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dusk Group Limited (ASX:DSK)

FY24 Results Presentation

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FY24 Financial Overview

Transformational year with new management team and new strategy in place. dusk delivered quarter on quarter improvements in sales trends as FY24 progressed

$126.7m	$81.5m	64.3%	$6.2m
Total Sales	**Gross Profit[3]**	**Gross Profit %**	**Pro Forma EBIT[4]**
-7.9% on pcp[1] LFL sales -12.1% on pcp[2] 2H sales trend materially improved on 1H	-7.5% vs pcp	+20 basis points higher on pcp	FY23: $16.5m

$20.8m	$15.5m	6.9 eps	4 cps
Net cash at year end	**Inventory**	**Earnings per share[5]**	**Final dividend[6]**
FY23: $16.0m	FY23: $15.2m	FY23: 18.6 cents per share	FY24: Total dividends of 6.5 cps fully franked

1. Prior Corresponding period; 2. Like-for-like sales; 3. Gross Profit is on a Pro Forma basis 4. Pro Forma EBIT is unaudited and pre-AASB. It excludes a non-cash impairment of $0.4m relating to the carrying value of Property, Plant & Equipment associated with underperforming stores in NZ; 5. Basic EPS is on a statutory basis; 6. FY23 full year dividend totaled 11 cps fully franked;

FY24 Operational Overview

Improvement in sales run rate through 2H FY24 reflects better execution and the early phase of new strategic initiatives gaining traction

Renewal of leadership team	Significant talent renewal across key leadership roles in the business. New leadership team in place, which brings fresh perspectives to strategy, trade and brand rejuvenation.
Implementation of key strategic initiatives	Improved sales performance in 2H FY24 reflects the implementation of several strategic initiatives focused on product rejuvenation, disciplined promotional activity and improving online trade.
Better omni-channel experience	Enhanced execution in our online channel as 2H progressed, following the website upgrade in June 2024 and supported by a renewed focus on superior digitally led marketing.
Gross profit % maintained	Our gross profit % has been maintained due to the realisation of efficiencies identified in our supply chain and tactical control of the promotional calendar.
Strong financial position	dusk finished FY24 with closing cash of $20.8m and no debt. Inventory of $15.5m at year end was slightly ahead of FY23 and remains clean and well balanced. dusk has declared a final dividend of 4 cps full franked.

Key strategic priorities – FY25 and beyond

Grow market share and reassert our leadership in the home fragrance category and gifting

1 Increasing customer frequency

- Deliver more product newness, more often, with monthly injections of new seasonal and trend lines
- Continue to expand new product categories through test & learn (e.g. unisex, car, bath and body – more occasions, and more uses)
- Increase frequency and variety of product collaborations
- Introduction of new product that appeals to a younger target audience (in addition to core customer)
- Use CRM and our dusk Rewards program to drive customer inspiration and awareness of our new lines

2 New customer acquisition

- Introduce more contemporary ranges alongside proven traditional and novelty products
- Target new customer cohorts of 15–22 year-olds and male shoppers
- Increased focus on social media and digital marketing channels
- Provide value to different customer cohorts at various price points
- Category creep will offer more variety and more reasons to visit dusk
- Test & learn both new entry level product lines, and higher price point products

3 Redefine our brand identity

- Upgrade brand *handwriting* to broaden appeal and elevate styling
- Amplify our destination appeal in key seasonal events (Christmas, Easter, Halloween, and Mother's Day)
- Extend focus to *sub-events* (Valentine's Day, Lunar NY, Father's Day)
- Smooth the sales curve with improvement in customer frequency and being on time with relevant market trends
- Become top-of-mind destination for all year round gifting (birthdays, anniversaries, housewarming & dinner party gifts) and personal shopping
- New store design fit out is in development

Product-led turnaround underway

A reset of our product strategy is at the heart of our turnaround. We are implementing material changes in both execution and the strategic aspects of product development, ranging, sourcing, and supply chain

