



# dusk

## 1H FY22 RESULTS PRESENTATION

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24 February 2022

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# 1H FY22 Summary

## SALES PERFORMANCE

- Sales of \$80.0m, down 12.0%
- ~24% store trading days lost due to COVID-19 related store closures
- Total LFL<sup>1</sup> sales down 10.1%

## OMNI-CHANNEL

- Online sales \$7.7m, up 2.8%
  - Represents 9.7% of total sales

## GROSS MARGIN

- Gross margin of \$54.4m, down 11.7%
- Gross margin rate up 27 basis points to 68.0%

## PRO FORMA EBIT<sup>2</sup> of \$21.3m, down 24.1%, and NPAT of \$14.7m

- Despite being impacted by significant periods of store closures, GM% improved, new stores performed well and disciplined cost management continued

## CASHFLOW GENERATION AND STRONG BALANCE SHEET

- Net cash position of \$33.3m at period end (no debt) vs \$34.9m pcp
- Fully franked interim dividend of 10 cents per share has been declared

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 and is pre-AASB 16



# Profit and Loss

## SALES AND PROFIT

- Total sales down \$10.9m, -12.0%
- LFL sales -10.1%
- ~24% of store trading days were lost (5,483 days) due to COVID-19 related store closures across NSW, VIC and ACT
- Six new stores opened during the half
- Gross margin down \$7.2m, -11.7%
- Gross margin rate up 27 basis points driven by tightening pricing and promotional management strategies
- CODB in dollar terms down 1.3% with disciplined cost management
- Pro forma EBIT of \$21.3m down \$6.7m, -24.1%
  - LTM pro forma EBIT of \$31.7m
- Pro forma NPAT<sup>1</sup> of \$14.7m down \$4.9m, -24.7%

## PRO FORMA RESULTS

\$M	1H FY21	1H FY22	% Change
Revenue	90.9	80.0	-12.0%
Gross profit	61.6	54.4	-11.7%
Gross profit %	67.7%	68.0%	+27 bps
CODB	(32.0)	(31.5)	-1.3%
CODB %	35.1%	39.4%	+428 bps
EBITDA	29.6	22.8	-22.9%
EBITDA %	32.6%	28.6%	-401 bps
EBIT	28.0	21.3	-24.1%
EBIT %	30.8%	26.6%	-422 bps
NPAT	19.6	14.7	-24.7%
NPAT %	21.5%	18.4%	-311 bps

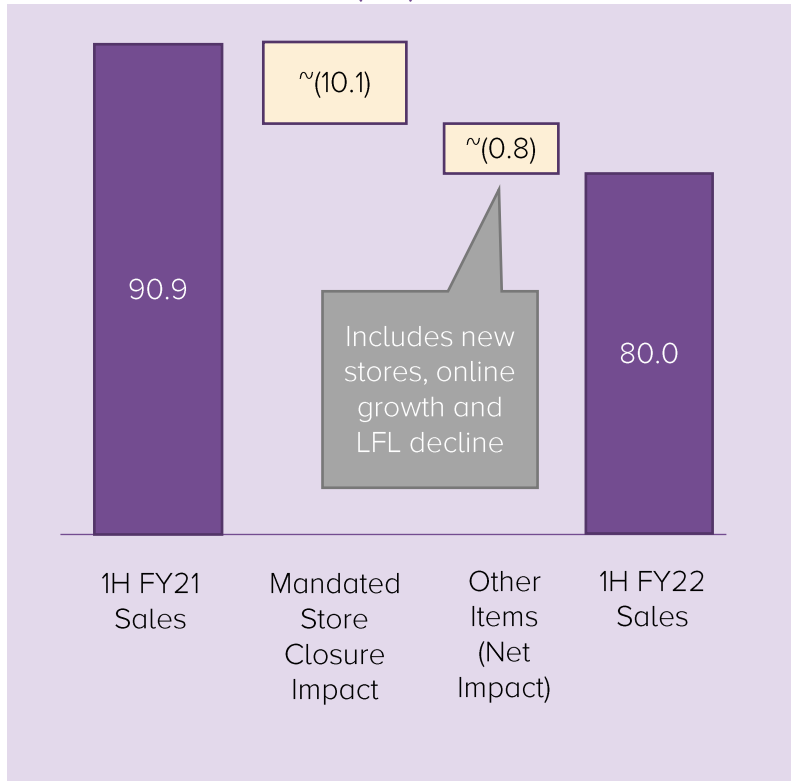
1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT

# Estimated Sales and EBIT bridges

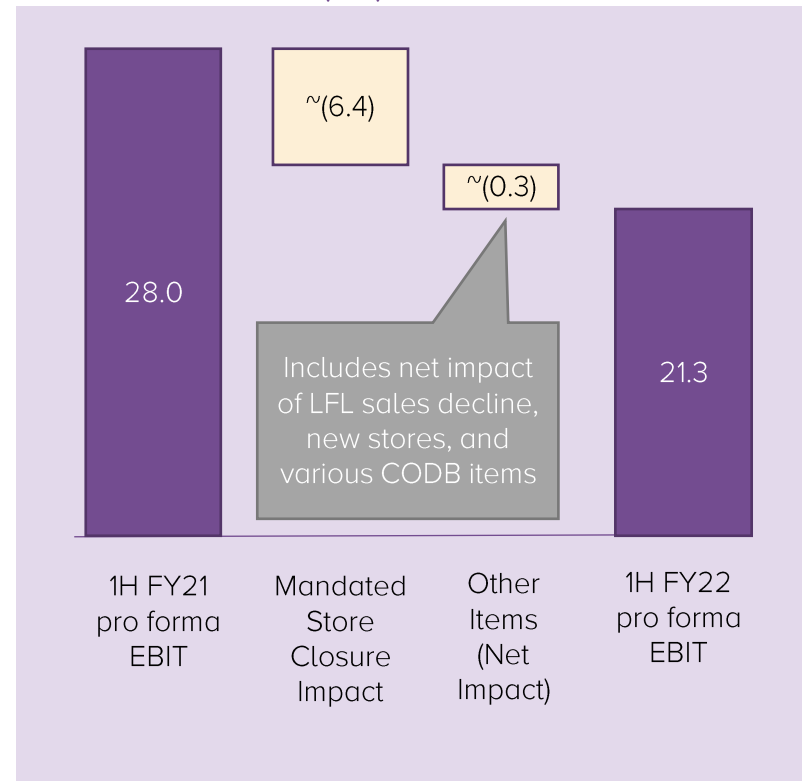
By far the most material matter impacting 1H FY22 financial results were the significant periods of mandated store closures endured in NSW, Victoria and ACT. Managements' estimate of the extent of the impact is set out below. These mandated closure periods resulted in ~24% of all trading days in the half being lost.

In November, we advised investors that the estimated value of total sales foregone as a result of mandated store closures over the year-to-date period (up to 7 November) to be c.\$10-\$11 million. The net EBIT impact of these mandated store closures and lost sales was also estimated to be in the range of \$6-\$7 million.

SALES (\$M) BRIDGE<sup>1</sup>



EBIT (\$M) BRIDGE<sup>1</sup>

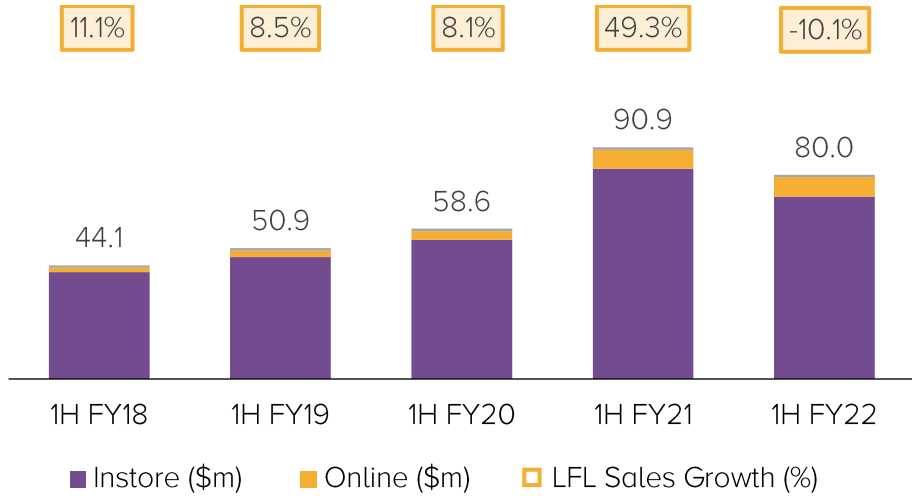


1. The items in the Sales and EBIT bridges between the periods are estimates and cannot be calculated exactly as the underlying impact of the drivers cannot be precisely isolated from each other

