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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) 2024 AGM – CHAIR AND CEO'S ADDRESS

Please find attached a copy of the Chair and CEO's address to be delivered at the 2024 Annual General Meeting to be held at 10.30am (Sydney time) today. These should be read in conjunction with the presentation slides which are being lodged separately.

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

Regards



Gordon Squire
Chief Financial Officer and Company Secretary

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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 of dusk, I extend a warm welcome to the Company's 2024 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 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 Yvonne Barnikel, 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 Yvonne 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.

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

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Before moving to the formal part of the meeting, I would like to provide an overview of the 2024 financial year. I will then hand over to our CEO and Managing Director Vlad Yakubson who will cover dusk's recent operating performance, strategic priorities and current trading.

The 2024 financial year has been a transformative period for dusk Group as we appointed a new CEO and made significant changes across the business. At the same time, economic conditions remained challenging with cost-of-living pressures impacting our customers in Australia and New Zealand.

Following the departure of our former CEO Peter King in July 2023, I was appointed Executive Chairman taking on the interim CEO responsibilities. In October 2023, we were delighted to welcome Vlad to dusk as CEO and Managing Director. The Board has been impressed with the progress made by Vlad since joining the Company as he drives a product-led turnaround and rejuvenation of our brand.

Turning to our financial results, total revenue of \$126.7 million was a decline of 7.9% on the prior corresponding period or pcp and 12.1% lower on a like-for-like basis. Our sales run rate improved as we moved through FY24, with second half sales down 5% on pcp, compared to a first half decline of 9.7%.

The improved sales performance in the second half reflected the implementation of several strategic initiatives focused on product rejuvenation, disciplined promotional activity, and better trading of the online channel. Improving our omni experience has also been a focus and was enhanced by the launch of our website upgrade in June 2024, and new approach to digital marketing.

Gross profit of \$81.5 million was 7.5% lower on pcp. The gross profit percentage of 64.3% was 20 basis points higher on pcp despite currency headwinds and elevated domestic freight costs.

Our cost of doing business or CODB of \$71.4 million was up 5.4% on pcp. This was largely driven by award wage increases and the addition of four net new stores.

Pro forma EBIT was \$6.2 million compared to \$16.5 million in FY23. Our Inventory was slightly up on pcp at \$15.5 million, largely reflecting the additional stores. It remains clean and well balanced.

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At the end of FY24, dusk had 149 stores, including two online stores compared to 145 stores at the end of FY23. We are actively focused on continuous improvement in our omni-channel experience, with a refocus on sales training and visual merchandise execution across stores and online. The increased use of both digital and above the line marketing is expected to drive further traffic to our stores.

We have also been working diligently to reset our online channel to enable better product discovery and provide an immersive omni-channel shopping experience. With a new digital team and a website with enhanced capability, we are starting to see traction with our customer conversion rates and significant upside in online sales.

Online sales of \$7.2 million were down 3.4% on pcp, with the sales run rate also improving through the year. Online sales were up 15.9% on pcp in the second half compared to a decline of 14.3% in the first half. Online sales penetration was 5.7% in FY24 and 6.4% in the second half.

We launched Click and Collect in December 2023 which has proven popular with our customers and now accounts for 17% of our online sales. This provides customers with another delivery option and reduces pick, pack and delivery costs.

In FY25, we will continue to enhance the online experience through AI deployment, better use of data analytics and customer personalisation to deliver improved conversion rates. At the same time, we will continue to elevate our digital content and online imagery and optimise our mobile experience to provide a faster and simpler way of browsing and shopping for our customers.

Our paid loyalty program, dusk Rewards was impacted in FY24 by an increase in the membership fee to \$15 in July 2023. This proved to be a barrier to entry for our customers and we reverted to the \$10 fee in March 2024. At the end of FY24, we had 674,000 active members who spent an average of \$56 per transaction and member sales were 57% of total sales.

Despite a challenging FY24, dusk finished the year in a strong financial position with closing cash of \$20.8 million, which was up \$4.8 million on pcp and no debt.

The Board declared a final fully franked dividend of 4.0 cents per share bringing total dividends for FY24 to 6.5 cents per share fully franked. We expect to undertake further capital management in the second half of FY25, assuming continued improvements in trading momentum.

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As we move through FY25, our focus will remain on the delivery of great quality products at affordable prices, which appeal to new and existing customers. We remain cautious on the macro-economic outlook and recognise that conditions remain difficult for many of our customers.

Before handing over to Vlad, I would like to thank the Board, Management and our entire team for their continued guidance, hard work, and commitment.

I would finally like to thank our customers and you, our shareholders, for your ongoing support.

I will now invite Vlad 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.

Last month marked the completion of my first year at dusk. Reflecting on this milestone, a lot has been achieved in that time as we commenced the transformation of dusk with a new brand strategy to deliver long term sustainable growth.

One of the most important changes we have made over the past year, was to undertake substantial talent renewal and structure optimisation across our support office and retail network. This has brought fresh perspectives, skills and experience to our business, providing a solid foundation from which to build and rejuvenate our brand. With the leadership team now in place, we have seen improved cross-functional collaboration and are encouraged by the progress being made across our business.

Looking ahead, our key focus is to reinforce our leadership in the home fragrance category by increasing customer frequency, driving new customer acquisition and redefining our brand identity. We are constantly working to grow our market share and ensure dusk remains the leading speciality retailer in the home fragrance category, with a particular emphasis on our role as a gifting destination throughout the year.

