Universal Store

UNIVERSAL STORE HOLDINGS LIMITED
ACN 169 039 721

Authorised for release by the Board of Directors of Universal Store Holdings Limited

1H FY21 Results Presentation

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1H FY21 HIGHLIGHTS

Robust sales growth for the sixth consecutive year

- Sales +23.3% to $118.0m, with LFL sales +26.2%
- Store sales +16.1% to $104.0m, LFL +19.1%
- Online sales +128.3% to $14.0m, representing 12% of total sales for 1H FY21

Strong gross profit result

- Gross profit $ +24.5% to $67.9m
- Gross profit % +60 bps to 57.6%

Underlying EBIT[1] +69.4% to $31.5m

- Strong operating leverage drove underlying EBIT margin to 26.7% (1H FY20 19.4%)
- Includes $3.0m net JobKeeper benefit (to be repaid in 2H FY21)

Excellent NPAT growth

- Statutory NPAT up 47.7% to $15.8m
- Underlying NPAT[1] of $21.1m up 63.6% on 1H FY20 ($12.9m)

Outstanding operating cashflow

- Underlying operating cash flow $36.1m
- Net cash position $22.5m at period end
- Five cents per share fully franked interim dividend declared

1. Results are underlying and exclude the impact of (i) AASB 16 leases and (ii) one-off costs associated with the November IPO. Refer to Appendix 2 for a reconciliation of underlying and statutory results. LFL sales are adjusted for COVID related store closures,

PROFIT AND LOSS

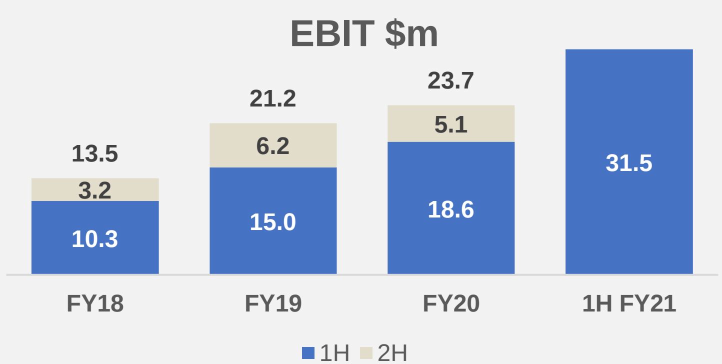
Omnichannel strategy delivered sales growth of +23.3% with LFL growth at +26.2%

Gross profit $ up 24.5% on 1H FY20

- Nimble: buying and allocating 'close to market'
- Growth of private brands continues
- Improved direct sourcing capability
- Strength of product range curation
- Disciplined promotional activities

CODB 29.2% vs 35.7% 1H FY20

- Reflects operating leverage from LFL sales growth
- Includes $3.0m net JobKeeper benefit (to be repaid)
- Landlord rent concessions of $0.3m
- Continued investment in in-house omni-channel capability



Profit and Loss[1]

$m	Underlying 1H FY21	Underlying 1H FY20	*Var*
Online sales	14.0	6.1	*128.3%*
Store sales	104.0	89.6	*16.1%*
Sales	**118.0**	**95.7**	***23.3%***
Online % of total sales	*11.8%*	*6.4%*	
Gross profit	**67.9**	**54.5**	***24.5%***
CODB	(34.4)	(34.2)	*0.8%*
EBITDA	**33.5**	**20.4**	***64.3%***
Depreciation	(1.9)	(1.7)	*10.5%*
EBIT	**31.5**	**18.6**	***69.4%***
Gross profit %	*57.6%*	*57.0%*	
CODB %	*29.2%*	*35.7%*	
EBITDA%	*28.4%*	*21.3%*	
EBIT %	*26.7%*	*19.4%*	

Proforma LTM September 20 EBIT[1] forecast in Prospectus was $28.9m. We have exceeded that EBIT level in 1H FY21 alone.

1. Results are underlying and exclude the impact of (i) AASB 16 leases and (ii) one-off costs associated with the November IPO. Refer to Appendix 2 for a reconciliation of underlying and statutory results.

