



12 November 2021

ASX Market Announcements  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

**DUSK GROUP LIMITED (ASX:DSK) 2021 AGM – CHAIR'S AND CEO'S ADDRESS**

Please find attached a copy of the Chair and CEO's addresses to be delivered at the Annual General Meeting to be held at 10:00am (Sydney time) today.

The announcement has been approved by the Board of dusk Group Limited.

Yours faithfully

A handwritten signature in black ink that reads "Kate Sundquist".

Kate Sundquist  
Chief Financial Officer  
and Company Secretary

# dusk

## CHAIR'S ADDRESS

I will now provide an overview on our performance in FY21 and will then invite Peter to talk in more detail about the company's operating performance, an update on some of our key strategies and current trading performance.

In a challenging year, as a result of the COVID Pandemic, FY21 was an exceptional year for dusk with record sales and earnings and record operating cash flow.

In November last year we also reached an important milestone in successfully listing on the ASX.

Against the backdrop of the pandemic, sales were up 47.4% and like for like sales up 32.7%. All product categories showed significant growth and the online channel grew 27% and now represents 7.5% of total sales.

The exceptional sales and gross margin results, combined with disciplined cost management, delivered strong operating leverage and a record EBIT result of \$38.4m, up 224.7%.

While the pandemic has brought a general focus to Home categories, our success in FY21 is equally attributed to the strategies set by the Board and Management prior to COVID-19.

Namely the growth in our store network, our continued product differentiation and innovation, the focus and investment in our online channel and the growth in our dusk rewards program.

All this is underpinned by our amazing dusk team members with their continued dedication and commitment to delivering first class customer experiences.

Our balance sheet finished the year in a strong position with cash at bank closing FY21 at \$21.4m and no debt.

The Board declared a fully franked dividend of 10.0 cents per share, taking the total dividend payout for the year to 25.0 cents per share, fully franked.

In this, our inaugural year on the ASX, we are pleased to be able to reward our shareholders with these strong results, a significant increase in share price and an attractive dividend yield.

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As we head into our peak selling period, we are all set with our seasonal ranges and our teams are focussed and prepared for these key trading weeks.

I am confident that we have the right strategies and the right team in place to continue to deliver strong results for the benefits of all shareholders.

In closing I would like to thank the Board, Management and all our dusk team members for their guidance, hard work, and dedication during these challenging times. I'm incredibly proud of what we have achieved during this time.

I will now hand over to Peter King, Managing Director and CEO, to present his report.

Thank you.

# dusk

## CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S ADDRESS

Thank you, John,

FY21 was a year of great success for dusk with a listing on the ASX and delivering record sales and earnings. These results could not have been achieved without our teams can do culture that is obsessed with anticipating and exceeding the needs of our customers.

I would like to take this opportunity to share some insights behind your companies' sales and earnings growth;

### **Vertical Sourcing + 100% in house Product Development = Great Value.**

While a specialty retailer, dusk employs no buyers. Nor do we deal with wholesalers, agents or manufacturer representatives. We have a team of six dedicated Product Developers with three Graphic Designers to offer refreshed seasonal and event linked products for our customers.

These in house designed, developed and differentiated product lines are then directly sourced from our manufacturing partners. This tightly controlled supply chain allows dusk to maximise our operating margins while offering great value to our customers.

It may be beneficial to our Shareholders to fully understand the rate of new Product development undertaken by the product and planning teams at dusk;

**Easter** – a tight range of Easter candles and homewares offered in March and April.

**Halloween** – A strong and growing contributor to earnings each September and October which adds fun and theatre to the brand.

**Spring/Summer and Autumn/Winter** – two ranges each season refreshes our offer in store and flanks our solid core product offering. These range refreshers work to increase store visitation and lift conversion rates in store and online.

**Christmas** – dusk is famous for its Christmas gifting and Décor. From the 200,000+ Christmas crackers our customers will purchase to the more than 100,000 candle gift sets found under their Christmas trees, dusk has become a go to brand for our customers to celebrate our unique Australian Christmas.

### **dusk Rewards Program.**

Another strategic advantage vs our competition is our successful dusk rewards program. As a reminder, each member pays \$10 for a two year membership and in return enjoys a suite of benefits.

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dusk finished FY21 with 688,000 active members, an increase of 31% over FY20. The dusk rewards program represented 60% of total sales and 52% of total transactions in FY21, highlighting the increased spending power of members vs. non-members.

dusk rewards has become a rich source of data insights, and this has allowed us to commence customised offers based upon purchase history, frequency and product type. The rapid growth in our membership also lessens the digital marketing spend required to boost sales.

## **Growing Store Network**

All dusk stores are profitable. All dusk stores generate high contribution margins due to rigorous cost control and strong rental negotiations.

dusk added 10 new stores in FY21 and our strategy of targeting outer suburban and super regional catchments continues to generate strong returns. All 10 new stores had a payback period below 12 months.

As communicated in our last trading update, I am pleased to confirm that six new stores have now been opened in the 1<sup>st</sup> H FY22 taking the store network to 127 stores plus online for Christmas trade.

We have also locked in a 7<sup>th</sup> new store for Q3 and are actively involved in discussions to secure more sites prior to our peak Mother's Day trading period.

## **Investment in Digital**

In the 1<sup>st</sup> Quarter of FY22, our new Web platform on Magento 2.3 went live. The user experience online has been greatly enhanced with improved graphics, clear promotional activity, speedier navigation and the ability to run multiple linked offers especially for dusk reward members.

The capex investment has been matched by increased skillset to leverage the new platforms enhanced capabilities.

**I will now turn to discussing current trade**

## **OUTLOOK**

The challenging environment caused by COVID-19 across the Australian economy has had management constantly adapting in order to stay ahead of the prevailing conditions.

Management made the decision to maintain elevated stock holdings through the end of FY21 and into FY22. Our critical Christmas product offer was signed off and placed three to four weeks earlier than any year previously, allowing us to have a buffer for the anticipated delays in shipping. This change has paid off. dusk has opened Christmas with all products in the planned stock depth across the store network.

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While there were increased freight costs, Management executed price increases across several volume core lines in June. This decision has seen a relatively inelastic response from our customers. Our price rises were assisted by competitors also lifting prices which maintained dusks' favourable pricing differential, underpinning our value for money proposition to our customers.

The re-opening of all NSW stores delivered strong sales results. This was repeated with the much anticipated reopening of all Melbourne stores soon after.

Given the inherent uncertainty in the market today the Board do not consider it appropriate to provide full year guidance at this time.

Before I finish, I would like to thank a few people.

I would like to start by thanking our growing cohort of dusk customers for their loyalty and continued custom. We are especially pleased with being able to offer our products to fresh, new markets as we expand further into regional Australia.

I would also like to offer my sincere thanks and appreciation to the entire dusk team. Whether in stores or at our customer support office, in my weekly "Let's Connect" videos I often make the claim we have some of the best if not THE best Store teams in the country. With all stores now set up for Christmas with great new products just perfect for gift giving, I know our customers will be greeted and assisted to make this Christmas a best ever event across Australia.

In closing, a big thank you to our shareholders. Management remains committed to delivering innovative and differentiated product, offering great value for money to ensure the continued growth of our customer base and in doing so, increasing sales and earnings into the future.

Back to you John