

4 February 2021

Results announcement – half-year ended 31 December 2020 (HY21, pre-AASB16)

Summary Result

A\$m	HY21 ¹ Pre-AASB16	HY20 ¹ Pre-AASB16	% Change
Sales revenue (\$m)	171.1	137.5	+ 24.4%
Underlying net profit after tax (NPAT) ¹ (\$m)	40.5	20.3	+ 99.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹ (\$m)	60.2	31.0	+ 94.2%
Earnings before interest and tax (EBIT) ¹ (\$m)	57.7	28.8	+ 100.3%
Gross margin	64.0%	62.2%	+ 180bps
Expenses, excluding depreciation and finance costs (% to sales) ¹	29.2%	40.2%	- 1,100bps
EBITDA margin (% to sales)	35.2%	22.5%	+ 1,270bps
EBIT margin (% to sales) ¹	33.6%	20.9%	+ 1,270bps
Underlying basic earnings per share (EPS) ¹ (cents)	50.0	25.1	+ 99.5%
Interim dividend per share (cents)	40.0	25.0	
Operating cash flow before interest and tax (\$m)	53.5	16.6	+ 222.3%

¹ The underlying results shown above exclude the impact of accounting for leases under AASB16 and the one-off gain on the sale of properties in HY20

Overview

Furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported its results for the half-year ended 31 December 2020, with underlying EBITDA of \$60.2m and net profit after tax of \$40.5m¹, in line with recent guidance on 5 January 2021. After an exceptional six months of trading, this represents profit growth of approximately 100% on an underlying basis.

Written sales orders for the period were \$191.1m, representing growth of 52% on the prior corresponding period. On a same-store basis, sales orders increased 58% on the prior comparable period. Sales revenue for the half increased by 24% to \$171.1m, less than the rate of sales order growth primarily due to supply chain and shipping delays affecting the Company's ability to deliver within the half. The closing order bank at 31 December reached an all time high.

Gross profit margin for HY21 was 64.0%, compared to 62.2% in the prior comparative period. The Company was able to improve margins through reduced SKU discounting.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "The first half of financial year 2021 had many challenges to navigate including government mandated store closures, supply chain issues and significant delays experienced with global shipping providers. Despite these events, the team was able to capitalise on shifting consumer spending patterns and deliver a record result for the Company".

Dividends

The directors have declared a fully franked interim dividend of 40 cents per share, with a record date of the 9 March 2021 and a payment date of 30 March 2021. This represents a payout ratio of 80% (FY20: 90%).

Store Growth

During the period two new stores were opened – one in Bennetts Green, NSW, and one in Wairau Park, New Zealand.

The Company expects to open two further stores in the second half of FY21, one in Victoria and one in New Zealand. Further new store opportunities are being considered in both Australia and New Zealand as the Company looks to invest for future growth. The Company is targeting a store network of at least 85 stores across Australia and New Zealand.

Online

The Company continued to experience growth in its online sales channel in the half year ended 31 December 2020 with over \$8.8m of written sales orders, and delivered an EBIT contribution of over \$3.5m for the first half, and the Company now expects to significantly exceed the \$4m contribution previously forecast for the full year. There remains significant scope for growth in the online segment, via adjacent product opportunities as well as continuing to build Nick Scali's online offering in New Zealand. Investment in the capability is underway with further updates expected in 2H FY21.

Outlook

Sales order growth for the Group in January 2021 was up 47% compared to the same period last year, representing the largest month of written sales orders in the Company's history. January is traditionally the Company's largest trading month and the sales order bank at the end of January was at an all time high (further increase on December 2020). New Zealand performed particularly well in January with total sales orders up 130% when compared to the prior period.

The rate of sales revenue growth has been lower than sales orders due to the extended lead times caused by delays in raw materials to our suppliers and shipping issues which continue to be challenging. These supply chain delays make it difficult to accurately predict sales revenue growth for the second half.

Conference Call

Anthony Scali will be presenting the 1H FY21 results by teleconference at 10h30 AEST on Thursday 4 February 2021.

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/10012134-47o30c.html>

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