

5 August 2021

Results announcement – year ended 30 June 2021 (FY21)

Summary Result

A\$m	FY21 ¹ Pre-AASB16	FY20 ¹ Pre-AASB16	% Change
Sales revenue (\$m)	373.0	262.5	+ 42.1%
Underlying net profit after tax (NPAT) ¹ (\$m)	84.2	42.1	+ 100.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹ (\$m)	126.6	65.7	+ 92.7%
Earnings before interest and tax (EBIT) ¹ (\$m)	121.9	60.8	+ 100.5%
Gross margin	63.5%	62.7%	+ 80 bps
Expenses, excluding depreciation and finance costs (% to sales) ¹	30.0%	38.4%	- 840 bps
EBITDA margin (% to sales) ¹	33.9%	25.0%	+ 890 bps
EBIT margin (% to sales) ¹	32.7%	23.2%	+ 940 bps
Basic earnings per share (EPS) (cents)	104	52	+ 100.0%
Final dividend per share (cents)	25.0	22.5	+ 11.1%
Operating cash flow before interest and tax ¹ (\$m)	136.8	72.6	+ 88.4%

¹ The underlying results above exclude the impact of accounting for leases under AASB16; and one-off transactions in FY20

Overview

Furniture retailer Nick Scali Limited ("the Company") (ASX: NCK) today reported its results for the year ended 30 June 2021, with EBITDA (pre-AASB-16) of \$126.6m, and NPAT of \$84.2m - above recent guidance on 4 May 2021 of \$78-80m. On an underlying basis, this result represents profit growth of 100% on the previous financial year.

Sales revenue for the year grew by 42% to \$373.0m, with same store sales revenue growth of 34%. Total written sales orders for the year were \$401.6m and continued to outstrip sales revenue, resulting in an end of year order bank 35% higher than at 30 June 2020.

Gross profit margin for FY21 was 63.5%, compared to 62.7% in the prior year. This result was achieved despite rising freight and supply chain costs experienced throughout the year.

Commenting on the results, the Managing Director, Mr Anthony Scali, said "the most pleasing aspect of our FY 21 result, was the ability of our distribution network across Australia and New Zealand to deliver the materially elevated sales revenue whilst maintaining the same level of costs as FY20".

Showroom Growth

During FY21 three new showrooms were opened in Bennetts Green (NSW), Maribyrnong (Victoria) and Wairau Park (New Zealand), with a further showroom subsequently opened in Hastings (New Zealand) in July 2021. New showrooms opened during the financial year have performed above expectations and FY22 presents an opportunity to realise the benefit of a full year of trading in these locations.

The Company now has a total network of 61 showrooms across Australia and New Zealand and continues to assess new opportunities in line with its long-term showroom network target of 85 showrooms.

New Zealand

Written sales orders in New Zealand grew by 95% compared to FY20, and same store written sales orders grew by 40% over the same period, demonstrating the continuing strength of the brand proposition in the New Zealand market.

Online

Online written sales orders for FY21 were \$18.3m compared to \$3.0m in FY20. The EBIT contribution from the online channel for FY21 was \$8.8m compared to \$0.6m in FY20.

Dividends

The directors have declared a fully franked final dividend of 25.0 cents per share, with a record date of the 4 October 2021 and a payment date of 25 October 2021. This brings the full year dividend to 65.0 cents per share and represents a payout ratio of 63% (FY20: 90%).

Outlook

Trading during July 2021 was impacted by government mandated lockdowns in Greater Sydney, Victoria and South Australia. Written sales orders were down 27% compared to July 2020, but up 24% on July 2019, despite Greater Sydney being locked down for the whole month. Victoria and South Australia have traded exceptionally well since having come out of lockdown towards the end the month.

New Zealand continues to perform well with written sales orders for July up 91%, underpinned by the recently opened new stores and like for like sales growth of 10%.

Online growth was up 88% for the month of July 21 compared to July 20.

The Company's future growth will primarily be driven by the continuation of the store rollout and increasing online penetration.

Despite the buoyant trading conditions, there is a high degree of uncertainty in the current retail environment, due to current and potential future lockdowns, supply chain challenges caused by lockdowns in sourcing countries, as well as the continuing escalation of global shipping costs. Therefore, at the current time, it is not possible to provide profit guidance for the Company for the first half of FY22.

Conference Call

Anthony Scali will be presenting the results by teleconference at 10h00 AEST on Thursday 5 August 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/10015370-gs63y7.html>

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