



**michael hill®**

INTERNATIONAL LIMITED

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## ANNUAL GENERAL MEETING

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31<sup>ST</sup> OCTOBER 2016



## Robert Fyfe

Non-Executive and Independent Director  
Chair People Development and Remuneration Committee  
Member Audit and Risk Management Committee

# BOARD OF DIRECTORS



Gary Smith

Emma Hill

Sir Michael Hill

Janine Allis

Robert Fyfe



Phil Taylor

Acting CEO and Chief Financial Officer

# SENIOR EXECUTIVE TEAM



Phil Taylor  
Acting CEO and  
Chief Financial Officer

Galina Hirtzel  
Group Merchandising  
and Manufacturing  
Executive

Anna Shaw  
Chief Marketing  
Officer

Matt Keays  
Chief Information  
Officer

Stewart Silk  
Group Human  
Resources Executive



Kevin Stock  
Retail General  
Manager, Australia

Brett Halliday  
Retail General  
Manager,  
North America

Greg Nel  
Retail General  
Manager,  
New Zealand

Tishara Mina  
Retail General  
Manager, Emma & Roe

Mary-Anne  
Greaves  
Company  
Secretary



NO PHONES



NO CAMERAS



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RECORD EBIT

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**\$47.1M**



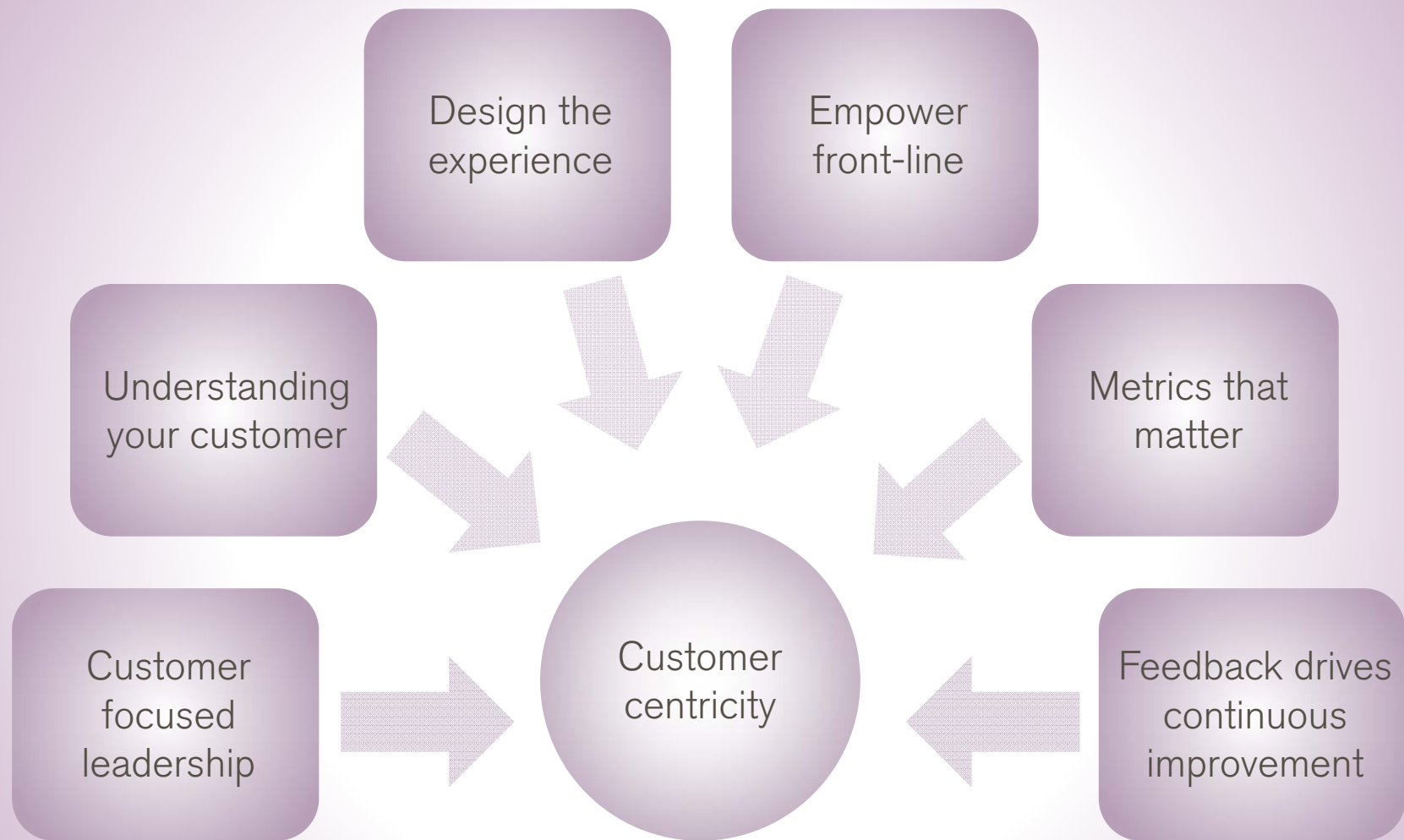
michael hill®

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EMMA & ROE™

BY MICHAEL HILL





# PROPRIETARY COLLECTIONS

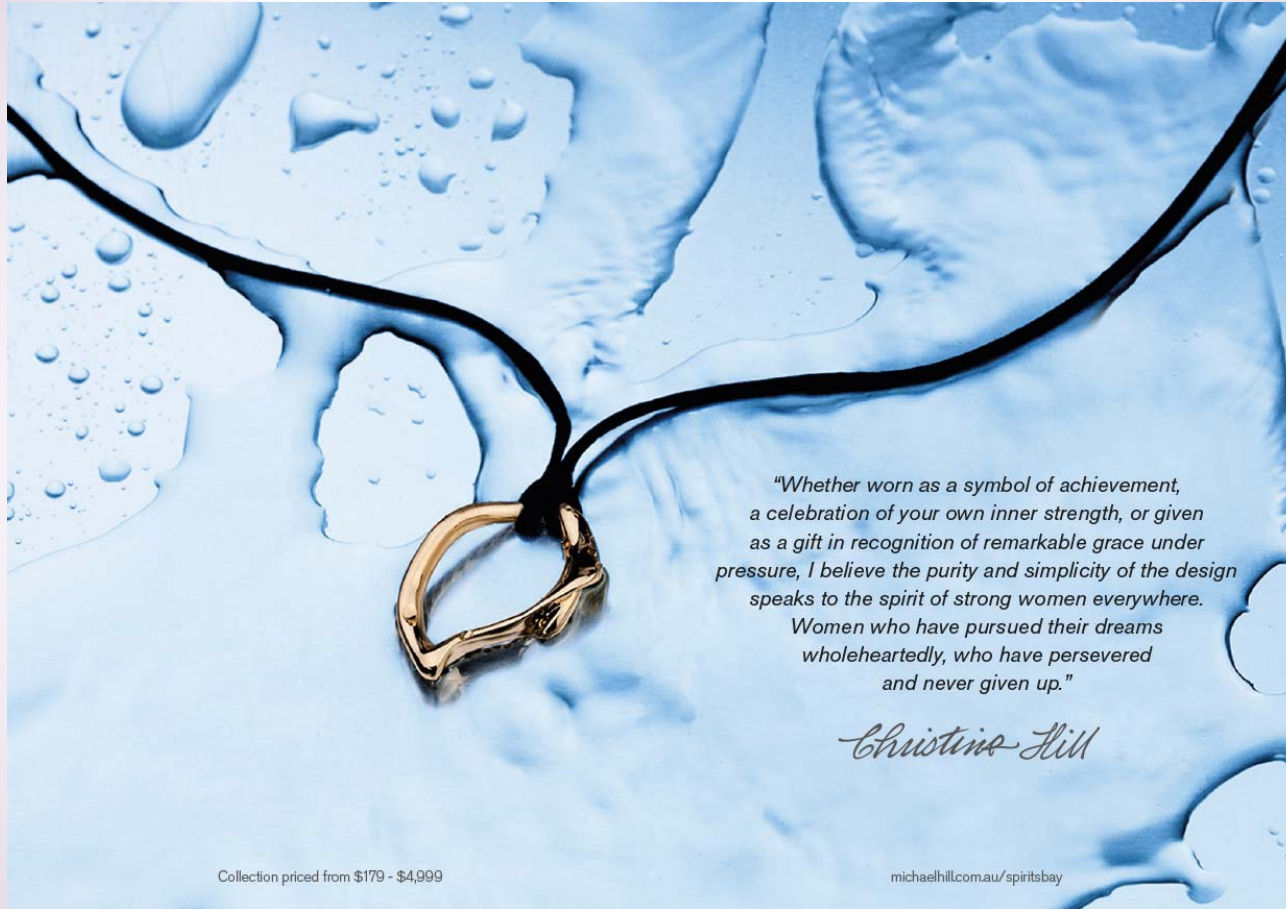


sprits bar



# spirits bay

*Christine Hill*



*"Whether worn as a symbol of achievement,  
a celebration of your own inner strength, or given  
as a gift in recognition of remarkable grace under  
pressure, I believe the purity and simplicity of the design  
