

Universal Store

Brisbane, 20 November 2023

ASX Market Announcements
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

UNIVERSAL STORE HOLDINGS LIMITED (ASX:UNI) 2023 AGM CHAIR ADDRESS AND CHAIR AND MD & CEO'S PRESENTATION

Please find attached a copy of the following documents which will be delivered at UNI's 2023 Annual General Meeting to be held at 2.00pm (AEST) today:

- Chair's address; AND
- Chair and MD & CEO's presentation.

This announcement has been authorized for release by the Board of Universal Store Holdings Limited.



Renee Jones
Company Secretary

For more information, please contact:

Alice Barbery
Chief Executive Officer
+617 3368 6503

Sam Wells
Investor / Media Relations
sam@nwrcommunications.com.au
+61 427 630 152

ABOUT UNIVERSAL STORE

Universal Store Holdings 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 trialing the Perfect Stranger brand as a standalone retail concept. The Company currently operates 95 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.

Universal Store Holdings Limited | Chair's Address 2023 AGM

Brisbane, 20 November 2023

Universal Store Holdings is Australia's premier owner and operator of youth and young adult fashion retail brands. The 2023 Financial Year saw the Company evolve from single business operator to owning and operating three businesses through the launch of the standalone Perfect Stranger concept and the acquisition of Cheap Thrills Cycles (CTC), the owner of the THRILLS and Worship brands.

All three of our businesses have the potential for strong growth through customer acquisition, physical and digital extension and product and brand development.

Our businesses delivered credible performance throughout the FY23 year in an environment in which demand across the apparel sector slowed significantly in the second half of the year as broader cost of living pressures impinged on customer spending.

The strength of our flexible business model enabled the management team to ensure that gross margins and inventory investment remained broadly in line with plan despite the changing demand patterns.

We have continued to invest in our long-term growth and in addition to the acquisition of CTC and launch of Perfect Stranger, we moved our Distribution Centre and Support Office into brand new efficient and scalable facilities.

Three new Universal Store and five new Perfect Stranger stores were opened during the year.

Group Revenue at \$263 million was 26.5% higher than pcp while underlying Group profit after income tax was 21.9% higher than pcp at \$25.6 million. Underlying earnings per share were 35.2 cents, 13.9% higher than pcp.

Strong management of working capital produced an operating cash flow after capital expenditure of \$43.0 million, 22.5% higher than pcp, ensuring that the Group remains in a robust financial position with net cash of \$6.6 million and prudent liquidity measures.

The Board is committed to delivering strong returns to Shareholders while making the necessary investments to support the delivery of the Company's strategy. The current dividend policy of the Board is to target a payout ratio of 60% to 80% of statutory NPAT.

The solid financial performance of the Group enabled the Directors to declare a full year fully franked dividend of 22.0 cents per share.

Our Company operates within the youth and young adult casual apparel segment of the broader Australian fashion market and there is significant potential to increase our penetration of this large and fragmented segment.

We continue to have strong confidence in the potential of the Universal Store business to generate significant growth and our strategy remains unchanged with a focus on six key areas:

- Expansion of the physical store network;
- Maturation of existing stores;
- Developing the online experience and integration with physical stores;
- Focus on range differentiation and dynamic curation;
- Sustainability of our product sourcing and supply chain; and

- Productivity of our operations and technology.

The Company's unique team culture, commitment to its retail formula and focus on execution underpin the successful implementation of our strategy.

The performance of the standalone Perfect Stranger stores has been pleasing and we are continuing to refine the product for this standalone concept while accelerating the roll out of new stores.

The CTC business is performing well, and we will continue to support our premium retail partners, develop the emerging product brands and refine the retail store format. We anticipate opening the first new format THRILLS store next month.

Universal Store is committed to responsible practices and playing our part in accelerating the transformation of our industry towards a sustainable future. We have refined our approach to sustainability focusing on four strategic pillars: Tread Lightly, Transparency, Climate Action and Amplify our Actions. We set out the details of our strategy and initiatives in the Sustainability Report on pages 20 to 37 of our Annual Report.

Diversity and inclusion are core to the ethos of Universal Store as regularly showcased in our marketing campaigns. Around 70% of the Universal Store team members are women with 41% in senior leadership positions and 50% of the Board of Directors.

