

# Nick Scali Limited (NCK) - Results Presentation

## Half Year Ended 31 December 2013 (1H FY14)



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**nickscali**  
FURNITURE

**sofas**  
**2go**

# Key Points – 1H FY14

## Sales

- Sales increased 14% to a record \$71.7m (1H FY13 \$62.9m)

## Profit

- NPAT increased 22% to a record \$7.9m (1H FY13 \$6.4m)

## Dividend

- Interim dividend of 6.0 cents (1H FY13 6.0 cents)
- Equates to a 62% payout ratio

## New Stores

- One new store opened during the half

# Earnings Summary – 1H FY14

Half Year End 30 December (\$m)	1H FY13	1H FY14	Change
<b>Sales revenue</b>	<b>62.9</b>	<b>71.7</b>	<b>+14%</b>
Cost of sales	(25.3)	(28.4)	
<b>Gross profit</b>	<b>37.6</b>	<b>43.3</b>	
Other income	0.0	0.1	
Operating expenses	(28.0)	(31.5)	
<b>EBITDA</b>	<b>9.6</b>	<b>11.9</b>	<b>+24%</b>
Depreciation	(0.8)	(1.0)	
<b>EBIT</b>	<b>8.8</b>	<b>10.9</b>	<b>+24%</b>
Net interest	0.4	0.4	
<b>Profit before tax</b>	<b>9.2</b>	<b>11.3</b>	<b>+23%</b>
Taxation	(2.8)	(3.4)	
<b>NPAT</b>	<b>6.4</b>	<b>7.9</b>	<b>+22%</b>
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Gross margin	59.8%	60.4%	
Op expenses / sales	44.5%	43.9%	
EBITDA margin	15.3%	16.6%	
EBIT margin	14.0%	15.2%	
Effective tax rate	30.0%	30.0%	
Earnings ¢ per share	8.0	9.7	
Dividends ¢ per share	6.0	6.0	

- Sales increase of 14% due to strong comparable store growth of 8.5% and a full half contribution from new stores opened in previous half.
- Sales orders for the first half were up 8.4%, +4% on a comparable store basis.
- Slight improvement in margin despite a decline in \$A.
- Operating expenses increased in line with store growth and investment in additional resources to support future growth. Overall expenses as a % of sales lower at 43.9% compared to 44.5% in the previous half.
- Record NPAT result of \$7.9m for the half year.



# Cash Flow – 1H FY14

Half Year End 30 December (\$m)    1H FY13    1H FY14

Receipts from customers	67.3	82.0
Payments to suppliers/employees	(59.4)	(71.8)
Other	0.5	0.6
Income tax paid	(2.8)	(3.7)
<b>Operating Cash Flow</b>	<b>5.6</b>	<b>7.1</b>
Capital expenditure	(7.3)	(1.3)
<b>Investing Cash Flow</b>	<b>(7.3)</b>	<b>(1.3)</b>
Dividends	(2.8)	(4.9)
Borrowings	3.2	0.0
Interest paid	(0.1)	(0.1)
<b>Financing Cash Flow</b>	<b>0.3</b>	<b>(5.0)</b>
<b>Net Cash Flow</b>	<b>(1.4)</b>	<b>0.8</b>

- Operating Cash Flow increase due primarily to improved EBITDA result.
- Capital Expenditure down and includes new and existing store fit-outs only. Prior period includes the purchase of the Sofas2Go property in Fyshwick ACT for \$6.5m.
- Borrowings in prior period relates to Sofas2Go property purchase in Fyshwick.



