LOVISA HOLDINGS LIMITED (LOV)

1H FY2016

RESULTS PRESENTATION

SHANE FALLSCHEER CEO
IAIN SADLER CFO

18TH FEBRUARY 2016

1H FY2016 SNAPSHOT

LFL SALES
+4.1%

STORE NUMBERS UP
12 TO 251

REVENUE UP
13.1% TO
$82.6M

GROSS PROFIT UP
8.4% TO
$62.0M

EBIT UP
3.4% TO
$17.9M

NPAT UP
8.0% TO
$13.5M

INTERIM DIVIDEND
OF 6.67CPS,
75% FRANKED

OPERATIONAL FOCUS

GROWTH ACROSS FINANCIAL METRICS

POSITIVE OUTLOOK

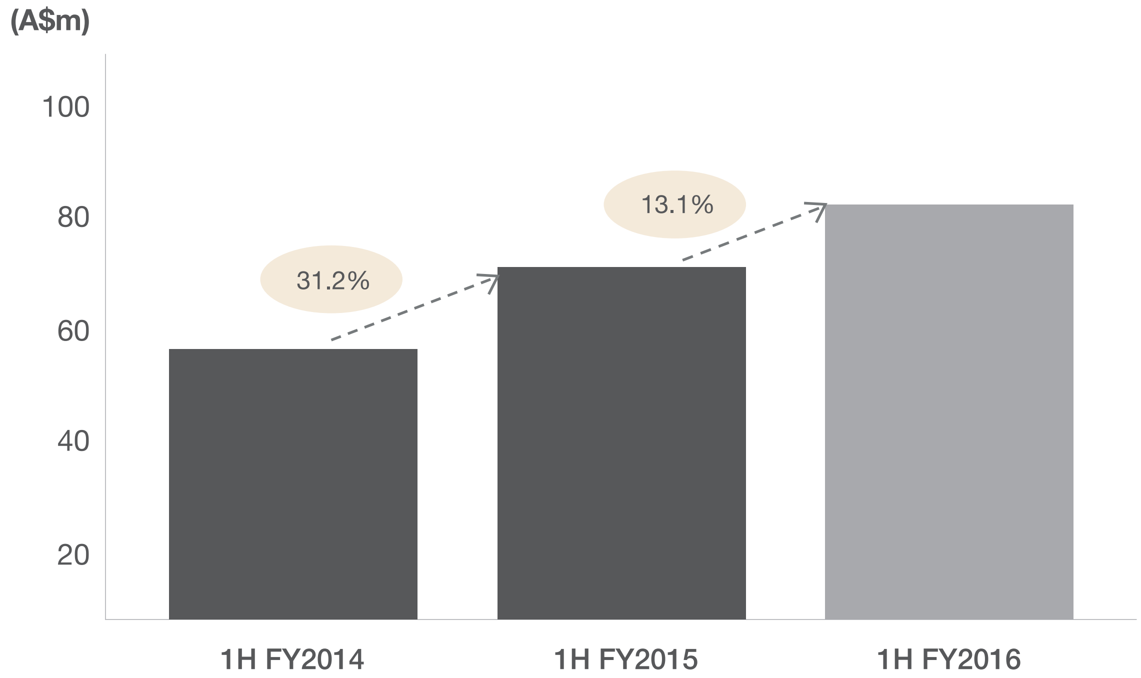
CONTINUED GROWTH IN GLOBAL STORE FOOTPRINT

STORE NUMBERS UP 12 TO 251

Store number growth in 1H FY2016					
	June 2015 store numbers	Store openings	Store closures	December 2015 store numbers	Increase/ (decrease)
Australia	146	16	8	154	8
New Zealand	14	4	-	18	4
Singapore	15	1	-	16	1
Malaysia	15	-	1	14	(1)
South Africa	36	4	7	33	(3)
Arabian Gulf	13	2	-	15	2
United Kingdom	-	1	-	1	1
Total	239	28	16	251	12

