

Universal Store

UNIVERSAL STORE ACHIEVES RECORD SALES AND PROFITABILITY

Brisbane, 25 February 2021

Highlights of 1H FY21:

- Sales +23.3% to \$118.0m
 - Like for like sales growth +26.2% (stores +19.1%, online +128.3%).
 - Online now contributes 12% of total sales, up from 6% in 1H FY20.
- Gross profit of 57.6% up from 57.0% in 1H FY20
- Gross profit \$ up +24.5% to \$67.9m.
- Cost of doing business (CODB), 29.2% of sales vs 35.7% in 1H FY20.
- Underlying EBIT¹ up 69.4% to \$31.5m.
- Statutory NPAT up 47.7% to \$15.8m.
- Underlying NPAT¹ up 63.6% to \$21.1m.
- Net cash of \$22.5m at period end.
- Interim dividend of five cents per share (fully franked).

¹ Excludes the impact of accounting for leases under AASB16 and one-off IPO transaction costs.

Overview

Universal Store Holdings Limited ('Universal Store', ASX: UNI), today announced its results for the half year ended 31 December 2020 with Underlying EBIT of \$31.5m, which is above recent guidance of \$30m to \$31m.

After a record six months of trading, this represents underlying EBIT growth of 69.4%. Statutory NPAT of \$15.8m is up 47.7% on 1H FY20. Underlying NPAT¹ of \$21.1m is up 63.6% on 1H FY20.

Sales of \$118.0m were up 23.3% on the same period last year. Store like for like sales were 19.1%, which combined with tight cost control, significantly improved store profitability.

Online sales grew 128.3% to now represent 12% of total sales. This is the result of a significant investment in our online capabilities, including the recent implementation of ship-from-store and click & collect.

Gross profit of 57.6% is up from 57.0% in 1H FY20, driven by private brand expansion and a continued direct sourcing shift. Higher freight costs associated with online sales growth partially offset the result.

The Company has decided to repay the net 1H FY21 JobKeeper benefit received of \$3.0m. This will be booked and repaid in 2H FY21.

The Company appreciates the important role of the JobKeeper scheme in enabling the Company to support its team through significant periods of store closures in 2020. This policy gave us the necessary confidence to plan and stand our teams back up promptly as circumstances permitted. We have continued to support our teams as further store closure periods have occurred notwithstanding the fact that we ceased participating in the JobKeeper program in September.

Commenting on the results, Universal Store CEO, Alice Barbary said; “Despite the many challenges encountered during the first half of financial year 2021, including store closures in Melbourne from August to October, the results we have delivered are well ahead of the prior corresponding period. This highlights the ability of our team to operate in what has been an unpredictable trading environment”.

Strong cash flow and balance sheet

The strong result delivered an underlying operating cash flow of \$31.6m, representing operating cash flow conversion of 107.8% of underlying EBITDA, reflecting our capital lite business model.

Inventory is clean and we remain committed to our disciplined pricing and promotional strategy to protect brand, margin and customer trust.

Given the strong trading performance of the business, the Board has declared an interim dividend of five cents per share (fully franked) to be paid on 4 May 2021.

Store Growth

The company currently has 65 stores and is targeting a network of 100+ stores across Australia and New Zealand.

No new stores were opened in 1H FY21, reflecting a cautious approach over the COVID period. Further new store opportunities are currently being considered. We expect to open three new stores and relocate/expand two stores in 2H FY21.

Supply Chain

A review of our distribution centre size and capabilities is currently underway to ensure we have the capacity and flexibility to support future business growth. The review will be completed by the end of 2H FY21. The project will be funded by the operating cash flows of the business.

Outlook

Sales for the first seven weeks of 2021 are up 23.5% compared to the same period last year. Like for like sales growth was 28.2%.

Gross profit % continues in line with the 1H FY21 run rate.

2H FY21 will be cycling a period of COVID related store closures from April until mid-May.

We are encouraged by the prospects for new occasions and other triggers for shopping and wardrobe renewal that will occur for our customers as “post Covid-19 normal” continues to emerge.

Due to the ongoing uncertainty relating to COVID the company is not providing guidance for FY21 at this time.

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

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ABOUT 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.