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L I M I T E D

NICK SCALI LIMITED

ANNUAL GENERAL MEETING

**26th OCTOBER 2017
12h00**

CHAIRMAN AND MANAGING DIRECTOR'S ADDRESSES

Chairman's Address

The following is a transcript of the address to shareholders by the Chairman of Nick Scali Limited, Mr John Ingram

It has been another outstanding year for Nick Scali Limited, with continued profit and dividend growth and a strong financial position maintained. This result was driven by a combination of total and comparative stores sales growth, increased gross margins and our relative low cost of doing business.

A fully franked final dividend of 20 cents per share, which was paid on 25th October, brings the total dividend for the 2017 financial year to 34 cents, fully franked. We believe that the dividend payout ratio for the full year of 74%, appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth, as well as recognising the Company's franking credit balance.

We are proud that recently we secured a place in the ASX 300, just over 13 years after first listing on the Australian Securities Exchange.

Nick Scali Limited continues its strategy of expansion of the store network into carefully determined locations, along with investment in its people. The strong balance sheet, supported by a healthy cash position and minimal debt, ensures that the Company has the resources to grow its existing business and also to take advantage of any future opportunities.

The Board formally expresses its thanks to Mr Anthony Scali, our Managing Director, and his management team, whose passion and determination has resulted in another year of record profits and has thereby delivered value to our shareholders and other stakeholders.

We recognise that our motivated, passionate and knowledgeable team is our most important asset and a continued focus on training and development of our people remains a priority.

As Chairman, I would also like to express my thanks to my fellow Directors for their continued support and contribution to the success of the Company.

Finally, thank you to our shareholders for your continued support and encouragement. To those here today, thank you also for your attendance and we look forward to having a chat with you at the conclusion of the meeting.

I will now invite Mr Scali to address the meeting to give us an overview of the operations of the Company and an update of current trading.

Managing Director's Address

The following is a transcript of the address to shareholders by the Managing Director of Nick Scali Limited, Mr Anthony Scali

Thank you John and good morning ladies and gentleman.

As John mentioned, FY17 was a record year for Nick Scali with Sales Revenue growing by 14.7% to \$232.9m. Same store sales growth was 10.0%, which was very pleasing as it maintained the strong previous year same store sales growth of 11.1%.

The Company's gross profit percentage increased 170 basis points, derived largely from achieving a larger proportion of sales growth in our higher margin product categories.

In addition, our cost of doing business fell to 38.9% of revenue, compared to 41.3% the previous year, as a result of sound control over operating costs during a period of revenue growth.

Net Profit after tax in FY17 was up 42.4% to \$37.2m and earnings per share increased from 32.3 cents to 46.0 cents per share.

For five consecutive years we have produced double digit profit growth as our store network was expanded and the awareness of our brand strengthened. We have proven the ability to offer our customers quality furniture at great value, as we believe our stores to be consistently well merchandised and with competitive prices.

During FY17 our store network expansion continued with the opening of four new stores. During FY18 we expect to open 8-10 stores, two of which opened in August and October. In December this year we will also open our first store in New Zealand, in Auckland. Whilst recognising that it has different market dynamics, we are confident our brand will be successful in this, our first international market.

Looking to the current Fiscal 18 year to date, same store sales orders growth has been variable, with some geographic areas down, but we are cycling off two consecutive years of double digit growth. As mentioned in our full year results announcement, we expected a lower growth environment for Fiscal 18, which has been confirmed by recent trading. However, as a result of our cost reduction and margin improvement initiatives, we expect our first half FY18 Net Profit after Tax to be 10 – 15% higher than for the same period in the previous year.

I would like to take this opportunity to thank all my work colleagues for their hard work during the year and would also like to thank my fellow directors for their valuable guidance and support.

The year ahead is another exciting year for the Company in many respects and I am looking forward to continuing our successful growth.