New products and ranges, more often	We are reinvigorating the cadence of product innovation and newness in our range, which commenced in 2H FY24, and will accelerate further in FY25. Newness drives frequency, and excitement.
Our data and IP informs ranging in existing categories	We are encouraged by the results we have seen so far testing new product lines within existing categories, whilst maintaining proven winners and seasonal favourites.
Significant opportunity for category creep	Actively exploring category creep opportunities with a test & learn approach. This will enhance our range differentiation, assert category leadership, and grow sales productivity in our stores and online.
Identify and translate trends to volume lines	Strengthened our team and processes, and aligned our supply chain to better enable identification and translation of key product design trends to unique ranges for our customers (and manage associated risks).
Product collaborations as a core competency	Our customers love the fun, variety and novelty of our product collaborations. Our vertical retail model and scale enables us to be an attractive collaboration partner. Our collaboration program will become a more consistent feature of our product offering.

FY25 Priorities

New products and ranges

- Accelerate product rejuvenation program. Upgrade core product offering, and increase frequency of new product drops
- More product collaborations and new seasonal ranges are in the pipeline

Digital Channel & Marketing

- Invest in digital marketing with social media campaigns that target our broader customer base (including younger customer segment)
- Digital channel expansion with growth in our online sales through the improvement of site experience

Store Portfolio Productivity

- Improve store productivity with key projects focused on roster optimisation and new incentive structure for store teams
- Disciplined approach to store portfolio as illustrated by closure of 6 stores in FY24

Systems and Supply Chain

- Systems enhancements to allow improved and more dynamic business visibility for improved data led decision making
- Supply chain optimisation and diversification with current and new suppliers in Australia and Asia to lower costs, increase quality and speed, and support more innovation

FY24 Financial Summary

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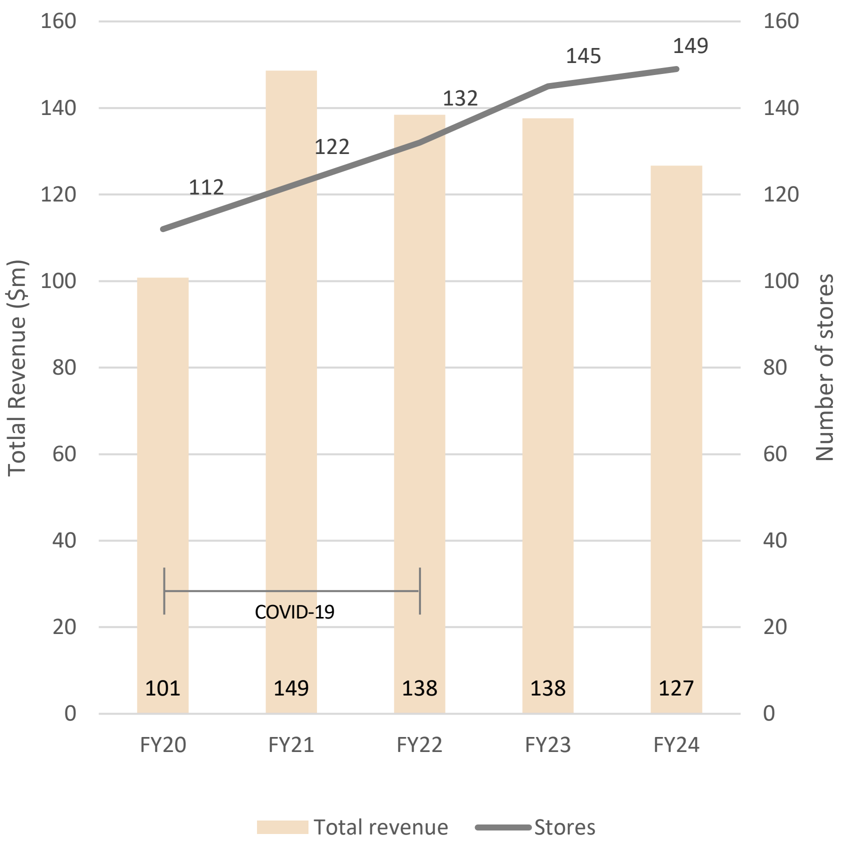
Sales Overview

Solid execution and product newness deliver sales run rate improvement across FY24



*2H FY20, FY21 and 1H FY22 results were affected by government-mandated COVID-19 public lockdowns.

