

STOCK PITCH

NICK SCALI

TEAM: CHAIR FORCE ONE (SRIJANA, ROY, LILY, NICK)

WHY BUY?



Business & Industry Overview



Investment Summary



Financial Analysis



Valuation



Investment Risk

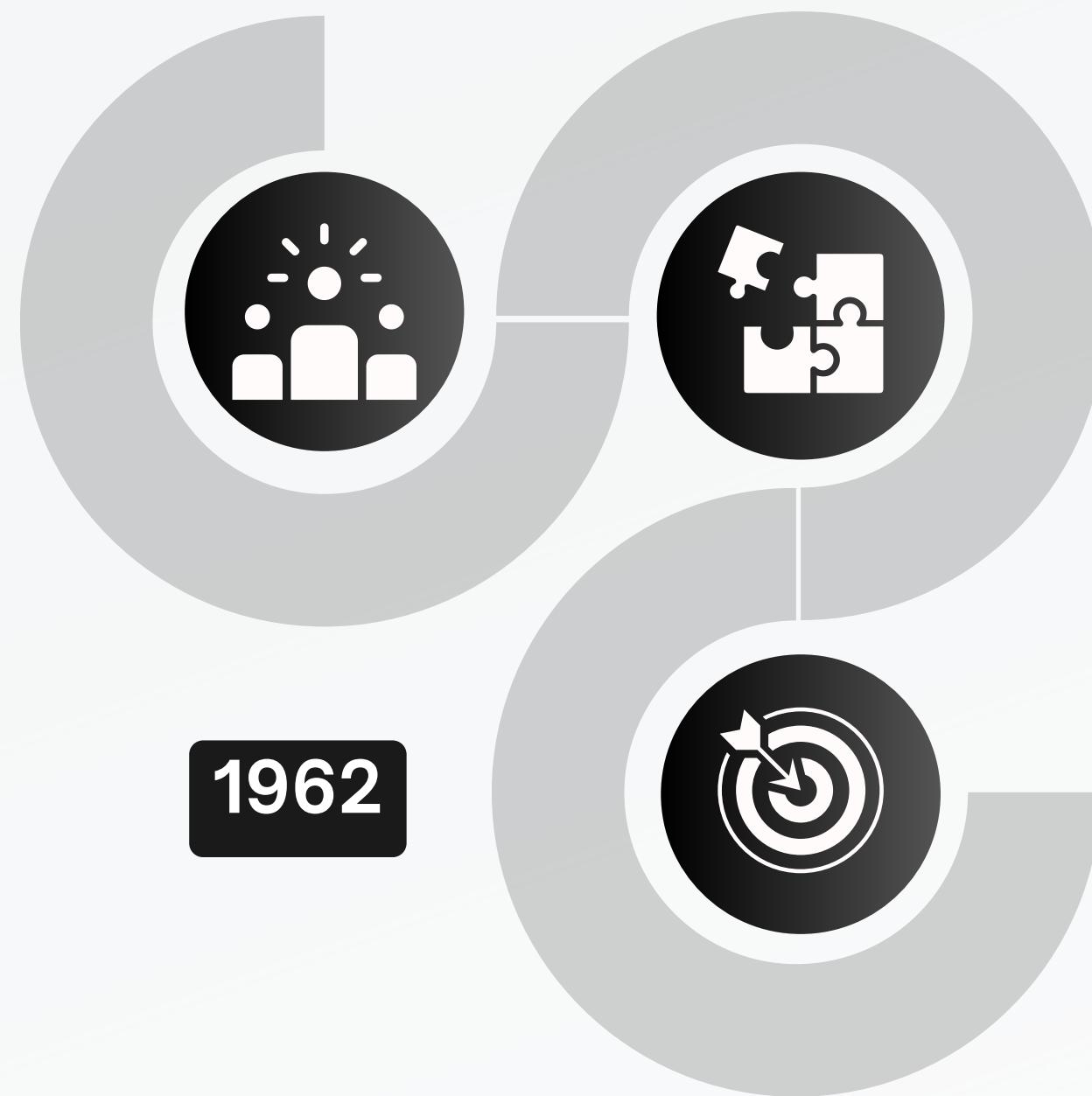


Environmental, Social & Governance



BUSINESS OVERVIEW

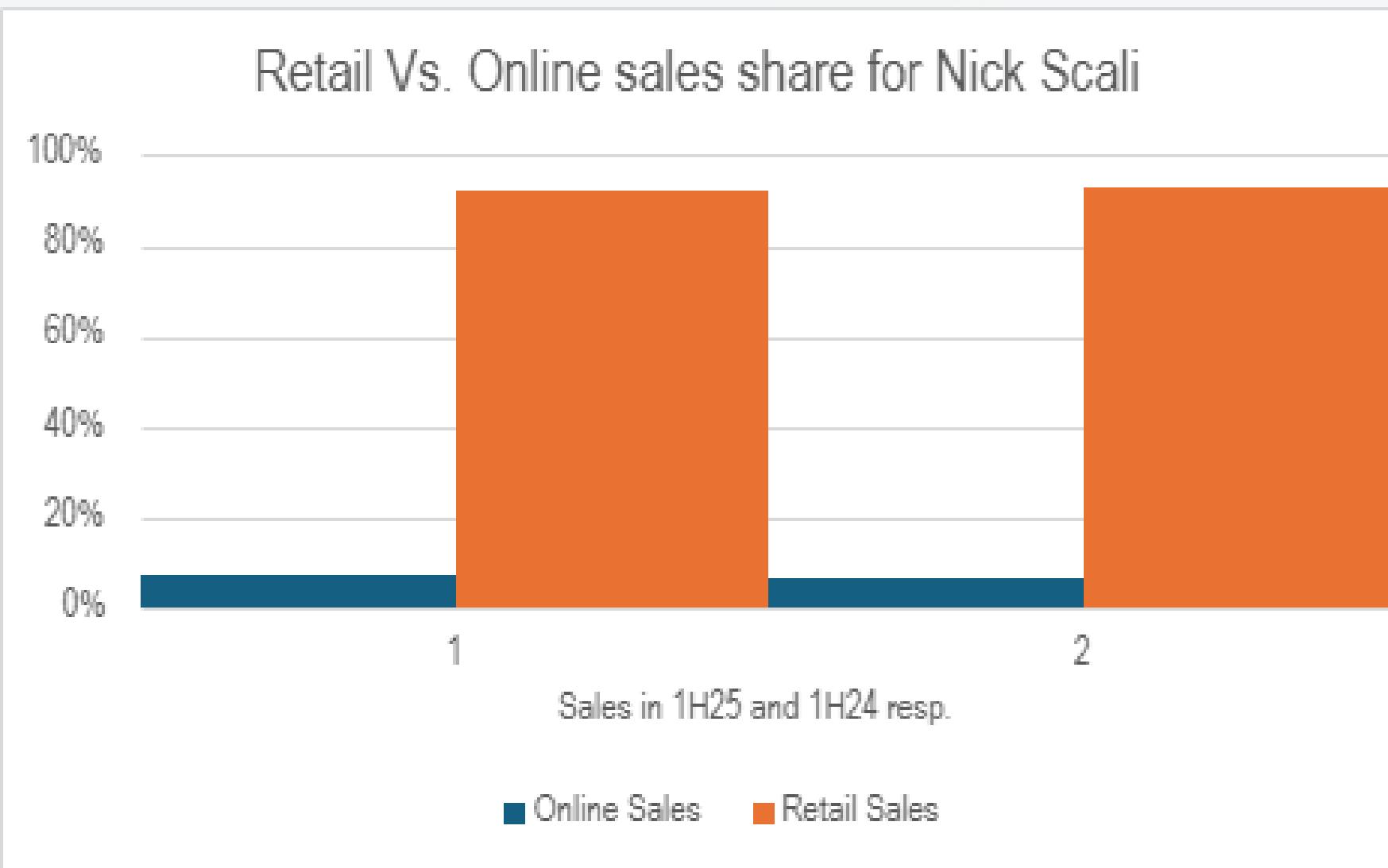
- 01** Premium furniture retailer > Australia, New Zealand & UK
- 02** Operates as: Nick Scali, Plush & Fabb Furniture
- 03** Target: mid - upper class, curated design & quality finishing



