Lovisa Holdings Limited
2020 HALF YEAR

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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.

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HALF YEAR OVERVIEW[1]

- EBIT up 10.7% to $40.4m, with NPAT up $2.3m to $27.8m
- Total sales up 22.2% and comparable store sales up 2.1% for the half year
- Gross margin was impacted by the deterioration in the AUD vs the USD, decreasing 200bps to 79%
- Continued global rollout strategy with a net 49 stores opening during the half year
- Rollout in the US and France markets ongoing, with operational structures in place to continue momentum
- US market rollout now into 8 states
- CODB at 50% to sales with improved performance in store wage costs in new markets offset by ongoing investment in global structures, costs of rollout in new territories
- eCommerce now live in Australia, NZ, UK/EU and Asia
- Cash flow from operations $46.0m with operating cash conversion at 98% reflecting the working capital investment in increased store openings
- Directors resolved to pay a fully franked interim dividend of 15.0 cents

[1] Financial metrics used throughout this document represent the financial performance of the company excluding the impact of the new lease accounting standard AASB 16 to ensure comparability with HY19 comparatives, which have not been restated for this change. A reconciliation between the pre and post AASB 16 numbers is included at Appendix 2.

FINANCIAL OVERVIEW[1]

Continued earnings growth from store rollout

($000)	HY20 (Statutory)	HY20[1] (Pre AASB 16)	HY19 (Pre AASB 16)	Variance (Pre AASB 16)
Revenue	**162,761**	**162,761**	133,195	22.2%
Gross profit	**128,453**	**128,453**	107,825	19.1%
EBITDA	**64,921**	**46,655**	40,698	14.6%
EBIT	**41,124**	**40,410**	36,489	10.7%
NPAT	**26,672**	**27,849**	25,517	9.1%
EPS (cents)	**25.2**	**26.3**	24.2	8.8%
Dividend (cents)	**15.0**	**15.0**	18.0	- 3.0 cents

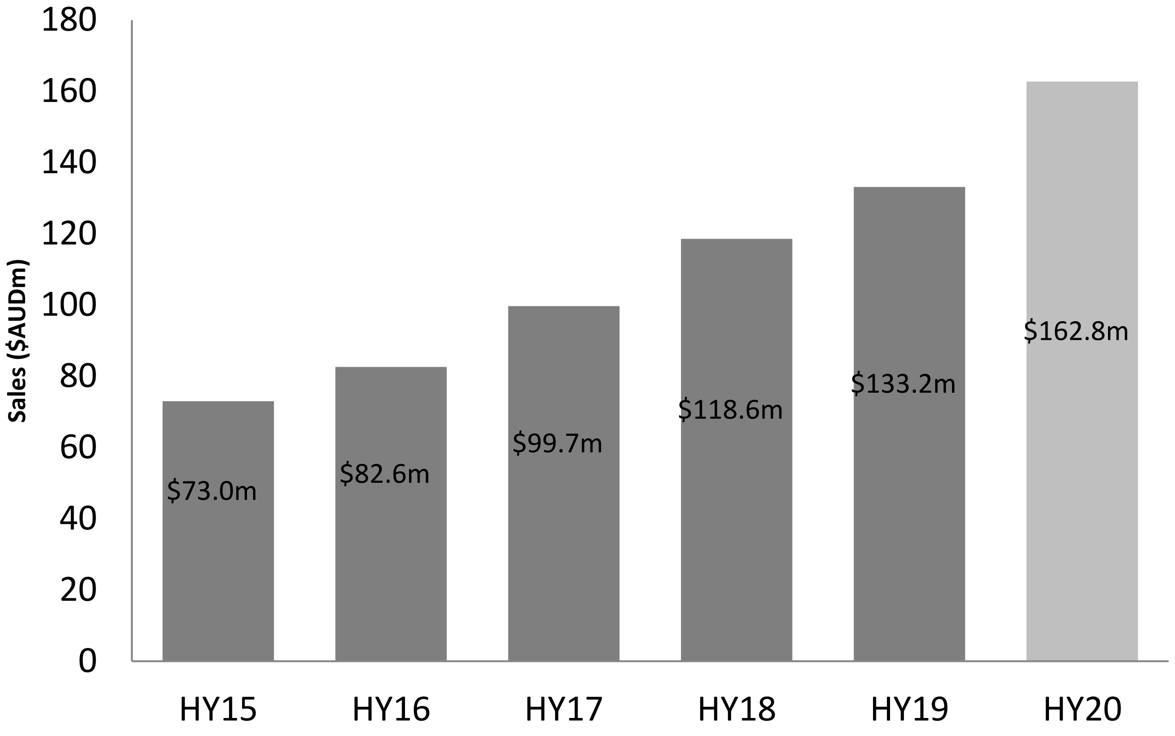
[1] HY20 results represent performance pre the application of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2.

