Lovisa Holdings Limited
2018 HALF YEAR

STEVE DOYLE — CHIEF EXECUTIVE OFFICER
CHRIS LAUDER — CHIEF FINANCIAL OFFICER

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.

EBIT up 23%

$34.7M

Total Stores

319

Net increase of 31 stores

Like for Like Sales

+7.4%

NPAT $24.8M

up 23%

Interim Dividend

13.0 CPS

Fully Franked

Revenue up 18.9%

$118.6M

Contents

Lovisa

Half Year Overview

- EBIT up 23% to $34.7m
- Comparable store sales growth of 7.4% following strong Christmas and Boxing Day trading and continued delivery of on trend product to our customers
- Gross margin increased to 80.4% due to disciplined inventory management, product optimisation, and currency benefits in the half
- Continued global rollout strategy with a further net 31 stores opening during the half year and entry into the US market
- We continue to invest in the structure of the business to support global growth, with investment in rollout of new territories, global support structures and the expanded property team
- Cash flow from operations lifted 25.4% to $37.2m with operating cash conversion at 117%
- Directors determined to pay a fully franked dividend for the half year of 13.0 cents being a lift of 3.0 cents on the prior comparable period

Financial Overview

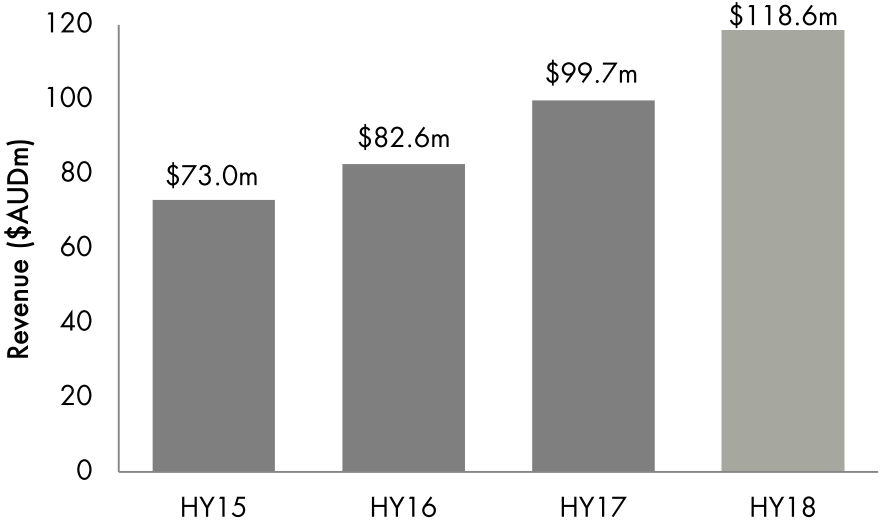
Continued earnings growth following increase in LFL sales and margin

($000)	HY18	HY17	Variance
	Actual	Actual	Actual
Revenue	**118,615**	99,740	18.9%
Gross profit	**95,388**	77,592	22.9%
EBITDA	**38,329**	30,841	24.3%
EBIT	**34,734**	28,194	23.2%
NPAT	**24,843**	20,272	22.5%
EPS (cents)	**23.7**	19.3	4.4 cents
Dividend (cents)	**13.0**	10.0	3.0 cents

