

6 August 2020

Results announcement – year ended 30 June 2020 (FY20)

Summary Result

A\$m	FY20 ¹	FY19	% Change
Sales revenue (\$m)	262.5	268.0	- 2.1%
Net profit after tax (NPAT) ² (\$m)	42.1	42.1	-
Earnings before interest, tax, depreciation and amortisation (EBITDA) ² (\$m)	65.7	64.1	+ 2.5%
Earnings before interest and tax (EBIT) ² (\$m)	60.8	59.9	+ 1.7%
Gross margin	62.7%	62.9%	- 20bps
Expenses, excluding depreciation and finance costs (% to sales) ²	38.4%	39.4%	- 110bps
EBIT margin (% to sales) ²	23.2%	22.4%	+ 90bps
Basic earnings per share (EPS) (cents)	52	52	-
Final dividend per share (cents)	22.5	20.0	+ 12.5%
Operating cash flow before interest and tax (\$m) ²	75.4	63.3	+ 22.6%
Number of stores ³ (#)	58	57	

¹ The results reported in Appendix 4E for FY20 reflect the adoption of AASB16. To enable a more effective comparison of results versus FY19, FY20 results shown above have been adjusted to exclude the impact of the adoption of AASB 16. The impact of the adoption of AASB16 in FY20 was to reduce NPAT by \$0.7m.

² To enable a more effective comparison of results versus FY19, NPAT, EBITDA and EBIT, operating cashflow shown above exclude the impact of one-offs in FY20. The net impact of the one-offs to the P&L was \$0.7m, cashflow \$9.8m

³ Nick Scali Furniture stores only.

Overview

Furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported its results for the year ended 30 June 2020, with net profit after tax of \$42.8m¹, including one-off and non-recurring items. Underlying net profit after tax was \$42.1m, above recent guidance on 19 June 2020 of \$39-40m and in line with FY19. EBITDA (excluding one-off and non-recurring items) was \$65.7m for FY20, up 2.5% from \$64.1m in FY19.

Sales revenue for the year decreased by 2% to \$262.5m, with negative same store sales of 6.7%. The Company estimates a revenue loss through temporary store closures of approximately \$9-11m. Contrary to the decline in sales revenue, written orders grew by 9% with same store sales orders up 4%. Following the temporary closure of Australian stores for most of April, and up until mid-May in New Zealand, May and June sales orders grew by 72% year on year.

Gross profit margin for FY20 was 62.7%, compared to 62.9% in the prior year. The Company was able to work closely with suppliers to alleviate the impact of a volatile foreign exchange environment experienced in the period.

During the temporary closure of the Company's stores in April, the online store was launched across all product categories and achieved greater than \$3m in sales orders for the quarter. The online store positively contributed to EBIT in the first quarter of operation.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "In recent months, the furniture industry has experienced unprecedented year on year growth as consumers reallocated their spending into the home given an inability to travel combined with an increased amount of time spent at home"

Dividends

The directors have declared a fully franked final dividend of 22.5 cents per share, with a record date of the 6 October 2020 and a payment date of 27 October 2020. This brings the full year dividend to 47.5 cents per share and represents a payout ratio of 90% (FY19: 87%).

Store Growth

During FY20 one new store was opened in Auckland, New Zealand, bringing the store network in New Zealand to a total of 3 stores.

For the first half of FY21 the Company expects to open two stores, one being in Bennett's Green in NSW and the other being Nick Scali's fourth store in New Zealand at Wairau Park, on the north side of Auckland. A number of new store opportunities are being cautiously considered with an emphasis on ensuring rents are sustainable in the long term.

In May, the Company committed to purchase a retail property of 3,500sqm in Adelaide, South Australia. The new store is located on a major arterial corridor of Anzac Highway, Keswick, replacing our existing store in Mile End and becoming Nick Scali's flagship store in Adelaide.

The Company now has a total store network of 58 stores across Australia and New Zealand and remains focused on its target of 80-85 stores.

Outlook

Trading during the month of July continued to be extremely buoyant with written sales orders growing by 70% compared to the same period last year. This follows on from a strong May and June where sales orders were also up over 70%.

As approximately 65% of Nick Scali's products are made to order with typical delivery lead times of 9-13 weeks, the recent strong order intake performance means the Company's opening order book for FY21 is significantly higher than in previous years. These orders will be delivered in the first quarter and contribute to revenue in the FY21 financial year.

Based on the large increase in written sales orders for the months of May, June, & July, sales revenue growth for the first half of FY21 will increase substantially when compared to the same period last year. As a result of the strong sales revenue growth and after allowing for 6 weeks of temporary closures in our Melbourne showrooms, the Company expects first half profit to be up by at least 50-60% when compared to 1H FY20. This remains subject to no further extensions of existing restrictions in Melbourne, further store closures across the network as a result of government imposed lockdowns, or any material delays in the supply chain affecting deliveries.

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Conference Call

Anthony Scali will be presenting the FY20 results by teleconference at 10h00 AEST on Thursday 6 August 2020.

Attendees are required to pre-register for the conference using the following link, and will receive dial-in details upon completion of the brief pre-registration process.

Registration Link <https://s1.c-conf.com/DiamondPass/10008877-invite.html>

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