SALES GROWTH ACROSS BOTH CHANNELS

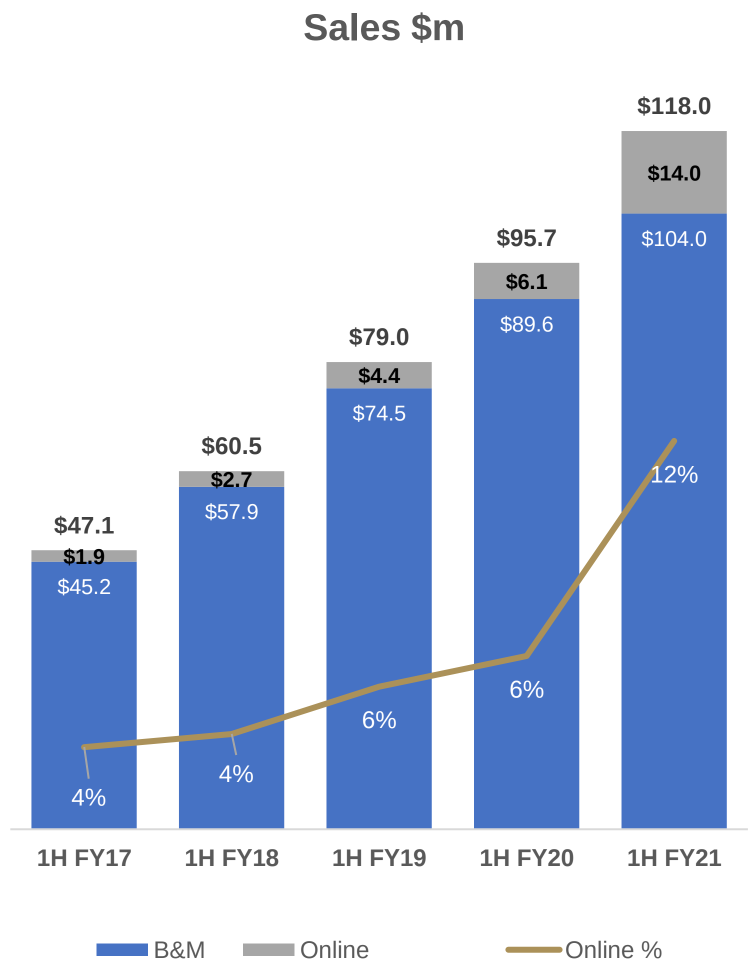
Total sales up 23.3%, with LFL up 26.2%

Store sales +16.1%, with LFL +19.1%

- Six new stores opened 1H FY20 with full sales contribution in 1H FY21
- No new stores opened in 1H FY21 reflecting a cautious approach over the COVID period
- Relocated World Square and Rundle Mall
- Phase Two Vic COVID lockdown impacted sales by $6.2m compared to 1H FY20

Online sales +128.3%

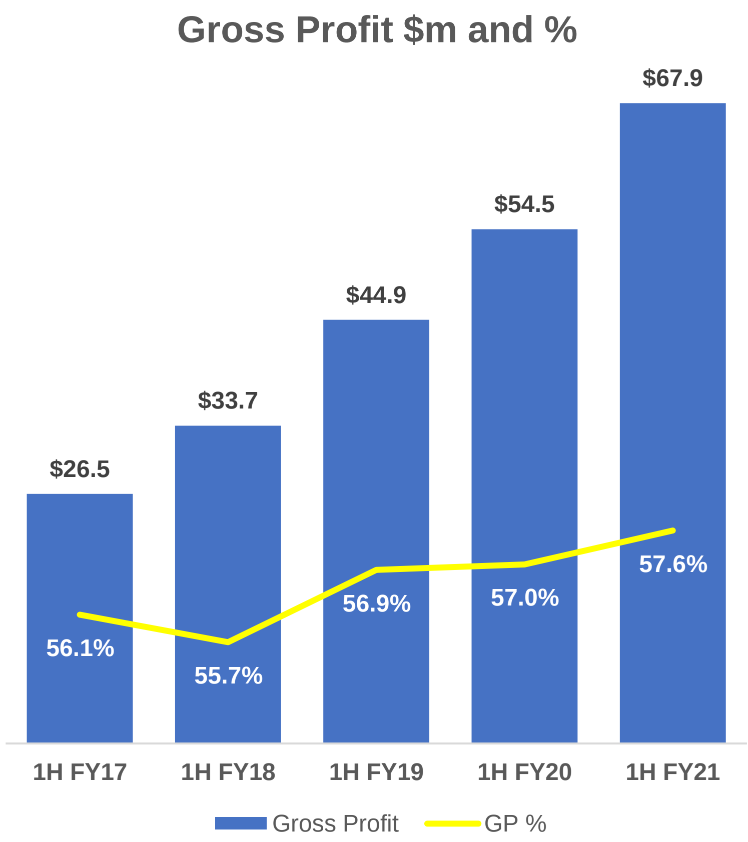
- Online penetration 12% vs 6% 1H FY20
- Growth delivered by higher conversions, traffic and basket size
- Underpinned by ongoing online investment including the implementation of ship-from-store and click & collect
- Personalisation and improved analytics now being implemented
- More delivery and payment options also in progress



