

1H FY23 RESULTS PRESENTATION

**Peter King (CEO) &
Kate Sundquist (CFO)**

24 February 2023

**dusk is a leading omni-
channel speciality retailer of
home fragrance products**

dusk



1H FY23 Summary

SALES PERFORMANCE

- Total sales of \$86.1m, +7.6% vs pcp (+47.0% vs 1H FY20)
- Total LFL¹ sales -10.4%

OMNI-CHANNEL

- Online sales of \$4.8m, -37.8% vs pcp (+40.7% vs 1H FY20)
- Represents 5.6% of total sales
- Channel mix continued to normalise

GROSS MARGIN²

- Gross margin of \$57.7m, +6.1% vs pcp
- Gross margin rate 98 basis points lower to 67.0%

PRO FORMA EBIT³

- Pro forma EBIT of \$19.1m, -10.2% vs pcp
- 1H FY23 saw a return to more typical costs of doing business (CODB) after 3 years of COVID-19 impacts

CASHFLOW GENERATION AND STRONG BALANCE SHEET

- Net cash of \$32.9m at period end (no debt) vs \$33.3m in pcp
- Inventory \$17.6m vs \$19.6m in pcp
- Fully franked interim dividend of 8 cents per share declared

1 LFL sales calculation excludes stores closed for refurbishment or COVID-19 related closures

2 Pro forma gross margin includes gain/loss on FX derivatives which is shown in other income in the statutory results

3 Pro forma EBIT is unaudited and excludes NSW JobSaver receipts, rental concessions, Eroma acquisition costs (terminated transaction), NZ setup costs and is pre-AASB 16

Profit and Loss

COMMENTARY

- Total sales \$6.1m higher, +7.6%
- 9 new stores opened in 1H, finishing at 141 (including online)
- Gross margin \$3.3m higher, +6.1%
- Gross margin rate 98 basis points lower driven by increased promotional intensity and AUD deterioration vs USD
- CODB up \$5.2m, +16.3% driven by new stores, increased wage rates and elevated inflation
- CODB in 1H FY22 was approximately \$2.5m lower than normal given periods of prolonged store closures in NSW, VIC & QLD where teams were stood down. Adjusting for this CODB was up 8% vs pcp
- Pro forma EBIT of \$19.1m, -10.2%
- Pro forma NPAT¹ of \$13.3m, -9.5%
- Pro forma earnings per share (EPS) of 21.4 cents, -9.5%

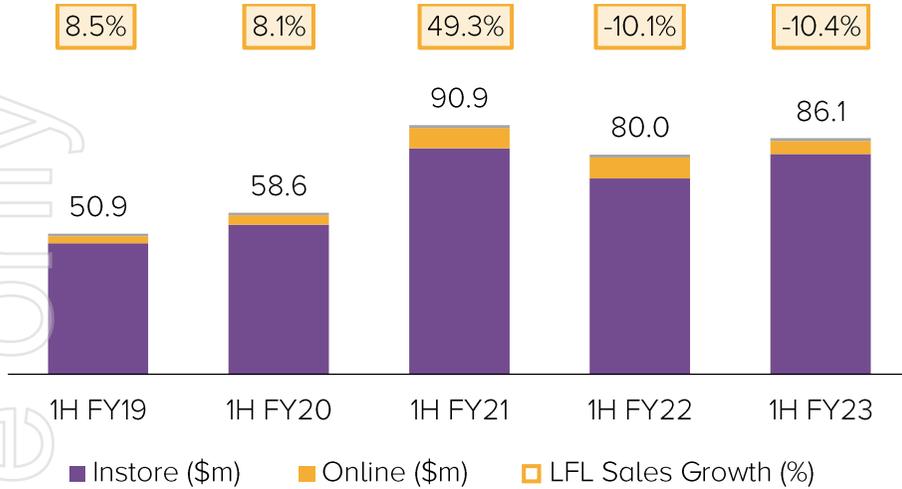
PRO FORMA RESULTS

\$M	1H FY22	1H FY23	% Change
Revenue	80.0	86.1	7.6%
Gross profit	54.4	57.7	6.1%
Gross profit %	68.0%	67.0%	-98 bps
CODB	(31.5)	(36.7)	16.3%
CODB %	39.4%	42.6%	+318 bps
EBITDA	22.8	21.0	-8.0%
EBITDA %	28.6%	24.4%	-415 bps
EBIT	21.3	19.1	-10.2%
EBIT %	26.6%	22.2%	-442 bps
NPAT	14.7	13.3	-9.5%
NPAT %	18.4%	15.5%	-292 bps

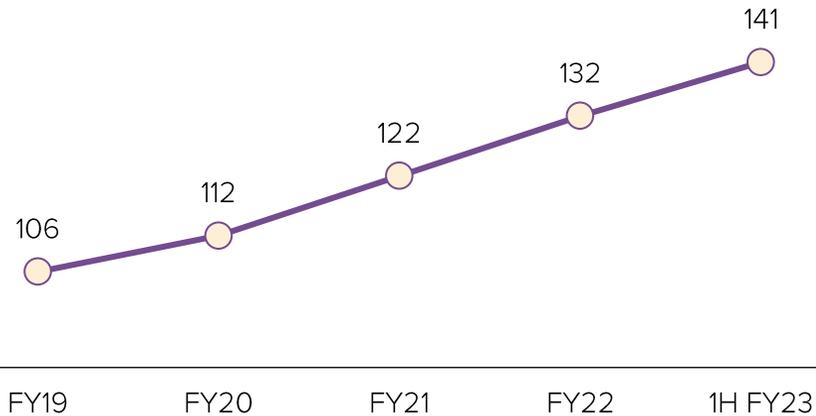
1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT

