



dusk

1H FY21 RESULTS PRESENTATION

25 February 2021

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1H FY21 Summary

RECORD PERFORMANCE

- Sales of \$90.9m +55%
- Total LFL¹ sales +49%
- Store LFL sales +44%

OMNI-CHANNEL STRATEGY DELIVERING

- Online sales +120%
 - Represents 8.3% of total sales

EXCEPTIONAL GROSS MARGIN

- Gross margin \$ up 63% to \$61.6m (up 300bps to 67.7%)

PRO FORMA EBIT² +194% TO \$28.3m

- Driven by:
 - Operating leverage from LFL sales growth and higher GM%
 - Excludes net JobKeeper benefit of \$2.8m, to be repaid
 - Statutory EBIT +152% to \$25.0m incl JobKeeper and IPO costs

OUTSTANDING CASHFLOW GENERATION

- Net cash position of \$34.9m at period end
- Fully franked interim dividend of 15 cents per share

1. LFL sales calculation excludes stores closed for refurbishment or COVID – 19 related closures.
 2. Proforma EBIT excludes IPO related costs, the net benefit of JobKeeper and is pre-AASB 16.



Profit and Loss

RECORD SALES AND PROFIT

- Total sales +55%
- LFL sales growth of +49%
- Significant period of 20 store closures in Melbourne incurred during the period
- Six new stores opened during the period
- Gross profit up 63% with gross profit margin up +300bps driven by careful management of pricing and promotional strategies
- Strong operating leverage delivered through disciplined cost management
- Statutory NPAT of \$16.9m
- Pro forma NPAT¹ of \$19.8m (presented opposite)
- Pro forma EBIT up by \$18.7m, +194%
- Pro forma NPAT up by \$13.1m, +193%

PRO FORMA RESULTS

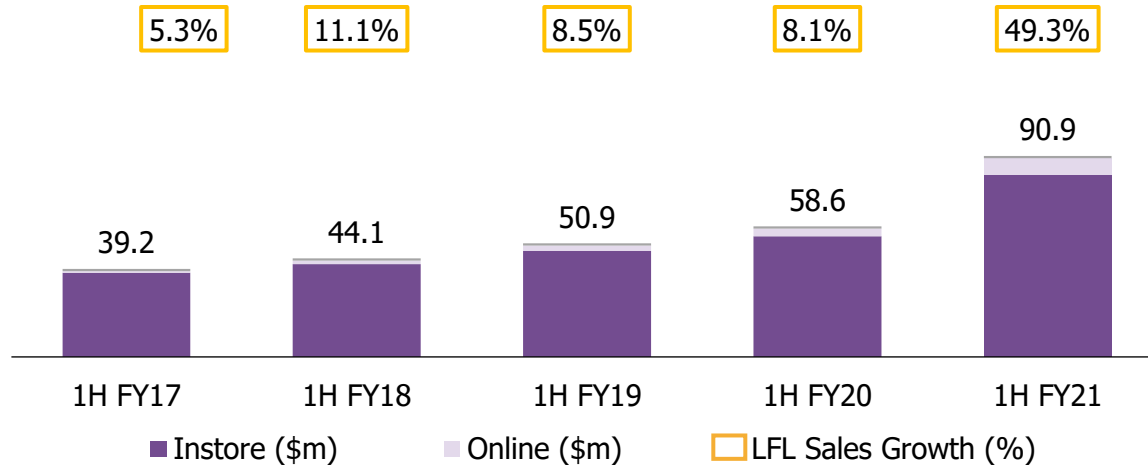
| \$M | 1H FY20 | 1H FY21 | % Change |
|---------------------|---------------|---------------|---------------|
| Revenue | 58.6 | 90.9 | 55.2% |
| Gross profit | 37.9 | 61.6 | 62.5% |
| Gross profit % | 64.7% | 67.7% | +300 bps |
| CODB | (26.8) | (31.6) | 18.0% |
| CODB % | 45.7% | 34.7% | -1,100 bps |
| EBITDA | 11.1 | 30.0 | 169.7% |
| EBITDA % | 19.0% | 33.0% | +1,400 bps |
| EBIT | 9.6 | 28.3 | 194.1% |
| EBIT % | 16.4% | 31.1% | +1,470 bps |
| NPAT | 6.7 | 19.8 | 193.2% |
| NPAT % | 11.5% | 21.7% | +1,020 bps |

