

A woman with blonde hair, wearing a white long-sleeved top, a blue skirt, and high-heeled sandals, is sitting on a brown leather sofa. She is smiling and looking towards the camera. The room has dark wood paneling on the walls and a large window in the background showing a mountain landscape. A woven pendant lamp hangs from the ceiling, and a patterned rug is on the floor. A wooden coffee table with a white cup and saucer is next to the sofa. A wooden chair with a white cushion is visible on the right.

**nickskali**  
LIMITED

**FY20 Results Presentation**

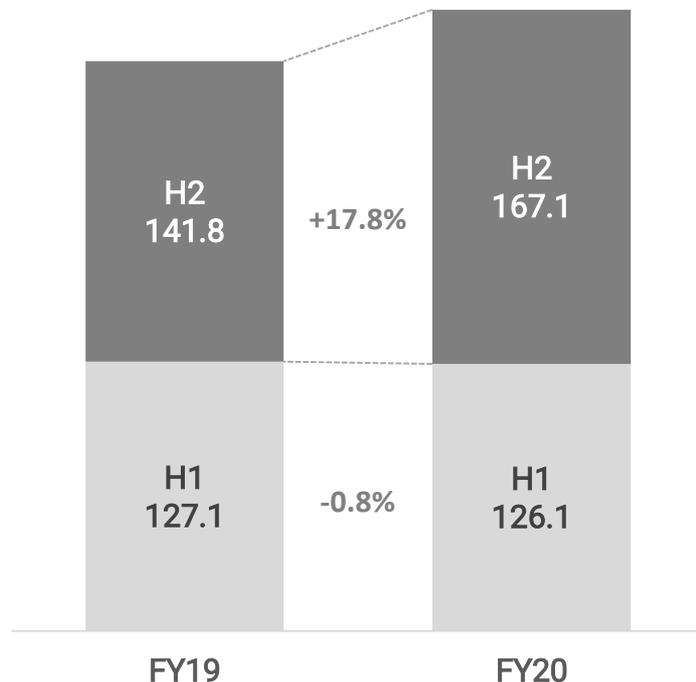
6 August 2020

## FY20 Highlights

<b>Sales</b>	<ul style="list-style-type: none"><li>• Written sales orders up 9% to \$293.2m (FY19: \$268.9m)</li><li>• Sales down 2% to \$262.5m (FY19: \$268.0m)</li></ul>
<b>Margin</b>	<ul style="list-style-type: none"><li>• Gross margin 62.7% (FY19 : 62.9%)</li></ul>
<b>NPAT</b>	<ul style="list-style-type: none"><li>• Underlying<sup>1</sup> NPAT \$42.1m, above guidance of \$39-40m (FY19: 42.1m)</li></ul>
<b>Cashflow</b>	<ul style="list-style-type: none"><li>• Net increase in cash of \$26.8m</li><li>• Underlying operating cashflow of \$62.8m<sup>1</sup> (FY19: \$45.4m)</li></ul>
<b>Dividends</b>	<ul style="list-style-type: none"><li>• Final dividend of 22.5 cps (FY19: 20.0 cps)</li><li>• Total dividend for the year of 47.5 cps (FY19: 45.0 cps), up 5.6% on last year</li><li>• Full year payout ratio of 90% (FY19: 87%)</li></ul>
<b>Store network</b>	<ul style="list-style-type: none"><li>• One new store opened during the year, our third store in New Zealand</li><li>• Online sales channel successfully launched in April 2020</li></ul>

<sup>1</sup>Underlying results exclude the impact of the gain on sale of property, one offs and the impact of the adoption of AASB 16.