Sales

SALES (\$M) AND LFL SALES GROWTH

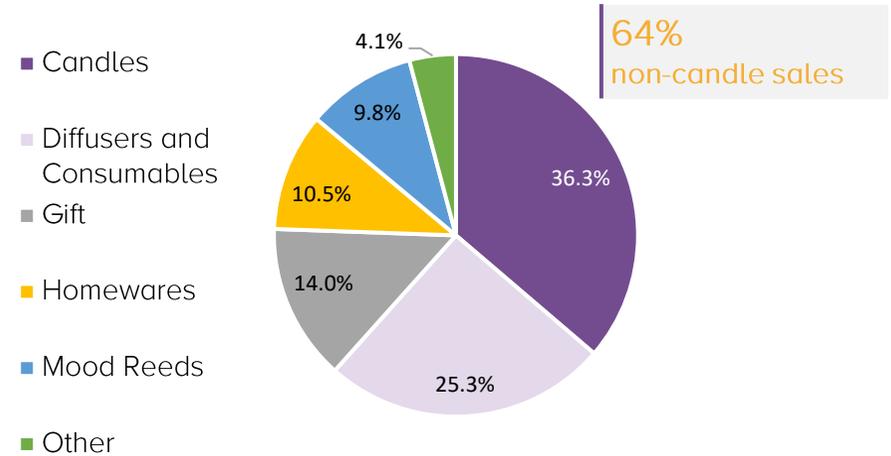


GROWING STORE NETWORK¹



1. Store count includes online stores in Australia and New Zealand

SALES BY CATEGORY



COMMENTARY

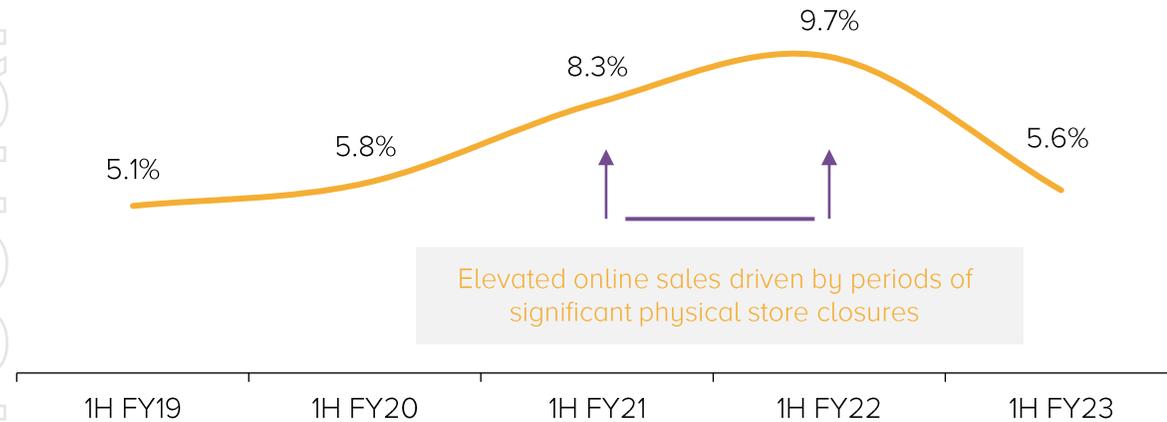
- Total sales were +7.6% vs pcp, with stores +12.5% and online -37.8%
- Total LFL sales were -10.4%, with stores -6.9% and online -37.8%
- Foot traffic outside our stores in the 7 key trading weeks leading to Christmas was -29% vs pcp
- Pleasingly when customers were in store, sales conversion by our team was strong at 70% vs 57% in pcp
- Sales in the NZ trial were in line with expectations

Online Channel

ONLINE SALES (\$M)



ONLINE PENETRATION (% OF SALES)

