



Lovisa Holdings Limited

2021 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.





CONTENTS

1. HALF YEAR OVERVIEW
2. FINANCIAL OVERVIEW
3. IMPACT OF COVID
4. TRADING PERFORMANCE
5. CASHFLOW AND BALANCE SHEET
6. STORE GROWTH
7. DIGITAL UPDATE
8. BEELINE EUROPE ACQUISITION
9. TRADING UPDATE AND OUTLOOK
10. SUMMARY
11. APPENDICES

HALF YEAR OVERVIEW¹



- Improving sales performance for the period with positive global comparable store sales for Q2
- Comparable store sales down 4.5% for the period and total sales down 9.8%
- All markets continued to be impacted by temporary store closures and disruption caused by COVID-19
- CODB at 50% to sales, well managed in the face of continuing challenges from ongoing COVID disruption and one-off costs of beeline acquisition
- Delivered EBIT of \$30.9m for the half year
- Global rollout strategy remains a key focus and continued at a slower pace with 25 net new stores opened for the half year
- European expansion fast-tracked with beeline acquisition agreed and on track for completion in the second half
- US market up to 62 stores at half year end
- Cash flow from operations \$52m with operating cash conversion at 131% reflecting deferred rent payments, tight inventory control and strong cash flow management
- \$42.5m of cash at half year end with no debt
- Interim dividend of 20.0 cents, 50% franked

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 easier comparability with prior comparatives. A reconciliation between the pre and post AASB 16 numbers is included at Appendix 2.

FINANCIAL OVERVIEW¹



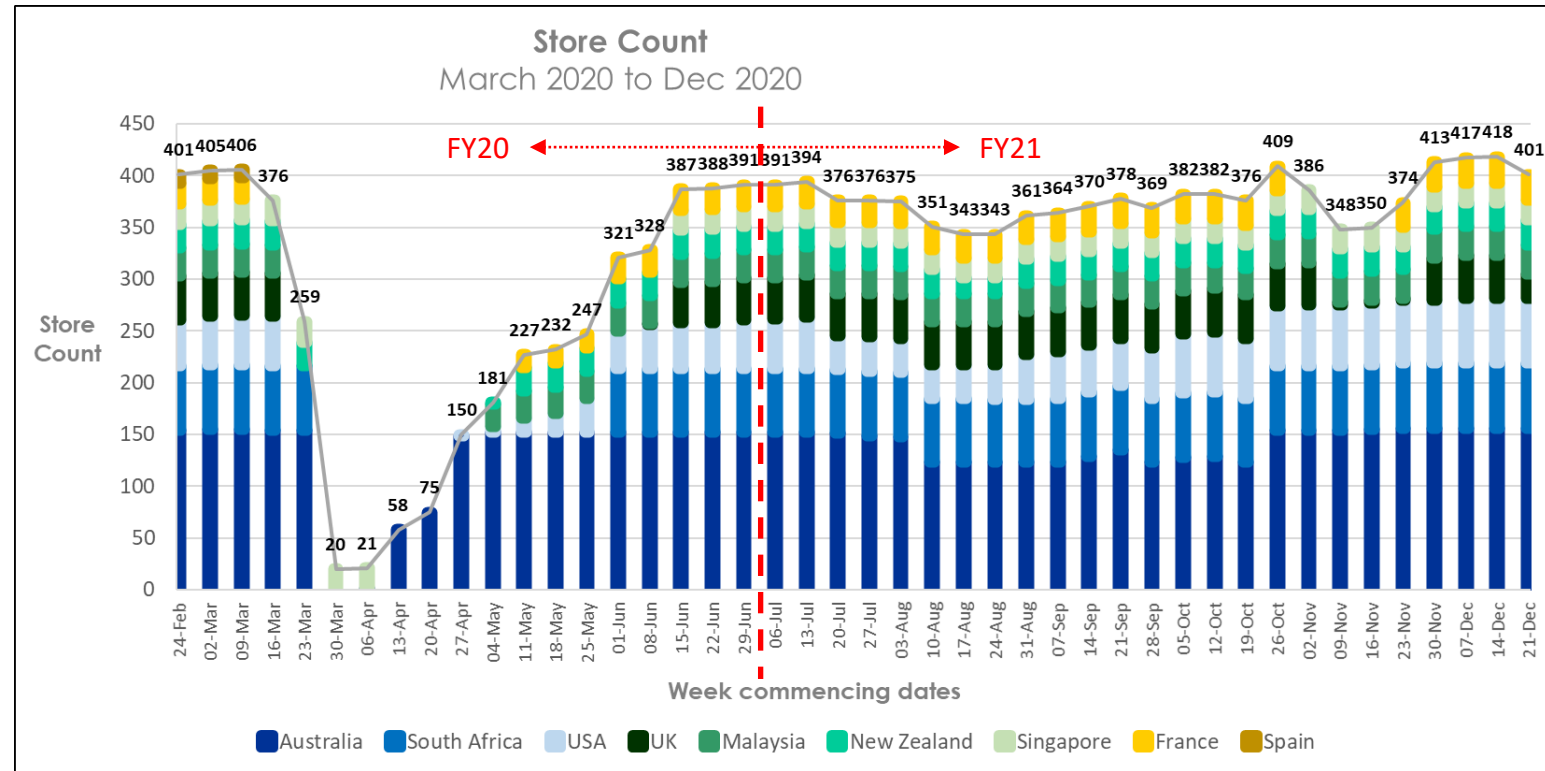
(\$000)	HY21 Statutory	HY21 (pre AASB 16)	HY20 (pre AASB 16)	Variance (pre AASB 16)
Revenue	146,871	146,871	162,761	-9.8%
Gross profit	113,414	113,414	128,453	-11.7%
EBITDA	56,583	39,581	46,655	-15.2%
EBIT	30,526	30,872	40,410	-23.6%
NPAT	19,552	21,549	27,849	-22.6%
EPS (cents)	18.2	20.1	26.3	-23.8%
Dividend (cents)	20.0	20.0	15.0	+5.0 cents

