



Lovisa Holdings Limited
 ACN 602 304 503
 Level 1, 818 Glenferrie Road
 Hawthorn VIC 3122

t +61 3 9831 1800
 f +61 3 9804 0060
 e info@lovisa.com

lovisa.com

Full Year 2021 Results Announcement Strong Balance Sheet, Sales Recovery on Track

- Revenue up 18.9% to \$288.0m from strong trading after Q1FY21
- Comparable store sales positive since Q1FY21, up 8.1% on FY20 for the year
- 109 net new stores opened during the year, 544 at year end
- Gross Margin 77% with Gross Profit up 18% to \$221.0m
- EBIT¹ increased by 39.4% to \$42.7m
- Cash conversion of 110% with operating cash flow¹ of \$66m
- Net Cash of \$35.6m with \$50m of cash debt facilities and \$20m of bank guarantee facilities in place
- Final Dividend of 18.0 cents per share, 50% franked

Results Highlights

(A\$m)	FY21 ¹ (pre AASB 16)	FY20 (pre AASB 16)	Variance
Revenue	288.0	242.2	18.9%
Gross profit	221.0	187.3	18.0%
EBITDA	60.2	44.7	34.6%
EBIT	42.7	30.6	39.4%
NPAT	27.7	19.3	43.3%
EPS (cents)	25.8	18.2	7.6c
Net Cash	35.6	20.4	\$15.2
Final dividend (cps)	18.0	0.0	+18.0

Managing Director Shane Fallscheer said, “We are pleased with the performance of the business for the year, in particular with the sales performance we saw across most markets since the end of Q1FY21 with solid trading despite the continued global challenges we face with the impact of COVID. The strength of our balance sheet and the current global footprint puts us in a great position to take advantage of future opportunities as they arise”.

Results

Revenue was \$288.0m up 18.9% on FY20 with comparable store sales up 8.1%. Q1 of the financial year was heavily impacted by temporary store closures in Victoria, Australia, as well as weakness in most global markets, however with Victorian stores re-opening in Q2 and most other markets showing improved performance we saw positive comparable store sales through Q2 as mall traffic began to return. This was then again negatively impacted in the Northern Hemisphere markets as COVID cases began to increase and temporary store closures were again put in place, with the UK in particular suffering from closures in November and then again in the period from late December through until

¹ Financial metrics used throughout this document represent the financial performance of the company excluding the impact of lease accounting standard AASB 16 to ensure comparability with prior periods. A reconciliation between the previous accounting standard and the new standard is included in the Lovisa FY21 Results Presentation.



mid-April. The French market also suffered from an extended temporary closure period from February to May, and Malaysia was more recently temporarily closed in June as well as the period since financial year end. These closures had a significant impact on trade through those periods, however pleasingly sales for the period since Q1 have generally been stronger across most markets when stores were open for trade, in particular our southern hemisphere markets with the Australia/New Zealand region growing total sales for the year by 26.7% and South Africa growing by 19.3% on FY20. Sales in our Asian markets continued to be slow to recover as a result of low tourism and continued local movement restrictions in place resulting in lower mall foot traffic.

Gross Profit was up 18% on FY20 with Gross Margin at 77% impacted by significantly higher freight costs due to COVID surcharges on freight rates, and a decision to continue with higher inventory provisioning levels than prior years at year end in response to the further temporary store closures seen in a number of markets since the end of the year.

Cost of Doing Business for the year was lower at 56% to sales, with store wages well managed and the tightening of support structures implemented during FY20 helping to offset increased logistics costs from significantly higher freight rates during the year due to global supply chain disruptions. CODB for the year also included costs associated with the acquisition and integration of the beeline retail business in Europe and the impact of delayed opening post acquisition where stores were not able to begin trade as Lovisa stores until in some cases a number of weeks after they should have due to COVID lockdowns across most of the European markets acquired. Agreements continued to be reached with landlords for rent abatements in relation to periods of COVID-19 trading disruption, and negotiations continue with the remainder.

Cash flow was again strong despite the trading disruptions continuing to be experienced, with cash from operations before interest and tax of \$66m, up \$15m on prior year, and operating cash conversion of 110% benefiting from tight inventory management and deferred rent payments.

Capital expenditure for the year was \$14.0m predominantly from new store fit outs and refurbishments, a reduction on prior year as a result of a lower number of new store openings and a reduction in refurbishment activity. This spend includes the conversion to Lovisa of the 87 SIX and I AM stores acquired as part of the beeline acquisition.

Also supporting our strong cash flow position for the year was the receipt of €11.8m cash as part of the beeline acquisition. We also entered into a new \$20m bank guarantee facility in June 2021 to complement our existing \$50m of facilities, providing increased capacity for guarantee issuance to support the future store roll-out, and freeing up capacity in existing facilities to be used for cash flow purposes.