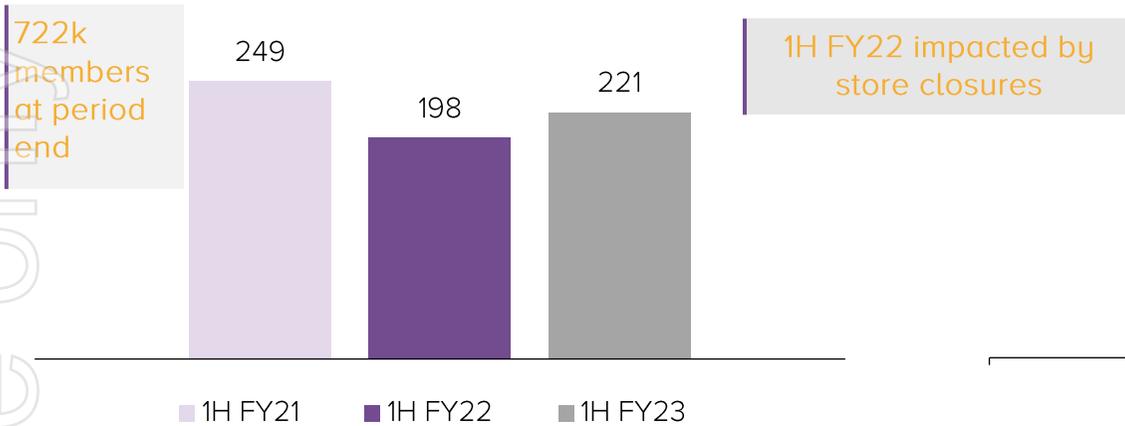


COMMENTARY

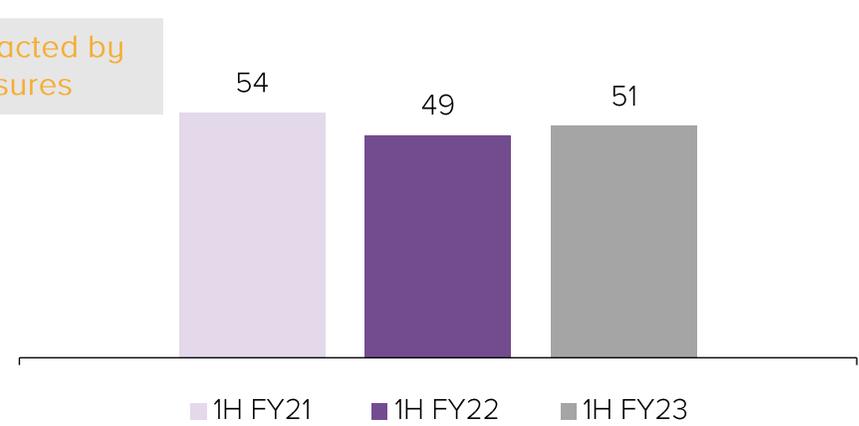
- Online sales of \$4.8m, -37.8% vs pcp
- Online penetration at 5.6% of total sales
- Click & Despatch (i.e. ship from store) now operational in 8 stores covering NSW, ACT, VIC, WA, QLD, SA and TAS. Further rollout planned in 2H FY23
- We continue to see customers preferred shopping methods and channel mix normalising
- We have identified a significant number of areas for improvement in our website and platform
- We did not chase online sales with paid digital marketing due to uneconomic ROI

Loyalty Rewards Membership Growth

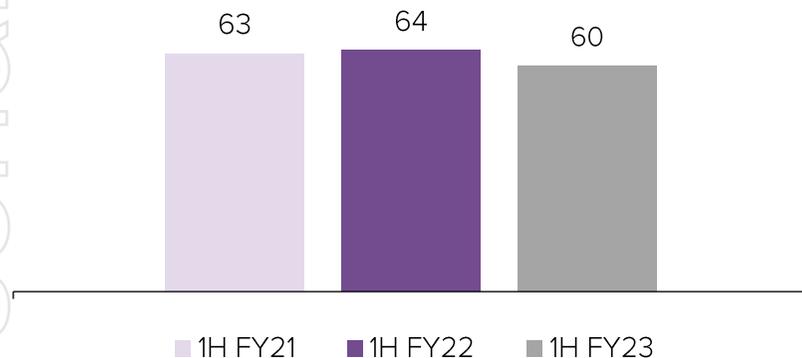
DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



DUSK REWARDS SALES (\$M)



DUSK REWARDS AVERAGE TRANSACTION VALUE (ATV) (\$)



COMMENTARY

- Active database over 722k members vs 718k in pcp
- dusk Rewards members account for 59% of total sales
- ATV \$ has decreased to \$60, driven primarily by lower sales in high value items and lower sales online where ATV is higher

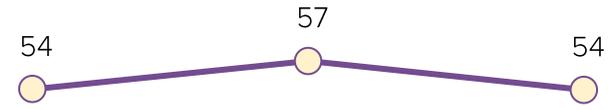
Gross Margin and Gross Margin Drivers

COMMENTARY

Gross margin drivers include:

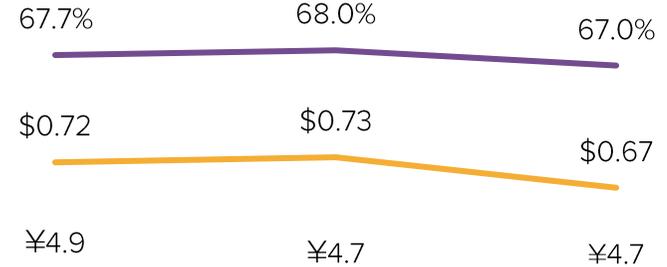
- Our ability to manage pricing and frequency, duration and depth of promotional activity
- COGS continue to be closely managed and benefitted from strong supplier relationships and our vertical business model
- ATV decreased by 5.7% driven primarily by lower sales in high value items and lower sales online where ATV is higher, signaling a more cost-conscious customer
- Overall margin rate decreased by 98 bps driven by increased promotional intensity and AUD deterioration vs USD
- Elevated shipping costs continue to unwind

