



Universal Store

Universal Store Holdings Limited
ACN 628 836 484

Initial Public Offering

Prospectus

Joint Lead Managers:

J.P.Morgan



Financial Adviser:

E&P

Important notices

OFFER

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Universal Store Holdings Limited ACN 628 836 484 (**Universal Store** or **Company**). This Prospectus is issued by the Company and Universal Store SaleCo Limited ACN 644 786 738 (**SaleCo**). See Section 6 for further information on the Offer, including as to details of the securities that will be issued and transferred under this Prospectus.

LODGEMENT AND LISTING

This Prospectus is dated 28 October 2020 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**).

The Company will apply within seven days after the Prospectus Date to ASX Limited (**ASX**) for admission of the Company to the Official List and quotation of the Shares on ASX (**Listing**).

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be issued or transferred on the basis of this Prospectus after the expiry date, being 13 months after the Prospectus Date.

NOTE TO APPLICANTS

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 4. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the assumptions underlying the Forecast Financial Information set out in Section 3 that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale or accurately represent the technical aspects of the products.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "will", "would", "should", "could", "believes", "estimates", "expects", "intends", "plans", "anticipates", "predicts", "outlook", "forecasts", "guidance" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 3).

No person who has made any forward-looking statements in this Prospectus (including the Company and SaleCo) has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Any forward-looking statements are subject to various risk factors that could cause Universal Store's actual results to differ materially from the results expected or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond

the control of the Company, SaleCo, the Directors of the Company, the Directors of SaleCo and Management of the Company. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Forecast Financial Information in Section 3.3, the general assumptions in Section 3.7.1, the specific assumptions in Section 3.7.2, the sensitivity analysis in Section 3.8, the risk factors in Section 4, and other information in this Prospectus. The Company and SaleCo cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company's or SaleCo's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in Section 6, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred settlement basis. The Company, the Company's service provider, Universal Store, SaleCo, Link Market Services Limited ACN 083 214 537 (**Share Registry**), the Joint Lead Managers and the Selling Shareholders disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement. This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

J.P. Morgan Securities Australia Limited (**JP Morgan**) and UBS AG, Australia Branch (**UBS**) have acted as Joint Lead Managers to the Offer and have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by either Joint Lead Manager or by any of their respective affiliates or related bodies corporate (as defined in the Corporations Act) (**Related Bodies Corporate**), or any of their respective officers, directors, employees, partners, advisers or agents. To the maximum extent permitted by law, the Joint Lead Managers, their respective affiliates and Related Bodies Corporate, and all of their respective officers, directors, employees, partners, advisers or agents expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

TAXATION

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

Neither the Company nor SaleCo proposes to give any taxation advice and, to the maximum extent permitted by law, the Company, SaleCo, their respective directors, officers and each of their respective advisers accept no responsibility or liability for any taxation consequences of acquiring Shares under this Prospectus. You should consult your own professional tax advisers in regard to taxation implications of the Offer.

FINANCIAL INFORMATION PRESENTATION

All references to FY18, FY19, FY20, LTM Sep19 and LTM Sep20F appearing in this Prospectus are to the financial years or periods ending 30 June 2018, 30 June 2019, 30 June 2020, 30 September 2019 and 30 September 2020, respectively, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 3 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 3.2.

With the exception of applying AASB 16 *Leases* (AASB 16), the Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS issued by the AASB, which are consistent with IFRS issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Financial Information in this Prospectus should be read in conjunction with, and it is qualified by reference to, the information contained in Sections 3 and 4.

MARKET AND INDUSTRY DATA BASED PRIMARILY ON MANAGEMENT ESTIMATES

This Prospectus (and in particular Section 2) contains statistics, data and other information (including projections) relating to the industry, market size, market share, market segments, market categories and other industry data pertaining to Universal Store's business and markets in which it operates (**Industry Data**).

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance or guarantee that any of the projected or projections in Industry Data in this Prospectus will be achieved. Universal Store has not independently verified and cannot give any assurances to the accuracy or completeness of this market and industry data or the underlying assumptions used in generating this market and industry data. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 4.

OBTAINING A COPY OF THIS PROSPECTUS

This Prospectus is available in electronic form to Australian residents on the Company's offer website, <https://events.miraqle.com/UniversalStore-offer>. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Copies of this Prospectus are not available to persons in any other jurisdictions.

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Universal Store Offer Information Line on 1300 553 490 (toll free within Australia) or +61 1300 553 490 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at <https://events.miraqle.com/UniversalStore-offer>, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Cooling-off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia. The distribution

of this Prospectus (including in electronic form) outside Australia may be restricted by law; and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. In particular, Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States, and may not be offered or sold, directly or indirectly, in the United States or to or for the account or benefit of, a US Person, except in transactions exempt from or not subject to the registration requirements of the US Securities Act and any other applicable US securities laws. The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer.

See Section 6 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

PRIVACY

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, and their agents and service providers may collect, hold, disclose and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration, and for other purposes related to your investment listed below.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- (a) the Share Registry for ongoing administration of the Share register;
- (b) the Joint Lead Managers to assess your Application;
- (c) printers and other companies for the purposes of preparation and distribution of documents and for handling mail;

Important notices Continued

- (d) market research companies for analysing the Company's shareholder base; and
- (e) legal and accounting firms, auditors, management consultants and other advisers for administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information.

You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry as follows:

Telephone: (outside Australia)
+61 1300 553 490

(toll free within Australia)
1300 553 490

Address: Locked Bag A14,
Sydney South, NSW 1235

The Company aims to ensure that the personal information it retains about you is accurate, complete and up to date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

FINANCIAL SERVICES GUIDE

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide are provided in Section 7.

INTELLECTUAL PROPERTY

This Prospectus may contain trademarks of third parties, which are the property of their respective owners. Third party trademarks used in this Prospectus belong to the relevant owners and use is not intended to represent sponsorship, approval or association by or with Universal Store.

COMPANY WEBSITE

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

DEFINED TERMS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

QUESTIONS

If you have any questions in relation to the Offer, contact the Universal Store Offer Information Line on 1300 553 490 (toll free within Australia) or +61 1300 553 490 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

This document is important and should be read in its entirety.

A woman with dark hair pulled back, wearing dark sunglasses and a black denim jacket with white stitching, is giving a high-five with her right hand. The background is a plain, light grey.

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Important dates

Prospectus Date	Wednesday, 28 October 2020
Retail Offer opens	Thursday, 5 November 2020
Retail Offer closes	Tuesday, 10 November 2020
Commencement of trading on ASX on a conditional and deferred settlement basis	Monday, 16 November 2020
Settlement	Tuesday, 17 November 2020
Allotment of Shares (completion of the Offer)	Wednesday, 18 November 2020
Expected commencement of trading on ASX on a normal settlement basis	Wednesday, 18 November 2020
Expected completion of dispatch of holding statements	Thursday, 19 November 2020

DATES MAY CHANGE

The dates above are indicative only and may be subject to change without notice.

Universal Store, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the above dates and times without notice (including, to close the Offer early, to extend the Closing Date, or to accept Late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion of the Offer, in each case without notifying any recipient of this Prospectus or Applicants). Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from ASX.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form.

Instructions on how to apply for Shares are set out in Section 6 and on the back of the Application Form.

QUESTIONS

If you have any questions in relation to the Offer, contact the Universal Store Offer Information Line on 1300 553 490 (toll free within Australia) or +61 1300 553 490 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday. If you are unclear in relation to any matter, or you are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

Key offer statistics

Offer Price	\$3.80 per Share
Total number of Shares offered under the Offer	38.9 million
Total number of Shares held by Existing Shareholders on Completion of the Offer	34.3 million
Total number of Shares on issue on Completion of the Offer	73.2 million
Market Capitalisation at the Offer Price	\$278.1 million
Adjusted pro forma net debt at 30 June 2020 ¹	\$12.2 million
Enterprise Value at the Offer Price ²	\$290.3 million
Enterprise Value/pro forma LTMSep20F EBIT	10.0x
Enterprise Value/pro forma LTMSep20F EBIT (post AASB 16)	9.7x
Offer Price/pro forma LTMSep20F NPAT per Share	14.0x
Offer Price/pro forma LTMSep20F NPAT per Share (post AASB 16)	14.9x
Implied LTM Sep20F Dividend Yield at the Offer Price ³	5.0%

1. Represents pro forma net debt (pre AASB 16) at 30 June 2020 (gross of capitalised borrowing costs) adjusted by \$8 million (mid-point of \$7-\$9 million) which the Directors believe represents the level of under-investment in net working capital at 30 June 2020, relative to typical levels at the balance sheet date. For more information see Section 3.5.1.
2. Represents Market Capitalisation at the Offer Price plus Adjusted pro forma net debt at 30 June 2020.
3. Represents Pro Forma LTMSep20F NPAT per Share (\$19.9 million divided by 73.2 million Shares) multiplied by assumed payout ratio of 70% (representing the mid-point of the proposed dividend payout ratio range of 60-80%) divided by the Offer Price.

Universal Store



Chair's letter

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to offer you the opportunity to become a shareholder of Universal Store.

Universal Store has grown from a family owned, single store in Queensland to become a leading Australian specialty retail destination for youth casual apparel. The Company operates a network of 65 physical stores across Australia supported by a complementary online store. Both channels increasingly work together to deliver customers with an omni-channel shopping experience. Team culture, a proven retail formula and strong execution are the drivers of the Company's success.

Universal Store offers its customers a selection of curated third party domestic and international brands complemented by five private brands. The Company places an emphasis on understanding its customers, their apparel preferences and the latest youth trends which collectively inform range curation and buying strategies. Universal Store also utilises a 'close to market' buying strategy which is designed to better meet changing fashion trends and capture unexpected opportunities. The Company was rewarded for this strategy during COVID-19.

The segment of the apparel market that Universal Store operates in is large. It is also highly fragmented with significant opportunity for Universal Store to capture market share. Growth in this segment is being driven by high discretionary income levels, growing adoption of Buy Now Pay Later platforms and deferral of many medium and longer-term savings goals, amongst other factors.

Universal Store's senior management team, led by CEO Alice Barbary, has a track record of delivering impressive financial performance and growth. The Company has achieved FY18-20 revenue CAGR of 17%, underpinned by strong Like-for-Like sales growth of 16% in FY19 and 11% in FY20. Pro forma EBIT margin has grown to 15% during this time.

The Board of Directors and Management are excited about the future prospects for Universal Store. Universal Store has a fast-growing online store and further investment is planned to increase its online capabilities and improve integration with the physical store network. The Company is similarly focused on growing and optimising the store network throughout Australia, particularly in New South Wales and Victoria. Growth is also expected to continue from the proven strategy of range differentiation and dynamic curation as well as measured expansion of the Company's portfolio of private brands.

Universal Store has adapted well to the impacts of COVID-19. Sales, particularly online, have grown strongly since April 2020. The Company has continued its investment in its online capabilities over this period, including accelerating the roll-out of ship-from-store.

The Offer is expected to raise approximately \$147.8 million through the allotment of 38.9 million Shares at \$3.80 per Share. New Shareholders will represent approximately 53.1% of Shares on issue upon Completion of the Offer. The existing Management Shareholders will retain a significant ownership interest in Universal Store following Completion of the Offer (approximately 9.4% in aggregate) as will Five V Capital, Catalyst Direct Capital Management and BB Retail Capital (approximately 24.0% in aggregate).

Proceeds from the Offer will allow Universal Store to repay the Company's existing corporate debt facilities, increase cash held by the Company, pay transaction costs associated with the Offer and pay Selling Shareholders (who are realising all or a portion of their investment in Universal Store).

This Prospectus contains detailed information about Universal Store, the Offer, the industry in which Universal Store operates, its financial and operating performance and key risks associated with an investment in Universal Store. Some of the key risks include, amongst other things, changes to the retail environment and general economic conditions, competition, execution error in implementing the Company's strategy, misjudging evolving fashion trends and consumer preferences and failure to acquire enough new customers. These risks are further described in Section 4.

I encourage you to read and consider this document carefully and in its entirety before making a decision whether to invest. On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of Universal Store.

Yours sincerely,



Peter Birtles
Chair

1.

Investment overview



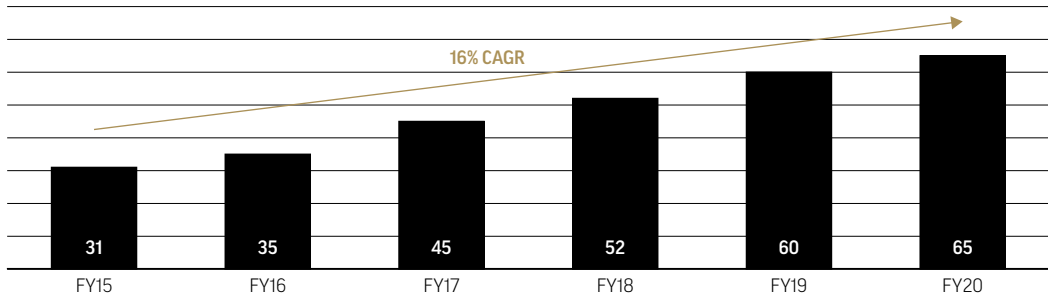
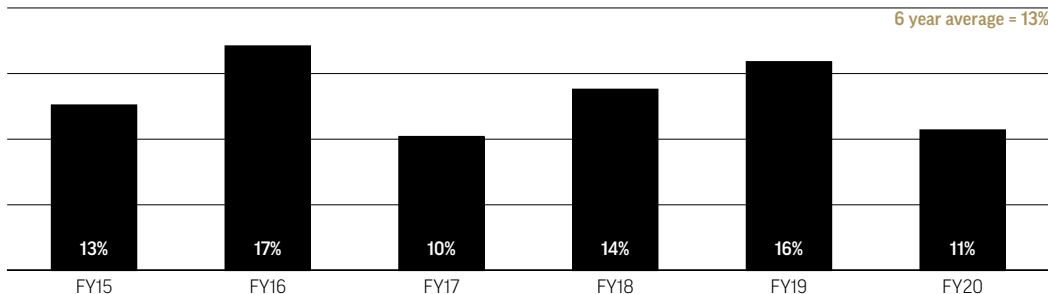
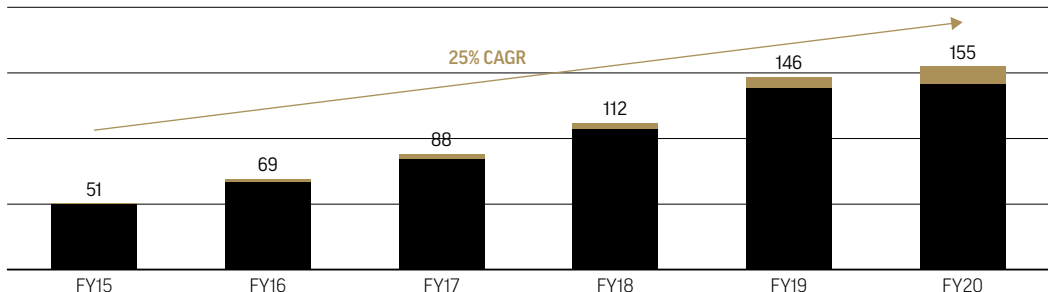
1. Investment overview

1.1 INTRODUCTION

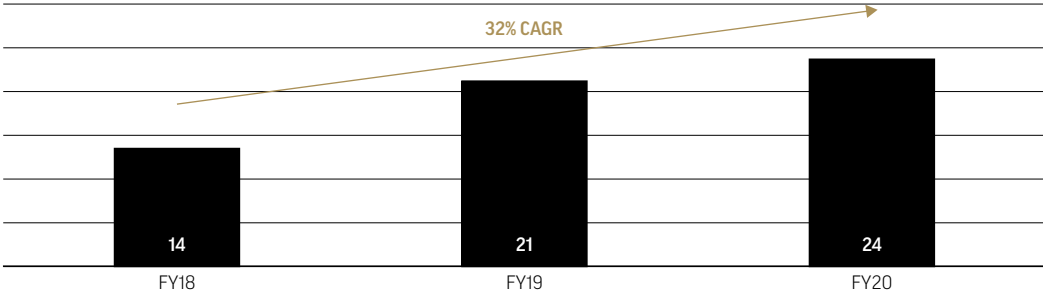
TOPIC	SUMMARY
What is Universal Store?	<p>Universal Store is a specialty retailer of youth casual apparel. The Company operates 65 physical stores across Australia and a fast-growing online store. Universal Store retails a curated range of third party branded products (approximately 70% of FY20 revenue), supported by a range of private brand products (approximately 30% of FY20 revenue).</p> <p>For more information, refer to Section 2.1.</p>
What is the history of Universal Store?	<p>Universal Store was founded in 1999 by brothers Greg and Michael Josephson who opened the first store in Carindale, Queensland that year. In 2012, the Company opened its first store in Melbourne, followed by Perth in 2014. The Company's oldest existing New South Wales store was opened in 2013.</p> <p>Universal Store launched its first private brand in 2012 and has subsequently grown this to five brands spanning womenswear, menswear and accessories.</p> <p>Universal Store rapidly expanded from FY15, growing the physical store network from 31 stores to 65 and operating across seven Australian states and territories. Alice Barbary joined the Company as COO in 2009 and was promoted to CEO in March 2017.</p> <p>In 2018, Management led a buy-out of the Josephson family's shareholding, with support from co-investors. Share ownership was also extended to others in the Universal Store leadership team.</p> <p>For more information, refer to Section 2.3.</p>
What is Universal Store's business model and strategy?	<p>Universal Store offers a curated and constantly evolving range of youth casual apparel, footwear and accessories to the target 16-35 year old customers.</p> <p>The Company's strategy is to source products from a broad range of in-demand third party brands, supported by a private brand offering.</p> <p>Universal Store's team of buyers utilise store feedback and trend research (via social media, youth fashion observations and overseas fashion collections) to identify in-demand third party products and brands. The third party branded range evolves constantly, ensuring it remains relevant and reflects current consumer tastes.</p> <p>Private brand products comprise five Company owned brands, which aim to fill range gaps and complement third party branded offerings. These products can be designed in-house and manufactured by third parties.</p> <p>Universal Store's products are sold in 65 physical stores throughout Australia and via a fast-growing online store. The Company's strategy is to operate stores in prime positions in major shopping centres, which benefit from high traffic flow. Stores can be opened in 9-11 weeks from commercial terms being agreed.</p> <p>Stores are staffed by carefully screened, well trained and knowledgeable employees who assist customers in the buying process, offering outfitting advice and seek to provide an inclusive store environment. The Company's high customer service model is one point of differentiation in the retail market, particularly compared with pure-play online retailers and department stores.</p> <p>Physical stores are complemented by a fast-growing online store (approximately 59% revenue growth in FY20, representing approximately 9% of revenue). Together, they operate in tandem to deliver an omni-channel shopping experience.</p> <p>For more information, refer to Section 2.</p>

1. Investment overview Continued

TOPIC	SUMMARY
Who are Universal Store's customers?	<p>Universal Store targets 16-35 year olds with an interest in fashion trends, quality and value. They are often a student and working part-time, employed in a trade or early in their careers. Management describes the typical customer as online and socially active, with social media playing a large role in their life. Customers often visit Universal Store for events or occasions. They come for the latest wardrobe items for birthdays, musical festivals, holidays and other social occasions. During COVID-19, the Company's buying close to market strategy enabled it to quickly pivot towards lounge and comfort wear as customers stayed home and then again to party attire in states and territories such as Western Australia where its customers could re-engage in social activities.</p> <p>Parents, grandparents and other purchasers often shop on behalf of the typical customer or may accompany them – Universal Store seeks to provide an inclusive environment that caters for these customers too.</p> <p>For more information, refer to Section 2.5.1.</p>
Where are Universal Store's operations?	<p>Universal Store operates 65 physical stores in seven Australian states and territories. The retail network is supported by a head office and national distribution centre in Brisbane, Queensland.</p> <p>The physical stores are within Queensland (19), New South Wales (17), Victoria (13), Western Australia (11), South Australia (2), ACT (2) and NT (1). All stores are Company owned and operated.</p> <p>The Company aims to position stores in prime locations within major shopping centres, typically in youth fashion precincts. The average store size is 248 sqm which Management believes is representative of the ideal store size (i.e. 200-300 sqm). The Company retains store flexibility by contracting for shorter leases (with options). Most leases within the network expire within three years.</p> <p>New store roll-out has focused on New South Wales and Victoria over the past three years, having achieved higher penetration in Queensland and Western Australia. Management expects to continue focusing on these regions.</p> <p>For more information, refer to Sections 2.7 and 2.10.</p>
Who are Universal Store's competitors?	<p>Universal Store operates in the youth casual apparel segment of the broader Australian fashion market. This market is large, diverse and competitive.</p> <p>Within this market, Universal Store competes across a number of sub-segments and with a number of competitors including:</p> <ul style="list-style-type: none"> • Brand Aggregator/Specialty Retailers of Casual Fashion – General Pants, Glue Store, Edge, Culture Kings, THE ICONIC; • General Domestic Casual Fashion Retailers – Princess Polly, Sabo Skirt, Factorie, Jay Jays, Dotti, Glassons, Sportsgirl, Forever New, Supré, Showpo, White Fox Boutique, Industrie Clothing, The Academy Brand, Cotton On Group, Just Jeans, Dangerfield, Kookai, Gorman, DEJUBA, Country Road, Witchery, Politix, Kathmandu, Oxford, Dotti, Portmans; • Global Fast Fashion Retailers – Boohoo.com, Forever 21, Shopbop, REVOLVE, Zara, H&M, UNIQLO, ASOS; • Mixed Wholesale and Retail Brand Owners Retailers – Nike, GANT, Ralph Lauren, Adidas, Tommy Hilfiger, Champion, The North Face, Patagonia, Puma, Diesel, Assembly Label, Guess, Superdry; • Premium Footwear Retailers – Platypus Shoes, Hype DC, JD Sports, Foot Locker, rebel, The Athlete's Foot; • Department Stores – David Jones, Myer, Amazon; and • Street, Surf and Skate Retailers – Surf Dive 'n' Ski, Ozmosis, Billabong, Rip Curl, City Beach, Quicksilver. <p>Universal Store is a youth-focused retailer, a feature which differentiates it from most competitors that target a wider demographic market of youths and adults.</p> <p>For more information, refer to Section 2.4.1.</p>

TOPIC	SUMMARY																																																								
Who are Universal Store's suppliers?	<p>Universal Store has developed an international supply chain for the Company's third party and private brand offerings.</p> <p>Third party brands are sourced from a selection of on-trend domestic and international youth apparel brands. Brand composition and product range are frequently updated to cater for evolving consumer tastes. Accordingly, the Company's suppliers also change frequently (i.e. month to month).</p> <p>Universal Store sources its private brand products from a selection of local sourcing agents in addition to direct sourcing from manufacturers in Asia (primarily based in China). Diversifying between sourcing agents and direct sourcing enables the Company to balance unit cost, quality and speed demands.</p> <p>For more information, refer to Section 2.6.</p>																																																								
What is Universal Store's historic performance?	<p>Universal Store has a strong track record of delivering earnings growth, driven by a combination of consistently strong Like-for-Like sales growth, store roll-out and operating leverage.</p> <p>Physical stores (at year end, excluding online store)</p>  <table><tr><th>Fiscal Year</th><th>Physical stores</th></tr><tr><td>FY15</td><td>31</td></tr><tr><td>FY16</td><td>35</td></tr><tr><td>FY17</td><td>45</td></tr><tr><td>FY18</td><td>52</td></tr><tr><td>FY19</td><td>60</td></tr><tr><td>FY20</td><td>65</td></tr></table> <p>Like-for-Like sales growth (%)</p>  <table><tr><th>Fiscal Year</th><th>Like-for-Like sales growth (%)</th></tr><tr><td>FY15</td><td>13%</td></tr><tr><td>FY16</td><td>17%</td></tr><tr><td>FY17</td><td>10%</td></tr><tr><td>FY18</td><td>14%</td></tr><tr><td>FY19</td><td>16%</td></tr><tr><td>FY20</td><td>11%</td></tr></table> <p>Revenue (\$m)</p>  <table><tr><th>Fiscal Year</th><th>Physical store revenue (\$m)</th><th>Online store revenue (\$m)</th><th>Total revenue (\$m)</th></tr><tr><td>FY15</td><td>51</td><td>0</td><td>51</td></tr><tr><td>FY16</td><td>69</td><td>0</td><td>69</td></tr><tr><td>FY17</td><td>88</td><td>0</td><td>88</td></tr><tr><td>FY18</td><td>112</td><td>0</td><td>112</td></tr><tr><td>FY19</td><td>146</td><td>0</td><td>146</td></tr><tr><td>FY20</td><td>155</td><td>0</td><td>155</td></tr></table> <p>■ Physical store revenue ■ Online store revenue</p>	Fiscal Year	Physical stores	FY15	31	FY16	35	FY17	45	FY18	52	FY19	60	FY20	65	Fiscal Year	Like-for-Like sales growth (%)	FY15	13%	FY16	17%	FY17	10%	FY18	14%	FY19	16%	FY20	11%	Fiscal Year	Physical store revenue (\$m)	Online store revenue (\$m)	Total revenue (\$m)	FY15	51	0	51	FY16	69	0	69	FY17	88	0	88	FY18	112	0	112	FY19	146	0	146	FY20	155	0	155
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1. Investment overview Continued

TOPIC	SUMMARY								
What is Universal Store's historic performance? continued	<p>Pro forma EBIT (\$m)</p>  <table border="1"> <thead> <tr> <th>Fiscal Year</th> <th>Pro forma EBIT (\$m)</th> </tr> </thead> <tbody> <tr> <td>FY18</td> <td>14</td> </tr> <tr> <td>FY19</td> <td>21</td> </tr> <tr> <td>FY20</td> <td>24</td> </tr> </tbody> </table> <p>For more information, refer to Sections 2 and 3.</p>	Fiscal Year	Pro forma EBIT (\$m)	FY18	14	FY19	21	FY20	24
Fiscal Year	Pro forma EBIT (\$m)								
FY18	14								
FY19	21								
FY20	24								

1.2 KEY STRENGTHS

TOPIC	SUMMARY
Large and fragmented segment	<p>Universal Store operates within the youth casual apparel segment of the broader Australian fashion market. The youth market is large and highly fragmented.</p> <p>Data on the youth casual apparel market is scarce, although Management believes this market benefits from a number of favourable tailwinds which contribute to above market growth rates, relative to the broader Australian fashion market. These include: high discretionary income levels; growing adoption of Buy Now Pay Later platforms and changing trends related to longer-term savings goals (e.g. buying houses and cars, and having children later in life), amongst other factors.</p> <p>Universal Store seeks to differentiate itself from competitors by focusing predominantly on youth, offering a subset of its products that are exclusive to Universal Store, seeking to provide an inclusive store environment, serving as a one-stop shop for outfits, offering a consistent price proposition and appealing to all sub-cultures. Management believes this enables the Company to capture market share from a wide range of competitors.</p> <p>For more information, refer to Section 2.4.</p>
Constant evolution of the product range	<p>Universal Store offers customers a differentiated, in-demand and constantly evolving range of products.</p> <p>New brands and products are regularly introduced (up to three times per week in most stores) which helps the range remain fresh and relevant. Products are identified by the Company's team of buyers and product developers through trend research and via weekly store feedback. Frequently introducing new brands and products provides a reason for customers to regularly shop with Universal Store, as well as contributing to a 'fear of missing out' on new or limited run products.</p> <p>Universal Store's buying strategy is possible because of its collaborative approach to range development, marketing, pricing and merchandising with suppliers.</p> <p>For more information, refer to Sections 2.1, 2.2.3 and 2.6.</p>

TOPIC	SUMMARY
Growing private brand portfolio	<p>Universal Store has developed a portfolio of five fast-growing private brands, which offer complementary products to and fill gaps within third party ranges. They also provide a point of difference to competitors' ranges.</p> <p>Private brands are an important part of the Company's offering, representing approximately 30% of FY20 revenue, and continue to grow strongly (approximately 30% FY18-20 revenue CAGR). Private branded products also have higher gross margins (approximately 68% in FY20) than third party branded products (approximately 56% in FY20).</p> <p>Universal Store's private brand products are designed in-house and are typically sourced within 6-10 weeks. Products are sourced from a range of local sourcing agents in addition to direct sourcing (primarily from China).</p> <p>The Company is focused on broadening the male-oriented private brand offering, having successfully developed a strong female-oriented offering (approximately 78% of private brand revenue during FY20).</p> <p>For more information, refer to Sections 2.2.3 and 2.6.2.</p>
Attractive new store economics	<p>Universal Store has developed an attractive and scalable model that can facilitate future growth. After fit-out contribution from landlords, average net cash capital expenditure is approximately \$240,000 per store, with stores able to be rolled out on average in 9-11 weeks from commercial terms being agreed with a landlord. New stores have a typical payback period of 12-14 months, making it possible to add highly accretive sites in a short period of time.</p> <p>The industrial and functional look of Universal Store's outlets is designed to maximise the effective life of the store fit-out (typically 10-15 years). Minor refurbishment (typically \$50,000-\$100,000) may be undertaken after the first, second or third lease terms.</p> <p>The economics of the new store roll-out strategy continue to improve as Universal Store refines the site selection and fit-out methodology, negotiates higher landlord contributions and continues to build consumer appeal and awareness.</p> <p>For more information, refer to Sections 2.2.3 and 2.7.</p>
Large store roll-out opportunity	<p>Universal Store has a high performing and growing store network around Australia.</p> <p>Universal Store has successfully expanded to all mainland states and territories. The Company has developed a robust site identification and store roll-out strategy and believes there is capacity to potentially open a further 40-60 stores throughout ANZ. The Company has a track record of consistently opening profitable new stores. All stores in the portfolio were profitable in FY20.</p> <p>Universal Store has identified New South Wales and Victoria as two key regions which remain underrepresented in the network. These states have a larger youth population – for example, than Queensland where Universal Store has more stores – indicating capacity for further roll-out. The Company therefore expects future store openings to focus on these geographies. Management has also identified New Zealand as a potential future growth region.</p> <p>Universal Store's long-term growth plans have not been impacted by COVID-19, although travel restrictions make it difficult to view sites in the short term. The Company continues to assess new store opportunities and is ready to take favourable opportunities that arise as a result of COVID-19. New store diligence remains a heightened focus given the uncertainty of COVID-19.</p> <p>For more information, refer to Sections 2.7.2, 2.12.3 and 2.13.5.</p>

1. Investment overview Continued

TOPIC	SUMMARY
Accelerating omni-channel capabilities and performance	<p>Universal Store offers customers an omni-channel shopping experience across its physical store network and online store. Since 2018, this strategy has been further elevated in importance and the rate of investment by the Company in its digital capabilities has significantly increased.</p> <p>The Company's strategy is to enable customers to browse, execute purchases, collect those purchases and make returns or exchanges across its channels on a dynamic basis. Both channels are profitable and are increasingly being used on a complementary basis by customers. For example, the Company commenced utilising store inventory to facilitate ship-from-store for online orders in FY20 and plans to launch click-and-collect in FY21. Universal Store is agnostic in relation to which channel is preferred by its customers to execute a purchase and seeks to provide complete flexibility to its customers in this regard.</p> <p>Online sales have accelerated during COVID-19 as social distancing and store closures shift customers online. Growth has been sustained by the increased availability of inventory as a result of the Company's ship-from-store initiatives. Online growth has continued even as the store network has reopened.</p> <p>Universal Store has prioritised the further integration of online and in-store to deliver a true omni-channel experience.</p> <p>For more information, refer to Sections 2.1, 2.2.3, 2.8 and 2.12.</p>
Committed team driving a unique culture	<p>Universal Store is managed by an experienced and long-standing Management team who are committed to delivering a unique culture. A key driver of the Company's success is the importance that Management places on the Universal Store culture and significance of the customer. The Management team believes consistent execution of the right behaviours and strategies will lead to continued and sustainable retail success.</p> <p>To strengthen and preserve this culture, Management prefers to promote employees from internal positions rather than hire from external organisations.</p> <p>Upon Completion of the Offer, Management will also maintain significant ownership in the Company.</p> <p>For more information, refer to Sections 2.2.2, 2.10 and 6.2.</p>

1.3 KEY GROWTH DRIVERS

TOPIC	SUMMARY
Focus on range differentiation and dynamic curation	<p>Universal Store expects to continue the strategy of range differentiation and careful and dynamic curation to support ongoing Like-for-Like sales growth and revenue growth. The Company also aims to expand the range via new product categories as well as third party and private brands.</p> <p>Management believes that strong Like-for-Like sales growth and continued execution of the Universal Store retail approach will allow the Company to grow revenue and take market share from competitors.</p> <p>For more information, refer to Section 2.12.1.</p>
Growth of the private brands portfolio	<p>Universal Store believes there is capacity to continue to grow the size and breadth of their private brand offering (approximately 30% of FY20 revenue) through increased promotion in-store and online and expansion into new categories. The Company has particularly identified menswear private brands as an area of growth that is underrepresented in the portfolio (only 17% of FY20 private brand revenue).</p> <p>Management also sees an opportunity for margin expansion of private brands – already a higher gross margin product than third party brands. It aims to achieve this by increasing the level of direct sourcing and reducing reliance on higher cost local distributors.</p> <p>For more information, refer to Section 2.12.2.</p>

TOPIC	SUMMARY
Expansion of the store network	<p>Universal Store believes there is capacity to potentially open a further 40-60 stores throughout ANZ. New store openings will be focused on New South Wales and Victoria, as these regions remain underrepresented in the store network. New Zealand has also been identified as a potential future growth region.</p> <p>The Company is not targeting a specific number of stores per year, although it has historically opened 5-10 stores per annum (42 stores since the end of FY14), which is a reasonable indicator of potential annual store openings in the future.</p> <p>Management also expects future growth to come from the upsizing of existing stores within the network where appropriate. These stores are typically smaller than the current target size (i.e. less than 250 sqm).</p> <p>For more information, refer to Section 2.12.3.</p>
Prioritising online experience and integration with physical stores	<p>Universal Store has identified further opportunities to materially grow both the sales and profitability of its online channel in a manner that is complementary to its stores and utilises the existing assets of the Company, including brand, store teams, leasehold store locations, and inventory position.</p> <p>Prior to 2016, Universal Store had under-invested in its online retailing capabilities. This area had not been a priority for investment relative to store roll-out. Since then, this channel has been recognised as an essential part of the Company's strategy and become a key focus area. Investment has been subsequently accelerated in 2018 and improved performance has resulted.</p> <p>Universal Store's primary focus is on making the online channel easier and more convenient; more personalised, immersive and engaging; and more integrated with stores.</p> <p>The Company aims to achieve this through incremental initiatives that collectively deliver an enhanced online platform. Planned features include a wider range of delivery options (including click-and-collect and same-day delivery), more flexible payment platforms and greater personalisation and data collection.</p> <p>Collectively, Management believes the identified initiatives will drive the Company's online sales growth and profitability, grow its database cost effectively and create a superior omni-channel shopping experience for customers.</p> <p>For more information, refer to Sections 2.12.4 and 2.8.1.</p>

1.4 KEY RISKS

TOPIC	SUMMARY
Retail environment and general economic conditions may worsen	<p>Many of Universal Store's products are discretionary in nature. Consumer spending on these items is potentially sensitive to changes in general consumer sentiment. Factors which affect general consumer sentiment may or may not have a direct impact on the income levels of the Company's customers but can adversely affect their spending levels notwithstanding. These factors include house prices, political uncertainty, economic outlook, employment certainty, conflict and terror events.</p> <p>Any material reduction in consumer spending on discretionary items may in turn result in lower levels of revenue and profitability for Universal Store.</p> <p>For more information, refer to Section 4.2.1.</p>

1. Investment overview Continued

TOPIC	SUMMARY
Competition may increase and change	<p>The Australian clothing, footwear and accessories market in which Universal Store operates is highly competitive and is subject to constantly changing consumer preferences in relation to trends, brands and shopping channels. The competitor set is fluid and evolving. There is a risk that Universal Store may lose market share to new or existing competitors.</p> <p>Universal Store's customers may choose to purchase products from its competitors rather than from Universal Store and this may in turn reduce Universal Store's revenue. Such a reduction in revenue may have an adverse impact on Universal Store's financial performance.</p> <p>For more information, refer to Section 4.2.2.</p>
Execution error in implementing Universal Store's strategy	<p>Specialty retailers operating nationally are required to make large numbers of judgement calls and decisions on a frequent basis across their organisations and implement these across their store networks.</p> <p>Given the interconnected nature of many of the operational areas of the business and the interdependencies within, an error in one area of the business (e.g. product, IT, marketing or supply chain) can have a wide and adverse impact on other areas of the business, and can lead to reduced customer satisfaction, and adversely impact financial performance.</p> <p>For more information, refer to Section 4.2.3.</p>
Universal Store may misjudge evolving fashion trends and consumer preferences	<p>An important sub-category of potential execution error relates to the judgements required in developing and presenting the product range. Demand for Universal Store's products is sensitive to its successful range development and the specific brand and product selection and quantification decisions made by its team.</p> <p>In addition, with third party brands currently contributing approximately 70% of Universal Store's clothing range, the business is also reliant on the trend judgements and range development of these suppliers. In the longer term, trend misjudgements may adversely impact Universal Store's brand and reputation.</p> <p>A broad-based or series of significant misjudgements in interpreting product and fashion trends could adversely affect demand for Universal Store's products.</p> <p>For more information, refer to Section 4.2.4.</p>
Universal Store may fail to acquire enough new customers	<p>As a retailer of youth casual fashion, Universal Store must consistently acquire new customers who are aging into its target market, to offset the customer loss which naturally occurs as current customers age beyond the target market.</p> <p>If the Company does not acquire enough new customers across a sustained period, its sales will likely decline which will adversely affect profitability and other measures of financial performance.</p> <p>For more information, refer to Section 4.2.5.</p>
Continued decline of foot traffic in Australian shopping centres	<p>The large majority of the Company's stores are in shopping centres. Various data sources indicate that foot traffic has been in gradual decline in Australian shopping centres over recent years.</p> <p>There is a risk that the rate of decline accelerates or consumers shopping patterns change such that the opportunity for the Company's stores to serve customers reduces such that sales forecasts and growth objectives cannot be met.</p> <p>For more information, refer to Section 4.2.6.</p>

TOPIC	SUMMARY
Universal Store relies on third party suppliers for a majority of its products	<p>The success of Universal Store's business relies in part on its ability to retain its existing key supplier relationships and its ability to continue to attract suppliers on acceptable terms.</p> <p>Material changes by any of Universal Store's key suppliers of their distribution channel strategy, including distributing their brand more widely in the market, restricting supply, or selling the brands direct to consumer may impact Universal Store's financial and/or operational performance in the future.</p> <p>For more information, refer to Section 4.2.7.</p>
Universal Store may lose key members of Management	<p>Universal Store's success will continue to be influenced by its ability to attract and retain suitably qualified personnel in the future. The loss of key members of Management may cause a material disruption to Universal Store's activities. Such disruption may reduce the business' level of growth, and therefore its overall financial performance, in the short to medium term.</p> <p>For more information, refer to Section 4.2.8.</p>
COVID-19	<p>Events related to the COVID-19 pandemic have resulted in significant market volatility. There is continued uncertainty as to the ongoing and future responses of governments and authorities both in Australia and globally. There is also a likelihood of an Australian economic recession of unknown duration or severity. As such, the full impact of COVID-19 on consumer behaviour, suppliers, employees and the Company is not fully known. As a result, the impact of COVID-19 may be materially adverse to the Company's financial and/or operational performance. Further, any government or industry restrictions or other measures may adversely affect the Company's operations and are likely beyond the Company's control.</p> <p>For more information, refer to Section 4.2.9.</p>
COVID-19 state/territory and Federal government restrictions	<p>Due to the COVID-19 pandemic, the state/territory and Federal governments have imposed social distancing restrictions which have been, and may continue to be, disruptive to the operations of the business.</p> <p>COVID-19 restrictions may disrupt, and may continue to disrupt, the Company's operations, including retail stores, warehouse and distribution operations. Such restrictions may, directly and indirectly, have a material adverse impact on the financial and/or operational performance of the Company.</p> <p>For more information, refer to Section 4.2.10.</p>
COVID-19 supply chain impact	<p>An increase in the spread of COVID-19 may create an adverse impact on the Company's supply chain. If the Company's supply chain is disrupted, it may have a material adverse effect on financial and/or operating performance.</p> <p>For more information, refer to Section 4.2.11.</p>
Inventory management	<p>Universal Store relies on its inventory management systems to manage stock levels and to assist with forecasting stock purchases. Maintaining inadequate or excessive inventory levels may adversely affect the Company's future financial position and performance.</p> <p>For more information, refer to Section 4.2.12.</p>
A change in the nature of youth social activity could occur	<p>There is a risk that significant changes in the way in which young people socialise may adversely affect the Company's future financial position and/or operating performance.</p> <p>External factors beyond the control of Universal Store (for example, government imposed COVID-19 restrictions) may suppress the capacity or willingness of young people to socialise in the manner and/or frequency with which they previously socialised. This in turn may impact the Company's sales, which may have a material adverse impact on the Company's future financial position and/or operating performance.</p> <p>For more information, refer to Section 4.2.13.</p>

1. Investment overview Continued

TOPIC	SUMMARY
Seasonal trading patterns may change unexpectedly	<p>Universal Store's sales are subject to seasonal patterns. If Universal Store were required to sell a significant volume of its products at deep discounts for a sustained period to clear surplus inventory, this could reduce the business' gross profit margin, and could adversely affect Universal Store's financial performance and brand. Equally, if Universal Store does not sell through any excess, or aging stock, it can accumulate and congest stores and distribution facilities and reduce the appeal of the range offered to customers.</p> <p>For more information, refer to Section 4.2.14.</p>
Universal Store may be in contravention of leases	<p>Universal Store operates from all leased premises. Currently, Universal Store operates 65 bricks and mortar stores and plans to open more in the future.</p> <p>If the relevant Universal Store entities do not satisfy their obligations under the relevant change of control provisions that may be triggered by virtue of the Offer, the relevant Universal Store entities may be in breach of their leases and the relevant landlords may take actions adverse to Universal Store, which in turn may result in variations to lease terms or store closures. This may have a material adverse impact on Universal Store.</p> <p>For more information, refer to Section 4.2.15.</p>
Universal Store may be unable to renew leases, or open new stores, on acceptable terms	<p>Universal Store operates its business from leased premises in shopping centres, typically in highly sought-after areas of these shopping precincts.</p> <p>Universal Store's financial performance and future growth are dependent on its ability to both retain existing store sites and secure new store sites in suitable locations and on acceptable terms.</p> <p>For more information, refer to Section 4.2.16.</p>
Management may be unable to achieve growth objectives	<p>In recent periods, Universal Store has experienced significant revenue growth and Universal Store intends to continue growing its operations. Universal Store has assumed future growth rates for its business and these assumptions are informed by historical growth rates and assume a continued ability to attract and retain customers. Universal Store's historical growth rates may not be sustainable or indicative of future growth.</p> <p>Such execution failure may adversely affect Universal Store's ability to grow the revenue of the business and this may adversely affect its future financial and operational performance.</p> <p>For more information, refer to Section 4.2.17.</p>
Underpayment of wages and failure to comply with industry awards	<p>Despite a number of controls in place in an effort to ensure compliance with all employment laws, there is a risk that an issue with underpayment of employees could occur within Universal Store's physical store network.</p> <p>Underpayment of employees could have significant consequences for Universal Store's reputation and a negative financial impact on the business.</p> <p>For more information, refer to Section 4.2.18.</p>
Other risks	<p>The above risks are a summary of some of the key risks associated with an investment in Universal Store, but they are not an exhaustive list of all the key risks that may affect Universal Store or that may be associated with an investment in the Shares. A number of other key risks are included in Section 4, and investors should review all of these carefully before making an investment decision.</p> <p>For more information, refer to Section 4.</p>

1.5 DIRECTORS AND SENIOR MANAGEMENT

TOPIC	SUMMARY
Who is on the Board of Directors of Universal Store?	<p>Alice Barbery – Chief Executive Officer and Executive Director</p> <p>Peter Birtles – Chair and Non-Executive Director</p> <p>Kaylene Gaffney – Non-Executive Director</p> <p>David MacLean – Non-Executive Director</p> <p>Srdjan Dangubic – Non-Executive Director</p> <p>Trent Peterson – Non-Executive Director</p> <p>For more information, refer to Section 5.1.</p>
Who are the key executives of Universal Store's senior Management?	<p>Alice Barbery – Chief Executive Officer</p> <p>Renee Jones – Chief Financial Officer</p> <p>George Do – Head of Product</p> <p>James Cameron – Head of Marketing and Digital</p> <p>Eddie MacDonald – Interim Chief Financial Officer</p> <p>For more information, refer to Section 5.2.</p>

1. Investment overview Continued

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY				
Who are the Existing Shareholders and what will their interest in the Company be immediately following Completion?	Details of the ownership of Shares as at the Prospectus Date and following Completion of the Offer are set out below:				
		Shares held immediately prior to Completion		Shares held on Completion	
	Shareholder	Number	%	Number	%
	BB Retail Capital	24,000,000	38.03%	12,000,000	16.39%
	Five V Capital	9,345,000	14.81%	4,672,500	6.38%
	Mountainview Trust ^{1,3}	9,000,000	14.26%	4,500,000	6.15%
	Alice Barbery	3,187,035	5.05%	2,230,924	3.05%
	George Do	3,187,035	5.05%	2,230,924	3.05%
	Catalyst Direct Capital Management	2,250,000	3.57%	1,575,000	2.15%
	James Cameron	1,805,988	2.86%	1,264,192	1.73%
	Renee Jones	583,333	0.92%	583,333	0.80%
	Other Management Shareholders	533,335	0.85%	533,335	0.73%
	Non-Executive Directors ²	950,000	1.51%	587,500	0.80%
	Other Existing Shareholders ¹	8,261,064	13.09%	4,130,532	5.64%
	New shareholders	–	–	38,887,596	53.13%
Total	63,102,790	100%	73,195,836	100.0%	
Notes:					
1. Mountainview Trust and certain of the Other Existing Shareholders currently have a beneficial interest in Shares which are managed by Five V Capital, and separately held on bare trust by one or more entities controlled by Five V Capital. On Completion, the Shares that are held on bare trust for Mountainview Trust and certain Other Existing Shareholders and are not sold as part of the Offer will be transferred to Mountainview Trust and certain of the Other Existing Shareholders, who will then hold the Shares directly (and independent of Five V Capital). The pre-Completion figures for these Existing Shareholders have been included in the table above for illustrative purposes only.					
2. For more information in relation to Shares held by the Directors, please see Section 5.3.2.4.					
3. Mountainview Trust is an entity associated with Ray Itaoui.					
On or about Listing, each Existing Shareholder will receive a Pre-IPO Dividend of up to \$0.54 per Share held at the Prospectus Date. The payment of the Pre-IPO Dividend is conditional on Completion of the Offer.					
For more information, refer to Sections 6.2 and 8.4.2.					

1. Investment overview Continued

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1.7 FINANCIALS AND DIVIDEND POLICY

TOPIC	SUMMARY																														
What is Universal Store's historical and forecast financial performance?	<p>A select summary of Universal Store's Pro Forma Financial Information and Statutory Financial Information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 3, including the assumptions, Management discussion and analysis and sensitivity analysis, as well as the key risks set out in Section 4.</p> <p>This Prospectus presents the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Forecast Financial Information on a consistent basis, prior to the adoption of AASB 16 <i>Leases</i>. The Directors believe that presentation of the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Forecast Financial Information on this basis is more meaningful to investors and assists readers of the Prospectus to assess the performance of Universal Store under metrics which are better understood. Refer to Section 3.2.2 for further information on the impacts of this new accounting standard, and Section 3.4.2 for a reconciliation of the pro forma financial information with and without the impact of the accounting standards.</p> <p>The Pro Forma Financial Information is shown inclusive of the net JobKeeper benefit received, which equated to \$3.2 million in FY20 and \$6.5 million in LTM Sep20F. Refer to Section 3.6.8 for an explanation of the impact of JobKeeper on the Company's results.</p>																														
	<table><tr><th></th><th colspan="3">Pro Forma Historical Results</th><th>Pro Forma Forecast Results</th></tr><tr><th>\$ millions</th><th>FY18</th><th>FY19</th><th>FY20</th><th>LTM Sep20F</th></tr><tr><td>Revenue</td><td>112.3</td><td>146.5</td><td>154.9</td><td>161.4</td></tr><tr><td>EBITDA</td><td>15.7</td><td>24.2</td><td>27.3</td><td>32.7</td></tr><tr><td>EBIT</td><td>13.5</td><td>21.2</td><td>23.7</td><td>28.9</td></tr><tr><td>NPAT</td><td>9.1</td><td>14.3</td><td>16.2</td><td>19.9</td></tr></table>		Pro Forma Historical Results			Pro Forma Forecast Results	\$ millions	FY18	FY19	FY20	LTM Sep20F	Revenue	112.3	146.5	154.9	161.4	EBITDA	15.7	24.2	27.3	32.7	EBIT	13.5	21.2	23.7	28.9	NPAT	9.1	14.3	16.2	19.9
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<p>The Pro Forma Historical and Pro Forma Forecast Financial Information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Sections 3.2 and 3.3 and is subject to the risks set out in Section 4. The Pro Forma Financial Information may vary from the Statutory Financial Information primarily due to Universal Store's capital structure following Completion, the elimination of certain non-recurring items of income and expenditure, the historical financial performance of acquisitions made during the historical financial period and the application of AASB 16.</p> <p>For more information, refer to Sections 3.2 and 3.3.</p>																															
How will the Company fund its operations?	<p>Following Completion of the Offer, Universal Store's principal sources of funding are expected to be cash flow generated from operations, available cash on balance sheet and additional undrawn debt capacity in the New Debt Facilities.</p> <p>For more information, refer to Sections 3.5.4.</p>																														

1. Investment overview Continued

TOPIC	SUMMARY
What is Universal Store's dividend policy?	<p>The payment of a dividend by Universal Store is subject to the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results, cash flows and the financial condition of Universal Store, future funding requirements, expenditure associated with the opening of new stores or refurbishment of existing stores, capital management initiatives, taxation considerations (including the level of franking credits), any contractual, legal or regulatory restrictions on the payment of dividends by Universal Store and any other factors the Directors may consider relevant.</p> <p>The Directors intend to target a payout ratio of 60-80% of statutory NPAT. However, the level of payout ratio is expected to vary between periods depending on the factors above.</p> <p>For more information, refer to Section 3.9.</p>
When will the first dividend be paid?	<p>It is the intention of the Directors to pay interim dividends in respect of the half years ending 31 December and final dividends in respect of the half years ending 30 June each year. It is anticipated that interim dividends will be paid in or around April and final dividends will be paid in or around October following the relevant financial period. The Directors intend to frank dividends to the greatest extent possible.</p> <p>No dividend will be paid in respect of the half year to 31 December 2020 due to the timing of the Offer. The Directors anticipate that Universal Store's first dividend will be declared in relation to the seven months to 30 June 2021 and therefore expect Universal Store's first dividend to be paid in or around October 2021. The Directors expect this dividend to be fully franked.</p> <p>For more information, refer to Section 3.9.</p>

1.8 OVERVIEW OF THE OFFER

TOPIC	SUMMARY
Who are the issuers of this Prospectus?	<p>Universal Store Holdings Limited (ACN 628 836 484) and Universal Store SaleCo Limited (ACN 644 786 738).</p> <p>For more information, refer to Section 8.1.</p>
What is the Offer?	<p>The Offer is an initial public offering of approximately 38.9 million Shares at an Offer Price of \$3.80 per Share. The Shares offered under this Prospectus will represent approximately 53.1% of the Shares on issue on Completion of the Offer. The Offer is expected to raise approximately \$147.8 million (comprising approximately \$38.4 million from the issue of New Shares by the Company and approximately \$109.4 million from the sale of Existing Shares).</p> <p>A summary of the rights attaching to the Shares is set out in Section 6.16.</p> <p>For more information, refer to Section 6.1.</p>
What is the consideration payable for the Shares?	<p>Successful Applicants under the Offer will pay the Offer Price, being \$3.80 per Share.</p> <p>For more information, refer to Sections 6.1 and 6.5.</p>
What is the proposed use of proceeds raised in connection with the Offer?	<p>The Offer proceeds of approximately \$147.8 million will be applied to:</p> <ul style="list-style-type: none">• Repayment of existing corporate debt facilities;• Increase cash held by the Company;• Payment of the transaction costs associated with the Offer; and• Payments to Selling Shareholders. <p>For more information, refer to Section 6.1.2.</p>

TOPIC	SUMMARY
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • The Retail Offer, which consists of the: <ul style="list-style-type: none"> – Broker Firm Offer: which is open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker; and – Priority Offer: which is open to selected employees and investors in eligible jurisdictions who have received a Priority Offer Invitation; and • The Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions, made under this Prospectus. <p>For more information, refer to Sections 6.1, 6.6, 6.7 and 6.9.</p>
Is the Offer underwritten?	<p>Yes. The Joint Lead Managers have fully underwritten the Offer.</p> <p>For more information, refer to Section 8.6.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer has been determined by the Joint Lead Managers in agreement with the Company, having regard to the allocation policy outlined in Section 6.9.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide how they allocate Shares amongst their retail clients. The relevant Broker (and not Universal Store, SaleCo nor the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation of Shares from the Broker actually receive those Shares.</p> <p>With respect to the Priority Offer, the allocation of Shares to invitees is at the absolute discretion of Universal Store, provided that those allocations (in aggregate) do not exceed 1,315,789 Shares (or such higher number as the Joint Lead Managers and the Company agree). Universal Store and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. Universal Store and the Joint Lead Managers also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p> <p>For further information on the:</p> <ul style="list-style-type: none"> • Broker Firm Offer, see Section 6.6; • Priority Offer, see Section 6.7; and • Institutional Offer, see Section 6.9. <p>For more information, refer to Sections 6.6, and 6.5, 6.7 and 6.9.</p>
Who are the Joint Lead Managers for the Offer?	<p>The Joint Lead Managers are JP Morgan and UBS.</p> <p>For more information, refer to Section 8.6.</p>

1. Investment overview Continued

TOPIC	SUMMARY
Will the Shares be quoted on ASX?	<p>The Company will apply to ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, ASX under the code “UNI”.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Universal Store may be admitted to the Official List is not to be taken as an indication of the merits of Universal Store or the Shares offered for sale.</p> <p>For more information, refer to Section 6.5.</p>
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>For more information, refer to Section 6.5.</p>
What are the tax implications of investing in the Shares?	<p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 8.11.</p> <p>The tax consequences of any investment in Shares will depend upon an investor’s particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p> <p>For more information, refer to Section 8.11.</p>
How can I apply?	<p>Broker Firm Offer Applicants</p> <p>Broker Firm Offer Applicants may apply for Shares by completing the Application Form included in or accompanying this Prospectus, and lodging it with the Broker who invited them to participate in the Offer.</p> <p>Priority Offer Applicants</p> <p>Applicants under the Priority Offer may apply for Shares by following the instructions on how to apply in the Priority Offer invitation.</p> <p>Institutional Offer Applicants</p> <p>The Joint Lead Manager separately advised Institutional Investors of the Application procedure under the Institutional Offer.</p> <p>To the extent permitted by law, an Application received under the Offer is irrevocable.</p> <p>For more information, refer to Section 6.6, 6.7 and 6.9.</p>
What is the minimum Application size?	<p>The minimum Application under the Broker Firm Offer and Priority Offer is \$2,000 of Shares, and in multiples of \$1,000 of Shares thereafter.</p> <p>For more information, refer to Sections 6.5, 6.6 and 6.7.</p>

TOPIC	SUMMARY
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or around 19 November 2020.</p> <p>For more information, refer to Section 6.5.</p>
When can I sell my Shares on ASX?	<p>It is expected that trading of the Shares on ASX will commence on or about 16 November 2020, initially on a conditional and deferred settlement basis.</p> <p>Shares are expected to commence trading on an unconditional and deferred settlement basis on or about 16 November 2020.</p> <p>Shares are expected to commence trading on an unconditional and normal settlement basis on or about 18 November. It is the responsibility of each Applicant to confirm their holding before trading in Shares.</p> <p>Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>Universal Store, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Universal Store Information Line, by a Broker or otherwise.</p> <p>For more information, refer to Section 6.5.</p>
Can the Offer be withdrawn?	<p>The Company may withdraw the Offer at any time before the issue of Shares to Successful Applicants or bidders under the Offer.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p> <p>For more information, refer to Important Notices.</p>
Where can I find out more information about this Prospectus or the Offer?	<p>If you have any questions in relation to the Offer, contact the Universal Store Offer Information Line on 1300 553 490 (toll free within Australia) or +61 1300 553 490 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.</p> <p>This document is important and should be read in its entirety.</p> <p>If you are unclear in relation to any matter, or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p> <p>For more information, refer to Important Notices, Key Dates and Section 6.5.</p>

2.