Our continued strong balance sheet position has enabled the Board to reinstate the payment of dividends this year after no Final FY20 dividend was paid, with a 20.0 cent interim dividend paid in April and now an 18.0 cent Final Dividend announced resulting in a full year dividend payout of 38.0 cents, reflecting the strong cash outcome for the financial 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. The Board do not currently have a specific dividend payout ratio and will continue to base dividends on the cash flow needs of the company and the structure of the balance sheet.



Store Growth

A key driver of future growth for Lovisa is the continued international store roll out. Whilst the rollout slowed during the past 18 months, the store network increased to 544 stores as at the end of the financial year as a result of the addition of 87 stores in Europe as part of the beeline acquisition on top of the opening of a further net 22 stores from existing markets.

Store number growth			
Country	FY21	FY20	Var
Australia	153	152	1
New Zealand	24	23	1
Singapore	18	19	(1)
Malaysia	28	27	1
South Africa	64	62	2
United Kingdom	41	42	(1)
Spain	0	0	0
France	52	21	31
Germany	38	0	38
Belgium	8	0	8
Switzerland	8	0	8
Netherlands	6	0	6
Austria	3	0	3
Luxembourg	2	0	2
USA	63	48	15
Middle East	36	34	2
Vietnam	0	7	(7)
Total	544	435	109

The rollouts in the US and France continued during the period with 9 new stores opened in France in addition to the 22 acquired from beeline, taking the market to 52 stores at the end of the year. The rollout in the USA also continued albeit at a slower pace than previously, with 15 new stores for the year taking the total stores to 63 across 15 states. During the financial year the contract with our Vietnamese franchise partner was terminated and the stores closed, however we continue to seek opportunities in this market.

The pace of rollout in existing markets slowed during the year as a result of the market disruptions over the past 18 months and landlord focus on abatement negotiations across existing portfolios, however attention has now returned to new site opportunities.

Digital Update

Our focus on our digital capabilities accelerated during the initial COVID lockdown period in FY20 delivering strong sales growth which has continued through FY21 with total sales growth of 178% for the year. We now have websites servicing all of the company owned markets we operate in, including the new European markets, with local sites operational in local currency and languages. We have also improved our customer focus with 24/7 global live chat, improved global social influencer program, and improved order fulfilment capability with the implementation of dedicated online fulfilment warehouses in the UK, USA and South Africa, and our new European warehouse in Poland also servicing European online customers. The digital channel remains an important part of our global strategy critical to providing our customers with the full range of shopping options that they require. We continue



to invest in support structures to drive ongoing growth in this area and remain focused on maintaining the profitability levels of our online sales.

beeline Acquisition

As previously announced, the acquisition of the European retail business of German wholesaler beeline GmbH was agreed in November 2020 and was completed between March and May 2021. This acquisition brings us 6 new markets in Europe (Germany, Switzerland, Netherlands, Belgium, Austria, Luxembourg) as well as acceleration to the existing French rollout with the conversion of existing SIX and I AM branded stores to Lovisa stores on handover. The purchase price for the shares in the beeline retail companies was €70 (70 Euros), with €11.8m of cash in the acquired business at handover.

Of beeline's 114 stores at the date of signing the agreement, we have converted 87 to Lovisa, with the remainder exited at or around the time of handover on the basis they are not suitable sites for our business. As a result of COVID lockdowns in most of these markets at the time of handover, we experienced delays in being able to trade these stores once converted and experienced some levels of disruption to normal trading as a result of COVID restrictions, however more recent trading has been pleasing.

To manage the larger European business we have strengthened our support team in both the Melbourne global support office and in Cologne, Germany to provide localised support. As noted above, we also now have local e-commerce sites operational to support the physical stores in each market and to provide a complete customer experience in local currency and language.

The acquisition was cash flow positive immediately, with the acquired cash of €11.8m offsetting implementation costs and aggregate capex and working capital investment of approximately €6m. This transaction provides a strong base to accelerate growth in Europe, taking our European store network to 158 stores, and we are excited by the opportunity this provides us to expand into a number of new markets at pace.

Trading Update and Outlook

Trading for the first 8 weeks of FY22 has seen continued strong performance of markets where COVID related restrictions are low and stores are able to trade, with comparable store sales for this period of +37.8% on FY21. Total sales for this period are 56% up on the same period in FY21. This period has however seen the impact of a number of markets again being subject to temporary lockdowns, with 106 stores currently closed including 82 in Australia, 24 in New Zealand, and the Malaysian market only recently re-opening after a 10 week lockdown. Cost pressures in global logistics as a result of worldwide shipping capacity constraints have continued.

We continue to focus on opportunities for expanding both our physical and digital store network however physical store opening progress is expected to continue to be slowed in the remainder of calendar 2021 due to logistics capacity challenges in the movement of new store fitouts into our global growth markets. The store network is currently at 551 stores, and our balance sheet remains strong with available cash and debt facilities supporting continued investment in growth.

As a result of the current uncertainty in the global economic environment we are not in a position to provide any further information in relation to outlook for the business.



For further enquiries please contact:

Shane Fallscheer
Managing Director
03 9831 1800

Chris Lauder
Chief Financial Officer
03 9831 1800