



ASX Release

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ASX Market Announcement Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

Dear Sir / Madam

DUSK GROUP LIMITED (ASX:DSK) 2022 AGM – CHAIR AND CEO’S ADDRESS

Please find attached a copy of the Chair and CEO’s address to be delivered at the 2022 Annual General Meeting to be held at 11:00am (Sydney time) today. These should be read in conjunction with the presentation slides which is being lodged separately.

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

Regards

Kate Sundquist

Kate Sundquist
Chief Financial Officer and Company Secretary



Chair's Address

Good morning ladies and gentlemen. My name is John Joyce and I am the Chair of dusk Group Limited. On behalf of the Board and Management of dusk, I extend a warm welcome to the Company's 2022 Annual General Meeting.

I am informed that we have a quorum present and accordingly, I declare this meeting open.

Let me now introduce your Board of Directors:

- Peter King, CEO and Managing Director
- Katherine Ostin, non-executive director and Chair of the Audit & Risk Committee
- Trent Peterson, non-executive director and Chair of the Remuneration Committee
- Tracy Mellor, non-executive director
- David MacLean, non-executive director

Also here today is Lisa Nijssen-Smith, our audit partner from Ernst & Young, who is available to answer any questions on our financial accounts at the appropriate time of the meeting. We welcome and thank Lisa for her attendance today.

We also welcome the team from Computershare, our share registry, who are managing the voting process on all items of business.

I will now talk through the procedural matters for this meeting.

This is a shareholders' meeting and only shareholders, their attorneys, proxies and authorised company representatives are entitled to speak or vote. I ask that questions be confined to the business of the meeting and shareholder issues. We will seek to address your questions during the discussion on the appropriate item of business.

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Voting today will be conducted by way of a poll on all Items of business. In order to provide shareholders with enough time to vote, polling on all Items is now open and will remain open until five minutes after the close of the meeting. Maria Jopalic of Computershare, our share registry will act as returning officer and if there are any aspects in regard to voting you are uncertain about, please speak with Maria or a member of her team. The results of the meeting will be lodged with the ASX and also posted on our investor relations website later today.

Before moving to the formal part of the meeting, I would like to provide an overview of FY22, which was our second as a listed company. Your CEO and Managing Director Peter King will then talk in more detail about dusk's operating performance, strategic priorities, and current trading.

FY22 was another turbulent year for the retail industry, and once again, we demonstrated our ability to respond rapidly to changing circumstances and anticipate risks and challenges to our business. We continued to benefit from the depth of experience we have at Board and management level, as well as our relatively flat hierarchy.

Slide 4 shows that dusk recorded a solid FY22 result, despite a 24% reduction in trading days in the first half due to government-mandated store closures and the cycling of exceptional like-for-like sales in FY21. During FY22, we were able consolidate in large part the step up in sales, earnings and margins achieved in FY21. FY21 was no doubt an unusual year which reflected a number of COVID-19 tailwinds and for that reason, we also compare FY22 against FY20 and FY19. In this context, and having regard to the disruptions to trading, we believe the FY22 results are pleasing and a testament to the strength of the business, our strategy and execution capability of our team.

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Despite total and LFL sales being lower year on year, we achieved strong growth on a 2-year basis and a significant step change in the business with gains across all key metrics. FY22 total sales were up 37.3% and online sales were up 30.7% on FY20. The online channel represented 8.3% of sales as more of our customers exhibit cross channel shopping behaviours. Pro forma EBIT of \$26.5m was 124.3% higher on FY20.

In FY22, dusk continued to execute its growth plans by opening ten new stores in Australia, investing in our online retailing capabilities, and progressing plans for our recent entry into New Zealand, our first international market. Our new stores continue to perform well, highlighting our track record of disciplined store rollout and attractive return on investment.

Our 'Customer First' approach remains critical to our success and is at the heart of everything we do. It is reflected in our highly differentiated product range, superior value for money and omni-channel strategy. We continued to focus on delivering a product offer with wider year-round appeal as we extended gifting beyond Christmas and Mothers' Day and responded to increased consumer demand for a 'wellness' offering.

dusk Rewards, our paid loyalty program remains a cornerstone of our business. At the end of FY22, we had more than 755,000 active members who accounted for 62% of sales and spent an average of \$60 per transaction.

