

Universal Store

Brisbane, 22 February 2024

H1 FY24 RESULTS

Universal Store Holdings Limited (ASX: UNI) (“UNI”, “Group” or the “Company”), an operator of three specialty retail brands focused on the youth apparel segment, is pleased to announce its half year results for the six-month period ended 31 December 2023 (“H1 FY24”).

H1 FY24 Highlights:

- **Group sales of \$158.0 million, +8.5% versus prior corresponding period (“pcp”), primarily reflecting added CTC contribution¹**
 - **Universal Store (US) sales of \$133.2m (-1.4% vs pcp), LFL sales -5.4%²**
 - **Perfect Stranger sales of \$6.6 million (+59.7% vs pcp)**
 - **CTC sales of \$25.3m (+4.2% proforma vs pcp)³**
- **Gross profit margins +80 basis points versus pcp, to 59.7%**
- **Underlying EBIT of \$30.8 million, +8.1% versus pcp⁴**
- **Statutory net profit after tax (“NPAT”) of \$20.7 million (+16.7% versus pcp)**
- **Adjusted earnings per share (“EPS”) of 26.6 cents per share (“cps”)⁵**
- **Net cash of \$27.4 million as at 31 December 2023⁶**
- **6 new stores opened during H1 FY24; 3 Perfect Stranger (“PS”), 2 Universal Stores (“US”) & 1 THRILLS store, bringing total Group stores to 100 (excl. webstores)**
- **Interim FY24 dividend of 16.5cps declared (up from 14.0cps in prior year)**
- **Investor webinar to be held 11.00am today, Thursday 22 February 2024 ([click here to register](#))**

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

“The results in the half demonstrate our resilience and ability to manage our business as macro-economic conditions fluctuate. Our team has successfully managed margins, inventory, and operating costs to deliver earnings growth in a difficult and subdued consumer spending environment. Our growth ambitions for Universal Store remain unchanged, as does our long-term strategy.

I am also pleased with the progress we continue to make in developing our emerging retail concepts – Perfect Stranger and THRILLS. These brands and retail formats are continuously improving their offerings and adding the capabilities necessary to successfully scale and deliver attractive financial performance over the years ahead.”

H1 FY24 Overview

The Group has continued to see changes in customer spending habits throughout the first half of FY24. In response, Universal Store has taken proactive steps to refine its product offerings, placing a heightened emphasis on catering to the preferences of price-conscious customers, while continuing to deliver premium products to those customers with fewer budgetary concerns.

¹Total Group sales includes Cheap Thrills Cycle (CTC) revenue of \$18.2 million in H1 FY24, net of intercompany eliminations. CTC acquisition completed 31 Oct 2022.

²US LFL (like-for-like) sales in H1 FY24 exclude CTC and Perfect Stranger and are calculated daily (Mon 3rd Jul to Sun 31st Dec), excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation. H2 FY24 YTD LFL sales are calculated daily (Jan 1st to Feb 18th 2024) and CTC’s DTC sales exclude the wholesale channel.

³Proforma assumes CTC was owned for the full 6 months in the relevant period and excludes intercompany eliminations.

⁴Underlying EBIT & NPAT exclude \$0.7 million FV movement of deferred value consideration FY24; FY23 excludes \$2.0 million (pretax) one-off transaction CTC acquisition costs.

⁵Adjusted EPS is calculated using underlying NPAT and the weighted average number of ordinary shares outstanding during the period 75.2 million (2022: 70.9 million).

⁶Net Cash/(Net Debt) excludes lease liabilities.

While FY24 YTD US LFL sales have been negative, there have been encouraging signs of improvement as the half progressed. As outlined in the trading update (below), the Group has seen this improving sales trend continue into the first 7 weeks of the second half of FY24.

Group gross margins improved by 80 basis points, supported by incremental margin associated with the CTC brands, notwithstanding an inflationary environment in cost of goods sold and heightened discounting across the market. The Group's resolute commitment to promotional discounting discipline remains.