The Board has adopted an approach of digestible, continual improvement to Governance processes across the Group and is focused on enhancements to risk and safety management in the year ahead.

The Company has developed remuneration policies which are designed to achieve alignment between the implementation of strategy and delivery of sustainable performance and the reward to executive directors and senior leadership. Details of the arrangements are set out in the Remuneration Report which is on pages 50 to 64 of the Annual Report.

As discussed at last year's AGM, we introduced a new long-term incentive plan during the 2023 Financial Year. We are comfortable that this plan appropriately aligns the incentives for our leadership team with the creation of long-term value for Shareholders and we will continue to issue rights under the plan in the 2024 Financial Year.

In conclusion, the downturn in consumer demand coupled with the impact of higher inflation is creating a challenging environment for all retail businesses. However, Universal Store has continued to demonstrate its ability to adapt its operations to changes in demand patterns and effectively manage margins, costs and inventory. Our CEO, Alice Barbery will shortly provide an update on performance in the first 20 weeks of the 2024 Financial Year.

We are maintaining our commitment to long term growth and will continue to invest in new stores, new systems and capability in the year ahead. As I said at the start of this address, all three of our businesses has the potential for significant growth and we are determined to turn the potential into reality.

Finally, I would like to thank our Shareholders for their continued support, my fellow Directors for their commitment to constructive governance and to Alice, the Senior Leadership Team and the whole Universal Store team for their significant contribution to the ongoing success of our Company.

-ENDS-

2023 ANNUAL GENERAL MEETING

20 NOVEMBER 2023



Universal Store

CHAIRS ADDRESS

1



GROUP OVERVIEW



Universal Store Holdings Limited
ASX: UNI

Australia's premier
owner and operator of
youth and young adult
fashion retail brands

A grower of businesses,
with excellence in
culture, retail execution
and brand management

Customer focused,
detail oriented,
nimble, multi-channel
operations

Focused on results,
risk management,
and fostering
outstanding talent



PERFECT STRANGER >

Universal Store

< **THRILLS**

- #1 selling 'brand' at Universal Store
- www.perfectstranger.com.au
- Emerging standalone retail concept
- On trend women's fashion focused
- Complementary brands ranged in store
- 11 standalone stores by 31st December 2023. Potential yet to be sized*
- Brisbane based (Co-located and co-managed with Universal Store)

- Australia's largest specialty retailer of premium casual youth fashion
- www.universalstore.com.au
- ~50% of sales derived from private brands and 'sister businesses' (i.e. THRILLS)
- On trend men's and women's casual fashion
- Over 50 brands ranged in store
- 79 stores at 31st December 2023*
- Brisbane based (Co-located and co-managed with Perfect Stranger)

- #1 selling '3P brand' at Universal Store
- www.THRILLS.co
- www.worship-supplies.com
- Vibrant wholesale channel with premium retail partners (including Universal Store)
- Men's and women's casual fashion, quality, sustainable, vintage looks, wide range
- Emerging standalone retail concept
- 10 standalone stores by 31st December 2023. Potential yet to be sized*
- Byron Bay based. Independently managed

*Includes physical stores only

UNI GROUP FY23 GROUP HIGHLIGHTS

UNI DELIVERED ROBUST SALES GROWTH AND MANAGED COSTS AND INVENTORY FOR A MORE SUBDUED CONSUMER ENVIRONMENT WHICH EMERGED IN H2

Record sales from the Group and all business units. Margins managed effectively in a market with increased discounting

1

Underlying EBIT¹ \$40.4m up \$7.8m with closing net cash at \$6.6m²

2

As the year progressed, customers adopted a more cautious approach to spending due to mounting cost of living pressures

3



4

Perfect Stranger as a retail format has expanded to 8 stores with store contribution margins ahead of the Universal Store format

5

Acquisition of CTC (THRILLS) completed on 31 October 2022. CTC continues to perform in line with our expectations and is settling into the Group well

6

Successfully transitioned into new Distribution Centre and Support Office (late September), providing improved systems and capabilities, enabling enhanced customer service