Company and industry overview



2. Company and industry overview

2.1 OVERVIEW OF UNIVERSAL STORE

Universal Store is a specialty retailer of youth casual apparel that operates 65 physical stores across Australia and a fast-growing online store.

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.

Universal Store's product range comprises a selection of third party brands (approximately 70% of FY20 revenue) and Company owned brands (approximately 30% of FY20 revenue) (**private brands**), spanning various categories including womenswear (approximately 52% of FY20 revenue), menswear (approximately 40% of FY20 revenue) and unisex items (approximately 7% of FY20 revenue).

Universal Store's physical stores are typically located in shopping precincts and malls. The average store size is 248 sqm. Universal Store has a track record of successful store roll-out, with 42 stores opened and only two closures since the end of FY14. The Company believes the opportunity to continue to expand the store footprint in Australia is attractive.

The physical stores operate in tandem with an online channel that dispatches from the store network (ship-from-store) and a central distribution centre in Queensland. The online channel has shown strong growth over recent years (approximately 59% revenue growth in FY20), contributed approximately 9% of revenue in FY20 and represents a significant growth opportunity. These channels combine to deliver customers with a flexible, omni-channel shopping experience. The strength of Universal Store's omni-channel capabilities was reaffirmed during COVID-19 as social distancing, store shutdowns and government mandated restrictions reduced store foot traffic but accelerated online sales growth.

Universal Store has a strong track record of delivering earnings growth, driven by a combination of consistently strong Like-for-Like⁴ sales growth, store roll-out and operating leverage (increasing EBIT margins). As a result of these factors, pro forma EBIT grew at a CAGR of 32% over FY18-20. Management expects future Like-for-Like sales growth and revenue growth to come from range differentiation and dynamic curation; growth of the portfolio of private brands; expansion of the store network; and prioritisation of online experience and integration with physical stores.

2.2 THE UNIVERSAL STORE APPROACH

2.2.1 Overview

Universal Store is one of Australia's leading youth-focused apparel retailers. Management attributes its success to the culture of Universal Store, its differentiated retail formula and an intense focus on strong execution.

Universal Store's track record of success cannot be attributed to any one of these factors in isolation of the others. It is continuous refinement and consistent focus across these aspects that Management believes has driven its success. Management expects this approach to continue to support the success of Universal Store in the future.

4. Like-for-Like (**LFL**) sales growth is calculated as a percentage change of the sales generated from stores, compared to the sales from those same stores in the relevant corresponding period. New stores are included in LFL calculations once the store has traded for 55 weeks (reflecting one year plus an initial three week "ramp up" period). Closed stores are excluded from LFL calculations from the date of closure. This includes stores that were closed due to COVID-19, with these stores excluded from LFL sales growth calculations for the weeks that they were closed. Refurbished, resized or stores relocated in the same centre remain in the LFL calculations. LFL sales are measured excluding ticket sales, freight income, gift card income and fundraising revenue. LFL sales are calculated on a "retail week" basis, rather than a financial/calendar month basis. For example, LFL sales for FY20 relates to the 52 week period ended 28 June 2020.

2. Company and industry overview Continued

Figure 1: The Universal Store difference



2.2.2 Universal Store culture

A cornerstone of Universal Store's success is its culture. Management believes that culture is a genuine differentiator for Universal Store and not a marketing buzzword. Although it is difficult to quantify, it is Management's view that culture manifests in the Company's consistent, continuous and strong financial performance.

The Universal Store culture is observable in the strategy and operation of all areas of the business. It is visible in the focus on in-store service and extends more broadly to the way the Company treats and engages with customers, employees and business partners.

Management believes that culture begins with employees. The Company embraces the practice of "hiring for attitude, training for skill", recognising that its employees create the Universal Store difference. Management sees its low turnover of employees as an important pillar of its consistent results. The Company also prefers, where appropriate, to promote employees from internal positions rather than hire from external organisations. This aims to strengthen and preserve the Universal Store culture and reward those who consistently demonstrate these values and behaviours.

Universal Store's culture is underpinned by the importance the Company places on the customer and those who serve the customer. When making a business decision, Management asks – "is this what our customer wants and needs?", and "does this enable our team members to best deliver on those customer wants and needs?".

Management seeks to encourage the behaviours that contribute to successful teamwork and which indicate genuine customer satisfaction. Decisions are intended to prioritise customer experiences and long-term relationships over short-term goals. The Company has consistently demonstrated that execution of the right behaviours and strategies will lead to continued and sustainable retail success, including sustained track record of above market Like-for-Like sales growth from its physical stores.

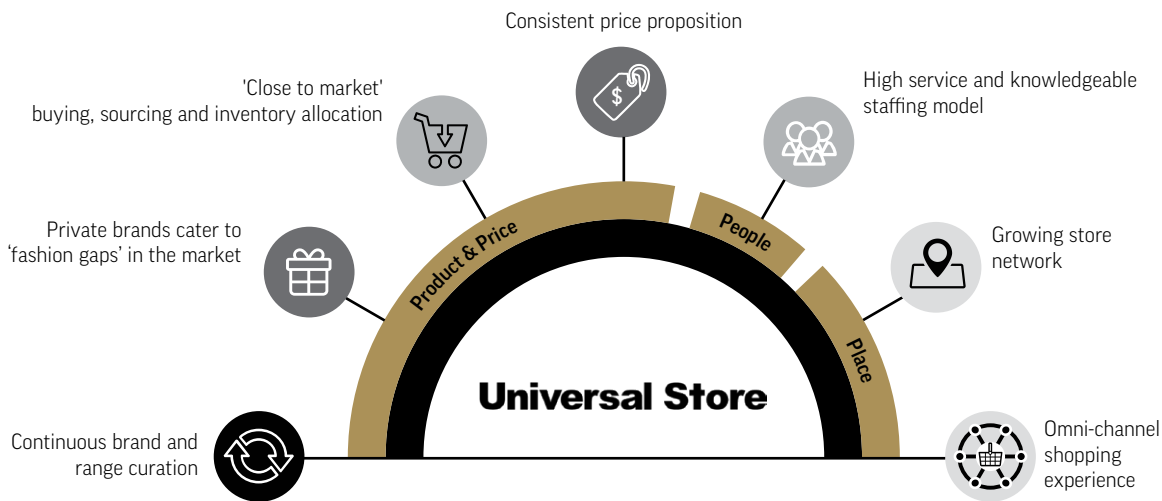
The Universal Store culture is also evident in the Company's relationships with product suppliers. Management encourages a collaborative approach to range development, marketing, pricing and merchandising with its suppliers. Management believes that a shared goal of success and performance with suppliers helps to facilitate the Company's customer-needs targeted requests, such as its 'close to market' buying strategy.

Management is committed to maintaining a supported, engaged and aligned workforce and believes this culture commitment will continue to be a key driver of the Company's sustained run of strong Like-for-Like sales and profitability growth.

2.2.3 Universal Store retail formula

The retail formula represents the qualities, strategies and practices that combine to deliver the experience a customer receives when they shop with Universal Store.

Figure 2: Universal Store's retail formula



2. Company and industry overview Continued



Universal Store utilises **continuous brand and range curation** processes to deliver a differentiated, in-demand and relevant selection of products. The Company regularly refreshes its range by introducing new brands and products, up to three times per week in most stores. The frequent introduction of new brands, products and styles helps the range remain relevant and on-trend and allows the Company to be more responsive to changing customer tastes. Importantly, newness underpins and drives customer frequency.

Universal Store also co-develops limited supply and exclusive run products (from third party and private brands) to provide a key point of difference for customers. This approach encourages customers to visit Universal Store more frequently, contributes to a customer's 'fear of missing out' and drives impulse purchases. Maintaining a selection of exclusive products also protects Universal Store from competitive discounting, as customers are unable to obtain its ranges from competitor stores.



Universal Store's collection of exclusive **private brands caters to 'fashion gaps' in the market**. Regular sales data and weekly store feedback assist the buying team in identifying unmet demand for products and styles. Private brand products are designed in-house and typically sourced within 6-10 weeks to fulfil this demand. Items may be complementary, 'complete the look' products (e.g. a private brand shirt which would match a popular style of third party branded jeans) or alterations of an existing item (e.g. a different cut of an in-demand style). A key strength of the private brand offering is its flexibility to fill gaps in third party ranges.



Universal Store's **'close to market' buying, sourcing and inventory allocation** practices are designed to better meet changing fashion trends and capture opportunities. Processes have been developed that aim to enable Universal Store to respond faster and more accurately to changing fashion trends or gaps in the range. These include preserving a level of product selection, design decisions and commitments to product suppliers on a portion of the range until more 'in-season' trends or gaps in the product range become clearer.

Inventory allocation decisions are also made closer to delivery, allowing the Company to undertake a detailed analysis of data and unique customer behaviour to each market, to better inform where highest demand is most likely. This recognises that fashion trends resonate differently across the store network based on climate and customer behaviour of the catchment. This approach reduces the risks associated with forecasting customer demand and fashion trends on long lead times. It also seeks to better respond and therefore maximise sales arising from unexpectedly strong or new trends as they commercialise into the mainstream youth apparel market.

During COVID-19, this strategy allowed Universal Store to pivot towards lounge and comfort wear as social distancing and government mandated restrictions were imposed and customers spent more time at home. It also enabled Universal Store to pivot and provide party attire to states such as Western Australia where social distancing restrictions were largely eased. Universal Store has never embraced a 'one size fits all' strategy and the Company was rewarded strongly for this during COVID-19.



Universal Store offers customers a **consistent price proposition** to build customer trust. The Company does not use a 'high-low' promotional pricing strategy which is commonly observed in specialty retailing of apparel and footwear in Australia. The Company rarely runs prolonged discount-oriented promotions. Discount-oriented promotional activity is limited to participation in targeted industry events (e.g. Black Friday or Boxing Day), store opening launches and infrequent, limited and targeted seasonal sales. The extent of discounting is also relatively shallow when compared to that of a number of direct competitors. The Company believes that frequent, recurring and deep discounting can damage trust and brand loyalty for customers who have paid full price for an identical item. Management also believes that prolonged discounting can reduce the perceived value of the product and shopping experience, creating a level of customer uncertainty about executing a purchase. Customers may also delay purchases in the expectation of regular seasonal promotions. This strategy also allows Universal Store to maintain strong and consistent gross profit margins.



Management believes that Universal Store's **high service and knowledgeable staffing model** is increasingly a differentiator in its market. Stores are staffed by carefully screened, well trained and knowledgeable employees who assist customers in the buying process, offering outfitting advice and seek to provide a friendly, inclusive store environment. The Company's high customer service model is one point of differentiation in the retail market, particularly compared with pure-play online retailers and department stores. Training and hiring policies focus on employees who share the Company's values of caring, assisting and excellence. Most store employees are also a similar age and share the same interests as the target customer. Employees support customers in the browsing and buying process by offering advice and seeking to connect on a personal level, understanding their needs (e.g. an event or an occasion) and helping them co-ordinate an outfit. Universal Store prides itself on making all customers feel welcome, regardless of age, sexual orientation, gender, race, size, ethnicity, fashion tastes, sub-culture and budget.



Universal Store has a well performing and **growing store network** throughout Australia. The Company has successfully expanded its store network to all mainland states and territories, after initially establishing a presence in Queensland. The Company has developed a robust site identification and roll-out process, focusing on network gaps and demographic factors to identify priority locations. Universal Store believes there is capacity for a further 40-60 new stores throughout ANZ, predominantly located in New South Wales and Victoria where Management believes Universal Store is underrepresented. Since inception, only four stores have been closed and all stores in the network during FY20 were profitable. The economics of a new store are attractive. New stores can be opened in 9-11 weeks from agreeing on commercial terms with a landlord, with a typical payback period of 12-14 months.^{5,6}



Universal Store offers customers an **omni-channel shopping experience** spanning in-store and online on a flexible and channel agnostic basis. The Company encourages its customers to browse, execute purchases, collect those purchases and make returns or exchanges across its channels. Both channels are profitable and work on a complementary basis. Universal Store's website (www.universalstore.com) and social media channels are key tools for customer research and purchasing inspiration. The Company's omni-channel strategy has substantial advantages over single channel players (including pure-play online retailers) as it provides access to the full retail market, both online and in-store. Management acknowledges that the vast majority of retail purchases are still conducted in physical stores – even in advanced digital countries. Since 2018, this strategy has been further elevated in importance and the rate of investment by the Company in its digital capabilities has significantly increased.

The Company's omni-channel capabilities allowed it to trade strongly through COVID-19 as customers seamlessly pivoted to shopping online while stores remained closed or inaccessible. Universal Store was also able to leverage its store network to fulfil online orders via a ship-from-store model. Further investment (including launching click-and-collect in FY21) will facilitate fulfilment of more online sales from stores and create a more convenient and flexible shopping experience for customers. Universal Store has prioritised the further integration of online and in-store to deliver a true omni-channel experience.

The Company has iteratively refined the Universal Store retail formula since its inception. Over the last six years, two important strategic decisions were made which further enhanced the Universal Store retail formula. These were:

- Since 2014, the private brand offering has been materially expanded. This increased product range differentiation, benefited gross margins, filled range gaps in third party brands, promoted a more complete approach to outfitting and mitigated the risks associated with third party supplier reliance. This decision involved significant investment in in-house product design and product sourcing capabilities; and
- Since 2016, the Company has begun expanding its e-commerce and digital marketing capabilities. This involved investment in web development, digital marketing and content creation capabilities. Online penetration remained low until the Company accelerated its investment in e-commerce in 2018 with the support of its new Shareholders and Board. In the last 12 months, this strategy has focused on the integration of the online and physical store channels to allow them to operate in a cohesive, omni-channel manner. This investment is ongoing and a key focus area for Universal Store (discussed in detail in Sections 2.8 and 2.12.4).

These two decisions have contributed materially to the growth and improved financial performance of the Company over the last 3-5 years.

5. Depending on opening month due to seasonality of earnings.

6. Metrics based on average two year store 'ramp-up' profile for stores opened from FY15 onwards (and had been open for at least two years as at December 2019).

2. Company and industry overview Continued

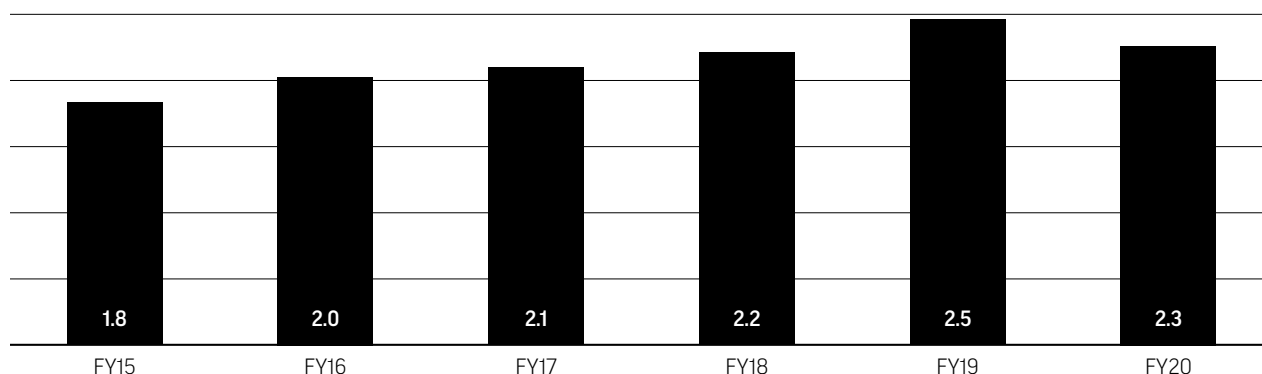
2.2.4 Strong execution and superior results

Universal Store is committed to executing its retail formula. Strong execution ensures that the qualities, strategies and practices it promises are delivered.

In executing the formula, Management set ambitious goals and established a clear message with employees about these goals. The success of this is evidenced in the Company's financial performance (outlined in Figure 1) which Management believes is the clearest indication of the strength of Universal Store's culture, retail formula and strong execution.

Universal Store's results are differentiated by both its five year track record of double-digit Like-for-Like sales growth and the extent of contribution to these results from the physical store network. The Company's physical stores continue to grow and perform strongly. The compounding impact of this consistent Like-for-Like sales growth is the increase of average revenue per physical store from approximately \$1.8 million per store in FY15 to \$2.5 million in FY19 (FY20 and LTMSep20F (\$2.3 million per store) were adversely impacted by the store closure period associated with COVID-19). It is this growth that tangibly demonstrates the effectiveness of the Company's strategy and the growing popularity of its physical stores.

Figure 3: Average revenue per physical store (\$m)⁷



2.3 COMPANY HISTORY

Universal Store was founded in 1999 by brothers Greg and Michael Josephson in Brisbane, Queensland. The first store was opened in Carindale, Queensland that year.

Universal Store's initial objective was to be an on-trend retailer of casual street and urban apparel, selling a selection of sought-after domestic and international brands. The Company identified this perceived gap initially in the Queensland market where similar retailers were not as well established. This focus on delivering a wide range of fashionable youth brands combined with high service has been consistent since inception.

The Company opened its 10th store in 2007, with the footprint concentrated in Queensland at this time. In 2006, the first store was opened in Sydney, although closed shortly thereafter in 2008 – one of only four store closures ever. This was followed by openings in Melbourne in 2012 and Perth in 2014. The Company re-entered the New South Wales market with a store opening in 2013 and expanded thereafter.

The online store was launched in January 2012. During the same year, the Company launched its first private brand. The private brand strategy was materially accelerated in 2014 in response to a perceived opportunity and gaps in the range.

By the end of FY15, the Company had grown to 31 physical stores across Australia. During this period, the Company refined its offering, broadened the range and opened more and larger stores. Since 2015, Universal Store has continued to expand its physical store network, currently operating 65 stores across seven Australian states and territories.

In 2016, the Company identified an opportunity to accelerate investment in its in-house e-commerce, fulfilment and digital marketing capabilities. Its headcount in these areas was significantly underinvested with only six employees in 2016. This has subsequently grown to 20 currently, with material further investment during 2018-2020, supported by the elevated focus on this area from its new Shareholders.

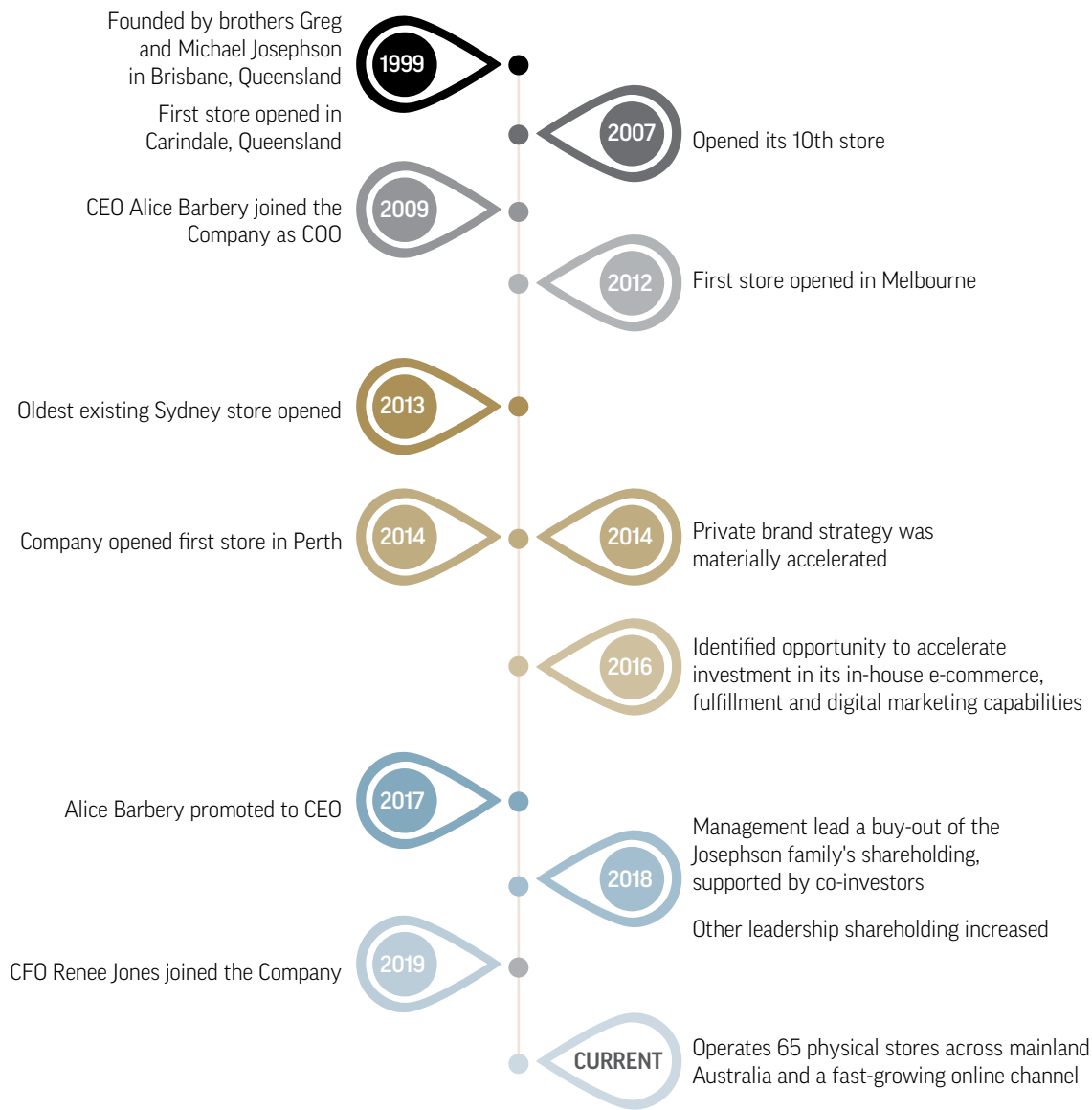
7. Average revenue per physical store is equal to the total physical store revenue generated in the period divided by the number of physical stores in the same period (average of the number of physical stores at the beginning and end of the period).

The Universal Store Management team comprises a number of long-standing employees. CEO, Alice Barbery, joined the Company as COO in 2009. Alice was promoted to CEO in March 2017. Other Management personnel include Renee Jones (CFO) who joined the Company in 2019, George Do (Head of Product) who joined the Company in 2005 and James Cameron (Head of Marketing and Digital) who joined the Company in 2016.

In October 2018, Management led a buy-out of the Josephson family's shareholding, with support from co-investors comprising Five V Capital (an Australian growth capital fund) and Catalyst Direct Capital Management (established by Trent Peterson), investing in partnership with BB Retail Capital (the investment vehicle of Brett Blundy).

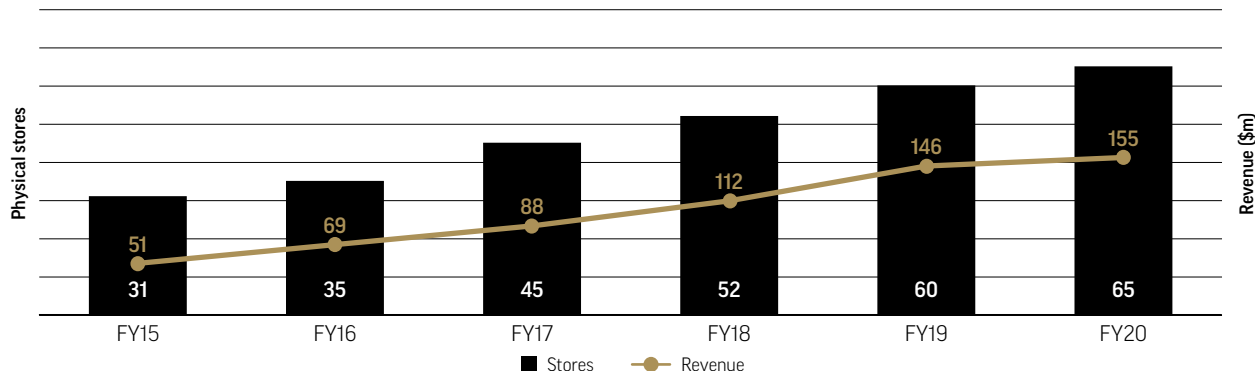
A decision was also made in 2018 by the new Shareholders to increase Share ownership participation within the Universal Store leadership team.

Figure 4: Company history



2. Company and industry overview Continued

Figure 5: Historical physical stores and revenue⁸



2.4 INDUSTRY OVERVIEW/COMPETITIVE LANDSCAPE

Universal Store operates within the clothing, footwear and accessories market in Australia. Australian Bureau of Statistics estimates the size of this market to be approximately \$24 billion in FY20.⁹ This retail market includes businesses operating physical and online stores. Most significant businesses that operate physical stores also maintain an online store. There are also a number of pure-play online retailers of fashion who do not operate shop fronts.

Online sales represent a significant component of retail spend. Australia Post estimates that online sales in Australia accounted for approximately 11% of total retail spend during 2019.¹⁰ Fashion and apparel remain the most popular items for online shopping, comprising one-third of all online purchases. COVID-19 has had a material impact on the way in which consumers shop, particularly online. Social distancing, self-isolation and physical store closures have meant that more people have been forced to shop at home and online. This has increased the penetration of online sales¹¹ and driven year-on-year growth of 95% in April 2020.¹² Although it is unclear how online shopping will look post COVID-19, Australia Post believes that by the end of 2020, online spend will account for 15% of the total retail market. This has prompted shoppers and retailers to adapt to online shopping levels as a 'new normal'.

Figure 6: Australia Post 2019 retail sales estimate by channel

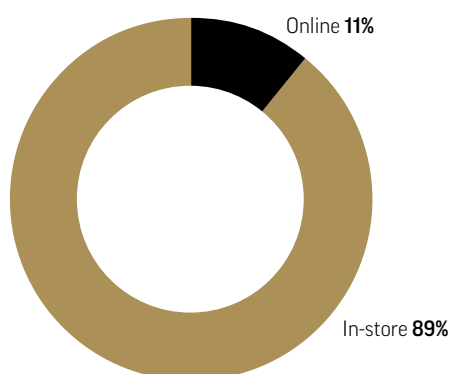
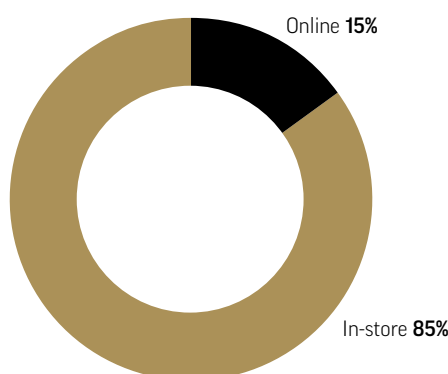


Figure 7: Australia Post 2020 retail sales estimate by channel (forecast)



8. Store count at year end.

9. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).

10. Australia Post, Inside Australian Online Shopping (2020 eCommerce Industry Report).

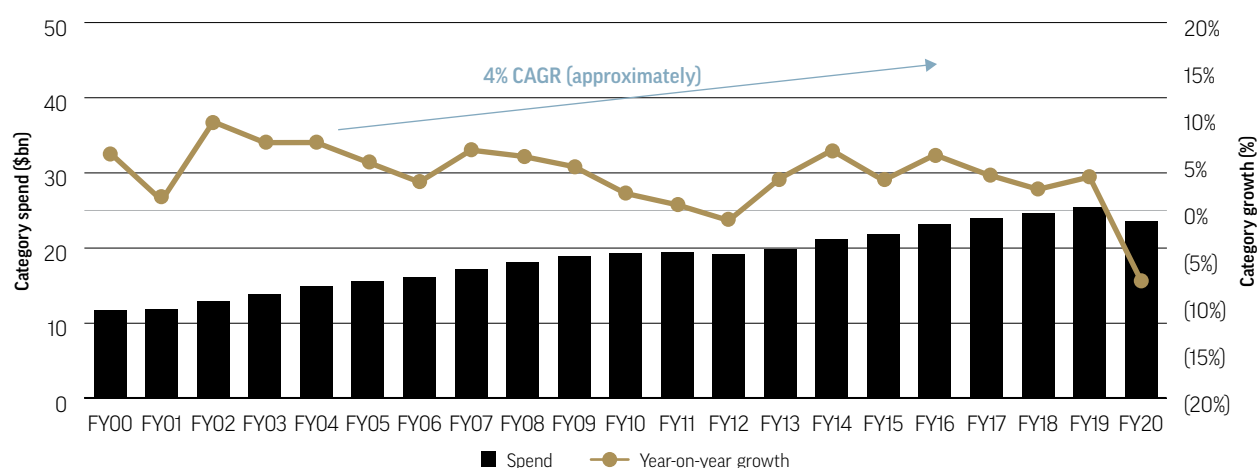
11. Penetration is defined as online sales as a % of total company sales.

12. Australia Post, Inside Australian Online Shopping (2020 eCommerce Industry Report).

During COVID-19, multi-channel online retail has grown at a faster rate than pure-play online retail. Multi-channel online retail includes retailers that combine an online store with a physical store. Australian Bureau of Statistics data since May 2020 outlines significant growth of multi-channel online retailing (up 10.1% during July 2020) versus pure-play online retail (up 0.1% during the same period).¹³ Only during April 2020 – when social distancing, government mandated restrictions and retail closures were most wide-spread – did pure-play online retail outperform.

Australian Bureau of Statistics clothing, footwear and accessories spend data also shows strong headline category growth since 2000 and an upward trend in spending. During this time the market has grown at a CAGR of approximately 4% with only two periods (FY12 and FY20) recording a negative growth rate. Spend in these categories was impacted by Australia-wide lockdown measures during the initial stages of COVID-19, declining 54% in April 2020.¹⁴ As a result, fiscal and monetary policy measures have been implemented to stimulate consumption and spending. These measures include record low interest rates and targeted government assistance packages.¹⁵ Clothing, footwear and accessories spend has subsequently grown 129% and 21% in May and June, respectively.¹⁶

Figure 8: Australian Bureau of Statistics clothing, footwear and accessories spend¹⁷



Universal Store operates within a segment of the broader fashion market, the youth casual apparel market. This segment comprises approximately seven million people aged 16-35, creating a large addressable market.¹⁸ This population segment has also experienced above average growth since 2000, compared to the population of 0-15 year olds and 36-50 year olds. These features combine to create a sizeable and growing potential customer base.

Data on the youth casual apparel segment of the market is scarce and so the size is more difficult to quantify. However, Management believes that the youth casual apparel segment has achieved above market growth rates over recent years, relative to the broader Australian fashion market as a whole. This has been supported by a number of favourable tailwinds which have provided Australian youths with growing income levels and a higher proportion of their income for spend on discretionary items.

While data that supports the presence of the individual tailwind factors is available, there is no known aggregated independent quantification of the size and trends in the Australian youth casual apparel segment.

13. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia, Appendix 1 Experimental Estimates of Online Retail Turnover. Multi-channel online retail trade comprises retailers which combine an online store with a physical store and/or other non-traditional means such as catalogues, mail-order and/or telephone-order.

14. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).

15. Philip Lowe (Reserve Bank of Australia Governor), Monetary Policy Decision, 1 September 2020.

16. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).

17. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).

18. Australian Bureau of Statistics, Data series 3101.0, Australian Demographic Statistics. Data available to June 2019.

2. Company and industry overview Continued

The factors that Management believes are contributing positively to the growth of the youth casual apparel segment of the market over the last five years include:

- A. Changing trends in major life events and long-term savings goals:** Australian youths are deferring traditional major purchases (e.g. houses¹⁹) as well as major life decisions (e.g. marriage²⁰ and having children²¹) until later in life. Concurrently, young adults are also relying on parental financial support for longer than traditional generations. For example, 20-24 and 25-29 year old Australians were 1.7% and 1.3%, respectively, more likely to live with their parents in 2016 than they were in 2011. These factors combine to effectively defer what would otherwise be a constraint on discretionary spending.²²
- B. Large student numbers in Australian universities:** University students are a core target customer for Universal Store. Prior to COVID-19 border closures, there were more students enrolled in tertiary education in Australia than ever before.²³ Increasing numbers of students are also supported by favourable government financial support schemes (Australia's Higher Education Loan Program (HELP))²⁴ providing this growing segment with increased discretionary spending power. This segment has been impacted by COVID-19 restrictions, although it is expected to benefit from relaxed travel restrictions and easing of social distancing requirements as university students return to on-campus learning;
- C. High and growing income levels:** Australian youths enjoy high discretionary spending power, supported by a high minimum wage and favourable demographic trends. The Australian minimum wage is the second highest of all OECD countries (62% higher than the average in 2019)²⁵ and continues to rise (3% in 2019)²⁶. Further, the tax free threshold that applies to low income earners in Australia increased materially in 2012-2013, providing low income earners with additional disposable income. In the short and medium term, the receipt of government stimulus by young adults during COVID-19 is also expected to be a benefit to retailers;
- D. Shifts in spending patterns:** Young Australians are increasingly spending money on experiences and discretionary items (e.g. travel, entertainment, media, beauty, cafes and restaurants)²⁷ and less on pursuing traditional long-term savings goals such as buying cars and houses.²⁸ An example of this is the increasing attendance at festivals and live music events, which Management believes is a factor contributing to the growth of expenditure on casual apparel. Although COVID-19 and social distancing measures have temporarily delayed large scale events, Management has observed customers continuing to dress for other gatherings, particularly in states and territories where social distancing restrictions have eased. Additionally, there is evidence that money saved from the cancellation of travel and event plans as a result of COVID-19 is being redirected across a range of goods and services;
- E. Adoption of Buy Now Pay Later (BNPL) products in Australia:** BNPL products are providing Australian youths with easier access to finance products. BNPL services have experienced very strong growth amongst Australian shoppers²⁹ and continue to grow rapidly. Adoption of BNPL services is also highest amongst 18-35 year olds.³⁰ These accounts support spending on discretionary personal items (such as fashion) compared to the broader potential usage of traditional credit cards. The increased adoption of BNPL services since COVID-19 is expected to be a net benefit to the youth retail market; and
- F. Casualisation of workplace and study attire:** A number of the significant trends and changes in the Australian workforce include employers offering more flexible working hours and locations of work (e.g. working from home, shared workspaces and cafes).³¹ This trend had been accelerated by COVID-19 as more employees mandatorily or voluntarily work from home. Management believes that traditionally formal workplaces have become more accepting of casual attire in a work environment. A similar casualisation of study wear has been observed during COVID-19 as university studies move online and students learn in the relaxed environment of their homes. Management believes these factors are contributing to growth of the casual fashion segment.

Management's view is that these items combine to provide Australian youths with growing income levels and a higher proportion of their income for expenditure on discretionary and disposable items. It believes this has translated into higher growth in the youth apparel segment over recent years.

19. Australian Government, Australian Institute of Health and Welfare, Home ownership and housing tenure, Released 7 August 2020.

20. Australian Government, Australian Institute of Family Studies, Marriage rates in Australia.

21. Australian Government, Australian Institute of Family Studies, Birth in Australia.

22. Australian Government, Australian Institute of Family Studies, Young people living with their parents.

23. Australian Government, Department of Education, Skills and Employment, 2018 Student summary tables.

24. Australian Taxation Office, HELP statistics 2018-19, Table 6, Updated 24 October 2019.

25. Organisation for Economic Co-operation and Development (OECD), Real Minimum Wages.

26. Fair Work Ombudsman, Annual Wage Review 2018-19 (C2019/1).

27. National Australia Bank, Special Insight Report, the 'Experience Economy'. Which businesses are delivering in the eyes of consumer, Released May 2018.

28. Australian Government, Australian Institute of Health and Welfare, Home ownership and housing tenure, Released September 2019.

29. The Reserve Bank of Australia's Review of Retail Payments Regulation: Issues Papers, Released November 2019.

30. ASIC's Review of buy now pay later arrangements, Released November 2018.

31. Australian Government, Workplace Gender Equality Agency, Employee Data.

2.4.1 Market participants

The Australian clothing, footwear and accessories market is large and highly fragmented. Market participants include single store retailers, domestic and international fast fashion retailer chains, full-service national department stores, discount department stores, pure-play online retailers (domestic and international) and specialty apparel retailers.

The youth casual apparel segment that Universal Store operates in is also characterised by similar structural traits. The segment is large, diverse and competitive. Data on this market segment is also scarce so market concentration and market share are difficult to reliably ascertain.

Management has identified various sub-segments of competition within the youth casual apparel segment. Management believes Universal Store's customers browse and shop across many of these sub-segments:

Table 1: Youth casual apparel segment overview (examples)

Sub-Segment	Predominantly youth focused	Broader demographic focus
Brand Aggregator Specialty Retailers of Casual Fashion	Universal Store , General Pants, Edge, Glue Store, Culture Kings	THE ICONIC
General Domestic Casual Fashion Retailers	Princess Polly, Sabo Skirt, Factorie, Jay Jays, Dotti, Glassons, Sportsgirl, Forever New, Supré, Showpo, White Fox Boutique	Industrie Clothing, The Academy Brand, Cotton On Group, Just Jeans, Dangerfield, Kookaï, Gorman, DEJUBA, Country Road, Witchery, Politix, Kathmandu, Oxford, Dotti, Portmans
Global Fast Fashion Retailers	Boohoo.com, Forever 21, Shopbop, REVOLVE	Zara, H&M, UNIQLO, ASOS
Mixed Wholesale and Retail Brand Owners Retailers		Nike, GANT, Ralph Lauren, Adidas, Tommy Hilfiger, Champion, The North Face, Patagonia, Puma, Diesel, Assembly Label, Guess, Superdry
Premium Footwear Retailers	Platypus Shoes, Hype DC	JD Sports, Foot Locker, rebel, The Athlete's Foot
Department Stores		David Jones, Myer, Amazon
Street, Surf and Skate Retailers		Surf Dive 'n' Ski, Ozmosis, Billabong, Rip Curl, City Beach, Quiksilver

A number of Universal Store's historical competitors (such as Bardot, Top Shop, G-Star RAW and Gap) have also closed stores or exited the Australian apparel market which Management believes was a result of losing customer relevance and failing to adapt to structural segment changes.

2. Company and industry overview Continued

Universal Store seeks to differentiate itself from its competition in the following ways:



Its focus is predominantly on the youth customer and understanding of this target customer and casual apparel trends in this category. Many competitors target a broader customer demographic and are less focused



Its inclusive store environment and broad product range appeal to a larger and more diverse customer base in terms of gender, ethnicity, sub-culture and age. For example, it is Management's observation that some competitors' product offering is skewed more heavily towards the female or male customer bases



It does not seek to appeal exclusively to a specific sub-culture (e.g. surf, skate, hip hop, USA sports cultures). Management believes overtly targeting participants in these sub-cultures can be intimidating to less committed or non-participants in these sub-cultures



Its range diversity enhances its ability to serve as a one-stop shop to provide a complete outfit across multiple apparel brands, supported by a high service model. Management notes the desire for many of the Company's customers to shop a range of products, brands, sub-categories and looks. Meeting this desire is more challenging for brand owners and other vertically integrated retailers (i.e. single brand retailers) or category specific retailers



The flexibility of its omni-channel approach enables customers to 'buy now, wear now' and be confident that the outfit meets their fit and needs (as opposed to waiting for delivery to determine the size, shape and outfit with online only retailers). Management believes a meaningful component of the customer base has a 'buying to wear now' or 'buying for an event' preference and prefers to execute these purchases in a physical store environment



Its ability to utilise its private brand design capabilities and offer a subset of its products that are exclusive to Universal Store to further differentiate its range and respond to unmet demand for styles and apparel trends



It offers customers a **consistent price proposition** to build customer trust, instead of a 'high-low' promotional pricing strategy which is commonly observed in specialty retailing of apparel and footwear in Australia



Its unique company culture which manifests in its strategy, operations, teamwork, treatment of customers and relationships with suppliers. The strength of Universal Store's culture is evidenced in its strong financial performance

Management's success in differentiating the Universal Store offer means the business is not suffering from diminished relevance or a failure to adapt to other structural changes. This is best evidenced by five consecutive years of at least 10% Like-for-Like sales growth per annum, including sustained and strong Like-for-Like sales growth from its physical store network.

2.4.2 Competing in the retail apparel market

While opening a single store and sourcing fashion apparel are an easier undertaking, establishing and operating a profitable national omni-channel network is far more difficult.

Providing meaningful competition requires a brand that consumers seek out. It necessitates a new competitor to source a range of in-demand brands and products and deliver a compelling value proposition and service levels across multiple channels. This requires sophisticated systems and processes to allow the business to adapt to continuous change in fashion trends, manage the associated risks, build a national retail presence, meet regulatory requirements (e.g. wage award compliance) and operate a multi-channel business. Experienced management, supplier and landlord relationships, considerable time and funding are also required.

The increasing adoption of online shopping by customers continues to evolve the competitive landscape. Traditional store based retailers have evolved their go-to market strategies to include online offerings. This has contributed to make the online channel intensely competitive, such that Management believes there are more competitors in the online channel than in the physical store channel.

User friendly software and web building tools, together with social media, enable new entrants to set up e-commerce websites without formal IT training or significant expense. Product delivery can also be outsourced and online payment systems can be set up with relative ease. Online adoption has however, brought on new challenges such as data security, consumer protection compliance and privacy regulations. The cost for regulatory compliance, security measures and any breach of such, can be significant.

While online retailing continues to grow strongly, the benefits of scale are proving to be difficult to unlock for many pure-play online retailers. The costs of operating a large pure-play online business in an increasingly competitive market can be onerous. The intensity and transparency of price based competition in the online channel put pressure on margins of many online retailers. The costs of IT, marketing, customer acquisition and customer retention can also be high. Equally, building productive and competitive fulfilment and customer service capabilities that are appropriate for delivering product nationally and managing product returns are expensive. As such, the earnings margins (EBIT as a % of revenue) of a number of the world's largest online apparel retailers such as Farfetch³² and ASOS³³ are negative, low or not significantly improving with their increasing scale.

Customers are also generally more wary of shopping with comparatively lesser known online retailers rather than in or with known physical stores, given their physical presence allows for personal observation of the product and more confidence in relation to fit, quality and returns. These can be especially relevant in the apparel segment.

The above factors make it difficult and expensive for new entrants to establish a significant position in the national market.

2.4.3 Industry trends

A number of key trends have been identified in the Australian retail apparel and footwear market.

2.4.3.1 Omni-channel retailing – the convergence of online and offline retail

The emergence of best practice omni-channel retailing has eroded the distinction between physical and online channels. Customers are increasingly seeking the flexibility associated with well executed omni-channel retailing. Omni-channel retailing involves a retailer providing a flexible and seamless shopping experience delivered across multiple sales and fulfilment channels, whether in-store or online. It allows the customers to execute various aspects of a single purchase across different channels with ease, offering customers the 'best of both worlds'.

In the early periods of online retailing in Australia, traditional retailers operated the customer facing aspects of the online and physical store channels in isolation from each other and saw the website as an independent digital store. Retailers did not actively seek to provide customers with flexibility to shop across the channels in a fluid manner and did not have a 'single view of the customer' across all channels.

This has now evolved, with best practice omni-channel retailing allowing a customer to shop across channels in a fluid manner in a single transaction. For example, a modern omni-channel experience provides customers with the ability to first view a product on an influencer's social media page on their smart phone; browse similar and related items in a physical store; buy the product on a website from their laptop; pay with a BNPL provider; collect the product in a conveniently located physical store with an online receipt; and then return or exchange the products from the customer's home.

Almost all large national retailers now operate social media pages and web channels in conjunction with their physical stores. These multi-channel offers provide customers with the flexibility to shop how and when they want.

A number of pure-play online retailers are now also opening or acquiring physical stores, or partnering with operators of physical store networks in an effort to offer their customers this added flexibility and improve their brand and product awareness, recognising that the majority of retail transactions still occur in-person at physical outlets.

Physical stores play a vital role in delivering an omni-channel experience to customers by offering convenient and interactive solutions to their retail needs. For example, retailers are leveraging their physical store networks to offer services like click-and-collect and same-day delivery in a way that many pure-play online retailers cannot match. Stores are also being used to interact with customers and showcase products.

32. Farfetch (NYSE: FTCH) Second Quarter 2020 Results presentation. Released 13 August 2020.

33. ASOS (LON: ASC) 2020 Half Year Results presentation. Released 8 April 2020.

2. Company and industry overview Continued

Omni-channel retail strategies seek to combine the best of both online and in-store to create a unified shopping experience. Universal Store sees opportunity to leverage the physical store network and online channel to further develop Universal Store's omni-channel retail offering.

COVID-19 has reinforced the importance of an omni-channel strategy. Social distancing and mandated temporary store closures have reduced in-store foot traffic and shifted customers online through this period. Customers who may not usually buy online are also adapting to this method of shopping.³⁴ Website and store infrastructure must allow customers to seamlessly transact between channels, wherever and whenever they want.

2.4.3.2 Department stores under pressure

The traditional department store retail model remains under pressure globally. Increased competition and changing consumer preferences and shopping habits are contributing to store closures and declining sales from many of the world's largest and most established traditional department store retailers. Online retailers, specialty retail, category killers and other big box specialist retailers have gained market share from traditional department stores in both Australia and developed markets like the US and the UK.

In the apparel segment, the growth and global expansion of many fast fashion retailers has increased competition with department stores in a traditionally important category. In addition, many brand owners have opened their own stores and have started ranging their products with online marketplaces (e.g. THE ICONIC) and with newer retailers such as Universal Store.

In traditional department store categories like beauty and personal care, specialty retail concepts like Sephora (Europe, US, Asia Pacific) and Ulta Beauty (US) have gained share. In Australia, retailers including Sephora, MECCA, Adore Beauty and Chemist Warehouse have built significant positions in the beauty and personal fragrance categories. Pure-play online retailers like Strawberry.net have also emerged, together with online marketplaces where customers are owned by the marketplace and not product vendors (e.g. Amazon, Catch, eBay). Each has gained market share and increased competition in categories traditionally dominated by department stores.

Many department store chains have struggled to adapt given their size, long lease commitments and operational and cultural difficulties associated with evolving to meet changing customer needs in a timely fashion.

Department stores are responding by shrinking store footprints, closing marginal or unprofitable stores and investing to reinvigorate the in-store experience in key categories and flagship stores. Product ranges are being narrowed and some stores are introducing more private brands or exclusive brands to differentiate their offers. Many department stores continue to run high levels of promotional activity.

During COVID-19, department stores sales have continued to underperform the broader retail market,³⁵ affected by declining foot traffic in CBD locations where their stores are typically located. Large Australian department stores such as David Jones have announced accelerated store closures and reduction in floor space driven by underperformance.³⁶

Management expects these trends to benefit Universal Store's share in the youth casual apparel segment.

2.4.3.3 Globalisation of fashion

The increased accessibility of cross-border e-commerce to Australian customers is an important consideration for traditional retail models. An increasing number of international retailers are making their products and delivery services available to customers in Australia.

Social media, major online marketplaces and the internet generally mean shoppers are now more aware of global fashion trends, product offerings and pricing. Online retail enables Australian based customers to purchase products from global brands that do not have a physical presence in Australia.

This rapid translation of fashion trends and the global appeal of social influencers and major fashion events have been amplified by social media. Fashion trends observed via influencers and at major fashion events (e.g. Paris and New York Fashion Week, Coachella) can make their way around the world rapidly. Customers are increasingly browsing for and sharing the latest trends via social media platforms. Young Australians are also travelling more, sharing images with friends and shopping internationally in greater numbers.

34. Australia Post, Inside Australian Online Shopping (2020 eCommerce Industry Report).

35. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).

36. Woolworth Holdings Limited (JSE: WHL) Further update on the impact of COVID-19, trading update and strategic initiatives. Released 27 May 2020.

This change is increasing competition in Australian fashion retailing and making it easier than it historically has been for a brand to operate without a physical store. It is also forcing Australian brands and retailers to be more aware of global fashion trends, regardless of the differences in seasonal climates observed between Australian and Northern Hemisphere markets. Universal Store has developed its approach to product sourcing, marketing, and customer engagement to enable it to adapt and thrive in this globalised youth fashion market.

2.4.3.4 Deconstruction of the traditional seasonal approach to ranging

Traditionally, fashion retailers aligned their ranges to seasonal climate changes (Summer, Autumn, Winter, Spring). Led by fast fashion retailers and accelerated by the globalisation factors discussed above, many large fashion retailers have discontinued the traditional approach to seasonal ranging. Retailers and brand owners now launch new products and fashion capsules on a frequent basis throughout the year.

This approach to ranging, coupled with rapid product development and sourcing, enables customers to more consistently see new products in-store, thereby increasing the appeal of higher shopping frequency. When successfully executed, this approach enables retailers to better manage fashion risk, inventory congestion and working capital. It also contributes to a sense of 'buy now' urgency amongst customers, who acquire products in fear of missing out on styles as they sell out more often.

The industry themes discussed in Section 2.4.3.1 and this Section 2.4.3.4 mean that new fashion trends can emerge and commercialise very quickly. On-trend fashion customers increasingly expect relevant products to be available at their preferred fashion retailer when they observe them in social media. These factors directly influence Universal Store's 'close to market' product sourcing processes and strategy as discussed in Section 2.2.3 and make this approach to developing, sourcing, marketing and merchandising product essential to its competitive advantage.

2.5 CUSTOMERS

2.5.1 Target customers














Universal Store targets a large and growing mainstream youth segment that is socially active, fashion focused and diverse. The typical Universal Store customer is a 16-35 year old (Millennial and Generation Z) with an interest in fashion trends, quality and value. They use fashion to express their individuality. They are alert to global street and general fashion trends and are often a student and working part-time, employed in a trade or early in their professional careers.

Management describes Universal Store's typical customer as on-trend and socially active. They enjoy socialising and creating multiple connections with family and friends. Social media plays a large role in their life as they interact through multiple media channels. They are collectively more socially and environmentally aware than previous generations and support an inclusive society and advocate sustainability and authenticity. They often participate across a range of sub-cultures and social activities that were once considered mutually exclusive. Some customers pursue individuality and yet others share the typical human trait of an appetite to feel a sense of belonging and acceptance.

Visits to Universal Store are often event driven. Customers come for the latest on-trend apparel items for a broad range of events, including but not limited to birthdays, parties, music festivals, holidays and other social occasions. Although COVID-19 has limited large-scale events, Management has observed customers buying clothes for other occasions as they adjust their lifestyles and reasons for purchasing. For example, Management has observed a phenomenon of customers dressing up for 'virtual catch-ups' over video conferencing services in states and territories where government mandated restrictions prevent customers from leaving their homes. Whereas other customers, particularly those in states and territories where social distancing restrictions have eased, are re-engaging in social gatherings and related venues. Universal Store's agile business model has enabled it to adapt to changing customer preferences and capitalise on the evolving reasons for its customers' purchases throughout COVID-19.

2. Company and industry overview Continued

Figure 9: Changing reasons for purchases during COVID-19

Pre COVID-19	Through COVID-19	Future
 Festivals and concerts  Restaurants and bars  Nightclubs and parties  Holidays  School/University (in person)  Shopping and hanging out (e.g. galleries)  Working (retail, hospitality, early careers)	 Virtual social life  Small-scale gatherings  Working from home  Social media and online shopping surges  Studying from home  Purged wardrobe and focused on comfort <p>Customers have adjusted their lifestyles through COVID-19 and Universal Store has adapted. Fundamentals are unchanged and pent up appetite to re-engage socially accumulates</p>	Customer wallets <ul style="list-style-type: none"> ✓ Spend on international travel and large scale social events expenditure to continue to be re-directed ✓ Retail and hospitality jobs resume ✓ Access to Buy Now Pay Later products ✓ Savings from fiscal stimulus ✓ Support from parents Customer spend <ul style="list-style-type: none"> ✓ Easing social distancing (bars, parties, education, life events) ✓ Melbourne eases restrictions ✓ Life normalises and social lives resume ✓ Seasonal change continues

Universal Store is mindful that parents, grandparents and other purchasers are often shopping on behalf of a typical target customer. These individuals sometimes accompany them and at other times, come as a buyer of a gift. By offering a welcoming environment, experienced support and helpful advice, Universal Store seeks to provide an enjoyable shopping experience for all customers.

2.5.2 Customer shopping behaviour

Universal Store's revenue growth has historically been driven by significant increases in customer transaction volumes. In FY19 and during February FY20 year-to-date (which Management believes is indicative of a pre COVID-19 period in relation to FY20), in-store transaction volumes grew 29% and 19%, respectively. During this time, there was little movement in Average Transaction Value (ATV), which remained at approximately \$84 in these periods.³⁷

This trend continued in the three months during June to August 2020 (excluding Victorian stores which were closed due to COVID-19 government restrictions). During this time, the Company achieved transaction volume growth of 25%, approximately five times the level of ATV growth (5%).

Traditionally, Universal Store's customers spend a higher amount online per transaction (\$105 in FY20) compared to in-store (\$86 in FY20).³⁸ Customers who shop through the online channel, also acquire a higher number of items per transaction (1.8 in FY20) compared to in-store customers (1.6).

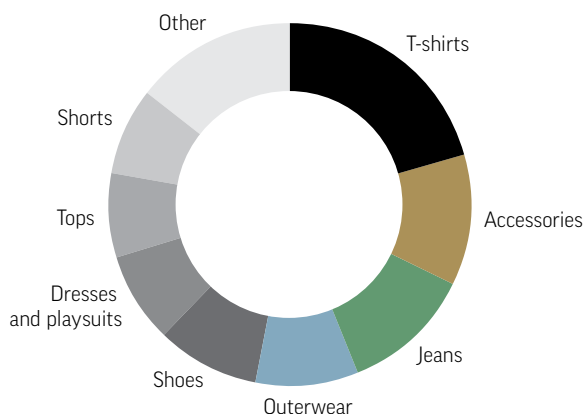
37. Exclusive of GST.