- Revenue up 22.2% with comparable store sales up 2.1% for the period
- Gross profit of $128.5m up 19% reflecting strong sales growth combined with continued disciplined inventory management, offset by unfavourable currency impacts
- CODB was flat at 50% with improved management of operating costs of new territories offset by continued investment in both global and local support structures
- Depreciation up 48% from increased capex spend on new store rollout
- EBIT increased 10.7% to $40.4m for the half year
- EPS of 26.3 cents per share
- Continued strong balance sheet and cashflow generation
- Directors declared a fully franked interim dividend of 15.0 cents being a 3 cent reduction on the prior comparable period reflecting the elevated payout ratio in prior year

TRADING PERFORMANCE – SALES

Total sales up 22.2% from continued global rollout

- Total Global Sales Revenue up 22.2% to $162.8m from acceleration in store rollout
- Continued positive comparable store sales for the period at +2.1%, with solid performance in most markets
- Growth in e-commerce channel as we improve our execution
- Price increases implemented to offset currency impacts on margin delivered minimal impact to comparable store sales
- The market continued to lack strong fashion trends through the first half of the year
- We remained focused on preserving our gross margin through the period



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TRADING PERFORMANCE - SALES

Sales growth driven by new regions

- Australian region delivered strong growth benefiting from solid comparable store sales as well as growth in the online channel
- Europe and USA sales reflect continued new store growth with an increase of 4 stores in the UK,10 stores in France and 21 in the USA
- Asia sales impacted by store closures in FY19 in Singapore and generally softer performance across both markets for the period
- South Africa continues to perform well with growth from both existing and new stores

Region ($AUD '000)	HY20	HY19	Variance
Australia / NZ	82,798	77,943	6.2%
Asia	17,580	18,233	-3.6%
Africa	20,499	17,683	15.9%
Europe	28,508	17,089	66.8%
USA	12,269	1,414	767.7%
Total	161,654	132,362	22.1%

