

NICK SCALI LIMITED  
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**nickscali**

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9 August 2024

## Results announcement – year ended 30 June 2024 (FY24)

### Group underlying<sup>1</sup> Result:

A\$m	FY24	FY23	Change
Revenue (\$m)	468.2	507.7	-7.8%
Underlying <sup>1</sup> Net profit after tax (NPAT, \$m)	82.1	101.1	-18.8%
Gross margin	65.5%	63.5%	+200bps
Underlying <sup>1</sup> earnings before interest, tax, depreciation, and amortisation (EBITDA, \$m)	175.0	197.1	-11.2%
Underlying <sup>1</sup> earnings before interest and tax (EBIT, \$m)	129.5	154.3	-16.1%

### Group statutory Result:

A\$m	FY24	FY23	Change
Revenue (\$m)	468.2	507.7	-7.8%
Net profit after tax (NPAT, \$m)	80.6	101.1	-20.3%
Basic earnings per share (EPS, cents)	98.7	124.8	-20.9%
Final dividend per share (cents)	33.0	35.0	-5.7%
Total dividends per share (cents)	68.0	75.0	-9.3%

### Highlights

- Australian and New Zealand ("ANZ") written sales orders \$447.4m, up 2.4% on FY23.
- ANZ gross margin 66.0%, up 2.5% on FY23.
- Group underlying<sup>1</sup> net profit after tax \$82.1m.
- UK Acquisition of Fabb Furniture<sup>2</sup> completed 8 May.
- Cash and bank deposits \$111.3m at 30 June 2024.
- Final dividend 33 cents per share fully franked

### Overview of results

Furniture retailer Nick Scali Limited ("the Group") (ASX: NCK) today reported its results for the year ended 30 June 2024, with a group underlying<sup>1</sup> net profit after tax of \$82.1m.

<sup>1</sup> Underlying net profit after tax FY24 excludes \$1.5m of transaction cost relating the UK acquisition.

<sup>2</sup> Anglia Home furnishings Ltd trading as Fabb Furniture ("Fabb Furniture").

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On 8 May 2024 the Group acquired UK furniture retailer Anglia Home furnishings Limited trading as Fabb furniture ("Fabb Furniture"). Group results include Fabb Furniture from this date.

#### *Written sales orders, revenue, and gross margin*

Group written sales orders for the year were \$454.2m and included Fabb Furniture UK written sales orders of \$6.8m (7.5 weeks).

As reported at the April 2024 equity raise ANZ written sales orders were \$326.2m for the nine months ended 31 March 2024, up 1.2% on the prior corresponding period. ANZ Q4 2024 written sales orders of \$121.2m were up 4.8% on the prior corresponding period. Q4 2024 benefited from 5 weekends in June compared to 4 in the prior year. 65-70% of sales occur on weekends.

Written sales orders for Australia and New Zealand ("ANZ") were up 2.4% on FY23 and up 1.0% on FY23 on a LFL<sup>3</sup> basis.

Group revenue for the year of \$468.2m includes \$8.3m for Fabb Furniture. ANZ FY24 revenue of \$459.9m is consistent with written sales order levels and typical delivery lead times. Revenue in the prior year benefitted from increased deliveries as the June 2022 order bank reduced with lead times returning to pre Covid levels. As a result, group revenue for FY24 was 7.8% lower than the prior year and ANZ revenue 9.0% lower than the prior year.

Group gross margin of 65.6% for FY24 improved 2.0% compared to FY23. Excluding Fabb Furniture, ANZ gross margin was 66.0% up 2.5% compared to FY23. Fabb Furniture revenue is reported net of interest free subsidy costs, reducing FY24 gross margin circa 4%.

#### *Underlying<sup>1</sup> operating expenses*

ANZ underlying<sup>1</sup> 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 lease expenses by \$1.5m compared to a \$0.3m reduction in FY23.

#### **Cashflow, dividends and capital management**

Cash of \$87.1m was generated from operating activities net of operating lease and interest payments in FY24 compared to \$89.8m in FY23.

Property and other capital investments of \$28.1m in FY24 (FY23 \$12.9m) included \$16.6m construction and \$2.4m in fit out costs for a new Queensland distribution centre.

<sup>1</sup> Underlying net profit after tax FY24 excludes \$1.5m of transaction cost relating the UK acquisition.

<sup>3</sup> LFL represents written sales orders from online and from showrooms which were open for the whole of both reporting periods.

To fund the acquisition of Fabb Furniture and future investment in the UK, the Group undertook an equity raising in April 2024. Proceeds of \$54.8m, net of \$1.2m of equity raise transaction costs, was received from the equity raise. Anthony Scali, Chief Executive Officer and Managing Director of Nick Scali Limited has committed to subscribe for a further \$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 combined of acquisition transaction costs \$1.5m, acquisition of Fabb Furniture, early exit of distribution centre arrangements and initial working capital injection had been paid.

During the current year \$56.7m was returned to shareholders by way of dividend payments.

Closing cash and bank deposits at June 2024 were \$111.3m. Cash and bank deposits net of borrowings was \$39.6m at 30 June 2024.

The directors declared a fully franked final dividend of 33 cents per share, with a record date of 26 September 2024 and a payment date of 17 October 2024. Together with the interim dividend this represents a FY24 payout ratio of 69% (FY23: 60%).

### **Online**

Nick Scali brand online written sales orders were \$34.8m for FY24, up 17.8% compared to \$29.5m in FY23 with enhancements in the eCommerce user experience driving growth.

### **Fabb Furniture Acquisition**

The following progress has been made on the UK growth strategy 3 months post-acquisition:

- Rodney Orrock previously Chief Executive Officer of Best & Less has been appointed to lead the UK growth strategy transformation based full time in the UK.
- Nick Scali product adapted to UK compliance, arriving into UK showrooms in September.
- Store refurbishments underway.

### **Store Network**

Three new Plush stores in Campbelltown, NSW, Helensvale, Queensland and Payneham, South Australia were added to the store network. Two Plush showrooms were closed in the on-going optimisation of the acquired Plush store network. 23 Plush showrooms now reflect the new concept launched

20<sup>4</sup> UK stores were added to the store network with the acquisition of Fabb Furniture.

The company has identified a long-term opportunity<sup>5</sup> of up to 86 Nick Scali stores and 90-100 Plush stores. The long-term opportunity of growth the UK store network has not yet been confirmed.

<sup>4</sup> Excludes Gloucester which is in the process of being closed. Cheltenham was opened by Fabb Furniture to cover the same service area.

<sup>5</sup> Opportunity is based on demographic data and proximity to existing showrooms. Timing of store roll out is dependent on site availability and commercial terms.

## **Outlook**

### *Australia and New Zealand*

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 down, affected by a combination of tougher market conditions, longer lead times due to supply chain disruptions, and 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.

## **Results Presentation**

Anthony Scali will be presenting the FY24 results by teleconference at 10h00 AEDT on Friday 9 August 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/10040296-wp84fi.html>

For further information contact:

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**(Chief Financial Officer and Company Secretary)**