1. Underlying EBIT exclude \$1.8m one-off transaction costs from the CTC acquisition on 31 Oct 22

2. Net Cash/(Debt) excludes lease liabilities

FY23 FINANCIAL RESULTS

UNI GROUP CONTINUES TO DELIVER SOLID RESULTS

- Group sales \$263.1m up 26.5% versus pcp, cycling store closure periods during H1 FY22¹
- 8 new stores opened during FY23; 5 Perfect Stranger & 3 Universal Stores – combined with 10 acquired THRILLS stores, brings total Group stores to 95 (excl. webstores)
- 8 Perfect Stranger stores trading by June FY23 with store roll out accelerating
- Gross margin of 59.0%, up 70bps versus FY22
- Underlying Group net profit after tax up 21.9% to \$25.6 million
- Underlying earnings per share of 35.2 cents
- Underlying cashflow from operations after capex of \$43.0m, up \$7.9m versus FY22
- Net cash of \$6.6m at 30 June 2023
- CTC acquisition outflow \$18.3m includes cash consideration of \$21.2m, plus transaction costs of \$1.8m, less \$2.6m CTC cash acquired and \$2.1m pre-existing trade payable by US to CTC at completion
- Dividends of 22.0 cents per share paid in relation to FY23 results



STRATEGY

INCREASED PENETRATION OF THE AUSTRALIAN YOUTH FASHION APPAREL SEGMENT CONTINUES TO BE OUR FOCUS

Continued confidence in potential of **Universal Store** to generate significant growth via:

- Expansion of physical store network;
- Maturation of existing stores;
- Developing online experience and integration with physical stores;
- Focus on range differentiation and dynamic curation;
- Sustainability of our product sourcing and supply chain; and
- Productivity of our operations and technology.

The Company's unique team culture, commitment to its retail formula and focus on execution underpin the successful implementation of our strategy.

Standalone Perfect Stranger (PS) performance to date has been pleasing and the store rollout is accelerating.

The recently acquired CTC business is performing well with a key focus to continue to build the emerging brands, support our premium retail partners, along with refining the retail store format. The Group have committed to opening the first new-format THRILLS store in late December 2023.



1. Refer Acquisition of THRILLS announcement and accompanying presentation for more detail, released to ASX 26 September 2022. Acquisition completed 31 October 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

UNIVERSAL STORE REMAINS COMMITTED TO DEVELOPING A SUSTAINABLE FUTURE

Our focus over the last year has been to progress our key sustainability and environmental targets.

We are focusing on four areas:

- **Product Excellence:** to tread lightly and reduce our impact, preserving our resources to restore the planet;
- **Supplier Partnerships:** expect transparency and put an end to poor working conditions, improving the lives of workers; and
- **Community Impact:** reverse climate change and take action to end the climate crisis.
- **Amplify our Actions:** work together as a team with our community, suppliers, and customers to deliver positive impact

Diversity and inclusion is core to the ethos of Universal Store as regularly showcased in our marketing campaigns. ~70% of the Universal Store team members are women with 41% in senior executive leadership positions and 50% of the Board of Directors.

The Board has adopted an approach of digestible continual improvement to Governance processes across the Group and is focused on enhancements to risk and safety management in the year ahead.



REMUNERATION

REMUNERATION DESIGNED TO REWARD SUCCESSFUL IMPLEMENTATION OF STRATEGY AND DELIVERY OF SUSTAINABLE PERFORMANCE ALIGNED WITH COMPANY VALUES



- Many Board and senior leaders hold significant shareholdings in the Company
- 60% STI was paid in relation to FY23 performance to KMP
- Over the last three years, there has been a significant increase in the scale and sophistication of the Company
- The Company's remuneration arrangements have evolved to better reflect this increased scale, sophistication and market practice. This evolution includes the introduction of a new long-term incentive plan during FY23 which rebalances the mix of remuneration to long term incentives



