

# 1H FY23 RESULTS PRESENTATION

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**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 LFL<sup>1</sup> 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 MARGIN<sup>2</sup>

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

## PRO FORMA EBIT<sup>3</sup>

- 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 pcip
- Pro forma EBIT of \$19.1m, -10.2%
- Pro forma NPAT<sup>1</sup> of \$13.3m, -9.5%
- Pro forma earnings per share (EPS) of 21.4 cents, -9.5%

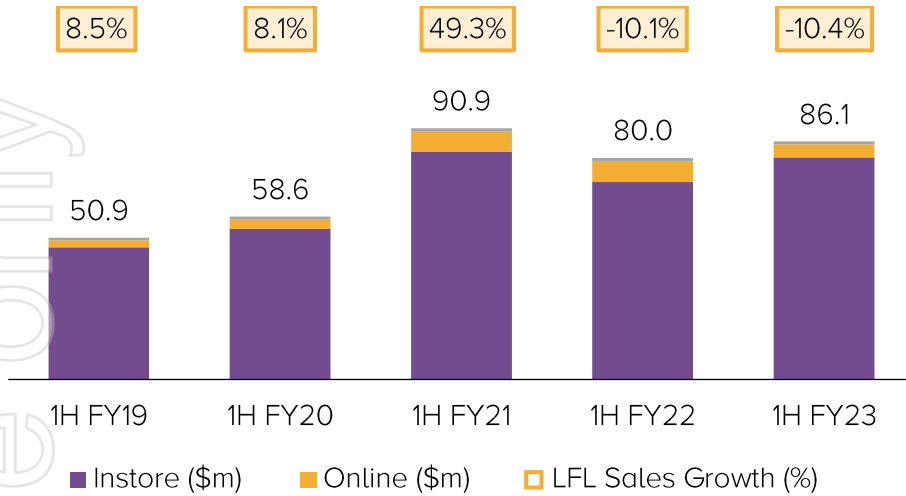
## PRO FORMA RESULTS

\$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

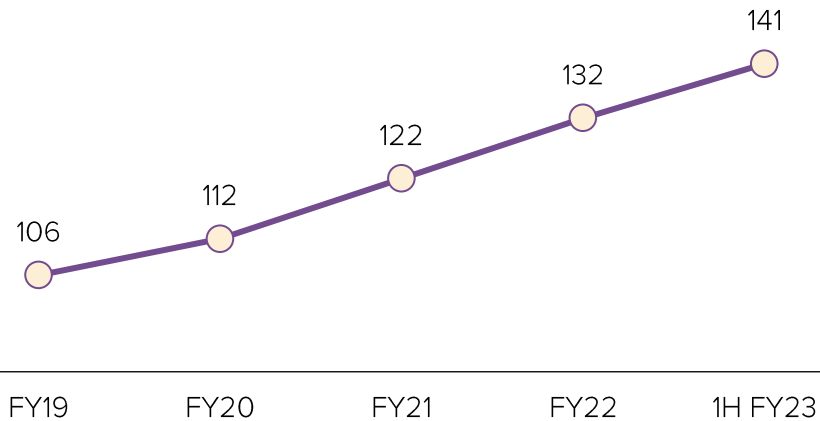
1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT

# Sales

## SALES (\$M) AND LFL SALES GROWTH

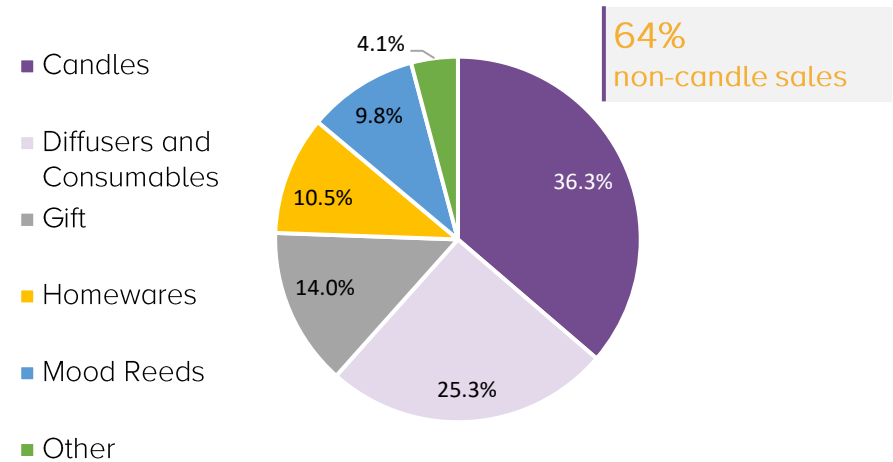


## GROWING STORE NETWORK<sup>1</sup>



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

## SALES BY CATEGORY



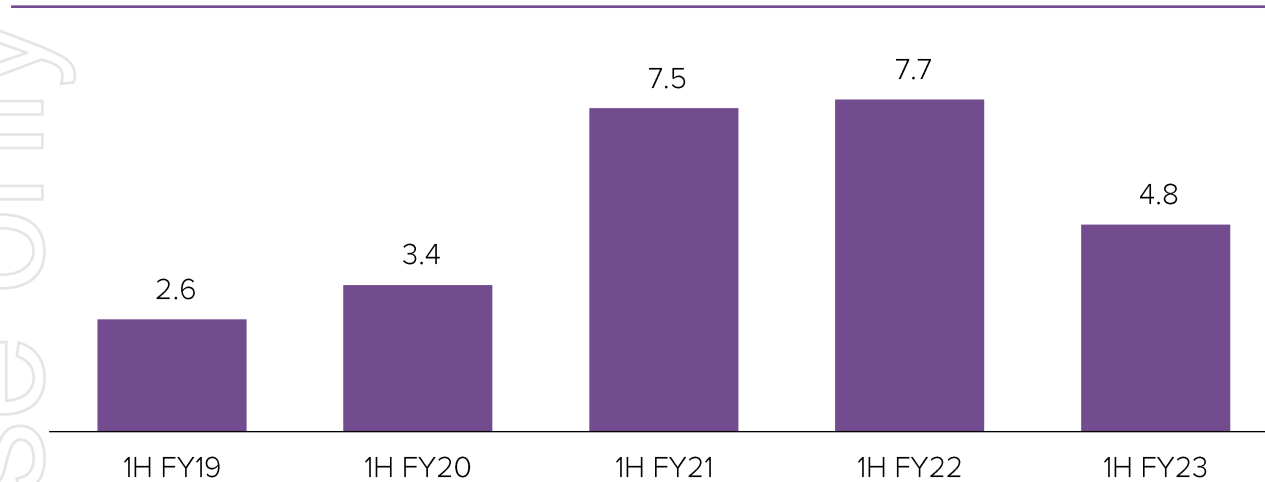
## COMMENTARY

- 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

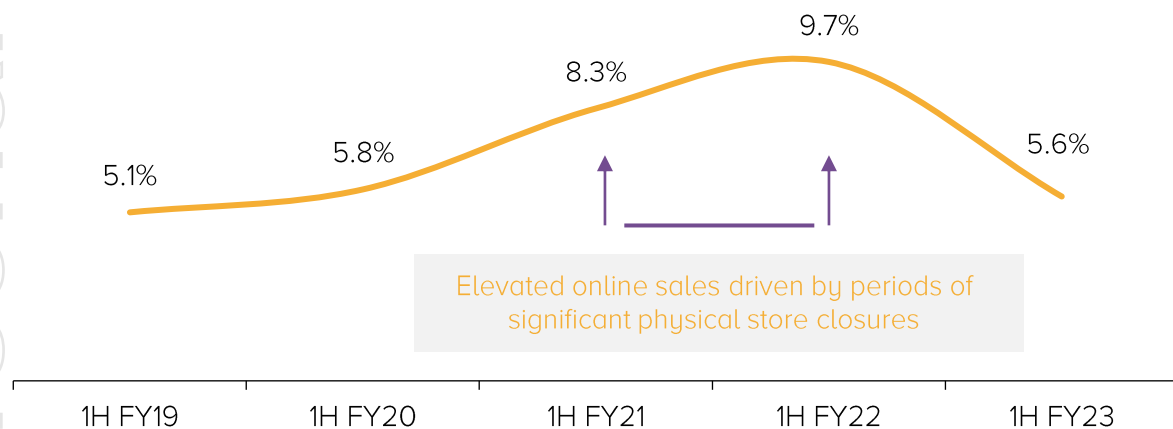


# Online Channel

## ONLINE SALES (\$M)



## ONLINE PENETRATION (% OF SALES)

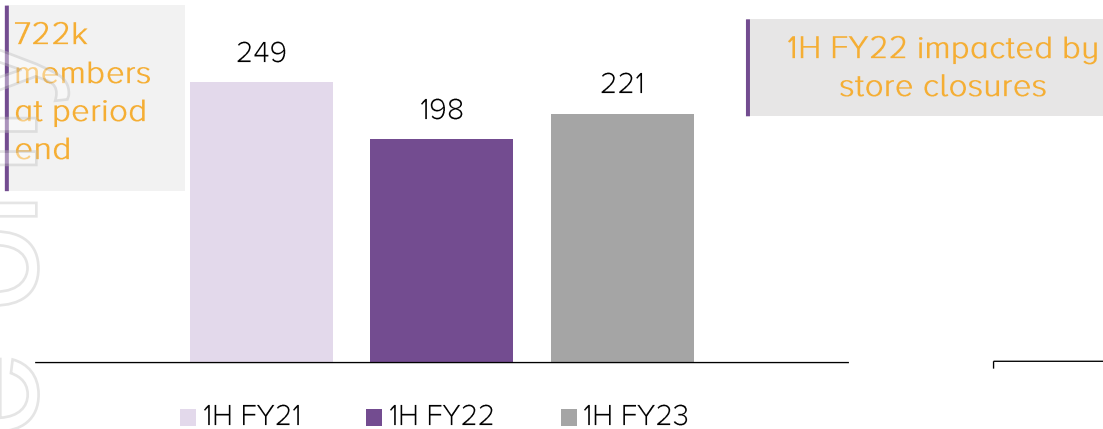


