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ASX Release

24 February 2023

1H FY23 Results

dusk Group Limited ('dusk', ASX: DSK) today provides its half year result for the 26 weeks ending 1 January 2023.

1H FY23 Overview:

- Total sales of \$86.1m, +7.6% vs pcp¹ (1H FY22: \$80.0m); +47.0% vs 1H FY20
- Total Like for like sales (LFL)² was -10.4%
 - Stores -6.9%
 - Online -37.8%
- Gross margin³ of \$57.7m, +6.1% vs pcp
- Gross margin rate of 67.0% compared to 68.0% in pcp
- Pro forma EBIT⁴ of \$19.1m, -10.2% vs pcp; +98% vs 1H FY20
- Net cash of \$32.9m at period end and no debt (1H FY22: \$33.3m)
- 141 stores (including online) at period end, an increase of 9 new stores
- Inventory of \$17.6m at period end (1H FY22: \$19.6m)
- dusk Rewards active members of 722,000 (1H FY22: 718,000)
- Interim fully franked dividend of 8 cents per share

CEO and Managing Director Peter King said: "dusk delivered a solid result in the first half given a challenging trading environment. Total sales were 7.6% higher vs pcp and our gross margin of 67.0% was slightly lower due to increased promotional intensity and a weaker Australian dollar vs the US dollar.

"Channel mix normalisation continued with the increase in bricks and mortar sales more than offsetting the online decline, demonstrating once again the strength of our model. At period end, our inventory was clean and \$2.0m or 10.2% below pcp despite the addition of 13 new stores in the past 12 months. The performance of our 3 trial stores and website in New Zealand was in line with expectations and has provided valuable insights and learnings regarding operations and consumer preferences.

"Total sales for the first 7 weeks of 2H FY23 are 3.0% lower vs pcp. New product landed in February and has resonated with our customers with early sell through robust. Pricing and margin discipline remains central to our offering and the gross margin rate is slightly above pcp. Inventory

¹ Previous corresponding period

² Like for like (LFL) sales calculation excludes stores closed for refurbishment or COVID-19 related closures

³ Pro forma gross margin includes gain/loss on FX derivatives which is shown in other income in the statutory results

⁴ Pro forma EBIT is unaudited and excludes NSW JobSaver receipts, rental concessions, Eroma acquisition costs (terminated transaction) and is pre-AASB 16

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is clean and well balanced. We expect to open a further 6 stores in Australia in 2H FY23, with 5 of those open prior to Mothers' Day peak trade. The NZ trial will continue."

1H FY23 Result Overview

1H FY23 sales of \$86.1m were up 7.6% vs pcp and 47% higher when compared to the pre-pandemic period of 1H FY20. This was despite a 29% decline in foot traffic outside our stores in the 7 key trading weeks leading to Christmas. The strength of dusk's store teams was evident when customers were in store, with sales conversion of 70% compared to 57% in pcp. 1H FY23 sales growth also reflected the addition of 9 new stores including 3 trial stores and a website in New Zealand.

Online sales of \$4.8m were 37.8% lower vs pcp and represented 5.6% of total sales. We continue to see customers preferred shopping methods and channel mix normalising. Click & Despatch (ship from store) allowed the Company to satisfy peak demand closer to Christmas and is now operational in 8 stores, with a further rollout planned for 2H FY23.

The table below summarises the sales results achieved in 1H FY23 compared to both 1H FY22 and 1H FY20.

Sales growth, unaudited	1H FY23 versus:	
	1H FY22	1H FY20
Headlines:	%	%
Total Sales	+7.6	+47.0
Channel Breakdown:		
Stores Sales	+12.5	+47.3
Online Sales	-37.8	+40.7

ATV decreased by 5.7% to \$54 driven primarily by lower sales in high value items and lower sales online where ATV is higher, signaling a more cost-conscious customer.

Active membership in dusk Rewards, our loyalty program was over 722,000 members compared to 718,000 in 1H FY22. Average transaction value for members was \$60 and materially higher than non-members. In 1H FY23, members accounted for 59% of total sales (1H FY22: 62%). Members most commonly sign up in store, and this is their preferred shopping channel. The opening of additional stores in new catchment areas is expected to further drive growth in member numbers. The strategic importance of dusk Rewards continues to grow and delivers us rich and unique insights in relation to our customers preferences that allows us to provide tailored offerings to customer cohorts.

There were 9 new stores opened which have performed well. Our store economics remain compelling, with all stores profitable and a further 3 stores upgraded to our 'Glow 2.0' store format.

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Inventory finished the half at \$17.6m compared to \$19.6m at the end of 1H FY22. We continue to focus on the most efficient uses of capital.

The Board has declared a fully franked interim dividend of 8 cents per share. The record date is March 14 with a payment date of March 28.

Trading Update & 2H FY23 Outlook

The sales results for the first 7 weeks of 2H FY23 are summarised in the table below.

Sales growth, unaudited	First 7 weeks 2H FY23 versus:		
	FY22	FY21	FY20
Headlines:	%	%	%
Total Sales	-3.0	-10.7	+29.3
Stores Sales	-1.0	-11.0	+27.9
Online Sales	-23.9	-6.5	+52.5

The gross margin rate remains slightly above pcp and inventory is clean. The Company expects to open a further 6 stores in Australia in 2H FY23 and the NZ store trial will continue with important learnings being implemented.

Our strategic focus on strong execution and a nimble operational model is unchanged. We operate a multi-channel business model with a differentiated and exclusive range and a compelling relative price proposition. We offer customers an affordable gift or personal luxury. These factors have been at the heart of our historic success, and we expect they will remain essential to our performance. The development of innovative new products that represent great value for money to our growing customer base will continue as we navigate through a challenging macro-economic environment.

Given the ongoing uncertainty surrounding the macro-environment, the Board is unable to provide FY23 earnings guidance at this time.

CEO Transition Update

Further to our announcement of 25 January 2023, a search for a new CEO is underway and we are now in-market and in the early stages of engaging with candidates.

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Investor Conference Call

CEO and Managing Director Peter King and CFO Kate Sundquist will host a conference call for the investment community including a Q&A session at **11am AEDT today 24 February 2023**.

To register for the conference call and access dial-in details, please follow the link below.

<https://s1.c-conf.com/diamondpass/10028209-fczg5a.html>

The release of this announcement was authorised by the Board of Directors of dusk Group Limited.

Media & Investor Enquiries

Françoise Dixon

investorrelations@dusk.com.au

+61 (0) 412 292 977

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 oneself'.