EUROZ HARTLEYS

HALF-YEAR RESULTS | PUBLISHED ON 28 FEBRUARY 2025

JYC: 1H Results

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

PRICE	TARGET PRICE	RECOMMENDATION
A$4.70/sh	**A$5.50/sh** (FROM A$4.85/sh)	**BUY** (UNCHANGED)

Event

JYC has released its 1H FY25 results.

Impact

Results were broadly consistent with our expectations, with key financial highlights:

- Revenue ~flat pcp at $73.4 million
- EBIT down 18.0% pcp to $10.9 million
- Reported NPAT attr. to JYC down 35.6% pcp to $3.1 million
- Norm NPAT attr. to JYC down 16.1% pcp to $4.0 million

KWB (51% owned): Although business sales were down 4.7% pcp to $59.2 million during the 1H, network orders increase by 12% over the same period to $52.3 million. The company expects that orders will run slightly ahead of revenues, in line with long term averages. The order book finished ~flat pcp at $35.8 million, reflective of normalised lead times. Looking towards the balance of FY25, JYC has had a strong start, with $15.6 million of orders in January (+9% pcp).

As of the half, the business had 27 showrooms (+2 net HoH). KWB is planning to open a further 2 locations across QLD and NSW in the 2H. The company maintains a long-term strategy of +50 showrooms.

Bedshed (100% owned): The bedshed network delivered +$80 million of business written sales during the half (+6% pcp). Franchise sales were up modestly pcp to $3.1 million, with comparable EBIT of $1.4 million (despite removing two franchise locations). Company owned sales were up significantly pcp, the result of two locations being added to the portfolio between periods (and better operations of those locations under JYC).

Bedshed finished the 1H with 37 franchise locations (flat HoH) and 6 company-owned stores (flat HoH). The company maintains a long-term network goal of 65 stores.

In parallel, JYC announced it had ended its Crave Home Staging Pilot and sold the business.

The company maintains a strong balance sheet with $31.8 million in consolidated cash ($23.9 million attributable to JYC) and no debt (excl. leases). JYC declared a 10.5cps fully franked interim dividend for the 1H (-5% pcp), implying a ~4.5% annualised yield.

We have made some slight changes to our forecasts (Figure 1).

Action

We maintain our Buy Recommendation with an updated $5.50 Price Target

Catalysts

- Trading Update
- Full Year Results

Analyst

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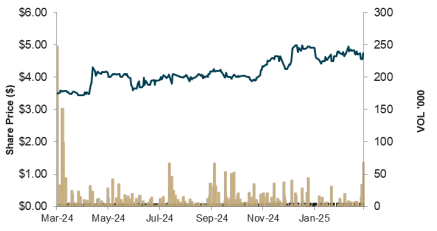
Share Price	**4.70**	**A$/sh**	
Price Target	**5.50**	**A$/sh**	
Valuation (DCF)	5.50	A$/sh	
WACC	11.0%		
TGR	2.5%		
Shares on issue	29.5	m, dil	
Market Capitalisation	138.6	A$m	
Enterprise Value	135.6	A$m	
1H Cash	31.8	A$m	
1H Debt (inc leases)	28.8	A$m	
Key Metrics	**24A**	**25F**	**26F**
Revenue (A$m)	145.5	147.6	164.9
EBITDA (A$m)	32.0	33.8	37.7
EBIT (A$m)	24.5	24.8	28.7
Norm NPAT (A$m)	8.4	8.4	10.2
Reported NPAT (A$m)	8.9	7.4	10.2
Gross CF (A$m)	12.5	11.3	14.0
Capex (A$m)	-2.3	-1.8	-1.8
Op. Free CF (A$m)	4.7	9.9	14.2
Revenue Gwth (%)	1%	1%	12%
EBITDA Gwth (%)	-3%	6%	11%
Norm NPAT Gwth (%)	-8%	-1%	22%
Norm EPS (Ac)	29.6	28.3	34.5
Norm. EPS Gwth (%)	-8%	-4%	22%
PER (x)	15.1	18.7	13.6
DPS (Ac)	28.5	22.5	24.5
Dividend Yield (%)	6.1%	4.8%	5.2%
Net Debt (A$m)	-11.6	-12.8	-20.2
Net Debt:Equity (%)	-30%	-32%	-45%

