

24 February 2022

Joyce Corporation delivers strong operational performance

Interim Dividend of 7.5 cents per share on Group Net Profit After Tax of \$6.7 million

Joyce Corporation (ASX:JYC or “Joyce”) is pleased to report its 2022 Half-Year results, which include continued revenue growth and solid returns in challenging operating conditions.

Highlights

- **Group Revenue** increased by 16% against the prior corresponding period (“pcp”¹) ending 31 December 2020 to **\$61.5m**.
- **Group EBITDA** of **\$12.7m** (a 7% decrease from the pcp). After adjusting for the one-off JobKeeper wage subsidy received in 2021, the comparative Group EBITDA was \$11.9m for the pcp resulting in a 7% increase in Group EBITDA in the current period against the comparative pcp.
- **Group NPAT of \$6.7m**, a 12% decrease compared to the pcp. After adjusting for the one-off JobKeeper wage subsidy received in 2021, the comparative Group NPAT was \$6.3m for the pcp resulting in a 6.1% increase in Group NPAT in the current period against the comparative pcp.
- As at 31 December 2021 the **Group Net Cash** was **\$17.2m** compared to \$19.9m as at June 30 2021 and \$18.2m as at 31 December 2020.
- **NPAT attributable to Joyce Shareholders** was **\$3.7m** compared to \$4.8m in the pcp. After adjusting for the one-off JobKeeper wage subsidy received in 2021, the comparative NPAT attributable to Joyce Shareholders was \$4m for the pcp.
- **Earnings Per Share** of **\$0.13** compared to \$0.17 for the pcp.
- The Board has resolved to distribute a **fully franked interim dividend of 7.5 cents per share** compared to 7 cents in the pcp. Interim dividend payout ratio of 57% in line with targeted full year payout ratio of 60%-80% of normalised NPAT attributable to Joyce Shareholders.

Joyce Corporation delivered strong operational performance and revenue growth for the first half of trading for the Financial Year Ending 30 June 2022 (1H22), in an environment where underlying retail demand remained positive, but was significantly impacted by the Delta and Omicron COVID-19 outbreaks in eastern Australia.

Joyce Corporation CEO Dan Madden said the results were particularly pleasing given the significant disruptions to both retail trade and supply chains, as a result of COVID-19 spreading through the major markets of New South Wales, Queensland and Victoria.

“Towards the end of the year we experienced significant disruptions as people tended to “stay home” during the building Omicron wave, affecting both showroom traffic, and supply chains because of constraints on labour and the delivery of materials. The Omicron wave arrived following the Delta variant outbreak earlier in the half-year, which itself led to widespread government lockdowns and restrictions impacting trading conditions across the Eastern States” Mr Madden said.

“Joyce was well positioned to manage these disruptions and delivered strong operational performance during the half-year and we expect that to continue. Our businesses are cashflow positive, our brands are some of Australia’s most trustworthy, our balance sheet and cash positions are strong and we are growing a capital-light business. We continue to focus on keeping our supply chains as reliable as possible, maintaining contact with our customers, and providing them with great service.”

Review of results and operations

Overview of Group Results for half-year ended 31 December 2021^{1 2}

	2021	2020	Variance	
	\$'000	\$'000	\$'000	%
Results from continuing operations				
Revenue	61,546	52,855	8,691	16.4%
Contribution margin	29,057	27,785	1,272	4.6%
EBITDA	12,731	13,731	(1,000)	(7.3)%
NPAT	6,729	7,620	(891)	(11.7)%
NPAT Attributable to JYC Shareholders	3,734	4,806	(1,072)	(22.3)%
Basic EPS Cents Per Share	13.2	17.1	(3.9)	(22.6)%
Dividend Per Share	7.5	7.0	0.5	7.1%
	At Dec 21	At Jun 21	Variance	
	\$'000	\$'000	\$'000	%
Consolidated Group cash				
Cash and cash equivalents	17,188	19,881	(2,693)	(13.6)%
Loans and borrowings	-	-	-	-
Group Net Cash	17,188	19,881	(2,693)	(13.6)%

¹ and ² See Reference Section at end of announcement

NOTES: 2020 Contribution margin and profit includes \$1.8m of JobKeeper Receipts (\$1.3m net of tax) and \$0.5m profit on the sale of a Bedshed Company Store.

Joyce Corporation

Group revenue of \$61.5m was up 16% on the pcp, as consumer demand remained strong. Consumers remain willing to invest in their homes, and the Kitchen Connection and Bedshed brands have been there for them providing consistent, quality service where and when needed.