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

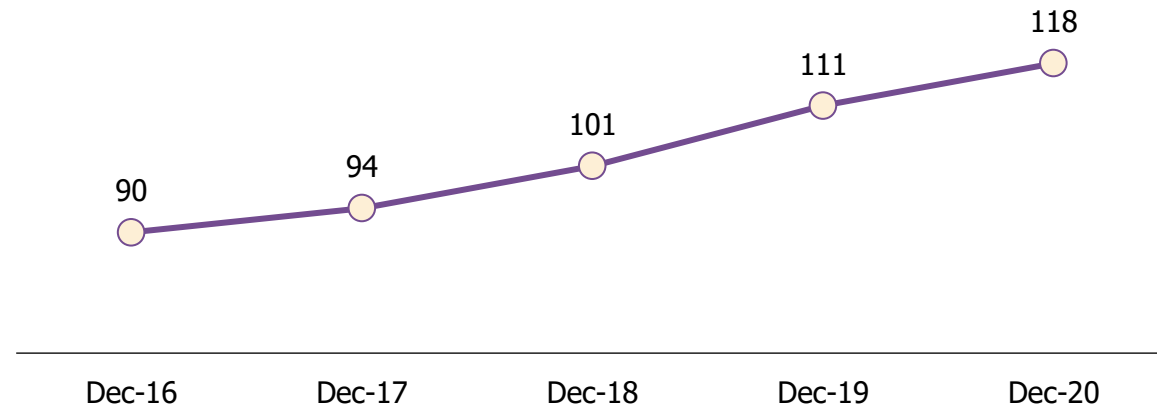
Sales

Record sales underpinned by strong LFL sales growth and new stores opened and annualising

SALES (\$M) AND LFL SALES GROWTH



GROWING STORE NETWORK¹



1. Store count includes online store.

COMMENTARY

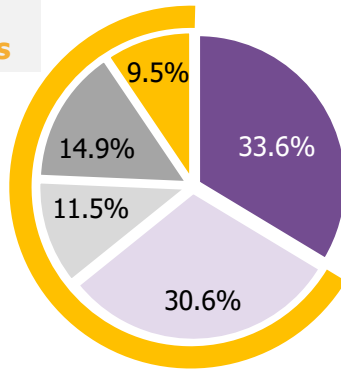
- Outstanding LFL sales growth
 - +44% store LFL sales growth
 - +120% online sales growth
 - +49% total LFL sales growth
- Approximately two-thirds of LFL sales growth was driven by increasing transaction numbers, whilst pleasingly average transaction value (ATV) grew the balance
- Dusk Rewards members remain the 'engine room' of both our total sales and sales growth
- New stores performing well
- Pipeline for new store opportunities is healthy
- Payback and ROCE metrics remain compelling

Sales Growth by Category

dusk is growing across all categories and increasing mix towards high-margin 'consumable products'

