

ASX AND NZX ANNOUNCEMENT

Trading Update

17 May 2024

Michael Hill International Limited (ASX/NZX: MHJ) provides a trading update for the 45-week period ended 12 May 2024.

Positive sales momentum had been expected through the second half in line with anticipated improvements in consumer sentiment and economic conditions. Unfortunately this has not materialised, with second half sales performance broadly in line with the first half, and margin still under pressure.

- **Group Sales** – For the first 45-weeks of FY24, Group sales (including Bevilles) were up 4.7% on LY, and the sales for the core Michael Hill brand were still negative to LY.

		FY24H1 to Wk26 % Var to LY	FY24YTD to Wk45 % Var to LY
Revenue for retail operations			
Segment figures in local currency			
Australia segment	AUD	10.2%	12.3%
New Zealand segment	NZD	-10.3%	-11.1%
Canada segment	CAD	0.5%	-0.4%
Total sales	AUD	4.0%	4.7%

- **Australia** – The segment shows positive sales for both H1 and YTD, however this growth is driven by the inclusion of the Bevilles brand in FY24 only. Sales performance in the core Michael Hill brand has improved marginally compared to the first half, but remains negative to last year. The Bevilles brand has also not met sales expectations and has been further impacted by the relocation announcement and systems integration process.
- **New Zealand** – The segment remains our most challenged with deeper macroeconomic pressures significantly impacting consumer behaviour and discretionary spend. The continued negative sales results are also driven by a decline in consumer credit approval rates across the country and an increase in serious retail crime events impacting a number of our stores.
- **Canada** – This continues to be our best performing segment, broadly flat on a record prior year.
- **Gross margin** – In line with the first half, gross margin remains suppressed due to sustained higher input costs and record gold pricing. All markets continue to experience aggressive promotionally led retail trading conditions, which is also contributing to margin pressure.
- **Earnings impact** – Given the compressed sales and continued gross margin decline, previously reported first half earnings have been eroded by an EBIT loss of ~\$10m for FY24Q3.

As the business navigates the prolonged impact of cost-of-living pressures on consumer sentiment, management are activating initiatives to stimulate sales and restore margin. There is also a heightened focus on managing operational costs and capital expenditure. Actions have been taken to reduce costs across the business including inventory, corporate overheads, underperforming stores and further optimisation of store rostering.

Commenting on the result, Managing Director and CEO of Michael Hill International Limited, Daniel Bracken said:

“There is no doubt that consumer discretionary spend, and the fine jewellery category in particular, remain under pressure due to macroeconomic forces. Higher interest rates are leading to a sustained and prolonged decline in consumer spending. Looking forward, as interest rates moderate, we anticipate sales and margin recovery.”

This announcement is authorised for release by the Board.

ENDS

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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 302 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).

www.investor.michaelhill.com

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.