

1H FY24 RESULTS PRESENTATION

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23 February 2024

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

dusk



CEO's First 120 Days – Key Observations and Actions

Reinvigorate product, brand, marketing and distribution channels

KEY OBSERVATIONS

WHERE WE ARE TODAY

- Home fragrance (and gifting) is an attractive category
- We are a category leader with a USP and loved by many customers
- Our vertical business model is a competitive advantage and exportable
- Store teams are an asset and differentiator: experts, experienced, service oriented and passionate
- Our dusk Rewards loyalty program is a valuable asset

STRATEGY

- Better align our strategy with customer journey
- Ensure our product remains competitive, innovative and on trend
- Engage a younger customer (Gen Z)
- Better utilise data from dusk Rewards
- Improve performance of our online channel

KEY ACTIONS TAKEN

PEOPLE

- Refreshed executive team with a new GM of Product and Sourcing, Chief Marketing Officer and Head of E-Commerce
- New structure to deliver rostering of right team, right time is underway

PRODUCT

- Recalibrated processes to support a faster product development cycle for innovation and newness
- Refresh of our core range is underway
- Specific ranges for a younger customer in scoping phase
- Expanding the use of brand collaborations

DIGITAL AND LOYALTY

- Successfully implemented Click & Collect
- Website redesign and replatform well advanced
- Enhancing data analytics to drive better decision making
- Launched 400 products on Amazon Marketplace
- dusk Rewards membership fee reverting to \$10

Strategic Priorities

Generating sustainable long-term growth by leveraging core competencies to grow market share

KEY DRIVER

COMMENTARY



DUSK PROPRIETARY
PRODUCT

- Invest to increase the experience and skills of the product team
- Implement new processes to accelerate the rate of product innovation and range evolution
- Create innovative products to refresh and differentiate our offer and delight our customers
- Ensure our range has a strong offering for those customers with increased value orientation, while continuing to serve those with higher spending capacity and appetite
- Develop specific ranges for a younger customer, where we have an emerging customer following and had recent good wins (e.g. Streets co-lab)
- Refresh the diffuser product offering to regain leadership in this key category, and refresh the related diffuser consumables offering to drive more frequent customer visitations
- Expand the use of brand collaborations



'PAY-TO-PLAY'
LOYALTY PROGRAM

- Refresh the core value proposition and offers of the dusk rewards loyalty program
- Return the number of active dusk reward members to growth
- Increase frequency of visitation, and engagement of members
- Invest to enhance data analytics to drive better decision making across product and marketing



OMNI-CHANNEL

- Expand our offering to include Click & Collect (went live in Dec 2023)
- Redesign and replatform the website to improve customer experience and usability
- Increase online conversion rates - make product research and shopping easier and faster



EFFICIENCY IN
EVERYTHING WE DO

- Reset and continue to refine both head office costs and store wages
- Refine the NZ offer and supporting infrastructure to improve NZ profitability
- Close underperforming and marginal stores
- Reallocate store wages to ensure we have the right team at the right time to maximise sales

1H FY24 Summary

SALES PERFORMANCE

- Total sales of \$77.8m, -9.7% vs pcp
- Total like-for-like (LFL) sales -15.8%

OMNI-CHANNEL

- Online sales of \$4.1m, -14.3% vs pcp
- Represents 5.3% of total sales

GROSS MARGIN¹

- Gross margin of \$50.2m, -9.8% vs pcp
- Gross margin rate at 64.5%, broadly in line with pcp

PRO FORMA EBIT²

- Pro forma EBIT of \$11.5m, -39.9% vs pcp

CASHFLOW AND BALANCE SHEET

- Net cash of \$31.1m at period end (no debt) vs \$32.9m pcp
- Inventory in line with pcp at \$17.6m
- Fully franked interim dividend of 2.5 cents per share declared

1. In FY23, the Group reclassified the costs of distribution activities directly relating to the performance obligation to deliver goods to the customer, within Cost of Sales instead of within Other Expenses. Prior year comparatives have also been reclassified. There was no impact to EBIT

