

# FY23 Results Presentation

11 August 2023



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L I M I T E D

## Revenue

Revenue FY23 \$507.7m, up 15.1%<sup>1</sup> on FY22.

FY23 revenue was favourably impacted by increased deliveries as the aging of the order bank reduced with lead times returned to pre Covid.

## Profitability

Group gross profit margin 63.5%, up 2.5% on FY22.

Net profit after tax of \$101.1m, up 34.9%<sup>1</sup> on FY22, and up 26.1% on FY22<sup>2</sup> Underlying net profit after tax.

## Written sales orders

Total written sales orders FY23 \$437.0m, down 7.8%<sup>1</sup> on FY22.

Trading was volatile during the second half. June was a strong finish to FY23 with group written sales orders up 4.5% on June 2022.

## Cash generation and capital management

Cash and deposits up \$14.6m to \$89.3m at 30 June 2023, after \$60.8m dividend payments and \$7.8m land purchase.

Final dividend declared of 35 cents bringing full year dividends to 75 cents per share.

In August 2023 \$20m was repaid on corporate acquisition debt, reducing outstanding balance to \$28m (November 2021 \$65m).

<sup>1</sup> FY22 included 8 months of Plush contribution post-November 2021 acquisition.

<sup>2</sup> FY22 Underlying net profit after tax excluded the impact of one-off items related to the Plush Acquisition. See Appendix 1. No one-off items have been adjusted for FY23.

<b>Revenue FY23</b>	<b>\$507.7m</b>
<b>Change versus FY22</b>	<b>+15.1%</b>

## Commentary

- First half revenue was \$283.9m driven by the large opening order bank at June 2022.
- Second half revenue was \$223.8m.

<b>Written Sales Orders FY23</b>	<b>\$437.0m</b>
<b>Change versus FY22</b>	<b>-7.8%</b>

## Commentary

- First half written sales orders \$210.3m.
- Second half written sales orders \$226.7m.
- First half written sales orders for FY23 were up on the prior period due to Covid 19 induced closures during the first half of FY22 and the inclusion of Plush orders for the whole period. Like for like store comparison is difficult due to Covid store closures in the first quarter, but were negative when comparing the second quarter with all stores open for both periods.
- The second half written sales orders for FY23 were down 16.2% on the prior period. Trading was very volatile over the half although improved in June 2023 where written sales orders totalled \$51.5m, up 4.5% on the prior year.

	FY22 Underlying <sup>1</sup>	FY23
<b>Sales revenue</b>	<b>441.0</b>	<b>507.7</b>
Cost of sales	(172.0)	(185.3)
<b>Gross profit</b>	<b>269.0</b>	<b>322.4</b>
Other income	1.6	4.7
Operating expenses	(107.4)	(127.5)
Depreciation	(38.6)	(42.8)
Finance costs	(9.3)	(13.2)
<b>Profit before tax</b>	<b>115.3</b>	<b>143.5</b>
Income tax	(35.2)	(42.4)
<b>Profit after tax</b>	<b>80.2</b>	<b>101.1</b>
<b>EBITDA<sup>3</sup></b>	<b>163.2</b>	<b>197.1</b>
<b>EBIT<sup>3</sup></b>	<b>124.6</b>	<b>154.3</b>

## Gross Profit Margin

- Group margin FY23 of 63.5% improved 2.5% compared to FY22 due to margin improvement for Plush and reduced freight costs.
- Nick Scali FY23 margin of 63.7% is 1.2% higher than FY22.
- Plush FY23 margin improved to 62.7% from 54.8% for FY22 with the realisation of supply chain synergies.