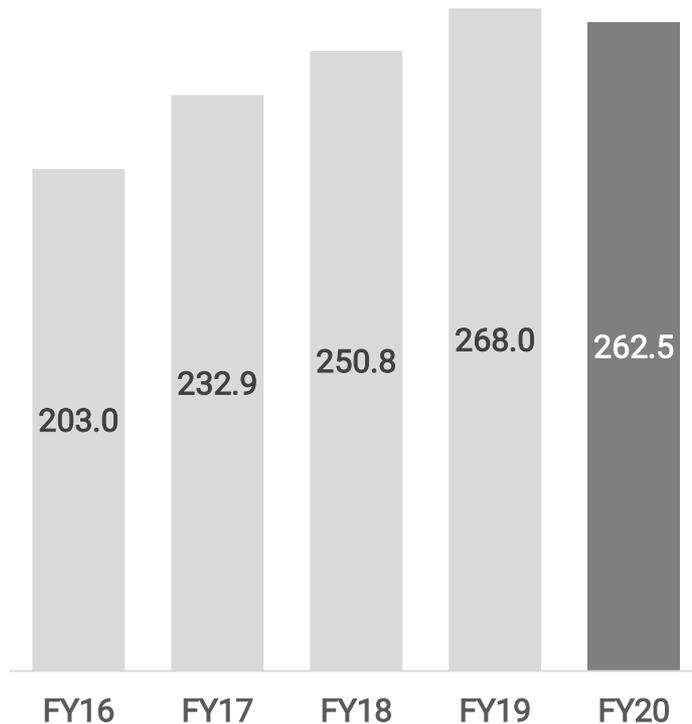
## Written Sales Orders, A\$m



## FY20 Trading Commentary

- Written sales orders for the year up from \$268.9m to \$293.2m, driven by exceptional growth in May and June
- H2 FY20 written sales up 18% on H2 FY19, driven by increased levels of customer activity prior to temporary store closures and a subsequent rebound following reopening of the network
- Estimated ~\$9-11m of sales orders lost during poor trading at the end of March and temporary store closures in April
- Total written sales orders up over 70% in May and June, with store traffic up approximately 30% across the network
- Sales order bank finished the financial year at a record level following May and June trading

## Sales Revenue, A\$m



## Sales Commentary

- Total sales revenue down 2.1%, and down 6.7% on a LFL basis, largely due to temporary store closures in April and a subdued trading environment in March 2020 impacting revenue for FY20
- Despite the closures, sales revenue greater than initially anticipated due to a higher level of deliveries arising from sales of 'in-stock' and shorter lead time items
- Existing order bank provides a good level of visibility on forward revenue for 1H FY21

# Profit & Loss

	FY20	FY19	Change
<b>Sales revenue</b>	<b>262.5</b>	<b>268.0</b>	<b>- 5.5</b>
Cost of sales	(97.8)	(99.4)	+ 1.6
<b>Gross profit</b>	<b>164.7</b>	<b>168.6</b>	<b>- 3.9</b>
Other income	1.9	2.2	- 0.3
Operating expenses	(100.9)	(105.8)	+ 4.9
<b>EBITDA</b>	<b>65.7</b>	<b>65.0</b>	<b>+ 0.7</b>
Depreciation	(4.9)	(4.3)	- 0.6
<b>EBIT</b>	<b>60.8</b>	<b>60.7</b>	<b>+ 0.1</b>
Net interest expense	(0.9)	(1.1)	+ 0.2
<b>Profit before tax</b>	<b>59.9</b>	<b>59.6</b>	<b>+ 0.3</b>
Taxation	(17.8)	(17.5)	- 0.3
<b>Net profit after tax</b>	<b>42.1</b>	<b>42.1</b>	<b>+ 0.0</b>
Gross profit margin	62.7%	62.9%	
Operating expense %	38.4%	39.4%	

## Profitability

- Gross profit margins maintained despite significant devaluation of AUD, driven by retail pricing initiatives and support from suppliers
- Operating expenses for the full year reduced by \$5.0m as a result of cost reductions in property, employment, marketing and general operating expenses achieved in 2H FY20
- 2H FY20 NPAT up 25% on the prior year despite lower revenue relative to FY19
- Underlying FY20 NPAT of \$42.1m, in line with FY19 and above guidance of \$39-40m

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*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 and one-off transactions such as the sale of properties and non-recurring corporate projects. The reported results for FY20 are shown in Appendix 1, along with a reconciliation of the impact of the adoption of AASB 16 and one-off transactions.*

# Balance Sheet

	FY20 (ex AASB16)	FY19	Change
Cash	63.0	36.3	+ 26.8
Receivables	5.4	1.1	+ 4.3
Inventory	36.3	37.6	- 1.3
Fixed assets - Owned	90.2	92.7	- 2.5
Intangibles	2.4	2.4	-
Deferred tax	2.2	(0.2)	+ 2.4
Other	2.1	1.7	+ 0.4
<b>Total assets</b>	<b>201.6</b>	<b>171.6</b>	<b>+ 29.9</b>
Borrowings	33.7	33.7	-
Deferred revenue	40.9	26.5	+ 14.4
Payables	18.3	17.4	+ 0.9
Current tax liabilities	5.6	0.4	+ 5.2
Provisions	10.7	9.2	+ 1.5
Other	5.4	(0.7)	+ 6.1
<b>Total liabilities</b>	<b>114.5</b>	<b>86.4</b>	<b>+ 28.1</b>
<b>Net equity</b>	<b>87.1</b>	<b>85.2</b>	<b>+ 1.9</b>

