Universal Store

UNIVERSAL STORE HOLDINGS LIMITED
ACN 628 836 484

H1 FY22 PRESENTATION

FEBUARY 2022

AGENDA

PRESENTERS

Alice Barbery
CEO

- 12 years at Universal Store
- 30+ years' industry experience

Renee Jones
CFO

- 3 years at Universal Store
- 20+ years' experience across retail and service industries

CONTENTS

H1 FY22 OVERVIEW

WE CONTINUE TO SUCCESSFULLY NAVIGATE TRADING CONDITIONS DISRUPTED BY COVID-19

OUR SALES RESULTS WHEN CENTRES ARE OPEN AND CUSTOMERS FEEL SAFE TO VISIT ARE EVIDENCE OF THE STRENGTH OF OUR OFFER. THE PERFORMANCE OF OUR ONLINE CHANNEL DEMONSTRATES THE POWER OF OUR OMNI-CHANNEL MODEL.

Customer

- H1 FY22 has seen significant disruptions arising from the government mandated store closures. The store closures in NSW, VIC and the ACT resulted in 3,192 lost trading days in the half (equating to 25.5% of potential trading days)
- The increased incidence and related concerns about the Omicron variant of COVID-19 in the later part of H1 led to sharply lower foot traffic levels in this key trading period, and more aversion to shopping in centres at a customer level
- Occasions for wear, events, festivals, travel and international students have still not returned to pre-COVID levels, and have been somewhat replaced by smaller gatherings and more personal occasions

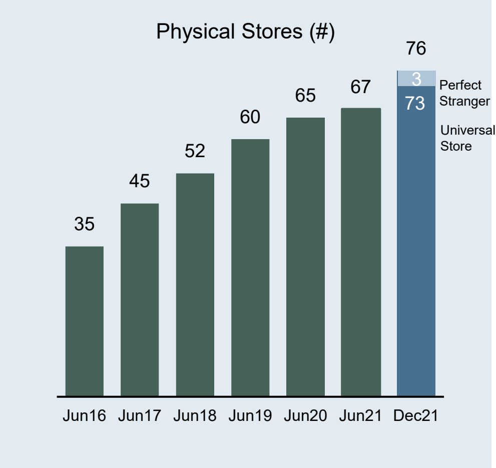
Team

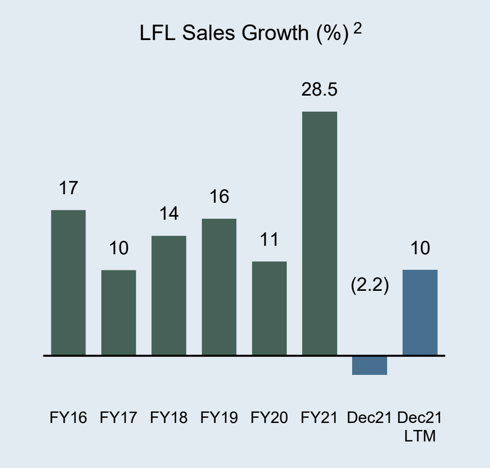
- We supported our full time team members during the mandated closures to ensure we retain talent
- We also increased staffing levels as we responded to cases and close contacts across both stores and our distribution centres
- We managed numerous COVID-19 outbreaks in our business, and have prioritised keeping our team safe and continuing to trade

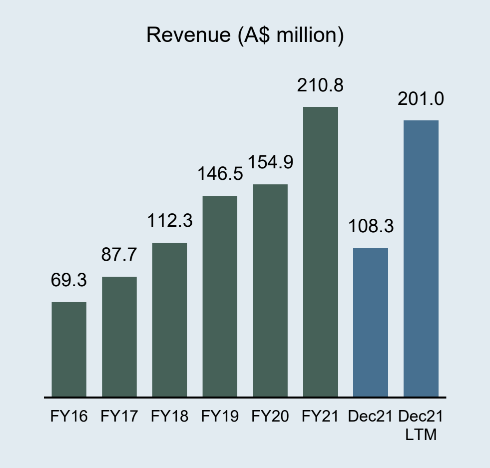
Universal Store

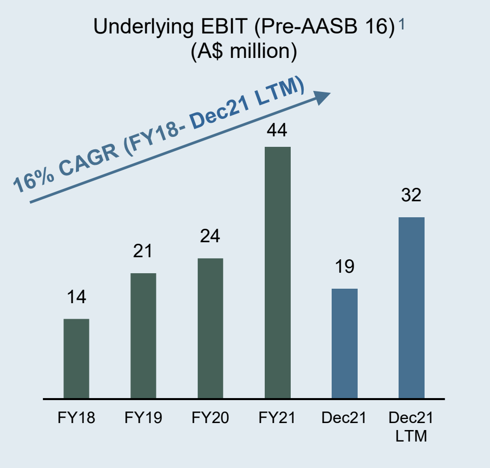
SIGNIFICANT TRADING DISRUPTION DURING THE HALF ARISING FROM GOVERNMENT MANDATED STORE CLOSURES

