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Half Year 2022 Results Announcement Sales Momentum Continuing, Balance Sheet Remains Strong

- Revenue up 48.3% to \$217.8m with strong momentum through the half
- Comparable store sales up 21.5% on HY21
- 42 net new stores opened during the period, 586 at half-year end
- Gross Margin 78.3% with Gross Profit up 50.5% to \$170.7m
- EBIT¹ increased by 59.0% to \$49.1m
- Cash conversion of 93% with operating cash flow¹ of \$53.6m
- Net Cash of \$52.7m with \$50m of cash debt facilities and \$20m of bank guarantee facilities in place
- Interim Dividend of 37.0 cents per share, 30% franked

Results Highlights

(A\$m)	HY22 ¹ (pre AASB 16)	HY21 (pre AASB 16)	Variance
Revenue	217.8	146.9	48.3%
Gross profit	170.7	113.4	50.5%
EBITDA	57.9	39.6	46.2%
EBIT	49.1	30.9	59.0%
NPAT	36.7	21.5	70.3%
EPS (cents)	34.2c	20.1c	14.1c
Net Cash	52.7	42.5	24.0%
Interim dividend (cps)	37.0c	20.0c	17.0c

Chief Executive Officer Victor Herrero said, "I'm thrilled to take over running the Lovisa business in such a strong position and we are very pleased with the performance for the first half despite the ongoing challenges and disruptions we face globally from COVID. The team have performed very well through this period and have the business well positioned for the next phase of growth, with the strength of our balance sheet putting us in a great position to take advantage of future opportunities as they arise".

Results

Revenue was \$217.8m up 48.3% on HY21 with comparable store sales up 21.5%. Q1 of the financial year was once again heavily impacted by temporary store closures in a number of markets including Victoria and New South Wales in Australia, New Zealand and Malaysia, with overall trading days lost higher than in prior year. Comparable store sales momentum was pleasingly able to be maintained across the period once stores were able to be open and trading, with strong growth across most major markets as economic conditions improved. Some of our European markets continued

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 HY22 Results Presentation.



to be impacted by COVID related restrictions through the period, and 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 50.5% on HY21 with Gross Margin at 78.3% impacted by continued higher freight costs due to COVID surcharges on freight rates, however this impact was offset by favourable exchange rates compared to prior year.

Cost of Doing Business (CODB) for the period was higher at 51.8% to sales, with logistics costs remaining at significantly higher levels than pre COVID levels due to global supply chain disruptions, and increased inflationary pressures also seen on labour costs across most markets. CODB was also impacted by the temporary store closures experienced across a number of markets in the period, with much lower levels of wage subsidies and rent abatements available compared to prior year to offset the impact of lost sales. Also impacting on CODB for the period was the cost of the CEO sign-on bonus and LTI, which were offset by the reversal of prior year LTI cost associated with the outgoing Managing Director's LTI.

Cash flow was again strong despite catch up on some deferred rent payments during the period and higher stock holdings due to the implementation of the additional warehouse in Poland and to mitigate the risk of supply chain disruptions, with cash from operations before interest and tax of \$54m, and operating cash conversion of 93%.

Capital expenditure for the period was \$13.7m predominantly from new store fit outs, up \$7.3m on prior year as the pace of new store opening increased with 41 new company owned stores built for the period. Cash tax payments for the period were low as a result of lower instalment rates due to lower prior year profits and outstanding tax liabilities in relation to FY21 that will be settled in the second half. Cash taxes in the current period were also impacted by higher profit contributions from markets with prior year tax losses.

Our continued strong balance sheet position has enabled the Board to announce an interim dividend of 37.0 cents, reflecting the strong cash outcome for the period and the ongoing strong balance sheet position.

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 global store roll out. The company opened a further net 42 stores during the period, taking the store network to 586 stores globally across 22 countries, including 2 new franchise markets in the Middle East (Cyprus and Lebanon).

Country	Store number growth				
	HY22	FY21	HY21	Var 6 mths	Var YOY
Australia	158	153	156	5	2
New Zealand	24	24	24	0	0
Singapore	18	18	19	0	(1)
Malaysia	29	28	28	1	1
South Africa	67	64	63	3	4
United Kingdom	41	41	42	0	(1)
France	58	52	25	6	33
Germany	38	38	0	0	38
Belgium	10	8	0	2	10
Switzerland	7	8	0	(1)	7
Netherlands	6	6	0	0	6
Austria	3	3	0	0	3
Luxembourg	2	2	0	0	2
USA	81	63	62	18	19
Middle East	44	36	36	8	8
Vietnam	0	0	5	0	(5)
Total	586	544	460	42	126

The rollouts in the US and France continued during the period with 6 new stores opened in France in the period and 18 in the USA, with stores now trading across 19 states.

The pace of rollout in existing markets remained slower than we would have liked with logistics and contractor issues delaying store openings.

Digital Update

Our focus on our digital capabilities has improved our execution in this area over the past 2 years, with this sales channel becoming a more important part of our overall customer offering and delivering sales growth for the period of 36% on the same time last year. With local sites operational in local currency and languages servicing all of our company owned markets, we now have an improved platform from which to enhance our customer proposition. We continue to focus on improving our order fulfilment capability with the implementation of dedicated online fulfilment warehouses in key markets, and our new European warehouse in Poland also servicing European online customers. We have made good progress online but believe we are still in the infancy stage with our global online offering and we are continuing to invest to support and drive ongoing growth in this area whilst remaining focused on maintaining profitability levels.



Trading Update and Outlook

Trading for the first 8 weeks of the second half has seen a continuation of the strong performance of the first half, with comparable store sales for this period of +12.1% on FY21. Total sales for this period are 61.7% up on the same period in FY21.

Cost pressures in global logistics as a result of worldwide shipping capacity constraints have continued, and we continue to focus on opportunities for expanding both our physical and digital store network, with structures in place to drive this growth in existing and new markets.

Our balance sheet remains strong with available cash and debt facilities supporting continued investment in growth and we have added a further 3 stores since the end of the half, taking the store network to 589.

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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