

ASX AND NZX ANNOUNCEMENT TRADING UPDATE FOR THE QUARTER TO 30 SEPTEMBER 2018

12 October 2018

KEY POINTS

- Group revenue for continuing operations declined 8.8% for the three months to 30 September 2018, with same store sales down by 11.0%. This reduction is partly attributable to underestimating marketing and promotional activities required to support the Group's strategic shift away from a reliance on discount based pricing.
- Gross margin lifted to 64.6% for the quarter (63.1% prior year), as a result of the strategy to strengthen and grow brand loyalty where our collections and products are increasingly valued by consumers.
- Three Michael Hill stores opened and three under-performing stores were closed during the period, giving a total of 306 Michael Hill stores trading at 30 September 2018.
- Four Emma & Roe stores closed during the quarter as planned and previously announced. Two Emma & Roe stores and the Emma & Roe website continue to trade.
- e-commerce sales (included in the segment numbers below) increased by 84.9% to \$3.4m for the quarter and represent 3.0% of total sales for the Group.

Commenting on the result, Michael Hill International CEO Phil Taylor said:

"During the quarter and in line with our strategy, the Group increased gross profit margin as it reduced its reliance on discount based events. However, on review, this shift was not adequately supported by sufficient levels of marketing and promotional activities to drive top-line sales. We are confident that our strategy to improve gross margin as we reduce the level of discounting and price based events, is the right strategy and will ultimately result in a brand and product that are more valued by our customers. While the transition is proving more challenging than expected we remain committed to the strategy and have taken many learnings from the first quarter which we are confident will drive performance in the critical December quarter.

"The Group remains focused on executing its five strategic shifts to reposition Michael Hill from being a traditional retailer to a differentiated omni-channel brand. Good progress has already been made on our digital and data strategies, with the investments in our key infrastructure and systems, and with the design work being completed on unique branded collections. We expect the results of our renewed strategy to be progressively realised over this and following years.

"The Group is also pleased by the improved results on its e-commerce strategy with online revenues growing by 84.9% during the quarter. e-commerce will remain a focus so that we can deliver a more integrated and engaging experience for our customers by better connecting our online platform with in-store opportunities," Phil said.

MICHAEL HILL SEGMENT BREAKDOWN

For the quarter ended 30 September 2018:

- Australian same store sales were 12.8% down. One store opened and three under-performing stores closed, giving a total of 169 stores trading at 30 September. Two more stores are planned to open ahead of the Christmas period.
- New Zealand same store sales were 7.6% down. One store opened during the period, giving a total of 53 stores trading at 30 September.
- Canada same store sales were 11.0% down. One store opened, giving a total of 84 stores trading at 30 September.

Revenue for continuing operations from the sale of goods and services for the three months to 30 September 2018:

Michael Hill same store figures in local currency		Last Year	This Year	% Var
Australia same stores	AUD	71,634,831	62,479,136	(12.8%)
New Zealand same stores	NZD	25,318,957	23,387,416	(7.6%)
Canada same stores	CAD	24,481,445	21,796,092	(11.0%)
Michael Hill all stores figures in local currency				
Australia all stores	AUD	72,924,163	65,131,884	(10.7%)
New Zealand all stores	NZD	25,794,478	23,880,355	(7.4%)
Canada all stores	CAD	25,840,164	23,961,682	(7.3%)

The following figures are in Australian dollars		Last Year	This Year	% Var
Michael Hill same stores	AUD	119,831,248	106,694,603	(11.0%)
Michael Hill all stores	AUD	122,935,105	112,063,676	(8.8%)

Exchange rates used for the three months:

New Zealand	1.08	1.09
Canada	0.99	0.96

EMMA & ROE OPERATIONS

Four stores closed during the quarter and two stores continue to trade alongside the Emma & Roe website, as part of the closure strategy. Heavy discounting in store and online has seen increased trading activity, and same store sales for Emma & Roe were 112.9% up for the quarter.

Emma & Roe same store figures in local currency		Last Year	This Year	% Var
Australia same stores	AUD	1,116,342	2,376,653	112.9%

The above figures for Michael Hill and Emma & Roe represent two months accounting adjusted sales results plus September 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. Continuing operations have been defined as the Michael Hill geographical segments of Australia, New Zealand and Canada.

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.

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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 308 stores globally with 306 Michael Hill stores in Australia, New Zealand and Canada, and 2 Emma & Roe stores in Australia. 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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