



michael hill

10th June 2016

Michael Hill announces Emma & Roe will expand after successful trial

- The Emma & Roe brand will move into growth mode effective July 2016
- The business has delivered strong same store revenue growth of 35% for the 11 months to May 2016
- Retail presence is currently 15 stores and an eCommerce capability
- Emma & Roe complements the Michael Hill brand by offering a range of interchangeable jewellery that allows women to create and design their own look
- Store level ROI will exceed the Group's hurdle rate in FY16 year and is expected to rise further as the business achieves scale and maturity
- Emma & Roe as a business segment will remain in loss during the 2016-17 year as it gears up for growth with increased infrastructure and additional talent appointed to meet our growth ambitions

Michael Hill International (NZX: MHI) is pleased to announce that Emma & Roe will move from trial to growth phase starting July 2016. 12 new stores are planned for 2016-17 with significant growth potential in future years. New store ROI is forecast to exceed the Group's ROI hurdle rate from the first full year of trade and grow further as the roll out gains scale and maturity.

"Emma & Roe will deliver strong, profitable growth from consumer segments that complement our existing Michael Hill brand. In keeping with MHI's focus on consistent profitable growth we trialled the brand for 2 years to assess its potential and fit within the Group. The Board is confident that Emma & Roe will play an important and ongoing role in the company's growth and profitability" said CEO Mike Parsell.

Stores are currently located in Queensland and Auckland NZ, with the NSW launch to go ahead in July 2016.

Emma & Roe (E&R) store metrics:

- The E&R brand was launched in 2014 and now comprises 15 stores in Queensland and one in Auckland as part of a thorough trial process. Based on the success of the trial, a further 12 new stores are planned for 2016-17 and will be opened in Queensland and NSW
- E&R delivered 35% sales growth in the 11 months to May 2016 on a 'same stores' basis and total sales growth for the same period of 87%
- Average revenue is forecast at approximately \$1m per store in 2016-17
- EBIT margin is expected to exceed the Michael Hill stores over time once critical mass has been established in each market
- Capital requirements are approximately half that of Michael Hill stores and stock turns nearly twice as fast

Expansion plans

In keeping with the Group's focus on consistent profitable growth the Emma & Roe store roll out will commence at around 12 stores per year but openings could grow to as many as 20 stores in coming years depending on the availability of quality sites on acceptable commercial terms. Longer term the Group sees potential for at least 300 Emma & Roe stores in its existing markets of Australia, NZ and Canada, a similar number to its Michael Hill brand. Opportunities also exist for growth into other markets and distribution channels once the

bricks and mortar format has gained sufficient traction to support these formats. The Emma & Roe brand presence is being achieved via a multi-channel format in all four existing markets (Australia, New Zealand, Canada and USA) through the presence of its branded products in our Michael Hill stores. We are building a strong online presence for Emma & Roe in Australia and this will follow into our other markets as the E&R stores are established.

About Emma & Roe

Emma & Roe is a new jewellery experience with a range of proprietary jewellery that is interchangeable, offering limitless options to mix and match, and create endless looks and styles with the collection. The jewellery is fine quality made from 10 carat gold and sterling silver, and features an array of precious and semi-precious stones including diamonds, Murano glass, and other gems. Emma & Roe's target market are women who love to create, mix and match jewellery to express themselves.

Emma & Roe is named after the two most important women in Sir Michael Hill's life and his admiration for their unique creative and personal styles of self-expression.

A professional artist, Michael's wife, Lady Christine Hill (nee Roe), has long been an inspiration for him. Her creative aesthetic and expression providing the element of detail, beauty and permanence which should be present in all jewellery.

Their daughter, Emma, provides a dynamic counterpoint to the idea of permanence. Living a busy and connected life which celebrates a series of ever-evolving moments, her passion for self-expression through style reflects her personality and daily reality.

It was from the confluence of these ideas of self-expression and creativity that the Emma & Roe brand was born.

For further information:

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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 295 Michael Hill branded stores in New Zealand, Australia, Canada and the US and 16 Emma & Roe branded stores in New Zealand and Australia. The Group's global headquarters including its wholesale and manufacturing divisions is located in Brisbane, Australia. The Company is listed on NZX (NZX:MHI).

For more information:

<http://investor.michaelhill.com>

www.michaelhill.co.nz

www.emmaandroe.com.au