## COMMENTARY

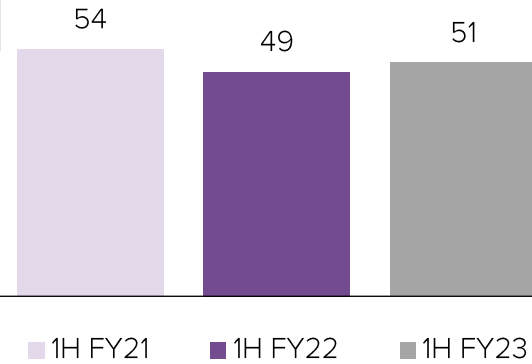
- Online sales of \$4.8m, -37.8% vs pcp
- Online penetration at 5.6% of total sales
- Click & Despatch (i.e. ship from store) now operational in 8 stores covering NSW, ACT, VIC, WA, QLD, SA and TAS. Further rollout planned in 2H FY23
- We continue to see customers preferred shopping methods and channel 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

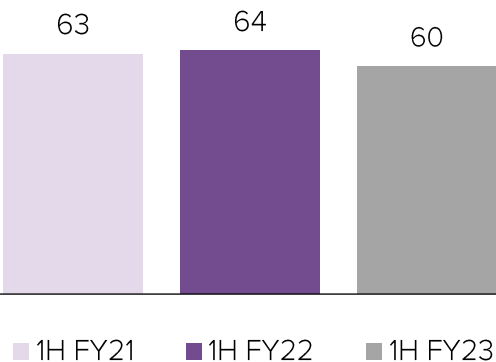
## DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



