



FY22H1 RESULTS

michael hill<sup>®</sup>

INTERNATIONAL LIMITED



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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.

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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 FY22H1 Update

- FY22H1 Performance Overview
- FY22H1 Financial Results
  - Group Results
  - Key Performance Results
- Outlook
- Strategy Update – Emphasis on Growth and Margin
- Appendices



# FY22H1 Performance Overview

- Outstanding results despite significant disruption:
  - 15% increase in earnings
  - ~20% lost store trading days across AU and NZ
  - Global supply chain excellence
- Strategic initiatives continue to deliver:
  - Brand elevation
  - Loyalty – over 1 million members
  - Digital-first, sales +37%
- Transformation agenda underpins strong sales growth and margin expansion for the half:
  - Same store sales +11%
  - Gross margin up +240 bps
  - Record Christmas results
- Team resilience and commitment foundational to the result, demonstrating strong engagement and culture
- Ten consecutive quarters of positive same store sales growth (excluding FY20Q4)

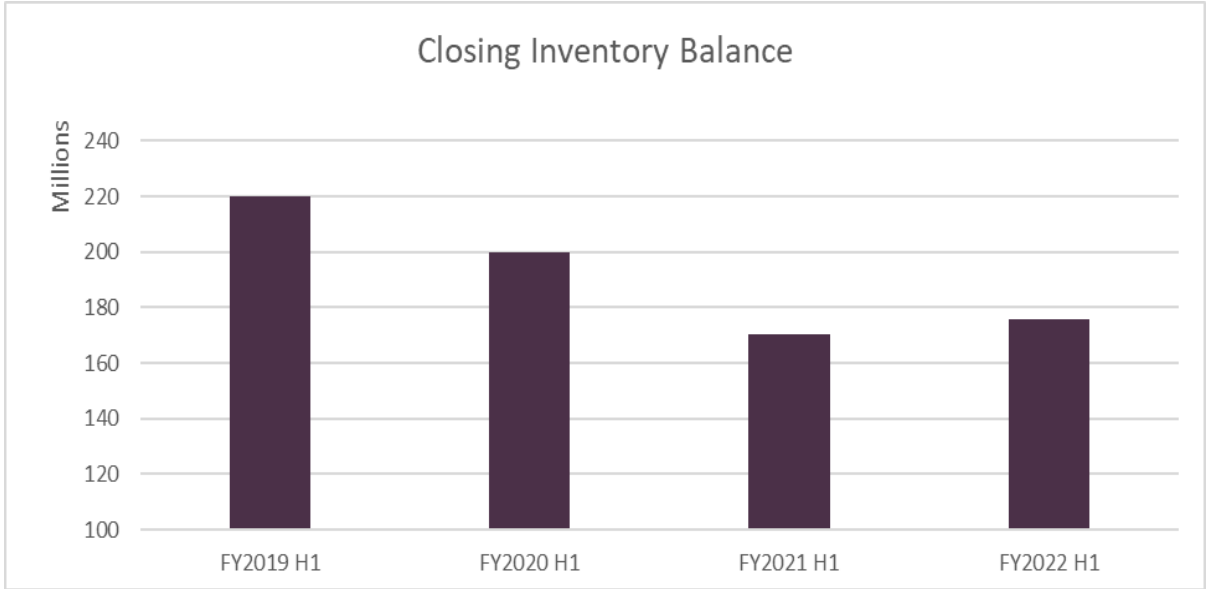
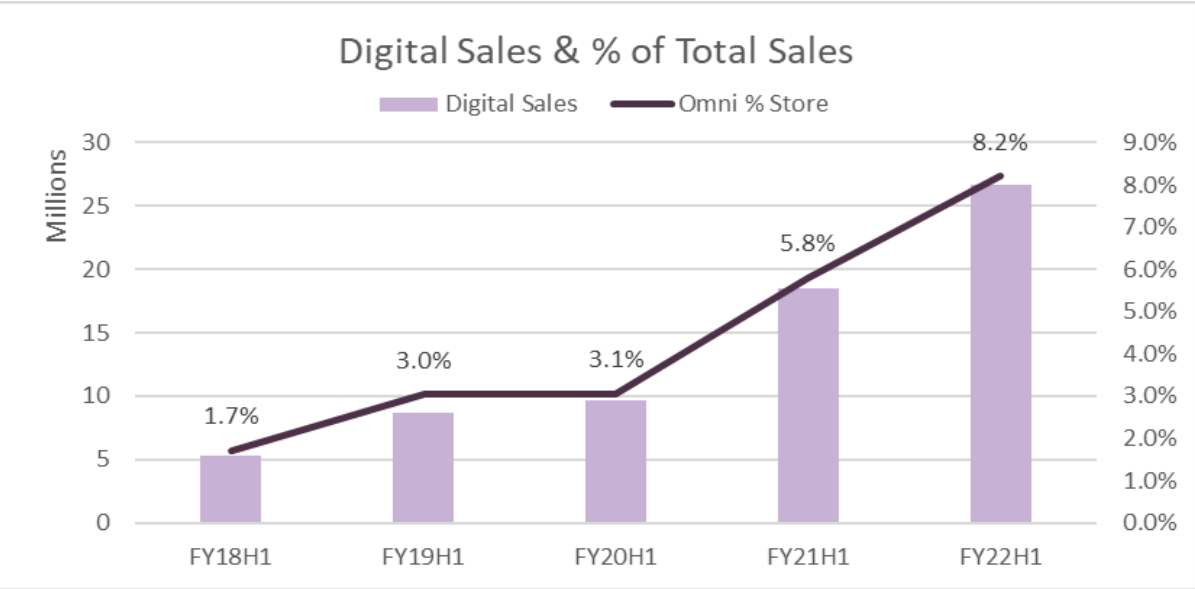
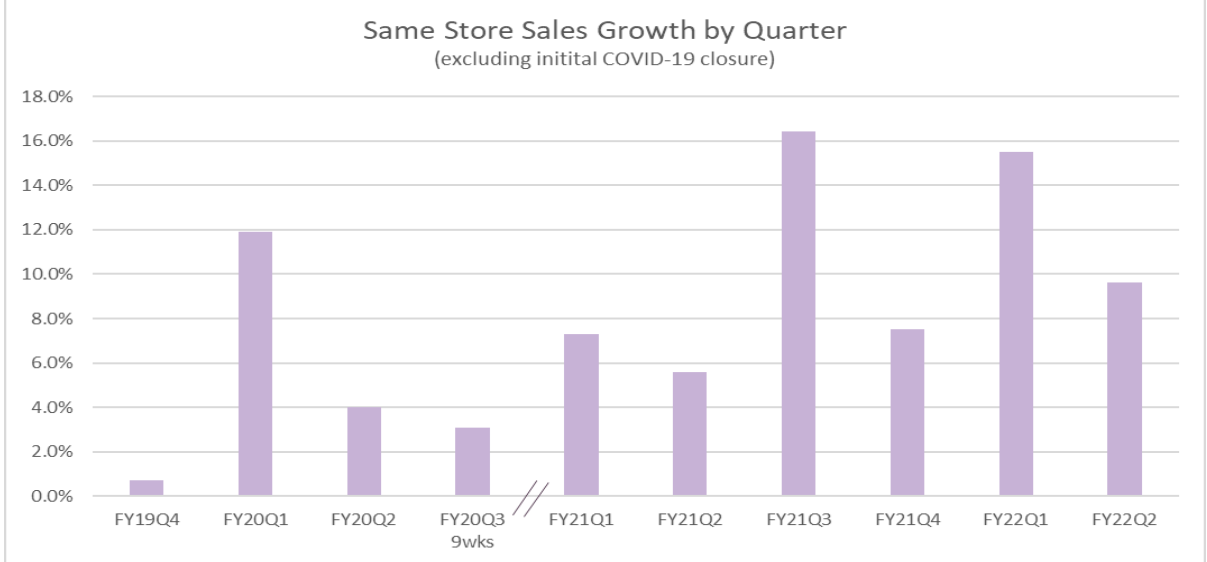
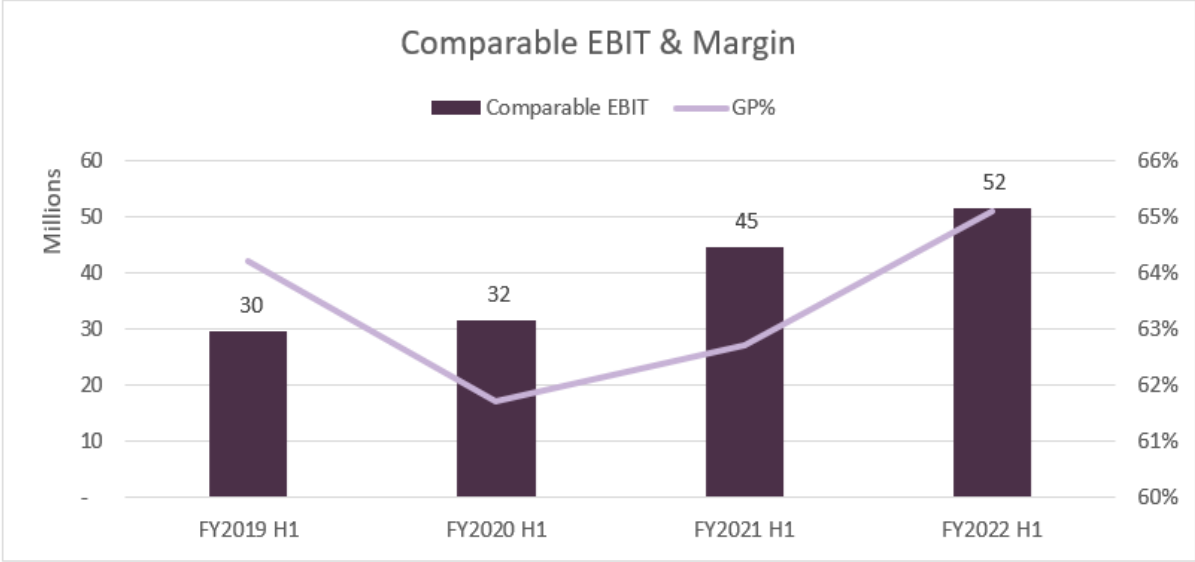


