

Nick Scali Limited
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Press Release
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Record First Half Result

	Half year ended December 2013 \$'000's	Half year ended December 2012 \$'000's	Change %
Sales revenue	71,691	62,931	13.9%
EBITDA	11,762	9,663	21.7%
Profit before tax	11,262	9,214	22.2%
Net profit after tax	7,870	6,447	22.1%
Interim dividend	6.0 cents	6.0 cents	

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) today reported a record net profit after tax of \$7.9m for the half year to 31 December 2013, an increase of 22% on the previous corresponding period.

Profit growth was driven by record sales revenue of \$71.7m for the half year up 13.9% and same store sales growth of 8.5%. The increase in sales resulted from the new stores opened over the past 18 months combined with the strong comparable store growth. Gross Margins improved slightly despite the fall in the Australian dollar and whilst operating expenses as a percentage of sales fell to 43.9% from 44.5%, employment costs in particular have risen as management resources were added to the business to support future growth.

The Directors have declared a fully franked interim dividend of 6.0 cents per share, with a record date of 5th March 2014 and payable on 26th March 2014. This compares with a fully franked interim dividend of 6.0 cents per share for the previous corresponding half year.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "we have delivered a solid result and it is particularly pleasing that we have continued to grow sales and profit as we did in the corresponding period the previous year. During the first half we managed to

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slightly improve our gross margin percentage in spite of pressure on costs from our suppliers and the weakening of the Australian dollar. Our product offering broadened with the introduction of new product categories and the launch of an on-line range which can only be purchased on-line.”

Store Growth

One new Nick Scali store was opened in November 2013 at Castle Hill (NSW) and is trading strongly. A new Nick Scali store is scheduled to open at Taylors Lake (VIC) in March 2014 with a further new store planned to open towards the end of the second half of FY14, bringing a total of three new Nick Scali stores for the 2014 financial year.

Mr Scali added “for the FY 2015 we expect to increase the rate of new store openings with a number of lease commitments nearing finalisation. During the second half of 2015 we plan to open our first store in Western Australia, supported by a purpose built Distribution Centre”.

There were no new Sofas2go stores opened during the half year, although a number of opportunities are under consideration.

Outlook

Sales orders received during the first half grew at 8.4% whilst invoiced sales revenue grew at the higher rate of 13.9%, largely due to the very strong sales order intake in June and July 2013. During the December quarter of FY14 there was a slowdown in the order intake compared to the first quarter. January is traditionally the Company’s strongest trading month of the year and January 2014 saw an improvement over 2013 with positive comparative store growth.

Historically there is little seasonality between the first and second halves of the financial year. Given the order intake pattern this year however, it is likely that second half sales will not reach the level of the particularly strong first half. The impact of this suggests that growth in FY14 full year net profit after tax may be low double digit compared with full year FY13.

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