ASX:JYC

31st August 2023

Final dividend of 17.5 cents per share on normalised Net Profit After Tax to Joyce Shareholders of $9.1 million

Joyce Corporation Ltd (ASX: JYC or "Joyce Group", "Group" or "Joyce") is pleased to report its result for the 2023 Financial Year.

Highlights

- **Group Revenue of $144.7 million, an increase of 12%** compared to the prior corresponding period ("pcp")
- **Group EBITDA of $32.6 million*,** up 24% on the pcp
- **Group NPAT of $17.7 million*,** up 28% on the pcp
- **NPAT attributable to Joyce Shareholders $9.1 million*,** compared to $7.5* million in the pcp
- **Earnings Per Share of $0.32*,** as compared to $0.26* for the pcp
- **Fully franked final dividend of 17.5 cents per share,** compared to 10.5 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 $46.1 million** at 30 June 2023, compared to $31.9 million at 30 June 2022

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

The Joyce Group has delivered improved operational and financial performance for the 2023 Financial Year (FY23).

Joyce CEO Dan Madden said the Group's core businesses, KWB and Bedshed, maintained their position in the market as reliable, quality suppliers of kitchens, wardrobes and bedroom mattresses and furniture for homeowners, which translated into improved year-on-year financial performance.

"Successive interest rate rises are starting to impact household discretionary spending, but despite this, the Group's overall performance throughout the year has been very satisfying," Mr Madden said.

"Both KWB and Bedshed delivered increased revenue. KWB, in particular, achieved a milestone by recording its highest-ever revenue and profit.

"While the second half experienced a softening in foot traffic and trading due to a decline in consumer demand, it followed a robust period of growth over the past two years, where we positioned our businesses to be ready and available to meet customer demand."

Both businesses also delivered improved margins compared to the pcp whilst operating in an inflationary environment with sustained cost pressures.

Joyce Group recorded a net profit to Joyce shareholders of $7.9 million compared to $9.1 million in the 2022 Financial Year (FY22). After adjusting for the launch and ramp-up of Crave in FY23 and FY22 and one-off gains on property revaluations realised in FY22, normalised NPAT attributable to Joyce Shareholders was $9.1 million compared to $7.5 million in FY23.

Joyce ended the 2023 Financial Year with a stronger balance sheet and an improved Group cash position of $46.1 million.

The Group will pay a final dividend of 17.5 cents per share, resulting in a record full year dividend of 25.5 cents per share.

"Pleasingly we continue to trade above pre-COVID levels. The Joyce Group is in a good position with capital-light and high-margin businesses that provide a solid footing for us to compete strongly in what is emerging as a weakening market. Our challenge is to continue to manage the risks that have emerged in the wake of COVID-19, including cost inflation, labour shortages, and softening demand as interest rate rises flow into consumer spending" Mr Madden said.

"Joyce remains dedicated to providing top-quality products and services to its valued customers and 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.

"Both KWB and Bedshed have the potential to expand into new geographical areas where they are under-represented. While we will continue to pursue network growth, we will only do so where we are certain that we have the people in place to support a high-quality customer experience."

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. Mr Madden said that although Crave was developing steadily and Joyce continued to believe it had the potential to tap an emerging but substantial market segment, any additional capital allocation for interstate expansion, would be dependent on the success of the pilot program.

Overview of Group Results for Year ended 30 June 2023

	2023	2022	Variance	
Results from operations	**$'000**	**$'000**	**$'000**	**%**
Revenue	144,701	129,016	15,685	12%
Contribution Margin	68,700	66,252	2,448	4%
Reported Group EBITDA	31,141	32,208	-1,067	-3%
Group EBITDA*	32,600	26,279	6,321	24%
Reported Group EBIT	24,172	26,703	-2,531	-9%
Group EBIT*	25,945	20,774	5,171	25%
Reported Group NPAT	16,377	17,610	-1,233	-7%
Group NPAT*	17,673	13,798	3,875	28%
Reported NPAT Attributable to JYC Shareholders	7,934	9,086	-1,152	-13%
NPAT Attributable to JYC Shareholders*	**9,129**	**7,461**	**1,668**	**22%**
Normalised EPS (Cents per share)*	**32.14**	**26.44**	**5.71**	**22%**
Final Dividend Per Share	17.5	10.5	7.0	67%
Full Year Dividend Per Share	25.5	18.0	7.5	42%

	At Jun '23	At Jun '22	Variance	
	$'000	**$'000**	**$'000**	**%**
Consolidated Group Net Cash	46,079	31,933	14,146	44%

Joyce Group's revenue of $144.7 million was up 12 per cent on the pcp, delivering normalised EBITDA of $32.6 million compared to $26.3 million in the pcp.

