LOVISA HOLDINGS LIMITED (LOV)

2017 HALF YEAR RESULTS PRESENTATION

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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.

HY2017 SNAPSHOT

LFL SALES
+12.6%

TOTAL STORE NUMBERS
268

REVENUE UP
20.7% TO
$99.7M

GROSS PROFIT UP
25.2% TO
$77.6M

EBIT
$28.2M

GROSS MARGIN INCREASE TO
77.8%

INTERIM DIVIDEND OF
10.0CPS
FULLY FRANKED

CONTENTS

HALF YEAR OVERVIEW

- Strong Half Year result with EBIT up 57% to $28.2m
- Strong comparable store growth of 12.6% following price increases and delivery of on trend product in the first half. Full price volumes increased by 16.3%, whilst a reduction in our sale and markdown activity through this period led to stronger gross margins.
- Gross margin increased to 77.8% following a return to disciplined inventory management and product optimisation. On a constant currency basis gross margin would have lifted to 79.7%. Lovisa ended the Christmas trade period with clean inventory and will continue with a constant stream of new ranges in the second half
- Continued global rollout strategy with a further net 18 stores opening during the half, trading seven UK stores into Christmas.
- We are optimistic on Lovisa's global rollout plans. We continue to perform due diligence on other markets and opportunities to accelerate new country growth.
- We have continued confidence in Lovisa's products having global appeal.
- Lovisa's bench strength continues with recent appointments of a General Manager of Logistics and a CIO to commence shortly
- Cash flow from operations lifted 83% to $29.7m with operating cash conversion at 125%
- Directors declared a fully franked dividend of 10.0 cents being a lift of 3.33 cents on the prior period

FINANCIAL OVERVIEW

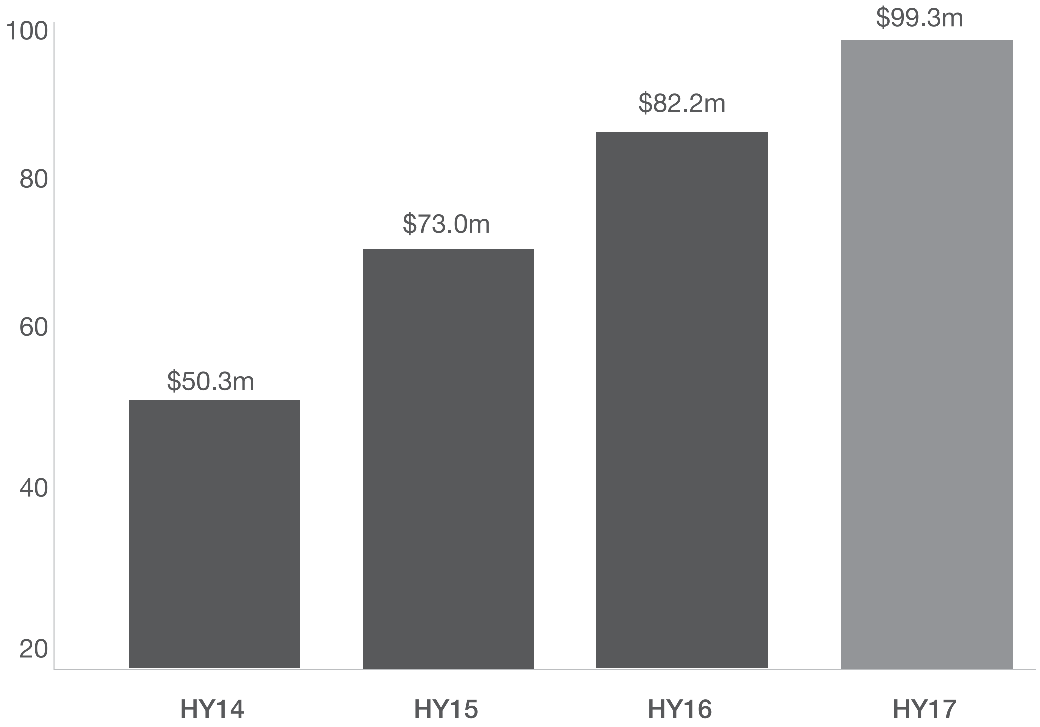
STRONG LIFT IN EARNINGS FOLLOWING INCREASE IN LFL SALES AND MARGIN

($'000)	FY17 Actual	FY16 Actual	Variance Actual
Revenue	**99,740**	82,622	20.7%
Gross profit	**77,592**	61,984	25.2%
EBITDA	**30,841**	20,809	48.2%
EBIT	**28,194**	17,946	57.1%
NPAT	**20,272**	13,540	49.7%
EPS cents	**19.3**	12.9	49.7%

