Acting CEO's Address

25 November 2019

Thankyou Mike, and good morning to you all,

As Mike said the 2019 financial year was another successful one for Joyce, with continuing growth in both revenue and earnings. I will now share some further operational and company highlights from the past financial year and give you more insight into our plans for the future.

The Group exceeded the $100 million sales mark in financial year '19, which was a key internal benchmark for us. This is something that has not been achieved by the Group since 2001, when the organisation operated in very different sectors compared to today. Even this level of sales is not a good reflection of the true size of the Joyce Corporations' operations. To fully understand our business, you must add in the gross value of auction sales and franchisee revenue. Overall this equates to $288 million and better reflects the size and complexity of the combined entity.

We have been able to achieve these numbers through the effort of our General Managers, partners and staff, and along this journey we have had the insight and support of our Directors. We see this diverse and capable team as key in achieving our future growth plans and market capitalisation goals.

While we have grown the business and increased earnings per share by 12.8% in financial year19, we have also succeeded in strengthening our cash position by generating $10.0 million from operations, an improvement on the prior year by 10.8%. Driven by this cash generation our closing bank position was up 12.2% over the prior year.

We are pleased that the Commonwealth Bank has come on board as our Group banking partner. CBA is closely aligned with and supportive of our goals, including the Group's expansion strategy. We anticipate CBA will play an important role as we move ahead with our 'inorganic' growth plans. Following the planned funding changes at KWB, which has led to the repayment of the loan for the purchase of the Lytton property, we have seen our Group gearing ratio fall significantly, today it stands at less than 20%, down from the 39% we finished with at the end of financial year 19.

These are great, positive, indicators of the financial health of the business and the quality of the balance sheet we have today.

At the business unit level, we have seen strong individual performances by the divisions. The KWB Group moved year on year revenues up by over 15% to close financial year '19 at just under $65 million. This $8 million increase in revenue was driven by the maturing of the business, as well as the opening of three new showrooms. In total, this brings the number of

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store locations to 20. The team intend to open more showrooms in the fourth quarter of this financial year and has just completed the refurbishment of the Jindalee store in Queensland to drive sales growth. There are further expansion opportunities planned for this business, which currently has coverage of about one quarter of Australia's population.

The importance of the customer experience is well known to the KWB Management. To drive the positive experience further we have opened the KWB Academy, where key staff train and learn more about our kitchen products, to deliver better outcomes and designs for the customer.

Our Lloyds business has been heavily exposed to the rapid contraction in insolvency opportunities and the decline in consumer discretionary spending. Despite these factors the Lloyds team, through to financial year '19 has maintained a profitable position, which is in contrast to competitors in the sector. The team has reacted rapidly to market changes, leveraging investments in technology, and delivering a restructure of the business, which has resulted in staff numbers falling by 27% over the past 12 months. The fall in insolvency numbers has resulted in unusual behaviour by some competitors which is disrupting the market, however, these restructuring initiatives have put Lloyds in the best position to demonstrate resilience to market conditions and to succeed in the medium and long term.

Despite the economic environment in financial year '19, Lloyds grew sales year on year by 7%. In that period, we saw Management's ability to run large and high-profile classic car auctions like the Gosford Motor Museum and the Peter Brock car collections. This obtained unprecedented national TV coverage on mainstream channels and re-enforced Lloyds' position as the Classic Car auctioneer of choice.

The team at Bedshed grew EBIT, year on year by 13%, following on from a 44% increase in the prior year.

Bedshed General Manager Gavin Culmsee accredits this earnings growth to:

- Strong marketing campaigns;
- Launching new ranges;
- Strong franchisee relationships;
- Well trained and informed staff; and
- Greater geographic coverage.

The Bedshed network grew with the opening of four new franchisee stores in financial year 19. With the recent hiring of an additional resource to support the on-boarding of new franchisees, we have the capacity to maintain this volume of store openings in future years. Today there are currently 37 franchisee and company-owned stores in Australia.

We remain on track to launch our Bedshed e-Commerce platform in the first quarter of calendar year 2020 which will deliver additional sales opportunities.

The macro-economic head winds and specific competitive pressure have impacted the earnings profile of the Group in the first half of financial year 20, particularly in the Lloyds business. Management believe these factors can be managed in the medium term and the second half of the year will have a higher degree of performance.

In support of our partner businesses the Corporate team has been deploying critical frameworks like HR and Talent Development, as well as structural changes like the technology refresh. These tools are essential for optimising the performance of our current businesses and will be critical to ensure the organisations we acquire in the future can be integrated quickly and successfully. These initiatives are now in place and being rolled out to our divisions and will be important enablers of our capacity to achieve our strategic goal of $100 million in market capitalisation.

I thank the Board and shareholders for their continued support. I especially thank our staff for their efforts, because it is our people that ultimately bring customers to our stores, showrooms and auctions again and again.

With the completion of the business review and update I will pass back to Mike to take us through the formal proceedings of the meeting.