JoyceGroup

ASX:JYC

30th August 2024

Final dividend of 17.5 cents per share on normalised Net Profit After Tax to Joyce Shareholders of $8.4 million

Joyce Corporation Ltd (ASX: JYC or “Joyce Group”, “Group” or “Joyce”) is pleased to report its financial result for the 2024 financial year.

Highlights

- **Group Revenue of $145.5 million,** which was steady compared to the previous corresponding period (“pcp”)
- **Group EBITDA of $32.0 million***, compared to $32.6 million* EBITDA in the pcp
- **Group NPAT of $17.1 million*,** compared to $17.7 million* in the pcp
- **NPAT attributable to Joyce Shareholders $8.4 million*,** compared to $9.1 million* in the pcp
- **Earnings Per Share* of $0.30,** as compared to $0.32 for the pcp
- **Fully franked final dividend of 17.5 cents per share,** compared to 17.5 cents in the pcp
- **Full Year fully franked dividend per share of 28.5 cents per share**, compared to 25.5 cents in the pcp
- **Group Net Cash of $39.1 million** at 30 June 2024, compared to $46.1 million at 30 June 2023

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

Joyce Group has delivered steady revenue and earnings and maintained a healthy dividend for shareholders, despite more difficult trading conditions in FY24, as high interest rates, inflation and other cost of living pressures impacted consumer spending.

Joyce Group’s revenue of $145.5 million compared to $145.2 million in FY23. Normalised Group EBIT of $24.5 million was slightly below the FY23 figure of $25.9 million and EBIT Margin was 16.8% compared to 17.9% in the prior year.

Both KWB Group and the Bedshed franchising operations performed well over 2024 with KWB delivering comparable EBIT and EBIT margin. Bedshed franchising delivered improved EBIT and EBIT margin compared to pcp, whilst Bedshed company-owned stores’ financial performance was impacted by the establishment of two new stores and the refurbishment and relocation of two existing stores. With the initial establishment costs of the new stores expended and opportunities to improve revenue identified, improved performance from the company-owned stores is anticipated in FY25.

Joyce CEO Dan Madden said delivering stable performance in challenging circumstances, and after two years of strong growth, meant the Group remained in a strong financial position.

“Overall, we have backed up 2023’s record year with a similar level of operational performance that has returned a net profit attributable to Joyce shareholders of $8.4 million*, second only to last year’s normalised result.”

“Both the KWB Group and Bedshed businesses were steady in a market characterised by softer foot traffic and difficult trading conditions. As consumers have become increasingly focused on the costs of their purchases, we have seen more volatile trading amidst a general shift in consumer spending to a ‘shopping for value’ mindset. Against this backdrop, both businesses have demonstrated their resilience, customer loyalty and strength of brand. KWB continues to be the market leader in ‘do it for me’ kitchen and wardrobe renovation solutions. Pleasingly we have seen customers continuing to invest in upgrading their kitchens and adding value to their homes, highlighting the differentiated offering and superior customer value proposition of KWB," Mr Madden said.

Joyce will pay shareholders a final dividend of 17.5 cents per share, bringing the full year dividend to 28.5 cents. The final dividend payment consists of an ordinary dividend of 12.0 cents per share (in line with the Company's policy of paying shareholders 60-80 percent of normalised profits as a dividend) and a special dividend of 5.5 cents per share. The special dividend reflects Joyce's share of the net profit relating to the sale of the Queensland Trade Street property previously held by KWB (completed in the prior year). Both dividends are fully franked.

Joyce Group ended the 2024 financial year with a strong balance sheet and a net cash position of $39.1 million, compared to $46.1 million on 30 June 2023. The reduction in the cash balance is primarily attributable to $17.4 million of dividend payments by the consolidated entity and $2.2 million of income tax paid on the sale of the KWB Queensland Trade Street property.

