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FY18 Full Year Results Announcement
Revenue up 21.4% following LFL growth of 6.8% and 38 net new stores
NPAT up 24% to $36.0m

- Revenue increased by 21.4% to $217.0m
- Gross Margin lift to 80.0% with Gross Profit up 23.3% to $173.6m
- EBIT increased by 25.5% to $51.1m
- +6.8% comparable store sales growth
- 38 net new stores opened during the year, 326 at year end
- Cash conversion of 104% with operating cash flow of $60.6m
- Fully Franked Final Dividend of 14.0 cents per share

Results Highlights

(A$'m)	FY18 Actual	FY17 Actual	Variance
Revenue	217.0	178.7	+21.4%
Gross profit	173.6	140.8	+23.3%
EBIT	51.1	40.7	+25.5%
NPAT	36.0	29.0	+23.8%
EPS (cents)	34.2	27.7	+ 6.5 cents
Final dividend (cps)	14.0	7.6	+6.4 cents

Managing Director Shane Fallscheer said, "We are pleased that we have been able to continue the momentum from the very strong start to the year through the second half in the face of some great ranges from prior year and four years of strong comps to deliver another excellent result with NPAT growth of 24%".

"It's pleasing that we were able to continue to invest into the structures to support our global expansion and at the same time continue to deliver strong results from existing markets. This leaves us well placed to execute on our future growth strategy".

Results

Revenue was $217m up 21.4% on FY17 with growth delivered across all markets and same store sales growth at 6.8%. Sales grew across all regions, both on a total and same store basis, with strong growth in established territories Australia/NZ and Asia, and the benefits of the Klines store acquisition in May 2017 driving growth in South Africa. The acceleration of the UK store rollout drove European growth with an increase of 13 stores for the year, as well as 5 stores in Spain at year end and 2 in France.

Gross Margin increased 120bps to 80.0%, benefiting from continued strong range performance and tight inventory management, the stronger Australian Dollar and the strength of the Christmas and Boxing Day sales period. Gross Profit increased by $32.8m to $173.6m, up 23%.

Cost of Doing Business (CODB) as a percentage of sales was maintained at 53%, with the impact of the continued investment into the international structure of the business and the entry into new markets during the period offset by continued strong operating cost control. This investment being made ahead of the curve is essential to ensure that we can conduct new market due diligence effectively, and can then move quickly once we are comfortable a region should move to full rollout. CODB for the year also includes the investment made into relocation of the Melbourne Support Office and Distribution Centre, as well as the impact of higher CODB in new regions.

Earnings per share was 34.2 cps compared to 27.7 cps in FY17.

Continued discipline in inventory management combined with strong range performance in the period has seen inventory levels grow in line with the increase in store numbers. This helped to deliver another solid increase in operating cash flow before interest and tax for the period of $10.2m, with cash conversion at 104%. Capital expenditure of $15.3m reflects new store openings net of landlord contributions, with higher capex per store as we expand in higher cost markets where we are yet to build scale. It also includes refurbishments of current stores upon lease renewals, as well as $1.2m of key money paid in relation to new stores in France and Spain.

Net cash increased by $10m for the year to $21m at year end, with $25 million of financing facilities remaining undrawn (and additional $15m acquisition finance facility, subject to bank due diligence). This, combined with our short payback period on new stores provides significant capacity to fund the future store growth program.

The strong cash flow generation over the past two years has allowed the Company to pay off all of its debt and has provided the opportunity for the Directors to return some of this surplus cash to shareholders by way of an increased dividend. After a 30% increase in interim dividend paid during the year, the Directors have determined to pay a fully franked final dividend of 14.0 cents, being an increase of 6.4 cents on last year, and taking the full year dividend to 27.0 cents, a 9.4 cent (+53%) increase on prior year. The Board will continue to assess dividend levels each half year and determine the appropriate level of dividend based on profitability, cash flows, and future growth capex requirements.

