

FY22 Results Presentation

22 August 2022



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L I M I T E D

Plush acquisition

Acquisition of Plush-Think Sofas completed November 2021 for \$102.5m, with integration now substantially complete

Sales growth

Written sales orders of \$473.8m, up 18.0% on FY21
Sales revenue of \$441.0m, up 18.2% on FY21

(Includes eight months of Plush sales orders and revenue)

Elevated outstanding order bank

Order bank at 30 June 2022 (\$185.3m), up 67% on June 2021, providing platform for revenue growth in H1 FY23

Profitability

Gross profit margin of 61.0%

Underlying net profit after tax of \$80.2m, down 4.9% on FY21, due to China lockdowns in H2 causing customer delivery delays and revenue deferral

Group	FY22	
	\$m	vs FY21
Total Written Sales Orders	473.8	+ 18.0%

Total Written Sales Orders, by Brand

- Nick Scali	375.1	- 6.6%
- Plush	98.7	n/a ¹

Comparable Written Sales Orders Growth^{1,2}

- Nick Scali Total	- 1.0%
- Nick Scali Australia	+ 0.3%
- Nick Scali New Zealand	- 28.9%

Outstanding Order Bank



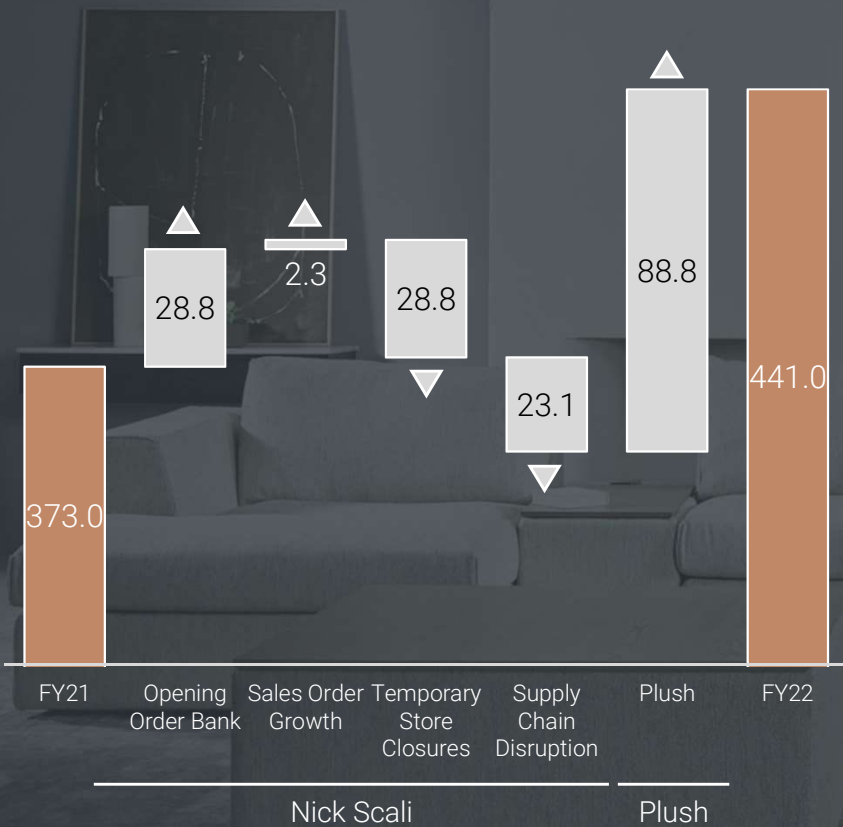
Commentary

- Nick Scali sales order growth impacted by temporary store closures in H1, with over 50% of the store network closed for three months, and softer trading in New Zealand
- Positive comparable sales order growth in Australia
- Elevated outstanding order bank at 30 June 2022 provides platform for revenue growth in H1 FY23

¹ Written sales orders comparatives are not applicable for Plush as orders taken in the prior comparative period were taken without deposits and could be cancelled at anytime

² Comparable written sales order growth is calculated on a monthly basis, and excludes the results of stores for complete months that included periods of temporary closure in either the current or comparative reporting period

Sales revenue (\$'m)



