

MICHAEL HILL

INTERNATIONAL LIMITED

ASX AND NZX ANNOUNCEMENT FY2024 FULL YEAR RESULTS

30 August 2024

Michael Hill International Limited (ASX/NZX: MHJ) today announced its full year financial results for the 52-week year ended 30 June 2024¹.

Key Financial Results

- **Group revenue increased by 4.2%** on a 52-week basis (including Bevilles) to **\$644.9m**, and by 2.4% on a statutory basis (FY23: 53 weeks).
- Group gross margin settled at 60.6% in line with previous guidance, impacted by higher input costs and increased promotional activity in response to more aggressive retail trading conditions. In addition, during the last two months of FY24, there was deliberate focus on promoting inventory to make way for higher margin product in FY25.
- **Comparable earnings before interest and tax (EBIT) of \$15.9m**, at the upper end of previous guidance.
- Statutory net profit after tax decreased to a loss of \$0.5m with the variance to comparable EBIT performance largely driven by AASB16 *Leases & SaaS*, finance costs and normalisations.
- Active management of inventory delivering a ~\$7m reduction to \$195.8m.
- As a proactive capital management measure, the existing debt facility has been increased by \$40m for the four-month period from 15 September 2024 to support seasonal working capital requirements for Christmas trade.
- Closing net debt position of \$38.7m, having deployed cash to support ongoing investment in the business.
- No final dividend was declared, delivering total dividends for the year of AU1.75 cents per share.

Operational Performance

- **Group revenue was up 4.2%** for the year on a 52-week basis, with Australia +10.3%, New Zealand -11.8% and Canada flat.
- **Digital sales** grew 16% to \$47.9m for the year, demonstrating a strong return to growth.
- Complete refresh of the Michael Hill brand, across digital platforms, new brand logos, colour palette, instore visual merchandising and packaging.
- Partnering with our first ever global Brand Ambassador, Miranda Kerr, who perfectly embodies our brand values and sustainable business practices.
- Aligned with the brand relaunch, the Michael Hill brand opened its first true global flagship store, at Chadstone, Australia's leading fashion destination.
- Launched the *Michael Hill Foundation*, focused on empowering women and restoring nature.
- Expanded our *Re:new* sustainable jewellery ecosystem: extending our *re:cycle* offering to Canada and New Zealand, launching diamond trade up program, *re:imagine* in New Zealand, and investing in our repairs network to grow our *re:store* (repairs) capability and service offering.
- Integration of Bevilles onto Group operational systems and successful relocation of the head office, supply chain and distribution centre from Victoria to Queensland
- In line with our store network strategy, the core Michael Hill brand has continued to optimise its store network throughout the year, while at the same time expanding the Bevilles' store network from 26 to 36 stores. The Group finished the year with 300 stores (FY23: 304).

Current Trading Update

- For the first eight weeks of FY25, Group sales were up 3.2%, and Group same store sales were up 2.7% on prior year, with same store sales for the:
 - Australian segment up 5.0%,
 - Canadian segment up 4.0%, and
 - New Zealand segment down 6.2%.

¹ FY24: 52 weeks, FY23: 53 weeks

Commenting on the announcement of the Company's full year results, Managing Director & CEO Daniel Bracken, said:

"While FY24 earnings were disappointing, with challenging economic conditions and inflationary pressures impacting consumers across all markets, the business continued to execute on its clearly articulated strategy, focus on retail fundamentals and drive topline sales.

"Critical to the Michael Hill Group strategy was to establish a clearly defined portfolio of brands. This past year not only saw the refresh of the Michael Hill brand to support its premium market positioning, but also the expansion and integration of the newly acquired Bevilles brand at the value-end of the fine jewellery category. Additionally, in the year, the business further demonstrated its commitment to sustainability with the launch of its re:new ecosystem, including gold recycling and jewellery repairs, and the creation of the Michael Hill Foundation.

