



AGM presentation
27 October 2020

michael hill[®]
INTERNATIONAL LIMITED



Important notice and 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 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.

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. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

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 presentation.



Emma Hill
Chair



Sir Michael Hill
Founder



Gary Smith
Independent NED
Chair, Audit & Risk
Management
Committee



Jacquie Naylor
Independent NED



Rob Fyfe
Independent NED
Chair, People
Development &
Remuneration Committee



Janine Allis
Independent NED



Daniel Bracken, CEO



Andrew Lowe, CFO



Alison de Groot, Ernst & Young



Questions

When the Question function is available, the Q&A icon will appear at the top of the app

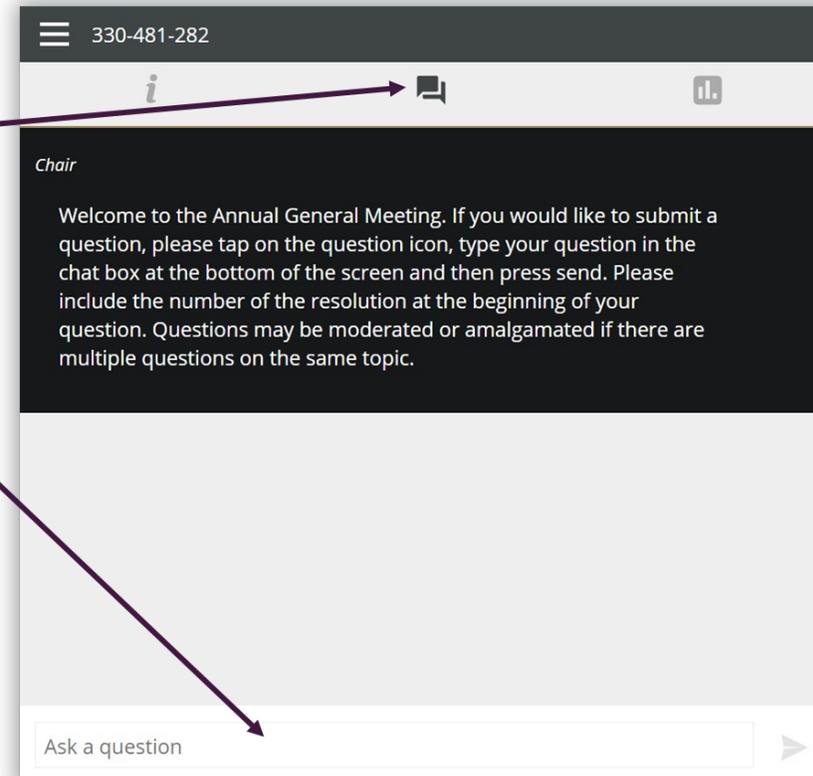


To send in a question, click in the 'Ask a question' box, type your question and press the send arrow



Your question will be sent immediately for review

Received



Voting

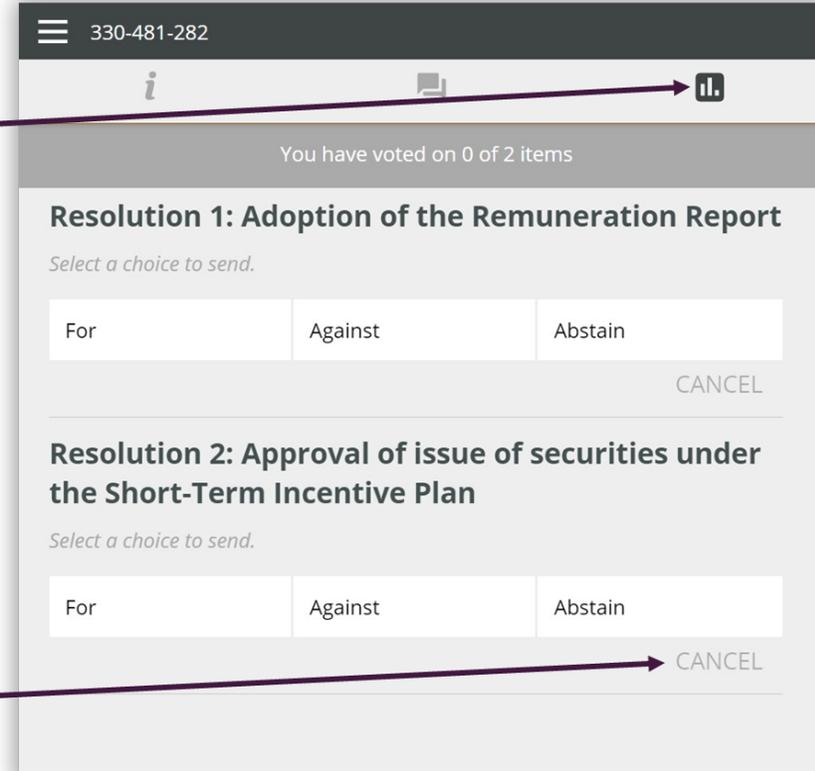
When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen



To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For	Against	Abstain
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There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed



Rings from the Fenix Created Diamonds for Michael Hill Collection

Chair's address

Emma Hill



From left: Grand Arpeggio and Grand Aria from our **Sir Michael Hill Designer Bridal** Collection, and a three stone ring from our **Evermore** Collection

CEO presentation

FY20 performance overview



FY20 performance overview

Strong retail fundamentals embedded within a **disciplined framework** providing a **robust platform** to enable a **true omni-channel customer experience**

- Building on strong heritage foundations - evolving into a **modern, differentiated, omni-channel jewellery brand**
- Strong sales performance across the first three quarters and taking market share, **Q1: +11.9%; Q2: +4.0%; Q3 (9wks): +3.1%**
- Prior to COVID-19, the business was tracking to achieve increased year-on-year EBIT, with same store sales +5.7% for the first eight months
- At the end of March, all Michael Hill stores were temporarily closed as the company prepared to **navigate a global pandemic**
- Stores progressively reopened through May and June in all markets
- **FY20 was a year of strategic foundations**, with the launch of many key initiatives including a new retail operating model, our first foray into loyalty, trialling laboratory grown diamonds and a raft of digital developments



Model wears jewellery
from our **Knots**
Collection

FY20 strategy execution



- **Unwavering focus on costs**
 - **Optimised** retail and support office structures
 - **Decisive cash preservation** and cost management throughout COVID-19 store closure period and beyond
 - **Consolidation of repairer network**, delivering lower costs and improved customer experience
 - **Improved relationships** and commercial terms with suppliers
 - Significant progress on **credit partnerships**

FY20 strategy execution



- **Loyalty**
 - Online roll-out in **October 2019**
 - Over **260,000 members**
 - **Delivering higher ATV** and gross margin
 - Member pricing attracting new customers and **increasing gross margins**
 - **Building customer insights** and segmentation customer ability



FY20 strategy execution



- **Digital explosion**
 - **Enhanced website** with improved customer experience, checkout process and navigation
 - Launch of **virtual appointments**, virtual sales and virtual “try ons”
 - **Direct selling** from social media platforms and digital catalogues
 - **Delivering 54.7% growth in FY20**, digital now represents 5% of sales (FY19: 2.8%)
 - **Digital sales increased by greater than 200%** during COVID-19 store closure period

FY20 strategy execution



- **Retail fundamentals**
 - Launch of new retail incentive scheme delivering **positive early results** and **improved gross margins**
 - Deployed customer satisfaction program (**NPS**)
 - Completion of our cloud enabled **ERP platform** to optimise inventory and store profiling
 - **New Operating model** embedded across Merchandise, Marketing, Digital and Retail Operations
 - Increased emphasis on **in-store execution**

