

# **FY22 RESULTS PRESENTATION**

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***2 September 2022***

***dusk is a leading omni-  
channel speciality retailer of  
home fragrance products***

# **dusk**



## 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 LFL<sup>1</sup> 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 EBIT<sup>2</sup> 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



# 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 NPAT<sup>1</sup> of \$18.4m, -31.3%

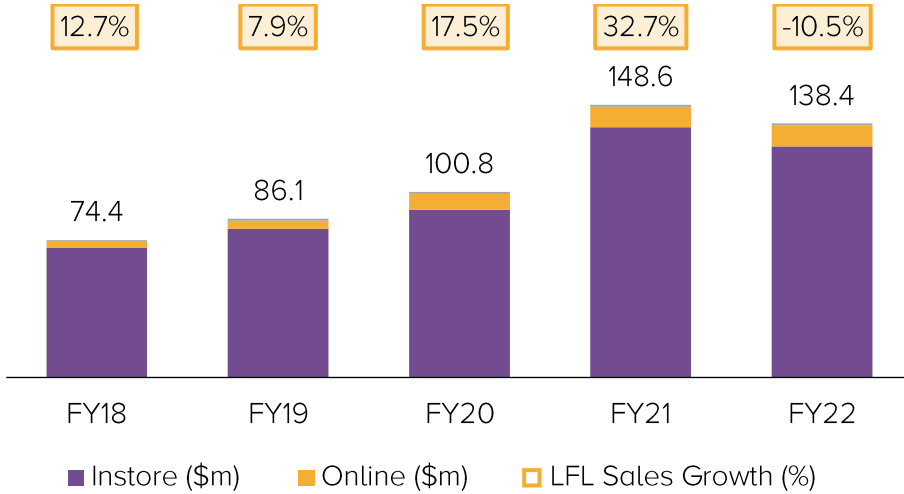
## PRO FORMA<sup>2</sup> RESULTS

\$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

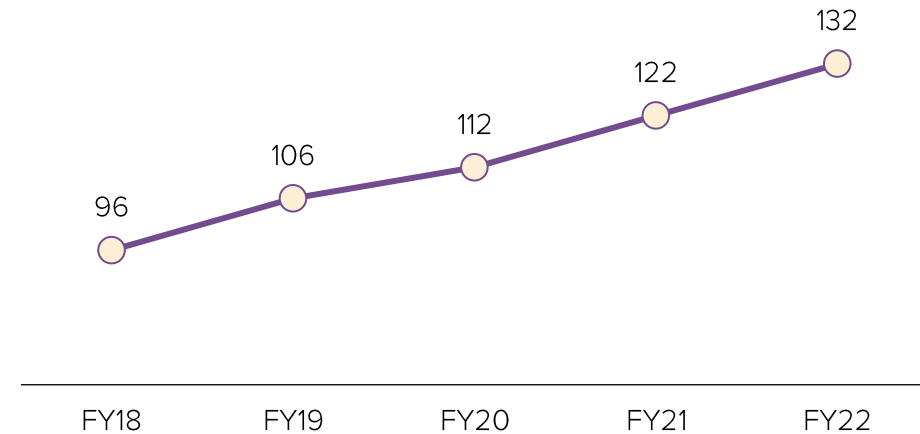
1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT  
 2. FY22 included 53 weeks trading with the net impact - sales of \$2.0m and EBITDA of \$0.4m

