ASX:JYC

28 February 2023

Interim dividend of 8 cents per share on Net Profit After Tax to Joyce Shareholders of $3.5 million

1HY23 Release

Joyce Corporation Ltd (ASX: JYC or "Joyce Group", "Group" or "Joyce") is pleased to report its financial result for the first half of FY23.

Highlights

- **Group Revenue of $68.8m*, an increase of 12%** compared to the prior corresponding period ("pcp")
- **Group EBITDA of $14.1m*, up 11%** on the pcp
- **Group NPAT of $6.8m*,** compared to $6.7m in the pcp
- **NPAT attributable to Joyce Shareholders $3.5m*,** compared to $3.7m in the pcp
- **Earnings Per Share of $0.124*,** as compared to $0.132 for the pcp
- **Fully franked interim dividend of 8 cents per share,** compared to 7.5 cents in the pcp (in line with targeted full year payout ratio of 60%-80% of normalised NPAT attributable to Joyce Shareholders)
- **Group Net Cash of $36.1m** at 31 December 2022, compared to $31.9m at 30 June 2022 and $17.2m at 31 December 2021

  ***Results shown are normalised to adjust for significant one-off income and expenditure in the period (See Appendix)**

The Joyce Group has delivered robust operational performance in the first half of trading for the 2023 Financial Year (FY23).

Revenue from both KWB and Bedshed was up for the period, with both businesses delivering comparable margins to the pcp.

Joyce Group CEO Dan Madden said homeowners continued to look to Joyce to help add value to their properties.

"The first half of FY23 has seen a continuation of significant disruption and cost pressure and constraints across both the labour market and wider supply chain.

"Despite these factors, our partners at KWB and within the Bedshed network continued to respond to the challenges of the current environment and delivered both increased revenue and EBIT, whilst also protecting our margins," Mr Madden said.

"Pleasingly, some of the global supply chain constraints are easing and labour availability has started to improve, although successive interest rate rises are beginning to have an effect on household discretionary spending.

“Foot traffic and trading in January has softened from prior year comparatives as we have seen a fall in consumer demand and discretionary spending – albeit after a very strong period of growth. We continue to trade well above pre-COVID levels,” Mr Madden said.

“The Joyce Group is in a good position with capital-light and high margin businesses that provide a solid basis to face any ongoing volatility in consumer demand.”

Mr Madden said both businesses had the potential to expand into new geographical areas where they are under-represented, providing growth opportunities in what may be a tighter consumer market.

“When coupled with our strong balance sheet, the Joyce Group has a solid platform to continue to deliver both consistent earnings and future growth.”

Crave, Joyce’s pilot home staging business, continued its early-stage development, building its brand position and growing volumes following a soft launch in September 2022.

Overview of Group Results

	2022	2021	Variance	
Results from continuing operations	**$’000**	**$’000**	**$’000**	**%**
Revenue	68,800	61,546	7,254	12%
Contribution Margin	32,473	29,057	3,416	12%
Group EBITDA*	*14,072*	*12,731*	*1,341*	*11%*
Group EBIT*	*10,802*	*10,096*	*706*	*7%*
Group NPAT*	*6,752*	*6,729*	*23*	*0%*
NPAT Attributable to JYC Shareholders*	***3,504***	***3,734***	***-230***	***-6%***
Normalised EPS (Cents per share)*	***12.4***	***13.2***	***-0.8***	***-7%***
Dividend Per Share	8.0	7.5	0.5	7%
	At Dec 22	**At Jun 22**	**Variance**	
	$’000	**$’000**	**$’000**	**%**
Consolidated Group Net Cash	36,055	31,933	4,122	13%

*Results shown are normalised to adjust for significant one-off income and expenditure in the period (See Appendix)

Joyce Group’s revenue of $68.8 million was up 12 per cent on the pcp, delivering normalised EBITDA of $14.1 million as compared to $12.7million in the pcp.

Whilst there were modest increases in overhead costs, reflecting business activities returning to pre-COVID levels, the Group’s EBITDA margin was maintained at a similar level to the pcp (after adjusting for Crave start-up operating expenditure).

Normalised EBIT was $10.8 million compared to $10.1 million in pcp.

Normalised NPAT attributable to Joyce Shareholders was $3.5 million, compared to $3.7 million in 1HY22. The differential reflects a modest increase in overall operating costs (which have remained steady at 27% of group revenue in both the current half year and pcp) and a $0.6 million increase in non-cash share-based payment expenditure.

Group Cashflow

Joyce Group ended the 2022 calendar year with a stronger balance sheet and an improved net cash position of $36.1 million at 31 December 2022, an increase of $4.1 million from 1 July 2022.