speaks to the spirit of strong women everywhere.  
Women who have pursued their dreams  
wholeheartedly, who have persevered  
and never given up."*

*Christine Hill*

Collection priced from \$179 - \$4,999

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



# Christine Hill

Each piece in the Spirits Bay collection represents  
a remarkable journey. A masterpiece of nature, shaped  
by the elements, brought to life in precious metal.



## FROM THE JOURNEY COMES BEAUTY

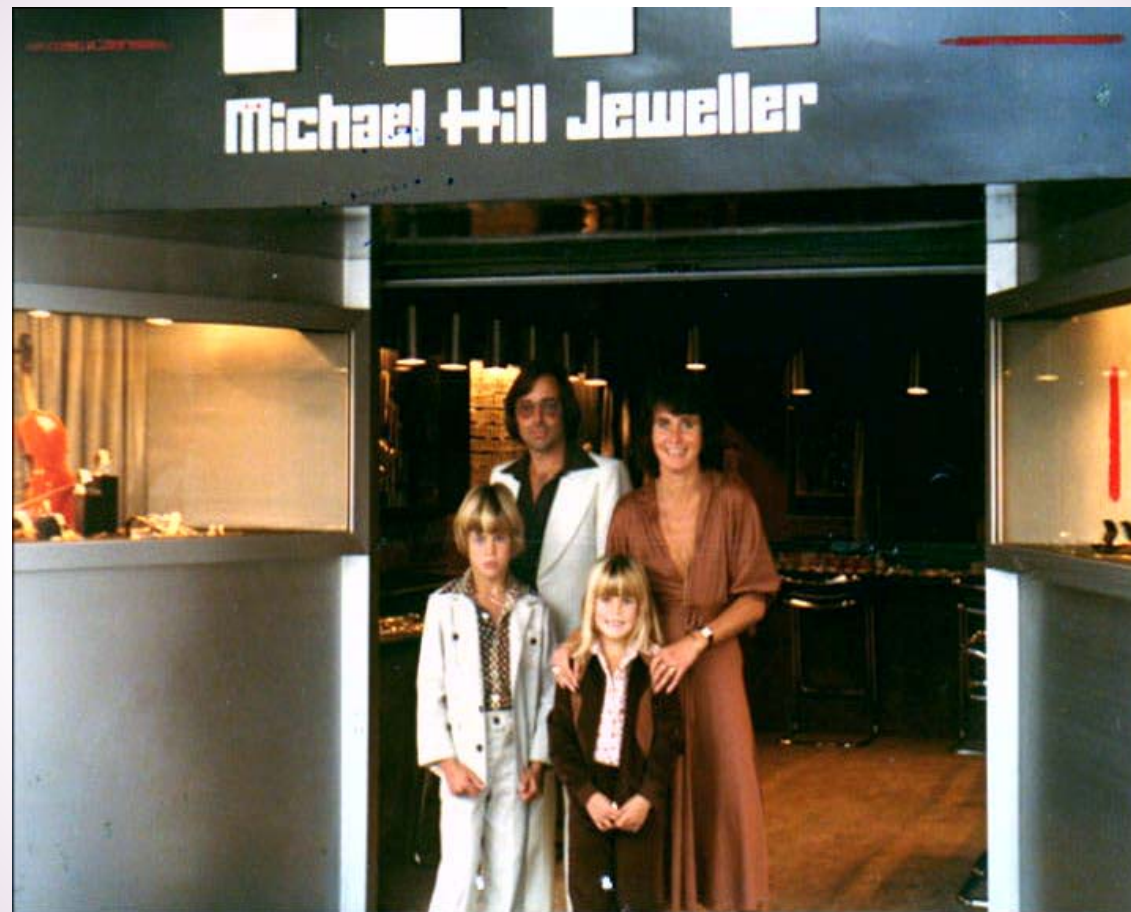
Christine Hill's fascination with the ring-like form of Totorere shells, worn down by the elements, began over 50 years ago on a trip to Spirits Bay, at the top of the North Island of New Zealand. While walking, Michael picked up a smooth-worn shell, elegantly curved and fluid to the touch, and slipped it onto her finger.

