Lovisa Holdings Limited FY22 FULL YEAR RESULTS

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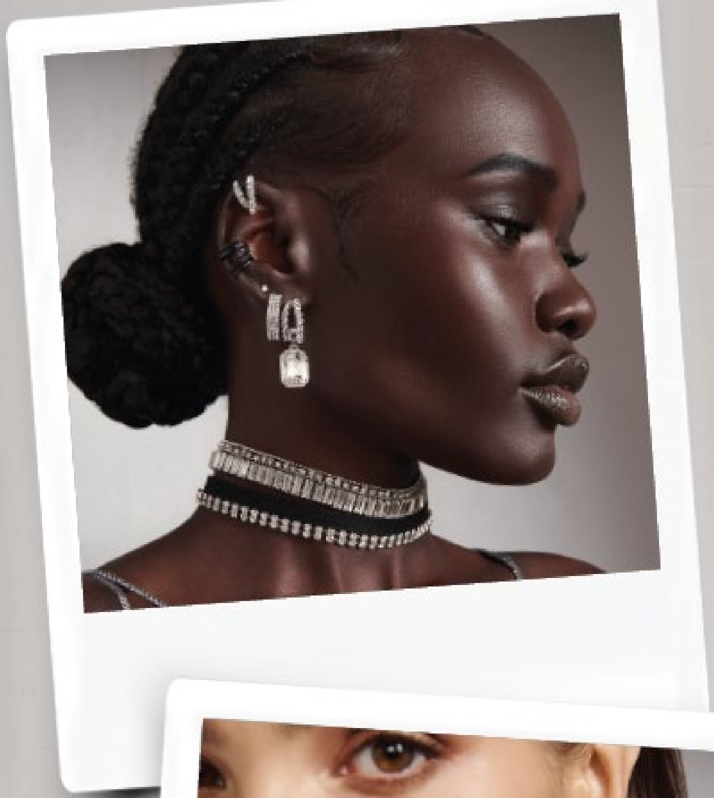
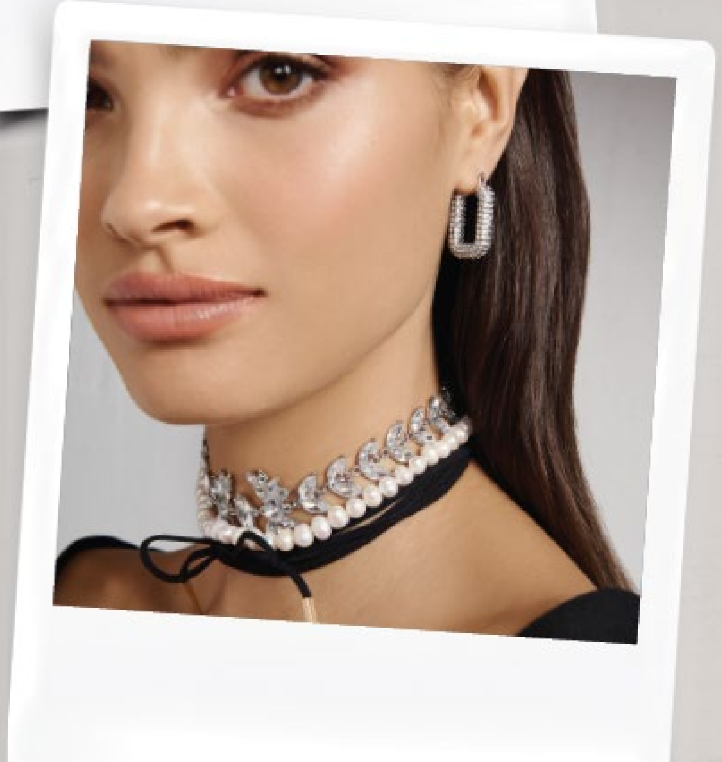
Some of the information contained in this presentation contains “forward - looking statements” which may not directly or exclusively relate to historical facts. These forward-looking statements reflect the current intentions, plans, expectations, assumptions and beliefs about future events of Lovisa 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.