*Sales revenue excluding franchise income

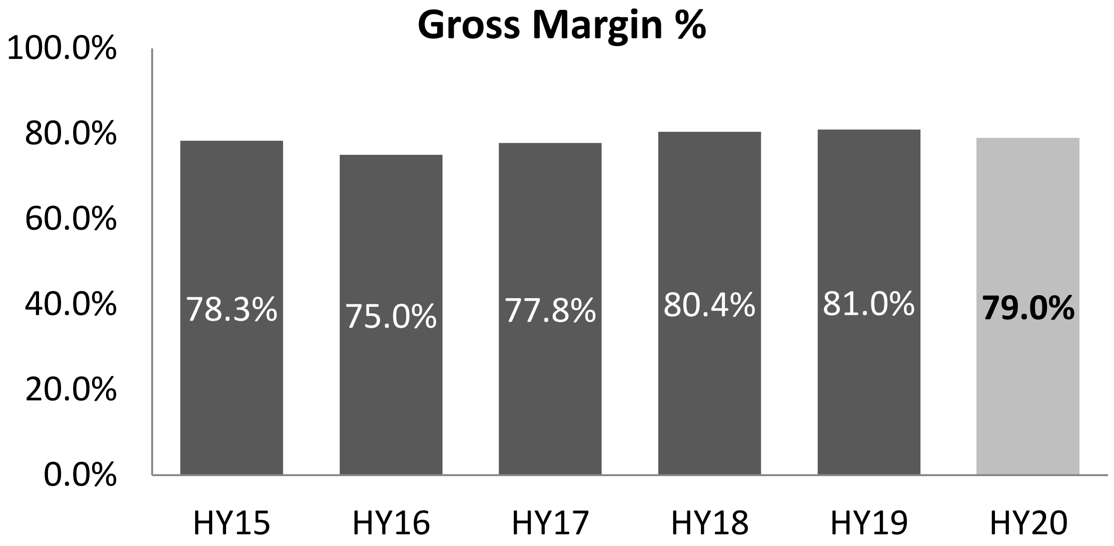
TRADING PERFORMANCE - GROSS MARGIN

Gross margin decreased to 79%

Gross Margin at Constant Currency*			
	HY20	HY20	HY19
Currency USD	0.71	0.77	0.77
Sales	162,761	162,761	133,195
Cost of Sales	(34,308)	(31,528)	(25,370)
Gross Profit	128,453	131,233	107,825
Gross Margin	79.0%	80.6%	81.0%

*Constant currency impact on inventory purchases

- Gross profit increased 19.0% to $128.5m
- Gross Margin was 79% down 200 basis points from 81% in prior year



- Gross Margin decline driven by deterioration in USD hedge rate compared to prior year
- Whilst actions were taken to increase prices to offset this impact, these measures were only in place for part of the period and were not as effective as planned

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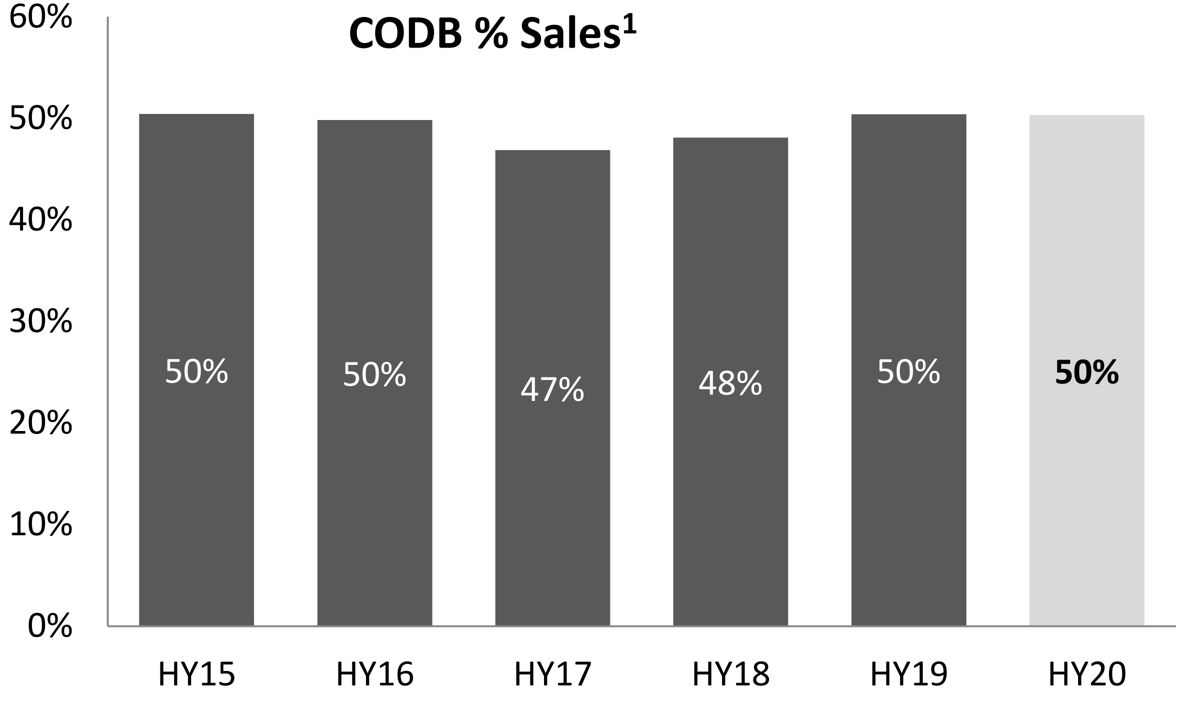
COST OF DOING BUSINESS[1]

Continued investment in global rollout

- Acceleration of rollout in new territories has increased CODB in recent years with higher initial operating costs in these markets compared to existing averages
- Work on improving these cost structures beginning to deliver benefits, in particular in store wage management
- Underlying operating costs remain under control with CODB increases focused on entry into new territories and store network growth



[1] HY20 results represent performance pre the application of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2.