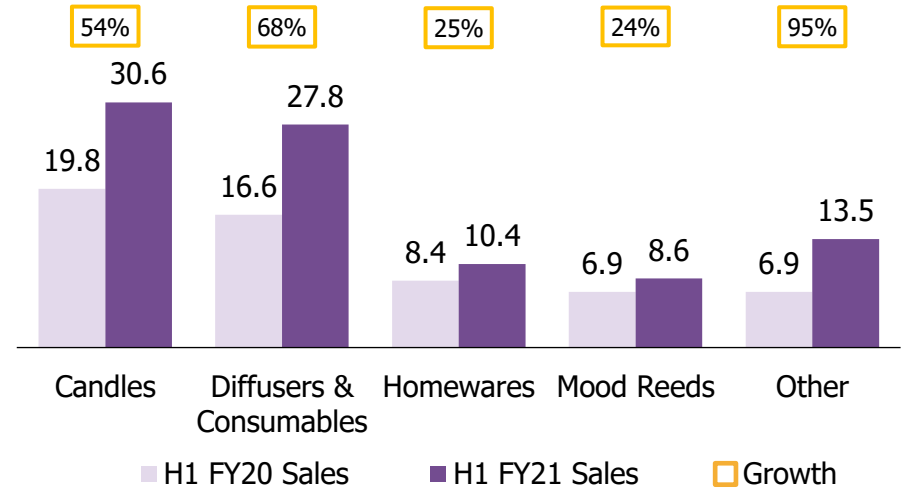
SALES BY CATEGORY

66%
non-candle sales

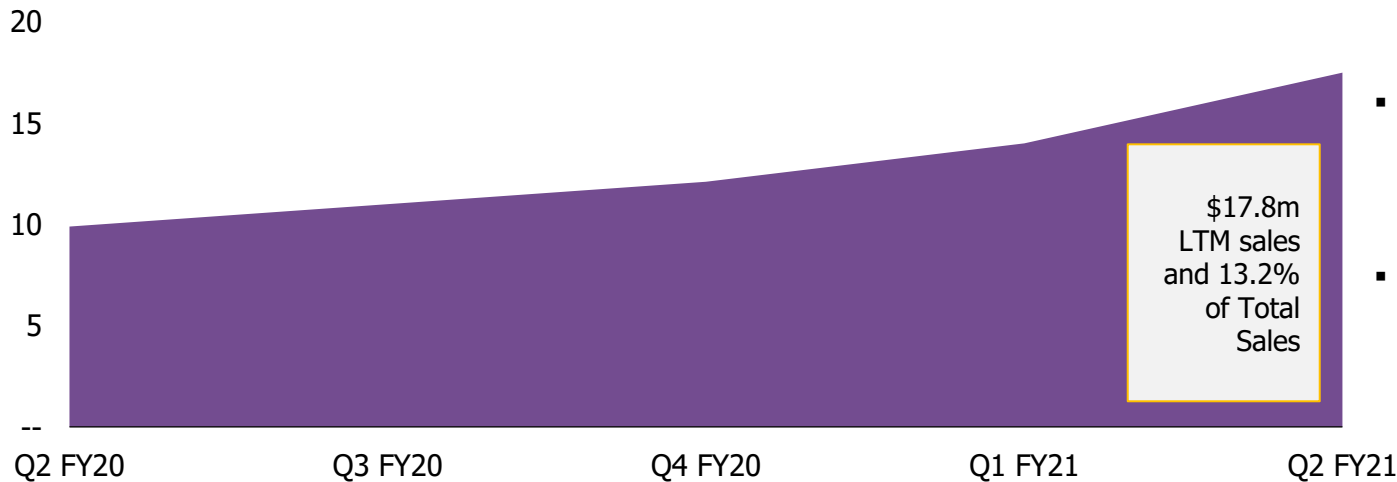


- Candles
- Diffusers and Consumables
- Homewares
- Mood Reeds
- Other

SALES GROWTH BY CATEGORY



GROWTH IN ESSENTIAL OIL AND MOODMIST FRAGRANCE (CONSUMABLE) LTM SALES

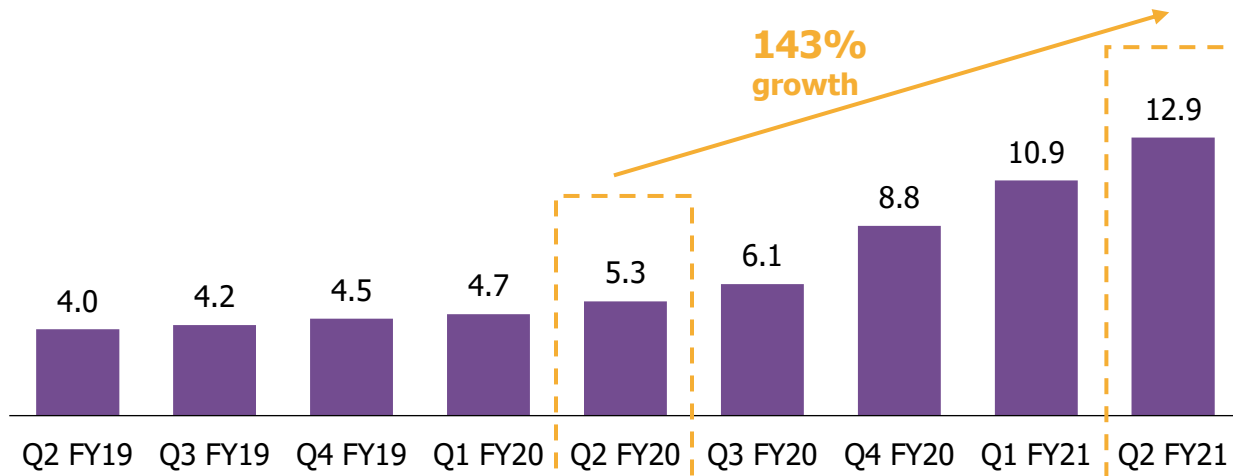


- Growth in diffusers and scented consumable refills, fast becoming another 'famous for' category
- Scented consumable refills are becoming a key driver of repeat customer visitation

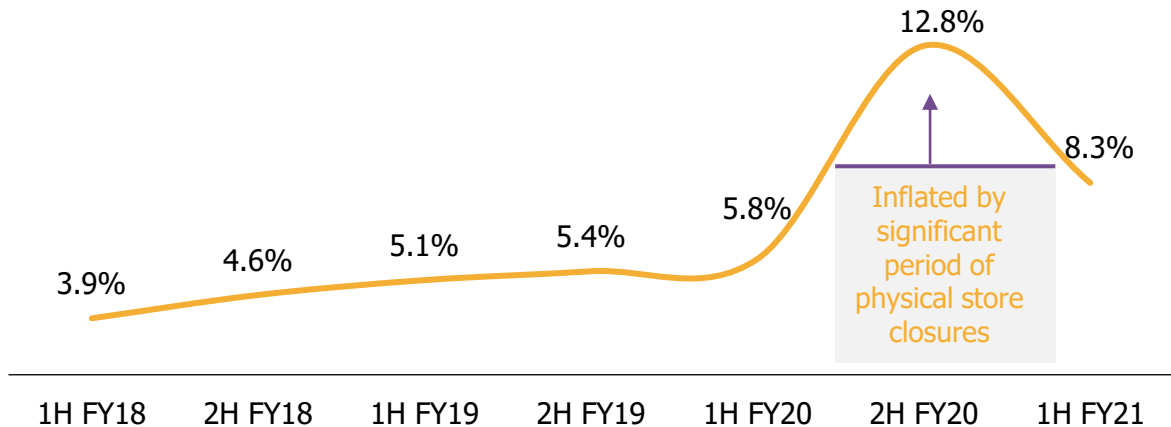
Online Channel

Step change in the performance of dusk's online channel – sales +120% on pcp

ROLLING LTM ONLINE SALES (\$M)



ONLINE PENETRATION (% OF SALES)