GROSS PROFIT DRIVERS

Gross profit 57.6% vs 57.0% 1H FY20

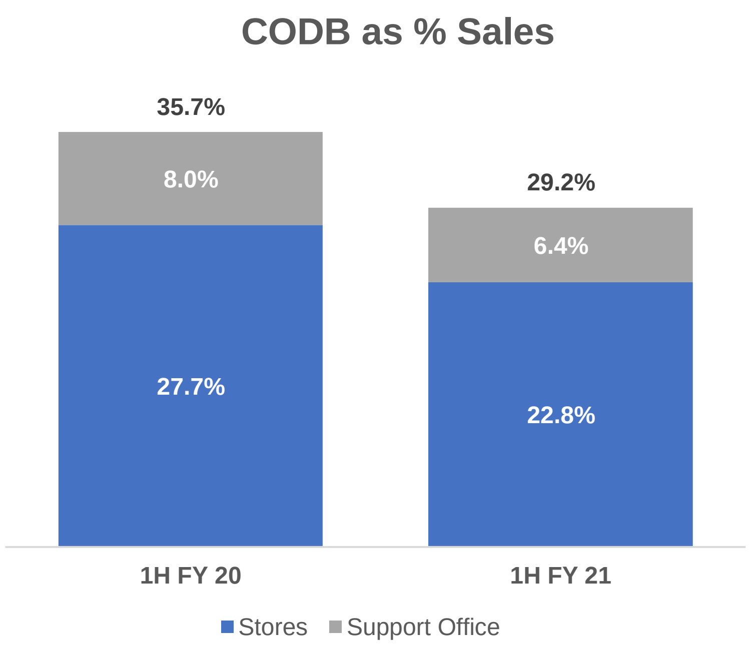
- Growth of private brands in under penetrated categories – led by product gaps and customer demand
- Direct sourcing initiatives to reduce landed costs
- Partially offset by higher freight costs driven by higher online sales which lowers reported GP%
- Inventory is clean and we are committed to our disciplined pricing and promotional strategy to protect brands, margin and build customer trust



COST OF DOING BUSINESS (CODB)

CODB[1] 29.2% of sales vs 35.7% 1H FY20

- Substantial operating leverage achieved due to LFL sales growth aided by
  - $0.3m Landlord rent concessions
  - $3.0m net JobKeeper benefit
- Strong focus on expense management and labour productivity
- Traffic counters installed to optimise staff rostering
- Sustained, compounding LFL sales growth is the core driver of our operating leverage, combined with a disciplined approach to investment in our core capabilities and store network
- DC was operating over capacity during the peak Christmas period, limiting supply chain efficiency



1. CODB is shown prior to the adoption of AASB16 and excludes IPO transaction costs

CAPITAL MANAGEMENT

Strong balance sheet

- Net cash of $22.5m vs Pro Forma June 2020 net debt of $12.0m[2]
- Inventory clean
- Stock on hand levels are improving, but we are still rebuilding to ideal level of $17-$18m
- Trade payables higher due to Christmas inventory purchases and higher sales

Cash flow

- Underlying operating cash flow of $36.1m is up 72.7% on 1H FY20
- Operating cash flow conversion of 107.8% reflecting capital lite business model
- Interim dividend of five cents per share fully franked, to be paid 4 May 2021

Capex

- $1.2m capex for 1H FY21
- Relocation of World Square and Rundle Mall
- Continued investment in digital platform

