

25 September 2024

## **ASX Small & Mid-Cap Conference Presentation**

dusk Group Limited ('dusk', ASX: DSK) provides the attached presentation which the CEO and Managing Director Mr. Vlad Yakubson will deliver at the ASX Small & Mid-Cap Conference today (25 September 2024).

**The release of this announcement was authorised by the Board 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 one's self'.

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# dusk

dusk Group Limited (ASX:DSK)

## ASX Small & Mid-Cap Conference

25 September 2024

Vlad Yakubson  
CEO & Managing Director



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Creating  
moments that  
matter

dusk

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# Australia's leading home fragrance specialty retailer

Enhanced omni-channel offering, vertical retail model and paid loyalty program

Vertical retail model  
provides flexibility and  
control

674k  
Paid loyalty members

Product-led  
strategy

Long-term supplier  
partnerships

149 stores  
Profitable store network

Growing  
digital channel

Affordable luxuries  
ATV of \$50

Gifting  
30-40% of sales

Expanding  
customer base

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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**

Total Sales

-7.9% on pcp<sup>1</sup>

LFL sales -12.1% on pcp<sup>2</sup>

2H sales trend materially improved on 1H

**\$81.5m**

Gross Profit<sup>3</sup>

-7.5% vs pcp

**64.3%**

Gross Profit %

+20 basis points higher on pcp

**\$6.2m**

Pro Forma EBIT<sup>4</sup>

FY23: \$16.5m

**\$20.8m**

Net cash at year end

FY23: \$16.0m

**\$15.5m**

Inventory

FY23: \$15.2m

**6.9 eps**

Earnings per share<sup>5</sup>

FY23: 18.6 cents per share

**4 cps**

Final dividend<sup>6</sup>

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.

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# Key strategic priorities – FY25 and beyond

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

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## 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).

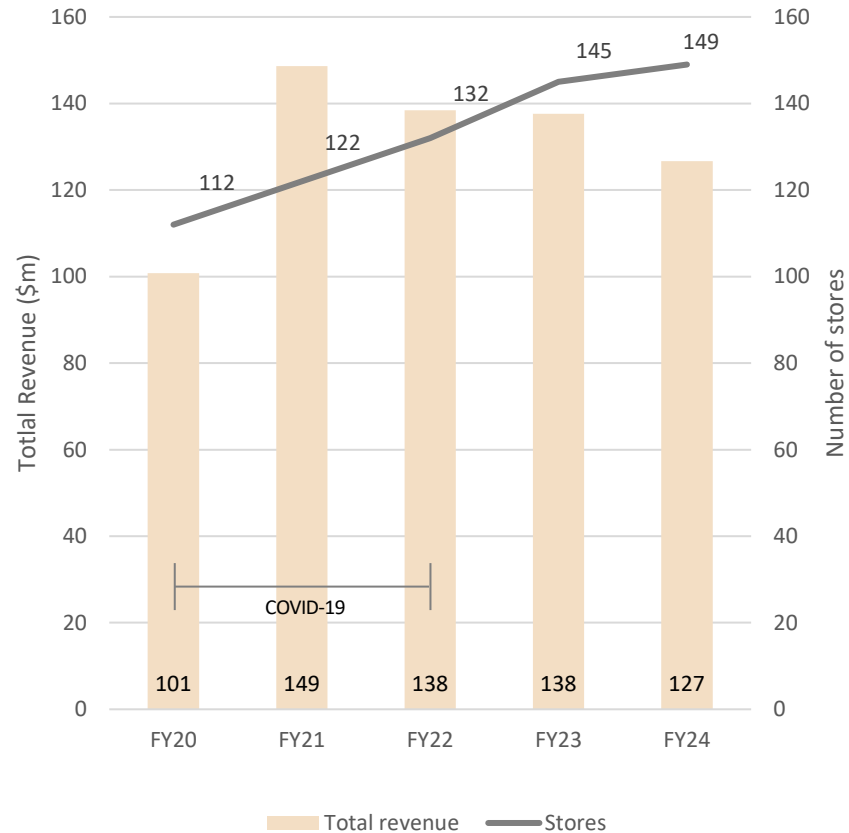
Product collaborations as a core competency

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.