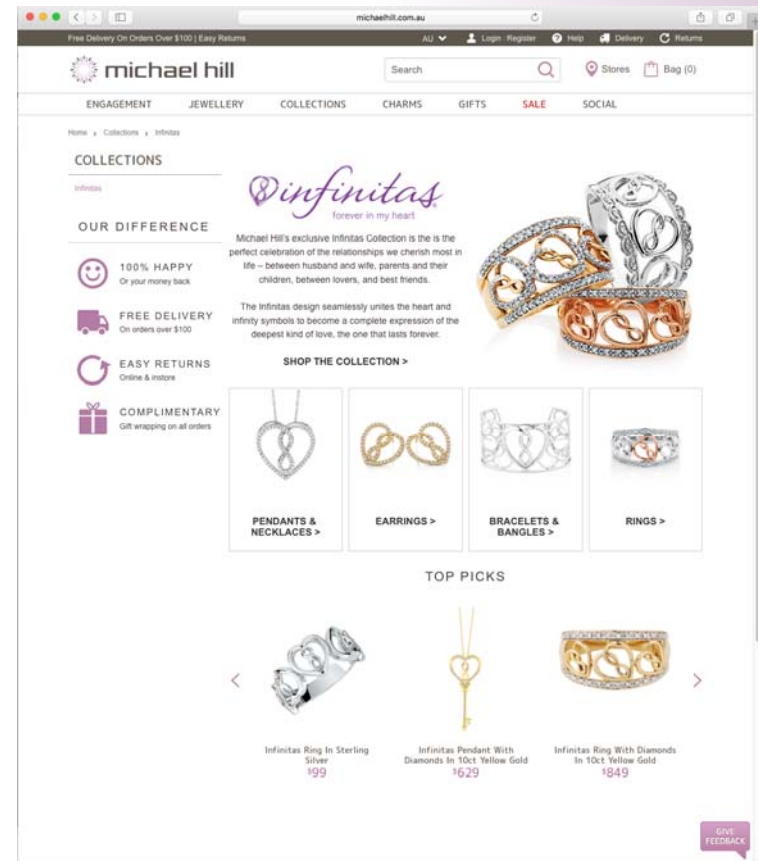
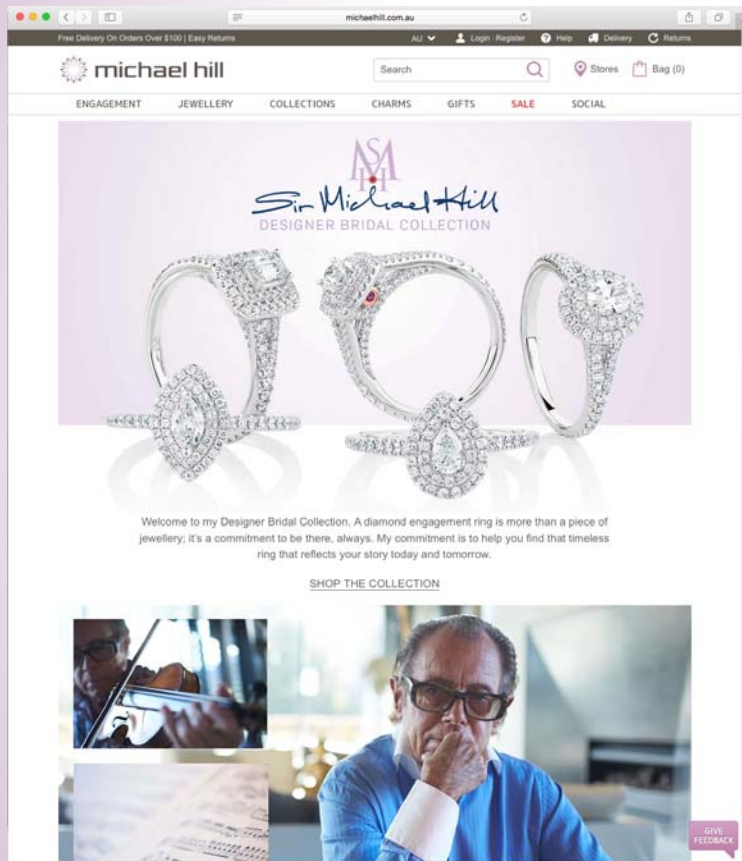
She began collecting these masterpieces shaped by the relentless ocean, sketching them and searching for the purest, most graceful form to transform into a celebration of resiliency and strength, brought to life in precious metal.





