



ASX Release

27 November 2023

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

Via electronic lodgement

Dear Sir / Madam

DUSK GROUP LIMITED (ASX:DSK) 2023 AGM – CHAIR AND CEO'S ADDRESS

Please find attached a copy of the Chair and CEO's address to be delivered at the 2023 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

A handwritten signature in cursive script that reads "K Sundquist".

Kate Sundquist
Chief Financial Officer and Company Secretary



Chair's Address

Good morning everyone, my name is John Joyce and I am the Chair of dusk Group Limited. On behalf of the Board and Management, I extend a warm welcome to the Company's 2023 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:

- Vlad Yakubson, our new CEO and Managing Director
- Katherine Ostin, non-executive director and Chair of the Audit and 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 shareholder 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.

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. Paul Litinsky 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 Paul or a member of his team. The results of the meeting will be lodged with the ASX and also posted on our investor website later today.



Before moving to the formal part of the meeting, I would like to provide an overview of FY23, which was our third year as a listed company. I will then hand over to our new CEO and Managing Director Vlad Yakubson who will provide his initial observations and outline the immediate focus for the business. He will also cover our recent operating performance, strategic priorities and current trading.

Our FY23 results summarised on Slide 4 reflected the challenging trading conditions in which higher interest rates and mounting cost of living pressures impacted the disposable income of many of our core customers. Despite this, we remained focused on executing our customer-centric strategies and leveraging our core competencies.

Total revenue was \$137.6m and pro forma EBIT was \$16.5m. Total sales were marginally lower than FY22 and 36.5% higher when compared to FY20. Foot traffic outside our stores was down 10.2% year on year and partly offset by higher sales conversion when customers were in store.

The gross margin rate of 64.1% was 160 basis points lower than FY22 due primarily to a weaker Australian dollar versus the US dollar. There was also some mix shift between product categories as well as a small increase in promotional discounting and clearance activity to keep inventory levels balanced.

After three years of COVID-19 impacts, the cost of doing business (CODB) in FY23 reflected a more typical year. CODB in FY22 was approximately \$2.5m lower than normal as teams were stood down during periods of prolonged store closures. Adjusting for this, CODB was up 6.6% in FY23 with the increase driven by new stores, higher wage rates and elevated inflation. At the end of FY23, we executed a \$2.0m CODB reduction program across store labour, logistics and head office to assist in mitigating the financial impact of the current soft trading environment.

Our channel mix continued to normalise in FY23 as we cycled government-mandated store closures in the first half of FY22. Despite this, the online result was below our expectations with online penetration at 5.4% of total sales. We continue to invest in our online capabilities with a website redesign and replatform well underway and expected to be completed in the second half of FY24.

New stores continued to perform well, highlighting our track record of disciplined store rollout. We opened nine new stores in the first half of FY23 to maximise Christmas trading and a further five stores in the second half. The new store openings included three stores plus online as part of a trial in New Zealand, our first international market.



The results in New Zealand have been in line with expectations and further rollout opportunities will be evaluated once the economic outlook in that market improves. In Australia, there was one store closure in FY23.

At the end of FY23, dusk Rewards, our paid loyalty program had over 735,000 active members who accounted for 62% of total sales and spent an average of \$57 per transaction. For the first time in six years, we took the decision to increase the joining fee for the two-year membership from \$10 to \$15, effective 1 July 2023. At the same time, we increased the value of the sign up voucher that members receive from \$10 to \$15 as well as other member-only offers.

The Company finished FY23 with a strong balance sheet and solid cash conversion of earnings. Net cash at year end was \$16.0m with no debt. Our inventory position of \$15.2m was well balanced and slightly below FY22, despite the net addition of thirteen new stores.

In FY23, the Board declared fully franked dividends totalling 11 cents per share. Since our IPO in November 2020, we have declared and paid fully franked dividends of 56 cents per share.

As a Board, we regularly review our capital allocation and believe the current settings strike the right balance between maintaining a strong financial position and ensuring we are able to invest in growth initiatives and respond to opportunities as they arise. We would need to borrow funds to do a share buyback and believe now is not an appropriate time to do so.

As we head into our peak selling period, the Board and management continue to focus on our strategic priorities. We continue to closely monitor the challenging economic conditions and impact on our store portfolio, and where necessary we will make tough decisions on underperforming stores. We will also accelerate the launch of a range of exciting product led initiatives and innovations that will come to market over the next twelve months. This follows successful product collaborations in FY23 and the recent trial of a personal fragrance range which has proven popular. These initiatives together with a new look website and new leadership are key to our expectations of improved trading as FY24 progresses.

In the period before Vlad started on 9 October, I stepped into the Executive Chair role. Although I have been Chair since September 2016, the months spent as Interim CEO reinforced my appreciation of the strengths of our business which include our strong and experienced leadership team, flat hierarchy and vertical operating model.



We are excited to have Vlad on board and I am pleased we were able to ensure a smooth handover. We are already benefiting from Vlad's deep experience in specialty retail and the fresh perspective he brings to the business as we drive our strategic priorities.

