



Lovisa Holdings Limited
2018 Annual General
Meeting



Welcome to the
Annual General Meeting of
Lovisa Holdings Limited

Michael Kay
Chairman



EBIT up 26%

\$51.1M



NPAT \$36.0M

up 24%



Like for Like Sales

+6.8%



Revenue up 21.4%

\$217.0M

Total Stores

326

Net increase of 38 stores



Final Dividend

14.0 CPS

Fully Franked





ANNUAL GENERAL MEETING

Shane Fallscheer
Managing Director



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FULL YEAR OVERVIEW



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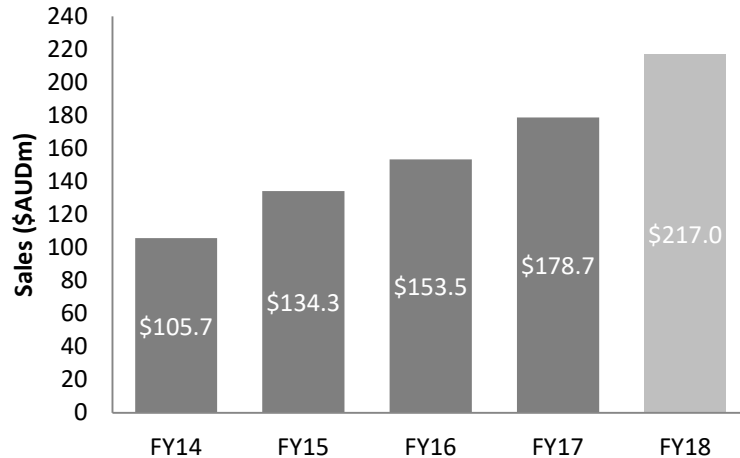
- EBIT up 26% to \$51.1m
- Comparable store sales growth of 6.8%
- Gross margin increased to 80.0% due to continued strong range performance, disciplined inventory management, product optimisation, and currency benefits
- Continued global rollout strategy with a further net 38 stores opening during the 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



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 – GROSS MARGIN



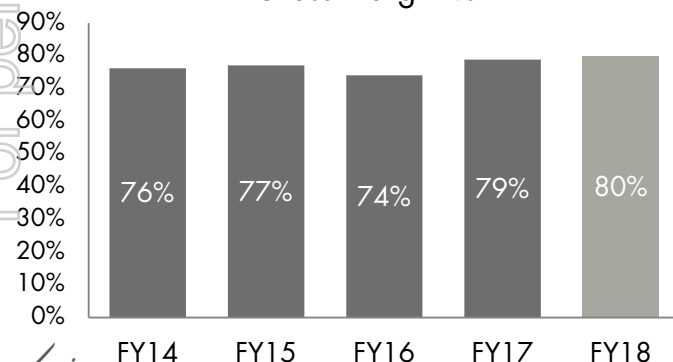
Gross margin increased to 80.0%

Gross Margin at Constant Currency*

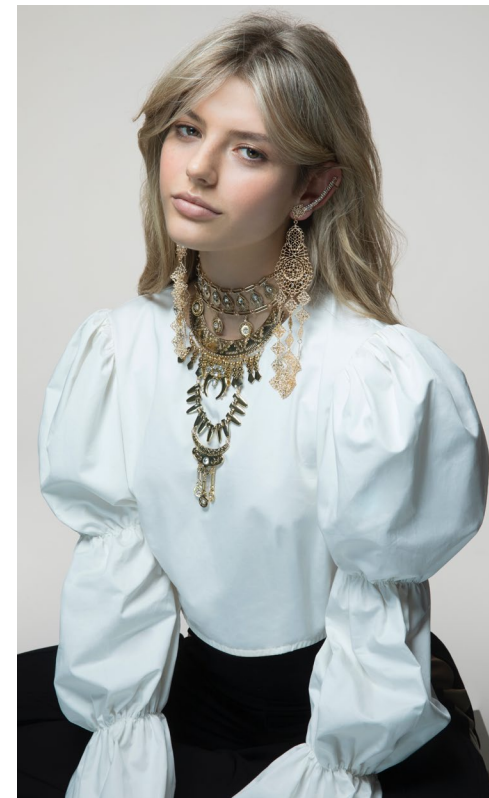
	FY18	FY18	FY17
Currency USD	0.75	0.72	0.72
Sales	217,010	217,010	178,746
Cost of Sales	(43,373)	(45,291)	(37,924)
Gross Profit	173,637	171,719	140,822
Gross Margin	80.0%	79.1%	78.8%

