



JYC: 1H Exceeds Expectations

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

PRICE
A\$3.45/sh

TARGET PRICE
A\$4.50/sh
(FROM A\$4.30/sh)

RECOMMENDATION
BUY
(UNCHANGED)

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Event

JYC has reported 1H 2024 results.

Impact

The company delivered a strong set of results that exceeded expectations during a period of general macroeconomic uncertainty.

Key 1H financial highlights:

- Revenue +6% pcg to \$73.1m
- Group EBIT +23% pcg to \$13.3m
- NPAT attr. to JYC +35% pcg to \$4.7m

KWB – The business delivered record revenues, EBIT and operating margins as it continued to process the order book generated in FY23. KWB recorded \$52.3m of new orders during the 1H (~flat pcg); however after accounting for orders completed, the order book reduced from \$45.0m to \$34.5m and lead times normalised.

As of the 1H, the business had 25 showrooms (down 1 HoH). KWB is planning to open 2 new store in NSW during 1H FY25. Although tougher operating conditions and more normalised margins are expected in the 2H, the year has started strongly, with January 2024 orders up pcg.

Bedshed – While combined written sales were comparable to the pcg, revenues were impacted by timing of orders. Franchise margins improved pcg, whereas higher operating and establishment costs saw company-owned store margins reduce.

Bedshed finished the 1H with 37 franchise locations (flat HoH) and 6 company-owned stores (up 2 HoH).

Crave – Generated \$0.5m of revenue and was EBITDA positive over the 1H.

The company maintains a strong balance sheet with \$33.9m in consolidated cash (\$24.8m attributable to JYC) and no debt (excl. leases).

Moreover, JYC declared an 11.0cps fully franked interim dividend for the 1H (+38% pcg), implying a ~6.4% annualised yield.

As a consequence of the better than expected results, we have upgraded our forecasts.

Action

We maintain our Buy Recommendation with an upgraded \$4.50/sh Price Target (vs \$4.30/sh), reflecting the better than expected result.

Our Valuation and Price Target is predicated on JYC delivering growth per our forecasts.

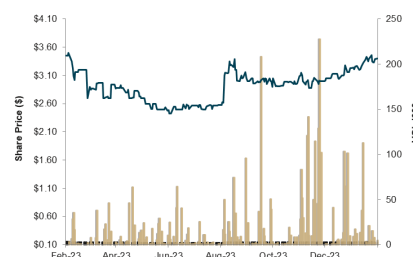
JYC trades on a forward 11x P/e and 6.1% fully franked dividend yield.

Catalysts

- Trading Update
- Full Year Results

Share Price	3.45	A\$/sh	
Price Target	4.50	A\$/sh	
Valuation (DCF)	4.50	A\$/sh	
WACC	11.0%		
Terminal Growth	2.5%		
Shares on issue	28.4	m, dil	
Market Capitalisation	98.0	A\$m	
Enterprise Value	85.5	A\$m	
Cash	33.9	A\$m	
Debt (inc leases)	21.4	A\$m	
Key Metrics	23A	24F	25F
Revenue (A\$m)	144.7	144.5	156.6
EBITDA (A\$m)	32.9	31.6	32.5
EBIT (A\$m)	25.9	24.5	25.4
Norm NPAT (A\$m)	9.1	8.9	9.3
Reported NPAT (A\$m)	7.9	8.9	9.3
Gross CF (A\$m)	11.2	10.8	11.1
Capex (A\$m)	-3.5	-1.8	-1.8
Op. Free CF (A\$m)	7.0	-0.1	11.0
Revenue Gwth (%)	12%	0%	8%
EBITDA Gwth (%)	27%	-4%	3%
Norm NPAT Gwth (%)	22%	-3%	4%
Norm EPS (Ac)	32.1	31.1	32.5
Norm. EPS Gwth (%)	22%	-3%	4%
PER (x)	12.4	11.1	10.6
DPS (Ac)	25.5	21.0	21.0
Dividend Yield (%)	7.4%	6.1%	6.1%
Net Debt (A\$m)	-27.0	-20.2	-27.1
Net Debt:Equity (%)	-72%	-49%	-59%
Interest Cover (x)	26.1	24.1	24.7