- Revenue up 20.7% with comparable sales up 12.6% for the period
- Gross profit of $77.6m up 25.2% and on a constant currency basis would have been up 28.3%
- Further reduction as a percentage of sales on CODB following tight cost control despite the continued global rollout
- Net profit after tax increased 50% to $20.3m with EPS of 19.3 cents per share
- Continued international expansion with a net increase of 18 stores during the period
- Strong cashflow generation and tight inventory management
- Debt refinanced in December with financial close expected shortly
- Fully Franked Interim Dividend of 10.0 cents being a lift of 3.33 cents on prior period

TRADING PERFORMANCE SALES

COMPARABLE SALES UP 12.6%



- Total Global Sales up 20.8% to $99.3m
- Comparable sales up 12.6% driven by retail price increases in second half of FY16 and cycling of the closure of Equip stores in FY16
- Full price units volume up 16.3% reflecting customers acceptance of price increases last year and our ability to deliver on trend product along with reductions in sale and markdown activity

TRADING PERFORMANCE SALES

INTERNATIONAL SALES INCREASE ACROSS ALL REGIONS

- Segment note now reflects international regions with all countries reflecting positive comparable store growth other than Singapore
- Australia and New Zealand region continues to be strong with sales up 19.4%
- UK sales reflect additonal stores with 1 store trading in the prior period
- Asia sales up 17.5% following strong comparable sales in Malaysia and five additonal stores in the region
- South African sales lifted by 12.3% to $11.5m following the addition of two stores

Country ($AUD)	HY17	HY16	Variance
Australia / NZ	70,755	59,232	19.4%
Asia	14,793	12,580	17.5%
Africa	11,548	10,276	12.3%
Europe	2,216	112	-
Total	99,312	82,197	20.8%

TRADING PERFORMANCE GROSS MARGIN

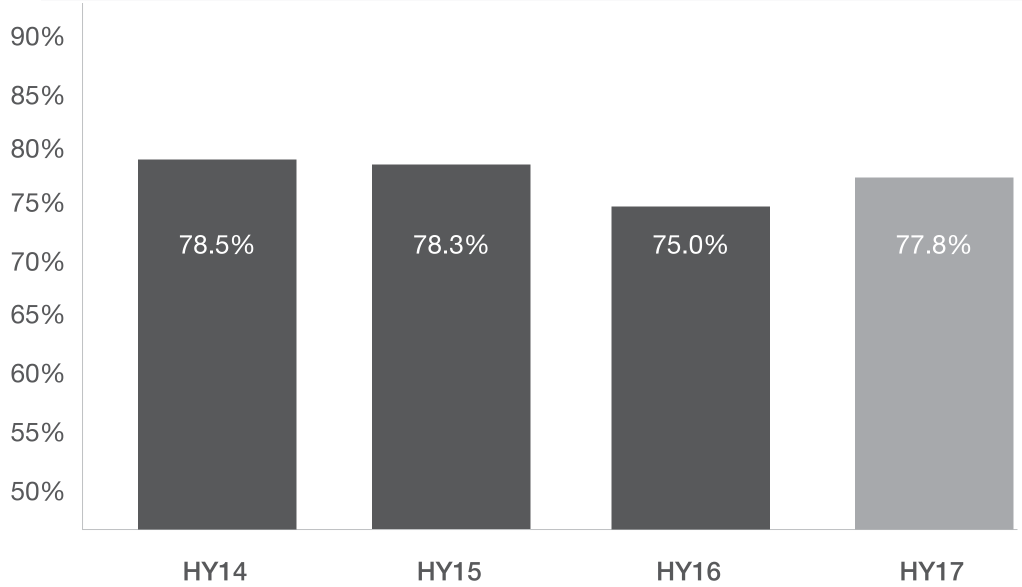
GROSS MARGIN INCREASED TO 77.8%

- Gross profit increased 25.2% to $77.6m
- Gross Margin was 77.8% up from 75% for the first half FY16
- Gross Margin on a constant currency basis was 79.7% with gross profit of $79.5m
- Margin increase driven by recent retail price increases and a reduction in sale and markdown activities
- Further continued improvements in focus areas of shrink and breakage