- The store closures in NSW, VIC and the ACT resulted in 3,192 lost trading days in the half (equating to 25.5% of potential trading days)
- Total sales H1 $108.3m down 8.2%. Group LFL sales down (2.2%)[2]
- Online sales of $20.9m H1 (19.3% of total sales)
- Nine new stores, majority opened late in H1 FY22, bringing total to 76 (73 Universal Store and three Perfect Stranger)
- A standalone transactional Perfect Stranger website launched in Dec 2021
- Underlying EBIT of $19.3m down 37.9% on FY21[1]









1. Underlying EBIT excludes the impact of (i) accounting for leases under AASB16; (ii) one-off IPO transactions and MEP expenses (for FY21 only).
2. 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-19 lockdowns are excluded from LFL sales growth calculation for the weeks that they were closed. LFL are calculated on 4/4/5 financial week.

FINANCIAL RESULTS

PROFIT & LOSS

SALES

- Sales $108.3m, down $9.7m or 8.2% on FY21
- The store closures in NSW, VIC and the ACT resulted in 3,192 lost trading days in the half (equating to 25.5% of potential trading days)
- Overall Group LFL down 2.2%[2]
- Stores sales down (16.0%) with LFL (10.8%)[2]
- Online sales $20.9m, representing 19.3% of total
- Online channel up +49.9%

GROSS MARGIN

- Underlying product GP margins (excluding online delivery costs) improved 60bps on prior year. The impact of higher delivery costs associated with online growth and channel mix see net GP margins reduce on FY21 by 40bps
- Direct sourcing benefits have been offset by increased proactive markdowns associated to store closures to maintain fresh inventory

CODB

- Excluding the variance in certain significant items in last years CODB, specifically rent concessions received (net $1.1m variance) and Job Keeper subsidies ($3.0m), underlying CODB has risen by $1.5m in H1
- We have invested in digital marketing, opened 9 new stores, and absorbed incremental costs associated with mandated store closures

EBIT

- Underling EBIT $19.3m down $11.8m on prior year. Prior year EBIT includes $3.0m of net benefit from JobKeeper wage subsidies and $1.4m rent concessions received. The remaining shortfall to last year is due largely to mandated store closures
- Underlying EBIT margin of 17.8%
- Underlying EPS of 18.9 cents compared to 28.4 cents H1 FY21[3]

Underlying Results	Dec-21	Dec-20	% Change
Sales	108.3	118.0	(8.2%)
Gross Profit	61.9	67.9	(8.8%)
% Sales	57.2%	57.6%	(0.4ppt)
CODB	(40.4)	(34.8)	(16.1%)
% Sales	(37.3%)	(29.5%)	(7.8ppt)
Underlying EBITDA[1]	21.5	33.1	(35.0%)
Depreciation	(2.2)	(2.0)	(10.0%)
Underlying EBIT[1]	19.3	31.1	(37.9%)
% Sales	17.8%	26.4%	(8.6ppt)
Interest	(0.2)	(1.6)	87.5%
Tax	(5.3)	(8.7)	39.1%
Underlying NPAT	13.8	20.8	(33.7%)
% Sales	12.7%	17.6%	(4.9ppt)

In our ASX trading update of 25 November, we estimated that mandated store closures in the July – October period resulted in a EBIT impact of $7-9 million.

1. Underlying EBIT/EBITDA excludes the impact of (i) accounting for leases under AASB16; (ii) one-off IPO transactions and MEP expenses (for FY21 only).
2. 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. Based on underlying NPAT and total shares on issue at year end FY21 (73.2m).