"In what was both a challenging and busy year, I could not be prouder of how the teams came together across all functions and geographies, embracing change and prioritising customer experience."

FY24 – Group Business Performance

Following a period of record results for the Group, retail conditions for the fine jewellery sector over the last 18 months have been challenging due to low consumer confidence and broader macroeconomic pressures. Notwithstanding the difficult conditions, third-party data suggests that the Michael Hill brand has continued to outperform the broader jewellery market.

Given this environment, the Group reported a decline in performance, with comparable earnings before interest and tax of \$15.9m for the year ended 30 June 2024. This result was driven by a combination of lower gross margins and inflationary cost pressures.

The Group delivered revenue of \$644.9m, up 4.2% on a 52-week basis including Bevilles, and up 2.4% on a statutory basis (FY23: 53 weeks). Pleasingly, average transaction value grew by 6% during the year, as further demonstration of the traction of the Michael Hill aspirational brand journey.

Higher input costs for both gold and mined diamonds continued through the year and combined with heightened competitor activity, resulted in gross margin of 60.6%. During May and June, there was a deliberate focus on clearing inventory to make way for newness and higher margin product in FY25 to drive the recovery of recent margin declines. In addition, to reflect the inflated gold raw material pricing the group does periodically lift retail prices accordingly.

Inflationary cost pressures impacted the majority of operating expenses across the business, the most significant being store labour and occupancy. With this in mind, throughout the year management took action to reduce discretionary spend, corporate roles and overheads, reflecting the underperformance of the business, with many of these savings annualising through FY25.

Omni-channel continues to be a key strategic focus for the Group with further advancements across ship from store, click & collect, and virtual selling, all contributing to annual growth in digital sales of 16% to \$47.9m.

Active management of inventory saw year-end holdings reduced by \$7m to \$195.8m, as the Group took deliberate steps to ensure the right product mix, newness and high margin profile.

During the first year of ownership, the Bevilles brand expanded its store network by ten stores to 36. This included entry into a new territory, Queensland, with five new stores and two conversion stores, along with three new stores in existing territories. In addition, in the second half of the year, the business completed a full transition to Group operational IT systems across retail, finance and inventory, and seamlessly relocated its Melbourne head office and distribution centre to Brisbane.

In line with our store network strategy, the core Michael Hill brand has continued to optimise its store network throughout the year, while at the same time expanding the Bevilles' store network. The Group finished the year with 300 stores (FY23: 304).

Retail Segment Performance

Australia

Retail segment revenue increased by 10.3% to \$359.1m for the year on a 52-week basis (including Bevilles), and increased by 8.5% on a statutory basis (FY23: 53 weeks).

Gross margin for the year was 60.4%.

The Australian store network finished the year with 171 stores, including 36 Bevilles stores (FY23: 172 including 26 Bevilles stores).

New Zealand

Retail segment revenue decreased by 11.8% to NZ\$114.8m for the year on a 52-week basis, and decreased by 13.3% on a statutory basis (FY23: 53 weeks).

Gross margin for the year was 59.6%.

Given the heightened level of security incidents experienced in New Zealand and in order to protect our customers, teams and stores, significant investment in security measures continued throughout the year and had a ~\$5m direct impact on earnings.

During the year, two stores closed, resulting in 44 stores at year end (FY23:46).

Canada

Retail segment revenue increased by 0.6% to CA\$157.1m for the year on a 52-week basis, and decreased by 1.1% on a statutory basis (FY23: 53 weeks). This result is a credit to the segment considering last year was another record performance.

Gross margin for the year was 60.6%.

During the year, one store closed, resulting in 85 stores at year end (FY23: 86).