CASH FLOW[1]

Continued investment in store rollout

(A$000s)	HY20 (pre AASB 16)	HY19 (pre AASB 16)
Cash from operating activities	45,969	49,142
Net interest paid	(8)	99
Tax paid	(9,517)	(12,360)
Net cash from operations	**36,444**	**36,881**
Property Plant & Equipment	(19,197)	(12,161)
Key Money	(584)	(318)
Net cash used in investing activities	**(19,781)**	**(12,479)**
Share options exercised	542	1,265
Dividends paid	(15,866)	(14,779)
Net cash used in financing activities	**(15,324)**	**(13,514)**
Opening cash	11,192	21,057
Effect in movement in exchange rates	41	339
Closing cash, net	**12,572**	**32,284**
Net movement in cash	**1,380**	**10,888**

- Cash flow from operating activities was $46.0m with operating cash conversion at 98% as a result of working capital investment into new store rollout
- Capital expenditure of $19.8m for the period, including payments of $0.6m for key money
- Lower tax paid in HY20 reflects change in instalment profile vs prior year
- Higher capex spend per store as we build scale and rollout in new, higher fit-out cost markets
- Dividends of $15.9m paid during the period, reflecting increased final FY19 dividend

[1] HY20 results represent performance pre the application of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2.

BALANCE SHEET[1]

Strong Balance Sheet Available To Fund Growth

- Investment in fitout and inventory for new stores funded from existing cash, and net cash of $12.6m at period end
- Focus on disciplined inventory management continues, with increased inventory holding to support store rollout profile and franchise store growth
- Material headroom in the company's fixed charge ratio and leverage ratio covenants
- Declared interim dividend of 15 cents per share, a 3 cent decrease on prior year reflective of the FY19 focus on returning surplus cash to shareholders via increased dividends, with the FY20 interim dividend returning to a more normal payout level
- We will continue to review dividend levels going forward based on cash and facilities available and capital requirements of store network expansion

(A$000s)	HY20 (pre AASB 16)	FY19 (pre AASB 16)	HY19 (pre AASB 16)
Net Cash	12,572	11,192	32,284
Receivables	7,121	7,413	4,631
Inventories	28,372	22,769	19,474
Derivatives	0	645	1,268
Total current assets	**48,065**	**42,019**	**57,657**
Property Plant & Equipment	48,544	38,418	30,574
Intangibles	4,935	4,418	3,890
Deferred tax asset	6,798	6,372	4,835
Total assets	**108,342**	**91,227**	**96,956**
Payables	22,509	23,659	20,591
Derivatives	168	0	0
Provisions	10,895	6,465	10,191
Total current liabilities	**33,572**	**30,124**	**30,782**
Provisions	7,005	7,452	8,397
Total liabilities	**40,577**	**37,576**	**39,179**
Net assets	**67,765**	**53,651**	**57,777**

Covenants	HY20	FY19	HY19
Fixed charge ratio > 1.40	2.43	2.47	2.59
Leverage ratio < 1.75	0.32	0.23	0.08

[1] HY20 results represent performance pre the application of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2.