# FY22H1 Group Results

- Revenue and same store sales growth
- Gross profit up \$12.4m
- Comparable EBIT up 63.1% on FY20
- Healthy net cash position
- Consistently delivering targeted inventory levels
- Unwavering focus on costs across the business
- New dividend policy released

	FY22H1	FY21H1	Change
<b>Revenue</b>	\$327.1m	\$319.9m	+2.3%
Same store sales			+11.4%
<b>Gross Profit</b>	\$212.9m	\$200.5m	+6.2%
<b>Gross Margin</b>	65.1%	62.7%	+240bps
<b>Comparable EBIT</b>	\$51.6m	\$44.6m	+15.5%
<b>Interim Dividend</b>	AU3.5c	AU1.5c	+AU2.0c
<b>Inventory</b>	\$175.8m	\$170.6m	+\$5.2m
<b>Net Cash</b>	\$99.1m	\$90.3m	+\$8.8m
<b>Store Network</b>	285	289	-4

# Key Performance Results

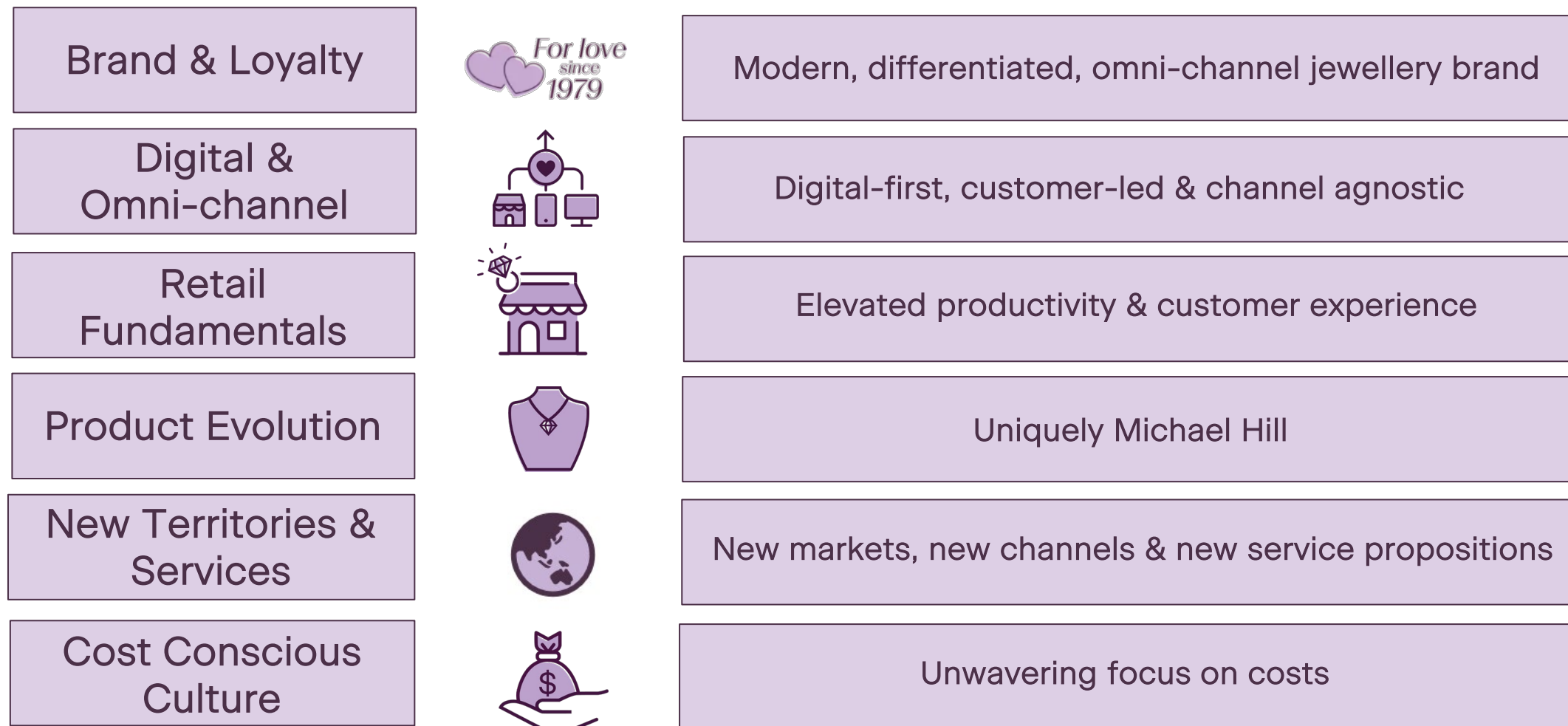


# Outlook



- In January, Australia and Canada were impacted by Omicron, with significantly lower foot traffic, challenging rostering and reduced store trading hours
- Potentially similar impacts may arise in New Zealand over the coming weeks
- In the first eight weeks of FY22H2:
  - Group same stores sales were flat
  - Group all stores sales were up +14%
  - Gross margin remains strong
- Actively exploring new growth opportunities

