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Nick Scali (NCK)

Upgrade hat-trick

Recommendation
Buy (unchanged)

Price
\$23.79
Target (12 months)
\$28.00 (previously \$27.00)

Sector
Retailing
Expected Return

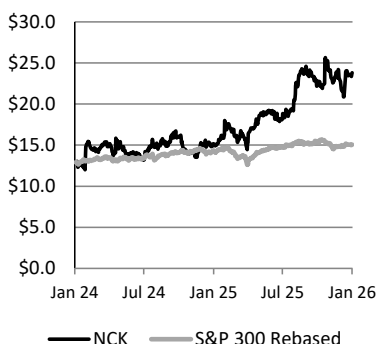
Capital growth	17.7%
Dividend yield	2.7%
Total expected return	20.4%

Company Data & Ratios

Enterprise value	\$1,980.9m
Market cap	\$2,034.7m
Issued capital	85.5m
Free float	~70%
Avg. daily val. (52wk)	\$7.3m
12 month price range	\$14.2-\$25.9

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	22.86	22.84	14.89
Absolute (%)	4.07	4.16	59.77
Rel market (%)	2.80	6.95	53.75

Absolute Price


SOURCE: IRESS

Nick Scali (NCK) provided an upgrade to 1H26 guidance on 22-Dec-25 (~12% at mid-point), guiding to Group Statutory NPAT of \$37-39m vs previously \$33-35m (as of 29-Oct-25). We had flagged positive catalysts on 1H earnings given supportive 2Q26 comps and the upgrade was driven by a higher 1H26 revenue guidance of 10-12% growth for ANZ vs previously 7-9% growth (on pcp). Both metrics were ahead of BPe/Consensus (BPe previously at top end of ANZ revenue growth guidance range and at mid-point of NPAT guidance range).

Earnings changes

We factor in the upgraded guidance via our ANZ estimates and incorporate some further operating leverage. Our revised revenue estimates see ANZ +11% on pcp in 1H/FY26e, while UK +16% on pcp in FY26e. We now sit at the mid-point of the revenue growth and NPAT guidance range for 1H26e, however our 2H26e forward estimates unchanged. Our NPAT forecasts are upgraded by ~4% for FY26/27/28e.

Investment view: PT up 4% to \$28.00, Maintain BUY

Our PT is up 4% to \$28.00/share (prev. \$27.00/share) driven by our earnings upgrades. Our target P/E multiple remains unchanged at 23x on a FY27e basis. While we remain cautious on the broader Consumer Discretionary sector given the pause in the rate cut cycle in Australia, we continue to favour key beneficiaries from the rate cuts seen so far and category outperformers. This supports our preference for NCK as we see steady market share in the core Nick Scali brand somewhat offsetting a less conducive macro environment, while further growth via the Plush brand over time in Australia and a larger opportunity in the UK offering sufficient growth levers. We view see this as backed up by the high-quality earnings model where NCK leads in its global peer group of household goods retailers, in addition to being the most attractive goods retailers within the ASX200 (on a growth adjusted basis). We also see further near-term catalysts for the upcoming Jan trading update, as the highly skewed seasonal month cycles attractive negative comps in written order sales. Maintain BUY.

Earnings Forecast

Jun Year end	2025a	2026e	2027e	2028e
Sales (A\$m)	495.3	551.0	611.9	663.7
EBITDA (A\$m)	159.1	185.7	210.3	227.8
EBIT (A\$m)	105.9	128.9	152.0	168.0
NPAT (underlying) (A\$m)	62.2	79.7	98.6	110.0
EPS underlying (cps)	72.8	93.3	115.4	128.7
EPS underlying growth (%)	-28%	28%	24%	12%
P/E (on underlying EPS) (x)	32.7	25.5	20.6	18.5
EV/EBIT (x)	18.9	15.5	13.2	11.9
EV/EBITDA (x)	12.6	10.8	9.5	8.8
Dividend (¢ps)	63.0	65.3	80.8	90.1
Yield (%)	2.6%	2.7%	3.4%	3.8%
Franking (%)	100%	100%	100%	100%
ROE (%)	21.7%	27.4%	30.8%	31.1%

SOURCE: COMPANY REPORTS, BELL POTTER SECURITIES ESTIMATES

Regional trends | 1H26 trading update

ANZ performance

1Q vs 2Q step up. Following the revenue growth of 6% on pcp in 1Q26 for ANZ, the region led by Australia appears to have seen a solid step up in Nov-Dec to track at a revenue growth of 14-15% on pcp at minimum in 2Q. We view the performance as supported by negative written order sales comps in the pcp in addition to benefits from the interest rate cuts seen so far in CY25, especially via the Plush brand which was cycling a lower base (as per BPe).