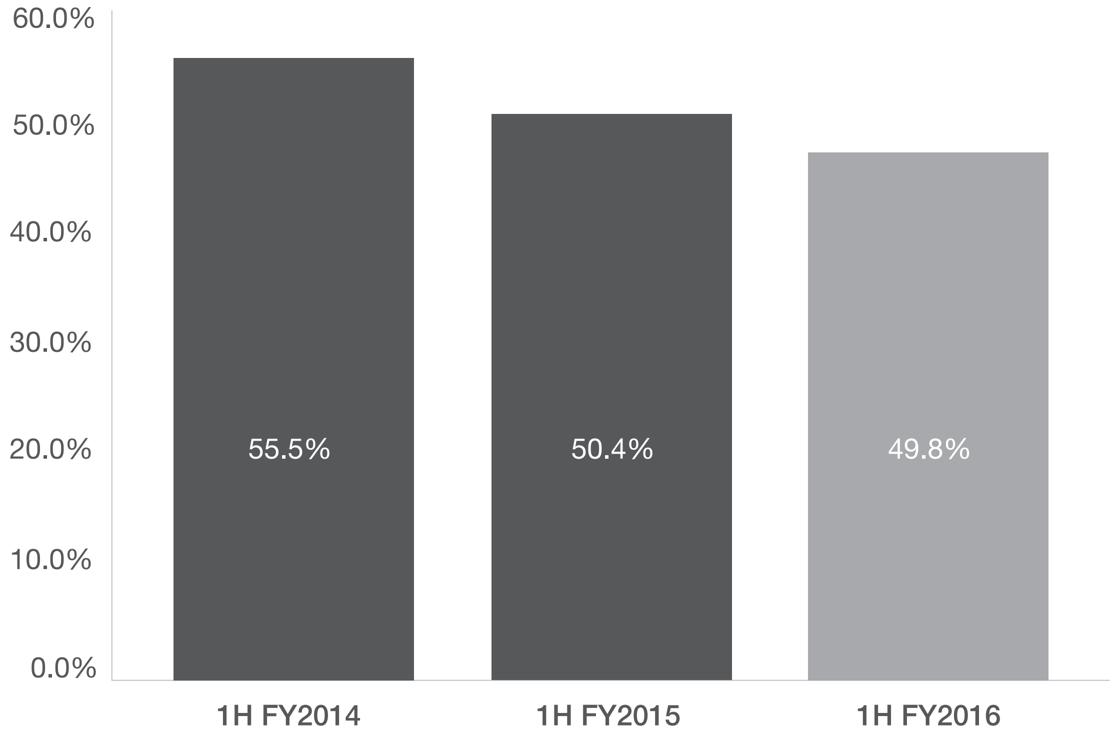
- A re-mixing of the store footprint in AUS and SAF
  - The exit of a competitor in the AUS/NZ market gave Lovisa the opportunity to increase our AUS/NZ store base
  - Closure of 7 stores in SAF completes the rationalisation associated with the April 2015 acquisition. 4 new stores were opened in SAF in the half
- 82 company owned stores outside Australia at December 2015
- 34% of 1H FY2016 revenue earned offshore (1H FY2015 - 26%)

SALES UP 13.1% TO $82.6M



- 1H FY2016 sales increase driven by;
  > Like for like (LFL) sales growth of +4.1% for the period (on a constant currency basis)
  > 10 new company stores (net) and 2 new franchise stores

COST OF DOING BUSINESS



- Cost of doing business (CODB)% improved due to:
  - > LFL sales growth driving scale benefits
  - > the growth of stores overseas
  - > operational leverage of the Melbourne Support Centre
- This has been achieved whilst continuing to invest in resources for future growth

