

30 August 2022

# Results Announcement

## Joyce Corporation increases dividend after \$17.6m profit

Joyce Corporation (ASX: JYC or “Joyce” or “the Group”) is pleased to report its results for the financial year ended 30 June 2022.

### Highlights

- **Group Revenue of \$129.0m** 16% increase on prior year
- **Reported EBITDA of \$32.2m** increased by 33% on prior year
- **Reported Group Net Profit After Tax of \$17.6m** compared to \$13.0m in the prior year
- **Reported Net Profit After Tax attributable to Joyce shareholders \$9.1m** compared to \$7.6m in the prior year
- **Normalised Net Profit After Tax attributable to Joyce shareholders \$7.5m<sup>1</sup>** compared to \$7.2m<sup>1</sup> in the prior year
- **Normalised Earnings per share \$0.26<sup>1</sup>**
- **Record Year End dividend of 18 cents per share**, fully franked, consistent with the Board’s dividend policy
- Debt Free with **Group Cash as at 30 June 2022 of \$31.9m** compared to \$19.9m in the prior year

Joyce CEO Dan Madden said the Group had delivered improved financial performance in challenging operating conditions, while maintaining a deliberate focus on long-term growth opportunities.

“Our two core businesses, KWB Group and Bedshed, continue to demonstrate their brand power and resilience in a market that remains impacted by the lingering effects of the COVID-19 pandemic,” Mr Madden said.

“Our great brands, backed by our talented and dedicated people, have been well-positioned to respond to strong demand from Australian consumers, who continue to demonstrate willingness to invest in their homes.

“Despite disruptions to supply chains and labour market tightness, we were pleased to deliver increased revenue and normalised NPAT<sup>1</sup> in 2022. Our response to these conditions has been to continue to concentrate on delivering high levels of customer service. While we have continued to grow, we have only done so where we have been certain that we have the people and supply chains in place to support a high quality customer experience,” Mr Madden said.

“KWB Group delivered record revenue and profit and was able to maintain healthy margins despite the challenging operating environment. Revenue was impacted by significant wet weather events on the East Coast, disruptions to the supply of materials and the availability of people, and in many cases the availability of customers to allow us into their homes to complete installations.

“Despite these challenges KWB opened two new showrooms in Sydney during the financial year, with a third opened in August 2022.

“Bedshed’s franchise network is the engine room of that business, and our franchisees continued to show their willingness to be innovative and flexible in changing conditions. We were pleased to open three new stores in NSW during the year, as well as re-signing all franchisees that were up for renewal during the year.”

Mr Madden said the Board and management team had also signed off on Joyce’s investment in the Company’s new home staging business, Crave, which is launching next month as a pilot in Perth.

“We believe Crave taps an emerging but substantial, under-serviced market segment with significant organic growth potential across Australia. In the last ten years the Australian home staging market has more than doubled and is becoming an increasingly meaningful part of the Australian residential housing market, which was valued at approximately \$10.2 trillion, with approximately 11 million residential dwellings in Australia at March 2022<sup>7</sup>. In the 12 months to 31 August 2021 there were approximately 600,000 residential dwellings sold in Australia<sup>8</sup>, and for the quarter ending 31 March 2022 the average residential value stood at \$942k<sup>7</sup>.

“Crave leverages our understanding of the needs of homeowners to enable us to style and prepare a home for sale to maximise its appeal to buyers. This helps sellers realise the full potential of their home’s value. Crave will provide a sophisticated offering to the home staging space by utilising our supply chain access, marketing expertise, logistics and industry relationships delivering a seamless service to home sellers and Real Estate Agents.”

Joyce ended the 2022 financial year with a stronger balance sheet and an improved cash position.

“Joyce has a solid platform to deliver both consistent earnings and future growth from our established and emerging brands that are synonymous with helping Australians add value to their greatest asset – the family home,” Mr Madden said.

