



Lovisa

Lovisa Holdings Limited
2019 ANNUAL GENERAL MEETING



WELCOME TO THE ANNUAL
GENERAL MEETING OF LOVISA
HOLDINGS LIMITED

James King
Director





BOARD OF DIRECTORS



Brett Blundy



James King



John Armstrong



Sei Jin Alt



Shane Fallscheer



Tracey Blundy

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

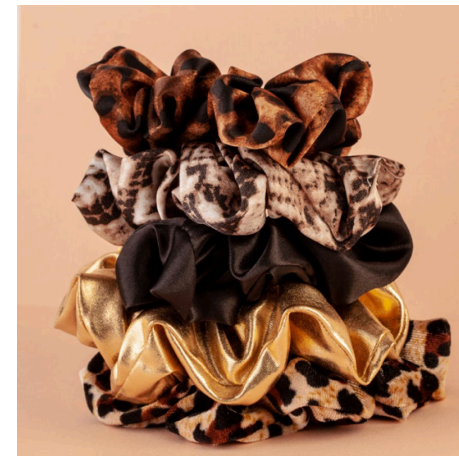


Chris Lauder

EBIT up 2.8%
\$52.5M



\$37.0M
NPAT
UP 3.0%



LIKE FOR LIKE SALES
-0.5%



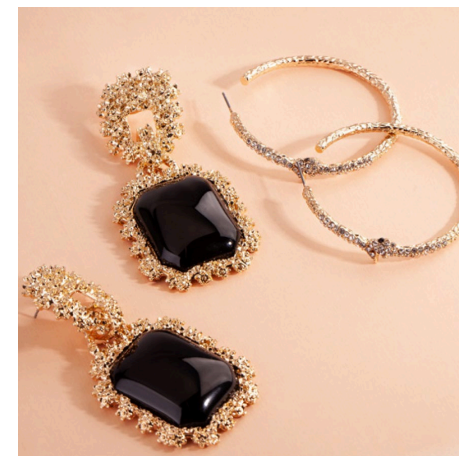
REVENUE UP 15.3%
\$250.3M

TOTAL STORES
390

NET INCREASE OF
64 STORES



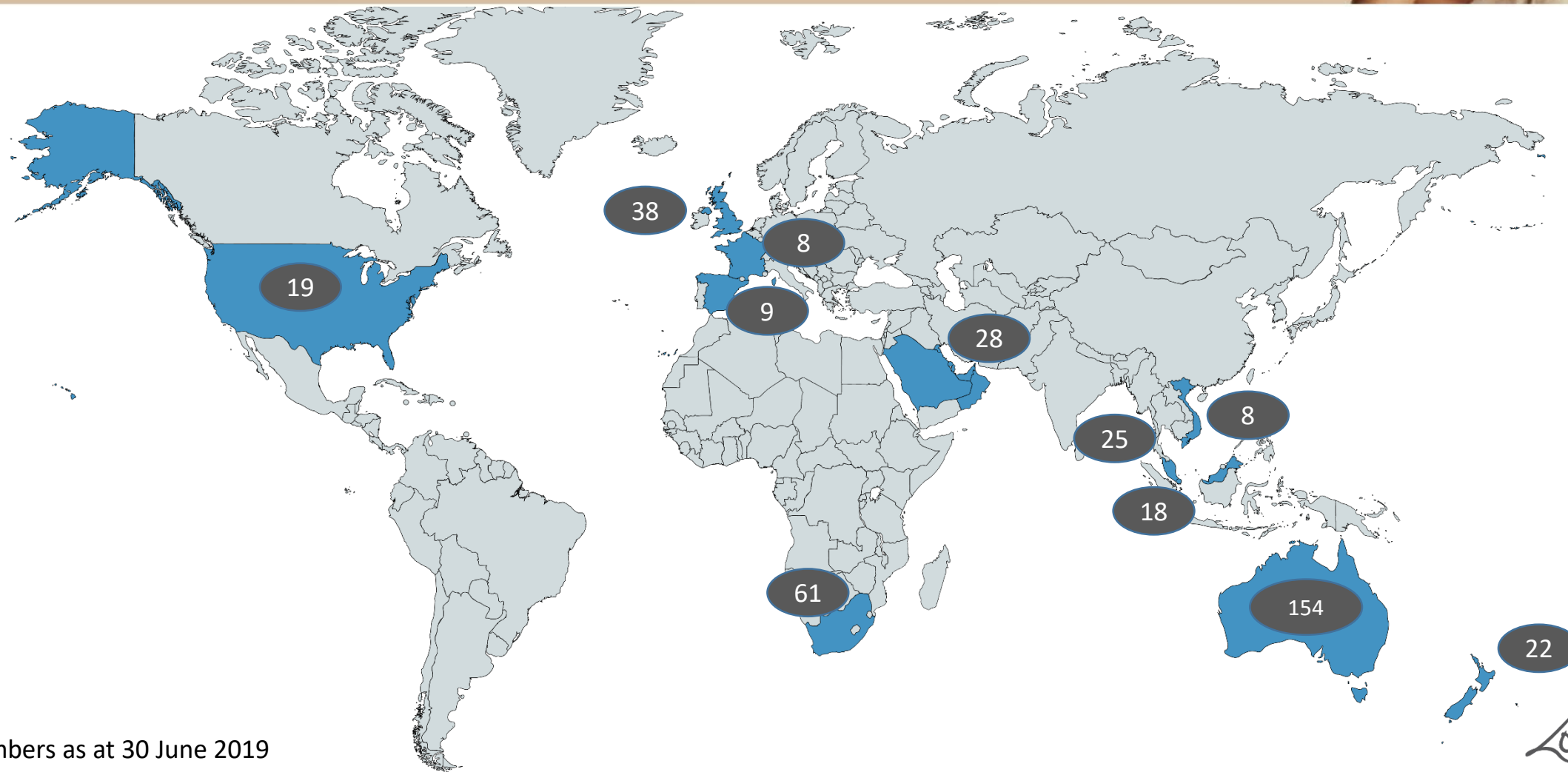
FINAL DIVIDEND
15.0 CPS
FULLY FRANKED



BRINGING BRILLIANTLY AFFORDABLE FASHION JEWELLERY TO THE WORLD



For personal use only



* Store numbers as at 30 June 2019

Lovisa



2019 ANNUAL GENERAL MEETING

Shane Fallscheer
Managing Director





FY19 FULL YEAR OVERVIEW

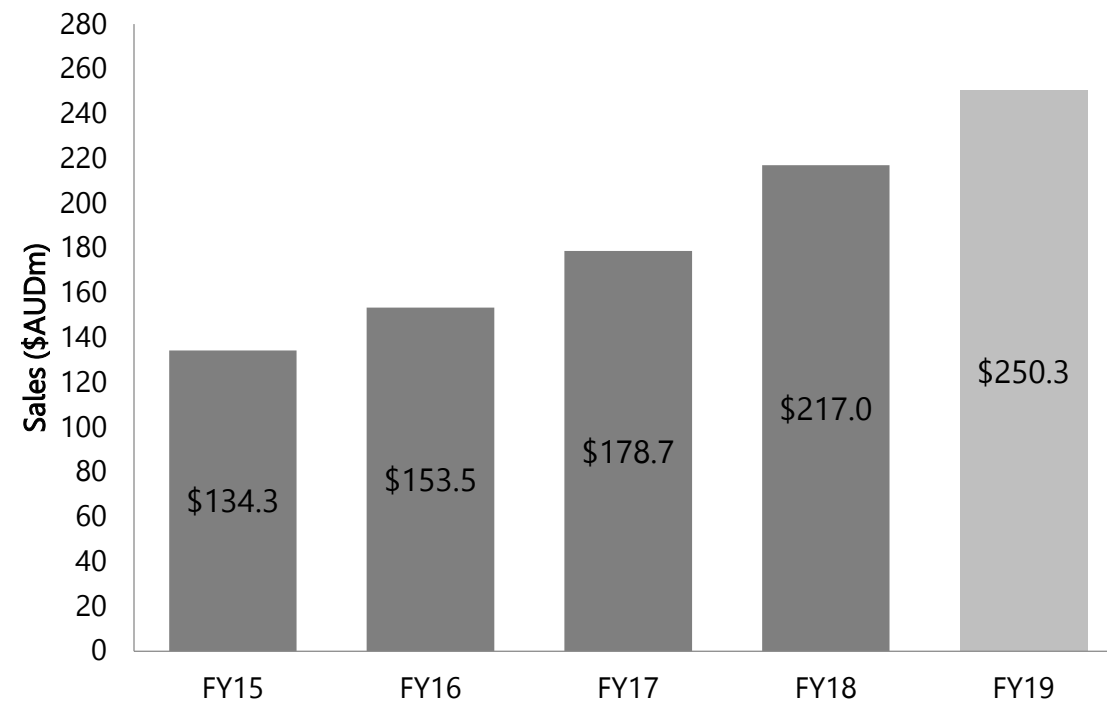
- EBIT up 2.8% to \$52.5m
- Total sales up 15.3% and comparable store sales down 0.5% for the full year
- Gross margin continued to be strong, increasing 50bps to 80.5%
- Continued global rollout strategy with a net 64 stores opening during the year, opening 24 stores in 2H19 on top of 40 in 1H19
- Rollout in the US and France markets ongoing, with operational structures in place to drive momentum
- US market rollout expanded into Texas and Florida
- CODB at 55.6% to sales impacted by ongoing investment in global structures, costs of rollout in new territories and higher operating costs in new markets
- eCommerce trading in the Australian/New Zealand market since October 2018 and UK/EU since July 2019, providing enhanced customer interaction capability
- Cash flow from operations lifted 10.1% to \$66.7m with operating cash conversion at 107% with working capital management remaining a key focus
- Directors resolved to pay a fully franked final dividend of 15.0 cents being a lift of 1.0 cent on the prior comparable period and taking the full year dividend to 33.0 cents, a 6.0 cent increase on prior year