Gross Margin at Constant Currency*

	HY17	HY17	HY16
Currency USD	0.71	0.78	0.78
Sales	99,740	99,740	82,622
Cost of sales	(22,148)	(20,234)	(20,638)
Gross profit	77,592	79,506	61,984
Gross margin	77.8%	79.7%	75.0%

Actual Gross Margin

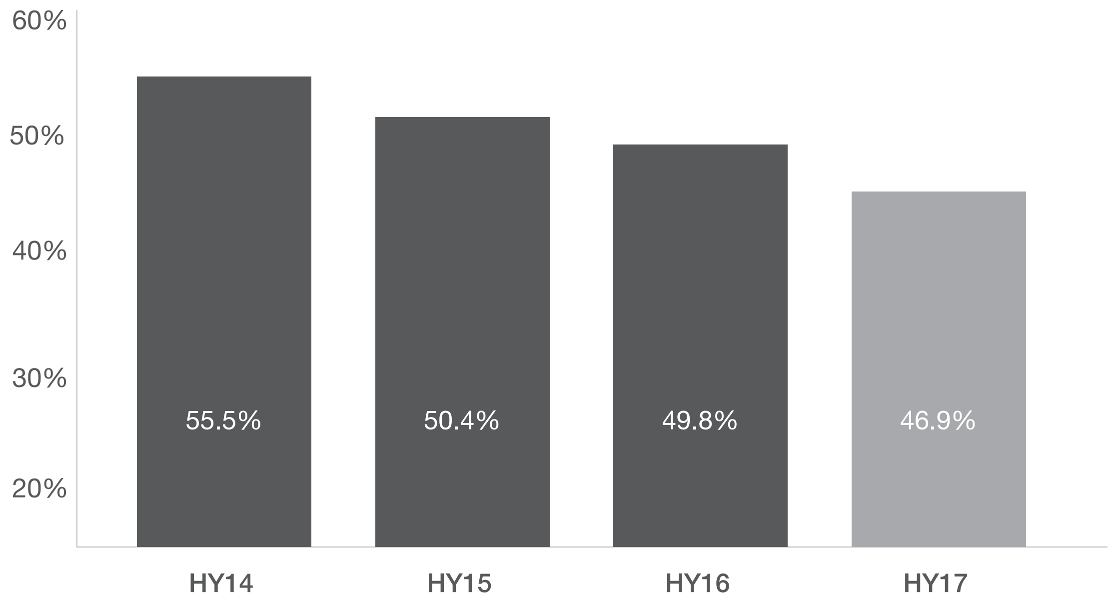


*Constant currency impact on inventory purchases

TRADING PERFORMANCE COST OF DOING BUSINESS

COST OF DOING BUSINESS (CODB)% REDUCED TO 46.9%

- CODB reduced to 46.9% from 49.8% in the prior half year
- Total operating costs remain well controlled with any CODB increases in line with store network growth and additional bench strength
- The prior year increase in board and management bench strength is reflected in the first half
- Salaries, property and distribution costs as a percentage of sales all showed improvement year on year
- Distribution costs as a percentage of sales decreased 15% following changes to freight distribution to streamline alignment across the globe.



CASH FLOW

STRONG CASH CONVERSION AND INVENTORY MANAGEMENT

- Cashflow from operations lifted 83% to $29.7m with operating cash conversion at 125%
- Capital expenditure on new store openings of $1.6m during the year
- Cashflow supported by landlord fitout contributions
- Company store refurbishment program continued during the year with capital expenditure of $0.7m
- Repayment of borrowings of $2m

(A$'000s)	HY17	HY16
Cash from operating activities	34,942	20,314
Net interest paid	(275)	(331)
Tax paid	(4,982)	(3,786)
Net cash from operations	**29,685**	**16,197**
Property Plant & Equipment	(2,448)	(5,404)
Net cash used in investing activities	**(2,448)**	**(5,404)**
Repayment from borrowings	(2,000)	-
Dividends paid for provisions	(2,100)	(4,273)
Net cash used in financing activities	**(4,100)**	**(4,273)**
Opening cash	4,729	2,343
Effect in movement in exchange rates	380	(279)
Closing cash	28,246	8,583
Net movement in cash	**23,137**	**6,520**

BALANCE SHEET

STRONG BALANCE SHEET WITH FINANCE FACILITIES INCREASED

- Disciplined inventory management with inventory levels below prior periods despite store growth and currency increases
- Material headroom in the company's fixed charge ratio and operating leverage covenants. Offshore asset ratio covenants relaxed during the period
- Agreement with bank to refinance bank facilities for a further three years, with a lift in limits to $30m inclusive of Bank Gurantees, with financial close expected shortly
- Covenant package adjusted to better reflect the Company's international store growth