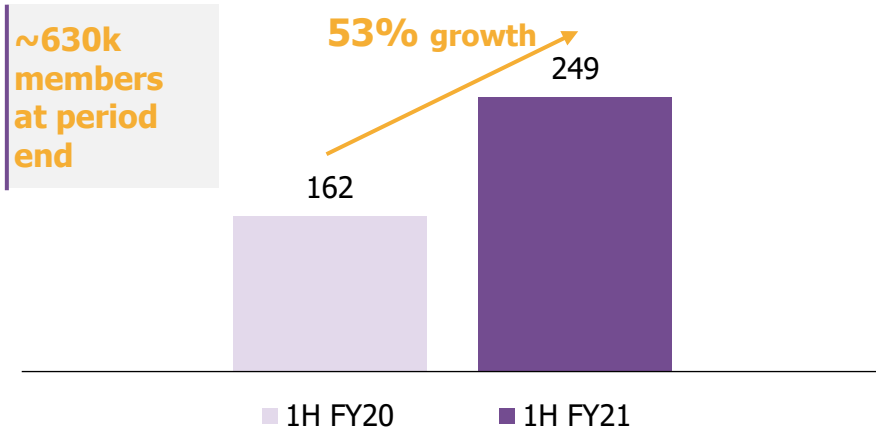
COMMENTARY

- Online sales rapidly approaching \$13m p.a.
- Strong growth in online channel contribution to total sales
- Key initiatives underway and upcoming:
 - Web replatforming go-live in April. New web platform will be faster, more flexible, and more engaging
 - Replatforming will enable a number of key initiatives including subscription, C&C, C&D, more payment options
 - Significant enhancement in data analytics, segmentation and personalisation

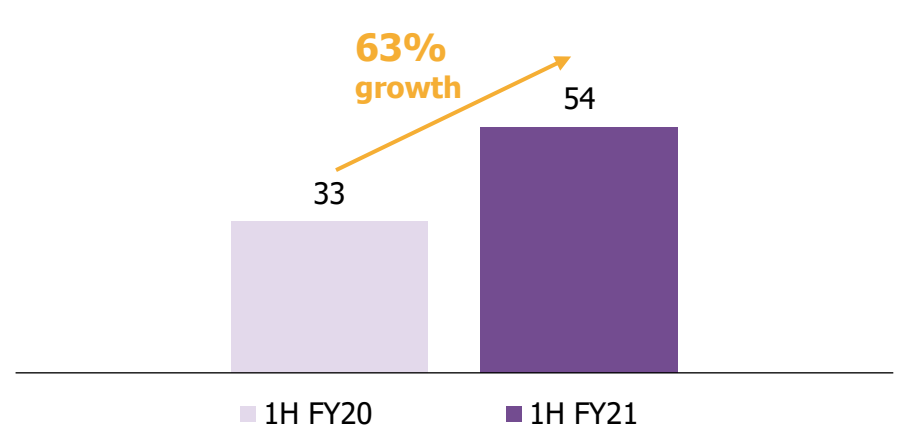
Loyalty Rewards Membership Growth

Significant growth in dusk Rewards membership, transactions and sales

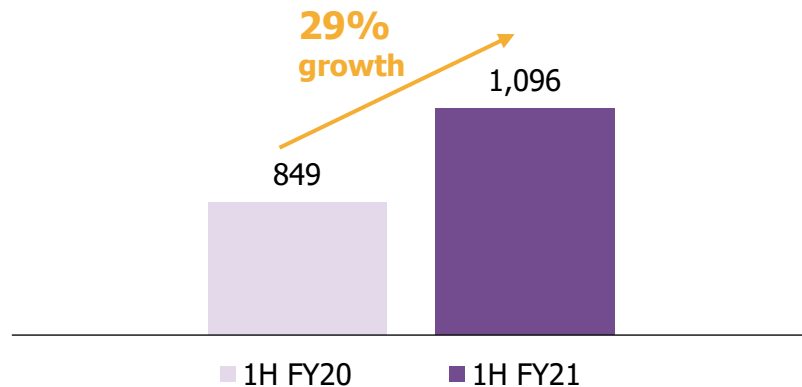
DUSK REWARDS SIGN-UPS/RENEWALS (000'S)¹



DUSK REWARDS SALES (\$M)



DUSK REWARDS TRANSACTIONS (000'S)



COMMENTARY

- 'Active' database now over 630k members
- Dusk Rewards members now account for 59% of total sales, up from 55% in pcp
- Pre-existing members are renewing at strong rates
- New member sign-ups also growing strongly
- Frequency and ATV of members metric sharply higher
- Omni-channel engagement (customers who shop both channels) continues to grow in importance

1. Includes new and renewal signups.

Gross Margin and Gross Margin Drivers

dusk is generating more transactions at higher values with stronger gross margins

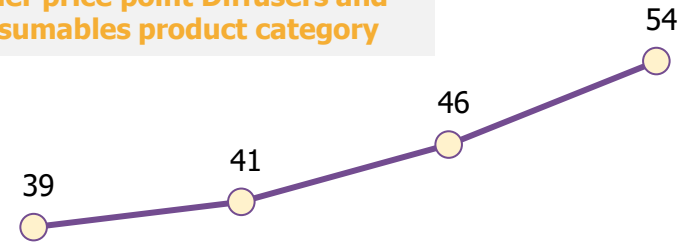
COMMENTARY

Gross margin drivers include:

- Our ability to control pricing and promotional strategy, and manage COGS due to the vertical business model
- 17% increase in ATV vs FY20, driven by reduced promotional discounting activities and growth in the Home Fragrance (electronic diffuser category)
- Strong growth of higher margin product categories
- Managing frequency, duration and depth of promotional discounting remains a key strategy for management
- AUD appreciation has been a relatively small contributor to earnings growth in 1H due to hedging and timing of AUD appreciation
- We expect AUD appreciation will provide a more material tailwind to GP\$ growth in 2H

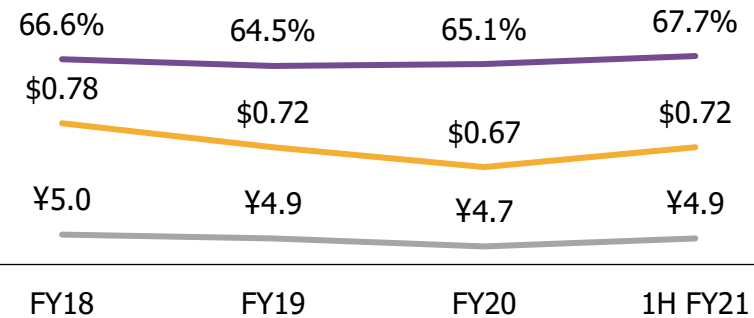
AVERAGE TRANSACTION VALUE (ATV) (\$)

Growth driven by dusk Rewards and the introduction of the higher price point Diffusers and Consumables product category



FY18 FY19 FY20 1H FY21

INCREASED GROSS MARGIN¹



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

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

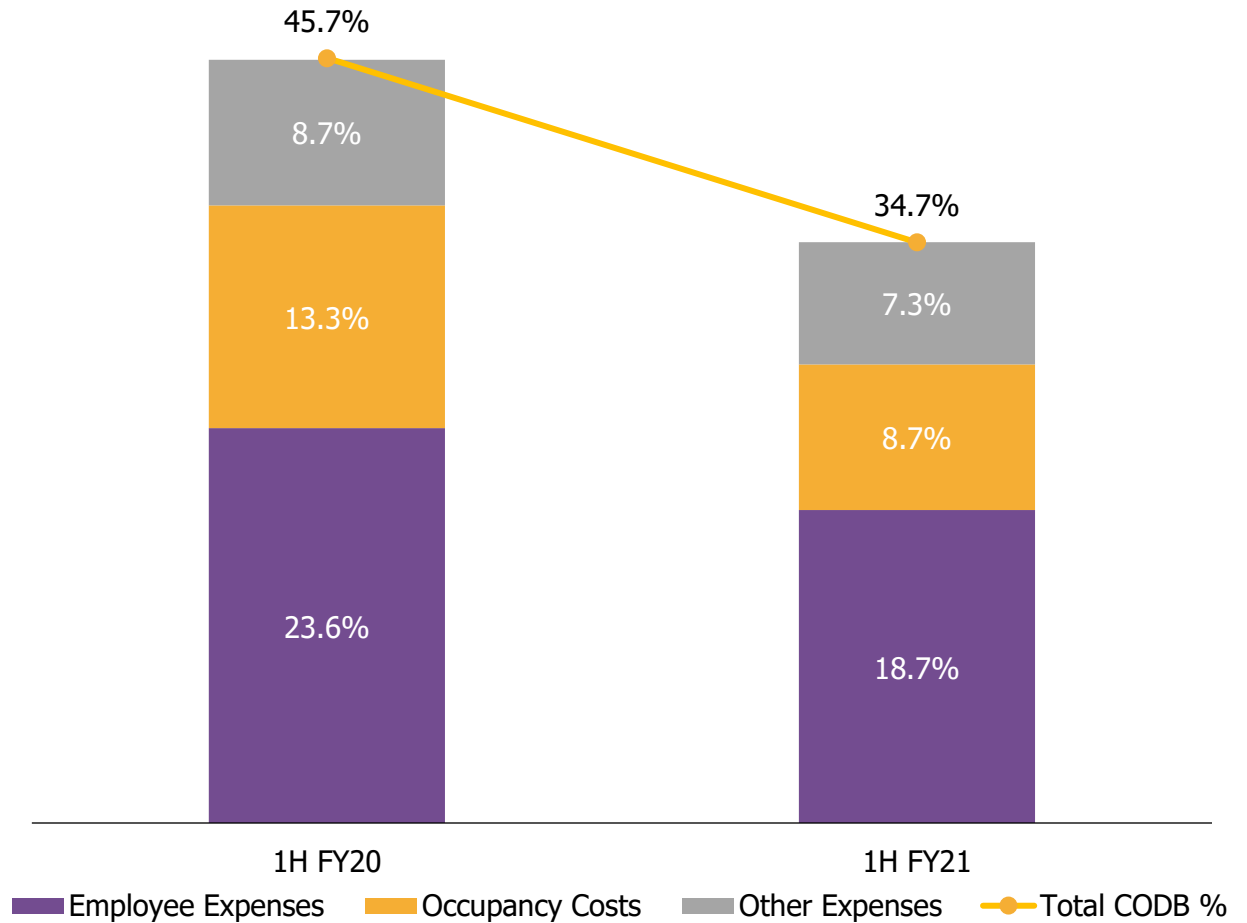
Cost of Doing Business

Track record of improving operating leverage

COMMENTARY

- CODB% decreased, reflecting strong sales growth achieved and benefits of fixed cost leverage
- Employee costs set out opposite are normalised for the net benefit of the JobKeeper wage subsidy received in the period (which will be repaid)

