

ASX AND NZX ANNOUNCEMENT

SALES PERFORMANCE CONTINUES TO STABILISE DURING Q3

TRADING UPDATE TO 31 MARCH 2019

9 April 2019

KEY POINTS

- **Ongoing stabilisation of sales performance** – Against prior year, same store sales were down by 1.5% and total sales down by 0.8% for the third quarter to 31 March 2019, comparing favourably to FY19Q1 and FY19Q2 same store sales which were down 11% and 2.9% respectively.
- **Encouraging signs from the adoption of a new retail operating model in March** – Same store sales grew during the month of March, following the introduction of the company's new integrated customer-led retail operating model, focused on greater alignment of merchandise, marketing and retail operations.
- Gross margin held at 62.1% for the first nine months of FY19 (down from 62.7% for the same nine-month period in FY18).
- e-commerce sales (included in the segment numbers below) of \$12.5m for the nine-month period to 31 March 2019 (up 53% on the same nine-month period in FY18) now represent 2.9% of total sales for the Group.
- As part of the ongoing programme of store portfolio management, one store opened and five under-performing stores were closed during the quarter, giving a total of 307 stores trading at 31 March 2019 (including the one remaining Emma & Roe store).

Commenting on the result, Michael Hill International CEO Daniel Bracken said: “The company's performance continued to stabilise during the quarter, as refinements to the strategy improved our position from the first half, further regaining ground lost in the first quarter.

“We are particularly encouraged by the early results achieved from our new integrated customer-led retail operating model, which was introduced in March and saw same store sales grow for the month. This new model was one of the critical strategic refinements announced with our half-year results.

“This new approach commenced in March to coincide with the launch of Michael Hill's proprietary Southern Star diamond collection. We have already seen the potential for the new integrated model to lift customer engagement and sales, as well as improve operational efficiencies.

“Our continued focus on improving our overall cost of doing business also saw the implementation of an initial \$5 million annualised cost reduction programme in January. Work has now commenced to capture the second tranche of a further \$5m in annualised cost savings, over the coming financial year.

“This is an exciting time for the company as we continue to deliver on our strategic initiatives and make fundamental improvements to the way we operate. We are encouraged by the progress being made as we create a more sustainable business model for the future and deliver value for shareholders,” Mr Bracken said.

MICHAEL HILL SEGMENT BREAKDOWN

- Australian same store sales were down 3.4% for FY19Q3. Retail conditions remain challenging in Australia, however the region delivered sales growth in March following the introduction of the Group's new retail operating model. One store opened during the quarter, and three stores were closed, giving a total of 171 Group stores trading at 31 March.

- The New Zealand segment same store sales were down 6.3% for FY19Q3. While conditions remained stable during January, February and early March, the latter weeks of March proved especially challenging in the circumstances, with a slowdown in overall consumer sentiment and spending. One store closed during the quarter, giving a total of 52 stores trading at 31 March.
- Canadian stores delivered same store sales growth of 0.1% for FY19Q3. March was a particularly strong month, with higher growth in same store sales achieved. One store closed during the quarter, giving a total of 84 stores trading at 31 March.

Revenue for continuing operations from the sale of goods and services for the **three months to 31 March 2019**:

The following figures are in Australian dollars		Last Year	This Year	% Var
Total Michael Hill same stores	AUD	112,213,219	110,510,341	(1.5%)
Total Michael Hill all stores	AUD	118,487,390	117,596,200	(0.8%)
Michael Hill same store figures in local currency				
Australia same stores	AUD	64,020,558	61,850,462	(3.4%)
New Zealand same stores	NZD	26,396,013	24,738,523	(6.3%)
Canada same stores	CAD	23,603,565	23,622,738	0.1%
Michael Hill all stores figures in local currency				
Australia all stores	AUD	67,609,608	65,474,978	(3.2%)
New Zealand all stores	NZD	27,153,976	25,508,527	(6.1%)
Canada all stores	CAD	25,572,674	26,200,528	2.5%

Exchange rates used for the three months:

New Zealand	1.08	1.04
Canada	0.99	0.95

Revenue for continuing operations from the sale of goods and services for the **nine months to 31 March 2019**:

The following figures are in Australian dollars		Last Year	This Year	% Var
Total Michael Hill same stores	AUD	421,677,972	401,442,598	(4.8%)
Total Michael Hill all stores	AUD	441,425,650	427,166,625	(3.2%)
Michael Hill same store figures in local currency				
Australia same stores	AUD	242,351,741	224,445,676	(7.4%)
New Zealand same stores	NZD	94,284,103	88,504,430	(6.1%)
Canada same stores	CAD	91,236,299	89,471,316	(1.9%)
Michael Hill all stores figures in local currency				
Australia all stores	AUD	252,560,799	237,82,131	(6.0%)
New Zealand all stores	NZD	96,839,300	91,298,186	(5.7%)
Canada all stores	CAD	98,305,114	99,248,507	1.0%

Exchange rates used for the nine months:

New Zealand	1.09	1.07
Canada	0.98	0.95

The above figures for Michael Hill represent 8 months accounting adjusted sales results plus March preliminary sales figures prior to final accounting adjustments, and are unaudited. Revenue and gross margin figures stated above include the Professional Care Plan (PCP) revenue and expenses 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.

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.

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.

Investors:

Andrew Lowe
Chief Financial Officer & Company Secretary
+61 7 3114 3505
andrew.lowe@michaelhill.com.au

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 307 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:

www.investor.michaelhill.com
www.michaelhill.com.au/
www.emmaandroe.com.au