## Receivables

- \$4.1m of COVID related receivables from ATO (JobKeeper) and landlords (rent relief) at 30 June 2020

## Inventory

- Improved efficiency in the Distribution Centres reduced inventory held, increase of stock-in-transit due to strong trading in May and June

FY19	Showrooms 14.5	DCs 17.6	Transit 5.5
FY20	Showrooms 15.1	DCs 13.5	Transit 7.6

## Fixed Assets

- Fixed assets includes \$74.5m of owned and occupied retail properties recorded at historical cost, including additional property purchased in Auburn in February 2020
- Additional retail property acquired after balance sheet date in Keswick, South Australia for \$6.6m

## Deferred Revenue

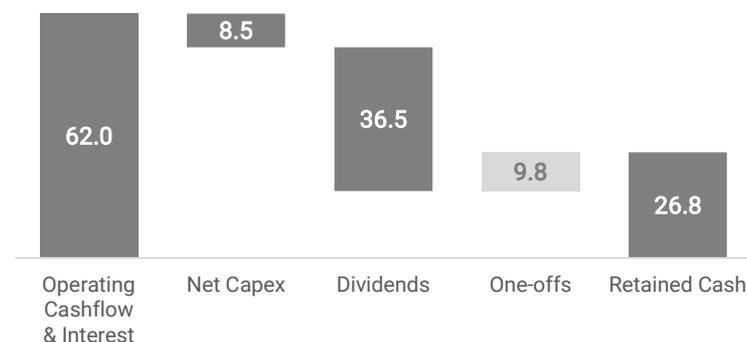
- Increase in customer deposits balance reflecting growth of order bank during May and June

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	FY20	FY19	Change
Receipts from customers	304.5	295.4	+ 9.1
Payments to suppliers/employees	(229.1)	(232.1)	+ 3.0
<b>Operating cashflow before interest and tax</b>	<b>75.4</b>	<b>63.3</b>	<b>+ 12.1</b>
Interest received	0.5	0.8	- 0.3
Income tax paid	(13.1)	(18.8)	+ 5.7
<b>Operating cash flow</b>	<b>62.8</b>	<b>45.4</b>	<b>+ 17.4</b>
Capital expenditure	(8.6)	(5.2)	- 3.4
Proceeds from disposals	0.1	0.4	- 0.3
<b>Investing cash flow</b>	<b>(8.5)</b>	<b>(4.8)</b>	<b>- 3.7</b>
Dividends	(36.5)	(39.7)	+ 3.2
Interest paid	(0.8)	(1.1)	+ 0.3
<b>Financing cash flow</b>	<b>(37.3)</b>	<b>(40.7)</b>	<b>+ 3.5</b>
<b>Net cash flow</b>	<b>17.0</b>	<b>(0.3)</b>	<b>+ 17.3</b>

## Cashflow Commentary

- \$26.8m increase in cash on hand due to strong trading in May and June, with operating cash flow increased by 38% to \$62.8m
- Strong operating cashflow conversion with 96% conversion from EBITDA
- Capex included purchase of a new property (\$4.7m), relocation of NZ Distribution Centre, various store refurbishments and other BAU items.
- Dividends paid in October 2019 (\$0.20 per share) and June 2020 (\$0.25 per share)