- Financial result continued to be impacted by COVID-19 economic lock-downs
- Revenue down 9.8% with comparable store sales down 4.5% for the period
- CODB well managed with strong focus on efficiency
- Continued store rollout with 29 new stores built for the period resulting in continued increase in depreciation expense
- Continued strong balance sheet and cashflow generation with \$42.5m of net cash at half year end and no cash debt drawn despite the continuing challenges from COVID

IMPACT OF COVID ON STORE NETWORK



- Store network continued to be impacted by temporary closures across multiple markets due to government response to COVID outbreaks
- Performance has been strongest in Australia and New Zealand as the markets that have been trading longest post re-opening and with the least restrictions in place
- Continuing store closures since half year end, with the UK, France and Malaysia stores temporarily closed as well as short localized lockdowns in Australia and New Zealand



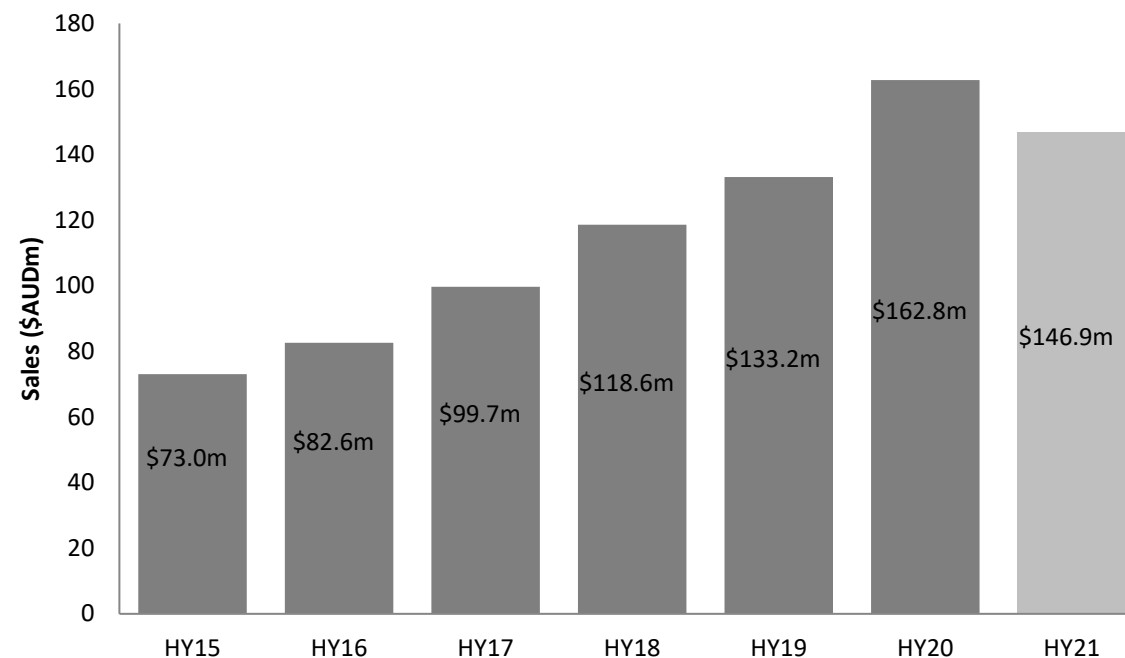
Represents count of stores trading per week

TRADING PERFORMANCE - SALES



Sales recovery on track

- Total Global Sales Revenue down 9.8% to \$146.9m
- Benefits of increasing store network offset by impacts from COVID-19 on Northern Hemisphere markets
- Comp sales down 4.5%, however stronger particularly through the Christmas period, delivering positive comp sales for the quarter
- Growth in e-commerce channel helped to offset some sales shortfall as we improve our execution and expand our digital coverage, with growth in online sales of 335% for the period
- Strong store network platform in place to drive growth into the future



TRADING PERFORMANCE - SALES



Sales growth driven by Southern Hemisphere

- Australia/New Zealand region delivered strong growth with positive comp sales for these markets
- Europe and USA sales reflect continued new store growth with an increase of 4 stores in France and 14 in the USA for the half, offset by the closure of Spain in 2H20 and the impact of COVID disruption in these markets
- Asia sales continued to be heavily impacted by COVID with slow recovery as a result of lower tourism and continued local restrictions
- South Africa recovered well with positive comparable store sales in Q2 despite ongoing challenges in that market

Region (\$AUD '000)	HY21	HY20	Variance
Australia / NZ	82,508	82,798	-0.4%
Asia	10,428	17,580	-40.7%
Africa	17,097	20,499	-16.6%
Europe	20,955	28,508	-26.5%
USA	15,156	12,269	23.5%
Total	146,144	161,654	-9.6%