38. Exclusive of GST.

2.6 PRODUCT

Universal Store offers a curated range of youth casual apparel, footwear and accessories for both females and males. The Company primarily stocks third party branded products (approximately 70% of FY20 revenue), together with a range of private brand products (approximately 30% of FY20 revenue). Universal Store's bestselling items include t-shirts, accessories, jeans and outerwear.

Figure 10: Top selling categories by sales (FY20)



Third party brands are sourced from a selection of domestic and international suppliers. The composition of brands ranged by Universal Store is fluid and evolves with consumer tastes. The diversity of the customer base is reflected in the diversity of its product and brand range.

Two private brands (Perfect Stranger and Luck & Trouble) are currently the highest selling of all brands offered by Universal Store. They are broad in their appeal and flexible in their use within an outfit. These brands offer quality and value for money to the customer and seek to complement the ranges offered by branded suppliers rather than replicate them.

Private brands collectively represent the fastest growing brands within the product range and make up a large and increasing percentage of total sales.

2.6.1 Third party brands

2.6.1.1 Overview and identification

Third party brands make up the majority of Universal Store's product offering (approximately 70% of FY20 revenue) and include womenswear and menswear, footwear and accessories. Management believes that customers are driven by fashion trends and the appeal of an item together with practical matters such as fit, co-ordinating an outfit, feel and value for money. The Company's aim is to identify the most desired international and domestic youth apparel brands that satisfy these criteria and offer them to Universal Store customers.

Brand and product selection is based on ongoing trend research performed by the Company's team of buyers. Trends are identified from discussions with suppliers and observing domestic and international youth culture, mainly through media and entertainment sources. Frequent international travel does not play a significant role in the Company's trend identification strategy, with the buying team focused more on social media and blogs, including observing influencers such as entertainers, athletes and musicians. The buying team follows the same social and media channels that customers follow and attends similar events, to identify new trends and observe what resonates with the target customer and fashion influencers.

Trend identification is combined with customer insights received via store employee feedback and current and historic sales data to develop indicators of the tastes and preferences of the target customer. The Company also undertakes a weekly survey with store employees seeking feedback on in-demand products and customer trends. These sources of information are gathered to enable Universal Store to improve the effectiveness of ranging, merchandising and promotional decisions.

Universal Store's strategy of offering a differentiated and on-trend range means that the brand and product composition of the range is frequently changing and evolving with consumer tastes and other market dynamics. A comparison of FY14's top selling brands to those from FY20 provides evidence of the fluid and evolving nature of the range, with only four brands appearing on both lists.

2. Company and industry overview Continued

Table 2: Top 10 brands by revenue (FY14 vs. FY20)

#	FY14 rank	FY20 rank
1		Perfect Stranger*
2	Third party brand A	Luck & Trouble*
3	Third party brand B	
4		
5		
6		Third party brand B
7		
8	Third party brand C	Common Need*
9	Luck & Trouble*	Third party brand C
10		Third party brand A

* Indicates private brand

Universal Store is able to attract leading brands given its scale, quality stores, consistent performance, approach to pricing and collaborative approach with suppliers. This competency and trust have been developed over a number of years by working closely with brands and delivering consistent growth, paying suppliers on time and treating them with respect. The Company will continue to focus on identifying new brands and obtaining merchandise from key brands. Management believes third party brands will always play an important role in its strategy.

2.6.1.2 Exclusive third party brand products

Universal Store works with international and domestic brands to create or obtain access to exclusive products or receive first runs of new ranges (i.e. time based exclusivity). Exclusive products are typically created when Universal Store collaborates with third party brand owners to customise products or ranges based on customer feedback. These products are referred to as Special Make Up products. The objective of this collaboration is to differentiate the Universal Store range and individual products and make them more relevant to the Company's target customers. Management's expectation is that this increases the sense of exclusivity of the Universal Store range.

The following case study is an example of how Universal Store successfully sought to expand its offering in order to meet perceived unmet consumer demand. The case study is also an example of the partnership relationship that Universal Store has with certain brands.

Case Study

Petite jeans – new product development (NPD)

The demand

Stores were consistently providing feedback that customers wanted well fitting, shorter length jeans for shorter customers but the range was not available. Universal Store received strong feedback from employees at the Company's national denim roadshow along with general feedback through the ordinary course of business from its store network. The buying team assessed the feedback and determined that it was worth exploring the development of shorter length jeans (internally referred to as 'petite jeans') with its key brands as adaptations of some of its bestselling styles. Based on feedback data and in collaboration with Universal Store, key brands were interested in developing the petite jean range.

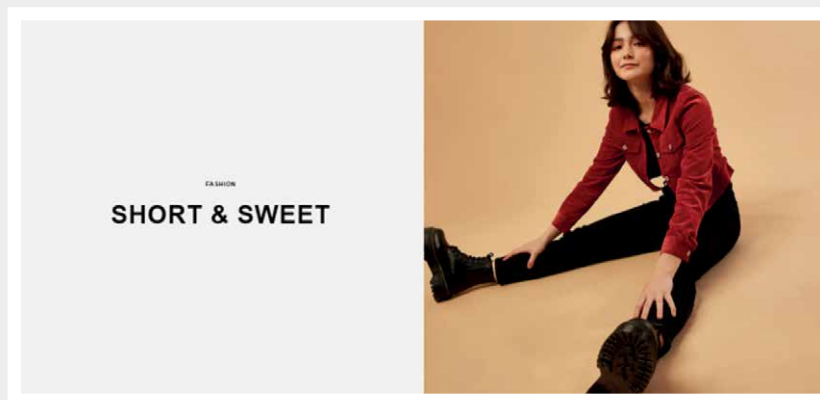
The design

Universal Store took some of its bestselling styles and, in collaboration with key brands, worked to develop a petite jean range. A bespoke NPD process was set up. The jeans were designed to fit customers who are of 'petite height'. Entire leg profiles were reshaped so that they fitted the leg through the seat, thigh, knee, calf and ankle rather than simply chopping them off at the bottom. Through this partnership style approach to NPD, Universal Store was able to obtain exclusivity of the petite range for the Winter season.

The result

The launch of the petite range was an immediate success. Petite sizes made up 10% of denim sales during 1H FY20 (the key denim selling half year), with a higher than average stock turn and attractive margins.

Marketing collateral







2. Company and industry overview Continued

2.6.2 Private brands

Since 2012, Universal Store has developed a range of private brands to complement the range of third party brands offered. This aspect of the range has grown rapidly since 2014, in response to consumer demand and an opportunity identified by the Company to fill gaps in the range.

The purpose of private brands is outlined in Table 3.

Table 3: Private brand strategy

 On-trend	 Complementary	 Exclusivity	 Accessibility
<ul style="list-style-type: none"> Develop products that meet existing customer current needs (gap fill) rather than seek to create new demand (i.e. on-trend rather than fashion forward) 	<ul style="list-style-type: none"> Offer products that are complementary to the third party branded offering rather than compete with, copy or replicate leading international and domestic brands 	<ul style="list-style-type: none"> Offer products exclusive to Universal Store that 'look the part', are different and stand up favourably against other third party brands ranged by Universal Store from a quality and fashion perspective 	<ul style="list-style-type: none"> Offer accessible price points and add-on sales opportunities not available in third party brand offerings

Universal Store does not use its private brands to imitate the styles offered by its third party brand suppliers and does not seek to compete directly with them. The core of the strategy is to offer products which are complementary to third party brand ranges which a customer will often regard as the hero, investment or statement piece in their outfit.

Private brands represent a growing segment of Universal Store revenue (approximately 30% FY18-20 revenue CAGR) and contributed approximately 30% of FY20 revenue. Private brands also have higher gross margins (approximately 68% in FY20) than third party branded products (approximately 56% in FY20).

Until 2016, the Company's female-oriented private brands were the focus of the Company's private brand strategy and represented most of private brand revenue (93% in FY16).

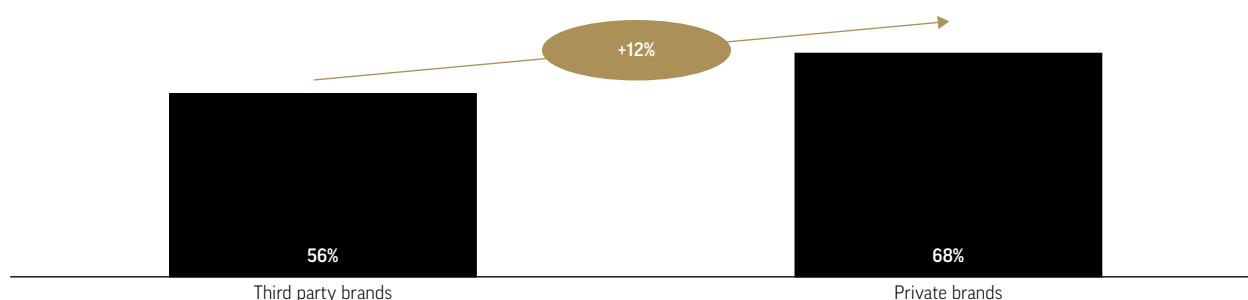
Over more recent years, Universal Store has focused on developing a more successful male-oriented private brand offering. In FY20, the split of private brand revenue between male and female was 17% and 78%, respectively and 4% unisex. The Company's male-oriented private brand (Common Need) remains a focus for future growth and continues to grow strongly (approximately 29% in FY20 on pcg).

Universal Store currently ranges five private brands across womenswear, menswear and accessories. Each brand is designed to fill an identified market segment. Universal Store's strategy is to develop a small number of targeted private brands, rather than offer customers a wide portfolio to 'pad out' the range and make differentiation from third party brands more difficult.

Table 4: Private brands

	Brand	Overview
Everyday women's labels	LUCK & TROUBLE	<p>Luck & Trouble was created seven years ago to provide the everyday girl with outfit solutions, offering trend pieces that can be easily dressed up or down and wardrobe staples that take her through all seasons.</p> <p>The Luck & Trouble girl is fun and young at heart and her personal style is versatile and trend-led. She looks to Instagram to create outfits for each occasion, from statement festival looks to feminine floral prints mixed with core denim pieces.</p>
	L & T	<p>L&T, the sister brand to Luck & Trouble, offers essential basics that complement every wardrobe.</p> <p>The L&T range of simple pieces in core and trend colours can be purchased individually or in mix-and-match offers.</p>
Trend-setting women's label	PERFECT STRANGER	<p>Perfect Stranger was created five years ago as a versatile, trend-setting label, shaped by the women who wear it.</p> <p>The Perfect Stranger woman is effortlessly stylish with hints of a coastal aesthetic. She is a trend leader with a defined personal style that radiates femininity and confidence. She relates to Perfect Stranger on a personal level, sharing values of female empowerment and environmental consciousness.</p> <p>Perfect Stranger bridges the gap between high-end labels and fast fashion, delivering quality on-trend fashion at accessible price points.</p>
Men's label	COMMON NEED	<p>Common Need is Universal Store's only men's private brand. It is a contemporary lifestyle brand for those who seek experiences.</p> <p>With a strong focus on modern fits, innovative fabrics and unique details, the collection of apparel and accessories is constantly evolving. Common Need t-shirts incorporate engineered stripes, tipped ribbing and clean embroideries into their minimalist design. Woven pieces include textured check bottoms and soft-wash shirting featuring Common Need's signature artwork.</p>
Accessories	TOKEN	<p>Token delivers on-trend fashion accessories that complete the outfit for each occasion.</p> <p>The range includes bags, headwear, jewellery and other accessories that finish off a dressy, casual, or statement festival look.</p>

Figure 11: Gross margin by product type (FY20)



2. Company and industry overview Continued

2.6.3 Supply chain and sourcing

2.6.3.1 Overview

Universal Store has made significant investment in its product design and sourcing capabilities, together with in-house brand development and brand management skills. Over the past five years, the buying and product procurement team has grown from four to 17 people who cover all aspects of buying, planning, pricing, designing, sourcing, quality control and merchandising of product. A single team is responsible for the sourcing of both third party brands and the Company's private brands to ensure ranging is complementary (rather than cannibalising).

The buying team is located at Universal Store's head office in Brisbane, Queensland and occasionally travels to global fashion destinations and supplier factories and offices as part of global trend research and sourcing activities.

The team is led by the Head of Product, George Do, who in turn reports to the Company CEO. The Head of Product leads a team of senior buyers with category responsibility (i.e. womenswear and menswear) that are highly experienced in their respective product categories and are responsible for overseeing the purchases by other team members in the product design and development team. Team members are given autonomy with oversight from senior buyers.

Universal Store has also established a supply chain for the design, sourcing and manufacture of private brand products. The Company works closely with suppliers to develop and produce differentiated and quality apparel and accessories under its own private brands. Universal Store has a dedicated in-house design team responsible for all elements of the design and sourcing of the Company's private brand products. The team works collaboratively with the buyers in order to ensure co-ordination of ranging and product selection.

The Company currently sources its private brand products from a range of local sourcing agents (approximately 82% of private brand products by revenue) in addition to direct sourcing (approximately 18% of private brand products by revenue) products from manufacturers based in Asia (primarily China). Suppliers are selected based on their capabilities, quality, reliability, terms of trade, costings and speed to market.

Increasingly, the Company is more carefully and rigorously vetting suppliers for their business practices which is an area of growing concern for Universal Store's customers. For private brand suppliers, Universal Store requests third party ethical manufacture audits annually and sets targets for resolving non-compliance issues. New private brands suppliers are shortlisted only after complying with a set of Universal Store designed ethical guidelines.

Diversifying the supply chain between sourcing agents and direct from factory sources enables Universal Store to balance unit cost, quality and speed demands and increases competitive tension in supplier relationships. Although direct sourcing is typically higher margin, products sourced through local sourcing agents can often be developed and brought to market faster and on a lower risk basis. Local sourcing agents can also provide product ideas, diversification benefits, lower minimum order quantity requirements and quality control input to Universal Store. While the Company continues to grow the proportion of products directly sourced from manufacturers, it is expected that 15–20% of total products (i.e. approximately 50% of private brand revenue) will continue to be developed and sourced in conjunction with local sourcing agents for the medium term.

As a result of COVID-19, Universal Store experienced temporary supply chain disruptions. For a further discussion, see Section 2.13.

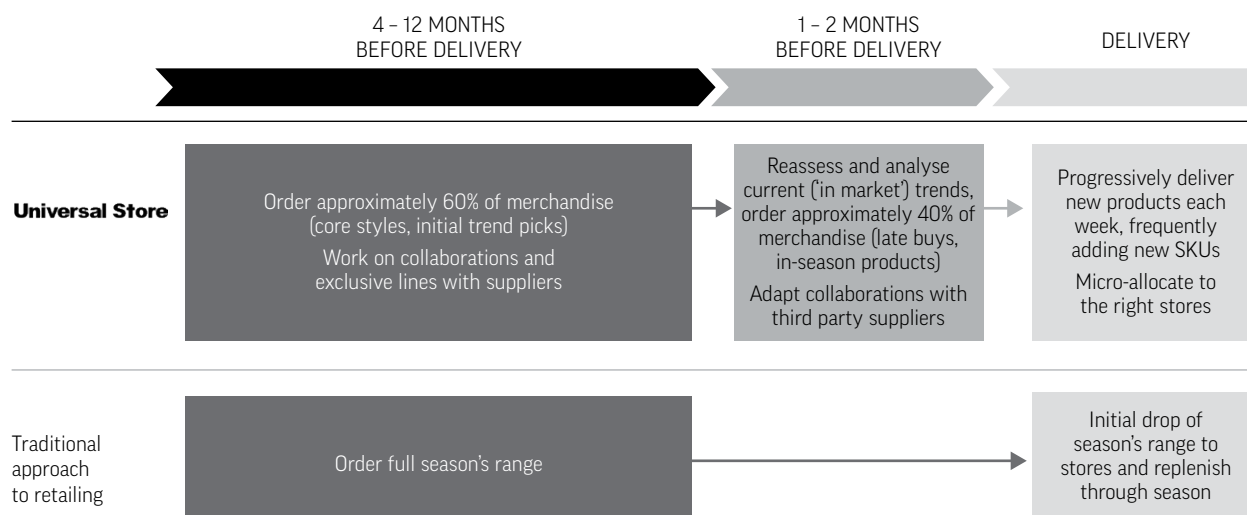
2.6.3.2 Buying 'close to market'

Universal Store endeavours to achieve a balance between forward planning to support core inventory requirements with a process that provides scope to test customer trends and allows for 'late' product buying. This is done through the ongoing use of real time data and store feedback, which enables the Company to respond to the progressive emergence of fashion trends and customer demand information.

Universal Store refers to this practice as buying 'close to market'. This involves utilising this feedback and making as many product decisions as close to the delivery date as possible to maximise the prospect of merchandise being relevant and on-trend when offered to customers. This approach is also designed to assist the Company with responding to emerging opportunities. The buying team also employs a 'test and learn' approach, acquiring small volumes to begin with and expanding ranges once trends become clearer.

This approach is not unique or proprietary to Universal Store, and has some common fundamentals to the methods used by global fast fashion retailers. However, it has been embraced and refined by the Universal Store buying team in collaboration with its suppliers. Management believes that Universal Store excels in the execution of this strategy and its implementation is a key contributor to its performance.

Figure 12: Sourcing strategy



The product team seeks to use a test, learn and optimise approach to new apparel styles and trends. The team carefully designs tests and trials of brands, products and trends ('inspiration') in small runs and in select stores. They also closely monitor sales data and new emerging trends (e.g. real time social media posts by influencers) and store feedback to interpret customer reaction and further demand levels. Universal Store will monitor sales in specific stores and geographies to determine where current and future demand for a product is expected to be strongest. Demand for new apparel trends and styles are rarely observed in a uniform manner across all stores and geographies, making data and feedback from stores an important tool for demand planning. The Company will then scale their tests and push product to the most appropriate regions. This process is regularly optimised and iterated.

Equally important to this technique is having the capacity to reactively source third party products and develop private brand products. This requires a collaborative approach with suppliers. Universal Store's suppliers of both third party and private brands have become accustomed to this approach of careful range curation, risk management and 'small buy' initial ordering. Key suppliers work closely with the product team to meet this demand on a timely basis. Management notes that third party brands are typically reserving their best performing inventory, 'flexible capacity' and collaborations for retail partners who are successful in retailing significant volumes of their products at recommended retail prices, rather than discount-oriented retailers. Management believes Universal Store excels in this capability compared to other Australian peers.

The Company estimates approximately 40% of product buying decisions (on private and third party brands) are left open until 1-2 months before planned delivery for seasonal product buy-ins. The remaining products are acquired in a manner consistent with typical forward buying practices (approximately 4-12 months prior to delivery).

The intention of this approach is to enable Universal Store to offer a product range that is more relevant to consumer demand at a national and local level and more reflective of 'late breaking' or highly localised product trends which can be difficult to reliably predict months in advance. This provides a competitive advantage over other retailers who continue to range on a traditional basis, including many who complete the large majority of the buying process 4-12 months prior to product delivery. In addition, tactics such as selective use of prioritised airfreight and highly flexible inventory allocations between stores and channels enable Universal Store to capitalise on customer demand before it has passed and in the areas where it is strongest. COVID-19 travel restrictions have increased the cost and time of this international airfreight, although Management expects this impact to be short term and be relieved as international travel resumes.

Universal Store's late to market buying strategy allowed it to pivot during COVID-19 in an uncertain and volatile period. The Company was able to obtain supply of lounge and comfort wear which became popular with customers who were spending more time at home during lockdowns. Universal Store was also able to obtain more going out and party attire for states and territories where social distancing restrictions have been most eased (e.g. Western Australia). As a result of this strategy, Universal Store was rewarded financially during COVID-19.

2. Company and industry overview Continued

2.6.4 Store-by-store inventory allocation and merchandising

Inventory merchandising refers to the allocation of inventory between stores, distribution centres and the online channel. Universal Store makes merchandising decisions at the individual store level and seeks to make these inventory allocation decisions as late as possible to maximise the available data for decision making. This is a detailed and dynamic task undertaken by the product and supply chain teams.

A core range of products is stocked across all locations with additional products ranged to cater for unique customer behaviours and demographics, store size, store employee feedback and climate differences between regions. This practice seeks to ensure the mix of products offered is relevant to the store location and customer preferences exhibited in that store. The approach also seeks to minimise the need for costly inventory mark downs or costs associated with regrouping and reallocating inventory within the store network.

As a result of the Company's sourcing and supply chain strategy, Universal Store has been able to better meet customer demand across its store network, consistently improve the performance of its store portfolio and maintain a strong inventory turnover rate (also known as stock turns).

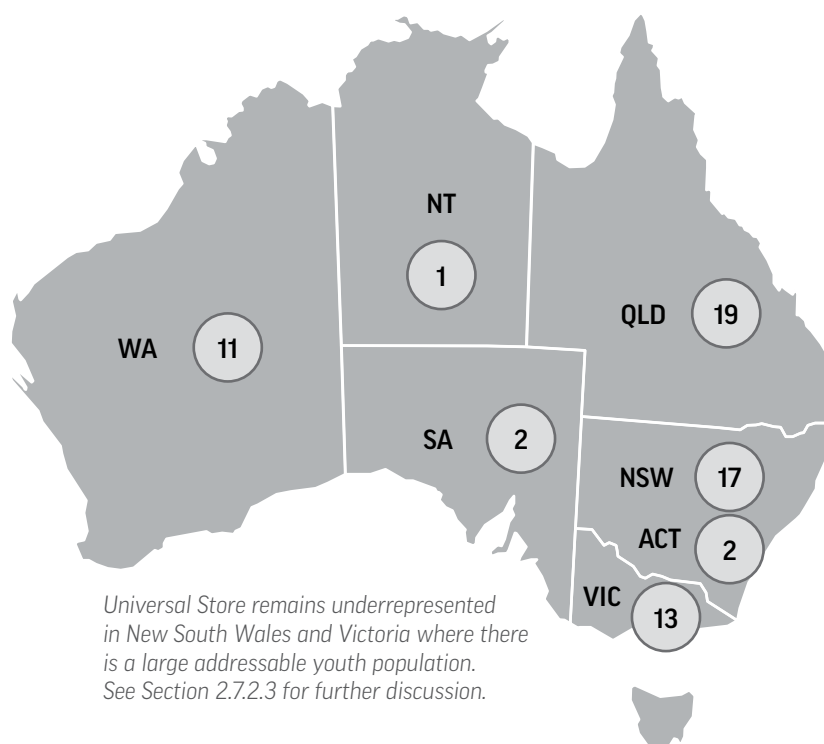
Store-by-store allocation has been critical during COVID-19, where market conditions have changed quickly and been highly variable between states/territories and markets.

2.7 PHYSICAL STORE NETWORK

2.7.1 Current physical store network

Universal Store operates 65 physical stores in seven states and territories throughout Australia. The largest number of stores are contained within Queensland (19), followed by New South Wales (17), Victoria (13) and Western Australia (11). All stores are Company owned and operated.

Figure 13: Current physical store network

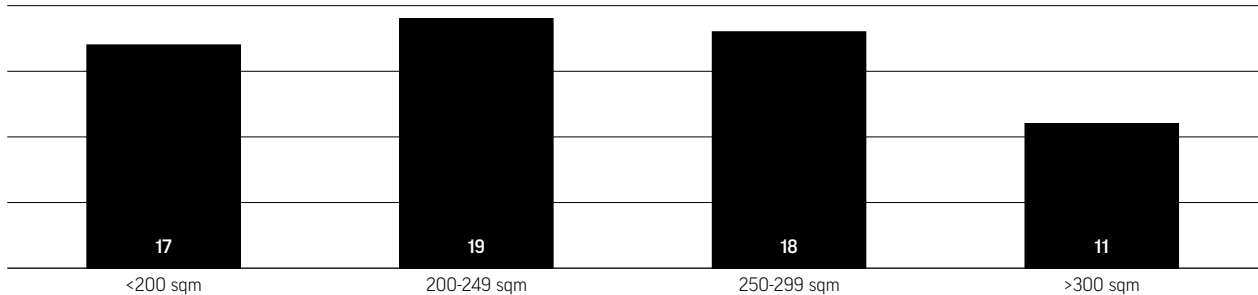


Stores are consistently branded, have a similar look and feel and range a similar collection of brands and product categories. While stores have a common core product offering, there are variations in the total range in each store as discussed in Section 2.6.3.2.

Store sizes vary depending on their location. Universal Store’s smallest store is currently 138 sqm and the largest store is 580 sqm. The Company has progressively upsized the average size of its stores over the last five years and expects to progressively continue this trend as it biases new stores to modestly larger store footprints than the current average (average of 248 sqm at FY20 year end).

Universal Store currently believes the ideal store size is approximately 200–300 sqm, although it will consider store sizes on a location by location basis with respect to the availability of new store locations.

Figure 14: Store sizes (as at FY20 year end)

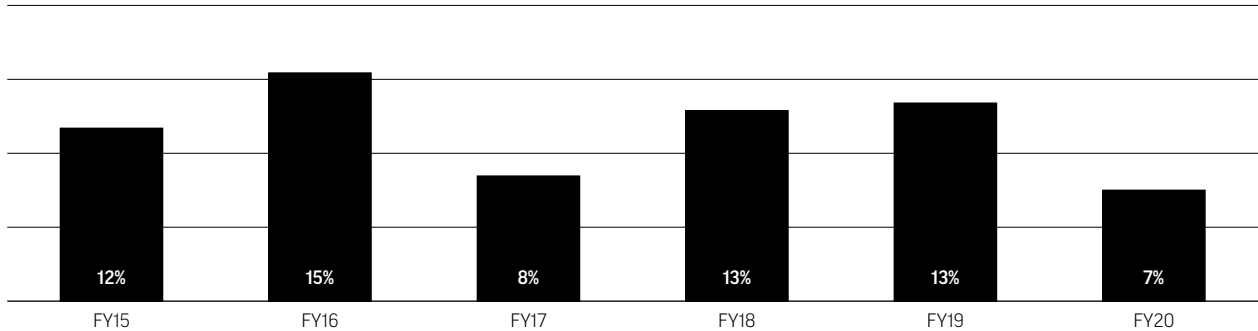


Universal Store’s strategy is to locate its stores in prime positions in major shopping centres which benefit from high traffic flow, typically in youth fashion precincts.

The Universal Store store network is still in its relative infancy, with approximately one-fifth of stores still in ‘ramp-up’ phase (less than 24 months old).³⁹ After 24 months, stores are considered to be ‘mature’.

New stores are included in Like-for-Like sales growth calculations once the store has traded for 55 weeks (reflecting one year plus an initial three week “ramp up” period).

Figure 15: Physical store Like-for-Like sales growth



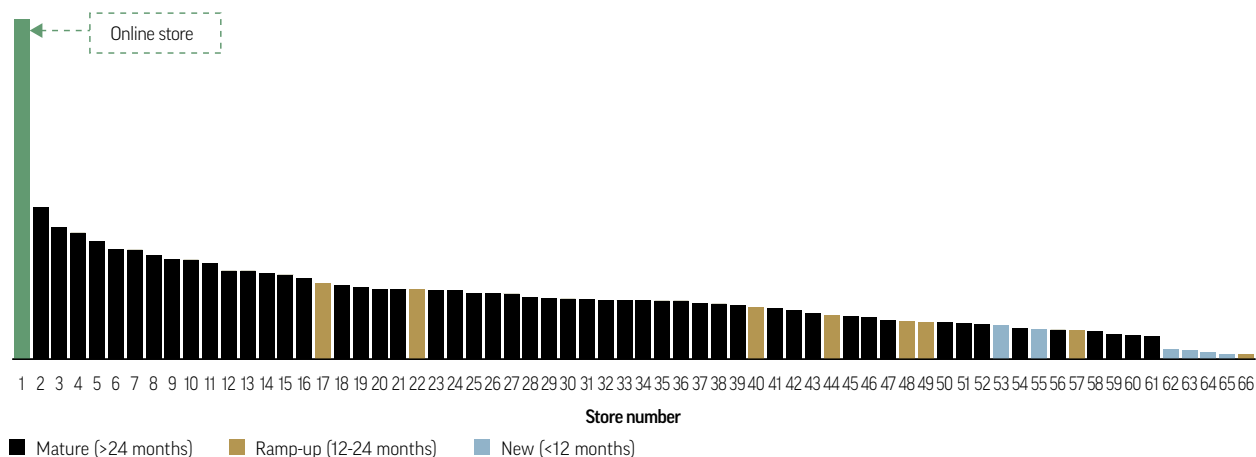
The sustained strength and rate of Universal Store’s Like-for-Like sales growth from its physical stores are evidence of the Company’s performance and a key indicator of the continued demand for its physical store format.

During FY20, all physical 65 stores within the Universal Store network were profitable, demonstrating the Company’s ability to consistently add earnings-accretive stores and successfully manage cannibalisation risk arising from the store roll-out strategy. The Company expects strong Like-for-Like sales growth momentum to continue in the medium term, partly driven by maturation of stores opened in the last three years.

39. As at FY20 year end.

2. Company and industry overview Continued

Figure 16: FY20 store earnings contribution (includes online store)⁴⁰



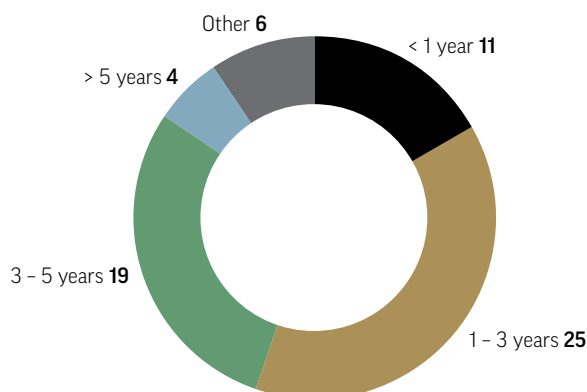
The typical Universal Store lease is five years in duration. Over half of all stores are still trading in their first lease term.⁴¹ Leases do not have an embedded option to extend. While the initial term is comparatively short, Universal Store considers locations where there is the possibility to remain a tenant for multiple lease terms. The Company has a strong track record of renewing leases in centres that perform well. Within the current portfolio, no single landlord holds leases for more than one-third of stores.

Leases have historically included an effective annual escalator of Consumer Price Index plus 2-3% or fixed 5% per annum and some include capped rent clauses, which typically operate as a percentage of annual sales.

During COVID-19, Management has successfully negotiated favourable rent outcomes (including rent reductions and nil rent rises) for certain leases that were due to be renewed during FY20 and FY21. Management has also been able to negotiate rent abatements for certain leases.

It is Management's belief that leasing conditions have become more favourable during COVID-19.

Figure 17: Current lease expiry profile (by number of stores as at FY20 year end)⁴²



40. Store earnings contribution is calculated as store sales less store cost of goods sold and direct store overheads. Excludes depreciation, company overheads and indirect costs. Online contribution includes online freight costs, marketing, pick, pack, dispatch and online team costs.

41. As at FY20 year end.

42. 'Other' includes one store on a casual licence and five holding over on expired leases. Leases for new stores that have not opened and not contractually commenced are excluded from store count. Leases at five stores were extended during August 2020.

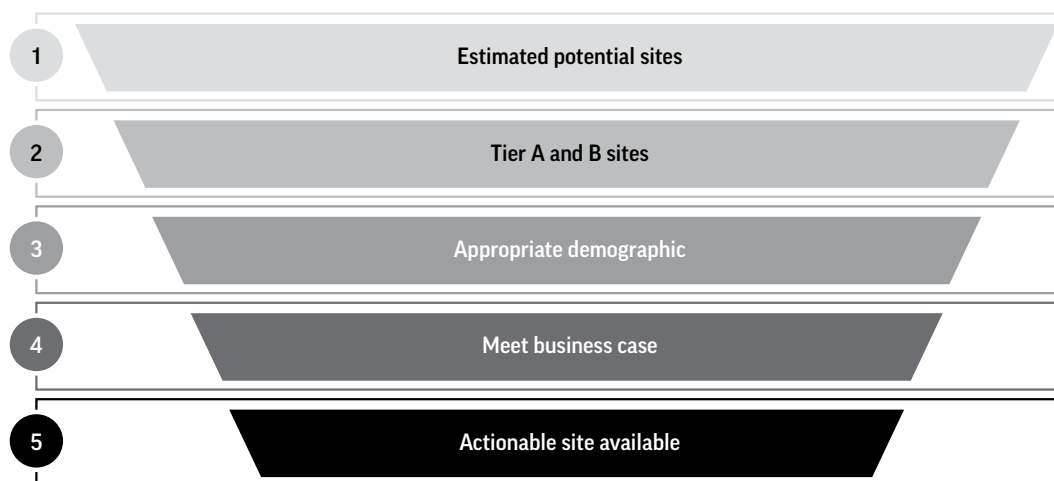
2.7.2 Store roll-out

2.7.2.1 Overview

The Company undertakes a robust site identification, due diligence, negotiation and roll-out process. These new store opportunities arise from a combination of 'inbound' and 'outbound' engagement with landlords and their agents.

The Company has a track record of consistently opening profitable new stores. Since inception, only four stores have been closed. These stores were closed due to underperformance arising from changing demographics (Oxford Street, Paddington, Sydney (closed 2008) and Fortitude Valley, Brisbane (closed 2019)), better locations becoming available within a region (Townsville, Queensland (closed 2016)) and lower than expected population density (Springfield, Queensland (closed 2016)). No store opened after 2009 or under current Management has ever been closed. The Company has learned from these closures and continues to refine the roll-out process with each new store.

Figure 18: Store roll-out process



2.7.2.2 Location identification, due diligence and lease negotiation

When identifying new store locations ('outbound' opportunities), Universal Store initially focuses on network gaps, the competitive landscape within shopping catchments and cannibalisation risk. This preliminary list is ranked in tiers (A to D), based on a location's youth street apparel appeal, comparable businesses (i.e. competition) in the centre and the fashion moving annual turnover data in relation to the centres. Tier A and B sites are progressed to the next stage.

In the process of screening potential new store locations, the Company considers a range of demographic factors (e.g. population size and growth, youth prevalence) and operational factors (e.g. store network gaps, competitive landscape at location, quality of centre and landlord) amongst other factors. The resulting list of potential new store locations is used to guide the Company's discussions with landlords.

As specific opportunities emerge, a business case is developed and opportunities are assessed against target financial metrics and qualitative factors including risks and mitigants, capital allocation priorities, timing, centre changes, visibility within the centre, positive adjacencies and other market intelligence. Each opportunity is also compared against other new store opportunities and the potential impact on existing stores. During the site-selection process, the Company asks itself: "is this the best opportunity we are likely to see in a target centre in the foreseeable future?"

Sites that satisfy these considerations are prioritised and negotiations are progressed.

Universal Store has identified approximately 40-60 potential new locations, in addition to existing stores. The Company does not expect to open stores in all of these locations in the next five years. Equally, the Company expects to open some new stores in locations which are not a current priority due to changing market dynamics, lease terms or locations of opportunities being better than expected. This task of assessing new sites is a regular, continuous, iterative and proactive process. Priorities and appetite for centres and catchments will continue to evolve with the emergence of new information.

Universal Store undertakes similar due diligence for opportunities that are directly presented to them by landlords ('inbound' opportunities). Centre and store owners regularly approach the Company with lease opportunities. Some of these sites are not on the Company's list of target locations, but present favourable and profitable opportunities. The Company estimates that approximately 60% of opportunities reviewed by Management are rejected, reflecting the strict approach to site selection and the mixed quality of sites available.

2. Company and industry overview Continued

Management believes that the difficulty is not identifying suitable locations, but rather leasing the right store on the right terms.

New store diligence remains an ongoing focus for Universal Store, particularly in light of COVID-19 and related economic effects. The Company is taking heightened precautions, including seeking rent caps (% of sales) and enhanced fit-out contributions from landlords in order to de-risk new deals.

2.7.2.3 Recent focus areas

Since the start of FY15, 42 new stores have been opened with only two closures nationwide. The pace of store openings has been relatively consistent over the last four years at 5-10 stores per annum. The Company has continued to refine its roll-out process and maintained discipline for new store opportunities.

Over the last three years, Universal Store has focused on new store roll-out activity in Victoria and New South Wales, having previously achieved higher penetration in Queensland and Western Australia. Victoria and New South Wales have a larger youth population and Management believes Universal Store remains underrepresented in these regions. Management has identified further opportunities to open proportionately more new stores here in the future. The opportunity to roll out further stores throughout Australia is discussed further in Section 2.12.3.

2.7.3 Store design and fit-out

Stores are designed to showcase products and make the product accessible. They are also designed to allow the customer to shop with ease and enable teams to serve customers effectively. The aesthetic is also designed to be durable and enduring in style.

Example of store fit-out



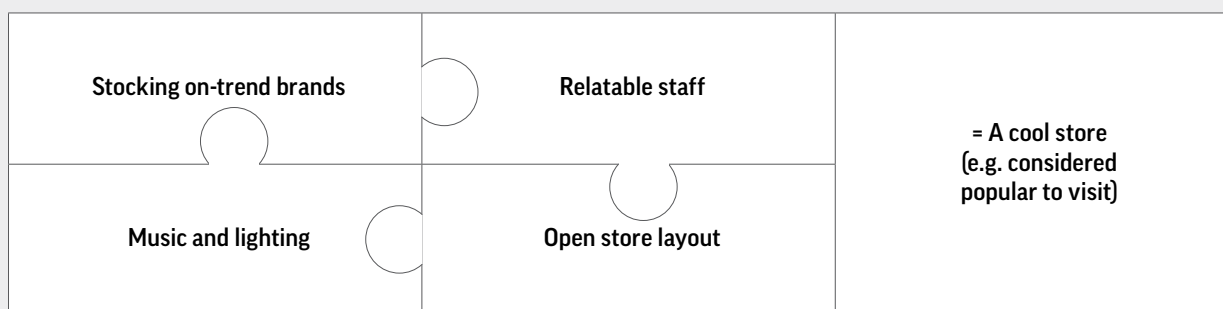
Store design is managed in-house in conjunction with external design consultants and architects. The design has an industrial look which is intended to evoke a sense of utility and functionality. A steel and glass frame storefront design with prominent signage is synonymous with the Universal Store brand. Steel, wood, concrete, subway tiles, remnant brick and wire glass are utilised to create an authentic feel. Stores are not designed to exude a genre of youth apparel, nor are they changed from time to time to be consistent with a current trend or building style.

Case Study

Perception of Universal Store as a popular store to visit (i.e. a 'cool store')⁴³

Third party survey data suggested that Universal Store's store layouts, staff, music and lighting all contributed to its 'positive vibe' and made customers feel good when sharing their shopping experience with friends. Universal Store ranked #1 and #2 in the survey for its perception and experience of being a popular store ('cool store') to visit.

Figure 19: What makes Universal Store a 'cool store' to visit?



Universal Store's simple store designs enable them to quickly respond when a new site is secured. A store can be opened within 9-11 weeks following commercial lease terms being agreed.

Example of storefront



2.7.3.1 New store economics

Typical store capital investment for a new store is approximately \$450,000-\$500,000 (assuming a 300 sqm store). After fit-out contribution from landlords, net cash capital expenditure is typically approximately \$240,000. This capital-light roll-out enables Universal Store to expand its network with relatively low funding requirements. Stores also have a typical payback period of approximately 12-14 months and return on capital employed of approximately 91% over the first year.^{44,45} Management observes that in the current environment, landlords are offering increased fit-out contributions and other incentives as part of lease negotiations.

43. Forethought Market Research Consultancy, Universal Store – Understanding and creating value for customers. 'Cool store' is a terminology utilised by Forethought Market Research Consultancy to describe a popular store.

44. Depending on opening month due to seasonality of earnings.

45. Metrics based on average two year store 'ramp-up profile' for stores opened from FY15 onwards (and had been open for at least two years as at December 2019).

2. Company and industry overview Continued

Table 5: Typical store capital investment for a 300 sqm site^{46,47}

\$'000	Year 1
Gross capital expenditure (cash)	475
Landlord contribution (cash) ⁴⁸	(235)
Net capital expenditure	240
Landlord (% of gross)	50%
Inventory	225 ⁴⁹
Trade creditors	(115)
Net inventory	110
Typical capital employed	350

Table 6: Indicative new store earnings for a 300 sqm site

\$'000	Year 1	Year 2
Revenue	1,640	1,890
Store earnings contribution⁵⁰	320	435

The economics of new sites for Universal Store are attractive and continue to improve as the Company refines the site selection and fit-out approach, negotiates higher landlord contributions and continues to build consumer appeal and awareness.

Earnings contribution from new stores has been temporarily impacted by COVID-19 store closures, social distancing and government mandated restrictions. Store contributions were negative during Universal Store's five week shutdown but have recovered strongly as the network has gradually reopened. This recovery is more pronounced in the FY19 cohort which comprises of only one Victorian store (Geelong) that was subject to a partial lockdown. The FY20 cohort has been more impacted as one-third of its constituents are Melbourne stores. These stores have been impacted by lockdowns since March 2020, closed during Stage Four Melbourne restrictions and negatively contributed to earnings. A further third of the FY20 stores have been located in COVID-19 hotspots in New South Wales during August.

Management believes that the economics of new stores will not materially change as a result of COVID-19 and are encouraged by the prospect of improvements in retail leasing markets from a tenant's perspective.

46. Based on last 14 stores to open up to December 2019. Management believes this is representative of the current capital investment, notwithstanding the impacts of the COVID-19 pandemic.

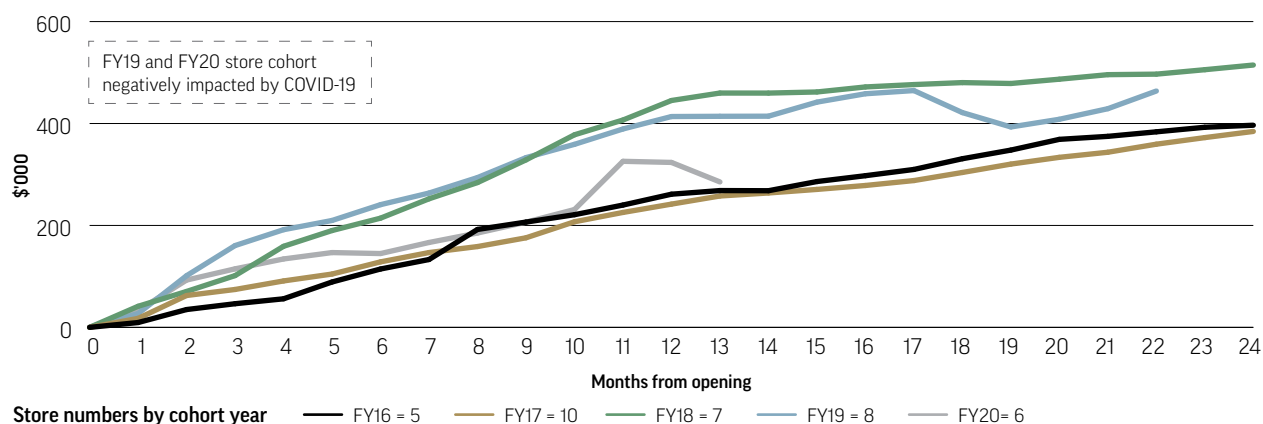
47. Rounded to the nearest \$5,000.

48. Landlord contribution (cash) includes amounts recognised as lease incentives on the balance sheet and amortised over the term of the lease.

49. Impact of additional warehouse inventory required for new stores is negligible.

50. Store earnings contribution is before depreciation and other indirect costs. It also typically includes the benefit of amortising cash incentives received from landlords across the life of the lease, which reduces reported annual rent.

Figure 20: Historical 'ramp-up' by store opening year⁵¹ based on average LTM store earnings contribution⁵²



The 'industrial' and functional look and feel of Universal Store's outlets are designed to maximise the effective life of the store fit-out. The average store in the portfolio only requires refurbishment expenditure after two or three lease terms (typically 10-15 years).

Capital expenditure required for a minor refurbishment is typically \$50,000-\$100,000 and may be undertaken after a first, second or third lease term.

Given the infancy of the store network and durability of the fit-out, Management believes that the portfolio of stores is well maintained and does not require significant refurbishment in the medium term.

2.8 TECHNOLOGY AND ONLINE

Universal Store website and mobile



51. Sample size at beginning of period. Sample size varies across months for cohorts less than 24 months old.

52. Store earnings contribution is calculated as store sales less store cost of goods sold and direct store overheads. Excludes depreciation, Company overheads and various indirect costs.

2. Company and industry overview Continued

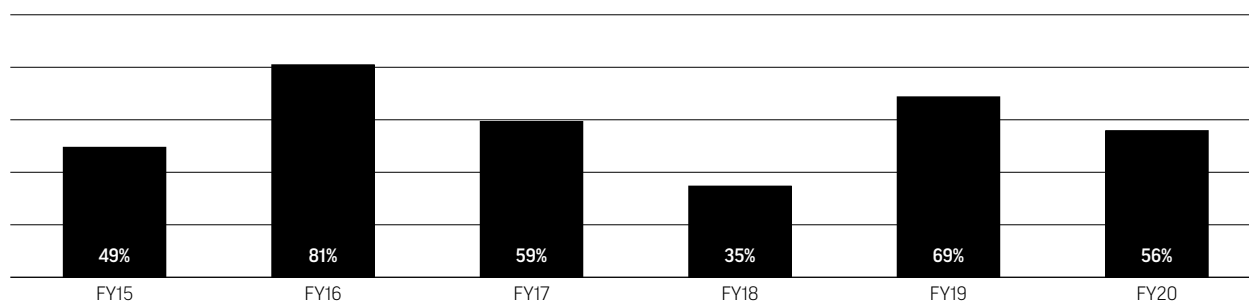
2.8.1 Online channel overview

Universal Store's strategy of offering a constantly evolving and curated range of products has proven to be successful and scalable as a part of an omni-channel strategy. The Company views the growth of online as complementary to the performance of its stores and believes its combination within the store network creates a superior customer experience.

The Company believes that the brand identity it has developed with its digitally native 16-35 year old customers is transferable to online and differentiates it from a wide range of pure-play online competitors.

Universal Store's online channel has grown strongly since inception (approximately 64% revenue CAGR over FY18-20). In FY20, online revenue grew by approximately 59% compared to pcp. The online channel delivered revenue of \$14 million and contributed approximately 9% of revenue during this period. In 2H FY20, the online channel contributed approximately 13% of total revenue.

Figure 21: Historical online Like-for-Like sales growth⁵³

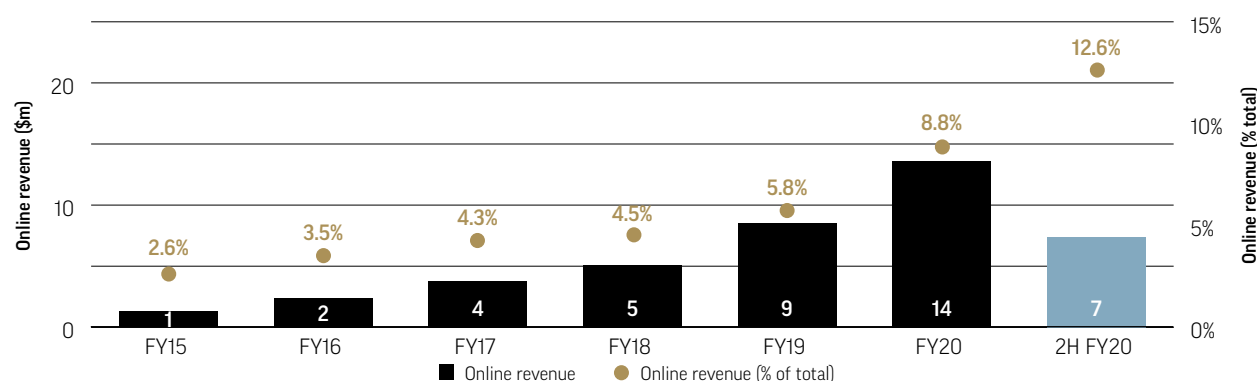


The Company's website (www.universalstore.com) stocks the in-store range with an additional selection of products exclusive to online. The online channel provides Universal Store with the functionality to test new products and designs before rolling them out to the physical store network. Product pricing between the online channel and physical stores is largely consistent.

Prior to 2016, investment in building the online channel was comparatively low. In-house digital marketing, e-commerce and fulfilment capabilities were also underdeveloped. Investment has increased progressively since 2016 and was significantly accelerated in 2018. Investment has included a re-platforming of the website, in-housing of content production and digital advertising capabilities, reconfiguration of online fulfilment and investing in dedicated social media and Search Engine Marketing capabilities.

Universal Store's online channel sales have continued to grow strongly as the Company has developed online functionality and capabilities. The online channel is profitable and has a similar contribution margin to the physical store network.

Figure 22: Historical online store revenue

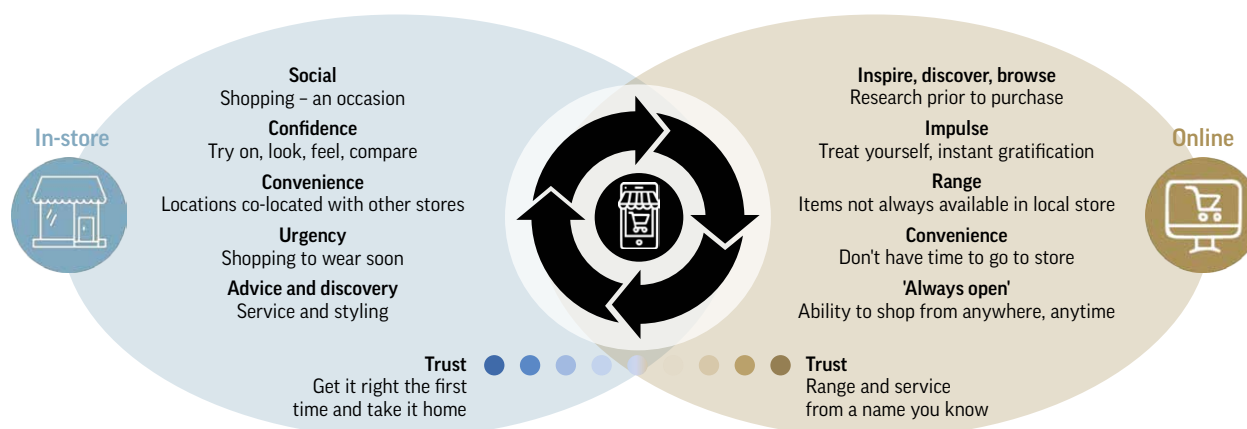


53. Online LFL sales are measured excluding ticket sales, freight income, gift card income and fundraising revenue. LFL sales are calculated on a "retail week" basis, rather than a financial/calendar month basis. For example, LFL sales for FY20 relates to the 52 week period ended 28 June 2020. These factors result in minor differences between the reported revenue growth for Online and the reported LFL sales growth for Online.

2.8.2 Recent initiatives

Universal Store's focus for recent investment has been to improve connectivity between physical stores and the online channel to create a more flexible and convenient omni-channel shopping experience.

Figure 23: Omni-channel offering



Universal Store believes the combination of its physical stores and online channel is superior and synergistic. While Universal Store customers are digital natives, physical stores are preferred by most customers and cater to a number of needs that the online channel cannot address alone. The omni-channel model is able to deliver superior economic outcomes due to the synergies extracted between channels and additional scale that can be achieved, supported by:

- **Larger total available market:** The majority of fashion apparel purchases are made in physical stores. Equally, the online channel is fast-growing and enables Universal Store to serve customers beyond the reach of its store network or outside of store opening hours. By operating in both channels, Universal Store can serve customers regardless of their preferred method, location or time of shopping;
- **Significant synergy and scale advantages:** Physical stores and online use common resources in most operational areas, including management, product and sourcing, warehousing, marketing, data and analytics, logistics, finance and planning. By operating in both channels, Universal Store can achieve greater scale and productivity from its resources;
- **Utilise its inventory:** Inventory is both a sizeable investment and necessary to meet customers' service and immediacy needs. With initiatives such as ship-from-store, Universal Store can obtain more productivity and faster stock turns from its inventory investment, which could not be justified without a multichannel approach;
- **Economically sustainable customer acquisition costs:** Management believes it is increasingly crowded, expensive and difficult to build brand awareness and loyalty online. By operating across both channels, Universal Store can leverage its brand and use stores, databases, and social media as more cost effective customer acquisition and retention methods;
- **Diversification:** By operating an omni-channel model, Universal becomes less reliant on any given landlord, geography, or supplier. It is also less reliant on search engines, and social media platforms. An omni-channel approach therefore better diversifies the business to reduce risk and increase optionality; and
- **De-emphasise price as the choice factor:** Management believes that online shopping can be price and promotionally focused. By offering a store based shopping experience, Universal Store can offer a more engaging and balanced value proposition to customers and therefore be less reliant on discounting, promotions and deals to acquire customers and stimulate sales.

One area that Management believes its omni-channel capabilities can be improved is providing customers with more options in relation to delivery speed and location of delivery or collection. To meet customers' desire for on-demand products and convenience, Universal Store has commenced offering same-day delivery in select markets. This functionality has been initially tested in Queensland, with an intention to roll out nationwide with fulfilment from selected stores.

2. Company and industry overview Continued

The Company also recently introduced ship-from-store which enables online orders to be fulfilled directly from retail stores, in addition to the central distribution warehouse in Queensland. As discussed in Section 2.13.4, the ship-from-store initiative was launched earlier than planned during COVID-19 and the roll-out thereafter was accelerated. This initiative has been a key driver of online sales growth and has been sustained since stores have reopened. The Company is now operating ship-from-store in over half of the physical store network, with approximately 40% of online orders currently being fulfilled by physical stores and store inventory. Management expects this trend to continue during FY21 as ship-from-store is rolled out nationally, enabling faster and in some cases same-day delivery in major Australian markets.

Finally, the Company has invested in re-platforming the online channel to Magento 2, a highly flexible and capable enterprise e-commerce platform. Magento 2 provides a platform to implement further changes to the online channel that would otherwise not be possible under the previous operating system (a prior version of Magento). These future initiatives are discussed further in Section 2.12.4.

2.8.3 Payment systems

The Company offers payment options sought by its customers. Important to its customers is Afterpay and other BNPL options. Universal Store was one of the first retailers in Australia to offer Afterpay in all stores. BNPL offers customers the ability to acquire and take immediate delivery of their purchases with a portion paid upfront and the balance deferred into smaller subsequent instalments over the following weeks. Universal Store pays a commission on each sale to these BNPL providers for offering this service. During FY20, the Company also added Zip to its online store with an intention to roll out through the physical store network during FY21.

Sales through BNPL platforms accounted for approximately 10% of revenue during FY20. The Company expects to continue to offer payment options sought by its customers.

