



ASX Release

13 September 2022

ASX Small & Mid-Cap Conference Presentation

dusk Group Limited ('dusk', ASX: DSK) provides the attached presentation which the CEO and Managing Director Mr. Peter King will deliver at the ASX Small & Mid-Cap Conference at **10am (AEST) today** (13 September 2022).

Investors can register [here](#) to attend the virtual presentation and Q&A session.

A replay of the presentation will be made available on the ASX Conference website in the coming days.

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

Media & Investor Enquiries

Françoise Dixon

investorrelations@dusk.com.au

+61 (0) 412 292 977

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 one's self'.



dusk Group Limited

ABN: 38 603 018 131

dusk.com.au

Level 3, Building 1 North, 75-85 O'Riordan Street, Alexandria, NSW, 2015

dusk

ASX Small & Mid-Cap Conference

13 September 2022

Peter King – CEO and Managing Director



Leading omni-channel specialty retailer of home fragrance products

Highly differentiated product offering, vertical retail model and paid loyalty program

Vertical retail model provides flexibility and control

Unique paid loyalty program
>755k members

Profitable store network
132 stores*

Compelling customer proposition

Track record of product innovation

Long-term supplier partnerships

Affordable luxuries
ATV of \$54

Gifting 30-40%
of sales

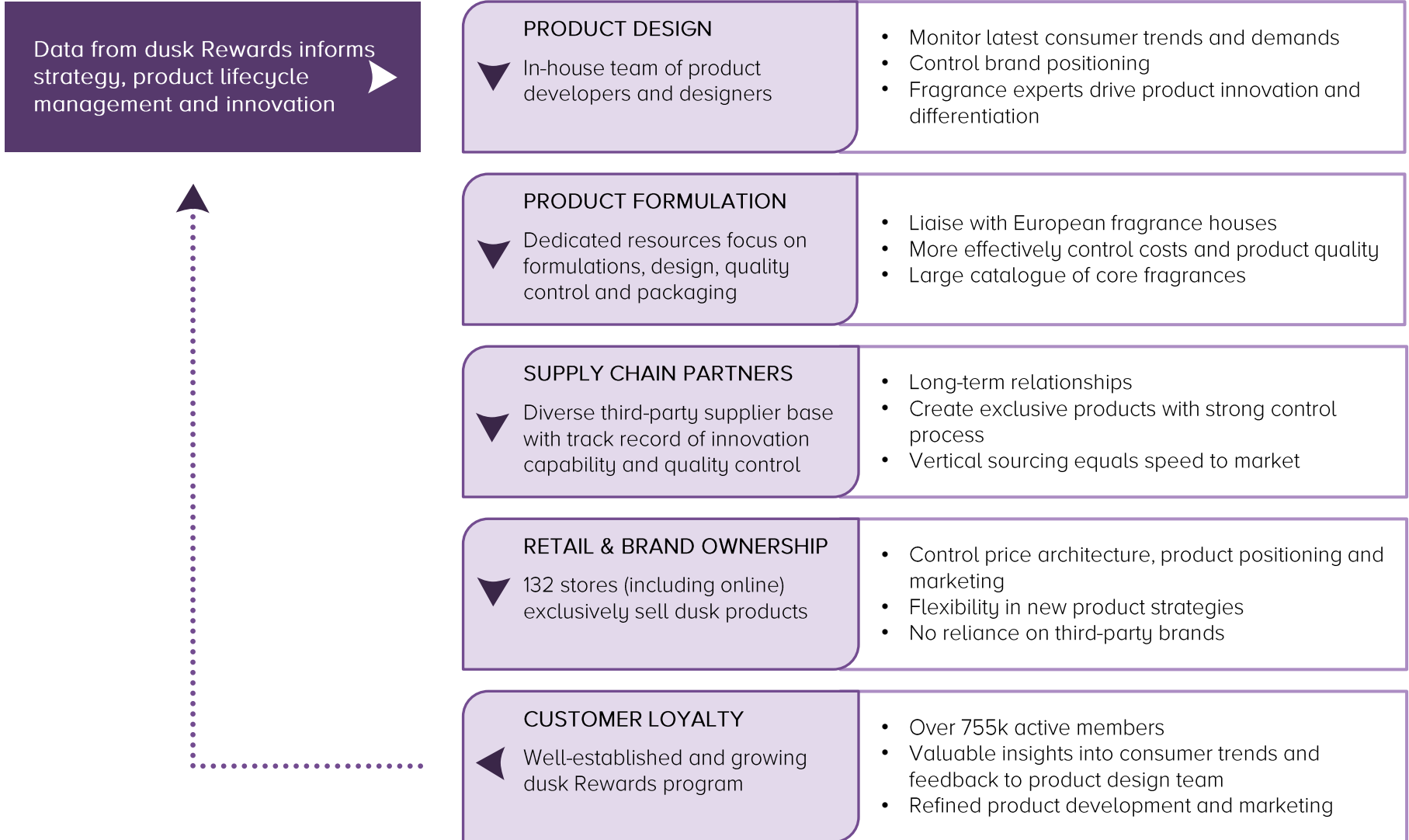
Growth in high margin consumables

It's about the Customer, always!

dusk offers its customers high quality, affordably priced products in an engaging shopping environment



Vertical business model is key competitive advantage



Strategy

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

KEY DRIVER

COMMENTARY



PAY-TO-PLAY
LOYALTY MODEL

- 755k active dusk Rewards members and growing (688k vs pcg)
- \$10 fee maintained for a two year membership period
- Members contribution represent 62% of sales
- Increased frequency and monetisation
- Transaction history delivering insights into purchase intent and cross sell / upsell opportunities



OMNI-CHANNEL

- Digital sales increased 2.9% in FY22 and represents 8.3% of sales
- Replatformed website went live in August 2021 and 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
- 10 new stores opened in FY22 despite COVID-19 disruptions
- 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 27 legacy stores to new Glow 2.0 format
- Entry into NZ with a 3 store trial plus website in 1H FY23