Operating Performance

	2022	2021	Variance	
	$'000	$'000	$'000	%
KWB				
Revenue	57,457	51,121	6,336	12%
Earnings Before Interest and Tax (EBIT)*	10,198	9,104	1,094	12%
EBIT Margin	17.7%	17.8%		
Bedshed				
Revenue	11,343	10,425	918	9%
Earnings Before Interest and Tax (EBIT)	2,846	2,475	371	15%
EBIT Margin	25.1%	23.7%		

***KWB EBIT is normalised to adjust for significant one-off income and expenditure in the period (See Appendix)**

KWB Group (Kitchen Connection and Wallspan)

KWB Group's trading brands, Kitchen Connection and Wallspan, operate a network of 26 showrooms across Queensland, New South Wales and South Australia. KWB Group is a clear leader in the Kitchen & Wardrobe renovation market, delivering an exceptional consumer experience for our customers (evidenced by Kitchen Connection's 2,000 independent Five Star reviews[1]).

During the half, KWB concentrated on maximising revenue through existing assets and ensuring the appropriate people and supply chains were in place to deliver a high-quality customer experience, to maintain its strong brand and reputation.

The Casula showroom opened in Sydney in August 2022 and, as previously announced, other new store openings have been put on hold for FY23. Funds have been allocated to refurbishments of existing facilities to further enhance their customer conversion and productivity. A refit of the Aspley showroom in Brisbane completed late in CY22 has already generated an increase in orders and revenues in January 2023 as compared to the pcp.

KWB received $54 million in orders and generated $57.5 million of revenue during the half, a 12% increase in revenue compared to the pcp of $51.1 million.

[1] https://www.productreview.com.au/listings/kitchen-connection

EBIT of $10.2 million was up 12% on the pcp as margin held steady at 17.7% (17.8% in pcp).

Wardrobe design and installation capacity (currently available in Queensland and South Australia) lifted during the half generating $4.3 million of revenue. This area is expected to experience continued growth in the second half of FY23.

In January 2023, a review of projects and orders that were put on hold during COVID was completed, resulting in a more robust order book of ~$50 million as dated orders were either repriced or removed from the order book. There were strong orders generated in January 2023 and revenue surpassed prior year.

Recently, supply chain constraints have started to ease and labour availability is improving, positioning the business to continue growth into the second half of the current financial year.

Bedshed

Bedshed supplies quality bedding and bedroom furnishings across Australia and is one of the industry's most recognisable brands. Bedshed operates 37 franchise stores alongside 4 company operated stores in strategic locations across the nation, along with its e-commerce offering that supports the company and franchise stores.

The combined Bedshed Franchising and company store operations delivered $11.3 million of revenue during the half year, a 9% increase on the pcp.

EBIT increased by 15% from the pcp to $2.8 million and EBIT margin increased from 23.7% to 25.1%.

Bedshed's strategic focus remains on growing the franchisee network, with new franchisee stores in Ballarat (Regional Vic) and Castle Hill (Sydney, NSW) increasing the total franchisee network to 37 stores by the end of the half-year. There were no franchisee agreements due for renewal during the half year (compared to 6 in pcp).

The easing of COVID restrictions, particularly in Victoria, drove an 18% increase in Bedshed's franchisee revenue compared to $2.5 million in the pcp.

A return to pre-COVID levels of activity saw a 25% increase in costs for supporting the franchisee network, compared to the pcp. This was driven mainly by travel expenses, as time was invested in re-connecting with suppliers and valuable time spent in-store with franchisees. This saw EBIT down 7% to $1.4 million at an EBIT margin of 47%. Travel expenditure is anticipated to normalise in the second half of FY23.

Company store revenue was up 6% to $8.4 million while EBIT increased to $1.5 million, up from $1 million in the pcp.

Crave

Crave Home Staging is Joyce Group's newest business and is strategically aligned with Joyce's portfolio of home-focused services and retailing. Crave integrates Joyce Group's understanding of homeowner's tastes with its ability to access stylish home furnishings to support property sellers and real estate agents by transforming houses for sale into homes to love. Crave has been established as a pilot project in Perth and was soft launched in September 2022.

During the first quarter of the financial year, the Joyce Group invested in the systems and people needed to establish the Crave business and commence the marketing program to support its launch.

There has been an encouraging response from the market since its "soft-launch" in September 2022 with a consistent increase in market penetration and revenue, which has continued into the second half of FY23.