AVERAGE TRANSACTION VALUE (ATV) (\$)



1H FY21 1H FY22 1H FY23

GROSS MARGIN¹



1H FY1 1H FY22 1H FY23

— Gross Margin % — AUD / USD — AUD / RMB

¹. Reserve Bank of Australia historical Exchange Rates – Financial Period Averages

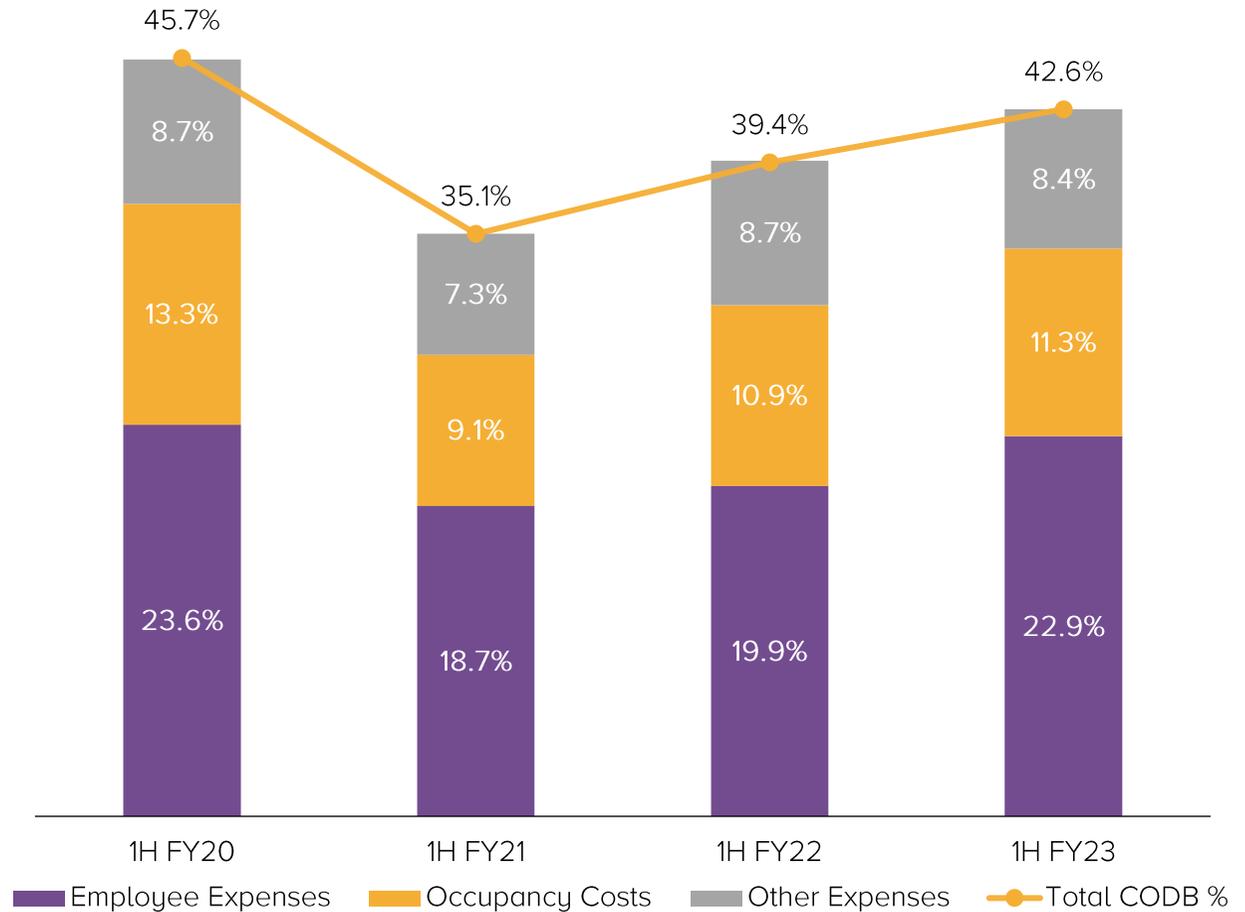
Personal use only

Cost of Doing Business

COMMENTARY

- CODB \$36.7m vs \$31.5m in pcp, +16.3%
- Employee costs in 1H FY22 were approximately \$2.5m lower than normal given periods of prolonged store closures in NSW, VIC & QLD where teams were stood down
- The increase in 1H FY23 employee costs vs pcp largely driven by 13 additional stores and higher award wage increases of 5.2%
- Occupancy costs also increased with the additional stores and inflation driving annual increases where leases are tied to CPI
- We remain disciplined and there are key cost optimisation initiatives in progress (warehousing and freight)

PRO FORMA COST OF DOING BUSINESS (CODB) (% OF SALES)



Balance Sheet

COMMENTARY

- Solid cash conversion of earnings
- Ongoing opportunity to convert 24 legacy stores to the Glow 2.0 format with attractive and proven ROI
- Inventory position is clean and stock levels adequate to meet demand
- Net cash at period end of \$32.9m
- Balance sheet provides flexibility to fast track additional investments in new stores, and consider broader growth opportunities should they emerge
- Bank facilities also available to support liquidity
- A fully franked interim dividend of 8 cents per share has been declared with a record date of March 14 and payable date of March 28

