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ASX Market Announcements Office
ASX Limited

LOVISA HOLDINGS LIMITED (LOV) UPDATE

Store trading update

As announced previously, Lovisa was forced to progressively close its store network globally due to COVID-19, with most stores closed by the end of March 2020. We are now pleased to announce that our business has re-opened beginning in mid-April with the Australian stores, and progressively across all company-owned markets with the UK the last to re-open in late June. At the end of the financial year Lovisa now trades from 434 stores (including franchise stores).

The disruption to normal trading conditions throughout Q4 resulted in a significant reduction in sales for that period, with Sales Revenue (excluding Franchise Revenue) for the full year ended 28 June 2020 of $237 million, compared to $249m in FY19. Comparable store sales for the period since stores have re-opened, based on the actual days each store traded, were down 32.5% on last year. Performance has been strongest in Australia and New Zealand as the markets that have been trading longest post re-opening and with the least restrictions in place.

Our online business was able to deliver 256% growth on prior year during Q4, with trading websites now operational across most markets that Lovisa is represented in.

At present forecasting trading conditions is challenging due to the impact of COVID-19 and we are not in a position to provide any update on our expectations of future trading patterns.

Spain exit

As previously announced, the store rollout in Spain was put on hold some time ago as a result of performance below our expectations. Whilst we saw some improvement in performance prior to the COVID-19 shut-down, Lovisa was disappointed in the lack of support from our landlords in Spain. Hence, due to this lack of support the Board has regretfully made the decision not to re-open these stores and to exit the Spanish market. As a result, the company expects to recognize an impairment charge and associated provisions against this business of approximately €2 million (A$3.3 million) in FY20.

Cost structure

The company took a number of actions to manage the cost structure of the business as a result of the temporary closure of the store network. This included the stand-down of store teams in all markets and a combination of temporary stand downs and permanent redundancies in our support teams across the world. Whilst sales levels are yet to return to those seen prior to our store closures, we have made the decision to reinstate the majority of our teams to ensure that we are well positioned to drive the trading performance of the business and continue the store roll-out in the future.

This announcement has been approved for release by the Board of Directors.

Various wage subsidies have been available to the team globally while the team were furloughed, however in most cases these are no longer available once the team have returned to work. Discussions with our landlords are continuing in relation to rent subsidies and abatements throughout the closure period and beyond, for both our current portfolio of stores and lease renewals, as well as new opportunities that will present themselves in the future.

Our centralized operating model has allowed us to effectively manage both the temporary closure of our stores as well as the challenges associated with re-opening the business over recent months. This puts us in a strong position to manage our global business despite the disruption in the ability of our team to travel.

Balance Sheet and liquidity

As a result of the decisive action taken on costs and cash management since the outbreak of COVID-19, the company's balance sheet position remains strong with inventory levels well managed and net cash at financial year end of A$21m, compared to A$11m at June 2019 and A$13m at December 2019. This combined with undrawn financing facilities of A$44m, leaves the business well placed to invest in future growth opportunities as the global economy emerges from the current situation.

Board update

The Board also advises that John Armstrong has decided to resign as a Director of the Company effective 3 July 2020. A search is underway to find a replacement Director.

The Chairman of the Board, Brett Blundy, said "John has made an enormous contribution to the Board and the Lovisa business over the past 2 years and we wish him all the best for the future".

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