Revenue growth (%)

vs FY21

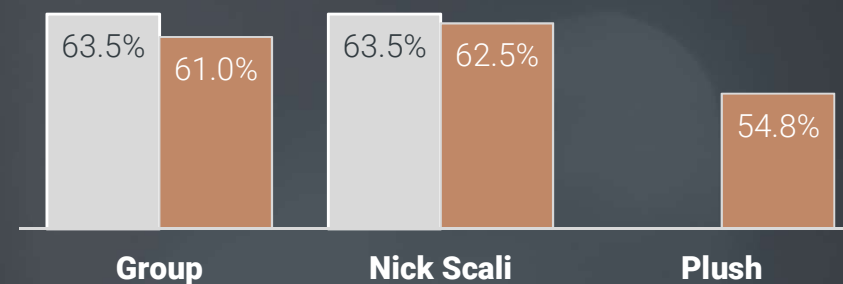
Total +18.2%

Commentary

- Despite elevated opening order bank at 1 July 2021, and similar levels of trading to FY21, Nick Scali revenue down due to Covid disruption causing delayed shipments, particularly during the lockdowns in Vietnam and China in Q2 and Q4 respectively
- Plush delivered revenue of \$88.8m in the eight months to 30 June 2022
- As supply chain issues eased in Q4 FY22, the Group was able to achieve record levels of deliveries

	FY21	FY22
Sales revenue	373.0	441.0
Cost of sales	(136.3)	(172.0)
Gross profit	236.8	269.0
Other income	1.6	1.6
Operating expenses	(79.3)	(107.4)
Depreciation	(30.9)	(38.6)
Finance costs	(7.0)	(9.3)
¹Underlying profit before tax	121.2	115.3
Income tax	(37.0)	(35.2)
¹Underlying profit after tax	84.2	80.2
¹ Underlying EBITDA	159.1	163.2
¹ Underlying EBIT	128.2	124.6

Gross Profit Margin



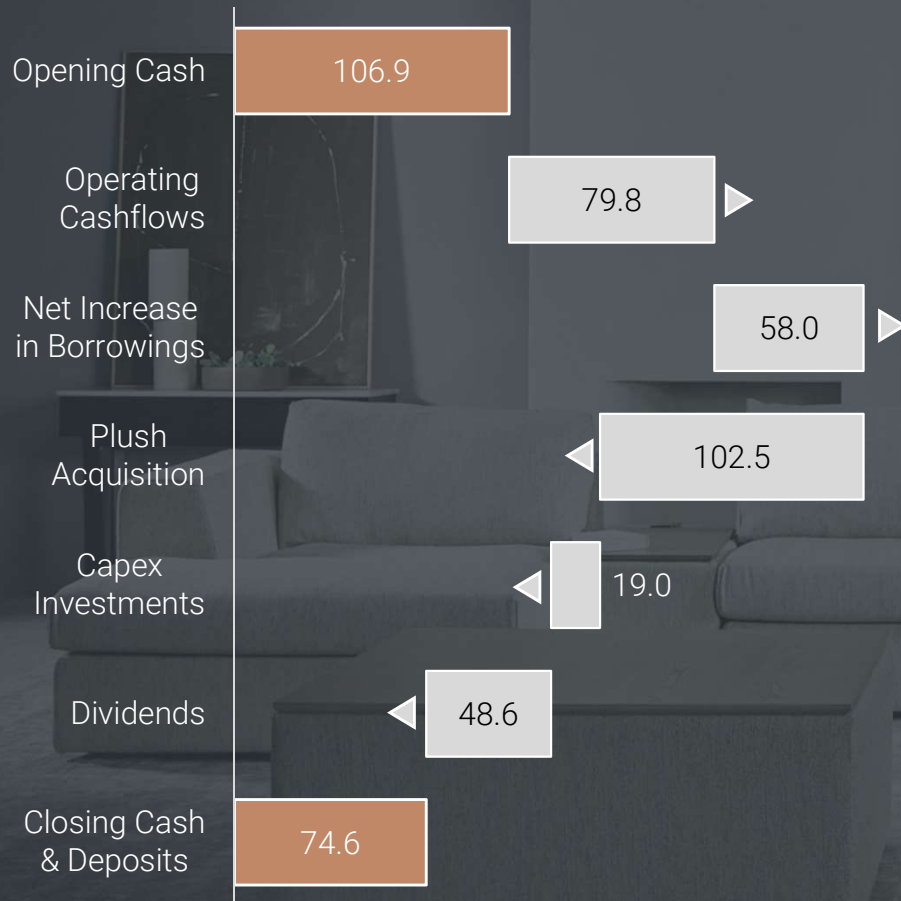
- Nick Scali margin down 100bps due to increased freight costs
- Plush margin improved by 240bps post-acquisition to 54.8% (vs long-term target of 59.0%)

Cost of Doing Business²

- Relative to sales, Nick Scali CODB% increased by 280bps to 34.1% as a result of new stores, rising employment costs and reduced revenue
- Plush CODB represented 39.8% of sales for the eight months post-acquisition. On an annualised basis, CODB is \$53.1m