STORE LOCATIONS IN ANZ & UK



BUSINESS OVERVIEW



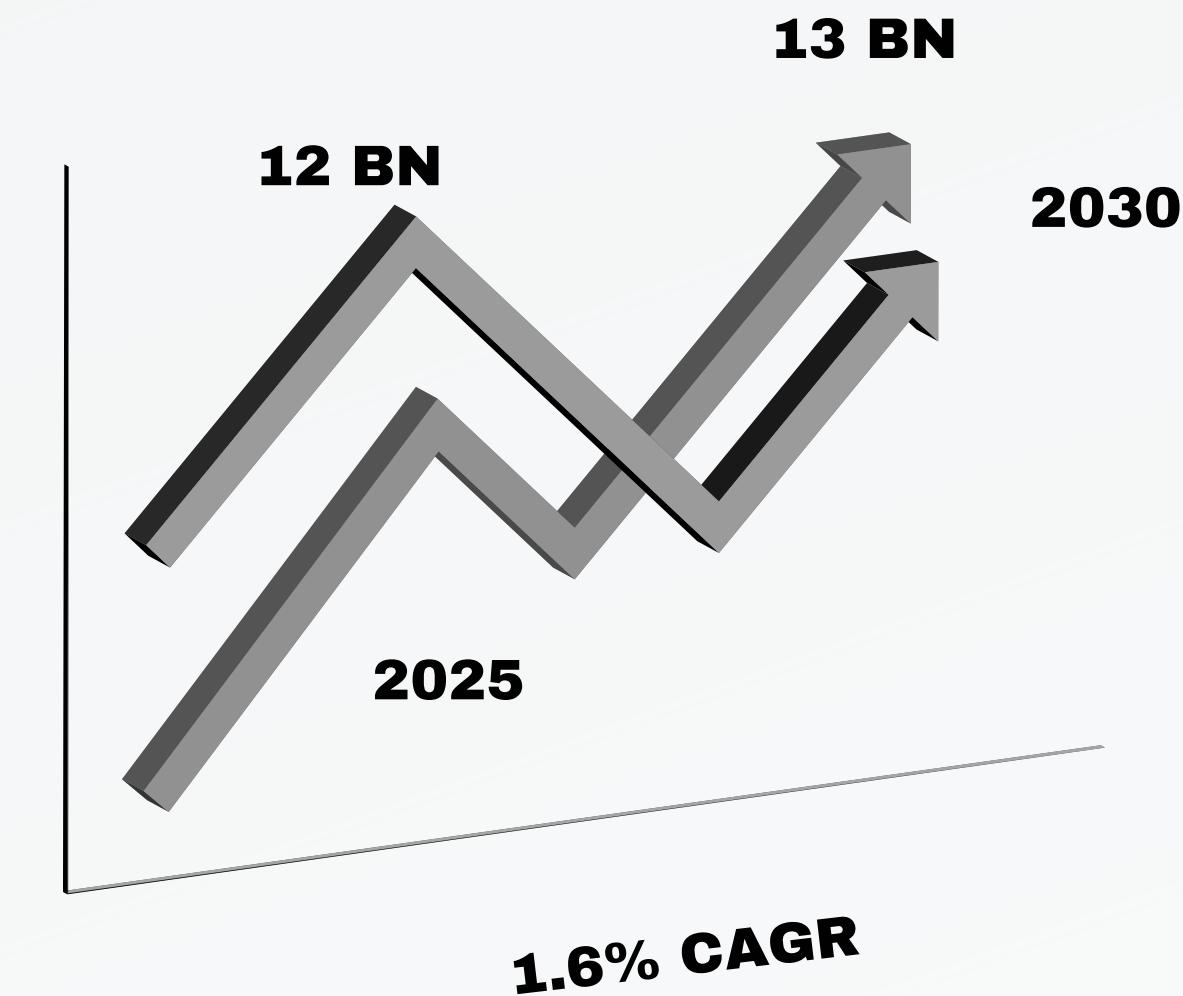
Strategy: showroom first

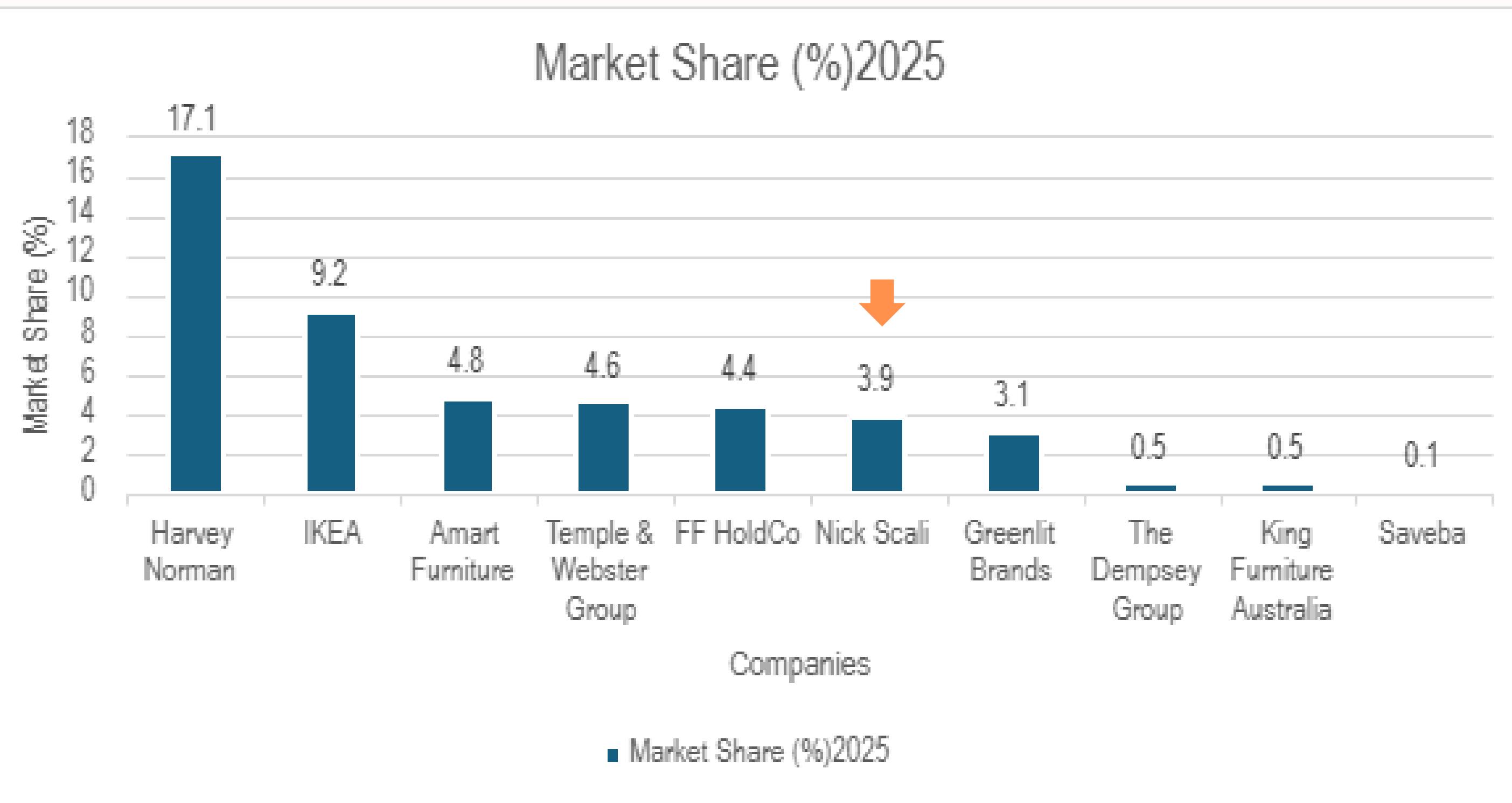
Most sales through retail

INDUSTRY OVERVIEW

Resilient demand despite macro pressure: inflation, interest rate

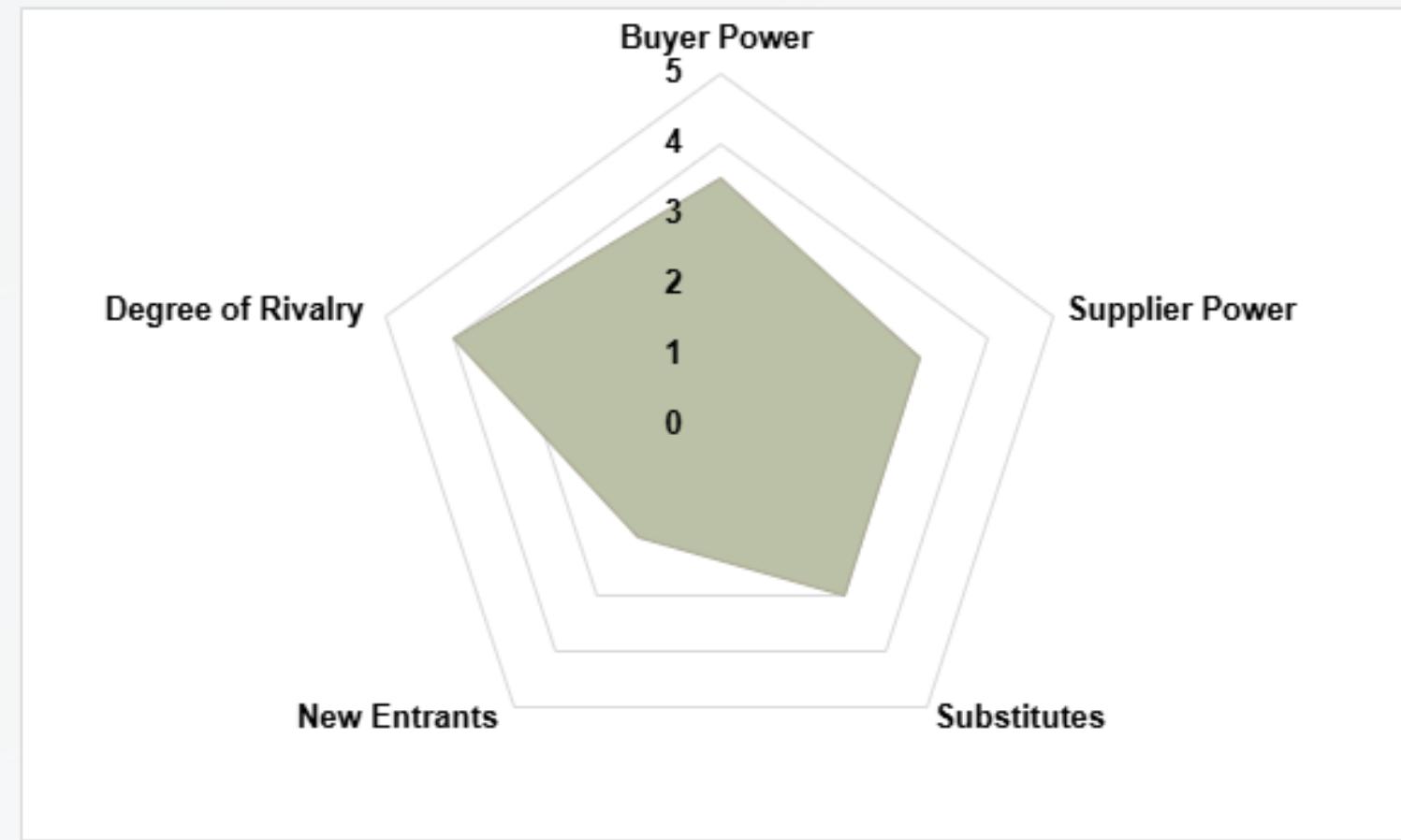
Digital transformation (AR, e-commerce), shaping competition





