

ASX AND NZX ANNOUNCEMENT

CHRISTMAS BOOSTS H1 TRADING MOMENTUM

TRADING UPDATE TO 31 DECEMBER 2018

15 January 2019

KEY POINTS

- **Positive Christmas sales period.** Against prior year, group revenues for continued operations and same store sales increased by 2.9% and 1.3% respectively during the combined November and December Christmas period, the largest trading months for MHJ each year.
- **Improved sales momentum in the second quarter.** FY19Q2 Group revenues for continued operations and same store sales were -1.3% and -2.9% respectively, showing significant improvement on the first quarter performance (from -8.8% and -11.0% in FY19Q1).
- **Gross margin was maintained** during the half at 62.7% (FY18H1: 62.7%), despite significant weakening of AUD against USD, impacting cost of goods.
- Group revenues for continued operations and same store sales declined by 4.2% and 6% respectively for the six months to 31 December 2018, following a disappointing first quarter and October trading. The Company made a series of important changes to its marketing activities and event promotions during the Christmas trading period which resulted in an improved performance during the November and December months.
- e-commerce sales (included in the numbers below) increased by 59.3% to \$8.1m for the period and represent 2.6% of total sales for the continuing operations.
- Branded Collection sales increased by 11% to 20% of total product sales (up from 18% of total product sales for FY18).
- Six Michael Hill stores opened and three under-performing stores were closed during the period, giving a total of 309 Michael Hill stores trading at 31 December 2018.

Commenting on the result, Michael Hill International CEO Daniel Bracken said: “The Company’s performance during the key November and December trading period was encouraging. A refined approach to our event and promotional activities resulted in a lift in sales during our two busiest months. This was a good outcome in a challenging retail environment and demonstrated the capability and cohesion of the Executive and retail management team.

“The Company demonstrated resilience and agility in responding to the challenges of the opening four months, and delivered positive sales in the key Christmas trading period.

“This growth to end the quarter shows we have a strong platform on which to build and gives us confidence to continue to implement our strategy to become a globally relevant leader in the premium jewellery category. We have already seen good progress and over the past six months branded collections have grown to now represent 20 per cent of total product sales, while our e-commerce business continued its upward trajectory with sales growth of 59 per cent.

“While we are buoyed by the positive shift in sales momentum, we remain focused on strengthening the business in 2019 as we continue to evolve our strategy,” Mr Bracken said.

Revenue for continuing operations from the sale of goods and services:

| Michael Hill all store figures in local currency FY19Q2: | | Last Year | This Year | % Var (Q2) | % Var (Nov/Dec) |
|---|-----|------------------|------------------|-----------------------|----------------------------|
| Australia all stores | AUD | 112,027,028 | 106,871,152 | (4.6%) | (1.0%) |
| New Zealand all stores | NZD | 43,890,847 | 41,799,712 | (4.8%) | (1.6%) |
| Canada all stores | CAD | 46,892,277 | 48,993,416 | 4.5% | 10.5% |

| Michael Hill all stores figures in local currency FY19H1: | | Last Year | This Year | % Var (H1) |
|--|-----|------------------|------------------|-----------------------|
| Australia all stores | AUD | 184,951,191 | 172,037,685 | (7.0%) |
| New Zealand all stores | NZD | 69,685,325 | 65,606,141 | (5.9%) |
| Canada all stores | CAD | 72,732,440 | 72,930,158 | 0.3% |

| All values expressed as Australian dollars FY19H1: | | Last Year | This Year | % Var (H1) |
|---|-----|------------------|------------------|-----------------------|
| Michael Hill same stores | AUD | 311,337,581 | 292,695,374 | (6.0%) |
| Michael Hill all stores | AUD | 322,938,259 | 309,504,289 | (4.2%) |

Exchange rates used for the six months:

| | | |
|-------------|------|------|
| New Zealand | 1.09 | 1.07 |
| Canada | 0.98 | 0.95 |

EMMA & ROE OPERATIONS

The Company continued with its planned closure of the Emma & Roe brand. Four Emma & Roe stores closed during the first quarter as planned and previously announced. Two Emma & Roe stores and the Emma & Roe website continue to trade while store closure negotiations progress with landlords.

| Emma & Roe same store figures in local currency | | Last Year | This Year | % Var |
|--|-----|------------------|------------------|--------------|
| Australia same stores | AUD | 3,461,500 | 3,688,082 | 6.5% |

The above figures for Michael Hill and Emma & Roe represent five months accounting adjusted sales results plus December preliminary sales figures prior to final accounting adjustments, and are unaudited. Revenue and gross margin figures stated above include the Professional Care Plan (PCP) revenue and expenses recognised during the period and sales through our store and online channels. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review and adjusted at half year/year end as required. Continuing operations have been defined as the Michael Hill geographical segments of Australia, New Zealand and Canada.

ENDS

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ABOUT MICHAEL HILL INTERNATIONAL

Michael Hill International was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 311 stores globally with 309 Michael Hill stores in Australia, New Zealand and Canada, and 2 Emma & Roe stores in Australia. The Group's global headquarters, including its wholesale and manufacturing divisions, are located in Brisbane, Australia. The Company is listed on the ASX (ASX:MHJ) and the NZX (NZX:MHJ).

For more information:

www.investor.michaelhill.com
www.michaelhill.com.au/
www.emmaandroe.com.au

Disclaimer

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Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company’s actual results, performance, operations or achievements or industry results, to differ materially from any future results, performance, operations or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; the Company’s plans or objectives for future operations or products, including the ability to introduce new jewellery and non-jewellery products; the ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the markets in which the Company operates; the protection and strengthening of the Company’s intellectual property rights, including patents and trademarks; the future adequacy of the Company’s current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Company’s business; increases to the Company’s effective tax rate or other harm to the Company’s business as a result of governmental review of the Company’s transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this presentation.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company’s actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The Company does not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Company’s behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this announcement.