## 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

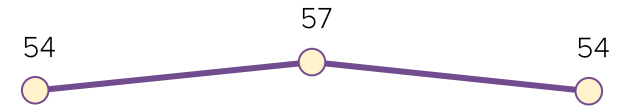
# Gross Margin and Gross Margin Drivers

## 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) (\$)

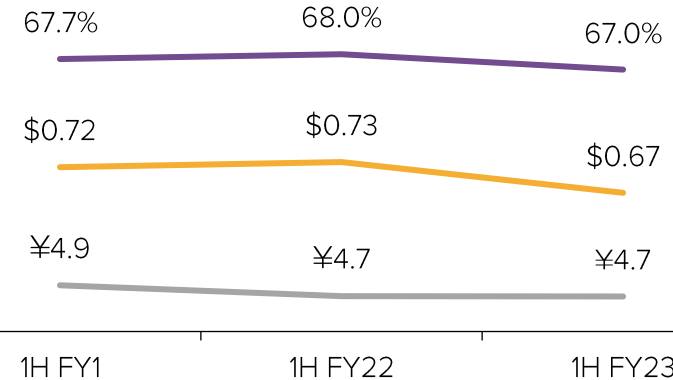


1H FY21

1H FY22

1H FY23

## GROSS MARGIN<sup>1</sup>



Gross Margin %

AUD / USD

AUD / RMB

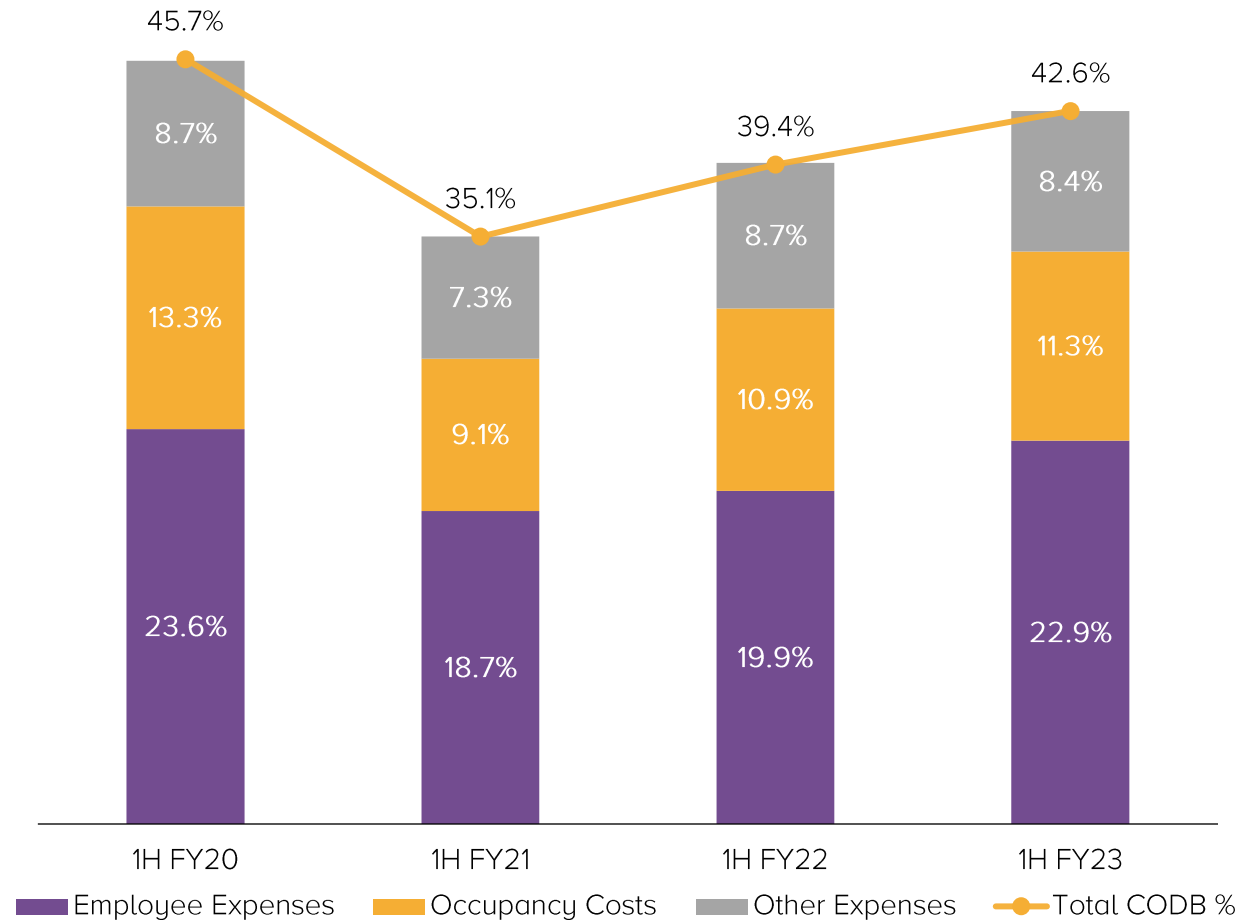
<sup>1</sup>. Reserve Bank of Australia historical Exchange Rates – Financial Period Averages

