

ASX AND NZX ANNOUNCEMENT

STRATEGY DELIVERS RECORD SALES AND MARGIN

Trading Update

14 July 2022

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide its trading update for the year ended 26 June 2022.

KEY POINTS

- **Continued positive quarterly sales growth** – For the quarter, all store sales were up 17.0% and same store sales were up 2.1% against prior year.
- **Strong full year sales** – For the year, all store sales were up 7.3% (with lost store trading days of ~10,000 in both FY21 and FY22) and same store sales were up 8.0%, against prior year.
- **Sustained margin expansion** – For the year, margin improvement has continued with a lift of between 150 to 350bps in all markets and channels against FY21.
- **Strong EBIT growth** – The Company anticipates a FY22 Group comparable EBIT of between \$60m to \$63m (FY21: \$56.6m).
- **Record digital sales** – Omni-channel initiatives continue to deliver strong growth, resulting in another record year, with sales exceeding \$40m, an increase of 23% on prior year. Digital sales now represent 7.1% of total sales (FY21: 6.3%).
- **Brilliance by Michael Hill** – The loyalty program, a key enabler for growth, now exceeds 1.4 million members.
- **Strong balance sheet** – Disciplined working capital management maintained throughout the year with no adverse supply chain impacts on stock levels, and a healthy net cash position at year end of ~\$95m (FY21: \$72.4m).
- **Store portfolio management** – Three under-performing stores permanently closed in Australia during the quarter, with a network total of 280 stores across all markets at the end of the year (FY21: 285).

Commenting on the result, Managing Director and CEO of Michael Hill International Limited, Daniel Bracken said:

“I’m delighted with our full year trading results, despite the continued backdrop of COVID disruptions and the resulting loss of 10,000 store trading days, we have delivered the highest sales and margin in the history of the Michael Hill brand. As we leverage our transformation strategy to accelerate growth, all markets and channels achieved strong same store sales and sustained margin expansion. I’m particularly proud of the turnaround in our Canadian business where we have focused on both leadership and productivity as a key metric – delivering double digit same store sales growth, 36% uplift in all store sales, and ~300bps gain in gross margin.”

“This result marks our twelfth quarter of positive same store sales growth since FY19Q3, which is a remarkable achievement considering the ongoing challenges of a global pandemic. These results reaffirm our continuing journey to elevate the Michael Hill brand through our marketing, our product, our stores and our people.”

“With both the ongoing challenges of COVID and an uncertain economic environment, the business will continue to prioritise key strategic initiatives across loyalty, retail fundamentals and digital expansion, while maintaining an elevated focus on capital investment opportunities.”

SEGMENT BREAKDOWN

Revenue for retail operations for **FY22Q4** (thirteen week trading period ended 26 June 2022):

The following figures are in Australian dollars		\$m	\$m	% Var
		Last Year	This Year	
Total same stores	AUD	109.6	111.9	2.1%
Total all stores	AUD	116.0	135.7	17.0%
Same store figures in local currency				
Australia same stores	AUD	65.8	66.6	1.2%
New Zealand same stores	NZD	27.3	27.7	1.2%
Canada same stores	CAD	17.4	18.4	5.6%
All store figures in local currency				
Australia all stores	AUD	66.8	70.2	5.1%
New Zealand all stores	NZD	29.9	29.9	0.0%
Canada all stores	CAD	20.3	35.0	72.2%
Exchange rates used for FY22Q3:				
New Zealand		1.08	1.10	
Canada		0.98	0.92	

Revenue for retail operations for **FY22** (fifty-two week trading period ended 26 June 2022):

The following figures are in Australian dollars		\$m	\$m	% Var
		Last Year	This Year	
Total same stores	AUD	468.6	506.0	8.0%
Total all stores	AUD	552.0	592.5	7.3%
Same store figures in local currency				
Australia same stores	AUD	261.4	272.5	4.2%
New Zealand same stores	NZD	103.3	112.5	8.9%
Canada same stores	CAD	105.5	117.4	11.3%
All store figures in local currency				
Australia all stores	AUD	312.2	303.4	-2.8%
New Zealand all stores	NZD	127.1	125.1	-1.5%
Canada all stores	CAD	115.8	157.4	36.0%
Exchange rates used for YTD FY22Q3:				
New Zealand		1.07	1.06	
Canada		0.96	0.92	

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 are prior to final accounting adjustments, and are unaudited. The figures include 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.

Comparable EBIT is unaudited, excludes the impact of AASB16 *Leases* and IFRIC SaaS guidance, and with normalisations.

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 280 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

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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