JOYCE CORPORATION LTD
SINCE 1886

Chair's Address – FY20 AGM

30 November 2020

Good morning everyone, and welcome to the first virtual Annual General Meeting of Joyce Corporation.

Before we proceed to the business of the meeting I will take the opportunity to make a few general observations about the last 12 months, and Keith will deliver his CEO report.

The last financial year has been a very challenging one. More challenging than we have ever previously faced. So, it is with a great sense of satisfaction that I inform you that the Group has emerged from this period with a strong balance sheet, and substantial cash and liquidity.

The Board is very aware that the economic environment over the next few years will be testing for many organisations. Our goal has been to position Joyce to be able to withstand future unforeseen challenges. A demonstration of this is that a year ago we held $2.6 m in cash today we have $19.8m.

In these uncertain times it is important the Company be able to extinguish debt quickly. Through strong business performance, disciplined cash and balance sheet management, we have ensured that we are in a position to cope with whatever the next few years presents.

This year's financial performance of both KWB and Bedshed, despite the challenges of the last 12 months, gives us great confidence for the future. Our earnings from continuing operations before impairment, tax and interest grew by over 20% in FY20 to $12 million. In addition, the first quarter sales performance, for this current financial year, is our strongest ever result for both entities.

In 2019/20, the Group divested its interest in Lloyds. The Joyce investment strategy is to invest in business partnerships that can leverage our expertise and systems to grow and deliver consistent, above average returns to shareholders. Our inability to see consistent returns that met our ROI benchmarks from our investment in Lloyds resulted in us taking advantage of an opportunity to divest the investment. However, following our partnership and new investors the Lloyds entity is well placed in its market with its low cost operations and access to more entrepreneurial funding. Joyce has developed a disciplined investment approach that means any new investment is only made after thorough due diligence, including assurance checks to ensure it fits well with our capabilities and values. In the current environment, in the short term we are not anticipating acquiring any additional businesses.

Our immediate goal is to seek organic growth from KWB and Bedshed. Both businesses have significant opportunities to expand their footprint, particularly in NSW, over the next few years.

Joyce's goal has always been to provide sound returns to its shareholders. We are pleased that even in the middle of this worldwide pandemic we have been able to pay a fully franked,

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final dividend of 5 cents per share. This brings total dividends for the year to 10 cents per share.

Joyce consistently continues to return income by way of dividends to its shareholders above those in its sector and the ASX 200. As a result, I am pleased to announce that we plan to introduce an updated Joyce Dividend Reinvestment Plan in 2021 which will be discussed at the Board Meeting following today's AGM.

We anticipate Shareholders appreciated the response from Board members and senior management - following the initial COVID shock - to take a 50% deferral in salary during the early phase of the pandemic. This was a significant sacrifice, and show of leadership, for many in the organisation, and demonstrated their commitment to helping the Company remain financially viable. Everyone was also prepared to work considerably longer hours to deal with the many issues and challenges we faced, especially over the first three months. Board members met several times each week to deal with the many issues that arose.

It is therefore doubly disappointing that a small number of shareholders have voted against the remuneration report again this year.

Joyce engages professional remuneration consultants GRG Consulting to ensure that the remuneration packages of our executive, and Board fees, are in line with the market and represent a fair return for the delivery of success for the Group. Their recommendations continue to be followed.

Our experience is that there is a strong link between appropriate executive remuneration and Joyce's financial performance. The remuneration policies we have in place have helped drive the success that shareholders have enjoyed in recent years.

Understanding the Joyce Remuneration approach is assisted by understanding the Joyce Staffing Philosophy. The Joyce Staffing Philosophy is to have the majority of staff and management in the operating units. The corporate office is kept as small as possible but utilises the expertise of individual Board Members as required. Hence Board Members are often called upon to support management.

Joyce has been fortunate to have had a very stable, hard-working and competent Board for several years, which has led the organisation to have considerable, consistent success.

At this time, I would like to acknowledge Keith Smith for his contribution to the Group over the last three years. As has already been announced, Keith is leaving Joyce to pursue other opportunities. He has had a major impact on our organisation. When Keith joined Joyce, we had had an extended period with only a part time CEO. As a consequence, many areas of the business needed attention and updating. During his time with us, Keith has excelled at organising Joyce to be well positioned for future growth. I wish him every success in his future endeavours.

It is also opportune for me to now publicly welcome our incoming CEO Dan Madden. I am sure I speak for everyone when I say we look forward to working with you Dan.

I would also like to acknowledge the outstanding, continued contributions by Management across the Group over the last year. In particular, the KWB team led by John Bourke and Chris Palin and the Bedshed team led by Gavin Culmsee. All three of these executives continued to demonstrate strong leadership throughout the year, particularly in navigating their organisations through the pandemic.

Of course none of this happens without the ongoing loyalty, support and hard work of our staff. COVID-19 has impacted all of us in some way – some more so than others. Our people, who are the key to our critical relationships with our customers and suppliers, are the engine room of Joyce Corporation, and on behalf of the Board, and shareholders, I thank them for their commitment through a very difficult time.

Finally, I would like to especially thank my fellow Directors and acknowledge their significant contributions over the last 12 months in helping the organisation achieve the success that it has. As I have already announced this is my last AGM as Chair. The Board plans that Jeremy Kirkwood will take on the Chair role following the AGM. Jeremy has already made a significant contribution and added value to the Board this year and I am sure Joyce will enjoy considerable success under Jeremy’s leadership.

When I look at the capability of our Management and Board, the strength of our balance sheet and our opportunity for future growth I have no hesitation in commending Joyce Corporation to you.

I will now ask Keith Smith to give his CEO report for the FY20 year.