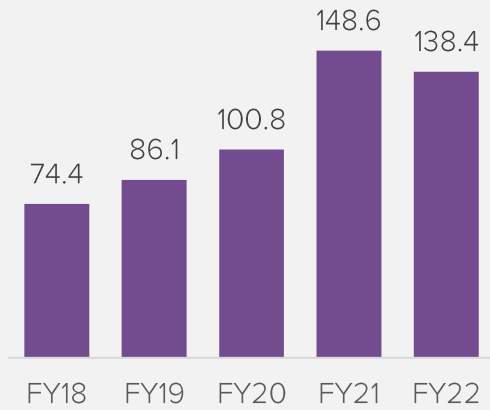
DUSK PROPRIETARY
PRODUCT

- 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

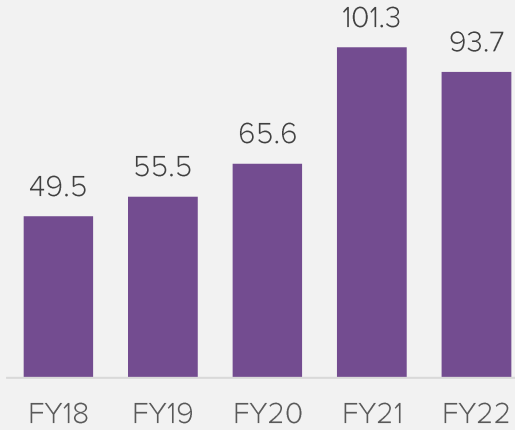
Track Record of Performance

Step change achieved across all key metrics since FY18

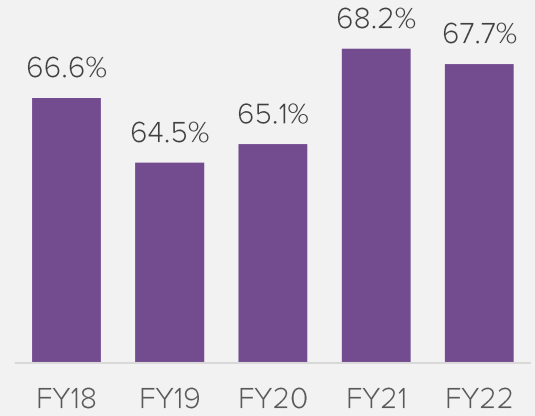
Sales (\$M)



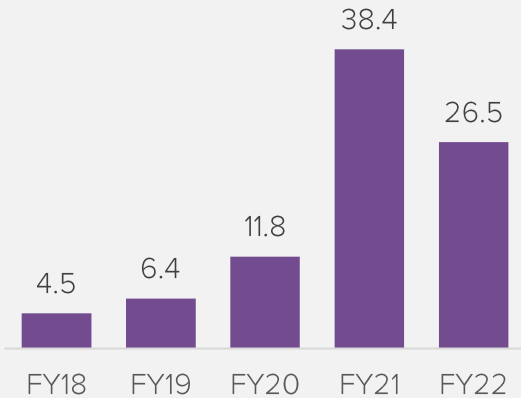
Gross Profit (\$M)



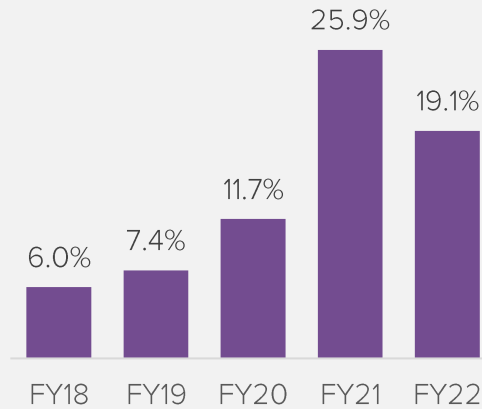
Gross Margin (%)



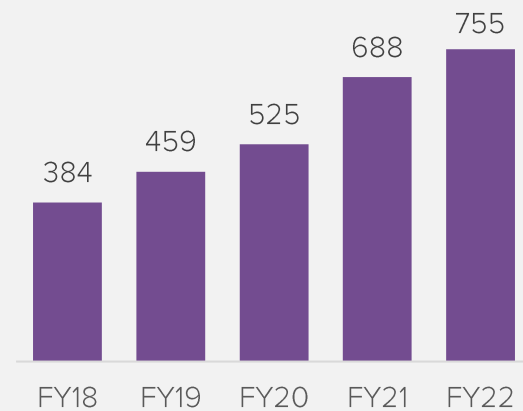
Pro Forma EBIT (\$M)



Pro Forma EBIT Margin (%)



dusk Rewards Members (# 000's)



FY22 Summary

SALES PERFORMANCE: Total Sales of \$138.4m

- Total sales -6.9% on FY21 (+37.3% on FY20)
- ~24% of store trading days in 1H lost due to store closures
- Total LFL¹ sales -10.5%

OMNI-CHANNEL: Online sales of \$11.6m, +2.9% (+30.7% on FY20)

- Represents 8.3% of total sales
- Channel mix normalised as the year progressed

GROSS MARGIN

- Gross margin of \$93.7m, -7.5% on FY21
- Gross margin rate 44 basis points lower to 67.7%

PRO FORMA EBIT² of \$26.5m and NPAT of \$18.4m

- Impacted by significant periods of store closures in 1H and Omicron emerging over Christmas / New Year
- New stores performed well and disciplined cost management continued