As previously stated, Joyce Group allocated a proportion of the $5.5 million proceeds from the sale of its corporate office in Perth to the establishment and launch of the Crave pilot. Approximately $2.2 million has been allocated in capital and operating start-up costs prior to the soft launch in September 2022.

Whilst much of the costs incurred to date also leverage Crave for future growth (which is anticipated to be quickly scalable), Joyce is taking a disciplined approach to the allocation of additional capital for interstate expansion.

Joyce looks forward to reporting on Crave's performance at the full year and will provide more detail on trading and growth plans at that time.

Corporate

Early in the first half of FY23, KWB entered into an agreement for the sale and leaseback of the KWB corporate office, warehouse and factory facility in Lytton, Queensland, realising approximately $16 million in cash on a consolidated basis.

As a result of the transaction, there have been accounting tax adjustments on the derecognition of the office and warehouse that have impacted Reported Net Profit after Tax (the impact of which has been adjusted in Normalised NPAT). In addition, there has been an increase in cash-backed guarantees within the KWB Group. Franking credits associated with the transaction will not be fully realised until the finalisation of the associated income tax return.

Following the sale of the Perth corporate office in FY22, the Joyce Group recently completed the transition to a new head office in Perth.

During the period, Joyce Corporation welcomed the appointment of Non-Executive Director Nick Palmer, an experienced chief executive officer, director and strategic advisor with extensive retail and consumer experience at Senior Executive level.

Outlook

Mr Madden said operating conditions are expected to continue to normalise in the second half as supply chain disruptions and labour and supply chain constraints eased, although it was also evident that successive interest rate rises are beginning to impact demand.

"Customer conversion rates with KWB remain strong. When combined with a robust order book of over $50 million in kitchen and wardrobes to be delivered in the coming months, KWB is well positioned to deliver strong revenue and operating margins into the second half of the financial year.

"The growth potential of the Bedshed Franchise network, coupled with relatively low operating costs and high operating margins positions us well to continue strong performance in what may be tougher trading conditions.

"Interest rate rises to control inflation are designed to have an impact on consumer demand and we are seeing some early signs of reduced foot traffic in some areas. We anticipate a period of continuing uncertainty and volatility in the coming months and will maintain a close watching brief on macro-economic conditions.

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"With capital-light and cash flow positive businesses and a strong balance sheet, the Joyce Group has a solid platform to remain resilient through tougher market conditions and to continue to deliver both consistent earnings and future growth.

"Most importantly, we have a strong and loyal team, great brands, an attractive offer to Australian consumers and a healthy balance sheet to take us forward into 2023."

Dividend

Joyce Corporation Chairman Jeremy Kirkwood said Joyce continued to be well placed to maintain healthy dividends to shareholders while investing to grow revenue.

"The Joyce Group is in a strong position, with established brands that have strong customer relationships and large addressable markets and growth potential," Mr Kirkwood said.

"The Board has resolved to distribute a fully franked interim dividend of 8 cents per share which represents 65 per cent of Normalised NPAT Attributable to Joyce Shareholders and a prudent increase on last year's interim 7.5 cents dividend.

"We maintain our stated intention of aiming for full year dividend payments to be between 60 to 80 per cent of Normalised NPAT and to maintain or grow the dividend payment."

The Dividend is to be paid on 31 March 2023 to all shareholders registered as at the record date of 14 March 2023. Joyce Corporation has an established dividend reinvestment plan (DRP) and shareholders will be able to elect to participate in the DRP for the upcoming dividend.

ENDS

For further information, please contact:

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

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Appendix

This Announcement should be read in conjunction with the following documents lodged with the ASX on 28 February 2023 under the ASX ticker JYC:

- Half Year 2023 Results - Investor Presentation
- Half-Year Financial Report - 31 December 2022, including accompanying Appendix 4D
- Appendix 2A: Dividend/Distribution

Note 1: Summary of Normalising Adjustments

Adjustments for 'one-off' income and expenditure $'000		**EBITDA**	**EBIT**	**PBT**	**Tax**	**NPAT**	**NPAT attibutable to JYC s/holders**
HY23	**Results per financial statements**	**13,022**	**9,649**	**9,452**	**(1,638)**	**7,814**	**3,538**
	Crave business	756	859	859	177	1,036	1,036
	Sale of KWB Property	294	294	294	(2,392)	(2,098)	(1,070)
	Normalised results	**14,072**	**10,802**	**10,605**	**(3,853)**	**6,752**	**3,504**
HY22	**Results per financial statements**	**12,731**	**10,096**	**9,857**	**(3,128)**	**6,729**	**3,734**
	Normalised results	12,731	10,096	9,857	(3,128)	6,729	3,734