

LOVISA

MACQUARIE CONFERENCE

MAY 2017



BRAND OF CHOICE
FOR FAST FASHION
JEWELLERY



TOTAL STORE NUMBERS

268



12
COUNTRIES



HIGHLY SCALABLE
MODEL
ATTRACTIVE
RETURNS

AVERAGE STORE
PAYBACK
<1 YEAR



GROSS
MARGIN
> 75%



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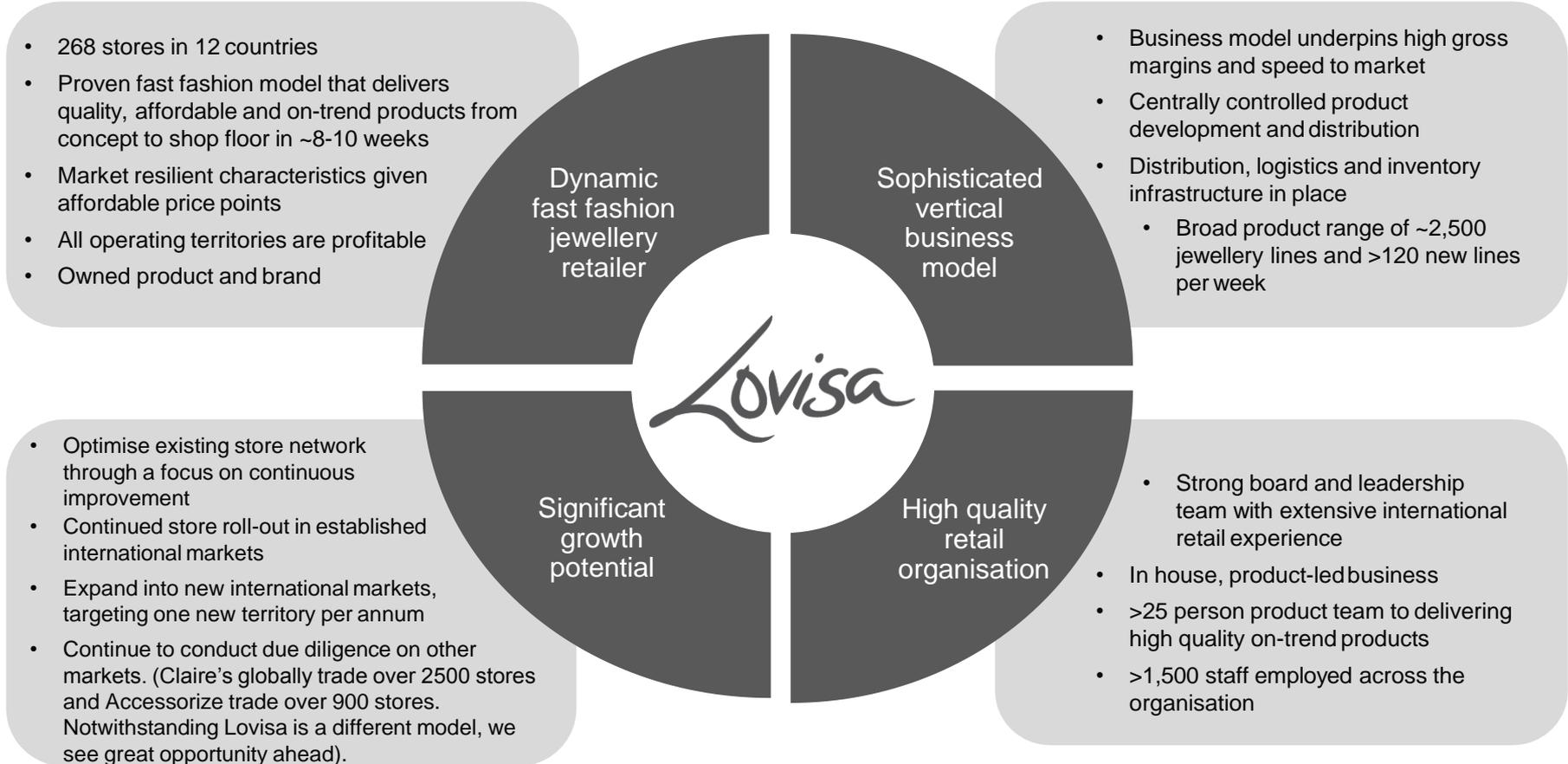
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GLOBAL BRAND STRATEGY