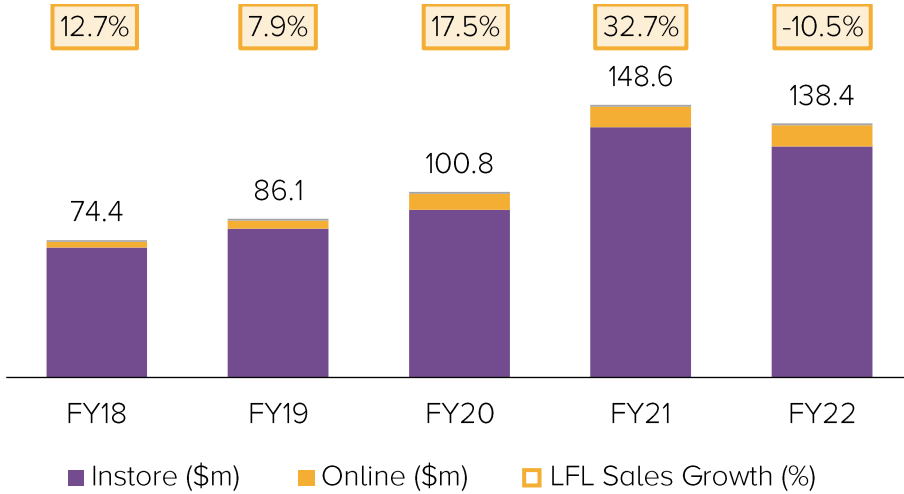
CASHFLOW GENERATION AND STRONG BALANCE SHEET

- Net cash position of \$21.3m at year end (no debt) vs \$21.4m in pcp
- Fully franked final dividend of 10 cents per share declared, bringing full year dividends to 20 cents per share

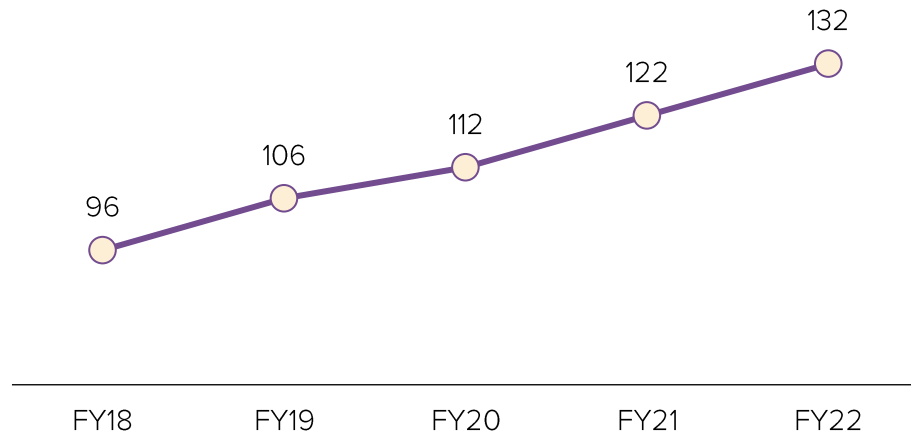
1. LFL sales calculation excludes stores closed for refurbishment or COVID-19 related closures
 2. Proforma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, NSW JobSaver receipts, rental concessions, Eroma acquisition costs (terminated transaction) and is pre-AASB 16