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



Profit and Loss

COMMENTARY

- Total sales \$8.3m lower, -9.7%
- Gross margin \$5.4m lower, -9.8%
- Despite headwinds from currency depreciation and domestic freight costs, we managed our pricing and promotional activity to deliver a gross margin rate broadly in line with pcg
- CODB up \$2.1m, +5.9% largely driven by new stores, mandatory wage increases and elevated inflation driving up rents
- Pro forma EBIT of \$11.5m, -39.9%
- Pro forma NPAT¹ of \$8.2m, -38.3%
- Pro forma earnings per share (EPS) of 13.2 cents, -38.3%
- Statutory EBIT of \$12.4m, -37.6%
- Statutory NPAT of \$8.1m, -39.5%
- Statutory EPS of 12.9 cents, -39.5%

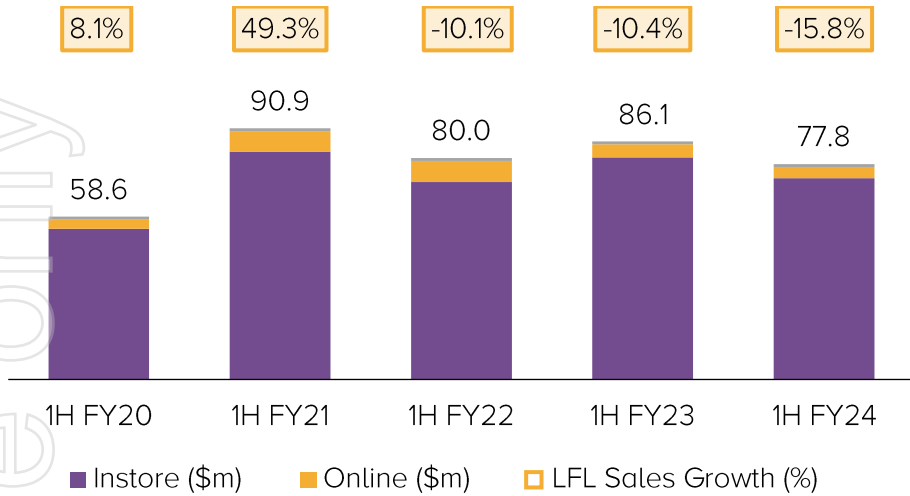
PRO FORMA RESULTS

\$M	1H FY23	1H FY24	% Change
Revenue	86.1	77.8	-9.7%
Gross profit	55.6	50.2	-9.8%
Gross profit %	64.6%	64.5%	-9 bps
CODB	(34.6)	(36.7)	5.9%
CODB %	40.2%	47.1%	+691 bps
EBITDA	21.0	13.5	-35.6%
EBITDA %	24.4%	17.4%	-700 bps
EBIT	19.1	11.5	-39.9%
EBIT %	22.2%	14.8%	-744 bps
NPAT	13.3	8.2	-38.3%
NPAT %	15.5%	10.6%	-490 bps

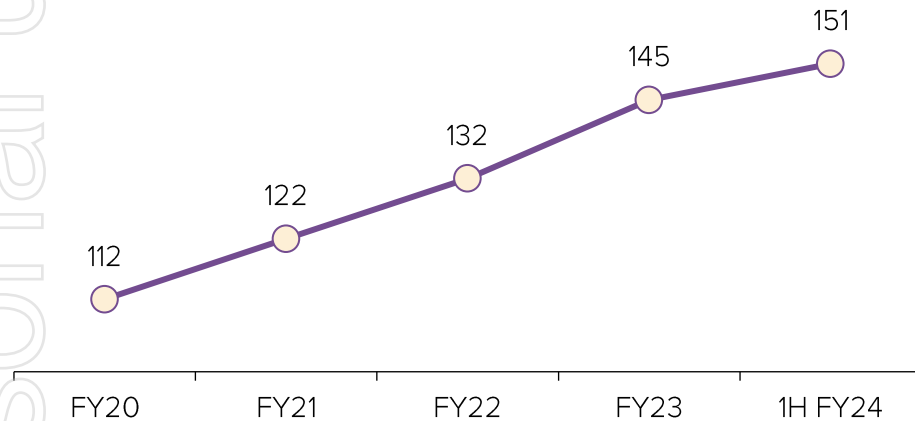
1. See Appendix for pro forma adjustments and reconciliation to statutory NPAT

