EUROZ HARTLEYS

FULL-YEAR RESULT | PUBLISHED ON 02 SEPTEMBER 2024

JYC: FY2024 Results

JYC.ASX | JOYCE CORPORATION LIMITED | CONSUMER DISCRETIONARY | SPECIALTY RETAIL

PRICE	TARGET PRICE	RECOMMENDATION
A$4.18/sh	**A$4.85/sh** (FROM A$4.50/sh)	**BUY** (UNCHANGED)

Event

JYC has reported its FY2024 results.

Impact

Results were inline with expectations, with the business performing well in a period marked by softer foot traffic and more difficult trading conditions.

Key financial highlights:

- Revenue ~flat at $145.5m (vs $144.5m EHe)
- EBIT down 5.5% to $24.5m (vs $24.5m EHe)
- Reported NPAT attr. to JYC +11.7% to $8.9m (vs $8.9m EHe)
- Norm NPAT attr. to JYC down 7.5% to $8.4m (vs $8.9m EHe)

KWB performed strongly in the face of reduced showroom traffic and the closure of the Keswick store in SA. Orders increased YoY to $114.2m (vs $110.7m in FY23) with better than expected EBIT margins, the result of improved customer conversion and rigorous cost controls. However, as a result of normalised lead times, JYC now expects orders will run ahead of revenue in FY25, resulting in lower YoY revenue and EBIT.

KWB had 25 showrooms as of June, with a new NSW location added post year end. The business is focused on network growth, with a further locations planned in 2H CY25. Longer term there is potential to double the footprint across Australia to +50 locations.

Bedshed delivered better than expected revenue growth despite a period marked by softer foot traffic and trading conditions. Notably, network written sales exceeded $150m (+7% YoY) with broadly stable gross margins. EBIT was slightly below expectations, mostly due to lower company owned store margins, which were impacted by establishment costs, relocation and upgrades of existing stores and labour availability.

Bedshed finished FY24 with 43 locations, comprised of 37 franchises (net nil YoY) and 6 company owned stores (+2 YoY). Longer term, JYC sees potential for a +70 network.

JYC declared a final 17.5cps fully franked dividend (including a 5.5cps special dividend), bringing the full year dividend to 28.5cps, well ahead of our expectations (21.0cps EHe).

The company finished the year with $39.1m of cash and no debt (excl leases), ~$27.5m of which is attributable to JYC.

We have updated our forecasts. Looking forward, we anticipate earnings modestly reducing in FY25, which assumes KWB revenues begin to align with the business written orders, in line with long-term averages.

Action

JYC trades on a forward 14.6x PE and 5.5% fully franked dividend yield.

While we acknowledge the negative earnings momentum in the short term, **we maintain our Buy recommendation with an updated $4.85/sh Price Target** on valuation grounds and the view growth resumes in 2026.