One of our key priorities is increasing customer frequency by delivering product newness on a regular basis with monthly injections of new seasonal and trend lines. We will also continue to expand and grow into new product categories such as bath and body and a unisex product range over the coming year.

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Following the success of the Streets and Allen's collaborations, we have decided to increase the frequency and type of product collaborations that we bring to our customers on a yearly basis. Our customers continue to show that they enjoy the energy, unique packaging, product surprise and fragrance that comes from such brand activations. We are encouraged by what this adds to our business and see significant potential for future brand collaborations.

Recognising the importance of our members' contribution to our business, we will continue to leverage our dusk Rewards program to drive customer engagement and increase awareness of our new product lines. Our dusk members continue to shop with us more frequently and spend significantly more per transaction than non-members. We have reworked our strategic approach to our loyalty program which will now include a customer relationship management focus and a combination of both personalisation and segmentation of messaging to our members. Following the recent enhancement of our systems with the addition of business intelligence and AI, we will be in a better position to personalise and communicate our offers to our members as we head into the second half of FY25.

New customer acquisition will be an important driver of future growth as we broaden our customer demographic to include product ranges and marketing strategies to engage younger customers and male shoppers.

Lastly, we are in the process of refining our brand identity so that we become the top-of-mind brand for all year round gifting and personal shopping. We will do this by amplifying dusk as the destination brand for key events such as Mother's Day, Halloween and Christmas, while also extending our product offering for sub-events such as Valentine's Day, Easter celebrations and Father's Day. In time, this will enable us to smooth the sales curve, reducing the seasonality that currently exists across the financial year and build sales volume in the second half of the year.

The resetting of our product strategy, which is underway, is crucial to driving future growth. This begins with the delivery of new product ranges to our customers more often. In the second half of FY24, we began the process of increasing the cadence of product innovation and units in our range, and this will accelerate further into FY25.

We believe there are significant opportunities in category creep and are actively exploring opportunities leveraging our data and IP. This will enhance our range differentiation and assert our category leadership, while we grow sales productivity in our stores and online.

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Our FY25 priorities centre around product rejuvenation, brand enhancement, store productivity, and the optimisation of our supply chain. Improvements in store productivity will come from changes we have made to our roster management and the introduction in September 2024 of a new incentive program for our store teams. We will continue to maintain a disciplined approach to landlord negotiations.

The investment in digital marketing, a broader social media presence and above-the-line marketing will build awareness and introduce our brand to a new target audience of 15–22-year-olds. Our marketing and brand awareness strategy is a long-term investment in establishing dusk as a top-of-mind destination for home fragrance.

Turning to our recent trading and outlook, total sales for the 20 weeks of FY25 were up 12.7% on pcp and Like for Like sales were up 11.5% on pcp. Bricks and mortar sales were up 10.7% on pcp.

Our online channel continues to grow at an accelerated rate with online sales up 41.2% on pcp. Online penetration was 8.3% compared to 6.8% during the same period last year. This strong performance reflects the addition of a new digital team with a tactical real-time focus on trading the business that continues to unlock conversion and growth opportunities.

Our sales growth for the financial year to date shows that our product-led strategy, with the monthly injection of new products and continued focus on quality, is starting to resonate with our customers. The delivery of new monthly product capsules has resulted in a shift in sales mix between our core and fashion product with fashion representing a higher proportion of sales compared to pcp.

Our paid loyalty program remains a key focus with dusk Rewards membership renewals and new member sign ups up 42% on pcp. We continue to actively engage with our members who accounted for 57% of total sales for the first 20 weeks of FY25. For this upcoming Christmas trade, we recently hosted a members' VIP breakfast, an influencer event and special gift bags to recognize and reward our most loyal customers. Although this is a work in progress, we are taking steps to ensure our members feel special and rewarded as part of our loyalty program.

As planned, we have opened two new stores this half. We have returned to Warringah Mall in NSW with a new store and better location and have opened a store in Gladstone, an attractive Queensland regional market.

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We have opened 12 pop-up stores for a 7-week period from mid-November in flagship centres. Our aim is to expand our footprint in centres where we already have a standalone store and test and learn in new centres. It will also provide us with opportunities to increase market share and brand awareness as well as target a broader customer cohort.

Our unique sales proposition during the key weeks of trade ahead is our retail team. Since the start of FY25, we have completed training workshops across the country to enhance our team's capability and knowledge in fragrance training, store experience expectations and product knowledge. We have prioritised what matters most and are now laser focused on the customer experience and store execution of our omni-channel strategy.

We are on track with a new store design concept that we will preview in calendar year 2025. We will test and learn from a few stores before committing to a national roll-out as new sites become available or renewals fall due.

Although I am pleased with the initial results of the changes we have made over the past year, I believe we have the capability to achieve much more in the years to come. We will continue to navigate the trade environment and focus on growth and investment opportunities in key areas of the business while maintaining tight control on inventory and costs.

Given the seasonality of our business, the next six weeks of trade are critical to our overall financial result. The macroeconomic environment remains challenging, and our customers continue to look for value at this time of year in a highly competitive market. The initial response to our Christmas offer which launched three weeks ago has been promising as we move into our important seasonal peak. We look forward to welcoming customers to our stores and being there for the moments that matter during this festive season.

Before handing back to the Chair, I would like to thank the Board and our executive team for their support over what has been an exciting first year.

I would like to acknowledge the incredible contribution made by our store teams and the retail leadership of state and area managers. I would also like to thank our customer support team in Sydney.

Finally, I would like to thank our business partners, customers and shareholders for their ongoing support.

I will now hand back to John.