Universal Store

Brisbane, 24 August 2023

UNIVERSAL STORE FY23 RESULTS

Universal Store Holdings Limited (**ASX: UNI**", "**Group**" or the "**Company**") today released its full year results for the period ended 30 June 2023 ("**FY23**").

FY23 Highlights:

- **Successfully transitioned into new Distribution Centre and Support Office (late September)**
- **8 new stores opened in the year: 5 Perfect Stranger & 3 Universal Stores**
- **Acquisition of CTC (THRILLS) completed on 31 October 2022**
- **Total Sales of $263.1 million (+26.5% versus prior corresponding period ("pcp"))[1]**
  - **Group LFL sales growth +1.2%[2]**
  - **Group Online sales of $37.1 million, +3.7% versus pcp**
- **Gross profit $155.3 million (+28.0% versus pcp), reflecting gross margin of 59.0% (+70bps versus pcp)**
- **Underlying EBIT of $40.4 million (+23.8% versus pcp, +18.1% excl. CTC)**
- **Net profit after tax (NPAT) of $23.6 million (+14.6% versus pcp)**
- **Net cash of $6.6 million as at 30 June 2023[3]**
- **Underlying EPS of 35.2 cents per share (cps)[4]**
- **Final dividend declared of 8 cps (fully franked) with full year dividends of 22 cps**

Commenting on the results, Group CEO, Alice Barbery said:

"In FY23 we delivered sales growth of 26.5% and 23.8% underlying EBIT growth. The year brought unique challenges and opportunities as we transitioned from a COVID-19 impacted business climate to a dynamic and volatile consumer environment.

During the year, we grew our store network, completed a strategically significant acquisition, moved to our new DC and Support office, and materially advanced the Perfect Stranger retail trial. We now have three great retail brands that are well positioned for growth and a team that is excited to pursue these opportunities."

Overview

The Group delivered revenue of $263.1 million, representing a substantial growth of $55.1 million or 26.5% compared to FY22.

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[1] Includes CTC revenue of $19.4 million (November to June only), net of intercompany eliminations.
[2] LFL (like-for-like) sales in FY23 exclude the CTC business and are calculated daily (Mon 27th Jun to Sun 2nd Jul), excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation. Stores that were closed during the COVID-19 pandemic are excluded from LFL sales calculations.
[3] Net cash exclude lease liabilities.
[4] Underlying EPS is derived from underlying NPAT and the weighted average shares outstanding in the period (72.6M FY23).

Underlying EBIT for the Group reached $40.4 million, up 23.8%. Underlying NPAT grew to $25.6 million, a 21.9% increase, resulting in underlying EPS of 35.2 cents per share, up by 13.9% compared to the previous year[4].

The Group cashflow and balance sheet remain in a healthy position, delivering an underlying cash flow from operations of $66.8 million, representing operating cash flow conversion of 99.0% with a net cash position of $6.6 million[3].

The Group opened eight new stores during FY23, consisting of three Universal Store and five Perfect Stranger stores. When combined with the ten acquired THRILLS stores during the year, the total number of Group stores as of 30 June 2023 was 95 (excluding webstores).

In FY23, Universal Store undertook significant operational enhancements. The Support Office and Distribution Centre were successfully relocated to a larger, purpose-built facility, ensuring improved efficiency and capacity. Additionally, the successful implementation of a warehouse management system streamlined operations and optimised inventory management.

The strategic acquisition of CTC on 31 October 2022, has significantly enhanced the portfolio, adding a highly profitable brand with a diverse business model and impressive expertise in brand and product development, as well as sourcing. CTC has proven its value by generating revenue of $41.8 million for the full financial year, representing a 20.1% increase over the prior year[5].

The Board declared a final dividend of 8 cents per share (fully franked), taking the total dividends paid for FY23 to 22 cents per share.

Financial performance summary

The year unfolded in two distinct halves, with exceptional results in the first half, up 34.5% from the prior period (28.6% excluding CTC sales). The strong performance in Q1 was primarily driven by the reopening of physical stores and the return of customers following government-mandated closures in the previous comparative period. However, trading in the second half of the year softened, with revenue growth of 17.8% (4.7% excluding CTC). This was influenced by consumer responses to the macro environment and the impact of rising living costs, exacerbated by interest rate increases. As a result, store traffic slowed but remained positive compared to the prior year.

Despite the macro environment challenges, the Group achieved growth of 1.2% in like-for-like (LFL) sales compared to the previous comparative period[6]. It is important to note that this calculation excludes the days when stores were closed in the prior period. Additionally, bricks-and-mortar stores experienced significant sales growth, with a 23.9% increase in FY23, delivering 2.4% LFL sales growth. Although Online LFL sales decreased 4.5%, the channel returned to LFL growth in the second half with Q4 particularly strong, up 13.0% on FY22[6]. Group Online revenue grew 3.7% in FY23 and contributed 14.1% of total revenue.

