

MICHAEL HILL

INTERNATIONAL LIMITED

ASX AND NZX ANNOUNCEMENT

FY25H1 RESULTS

21 February 2025

Michael Hill International Limited (ASX/NZX: MHJ) today announced its financial results for the half year ended 29 December 2024.

Key Financial Results

- Group revenue was \$360.2m (FY24H1: \$362.7m) a decrease of 0.7% in the half, and was flat on a constant currency basis.
- Group gross margin improved to 61.3% for the half, in line with previous guidance and up on FY24 of 60.6%, underpinned by product and brand initiatives which are offsetting higher input costs and aggressive retail trading conditions. Gross margin was also enhanced by the introduction of higher margin gifting products that increased transaction volumes for the key Christmas period.
- Comparable earnings before interest and tax (EBIT) of \$24.1m (FY24H1: \$31.3m), at the upper end of previous guidance.
- Statutory net profit after tax increased to \$16.9m (FY24H1: \$15.4m).
- Active inventory management delivered a \$6.6m reduction to \$213.2m (FY24H1: \$219.8m).
- Closing net debt position of \$9.8m (FY24H1: \$11.6m), with the business remaining committed to a reduced capital expenditure profile across both technology and stores.
- Management have deployed targeted initiatives to deliver ~\$5m of cost reductions in the second half as we align resources to our strategic priorities and trading performance.
- No interim dividend was declared.

Operational Performance

- On a same store sales basis (in local currency), Canada delivered another record sales performance with +2.7% growth, Australia was up +0.6% while New Zealand was down -7.8%, as it continued to be adversely impacted by challenging economic conditions affecting consumer confidence, declining foot traffic, and a slower return of international shoppers.
- Digital sales have continued to grow, delivering \$30.3m for the half, supported by strong traffic and deployment of Bevilles' omni-initiatives.
- Successful launch of the MH Pendant Bar concept, with a focus on both build-your-own and ready-to-wear gifting.
- MH elevated its sustainable "LAB." diamonds to the highest quality, by introducing E colour and VVS clarity into this high growth category.
- The half saw the successful opening of the second MH global flagship store showcasing the new brand icons and offering an elevated instore experience in Bourke St, Melbourne. The MH Queenstown, New Zealand store was also refurbished to incorporate this new brand identity.
- In line with our store network strategy, MH has continued to optimise its store network throughout the half, while at the same time expanding the Bevilles' store network to 38 stores. The Group finished the half with 294 stores (FY24H1: 302).

Current Trading Update

- For the first seven weeks of FY25H2, Group sales were up 1.7%, and Group same store sales were up 3.2% on prior year. For same store sales (in local currency):
 - Australian segment up 3.8%,
 - Canadian segment up 6.7%, and
 - New Zealand segment down 1.9%.

Commenting on the announcement of the Company's half year results, Managing Director & CEO Daniel Bracken, said:

"Whilst we are disappointed with our overall EBIT result for the half, the business was comping record prior year sales in both October and November, with eight fewer stores. Our gross margin is improving, underpinned by product and brand initiatives, despite the headwinds of elevated gold prices. Furthermore, the business is committed to delivering cost reductions through the second half."

FY25H1 – Group Business Performance

The prevailing macroeconomic pressures continued to impact consumer sentiment and discretionary retail trading conditions throughout 2024, with conditions in New Zealand remaining particularly challenging.

Given the challenging broader economic conditions across all markets, the Group reported a decline in performance, with comparable earnings before interest and tax of \$24.1m for the half year ended 29 December 2024. This result was driven by a combination of more aggressive retail competition, higher annualised operating costs across labour and occupancy and the ongoing challenges of raw material costs, particularly gold pricing.

For the half, the Group delivered revenue of \$360.2m, down 0.7%, and flat on a constant currency basis. Sales for the half reflected strong business performance in the first three months, which was offset by a more challenging result in the second quarter as we cycled record prior year sales in both October and November.

Gross margin started its recovery journey improving from 60.6% in FY24 to 61.3% for the half, underpinned by product and brand initiatives which are offsetting higher input costs and aggressive retail trading conditions. Introduction of higher margin gifting products increased transaction volumes for the key Christmas period.