BALANCE SHEET AS AT

\$M	Dec - 21	Dec - 22
	Statutory	Statutory
Current assets		
Cash	33.3	32.9
Trade and other receivables	0.7	0.9
Inventories	19.6	17.6
Right of return assets	0.4	0.4
Prepayments	2.0	2.3
Total current assets	56.0	54.1
Non-current assets		
Property, plant and equipment	9.8	11.9
Right of use assets	31.4	31.5
Intangibles	2.1	2.3
Deferred tax assets	6.9	6.5
Total non-current assets	50.2	52.2
Current liabilities		
Trade and other payables	18.4	15.4
Provisions	2.6	2.8
Employee benefit liabilities	1.7	1.7
Lease liabilities	14.3	14.6
Income tax payable	4.8	2.1
Total current liabilities	41.8	36.6
Non-current liabilities		
Trade and other payables	0.4	0.4
Provisions	1.2	1.3
Employee benefit liabilities	0.5	0.5
Lease liability	23.1	23.8
Total non-current liabilities	25.2	26.0
Net assets	39.2	43.7

Strategy

Generating sustainable long-term growth by leveraging core competencies to grow market share

KEY DRIVER

COMMENTARY



PAY-TO-PLAY
LOYALTY MODEL

- 722,000 active dusk Rewards members and growing (718,000 vs pcp)
- \$10 fee maintained for a two year membership period
- Members contribution represent 59% of sales
- Increased frequency and monetisation
- Transaction history delivering insights into purchase intent and cross sell / upsell opportunities



OMNI-CHANNEL

- Digital sales decreased 37.8% in 1H FY23 and represents 5.6% of sales
- Continuous improvements being made to website which is a key enabler to accelerating our omni-channel capabilities
- Increasing execution of customised communications



EXPANDING STORE
NETWORK

- Management track record for disciplined store rollout
- 9 new stores opened in 1H FY23, including 4 in NZ (NZ remains in trial mode)
- All stores profitable on an annual basis with increased store contribution from rental negotiations
- Targeting outer suburban and larger regional cities / towns
- ROCE < 12 months through significant landlord contributions to new stores
- Focus upon converting remaining 24 legacy stores to new Glow 2.0 format
- Refining our NZ offering, with further expansion on hold until 1H FY24



DUSK PROPRIETARY
PRODUCT

- Creating innovative products designed to enhance our customers' sensory experience
- Differentiated product offer unique to dusk
- Bringing 'affordable' products to market (current ATV of \$54)
- Increasing the growth of consumables to drive customer visitations

Personal use only

Trading Update and Outlook

TRADING UPDATE

The sales results for the first 7 weeks of 2H FY23 are summarised in the table below

Sales growth, unaudited	First 7 weeks 2H FY23 versus:		
	FY22	FY21	FY20
Headlines:	%	%	%
Total Sales	-3.0	-10.7	+29.3
Store Sales	-1.0	-11.0	+27.9
Online Sales	-23.9	-6.5	+52.5

- Total sales compared to pre-pandemic levels in FY20 continue to be very strong at +29.3%
- Outside store traffic continues to be soft at -6.0% vs pcp
- The gross margin rate is slightly above pcp
- Pricing and margin discipline remains core to our offering
- Inventory position well balanced and risk of supply disruption appears to be reducing
- Elevated shipping costs are unwinding

FY23 OUTLOOK

- Given the uncertainty that persists in the macro environment, the Board is unable to give FY23 earnings guidance at this time
- 6 new stores in Australia committed to be opened in the 2H
- NZ trial continues with important learnings being implemented
- Our strategy and focus on strong execution and remaining nimble is unchanged
- We draw confidence from the fundamentals of our business:
 - ✓ Category leader with vertical business model and strong margins
 - ✓ Multi channel business model
 - ✓ Low price item an “affordable luxury”
 - ✓ Differentiated product range with broad mid-market appeal and strong loyalty program
 - ✓ Ongoing product innovation opportunities
 - ✓ Engaging service and loyal customer
 - ✓ Strong cashflow and no debt