STORE GROWTH

International Rollout Continues with a Net Increase of 49 Stores

Store number growth			
Country	**HY20**	**FY19**	**Var**
Australia	155	154	1
New Zealand	23	22	1
Singapore	20	18	2
Malaysia	27	25	2
South Africa	62	61	1
United Kingdom	42	38	4
Spain	9	9	0
France	18	8	10
USA	40	19	21
Middle East	35	28	7
Vietnam	8	8	0
Total	439	390	49

- Number of international stores growing with offshore territories now 65% of the store network
- Net increase of 49 stores for the period as we constantly focus on network optimisation
- US rollout progressing well, with stores now open in 8 states, including most recently in Oregon, Arizona, Minnesota and New Jersey, and a strong pipeline of new stores
- UK store rollout continued with 4 new stores opened during the period, with our focus on securing quality sites
- French rollout gained further momentum with 10 new stores for the period
- We continue to be diligent in ensuring store locations and rent economics meet internal hurdles

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USA UPDATE

- We were trading in the following states at the end of December 2019:
  - California (19)
  - Texas (7)
  - Florida (5)
  - Illinois (5)
  - Minnesota (2)
  - New Jersey (1)
  - Oregon (1)
- Since the end of December we have also opened our first store in Arizona, and are currently trading from 43 stores in the US
- Store metrics and range performance continue to be in line with expectations with good customer reaction and landlord engagement
- Operating and store build costs of this market continue to be higher than we would like and higher than our company average
- We see the USA market as a significant long term opportunity and continue to invest in the structures to support this
- We will continue to apply our diligent approach to new store evaluation to ensure that we maintain the quality of our store network, and will not sacrifice store quality for speed or size of rollout

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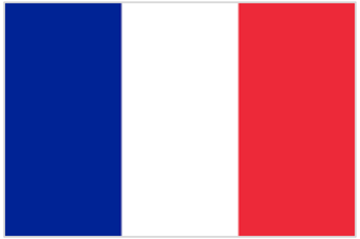
EUROPE UPDATE

- At half year end we were trading from 42 stores in the UK, 18 in France, and 9 in Spain
- UK rollout has continued with 4 stores opened in the period, with site availability at appropriate rents slowing progress, but good progress being made in this market in terms of sales growth and cost management
- Cautious approach to Spain continues, with focus on delivering operational improvement and any further store openings on hold until we can deliver on the key metrics required to expand in this market
- The performance of our 18 stores in France has continued to meet our expectations, with ongoing rollout in progress, however progress in this market expected to continue to be slower due to the timeline in accessing sites
- Store cost metrics in the French market are proving to be higher than our current average based on our experience to date
- We will continue to apply our diligent approach to new store evaluation to ensure that we maintain the quality of our store network, and will not sacrifice store quality for speed and size of rollout



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OPERATIONAL UPDATE

- We continue to focus on investment in people and processes to ensure we remain efficient as we grow and are able to execute on our strategic plans
- Investment made into a number of senior roles in the US market to support expansion into new states and support operation of the expanding store network
- Since the end of the half year, we have severed the relationship with our Vietnam master franchisee and are currently in negotiations with new partners to take over this market
- Piercing services rolled out across the store network, with close to 300 stores currently offering this service
- E-commerce in Australia and NZ via Lovisa.com trading for over a year and delivering solid growth over its first year, UK/EU launched in July 2019 via Lovisa.uk and Singapore site live from November 2019

TRADING UPDATE AND OUTLOOK

- Trading for the month of January was in line with that achieved in the first half with comparable store sales at +2.1%, however with the impact on store traffic from the publicity surrounding the Coronavirus, we have seen a slowing of trading performance with second half comparable store sales now at -0.7% and YTD at +1.7%. This has impacted across most markets, and particularly in Singapore and Malaysia
- As a fast fashion business we are reliant on our China-based supply chain to ensure continued stock availability, replenishment and newness for our customers, and with the majority of our product originating from China we are feeling the impact via:
  - Delays in our warehouse that replenishes the Northern Hemisphere and South African markets which is now ramping back up to capacity
  - Delays in factories coming back to full production
- We expect to see further impact on sales over coming months as a result of these factors, however the size of any impact cannot currently be reliably estimated and is heavily dependent on the length of time of the current disruptions in China
- In addition to this disruption, currency headwinds will continue to have an impact on gross margins through the remainder of FY20 as our average USD purchase rate is expected to drop below US$0.70
- We continue our focus on expanding our store network, and continue to expect the increase in number of stores for FY20 to be higher than in FY19, with 3 net new stores opened since the end of December 2019, taking the store network to 442
- We will continue to invest in our support structures, in particular in the USA, to support store network growth and the larger business, and will continue to review opportunities in new markets