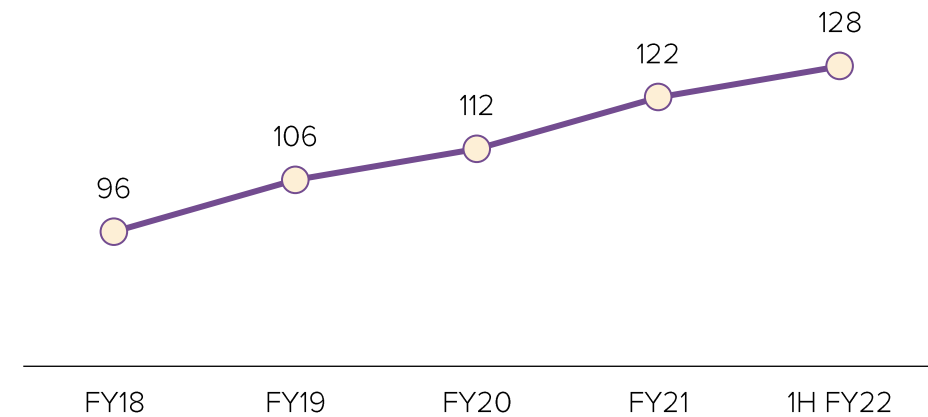


# Sales

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

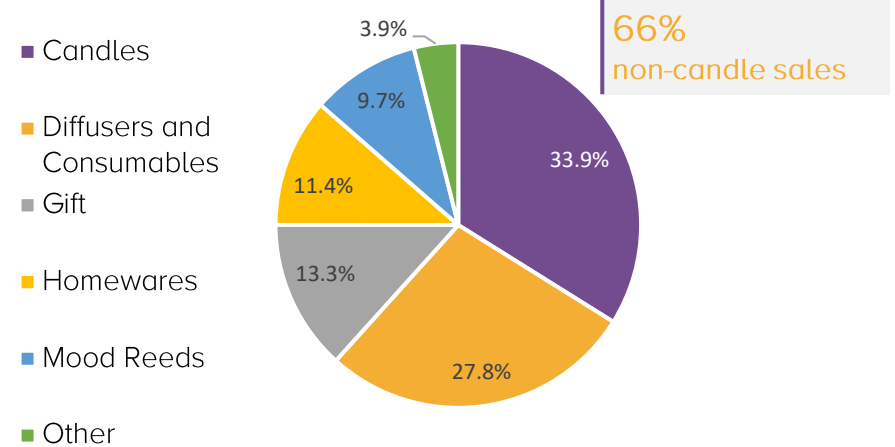


## GROWING STORE NETWORK<sup>1</sup>



1. Store count includes online store

## SALES BY CATEGORY



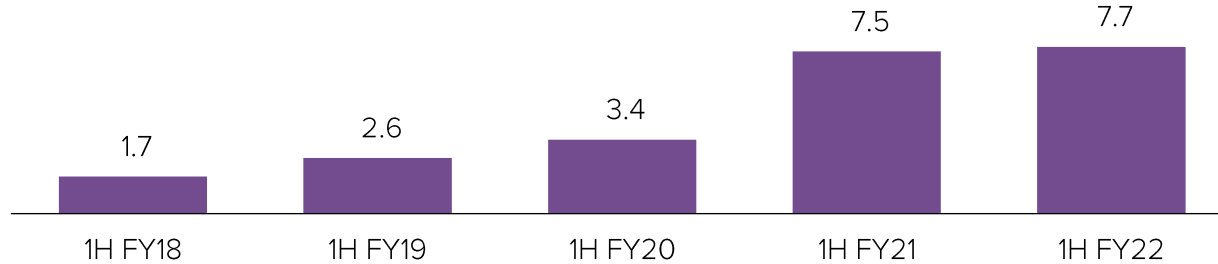
## COMMENTARY

- Store closures had a material impact on our sales result
- Total LFL sales growth -10.1%, cycling +49.3% pcp
  - Store LFL sales growth -11.5%, cycling +44.0% pcp
  - Online sales growth +2.8%, cycling +120% pcp
- dusk Rewards members remain the 'engine room' of sales
- New stores are performing well
- Scented consumable refills remain a driver of repeat customer visits

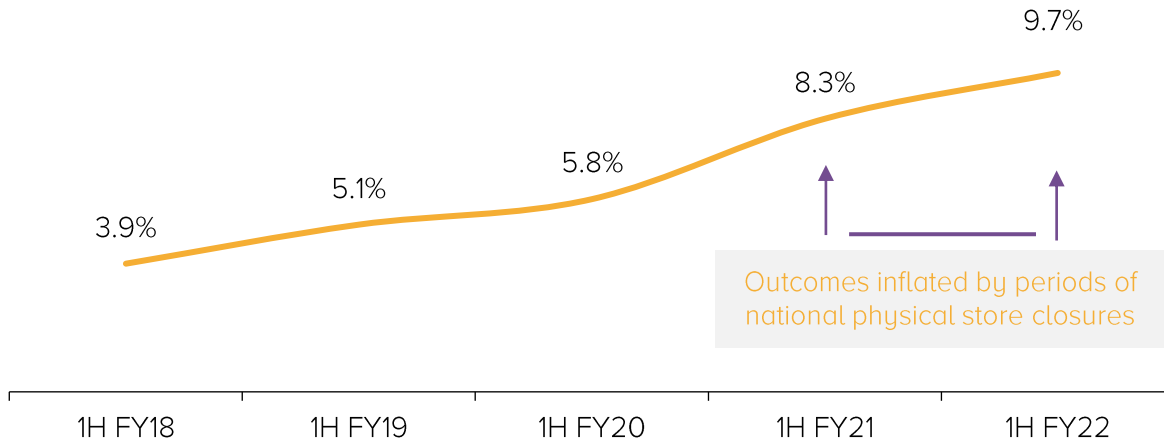
# Online Channel

ONLINE SALES (\$M)