Capital Management

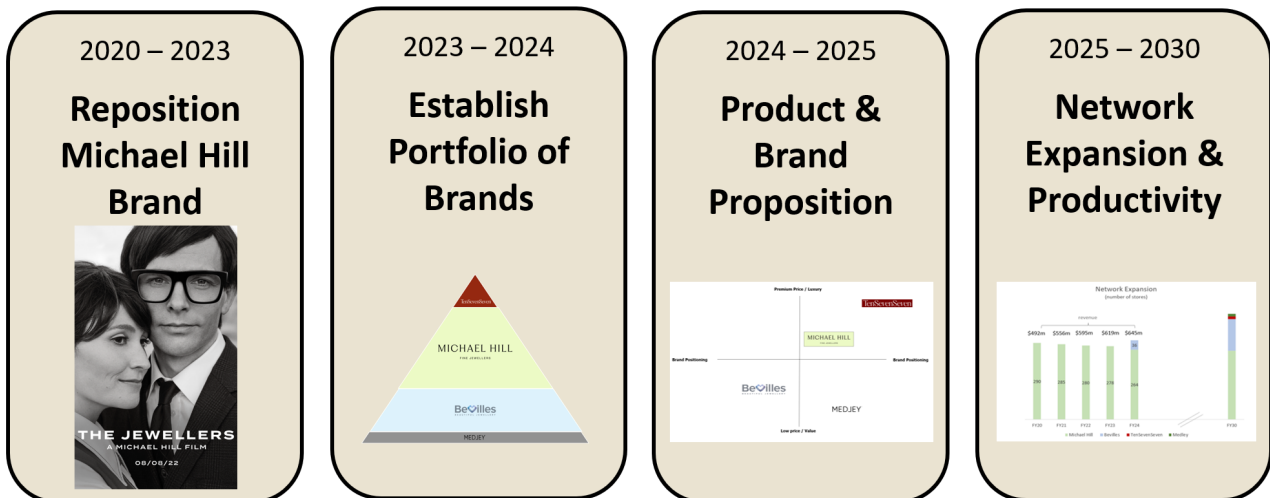
During the year, the business deployed cash for a number of strategic initiatives, including refresh of the Michael Hill brand, the Chadstone global flagship store, development of *TenSevenSeven*, along with digital and data investments, resulting in a closing net debt position of \$38.7m.

As a proactive capital management measure, the existing debt facility has been increased by \$40m for the four-month period from 15 September 2024, to support seasonal working capital requirements for Christmas trade. In addition, the business has taken action to reduce capital expenditure across both technology and stores throughout FY25.

Given compressed earnings in FY24, and in conjunction with a commitment to prudent investment in operating and capital expenditure in FY25, the Board has decided that no final dividend will be declared for FY24, resulting in a total dividend for the year of AU1.75 cents per share.

Group Strategy, the Path to 2030 – Emphasis on Sales and Margin Growth

While market conditions continue to be challenging, the business remains committed to its multi-brand group strategy with an emphasis on sales and margin growth.



Reposition Michael Hill Brand, 2020 - 2023

Much of the strong performance over the last three years can be attributed to the strategic transformation of the Michael Hill brand – the strategy to elevate and modernise the brand has underpinned the overarching vision for the business. The aspirational brand journey to a more premium market position continues, with consistent customer-led business imperatives:

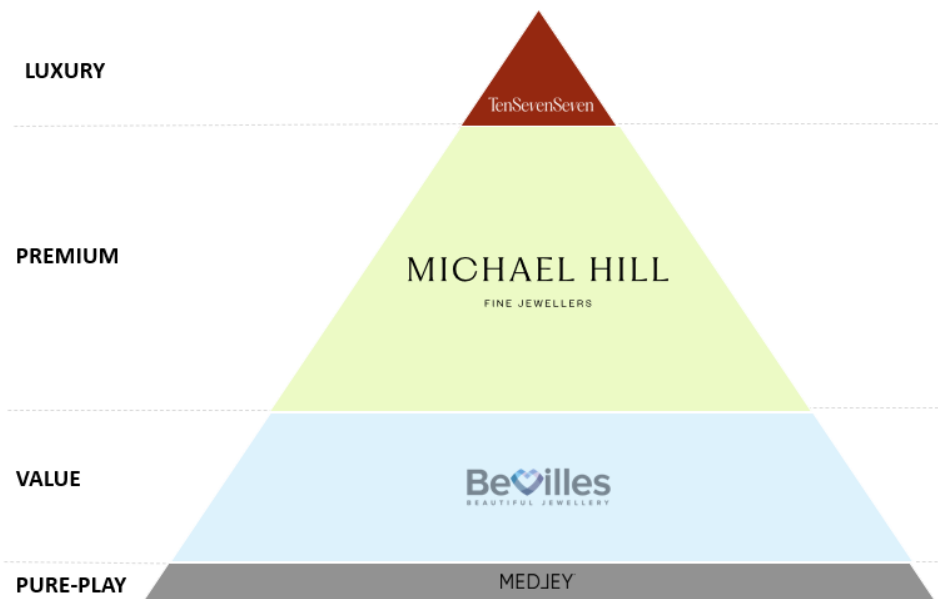
- **Brand & Loyalty** – Contemporary premium jewellery brand, leveraging best-in-class loyalty program
- **Retail Fundamentals** – Elevated customer experience, unwavering focus on productivity
- **Digital & Omni-channel** – Omni-first, channel agnostic, digitally-led new markets
- **Product Evolution** – Premium yet accessible, with diamonds at our core
- **Sustainability** – “the jeweller that cares”, global category leader

The Company has demonstrated the success of the aspirational brand journey strategy, firstly through an increasing average transaction value of ~30% over this period, validating our focus on elevated customer experience, higher quality product and attraction of a new modern customer. Secondly, retail productivity has lifted considerably across all markets, delivering increased revenues from an optimised store network.

Establish Portfolio of Brands, 2023 - 2024

With the Michael Hill brand having been repositioned to a more premium position, the acquisition of the Bevilles business provided a vehicle to take market share at the value end of the fine jewellery category. Additionally, in the first half of FY24, the Company soft launched its new bespoke brand *TenSevenSeven*, focused on servicing the high-end of the market with its unique personalised diamond ring proposition.

With these additional brands, the Group now services all significant customer segments of the fine jewellery category, and delivers multiple new growth pipelines.



In addition to our core fine jewellery brands, Medley continues to establish itself as an emerging brand in the fashion demi-fine/fine jewellery category.

Product & Brand Proposition, 2024 - 2025

With the Michael Hill Group multi-brand strategy now in place, each brand is uniquely positioned for different segments and price propositions, and its own strategic priorities:



Michael Hill

- In April 2024, the complete refresh of the Michael Hill brand was revealed, delivering a new elevated aesthetic across all brand assets, colour palette and logos. Over the months that followed, elements of the new brand assets were gradually brought to life across digital platforms, stores and consumer packaging.
- This was soon followed by the exciting milestone of the brand’s first “store of the future”. In late April 2024, a new global flagship store came to life in Chadstone, the most premium centre in the Australian market. The new store incorporated all aspects of the new brand product and proposition, with a new high value product offering, elevated in-store experience, and private selling spaces.
- To coincide with the brand refresh, and our first flagship store of the future, Michael Hill partnered with its first ever global Brand Ambassador, Miranda Kerr.
- Miranda Kerr’s timeless elegance resonates in all our markets, she embodies our brand values, is aspirational and yet accessible. Michael Hill has the ambition to be one of the most sustainable jewellery brands in the world and this aligns perfectly with the sustainable business practices that Miranda follows.
- Product evolution continues with a focus on quality, innovation and sustainability and simultaneously, the development of key signature ranges that embody the premium brand positioning. These are best demonstrated by the new signature lock range and the exclusive cut 101 facet diamond collection.
- Launch of the *Michael Hill Foundation* in late February represents our ongoing commitment to meaningful change, and our dedication to a better world. The *Michael Hill Foundation* encompasses two key areas of focus: Empowering Women and Nature Restoration.