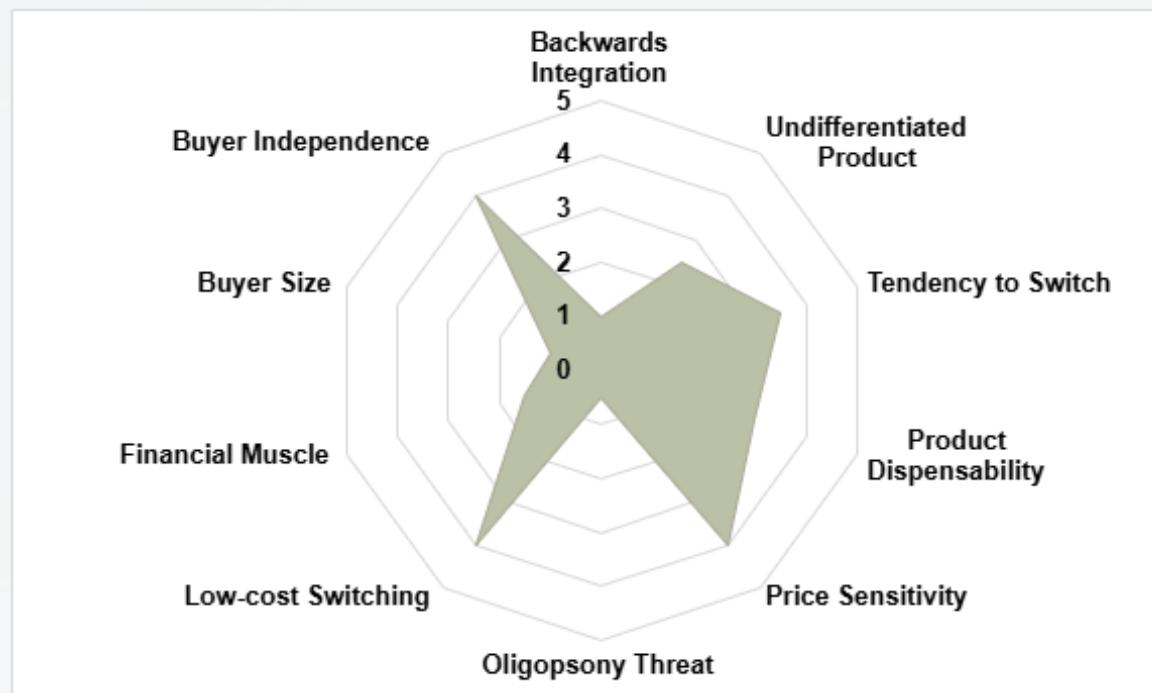
Nick Scali holds 3.9% → holds position under top 7 retailers