(A$'000s)	**HY17**	**FY16**	**HY16**
Net Cash	28,246	4,729	8,583
Receivables	3,130	2,293	2,181
Inventories	12,338	15,034	16,789
Derivatives	693	(909)	(211)
Total current assets	**44,407**	**21,147**	**27,342**
Property Plant & Equipment	13,081	13,123	12,591
Intangibles	2,328	2,073	1,390
Deferred tax asset	3,064	1,823	3,471
Total assets	**62,880**	**38,166**	**44,794**
Payables	9,905	8,350	8,963
Provisions	8,366	3,736	6,615
Total current liabilities	**18,271**	**12,086**	**15,578**
Borrowings	10,000	12,000	12,000
Provisions	2,901	2,909	2,186
Total liabilities	**31,172**	**26,995**	**29,764**
Net assets	**31,708**	**11,171**	**15,030**

Covenants		**HY17**	**FY16**	**HY16**
Fixed charge ratio	> 1.25	2.41	2.18	2.30
Gross leverage	< 1.25	.29	.52	.40

STRATEGY RECAP

- Lovisa is a vertical integrated fast fashion jewellery retailer with end to end product development capabilities
- Global brand with reach across a multitude of countries
- We enjoy high gross margins with demonstrated pricing elasticity
- Scalable rollout model with centralised merchandising, marketing and back office to support country operations
- Small store foot print with low build costs that generates strong cash conversion with an average store payback less than twelve months
- We are optimistic that our product offer continues to be accepted globally

STORE GROWTH

INTERNATIONAL ROLLOUT CONTINUES WITH A NET INCREASE OF 18 STORES

- Number of international stores growing with offshore markets now 44% of the network
- Net increase of 18 stores for the period with increases across all regions
- UK rollout continuing with 7 stores trading at Xmas
- Opened a total of 20 stores during the half with 2 stores closed

Store number growth

	HY17	FY16	VAR
Australia	149	144	+5
New Zealand	18	18	-
Singapore	21	19	+2
Malaysia	17	14	+3
South Africa	38	36	+2
United Kingdom	7	3	+4
Middle East	17	16	+1
Vietnam	1	-	+1
Total	268	250	+18

UK PROPERTY

- Currently trading from seven stores
  - Leeds
  - Manchester
  - Preston
  - White City/London
  - Norwich
  - Bromley
  - Brighton
- We aim to open another eight stores in the second half
- UK retail environment for our retail concept is transitioning away from high street to shopping malls
- We continue to have a disciplined approach to site selection and lease negotiation
- Now have a product team of five based in the UK as we continue to invest in our product capabilities to meet the trends in the Northen Hemisphere

MERCHANDISING

- Proven success in bringing new products to market
- Our vertical model allows us to be fast to market and to react to sale patterns quickly, with concept to store in six to eight weeks
- We deliver circa 100 new lines each week providing freshness to customer offer
- Truly vertically integrated retail which ensures we maximise our margin and quality
- Bulk of ranges are non-seasonal and global
- We have buying teams in Australia and the United Kingdom with 25 buyers who are solely focussed on delivering the best product to market

OUTLOOK

- We have experienced a strong start to FY17 but expect some softening in comparable sales in second half as the 2016 price increases and the departure of the Equip brand anniversarise
- The Company's investment in its global rollout will continue as we invest in our bench strength whilst sourcing suitable store locations and consider value enhancing, non-organic growth opportunities
- We aim to be at the top of our 20-30 range of net store openings for the year

SUMMARY

- EBIT of 28.2m and 77.8% gross margin
- Comparable store sales growth of 12.6%
- Strong lift in margin following price increases and reduced mark downs
- CODB costs well managed as network grows
- Tight stock and cost control with cash conversion at 125%
- International expansion continued with a further 18 stores opening during the year and a total network of 268 stores at December.
- We continue to do due dilligence on other markets and are optimistic on Lovisa's global rollout capability in both sourcing suitable stores and considering value enhancing non organic growth opportunities
- Fully franked dividend of 10.0 cents per share

QUESTIONS

APPENDIX 1

ASIC Regulatory Guide 230 Disclosing non-IFRS financial information

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Lovisa Holding Limited is required to make a clear statement about the non-IFRS information included in the Profit announcement and Half Year presentation for the period ended 1 January 2017.