# Strategy Update - Emphasis on Growth and Margin



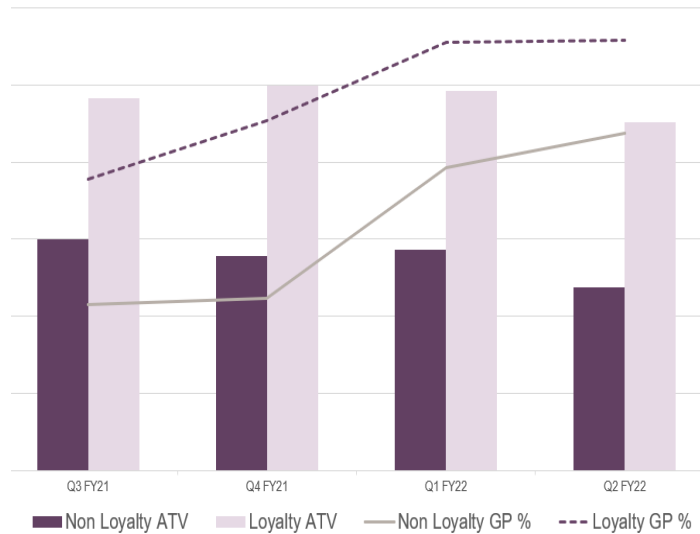


# Brand & Loyalty Update

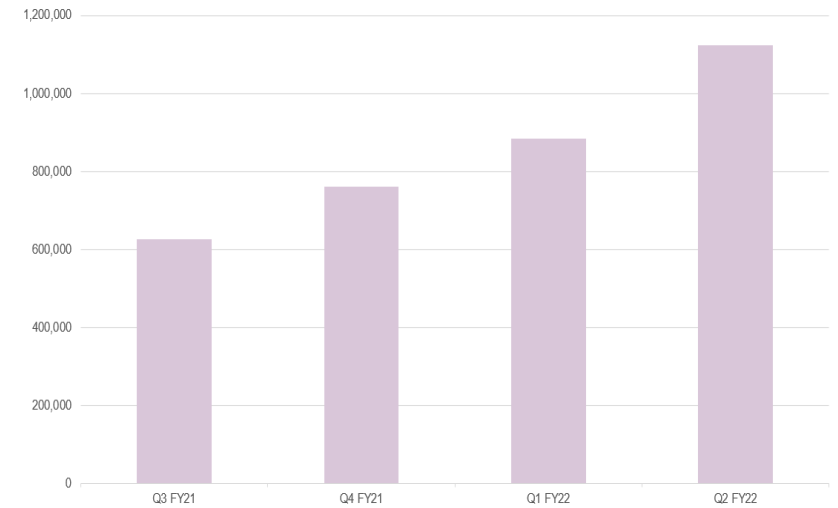
Modern, differentiated, omni-channel jewellery brand

- ✓ Elevated brand messaging
- ✓ Focus on craftsmanship, quality and sustainability
- ✓ Over 1 million loyalty members
- ✓ Increased focus on customer segmentation and personalisation
- ✓ Targeted AI and data insights