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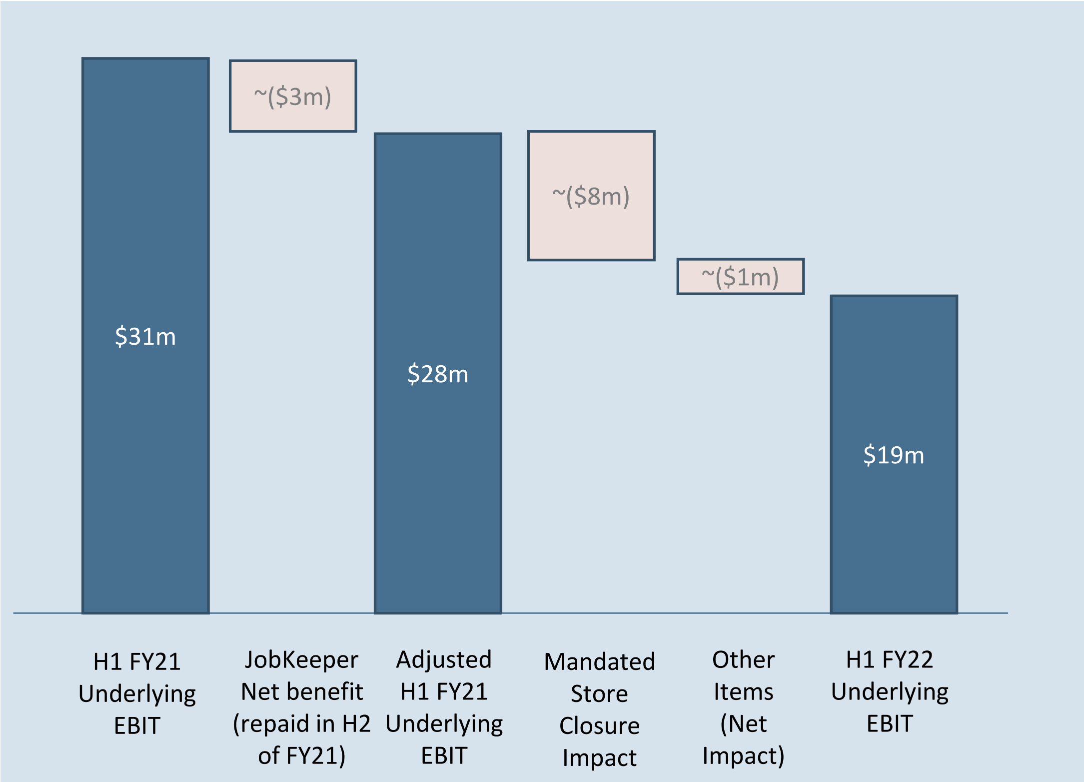
INDICATIVE UNDERLYING EBIT BRIDGE

THE MAJOR CONTRIBUTORS TO THE EBIT DECLINE IN H1 FY22 VS PRIOR YEAR ARE RELATED TO MANAGING THE BUSINESS THROUGH COVID-19 AND SHOULD NOT BE RECURRING IN THE MEDIUM TERM



NOTE: The items in the EBIT bridge between the periods are estimates and cannot be calculated exactly as the underlying impact of the drivers cannot be precisely isolated from each other.

- **JobKeeper**: In H1 FY21 we received a net JobKeeper benefit of $3.0m, predominantly related to the July – September 2020 period. The Board elected to repay this amount in H2 of FY21

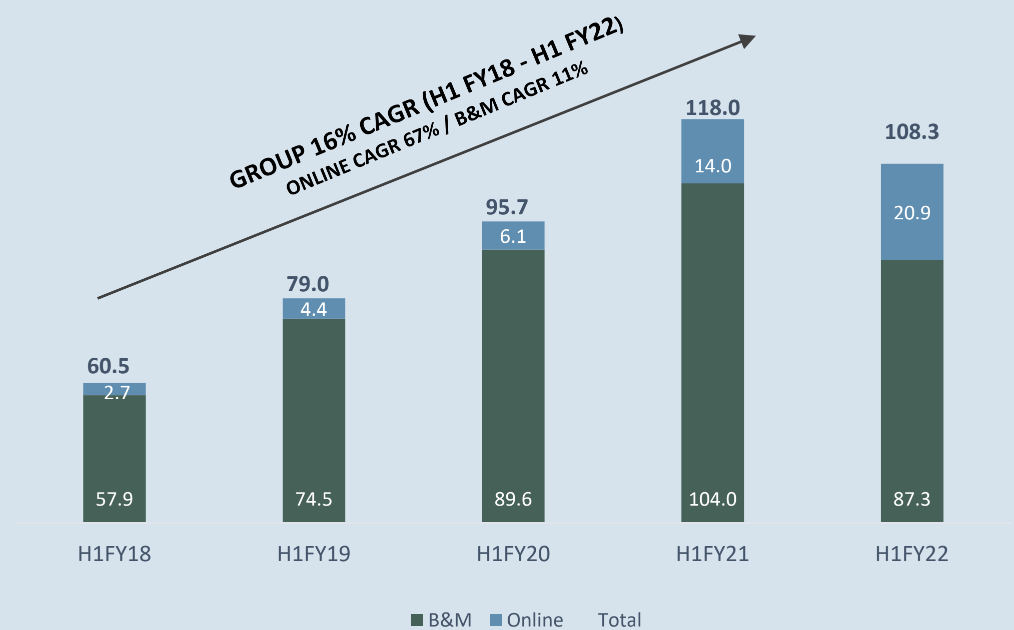
  If this benefit is removed from H1, the adjusted H1 FY21 Underlying EBIT is $28m

- **Mandated Store Closures:** The net EBIT impact of store closures in the half is estimated at ~$8m, inclusive of the lower level of rent concessions booked in the period

- **Other Items:** Other items include the net impact of LFL sales decline, new stores, GP% variances, online growth and OPEX investments made in the half