Catalysts

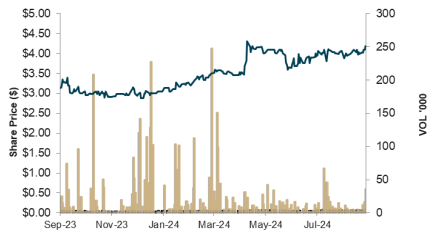
- AGM Update

Analyst

Seth Lizee
slizee@eurozhartleys.com

Share Price	**4.18**	**A$/sh**	
Price Target	**4.85**	**A$/sh**	
Valuation (DCF)	4.85	A$/sh	
WACC	11.0%		
Terminal Growth	2.5%		
Shares on issue	29.5	m, dil	
Market Capitalisation	123.2	A$m	
Enterprise Value	111.7	A$m	
Cash	39.1	A$m	
Debt (inc leases)	27.6	A$m	
Key Metrics	**24A**	**25F**	**26F**
Revenue (A$m)	145.5	145.9	160.6
EBITDA (A$m)	32.0	30.9	34.4
EBIT (A$m)	24.5	23.4	27.0
Norm NPAT (A$m)	8.4	8.4	9.8
Reported NPAT (A$m)	8.9	8.4	9.8
Gross CF (A$m)	12.5	10.2	11.6
Capex (A$m)	-2.3	-1.8	-1.8
Op. Free CF (A$m)	4.7	9.1	11.4
Revenue Gwth (%)	1%	0%	10%
EBITDA Gwth (%)	-3%	-3%	12%
Norm NPAT Gwth (%)	-8%	0%	16%
Norm EPS (Ac)	29.6	28.6	33.1
Norm. EPS Gwth (%)	-8%	-3%	16%
PER (x)	13.4	14.6	12.6
DPS (Ac)	28.5	23.0	25.0
Dividend Yield (%)	6.8%	5.5%	6.0%
Net Debt (A$m)	-11.6	-13.8	-20.2
Net Debt:Equity (%)	-30%	-34%	-45%
Interest Cover (x)	24.4	22.8	25.9

Performance



Source: IRESS

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Income Statement	24A	25F	26F
(+) BedShed	23.1	25.5	26.8
(+) KWB	121.3	119.2	132.7
(+/-) Other	1.1	1.1	1.1
Total Revenue	**145.5**	**145.9**	**160.6**
(-) COGS	-78.0	-78.2	-86.1
Gross Profit	**67.5**	**67.7**	**74.5**
(-) Operating Expense	-35.5	-36.8	-40.1
EBITDA	**32.0**	**30.9**	**34.4**
(-) D&A	-7.5	-7.5	-7.5
EBIT	**24.5**	**23.4**	**27.0**
(-) Net Finance	0.1	0.2	0.4
EBT	**24.7**	**23.6**	**27.4**
(-) Tax Expense	-7.1	-7.1	-8.2
(-) Non-Controlling interest	-8.7	-8.1	-9.4
(+/-) Abnormals (pre-tax)	0.0	0.0	0.0
Reported NPAT	**8.9**	**8.4**	**9.8**
Norm NPAT	**8.4**	**8.4**	**9.8**
Cashflow Statement	**24A**	**25F**	**26F**
NPAT	8.9	8.4	9.8
(+) D&A	7.5	7.5	7.5
(-) Lease Expense	-5.7	-5.7	-5.7
(+/-) Other	1.8	0.0	0.0
Gross Cashflow	**12.5**	**10.2**	**11.6**
(-) Capex	-2.3	-1.8	-1.8
(-) Change in NWC	-5.4	0.6	1.6
Operating Free Cashflow	**4.7**	**9.1**	**11.4**
(+/-) Sale of PP&E	0.1	0.0	0.0
(+/-) Other	-3.0	0.0	0.0
(+) NCI	8.7	8.1	9.4
(-) Dividend Equity holders	-8.2	-8.4	-6.8
(-) Dividends NCI	-9.2	-6.5	-7.5
Net Cashflow	**-6.9**	**2.3**	**6.5**
BoP Net Cash	**27.0**	**11.6**	**13.8**
(+/-) Net Cashflow	-6.9	2.3	6.5
(+/-) AASB16 Adj.	-8.5	-0.1	-0.1
EoP Net Cash	**11.6**	**13.8**	**20.2**
Balance Sheet	**24A**	**25F**	**26F**
Cash	39.1	41.4	47.8
Receivables	0.9	0.8	0.9
Inventories	3.9	3.9	4.3
Other Assets	1.0	1.0	1.0
Other Financial Assets	1.7	1.7	1.7
Total Current Assets	**46.6**	**48.7**	**55.7**
Receivables	2.5	2.2	2.4
Deferred Tax Assets	2.8	2.8	3.1
ROUA	26.3	26.3	26.3
PP&E	7.0	7.1	7.1
Intangibles	7.7	7.6	7.5
Total Non-current Assets	**46.2**	**45.9**	**46.5**
Total Assets	**92.8**	**94.7**	**102.2**
Payables	21.7	21.8	24.0
Provisions	3.2	3.3	3.6
Current Lease Liabilities	7.0	7.0	7.0
Borrowings	0.0	0.0	0.0
Provisions for Income Tax	0.4	0.4	0.4
Total Current Liabilities	**32.3**	**32.4**	**34.9**
Borrowings	0.0	0.0	0.0
Non-Current Lease Liabilities	20.6	20.6	20.6
Deferred Tax Liability	0.0	0.0	0.0
Provisions	1.1	1.2	1.3
Total Non-Current Liabilities	**21.7**	**21.8**	**21.9**
Total Liabilities	**54.0**	**54.2**	**56.8**
Net Assets	**38.8**	**40.5**	**45.3**
Contributed Equity	21.7	21.7	21.7
Reserves	1.8	1.8	1.8
Non-controlling interests	4.3	5.9	7.8
Retained Earnings	11.1	11.1	14.1
Total Equity	**38.8**	**40.5**	**45.3**