Sales

SALES (\$M) AND LFL SALES GROWTH

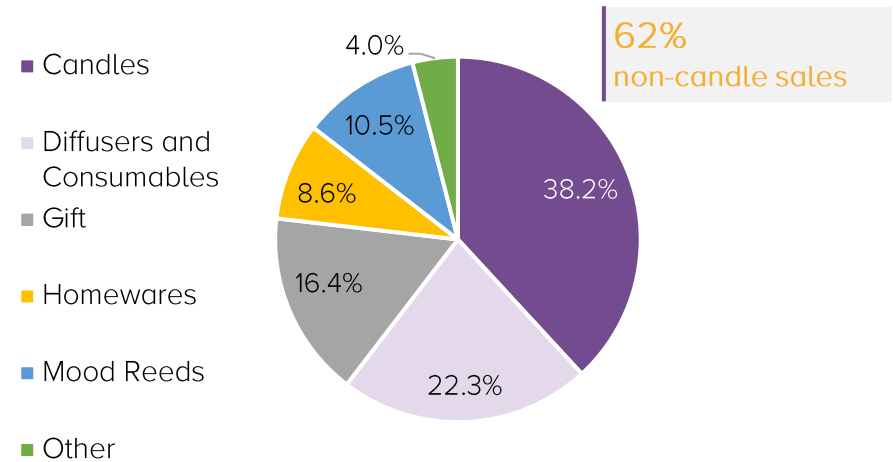


GROWING STORE NETWORK¹



1. Store count includes online