## Overview of Group Results for Year ended 30 June 2022<sup>1-4</sup>

	2022	2021	Variance	
	\$'000	\$'000	\$'000	%
<b>Results from continuing operations</b>				
Revenue	129,016	111,224	17,792	16%
Contribution margin	66,252	55,162	11,090	20%
EBITDA	32,208	24,292	7,916	33%
EBIT	26,703	19,629	7,074	36%
<b>Group NPAT from continuing operations</b>	<b>17,610</b>	<b>12,995</b>	4,615	36%
<b>NPAT Attributable to JYC Shareholders</b>	<b>9,086</b>	<b>7,574</b>	1,512	20%
<b>Normalised NPAT Attributable to JYC Shareholders</b>	<b>7,461</b>	<b>7,238</b>	223	3%
<b>Normalised EPS (Cents per share)</b>	<b>26.4</b>	<b>25.7</b>	0.7	3%
<b>Dividend</b>				
Final Dividend Per Share (Cents)	10.5	10.0	0.5	5%
Full Year Dividend Per Share	18.0	17.0	1.0	6%

	At Jun 22	At Jun 21	Variance	
	\$'000	\$'000	\$'000	%
<b>Consolidated Group Cash</b>				
Group Net Cash	31,933	19,881	12,052	61%

## Operating performance

Joyce Corporation's business divisions delivered consistent performance, managing the ongoing effects of disrupted supply chains and COVID-19 with their strong brands and highly committed people.

	2022	2021	Variance	
	\$'000	\$'000	\$'000	%
<b>KWB<sup>5</sup></b>				
Revenue	107,957	89,693	18,264	20%
Operating EBIT <sup>6</sup>	19,211	16,320	2,891	18%
Operating EBIT Margin	17.8%	18.2%	-0.4%	
<b>Bedshed</b>				
Revenue	21,059	21,531	(472)	-2%
Operating EBIT <sup>6</sup>	4,769	5,406	(637)	-12%
Operating EBIT Margin	22.6%	25.1%	-2.5%	

## KWB

*KWB Group's trading brands, Kitchen Connection and Wallspan, operate a network of 26 showrooms across Queensland, NSW, and South Australia. KWB Group is a clear leader in the Kitchen & Wardrobe renovation market, delivering an exceptional consumer experience, for our customers.*

KWB has delivered consistent growth in earnings to our Group, and in 2022 the business experienced continued strong demand for its kitchen and wardrobe design, build and installation services.

KWB received record orders and generated record sales of \$108 million in the financial year, 20% up on 2021.

This strong revenue growth helped deliver a record Operating EBIT outcome of \$19.2m, 18% up on 2021. Achieving the EBIT came against a backdrop of supply chain disruption, severe rainfall events that affected showroom availability, and labour shortages. With careful management of costs and pricing, operating margins were maintained with KWB recording an Operating EBIT margin of 17.8%.

New store openings continued but were slowed in response to the ongoing supply chain and labour constraints and to maintain focus on delivering to a high standard from existing showrooms and facilities. Although expansion was slowed, new showrooms in Penrith and Belrose were opened during the year, and the business completed a full refurbishment of the Newcastle showroom. The Casula showroom opened in August 2022. KWB has diverted some resources that were set aside for new store openings in FY23 into refurbishments of existing facilities, which will further enhance their customer conversion and productivity.

KWB's orders continued to grow year on year and through the second half, with an order book in excess of \$60m at the end of the financial year.

While kitchens remain the core business of KWB, the business's wardrobe design and installation capability – currently available in Queensland and South Australia – is also growing and something we will look to strengthen in future years.

Global inflationary pressures, along with the ongoing acute labour shortages and supply chain shortages remain and will continue to be closely monitored to ensure operating margins are protected.

## **Bedshed**

*Bedshed supplies quality bedding and home furnishings across Australia and is one of the industry's most recognisable brands. Bedshed, operates 36 franchise stores alongside four company operated stores in strategic locations across the nation, along with its e-commerce offering that supports our Company-Owned and franchise stores.*

Bedshed's strategic focus is on the growth of the franchise network, with three new stores opened in NSW at Alexandria, Tuggerah and Rutherford. Subsequent to the end of the year, the Bedshed franchise network further expanded to include the Ballarat store in Victoria. The business also maintained its excellent record of stable relationships with franchisees, with all seven expiring franchisee agreements renewed during the year. Bedshed has a strong pipeline of potential franchisees and is confident of entering into further franchisee agreements and store openings in the forthcoming financial year.

During the year we were proud to become the first brand in the Homewares and Furniture category to achieve a five-star rating on the Australian Franchise Rating Scale™, a great recognition of the strength and performance of our franchise network.

