28 August 2020

Attention: Manager ASX Announcements

Regarding: Joyce Corporation Ltd (ASX: JYC)

Performance in a year of adversity

Joyce Corporation (ASX:JYC, "Joyce" or "Company") is pleased to announce it has achieved strong revenue and EBIT growth through a difficult trading year, putting the Company in a position of financial strength entering into 2021.

Highlights

- **Revenue from continuing operations up 4% on FY 19 to $87.6m (adjusted for the divestment of Lloyds Online)**
- **Underlying EBIT up 20.3% to $12.0m**
- **Strong performance of our KWB Group and Bedshed divisions through the disruption of caused by the COVID-19 pandemic**
- **Divested Lloyds Online Auctions**
- **Focus on cash-generation and reducing debt to strengthen our balance sheet and position the Company for future growth**
- **The Board has determined to pay a prudent final dividend for FY20**
- **One off asset impairment of $5.5m**

Joyce Corporation Chairman Mr Mike Gurry said he was pleased the company was able to safely navigate the COVID-19 environment while improving its underlying financial performance.

"Our strong retail brands, dedicated people, and focused franchisees and management team have worked together to deliver a remarkable result for our shareholders - increasing revenue, and in the case of Bedshed, market share, at a time when many in the retail sector have not fared so well," Mr Gurry said.

"We have built resilient businesses that have maintained connection with their customers and supply chain during the uncertainty of COVID-19, and I would like to thank everyone in the businesses who played their role in this result."

"I would also like to acknowledge our former colleagues from Lloyds Online Auctions, a business that transformed during our partnership and which has now gone in a new direction under new ownership."

Joyce Corporation's performance through the year was driven by its KWB Group and Bedshed divisions.

KWB Group

KWB Group operates under the Kitchen Connection and Wallspan Kitchen and Wardrobes brands. This year the division opened another showroom at Tweed Heads, continuing its growth in major population centres and bringing its showroom count to 21.

Throughout the year KWB implemented a new customer engagement structure and is now interacting with customers seven days a week. Despite closing the network for four weeks at the height of the COVID-19 pandemic, KWB bounced back strongly in the fourth quarter to record a 3.9% increase in sales revenue for the year. The $67.5m revenue result delivered a segment profit of $11.3m, an increase of 19.2% on FY19.

KWB is continuing to focus on efficiencies and growth, by improving its internal operating systems and by generating revenue from new geographies, including plans for new showrooms in Sydney's northern suburbs in 2021.

Bedshed

As one of Australia's most recognised brands, Bedshed was well-positioned to manage the impacts of the COVID-19 pandemic. The Company and its franchisee partners took the decision to keep its showrooms open during the pandemic – maintaining engagement with customers and suppliers – and allowing Bedshed to increase its market share and revenue for the period.

Bedshed's marketing team was rewarded with a win in the Large Format Retailers Marketing Awards, and achieved national publicity through product placement deals on a high profile reality television show. Bedshed also focused on improving customer experience through the rollout of new point of sale and e-commerce solutions.

The division delivered a 4.4% increase in revenue, to $20.1m, and a 52.8% increase in segment profit at $3.7m (excluding one off impairments).

Lloyds Online

During the second half of the financial year we took the decision to divest our remaining 46% interest in the Lloyds Online Auctions business for $3.8m. At this stage of their journey, and in this environment, Lloyds is best positioned with its new ownership structure.

Dividends

On 27 March,2020, Joyce updated the market to advise that the Board had taken a prudent approach to the payment of the interim dividend, by deferring the final date of payment to 25 September, 2020. This ensured cash was maximised through a period of uncertainty thereby minimising risk for the organisation. Through this and a series of other initiatives the Group finished the financial year with 52% more cash than 12 months earlier.

With this in mind, the Joyce Corporation is pleased to announce that the Board has determined to pay a fully franked final dividend of 2.7c per share, payable on 16 November 2020. The Board acknowledges that this is below previous years, but believes it is prudent to preserve cash in the business whilst the uncertainty in markets related to COVID-19 remains. If there is sufficient capacity when the half year results are known for FY21 then the Board will consider paying a higher interim dividend to bring overall payments up to a level experienced by shareholders immediately prior to the COVID-19 pandemic.

Corporate

The Board are focused on increasing profit and market valuation. During the year we focused on making progress towards this goal by rationalising our portfolio, improving our balance sheet, strengthening our financing facilities and focusing on the continuous improvement of our operations. These enhancements have put us in a strong position to pursue organic and inorganic growth opportunities.

Mr Jeremy Kirkwood will move into the Chair's role following the Company AGM in November, and Mr Mike Gurry will remain on the Board as a Non-Executive Director subsequent to the transition.

Mr Gurry also announced changes at the CEO level. "Chief Executive Officer Keith Smith has announced he will leave the business, having made a significant contribution to optimising our business model and processes. Keith has agreed to stay with us as we transition a new CEO into the role. On behalf of the Board, I'd like to thank him for his contribution and wish him well into the future," Mr Gurry said.

CEO Back Pay

As indicated to the market in the release dated 17 June 2020 the CEO had deferred 50% of his pay during the height of the COVID-19 impacts. With the Group's current liquidity the Board has authorised the payment of the deferred amount owing to the CEO, which is $29,500.

Authorised by – Mike Gurry, Chair of the Board

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