

ASX AND NZX ANNOUNCEMENT

STRONG PERFORMANCE CONTINUES

Trading Update

15 July 2021

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide its trading update for the year ended 27 June 2021.

KEY POINTS

- **Continued growth in quarterly same store sales** – For the quarter, same store sales were up 7.5% against prior year, and up 116.3% on an all store sales basis.
- **Solid full year sales** – Same store sales for the year were up 8.6% against prior year, and up 10.0% against FY19. Despite 10,447 lost store trading days, all store sales were up 13.5% for the year, with Australia and New Zealand also exceeding FY19 all store sales for the year, even with significant store closures.
- **Strong margin maintained** – Recently experienced margin improvement has held through the fourth quarter across all markets, as margin enhancing strategic initiatives are further embedded.
- **Significant EBIT growth on track** – The Company anticipates full year EBIT to be in line with or above analysts expectations.
- **Record digital sales** – Full year sales were up 51.1%. For the first time, digital sales exceeded \$30m, representing a record 6.2% of full year sales (FY20: 5.0%).
- **Brilliance by Michael Hill** – Loyalty program membership now exceeds 750,000 (FY20: ~200,000).
- **Balance sheet strength** – Strong business performance and disciplined inventory management, coupled with an unwavering focus on costs, saw a year end net cash position of ~\$70m.
- **Store portfolio management** – One new store was opened and four under-performing stores were permanently closed during the quarter, with a network total of 285 stores across all markets at year end (FY20Q4: 290).

Global Store Network Update

In relation to performance by market and temporary store closures:

Australia: For the quarter, same store sales were up 8.7% and all store sales were up 100.1%. Across the country, 102 stores were impacted by temporary closures for the quarter, resulting in 559 lost store trading days. At year end, of the 150 Australian stores (FY20Q4: 155), 30 NSW and 2 NT stores were temporarily closed.

New Zealand: For the quarter, same store sales were up 15.7% and all store sales were up 129.9%. At year end, there were 49 stores trading (FY20Q4: 49).

Canada: For the quarter, same store sales were down 7.6% and all store sales were up 173.0%. For the majority of the quarter, 40 Canadian stores were temporarily closed, representing a significant loss of 3,323 store trading days. It should also be noted that open stores were impacted by government-mandated restrictions. By early July, all 86 Canadian stores were open and trading (FY20Q4: 86).

Temporary store closures across all three jurisdictions resulted in 6,738 lost store trading days for the second half, totaling 10,447 days for the year.

The first few weeks of FY22 saw further disruption, with QLD (24), WA (20) and NT (2) stores impacted by short lockdowns, and with 30 NSW stores remaining temporarily closed. As of today, there are an additional 34 stores temporarily closed in VIC.

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

"I'm very pleased with our Q4 results – sales growth in all markets, increased margins, and an outstanding performance from our bricks and mortar stores delivering almost 20% same store sales growth for the quarter. Setting aside the global store network closure in 2020, Michael Hill has now delivered eight consecutive quarters of positive comp sales growth, together with sustained margin expansion."

"This performance provides further evidence that our strategic transformation agenda is on track and delivering. We've seen record digital sales, our loyalty program going from strength to strength, further deployment of omni-channel initiatives, and continued evolution of our product offering, go-to-market campaigns and retail fundamentals."

"The company continues to navigate a disrupted retail environment, with significant store closures on a regular basis. I'm particularly proud that we have taken a strong and proactive position in supporting our team members during these very challenging times. The connections with our teams, customers and suppliers continue to be at the forefront of our minds."

"We finished the year with a strong trading performance and a very robust balance sheet. Combined with demonstrated traction in our growth strategies, this sees the company well-positioned to continue its earnings trajectory and explore new opportunities."

SEGMENT BREAKDOWN

Revenue for retail operations for **FY21Q4** (thirteen week trading period ended 27 June 2021):

		\$m	\$m	
		Last Year	This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	50.8	54.6	7.5%
Total all stores	AUD	53.6	116.0	116.3%
Same store figures in local currency				
Australia same stores	AUD	31.0	33.6	8.7%
New Zealand same stores	NZD	13.1	15.1	15.7%
Canada same stores	CAD	6.9	6.4	-7.6%
All stores figures in local currency				
Australia all stores	AUD	33.4	66.8	100.1%
New Zealand all stores	NZD	13.0	29.9	129.9%
Canada all stores	CAD	7.4	20.3	173.0%
Exchange rates used for FY21Q4:				
New Zealand		1.07	1.08	
Canada		0.92	0.95	

Revenue for retail operations for **FY21** (fifty-two week trading period ended 27 June 2021):

		\$m	\$m	
		Last Year	This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	436.5	474.0	8.6%
Total all stores	AUD	486.3	552.0	13.5%
Same store figures in local currency				
Australia same stores	AUD	242.3	273.7	13.0%
New Zealand same stores	NZD	102.1	109.4	7.1%
Canada same stores	CAD	87.7	93.7	6.8%
All stores figures in local currency				
Australia all stores	AUD	265.9	312.2	17.4%
New Zealand all stores	NZD	106.7	127.1	19.1%
Canada all stores	CAD	107.3	115.8	7.9%
Exchange rates used for FY21:				
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 June 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 285 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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