Lovisa Holdings Limited
2018 FULL YEAR

SHANE FALLSCHEER — MANAGING DIRECTOR
CHRIS LAUDER — CHIEF FINANCIAL OFFICER

Some of the information contained in this presentation contains “forward - looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect the current intentions, plans, expectations, assumptions and beliefs about future events of Lovisa Holdings Limited (LOV) and are subject to risks, uncertainties and other factors, many of which are outside the control of LOV.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks.

Because actual results could differ materially from LOV’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.

EBIT up 26%

$51.1M

Total Stores

326

Net increase of 38 stores

Like for Like Sales

+6.8%

NPAT $36.0M

up 24%

Final Dividend

14.0 CPS

Fully Franked

Revenue up 21.4%

$217.0M

CONTENTS

FULL YEAR OVERVIEW

- EBIT up 26% to $51.1m
- Comparable store sales growth of 6.8%
- Gross margin increased to 80.0% due to continued strong range performance, disciplined inventory management, product optimisation, and currency benefits
- Continued global rollout strategy with a further net 38 stores opening during the year and entry into the US and France markets
- UK rollout continuing, and we continue to source new sites in Spain, France and the US
- We continue to invest in the structure of the business to support global growth, with investment in rollout of new territories, global support structures and the expanded property team
- Cash flow from operations lifted 20% to $60.6m with operating cash conversion at 104% with working capital management remaining a key focus
- Directors determined to pay a fully franked final dividend of 14.0 cents being a lift of 6.4 cents on the prior comparable period, taking the full year dividend to 27.0 cents

FINANCIAL OVERVIEW

Lovisa

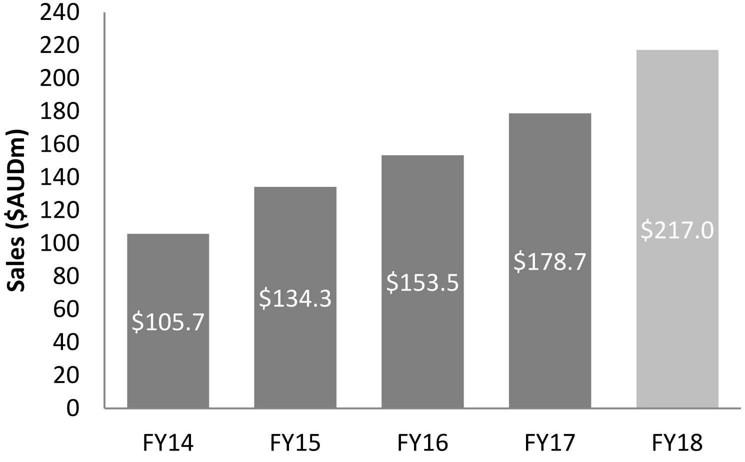
Continued earnings growth following increase in LFL sales and margin

($000)	FY18	FY17	Variance
	Actual	Actual	Actual
Revenue	217,010	178,746	21.4%
Gross profit	173,637	140,822	23.3%
EBITDA	58,200	46,243	25.9%
EBIT	51,074	40,704	25.5%
NPAT	35,954	29,046	23.8%
EPS (cents)	34.2	27.7	6.5 cents
Final Dividend (cents)	14.0	7.6	6.4 cents

- Revenue up 21.4% with comparable store sales up 6.8% for the year
- Gross profit of $174m up 23% reflecting improved margins
- CODB maintained at 53% despite continued investment in global support structure and new territory expansion to support future growth
- Net profit after tax increased 23.8% to $36m with EPS of 34.2 cents per share
- Continued international expansion with a net increase of 38 stores during the year
- Strong cashflow generation and tight inventory management
- Directors declared a fully franked final dividend of 14.0 cents being a lift of 6.4 cents on the prior comparable period

TRADING PERFORMANCE - SALES

Comparable sales up 6.8%



- Total Global Sales Revenue up 21.4% to $217m
- Comparable store sales up 6.8% driven by strong performance of Christmas and Boxing day sales periods in the first half, and continuing to deliver on key trends in the fashion jewellery sector

