Nick Scali Limited (NCK) Results Presentation - Half Year 2017 (H1-17) 14th February 2017





Key Highlights : H1-17

Sales	Sales increased 15.5% to \$118.4m (H1-16: \$102.5m)
Net Margin	Margin increased by 200 bps to 62.0%
Profit	NPAT increased 44.7% to \$20.5m (H1-16: \$14.1m)
Expenses	Operating expenses decreased to 36.4% of sales (H1-16: 39.5%)
Dividend	Interim dividend of 14.0 cents per share fully franked (H1-16: 9.0 cps)
New Stores	Three new stores opened during the half
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Earnings Summary : H1-17

Half Year Ended 31 December	H1-17 \$M	H1-16 \$M	Change %
Sales Revenue	118.4	102.5	+ 16%
Cost of sales	(45.0)	(41.0)	
Gross Profit	73.3	61.5	+ 19%
Other income	0.7	0.6	
Operating Expenses	(43.0)	(40.5)	+ 6%
EBITDA	30.5	21.1	+ 44%
Depreciation	(1.5)	(1.1)	
EBIT	29.0	20.0	+ 45%
Net Interest income	0.2	0.2	
Profit before tax	29.2	20.2	+ 44%
Taxation	(8.8)	(6.1)	
Net profit after tax	20.5	14.1	+ 45%
Gross margin	62.0%	60.0%	
Operating Expense to sales	36.4%	39.5%	
EBITDA margin	25.7%	20.6%	
Effective tax rate	30%	30%	
Earnings per share	25.2	17.4	
Dividends per share	14.0	9.0	

- Sales increase of 15.5% from same store sales growth of 10.1% and the contribution from the opening of new stores
- Gross margin strengthened to 62.0% (H1-16: 60.0%) largely as a result of economies of scale from volume growth in our specialised categories
- Operating expenses decreased as a percentage to sales to 36.4% (H1-16: 39.5%) due to continued attention to the control of costs and seeking efficiencies
- EBITDA of \$30.5m up 44% for the half year (H1-16: \$21.2m)
- NPAT of \$20.5m up 45% for the half year (H1-16: \$14.1m)
- The directors declared a fully franked interim dividend of 14.0 cps (H1-16: 9.0 cps) with a record date of 1st March 2017 and a payment date of 22nd March 2017

Balance Sheet : H1-17

Half Year Ended 31 December	Dec 16 \$M	Jun 16 \$M
Cash and term deposit	37.1	37.0
Receivables	0.6	0.2
Inventories	27.3	25.8
Fixed assets	58.0	55.5
Intangibles	2.4	2.4
Other	3.2	0.5
Total Assets	128.6	121.5
Payables	34.2	37.3
Current tax liabilities	3.0	1.8
Provisions	3.4	3.5
Borrowings	21.2	21.2
Other	0.5	-
Total Liabilities	62.2	63.7
Net Assets	66.3	57.8
Net cash (cash less borrowings)	15.9	15.8

- Strong cash position maintained
- Inventory up \$1.5m mainly due to new stores
- > Payables down \$3.1m from lower balance of customer deposits
- Fixed assets up \$2.5m for building works at owned property in Nunawading (Vic) that was completed during the period as well as three new store fitouts
- All borrowings relate to owned properties, the total net book value of which is ~\$49m and is included in Fixed Assets



Cash Flow : H1-17

Half Year Ended 31 December	H1-17 \$M	H1-16 \$M
Receipts from customers	129.8	112.7
Payments to suppliers/employees	(104.5)	(98.1)
Interest received	0.5	0.4
Income tax paid	(7.5)	(5.7)
Operating Cash Flow	18.2	9.5
Capital expenditure	(4.1)	(18.0)
Investing Cash Flow	(4.1)	(18.0)
Dividends	(13.8)	(6.5)
Borrowings	-	6.6
Interest Paid	(0.3)	(0.2)
Financing Cash Flow	(14.1)	(0.1)
Net Cash Flow	0.0	(8.6)

- Operating Cash Flow increased by \$8.7m over the prior comparative period primarily due to the sales increase with five new stores opened over the past 12 months and combined with comparable sales growth of +10.1% in H1-17
- Capital Expenditure of \$4.1m for building works at owned property in Nunawading (Vic) that was completed during the period as well as three new store fitouts
- FY16 final dividend of 14.0 cps and special dividend of 3.0 cps totalling 17.0 cps paid in October 2016 (FY15: 8.0 cps)



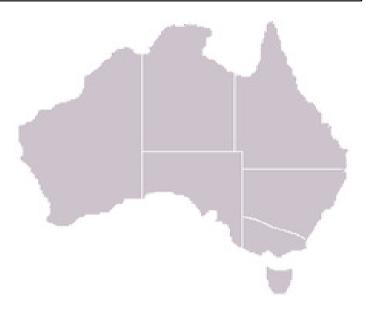
Store Network

Nick Scali Furniture

- 3 new stores opened during H1-17 in Hobart (our first store in TAS) and Geelong (VIC) in August 2016 and Jandakot (our fifth store in WA) in December 2016
- A further 2-3 new stores are expected to open during H2-17
- Store network expansion continues with a network target of ~75 stores in Australia/New Zealand

Sofas2Go

Store network includes a total of 5 stores as at 31 December 2016



Store Numbers at 31/12/16	Nick Scali Furnitue	Sofas2GO	Total
NSW	16	3	19
VIC	10	1	11
QLD	8		8
SA	4		4
ACT	1	1	2
WA	5		5
TAS	1		1
	45	5	50





Outlook

- January is traditionally the Company's biggest trading month of the year for sales orders received and the four week trading period in January 2017 saw continued double digit growth in both total sales orders and comparative stores sales orders compared with the previous corresponding period
- The Company expects market conditions for the second half of the 2017 financial year to remain favourable
- Nick Scali Limited's strong balance sheet gives it the capability to continue to grow the business





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