PORTER'S FIVE FORCES ANALYSIS



Industry Overview

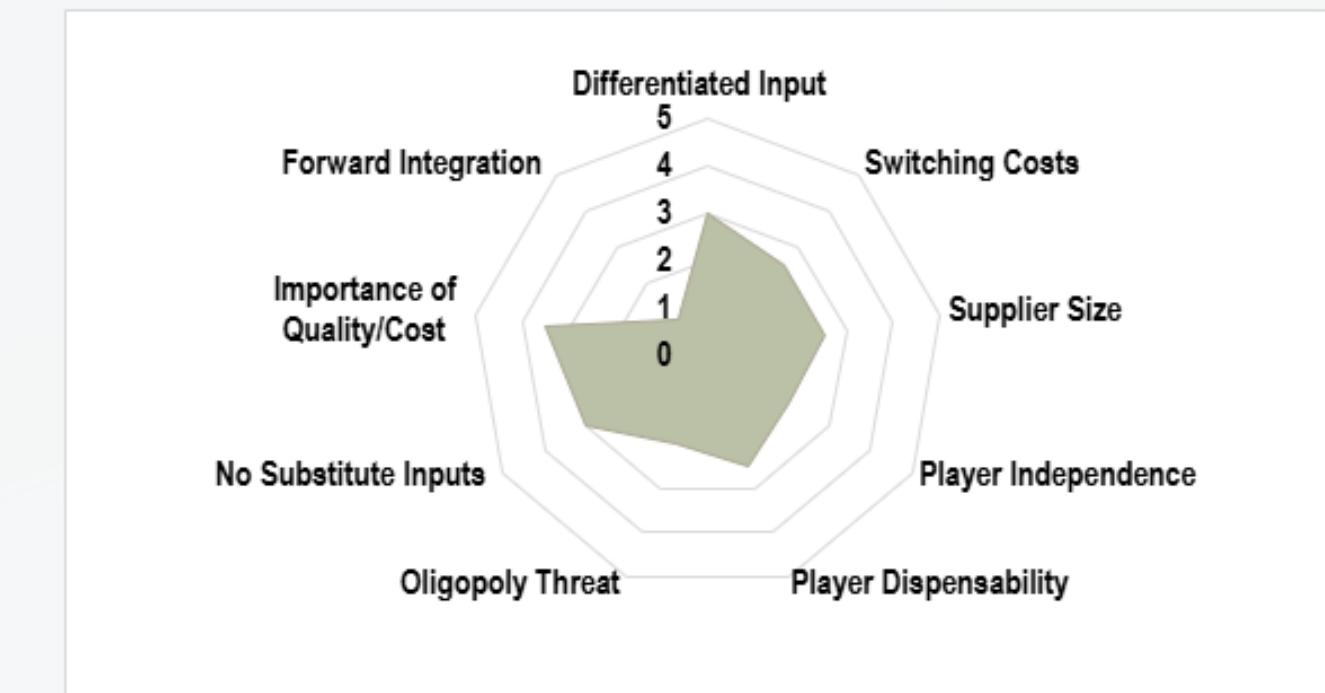
PORTER'S FIVE FORCES ANALYSIS



Buyer Power: High 3.5/5

Price sensitive, many alternatives,
easy switching

Nick's premium brand and unique
design reduces substitutability

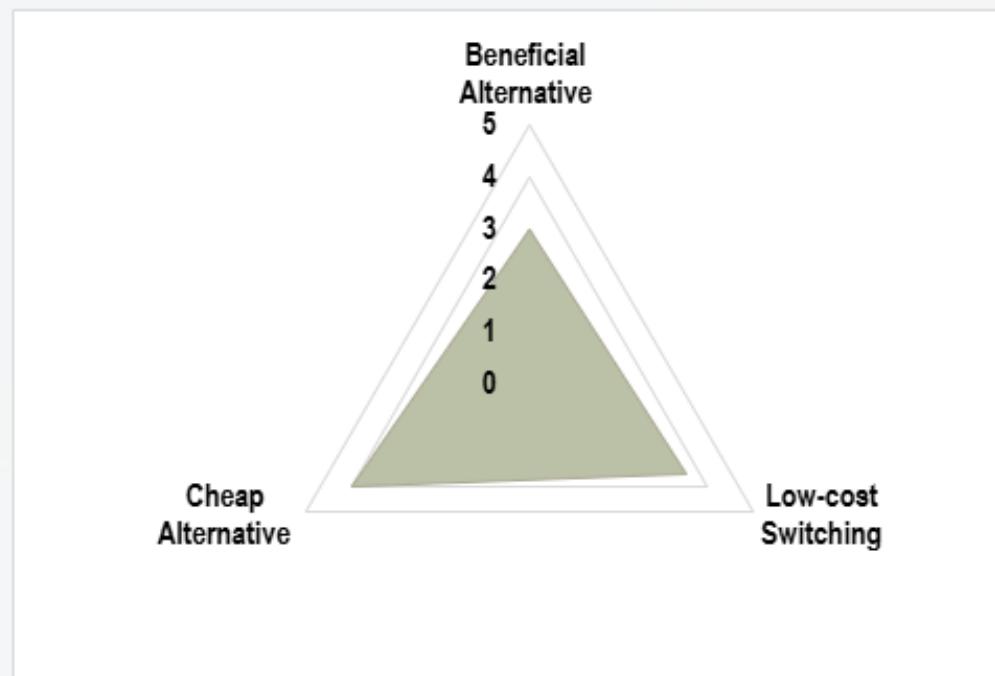


Supplier Power: Moderate 3/5

Many suppliers, no monopoly

Risk reduced through multiple
sourcing channel

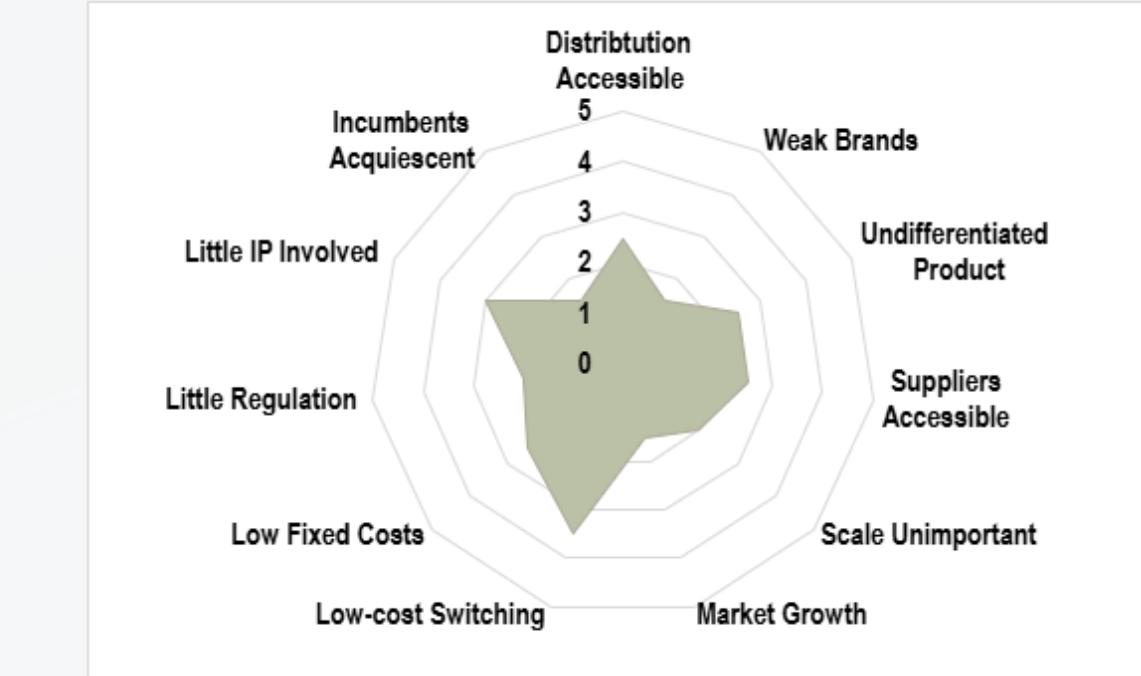
PORTER'S FIVE FORCES ANALYSIS



Substitutes: High 3.5/5

Cheaper, online substitutes

moderated by brand experience & quality assurance



Threat of New Entrants: Moderate 2/5