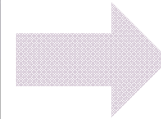
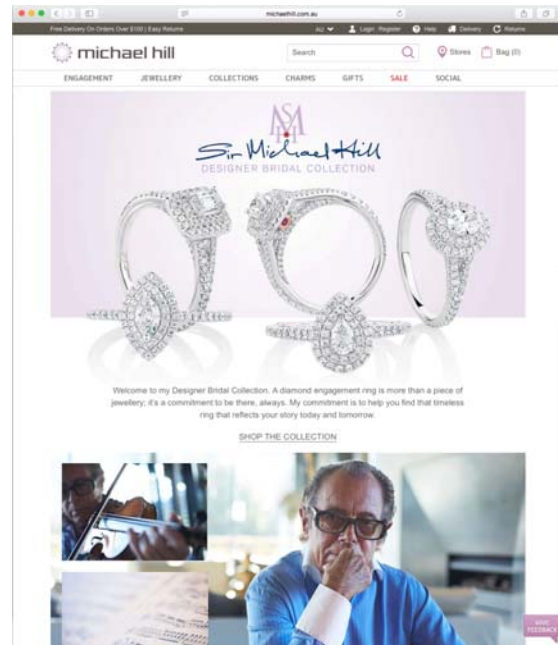
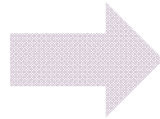
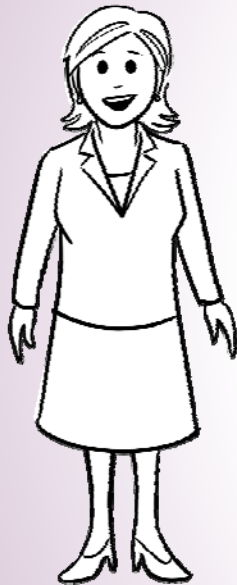








# 55%

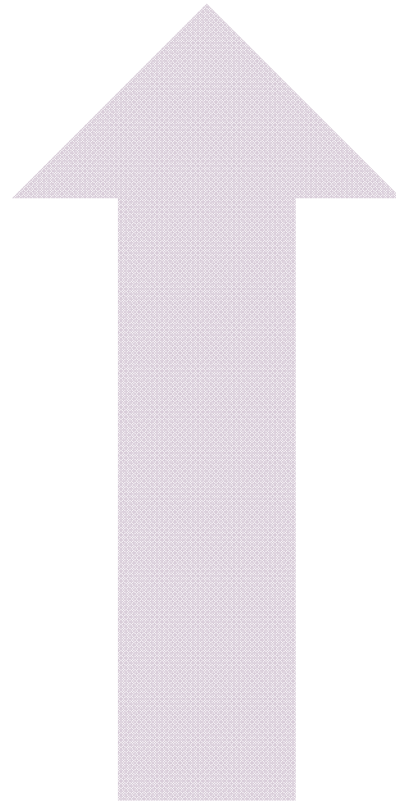




Mike Parsell

CEO 15 years

**\$1<sub>bn</sub>**



**\$500<sub>m</sub>**





Sir Michael Hill

Director



Phil Taylor

Acting CEO and Chief Financial Officer

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# CEO'S ADDRESS: 2016 ANNUAL GENERAL MEETING