Further catalysts into Jan trading update. We also see further near-term catalysts for the upcoming January trading update (due at Feb result), as the highly skewed seasonal month cycles attractive negative comps in written order sales. However, comps thereafter remain relatively more challenging which sees our 2H26 estimates unchanged.

UK performance

Positive data points vs trading update. While the update did not note the UK region explicitly, at a high level we view the overall upgrade as conducive towards no further deterioration in the UK. Our views are further supported by data points below.

- the trading update of Cotswold (digitally led peer with 14 stores) earlier this week which noted 17% growth in revenue for the 10 weeks to 28-Dec-25
 - further commentary as “growth across both digital and stores seen while dining room, bedroom and upholstery ranges were particularly strong through the period with continued consumer appetite for high-quality, made-to-last furniture despite a competitive promotional environment in the wider category”
- overall category trends for CY25 on a national basis from Barclays card spending data which saw most sustained growth since 2020 for furniture (+4.3% for the year and positive growth in each month of the calendar year), implying continued normalisation in furniture sales since the COVID driven pullback in CY20-22
 - further commentary as “this trend was partly driven by new homeowners and their desire for 'pick-me-up' purchases that enhance comfort at home” and “furniture stores enjoyed a particularly strong month in Jun, up 8.2%, after a record number of mortgage completions took place in Mar, ahead of Apr's stamp duty changes”
- MoM improvement evident in Dec web traffic trends implying some relative stability in the final month of CY25 post the autumn budget related uncertainty in Nov similar to early commentary from upholstery market leader, DFS in Oct

Early signs of brand awareness for Nick Scali? We have also seen some improving traffic trends MoM from Nov to Dec which we view as supportive to towards better brand awareness (however off a lower base compared to peers such as Harvey Norman UK).

Highlights of 3Q25 update

Nick Scali provided a 1H26 trading update on 22-Dec-25 with the key points:

- ANZ revenue expected to grow 10-12% on pcp (BPe +9%) and was an upgrade to previous guidance of 7-9% (as per 29-Oct-25).
- Statutory NPAT expected to be in the range of \$37-39m (BPe \$34m) and was an upgrade to previous guidance of \$33-35m.

Earnings changes and Valuation

Earnings changes. We factor in the upgraded guidance via our ANZ estimates and incorporate some further operating leverage. Our revised revenue estimates see ANZ +11% on pcp in 1H/FY26e, while UK +16% on pcp in FY26e. We now sit at the mid-point of the revenue growth and NPAT guidance range for 1H26e, however our 2H26e forward estimates unchanged. Our NPAT forecasts are upgraded by ~4% for FY26/27/28e.

Figure 1 – NCK BPe Changes

Earnings Changes			2026e			2027e			2028e		
June Year End	old	new	% change	old	new	% change	old	new	% change		
Revenue (\$m)	546.5	551.0	0.8%	607.1	611.9	0.8%	658.5	663.7	0.8%		
EBIT (\$m)	124.0	128.9	4.0%	146.5	152.0	3.7%	162.1	168.0	3.6%		
NPAT (Underlying) (\$m)	76.0	79.7	4.8%	94.7	98.6	4.1%	105.8	110.0	4.0%		
EPS (Underlying) (cps)	89.0	93.3	4.8%	110.8	115.4	4.1%	123.8	128.7	4.0%		
DPS (cps)	62.3	65.3	4.8%	77.6	80.8	4.1%	86.7	90.1	4.0%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation. Our PT is up 4% to \$28.00/share (prev. \$27.00/share) driven by our earnings upgrades. Our target P/E multiple remains unchanged at 23x on a FY27e basis. Our 23x forward P/E target multiple is based on a ~10% premium applied to the median multiple of the peer group we have considered consisting of high-quality retailers and vertically integrated brands in the broader category in both Australia and international markets such as JBH, HVN, WES, WSM, DFS, COST, WMT and Sony Group.