TRADING PERFORMANCE - SALES

Total sales up 15.3% from continued global rollout

- Total Global Sales Revenue up 15.3% to \$250.3m from acceleration in store rollout
- Return to positive comparable store sales for 2H19, resulting in full year being down 0.5% compared to -1.8% in 1H19
- Improved comparable store sales across most markets in 2H19 after cycling particularly strong prior year sales through the first half
- We did not see the same strong fashion trends through the first half of the year that we saw in prior years, the effect of which continued in the second half
- We remained focused on preserving our gross margin through the year





TRADING PERFORMANCE - GROSS MARGIN

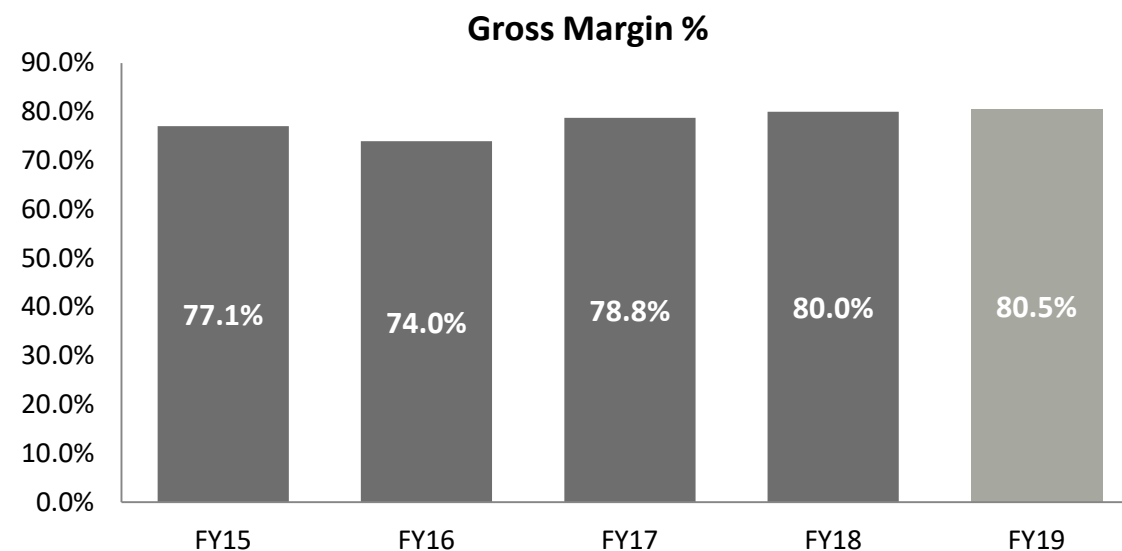
Gross margin increased to 80.5%

	Gross Margin at Constant Currency		
	FY19	FY19	FY18
Currency USD	0.76	0.75	0.75
Sales	250,282	250,282	217,010
Cost of Sales	(48,873)	(49,721)	(43,373)
Gross Profit	201,409	200,562	173,637
Gross Margin	80.5%	80.1%	80.0%

*Constant currency impact on inventory purchases

- Gross profit increased 16.0% to \$201.4m
- Gross Margin was 80.5% up 50 basis points from 80.0% in prior year
