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27th August, 2015

ASX Market Announcement
ASX Limited
525 Collins Street
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Lovisa Holdings Limited (LOV) FY15 Results Announcement – Revenue up 27% on prior year to \$134.3m, with EBIT of \$24.8m

- Revenue increased by 27.1% to \$134.3m, and was in line with prospectus
- GM increased from 76.1% to 77.1%
- Gross profit increased by 28.7% to \$103.5m, and was in line with prospectus
- EBIT (adjusted for exceptionals related to the IPO*) of \$24.8m was ahead of prospectus forecast
- The Board has declared a fully franked final dividend of 4.07c per share

Results compared to prospectus forecasts

FY15 Highlights				
	FY15 Actual * (A\$m)	FY15 Prospectus Forecast (A\$m)	Variance (A\$m)	Variance (%)
Revenue	134.3	134.7	(0.4)	-0.3%
Gross profit	103.5	103.4	0.1	+0.1%
EBITDA	30.8	29.6	1.2	+4.1%
EBIT	24.8	23.5	1.3	+5.5%
NPAT	17.6	16.4	1.2	+7.3%

* FY15 results shown above have been adjusted for transaction costs not included in the prospectus forecast;

	\$'m
FY15 proforma EBIT	24.8
Release of provision for share buy-back	14.8
IPO transaction costs taken to P&L	<u>(2.1)</u>
FY15 statutory EBIT	<u>37.5</u>

FY14 statutory result included a \$3.1m charge for the buy-back of company shares.

Statutory results compared to FY14

FY15 Highlights				
	FY15 Statutory (A\$'m)	FY14 Statutory (A\$'m)	Variance (A\$'m)	Variance (%)
Revenue	134.3	105.7	28.6	27.1%
Gross profit	103.5	80.5	23.0	28.6%
EBITDA	43.5	12.5	31.0	248%
EBIT	37.5	6.9	30.6	443%
NPAT	30.6	4.6	26.0	565%

FY15 has been an outstanding year for Lovisa. Revenue of \$134.3m represents an increase of \$28.6m (27%) over FY14, and was in line with the IPO prospectus forecast of \$134.7m. This has been achieved through strong like for like (LFL) sale growth of +8.2% for the year, new store openings and the full year impact of stores that opened in FY14.

We have increased company owned store numbers in Singapore, Malaysia and South Africa, and in the Arabian Gulf franchise. We have successfully exited 20 stores in the Australian market which were a legacy from a prior acquisition. The profitability of the company will be enhanced by the exit from these largely low turnover stores.

At the end of FY15 we have 80 company owned stores outside Australia. The overseas markets generally enjoy lower costs of doing business, and in FY15, 11 of our top 20 stores ranked by store contribution were outside Australia. Our international footprint was extended through the acquisition of a chain of 21 stores in South Africa. This acquisition demonstrated our capacity to move quickly, exploit opportunities and successfully implement our plans, and gives us market leadership in South Africa.

Store number growth in FY15					
	FY14 store numbers	FY15 store numbers	Increase / (decrease)	Prospectus forecast	Variance to prospectus
Australia	166	146	(20)	148	(2)
New Zealand	14	14	-	14	-
Singapore	10	15	5	16	(1)
Malaysia	7	15	8	14	1
South Africa	11	36	25	21	15
Arabian Gulf	2	13	11	12	1
Total	210	239	29	225	14

Gross profit of \$103.5m was an increase of \$23.0m (29%) over FY14. Our gross margin increased from 76.1% in FY14 to 77.1% in FY15. This was achieved through investment in our Buying and Merchandise Planning processes to realise benefits of scale and to better quantify and allocate purchasing decisions. This has reduced the amount of units requiring mark-down in clearance activities.

The GM% has been maintained in the context of the devaluation of the A\$ against the US\$ during FY15. Several aspects of Lovisa's business model (high GM, continual newness, dealing direct with factory, control of pricing) mean we are well positioned to protect the gross margin against these movements. Furthermore, as we continue to grow our business overseas, any downward movement in the A\$ will increase the value of earnings abroad.

EBIT of \$24.8m (excluding exceptional items related to the IPO) was ahead of prospectus forecast of \$23.5m. This represents a significant increase on prior year earnings as the company achieves operating leverage from the Melbourne Support Centre, and we closely manage our operating costs.

Dividends

The Directors have declared a final dividend of 4.07 cents per share fully franked for the year ended 28 June 2015, consistent with the dividend contemplated in the IPO prospectus. The dividend will be paid on 30th October 2015.

Outlook

We expect FY16 to be a year of further growth for Lovisa as we continue to open stores in all current markets, whilst currently undertaking research and negotiations in a number of new territories. We are considering options for company owned stores, franchise opportunities or joint ventures where appropriate. Lovisa is also looking to invest in appropriate talent both in Australia and abroad to ensure the required team are available to meet Lovisa's growth expectations. We have recently introduced our "third generation" store design, and will be undertaking around 40 store refurbishments in FY16 at a total cost estimated to be \$3.9m.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Paul Cave". The signature is written in a cursive, flowing style.

Paul Cave
Chairman