# Balance Sheet – 1H FY14

Period End (\$m)	Jun 13	Dec 13
Cash	26.4	27.2
Receivables	6.4	0.0
Inventories	14.6	18.9
Fixed assets	22.0	22.4
Intangibles	2.4	2.4
Other	2.1	0.8
<b>Total Assets</b>	<b>73.9</b>	<b>71.7</b>
Payables	23.5	20.0
Current tax payable	3.8	1.6
Provisions	3.5	3.6
Borrowings	6.8	6.8
Other	0.0	0.7
<b>Total Liabilities</b>	<b>37.6</b>	<b>32.7</b>
<b>Net Assets</b>	<b>36.3</b>	<b>39.0</b>
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Net cash (debt)	19.6	20.4
Working capital	(2.5)	(1.1)
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- Strong cash position maintained.
- Receivables at Jun 13 includes \$5.8m related to compensation for the properties resumed by the Government.
- Inventory up \$4.3m due to sales growth, new online product range, additional store and increased ranges.
- Payables down \$3.5m from lower balance of customer deposits due to strong Christmas deliveries.
- Borrowings remain low and limited to property purchases.

# Store Network

## Nick Scali Furniture

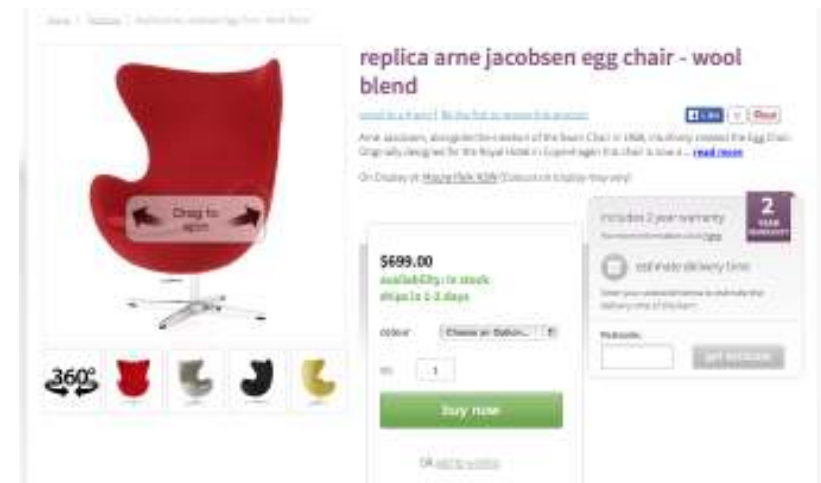
- One new store opened during the half at Castle Hill (NSW) opened in November 2013 and is trading strongly.
- New store for Nick Scali at Taylors Lake in Victoria in March 2014.
- One additional new store planned in 2<sup>nd</sup> Half which will bring new stores for the year to 3.
- Planning to open 1-2 stores in Western Australia in the second half of FY15 and two new stores in existing markets during the first half of FY15.

## Sofas2Go

- Store network is a total of 5 stores as at 31 December 2013

# Online Store

- Launched December 17 2013.
- Exclusive collection of replica and designer furniture, not part of the regular Nick Scali range.
- Only available for purchase online.
- Product range displayed in a selection of showrooms in each capital city.
- Ipad kiosks installed in store for easy online purchase.
- Dynamic pricing model.  
Competitive space – dynamic pricing is essential.
- Products warehoused & distributed from our DC's in Sydney, Melbourne, Brisbane and Adelaide through our existing logistics network, as well as 3<sup>rd</sup> party carriers for out of metro sales.
- Focus on immediate availability of products for fast fulfillment (1-3 days).
- Robust, widely deployed e-commerce platform for future expansion.
- Directly interfaced with legacy Nick Scali IT system for data integrity.



# Outlook – FY14

- Solid performance in 1<sup>st</sup> Half FY14 was underpinned by strong sales order growth in Q4 FY 13 and Q1 FY14.
- Q2 FY14 sales orders has shown modest growth which will be reflected in Q3 FY14 Sales.
- January 2014 sales orders were up on the previous year with positive comparative store growth with the remainder of FY14 difficult to predict.
- Given the strong 1<sup>st</sup> Half results, Directors believe the FY14 NPAT will reflect low double digit growth.