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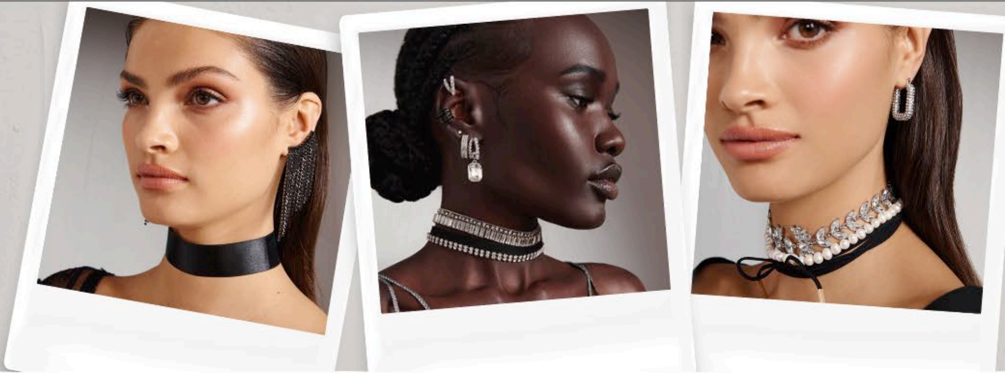
STRATEGY RECAP



Our strategic plans remain in place

OUR PAST

12 years ago we set out to develop a fast fashion jewellery concept to meet customers needs

We were determined to focus on fashion jewellery maintaining a high margin and small store footprint model

With plans to globalise the brand we set about building a model that can be centrally managed and rolled out globally

We have opened over 600 stores across 24 markets in that time

Sales CAGR of 30% in that time

OUR PRESENT

Although we have had short-term challenges with COVID over the past 2 years we are well on the way in establishing a global brand

We continue to develop over 100 new lines every week for our customers

We continue to build and invest in our structures to support our future growth

We are investing strongly in our digital platform and strategy to drive continued global growth

We have a strong balance sheet and we continue to control our costs

OUR FUTURE

Continued expansion in our current markets with the same successful disciplines and criteria used to date

Continued investment in our team investing ahead of our growth curve and building global capability

Continued focus on our Digital platforms globally

Continued focus on identifying new markets to pilot our Lovisa brand

We remain excited about the future and we believe the present situation will provide future opportunities

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FINANCIAL YEAR OVERVIEW[1]

- Strong sales performance for the financial year with positive global comparable store sales for the year of +19.9% compared to FY21
- Total sales up 59.3% on FY21 reflecting strong comps and growth in the store network
- Gross Margin up and CODB well controlled despite challenges from temporary store closures and sales disruption in the first half
- EBIT of $79.7m for the financial year, up 86.6% on prior year, and $77.5m on a 52-week basis, up 81.4%
- NPAT of $59.9m up 116.3% on prior year, and $58.2m on a 52-week basis, up 110.3%
- CEO transition successfully completed during the year
- Global rollout strategy remains a key focus with 85 net new stores opened for the year
- US market up to 118 stores at year end, and Europe now 169 stores trading, with 2 new markets opened in Poland and Canada
- Cash flow from operations $96.7m with operating cash conversion at 99% reflecting solid working capital management
- $24.2m of net cash at year end
- Final dividend of 37 cents, 30% franked, reflecting strong balance sheet position, taking full year dividends to 74 cents

[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 easier comparability with prior comparatives. A reconciliation between the pre and post AASB 16 numbers is included at Appendix 2. Comparable store sales excludes periods where stores were temporarily closed during the current or prior financial year due to COVID related lockdowns. FY22 financials include a 53rd week for statutory purposes. The impact of the 53rd week on financial performance and the adjusted 52 week profit has been included at Appendix 3.