2.9 DISTRIBUTION

2.9.1 Distribution centre

Universal Store operates an approximately 2,634 sqm warehousing and distribution centre in Brisbane, Queensland. The distribution centre receives products from suppliers and ships stock to physical stores. It also currently serves as the primary shipping dispatch point for online orders. The distribution centre is manual in operation and is considered to be functional, efficient and fit for purpose.

To provide for the expanding store network and growing online sales, Universal Store has made a number of investments in the distribution centre size and capabilities over recent years. This includes adding additional warehouses and investing in mezzanine space above the primary facility.

Given the current and expected future growth of the business, the Company will continue to expand the distribution capabilities of the business to support this growth. Management expects this to evolve on an iterative basis and is continuously assessing the current and expected demands on the Company's distribution capabilities.

Management believes the current facilities can accommodate the forecast growth of the Company through to the start of 2022. The Company is currently in the process of reviewing the needs of the business for the next 5-7 years. Options being considered include relocation to a new larger facility; adaptation of the current facility; and outsourcing to a third party to own and operate the facility.

2.9.2 Delivery

Universal Store uses Australia Post as its preferred third party logistics provider to ship stock to the physical store network and fulfil online orders.

For online orders, the Company charges a flat fee for most standard and express shipping of online orders. The Company offers free standard shipping for online orders in excess of \$50 to most areas in Australia. Express delivery is also available in certain markets, subject to Australia Post requirements.

Same-day delivery has been introduced for select online orders to Brisbane based customers. The Company does not charge an additional cost where an order is eligible for same-day delivery. Although Universal Store absorbs the higher delivery cost, same-day delivery has promoted additional spending on individual orders. The average basket size for same-day delivery orders has increased approximately 7% since the introduction of this service in October 2019.

During 2020, Universal Store introduced a ship-from-store model, fulfilling online orders through its physical store network as well as its central distribution centre. This decision increased the availability of physical store network inventory to all online customers who previously had access to a smaller stock quantity level.

2.10 EMPLOYEES

Universal Store had 1,065 employees at FY20 year end, of whom 129 are located at the head office and distribution centre in Brisbane, Queensland. The remaining employees are split between Universal Store's physical stores across Australia.

Each Universal Store physical store employs one full-time manager and assistant manager. Larger stores also have an additional full-time employee. The remaining employees are employed on a part-time or casual basis, allowing the Company to adjust staffing levels to expected demand and higher volume sales periods.

The Company has a history of promoting employees from internal positions. Over half of current store leadership employees and all regional and area managers have come from within the retail network. Management believes this practice helps promote the Universal Store values and culture throughout the Company. Leaders undergo annual in-house leadership training designed to promote the Universal Store culture.

The in-store experience is also enriched by the Company's passionate and knowledgeable employees. Most store employees are a similar age and share the same interests as the target customer. This enhances the credibility, knowledge and relatability of employees to the target customer.

Employees at Universal Store's head office are split across key functions – including leadership, retail operations, product and buying (including design), finance (including property), marketing and digital, human resources, technology and supply chain and distribution. They support the retail network and alleviate administrative duties in-store. The Company has in-house capability for most of its key business functions. Management believes this approach increases control over the Universal Store experience and provides greater efficiency and accountability for financial results and customer outcomes.

During COVID-19, Universal Store received JobKeeper funding from the Australian Government. This is discussed further in 3.6.8.

2.11 MARKETING AND DIGITAL

2.11.1 Overview

Universal Store employs a team of 22 employees across marketing and digital functions. The team is responsible for all marketing and digital capabilities working across both online and physical stores. The marketing and digital team manages the content production, photo shoots, social media channels, email marketing (**EDM**), search engine marketing and production of all in-store point-of-sale marketing materials. This team has the primary responsibility of building and managing the e-commerce capabilities of Universal Store.

Significant investment has been made to expand the capabilities of the marketing and digital team over recent years, growing from seven employees in 2016 to 16 in 2018 and 22 employees currently. Despite the recent significant investment, Universal Store expects to continue to build its marketing and digital capabilities to support the growth of the business.

2.11.2 Marketing channels

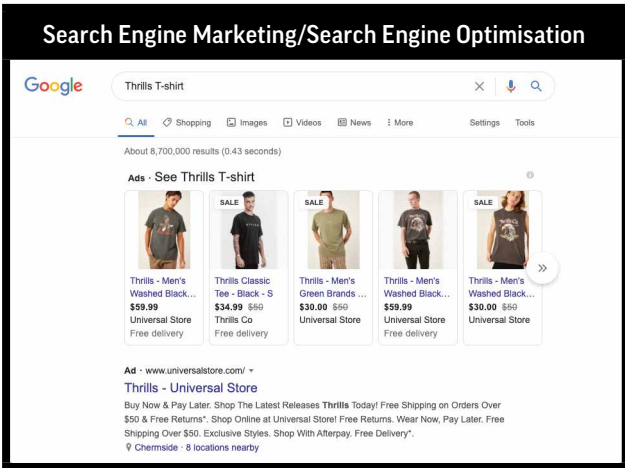
Universal Store takes a holistic approach to marketing across its various channels and customer engagement points. Most marketing activities are designed to benefit all sales channels rather than one channel in isolation. The Company's marketing is digitally led, with significant emphasis on the importance of personal mobile devices (i.e. smart phones).

Management believes that Universal Store spends materially less on paid advertising than most apparel retailers. The Company places a large emphasis on organic and unpaid advertising to generate sales. Where money is spent on advertising, the focus is on generating the greatest return on investment. As such, most of the advertising spend of the Company is incurred on Search Engine Marketing, paid social media marketing, influencer marketing and EDM rather than traditional formats such as TV.


2. Company and industry overview Continued

Table 7: Primary marketing channels

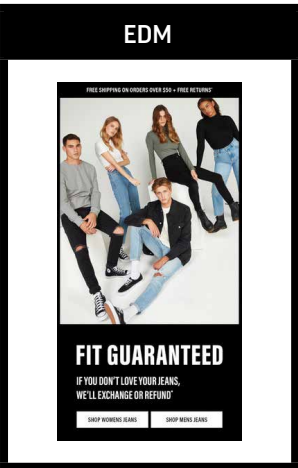
Search Engine Marketing/Search Engine Optimisation




Paid social media marketing




EDM



Organic social media marketing



Influencer marketing



Universal Store also invests heavily in producing differentiated and appropriately stylised content and marketing collateral for its own brands and third party brands. The content is produced almost entirely in-house and is used across the Company's marketing channels and in-store. The content is used across a range of Universal Store's own channels such as the online store, blog, email and social media (Facebook and Instagram). This content is also shared externally and picked up by publications and other social media accounts. Management regards the content production capabilities of the Company as a key strength. An endorsement of this strength is the number of international brand suppliers who trust Universal Store to produce its own content to promote these brands in the Universal Store environments, discussed further in Section 2.11.4.

2.11.3 Collaborations

Universal Store supplements the digitally led focus by engaging with target customers through marketing activities at music festivals, shopping centres and universities and continues the messaging in-store with traditional print, point-of-sale and digital screens.

Working collaboratively with brands enables Universal Store to engage new audiences and attract new customers across multiple channels. Marketing collaborations occur throughout the year at various levels. An example of a recent collaboration has been outlined below.

Case Study

Groovin The Moo

Universal Store has an ongoing partnership with the Groovin The Moo music festival. The Company sells tickets to the festival each year in-store and has a physical presence at the event. During 2019, Universal Store provided a free mobile phone charging space, a chill-out space and a silent disco, branded as 'Universal Store's Charge & Chill'. Through this initiative, Universal Store collected email addresses for its database.

Across all forms of promotion during the 2019 festival, Universal Store had engagement with over 19,000 people. The promotion drove over 4,000 new Instagram followers with ticket sales contributing over \$700,000 in revenue.



2. Company and industry overview Continued

2.11.4 Marketing case studies

In recent years, Universal Store has gained a reputation for its marketing and content production capability. In addition to producing content for the Company's own brands, Universal Store's design team has been engaged to produce content for third party brands. These brands have leveraged Universal Store's marketing expertise and capabilities to photograph and design print and online campaigns. An example is set out below.

Case Study

Champion (May 2019)

For Champion's 2019 window, Universal Store created and presented a pitch to Champion Australia for a campaign that tied in with Champion's global campaign '100 Years For The Team', posing the narrative that 'Team Is a Mentality'.

Shot in a suburban community basketball court, six models – four with professional basketball skills – came together for a friendly game of 3-on-3. The concept fed into Champion International's overall message and was cross-promoted across their digital channels as well as those of Universal Store.

The Champion campaign involved social media advertisements, influencer marketing and competitions as well as 38 Instagram and nine Facebook posts that generated approximately 571,000 and 26,000 impressions, respectively. Champion sales also peaked during the campaign compared to year-on-year (297%) and the same period prior to the campaign (127%).

Champion Instagram post



2.12 GROWTH STRATEGIES

Universal Store has delivered outstanding Like-for-Like sales growth, with an average of 14% per annum from FY16-20. Strong Like-for-Like sales growth has continued in FY20 at a rate of 11%.

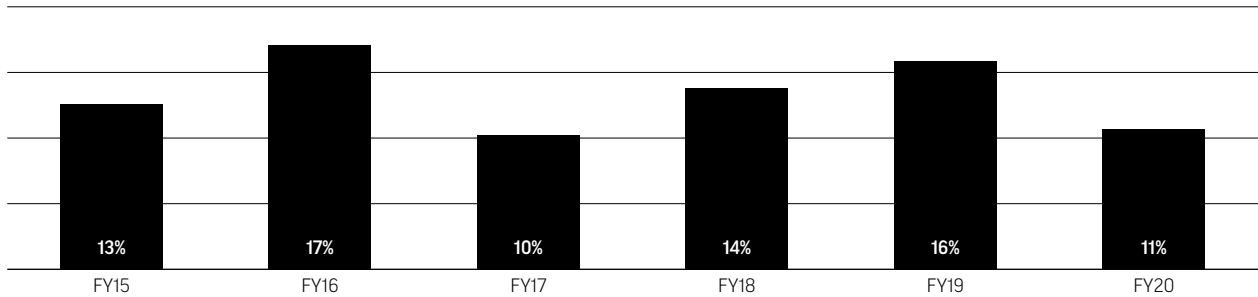
Universal Store expects that its segment of the market will continue to grow and successful execution of the existing strategies will continue to drive Like-for-Like sales growth and market share gains. The Company's existing physical store portfolio is also relatively immature, with over 30% of the current 65 stores being less than three years old. The Company expects these stores to continue to mature and grow as discussed in Section 2.7.1.

In addition, the Company has identified four high focus areas that are expected to be the primary drivers of medium-term growth in sales and earnings. These strategies represent extensions of existing proven strategies.

2.12.1 Ongoing range differentiation and curation

A key driver of historic growth has been Universal Store’s successful range differentiation and careful curation, coupled with an ability to identify and source high-demand products and minimise buying mistakes. Management expects future Like-for-Like sales growth and revenue growth to come from the ongoing execution of this strategy.

Figure 24: Historical Group Like-for-Like sales growth (physical and online stores)



Management expects that continued refinement of the buying and risk management processes and use of more data sources to inform buying decisions will continue to improve the appeal and relevance of the range offered. The underlying objective of these strategies is for the Company to range more of the products that customers want and less of the products they do not want. For example, as Universal Store expands its presence in Australia’s southern states, it attains more experience, data, insights and scale in ranging outerwear and other products more appropriate to colder climates. The expectation is this will help evolve the range to be more relevant to these locations.

Management believes there is also increasing brand owner appreciation of Universal Store’s role as a trustworthy brand custodian and partner. This will support deeper partnerships and more collaboration with some of the world’s best youth casual apparel brands that are not currently stocked in Universal Store.

Ongoing range differentiation will also stem from the continued success of the Company’s private brand strategy (discussed in Section 2.12.2).

Universal Store also aims to increase sales by expanding the brand and sub-category offering. An essential part of this strategy is ensuring that range extensions and new brands support the current range. The Company believes this is achievable and is supported by Universal Store’s history of successful execution of range extension and brand and range curation. Management expects these initiatives to collectively drive Like-for-Like sales growth and revenue growth as more customers shop at Universal Store and existing customers shop more often.

2.12.2 Growth of the portfolio of private brands

Private brands represent an important part of Universal Store’s strategy to offer a differentiated range, value for money and support outfitting. In FY20, private brands represented approximately 30% of Universal Store’s revenue.

Figure 25: Revenue by product type (FY14)

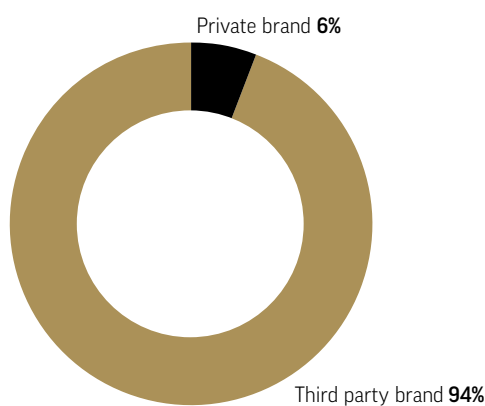
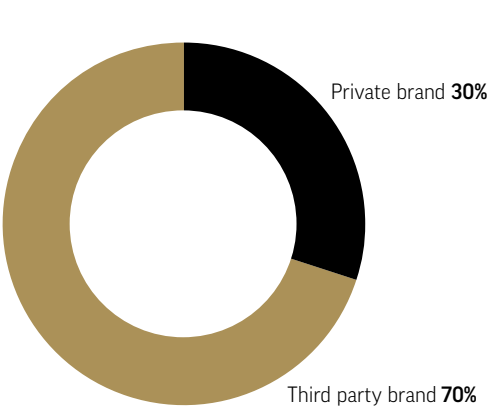


Figure 26: Revenue by product type (FY20)

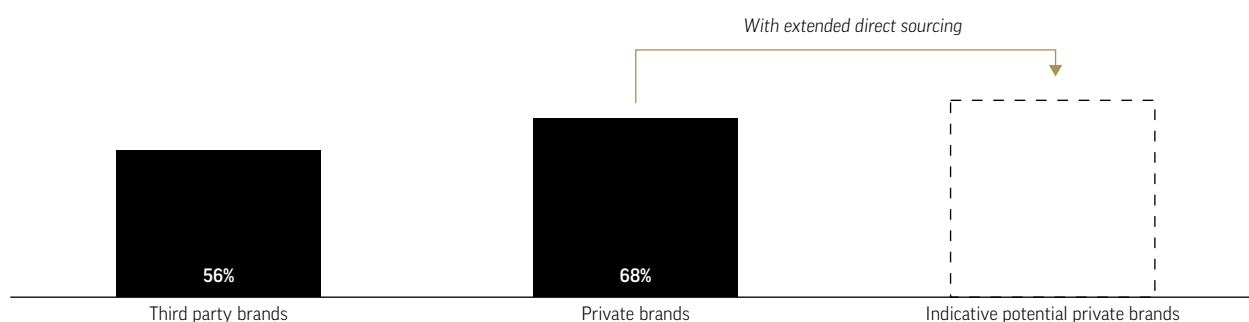


2. Company and industry overview Continued

The Company has identified four opportunities to further develop existing private brands and potentially new private brands:

- Promotion of private brands – opportunity to further elevate the styling and quality of the promotional materials supporting the Company's private brands in-store and online;
- Direct sourcing – as discussed in Section 2.6.3, direct sourcing provides an option to reduce the reliance on local sourcing agents. It also provides the opportunity to increase Universal Store's gross margin by increasing the percentage of the Company's range that is sourced directly from manufacturers instead of local sourcing agents. Management expect to continue to use a portion of local sourcing agents where they provide new product development ideas, quality control and supply flexibility benefits;

Figure 27: Gross margin by product type (FY20)



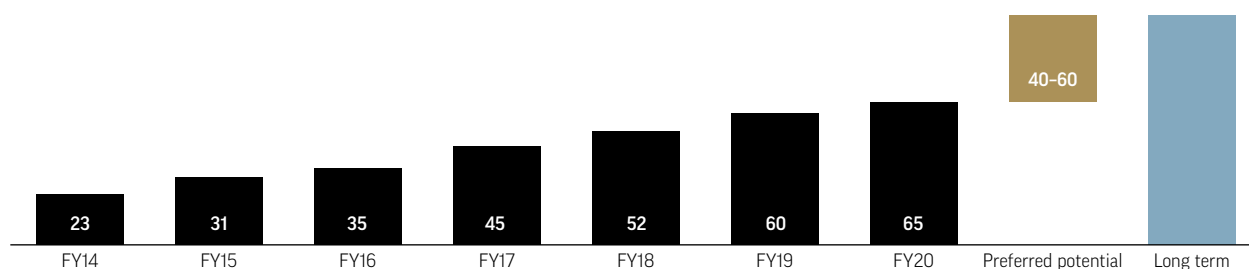
- Expansion of menswear private brand offering – private brand sales remain underrepresented in menswear. In FY20, menswear only represented 17% of private brand sales. Management believes this is primarily due to a later start by Universal Store of male-focused owned brands, coupled with male consumers' greater propensity to shop for known brands. Management believes its menswear private brand (Common Need) has now reached a tipping point in its credibility with customers and can gain further market share. The Company's design and sourcing skills have now also materially improved such that the Common Need range can be expanded and a new menswear private brand can be launched. Universal Store has identified opportunities to increase the proportion of menswear private brand sales over the next five years; and
- Expansion into new product categories – Universal Store may also expand into adjacent product categories. These initiatives will enable the Company to capture new demand and broaden the appeal of private brand products. New products and new product categories are incremental and regularly developed in response to trends. Examples of new categories which the Company has expanded into over the last five years include watches, footwear, eyewear, swimwear, caps and gift products.

2.12.3 Expansion of the store network

2.12.3.1 Overview of future store roll-out

Universal Store expects growth to continue to come from new store openings. This process is discussed in detail in Section 2.7.2.

Figure 28: Historical and forecast physical store network



Universal Store believes there is capacity to potentially open a further 40-60 stores throughout ANZ.

As the business now has stores operating in all mainland states and territories in Australia, the Company regards further store roll-out as largely an 'in-fill' strategy, where each new store opportunity is assessed against the current performance and potential impact on existing stores and nearby catchments.

Of these new store openings, Universal Store has identified New South Wales and Victoria as two key regions which remain underrepresented in its network and therefore expect future store openings to focus on these geographies. Universal Store believes there is the opportunity to add materially more accretive new stores in these states where the store network is underpenetrated compared to the position in Queensland and Western Australia, particularly given the addressable youth population in these states.

Of the 92 largest shopping centres in Australia, Universal Store is present in just over half, which evidences its roll-out opportunities.

Management has also identified New Zealand as a potential growth region and believes there is capacity for a small network of stores there (up to 10 stores).

2.12.3.2 Annual store roll-out

Universal Store does not target an annual number of new store openings. The Company prefers to retain flexibility in the roll-out process, opening new stores only when acceptable lease terms are available for a prospective site. This has historically resulted in the Company opening 5-10 new stores per annum over the last five years. This flexibility aims to prevent Management from feeling obligated to accept unfavourable lease terms to meet annual new store targets. The fact that the Company has only closed four stores since it was founded and none opened since 2009 or under the current Management team, demonstrates the rigidity and success of this strategy.

2.12.3.3 Upsizing of stores

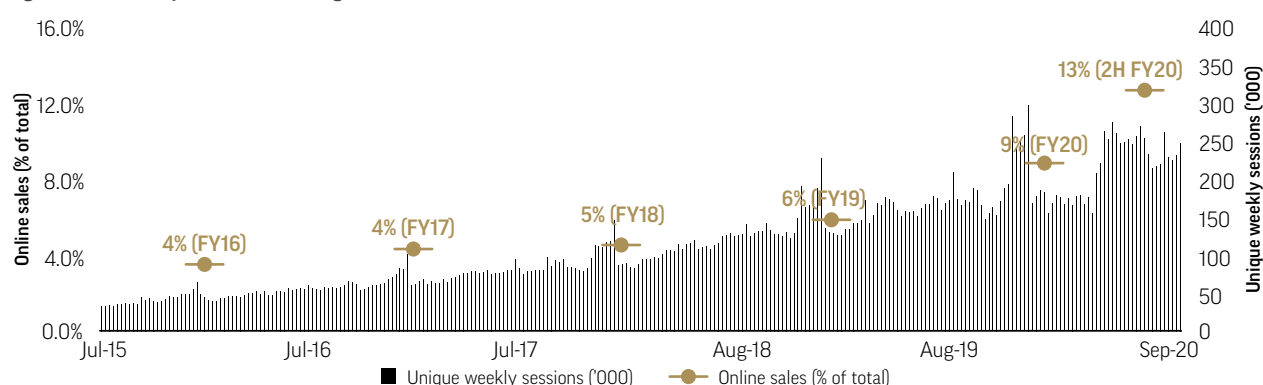
In addition to new stores, Universal Store is actively contemplating the prospect of upsizing the existing store footprint in several locations. These stores are typically older and smaller than the current target size (i.e. less than 250 sqm). Typically, a relocation and upsizing will also benefit from significant capital contribution to the cost of fit-out of the new store from a landlord. Universal Store would only support an upside or relocation of a store when it expects the new store to be superior for its customers and where the store will derive incremental earnings and an attractive return on its investment on any capital outlay.

As Universal Store expands the store network, market conditions may change and new opportunities will emerge. Management's objective is to progressively improve the overall composition of the store portfolio. Underperforming stores will be closed, renegotiated, relocated or resized as the Company aims to grow the store network profitability.

2.12.4 Prioritising online experience and integration with physical stores

Universal Store recognises the importance and potential upside of its online channel, particularly as a complementary channel to its physical network. The Company has accelerated its investment in this channel, most significantly during 2018 and more recently during COVID-19, as customers increasingly utilise the Company's website to shop.

Figure 29: History of online sales growth



2. Company and industry overview Continued

Although Universal Store does not target a percentage of sales for online, the Company sees significant opportunity to grow its online penetration and enhance integration with the physical store network. Management increasingly view these two channels as complementary to each other. COVID-19 has accelerated online sales growth and enabled Universal Store to test and roll out a greater number of its planned online initiatives.

Universal Store's digital strategy is focused on making its online channel:

- **Easier and more convenient;**
- **More personalised, immersive and engaging; and**
- **More integrated with stores.**

Management intends to achieve this through incremental initiatives, discussed below. These changes are not individually material; however, Management believes their complementary and collective power will drive the Company's online sales growth and profitability, grow its database cost effectively and create a superior online shopping experience.

2.12.4.1 Easier and more convenient

Universal Store aims to make shopping on its online channel easier and more convenient than its peers. Management has identified payment systems, delivery and site optimisation as areas that it believes will assist this.

Universal Store is addressing customers' desire for flexible, convenient and on-demand delivery options. During FY20, Universal Store commenced same-day delivery in select markets, recognising a desire for a faster delivery option. Although the Company absorbs the higher cost for same-day delivery, it has promoted an increase in average basket size of approximately 7% since the introduction of this service in October 2019. The Company intends to roll out this initiative through the wider store network starting in FY21. Delivery options will also be complemented by the Company's click-and-collect service, which it intends to commence in FY21 and eventually roll out through the whole network in the medium term. Universal Store is agnostic in relation to which channel is preferred by its customers to execute a purchase, and seeks to provide complete flexibility to its customers in this regard.

Universal Store is also focused on adding the payment flexibility that its customers demand. The Company believes that providing customers with the optionality to transact with familiar and popular platforms will increase their willingness to purchase and frequency of purchasing. During FY20, the Company added Zip to its website which joined Afterpay as its BNPL options and now accounts for approximately 6% of online sales. These services are important to Universal Store's target customer and collectively represent a significant portion of online sales. Universal Store expects to continue to assess new options as they arise.

Other initiatives that Management has identified include site speed optimisation to provide faster website loading and processing times and faster checkout. Content initiatives, such as improved sizing information and better product photos, have also been identified and planned.

Although incremental, these improvements collectively create a more pleasant shopping experience for customers. Evidence from previous initiatives (such as ship-from-store) indicates that they can lead to improved customer conversion and retention rates.

2.12.4.2 More personalised, immersive and engaging

Universal Store aims to deliver a more personalised and engaging shopping experience through its online platform to its customers. Personalisation is a key focus area for the Company and has been made possible through the recent website re-platforming to Magento 2 (see Section 2.8.2 for further discussion). Delivering a more personalised and curated shopping experience is intended to drive customer engagement and increase average order size.

Other initiatives that Management has identified include providing better targeted promotions, product suggestions or recommendations, and reminders based on greater knowledge of customers' personal preference. This will allow improved targeted online advertisements which comprise a significant portion of the Company's marketing spend (see Section 2.11.2 for further detail).

Using Universal Store's high volume of online and in-store transactions is a significant advantage in delivering this objective in a cost effective manner.

2.12.4.3 More integrated with stores

Universal Store intends to improve the integration of its website with its physical store network, providing customers with the flexibility to transact seamlessly between channels.

To drive sales in-store and online, Universal Store tries to understand its customers better than its competitors. The Company aims to achieve this through a data platform which enables a 'single customer view' across online and the store network. Currently, data for personalisation and targeting is only collected via the Company's website and via EDM based on customer behaviour (e.g. shopping history, browsing and cart abandonment). A single customer view would allow Universal Store to track customer browsing and buying behaviour across online, in-store, social media and other channels, thereby enabling delivery of a more personalised, efficient and convenient shopping experience, regardless of the customer's preferred shopping channel.

The first stage of the Company's single customer view strategy has been implemented in all physical stores with the introduction of digital receipts that collect store transaction data for use online.

Store integration benefits are also expected via further inventory management and delivery initiatives. The Company successfully launched ship-from-store during FY20 which allowed store inventory to fulfil online orders. Click-and-collect is expected to have similar integration benefits when it is launched in FY21.

2.13 IMPACTS OF COVID-19

2.13.1 Overview

Universal Store operates a national store network with a global supply chain which makes it susceptible to the impacts of COVID-19. As a result of COVID-19, Universal Store has taken a number of permanent and temporary measures to optimise business performance and allow it to continue to execute its strategy.

2.13.2 Supply chain

Universal Store utilises a global supply chain, with many of its third party and private brand products originating in China. The Company experienced disruptions in its supply chain during the emergence of COVID-19 in February 2020, with delays of up to four weeks in private brand supply. During this time, factories based in China closed and performed mandatory quarantine of employees. At the Prospectus Date, these delays no longer persist.

As a result of COVID-19 and to diversify its supply chains, Management is actively assessing alternative manufacturing locations for its private brand products.

In response to COVID-19, Universal Store also took precautionary inventory measures. The Company moved quickly and decisively to cancel a number of forward orders and temporarily extend payment terms to ensure minimal excess stock and payables upon the reopening of physical stores. Universal Store also temporarily increased payment terms for most stock purchases in May 2020 and June 2020. The Company continues to work closely with suppliers to manage supply given the uncertainty of the trading environment.

2.13.3 Store network

Following a decline in in-store sales in late March 2020 and the Australian Government implementing Stage Three restrictions, all Universal Store stores were temporarily closed for a period of five weeks nationwide. In response to the COVID-19 crisis, Universal Store increased focus on digital channels including successfully launching ship-from-store which allowed online customers to access physical store inventory.

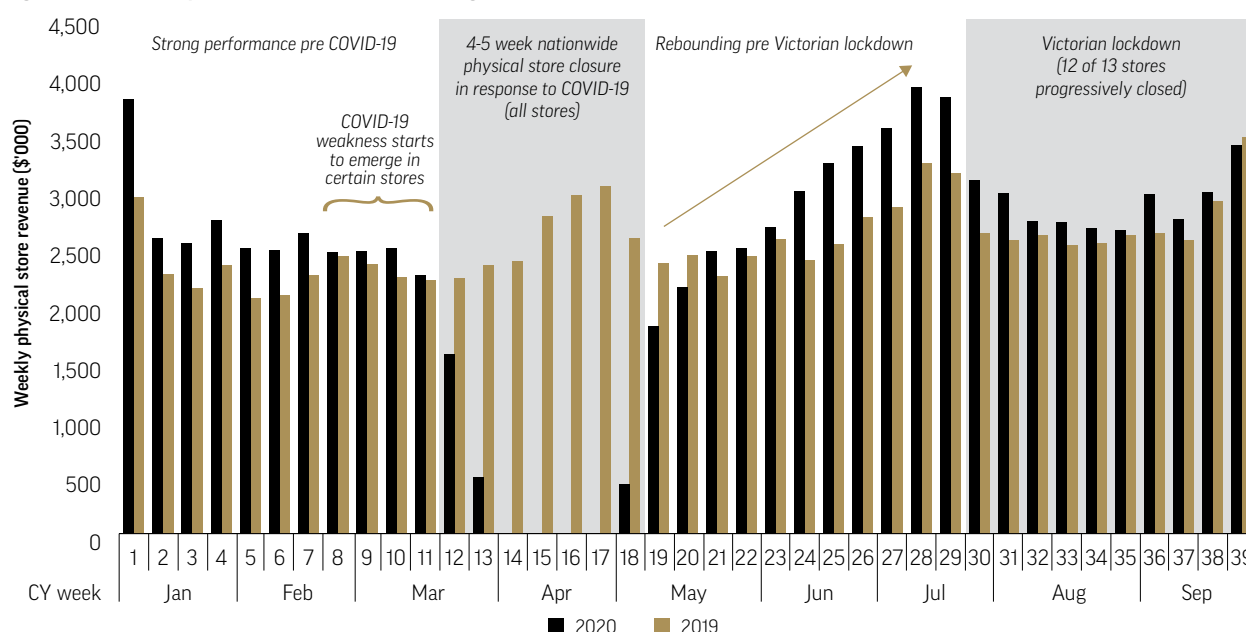
Universal Store was further required to close 12 of its 13 Victorian stores as a result of Stage Four Victorian restrictions. During this time, Melbourne was serviced via the online store only.

As a result of the five week April 2020 shutdown, Universal Store was able to negotiate rent concessions for approximately 57% of its stores. At the Prospectus Date, Management is also in the process of securing further rental concessions in Victoria due to the Stage Four Victorian restrictions.

2. Company and industry overview Continued

Universal Store's strategy is to locate stores in high foot-traffic areas. These locations were heavily impacted due to COVID-19 travel restrictions, social distancing and government mandated restrictions. Stores in these high foot-traffic areas, such as key CBD, student and tourist catchment locations, have underperformed since the early stages of COVID-19. Sales in these stores have recovered as social distancing restrictions have relaxed, although not to pre COVID-19 levels. The Company expects these stores to benefit from the gradual reopening of state borders, CBD locations and key shopping strips as increased foot traffic drives growth of in-store sales.

Figure 30: Weekly physical store revenue during COVID-19⁵⁴



To facilitate the safe opening of stores, the Company has developed protocols which allow the store network to trade 'COVID-19 safe' including increased cleaning and sanitisation efforts. Customer and employee safety remains a high priority.

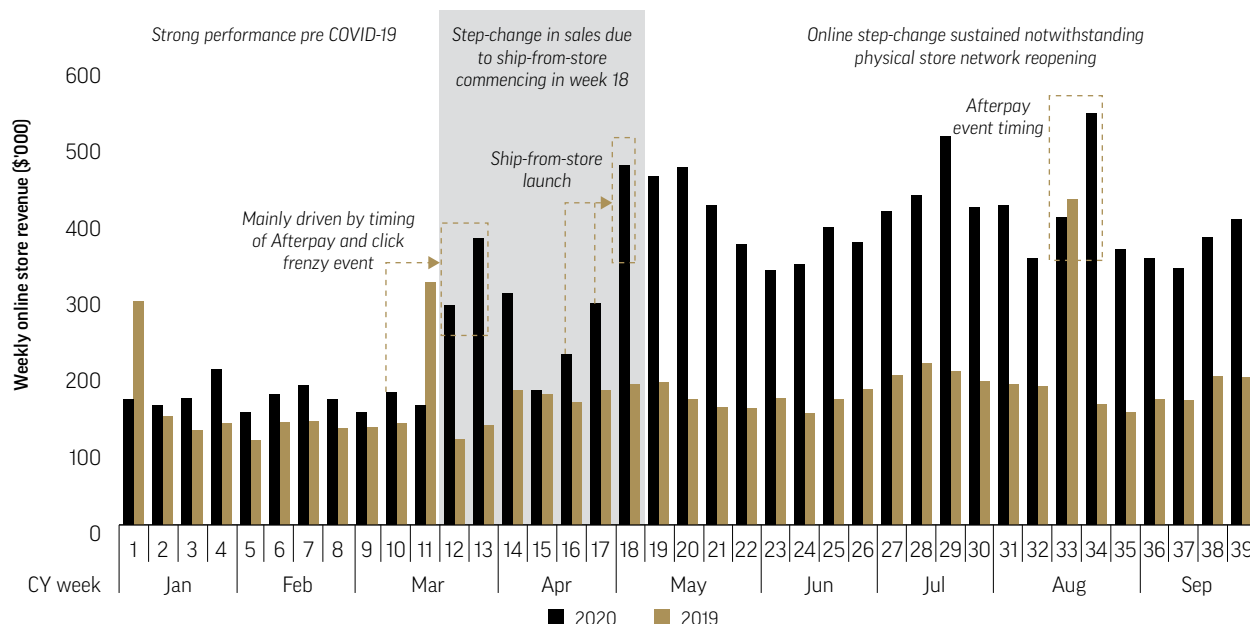
2.13.4 COVID-19 and online sales

Universal Store has experienced a sustained increase in online sales and online penetration during COVID-19. Online sales have grown from approximately 6% of revenue in FY19 to 9% in FY20.

During the early stages of COVID-19, online revenue grew strongly, up 81% during 2H FY20 on pcp and represented approximately 13% of revenue. Online sales growth was complemented by resilient in-store performance during March 2020 even as COVID-19 emerged in Australia.

54. CY2020 weeks 1-38 represent historical revenue, while CY2020 week 39 represents forecast revenue. CY2019 includes revenue from Victorian stores that were closed during CY2020 Victorian lockdowns.

Figure 31: Weekly online revenue during COVID-19⁵⁵

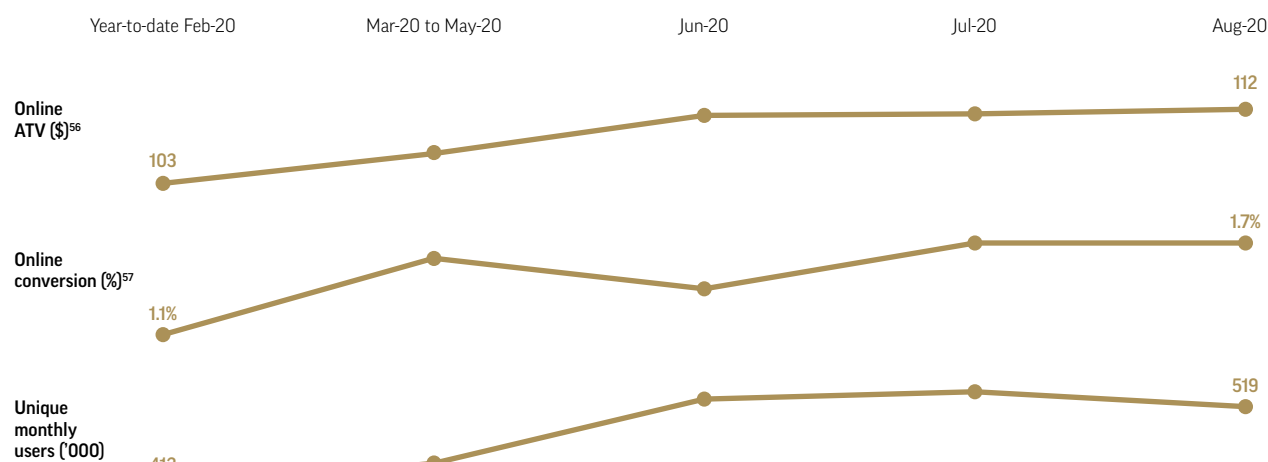


Penetration grew during the physical store network-wide five week shutdown in April 2020 where customers were serviced solely by the online store. Although this forced customers to shop online while stores were closed, the largest driver of online sales has been the launch of ship-from-store (accelerated during COVID-19 and discussed further in Sections 2.8.2 and 2.9.2). Enabling ship-from-store dramatically increased online inventory and stock availability for online customers.

As the physical store network has reopened, online sales growth has remained strong and penetration above pre COVID-19 levels. This includes locations where social distancing regulations have been relaxed and store foot traffic has recovered.

More recently, sales in both online and in-store continue to grow in tandem. For example, during July, online Like-for-Like sales grew 122% along with in-store Like-for-Like sales growth of 15%. Management believes this is evidence of a long-term increase in online penetration driven by inventory availability from ship-from-store as opposed to a temporary channel shift during COVID-19. This is further evidenced by sustained growth in online ATV, conversion and unique users compared to pre COVID-19 levels:

Figure 32: Monthly online metrics during COVID-19



For a full discussion of in-store and online performance during COVID-19, see 3.6.4.

55. CY2020 weeks 1-38 represent historical revenue, while CY2020 week 39 represents forecast revenue.

56. Exclusive of GST.

57. Online conversion (%) is equal to online transactions divided by gross web visits over a period.

2. Company and industry overview Continued

2.13.5 Growth strategy

Universal Store has not made any significant change in its long-term growth strategy as a result of COVID-19. The Company believes that the primary needs of its customer remain substantially unchanged and the role of Universal Store in meeting those needs remains effective. The volatility and variability in market conditions have emphasised the importance of aspects of its strategy and the strength of its culture. The Company has nevertheless been delayed by the practicality of its plans while social distancing and travel restrictions are in place.

Universal Store continues to find accretive new stores locations. However, the timing of new store openings has been delayed by Management's inability to undertake new store diligence and physically view new locations. In addition, the Company has delayed the planned relocation of two Universal Store sites (World Square, Sydney and Karrinyup, Western Australia).

Universal Store has also delayed its accelerated direct sourcing initiative, previously expected to commence in FY20. The Company now expects to progress this initiative during FY21.

The Company has continued capital expenditure associated with digital initiatives throughout COVID-19 and has further enlarged its team in this area through this period. The roll-out of ship-from-store was accelerated during FY20 to utilise the inventory held in the physical store network and store teams in these stores. This enabled the Company to capture a higher share of the online sales growth observed in the market through COVID-19 and has been sustained since notwithstanding stores reopening in most states and territories. Other investments identified in Section 2.12.4 are also being fast tracked which will allow Universal Store to grow sales via both channels.

3.

Financial information



3. Financial information

3.1 OVERVIEW OF FINANCIAL INFORMATION

The financial information for Universal Store contained in this Section 3 includes:

- Historical consolidated financial information for the financial years ended 30 June 2018 (FY18), 30 June 2019 (FY19) and 30 June 2020 (FY20), for the three months ended 30 September 2019 (1QFY20) and for the 12 months ended 30 September 2019 (LTMSep19); and
- Forecast consolidated financial information for the three months ending 30 September 2020 (1QFY21F) and for the 12 months ending 30 September 2020 (LTMSep20F).

Further details regarding the historical and forecast financial information is included in the table below.

Table 8: Overview of Universal Store's financial information

	Statutory Financial Information	Pro Forma Financial Information
Historical Financial Information	<p>Statutory Historical Financial Information comprises the:</p> <ul style="list-style-type: none"> • Statutory historical consolidated income statements for FY18, FY19 and FY20 (Statutory Historical Results); • Statutory historical consolidated cash flows for FY18, FY19 and FY20 (Statutory Historical Cash Flows); and • Statutory historical consolidated statement of financial position as at 30 June 2020 (Statutory Historical Statement of Financial Position). <p>LTMSep19 and 1QFY20 were not statutory reporting periods.</p>	<p>Pro Forma Historical Financial Information comprises the:</p> <ul style="list-style-type: none"> • Pro forma historical consolidated income statements for FY18, FY19, FY20, 1QFY20 and LTMSep19 (Pro Forma Historical Results); • Pro forma historical consolidated cash flows for FY18, FY19, FY20, 1QFY20 and LTMSep19 (Pro Forma Historical Cash Flows); and • Pro forma historical consolidated statement of financial position as at 30 June 2020 (Pro Forma Historical Statement of Financial Position).
Forecast Financial Information	<p>LTMSep20F and 1QFY21F are not statutory reporting periods.</p>	<p>Pro Forma Forecast Financial Information comprises the:</p> <ul style="list-style-type: none"> • Pro forma forecast consolidated income statements for 1QFY21F and LTMSep20F (Pro Forma Forecast Results); and • Pro forma forecast consolidated cash flows for 1QFY21F and LTMSep20F (Pro Forma Forecast Cash Flows).

The Historical Financial Information and the Forecast Financial Information defined above together form the Financial Information.

This Section 3 also includes:

- A summary of the basis of preparation and presentation of the Financial Information (see Section 3.2);
- Information regarding certain non-IFRS measures (see Section 3.2.5);
- The pro forma adjustments to the Statutory Historical Financial Information, and reconciliations to the Pro Forma Historical Financial Information (see Section 3.3.2);
- A summary of key operating and financial metrics (see Section 3.3.3);
- Details of Universal Store's indebtedness and a summary of its funding, including debt facilities and liquidity and capital resources (see Section 3.5);
- A description of the key financial and operating drivers affecting the business and Management discussion and analysis of the Pro Forma Financial Information (see Section 3.6);
- The Directors' best estimate general and specific assumptions underlying the Pro Forma Forecast Financial Information (see Section 3.7);
- An analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see Section 3.8); and
- A summary of Universal Store's proposed dividend policy (see Section 3.9).

The Pro Forma Financial Information has been reviewed in accordance with the *Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraising and/or Prospective Financial Information* by KPMG Financial Advisory Services (Australia) Pty Limited whose Independent Limited Assurance Report is contained in Section 7. Investors should note the scope and limitations of that report (see Section 7).

The information in this Section 3 should also be read in conjunction with the risk factors set out in Section 4, and other information contained in this Prospectus. In addition, Universal Store's significant accounting policies, which have been applied in the preparation of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (except for AASB 16 *Leases* as noted in Section 3.2.2), are set out in Appendix A.

All amounts disclosed in this Section 3 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest hundred thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this Prospectus are due to rounding.

3.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

3.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information is intended to present potential investors with financial information to assist them in understanding the underlying financial performance, cash flows and financial position of Universal Store.

With the exception of applying AASB 16 *Leases* (AASB 16), the Pro Forma Financial Information has been prepared in accordance with the measurement and recognition principles of AAS issued by the AASB, which are consistent with IFRS issued by the International Accounting Standards Board and Universal Store's accounting policies. Universal Store's significant accounting policies are described in Appendix A.

This Prospectus presents the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Forecast Financial Information on a consistent basis, prior to the adoption of AASB 16 *Leases*. The Directors believe that presentation of the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Forecast Financial Information on this basis is more meaningful to investors and assists readers of the Prospectus to assess the performance of Universal Store under metrics which are better understood. Readers of the Prospectus should be aware that, as a result, the Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Forecast Financial Information are not compliant with AAS and are not prepared on the basis upon which Universal Store will report actual results in its statutory accounts in the future.

3. Financial information Continued

The Statutory Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Universal Store currently manages its operations as a single business operation and there are no parts of its business or geographies that currently qualify as separate operating segments under AASB 8 *Operating Segments*.

Section 3.2.5 describes certain non-IFRS financial measures that Universal Store uses to manage and report on its business that are not defined under or recognised by AAS or IFRS.

3.2.2 Adoption of AASB 16 Leases

The adoption of the new accounting standard AASB 16 *Leases* is required for financial years commencing on or after 1 January 2019. Therefore, Universal Store has applied this standard in the accounting period commencing 1 July 2019 and the Statutory Financial Information for FY20 adopts AASB 16.

AASB 16 has replaced AASB 117 *Leases* (AASB 117) and removes the accounting distinction between operating and financial leases. Under AASB 16, a lessee is required to recognise a lease liability and corresponding right of use asset for all leases with a term greater than twelve months, unless the underlying asset is of low value.

Whilst the adoption of AASB 16 does not impact net cash flows, it does impact the presentation of the lease expense and payments in the income statement, the statement of cash flows and the statement of financial position.

The income statement presents the lease expense as a combination of depreciation (relating to the right of use asset) and interest cost relating to the finance cost embedded within the lease (rather than rent expense being shown as an operating expense). Operating expenses therefore decrease and depreciation and interest expenses increase. The quantum of expense recognition changes over the lease term, as a greater amount of the interest expense is recognised in the earlier periods of the lease.

For short term leases (leases with a lease term of less than 12 months) and leases of low value assets, Universal Store opts to recognise the lease expense within occupancy costs as incurred, as permitted under AASB 16. In determining whether a lease is short term, notably leases in holdover, Universal Store is required to assess the likelihood that it will extend the lease beyond the contractual term and, if it determines with reasonable certainty that this is the case, to recognise a right of use asset and corresponding lease liability in respect of this.

AASB 16 has no impact on net cash flows. Under AASB 16, the principal lease repayments and embedded interest costs are presented separately within financing cash flows. Under AASB 117, these payments were included within operating cash flows.

To understand the impact of AASB 16 on the Pro Forma Historical Results and Pro Forma Forecast Results, refer to Table 15 and Table 16 in Section 3.3.4.

3.2.3 Preparation of the Historical Financial Information

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus. The pro forma adjustments in respect of the income statements and cash flows are as described in Section 3.3.2 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results) and Section 3.4.2 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows). In particular, pro forma adjustments have been made to reflect the following:

- AASB 16 adjustments: The reversal of the impact on the FY20 Statutory Historical Results and FY20 Statutory Historical Cash Flows from the first-time adoption of AASB 16;
- Transaction costs: Transaction costs related to exploring alternative liquidity events are excluded from the Pro Forma Historical Financial Information;
- Incremental public company costs: An amount that represents Universal Store's estimate of the incremental annual costs that it will incur as a listed company is included in the Pro Forma Historical Financial Information for all periods;
- Capital structure: Interest and financing costs in line with Universal Store's new capital structure after Completion of the Offer and entry into the New Debt Facilities are reflected in the Pro Forma Historical Financial Information for all periods; and
- Net tax adjustment: The tax effect of the adjustments above have been calculated using an effective tax rate of 30% based on the Australian corporate tax rate.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, adjusted for certain pro forma items to take into account the effect of IPO transaction costs and changes in capital structure, as set out in Section 3.5.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Universal Store's future financial position.

The Historical Financial Information has been extracted from:

- The special purpose financial statements of Universal Store Pty Ltd for FY18 and FY19 (FY18 and FY19 Historical Financial Statements);
- The general purpose financial statements of US Holdings Pty Ltd for FY20 (FY20 Historical Financial Statements); and
- The unaudited management accounts and accounting records of Universal Store for 1QFY20 and LTMSep19. Whilst the results for these periods were not audited, the 1QFY20 information corresponds to three months trading within the audited FY20 period and the LTMSep19 information corresponds to nine months trading within the audited FY19 period and three months trading within the audited FY20 period. 1QFY20 and LTMSep19 are not statutory reported periods of Universal Store.

The FY18 and FY19 Historical Financial Statements and FY20 Historical Financial Statements were audited by PricewaterhouseCoopers (PwC) in accordance with Australian Auditing Standards. PwC issued unqualified opinions in respect of the FY18, FY19 and FY20 Historical Financial Statements. PwC's reports in respect of FY18 and FY19 included an emphasis of matter paragraph which highlighted the basis of preparation of those accounts (being special purpose financial statements) and associated restrictions on their use.

3.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information is presented on a pro forma basis and has been prepared solely for inclusion in this Prospectus.

Due to the volatility and uncertainty created by COVID-19, the Directors have determined that there are reasonable grounds to include a forecast for 1QFY21F and LTMSep20F but not a longer-term forecast period beyond September 2020. The Directors believe the inclusion of a forecast for these periods is helpful to investors and assists them to understand the near term expected performance of Universal Store post FY20.

As such, a forecast for LTMSep20F has been provided which comprises:

- The unaudited management results for the last nine months of FY20 (which represents nine months of the audited FY20 period);
- The unaudited management results for the two months to August 2020; and
- A one month forecast for September 2020.

The forecast for 1QFY21F comprises:

- The unaudited management results for the two months to August 2020; and
- A one month forecast for September 2020.

The Pro Forma Forecast Financial Information has been adjusted for the effects of the following pro forma adjustments, on a consistent basis with their application in preparing the Pro Forma Historical Financial Information:

- Reverse the impact of AASB 16;
- Include an estimate of the annual incremental costs that Universal Store will incur as a listed public company;
- Remove one-off transaction costs incurred which related to exploring alternative liquidity events in respect of Universal Store. Transaction costs in relation to the Offer will be incurred on or around Completion of the Offer, which is expected on 18 November 2020, and is beyond the forecast period;
- Reflect interest and financing costs in line with Universal Store's new capital structure after Completion of the Offer and entry into the New Debt Facilities; and
- Reflect the tax effect of the adjustments above calculated using an effective tax rate of 30% based on the Australian corporate tax rate.

Due to its nature, the Pro Forma Forecast Financial Information does not represent Universal Store's actual or prospective financial performance or cash flows for 1QFY21F and LTMSep20F. These are not statutory reporting periods for Universal Store and the Directors do not currently intend to report actual results for these periods.

3. Financial information Continued

The Directors believe that the Pro Forma Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and potential investors are cautioned to not place undue reliance on the Pro Forma Forecast Financial Information. Investors should note that past results are not a guarantee of future performance.

The Pro Forma Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions and on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 3.7. This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring, but it is not intended to be a representation that the assumptions will occur. The Pro Forma Forecast Financial Information has been reviewed by KPMG Financial Advisory Services (Australia) Pty Limited but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information (refer to Section 7).

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Pro Forma Forecast Financial Information, and that this may have a material positive or negative effect on Universal Store's actual financial performance, financial position or cash flows. In addition, the assumptions upon which the Pro Forma Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside of the control of Universal Store, the Directors and Management. Accordingly, none of the Directors or Management or any other person can give potential investors any assurance that the outcomes disclosed in the Pro Forma Forecast Financial Information will arise. The Pro Forma Forecast Financial Information should be read in conjunction with the general and specific assumptions as set out in Section 3.7, the sensitivities as set out in Section 3.8, the risk factors set out in Section 4 and other information in this Prospectus.

The Directors have no intention to update or revise the Pro Forma Forecast Financial Information or other forward-looking statements, or to publish prospective Financial Information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

3.2.5 Explanation of certain non-IFRS metrics

Universal Store uses certain measures to manage and report on its business that are neither recognised by the AASB nor under IFRS. These measures are collectively referred to as non-IFRS financial measures under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC.

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities, and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although Universal Store believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, potential investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus:

- **LFL sales growth** is calculated as a percentage change of the sales generated from stores, compared to the sales from those same stores in the relevant corresponding period. New stores are included in LFL calculations once the store has traded for 55 weeks (reflecting one year plus an initial three week "ramp up" period). Closed stores are excluded from LFL calculations from the date of closure. This includes stores that were closed due to COVID-19, with these stores excluded from LFL sales growth calculations for the weeks that they were closed. Refurbished, resized or stores relocated in the same centre remain in the LFL calculations. LFL sales are measured excluding ticket sales, freight income, gift card income and fundraising revenue. LFL sales are calculated on a "retail week" basis, rather than a financial/calendar month basis. For example, LFL sales for FY20 relates to the 52 week period ended 28 June 2020;
- **LTM** is last 12 months and refers to the trailing twelve months up to the relevant period end date;
- **Number of stores** is presented based on the number of stores operational as at each period end date, excluding the online store (unless otherwise stated);
- **Gross profit** is calculated as revenue less cost of sales;
- **Gross profit margin** is a profitability measure and is calculated by dividing gross profit by revenue, expressed as a percentage;
- **EBITDA** is earnings before net interest and financing costs, income tax expense, depreciation and amortisation;
- **EBITDA margin** is a profitability measure and is calculated by dividing EBITDA by revenue, expressed as a percentage;
- **EBIT** is calculated by deducting depreciation and amortisation from EBITDA;
- **EBIT margin** is a profitability measure and is calculated by dividing EBIT by revenue, expressed as a percentage;

- **Net working capital** represents the sum of inventory and trade and other receivables, less the sum of trade and other payables, unearned revenue, employee liabilities, lease incentives, and other items commonly regarded as being part of working capital;
- **Net debt** represents total interest bearing liabilities including short-term borrowings and long-term borrowings (net of capitalised borrowing costs) minus cash and cash equivalents. This amount excludes any debt arising under AASB 16;
- **Operating cash flow conversion** is defined as operating cash flow before capital expenditure divided by EBITDA, expressed as a percentage;
- **Free cash flow conversion** is defined as free cash flow before financing, taxation and dividends divided by EBITDA, expressed as a percentage; and
- **Net capital expenditure** includes spending on new store fit-outs, refurbishments, maintenance and non-store capital expenditure, net of landlord contributions to the fit-out of stores where the landlord retains title to the fit-out assets under contract terms.

3.3 PRO FORMA HISTORICAL RESULTS, STATUTORY HISTORICAL RESULTS AND PRO FORMA FORECAST RESULTS

3.3.1 Overview

Table 9 summarises Universal Store's:

- Pro Forma Historical Results for FY18, FY19, FY20 and LTMSep19; and
- Pro Forma Forecast Results for LTMSep20F.

Table 9: Pro Forma Historical Results and Pro Forma Forecast Results

\$ millions	Note	Historical			Forecast	
		FY18	FY19	FY20	LTMSep19	LTMSep20F
Revenue	1	112.3	146.5	154.9	154.0	161.4
Cost of sales	2	(49.6)	(63.3)	(67.3)	(66.4)	(70.4)
Gross profit		62.7	83.2	87.6	87.6	90.9
Employee costs	3	(23.4)	(29.9)	(28.1)	(31.5)	(25.6)
Occupancy costs	4	(18.7)	(22.3)	(24.2)	(23.6)	(24.5)
General and administrative costs	5	(4.9)	(6.7)	(8.0)	(7.2)	(8.1)
EBITDA		15.7	24.2	27.3	25.3	32.7
Depreciation	6	(2.2)	(3.0)	(3.6)	(3.1)	(3.7)
EBIT		13.5	21.2	23.7	22.2	28.9
Net finance costs	7	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Profit before tax		12.9	20.7	23.1	21.6	28.4
Tax		(3.9)	(6.4)	(6.9)	(6.5)	(8.5)
NPAT		9.1	14.3	16.2	15.1	19.9

3. Financial information Continued

Notes:

1. Revenue represents amounts earned on the sale of goods to customers from Universal Store's physical store network as well as online sales and is net of returns and refunds. It also includes income from ticket sales, freight income, gift card income and fundraising revenue.
2. Cost of sales represents the net cost of inventories recognised as an expense when products are sold to customers as well as freight and other expenses (including merchant charges and commissions, shrinkage and other items, net of settlement discounts received from suppliers).
3. Employee costs include wages and salaries for store, distribution centre and head office employees as well as related bonuses, incentives and superannuation contributions payable in relation to employees. Employee costs are shown inclusive of the net JobKeeper benefit received, which equated to \$3.2 million in FY20 and \$6.5 million in LTM Sep20F. Refer to Section 3.6.8 for an explanation of the impact of JobKeeper on results.
4. Occupancy costs relate to rental costs, outgoings, other landlord charges and other asset, property and maintenance expenses and are shown prior to the adoption of AASB 16. Costs are also shown net of COVID-19 related rental concessions recognised of \$1.3 million in FY20 and \$1.7 million in LTM Sep20F.
5. General and administrative costs relate to costs associated with sales and marketing, travel expenses, consultancy and professional fees, licences, insurance, incremental standalone public company costs, and other general overheads.
6. Depreciation represents depreciation expense incurred in relation to store fit-outs, computer equipment and PP&E and is shown prior to the adoption of AASB 16.
7. Net finance costs include interest expenses relating to the pro forma debt facilities on IPO and are shown prior to the adoption of AASB 16.