Universal Store

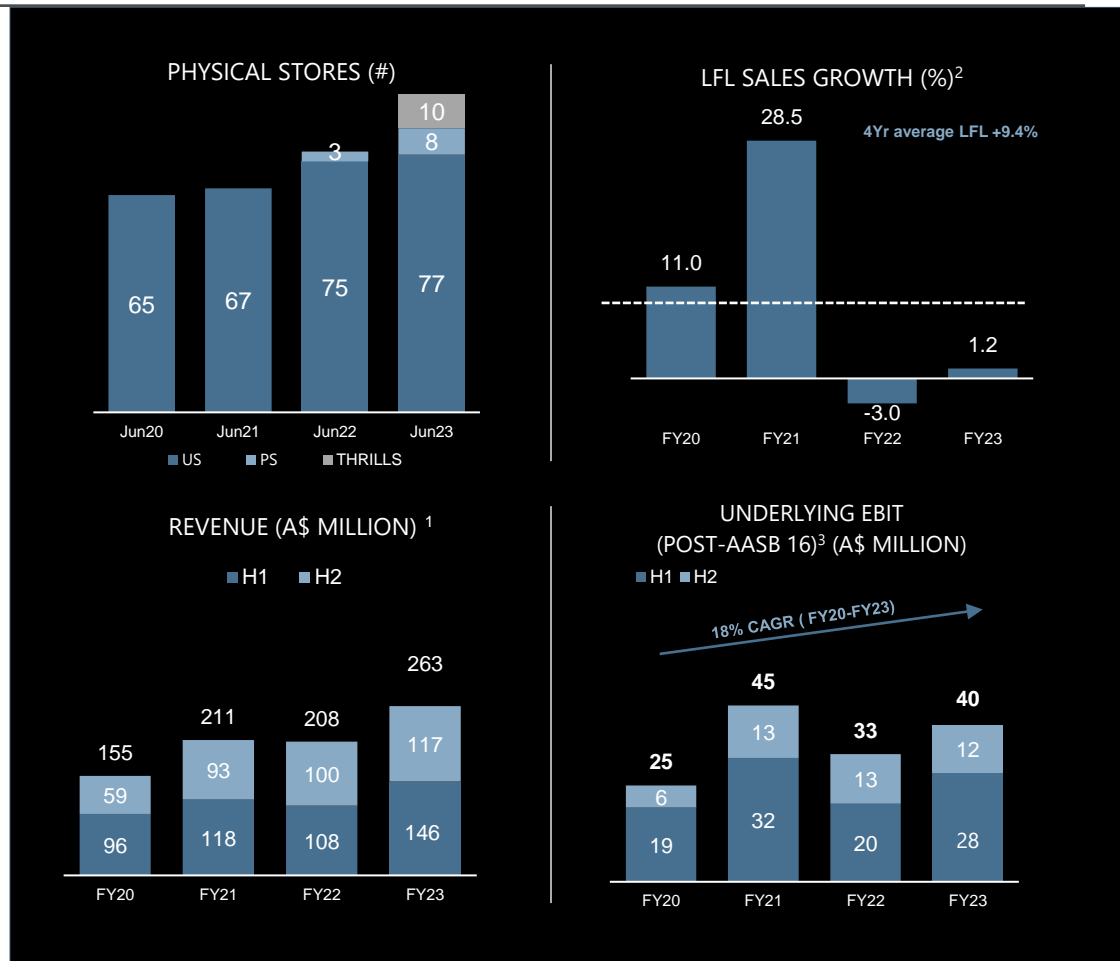
UNIVERSAL STORE HOLDINGS LIMITED
ACN 169 039 721

CEO UPDATE

2

UNI GROUP CONTINUES TO DELIVER SOLID RESULTS

- ✓ Total sales \$263.1m (+26.5% versus pcp), cycling store closure periods during H1 FY22¹
- ✓ Group LFL sales +1.2%² year on year (+27.2% versus FY20), with channel mix continuing to normalise following store closure period in H1 FY22
- ✓ 8 new stores opened during FY23; 5 Perfect Stranger (“PS”) & 3 Universal Stores (“US”) – combined with 10 acquired THRILLS stores, brings total Group stores to 95 (excl. webstores)
- ✓ 8 PS stores trading as of June 30th 2023, with rollout accelerating
- ✓ Underlying EBIT of \$40.4m (+23.8% versus pcp)³



1. Includes CTC revenue of \$19.4m (November to June only), net of intercompany eliminations
 2. LFL (like-for-like) sales in FY23 exclude the CTC business and are calculated daily (Mon 27th Jun to Sun 2nd Jul), excluding closed stores from the day of closure and new stores until they have completed the first three weeks of operation. Stores that were closed during the COVID-19 pandemic are also excluded from LFL sales calculations. FY20-FY22, LFL sales were calculated using a 4/4/5 financial week.
 3. Underlying EBIT excludes the impact of one-off transaction costs related to IPO & MEP expenses (FY21), onerous lease (FY22) and CTC acquisition costs (FY23).

