



FY20 RESULTS

michael hill

we're for love



DISCLAIMER

Certain statements in this announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the anticipated or planned financial and operational performance of Michael Hill International Limited and its related bodies corporate (the Company). The words “targets,” “believes,” “expects,” “aims,” “intends,” “plans,” “seeks,” “will,” “may,” “might,” “anticipates,” “would,” “could,” “should,” “continues,” “estimates” or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as the Company’s future results of operations; financial condition; working capital, cash flows and capital expenditures; and business strategy, plans and objectives for future operations and events, including those relating to ongoing operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities.

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. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

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 presentation.

Michael Hill International Limited

CEO and CFO FY20 Update

- FY20 Performance Overview
- FY20 Strategy Execution
- FY20 Financial Summary
 - Financial Snapshot
 - Key Performance Results
 - Impact of COVID-19: Store Trading Days
- FY20 Financial Results
 - Group Results
 - Retail Segment Results
 - Digital Growth
- Strategy Update – Emphasis on Growth and Margin
- Appendices



FY20 Performance Overview

Strong retail fundamentals embedded within a disciplined framework providing a robust platform to enable a true omni-channel customer experience

- Building on strong heritage foundations - evolving into a modern, differentiated, omni-channel jewellery brand
- Strong sales performance across the first three quarters and taking market share, Q1: +11.9%; Q2: +4.0%; Q3 (9wks): +3.1%
- The business was tracking to achieve increased year-on-year EBIT prior to COVID-19, with same store sales at +5.7% for the first eight months and FY20H1 underlying EBIT of \$31.6m
- At the end of March, all Michael Hill stores were temporarily closed as the company prepared to navigate a global pandemic - estimated impact on revenue of at least \$80m to June year end
- Stores progressively reopened through May and June in all markets
- FY20 was a year of strategic foundations, with the launch of many key initiatives including a new retail operating model, our first foray into loyalty, trialling laboratory grown diamonds and a raft of digital developments



Knots
BY CHRISTINE HILL

FY20 Strategy Execution

Unwavering Focus on Costs

- Optimised retail and support office structures
- Decisive cash preservation and cost management throughout COVID-19 store closure period and beyond
- Consolidation of repairer network, delivering lower costs and improved customer experience
- Improved relationships and commercial terms with suppliers
- Significant progress on credit partnerships

Digital-Explosion

- Enhanced website with improved customer experience, checkout process and navigation
- Launch of virtual appointments, virtual sales and virtual “try ons”
- Direct selling from social media platforms and digital catalogues
- Delivering 54.7% growth in FY20, digital now represents 5% of sales (FY19: 2.8%)
- Digital sales increased by greater than 200% during COVID-19 store closure period

Loyalty

- Online roll-out in October 2019
- To date over 200,000 members
- Delivering higher ATV and gross margin
- Member pricing attracting new customers and increasing gross margins
- Building customer insights and segmentation customer ability



Retail Fundamentals

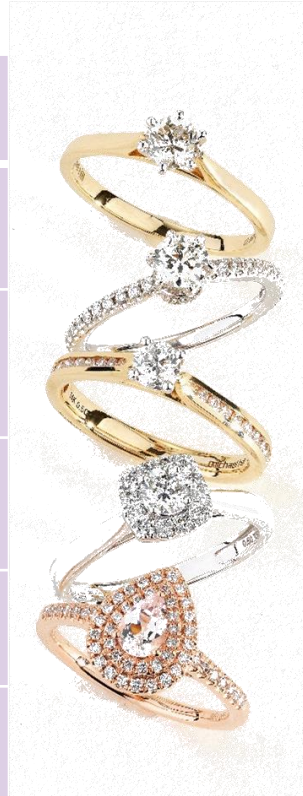
- Launch of new retail incentive scheme delivering positive early results and improved gross margins
- Deployed customer satisfaction program (NPS)
- Completion of our cloud enabled ERP platform to optimise inventory and store profiling
- New Operating model embedded across Merchandise, Marketing, Digital and Retail Operations
- Increased emphasis on in-store execution