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- FY 2016 results summary and highlights
- FY 2016 segment performance
- 2016/17 growth strategy update
- Q1 trading update

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# FY 2016 RESULTS SUMMARY AND HIGHLIGHTS

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- Group revenue grew by 9.5% to a record \$551m
- Same store revenue growth of 5.2%
- Gross margin increased to 64.0%
- Record EBIT of \$47.1m which was 11.9% higher than prior year
- NZ, Australia and Canada all achieved record profits for the period
- Dividend for the year was 5¢ AUD, up from 5¢ NZD paid last year
- Professional Care Plan sales of \$39.3m were made during the period, up 10.6% on the previous year
- Deferred revenue from Professional Care Plans of \$71.6m on balance sheet
- Net debt of \$32.0m down 16.4%
- Operating net cash inflows of \$47.8m
- Equity ratio was 48.5% at the end of June
- Emma and Roe moved from trial to growth mode in June 2016
- 11 Michael Hill and 8 Emma & Roe stores opened in the period
- A total of 313 stores trading at the end of the year including 16 Emma & Roe stores
- Settlement of our long running tax dispute with the New Zealand Inland Revenue has been achieved

# FY 2016 SEGMENT PERFORMANCE

## Michael Hill Australian Retail Segment

- Solid sales growth with same stores growing by 3.8% which helped deliver a pleasing EBIT lift of 9.6% to a record \$50.3m. This was achieved through a focus on improved productivity and attention to cost control
- We also completed 7 relocations during the 2015/16 year and refurbished 4 stores to the latest design and look. This is an ongoing focus and helps drive increased productivity and sales which in turn improves the bottom line
- 3 new stores were opened and 2 closed leaving a total of 168 trading at the end of the period

For the year ending	2016	2015	move
Revenue	307.3m	294.4m	4.4%
EBIT	50.3m	45.9m	9.6%
EBIT as a % of revenue	16.4%	15.6%	+0.8%
Total stores open	168	167	+1

# FY 2016 SEGMENT PERFORMANCE

## Michael Hill New Zealand Retail Segment

- The New Zealand segment posted another impressive result with same store sales increasing by 7.2% and EBIT lifting 15.9% to a record NZ\$27.3m. The continued improvement reflects the stable and experienced leadership team, the impact of a vibrant Auckland market and our ongoing investment in relocations and refurbishments
- During the year our new flagship store in Auckland opened on the cnr Queen Street and Vulcan Lane, which showcases all our latest branded collections and merchandise assortments
- No stores were opened or closed during the period leaving a total of 52 stores

For the year ending	2016	2015	move
Revenue	122.2m	114.0m	7.2%
EBIT	27.3m	23.5m	15.9%
EBIT as a % of revenue	22.3%	20.7%	+ 1.6%
Total stores open	52	52	



# FY 2016 SEGMENT PERFORMANCE

## Michael Hill Canadian Retail Segment

- The Canadian retail segment result was pleasing with revenue growing by 18.9% for the 12 months to C\$94.1m and with same store sales growing by 5.3%
- Operating surplus increased 56.5% to a record C\$9.5m, up from C\$6.0m, as this business is now benefitting from growing economies of scale and better brand recognition in this market
- 7 new stores were opened during the period at a total capital cost of C\$4.5m, giving a total of 67 stores operating at 30 June 2016

For the year ending	2016	2015	move
Revenue	94.1m	79.1m	18.9%
EBIT	9.5m	6.0m	56.5%
EBIT as a % of revenue	10.0%	7.6%	+2.4%
Total stores open	67	60	+7