TRADING PERFORMANCE - SALES

Sales increase across all regions

Region ($AUD '000)	FY18	FY17	Variance
Australia / NZ	132,013	122,577	7.7%
Asia	34,558	28,320	22.0%
Africa	30,499	21,895	39.3%
Europe/Americas	18,393	4,830	280.8%
Total	215,463	177,622	21.3%

*Sales revenue excluding franchise income

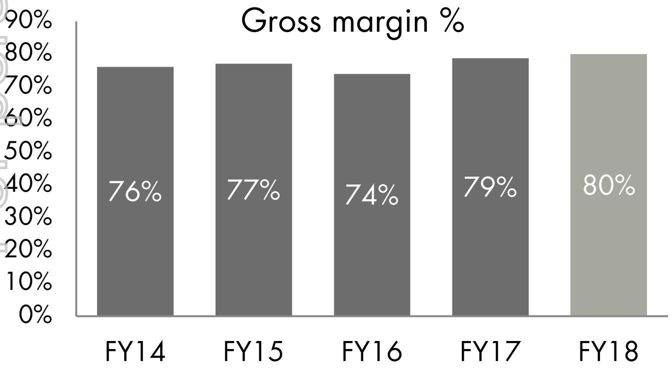
- All regions reflecting positive comparable store sales growth for the year
- Australia and New Zealand region delivered a strong year with sales up 7.7%
- Europe/Americas sales reflect continued new store growth in the UK with an increase of13 stores for the year, 5 stores now in Spain, 2 stores in France and 1 the US
- Asia sales up 22% following continued strong comparable store sales in Malaysia combined with 3 new stores opened in the region during the year
- South African sales lifted by 39% to $30m following the addition of net 6 stores, benefiting from the impact of the Klines store acquisition in May 2017.

TRADING PERFORMANCE - GROSS MARGIN

Gross margin increased to 80.0%

Gross Margin at Constant Currency*			
	FY18	FY18	FY17
Currency USD	0.75	0.72	0.72
Sales	217,010	217,010	178,746
Cost of Sales	(43,373)	(45,291)	(37,924)
Gross Profit	173,637	171,719	140,822
Gross Margin	80.0%	79.1%	78.8%

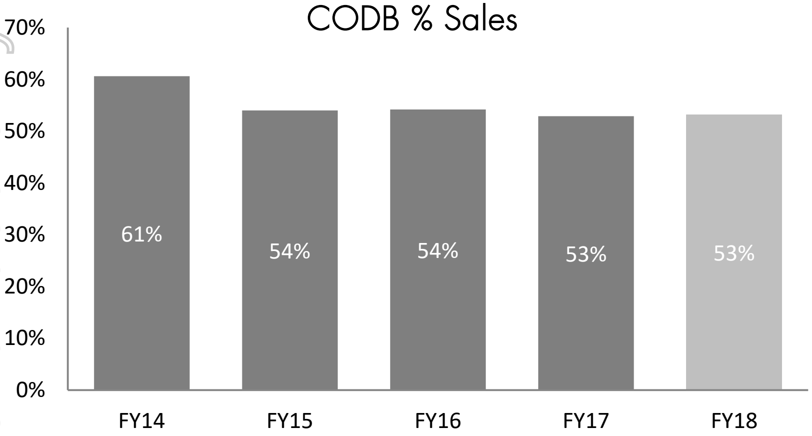
*Constant currency impact on inventory purchases



- Gross profit increased 23% to $173.6m
- Gross Margin was 80.0% up 120 basis points from 78.8% in the prior year
- Gross Margin on a constant currency basis was79.1%
- Gross Margin increase driven by on-trend product, continued strong inventory management, as well as strong performance of Christmas and Boxing Day period in the first half

COST OF DOING BUSINESS

Continued investment in global rollout



- Continued reinvestment back into the growth of the business resulted in CODB percentage to sales being maintained at 53%
- One-off impact of relocation of Melbourne support office and distribution centre
- CODB impacted by higher operating costs of new territories
- Operating costs remain well controlled with CODB increases focused on entry into new territories and store network growth