FINANCIAL OVERVIEW[1]

($000)	FY22 (Statutory) 53 weeks	FY22 (pre AASB 16) 53 weeks	FY22 (pre AASB 16) 52 Weeks	FY21 (pre AASB 16) 52 Weeks	Variance (pre AASB 16) % (53 week)	Variance (pre AASB 16) % (52 week)
Revenue	**458,712**	**458,712**	**448,245**	288,034	59.3%	55.6%
Gross profit	**361,828**	**361,828**	**353,702**	220,963	63.8%	60.1%
EBITDA	**143,368**	**97,238**	**94,721**	60,164	61.6%	57.4%
EBIT	**82,684**	**79,666**	**77,464**	42,697	86.6%	81.4%
NPAT	**58,387**	**59,897**	**58,232**	27,696	116.3%	110.3%
EPS (cents)	**54.3**	**55.7**	**54.2**	25.8	116.3%	110.3%
Dividend (cents)	**37.0**	**37.0**	**37.0**	18.0	+19.0 cents	+19.0 cents
Total Dividend (cents)	**74.0**	**74.0**	**74.0**	38.0	+36.0 cents	+36.0 cents

- Strong profit growth as most markets traded well as economic activity improved
- Revenue up 59.3% on FY21 with comparable store sales up 19.9%
- CODB well managed with strong focus on efficiency while building structure to support next stage of growth
- Continued store rollout with 104 new stores opened for the year offset by 19 closures
- Strong balance sheet and cashflow generation with $24.2m of net cash at year end resulting in increased final dividend of 37 cents taking full year to 74 cents

[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 easier comparability with prior comparatives. A reconciliation between the pre and post AASB 16 numbers is included at Appendix 2. Comparable store sales excludes periods where stores were temporarily closed during the current or prior financial year due to COVID related lockdowns.
[2] FY22 includes 53 weeks compared to FY22 which includes 52 weeks, therefore a 52 week underlying profit has been calculated and included above, refer Appendix 3 for details.

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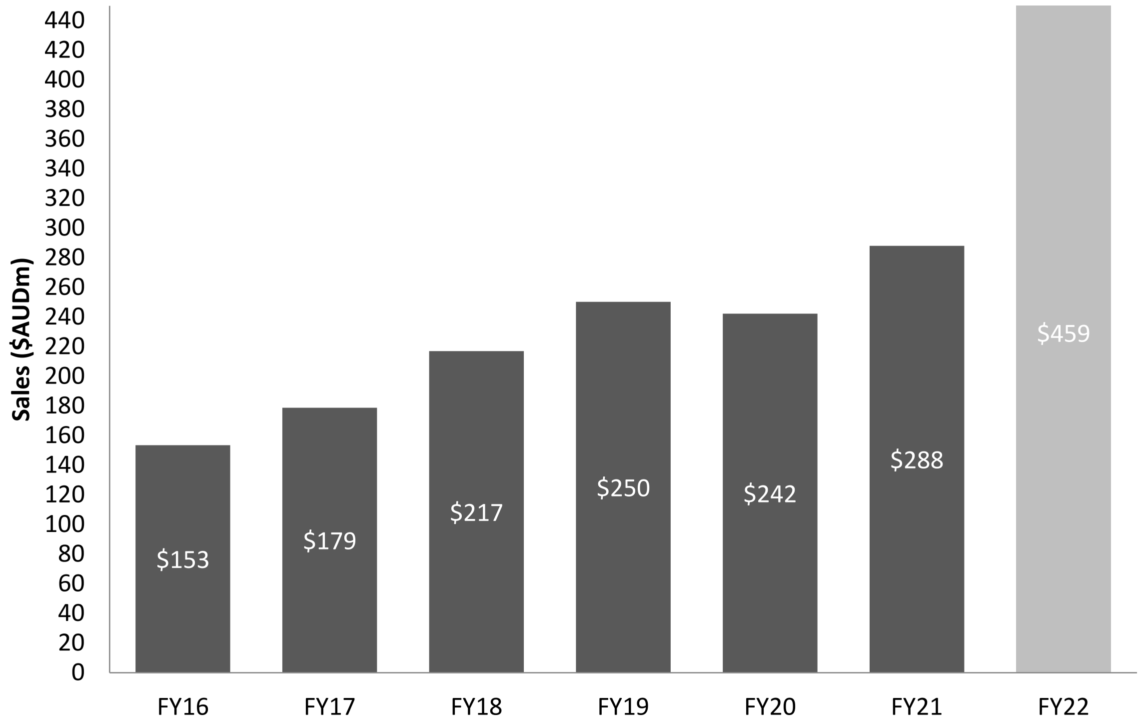
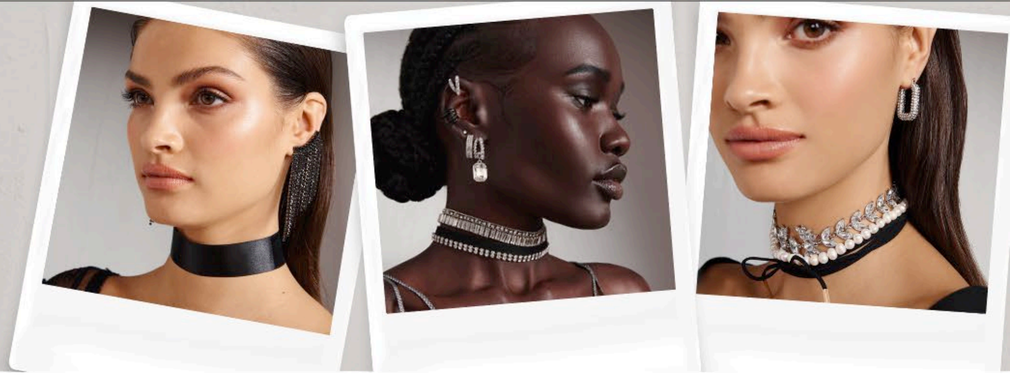
TRADING PERFORMANCE - SALES