EBITDA of \$12.7m and Group NPAT of \$6.7m decreased from the pcp, although the pcp result includes JobKeeper receipts of \$1.8m (before tax) that should be considered in any comparison. Joyce Corporation took the position that excess JobKeeper receipts should be returned to the Federal Government and returned funds in the second half of the 2021 Financial Year.

The Group's operating margins remained strong with EBIT margin of 16.4% for the 6-month period, despite the impact of reduced margins in December caused by the significant disruptions associated with the Omicron COVID-19 outbreak.

Although managing the impacts of COVID-19 required significant management attention, the Company continued to focus on delivering excellent operational performance and delivering on its strategic growth plans. Joyce continued to support the further expansion of Kitchen Connection into the Sydney Metro area and Bedshed's push into the NSW market, with additional showrooms and stores opening in both of these businesses during the half-year.

Operating performance

Joyce's operating businesses, KWB and Bedshed, are two of Australia's leading brands in homewares and home renovations. Joyce continued to invest in both the marketing and customer experience needed to drive customer loyalty, and in the growth strategy for both businesses, which is driving sustainable revenue and profitability.

	2021	2020*	Variance	
	\$'000	\$'000	\$'000	%
KWB³				
Revenue	51,121	40,686	10,435	25.7%
Earnings Before Interest and Tax	9,104	6,920	2,184	31.6%
EBIT Margin	17.8%	17.0%		
Bedshed				
Revenue	10,425	12,169**	(1,744)	(14.3)%
Earnings Before Interest and Tax	2,475	3,355	(880)	(26.2)%
EBIT Margin	23.7%	27.6%		

³See Reference Section at end of announcement

* 2020 Results are adjusted to remove one-off JobKeeper receipts (\$1.8m) and one-off profit on sale of Helensvale Company Store (\$0.5m).

**Bedshed 2020 Revenue and EBIT includes 6 months of trading for Helensvale store as Company Owned Store which generated \$2m revenue and \$0.5m EBIT.

KWB

KWB is the largest business in the Joyce Group, in which Joyce holds a 51% interest. KWB operates the Kitchen Connection and Wallspan brands, which provide customers with custom fit outs for their kitchens and bedrooms.

During the half-year KWB once again delivered outstanding returns to Joyce Corporation with increased revenue and earnings and growth in the brand's showroom footprint.

KWB has a 'capital light' business model, strong margins, and excellent cash flow with significant organic growth potential within NSW, and currently untapped locations in Victoria and Western Australia.

KWB's Revenue and Earnings Before Interest and Tax (EBIT) grew during the current reporting period to \$51.1 million and \$9.1 million respectively compared to \$40.7 million and \$8.3 million reported in the pcpr.

After adjusting for the one-off JobKeeper wage subsidy received in the first half of FY21 the comparative period EBIT was \$6.9 million vs \$9.1 million in the current period (as shown in the table above).

Orders of \$56.4m during the half-year exceeded revenue by approximately \$5m, reflecting continued strong consumer demand and despite the widespread impact of lockdowns and government restrictions.

During the period, KWB worked hard to secure its supply chain to keep up with the demand for its products. This required managing both the restricted availability of workers and contractors and the restricted access to customers' homes as a result of COVID infections and government restrictions. These operational challenges were further exacerbated by disruptions to the supply of materials which have been across the industry and more widespread.

Although the Delta and Omicron Outbreaks significantly impacted scheduling and installation capacity, revenue of \$51m was approximately 26% higher than the pcp, reflecting the strong management and operational performance of the KWB business.

KWB delivered a strong order book and revenue in January 2022. The delayed revenue from late in the half is anticipated to be recovered during the second half of the Financial Year as the COVID-19 situation eases. However, the widespread combination of supply chain disruption, and global inflationary pressures has impacted business performance and is expected to continue in the medium term.

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. Further expansion plans have been delayed due to the COVID-19 situation, however further showrooms in Sydney are expected to be opened in the 2022 calendar year.

Bedshed

During the half-year Bedshed continued to maintain its excellent operational performance while delivering on its growth ambitions.

Combined EBIT for the first half of FY22 was \$2.5 million, compared to \$3.4 million in the prior comparative period (adjusted for the JobKeeper subsidy received in the pcp).

Franchisee operations performed well generating revenue of \$2.5 million compared to \$2.4 million in the pcp and delivering an EBIT margin of 59.5%.

Bedshed's Company-Owned stores generated \$7.9 million of Revenue compared to \$9.8 million in the pcp. The pcp Company-Owned Store revenue included \$2.0 million from the Helensvale Store which was sold to a franchisee in Dec 2020.