Nick Scali (NCK)

Company Description

NCK is one of Australia's largest furniture retailers competing within the middle to upper end of the Australian furniture market and growing its global presence via its UK entry. NCK operates two key brands, the core Nick Scali brand in Australia (66 showrooms), New Zealand (5 showrooms) and the UK (15 showrooms), and the Plush brand across Australia (47 showrooms).

Valuation

Our \$28.00 12-month target price is based on a 50:50 blend of: 1) Discounted Cash Flow (DCF) valuation methodology utilising a WACC of ~9% and a terminal growth rate of 3.5%; and 2) Target P/E multiple of ~23x on a FY27e basis. Our 23x forward P/E target multiple is based on a ~10% premium applied to the median multiple of the peer group we have considered consisting of high-quality retailers and vertically integrated brands in the broader category in both Australia and international markets.

Key risks

- **Slowdown in consumer spending and rise in unemployment** – NCK's product portfolio is mainly furniture and homewares which are discretionary items. This sees exposure to consumer sentiment & spend risk, with the Nick Scali portfolio skewing to the upper end of the market.
- **Cyclicality** – We believe NCK is exposed to the housing turnover cycle & strength in consumer sentiment. A material deterioration in these factors may impact earnings.
- **Increased competition** – Increased competitive intensity via price/product range may place pressure on sales/margins. As the online market matures, competition may increase resulting in NCK losing some of its competitive advantage.
- **Seasonal trading patterns** – NCK sells their core brand products in both Australia and UK and thereby exposed to timing differences in the weather. Any impacts which may result in deep discounts to clear surplus inventory, could be detrimental to performance.
- **Reliance on key personnel** – Loss of key staff including its founders, and the inability to replace them in a timely manner may impact NCK's financial performance.
- **Supplier / aged inventory** – NCK has agreements with a number of supplying factories. There is a risk of non-renewal of contracts, deterioration in supplier relationships and the risk suppliers may not have sufficient stock to meet demand, although NCK sees strong relationships with its scale offering negotiation benefits. Despite most of NCK's product made to order with a broadly negative working capital, the company is exposed to ageing inventory risk in a weaker demand environment.
- **Movements in the foreign exchange rates** – NCK directly imports majority of their products from overseas. The greatest currency sensitivity is to the AUD/USD.
- **Reputation and brand** – Given a retailer of consumer products, NCK's reputation and brand recognition is particularly important. A loss of reputation and customer loyalty could impact repeat purchase behaviour and impact financial performance.
- **Technology** – NCK's website, databases and systems are highly important to the group's success in attracting & retaining customers and maximising sales conversion from them.

Nick Scali

as at 09 January 2026

Recommendation

Buy

Price

\$23.79

Target (12 months)

