemic Total Shareholder Return from 2 May 2007 to 2 May 2022
² ASX300 Accumulation Index

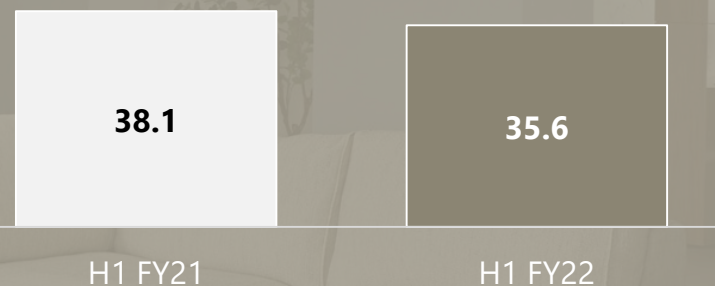
H1 FY22 Recap

Sales revenue (\$'m)



- Revenue up 5.4%
- Nick Scali revenue (\$158.6m) down due to temporary store closures of approximately 60% of the store network between July and November, lockdowns in sourcing locations, and shipping container availability
- Plush revenue (\$21.7m) was delivered from order bank acquired on 1 November 2021

Underlying net profit after tax¹ (\$'m)



- Underlying NPAT¹ down 6.6%, due to temporary store closures and supply chain disruption
- Gross margin 63.2%
- CODB adversely impacted by Plush acquisition

¹ Underlying net profit after tax excludes the impact of one-off items (One-off items relate to the acquisition of Plush-Think Sofas Pty Ltd in H1 FY21 and the JobKeeper wage subsidy received in H1 FY21)

Cashflow & 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

H1 FY22 Recap

- 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 final FY21 dividend (25.0 cps)

Q3 FY22 Update

- \$4.8m spent on redevelopment of Fyshwick property
- \$28.4m returned to shareholders through interim FY22 dividend (35.0 cps)
- Land secured for development of a new distribution centre to service Brisbane and SE Queensland

H2 FY22 Trading Update

H2 FY22 (To 30 April)

	\$m	vs FY21
Group		
Total Written Sales Orders	182.2	+ 36.5%
Outstanding Order Bank	199.3	+ 89.6%

Written Sales Orders, by Brand

- Nick Scali	133.3	- 0.1%
- Plush	48.9	n/a ¹

H2 FY22, to 30 April

- Written sales orders for the four months to April, including Plush, totalled \$182.2m, up 36.5% on FY21
- Total written sales orders for Nick Scali for the four months from January to April 2022 were in line with the same period last year. This is despite a decline of 6% in January 2022, due to the escalation of the Omicron outbreak that significantly reduced store traffic at the start of the year. This improvement has been underpinned by the performance of the Australian stores.
- The Q3 trading momentum continued through April, with written sales orders for the Group up 41.4% on April 2021
- Nick Scali stores recorded sales orders growth of 7.5% in April, with comparable store sales order growth of 4.4%
- Consequently, the outstanding order bank at the end of April remains elevated, up almost 90% on the previous year

¹ Written sales orders comparatives are not applicable for Plush due to changes in policies and practices introduced by NCK since January 2022 (eg. exclusion of delivery fees, monthly reporting calendar, recognition of returns and non-recognition of low deposit orders or non-confirmed delivery date orders)

Plush Acquisition

Overview

- Plush is a leading lounge retailer with a network of 46 showrooms across mainland Australia, and over 280 employees



- 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

Strategic Rationale

- Complimentary offering and business model
- Significant synergies from integration
 - aligned distribution
 - supplier consolidation
 - shared corporate infrastructure
- Platform for growth
 - store network expansion
 - enhanced group buying power

Plush Integration Gross Margin Initiatives

Pre Integration



Post Integration

Product Range

- Core range of 45 lounges
- Top 20 lounges account for 90% of sales
- 80% of lounges priced \$3,500-\$5,500



- 50% of range replaced with new models
- Price range widened to include lower price points, generating additional volume at better margin

Supplier Base

- Two international lounge suppliers



- Leverage existing NCK supplier base for better value proposition

Customer Delivery

- Customer delivery provided by Plush contractors
- 15%-20% failed delivery rate, resulting in significant excess cost to the business



- Utilise capacity within the NCK delivery network
- Leverage existing contractual agreements in place for the Group

Selling Practices

- Discretionary store-level discounting
- Complex retail policies resulted in significant returns and excess inventory
- Transaction fees absorbed into cost base



- Promotional pricing, aligned to marketing calendar
- Policy changes to improve inventory management
- Recovery of transaction fees (credit card fees and third party finance)