FY20 Financial Snapshot

- Positive same store sales growth momentum continued throughout the year until COVID-19:
 - FY20Q1: AU +6.3%, NZ +9.8%, CA +13.4%
 - FY20Q2: AU +1.4%, NZ +4.8%, CA +1.0%
 - FY20Q3 9wks: AU +1.8%, NZ +3.5%, CA -1.0%
- FY20H1 underlying EBIT growth of 6.9% to \$31.6m, driven by increased revenue and reduction in costs
- FY20H2 EBIT eroded by COVID-19 store closures
- Continued focus on costs and retail disciplines delivering results
- Active inventory management program continues
- Disciplined cash management
- AASB 16 *Leases* was adopted on 1 July 2019 – see Appendix A

	FY20	FY19	Change
Revenue	\$492.1m	\$569.5m	-13.6%
Underlying Trading ¹ EBIT	\$25.7m	\$34.6m	-25.8%
Full Year Dividend	1.5c*	4.0c	-2.5c
Inventory	\$178.7m	\$179.5m	-\$0.8m
Net Cash/(Debt)	\$0.5m**	(\$24.8m)	+\$25.3m



¹ Underlying Trading EBIT is statutory EBIT adjusted for employee restructure costs, direct incremental expenses relating to COVID-19, and certain non-cash items on a pre-AASB 16 Leases basis. Please refer to page 8 of the Directors' Report for a detailed explanation.

* Payment of AU1.5c FY20 interim dividend has been deferred.