Balance Sheet

$m	Statutory 31 Dec 2020	30 Jun 2020 Pro Forma[1]	Statutory 30 Jun 2020
Cash	37.2	10.8	41.8
Inventories	15.4	13.7	13.7
Trade and other receivables	1.7	3.0	3.0
Total Current Assets	**54.2**	**27.6**	**58.6**
PP&E	10.2	11.2	11.2
Intangibles and other	92.7	92.6	92.6
Deferred tax asset	-	2.7	
Right of Use Asset	54.6	60.3	60.3
Total Non Current Assets	**157.5**	166.7	**164.0**
Total Assets	**211.8**	**194.3**	**222.6**
Trade and other payables	23.7	15.5	15.8
Provisions	1.5	1.3	1.3
Deferred Revenue	1.6	0.5	0.5
Lease Liabilities	18.4	18.3	18.3
Current Tax Liabilities	6.5	3.2	3.2
Borrowings	-	-	1.0
Other	0.1	-	0.2
Total Current Liabilities	**51.8**	**38.8**	**40.3**
Borrowings	14.7	14.9	50.6
Provisions	0.8	0.8	0.8
Deferred Tax Liabilities	5.4	8.1	8.1
Lease Liabilities	41.5	46.4	46.4
Total Non Current Liabilities	**62.4**	70.1	**105.8**
Total Liabilities	**114.2**	**108.9**	**146.1**
Net Assets/Equity	**97.6**	**85.4**	**76.5**

[1] 30 Jun 2020 Pro Forma Balance Sheet is as per prospectus
[2] Pro Forma June 2020 net debt of $12.0m comprises cash ($10.8m), less borrowings ($14.9m) and includes a working capital adjustment of $8.0m due to under-investment in working capital.

OUR GROWTH DRIVERS

1 NEW STORE ROLLOUT

- A number of new stores are currently being negotiated
- Overall target is 100+ stores across Aus/NZ
- We're present in just over half of the top 92 Australian shopping centres

2 STORE MATURATION

- A significant portion of the store network is relatively new and remains in the ramp up phase of development
- Our market share remains relatively low despite over five years of compounding growth
- Customers are still discovering us

3 ONLINE GROWTH

- Ship-from-store and click & collect to drive sales
- Introduction of store-to-door
- Continued investment in digital marketing and website capabilities
- Introduction of same day delivery

4 OPTIMISE PRODUCT MIX

- Introduction of new brands and product subgroups
- Consistently testing new categories and products before backing in depth
- Continue to focus on differentiation and data and insights driven range curation and replenishment

5 PRIVATE BRAND EXPANSION

- Private brand expansion in under penetrated categories
- Our private brand strategy is customer led and complimentary (not a substitute) for our third party brands
- Continue direct sourcing shift to further improve gross margins

DISTRIBUTION CENTRE (DC) REVIEW

Currently undertaking a review of our DC requirements to:

- Support store and online growth over the medium term
- Operate with best practice safety policies and procedures
- Improve stock availability via replenishment flexibility
- Improve pick accuracy and speed to meet customers increasing expectations
- Minimise the cost per unit to process stock

