

Universal Store

ASX ANNOUNCEMENT

UNIVERSAL STORE FY22 RESULTS

Brisbane, 26 August 2022

Universal Store Holdings Limited (ASX: UNI, “Universal Store” or the “Company”) today announced its full year results for FY22.

FY22 Highlights:

- Total Sales of \$208.0 million (-1.4% YoY, +34.3% vs FY20); 5 year CAGR of 18.9%
 - H1 down 8.2%, and H2 up 7.4%
 - Group LFL sales of -3.0% YoY (cycling +28.5% in FY21); 5 year average of 13.3%
 - Online sales of \$35.7 million (+38.6% YoY), representing 17.2% of total sales
 - 11 new stores opened in the year, and Perfect Stranger website launched
- Gross profit \$121.3 million (-2.1% YoY), reflecting gross profit margin of 58.3% (-40bps YoY)
- Underlying EBIT of \$30.9 million (-29.8% YoY, +30.4% vs FY20)
- Statutory NPAT of \$20.6 million (-15.6% YoY)
- Underlying NPAT of \$21.1 million (-30.6% YoY)
- Net cash of \$23.9 million as at 30 June 2022
- Underlying EPS of 28.9 cents per share
- Final dividend declared of 10.5 cps (fully franked) with full year dividends of 21.5 cps.
- Investor webinar to be held Friday, 26 August 2022. [Click here to register](#)

Overview

Universal Store reported solid results despite the ongoing COVID-19 challenges, notably the mandated lockdowns and restrictions in the first half of FY22. Total sales for the year marginally declined (-1.4%) to \$208.0 million, which comprised a sales decline of 8.2% in the first half, and growth of 7.4% in the second half. Group LFL sales declined -3.0%, despite cycling exceptional growth of +28.5% in FY21. Online sales grew +38.6% to \$35.7 million, representing 17.2% of total sales.

Our underlying product gross margin increased 40bps to 61.2%, aided by a further customer led mix shift towards our private brands, most notably strong growth in our men’s private brand offering. Our gross margin result was also supported by continued discipline in our promotional pricing activities, careful management in price points of our private brand products, and an increase in the direct sourcing mix of our womenswear private brand range. The adverse impact of increases in freight costs, both domestic (inbound and outbound) and international, reduced our reported gross profit margin by 40bps to 58.3% from 58.7% in FY21.

The Board have also declared a final dividend of 10.5 cents per share (fully franked) payable on 29 September 2022, taking the total FY22 dividends paid to 21.5 cents per share.

Commenting on the results, Universal Store CEO, Alice Barbery said:

“Despite lingering COVID-19 challenges during the year, I’m proud of how our team has responded, culminating in a pleasing FY22 result. FY22 was a tale of two halves with H1 impacted heavily by mandated store closures and evolving variants of COVID-19, including a challenging Christmas and new year period with the emergence of Omicron. Conditions in H2 progressively recovered with sales and foot traffic improving month on month as restrictions eased and social events and gatherings re-emerged.

Notwithstanding travel restrictions inhibiting our ability to physically connect, particularly during H1, we made significant progress in our new store roll-out activities, optimisation of product mix, growing our digital capabilities and outcomes as well as an enhanced focus on sustainability and productivity across the business. Overarching all of this was our ongoing focus on our customer’s needs and our team safety.

Encouragingly, we continue to grow market share through superior customer service, inspirational store environments, and offering carefully curated and always changing range of some of the best domestic and international youth fashion brands. Our private brand offering goes from strength to strength and compliments our range of third-party brands. Our newest private brand, NEOVISION has demonstrated our capability to identify gaps in our range and develop products to meet those needs.

Universal Store continues to evolve into a larger, more sophisticated, and more robust business following successful implementation of various key strategic initiatives and investments. We look forward to continuing the growth trajectory of the business in FY23 and beyond as we further enhance our customer value proposition.”

Ongoing store growth

The Company had 78 stores and two web stores as at 30 June, with the addition of 11 new stores in FY22 (9 Universal Store & 2 Perfect Stranger). Occupancy costs increased \$1.2m during the year, predominantly driven by these new stores. The “full potential” target remains 100+ Universal Store sites across Australia & New Zealand.

We are yet to size the “full potential” of the Perfect Stranger store format, however we are pleased to advise that the standalone trial continues to progress well with three locations currently open, and an additional four new stores scheduled to open pre-Christmas 2022.

Recovery in foot traffic and sales as H2 progressed

While monthly foot traffic trends improved during the later part of FY22, group LFL sales declined 3.0% for the whole year as the Company cycled the exceptional LFL growth achieved in FY21 of +28.5%. Average annual LFL store growth over the last three years (FY20-FY22) has been +12%, and +13% over a five-year period (FY18-FY22). Delivering sustainable and compounding long-term growth remains our focus.