# Sales

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

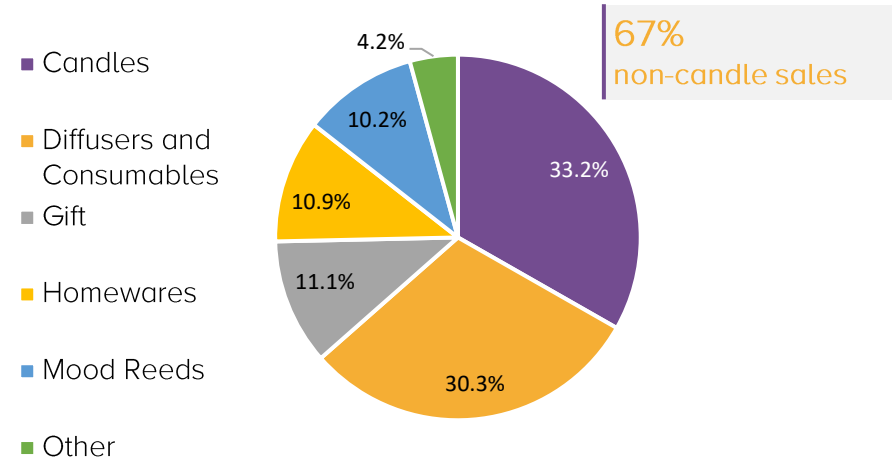


## GROWING STORE NETWORK<sup>1</sup>



1. Store count includes online store

## SALES BY CATEGORY



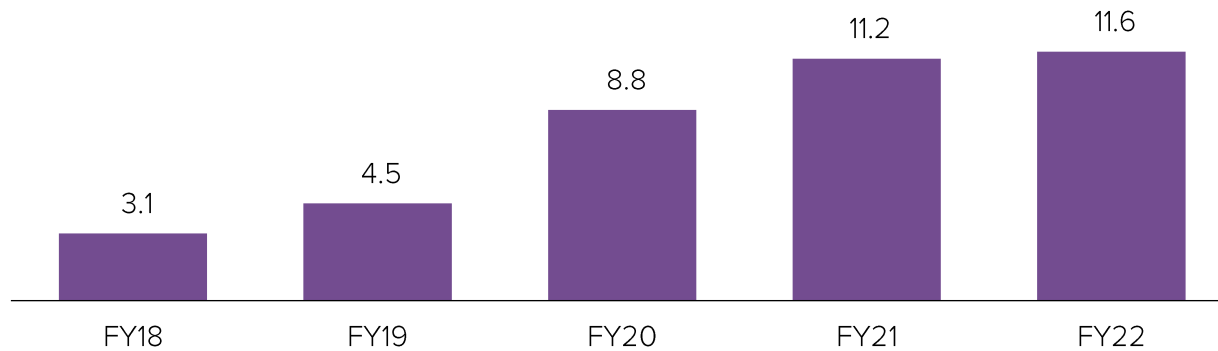
## COMMENTARY

- Store closures had a material impact on 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

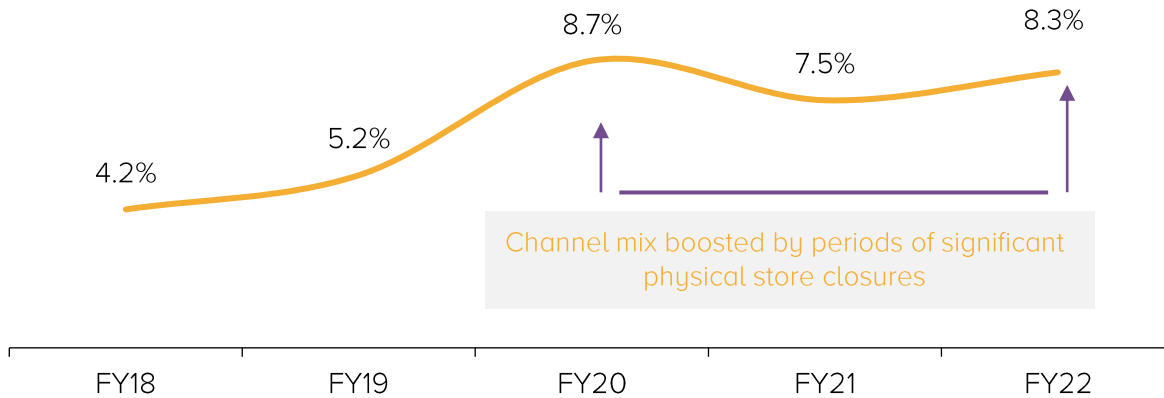
# Online Channel

ONLINE SALES (\$M)

39% CAGR (FY18-FY22)



ONLINE PENETRATION (% OF SALES)

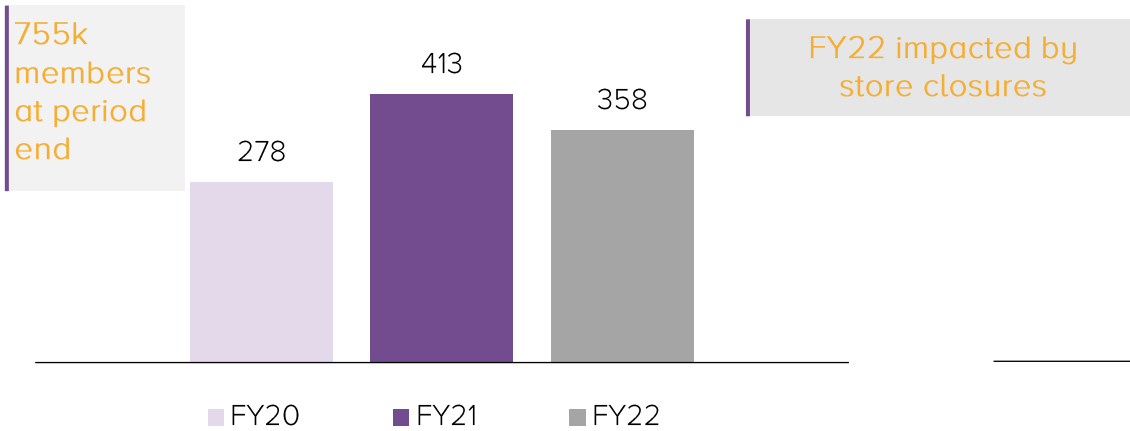


COMMENTARY

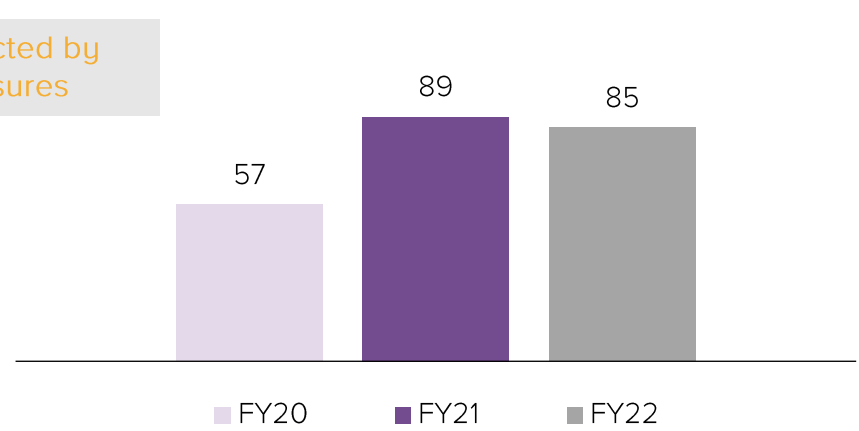
- Online sales \$11.6m, +2.9%
- Online penetration at 8.3%
- Upgraded web platform went live in August 2021
- New web platform is faster, more flexible, and more engaging
- Significant enhancement in data analytics, segmentation and personalisation now possible
- Click & Despatch (i.e. ship from store) was trialled in 2H FY22 with a further rollout planned early in FY23