# Cost of Doing Business

## COMMENTARY

- CODB \$36.7m vs \$31.5m in pcg, +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 pcg 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
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>56.0</b>	<b>54.1</b>
<b>Non-current assets</b>		
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
<b>Total non-current assets</b>	<b>50.2</b>	<b>52.2</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>41.8</b>	<b>36.6</b>
<b>Non-current liabilities</b>		
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
<b>Total non-current liabilities</b>	<b>25.2</b>	<b>26.0</b>
<b>Net assets</b>	<b>39.2</b>	<b>43.7</b>

# Strategy

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

KEY DRIVER	COMMENTARY
 <p>PAY-TO-PLAY LOYALTY MODEL</p>	<ul style="list-style-type: none"> <li>722,000 active dusk Rewards members and growing (718,000 vs pcp)</li> <li>\$10 fee maintained for a two year membership period</li> <li>Members contribution represent 59% of sales</li> <li>Increased frequency and monetisation</li> <li>Transaction history delivering insights into purchase intent and cross sell / upsell opportunities</li> </ul>
 <p>OMNI-CHANNEL</p>	<ul style="list-style-type: none"> <li>Digital sales decreased 37.8% in 1H FY23 and represents 5.6% of sales</li> <li>Continuous improvements being made to website which is a key enabler to accelerating our omni-channel capabilities</li> <li>Increasing execution of customised communications</li> </ul>
 <p>EXPANDING STORE NETWORK</p>	<ul style="list-style-type: none"> <li>Management track record for disciplined store rollout</li> <li>9 new stores opened in 1H FY23, including 4 in NZ (NZ remains in trial mode)</li> <li>All stores profitable on an annual basis with increased store contribution from rental negotiations</li> <li>Targeting outer suburban and larger regional cities / towns</li> <li>ROCE &lt; 12 months through significant landlord contributions to new stores</li> <li>Focus upon converting remaining 24 legacy stores to new Glow 2.0 format</li> <li>Refining our NZ offering, with further expansion on hold until 1H FY24</li> </ul>
 <p>DUSK PROPRIETARY PRODUCT</p>	<ul style="list-style-type: none"> <li>Creating innovative products designed to enhance our customers' sensory experience</li> <li>Differentiated product offer unique to dusk</li> <li>Bringing 'affordable' products to market (current ATV of \$54)</li> <li>Increasing the growth of consumables to drive customer visitations</li> </ul>

# 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
<b>Headlines:</b>	%	%	%
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 pcg
- The gross margin rate is slightly above pcg
- 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

## *Appendix*

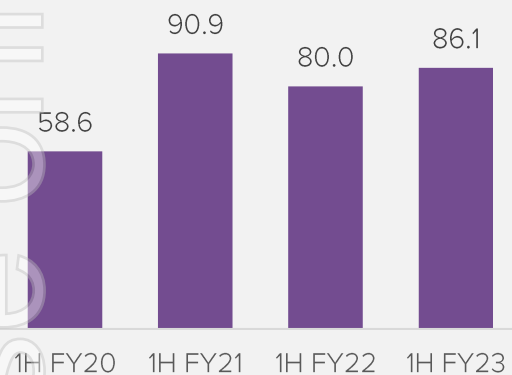
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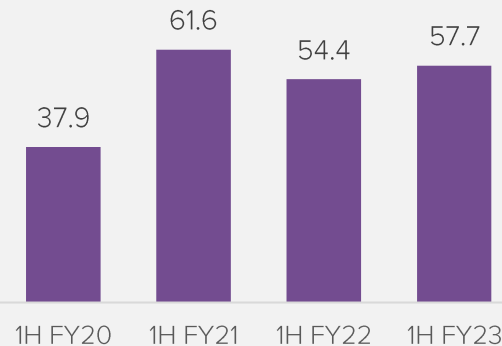
# Track Record of Performance

