



Lovisa Holdings 2021 AGM Report

ASX Code	LOV
Meeting Time/Date	4:30pm, Monday 22 November 2021
Type of Meeting	Virtual, https://agmlive.link/LOV21
Monitor	Mike Robey, proxy collection
Pre-AGM Meeting?	No

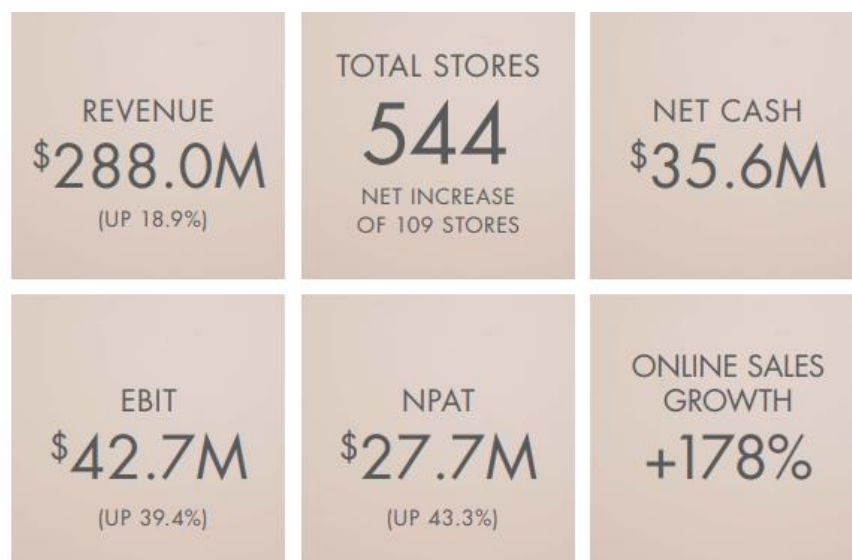
Moshpit jewellery, on rockstar salaries.

What the Company Does

Lovisa Holdings Limited (LOV) is a fast fashion jewellery retailer in a number of international markets. It has over 500 retail stores spanning multiple European , Asian , Us and ANZ markets.

Developments in the Financial Year

The most recent development was the stepping down of the MD/ CEO and founder Mr Shane Fallscheer and replacement by Mr Victor Herrero, a Singapore based executive, bringing retail experience from Zara among others. The appointment is effective 14 Oct 2021, which required delaying the planned AGM from that date to Nov 22, and the modification of resolutions relating to the CEO's Long Term Incentive award. Mr Fallscheer has been at the helm since founding and throughout the rapid rise of Lovisa over 12 years into a global fast fashion brand and leaves with no apparent position in mind (but with about \$50m in shares). There is no suggestion that this is anything other than a "good" departure, but it was rather sudden and required rescheduling of the major shareholder meeting. Highlights of the year are given below. We include the fashion models as they reappear throughout the Annual Report (where perhaps some more business detail would have been welcome), in the Notice of Meeting, so they are apparently a central part of the highlights of this fashion brand.





Lovisa Holdings Limited Annual Report - 27 June 2021

Summary of Historical ASA Issues with the Company

This is the first time this monitor has attended an AGM with Lovisa. We have previously proxy collected in 2019 and 2020.

Debate and Voting at the AGM

Unusually, there were no presentation at all at this AGM and the only speakers were the Chairman Mr Brett Blundy and the retired CEO My Fallscheer. Other board members were apparently present but made no contribution. Attendees were directed to a market update on the ASX website for any detail about the business situation. In addition, the re-election of the Director (also Chair, Mr Brett Blundy) was not accompanied by any speech. There was also no video of participants and no glossy promo video. It was a cheap and cheerful AGM which showed little respect at all for shareholders, both during the meeting or by the late schedule change prior. Astoundingly, the incoming CEO chose not to address his shareholders at all!

The ASA noted that the resolution 5 on the 2021 long-term incentive (LTI) scheme would permit the award of up to \$68m, of which \$10.8m was in cash, to the incoming CEO during the three years of the scheme. We stated that this was more than 10 times the amounts offered to peer companies and asked for an explanation for the largesse (the package is what is needed in a global market). We also noted that they received JobKeeper awards of \$18m over FY2020 and 2021, none of which was repaid. In both years, the company was profitable, dividends were paid to shareholders and the CEO received the maximum short-term incentive (STI) and LTI.

We asked them to state how much that was in total (read the Annual Report) and why they didn't repay the Government grant money (it all went to keeping staff, in fact they received none from Spain and as a consequence, shut down their stores there!). We also asked how much of the unvested LTIs from 2019 and 2020 was paid to the outgoing CEO (none). Our suggestion of the astronomical package size, repeated by Stephen Mayne, was batted away with generalisations about competitive global executive packages, and that it would be good thing if the 3% of Lovisa that this would represent in the case of maximum pay-out, would be good for shareholders, since the company value would have grown substantially. Personal questions by S. Mayne about the

chairman living in a tax haven, and suggesting he use his own shares to acquire the new CEO instead of shareholders, were left unanswered.

The ASA also asked about women representation in senior management and middle management, but only the former was answered (66% women direct reports). A question about modern slavery was answered with a “we’re monitoring the issue” glib response by the now retired CEO.

The ASA voted against both the remuneration report and the granting of securities for the CEO’s LTI. Lovisa received a whopping 48% against vote for the remuneration report and 21% against the LTI, but the Chairman stated he will listen to shareholder concerns before the next year’s AGM.

The only questions not from the ASA or Mayne were to do with where the 31 new stores mentioned in the market update to the ASX were opening (mainly the US), and why a franchise model in Cyprus (implied it was a small market and it is easier to use a franchise model there). Finally, one shareholder stated he was keen on the virtual AGM and would they continue this format (will think about this, but they are more efficient aren’t they?). The meeting was over in about 40 mins, even with a Mayne presence.

Our view is that there are so many issues with the governance and remuneration of this company that we will monitor it in full in coming years.

Outlook Statements from the Company

The trading update provided to the ASX on the morning of the AGM is as follows:

Global comparable store sales for the first 20 weeks of FY22 continued their strong trajectory and were up 25.2% on FY21, with total sales for this period up 46.1% on FY21 despite the impacts of the ongoing lockdowns in Australia, New Zealand and Malaysia during the period. Comparable store sales continue to be measured based on stores open and able to trade, with stores temporarily closed due to government-imposed lockdowns not included in the calculation.

Meeting Statistics

Number of Holdings Represented by ASA	24
Number of Shares represented by ASA	47,386
Value of Shares represented by ASA	\$1.06m
Number Attending Meeting	Unknown
Market capitalisation	\$2.45b
Were proxies voted?	Yes, on a poll

Monitor Shareholding

The individual (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.