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Half Year 2021 Results Announcement
Strong Balance Sheet, improving sales trajectory

- Net Cash of $42.5m with $50m of debt facilities in place
- Revenue down 9.8% to $146.9m due to continuing global COVID-19 trading disruption
- Comparable store sales positive in Q2, down 4.5% for the half year
- 25 net new stores opened during the half year, 460 at half year end
- Gross Margin 77.8% on constant currency basis with Gross Profit down 11.7% to $113.4m
- EBIT[1] decreased by 23.6% to $30.9m
- Cash conversion of 131% with operating cash flow[1] of $52m
- Interim Dividend of 20.0 cents per share, 50% franked

Results Highlights

(A$'m)	1HFY21[1] (pre AASB 16)	1HFY20[1] (pre AASB 16)	Variance
Revenue	146.9	162.8	(9.8%)
Gross profit	113.4	128.5	(11.7%)
EBITDA	39.6	46.7	(15.2%)
EBIT	30.9	40.4	(23.6%)
NPAT	21.5	27.8	(22.6%)
EPS (cents)	20.1	26.3	-6.2 cents
Interim dividend (cps)	20.0	15.0	+5.0 cents

Managing Director Shane Fallscheer said, "We are pleased with the performance of the business for the half year, in particular with the improving sales performance we saw through Q2 despite the continued global challenges we face with the impact of COVID, and the strength of our balance sheet puts us in a great position to take advantage of future opportunities as they arise".

Results

Revenue was $146.9m down 9.8% on 1H20 with comparable store sales down 4.5% for the period, with Q1 heavily impacted by temporary store closures in Victoria, Australia, as well as weakness in most global markets. 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, however this was again negatively impacted in the Northern Hemisphere markets as COVID cases began to increase again and temporary store closures were again put in place.

Growth in the European and US markets continued during the period, with 4 new stores opened in France and 14 in the US, offset by the exit of the Spanish market in 2HFY20. South Africa showed solid recovery through the period with

[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 prior periods. A reconciliation between the previous accounting standard and the new standard is included in the Lovisa HY21 Results Presentation.

positive comparable store sales for Q2 despite ongoing COVID challenges in that market. 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. The Australian and NZ markets continued to be a standout with positive comparable store sales for the half year, although the impact of the Victorian stores being closed for an extended period resulted in total sales being down 0.4% on prior year.

Gross Margin was 77.2% impacted by slightly lower USD purchase rates across the period, increased freight costs due to COVID surcharges on freight rates and a decision to continue with higher inventory provisioning levels than prior years at half-year end in response to the further temporary store closures seen across a number of European markets since the end of the half. On a constant currency basis Gross Margin was 77.8%.

Cost of Doing Business for the period was in line with the last 2 years at 50% to sales, with store wages tightly managed in line with the lower sales for the half. The tightening of support structures implemented during FY20 allowed us to offset one-off costs incurred in the period in relation to the beeline acquisition, as well as increased logistics costs from higher freight rates due to supply chain disruption as a result of COVID-19. 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 reduction in profit, with cash from operations before interest and tax of $52m, up $6m on prior half year, and operating cash conversion of 131% benefiting from tight inventory management and deferred rent payments.

Capital expenditure for the period was $6.8m 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. The increase in capital expenditure in the prior year contributed to a 39% increase in depreciation expense to $8.7m for the current half year.

Our continued strong balance sheet position has enabled the Board to reinstate the payment of dividends after no Final FY20 dividend was paid, announcing a 20.0 cent interim dividend which represents a 5.0 cent increase on prior year interim dividend.

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 period, the store network increased to 460 stores as at the end of the half year, a net increase of 25 stores from June 2020.

Store number growth

Country	1HFY21	FY20	1HFY20	Var 6 mths	Var YOY
Australia	156	152	155	4	1
New Zealand	24	23	23	1	1
Singapore	19	19	20	0	(1)
Malaysia	28	27	27	1	1
South Africa	63	62	62	1	1
United Kingdom	42	42	42	0	0
Spain	0	0	9	0	(9)
France	25	21	18	4	7
USA	62	48	40	14	22
Middle East	36	34	35	2	1
Vietnam	5	7	8	(2)	(3)
Total	460	435	439	25	21

The rollouts in the US and France continued during the period with 25 stores now trading in France at the end of the half and 62 in the US across 15 states, however the pace of rollout in these markets has slowed as a result of current disruptions and the focus on landlord negotiations across existing portfolios. Attention remains on new site acquisition as we continue to work closely with landlords in relation to new store opportunities and appropriate rental structures to manage current economic risks. As we have said previously, sourcing quality sites is key and we will take a measured and diligent approach to moving forward in any market we enter.

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 1H21 with total sales growth of 335% for the period. 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. 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 is €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 expect to convert to Lovisa and open for trade around 90 stores, with the remainder already closed or to be exited shortly after completion on the basis they are not suitable sites for our business. Handover of stores begins early March 2021 and will be completed by early May 2021.

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. We also expect to have local E-commerce sites operational in Q4 to support the physical stores in each market and to provide a complete customer experience in local currency and language.

The acquisition will be 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 over 150 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 7 weeks of the second half has seen continued strong performance from the Southern Hemisphere markets and challenging trading conditions in the Northern Hemisphere, with comparable store sales for this period of +12% overall.

The acquisition of the beeline retail business is expected to be completed as planned from March – May 2021, and we continue to focus on opportunities for expanding our store network however store opening progress is expected to be slower in the remainder of calendar 2021 (excluding the impact of the beeline acquisition). The store network is currently at 460 stores globally.

Our balance sheet remains strong with available cash and debt facilities supporting continued investment in growth.

We currently have 42 stores in the UK and 23 stores in France closed temporarily due to continued government lockdowns, with stores in Malaysia now back open after being closed for a period of 4 weeks. We have also experienced the impact of short lockdowns in Australia and New Zealand over the past 7 weeks, however all stores are currently back trading.

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:

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