Table 10 summarises Universal Store's Pro Forma Historical Results for 1QFY20 and Pro Forma Forecast Results for 1QFY21F.

Table 10: Pro Forma Historical Results and Pro Forma Forecast Results (1QFY20 and 1QFY21F)

		Historical	Forecast
\$ millions	Note	1QFY20	1QFY21F
Revenue		39.3	45.8
Cost of sales		(17.0)	(20.2)
Gross profit		22.3	25.6
Employee costs	1	(8.0)	(5.5)
Occupancy costs	2	(6.2)	(6.5)
General and administrative costs		(1.9)	(2.0)
EBITDA		6.2	11.5
Depreciation		(0.8)	(0.9)
EBIT		5.3	10.6
Net finance costs		(0.1)	(0.1)
Profit before tax		5.2	10.5
Tax		(1.6)	(3.1)
NPAT		3.6	7.3

Notes: Refer to notes for Table 9.

1. JobKeeper net benefit to EBITDA of \$3.4 million (pre-tax) (i.e. \$2.4 million post-tax) is expected to be received in 1QFY21F. For further detail on JobKeeper, see Section 3.6.8.
2. Landlord rent concessions of \$0.4 million are expected to be recognised in 1QFY21F (i.e. \$0.3 million post-tax benefit).

Table 11 summarises Universal Store's Statutory Historical Results for FY18, FY19 and FY20.

Table 11: Statutory Historical Results

\$ millions	Note	FY18	FY19	FY20
Revenue		112.3	146.5	154.9
Cost of sales		(49.6)	(63.3)	(67.3)
Gross profit		62.7	83.2	87.6
Employee costs		(23.4)	(29.9)	(28.1)
Occupancy costs	1	(18.7)	(22.3)	(5.1)
General and administrative costs		(4.0)	(9.0)	(7.9)
EBITDA		16.6	21.9	46.5
Depreciation	2	(2.2)	(3.0)	(22.0)
EBIT		14.4	18.9	24.5
Net finance costs	3	(0.1)	(0.1)	(6.2)
Profit before tax		14.3	18.9	18.3
Tax		(4.3)	(5.9)	(5.5)
NPAT		10.0	13.0	12.8
<i>Applicable lease accounting standard</i>	4	<i>AASB 117</i>	<i>AASB 117</i>	<i>AASB 16</i>

Notes:

1. Occupancy costs in FY18 and FY19 include operating lease costs previously recognised in operating expenses under AASB 117. Occupancy costs reported in FY20 are accounted for in accordance with AASB 16.
2. Depreciation in FY18 and FY19 relates to depreciation on PP&E. Depreciation reported in FY20 includes depreciation expense in relation to both PP&E and the right of use asset recognised under AASB 16.
3. Net finance costs in FY18 and FY19 relate to interest costs on debt facilities that existed in the respective periods. Net finance costs in FY20 also include interest costs relating to lease liabilities recognised under AASB 16.
4. Statutory Historical Results for FY18 and FY19 reflect the application of the prevailing lease standard (AASB 117) in operation at that time. Statutory Historical Results for FY20 reflect the adoption of AASB 16.

3. Financial information Continued

3.3.2 Pro forma adjustments to the Statutory Historical Results

Table 12 sets out the pro forma adjustments that have been made to EBITDA, EBIT and NPAT in the historical periods.

Table 12: Pro forma adjustments to the Statutory Historical Results

\$ millions	Note	FY18	FY19	FY20
Statutory EBITDA		16.6	21.9	46.5
Transaction costs	1	–	3.1	0.7
AASB 16 adjustments	2	–	–	(19.1)
Incremental public company costs	3	(0.9)	(0.8)	(0.8)
Pro forma EBITDA		15.7	24.2	27.3
Statutory EBIT		14.4	18.9	24.5
Transaction costs	1	–	3.1	0.7
AASB 16 adjustments	2	–	–	(0.8)
Incremental public company costs	3	(0.9)	(0.8)	(0.8)
Pro forma EBIT		13.5	21.2	23.7
Statutory NPAT		10.0	13.0	12.8
Transaction costs	1	–	2.2	0.5
AASB 16 adjustments	2	–	–	1.3
Incremental public company costs	3	(0.6)	(0.5)	(0.5)
Capital structure impact adjustments	4	(0.3)	(0.4)	2.1
Pro forma NPAT		9.1	14.3	16.2

Notes:

1. Transaction costs in FY19 relate to expenses incurred in relation to the acquisition of Universal Store by the current owners of the business. Transaction costs in FY20 relate to legal and accounting costs incurred with respect to the preparation of the Offer.
2. AASB 16 adjustments relate to the restatement of statutory results in FY20 onto the previous lease accounting standard, AASB 117, which applied in FY18 and FY19.
3. Incremental public company costs primarily relate to additional Directors' fees, Directors' and officers' insurance costs and compliance costs which Universal Store expects to incur as a listed company.
4. Capital structure impact adjustments represent the net post-tax change in interest costs on removal of actual historical interest costs and substitution with the expected annual interest costs under the New Debt Facilities in place on Completion of the Offer.

3.3.3 Key operating and financial metrics

Table 13 and Table 14 summarise Universal Store's key pro forma operating and financial metrics.

Table 13: Key pro forma operating and financial metrics (FY18 – LTM Sep20F)

Historical					Forecast	
	Note	FY18	FY19	FY20	LTM Sep19	LTM Sep20F
Operating metrics						
Number of stores at period end (#)	1	53	61	66	62	66
Revenue growth (%)	2	28.1%	30.5%	5.7%		4.8%
LFL sales growth (%)	3	13.8%	15.9%	10.7%		14.6%
Online revenue growth (%)	4	34.0%	68.6%	58.7%		73.4%
Online revenue (% of total)	5	4.5%	5.8%	8.8%	6.1%	10.1%
Financial metrics						
Physical store transaction volume (000)	6	1,322	1,705	1,743		
ATV (physical stores) (\$)	7	85.2	85.2	85.8		
Average revenue per store (\$000)	8	2,268	2,570	2,439	2,656	2,521
Gross profit margin (%)	3	55.8%	56.8%	56.6%	56.9%	56.4%
EBITDA margin (%)	3	14.0%	16.5%	17.6%	16.4%	20.2%
EBITDA growth (%)	9		53.8%	12.8%		29.3%
EBIT margin (%)	3	12.0%	14.5%	15.3%	14.4%	17.9%
EBIT growth (%)	10		57.3%	11.4%		30.3%
Employee costs (% of revenue)	11	20.8%	20.4%	18.1%	20.4%	15.9%
Occupancy costs (% of revenue)	12	16.7%	15.2%	15.6%	15.3%	15.2%
Operating cash flow conversion (%)	3	104.4%	82.1%	147.1%	92.0%	121.9%
Free cash flow conversion (%)	3	80.4%	65.0%	131.7%	76.8%	111.3%
Net capital expenditure (\$ millions)	13	(3.8)	(4.2)	(4.2)	(3.8)	(3.5)

Notes:

- Number of stores at the end of the period (including the online store).
- Revenue growth is calculated as the change in current period pro forma revenue as a percentage of pcp pro forma revenue.
- Refer to definitions contained in Section 3.2.5.
- Online revenue growth represents the percentage growth in online revenue for the current period compared to the pcp.
- Online revenue (% of total) is calculated as online revenue for the period divided by total revenue for that period, expressed as a percentage.
- Physical store transaction volume is equal to the total number of transactions from physical stores.
- ATV (physical stores) is calculated as total physical store sales (exclusive of GST) divided by total physical store transaction volumes for that period.
- Average revenue per store is equal to the total revenue generated in the period (including the online store) divided by the number of stores in the same period (average of the number of stores at the beginning and end of the period, inclusive of the online store).
- EBITDA growth is calculated as the change in current period EBITDA as a percentage of pcp EBITDA.
- EBIT growth is calculated as the change in current period EBIT as a percentage of pcp EBIT.
- Employee costs (% of revenue) represents the ratio of employee costs to total revenue for the period. Employee costs include wages and salaries for store and head office employees as well as related bonuses, incentives and superannuation expense. Employee costs are shown inclusive of the net JobKeeper benefit received, which equated to \$3.2 million in FY20 and \$6.5 million in LTM Sep20F.
- Occupancy costs (% of revenue) represents the ratio of occupancy costs to revenue for the period. Occupancy costs relate to rental costs outgoings and other landlord charges and asset, property and maintenance expenses and are shown prior to the adoption of AASB 16. Costs are also shown net of COVID-19 related rental concessions recognised of \$1.3 million in FY20 and \$1.7 million in LTM Sep20F.
- Net capital expenditure after landlord contribution but before lease incentives which are recognised within working capital.

3. Financial information Continued

Table 14: Key pro forma operating and financial metrics (three months to September)

		Historical	Forecast
	Note	1QFY20	1QFY21F
Operating metrics			
Number of stores at period end (#)	1	62	66
Revenue growth (%)	2		16.5%
LFL sales growth (%)	3	11.5%	26.2%
Online revenue growth (%)	4		100.1%
Online revenue (% of total)	5	7.0%	12.0%
Financial metrics			
Average revenue per store (\$000)	8	639	694
Gross profit margin (%)	3	56.7%	55.9%
EBITDA margin (%)	3	15.7%	25.2%
EBITDA growth (%)	9		86.8%
EBIT margin (%)	3	13.6%	23.2%
EBIT growth %	10		98.9%
Employee costs (% of revenue)	11	20.3%	12.0%
Occupancy costs (% of revenue)	12	15.7%	14.2%
Operating cash flow conversion (%)	3	124.4%	62.0%
Free cash flow conversion (%)	3	104.6%	57.6%
Net capital expenditure (\$ millions)	13	(1.2)	(0.5)

Note: Refer to notes for Table 13.

3.3.4 Impact of AASB 16 on Pro Forma Historical and Forecast Results

As noted in Section 3.2.2, whilst the adoption of AASB 16 does not impact net cash flows, it does impact the presentation of the lease expense and payments in the income statement. The income statement presents the lease expense as a combination of depreciation (relating to the right of use asset) and interest cost relating to the finance cost embedded within the lease (rather than rent expense being shown as an operating expense). Operating expenses therefore decrease and depreciation and interest expenses increase. At an individual lease level, the quantum of expense recognition diminishes over the lease term, as a greater amount of the interest expense is recognised in the earlier periods of the lease.

Table 15 and Table 16 provide a reconciliation of the Pro Forma Historical Results and Pro Forma Forecast Results before and after the impact of AASB 16.

Table 15: Reconciliation between AASB 117 and AASB 16 (FY18 – LTM Sep20F)

\$ millions	Note	Pro Forma Historical Results			Pro Forma Forecast Results	
		FY18	FY19	FY20	LTM Sep19	LTM Sep20F
EBITDA (AASB 117)		15.7	24.2	27.3	25.3	32.7
Decrease in operating lease expense		15.0	17.9	19.1	18.6	19.5
EBITDA (AASB 16)		30.7	42.1	46.4	43.9	52.1
EBIT (AASB 117)		13.5	21.2	23.7	22.2	28.9
Decrease in operating lease expense		15.0	17.9	19.1	18.6	19.5
Increase in depreciation of right of use asset		(14.4)	(17.2)	(18.4)	(17.9)	(18.5)
EBIT (AASB 16)		14.0	21.9	24.4	22.9	29.9
NPAT (AASB 117)	1	9.1	14.3	16.2	15.1	19.9
Decrease in operating lease expense	2	10.5	12.5	13.4	13.0	13.6
Increase in depreciation of right of use asset	2	(10.1)	(12.0)	(12.9)	(12.5)	(13.0)
Increase in interest expense	2	(1.5)	(1.8)	(1.9)	(1.9)	(1.8)
NPAT (AASB 16)	1	7.9	13.0	14.8	13.8	18.7

Notes:

1. NPAT impact is calculated net of deferred tax impact.
2. NPAT impact shown is tax effected.

3. Financial information Continued

Table 16: Reconciliation between AASB 117 and AASB 16 (three months to September)

		Pro Forma Historical Results	Pro Forma Forecast Results
\$ millions	Note	1QFY20	1QFY21F
EBITDA (AASB 117)		6.2	11.5
Decrease in operating lease expense		4.7	5.1
EBITDA (AASB 16)		10.9	16.7
EBIT (AASB 117)		5.3	10.6
Decrease in operating lease expense		4.7	5.1
Increase in depreciation of right of use asset		(4.6)	(4.8)
EBIT (AASB 16)		5.5	11.0
NPAT (AASB 117)	1	3.6	7.3
Decrease in operating lease expense	2	3.3	3.6
Increase in depreciation of right of use asset	2	(3.2)	(3.3)
Increase in interest expense	2	(0.5)	(0.4)
NPAT (AASB 16)	1	3.2	7.2

Notes: Refer to notes for Table 15.

3.4 PRO FORMA HISTORICAL CASH FLOWS, STATUTORY HISTORICAL CASH FLOWS, AND PRO FORMA FORECAST CASH FLOWS

3.4.1 Overview

Table 17 and Table 18 summarise Universal Store's Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows.

Table 17: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows (FY18 – LTM Sep20F)

\$ millions	Note	Historical			Forecast	
		FY18	FY19	FY20	LTM Sep19	LTM Sep20F
EBITDA		15.7	24.2	27.3	25.3	32.7
Non-cash items in EBITDA	1	0.1	0.0	0.2	0.1	0.2
Change in net working capital	2	0.6	(4.3)	12.6	(2.2)	6.9
Operating cash flow before capital expenditure		16.4	19.9	40.1	23.2	39.8
Net capital expenditure	3	(3.8)	(4.2)	(4.2)	(3.8)	(3.5)
Free cash flow before financing, tax and dividends		12.6	15.7	36.0	19.4	36.4
Net interest paid		(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Income tax paid		(3.7)	(5.6)	(5.8)	(8.9)	(4.5)
Net cash flow before dividends		8.4	9.5	29.6	9.9	31.3

Notes:

1. Non-cash items in EBITDA include management equity plan costs and losses on the sale or disposal of assets.
2. Net working capital represents the sum of inventories and trade and other receivables, less the sum of trade and other payables, unearned revenue, employee liabilities and landlord incentives. Change in net working capital in FY20 and LTM Sep20F reflects cash preservation initiatives undertaken by Universal Store while stores were closed during COVID-19 related lockdowns. Refer to Section 3.6.13 for further commentary.
3. Net capital expenditure includes spending on new store fit-outs, refurbishments, maintenance and non-store capital expenditure, net of landlord contributions to the fit-out of stores where the landlord retains title to the fit-out assets under contract terms.

3. Financial information Continued

Table 18: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows (three months to September)

\$ millions	Note	Historical	Forecast
		1QFY20	1QFY21F
EBITDA		6.2	11.5
Non-cash items in EBITDA		-	-
Change in net working capital	2	1.5	(4.4)
Operating cash flow before capital expenditure		7.7	7.2
Net capital expenditure	3	(1.2)	(0.5)
Free cash flow before financing, tax and dividends		6.5	6.7
Net interest paid		(0.1)	(0.1)
Income tax paid		(2.7)	(1.5)
Net cash flow before dividends		3.6	5.0

Note: Refer to notes for Table 17.

Table 19 summarises Universal Store's Statutory Historical Cash Flows.

Table 19: Statutory Historical Cash Flows

\$ millions	Note	FY18	FY19	FY20
EBITDA	1	16.6	21.9	46.5
Non-cash items in EBITDA		0.1	0.0	0.2
Change in net working capital		0.6	(4.3)	11.2
Operating cash flow before capital expenditure		17.3	17.6	58.0
Net capital expenditure		(3.8)	(4.2)	(4.2)
Free cash flow before financing, tax and dividends		13.5	13.4	53.8
Net interest paid	1	(0.1)	(0.1)	(5.7)
Principal repayments on leases	1	-	-	(15.1)
Income tax paid		(4.1)	(5.1)	(5.1)
Proceeds from issue of shares		-	0.4	0.1
Other		(6.8)	(3.8)	3.0
Net cash flow before dividends		2.5	4.9	31.0
<i>Applicable lease accounting standard</i>	1	AASB 117	AASB 117	AASB 16

Note:

- Under AASB 16, lease payments are reported as financing cash flows under interest payments and principal lease repayments. Under AASB 117, the equivalent charges are included in EBITDA. There is no net cash flow impact from the adoption of AASB 16.

3.4.2 Pro forma adjustments to the Statutory Historical Cash Flows

Table 20 sets out the pro forma adjustments that have been made to Universal Store's Statutory Historical Cash Flows.

Table 20: Pro forma adjustments to the Statutory Historical Cash Flows

\$ millions	Note	FY18	FY19	FY20
Statutory FCF before financing, tax and dividends		13.5	13.4	53.8
Transaction costs		–	3.1	0.7
AASB 16 adjustments	1	–	–	(17.7)
Incremental public company costs		(0.9)	(0.8)	(0.8)
Pro forma free cash flow before financing, tax and dividends		12.6	15.7	36.0
Statutory net cash flow		2.5	4.9	31.0
Transaction costs		–	2.2	0.5
Incremental public company costs		(0.6)	(0.5)	(0.5)
Change in interest and tax from capital structure impact adjustment		(0.3)	(0.4)	1.7
Proceeds from issue of shares	2	–	(0.4)	(0.1)
Loans from related parties	2	(0.0)	(2.9)	–
Net (proceeds)/repayment from borrowings	2	(0.2)	0.9	(3.0)
Dividends paid	3	7.0	5.8	–
Pro forma net cash flow before dividends		8.4	9.5	29.6

Notes:

1. Under AASB 16, lease costs are reported as financing cash flows under interest payments and principal lease payments. The difference between the pro forma adjustment to the FY20 income statement and the pro forma adjustment to the FY20 cash flows reflects lease incentives received from landlords, which were reflected as a working capital movement under AASB 117 but captured as a reduction in principal lease repayments under AASB 16.
2. Historical equity and debt related transactions are not included in the Pro Forma Historical Cash Flows on the basis they relate to the capital structure of the business prior to the Offer.
3. Dividends in FY18 and FY19 represent amounts paid to previous shareholders prior to the acquisition of a majority interest by Five V Capital, BB Retail Capital, and Catalyst Direct Capital Management.

3.5 STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

3.5.1 Overview

Table 21 sets out a summary of the Statutory Historical Statement of Financial Position as at 30 June 2020, adjusted for pro forma items to take into account the effect of the Offer, and certain capital transactions that have occurred, or will occur, between 1 July 2020 and Completion of the Offer.

The Statutory and Pro Forma Historical Statement of Financial Position has been prepared in accordance with AASB 16. This represents a different basis of preparation to the Pro Forma Historical and Forecast Results and Pro Forma Historical and Forecast Cash Flows.

3. Financial information Continued

Table 21: Statutory and Pro Forma Historical Statement of Financial Position at 30 June 2020

\$ millions	Statutory 30 June 2020	IPO transaction costs ¹	Capital reorganisation ²	Pro Forma 30 June 2020
Cash and cash equivalents	41.8	(9.0)	(22.0)	10.8
Inventories	13.7	-	-	13.7
Trade and other receivables	3.0	-	-	3.0
Total current assets	58.6	(9.0)	(22.0)	27.6
Property, plant and equipment	11.2	-	-	11.2
Intangible assets	92.6	-	-	92.6
Deferred tax asset	-	2.7	-	2.7
Right of use asset	60.3	-	-	60.3
Total non-current assets	164.0	2.7	-	166.7
Total assets	222.6	(6.3)	(22.0)	194.3
Trade and other payables	(15.8)	-	0.3	(15.5)
Provisions	(1.3)	-	-	(1.3)
Deferred revenue	(0.5)	-	-	(0.5)
Lease liabilities	(18.3)	-	-	(18.3)
Current tax liabilities	(3.2)	-	-	(3.2)
Borrowings ³	(1.0)	-	1.0	-
Other financial liabilities	(0.2)	-	0.2	-
Total current liabilities	(40.3)	-	1.5	(38.8)
Borrowings ³	(50.6)	-	35.7	(14.9)
Provisions	(0.8)	-	-	(0.8)
Deferred tax liabilities	(8.1)	-	-	(8.1)
Lease liabilities	(46.4)	-	-	(46.4)
Total non-current liabilities	(105.8)	-	35.7	(70.1)
Total liabilities	(146.1)	-	37.2	(108.9)
Net assets	76.5	(6.3)	15.2	85.4
Share capital	56.3	(1.6)	40.3	95.0
Retained earnings	19.9	(4.7)	(25.1)	(9.9)
Other reserves	0.4	-	-	0.4
Total equity	76.5	(6.3)	15.2	85.4

Notes:

1. Transaction costs relating to the Offer have been accounted for as follows: 26.0% of costs are accounted for in share capital, representing the proportion of New Shares issued relative to the sale of existing Shares. The balance of transaction costs is accounted for through the income statement. Tax offsets are accounted for as a deferred tax asset and are recoverable over a five year period.
2. The capital reorganisation adjustment reflects the net of: Offer proceeds of \$38.4 million, plus proceeds of \$3.4 million relating to repayments of loans receivable on management equity plans, which are repayable on Shares sold through the Offer, less the net impact of refinancing and reducing external borrowings to \$15.0 million on Completion of the Offer, less \$14.4 million in relation to the repayment of vendor loans in August 2020, less \$1.5 million relating to the buy-back of Shares in September 2020 and issue of loans to employees to fund the acquisition of shares, less the net amount of a proposed Pre-IPO Dividend that will be declared and paid to Existing Shareholders immediately before Completion of the Offer and the expected NPAT of Universal Store for the period from July 2020 to Completion of the Offer. The value of the pre-IPO dividend will be up to \$34.0 million (up to \$0.54 per Share), and dependent on the Board's assessment of profitability of Universal Store during the period up to Completion such that following the dividend Universal Store will retain a sufficient level of cash and working capital on Completion of the Offer.
3. Borrowings in the Pro Forma Historical Statement of Financial Position are presented net of capitalised borrowing costs in relation to the New Debt Facilities, of \$0.1 million.

The level of working capital of Universal Store at 30 June 2020 was abnormally low as a result of steps taken by Management to preserve cash in the last three months of FY20 due to business uncertainty created by COVID-19. The Directors believe the level of under-investment in net working capital at 30 June 2020, relative to typical levels at balance date, was in the range of \$7.0 – \$9.0 million. At Completion of the Offer, the Directors expect that net working capital levels will be materially more in line with target levels, having regard also to the seasonality profile of the working capital cycle of Universal Store.

3.5.2 Indebtedness

Table 22 sets out the statutory and pro forma indebtedness of Universal Store at 30 June 2020.

Table 22: Summary indebtedness

\$ millions	Statutory 30 June 2020	Pro forma 30 June 2020
Borrowings per balance sheet	51.6	14.9
Cash and cash equivalents	41.8	10.8
Total net debt (pre AASB 16)	9.7	4.0
Lease liabilities	64.6	64.6
Total net debt (post AASB 16)	74.4	68.7

Note: Refer to Table 21 for a description of the adjustments between the statutory and pro forma cash and cash equivalents as at 30 June 2020.

3.5.3 Description of New Debt Facilities

In October 2020 Universal Store entered into a new facility agreement with Australia and New Zealand Banking Group Limited under which the following facilities are available to Universal Store:

Table 23: Summary of New Debt Facilities

\$000	Note	Facility size	Estimated amount drawn at Completion of the Offer
Facility A – term loan facility		15,000	15,000
Facility D – interest only revolving loan facility		8,500	–
Facility E – standby letter of credit or guarantee facility	1	5,000	2,855

Note:

1. Represents estimated drawn facilities relating to guarantees issued by the bankers of Universal Store in support of various rental arrangements. Drawn facilities relating to guarantees are not reported on the balance sheet or included in the calculation of Net Debt or Debt.

For information in relation to the New Debt Facilities, please see Section 8.5.3.

3. Financial information Continued

3.5.4 Liquidity and capital resources

Following Completion, Universal Store's principal sources of funding are expected to be cash flow generated from operations, available cash on balance sheet and additional undrawn debt capacity in the New Debt Facilities.

Universal Store expects that it will have sufficient funds available from the cash proceeds of the Offer, in addition to the cash and cash equivalents available from its ongoing operations and available borrowings, to fulfil its purpose of the Offer and meet its operational requirements and planned capital investment (including opening of new stores and maintenance of existing stores) for the next 12 months.

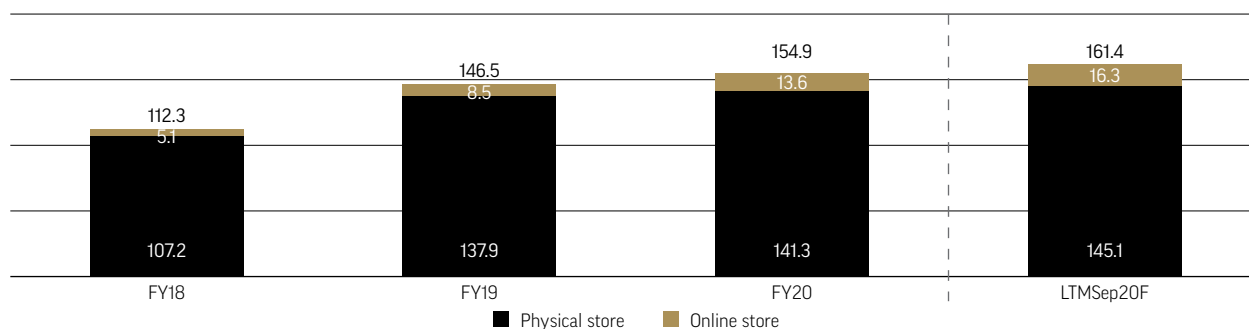
3.6 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA FINANCIAL INFORMATION

This Section 3.6 includes a discussion of the key factors that affected Universal Store's operations and relative financial performance over FY18, FY19, and FY20, and a discussion of the key factors and assumptions that underpin LTM Sep20F. This Section 3.6 focuses on Pro Forma Financial Information only. Comments relating to the forecast financial performance should be read in conjunction with the key forecast assumptions set out in Section 3.7.

The factors discussed below are a summary only and do not represent all events and factors that affected Universal Store's historical operating and financial performance, nor everything that may affect its operating and financial performance in future periods. The information in this Section 3.6 should also be read in conjunction with the risk factors set out in Section 4 and the other information contained in this Prospectus.

3.6.1 Revenue

Figure 33: Revenue – FY18 to LTM Sep20F (\$ millions)



Revenue is predominantly generated by Universal Store through the sale of third party branded products as well as its own range of private branded products. Products are offered to customers across the Company's growing physical store network and online store. Universal Store also generates other income from ticket sales, freight income, gift card income and fundraising revenue. Other income is a relatively small part of Universal Store's total revenue, comprising \$0.8 million in FY19 and \$0.3 million in FY20.

The key drivers of revenue for Universal Store are:

- The number of physical stores;
- Sales per physical store, for which performance is measured by analysis of the LFL sales growth of each of its stores; and
- Online store sales growth.

During FY18 to FY20, revenue increased from \$112.3 million to \$154.9 million, representing a CAGR of 17.5%. This growth was driven by a combination of Universal Store's new store openings, physical store LFL sales growth and increased online sales. Revenue grew 30.5% from FY18 to FY19 and 5.7% from FY19 to FY20, noting that the most recent financial year was impacted by the global COVID-19 pandemic.

In LTM Sep20F, Universal Store is forecasting revenue of \$161.4 million, up 4.2% on FY20. In line with historical performance, growth in this period benefited from new physical store openings, physical store LFL sales growth and online sales growth, offset by the adverse revenue impact of store closures due to COVID-19.

For further commentary regarding the impact of COVID-19 on trading in FY20 and LTM Sep20F, refer to Section 3.6.5. A detailed description of the impacts of COVID-19 on Universal Store's business is also provided in Section 2.13.

Key revenue drivers for Universal Store are discussed in more detail below.

3.6.2 Physical store growth

Table 24: New physical store openings and closures (excludes temporary closures) FY18 – 1QFY21F

	FY18	FY19	FY20	1QFY21F
Stores at start of period	45	52	60	65
Stores opened	7	8	6	-
Stores closed	-	-	1	-
Stores at end of period	52	60	65	65
Net new stores	7	8	5	-

Note: Stores include physical stores only and not Universal Store's online store.

The number of stores has increased from 45 at the end of FY17 to 65 at the end of FY20, representing 21 openings and one closure (Fortitude Valley in 2019). Stores opened across Australia during the period, including seven stores in New South Wales, six stores in Western Australia, four stores in Victoria, two stores in Queensland and two stores in the Australian Capital Territory. The Company has only closed four stores since inception. The Fortitude Valley store, which was launched under previous management, was closed in 2019 due to changing demographics and reduced foot traffic.

Further detail regarding store openings and closures and the strategy for Universal Store's planned expansion is included in Section 2.7.2.

3.6.3 Like-for-Like sales performance

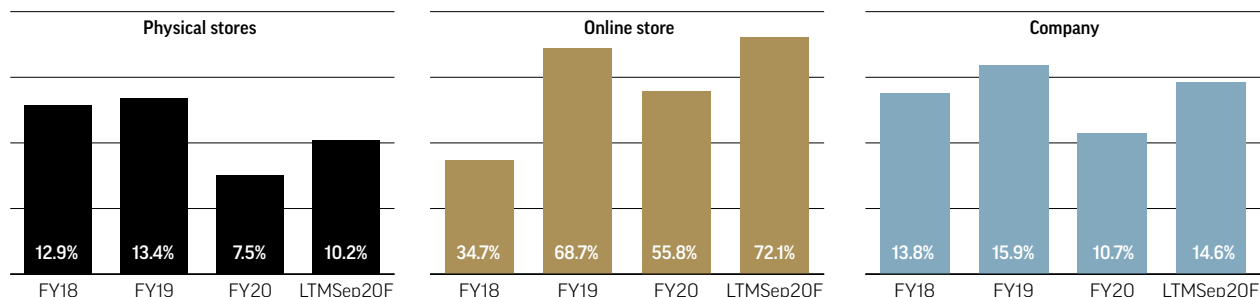
One of Universal Store's key revenue performance measures is LFL sales, and the rate of growth or decline in this measure. LFL sales are a measure of the sales for a store or collection of stores compared to the sales for that store or stores in the pcp. It is calculated as a percentage change of the sales generated from stores compared to the sales from those stores in the relevant corresponding period.

New stores are included in LFL calculations once the store has traded for 55 weeks (reflecting one year plus an initial three week "ramp up" period). Closed stores are excluded from LFL calculations both in the current and pcp from the date of closure. This includes stores that were closed to customers due to COVID-19, with these stores excluded from LFL sales calculations for the weeks that they were closed. Refurbished, resized or stores relocated in the same shopping centre remain in the LFL calculations. LFL sales are measured excluding ticket sales, freight income, gift card income and fundraising revenue. LFL sales are calculated on a "retail week" basis, rather than a financial/calendar month basis. For example, LFL sales for FY20 relates to the 52 week period ended 28 June 2020.

In general, LFL sales are an important metric for retail businesses and particularly ones expanding as it provides a view of the underlying health of the business. LFL sales are also commonly referred to as comparable store sales and same-store sales.

3. Financial information Continued

Figure 34: LFL sales growth – FY18 to LTM Sep20F



Universal Store reported LFL sales growth of 13.8% in FY18, 15.9% in FY19 and 10.7% in FY20 (including online). Over the six years from FY15 – FY20, Universal Store has achieved an average LFL sales growth of 13.4% (including online). Universal Store's consistently strong LFL sales growth has been achieved across both physical stores and the online store.

Physical store sales growth

While physical store ATV increased marginally from \$85.2 in FY18 to \$85.2 in FY19 and \$85.8 in FY20, the key driver of LFL sales performance has been an increase in both total and LFL transaction volumes. Physical store total transaction volumes (TTV) increased by 29.0% from FY18 to FY19, and 2.2% from FY19 to FY20, despite the impact of COVID-19 forcing store closures during this period. TTV growth has been driven by:

- **Range evolution:** Continuous brand and range curation has evolved to attract a larger number of customers and successfully deliver products representing key fashion trends. The product team's objective is to offer more of the product sought by customers, at the right time and in the right locations, and less of the product they don't;
- **Growth of private brands:** Universal Store's private brands have consistently been some of Universal Store's fastest growing and best performing brands. They drive LFL sales by complementing the third party brands and filling product gaps, and by providing product lines customers can only buy at Universal Store. By reacting quickly to trends, Universal Store is able to rapidly introduce private brand products to meet customer demand;
- **Store maturation:** Stores newly included in LFL sales calculations (stores that have traded for 55 weeks) typically exhibit higher LFL sales growth as they mature during the first 2-3 years of being open; and
- **Brand awareness and appeal:** Time in market, consistent execution, advertising, word of mouth and continued growth in Universal Store's network has increased the Company's profile, brand awareness and foot traffic, supported by the growing importance of the online store and social media marketing initiatives. Investment in the online store and subsequent increased site traffic has also contributed to driving customers into physical stores through heightened awareness of Universal Store's product offering and customer experience.

Online sales growth

Universal Store's online LFL sales performance increased 34.7% in FY18, 68.7% in FY19 and 55.8% in FY20. Growth was driven by a number of factors including improving online store design and functionality, launch of ship-from-store in May 2020 and employing a range of advertising and marketing initiatives. Additional detail regarding performance of online sales is described in Section 3.6.4.

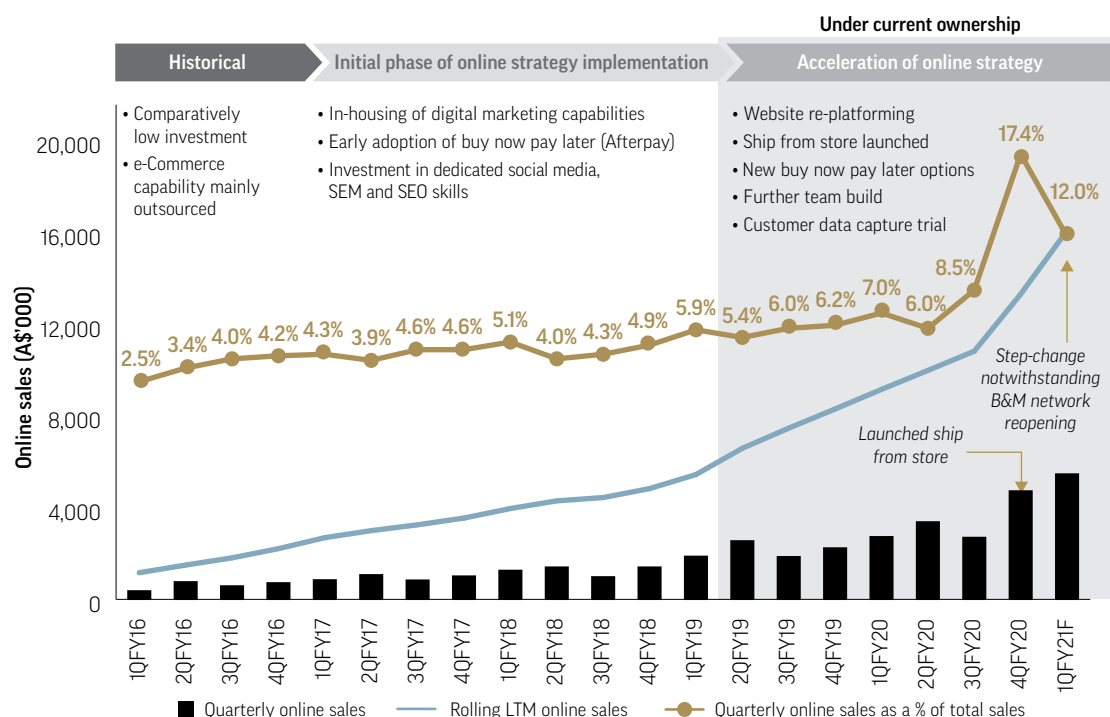
Table 25: LFL sales performance – 2020 year-to-date

%	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20F
Physical stores	12.4%	2.8%	(12.4%)	–	(8.2%)	12.8%	15.0%	21.8%	23.9%
Online store	4.5%	27.0%	43.5%	45.0%	159.4%	119.8%	122.1%	88.6%	104.5%
Total	11.9%	4.1%	(7.1%)	45.0%	6.0%	19.3%	21.8%	28.0%	29.7%

Note: See Section 3.6.5 for detail on store closures related to the impact of COVID-19.

3.6.4 Online sales

Figure 35: Online sales – 1QFY16 to 1QFY21F (\$ millions; % of total revenue)



Online sales have been a key contributor to Universal Store's sales growth over the last few years. Online sales increased from \$5.1 million in FY18 to \$13.6 million in FY20, representing a CAGR of 63.5%. Universal Store's online sales have also been growing as a proportion of total sales, increasing from 4.5% in FY18 to 8.8% in FY20 and 10.1% in the September 2020 LTM period. Based on 1QFY21F (when online sales accounted for 12.0% of total sales), Universal Store has online revenue of \$21.9 million on an annualised run-rate basis (1QFY21F multiplied by four, not accounting for seasonality or any other factors).

This strong performance has also been reflected in a number of KPIs that Universal Store tracks for its online store.

3. Financial information Continued

Table 26: Online conversion metrics

'000s	FY19	FY20	% growth
Gross unique visits	7,625	10,205	33.8%
Net unique visitors (NUV) ¹	3,632	5,381	48.2%
NUV who added item to basket	417	704	68.8%
NUV who commenced checkout	190	251	32.1%
Transactions completed	79	133	67.8%
Conversion rate (%)²	2.2%	2.5%	13.3%

Notes:

1. Net unique visitors is gross unique visits net of bounce rate.
2. Conversion rate is the number of transactions completed as a percentage of the number of NUV (expressed as a percentage).

Universal Store's strong online sales growth was driven by a number of factors including:

- **Improving online store design and functionality:** Since 2016, Universal Store has increased investment materially in its online platform, including a re-platforming of the website, in-housing of content production and digital advertising capabilities, reconfiguring online fulfilment and investing in social media and search engine marketing capabilities;
- **Launching ship-from-store:** During the April 2020 shutdown, Universal Store accelerated its ship-from-store initiative which was then launched in early May 2020. Ship-from-store allows online customers to access a broader range of inventory located in the physical store network, and can allow for faster and more cost-effective delivery to customers. Its launch has enabled a significant increase in online sales. The initial success of ship-from-store led to a further roll-out of the program across the network, which is now operational in over half of Universal Store's 65 locations; and
- **Employing a range of advertising and marketing approaches:** Universal Store has established an online presence through both its online store and social media platforms. The Company's marketing strategy includes search engine optimisation, paid social marketing, paid influencer marketing, electronic direct mail marketing, and organic social media presence.

Online sales have also accelerated during COVID-19 as social distancing and store closures have encouraged more customers to shop online, with online sales expected to reach \$16.3 million in LTM Sep 20F (equivalent to 10.1% of total LTM sales). While some of this growth is attributable to 'channel shifting' when physical stores were closed in April 2020 (and August and September 2020 in Melbourne), online sales growth rates have continued at higher levels since physical stores re-opened nationally in May 2020. LFL physical stores sales growth for the period from the week ended 10 May 2020 (end of lockdown) to the week ending 20 September 2020 was 13.3%, while LFL online sales growth across the same period was 115.9%. Investment in Universal Store's website was also significantly accelerated since 2018 and has since included re-platforming, in-housing of content production and digital advertising capabilities, reconfiguration of online fulfilment and investing in dedicated social media and search engine marketing capabilities. The online and digital team grew from seven team members in FY17 to 20 team members in FY20.

Universal Store plans to continue to improve the integration of online and in-store experience to deliver a true omni-channel experience. The Company's physical store network and online channel are also both profitable, both delivering contribution margins of between 24% – 26% in FY20.

Figure 36: FY20 physical store vs. online channel contribution (\$ millions unless otherwise stated)

Physical stores		Online channel	
Revenue	\$141.3	Revenue	\$13.6
Gross profit	\$81.3	Gross profit	\$5.6
Gross margin	57.6%	Gross margin	41.6%
Direct costs	\$44.2	Direct costs	\$2.4
Contribution margin	\$37.1	Contribution margin	\$3.3
Contribution margin	26.3%	Contribution margin	24.1%

Note: Channel contributions exclude unallocated overhead costs and pro forma adjustments of \$13.1 million (at an EBITDA level). Online channel gross profit includes delivery costs. The calculation of contribution margin requires various judgements in relation to allocations of revenue and costs between channels. For example, contribution margin for the online channel set out above includes the large majority of advertising and promotion spend notwithstanding that management believe this spend benefits both channels. Certain items (notably discounts received) are not reflected in either physical stores or online channel revenue, and are instead captured centrally.

Additional detail regarding Universal Store's online strategy can be found in Section 2.12.4.

3.6.5 Revenue performance and trading through COVID-19

Universal Store started 2020 strongly, with LFL sales growth for physical stores up 11.7% for the first seven weeks of trading of the year. Across this seven week period, all states and territories reported total sales ahead of the pcp. The impacts of COVID-19 on Universal Store started to appear in March 2020 as stores, particularly those in areas such as CBD locations and tourist catchment areas, started to exhibit a decline in foot traffic and sales due to increasing community concern and adoption of social distancing. Following the Australian Government's decision to implement Stage Three restrictions, Universal Store decided to shut all stores temporarily from 27 March with a progressive reopening of stores from 2 May, and all stores reopened to customers by 11 May, but operating on reduced daily hours.

Since reopening in May, sales momentum has gradually improved as social distancing restrictions, and community concerns have progressively subsided in most geographies. LFL sales growth of 6.9% was achieved for physical stores since full reopening in early May from weeks 19 (ended 10 May) to 29 (ended 19 July) of 2020 inclusive. Management believes that sales have benefited somewhat from the impact of Government policy on Universal Store's target customer. These policies have included the boosted JobSeeker payments, the JobKeeper wage subsidy and enabling early superannuation withdrawal. Management also believe Universal Store sales have benefited from increased spending on apparel due to reallocation of household spend arising from the implications of restrictions on interstate and international travel, Australians attending restaurants, concerts, museums and other large-scale events. These changes have provided capacity for increased spending on other product categories such as apparel. The significant changes in lifestyles, work, and social practices through this period have also triggered different shopping needs in consumers, prompting new purchase needs (or wants). Performance in CBD locations, tourist catchment areas and student catchment areas have not performed as strongly as suburban stores during this period, with many customers choosing to shop locally. In geographies where the infection rates and perceived threat of COVID-19 is lowest (e.g. Western Australia and South Australia), the rate of sales recovery and growth has been strongest as seen in Figure 38. Management believes sales in these markets indicate the appetite of customers to buy new apparel as social restrictions are eased and consumers are permitted and comfortable to resume their social lives, which have been dramatically affected by COVID-19.

At a product level, COVID-19 saw customers shift their spending to items and outfits more appropriate for "at home" activities, and less "dressy" occasions. In states and territories where the easing of social restrictions is most advanced, Universal Store has seen spending transition back to items more appropriate for "going out" and more typical social events for the target customer (as relevant to the seasons and current fashion trends).

In addition, a second wave of COVID-19 related lockdowns in Victoria has resulted in the closure of 12 out of 13 of Universal Store's Victoria-based stores as Stage Four restrictions were introduced in August. Melbourne stores closed progressively with three closed from 20 July and the remainder closed by 5 August. Despite the closure of these stores, total national sales across the network has continued to perform higher than for the prior year on a weekly basis. In the 10 weeks to 6 September 2020, total sales were up 19.9% on the pcp. The impact of COVID-19 on Universal Store's revenue was most severe during the seven weeks from 16 March 2020 to 3 May 2020, during which group revenue was down \$14.8 million (76.2% on the pcp).

3. Financial information Continued

Figure 37: Group weekly revenue performance – 2020 YTD vs 2019

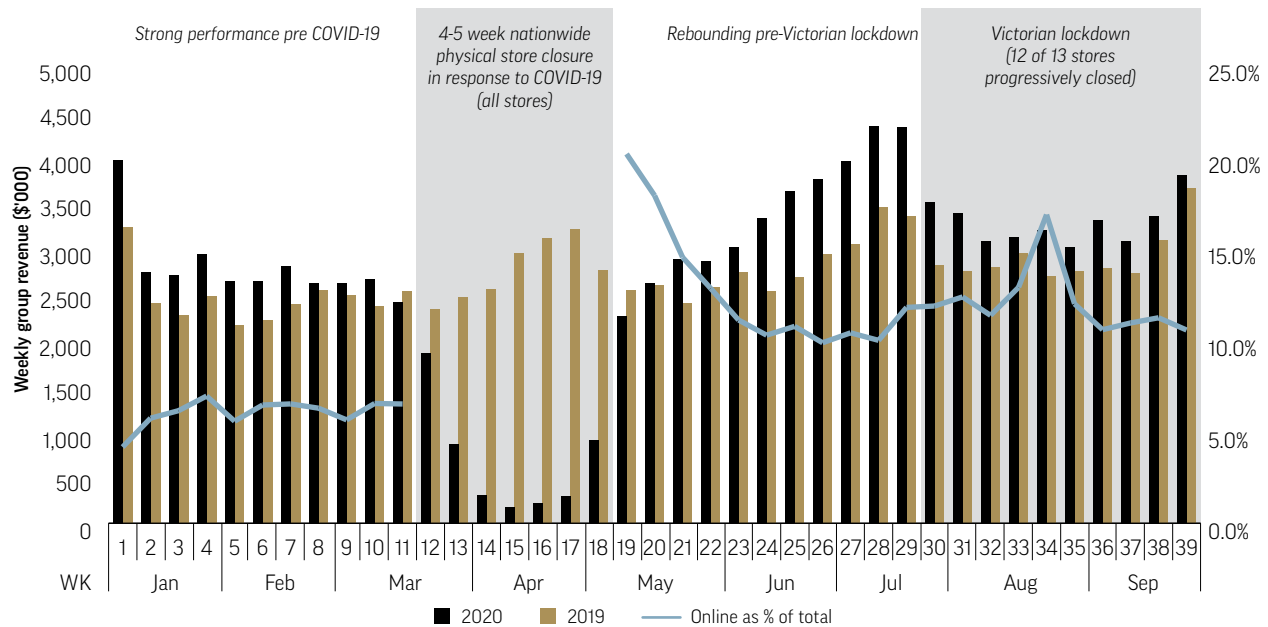
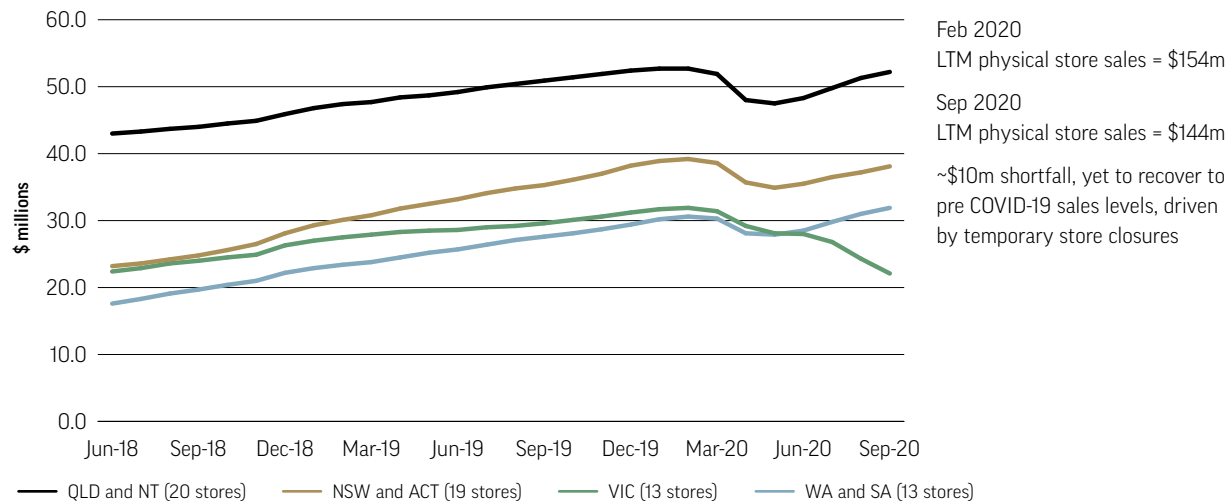


Figure 38: Monthly rolling LTM revenue by state/territory (\$ millions)

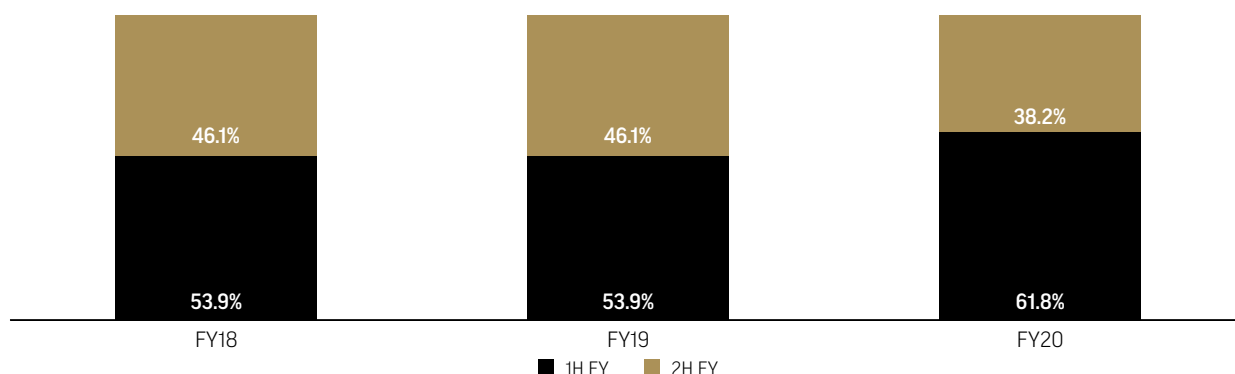


3.6.6 Revenue seasonality

Universal Store typically generates more revenue in the first half of each financial year due to the timing impact of Christmas which results in November and December being significant trading months, together generating approximately 17% of annual sales on average over FY18–FY20. Other periods which typically benefit from increased trading include school holidays. Black Friday, Click Frenzy and Afterpay Day also contribute to elevated levels of online sales.

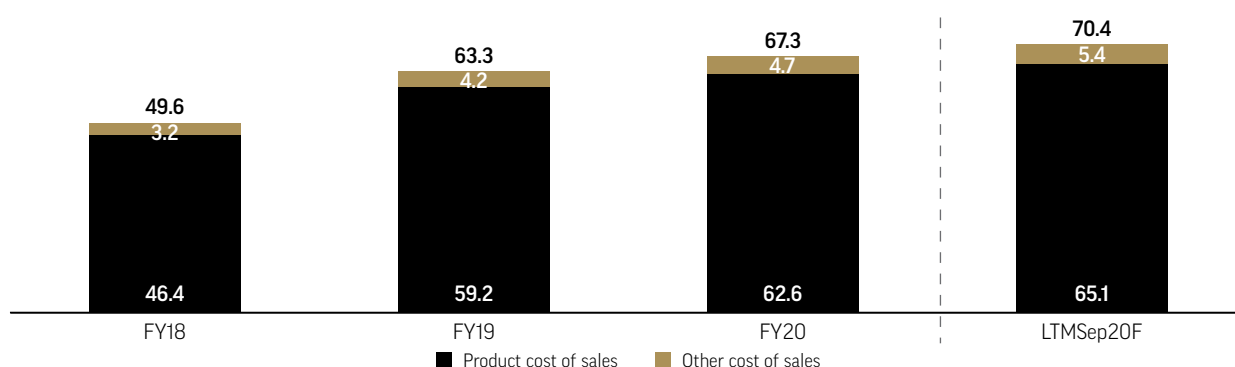
Universal Store believes the seasonality observed in FY18 and FY19 is more reflective of the typical seasonality of the business compared to that observed in FY20.

Figure 39: Revenue contribution (H1 vs. H2) FY18-20



3.6.7 Cost of sales and gross profit

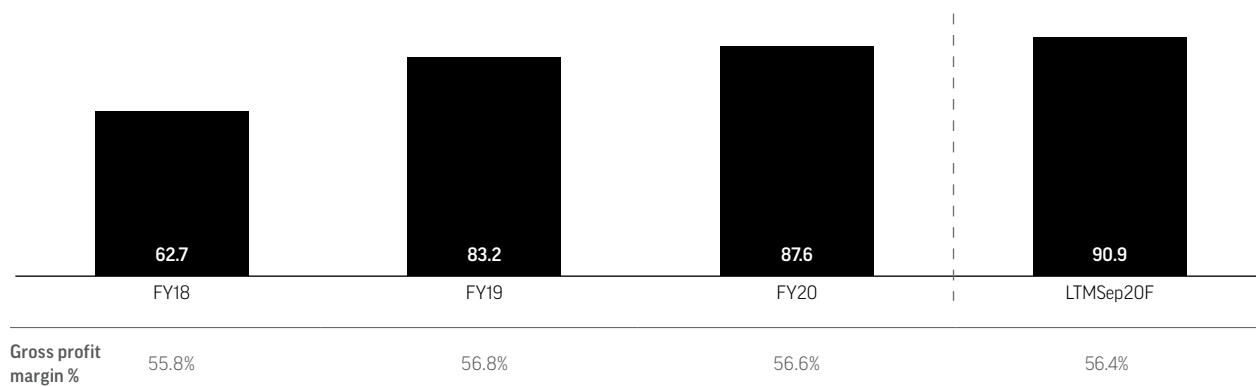
Figure 40: Cost of sales (\$ millions)



Cost of sales comprises the landed cost of products sold, merchant charges and commissions, warehouse and freight cost to stores, online delivery charges, shrinkage, settlement discounts, and other items which are captured within total gross margin but not allocated to individual products or brands. The largest component of cost of sales is product cost of sales. Product cost of sales is influenced by the proportion of products that are directly sourced as well as the proportion of revenue that is generated by the sale of private brand goods. Universal Store sources a large proportion of its apparel from suppliers whose costs are denominated in US dollars but deal with Universal Store in Australian dollars, creating an indirect exposure to foreign exchange rates. China is the largest sourcing region for the Company. Product cost of sales also includes the freight cost of delivery to Universal Store's distribution centre, and is impacted by changes in airfreight and shipping costs.