Sales growth accelerates

- Global Sales Revenue up 59.3% to $459m, with sales growth accelerating after two years of disruption. Sales adjusted to remove the 53rd week up 55.6%
- Comp sales up 19.9% on FY21, with first half momentum maintained throughout the year
- Growth achieved in both volume and price following second half price increases
- Benefits of net 85 store network increase offset by impacts from COVID-19 lockdowns and disruptions across all markets early in the year, with stores subject to temporary closure across a number of markets through Q1
- Strong store network platform in place to drive growth into the future
- E-commerce sales continue to grow, up 30% on prior year



TRADING PERFORMANCE - SALES



Strong Sales momentum

- Australia/New Zealand region delivered solid growth despite impacts from temporary store closures early in the year, with strong comp sales for these markets after re-opening
- Europe sales reflects continued new store growth with an increase of 11 stores in the region including our first store in Poland
- Europe includes stores acquired in Q4 FY21 for a full year
- USA sales reflect continued new store growth with an increase of 55 stores for the period
- Asia sales continued to be impacted by COVID with slow recovery as a result of lower tourism and continued local restrictions however improved performance in H2
- South Africa recovered well with net 5 new stores and strong comparable store sales for the period

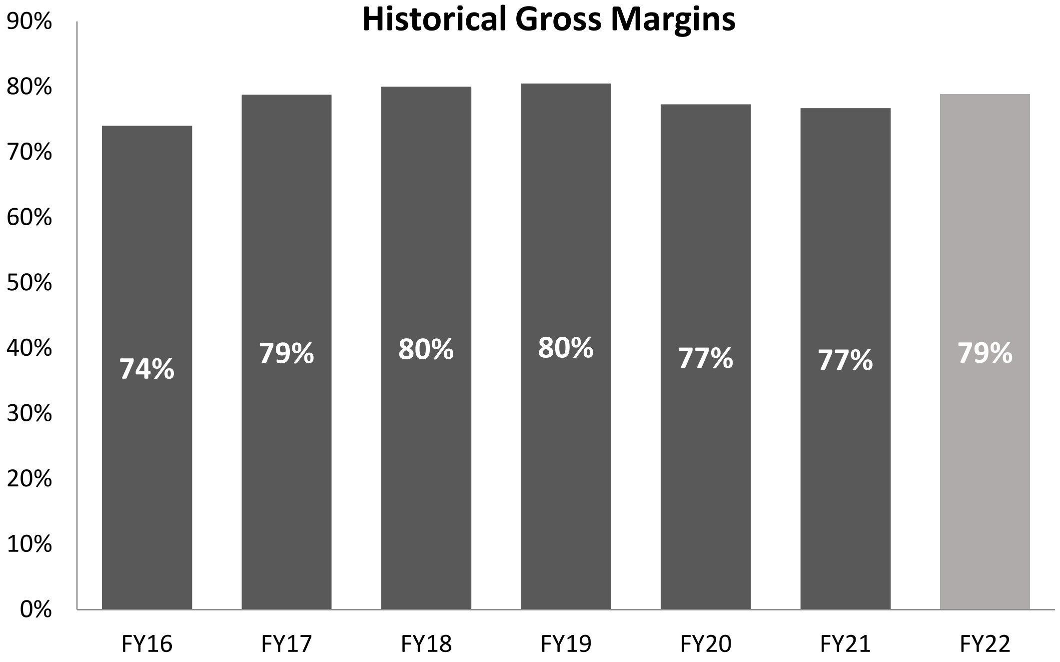
Region ($AUD '000)	FY22 (53 weeks)	FY21 (52 weeks)	Variance
Australia / NZ	174,255	157,163	10.9%
Asia	24,364	17,882	36.2%
Africa	45,768	33,841	35.2%
Europe	140,121	40,053	249.8%
USA	71,960	37,645	91.2%
Total	456,468	286,584	59.3%

*Sales revenue excluding franchise income

TRADING PERFORMANCE - GROSS MARGIN

Gross Margin at Constant Currency*			
	FY22 (53 weeks)	**FY22 (53 weeks)**	**FY21 (52 weeks)**
Currency USD	0.74	0.71	0.71
Sales	458,712	458,712	288,034
Cost of Sales	(96,884)	(100,678)	(67,070)
Gross Profit	361,828	358,034	220,964
Gross Margin	78.9%	78.1%	76.7%

* Indicative constant currency impact on inventory purchases

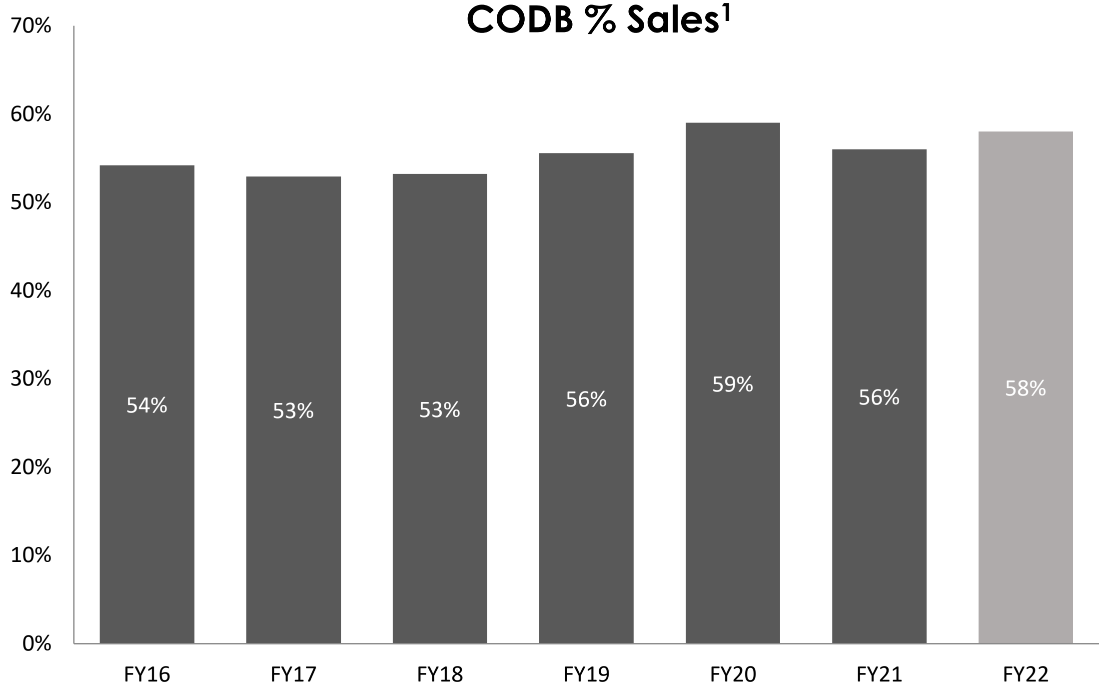


- Gross profit increased 63.8% to $361.8m
- Gross Margin was 78.9%, benefiting from a favourable currency position with average payment rate around 3 cents higher than FY21
- Constant currency Gross Margin up strongly, primarily in the second half, benefiting from price increases offsetting persistently high freight costs