Performance



Source: IRESS

Income Statement	23A	24F	25F
(+) BedShed	21.3	21.5	22.0
(+) KWB	123.4	122.0	133.6
(+/-) Other	0.0	1.0	1.0
Total Revenue	144.7	144.5	156.6
(-) COGS	-78.5	-78.4	-85.0
Gross Profit	66.2	66.1	71.6
(-) Operating Expense	-33.3	-34.5	-39.2
EBITDA	32.9	31.6	32.5
(-) D&A	-7.0	-7.2	-7.1
EBIT	25.9	24.5	25.4
(-) Net Finance	-0.2	0.4	0.6
EBT	25.8	24.9	26.0
(-) Tax Expense	-7.6	-7.5	-7.8
(-) Non-Controlling interest	-8.4	-8.5	-8.9
(+/-) Abnormals (pre-tax)	-1.8	0.0	0.0
Reported NPAT	7.9	8.9	9.3
Norm NPAT	9.1	8.9	9.3
Cashflow Statement	23A	24F	25F
NPAT	7.9	8.9	9.3
(+) D&A	7.0	7.2	7.1
(-) Lease Expense	-5.3	-5.3	-5.3
(+/-) Other	1.6	0.0	0.0
Gross Cashflow	11.2	10.8	11.1
(-) Capex	-3.5	-1.8	-1.8
(-) Change in NWC	-0.7	-9.1	1.7
Operating Free Cashflow	7.0	-0.1	11.0
(+/-) Sale of PP&E	15.8	0.0	0.0
(+/-) Other	-1.7	-1.3	0.0
(+) NCI	8.4	8.5	8.9
(-) Dividend Equity holders	-4.8	-7.3	-6.0
(-) Dividends NCI	-10.6	-6.8	-7.1
Net Cashflow	14.1	-7.0	6.8
BoP Net Cash	16.6	27.0	20.2
(+/-) Net Cashflow	14.1	-7.0	6.8
(+/-) AASB16 Adj.	-3.7	0.1	0.1
EoP Net Cash	27.0	20.2	27.1
Balance Sheet	23A	24F	25F
Cash	46.1	39.2	46.2
Receivables	0.7	0.7	0.7
Inventories	2.6	3.2	3.5
Other Assets	1.0	1.0	1.0
Other Financial Assets	1.7	1.7	1.7
Total Current Assets	52.0	45.8	53.0
Receivables	2.0	2.0	1.9
Deferred Tax Assets	2.0	2.0	2.1
ROUA	17.8	17.8	17.8
PP&E	4.9	5.5	5.4
Intangibles	7.7	7.6	7.5
Total Non-current Assets	34.4	34.9	34.7
Total Assets	86.4	80.7	87.7
Payables	22.7	17.2	18.6
Provisions	3.0	2.9	3.3
Current Lease Liabilities	5.4	5.4	5.4
Borrowings	0.0	0.0	0.0
Provisions for Income Tax	3.3	0.0	0.0
Total Current Liabilities	34.5	25.5	27.3
Borrowings	0.0	0.0	0.0
Non-Current Lease Liabilities	13.6	13.6	13.6
Deferred Tax Liability	0.0	0.0	0.0
Provisions	0.6	0.5	0.6
Total Non-Current Liabilities	14.2	14.2	14.2
Total Liabilities	48.6	39.6	41.5
Net Assets	37.8	41.1	46.1
Contributed Equity	19.2	19.2	19.2
Reserves	3.1	3.1	3.1
Non-controlling interests	4.8	6.5	8.3
Retained Earnings	10.7	12.3	15.6
Total Equity	37.8	41.1	46.1