CFO presentation

FY20 results



FY20 financial snapshot

- Positive same store sales growth momentum continued throughout the year until COVID-19:
 - FY20Q1: AU +6.3%, NZ +9.8%, CA +13.4%
 - FY20Q2: AU +1.4%, NZ +4.8%, CA +1.0%
 - FY20Q3 9wks: AU +1.8%, NZ +3.5%, CA -1.0%
- FY20H1 underlying EBIT growth of 6.9% to \$31.6m, driven by increased revenue and reduction in costs
- FY20H2 EBIT eroded by COVID-19 store closures
- Continued focus on costs and retail disciplines delivering results
- Active inventory management program continues
- Disciplined cash management

	FY20	FY19	Change
Revenue	\$492.1m	\$569.5m	-13.6%
Underlying Trading¹ EBIT	\$25.7m	\$34.6m	-25.8%
Full Year Dividend	1.5c*	4.0c	-2.5c
Inventory	\$178.7m	\$179.5m	-\$0.8m
Net Cash/(Debt)	\$0.5m**	(\$24.8m)	+\$25.3m

¹ Underlying Trading EBIT is statutory EBIT adjusted for employee restructure costs, direct incremental expenses relating to COVID-19, and certain non-cash items on a pre-AASB 16 Leases basis. Please refer to page 31 of the 2020 annual report for a detailed explanation.
 * Payment of AU1.5c FY20 interim dividend has been deferred.
 ** Excludes rental accruals of \$13.1m at financial year end.



FY20 key performance results

\$25.7m
 UNDERLYING TRADING¹ EBIT
 FY19: \$34.6m




+2.7%
 GROUP
 SAME STORE SALES²
 GROWTH



60.6%
 GROUP
 GROSS MARGIN



FY19: 62.0%

\$24.7m
 DIGITAL SALES
 +54.7%



FY19: \$16.0m

37.3%
 BRANDED
 COLLECTION
 SALES



FY19: 32.5%

1
 STORE
 OPENED

17
 STORES
 CLOSED

+0.1%
 AUSTRALIA
 SAME STORE
 SALES² GROWTH




+2.4%
 NEW ZEALAND
 SAME
 STORE SALES²
 GROWTH




+2.3%
 CANADA
 SAME
 STORE SALES²
 GROWTH



¹ Underlying Trading EBIT (non-IFRS and unaudited) is statutory EBIT adjusted for employee restructure costs, direct incremental expenses relating to COVID-19, and certain non-cash items on a pre-AASB 16 Leases basis. Please refer to page 31 of the 2020 annual report for a detailed explanation.

