Lovisa

Why this could be the greatest story ever told in Australian retail

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Value in the Vines, 22 September 2023

Market cap: $2.2bn

Revenue (FY23): $600m

Gross margin (FY23): 79.9%

ROIC (FY23): 22.8%

Stores (June 2023): 801

Countries: 39

Founded: 2010

Lovisa is the fastest growing retailer of fashion jewellery in the world

Share price: $19.90

Price target: $27.50

Rating: ADD

P/E (FY25F): 15.3x

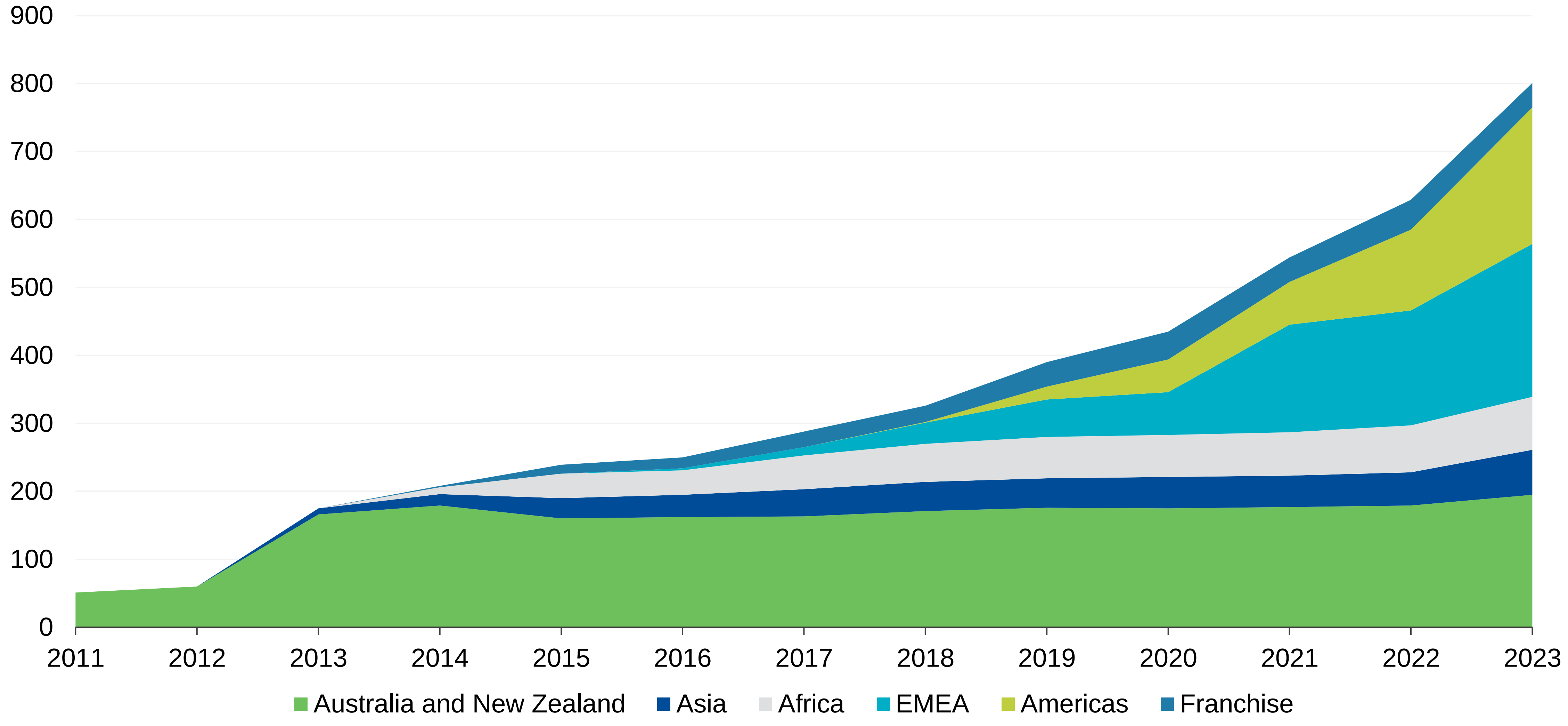