46% CAGR



ONLINE PENETRATION (% OF SALES)

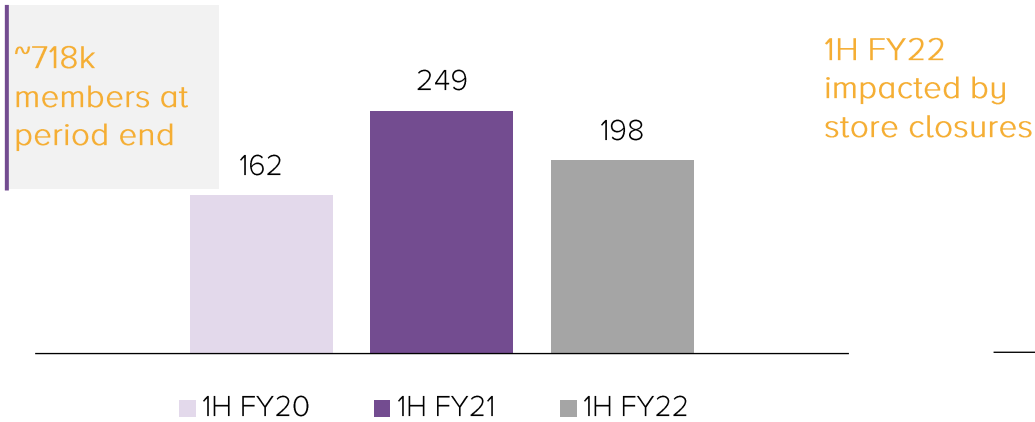


COMMENTARY

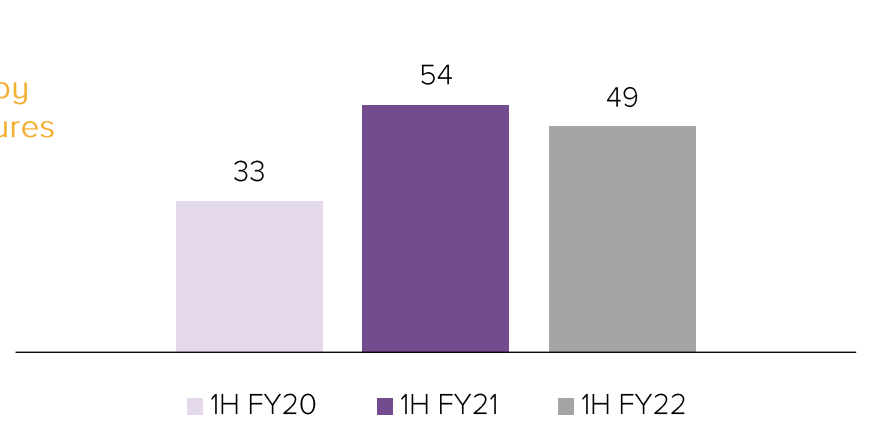
- Online sales \$7.7m, up 2.8%
- Online penetration at 9.7%
- Web platform upgrade went live in August 2021
- New web platform is faster, more flexible, and more engaging
- Significant enhancement in data analytics, segmentation and personalisation now possible
- Click & Despatch (i.e. ship from store) to be trialled in 2H FY22 and we expect this initiative to be an incremental sales driver, not a significant cost efficiency driver

# Loyalty Rewards Membership Growth

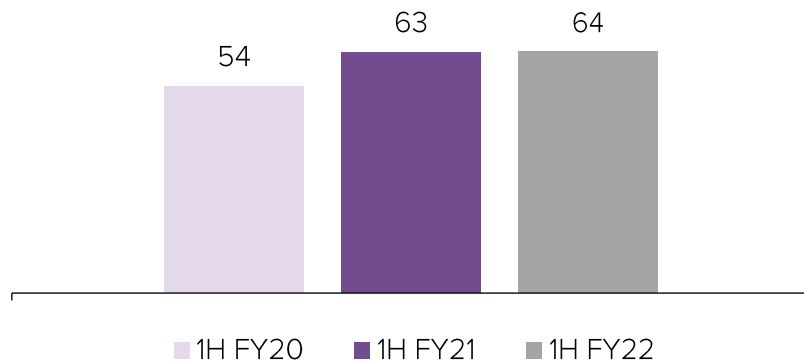
DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



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 718k members vs 630k pcp
- dusk Rewards members now account for 62% of total sales, up from 59% pcp
- Omni-channel engagement (customers who shop both channels) continues to grow in importance