COST OF DOING BUSINESS[1]

Cost pressures well managed

- CODB well managed despite impacts of temporary store closures in Q1 with minimal government wage subsidies or rent abatements globally
- Elevated logistics costs continued during the period, remaining well above pre COVID levels but improving
- Investment continues to be made into structures to drive global rollout and opening of new markets
- Controllable costs well managed in line with store network growth



[1] FY22, FY21 and FY20 results represent performance excluding the impact of AASB 16. A reconciliation between pre and post AASB 16 numbers is included at Appendix 2. The above chart reflects 53 week CODB %.

CASH FLOW[1]

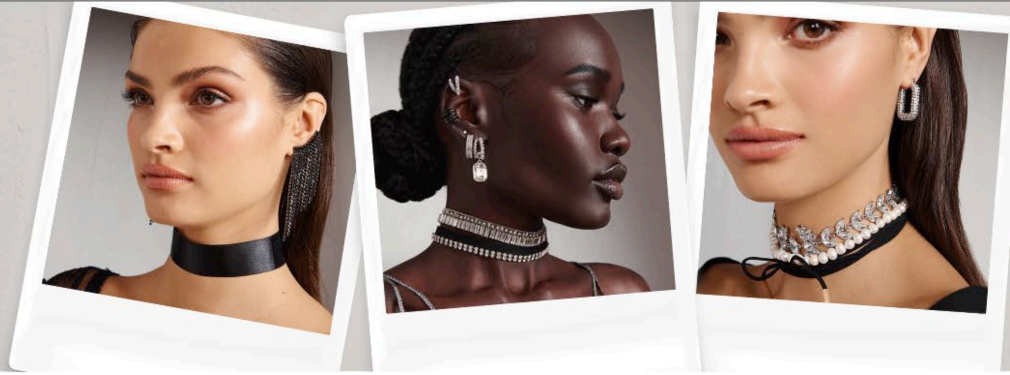
Continued investment in store rollout

(A$000s)	FY22 (pre AASB 16)	FY21 (pre AASB 16)
Cash from operating activities	96,705	66,381
Net interest paid	(476)	(586)
Tax paid	(14,036)	(15,968)
Net cash from operations	**82,193**	49,827
Property Plant & Equipment	(34,451)	(13,344)
Cash acquired from beeline acquisition	(153)	16,219
Key Money	0	(615)
Net cash provided by/(used in) investing activities	**(34,604)**	2,260
Proceeds from borrowings	10,000	0
Payment of lease liabilities	0	0
Dividends paid	(59,103)	(37,611)
Net cash used in financing activities	**(49,103)**	(37,611)
Opening cash	35,552	20,434
Effect in movement in exchange rates	115	642
Closing cash	**34,153**	35,552
Net movement in cash	**(1,399)**	15,118

- Cash flow from operating activities $96.7m with operating cash conversion at 99%
- Capital expenditure of $34.5m includes 104 new company owned stores built for the year as the store rollout regains momentum
- Tax paid for the period reflects lower instalment rates due to lower prior year profits and increased profitability from newer markets with historical tax losses
- Significant increase in dividends for the year

[1] Results represent performance excluding the impact of AASB 16, with Payments of Lease Liabilities and associated interest expense reclassified to Cash from Operating Activities.