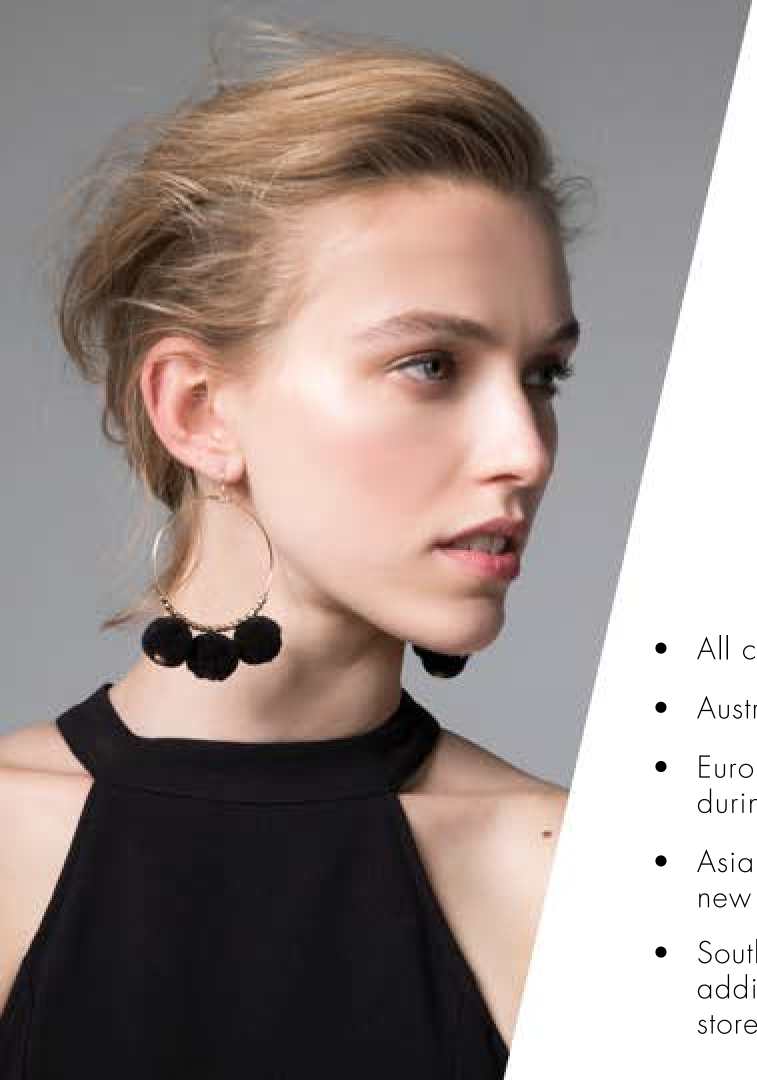
- Revenue up 18.9% with comparable store sales up 7.4% for the half year
- Gross profit of $95.4m up 23% reflecting improved margins
- CODB investment in global support structure and new territory expansion to support future growth resulted in 120bp increase in CODB to 48.1%
- Net profit after tax increased 23% to $24.8m with EPS of 23.7 cents per share
- Continued international expansion with a net increase of 31 stores during the half year
- Strong cashflow generation and tight inventory management
- Directors declared a fully franked dividend for the half year of 13.0 cents being a lift of 3.0 cents on the prior comparable period

Trading Performance Sales

Comparable sales up 7.4%



- Total Global Sales Revenue up 18.9% to $118.6m
- Comparable sales up 7.4% driven by strong performance of Christmas and Boxing day sales periods and again delivering on some key trends in the fashion jewellery sector



Trading Performance Sales

Sales increase across all regions

Region ($AUD '000)*	HY18	HY17	Variance
Australia / NZ	76,479	70,755	8.1%
Asia	17,267	14,793	16.7%
Africa	15,998	11,548	38.5%
Europe	8,112	2,216	266.1%
North America	151	-	-
Total	118,007	99,312	18.8%

*Sales revenue excluding franchise income

- All countries reflecting positive comparable store growth for the half year
- Australia and New Zealand region continues to be strong with sales up 8.1%
- Europe sales reflect continued new store growth in the UK with 12 new stores opening during the period and 23 stores now trading, and 2 stores now in Spain
- Asia sales up 16.7% following continued strong comparable sales in Malaysia and 2 new stores opened in the region during the half
- South African sales lifted by 38.5% to $16m following the addition of 8 stores, benefiting from the impact of the Klines store acquisition in May 2017.

Trading Performance Gross Margin

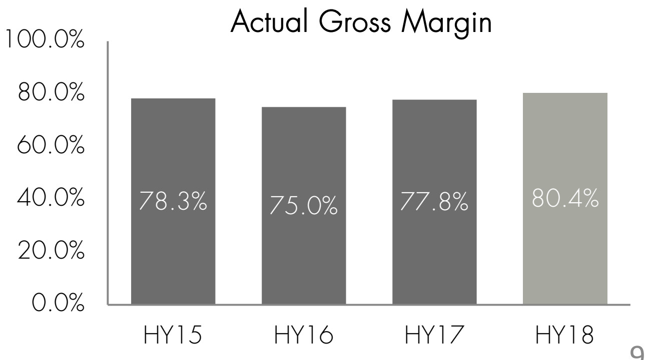
Gross margin increased to 80.4%

- Gross profit increased 22.9% to $95.4m
- Gross Margin was 80.4% up 260 basis points from 77.8% in the prior year
- Gross Margin on a constant currency basis was79.3%
- Gross Margin increase driven by on-trend product, continued strong inventory management, as well as strong performance of Christmas and Boxing Day period

