

23 November 2021

## Chair's Address - 2021 AGM

Good morning everyone, and welcome to the 2021 Financial Year virtual Annual General Meeting of Joyce Corporation.

The 2021 Financial Year was a challenging but ultimately highly rewarding one for Joyce Corporation and our shareholders. Despite the interruptions to trading and our supply chain from COVID-19, we expanded our retail offerings in the growth market of NSW and delivered increased revenue and profit across the Group. This resulted in an increase in Group revenue to \$111 million, which, coupled with improved operating margins, drove a 46% improvement to Group EBITDA. Consolidated Group profit after tax was a record \$13 million, and Net Profit After Tax attributable to Joyce shareholders was \$7.6 million, increasing earnings per share to 27 cents, 70% up on the previous year.

Pleasingly, we also ended the financial year debt free with a robust balance sheet, holding almost \$20m of cash across the Group.

This strong performance enabled Directors to pay a record fully franked dividend of 17 cents per share, equating to approximately 60% of Net Profit attributable to Joyce Shareholders for the Financial Year.

Numbers only tell part of the story however. What sits behind these results is a team of operating partners, franchisees, staff, management, and Board, who have all pulled in one direction to enable us to respond to some major challenges, and capitalise on opportunities, which have contributed in no small part to these results.

In the early part of the 2021 financial year we – like most businesses – were managing a wave of COVID-19 related uncertainty. At this time we took some difficult but prudent decisions to preserve cash and position our businesses through lockdowns and potential interruptions to our supply chain as best we could. We had to be nimble and flexible to manage the short-term challenges, while thinking about how we wanted to emerge as business returned to the “new normal.”

As the strength of the businesses became clear, our focus shifted to driving strong operational performance and strategy, focussing on long-term objectives around growing our core businesses and delivering great value for our customers. This meant that when consumer spending maintained a high level throughout the period, particularly on their homes, we were there for them, offering great service and quality products to help them add value to their biggest asset.

Joyce Corporation's success is ultimately sourced from its strong brands and great people. These drive customer satisfaction, referrals, repeat business, and growth opportunities.

Our largest business is KWB, which operates under the Kitchen Connection and Wallspan brands. Following the recent successful opening of showrooms in Penrith and Belrose, KWB has a footprint of 26 stores that extend across Queensland, South Australia and New South Wales.

Although we benefitted from the ‘tail-wind’ of people spending on their homes, KWB's consistent delivery of high quality craftsmanship and service has seen the business more than double its revenue from \$40.7 million in the 2016 Financial Year to almost \$90 million in the 2021. In FY21, KWB's revenue increased 34% to \$89.7 million, and EBIT of \$16.3 million was up 45% on the prior financial year.

KWB continued its store expansion plan, with four new showrooms opened in NSW during the Financial

Year, all of which exceeded our expectations. These new stores continue to demonstrate a proven and successful strategy of targeting suburbs and regions with demand for home renovations.

Our partnership with KWB has evolved into KWB becoming a core asset for Joyce Corporation, delivering fantastic returns for our shareholders. I would like to acknowledge the dedication and hard work of everyone at KWB, led by its Managing Director, John Bourke.

With a 'capital light' business model, strong margins, and excellent cash flow, I am confident that KWB will continue to grow, particularly given the great organic growth potential across Australia, including currently untapped locations in Victoria and Western Australia.

Our other business, Bedshed, is one of Australia's leading retail brands. One of our key objectives this year was to keep our stores open as much as restrictions would allow, to maintain our connection to customers, and keep our supply chains active.

Both the Bedshed Franchising and Company-owned Store businesses performed strongly in the 2021 Financial Year, backed by our creative and targeted advertising campaigns and well-executed product range launches.

Revenue from the combined Bedshed Franchising and Company-owned operations grew \$3m to \$21.5 million, and EBIT increased by over 200% to \$5.9 million, up from \$1.8 million.