PRIORITY UPDATE

UNIVERSAL STORE CONTINUES TO EXECUTE ON STRATEGIC PRIORITIES AND INTEGRATE THE RECENTLY ACQUIRED THRILLS BUSINESS INTO STRATEGIC ROADMAP

NEW STORE ROLLOUT



- Group: Eight new stores opened in FY23, ten acquired THRILLS stores. Group total 100 by 31st December 2023
- US: Three new stores opened in FY23, with two opened in Q1 FY24
- PS: Five new stores opened in FY23 with a further four opening by 31st December 2023
- CTC: 10 stores acquired on 31 Oct 22 with one closure in Q1 FY24 and a new format THRILLS to open by 31st December 2023.
- Group will have 100 stores by 31 December 2023, and expect to have approximately 104-107 stores by 30 June 2024

DIGITAL GROWTH



- Online represented 14.1% of total sales in FY23 (up from 8.8% in FY20)
- Continued to scale digital and eCommerce capacity and service. All three websites have been re-platform Q2 FY24
- Improved speed and customer delivery options
- Built perfectstranger.com.au to a \$1m+ pa revenue run rate in FY23 and looking to scale and build brand awareness further
- Customer centric digital strategy delivers on mission to *Make Shopping Easier, Make Shopping Personal and Make Shopping Valuable*

OPTIMISE PRODUCT MIX



- FY23 product gross margin grew to 59.0% (from 56.6% at FY20)
- Ongoing brand and range curation, injecting fresh new product and brands into offering
- Progressed direct sourcing shift to further improve margins
- Testing suppliers outside of China in order to diversify our supply chain
- Further developing PS brand and range with two new additions to the team: Dedicated PS Designer and Buyer for the retail stores

CUSTOMER



- Average LFL store growth over last 4 years is ~9.4% (FY20-FY23)
- Continuing to expand market share through superior customer service, inspirational stores and curated range with intense focus on right product, right place, right time.
- Further developed our Customer Data Platform to enhance analytic capabilities, and customer insights
- Maintaining our customer-led and complimentary private brand strategy

SUSTAINABILITY



- FY23 CTC acquisition: capability building through training, product certification reporting systems and supplier engagement
- Established a Sustainability Committee to oversee the implementation of our Sustainability Plan to 2030.
- Dedicated resources and invested in internal capability across brands to improve packaging and certification outcomes
- Initiated the "phase out" of single use plastic bags for reusable totes

PRODUCTIVITY



- Refined our newly-implemented Warehouse Management System (WMS) to drive a 20% productivity improvement in the fulfillment of customer and store orders with 99.8% accuracy
- Relocated Office and DC (late September 22)
- Completed a national rollout of 'Right team, Right time (RTRT)' to drive productivity and lift conversion rates in stores
- Full Human Capital Management (HCM) system implementation planned for FY24.
- Execute on IT roadmap, including ongoing upgrade to store network and progress our Enterprise Resource Planning review

UNIVERSAL STORE SUSTAINABILITY TARGETS

THE GROUP IS COMMITTED TO RESPONSIBLE PRACTICES AND PLAYING OUR PART IN ACCELERATING THE TRANSFORMATION OF OUR INDUSTRY TOWARDS A SUSTAINABLE FUTURE. WE HAVE REFINED OUR APPROACH TO SUSTAINABILITY FOCUSING ON FOUR STRATEGIC PILLARS: TREAD LIGHTLY, TRANSPARENCY, CLIMATE ACTION AND AMPLIFY OUR ACTIONS

TREAD LIGHTLY

Reduce our impact.
Preserve our resources.
Restore the planet.

PRODUCT EXCELLENCE

ELIMINATE WASTE

- 11 **ENVIRONMENTAL TARGETS** Targeting zero waste to landfill from DC operations by 2030
- 12 **ENVIRONMENTAL TARGETS** 100% of bags and online mailers are reusable, recyclable or compostable by 2025

RESPONSIBLE PROCUREMENT

- 12 **ENVIRONMENTAL TARGETS** Procure at least 50% of all cotton from certified sources by 2025
- 12 **ENVIRONMENTAL TARGETS** Procure at least 50% of polyester from certified recycled sources by 2025

TRANSPARENCY

Put an end to poor working conditions and improve lives of workers.