Sales

SALES (\$M) AND LFL SALES GROWTH

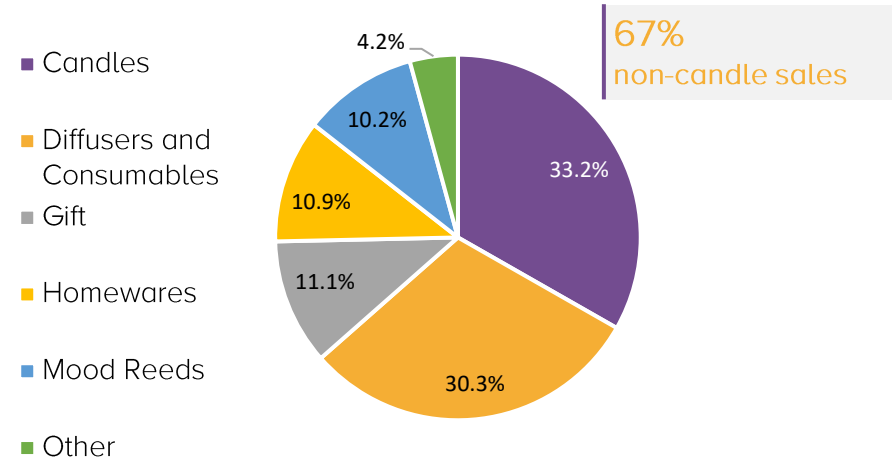


GROWING STORE NETWORK¹



1. Store count includes online store

SALES BY CATEGORY

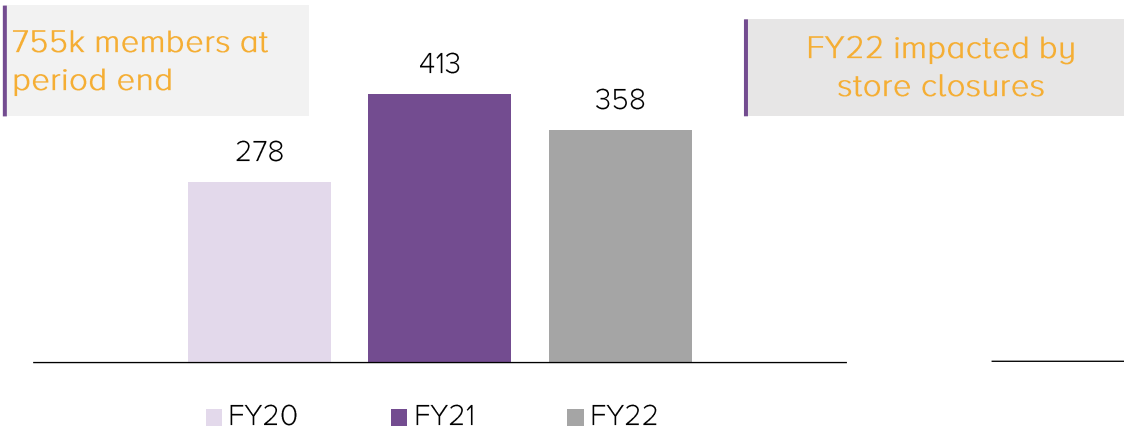


COMMENTARY

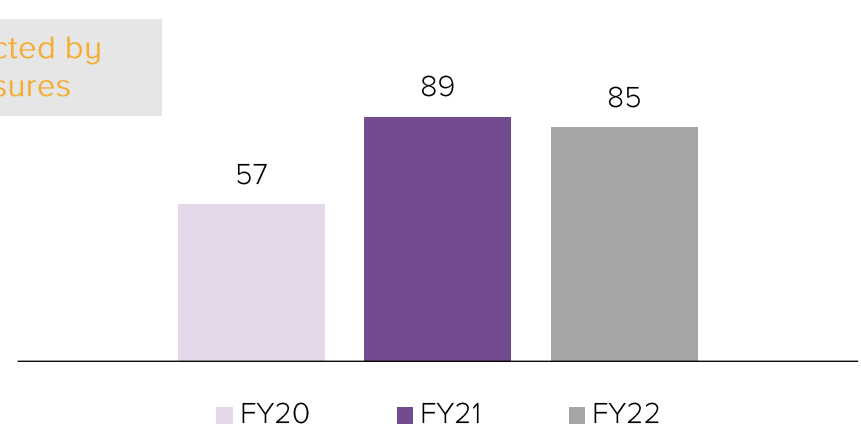
- Store closures had a material impact on the sales result
- Total LFL sales -10.5%, cycling +32.7% pcp
 - Store LFL sales -11.5%, cycling +32.9% pcp
 - Online sales +2.9%, cycling +27.0% pcp
 - 5-year average LFL +12%
- dusk Rewards members remain the 'engine room' of sales
- New stores are performing well
- High margin scented consumable refills remain a driver of repeat customer visits