** Excludes rental accruals of \$13.1m at financial year end.

FY20 Key Performance Results

\$25.7m

UNDERLYING TRADING¹ EBIT
FY19: \$34.6m



+2.7%

GROUP
ADJUSTED² SAME STORE SALES
GROWTH



60.6%

GROUP
GROSS MARGIN
FY19: 62.0%



\$24.7m

DIGITAL SALES
+54.7%
FY19: \$16.0m



37.3%

BRANDED
COLLECTION SALES
FY19: 32.5%



1

STORE
OPENED

17

STORES
CLOSED

+0.1%

AUSTRALIA
ADJUSTED² SAME
STORE SALES
GROWTH



+2.4%

NEW ZEALAND
ADJUSTED² SAME
STORE SALES
GROWTH



+2.3%

CANADA
ADJUSTED² SAME
STORE SALES
GROWTH

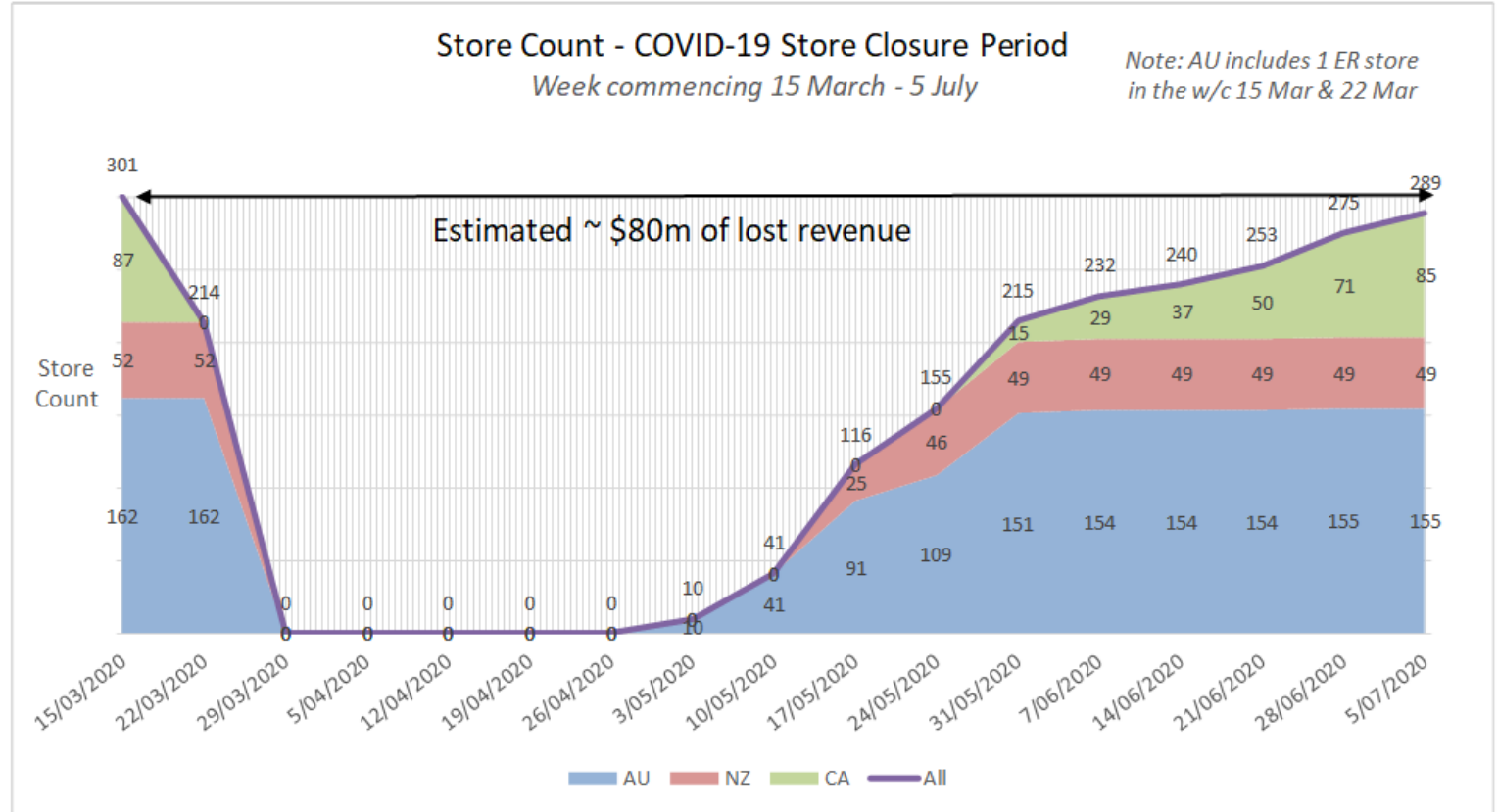


¹ Underlying Trading EBIT (non-IFRS and unaudited) is statutory EBIT adjusted for employee restructure costs, direct incremental expenses relating to COVID-19, and certain non-cash items on a pre-AASB 16 Leases basis. Please refer to page 8 of the Directors' Report for a detailed explanation.

² Adjusted same store sales reflect sales through store and online channels on a comparable trading day basis and are non-IFRS and unaudited.

Impact of COVID-19: Store Trading Days

- COVID-19 store closure periods:
 - AU: from 24 March for 5 to 10 weeks
 - NZ: from 24 March for 8 to 9 weeks
 - CA: from 20 March for 10 to 13 weeks
- Australia progressively opened from May, with the store closure period representing ~15% of the year
- NZ stores opened in two tranches on 16 May and 23 May, with the store closure period representing ~16% of the year
- Canadian stores opened from Western to Eastern provinces over a five week period commencing in June, with the store closure period representing ~23% of the year
- Refer Appendix B for CY19 v FY19 earnings comparison



Group Results

- Group revenue decreased by 13.6%, largely due to COVID-19 store closures
- Estimated impact of COVID-19 store closure period ~\$80m of revenue
- Adjusted² same store sales up 2.7%
- Digital sales increased by 54.7% to a record \$24.7m (FY19: \$16.0m)
- Gross margin decline largely attributable to foreign currency headwinds
- No final dividend; interim dividend of AU1.5 cents per share deferred



