

Universal Store

Brisbane, 23 February 2022

UNIVERSAL STORE HOLDINGS LIMITED H1 FY22 RESULTS

Summary

- Sales \$108.3m down 8.2% from H1 FY21
 - Online contributed 19.3% of total sales, up from 12% in H1 FY21
- Gross profit \$61.9m down from \$67.9m
- Underlying EBIT \$19.3m down from \$31.1m
- Statutory NPAT \$13.5m down from \$15.8m
- Net cash of \$33.8m
- Fully franked interim dividend declared at 11 cents

Overview

The past six months of trade has seen significant business 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).

Total sales decreased to \$108.3 million in H1 FY22, a decrease of 8.2% on the prior period. Group like for like sales (LFL) were down 2.2% (stores down 10.8% and online growth up 52.5%). The online channel delivered \$20.9 million of sales contributing 19.3% of total sales. Underlying EBIT of \$19.3 million is down on prior period by 38.1%.

Gross profit margin excluding delivery remains strong up 0.6% to 60.3% versus 59.7% in H1 FY21, despite increased markdowns from mandated store closures in Q1 of FY22. Higher freight costs associated with online will see the reported net gross profit margin decline year on year by 0.4%.

In our ASX trading update on 25 November 2021, we estimated that mandated store closures in the July – October period resulted in a sales impact of \$20-23 million and \$7-9 million underlying EBIT impact.

Commenting on the results, Universal Store CEO, Alice Barbary said; “we are satisfied with the overall result delivered, particularly having regard to the fact that we continue to cycle exceptional LFL sales growth compared to FY21 and the significant trading disruption associated to mandated store closures during July to November 2021. Our performance continues to demonstrate the strength of our offering and demand from customers when our stores are open, and customers feel safe to visit shops. We have also continued to make substantial progress in executing against our strategic priorities”.

Cash flow and balance sheet

The result delivered an underlying cashflow from operations of \$44.5m, representing operating cash flow conversion of 140%. Strong balance sheet with net cash of \$33.8m.

Inventory levels have been controlled in line with demand and aged inventory remains at normal levels. We continue to be committed to our disciplined pricing and promotional strategy to protect brand, margin, and customer trust.

Dividend

The Board have declared an interim dividend of 11 cents per share (fully franked) and will be paid on March 28th 2022.

Store Growth

Nine new stores were opened late in the half. Further new store opportunities are currently being considered and it is expected to open up to three new stores during the next six months.

The company currently has 76 physical stores (73 Universal Store and three Perfect Stranger) and a webstore for each brand. Universal Store brand has a full potential target of 100+ stores across Australia and New Zealand. We are encouraged by the pleasing performance of our Perfect Stranger trial to date and are progressing to the next phase.

Supply Chain

Relocation to our new office and distribution centre is in progress. This relocation will provide us with both capacity and flexibility to support the business growth in the next 5 – 10 years, with the new facility to be operational early H1 FY23.

Outlook

Sales for the first eight weeks of 2022 are up 5.0% compared to the same period last year, 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 FY20 corresponding period.

We expect to open three new stores in the next six months.

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

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

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Notes:

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.

ABOUT UNIVERSAL STORE

Universal Store is a specialty retailer of youth casual apparel in 73 stores across Australia as well a fast-growing online channel.

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.

The company is trialling a standalone Perfect Stranger concept with three stores and an online channel.