Although there were modest increases in overhead costs, reflecting business activities returning to pre-COVID levels, overall normalised operating costs as a percentage of revenue remained steady at 25% of group revenue.

The Group's EBITDA margin increased to 22.5%, compared to 20.4% in the pcp (after adjusting for Crave start-up income and operating expenditure). Normalised EBIT was $25.9 million compared to $20.8 million in pcp and normalised NPAT attributable to Joyce Shareholders was $9.1 million, compared to $7.5 million in pcp.

Joyce Group ended the financial year with a stronger balance sheet and an improved net cash position of $46.1 million as of 30 June 2023, an increase of $14.1 million from 1 July 2022.

Operating performance

Joyce Corporation's business divisions delivered improved performance, a direct reflection of their strong brands and highly committed people.

	2023	2022	Variance	
	$'000	$'000	$'000	%
KWB				
Revenue	123,387	107,957	15,430	14.3%
Earnings Before Interest and Tax (EBIT)*	25,320	19,211	6,109	31.8%
EBIT Margin*	20.5%	17.8%		
Bedshed				
Revenue	21,314	21,059	255	1.2%
Earnings Before Interest and Tax (EBIT)	4,998	4,769	229	4.8%
EBIT Margin	23.4%	22.6%		

KWB

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 and Wallspan's 3,000 independent Five Star reviews[1]).

In FY23, KWB experienced continued strong demand for its kitchen and wardrobe design, build and installation services. KWB maintained its track record of delivering consistent growth in earnings by installing more than 4,300 kitchens and 2,600 wardrobes, which delivered improved revenue and record earnings of $25.3 million*.

KWB's strategy to manage higher costs and labour constraints was to concentrate on maximising revenue through existing assets and ensure the appropriate people and supply chains were in place to deliver a high-quality customer experience. This approach helped KWB maintain its highly valuable brand and reputation for quality service. As previously announced, new store openings were put on hold for FY23, and funds and resources were instead allocated to refurbishment of existing facilities to improve their customer conversion and productivity.

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

KWB recorded $110.7 million in new orders in its order book during FY23. A review of projects that were put on hold during COVID was completed during the second half of the year, which led to a decision to remove approximately $13 million of dated and unlikely-to-be-completed orders. After taking into account the one-off nature of this adjustment, the orders generated in FY23 stand at approximately $124 million and are comparable to prior year of $124 million.

Traffic levels in the second half of the financial year decreased across all states when compared to the same period in the prior financial year, and lead times have now reduced from abnormally high rates from earlier in FY23 and FY22. As at 30 June 2023 the Order Book stands at $45 million or orders to be delivered.

Wardrobe orders grew 13% on pcp as wardrobe design and installation capacity (currently available in Queensland and South Australia) increased, generating $8.9 million of revenue.

KWB generated record revenue of $123.4 million during the year, a 14% increase in revenue compared to the pcp of $108.0 million.

Cost increases during the year were mostly able to be recovered through pricing and KWB achieved strong gross margins during a period where the business was operating at or near capacity. This strong gross margin and revenue growth combined with careful management of costs helped deliver a record operating EBIT outcome of $25.3 million*, 32% up on 2022 and a record EBIT margin of 20.5%*.

KWB continued to address productivity efficiencies within the business throughout the year and as a result rework and warranty costs were down on last year, running below 1.5% of net sales.

Cash on hand at 30 June 2023 was $30.4 million, including customer deposits of $12.2 million.

KWB plans to increase marketing initiatives in FY24 to counteract the current and anticipated macroeconomic trading conditions. Gross margins are also expected to normalise as lead times reduce to pre-COVID levels.

Securing the right skilled labour is becoming easier, but remains a significant challenge, particularly in Sydney. To manage the risks associated with this, and to maintain a high standard of customer service, new store openings within Sydney will remain on hold. This will be constantly reviewed.

KWB will continue to pursue opportunistic growth at 'A-grade' locations in South Australia and Queensland to replace the Keswick showroom in South Australia, which will cease trading at the end of the showroom lease in September 2023 and the Windsor showroom which closed during FY22.

