

## ASX AND NZX ANNOUNCEMENT

### STORE TRADING RECOMMENCES AS DIGITAL TRADING DELIVERS RECORD GROWTH

#### Business Update

14 May 2020

#### KEY POINTS

- **Gradual reopening of stores in all markets with safety protocols in place** – After an initial trial across select stores, nearly 100 Australian stores and 25 New Zealand stores will be operating from Saturday 16<sup>th</sup> May 2020, with the balance of Australian and New Zealand stores to progressively open over the coming month. Plans are underway to commence opening progressive tranches of Canadian stores from late May.
- **Digital sales deliver record breaking weeks** – The Group has delivered strong digital trading growth, with digital sales above previous record Christmas 2019 levels for the past three weeks.
- **Lean operating model continues with a focus on cost reduction** – The Group continues with its absolute focus on cost reduction to eliminate non-essential expenditure and manage its cost of doing business (COB).

Michael Hill International Limited (ASX/NZX: MHJ) (the **Company** or **Group**) today provides a business update as it actively monitors and manages the trading and operational impact of public health measures relating to the COVID-19 global pandemic across our three market segments.

#### 1. Reopening of stores with enhanced customer and employee safety protocols

In response to the COVID-19 crisis in late March this year, the Company announced that all 301 stores globally had temporarily suspended operations. We have been actively planning the reopening of our store network and great consideration has been placed on re-evaluating the store network, customer demographic, and store profitability. We are determined to open the right stores at the right time with the right inventory.

The Company still anticipates an ongoing impact on revenue and profitability due to the uncertainty of the economic landscape. Accordingly, we have been negotiating with all our landlords to reach reasonable commercial arrangements that reflect the reality of the consumer marketplace and trading conditions. In addition, the Company has decided that it will not reopen some underperforming stores across all three segments (to date, 5 in Australia, 3 in New Zealand and 1 in Canada). Further store closures are likely across all markets, based on store performance and the outcome of landlord negotiations.

**Australia:** Following a relaxation of Federal Government health requirements, State Governments in Australia have started lifting restrictions placed on the public. Accordingly, we have reopened an initial trial of deliberately chosen stores, with new safety protocols in place to protect our employees and customers.

Based on the ongoing monitoring of the trial stores, further government directives, and consumer demand, the Company aims to reopen all selected stores by early June. Initial trading results suggest pent-up consumer demand saw increased sales compared to prior year, heading into Mother's Day celebrations.

**New Zealand:** As announced by the New Zealand Government on 11 May 2020, the country will be moving down to an alert level 2, allowing retail stores to open, provided strict public health requirements are adhered to. Plans are in place to open 25 stores on Saturday 16<sup>th</sup> May 2020, with the balance planned to follow across the coming two weeks.

**Canada:** Our stores in Canada currently remain closed. However, plans are in place to commence the progressive reopening of stores commencing in late May, subject to applicable Provincial Government directives and public health requirements.

In all jurisdictions, we will reopen with the following additional safety protocols (along with any additional country specific Government mandated requirements):

- Heightened thorough cleaning regime upon store opening and throughout the day
- Stickers on the floor to ensure social distancing measures are in place
- Increased use of contactless payments
- Perspex screens for transacting with customers
- Continued cleaning of all product prior to being returned to the cabinets
- Team members to be trained in new safety procedures.

## 2. Boost to online sales along with rollout of digital initiatives

The Company has seen a significant boost in sales from our digital business, with digital sales in the last three weeks outperforming the prior record digital sales week from Christmas 2019.

Over the seven week period of store closures, we took the opportunity to deliver a number of key digital initiatives and we have developed new strategies to grow our digital business and meet our evolving customers' needs. We launched several alternative revenue opportunities and also enhanced the digital user experience, including:

- **Virtual Appointments** – Australian launch of a virtual appointment service, where our customers can book a video appointment with our sales professionals. Customers can tailor their virtual appointment and select engagement, gifting or styling sessions. This service utilises the expertise of our sales professionals and brings a level of convenience to customers they are increasingly looking for. We will be spending the next month testing and learning this service in Australia only, before expansion to other countries.
- **Michael Hill Connected** – online video hub that provides customers with the latest information on new product launches, expert advice, styling tips and gift guides.
- **Shoppable Catalogue** – interactive catalogue that links to product on the website for easy purchase.
- **Proactive chat on My Bag page** – Chat Conversion tracking that allows customer service team members to respond to customer questions in the final stage of online purchases.
- **Shoppable Instagram feed** – direct links from Instagram to the Michael Hill website for easy customer purchases.
- **WeChat Mini Commerce Store** – Michael Hill WeChat Mini store connecting a new audience to access and purchase Michael Hill product.

In addition, our recently launched loyalty program *Brilliance* has seen memberships increased to over 100,000, with our loyalty revenue representing 42% of total e-commerce revenue, its highest since launching *Brilliance*.

## 3. Lean operating model and cost focus continues

As announced on 16 April 2020, the Company is committed to maintaining a lean operating model and an absolute focus on costs during the crisis recovery period. The following measures will continue to remain important as the Company moves through the store reopening phases:

- Controlled stand-up of retail and corporate employees across each market, along with access to the various government wage subsidy support programs
- Continuation of the review of the corporate support centre with refinements being undertaken to align team structures and reduce costs
- Actively engaging with landlords in all our markets
- All planned store capital expenditure cancelled or deferred, unless required and appropriate
- Review of inventory levels and types held across all locations, for return to vendor or for repurposing.

## 4. CEO – temporarily reduced duties

The Company announced today that the CEO, Mr Daniel Bracken has recently undergone surgery and will need a reduced work load for the next few weeks to aid his full recovery. The Board has determined that given Mr Bracken is able to continue to fulfill his duties during this short period of recovery, there is no need to appoint an acting CEO.

**Commenting on today's announcement, Michael Hill International Limited, CEO Daniel Bracken said:**

*"The surge in our digital sales signals a notable shift in consumer behaviour in the jewellery category. We have been quick to respond and harness this opportunity, with the implementation of a number of digital initiatives to continue to attract new customers and maintain the momentum. I'm very proud of the agility of our team to roll out so many digital initiatives in such a short period of time.*

*"As we reopen stores, we are placing the utmost importance on the safety of our employees and customers. We look forward to enabling our customers to celebrate their love, style their wardrobe and find their memorable gift in a safe store environment as we all navigate through these unprecedented times.*

*"I would like to thank our loyal employees and customers for continuing to support us. I'm witnessing a sense of resilience, determination and purpose from all parts of the business. The next six months and beyond will continue to be challenging, however, we are well-placed in each market to emerge as a strong and more relevant jewellery brand."*

ENDS

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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 nearly 300 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](http://www.investor.michaelhill.com)

[www.michaelhill.com.au](http://www.michaelhill.com.au)

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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.

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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.