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Full Year 2023 Results Announcement Strong Sales and Profit Growth Continues

- Revenue up 33.1% to \$596.5m with strong performance throughout the year
- Comparable store sales up 6.3% on FY22
- 210 new stores opened during the period, 801 at period end
- 12 new markets opened during the financial year
- Gross Margin 80% with Gross Profit up 34.8% to \$476.7m
- Net Profit Before Tax up 24.7% to \$92.9m
- Net Profit After Tax up 20.1% to \$68.2m
- Operating cash flow of \$188m up 24.8%
- Net Debt of \$33.4m at period end, with \$120m of available cash facilities in place
- Final Dividend of 31.0 cents per share, 70% franked

Results Highlights

(A\$m)	FY23 (Statutory) 52 weeks	FY22 (Statutory) 53 weeks	FY22 (Statutory) 52 weeks	Variance (Statutory) 52 v 53 weeks	Variance (Statutory) 52 weeks
Revenue	596.5	458.7	448.2	30.0%	33.1%
Gross profit	476.7	361.8	353.7	31.8%	34.8%
EBIT	105.7	82.7	80.4	27.9%	31.5%
NPBT	92.9	76.7	74.5	21.2%	24.7%
NPAT	68.2	58.4	56.8	16.7%	20.1%
EPS (cents)	63.3c	54.3c	52.8c	9.0c	10.5c
Final dividend (cps)	31.0c	37.0c	37.0c	-6.0c	-6.0c

Chief Executive Officer Victor Herrero said, “We are very pleased that we were able to maintain the momentum of our store rollout through the financial year after a strong start in the first half, which has again delivered us excellent top line sales growth, and combined with strong comparable store sales has resulted in an excellent financial result for the year”.

“The company has been able to continue to deliver strong profit growth while investing in the structures to support our global expansion in the face of more difficult trading conditions in the second half, which leaves us well placed as we move forward with store rollout in both existing and new markets. I want to again thank the entire global Lovisa team for their exceptional work to deliver these results.”

Results

Revenue was \$596.5m up 33.1% on FY22 (on a 52-week basis) with comparable store sales up 6.3%. Both comparable store and total sales remained solid throughout the period, with the first quarter of the year cycling COVID disruptions from prior year and then the remainder of the year delivering well despite comping stronger sales in prior year.



In response to inflationary pressures, we implemented price increases during Q3 of FY22, which helped to deliver strong sales growth through Q4 of FY22 and which continued through the first 3 quarters FY23, with minimal impact experienced in sales volumes. As we began to cycle these price increases in the second half of FY23 we saw comps soften. All markets were able to deliver strong sales growth across the financial year with the combination of an acceleration in store network growth and strong comparable store sales. Gross Profit was up 34.8% on FY22 with Gross Margin at 80%.

Store network growth was a major driver of the total growth in sales, with a net 172 new stores for the period, including 210 new stores opened for the financial year.

We were able to continue to invest in rolling out new markets, new stores in existing markets, and the structures required to manage them effectively on an ongoing basis, including support teams, logistics and technology to drive a more efficient operating model. Despite this ongoing investment Cost of Doing Business (CODB) remained well controlled, helping mitigate inflationary pressures on labour and other costs. We did see increased pressure on CODB as a % of sales as sales growth slowed in the second half. Also impacting on CODB year on year is the impact of the CEO long-term incentive plan, with a \$27m expense recognised in the current period, compared to \$18m in the prior year.

Depreciation and interest expense both reflect the growth in the store network, with depreciation of lease right of use assets increasing as a result of the increase in store numbers, and interest expense increasing due to the associated increase in lease liabilities combined with a higher interest rate environment. It should be noted that lease interest expense is higher in the early years of a lease, therefore with the faster store rollout the impact on this line is proportionally higher than store network growth.

Cash flow was again strong, with cash from operations before interest and tax of \$188m, up 24.8% on FY22. Lease payments were up 20% on prior year, reflecting the growth in the store network, with the associated growth in balance sheet lease liabilities resulting in a large increase in lease payments classified as interest payments, with cash interest payments increasing 113% as a result of this combined with the increase in the level of net debt on the balance sheet.

Capital expenditure for the year was \$60.7m predominantly from new store fit outs, up \$26m on prior year as the pace of new store opening increased with 201 new company owned stores built for the year. Cash tax payments for the period were higher as tax instalments began to normalize after abnormally low instalment payments in prior periods.

