

6 February 2023

Results announcement – half-year ended 31 December 2022 (H1 FY23)

Underlying Result

A\$m	HY23	HY22 ¹ Underlying	Change
Revenue (\$m)	283.9	180.3	+57.4%
Net profit after tax (NPAT, \$m)	60.6	35.6	+70.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA, \$m)	112.2	73.0	+53.4%
Earnings before interest and tax (EBIT, \$m)	91.2	55.1	+65.5%
Gross margin	62.0%	63.2%	-120bps
Cost of doing business (CODB, expenses including depreciation and finance costs, % to sales)	32.3%	35.2%	-290bps
EBIT margin (% to revenue)	32.1%	30.6%	+150bps
Basic earnings per share (EPS, cents)	74.8	44.0	+70.0%
Interim dividend per share (cents)	40.0	35.0	14.3 %

Overview

Furniture retailer Nick Scali Limited ("the Group") (ASX: NCK) today reported its results for the half-year ended 31 December 2022, with EBIT of \$91.2m and a net profit after tax of \$60.6m. In 1H FY23 there are no adjustments from statutory to underlying results.

Record deliveries due to the large outstanding order bank at 30 June 2022 resulted in 1H FY23 revenue of \$283.9m, 57.4% above H1 FY22. The current period includes six months of revenue contribution from Plush-Think Sofas Pty Ltd ("Plush") which was acquired on 1 November 2021.

Group gross margin of 62.0% improved 2.5% compared to 2H FY22 Group gross margin of 59.5% due to improving margin in Plush as acquisition synergies continued to be realised through combined Group product sourcing. Nick Scali brand gross margin of 62.5% was consistent with FY22.

Cost of doing business as a percentage of revenue improved 2.9% to 32.3%. Total expenses reflect the inclusion of Plush for the full current period, and additional temporary local distribution costs to support the increased delivery volumes in the period. The Plush integration is complete with IT & distribution now fully integrated. Synergy savings of \$20m annualised have now been realised compared to pre-acquisition Plush cost of doing business².

Net profit after tax of \$60.6m increased 70.2% compared to H1 FY22.

¹ The underlying results in the prior period exclude the impact of one-off items relating to the acquisition of Plush-Think Sofas Pty Ltd, which totalled \$2.9m in H1 FY22. There are no adjustments from statutory to underlying in 1H FY23.

² Cost of Doing Business includes operating expenses, depreciation, and finance costs.

Group written sales orders the period were \$210.3m, representing growth of 3.4% on the prior corresponding period.

Nick Scali brand written sales orders declined 3%, cycling off strong demand in 1H FY22 after lockdowns lifted.

Cash of \$35.1m was generated from operating activities net of operating lease and interest payments, an increase of 45% compared to \$24.2m in the prior period. Capital investments of \$10.8m in the period included \$7.8m for land acquired for the construction of a new Queensland distribution centre.

Commenting on the result, the Managing Director, Anthony Scali, said "Record revenue in the half has been a tremendous achievement by our distribution teams which demonstrates the operational capacity in the business to support future volume growth. The integration of Plush is now complete with IT and distribution operations integrated during the half and we are well placed to grow our store network under both brands. In 2H FY23 we are commencing a twelve-month programme of refurbishment of over 40 Plush stores with new and improved product, image and store appeal to customers. We are excited about the potential to improve foot traffic and conversion in the current Plush store network. "

Dividends

This morning, the directors declared a fully franked interim dividend of 40 cents per share, with a record date of the 7 March 2023 and a payment date of 28 March 2023. This represents a payout ratio of 53.5% (H1 FY22: 85%).

Store Growth

During the half, one new Nick Scali store in Helensvale Queensland and one new Plush store in Capalaba Queensland were added to the store network.

The company maintains its long-term target of at least 85 Nick Scali stores and 90-100 Plush stores.

Online

Nick Scali brand online written sales orders were \$12.0m for the half, compared to \$16.6m in 1H FY22 which benefitted from temporary store closures due to Covid 19 lockdowns. January 2023 Nick Scali brand online written sales orders were 13% above January 2022. ¹Contribution to profit from Nick Scali online 1H FY23 revenue of \$14.1m was \$8.1m, a 57.5% margin on revenue

Outlook

January is the strongest trading month and was better than the Group's expectations.

The Group had anticipated a slowdown compared to the Covid 19 boom yet trading remains better than pre Covid 19 despite rising interest rates. Nick Scali brand written sales orders were 12.1% below January 2022 and 22.9% above pre Covid 19 January 2020.

¹ Contribution to profit calculated as revenue minus cost of goods sold, selling costs, marketing, employment and general and administrative expenses before logistics or corporate costs

The Group expects to open four new stores in 2H FY23, in addition to the two opened in 1H FY23.

The 2H FY23 result will depend upon trading during February to April and at this point it is difficult to provide further guidance.

Results Presentation

Anthony Scali will be presenting the H1 FY23 results by teleconference at 10h00 AEDT on Monday 6 February 2023.

Attendees are required to pre-register for the conference using the following link and will receive dial-in details upon completion of the brief pre-registration process.

Registration Link <https://registrations.events/direct/OCP60194>

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