stores in Australia and New Zealand

SALES BY CATEGORY

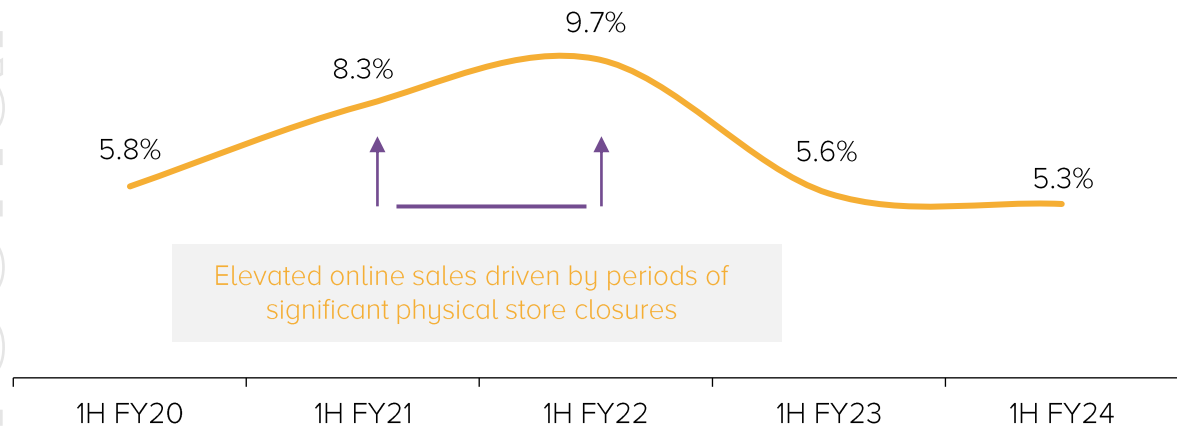
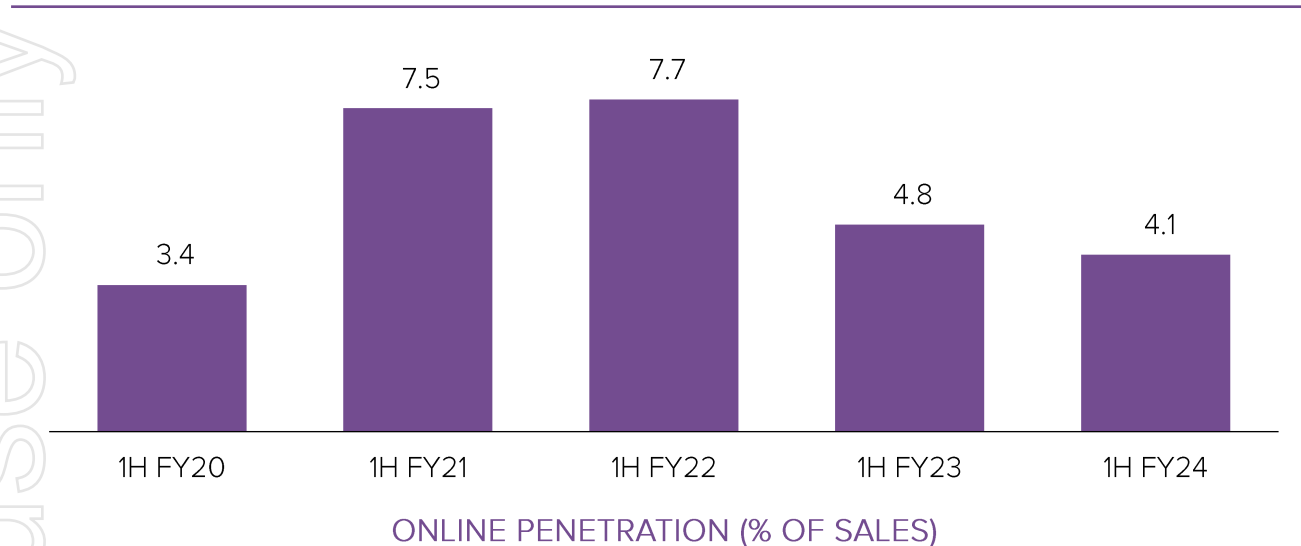