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CEO's Address – FY20 AGM

30 November 2020

Thankyou Mike, and good morning to everyone on-line in this virtual meeting,

As Mike said the 2020 financial year was another successful one for Joyce, despite what has occurred in the global economy as a result of the pandemic. We have seen growth in our continuing business both in revenue and earnings. I will now share further operational and company highlights from the past financial year and give you an update since the start of the new financial year.

The Group is made up of four parts - our operating divisions, KWB and Bedshed; our real estate portfolio and Head Office operations.

In our operations, the KWB Group moved year on year revenue up by 4% to close the FY20 year at $67.5 million. This was despite closing the network down for most of April, to manage the health risks of the pandemic. With a focus on cost control the team was able to deliver an improvement in earnings of 19%, closing the year with an EBIT of $11.3m.

In response to the economic conditions and Government restrictions KWB store opening plans were postponed, and no new showrooms were opened in FY20. With the Group entering the new financial year with a strong balance sheet, and encouraged by the strong trading conditions experienced in recent months, KWB has returned to expanding its network, with two locations successfully opened since June, and a third opened just two days ago at the Home Centre in Castle Hill.

The team will then put the expansion on pause again during the busy period that traditionally occurs between January and March each year. Further openings are planned in the remainder of 2021 in the suburbs of Northern Sydney.

The orders generated at Tweed Heads in the four months since opening on 1 July of this year have been the highest of any store launched to date. This demand talks to the strength of the KWB brand and the value customers ascribe to their experience. Across the network we have continued to experience strong demand for the KWB product range since the start of the year. We believe growth will continue over the long term as the current network only services approximately 25% of the Australian population. In time, we expect to be operating an organisation significantly larger than it is today.

The team has also been improving the infrastructure within KWB and in FY20 we saw many projects delivered, such as the NetSuite Enterprise Resource Planning (ERP) system going live and the opening of the KWB Training Academy. These improvements in infrastructure and

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business systems have increased internal efficiencies, enhanced the customer experience and help us better-manage governance and risks in a large and growing operation.

The team at Bedshed grew EBIT, year on year, by 48%, following on from a 13% increase in the year prior.

Bedshed General Manager Gavin Culmsee accredits this earnings growth to:

- Strong marketing campaigns;
- Launching new ranges;
- Strong franchisee relationships;
- Well trained and informed staff; and
- Greater geographic coverage.

Like KWB the Bedshed team paused the franchisee network expansion during the period of uncertainty created by the pandemic. The team are now actively engaging with strong candidates to become the next cohort of Bedshed franchisees. The lead times to onboard franchisees is longer than the KWB program and as such we expect to see new stores opening in the middle of 2021.

In contrast to KWB, Bedshed were able to keep all Bedshed stores open in the first wave of the pandemic, which was not the reaction a lot of our larger competitors had who closed large parts or all of their networks. By keeping operations open we maintained our links to the customer base and, importantly, with our supply chain. This allowed us to better gauge increasing demand and to respond to that by quickly activating our supply chain. This gave Bedshed a significant advantage over its competitors and as a result we have grown our market share in the year.

During the pandemic and subsequent shut downs in Victoria the Bedshed management team have worked closely with franchisees to support them through what was evolving into a crisis. This has led to an even stronger bond with franchisees. Today our best way of attracting new franchisees are the testimonials of our current Bedshed partners. Like KWB, Bedshed has emerged stronger from this crisis.

We have also seen many key projects delivered within the organisation, including the final phase of the HarmoniQ ERP roll out across the franchise network, and the launch of e-Commerce initiatives. These projects support Management in the delivery of earnings growth through efficiencies and sales growth, as well as improving our governance by providing clearer and faster insights into business performance.

The year also saw a number of firsts for Bedshed, including winning the prestigious Marketing Campaign of the Year Award from the Large Format Retailers Association. Given the team were up against much larger organisations such as Bunnings the win was a significant achievement.

We have been able to achieve these numbers through the efforts of our General Managers, partners and staff, and along this journey we have had the insight and support of our Directors.

We see this diverse and capable team as key in achieving our future organic growth plans and market capitalisation goals.

In our property portfolio we have two substantial properties that house the KWB operations in Brisbane, Queensland; and the Bedshed and Joyce Head Office operations in Osborne Park, Western Australia. While we do not believe property is a core business of the Group we will only dispose of these properties when it makes commercial sense for the Group. However, we recognise that they represent significant value in the Group, and at 30 June 2020 the valuations totalled $15.1m.

In the Joyce Head Office operations we are delivering cost savings while enabling the wider Group with back office support. We have an intentionally 'lean' Management team, however the team has consistently delivered improvements in governance, development of critical third party relationships and improved systems.

Our relationships with third parties like the Commonwealth Bank give us access to material levels of funding, Marsh Insurance Brokers give us access to broad coverage at reduced premiums despite most Australian companies seeing increases, and we continue to develop these relationships with other key organisations which we believe will give Joyce a material advantage in the market.

These are great, positive, indicators of how the Group has matured through the year and is very well positioned to take advantage of new opportunities under Dan Madden's leadership.

Before handing back to Mike I would like to reflect how far the organisation has come in the last three years, in terms of its earnings, its maturity and the health of the organisation.

I would like to thank Mike for his leadership in this period, and acknowledge the support and contributions of our Directors as we addressed many challenges during the year. I also thank the operational leadership, who steered the divisions through difficult economic environments and delivered growth, and the broader teams as they aligned behind Management and dug deep to deliver the desired outcomes. It has been a very rewarding three years for me and I thank you all.

With the completion of the Joyce business review and update I will pass back to Mike to take us through the formal proceedings of the meeting.