

nickscali
L I M I T E D

FY24 Results Presentation
9 August 2024

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FY24 Highlights

- ANZ Written sales orders \$447.4m, up 2.4% on FY23.
- ANZ gross margin 66.0%, up 2.5% on FY23.
- Group underlying¹ profit after tax \$82.1m.
- UK acquisition of Fabb Furniture² completed 8 May, group results include Fabb results from acquisition.
- Cash and bank deposits \$111.3m at 30 June 2024.
- Final dividend 33 cents per share fully franked bringing full year dividends to 68 cents per share fully franked.

¹ Underlying profit after tax FY24 excludes \$1.5m transaction costs for the UK acquisition. Refer Appendix A for reconciliation to statutory profit after tax.

² Anglia Home Furnishings Ltd trading as Fabb Furniture

Group Revenue & Written Sales Orders

Group Revenue FY24	\$468.2m
Change versus FY23	-7.8%

Commentary

- UK revenue of \$8.3m included from 8 May 2024.
- ANZ FY24 revenue \$459.9m is consistent with written sales order levels and typical delivery lead times.
- ANZ FY23 \$507.7m revenue benefited from increased deliveries as the June 2022 order bank reduced with lead times returning to pre Covid levels.

Group Written Sales Orders FY24	\$454.2m
Change versus FY23	+3.9%

Commentary

- UK written sales orders \$8.1m included in Group from 8 May 2024.
- ANZ Q4 Written sales orders of \$121.2m were up 4.8% on the prior corresponding period.
Q4 FY24 Written sales orders benefited from 5 weekends in June compared to 4 in the prior year. 65-70% of sales occur on weekends.
- ANZ Written Sales orders for FY24 were +2.4% v FY23.
- ANZ LFL¹ Written sales orders for FY24 were + 1.0% v FY23.

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

Group Financial Performance \$m

	Group Underlying ²	UK from 8 May	ANZ Underlying ²	ANZ Group
	FY24	FY24	FY24	FY23
Sales Revenue	468.2	8.3	459.9	507.7
Cost of sales	(161.4)	(4.8)	(156.6)	(185.3)
Gross Profit	306.8	3.5	303.3	322.4
Gross Margin %	65.5%	42.0%	66.0%	63.5%
Other income	5.5	–	5.5	4.7
Operating expenses	(133.9)	(3.3)	(130.6)	(127.5)
Depreciation and amortisation	(45.4)	(1.3)	(44.1)	(42.8)
Finance Costs	(15.1)	(0.3)	(14.8)	(13.2)
Profit (Loss) before tax	117.8	(1.4)	119.3	143.6
Income tax	(35.8)	–	(35.8)	(42.4)
Profit (Loss) after tax	82.0	(1.4)	83.5	101.2
Impact of AASB16 on profit (Loss) after tax ³	(2.0)	(0.5)	(1.5)	0.2
Profit (loss) after tax before AASB16	84.0	(0.9)	85.0	101.0
EBITDA¹	175.0	(0.2)	174.8	197.1
EBIT¹	129.5	(1.1)	130.7	154.3

Gross Margin

ANZ gross margin 66%, up 2.5% on FY23.

UK revenue is reported net of Interest free subsidy costs, reducing gross margin in FY24 circa 4.0%. Interest free financing is not offered in ANZ.

Underlying² operating expenses

ANZ underlying² FY24 operating expenses increased \$3.1m compared to the prior year:

- Marketing, property and other expenses increased
- Logistics and employment expenses decreased

The UK acquisition added \$3.3m to Group operating expenses in 2H FY24.

Due to changes in leases, including timing of renewals, and higher notional interest rates the impact of AASB16 is to increase ANZ NPAT by \$1.5m compared to a \$0.2m reduction in FY23.

FY24 profit is lower than FY23 due to FY23 benefiting from increased delivery revenue as the order bank reduced with lead times returning to pre Covid levels.

¹ EBITDA and EBIT are based on finance costs above net of \$3.4m interest income (FY23 \$2.5m) included in Other income. Refer Appendix B.

² Underlying profit after tax FY24 excludes \$1.5m transaction costs for the UK acquisition incurred by Nick Scali Limited. Refer Appendix A for reconciliation to Group statutory profit after tax.

³ Refer Appendix A for Impact of AASB16 on profit (loss after tax) reconciliation.

