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FY17 Half Year Results Announcement
Revenue up 20.7% following LFL growth of 12.6%
NPAT up 50% to $20.3m

- Revenue increased by 20.7% to $99.7m
- Gross Margin lift to 77.8% with Gross Profit up 25.2% to $77.6m
- EBIT increased by 57.1% to $28.2m
- +12.6% comparable store sales growth
- 18 new stores opened in the half, 268 at period end
- Cash conversion of 125% with operating cash flow of $29.7m
- Fully Franked Interim Dividend of 10 cents declared

Results Highlights

(A$'m)	HY17 Actual	HY16 Actual	Variance
Revenue	99.7	82.6	+20.7%
Gross profit	77.6	62.0	+25.2%
EBIT	28.2	17.9	+57.1%
NPAT	20.3	13.5	+49.7%
EPS (cents)	19.3	12.9	+49.7%
Interim dividend (cps)	10.0	6.67	+49.9%

Managing Director Shane Fallscheer said "The first half result has been strong, following same store sales growth of 12.6% and a lift in Gross Margin to 77.8% resulting in an earnings lift of 50% to $20.3m NPAT. The lift in comparable sales growth was particularly pleasing as it demonstrates the strength of the brand following retail price increases in the first half of 2016. This has also resulted in margin significantly strengthening despite continued currency headwinds year on year. We estimate on a constant currency basis gross margin would have lifted to 79.7% from 75.0% in the prior half year.

We continued to expand and optimize our store network to drive growth and performance with a net 18 store increase from June. Due diligence on other markets and opportunities to accelerate new country growth continues and we are optimistic about Lovisa's global rollout plans'' Mr. Fallscheer said.

Results

Revenue was $99.7m up 20.7% on HY16 with increases in all international markets. Same store sale growth was 12.6% and was generated predominantly on the back of retail price increases in the first half of 2016 along with the benefits of some key trends in the fashion jewellery sector throughout the half. We've also enjoyed the tailwinds of Equip a competitor with 120 stores exiting the market during the first half of 2015-16 financial year. Lovisa acquired a small group of these stores and the rest were closed, while we have received the benefit of these tailwinds to date they will start to cycle through over the coming months which will temper same store growth in the second half.

Full price unit volumes were up 16.3% reflecting customers' acceptance of price increases last year and our ability to deliver on trend product with reductions in sale and markdown activity.

Gross Margin following the retail price increases and reduced levels of markdowns lifted 280bps to 77.8% despite continued AUD headwinds on the prior period. Gross Profit increased by $15.6m to $77.6m, up 25.2%. We estimate that on a constant currency basis gross profit would have increased by 28.2% to $79.5m and Gross Margins would have increased to 79.7%.

The Cost of Doing Business (CODB) as a percentage of sales reduced to 46.9% demonstrating a continued cost focus while also growing the network and investing in Board and Management bench strength. We continue to bring more talent into the team in the form of a new General Manager of Logistics and new CIO who will join us in March. Distribution costs as a percentage of sales reduced 15% with reductions also in both property and labour costs.

Earnings per share was 19.3 cps compared to HY16 earnings of 12.9 cps.

Disciplined inventory management has seen inventory levels tightened despite store growth and currency headwinds. Lovisa's cash flow was particularly strong with cash generation lifting to 125% and reporting a $13.5m lift in operating cash to $29.7m after tax. Capital expenditure of $2.4m reflects new store openings after landlord contributions and refurbishments of current stores to the new concept fit out upon lease renewals.

The company has commitments from its bank subject to final documentation to refinance its bank facilities for a further three years with a lift in funding capacity to $30m in anticipation of future store growth. The company's covenant package has been adjusted to better reflect the company's international growth objectives.

Following this strong result the Directors have lifted the interim dividend by 3.33 cents to 10 cents per share.

Store Growth

The key driver of future growth for Lovisa is the continued international store roll out. Lovisa's network increased to 268 stores during the half year being a net increase of 18 stores from June 2016.

Store number growth in HY17			
	HY17 Store numbers	**FY16 Store numbers**	**Variance**
Australia	149	144	+5
New Zealand	18	18	-
Singapore	21	19	+2
Malaysia	17	14	+3
South Africa	38	36	+2
UK	7	3	+4
Arabian Gulf	17	16	+1
Vietnam	1	-	+1
Total	268	250	+18

We continue to do due diligence on other markets and opportunities to accelerate new country growth.

Trading Update and Outlook

Following the strong first half we expect the second half comparable growth to soften as the prior year retail sale price increases cycle through the business along with the benefit of the Equip brand of stores closing in early 2016. We expect the global rollout of stores to continue and anticipate 15 stores to be trading in the UK by the end of the financial year and along with other store openings we aim to be at the top of our 20 – 30 store range of organic stores openings.