

**Nick Scali Limited**  
ABN 82 000 403 896  
Head Office  
3-29 Birnie Avenue  
Lidcombe NSW 2141



Phone: (02) 9748 4000  
Facsimile: (02) 9748 4022

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Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

**By electronic lodgement**

**Nick Scali Limited**  
ACN 000 403 896  
ASX Code: NCK

**Half Year Ended 31 December 2009**

The following document is attached for release to the market.

- Results Presentation.

For further information, contact:

David Clarke  
Chief Financial Officer

# Results Presentation

Six Months Ended 31 December 2009 (1H10)



**nickscali**  
FURNITURE

## Key points

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Profit	<ul style="list-style-type: none"><li>• NPBT up 146% on same period last year (\$8.9m vs \$3.6m 1H09)</li><li>• EPS 7.7cent, up from 3.1cents - no share-issue dilution</li><li>• Driven by higher sales volumes through existing distribution infrastructure</li><li>• Gross margin increased to 62% from 57% in 1H09</li></ul>
Sales	<ul style="list-style-type: none"><li>• Sales increased 22% to \$48.7m.</li><li>• Comparable store sales increased 14.4%.</li></ul>
New Stores	<ul style="list-style-type: none"><li>• Southwharf in Victoria opened near the end of December 2009</li><li>• Gepps Cross in South Australia opened in June 2009</li></ul>
Cash Flow	<ul style="list-style-type: none"><li>• Strong operating cashflows of \$10.5m (1H09 \$2.9m)</li></ul>
Balance Sheet	<ul style="list-style-type: none"><li>• Healthy balance sheet</li><li>• Net cash at balance date of \$16.6m compared to \$11.5m at June 09</li><li>• No debt and positioned strongly for further investments</li></ul>
Dividend	<ul style="list-style-type: none"><li>• Interim dividend of 4.5 cents (fully franked)</li><li>• Equates to a 58% payout ratio for the half</li></ul>

## Earnings Summary

Half Year End 31 Dec (\$m)	1H09	1H10
<b>Sales revenue</b>	<b>39.9</b>	<b>48.7</b>
Cost of sales	(17.0)	(18.3)
<b>Gross profit</b>	<b>22.9</b>	<b>30.4</b>
Other income	0.0	0.0
Operating expenses	(19.1)	(21.3)
<b>EBITDA</b>	<b>3.8</b>	<b>9.1</b>
Depreciation	(0.5)	(0.5)
<b>EBIT</b>	<b>3.3</b>	<b>8.6</b>
Net interest	0.3	0.3
<b>Profit before tax</b>	<b>3.6</b>	<b>8.9</b>
Taxation	(1.1)	(2.6)
<b>NPAT</b>	<b>2.5</b>	<b>6.3</b>
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Gross margin	57.4%	62.4%
Op expenses / sales	47.9%	43.7%
EBITDA margin	9.5%	18.7%
EBIT margin	8.3%	17.7%
Effective tax rate	30.0%	30.0%
Earnings ¢ per share	3.1	7.7
Dividends ¢ per share	0.0	4.5

- Sales revenue driven by increased consumer confidence and a more buoyant housing market.
- Comparable store growth 14.4%.
- Order levels remained higher throughout the period compared to corresponding half for FY09
- Margin recovered from the 1H09 rapid currency devaluation
- Operating expenses include 3 new stores & performance based remuneration.



## Cashflow

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Half Year End 31 Dec (\$m)	1H09	1H10
Receipts from customers	42.0	54.3
Pmts to suppliers/employees	(38.2)	(42.1)
Other	0.2	0.3
Income tax paid	(1.1)	(2.0)
<b>Operating Cash Flow</b>	<b>2.9</b>	<b>10.5</b>
Capital expenditure	(0.4)	(0.5)
<b>Investing Cash Flow</b>	<b>(0.4)</b>	<b>(0.5)</b>
Borrowings	(0.8)	0.0
Dividends	(2.0)	(4.9)
<b>Financing Cash Flow</b>	<b>(2.8)</b>	<b>(4.9)</b>
<b>Net Cash Flow</b>	<b>(0.3)</b>	<b>5.1</b>

- Strong operating cash flow of \$10.5m.
- Capex investment maintained at 1H09 levels and below depreciation.



## Balance Sheet

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Period End (\$m)	Jun'09	Dec'09
Cash	11.5	16.6
Receivables	0.6	0.5
Inventories	11.6	13.0
Fixed assets	4.4	4.5
Intangibles	2.4	2.4
Other	1.7	1.5
<b>Total Assets</b>	<b>32.2</b>	<b>38.5</b>
Borrowings	0.0	0.0
Payables	12.4	16.2
Current tax payable	1.0	1.9
Provisions	0.4	0.4
<b>Total Liabilities</b>	<b>13.8</b>	<b>18.5</b>
<b>Net Assets</b>	<b>18.4</b>	<b>20.0</b>
Net cash (debt)	11.5	16.6
Working capital	(0.2)	(2.7)

- Strong Balance Sheet and cash position
- No debt
- Inventory increases reflect higher sales levels
- No impairment of goodwill or other assets
- Payables increases are a result of higher sales and inventory



# Outlook

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## **Sales and Profit**

- Orders taken in January have seen a continuation of the positive momentum of the first half
- The customer forward order book remains at historic highs
- The continued strength of the recovery remains uncertain
- Full year after tax profit should be around \$10 million

## **Stores and Growth**

- Company expects to open 2-3 new stores in FY10 within the existing distribution areas. The first being Southwharf in Victoria which opened in late December 2009 and which will contribute to the second half result

## **Cash and Balance Sheet**

- The Company expects strong operating cashflows to continue for the remainder of FY10.
- Well positioned to take advantage of strategic investment opportunities through both cash and debt financing.