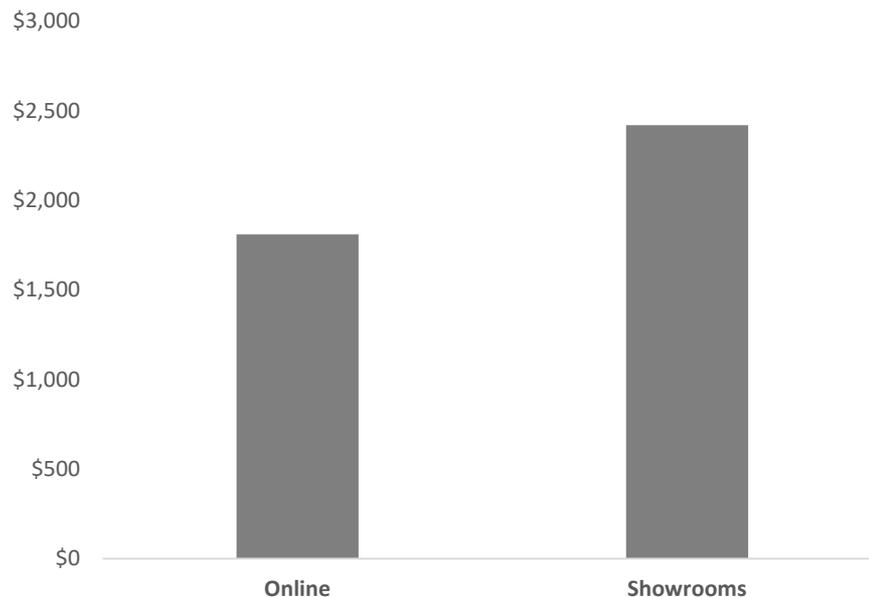
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# Impact of COVID-19

<b>Store Network</b>	<ul style="list-style-type: none"><li>• Traffic down 40%+ in last two weeks of March</li><li>• All stores closed for between two and four weeks (seven weeks in NZ) in April and May</li><li>• Traffic up 30% since re-opening</li></ul>
<b>Sales</b>	<ul style="list-style-type: none"><li>• Estimated \$9-11m loss in sales due to store closures</li><li>• Since reopening, sales orders have been very strong with May &amp; June sales orders up over 70% with June sales orders exceeding the Company's previous largest trading month on record by 40%</li></ul>
<b>Supply Chain</b>	<ul style="list-style-type: none"><li>• Delays in supply chain from Asia of up to four weeks in March and April</li><li>• Worked closely with suppliers to ensure delivery lead times back to normal by early May</li></ul>
<b>Online</b>	<ul style="list-style-type: none"><li>• Online sales channel successfully launched in April 2020</li><li>• \$1m+ average monthly sales orders since launch</li><li>• Online segment contributed EBIT in the first quarter of operation at 50%+ EBIT contribution margin</li></ul>
<b>Cost Reduction</b>	<ul style="list-style-type: none"><li>• NCK eligible for JobKeeper subsidy for six months, April to September</li><li>• Rent concessions obtained from &gt;85% of landlords</li><li>• Reduced store operating hours</li><li>• Media spend reduced throughout Q4 FY20</li></ul>
<b>Cashflow</b>	<ul style="list-style-type: none"><li>• Q4 FY20 operating cashflow of \$43m, up 142% from \$18m in the same period last year</li><li>• Interim dividend payment deferred from 27 March to 27 June</li></ul>
<b>New Store Rollout</b>	<ul style="list-style-type: none"><li>• Three new store openings deferred to FY21, two stores to open November 2020</li><li>• New store opportunities being cautiously considered, focus on ensuring rents are sustainable in the long term</li></ul>

## Average transaction value since launch (A\$)



## Online Commentary

- Nick Scali online launched in April 2020 and has performed strongly since inception
  - Website traffic up 75% from April to June 2020, despite reduced advertising spend
  - Average transaction value of ~\$1,800
  - Contribution margin of 50%+
  - 60% of sales orders for casegood (lounges, dining, bedroom furniture) related products
- Management see further opportunities for targeted product expansion into segments where customers are comfortable purchasing online, without a need to physically view the product before transacting
  - Improvements to the online customer experience and consumers trust in the platform to drive further expansion of the lounge segment online
- Nick Scali Online targeting a \$4m EBIT contribution in FY21

## Network Changes

	Jun 19	Opened	Closed	Jun 20
<b>Nick Scali Furniture</b>				
Australia	55	-	-	55
New Zealand	2	1	-	3
<b>Total</b>	<b>57</b>	<b>1</b>	<b>-</b>	<b>58</b>

One new NSF showrooms opened in FY20:

- St. Lukes (New Zealand)

Two new NSF showrooms planned for H1 FY21:

- Bennetts Green (NSW): November 2020
- Wairau Park (New Zealand): November 2020

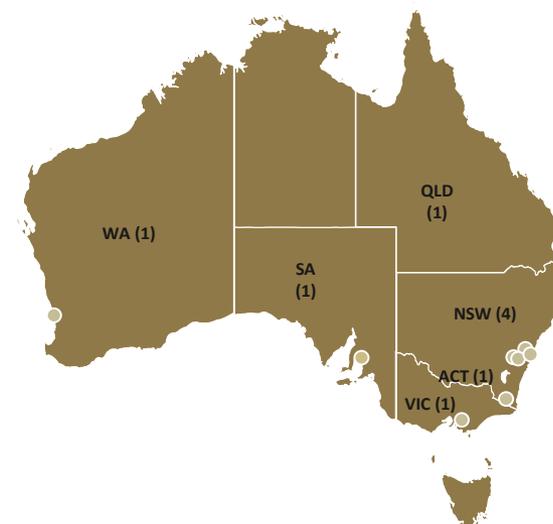
Two relocations also planned for H1 FY21, with further openings anticipated in H2 FY21



# Company Owned Properties

Over 37,000sqm of property owned in metro locations, adjacent to major growth corridors

Location	State/ Territory	Date acquired	Site area (sqm)	NLA (sqm)
Auburn	NSW	December 2017	4,763	5,469
Auburn**	NSW	February 2020	1,490	788
Alexandria	NSW	July 2010	1,680	1,680
Caringbah	NSW	July 2014	3,396	2,633
Fyshwick	ACT	November 2012	7,070	4,120*
Nunawading	VIC	September 2014	3,163	2,667
Macgregor	QLD	October 2015	9,701	4,839
Keswick	SA	July 2020	3,582	2,573
Joondalup	WA	March 2015	2,198	2,198
<b>Total</b>			<b>37,043</b>	<b>26,284</b>



\*Note: DA approved to increase NLA to 4,120sqm from 3,427sqm. Construction to be completed during FY21

\*\* Additional property in Auburn located adjacent to existing property owned and operated by Nick Scali was acquired in February 2020.

## Outlook

- As highlighted in the Trading Update on 19 June 2020, the Company experienced a significant rebound in customer activity during May and June, with sales orders up 65%+ on a comparable store basis against the prior corresponding period. Total growth in the combined period was over 70%.
- This exceptional level of growth has continued in July 2020, with written sales orders up 75% against July 2019, as consumers continue to reallocate discretionary spending toward furnishings and homewares.
- As approximately 65% of Nick Scali's products are made to order with current 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.



## Notice on Information

Nick Scali Limited (the “Company”) advises that the information in this presentation contains general background information about the Company’s activities as at the date of the presentation. It is information given in summary form and is based on information available to the Company that has not been independently verified.

The information in the presentation contains forward looking statements which may be subject to uncertainties outside the Company’s control and therefore no representation or warranty, express or implied, is made or given as to the accuracy, reliability or completeness of the information, opinions and conclusions expressed.

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This presentation should not be relied upon as a recommendation or forecast by the Company.

This document should be read in conjunction with the FY20 Results Announcement and FY20 Appendix 4E.



# Appendix 1: NPAT Reconciliation

	FY20 Underlying	Reversal of Operating Lease Expense	Recognition of AASB 16	One-offs	FY20 Reported
Sales revenue	262.5				262.5
Cost of sales	(97.8)				(97.8)
<b>Gross profit</b>	<b>164.7</b>				<b>164.7</b>
Other income	1.9		1.1	1.8	4.8
Operating expenses	(100.9)	27.3	2.3	(0.6)	(71.9)
<b>EBITDA</b>	<b>65.7</b>	<b>27.3</b>	<b>3.3</b>	<b>1.2</b>	<b>97.6</b>
Depreciation	(4.9)		(25.1)		(30.0)
<b>EBIT</b>	<b>60.8</b>	<b>27.3</b>	<b>(21.7)</b>	<b>1.2</b>	<b>67.6</b>
Net interest expense	(0.9)		(6.5)		(7.4)
<b>Profit before tax</b>	<b>59.9</b>	<b>27.3</b>	<b>(28.3)</b>	<b>1.2</b>	<b>60.2</b>
Taxation	(17.8)	(8.1)	8.4	(0.5)	(18.1)
<b>Net profit after tax</b>	<b>42.1</b>	<b>19.2</b>	<b>(19.9)</b>	<b>0.7</b>	<b>42.1</b>

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# Appendix 2: Balance Sheet Reconciliation

