

RESULTS ANNOUNCEMENT – YEAR ENDED 30 JUNE 2016 (FY16)

11 August 2016

Record net profit of \$26.2m, up 53%

Summary Result

	FY16	FY15	Change
Revenue (\$m)	203.0	155.7	30.4%
Net profit after tax (\$m)	26.2	17.1	53.1%
Net margin (%)	60.8%	60.7%	
Expenses (excl depreciation and finance costs) (% to sales)	41.3%	44.3%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	40.2	25.9	55.1%
Earnings before interest and tax (EBIT) (\$m)	37.1	23.8	55.9%
EBIT margin (% to sales)	18.3%	15.3%	
Basic earnings per share (EPS) (cents)	32.3	21.1	53.1%
Final dividend per share (cents)	14.0	8.0	75.0%
Special dividend per share (cents)	3.0	-	
Full year dividend per share (incl special dividend) (cents)	26.0	15.0	73.3%
Like for like sales growth (%)	+11.1%	+3.4%	
Operating cash flow before interest and tax (\$m)	42.3	26.4	60.4%
Net cash (Cash less borrowings) (\$m)	15.9	21.6	
Number of stores (#)	47	46	1

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) today reported a net profit after tax of \$26.2m for the year ended 30 June 2016, an increase of 53.1% on the previous corresponding period.

The 30.4% increase in sales revenue to \$203.0m for the year resulted from same store sales growth of 11.1%, 7 stores opened during FY15 and now trading for the full year FY16, some contribution from the 2 new stores opened in early FY16 and supported by an increased investment in marketing. Gross margins were slightly higher than last year despite the year on year decline in the AUD. Operating expenses increased by \$14.8m or 21.6% due to opening new stores in FY15 and FY16, trading in Western Australia for the full year and head office resources. Operating expenses decreased as a percentage of sales to 41.3% (FY15: 44.3%) due to continued cost efficiency, especially in the property category from favourable lease renewals and property acquisitions.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "in addition to the pleasing increase in same stores sales, the WA business which was launched in FY15 with 3 stores and a further store added in FY16, has made a significant contribution to the growth of sales and profit for FY16."

Dividends

The Directors have declared a fully franked final dividend of 14 cents per share and a special dividend of 3 cents per share bringing the total dividends for the year to 26 cents per share (FY15: 15 cps). The final dividend will have a record date of 5th October 2016 and a payment date of 26th October 2016. 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.

Store Growth

2 Nick Scali Furniture stores were opened and 1 closed during the year bringing the total Company stores at fiscal year end to 47. The new stores opened during the first half of the fiscal year at Casula (NSW) and Midland (WA). The Nick Scali Furniture brand, which was launched in WA in H2-FY15 now has four stores trading during FY16.

New stores in Hobart (TAS) and Geelong (VIC) will open in August 2016 (H1-FY17). A further 3-4 stores are expected to open during the financial year.

Outlook

The market conditions and sales order growth achieved in FY16 have continued into July. The Company expects modest sales growth in FY17 compared with FY16. The exceptional profit growth achieved in FY16, driven by the large number of store openings and strong comparable store growth, is unlikely to be replicated in FY17.

A custom built warehouse facility for NSW is expected to open in June 2017 to support the growth of the business and improve efficiency.

The launch of the Nick Scali Furniture brand into New Zealand with 3-4 stores is expected in FY18. The network target remains at ~75 stores in Australia/New Zealand.

The Company expects another year of profit growth in FY17 and with a strong balance sheet it is well placed to grow its existing business and take advantage of strategic opportunities.

Conference call

Anthony Scali will be presenting the FY16 results by teleconference at 10h00 AEST on Thursday 11 August 2016. Dial in details are as follows :

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