SALES PERFORMANCE

H1 FY18–FY22 SALES



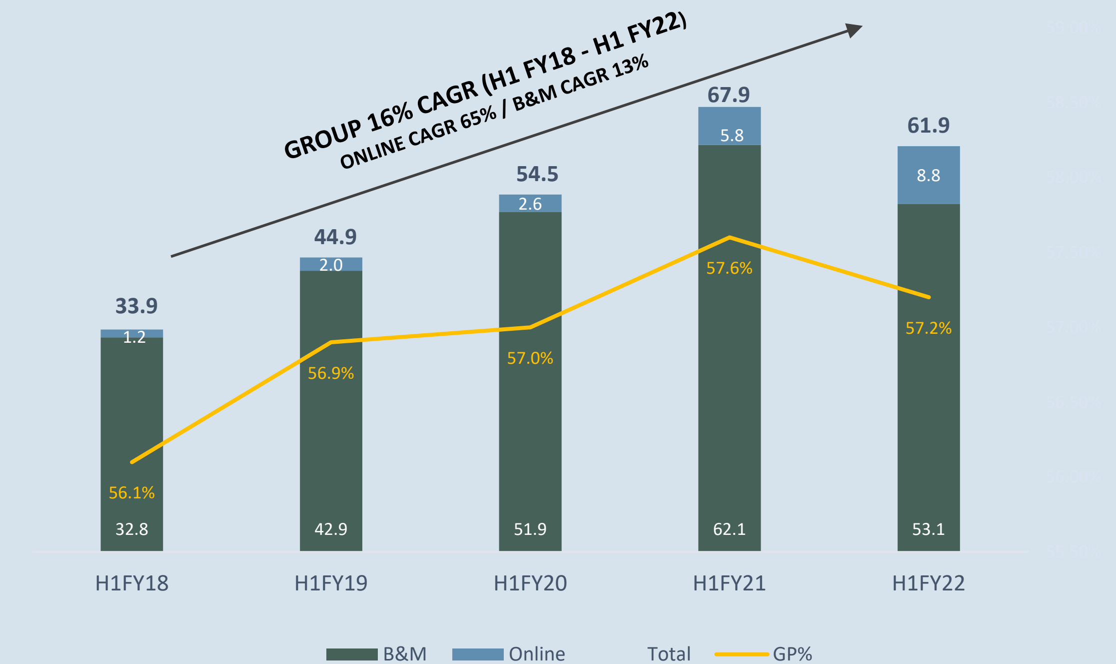
In our ASX trading update on 25 November, we estimated that mandated store closures in the July – October period resulted in a sales impact of $20-23 million. Store closures persisted beyond October and ceased in mid - late November in key markets.

- **Total Sales for the half down 8.2%** on FY21 due to mandated store closures July to October
- **Strong online performance** delivering $20.9m of sales contributing 19.3% of total sales
- **Overall Group LFL down 2.2%**[1] (stores down 10.8% and online growth +52.5%)
- **Nine new stores successfully** opened late November/December with solid performance to date

1. 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-19 lockdowns are excluded from LFL sales growth calculation for the weeks that they were closed. LFL are calculated on 4/4/5 financial week.

GROSS PROFIT PERFORMANCE

H1 FY18–FY22 GP

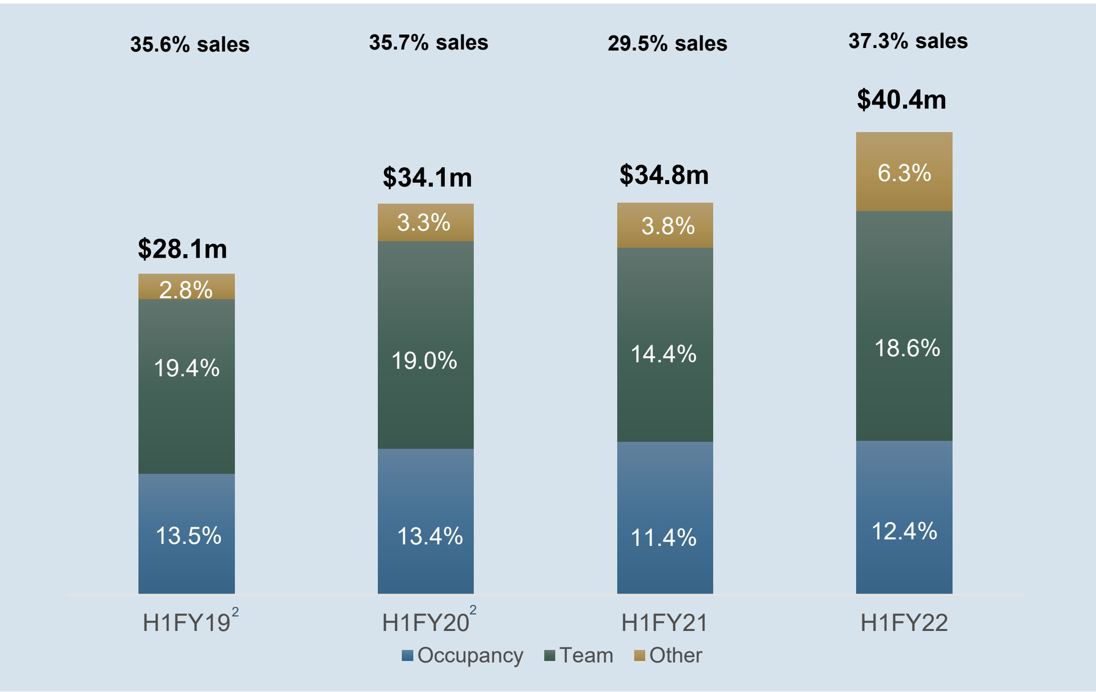


In our ASX trading update of 25 November, we estimated that mandated store closures in the July – October period resulted in a sales impact of $20-23 million, which infers a GP$ impact of $11-13m in the July – October period.