Loyalty Rewards Membership Growth

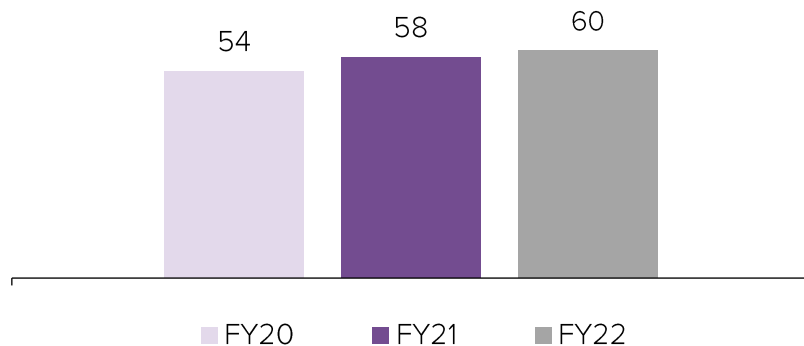
DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



DUSK REWARDS SALES (\$M)



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



COMMENTARY

- Continued growth in dusk Rewards membership and contribution to total sales
- Active database now over 755k members vs 688k pcp, +9.7%
- dusk Rewards members now account for 62% of total sales, up from 60% pcp
- ATV \$ has increased 4.0% to \$60
- Omni-channel engagement (customers who shop both channels) continues to grow in importance

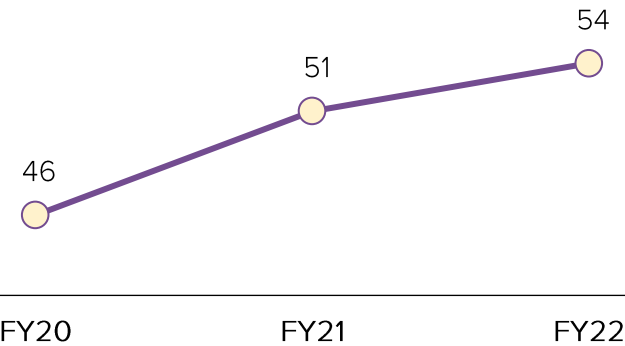
Gross Margin and Gross Margin Drivers

COMMENTARY

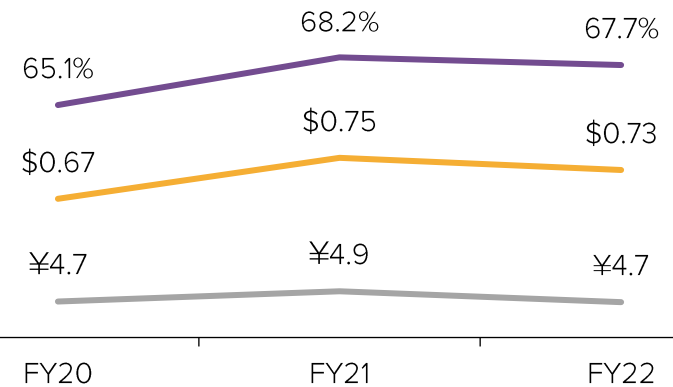
Gross margin drivers include:

- Our ability to manage pricing and frequency, duration and depth of promotional discounting
- COGS were closely managed and benefitted from strong supplier relationships and our vertical business model
- 4.8% increase in ATV driven largely by price increases executed in June 2021
- Ongoing product innovation particularly in the growing Home Fragrance category
- Overall margin rate decreased by 44 bps with continued elevated freight costs and an increase in promotional activity

AVERAGE TRANSACTION VALUE (ATV) (\$)