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



Capital Management

CASH FLOW

- Cash conversion of earnings since IPO has been strong
- Stock turns and terms of trade with suppliers continue to be refined
- Repayment of \$2.8m of JobKeeper will be booked in 2H
- Transaction costs, pre-IPO dividend and option buyback economically funded from pre-IPO cash reserves
- Post-IPO dividend reflects board confidence in cash flow and balance sheet

CAPEX

- 'Capital lite' business model with measured pace of store roll out and 'lite infrastructure' approach to distribution
- We continue to see significant landlord contribution to new sites
- FY21 capex includes website replatforming of approximately \$0.4m
- Ongoing opportunity to convert 36 legacy stores to the Glow format with attractive and proven ROI

STRONG BALANCE SHEET

- Inventory position clean
- Stock turns and GMROI materially improved
- Net cash at year end of \$34.9m
- Balance sheet provides flexibility to respond to growth opportunities
- Bank facilities also available to support liquidity





DIVIDEND

- A fully franked interim dividend of 15 cents per share has been declared and payable on March 26.
- The current intention of the Board is to target a payout ratio of 60% to 80% of annual NPAT¹ and for dividends to be fully franked (subject to franking credit availability)
- We expect annual dividends to be split approximately 50/50 between interim and final dividends

1. Subject to the availability of profits and the financial position of the Company

Generating Sustainable Future Growth

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

| KEY DRIVER | COMMENTARY |
|---|---|
|  <p>PAY-TO-JOIN LOYALTY MODEL</p> | <ul style="list-style-type: none"> ▪ 634,000 active dusk Rewards members with more than 141,000 added in 1H FY21 ▪ Members contribution approaching 60% of sales ▪ Increased frequency and monetisation ▪ Transaction history delivering insights into purchase intent and cross sell/upsell opportunities ▪ Enhancing our data analytics of our data base to utilise our data asset more effectively |
|  <p>OMNI-CHANNEL</p> | <ul style="list-style-type: none"> ▪ Digital sales channel increased +120% in 1H FY21 ▪ Channel contribution approaching \$13m p.a. and 10% of sales ▪ Management expertise added ▪ Replatformed website to go live in April 2021 ▪ First steps executed for customised communications ▪ Opportunities for recurring revenue models from growing consumables ▪ New platform is a key enabler to accelerating our omni-channel capabilities |
|  <p>EXPANDING STORE NETWORK</p> | <ul style="list-style-type: none"> ▪ Management track record for disciplined store rollout ▪ Six new stores opened in 1H FY21 despite COVID – 19 disruption ▪ All Stores profitable with increased store contribution from rental negotiations ▪ Targeting outer suburban/super regional areas ▪ ROCE < 12 months through increased landlord contributions to new stores ▪ Focus upon converting remaining 36 legacy stores to new Glow 2.0 format |
|  <p>DUSK PROPRIETARY PRODUCT</p> | <ul style="list-style-type: none"> ▪ Creating innovative products designed to enhance our customers' sensory experience ▪ Bringing 'affordable' products to market (current ATV of \$54) ▪ Increasing the growth of scented consumables to drive customer visitations |

Trading Update and FY21 Outlook

TRADING UPDATE

First six weeks of 2H FY21

- Continued strong comp growth - LFL sales +50% and LFL GM\$ +60%
 - Includes continued online sales growth of +59%
 - Disciplined promotional strategy continues
 - Four new stores committed to be opened prior to Mothers Day
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OUTLOOK

- While the half has started well and the board is optimistic about a pleasing result for FY21, given the uncertainty that persists, the Board cannot give FY21 earnings guidance at this time
- The repayment of the net JobKeeper benefit will be booked in our statutory accounts in 2H, however we note that this benefit has not been included in the 1H pro forma results (i.e. underlying EBIT)
- 2H is typically much less profitable than 1H
- Our inventory is currently well-balanced to meet demand
- Currency tail winds will be more significant than 1H FY21
- In April and early May we cycle a period of national store closures in prior year
- From ~8 May we cycle a strong Mothers Day trading event in FY20 and the commencement of a period of elevated sales thereafter
- Our strategy and focus on strong execution and remaining nimble is unchanged

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Questions ?