*Sales revenue excluding franchise income

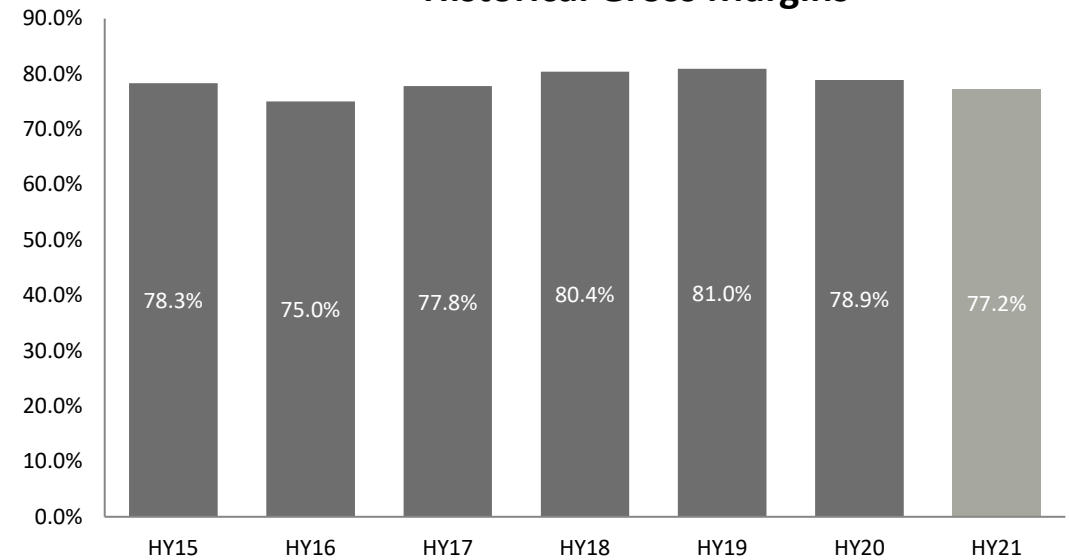
TRADING PERFORMANCE - GROSS MARGIN



Gross Margin at Constant Currency*

	HY21	HY21	HY20
Currency USD	0.70	0.71	0.71
Sales	146,871	146,871	162,761
Cost of Sales	(33,457)	(32,614)	(34,308)
Gross Profit	113,414	114,257	128,453
Gross Margin	77.2%	77.8%	78.9%

Historical Gross Margins



*Constant currency impact on inventory purchases

- Gross profit decreased 11.7% to \$113m
- Gross Margin was 77.8% on a constant currency basis, with some impact from lower USD hedge rate compared to prior year

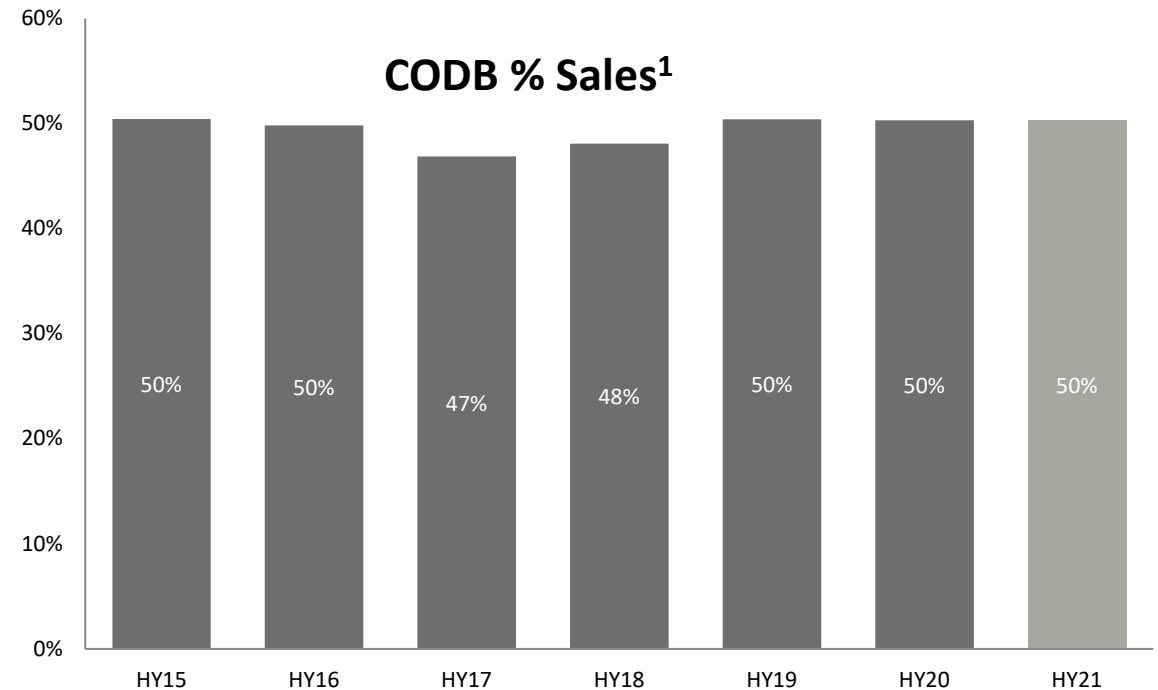
- Gross Margin also impacted by higher freight costs in the period due to COVID surcharges and shortages of capacity
- Increased provisioning at half year end in response to temporary store closures in late December/January period