PERFORMANCE RATIOS	24A	25F	26F
Growth & Margins			
Revenue Growth	1%	0%	10%
EBITDA Growth	-3%	-3%	12%
EBIT Growth	-6%	-5%	15%
Reported NPAT Growth	12%	-5%	16%
Normalized Net Profit Growth	-8%	0%	16%
EBITDA margin	22%	21%	21%
EBIT margin	17%	16%	17%
Normalized net profit margin	6%	6%	6%
Effective tax rate	32%	30%	30%
Liquidity			
Capex/depreciation (x)	0.3	0.2	0.2
Current ratio (x)	1.4	1.5	1.6
Quick ratio (x)	1.8	1.9	2.0
Receivable days	2.3	2.0	2.0
Payable days	101.6	101.6	101.6
Risk Measures			
Dividend Cover (x)	1.1	1.2	1.3
Payout ratio (%)	92%	80%	75%
Net interest cover (x)	24.4	23.2	26.6
Net debt/equity (%)	-30%	-34%	-45%
Returns			
Return on Invested Capital	25%	24%	26%
Return on Assets	10%	9%	10%
Return on Equity	26%	24%	26%
SHARE DATA/VALUATION	**24A**	**25F**	**26F**
Share Data			
Issued shares (m)	28.5	29.5	29.5
Weighted ave shares (m)	28.5	29.0	29.5
Fully diluted shares (m)	28.5	29.5	29.5
Basic EPS (c)	31.1	28.6	33.1
YoY change (%)	11%	-8%	16%
Fully diluted EPS (c)	31.1	28.6	33.1
YoY change (%)	11%	-8%	16%
Fully diluted normalised EPS (c)	29.6	28.6	33.1
YoY change (%)	-8%	-3%	16%
Dividend/share (c)	28.5	23.0	25.0
Franking (%)	100%	100%	100%
Gross cashflow/share (c)	43.7	34.7	39.2
NBV/share (c)	121.2	117.3	127.4
NTA/Share (c)	109.3	111.5	128.2
Valuation			
PER (Basic) (x)	13.4	14.6	12.6
PER (Fully diluted) (x)	13.4	14.6	12.6
PER (Fully diluted, normalized) …	14.1	14.6	12.6
P/CFPS (x)	9.6	12.0	10.7
Price/NBV (x)	3.4	3.6	3.3
Price/NTA (x)	3.8	3.7	3.3
Dividend Yield (%)	6.8%	5.5%	6.0%
EV/EBIT (x, Ex. NCI)	7.0	7.3	6.3
EV/Revenue (x)	0.8	0.8	0.7