Focus on better customer experience in-store and online

- At year end, dusk had 149 stores including 2 online stores (FY23: 145 stores)
- Total sales of $126.7m, down -7.9% on FY23, with the sales run rate improving through the year. 2H FY24 sales, down -5.0% on pcp, which compares to 1H of -9.7%
- Sales CAGR of +5.9% from FY20 to FY24
- LFL sales were -12.1%, with stores -12.6% and online -3.4%

We are actively focused on:

- Continuous improvement in our **customer experience** in retail stores through better sales training, product knowledge and visual merchandising execution
- Using **digital marketing** to drive an enhanced omni-channel experience and support traffic to stores and our online site
- **Re-booting our product strategy** to drives sales and GP$, excite our customer with a refreshed *handwriting*, more newness, and re-assert our category leadership

Re-setting our online channel

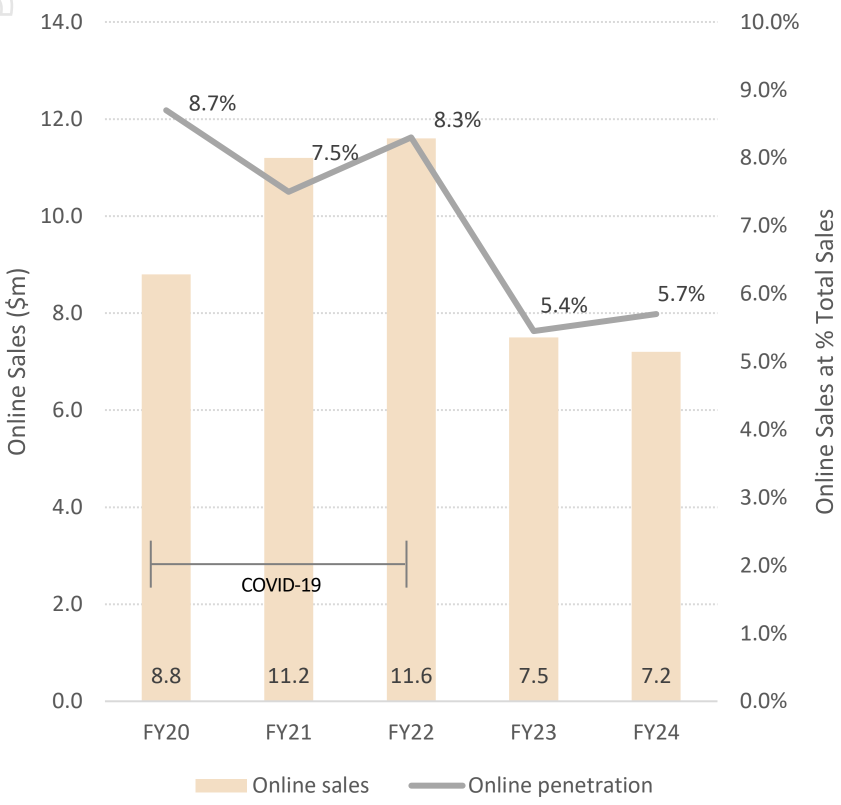
Use our #1 store to re-set the brand aesthetic, launch new ranges, enable better product discovery, and provide an easy, exciting and immersive omni channel shopping experience

- Online sales of $7.2m, down -3.4% on pcp with the sales run rate improving through the year.
- In 2H FY24, online sales were up +15.9% vs pcp
- Online sales penetration of 5.7% in FY24 and 6.4% in 2H FY24 (FY23: 5.4%; 2H FY23: 5.2%)
- Click & Collect now accounts for 17% of online

We are actively focused on:

- Delivering an improved customer experience online through AI enhancements, data analytics, and personalisation of communication to drive better conversion rates
- Improving content and online imagery to drive digital engagement
- Optimising mobile site experience with > 80% of online transactions from mobile devices
- Continue to test & learn on marketplaces. Amazon product launched in 2H FY24