- **Total GP $ for the half down $6.0m** on FY21 predominantly due to store mandated closures July to October
- **GP margin (ex delivery) up 60bps** Benefits from direct sourcing offset with increased markdowns associated with mandated closures along with increased freight costs to stores and online customers saw total GP margin for the group decline 40bps on FY21
- **Online GP $ grew by 51.7%** on FY21
- **B&M GP $ decline by 15.2%** on FY21 given closure periods and markdowns actioned as a result of store closure periods

COSTS OF DOING BUSINESS

UNDERLYING CODB$ INCREASED BY $1.5M, PREDOMINATELY DRIVEN BY INCREMENTAL INVESTMENTS IN OUR DIGITAL MARKETING[1] CHANNEL



In FY21, JobKeeper was available to support the costs of paying team members while 'stood down' in periods of store closures. In H1 FY22, despite the absence of JobKeeper, we kept as many of our team employed in active duties as possible through this period of store closures. This was essentially a decision to invest in retaining talent.

- **Total CODB at 37.3% of sales up** on H1 of FY21, however LY included net JobKeeper benefit ($3.0m) (subsequently repaid), and $1.1m higher net rent concessions vs current half. Normalising for these items, underlying CODB rose by $1.5m
- **Team costs increased to 18.6% of sales,** driven by nine new stores and new support office roles to allow us to scale and support future growth initiatives, along with supporting full time team members during store closures

  Note: H1 FY21 included $3.0m net Job Keeper benefit which was 'paid back' in H2 FY21
- **Occupancy costs at 12.4%** includes rent concessions $0.3m in FY22 compared to $1.4m in FY21 ($1.1m net change), plus nine new stores
- **Other support costs** increased on prior year driven by a higher marketing spend of $2.0m (mainly digital) and other investments into process improvements

1. Underlying CODB excludes the impact of (i) accounting for leases under AASB16; (ii) one-off IPO transactions and MEP expenses for FY21.
2. FY19-FY20 financials includes the Underlying costs associated with public listing

BALANCE SHEET

(A$ million)

STATUTORY BALANCE SHEET	Dec-21	Dec-20	FY21
Total Current assets	**67.7**	**54.3**	**53.5**
Cash	48.8	37.2	33.4
Trade Receivables	1.8	1.7	2.4
Inventories	17.1	15.4	17.7
Total Non current assets	**156.7**	**157.5**	**150.7**
Property, plant and equipment	12.8	10.2	9.2
Right of use assets	51.0	54.6	48.8
Intangible assets	92.9	92.7	92.7
Total Assets	**224.4**	**211.8**	**204.2**
Total Current liabilities	**55.3**	**51.8**	**44.1**
Trade and other payables	26.8	23.7	17.0
Borrowings	0	0	0
Lease liabilities	21.1	18.4	19.2
Other current liabilities	7.4	9.7	7.9
Total non-current liabilities	**58.1**	**62.4**	**57.1**
Borrowings	14.8	14.7	14.8
Lease liabilities	37.1	41.5	35.8
Other non current liabilities	6.2	6.2	6.5
Total Liabilities	**113.4**	**114.2**	**101.2**
Net assets	**111.0**	**97.6**	**103.0**
Net Cash/ (Net Debt)	**33.8**	**22.2**	**18.4**

- **Net Cash $33.8m** an improvement of $15.4m on FY21 due to strong cash generation
- **Inventory at $17.1m, moderately above** Dec-20 as we managed COVID-19 and associated disruptions last year
- **Trade and other payables** are higher in line with inventory, coupled with some rent amounts yet to be paid at half year end
- **PPE increase by $3.6m** on FY21 driven primarily by investments into new stores/relocations
- **11 cents fully franked interim dividend** to be paid 28th March

CASHFLOW

(A$ million)

