

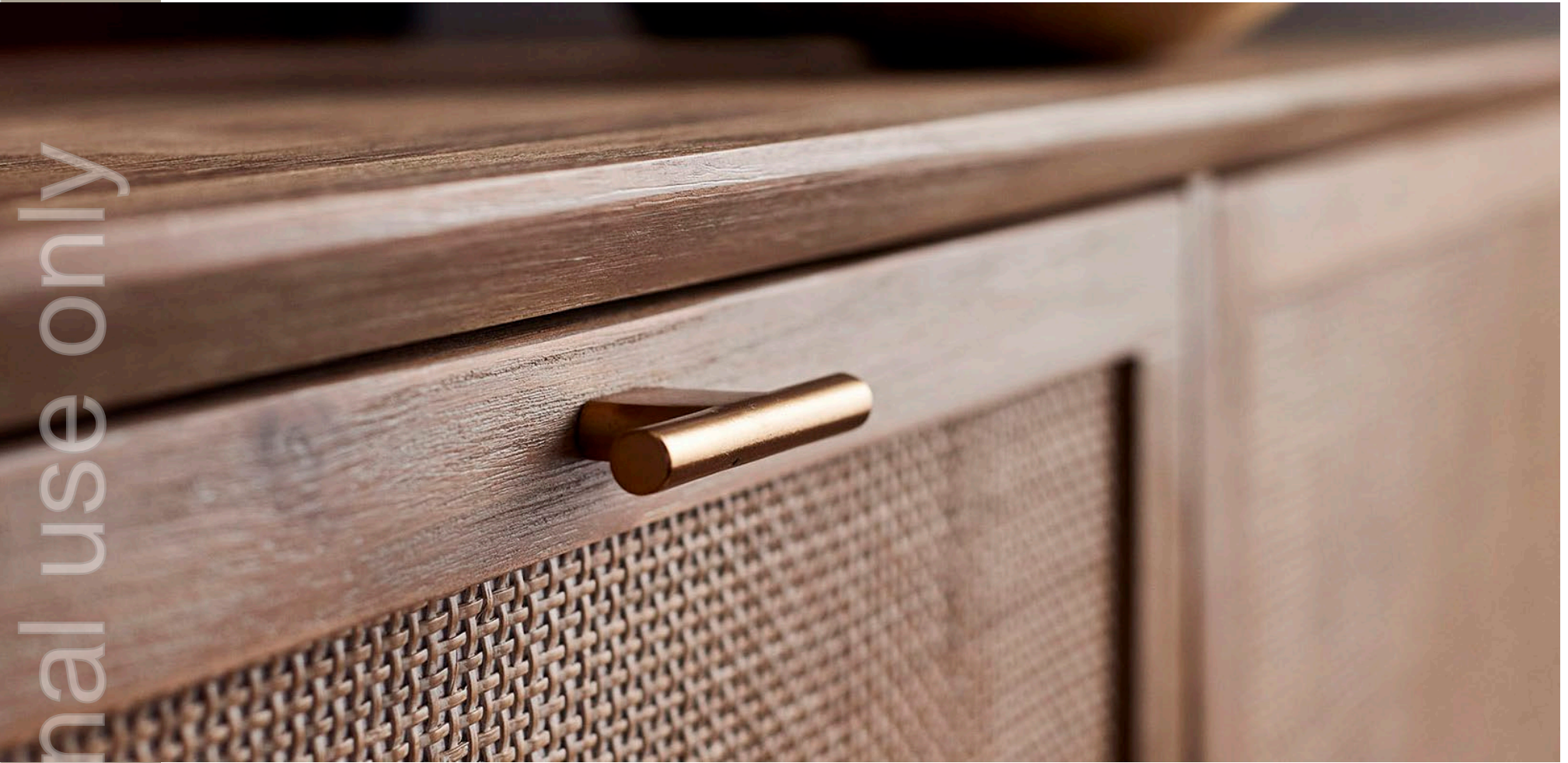


5 MAY 2021

Nick Scali Limited (NCK.ASX)

Macquarie Investor Conference Presentation





Nick Scali Overview

Introduction to Nick Scali

Founded in 1962, Nick Scali is a mid-premium direct to consumer retailer of lounges and household furniture

People

- **550** Staff
- **520** AU staff
- **30** NZ staff



Infrastructure

- **61** Showrooms
- **6** Distribution Centres
- **37,000**sqm of Company owned property



Operations

- **\$338m+** Revenue¹
- **\$63m** Net Profit After Tax¹
- **\$2,500** Average Transaction Value
- Top quartile of retail Margins globally



Notes: 1. LTM revenue comprises 2H FYH20 + 1H FY21 revenue & Net Profit After Tax (to Dec 2020). Showroom number as at 4 May 2021.