COMMENTARY

- Total sales were -9.7% vs pcg, with stores -9.3% and online -14.3%
- Total LFL sales were -15.8%, with stores -15.9% and online -14.3%
- Although our sales run rate for the first 20 weeks of FY24 was -11.3%, trading improved in December to -8.0%
- Foot traffic outside our stores in December was -7.8% vs pcg
- Pleasingly when customers were in store, sales conversion by our team was strong and in line with pcg

Online Channel

ONLINE SALES (\$M)

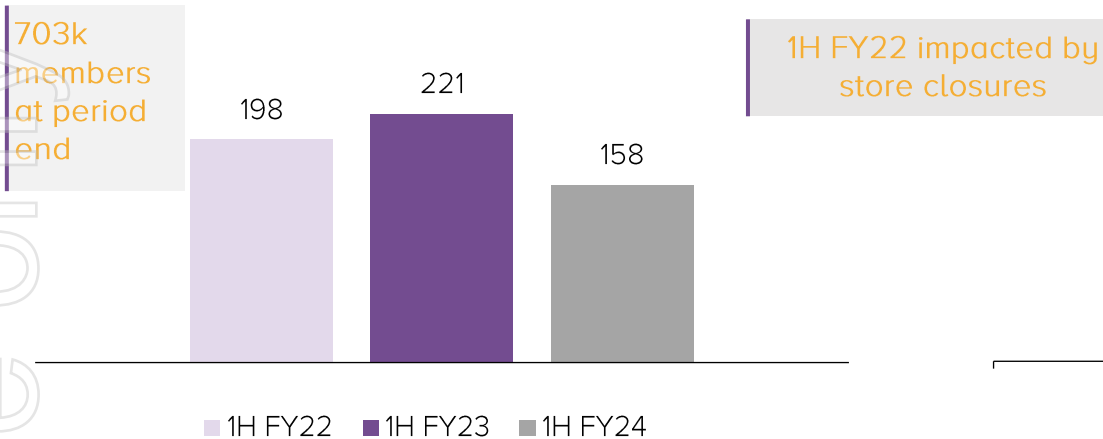


COMMENTARY

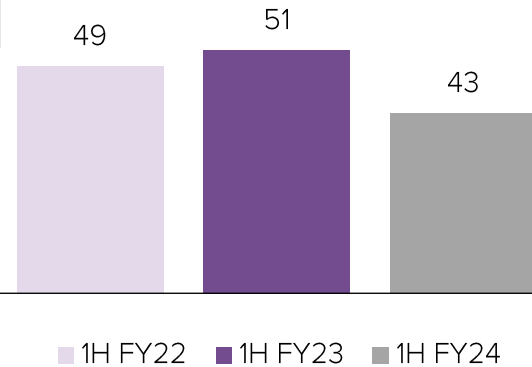
- Online sales of \$4.1m, -14.3% vs pcg were below our expectations
- Online penetration at 5.3% of total sales
- Click & Collect went live across Australia and accounted for 39% of online transactions in December. This gives customers another delivery option and lowers our pick, pack and delivery costs
- The website redesign and replatform is on track and expected to go live by the end of FY24

Loyalty Rewards Membership Growth

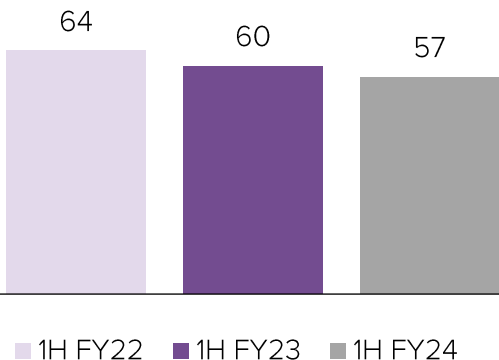
DUSK REWARDS SIGN-UPS AND RENEWALS (# 000'S)



DUSK REWARDS SALES (\$M)



DUSK REWARDS AVERAGE TRANSACTION VALUE (ATV) (\$)



COMMENTARY

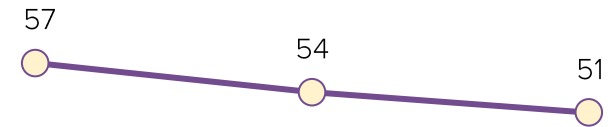
- Active database over 703k members, -2.6% vs pcp
- The membership fee increase from \$10 to \$15 in July 2023 has proven to be a barrier to entry, resulting in a decrease in sign-ups and renewals. The membership fee will revert to \$10 from March 2024
- dusk Rewards members account for 56% of total sales
- ATV \$ has decreased to \$57, driven primarily by lower sales in high value items and lower sales online where ATV is higher

Gross Margin and Gross Margin Drivers

COMMENTARY

- Gross margin protection was achieved by closely managing pricing and promotional activity to assist in offsetting continued currency headwinds and elevated domestic freight costs
- COGS continue to be closely managed and benefitted from strong supplier relationships and our vertical business model
- ATV decreased by 4.2% driven primarily by lower sales in high value items and lower sales online where ATV is higher, as customers are more cost-conscious

AVERAGE TRANSACTION VALUE (ATV) (\$)