For the year ended	AUD		28-Jun-20	30-Jun-19	Change
Revenue			492.1m	569.5m	-13.6%
Gross profit			298.2m	353.0m	-15.5%
Underlying Trading ¹ EBIT			25.7m	34.6m	-25.8%
Underlying Trading ¹ EBIT as a % of revenue			5.2%	6.1%	-90bps
Statutory EBIT			14.1m	21.1m	-33.3%
Statutory EBIT as a % of revenue			2.9%	3.7%	-80bps
Gross profit as a % of revenue			60.6%	62.0%	-140bps
Total stores open			290	306	

Michael Hill Australia

RETAIL SEGMENT

- Revenue declined by 15.0%, largely due to temporary COVID-19 store closures and the permanent closure of 13 under-performing stores
- Estimated impact of COVID-19 store closure period ~\$40m of revenue
- Adjusted² same store sales marginally improved by 0.1%
- Digital sales increased to a record \$14.5m (FY19: \$11.0m)



For the year ended	AUD	28-Jun-20	30-Jun-19	Change
Revenue		266.6m	313.6m	-15.0%
Gross profit		161.0m	194.1m	-17.0%
EBIT**		27.4m	32.9m	-16.7%
EBIT as a % of revenue		10.3%	10.5%	-20bps
Gross profit as a % of revenue		60.4%	61.9%	-150bps
Total stores open		155	168	

** Pre-AASB 16 Leases

Michael Hill New Zealand

RETAIL SEGMENT

- Revenue declined by 11.1%, largely due to temporary COVID-19 store closures
- Estimated impact of COVID-19 store closure period ~\$16m of revenue
- Adjusted² same store sales increased by 2.4%
- Digital sales increased to \$3.6m (FY19: \$2.3m)
- New Zealand remains the most profitable market



For the year ended	NZD	28-Jun-20	30-Jun-19	Change
Revenue		106.7m	120.1m	-11.1%
Gross profit		63.6m	73.0m	-12.8%
EBIT**		21.1m	24.1m	-12.7%
EBIT as a % of revenue		19.7%	20.1%	-40bps
Gross profit as a % of revenue		59.6%	60.8%	-120bps
Total stores open		49	52	

** Pre-AASB 16 Leases

Michael Hill Canada

RETAIL SEGMENT

- Revenue declined by 16.8%, largely due to temporary COVID-19 store closures
- Estimated impact of COVID-19 store closure period ~\$24m of revenue
- Adjusted² same store sales increased by 2.3%
- Digital sales increased by 125% to \$6.0m (FY19: \$2.7m)
- Canada remains a core profit growth opportunity