Nick Scali Business Model Summary

Nick Scali maintains a high margin, low inventory model when compared to other retail & consumer peers

Key characteristics of Nick Scali's business model

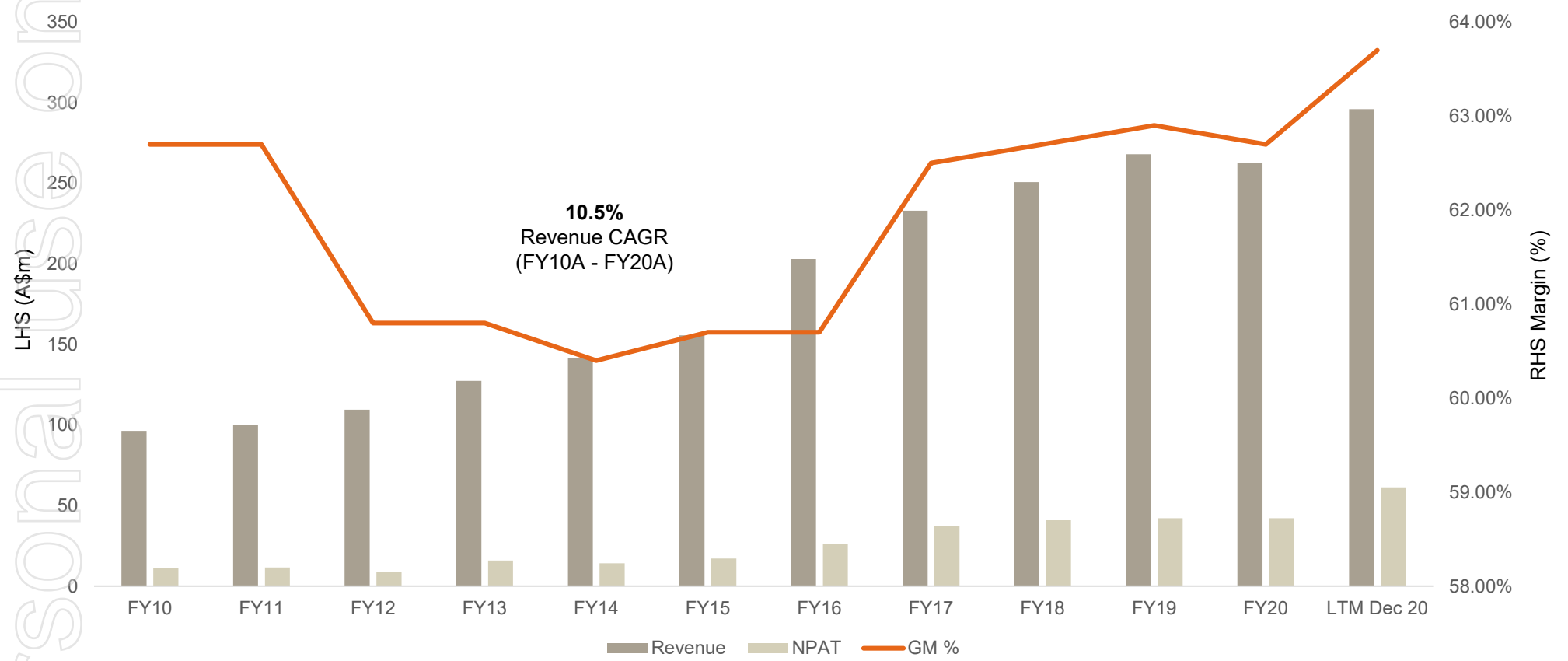
- ✓ Favourable working capital profile given deposit received from customers prior to supplier payments for lounge orders which represent 70% of total written sales orders
- ✓ Inventory largely consumed by in-transit products, casegoods for just-in-time delivery and showroom floor stock, reducing the risk of stock obsolescence
- ✓ High gross margin and relatively fixed cost base leads to significant operating leverage as sales growth is achieved
- ✓ Minimal growth capex required for showroom roll-out, allowing the Company to grow whilst maintaining adequate liquidity for capital initiatives i.e. property purchases
- ✓ Business model generates leading retail industry operating cashflow margin, achieving average EBITDA to cashflow conversion of over 100% in the past 5 years
- ✓ Cashflow profile allows the company to maintain a high dividend payout ratio which has averaged 80% through time
- ✓ Property acquisition drives reduced occupancy costs and increases the defensibility of the store network in strategically important locations



Historical operating margins & profitability

Nick Scali's business model has allowed it to successfully drive sustainable expansion of both revenue & earnings over the long term