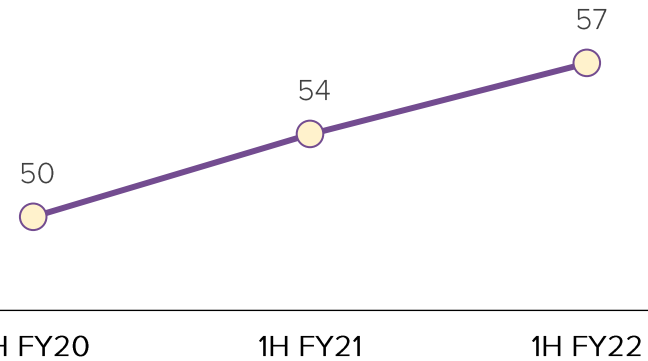
# Gross Margin and Gross Margin Drivers

## COMMENTARY

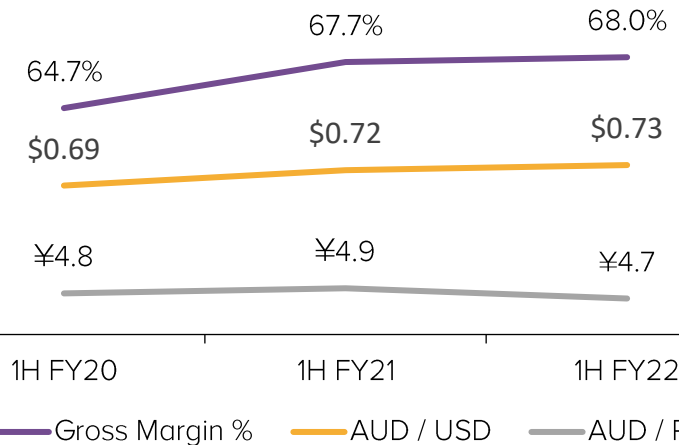
Gross margin drivers include:

- Our ability to positively manage pricing and promotional strategies
- COGS were closely managed and benefitted from strong supplier relationships and our vertical business model
- 5.8% increase in ATV driven by price increases executed in June 2021
- Managing frequency, duration and depth of promotional discounting remains a key strategy for management
- Overall margin rate increased by 27 bps with price increase impact offsetting increased freight costs
- Ongoing product innovation particularly in the growing Home Fragrance category

