

6 February 2020

Results announcement - six months ended 31 December 2019 (HY20)

Summary Result

	HY20 ¹	HY19	% Change
Sales revenue (\$m)	137.5	141.1	-2.5%
Net profit after tax (NPAT) (\$m)	21.6	25.4	-15.0%
Gross margin	62.2%	62.8%	
Expenses, excluding depreciation and finance costs (% to sales)	40.2%	36.1%	
Earnings before interest, tax, depreciation and amortisation (EBITDA) ² (\$m)	31.0	38.2	-18.8%
Earnings before interest and tax (EBIT) ² (\$m)	28.8	35.8	-19.6%
EBIT margin (% to sales) ²	20.9%	25.4%	
Basic earnings per share (EPS) (cents)	26.4	31.3	-15.7%
Interim dividend per share (cents)	25.0	25.0	
Operating cash flow before interest and tax (\$m)	25.7	33.2	-22.6%
Number of stores ³ (#)	58	55	+3

¹ The results reported in Appendix 4D for HY20 reflect the adoption of AASB16. To enable a more effective comparison of results versus HY19, HY20 results shown above have been adjusted to exclude the impact of the adoption of AASB 16. The impact of the adoption of AASB16 in HY20 was to reduce NPAT by \$0.2m.

² To enable a more effective comparison of results versus HY19, EBITDA and EBIT shown above exclude the impact of the sale of property in HY20.

³ Nick Scali Furniture stores only.

Overview

Furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported its results for the six months ended 31 December 2019, with net profit after tax of \$21.4m. This result included a \$1.3m post-tax gain on the sale, in December, of a property that was previously earmarked for development into a Nick Scali Furniture store.

After adjusting for the property gain, the underlying net profit after tax was \$20.1m, above the top end of the \$17-19m range provided in the Trading Update in October. The better than expected result was due to stronger sales in the latter part of the period.

During the half year, sales revenue decreased by 2.5% to \$138m, with negative same store sales of 7.5%.

Solid profit margins were maintained with gross margin for HY20 being 62.2%, compared to 62.8% in the corresponding period last year.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "During the second quarter we achieved 3.5% like-for-like written orders growth, which was a vast improvement compared to the first quarter. For the month of January, our biggest trading month, written orders declined 1.7% and indicate that despite consumer confidence remaining fragile, we performed well in a very tough retail environment"

Dividends

The directors have declared a fully franked interim dividend of 25.0 cents per share, with a record date of the 6 March 2020 and a payment date of 27 March 2020. This represents a payout ratio of 94.7%.

Store Growth

One new Nick Scali Furniture store was opened during the half year ended 31 December 2019 - the Company's third store in New Zealand. The Company now has a total network of 58 stores, and expects to open a further three new stores in the second half of the financial year, of which one will be in New Zealand.

The Company's long-term store network target remains 80-85 stores across Australia and New Zealand.

Outlook

During the first quarter the Company experienced difficult trading conditions with a significant drop in store traffic and negative comparable store sales growth of 8.3%. During the second quarter trading improved with written orders up 3.5% on a comparable store basis.

Whilst the Company gave guidance in October 2019 that NPAT would be in the range of \$17-19m, given the improvement of sales in the second quarter, the Company was actually able to achieve a higher underlying NPAT of \$20.1m.

Despite seeing a recent improvement in sales and store traffic, there is still uncertainty around the current level of consumer confidence, which has been exacerbated by the coronavirus outbreak and other factors. Consequently it is very difficult to provide guidance as to the profitability for the full year to June 2020.

Conference Call

Anthony Scali will be presenting the HY20 results by teleconference at 10h30 AEDT on Thursday 6 February 2020. Dial in details are as follows:

Participant Dial-in Number (Toll-free)	1800 123 296
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