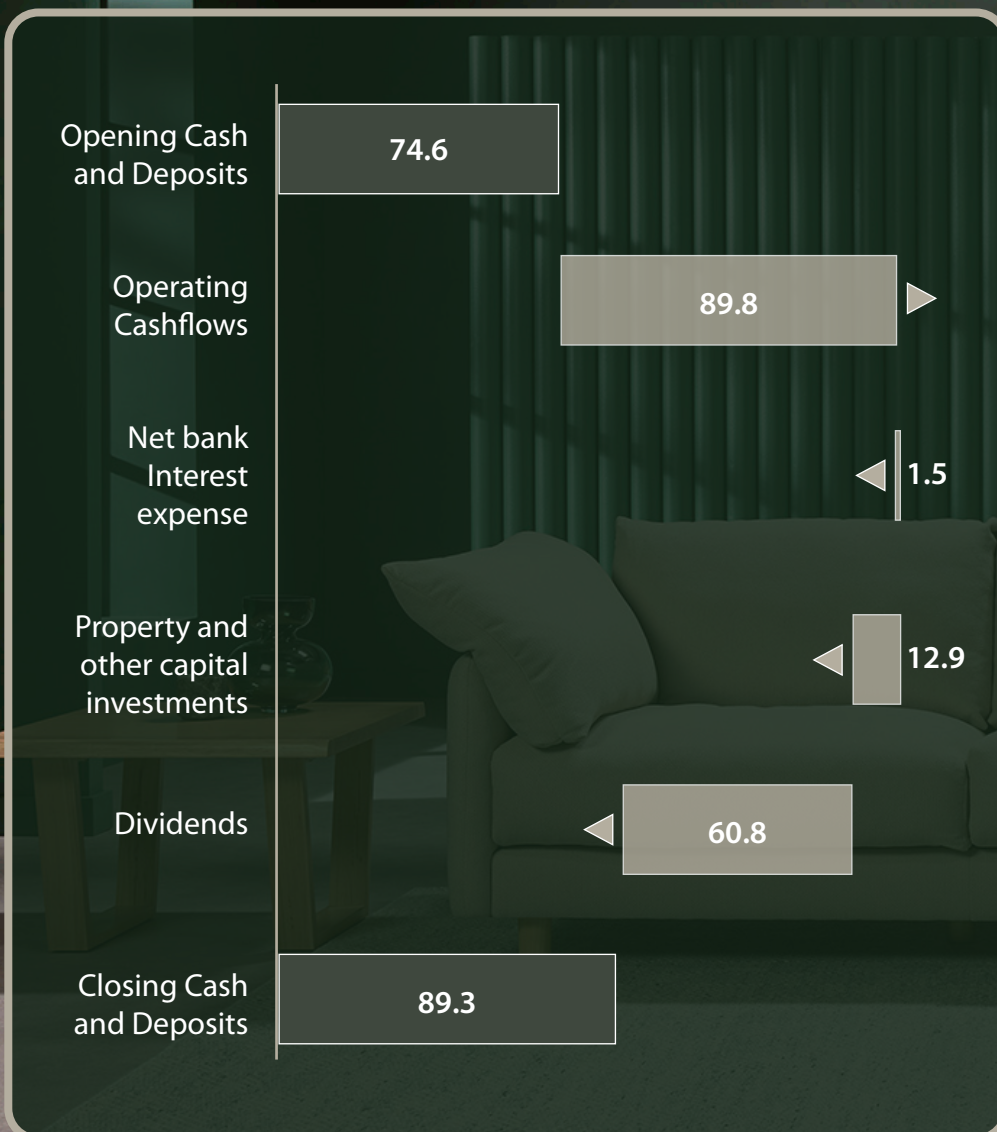
## Cost of Doing Business<sup>2</sup>

- Relative to revenue, Group CODB 35.7%, up 0.5% on FY22.
- Plush CODB synergy realisation completed August 2022. FY23 includes 11 months run rate on full synergy realisation.
- Additional logistics expenses of \$4m in FY23 to support peak volumes are not expected to recur.

<sup>1</sup> Underlying measures of financial performance excludes the impact of one-off items in FY22. See Appendices 1 & 2. No one-off items have been adjusted for FY23.

