

7 February 2025

Results announcement – half-year ended 31 December 2024 (H1 FY25)

Underlying¹ Result

A\$m	H1 FY25	H1 FY24	Change
ANZ Group Revenue (\$m)	222.5	226.6	-1.8%
Gross margin	64.4%	65.6%	-120bps
Underlying¹ ANZ Group Net profit after tax (NPAT, \$m)	36.0	43.0	-16.3%
UK Revenue (\$m)	28.6	N/A	N/A
Gross margin	45.1%	N/A	N/A
Underlying¹ UK Net loss after tax \$m	(2.8)	N/A	N/A
Group Revenue (\$m)	251.1	226.6	+10.8%
Underlying¹ Group Net profit after tax (NPAT, \$m)	33.2	43.0	-22.8%
Underlying ¹ earnings before interest, tax, depreciation and amortisation (EBITDA ² , \$m)	81.8	89.7	-8.8%

Statutory Result

A\$m	H1 FY25	H1 FY24	Change
ANZ Group Net profit after tax (NPAT, \$m)	34.1	43.0	-20.7%
UK Net loss after tax \$m	(4.1)	N/A	N/A
Group Net profit after tax (NPAT, \$m)	30.0	43.0	-30.2%
Interim dividend per share (cents)	30.0	35.0	-14.3%

Overview

Furniture retailer Nick Scali Limited ("the Group") (ASX: NCK) today reported its results for the half-year ended 31 December 2024. The group results 1H FY25 include the UK business segment acquired May 2024.

Australia and New Zealand Group ("ANZ Group") Result 1H FY25

ANZ Group Underlying¹ net profit after tax was \$36.0m, above the \$30-33m profit guidance provided at the October 2024 Annual General Meeting ("the AGM"). Statutory ANZ Group net profit after tax was \$34.1m.

During the half a one-off expense of \$2.8m was incurred from extensive detention and demurrage fees caused by the appointment of a liquidator to our main freight forwarder, restricting access to our containers landed into Australia for several weeks.

ANZ Group revenue for the period was \$222.5m, -1.8% v 1H FY24.

1. Underlying profit after tax 1H FY25 excludes \$1.3m restructuring and integration costs for the UK and \$2.8m (\$1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

2. Underlying EBITDA is based on finance costs net of \$2.1m (1H FY24 \$1.7m) interest income included in Other income.

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ANZ Group written sales orders for the period were \$208.1m, -2.2% compared to 1H FY24. July FY25 was disadvantaged having one less weekend of trading, whilst June benefited from having one more weekend, therefore for the period June to December written sales orders grew 1.3%.

ANZ Group Online written orders were \$18.6m, +17.0% compared to 1H FY24.

ANZ Group gross margin 64.4%, was -1.2% on 1H FY24, due to higher freight rates.

ANZ Underlying¹ 1H FY25 operating expenses increased \$5.1m compared to 1H FY24, the majority being attributable to higher employment expenses.

United Kingdom ("UK") Result 1H FY25

UK Underlying¹ net loss after tax was \$2.8m, lower than the \$3.3m – 3.8m loss guidance provided at the October 2024 AGM. Statutory UK net loss after tax was \$4.1m, lower than the \$5.1-5.9m loss guidance provided at the October 2024 AGM.

The application of AASB 16 on consolidation increased the UK loss by \$1.2m. Application of AASB 16 has no cash impact.

UK written sales orders of \$19.4m were significantly impacted during the period particularly in the second quarter FY25, from the disruption to the business caused by stores closed for refurbishment and the Fabb product range being cleared from showrooms and warehouse inventory.

UK gross margin was 45.1% versus 41.0% pre-acquisition.

UK Underlying¹ 1H FY25 operating expenses were \$10.2m. Post acquisition restructuring has resulted in a realised run rate savings circa \$2m per annum, partially reflected in the period.

Group Cashflow

ANZ Group pre-tax operating cash flows, net of lease liabilities repayments and lease interest payments, were \$44.1m in the period.

UK operational funding in the period was \$12.1m with a further \$3m invested in new Nick Scali product for showrooms and distribution centre inventory on hand at 31 December 2024. In addition, \$3m was paid in remediation of acquired UK creditors with a final \$1.6m expected in 2H FY25.

\$28.1m was returned to shareholders in the period in the final FY24 dividend payment.

Group capital investments for the period of \$5.8m included fit out costs of four UK showrooms, ANZ general capital expenditure and three new ANZ store openings.

Following shareholder approval at the October 2024 AGM, Anthony Scali, CEO and Managing Director subscribed for \$3.8m, net of fees, in equity, completing the equity raise to fund the UK acquisition and subsequent UK investment.

Closing cash and cash equivalents at 31 December 2024 are \$87.6m.

1. Underlying profit after tax 1H FY25 excludes \$1.3m restructuring and integration costs for the UK and 2.8m (\$1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

Dividends

The directors declared a fully franked interim dividend of 30 cents per share, with a record date of the 5 March 2025 and a payment date of 26 March 2025. This represents a payout ratio of 75% of basic and diluted ANZ Group earnings per share and 86% of basic and diluted Group earnings per share.

UK Progress

During the first half, 4 Stores were refurbished and re-branded Nick Scali, re-opening on Boxing Day displaying entirely Nick Scali product range. The expected gross profit margin on the Nick Scali product when delivered is 57-59% net of consumer finance costs, compared to the Fabb gross margin of 41% at acquisition.

The programme of store refurbishments and rebranding to Nick Scali will continue in the second half of FY25 and will result in further disruption to written sales orders as stores are closed and refurbished.

The remaining Fabb stores are receiving the Nick Scali product as they sell off the Fabb product.

Nick Scali (UK) online launched mid-January 2025. UK radio and TV marketing also commenced in January 2025.

“Re-branded Nick Scali UK stores were the top 3 performing UK stores in January 2025 for written sales orders, only 1 of which was in the top 5 under Fabb. Our aim is to complete the refurbishment and re-branding of a further 8 stores by 30th June 2025. The top selling Nick Scali sofa in ANZ is now the top selling sofa in our UK Stores. This supports our belief that the Nick Scali product range will appeal to UK customers.” said Anthony Scali, Nick Scali Limited Managing Director.

Store Network

During the half, a new Nick Scali store in Artarmon, New South Wales was opened.

Two Plush stores in Newcastle and Prospect, New South Wales, were relocated to a larger format store with the new Plush look.

In the UK, a number of potential new stores are currently being reviewed. During the half as planned, the Peterborough store was closed as it was unsuitable for re-brand to Nick Scali.

Outlook

ANZ Group:

Trading continues to be volatile with written sales orders down in the month of January 8.5%, whilst the last week of the January Sale in the first week of February, was positive 5%. This compares to 4.2% growth in the month of December.

In the second half, one Plush store will open in Melton, Victoria. Further stores expected to open 2H FY25 will be delayed to FY26.

UK:

With 4 stores now rebranded, 8 more stores are to be refurbished and re-branded in the second half. We expect this to cause further disruption compared to the first half and increase the operating losses in the second half compared to the first half.

Results Presentation

Anthony Scali will be presenting the H1 FY25 results by teleconference at 10h00 AEDT on Friday 7 February 2025.

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/10044545-w8pg5w.html>

For further information contact:

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

This announcement has been authorised for release to the ASX by the Board of Nick Scali Limited.