

31 August 2021

Results Announcement

Joyce Corporation returns record \$13m profit, boosts dividend

Joyce Corporation (ASX:JYC or “Joyce”) is pleased to report its results for the Financial Year Ending 30 June 2021.

Highlights

- **Group Revenue of \$111.2m** up 30% compared to prior year
- **EBITDA of \$24.3m** increased by 46% on Financial Year 2020
- Record **Group Net Profit After Tax of \$13m**
- **Net Profit After Tax attributable to Joyce shareholders a record \$7.6m** compared to a loss of \$1.1m in the prior year
- **Earnings per share¹** increased by 71% from prior year to **\$0.27 per share**
- **Year End dividend of 10 cents per share**, fully franked, resulting in record **full year franked dividend of 17 cents per share**
- Debt Free as at 30 June 2021 with **Group Cash of \$19.9m**

Joyce CEO Dan Madden said that a combination of strong operational performance and successful execution of the Company’s expansion strategy had enabled Joyce to capitalise on robust market conditions, resulting in record revenue and profits for the 2021 financial year.

“Our business has been particularly resilient to the COVID-19 pandemic. Both KWB Group and Bedshed have benefited from a lift in Australian consumer spending as Australians, unable to travel, elected to spend an increased proportion of their disposable income on their homes, but this only tells part of the story,” Mr Madden said.

“With an overriding focus on organic growth, we have been able to continue expanding KWB and Bedshed into New South Wales. The KWB Group expansion in NSW has been hugely successful with four stores opening during the year, giving KWB a footprint that extends across Queensland, South Australia and New South Wales. KWB has great organic growth potential in untapped locations including in Victoria and Western Australia and a ‘capital light’ business model with strong margins and excellent cash flow, establishing it as a core asset for Joyce Corporation.

“When coupled with strategic decisions, such as keeping Bedshed’s supply chains active during the early stages of the pandemic, and developing Bedshed’s e-commerce platform, we have gained market share with both of our Group’s businesses, and Joyce has emerged stronger as a result.”

Overview of Group Results for Year ended 30 June 2021^{1 2 3 4}

	2021	2020	Variance	
	\$'000	\$'000	\$'000	%
<i>Group Results from continuing operations</i>				
Revenue	111,224	85,757	25,467	30%
Gross Profit	58,807	45,037	13,770	31%
Contribution margin	55,162	44,137	11,025	25%
EBITDA	24,292	16,603	7,689	46%
NPAT from continuing operations	12,995	2,674	10,321	386%
<i>Loss from discontinued operations</i>	-	(2,319)	2,319	
Group NPAT	12,995	355	12,640	3561%
NPAT to JYC Shareholders from continuing operations	7,574	(1,107)	8,681	784%
<i>NPAT to JYC Shareholders from discontinued operations</i>	-	(1,655)		
Basic EPS	\$ 0.27	\$ 0.16	\$ 0.11	71%
Full Year Dividend Per Share	\$ 0.17	\$ 0.10	\$ 0.07	70%
Final Dividend	\$ 0.10	\$ 0.05	\$ 0.05	100%
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	2021	2020	Variance	
	\$'000	\$'000	\$'000	%
<i>Consolidated Group Cash</i>				
Cash and cash equivalents	19,881	10,643	9,238	87%
Loans and borrowings	-	(5,751)	(5,751)	-
Group Net Cash	19,881	4,892	14,989	306%

^{1 - 4} See Reference Section at end of announcement

Operating performance

Joyce Corporation has continued to strengthen in 2021 – weathering the storm of COVID-19, and ultimately emerging stronger than ever. In 2021 the strength of Joyce Corporation's partnerships, highly regarded brands and talented people combined to produce an exceptional result for shareholders.

	2021	2020	Variance	
	\$'000	\$'000	\$'000	%
KWB³				
Revenue	89,693	67,498	22,195	34%
EBIT	16,320	11,269	5,051	45%
	18%	17%	2%	
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Bedshed				
Revenue	21,531	18,259	3,272	18%
EBIT	5,886	1,791	4,095	229%
	27%	10%	18%	
³ Results shown are 100% of KWB. Joyce holds a 51% Interest in KWB				

KWB

KWB is a leader in Australia's home renovation market, delivering outstanding kitchen and wardrobe solutions to customers renovating their homes. Our Kitchen Connection and Wallspan brands operate a network of 25 sites across Queensland, NSW and South Australia. KWB is proudly the only Kitchen and Wardrobe renovation company to achieve over 1,500 Five Star reviews on Productreview.com.au - Australia's largest independent consumer review website.

KWB Group continues to deliver strong, consistent growth in revenue and profitability. Revenue has more than doubled from \$40.7 million in the 2016 Financial Year to almost \$90 million in the 2021 Financial Year.

In FY21 KWB's revenue increased 34% to \$89.7 million, up from \$67.5 million in the 2020 financial year.

Earnings Before Interest and Tax (EBIT) of \$16.3 million was up 45% on the prior financial year, and the historic trend of improving profit margins continued with EBIT at 18% of revenue (compared to 17% in 2020 and 15% in 2019).