<sup>2</sup> Cost of Doing Business comprises operating expenses, depreciation, and finance costs net of \$2.5m of interest income included other income.

<sup>3</sup> EBITDA and EBIT are based on finance costs net of \$2.5m interest income included in Other income.



### Operating Cashflows

- Cash of \$89.8m generated from operating activities (including operating lease payments and interest payments) compared to \$79.8m FY22.

### Change in Borrowings

- \$7.0m repaid on corporate facility established to fund the 2021 Plush acquisition.
- Additional \$7.0m borrowings secured against property portfolio to fund land acquisition in 1H FY23.

### Property and Other Capital Investments

- Land acquired December 2022 to facilitate build of new Queensland Distribution centre, settlement of \$7.8m including transfer duty paid.
- Other plant, equipment and intangible assets \$5.0m in total.

### Capital Management & Dividends

- \$60.8m returned to shareholders in final FY22 and FY23 interim dividends.
- \$89.3m closing cash and cash equivalents at 30 June 2023.

	Jun 22	Jun 23
Cash & deposits	74.6	89.3
Inventory – In transit	22.5	12.9
Inventory – On hand	48.0	41.7
Property – At net book value	97.4	104.5
Plant & equipment	15.1	14.8
Leased assets	215.4	203.7
Intangibles	129.4	129.8
Other assets	14.0	10.9
Borrowings	91.7	91.7
Payables	35.0	22.7
Lease liabilities	237.9	226.5
Deferred revenue	86.8	65.2
Provisions	8.3	7.0
Tax and other liabilities	15.8	14.7
<b>Net assets</b>	<b>140.9</b>	<b>179.9</b>

## Inventory – On hand

	DCs	Nick Scali Showrooms	Plush Showrooms
Jun 23	18.8	18.6	4.3
Jun 22	23.1	18.3	6.6

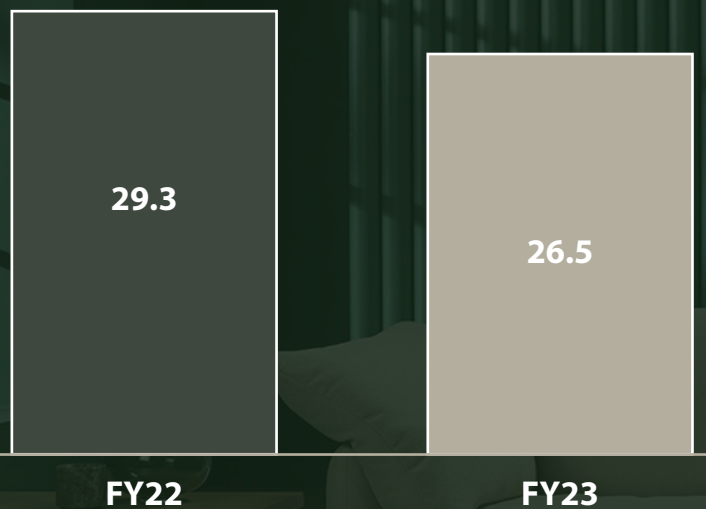
## Intangibles

- Includes goodwill and value of Plush brand at acquisition.