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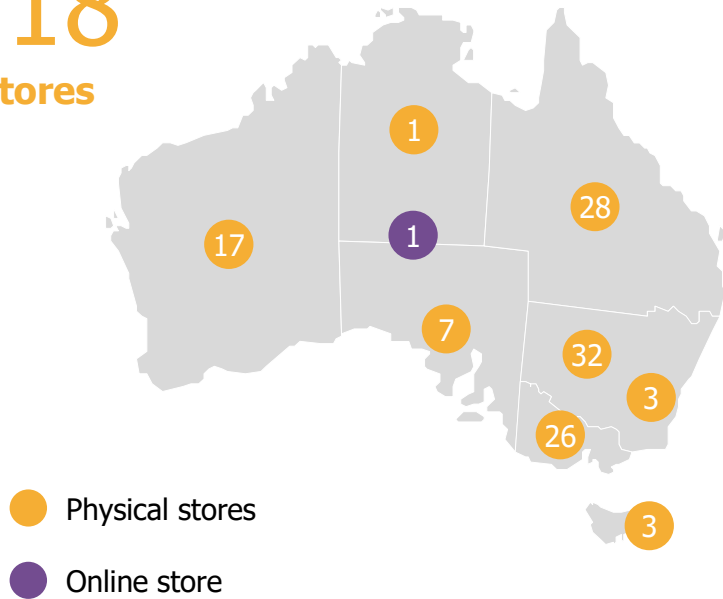


Appendix

National Store Network

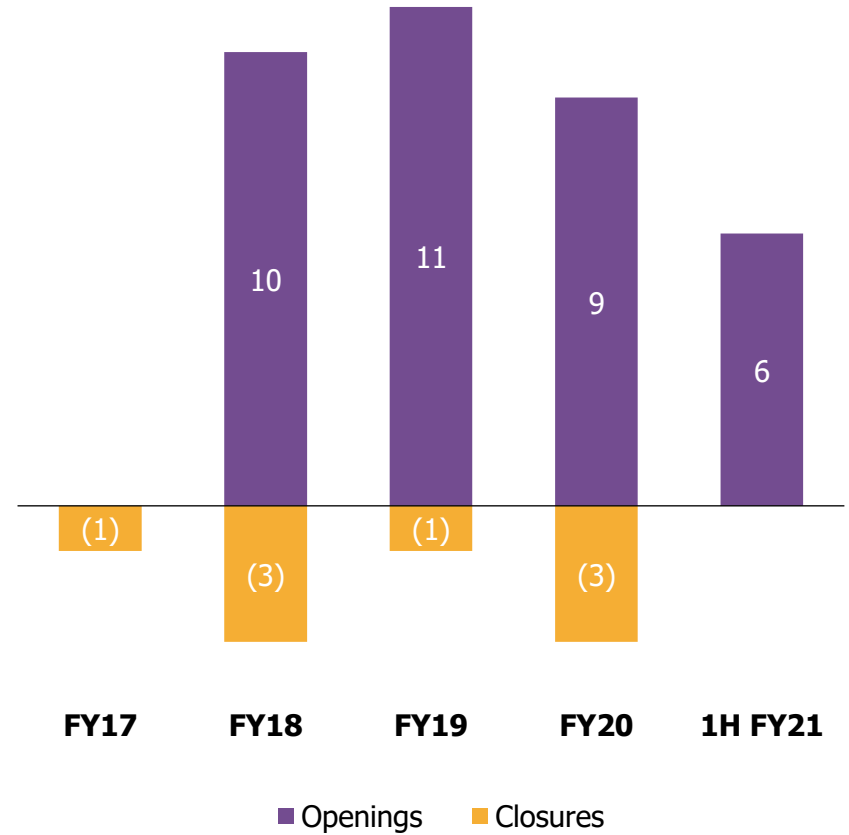
STORE NETWORK

118
Stores



- Opened six new stores in 1H FY21 - two in WA, one in QLD, and one in NSW, VIC and SA
- Secured four new stores for 2H FY21 – two in QLD, one in NSW and one in TAS
- Management has resumed scoping the NZ opportunity

