

NICK SCALI LIMITED

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Chair's Address to Annual General Meeting

The following is a transcript of the address by the Executive Chair of Nick Scali Limited, Mr Anthony Scali, to the shareholders at today's 2026 Annual General Meeting.

Good morning and thank you for joining us for Nick Scali Limited's 2026 Annual General Meeting.

This is my first AGM serving as both Executive Chair and Chief Executive Officer. It is a privilege to lead the Company in these combined roles, and I remain focused on delivering sustainable growth while maintaining the disciplined approach that has underpinned Nick Scali's performance over many years.

Board Update

Over the past year, I have been well supported by our Deputy Chair and Lead Independent Director, William Koeck, and by the broader Board and Committee Chairs. I would like to acknowledge Kathy Parsons for her continued leadership as Chair of the Audit and Risk Committee, and Carole Molyneux for her leadership as Chair of the Remuneration and Human Resources Committee.

Today marks Carole's retirement from the Board after more than 12 years of service. Carole has made an outstanding contribution to Nick Scali, bringing deep retail experience and a strong commitment to the Company throughout her tenure. On behalf of the Board, I thank Carole for her contribution and wish her all the best for the future.

Following Carole's retirement, Niran Peiris will become Chair of the Remuneration and Human Resources Committee. I thank Niran for taking on this important role.

We also welcome Colette Garnsey OAM to the Board as an Independent Non-Executive Director. Colette brings extensive experience across retail, marketing, distribution, branding, consumer insights and digital strategy, and the Board looks forward to the perspective she will bring as the Company continues to grow.

In relation to today's formal business, Kathy Parsons retires by rotation and is standing for re-election, while Colette Garnsey, having been appointed to the Board since the last Annual General Meeting, is standing for election. No other directors are standing for election or re-election at today's meeting.

FY26 Group Performance

Turning to the year's performance, FY26 delivered a stronger result for the Group. Revenue increased 4.3% to \$516.7 million, while statutory net profit after tax increased 31.2% to \$75.7 million.

A key feature of the result was the improvement in gross margin, which increased by 210 basis points to 65.6%. This reflected the ongoing focus across the business on pricing, sourcing and inventory management.

Australia and New Zealand

In Australia and New Zealand, the year began strongly, although trading conditions became more subdued in the second half as pressure on discretionary spending continued.

Against that backdrop, written sales orders increased 2.7% to \$472.5 million and revenue increased 5.1% to \$476.7 million. Gross margin improved to 66.0%, and ANZ net profit after tax increased to \$80.5 million. These results demonstrate the resilience of the business and the strength of our brands in a challenging retail environment.

United Kingdom

In the UK, the team made significant progress in executing our strategy during the year. These included completing the showroom refurbishment and rebranding programme, strengthening the sales team, increasing gross margin and identifying opportunities to expand the store network. By December 2025, 16 showrooms had been converted to the Nick Scali brand and format.

The store closures required to complete the refurbishment programme affected revenue during the year. Despite this disruption, written sales orders increased 31.4% to \$45.0 million, gross margin improved from 47.1% to 60.3%, and the net loss after tax reduced from \$13.6 million to \$4.8 million.

Looking ahead, the priority is to deliver profitability in the UK. This will require us to realise the full benefits of the rebranding programme, drive improved sales conversion, maintain higher gross margins and retain a rigorous focus on operating cost discipline. We will also selectively expand the store network, beginning with the opening of a new Nick Scali showroom in Bristol in December 2026.

Cash Flow, Investment and Balance Sheet

The stronger earnings result was supported by good cash generation. Operating cash flows after rent and occupancy costs increased to \$117.9 million, compared with \$89.6 million in FY25.

We continued to invest in the long-term growth of the Group, with property and other capital investment of \$23.0 million. This included the Campbelltown showroom acquisition, refurbishment of showrooms in ANZ and the UK, and land in South Australia for a new distribution centre. We also completed the \$22.0 million acquisition of a new showroom property in Richmond in August 2026.

At 30 June 2026, the Group held cash and bank deposits of \$106.6 million and had net cash after borrowings of \$34.9 million. This leaves us with a strong financial position from which to continue investing in the business.

Store Network

We also continued to expand the store network during the year. In ANZ, we opened a Nick Scali showroom in Ballarat and Plush showrooms in Bendigo, Tuggerah and Cannington. Nick Scali showrooms in Bendigo and Bunbury opened shortly after year end, taking the Group's network to 132 showrooms.

New showrooms are an important part of our growth strategy. We continue to assess opportunities carefully, with a further four showrooms expected to open during FY27.

Dividends

Reflecting the improved result and strong cash position, the Board declared a fully franked final dividend of 39.0 cents per share. This brought total dividends declared for FY26 to 78.0 cents per share, with the final dividend paid on 22 October 2026.

Trading Update and Outlook

As shareholders will be aware, we released a trading update on 21 October covering current trading and our expectations for the first half of FY27.

Trading conditions in Australia and New Zealand have remained challenging, with first-quarter written sales orders 15% below the prior corresponding period and store traffic around 10% lower. This compares to written sales order growth of 11% in Q1 FY26.

The cyber security incident in August also resulted in our ERP systems being unavailable for approximately three weeks, although stores continued to trade and orders were processed manually. We expect ANZ revenue for the first half to be approximately 11% to 14% below the prior corresponding period.

Encouragingly, the UK business continues to improve, with first-quarter written sales orders up 29% and like-for-like orders up 14%.

Based on trading to date and the current order bank, we expect underlying Group net profit after tax for the six months ending 31 December 2026 to be between \$28 million and \$32 million.

We remain focused on maintaining margins, disciplined cost management, growing our store network and continuing to improve the UK business.

Closing Remarks

FY26 has been another strong year and has further demonstrated the resilience of our business. We recognise that macroeconomic headwinds continue to affect consumer discretionary spending. However, the Group has strong foundations, leading brands and an experienced team with a proven ability to navigate challenging trading conditions.

We remain focused on executing our strategy, strengthening the business and positioning the Group for continued growth.

Finally, I would like to thank our employees, customers, suppliers and business partners across Australia, New Zealand and the United Kingdom for their contribution and continued support. I also thank our shareholders for their ongoing confidence in Nick Scali.

ENDS

Authorised for release by the Board of Nick Scali Limited.