ersonal use only

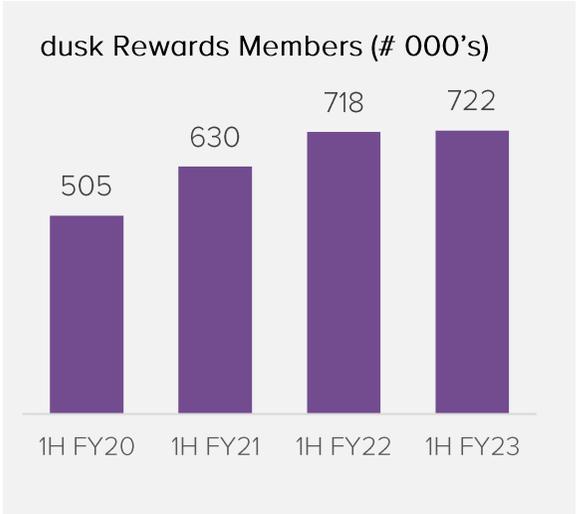
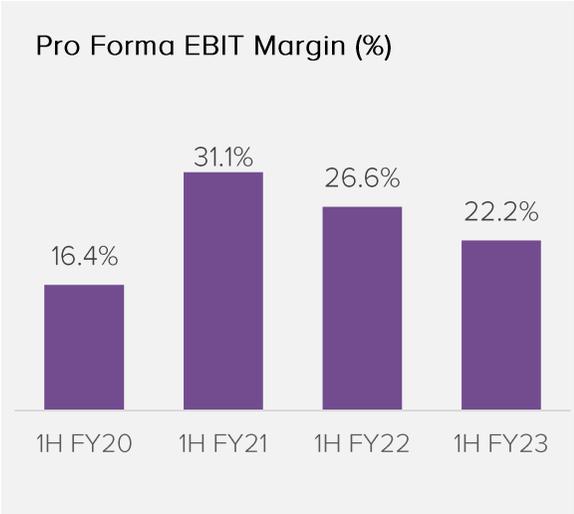
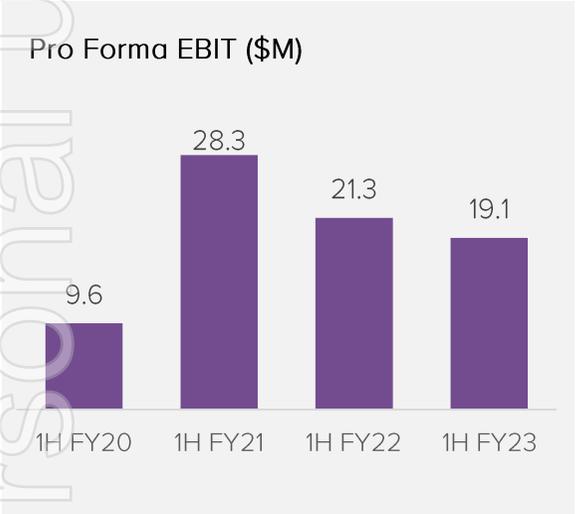
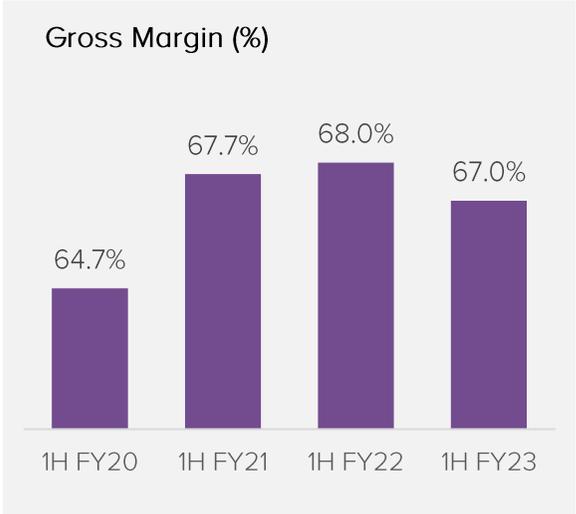
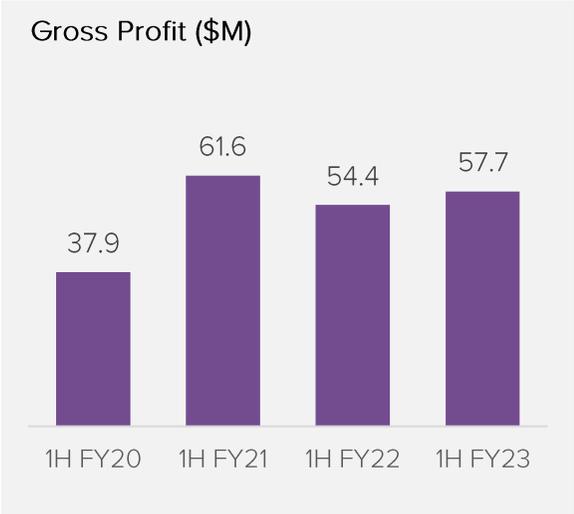
dusk