CASH FLOW

Strong Cash Conversion and Inventory Management

(A$000s)	FY18	FY17
Cash from operating activities	60,605	50,364
Net interest paid	81	(262)
Tax paid	(13,895)	(10,471)
Net cash from operations	**46,791**	**39,631**
Property Plant & Equipment	(14,116)	(8,800)
Key Money	(1,162)	-
Net cash used in investing activities	**(15,278)**	**(8,800)**
Repayment of borrowings	-	(12,000)
Dividends paid	(21,632)	(12,600)
Net cash used in financing activities	**(21,632)**	**(24,600)**
Opening cash	11,039	4,729
Effect in movement in exchange rates	137	79
Closing cash	**21,057**	**11,039**
Net movement in cash	**9,881**	**6,231**

- Cash flow from operations lifted 20% to $60.6m with operating cash conversion at 104%
- Capital expenditure of $15.3m for the year, including payments of $1.2m for key money in France and Spain
- Higher capex spend per store as we build scale and rollout in new markets
- Dividends of $21.6m paid during the year following a 30% increase in interim dividend
- Increase in cash for the year of $10m, with closing cash balance of $21.0m and $25m of undrawn financing facilities

BALANCE SHEET

Strong Balance Sheet with Significant Capacity Available To Fund Growth

- Disciplined inventory management with growth in inventory levels in line with growth in store numbers
- Material headroom in the company's fixed charge ratio and operating leverage covenants, and $25m financing facilities available, plus $15m acquisition finance facility (subject to bank due diligence)
- Net cash of $21m at year end
- Our strong balance sheet position, free cash flow generation and fast store payback give us the ability to fund store network growth

(A$000s)	FY18	FY17
Net Cash	21,057	11,039
Receivables	4,881	3,615
Inventories	14,945	13,127
Derivatives	1,429	-
Total current assets	**42,312**	**27,781**
Property Plant & Equipment	22,411	15,658
Intangibles	3,563	2,276
Deferred tax asset	4,535	3,275
Total assets	**72,821**	**48,990**
Payables	11,747	10,001
Derivatives	-	805
Provisions	10,067	6,936
Total current liabilities	**21,814**	**17,742**
Provisions	5,765	3,059
Total liabilities	**27,579**	**20,801**
Net assets	**45,242**	**28,189**

Covenants	FY18	FY17
Fixed charge ratio > 1.40	2.68	2.59
Operating leverage < 1.75	0.06	0.09

STORE GROWTH

International Rollout Continues with a Net Increase of 38 Stores

Store number growth

Country	FY18	FY17	Var	Est. Store Capacity
Australia	151	145	6	150+
New Zealand	20	18	2	18-20
Singapore	22	21	1	20-25
Malaysia	21	19	2	20-25
South Africa	56	50	6	55+
United Kingdom	24	11	13	100
Spain	5	1	4	TBC
France	2	-	2	TBC
USA	1	-	1	TBC
Middle East	18	19	(1)	50
Vietnam	6	4	2	10-15
Total	326	288	38	

- Number of international stores growing with offshore territories now 54% of the store network
- Net increase of 38 stores for the year, with 52 new stores opened offset by 14 closures as we constantly focus on network optimisation
- First store opened in the US in November 2017 and first French store opened in February 2018
- UK store rollout gaining momentum with 13 new stores opened during the year
- Global Property team now in place with resources in key markets, a key component to driving new market leasing deals
- We continue to be diligent in ensuring store locations and rent economics meet internal hurdles

OPERATIONAL UPDATE

- We continue to focus on investment in people and processes to ensure we remain efficient as we grow and able to execute on our strategic plans
- Key operational and IT changes complete/underway:
  - Move of our third party logistics hub from Hong Kong to Qingdao China
  - Change in logistics provider to deliver a more efficient supply chain
  - Upgrade of our in-store point of sale hardware and software complete
  - Replacement of our global store labour management and rostering system underway
  - Implementation of new lease database software complete
- Work underway for entry into e-commerce via Lovisa.com during FY19
- Process ongoing for appointment of Chief Operating Officer as well as other senior leadership positions to add to our bench strength