Strong digital traffic and deployment of Bevilles' omni-channel initiatives have supported the increase in digital sales, resulting in \$30.3m for the half (FY24H1: \$29.5m), and representing 8.4% of Group revenue.

Active management of inventory saw holdings reduced by \$6.6m to \$213.2m at the end of the half, reflecting a reduction in the store network profile and steps taken to reduce stock holdings.

For Michael Hill, seven stores were permanently closed (AU: 5, CA: 2), two stores were converted to Bevilles and one new NZ store was opened, taking the network to 256 (AU: 128, NZ: 45, CA: 83). For the half, the Bevilles (AU) store network expanded to 38, with two additional conversion stores. The Group network was 294 stores at the end of the half across all markets (June 2024: 300).

With inflationary pressures impacting our operating cost base, the business took the decision in January 2025 to undertake a ~\$5m cost reduction program in the second half as we align resources to our strategic priorities and trading performance.

Retail Segment Performance

Australia (including Bevilles)

Retail segment revenue increased by 1.2% to \$204.7m for the half (with five fewer stores), and increased by 0.6% on a same store basis, underpinned by positive growth in the Michael Hill brand.

Gross margin for the half was 60.5%.

The Australian store network finished the half with 166 stores, including 38 Bevilles stores (FY24H1: 171 including 30 Bevilles stores).

Canada

Retail segment revenue increased by 2.4% to CA\$90.7m for the half, and increased by 2.7% on a same store basis. This result is a credit to the Canadian team, resulting in yet another record performance, especially considering the continuing challenges in the local economy, and indicates the business is taking market share.

Gross margin for the half was 60.8%.

During the half, two stores closed, resulting in 83 stores at the end of the half (FY24H1: 85).

New Zealand

Retail segment revenue decreased by 7.4% to NZ\$60.5m for the half, and decreased by 7.8% on a same store sales basis. Despite the focus and effort from the business, external economic factors continue to present challenging retail conditions in New Zealand. An internal strategic review of our New Zealand segment is underway as we navigate the cyclical downturn in the economy, leverage the brand's heritage and re-establish the profitability of this segment.

Gross margin for the half was 58.9%.

During the half, one store opened, resulting in 45 stores at the end of the half (FY24H1: 46).