The Group continues to improve gross margins, with a 70 basis point increase on FY22 to 59.0%. Contributing to the continued strength in gross margins were private brand penetration, price adjustments, direct sourcing enhancements, and reductions in freight cost.

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[5] CTC full year revenue is unaudited and excluding intercompany eliminations.
[6] LFL (like-for-like) sales in FY23 exclude the CTC business and are calculated daily (Mon 27th Jun to Sun 2nd Jul), excluding closed stores from the day of closure and new closure and new stores until they have completed the first three weeks of operation. Stores closed during COVID-19 pandemic are excluded from LFL sales calculations.

The Group's cost of doing business rose by 260 basis points to 33.5% of sales, mainly driven by increased employee costs, occupancy costs, and expenses related to the CTC acquisition. The rise in employee costs was mostly driven by the CTC acquisition and having all stores trading during the period in contrast to the prior comparative period which saw lower spending due to mandated store closures.

CTC related costs of $8.6 million, predominantly employee related costs are wholly incremental following the 31 October 2022 acquisition.

Inventory increased by $6.3 million, driven by demand, more appropriate stock levels held post COVID, a larger DC allowing the Group to isolate and hold stock for Perfect Stranger, new stores openings and the integration of CTC business (+$4.0 million)[7].

The investment of $10.2 million in capital expenditures was driven by the opening of new stores, investment into the new support office and distribution centre, and maintenance capital.

Perfect Stranger update

Perfect Stranger continues to perform well, with total sales of $8.9 million, an increase of 187% versus FY22. As at 30 June 2023, the Perfect Stranger footprint had expanded to eight stores (six in Queensland and two in New South Wales), with two additional New South Wales stores expected to open in Q1 FY24, in Miranda and Eastgardens. Pleasingly, little to no cannibalisation of nearby Universal Store sites has been observed as the business continues to win new customers that were not previously shopping at Universal Store.

During the year, efforts were also directed towards refining the standard Perfect Stranger fit out to drive service, sales, and profitability. The Company will accelerate the new store roll out of Perfect Stranger and continue to differentiate and build the Perfect Stranger brand as a standalone retail format.

CTC (THRILLS) update

CTC's performance and its contribution to overall growth have been pleasing to date. Moving forward, the Group is actively working on refining and expanding CTC's direct-to-customer operations and CTC is closely collaborating with the Universal Store team to ensure alignment with the Group's governance and compliance standards. These efforts will further strengthen THRILLS position in the market and support its ongoing success.

FY24 Trading Update & Outlook

Sales performance during the first seven weeks of FY24;

- US sales down -4.2%, with LFL growth down -8.8% (cycling +5.9% in the pcp)[8]
- CTC wholesale and DTC channels continue to perform well with wholesale order book indicating 'double digit' growth of the wholesale channel in H1 of FY24

[7] CTC inventory excludes intercompany eliminations.
[8] LFL (like-for-like) sales in FY24 exclude the CTC business and are calculated daily, excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation.

Management expects a further four to six Universal Store locations in FY24, plus five to eight new Perfect Stranger stores as well as one to two new THRILLS stores.

Gross margins remain steady, with the business taking pro-active steps to ensure stock remains fresh and appealing to customers as well as continuing to carefully manage Group inventory.

The Group is focused on managing CODB through several initiatives including store labour optimisation, targeted DC productivity enhancements, and the closure or relocation of suboptimal CTC stores.

Group CEO, Alice Barbery said:

"Continuing to introduce fresh new products and brands that excite and meet our customers ever changing needs will be key to navigating successfully through the uncertain market conditions.

I am most pleased about the outstanding work my team is doing in refining our retail concepts, delighting our customers, approaching each challenge with a positive mindset, and readying our business for long term growth."

Results webinar

The Company will host a webinar with Chief Executive Officer, Alice Barbery and Chief Financial Officer, Renee Jones on Thursday 24 August, at 11:00am AEST.

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

https://us02web.zoom.us/webinar/register/WN_bsj1vlVCTcuoqDB5aHwbnw

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.

For more information, please contact:

Alice Barbery
Chief Executive Officer
+617 3368 6503

Sam Wells
Investor & Media Relations
sam@nwrcommunications.com.au
+61 427 630 152

ABOUT UNIVERSAL STORE

Universal Store Holdings (ASX: UNI) owns a portfolio of premium youth fashion brands and omni-channel retail and wholesale businesses. The Company's principal businesses are Universal Store and CTC (trading the THRILLS and Worship brands). The Group is currently trialling the Perfect Stranger brand as a standalone retail concept. The Company currently operates 95 physical stores across Australia and 3 online stores. The Company's strategy is to grow and develop its premium youth fashion apparel brands and retail formats to deliver a carefully curated selection of on-trend apparel products to a target 16-35 year-old fashion focused customer.