BALANCE SHEET



Continued Balance Sheet strength

- Inventory holdings increased reflecting store network growth, new Poland DC, and increased stock on hand to mitigate supply chain risks
- Strong Net Cash position of $24.2m with debt facilities of $50m in place and material headroom in covenants
- Final dividend of 37.0c determined to be paid in October 2022, taking full year dividends to 74.0c following payment of Interim dividend of 37.0c, reflecting strong cash flow generation for the year and continued strong balance sheet position
- We will continue to review dividend levels going forward based on cash and facilities available and capital requirements of store network expansion

(A$000s)	FY22	FY21
Net Cash	24,153	35,552
Receivables	22,383	11,325
Inventories	50,215	34,211
Derivatives	1,682	0
Total current assets	**98,433**	**81,088**
Property Plant & Equipment	67,255	42,112
Lease Right of Use Assets	172,037	158,081
Intangibles	4,234	4,378
Deferred tax asset	17,326	12,591
Total assets	**359,284**	**298,250**
Payables	47,397	33,693
Lease Liabilities	50,403	54,484
Derivatives	0	144
Provisions	24,085	13,518
Total current liabilities	**121,884**	**101,839**
Lease Liabilities	167,969	146,203
Provisions	5,108	4,493
Total liabilities	**294,961**	**252,535**
Net assets	**64,323**	**45,715**

Covenants	FY22	FY21
Fixed charge ratio > 1.40	2.35	2.29
Operating leverage < 1.75	0.24	0.17

STORE GROWTH

International Rollout continued with 85 net new stores opened

Store number growth					
Country	**FY22**	**FY21**	**Variance**	**New Stores**	**Closures**
Australia	154	153	1	6	(5)
New Zealand	25	24	1	3	(2)
Singapore	17	18	(1)	0	(1)
Malaysia	32	28	4	4	0
South Africa	69	64	5	7	(2)
United Kingdom	42	41	1	2	(1)
France	59	52	7	8	(1)
Germany	40	38	2	6	(4)
Belgium	11	8	3	3	0
Switzerland	6	8	(2)	0	(2)
Netherlands	5	6	(1)	0	(1)
Austria	3	3	0	0	0
Luxembourg	2	2	0	0	0
Poland	1	0	1	1	0
USA	118	63	55	55	0
Canada	1	0	1	1	0
Middle East	44	36	8	8	0
Total	629	544	85	104	(19)

- 104 new stores opened in the period offset by 19 closures with constant focus on keeping the network strong
- US rollout continued to regain momentum with 55 new stores opened and now trading from 33 US states
- 2 new markets opened in June 2022 in Poland and Canada, along with our first store in Northern Ireland (included within UK market)
- 2 new franchise markets opened in the Middle East in Cyprus and Lebanon
- Global leasing team expanded to drive growth from existing and new markets

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DIGITAL UPDATE

- Focus on our digital capabilities accelerated over the last 2 years, with enhanced website performance and user experience
- Improved customer service levels with investment in customer support
- All company owned markets serviced via digital store fronts
- Online sales grew by 30% on FY21, continuing the positive momentum delivered over the past 2 years however significant upside opportunity with improved execution
- Ongoing focus on global fulfilment capability with dedicated Online 3PL warehouses now operational in key markets, further investment continues in this space
- We continue to invest in support team and infrastructure to deliver an improved digital customer experience

TRADING UPDATE AND OUTLOOK

- Trading for the first 7 weeks of FY23 has seen a continuation of the strong performance of FY22, with comparable store sales for this period of +21.0% on FY22. Total sales for this period are 66.1% up on the same period in FY22, with prior year impacted by lockdowns in parts of Australia and Malaysia
- Since the end of the financial year we have opened our first 2 stores in Hong Kong and our first store in Namibia
- The store network is currently at 651, with 22 new stores opened year to date
- 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 rollout momentum to increase going forward
- Our balance sheet remains strong with available cash and debt facilities supporting continued investment in growth

SUMMARY

- Sales momentum strong for the financial year following a COVID disrupted first quarter
- International expansion continued with net 85 new stores opened during the year and a total network of 629 stores at year end
- 2 new markets opened during the year in Poland and Canada, as well as our first store in Northern Ireland
- Progress continues to be made in digital with opportunity for further improvements to be made
- EBIT of $79.7m up 86.6% on FY21 and $77.5m on 52 week basis, up 81.4% on FY21
- Comparable store sales up 19.9% for the period on FY21
- Good CODB control despite cost headwinds from logistics and temporary store closures in Q1, allowing for continued investment in team structure to support building the platform for future growth
- Final Dividend of 37 cents per share to be paid in October

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 presentation for the year ended 3 July 2022.