*Constant currency impact on inventory purchases

Gross margin %



- 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 was 79.1%
- 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



CASH FLOW AND BALANCE SHEET



Strong Cash Flow and Balance Sheet with Significant Capacity Available To Fund Growth

- Strong cash flow with operating cash conversion at 104%
- 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 complete
 - 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 complete
 - Replacement of global ERP system underway
- e-commerce now live in Australia and NZ via Lovisa.com



PEOPLE UPDATE



- Mark Cripsey appointed as Chief Operating Officer, and will join the business in November
- Mark joins the company from Myer, where he was most recently Chief Operating Officer. Prior to that Mark was GM Online at Coles, and also spent time at Tesco and Accenture
- We are also pleased to advise that we have also appointed 2 additional senior roles in the business:
 - General Manager North America, and
 - General Manager Europe and Africa
- These roles are critical to the leadership of the business as we drive our global store network expansion



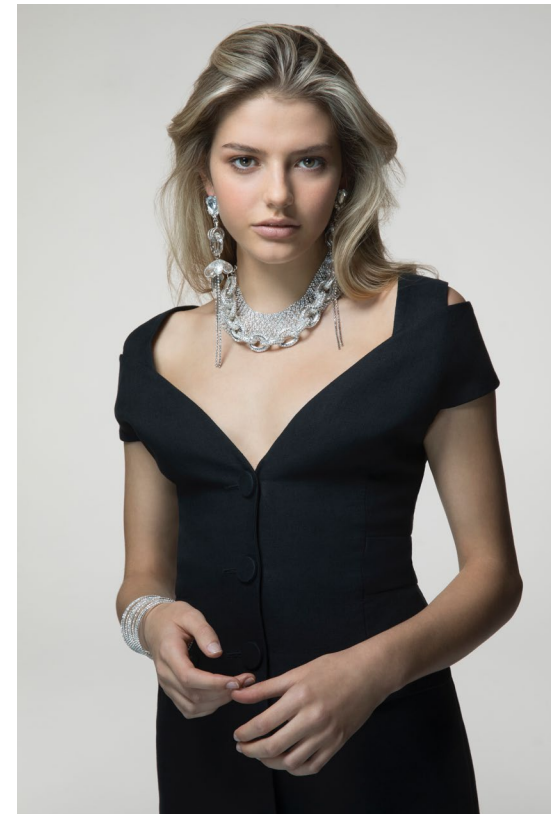
SUMMARY

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- 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



TRADING UPDATE AND OUTLOOK



- We continue to cycle particularly strong comparable store sales delivered over recent years, with growth above our long term target range delivered in each of the past 4 years, which will make a continuation of the comparable store sales momentum delivered in FY18 more challenging
- Year to date we continue to trade below our target comparable store sales range of 3 – 5%, with comparable store sales for the year to date -0.9% on last year
- We remind everyone that both Spring Racing and especially Christmas are still to come and play a very large part of both our first half and full year's performance, and we continue to remain acutely focused on ensuring that our strong gross margins are maintained and costs remain well controlled as we invest in the future growth of the business
- We continue our focus on global store network expansion, with 340 stores currently trading globally. We have a strong pipeline of new stores in progress, and expect to be trading from at least 360 stores as we go into Christmas which will include at least 7 stores in each of the US, France and Spain
- We continue to expect 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.



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.