STATUTORY CASHFLOW	Dec-21	Dec-20	Change
EBITDA	**31.7**	**36.2**	**(4.5)**
Change in inventories	0.5	(1.7)	2.2
Change in trade payables	9.9	7.9	2.0
Change in other working capital items	2.4	3.7	(1.3)
Cashflow from operations (before int, tax, capex)	**44.5**	**46.1**	**(1.6)**
Net Capex	(6.0)	(1.1)	(4.9)
Interest	(1.3)	(2.4)	1.1
Tax cash paid	(7.9)	(6.1)	(1.8)
Operating cashflow, after capex	**29.3**	**36.5**	**(7.2)**
Dividends paid	(7.7)	(34.1)	
Other cash flows and adjustments related to tax payments, interest, the IPO, capital re-org, & MEP	(6.2)	(7.0)	
Net cash generated	**15.4**	**(4.6)**	**10.8**
Net cash/(net debt)	33.8	18.4	15.4
Cashflow Ratios			
Cashflow from Ops: EBITDA conversions %	140%	127%	
Capex : Depreciation %	273%	55%	

- **Strong cashflow** delivered again in FY21 with high levels of EBITDA cash conversion
- **Decrease in inventory levels** driven by store closures and reduced foot traffic on prior year. With New stores opening late Nov early Dec
- **Capex is higher than FY21** with an accelerated new store rollout late in H1 vs prior period.
- **Net cash at end of Dec 21 of $33.8m** puts us in a strong position to support our growth strategy

GROUP PRIORITIES

FY22 GROUP PRIORITIES

WE CONTINUE TO EXECUTE ON OUR STRATEGIC PRIORITIES AND MANAGE FOR THE UNIQUE AND VOLATILE TRADING ENVIRONMENT

1 NEW STORE ROLLOUT

- Nine new stores opened H1 FY22, including our first two permanent Perfect Stranger sites
- Standalone Perfect Stranger concept is progressing well and we are initiating the rollout outside of Brisbane (i.e. moving to Phase 3 of trial)
- "Full Potential" target is 100+ Universal Stores across Australia/ New Zealand (excl PS rollout)

2 STORE MATURATION

- Continue to grow market share through superior customer service, inspirational stores and strongly curated product brands
- Continue to build brand awareness in underpenetrated markets

3 ONLINE GROWTH

- Continue to scale up our digital and eCom capacity and services with increased investment
- Improve speed and delivery options
- Launched our standalone Perfect Stranger website, with further enhancements and customer acquisition strategy in plan

4 OPTIMISE PRODUCT MIX

- Continue brand and range curation, injecting fresh new product and brands into our offer
- Maintain our customer led and complimentary private brand strategy
- Progress direct sourcing shift to further improve margins

5 SUSTAINABILITY

- Increase our investment in expertise and resources
- Making conscious fibre choices in range development
- Seek opportunities to improve working conditions for workers in the supply chain and ensuring ethical practices are the norm, not the exception
- Model better practices to create the change we want to see

6 PRODUCTIVITY

- Continue caring for our team and ensure Covid-safe workplaces
- Implement WMS into our Distribution Centre
- Relocate our DC and Office H1 FY23
- Execute on our IT roadmap

PERFECT STRANGER TRIAL TO PROGRESS

PLEASING PERFORMANCE OF OUR PERFECT STRANGER STORES TO DATE. WE WILL CONTINUE TO REFINE OUR PRODUCT AND SERVICE OFFER AS WE PROGRESS TO PHASE 3

Phase 1
DEC 20 – NOV 21

Successful trial of Chermside pop up, which we relocated to a permanent site Nov 21

Phase 2
NOV 21 – DEC 21

Open two stores in QLD (Chermside & Sunshine Plaza) and one pop up (Garden City)

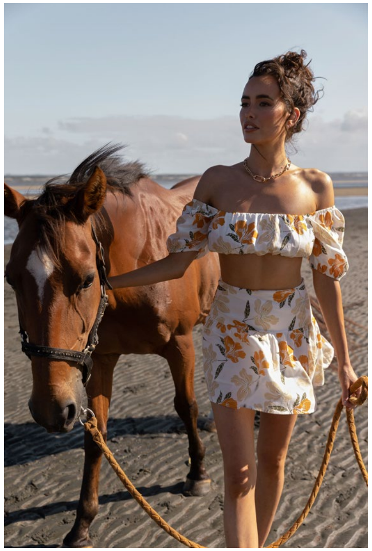
Launched a website Dec 21

Phase 3
JAN 22 – JAN 23

Iterate model based on lessons

Rollout further 5-8 stores in the next 12 months, predominantly across QLD and NSW

By the end of Phase 3 we aim to have proof of its appeal, scalability and ‘box economics’



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MARKETING UPDATE

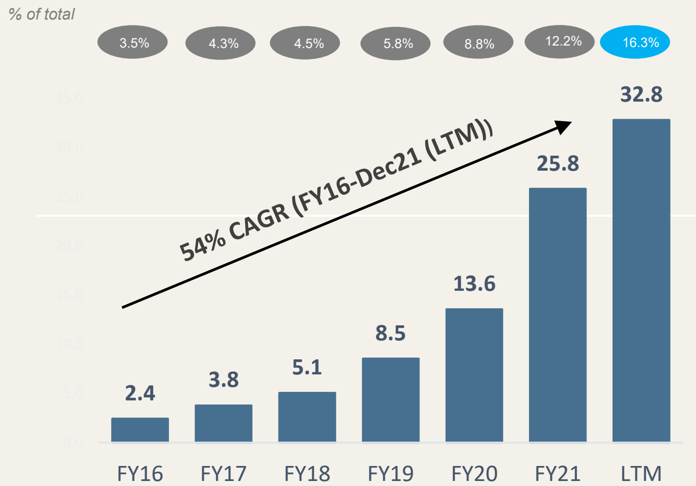
BRANDING

- Growing brand awareness key to realising growth objectives
- First time Universal Store has invested in above the line marketing, focused in underpenetrated states (NSW and VIC)

