

# ASX AND NZX ANNOUNCEMENT

## STRONG RESULT IN A CHALLENGING MARKET

### FY23 Trading Update

20 July 2023

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide a trading update for the 53-week year ended 2 July 2023:

#### KEY POINTS

- **Sales growth maintained** – For the year, Group sales were up 6.0% on LY, and while economic conditions were more challenging in recent months, second half sales were only down 0.8% on LY, an improvement on our most recent market update.
- **Comparable EBIT** – The Company anticipates FY23 Group comparable EBIT of between \$56m to \$59m (FY22: \$62.9m).
- **Elevated gross margin continues** – While margins will be slightly down on the FY22 peak, they are expected to be ahead of both FY21 and the years leading into the pandemic.
- **Positive momentum in digital sales** – Following negative sales in the first half, due to the cycling of the pandemic surge in digital, for the full year digital sales declined by 1.4%, but were up 21.3% on FY21. The second half digital sales were up 12.3% on LY, with positive momentum building throughout the half.
- **Healthy inventory levels** – Group inventory levels will be in line with management's expectations, and Michael Hill inventory levels are anticipated to be at a similar level to prior year.
- **Successful refinancing of banking facility** – Prior to year-end, a replacement three year \$90m facility was finalised on favourable terms, which will support the Company's strategic growth initiatives.
- **Bevilles acquisition completed** – The Bevilles acquisition on 1 June 2023 enhances the Group's strategy, with the addition of a complementary and scalable Australian jewellery retailer. With the Bevilles team having successfully transitioned, the key focus is now on expanding the store network nationally.
- **Store portfolio management** – For Michael Hill, three new stores opened (AU:2, CA:1) and five under-performing stores permanently closed (AU:3, NZ:2) during the year. With the inclusion of 26 acquired Bevilles stores, the store network totals 304 across all markets at the end of the year (FY22: 280).

#### Retail Segment Update

**Australia:** For the year, segment revenue grew by 9.1% on LY. There were 172 stores (including 26 Bevilles stores) trading at the end of the year (FY22: 147).

**New Zealand:** For the year, segment revenue grew by 5.8% on LY. There were 46 stores trading at the end of the year (FY22: 48).

**Canada:** For the year, segment revenue grew by 0.4% on LY. There were 86 stores trading at the end of the year (FY22: 85).

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

*"While acknowledging the challenging economic conditions faced globally, I am pleased with the delivery of full year sales growth in all three markets, against what was a record prior year. With second half sales flat to last year, I am encouraged by the brand elevation strategy continuing to deliver market share gains."*

*"The smooth transition of the Bevilles business has seen team members highly energised, engaged and already leveraging from the Michael Hill Group. I am excited by the addition of Bevilles to the Michael Hill portfolio of brands, and our early insights only reinforce its complementary strategic fit, and reaffirms the opportunity to grow the Bevilles brand and take its offering nationally. Discussions are already well advanced to secure new store locations to open prior to Christmas, and for entry into a new state market in the new year."*

## SEGMENT BREAKDOWN

Revenue for retail operations for **FY23H2**:

		\$m	\$m	
		Last Year (26 weeks)	This Year (26 weeks)	% Var
<b>Segment figures in local currency</b>				
Australia segment	AUD	141.9	140.5	-1.0%
New Zealand segment	NZD	58.1	56.1	-3.4%
Canada segment	CAD	65.7	66.3	1.0%
<b>Total Sales</b>	<b>AUD</b>	<b>267.4</b>	<b>265.2</b>	<b>-0.8%</b>

**Exchange rates used for FY23H2:**

New Zealand	1.08	1.08
Canada	0.91	0.91

Revenue for retail operations for **FY23**:

		\$m	\$m	
		Last Year (52 weeks)	This Year (53 weeks)	% Var
<b>Segment figures in local currency</b>				
Australia segment	AUD	303.4	331.0	9.1%
New Zealand segment	NZD	125.1	132.4	5.8%
Canada segment	CAD	157.4	158.1	0.4%
<b>Total Sales</b>	<b>AUD</b>	<b>592.5</b>	<b>628.1</b>	<b>6.0%</b>

**Exchange rates used for FY23:**

New Zealand	1.06	1.09
Canada	0.92	0.90

The above figures are prior to final accounting adjustments, and are unaudited. Revenue/Sales 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.

The Australian segment sales include Bevilles sales from 1 June 2023.

Comparable EBIT is unaudited, pre-AASB16, pre-IFRIC SaaS-related adjustments, and with normalisations.

This announcement is authorised for release by the Board.

ENDS

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## ABOUT MICHAEL HILL INTERNATIONAL LIMITED

Michael Hill was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 304 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](http://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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