The Group successfully managed inventory to ensure it remained dynamic and fresh. Management of inventory and other areas of working capital and capex contributed to strong cash generation in the half. Inventory quantity and freshness remains in a healthy position as the Company heads into the second half of FY24.

The Group remains focused on managing its cost of doing business ('CODB') through a series of initiatives, including optimising store labour and targeted distribution centre productivity enhancements. The Group's H1 FY24 CODB% (CODB as a percentage of sales) increased 60 basis points versus pcp, primarily reflecting the impact of a full period of ownership of CTC (compared to pcp). The additional costs relate largely to incremental employee costs.

Pleasingly, the Universal Store business successfully managed its underlying operating costs (CODB%) in line with the sales. The business generated \$1.3 million cost-out across stores and the distribution centre, with productivity improvements outweighing mandatory award increases and other inflationary pressures.

Group underlying EBIT was \$30.8 million, an 8.1% increase from the pcp, and the statutory NPAT was \$20.7 million, a 16.7% increase on H1 FY23⁴.

The Group reported a robust cash position of \$42.3 million at period end, and net cash of \$27.4 million⁶. The net cash position built strongly in the half, comfortably covering the first CTC acquisition deferred variable consideration (DVC) payment of \$3.0 million, and the full year FY23 dividend of \$6.1 million.

New store roll-out continues to progress well, including six new stores opened in H1 FY24 – two new Universal Store locations, three new Perfect Stranger sites and the first new THRILLS store format which opened in mid-December 2023. Currently, there are eleven Perfect Stranger stores trading as of 31 December 2023, with the planned national rollout accelerating.

Trading Update

Sales performance during the first seven weeks of H2 FY24 was:

- US sales up +4.5%, with LFL growth up +1.0%², cycling +8.4% last year
- PS sales up +56.5%, with LFL growth up +10.3%², cycling +23.2%
- CTC's sales in the DTC channels down 0.5%², with LFL down 0.3%, cycling +54.5%

The Group is focussed on continuing to improve gross margins, through proactive measures to keep stock consistently fresh and appealing to customers and extending our direct sourcing program within the Group's private brands.

The product team continue to introduce exciting new brands and products that differentiate the Company's offer and captivate customers.

The Group remains focused on continuous pursuit of CODB improvements. The Company is expecting to deliver further important savings across various initiatives, including store labour optimisation, targeted distribution centre productivity improvements, and closure or relocation of suboptimal THRILLS stores.

Management expects a further 1-3 Universal Store locations to open in H2 FY24, plus 4-8 new Perfect Stranger sites and 1-2 new-format THRILLS stores. This is expected to take the total stores to 106 - 113, by 30 June 2024.

Management update

Chief Executive Officer Renee Jones will be transitioning to reduced hours during H2 FY24, with added finance team support being implemented. The Board is also evaluating alternative approaches to ensure the Company has the resources and capability it needs to successfully execute its strategy.

H1 FY24 investor webinar

The Company will host an investor webinar with Chief Executive Officer and Managing Director Alice Barbery and Chief Financial Officer Renee Jones at 11.00am AEDT, Thursday, 22 February 2024.

Following the presentation, participants will have an opportunity to ask questions. Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_oMpQC8tuSZ6mPPef6pla6g

Investors can submit questions prior to the webinar to sam@nwrcommunications.com.au or do so via the Q&A functions on Zoom.

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

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ABOUT UNIVERSAL STORE

Universal Store Holdings Limited (ASX: UNI) owns a portfolio of premium youth fashion brands and omni-channel retail and wholesale businesses. The Company's principal businesses are Universal Store and CTC (trading the THRILLS and Worship brands). The Group is currently rolling out Perfect Stranger as a standalone retail format. The Company currently operates 100 physical stores across Australia in addition to online channels. The Company's strategy is to grow and develop its premium youth fashion apparel brands and retail formats to deliver a carefully curated selection of on-trend apparel products to a target 16-35 year-old fashion focused customer.

OUR LANGUAGE:

"UNI", "Group" or "the Company" = Consolidated group parent

"US" = Universal Store = Universal Store business

"CTC" = Cheap THRILLS Cycles business

"PS" = Perfect Stranger = Perfect Stranger retail format