

4 October 2021

Acquisition of Plush-Think Sofas

Highlights:

- **Acquisition of 100% of Plush-Think Sofas (“Plush”) for an enterprise value of \$103 million on a cash free, debt free basis¹**
- **Plush overview:**
 - **Leading Australian specialist sofa retailer with 46 showrooms across Australia**
 - **FY20 Revenue of \$111m, underlying EBITDA of \$10m**
 - **FY21 Revenue of \$160m, underlying EBITDA of \$27m**
- **Acquisition strengthens Nick Scali’s position as a leading sofa retailer across Australia and New Zealand, with the combined group representing:**
 - **108 showrooms across Australia and New Zealand;**
 - **FY20 pro forma revenue of \$373m, underlying EBITDA of \$76m²**
 - **FY21 pro forma revenue of \$533m, underlying EBITDA of \$153m²**
- **Nick Scali and Plush have highly complementary product offerings and business models**
- **Strong strategic fit expected to deliver material synergies to the combined business after a two-year integration period, excluding one-off implementation costs**
- **Acquisition will be funded through a combination of cash on hand and new bank facilities**
- **EPS accretive in the first full year of ownership before realisation of potential synergies expected following integration**

Acquisition of Plush Sofas

Nick Scali Limited (ASX:NCK) (“**Nick Scali**” or “the **Company**”) has entered into a binding agreement to acquire Plush Think-Sofas (“**Plush**”) for total cash consideration of \$103 million, subject to certain purchase price adjustments at completion (including for working capital) (“**Acquisition**”).¹

The Acquisition will be funded through a combination of cash on hand and new debt facilities. The Acquisition is subject to closing conditions and expected to complete in the fourth quarter of 2021.

Plush is a specialist Australian sofa retailer, operating a network of 46 showrooms across 6 Australian states and territories. Founded in 1999 and originally operating as Plush Leather, Plush has subsequently grown into a network of 46 showrooms across Australia. Plush is positioned as a mid-market, made to order sofa retailer with a focus on the aspirational customer demographic. Over its 20-year history Plush has sold sofas, modular lounges, recliners, occasional chairs, ottomans and sofa beds to over 250,000 customers.

¹ Headline acquisition enterprise value of \$110m adjusted for \$7.0m of cash to remain within Plush on completion. Prior to customary working capital adjustments as part of completion, net debt adjustments and transaction costs.

² FY20 Nick Scali revenue of \$263m, EBITDA of \$66m. FY20 Plush revenue of \$111m, EBITDA of \$10m. FY21 Nick Scali revenue of \$373m, EBITDA of \$127m. FY21 Plush revenue of \$160m, EBITDA of \$27m. EBITDA pre AASB 16. Plush revenue and EBITDA in this announcement are unaudited and have been extracted from the broader Greenlit Brands group. Going forward Plush will be part of the broader audit process for the Nick Scali consolidated group. All figures included in this announcement have been rounded to the nearest \$m.

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The acquisition of Plush strengthens Nick Scali's position as Australia's leading sofa retailer with a strong strategic rationale:

- Dual brand strategy targeting a broader customer demographic;
- Enhanced market position, providing diversity in store format, location and geographic exposure;
- Highly complementary 'made to order' business models with similar inventory and working capital profiles;
- Opportunities for further growth, including new store roll out for both brands in Australia and New Zealand; and
- Attractive financial metrics, EPS accretion, with material synergies expected to be realised following an integration period.

The Acquisition will increase Nick Scali's current footprint to a total combined 108 stores in Australia and New Zealand, enhancing the Company's growth platform through the opportunity to open new Plush stores in currently underrepresented catchment areas and with greater floorplan flexibility. The Company believes there is potential for Plush to achieve a long-term store network target of 90-100 stores in addition to Nick Scali's previously communicated long term network target of at least 85 stores.

Nick Scali CEO, Anthony Scali, said "Plush is a high-quality Australian sofa retailer with a strong track record of profitability and performance over a long period of time". Mr Scali continued "The acquisition is a strategic opportunity for Nick Scali and will allow us to leverage the increased scale of the combined group whilst providing a platform to significantly grow the store network."

Nick Scali management estimates that the Acquisition will facilitate material synergies to the combined business after a two-year integration period, excluding one-off implementation costs. Synergies are expected to be generated from a combination of buying synergies, logistics and supply chain efficiencies, procurement synergies and support function efficiencies.

The Acquisition is expected to be EPS accretive in the first full year of ownership excluding realisation of estimated synergies which will flow post integration.

Funding & Completion

The Acquisition will be funded through a combination of existing cash on hand and new debt facilities. Nick Scali is committed to maintaining a strong balance sheet with the financial flexibility to pursue further growth opportunities. Completion is subject to conditions including upstream vendor financier consents³ and other customary closing consents.

Further information

Macquarie Capital (Australia) Limited is acting as financial adviser and Ashurst is acting as legal adviser to Nick Scali.

Authorised by the Board of Nick Scali Limited

³ If consent from the upstream vendor financiers is not obtained by midnight 15 October 2021, the Acquisition agreement will terminate and Nick Scali will receive an agreed break fee.

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