dusk

30 August 2023

FY23 Results (unaudited)

dusk Group Limited ('dusk', ASX: DSK) today provides its preliminary (unaudited) FY23 results for the 52 weeks ending 2 July 2023[1]. The results were in line with the guidance provided in May 2023.

FY23 Highlights:

- Sales of $137.6m, -0.6% (FY22: $138.4m); +36.5% on FY20
- Total LFL[2] sales were -13.2%
  - Stores LFL -11.1%
  - Online -35.2%
- Gross margin[3] of $88.2m, -3.0% (FY22: $90.9m)
- Gross margin rate of 64.1% (FY22: 65.7%)
- Pro forma EBIT[4] of $16.5m, -37.6% (FY22: $26.5m); +39.7% on FY20
- Net cash of $16.0m at period end and no debt (FY22: $21.3m)
- 145 stores (including online) at period end, a net increase of 13 stores
- Inventory of $15.2m at period end (FY22: $15.4m)
- dusk Rewards active members of 735,000 (FY22: 755,000)
- Final dividend of 3 cps (fully franked), bringing full year dividends to 11 cps

Executive Chair John Joyce said: "Our FY23 results reflected the challenging trading conditions in a year where higher interest rates and mounting cost of living pressures increasingly impacted the net disposable income of our core customer.

"Our key focus is on executing our strategic priorities, being disciplined on promotional activity and price point management to maximise gross margin dollars, controlling costs and delivering outstanding customer service to maximise sales conversion and basket size.

"We are accelerating the launch of a range of exciting product led initiatives and innovations coming to market over the next 12 months. These initiatives, coupled with a replatformed and redesigned website, and new leadership are central to our expectations of improved trading as the year progresses."

[1] FY22 included 53 trading weeks. The estimated net impact of the additional week in FY22 is sales of $2.0m and EBIT of $0.4m.
[2] LFL (like-for-like) sales excludes stores closed for refurbishment or COVID-19 related closures.
[3] The Group has reclassified the costs of distribution activities directly relating to the performance obligation to deliver goods to the customer, within Cost of Sales instead of within Other Expenses. Prior year comparatives have also been reclassified. There was no impact to EBIT.
[4] 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.

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FY23 Result Overview

The table below summarises the total sales results achieved in FY23 compared to both FY22 and FY20.

Sales growth, unaudited	**FY23 versus:**	
	FY22	**FY20**
Headlines:	**%**	**%**
Total Sales	-0.6	+36.5
Channel Breakdown:		
Stores Sales	+2.6	+41.5
Online Sales	-35.2	-15.3

Sales of $137.6m were -0.6% lower than FY22 (+0.9% when excluding the additional trading week in FY22) and 36.5% higher when compared to FY20. This was despite a 10.2% decline in foot traffic outside our stores which was partly offset by higher sales conversion when customers were in store, which is a testament to the quality and commitment of our team.

LFL sales were 13.2% lower with stores 11.1% lower and online 35.2% lower. Click & Despatch (ship from store) capability was expanded and is now operational in ten stores across Australia with a further rollout planned. Despite channel mix normalising, the online sales result of $7.5m (5.4% of total sales) was below our expectations.

The addition of fourteen new stores including three trial stores and a website in New Zealand was a key driver of sales growth. A further three stores were upgraded to our 'Glow 2.0' store format and one store was closed during the year. The store network finished FY23 at 145 stores (including online).

The performance of our three trial stores and website in New Zealand has been in line with expectations and further rollout opportunities will be evaluated once the economic outlook improves in that market.

Average transaction value (ATV) decreased by 5.7% to $51 driven by a more cost-conscious customer which was reflected in lower sales of high value items and lower online sales where ATV is higher.

The gross margin rate of 64.1% was 160 basis points lower than prior year due primarily to a weaker Australian dollar versus the US dollar, some mix shift between product categories, and a small increase in promotional discounting and clearance activity to keep inventory levels balanced and fresh.

After three years of COVID-19 impacts, the cost of doing business (CODB) in FY23 reflected a more typical year. CODB in FY22 was approximately $2.5m lower than normal as teams were stood down during periods of prolonged store closures. Adjusting for this CODB in FY23 was up 6.6%. The increase was driven by new stores, increased wage rates and elevated inflation.

At the end of FY23, active membership in dusk Rewards, our loyalty program was over 735,000 members compared to 755,000 at the end of FY22. ATV for members was $57 and materially higher than non-members. In FY23, members accounted for 62% of total sales (FY22: 62%). The opening of additional stores in new catchment areas is expected to drive further growth in member numbers.

Inventory finished the year well balanced at $15.2m compared to $15.4m at the end of FY22. This was despite the net addition of thirteen stores across Australia and New Zealand.

The Board has declared a fully franked final dividend of 3 cents per share. The record date is 14 September 2023 with a payment date of 28 September 2023. This brings full year FY23 dividends to 11 cents per share which represents a payout ratio of 59% of statutory NPAT.

Trading Update and FY24 Outlook

The total sales results for the first seven weeks of FY24 are summarised in the table below.

Sales growth, unaudited	First 7 weeks FY24 versus:			
	FY23	**FY22**	**FY21**	**FY20**
Headlines:	**%**	**%**	**%**	**%**
Total Sales	-15.6	+9.5	-20.9	+29.2

Sales for the first seven weeks of FY24 were 15.6% lower compared to the prior corresponding period and reflect continued softening in trading conditions, however sales remain materially above those levels seen in the first seven weeks of FY20 (i.e. a pre COVID-19 period).

At a channel level, online continues to underperform. Click & Collect will be introduced and is expected to go live prior to the key gifting season in FY24. The website will also be replatformed and redesigned in 2H FY24. These initiatives are expected to unlock growth and offer an improved customer experience.

We have already executed a $2.0m CODB reduction program to assist in mitigating the financial impact of the current environment. The cost reductions are across the areas of store labour, logistics and head office costs.

Our focus is on disciplined promotional activity and price point management to maximise gross margin dollars and to deliver outstanding customer service to maximise sales conversion and basket size.

We continue to invest in new stores despite the macro environment headwinds where the return on investment remains attractive. As a result, the Company expects to open a further six stores in Australia in 1H FY24.

We are closely monitoring the challenging economic and market conditions and its effect on the store portfolio. Where necessary the business will make tough decisions on underperforming stores.

We continue to invest in product innovation and are in the preliminary stages of exploring opportunities to expand our distribution network beyond our store and online channels.

Despite the challenging macro environment, we draw confidence from our business fundamentals including our category leadership, vertical retail model and unique dusk Rewards paid loyalty program.

Given the uncertainty in the outlook the Board does not consider it appropriate to provide FY24 guidance at this time.

CEO Transition Update

Incoming CEO and Managing Director Vlad Yakubson is now expected to start earlier than planned on October 9, 2023. John Joyce will cease as Executive Chair and return to his position as Non-Executive Chair on that date.

Investor Conference Call

Executive Chair John Joyce and CFO Kate Sundquist will host a conference call for the investment community including a Q&A session at **1pm AEST today 30 August 2023**.

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

https://s1.c-conf.com/diamondpass/10032170-yeh7f.html

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

Media & Investor Enquiries

Françoise Debelak
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 oneself'.