# Loyalty Rewards Membership Growth

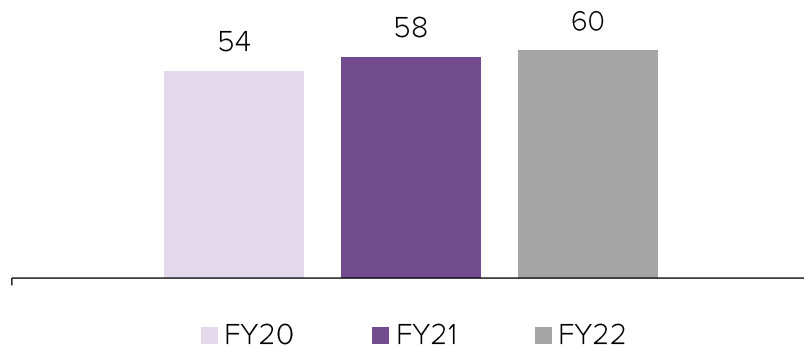
DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



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

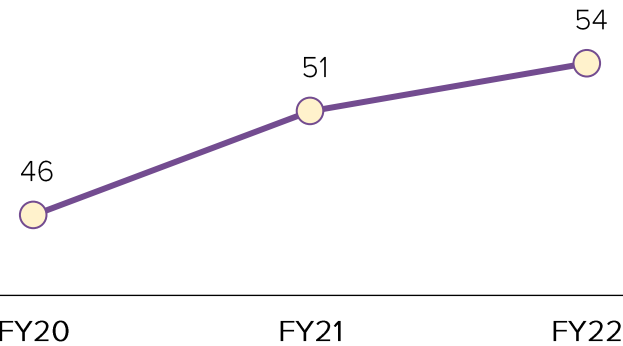
# Gross Margin and Gross Margin Drivers

## COMMENTARY

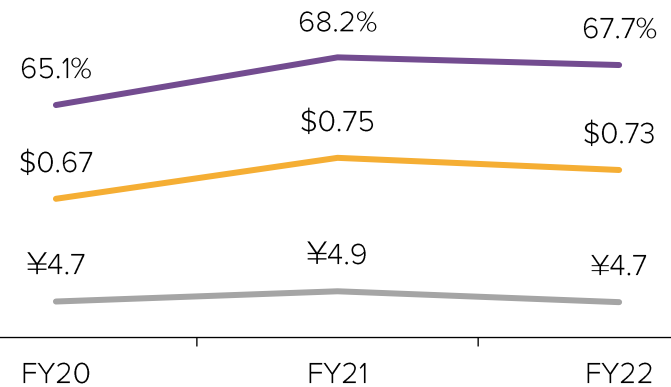
Gross margin drivers include:

- 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 MARGIN<sup>1</sup>



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

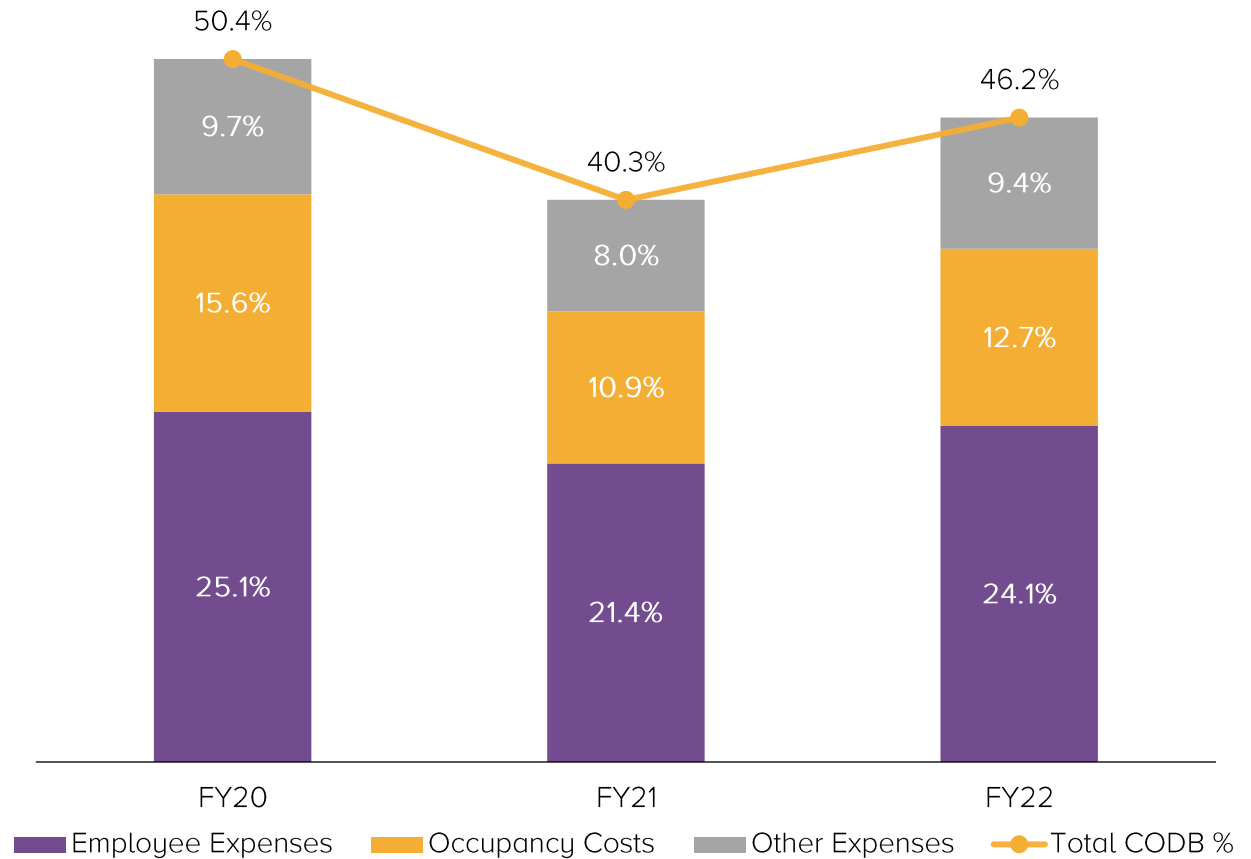
1. Reserve Bank of Australia historical Exchange Rates – Financial Period Averages