	2024	**2023**	**Variance**	
Results from operations	**$'000**	**$'000**	**$'000**	**%**
Revenue	145,509	145,179	330	0.2%
Contribution Margin	70,407	68,420	1,987	2.9%
Reported Group EBITDA	31,975	31,141	834	2.7%
Group EBITDA*	31,975	32,600	-625	-1.9%
Reported Group EBIT	24,511	24,172	339	1.4%
Group EBIT*	24,511	25,945	-1,434	-5.5%
Reported Group NPAT	17,531	16,377	1,154	7.0%
Group NPAT*	17,110	17,673	-563	-3.2%
Reported NPAT Attributable to JYC Shareholders	8,863	7,934	929	11.7%
NPAT Attributable to JYC Shareholders*	**8,442**	**9,129**	**-687**	**-7.5%**
Normalised EPS (cents per share)*	**29.64**	**32.14**	**-2.50**	**-7.7%**
Final Dividend Per Share	17.5	17.5	0.0	0.0%
Full Year Dividend Per Share	28.5	25.5	3.0	11.8%

	At Jun '24	**At Jun '23**	**Variance**	
	$'000	**$'000**	**$'000**	**%**
Consolidated Group Net Cash	39,148	46,079	-6,931	-15.0%

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

Business performance

KWB

	2024	2023	Variance	
	$'000	$'000	$'000	
Revenue	121,304	123,387	-2,083	-1.7%
Earnings Before Interest and Tax (EBIT)*	25,221	25,320	-99	-0.4%
EBIT Margin*	20.8%	20.5%		

Bedshed

	2024	2023	Variance	
	$'000	$'000	$'000	
Revenue	23,141	21,314	1,827	8.6%
Earnings Before Interest and Tax (EBIT)	4,419	4,998	-579	-11.6%
EBIT Margin	19.1%	23.4%		

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

KWB Group

KWB Group (KWB) continues to deliver strongly from its network of showrooms, designing and installing more than 4,000 kitchens and 2,100 wardrobes in the financial year.

Despite a backdrop of reduced showroom traffic and the closure of the Keswick store in South Australia, KWB generated $114.2 million of orders FY24, compared to $110.7 million in the prior year. The strong order performance was driven by improved customer conversion rates as KWB continued to focus on delivering competitively priced kitchen solutions and the best possible customer experience, evidenced by KWB winning the 2024 Product Review data[1], awards in its category.

Although revenue of $121.3 million was marginally lower than FY23, EBIT of $25.2 million was comparable to FY23 as a result of improved margins driven by rigorous cost control.

The reduced foot traffic witnessed during the year was mitigated with an increase in marketing and advertising spend, with overall costs managed tightly and similar to those in FY23. Gross margins remained at approximately 50% and when combined with the strong cost management, resulted in an improved EBIT margin of 21% and an EBIT result of $25.2 million, in line with the FY23 result of $25.3 million.

KWB's cash on hand at 30 June 2024 was $23.8 million (including cash related to customer deposits of $11.2 million) compared to $30.4 million at 30 June 2023 (including customer deposits of $12.2 million).

KWB's order book at 30 June 2023 stood at $45 million at a time when the business was experiencing extended lead times as a result of the COVID peak. KWB Management undertook a detailed review of the order book during the year to validate the remaining backlog of orders which resulted in approximately $14.0 million of dated and unlikely-to-be-completed orders being removed from the order book.

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

KWB was able to deliver into this elevated order book during the year, converting many of these orders to revenue and bringing lead times back to normalised pre-COVID levels.

As a result, KWB's order book at 30 June 2024 stood at $37 million, which is deemed representative of the current state of the network and provides KWB with a high quality sales pathway for FY25 and beyond.

Pleasingly, the order book grew by approximately $2.5m between 31 December 2023 and 30 June 2024, demonstrating the continued strength of the network. However, it is expected that orders will run ahead of revenue in FY25 in line with long-term averages which may result in slightly lower sales and EBIT than FY24.

FY25 has started well, with July 2024 orders of $10 million, which is comparable to July 2023, highlighting the attraction of the KWB business model and reflecting its differentiated offering and market leadership. It also indicates that customers continue to invest in upgrading their kitchens and adding value to their homes.

A comprehensive program of renovations and refurbishments of existing showrooms, which commenced in FY23, was completed during the year contributing to an improved customer experience, conversion and productivity.

After the temporarily elevated demand experienced during COVID, lead times have now normalised to be consistent with normal operating conditions. KWB has shifted its focus on network growth similar to the pattern experienced prior to COVID, which saw the business deliver consistent revenue and EBIT growth year on year.

Particular focus is on the recommencement of the Sydney Metro showroom network expansion. With costs stabilising and the availability of people with the right skills improving, KWB has re-started its network expansion, which was paused in the wake of the COVID-19 pandemic and significant tightness in the NSW labour market. In July 2024, KWB opened a new Kitchen Connection store in Alexandria, Sydney recommencing its footprint growth and positioning the business to generate more orders going forward.