Revenue CAGR (10yr): +27%

NPAT CAGR (10yr): +33%

Listed: 2014

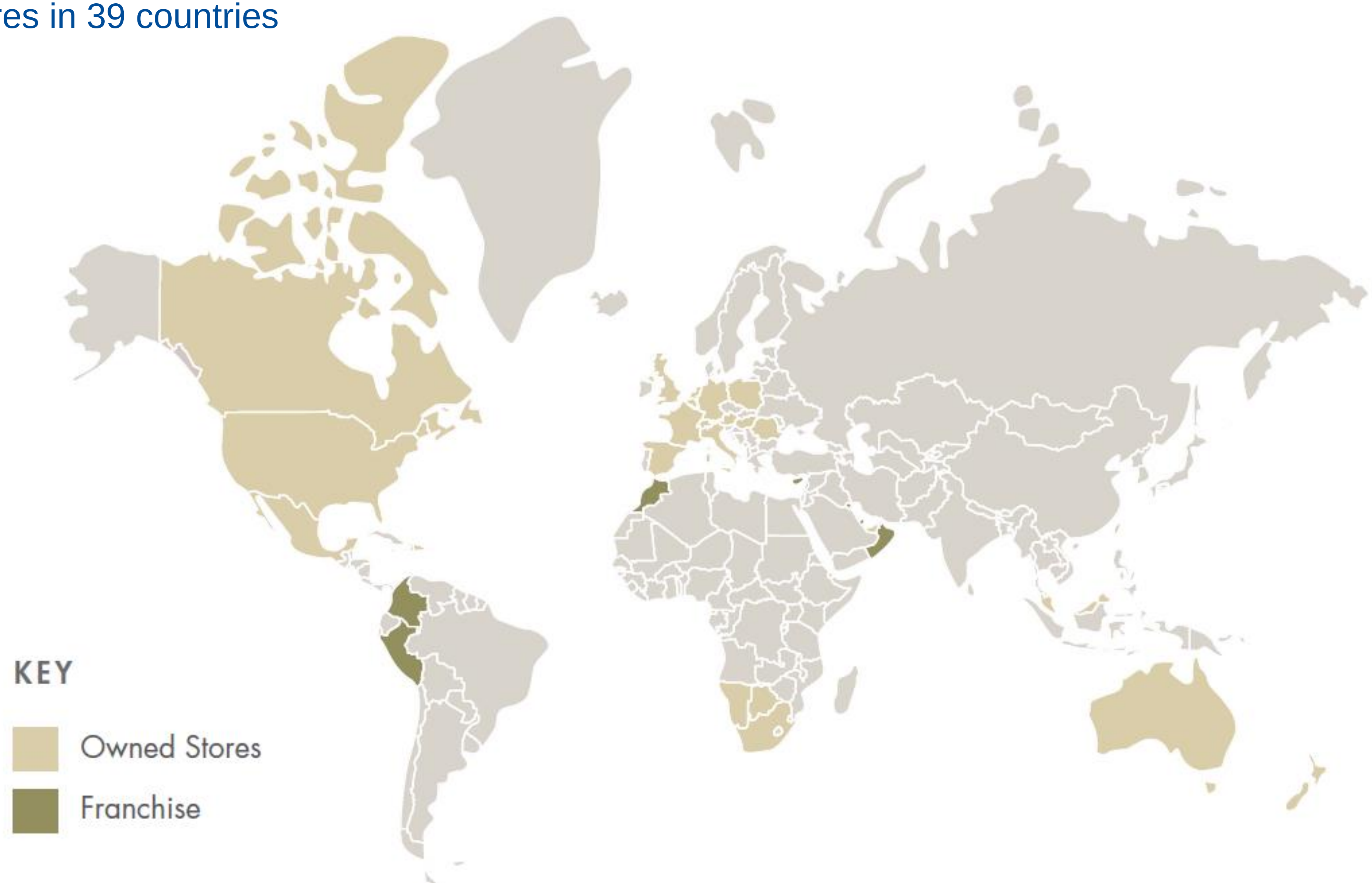
Store rollout

Cumulative annual growth of 26% since 2011



Global reach

800+ stores in 39 countries



Affordability is key

$19.99

$1,070.00

Bottega Veneta

$24.99

$650.00

Swarovski

$29.99

$699.00

Angus & Coote

$25.99

$2,849.00

Michael Hill

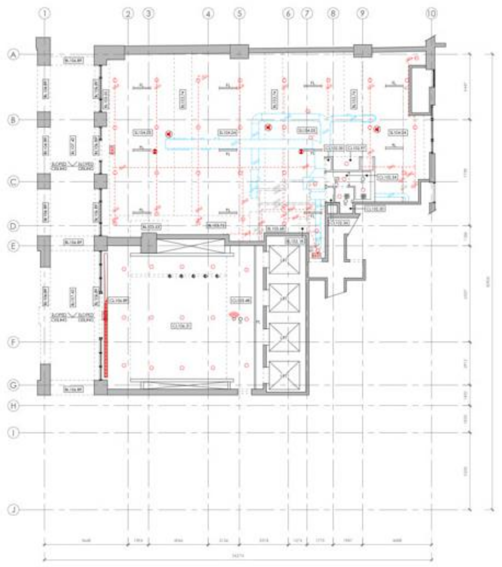
$39.99

$119.00

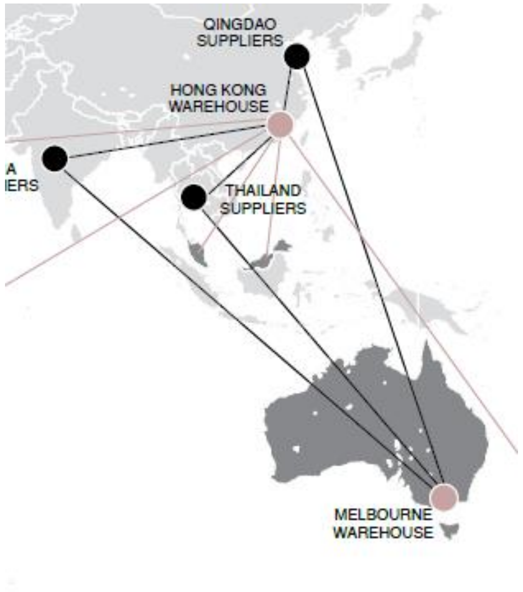
Max Alexander

Why the model works

Small format (50-60 sqm) stores in prime retail locations

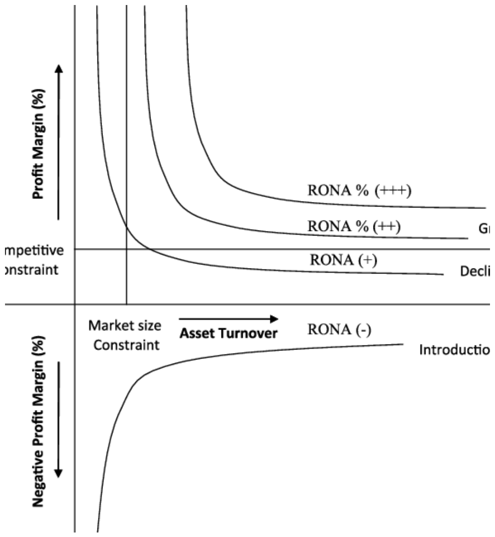


Centralised supply chain with hubs and daily inventory monitoring



Vertical integration allows for short product lead times

High gross margins and low marketing costs allows for rapid payback



What make a successful global brand

Unique brand identity

Lovisa's products are exclusive and there are few direct peers in specialist fast fashion jewellery