There were a number of recent renovations and refurbishments across the network during the financial year, all of which have improved customer conversion and productivity. A program of renovations and refurbishments of existing facilities will continue into FY24.

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 franchisees, company-owned stores and head office marketing and products management teams delivered a strong underlying EBIT of $5.0 million in a year of challenging operating conditions. The combined Bedshed Franchising and Company-owned store operations delivered $21.3 million of revenue during the financial year, comparable to the pcp of $21.1 million.

Bedshed has performed well through a rising cost environment with combined expenditure at 40.2% of revenue compared to 41.0% in pcp. Combined EBIT increased by 4.8% from the pcp to $5.0 million and EBIT margin increased from 22.6% to 23.4%.

Franchise operations generated revenue of $5.6 million, compared to $5.3 million in the prior year. Expenses increased from $4.0 million to $4.5 million as a return to pre-COVID levels of activity resulted in increased costs for the franchisee network, driven primarily by travel expenses, as time was devoted to strengthening valuable connections in-store with franchisees and re-connecting with suppliers.

As a result of the return to normal activity and expenditure, the Franchise operation's EBIT was down from $2.8 million to $2.7 million, with a strong EBIT margin of 47.3%. Whilst EBIT margin was down on FY22 and FY21, it was considerably higher than pre-COVID levels.

There were no franchisee agreements that fell due for renewal during the year (compared to 6 in pcp).

Bedshed's company-owned stores also traded strongly and generated $15.7 million of revenue, comparable to $15.7 million in the prior year.

Company-owned store EBIT increased to $2.3 million, up from $1.9 million in the pcp.

Bedshed's strategic focus remains on growing the franchisee network, with new franchisee stores in Ballarat (Regional Vic) and Castle Hill (Sydney NSW) opened in FY23, increasing the total franchisee network to 37 stores. Network growth will continue to be pursued, although with somewhat tempered expectations under the current economic climate.

Since the beginning of the 2024 Financial Year, a further two franchisee locations have been secured with Jindalee in metro Queensland opening in the first quarter of FY24 and Toowoomba in regional Queensland planned to open late in the second quarter.

After several months of research and planning, Bedshed introduced an online mattress brand with a soft launch of Drift (DriftSleep.com.au) in June 2023. Drift specifically targets Gen Z and Millennial market segments and offers the convenience of a simple e-commerce purchase journey. Importantly, it also introduces this customer segment to Bedshed, which will help build the brand over the longer term.

Crave

Crave Home Staging 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.

There has been an encouraging response from the market since its soft launch in September 2022 with an increase in market penetration, revenue, and exceptional customer feedback. However, since the beginning of the 2023 calendar year the housing market has contracted with CoreLogic data[2] showing a 25% decrease in new listing activity in WA, slowing the ramp-up of the business compared to initial expectations.

During the financial year the Crave pilot generated $0.5 million of income. Operating expenditure in the first half of the year was $0.9 million including start-up costs expensed to the launch date. Income and operating expenditure in the second half of the financial year has been $0.4 million and $0.7 million respectively.
Crave is now generating recurring business with an established network of real estate agents. The near-term

[2] CoreLogic® Monthly Housing Chart Pack

focus is to continue to build this network and increase market penetration rates to reach Crave's current operating capacity within its Western Australian footprint.

Crave was funded by part of the proceeds from the sale of the Joyce corporate premises in FY22. Approximately $2.2 million has been allocated in capital and operating start-up costs prior to the soft launch in September 2022. Much of these costs also leverage Crave for future growth.

Joyce is taking a disciplined approach to further allocation of capital to Crave. Any additional capital for interstate expansion, will be dependent on the success of the pilot program and cashflow from existing operations will not be diverted to the new opportunity.

Joyce anticipates providing more detail on trading and growth plans late in CY23.

Corporate and Outlook

The Joyce Group has again ended the year with a stronger balance sheet and improved cash position of $46.1 million, providing the Company with a solid basis to face any ongoing volatility in consumer demand.

During the financial year, the sale of the KWB corporate office, warehouse and factory facility in Lytton, Queensland was finalised, with KWB commencing its leaseback arrangement. The move to the Company's new head office in Osborne Park, WA, was also completed during the financial year. In June 2023, the Company executed a lease assignment agreement relating to its existing leaseback transaction on its corporate property that was sold during FY22.

Successive interest rate rises have impacted consumer spending, particularly on discretionary items and a period of subdued demand, with ongoing cost pressures, is anticipated over the coming months.

