

6 February 2024

Results announcement – half-year ended 31 December 2023 (H1 FY24)

Result

A\$m	HY24	HY23	Change
Revenue (\$m)	226.6	283.9	-20.2%
Net profit after tax (NPAT, \$m)	43.0	60.6	-29.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA, \$m)	89.9	112.2	-19.0%
Earnings before interest and tax (EBIT, \$m)	67.7	91.2	-25.0%
Gross margin	65.6%	62.0%	+360bps
Operating expenses	60.0	64.8	-7.0%
Depreciation and interest expense on leased assets	24.2	22.5	+8.0%
Basic earnings per share (EPS, cents)	53.1	74.8	-29.0%
Interim dividend per share (cents)	35.0	35.0	-%

Overview

Furniture retailer Nick Scali Limited ("the Group") (ASX: NCK) today reported its results for the half-year ended 31 December 2023, with a net profit after tax of \$43.0m, slightly above the \$40-42m guidance provided at the October 2023 Annual General Meeting ("the AGM").

Group written sales orders for the period were \$212.7m, up 1.1% on the prior corresponding period. LFL¹ written sales orders were flat (-0.4%) on the prior corresponding period.

Q2 FY24 written sales orders were 8.2% higher than Q2 FY23, with both November and December being particularly strong. Nick Scali brand online written sales orders were \$14.7m for the half, up 22.5% compared to \$12.0m in 1H FY23 with the majority of growth coming from sales orders which completed on the website compared to online orders which completed by phone.

Revenue in the period of \$226.6m is consistent with written sales order levels and typical delivery lead times. Revenue in the prior period benefited from increased deliveries as the elevated June 2022 order bank reduced with lead times returning to pre Covid levels over 1H FY23.

Group gross profit margin of 65.6% for the half improved 3.6% compared to 1H FY23 and is consistent with the 2H FY23 gross profit margin of 65.4%.

Operating expenses were \$4.8m lower than 1H FY23 attributable to tight cost control and lower logistic costs.

Other income includes \$1.7m (1H FY23 \$1.2m) of interest income on cash and deposits. Excluding interest on lease liabilities net interest expense for the period was \$0.5m (1H FY23 \$0.7m).

¹ LFL represents written sales orders from showrooms which were open for the whole of both reporting periods.

Cash of \$43.6m was generated from operating activities net of operating lease and interest payments, an increase of 25% compared to \$35.2m in the prior period.

Capital investments for the period included \$8.5m construction in progress costs for the build of a new Queensland distribution centre with completion expected in Q3 FY24 for a total construction cost of \$16.2m, in addition to the land purchase of \$7.8m in FY23. Other capital investments in plant, equipment, intangible assets and leasehold improvements totalled \$5.5m in the period.

\$20.0m was repaid in the period on corporate acquisition debt taken out to partially fund the acquisition of Plush Think Sofas Pty in 2021 reducing the outstanding balance on the corporate acquisition debt to \$28.0m.

\$28.4m was returned to shareholders in the period in the final FY23 dividend payment. Closing cash and cash equivalents at 31 December 2023 are \$68.3m.

Commenting on the result, the Managing Director, Anthony Scali, said "Written sales orders were solid for the period, with strong improvement in the second quarter over the prior corresponding period. Efficiency on both gross profit margin and operating costs contributed to an NPAT outcome of \$43m slightly ahead of the guidance provided at the October 2023 AGM. "

Dividends

This morning, the directors declared a fully franked interim dividend of 35 cents per share, with a record date of the 5 March 2024 and a payment date of 26 March 2024. This represents a payout ratio of 66% (H1 FY23: 53.5%).

Store Network

During the half, a new and larger Nick Scali store in Payneham, South Australia was opened, and the existing store was converted to a clearance store.

Two new Plush stores in Helensvale, Queensland and Payneham, South Australia were added to the store network. One Plush showroom was closed in the on-going optimisation of the acquired Plush store network. In 1H FY24 a further 11 Plush showrooms were updated to the new concept for Plush launched in December 2022. In total 20 of the 44 Plush showrooms now reflect the new concept.

The company has a long-term target of 86 Nick Scali stores and 90-100 Plush stores.

Recent Trading

January 2024 written sales orders of \$58.9m were up 3.6% over January 2023, with LFL up 2.6%, continuing the positive momentum of Q2 from the first half FY24.

Results Presentation

Anthony Scali will be presenting the H1 FY24 results by teleconference at 10h00 AEDT on Tuesday 6 February 2024.

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/10035940-6vq0m.html>

For further information contact:

Anthony Scali
Sheila Lines

(Chief Executive Officer and Managing Director)
(Chief Financial Officer and Company Secretary)