

Lovisa

INVESTOR UPDATE
JUNE 2016



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- This presentation makes reference to certain non-IFRS financial information. Management uses this information to measure the operating performance of the business and it has been presented as this may be useful for investors. This information has not been reviewed by Lovisa's auditor.



1. Overview

2. Board and Management Changes

3. Introduction to Lovisa

4. Operating and Supply Network

5. Growth Strategy

6. Summary



OVERVIEW

Vision	<ul style="list-style-type: none">▪ Internationally recognised brand▪ Global footprint▪ Brand of choice for fast fashion jewellery
Board and Management Restructure	<ul style="list-style-type: none">▪ Recent introduction of Independent Chairman and Audit and Risk Chair▪ Management change with new Chief Financial Officer▪ Other Management bench strength changes over the last six months with introduction of Global General Manager Operations and Global General Manager of Sales
Introduction to Lovisa	<ul style="list-style-type: none">▪ History of Lovisa and Brand awareness▪ Operating network▪ Supply chain and Operating metrics
Growth Strategy	<ul style="list-style-type: none">▪ International Brand expansion▪ UK pilot store program▪ Other International and Australia
Market Update	<ul style="list-style-type: none">▪ Re-confirm previous 2016 Full Year guidance given on 13 April 2016

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BOARD & MANAGEMENT CHANGES

<p>Michael Kay Chairman Independent Non – Executive director</p>	<p>Michael is a qualified lawyer and brings a wealth of commercial experience to Lovisa. Michael was CEO and Managing Director of listed salary packaging business McMillan Shakespeare, a position he held for six years. Previously, Michael was CEO of national insurer AAMI after serving in a variety of senior roles with that firm. Prior to joining AAMI, he spent 12 years in private legal practice.</p> <p>Michael became Chairman of ASX listed litigation funder, IMF Bentham Ltd (ASX : IMF) in July 2015. Michael has also been a non-executive Director of TFS Corporation (ASX : TFC) since February 2015.</p>
<p>James King Audit and Risk Committee Chairman Independent Non – Executive director</p>	<p>James has over 30 years' experience as a Director and an Executive in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific).</p> <p>He is currently a non-executive director of Pacific Brands, Navitas Ltd and a member of Global Coaching Partnership. Previously James was a director of JB Hi-Fi Limited, Trust Company Ltd, a member of the Council of Xavier College and Chairman of Juvenile Diabetes Research Foundation (Victoria).</p>
<p>Graeme Fallet Chief Financial Officer</p>	<p>Graeme joined Lovisa as CFO in April 2016 and brings over 13 years' experience as an ASX listed CFO, most recently as CFO of Australian Pharmaceutical Industries Limited (ASX: API) a pharmacy wholesaler and health and beauty retailer, with a network of over 400 Priceline and Priceline Pharmacy stores. Prior to that, Graeme was CFO of Ventracor Limited (VCR), a medical device business where he managed its international expansion.</p> <p>Graeme's experience includes mergers and acquisitions, capital restructuring, equity capital markets, debt refinancing, risk management, and ASX governance. Graeme is a Chartered Accountant and a Member of the Institute of Company Directors.</p>

BOARD & MANAGEMENT CHANGES

<p>Steve Doyle Global General Manager</p>	<p>Steve has over 28 years of retail experience both in Australia and Internationally with the past 12 years at Super Retail Group. Most recently as Managing Director of BCF, Steve developed this chain through to 117 stores across Australia.</p> <p>Prior to this with Super Cheap Auto Steve held the roles of GM Retail and GM Merchandise and Marketing and held executive Retail and Merchandise roles with the Savola Group in Saudi Arabia, Woolworths Australia and Franklins Supermarkets. Steve holds an EMBA from the University of QLD.</p>
<p>Armando Pedruco Global Sales Manager</p>	<p>Armando Pedruco has over 25 years experience in retail and over the last 10 years has been a senior executive with Woolworths and Dicksmith. Armando was director of operations at Dicksmith during the divestment from Woolworths and the IPO of Dicksmith in 2013.</p> <p>Armando re joined Woolworths in December 2014 before joining Lovisa as General Manager of Sales.</p>

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INTRODUCTION TO LOVISA

- 247 stores in 10 countries
- Proven fast fashion model that delivers quality, affordable and on-trend products from concept to shop floor in ~8-10 weeks
- Market resilient characteristics given affordable price points
- All operating territories are profitable
- Owned product and brand

