

24th November 2023

## Chair's Address

I'm delighted to report that Joyce Group has again enjoyed a successful year, building our business through our great brands that are synonymous with helping Australians add value to their most important asset - the family home. By leveraging our trusted customer and supplier relationships, industry knowledge and unwavering commitment to delivering high quality products and services to our customers, we once again delivered growth, culminating in a record dividend to our shareholders.

We have achieved this in the face of a difficult economic environment, driven in no small part by 13 consecutive interest rate rises in Australia since May 2022, which has seriously impacted consumer spending patterns. Despite this, home values have continued to increase in response to other economic constraints, supporting people investing in their homes.

Fundamentally though, we believe our strong result, which exceeded our expectations at the start of the year, has been driven by the performance and commitment of our people and our strategy, which underpins our business. Joyce Group's pillars, KWB Group and Bedshed, both delivered revenue growth, with KWB achieving its highest ever annual revenue and profit.

Strong demand for our products and services was reflected in record revenue of \$144.7 million across the Group's brands.

NPAT attributable to Joyce shareholders was \$7.9 million which, after normalising improves to \$9.1 million.

This performance allowed us to pay a fully franked final dividend of 17.5 cents per share, with a total dividend of 25.5 cents for the year. This aligns with our commitment to return 60-80% of normalised NPAT to our valued shareholders.

Our sound financial foundation is further reflected in our cash reserves, with a Group net cash position of \$46.1 million at financial year end. Remaining debt-free gives us financial strength at what is still an uncertain time and flexibility to pursue appropriate strategic opportunities.

Our partnership with KWB has consistently yielded shared success and remains one of Joyce Group's cornerstone assets. Again showcasing its resilience and adaptability, KWB's straightforward, robust, and repeatable business model, delivered an impressive year, reporting \$110.7 million in new orders. The business responded to strong demand, installing more than 4,300 kitchens and 2,600 wardrobes, resulting in record revenue of \$123.4 million and record EBIT of \$25.3 million. KWB is a consistent, high performing business based on an unwavering commitment to quality and customer satisfaction. It's strong order book at year-end of \$45m positioned the business well coming into the softer market conditions expected in 2024.

While KWB thrived on strong demand, it faced labour challenges, especially in NSW, which required strategic decisions to protect the brand's reputation. Instead of showroom expansion, which in a time of skills shortages may have compromised our customer service, the focus shifted to investing in showroom refurbishments, all of which delivered increased productivity, maintaining customer engagement and resulting in strong profitability.

Maintaining outstanding customer experience remains the top priority, with KWB's growth options retained in our strategy and actioned with risks that can be appropriately managed. The labour challenge means the temporary pause in new store openings in NSW will continue and near-term focus will be on

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the refurbishment program. We are working on addressing this challenge and are seeing some encouraging signs through overseas recruitment. Once the current labour constraints ease, our eyes are set on seizing market opportunities, especially in Sydney.

I want to extend our appreciation to the entire KWB team whose dedication and efforts have been instrumental in the successes we have witnessed this year.

Bedshed also demonstrated commendable resilience and adaptability throughout the year.

Combining efforts from franchisees, company-owned stores and the dedicated marketing and product management teams at the head office, Bedshed's total operations achieved a robust underlying EBIT of \$5.0 million from revenue of \$21.3 million, mirroring the prior year's figure of \$21.1 million.

Bedshed's franchise operations reported a modest growth in revenue of \$5.6 million. EBIT of \$2.7 million was slightly declined from FY22 and FY21, but higher than pre-COVID benchmarks.

Company-owned stores maintained steady performance, matching the prior year's revenue of \$15.7 million and generating an increased EBIT of \$2.3 million, up from \$1.9 million in the prior year.

As we venture into the 2024 financial year, the positive momentum continues with a new franchise having been established in Jindalee, Queensland and another planned in Toowoomba, Queensland, for later in the year, bringing our total network to 43 stores. Bedshed's ongoing strategic focus emphasises expanding its network. While we are enthusiastic about this growth, we remain prudent in our outlook considering the prevailing economic conditions.

Bedshed made significant strides in the digital landscape by launching an online mattress brand named Drift in June 2023. This initiative, driven by in-depth market research, aims to engage the Gen Z and Millennial market segments through a seamless e-commerce experience. Drift also acquaints them with the Bedshed brand, creating the opportunity for us to build long term, loyal customers and increase lifetime customer value.