PERFORMANCE RATIOS	23A	24F	25F
Growth & Margins			
Revenue Growth	12%	0%	8%
EBITDA Growth	27%	-4%	3%
EBIT Growth	28%	-6%	4%
Reported NPAT Growth	-13%	12%	4%
Normalized Net Profit Growth	22%	-3%	4%
EBITDA margin	23%	22%	21%
EBIT margin	18%	17%	16%
Normalized net profit margin	5%	6%	6%
Effective tax rate	30%	30%	30%
Liquidity			
Capex/depreciation (x)	0.5	0.2	0.2
Current ratio (x)	1.5	1.8	1.9
Quick ratio (x)	2.1	2.3	2.5
Receivable days	1.8	1.9	1.6
Payable days	105.6	80.0	80.0
Risk Measures			
Dividend Cover (x)	1.1	1.5	1.5
Payout ratio (%)	66%	82%	65%
Net interest cover (x)	26.1	24.1	24.7
Net debt/equity (%)	-72%	-49%	-59%
Returns			
Return on Invested Capital	29%	26%	25%
Return on Assets	9%	11%	11%
Return on Equity	24%	26%	24%
SHARE DATA/VALUATION	23A	24F	25F
Share Data			
Issued shares (m)	28.4	28.5	28.5
Weighted ave shares (m)	28.3	28.5	28.5
Fully diluted shares (m)	28.4	28.5	28.5
Basic EPS (c)	27.9	31.1	32.5
YoY change (%)	-13%	11%	4%
Fully diluted EPS (c)	27.9	31.1	32.5
YoY change (%)	-13%	11%	4%
Fully diluted normalised EPS (c)	32.1	31.1	32.5
YoY change (%)	22%	-3%	4%
Dividend/share (c)	25.5	21.0	21.0
Franking (%)	100%	100%	100%
Gross cashflow/share (c)	39.4	37.7	38.9
NBV/share (c)	116.1	121.3	132.8
NTA/Share (c)	105.7	117.4	135.4
Valuation			
PER (Basic) (x)	12.4	11.1	10.6
PER (Fully diluted) (x)	12.4	11.1	10.6
PER (Fully diluted, norm) (x)	10.7	11.1	10.6
P/CFPS (x)	8.8	9.1	8.9
Price/NBV (x)	3.0	2.8	2.6
Price/NTA (x)	3.3	2.9	2.5
Dividend Yield (%)	7%	6.1%	6%
EV/EBIT (x, Ex. NCI)	4.9	5.4	5.2
EV/Revenue (x)	0.6	0.6	0.5

Forecasts

We build out our forecasts as follows:

Figure 1: Forecasts

	Units	2022A	2023A	1H24a	1H24F	2024F	2025F	2026F
Locations								
KWB	x	25	26	25	25	25	28	31
Bedshed*	x	39	41	43	43	43	46	49
KWB	A\$m	108.0	123.4	62.1	59.9	122.0	133.6	151.5
Bedshed	A\$m	21.1	21.3	10.5	11.1	21.5	22.0	22.5
Other	A\$m	0.0	0.0	0.5	0.5	1.0	1.0	1.0
Total Revenue	A\$m	129.0	144.7	73.1	71.4	144.5	156.6	175.0
Reported EBITDA	A\$m	25.8	32.9	16.8	14.8	31.6	32.5	36.3
KWB	A\$m	19.2	25.0	13.5	10.6	24.0	24.3	27.5
Bedshed	A\$m	4.8	5.0	2.3	2.2	4.5	5.1	5.8
Corp OH/ Other	A\$m	-3.7	-4.1	-2.4	-1.6	-4.1	-4.1	-4.1
Reported EBIT	A\$m	20.3	25.9	13.3	11.2	24.5	25.4	29.2
Reported NPAT	A\$m	9.1	7.9	4.7	4.1	8.9	9.3	10.7
Norm. NPAT**	A\$m	7.5	9.1	4.7	4.1	8.9	9.3	10.7
DPS	Acps	18.0	25.5	11.0	10.0	21.0	21.0	22.0