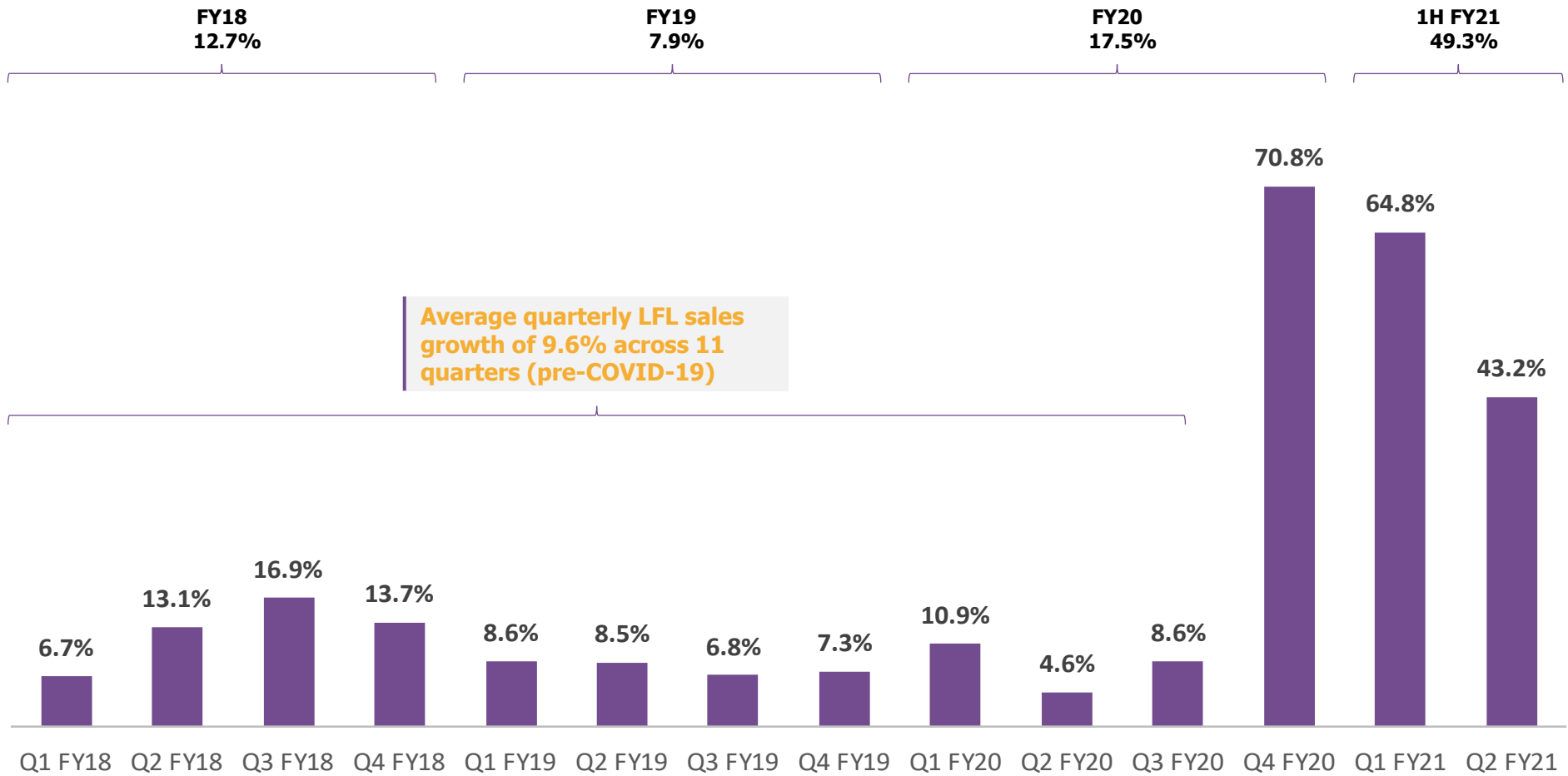
NET STORE OPENINGS



Like for Like Sales Performance

dusk has delivered 15 consecutive quarters of LFL sales growth

QUARTERLY LFL SALES – Q1 FY18 – Q2 FY21



Pro Forma Profit and Loss

PRO FORMA RESULTS

| \$M | 1H FY20 | 1H FY21 |
|-------------------------------|-------------|-------------|
| Revenue | 58.6 | 90.9 |
| Cost of sales | (20.7) | (29.4) |
| Gross profit | 37.9 | 61.6 |
| Employee expenses | (13.8) | (17.0) |
| Occupancy expenses | (7.8) | (8.0) |
| Other expenses | (5.1) | (6.6) |
| Cost of doing business (CODB) | (26.7) | (31.6) |
| EBITDA | 11.2 | 30.0 |
| Depreciation | (1.5) | (1.5) |
| Amortisation | (0.1) | (0.1) |
| EBIT | 9.6 | 28.4 |
| Net finance expense | 0.0 | (0.1) |
| Profit before tax | 9.6 | 28.3 |
| Income tax expense | (2.9) | (8.5) |
| Net profit after tax | 6.7 | 19.8 |

Balance Sheet

BALANCE SHEET AS AT 27 DECEMBER 2020

| \$M | Dec-20 ¹ | Pro Forma Jun-20 |
|--------------------------------------|---------------------|------------------|
| Current assets | | |
| Cash | 34.9 | 5.0 |
| Trade and other receivables | 0.7 | 2.9 |
| Inventories | 18.7 | 11.2 |
| Right of return assets | 0.3 | 0.3 |
| Prepayments | 3.9 | 0.7 |
| Total current assets | 58.5 | 20.1 |
| Non-current assets | | |
| Property, plant and equipment | 8.4 | 8.2 |
| Right of use assets | 32.1 | 31.0 |
| Intangibles | 1.8 | 1.8 |
| Deferred tax assets | 7.5 | 6.4 |
| Total non-current assets | 49.8 | 47.4 |
| Current liabilities | | |
| Trade and other payables | 23.5 | 14.3 |
| Provisions | 3.1 | 3.1 |
| Employee benefit liabilities | 1.2 | 0.9 |
| Lease liabilities | 12.0 | 10.2 |
| Income tax payable | 7.7 | 3.0 |
| Total current liabilities | 47.5 | 31.4 |
| Non-current liabilities | | |
| Provisions | 0.9 | 0.6 |
| Employee benefit liabilities | 0.4 | 0.3 |
| Lease liability | 24.9 | 24.8 |
| Total non-current liabilities | 26.2 | 25.7 |
| Net assets | 34.6 | 10.4 |

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