original source only

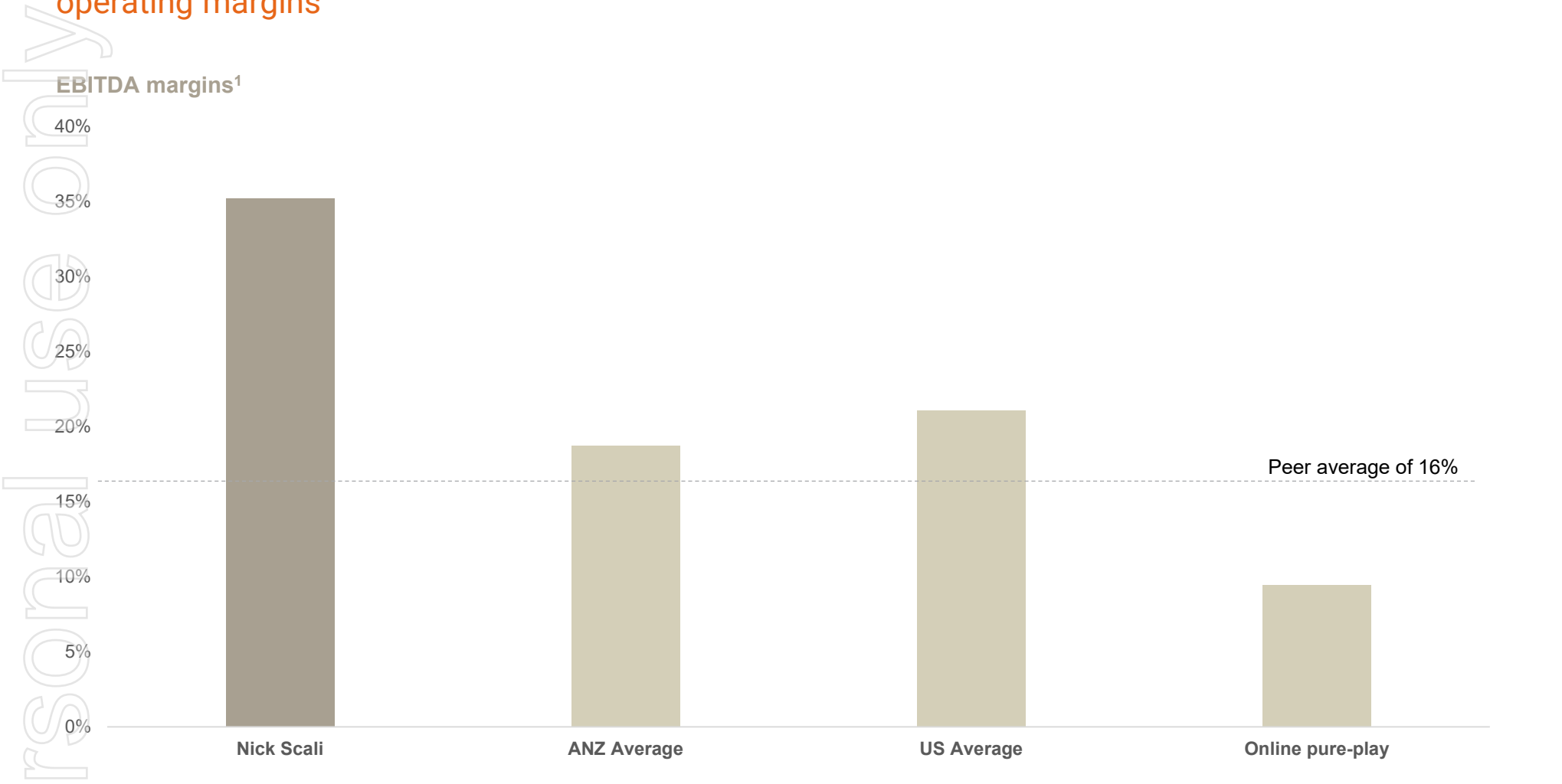


Notes: LTM to December 2020 includes 2H FY20 and 1H FY21

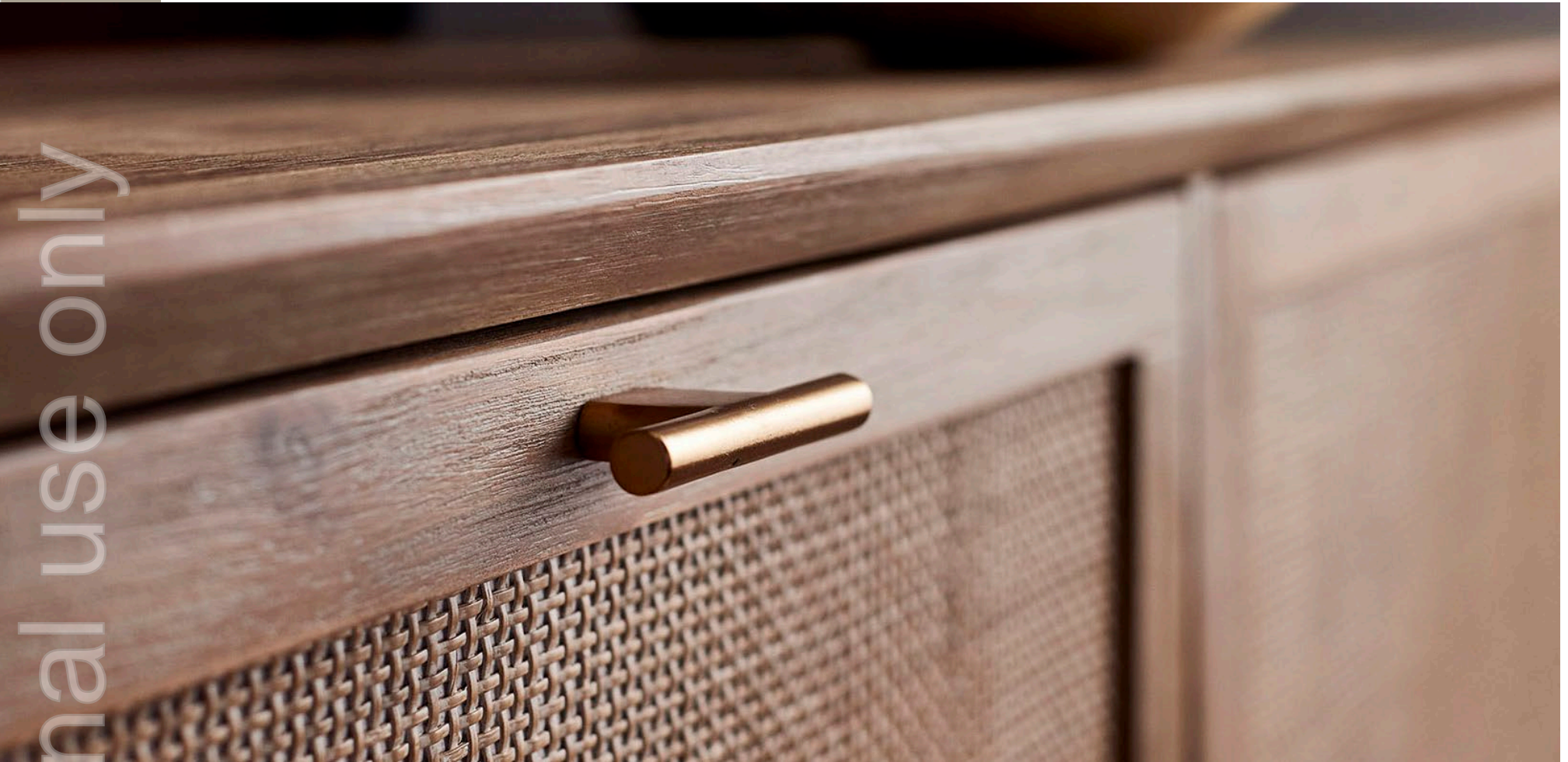


Industry leading margins

Sustained margin expansion has resulted in industry leading homewares & furniture operating margins



Notes 1. EBITDA margins presented on pre-AASB 16 as at last reported date for peer comparable set in each market. Source: Company Reports & Regulatory Filings as at 4 May 2021