Members spend more than non-members



Brilliance Member Sign-Ups



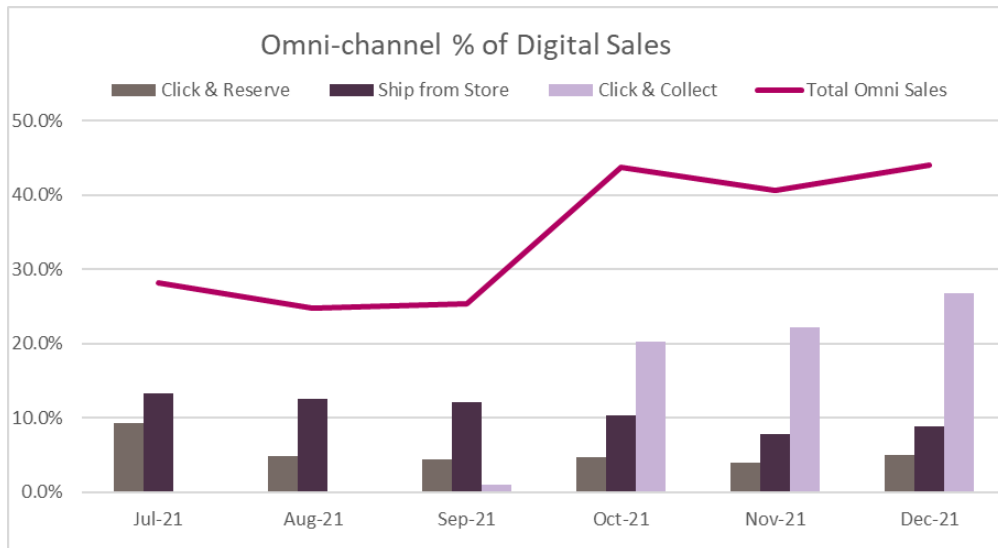
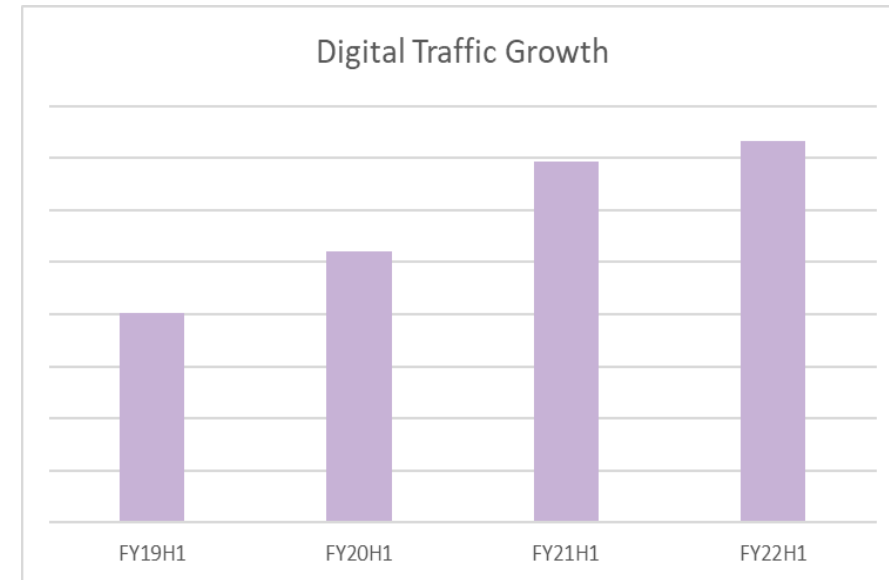
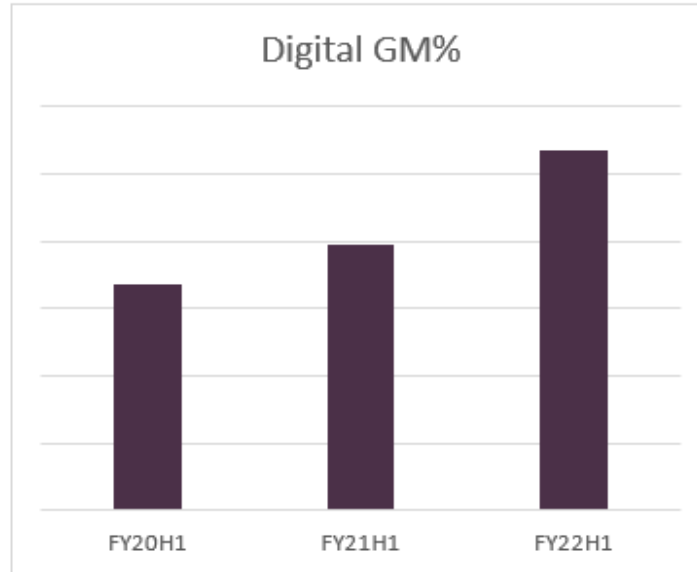
*Brilliance*<sup>TM</sup>  
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# Digital & Omni-Channel