Relaunch of website drives online growth in 2H FY24



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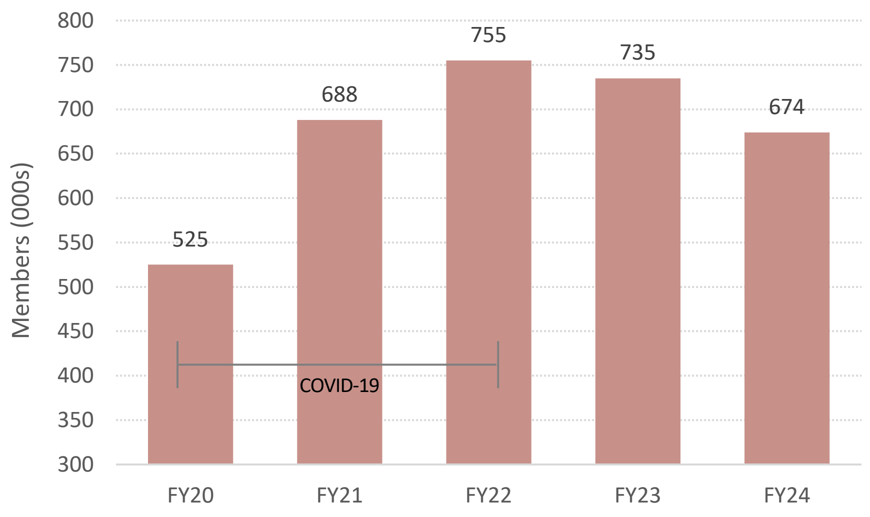
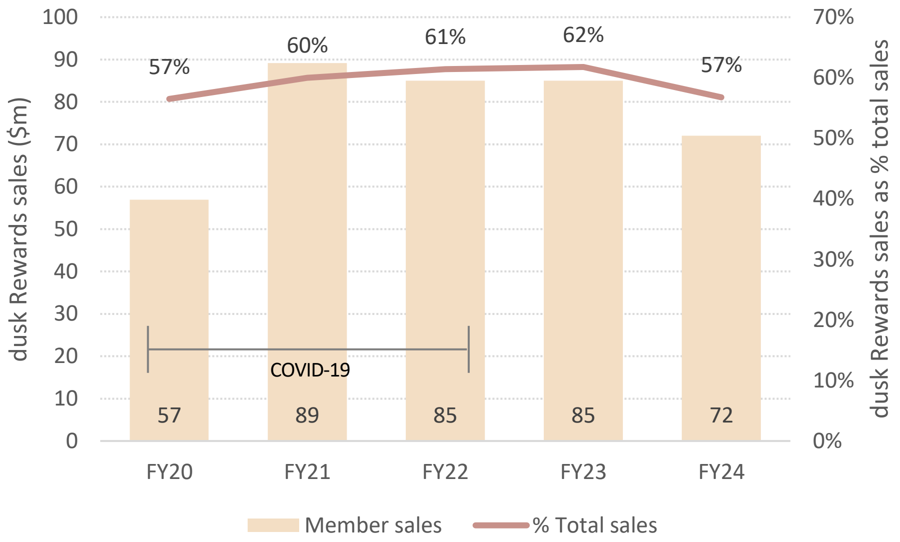
dusk Rewards Membership

dusk Rewards Members (000s)



- Active members at the end FY24 were 674k, a decline of -8% on pcp
- Membership levels were affected by the decision to increase the sign-on fee to $15 in July 2023. This reverted to $10 in March 2024
- For the first 8 weeks of FY25, our membership sign-ups and renewals are +33.7% on pcp supported by positive response to our updated product range including successful launch of Allen's collaboration

dusk Rewards sales ($m)