Our gross margin performance illustrates the competitive advantage inherent in our vertically integrated business model which allows us to control costs and product quality more effectively. Our disciplined approach to pricing and targeted promotional activity ensured the gross margin rate of 67.7% was only slightly lower than the high of 68.2% achieved in FY21. This was despite demands for higher freight costs and increases in the cost of goods.

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dusk finished FY22 with a strong balance sheet and solid cash conversion of earnings. Net cash at year end was \$21.3m and our inventory remained clean with stock levels adequate to meet demand.

The Board declared a fully franked final dividend of 10 cents per share, taking total dividends for FY22 to 20 cents per share, fully franked. Since our listing on the ASX in November 2020, we have declared and paid total dividends to shareholders of 45 cents per share.

As we head into our peak selling period, our Christmas product has arrived, and our teams are focused and prepared for these key trading weeks. Despite the challenging macro-economic outlook, we draw confidence from our position as category leader with a vertical business model, strong loyalty program and margins. We offer our customers an “affordable luxury” and a differentiated product range that has broad mid-market appeal. We are in a strong financial position and will continue to invest to expand our store footprint, enhance our online offering and drive product innovation.

Before handing over to Peter, I would like to thank the Board, Management and our entire team for their guidance, hard work, and commitment during the year. I am incredibly proud of what we continue to achieve together.

Finally, I would like to thank you, our shareholders, for your ongoing support. As a Board, we do not feel the current share price reflects the intrinsic value of our Company or its long-term prospects, however we acknowledge the overall sentiment dynamics toward the consumer outlook in Australia and New Zealand. This will pass in time, and we expect to be judged on our long-term results. We are focused on delivering long-term improvements in our business and financial results that flow from strong execution. We believe we have the right strategies in place to deliver strong returns for our shareholders and positive outcomes for our employees and customers.

I will now hand over to Peter King.



CEO and Managing Director's Address

Good morning, ladies and gentlemen and I would like to add my welcome to today's AGM. Given the circumstances faced during the financial year, there was much to be pleased about in our FY22 result. Despite the challenges created by government-mandated store closures in the first half and the Omicron variant over the summer, we achieved a record result for Christmas and successfully retained our key talent at our customer support office and across our retail leadership team. These results could not have been achieved without the can-do culture of our team who are obsessed with anticipating and exceeding the needs of our customer.

Leading omni-channel specialty retailer of home fragrance products

Turning to Slide 6, I would like to take this opportunity to share some insights around why dusk is the leading retailer in our segment. At dusk, we operate a vertical business model which means that we do not deal with wholesalers, agents, or brand representatives. Our product is developed in-house from the factory floor to the shop floor resulting in a compelling customer proposition which offers great value and affordable everyday luxuries at an average transaction value of around \$54.

Underpinning that is our paid loyalty program, dusk Rewards, which is now in its sixth year, and is the engine of our business. As a reminder, members pay \$10 for a 2-year membership and in return have access to everyday offers, events and other benefits. We finished FY22 with more than 755,000 active members who spend more per transaction and shop with us more often than non-members.

At the end of FY22, we had 132 stores including our online store, and all stores were profitable. It is a testament to the dedication and adaptability of our team that we were able to open new stores in FY22 despite lockdowns and travel restrictions.

There is often a misconception that dusk is just a candle business. In FY22, we continued to diversify our product offer with candles representing a third of our sales. With our focus

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on product innovation, we have developed a recurring revenue stream in high margin consumables used in our growing ultrasonic diffuser category. At the same time, we have increased SKU counts and premium floor space for an expanded gifting product offer, positioning dusk as a year-round gifting destination. Gifting currently represents 30-40% of sales.

Our ability to develop innovative and highly differentiated product also reflects our strong, long-term supply relationships. Nine of our top ten suppliers were working with us when I joined the Company as CEO in 2014. A high level of trust exists with our suppliers which translates into speed to market with consistent quality.