VISION	<ul style="list-style-type: none"> • Internationally recognised brand • Global footprint • Brand of choice for fast fashion jewellery
GROWTH ENGINE	<ul style="list-style-type: none"> • High Margin business operating in small store footprint • Fit out cost generally low with compelling return and pay back period • Inexpensive entry to new market with ability to leverage off one support centre across the Globe • Successful in all market entries to date
INTERNATIONAL EXPANSION	<ul style="list-style-type: none"> • Continue to leverage current international territories • Leverage the Company's capital in large international markets • Complete pilot programs in new territories • Consider franchise partners for smaller territories
GLOBAL SUPPLY CHAIN	<ul style="list-style-type: none"> • Continue to streamline and optimise supply base in Asia • Optimise air and sea freight whilst maintaining a speed to market operating model • Consider Northern Hemisphere distribution centre
STORE PERFORMANCE	<ul style="list-style-type: none"> • Optimise and improve existing store network • Continue to target high traffic shopping precincts
BRAND AWARENESS	<ul style="list-style-type: none"> • Continue to leverage social media to connect with customers and increase brand loyalty • Stay on trend with shifts in the jewellery market • Continue to provide a high quality and diverse product offering
COMPETITIVE STRENGTHS	<ul style="list-style-type: none"> • Vertically integrated model - controls quality, risk and speed to market • High turnover model - good inventory control and high gross margins • Low capital requirements - lower risk entry into new markets • Scalable operating model - scope to build scale offshore with operational gearing benefits

INTRODUCTION TO LOVISA



LOVISA STORE DISCIPLINES

Average store size - 50 sqm

Stores are designed for high intensity merchandising to maximise sales potential

Standardised fit-outs maintain customer experience and facilitate efficient roll-out programs

Centralised sales and inventory management systems



High pedestrian traffic locations

Majority of stores in desirable malls and locations

Typical store is run by a store manager and flexible support staff base

Simplistic design to facilitate easy store management so staff can be sales focussed

VERTICALLY INTEGRATED BUSINESS MODEL

VERTICALLY INTEGRATED RETAIL MODEL

- Business model underpins consistently high gross margins (>75%)
- In house product-led business
- Product manufactured in cost optimal locations (China, Thailand and India)
- Significant cost advantage via direct sourcing from factories
- Strong focus on data analytics for inventory management
- Owned product and brand



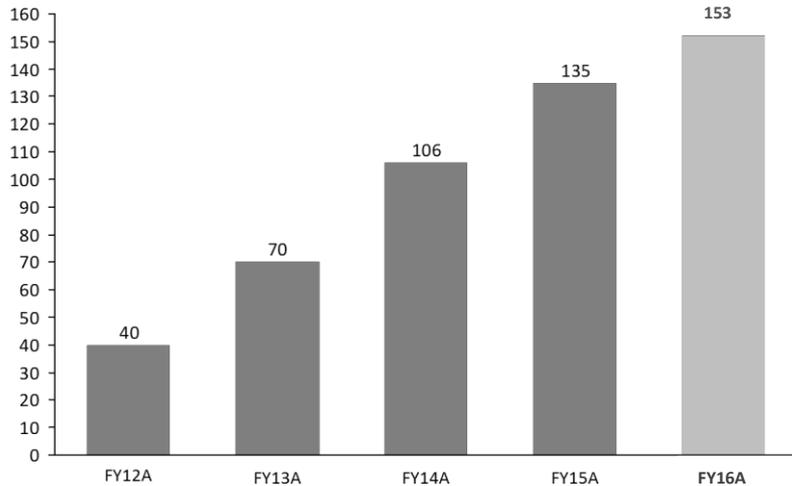
SPEED TO MARKET AND RESPONSIVE TO TRENDS

- 8-10 weeks from concept to shop floor
- Strong selling lines can be repeated within 4-6 weeks
- New ranges in store regularly (>120 new styles weekly)
- Highly responsive to fashion and sales trends
- Focus on adapting new lines to meet customer demand
- Strategically located logistics hubs in Melbourne and Hong Kong