¹ Underlying measures of financial performance excludes the impact of one-off items. See Appendices 1 & 2

² Cost of Doing Business includes operating expenses, depreciation and finance costs, and excludes the impact of one-off items. See Appendices 1 & 2



Operating Cashflows

- Cash of \$79.8m generated from operating activities (incl. operating lease payments and interest payments)

Net Increase in Borrowings

- Five year \$65.0m corporate facility secured to fund Plush acquisition, with \$10.0m repaid in December 2021
- Net additional \$3.0m borrowings against property portfolio to fund further property investment

Plush Acquisition

- Plush-Think Sofas acquired for \$102.5m, using \$37.5m of available cash reserves

Capex

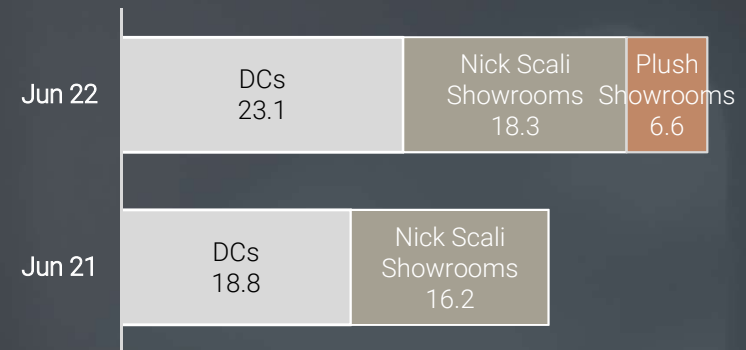
- Significant investments in property in Townsville and Fyshwick, totaling \$13.8m, with further \$5.2m on BAU items

Capital Management & Dividends

- \$48.6m returned to shareholders through dividends
- Closing cash and deposits at 30 June of \$74.6m

	Jun 21	Jun 22
Cash & deposits	106.9	74.6
Inventory – In transit	11.7	22.5
Inventory – On hand	35.0	48.0
Property – At net book value	83.4	97.4
Plant & equipment	15.2	15.1
Leased assets	170.9	215.4
Intangibles	2.7	129.4
Other assets	11.0	14.0
Borrowings	33.7	91.7
Payables	22.1	35.0
Lease liabilities	193.3	237.9
Deferred revenue	53.2	86.8
Provisions	5.0	8.3
Tax and other liabilities	15.5	15.8
Net assets	114.0	140.9

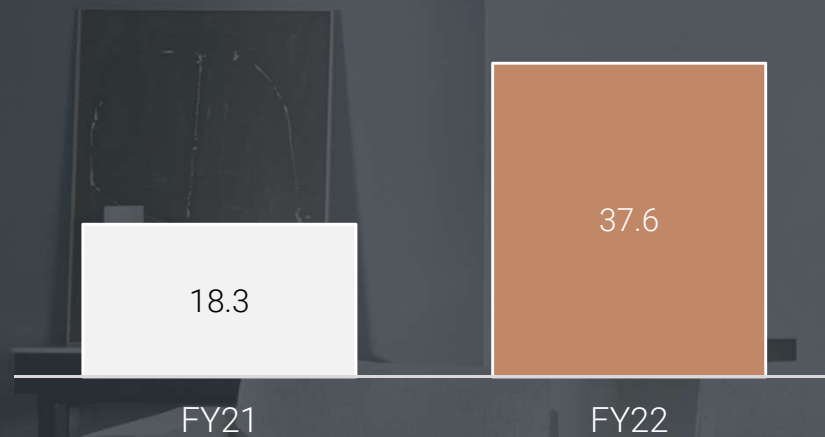
Inventory – On hand



Intangibles

- Existing goodwill on FY15 Adelaide purchase; Plush brand; and Goodwill on Plush acquisition

Written Sales Orders (\$m)



Written Sales Order Growth

- Nick Scali Online written sales orders of \$29.3m, up 59.9% on FY21, driven by temporary store closures and launch of transactional websites
- Written sales orders in H2 FY22 up 35.8% on H2 FY21, reflective of comparable growth outside lockdown periods
- Full e-commerce offering launched in Australia in May 2022, driving growth in online written sales orders in June and July

Online Profitability

- ¹Incremental EBIT contribution from online transactions totalled \$15.6m in FY22

Overview

- Acquisition of 100% of Plush-Think Sofas Pty Ltd completed on 1 November 2021 for \$102.5m

