

ASX AND NZX ANNOUNCEMENT  
CONTINUED STRONG PERFORMANCE  
DELIVERING MATERIAL PROFIT GROWTH  
Second Quarter Business Update

14 January 2021

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide a business update, together with its second quarter trading update for the period ended 27 December 2020.

KEY POINTS

- **Significant EBIT growth** – The Company expects FY21H1 Group EBIT<sup>1</sup> of \$56m to \$60m, with comparable EBIT<sup>2</sup> for the half of \$41m to \$45m (FY20H1: \$31.6m), representing 30% - 40% EBIT growth.
- **Solid growth in same store sales in all markets and channels** – Same store sales were up 6.3% for the half and up 5.6% for the quarter against prior year, with an outstanding performance in Australia.
- **Sustained margin improvement** – Margin growth in all markets and channels of 150 to 250 bps for the half against prior year, underpinned by the strategic initiatives implemented over the last eighteen months.
- **Growth maintained in digital sales** – For the half, online sales were up 102%, with digital initiatives continuing to deliver increased sales and margin across all markets. Digital channels now represent 5.8% of total sales (FY20H1: 2.8%).
- **Continued growth of branded collections** – Branded collections represented 38.4% of total product sales for the half (FY20H1: 35.4%).
- **Strong balance sheet and ongoing disciplined cost focus** – Diligent management of all expenditure, working capital, inventory levels and a sustained, deliberate focus on CODB delivered a significant cash position at half year end.
- **Canadian segment impacted by temporary store closures** – In accordance with COVID-19 government directives, 21 stores progressively closed through November and December, and a further 25 stores closed from Boxing Day.
- **Store portfolio management** – No stores permanently closed or opened in the quarter, with a network total of 289 stores across all markets at the end of the half (FY20H1: 304).

**Global Store Network Update**

In relation to temporary store closures in each market:

**Australia:** During the quarter, 28 Melbourne stores reopened in late October and saw a strong return to trade. In addition, 8 South Australian and 1 New South Wales store closed for a short period of time. All 154 Australian stores were trading at the end of the quarter (FY20Q2: 165).

**New Zealand:** None of the 49 stores were temporarily closed for the quarter (FY20Q2: 52).

**Canada:** Of the 86 stores, 21 stores progressively closed through November and December, and a further 25 stores closed from Boxing Day, with 40 stores trading at the end of the quarter (FY20Q2: 87).

It should be noted that during temporary store closures, a number of initiatives have been successfully deployed (virtual selling, click & reserve, contactless pick-up and ship from store) and leveraged to maximise sales opportunities.

### **Wage Remediation Program**

Given the strength of trade through the critical Christmas period and the Company's strong balance sheet position, the program of remediation work has resumed. Impacted individuals will be contacted over the coming weeks with payments to follow.

### **Payment of Deferred Dividend Debt**

Payment of the FY20 interim dividend originally payable in March 2020 was deferred to preserve cash as the global pandemic took hold. Given the Company's first half FY21 trading performance and cash position, the Board has resolved to pay this outstanding debt on 29 January 2021. This dividend will be paid to those shareholders on the register as at the record date of 13 March 2020.

### **Executive Leadership Update**

Vanessa Brennan and Andrea Slingsby are leaving the business to pursue new external opportunities. The Company would like to thank both Vanessa and Andrea for their contributions to the business over the past few years.

The Company is pleased to announce two new members of the Michael Hill Executive Leadership team. Amy Sznicer is joining in the role of Chief Retail Officer, and Jo Feeney in the role of Chief Marketing Officer, and both bring deep retail experience to their roles.

