



ASX Release

23 February 2024

1H FY24 Results

dusk Group Limited ('dusk', ASX: DSK) today provides its half year results for the 26 weeks ending 31 December 2023.

1H FY24 Highlights:

- Sales of \$77.8m, -9.7% (1H FY23: \$86.1m); +32.8% on 1H FY20
- Total LFL¹ sales were -15.8%
 - Stores -15.9%
 - Online -14.3%
- Gross margin of \$50.2m, -9.8% (1H FY23: \$55.6m)
- Gross margin rate of 64.5% (1H FY23: 64.6%)
- Pro forma EBIT² of \$11.5m, -39.9% (1H FY23: \$19.1m); +19.2% on 1H FY20
- Net cash of \$31.1m at period end and no debt (1H FY23: \$32.9m)
- 151 stores (including online) at period end, an increase of 6 stores
- Inventory of \$17.6m at period end (1H FY23: \$17.6m)
- dusk Rewards active members of 703,000 (1H FY23: 722,000)
- Interim dividend of 2.5 cents per share (fully franked)

CEO and Managing Director Vlad Yakubson said: "Our results continue to reflect the challenging trading conditions where mounting cost of living pressures and higher interest rates have impacted the net disposable income of our core customer. We did see a slight improvement in trading over the peak trading months of November and December.

"We were disciplined on pricing and promotional activity and as a result gross margin was protected at 64.5%, broadly in line with pcp³. This was despite continued headwinds from currency depreciation and domestic freight costs. We also remained laser-focused on costs and delivered strong wage control and roster optimisation.

"My immediate priorities are to work closely with our new look team to align our business around strategy, purpose and customer journey. We will also reinvigorate our range to increase the

¹ LFL (like-for-like) sales calculation excludes stores closed for refurbishment or COVID-19 related closures.

² Pro forma EBIT is unaudited and excludes rental concessions, NZ set up costs and is pre-AASB 16.

³ Prior corresponding period (pcp).

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cadence of new and innovative products, as well as reset our omni-channel and data strategies to deliver sales growth.”

1H FY24 Result Overview

Sales of \$77.8m were 9.7% lower on pcp and 32.8% higher when compared to 1H FY20. Christmas trading slightly improved with December sales 8% lower compared to 11.3% lower for the first twenty weeks of FY24. This was despite a 7.8% decrease in foot traffic outside our stores in December on pcp. Pleasingly, when customers were in store, sales conversion by our team was strong and in line with pcp.

LFL sales were 15.8% lower with stores 15.9% lower and online 14.3% lower. Online sales of \$4.1m represented 5.3% of total sales. Click & Collect went live across the store network ahead of schedule and in time for Christmas trading and accounted for 39% of online transactions in December. This provides customers with another delivery option and lowers our pick, pack and delivery costs. The redesign and replatform of our website by the end of FY24 is expected to result in an improved customer experience.

The addition of six new stores was a key driver of sales volume. A further two stores were upgraded to our 'Glow 2.0' store format. The store network finished the half at 151 stores (including online).

The table below summarises 1H FY24 total sales compared to both 1H FY23 and 1H FY20.

Sales growth, unaudited	1H FY24 versus:	
	1H FY23	1H FY20
Headlines:	%	%
Total Sales	-9.7	+32.8
Channel Breakdown:		
Stores Sales	-9.3	+33.6
Online Sales	-14.3	+19.9

Average transaction value (ATV) of \$51 decreased by 4.2% on pcp 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.

Gross margin of \$50.2m was 9.8% lower on pcp. Despite headwinds from currency depreciation and domestic freight costs, we managed our pricing and promotional activity to protect the gross margin rate at 64.5%, broadly in line with pcp.

Cost of doing business (CODB) of \$36.7m was 5.9% higher on pcp largely driven by new stores, mandatory wage increases and elevated inflation driving up rents.

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Active membership in dusk Rewards, our loyalty program was over 703,000 members compared to 722,000 in pcp. ATV for members was \$57 and materially higher than non-members. Members accounted for 56% of total sales (1H FY23: 59%).

The increase in the dusk Rewards membership fee from \$10 to \$15 has proven to be a barrier to entry resulting in a decrease in sign-ups and renewals. A review of the program's value proposition is underway and the membership fee will revert to \$10 from March 2024.

Inventory finished well balanced at \$17.6m, which was in line with pcp despite the addition of ten stores over the last twelve months. Net cash closed at \$31.1m and represents the seasonal peak.

The Board has declared a fully franked interim dividend of 2.5 cents per share. The record date is 12 March 2024 with a payment date of 26 March 2024.

Trading Update and Outlook

The sales results for the first seven weeks of 2H FY24 were:

Sales growth, unaudited	First 7 weeks 2H FY24 versus:			
	FY23	FY22	FY21	FY20
Headlines:	%	%	%	%
Total Sales	-7.8	-17.0	-23.6	+16.4

Trading remains challenging and is expected to remain so over the balance of FY24. Outside store traffic remains soft at -6.0% on pcp. We continue to manage promotional pricing and margin carefully. New product offers have been launched and sell through has met expectations albeit the amount of newness is sub optimal.

Four new stores are expected to open and five stores are expected to close during the second half. The closures are locations which are either not meeting internal benchmarks or where satisfactory commercial outcomes have not been reached with landlords. Further rollout in New Zealand remains on hold, and further opportunities will be explored once market conditions improve.

We remain focused on executing our strategic priorities, maximising gross margin dollars, controlling costs and delivering outstanding customer service to maximise sales.

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

CFO Transition Update

Further to our announcement of 30 January 2024, a search for a new CFO is underway and we are now in-market and in the early stages of engaging with candidates.



Investor Conference Call

CEO and Managing Director Vlad Yakubson and CFO Kate Sundquist will host a conference call for the investment community including a Q&A session at **11.30am AEDT today, Friday 23 February 2024.**

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

<https://s1.c-conf.com/diamondpass/10036185-7ah7dc.html>

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

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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'.