

FY22 Results (unaudited)

dusk Group Limited ('dusk', ASX: DSK) today provides its preliminary (unaudited) FY22 results for the 53 weeks ending 3 July 2022.

FY22 Highlights:

- Sales of \$138.4m, -6.9% yoy¹ (FY21: \$148.6m); +37.3% on FY20
- Total Like for like sales (LFL)² was -10.5% (cycling +32.7% in FY21)
 - Stores LFL -11.5% (cycling +32.9% in FY21)
 - Online sales +2.9% (cycling +27.0% in FY21)
- Gross margin of \$93.7m, -7.5%; gross margin rate of 67.7% (FY21: 68.2%)
- Pro forma EBIT³ of \$26.5m, -31.1% (FY21: \$38.4m); +124.3% on FY20
- Net cash of \$21.3m at year end and no debt (FY21: \$21.4m)
- 132 stores (including online) at year end, an increase of 10 new stores
- Inventory of \$15.4m at year end (FY21: \$14.4m)
- dusk Rewards active members of 755,000, +9.7%
- Final fully franked dividend of 10 cents per share, bringing full year FY22 dividends to 20 cents per share with a payout ratio of 67%

CEO and Managing Director Peter King said:

"There is much to be pleased about in this result when considered in the context of the trading conditions seen in the year, especially in the first half where store closures reduced store trading days by approximately 24% and the Omicron variant reduced foot traffic over summer, including in the important Christmas trading season.

"In FY22, we cycled exceptional LFL sales growth of +32.7% in the previous year. Although total and LFL sales were lower in FY22, we achieved strong results for Christmas and Mothers' Day, and pleasing growth on a two-year basis (i.e. since FY20). Importantly, we feel we consolidated the step change in sales and earnings of the business compared to the pre-pandemic period.

"We continued to prioritise long-term growth, opening ten new stores in Australia, extending our online retailing capabilities, and laying the groundwork for our expansion into New Zealand.

¹ Year-on-year (yoy)

² Like for like (LFL) sales calculation excludes stores closed for refurbishment or COVID-19 related closures.

³ Pro forma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, NSW JobSaver receipts, rental concessions, Eroma acquisition costs (terminated transaction) and is pre-AASB 16.

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"We continued to drive product innovation and have expanded our health and wellbeing offering. We have also pursued opportunities to extend our gifting options to better cater for gifting occasions outside Mothers' Day and Christmas.

"dusk's vertical retail model, granular and careful buying and long-term supplier partnerships ensured our inventory levels were well balanced at year end. Our Christmas 2022 orders have already been placed and we do not expect any material impediment to inventory inflows ahead of this key trading period.

"For the first eight weeks of FY23, total sales are up 33.2%, or \$4.2m versus prior year. We are seeing large channel shifts in our business, with customers returning to stores and sales in the online channel declining materially versus prior year.

"While we acknowledge the more challenging macro-economic environment that is emerging, we are seeing our customer respond well to our offering, especially our new products. Our experience is that strong execution and offering new, exciting and 'on-point' product can 'trump' economic conditions, and we are seeing this hold true in the current environment.

"Given we are now cycling the store closure periods in the first half of FY22, comparisons with prior year results, including LFL sales, are less insightful than usual, and this dynamic will persist for the next few months. We are encouraged by the fact that weekly sales delivered are on a trend of growth as the FY23 year has progressed.

"We expect to open a further five stores in Australia before Christmas. We have also committed to open our first three stores and a new website (duskcandles.co.nz) in New Zealand across September and October 2022. This is our first step into retailing outside Australia and is an important milestone for the Company."

FY22 Result Overview

FY22 sales of \$138.4m were 6.9% lower yoy, impacted by government mandated store closures in the first half which reduced the number of store trading days by approximately 24% (5,483 trading days lost). On a two-year basis, FY22 sales were 37.3% higher on FY20. LFL sales were 10.5% lower yoy but 27.5% higher versus FY20.

