JoyceGroup

ASX:JYC

21st November 2024

Chair's Address

Good afternoon fellow shareholders. I am pleased to report that 2024 has been another year of solid performance for Joyce Group as we continued to build our strong brands, focussed on helping Australians add value to their most important asset - the family home.

Our business model enabled us to navigate a market characterised by uncertainty and evolving consumer behaviours, ultimately delivering strong financial results, high levels of customer satisfaction, and a healthy dividend to our shareholders.

We achieved these results in the face of challenging economic headwinds which continued to dampen consumer spending patterns. Household budgets tightened in the face of increasing costs of living and our businesses witnessed lower foot traffic and a buyer shift to lower value items. Despite this backdrop, home values have generally continued to increase, demonstrating a strong underlying confidence in the Australian housing market.

Our core businesses, KWB and Bedshed performed well, contributing to Joyce Group delivering a normalised net profit attributable to Joyce shareholders of $8.4 million.

We ended the year with a Group cash balance of $39.1 million, ensuring that we are well-positioned to capitalise on emerging opportunities and navigate future challenges.

These positive results have allowed us to deliver a fully franked full-year dividend of 28.5 cents per share, underscoring our commitment to ensuring a consistent and rewarding shareholder experience.

KWB continues to be a cornerstone of our success. This exceptional business has once again delivered outstanding results, showcasing its unwavering commitment to quality, customer satisfaction, and innovation. 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.

KWB has solidified its position as the market leader in "do it for me" kitchen and wardrobe renovations and once again generated impressive results for shareholders. In FY24, KWB designed and installed over 4,000 kitchens and 2,100 wardrobes, delivering exceptional customer experiences with its differentiated offering.

By focusing on the home renovation market, KWB is well insulated from the volatile new home market. This not only provides a foundation for sustainable growth but also enables KWB's business model to operate effectively. The business generated a strong EBIT of $25.2 million and its strong brand, unique service offering, and resilient business model position it to capitalise on the significant market opportunity in Australia.

Orders for the year stood at $114 million, and order lead times have reverted to normalised pre-COVID levels. During the year, KWB was able to deliver into its elevated opening COVID order book in the first half and convert orders generated during the year to deliver $121 million of revenue, underpinning strong EBIT of $25.2 million at an impressive EBITDA margin of 21%.

As at 30 June 2024, a healthy order book of $37 million, which we consider to represent normalised pre-COVID levels also, sets the business up for the first half of the 2025 financial year.

KWB has shifted its focus back to network growth. The business opened a new Kitchen Connection store in Alexandria, Sydney, in July 2024, marking a return to footprint expansion after a period of strategic pause. A new flagship showroom at Bundall in Gold Coast, Queensland, recently opened in the first quarter of the current financial year, replacing the existing smaller footprint Ashmore showroom.

KWB is poised for further expansion. Heads of Agreements have been signed for Auburn and Caringbah in Sydney, with anticipated openings in December 2024 and April 2025, respectively and for Logan in Brisbane, with an expected opening in May 2025.

This growth strategy will see KWB's national network expand from 27 showrooms to 30 and further opportunities are under evaluation.

As the business resumes its growth trajectory via network expansion, we anticipate a similar growth pattern to that experienced prior to COVID, which saw the business consistently deliver impressive growth in revenue and EBIT year on year.

Bedshed experienced softer foot traffic and tougher trading conditions as consumers became increasingly focused on value, seeking promotions, leading to sales becoming more concentrated on big events such as stocktake sales and Black Friday.

Despite these challenges, Bedshed continued to perform satisfactorily, delivering improved network business written sales in excess of $150 million and maintaining strong gross margins.

Bedshed's total operations achieved a robust underlying EBIT of $4.4 million from revenue of $23 million, a testament to the efforts of our franchisees, company-owned stores, and the dedicated marketing and product management teams at the head office.

Bedshed remains fundamentally a franchise business with a strong brand and a highly regarded franchise model that continues to attract high-quality franchisees to the business. With a total network of 43 stores, 37 of which are franchise operations, Bedshed's ongoing strategic focus emphasises expanding its network where we are underrepresented across Australia.