Synergies Achieved in FY22

- Gross margin improvement of approximately 240bps from pre-acquisition 52.4% to current 54.8%, through improved management of clearance items, changes to selling practices and discounting, and reductions in delivery costs
- Annualised cost of doing business reduced by \$5m from \$58m pre-acquisition to current \$53.1m through cost reduction initiatives

Further Synergies Expected in FY23

Gross Margin

- Replacement of 50% of range with new models and wider price range
- Leveraging of existing NCK supplier base for better value proposition
- Cost reduction through volume buying and economies of scale

Cost of Doing Business (Target \$40m per annum)

- Restructure of retail operations structure to align best practices across both brands
- Full year benefit of cost reduction initiatives implemented during FY22, and additional FY23 activities expected to drive further \$13m in synergies in FY23



	Jun 2021	New Stores	Jun 2022	Target
Nick Scali				
Australia	57	-	57	73
New Zealand	4	1	5	13
	61	1	62	86
Plush¹				
Australia	46	-	46	85-90
New Zealand	-	-	-	5-10
	46	-	46	90-100
Total	107	1	108	176-186

- Expect to open a minimum of six stores in FY23 – three each for both Nick Scali and Plush

¹ Two Plush showrooms closed in July 2022

Location	Date Acquired	Net Lettable Area (m ²)
Auburn, NSW	Dec 2017	5,469
Auburn, NSW	Feb 2020	788
Alexandria, NSW	Jul 2010	1,680
Caringbah, NSW	Jul 2014	2,633
Fyshwick, ACT	Nov 2012	4,120
Nunawading, VIC	Sep 2014	2,667
Macgregor, QLD	Oct 2015	4,839
Townsville, QLD	Nov 2021	5,396
Keswick, SA	Jul 2020	2,573
Joondalup, WA	Mar 2015	2,198
Total		32,363

Property Values	\$m
- Historical Cost	104.8
- <i>Current Book Value (Cost, less depreciation)</i>	97.4

FY22 Expenditure	\$m
<ul style="list-style-type: none"> Redevelopment of existing Fyshwick site creating flagship Nick Scali showroom, and additional 1,700m² of retail floorspace 	4.8
<ul style="list-style-type: none"> Acquisition of multi-purpose Townsville site, relocating existing Nick Scali showroom and developing new DC facility to support growth of both brands in regional Queensland 	9.0

	Jul FY23		
	\$m	vs FY22	vs FY20
Group			
Total Written Sales Orders	43.2	+ 64.1%	+ 103.8%
Outstanding Order Bank	179.5	+ 77.4%	+ 252.1%
Nick Scali			
Total Written Sales Orders	32.9	+ 28.8%	+ 60.0%
Plush¹			
Total Written Sales Orders	9.3	n/a	n/a

FY23 Outlook

- Given the elevated order book at the end of June, and the incremental sales revenue from the Plush business, the Company expects sales revenue for H1 FY23 to be materially above the previous year.
- July trading was positive, with total written sales orders for the Group of \$43.2m, up 64.1% on July 2021.
- Given the current global economic environment, the business will face challenges in respect of inflationary pressure on operating costs over the next 12-24 months.
- Based on the current economic uncertainty, it is difficult to provide any additional guidance for the FY23 financial year.

¹ Written sales orders comparatives are not applicable for Plush as orders taken in the prior comparative period were taken without deposits and could be cancelled at anytime



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This document should be read in conjunction with the FY22 Results Announcement and FY22 Appendix 4E

Appendix 1 – FY22 NPAT Reconciliation

	Reported	One-off Items		Underlying
		Acquisition Costs	Restructuring Costs	
Sales revenue	441.0	-	-	441.0
Cost of sales	(172.0)	-	-	(172.0)
Gross profit	269.0	-	-	269.0
Other income	1.6	-	-	1.6
Operating expenses	(111.8)	3.3	1.0	(107.4)
Depreciation	(41.6)	-	3.0	(38.6)
Finance costs	(9.3)	-	-	(9.3)
Profit before tax	108.0	3.3	4.0	115.3
Taxation	(33.0)	(0.9)	(1.2)	(35.2)
Profit after tax	74.9	2.4	2.8	80.2

Appendix 2 – FY22 EBIT Reconciliation

	FY21	FY22
Gross Margin	236.8	269.0
Other Income	1.6	1.6
Operating Expenses	(79.3)	(111.8)
One-off items in Operating Expenses		
- Acquisition Costs	-	3.3
- Restructuring Costs	-	1.0
Underlying EBITDA	159.1	163.2
Reported Depreciation & Amortisation	(30.9)	(41.6)
One-off items in Depreciation & Amortisation		
- Restructuring Costs	-	3.0
Underlying EBIT	128.2	124.6