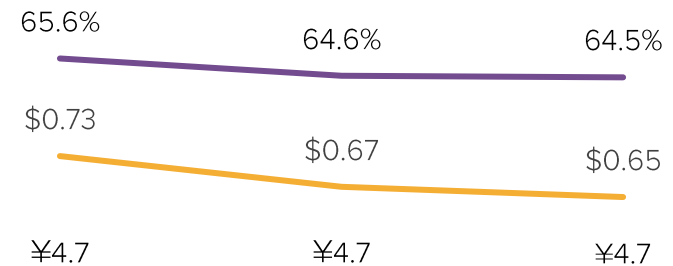


1H FY22

1H FY23

1H FY24

GROSS MARGIN¹



1H FY22

1H FY23

1H FY24

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

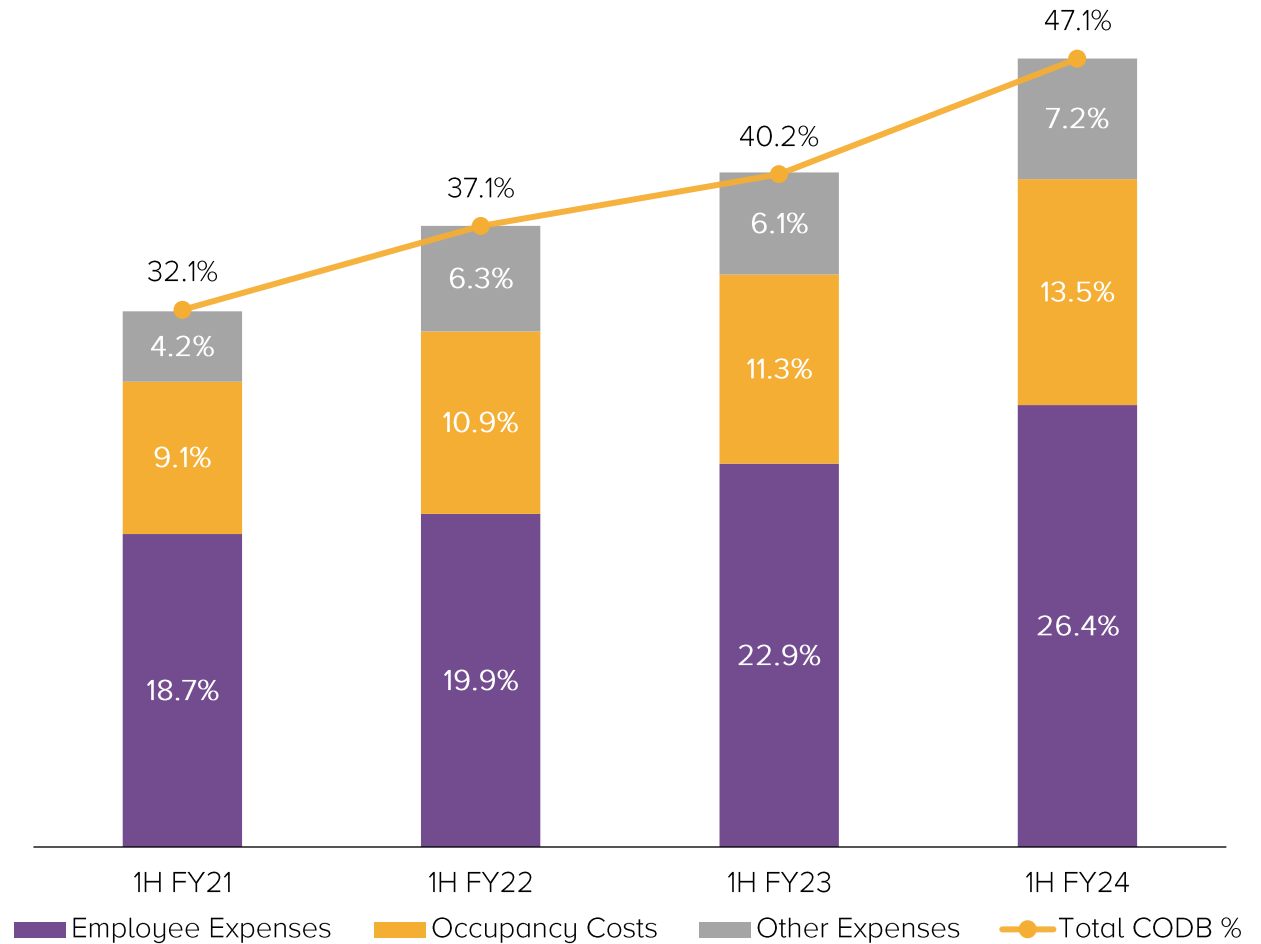
¹. Reserve Bank of Australia historical Exchange Rates – Financial Period Averages

Cost of Doing Business

COMMENTARY

- CODB up \$2.1m to \$36.7m, +5.9% vs pcg
- The increase in employee costs vs pcg largely driven by additional stores and higher mandatory wage increases of 6.25%
- Occupancy costs also increased with the additional stores and inflation driving annual increases where leases are tied to CPI. We continue to achieve rental reductions
- We executed a \$2.0m CODB reduction plan at the beginning of FY24 and this has offset some of the above-mentioned cost drivers
- CODB management remains a high priority

