

MICHAEL HILL

INTERNATIONAL LIMITED

ASX AND NZX ANNOUNCEMENT

FY24 Trading Update

18 July 2024

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide a trading update for the 52-week year ended 30 June 2024.

Challenging retail trading conditions have continued throughout the year, with macroeconomic forces impacting the discretionary retail sector, and in particular, the fine jewellery category. However, recent trading performance has seen positive sales momentum across all markets.

KEY POINTS

- **Comparable EBIT** – In line with analysts' expectations, the Company anticipates FY24 Group comparable EBIT of between \$14m to \$16m.
- **Group sales** – For the year, Group sales (including Bevilles) were up 3.8% on LY, and second half sales were up 4.9% on LY, an improvement on our most recent market update. The last seven weeks of FY24 demonstrated positive momentum across all markets and channels, with Group sales up 6%, and the core Michael Hill brand in Australia and Canada both achieving positive sales growth compared with the prior comparable period.
- **Gross margin and inventory** – While trading improved through May and June, there was also a deliberate focus on clearing inventory to make way for higher margin product in FY25. Gross margin settled at ~60.5% for the year, with closing inventory levels better than management expectations.
- **Digital growth** – Digital sales have returned to double digit growth on prior year, with the re-platforming of the website supporting the relaunch of the elevated Michael Hill brand.
- **Capital Management** – As a proactive capital management measure, the existing debt facility has been increased by \$40m for the four-month period from 15 September 2024 to support seasonal working capital requirements for Christmas trade. The FY24 year-end net debt position closed at ~\$40m.
- **Store portfolio management** – In line with our store network strategy, the core Michael Hill brand has continued to optimise its store network throughout the year, while at the same time expanding the Bevilles' store network from 26 to 36 stores. The Group finished the year with 300 stores.

Retail Segment Update

Australia: For the year, segment revenue (including Bevilles) increased 10.5% on LY, and increased 12.0% in H2. There were 171 stores (including 36 Bevilles stores) trading at the end of the year (FY23: 172).

New Zealand: For the year, segment revenue decreased 11.8% on LY, and decreased 12.0% in H2. There were 44 stores trading at the end of the year (FY23: 46).

Canada: For the year, segment revenue increased 0.3% on LY, and increased 1.6% in H2. There were 85 stores trading at the end of the year (FY23: 86).

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

"While challenging economic conditions have persisted across all markets throughout the year, particularly in the fine jewellery segment, the Group has continued to outperform the category, with a focus on retail fundamentals and execution of its clearly articulated strategies. Particularly pleasing was the consistent performance of our Canadian business throughout the year.

"While FY24 was disappointing, and trading conditions are expected to remain challenging, initiatives are underway to drive sales and productivity, enhance margin, optimise inventory, prioritise and reduce capital expenditure to protect the balance sheet, and further embed cost conscious discipline across the business.

"As a key milestone of the Michael Hill brand elevation journey, April saw the unveiling of our first global flagship store at Chadstone in Melbourne showcasing the new brand codes, our first brand ambassador, Miranda Kerr, and a complete re-platforming of our website. I am extremely proud of the enthusiasm, passion and dedication demonstrated by all our team involved in the meticulous and considered delivery of such a pivotal moment for the Michael Hill Brand."

SEGMENT BREAKDOWN

Revenue for retail operations for FY24H2:		\$m	\$m	
		Last Year (26 weeks)	This Year (26 weeks)	% Var
Segment figures in local currency				
Australia segment	AUD	140.4	157.3	12.0%
New Zealand segment	NZD	56.1	49.4	-12.0%
Canada segment	CAD	66.6	67.7	1.6%
Total Sales	AUD	265.5	278.6	4.9%

Exchange rates used for FY24H2:

New Zealand	1.08	1.08
Canada	0.91	0.89

Revenue for retail operations for FY24:		\$m	\$m	
		Last Year (52 wks)	This Year (52 wks)	% Var
Segment figures in local currency				
Australia segment	AUD	325.6	359.7	10.5%
New Zealand segment	NZD	130.2	114.8	-11.8%
Canada segment	CAD	155.6	156.0	0.3%
Total Sales	AUD	617.8	641.4	3.8%

Exchange rates used for FY24:

New Zealand	1.09	1.08
Canada	0.90	0.89

All figures are prior to final accounting adjustments, and are unaudited. Revenue/Sales figures stated above include the Professional Care Plan (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.

All last year full year sales/revenue numbers are on a comparable 52-week basis. Group and 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 300 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 report 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 Group). The words "targets", "believes", "expects", "aims", "intends", "plans", "seeks", "will", "may", "might", "anticipates", "projects", "assumes", "forecast", "likely", "outlook", "would", "could", "should", "continues", "estimates" or similar expressions or the negatives thereof, generally identify 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 Group'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, sustainability targets, expansion into new markets, future product launches, points of sale and production facilities.

Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, they are not guarantees or predictions of future performance or statements of fact. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Group'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 Group'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 Group operates; the protection and strengthening of the Group's intellectual property rights, including patents and trademarks; the future adequacy of the Group's current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Group's business; increases to the Group's effective tax rate or other harm to the Group's business as a result of governmental review of the Group's transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this report.

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, as there can be no assurance the actual outcomes will not differ materially from the forward-looking statements in this report.

Except as required by applicable laws or regulations (including the ASX Listing Rules), the Group does not intend, and does not assume any obligation, to update any forward-looking statements contained herein. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

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