

## ASX AND NZX ANNOUNCEMENT

### POSITIVE SALES MOMENTUM CONTINUES AT MICHAEL HILL

#### First Quarter Trading Update

10 October 2019

#### KEY POINTS

- **Positive sales momentum continues through Q1** – Against prior year, Group same store sales were +11.9%.
- **Strong sales performance across all markets, led by Canada and New Zealand** – Against prior year, for FY20Q1 same store sales were: Canada +16.4%; New Zealand +10.1%; Australia +6.8%.
- **Margin compression continues** – Pressure on gross margin has started to alleviate with early signs of positive movement and a slight recovery from FY19Q4, though has not yet recovered to historic levels. The retail environment remains volatile and challenging.
- **New Retail Operating Model in place and gaining traction** – The new monthly model was implemented from August, with the launch of the 40<sup>th</sup> Birthday campaign, and our customers are responding well.
- **Canadian productivity focus delivers positive Q1 result** – FY20Q1 productivity ahead on prior year, a positive early indicator for this initiative.
- **e-commerce sales reflect wind-down of Emma & Roe** – Michael Hill website sales were +18.9% for the quarter. However, after adjusting for Emma & Roe product, the Michael Hill website generated sales of +39.4% for the quarter against last year.
- **Branded collection sales continue upward trend** – Branded collections sales represent 37.9% of total product sales (up from 32.5% of total product sales for FY19). These results reflect a greater focus on in-store execution and visual merchandising and the introduction of new bridal collections in FY19Q4.
- **Store portfolio management remains a priority** – One new store was opened (Canada) and three under-performing stores were closed (Australia), giving a total of 304 stores trading at 29 September 2019 (including one remaining Emma & Roe store). Negotiations of existing leases, renewals and refurbishments remain a key priority for the business.

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

“The uplift in sales performance for the quarter is encouraging and we are pleased to see our New Zealand and Canadian segments outperforming FY19Q1 so positively – These segments contribute to more than 40% of our Group revenue and profit. The lift in Australian sales is also promising given the challenging retail environment.

“Our strategic initiative to focus on Canadian productivity has delivered strong sales results for the quarter. The areas of focus included a restructure of the retail operations team, the introduction of new retail leadership roles, the new operating model, product launches, a shift in key metrics, and the trial of a new retail bonus scheme.

“Our new retail operating model was validated in August, with the deliberate alignment of retail, merchandise, marketing and e-commerce to celebrate the 40<sup>th</sup> birthday of the Michael Hill brand. This led to a notable improvement in our sales for the month of August. Our branded collections played an important part of this collaboration, as we continue to develop and strengthen our unique offerings and heritage brand.

“These first quarter results are a strong foundation as we enter the all-important Christmas trading period. Our leadership team have been working hard to develop new ways of maintaining and growing our customer base with many initiatives to be released over the remainder of the financial year.”

## SEGMENT BREAKDOWN

- The Australian segment same stores sales were up 6.8% for the quarter, and all stores sales of +2.3%. The Australian market continues to be challenging with widespread discounting in the sector as competitors fight to maintain market share. Three underperforming stores were closed, giving a total of 165 stores trading at 29 September 2019.
- The New Zealand segment delivered same stores sales growth of 10.1% for the quarter, and all stores sales of +11.8%. This positive result in our most mature segment reflects the strength of our brand, and represents a strong lift in market share. No stores were opened or closed during the quarter leaving 52 stores trading at 29 September 2019.
- The Canadian segment same store sales lifted by 16.4% for the quarter, and all stores sales of +17.6%. The Canadian productivity strategy significantly contributed to delivering this result. One store opened during the quarter, giving a total of 87 stores trading at 29 September 2019.

Revenue for retail operations from the sale of goods and services for **FY20Q1**:

<b>The following figures are in Australian dollars</b>		<b>Last Year*</b>	<b>This Year*</b>	<b>% Var</b>
Total same stores	AUD	108,319,910	121,192,520	11.9%
Total all stores	AUD	112,989,510	124,001,045	9.7%
<b>Same store figures in local currency</b>				
Australia same stores	AUD	62,688,418	66,932,481	6.8%
New Zealand same stores	NZD	23,114,050	25,457,902	10.1%
Canada same stores	CAD	23,383,953	27,226,368	16.4%
<b>All stores figures in local currency</b>				
Australia all stores	AUD	66,713,659	68,275,732	2.3%
New Zealand all stores	NZD	23,418,620	26,190,850	11.8%
Canada all stores	CAD	23,736,821	27,922,542	17.6%

### **Exchange rates used for FY20Q1:**

New Zealand	1.09	1.05
Canada	0.96	0.90

The above figures for Michael Hill represent two months accounting adjusted sales results plus September\* preliminary sales figures prior to final accounting adjustments, and are unaudited. Revenue 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. Total Group all stores includes sales from our Michael Hill locations in Australia, New Zealand and Canada and sales from our Emma & Roe locations.

\* Commencing FY20, MHJ has adopted a retail reporting calendar. Accordingly, the figures above reflect comparable 13-week trading periods and trading days.

ENDS

### **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.

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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## ABOUT MICHAEL HILL INTERNATIONAL

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 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).

For more information:

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