Store Growth

The key driver of future growth for Lovisa is the continued international store roll out. The store network increased to 326 stores as at the end of the financial year, a net increase of 38 stores from June 2017, with 52 new stores opened and 14 stores closed as part of our ongoing store network optimization process.

Store growth in FY18			
	FY18 Store numbers	FY17 Store numbers	Variance
Australia	151	145	6
New Zealand	20	18	2
Singapore	22	21	1
Malaysia	21	19	2
South Africa	56	50	6
UK	24	11	13
Spain	5	1	4
France	2	-	2
USA	1	-	1
Middle East	18	19	(1)
Vietnam	6	4	2
Total	**326**	**288**	**38**

During the financial year we opened our first stores in the US and France, and delivered continued growth in our store portfolio in the UK market. We closed the year with 5 stores in Spain, 2 in France, and 1 in the US and continue our measured and diligent approach to new site selection to ensure long term success in these markets. Whilst site acquisition in new markets has been slower than we would like, we are pleased with the momentum that has been built since the appointment of leasing executives in each market.

<u>Operational Update</u>

We continue to focus on investment in people and processes to ensure we remain efficient as we grow and able to execute on our strategic plans. Some of the key operational and IT changes underway are:

- Move of our third party logistics hub from Hong Kong to Qingdao China. This move is expected to be completed by end of August 2018;
- Change in logistics provider to deliver a more efficient supply chain;
- Upgrade of our in-store point of sale hardware and software complete, delivering global language capability and integrated EFTPOS to all regions;
- Replacement of our global store labour management system in progress to ensure we manage our store labour force in the most efficient way; and
- Implementation of new lease database software complete.

Work is also underway for our entry into e-commerce via Lovisa.com during FY19.

As part of the investment in the support structures within the business to drive the global rollout, we are in the process of sourcing a global Chief Operating Officer as well as other senior leadership positions to add to our bench strength.

Board renewal

The Board is currently well advanced in the appointment of a new independent non-executive Director to replace Paul Cave following his retirement at the 2017 Annual General Meeting.

The Board would also like to announce that after 2 years in the role, Michael Kay will be stepping down as a Director and Chairman of the Company effective from 31 October 2018. Michael joined the Board in April 2016 with a two year commitment to help bring improved structure and rigour to the Lovisa Board, which as can be seen from our performance over the past two years has been achieved and as a result Michael will now step down as the company moves into its next phase of international expansion. The Board would like to thank Michael for his outstanding service to the Company and his stewardship during a period that has seen substantial growth in the business.

Co-founder and substantial shareholder Brett Blundy will now join the Board (Brett is currently appointed as an alternate Director to Tracey Blundy), and will assume the role of Chairman effective 1 November 2018. As one of Australia's most successful retailers and entrepreneurs, Brett brings a wealth of retail and leadership experience to the Board. He is the Chairman and Founder of BBRC, a private investment group with diverse global interests across retail, capital management, retail property, beef, and other innovative ventures. BBRC's Retail presence extends to over 800 stores across more than 15 countries, and its Capital Management business has offices in Sydney & New York. Brett is currently a non-executive director of Accent Group Limited (ASX:AX1) and Aventus Retail Property Fund (ASX: AVN). We look forward to welcoming Brett to the Board.

In addition to the above changes the Board will also seek to appoint a further independent non-executive Director.

Trading Update and Outlook

We continue to cycle particularly strong comparable store sales delivered over recent years, with growth above our target range delivered in each of the past 4 years, which will make continuation of the comparable store sales momentum delivered in FY18 more challenging. Whilst we continue to maintain positive comparable store sales growth for the first 7 weeks of FY19, we are currently trading below our long-term target range of 3-5%.

Subject to being able to source suitable sites, we expect to accelerate the store rollout in the coming year, with the increase in number of stores for FY19 to be higher than FY18. We will continue to invest in our support structures ahead of the growth curve to drive store network expansion. We forecast to go into Christmas trading with at least 7 stores in each of the US, France, and Spain markets as we continue to build our presence.

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