A new flagship showroom at Bundall in Gold Coast, Queensland, is scheduled for opening later in the 2024 calendar year which will replace the existing smaller footprint Ashmore showroom and plans are in place for further Sydney store openings in second half of calendar year 2025. Further expansion in Queensland and Adelaide is anticipated subject to the availability of suitable tier one locations.

During the year, KWB worked with existing and new suppliers to substitute engineered crystalline silica stone benchtops with safer alternatives, ahead of the ban on the importation and installation of this material that became effective from 1 July 2024. The transition to these new safer alternatives has been completed with minimal disruption to showrooms and sales, and KWB now has an expanded benchtop range to provide customers with more options at a range of price points. KWB continues to closely monitor all their suppliers to ensure they are compliant with relevant health and safety standards.

Bedshed

Although Bedshed experienced softer foot traffic and tougher trading conditions during the year, the network delivered business written sales that were in excess of $150.0 million and a 7% increase on FY23. Like-for-like network business written sales growth was 2% on FY23.

Retail sales were more concentrated on the big sale events such as stocktake sales and Black Friday, leading to record sales in those busy periods as consumers became increasingly focused on the costs of their purchases.

Pleasingly, Bedshed was able to maintain its gross margins, despite the variability in sales volumes across the year.

Bedshed's combined operations (franchisee and company-owned stores) generated increased revenue of $23.1 million compared to $21.3 million in FY23, although it delivered reduced EBIT of $4.4 million ($4.9 million in FY23).

The franchising business saw a small improvement in revenue to $5.8 million (compared to $5.6 million in FY23) and improved its EBIT margin to 54% (compared to 47% in FY23), which resulted in an increased EBIT of $3.2 million compared to $2.7 million in FY23.

New Queensland franchises were established during the financial year in Jindalee and Toowoomba, bringing the total network to 43 stores.

During the year, Bedshed acquired two franchisee stores, at Castle Hill and Alexandria in Sydney (at the end of December 2023 and in January 2024 respectively), increasing the company-owned store network to 6.

Company-owned store network business written sales increased on FY23 by 20% and were comparable to FY23 on a like-for-like basis.

The company-owned Joondalup store was also upgraded and relocated late in the financial year, and upgrades were completed at the Mackay store and warehouse during the first half of the year.

Company-owned stores generated stronger revenue of $17.3 million (compared to $15.7 million in FY23) and managed to maintain a strong gross margin of 47.5% (compared to 48.3% in FY23) in what was a challenging and volatile trading environment.

Increased revenue from the two new company-owned stores in Sydney was partially offset by associated set-up costs and depreciation charges.

The cost base of Bedshed company-owned store operations was higher than FY23 driven by establishment costs for new Sydney stores, relocation and upgrades of existing stores and labour availability and associated productivity. As a result, EBIT for FY24 was $1.2 million, compared to $2.3 million in the prior year.

With the initial establishment costs of the new stores expended and measures in place to manage labour availability, improved performance from the company-owned stores is anticipated in FY25.

FY25 has started well, with network wide business written sales in July 2024 similar to that of the prior year.

Both Castle Hill and Alexandria have recorded improved business written sales since their acquisition (compared to prior year results) and further growth is expected as the operational teams become embedded. These acquisitions are critical for spearheading Bedshed's growth in the Sydney market, where the business is under-represented and where significant opportunity for further network growth has been identified.

Strong sales results to date from the new Queensland franchisees continue to demonstrate that Bedshed can take market share in what is a competitive environment.

Bedshed remains fundamentally a franchisee business and this is not expected to change, however the Group may make a decision to invest in company-owned stores should a suitable opportunity present (typically if a high-quality market and location is identified but a suitably strong franchisee is not available).

Crave Home Staging

Crave approached break-even on an EBITDA (cashflow) basis in FY24, although remains behind initial expectations.

Crave has been well received in its pilot phase, generating over $1 million of revenue in FY24 as the team continued to build its network of real estate agents and improve its penetration in the Perth market.

Revenue has been generated against the backdrop of declining housing volume in the Perth real estate market which entered 2023 at historic lows in terms of houses sold, and trended lower during the year. According to CoreLogic data[2], FY24 listings were down 22.6% on the FY23 comparative, which was down 32.1% on the FY22 comparative.