SUMMARY

- EBIT of $40.4m and 79% Gross Margin (80.6% on constant currency)
- Comparable store sales up 2.1% for the period
- Reduction in gross margin impacted by currency headwinds
- CODB stable despite continued investment focused on building the platform for future growth
- International expansion continued with a further net 49 stores opening during the half and a total network of 439 stores at half year end
- 65% of store network now outside of Australia
- Rollout continues to gain momentum in the USA and France markets, with stores now in 8 US states
- Fully franked final dividend of 15.0 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 29 December 2019.

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), both Reported and Underlying
- Earnings before interest, tax, depreciation, amortisation (EBITDA) both Reported and Underlying
- Underlying Net Profit Before and After Tax
- 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 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 Annual 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 and borrowings
- Constant Currency Margin - Stock purchases in USD held constant from prior year

APPENDIX 2 – Impact of implementation of new lease accounting standard AASB 16

The implementation of AASB 16 has significantly changed reported results however does not have any economic impact on the company, its cash flows, debt covenants or shareholder value. The impact on transition and going forward is summarised as follows, with a reconciliation between reported results and underlying results excluding the impact of the new standard included on the following pages:

Item	Impact
Profit and Loss	EBIT and EBITDA increase as a result of operating lease expenses being replaced by depreciation and interest, with NPAT decreasing
Balance Sheet	Recognition of Right of Use Asset and Lease Liability. Impact on balance sheet on transition at 1 July 2019: • Total Assets increased by $138.4m • Total Liabilities increased by $138.4m, comprised of the recognition of lease liabilities of $143.6m, offset by the derecognition of existing lease provisions of $5.2m • Net Assets not impacted
Cash Flow	• Increase in Operating cash flows offset by an increase in Financing outflows • No impact to net cash flow
Adoption Date and Comparatives	• AASB 16 has been adopted effective 1 July 2019 • The new standard has been applied prospectively and no adjustment made to prior year comparatives

APPENDIX 2 – PROFIT AND LOSS STATEMENT[1]

($'000)	**HY20 (Statutory)**	Impact of application of AASB 16	**HY20 (pre AASB 16)**	HY19 (pre AASB 16)	Variance (Statutory)	Variance (pre AASB 16)
Revenue	**162,761**	**0**	**162,761**	133,195	22.2%	22.2%
Cost of sales	**(34,308)**	**0**	**(34,308)**	(25,370)	35.2%	35.2%
Gross profit	**128,453**	**0**	**128,453**	**107,825**	**19.1%**	**19.1%**
Employee expenses	**(39,168)**	**0**	**(39,168)**	(32,451)	20.7%	20.7%
Property expenses	**(7,569)**	**18,265**	**(25,834)**	(20,074)	(62.3%)	28.7%
Distribution expenses	**(4,696)**	**0**	**(4,696)**	(3,995)	17.5%	17.5%
Depreciation	**(23,797)**	**(17,552)**	**(6,245)**	(4,209)	465.4%	48.4%
(Loss)/profit on disposal of PPE	**(240)**	**0**	**(240)**	(223)	7.6%	7.6%
Other expenses	**(11,859)**	**0**	**(11,859)**	(10,384)	14.2%	14.2%
Operating profit	**41,124**	**713**	**40,410**	**36,489**	**12.7%**	**10.7%**
Finance income	**163**	**0**	**163**	194	(16.0%)	(16.0%)
Finance cost	**(2,401)**	**(2,230)**	**(171)**	(95)	2427.4%	80.0%
Profit before tax	**38,886**	**(1,517)**	**40,403**	**36,588**	**6.3%**	**10.4%**
Income tax expense	**(12,214)**	**341**	**(12,555)**	(11,071)	10.3%	13.4%
Net profit after tax	**26,672**	**(1,177)**	**27,849**	**25,517**	**4.5%**	**9.1%**
EPS (cents)	**25.2**	**(1.1)**	**26.3**	24.2	1.0 cents	2.1 cents

[1] Financial metrics used throughout this document represent the financial performance of the company excluding the impact of the new lease accounting standard AASB 16 to ensure comparability with HY19 comparatives, which have not been restated for this change.

