

Universal Store

Brisbane, 22 August 2024

FY24 RESULTS

Universal Store Holdings Limited (ASX: “UNI”, “Group” or the “Company”), a specialty retailer of youth casual fashion apparel, today releases its full year results for the period ended 30 June 2024 (“FY24”).

FY24 Highlights:

- Group sales of \$288.5 million, +9.7% versus prior corresponding period (“pcp”), reflecting strong trading performance, with increasing momentum throughout the financial year
- Gross profit margins +110 basis points versus pcp, to 60.1%
- Underlying EBIT¹ of \$47.1 million, +16.6% versus pcp
- Statutory net profit after tax (“NPAT”) of \$34.3 million (+45.3% vs pcp)
- Underlying earnings per share (“EPS”) of 39.6 cents per share (“cps”)²
- 35.5 cps fully franked dividend determined (final dividend of 19.0 cps)
- Net cash of \$14.3 million as at 30 June 2024³
- 102 physical store locations as at 30 June 2024, comprising 80 Universal Store sites, 14 Perfect Stranger sites, and 8 THRILLS stores

Commenting on the FY24 results, Group CEO, Alice Barbary said:

“We’re really pleased to have delivered significant growth in underlying EBIT versus last year. Our success this year underscores our commitment to customer-centricity and operational excellence. We maintained a steadfast focus on managing margins, optimising inventory and controlling costs, which drove significant earnings growth in a challenging consumer environment.”

Group financial performance

Total FY24 Group sales grew 9.7% to \$288.5 million, driven by: (i) continued growth of US, with H2 like for like (LFL) sales rebounding to +6.6%⁴; (ii) ongoing rollout of the Groups PS retail format; (iii) successful completion and contributions of the CTC acquisition; and (iv) Group net stores increasing to 102 as at 30 June 2024 (95 stores June 2023). Underlying EBIT for the year was \$47.1 million, up \$6.7 million (+16.6% vs FY23).

Disciplined cost control, extracting benefits from sustainable system improvements, and enhancing customer service remained paramount for the Group in FY24. As a result of this focus, the Group achieved continued improvements in its cost of doing business, reducing the rate by 40bps, including \$4.9 million in non-comparative CTC-related expenses. Group gross margins also expanded 110bps driven by the consolidation of CTC brands (THRILLS and Worship), private brand penetration, direct sourcing of private brands and benefits of reduced inbound freight were partially offset by adverse foreign exchange movements.

¹ Underlying EBIT is post AASB16 and excludes the impact of Fair Value (FV) movement of the DVC provision in relation to CTC, and other one-off costs and transactions associated with the CTC acquisition completed 31 October 2022.

² Underlying EPS is calculated from underlying NPAT and the weighted average shares outstanding during the period (76.3M FY24 vs. 73.6M FY23).

³ Net Cash/(Net Debt) excludes lease liabilities.

⁴ US LFL (like-for-like) sales exclude CTC and Perfect Stranger and are calculated daily, excluding closed stores from the day of closure and new stores until they have cycled the first three weeks of operation.

Continued focus on cash generation resulted in net cash of \$14.3 million at year end (excluding lease liabilities). The Group also increased its final dividend to 19.0 cps (versus 8 cps in H2 FY23), taking FY24 total dividends to 35.5 cps, up 61.4% versus FY23.

Universal Store performance

FY24 Universal Store sales grew +4.0% with a subdued first half trading environment, offset by the recovery and sustained momentum in the second half. On a full year basis, Universal Store LFL sales declined 0.3% (-5.4% in H1, turning to +6.6% in H2). Refining the Universal Store product range in the second half to better meet current customer demands was key to the improved sales performance throughout the year, with quarter-on-quarter sequential improvements continuing as the year progressed. At the group level, cost of business control throughout FY24 was key to offsetting inflationary pressures within the business.

During the year, two new Universal Store locations were opened, with one temporary pop-up also opened. Four to six new stores are planned for FY25.

Perfect Stranger performance

The emerging Perfect Stranger retail format continued to trade strongly during FY24 following efforts to continue to refine the offering with proven store economics (with minimal cannibalisation of existing US locations), established foundational systems and process and validated customer appeal in key catchments. LFL sales for the year were +7.3%, similarly revealing stronger sales performance during the second half of the year (+11.5% in H2). Furthermore, Perfect Stranger online continues to perform well, up +60.6% versus FY23, with the focus remaining on scaling and building brand awareness.

During the year, six new Perfect Stranger stores were opened, taking total Perfect Stranger stores to fourteen. The Group is confident in the brands significant multi-year store roll-out opportunity.

CTC (THRILLS) performance

CTC delivered FY24 underlying sales growth of +6.2% (proforma), predominantly driven by the continued growth of the emerging Worship brand⁵. During the year, efforts were targeted towards re-setting CTC priorities, with increased focus on direct-to-consumer (DTC) channels given the uncertainty across certain key wholesale accounts. Gross margin restoration is also a critical ongoing focus for CTC.

In terms of individual brand performance, CTC brands (THRILLS & Worship) continue to perform well within Universal Store and other premium accounts. The DTC channels (stores and online) showed encouraging signs of improvement throughout the year. The Group anticipates one to three new THRILLS stores opening in FY25 as the Company continues to trial the new store concept format in high-traffic locations with a larger store footprint (~120-150sqm).

FY25 Trading update & outlook

Sales performance during the first seven weeks of FY25 reveal:

- US sales up +15.3%, with LFL growth up +12.5%, cycling -9.0% last year⁶
- PS sales up +89.9%, with LFL growth up +24.2%, cycling +4.9%⁶
- CTC's sales in the DTC channels up +13.3%, with LFL up +22.4%, cycling +4.1%⁶

⁵ CTC underlying sales excluding intercompany eliminations for sales to US.

⁶ LFL (like-for-like) sales are calculated daily (Jul 1st to Aug 18th 2024), excluding closed stores from the day of closure and new stores until they have cycled the first three weeks of operation. CTC's DTC sales exclude the wholesale channel.

Management expects a further four to six Universal Store sites in FY25, plus four to six new Perfect Stranger stores as well as one to three new THRILLS stores.

The Group will continue to enhance gross margins by ensuring fresh and appealing stock, while introducing new brands and products to engage our customers. Prioritising CODB reduction through optimised productivity continues to be a focus. Additionally, investment in new stores and technology upgrades will further support long-term sustainable growth.

Results webinar

The Company will host an investor webinar with Chief Executive Officer Alice Barbery, outgoing Chief Financial Officer Renee Jones and its new Chief Financial Officer Ethan Orsini. The webinar will be hosted at 10.15am AEST, Thursday, 22 August 2024.

Investors and interested parties can register for the webinar via the following link:

https://us02web.zoom.us/webinar/register/WN_1NzEGrdDRkitczyzcdlk2A

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 (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 the Perfect Stranger brand as a standalone retail concept. The Company currently operates 102 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 target 16-35 year-old fashion focused customers.