## AVERAGE TRANSACTION VALUE (ATV) (\$)



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



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

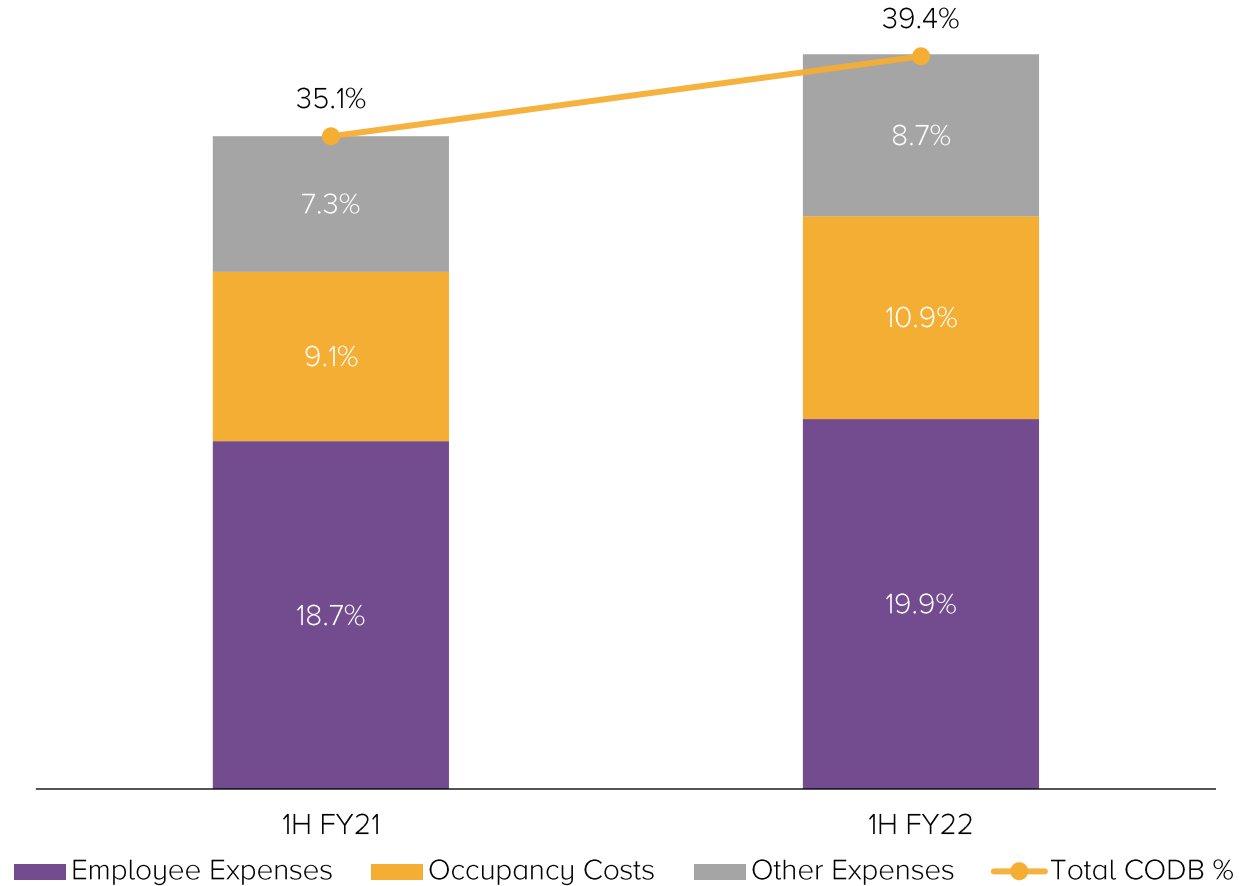


# Cost of Doing Business

## COMMENTARY





- CODB \$31.5m vs \$32.0m pcp, -1.3%
- CODB as a % increased and this 'de-leverage' mainly arose from the significant period of store closures in Q1 and the associated impact on sales, coupled with LFL sales decline
- Employee costs declined \$1.1m with store teams being stood down during store closures despite the addition of new stores operating
- Occupancy costs increased with additional stores. Rental reductions continue to be achieved on renewals

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



# Generating Sustainable Future Growth

Targeting 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>718,000 active dusk Rewards members and growing (630,000 vs pcp)</li> <li>\$10 fee maintained for a two year membership period</li> <li>Members contribution represent 62% 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 increased +2.8% in 1H FY22 and represents 9.7% of sales</li> <li>Replatformed website went live in August 2021 and 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>Six new stores opened in 1H FY22 despite COVID-19 disruptions</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 increased landlord contributions to new stores</li> <li>Focus upon converting remaining 32 legacy stores to new Glow 2.0 format</li> <li>Entry into NZ expected in Q2 FY23</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 \$57)</li> <li>Increasing the growth of consumables to drive customer visitations</li> </ul>

# Trading Update and Outlook

## TRADING UPDATE

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For the first eight weeks of 2H FY22:

- Shopping centre foot traffic continues to be sharply down
- Total sales are down 11.8% vs pcp
- Total LFL sales are down 14.8%, comprising stores down 17.9%, and online up 19.4%
- Sales conversion rates and ATV are up vs pcp
- Four new stores committed to be opened prior to Mother's Day
- We have seen disruptions in distribution both locally (incl WA) and from our international suppliers, however inventory is now healthy

## FY22 OUTLOOK

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- Given the uncertainty that persists due to COVID-19, the Board is unable to give FY22 earnings guidance at this time
- Our inventory is currently well-balanced to meet demand
- Our strategy and focus on strong execution and remaining nimble is unchanged
- Q3 is the last quarter we will be cycling elevated LFL sales of +44.5%
- As the weeks progress, we are seeing signs of a stabilisation of foot traffic in centres, and less disruption to our staffing due to COVID-19