Connecting with the local consumer

Lovisa's products and range are tailored to local tastes and trends

Maintaining quality and consistency

Products are sourced centrally from a unified supply chain

Remaining agile

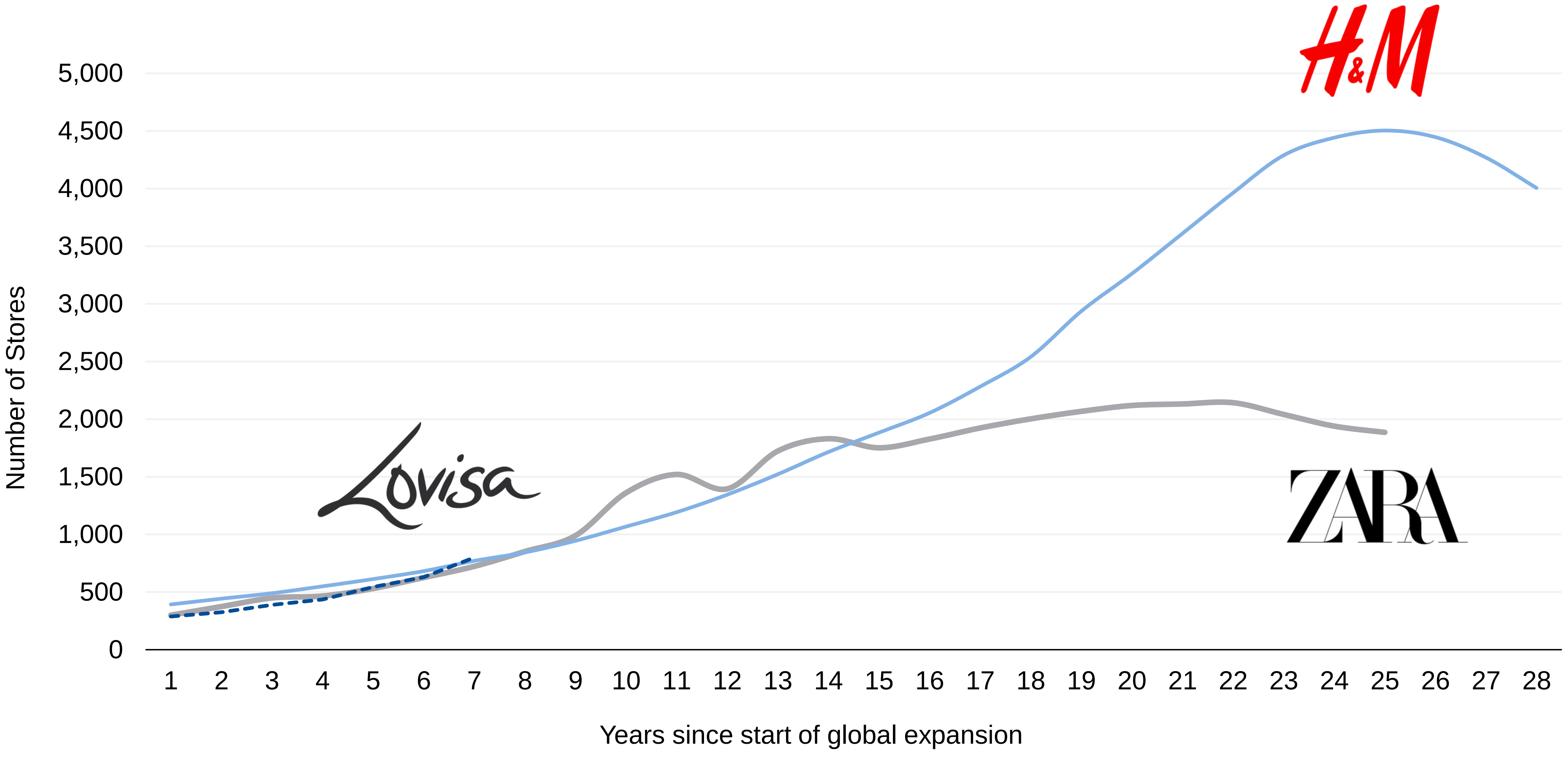
Lovisa responds to new trends and innovations quickly with new products on shelves 8-10 weeks after initial design