- Continued store roll-out in established international markets
- Expand into new international markets, targeting one new territory per annum
- Grow existing franchise business and find new, suitable franchise partners / territories
- Optimise existing store network through a focus on continuous improvement



Dynamic fast fashion
jewellery retailer

Sophisticated
vertical business
model

Significant
growth
potential

High quality retail
organisation

- Business model underpins high gross margins and speed to market
- Centrally controlled product development and distribution
- Distribution, logistics and inventory infrastructure in place
- Broad product range of ~2,500 jewellery lines and >120 new lines per week

- Strong board and leadership team with extensive international retail experience
- In house, product-led business
- >20 person product team to delivering high quality on-trend products
- >1,500 staff employed across the organisation

LOVISA STORE FORMAT

Average store size
~50 sqm

Stores are designed for high
intensity merchandising to
maximise sales potential

Standardised fit-outs maintain
customer experience and
facilitate efficient roll-out
programs

Centralised sales and inventory
management systems



High pedestrian traffic
locations

Majority of stores in desirable
malls and locations

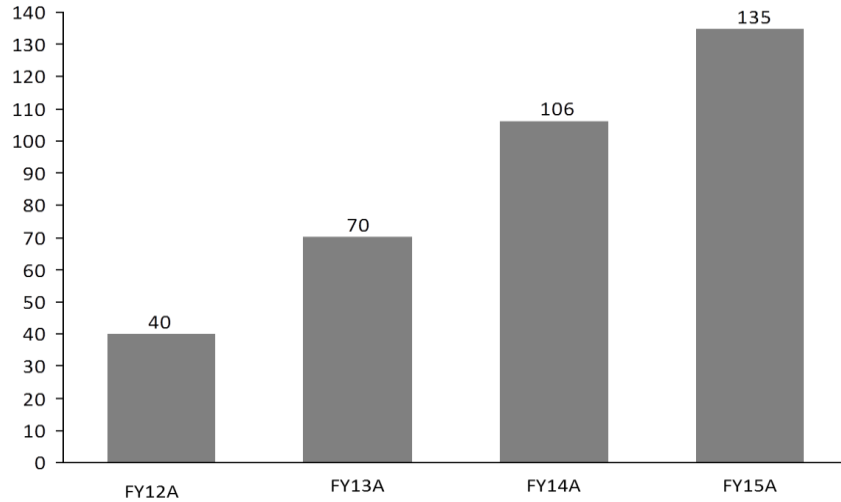
Typical store is run by a store
manager and flexible support
staff base

Simplistic design to facilitate easy
store management so staff can be
sales focussed