### **Commenting on the result, Michael Hill International Limited, CEO Daniel Bracken said:**

*"Following a strong first five months, it was particularly pleasing to see all markets deliver positive same store sales growth for the all-important Christmas trading period. I am delighted that our strong trading performance across the half, coupled with our unwavering focus on costs, has in turn delivered material EBIT growth for the Group, in spite of challenging trading conditions worldwide.*

*"All areas of the business have contributed to this outstanding performance, as the rhythm of the business and our strategic initiatives operated in unison. Furthermore, the disciplined in-store execution by our dedicated retail teams delivered impressive results during the critical last few weeks of December. These results reaffirm our continued focus on a balance of both margin and sales growth, underpinned by a number of our strategic initiatives - brand, digital transformation, loyalty, retail fundamentals, and product mix.*

*"As we emerge from our critical trading period, with a stronger balance sheet, a leaner operating model and evolving strategies, I'm looking forward to welcoming two new leaders, who together with our existing executives, will continue to transform and inspire the business for growth.*

*"Considering the global challenges over the last year, I couldn't be prouder of the dedication, energy and resilience consistently demonstrated by our teams, as we prioritise best-in-class health and safety protocols and continue to delight our loyal customers. All of our global markets were directly impacted by the pandemic in the first half, and I would like to make special mention of our Victorian and now our Canadian teams, who have weathered extended periods of disruption for both themselves and their families."*

<sup>1</sup> Unaudited and pre-AASB16

<sup>2</sup> Unaudited, pre-AASB16 and excludes gross wage subsidies received in three jurisdictions

## SEGMENT BREAKDOWN

Revenue for retail operations for **FY21Q2** (thirteen week trading period ended 27 December 2020):

<b>The following figures are in Australian dollars</b>		<b>\$m</b>	<b>\$m</b>	
		<b>Last Year</b>	<b>This Year</b>	<b>% Var</b>
Total same stores	AUD	184.9	195.3	5.6%
Total all stores	AUD	202.8	198.0	-2.4%
<b>Same store figures in local currency</b>				
Australia same stores	AUD	98.3	109.8	11.6%
New Zealand same stores	NZD	43.2	44.0	1.8%
Canada same stores	CAD	41.2	42.0	1.9%
<b>All stores figures in local currency</b>				
Australia all stores	AUD	105.5	110.2	4.4%
New Zealand all stores	NZD	43.8	43.9	0.1%
Canada all stores	CAD	50.3	44.2	-12.1%
<b>Exchange rates used for FY21Q2:</b>				
New Zealand		1.06	1.06	
Canada		0.90	0.95	

Revenue for retail operations for **FY21H1** (twenty-six week trading period ended 27 December 2020):

<b>The following figures are in Australian dollars</b>		<b>\$m</b>	<b>\$m</b>	
		<b>Last Year</b>	<b>This Year</b>	<b>% Var</b>
Total same stores	AUD	293.6	312.1	6.3%
Total all stores	AUD	326.5	317.5	-2.8%
<b>Same store figures in local currency</b>				
Australia same stores	AUD	155.5	174.2	12.0%
New Zealand same stores	NZD	66.5	68.4	2.8%
Canada same stores	CAD	67.8	70.3	3.6%
<b>All stores figures in local currency</b>				
Australia all stores	AUD	173.7	175.1	0.8%
New Zealand all stores	NZD	69.9	69.3	-0.9%
Canada all stores	CAD	78.2	73.7	-5.7%
<b>Exchange rates used for FY21H1:</b>				
New Zealand		1.06	1.07	
Canada		0.90	0.95	

Same store sales reflect sales through store and online channels on a comparable trading day basis and a proportional allocation of Professional Care Plan (PCP) revenue and accounting adjustments, and are unaudited. Same store sales do not include permanent or temporary store closures on a same trading day basis.

The above figures for all store sales represents two months sales results with accounting adjustments plus December preliminary sales figures prior to final accounting adjustments, and are unaudited. All stores figures stated above include the PCP revenue 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.

This announcement is authorised for release by the Board.

ENDS

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## **ABOUT MICHAEL HILL INTERNATIONAL LIMITED**

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 289 stores globally across Australia, New Zealand and Canada. 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).

[www.investor.michaelhill.com](http://www.investor.michaelhill.com)

### **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, 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 announcement.

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