Group Cashflow \$m

	FY24	FY23
Operating cash flows net of lease liabilities repayments and lease interest payments	87.1	89.8
Net bank interest paid	(0.9)	(1.5)
Property and other capital investments	(28.1)	(12.9)
Repayment of borrowings	(20.0)	–
Net proceeds of issue of share capital	54.8	–
UK acquisition, initial working capital injection and transaction costs net of cash acquired	(14.2)	–
Dividends paid	(56.7)	(60.8)
Net increase in cash and bank deposits	22.0	14.7
Closing cash and bank deposits	111.3	89.3
Total Borrowings	(71.7)	(91.7)
Net cash and bank deposits (debt)	39.6	(2.4)

Property and other capital investments

FY24 includes \$16.6m construction and \$2.4m fit out costs for the new Queensland Distribution centre.

Other plant, equipment, intangible assets and leasehold improvements \$9.1m in total.

Borrowings

\$20m repaid FY24 on corporate acquisition debt reducing the outstanding balance to \$28m.

UK Acquisition and proceeds of issue of share capital

Proceeds of \$54.8m (net of \$1.2m equity raise costs) were received from the equity raising for the UK acquisition.

Anthony Scali, CEO and Managing director of Nick Scali has committed to subscribe for \$4m of equity at the placement price subject to shareholder approval at the October 2024 AGM. If approved, total net proceeds from the equity raise will be \$58.8m.

At June 2024 \$14.2m of transaction costs (\$1.5m), acquisition of Fabb Furniture, early exit of distribution centre arrangements, and initial working capital injection had been paid.

Capital management & dividends

\$56.7m returned to shareholders in dividend payments.

Closing cash and bank deposits at June 2024 of \$111.3m and net cash of \$39.6m.

Group Balance Sheet \$m

	FY24	FY23
Cash and bank deposits	111.3	89.3
Inventory - in transit	14.1	12.9
Inventory - on hand	43.9	41.7
Property at net book value	119.6	104.5
Plant & equipment	22.1	14.8
Leased assets	223.5	203.7
Intangibles	157.6	129.8
Other assets	7.0	10.9
Borrowings	71.7	91.7
Payables	44.4	22.7
Lease liabilities	248.7	226.5
Deferred revenue	62.4	65.2
Provisions	7.7	7.0
Tax and other liabilities	6.5	14.7
Net assets	257.8	179.8

Inventory – On hand

	ANZ DCs	ANZ showrooms	UK
June 2024	17.9	22.8	3.2
June 2023	18.8	22.9	N/A

Property at net book value

Property at net book value for the completed Queensland distribution centre is \$23.8 at June 2024, including the land purchase in FY23 of \$7.8m.

Intangibles

Include \$88m of goodwill and \$38m of brand acquired 2021 as part of the Plush acquisition. In FY24 \$27m of goodwill has been acquired as part of the Fabb furniture UK acquisition.

Leased assets and lease liabilities

\$30.0m of the leased assets and \$30.5m of the lease liabilities relate to the UK acquired leases.

Borrowings

\$43.7m of borrowings, unchanged compared to FY23, are property debt secured at less than 50% LVR. Queensland distribution centre construction funded from cash.

Corporate acquisition debt \$28m at 30 June 2024 compared to \$48m at 30 June 2023.

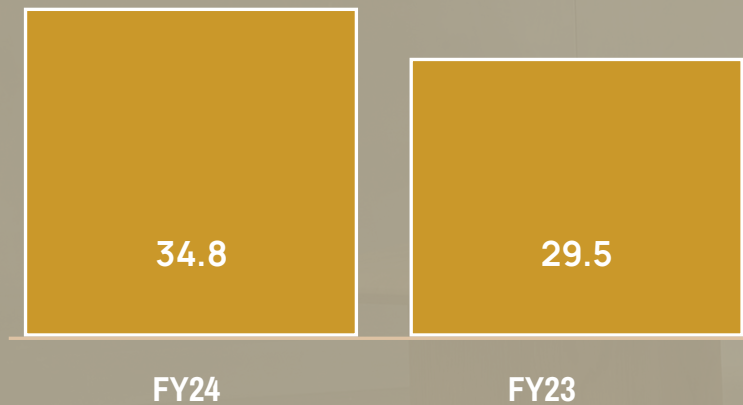
Payables

Payables at June 2024 include \$16.9m for the UK.

Written sales order growth Nick Scali brand online

- FY24 online written sales orders were \$34.8m, up 17.8% with enhancements in the eCommerce user experience driving growth.