Step change achieved across all key metrics since 1H FY20

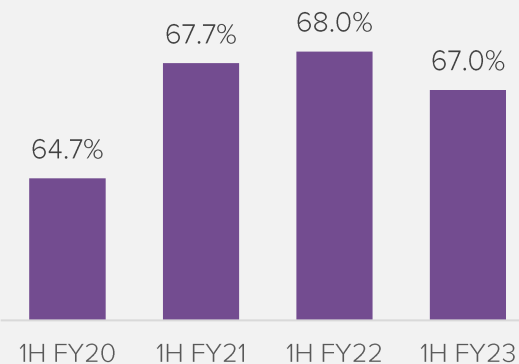
Sales (\$M)



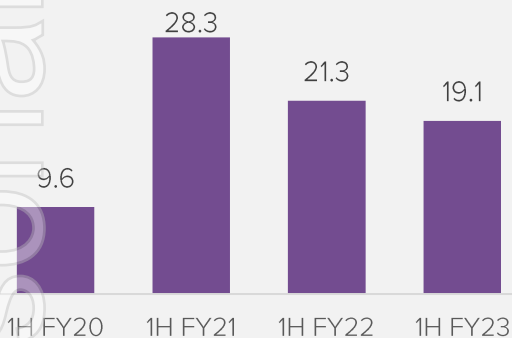
Gross Profit (\$M)



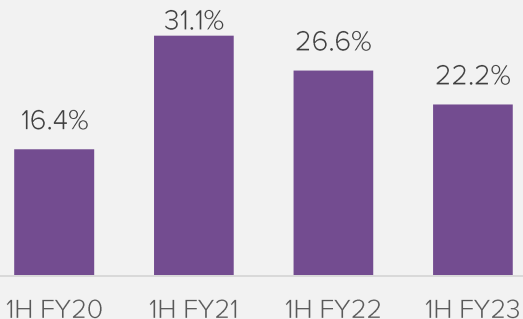
Gross Margin (%)



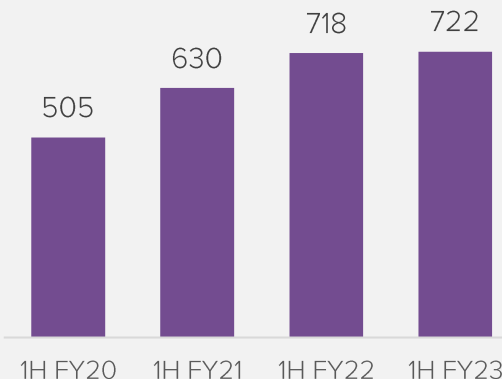
Pro Forma EBIT (\$M)



Pro Forma EBIT Margin (%)

