

ASX AND NZX ANNOUNCEMENT

TRANSFORMATION CONTINUES TO DELIVER

Third Quarter Trading Update

14 April 2021

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide its third quarter trading update for the period ended 28 March 2021.

KEY POINTS

- **Significant growth in sales for all markets and channels** – FY21Q3 same store sales were up 16.4%, with all store sales up 11.6% for the quarter against prior year. For the first nine weeks of FY21Q3, same store sales up 12.4% against prior year and when comparing to FY19 same store sales up 10.6% for the quarter.
- **Strong margin improvement continues** – Group margin increased more than 200 bps for the quarter compared to prior year, with all markets delivering strong results, underpinned by the ongoing focus on margin enhancing strategic initiatives.
- **Digital sales remain elevated** – For the quarter, online sales were up 69.2% against FY20Q3, and up 93.3% year to date. Digital channels represent 5.6% of total sales year to date compared to 2.9% last year.
- **Brilliance by Michael Hill** – Loyalty program now exceeds 600,000 members.
- **Store portfolio management** – One under-performing store permanently closed in Australia during the quarter, with a network total of 288 stores across all markets at the end of the half (FY20Q3: 301).

Global Store Network – COVID-19 Temporary Store Closure Update

Australia: During the quarter, 14 Queensland, 36 Victorian, and 22 Western Australian stores closed for a short period, with a total of 332 lost store trading days. All 153 Australian stores were trading at the end of the quarter (FY20Q3: 162).

New Zealand: For the quarter, 16 Auckland stores were temporarily closed twice for a total of 10 days, resulting in 160 lost store trading days. All 49 New Zealand stores were trading at the end of the quarter (FY20Q3: 52).

Canada: The quarter started with 46 temporarily closed Canadian stores, which all progressively reopened throughout the quarter, representing a significant loss of 2,364 store trading days. At the end of the quarter, all 86 stores were trading (FY20Q3: 87).

In respect of FY21Q4, it should be noted that in early April, due to local government lockdowns, 41 Ontario stores have been temporarily closed and 14 Queensland stores were also closed for three days.

Update on New Financing Arrangements

At quarter end, the Group had a positive cash position in excess of \$50m and nil drawn debt. The Group is pleased to advise it has entered into a new financing facility, jointly funded by its long term banking partner ANZ, and with the introduction of a new lender, HSBC. This new \$70m facility is currently undrawn, with a term to February 2024.

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

"I'm delighted by these results, delivering further margin improvement and double-digit sales growth in all markets. Our strategic growth agenda underpins this performance as we accelerate digital innovation, embrace new ways to shop and elevate our brand."

"Considering the ongoing challenges of navigating COVID-19, particularly in Canada, this result demonstrates the resilience of the Michael Hill business and further validates our transformation to a modern, differentiated, omni-channel jewellery brand."

"I've never been more confident in our leadership team, and with a clear plan for growth, we are well-placed for continued strong results despite the uncertain environment."

SEGMENT BREAKDOWN

Revenue for retail operations for **FY21Q3** (thirteen week trading period ended 28 March 2021):

		\$m	\$m	
		Last Year	This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	92.3	107.5	16.4%
Total all stores	AUD	106.2	118.5	11.6%
Same store figures in local currency				
Australia same stores	AUD	56.0	66.0	17.9%
New Zealand same stores	NZD	22.5	25.9	14.9%
Canada same stores	CAD	13.0	17.0	31.1%
All stores figures in local currency				
Australia all stores	AUD	58.9	70.3	19.5%
New Zealand all stores	NZD	23.7	27.9	17.4%
Canada all stores	CAD	21.7	21.7	0.2%
Exchange rates used for FY21Q3:				
New Zealand		1.04	1.07	
Canada		0.89	0.98	

Revenue for retail operations for **YTD FY21Q3** (thirty-nine week trading period ended 28 March 2021):

		\$m	\$m	
		Last Year	This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	385.9	419.6	8.7%
Total all stores	AUD	432.7	436.0	0.8%
Same store figures in local currency				
Australia same stores	AUD	211.4	240.2	13.6%
New Zealand same stores	NZD	89.1	94.3	5.9%
Canada same stores	CAD	80.8	87.3	8.0%
All stores figures in local currency				
Australia all stores	AUD	232.6	245.5	5.5%
New Zealand all stores	NZD	93.7	97.2	3.7%
Canada all stores	CAD	99.8	95.5	-4.4%
Exchange rates used for YTD FY21Q3:				
New Zealand		1.05	1.07	
Canada		0.90	0.96	

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 March 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 288 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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