1H FY21 Results Recap

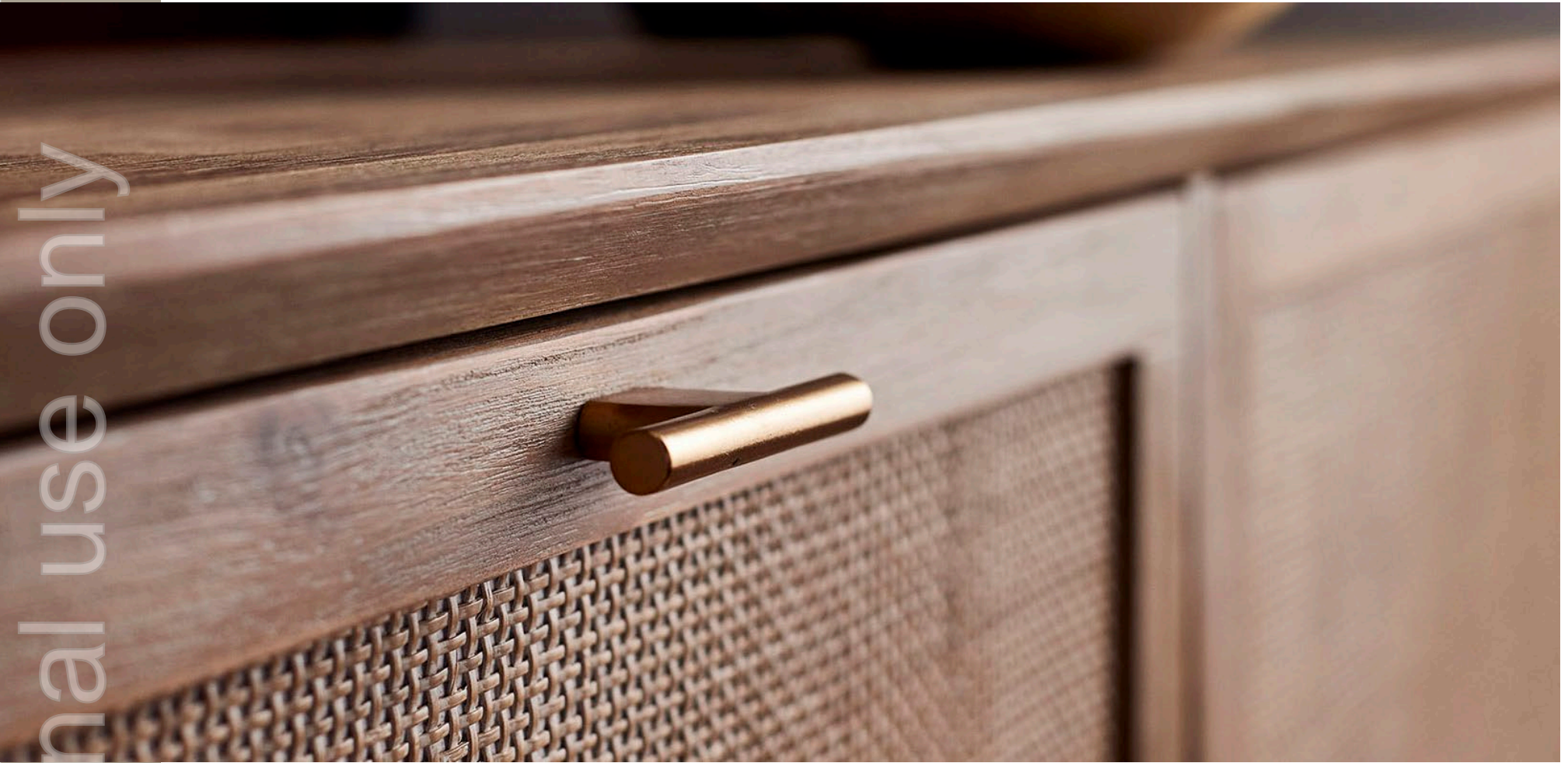
Results Overview

Summary results for 1H FY21 presented below

1H FY21 Highlights

<ul style="list-style-type: none"> Written sales orders and revenue at record levels, with 58% growth in like-for-like sales orders and 24% sales revenue growth 	<ul style="list-style-type: none"> Sales orders: \$191.1m (PY: \$126.1m) Revenue: \$171.1m (PY: \$137.5m)
<ul style="list-style-type: none"> Gross profit margin improved by 180 basis points due to reduced SKU discounting 	<ul style="list-style-type: none"> Margin: 64.0% (PY: 62.2%)
<ul style="list-style-type: none"> Operating leverage saw sales growth lift net profit after tax by over 100% 	<ul style="list-style-type: none"> Underlying NPAT¹: \$40.5m (PY: \$20.3m)
<ul style="list-style-type: none"> Increase in profitability led to improved cashflows due to the negative working capital model 	<ul style="list-style-type: none"> Operating cashflow²: \$53.5m (PY: \$16.6m) Net cashflow: \$24.6m (PY: \$7.4m)
<ul style="list-style-type: none"> \$32.4m paid to shareholders through 40.0 cent interim dividend on 30 March 2021 	<ul style="list-style-type: none"> Interim dividend: 40.0 cents (PY: 25.0 cents)
<ul style="list-style-type: none"> Two new stores successfully opened during 1H FY21 	

¹Underlying net profit after tax excludes the impact of accounting for leases under AASB 16 and one-off transactions such as the sale of properties and non-recurring corporate projects. The reported results for HY21 are shown in Appendix 1, along with a reconciliation to the underlying results



Trading Update

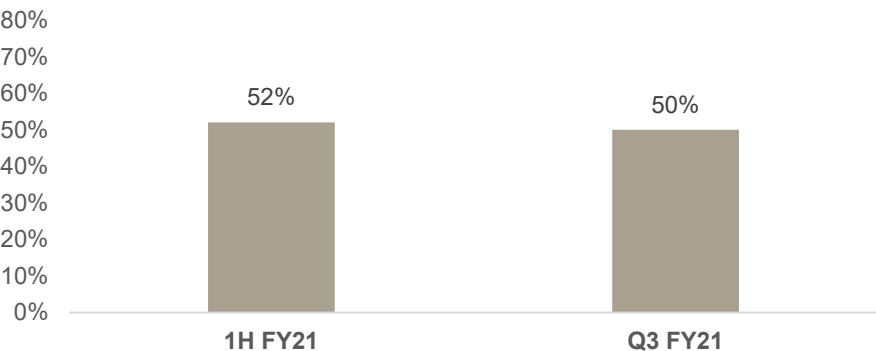
Trading Update

Continued positive trading momentum through the March quarter and to the end of April 2021

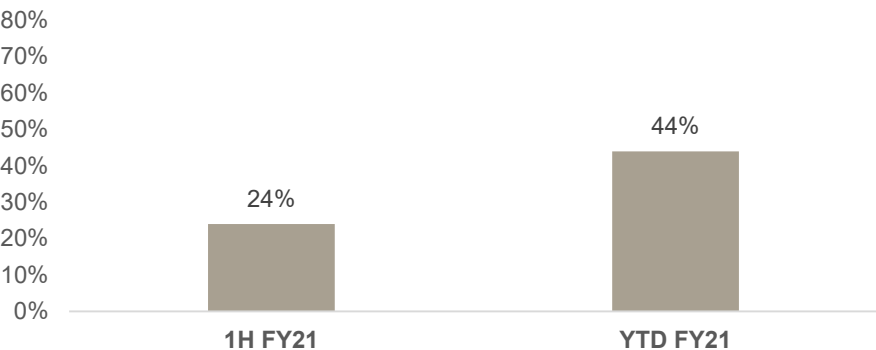
Trading Update

- As highlighted in the half year result on 4 February 2021, written sales orders grew 52% in H1 FY21
- Trading remained strong in the 3rd quarter of FY21 with written sales growth of 50% vs pcp
- Written orders for April in line with March 2021
- Despite container availability continuing to impact operations, sales revenue growth to the end of April 2021 approximately 44%
- Order bank at the end of April continues to remain at elevated levels, providing a foundation for revenue growth into FY22