3. Financial information Continued

Figure 41: Gross profit and gross profit margin (\$ millions; %) – FY18 to LTMSep20F



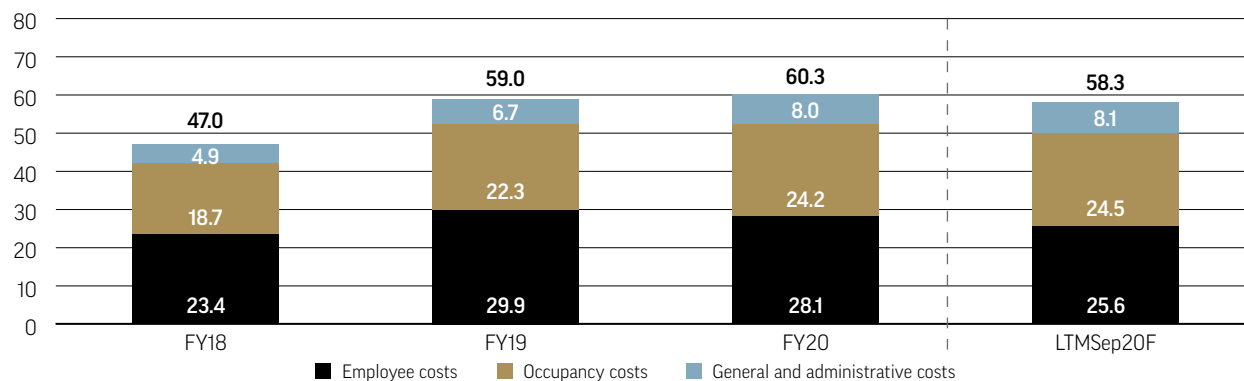
Universal Store's gross profit margin increased from 55.8% in FY18 to 56.6% in FY20. Universal Store's forecast gross profit margin of 55.9% in 1QFY21F is lower than the FY20 gross profit margin due to an increasing proportion of online sales (delivery costs associated with online sales are included in the calculation of gross profit). Key factors driving gross profit margin expansion include:

- **Growth of private brands:** Universal Store's private brands generate a higher gross profit margin (approximately 68% in FY20) than its third-party brands (approximately 56% in FY20). Private brand sales are a fast-growing segment which have increased as a percentage of total sales from approximately 25% in FY18 to approximately 30% in FY20, helping drive gross profit margin performance;
- **Improved direct sourcing capability:** Universal Store sources its private brand products both directly from manufacturers and through sourcing agents. Direct sourcing typically has a higher gross profit margin, however, sourcing agents are able to assist with providing product ideas, diversification benefits, quality control input, superior terms of trade and with speed to market. Universal Store has increased its level of private brand direct sourcing from 3.4% in FY18, to 9.3% in FY19, and 17.7% in FY20 (i.e. approximately 82% of private brand product is currently sourced through sourcing agents). Increased direct sourcing also has the benefit of increasing competitive tension for non-direct sourced products; and
- **Disciplined approach to discounting and markdowns:** One of the key features of Universal Store's strategy is a consistent price proposition. Universal Store routinely targets slow-moving lines, but offers broad-based product discounting and "sale events" infrequently. Rather than frequently marking down wide ranges of products to stimulate discounts or promotionally driven sales, Universal Store seeks to maintain consistent prices to build customer and brand owner trust. This strategy contributes to the consistency of Universal Store's gross profit margin.

3.6.8 Operating expenses

Universal Store's key operating expenses comprises employee costs (including salaries, wages, and other employment related costs across store staff and head office staff), occupancy costs (including costs associated with leasing stores and distribution centre facilities) and general and administrative costs (including advertising and marketing, travel expenses, consultancy and professional fees, licenses, insurance, incremental standalone public company costs, and other general overheads).

Figure 42: Operating expenses – FY18 to LTMSep20F (\$ millions)



Universal Store's total operating expenses increased from \$47.0 million in FY18 to \$60.3 million in FY20. As a percentage of sales, total operating expenses decreased from 41.8% in FY18 to 40.2% in FY19 and to 38.9% in FY20. Operating expenses are forecast to decrease to \$58.3 million for LTMSep20F, equivalent to 36.1% of sales.

The key factors impacting operating expenses over the period are discussed in more detail below.

Employee costs

The largest component of employee costs is store labour costs which were approximately \$19.6 million in FY20 (approximately 70% of total employee costs). The remaining cost predominately comprises distribution centre and head office employees. Total employee costs have increased from \$23.4 million in FY18 to \$28.1 million in FY20, driven by an increase in the number of physical stores open from 45 at the beginning of FY18 to 65 at the end of FY20, offset to an extent by the benefits of JobKeeper. The expansion of employee costs has also been driven by a significant increase in the number of digital channel and head office employees, especially since accelerated investment in online capabilities began in 2018. Headcount in the digital and online team grew from seven in FY17 to 20 in FY20.

Employee costs as a percentage of revenue decreased from 20.8% in FY18 to 18.1% in FY20. In FY20, Universal Store qualified for the Australian Government JobKeeper wage subsidy as a result of turnover falling by more than 30% in the month of April 2020. Universal Store received a total net EBITDA benefit from JobKeeper of \$3.2 million in FY20 and \$6.5 million in LTMSep20F. The net benefit of JobKeeper reflected the amount of wage subsidy received by Universal Store to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the employee costs that would otherwise have been incurred by the Company.

Universal Store also received additional JobKeeper payments in relation to staff who were not working, or where the amounts received and paid to staff were greater than the amount earned by these staff in relation to hours worked. Universal Store paid these JobKeeper payment amounts directly through to employees as a "pass through" top up to their earnings, and as a result there was no net benefit to the Company's earnings from this portion of the JobKeeper payment (i.e. the amount received by Universal Store equals the amount paid to these staff for time they would not have been paid if not for the JobKeeper policy and Universal Store qualifying). In FY20, Universal Store's gross JobKeeper payments amounted to \$5.2 million, and the net EBITDA benefit of JobKeeper was \$3.2 million.

3. Financial information Continued

Table 27 summarises the impact of the net JobKeeper benefit on the Pro Forma Financial Information.

Table 27: Pro Forma Financial Information and Pro Forma Financial Information (excluding net JobKeeper benefit)

\$ millions	Note	FY20	LTM Sep20F
Pro Forma Financial Information	1		
EBITDA		27.3	32.7
EBIT		23.7	28.9
NPAT		16.2	19.9
Net JobKeeper benefit	2		
Pre-tax basis		3.2	6.5
Post-tax basis	3	2.2	4.6
Pro Forma Financial Information (excluding net JobKeeper benefit)	4		
EBITDA		24.1	26.1
EBIT		20.5	22.4
NPAT		13.9	15.3

Notes:

1. The Pro Forma Financial Information presented throughout this Section 3 includes the net financial benefit of the JobKeeper subsidy received by Universal Store.
2. Net JobKeeper benefit relates to the amount of subsidy received by Universal Store to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the employee costs otherwise incurred by the Company.
3. Post-tax net JobKeeper benefit calculated by applying a 30% Australian corporate tax rate to the net JobKeeper benefit received.
4. Pro Forma Financial Information excluding the net JobKeeper benefit received.

Universal Store expects to continue to receive the JobKeeper benefit for 1QFY21F, but does not expect to be a recipient from 1 October 2020 onwards. Universal Store is forecasting a net JobKeeper benefit of \$1.1 million per month during 1QFY21F (i.e. \$3.4 million in 1QFY21F in total).

Occupancy costs

Universal Store operates exclusively from leased premises.

Occupancy costs increased from \$18.7 million in FY18 to \$24.2 million in FY20 and decreased as a percentage of sales from 16.7% in FY18 to 15.6% in FY20. Occupancy costs are expected to be \$24.5 million in LTM Sep20F, representing 15.2% of forecast revenue in the same period. The increase in occupancy costs has been driven primarily by underlying rental escalations and store network growth. Leases have historically included an effective annual escalator of CPI plus 2-3% per annum, or a fixed escalator of 5% per annum.

Universal Store has negotiated a number of rental concessions with its landlords during COVID-19. Rental concessions refer to temporary reductions in rent due to COVID-19. The total value of concessions recognised in FY20 was \$1.3 million. Rental concessions were received following negotiations with landlords on a case-by-case basis, with Universal Store able to agree some level of concessions for approximately 57% of its stores. Negotiations are ongoing with certain landlords. Rent has been accrued in full for these stores until such time as an alternative arrangement is finalised. In many cases, Universal Store entered into agreements with landlords whereby it would pay a proportion of store turnover as rent for a discrete period. The total value of rental concessions recognised in LTMSep20F is \$1.7 million. Rent concessions in relation to COVID-19 have only been recognised on entering into contractual arrangements and therefore an element of rent concession benefits recorded in Q1FY21F relates to FY20. The nature of rent concession agreements varies by landlord; however, all concessions include one or more of:

- Direct percentage rent reductions to contractual rates for short-term periods;
- Rents capped as a percentage of revenue for a defined period; or
- Bundled negotiations in relation to rent concessions, where as a part of the negotiation Universal Store has also agreed to extended lease terms (in which case the concession income is recognised through the income statement over the extended lease term, rather than immediately upon agreeing the concession).

Rent concession benefits received to date primarily relate to April and May 2020 and reduce in subsequent months as physical stores returned to trading. There are ongoing negotiations with certain landlords (including one major landlord group, and various landlords of Victorian stores for the current closure period persisting in Melbourne) for which no benefits have been recognised in the reported historical or forecast results.

There have also been a small number of permanent rental reductions (separate to and not included in the concession commentary above), the majority of which occurred where leases were already in holdover, where a lease extension was agreed at a lower rate than the amounts being paid on a monthly basis in the last year of the previous lease (i.e. where leases had expired or were due to expire shortly and are on a month-to-month basis).

General and administrative costs

General and administrative costs increased from \$4.9 million in FY18 to \$8.0 million in FY20, reflecting an increase in percentage of revenue from 4.4% to 5.2%. This increase was largely driven by an increase in advertising and promotion spend from \$1.1 million to \$2.3 million, predominately connected with the online channel. Management believe that the current levels of general and administrative costs (as a percentage of sales) are sufficient to support the scale and expected growth of the business. All online advertising and promotion spend (e.g. social media advertising) is captured in online channel advertising and promotion spend; however, that advertising and promotion also benefits physical stores.

3.6.9 EBITDA

EBITDA increased from \$15.7 million in FY18 to \$27.3 million in FY20, representing a CAGR of 31.7%. Growth in EBITDA has been driven by strong revenue growth (17.5% CAGR over the period), an increase in gross profit margin, operating leverage as the business increases its store network, JobKeeper payments and rental concessions. EBITDA is expected to grow to \$32.7 million in LTMSep20F.

3. Financial information Continued

Figure 43: EBITDA – FY18 to LTM Sep20F (\$ millions)

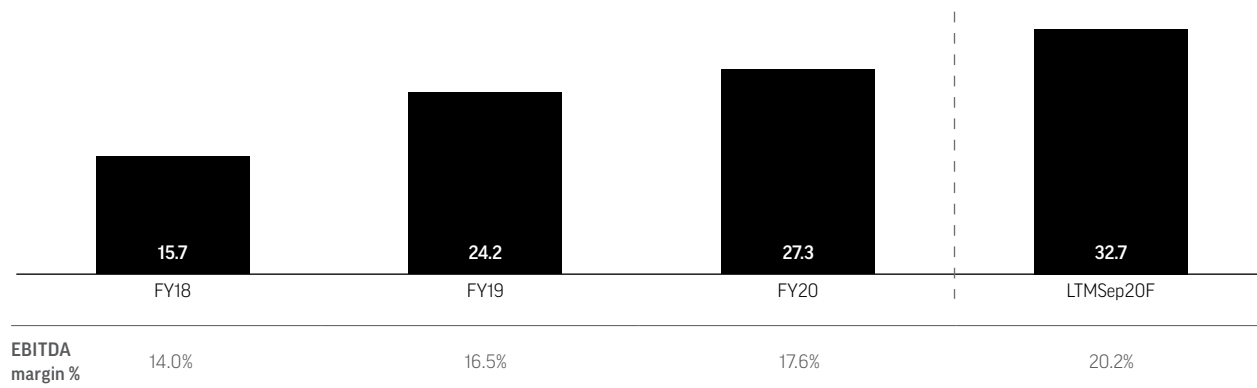
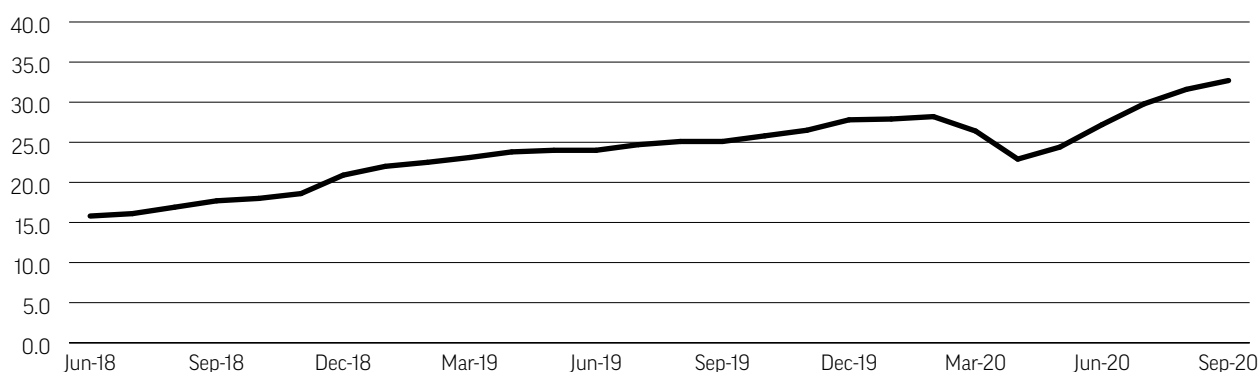







Figure 44: Rolling LTM pro forma EBITDA – FY18 to LTM Sep20F (\$ millions)



LTM EBITDA has grown consistently since June 18, except for the decline observed in March and April 2020 which coincides with the closing of all of Universal Store's physical stores in response to issues associated with COVID-19. Since stores have reopened, performance has rebounded strongly despite ongoing lockdowns in Victoria. The decline as a result of COVID-19 reflects the only period of significant LTM earnings decline in the last three years. EBITDA in the three months to September 2020 is forecast to benefit from strong LFL growth and an increased number of stores open. Additionally, LTM EBITDA in this period benefits from \$6.5 million of incremental net JobKeeper benefits, offset by the adverse impact of Victorian store closures due to COVID-19.

Further detail regarding a number of unusual factors impacting rolling pro forma EBITDA trends during FY20 and LTM Sep20F are described in Figure 45.

Figure 45: Selected factors impacting LTM Sep 20F EBITDA performance

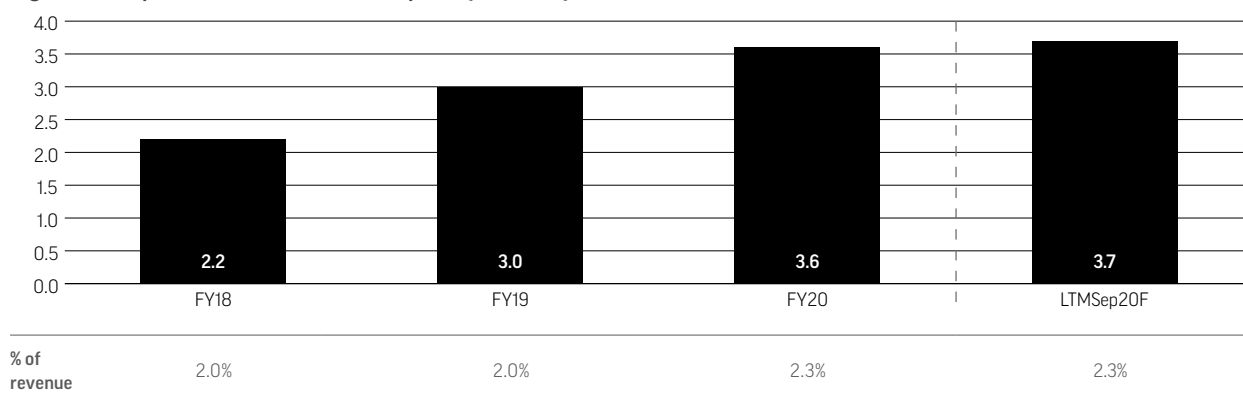
Contributed positively to financial performance	Adversely affected financial performance
<p> Pre COVID-19 (Jul-19 to Feb-20)</p> <ul style="list-style-type: none"> LTM revenue of \$167 million at February 2020, up \$30 million/22.2% vs. pcg LTM EBITDA of \$28 million at February 2020, up \$6 million/25.2% on the pcg Reflects a continuation of long-term growth trends and consistent performance 	<p> Phase 1 national lockdown</p> <ul style="list-style-type: none"> The emergence of COVID-19 in late March through to all stores re-opening in early May saw the only period of consistent weekly sales decline vs. pcg in the last 3 years \$15 million total sales shortfall (and \$8 million gross profit shortfall) against prior year (seven weeks commencing 16 March 2020, ending 3 May 2020) Gross profit shortfall calculated as sales shortfall multiplied by FY20 Q4 gross profit margin of 54.5%
<p> JobKeeper and rental concessions</p> <ul style="list-style-type: none"> A net JobKeeper benefit of \$6.5 million Rental concessions of \$1.7 million recognised in the LTM Sep 20F period 	<p> Victorian shutdown</p> <ul style="list-style-type: none"> Stage 3 and Stage 4 lockdowns in Victoria (from 8 July 2020 and from 2 August 2020) adversely impacted results through to the end of LTM Sep 20F 12 of 13 Victorian stores were progressively closed, contributing to \$6 million sales shortfall (and \$3 million gross profit shortfall) against the prior year during Stage 3 and Stage 4 lockdown in Victoria (calculated as total Victorian physical store sales from week commencing 6 July 2020 to week ending 27 September 2020, subtracted from the pcg sales) Gross profit shortfall calculated as sales shortfall multiplied by FY20 Victorian gross profit margin of 56.4%
<p> Ship-from-store launch</p> <ul style="list-style-type: none"> Step change in online sales with average weekly online sales increased from \$167k/week (first 10 weeks of 2020) to \$346k/week (10 weeks commencing 16 March 2020, ending 24 May 2020) The benefit of this step change in online sales levels, arising largely from the activation of ship-from-store only partially contributed to the LTM Sep 20F figures due to gradual roll-out from April In 1QFY21F, Universal Store's online sales are expected to be \$5.5 million, which equates to an annualised run rate of approximately \$22 million (i.e. 1QFY21F sales multiplied by four, with no adjustment for seasonality or other factors) 	

3. Financial information Continued

3.6.10 Depreciation

Depreciation increased from \$2.2 million in FY18 to \$3.6 million in FY20. This increase reflects the ongoing store roll-out and associated capital expenditure on new store fit-outs together with increased depreciation of IT and technology assets. Depreciation and amortisation is expected to increase to \$3.7 million in LTMSep20F. Depreciation is presented in accordance with AASB 117 and does not include any depreciation in respect of the right of use asset that would be applicable under AASB 16.

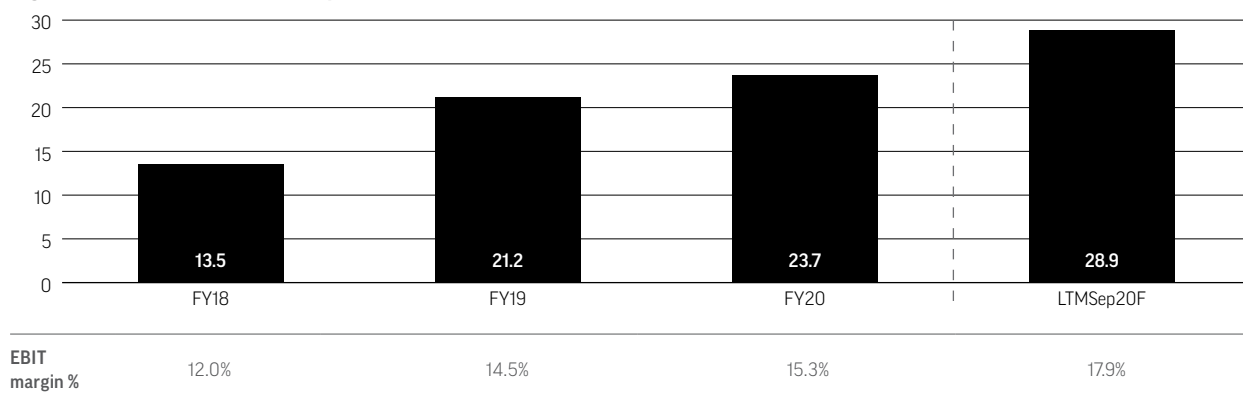
Figure 46: Depreciation – FY18 to LTMSep20F (\$ millions)



3.6.11 EBIT

EBIT increased from \$13.5 million in FY18 to \$23.7 million in FY20, with EBIT margin increasing from 12.0% to 15.3% over the same period. The EBIT margin increase was driven by the same drivers as EBITDA (discussed in Section 3.6.9), net of the movement in depreciation and amortisation as a percentage of revenue.

Figure 47: EBIT – FY18 to LTMSep20F (\$ millions)



3.6.12 Capital expenditure

Universal Store's capital expenditure is spent on new store fit-outs, refurbishments, maintenance and non-store capital expenditure (such as investing in the online store, head office and distribution centre).

Table 28: Capital expenditure – FY18 to LTM Sep20F (\$ millions)

\$ millions	FY18	FY19	FY20	LTM Sep20F
New store capital expenditure	(3.2)	(3.7)	(2.4)	
Established store capital expenditure	(0.9)	(0.7)	(1.0)	
Other capital expenditure	(0.5)	(1.1)	(1.1)	
Gross capital expenditure	(4.6)	(5.4)	(4.6)	(3.9)
Landlord contributions, disposals and other adjustments	0.8	1.3	0.4	0.4
Net capital expenditure	(3.8)	(4.2)	(4.2)	(3.5)

The largest contributor to gross capital expenditure was new stores fit-outs with seven stores opening in FY18, eight stores opening in FY19 and six stores opening in FY20. Established store capital expenditure includes refurbishments, relocations and preparing stores for initiatives such as ship-from-store. Other capital expenditure includes spending on head office, the distribution centre, and investments in the online store (e.g. re-platforming the online channel to Magento 2.0). Staff costs which are directly attributable to the development of Universal Store's online platform are capitalised, and presented within other capital expenditure in the table above (\$0.4 million in FY20).

Capital expenditure is reported net of landlord cash contributions to store fit-out costs where the landlord retains legal title to the fit-out, which amounted to \$0.8 million in FY18, \$1.3 million in FY19 and \$0.4 million in FY20. In addition to these landlord contributions, Universal Store also receives upfront cash lease incentives from landlords which are recognised through net working capital (under AASB 117). Landlord contributions are recognised as lease incentives in instances where Universal retains title to the fit-out. Lease incentives received (cash) amounted to a further \$1.0 million in FY18, \$0.5 million in FY19 and \$1.4 million in FY20. Total cash contributions received from landlords (including those recognised as fit-out contributions, within capital expenditure, and those recognised as lease incentives, within net working capital) amounted to \$1.8 million per annum in each of FY18, FY19 and FY20.

The amount of landlord contributions and lease incentives received each year has historically depended primarily on the number of stores being opened or refurbished.

3.6.13 Working capital

During the second half of FY20, Universal Store pursued a number of cash preservation initiatives to protect liquidity given the uncertainty created by COVID-19. Some of these initiatives included:

- Standing down of staff and other strategies to protect liquidity and manage variable costs;
- Postponing and cancelling orders from suppliers from March as the business entered lockdown (all suppliers were paid in line with agreed terms by the end of June);
- Targeted discounting to reduce inventory levels;
- Negotiating payment terms with suppliers, with a number being pushed out by 30 or 60 days (on a temporary basis);
- Ceasing to pay suppliers early such that early payment discounts and rebates are received; and
- Withholding rent payments while negotiating rent relief packages.

As a result of these initiatives, inventory levels reduced significantly from \$19.4 million at June 2019 to \$13.7 million at June 2020, while trade and other payables increased significantly from \$8.7 million at June 2019 to \$15.8 million at June 2020. These working capital movements resulted in a strong cash flow conversion for Universal Store in FY20.

Since 30 June 2020, Universal Store has been rebuilding its inventory position and is forecasting to have inventory of \$17.1 million at 30 September 2020, which compares to \$19.1 million at 30 September 2019 and \$15.3 million at 30 September 2018. Management believe that inventories can be run more efficiently in future periods, owing to faster turnover and ship-from-store efficiencies.

3. Financial information Continued

The payables balance at 30 September 2020 is forecast to remain high compared to 30 September 2019, reflecting trade creditors relating to inventory investments in September 2020 and continued rent payments withheld while rent abatement negotiations are finalised. Product suppliers are forecast to be returned to standard contractual credit terms during 1QFY21F.

Management estimates that the net working capital position of Universal Store was under-invested by approximately \$7.0 million to \$9.0 million at 30 June 2020. This is forecast to be partially rebalanced by 30 September 2020 and Management expects the net working capital position to be in line with sustainable levels (in material respects, having regard to seasonality of the business) by the Completion of the Offer.

Table 29: Net working capital (figures are as at end of period) – FY18 to Sep20F

\$ millions	FY18	FY19	FY20	Sep19	Sep20F
Inventories	13.8	19.4	13.7	19.1	17.1
Trade and other receivables	1.1	1.6	3.0	0.6	4.7
Trade and other payables	(7.3)	(8.7)	(15.8)	(9.2)	(16.1)
Other	(2.5)	(3.5)	(4.8)	(3.9)	(4.6)
Net working capital	5.1	8.8	(3.8)	6.7	1.1

Note: Net working capital reflects a reported basis, pre AASB 16 and excluding any pro forma adjustments.

3.7 ASSUMPTIONS UNDERLYING THE PRO FORMA FORECAST FINANCIAL INFORMATION

The Pro Forma Forecast Financial Information is based on various general and specific assumptions, including those set out in this Section 3.7. In preparing the Pro Forma Forecast Financial Information, Management has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for LTMSep20F. Due to the volatility and uncertainty created by COVID-19, a shortened forecast period has been adopted. Refer to the basis of preparation in Section 3.2 for more detail on the preparation of Forecast Financial Information. Management believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing the Prospectus.

The Forecast Financial Information is prepared on a pro forma basis only and excludes the impact of AASB 16, as described in Section 3.2.

3.7.1 General assumptions

In preparing the Pro Forma Forecast Financial Information, the Directors have adopted the following general assumptions:

- No material change in the competitive environment in which Universal Store operates;
- No significant deviation from current economic conditions;
- No material changes in government regulations or policies which impact Universal Store's business or customers;
- No significant interruptions, industry disturbances or disruptions in relation to Universal Store's operating model;
- No material amendment to any material contract, agreement or arrangement relating to Universal Store's business;
- No material industrial actions or other disturbances, environmental costs or legal claims;
- No material income statement or cash flow or financial position impact in relation to litigation (existing or otherwise);
- No material changes in key personnel, including key management personnel, and Universal Store is able to continue to recruit and retain personnel which will be required to support future growth;
- No material change in Universal Store's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- No material unexpected change in applicable AAS, the Corporations Act or other mandatory professional reporting requirements which have a material effect on Universal Store's financial performance or cash flows, financial position, accounting policies, or financial reporting or disclosures; and
- None of the key risks listed in Section 4 occurs, or if they do, none of them has a material adverse impact on Universal Store's operations.

3.7.2 Specific assumptions

The Pro Forma Forecast Financial Information is based on various best estimate assumptions for the month of September 2020, including those set out below. In preparing the Pro Forma Forecast Financial Information, Management has analysed historical performance including the current rates of sales and expenses and applied assumptions, where appropriate, across the business, for the month of September 2020. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 3.8, the risk factors set out in Section 4 and other information contained in this Prospectus.

Revenue assumptions	<ul style="list-style-type: none">• Total sales forecast for September 2020 of \$14.4 million represents 10.7% growth (including LFL sales growth of 29.7% for open stores) on sales achieved in September 2019• The forecast assumes 12 Victorian stores will be closed for the duration of the month, and that the currently open Victorian store will continue trading as per current run-rates• All other stores outside of Victoria are assumed to trade at their current run-rates, with a seasonal increase for the final week of September due to school holidays
Gross profit margin assumptions	<ul style="list-style-type: none">• Universal Store's gross profit margin is forecast at 55.9% in 1QFY21F. The reasons this is lower than the FY20 gross profit margin of 56.6% are discussed in Section 3.6.7
Operating expenses assumptions	<ul style="list-style-type: none">• Operating expenses are assumed to continue at current cost levels in the forecast period• EBITDA margin of 21.9% for September 2020 is forecast• Net JobKeeper benefit of \$1.1 million is forecast for September• Rent is accrued in line with contract terms, with no rent concessions included for the month
Cash flow and working capital assumptions	<ul style="list-style-type: none">• Net working capital is forecast to be \$1.1 million at September 2020• Forecast inventory levels are based on the sales forecast and management's purchase ordering schedule for the month of September• Trade payables have been forecast based on the purchase ordering forecast for September, together with Universal Store's supplier payment terms. Net amounts owing to landlords are forecast to decrease, reflecting the settlement of a number of accrued balances during the month• Receivables primarily relate to gross JobKeeper receivables for the month of September together with concession credits receivable from landlords• Capital expenditure of \$0.4 million is forecast for the month of September, primarily driven by two store relocations which are due to complete in November 2020• Tax payments of \$0.6 million are forecast in the month of September, reflecting Universal Store's tax instalment for the month of August

3. Financial information Continued

3.8 SENSITIVITY ANALYSIS OF FORECAST FINANCIAL INFORMATION

Assumptions underlying the Pro Forma Forecast Financial Information are based on a number of estimates that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Universal Store, the Directors and Management, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist potential investors in assessing the impact of these assumptions on the forecast, set out in Table 30 is a summary of the sensitivity of certain Pro Forma Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

The Pro Forma Forecast Financial Information includes one month of forecast trading (September 2020) and therefore the sensitivity analysis only shows the impact of a change in key assumptions for that month. In order to provide a more general impact of changes to the key drivers of Universal Store's financial performance, Table 31 has been included to show the impact on LTMSep20F pro forma EBIT and NPAT if a change in key metrics was observed over the full 12 month period.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, a change in one variable is likely to have a flow-on effect to other variables and may also affect the way in which Management responds to one or more of these variables.

3.8.1 Impact on LTMSep20F pro forma EBIT and NPAT (one month impact)

Table 30 presents the impact of a range of sensitivities on LTMSep20F pro forma EBIT and NPAT. For the purposes of this sensitivity, LTMSep20F includes only one month of forecast and therefore the sensitivities below have only been applied to the September 2020 assumptions.

Table 30: LTMSep20F pro forma sensitivity (one month impact)

\$ millions	Increase/decrease	Impact on Sep20F pro forma EBIT	Impact on Sep20F pro forma NPAT
Revenue growth (% growth on pcp)	+/- 5.0%	+/- 0.4	+/- 0.3
Gross profit margin (%)	+/- 1.0%	+/- 0.1	+/- 0.1
Operating expenses (as a % of sales) ¹	+/- 2.5%	+/- 0.4	+/- 0.3

Notes:

In the increase scenario, the driver is increased by the respective rate, conversely, in the decrease scenario, the driver is decreased by the respective rate. The impact on pro forma EBIT and NPAT as a result of increasing and decreasing these drivers is reflected in the table above.

1. Operating expenses consist of employee costs, occupancy cost, and general and administrative costs.

3.8.2 Impact on LTMSep20F pro forma EBIT and NPAT (12 month impact)

Table 31 presents the impact of a range of sensitivities on LTMSep20F pro forma EBIT and NPAT. For the purposes of this sensitivity, changes to key variables have been applied over the full 12 month period.

Table 31: LTMSep20F pro forma sensitivity (12 month impact)

\$ millions	Increase/decrease	Impact on LTMSep20F pro forma EBIT	Impact on LTMSep20F pro forma NPAT
Revenue growth (% growth on pcg)	+/- 5.0%	+/- 4.3	+/- 3.0
Gross profit margin (%)	+/- 1.0%	+/- 1.6	+/- 1.1
Operating expenses (as a % of sales) ¹	+/- 2.5%	+/- 4.0	+/- 2.8

Notes:

In the increase scenario, the driver is increased by the respective rate, conversely, in the decrease scenario, the driver is decreased by the respective rate. The impact on pro forma EBIT and NPAT as a result of increasing and decreasing these drivers is reflected in the table above.

1. Operating expenses consist of employee costs, occupancy cost, and general and administrative costs.

3.9 DIVIDEND POLICY

The payment of a dividend by Universal Store is subject to the discretion of the Directors and will be a function of a number of factors including the general business environment, the operating results, cash flows and the financial condition of Universal Store, future funding requirements, expenditure associated with the opening of new stores or refurbishment of existing stores, capital management initiatives, taxation considerations (including the level of franking credits), any contractual, legal or regulatory restrictions on the payment of dividends by Universal Store and any other factors the Directors may consider relevant.

The Directors intend to target a payout ratio of 60-80% of statutory NPAT. However, the level of payout ratio is expected to vary between periods depending on the factors above.

Subject to the factors referred to above, it is the intention of the Directors to pay interim dividends in respect of the half years ending 31 December and final dividends in respect of the half years ending 30 June each year. It is anticipated that interim dividends will be paid in or around April and final dividends will be paid in or around October following the relevant financial period. The Directors intend to frank dividends to the greatest extent possible.

No dividend will be paid in respect of the half year to 31 December 2020 due to the timing of the Offer. The Directors anticipate Universal Store's first dividend will be declared in relation to the seven months to 30 June 2021 and therefore expect Universal Store's first dividend to be paid in or around October 2021. The Directors expect this dividend to be fully franked.

No assurance can be provided around the level of future dividends or the extent to which any of the dividends will be franked. Please read the Forecast Financial Information in conjunction with the assumptions underlying its preparation as set out in Section 3.7, the risk factors set out in Section 4 and the terms of the New Debt Facilities set out in Section 8.5.3.

3.10 DIRECTORS' STATEMENT

Each Director confirms that they have made enquiries and nothing has come to their attention to suggest that the Company is not continuing to earn profit from continuing operations up to the date of the Prospectus.

4.

Risk factors



4. Risk factors

4.1 INTRODUCTION

This Section details some of the potential risks associated with the Universal Store business and the industry and markets in which Universal Store operates, and risks associated with an investment in the Shares. Universal Store is subject to a variety of risk factors. Some are specific to its business activities, while others are of a more general nature. Individually, or in combination, such risk factors may adversely affect the future operating and financial performance of Universal Store, its investment returns and the value of an investment in the Shares.

The risks listed below are not an exhaustive list of risks associated with an investment in the Company, either now or in the future, and this information should be considered in conjunction with all other information presented in this Prospectus. Many of the risks described below are outside the control of Universal Store, its Directors and Management. If one or more of these risks eventuates, then the future operating and financial performance of Universal Store, its investment returns and the value of an investment in the Shares may be adversely affected.

There is no guarantee that Universal Store will achieve its stated objectives, implement its business strategy or that any forward-looking statements or forecast financial information contained in this Prospectus will be achieved or will eventuate. You should note that past performance may not be a reliable indicator of future performance.

An investment in the Universal Store is not risk free. Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Universal Store and should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances, and tax issues. Before deciding whether or not to apply for shares, you should read this Prospectus in its entirety and seek professional guidance from your stockbroker, solicitor, accountant, taxation adviser or other independent or qualified professional adviser.

4.2 RISKS SPECIFIC TO AN INVESTMENT IN UNIVERSAL STORE

4.2.1 Retail environment and general economic conditions may worsen

Many of Universal Store's products are discretionary in nature. Consumer spending on these items is potentially sensitive to changes in general consumer sentiment. Factors which affect general consumer sentiment may or may not have a direct impact on the income levels of the Company's customers but can adversely affect their spending levels notwithstanding. These factors include house prices, political uncertainty, economic outlook, employment certainty, conflict and terror events.

Universal Store's offering of products, and its business, financial performance and operations, may also be adversely affected by actual or expected changes in consumers' disposable incomes, or changes in their preferences or needs as to the utilisation of their disposable incomes (including any shifts in allocation of disposable income as a result of the imposition and/or easing of government-imposed COVID-19 restrictions such as international border closures). Disposable incomes of Universal Store's customers can vary as a result of changes to factors such as petrol prices, food and energy prices, interest rates, unemployment levels and taxation.

Some of these factors have experienced (and may continue to experience) a period of high volatility in light of the COVID-19 pandemic and the Australian state/territory and Federal Governments' responses to the pandemic.

Any material reduction in consumer spending on discretionary items may in turn result in lower levels of revenue and profitability for Universal Store.

4.2.2 Competition may increase and change

The Australian clothing, footwear and accessories market in which Universal Store operates is highly competitive and is subject to constantly changing consumer preferences in relation to trends, brands and shopping channels. The competitor set is fluid and evolving. There is a risk that Universal Store may lose market share to new or existing competitors. Some practical examples of the risks Universal Store faces include:

- Existing Australian-based competitors may rollout additional stores in catchment areas in which Universal Store's stores operate, and existing competitors may successfully reposition their offering to more effectively compete with Universal Store's offering;
- Online retailers may rollout physical stores;
- Existing or new market entrants may increase or gain market share through aggressive marketing campaigns, new product offerings or price discounting;

4. Risk factors Continued

- Universal Store may fail to meet the expectations of customers or fail to implement strategies to satisfy the changing expectation of customers relative to Universal Store's competitors; or
- It may fail to increase its customer base at a sufficient rate to offset the rate at which existing customers lapse.

Universal Store's customers may choose to purchase products from its competitors rather than from Universal Store and this may in turn reduce Universal Store's revenue. Such a reduction in revenue may have an adverse impact on Universal Store's financial performance.

4.2.3 Execution error in implementing Universal Store's strategy

Specialty retailers operating nationally are required to make large numbers of judgement calls and decisions on a frequent basis across their organisations and implement these across their store networks. Large volumes of these calls and decisions rely on human judgement and implementation and are therefore prone to human error in both the underlying call/decision and how effectively it is implemented.

Execution error is common, and the Company has developed systems and processes in place to seek to prevent or accommodate or remedy a typical level of error in most areas of its business. However, sustained errors or critical failures can occur, as can isolated errors which have consequential implications across multiple areas of the business. These errors can be significant and identified by Management, or they can be smaller and accumulate over time and be more difficult to detect.

Given the interconnected nature of many of the operational areas of the business and the interdependencies within, an error in one area of the business (e.g. product, IT, marketing or supply chain) can have a wide and adverse impact on other areas of the business, and can lead to reduced customer satisfaction, and adversely impact financial performance.

4.2.4 Universal Store may misjudge evolving fashion trends and consumer preferences

An important sub-category of potential execution error relates to the judgements required in developing and presenting the product range. Demand for Universal Store's products is sensitive to its successful range development and the specific brand and product selection and quantification decisions made by its team. While a material error rate in fashion in this area is normal, sustained and material misjudgements in relation to evolving fashion trends and product range can adversely affect sales levels and consumer perspectives of its brand and result in a loss of market share.

It is possible that Universal Store may misread or misinterpret fashion trends on a sustained and recurring basis. The Company can also mis-quantify the consumer demand arising from certain fashion trends, and therefore offer too much or too little product that is relevant to a particular fashion trend.

In addition, with third party brands currently contributing approximately 70% of Universal Store's clothing range, the business is also reliant on the trend judgements and range development of these suppliers. In the longer term, trend misjudgements may adversely impact Universal Store's brand and reputation.

A broad-based or series of significant misjudgements in interpreting product and fashion trends could adversely affect demand for Universal Store's products.

4.2.5 Universal Store may fail to acquire enough new customers

As a retailer of youth casual fashion, Universal Store must consistently acquire new customers who are aging into its target market, to offset the customer loss which naturally occurs as current customers age beyond the target market.

To maintain relevance in the constantly evolving market, Universal Store must consistently refresh its range and approach to appeal to each new generation of consumers, or risk drifting in its market position or losing relevance with its target market.

Management notes that the shopping behaviours of generations of customers have changed over recent generations (i.e. Millennials' shopping behaviours and preferences are different to those of Generation X and Generation Y), and despite this Universal has adapted its business and grown. However, there is no guarantee that the shopping behaviours of future generations of potential customers are not materially different from those observed today. Universal Store may fail to adapt to this change.

If the Company does not acquire enough new customers across a sustained period, its sales will likely decline which will adversely affect profitability and other measures of financial performance.

4.2.6 Continued decline of foot traffic in Australian shopping centres

The large majority of the Company's stores are in shopping centres. Various data sources indicate that foot traffic has been in gradual decline in Australian shopping centres over recent years. This trend may continue and could accelerate. The data also indicates that the nature, purpose and frequency of consumers' trips to these shopping precincts is also changing. Shopping centre owners are seeking to change the mix of their tenancies to better cater to these changes in customer shopping behaviours.

While Universal Store has performed well despite this trend over recent years, there is a risk that the rate of decline accelerates or consumers shopping patterns change such that the opportunity for the Company's stores to serve customers reduces such that sales forecasts and growth objectives cannot be met.

4.2.7 Universal Store relies on third party suppliers for a majority of its products

The success of Universal Store's business relies in part on its ability to retain its existing key supplier relationships and its ability to continue to attract suppliers on acceptable terms. The deterioration of Universal Store's relationships with its key suppliers or the inability of Universal Store to maintain functioning arrangements with its key suppliers on terms acceptable to Universal Store, or at all, may have a material adverse effect on Universal Store's financial and/or operational performance in the future.

Similarly, Universal Store relies on its key product suppliers for matters including product innovation, product quality and maintaining and building the consumer appeal and demand for these brands.

The Company's position in retailing these third party brands and their appeal to customers can also be affected by the distribution channel strategy of the brand owners. Material changes by any of Universal Store's key suppliers of their distribution channel strategy, including distributing their brand more widely in the market, restricting supply, or selling the brands direct to consumer may impact Universal Store's financial and/or operational performance in the future.

4.2.8 Universal Store may lose key members of management

Universal Store has experienced significant growth in the scope of its operations and earnings under its existing management team. Universal Store's success will continue to be influenced by its ability to attract and retain suitably qualified personnel in the future. When Universal Store undertakes succession planning in the ordinary course of business, the loss of key members of management may cause a material disruption to Universal Store's activities. Such disruption may reduce the business' level of growth, and therefore its overall financial performance, in the short to medium term.

4.2.9 COVID-19

Events related to the COVID-19 pandemic have resulted in significant market volatility. There is continued uncertainty as to the ongoing and future responses of governments and authorities both in Australia and globally. In addition, as a net beneficiary of government-related economic stimulus actions to date, the extent to which this has positively impacted the Company's performance during the COVID-19 pandemic and any impact associated with a reduction in government economic stimulus is not yet fully known. There is also a likelihood of an Australian economic recession of unknown duration or severity. As such, the full impact of COVID-19 on consumer behaviour, suppliers, employees and the Company is not fully known. As a result, the impact of COVID-19 may be materially adverse to the Company's financial and/or operational performance. Further, any government or industry restrictions or other measures may adversely affect the Company's operations and are likely beyond the Company's control. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to any material impact of COVID-19 on the business.

4.2.10 COVID-19 state/territory and Federal government restrictions

Due to the COVID-19 pandemic, the state/territory and Federal governments have imposed social distancing restrictions which have been, and may continue to be, disruptive to the operations of the business. There is a risk that social distancing restrictions persist which may result in an increasing reliance on technology to communicate with employees which may impact on the Company's ability to attract and motivate employees, particularly through onboarding new employees.

Further, COVID-19 restrictions may disrupt, and may continue to disrupt, the Company's operations, including retail stores, warehouse and distribution operations. COVID-19 restrictions, including on retail stores, warehouse and distribution operations, may impact the Company's ability to operate. Such restrictions may, directly and indirectly, have a material adverse impact on the financial and/or operational performance of the Company.

4. Risk factors Continued

4.2.11 COVID-19 supply chain impact

An increase in the spread of COVID-19 may create an adverse impact on the Company's supply chain. This may occur if the ability to deliver products into Australia by the Company's key suppliers is negatively affected through government imposed restrictions or the Company is otherwise unable to efficiently distribute products to customers who have placed online orders. If the Company's supply chain is disrupted, it may have a material adverse effect on financial and/or operating performance.

4.2.12 Inventory management

In order to operate its business successfully, Universal Store must maintain sufficient inventory and have this inventory located in in-store network and distribution network appropriately to meet demand. The Company must also avoid the accumulation of excessive, obsolete or slow-moving inventory. Holding insufficient or excessive inventory beyond amounts arising in the ordinary course can be driven by Universal Store's misjudgements or misreading of fashion trends and the related decisions around the volume and nature of inventory to buy and offer its customers. Universal Store relies on its inventory management systems to manage stock levels and to assist with forecasting stock purchases. Maintaining inadequate or excessive inventory levels may adversely affect the Company's future financial position and performance.

4.2.13 A change in the nature of youth social activity could occur

There is a risk that significant changes in the way in which young people socialise may adversely affect the Company's future financial position and/or operating performance. These changes could arise from matters including government restrictions or other matters that promote or necessitate material changes in the common social practices of young people.

For example, Management has identified a positive relationship between events such as music festivals, concerts and other widely attended youth-oriented events and sales volumes enjoyed in its stores. Management believes these events and social occasions of all types more generally are a trigger or occasion for a material portion of their customers to shop with Universal Store. External factors beyond the control of Universal Store (for example, government imposed COVID-19 restrictions) may suppress the capacity or willingness of young people to socialise in the manner and/or frequency with which they previously socialised. This in turn may impact the Company's sales, which may have a material adverse impact on the Company's future financial position and/or operating performance.

4.2.14 Seasonal trading patterns may change unexpectedly

Universal Store's sales are subject to seasonal patterns. In particular, Universal Store experiences higher trading levels over the Summer period where social events are more prevalent and gift-oriented purchasing peaks. A decrease in sales over this traditionally high-volume trading period could materially affect profitability and result in an abnormally large amount of surplus inventory. Universal Store would typically seek to sell excess inventory before it becomes too old or obsolete. Inventory clearance activity is typically affected through broad-based price discounting which typically leads to gross profit margin erosion. If Universal Store were required to sell a significant volume of its products at deep discounts for a sustained period to clear surplus inventory, this could reduce the business' gross profit margin, and could adversely affect Universal Store's financial performance and brand. Equally, if Universal Store does not sell through any excess, or aging stock, it can accumulate and congest stores and distribution facilities and reduce the appeal of the range offered to customers.

4.2.15 Universal Store may be in contravention of leases

Universal Store operates from all leased premises. Currently, Universal Store operates 65 bricks and mortar stores and plans to open more in the future. A number of the leases require the landlord's consent for the relevant Universal Store entity to continue as the tenant following a change of control event of the tenant (which may occur upon Completion of the Offer).

If the relevant Universal Store entities do not satisfy their obligations under the relevant change of control provisions that may be triggered by virtue of the Offer, the relevant Universal Store entities may be in breach of their leases and the relevant landlords may take actions adverse to Universal Store, which in turn may result in variations to lease terms or store closures. This may have a material adverse impact on Universal Store. There may also be lease incentive clawback provisions triggered by the Offer.

4.2.16 Universal Store may be unable to renew leases, or open new stores, on acceptable terms

Universal Store operates its business from leased premises in shopping centres, typically in highly sought-after areas of these shopping precincts. Leases are typically for terms of 5 to 7 years and require renewal and renegotiation at the end of their term. While stores that are not performing would typically be closed or renegotiated, it is common for renegotiation of lease terms for performing stores to be robust. There is a risk that Universal Store cannot successfully secure acceptable terms upon the expiry of existing leases, and these stores would be closed. It is also possible that Universal Store needs to accept terms that materially increase operating costs for these stores upon renewal.

In addition, the Company seeks to open new stores as a part of its store roll-out strategy. The success of this strategy is reliant upon appropriate sites on acceptable terms becoming available and being secured by Universal Store.

Universal Store's financial performance and future growth are dependent on its ability to both retain existing store sites and secure new store sites in suitable locations and on acceptable terms.

4.2.17 Management may be unable to achieve growth objectives

In recent periods, Universal Store has experienced significant revenue growth and Universal Store intends to continue growing its operations. Universal Store has assumed future growth rates for its business and these assumptions are informed by historical growth rates and assume a continued ability to attract and retain customers. Universal Store's historical growth rates may not be sustainable or indicative of future growth, and its anticipated growth rates may not be achievable, as a result of, without limitation:

- Heightened levels of competition;
- A need to spend more than it anticipates to attract and retain customers;
- A consistent inability to deliver a product range, price, and service proposition that appeals to customers;
- The revenue per customer being lower than anticipated; and
- An inability to secure the new sites on appropriate terms.

Such execution failure may adversely affect Universal Store's ability to grow the revenue of the business and this may adversely affect its future financial and operational performance.

4.2.18 Underpayment of wages and failure to comply with industry awards

Despite a number of controls in place in an effort to ensure compliance with all employment laws, there is a risk that an issue with underpayment of employees could occur within Universal Store's physical store network. These issues could arise where employee rostering is mismanaged, employees are mischaracterised as either casual or permanent, or where payroll errors are otherwise made in relation to a high number of employees, across a national store network, on a frequent basis.

Underpayment of employees could have significant consequences for Universal Store's reputation and a negative financial impact on the business. It may involve:

- A significant financial liability related to correcting multiple years of accumulated errors;
- A loss in trust in Universal Store resulting in reduced ability to attract employees;
- Negative media which impacts the reputation of Universal Store and its brand; and
- Regulatory scrutiny, such as from the Fair Work Commission.

4.2.19 Potential regulation of the Buy Now Pay Later (BNPL) sector

Payment for a material proportion of Universal Store's total revenues are facilitated by BNPL platforms across both physical stores and the online channel. The continued unfettered operation of BNPL platforms to assist Universal Store's customers to fund their purchases is assumed, and this may be ultimately inaccurate. The BNPL sector may be subject to increased regulation that could affect these platforms' growth, functionality and customer utilisation. Universal Store's financial performance and growth objectives may be adversely impacted if BNPL services were restricted in their use by customers, or if the costs or ease of use were adversely altered.

4. Risk factors Continued

4.2.20 There may be adverse exchange rate movements

Universal Store is exposed to foreign exchange rate movements, largely because the majority of the world's apparel is manufactured in markets where pricing is denominated in US dollars. While most of Universal Store's purchases from third party brand owners and local wholesale suppliers are contracted in Australian dollars (AUD), the predominant practice in costing garments with apparel manufacturers in key supply markets is in US dollars (USD). This means that Universal Store has a direct and indirect exposure to the relative strength of the AUD against the USD. A severe and sustained decline in the AUD/USD exchange rate may adversely affect Universal Store's financial performance by increasing the business' costs of goods as suppliers seek to pass on the associated costs. In addition, for those manufacturers with whom Universal has a direct relationship, the landed costs of these products in AUD would increase, and Universal may be unable to pass on these cost increases to customers.

4.2.21 The appeal and value of Universal Store's brand name may diminish

The ongoing success of Universal Store is dependent on the business maintaining its reputation and protecting its brand with customers and suppliers. Maintaining the strength of the Universal Store brand and its underlying private label brands is integral to Universal Store's ability to consistently appeal to its existing customers, attract new customers and maintain sales growth.

Universal Store's name and its related intellectual property rights are also key assets of its business. The reputation and value associated with the Universal Store name and its related intellectual property rights could be adversely impacted by a number of factors, including failure to provide customers with the quality of product and service standards they have come to expect, disputes or litigation with third parties such as employees, suppliers or customers, failure to adequately protect Universal Store's intellectual property rights or adverse media (including social media) coverage.

Significant erosion in the reputation of, or value associated with, the Universal Store brand could have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates and demand for the relevant products. A diminution in the standing of Universal Store's brand with customers could adversely impact Universal Store's market share, revenue and future financial performance.

4.2.22 Product sourcing/supply chain disruptions

Universal Store products have historically been predominantly sourced from the US, China and within Australia. While Universal Store has a diversified supplier base, the business still relies on key suppliers. Regardless of the nature and domicile of the supplier, most of the goods are manufactured in China and other Asian countries. Any material change or disruption to Universal Store's product sourcing or supply chain could have an adverse impact on inventory availability at Universal Store. The following matters are examples of factors which could adversely impact the timing, cost and reliability of Universal Store's product sourcing and supply chain, and therefore the business' overall financial performance:

- Adverse effects on economic conditions (e.g. wage inflation), regulatory changes (e.g. export duties) and political environment in these markets;
- Adverse effects of acts of war or terrorism, natural disasters or an outbreak of an epidemic (such as the current COVID-19 pandemic, a recurrence of Severe Acute Respiratory Syndrome (SARS) or an outbreak of swine or avian influenza) in these markets, including disruption to critical points of infrastructure such as ports;
- Any adverse change in existing relationships or operations with product and service suppliers, such as freight and distribution service providers;
- Unexpected, prolonged or repeated disruption to services provided by suppliers;
- Adverse changes to the terms and conditions of suppliers; and
- A risk that suppliers seek to charge Universal Store in local currency rather than in USD.

The business' operations may be disrupted as a result of any impediments as a result of unforeseen issues with implementing its supply chain measures, including, but not limited to, natural disaster, terrorist events, and other externalities. These may result in material delays in the supply chain, which may adversely affect cost of sales and overall financial performance.

4.2.23 Reliance on third party banking, technology, telecommunications, insurance, payments and logistics providers

Universal Store relies on third party banking, insurance, technology, telecommunications, payment and logistics providers. Universal Store has limited influence over these third parties. Any system or service failure that causes an interruption to Universal Store's ability to effect payment transactions, receive payments or deliver purchased products to its customers, could adversely affect a customer's experience and reduce the attractiveness of Universal Store's website to customers and the potential for future sales.

In addition, if Universal Store inadvertently breaches the agreements that it has in place with such banking, payment and logistics providers, Universal Store may be required to pay higher fees to those providers and/or the providers may have a right to terminate their relationship with Universal Store. If a provider terminates their relationship, Universal Store will need to source, and negotiate terms with, an alternative provider. There is no guarantee that Universal Store will be able to source an alternative provider on terms and conditions that are as favourable to Universal Store as the existing terms and conditions, if at all. These changes may materially adversely affect Universal Store's business, financial performance and operations.

4.2.24 Universal Store may experience unexpected increases in operating and other expenses that may reduce its profitability

Universal Store's operating and other expenses could increase without a corresponding increase in revenue. A number of factors which could increase operating and other expenses include unforeseen increases in, without limitation:

- Freight and distribution expenses (e.g. the cost of third party delivery services);
- Costs associated with Universal Store being listed;
- Costs associated with insurances, telecommunications and IT;
- Marketing, promotion and advertising expenses, including any increase in the cost of customer acquisition;
- Leasing costs in relation to stores, head office and distribution facilities; and
- Costs of products from Universal Store's suppliers due to input cost inflation and exchange rate pressures translating through to higher manufacturer prices which cannot be fully passed through to customers or a deterioration in Universal Store's relationships with its suppliers or credit limit reductions with suppliers.

Universal Store's profitability will be reduced if there are increases in operating and other expenses that exceed or are not in line with increases in Universal Store's revenue. This would have a material adverse effect on Universal Store's business, financial performance and operations.

4.2.25 The cost of hiring and retaining staff may be high

The retail sector in which Universal Store operates consists of a high proportion of employees in entry level positions and is therefore subject to relatively high employee turnover rates. As a result, Universal Store is focused on attracting and retaining quality employees who are more likely to maintain longer-term employment positions with the business than industry averages, so as to minimise costs associated with hiring and training of new staff.