\$28.00

Table 1 - Financial summary

Jun Year end (post AASB 16)						
Profit & Loss (\$m)	2023a	2024a	2025a	2026e	2027e	2028e
Sales revenue	507.7	468.2	495.3	551.0	611.9	663.7
... Change	15.1%	-7.8%	5.8%	11.2%	11.0%	8.5%
EBITDA	197.1	175.0	159.1	185.7	210.3	227.8
... Change	25.4%	-11.2%	-9.1%	16.7%	13.2%	8.3%
Deprec. & amort.	(42.8)	(45.4)	(53.3)	(56.8)	(58.3)	(59.8)
EBIT	154.3	129.6	105.9	128.9	152.0	168.0
Net Interest	(10.8)	(11.7)	(13.2)	(12.2)	(12.2)	(12.2)
Pre-tax profit	143.5	117.9	92.7	116.7	139.8	155.8
Tax expense	(42.4)	(35.8)	(30.5)	(37.1)	(41.2)	(45.8)
... tax rate	30%	30%	33%	32%	29%	29%
Associates						
Minorities/Prefs						
Underlying Net Profit	101.1	82.0	62.2	79.7	98.6	110.0
... Change	37.8%	-18.8%	-24.2%	28.1%	23.7%	11.5%
Abs. & extras.	-	-	(4.3)	-	-	-
Reported Profit	101.1	82.0	57.9	79.7	98.6	110.0
Cashflow (\$m)						
2023a	2024a	2025a	2026e	2027e	2028e	
EBITDA	197.1	175.0	159.1	185.7	210.3	227.8
Working capital changes	5.5	17.8	(9.3)	(16.9)	(4.9)	(4.3)
Net Interest Expense	2.5	3.4	3.8	3.6	3.6	3.6
Tax	(44.0)	(36.0)	(34.9)	(37.1)	(41.2)	(45.8)
Other operating items	(23.1)	(29.0)	(3.2)	5.0	(1.0)	(1.0)
Operating Cash Flow	137.9	131.2	115.5	140.4	166.8	180.2
Capex	(12.3)	(27.9)	(13.6)	(15.2)	(18.4)	(18.3)
Free Cash Flow	125.6	103.3	101.9	125.1	148.4	161.9
Acquisitions	(0.6)	(7.0)	(1.0)	-	-	-
Repayment of borrowings	0.0	(20.0)	-	-	-	-
Payment of leases	(45.7)	(47.9)	(58.8)	(63.0)	(66.1)	(65.8)
Dividends paid	(60.8)	(56.7)	(53.8)	(54.1)	(62.5)	(72.6)
Equity	-	54.8	3.8	3.8	3.8	3.8
Other investing items	36.0	(34.4)	25.8	(3.9)	(3.9)	(3.9)
Change in cash position	54.6	(7.9)	17.9	7.9	19.6	23.4
Balance Sheet (\$m)						
2023a	2024a	2025a	2026e	2027e	2028e	
Cash	89.3	81.3	101.0	108.4	124.2	144.2
Receivables	1.8	2.1	1.8	1.9	2.1	2.3
Inventories & WIP	54.6	58.0	58.1	66.7	74.3	80.9
Other current assets	3.8	34.8	8.6	8.6	8.6	8.6
Current Assets	149.4	176.3	169.5	185.7	209.2	236.0
Land & Buildings	104.5	119.6	120.1	120.1	120.1	120.1
Plant & Equipment	14.8	22.1	27.6	27.6	27.6	27.6
Right-of-use Assets	203.7	223.5	216.0	248.1	273.3	300.2
Intangibles	129.8	157.6	166.4	166.4	166.4	166.4
Other non-curr assets	5.5	5.8	6.1	6.1	6.1	6.1
Non Current Assets	458.3	528.6	536.3	568.3	593.5	620.5
Total Assets	607.6	704.9	705.8	754.0	802.7	856.5
Short term debt	2.3	2.3	11.0	11.0	11.0	11.0
Creditors	22.7	44.4	34.8	26.6	29.5	32.0
Lease liabilities	35.6	37.7	46.4	48.2	50.7	53.1
Other curr liabilities	73.8	69.7	76.2	99.2	102.0	118.9
Current Liabilities	134.4	154.0	168.4	185.0	193.2	215.0
Long term debt	89.4	69.4	60.7	60.7	60.7	60.7
Lease liabilities	190.9	211.0	198.1	205.8	216.7	215.6
Other non curr liabilities	13.1	12.7	12.0	12.0	12.0	12.0
Non Current Liabilities	293.4	293.1	270.8	278.5	289.4	288.3
Total Liabilities	427.7	447.1	439.1	463.4	482.6	503.4
Net Assets	179.9	257.8	266.7	290.6	320.2	353.2
Share Capital	3.4	58.2	62.0	62.0	62.0	62.0
Reserves	0.2	(0.7)	0.5	0.5	0.5	0.5
Retained Earnings	176.4	200.3	204.2	228.1	257.6	290.6
Shareholders Equity	179.9	257.8	266.7	290.6	320.2	353.2
Outside Equity Interests	-	-	-	-	-	-
Total Equity	179.9	257.8	266.7	290.6	320.2	353.2
Net Debt/(cash) \$m	2.4	(9.6)	(29.3)	(36.7)	(52.5)	(72.5)

Price	\$23.79
Recommendation	Buy
Diluted issued capital (m)	85.4
Market cap (\$m)	2,032.5
Target Price (\$ps)	\$ 28.00

Jun Year end (post AASB 16)						
Valuation Ratios	2023a	2024a	2025a	2026e	2027e	2028e
Underlying EPS (\$ps)	124.8	100.5	72.8	93.3	115.4	128.7
... % change	37.8%	-19.5%	-27.5%	28.1%	23.7%	11.5%
P/E (on underlying EPS) (x)	19.1	23.7	32.7	25.5	20.6	18.5
EV/EBITDA (x)	10.2	11.4	12.6	10.8	9.5	8.8
EV/EBIT (x)	13.0	15.5	18.9	15.5	13.2	11.9