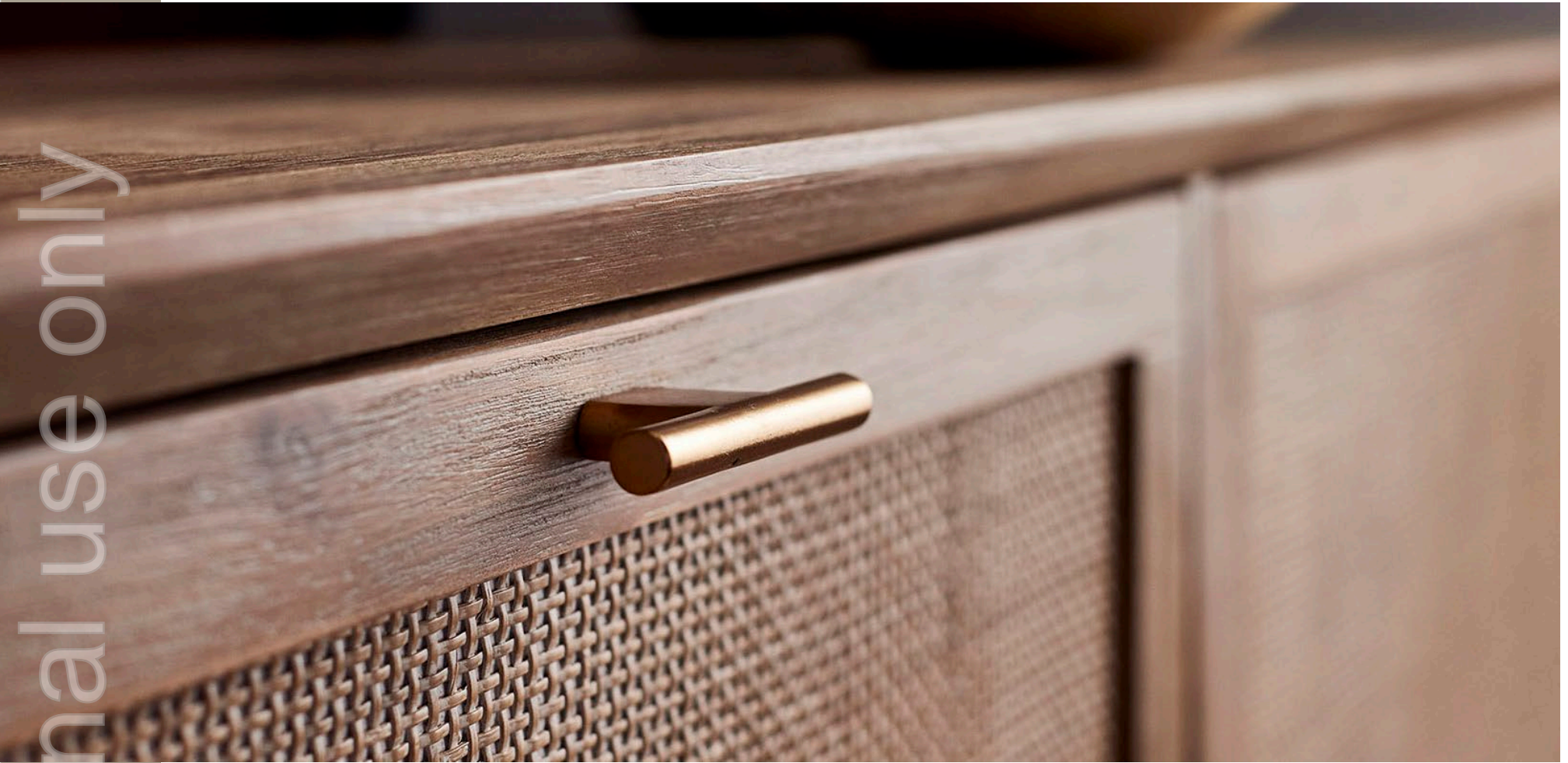
Written Sales Order Growth (pcp %)



Sales Revenue Growth (pcp %)



Notes: YTD FY21 represents sales revenue growth to the end of April 2021. written sales orders & sales revenue presented on a group basis.



Future Growth Opportunities

Future Growth



Nick Scali has several levers to drive sustained revenue & earnings growth

Organic growth initiatives

- 1 Expand the store network
 - Expand the store network across Australia & New Zealand, initially targeting 86 showrooms across both markets
 - Recent store openings demonstrate continued appetite from consumers for a bricks and mortar offering
- 2 Launch adjacent categories
 - Utilise Nick Scali's Direct to Consumer model to expand into adjacent product categories & increase the customer value proposition
- 3 Grow the digital offering
 - Development of Nick Scali's digital channels to support store network growth
 - Growth into new categories and product ranges, including increasing range depth in high volume categories

Capital led growth initiatives

- 4 Growth via acquisition
 - Disciplined growth via acquisition, focused on where Nick Scali can add considerable value
 - M&A only considered where financial & strategic merits are compelling
- 5 Increase the property portfolio
 - Improve the mix of company owned vs. leased properties
 - Continued expansion of the existing portfolio to further reduce CODB and improve operating margins