Source: EH estimates, company announcements

*Incl company owned stores

**Norm for Crave startup costs, prop sale

Figure 2: JYC 1H Results Summary

KWB Group



KWB Group's trading brands, Kitchen Connection and Wallspan, operate a network of 25 showrooms across Queensland, NSW, and South Australia. KWB is a clear leader in the kitchen & wardrobe renovation market, delivering an exceptional consumer experience for its customers. It is proudly the only kitchen and wardrobe renovation company to achieve over 3,500 5-star reviews on Australia's largest independent consumer review site (Productreview.com.au).

REVENUE
1H Y24

\$62.1M

EBIT
1H Y24

\$13.5M

Bedshed

Bedshed supplies quality bedding and bedroom furnishings across Australia and is one of the industry's most recognisable brands. Bedshed continues to focus on the growth of its network along with its e-commerce offering that supports its company-owned and franchise stores.

REVENUE
1H Y24

\$10.5M

EBIT
1H Y24

\$2.3M

crave

Crave is Joyce Group's newest brand and business offering. Launched as a pilot in September 2022, into the Perth market, Crave – Irresistible Home Staging, supports property sellers and real estate agents by transforming houses for sale into homes to love. This pilot business complements Joyce's portfolio of home-focused services and retailing.

REVENUE
1H Y24

\$0.5M

EBIT
1H Y24

(\$0.1M)

Source: Company presentation

Figure 3: KWB Group Locations

- Wallspan
 - 3 x SA Showrooms
- Kitchen Connection
 - 12 x QLD Showrooms
 - 10 x NSW Showrooms



Source: Company presentation

Figure 5: KWB Group Network Summary

June '23	Showrooms	Dec '23
26	(1)	25
<div> <div> <p>Closure of Keswick showroom in SA following end of lease</p> <p>Seeking opportunistic expansion in SA and QLD</p> </div> <div> <p>Program of renovation and refurbishment continued in 1HY24</p> <p>Improved customer conversion rates and enhanced productivity</p> </div> </div>		
<div> <div> <p>NSW expansion on hold during 1HY24 due to a tight labour market</p> </div> <div> <p>Labour market now improving with active recruitment ongoing</p> <p>2 new store openings in NSW in planning for 1HY25</p> </div> </div>		
<p>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</p>		

Source: Company presentation

Figure 4: Bedshed Locations

- Company operations
 - 2 x WA Stores
 - 2 x QLD Stores
 - 2 x NSW Stores
- Franchise operations
 - 12 x WA Stores
 - 10 x QLD Stores
 - 12 x VIC Stores
 - 3 x NSW Stores



Source: Company presentation

Figure 6: Bedshed Network Summary

Store	June '23	New Stores	Jan '24
Franchised	37	-	37
Company	4	2	6
<div> <div> <p>Jindalee store (Brisbane) opened August '23</p> <p>Toowoomba (SE QLD) opened December '23</p> </div> <div> <p>Castle Hill & Alexandria* (Metro Sydney) now company-owned, positioning NSW franchise network for growth</p> </div> </div>			
<div> <div> <p>Joondalup (WA) - company-owned and moving to new location, with new "Evolution" store fitout May '24</p> </div> <div> <p>Strong relationship with franchisees - 1 franchised store up for resale in 10+ years and many franchisees in network 20+ years</p> </div> </div>			
<p>Long Term Planned network of 65 stores</p>			

*Alexandria acquisition settled in January 2024

Source: Company presentation

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Company disclosures

The companies and securities mentioned in this report, include:

Joyce Corporation Limited (JYC.ASX) | Price A\$3.45 | Target price A\$4.50 | Recommendation Buy;

Price, target price and rating as at 28 February 2024 (not covered)*

Additional disclosures

Euroz Hartleys declares that it has been engaged in a buy back during the last year. Euroz Hartleys has received a fee for these services from: Joyce Corporation Limited (JYC.ASX)

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