Written sales orders (\$m)



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UK growth strategy

Time Frame 3 Month Post Acquisition Update

Culture	<ul style="list-style-type: none"> Support management through any disruption due to integration and re-branding Continue to grow the team as the UK business expands 	Within 6 months	Rodney Orrock, previously CEO Best & Less, appointed to lead the UK growth strategy transformation based full time in the UK
Product	<ul style="list-style-type: none"> Transition stores to carry the existing Nick Scali lounge and dining product range 	Within 10 months	Nick Scali models now available for manufacture in UK compliant fire retardant materials First sofa and dining range selected for the UK - arrives in showrooms September
Distribution	<ul style="list-style-type: none"> Option to exit the existing distribution centre¹ In advanced discussions for a new distribution centre 	Within 12 months	3 month rolling option to exit distribution centre secured Alternate distribution centre under evaluation
Marketing	<ul style="list-style-type: none"> Invest in marketing the Nick Scali brand in the UK Leverage insights from the Australia & New Zealand markets 	Within 12 months	Marketing by region will commence when Nick Scali product is in store and stores are refurbished and rebranded
Procurement	<ul style="list-style-type: none"> Significant overlap with Nick Scali existing supplier network Leverage buying power and the group supply chain and logistics network 	Within 12 months	Nick Scali Australia will consolidate procurement direct from suppliers for all Group Nick Scali and Plush models
Stores and Online	<p>Short term:</p> <ul style="list-style-type: none"> Refurbish and re-brand existing stores Optimise and right size the store network <p>Long term:</p> <ul style="list-style-type: none"> Expand the store network 	Within 18 months	Nick Scali UK brand look specifications selected London region stores selected for first refurbishments commencing July Nick Scali (UK) online to launch with Nick Scali sofa and dining ranges in FY25

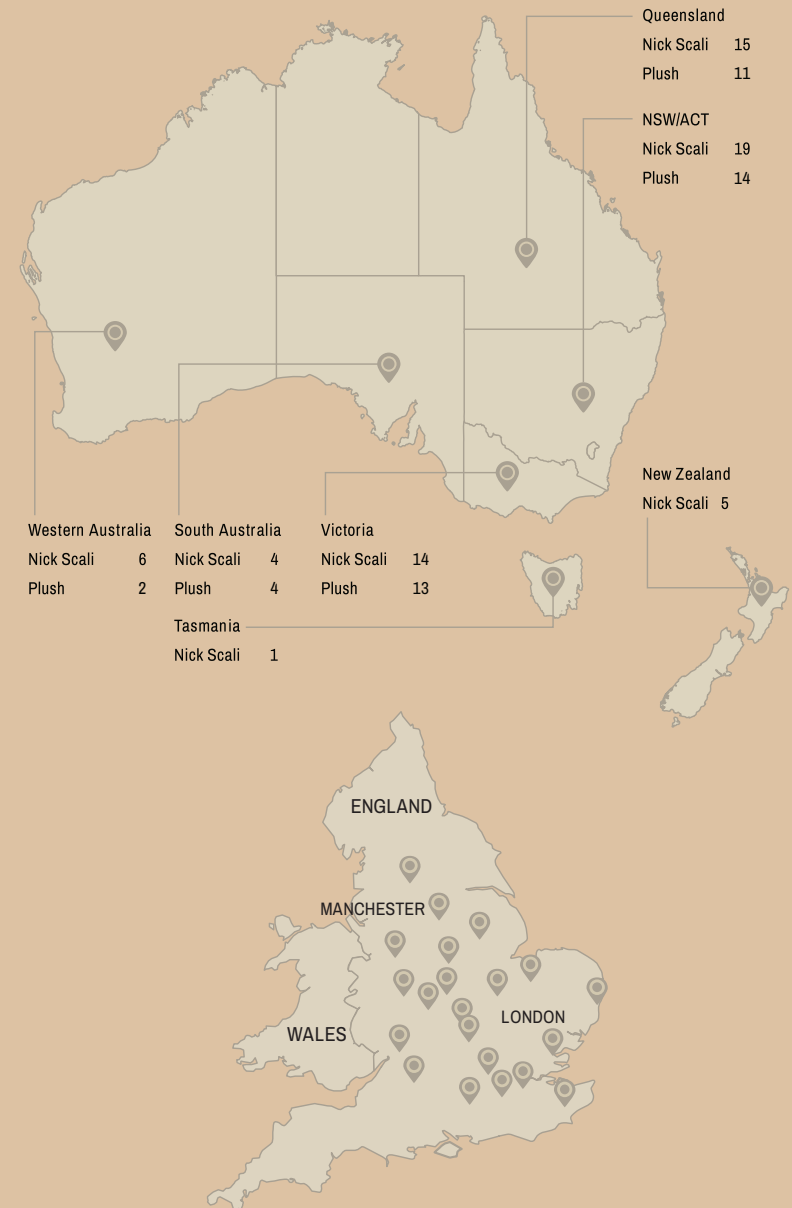
Key objective: to achieve run-rate profitability within 18 months from acquisition.

