

NICK SCALI LIMITED
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19 June 2020

Response to COVID-19, Trading Update, Dividend Update and Outlook

Nick Scali Limited (“Nick Scali” or “the Company”) today wishes to provide the following update on its operational and financial performance since temporarily closing its showrooms on 30 March 2020.

Summary

- 4Q20 QTD written sales order growth of 20.4%¹
- 2H20 HTD written sales order growth of 7.0%¹
- 2H20 NPAT expected to be up 15% to 20% on 2H FY19
- FY20 revenue expected to be in the range of \$260m to \$263m
- FY20 underlying NPAT expected to be in the range of \$39m to \$40m²
- Successful launch of digital sales channel

1: 4Q20 QTD is the period from 1 April 2020 to 14 June 2020, 2H20 HTD is the period from 1 January 2020 to 14 June 2020

2: Underlying NPAT excludes the impact of the gain on sale of property, and the impact of the adoption of AASB 16.

Response to COVID-19

In response to the COVID-19 pandemic, Nick Scali implemented a range of measures across its showrooms to ensure a safe environment for staff, customers, and the community. Selected showrooms within the network began reopening on a test basis in April, and all showrooms within Nick Scali’s retail network were reopened by the end of April with the support of our landlord partners. Since reopening, all showrooms have traded strongly and recorded positive sales order growth.

Nick Scali’s New Zealand operations were impacted by government restrictions, which forced both the retail and distribution networks to temporarily close. Trading and deliveries have now resumed at all locations with solid operating performance recorded since reopening.

Nick Scali responded to showroom closures by launching its digital offering, allowing customers the opportunity to purchase the entire range of Nick Scali products via digital channels. Whilst this initiative remains in the early stages of development, the Company is pleased with the growth it is demonstrating and sees further scope to invest in this capability.

Trading Update

The significant decline in sales orders during the second half of March and the first half of April when the showroom network was affected by closures, meant that approximately \$9m-11m of sales were unable to be recorded in the current financial year. However, due to the successful implementation of a range of cost reduction initiatives across marketing, employment and property, together with government assistance, profit for the second half will be up 15% to 20% on last year.

Nick Scali has experienced a significant rebound in customer activity during May and the first half of June. Given the strong trading, the Company expects sales orders for the months of May and June to be up 54% on prior corresponding period, driven by the easing of government restrictions and a reallocation of discretionary consumer spending toward furnishings and homewares.

Dividend Update

On 23 March 2020 the Board decided to defer the payment of the 25c interim dividend until 2 October 2020. In light of strong recent trading and a significant increase in the sales order bank, the Board have decided to bring forward the payment of the previously deferred interim dividend to 29 June 2020.

Outlook

Given the nature of Nick Scali's business model and the significant increase in sales orders during May and June, the Company anticipates sales revenue for Q1 FY21 to be approximately 30% up. This is expected to underwrite profit growth for the first half of FY21.

Management and the Board would particularly like to thank our staff for the flexibility and support they demonstrated during this difficult time. Nick Scali's strong performance during the period of uncertainty was a testament to the hard work and commitment of our people.

Authorised by the Board.

For further information please contact:

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Chief Executive Officer and Managing Director

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Chief Financial Officer and Company Secretary