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 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. This measure excludes stores for the periods in the current and prior year that they were temporarily closed due to COVID related government lockdowns.
- 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 STATEMENT[1]

($'000)	FY22 Statutory 53 Weeks[2]	Impact of application of AASB 16	FY22 (pre AASB 16) 53 Weeks[2]	FY21 Statutory 52 Weeks	FY21 (pre AASB 16) 52 weeks	Variance (Statutory)	Variance (pre AASB 16)
Revenue	**458,712**		**458,712**	288,034	288,034	59.3%	59.3%
Cost of sales	**(96,884)**		**(96,884)**	(67,070)	(67,070)	44.5%	44.5%
Gross profit	**361,828**		**361,828**	220,963	220,963	63.8%	63.8%
Employee expenses	**(133,825)**		**(133,825)**	(74,710)	(74,710)	79.1%	79.1%
Property expenses	**(23,018)**	46,130	**(69,148)**	(9,428)	(46,737)	144.1%	48.0%
Distribution expenses	**(21,291)**		**(21,291)**	(14,352)	(14,352)	48.4%	48.4%
(Loss)/profit on disposal of PPE	**(1,169)**		**(1,169)**	(25)	(25)	4653.8%	4653.8%
Other expenses	**(41,523)**		**(41,523)**	(26,019)	(26,019)	59.6%	59.6%
Other income	**2,367**		**2,367**	1,479	1,043	60.0%	127.1%
EBITDA	**143,368**	46,130	**97,238**	97,909	60,164	46.4%	61.6%
Depreciation	**(60,684)**	(43,112)	**(17,572)**	(54,382)	(17,467)	11.6%	0.6%
EBIT	**82,684**	3,018	**79,666**	43,527	42,697	90.0%	86.6%
Finance income	**268**		**268**	41	41	553.1%	553.1%
Finance cost	**(6,295)**	(5,550)	**(744)**	(5,251)	(627)	19.9%	18.8%
Profit before tax	**76,657**	(2,532)	**79,189**	38,317	42,111	100.1%	88.0%
Income tax expense	**(18,270)**	1,023	**(19,293)**	(13,488)	(14,416)	35.5%	33.8%
Net profit after tax	**58,387**	(1,510)	**59,897**	24,829	27,696	135.2%	116.3%
EPS (cents)	**54.3**		**55.7**	23.1	25.8	31.2	29.9

[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 period comparatives.
[2] FY22 contains 53 weeks of financial results, refer Appendix 3 for an estimate of the profit contribution for week 53 of the financial year.

APPENDIX 3 – 53rd WEEK PROFIT AND LOSS RECONCILIATION[1]

($'000)	**FY22 (pre AASB 16)[1]** 53 Weeks	**53rd Week[2]**	**FY22 (pre AASB 16)** 52-week basis[2]	FY21 (pre AASB 16) 52 weeks	Variance (pre AASB 16) 52 weeks[2]
Revenue	**458,712**	10,467	**448,245**	288,034	55.6%
Gross Profit	**361,828**	8,126	**353,702**	220,963	60.1%
CODB	**(264,590)**	(5,609)	**(258,981)**	(160,800)	61.1%
EBITDA	**97,238**	2,517	**94,721**	60,164	57.4%
Depreciation	**(17,572)**	(314)	**(17,258)**	(17,467)	-1.2%
EBIT	**79,666**	2,202	**77,464**	42,697	81.4%
NPAT	**59,897**	1,665	**58,232**	27,696	110.3%

[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 period comparatives.
[2] FY22 contains 53 weeks of financial results, this adjustment represents estimated profit contribution for week 53 of the financial year. This has been estimated to determine an underlying 52 week P&L for comparative purposes with the prior year, which is a 52 week year.