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Analysis

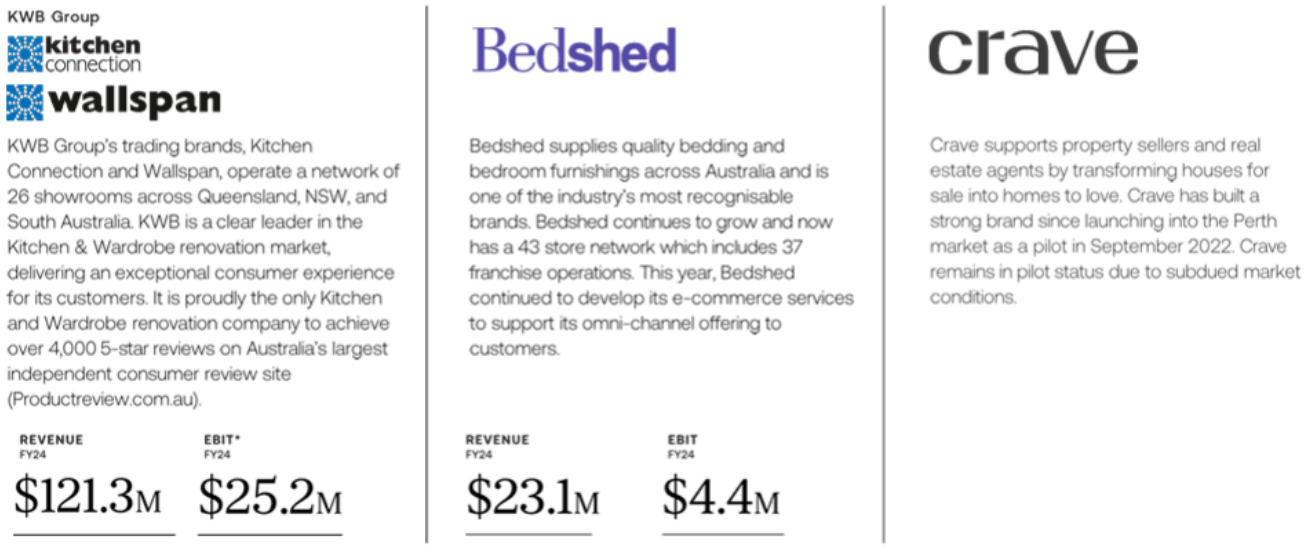
We build out our forecasts as follows:

Figure 1: EH Forecasts

Forecasts	Units	2023A	2024A	2025F	2026F	2027F
Locations						
KWB	x	26	25	26	29	32
Bedshed*	x	41	43	44	47	50
KWB	A$m	123.4	121.3	119.2	132.7	150.7
Bedshed	A$m	21.3	23.1	25.5	26.8	28.1
Other	A$m	0.0	1.1	1.1	1.1	1.1
Total Revenue	**A$m**	**144.7**	**145.5**	**145.9**	**160.6**	**179.9**
Reported EBITDA	**A$m**	**32.9**	**32.0**	**30.9**	**34.4**	**38.6**
KWB	A$m	25.0	25.2	23.6	26.3	29.8
Bedshed	A$m	5.0	4.4	4.8	5.7	6.3
Corp OH/ Other	A$m	-4.1	-5.1	-5.0	-5.0	-5.0
Reported EBIT	**A$m**	**25.9**	**24.5**	**23.4**	**27.0**	**31.1**
Reported NPAT	**A$m**	**7.9**	**8.9**	**8.4**	**9.8**	**11.3**
Norm. NPAT	**A$m**	**9.1**	**8.4**	**8.4**	**9.8**	**11.3**
DPS	Acps	25.5	28.5	23.0	25.0	28.0

