

10 May 2022

## Trading and Corporate Update

Joyce Corporation (**ASX: JYC**) ('Joyce' or 'the Company') wishes to provide shareholders with an update on trading conditions and strategic initiatives that will help underpin the Company's growth plans.

### Operations Update

Retail demand for the Company's offerings remains positive, however, widespread disruptions to both retail trade and supply chains remain a live issue due to ongoing COVID-19 impacts across the New South Wales, Queensland, Victorian and West Australian markets.

Joyce is focused on keeping supply chains as reliable and robust as possible while maintaining proactive contact with customers. The Company is well positioned to manage these disruptions and deliver strong operational performance supported by cashflow positive businesses and a strong balance sheet and cash position.

### KWB Group – Kitchen Connection, Wardrobe Connection and Wallspan

KWB continues to experience strong demand for its kitchen and wardrobe design, build and installation services. Whilst the widespread combination of supply chain disruption, labour shortages and global inflationary pressures have affected business performance, KWB remains on track to continue its trend of strong revenue and EBIT growth for the current financial year.

The business continues to experience supply chain and delivery disruptions due to the COVID-19 pandemic, affecting both showroom traffic and supply chains because of constraints on labour and the delivery of materials. This has impacted the normal lead time for delivering into customer's homes and is expected to continue in the near to medium term. These impacts are being felt throughout the renovations industry.

The extreme rainfall events across NSW and Queensland affected a number of showrooms across South East Queensland and Northern NSW resulting in the long-term closure of the Windsor showroom. The impact across the rest of the KWB network has been localised and limited.

New store openings have been slowed as the business seeks to absorb supply chain constraints before undertaking further expansion. This follows the Artarmon, Penrith and Belrose showroom openings in the first half of the year, along with the full refurbishment of the Newcastle showroom in FY22. The Casula showroom is scheduled for opening in July 2022. Plans for additional stores in FY23 are currently deferred in light of the current market conditions.

Reflecting strong demand, KWB's orders continue to grow, with an Order Book value of approximately \$60M as at the end of April 2022 (representing the total value of jobs to be delivered), positioning KWB to continue its long-term trend of revenue and EBIT growth into FY23.



***Kitchen Connection Penrith***

### **Bedshed Group – Franchised and Company-Owned Operations**

Bedshed has further expanded its footprint in FY22 with two new stores scheduled to open in the coming months. A Sydney metro store in Alexandria is scheduled to open this month and a further Victorian operation will open in Ballarat in Q1 FY23. These stores complement the Tuggerah and Rutherford stores which opened in the first half of the current financial year and will bring the franchise operation footprint to 36 nationwide.

In addition to the new store openings, Bedshed has renewed a further two franchise agreements bringing the total renewals in the current financial year to seven which is a key indicator of the strength of the franchise network and the franchise business model adopted by Bedshed.

Bedshed's strategic focus is on the growth of the franchise network, which is on track to continue to deliver positive results from ongoing revenue and EBIT growth in the first half, driven by a strong trading performance and organic growth via store openings.

Company-owned stores continue to trade well on a store-by-store comparable basis and are on track to deliver results consistent with the first half of the current financial year and the prior financial year (which included Company store revenue from the Helensvale store and profit on its sale in December 2021).



**Bedshed Tuggerah**

## Corporate Update

Joyce Corporation has a solid platform for future growth with cashflow positive businesses and a strong balance sheet and cash position, with over \$28 million of cash on hand within the Joyce Consolidated Group as at the end of April 2022.

Through its KWB and Bedshed businesses, Joyce has established brands that are synonymous with helping Australians add value to their greatest asset – the family home. Joyce is increasing these brands' footprint in target markets through a strategic, organic expansion plan and it is expected that this will drive revenue growth into the future.

Joyce is also in the advanced stages of launching a complementary new business opportunity that will build on its core capabilities by utilising and leveraging market knowledge, supply chain access, marketing expertise, logistics and industry relationships.

