



Acquisition of Eroma Group

17 December 2021

dusk Group Limited (“dusk”, ASX:DSK) has agreed to purchase 100% of Eroma Group (“Eroma”), Australia’s leading supplier of candle making inputs, including fragrance oils, waxes, packaging, containers and candle making kits (“Acquisition”). The Enterprise Value (“EV”) for the acquisition is \$28.0 million (cash and debt free).

The valuation of Eroma equates to an EV/FY21 EBIT multiple of ~5x, and a lower multiple of FY22 forecast EBIT. The Acquisition is expected to deliver pro forma EPS accretion from year one of over 20%, before synergies.

The Acquisition is complementary to dusk’s existing business and provides the dusk Group with a range of benefits and opportunities. This acquisition:

- increases the dusk Group’s Total Addressable Market (“TAM”) and Serviceable Available Market (“SAM”) through the addition of the adjacent but non-competitive leader in the ‘small maker supplier’ segment of the Home Fragrance Market;
- adds to the scale of the dusk Groups’ online operations and the proportion of dusks total business operating in this growing channel. dusk also adds specialised direct to consumer (“DTC”) capability to Eroma;
- provides an opportunity for the dusk Group to support both the geographic and range expansion strategies of Eroma via shared facilities, industry knowledge, customer insights and supplier relationships;
- increases the buying power of our businesses for overlapping input costs and provides an in-house high quality ‘made in Australia’ sourcing opportunity for a wide range of dusk branded products;
- adds materially to our IP given Eroma owns the recipe (IP) for over 900 fragrance formulations, which gives Eroma a unique market position in Australia, and provides dusk with a large catalogue of fragrance formulations to draw upon quickly and test with our customers;
- provides a combined National network of distribution facilities to both businesses which gives us more options for enhanced operational efficiency in distribution, and the potential for faster and more efficient delivery to customers in some remote geographies (e.g. Perth, Far North Queensland); and
- will be a highly EPS accretive acquisition, and creates a larger, more diversified group with increased exposure to growing segments and channels.

Eroma is led by a strong management team with deep technical and industry knowledge and broad supply relationships. Eroma will continue to be led by Shane McGrath as CEO. Shane will also become a meaningful shareholder in dusk Group.

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Consideration and Funding

Total acquisition consideration comprises \$15.0 million in cash and a \$13.0 million placement of ordinary shares in dusk, issued pro-rata to all Eroma shareholders, including Shane McGrath. The dusk scrip component of the consideration will be held in escrow, with 25% released following announcement of each interim and full year result from FY22 to H1 FY24 inclusive.

The Acquisition will be funded through:

- \$10.0 million of debt (new facility from CBA secured for the purpose of the transaction)
- \$13.0 million in dusk shares (~6.5% of dusk shares on issue)
- The remainder ~\$7.0 million (including transaction costs), from existing cash reserves held by dusk.

Following completion of the acquisition, dusk's gearing will continue to be low, with the gross leverage ratio expected to remain under 0.3 times. There is no change to dusk's dividend payout policy (60%-80% of statutory net profit after tax) as a result of the Acquisition.

Speaking on the Acquisition, Managing Director and dusk CEO, Peter King said:

"Eroma is the largest player in a fragmented segment of the Home Fragrance market. Its' management team, led by Shane, have built an impressive business with a strong track record of growth and a clear and differentiated formula for success.

The acquisition enlarges and diversifies our position in the home fragrance market. It substantially increases the scale of our online operations.

This transaction affords us the opportunity to more fully vertically integrate our sourcing and distribution operations and gives us scope to share certain group resources to enhance performance of both businesses in our Group.

The acquisition will also be highly EPS accretive from year one.

Eroma will continue to be led by a strong and focused management team, and we're excited to welcome them to the dusk family."

dusk has been working through post acquisition planning with Eroma management to facilitate a smooth transition and ensure all potential synergies are explored as early as possible.

The acquisition is expected to complete on or around 31 January 2022.

A conference call covering the Eroma acquisition for investors and analysts, hosted by Peter King (Chief Executive Officer and Managing Director) and Kate Sundquist (Chief Financial Officer), will be held at 10:15am (Sydney time) on Friday, 17 December 2021

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To listen to the presentation, participants must pre-register for this conference call by clicking the link below.

[To pre-register for call \(click here\)](#)

Once registered, participants will be given a dial in number, passcode and unique PIN to enter when you call to give you direct access to the briefing.

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

ENDS

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About dusk Group

dusk is an Australian speciality 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 Australia's leading omni-channel speciality retailer of 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 for their gifting needs – including personal indulgences and 'gifts for one's self'.

About Eroma Group

Eroma is Australia's leading supplier of candle making inputs, including fragrance oils, waxes, packaging, containers and candle making kits. Eroma is focused on the 'small maker supplier segment' servicing small to medium B2B customers, hobbyists, enterprise customers and 'gift giving' individuals.

Eroma serves customers through an online store and has a network of distribution centres and showrooms across Australia. Eroma's head office is on the Gold Coast, Queensland.