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ASX Market Announcement
ASX Limited
525 Collins Street
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Lovisa Holdings Limited (LOV) – preliminary unaudited 1H FY2016 results and full year profit guidance

Unaudited 1H FY2016 Financial Result

	1H FY2016 Actual (A\$m)	1HFY2015 Actual (A\$m) *	% growth on 1H2015 Actual
Revenue	82.6	73.0	13.1%
Gross Profit	62.0	57.2	8.4%
EBIT	17.9	17.3	3.4%
NPAT	13.5 **	12.5	8.0%

* FY15 comparative figures exclude one-off items associated with the Initial Public Offer during that period.

** 1FY FY2016 NPAT of \$13.5m includes a \$0.6m credit as a result of forming a tax consolidation group.

1H FY2016 Summary

- Lovisa achieved 1H revenue growth of 13.1%, underpinned by LFL sales growth of +4.1% and 11 new store openings.
- Earnings have been impacted by a reduction in gross margin to 75% (3.3% below 1H FY2015). This reduction is attributed to two key factors:
 - increase in cost of goods due to the falling AUD
 - additional Sale activity.
- Lovisa's average USD buy rate in 1H 2016 was 0.77 (compared to 0.90 in 1H FY2015). The impact of this fall in the AUD has been to increase the cost of goods by 15% year on year. This represents a 3.5% reduction in gross margin. Lovisa has recovered 2.3% of this through retail pricing, resulting in a net negative impact on gross margin of 1.2%.
- Retail price increases continue to be implemented. However, with the large number of SKUs and depth of stock in store, it is taking longer than initially expected to restore gross margin.
- Lovisa will continue its USD hedging policy to buy forward exchange contracts covering 50% - 100% of purchases out 6 months, and 25% - 50% out 6 to 12 months.
- Sale events were more aggressive in 1H FY2016 with four weeks of sale activity compared to two weeks in 1HFY 2015. This was undertaken to ensure underperforming lines were cleared prior to Christmas trading. It is estimated the net impact of this was a 2.1% reduction in gross margin.

FY2016 guidance (based on 52 week period v 52 week period)

Based on 1H performance, Lovisa expects to achieve FY2016 EBIT in the range of \$23.5 million - \$25.5 million. This assumes a full year gross margin of 73.7% (compared to 77.0% in FY2015).

UK Update

Lovisa's first store in the UK opened in Leeds at the end of November. It has now been open for 8 weeks and sales are meeting expectations. Lovisa is in the process of finalising another 2-3 stores and has appointed a Leasing Manager for the UK to explore opportunities post the pilot phase.

A handwritten signature in black ink that reads "Paul Cave". The signature is written in a cursive style with a large initial 'P' and a trailing flourish.

Paul Cave
Chairman