

RESULTS ANNOUNCEMENT – SIX MONTHS ENDED 31 DECEMBER 2018 (HY19)

6th February 2019

Record First Half Net Profit of \$25.4m

Summary Result

	HY19	HY18	Change
Revenue (\$m)	141.1	128.0	10.3%
Net profit after tax (\$m)	25.4	23.5	8.0%
Gross margin (%)	62.8%	62.6%	
Expenses (excl depreciation and finance costs) (%)	36.1%	35.2%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	38.2	35.6	7.5%
Earnings before interest and tax (EBIT) (\$m)	35.8	33.6	6.5%
EBIT margin (%)	25.4%	26.3%	
Basic earnings per share (EPS) (cents)	31.3	29.0	8.0%
Interim dividend per share (DPS) (cents)	25.0	16.0	56.3%
Like for like sales growth (%)	+0.0%	+2.6%	
Operating cash flow before interest and tax (\$m)	33.3	28.7	15.9%
Net cash (Cash less borrowings) (\$m)	4.5	-4.0	
Number of full price stores (#)	55	51	4

Furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported a record net profit after tax of \$25.4m for the half year to 31 December 2018, an increase of 8.0% on last year.

Sales revenue increased 10.3% to \$141.1m with the increase derived from a full year's contribution from the six stores opened during FY18 and a smaller contribution from four stores opened during HY19. Same store sales growth was flat for the period.

The Company's sector leading gross margins were maintained and strengthened by 20 bps to 62.8%.

Operating expenses as a percentage of sales increased by 90 bps to 36.1% due to the timing of new store openings and inflationary cost increases in stores with flat sales growth.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "by following our store rollout strategy, our team has delivered growth in top line sales and a corresponding record profit in a difficult retail environment. The result demonstrates that even during periods of low, flat or marginally negative same store sales growth, our Company is geared to deliver profit growth."

Dividends

The Directors have declared a fully franked interim dividend of 25.0 cents per share (payout ratio of 80%), with a record date of 6th March 2019 and payable on 27th March 2019. This compares with a fully franked interim dividend of 16 cents per share (payout ratio of 55%) for the previous corresponding period, up 56.3%.

Anthony Scali said “Our cash flow and balance sheet remain strong. Having achieved a 17% increase in operating cash flow and with \$38m cash on hand at period end, the Board has decided to increase the dividend payout ratio”. The Board’s intention is to increase the full year payout ratio from the previous year’s, so as to deliver superior returns to shareholders in FY19.

Store Growth

During the period, the store network continued to expand with four new Nick Scali Furniture stores opening - three in Queensland (Mackay, Morayfield and Brisbane Airport), and the second New Zealand store, in Hamilton.

The Company expects to open a further two stores in the second half of the financial year. This would result in a Company-wide store network of 57 Nick Scali Furniture stores by June 2019. The Company’s long term store network projection is for more than 80 stores across Australia and New Zealand.

Outlook

Recent trading has been unpredictable, with same store sales order growth being positive in December, but negative in January. It is anticipated that in the current year, total sales growth will continue to be underwritten by store network expansion.

As evidenced by the result for the current half-year, Nick Scali can achieve profit growth in periods of flat same store sales. However, given the volatility in recent sales orders and other external factors causing uncertainty, it is difficult to provide further guidance around profitability for full year to 30th June 2019.

Conference call :

Anthony Scali will be presenting the HY19 results by teleconference at 10h00 AEDT on Wednesday 6 February 2019. Dial in details are as follows:

Participant (Toll)	+ 61 2 8038 5221
Participant (Toll-free)	1800 123 296
Conference ID	6682299

For further information contact :

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