In addition to statutory report amounts, the following non-IFRS measures are used by management and the directors as the primary measures of assessing financial performance of the Group and Individual Segments:

Non-IFRS measures used in describing the Business Performance include:

- Earnings before interest tax (EBIT)
- Earnings before interest, tax, depreciation, amortisation (EBITDA)
- Comparable Store Growth
- Return on capital employed (ROCE)

In addition to the above the following non-IFRS measures are used by management and the directors to assess the underlying performance of the Group for the FY17 half year.

- Constant Currency Margin

The directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the continuing business.

Many of the measures used are common practice in the industry within which Lovisa operates. The Profit Announcement and Half Year presentation has not been audited or reviewed in accordance with Australian Auditing Standards.

Definitions

- EBITDA - Result from operating activities before Depreciation and Amortisation
- EBIT - Result from operating activities
- Comparable Store Growth - Sales performance compared to last periods for stores trading in the retail network greater than one year
- Net Debt - Borrowings less cash on hand

APPENDIX 2

STORE NETWORK OPERATING SNAPSHOT

Country	Stores	Labour cost	Occupancy cost
Australia	149	●	●
New Zealand	18	●	◐
Malaysia	17	○	○
Singapore	21	◐	●
South Africa	38	○	○
United Kingdom	7	◐	●
Middle East	17	N/A - Franchise territory	N/A - Franchise territory
Vietnam	1	N/A - Franchise territory	N/A - Franchise territory

Legend:
● High ◐ Medium ○ Low

APPENDIX 3

PROFIT AND LOSS STATEMENT

($'000)	FY17 Actual	FY16 Actual	Variance Actual
Revenue	**99,740**	82,622	20.7%
Cost of sales	**(22,148)**	(20,638)	7.3%
Gross profit	**77,592**	**61,984**	**25.2%**
Employee expenses	**(23,261)**	(19,746)	17.8%
Property expenses	**(14,009)**	(12,536)	11.7%
Distribution expenses	**(2,363)**	(2,296)	2.9%
Depreciation	**(2,647)**	(2,863)	7.5%
Profit on disposal of PPE	**29**	12	141%
Other expenses	**(7,147)**	(6,609)	8.1%
Operating profit	**28,194**	**17,946**	**57.1%**
Finance income	**53**	21	152%
Finance cost	**(328)**	(352)	(7%)
Profit before tax	**27,919**	**17,615**	**58.5%**
Income tax expense	**(7,647)**	(4,075)	87.6%
Net profit after tax	**20,272**	**13,540**	**49.7%**
EPS cents	**19.3**	12.9	49.7%
Dividend per share	**10.00**	6.67	49.9%

APPENDIX 4

KEY RISKS

Foreign Currency	• Majority of goods that are imported are priced in USD. Consequently Lovisa is exposed to movements in the USD exchange rate • As international growth continues Lovisa will be exposed to movements in the exchange rates of the countries it operates in
Store Growth	• Lovisa's growth strategy is based on its ability to increase earnings from existing stores and continue to operate new stores on a timely and profitable basis • Lovisa's store rollout program is dependant on securing stores in suitable locations on acceptable terms and may be impacted by factors including delays, cost over runs and disputes with landlords
Property	• Failure to renew existing leases on acceptable terms or an inability to negotiate alternative arrangements could adversely affect Lovisa's ability to operate stores in preffered locations
Merchandising	• Lovisa's revenues are currently generated from the retailing of jewellery which is subject to change prevailing fashions and consumer preferences • Failure by Lovisa to predict or respond to such changes could adversely impact its financial performance • Any failure by Lovisa to correctly judge customer preferences or to convert market trends into appealing product offerings on a timely basis may result in lower revenue and margins • Any unexpected change in prevailing fashions or customer preferences may lead to Lovisa carrying increased obselete inventory • Lovisa's products are manufactured directly in factories in China, India and Thailand. As a result Lovisa is exposed to risks including foreign currency, politically instability, increased security requirements for goods, cost and delays in international shipping arrangements, imposition of taxes and other charges
Employment Costs	• Lovisa's employees are covered by enterprise bargaining agreements and other workplace agreements that periodically recquire renegotiation and renewal. Any such renegotiation could result in increased labour costs for Lovisa
Product	• Lovisa's name and its related intellectual product are key assets of the business. The reputation and value associated with Lovisa and related intellectual property rights could be adversely impacted by a number of factors including failure to provide customers with quality of product and service standards they expect, disputes or litgation with third party such as employees, suppliers or customers