SUPPLIER PARTNERSHIPS

POLICIES & PROCEDURES

- 8 **ENVIRONMENTAL TARGETS** 100% of our manufacturing and key 3rd party brands endorse our Supplier Code of Conduct by end of FY23.

SOCIAL AUDITS

- 8 **ENVIRONMENTAL TARGETS** 100% of Tier 1 factories were audited by 2022. Targeting 100% of Tier 2 factories audited by FY24.

ENERGY & WATER EFFICIENCY

- 12 **ENVIRONMENTAL TARGETS** We are targeting suppliers with manufacturing facilities applying best practice water, waste and chemical management practices by 2025

CLIMATE ACTION

Reverse climate change and take action to end the climate crisis.

COMMUNITY IMPACT

REDUCE CARBON EMISSIONS

- 7 **ENVIRONMENTAL TARGETS** 100% stores equipped with energy efficient LED lights completed by 2022
- 13 **ENVIRONMENTAL TARGETS** Climate action plan presented to the Board Q1 FY24. 2030 emission reduction targets are being refined and will be confirmed Q3 FY24
- 7 **ENVIRONMENTAL TARGETS** Develop a plan to target 100% of electricity for our support office and DC from renewable sources by 2025

AMPLIFY OUR ACTIONS

Work together as a team with our community, suppliers, and customers to deliver positive impact

CHARTER OF ENVIRONMENTAL ATTRIBUTES

- 12 **ENVIRONMENTAL TARGETS** We have 1M customer education touchpoints on responsible use and care of garments by 2025

FY24 YTD TRADING UPDATE

WHILE FY24 YTD GROUP LFL SALES HAVE BEEN NEGATIVE, THERE ARE SIGNS OF AN IMPROVING TREND AS THE FY24 YTD PERIOD HAS PROGRESSED

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 pcp³, improving to -4.4% during the seven trading weeks of October and November to date⁴; 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).



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.

FY24 OUTLOOK

THE GROUP REMAINS CONFIDENT IN ITS LONG-TERM STRATEGY

- The Group continues to see changes in customer spending habits, specifically a decline in spending in regional areas of eastern Australia, contrasting with more robust performance in metropolitan & CBD locations.
- UNI has taken proactive steps to refine its product offerings in these markets, placing heightened emphasis on catering to preferences of price-conscious customers. UNI's resolute commitment to promotional discounting discipline remains.
- The Group remains focused on managing its CODB through a series of initiatives, including optimising store labour and targeted DC productivity enhancements
- Inventory remains well-managed as the Group continues to take proactive steps to ensure stock remains fresh and appealing to its customers.
- 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 growth plans and manage risks;
 - technology, to optimise its operations and improve customer service;
 - Store rollout with a further two to three Universal Store sites in the second half of FY24, with plans for more new PS stores in the second half of FY24; and
 - 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.
- 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.



DISCLAIMER

The material contained in this presentation has been prepared by Universal Store Holdings Limited ABN 94 628 836 484 (Universal Store) and is general background information about the businesses, operations and activities of Universal Store and its subsidiaries, current as at the date of this presentation. The information is provided in summary form only and does not purport to be complete or comprehensive. The information in this presentation should not be considered as advice or a recommendation for investment purposes, as it does not take into account your particular investment objectives, financial position or needs. These factors should be considered, with or without independent professional advice, when deciding if an investment is appropriate.

This presentation may contain forward-looking statements with respect to the operations and businesses of the Universal Store. The assumptions underlying these forward-looking statements involve circumstances and events that have not yet taken place and which are subject to uncertainty and contingencies outside Universal Store's control. Readers are cautioned not to place undue reliance on any forward-looking statements. Universal Store does not undertake any obligation to publicly release the result of any revisions to forward-looking statements in this presentation or to otherwise update forward-looking statements, whether as a result of new information, future events, or otherwise, after the date of this presentation. Past performance is not a reliable indication of future performance.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of the material contained in this presentation is accepted by Universal Store.

UNIVERSAL SPIRIT

The unique ability to create memorable and positive experiences for all. Creating an experience that is fun, open and based on kindness.
The environment that enables a person to be their best.

Universal Store