The lifecycle of a global brand

We believe Lovisa is still in its early growth phase

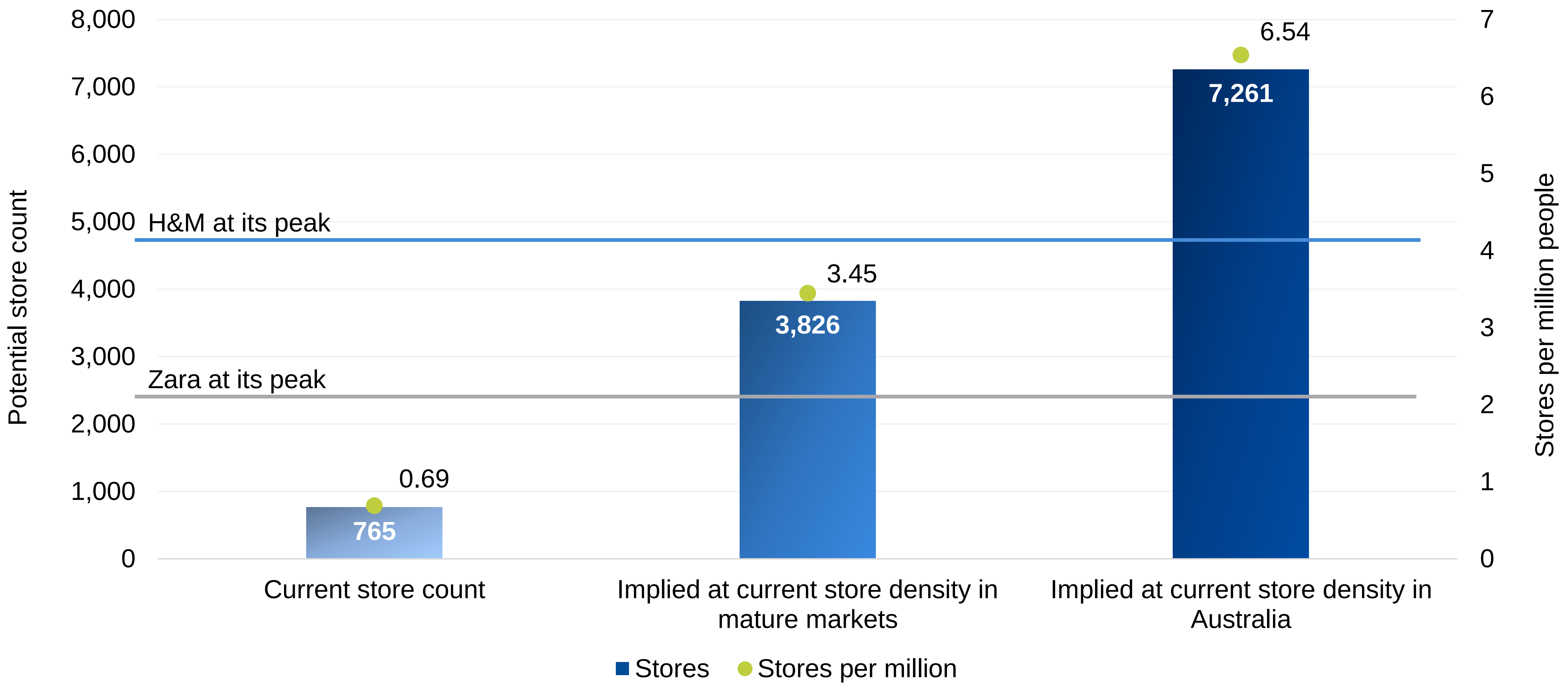
The path to global prominence

Lovisa's store count is close to that of H&M and Zara at a similar point in their development



Quantifying the blue-sky opportunity

How many Lovisa stores could there be?