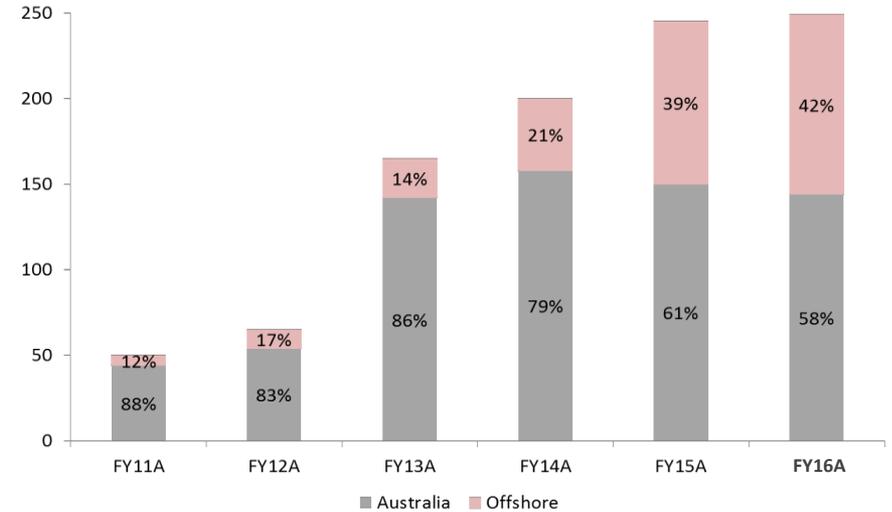


HISTORY OF RAPID GROWTH

Revenue growth (\$Am) – Strong growth expected to continue



Number of stores – Proven ability to grow offshore



We expect to close FY17 with circa 290 stores



April 2010:
First store opens



June 2010:
First store opens in New Zealand



April 2011:
51st store opens on our 1st Anniversary



December 2011:
First store opens in South Africa



July 2012:
First store opens in Malaysia



July 2012:
First store opens in Singapore



November 2013:
First store opens in the Middle East



18 December 2014:
Listing on ASX



April 2015:
21st store opens in South Africa



December 2015:
First store opens in the UK



July 2016:
First store opens in Vietnam

STORE ROLL-OUT HISTORY

	FY11A	FY12A	FY13A	FY14A	FY15A	FY16A	HY17A	Estimated store capacity
Australia	45	54	160	165	146	144	149	150
New Zealand	6	6	6	14	14	18	18	18-20
South Africa	-	-	-	10	36	36	38	50+
Singapore	-	-	6	10	15	19	21	20-25
Malaysia	-	-	3	7	15	14	17	20-25
Middle East ⁽¹⁾	-	-	-	2	13	16	17	50+
UK	-	-	-	-	-	3	7	100+
Vietnam	-	-	-	-	-	-	1	10-15
Total	51	60	175	208	239	250	268	

INTERNATIONAL

- Continue international store roll out in current operating territories
- Due Diligence on new markets being undertaken
- Prudent risk management approach following Due Diligence with a small number of trial stores to test our assumptions before moving to roll-out
- Acquisition of 17 stores in South Africa expected in June

AUSTRALIA

- Continuous assessment of store locations versus foot traffic, sales performance and occupancy cost
- Refurbishment of existing stores will continue

STORE NETWORK OPERATING

Country	Stores	Labour cost	Occupancy cost
 Australia	149		
 New Zealand	18		
 Malaysia	17		
 Singapore	21		
 South Africa	38		
 United Kingdom	7		
 Middle East	17	N/A - franchise territory	N/A - franchise territory
 Vietnam	1	N/A - franchise territory	N/A - franchise territory

Legend:

 High
  Medium
  Low

SUPPLY AND DISTRIBUTION NETWORK



SOPHISTICATED IT SYSTEMS

- Strong focus on data analytics for inventory management
- IT systems significantly reduce in-store responsibility for inventory via automated stock replenishment
- Allows Lovisa to replenish its stores under a “just-in-time” model

ESTABLISHED LOGISTICS

- Vertically integrated model and speed to market significantly reduces the risk of excess inventory and discounting
- Suppliers currently located in mainland China, India and Thailand
- Stock inspected by Lovisa’s quality control team in China and transported to Lovisa’s warehouses
- Sufficient capacity in the Hong Kong warehouse to handle further international growth

HALF YEAR FINANCIAL OVERVIEW

(\$'000)	FY17	FY16	Variance
	Actual	Actual	Actual
Revenue	99,740	82,622	20.7%
Gross profit	77,592	61,984	25.2%
EBITDA	30,841	20,809	48.2%
EBIT	28,194	17,946	57.1%
NPAT	20,272	13,540	49.7%
EPS cents	19.3	12.9	49.7%