*Source: EH estimate, company announcements, *incl company owned stores*

Figure 2: JYC FY2024 Results Summary



Source: Company presentation

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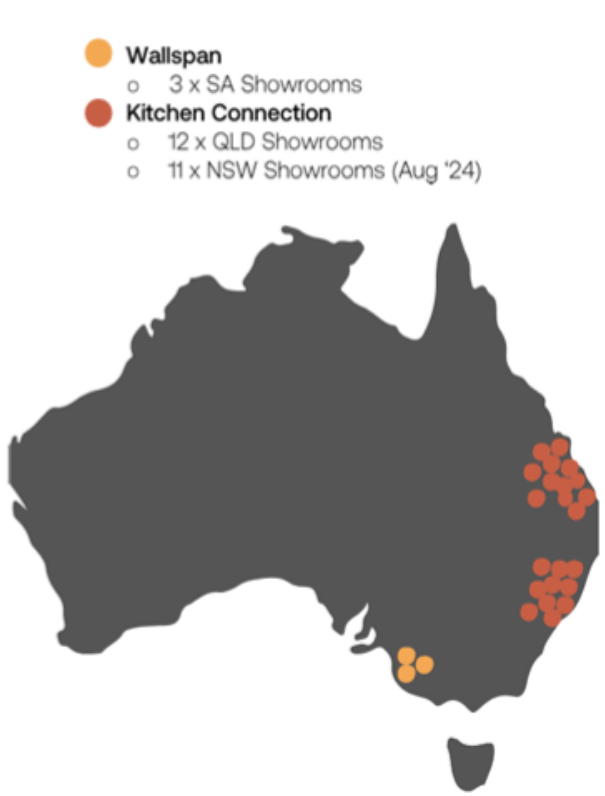
Figure 3: KWB Group Locations



Source: Company presentation

Figure 4: Bedshed Locations



Source: Company presentation

Figure 5: KWB Group Network Summary

Showroom Network

June '23	New Stores	June '24	Aug '24
26	(1)	25	26

Alexandria showroom opened July '24 bringing network footprint to 26

Further expansion targeted for FY25 with focus on Sydney network

Program of renovation and refurbishment completed - delivered improved customer conversion rates and enhanced productivity

Clear leader in "do it for me" kitchen and wardrobe renovations with **unique service offering and resilient business model**

Kitchens are **#1 segment in a $4bn home renovation industry** - KWB **focused on existing home renovation market** (vs volatility of new home market)

Committed to long term growth strategy - opportunity to double footprint (50 + Showrooms) across Australia in 'A-grade' locations (homemaker centres)

Source: Company presentation

Figure 6: Bedshed Network Summary

Store Network

Store	June '23	New Stores	June '24
Franchised	37	Net nil	37
Company	4	2	6

Jindalee store (Brisbane) opened August '23
Toowoomba (SE QLD) opened December '23

Castle Hill & Alexandria (Metro Sydney) now company owned – spearheading Bedshed growth in Sydney market

Company-owned Joondalup store (WA) relocated and upgraded with **new "Evolution" store fitout June '24**

Strong relationship with franchisees - many franchisees in network 20+ years

5-star rating* from Fran Data assists with franchisee recruitment

Long Term Planned network of 70+ Stores
- focused on growth of franchised business with optionality for company-owned store growth

* https://www.thefranchiseregistry.com.au/section/Home/Franchise_Search?s=bedshed

Source: Company presentation

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Company disclosures

The companies and securities mentioned in this report, include:

Joyce Corporation Limited (JYC.ASX) | Price A$4.18 | Target price A$4.85 | Recommendation BUY;

Price, target price and rating as at 02 September 2024 (not covered)*

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Euroz Hartleys declares that it has been engaged in a buy back during the last year. Euroz Hartleys has received a fee for these services from: Joyce Corporation Limited (JYC.ASX)

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Research Analysts

Gavin Allen, Executive Director & Head of Research | +618 9488 1413 | gallen@eurozhartleys.com

Trent Barnett, Senior Analyst | +618 9268 3052 | tbarnett@eurozhartleys.com

Mike Millikan, Senior Analyst | +618 9268 2805 | mmillikan@eurozhartleys.com

Michael Scantlebury, Resources Analyst | +618 9268 2837 | mscantlebury@eurozhartleys.com

Steven Clark, Resources Analyst | +618 9488 1430 | sclark@eurozhartleys.com

Kyle De Souza, Resources Analyst | +618 9488 1427 | kdesouza@eurozhartleys.com

Declan Bonnick, Research Analyst | +618 9488 1481 | dbonnick@eurozhartleys.com

Seth Lizee, Research Analyst | +618 9488 1414 | slizee@eurozhartleys.com

Oliver Porter, Research Analyst | +618 9488 1429 | oporter@eurozhartleys.com