# Sales Overview

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



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

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

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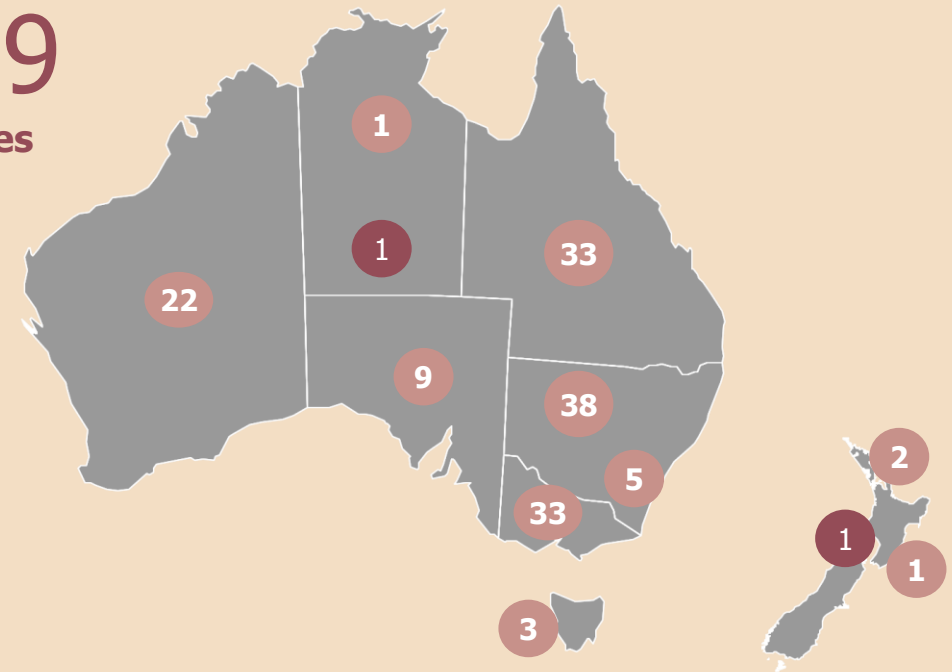
# dusk's store network

dusk's omni-channel portfolio extends across Australia and New Zealand

- At 30 June 2024, dusk Group had 149 stores including 2 online stores in Australia and New Zealand
- This represented a net increase of 4 stores on FY23 and included our first direct factory outlet

## STORE NETWORK

149  
Stores

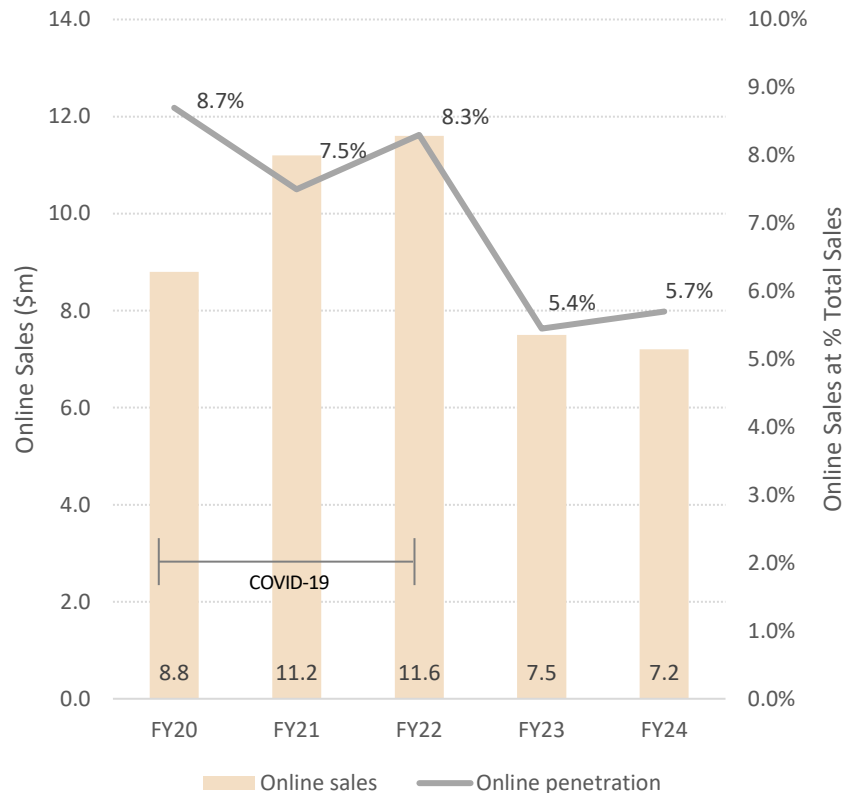


Physical stores

Online store

# Re-setting our online channel

Relaunch of website drives online growth in 2H FY24



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:

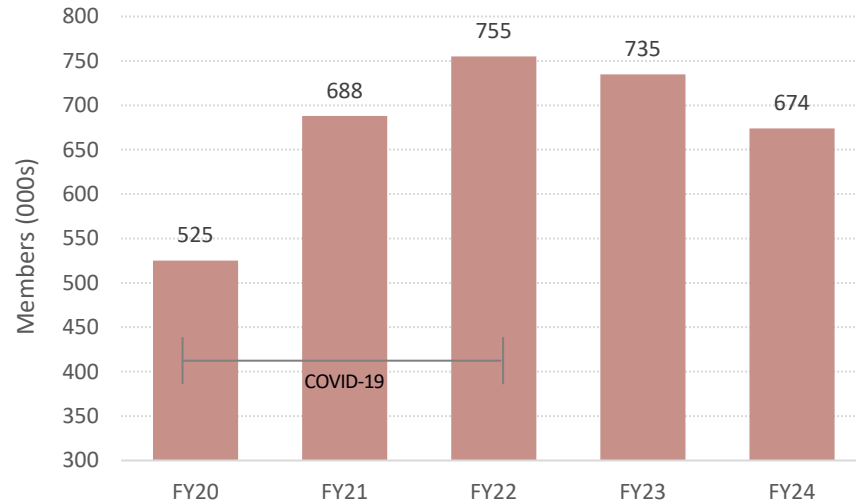
- Delivering an improved customer experience online through AI enhancements, data analytics, and personalisation of communication to drive better conversion rates
- Improving content and online imagery to drive digital engagement
- Optimising mobile site experience with > 80% of online transactions from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