# Cost of Doing Business

## COMMENTARY

- CODB \$63.9m vs \$59.9m pcp, +6.6%
- CODB as a % increased and this 'de-leverage' mainly arose from the significant period of store closures in 1H and the associated impact on sales, coupled with LFL sales decline
- Employee costs increased with 10 additional stores
- Occupancy costs also increased with the additional stores. Rental reductions continue to be achieved.

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





# 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
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>37.9</b>	<b>39.1</b>
<b>Non-current assets</b>		
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
<b>Total non-current assets</b>	<b>46.5</b>	<b>49.2</b>
<b>Current liabilities</b>		
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
<b>Total current liabilities</b>	<b>31.7</b>	<b>28.4</b>
<b>Non-current liabilities</b>		
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
<b>Total non-current liabilities</b>	<b>22.6</b>	<b>23.4</b>
<b>Net assets</b>	<b>30.2</b>	<b>36.5</b>

# Strategy

Generating sustainable 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>▪ 755,000 active dusk Rewards members and growing (688,000 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 2.9% in FY22 and represents 8.3% 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>▪ 10 new stores opened in 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 significant landlord contributions to new stores</li> <li>▪ Focus upon converting remaining 27 legacy stores to new Glow 2.0 format</li> <li>▪ Entry into NZ with a 3 store trial plus website in 1H 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 \$54)</li> <li>▪ Increasing the growth of consumables to drive customer visitations</li> </ul>

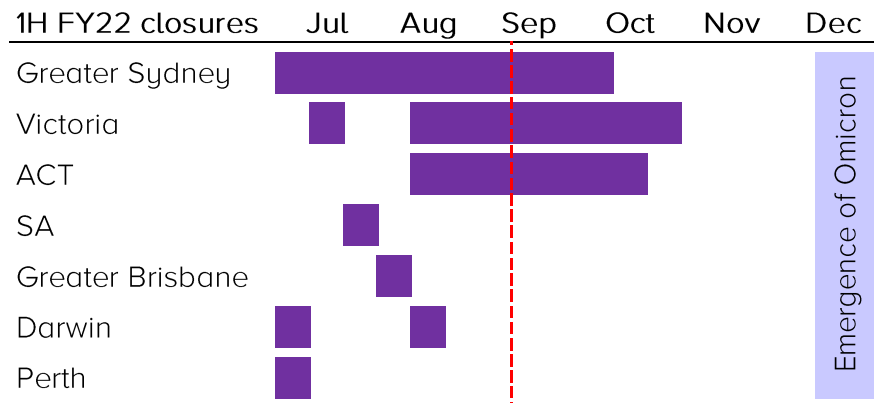
# Trading Update and Outlook

## 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
<b>Headlines:</b>	%	%	%
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