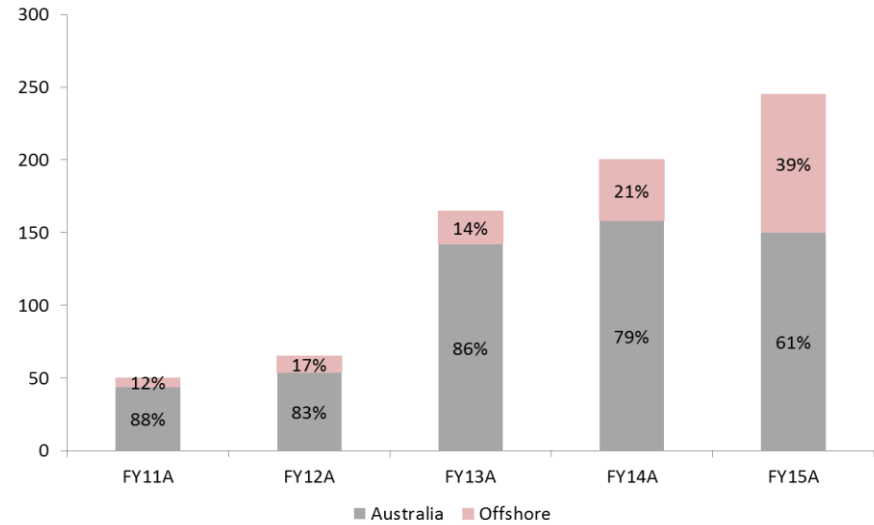


HISTORY OF RAPID GROWTH

Revenue growth (\$Am) – Strong growth expected to continue



Number of stores – Proven ability to grow offshore



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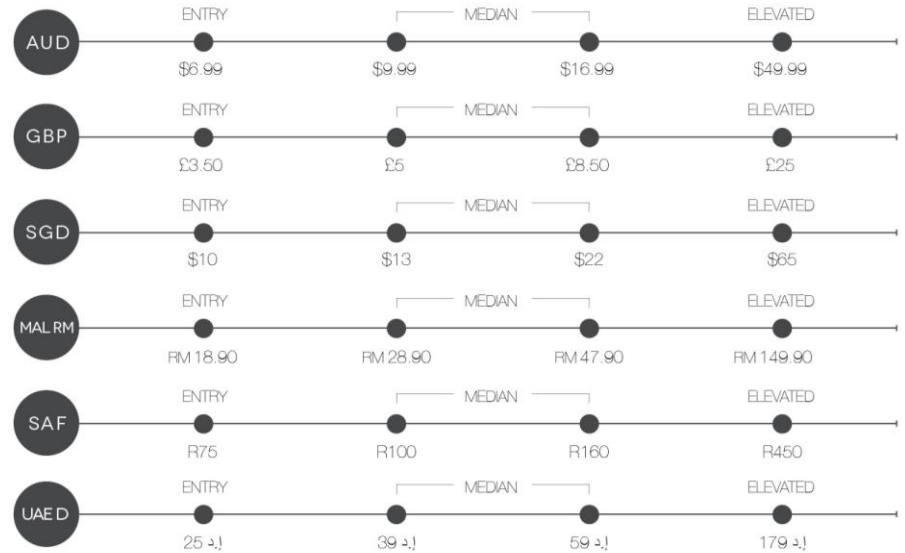
CUSTOMERS AND PRICING STRUCTURE

Customer profile

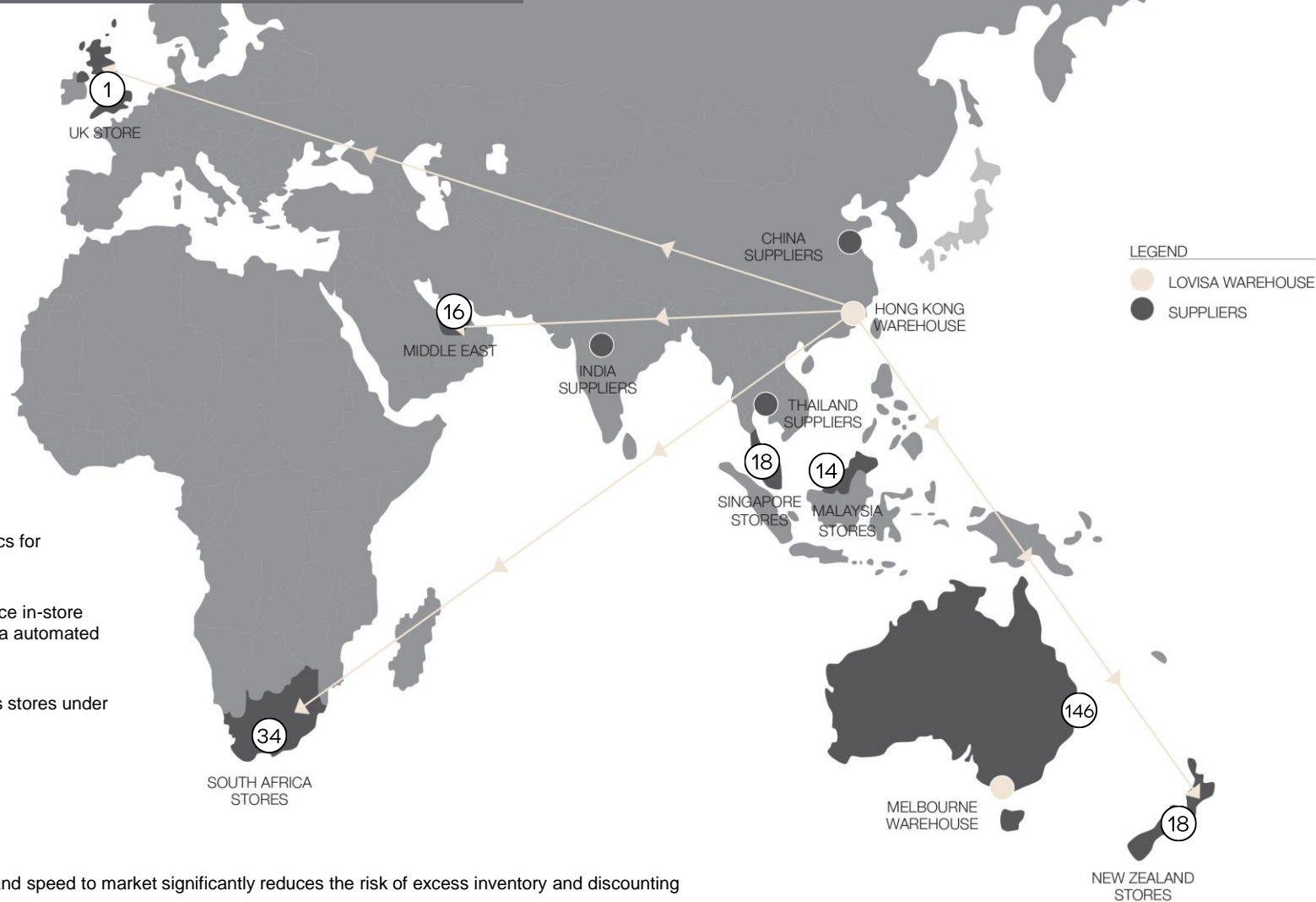
She's fashion conscious and on trend.
She shops for everyday looks,
key fashion trends and special occasions