Gross Margin at Constant Currency*

	FY18	FY18	FY17
Currency USD	0.75	0.71	0.71
Sales	118,615	118,615	99,740
Cost of Sales	(23,227)	(24,608)	(22,148)
Gross Profit	95,388	94,007	77,592
Gross Margin	80.4%	79.3%	77.8%

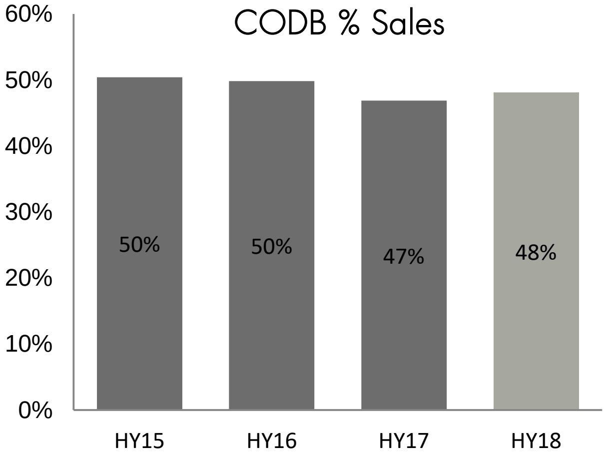
*Constant currency impact on inventory purchases



Cost of Doing Business

Continued investment in global rollout

- CODB as a percentage to sales increased to 48.1% as a result of ongoing investment into growing the business
- Operating costs remain well controlled with CODB increases focused on entry into new territories and store network growth
- One-off impact of relocation of Melbourne support office and distribution centre



Cash Flow

Strong Cash Conversion and Inventory Management

(A$000s)	HY18	HY17
Cash from operating activities	44,929	34,942
Net interest paid	(6)	(275)
Tax paid	(7,689)	4,982)
Net cash from operations	**37,234**	**29,685**
Property Plant & Equipment	(7,430)	(2,448)
Net cash used in investing activities	**(7,430)**	**(2,448)**
Repayment of borrowings	-	(2,000)
Dividends paid	(7,981)	(2,100)
Net cash used in financing activities	**(7,981)**	**(4,100)**
Opening cash	11,039	4,729
Effect in movement in exchange rates	172	380
Closing cash	**33,034**	**28,246**
Net movement in cash	**21,823**	**23,137**

- Cash flow from operations lifted 25.4% to $37.2m with operating cash conversion at 117%
- Capital expenditure of $7.4m during the period
- Dividends of $8.0m paid during the half year
- Increase in cash for the half year of $21.8m, with closing cash balance of $33.0m and $25m of undrawn financing facilities

Lovisa

Balance Sheet

Strong Balance Sheet with Significant Capacity Available To Fund Growth

- Disciplined inventory management with growth in inventory levels in line with growth in store numbers
- Material headroom in the company's fixed charge ratio and operating leverage covenants, and $25m financing facilities available, plus $15m acquisition finance facility (subject to bank due diligence)
- Net cash of $33.0m at half year end

(A$000s)	HY18	FY17	HY17
Net Cash	33,034	11,039	28,246
Receivables	3,781	3,615	3,130
Inventories	14,670	13,127	12,338
Total current assets	**51,485**	**27,781**	**43,714**
Property Plant & Equipment	19,685	15,658	13,081
Intangibles	2,495	2,276	2,328
Deferred tax asset	4,097	3,275	3,064
Total assets	**77,762**	**48,990**	**62,187**
Payables	14,702	10,001	9,905
Derivatives	609	805	(693)
Provisions	11,051	6,936	8,366
Total current liabilities	**26,362**	**17,742**	**17,578**
Provisions	5,222	3,059	2,901
Borrowings	-	-	10,000
Total liabilities	**31,584**	**20,801**	**30,479**
Net assets	**46,178**	**28,189**	**31,708**

Covenants	HY18	FY17	HY17
Fixed charge ratio > 1.40	2.73	2.59	2.41
Operating leverage < 1.75	0.08	0.09	0.29