Franchise operations generated an increased revenue of \$5.3 million, compared to \$4.8 million in the prior year with a strong EBIT margin of 53.0%.

Bedshed's Company-Owned stores also traded strongly and generated \$15.7 million of revenue. This compares to \$16.7 million in the prior year.

Reported Company-Owned store results in FY21 included \$2m revenue generated by the Helensvale store, which was sold to a franchisee in December 2020. The transaction also generated a one-off \$0.5m profit before tax.

The overall FY22 Company-Owned store EBIT margin was impacted by the Sydney e-store, which was established during FY21 as a low-cost initiative to build brand awareness to support the long-term goal of establishing a franchisee network across Sydney. After successfully introducing the Bedshed Brand to NSW, the e-store has now been closed to allow the franchise network to grow.

After adjusting for the impact of the Helensvale and Sydney e-store, like-for-like Company-Store revenue in FY22 of \$14.4m was comparable to prior year of \$14.6m. FY22 adjusted EBIT was \$2.1m versus \$2.5m in prior year.

Cost inflation has been and is anticipated to remain an issue for the near term at least. Bedshed's combination of strong supplier relationships, an experienced team and brand power positions the business well to continue to perform through the ongoing rising cost environment.

## Corporate and Outlook

Joyce Corporation has ended the year with a stronger balance sheet and an improved cash position, providing the Company with a solid platform to deliver both consistent earnings and future growth.

Mr Madden said that in the past year Joyce Corporation's Board and Executive Team have focused on establishing the future foundations of the Group.

"Our cornerstone businesses, the KWB Group and Bedshed, have established brands that are synonymous with helping Australians add value to their greatest asset – the family home. This sector is where we have built our customer relationships and deep industry knowledge and is a logical place for us to grow in the future.

"Our approach is to grow by pursuing adjacent opportunities with natural synergies and that require a low capital investment and have significant growth upside. It is a model we are following with KWB Group and Bedshed, and one that we are now pursuing with Crave, our home staging business, commencing this quarter as a pilot in the Perth Real Estate market.

"We have carefully evaluated this opportunity and believe Crave taps an emerging but substantial, under-serviced market segment and has significant growth potential. Crave is a natural fit to our portfolio and we anticipate it will be the first step in the development of a new brand with strong growth potential and the longer-term opportunity to expand into close, adjacent and natural opportunities.

"Crave has a modest capital requirement and has been funded by part of the proceeds from the sale of our Osborne Park premises earlier in the financial year, thereby ring-fencing the allocated capital to the opportunity and managing the downside risk. Further allocation of capital from the sale proceeds will be dependent on the success of the pilot program and cashflow from existing operations will not be diverted to the new opportunity." Mr Madden said.

Subsequent to the year end, the Group entered into an agreement for the sale and leaseback for the KWB corporate office and warehouse and factory facility in Lytton, Queensland, which will realise approximately \$16m in cash. KWB entered into a 10-year leaseback arrangement with the purchaser for the lease for the office and warehouse and factory space. A long-term supplier to KWB will continue to lease approximately 60% of the property under a sub-lease with KWB.

During the year, the KWB Group property was revalued resulting in a gain on revaluation of \$6.4m.

"Both property transactions are aligned with the strategic direction of the Company as we continue to apply disciplined capital management and build a solid platform from which to drive our growth ambitions further."

Mr Madden said the strong second half performance of Joyce was encouraging as the business headed into the new financial year.

"KWB Group and Bedshed will maintain their focus on high standards of operational and financial performance, which will help fund the prudent organic expansion of both businesses. We have confidence that we have the business resilience, customer and supplier relationships and financial strength to deliver steady growth in 2023.

"At the same time, we continue to face uncertainty and challenges in an environment where there are inflationary pressures and constraints at many levels in our supply chains. We have been managing these pressures for some time, and we will continue to manage them going forward.

"Importantly, we will continue to put our customers first, which builds our reputation, strengthens our brands, and ultimately delivers financial performance for our shareholders."

## Dividend

Joyce Chair Mr Jeremy Kirkwood 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 are pleased to announce the appointment of Nick Palmer as a Non-Executive Director, commencing 1 September 2022. Nick has extensive retail and marketing experience, which will be highly valuable for the business and help us drive operational performance and strategic, organic growth."