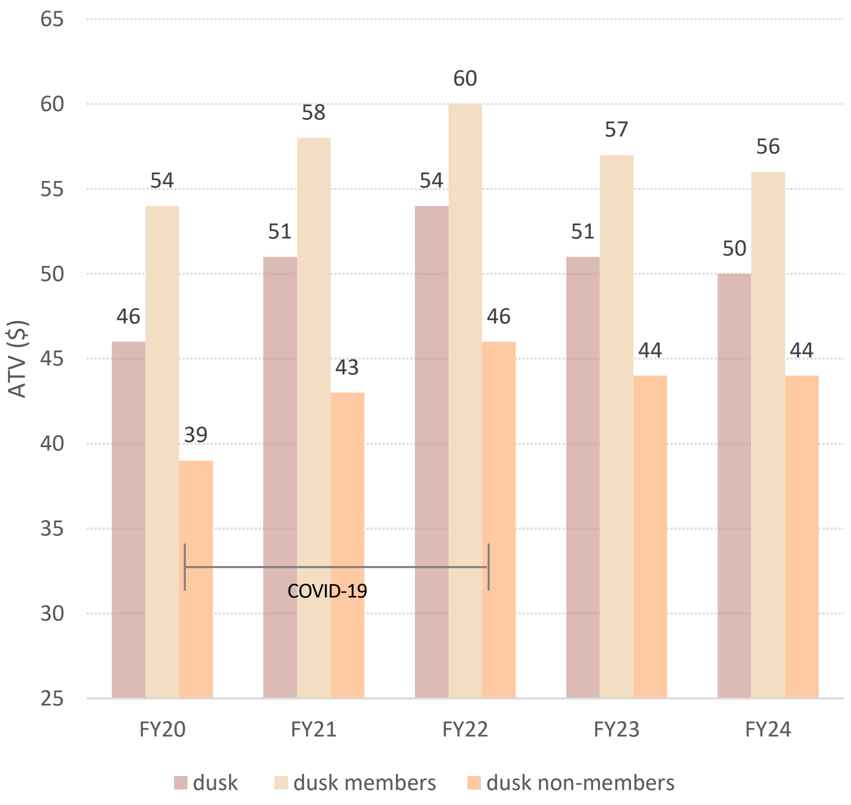


- dusk Rewards members accounted for sales of $72m in FY24, 57% of total sales (FY23: $85m, 62% of total sales)
- Increased focus on the use of data analytics and personalisation to drive higher shopping frequency among paid loyalty base
- Enhanced engagement with dusk Rewards members through targeted exclusives and other events

*2H FY20, FY21 and 1H FY22 results were affected by government-mandated COVID-19 public lockdowns.

Average Transaction Value (ATV)

dusk Rewards members spend more than dusk customers overall



*2H FY20, FY21 and 1H FY22 results were affected by government-mandated COVID-19 public lockdowns.

ATV resilient despite challenging macro environment

- dusk Rewards members ATV was $56 compared to $44 for non-members, and $50 overall.
- ATV was slightly lower for both groups in FY24 with lower sales of high value items (e.g. ultrasonic diffusers) due to more cost-conscious consumer and maturing of this category
- We will continue to test and learn in new categories throughout FY25 to improve ATV
- Our price architecture highlights our value-proposition in gifting and personal use in the home fragrance market