GROSS MARGIN¹



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

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

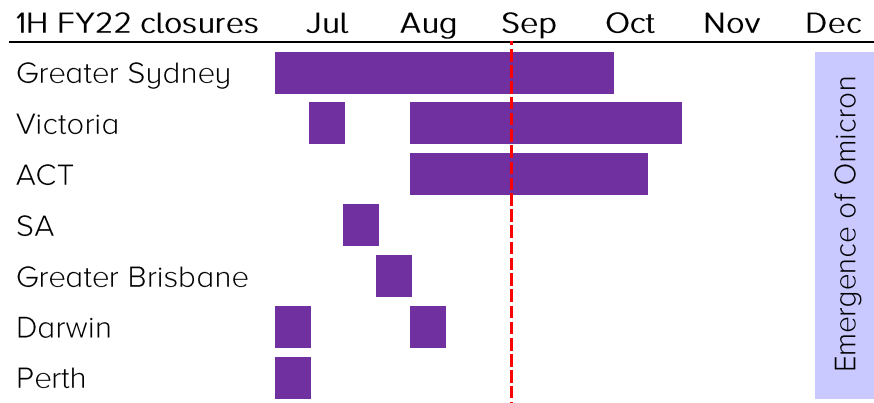
Trading Update and Outlook

TRADING UPDATE

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
Store Sales	+49.5	-1.8	+51.9
Online Sales	-50.4	-43.7	+82.7

- Trade was notably stronger in August vs July
- Gross margin is trending in line with prior year
- LFL sales is not regarded as an insightful measure in 1H FY23 given the extent of store closures in pcp



As we cycle periods of store closures occurring in 1H FY22, we are currently here

FY23 OUTLOOK

- Given the uncertainty that persists in the macro environment, the Board is unable to give FY23 earnings guidance at this time
- 5 new stores in Australia committed to be opened before Christmas
- 1H entry into NZ with a 3-store trial and duskcandles.co.nz website
- Our inventory is currently well-balanced to meet demand
- Our strategy and focus on strong execution and remaining nimble is unchanged

WE DRAW CONFIDENCE FROM THE FUNDAMENTALS

- ✓ Less likely to have store closures in FY23
- ✓ Category leader with vertical business model and strong margins
- ✓ 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