Note: Owned stores only (excludes franchises)

Key people

Victor Herrero	Brett Blundy

Chief Executive Officer since 2021

Former CEO of Guess! and Inditex in Asia-Pacific

Heavily incentivised under LTI scheme to deliver growth

Cofounder of Lovisa in 2010

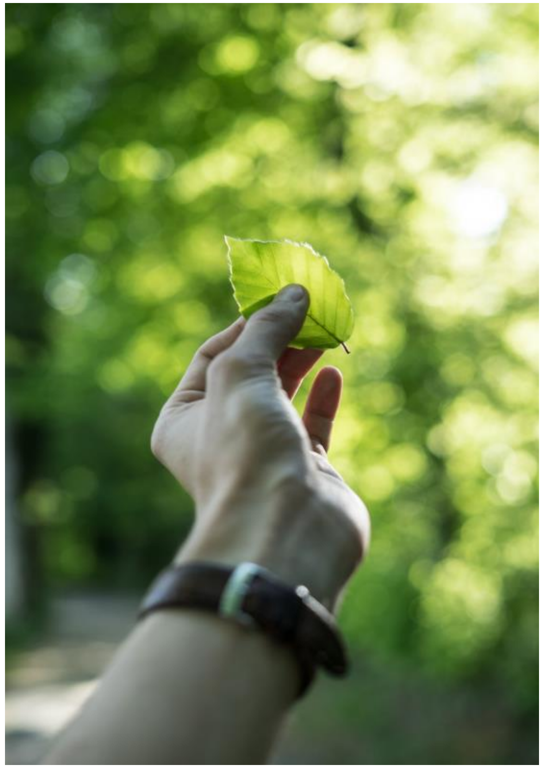
Founder of BB Retail Capital

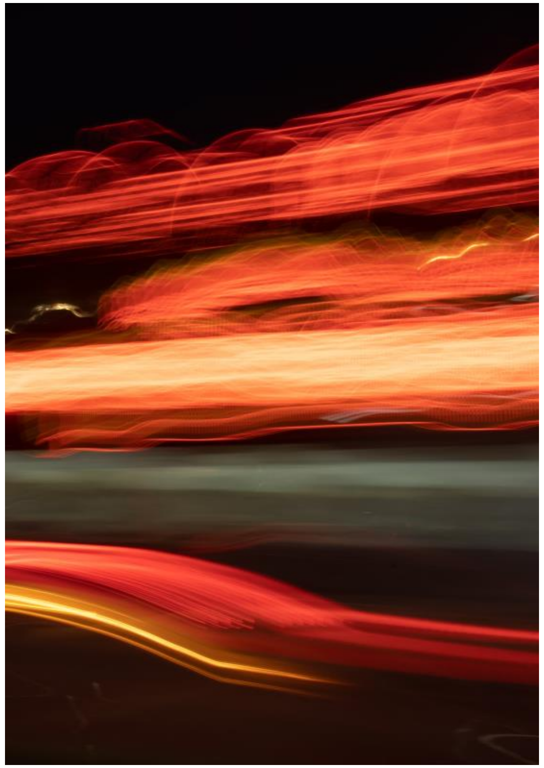
Major shareholder in Lovisa (40%)