Historical Gross Margin: 50%-52%



Target Gross Margin: 60%+

Plush Integration

Cost of Doing Business Initiatives

Pre Integration



Post Integration

Logistics & Warehousing

- Mix of third party logistics facilities across five locations
- No common platform or warehouse management system (WMS)



- Integration of Plush logistics capability within the existing NCK DC facilities
- All inventory and warehousing for whole Group managed through NCK's existing WMS

Marketing

- Media spend across variety of channels, with low frequency
- Wide use of agencies for all marketing services



- Alignment of media spend with NCK, leveraging preferential rates across Group

Corporate

- Senior management team with employment expenses of approximately \$2m per annum
- Significant standalone corporate costs (eg. IT)



- Consolidation of management team and head office functions in Sydney
- Leverage existing NCK IT systems and capability
- Combined off-shore support functions

Store Operations

- Localised recruitment and rostering
- In-store management of G&A costs



- Centralised recruitment and rostering, aligned to promotional activity and store network strategy
- Store management refocused on driving sales, with cost management centralised

Store Network



	Current	Planned New Stores (H1 FY23)	December 2022 Target	Long Term Target
Nick Scali				
Australia	57	2	59	73
New Zealand	5	-	5	13
Total	62	2	64	86
Plush				
Australia	46	3	49	85
New Zealand	-	-	-	15
Total	46	3	49	100
Total	108	5	113	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

Fyshwick Redevelopment

March 2022

Annualised rental saving of \$0.6m + lease income

Townsville Acquisition & Redevelopment

May 2022

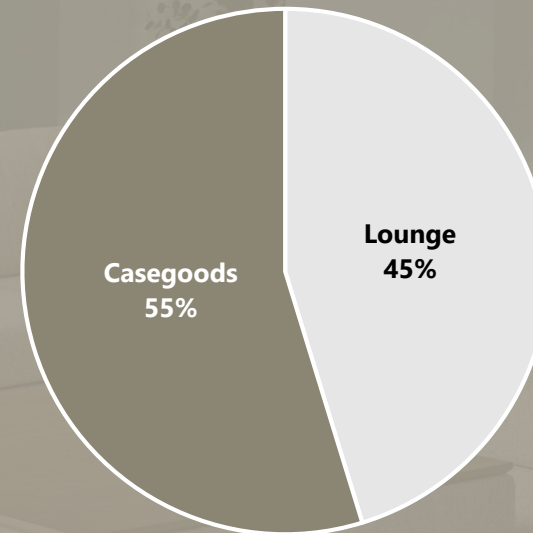
Annualised rental saving of \$0.5m



Overview

- Nick Scali online launched in April 2020
- Nick Scali Group online sales orders of \$16.6m in 1H FY22, up from \$8.8m in 1H FY21
- Nick Scali Online revenue of \$13.7m in 1H FY22, incremental EBIT contribution of \$8.0m¹
- Online sales orders up 43% YoY in the four months to April 2022, driven by strong performance of the online sales team and additional transactions via the New Zealand eCommerce platform (launched in Oct 2021)
- Casegoods continue to make up the majority of online sales orders despite lounge sales improving as a result of enhanced selling tools
- Australian launch of eCommerce offering in May to provide incremental growth based on NZ experience
- Improvement of the Plush eCommerce offering to drive additional growth in omnichannel sales

Nick Scali Online Product Mix



¹ EBIT contribution calculated as revenue minus cost of goods sold, selling costs, marketing, employment and general administrative expenses before logistics costs

Pillars of Growth

1

Plush

- Focused on improvement of the Plush business through better merchandising and store presentation

2

New store roll-out

- Roll-out of the Nick Scali and Plush brands across Australia and New Zealand
- Current network of 108 stores has scope to increase by 78 stores, leveraging Group infrastructure across distribution and shared services

3

Online

- Continued growth of the Groups online platforms to supplement the in-store experience
- New product categories to support further revenue growth within the Nick Scali brand

4

Acquisitions

- Capitalise on further acquisition opportunities that may arise

FY22 Financial Year

- Given the scale of the outstanding sales order bank and deliveries in Q3 FY22, the Group entered the final quarter of FY22 in a strong position to deliver revenue and profit growth on the prior year. This is despite lockdowns impacting sales orders during the first half of FY22 and temporary impacts to margin a result of unforeseen increases to freight costs following the Vietnam lockdown
- The Group's result will continue to benefit from the inclusion of Plush which will contribute positively to profit this financial year
- However, with current lockdowns in sourcing locations and ongoing delays in shipping as a result, the extent to which revenue and ultimately profit will be recognised this financial year cannot be accurately forecast at the current time.
- Regardless of the level of deliveries that are completed by 30 June 2022, the Group expects to enter FY23 with an elevated order bank, and this will provide a solid platform for revenue delivery in Q1 FY23



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