Appendix



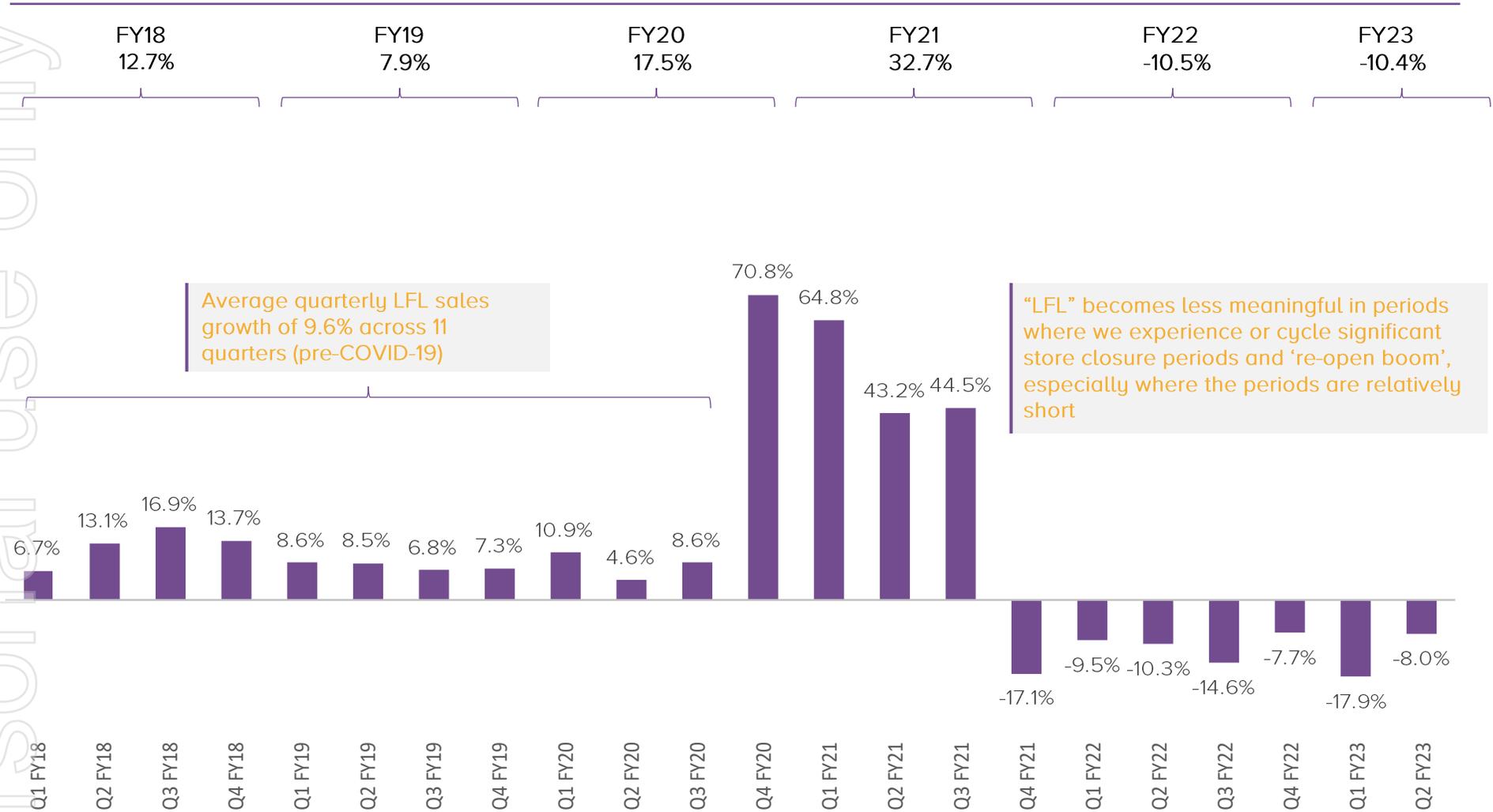
Track Record of Performance

Step change achieved across all key metrics since 1H FY20



Like for Like Sales Performance

QUARTERLY LFL SALES – FY18 to 1H FY23

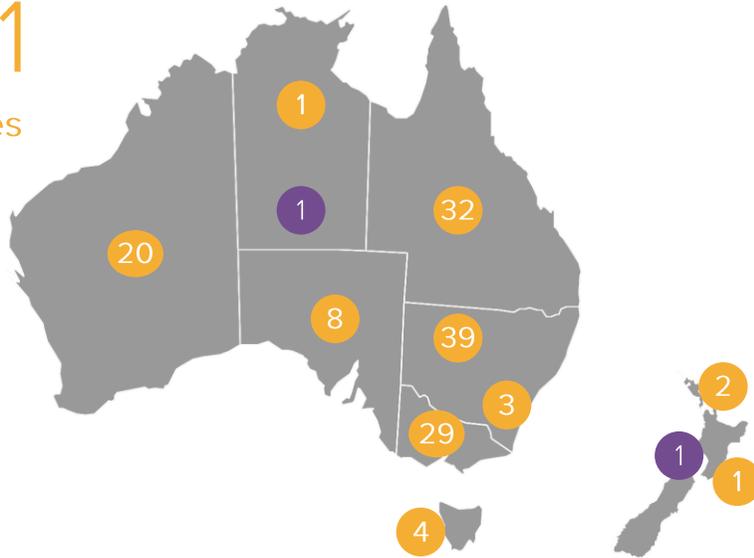


National Store Network

STORE NETWORK¹

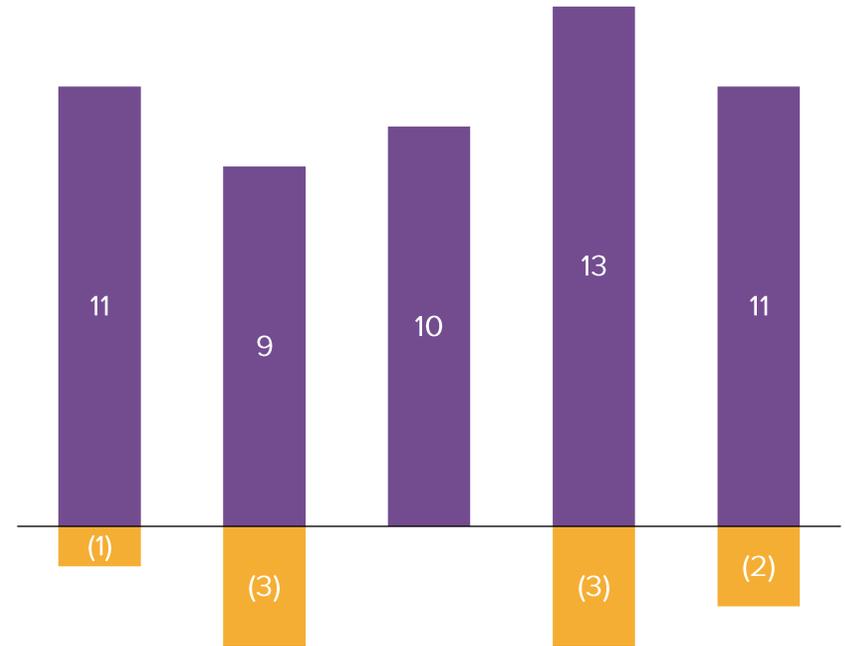
NET STORE OPENINGS

141
Stores



● Physical stores ● Online store

- Opened 5 new stores in Aust – 2 in NSW, 2 in WA, and 1 in QLD
- Opened 3 trial stores in NZ plus online – 2 in Auckland and 1 in Wellington
- Relocated 2 stores in 1H FY23 – 1 in VIC and 1 in WA



■ Openings ■ Closures / Relocations

1. Store count as at 1 January 2023

ersonal use only

Pro Forma Profit and Loss

PRO FORMA¹ RESULTS

\$M	1H FY22	1H FY23
Revenue	80.0	86.1
Cost of sales	(25.6)	(28.4)
Gross profit	54.4	57.7
Employee expenses	(15.9)	(19.7)
Occupancy expenses	(8.7)	(9.7)
Other expenses	(6.9)	(7.3)
Cost of doing business (CODB)	(31.5)	(36.7)
EBITDA	22.8	21.0
Depreciation & Amortisation	(1.6)	(1.9)
EBIT	21.3	19.1
Net finance expense	(0.0)	0.0
Profit before tax	21.2	19.2
Income tax expense	(6.5)	(5.8)
Net profit after tax	14.7	13.3

1. Pro forma EBIT is unaudited and excludes NSW JobSaver receipts, rental concessions, Eroma acquisition costs (terminated transaction), NZ setup costs and is pre-AASB 16

Pro Forma Adjustments

PRO FORMA ADJUSTMENTS TO THE STATUTORY RESULTS

\$M	1H FY22	1H FY23
Statutory EBITDA	31.0	29.2
Impact of AASB16	(7.2)	(8.2)
Rental concessions received	(0.3)	(0.3)
NSW JobSaver receipts	(1.1)	-
Eroma acquisition costs (terminated transaction)	0.4	-
NZ setup costs	-	0.3
Pro forma EBITDA	22.8	21.0
Statutory NPAT	15.2	13.3
Impact of AASB16	0.3	0.0
Rental concessions received	(0.3)	(0.3)
NSW JobSaver receipts	(1.1)	-
Eroma acquisition costs (terminated transaction)	0.4	-
NZ setup costs	-	0.3
Total Pro forma adjustments	(0.7)	0.0
Net tax effect adjustments of above at 30%	0.2	0.0
Pro forma NPAT	14.7	13.3

Cash Flow Reconciliation

PRO FORMA CASHFLOW TO THE STATUTORY RESULTS