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



Balance Sheet

COMMENTARY

- Solid cash conversion of earnings
- Inventory position well balanced
- Net cash at period end of \$31.1m
- 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 interim dividend of 2.5 cents per share has been declared with a record date of March 12 and payable date of March 26

BALANCE SHEET

\$M	Dec-22	Dec-23
	Statutory	Statutory
Current assets		
Cash	32.9	31.1
Trade and other receivables	0.9	0.3
Inventories	17.6	17.6
Right of return assets	0.4	0.2
Prepayments	2.3	1.4
Total current assets	54.1	50.7
Non-current assets		
Property, plant and equipment	11.9	12.1
Right of use assets	31.5	33.1
Intangibles	2.3	2.1
Deferred tax assets	6.5	5.6
Total non-current assets	52.2	53.0
Current liabilities		
Trade and other payables	15.4	13.4
Provisions	2.8	1.8
Employee benefit liabilities	1.7	1.7
Lease liabilities	14.6	14.1
Income tax payable	2.1	1.4
Total current liabilities	36.6	32.4
Non-current liabilities		
Trade and other payables	0.4	0.5
Provisions	1.3	1.3
Employee benefit liabilities	0.5	0.3
Lease liability	23.8	26.1
Total non-current liabilities	26.0	28.3
Net assets	43.7	43.0

Trading Update and Outlook

TRADING UPDATE

The sales results for the first 7 weeks of 2H FY24 are as follows:

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% vs pcg
- 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

FY24 OUTLOOK

- Given the uncertainty in the outlook the Board does not consider it appropriate to provide FY24 guidance at this time
- 4 new stores and 5 store closures are expected in the 2H
- Further roll out in NZ remains on hold due to unfavourable market conditions
- We remain focused on executing our strategic priorities, maximising gross margin dollars, controlling costs and delivering outstanding customer service to maximise sales
- The benefits of a faster flow of product innovation and newness will ramp up through FY25

Appendix

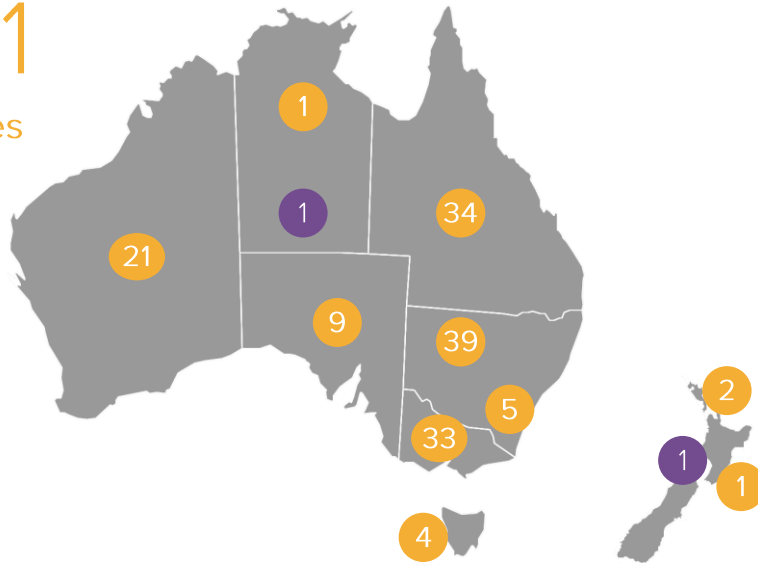
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Store Network