COST OF DOING BUSINESS¹



Strong cost control continued

- Strong focus on store wage management during the period delivered lower wage % vs prior year
- Tightening of support cost structures through COVID closures benefited into FY21, offsetting one-off costs of the beeline deal in the half and increased logistics costs
- Acceleration of rollout in new territories has increased CODB in recent years with higher initial operating costs in these markets compared to existing averages
- Agreements continued to be reached with landlords for rent abatements and we continue productive discussions with the remainder



CASH FLOW¹



Continued investment in store rollout

(A\$000s)	HY21 (pre AASB 16)	HY20 (pre AASB 16)
Cash from operating activities	52,028	45,969
Net interest paid	(292)	(8)
Tax paid	(6,022)	(9,517)
Net cash from operations	45,714	36,444
Property Plant & Equipment	(6,375)	(19,197)
Key Money	(384)	(584)
Net cash used in investing activities	(6,759)	(19,781)
Share options exercised	0	542
Dividends paid	(16,119)	(15,866)
Net cash used in financing activities	(16,119)	(15,324)
Opening cash	20,434	11,192
Effect in movement in exchange rates	(765)	41
Closing cash	42,505	12,572
Net movement in cash	22,071	1,380

- Cash flow from operating activities was \$52m with operating cash conversion at 131% as a result of tight working capital management during COVID impact and rent payment deferral
- Capital expenditure of \$6.8m for the period, including payments of \$0.4m for key money
- Capex spend includes 29 new stores built for the period, with progress being made on build costs in newer markets
- Lower tax paid reflects adjustment to tax instalments to reflect lower profit levels
- Dividend payments reflects settlement of deferred FY20 interim dividend paid in September 2020

¹ Results represent performance excluding the impact of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2.

BALANCE SHEET¹



Strong Balance Sheet Remains

- Significant actions taken to conserve cash during COVID closure period
- Focus on disciplined inventory management continues, with tight control through the continued COVID disruptions and strong Southern Hemisphere sales delivering lower inventory than prior year despite 21 net new stores compared to December 2019
- Debt facilities of \$50m in place with no cash debt drawn and material headroom in covenants
- Interim dividend of 20.0c to be paid in April 2021
- We will continue to review dividend levels going forward based on cash and facilities available and capital requirements of store network expansion

(A\$000s)	HY21 (Statutory)	FY20 (Statutory)	HY20 (Statutory)
Net Cash	42,505	20,434	12,572
Receivables	6,993	7,876	7,121
Inventories	25,533	21,714	28,372
Derivatives	0	207	0
Total current assets	75,031	50,231	48,065
Property Plant & Equipment	42,713	46,099	49,605
Lease Right of Use Assets	140,240	150,464	147,056
Intangibles	4,333	3,882	4,935
Deferred tax asset	10,513	9,344	7,139
Total assets	272,830	260,020	256,800
Payables	26,179	22,231	22,509
Lease Liabilities	44,301	36,019	36,244
Derivatives	2,164	0	168
Provisions	13,941	9,094	8,018
Total current liabilities	86,585	67,344	66,939
Lease Liabilities	123,476	131,135	119,045
Provisions	3,482	3,173	4,174
Total liabilities	213,543	201,652	190,158
Net assets	59,287	58,368	66,642
Covenants	HY21	FY20	HY20
Fixed charge ratio > 1.40	1.86	1.96	2.43
Operating leverage < 1.75	0.18	0.13	0.32

STORE GROWTH



International Rollout continues with 25 net new stores opened

Store number growth					
Country	Dec 2020	June 2020	Dec 2019	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