Appendix



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National Store Network

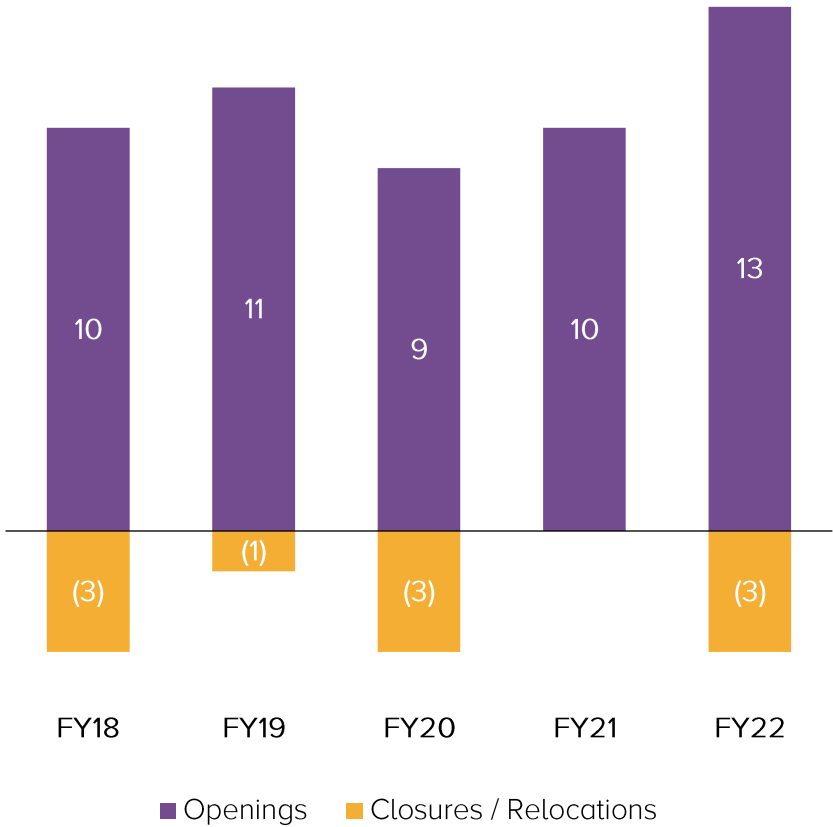
STORE NETWORK¹

132
Stores



- Opened 10 new stores in FY22 – 4 in NSW, 3 in VIC, and 1 in QLD, WA and SA
- Relocated 3 stores in FY22 – 2 in NSW and 1 in QLD

NET STORE OPENINGS



1. Store count as at 3 July 2022

Profit and Loss

SALES AND PROFIT

- Total sales \$10.2m lower, -6.9%
- LFL sales -10.5% (cycling +32.7% in FY21)
- ~24% of 1H store trading days were lost (5,483 days) due to store closures
- 10 new stores opened, finishing at 132
- Gross margin \$7.6m lower, -7.5%
- Gross margin rate 44 basis points lower driven by additional promotional activity and continued freight price pressures
- CODB up \$4.0m, +6.6%
- Pro forma EBIT of \$26.5m, -31.1%
- Pro forma NPAT¹ of \$18.4m, -31.3%

PRO FORMA² RESULTS

\$M	FY21	FY22	% Change
Revenue	148.6	138.4	-6.9%
Gross profit	101.3	93.7	-7.5%
Gross profit %	68.2%	67.7%	-44 bps
CODB	(59.9)	(63.9)	6.6%
CODB %	40.3%	46.2%	+586 bps
EBITDA	41.4	29.8	-27.9%
EBITDA %	27.8%	21.5%	-630 bps
EBIT	38.4	26.5	-31.1%
EBIT %	25.9%	19.1%	-672 bps
NPAT	26.8	18.4	-31.3%
NPAT %	18.0%	13.3%	-472 bps

1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT
 2. FY22 included 53 weeks trading with the net impact - sales of \$2.0m and EBITDA of \$0.4m

Balance Sheet

COMMENTARY

- Solid cash conversion of earnings
- Ongoing opportunity to convert 27 legacy stores to the Glow 2.0 format with attractive and proven ROI
- Inventory position clean and stock levels adequate to meet demand
- Net cash at period end of \$21.3m
- 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 final dividend of 10 cents per share has been declared with a record date of Sept 13 and payable date of Sept 27

BALANCE SHEET AS AT 3 JULY 2022

\$M	FY21	FY22
	Statutory	Statutory
Current assets		
Cash	21.4	21.3
Trade and other receivables	0.7	0.4
Inventories	14.4	15.4
Right of return assets	0.4	0.4
Prepayments	1.0	1.7
Total current assets	37.9	39.1
Non-current assets		
Property, plant and equipment	9.2	11.1
Right of use assets	28.4	29.2
Intangibles	1.8	2.2
Deferred tax assets	7.2	6.7
Total non-current assets	46.5	49.2
Current liabilities		
Trade and other payables	8.3	9.2
Provisions	2.9	2.8
Employee benefit liabilities	1.2	1.5
Lease liabilities	13.2	14.3
Income tax payable	6.1	0.7
Total current liabilities	31.7	28.4
Non-current liabilities		
Trade and other payables	0.3	0.3
Provisions	1.1	1.3
Employee benefit liabilities	0.4	0.5
Lease liability	20.7	21.2
Total non-current liabilities	22.6	23.4
Net assets	30.2	36.5

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 at 2 September 2022. It is in summary form and is not necessarily complete. It should be read together with the company's consolidated financial statements lodged with the ASX on 2 September 2022. 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.

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Financial data

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