	Target market age	25 to 45 years
	Average transaction value	A\$20 per customer
	Average units	2.2 units per customer

REGIONAL PRICING STRUCTURE



SUPPLY AND DISTRIBUTION NETWORK























Sophisticated IT Systems

- Strong focus on data analytics for inventory management
- IT systems significantly reduce in-store responsibility for inventory via automated stock replenishment
- Allows Lovisa to replenish its stores under a "just-in-time" model

Established Logistics

- Vertically integrated model and speed to market significantly reduces the risk of excess inventory and discounting
- Suppliers currently located in mainland China, India and Thailand
- Stock inspected by Lovisa's quality control team in China and transported to Lovisa's warehouses
- Sufficient capacity in the Hong Kong warehouse to handle further international growth

STORE NETWORK OPERATING SNAPSHOT

Country	Stores	Labour cost	Occupancy cost
 Australia	146		
 New Zealand	18		
 Malaysia	14		
 Singapore	18		
 South Africa	34		
 United Kingdom	1		
 Middle East	16	N/A - franchise territory	N/A - franchise territory
 Vietnam	0	N/A - franchise territory	N/A - franchise territory

Legend:



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GLOBAL BRAND STRATEGY

Vision	<ul style="list-style-type: none">▪ Internationally recognized brand▪ Global footprint▪ Brand of choice for fast fashion jewellery
Growth Engine	<ul style="list-style-type: none">▪ High Margin business operating in small store footprint▪ Fit out cost generally low with compelling return and pay back period▪ Inexpensive entry to new market with ability to leverage off one support centre across the Globe▪ Successful in all market entries to date
International Expansion	<ul style="list-style-type: none">▪ Continue to leverage current international territories▪ Leverage the Company's capital in large international markets▪ Complete UK pilot program and roll out UK territory▪ Consider franchise partners for selected territories



GLOBAL BRAND STRATEGY

Global Supply Chain	<ul style="list-style-type: none">▪ Continue to streamline and optimise supply base in Asia▪ Optimise air and sea freight whilst maintaining a speed to market operating model▪ Consider Northern Hemisphere Distribution centre
Store performance	<ul style="list-style-type: none">▪ Optimise and improve existing store network▪ Continue to target high traffic shopping precincts
Brand Awareness	<ul style="list-style-type: none">▪ Continue to leverage social media to connect with customers and increase brand loyalty▪ Stay on trend with shifts in the jewellery market▪ Continue to provide a high quality and diverse product offering

UK PILOT PROGRAM



- During 2015 we conducted due diligence on a number of larger northern hemisphere markets and commenced a pilot program of 3-5 stores in the UK
- Leeds opened in December 2015 and continues to trade in line with expectations.
- Brighton and Bromley due to open end of FY2016
- Disciplined approach given to site selection and lease negotiation
- Pipeline of further store openings being sourced in the event of a successful pilot program

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SUMMARY



- Focus on building talent and capability to deliver long term growth
- Continue to leverage our platform, brand, systems and specialist retail expertise
- Proven disciplined approach to site selection and financial returns
- Progress in UK pilot with Leeds performing in line with expectations and a pipeline of further store openings
- FY16 guidance reaffirmed