OPERATIONAL FOCUS

GROWTH ACROSS FINANCIAL METRICS

POSITIVE OUTLOOK

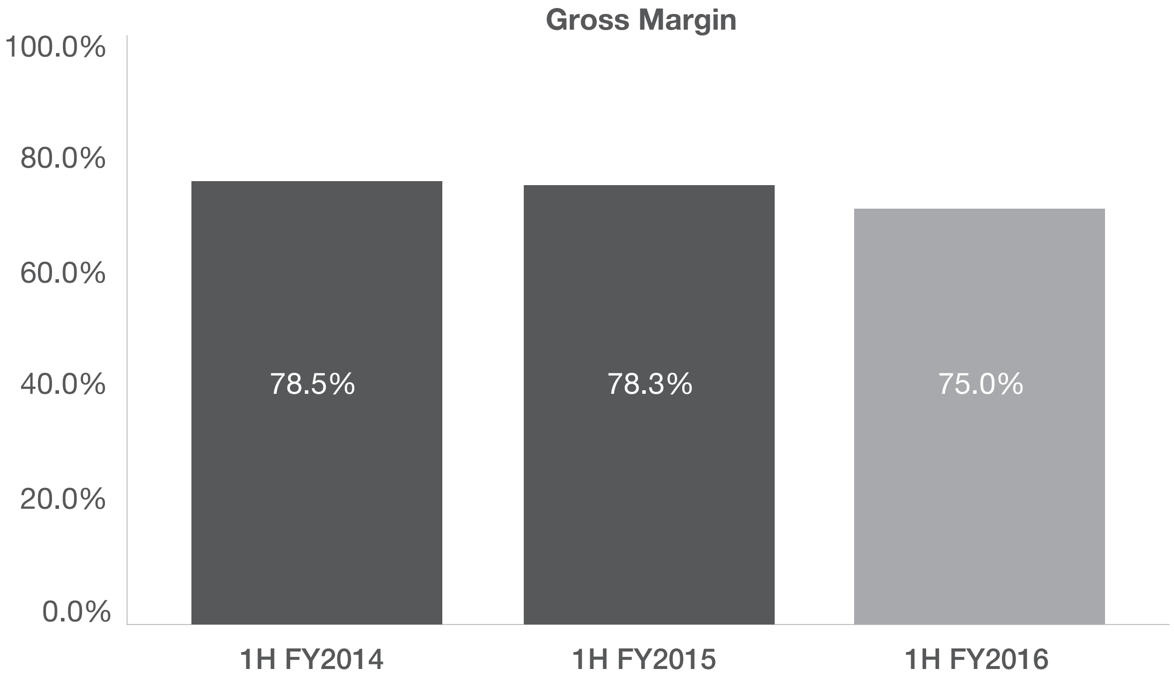
GROWING REVENUES AND EARNINGS

1H FY2016 Highlights				
	1H FY2016 (A $'m)	1H FY2015 pro forma (A $'m)	Variance (A $'m)	Variance (%)
Revenue	82.6	73.0	9.6	13.1%
Gross profit	62.0	57.2	4.8	8.4%
EBITDA	20.8	20.3	0.5	2.5%
EBIT	17.9	17.3	0.6	3.4%
NPAT	13.5	12.5	1.0	8.0%

* The FY2015 interim statutory result includes one-of items associated with the IPO;

1H FY2015 proforma EBIT	$17.3m
Release of provision for share buy-back	$14.8m
IPO transaction costs taken to P&L	($2.1m)
1H FY2015 statutory profit	$30.0m

GROSS MARGIN



- Gross margin has declined in 1H FY2016 as a result of:

1. Devaluation of the A$ which has increased the cost of goods compared to FY2015

   > Effective 1H rate against US$ of 0.77 compared to 0.90 in H1 FY2015. This is a 15% year on year increase in COGS

   > The impact was partially off-set by retail price rises, but margin fell by 1.2% due to currency

2. Increased sale activity – undertook a strategy of clearing poor performing lines to refresh ranges in the lead up to Christmas. This impacted margin by 2.1%