Low fixed costs, easy access to suppliers & online distribution

design innovation, strong brand loyalty, store footprint

PORTER'S FIVE FORCES ANALYSIS

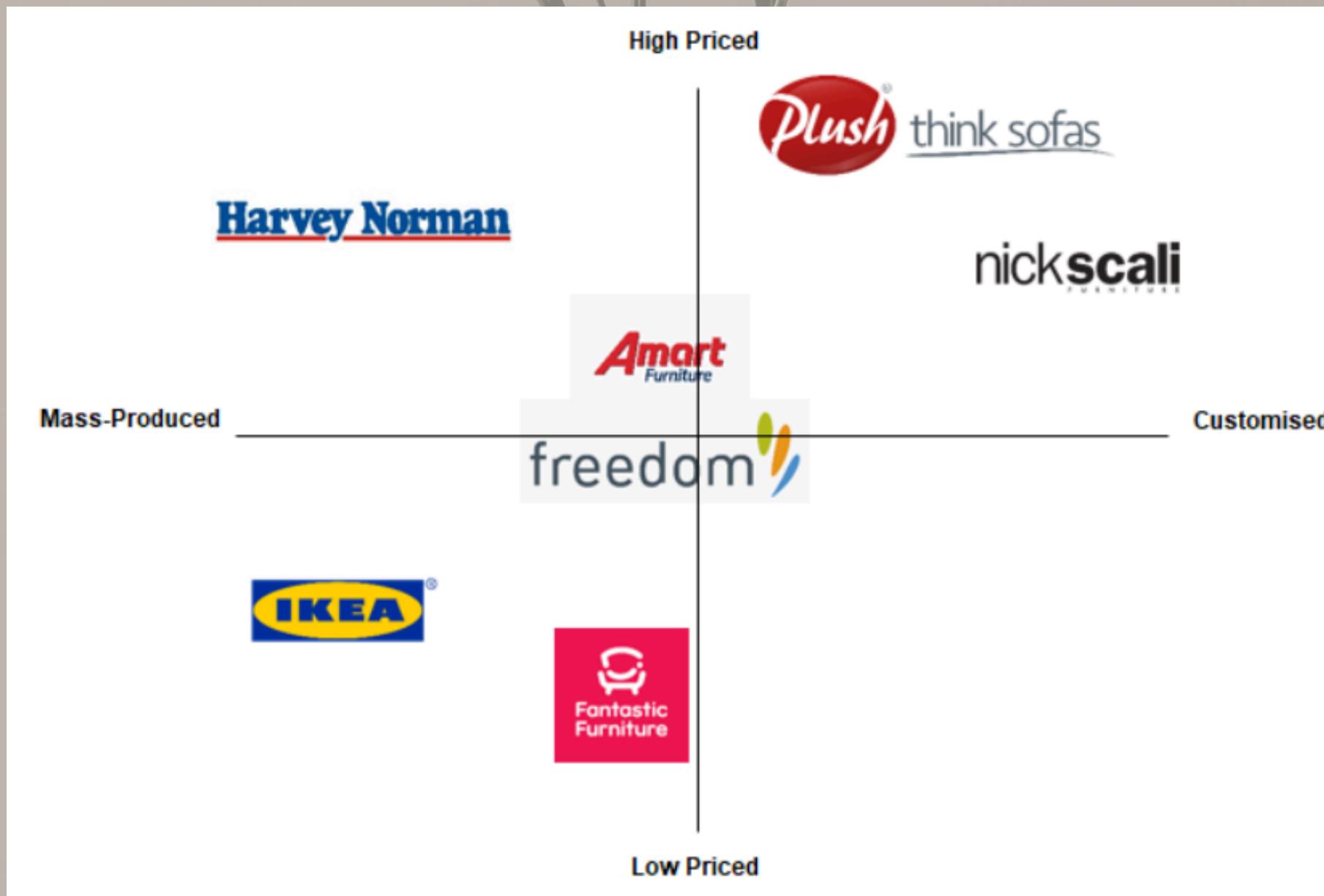


Industry Rivalry: High 4/5

Highly competitive, low product differentiation

outperforms through design & strategic store placement

COMPETITIVE POSITIONING



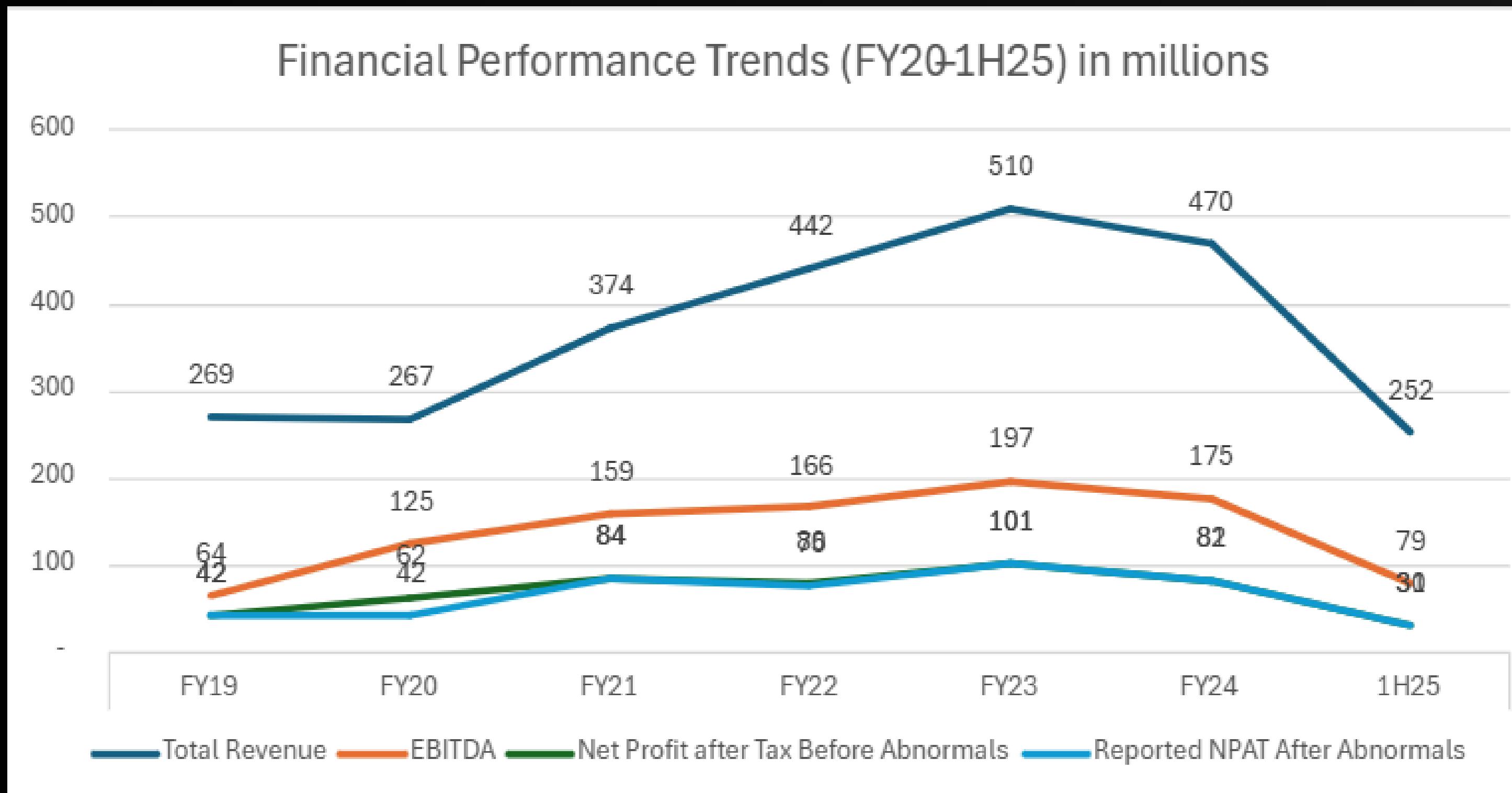
- Customers: mid-to-upper market, premium curated designs
- Omnichannel strategy: physical showrooms + digital
- Differentiated from IKEA, Amart, Temple & Webster
- Faces rising threat from online & second-hand marketplaces