Factors that may adversely impact Universal Store's ability to attract and retain the types of employees it wishes to attract, such as unemployment rates, prevailing wage legislation and changing employee demographics may adversely affect Universal Store's financial performance.

4.2.26 Dividends may not be fully franked

Universal Store expects future dividends to be franked to the maximum extent possible. However, there is no guarantee that Universal Store will have sufficient franking credits in the future to fully frank dividends or that the imputation system will not be varied or abolished.

In addition, if a portion of Universal Store's future earnings are derived from offshore operations, it may not be possible to fully frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

4. Risk factors Continued

4.2.27 Privacy and IT systems

Universal Store is focused on the protection of its customers' and employees' personal information. A significant breach of customer, employee or Company information could attract significant media attention and damage Universal Store's customer relationships and reputation. This may adversely affect Universal Store's reputation with its customers, and Universal Store may be liable to pay fines or engage in litigation, which may also negatively affect the business' reputation and financial performance.

Universal Store's IT systems are managed and maintained in-house by a dedicated Universal Store team. Whilst a disaster recovery plan is in place at Universal Store (including 15 minute incremental backups and full nightly backups stored locally, offsite and on a cloud service), a significant IT failure (e.g. complete server corruption) could adversely impact the ability of the business to maintain normal operations, potentially leading to a reduction in the financial performance of the business in the short to medium term.

4.2.28 Cyber attacks

Universal Store's business may be materially adversely affected by malicious third parties or applications that interfere with, or exploit, security flaws in websites. The security of information stored in Universal Store's systems could be put at risk by attacks from malicious software programs or persons, or inadvertent breaches.

In an effort to reduce the occurrence and severity of any malicious third party attacks or applications, Universal Store maintains firewalls and has in place security measures and various procedures to restrict access to sensitive data to a limited number of authorised employees.

Notwithstanding these efforts, there is a risk that, if a cyber attack were successful, any data security breaches, failure to protect confidential information or disruption to Universal Store's website could result in a loss of information integrity, breaches of Universal Store's obligations under applicable laws and website and system outages.

Similarly, given some third party suppliers hold confidential or customer data in relation to Universal Store's business, if there is a data security breach that affects those suppliers, there is a risk that Universal Store's data may be involved in such a breach. The occurrence of any of these events may potentially have a material adverse impact on Universal Store's reputation, business, financial performance and operations.

4.2.29 A workplace accident or incident may occur

Universal Store's employees are at risk of workplace accidents and incidents. Should an employee be injured in the course of their employment, Universal Store may be liable for penalties or damages as a result. If Universal Store were required to pay monetary penalties, this may adversely affect its financial position as well as the reputation of Universal Store.

4.2.30 Universal Store may be involved in disputes or litigation

Universal Store may be the subject of disputes, complaints, litigation, inquiries or audits (**Disputes**) initiated by customers, employees, landlords, government agencies, regulators or other third parties. These Disputes may be related to warranties, product descriptions, personal injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations.

There can be no assurance that legal claims will not be made against Universal Store, or that Universal Store's insurance will be adequate to cover liabilities resulting from any such claim. Even if a claim is successfully disposed of without any direct adverse financial effects on the business, there may still be adverse effects on Universal Store's reputation. If Universal Store were to be found liable under a claim, the Company's financial position and future financial and operational performance may be adversely affected.

4.2.31 Laws and regulations may change

Universal Store is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including GST and stamp duty) and customs and tariffs.

Changes to laws and regulations in these areas may adversely affect Universal Store, including by increasing Universal Store's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Universal Store's future financial performance.

4.2.32 Changes in technology

Universal Store's business is impacted by changing technology, the emergence of new technologies and evolving industry standards. Adaptation and development to meet these changes may be costly and Universal Store cannot give assurance that it will always have the necessary capital to develop adaptations to, or acquire new technologies to, meet any future changes which may impact its business, financial performance and operations.

4.2.33 Stagnation or decline in the Australian online retail market

There is no guarantee that the Australian online retail market will continue to grow into the future or, if there is such growth, at the rates currently forecast. An inability of the online retail market to grow at the expected rate may adversely affect Universal Store's financial performance.

4.2.34 Financial information and basis of forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus (including any forecast financial information provided) rely on various contingencies and assumptions, some of which are described in Section 3. Various factors and risks, both known and unknown, many of which are outside the control of Universal Store, may impact upon Universal Store's performance and cause actual performance to vary from expected results. Whilst the forecasts have been prepared with due care and attention, and Universal Store considers the assumptions to be reasonable, future events and conditions cannot be reliably predicted and the assumptions are subject to uncertainties. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There is no guarantee that Universal Store will achieve its stated objectives or that any forward-looking statements or forecasts outlined in this Prospectus will eventuate.

4.3 GENERAL RISKS

4.3.1 Prices of Shares may fluctuate

Once Universal Store becomes a publicly listed entity on the ASX, it will become subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of Universal Store.

The price of Universal Store's Shares quoted on the ASX may rise or fall and the Shares may trade above or below the Offer Price due to a number of factors, including but not limited to:

- General market conditions, including investor sentiment;
- General economic conditions, in Australia and globally, including interest rates, exchange rates, inflation rates and commodity prices;
- Fluctuations in the local and global market for listed stocks;
- Changes to government policy, legislation or regulation (including ASX regulations or policies);
- Inclusion in or removal from market indices (including S&P/ASX indices);
- Changes to the accounting principles;
- The nature of markets in which Universal Store operates;
- General and operational business risks;
- Natural disasters; and
- Global hostilities, tensions and acts of terrorism.

There is no assurance that the price of Universal Store's Shares will increase following their quotation on the ASX, even if Universal Store's earnings increase.

4. Risk factors Continued

4.3.2 Trading and liquidity in Shares

Voluntary escrow arrangements will be entered into which, at Completion of the Offer, whereby approximately 46.9% of Universal Store's Shares on issue will not be able to be traded until the relevant escrow periods have expired (see Section 8.5.2.2 for more information in relation to the escrow period). Given the number of Universal Store Shares restricted from trading, there will only be liquidity with respect to approximately 53.1% of Shares on issue at Completion of the Offer until such time as applicable escrow periods end.

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for Shares will develop or that the price of Shares will increase. The events relating to the COVID-19 pandemic have recently resulted in a decline to general economic conditions and created significant volatility to the market including the prices of shares trading on the ASX. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus. There may be relatively few potential buyers or sellers of Shares on the ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This could result in Shareholders receiving a market price for their Shares that is less than the price that they paid.

4.3.3 Taxation changes

There is the potential for further changes to tax laws and changes in the way tax laws are interpreted. Any change to the current tax rates imposed on Universal Store (including in foreign jurisdictions that Universal Store may operate in, in the future) is likely to affect returns to Shareholders.

An investment in Shares involves tax considerations which differ for each Shareholder. Investors are encouraged to seek professional tax advice in connection with any investment in Universal Store.

4.3.4 Force majeure events

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of Universal Store's stores and the price of Shares. These events include, but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Universal Store's products and its ability to conduct business.

4.3.5 Shareholder dilution

In the future, Universal Store may elect to issue new Shares or engage in capital raisings to fund investments that Universal Store may decide to undertake. While Universal Store will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and capital raisings.

4.3.6 Accounting standards

Australian Accounting Standards are set by the AASB and are outside the control of Universal Store, its Directors, or its Management team. The AASB is due to introduce new or refined Australian Accounting Standards in future periods, which may affect future measurement and recognition of key statement of income and balance sheet items, including sales and receivables.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, including sales and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Universal Store's consolidated financial statements.

4.3.7 General economic and financial market conditions

Universal Store currently only has operations in Australia, and its financial performance is subject to general economic conditions in Australia, as well as general economic conditions globally. Prolonged downturn in general economic conditions may impact the demand for Universal Store's products, decreasing consumer demand and lowering sentiment. These events could be expected to have a material impact on Universal Store's business and financial performance.

4.3.8 Government regulations

Universal Store is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, taxation (including goods and services taxes and stamp duty) and customs and tariffs. Changes to laws and regulations may adversely affect Universal Store, including by increasing its costs or exposure to liability either directly or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Universal Store's future financial performance.

In particular, there is a risk that laws or regulations may be introduced that restrict Universal Store's use of its customer database and customers' personal information and/or otherwise restrict its interactions with consumers, selling initiatives and marketing campaigns. Such changes could impact the normal operations of Universal Store and reduce Universal Store's ability to generate revenue, which may have an adverse effect on Universal Store's financial and operational performance in the future.

4.3.9 Interest rate fluctuations

Changes in interest rates will affect borrowings which bear interest at floating rates. Any increase in interest rates will affect Universal Store's costs of servicing these borrowings which may materially adversely affect its financial position.

4.3.10 Climate Change

Climate change and the corresponding increase in the likelihood of events such as floods, droughts, fires, heatwaves and cyclones could impact Universal Store by causing increased costs, closures, disruption to operations, lack of access, damage to stores, impacts on supply and transportation of product, among other things. Such events may lead to an increase in operational costs or business interruption and may have a detrimental impact on Universal Store's financial performance.

4.3.11 Epidemics and pandemics

A rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside the countries in which Universal Store operates. In particular, a pandemic similar in nature to the 2002-03 outbreak of Severe Acute Respiratory Syndrome (SARS), the 2009 swine flu outbreak or the 2019-20 COVID-19 outbreak may adversely affect general economic sentiment, the global economy, stock markets and other financial markets. COVID-19 is currently of significant concern to the worldwide community and has clouded the near and medium term outlook for the global economy. Financial markets have also been volatile as market participants and governments worldwide assess the risks associated with COVID-19 and global supply chains are being severely impacted across major industries. Measures introduced to limit transmission of the virus are likely to have a negative impact on the global economy and economic growth. As a result of the COVID-19 outbreak, monetary policy has been eased to provide additional support to employment and economic activity. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on Universal Store. The impact of the virus on consumer sentiment, demand and confidence generally could materially and adversely affect Universal Store's operations and/or financial performance.

4.3.12 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Universal Store or by investors in Universal Store. The above factors, and others not specifically referred to above, may materially affect the financial performance of Universal Store and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Investors should consult their professional adviser before deciding whether to apply for Shares under the Offer.

5.




Key individuals,
interests and
benefits






5. Key individuals, interests and benefits

5.1 BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including sector and business knowledge, financial management experience and corporate governance experience. Profiles of each member of the Board are set out in the table below.

Director	Experience and background
 <p>Alice Barbery <i>Chief Executive Officer and Executive Director</i></p>	<p>Alice has 30 years' experience in retail and service-centric roles across the USA, UK and Australia.</p> <p>Alice first met the Universal Store founders in 2002 when she helped them establish a framework for the business as a retail specialist until 2004. Alice joined Universal Store full-time as Chief Operating Officer in 2009 and was appointed Chief Executive Officer in 2017. Alice has been a shareholder of Universal Store since 2016.</p> <p>Prior to joining Universal Store, Alice served as the Leadership Development Manager at Virgin Airlines where she designed and delivered leadership training for all service leaders in ground and cabin crew departments nationally. This role helped Alice develop her differentiated leadership style and focus on bespoke training methods which are utilised at Universal Store.</p> <p>Alice moved to Australia in 1997 to be the National Sales Manager for Colorado Group, leading the early expansion from 15 to 80 stores. Prior to her move to Australia, Alice worked at GAP International, transferring from the USA to the UK. In this role, Alice supported the expansion of GAP in the UK, before taking a national leadership role with women's fashion brand EAST which she successfully expanded throughout England.</p>
 <p>Peter Birtles <i>Chair and Non-Executive Director</i></p>	<p>Peter was appointed to the Board of Universal Store in October 2020 as Chair and a Non-Executive Director.</p> <p>Peter is a Non-Executive Director of two ASX listed companies; Metcash Limited and GWA Group Limited, two private companies; APG & Co Pty Ltd and Apparel Group (Hong Kong) Limited, and a not-for-profit enterprise; Good360 Australia Limited. He also provides mentoring advice to a number of small businesses that operate in or service the retail industry.</p> <p>Prior to his Non-Executive career, Peter was the Group Managing Director and CEO of Super Retail Group Limited. Peter joined Super Retail Group Limited in April 2001 as Chief Financial Officer and was Group Managing Director and Chief Executive Officer from January 2006 until February 2019.</p> <p>Prior to joining Super Retail Group Limited, Peter spent 12 years working with The Boots Company in the UK and Australia in a variety of senior finance, operations and information technology roles. Peter is a Chartered Accountant who started his career working with Coopers & Lybrand.</p>
 <p>Kaylene Gaffney <i>Non-Executive Director</i></p>	<p>Kaylene was appointed to the Board of Universal Store in October 2020 as a Non-Executive Director and Chair of the Audit and Risk Management Committee.</p> <p>Kaylene has had a career in senior financial roles for over 25 years in the retail, aviation, telecommunications and information technology sectors. She currently holds a senior executive financial role with Super Retail Group Limited.</p> <p>Kaylene has previously served as a non-executive director and Chair of the Audit and Risk Committee of ASX listed National Veterinary Care Ltd, MSL Solutions Ltd and Wotif.com (now delisted). In 2016, she served as Queensland State Chair of Chartered Accountants Australia and New Zealand.</p>

5. Key individuals, interests and benefits Continued




Director	Experience and background
 <p>David MacLean Non-Executive Director</p>	<p>David was appointed to the Board of Universal Store in October 2019 as a Non-Executive Director. He was formerly the CEO and Managing Director of Adairs Limited for 14 years from 2002 to 2016.</p> <p>David is currently a non-executive director at Adairs Limited⁵⁸ and Dusk Group Limited and runs his family investment office as well as holding minority interests in a number of private retail businesses.</p>
 <p>Srdjan Dangubic Non-Executive Director</p>	<p>Srdjan was appointed to the Board of Universal Store in October 2018 and is a Non-Executive Director.</p> <p>Srdjan is a partner at Five V Capital. Five V is a growth partner to a number of Australia and New Zealand's leading companies.</p> <p>Srdjan's other current board representations include Education Perfect, Zenith Investment Partners and Totara Learning, and previously Mantra Group and Probe Group.</p> <p>Prior to Five V Capital, Srdjan was a director at global private equity fund CVC Capital Partners in both Australia and Hong Kong, and before this held a role at Macquarie Bank.</p>
 <p>Trent Peterson Non-Executive Director</p>	<p>Trent has over 20 years of investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is the Managing Director of Catalyst Investment Managers and the Managing Director of Catalyst Direct Capital Management.</p> <p>Trent was Chair of Universal Store from October 2018 until Completion and post-Completion will be the Chair of the People and Remuneration Committee.</p> <p>Trent is also a director of Adairs Limited, Shaver Shop Group Limited and Dusk Group Limited and is Chairman of Australian Doctor Group. Trent was previously a director of Just Group, EziBuy, Max Fashions, SkyBus, Taverner Hotel Group and Global Television.</p> <p>Prior to Listing, Catalyst Direct Capital Management is adviser to BB Retail Capital in relation to its investment in Universal Store. This arrangement will terminate on Listing.</p>

The composition of the Board committees and details of its key corporate governance policies are set out in Sections 5.7.2 and 5.8. Each Director above has confirmed to the Company that they anticipate being able to perform their duties as a Non-Executive Director or Executive Director of the Company, as the case may be, without constraint having regard to their other commitments.


58. In 2017, Adairs Limited (a company of which Trent Peterson and David MacLean are non-executive directors) paid an infringement notice of \$66,000 (without admission of liability) following an ASIC investigation for alleged failure by Adairs Limited to meet its continuous disclosure obligations. Adairs Limited is not regarded as having contravened the ASX Listing Rules or the Corporations Act by paying this amount.

5.2 MANAGEMENT

Profiles of the key members of the Management team are set out in the table below.

Executive	Experience and background
Alice Barbery <i>Chief Executive Officer</i>	Refer to Section 5.1 for details.
 Renee Jones <i>Chief Financial Officer</i>	<p>Renee commenced at Universal Store in July 2018 and has over 20 years' experience across retail and service industries.</p> <p>Renee's previous leadership roles include General Manager Finance (Consumer and Small Business) at Telstra, Divisional CFO at Ardent Leisure Group Limited, and Divisional CFO at Fantastic Furniture.</p> <p>Renee commenced her career as a graduate accountant at Coles Supermarkets and progressed quickly, holding various senior finance positions over a 12 year period across strategy, operations and merchandise.</p> <p>Renee graduated from Latrobe University in Melbourne with a Bachelor of Commerce and holds a CPA qualification.</p> <p>Renee is currently on parental leave.</p>
 George Do <i>Head of Product</i>	<p>George joined Universal Store in 2005 beginning on the store floor and, after completing his Bachelor of Commerce from the University of Queensland in 2009, he was promoted to Menswear Buyer. He was appointed Head of Product in 2011 and has since established the Private Brand department including the in-house product design and development team.</p> <p>George manages the allocation of budgets for apparel, footwear and accessories and is responsible for managing a team of buyers, designers and merchandisers.</p>
 James Cameron <i>Head of Marketing and Digital</i>	<p>James was appointed as the Head of Marketing and Digital in 2016 after joining Universal Store as the Head of E-commerce in 2013. He is responsible for driving Universal Store's marketing and omni-channel strategy. James brings 12 years' experience in marketing and digital across fashion and entertainment industries including as the former E-commerce Director at Culture Kings. James has a broad portfolio which includes marketing and e-commerce as well as our in-house team of developers.</p> <p>James graduated from Queensland University of Technology with a Bachelor of Business majoring in Advertising.</p>

5. Key individuals, interests and benefits Continued

Executive	Experience and background
 Eddie MacDonald <i>Interim Chief Financial Officer</i>	<p>Eddie was appointed as interim Chief Financial Officer in September 2020 and has over 20 years' experience across retail and service industries.</p> <p>Eddie's previous leadership roles include CFO at Motorcycle Holdings, CEO at Clark Rubber, CEO at Amart Furniture and CFO of Colorado Group.</p> <p>Eddie is the interim CFO while Renee is on parental leave.</p>

5.3 INTERESTS AND BENEFITS

This Section 5.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- Promoter of the Company; or
- Underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- The formation or promotion of the Company;
- Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- The Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company or SaleCo.

5.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- JP Morgan Securities Australia Limited and UBS AG, Australia Branch have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 5.3.1;
- Morgans Financial Limited have acted as Co-Lead Manager to the Offer and the fees payable to the Co-Lead Manager are described in Section 8.5.1;
- E&P Corporate Advisory Pty Ltd has acted as Financial Adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1,750,000 (excluding disbursements and GST) for these services;
- Gilbert + Tobin has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$750,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Gilbert + Tobin in accordance with its normal time-based charges;
- KPMG Financial Advisory Services (Australia) Pty Ltd has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's Report. The Company has paid, or agreed to pay, approximately \$495,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to KPMG Financial Advisory Services (Australia) Pty Ltd in accordance with its normal time-based charges; and

- PricewaterhouseCoopers has acted as the Australian taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, up to approximately \$132,500 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 6.1.

5.3.2 Directors' interests and remuneration

5.3.2.1 Chief Executive Officer

Alice Barbary is employed by Universal Store Pty Ltd, a wholly owned subsidiary of the Company, in the position of Chief Executive Officer of Universal Store. Alice Barbary is entitled to a base salary of \$430,000 per annum (inclusive of statutory superannuation).

In addition to her base salary, Alice Barbary is eligible to participate in the Company's STIP, and in FY21 is eligible to receive a cash bonus of up to \$215,000 (inclusive of superannuation) under that STIP. For more information in relation to the terms of the STIP, see Section 5.5.1.

As at the Prospectus Date, Alice Barbary holds 3,187,035 Shares. The Company loaned Alice Barbary monies to fund the purchase of these Shares under a management equity plan (which will be discontinued on and from Completion). Alice Barbary is expected to hold 2,230,924 Shares as at Completion, and part of the proceeds of the sale of 956,111 Shares by Alice Barbary at Completion will be used to pay down approximately 50% of the loan. The balance of the loan will remain on foot and Shares held by Alice Barbary at Completion will continue to be subject to loan repayment conditions. The loan attaching to Alice Barbary's Shares is limited recourse, interest bearing⁵⁹ and must be repaid (a) out of certain proceeds from the sale of her Shares (b) out of certain proceeds of any dividends, distributions or similar received in respect of the Shares (subject to the Board's discretion to waive the requirement to apply dividends, distributions or similar to repayment of the loan), or (c) in full if Alice Barbary ceases to be employed by a Group Company. Alice Barbary's Shares will be subject to the Company's Securities Trading Policy and to escrow arrangements described in Sections 5.8.3 and 8.5.2.

The term of Alice Barbary's employment as Chief Executive Officer is ongoing. Alice Barbary's employment may be terminated by either party giving six months' notice. Universal Store may pay Alice Barbary in lieu of giving her notice. Universal Store may terminate Alice Barbary's employment immediately where there is cause to do so (e.g. serious misconduct or a material breach of her terms and conditions of employment), without notice or payment in lieu of notice.

Upon termination, Alice Barbary is bound by a restraint period of up to 6 months, during which time she cannot compete with Universal Store, provide services in any capacity to a competitor of Universal Store or solicit current or proposed suppliers or employees of Universal Store in Australia.

After repayment of part of her limited recourse loan from the Company, Alice Barbary will receive approximately \$2.3 million in respect of the sale of Shares as part of the Offer.

5.3.2.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director, subject to ASX Listing Rules from time to time. However, the total aggregate amount provided to all Non-Executive Directors in any financial year for their services as Directors must not exceed the aggregate amount of Non-Executive Directors' fees approved by Shareholders at the Company's general meeting. This amount has been fixed by the Company at \$750,000 per annum (of which \$497,000 is currently utilised). Change to that aggregate annual sum needs to be approved by Shareholders. The aggregate sum does not include any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board or any amounts payable to any Executive Director under any executive services agreements. ASX Listing Rules require that remuneration of Directors must not include a commission on, or a percentage of profits of, operating revenue.

Directors may also be reimbursed for all reasonable travelling and other expenses incurred by the Directors in attending to Universal Store's affairs including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of Universal Store.

Directors may be paid such additional or special remuneration if they, at the request of the Board, and for the purposes of Universal Store, perform any extra services outside the scope or ordinary duties of a Director.

59. Interest of 8% per annum will accrue on the outstanding loan balance and will become payable on the earlier of (a) disposal of the Shares (to the extent some but not all Shares are disposed, interest is payable in respect of the proportion of the loan balance repaid following the relevant disposal and interest will continue to accrue on the remaining loan balance) or (b) Alice Barbary ceasing to be employed by a Group Company.

5. Key individuals, interests and benefits Continued

The following annual base fees are payable to Directors (with effect from Completion):

Director fees	\$	As at Completion
Chair	\$150,000	Peter Birtles
Non-Executive Directors	\$80,000	Kaylene Gaffney David MacLean Srdjan Dangubic Trent Peterson

The following annual committee fees are payable to the Chair and members of each of the Audit and Risk Management Committee and People and Remuneration Committee (with effect from Completion):

Committee fees	\$	As at Completion
Audit and Risk Management Committee		
• Chair	\$10,000	Kaylene Gaffney
• Members	\$4,000	Peter Birtles Srdjan Dangubic
People and Remuneration Committee		
• Chair	\$5,000	Trent Peterson
• Members	\$2,000	Peter Birtles David MacLean

Kaylene Gaffney will receive a one-off initial commitment payment of \$10,000 at Completion.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

5.3.2.3 Deeds of access, insurance and indemnity

The Company has entered into a deed of access, insurance and indemnity with each Director. Each deed contains the Director's right of access to certain books and records of the Company or Group Companies for the period from the date of the deed until seven years after the Director ceases to hold office in the Company or Group Companies. This seven year period is extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, the Company must indemnify all Directors and executive officers, past and present, against all liabilities that arise from their position as an officer of the Company or Group Companies to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company indemnifies each Director against any liability that may arise from their position as an officer of the Company or Group Companies, to the extent permitted by law. The deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses.

Pursuant to the Constitution, the Company must arrange and maintain Directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold office of the Company or Group Companies. This seven year period is extended where certain proceedings or investigations commence before the seven year period expires.

In this summary, "Group Company" means the Company, a subsidiary of the Company, any companies which are 50% or more owned directly or indirectly by any other Group Company, or any partnership or unincorporated joint venture in which any Group Company has an interest of 50% or more.

5.3.2.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares. The relevant interests of Directors (whether held directly or through entities they control), at the Prospectus Date and following Completion of the Offer, are expected to be as follows:

Shareholder	Shares held immediately prior to Completion		Shares held on Completion	
	Number	%	Number	%
Alice Barbary ⁴	3,187,035	5.05%	2,230,924	3.05%
Peter Birtles ⁴	200,000	0.32%	200,000	0.27%
Kaylene Gaffney ⁴	25,000	0.04%	25,000	0.03%
David MacLean ^{1,4,5}	650,000	1.03%	325,000	0.44%
Trent Peterson ²	2,250,000	3.57%	1,575,000	2.15%
Srdjan Dangubic ^{3,4,5}	75,000	0.12%	37,500	0.05%
Total	6,387,035	10.13%	4,393,424	6.00%

Notes:

- As at the Prospectus Date, David MacLean has an interest in (a) 650,000 Shares through DM & LM Holdings Pty Ltd as trustee for the David MacLean Pension Fund (a self-managed superannuation fund for Mr MacLean and his wife), (b) 250,000 Shares through JAD Sriada Pty Ltd as trustee for the JAD Sriada Family Trust (Mr MacLean is a director and 33.3% shareholder of the trustee but not a beneficiary of the trust) and (c) 900,000 Shares through The House of Linen (Aust) Pty Ltd as trustee for House of Linen Unit Trust (Mr MacLean is a director of the trustee and a beneficiary of a family trust which is itself is a 58.5% beneficial interest in the House of Linen Unit Trust).
- The Shares held by Catalyst Direct Capital Management are controlled by Trent Peterson. In addition, Mr Peterson has an economic interest in Shares as a beneficiary of a trust that holds an interest in Catalyst Direct Capital Management.
- Srdjan Dangubic has an interest in Shares through Sirius Enterprises Pty Ltd as trustee for the Sirius Trust (Mr Dangubic is sole director and sole shareholder of the trustee and a beneficiary of the trust). Srdjan Dangubic, as Partner of Five V Capital, will have an indirect interest in Shares through both his investor interest in Five V Fund II, LP and his sponsor interest in Five V Fund II, LP.
- On or about Listing, each Existing Shareholder will receive a Pre-IPO Dividend of up to \$0.54 per Share held at the Prospectus Date. The payment of the Pre-IPO Dividend is conditional on Completion of the Offer.
- The entities described in notes 1 and 3 above currently have a beneficial interest in Shares which are managed by Five V Capital, and separately held on bare trust by one or more entities controlled by Five V Capital. On Completion, these Shares will be transferred to the relevant entities, who will then hold the Shares directly.

The Shares noted in the above table will be subject to voluntary escrow arrangements (see Section 8.5.2).

The Directors may also apply for Shares under the Offer. Certain Directors (and their associated entities) may apply for Shares under the Offer with the final Directors' shareholdings to be notified to ASX following Completion. Shares acquired under the Priority Offer will not be subject to voluntary escrow arrangements.

Final shareholdings held directly or indirectly by Directors (and their associated entities) will be notified to ASX following Listing.

Trent Peterson is Managing Director of Catalyst Direct Capital Management, and has a beneficial interest in the Shares through an investment vehicle that holds an interest in Catalyst Direct Capital Management. Catalyst Direct Capital Management will be paid a performance fee equal to \$8 million by BB Retail Capital on Completion for services performed by Catalyst Direct Capital Management in relation to its investment in Universal Store. Following this payment, neither Catalyst Direct Capital Management nor Trent Peterson will have any continuing interest in the shareholding of BB Retail Capital in Universal Store.

5.4 OTHER KEY MANAGEMENT PERSONNEL REMUNERATION

5.4.1 Chief Financial Officer

Renee Jones is employed by Universal Store Pty Ltd in the position of Chief Financial Officer of Universal Store. Renee Jones is entitled to a base salary of \$320,000 per annum which includes statutory superannuation. Additionally, Renee Jones is eligible to participate in the Company' STIP, and in FY21 is eligible to receive a cash bonus of up to \$160,000 (inclusive of superannuation) under that STIP. For more information in relation to the terms of the STIP, see Section 5.5.1.

5. Key individuals, interests and benefits Continued

As at the Prospectus Date, Renee Jones holds 583,333 Shares. The Company loaned Renee Jones monies to fund the purchase of these Shares under a management equity plan (which will be discontinued on and from Completion). The loan will remain on foot and the Shares held by Renee Jones at Completion will continue to be subject to loan repayment conditions. The loan attaching to Renee Jones' Shares is limited recourse, interest bearing⁶⁰ and must be repaid (a) out of certain proceeds from the sale of her Shares (b) out of certain proceeds of any dividends, distributions or similar received in respect of the Shares (subject to the Board's discretion to waive the requirement to apply dividends, distributions or similar to repayment of the loan), or (c) in full if Renee Jones ceases to be employed by Universal Store. Renee Jones' Shares will be subject to the Company's Securities Trading Policy and to escrow arrangements described in Sections 5.8.3 and 8.5.2 of this Prospectus.

The term of Renee Jones' employment as Chief Financial Officer is ongoing. Renee Jones' employment may be terminated by either party giving at least six months' notice. Universal Store may pay Renee Jones in lieu of giving her notice. Renee Jones' employment may also be terminated by Universal Store without notice where there is cause to do so (e.g. serious misconduct or a material breach of her terms and conditions of employment).

Upon termination, Renee Jones is bound by a restraint period up to six months, during which time she cannot compete with Universal Store or provide services in any capacity to a competitor of Universal Store or solicit current or proposed suppliers or employees of Universal Store in Australia.

5.5 EMPLOYEE INCENTIVE PLANS

Universal Store has established an incentive arrangement to assist in the attraction, motivation and retention of Management of Universal Store, comprising of a cash-based short-term bonus scheme.

5.5.1 Short-term incentive plan

Members of the Company's Management are eligible to participate in Universal Store's short-term incentive plan (STIP). Participants in the STIP have a target cash payment amount which is set each year (**Maximum Bonus Amount**). Notional short-term incentive amounts in any given year may be between 0% and 100% of the Maximum Bonus Amount and are assessed having regard to the Company's pro forma EBIT result delivered in the relevant year relative to pre-set annual EBIT targets (pro forma and pre-AASB 16 in FY21). Such amount is subject to an adjustment of 10% up or down based on the Chief Executive Officer's recommendation (other than in respect of the Chief Executive Officer's own STIP payment) and subject to Board approval. Payments under the STIP will be made immediately after the release of the full-year financial results to ASX. Payment of an amount under the STIP is conditional on the recipient being employed by Universal Store, and not having given a resignation notice, on the relevant payment date. Participants in the STIP will have to repay the Company some or all of the payments made under the STIP subject to Board approval and subject to any serious misconduct or material misstatement in the financial statement of the Company during any of the three preceding financial year. No incentive payment is payable if the threshold performance target is not met. The measures will be reviewed and re-set each year, and are tested annually after the end of the relevant financial year.

5.5.2 Long-term incentive plan

As at the Prospectus Date, the Company does not intend to put in place a long-term incentive plan in the short term. Alice Barbary, Renee Jones, George Do, James Cameron and other current members of Management will hold in aggregate 6,842,708 Shares, representing 9.35% of the Shares on issue post-Completion. The Shares are loan-backed, with the loan being limited recourse, interest bearing⁶¹ and repayable (a) out of certain proceeds from the sale of the relevant Shares, (b) out of certain proceeds of all or a portion of any dividends, distributions or similar received in respect of the Shares (subject to the Board's discretion to waive the requirement to apply dividends, distributions or similar to repayment of the loan), or (c) in full if relevant person ceases to be employed by a Group Company. Given the size of this existing equity interest and the continuing limited recourse loans from the Company, the Board believes that Management's interests are sufficiently aligned with the interests of the Company and Shareholders at this time. The Company may look to put in place a long-term incentive plan in the future to assist with the motivation, retention and reward of eligible employees. Alice Barbary, George Do and James Cameron will each use proceeds received from the sale of Shares on Completion to repay 50% of the outstanding amount of their respective limited recourse loans. Other members of management will not be selling any Shares at Completion.

60. Interest of 8% will accrue on the outstanding loan balance and will become payable on the earlier of (a) disposal of the Shares (to the extent some but not all Shares are disposed, interest is payable in respect of the proportion of the loan balance repaid following the relevant disposal and interest will continue to accrue on the remaining loan balance) or (b) Renee Jones ceasing to be employed by a Group Company.

61. Interest of 8% per annum will accrue on the outstanding loan balance and will become payable on the earlier of (a) disposal of the Shares (to the extent some but not all Shares are disposed, interest is payable in respect of the proportion of the loan balance repaid following the relevant disposal and interest will continue to accrue on the remaining loan balance) or (b) the relevant person ceasing to be employed by a Group Company.

5.6 CORPORATE GOVERNANCE

This Section explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget).

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on ASX. The ASX Corporate Governance Council has developed and released its 4th edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. ASX Recommendations are not prescriptions, but guidelines. However, under ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted instead of the recommendation during that period.

Copies of the Company's key policies and practices and the charters for the Board and each of its committees will be available at investors.universalstore.com.

5.7 DIRECTORS' INTERESTS

Profiles of the Board members are provided in Section 5.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint having regard to their other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. In assessing independence, the Board will have regard to ASX Recommendations.

The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with ASX Recommendations and has adopted a definition of independence that is based on that set out in ASX Recommendations.

Peter Birtles, Kaylene Gaffney and David MacLean are considered to be independent Directors.

Alice Barbary is currently considered by the Board not to be independent on the basis that she is employed in an executive capacity by Universal Store.

Trent Peterson is currently considered by the Board not to be independent having regard to his role with Catalyst Direct Capital Management and its historical arrangements with BB Retail Capital. These arrangements with BB Retail Capital terminate at Listing, however BB Retail Capital will continue to be, a substantial shareholder of Universal Store post-Listing. Catalyst Direct Capital Management will also maintain a shareholding following the Listing.

Srdjan Dangubic is currently considered by the Board not to be independent having regard to his role with Five V Capital which is, and will continue to be, a substantial shareholder of Universal Store post-Listing.

5. Key individuals, interests and benefits Continued

ASX Recommendations	Summary of position of Universal Store
Recommendation 2.1 The board of a listed entity should have a nomination committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director.	<p>The Company is in compliance with this recommendation as it relates to the number of members of the People and Remuneration Committee, and the independence of a majority of the members of the committee. The Company acknowledges however, that as at Listing, this committee will not have an independent chair, as the Chair of the People and Remuneration Committee will be Trent Peterson (who is currently considered by the Board not to be independent due to his role with Catalyst Direct Capital Management and its historical arrangements with BB Retail Capital. These arrangements with BB Retail Capital terminate at Listing, however BB Retail Capital which is, and will continue to be a substantial shareholder of Universal Store post-Listing). Catalyst Direct Capital Management will also maintain a shareholding following the Listing. Universal Store is satisfied that non-compliance with this part of Recommendation 2.1 will not be detrimental to Universal Store.</p>
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	<p>The current structure and composition of the Board has been determined having regard to the nature and size of Universal Store's operations, the skillset of Universal Store's directors both individually and collectively, and the best interests of Shareholders. However, due to the current composition of the Board, the Company does not have a majority independent directors. Universal Store is satisfied that the current composition of the Board is sufficient and that non-compliance with Recommendation 2.4 will not be detrimental to Universal Store.</p>

5.7.1 Board Charter

The Board Charter adopted by the Board sets out the responsibilities of the Board in greater detail. It provides that the Board should comprise Directors with the appropriate mix of skills, experience, expertise and diversity which are relevant to the Company's businesses and the Board's duties and responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to the Chief Executive Officer and committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties.

5.7.2 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Management Committee and a People and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the skills and experience of individual Directors and the relevant legislative and regulatory requirements.

5.7.2.1 Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's financial reporting, internal control structure, risk management systems and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Management Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise Kaylene Gaffney (as Chair), Peter Birtles and Srdjan Dangubic.

5.7.2.2 People and Remuneration Committee

The role of the People and Remuneration Committee is to assist the Board in fulfilling its statutory and regulatory responsibilities for corporate governance and overseeing the Company's nomination and remuneration policies and practices.

This includes evaluating and approving the remuneration packages and policies related to the CEO, Directors and other members of Management. The People and Remuneration Committee is also responsible for administering short-term and long-term incentive plans (including any equity plans). In addition, the Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and Management). Independent advice will be sought where appropriate.

The Company will comply with the recommendations set by ASX Listing Rules and ASX Corporate Governance Council in relation to the composition and operation of the Committee (other than the recommendation for an independent chair as noted above). The Committee will comprise Trent Peterson (as Chair), David MacLean and Peter Birtles.

5.8 CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to ASX Principles.

5.8.1 Disclosure Policy

Following Listing, the Company will be required to comply with the continuous disclosure requirements of ASX Listing Rules and the Corporations Act. The Company has adopted a Disclosure Policy and established a Disclosure Committee (comprising the Chair of the Board, Chief Executive Officer, Chief Financial Officer and Company Secretary) to ensure compliance with those continuous disclosure obligations. The Company will be required to disclose to ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities were that information to be generally available. The Company is committed to observing its disclosure obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and continuous disclosure announcements will be made available on the Company's website at investors.universalstore.com.

5.8.2 Shareholder Communication Policy

The Company's Shareholder Communication Policy is designed to promote effective communication with Shareholders and other stakeholders and to ensure Shareholders and other stakeholders are informed in a timely and readily accessible manner of all major developments affecting the Company. The policy outlines the Company's policy of shareholder communications and the processes which the Company has in place to facilitate and encourage participation at shareholder meetings.

The Board aims to ensure that the Company is committed to maintaining direct, open, timely and effective two-way communications with all Shareholders. Information will be communicated to Shareholders through announcements to ASX, Universal Store's annual report, annual general meetings, half-year and full-year results, and the Universal Store website, investors.universalstore.com.

5.8.3 Securities Trading Policy

The Company has adopted a Securities Trading Policy which will apply to the Company's Directors and Management, persons who work closely with Management or work in the finance or strategy team, IT staff with access to sensitive materials, other employees who may come into possession of market sensitive information before the market becomes aware of such information and other persons nominated by the Board from time to time (**Universal Store Persons**).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and to establish procedures in relation to Universal Store Persons dealing in the Shares.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain 'blackout periods' during which trading in Shares by Universal Store Persons is prohibited. Those blackout periods are currently defined as any of the following periods:

- From the close of ASX trading day on 15 December each year, until 10.00am (Sydney time) of ASX trading day following the day on which the Company's half-year results are released to ASX;
- From the close of ASX trading day on 15 June each year, until 10.00am (Sydney time) on ASX trading day following the day on which the Company's full-year results are released to ASX;
- From the close of ASX trading day two weeks prior to the date of the Company's AGM until 10.00am (Sydney time) on ASX trading day following the date of the Company's AGM; and
- Any other period that the Board specifies from time to time.

If any of the dates referenced above are not ASX trading days, then the blackout period begins on the preceding ASX trading day.

In all instances, buying or selling Shares is not permitted at any time by any person who possesses inside information in a manner contrary to the Corporations Act.

5. Key individuals, interests and benefits Continued

5.8.4 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct which sets out the way the Company conducts business. The Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The policy document outlines employees' obligations of compliance with the Code of Conduct, and explains how the code interacts with the Company's other corporate governance policies.

Responsibilities include protection of the Company's business, using the Company's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

5.8.5 Diversity and Inclusion Policy

The Company has adopted a Diversity and Inclusion Policy which sets out the Company's commitment to diversity and inclusion in the workplace. Under the Diversity and Inclusion Policy, the Company recognises other diversity grounds and commits to not discriminate against individuals on a number of grounds including gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, socio-economic or cultural background, perspective and experience. Under the Diversity and Inclusion Policy, the Company states that, as a principle, it will not tolerate discrimination, bullying, harassment, vilification or victimisation in the workplace.

5.8.6 Whistleblower Protection Policy

The Company's Whistleblower Protection Policy establishes a framework for the reporting of illegal, improper, unethical or dishonest behaviour or conduct to nominated officers, including protections to be afforded to whistleblowers by the Board.

5.8.7 Anti-Bribery and corruption policy

The Company is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. Accordingly, the Board has adopted an Anti-bribery and Corruption Policy which sets out the responsibilities of the Company and its employees or other personnel or representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption. The Board will be informed of any material breaches of the Anti-bribery and Corruption Policy.

5.8.8 Risk Management Policy

This policy is designed to assist the Company to identify, analyse and monitor the risks affecting the Company's business. The risks that are monitored by the Company include compliance risk, investment risk, reputation risk, operational and execution risk, strategic risk, environmental risk, financial risk, legal risk and social sustainability risk.

6.

Details of the Offer



6. Details of the Offer

6.1 THE OFFER

This Prospectus relates to an initial public offering of approximately 38.9 million Shares by Universal Store and the sale of Existing Shares by SaleCo at the Offer Price. The Shares offered under this Prospectus will represent approximately 53.1% of the Shares on issue at Completion of the Offer. The total number of Shares on issue at Completion will be 73.2 million and all Shares on issue will rank equally with each other.

At the Offer Price, the Offer is expected to raise a minimum of approximately \$147.8 million, comprising approximately \$38.4 million from the issue of New Shares by the Company and approximately \$109.4 million for the sale of Existing Shares by SaleCo.

A summary of the rights attaching to the Shares is set out in Section 6.16.

6.1.1 Structure of the Offer

The Offer comprises:

- The **Retail Offer**, which consists of the:
 - **Broker Firm Offer**: which is open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker; and
 - **Priority Offer**: which is open to selected employees and investors in eligible jurisdictions who have received a Priority Offer Invitation; and
- The **Institutional Offer**, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions, made under this Prospectus.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares under the Broker Firm Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 6.6. Details of the Priority Offer and the allocation policy under it are described in Section 6.7. Details of the Institutional Offer and the allocation policy under it are described in Section 6.9.

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer has been determined by the Joint Lead Managers in agreement with Universal Store, having regard to the allocation policies outlined in Section 6.9.

The Offer has been fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 8.5.1.

6.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide the Company with:

- Access to the capital markets to improve capital management flexibility; and
- A liquid market for its Shares and an opportunity for others to invest in the Company.

The Offer also provides the opportunity for Existing Shareholders to realise all or a portion of their investment in Universal Store.

The proceeds of the Offer will be applied to:

- Repayment of existing corporate debt facilities;
- Increase cash held by the Company;
- Payment of the transaction costs associated with the Offer; and
- Payments to Selling Shareholders.

Table 32: Sources and uses of funds

Sources of funds	\$ millions	Uses of funds	\$ millions
Proceeds from the issue of New Shares under the Offer	38.4	Partial repayment of existing corporate debt facilities	22.5
Proceeds from the sale of Existing Shares by SaleCo	109.4	Increase cash held by the Company	10.0
		Payment of the transaction costs associated with the Offer ¹	9.2
		Payments to Selling Shareholders ²	106.0
Total sources	147.8	Total uses	147.8

Notes:

1. Exclusive of GST rebate.

2. Net of \$3.4 million partial repayment of existing limited recourse loans held by Alice Barbary, George Do and James Cameron on Completion.

6.1.3 Pro Forma Historical Statement of Financial Position

Universal Store's Pro Forma Historical Statement of Financial Position following Completion, including details of the pro forma adjustments, is set out in Section 3.5.1.

6.1.4 Capitalisation and indebtedness

Universal Store's capitalisation and indebtedness as at 30 June 2020, before and following Completion, are set out in Section 3.5.2.

6. Details of the Offer Continued

6.2 SHAREHOLDING STRUCTURE

Details of the ownership of Shares as at the Prospectus Date and following Completion of the Offer are set out below:

Table 33: Shareholding structure

Shareholder	Shares held immediately prior to Completion		Shares held on Completion	
	Number	%	Number	%
BB Retail Capital	24,000,000	38.03%	12,000,000	16.39%
Five V Capital	9,345,000	14.81%	4,672,500	6.38%
Mountainview Trust ^{1,3}	9,000,000	14.26%	4,500,000	6.15%
Alice Barbary	3,187,035	5.05%	2,230,924	3.05%
George Do	3,187,035	5.05%	2,230,924	3.05%
Catalyst Direct Capital Management	2,250,000	3.57%	1,575,000	2.15%
James Cameron	1,805,988	2.86%	1,264,192	1.73%
Renee Jones	583,333	0.92%	583,333	0.80%
Other Management Shareholders	533,335	0.85%	533,335	0.73%
Non-Executive Directors ²	950,000	1.51%	587,500	0.80%
Other Existing Shareholders ¹	8,261,064	13.09%	4,130,532	5.64%
New shareholders	–	–%	38,887,596	53.13%
Total	63,102,790	100%	73,195,836	100.0%

Notes:

1. Mountainview Trust and certain of the Other Existing Shareholders currently have a beneficial interest in Shares which are managed by Five V Capital, and separately held on bare trust by one or more entities controlled by Five V Capital. On Completion, the Shares that are held on bare trust for Mountainview Trust and certain Other Existing Shareholders and are not sold as part of the Offer will be transferred to Mountainview Trust and certain of the Other Existing Shareholders, who will then hold the Shares directly (and independent of Five V Capital). The pre-Completion figures for these Existing Shareholders have been included in the table above for illustrative purposes only.
2. For more information in relation to Shares held by the Directors, please see Section 5.3.2.4.
3. Mountainview Trust is an entity associated with Ray Itaoui.

Further details of the escrow arrangements are set out in Section 8.5.2.

6.3 CONTROL IMPLICATIONS OF THE OFFER

The Directors do not expect that any Shareholder will control (as defined by section 50AA of the Corporations Act) Universal Store. On Completion of the Offer, it is expected that approximately 46.9% of Shares will be subject to the voluntary escrow arrangements described in Section 8.5.2. In the opinion of the Company, the free float of Shares at the time of Listing on the Official List will be no less than 20% of Shares on issue at that time.

6.4 POTENTIAL EFFECT OF THE FUNDRAISING ON THE FUTURE OF UNIVERSAL STORE

The Directors believe that on Completion, Universal Store will have sufficient funds available from cash proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's stated business objectives.

6.5 TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of Universal Store).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 6.16.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being \$3.80 per Share.
What is the Offer Period?	<p>The Broker Firm Offer and Priority Offer open at 9.00am (Sydney time) on 5 November 2020. The Broker Firm Offer and Priority Offer close at 5.00pm (Sydney time) on 10 November 2020.</p> <p>The key dates, including details of the Offer Period, are set out on page 4. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary both of the above times and dates without notice (including, subject to ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept Late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Completion of the Offer, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.</p>
What are the cash proceeds to be raised?	Approximately \$147.8 million will be raised if the Offer proceeds (comprising approximately \$38.4 million from the issue of New Shares by Universal Store and approximately \$109.4 million from the sale of Existing Shares by Selling Shareholders).
What is the minimum and maximum Application size under the Retail Offer?	<p>The minimum Application under the Broker Firm Offer and Priority Offer is \$2,000 of Shares, and in multiples of \$1,000 of Shares thereafter.</p> <p>There is no maximum value of Shares that may be applied under the Broker Firm Offer or the Priority Offer.</p> <p>The Company reserves the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>

6. Details of the Offer Continued

TOPIC	SUMMARY
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer has been determined by the Joint Lead Managers in agreement with the Company, having regard to the allocation policy outlined in Section 6.9.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide how they allocate Shares amongst their retail clients. The relevant Broker (and not Universal Store nor the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation of Shares from the Broker actually receive those Shares.</p> <p>With respect to the Priority Offer, the allocation of Shares to invitees is at the absolute discretion of Universal Store, provided that those allocations (in aggregate) do not exceed 1,315,789 Shares (or such higher number as the Joint Lead Managers and the Company agree).</p> <p>Universal Store and the Joint Lead Managers have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. Universal Store and the Joint Lead Managers also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p> <p>For further information on the:</p> <ul style="list-style-type: none"> • Broker Firm Offer, see Section 6.6; • Priority Offer, see Section 6.7; and • Institutional Offer, see Section 6.9.
Will the Shares be quoted on ASX?	<p>The Company will apply to ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, ASX under the code "UNI".</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that Universal Store may be admitted to the Official List is not to be taken as an indication of the merits of Universal Store or the Shares offered for sale.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about 16 November 2020, initially on a conditional and deferred settlement basis.</p> <p>Shares are expected to commence trading on an unconditional and deferred settlement basis on or about 16 November 2020.</p> <p>Shares are expected to commence trading on an unconditional and normal settlement basis on or about 18 November 2020. It is the responsibility of each Applicant to confirm their holding before trading in Shares.</p> <p>Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>Universal Store, SaleCo, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of allocation from the Universal Store Information Line, by a Broker or otherwise.</p>

TOPIC	SUMMARY
When will I receive confirmation of whether my Application has been successful?	<p>It is expected that initial holding statements will be dispatched to Successful Applicants by standard post on or around 19 November 2020.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</p>
Is the Offer underwritten?	Yes. The Joint Lead Managers have fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 8.5.1.
Are there any escrow arrangements?	Yes. Details are provided in Section 8.5.2.
Has any ASIC relief or ASIC waiver or modification been obtained or been relied on?	Yes. Details are provided in Section 8.10.
Are there any taxation considerations?	<p>Yes. Details are set out in Section 8.11.</p> <p>The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.</p> <p>See Section 8.5.1 for details of various fees payable by Universal Store to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.</p>
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Universal Store Information Line on 1300 553 490 (toll free within Australia) or +61 1300 553 490 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

6.6 BROKER FIRM OFFER

6.6.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation. You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

6. Details of the Offer Continued

6.6.2 How to apply?

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or any supplementary or replacement prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

Broker Firm Offer Applicants should contact their Broker to request a Prospectus and Application Form, or download a copy at <https://events.miraqle.com/UniversalStore-offer>.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you apply in the Broker Firm Offer, you must apply for a minimum of \$2,000 of Shares and in multiples of \$1,000 of Shares thereafter. There is no maximum number or value of Shares that may be applied for under the Broker Firm Offer; however, Universal Store, SaleCo and the Joint Lead Managers reserve the right to reject or scale back any Broker Firm Offer Applicants for any reason. If your Application is scaled back, you agree to be allocated and accept the lesser number of Shares that is allocated to you. Any amount applied for in excess of the amount allocated to you will be refunded by your Broker in full (without interest).

Universal Store, SaleCo and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. Universal Store and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in their discretion in compliance with applicable laws.

Broker Firm Offer Applicants must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions, in order to receive their firm allocation of Shares. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney time) on 10 November 2020 or any earlier Closing Date as determined by your Broker. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Broker Firm Offer opens at 9.00am (Sydney time) on the Opening Date and is expected to close at 5.00pm (Sydney time) on the Closing Date. Universal Store, SaleCo and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier Closing Date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

Universal Store, SaleCo, the Selling Shareholders, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

6.6.3 How to pay

Broker Firm Offer Applicants must pay their Application Monies to their Broker in accordance with the relevant Broker's instructions.

6.6.4 What is the Broker Firm Offer?

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Joint Lead Managers, Universal Store and SaleCo to reject or scale back Applications). It will be a matter for the Brokers how they allocate Shares amongst their retail clients, and they (and not Universal Store, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

6.6.5 Allocation policy

The allocation of Shares to the Broker Firm Offer, and the identity and level of participation of Brokers participating in the Broker Firm Offer, has been determined by agreement between the Joint Lead Managers, Universal Store and SaleCo. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants nominated by those Brokers (subject to the right of Universal Store, SaleCo and the Joint Lead Managers to reject, aggregate or scale back Applications).

It will be a matter for each Broker as to how they allocate Shares amongst their retail clients, and they (and not Universal Store, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares. Broker Firm Offer Applicants should confirm their allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Universal Store Offer Information Line or confirmed your allocation through a Broker.

Universal Store, SaleCo, their respective directors and officers, the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Universal Store Offer Information Line or confirmed your allocation a Broker.

6.6.6 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to subscribe for and purchase Shares for all or any of the Application Monies specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the maximum extent permitted by law an Application by an Applicant under the Offer may not be varied and is irrevocable.

An application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the applicant and acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on Settlement and the quotation of Shares on ASX on an unconditional basis.

Universal Store, SaleCo and the Joint Lead Managers reserve the right to reject any application which is not correctly completed or which is submitted by a person whom the Company believes is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the applicant in completing their application.

The final allocation of Shares to applicants in the Broker Firm Offer will be at Universal Store's absolute discretion and Universal Store may reject an application, or allocate fewer Shares than the number or equivalent dollar amount applied for.

6.7 PRIORITY OFFER

6.7.1 Who can apply?

The Priority Offer is open to selected employees and investors in eligible jurisdictions who have received an Priority Offer Invitation from Universal Store and are not located in the United States. If you have been invited by Universal Store to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you and you will receive a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States.

6.7.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus) together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Priority Offer opens at 9.00am (Sydney time) on 5 November 2020 and is expected to close at 5.00pm (Sydney time) on 10 November 2020.

Applications under the Priority Offer must be for a minimum of \$2,000 of Shares and in multiples of \$1,000 of Shares thereafter.

There is no maximum value of Shares that may be applied for under the Priority Offer; however, the maximum size of the Priority Offer is 1,315,789 Shares (or such higher number as the Joint Lead Managers and the Company agree). The Company reserves the right to scale back Applications under the Priority Offer in its absolute discretion.

Any amount applied for in excess of the amount allocated to you will be refunded in full (without interest). If the amount of your BPAY[®] payment for Application Monies (or the amount for which those BPAY[®] payments clear in time for allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

6. Details of the Offer Continued

Applicants under the Priority Offer may apply for Shares by completing the online Application Form and paying the Application Monies via BPAY[®] (no physical Application Form is required when paying by BPAY[®]). There are instructions available on the online Application Form to assist with its completion. It is the responsibility of the Applicant to ensure payments are received by the Share Registry by no later than the Closing Date, being 5.00pm (Sydney time) on 10 November 2020. If you make a BPAY[®] payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY[®] and policies with respect to timing for processing BPAY[®] transactions, which may vary between bank, credit union or building society. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. None of Universal Store, SaleCo or the Joint Lead Managers takes any responsibility for any failure to receive Application Monies or payment by BPAY[®] before the Priority Offer closes arising as a result of, amongst other things, delays in processing of payments by financial institutions.

6.7.3 How to pay

BPAY[®] payments

When completing the BPAY[®] payment, Applicants under the Priority Offer must use the specific biller code and unique Customer Reference Number (CRN) generated by the online application.

Applicants under the Priority Offer who have completed the online application but do not make a BPAY[®] payment will render the online application incomplete and will therefore not be accepted into the Priority Offer.

