

24 November 2022

Chair's Address - 2022 AGM

I am pleased to report to you today that Joyce Corporation has had a successful year despite many challenges and is arguably as strongly positioned as ever for the future.

Last year I said that the Board had refined the company's strategy, shifting from an 'investor model' to an 'operator' one focused on our existing businesses and expanding our footprint to take advantage of the growth opportunities in front of us. That strategic focus is bearing fruit both in terms of operational performance and business development.

In the 2022 calendar year we focused on maintaining and creating strong brands that are synonymous with helping Australians add value to their greatest asset – the family home. This is a logical place for us to grow, having established brands, strong customer relationships, deep industry knowledge and a large addressable market.

The Company's businesses have performed strongly in what continued to be difficult trading conditions. I flagged last year that we were seeing signs of disruption to supply chains and labour markets and these certainly manifested causing operational headaches and frustrations. Nevertheless, we finished the year in a very sound financial position recording a net profit to Joyce Shareholders of \$9.1 million – compared to \$7.6 million in 2021. After adjusting for one-off gains our normalised net profit was \$7.5 million – compared to \$7.2 million in 2021. This saw us remain debt free, with cash on hand of \$31.9m and pay a final dividend of 10.5 cents per share, resulting in a record full year dividend of 18 cents per share.

In line with our stated objective of pursuing a high return on capital and 'capital lite model' the sale of our corporate office and warehouse and lease of more suitable premises also released \$5.5m in cash for the business. Part of these proceeds were invested in the establishment of our home staging start-up, Crave. More recently we sold the KWB corporate office and warehouse and factory facility in Queensland realising approximately \$16m further in cash on a consolidated basis.

Our two established businesses – KWB Group and Bedshed – are underpinned by strong brands and excellent customer service and both delivered growing revenue and strong operational performance.

KWB Group has strong margins and excellent cashflow and requires limited capital to maintain and grow. KWB's revenue improved year on year as demand for high quality kitchen and wardrobe solutions continued to grow, producing record earnings of \$19.2m, an 18 per cent increase on 2021. It installed over 3,500 kitchens and 1,700 wardrobes and has tremendous growth potential.

Although customer demand remains strong, supply chain constraints around labour and some materials meant that KWB slowed some of its proposed expansion activities through the year. Our focus is on ensuring we can first deliver an exceptional customer experience and our reputation for quality and delivery is taking priority over pursuing growth which would risk our standards. Notwithstanding this, new showrooms in Penrith and Belrose in Sydney opened during the 2022 financial year, and Casula more recently. The deferred store openings and further expansion into Sydney remain in our forward plans as we head into the 2023 calendar year.

KWB is a cornerstone asset for Joyce Corporation that consistently delivers excellent returns for our shareholders and I would like to acknowledge the dedication and hard work of everyone at KWB, led by its Managing Director and fellow shareholder, John Bourke who is here today.

Chris Palin, the other fellow shareholder in KWB is also here today having recently retired from the Executive Finance Director of KWB. I thank him for his contribution over the years, having been key to the growth and development of the KWB business. Chris will continue as a Non-Executive Director of KWB.

Bedshed is one of Australia's most recognised brands, backed by a fantastic team of franchisees that strive for outstanding customer service. Our franchisees, Company owned stores and our head office marketing and products management teams delivered a strong underlying EBIT of \$5.4m in a year of pervasive challenging operating conditions.

The Bedshed franchisee network is the cornerstone of our Bedshed business, and we were very pleased to roll over all of the seven franchise agreements that were up for renewal this year and welcome three new franchise stores to the network in 2022. A further two franchisees have joined the group and secured store locations so far this financial year.

An exciting development for us last quarter was the unveiling of our home staging business, Crave. Launched as a pilot in Perth, Crave brings together Joyce Corporation's core strengths including our brand development and marketing capability, a good understanding of what consumers look for in the family home and deep relationships with suppliers in the home furnishings sector.

We have leveraged these to create a new business that will bring a sophisticated and refined offering to the highly fragmented home staging market – which is, essentially, the furnishing and decorating of homes for sale to a standard that maximises their sale potential.

This is a relatively low capital intensity opportunity that takes advantage of our existing capabilities. Although it is early days since the launch – the business is going to plan with exceptional customer feedback and we are excited about the potential opportunity to develop the business and ultimately grow it across Australia.

Of course during the year we continued to experience disruptions from COVID-19, which impacted our staff, and our franchisees, suppliers, contractors and customers. On behalf of the Board I'd like to thank everyone at Joyce and our partners who worked so hard to make sure our business delivered for our customers and shareholders during the year.

Looking ahead, we are in a great position to grow our core businesses. We have leading brands, a committed and hard-working group of people executing our strategy, a strong balance sheet to support them and an enormous market relative to our current share. We have experienced a solid start to FY23, although the economic environment and global inflationary pressures are something we continue to manage closely along with current labour shortages in critical areas.

KWB Group will continue its focus on expanding in Sydney when the time is right and expanding its wardrobe offering into more markets. Bedshed is also growing in NSW and nationally, and we continue to develop a strong pipeline of franchisees and further enhancing our e-commerce offering to support our bricks and mortar stores.

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

At a corporate level we welcomed Nick Palmer to the Board in September. Nick has deep experience in strategy development and implementation particularly in the retail sector with a number of leading businesses and he is already making a positive contribution on the Board.

Tim Hantke has advised that he will retire this financial year after a distinguished 16-years of service to Joyce Corporation. On behalf of the Board and shareholders I thank Tim for his invaluable contribution

to our Company.

Once again, I thank our staff, franchisees and partners for their contribution to the business. I would also especially thank my colleagues on the Board, and Dan Madden and John Bourke and their teams for their professionalism and support.

Finally, my thanks to you, Joyce Corporation's shareholders, for your ongoing and valued support of the Company. The Board remains committed to working hard to deliver continued strong operational performance and long-term sustainable revenue growth that will drive share price appreciation and healthy dividends for our shareholders.

ENDS

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