Source: <https://growthwithvalue.com/nick-scali-2/>

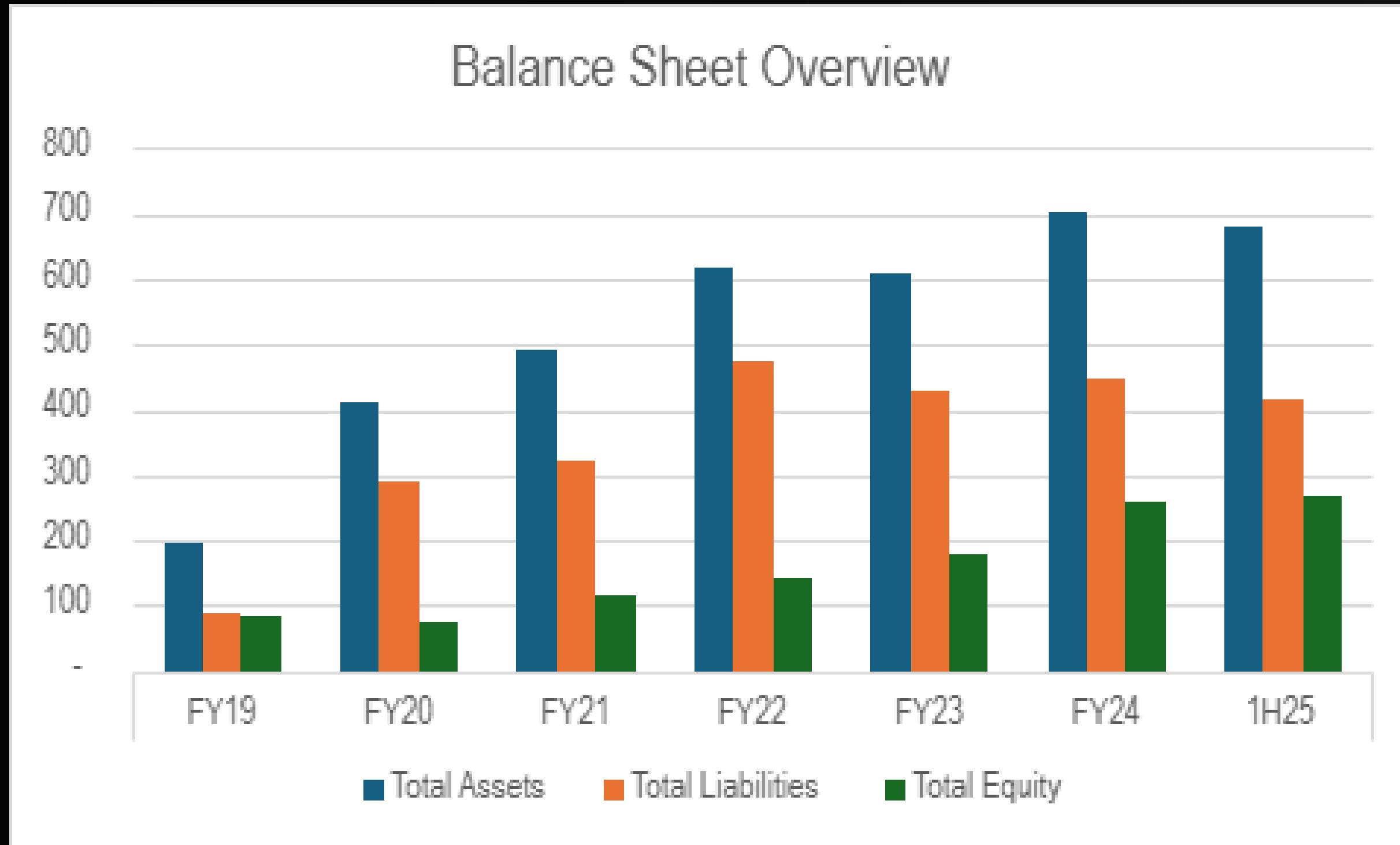
INVESTMENT SUMMARY

- Current price (Apr 2025): \$16.95
- Target price: \$25.60 (+51%)
- Rationale: Strong gross margin (65.5%), expanding footprint, undervalued stock
- BUY Nick Scali (ASX:NCK)
- Intrinsic value exceeds market price by over 50%
- Strategic expansion, premium branding, and high efficiency back growth story