Digital-first, customer-led & channel agnostic

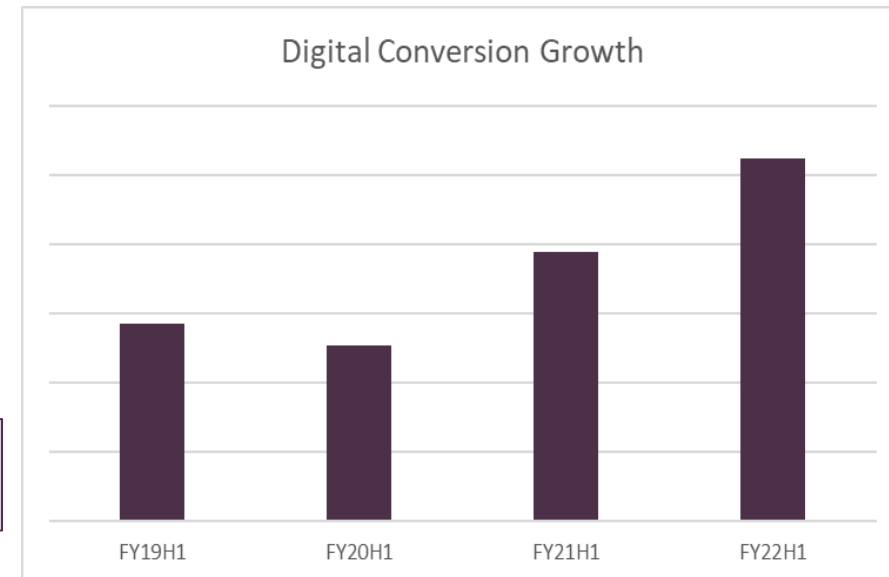
- ✓ Traffic ↑ conversion ↑ sales ↑
- ✓ Launch of click & collect
- ✓ Marketplace trials established
- ✓ Omni-channel now represents 30%-40% of digital