During the second half of the financial year, we completed the extension of our debt facilities, with our existing \$30m term debt facility increased to \$100m for a term of 3 years, and combined with our existing \$20m multi-option facility gives us \$120m of available cash debt facilities to support the growth of the business.

Our continued strong balance sheet and cash flow position has enabled the Board to announce a final dividend of 31.0 cents, reflecting the strong cash outcome for the period and the ongoing strength of our balance sheet, with a more appropriate capital structure now in place with debt introduced to the balance sheet following distribution of surplus cash to shareholders over recent periods.

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 growth for Lovisa is the continued global store roll out. The company opened a further net 172 stores during the period, taking the store network to 801 stores globally across 39 countries. This includes 12 new markets opened in the financial year in Hong Kong, Taiwan, Namibia, Botswana, Mexico, Italy, Romania, Hungary, Spain and new franchise markets Columbia, Peru and Morocco, following Poland and Canada opened at the end of FY22.

Country	FY23	Store number growth				
		FY22	New Stores	Relocations	Closures	Var YOY
Australia	168	154	17	(2)	(1)	14
New Zealand	27	25	2	0	0	2
Singapore	16	17	2	0	(3)	(1)
Malaysia	41	32	9	0	0	9
Hong Kong	8	0	8	0	0	8
Taiwan	1	0	1	0	0	1
South Africa	75	69	10	(3)	(1)	6
Namibia	2	0	2	0	0	2
Botswana	1	0	1	0	0	1
United Kingdom	44	42	3	(1)	0	2
Spain	1	0	1	0	0	1
France	68	59	10	0	(1)	9
Germany	47	40	9	0	(2)	7
Belgium	11	11	1	0	(1)	0
Netherlands	7	5	2	0	0	2
Austria	7	3	4	0	0	4
Luxembourg	2	2	0	0	0	0
Switzerland	9	6	3	0	0	3
Poland	18	1	17	0	0	17
Italy	7	0	7	0	0	7
Hungary	2	0	2	0	0	2
Romania	1	0	1	0	0	1
United Arab Emirates	1	0	1	0	0	1
USA	190	118	78	(1)	(5)	72
Canada	7	1	6	0	0	6
Mexico	4	0	4	0	0	4
Middle East/Africa Franchise	30	44	3	0	(17)	(14)
South America Franchise	6	0	6	0	0	6
Total	801	629	210	(7)	(31)	172

The USA market was again the main driver of store network growth with 78 new stores opened in the period and it is now our largest individual market with 190 stores at financial year end. Europe also provided strong growth with 60 new stores opened including 18 stores now trading in Poland and 7 in Italy, and a platform of 13 countries in the region to grow from.

During the financial year we also renegotiated our existing franchise contract with our Middle Eastern franchise partner, allowing us to convert the UAE market to company operated while the remainder of the countries in the region remain as franchise operations. As part of this change, 14 franchise stores in the UAE were closed during the financial year and a further 6 since then as the existing partner exits this business. We were able to convert one UAE store to company owned during the financial year and a further two since then and we are actively looking at expanding this market.

Our ongoing focus on the quality of the store network resulted in 17 stores being closed during the period (excluding the UAE stores noted above), and we will continue to focus on store profitability and action stores not delivering to required levels of return on investment.

With a footprint now in 39 countries and increased support structures in place we are well placed to continue our global rollout across both existing and new markets.

Operational Update

During the second half of the financial year we were able to open our new 5,000m² company operated warehouse in Wroclaw, Poland to replace our existing European third party logistics warehouse servicing the European region. This facility provides us with improved flexibility and improved service levels for our stores than the existing arrangement and will help to ensure we are able to manage store stock replenishment more efficiently.

We also continue to focus on improving our overall digital capability, and whilst we have made progress we still have a lot of opportunity to improve in this space and we are continuing to invest to support and drive ongoing growth whilst remaining focused on maintaining profitability levels.

Trading Update and Outlook

Trading for the first 7 weeks of FY24 saw comparable store sales for this period down 5.8% on FY23. Total sales for this period are 13.1% up on the same period in FY23. Since the end of the financial year, we have opened 21 new stores, with 8 closures including 6 UAE franchise stores closed as part of the exit of our previous franchise contract, with the store network currently at 814. 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 and expect store rollout to continue. Our balance sheet remains strong with available cash and debt facilities supporting continued investment in growth.

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Authorised for release by Lovisa Holdings Limited's Board of Directors