

## ASX & NZX ANNOUNCEMENT

### MARKET UPDATE: EMMA & ROE STORE CLOSURES

**Brisbane, 5 March 2018:** Michael Hill International Limited (ASX and NZX: MHJ) today announces the outcome of its review of the reduced store footprint for the repositioning of the Emma & Roe brand.

In January, the Company announced it had undertaken a comprehensive review of Emma & Roe to help shape the future strategic direction of the brand. The findings of this review identified a major opportunity in the demi-fine jewellery segment and an emergence in customer preferences towards fine fashion. Demi-fine is a relatively new segment of the market combining fine jewellery with fashion for those customers seeking stylish yet affordable items to accessorise their wardrobe. The demi-fine segment allows customers with a preference for fine jewellery to achieve their desired look but at a lower price.

Having identified the opportunity, the Company announced it would reposition the Emma & Roe brand into this emerging demi-fine jewellery segment, with the new proposition involving a smaller, concentrated store footprint during an initial test and trial period for the remainder of FY18 and whole of FY19.

Of the 30 Emma & Roe stores currently open across Australia and New Zealand, the Company has decided to retain six Emma & Roe stores with the remainder intended to be closed by 30 June 2018. These remaining stores will be focused in a single market area. The Company considers that the six store footprint will provide the opportunity to iterate the new model at speed based on customer insights and operating experience. The Company has negotiated non-binding in-principle lease exit terms with most landlords and will now proceed to negotiate binding formal documentation with those landlords. The Company is well progressed in negotiations with the remaining few landlords and will be working expediently to finalise those negotiations and then proceed to agree formal documentation.

Emma & Roe employees will be redeployed to Michael Hill stores where circumstances allow. Impacted employees will otherwise be offered redundancy arrangements and support. The Company expects employee severance costs will be finalised in the period to 30 June 2018, as employees are redeployed where possible and the impacted stores are progressively closed.

On the above basis, the total one-off cash costs of exiting the 24 Emma & Roe stores, for lease terminations and employee severance, are currently estimated to be in the order of \$5.8m to \$7.9m.

The above represents the Company's current intentions and expectations and is based on the information currently known to the Company. The Company's decisions, intentions or expectations may change due to a variety of factors, including, without limitation, factors outside the Company's control, factors which currently cannot be foreseen, if new information becomes available or if agreement on the binding formal documentation cannot be reached on terms satisfactory to the Company.

The Company will provide further information when available in accordance with its disclosure obligations.

#### ***United States store closure update***

The Company also announced in January the complete exit of its loss-making retail operations in the US. The negotiations for the exit of the nine operating US stores are ongoing with US landlords. The Company will provide further information, including the financial impact of the intended store closures, to the market when such information is available in accordance with its disclosure obligations.

## 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 Company's anticipated or planned financial and operational performance. 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; the Company's financial condition; the Company's working capital, cash flows and capital expenditures; and the Company's business strategy, plans and objectives for future operations and events, including those relating to the Company's 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.

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 the Company 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. At 31 December 2017, the Group had 347 stores globally with 317 Michael Hill stores in Australia, New Zealand, Canada and the US, and 30 Emma & Roe stores in Australia and New Zealand. 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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