Applications for Shares may be made on an application form attached to or accompanying this Prospectus or on its paper copy form which may be downloaded in its entirety from Universal Store's Offer website, <https://events.miraql.com/UniversalStore-offer>. Application forms must be completed in accordance with the instructions set out in the Application Form. Applicants may also apply for Shares via cheques, bank drafts or money orders.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement Prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

6.7.4 Allocation policy

Allocations under the Priority Offer will be at the absolute discretion of the Company, provided that those allocations (in aggregate) do not exceed 1,315,789 Shares (or such higher number as the Joint Lead Managers and the Company agree). The allocation of Shares to Applicants under the Priority Offer will be made at the absolute discretion of Universal Store. Universal Store may reject an Application, or allocate a lesser number of Shares than the amount applied for, in its absolute discretion.

6.7.5 Acceptance of Applications

An Application in the Priority Offer is an offer by the Applicant to subscribe for and purchase Shares for all or any of the Application Monies specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the maximum extent permitted by law an Application by an Applicant under the Offer may not be varied and is irrevocable and acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

6.8 APPLICATION MONIES

Application Monies received under the Broker Firm Offer and Priority Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants.

Applicants under the Broker Firm Offer and Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be provided a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation of Shares or refund will be retained by Universal Store.

6.9 INSTITUTIONAL OFFER

6.9.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and certain other eligible jurisdictions outside the United States to apply for Shares to bid for an allocation of Shares at the Offer Price. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer. The Institutional Offer was not open to persons in the United States.

6.9.2 Allocation policy under the Institutional Offer

The allocation of Shares amongst bidders in the Institutional Offer has been determined by Universal Store, SaleCo and the Joint Lead Managers. Universal Store, SaleCo and the Joint Lead Managers had absolute discretion regarding the basis of allocation of Shares amongst Institutional Investors. Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers.

The allocation policy was influenced, but not constrained, by the following factors:

- Number of Shares bid for by particular bidders;
- The timeliness of the bid by particular bidders;
- Universal Store's desire for an informed and active trading market following Listing on ASX;
- Universal Store's desire to establish a wide spread of institutional Shareholders;
- Overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- The size and type of funds under management of particular bidders;
- The likelihood that particular bidders will be long-term Shareholders; and
- Any other factors that Universal Store, SaleCo and the Joint Lead Managers considered appropriate.

6.10 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- Agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- Acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- Declared that all details and statements in their Application Form are complete and accurate;
- Declared that the Applicant(s), if a natural person/s, is/are over 18 years of age;
- Acknowledged that, once the Company or a Broker receives an Application Form, it may not be varied or withdrawn;
- Applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- Agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- Authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- Acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- Acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- Declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- Acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- Acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant under the Broker Firm Offer and Priority Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- It understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- It is not in the United States or a US Person;

6. Details of the Offer Continued

- It has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- It will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

6.11 UNDERWRITING AGREEMENT

The Offer is fully underwritten by the Joint Lead Managers. The Joint Lead Managers, SaleCo and the Company have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite severally Applications for all Shares under the Offer.

The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 8.5.1.

6.12 VOLUNTARY ESCROW ARRANGEMENTS

Upon Completion of the Offer, certain Existing Shareholders will be subject to voluntary escrow arrangements (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price). The Escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their Escrowed Shares during the relevant Escrow Period (subject to limited exceptions).

See Section 8.5.2 for a summary of the terms of the escrow arrangements and the limited exceptions that permit dealing in the Escrowed Shares during the relevant Escrow Period.

6.13 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act laws and any other applicable securities laws.

6.14 DISCRETION REGARDING THE OFFER

Universal Store and SaleCo may withdraw the Offer at any time before the issue of New Shares or transfer of Existing Shares to Successful Applicants under the Broker Firm Offer, Priority Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Universal Store, SaleCo and the Joint Lead Managers reserve the right to extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant fewer Shares than the amount applied or bid for.

6.15 ASX LISTING, REGISTERS AND HOLDING STATEMENTS AND DEFERRED SETTLEMENT

6.15.1 Application to ASX for the listing of the Company and quotation of shares

The Company will apply to ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, ASX under the code "UNI".

Completion is conditional on ASX approving this application. If approval is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

6.15.2 CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (CHESS) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

6.15.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that trading of the Shares on ASX will commence on or about 16 November 2020, initially on a conditional and deferred settlement basis. Trades occurring on ASX before Settlement will be conditional on Settlement occurring. If the Offer is withdrawn before Shares have commenced trading on an unconditional basis, all contracts for sale of Shares on ASX will be cancelled and any Application Monies received will be refunded (without interest) as soon as possible.

Conditional trading will continue until Universal Store has advised ASX that Settlement has occurred and the Company and SaleCo have issued and transferred Shares to Successful Applicants under the Offer, which is expected to be prior to market open on 18 November 2020. Trading will then be on an unconditional and deferred settlement basis until Universal Store has advised ASX that holding statements have been dispatched to Shareholders. Unconditional and normal settlement trading is expected to commence on or about 18 November 2020.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If Shares are sold before receiving a holding statement, Successful Applicants do so at their own risk. To the maximum extent permitted by law, the Company, SaleCo, the Existing Shareholders and the Joint Lead Managers and the Share Registry disclaim all liability, whether in negligence or otherwise, if a Shareholder sells Shares before receiving a holding statement, even if the Shareholder obtained details of their holding from the Universal Store Information Line, or confirmed their firm allocation through a Broker or otherwise.

6.16 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

6.16.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- Detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- In certain circumstances, regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and all other applicable laws and regulations.

6. Details of the Offer Continued

A summary of the significant rights, liabilities and obligations attaching to Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Universal Store is admitted to the Official List.

6.16.1.1 Voting at a general meeting

At a general meeting of Universal Store, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands; and, on a poll, one vote for each Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each Share held and in respect of each partly paid Share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid Share bears to the total amounts paid and payable (excluding amounts credited) on that partly paid Share. Amounts paid in advance of a call are ignored when calculating the proportion. The Chair does not have a casting vote.

6.16.1.2 Meetings of members

Every Shareholder is entitled to receive notice of and, except in certain circumstances, attend and vote at general meetings of Universal Store and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

6.16.1.3 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, rescind or amend a decision to pay a dividend or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment, resolution to pay, or declaration of a dividend does not require any confirmation by a general meeting.

6.16.1.4 Transfer of Shares

Subject to the Constitution and to any restrictions attached to any Share or classes of shares, Shares may be transferred by proper ASTC transfer (effected in accordance with ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the Corporations Act and ASX Listing Rules. The Directors may, in circumstances permitted under ASX Listing Rules or ASX Settlement Rules, decline to register a transfer of Shares or apply a holding lock to prevent a transfer of Shares. If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

6.16.1.5 Issue of further Shares

Subject to the Constitution, ASX Listing Rules, ASX Settlement Operating Rules and any special rights conferred on the holders of any shares or class of shares, the Directors may issue shares, reclassify or convert shares, cancel or otherwise dispose of shares, or grant options over unissued shares to any person and they may do so at such times and on the conditions they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

6.16.1.6 Preference shares

Universal Store may issue preference shares, including preference shares which are, or at the option of Universal Store or a holder are, liable to be redeemed or converted into Shares. The rights attaching to preference shares are those set out in the Constitution.

6.16.1.7 Winding up

If the Company is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided amongst the Company's members in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

6.16.1.8 Sale of non-marketable parcels

In accordance with the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, and provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in ASX Listing Rules and is generally a holding of Shares with a market value of at least \$500.

6.16.1.9 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those provisions were adopted or the date those rules were last renewed.

6.16.1.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of Shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- The written consent of the holders of at least three quarters of the issued shares in the particular class; or
- The sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

6.16.1.11 Dividend reinvestment plan

The Constitution contains a provision allowing Directors, on the terms and conditions they think fit, to implement, amend, suspend or terminate a dividend reinvestment plan (under which any Shareholder or any class of shareholders may elect that the dividends payable by the Company be reinvested by a subscription for Shares in the Company).

6.16.1.12 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of 12 Directors or such lower number as the Directors determine, provided Universal Store resolves to authorise such determination at a general meeting. Directors are elected or re-elected by resolution by shareholders at general meetings of Universal Store.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

6.16.1.13 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter.

In the case of an equality of votes on a resolution, the chair of the meeting does not have a second or casting vote and the proposed resolution is taken as having been lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if all of the Directors sign or assent to the resolution (other than Directors permitted not to vote on the resolution in accordance with the terms of the Constitution).

6.16.1.14 Powers and duties of Directors

The Directors are responsible for managing the business of Universal Store and may exercise to the exclusion of Universal Store in general meeting all the powers of Universal Store which are not required by law or by the Constitution to be exercised by Universal Store in general meeting.

6.16.1.15 Directors' and officers' indemnity

The Company, to the extent permitted by law, indemnifies each person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its Related Bodies Corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of the Company or of a Related Body Corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised in Section 5.3.2.3.

6.16.1.16 Amendment

The Constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of Universal Store. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.

Investigating Accountant's Report



7. Investigating Accountant's Report



KPMG Transaction Services

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The Directors
Universal Store Holdings Limited
Unit 6, 2 Jenner Street
Nundah QLD 4012

The Directors
Universal Store SaleCo Limited
43 Queen Street
Woollahra NSW 2025

28 October 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("**KPMG Transaction Services**") has been engaged by Universal Store Holdings Limited (ACN 628 836 484) (the "**Company**"), and Universal Store SaleCo Limited (ACN 644 786 738) ("**SaleCo**") to prepare this report for inclusion in the prospectus to be dated on or around 28 October 2020 ("**Prospectus**") and to be issued by the Company and SaleCo in connection with the offer of New Shares for issue by the Company and of Existing Shares by SaleCo (the "**Offer**").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

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7. Investigating Accountant's Report Continued

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Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information, described below, is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Company (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in section 3 of the Prospectus. The pro forma historical financial information consists of:

- the Company's pro forma historical consolidated statement of financial position as at 30 June 2020 ("Pro Forma Historical Statement of Financial Position");
- pro forma historical consolidated income statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, the twelve months ended 30 September 2019 and the three months ended 30 September 2019 ("Pro Forma Historical Results"); and
- pro forma historical consolidated cash flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, the twelve months ended 30 September 2019 and the three months ended 30 September 2019 ("Pro Forma Historical Cash Flows")

as set out in section 3 of the Prospectus (collectively the "Pro Forma Historical Financial Information").

The basis of preparation of the Pro Forma Historical Financial Information is set out in section 3 of the Prospectus, which notes that the Pro Forma Historical Financial Information is prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate), with the following exception:

- the Pro Forma Historical Results and Pro Forma Historical Cash Flows are not prepared in accordance with AASB16 *Leases*.

Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) related to the transaction on the Company's consolidated financial position as at 30 June 2020 and the Company's consolidated financial performance and cash flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, the twelve months ended 30 September 2019 and the three months ended 30 September 2019. As part of this process, information about the Company's financial position, financial performance and cash flows has been extracted by the Company from:

- the financial statements of Universal Store Pty Ltd for the years ended 30 June 2018 and 30 June 2019;
- the financial statements of US Holdings Pty Ltd for the year ended 30 June 2020; and
- the unaudited management accounts of Universal Store Pty Ltd and US Holdings Pty Ltd for the twelve month period ended 30 September 2019 and the three-month period ended 30 September 2019.

The financial statements of Universal Store Pty Ltd for the years ended 30 June 2018 and 30 June 2019 were audited by Universal Store Pty Ltd's external auditor in accordance with Australian Auditing Standards. The audit opinions issued to the members of Universal Store Pty Ltd relating to those financial statements were unqualified. The financial statements of US Holdings Pty Ltd for the year ended 30 June 2020 were audited by US Holdings Pty Ltd's external auditor in accordance with Australian Auditing Standards. The audit opinion issued to the members of US Holdings Pty Ltd relating to those financial statements was unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 3 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared,

7. Investigating Accountant's Report Continued

*Universal Store Holdings Limited
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in all material respects, by the directors in accordance with the stated basis of preparation.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to pro forma forecast income statements and cash flows of the Company (the responsible party) for the twelve month period ending 30 September 2020 and three month period ending 30 September 2020, as described in section 3 of the Prospectus (the "Forecast Financial Information"). The directors' best-estimate assumptions underlying the Forecast Financial Information are described in section 3.7 of the Prospectus.

As stated in section 3 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's accounting policies, with the following exception:

— the Forecast Financial Information is not prepared in accordance with AASB16 *Leases*.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Table 9, Table 10, Table 17 and Table 18 of section 3.3 and section 3.4 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
 - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
 - presented fairly in accordance with the stated basis of preparation as described in section 3 of the Prospectus;
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of the Company are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Information;
- the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 3 of the Prospectus, comprising:

- the pro forma historical consolidated income statements of the Company for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, the twelve months ended 30 September 2019 and the three months ended 30 September 2019 ("Pro Forma Historical Results") as set out in Table 9 and Table 10 of Section 3.3;
- the pro forma historical consolidated cash flows of the Company for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, the twelve months ended 30 September 2019 and the three months ended 30 September 2019 ("Pro Forma Historical Cash Flows") as set out in Table 17 and Table 18 of Section 3.4; and
- the pro forma historical consolidated statement of financial position of the Company as at 30 June 2020 ("Pro Forma Historical Statement of Financial Position") as set out in Table 21 of Section 3.5,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 3 of the Prospectus, and in accordance with the stated basis of preparation as described in section 3 of the Prospectus.

Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

7. Investigating Accountant's Report Continued

*Universal Store Holdings Limited
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- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information, as described in section 3.7 of the Prospectus, do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 3.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation as described in section 3 of the Prospectus; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the twelve month period ending 30 September 2020 and the three month period ending 30 September 2020.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 4 of the Prospectus. The sensitivity analysis described in section 3.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the

information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Emphasis of Matter

As described in section 3 of the Prospectus, the basis of preparation of the Pro Forma Historical Financial Information and the Forecast Financial Information applies the Australian Accounting Standards, with the exception that AASB16 *Leases*, which came into effect for accounting periods commencing after 1 January 2019, is not taken into account in the preparation of the Pro Forma Historical Results and Pro Forma Historical Cash Flows and Forecast Financial Information.

As such, we draw to your attention that the Pro Forma Historical Results, Pro Forma Historical Cash Flows and the Forecast Financial Information are not prepared in full accordance with the Australian Accounting Standards. The impact on the key historical and forecast income statements metrics of not applying AASB16 *Leases* is set out in section 3.3.4 of the Prospectus.

Our opinion is not modified in relation to this matter.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 3.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG

7. Investigating Accountant's Report Continued

*Universal Store Holdings Limited
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Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



James Hindle
Authorised Representative



KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215

Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and James Hindle as authorised representative of KPMG Transaction Services, authorised representative number 404268 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;

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7. Investigating Accountant's Report Continued



- Superannuation;
- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units,
to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Universal Store Holdings Limited ("the Company") and Universal Store SaleCo Limited ("SaleCo") to provide general financial product advice in the form of a Report to be included in the Prospectus prepared by the Company and SaleCo in relation to the offer of New Shares for issue by the Company and of Existing Shares by SaleCo (the "Offer").

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Company and SaleCo.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Company and SaleCo, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Company. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Company has agreed to pay KPMG Transaction Services \$0.5 million for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on

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Liability limited by a scheme approved under Professional Standards Legislation.



overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent

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Liability limited by a scheme approved under Professional Standards Legislation.

7. Investigating Accountant's Report Continued



company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001* (Cth).

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Tower 2
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 2291U
Melbourne VIC 3001
Telephone: (03) 9288 5555
Facsimile: (03) 9288 6666

James Hindle
C/O KPMG
GPO Box 2291U
Melbourne VIC 3001
Telephone: (03) 9288 5555
Facsimile: (03) 9288 6666

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8.

Additional
information



8. Additional information

8.1 INCORPORATION

Universal Store was incorporated in New South Wales on 17 September 2018 as a private company limited by shares and was converted to a public company limited by shares on 15 October 2020. The Company changed its name to Universal Store Holdings Limited in October 2020.

SaleCo was incorporated in New South Wales on 1 October 2020.

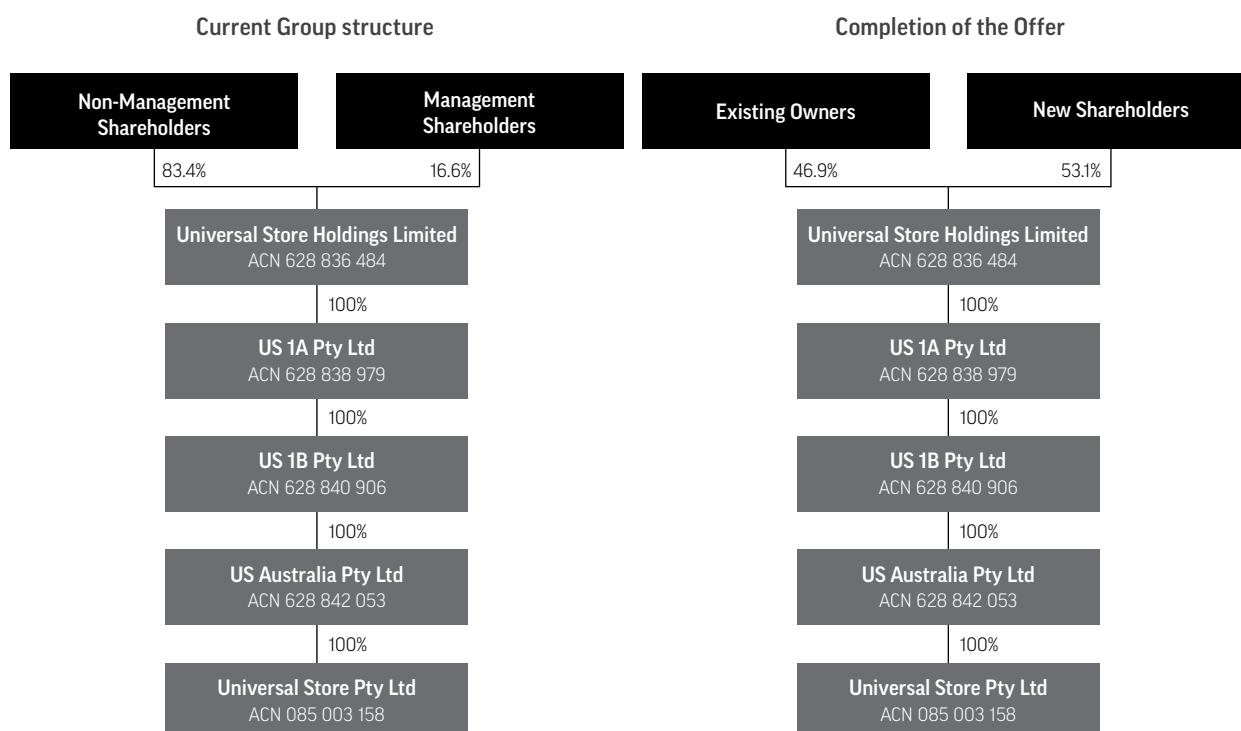
8.2 COMPANY TAX STATUS AND FINANCIAL YEAR

Universal Store will be subject to tax at the Australian corporate tax rate.

The financial year of Universal Store ends on 30 June annually.

8.3 CORPORATE STRUCTURE

The following diagram shows the entities in the corporate structure of the Group at the Prospectus Date and on Completion:



8.4 SALE OF SHARES BY EXISTING SHAREHOLDERS

8.4.1 Sale of Shares

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders. Each of the Selling Shareholders has executed a sale deed with SaleCo under which they irrevocably offer to sell some of their Existing Shares to SaleCo free from encumbrances and third party rights and conditional upon Completion of the Offer.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. The Company will also issue Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and sale deeds described above. The directors of SaleCo are Trent Peterson, Srdjan Dangubic and David MacLean, who are also directors of the Company. Trent Peterson is the sole shareholder of SaleCo. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of the costs of the Offer. The Company has indemnified SaleCo and each of its shareholders and directors for any loss which they may incur as a consequence of the Offer.

8.4.2 Pre-IPO Dividend

On or about Listing, each Existing Shareholder will receive a Pre-IPO Dividend of up to \$0.54 per Share held at the Prospectus Date. The payment of the Pre-IPO Dividend is conditional on Completion of the Offer.

8.5 MATERIAL CONTRACTS

8.5.1 Underwriting Agreement

The Offer is fully underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated on or about the date of the Prospectus between the Joint Lead Managers, the Company and SaleCo (**Underwriting Agreement**). Under the Underwriting Agreement, the Joint Lead Managers have agreed to arrange, manage and underwrite the Offer.

8.5.1.1 Fees and expenses

The Company and SaleCo must pay to the Joint Lead Managers in accordance with the Underwriting Agreement an underwriting fee equal to 2.4% of the total Offer proceeds and a management and selling fee equal to 0.6% of the Offer proceeds. The Company may, in its absolute discretion, pay to one or both of the Joint Lead Managers an incentive fee of 0.5% of the total Offer proceeds.

In addition to the fees described above, the Company and SaleCo have agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

The Joint Lead Managers must pay, on behalf of the Company and in their respective proportions (as set out in the Underwriting Agreement), any fees or commissions due to any co-lead managers, co-managers or Brokers appointed by the Joint Lead Managers. The co-lead managers, co-managers and brokers will receive fees on the following basis:

- A fee based on the value of each of their final broker allocations under the Offer (**Broker Firm Allocation**) calculated as $(1.5\% \times \text{Broker Firm Allocation} \times \text{offer price})$; and
- A fee of up to \$200,000 base fee payable to the Co-Lead Manager only.

8.5.1.2 Termination events not subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until 4.00pm on the Settlement Date or at any other earlier time as specified below, terminate the Underwriting Agreement without cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager if any of the following events occur:

- A statement in any of the Offer documents is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer document;
- There occurs a new circumstance that arises after this Prospectus is lodged that would have been required to be included in this Prospectus if it had arisen before lodgement and is in the opinion of that Joint Lead Manager, materially adverse from the point of view of an investor;
- The Company or SaleCo are, in the reasonable opinion of the Joint Lead Managers required under sections 719 or 728 to lodge a supplementary prospectus, and fail to lodge a supplementary prospectus with ASIC within the time period reasonably required by the Joint Lead Managers or the Company or SaleCo lodge a supplementary prospectus in a form and substance that has not been approved by the Joint Lead Managers in accordance with the Underwriting Agreement;
- At any time the S&P/ASX 200 Index falls to a level that is more than 12.5% below the level as at the close of trading on the last trading day before the date of the Underwriting Agreement and is below that level at the close of trading:
 - For 3 consecutive Business Days during any time after the date of the Underwriting Agreement; or
 - On the Business Day immediately prior to the Settlement Date;
- Any escrow deed entered into by an Escrow Shareholder is withdrawn, varied, terminated, rescinded, altered, amended or breached or failed to be complied with;
- The Sale Deed Poll is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;

8. Additional information Continued

- The Company, SaleCo or any of their respective directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;
- Approval (or approval subject to customary conditions) is refused or not granted to the Company's admission to the Official List or to quotation of all the Shares within the specified timeframe, or ASX withdraws, qualifies (other than by customary conditions) or withholds such approval;
- Any of the following notifications are made in respect of the Offer:
 - ASIC gives notice of an intention to hold a hearing under section 739(2) or ASIC issues an order (including an interim order) under sections 739 or 1324B of the Corporations Act and that order becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn by the Settlement Date;
 - An application is made by ASIC for an order under Part 9.5 in relation to the Offer or an Offer document and that application becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn by the Settlement Date; or
 - ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**) in relation to the Offer or an Offer document and that investigation or hearing becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn by the Settlement Date;
- Any person (other than a Joint Lead Manager) who has previously consented to the inclusion of its name in any Offer document withdraws that consent, or any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to this Prospectus;
- The Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- If any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Managers) or if all or any part of any of those contracts:
 - Is terminated, withdrawn, rescinded, avoided or repudiated;
 - Ceases to have effect, otherwise than in accordance with its terms; or
 - Is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided, repudiated or of limited force and effect, or its performance is or becomes illegal;
- The Company or SaleCo withdraws an Offer document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- Any Group Company becomes Insolvent, or there is an act or omission which is likely to result in a Group Company becoming Insolvent;
- An event specified in the timetable up to and including the Settlement Date is delayed by more than 2 Business Days (other than a delay agreed to between the parties, or required as a result of ASIC extending the period under section 727(3) of the Corporations Act);
- The Company is prevented from allotting and issuing (as applicable) the Offer Shares, or SaleCo is prevented from transferring the Offer Shares, within the time required by the timetable, the Offer documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a government agency;
- The Company:
 - Alters the issued capital of the Company or a Group Company; or
 - Disposes or attempts to dispose of a substantial part of the business or property of the Company or a Group Company (except as required to give effect to the capital structure disclosed in the pathfinder version of this Prospectus and this Prospectus), without the prior written consent of the Joint Lead Manager;
- If a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under this agreement or to carry out the transactions contemplated by the Offer documents;

- There is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for a Joint Lead Manager to satisfy an obligation under this document, or to market, promote or settle the Offer;
- Any of the CEO, the CFO, the Head of Product or any director vacate their office or there is any change in the persons holding the offices that they hold on the date of this agreement;
- Any of the following occur:
 - A director or proposed director named in the pathfinder version of this Prospectus or this Prospectus of the Company or SaleCo is charged with an indictable offence relating to any financial or corporate matter;
 - Any government agency commences any public action against the Company or SaleCo or any of their respective directors in their capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or
 - Any director or proposed director named in the pathfinder version of this Prospectus or Prospectus of the Company or SaleCo is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E or 206F of the Corporations Act;
- In the reasonable opinion of that Joint Lead Manager:
 - A statement in any of the Offer documents; or
 - Any public statement (including media statements or other announcements) made by, or on behalf of, and with the knowledge of, the Company or SaleCo in relation to the business or affairs of the Group, a Group Company, the Company or SaleCo (**Public Information**),

is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer document or the Public Information (including, without limitation, having regard to the Provisions of Part 6D.2 of the Corporations Act);

8.5.1.3 Termination events subject to materiality

A Joint Lead Manager may, at any time after the date of the Underwriting Agreement until 4.00pm on the Settlement Date or at any other earlier time as specified below, terminate the Underwriting Agreement without any cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager if any of the following events occur and the Joint Lead Manager has reasonable grounds to believe the event:

- Has, or is likely to have, a materially adverse effect on the success, settlement, outcome or marketing of the Offer, or on the ability of the Joint Lead Manager to market, promote or settle the Offer, or on the likely price Shares will trade at on ASX following the Offer, or the willingness of investors to subscribe for Shares under the Offer, or
- Will, or is likely to, give rise to a liability of the Joint Lead Manager under, or give rise to, or result in, a contravention by the Joint Lead Manager or its affiliates or the Joint Lead Managers or their affiliates being involved in a contravention of, any applicable law:
 - In the reasonable opinion of the Joint Lead Manager, there are not, or there ceases to be, reasonable grounds for any statement or estimate in the Offer documents which relate to a future matter;
 - Any statement or estimate in the Offer documents which relate to a future matter is, in the reasonable opinion of the Joint Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
 - If any of the obligations of the relevant parties under any of the contracts that are material to the business of the Group are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Managers) or if all or any part of any of those contracts is breached;
 - The due diligence committee report, verification material or any other information provided by or on behalf of the Company or SaleCo to the Joint Lead Managers in relation to the Group or the Offer is (or is likely to), or becomes (or becomes likely to be), untrue, incorrect, misleading or deceptive, including by way of omission;
 - An event occurs which is, or is likely to give rise to an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in any Offer document or the Public Information;

8. Additional information Continued

- There is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced prior to the date of this agreement) any of which does or is likely to prohibit or regulate the Offer, capital markets or stock markets;
- There is a contravention by the Company, SaleCo or any other Group Company of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), ASIC Act (any regulations under those acts) or any other applicable law or regulation;
- Any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that act), the Listing Rules or any other applicable law or regulation;
- A representation, warranty, undertaking or obligation contained in this agreement on the part of the Company or SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- The Company or SaleCo defaults (whether severally or jointly) on 1 or more of its obligations under the Underwriting Agreement;
- The Company varies any term of its constitution without the prior written consent of the Joint Lead Manager;
- The commencement of legal proceedings against the Company, SaleCo, any other Group Company or against any director of the Company, SaleCo or any other Group Company in that capacity;
- Any regulatory body commences any enquiry or public action against a Group Company or makes any adverse finding or ruling in relation to a Group Company;
- Hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the People's Republic of China, Hong Kong, Singapore, the United States of America and the United Kingdom, or the declaration by any of these countries of a new national emergency, or a major escalation of a national emergency by any of these countries, or a major terrorist act is perpetrated in any of those countries, or any diplomatic, military, commercial or political establishment of any of these countries;
- A statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect;
- A general moratorium on commercial banking activities in Australia, New Zealand, the People's Republic of China, Hong Kong, Singapore, the United States of America or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- Trading in all securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading; or
- There is a difference between the information contained in the pathfinder version of this Prospectus and the information required to be contained in this Prospectus.

8.5.1.4 Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers.

The representations and warranties given by the Company and SaleCo relate to matters such as conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, ASX Listing Rules and other legally binding requirements.

The Company also provides additional representations and warranties in connection with matters including, but not limited to, in relation to its assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, insurance, authorisations and eligibility for Listing.

The Company's undertakings include, among other things, that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue (or agree to issue) any Shares or securities without the prior written consent of the Joint Lead Managers, subject to certain exceptions.

8.5.1.5 Indemnity

Subject to certain customary exclusions (including fraud, wilful default, recklessness or gross negligence), the Company and SaleCo agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

8.5.2 Voluntary escrow arrangements

8.5.2.1. Escrow arrangements

The following Existing Shareholders are subject to voluntary escrow arrangements with respect to their Shares held on Completion:

Shareholder	Number of Escrowed Shares on Completion of the Offer	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Five V Capital	4,672,500	6.38%
Catalyst Direct Capital Management	1,575,000	2.15%
BB Retail Capital	12,000,000	16.39%
Alice Barbery	2,230,924	3.05%
Renee Jones	583,333	0.80%
George Do	2,230,924	3.05%
James Cameron	1,264,192	1.73%
Non-Executive Directors	587,500	0.80%
Other Management Shareholders	533,335	0.73%
Mountainview Trust	4,500,000	6.15%
Other Existing Shareholders	4,130,532	5.64%

Each Escrowed Shareholder has agreed to enter into a voluntary escrow deed in respect of their Shareholding on Completion of the Offer (other than Shares acquired under the Offer), which prevents them from disposing of their respective Escrowed Shares for the applicable Escrowed Period (as described below).

The restriction on disposing is broadly defined in the voluntary Escrow Deeds outlined in this Section 8.5.2. It restricts the Escrowed Shareholder from, amongst other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, creating or agreeing to create a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares, or agreeing to do any of those things.

8.5.2.2 Escrow Period

The Escrowed Shares will be subject to voluntary escrow arrangements until:

- For Management Shareholders:
 - The release of the Company's financial results for FY21 in relation to 50% of the Escrowed Shares; and
 - The release of the Company's financial results for FY22 in relation to the balance of the Escrowed Shares; and
- For all other Existing Shareholders, the release of the Company's financial results for FY21.

8.5.2.3 Restrictions on transfers

During the Escrow Period, Escrowed Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent that the disposal is:

- For the Escrowed Shareholder to accept a bona fide takeover bid in respect of all or a proportion of the Shares, provided the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the bid relate, have accepted an offer under the takeover bid; or
- The transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act, provided that the scheme of arrangement has received all necessary approvals, including such necessary court and Shareholder approvals,

provided, in each case, that if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement (including because the takeover bid does not become unconditional), then the Escrowed Shareholder agrees that the restrictions applying to the Escrowed Shares under the voluntary escrow deed will continue to apply.

8. Additional information Continued

8.5.3 Finance arrangements

The Group has entered into a facility agreement with Australia and New Zealand Banking Group Limited (the **Lender**) for the provision of debt financing of \$28.5 million, comprising a 2.5 year term loan facility, a 2.5 year revolving facility and a yearly standby letter of credit and bank guarantee facility (**New Debt Facilities**). Funding provided under the New Debt Facilities will be used to repay monies outstanding in respect of the Group's existing facilities, fund costs, fees and expenses associated with the IPO fund the working capital purposes of the Group Companies and fund letters of credit and bank guarantees.

Subject to customary carve-outs, the New Debt Facilities will be guaranteed by the Company and each Group Company required to meet the guarantor coverage test of 95% of consolidated EBITDA and total assets of the Group Companies. The Lender under the New Debt Facilities will have a general security over all of the assets and undertakings of the Group Companies that are guarantors. The New Debt Facilities have two financial covenants: the leverage ratio and the fixed charge cover ratio. Universal Store will report to the Lender on a quarterly basis in relation to the financial covenants. The New Debt Facilities also include representations, warranties, undertakings, review events, events of default and indemnities which are customary for financings of this nature or which are driven by the circumstances of the financing transactions. These include, but are not limited to, restrictions on paying dividends and other distributions, disposing of assets, granting security, incurring financial indebtedness, providing financial accommodation and change of control (in each case, subject to any applicable carve outs).

The New Debt Facilities will attract a commitment fee on undrawn commitments at a rate of 50% of the applicable New Debt Facilities margin. Universal Store will also be required to pay an upfront fee of \$150,000, payable on the date of first utilisation under the New Debt Facilities.

If a review event occurs under the New Debt Facilities and an agreement cannot be reached after consultation between the Lender and Universal Store for 30 days the Lender may, by notice to Universal Store, require repayment of the New Debt Facilities in full within 60 days from the date of that notice. A review event will occur under the New Debt Facilities if:

- Any person other than Five V Capital, Catalyst Direct Capital Management and BB Retail Capital (or an affiliate) acquires more than 50% of the Shares in, or otherwise acquires control of, Universal Store; or
- Universal Store is delisted or suspended from ASX for a continuous period of more than 5 Business Days (for reasons other than there being an announcement of a capital raise, major acquisition or merger transaction).

8.6 DESCRIPTION OF THE SYNDICATE

JP Morgan and UBS are the Joint Lead Managers to the Offer.

8.7 DIVIDEND REINVESTMENT PLAN

Subject to ASX Listing Rules, the Constitution authorises the Directors, on any terms and conditions they think fit, to establish a dividend reinvestment plan (under which any member or any class of members may elect that the dividends payable by Universal Store be reinvested by a subscription of shares in Universal Store).

8.8 LITIGATION AND CLAIMS

The Company and its subsidiaries may, from time to time, be party to litigation and any other claims and disputes incidental to the conduct of its business, including employment disputes, contractual disputes, indemnity claims and occupational and personal claims. Such litigation, claims and disputes, including the costs of settling claims and operational impacts, could materially adversely affect the Company's business, operating and financial performance.

As at the Prospectus Date, so far as the Directors are aware, there are no current, pending or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or its subsidiaries are directly or indirectly concerned which are likely to have a material adverse impact on the business or financial position of Universal Store.

8.9 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 8.9 contains a general description of these laws.

8.9.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

8.9.2 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a Substantial Interest in Universal Store or foreign persons hold an Aggregate Substantial Interest in Universal Store, Universal Store will be a "foreign person" for the purposes of the FATA.

In addition, the FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A "direct interest" is an interest of 10% or more in the entity but may also include an interest of less than 5% or more where the investor has entered into business arrangements with the entity or any interest of any percentage in the entity where the investor is in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where the FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a no objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without no objection notification or contravening a condition in a no objection notification.

8.10 ASIC EXEMPTIONS AND RELIEF

The Company has applied to ASIC for and ASIC has granted an exemption from compliance with section 1020B(2) of the Corporations Act relating to short selling to permit sale of Shares during the period of conditional trading on ASX.

8.11 TAXATION CONSIDERATIONS

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation entities, each of whom hold their Shares on capital account for income tax purposes.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to the Taxation of Financial Arrangements rules (i.e. TOFA regime) contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). These Shareholders should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the Prospectus Date. The tax consequences discussed below may alter if there is a change to the tax law after the Prospectus Date. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The summary provided below does not take into account the tax law of countries other than Australia.

8. Additional information Continued

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisers disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

8.11.1 Dividends on a Share

Individuals and complying superannuation entities

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder.

Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend and, on the proviso they are a 'qualified person' with any franking credit attached to that dividend. Where a franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable on the Shareholder's taxable income, subject to being a 'qualified person' (refer to further comments below). Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

To the extent a dividend distributed by the Company is unfranked, the Shareholders should generally be taxed on the dividend at their respective rate of income tax, with no franking tax offset.

Corporate Investors

Where a Shareholder is a company, the Shareholder is required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of franking credits to their own shareholders(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any associated franking credit in their assessable income in determining the net income of the trust or partnership.

Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

Shares held at risk

To be eligible for the franking credit tax offset, a Shareholder must be a 'qualified person.' Broadly, to be a qualified person, a Shareholder must satisfy the "holding period" rule and "related payments" rule.

The holding period rule broadly requires that a Shareholder hold the Shares "at risk" for more than 45 days continuously (measured as the period commencing the day after the Shareholder acquires the Shares and ending on the 45th day after the Shares become ex-dividend i.e. excluding the days of acquisition and disposal). Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". This holding period rule is subject to certain exceptions, including that it will not apply to a Shareholder who is an individual whose tax offset entitlement (from all franked distributions received in the income year) does not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate passes on the benefit of the franking credit to another person. The related payments rule requires the Shareholder to have held the Shares at risk

for a continuous period of 45 days in the period commencing on the 45th day before, and ending on the 45th day after, the day on which the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income) for a dividend received. Shareholders should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

8.11.2 Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder may be entitled to apply a "CGT discount" against the net capital gain made on the disposal of the Share. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For a complying superannuation entity, any net capital gain may be reduced by one-third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

8.11.3 Goods and Services Tax (GST)

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect, relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

8.11.4 Stamp duty

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of the listed Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

8.11.5 Tax file numbers (TFN)

Shareholders are not required to quote their TFN or, where relevant, Australian Business Number (ABN) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian income tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

8. Additional information Continued

8.12 SELLING RESTRICTIONS

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

8.12.1 European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of Shares in the European Union is limited to persons who are “qualified investors” (as defined in Article 2(e) of the Prospectus Regulation).

8.12.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

8.12.3 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the “FMC Act”). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

8.12.4 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

8.12.5 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) an “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

8.12.6 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to investors who qualify as “professional clients” (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

8.12.7 United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (FSMA)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to “qualified investors” (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (FPO), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

8. Additional information Continued

8.13 CONSENTS TO BE NAMED AND STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Each of the parties listed below in this Section 8.13 (each a consenting party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility, for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements or reports appear:

- each of JP Morgan Securities Australia Limited and UBS AG, Australia Branch has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer in the form and context in which it is named;
- E&P Corporate Advisory Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Financial Adviser to the Company in the form and context in which it is named;
- Morgans Financial Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in the Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- Gilbert + Tobin has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company and SaleCo in relation to the Offer in the form and context in which it is named;
- KPMG Financial Advisory Services (Australia) Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information set out in Section 7 in the form and context in which it appears in this Prospectus;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as tax adviser to the Company in the form and context in which it is so named. PricewaterhouseCoopers has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is so named; and
- Link Market Services Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

No consenting party referred to in this Section 8.13 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section 8.13 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in Section 8.13.

The Company has included statements in this Prospectus made by, attributed to or based on statements by the following parties:

- Australia Post, 2020 eCommerce Industry Report;
- Shopping Centre News, Big Guns 2020 report; and
- Forethought Pty Ltd, Universal Store report.

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of section 729 of the Corporations Act and are included in this Prospectus by the Company on the basis of ASIC Corporations (Consent to Statements) Instrument 2016/72 relief from the Corporations Act for statements used from books, journals or comparable publications.

8.14 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under the Prospectus are governed by the laws applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of New South Wales.

8.15 STATEMENT OF DIRECTORS

This Prospectus has been authorised by each Director of the Company and SaleCo who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent.

APPENDIX A:

Summary of significant accounting policies



Appendix A: Summary of significant accounting policies

The Group's principal accounting policies are set out below.

A) PRINCIPLES OF CONSOLIDATION

The Company consolidates all subsidiaries in preparing consolidated financial information of the Group.

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

B) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The Financial Information is presented in Australian dollars (\$), which is the functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

C) REVENUE RECOGNITION

Revenue from the sale of goods including online sales is recognised at the point in time the goods are delivered to the customer. Sale of goods is usually by credit card or cash.

Other revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

D) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

Universal Store Holdings Limited (the Company) and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Universal Store Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a taxpayer in its own right.

In addition to its own current and deferred tax amounts, Universal Store Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial information.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

E) LEASES

The Group leases various offices, warehouses, retail stores and equipment. Rental contracts are typically made for fixed periods of up to seven years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Appendix A: Summary of significant accounting policies Continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Universal Store Holdings Limited, which do not have recent third party financing; and
- Makes adjustments specific to the lease e.g. term, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

F) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- Fair values of the assets transferred;
- Liabilities incurred to the former owners of the acquired business;
- Equity interests issued by the Group;
- Fair value of any asset or liability resulting from a contingent consideration arrangement; and
- Fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

G) IMPAIRMENT OF ASSETS

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

H) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

I) TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

J) INVENTORIES

Inventory is stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts and are assigned to quantities of inventory on hand on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Appendix A: Summary of significant accounting policies Continued

K) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Property, plant and equipment 3-15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

L) INTANGIBLE ASSETS

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of managing goodwill, the company treats all stores and the central distribution centre as a single cash-generating unit or aggregation of cash-generating units.

(ii) Brands

Separately acquired brands are shown at historical cost. Brands acquired in a business combination are recognised at fair value at the acquisition date. They have an indefinite useful life and are assessed annually for impairment.

(iii) Software

Software costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Software is amortised of a period of five years.

M) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

N) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

O) PROVISIONS

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

P) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for wages and salaries are presented as current accrued expenses in the consolidated historical balance sheet. The liabilities for annual leave are presented as current employee benefit obligations in the statement of financial position.

(ii) Long-term employee benefit obligations

The liability for long service leave is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. The liability for long service leave is measured as the value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

This obligation is presented as a current liability in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Q) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Non-recourse loans have been provided to employees under a management equity plan with equity issued in Universal Store Holdings Limited. These loans are classified as a reduction to equity rather than a receivable in the statement of financial position. The non-recourse loans provide an option to management which is recognised as an expense over time.

Appendix A: Summary of significant accounting policies Continued

R) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, at or before the end of the reporting year but not distributed at the end of the reporting year.

S) GOODS AND SERVICES TAX ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

T) DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

U) GOVERNMENT GRANTS

Government grants, including non-monetary grants at fair value, are recognised when there is reasonable assurance that:

- The Group will comply with the conditions attaching to them; and
- The grants will be received.

The group accounts for government grants on a net basis (i.e. deducting any funds received from the related expense). A receivable for grant income is only recognised when the right to receipt of funds has been established.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong.

(i) Key assumptions used for goodwill impairment testing

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of the cash-generating units was determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets and projections approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using a terminal growth rate of 2.5%.

(ii) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate); or
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and retail leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at 30 June 2020, three store leases were in holdover and therefore not included in the lease liability because it is not reasonably certain that these leases will be extended (or not terminated). The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

CHANGES IN ACCOUNTING POLICIES

On adoption of AASB 16 *Leases* in the Statutory Historical Financial Information for FY20 (including in the Statutory Historical Statement of Financial Position), the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*, with the exception of short-term or low value leases.

The Group has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

As outlined in Section 3.2, the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information has been prepared under AASB 117. The Statutory Historical Financial Information for FY18 and FY19 was prepared under AASB117, as follows:

AASB 117 *Leases*

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the Group would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership had not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit and loss on a straight-line basis over the period of the lease.

Any incentives that were yet to be unwound over the lease term were recognised as deferred revenue. Where the incentive provided by the landlord related to acquisition of a portion of the fit-out costs this was treated as a reduction to the carrying value of the asset.

APPENDIX B:

Glossary



Appendix B: Glossary

Term	Meaning
\$ or A\$	Australian dollars
1H	Six month period to 31 December
1Q	Three month period to 30 September
2H	Six month period to 30 June
AAS or Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
AASB	Australian Accounting Standards Board
AASB 16	AASB 16 <i>Leases</i>
AASB 117	AASB 117 <i>Leases</i>
Aggregate Substantial Interest	Has the meaning given in Section 8.9.2
AGM	Annual General Meeting
ANZ	Australia and New Zealand
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The rules of ASX that govern the admission, quotation and removal of securities from the Official List
ASX Recommendations	Revised in 2019, the 4th edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations
ASX Settlement Operating Rules	The settlement rules of ASX as amended, varied or waived from time to time

Appendix B: Glossary Continued

Term	Meaning
Audit and Risk Management Committee	The committee described in Section 5.7.2.1
BB Retail Capital	BB Retail Capital and where the context refers to a Shareholder, BBRC International Pte Ltd as trustee for The BB Family International Trust
BNPL	Buy Now Pay Later
Board or Board of Directors	The board of directors of the Company
Broker	Any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a Broker to the Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker
Broker Firm Offer Applicant	A person who submits an Application under the Broker Firm Offer
CAGR	Compound Annual Growth Rate
Catalyst Direct Capital Management	Catalyst Direct Capital Management and where the context refers to a Shareholder, Catalyst Direct Capital Management Pty Ltd ACN 169 644 606
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHESS	Clearing House Electronic Subregister System, operated in accordance with ASX Listing Rules and ASX Settlement Operating Rules
Closing Date	The date on which the Offer is expected to close, being 10 November 2020 in respect of the Retail Offer. These dates may be varied without prior notice
Co-Lead Manager	Morgans Financial Limited ABN 49 010 669 726
Company or Universal Store	Universal Store Holdings Limited ACN 628 836 484
Completion or Completion of the Offer	The completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)

Term	Meaning
COVID-19	An infectious disease caused by a newly discovered coronavirus. COVID-19 was discovered in December 2019 and spread throughout the world during 2020. It has been declared a global pandemic by the World Health Organization
CRN	Customer Reference Number
CY	Year to 31 December
Director	Each of the directors of the Company from time to time
E&P Corporate Advisory	E&P Corporate Advisory Pty Limited ACN 137 980 520
E-commerce	A business model that enables individuals and companies to conduct a wide range of commercial transactions via the internet
EBIT	Earnings before net interest and financing costs and income tax expense
EBITDA	Earnings before net interest and financing costs, income tax expense, depreciation and amortisation
EDM	Electronic Direct Mail
Enterprise Value	The sum of Market Capitalisation and net debt
Escrow Deeds	The escrow deeds entered into between the Company and the Escrowed Shareholders as described in Section 8.5.2
Escrow Period	The period from Completion of the Offer until 4.30pm (Sydney time) on the day that the financial results for FY21 or FY22 (as applicable) are submitted to ASX for release to the market This period is subject to certain exceptions as outlined in Section 8.5.2
Escrowed Shares	The Shares held by the Escrowed Shareholders at Completion of the Offer
Escrowed Shareholders	All Existing Shareholders who have entered into Escrow Deeds
Existing Shares	The Shares held by the Escrowed Shareholders at Completion of the Offer
Existing Shareholders	Those persons holding Shares as at the Prospectus Date
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days
FATA	<i>Foreign Acquisitions and Takeovers Act 1975 (Cth)</i>
Financial Information	Has the definition given in Section 3.1

Appendix B: Glossary Continued

Term	Meaning
FINMA	Swiss Financial Market Supervisory Authority
Five V Capital	Five V Capital and where the context refers to a Shareholder, collectively, Five V Fund II, LP, Five V Bare Nominee Number 2 Pty Ltd ACN 620 197 560 and Five V Bare Nominee Number 3 Pty Ltd ACN 623 039 421
FMC Act	<i>Financial Markets Conduct Act 2013</i>
Forecast Financial Information	Has the definition given in Section 3.1
FPO	<i>Financial Services and Markets Act 2000 (Financial Promotions) Order 2005</i>
FSMA	<i>Financial Services and Markets Act 2000</i>
FY	Year to 30 June
Gross profit	Revenue less cost of sales
Group	The Company and each of its subsidiaries
Group Company	A member of the Group
GST	Goods and services tax
HIN	Holder Identification Number
Historical Financial Information	Has the meaning given in Section 3.1
IFRS or International Financial Reporting Standards	Accounting standards issued by the International Accounting Standards Board
Institutional Investors	<p>Investors who are:</p> <ul style="list-style-type: none"> (a) persons in Australia who are wholesale clients under Section 761G of the Corporations Act and either 'professional investors' or 'sophisticated investors' under Sections 708(11) and 708(8) of the Corporations Act; or (b) institutional investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing in its discretion to comply), and <p>provided that if such person is in the United States, it is either a person that the Joint Lead Managers reasonably believe to be a "qualified institutional buyer" as defined in Rule 144A under the US Securities Act or a dealer or other professional fiduciary within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act</p>

Term	Meaning
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 6.1
International Accounting Standards Board	An independent, private-sector body that develops and approves IFRS
Investigating Accountant	KPMG Financial Advisory Services (Australia) Pty Ltd ACN 007 363 215
Investigating Accountant's Report	The Investigating Accountant's Report and Financial Services Guide prepared by the Investigating Accountant and set out in Section 7
Joint Lead Managers	JP Morgan and UBS
JP Morgan	J.P. Morgan Securities Australia Limited
Lender	Australian and New Zealand Banking Group
Like-for-Like sales growth or LFL sales growth	The percentage change of the sales generated from stores, compared to the sales from those same stores in the relevant corresponding period. New stores are included in LFL calculations once the store has traded for 55 weeks (reflecting one year plus an initial three week "ramp up" period). Closed stores are excluded from LFL calculations from the date of closure. This includes stores that were closed due to COVID-19, with these stores excluded from LFL sales growth calculations for the weeks that they were closed. Refurbished, resized or stores relocated in the same centre remain in the LFL calculations. LFL sales are measured excluding ticket sales, freight income, gift card income and fundraising revenue. LFL sales are calculated on a "retail week" basis, rather than a financial/ calendar month basis. For example, LFL sales for FY20 relates to the 52 week period ended 28 June 2020
Listing	Admission of the Company to the Official List
LTIP	Long-term incentive plan. For more information, see Section 5.5.2
LTM	Last 12 Months
Management	Management team of the Group
Management Shareholders	Certain current members of Management of the Group who hold Existing Shares, including the persons referred to in Section 5.2
Market Capitalisation	Calculated as the total number of Shares on issue following Completion of the Offer multiplied by the Offer Price
Maximum Bonus Amount	Has the definition given in Section 5.5.1
Mountainview Trust	Rayra Pty Ltd as trustee for the Mountainview Trust

Appendix B: Glossary Continued

Term	Meaning
net debt	Total interest bearing liabilities including short-term borrowings and long-term borrowings (net of capitalised borrowing costs) minus cash and cash equivalents
New Debt Facilities	Has the definition given in Section 8.5.3
New Shareholders	Persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
New Shares	The new Shares to be issued by the Company under the Offer
NPAT	Net profit after tax
Offer	The offer under this Prospectus of New Shares for issue by the Company and of Existing Shares by SaleCo
Offer Period	The period from the Opening Date, and ending on the Closing Date
Offer Price	\$3.80 per Share
Official List	The official list of ASX
Opening Date	The date on which the Broker Firm Offer opens
Other Existing Shareholders	Existing Shareholders other than Management Shareholders, Five V Capital, Catalyst Direct Capital Management, BB Retail Capital, Peter Birtles, David MacLean, Srdjan Dangubic, Kaylene Gaffney and Mountainview Trust
pcp	Prior corresponding period
People and Remuneration Committee	The committee described in Section 5.7.2.2
Pre-IPO Dividend	The dividend of up to \$0.54 per Share to be paid to Existing Shareholders immediately prior to Completion
Priority Offer	The component of the Offer under which investors who have received a Priority Offer Invitation are invited to apply for Shares, as described in Section 6.7
Pro Forma Forecast Cash Flows	Has the meaning given in Section 3.1
Pro Forma Forecast Financial Information	Has the meaning given in Section 3.1
Pro Forma Forecast Results	Has the meaning given in Section 3.1

Term	Meaning
Pro Forma Historical Cash Flows	Has the meaning given in Section 3.1
Pro Forma Historical Financial Information	Has the meaning given in Section 3.1
Pro Forma Historical Financial Results	Has the meaning given in Section 3.1
Pro Forma Historical Statement of Financial Position	Has the meaning given in Section 3.1
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which this Prospectus was lodged with ASIC, being 28 October 2020
Prospectus Regulation	Has the definition given in Section 8.12
PwC	PricewaterhouseCoopers
Regulation S	Regulation S promulgated under the US Securities Act
Related Bodies Corporate	Has the meaning given in the Corporations Act
Retail Offer	Together, the Broker Firm Offer and Priority Offer
SaleCo	Universal Store SaleCo Limited ACN 644 786 738
Securities Trading Policy	The policy described in Section 5.8.3
Selling Shareholders	Those Existing Shareholders who have irrevocably offered to sell Existing Shares to SaleCo prior to Listing
Settlement	The settlement in respect of the Shares the subject of the Offer occurring under the Underwriting Agreement and associated settlement support arrangements
SFA	Securities and Futures Act, Chapter 289 of Singapore
SFO	Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of a Share

Appendix B: Glossary Continued

Term	Meaning
Share Registry or Link Market Services Limited	Link Market Services Limited ACN 083 214 537
Ship-from-store or SFS	Ship-from-store dispatch
Statutory Historical Cash Flows	Has the meaning given in Section 3.1
Statutory Historical Financial Information	Has the meaning given in Section 3.1
Statutory Historical Results	Has the meaning given in Section 3.1
Statutory Historical Statement of Financial Position	Has the meaning given in Section 3.1
STI	The short-term incentive plan described in Section 5.5.1
Substantial Interest	Has the meaning given in Section 8.9.2
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer
Sydney time	The official time in Sydney, Australia
TFN	Tax File Number
UBS	UBS AG, Australia Branch
Underwriting Agreement	The underwriting agreement dated on or about the date of this Prospectus between the Company and the Joint Lead Managers as described in Section 8.5.1
US Person	Has the meaning given in Rule 902(k) of Regulation S
US Securities Act	US Securities Act of 1933, as amended
Universal Store Persons	Has the meaning given in Section 5.8.3
YTD	Year-to-date

Application Form

Hi-res PDF to be supplied.

(4 pages have been allocated for an Application Form and a duplicate form. This is because the stock used differs from the main Prospectus, and must be a 4-page section for binding purposes.)

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Corporate directory

COMPANY'S REGISTERED OFFICE

Universal Store Holdings Limited

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Nunda QLD 4012

JOINT LEAD MANAGERS

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UBS AG, Australia Branch

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Sydney NSW 2000

LEGAL ADVISER

Gilbert + Tobin

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International Towers Sydney
200 Barangaroo Avenue
Barangaroo NSW 2000

AUDITORS

PricewaterhouseCoopers

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Brisbane City QLD 4000

CO-LEAD MANGER

Morgans Financial Limited

Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

UNIVERSAL STORE OFFER INFORMATION LINE

Between 8.30am and 5.30pm (Sydney time),
Monday to Friday

Toll free within Australia
1300 553 490

Outside Australia
+61 1300 553 490

Offer website
<https://events.miraqle.com/UniversalStore-offer>

SHARE REGISTRY

Link Market Services Limited

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INVESTIGATING ACCOUNTANT

KPMG Financial Advisory Services (Australia) Pty Ltd

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Universal Store