- Gross Margin on a constant currency basis was 80.1%

Lovisa



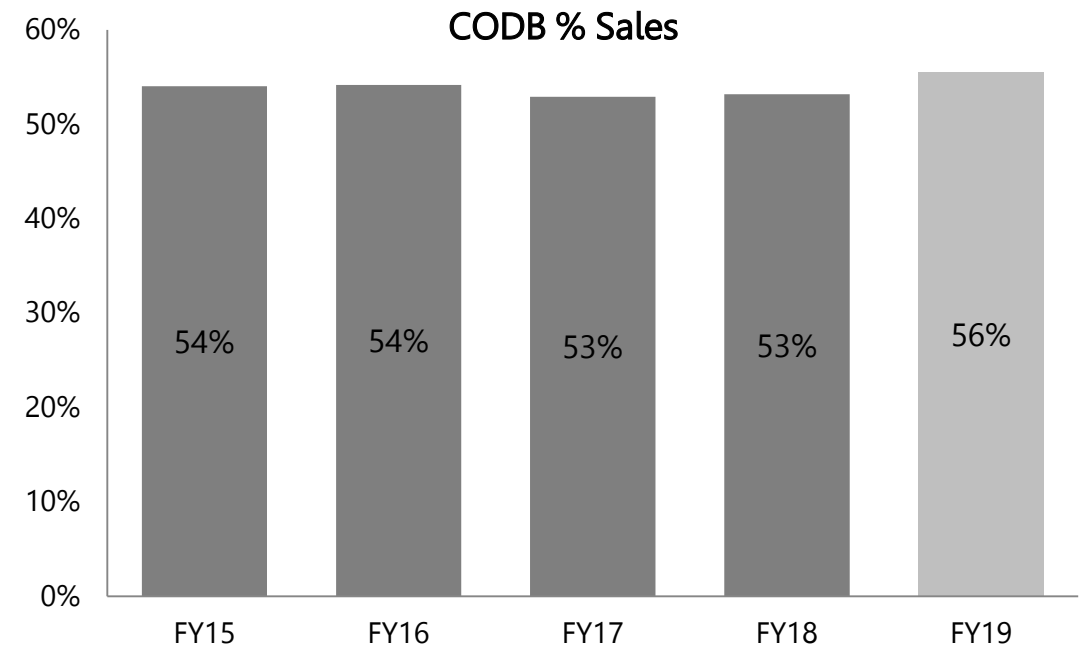
- Gross Margin increase driven by the benefit of favourable USD hedge rates through the year, particularly the first half, combined with tight inventory and promotion management
- The business remained focused on maintaining strong gross margins despite the more challenging trading conditions for the year



COST OF DOING BUSINESS

Continued investment in global rollout

- Investment into the growth of the business continued with the addition of a number of senior leadership roles into the structure during the year to lead both existing and new territories
- Acceleration of rollout in new territories has increased CODB with higher initial operating costs in these markets compared to existing averages
- Investment made into implementation of eCommerce site, live since October 2018 in Australia/NZ, and UK/EU since July 2019
- One-off impact of relocation of Hong Kong logistics operation to Qingdao, China in the first half
- Underlying operating costs remain under control with CODB increases focused on entry into new territories and store network growth