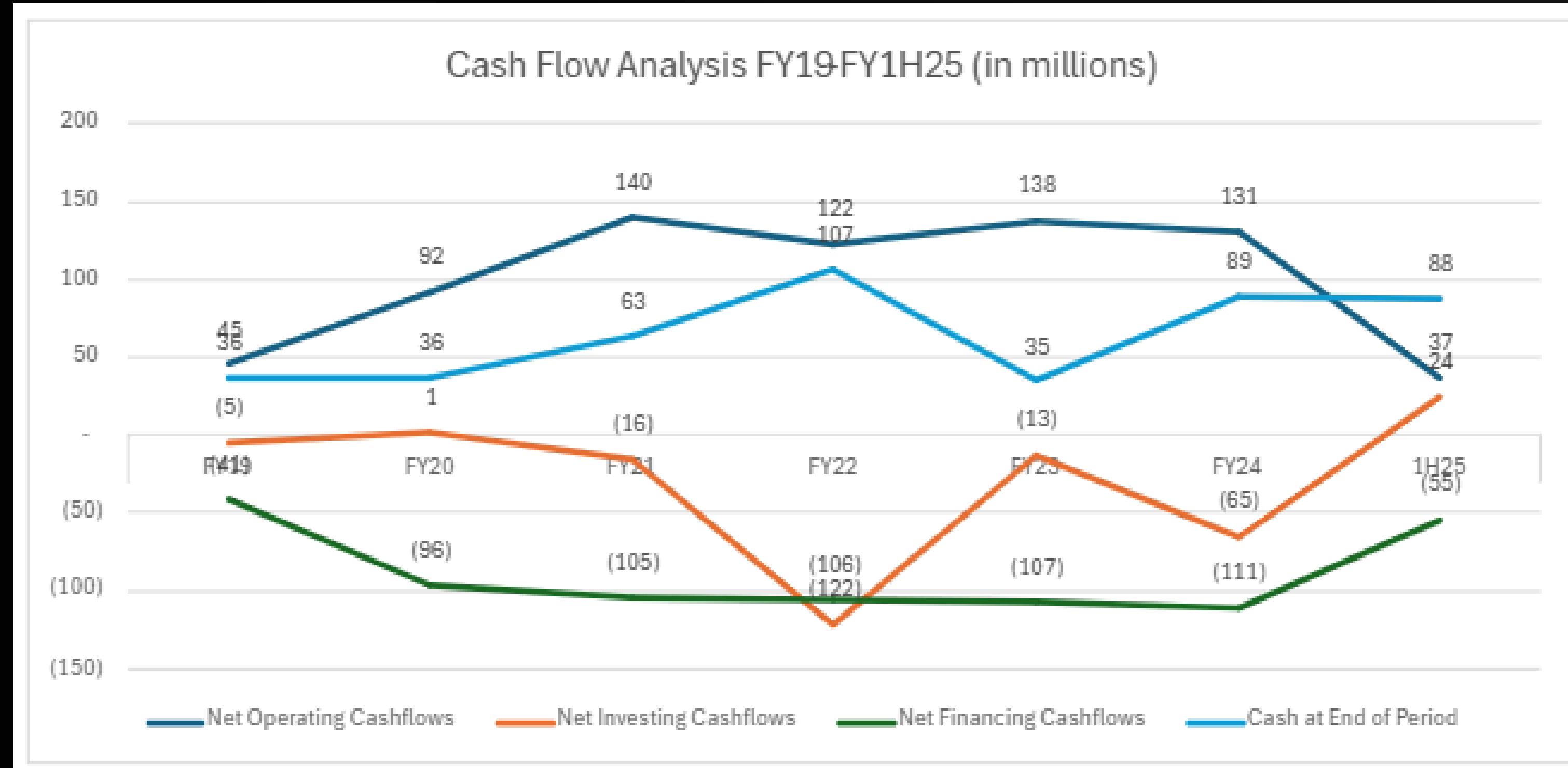
Key Financial Analysis



Balance Sheet Analysis

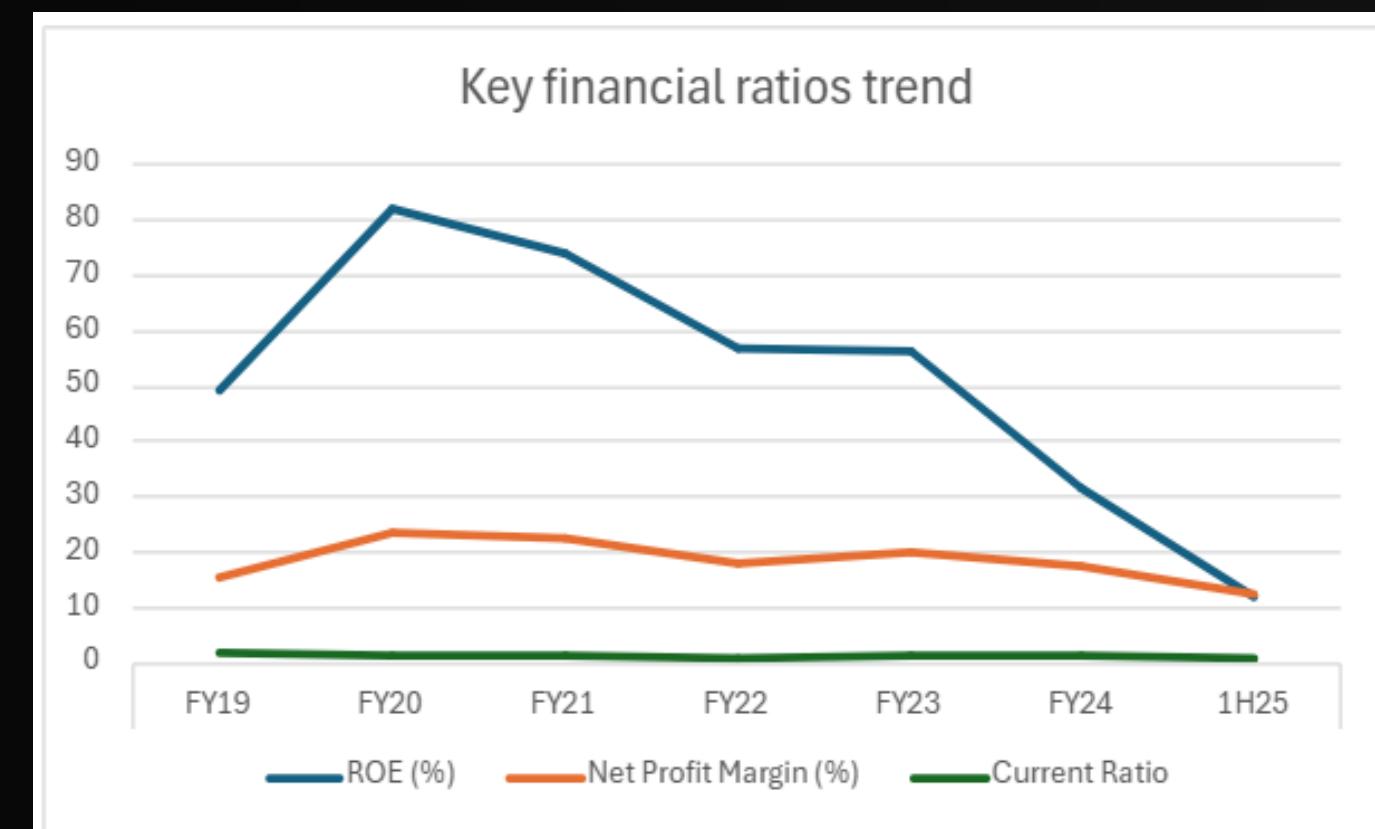


Cash Flow Analysis



Ratio Analysis

Ratio	FY20	FY21	FY22	FY23	FY24	1H25
Net Profit Margin	23.6	22.6	18.2	19.9	17.5	12.5
EBITDA Margin	47.8	42.5	37.7	38.8	37.4	31.5
ROE (%)	82.2	73.9	56.9	56.2	31.9	11.8
Current Ratio	1.52	1.59	0.81	1.11	1.14	1.04
Net Gearing (%)	141.7	55.5	180.9	127.2	92.7	82.2
EV/EBITDA	5.0	6.4	5.6	4.9	8.1	9.5



Investor Expectations

Ratio	FY20	FY21	FY22	FY23	FY24	1H25
Price/Book Value	6.96	8.33	4.75	4.10	4.57	4.81
Price/Gross Cash Flow	5.42	7.89	5.20	4.89	8.64	12.89
PER	8.47	11.27	8.35	7.30	13.73	21.38

What's Nick Worth?

Unlevered Free Cash Flow										
	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E
Unlevered Free Cash Flow	(65,319,000)	83,537,000	45,497,000	96,767,000	33,781,000	42,873,357	107,721,237	134,553,403	166,034,691	202,885,805
Projection Year						1	2	3	4	5
Present Value of Future Cash Flows					39,348,336	90,735,889	104,018,678	117,802,462	132,113,157	

Implied Share Price Calculation		Sensitivity Table				
		WACC	Growth Rate	1.50%	1.75%	2.00%
PV Sum of FCF	484,018,522					
Growth Rate	2.00%					
WACC	8.96%	25.60	1.50%	1.75%	2.00%	2.25%
Terminal Value	2,973,967,145		8.46%	26.10	27.02	28.01
PV of Terminal Value	1,936,558,300		8.71%	25.00	25.85	26.76
Enterprise Value	2,420,576,822		8.96%	23.97	24.75	25.60
(+) Cash	81,331,000		9.21%	23.01	23.74	24.51
(-) Debt	320,372,000		9.46%	22.11	22.78	23.50
Equity Value	2,181,535,822					
Diluted Shares Outstanding	85,230,700					
Implied Share Price	25.60					

5-year DCF Model – Based on FY20–24 data + growth forecasts
 WACC = ~8.5%, Terminal Growth = 2%
 DCF Value: \$25.60 vs. Market Price: \$16.95 → BUY signal

DCF Valuation

What's Nick Worth?

*As of 16 May
Enterprise Value Desc*

Public Trading Comparables											
