

# Quick Comment

## Joyce Corporation Ltd (JYC \$2.65) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Seth Lizee	28 <sup>th</sup> June 2021	\$3.15/sh

### Trading Update & Expansion Commentary

#### Key Points

JYC has provided a trading update and commentary on NSW expansion:

- **Trading Update / Outlook**
  - Strong 2H trading environment to date;
  - Continued sales momentum across both businesses reflected in written order for CY'21 to end of May
  - KWB – Both new and existing stores have exceeded expectations for the 2H to date, in addition to a strong order book
  - Bedshed – robust trading conditions for 2H to date
  - As a result of strong operating conditions, JYC expects 2H'21 consolidated revenues to be at or around the 1H'21 results (circa \$53m, vs \$45m EHSL 2H'21 forecasts)
  - Beyond that, the company highlights confidence around the strong results experienced in FY'21 continuing into FY'22
  - JYC has further reaffirmed it intends to pay 60-80% of normalised NPAT as a dividend (on a full year basis)
- **KWB Group (Kitchen Connection and Wallspan)**
  - The company is planning on opening circa 4 showrooms p.a. (vs EHSL forecasts 3/pa in FY22 and beyond)
  - Immediate focus will see KWB extend into southern suburbs of Sydney in FY22 and FY23
  - Beyond that, longer term opportunities exist in untapped cities including: Melbourne, Perth, and other regional areas
  - KWB has added 4 new showrooms over FY21 across NSW
- **Bedshed**
  - Bedshed's expansion into NSW is underway with recent opening of an online E-Store.
  - The E-Store provides Bedshed with a low-cost entry to market, allowing the company to build awareness and create a more attractive environment for franchise operators.
  - This is being followed by the introduction of franchise stores
  - Two new franchisees have recently joined the network with stores to open in Tuggerah and Rutherford in coming months
  - The company is planning further expansion of its franchise network within the greater Sydney region and other locations across Australia in FY22
- **Corporate**
  - JYC has returned \$1.5m of JobKeeper to the ATO (inclusive of tax and will be treated as deductible for tax purposes)
  - The company further states its in advanced discussions to repay its debt balance, expecting both the company and JYC group will have a nil debt balance by the end of FY21
- We maintain our Speculative Buy recommendation and \$3.15/sh. Price Target

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### Investment Thesis

JYC today has provided a trading update and commentary on NSW expansion. Per the commentary provided, operating conditions for the H to date have been robust across both businesses. JYC further stating it expects 2H revenues to match or about 1H reported, implying a potential beat on EHSL forecasts. Beyond that the company has outlined a solid growth pathway into NSW which should underpin a similarly solid FY'22. JYC has further stated its returned \$1.5m in JobKeeper, as well as its intentions to be debt free by the end of the financial year. We believe if JYC can meet our forecast on its current portfolio of companies that the stock can re-rate. On our forecast JYC trades on a undemanding forward P/e of ~12x with a ~6% dividend yield. We maintain our Speculative Buy recommendation and \$3.15/sh. Price Target.

### Joyce Corporation Ltd (JYC)

Share Price	2.65	A\$/sh	Enterprise Value	75.9	A\$/m
Price Target	3.15	A\$/sh	Debt (inc. Leases)	19.6	A\$/m
Valuation	3.15	A\$/sh	Cash	18.2	A\$/m
Shares on issue	28	m(dil)			
Market Capitalisation	74.5	A\$m			

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