Review to be complete 2H FY21

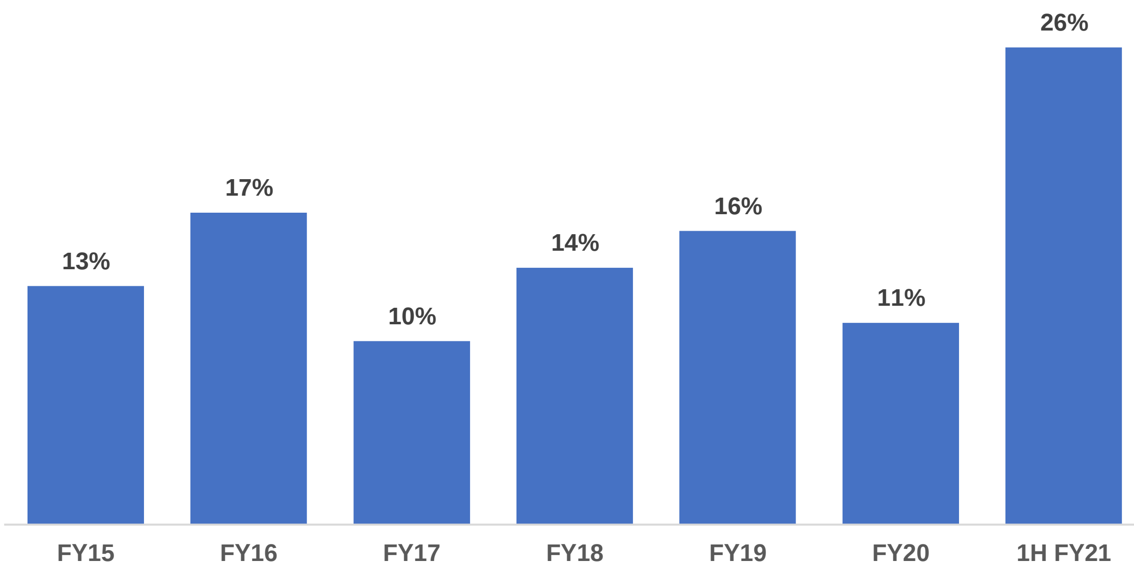
- The project will be funded by the operating cash flows of the business
- Christmas 2021 will be serviced by the existing DC
- There will be no significant change to the current DC until 2022

TRADING UPDATE AND OUTLOOK

- For the first seven weeks of 2021, sales up 23.5% on pcp, representing 28.2% LFL sales growth
- Gross profit % continues in line with 1H FY21
- We expect to open three new stores and relocate/expand two existing stores in 2H FY21
- 2H FY21 will be cycling a period of COVID related store closures in April until mid May
- Strong financial capacity to fund and accelerate all growth initiatives
- JobKeeper net benefit of $3.0m will be booked and repaid in 2H FY21
- No full year guidance given due to uncertainty around COVID
- We are encouraged by the prospects for occasions and triggers for wardrobe renewal as Australia moves toward “post COVID normal”

QUESTIONS

APPENDIX 1: LIKE-FOR-LIKE[1] SALES GROWTH % BY YEAR



1. Like-for-like sales are adjusted for COVID related store closures

APPENDIX 2: P&L UNDERLYING TO STATUTORY RECONCILIATION

$m	Note	1H FY21	1H FY20
Statutory EBITDA		36.2	29.5
Transaction costs	1	6.7	0.1
MEP Expense	2	0.6	0.1
AASB 16 adjustments	3	(10.0)	(9.3)
Underlying EBITDA		**33.5**	**20.4**
Statutory EBIT		24.7	18.7
Transaction costs	1	6.7	0.1
MEP Expense	2	0.6	0.1
AASB 16 adjustments	3	(0.5)	(0.3)
Underlying EBIT		**31.5**	**18.6**
Statutory NPAT		15.8	10.7
Transaction costs	1	4.7	0.5
MEP Expense	2	0.6	0.1
AASB 16 adjustments	3	0.5	1.6
VLN Discount	4	(0.5)	-
Underlying NPAT		**21.1**	**12.9**