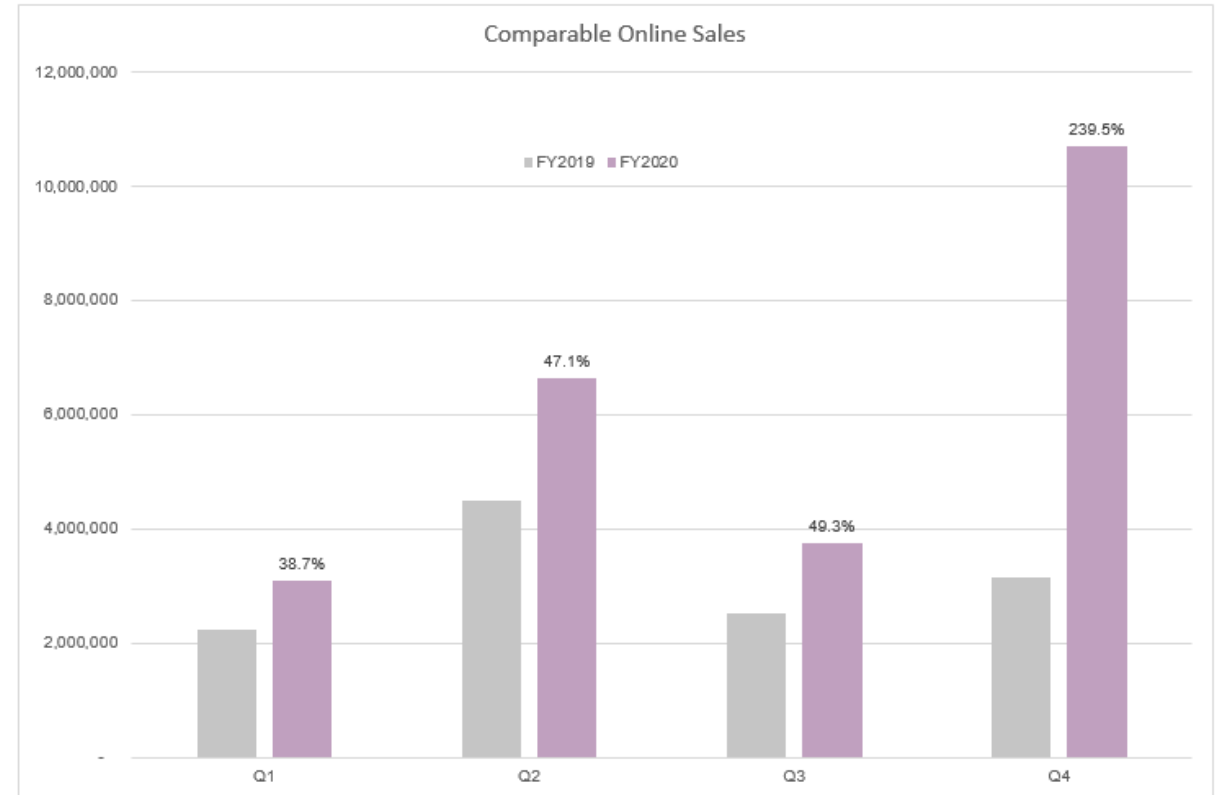


For the year ended	CAD	28-Jun-20	30-Jun-19	Change
Revenue		110.8m	133.1m	-16.8%
Gross profit		64.0m	80.7m	-20.7%
EBIT**		(2.4m)	9.8m	-124.6%
EBIT as a % of revenue		(2.2%)	7.4%	-960bps
Gross profit as a % of revenue		57.8%	60.6%	-280bps
Total stores open		86	86	

** Pre-AASB 16 Leases

Digital Growth

- FY20Q4 delivered a surge in digital sales as customers embraced online shopping channels, with all digital sales now representing 5.0% of total sales (FY19: 2.8%)
- The Company delivered a number of key digital initiatives to meet our customers' evolving needs:
 - Virtual Appointments
 - Virtual Selling
 - Michael Hill Connected
 - Shoppable Catalogue
 - Proactive Chat
 - Shoppable Instagram Feed
 - WeChat Mini
- In conjunction with the initial online launch of our loyalty program, *Brilliance*, in October, our digital platform has seen a 50% lift in conversion rate during the year



The above graph represents Michael Hill website sales only and excludes Emma & Roe product.