For Crave, this has meant significantly fewer opportunities to display its home staging capabilities and whilst the operating cost base of the business has approximated initial forecasts and the brand has performed well, the profitability of the business has been impacted by reduced revenue.

The intention of introducing the business as a pilot in the Perth market was to test the business model and assess the opportunity to generate material returns from expansion in the larger scale Eastern State markets.

We maintain our disciplined and prudent view on the potential to allocate expansionary human and monetary capital to Crave and have no near-term plans for expansion to the East Coast or in Western Australia while current market conditions persist. In the meantime, we will continue to operate Crave as a Perth-based pilot and generate learnings to further improve the business.

Outlook and Dividend

Joyce Group has had a successful year, maintaining its financial performance, which continues to hold at near-record levels. Consumers remain under pressure as interest rates remain at recent highs and this is reflected in their spending habits. Inflation eats into both consumer spending power and continues to put pressure on the Group's cost base.

"The Group ended the year with a cash balance of $39.1 million, which gives us the flexibility to manage a volatile environment, as well as consider strategic growth options where appropriate," Mr Madden said.

"Our businesses continue to demonstrate their resilience and value to shareholders," Mr Madden said. "Our business model is based on low capital intensity, strong cashflow and great brands that help our customers maximise the value of their homes.

"The Group will continue its primary focus on the pursuit of organic growth from its large addressable markets within Australia. We are cautiously optimistic that trading conditions will continue to be similar to those we have experienced this financial year. There is also some cause for optimism with improving labour market conditions in Eastern Australia, which means we are in a position to resume our growth plans for KWB as evidenced by the recent opening of the new showroom in Sydney. Further network growth is planned to capitalise on the significant market opportunity for KWB's unique and differentiated offering which is underrepresented across Australia and in each of the States it currently operates in.

[2] RP Data provided by CoreLogic®

“Bedshed remains positioned for growth through both the recently acquired Castle Hill and Alexandria stores and a continued focus on expanding the store network nationally, where we are also underrepresented across Australia. Bedshed has a strong brand and a highly regarded franchisee model that continues to attract high quality franchisees to the business.

“The Board continues to focus on exploring options that maximise value for shareholders and doing so while maintaining a discipline in regard to use of capital and industry exposure.”

Joyce Chair Mr Jeremy Kirkwood said the Company had delivered another consistent result driven by strong operational performance and sound financial management.

“We have delivered a satisfying result in a difficult period, and the Board is thankful to all of the Company’s employees and business partners for their contribution to our business,” Mr Kirkwood said.

This year, the Board has resolved to pay a fully franked final dividend of 17.5 cents per share, bringing the full year dividend to 28.5 cents per share. The payment consists of an ordinary dividend of 12.0 cents at 80% of normalised profits to shareholders and a special dividend of 5.5 cents per share from the profit on the sale of the KWB Trade Street Property which finalised in FY23. The ordinary dividend is in line with our policy of returning 60 to 80 percent of normalised profits to shareholders.

“The Board is encouraged by the performance of the business in 2024, in difficult conditions, and we will continue to work with the executive team to ensure the Company remains focused and disciplined in its approach, while keeping a close eye on strategic opportunities to create further value for shareholders.”

The Dividend is to be paid on 4 October 2024 to all shareholders registered as at the record date of 13 September 2024.

Joyce Corporation has an established dividend reinvestment plan (DRP). The Joyce Board has elected not to activate the DRP for the upcoming dividend.

ENDS

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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 30 August 2024 under the ASX ticker JYC:
- Investor Presentation - Financial Year 2024 Results
- Appendix 4E
- Annual Report for the financial year ended 30 June 2024
- Appendix 2A: Dividend/Distribution

Note 1: Summary of Normalising Adjustments

($'000)	EBITDA	EBIT	PBT	Tax	NPAT	NPAT attributable to JYC s/holders
FY24 Results per financial statements	**31,975**	**24,511**	**24,654**	**(7,123)**	**17,531**	**8,863**
Tax deduction applicable to LTI share issue	0	0	0	(421)	(421)	(421)
FY24 Normalised Results	**31,975**	**24,511**	**24,654**	**7,544**	**17,110**	**8,442**
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
Costs on 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**

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