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*Appendix*

# National Store Network

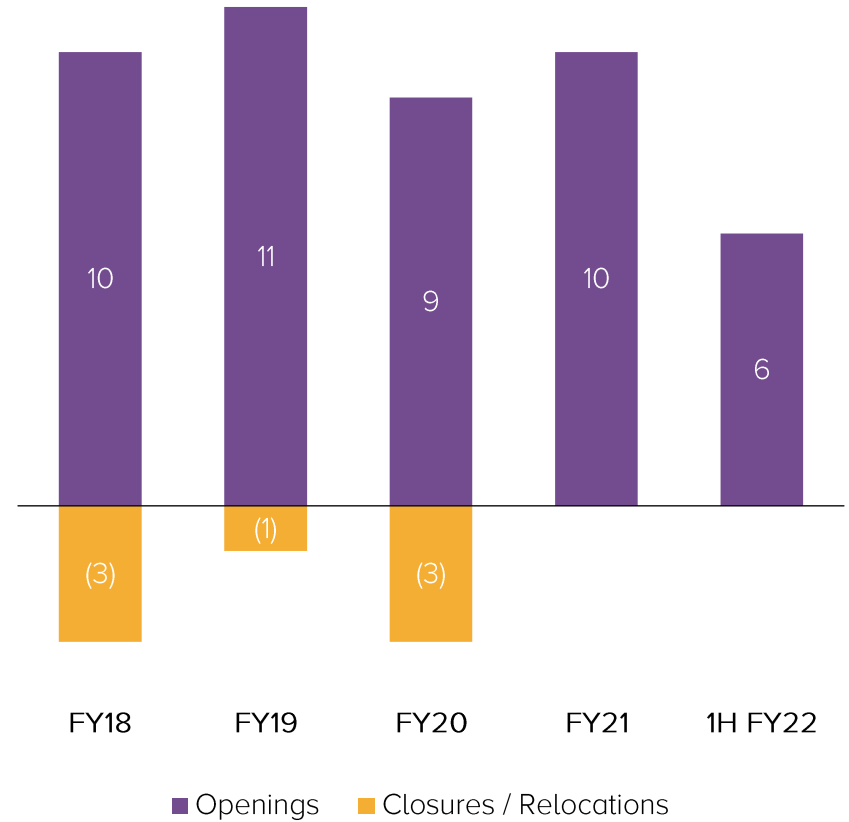
## STORE NETWORK

128  
Stores



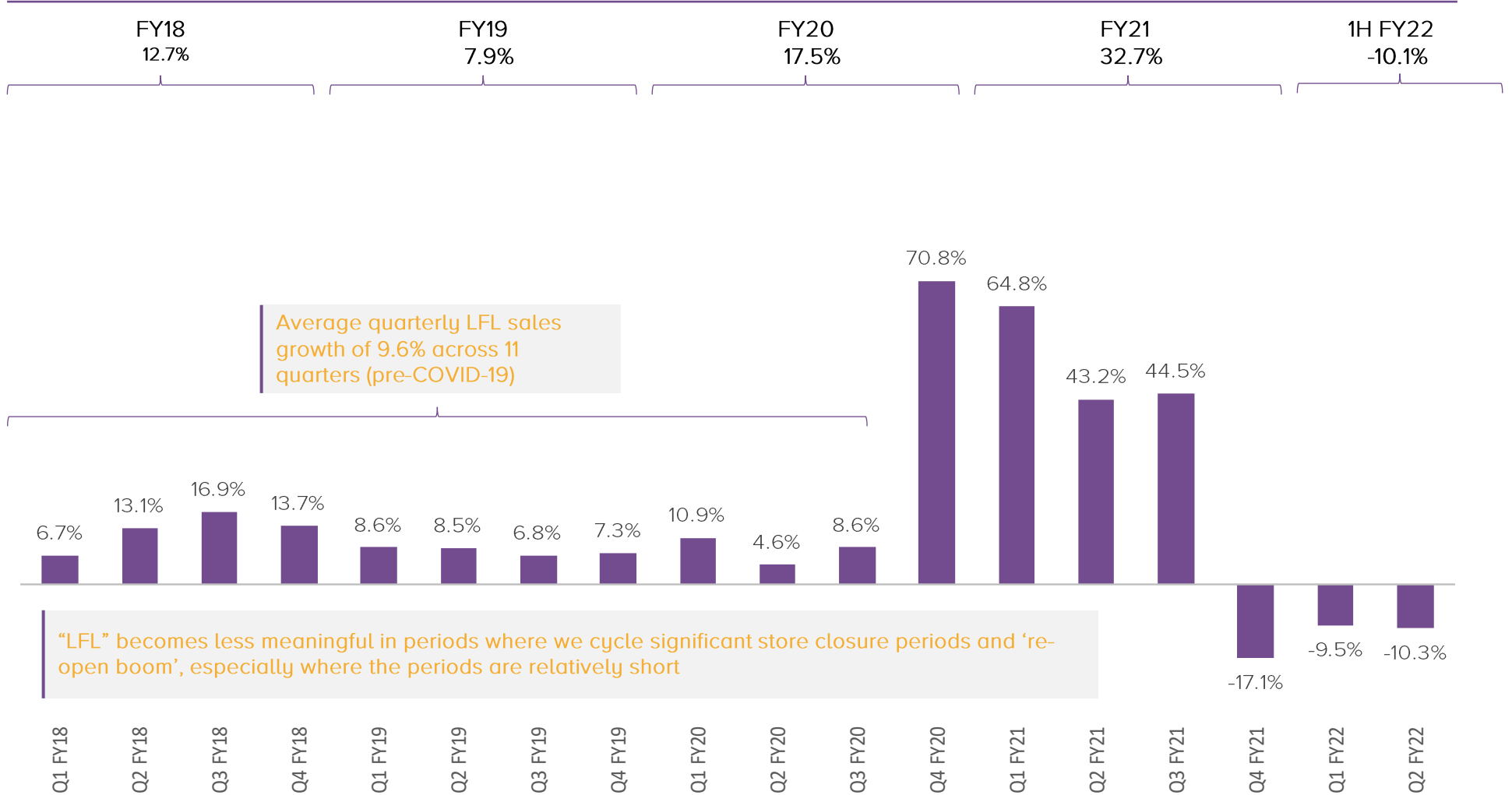
- Opened six new stores in 1H FY22 – two in VIC, and one in NSW, QLD, WA and SA
- Secured four new stores for 2H FY22 – three in NSW and one in VIC
- Entry into NZ expected in Q2 FY23