\$M	1H FY22	1 H FY23
Pro forma EBITDA	22.8	21.0
Capex	(2.5)	(2.8)
Change in Inventory	(5.2)	(2.2)
Change in Trade Creditors	10.1	6.1
Change in Other Working Capital Items	0.7	(0.4)
Net Cashflow before financing and tax	25.9	21.9
Cashflow : EBITDA Conversion %	114%	104%
Taxes paid	(7.8)	(4.1)
Dividends paid	(6.2)	(6.2)
Change in Cash	11.9	11.6
Opening Statutory Net Cash	21.4	21.3
Closing Statutory Net Cash	33.3	32.9

Disclaimer

This presentation has been prepared by Dusk Group Limited ('dusk') ABN: 38 603 018 131. It is general information on dusk and its subsidiaries ('dusk Group') current as the date of the presentation. It is in summary form and is not necessarily complete. It should be read together with the company's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should obtain their own professional advice in connection with any investment decision.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this presentation. Past performance is not indicative of future performance.

Forward looking statements

This presentation contains forward looking statements. These are based on dusk's current expectations about future events and is subject to risks and uncertainties which may be beyond the control of the dusk Group. Actual events may differ materially from those contemplated in such forward looking statements. Forward looking statements are not representations about future performance and should not be relied upon as such. dusk does not undertake to update any forward-looking statement to reflect events or circumstances after the date of this presentation, subject to its regulatory and disclosure requirements.

Financial data

All figures in the presentation are in Australian dollars (\$) or A\$) unless stated otherwise. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Financial Information

The pro forma financial information provided in this presentation is for illustrative purposes only and does not represent a forecast or expectation as to dusk's future financial condition and/or performance.