Strategy Update - Emphasis on Growth and Margin



Strategy Update - Emphasis on Growth and Margin

Omni-Channel Opportunities

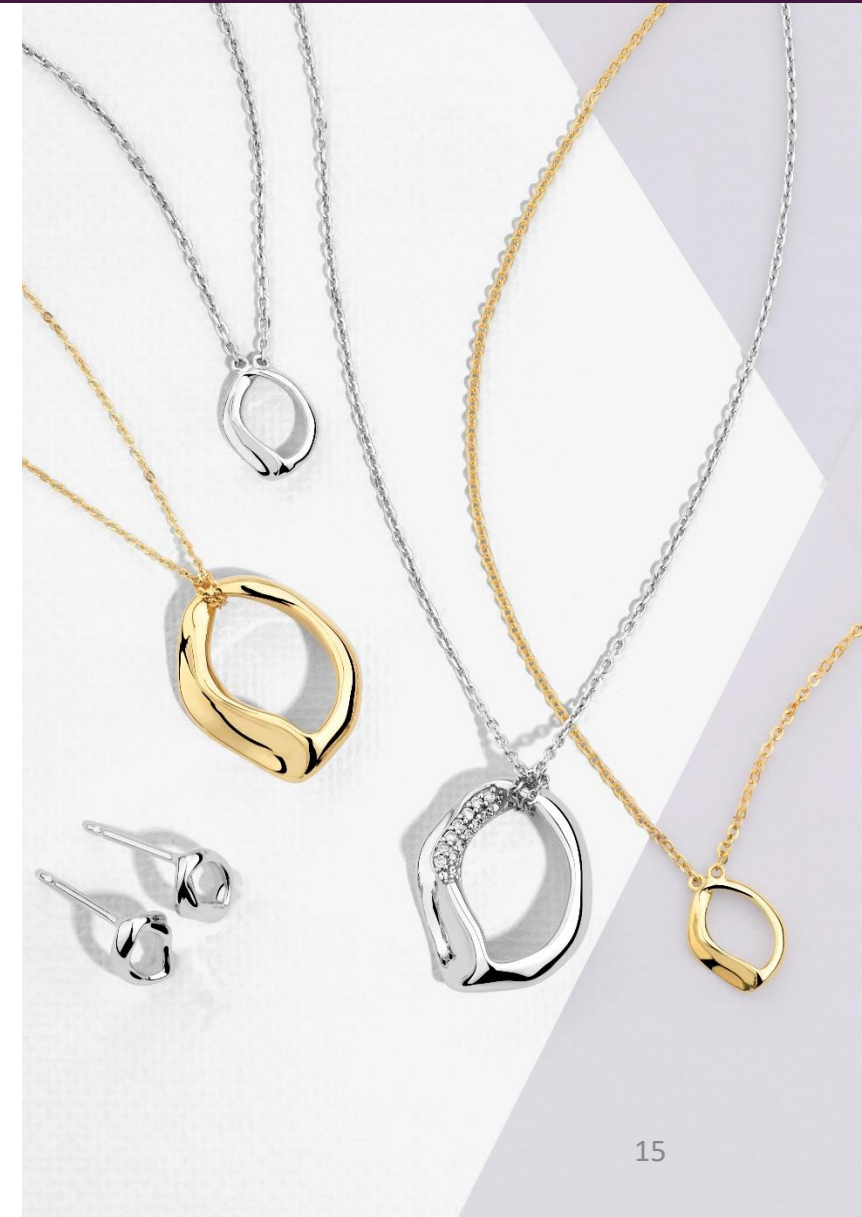
- Roll-out of “click and collect” and “click and reserve”
- Develop “ship from store” capabilities
- Expand marketplace sales opportunities (Iconic, WeChat)
- Personal in-store and online jeweller appointments, and contactless collection capability
- “Drop ship” capabilities with key vendor partnerships
- Bespoke customisable product – digital “ring builder”

Digital-First

- Leverage our loyalty program, *Brilliance*, for targeted sales strategies and increased **margins**
- Continual enhancements of site user experience and navigation
- Roll-outs of: virtual selling globally; new payment platforms; customer-centric delivery capabilities
- Continue to pivot marketing investments into more efficient digital channels
- Launch new pure play digital brand in Australia - medleyjewellery.com.au - an aspirational and attainable on-trend jewellery offering

Building on Retail Fundamentals

- Leverage loyalty program data to drive segmentation and personalisation to grow repeat purchasing customers and lift **margins**
- Embed new retail incentive scheme, increasing profitable sales and reinvigorating retail store culture
- Customer satisfaction program driving greater insights and operational opportunities
- Space planning initiative to optimise store capacities and layouts, creating enhanced customer experience and sales