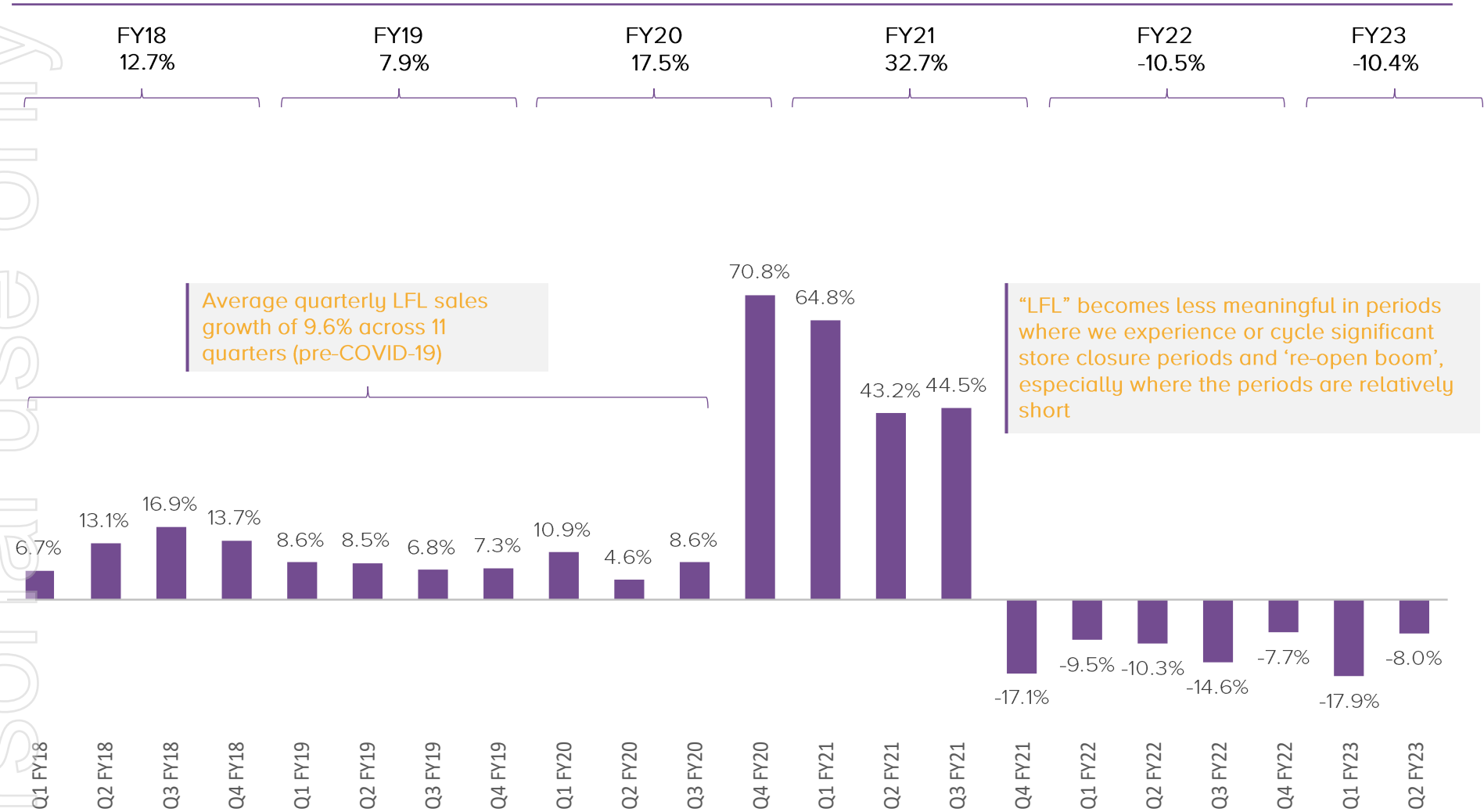


dusk Rewards Members (# 000's)