Store Network

Opportunity to significantly grow the store network, targeting at least 86 showrooms across Australia and New Zealand

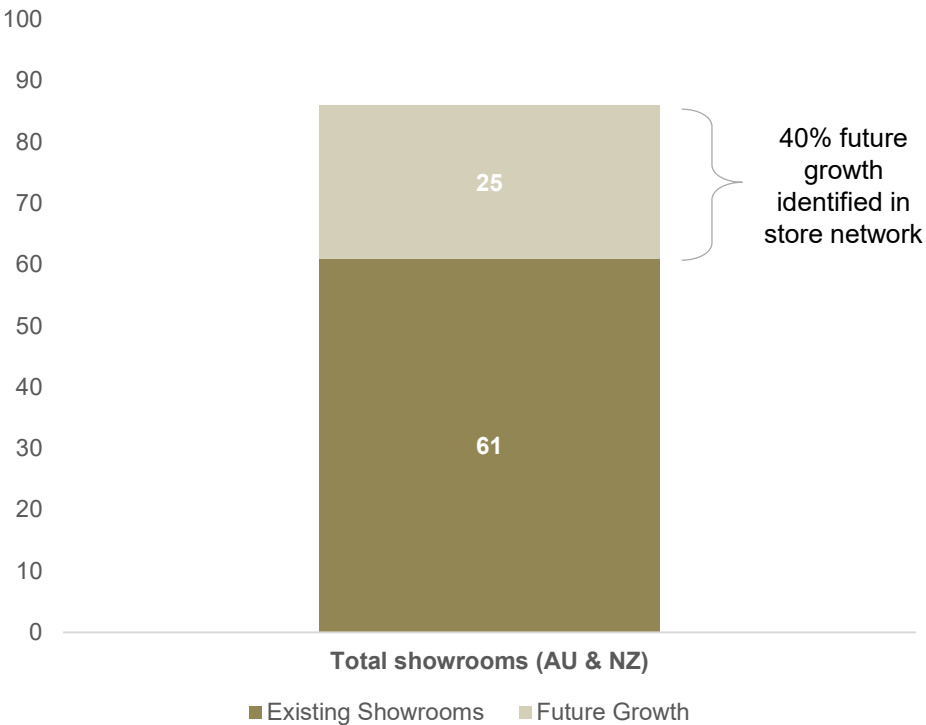
Nick Scali showrooms	At 4 May 2021
Australia	57
New Zealand	4
Total	61

Two new NSF stores opened in 1H FY21

- Bennetts Green (NSW)
- Wairau Park (New Zealand)

One new store opened in 2H FY21

- Maribyrnong (VIC)



Property

Property portfolio of 37,000sqm which is expected to be further enhanced via expansion and redevelopment opportunities

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
Total			37,043	26,284

Commentary

- 37,000sqm of property held by the group in key strategic locations where there is significant pressure on rents
- Property held on balance sheet at initial acquisition cost
- Utilisation of cashflow to provide permanent CODB benefit and sustainably lower occupancy costs
 - Nick Scali's operations continue to benefit from a substantial fixed asset base
- Development of Fyshwick property expected to commence in H2 FY21
 - Development approval for expansion of Nick Scali showroom and adjoining tenant/s
- The Company sees scope to further increase the number freehold properties held and enhance the existing portfolio through redevelopment