Strategy Update - Emphasis on Growth and Margin

Canadian New Frontiers

- New retail leadership structure delivering on retail fundamentals
- Canadian productivity remains a genuine near term opportunity with ~ 8% increase in FY20H1
- Execute Canadian third party supply chain solution to accelerate store replenishment and support omni-channel initiatives
- Reset and commercialise Canadian credit solution and potential credit book divestment
- Explore new capital light growth channels, both digital and physical

Product Evolution

- Optimised merchandise structure with enhanced capabilities
- Range and assortment rationalisation strategy aligned to refreshed product newness calendar and higher inventory turns
- Leverage new ERP platform: right product, right store, on time, and a focus on **margin** mix
- Continue to enhance higher **margin** product offerings (eg laboratory created diamonds) and Branded Collections
- Further develop strategic vendor partnerships driving improved **margins** and inventory outcomes

Cost Conscious Culture

- Disciplined fiscal mindset as a pillar of company culture
- Implement global supply chain strategy to deliver significant operational efficiencies and cost benefits
- Maintain cash preservation focus, while continuing to optimise inventory levels
- Prioritised capital management program
- Optimisation of store network continues, in conjunction with omni-channel strategy
- Labour efficiencies from new dynamic rostering and improved store data capabilities



MEDLEY

Born and led by the team at Michael Hill, Medley's core purpose is to inspire true confidence and effortless style, backed by its aspirational and attainable on-trend jewellery offering



medleyjewellery.com.au



the
pendant
medley



Questions and Answers



michael hill

we're for love



Appendix A: AASB 16 *Leases* Impact

(AUD million)	FY20 Stat	Impact of AASB 16	FY20 pre-AASB 16	FY19 pre-AASB 16	Change pre-AASB 16
Revenue	492.1		492.1	569.5	(13.6)%
Cost of sales	(193.9)		(193.9)	(216.5)	(10.4)%
Gross profit	298.2		298.2	353.0	(15.5)%
Employee benefits expense	(149.2)		(149.2)	(163.2)	(8.6)%
Occupancy costs	(14.4)	(42.5)	(56.9)	(60.6)	(6.0)%
Marketing expenses	(28.9)		(28.9)	(33.7)	(14.3)%
Selling expenses	(18.7)		(18.7)	(24.7)	(24.1)%
Other income/(expenses)	(17.3)		(17.3)	(30.3)	(43.0)%
EBITDA	69.7	(42.5)	27.2	40.5	(32.9)%
Depreciation and amortisation expenses	(55.6)	37.0	(18.6)	(19.4)	(3.8)%
EBIT	14.1	(5.6)	8.5	21.1	(59.6)%
Finance expenses	(9.6)	7.6	(2.0)	(2.3)	(14.7)%
Profit before tax	4.5	2.1	6.6	18.8	(65.1)%
Income tax expense	(1.4)	0.0	(1.4)	(2.3)	(38.3)%
Net profit after tax	3.1	2.1	5.1	16.5	(68.9)%

Key Points:

- Adopted modified retrospective approach from 1 July 2019. No restatement of prior year comparatives required
- Lease rental expenses have been replaced by depreciation on right-of-use asset and interest on lease liability
- No impact on:
 - Cash earnings and cashflow
 - Debt covenants and facility headroom
- Note 2 in the full year consolidated financial statements provides detailed information on the adoption.



Appendix B: Earnings Comparison

To assist analysts and investors in understanding a very complex year

Table: Comparison of FY19 to Calendar Year 2019

	FY20H1	FY19H2	Calendar Year 2019	FY19	Variance CY19 v FY19
Revenue	\$329.6m	\$254.1m	\$583.7m	\$569.5m	+2.5%
Gross Profit	\$203.4m	\$150.5m	\$353.9m	\$353.0m	+0.3%
Underlying EBIT	\$31.6m	\$5.0m	\$36.6m	\$34.6m	+5.8%

Estimated revenue impact due to COVID-19 store closures for each jurisdiction:

- Australia ~\$40m
- New Zealand ~\$16m
- Canada ~\$24m