DIGITAL

- In H1 FY22 we increased our Google spend by ~95% vs the prior corresponding period
- Conversion value increased by +88.5%
- Strong performance delivered despite highly competitive digital landscape

ONLINE SALES (A$ MILLION)



FY22 GROUP PRIORITIES - SUSTAINABILITY

WE CONTINUE TO FOCUS ON OUR ENVIROMENTAL FOOTPRINT AND HAVE DEVELOPED THE BELOW SUSTAINBILITY TARGETS FOR THE BUSINESS

PRODUCT EXCELLENCE

TREAD LIGHTLY

Reduce our impact. Preserve our resources. Restore the planet.

ELIMINATE WASTE

- Zero waste to landfill from DC operations by 2030.
- 100% of bags and online mailers are reusable, recyclable or compostable by 2025.

PROCURE RESPONSIBLE MATERIALS

- Procure at least 50% of cotton from certified sources by 2025.
- Procure at least 50% of polyester from certified recycled sources by 2025.

SUPPLIER PARTNERSHIPS

EXPECT TRANSPARENCY

Put an end to poor working conditions and improve lives of workers.

POLICIES AND PROCEDURES

- 100% of our manufacturing and key 3rd party brands endorse our Supplier Code of Conduct by 2022.

SOCIAL AUDITS

- 100% of Tier 1 and 2 factories are audited by 2022.

ENERGY AND WATER EFFICIENCY

- Manufacturing from facilities applying best practice water, waste and chemical management practices by 2025.

IMPACT ON THE COMMUNITY

CLIMATE ACTION

Reverse climate change and take action to end the climate crisis.

REDUCE CARBON EMISSIONS

- 100% stores equipped with energy efficient LED lights by 2022.
- Develop a climate action plan by 2023 and reduce emissions by 30% by 2030.
- 100% of electricity for our support office and DC from renewable sources by 2025.

AMPLIFY OUR ACTIONS

Work together as a team with our community, suppliers, and customers to deliver impact.

CHARTER OF ENVIRONMENTAL ATTRIBUTES

- 1M customer education touchpoints on responsible use and care of garments by 2025.

OUTLOOK

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FY22 OUTLOOK

WE REMAIN OPTIMISTIC AND CONFIDENT OUR CUSTOMERS WILL RETURN TO STORES AS OMICRON CASES SUBSIDE AND COMMUNITIES BEGIN TO LIVE AND NORMALIZE THEIR ACTIVITIES

In the first eight weeks of H2 FY22 total sales were up 5.0% versus H2 FY21 (8 weeks), an increase of $1.5m in dollar terms

Across this period:

- Group LFL sales (incl online)[1] are down 4.8% and up 23.5% versus the corresponding FY20 period. We are cycling H2 FY21 LFL of +32.8% (vs Group FY20)
- Online sales are up 28.8% versus H2 FY21 to date, and up +257.1% versus the corresponding FY20 period.

We continue to manage our costs carefully

Our inventory is well balanced and aligned to current trading volumes

Up to three new stores are expected to open in H2 FY22

Given the uncertainty regarding trading environment restrictions and potential for ongoing lockdowns, we do not consider it appropriate to provide FY22 guidance at this time

1. 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-19 lockdowns are excluded from LFL sales growth calculation for the weeks that they were closed. LFL are calculated on 4/4/5 financial week.

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APPENDIX

APPENDIX 1: 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
- 74 stores around Australia (including 1 online store)[2]
- Curated domestic, international and private brand collections
- High service, friendly experience

Who is our quintessential customer?

Millennials and Gen Z (16-35 year old)	Fashion focused (and buy now preference)
~57% women, ~36% 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