Bedshed remains committed to providing its customers quality products and innovative offerings. Our achievements this year exemplify Bedshed's determination and adaptability. I extend my heartfelt appreciation to every member of the Bedshed team for their relentless efforts.

Crave, our home staging venture, builds upon several of our core strengths, including brand development, marketing acumen, insights into family homes and solid supplier relationships.

Since its soft launch in Perth in September 2022, Crave has garnered positive feedback. However, a contraction in the home sales market (and therefore home staging) in early 2023 has impacted its acceleration. Despite these challenges, we've observed encouraging market responses, marked by increased penetration, revenue and stellar customer feedback.

Crave is building repeat business, particularly within its established network of real estate agents in Western Australia. Our immediate goal is to fortify this network and increase market penetration.

We wish to emphasize our cautious approach to further investment in Crave and we remain committed to ensuring that any allocation of resources from our existing operations remains targeted and meaningful. We will continue to carefully evaluate the growth trajectory of Crave, with any major expansion decisions being informed by the outcomes of our Perth initiative.

I will now provide an update on our recent trading performance.

Joyce Group has maintained its strong position thanks to our capital-light and high-margin businesses. This provides us with a robust foundation in an evolving, challenging market that is currently facing cost inflation, labour shortages and risks to consumer demand.

Q1 FY24 written sales orders were in line with the Group's expectations in the context of underlying economic conditions of previous years. While written sales trend above pre-COVID levels, the Group continues to see variability in category performance. Declining in-store traffic has been offset to a degree by improved conversion rates.

This has resulted in a moderation in demand and orders in the year to date. KWB's orders to the end of Oct 2023 sit 7% below 2023 comparatives. Bedshed Business Written Sales to the end of Oct 2023 are 6% below 2023 comparatives.

KWB is tracking ahead of last year in terms of revenue and EBIT as it has delivered into the July 2023 order book and reduced lead times, positioning it well to deliver strong revenue and profitability in the first half of this financial year.

KWB's order book at the end of October 2023 was valued at approximately \$37M and we anticipate gross margins and lead times to revert to pre-COVID levels and revenue to track closer to orders into the second half of the financial year.

The Bedshed network continues to demonstrate resilience with promising prospects and new store openings.

From a macroeconomic perspective, we are in challenging times and we foresee the Group's existing issues persisting later into the 2024 financial year. Notwithstanding this, the Group's YTD performance is ahead of the same time last year, giving us comfort as to how we are tracking for this half year.

Interest rate rises have not yet had the intended effect on inflation, but most economists expect they will eventually impact consumer spending. We have no crystal ball on this. What we do have is a robust business model, strong brands, loyal customers and a very strong balance sheet. This positions us well for growth in a stabilising to strengthening scenario but gives us strength and flexibility in a weakening scenario.

I anticipate sharing more insights in our next trading update in February.

The Joyce Group has concluded the year with a reinforced balance sheet and an enhanced cash position. As we progress through the 2024 financial year, we are primed to grow our core businesses which are backed by leading brands, dedicated teams and a significant untapped addressable market across Australia.

Our focus remains on enhancing the value of customers' homes and achieving peak operational performance. Both KWB and Bedshed have expansion plans, with KWB targeting Sydney and broader wardrobe offerings and Bedshed intensifying its presence in NSW and other key locations across Australia. Additionally, we continue to bolster our e-commerce platforms to complement our physical stores.

I'd like to express heartfelt gratitude to the entire team at Joyce, our business partners, franchisees and suppliers for their tireless efforts. Your unwavering dedication has been pivotal to our success. A special mention to Dan Madden and the Joyce Executive Team and to John Bourke and the KWB team for their ability to think and act strategically and deliver operational excellence in challenging times.

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I would also like to thank my fellow Board Members for their valuable insights, guidance and support throughout the year.

Finally, thank you, shareholders, for your enduring trust and support in Joyce Group. Our commitment remains steadfast: delivering unmatched value, an unwavering promise of quality and growth and nurturing the brands that resonate with the essence of Australian homes. We are not only eyeing sustainable growth but also ensuring a consistent and rewarding shareholder experience.

We will now undertake the meeting's formal proceedings.

## **ENDS**

For further information, please contact:

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