APPENDIX 2 – BALANCE SHEET

(A$000s)	HY20 (Statutory)	Impact of application of AASB 16	HY20 (pre AASB 16)	FY19 (pre AASB 16)	HY19 (pre AASB 16)
Net Cash	12,572	0	12,572	11,192	32,284
Receivables	7,121	0	7,121	7,413	4,631
Inventories	28,372	0	28,372	22,769	19,474
Derivatives	0	0	0	645	1,268
Total current assets	**48,065**	**0**	**48,065**	**42,019**	**57,657**
Property Plant & Equipment	49,605	1,061	48,544	38,418	30,574
Lease Right of Use Assets	147,056	147,056	0	0	0
Intangibles	4,935	0	4,935	4,418	3,890
Deferred tax asset	7,139	341	6,798	6,372	4,835
Total assets	**256,799**	**148,458**	**108,342**	**91,227**	**96,956**
Payables	22,509	0	22,509	23,659	20,591
Lease Liabilities	36,244	36,244	0	0	0
Derivatives	168	0	168	0	0
Provisions	8,018	(2,877)	10,895	6,465	10,191
Total current liabilities	**66,939**	**33,367**	**33,572**	**30,124**	**30,782**
Lease Liabilities	119,045	119,045	0	0	0
Provisions	4,173	(2,832)	7,005	7,452	8,397
Total liabilities	**190,157**	**149,580**	**40,577**	**37,576**	**39,179**
Net assets	**66,642**	**(1,123)**	**67,765**	**53,651**	**57,777**

[1] Financial metrics used throughout this document represent the financial performance of the company excluding the impact of the new lease accounting standard AASB 16 to ensure comparability with HY19 comparatives, which have not been restated for this change.

APPENDIX 2 – CASH FLOW

(A$000s)	HY20 (Statutory)	Impact of application of AASB 16	HY20 (pre AASB 16)	HY19 (pre AASB 16)
Cash from operating activities	64,248	18,279	45,969	49,142
Net interest paid	(8)	0	(8)	99
Tax paid	(9,517)	0	(9,517)	(12,360)
Net cash from operations	**54,723**	**18,279**	**36,444**	**36,881**
Property Plant & Equipment	(19,197)	0	(19,197)	(12,161)
Key Money	(584)	0	(584)	(318)
Net cash used in investing activities	**(19,781)**	**0**	**(19,781)**	**(12,479)**
Share options exercised	542	0	542	1,265
Payment of lease liabilities	(18,279)	(18,279)	0	
Dividends paid	(15,866)	0	(15,866)	(14,779)
Net cash used in financing activities	**(33,603)**	**(18,279)**	**(15,324)**	**(13,514)**
Opening cash	11,192	0	11,192	21,057
Effect in movement in exchange rates	41	0	41	339
Closing cash	**12,572**	**0**	**12,572**	**32,284**
Net movement in cash	**1,380**	**0**	**1,380**	**10,888**

[1] Financial metrics used throughout this document represent the financial performance of the company excluding the impact of the new lease accounting standard AASB 16 to ensure comparability with HY19 comparatives, which have not been restated for this change.

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 in
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 primarily in China, India and Thailand. As a result Lovisa is exposed to risks including foreign currency, political 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 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 support structures across the Globe
International Expansion	• Continue to leverage current international territories • Leverage the Company's capital in large international territories • Roll out of a number of large territories in progress • Roll out of e-commerce capability across all markets to support customer engagement • 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(s)
Store Performance	• Optimise and improve existing store network • Continue to target high traffic shopping precincts
Brand Awareness	• Continue to leverage social media and e-commerce platform to connect with customers and increase brand loyalty across all markets • Stay on trend with shifts in the jewellery market • Continue to provide a high quality and diverse product offering, including complementary service offerings