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

# dusk Rewards Membership

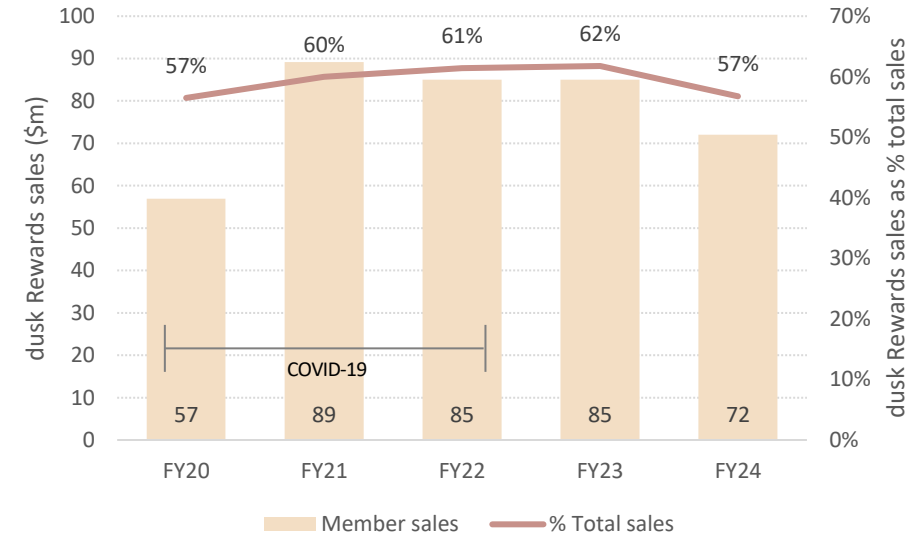
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## dusk Rewards Members (000s)



- 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)

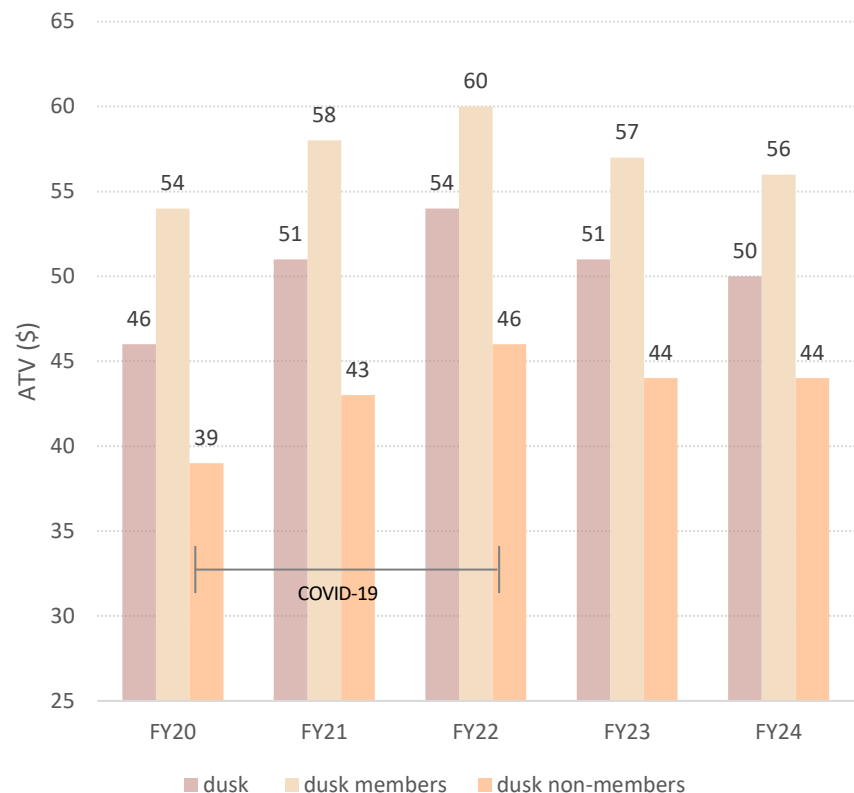


- dusk Rewards members accounted for sales of \$72m in FY24, 57% of total sales (FY23: \$85m, 62% of total sales)
- Increased focus on the use of data analytics and personalisation to drive higher shopping frequency among paid loyalty base
- Enhanced engagement with dusk Rewards members through targeted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



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

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



# 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<sup>1</sup> 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.



# Q&A

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