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ASX Market Announcement
ASX Limited
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Lovisa 1H FY2015 trading update – achieves sales of \$73.3 million, up 33% on 1H FY2014 and reaffirms Prospectus forecasts

1H FY2015 Highlights			
	1H FY2015 Actual (A\$m)	% of FY2015 Proforma Prospectus Forecast	% Growth on 1H FY2014 Actual
Revenue	73.3	54.4%	33.3%
EBIT	17.2	73.2%	70.3%
NPAT	12.3	75.0%	66.2%

The Directors of Lovisa Holdings Limited (LOV) announce that profit for the six months ended 28th December 2014 is in line with FY2015 proforma forecasts published in the Lovisa Holdings Limited Prospectus.

Revenue for the 1H was \$73.3m (54.4% of the FY2015 proforma Prospectus forecast) and NPAT was \$12.3m (75.0% of the FY2015 proforma Prospectus forecast). This was slightly ahead of the Prospectus forecast proforma 1H revenue and NPAT split of 54.1% and 73.2% respectively. CEO, Shane Fallscheer, said, “Strong 1H performance in our stores was driven by our preparation for Christmas delivering ranges to our customer’s needs, whilst maintaining our margins, providing us with confidence in achieving our FY2015 forecasts”.

December trading

December sales were strong. Revenue of \$21.7m was in line with forecasts and \$4.4m (25.0%) ahead of December 2013. Gross profit margin for December was 80.2% compared to the FY2015 proforma Prospectus forecast margin for December of 79.5%.

Half year performance compared to Lovisa Holdings Proforma Prospectus forecasts

	1H FY2015 Actual (A\$'m)	FY2015 Full Year Forecast (A\$'m)	% of FY2015 Actual	1H FY2014 Actual (A\$'m)	% Growth on 1H FY2014 Actual
Revenue	73.3	134.7	54.4%	55.0	33.3%
Gross Profit	57.7	103.4	55.8%	43.3	32.8%
Cost of doing business	37.2	73.5	50.6%	30.0	24.0%
EBIT	17.2	23.5	73.2%	10.1	70.3%
NPAT	12.3	16.4	75.0%	7.4	66.2%

- Revenue for 1H was marginally ahead of the 1H Prospectus forecast (being 54.4% of FY2015 revenue vs the Prospectus 1H forecast of 54.1%). LFL sales performance for the six months was +12.2% vs the Prospectus FY2015 average full year assumption of 10.9%. All territories reported positive LFL sales.
- Gross profit of \$57.7m was achieved and the gross profit margin was 78.6%. This was above the FY2015 Prospectus full year forecast of 76.8% because gross profit margins are lower in the 2H. The forecast gross profit remains in line with Prospectus forecast.
- NPAT for 1H was marginally ahead of the 1H Prospectus forecast (being 75.0% of FY2015 NPAT vs the Prospectus 1H forecast of 73.2%)
- EBITDA for the six month period was \$16.1m, yielding an operating cashflow of \$17.2m. Expenditure on new stores was \$2.4m and 24 new stores (including 16 company owned stores) were opened during 1H FY2015

January trading

January 2015 has been successful in clearing slow moving lines whilst achieving our forecast through the Sale period. Revenue and gross margins for January remain in line with forecast.

Store openings and closings

Lovisa has opened one new store in Australia and two new stores in South Africa since 31 October 2014 (being the date of Prospectus store numbers). Nine new stores have been confirmed for opening before the end of FY2015.

Since 31st October, six stores have been closed. These were planned closures of stores transferred from Diva in the final phase of the Diva re-brand. Three further ex-Diva store closures are planned before 30 June. Owned store numbers are forecast to close at 213, in line with the Prospectus forecast.

Negotiations continue with landlords in Hong Kong and we are confident of opening stores in the region in the 2015 calendar year.

Cash and Dividends

During December 2015 Lovisa Holdings drew down a cash advance facility of \$10m for the purposes of paying IPO transaction costs, settling outstanding shareholder loans and paying the final FY2014 dividends to pre-IPO shareholders. Cash at bank at the end of December was \$13.4m, giving a net cash position of \$3.4m.

A half year fully franked dividend of \$7.0m will be paid in April, being 6.67c per share. On a proforma basis this is on target for an FY2015 dividend payout ratio of 65% - 75% NPAT.

Foreign currency hedging

Forward exchange contracts cover 100% of forecast purchases for six months, and 50% of purchases for the following three months, on a rolling basis.

The cost of goods in the proforma forecast assumes a 2H average AUD exchange rate against the USD of 0.873. Based on the average rate of contracts in place, the rate applying to H2 cost of goods will be 0.852. Retail prices points for ranges being booked for Q4 are being reviewed in light of the lower AUD rate, and the lower AUD is not expected to impact on the FY2015 result. Lovisa's vertically integrated business model enables it to adjust new product prices to assist in off-setting this exposure.

FY2015 Full Year Forecast

The Board reaffirms its FY2015 Prospectus pro-forma forecast.

Board Update

As per the announcement made on 28th January, the Board will announce the appointment of a new Chairman in due course.

Appendix 4D exemption

Due to the proximity of lodging the prospectus to the half year reporting date, the company intends to rely on ASIC class order 08 / 15 for exemption from submitting half year accounts for Lovisa Holdings Limited. As such the company will not be filing an Appendix 4D with the ASX for 1H.

A handwritten signature in black ink that reads "Paul Cave". The signature is written in a cursive, flowing style.

Yours faithfully,

Paul Cave
Interim Chairman