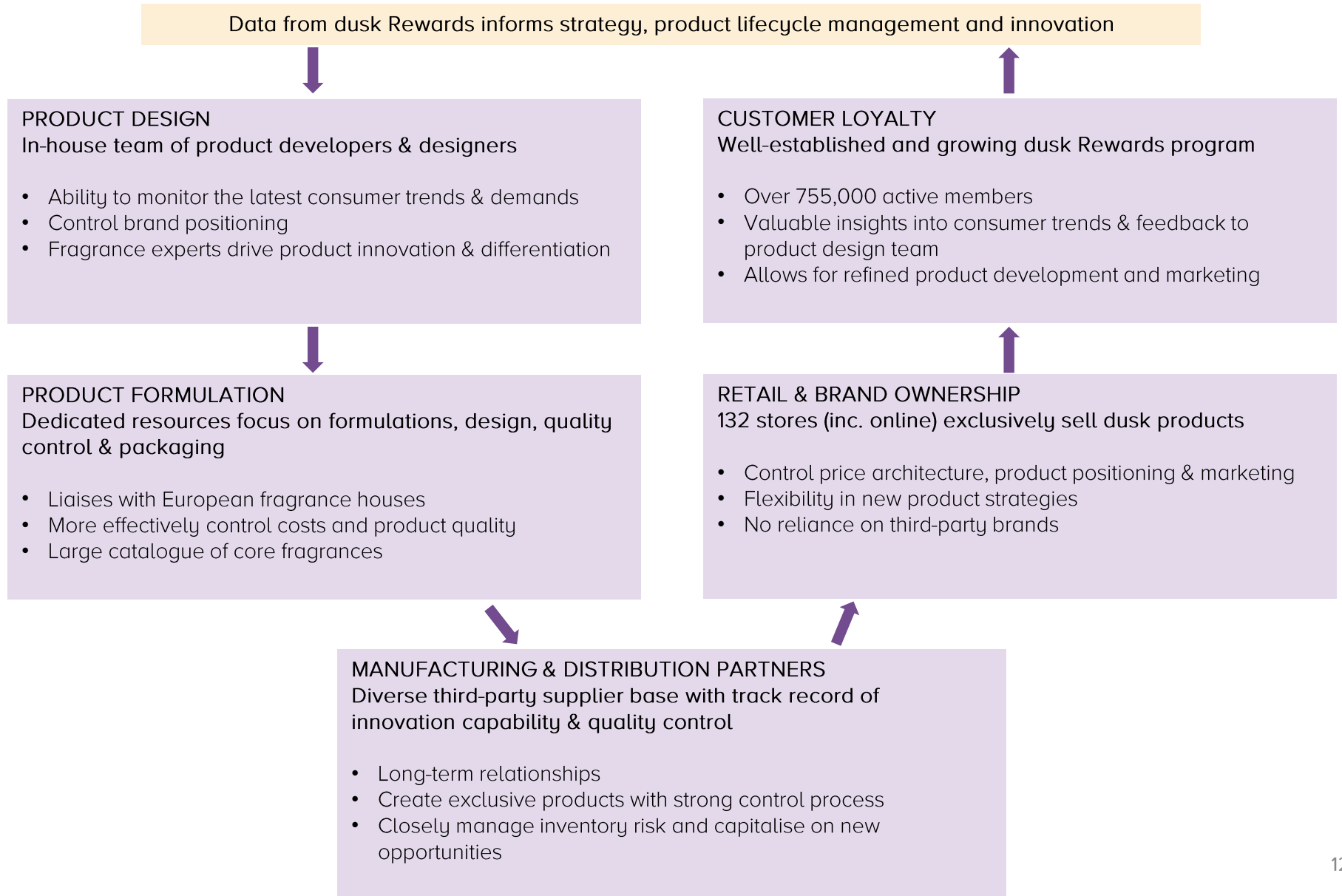
- Given the uncertainty that persists in the macro environment, the Board is unable to give FY23 earnings guidance at this time
- 5 new stores in Australia committed to be opened before Christmas
- 1H entry into NZ with a 3 store trial and duskcandles.co.nz website
- Our inventory is currently well-balanced 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
  - ✓ Low unemployment and high household savings levels