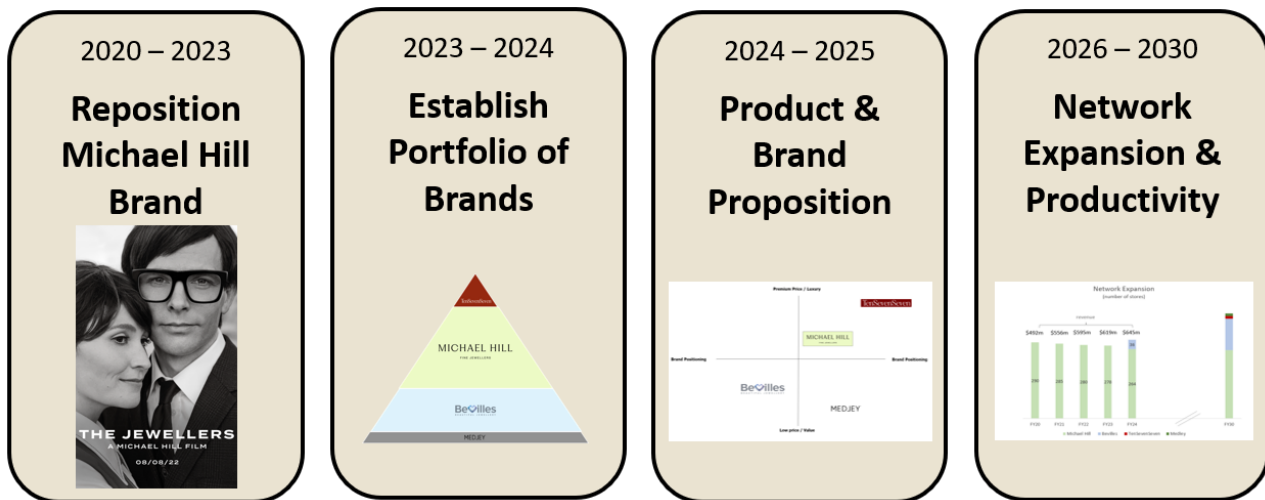
Capital Management

During the half, the business has remained committed to a reduced capital expenditure profile across both technology and stores, resulting in a closing net debt position of \$9.8m. As a proactive capital management measure to support seasonal working capital requirements for Christmas trade, the existing \$90m debt facility has been increased for the four-month period from 15 September 2025 by \$20m (September 2024: \$40m). This lower funding requirement for the upcoming year reflects disciplined balance sheet management across cash, inventory and capital expenditure.

Given compressed earnings in FY25H1, and in conjunction with a commitment to prudent investment in operating and capital expenditure in FY25, the Board has decided that no interim dividend will be declared for FY25H1.

Group Strategy, the path to 2030

Even though market conditions continue to be challenging, the business remains committed to its multi-brand Group strategy, and the four phases of the Group strategy, the path to 2030, as articulated in February 2024 and our FY24 Annual Report.



Product & Brand Proposition, 2024 – 2025

With the Michael Hill Group multi-brand strategy now in place, the business is firmly focused on the third phase, reinforcing that each brand is uniquely positioned for different segments and price propositions, and with their own strategic priorities.

Michael Hill

In FY24Q4, the complete refresh of the Michael Hill brand was revealed, delivering a new elevated aesthetic across all brand assets, colour palette and logos. Elements of the new brand assets were gradually brought to life across digital platforms, stores and consumer packaging. This also saw a new global flagship store come to life in Chadstone, the most premium centre in the Australian market. The new store incorporated all aspects of the new brand product and proposition, with a new high value product offering, elevated in-store experience, and private selling spaces. To coincide with the brand refresh, and our first flagship store of the future, Michael Hill partnered with its first ever global Brand Ambassador, Miranda Kerr. Her timeless elegance resonates in all our markets. Simultaneously, new key product offerings such as the signature lock range and the exclusive cut 101 facet diamond collection were launched.

During FY25H1, the business continued to embrace the aspirational brand positioning, that being “aspirational yet accessible”, with the successful opening of its second global flagship store showcasing our new brand icons and offering an elevated instore experience in Bourke St, Melbourne. In addition, the Queenstown, New Zealand store was refurbished to incorporate this new brand identity.

Prior to the all-important Christmas trading period, the business:

- Successfully launched its new Pendant Bar concept, with a focus on both build-your-own and ready-to-wear gifting, which provided a unique proposition in our markets.
- Introduced a range of higher margin gifting products to drive transaction volumes for the key Christmas period.
- Elevated our sustainable laboratory grown diamonds to the highest quality, introducing E colour and VVS clarity into this high growth category, so that Michael Hill represents the very best in market.

These initiatives demonstrate that the business is continuing its product evolution and tactical introduction of newness, with a focus on quality, innovation and sustainability.

Bevilles

Following the acquisition, the store network expanded into the new territory of Queensland, with five new stores and two conversion stores. This was accompanied by three new stores and two conversion stores in existing territories, increasing the total store network to 38 stores (FY24H1: 30). In FY24H2, the Bevilles operations transitioned to Group operational IT systems, and relocated its Melbourne head office and distribution centre to Brisbane.

During FY25H1, the business delivered highly engaging discount-led promotions to capture customers in the value segment and expand brand awareness. Given the current cost-of-living pressures in Australia, the value segment of the market was highly competitive with extensive retail promotional activity. The business sourced new product engineered to deliver higher gross margin to counter the required level of promotional activity.

Network Expansion & Productivity, 2026 – 2030

With each brand uniquely positioned for their target customer segments, and with both product and brand propositions established, the Group will be well-placed to grow revenue and profits through a more productive and expanded distribution network. The opportunity remains for the Bevilles network to grow in the value segment, as the Michael Hill brand continues to optimise its store network, embed its elevated brand proposition and attract new target customers.