Financial Performance

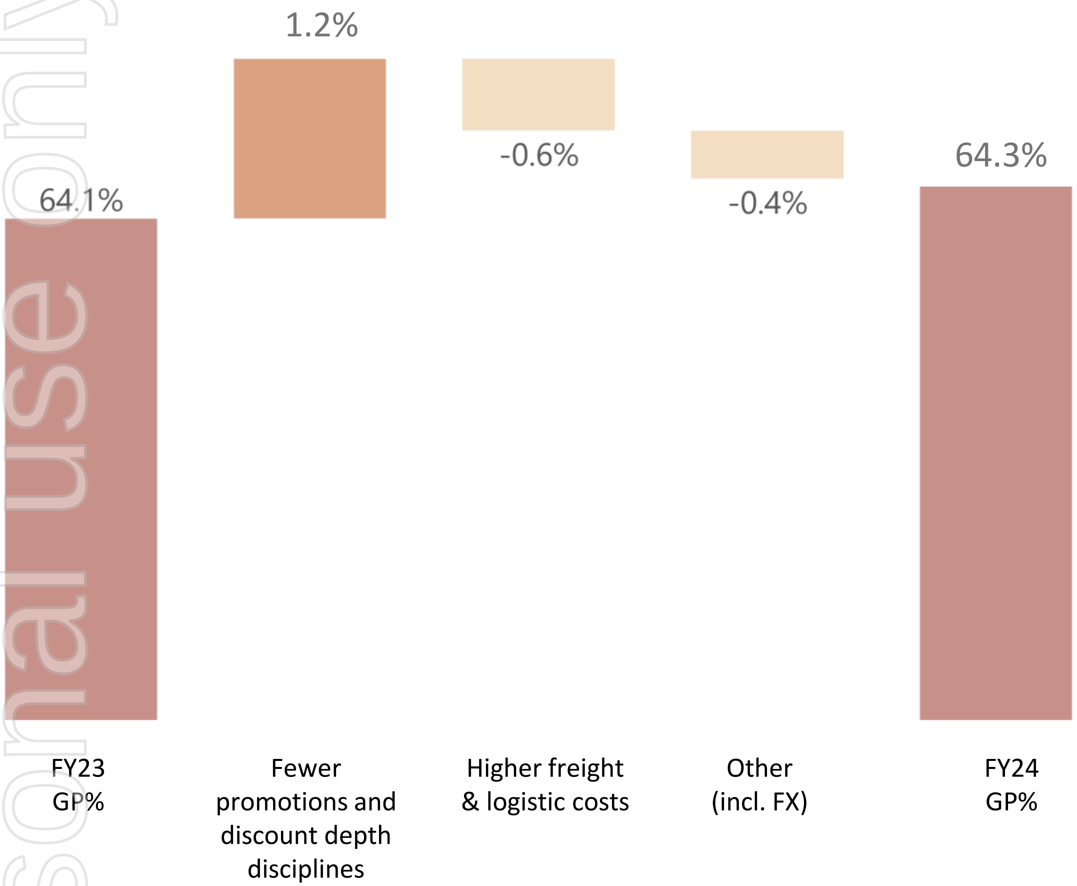
Pro forma P&L[1]			
$m	**FY23**	**FY24**	**% Change**
Revenue	137.6	126.7	-7.9%
Gross profit	88.2	81.5	-7.5%
Gross profit %	*64.1%*	*64.3%*	*+20 bps*
CODB	-67.8	-71.4	+5.4%
CODB %	*49.2%*	*56.3%*	*+710 bps*
EBITDA	20.4	10.1	-50.3%
EBITDA %	*14.8%*	*8.0%*	*-680 bps*
EBIT	16.5	6.2	-62.2%
EBIT %	*12.0%*	*4.9%*	*-710 bps*
NPAT	**11.7**	**5.0**	**-57.3%**
NPAT %	*8.5%*	*4.0%*	*-450 bps*

- Total Revenue of $126.7m, down -7.9% vs pcp
- Improvement in sales run rate as FY24 progresses with 2H FY24 of -5.0% compared to 1H FY24 of -9.7%
- Gross Profit % improved by +20 bps, driven mainly by more disciplined promotional activity vs FY23 and partially offset by the impact of USD/AUD weakness vs pcp
- CODB increased by +5.4% vs pcp, mainly driven by increases in rent (underlying rental reviews) and underlying store labour wage rates (i.e. Fair Work/GRIA)
- Depreciation increased due to higher store count vs pcp
- Pro forma EBIT of $6.2m, -62.2% vs pcp
- Pro forma NPAT of $5.0m, -57.3% vs pcp

1. Pro Forma EBIT is unaudited and is pre-AASB 16. See Appendix for Pro Forma adjustments and reconciliation to statutory NPAT

Gross Profit

FY24 Gross Profit % improvement reflects disciplined and tactical promotional activity



Increase in Gross Profit % despite higher freight and FX movements

- Gross Profit of $81.5m was -7.5% vs pcp
- Differentiated range and vertical retail model enables us to manage our pricing and promotional activity more effectively despite market volatility and increased discounting by peers
- Gross Profit % was slightly ahead of FY23 due to reduced promotional activity (frequency, duration, width and depth) which represented a fundamental change in the trading tactics of the business.
- Higher freight and logistics costs vs pcp were driven by increased freight costs and local distribution fees reduced Gross Profit % by -60 bps
- Other items including a weaker Australian dollar vs the US dollar also negatively impacted gross profit % (-40 bps) with dusk's hedging policy providing some dampening affect

Cost of Doing Business

CODB increase reflects focus on controlling the “controllables”.
Negative operating leverage occurred mainly due to sales decline