BOARD RENEWAL

- The Board is currently well advanced in the appointment of a new independent non-executive Director to replace Paul Cave
- The Board would also like to announce that after 2 years in the role, Michael Kay will be stepping down as a Director and Chairman of the Company effective from 31 October 2018. Michael joined the Board in April 2016 with a two year commitment to help bring improved structure and rigour to the Lovisa Board, which as can be seen from our performance over the past two years has been achieved. As a result Michael will now step down as the company moves into its next phase of international expansion.
- The Board would like to thank Michael for his outstanding service to the Company and his stewardship during a period that has seen substantial growth in the business.
- Co-founder and substantial shareholder Brett Blundy will now join the Board (Brett is currently appointed as an alternate Director to Tracey Blundy), and will assume the role of Chairman effective 1 November 2018. Brett brings a wealth of retail and leadership experience to the Board.
- Brett is one of Australia's most successful retailers and entrepreneurs. He is the Chairman and Founder of BBRC, a private investment group with diverse global interests across retail, capital management, retail property, beef, and other innovative ventures. BBRC's Retail presence extends to over 800 stores across more than 15 countries, and its Capital Management business has offices in Sydney & New York. Brett is currently a non-executive director of Accent Group Limited (ASX:AX1) and Aventus Retail Property Fund (ASX: AVN).
- In addition to the above changes the Board will also seek to appoint a further independent non-executive Director to the Board

STRATEGY RECAP

- Lovisa is a vertically integrated fast fashion jewellery retailer with end to end product development capabilities supporting high gross margins
- Global brand with reach across 15 countries
- Scalable rollout model with centralised merchandising, marketing and back office to support in-country operations
- Building in country support functions to better support new territories where required
- Small store foot print with low build costs that generates strong cash conversion with an average store payback less than twelve months
- We continue to invest in the global support structure of the business to ensure success as the international rollout continues
- 54% of store network now outside of Australia

TRADING UPDATE AND OUTLOOK

- We continue to cycle particularly strong comparable store sales delivered over recent years, with growth above our target range delivered in each of the past 4 years, which will make continuation of the comparable store sales momentum delivered in FY18 more challenging.
- Whilst we continue to maintain positive comparable store sales growth for the first 7 weeks of FY19, we are currently trading below our long-term target range of 3-5%.
- Subject to being able to source suitable sites, we expect to accelerate the store rollout in the coming year, with the increase in number of stores for FY19 to be higher than FY18, and will continue to invest in our support structures ahead of the growth curve to drive store network expansion.
- We forecast to go into Christmas trading with at least 7 stores in each of the US, France, and Spain markets as we continue to build our presence.

SUMMARY

- EBIT of $51.1m and 80% gross margin (79% on constant currency)
- Comparable store sales growth of 6.8%
- Lift in margin following tight inventory management and strong Christmas and Boxing Day sales period
- CODB investment well managed to focus on laying the platform for future growth
- Tight stock and cost control with cash conversion at 104%
- International expansion continued with a further net 38 stores opening during the year and a total network of 326 stores at year end
- 54% of store network now outside of Australia
- UK rollout continuing, and scale expected to build in new markets Spain, France and the US as we head towards Christmas
- Fully franked final dividend of 14.0 cents per share

Lovisa

APPENDICES

APPENDIX 1

ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Lovisa Holdings Limited is required to make a clear statement about the non-IFRS information included in the Profit announcement and Full Year presentation for the year ended 1 July 2018.

In addition to statutory report amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing financial performance of the Group and Individual Segments:

Non-IFRS measures used in describing the Business Performance include:

- Earnings before interest tax (EBIT)
- Earnings before interest, tax, depreciation, amortisation (EBITDA)
- Comparable Store Growth

In addition to the above the following non-IFRS measures are used by management and the directors to assess the underlying performance of the Group for half year.

- Constant Currency Margin

The directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the continuing business.

Many of the measures used are common practice in the industry within which Lovisa operates. The Profit Announcement and Half Year presentation has not been audited or reviewed in accordance with Australian Auditing Standards.

