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FY18 Half Year Results Announcement
Revenue up 18.9% following LFL growth of 7.4%
NPAT up 23% to \$24.8m

- Revenue increased by 18.9% to \$118.6m
- Gross Margin lift to 80.4% with Gross Profit up 23% to \$95.4m
- EBIT increased by 23% to \$34.7m
- +7.4% comparable store sales growth
- 31 new stores opened during the half year, 319 at half-year end
- Cash conversion of 117% with operating cash flow of \$37.2m
- Fully Franked Interim Dividend of 13.0 cents per share

Results Highlights

(A\$m)	1HFY18 Actual	1HFY17 Actual	Variance
Revenue	118.6	99.7	+18.9%
Gross profit	95.4	77.6	+22.9%
EBIT	34.7	28.2	+23.2%
NPAT	24.8	20.3	+22.5%
EPS (cents)	23.7	19.3	+ 4.4 cents
Interim dividend (cps)	13.0	10.0	+3.0 cents

Chief Executive Officer Steve Doyle said, "It's pleasing that the business has been able to maintain the solid start to the year as we continue our global rollout, helping to deliver both sales growth and gross margin expansion, delivering NPAT growth of 23%".

"We continued to expand and optimize our store network to drive growth and performance with a net 31 store increase for the half year. We were also able to continue to invest in new market expansion with our first store opened in the US in November 2017 and the recent opening of our first store in France" Mr. Doyle said.

Results

Revenue was \$118.6m up 18.9% on 1H17 with growth delivered across all markets. Same store sales growth was 7.4%, with the outstanding performance of the Christmas and Boxing Day sales period building on a solid start to the year to deliver this outcome. Sales grew across all regions, both on a total and same store basis, with strong growth in established territories Australia/NZ and Asia, the benefits of the Klines store acquisition in May 2017 driving growth in Africa, and the acceleration of the UK store rollout driving European growth with 12 new stores opened for the period.



Gross Margin increased 260bps to 80.4%, benefiting from continued strong range performance and tight inventory management, the stronger Australian Dollar and the impact of the disproportionately higher mix of sales in the Christmas and Boxing Day sales period. Gross Profit increased by \$17.8m to \$95.4m, up 23%.

Cost of Doing Business (CODB) as a percentage of sales increased 120bps to 48.1%, reflecting the continued investment into the international structure of the business and the entry into new markets during the period. This investment ahead of the curve is essential to ensure that we can conduct new market due diligence effectively, and can then move quickly once we are comfortable a region should move to full rollout. CODB for the half year also includes the investment made into relocation of the Melbourne Support Office and Distribution Centre.

Earnings per share was 23.7 cps compared to 19.3 cps in 1H17.

Continued discipline in inventory management combined with strong range performance in the period has seen inventory levels grow in line with the increase in store numbers during the period. This helped to deliver a \$10m increase in operating cash flow before interest and tax for the period, with cash conversion at 117%. Capital expenditure of \$7.4m reflects new store openings net of landlord contributions, and refurbishments of current stores upon lease renewals. Overall cash flow for the half-year was \$21.8m, resulting in a net cash position at half year end of \$33m, with \$25 million of financing facilities remaining undrawn (and additional \$15m acquisition finance facility, subject to bank due diligence), providing significant capacity to fund the future store growth program.

The Directors determined to pay a fully franked interim dividend of 13.0 cents being an increase of 3.0 cents on the prior comparable period.

Store Growth

The key driver of future growth for Lovisa is the continued international store roll out. The store network increased to 319 stores as at the end of the period, a net increase of 31 stores from June 2017.

Store growth in 1H18			
	HY18 Store numbers	FY17 Store numbers	Variance
Australia	151	145	+6
New Zealand	18	18	-
Singapore	22	21	+1
Malaysia	20	19	+1
South Africa	58	50	+8
UK	23	11	+12
Spain	2	1	+1
USA	1	-	+1
Middle East	19	19	-
Vietnam	5	4	+1
Total	319	288	+31

The highlight of the period was the opening of our first store in the US, at Glendale Galleria in California and the continued growth of the UK market, with momentum building to deliver a pipeline of future sites. In addition to the above, we also opened our first store in France in February 2018 at Parly 2 Shopping Centre in Paris.



Trading Update and Outlook

Whilst the result for the half year reflects a strong start to the financial year, in particular in relation to sales and gross margin, it is important to note that Lovisa has a disproportionate mix of EBIT weighted to the first half, which has also been enhanced by the strong performance of the Christmas and Boxing Day sale period. We will continue to invest in supporting store network expansion and do not expect the gross margin benefits delivered in the first half of the financial year to continue at the same level as currency tailwinds moderate and we continue to cycle strong ranges from prior year. Trading since the end of the half year has been in line with our expectations.

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