KWB continued to deliver its store expansion plan, with four new showrooms opened in NSW, all of which traded strongly compared to historic early trading volumes of previous newly established stores. These new stores are delivering an accelerated payback on the investment required for their establishment.

The new openings demonstrate that KWB showrooms can deliver high levels of sales from the outset, and approximately four stores per annum are planned for the 2022 and 2023 financial years, which will put KWB in a position to be Sydney's number one kitchen renovator by the end of the 2022 financial year, building the network to a total of 28 stores.

KWB will also continue to increase installation capacity to match strong consumer demand.

Bedshed

Bedshed is one of Australia's leading brands, supplying quality bedding and furnishings to generations of Australian families. Bedshed operates a 37 store network including 32 franchise stores, instantly recognisable by their distinctive purple colour and tagline of "No one's better in the bedroom." Bedshed also operates a new and growing e-commerce business that complements, and supports, our bricks and mortar stores.

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

Revenue from the combined Bedshed Franchising and Company-owned operations grew to \$21.5 million from \$18.3 million over the 2021 financial year, and Earnings Before Interest and Tax (EBIT) increased by over 200% to \$5.9 million, up from \$1.8 million.

The Franchising operation increased EBIT to \$2.6 million, compared to \$2 million in the 2020 Financial Year, and continued its trend of improving profit margins with EBIT at 54% of revenue (compared to 50% in 2020 and 48% in 2019).

Bedshed's e-commerce platform, launched in Sydney during the year, providing a low-cost entry to the Sydney market. Supported by a creative marketing campaign, the e-commerce offering is building brand awareness and creating an attractive environment for new franchise operators, as Bedshed builds its presence in Australia's biggest consumer market.

Corporate

As at 30 June 2021 the Group had a strong net consolidated cash position of \$19.9 million, compared to \$4.9 million at 30 June 2020.

Funds will be used for the payment of the final dividend (approx. \$2.8 million), working capital, and for funding growth.

During the year the Group returned \$1.5 million in JobKeeper payments. JobKeeper was treated as one-off income in the first half of the financial year, with a corresponding expense in the second half of the financial year. When adjusted for the effects of JobKeeper the 2021 second half year group EBIT is comparable to first half.

Joyce CEO Mr Madden, said “The repayment of JobKeeper is in accordance with our values, and we believe this was the right thing to do.”

Joyce Corporation Chairman, Mr Jeremy Kirkwood, said Joyce was well placed to use its strong revenue flow to maintain healthy dividends to shareholders while investing to grow revenue.

“Joyce remains driven to continue to pursue a high level of operational performance, while implementing ongoing plans for organic growth,” Mr Kirkwood said.

“The Board has resolved to pay a fully franked final dividend of 10 cents per share, which brings our total dividend for the 2021 financial year to 17 cents per share. This is an increase of 7 cents from prior year and a record for Joyce Corporation. The total dividend of 17 cents per share represents 63% of normalised profit and is consistent with our stated intention of aiming for full year dividend payments to be between 60-80% of normalised NPAT.”

The Dividend is to be paid on 1 October 2021 to all shareholders registered as at the record date of 14 September 2021. 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 that whilst the response to COVID-19 was the dominant issue of the year, the senior management and Board had continued their focus on strategic decision-making and execution to position Joyce Corporation for the near and long-term.

“The continued and consistent revenue growth across our businesses provides a robust platform for strong and growing returns for Joyce Corporation’s shareholders,” Mr Madden said.

“Looking ahead, we approach 2022 with confidence, knowing that our partnerships are strong, and that if we continue to deliver on our brand promises we will maintain and grow our loyal customer base. Joyce will continue to invest in growing its network, with a near term focus on expanding KWB in growth areas of NSW and converting the strong interest from potential new Bedshed franchisees into network growth in NSW and across Australia in 2022.

“We do however remain mindful that COVID-19 creates an uncertain retail environment, due to current and potential future lockdowns within Australia and overseas sourcing countries, and by giving rise to challenges such as the continuing escalation of global shipping costs. We will continue to proactively assess and manage these risks”.

REFERENCES

This Announcement should be read in conjunction with the following documents lodged with the ASX on 31 August 2021 under the ASX ticker JYC:

- *Annual Report for the financial year ended 30 June 2021.*
- *Appendix 4E*
- *Dividend/Distribution*
- *Financial Year 2021 Results -Investor Presentation*

¹ *All pcg numbers are either “for the twelve month period ending 30 June 2020” or “as at 30 June 2020” and are as disclosed in the Annual Report for the year ended 30 June 2021 lodged with the ASX on 31 August 2021 (JYC: Annual Report for the year ended 30 June 2021).*

² *All numbers are as disclosed in the Annual Report for the financial year ended 30 June 2021.*

³ *Group net consolidated cash position includes the net cash retained by 100% of the KWB business (of which Joyce owns 51%).*

⁴ *FY20 EPS is based on NPAT attributable to JYC Shareholders from Continuing Operations net of impairment loss.*

ENDS

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

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