## THE BAY




**Click & Collect – Shop online and pick up in-store.**



# Retail Fundamentals

Elevated productivity & customer experience

- ✓ Ten quarters of SSS growth
- ✓ Investing in store network
- ✓ Rejuvenated global leadership structure
- ✓ People & performance
- ✓ Elevated retail execution
- ✓ Technology enabled dynamic rostering



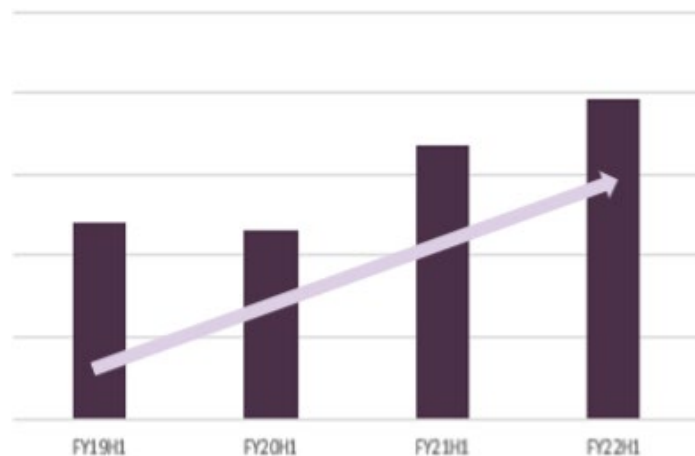
RETAIL OPERATIONS

## Visual Merchandising

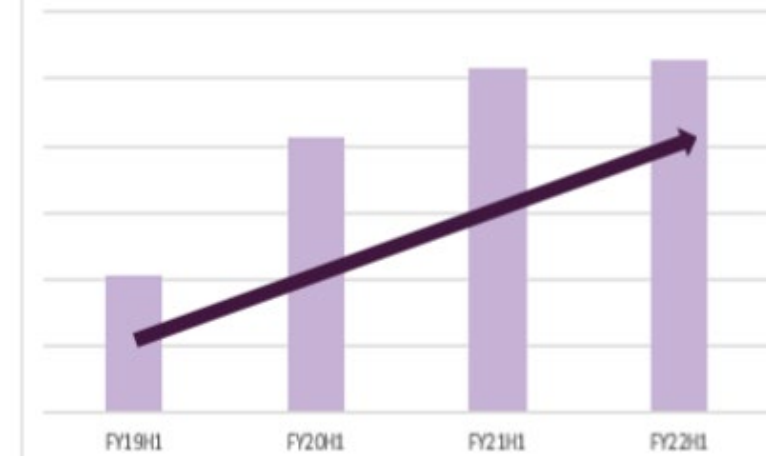
RETAIL OPERATIONS

## Retail Incentive Program

Conversion



Average Transaction Value



# Product Evolution

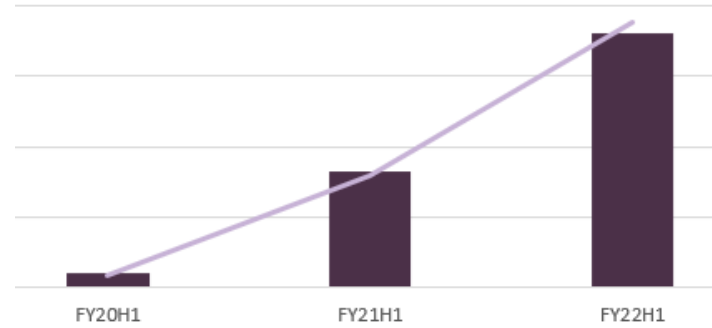
## Uniquely Michael Hill

- ✓ Elevated quality & craftsmanship
- ✓ Australian artisanal workshop
- ✓ Increased emphasis on sustainability & LGD
- ✓ Product mix driving margin expansion
- ✓ Product newness critical to brand elevation