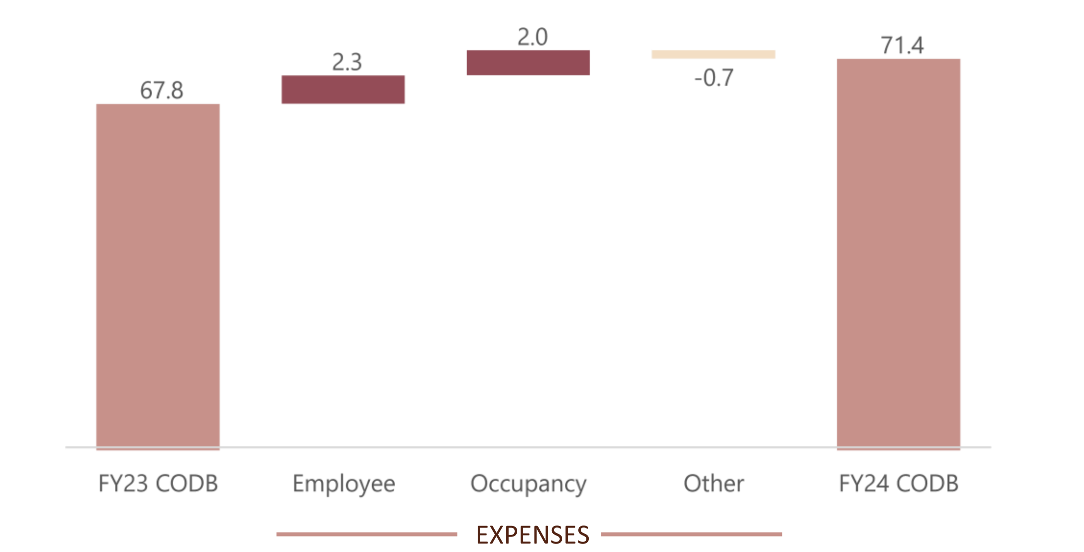
CODB $

- CODB of $71.4m, up +$3.6m or +5.4% on pcp demonstrates dusk’s ongoing cost discipline despite new stores and inflationary pressures
- Employment expenses were +$2.3m or +6.1% higher on pcp reflecting General Retail Industry Award (GRIA) wage increase of 5.75%, superannuation increases and additional stores
- Occupancy costs increased by +$2.0m or +10.7% due to the addition of 4 (net) new stores, plus the impact of underlying rent reviews imbedded in leases
- Other expenses were -$0.7m, or -6.5% lower as dusk maintained its focus on careful cost control

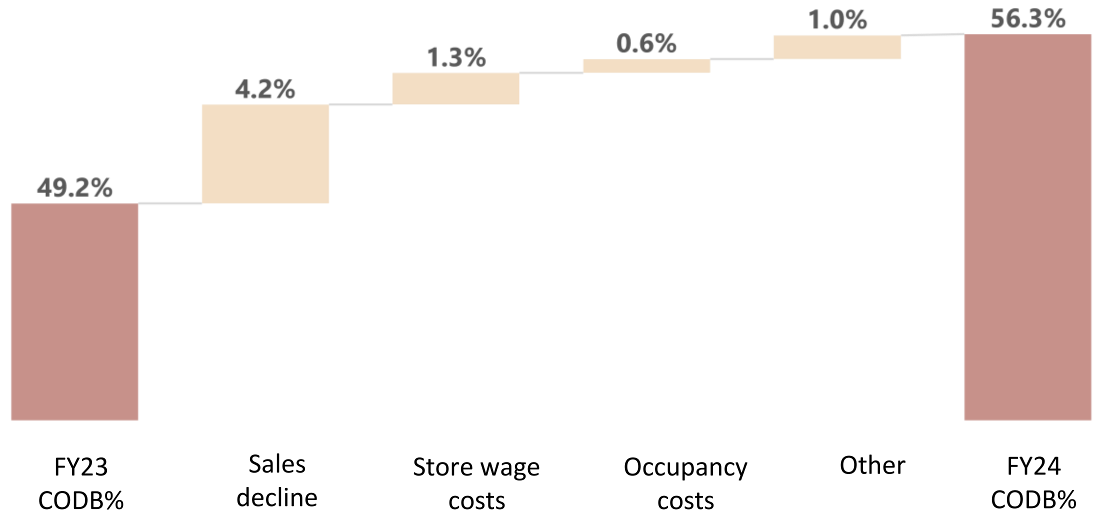
CODB/Sales Ratio

- CODB as % sales was 56.3% in FY24 (FY23: 49.2%) with lower sales impacting the CODB/sales ratio by +4.2%
- Increase in store wage rates coupled with new stores added a further +1.3% in CODB/Sales %
- Increases in rent arising from new stores and reviews resulted in a +0.6% impact to the CODB/sales ratio with other costs contributing the remaining +1.0% increase to the CODB ratio