# Like for Like Sales Performance

## QUARTERLY LFL SALES – FY18 to 1H FY23



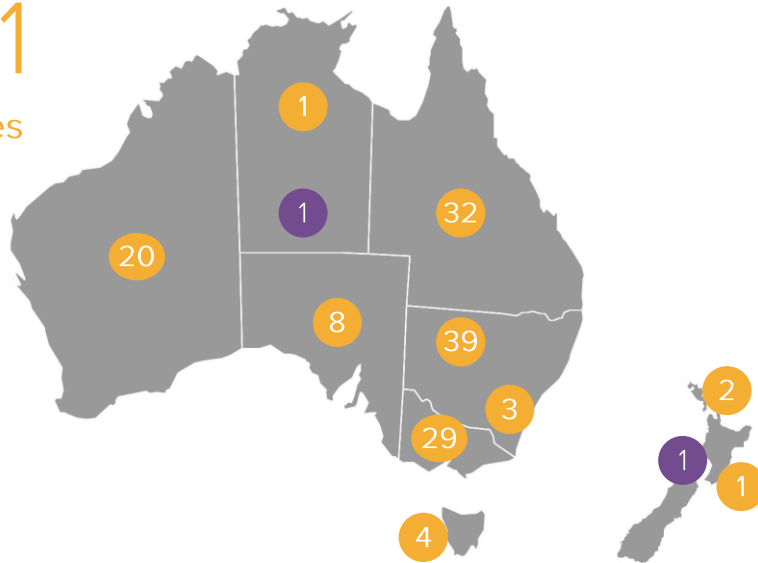


# National Store Network

## STORE NETWORK<sup>1</sup>

141

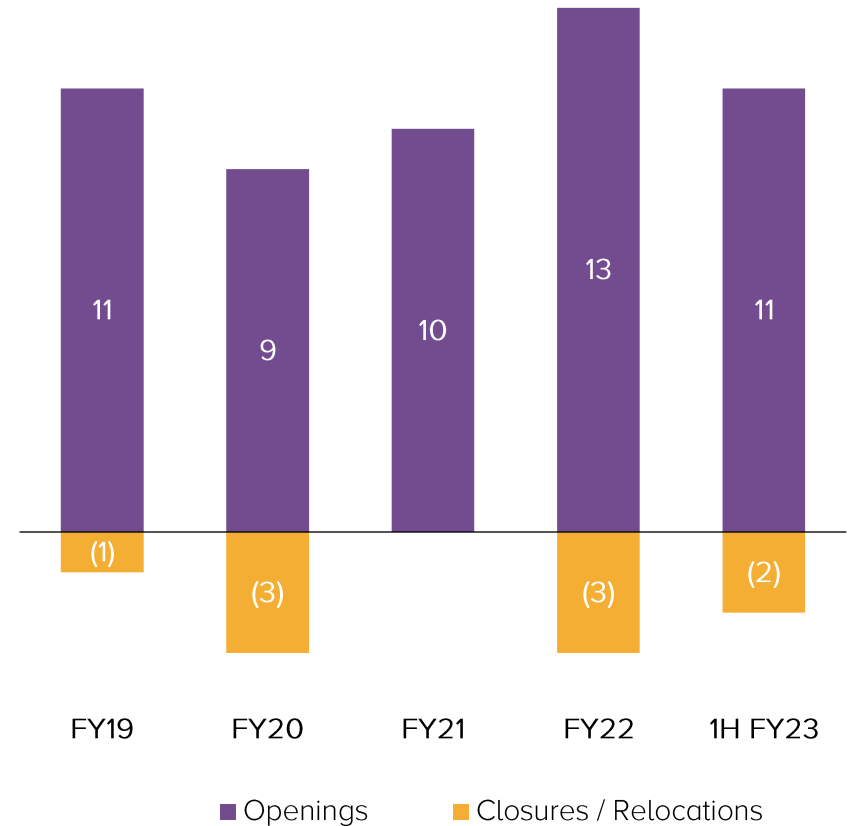
Stores



● 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

## NET STORE OPENINGS



# Pro Forma Profit and Loss

## PRO FORMA<sup>1</sup> RESULTS

\$M	1H FY22	1H FY23
Revenue	80.0	86.1
Cost of sales	(25.6)	(28.4)
<b>Gross profit</b>	<b>54.4</b>	<b>57.7</b>
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)
<b>EBITDA</b>	<b>22.8</b>	<b>21.0</b>
Depreciation & Amortisation	(1.6)	(1.9)
<b>EBIT</b>	<b>21.3</b>	<b>19.1</b>
Net finance expense	(0.0)	0.0
<b>Profit before tax</b>	<b>21.2</b>	<b>19.2</b>
Income tax expense	(6.5)	(5.8)
<b>Net profit after tax</b>	<b>14.7</b>	<b>13.3</b>

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
<b>Statutory EBITDA</b>	<b>31.0</b>	<b>29.2</b>
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
<b>Pro forma EBITDA</b>	<b>22.8</b>	<b>21.0</b>
<b>Statutory NPAT</b>	<b>15.2</b>	<b>13.3</b>
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
<b>Total Pro forma adjustments</b>	<b>(0.7)</b>	<b>0.0</b>
Net tax effect adjustments of above at 30%	0.2	0.0
<b>Pro forma NPAT</b>	<b>14.7</b>	<b>13.3</b>

# 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)
<b>Net Cashflow before financing and tax</b>	<b>25.9</b>	<b>21.9</b>
<b>Cashflow : EBITDA Conversion %</b>	<b>114%</b>	<b>104%</b>
Taxes paid	(7.8)	(4.1)
Dividends paid	(6.2)	(6.2)
<b>Change in Cash</b>	<b>11.9</b>	<b>11.6</b>
<b>Opening Statutory Net Cash</b>	<b>21.4</b>	<b>21.3</b>
<b>Closing Statutory Net Cash</b>	<b>33.3</b>	<b>32.9</b>

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