We also started our expansion into New South Wales, beginning with an e-commerce platform and E-store, backed by a marketing campaign, which gave us a low-cost entry to the Sydney market.

This platform continues to build brand awareness and create an attractive environment for new franchise operators, as Bedshed builds its presence in Australia's biggest consumer market.

The E-store has been followed by bricks and mortar stores, with Tuggerah recently opened and Rutherford opening shortly. We anticipate more store openings in the 2022 Financial Year.

Bedshed's franchisee model is one of Australian businesses' enduring success stories. Our franchisees are the heart and soul of Bedshed, and on behalf of the Board and shareholders I thank them for their hard work and professionalism, which ultimately drives the success of the brand. I also want to acknowledge the excellent leadership of the business by Gavin Culmsee who, we were delighted to see, received the 2021 Paddy Thompson Award for his significant contribution to franchising.

Looking ahead, we expect the healthy retail environment to continue to provide opportunities for the Bedshed and KWB businesses to grow. Despite the lockdowns in the early part of this financial year, we are off to a strong start, and our new store openings are performing well for us.

We do, however, need to be mindful that pressure is building on supply chains across the industry, and we are not immune to the challenges that brings. Finding people with the right skills is critical and success depends on delivering a quality customer experience. This is something we won't compromise in the pursuit of more revenue.

During the year the Board has been focused on refining our strategy. We are shifting from an 'investment company model' to an operator focus based around our existing businesses, expanding our footprint to realise the significant market opportunity for them.

Whilst we remain committed and focused on the natural and organic growth opportunities for both KWB and Bedshed we will also continue to consider fresh growth opportunities, but always within a disciplined framework. Our filter is to look in adjacent sectors that have a natural fit with our existing portfolio and expertise, with a particular focus on opportunities that require a relatively low capital outlay and will support long term, sustainable growth. This may come from new organic growth activities from the

ground up, or from opportunistically considering potential acquisitions if they are of a commensurate size and scale and are in complementary areas that offer synergies, or the potential to leverage our current strengths.

I look forward to continuing to execute our plans over the coming months and updating our shareholders and the market as they come to fruition.

At the conclusion of this AGM Mike Gurry will be retiring from his position as a Director of the Company, having joined Joyce as a Director in 2007. Mike has been an outstanding contributor to the Company through periods of challenge and success. As Chairman from 2018 to 2020 he successfully steered Joyce through significant changes setting the Company on its current trajectory. As an aside, it is fitting to note that the company's market capitalisation recently surpassed \$100 million, an ambition set out early in Mike's chairmanship.

On behalf of the Joyce Board and all stakeholders, I sincerely thank Mike for his invaluable contribution to Joyce over his 15-year tenure and wish him all the very best as he transitions to pursue his other interests.

Of course, everyone who is part of the Joyce family, which includes our staff, franchisees and suppliers, has had to deal with some very difficult challenges during the past financial year. On behalf of the Board, I thank them all for their valued contribution and support during what has been an outstanding year for our Company.

I would like to thank my fellow Directors for their support and dedication to the task of shepherding your investment in Joyce Corporation. This has been made all the more successful thanks to the hard work and creativity of the Company's management team, led by our new CEO Mr Dan Madden. Dan has been with us for a year and has impressed the Board with his capacity to build relationships with staff and shareholders and lead the strategy development.

Together with our relatively new CFO, Tim Allison, who brings excellent rigour and forward-thinking enterprise management skills to our financial management, John Bourke at KWB and Gavin Culmsee at Bedshed, the Board is confident we have the right team in place at the corporate and business levels.

Finally, thank you to our shareholders, many of whom have been with us for a long time. Your support and encouragement are greatly appreciated.

After the 2021 Financial Year your company is now stronger than ever, and we look forward to another successful year ahead with optimism and confidence about our Company's prospects. I can assure you that your Board will continue to pursue a high level of operational performance and long-term sustainable revenue growth, to drive share price appreciation and healthy dividends for our shareholders.

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**ENDS**

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