- Revenue up 20.7% with comparable sales up 12.6% for the period
- Gross profit of \$77.6m up 25.2% and on a constant currency basis would have been up 28.3%
- Further reduction as a percentage of sales on CODB following tight cost control despite the continued global rollout
- Net profit after tax increased 50% to \$20.3m with EPS of 19.3 cents per share
- Continued international expansion with a net increase of 18 stores during the period
- Strong cashflow generation and tight inventory management
- Fully Franked Interim Dividend of 10.0 cents being a lift of 3.33 cents on prior period

TRADING UPDATE

- Trading to 30 April 2017 has continued to be strong and above expectations
- Same store sales growth for the March quarter was 6.7%
- Same store sale growth for the 10 months to April was 10.9%
- Following the lift in expectations we expect Full Year Earnings before Interest and Tax to be in the range between \$38.5m and \$39.5m
- Recent announcement to acquire 17 store in South Africa continues the company's international growth plans
- The UK rollout is continuing with seven stores currently trading. We expect a further four stores to be opened by June and expect 13 stores to be trading by late August



STRATEGY RECAP

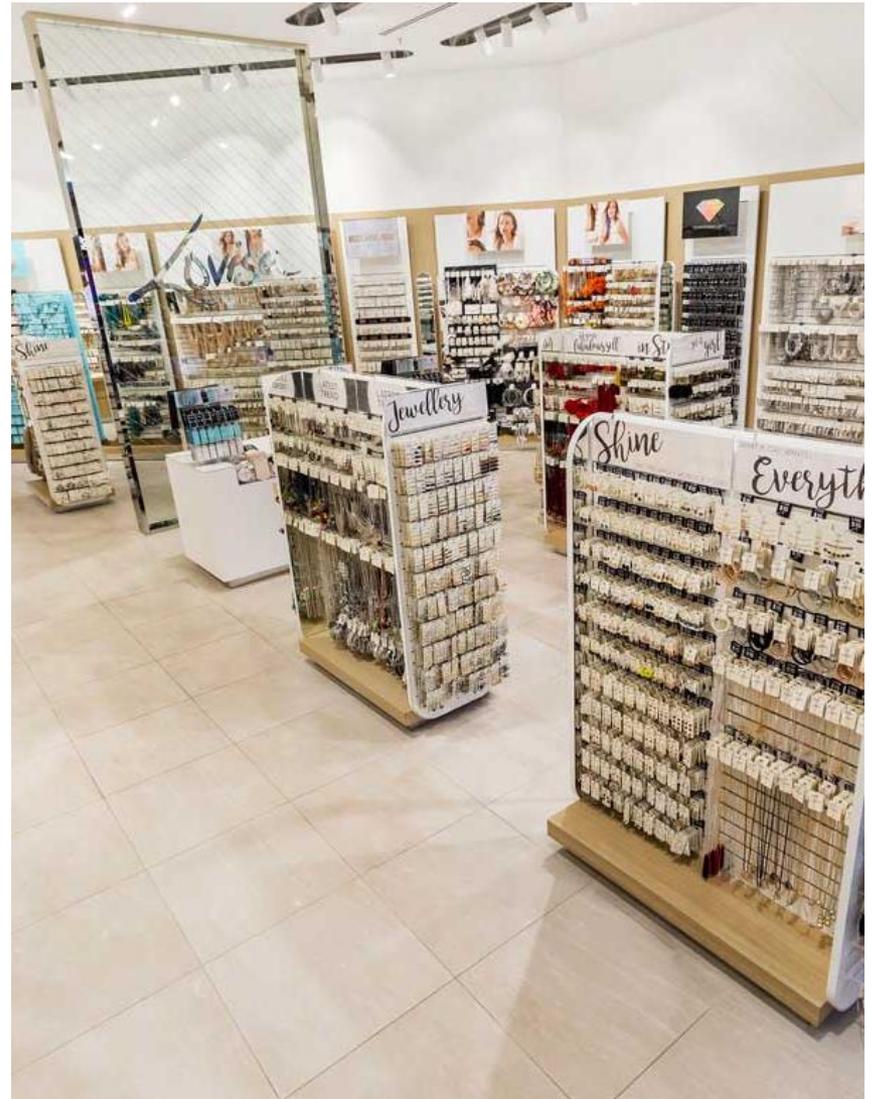
- Lovisa is a vertically integrated fast fashion jewellery retailer with end to end product development capabilities
- Global brand with reach across a number of countries
- We enjoy high gross margins with demonstrated pricing elasticity
- Scalable rollout model with centralised merchandising, marketing and back office to support country operations
- Small store foot print with low build costs that generates strong cash conversion with an average store payback less than twelve months
- We are optimistic that our product offer continues to be accepted globally
- We continue to evolve our strategic plan in order to maintain our momentum of profitable growth through our store roll-out program, disciplined international expansion, opportunistic acquisitions, continuing operational improvements and benefits of increased scale.