Definitions

- EBITDA - Result from operating activities before Depreciation and Amortisation
- EBIT - Result from operating activities
- Comparable Store Growth - Sales performance compared to last periods for stores trading in the retail network greater than one year before foreign currency movements
- Net Cash - Cash on hand less overdraft
- Constant Currency Margin - Stock purchases in USD held constant from prior year

APPENDIX 2 – PROFIT AND LOSS STATEMENT

Lovisa

($'000)	FY18	FY17	Variance
	Actual	Actual	Actual
Revenue	217,010	178,746	21.4%
Cost of sales	(43,373)	(37,924)	14.4%
Gross profit	173,637	**140,822**	**23.3%**
Employee expenses	(55,514)	(45,276)	22.6%
Property expenses	(34,713)	(28,683)	21.0%
Distribution expenses	(7,213)	(4,464)	61.6%
Depreciation	(7,126)	(5,539)	28.7%
(Loss)/profit on disposal of PPE	(463)	(785)	(41.0%)
Other expenses	(17,534)	(15,371)	14.1%
Operating profit	51,074	**40,704**	**25.5%**
Finance income	192	142	35.2%
Finance cost	(111)	(404)	(72.5%)
Profit before tax	51,155	**40,442**	**26.5%**
Income tax expense	(15,201)	(11,396)	33.4%
Net profit after tax	35,954	**29,046**	**23.8%**
EPS (cents)	34.2	27.7	6.5
Full Year Dividends cents per share	27.0	17.6	9.4

APPENDIX 3 – KEY RISKS

Foreign Currency	• Majority of goods that are imported are priced in USD. Consequently Lovisa is exposed to movements in the USD exchange rate • As international growth continues Lovisa will be exposed to movements in the exchange rates of the countries it operates
Store Growth	• Lovisa's growth strategy is based on its ability to increase earnings from existing stores and continue to open and operate new stores on a timely and profitable basis • Lovisa's store rollout program is dependant on securing stores in suitable locations on acceptable terms and may be impacted by factors including delays, cost over runs and disputes with landlords
Property	• Failure to renew existing leases on acceptable terms or an inability to negotiate alternative arrangements could adversely affect Lovisa's ability to operate stores in preferred locations
Merchandising	• Lovisa's revenues are currently generated from the retailing of jewellery which is subject to change in prevailing fashions and consumer preferences • Failure by Lovisa to predict or respond to such changes could adversely impact its financial performance • Any failure by Lovisa to correctly judge customer preferences or to convert market trends into appealing product offerings on a timely basis may result in lower revenue and margins • Any unexpected change in prevailing fashions or customer preferences may lead to Lovisa carrying increased obsolete inventory • Lovisa's products are manufactured directly in factories in China, India and Thailand. As a result Lovisa is exposed to risks including foreign currency, politically instability, increased security requirements for goods, cost and delays in international shipping arrangements, imposition of taxes and other charges
Employment Costs	• Lovisa's employees are covered by enterprise bargaining agreements and other workplace agreements that periodically require renegotiation and renewal. Any such renegotiation could result in increased labour costs for Lovisa
Product	• Lovisa's name and its related intellectual product are key assets of the business. The reputation and value associated with Lovisa and related intellectual property rights could be adversely impacted by a number of factors including failure to provide customers with quality of product and service standards they expect, disputes or litgation with third party such as employees, suppliers or customers

APPENDIX 4 – GLOBAL BRAND STRATEGY

Vision	• Internationally recognised brand • Global footprint • Brand of choice for fast fashion jewellery
Growth Engine	• High Margin business operating in small store footprint • Fit out cost generally low with compelling return and pay back period • Inexpensive entry to new territories with ability to leverage off one support centre across the Globe • Successful in all territory entries to date
International Expansion	• Continue to leverage current international territories • Leverage the Company's capital in large international territories • UK pilot program successful and roll out of UK territory under way • Pilots underway in Spain, France and the US • Consider franchise partners for selected territories
Global Supply Chain	• Continue to streamline and optimise supply base in Asia • Optimise air and sea freight whilst maintaining a "speed to market" operating model • Consider Northern Hemisphere Distribution centre
Store Performance	• Optimise and improve existing store network • Continue to target high traffic shopping precincts
Brand Awareness	• Continue to leverage social media to connect with customers and increase brand loyalty • Stay on trend with shifts in the jewellery market • Continue to provide a high quality and diverse product offering