The current network remains open for growth with potential upside to be captured from the Castle Hill and Alexandria Company Stores added to the portfolio almost 12 months ago, as well as from the wider established network.

Our home staging venture, Crave, was launched in August 2022 as a pilot in Perth to test the business model and assess the opportunity for expansion in the larger Eastern State markets.

Although Crave demonstrated a strong brand and developed an established network of real estate agents, the business was impacted by a significant contraction in the Perth housing market. This saw the business enter 2023 at historic lows in terms of properties listed for sale, resulting in significantly fewer opportunities for Crave to display its home staging capabilities.

Although Crave generated over $1 million of revenue in FY24 and approached break-even EBITDA, it remained behind initial expectations.

Earlier in the financial year, we were clear that we have no near-term plans for East Coast expansion and would continue to operate Crave as a Perth-based pilot before making disciplined decisions about future operations.

While we are always eager to explore new opportunities, we are committed to disciplined capital allocation, ensuring that our resources are allocated strategically and efficiently.

Management and the Board have decided that an East Coast expansion does not have sufficient potential reward given the associated operational and financial risk and consequently we have decided to bring the pilot to a close.

We have recently secured a Heads of Agreement to sell the Crave Home Staging business and its assets to a local businessperson for total proceeds of $0.45 million. We anticipate finalising the sale early in Q1.

Although we are disappointed Crave has not been as successful as we hoped, the experience has been beneficial and we have contained the capital allocated to within 8 cents per share after potential cash released back from the expected sale.

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

KWB continues to experience strong demand for its kitchen and wardrobe design, build and installation services and remains on track to deliver strong revenue and EBIT for the current financial year.

KWB's written sales orders of $42 million to the end of October 2024 and are in line with our expectations. Importantly there is a healthy order book at the end of October 2024 of $36 million which is comparable to $37 million in October 2023.

The Bedshed network continues to demonstrate resilience, generating group-wide Business Written Sales of $50 million to the end of October 2024, an 8% increase on 2023 comparatives.

The Company Store network business written sales are $6.8 million, including $2 million from Castle Hill and Alexandria. This compares to $5.1 million from the four-store 2023 comparative.

Operational enhancements are continuing, and we expect financial performance to improve in the second half of the current financial year.

As we conclude our AGM, I am pleased to report that Joyce Group is in a robust position, with strong operational performance and a consistent track record of success. We offer a compelling value proposition across all our stakeholders – customers, franchisees, suppliers, and employees.

This solid foundation allows us to confidently pursue sustainable growth in 2024 and beyond, while also ensuring healthy dividends for our shareholders.

Our businesses continue to demonstrate their resilience and value, driven by a business model built on low capital intensity, strong cash flow, and powerful brands that empower our customers to maximise their home's value.

The Board is diligently exploring options to maximise shareholder value. We remain focused on opportunities that are commensurate with our skill set and have a natural fit with our existing portfolio and will help our customers add value to their homes.

I extend my heartfelt gratitude to our dedicated employees, valued business partners, and loyal franchisees. Their unwavering commitment is the driving force behind our ongoing success.

With this AGM, Dan Madden will step down as Joint Company Secretary of Joyce, effective immediately. Tim Allison will continue to serve as the Group's Company Secretary.

I also acknowledge and thank my fellow Board Members for their invaluable insights, guidance, and unwavering support throughout the year.

I am grateful to our shareholders, for your continued trust and support. Your confidence in Joyce Group is deeply appreciated, and we look forward to delivering continued success in the years to come.

Finally, I want to pay tribute to and thank our major shareholder and retiring Director, Dan Smetana. It is rare in the listed corporate world to have one person, who for 40 odd years, provided a stable, supportive and engaging presence whether it be as the major shareholder, CEO, Chairman or as non-executive Director.

Dan floated Joyce over 40 years ago and has steered it through significant change throughout that time. Whether it be as result of shifting macro-economic factors or internally driven strategy, he has been a constant champion for shareholder returns and rewarding employee performance and loyalty. He is at his happiest when the staff are getting good bonuses and pay rises and the shareholders an increased dividend.

We will miss his presence around the board table and wish he and his wife, Julie, well in his retirement.

ENDS

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