Performance



Source: IRESS

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Income Statement	24A	25F	26F
(+) BedShed	23.1	27.6	28.8
(+) KWB	121.3	118.9	135.1
(+/-) Other	1.1	1.1	1.1
Total Revenue	**145.5**	**147.6**	**164.9**
(-) COGS	-78.0	-78.2	-87.4
Gross Profit	**67.5**	**69.4**	**77.5**
(-) Operating Expense	-35.5	-35.6	-39.8
EBITDA	**32.0**	**33.8**	**37.7**
(-) D&A	-7.5	-9.0	-9.0
EBIT	**24.5**	**24.8**	**28.7**
(-) Net Finance	0.1	-0.4	-0.2
EBT	**24.7**	**24.4**	**28.5**
(-) Tax Expense	-7.1	-7.3	-8.5
(-) Non-Controlling interest	-8.7	-8.7	-9.8
(+/-) Abnormals	0.0	-0.9	0.0
Reported NPAT	**8.9**	**7.4**	**10.2**
Norm NPAT	**8.4**	**8.4**	**10.2**
Cashflow Statement	**24A**	**25F**	**26F**
NPAT	8.9	7.4	10.2
(+) D&A	7.5	9.0	9.0
(-) Lease Expense	-5.7	-5.2	-5.2
(+/-) Other	1.8	0.0	0.0
Gross Cashflow	**12.5**	**11.3**	**14.0**
(-) Capex	-2.3	-1.8	-1.8
(-) Change in NWC	-5.4	0.4	1.9
Operating Free Cashflow	**4.7**	**9.9**	**14.2**
(+/-) Sale of PP&E	0.1	0.0	0.0
(+/-) Other	-3.0	0.0	0.0
(+) NCI	8.7	8.7	9.8
(-) Dividend Equity holders	-8.2	-8.4	-6.6
(-) Dividends NCI	-9.2	-7.0	-7.8
Net Cashflow	**-6.9**	**3.2**	**9.5**
BoP Net Cash	**27.0**	**11.6**	**12.8**
(+/-) Net Cashflow	-6.9	3.2	9.5
(+/-) AASB16 Adj.	-8.5	-2.0	-2.0
EoP Net Cash	**11.6**	**12.8**	**20.2**
Balance Sheet	**24A**	**25F**	**26F**
Cash	39.1	40.8	48.3
Receivables	0.9	0.8	0.9
Inventories	3.9	3.9	4.4
Other Assets	1.0	1.0	1.0
Other Financial Assets	1.7	1.7	1.7
Total Current Assets	**46.6**	**48.2**	**56.2**
Receivables	2.5	2.2	2.5
Deferred Tax Assets	2.8	2.9	3.2
ROUA	26.3	26.3	26.3
PP&E	7.0	7.0	7.0
Intangibles	7.7	7.6	7.5
Total Non-current Assets	**46.2**	**45.9**	**46.5**
Total Assets	**92.8**	**94.2**	**102.7**
Payables	21.7	21.8	24.3
Provisions	3.2	3.2	3.6
Current Lease Liabilities	7.0	7.1	7.1
Borrowings	0.0	0.0	0.0
Provisions for Income Tax	0.4	0.4	0.4
Total Current Liabilities	**32.3**	**32.5**	**35.4**
Borrowings	0.0	0.0	0.0
Non-Current Lease Liabilities	20.6	21.0	21.0
Deferred Tax Liability	0.0	0.0	0.0
Provisions	1.1	1.1	1.3
Total Non-Current Liabilities	**21.7**	**22.1**	**22.2**
Total Liabilities	**54.0**	**54.6**	**57.6**
Net Assets	**38.8**	**39.6**	**45.1**
Contributed Equity	21.7	21.7	21.7
Reserves	1.8	1.8	1.8
Non-controlling interests	4.3	6.0	8.0
Retained Earnings	11.1	10.1	13.7
Total Equity	**38.8**	**39.6**	**45.1**

PERFORMANCE RATIOS	24A	25F	26F
Growth & Margins			
Revenue Growth	1%	1%	12%
EBITDA Growth	-3%	6%	11%
EBIT Growth	-6%	1%	16%
Reported NPAT Growth	12%	-16%	37%
Normalized Net Profit Growth	-8%	-1%	22%
EBITDA margin	22%	23%	23%
EBIT margin	17%	17%	17%
Normalized net profit margin	6%	5%	6%
Effective tax rate	29%	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	1.1	1.4
Payout ratio (%)	92%	89%	71%
Net interest cover (x)	24.4	25.2	28.9
Net debt/equity (%)	-30%	-32%	-45%
Returns			
Return on Invested Capital	25%	26%	27%
Return on Assets	10%	8%	10%
Return on Equity	26%	22%	27%
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	25.2	34.5
YoY change (%)	11%	-19%	37%
Fully diluted EPS (c)	31.1	25.2	34.5
YoY change (%)	11%	-19%	37%
Fully diluted normalised EPS (c)	29.6	28.3	34.5
YoY change (%)	-8%	-4%	22%
Dividend/share (c)	28.5	22.5	24.5
Franking (%)	100%	100%	100%
Gross cashflow/share (c)	43.7	38.2	47.4
NBV/share (c)	121.2	113.9	125.9
NTA/Share (c)	109.3	108.5	127.3
Valuation			
PER (Basic) (x)	15.1	18.7	13.6
PER (Fully diluted) (x)	15.1	18.7	13.6
PER (Fully diluted, normalized) (x)	15.9	16.6	13.6
P/CFPS (x)	10.8	12.3	9.9
Price/NBV (x)	3.9	4.1	3.7
Price/NTA (x)	4.3	4.3	3.7
Dividend Yield (%)	6.1%	4.8%	5.2%
EV/EBIT (x, Ex. NCI)	8.6	8.4	7.2
EV/Revenue (x)	0.9	0.9	0.8

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Analysis

We build out our forecasts as follows:

Figure 1: EH Forecasts

Forecasts	Units	2023A	2024A	1H'25A	2H'25F	2025F	2026F	2027F
Locations								
KWB	x	26	25	27	29	29	32	35
Bedshed*	x	41	43	43	43	43	45	47
KWB	A$m	123.4	121.3	59.2	59.7	118.9	135.1	148.9
Bedshed	A$m	21.3	23.1	13.7	14.0	27.6	28.8	30.0
Other	A$m	0.0	1.1	0.5	0.5	1.1	1.1	1.1
Total Revenue	**A$m**	**144.7**	**145.5**	**73.4**	**74.2**	**147.6**	**164.9**	**180.0**
EBITDA	**A$m**	**32.9**	**32.0**	**16.6**	**17.1**	**33.8**	**37.7**	**41.6**
KWB	A$m	25.0	25.2	12.7	12.8	25.5	28.9	31.9
Bedshed	A$m	5.0	4.4	2.2	2.2	4.4	5.3	6.3
Corp OH/ Other	A$m	-4.1	-5.1	-2.6	-2.4	-5.0	-5.6	-5.6
EBIT	**A$m**	**25.9**	**24.5**	**12.2**	**12.6**	**24.8**	**28.7**	**32.6**
Reported NPAT	**A$m**	**7.9**	**8.9**	**3.1**	**4.4**	**7.4**	**10.2**	**11.6**
Norm. NPAT**	**A$m**	**9.1**	**8.4**	**4.0**	**4.4**	**8.4**	**10.2**	**11.6**
DPS	Acps	25.5	28.5	10.5	12.0	22.5	24.5	27.5

*Source: EH estimate, company announcements, *incl company owned stores; **Norm for Crave*

Figure 2: 1H Result Summary



Source: company presentation

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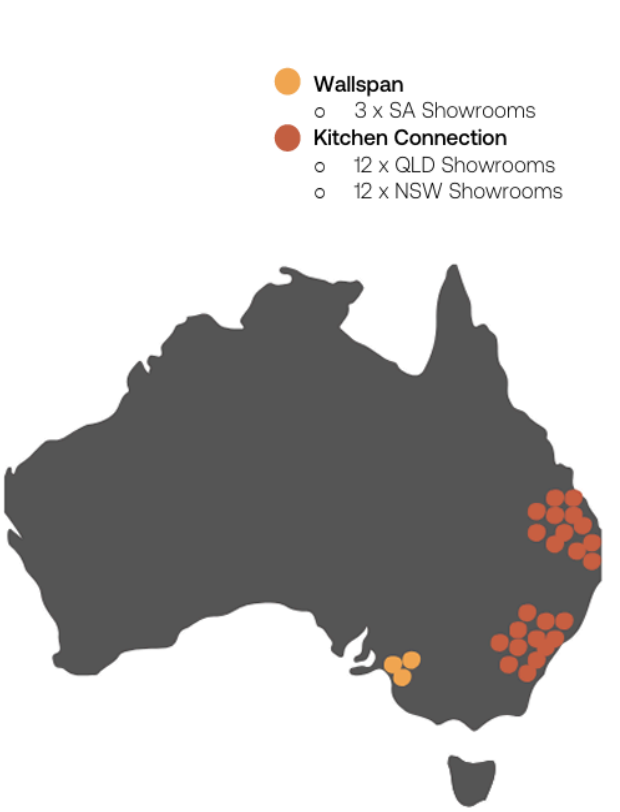
Figure 3: KWB Group Locations



Source: company presentation

Figure 4: Bedshed Locations



Source: company presentation

Figure 5: KWB Group Network Summary

June '24	Net Showrooms	Feb '25
25	+2	27

Over 2,000 Kitchens and 1,000 Wardrobes installed in 1HY25

Winner of Annual Product Review Award for 4th year in a row

3 new showrooms opened in 1HY25:
Jul '24 - **Alexandria** (NSW)
Sep '24 - **Bundall** (QLD)
Dec '24 - **Auburn** (NSW)
(nb: Ashmore (QLD) now closed)

Further expansion secured in 2HY25:
- **Caringbah** (NSW)
- **Logan** (QLD)

Increased presence in Sydney market improves brand recognition and positions for further order growth

Long term network growth strategy - opportunity to double footprint (**50+ showrooms**) across Australia in **'A-grade' locations** (homemaker centres) to **capitalise on significant market opportunity for unique offering**

Source: company presentation

Figure 6: Bedshed Network Summary

Store	June '24	New Stores	Dec '24
Franchised	37	-	37
Company	6	-	6

43 store network (6 company-owned, 37 franchisees) primary focus on franchise operations

Improved business written sales from Castle Hill and Alexandria as company-owned stores

Successful introduction of new furniture ranges (at strong gross margins)

Strong relationship with franchisees - 2 franchised stores up for resale in 10+ years and many franchisees in network 20+ years

Long Term Planned network of 65 stores

Source: company presentation

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The companies and securities mentioned in this report, include:

Joyce Corporation Limited (JYC.ASX) | Price A$4.70 | Target price A$5.50 | Recommendation Buy;

Price, target price and rating as at 28 February 2025 (not covered)*

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