CURRENCY IMPACTS ON 1H FY2016

Impact on cost of goods

- The effective 1H rate against the US$ was 0.77, compared to 0.90 in H1 FY2015. This is a 15% year on year increase in COGS
- The effective rate for H2 FY2016 is forecast to be 0.75, compared to 0.85 for H2 FY2015
- In accordance with policy, Lovisa currently has forward exchange contracts out to January 2017. The average rate of FECs currently in place is 0.71

Impact of foreign earned income

- The 1H FY2016 result is impacted by both realised and unrealised differences arising from foreign earnings. The overall impact is a loss of $0.5m, attributable mainly to the devaluation of the South African Rand

Impact of valuation of forward exchange contacts

- The 1H FY2016 result includes a charge of $0.2m in relation to the valuation of US $15.5m of forward exchange contracts in place at 27 December 2015

STRONG BALANCE SHEET

- Cash position increased by $6.2m in the half (net debt of $3.4m)
- Inventory level reflects additional stores, seasonal stock increase and the impact of currency movements
- Fixed assets increase includes;
  > $2.4m on new store fit-outs
  > $2.4m on refurbishment of stores renewed at end of lease
- Bank facilities comprise;
  > $12m secured loan
  > $3m working capital facility
- Net assets up 121% to $15.0m

	DEC 2015 (A$'000s)	JUNE 2015 (A$'000s)
Cash	8,583	4,251
Trade and other receivables	2,181	2,147
Inventories	16,789	15,012
Total current assets	**27,553**	**21,410**
PPE	12,591	10,400
Intangibiles	1,390	1,610
Deferred tax asset	3,471	3,541
Total assets	**45,005**	**36,961**
Overdraft	-	1,908
Trade and other payables	8,963	7,770
Derivatives	211	(30)
Other	6,616	5,622
Total current liabilities	**15,790**	**15,270**
Loans and borrowings	12,000	12,000
Other	2,185	2,882
Net assets	**15,030**	**6,809**

SOLID OPERATING CASH FLOWS

	1H FY2016 (A$'000s)	1H FY2015 (A$'000s)
Cash received from customers	91,388	80,430
Cash paid to suppliers	(71,074)	(59,634)
Interest paid	(331)	(44)
Tax paid	(3,786)	(3,197)
Cash generated from operations	16,197	17,555
Capital expenditure	(5,457)	(2,445)
Proceeds from sale of fixed assets	53	96
Change in borrowings	-	4,476
Dividends paid	(4,273)	(7,587)
Cash associated with equity raising	-	(812)
Increase in cash before exchange effects	6,520	11,283
Effect of foreign exchange on cash	(279)	229
Increase in cash after exchange effects	6,241	11,512

- Interim FY2016 dividend declared of 6.67cps, 75% franked given increasing offshore earnings

OPERATIONAL FOCUS

GROWTH ACROSS FINANCIAL METRICS

POSITIVE OUTLOOK

GROWTH IN EXISTING MARKETS IN 2H FY2016

Store Footprint

- Estimated 10 new stores in current markets
- Estimated closure of 10 poor performing stores, of which 6 due to exit of duplicate sites

Product

- Continual delivery of new designs each week
- Implementation of UK based buying team to further improve our product capablities

Margin

- Retail pricing continues to be revised
- Ongoing supplier management

NEW INTERNATIONAL MARKETS

THE UK

- The Leeds store opened on the 4th December 2015
- Trading performance is meeting expectations
- Several new store leases currently under negotiation
- Lovisa anticipates pilot phase to be completed by the end of FY2016
- We have appointed a Leasing Manager dedicated to the UK business

Leeds store interior

IN SUMMARY

1H FY2016 - Continued growth delivered

- Increasing store numbers
- Positive LFL sales
- Growth in revenues and earnings
- Strong balance sheet and solid operating cash flows
- Interim dividend of 6.67cps, 75% franked

2H FY2016 - Positioned for further growth

- Attractive site opportunites in existing and new markets
- Continued positive LFL sales
- Implementing strategies to address higher COGS
- Reaffirm FY2016 EBIT guidance of $23.5m - $25.5m

QUESTIONS?

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.