QUESTIONS



APPENDIX



BALANCE SHEET – HY17

(A\$'000s)	HY17	FY16	HY16
Net Cash	28,246	4,729	8,583
Receivables	3,130	2,293	2,181
Inventories	12,338	15,034	16,789
Derivatives	693	(909)	(211)
Total current assets	44,407	21,147	27,342
Property Plant & Equipment	13,081	13,123	12,591
Intangibles	2,328	2,073	1,390
Deferred tax asset	3,064	1,823	3,471
Total assets	62,880	38,166	44,794
Payables	9,905	8,350	8,963
Provisions	8,366	3,736	6,615
Total current liabilities	18,271	12,086	15,578
Borrowings	10,000	12,000	12,000
Provisions	2,901	2,909	2,186
Total liabilities	31,172	26,995	29,764
Net assets	31,708	11,171	15,030
Covenants	HY17	FY16	HY16
Fixed charge ratio > 1.25	2.41	2.18	2.30
Gross leverage < 1.25	.29	.52	.40

CASH FLOW - HY17

(A\$'000s)	HY17	HY16
Cash from operating activities	34,942	20,314
Net interest paid	(275)	(331)
Tax paid	(4,982)	(3,786)
Net cash from operations	29,685	16,197
Property Plant & Equipment	(2,448)	(5,404)
Net cash used in investing activities	(2,448)	(5,404)
Repayment from borrowings	(2,000)	-
Dividends paid for provisions	(2,100)	(4,273)
Net cash used in financing activities	(4,100)	(4,273)
Opening cash	4,729	2,343
Effect in movement in exchange rates	380	(279)
Closing cash	28,246	8,583
Net movement in cash	23,137	6,520

BOARD & MANAGEMENT

<p>MICHAEL KAY Chairman Independent Non-Executive Director</p>	<p>Michael is a qualified lawyer and brings a wealth of commercial experience to Lovisa. Michael was CEO and Managing Director of listed salary packaging business McMillan Shakespeare, a position he held for six years. Previously, Michael was CEO of national insurer AAMI after serving in a variety of senior roles with that firm. Prior to joining AAMI, he spent 12 years in private legal practice.</p> <p>Michael became Chairman of ASX listed litigation funder, IMF Bentham Ltd (ASX : IMF) in July 2015. Michael has also been a non-executive Director of Quintis (ASX : QIN) since February 2015.</p>
<p>SHANE FALLSCHEER Managing Director</p>	<p>Shane Fallscheer is the Managing Director and founder of Lovisa. He has 29 years of experience in retailing operations across Australia, UK and US markets. He was previously in senior management roles with retailers including: General Manager, Sanity Australia; Chief Executive Officer, Sanity UK; Chief Executive Officer, Diva; and Global Retail Chairman and Chief Operating Officer, Rip Curl USA.</p>
<p>PAUL CAVE Independent Non-Executive Director</p>	<p>Paul is a Non-Executive Director of Domino's Pizza Enterprises Ltd since 2005 and the Chairman and Founder of BridgeClimb. Paul was made a Member of the Order of Australia in 2010 for his services to the tourism industry. Paul has previously worked in marketing and general management roles for B&D Roll A-Door and also founded the Amber Group in 1974, which he sold in 1996. Paul was a founding Director of Chris O'Brien Lifehouse at the Royal Prince Alfred Hospital, and founding Director of InterRisk Australia Pty Ltd. He is a patron of the Hunter Melanoma Foundation, and holds a Bachelor of Commerce from the University of New South Wales.</p>
<p>JAMES KING Audit and Risk Committee Chairman Independent Non-Executive Director</p>	<p>James has over 30 years' experience as a Director and an Executive in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific).</p> <p>He is currently a non-executive director of Navitas Ltd and a member of Global Coaching Partnership. Previously James was a director of JB Hi-Fi Limited, Pacific Brands, Trust Company Ltd, a member of the Council of Xavier College and Chairman of Juvenile Diabetes Research Foundation (Victoria).</p>