For personal use only

BALANCE SHEET AND CASH FLOW

Strong Balance Sheet with Significant Capacity Available To Fund Growth

- Balance sheet continues to be strong, with investment in fitout and inventory for new stores and e-commerce implementation funded from existing cash, and net cash of \$11.2m at year end
- Focus on disciplined inventory management continues, with increased inventory holding to support store rollout profile and franchise store growth
- Acceleration of the EU and USA rollouts currently able to be funded from our strong balance sheet position, free cash flow generation and \$25m available facilities
- This has allowed the payment of an increased final dividend of 15 cents per share
- We will continue to review dividend levels going forward based on cash and facilities available and capital requirements of store network expansion

(A\$000s)	FY19	HY19	FY18
Net Cash	11,192	32,284	21,057
Receivables	7,413	4,631	4,881
Inventories	22,769	19,474	14,945
Derivatives	645	1,268	1,429
Total current assets	42,019	57,657	42,312
Property Plant & Equipment	38,418	30,574	22,411
Intangibles	4,418	3,890	3,563
Deferred tax asset	6,372	4,835	4,535
Total assets	91,227	96,956	72,821
Payables	23,659	20,591	11,747
Provisions	6,465	10,191	10,067
Total current liabilities	30,124	30,782	21,814
Provisions	7,452	8,397	5,765
Total liabilities	37,576	39,179	27,579
Net assets	53,651	57,777	45,242

Covenants	FY19	HY19	FY18
Fixed charge ratio > 1.40	2.47	2.59	2.68
Operating leverage < 1.75	0.23	0.08	0.06



BRINGING BRILLIANTLY AFFORDABLE FASHION JEWELLERY TO THE WORLD



STORE GROWTH

International Rollout Accelerates with a Net Increase of 64 Stores

Store number growth

Country	FY19	FY18	Var
Australia	154	151	3
New Zealand	22	20	2
Singapore	18	22	(4)
Malaysia	25	21	4
South Africa	61	56	5
United Kingdom	38	24	14
Spain	9	5	4
France	8	2	6
USA	19	1	18
Middle East	28	18	10
Vietnam	8	6	2
Total	390	326	64

- Number of international stores growing with offshore territories now 61% of the store network
- Net increase of 64 stores for the year, with 70 new stores opened offset by 6 closures, as well as 12 relocations, as we constantly focus on network optimisation
- UK store rollout continued with 14 new stores opened during the year, however pace of rollout slowed in the second half
- US rollout progressing well, with stores open in California, Texas and Florida, and a strong pipeline of new stores
- French rollout gaining momentum
- Global Property team 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
- Investment made into a number of senior roles in the first half of the financial year to lead our key markets, as well as leasing team and regional store management in growth regions
- e-commerce live in Australia and NZ via Lovisa.com from October 2018, UK/EU launched in July 2019 via Lovisa.uk
- Key operational and IT changes completed during the year:
 - 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 complete
 - 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 our global finance system complete



SUMMARY

- EBIT of \$52.5m and 80.5% Gross Margin (80.1% on constant currency)
- Comparable store sales down 0.5% for the year, with positive comparable store sales for the second half
- Lift in margin benefiting from currency tailwinds and tight inventory and promotion management
- Continued CODB investment focused on laying the platform for future growth
- Tight stock and cost control with cash conversion at 107% in spite of ongoing investment in stock for new store rollout
- International expansion continued with a further net 64 stores opening during the financial year and a total network of 390 stores at financial year end
- 61% of store network now outside of Australia
- Rollout underway in the USA and France markets and gaining momentum
- Fully franked final dividend of 15.0 cents per share



TRADING UPDATE AND OUTLOOK

- Trading since the end of the financial year has seen a continuation of the improvement seen in the second half, with comparable store sales for the 17 weeks to date of +2.3%
- Currency headwinds have begun to have an impact and will continue to do so through FY20 as our average USD hedge rate is expected to fall below US\$0.70
- We continue our focus on expanding our store network, and continue to expect the increase in number of stores for FY20 to be higher than in FY19
- 31 net new stores opened since the end of FY19 taking the store network to 421, with 33 stores currently trading in the US across 5 states
- We will continue to invest in our support structures, in particular in the USA, to support store network growth and the larger business.

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.

