

Universal Store

Brisbane, 20 November 2023

UNIVERSAL STORE FY24 YTD TRADING UPDATE

Universal Store Holdings Limited (ASX: "UNI", "Group" or the "Company") today provides a trading update for the first 20 weeks of the 2024 financial year, ended 19 November 2023 ("FY24 YTD"). In addition to the sales commentary below – which mainly pertains to the first 20 weeks of FY24 – the Company also includes an update on Group financial performance (unaudited) for the period ended 31 October 2023 ("YTD Oct FY24").

GROUP FINANCIAL PERFORMANCE (YTD OCT FY24):

- Sales of \$88.4 million, up \$11.3 million (+14.7%) versus prior corresponding period ("pcp"), primarily reflecting added CTC contribution¹, with Universal Store ~1% below pcp;
- Underlying gross margins at 59%, currently in line with pcp;
- Cost of doing business (% of sales) is slightly lower than pcp; and
- Underlying EBIT is ahead versus pcp by approximately \$2 million².

FIRST 20 WEEKS SALES PERFORMANCE (FY24 YTD):

- Total retail channel sales are +2.6% versus pcp;
- Like-for-like (LFL) sales are -6.4% versus pcp, improving to -4.4% during the seven trading weeks of October and November to date ^{3,4} and
- The underlying CTC business continues to trade well and is on-track to deliver strong sales growth in H1 FY24, versus pcp.

STORE ROLL-OUT:

- New store roll-out is progressing well, including:
 - five new stores opened in FY24 YTD – two new Universal Store locations, plus three new Perfect Stranger sites; and
 - two further new store locations expected to open pre-Christmas (one Perfect Stranger and one new-format THRILLS store).

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

"I'm once again gratified by the exceptional response of our entire team as we navigate the current trading environment. We have diligently executed a multitude of cost-saving and efficiency-improvement initiatives while maintaining a relentless focus on meeting the evolving needs of our customers. We remain committed and confident in our long-term strategy."

¹ Cheap Thrills Cycle (CTC) acquisition completed 31 October 2022.

² OCT YTD Underlying EBIT is post AASB16 and excludes transactions costs

³ YTD FY24 LFL sales exclude the CTC business and are calculated daily (Monday 3rd July to Sunday 29th October 2023), excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation.

⁴ October and November to-date LFL sales (7 weeks from 30th October to 19th November 2023) exclude the CTC wholesale channel and include CTC retail from 1st November 2023.

TRADING UPDATE COMMENTARY

The Group continues to see changes in customer spending habits. Specifically, there has been a decline in spending in regional areas of eastern Australia, contrasting with the more robust performance in metropolitan and CBD locations. In response, Universal Store has taken proactive steps to refine its product offerings in these markets, placing a heightened emphasis on catering to the preferences of price-conscious customers. However, the Company's resolute commitment to promotional discounting discipline remains.

While FY24 YTD Group LFL sales have been negative, there are signs of an improving trend as the FY24 YTD period has progressed. Specifically, LFL sales across the first 13 weeks of FY24 were -7.4%, and in the 7 weeks since (up to 19 November 2023), the LFL sales decline has narrowed to -4.4%⁴.

Looking specifically at the YTD October 2023 period ("YTD Oct FY24"), Group sales of \$88.4 million are up \$11.3 million (+14.7%), primarily reflecting added CTC contribution, noting the acquisition of CTC completed on 31 October 2022.

Group gross margins are currently in line with the prior corresponding period, notwithstanding an inflationary environment in underlying COGS and heightened discounting across the market.

The Group remains focused on managing its cost of doing business through a series of initiatives, including optimising store labour and targeted distribution centre productivity enhancements. The Group's YTD Oct FY24 cost of doing business (as a percentage of sales) is slightly lower than the prior corresponding period.

Group EBIT is approximately \$2.1 million ahead of the prior corresponding period. This is predominantly driven by the added earnings contribution of CTC.

At a Group level, inventory remains well-managed as the Company continues to take proactive steps to ensure stock remains fresh and appealing to its customers.

The Group has successfully opened five new stores during FY24 YTD, consisting of two new Universal Store locations, along with three new Perfect Stranger stores.

The Company's emphasis on driving long term growth remains and its investment in growth is accelerating in certain areas of the business, including:

- its people, building depth and skills to execute its growth plans and manage risks;
- technology, to optimise its operations and improve customer service;
- the Universal Store retail network. In addition to opening two new Universal Store sites in the FY24 YTD period, the Company is selectively investing in re-fitting and refurbishing certain key sites, and in some instances where conditions permit, relocating and upsizing certain stores. The Company expect to open a further two to three Universal Store sites in the second half of FY24;

- Perfect Stranger as a standalone retail format. The Perfect Stranger ('PS') retail format will expand to have eleven stores by 31 December 2023, with plans for more new PS stores in the second half of FY24. The Company are also building the online execution capabilities in PS and have also added more product design capability into this brand to elevate product and expand range to better support the standalone retail stores and deliver growth strategies for this business; and
- growing the CTC business. CTC have recently moved into a new head office and distribution centre in Byron Bay. The direct-to-customer (DTC) growth plans have also made material progress in the period. The DTC skills and depth in the CTC business have expanded, new websites have been launched, and a new design for THRILLS stores has been developed. The Group have committed to open the first new-format THRILLS store in late December 2023, and are closing a small number of existing legacy THRILLS stores the Company believe are mis-aligned with the Group's long-term plans for the CTC business.

In aggregate, the Company expects to have 100 stores by 31 December 2023, and expect to have approximately 104-107 stores by 30 June 2024.

MANAGEMENT TEAM UPDATE

UNI Chief Financial Officer, Renee Jones, has informed the Company of her intent to reduce her working hours to better balance her work and parental responsibilities. The Company is working with Renee on options to facilitate this arrangement including evaluating an internal re-organisation of responsibilities and assessing the potential appointment of a new Chief Financial Officer. An update will be provided at the time of the Company's half year results announcement in February 2024.

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

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ABOUT UNIVERSAL STORE

Universal Store Holdings (ASX: UNI) owns a portfolio of premium youth fashion brands and omni-channel retail and wholesale businesses. The Company's principal businesses are Universal Store and CTC (trading the THRILLS and Worship brands). The Group is currently trialling the Perfect Stranger brand as a standalone retail concept. The Company currently operates 98 physical stores across Australia and 3 online stores. The Company's strategy is to grow and develop its premium youth fashion apparel brands and retail formats to deliver a carefully curated selection of on-trend apparel products to a target 16-35 year-old fashion focused customer.