BOARD & MANAGEMENT

<p>TRACEY BLUNDY Non-Executive Director</p>	<p>Tracey joined BB Retail Capital in 1981 and is the nominated representative of BB Retail Capital on the Board of Lovisa. Over the past 35 years, she has held a number of senior executive positions across BB Retail Capital's brands, including Chief Executive Officer of Sanity Entertainment and Bras n Things. She is a Board-level advisor across the BB Retail Capital portfolio bringing in-depth knowledge and expertise on retail operations and roll-out strategy. Tracey was a founding shareholder of Lovisa in 2010, and has since been a senior advisor to the Company's management team. Tracey is currently a Director of BB Retail Capital Pty Limited, Bras N Things Pty Limited and BB Retail Property Pty Limited.</p>
<p>STEVE DOYLE CEO</p>	<p>Steve has over 29 years of retail experience both in Australia and internationally; he joined Lovisa in November 2015 as Global General Manager and was appointed to CEO in October 2016. Steve was most recently with Super Retail Group, where he served 12 years. His most recent role was Managing Director of the Leisure Division. During his time there he developed BCF from start-up, acquired Rays Outdoors and developed a chain in NZ called FCO.</p> <p>Prior to this with Super Cheap Auto Steve held the roles of GM Retail and GM Merchandise and Marketing and held executive Retail and Merchandise roles with the Savola Group in Saudi Arabia, Woolworths Australia and Franklins Supermarkets. Steve holds an EMBA from the University of QLD.</p>
<p>GRAEME FALLET CFO</p>	<p>Graeme joined Lovisa as CFO in April 2016 and brings over 13 years' experience as an ASX listed CFO, most recently as CFO of Australian Pharmaceutical Industries Limited (ASX: API) a pharmacy wholesaler and health and beauty retailer, with a network of over 400 Priceline and Priceline Pharmacy stores. Prior to that, Graeme was CFO of Ventracor Limited (VCR), a medical device business where he managed its international expansion.</p> <p>Graeme's experience includes mergers and acquisitions, capital restructuring, equity capital markets, debt refinancing, risk management, and ASX governance. Graeme is a Chartered Accountant and a Member of the Institute of Company Directors.</p>

KEY RISKS

Foreign Currency	<ul style="list-style-type: none"> Majority of goods that are imported are priced in USD. Consequently Lovisa is exposed to movements in the USD exchange rate. As international growth continues Lovisa will be exposed to movements in the exchange rates of the countries it operates in
Store Growth	<ul style="list-style-type: none"> Lovisa's growth strategy is based on its ability to increase earnings from existing stores and continue to open new stores on a timely and profitable basis. Lovisa's store rollout program is dependent on securing stores in suitable locations on acceptable terms and may be impacted by factors including delays, cost over runs and disputes with landlords
Property	<ul style="list-style-type: none"> Failure to renew existing leased on acceptable terms or an inability to negotiate alternative arrangements could adversely affect Lovisa's ability to operate stores in preferred locations
Merchandising	<ul style="list-style-type: none"> Lovisa's revenues are currently generated from the retailing of jewellery which is subject to change with prevailing fashions and consumer preferences Failure by Lovisa to predict or respond to such changes could adversely impact its financial performance Any failure by Lovisa to correctly judge customer preferences or to convert market trends into appealing product offerings on a timely basis may result in lower revenue and margins Any unexpected change in prevailing fashions or customer preferences may lead to Lovisa carrying increased obsolete inventory Lovisa's products are manufactured directly in factories in China, India and Thailand. As a result Lovisa is exposed to risks including foreign currency, political instability, increased security requirements for goods, cost and delays in international shipping arrangements, imposition of taxes and other charges
Employment Costs	<ul style="list-style-type: none"> Lovisa's employees are covered by enterprise bargaining agreements and other workplace agreements that periodically require renegotiation and renewal. Any such renegotiation could result in increased labour costs for Lovisa
Product	<ul style="list-style-type: none"> Lovisa's name its related intellectual product are key assets of the business. The reputation and value associated with Lovisa and related intellectual property rights could be adversely impacted by a number of factors including failure to provide customers with quality of product and service standards they expect, disputes or litigation with third parties such as employees, supplies or customers

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.