# FY 2016 SEGMENT PERFORMANCE

## Michael Hill US Retail Segment

- Same store sales were up 3.5% for the 12 months which was short of our expectation
- The EBIT loss was higher than last year at \$2.3m due to sales growth not matching the planned cost increases in marketing and staffing
- Our second New York store opened in October 2015 at Roosevelt Fields bringing total store numbers to 10. We have no further plans for store openings as the priority must now be on improving the existing group of stores to a viable level
- The management team was recently changed in the US bringing responsibility for the segment under Brett Halliday, our tried and proven Canadian President. Management's focus is now firmly on top line growth over the remainder of the year. The company is still committed to proving up the US model and continuing with growth when the board is satisfied the current portfolio is performing to an acceptable level

For the year ending	2016	2015	move
Revenue	14.0m	11.3m	24.4%
EBIT	(2.3m)	(1.9m)	(18.4%)
EBIT as a % of revenue	(16.2%)	(17.0%)	+0.8%
Total stores open	10	9	+1

# FY 2016 SEGMENT PERFORMANCE

## Emma & Roe Retail Segment

- Emma & Roe was moved from trial to growth mode in June 2016
- Up to 200 store locations have been identified as potential locations for the Emma & Roe brand throughout Australasia and up to 100 for the Canadian market
- Capital requirements for an Emma & Roe store are roughly half that required for a Michael Hill store. Gross profit is approx. 5% higher than the Michael Hill brand and variable costs are similar as a percentage of revenue
- A solid lift in same store sales of 35% was achieved in the first full year of operation of our Emma & Roe brand
- Average annualised store revenue of close to \$0.9m was reached in 15/16 with expectations of this growing to an average of \$1.0m in the 2016/17 year
- 8 new stores were opened in Australia during the year bringing total stores to 16 at the end of June with another 10 planned for Australia in 2016/17 and 2 for New Zealand

For the year ending	2016	2015	move
Revenue	9.3m	4.9m	91.6%
EBIT	(2.4m)	(2.9m)	(15.8%)
EBIT as a % of revenue	(26.0%)	(59.1%)	+33.1%
Total stores open	16	8	+8

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# 2016/17 GROWTH STRATEGY UPDATE

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- A continued focus on our existing store base
- 12 new Michael Hill branded stores
- Continued testing of our US model
- Open 12 Emma & Roe stores
- Further refinement and experimentation of the Emma & Roe model
- Further emphasis on our eCommerce and Omni channel capability
- CRM strategy evolving
- Continued emphasis on Proprietary Branded Collections
- Testing other retail formats such as clearance and outlet stores

# Q1 TRADING UPDATE

- Same store growth of 2.8% and a total store sales increase of 6.8%
- Michael Hill brand delivered same store sales growth of 2.8% and total store sales were up 5.9%
- Canadian segment performed particularly well with same stores sales up 7.6%
- NZ and Australia were steady for the quarter with a modest improvement in same store sales
- The Emma & Roe brand delivered a same store sales increase of 1.5% and total store sales growth of 71.5% for the 3 months
- Four new Emma and Roe stores were opened during the period including our first NSW stores
- There were 20 E&R stores open at the end of the quarter with plans to open a further four before Christmas and at least four in the second half of FY17
- New Retail General Manager, Tishara Mina was appointed to the Emma & Roe business in August
- There were 320 stores trading at 30 September 2016
- Five new Michael Hill and four new Emma & Roe stores to open prior to Christmas 2016
- While the first quarter is not a material contributor to our full year result, the results achieved across both brands were a satisfactory outcome
- The Christmas period is the most critical quarter for the Group's result for the year

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# NOTICE OF MEETING

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## PROCEDURE FOR THE MEETING

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# FINANCIAL REPORTS

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# REMUNERATION REPORT

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# ELECTION OF DIRECTORS

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# GRANT OF SHARE RIGHTS

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UNDER COMPANY'S INCENTIVE PLAN



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# APPROVAL OF GIVING TERMINATION BENEFITS

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IN CONNECTION WITH  
THE INCENTIVE PLAN

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# APPROVAL OF GIVING TERMINATION BENEFITS

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TO MIKE PARSELL  
BY THE HILL FAMILY AND THE COMPANY

# APPOINTMENT OF AUDITOR

POLL

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# POLL PROCEDURES

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CLOSURE