## NET STORE OPENINGS



# Like for Like Sales Performance

QUARTERLY LFL SALES – FY18 to 1H FY22





# Pro Forma Profit and Loss

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

\$M	1H FY20	1H FY21	1H FY22
Revenue	58.6	90.9	80.0
Cost of sales	(20.7)	(29.4)	(25.6)
<b>Gross profit</b>	<b>37.9</b>	<b>61.6</b>	<b>54.4</b>
Employee expenses	(13.8)	(17.0)	(15.9)
Occupancy expenses	(7.8)	(8.3)	(8.7)
Other expenses	(5.1)	(6.6)	(6.9)
Cost of doing business (CODB)	(26.7)	(32.0)	(31.5)
<b>EBITDA</b>	<b>11.2</b>	<b>29.6</b>	<b>22.8</b>
Depreciation	(1.5)	(1.5)	(1.5)
Amortisation	(0.1)	(0.1)	(0.1)
<b>EBIT</b>	<b>9.6</b>	<b>28.0</b>	<b>21.3</b>
Net finance expense	0.0	(0.1)	(0.0)
<b>Profit before tax</b>	<b>9.6</b>	<b>28.0</b>	<b>21.2</b>
Income tax expense	(2.9)	(8.4)	(6.5)
<b>Net profit after tax</b>	<b>6.7</b>	<b>19.6</b>	<b>14.7</b>

1. Proforma results is unaudited and excludes IPO related costs, the net benefit of JobKeeper, NSW JobSaver receipts, rental concessions, Eroma acquisition costs and is pre-AASB 16

# Pro Forma Adjustments

## PRO FORMA ADJUSTMENTS TO THE STATUTORY RESULTS

\$M	1H FY21	1H FY22
<b>Statutory EBITDA</b>	<b>33.1</b>	<b>31.0</b>
Impact of AASB16	(6.8)	(7.2)
Rental concessions received	(0.4)	(0.3)
Net JobKeeper benefit	(2.8)	-
NSW JobSaver receipts	-	(1.1)
IPO costs	6.5	-
Eroma acquisition costs	-	0.4
<b>Pro forma EBITDA</b>	<b>29.6</b>	<b>22.8</b>
<b>Statutory NPAT</b>	<b>16.9</b>	<b>15.2</b>
Impact of AASB16	0.5	0.3
Rental concessions received	(0.4)	(0.3)
Net JobKeeper benefit	(2.8)	-
NSW JobSaver receipts	-	(1.1)
IPO costs	6.5	-
Eroma acquisition costs	-	0.4
<b>Total Pro forma adjustments</b>	<b>3.8</b>	<b>(0.7)</b>
Net tax effect adjustments of above at 30%	(1.1)	0.2
<b>Pro forma NPAT</b>	<b>19.6</b>	<b>14.7</b>

# Balance Sheet

## COMMENTARY

- Solid cash conversion of earnings
- Ongoing opportunity to convert 32 legacy stores to the Glow format with attractive and proven ROI
- Inventory position clean
- Net cash at period end of \$33.3m
- Balance sheet provides flexibility to respond to growth opportunities
- Bank facilities also available to support liquidity
- A fully franked interim dividend of 10 cents per share has been declared with a record date of March 14 and payable date of March 28

## BALANCE SHEET AS AT 26 DECEMBER 2021

\$M	Dec - 20	Dec - 21
	Statutory	Statutory
<b>Current assets</b>		
Cash	34.9	33.3
Trade and other receivables	0.7	0.7
Inventories	18.7	19.6
Right of return assets	0.3	0.4
Prepayments	3.9	2.0
<b>Total current assets</b>	<b>58.5</b>	<b>56.0</b>
<b>Non-current assets</b>		
Property, plant and equipment	8.4	9.8
Right of use assets	32.1	31.4
Intangibles	1.8	2.1
Deferred tax assets	7.5	6.9
<b>Total non-current assets</b>	<b>49.8</b>	<b>50.2</b>
<b>Current liabilities</b>		
Trade and other payables	23.5	18.8
Provisions	3.1	2.6
Employee benefit liabilities	1.2	1.7
Lease liabilities	12.0	14.3
Income tax payable	7.7	4.8
<b>Total current liabilities</b>	<b>47.5</b>	<b>42.2</b>
<b>Non-current liabilities</b>		
Provisions	0.9	1.2
Employee benefit liabilities	0.4	0.5
Lease liability	24.9	23.1
<b>Total non-current liabilities</b>	<b>26.2</b>	<b>24.8</b>
<b>Net assets</b>	<b>34.6</b>	<b>39.2</b>

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