# *Appendix*



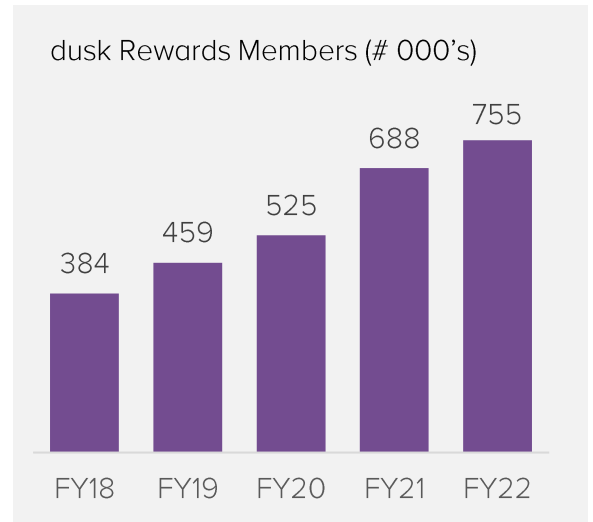
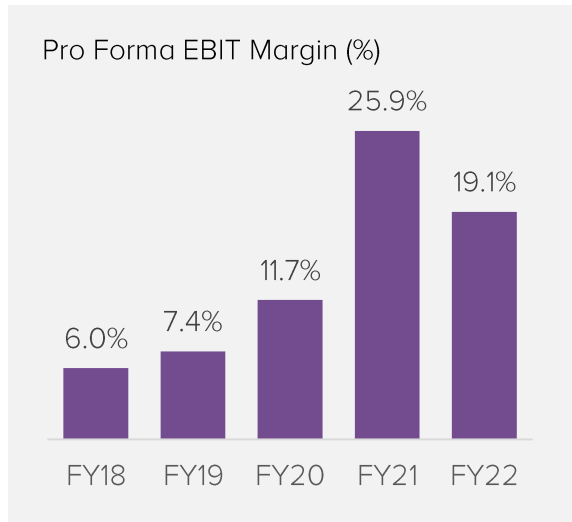
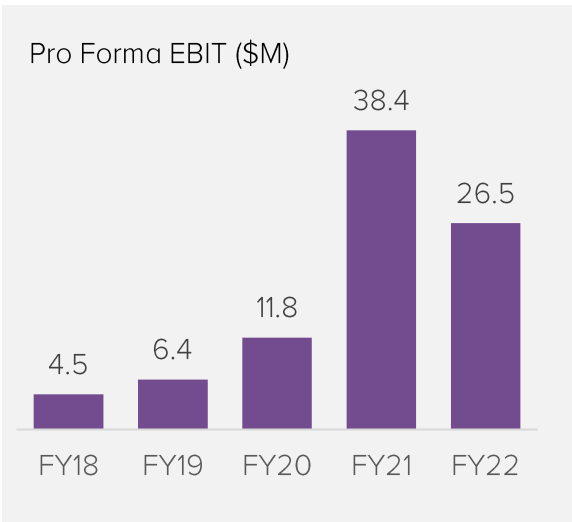
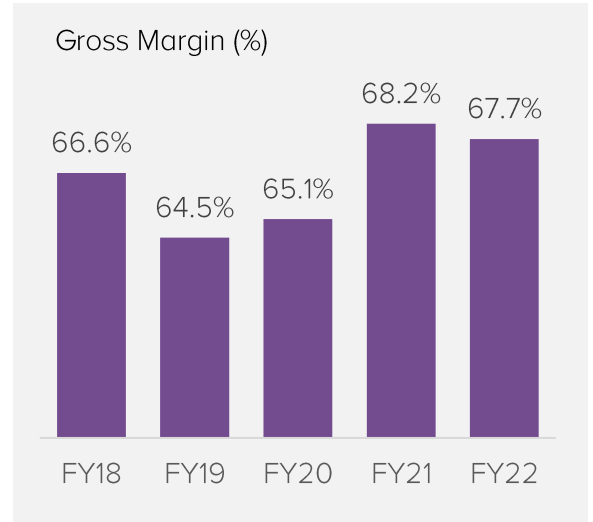
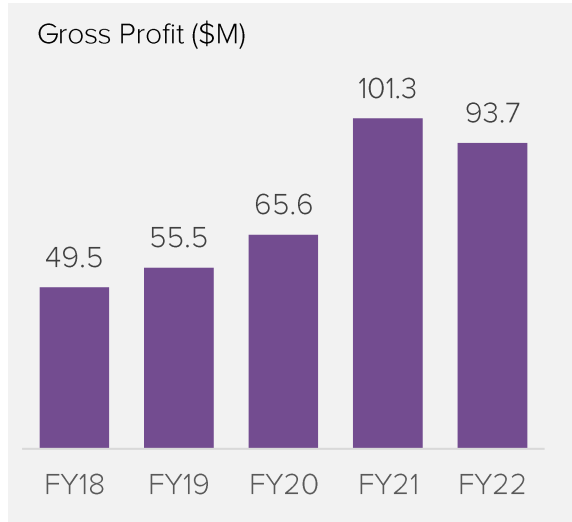
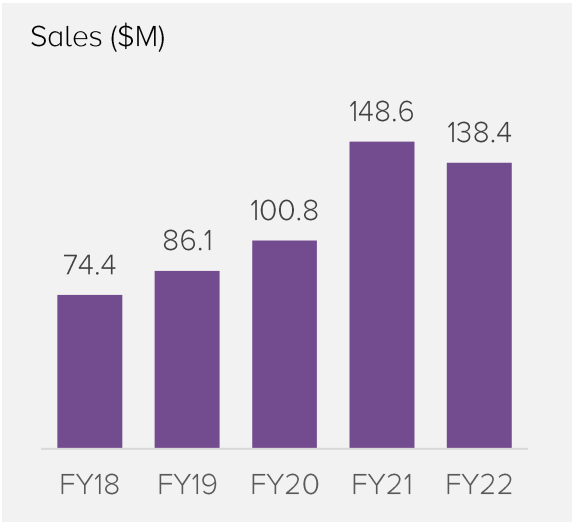
dusk