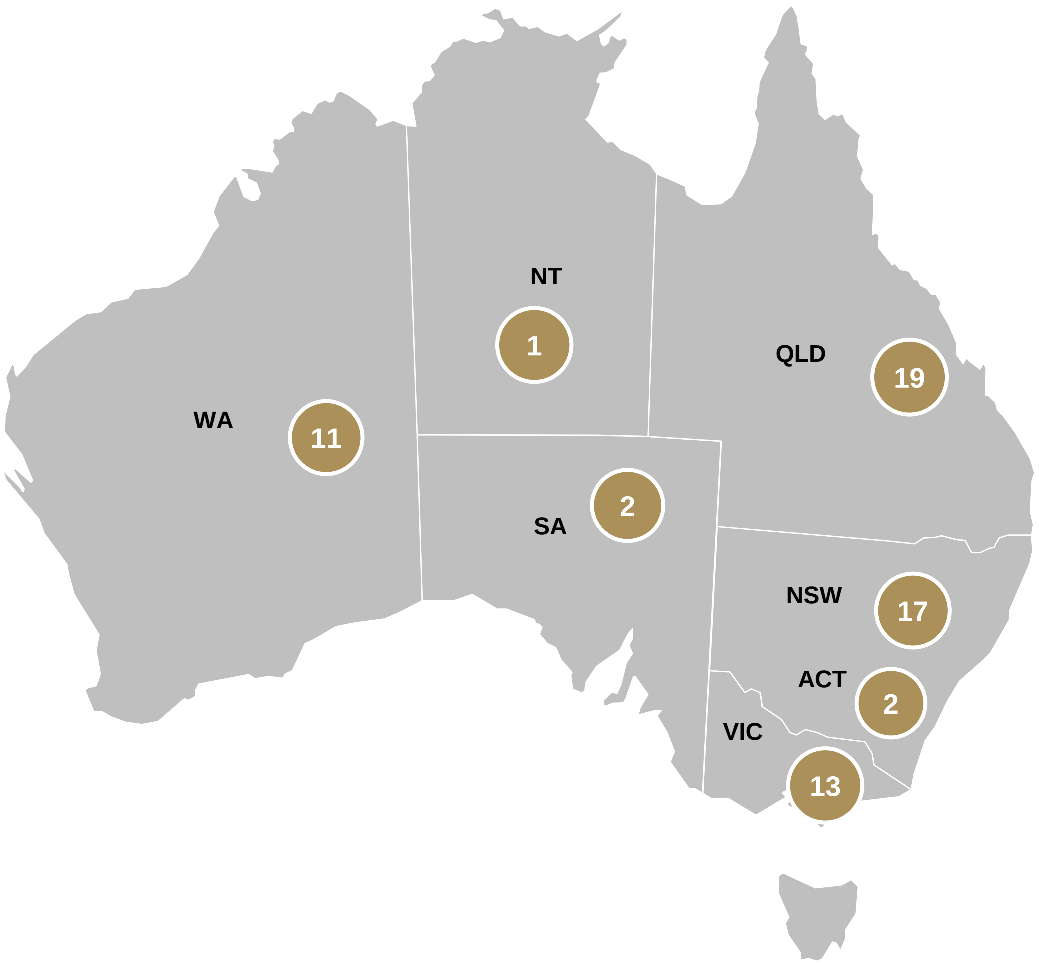
1. Transaction costs relate to legal and accounting costs incurred with respect to the preparation of the IPO.
2. MEP expense relates to employee share option expenses.
3. AASB 16 adjustments relate to the restatement of statutory results onto the previous lease accounting standard, AASB 117. This removes depreciation of lease assets and interest on lease liabilities and replaces them with occupancy costs.
4. VLN discount refers to the discount received for the early repayment of a Vendor Loan Note prior to the IPO.

APPENDIX 3: CASH FLOW UNDERLYING TO STATUTORY RECONCILIATION

	1H FY21 Reconciliation				
$m	**Underlying 1H FY21**	AASB 16 Impact	IPO	**Statutory 1H FY21**	**Underlying 1H FY20**
Opening Cash				**41.8**	**10.8**
Operating Cash Flow	**36.1**	8.6	(7.0)	**37.6**	**20.9**
Investing Cash Flow	**(1.1)**			**(1.1)**	**(3.8)**
Financing Cash Flow		(8.6)	(32.5)	**(41.1)**	**(1.0)**
Net Cash Flow	**35.0**		(39.6)	**(4.6)**	**16.1**
Closing Cash				**37.2**	**26.9**

APPENDIX 4: STORE FOOTPRINT

Total Stores: 65



APPENDIX 5: UNIVERSAL STORE - OVERVIEW

A leading Australian youth-focused apparel retailer with customer service at its core

Who is Universal Store?

- Omni-channel retailer
- Casual youth fashion apparel
- 66 stores around Australia (including online)
- Curated domestic, international and private brand collections
- High service, friendly experience

1. Based on FY20 revenue only, excluding ticket sales and other adjustments.

Who is our quintessential customer?

Millennials and Gen Z (16-35 year old)	Fashion focused (and buy now preference)
~52% women, ~40% men, ~7% unisex[1]	Late education or early adult phase of life
Digital natives	Socially active
Sub-culture 'fluid'	Occasion and event driven

Some implications about our customers….

- Relatively few financial commitments or long term savings goals
- High proportion of income is "disposable"
- Shop across multiple brands seeking what's new
- Buy now pay later products and parents support spending capacity
- Most active customers seek outfits to fit in or stand out

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