Store Network

	June 2023	Net Change	June 2024	Long term Opportunity ¹
Nick Scali				
Australia	59	–	59	73
New Zealand	5	–	5	13
Plush	64		64	86
UK²				
Australia	43	1	44	85-90
New Zealand	–	–	–	05-10
UK²	43		44	90-100
UK²	–	20	20	TBC
Total³	107	21	128	176-186

FY24

- Nick Scali showroom opened in a new and larger location in Payneham, South Australia, with the existing store converted to an additional clearance store.
- Three new Plush stores opened in Campbelltown, NSW, Helensvale, Queensland and Payneham, South Australia. Two Plush showrooms were closed in the on-going optimisation of the acquired Plush store network.



¹ Opportunity is based on demographic data and proximity to existing showrooms. Timing of store rollout is dependent on site availability and commercial terms.

² Excludes Gloucester in process of being closed. Cheltenham was opened by Fabb covering the same service area.

³ Total excludes clearance stores and on-line.

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
Crestmead, QLD	Dec 2022	11,661
Keswick, SA	Jul 2020	2,573
Joondalup, WA	Mar 2015	2,198
Total		44,024

Property Carrying Value	\$m
– Historical Acquisition Cost	130.0
– <i>Current Book Value (Acquisition cost, less depreciation)</i>	<i>119.6</i>

FY24 Key Expenditure	\$m
• Construction of a new Brisbane Distribution Centre at Crestmead, QLD. Land purchased in FY23 for \$7.8m	16.5

Outlook

ANZ

June 2024 benefited from 5 weekends of trading, whereas July was disadvantaged by one less weekend when compared to the 2023 calendar year.

Written sales order growth for June and July combined was -1.2% compared to the prior year.

We continue to expand the store network and expect to open two Nick Scali stores and three to five Plush stores in FY25.

UK

Written sales orders are affected by a combination of tough market conditions, long lead times due to supply chain disruptions, and the commencement of store refurbishments.

Trading is expected to deteriorate further in the first half of FY25 as disruption increases due to store refurbishments and change in the product range.



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This document should be read in conjunction with the FY24 Results Announcement and FY24 Appendix 4E.

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Appendix A – Underlying Group NPAT Reconciliation \$m

	FY24	UK Acquisition costs	FY24 Underlying	FY23
Sales revenue	468.2	–	468.2	507.7
Cost of sales	(161.4)	–	(161.4)	(185.3)
Gross profit	306.8	–	306.8	322.4
Gross Margin %	65.5%	–	65.5%	63.5%
Other income	5.5	–	5.5	4.7
Operating expenses	(135.4)	1.5	(133.9)	(127.5)
Depreciation and amortisation	(45.5)	–	(45.5)	(42.8)
Finance costs	(15.1)	–	(15.1)	(13.2)
Profit (Loss) before tax	116.3	1.5	117.8	143.6
Income tax	(35.8)	0	(35.8)	(42.4)
Profit (Loss) after tax	80.5	1.5	82.0	101.2

Appendix B – EBITDA, EBIT and CODB Reconciliations¹ \$m

	FY24	UK Acquisition costs	FY24 Underlying	FY23
Profit (Loss) before tax	116.3	1.5	117.8	143.6
Finance Costs	15.1	–	15.1	13.2
Interest income in Other income	(3.4)	–	(3.4)	(2.5)
Depreciation and amortisation	45.4	–	45.4	42.8
EBITDA¹	173.5	1.5	175.0	197.1
Depreciation and amortisation	45.4	–	45.4	42.8
EBIT¹	128.0	1.5	129.5	154.3

¹ EBITDA, and EBIT are based on finance costs net of \$3.4m (FY23 \$2.5m) interest income included in Other income.

Appendix C – Lease Expense \$m

	ANZ	FY24 UK	Group	FY23
Property Expense	12.2	0.7	12.9	8.6
AASB 16 depreciation expense	37.9	1.3	39.2	36.9
AASB16 Interest Expense	10.5	0.3	10.8	9.3
Total property expenses statutory	60.5	2.3	62.9	54.7
AASB 16 depreciation expense	(37.9)	(1.3)	(39.2)	(36.9)
AASB16 Interest Expense	(10.5)	(0.3)	(10.8)	(9.3)
Lease period obligations not included in statutory property expense	46.8	1.1	48	46.3
Lease expense pre AASB16	59	1.9	60.9	54.9
Statutory expense compared to pre AASB16	1.5	0.5	2.0	(0.2)