- Number of international stores continued to grow with offshore territories now 66% of the store network
- 29 new stores opened with 4 store closures
- US rollout continued with 14 new stores opened, we are now trading from 15 US states
- French rollout continued despite COVID disruption with 4 new stores for the period
- Pace of rollout program slowed due to COVID, with focus on landlord negotiations across existing portfolios however attention remains on new site acquisition
- We continue to work closely with landlords in relation to new store opportunities and appropriate rental structures to manage current economic risks



DIGITAL UPDATE

- Focus on our digital capabilities accelerated through COVID lockdown
- We now service all 8 major markets via digital store fronts across the globe
- Total Online sales grew by 335% for 1H21, compared to +311% during FY20
- We continue to invest in support team and infrastructure to deliver an improved digital customer experience
- Digital store fronts to be delivered to service new EU markets later in FY21 as well as localised fulfilment capability to support these markets

BEELINE EUROPE ACQUISITION



- Acquisition of beeline retail business in Europe agreed in November 2020
- Lovisa will enter 6 new markets in Europe (Germany, Switzerland, Netherlands, Belgium, Austria, Luxembourg) as well as accelerate our French store rollout
- Purchase price of €70 (70 Euros) for the shares, with €11.8m of cash in the acquired business at handover
- Of beeline's 114 stores at the date of the acquisition we anticipate to convert and open around 90 stores, with the remainder already closed or to be exited shortly after completion
- Support team has been recruited to manage the larger European business in global support office and in Cologne, Germany to provide local support



BEELINE EUROPE ACQUISITION



- Local E-commerce sites to be operational in Q4 to support physical stores to provide complete customer experience
- Acquisition cash flow positive immediately, with acquired cash of €11.8m offsetting implementation costs and aggregate capex and working capital investment of approximately €6m
- Handover of stores begins early March 2021 and will be completed by early May 2021
- Acquisition provides a strong base to accelerate growth in Europe and we are excited by the opportunity this provides us to expand into a number of new markets at pace

Country	# of Stores
Germany	38
France	22
Switzerland	8
Belgium	8
Netherlands	6
Austria	3
Luxembourg	2
TOTAL BEELINE STORES	87
<i>Existing Lovisa Stores:</i>	
UK	42
France	25
TOTAL LOVISA EUROPE	154

TRADING UPDATE AND OUTLOOK



- Trading for the first 7 weeks of the second half has seen continued strong performance from the Southern Hemisphere markets with challenging trading conditions in the Northern Hemisphere, delivering comparable same store sales for this period of +12% overall
- The acquisition of the beeline retail business expected to be completed as planned from March to May 2021, and we are excited to continue our growth plans in these markets
- 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
- 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



SUMMARY

- Sales recovery on track through 1H21, with markets still heavily impacted by COVID-19 slowing progress
- Progress in digital continuing with increasing contribution from online sales
- EBIT of \$30.9m
- Comparable store sales down 4.5% for the half year however accelerated since Q1 with positive global comparable store sales for Q2 and the first 7 weeks of the second half
- Strong CODB control through FY20 continued into 1H21, allowing for continued investment in team structure to support building the platform for future growth
- International expansion continued with a further net 25 new stores opened during the period and a total network of 460 stores at half year end
- 66% of store network now outside of Australia
- Beeline acquisition agreed and due to complete in coming months, significantly accelerating European expansion
- Interim Dividend of 20 cents per share to be paid

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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 27 December 2020.

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 the period.