LGD % of Sales & % of Bridal

■ LGD % Sales — LGD % Bridal



## A LOVE FOR Craftsmanship

We are proud to have an in-house workshop at Michael Hill. Our master artisans work to the highest quality standards, taking pride in producing beautiful jewellery worthy of celebrating love, and to be treasured for a lifetime.



# Exploring New Business Opportunities

New markets, new channels  
& new service propositions



- ✓ Analysis of new territories & channels via digital platforms:
  - marketplace
  - international dot.com
- ✓ New service offerings via digital eco-system

Capital Management Framework

Dividend Policy

Organic Growth

Organic+ Investment

Capital Investment Opportunities

# Appendix



# Appendix A: Michael Hill Segment Results

	Australia (AUD)			New Zealand (NZD)			Canada (CAD)		
	FY22H1	FY21H1	Change	FY22H1	FY21H1	Change	FY22H1	FY21H1	Change
Revenue	161.5m	175.1m	-7.8%	67.0m	69.3m	-3.3%	93.0m	75.2m	+23.6%
Gross profit	104.5m	107.6m	-2.8%	42.5m	42.3m	+0.5%	60.1m	46.3m	+29.9%
Gross margin	64.7%	61.4%	+330 bps	63.5%	61.1%	+240 bps	64.6%	61.5%	+310 bps
Segment Comparable EBIT*	33.5m	35.3m	-5.1%	18.6m	19.1m	-2.6%	22.2m	12.0m	+85.2%
Comparable EBIT as a % of revenue	20.7%	20.2%	+50 bps	27.7%	27.5%	+20 bps	23.9%	15.9%	+800 bps
Lost store trading days	7,505 27%	2,567 9%	4,938 Net 18%	2,138 24%	304 3%	1,834 Net 21%	134 1%	838 5%	(704) Net 4%
Store network	150	154	-4	49	49	-	86	86	-

\* Comparable EBIT is unaudited, excludes the impact of AASB16 *Leases* and IFRIC SaaS guidance, and normalisations for wage subsidies

# Appendix B: AASB16 *Leases* & SaaS Impact

(AUD million)	FY22H1 Stat	Impact of AASB16 & SaaS	FY22H1 pre-adjustments	FY21H1 pre-adjustments	Change pre-adjustments
Revenue	327.1		327.1	319.9	+2.3%
Cost of sales	-114.2		-114.2	-119.4	-4.4%
<b>Gross profit</b>	<b>212.9</b>		<b>212.9</b>	<b>200.5</b>	<b>+6.2%</b>
Employee benefits expense	-75.3		-75.3	-79.2	-4.9%
Occupancy costs	-4.9	22.6	-27.5	-28.4	-3.2%
Marketing expenses	-23.4		-23.4	-17.1	+36.8%
Selling expenses	-9.3		-9.3	-9.4	-1.1%
Other income/(expenses)	-18.2	-4.1	-14.1	1.2	-1,275.0%
<b>EBITDA</b>	<b>81.8</b>	<b>18.5</b>	<b>63.3</b>	<b>67.6</b>	<b>-6.4%</b>
Depreciation and amortisation expenses	-26.0	-17.1	-8.9	-8.2	+8.5%
<b>EBIT</b>	<b>55.8</b>	<b>1.4</b>	<b>54.4</b>	<b>59.4</b>	<b>-8.4%</b>
Finance expenses	-3.7	-3.3	-0.4	-0.3	+33.3%
<b>Profit before tax</b>	<b>52.1</b>	<b>-1.9</b>	<b>54.0</b>	<b>59.1</b>	<b>-8.6%</b>







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