Bevilles

- During the first year of ownership, the store network expanded into a new territory, Queensland, with five new stores and two conversion stores, along with three new stores in existing territories, increasing the store network to 36 stores (FY23: 26).
- In the second half of the year, the business transitioned across to the Group operational IT systems, and relocated its Melbourne head office and distribution centre to Brisbane.
- An increased focus on enhancing the brand’s differentiated proposition to increase disruption in the value jewellery segment.

- After trading the all-important Christmas period, an extensive range review was undertaken with a view to rebalancing the product offering and visual presentation to take advantage of clearly identified market opportunities and in turn, maximising sales and margin.
- Re-establishing the brand’s dominance in its core and everyday value product offering with a more productive and streamlined product range.
- In support of the clearly defined network expansion plan, building a cost-effective marketing strategy that resonates with both existing and new customers.

TenSevenSeven

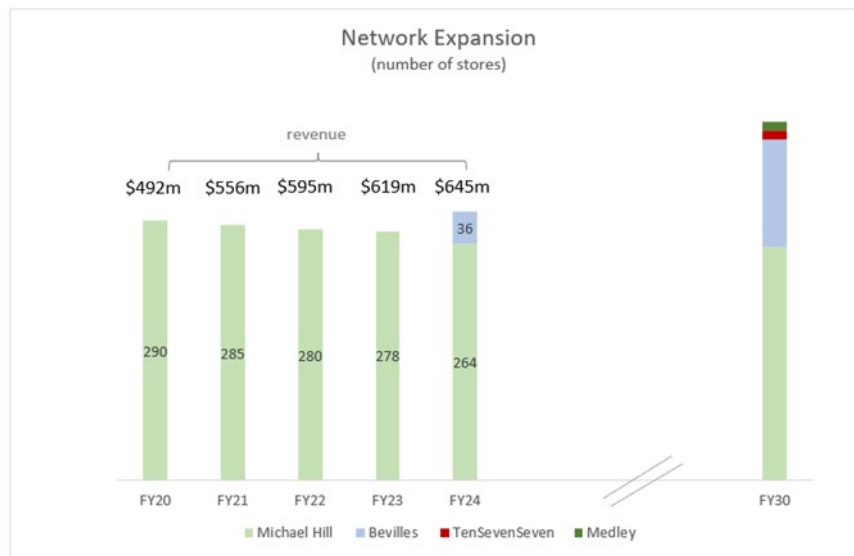
- New start-up brand with a unique and elevated proposition, capturing an entirely new high-end customer.
- Continued enhancements of the digital customer experience, with product extensions and an increased unique diamond offering.
- Investment in customer acquisition intended to be reignited as Group performance returns to growth.

Medley

- Building on fashion positioning across both demi-fine and fine jewellery to a younger demographic.
- Successfully trialed a pop-up kiosk in Chadstone.

Network Expansion & Productivity, 2025 - 2030

With each brand uniquely positioned for their target customer segments, and with both product and brand propositions established, the Group will be well-placed to grow revenue and profits through a more productive and expanded distribution network.



Michael Hill

- Store productivity has proven to be a key lever of growth over recent years and as the brand continues to attract new target customers, it is anticipated that this will continue.
- As the network aligns over time to the elevated product proposition, and with the continued focus on brand evolution, it is expected that average transaction values will continue to increase and support revenue growth.
- Gross margin recovery will be a key focus, underpinned by product evolution, increased penetration of higher margin product, category mix and leveraging the *Brilliance by Michael Hill* loyalty program.
- The brand refresh of our direct-to-consumer digital platforms is already delivering improved customer experience and conversion rates, which in conjunction with investments in data and insights, will increase productivity across all channels.
- Beyond the brand’s leading position in bridal, promoting other key milestone moments like birthdays, provides significant revenue growth opportunities for the business.
- Data insights from the *Brilliance by Michael Hill* loyalty program have identified further opportunities in targeting the self-purchasing customer, providing additional revenue growth opportunities.