# The Strength of Our Vertical Business Model



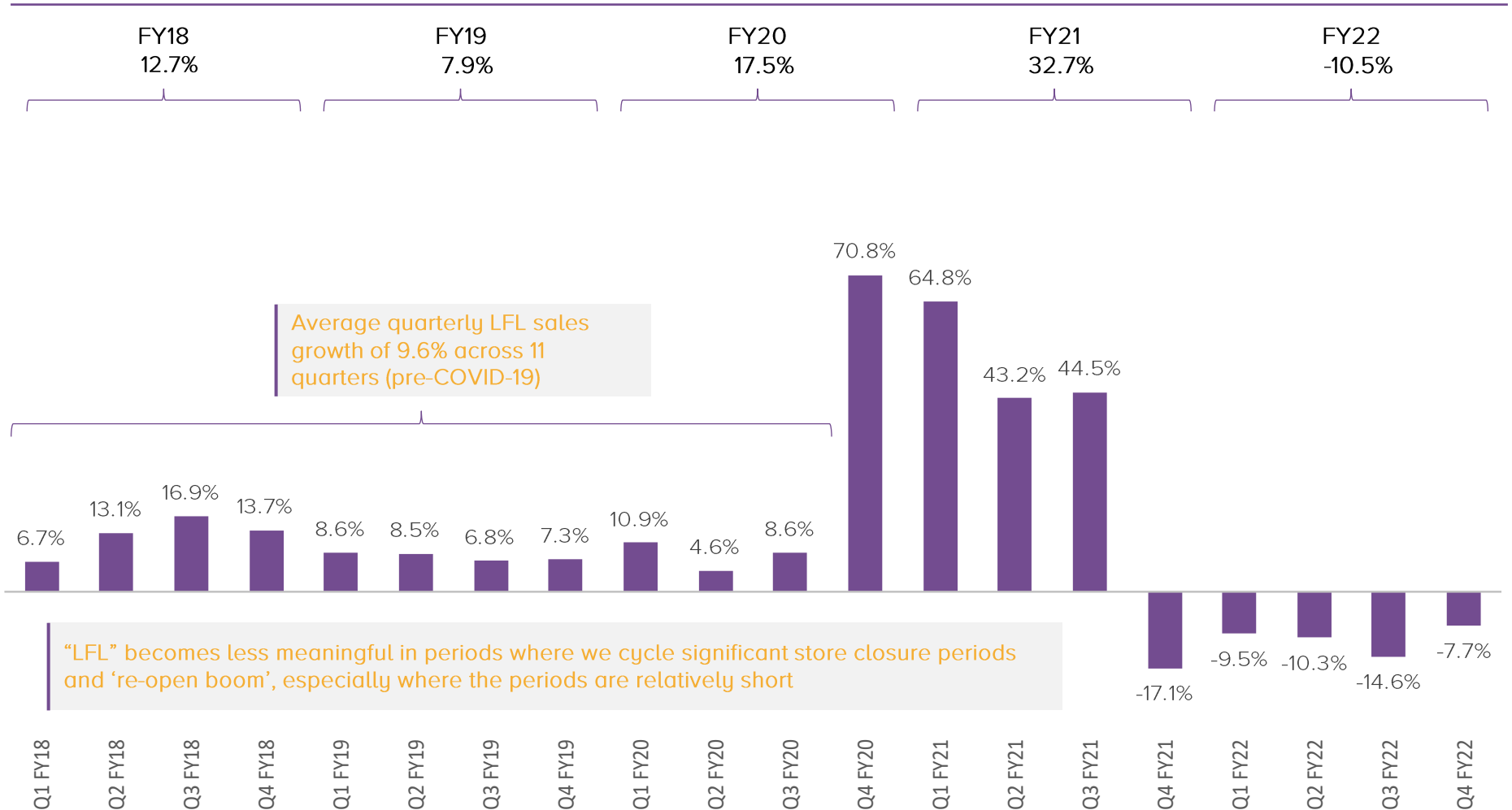
# Track Record of Performance

Step change achieved across all key metrics since FY18



# Like for Like Sales Performance

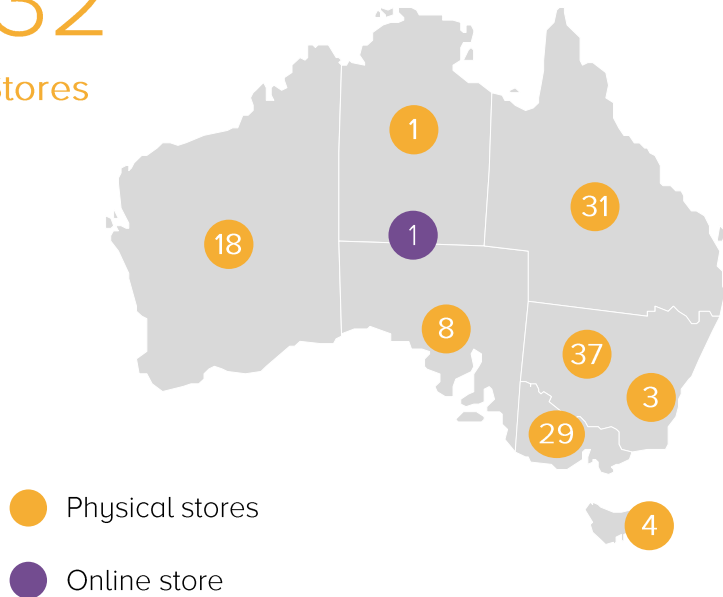
QUARTERLY LFL SALES – FY18 to FY22



# National Store Network

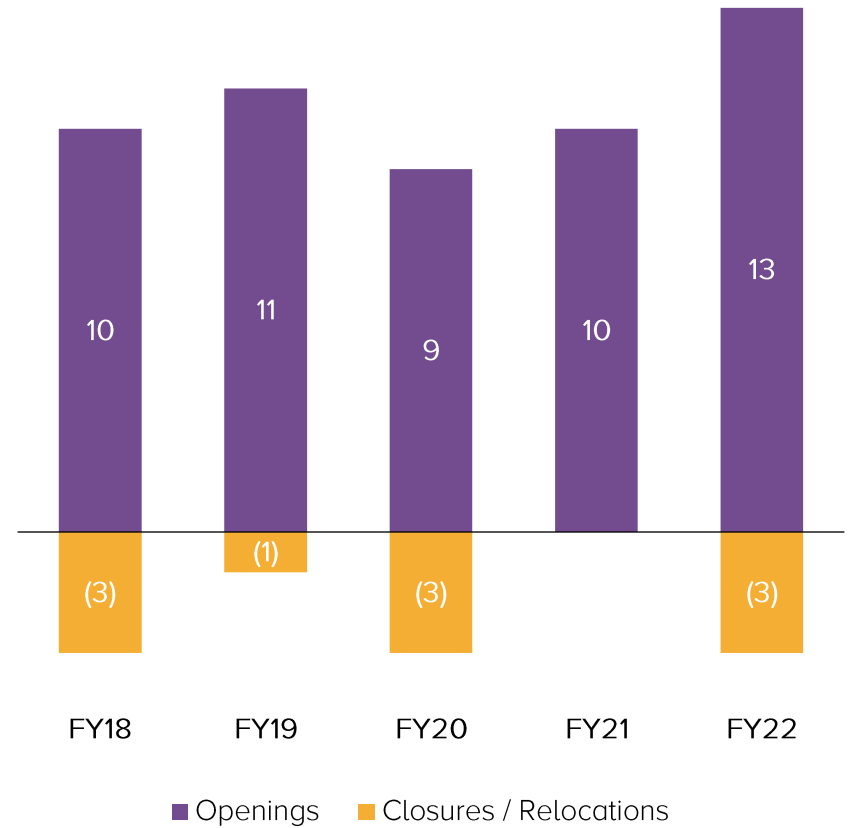
## STORE NETWORK<sup>1</sup>

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



# Pro Forma Profit and Loss

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

\$M	FY20	FY21	FY22
Revenue	100.8	148.6	138.4
Cost of sales	(35.2)	(47.3)	(44.7)
<b>Gross profit</b>	<b>65.6</b>	<b>101.3</b>	<b>93.7</b>
Employee expenses	(25.3)	(31.7)	(33.3)
Occupancy expenses	(15.7)	(16.3)	(17.6)
Other expenses	(9.8)	(11.9)	(13.0)
Cost of doing business (CODB)	(50.8)	(59.9)	(63.9)
<b>EBITDA</b>	<b>14.8</b>	<b>41.4</b>	<b>29.8</b>
Depreciation	(2.8)	(2.8)	(3.1)
Amortisation	(0.1)	(0.1)	(0.2)
<b>EBIT</b>	<b>11.8</b>	<b>38.4</b>	<b>26.5</b>
Net finance expense	(0.1)	(0.1)	(0.1)
<b>Profit before tax</b>	<b>11.8</b>	<b>38.3</b>	<b>26.4</b>
Income tax expense	(3.5)	(11.6)	(8.0)
<b>Net profit after tax</b>	<b>8.2</b>	<b>26.8</b>	<b>18.4</b>

1. 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

# Pro Forma Adjustments

## PRO FORMA ADJUSTMENTS TO THE STATUTORY RESULTS

\$M	FY20	FY21	FY22
<b>Statutory EBITDA</b>	<b>30.7</b>	<b>48.6</b>	<b>45.6</b>
Impact of AASB16	(12.6)	(13.6)	(15.5)