Bedshed opened 2 new Franchise Operations in Tuggerah and Rutherford during the half-year, and now consists of 34 franchise operations and five Company-Owned operations across Western Australia, Queensland, Victoria, ACT and New South Wales.

The E-store opened in Sydney in 2021 has been part of a successful strategy to facilitate Bedshed's low-cost expansion into NSW, while creating market awareness for our new franchisees.

We recognise the importance of linking e-commerce platforms with bricks-and-mortar stores and the e-commerce capability across the group (as well as the E-Store in Sydney) provided an ongoing revenue stream during COVID-19 disruptions towards the latter part of the half.

Bedshed continued to safely operate its stores as best as possible during the significant interruptions and successfully maintained its connection to customers and its supply chains. The business experienced a decline in store foot traffic during this period, however those who came into the stores were much more likely to make a purchase rather than browsing.

Bedshed plans to continue its expansion of franchise operations in the metro and greater Sydney areas in the current calendar year with the Alexandria Store in Sydney Metro scheduled to open in quarter four of the 2022 Financial Year.

Corporate

As at 31 December 2021 the Group has a strong net consolidated cash position⁴ of \$17.2 million (\$19.9 million at 30 June 2021). Funds will be used for payment of the interim dividend (approx. \$2.1 million), working capital and growth purposes.

Towards the end of the half-year Joyce entered into a sale and leaseback agreement for its corporate office and warehouse facility in Osborne Park, Western Australia. The transaction completed on 16th February 2022 and realised approximately \$5.4 million in cash (after costs). In connection with the sale, Joyce entered into arrangements with the Purchaser for a 5 year lease to retain tenancy of the office space and 1 of 3 warehouses. Refer *ASX announcement 20 December 2021: Sale of Corporate Property*

Dividend

Joyce Corporation Chairman, Mr Jeremy Kirkwood, said Joyce continued to be well placed to maintain healthy dividends to shareholders while investing to grow revenue.

“Our business is now in a great position where our operations are performing at a consistently high level to take advantage of strong demand, and our cash flow can support dividends and fund our organic growth plans,” Mr Kirkwood said.

“The Board has resolved to distribute a fully franked interim dividend of 7.5 cents per share which represents 57% of normalised NPAT Attributable to Joyce Shareholders. We maintain our stated intention of aiming for full year dividend payments to be between 60-80% of normalised NPAT and to maintain or grow the \$ dividend payment.”

The Dividend is to be paid on 25 March to all shareholders registered as at the record date of 10 March 2022. The Company has an established dividend reinvestment plan (DRP) and shareholders will be able to elect to participate in the DRP for the upcoming dividend. (Refer ASX announcements on 31 August 2021: *Notification of Dividend* and 14 December 2020: *Adoption of new DRP*).

Outlook

Mr Madden said Joyce was focused on responding to the COVID-19 situation, which continues to evolve, while consistently delivering on the Company’s low-capital growth program.

“We have great brands and highly talented people, which we will continue to invest in so we can maintain our strong connection with our customers,” Mr Madden said.

“We are still dealing with uncertainty and disruptions in both consumer markets and supply chains. Underlying demand for our products remains strong, and we believe we are in a great position, with strong liquidity and a great value proposition to our customers, franchisees, suppliers and employees, to continue to grow sustainably into 2022.

“Whilst we are first and foremost focused on organic growth opportunities for both KWB and Bedshed, we are also considering how we could apply our existing expertise into other organic opportunities that are a natural fit with our current portfolio and offer other synergies. We look forward to providing further details during the 2022 Calendar Year.”

REFERENCES

This Announcement should be read in conjunction with the following documents lodged with the ASX on 24 February 2022 under the ASX ticker JYC:

- *Half-year Report for the period ended 31 December 2021*
- *Appendix 4D*
- *Dividend/Distribution*
- *Financial Year 2022 Half-Year Results -Investor Presentation*

¹ All pcpc numbers are either “for the six-month period ending 31 December 2020” or “as at 30 June 2021” and are as disclosed in the Half-year Report for the period ended 31 December 2021 lodged with the ASX on 24 February 2022 (JYC: Half-year Report for the period ended 31 December 2021)

² All numbers are as disclosed in the Half-year Report for the period ended 31 December 2021

³ Results shown are 100% of KWB. Joyce holds a 51% Interest in KWB

⁴ Group net consolidated cash position includes the net cash retained by 100% of the KWB business (of which Joyce owns 51%)

ENDS

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

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