"We continue to face uncertainty and challenges in an environment where there are inflationary pressures and a fall in discretionary spending, which will put pressure on our revenue and margins," Mr Madden said.

"Although we continue to trade above pre-COVID levels, trading so far in FY24 has seen a softening in orders and business written sales compared to prior year. July 2023 orders in KWB were marginally down on July 2022. Business written sales across the Bedshed Network were down 11% compared to a strong July 2022.

We have been successfully operating under volatile and challenging market conditions for some time now, and we will continue to be both disciplined in what we do and flexible in our approach to managing our businesses. KWB and Bedshed will maintain their focus on high standards of operational and financial performance and customer satisfaction.

Both businesses have solid foundations to remain resilient through tougher market conditions with strong cashflow, low working capital requirements, relatively low operating costs and high operating margins.

Looking forward, the Joyce Group businesses are well placed for growth when the time is right, with large addressable markets and opportunity for footprint expansion.

Deferred store openings and further expansion into Sydney remain in our forward plans at KWB and the potential for a weak consumer market may provide opportunities to secure attractive sites. We will also look to continue to expand the wardrobe offering.

Bedshed remains focused on national growth as we continue to develop a strong pipeline of franchisees and further enhance our e-commerce offering to support our bricks and mortar stores.

The Australian home staging market has more than doubled in the last ten years and we continue to believe that Crave has the potential to tap an emerging but sizeable market segment.

We have confidence that we have the business resilience, customer and supplier relationships and financial strength to generate solid returns in 2024. We have a strong and loyal team, great brands, an attractive offer to Australian consumers and will continue to put our customers first, which builds our reputation, strengthens our brands, and ultimately delivers financial performance for our shareholders," Mr Madden said.

Dividend

Joyce Chair Mr Jeremy Kirkwood said that following a period of strong growth in its core businesses, the Group is well positioned for the future.

"We remain focused on Joyce Group helping customers add value to their homes and are resolute in the pursuit of high levels of operational performance.

"We believe this focus, when combined with capital-light and cash flow positive businesses, and a strong balance sheet, has us well placed to use our strong revenue flow to maintain healthy dividends to shareholders and deliver future growth when macro-economic conditions improve," Mr Kirkwood said.

"The Board has resolved to pay a fully franked final dividend of 17.5 cents per share bringing the total dividend for the 2023 financial year to 25.5 cents per share. The total dividend of 25.5 cents represents 79% of normalised profit attributable to Joyce shareholders. This is at the upper end of the Company's policy of paying a full year dividend of between 60-80% of normalised NPAT attributable to Joyce shareholders and compares with 18.0 cents for FY2022."

The dividend is to be paid on 28 September 2023 to all shareholders registered as at the record date of 14 September 2023. 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. With the Company's strong cash position, the Board will continue to consider possible capital management initiatives depending on trading conditions, strategic opportunities and share price.

"On behalf of the Board I'd like to thank all of our people, including our leadership team, our staff, our franchisees and our business partners, for their contribution to what has been an exceptional year for Joyce Group," Mr Kirkwood said.

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 31 August 2023 under the ASX ticker JYC:

- *FY23 Results - Investor Presentation*
- *FY23 - Appendix 4E*
- *FY23 - Annual Report*
- *Appendix 2A: Dividend/Distribution*
- *Appendix 3C: Notification of buy-back*

Note 1: Summary of Normalising Adjustments

Adjustments for significant one-off income and expenditure in the period:

($'000)	EBITDA	EBIT	PBT	Tax	NPAT	NPAT attibutable to JYC s/holders
FY23 Results per financial statements	**31,141**	**24,172**	**24,002**	**(7,625)**	**16,377**	**7,934**
Crave business	1,165	1,479	1,479	(389)	1,090	1,090
Sale of KWB property	294	294	294	(88)	206	105
FY23 Normalised results	**32,600**	**25,945**	**25,775**	**(8,102)**	**17,673**	**9,129**
FY22 Results per financial statements	**32,208**	**26,703**	**26,250**	**(8,640)**	**17,610**	**9,086**
Crave business	448	448	448	(134)	314	314
Gain on revaluation of KWB property	(6,377)	(6,377)	(6,377)	1,913	(4,464)	(2,277)
Tax on Howe St				338	338	338
FY22 Normalised results	**26,279**	**20,774**	**20,321**	**(6,523)**	**13,798**	**7,461**

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