Increase in CODB ($m) reflects higher award wages, additional stores



CODB % Sales increase driven by lower sales and higher wage rates



Balance Sheet

A$m	FY23	FY24
CURRENT ASSETS		
Cash	16.0	20.8
Trade and other receivables	0.4	0.3
Inventories	15.2	15.5
Right of return assets	0.2	0.1
Prepayments	1.4	1.2
Income tax asset	4.2	1.8
Total current assets	**37.4**	**39.7**
Non-current assets		
Property, plant and equipment	11.4	9.9
Right of use assets	32.8	30.0
Intangibles	2.1	3.4
Deferred tax assets	5.8	4.8
Total non-current assets	**52.1**	**48.1**
Current liabilities		
Trade and other payables	7.6	8.3
Provisions	1.8	1.5
Employee benefit liabilities	1.6	1.5
Lease Liabilities	13.8	13.7
Income tax payable	-	-
Total current liabilities	**24.8**	**25.0**
Non-current liabilities		
Trade and other payables	0.4	0.5
Provisions	1.3	1.0
Employee benefit liabilities	0.6	0.3
Lease Liabilities	25.7	23.5
Total non-current liabilities	**28.0**	**25.3**
Net assets	**36.7**	**37.5**

Strong financial position with no debt

- Closing cash of $20.8m was +$4.8m higher vs pcp
- Inventory levels were slightly up on pcp due to the addition of 4 stores in FY24. Inventory remains clean and well balanced
- Non-cash impairment of $0.4m relating to the carrying value of Property Plant & Equipment (PPE) associated with underperforming stores in New Zealand
- Strong balance sheet provides flexibility to fast-track additional investments

Dividends and Capital Management

- A fully franked final dividend of 4 cents per share has been declared with a record date of 12 September 2024 and payable date of 26 September 2024
- Clearer position of substantial surplus cash (and franking credits) is emerging
- We expect to undertake capital management in 2H FY25, assuming continued improvements in trading momentum

Outlook

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Trading Update & Outlook

Sales results for the first 8 weeks of 1H FY25 are as follows:

Sales growth, unaudited	First 8 weeks FY25 vs:
	FY24 pcp
Total sales	**+16.0%**
LFL sales	**+12.1%**

- First 8 weeks of FY25, online sales growth is +39.1%. Bricks and Mortar stores is +14.4%
- Strong start to FY25 with the 'Allen's x dusk' collaboration performing strongly
- In 1H FY25, monthly drops of new product ranges including 'Dinner Club' and a Father's Day range which are now live, and our new ceramic range is scheduled ahead of the key Halloween and Christmas events
- dusk Rewards membership renewals and new member sign-up are +33.7% on pcp for the first 8 weeks of FY25, highlighting positive new customer response to our renewed product offering (especially Allens x dusk), and the reversion of membership to $10
- Our trading margin[1] remains in line with prior year, and we remain focused on margin management strategies
- We expect to open 2 new stores in 1H FY25
- We are focused on providing great quality product at affordable prices which appeals to new and existing customers – the results available from strong execution are just beginning

1. Trading Margin is sales less product costs, and excludes non-selling expenses such as FX adjustments, shrinkage, etc.

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Pro Forma Adjustments

Pro forma P&L		
$m	**FY23**	**FY24**
Statutory EBITDA	37.0	27.1
Impact of AASB16	-16.6	-17.0
Rental concessions received	-0.3	-
NZ setup costs	0.3	-
Pro forma EBITDA	20.5	10.1
Statutory NPAT	11.6	4.3
Impact of AASB16	0.1	0.3
Rental concessions received	-0.3	-
NZ setup costs	0.3	-
Impairment	-	0.4
Pro forma NPAT	11.7	5.0

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