NTA (\$ps)	0.62	2.67	2.65	2.93	3.28	3.67
P/NTA (x)	38.43	8.89	8.96	8.11	7.25	6.49
Book Value (\$ps)	2.22	3.02	3.12	3.40	3.75	4.13
Price/Book (x)	10.71	7.87	7.62	6.99	6.35	5.76
DPS (\$ps)	75.0	68.0	63.0	65.3	80.8	90.1
... % pay-out	60.1%	67.7%	86.5%	70.0%	70.0%	70.0%
Yield (%)	3.2%	2.9%	2.6%	2.7%	3.4%	3.8%
Franking (%)	100%	100%	100%	100%	100%	100%

Performance Ratios	2023a	2024a	2025a	2026e	2027e	2028e
Revenue growth (%)	15.1%	-7.8%	5.8%	11.2%	11.0%	8.5%
EBITDA growth (%)	25.4%	-11.2%	-9.1%	16.7%	13.2%	8.3%
Gross Profit margin (%)	63.5%	65.5%	63.5%	64.2%	64.0%	64.0%
EBITDA margin (%)	38.8%	37.4%	32.1%	33.7%	34.4%	34.3%
EBIT margin (%)	30.4%	27.7%	21.4%	23.4%	24.8%	25.3%
NPAT margin (%)	19.9%	17.5%	11.7%	14.5%	16.1%	16.6%

Gross cash conversion (%)	99.6%	105.4%	104.0%	102.8%	107.3%	109.4%
Free cash-flow yield (%)	6.5%	5.3%	5.0%	6.2%	7.3%	8.0%
ROE (%)	56.2%	31.8%	21.7%	27.4%	30.8%	31.1%
ROIC (%)	25.0%	20.3%	14.5%	17.7%	20.5%	21.8%
Capex/Depn (x)	0.3	0.6	0.3	0.3	0.3	0.3

Net interest cover (x)	62.7	38.1	27.7	36.0	42.7	47.1
Core Net Debt/EBITDA (pre-AASB16) (x)	0.0	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Net debt/equity (%)	1.4%	-3.7%	-11.0%	-12.6%	-16.4%	-20.5%
Net debt/net debt + equity (%)	1.3%	-3.9%	-12.3%	-14.5%	-19.6%	-25.8%

Half yearly (\$m)	1H23	2H23	1H24	2H24	1H25	2H25
Sales revenue	283.9	223.8	226.6	241.6	251.1	244.2
EBITDA	112.1	84.9	89.9	85.1	81.8	77.4
Deprec. & amort.	(21.0)	(21.8)	(22.1)	(23.3)	(27.0)	(26.3)
EBIT	91.2	63.1	67.8	61.8	54.8	51.1
Interest expense	(4.8)	(6.0)	(5.6)	(6.1)	(6.3)	(6.8)
Pre-tax profit	86.4	57.1	62.2	55.7	48.5	44.2
Tax expense	(25.8)	(16.6)	(19.1)	(16.7)	(15.2)	(15.3)
... tax rate	30%	29%	31%	30%	31%	35%
Underlying Net Profit	60.6	40.5	43.0	39.0	33.3	28.9
Abs. & extras.						
Reported Profit	60.6	40.5	43.0	39.0	33.3	28.9

Segmental Information	2023a	2024a	2025a	2026e	2027e	2028e
Nick Scali ANZ	327.6	288.1	291.8	322.2	345.9	374.1
... % change	-7%	-12%	1%	10%	7%	8%
Plush ANZ	180.1	171.8	161.7	180.3	195.4	213.8
... % change	36%	-5%	-6%	12%	8%	9%
Nick Scali UK	-	-	41.8	48.5	70.5	75.8
... % change	-	-	-	16%	45%	8%
Total Revenue (\$m)	507.7	459.9	495.3	551.2	612.0	663.9
Australia	101.1	83.5	73.2	87.8	95.8	105.7
UK	-	(1.4)	(11.2)	(8.1)	2.8	4.3
Total NPAT (\$m)	101.1	82.1	62.0	79.7	98.6	110.0

SOURCE: COMPANY REPORTS, BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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