Mandated store closures during H1 resulted in a total of 3,192 trading days being lost during the year, and an estimated sales impact of ~\$20m. The closures in VIC, NSW and ACT were most material and impacted 33 stores at different times in the first half. Further, the emergence of Omicron through December weighed on sales in the key Christmas trading period. In light of the trading conditions and the outstanding LFL sales we cycled in the year, we believe the results are pleasing, including the positive sales momentum regained in the second half.

Across the year, bricks & mortar LFL sales declined 9.5% on FY21, +11.2% above FY20.

Continued brand and product optimisation

Throughout the year, brand and range curation continued to progress. As anticipated men's growth exceeded women's, with the introduction of fresh new brands and the launch of private brand Neovision delivering exciting sales results to date.

Perfect Stranger is the largest brand in Universal Store, now representing >16% of sales. Sales of our private brand has grown from 40.2% to 43.0% of total sales in FY22. Universal Store is proving its capacity to successfully manage multiple brands and retail concepts. We see this capability continuing to evolve and improve as the Company scales.

Digital initiatives working well

Universal Store operates a channel agnostic business model leveraging customer insights to best deliver on customer needs. Growth in online sales continues to meaningfully expand, to specifically 17.2% of total sales were generated online, up from 8.8% in FY20.

The Company continues to scale its' digital and eCommerce capacity and services, doubling investment into digital marketing, improving speed and delivery options, launching its standalone Perfect Stranger website, as well as further enhancements and delivery of additional key digital initiatives. Our 'test and learn' approach in this area is essential to our success and continuous improvement. The Company has focused on growing its customer database and investing in the associated data platform to further develop insight and analytical capabilities. Overall, Universal Store's customer-centric digital strategy aims to make shopping easier, personal, and more valuable.

Universal Store delivered +28.4% growth in net unique visitors year on year, a 3.3% online conversion rate (up from 3.1% in FY21), and a 95% increase in the customer database.

Effective management of inventory and margin

Inventory as at 30 June was \$18.0 million with minimal movement year on year and in line with expectations as inventory levels continue to be closely managed. The Company's 'close to market', and 'micro allocation' processes, together with the continuous lessons learned from managing a volatile supply and demand environment enabled our product team to effectively manage stock during the year. The Company continued to progress diversification and sustainability of its supply chain.

The ongoing shift to direct sourcing of our private brand product was also meaningful during FY22, increasing to 65% (37% in FY21). This was largely driven by increases in direct sourcing of womenswear product, delivering higher underlying product gross margin levels and partially offsetting increases in shipping costs. Menswear maintained its predominantly direct sourcing mix.

Corporate, sustainability & productivity

Universal Store's people costs increased on prior year, driven by investment into new stores, key support office roles and the growth in the online business. Additional investment throughout the year continues to support growth initiatives across new office, distribution centre, warehouse management system as well as IT and software upgrades. Moving into the new distribution centre and support office in early October supported by improved systems and capabilities will enable the business to service customers with greater speed and support growth ambitions.

In terms of key FY22 and FY23 sustainability progress and plans, Universal Store continues to develop and implement sustainability and environmental targets, driving product excellence and enhancing supplier partnerships.

Outlook

Universal Store is encouraged by year to date sales momentum achieved over the last 8 weeks. The Company is cycling a period of significant store closures in the prior year, and this will persist for the next few months, resulting in comparatives to last year being less meaningful. We are optimistic as we head into the spring season as we see the re-emergence of more social events and cultural festivals.

In the first 8 weeks of FY23 total sales were up +54.7% versus PCP, up +\$12.5 million. Approximately 37% of potential store trading days were lost in the prior year.

- Total B&M store sales growth +69.9% with LFL growth of +7.1%.
- Online sales are down -0.6% (includes ~\$500k benefit from faster order fulfilment of a recent online event)
- Group LFL sales (incl online) +5.4%.

The observed channel shifts in spending YTD are largely driven by have having all stores open for trade.

In the first half of FY23, five new stores are expected to open along with two store resizes.

Given the continued uncertainty regarding macro economic conditions, we do not consider it appropriate to provide FY23 guidance at this time. However, we believe that the impact on our customers cohort will be less significant than for the general population.

Results webinar

The Company will host a webinar with Chief Executive Officer, Alice Barbery and Chief Financial Officer, Renee Jones on Friday 26 August, at 10:30am AEST.

Investors and interested parties can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_tQh0tlCtTpaw659bMoHlfQ

Investors may submit questions to sam@nwrcommunications.com.au or do so via the Q&A function on Zoom.

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

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ABOUT UNIVERSAL STORE (ASX: UNI)

Universal Store is a specialty retailer of youth casual apparel that operates 78 physical stores across Australia and two web stores. These stores operate under the brands 'Universal Store' and 'Perfect Stranger'.

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 in order to cater to the constantly evolving and widely varied tastes and trends observed in the youth apparel market.