Rental concessions received	(1.0)	(0.3)	(0.4)
Net JobKeeper benefit	(2.3)	-	-
Public company costs	(0.7)	-	-
IPO costs	0.7	6.6	-
NSW JobSaver receipts	-	-	(1.1)
Eroma acquisition costs (terminated transaction)	-	-	1.1
<b>Pro forma EBITDA</b>	<b>14.8</b>	<b>41.4</b>	<b>29.8</b>
<b>Statutory NPAT</b>	<b>9.5</b>	<b>21.9</b>	<b>18.5</b>
Impact of AASB16	1.4	0.8	0.3
Rental concessions received	(1.0)	(0.3)	(0.4)
Net JobKeeper benefit	(2.3)	-	-
Public company costs	(0.7)	-	-
IPO costs	0.7	6.6	-
NSW JobSaver receipts	-	-	(1.1)
Eroma acquisition costs (terminated transaction)	-	-	1.1
<b>Total Pro forma adjustments</b>	<b>(1.9)</b>	<b>7.1</b>	<b>(0.1)</b>
Net tax effect adjustments of above at 30%	0.6	(2.1)	-
<b>Pro forma NPAT</b>	<b>8.2</b>	<b>26.8</b>	<b>18.4</b>

# Cash Flow Reconciliation

## PRO FORMA CASHFLOW TO THE STATUTORY RESULTS

\$M	FY21	FY22
Pro forma EBITDA	41.4	29.8
Capex	(3.8)	(5.3)
Change in Inventory	(5.8)	(1.0)
Change in Trade Creditors	(2.5)	0.9
Change in Other Working Capital Items	4.8	2.2
<b>Net Cashflow before financing and tax</b>	<b>34.1</b>	<b>26.6</b>
<b>Cashflow : EBITDA Conversion %</b>	<b>82%</b>	<b>89%</b>
Taxes paid	(7.8)	(13.0)
Dividends paid (post IPO)	(9.3)	(12.5)
Other (incl IPO related cashflows)	(23.9)	(1.2)
<b>Change in Cash</b>	<b>(6.9)</b>	<b>(0.1)</b>
Opening Statutory Net Cash	28.3	21.4
Closing Statutory Net Cash	21.4	21.3

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