Online & Digital Offering



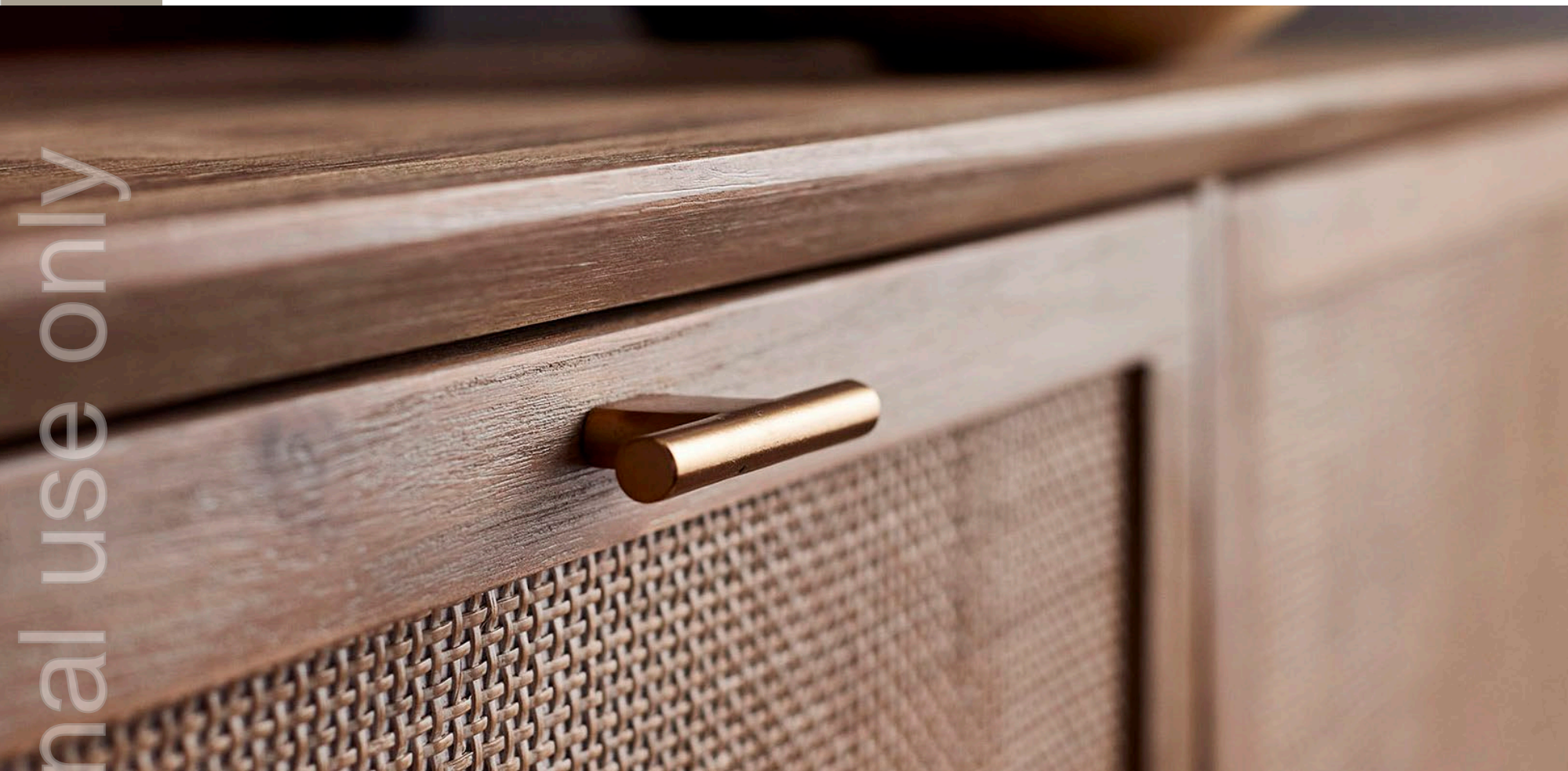
Online remains an exciting growth opportunity for Nick Scali to capitalise on consumers increased propensity to engage digitally



Online Commentary

- Online sales offering launched in April 2020
 - Online channel supported by large-scale distribution infrastructure across Australia and New Zealand, providing a significant competitive advantage for Nick Scali
- Online sales orders of \$8.8m for 1H FY21
 - Casegoods continue to represent majority of sales orders
 - Opportunity to expand range and achieve further range depth in selected product categories
 - Average transaction value of \$1,900+
 - Attractive online gross margin of 66% driven by a shift in the product mix and realisation of efficiencies from the centralised distribution model
- Q3 FY21 written sales orders in line with Q2
 - April 2021 written sales order growth of 83% vs April 2020
- Launch of refreshed Nick Scali e-commerce offering to occur in 2H FY21
 - Additional categories to launch online only
 - Online lounge configuration module to launch in September 2021

¹EBIT contribution defined as gross profit less attributable employment, marketing and general administrative expenditure



Outlook

Outlook

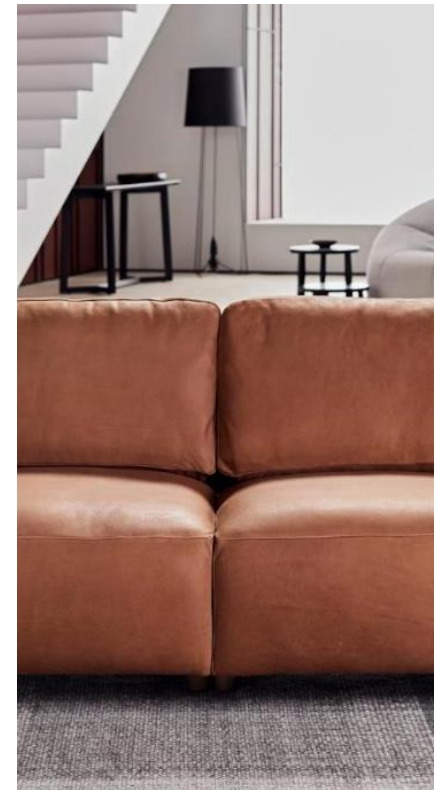
NPAT expected to be in the range of \$78-80m, an increase of approximately 85-90% versus the previous financial year

Store Network

- The company expects to open a total of 3 new showrooms in FY21, one located in Victoria, one in NSW and one new showroom in New Zealand
- Additional new showroom to open in New Zealand in early July 2021

Profitability

- EBITDA for FY21 forecast to be approximately \$120m, which includes the net repayment of JobKeeper subsidies received in 1H FY21
- Net Profit After Tax expected to be in the range of \$78-80m, an increase of approximately 85-90% on the previous financial year
- Guidance remains subject to no further delays or adverse material impacts on container availability in the lead up to 30 June 2021



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