- 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 and borrowings
- Constant Currency Margin - Stock purchases in USD held constant from prior year

APPENDIX 2 – PROFIT AND LOSS STATEMENT¹

(\$'000)	HY21 (Statutory)	Impact of application of AASB 16	HY21 (pre AASB 16) ¹	HY20 (pre AASB 16) ¹	Variance (Statutory)	Variance (pre AASB 16 ¹)
Revenue	146,871	0	146,871	162,761	(9.8%)	(9.8%)
Cost of sales	(33,457)	0	(33,457)	(34,308)	(2.5%)	(2.5%)
Gross profit	113,414	0	113,414	128,453	(11.7%)	(11.7%)
Employee expenses	(32,189)	0	(32,189)	(39,168)	(17.8%)	(17.8%)
Property expenses	(5,486)	17,002	(22,488)	(25,834)	(27.5%)	(13.0%)
Distribution expenses	(6,811)	0	(6,811)	(4,696)	45.0%	45.0%
Depreciation	(26,057)	(17,348)	(8,709)	(6,245)	9.5%	39.5%
(Loss)/profit on disposal of PPE	(10)	0	(10)	(240)	(95.8%)	(95.8%)
Other expenses	(12,335)	0	(12,335)	(11,859)	4.0%	4.0%
Operating profit	30,526	(346)	30,872	40,410	(25.8%)	(23.6%)
Finance income	14	0	14	163	(91.4%)	(91.4%)
Finance cost	(2,606)	(2,300)	(306)	(171)	8.5%	79.1%
Profit before tax	27,934	(2,646)	30,580	40,403	(28.2%)	(24.3%)
Income tax expense	(8,382)	649	(9,031)	(12,555)	(31.4%)	(28.1%)
Net profit after tax	19,552	(1,997)	21,549	27,849	(26.7%)	(22.6%)
EPS (cents)	18.2		20.1	26.3	(8.1)	(6.2)

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 period comparatives.

APPENDIX 2 – BALANCE SHEET

(A\$000s)	HY21 (Statutory)	Impact of application of AASB 16	HY21 (pre AASB 16) ¹	FY20 (Statutory)	HY20 (Statutory)
Net Cash	42,505	0	42,505	20,434	12,572
Receivables	6,993	0	6,993	7,876	7,121
Inventories	25,533	0	25,533	21,714	28,372
Derivatives	0	0	0	207	0
Total current assets	75,031	0	75,031	50,231	48,065
Property Plant & Equipment	42,713	3,860	38,853	46,099	49,605
Lease Right of Use Assets	140,240	140,240	0	150,464	147,056
Intangibles	4,333	0	4,333	3,882	4,935
Deferred tax asset	10,513	1,861	8,652	9,344	7,139
Total assets	272,830	145,961	126,869	260,020	256,800
Payables	26,179	(13,415)	39,594	22,231	22,509
Lease Liabilities	44,301	44,301	0	36,019	36,244
Derivatives	2,164	0	2,164	0	168
Provisions	13,941	(2,276)	16,217	9,094	8,018
Total current liabilities	86,585	28,610	57,975	67,344	66,939
Lease Liabilities	123,476	123,476	0	131,135	119,045
Provisions	3,482	(1,552)	5,034	3,173	4,174
Total liabilities	213,543	150,534	63,009	201,652	190,158
Net assets	59,287	(4,573)	63,860	58,368	66,642

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 unless otherwise noted as "Statutory".

APPENDIX 2 – CASH FLOW

(A\$000s)	HY21 (Statutory)	Impact of application of AASB 16	HY21 (pre AASB 16) ¹	HY20 (pre AASB 16) ¹
Cash from operating activities	62,912	10,884	52,028	45,969
Net interest paid	(292)	0	(292)	(8)
Tax paid	(6,022)	0	(6,022)	(9,517)
Net cash from operations	56,598	10,884	45,714	36,444
Property Plant & Equipment	(6,375)	0	(6,375)	(19,197)
Key Money	(384)	0	(384)	(584)
Net cash used in investing activities	(6,759)	0	(6,759)	(19,781)
Share options exercised	0	0	0	542
Payment of lease liabilities	(10,884)	(10,884)	0	0
Dividends paid	(16,119)	0	(16,119)	(15,866)
Net cash used in financing activities	(27,003)	(10,884)	(16,119)	(15,324)
Opening cash	20,434	0	20,434	11,192
Effect in movement in exchange rates	(765)	0	(765)	41
Closing cash	42,505	0	42,505	12,572
Net movement in cash	22,071	0	22,071	1,380

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.