## Borrowings

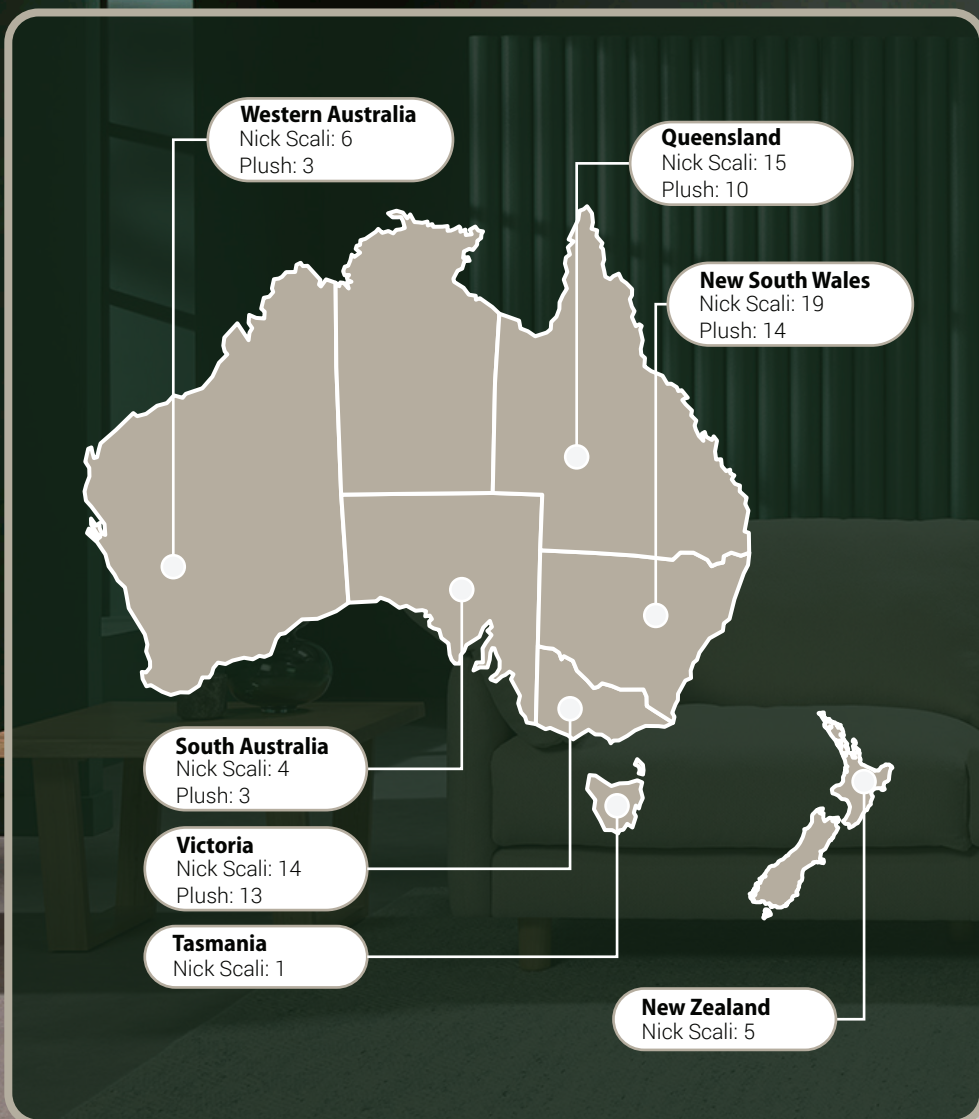
- In August 2023 \$20.0m was repaid on corporate acquisition debt, reducing outstanding balance to \$28.0m from \$48.0m at 30 June 2023 (November 2021 \$65.0m).
- \$43.7m of borrowings are property debt secured at less than 50% LVR.

## Written Sales Orders Nick Scali Brand (\$m)



## Written Sales Orders Nick Scali Brand

- Nick Scali brand online written sales orders 2H FY23 of \$14.5m were up 14.5% on 2H FY22.
- Enhancements in the eCommerce user experience are driving growth.
- Nick Scali brand online written sales orders 1H FY23 of \$12.0m down 27.7% cycling off 1H FY22 where online benefited from temporary store closures due to Covid 19 lockdowns.



	June 2022	New Stores	June 2023	Target <sup>2</sup>
<b>Nick Scali</b>				
Australia	57	2	59	73
New Zealand	5	–	5	13
<b>Total</b>	<b>62</b>		<b>64</b>	<b>86</b>
<b>Plush</b>				
Australia	45 <sup>(1)</sup>	1	43 <sup>(1)</sup>	85-90
New Zealand	–	–	–	5-10
<b>Total</b>	<b>45</b>		<b>43</b>	<b>90-100</b>
<b>Total</b>	<b>107</b>		<b>107</b>	<b>176-186</b>

New Nick Scali showrooms in Helensvale, Queensland and Shepparton, Victoria.