Online sales of \$11.6m were 2.9% higher yoy and represented 8.3% of total sales. An upgraded web platform went live in August 2021 and Click & Despatch (ship from store) was trialled in the 2H with a rollout planned in early FY23. We are optimistic about the potential benefits of exposing a much larger portion of our total inventory holding to the online channel and the enhanced online shopping experience this can deliver.

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The table below summarises sales results achieved in FY22 compared to both FY21 and FY20.

Sales growth, unaudited	FY22 versus:	
	FY21	FY20
Headlines:	%	%
Total Sales	-6.9	+37.3
Total LFL Sales	-10.5	+27.5
Channel Breakdown:		
Stores Sales	-7.7	+37.9
Stores LFL Sales	-11.5	+27.0
Online Sales	+2.9	+30.7

Average transaction value (ATV) of \$54 was 4.8% higher yoy reflecting price increases implemented in June 2021 across dusk's core candle ranges.

Active membership in dusk Rewards, our loyalty program, increased by 9.7% to over 755,000 members. Average transaction value for members was \$60 (up 4% yoy) which is materially higher than non-members and members accounted for 62% of total sales (FY21: 60%). Members most commonly sign up in store, and this is their preferred shopping channel. The opening of additional stores in new catchment areas is expected to further accelerate growth in member numbers. The strategic importance of dusk Rewards continues to grow and delivers us rich and unique insights in relation to our customers preferences that allows us to provide tailored offerings to customer cohorts.

Ten new stores were opened and have performed well. Our store economics remain compelling, with all stores profitable and a further eight stores upgraded to our 'Glow 2.0' store format.

Inventory finished the year at \$15.4m compared to \$14.4m in FY21. This reflected the addition of ten new stores as well as the initial inventory build for the planned expansion into New Zealand, and early preparation for the opening of a further five stores in Australia before Christmas 2022.

The Board has declared a fully franked final dividend of 10 cents per share. The record date is September 13 with a payment date of September 27. This final dividend brings full year dividends for FY22 to 20 cents per share.

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Trading Update & FY23 Outlook

We are pleased with the sales results for the first eight weeks of FY23 as summarised in the table below.

Sales growth, unaudited	First 8 weeks FY23 versus:		
	FY22	FY21	FY20
Headlines:	%	%	%
Total Sales	+33.2	-6.0	+53.5
Stores Sales	+49.5	-1.8	+51.9
Online Sales	-50.4	-43.7	+82.7

Trade was notably stronger in August versus July. This lift in momentum was driven by the business having a full suite of new season merchandise available in store and online.

LFL sales are not considered a useful measure in 1H FY23 given the extent of store closures in 1H FY22 and the channel mix normalisation occurring between bricks and mortar sales and online sales.

Gross margin is trending in line with prior year. Our inventory is currently well balanced to meet demand with orders placed well in advance for the peak Christmas period. Our strategic focus on strong execution and a nimble operational model is unchanged.

We operate a multi-channel business model with a differentiated and exclusive range and a compelling relative price proposition. We offer customers an affordable gift or small personal luxury. These factors have been at the heart of our historic success, and we expect they will remain essential to our performance in a more difficult macro-economic environment.

Given the ongoing uncertainty surrounding the macro-environment, the Board is unable to provide FY23 earnings guidance at this time.

Investor Conference Call

CEO and Managing Director Peter King and CFO Kate Sundquist will host a conference call for the investment community including a Q&A session at **11am AEST today 2 September 2022**.

To register for the conference call and access dial-in details, please follow the link below.

<https://s1.c-conf.com/diamondpass/10023107-dk3l19.html>

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The release of this announcement was authorised by the Board of Directors of dusk Group Limited.

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About dusk

dusk is an Australian specialty retailer of home fragrance products, offering a range of dusk branded premium quality products at competitive prices from its physical stores and online store. dusk's product range is designed in-house and is exclusive to dusk. dusk has grown to become the leading Australian omni-channel specialty retailer focused on home fragrance products. The product offering comprises candles, ultrasonic diffusers, reed diffusers and essential oils, as well as fragrance related homewares. Our goal is to be our customers' preferred destination for home fragrance products and for their gifting needs – including personal indulgences and 'gifts for oneself'.

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