This business opportunity will be a service-focussed initiative helping homeowners add value to their greatest asset – the family home, and will provide a low capital entry into an emerging market, with the potential to grow organically across Australia after the evaluation of a pilot program to be undertaken in Perth.

Joyce will initially allocate some of the \$5.4m proceeds from the sale of its Osborne Park premises to establish the new business, thereby ring-fencing the allocated capital to the opportunity and managing exposure to the downside risk. Further allocation of capital from the sale proceeds will be dependent on the success of the pilot program. Cashflow from existing operations will not be diverted to the new opportunity.



Importantly, the Company's focus remains on maximising the value of its core businesses, which are the KWB and Bedshed operations. To ensure strong levels of governance and oversight are maintained, while making the most of the expected synergies that the new business opportunity and associated brand will offer, Joyce has created the position of Chief Operating Officer to oversee Bedshed national operations and the new organic growth opportunity.

Current General Manager of Bedshed, Mr Gavin Culmsee, has been promoted into this new position. KWB Group Managing Director John Bourke will continue his oversight of the operational and strategic needs of the KWB business.

To further support the continued growth of Bedshed's WA Operations and the establishment of the new business opportunity, Joyce has secured a lease on a larger warehouse and office facility in Osborne Park. The lease will commence in June 2022 and the Company is expected to occupy the new premises in the first quarter of FY23. The Company will seek to negotiate a sublease arrangement for its existing office and warehouse facility.

Joyce CEO, Dan Madden said that following a period of strong growth in the Company's core businesses and careful consideration of how to leverage existing expertise into other organic opportunities that align with the current portfolio and offer other synergies, the Company is confident that the time is right to enter the next phase of its evolution.

*"We have great brands and talented people within the Group, and as always, we remain focused on further strengthening and growing both the KWB and Bedshed networks," Mr Madden said.*

*"As signalled last year, we are now looking to apply our existing expertise into a complementary, organically grown new business that has a limited capital requirement, is relatively low risk and which we believe has significant growth potential. The new business is planned to launch as a Pilot in Perth in the first quarter of the 2023 financial year and we anticipate that it will be the first step in the development of a new brand with strong long term growth potential into close, adjacent natural opportunities.*

*"Commensurate with this, the time is right to build Joyce's management capacity to be able to take advantage of such opportunities and I welcome Gavin Culmsee to his new role of COO, and the operational and retail expertise he brings to the Joyce Executive Team. I also want to recognise John Bourke and the team at KWB for their flexibility and responsiveness to customer needs in a difficult operating environment.*

*"Our business is in a strong position with operations performing well and at a consistently high level. We have a great value proposition to our customers, franchisees, suppliers and employees, and we are well placed to continue to grow sustainably through 2022 and beyond whilst maintaining healthy dividends to our shareholders."*

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**ENDS**

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This release has been authorised by the Board of Joyce Corporation Ltd.

For further information, please contact:

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### KWB

*KWB is a leader in Australia's home renovation market, delivering outstanding kitchen and wardrobe solutions to customers renovating their homes. The Kitchen Connection and Wallspan brands operate a network of 26 sites across Queensland, NSW and South Australia. KWB is proudly the only Kitchen and Wardrobe renovation company to achieve over 1,500 Five Star reviews on Productreview.com.au - Australia's largest independent consumer review website. The KWB Group (KWB) is the largest business in the Joyce Group, in which Joyce holds a 51% interest. KWB has a 'capital light' business model, with strong margins, excellent cash flow and significant organic growth potential within NSW, and currently untapped locations in Victoria and Western Australia.*

### BEDSHED

*Bedshed is one of Australia's leading brands, supplying quality bedding and furnishings to generations of Australian families. Bedshed operates a 39-store network including 34 franchise stores, instantly recognisable by their distinctive purple colour and tagline of "No one's better in the bedroom." Bedshed also operates a new and growing e-commerce business that complements, and supports, our bricks and mortar stores. Bedshed's strategic advantages are in establishing and growing positive relationships with its suppliers and customers, maintaining stock levels, first class marketing, store fit outs and industry-leading customer service – delivered through our passionate and committed franchisees, and staff in Company-Owned stores.*