Track record of performance

Slide 7 shows that although there is no doubt that dusk enjoyed tailwinds in FY21, we have a track record of strong and steady growth across our key metrics since FY18. In FY22, our pro forma EBIT was well above FY20 and our EBIT margin at 19.1% was a healthy result. Our 67.7% gross margin in FY22 was only slightly below the prior year when business conditions were very favourable. This illustrates management's ability to consistently develop differentiated products that offer great value to our customers while delivering higher margins for our shareholders.

Strategic priorities

Slide 8 shows we have four key strategic pillars that we believe will generate long-term sustainable growth. This begins with dusk Rewards which generated 62% of sales in FY22. These transactions deliver rich insights into purchasing patterns and behaviours, and we continue to execute tailored offers against those learnings. Our ongoing store rollout will further boost membership as we enter new catchments extending the program's footprint and strategic importance to our business.

Our online channel is critical to our business and our new website went live on the Magento 2.3 platform in August 2021. Online represented 8.3% of sales in FY22 and we

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continue to invest in technical capability and skill set to support the growth of our digital channel. Click and dispatch or ship from store was successfully trialed in the second half of FY22 and will allow us to satisfy peak customer demand closer to Christmas.

Our strategy of opening stores ahead of Mother's Day and Christmas in outer suburban and regional areas has been a key driver of success. We continue to open stores in catchments identified as under-serviced for quality home fragrance products and have been successful in achieving paybacks on capital of less than 12 months. dusk is also opening stores in smaller regional catchments due to more favourable store economics and a growing customer demand for our year-round gifting and health and wellbeing offer. These smaller regional locations were once considered uneconomical but are now proving to be attractive markets for dusk.

I have spoken about our dusk proprietary product and our commitment to provide our customers with affordable and quality home fragrance solutions. Our product developers and graphic designers will continue to generate a stream of differentiated products for our consumers with a particular focus on gifting and health and wellbeing.

Trading update and outlook

Turning to Slide 9 and FY23, we are pleased with total sales for the first 19 weeks of the year which were up 23.9% on the prior corresponding period. When compared to the pre-pandemic period of FY20, total sales are 47.4% higher. These figures include sales from our three trial stores in New Zealand which opened in September and October.

Channel mix normalisation continued with total bricks and mortar sales up 41.1% on the prior corresponding period and total online sales were down 61.7%. Given the relative contribution of these channels, the growth in our store sales has more than offset the online declines and serves to demonstrate the strength of our model. Like-for-like sales are not considered a useful measure in the first half of FY23 given the extent of store closures in the prior corresponding period.

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The YTD gross margin rate is in line with the prior corresponding period and the early response to our seasonal offering for Christmas 2022 has been encouraging.

While our YTD sales growth is pleasing, as we are now on the cusp of Xmas, it is prudent to reinforce the importance of December trade to dusk's full year results.

Turning to our store network, we have opened five new stores in Australia in time for Christmas and have refurbished a further four legacy stores to the Glow 2.0 fit out. We were excited to enter the New Zealand market and early indications are positive. I have recently visited our Auckland stores and our store teams are successfully transplanting our customer-centric culture into NZ.

Our focus now is the key Christmas trading period which will be my ninth at dusk. We have a rigorous planning process for Christmas trade which begins each year in January. We have become the go-to brand for Christmas gifting and décor and I am pleased to report that we have opened Christmas with all products in the planned depth across the store network.

Before handing back to John, I would like to acknowledge dusk's store teams. It is well known that I believe them to be the best in retail. Our consistent positive customer feedback is testament to their product knowledge and service.

I would like to thank the retail leadership team of state and area managers who have over 130 dusk years of experience. The wealth of experience from these high performing team members ensures our culture of customer focus is hard wired into our business operations.

A big thank you also to our customer support office in Sydney, where we have assembled best of breed leaders who consistently deliver and uphold our can-do and do it now, culture.

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Our long-term relationships with business partners located in Australia and internationally, were once again critical and allowed us to work quickly and flexibly to achieve our mutual financial goals, driven by dusk delivering great product at great prices to our customers.

Finally, it is appropriate to offer a sincere thank you to our customers and shareholders for their ongoing support. We remain focused upon the dual task of delighting our customers and delivering attractive returns on shareholders' funds over the long term.

I will now hand back to John.