New Plush showroom in Capalaba, Queensland. Three Plush showrooms closed as part of the on-going optimisation of the acquired Plush store network.

In August 2023 a new Plush showroom opened in Helensvale, Queensland.

We expect to open 3 new Plush showrooms and 1 new Nick Scali showroom in 1H FY24.

<sup>1</sup> Two Plush showrooms closed in July 2022 and one in May 2023. One Plush clearance store included in FY22 investor presentation now excluded, consistent with Nick Scali stores.

<sup>2</sup> Target is specific identified locations based on demographic data and proximity to existing showrooms. Timing of showroom roll out is dependent on site availability and commercial terms.



<b>Location</b>	<b>Date Acquired</b>	<b>Net Lettable Area (m<sup>2</sup>)</b>
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
Crestmead, QLD	Dec 2022	Undeveloped land
Keswick, SA	Jul 2020	2,573
Joondalup, WA	Mar 2015	2,198
<b>Total</b>		<b>32,363</b>

<b>Property Carrying Value</b>	<b>\$m</b>
– Historical Acquisition Cost	113.3
– <i>Current Book Value (Acquisition cost, less depreciation)</i>	104.5

<b>FY23 Key Expenditure</b>	<b>\$m</b>
• Completed acquisition of land at Crestmead in QLD for the construction of a new Brisbane Distribution Centre. Construction to complete 2H FY24.	7.8

## Recent trading

- July 2023 orders of \$39.7m were down 8.1% cycling off a strong July 2022.





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*This document should be read in conjunction with the FY23 Results Announcement and FY23 Appendix 4E.*



# Appendix 1 –NPAT Reconciliation

	FY22			FY23
	Reported	One-off items <sup>(1)</sup>	Underlying	Reported
<b>Sales revenue</b>	<b>441.0</b>	–	<b>441.0</b>	<b>507.7</b>
Cost of sales	(172.0)	–	(172.0)	(185.3)
<b>Gross profit</b>	<b>269.0</b>	–	<b>269.0</b>	<b>322.4</b>
Other income	1.6	–	1.6	4.7
Operating expenses	(111.8)	4.3	(107.4)	(127.5)
Depreciation	(41.6)	3.0	(38.6)	(42.8)
Finance costs	(9.3)	–	(9.3)	(13.2)
<b>Profit before tax</b>	<b>108.0</b>	<b>7.3</b>	<b>115.3</b>	<b>143.5</b>
Taxation	(33.0)	(2.1)	(35.2)	(42.4)
<b>Profit after tax</b>	<b>74.9</b>	<b>5.2</b>	<b>80.2</b>	<b>101.1</b>

<sup>(1)</sup> One-off items FY22 relate to the acquisition of Plush-Think Sofas Pty Ltd.

# Appendix 2 – EBIT Reconciliation

	FY22 Underlying <sup>1</sup>	FY23
Gross Margin	269.0	322.4
Other Income	1.6	4.7
Operating Expenses	(111.8)	(127.5)
<b>One-off items in EBITDA</b>		
– Acquisition costs & Restructuring costs	4.3	–
<b>EBITDA<sup>2</sup></b>	<b>163.2</b>	<b>197.1</b>
Reported Depreciation & Amortisation	(41.6)	(42.8)
<b>One-off items in Depreciation &amp; Amortisation</b>		
– Restructuring Costs	3.0	–
<b>EBIT<sup>2</sup></b>	<b>124.6</b>	<b>154.3</b>

<sup>1</sup> Underlying measures of financial performance excludes the impact of one-off items in FY22. See Appendices 1 & 2. No one-off items have been adjusted for FY23

<sup>2</sup> EBITDA and EBIT are based on finance costs net of \$2.5m interest income included in Other income.