ASX Code	Company Name	Share Price	Market Cap	Enterprise Value	Revenue	Gross Profit	GP Margin	EBITDA	EBITDA Margin	P/E	EV/EBITDA
HVN	Harvey Norman Holdings	5.35	6,670,000,000	8,630,000,000	3,921,859,000	1,990,843,000	51%	837,257,000	21%	19.11	10.31
TPW	Temple & Webster Group	19.49	2,320,000,000	2,200,000,000	497,841,000	166,062,000	33%	13,880,000	3%	278.43	158.50
NCK	Nick Scali	18.74	1,600,000,000	1,820,000,000	468,189,000	306,799,000	66%	176,946,000	38%	18.93	10.29
ADH	Adairs	2.71	478,970,000	733,860,000	594,356,000	286,802,000	48%	115,900,000	20%	15.06	6.33
BBN	Baby Bunting Group	1.78	240,160,000	394,820,000	498,387,000	183,654,000	37%	43,283,000	9%	178.00	9.12
JYC	Joyce Corporation	4.69	138,680,000	134,060,000	145,509,000	78,179,000	54%	29,081,000	20%	15.13	4.61

Trading Comparables



INVESTMENT RISK

Systematic Risk



Unsystematic Risk



Systematic Risk

Cash rate target

4.10%

Effective date 1 April 2025

Inflation

2.4% (CPI)

March quarter 2025

Exchange Rate

59.6 (TWI)

As at 4.00pm, 23 May 2025

Gross Domestic Product (GDP)



Source: Australian Bureau of Statistics (ABS), 2025

Unsystematic Risk

1

Fabb Furniture: Unprofitable due to disruption from store and product changes

2

Supply Chain: Freight forwarder collapse

3

Dividend Policy: Dividend reduced from 35 to 33 cents per share

4

Competitor: Harvey Norman

ENVIRONMENTAL, SOCIAL AND GOVERNANCE



REF-LOVE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Inclusive workplace
- Equal opportunities and fair pay
- Employees are expected to act with honesty and respect
- Managers avoid bias

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Strong ethics, transparency and accountability
- Oversee internal controls, risk management, and financial reporting
- Regular board reviews and surveys
- Shareholders are kept informed and involved in board elections



Thank
You!