"Nick will replace Tim Hantke, who will retire by the end of the 2023 financial year, following a distinguished career on the Board of Joyce Corporation which began in 2006. On behalf of the Board, I thank Tim for his invaluable contribution and support."

"We are excited about the opportunity to enter into a new, adjacent market in home staging, as our customers continue to invest in their homes and we believe Crave can be an important strategic addition to our high return on capital businesses. At the same time, we remain driven to continue to pursue our high levels of operational performance and are well placed to use our strong revenue flow to maintain healthy dividends to shareholders." Mr Kirkwood said.

"The Board has resolved to pay a fully franked dividend of 10.5 cents per share bringing the total dividend for the 2022 financial year to 18 cents per share. The total dividend of 18 cents represents 68% of normalised profit and is consistent with the Company's policy of paying a full year dividend of between 60-80% of normalised NPAT."

"The Board has also approved the implementation of a share buy-back scheme following the end of the current trading black-out period, reflecting the Board's belief in both the growth potential of the Company the solid financial position and foundations from which we can grow."

The Dividend is to be paid on 30 September 2022 to all shareholders registered as at the record date of 13 September 2022. The Company has an established dividend reinvestment plan (DRP) and shareholders will be able to elect to participate in the DRP for the upcoming dividend.

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*This Announcement should be read in conjunction with the following documents lodged with the ASX on 30 August 2022 under the ASX ticker JYC:*

- *Financial Year 2022 Results - Investor Presentation*
- *Appendix 4E*
- *Annual Report for the financial year ended 30 June 2022*
- *Appendix 2A: Dividend/Distribution*
- *Appendix 3C: Notification of buy-back*

## References

<sup>1</sup> Normalised FY22 NPAT attributable to Joyce Shareholders is after adjusting for \$2.28m profit after tax revaluation of Lytton Investment Property, \$0.32m Crave establishment expenses after tax and \$0.34m write back of deferred tax asset to tax expense on sale of Howe St Property.

Normalised FY21 NPAT attributable to Joyce Shareholders is after adjusting for \$0.34m (after tax) one-off profit on sale of Helensvale Operation.

Adjustments for 'one-off' events	NPAT attributable to JYC shareholders (\$'000)
<b>2022 Financial Year</b>	
Crave establishment expenses	315
Gain on revaluation of KWB Group Investment Property	(2,278)
Joyce Property sale; derecognition of deferred tax asset	338
<b>2022 Total Normalising Adjustments</b>	<b>(1,625)</b>
<b>2022 Reported NPAT Attributable to Joyce Shareholders</b>	<b>9,086</b>
<b>2022 Normalised NPAT Attributable to Joyce Shareholders</b>	<b>7,461</b>
<b>2021 Financial Year</b>	
Profit on sale of Bedshed Helensvale Operation	(336)
<b>2021 Total Normalising Adjustments</b>	<b>(336)</b>
<b>2021 Reported NPAT Attributable to Joyce Shareholders</b>	<b>7,574</b>
<b>2021 Normalised NPAT Attributable to Joyce Shareholders</b>	<b>7,238</b>

<sup>2</sup> All pcg numbers are either "for the twelve-month period ending 30 June 2021" or "as at 30 June 2021" and are as disclosed in the Annual Report for the year ended 30 June 2021 lodged with the ASX on 31 August 2021 (JYC: Annual Report for the year ended 30 June 2021).

<sup>3</sup> All numbers are as disclosed in the Annual Report for the financial year ended 30 June 2022.

<sup>4</sup> Group net consolidated cash position includes the net cash retained by 100% of the KWB business (of which Joyce owns 51%).

<sup>5</sup> Results shown are 100% of KWB. Joyce holds a 51% interest in KWB.

<sup>6</sup> KWB 2022 Operating EBIT excludes gain on revaluation of Lytton St Investment Property. Bedshed 2021 Operating EBIT excludes profit on sale of Helensvale Operation.

<sup>7</sup> Total Value of Dwellings, March Quarter 2022 | Australian Bureau of Statistics (abs.gov.au) <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/total-value-dwellings/mar-quarter-2022>

<sup>8</sup> CoreLogic Australia <https://www.corelogic.com.au/news-research/news/archive/housing-turnover-reaches-the-highest-level-in-nearly-12-years>

ENDS

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

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