Strategic Priorities

Over the next 12 months, the Group's primary focus is on margin recovery and building a strong foundation for sustainable growth, underpinned by the following three key strategic priorities:

1. Embedding the repositioning of the Michael Hill brand across all markets

The business will continue focusing on repositioning the Michael Hill brand across all markets, with our product and our people as the key enablers. Product newness and quality are the cornerstone of an aspirational brand positioning. As an example, the business is introducing a new Canadian diamond range which is ethically sourced and renowned for their exceptional quality. This will further bolster our Canadian segment, and expand our product offering in Australia and New Zealand. Along with our standard cadence of product newness, the business will maintain its focus on margin enhancing product initiatives.

Our people are core to our business, and the continual investment in development, upskilling and training is an important lever to ensure our people align with the repositioned Michael Hill brand. It is particularly important that our people have in-depth product knowledge to guide our customers with their milestone moment purchases.

2. Internal strategic review of New Zealand to improve performance

Our New Zealand segment has suffered due to the economic downturn in New Zealand. An internal strategic review has commenced to ensure our New Zealand business is well-placed to dominate the jewellery market as the economy recovers.

3. Reinforce retail fundamentals, brand identity and awareness of the Bevilles brand, in preparation for expansion

Since acquisition, the Bevilles business has undergone a significant transformation as it expanded into a new territory, opened 12 stores, transitioned to new IT systems and relocated its Head Office/Distribution centre to Brisbane. The Bevilles business is now focused on instilling core retail fundamentals with the team, articulating a clear brand identity to our customers, and continuing to create brand awareness through highly engaging marketing. Furthermore, the team are focused on re-establishing the brand's dominance in its core and everyday value product offering with a more productive and streamlined product range to increase disruption in the value jewellery segment.

FY25H2 Trading Update

For the first seven weeks of FY25H2, Group sales were up 1.7%, and Group same store sales were up 3.2% on prior year. For same store sales (in local currency):

- Australian segment up 3.8%,
- Canadian segment up 6.7% and
- New Zealand segment down 1.9%.

Managing Director & CEO of Michael Hill International Limited, Daniel Bracken said:

“As always, I am very proud of our team for their retail execution, determination and resilience in an incredibly tough trading environment. The business is clear on its strategic priorities and targeted cost out initiatives and will be well-positioned for when the economic cycle recovers. And pleasingly, the first seven weeks of the second half are very encouraging with signs of strong positive sales momentum, particularly in Canada.”

Analyst and investor call

An investor briefing on the results is scheduled for **9:00am (AEST) on Monday 24 February 2025.**

Please note that the webcast page will not be available until 8:00am (AEST) and it is advised that you join at least 5 minutes before the meeting commences. Participants are encouraged to register online in advance. Once registered you will be able to download a calendar invite link.

The webcast link for the briefing call on Monday 24 February 2025:

<https://meetings.lumiconnect.com/300-416-465-051>

If prompted, please enter the meeting ID: 300-416-465-051

The webcast link to the briefing will also be available on the ‘events’ section of the investor centre website at:

<https://investor.michaelhill.com>

Important Notes

Comparable EBIT is unaudited, excludes the impact of AASB16 *Leases* and IFRIC SaaS guidance, and with normalisations. Further information on the reconciliation of comparable to the statutory result is contained in the Directors’ report and investor presentation. Same store sales reflect sales through store and online channels on a comparable trading day basis and are unaudited.

This announcement is authorised for release by the Board.

– ENDS –

For more information, please contact:

Investors:

Andrew Lowe
CFO
+61 478 301 320
andrew.lowe@michaelhill.com.au

Investors & Media:

Anthea Noble
General Manager - Investor Relations & Treasury
+61 438 770 704
anthea.noble@michaelhill.com.au

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 294 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).

For more information:

investor.michaelhill.com

michaelhill.com.au

michaelhill.co.nz

michaelhill.ca

bevilles.com.au

medleyjewellery.com.au

watchesgalore.com.au

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.

Michael Hill International Limited ABN 25 610 937 598
34 Southgate Avenue, Cannon Hill, QLD 4170