Lovisa

Store Growth

International Rollout Continues with A Net Increase of 31 Stores

Store number growth				
Country	HY18	FY17	Var	Est. Store Capacity
Australia	151	145	6	150+
New Zealand	18	18	-	18-20
Singapore	22	21	1	20-25
Malaysia	20	19	1	20-25
South Africa	58	50	8	55+
United Kingdom	23	11	12	100
Spain	2	1	1	TBC
USA	1	-	1	TBC
Middle East	19	19	-	50
Vietnam	5	4	1	10-15
Total	319	288	31	

- Number of international stores growing with offshore territories now 53% of the network
- Net increase of 31 stores for the half year
- First store opened in the US in November 2017 and first French store opened in February 2018
- UK store rollout gaining momentum with 12 new stores opened in the half
- Global Property team in place and we continue to be diligent in ensuring store locations and rent economics meet internal hurdles

Lovisa

Trading Outlook

- Whilst the result for the half year reflects a strong start to the financial year, in particular in relation to sales and gross margin, it is important to note that Lovisa has a disproportionate mix of EBIT weighted to the first half, which has also been enhanced by the strong performance of the Christmas and Boxing Day sale periods.
- We will continue to invest in supporting store network expansion and do not expect the gross margin benefits delivered in the first half of the financial year to continue at the same level as currency tailwinds moderate and we continue to cycle strong ranges from prior year.
- Trading since the end of the half year has been in line with our expectations.

Summary

- EBIT of $34.7m and 80.4% gross margin
- Comparable store sales growth of 7.4%
- Lift in margin following tight inventory management and strong Christmas and Boxing Day sales period
- CODB investment well managed to focus on laying the platform for future growth
- Tight stock and cost control with cash conversion at 117%
- International expansion continued with a further 31 stores opening during the half year and a total network of 319 stores at half year end
- 53% of store network now outside of Australia
- Pilots now underway in Spain, France and the US and the UK rollout is gaining momentum
- Fully franked dividend of 13.0 cents per share

Appendices

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 Holdings 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 31 December 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

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 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 before foreign currency movements
- Net Cash - Cash on hand less overdraft
- Constant Currency Margin - Stock purchases in USD held constant from prior year

Appendix 2 – Profit & Loss Statement

($'000)	HY18	HY17	Variance
	Actual	Actual	Actual
Revenue	118,615	99,740	18.9%
Cost of sales	(23,227)	(22,148)	4.9%
Gross profit	95,388	77,592	22.9%
Employee expenses	(28,167)	(23,261)	21.1%
Property expenses	(16,407)	(14,009)	17.1%
Distribution expenses	(3,432)	(2,363)	45.2%
Depreciation	(3,595)	(2,647)	35.8%
(Loss)/profit on disposal of PPE	(67)	29	(331.0%)
Other expenses	(8,986)	(7,147)	25.7%
Operating profit	34,734	28,194	23.2%
Finance income	18	53	(66.0%)
Finance cost	(24)	(328)	(92.7%)
Profit before tax	34,728	27,919	24.4%
Income tax expense	(9,885)	(7,647)	29.3%
Net profit after tax	24,843	20,272	22.5%
EPS (cents)	23.7	19.3	4.4
Dividend cents per share	13.0	10.0	3.0

Appendix 3 – 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
Store Growth	• Lovisa's growth strategy is based on its ability to increase earnings from existing stores and continue to open and 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 preferred locations
Merchandising	• Lovisa's revenues are currently generated from the retailing of jewellery which is subject to change in 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 obsolete 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 require 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

Appendix 4 – Global Brand Strategy

Vision	• Internationally recognised brand • Global footprint • Brand of choice for fast fashion jewellery
Growth Engine	• High Margin business operating in small store footprint • Fit out cost generally low with compelling return and pay back period • Inexpensive entry to new territories with ability to leverage off one support centre across the Globe • Successful in all territory entries to date
International Expansion	• Continue to leverage current international territories • Leverage the Company's capital in large international territories • UK pilot program successful and roll out of UK territory under way • Pilots underway in Spain, France and the US • Consider franchise partners for selected territories
Global Supply Chain	• 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	• Optimise and improve existing store network • Continue to target high traffic shopping precincts
Brand Awareness	• 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