

Universal Store

25 November 2021

ASX ANNOUNCEMENT

TRADING UPDATE

Universal Store Holdings Limited (Universal Store), (ASX: UNI) today provides a trading update for the 20 weeks ended 14th of November 2021.

Universal Store traded strongly through the first 20 weeks in locations where our stores were open, however we experienced significant ongoing business disruptions arising from the government mandated store closures. The store closures in NSW, VIC and the ACT have resulted in 3,192 lost trading days up to the 14th of November 2021, representing 34% of available trading days from our store network in this period.

Total Group sales for the first 20 weeks of FY22 were 14.1% lower than FY21. Total Group sales are +3.3% higher than FY20 despite the above-mentioned store closures in FY22 which did not impact the FY20 period.

Pleasingly these store closures are now coming to an end, state borders are reopening, mobility and precautionary restrictions are lifting, and we are seeing customers return to our stores in strong numbers.

While our total YTD sales are down vs FY21, we continue to see sales performance that demonstrates the strength of our offering and demand from customers when our stores are open.

- Our trading stores continue to perform well, despite cycling exceptional LFL sales growth in the prior corresponding period. YTD like-for-like sales growth up to the 14th of November 2021 is 8.4% lower, however strong at +16.2% when compared to the corresponding period in FY20.
- Our online channel continues to grow strongly, delivering sales growth of +67.8% over the YTD period, despite cycling +123.6% growth in the prior corresponding period; and
- In more recent times, we are seeing Total Group sales again grow as our full store fleet reopens. As an indicator of this, in the November month to date period our Total Group sales growth has been +8.3% and comparative (LFL) sales growth at +3.8%.

First 20 weeks Sales (Unaudited results)	Current Period Comparatives		Historical Context	
	FY22 vs FY21	FY22 vs FY20 ¹	FY21 vs FY20	FY20 vs FY19
Group Headline	(14.1%)	+3.3%	+20.3%	+21.3%
Group Comparative (LFL) ²	+3.1%	+40.8%	+28.4%	+11.8%
Store Comparative (LFL) ²	(8.4%)	+16.2%	+21.2%	+10.5%
Online Channel	+67.8%	+275.2%	+123.6%	+33.2%

Management estimates the total value of sales foregone from mandated store closures over July - October to be \$20-23 million, net of the incremental sales growth captured online. The net EBIT impact of these trading disruptions in this period is estimated to be in the range of \$7-9million³.

Year to date, gross margins have moderated slightly from the record levels achieved in the prior corresponding period but remain above levels delivered in the FY20 corresponding period. With significant lost trading days in Q1, we cleared winter stock more aggressively than in previous years to ensure the product offer was fresh and enticing on the re-opening of our stores.

To position the business for a successful Christmas trading period the group has:

- supported our store operations and distribution teams with COVID safe operating plans.
- taken steps earlier in the year to bring forward inventory purchases to ensure stock levels are in line with our operating requirements for the peak Christmas season.
- accelerated new store openings with nine new stores open and trading by the 25th of November, taking our total store numbers to 76.⁴

Investments in Growth

Consistent with our store roll out plan, we have opened a further 9 stores, including two Perfect Stranger stores, since 30 June 2021. We anticipate a further 2 - 3 new stores will open before 30 June 2022.

The Perfect Stranger trial has now expanded to include three stores, with two new locations opened in November. We are encouraged by the early results from this next phase of our trial and expect to further expand our network of trial stores. Our standalone Perfect Stranger website is due to launch early next year as we continue into phase two of this important trial.

Online growth is one of the Group's FY22 Strategic Priorities. A key focus is building brand awareness in the NSW and VIC markets where our research indicates significant opportunity. We expect to almost double our investment into advertising and related activities this year to c.\$9 million. This increased spend demonstrates both the opportunity we see to accelerate sales growth in NSW and VIC, and our commitment to building a brand that is more digitally proactive.

While the program is largely focused on digital advertising channels and tactics, we plan to grow total sales, and we remain agnostic to which channel realises a sale. Our strategy and tactics remain customercentric and omni channel in nature.

Our planning for the relocation of our distribution centre and office facilities is progressing. This move will accommodate further growth and drive operational efficiencies. Further, we continue to build out our support office team to ensure we have the resources to support our growth ambitions.

Outlook

The performance of the business is strong, and our growth ambitions remain unchanged. We are continuing to invest in our people and online initiatives along with driving product optimisation and expanding our store network. We continue to welcome customers back warmly and safely to our stores.

While we have only been able to trade freely on a national basis for the past couple of weeks, the early signs are encouraging. Our customers and team members are pleased to be back in bricks and mortar stores.

Importantly, our customers are now re-engaging in their social activities and enjoying reconnecting more freely in a community setting. We expect the seasonal change and the ramping up of holidays, attending festivals and concerts, bars and restaurants and clubs, family celebrations, year-end parties, and being back on-site at work and learning locations will all be triggers for apparel purchases. We are well stocked and excited to have all our stores open and trading for the Christmas and school holiday period.

This announcement has been approved by the Board of Universal Store Holdings Limited.

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ABOUT UNIVERSAL STORE

Universal Store is a specialty retailer of youth casual apparel that operates 76 physical stores across Australia and a fast-growing online store⁴.

The Company's strategy is to deliver a frequently changing and carefully curated selection of on-trend apparel products to a target 16–35-year-old fashion focused customer. Universal Store seeks to provide a high level of customer service, consistent price proposition and a welcoming and engaging store environment. It offers a diversity of brands and styles to cater to the constantly evolving and widely varied tastes and trends observed in the youth apparel market.

Notes:

1. The two-year like-for-like (LFL) growth has been adjusted for COVID closures during Jul-Nov 2021 vs Jul-Nov 2019 and is calculated on a store-by-store weekly basis for stores that have traded across the two-year period.
2. Group and Store comparative (LFL) sales excludes closed stores from date of closure and new stores which have traded less than 55 weeks. Stores that were closed during COVID are excluded from LFL sales growth calculation for the weeks that they were closed. LFL are calculated on 4/4/5 financial week.
3. Underlying EBIT excludes the impact of accounting for leases under AASB16 and Job Keeper benefits.
4. 76 physical stores including 3 Perfect Stranger locations.