Before handing over to Vlad, I would like to thank the Board, Management and our entire team for their guidance, hard work and commitment. 2023 has been a period of transition with the departure of Peter King who served as CEO for almost nine years. I would like to acknowledge and thank Peter for the invaluable contribution he made to the Company.

Finally, I would like to thank our customers and shareholders for their ongoing support. As a Board, we are encouraged by the opportunities ahead as we launch our new look website, develop innovative product and focus on renewal within the business. We recognise the challenging economic conditions and the impact this has had on our customers and share price. We continue to focus on our trading and believe we have the right strategies in place to deliver strong long-term returns for the benefit of all shareholders.

I will now invite Vlad Yakubson to address the meeting.

CEO and Managing Director's Address

Good morning everyone, and I would like to add my welcome to today's AGM which is my first as your CEO and Managing Director.

Since joining the Company on 9 October, I have been busy familiarising myself with our business. Although this is a new category for me, I have spent most of my 25-year career in specialty retail where the fundamentals of good retailing remain the same, such as working with great people, building culture, understanding our customer, living our values, managing our supply chain and developing innovative products.

At dusk, we are a customer first business. Our goal is to provide our customer with affordable luxuries and a great gifting destination all year round. I have already spent a lot of time in stores and have been impressed by how many of our team have been with dusk for more than ten years. This is quite unusual in retail and a testament to our strong culture and the team's belief in our brand. It also means we have a depth of experience and understanding of our customer, that as a former Head of Retail Operations, I know is invaluable.



Our 151 store portfolio continues to deliver attractive returns on investment and we believe there remains considerable runway for growth. Our strategy to expand into regional centres continues to be successful and our recent store opening in Mildura, Victoria was the highest opening day of trade in the history of the Company.

Our online channel is a critical enabler in terms of marketing, driving traffic to stores and customer engagement. It is also a key tool for customer research and providing inspiration. As John mentioned, we are working towards a go-live for our website redesign and replatform in the second half of FY24. We have improved our online experience ahead of Christmas and the launch of Click & Collect in October has been well received. This is now available in seventy stores and will not only drive traffic to our stores but provide our team with additional selling opportunities. Click & Despatch is also operational in ten stores and provides customers with faster delivery times and lowers our pick, pack and delivery costs. Our investment in online is expected to unlock further growth, improve service and delivery options and provide an enhanced customer experience.

Our paid loyalty program is also an incredible asset and something that I believe we can further leverage by tailoring offerings based on insights obtained from our members' purchasing patterns and behaviours. Our store rollout will further boost membership as we enter new catchments extending the program's footprint and strategic importance to our business.

When it comes to my immediate priorities, the successful execution of Christmas trade is obviously key. Our Christmas product has been in store since late October and is performing to expectations. Sales conversion and targeted promotional activity will be a major focus. As part of our ramp up to Christmas, we completed the successful induction and sales training of over five hundred casual team members. We recognise the importance of reward and recognition and introduced new sales incentives for the Christmas period. We are proud of the commitment shown by our store teams in servicing our customers and in exceeding their expectations.

Product innovation is going to be a major focus as we invest to ensure we deliver newness faster and more often. The success of our Streets Ice Cream collaboration and exclusive Halloween range, which performed well above last year, show that our customers want products that are unique, interesting and on trend. Collaborations will continue to be an important part of our product strategy and we will explore new category opportunities. The successful trial of our perfume range based on our most popular fragrances shows that we can develop into new categories and opens a new category in personal care.



Trading update and outlook

Turning to our trading update and outlook on Slide 6, total sales for the first 20 weeks of FY24 were down 11.3% on the previous corresponding period with bricks and mortar sales down 12.3% and online sales up 8.0%. When compared to the pre-pandemic period of FY20, total sales are 30.1% higher. We have seen a slight improvement in sales trends from October onwards.

Despite the macro-economic headwinds, we have continued to invest in new stores in Australia, opening six stores in the first half of FY24. These stores are in outer suburban and regional centres where the returns on investment remain attractive. We expect to open another four new stores in Australia in the second half of FY24 and close one store.

We have also opened three pop-up stores for the lead up to Christmas. These will allow us to test centres where we do not have a store and expand our footprint in centres where we do. This provides further opportunity for gifting at the right price in the run up to Christmas. We believe it will enable us to reach new customers, broaden awareness of our brand and drive traffic to our stores.

In December 2023, we will be expanding our distribution network with the launch of a dusk store on Amazon Marketplace.

Given the seasonality of our business, trading over the next six weeks will be critical to our FY24 results. We will continue to focus on disciplined promotional activity and price point management to maximise gross margin dollars. Cost management and maintaining outstanding customer service to maximise sales and basket size also remains a priority.

Before handing back to the Chair, I would like to thank the Board and team for their support over the past seven weeks and to John for ensuring such a smooth handover. It is an exciting time to join dusk. I believe we have a unique opportunity to reinvigorate the dusk brand and take it into the future.

I would like to acknowledge and thank our store teams and customer support team.

Finally, I would like to thank our business partners, customers and shareholders for their ongoing support. I will now hand back to John.