	FY20 (ex AASB16)	AASB16 Adoption	AASB16 FY20 Impact	FY20 Reported
Cash	63.0			63.0
Receivables	5.4		(2.8)	2.6
Inventory	36.3			36.3
Fixed assets - Owned	90.2		(0.5)	89.7
Fixed assets - Leased		174.3	(12.6)	161.7
Intangibles	2.4			2.4
Deferred tax	2.2	4.6	0.2	7.0
Other	2.1			2.1
<b>Total assets</b>	<b>201.5</b>	<b>179.0</b>	<b>(15.7)</b>	<b>364.8</b>
Borrowings	33.7			33.7
Lease liabilities		194.8	(13.6)	181.2
Deferred revenue	40.9			40.9
Payables	18.3		(0.3)	18.0
Current tax liabilities	5.6			5.6
Provisions	10.7	(5.0)	(1.0)	4.7
Other	5.4			5.4
<b>Total liabilities</b>	<b>114.5</b>	<b>(189.8)</b>	<b>14.9</b>	<b>289.4</b>
<b>Net equity</b>	<b>87.1</b>	<b>(10.8)</b>	<b>(0.8)</b>	<b>75.4</b>

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# Appendix 3: Cashflow Reconciliation

	FY20 Underlying	Reclassification of Lease Payments as Financing	One-offs	FY20 Reported
Receipts from customers	304.5			304.5
Payments to suppliers/employees	(229.1)	29.3	0.6	(199.2)
<b>Operating cashflow before interest and tax</b>	<b>75.4</b>	<b>29.3</b>	<b>0.6</b>	<b>105.3</b>
Interest received	0.5			0.5
Income tax paid	(13.1)		(0.5)	(13.6)
<b>Operating cash flow</b>	<b>62.8</b>	<b>29.3</b>	<b>0.1</b>	<b>92.2</b>
Capital expenditure	(8.6)			(8.6)
Proceeds from disposals	0.1		9.7	9.8
<b>Investing cash flow</b>	<b>(8.5)</b>		<b>9.7</b>	<b>1.1</b>
Dividends	(36.5)			(36.5)
Repayment of lease liabilities	-	(22.8)		(22.8)
Interest paid	(1.1)	(6.5)		(7.3)
<b>Financing cash flow</b>	<b>(37.3)</b>	<b>(29.3)</b>	<b>-</b>	<b>(66.5)</b>
<b>Net cash flow</b>	<b>17.0</b>	<b>-</b>	<b>9.8</b>	<b>26.8</b>

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# Appendix 4: Historical Performance

	FY16	FY17	FY18	FY19
<b>Sales revenue</b>	<b>203.0</b>	<b>232.9</b>	<b>250.8</b>	<b>268.0</b>
Cost of sales	(79.7)	(87.3)	(93.6)	(99.4)
<b>Gross profit</b>	<b>123.4</b>	<b>145.6</b>	<b>157.2</b>	<b>168.6</b>
Other income	1.4	1.6	1.9	2.2
Operating expenses	(83.8)	(90.5)	(95.6)	(105.8)
<b>EBITDA</b>	<b>41.0</b>	<b>56.6</b>	<b>63.6</b>	<b>65.0</b>
Depreciation	(3.1)	(2.8)	(3.8)	(4.3)
<b>EBIT</b>	<b>37.9</b>	<b>53.8</b>	<b>59.8</b>	<b>60.7</b>
Net interest (expense)/income	(0.4)	(0.6)	(0.9)	(1.1)
<b>Profit before tax</b>	<b>37.5</b>	<b>53.2</b>	<b>58.9</b>	<b>59.6</b>
Taxation	(11.3)	(16.0)	(17.9)	(17.5)
<b>Net profit after tax</b>	<b>26.2</b>	<b>37.2</b>	<b>41.0</b>	<b>42.1</b>
<b>Earnings per share (Cents)</b>	<b>32.3</b>	<b>46.0</b>	<b>50.6</b>	<b>52.0</b>
<b>Dividends per share (Cents)</b>	<b>23.0</b>	<b>34.0</b>	<b>40.0</b>	<b>45.0</b>
<b>Stores (#)</b>	<b>42</b>	<b>45</b>	<b>51</b>	<b>57</b>

# Appendix 5: Company Owned Properties

Diversified portfolio of company owned properties across 6 states and territories in Australia

Alexandria, New South Wales



Auburn, New South Wales



Nunawading, Victoria



Caringbah, New South Wales