STORE NETWORK¹

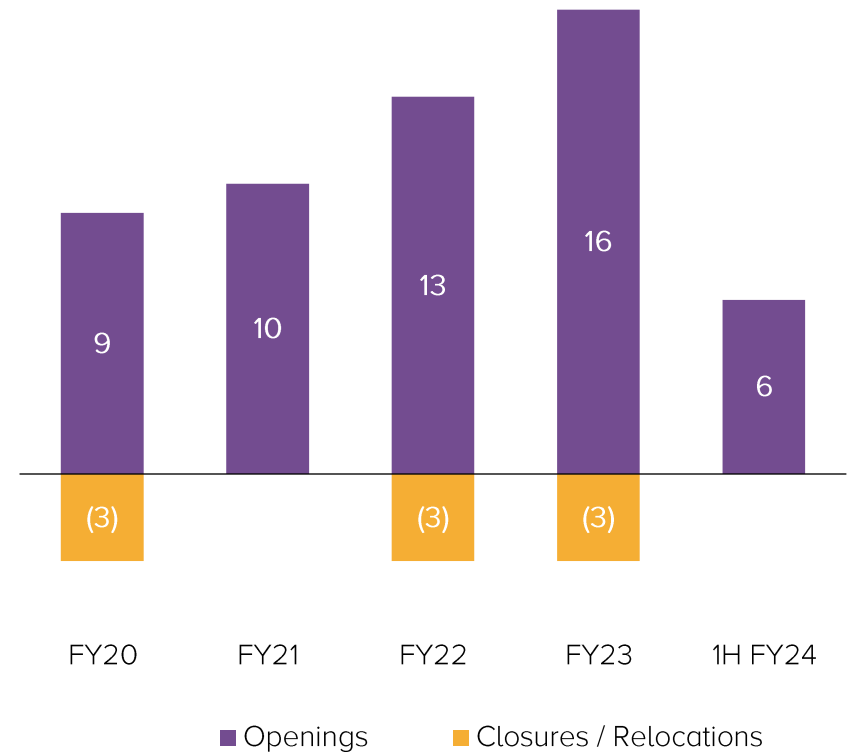
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Stores



● Physical stores ● Online store

- 6 new stores opened in 1H – 2 in VIC and 1 in QLD, WA, SA and ACT
- 4 new stores expected in 2H including our first direct factory outlet
- 5 store closures expected in 2H

NET STORE OPENINGS



■ Openings ■ Closures / Relocations

¹ Store count as at 31 December 2023

Pro Forma Profit and Loss

PRO FORMA¹ RESULTS

\$M	1H FY23	1H FY24
Revenue	86.1	77.8
Cost of sales	(30.5)	(27.6)
Gross profit	55.6	50.2
Employee expenses	(19.7)	(20.6)
Occupancy expenses	(9.7)	(10.5)
Other expenses	(5.2)	(5.6)
Cost of doing business (CODB)	(34.6)	(36.7)
EBITDA	21.0	13.5
Depreciation & Amortisation	(1.9)	(2.1)
EBIT	19.1	11.5
Net finance income / expense	0.0	0.3
Profit before tax	19.2	11.8
Income tax expense	(5.8)	(3.5)
Net profit after tax	13.3	8.2

1. Pro forma EBIT is unaudited and excludes rental concessions, NZ setup costs and is pre-AASB 16

Pro Forma Adjustments

PRO FORMA ADJUSTMENTS TO THE STATUTORY RESULTS

\$M	1H FY23	1H FY24
Statutory EBITDA	29.2	22.0
Impact of AASB16	(8.2)	(8.5)
Rental concessions received	(0.3)	-
NZ setup costs	0.3	-
Pro forma EBITDA	21.0	13.5
Statutory NPAT	13.3	8.1
Impact of AASB16	0.0	0.3
Rental concessions received	(0.3)	-
NZ setup costs	0.3	-
Total Pro forma adjustments	0.0	0.3
Net tax effect adjustments of above at 30%	0.0	(0.1)
Pro forma NPAT	13.3	8.2

Cash Flow Reconciliation

PRO FORMA CASHFLOW TO THE STATUTORY RESULTS

\$M	1H FY23	1H FY24
Pro forma EBITDA	21.0	13.5
Capex	(2.8)	(2.9)
Change in Inventory	(2.2)	(2.4)
Change in Trade Creditors	6.1	5.9
Change in Other Working Capital Items	(0.4)	0.6
Net Cashflow before financing and tax	21.9	14.7
Cashflow : EBITDA Conversion %	104%	109%
Taxes paid / refund	(4.1)	2.3
Dividends paid	(6.2)	(1.9)
Change in Cash	11.6	15.1
Opening Statutory Net Cash	21.3	16.0
Closing Statutory Net Cash	32.9	31.1

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