1. Based on FY21 revenue only, excluding ticket sales and other adjustments.
2. Excluding Perfect Stranger stores.

APPENDIX 2: P&L UNDERLYING TO STATUTORY RECONCILIATION

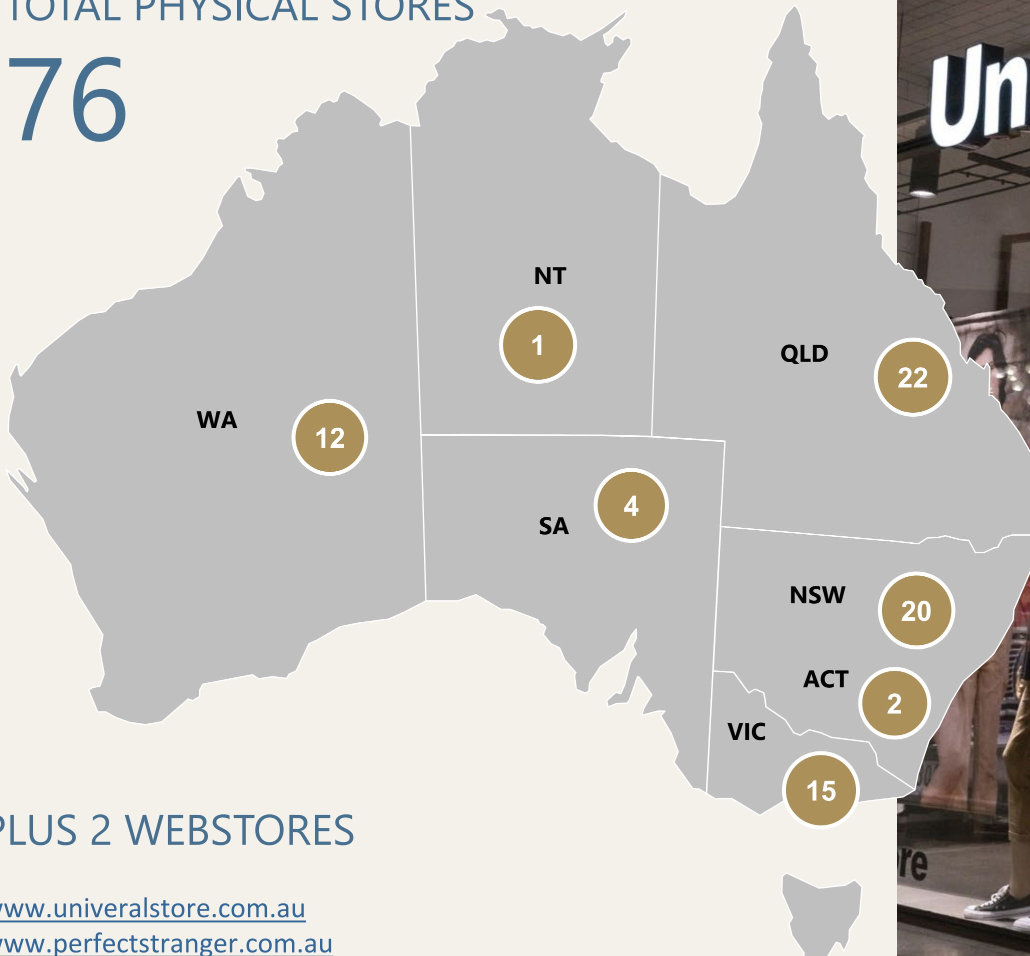
$million	Note	Dec-21	Dec-20
Statutory EBITDA		31.7	36.2
Transaction costs	1	0	6.7
Incremental public company costs	2	0	(0.4)
MEP Expense	3	0	0.6
Interest income	4	0.0	0.0
Make good expense	4	0.0	0.0
AASB 16 adjustments	5	(10.3)	(10.0)
Underlying EBITDA		**21.4**	**33.1**
Statutory EBIT		19.9	24.7
Transaction costs	1	0.0	6.7
Incremental public company costs	2	0.0	(0.4)
MEP Expense	3	0.0	0.6
Interest income	4	0.0	0.0
AASB 16 adjustments	5	(0.6)	(0.5)
Underlying EBIT		**19.3**	**31.1**
Statutory NPAT		13.5	15.8
Transaction costs	1	0.0	4.7
Incremental public company costs	2	0.0	(0.3)
MEP Expense	3	0.0	0.6
AASB 16 adjustments	5	0.3	0.5
VLN Discount	6	0.0	(0.5)
Net finance cost		0.0	0.0
Underlying NPAT		**13.8**	**20.8**

1. Transaction costs relate to legal, advisors and accounting costs incurred with respect to the preparation of the IPO.
2. Incremental public company cost primarily relate to additional Directors' fee, Directors' and officers' insurance costs and compliance costs which Universal Store expects to incur as a listed company.
3. MEP expense relates to employee share based expenses, which were not material in FY21 Underlying.
4. Minor mapping adjustments to align to prospectus Underlying.
5. AASB 16 adjustments relate to the restatement of statutory results onto the previous lease accounting standard. This removes depreciation of lease assets and interest on lease liabilities and replaces them with occupancy costs.
6. VLN discount refers to the discount received for the early repayment of a Vendor Loan Note prior to the IPO.

APPENDIX 3: STORE FOOTPRINT

TOTAL PHYSICAL STORES

76



PLUS 2 WEBSTORES

www.univeralstore.com.au
www.perfectstranger.com.au

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UNIVERSAL SPIRIT

The unique ability to create memorable and positive experiences for all. Creating an experience that is fun, open and based on kindness.
The environment that enables a person to be their best.

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