Has not sold a single share since the IPO in 2014

Risk factors

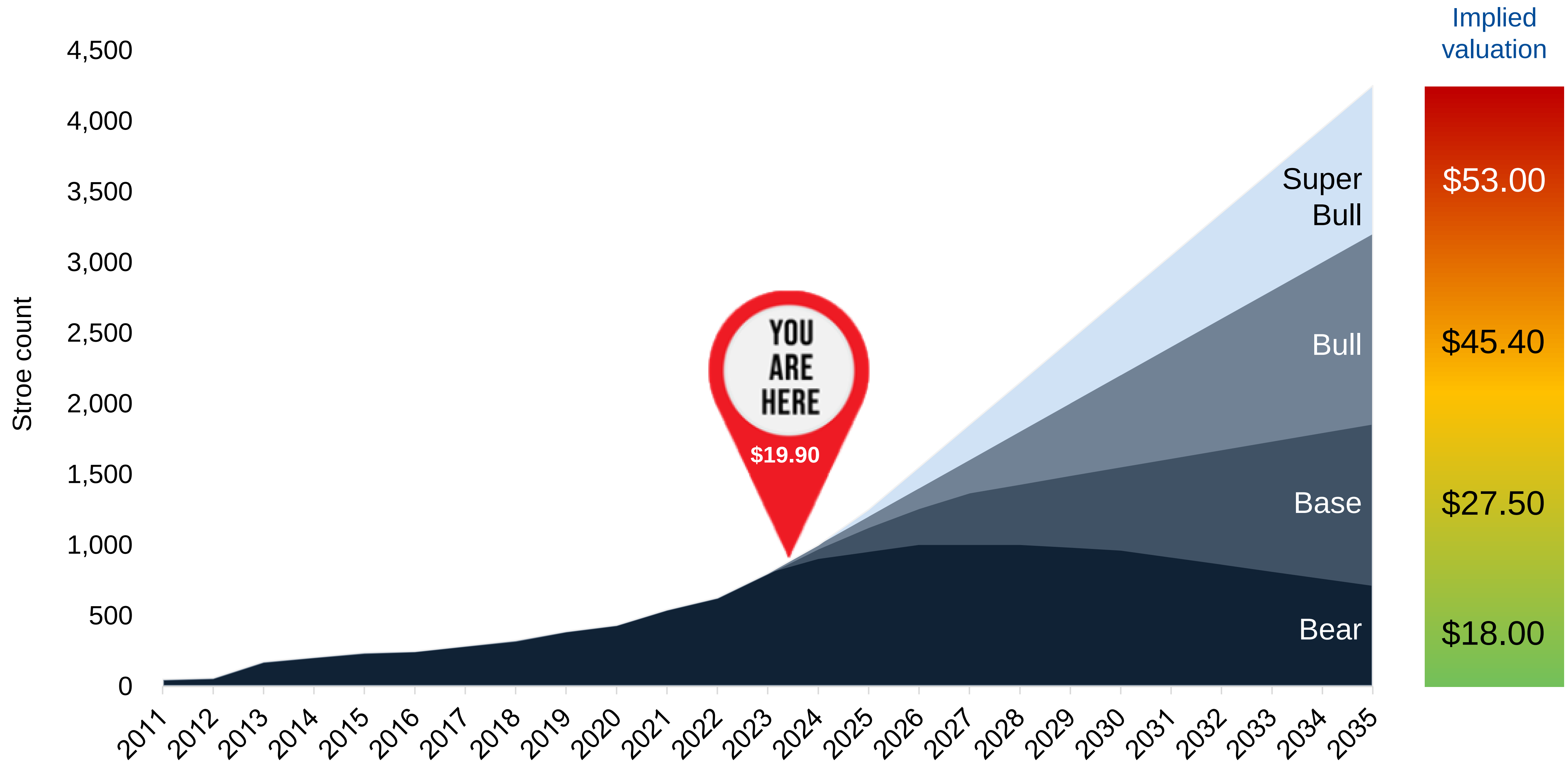
Sustainability concerns around fast fashion	What if Lovisa goes too fast?	Emergence of more organised competition	Execution risk in major new markets





Valuation scenarios

This might be just the beginning



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