



FY16 Full Year Results Announcement
Revenue up 14% with EBIT of \$24.2m in line with guidance
UK pilot successful with store roll out to follow

- Revenue increased by 14.3% to \$152.5m
- Gross Profit up 9.8% to \$113.6m. GM% 74% in line with guidance
- EBIT (excluding one off IPO adjustments) \$24.2m, -6% affected by currency impacts
- +5.5% same store sales growth
- 43 new stores opened in the year, 250 at year end
- \$23.3m operating cash flow with Net Debt reduced by \$2.4m
- Successful UK pilot. Board resolved to proceed with roll out
- Fully Franked Dividend of 2.0 cents declared

Results Highlights

FY16 Highlights				
(A\$m)	FY16 Actual	FY15* Proforma*	Proforma Variance	FY15 Actual
Revenue	153.5	134.3	+ 14.3%	134.3
Gross profit	113.6	103.5	+9.8%	103.5
EBIT	24.2	24.8	-2.4%	37.5
NPAT	16.6	17.6	-6.0%	30.6
EPS (cents)	15.8	17.1	-7.6%	29.1
Final dividend (cps)	2.00	4.07	-51%	4.07

**FY15 proforma results shown above have been adjusted for IPO transaction costs and the release of the share buyback provision. See Appendix 1 and the Company's Investor Presentation. FY 16 based on a 53 week year.*

Chief Executive Officer Shane Fallscheer said "FY16 was a significant and encouraging year for Lovisa. Revenue grew by \$19.2m to \$153.5m, an increase of 14.3% compared to FY15. Same store sales growth for FY16 was very pleasing at +5.5% demonstrating the strength of our core business. We continued to expand and optimize our store network to drive growth and performance. 43 (gross) new stores opened in the FY16, with 250 stores at year end. While the lower AUD and depreciating South African Rand adversely affected our results we were pleased to deliver EBIT \$24.2m particularly after the additional sale and markdowns in the first half. Gross margins were 74%, also in line with guidance".

"Importantly, our UK pilot has proven successful to date. The Board has resolved to proceed with the roll out strategy. We will leverage our product innovation skills and specialist retail expertise to build a larger UK network."

Results

Revenue was \$153.5m up 14.3% on FY15. Same store sale growth was 5.5%. International sales now make up 36% of the Group's revenue. Franchise income increased 40% to \$848k.

Gross Margins were delivered in line with guidance at 74%, a creditable performance given the increase in the cost of sales due to the lower AUD. Gross Profit increased by \$10.1m to \$113.6m, up 9.8%. We estimate that on a constant currency basis from the prior year gross profit would have increased by 15.2% to \$119.3m and Gross Margins would have increased to 77.7%

The Cost of Doing Business (CODB) remained consistent at 54% and is predominantly from the opening of new stores and additional investment in the company's global rollout. Distribution costs increased in line with overseas expansion. The result includes a \$1.1m foreign exchange loss predominately from the depreciating South African Rand on the company's working capital.

Earnings per share on a proforma basis was 15.8 cps compared to FY15 proforma earnings of 17.1 cps.

Disciplined inventory management in the second half has seen inventory levels return to normalised levels at year end. Total inventory levels were maintained despite store growth and currency headwinds. Lovisa continues to generate strong cash flow with operating cash at \$23.3m after tax. Capex of \$9.3m relates predominantly to new store openings and refurbishments of current stores to Lovisa's new concept fit out upon lease renewals. The final payment for the South African acquisition in 2015 of \$250k was made during the year. Net debt reduced by \$2.4m to \$7.3m at year end.

This solid result was achieved despite the significantly increased investment in the offshore rollout and expanded Board and management capacity to facilitate global expansion. In the year Lovisa appointed two new directors, Michael Kay, Chairman, and James King, Independent Director and Head of Audit and Risk. Both bring a wealth of business experience and commercial acumen to the Group. At management level Graeme Fallet joined us as CFO and Steven Doyle as Global General Manager. These appointments strengthen our capabilities and enhance our controls. Lovisa has purposefully resourced itself in anticipation of strong offshore growth over the next three years.

UK Pilot Program

The key driver of future growth for Lovisa is the continued international store roll out. Lovisa's network increased to 250 stores during the year. A total of 43 new stores opened with the expected closures associated with the South African and previous Australian and NZ acquisitions driving the net increase of 11.

Store number growth in FY16			
	FY16 Store numbers	FY15 Store numbers	Variance
Australia	144	146	(2)
New Zealand	18	14	+4
Singapore	19	15	+4
Malaysia	14	15	(1)
South Africa	36	36	-
Arabian Gulf	16	13	+3
Total	250	239	+11

In November 2015 Lovisa embarked on a pilot program to determine the feasibility of the UK market. The outcome of the pilot program was that stores have traded within the KPI's set at the outset of the pilot program. The Board has resolved to proceed with the rollout with additional stores expected to be trading by Christmas. We continue to take a disciplined and patient approach to expanding in the UK market, being particularly careful to ensure we secure good sites at the right rental rates.

Dividends

In determining the final dividend the Directors have considered the expected investment in international store growth in the coming years and have declared a final dividend of 2.00 cents per share fully franked for the year ended 3 July 2016. While this equates to a reduction in the payout ratio from the prior year the directors consider it prudent to ensure the company can fund its medium term growth objectives whilst not materially increasing its operating leverage. As we continue to review the company's capital structure in line with the company's growth prospects the Directors will adjust the dividend accordingly. The dividend will be paid on 27th October 2016.

Trading Update and Outlook

It has been a positive start to the year and in July we opened our first Vietnam franchise store with early sales encouraging. We expect FY17 to be a year of further growth for Lovisa as we continue to open new stores in all current markets and are targeting to open between 20 to 30 stores during the year. Same store sales growth target is consistent with prior years of between 3 and 5 percent with trading margin improving to around 75%.

We are a dedicated and determined fast fashion jewellery retailer with deep specialist expertise. Coupled with the additional board and management capability and based on the strength of our integrated model, we have a solid platform for further growth and a confident outlook.

Appendix 1

*FY15 proforma results shown above have been adjusted for IPO transaction costs and the release of the share buyback provision.

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>