

RESULTS ANNOUNCEMENT – HALF YEAR 2018 (HY18)

7 February 2018

Record half year net profit of \$23.5m, up 15%

Summary Result

	HY18	HY17	Change
Revenue (\$m)	128.0	118.4	8.1%
Net profit after tax (\$m)	23.5	20.5	15.0%
Gross margin (%)	62.6%	61.7%	
Expenses (excl depreciation and finance costs) (%)	35.2%	36.1%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	35.6	30.5	16.7%
Earnings before interest and tax (EBIT) (\$m)	33.6	29.0	15.9%
EBIT margin (%)	26.3%	24.5%	
Basic earnings per share (EPS) (cents)	29.0	25.2	15.0%
Interim dividend per share (DPS) (cents)	16.0	14.0	14.3%
Like for like sales growth (%) - Nick Scali Furniture brand	+2.6%	+11.6%	
Operating cash flow before interest and tax (\$m)	28.7	25.3	13.7%
Number of stores (#)	55	52	3

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) today reported a net profit after tax of \$23.5m for the half year to 31 December 2017, an increase of 15.0% on the previous corresponding period.

The profit growth was driven primarily by an 8.1% increase in sales revenue to \$128m. The higher sales resulted from the ongoing store network expansion during FY17 and FY18 in addition to first half FY18 same store sales growth of +2.6% for Nick Scali Furniture stores (excluding Sofas2Go). Gross margins strengthened by 90 bps to 62.6% and operating expenses decreased as a percentage of sales to 35.2% (H1-17: 36.1%) due mainly to the continued economies of scale achieved as the store network expands.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "The six new stores opened in first half FY18 have performed above our expectations. Three of the new stores are located in the "Home-Co" centres previously occupied by Masters and these centres are generating excellent traffic. We expect to open a number of new stores in other "Home-Co" centres."

Dividends

The Directors have declared a fully franked interim dividend of 16 cents per share, with a record date of 7th March 2018 and payable on 28th March 2018. This compares with a fully franked interim dividend of 14 cents per share for the previous corresponding period.

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Store Growth

During the period, the store network continued to expand with six new Nick Scali Furniture stores - five in Australia (including three in Queensland) and the first New Zealand store in the Mt Wellington suburb of Auckland.

Anthony Scali commented "Our Auckland store was the best performing new store for January in respect of sales orders. Positive feedback from consumers is encouraging and suggests, as expected, the Nick Scali brand will fill a void in the New Zealand furniture industry segment."

Additional stores in New Zealand will be opened towards the end of the second half FY18 and early in the first half FY19.

Outlook

The Company is cycling off two consecutive years of double digit same store sales growth. Recent trading from existing stores has been volatile with December providing positive same store sales order growth, whilst January was negative.

For FY18, two of the six new stores will make a reasonable contribution to second half profit whereas the other four will provide only a small contribution due to start-up costs.

The current expectation is for net profit after tax for the full year to June 2018 to be 5% to 10% higher than the previous corresponding period and FY19 is expected to benefit from the substantial increase in the store network being established during FY18.

Nick Scali Limited's strong balance sheet gives it the capability to continue to grow the business.

Conference call

Anthony Scali will be presenting the HY18 results by teleconference at 10h30 AEDT on Wednesday 7 February 2018.

Dial in details are as follows :

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For further information contact :

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