Bevilles

- Even with the challenging trading conditions in the fine jewellery sector, the business held firm on its strategic intent to grow the footprint and strengthen its position in the market.
- The business has grown the Bevilles network from 26 to 36 stores in the first year of ownership.
- With the expansion of the network into Queensland, the business will focus on optimising the store layout, product range, and building brand presence prior to rolling out further stores.
- Based on Michael Hill experience, data insights and competitor analysis, the opportunity to grow the network to over 100 stores in Australia remains in place.
- As the Michael Hill brand elevates to a more premium position, this presents opportunities with select stores to transition to the Bevilles brand in a cost-efficient model. Three trial conversion stores are already underway as a test & learn and further conversion stores will be subject to performance.
- A streamlined product offering will enable a step-change in visual presentation and customer experience, leading to a more efficient store footprint and an increase in productivity.
- Investment in our people and training to upskill leadership, lift performance, and drive productivity.

TenSevenSeven

- Given the current trading conditions, the Group has prioritised resources to the Michael Hill and Bevilles brands.
- As and when trading conditions improve, a resumption of the *TenSevenSeven* strategy will see delivery of key initiatives including: leveraging Group data for customer acquisition, expansion of product offering, and opening a small number of flagship showrooms in key capital city destinations.

Medley

- Continue to optimise core digital platform, through customer acquisition and increased purchase frequency.
- Following the initial success of the Chadstone pop-up kiosk, it was extended for Christmas 2024.

Leveraging Group Capabilities

The multi-brand strategy is underpinned by a philosophy of leveraging group capabilities to drive productivity and efficient cost management across all brands:

- Group technology investments and capabilities
- Customer data and insights
- Distribution and logistics synergies to optimise the cost of doing business
- Portfolio vendor management to support product quality and margins
- Digital capabilities to drive efficiency and growth
- Property management to optimise real estate network
- Core support and specialist functions across Human Resources, Finance and Legal

FY25 Trading Update

For the first eight weeks of FY25, Group same store sales were up 2.7% on prior year, with same store sales for the:

- Australian segment up 5.0%,
- Canadian segment up 4.0% and
- New Zealand segment down 6.2%.

Total sales for the Group were up 3.2% for the first eight weeks of FY25.

Managing Director & CEO of Michael Hill International Limited, Daniel Bracken said:

“The first eight weeks sales performance has been encouraging, with positive performances from both Australia and Canada, and some improvement in New Zealand where conditions still remain more challenging. As we plan for the year ahead, initiatives are underway to drive sales and productivity, enhance margin, optimise inventory and prioritise operational expenditure across the Group.”

Analyst and investor call

An investor briefing on the results is scheduled for **9:30am (AEST) on Monday 2 September 2024**.

Please note that the webcast page will not be available until 9:00am (AEST) and it is advised that you join at least 5 minutes before the meeting commences. Participants are encouraged to register online in advance. Once registered you will be able to download a calendar invite link.

The webcast link for the briefing call and to register for Monday 2 September 2024:

<https://meetings.lumiconnect.com/300-415-817-246>

If prompted, please enter the meeting ID: 300-415-817-246

The webcast link to the briefing will also be available on the 'events' section of the investor centre website at:

<https://investor.michaelhill.com/events/event-details/fy24-results-release-webcast>

Important Notes

FY24 was a 52-week period (3 July 2023 to 30 June 2024) compared to FY23 which was a 53-week period (27 June 2022 to 2 July 2023). Comparable EBIT is unaudited, excludes the impact of AASB16 *Leases* and IFRIC SaaS guidance, and with normalisations. Further information on the reconciliation of comparable to the statutory result is contained in the Directors' report and investor presentation. Same store sales reflect sales through store and online channels on a comparable trading day basis and are unaudited.

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 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:

investor.michaelhill.com

michaelhill.com.au

michaelhill.co.nz

michaelhill.ca

bevilles.com.au

medleyjewellery.com.au

watchesgalore.com.au

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.

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