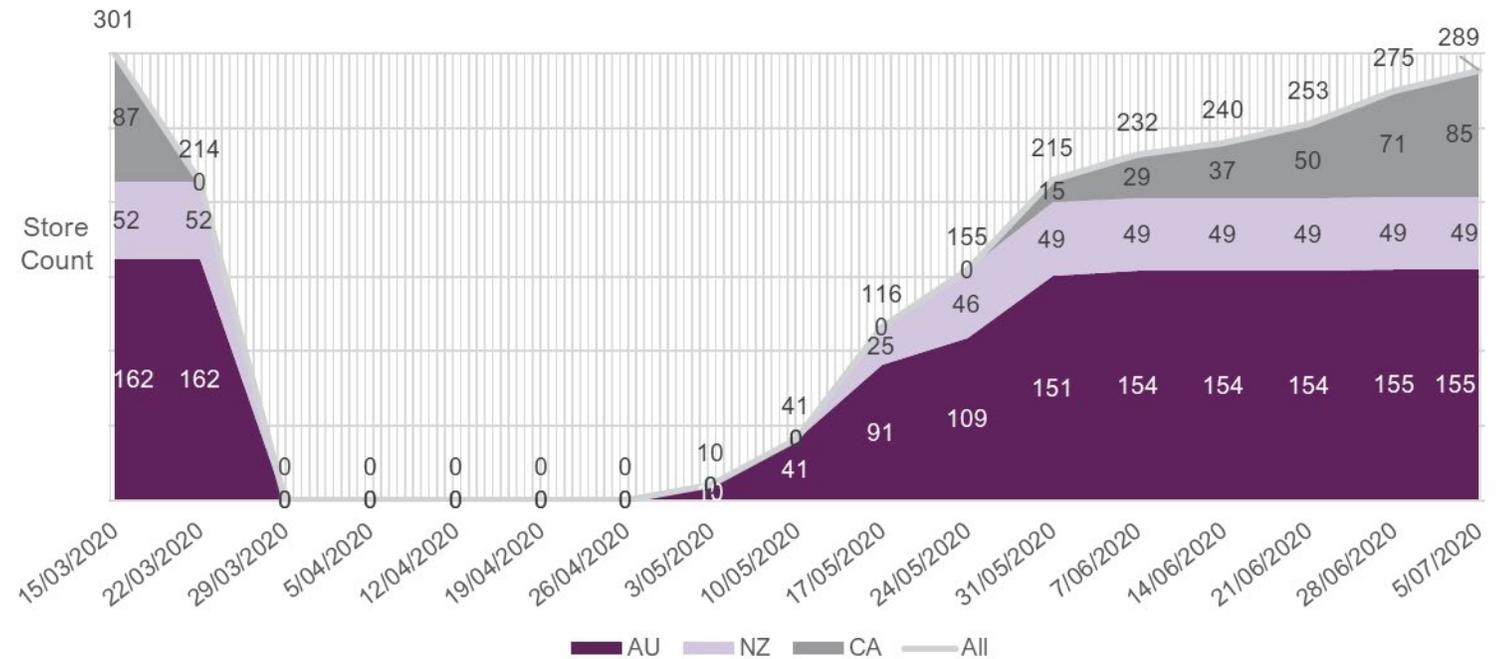
² Same store sales reflect sales through store and online channels on a comparable trading day basis and a proportional allocation of Professional Care Plan (PCP) revenue, and are unaudited.

Impact of COVID-19: Store Trading Days

- COVID-19 store closure periods:
 - AU: from 24 March for 5 to 10 weeks
 - NZ: from 24 March for 8 to 9 weeks
 - CA: from 20 March for 10 to 13 weeks
- Australia progressively opened from May, with the store closure period representing ~15% of the year
- NZ stores opened in two tranches on 16 May and 23 May, with the store closure period representing ~16% of the year
- Canadian stores opened from Western to Eastern provinces over a five week period commencing in June, with the store closure period representing ~23% of the year

Store Count - COVID-19 Store Closure Period
 Week ending 15 March - 5 July

Note: AU includes 1 ER store in the w/e 15 Mar & 22 Mar



Group results



- Group revenue decreased by 13.6%, largely due to COVID-19 store closures
- Estimated impact of COVID-19 store closure period ~\$80m of revenue
- Same store sales² up 2.7%
- Digital sales increased by 54.7% to a record \$24.7m (FY19: \$16.0m)
- Gross margin decline largely attributable to foreign currency headwinds
- No final dividend; interim dividend of AU1.5 cents per share deferred

For the year ended	AUD	28-Jun-20	30-Jun-19	Change
Revenue		492.1m	569.5m	-13.6%
Gross profit		298.2m	353.0m	-15.5%
Underlying Trading ¹ EBIT		25.7m	34.6m	-25.8%
Underlying Trading ¹ EBIT as a % of revenue		5.2%	6.1%	-90bps
Statutory EBIT		14.1m	21.1m	-33.3%
Statutory EBIT as a % of revenue		2.9%	3.7%	-80bps
Gross profit as a % of revenue		60.6%	62.0%	-140bps
Total stores open		290	306	

¹ Underlying Trading EBIT (non-IFRS and unaudited) is statutory EBIT adjusted for employee restructure costs, direct incremental expenses relating to COVID-19, and certain non-cash items on a pre-AASB 16 Leases basis. Please refer to page 31 of the 2020 annual report for a detailed explanation.

² Same store sales reflect sales through store and online channels on a comparable trading day basis and a proportional allocation of Professional Care Plan (PCP) revenue, and are unaudited.

CEO presentation

FY21 key initiatives – emphasis on Growth and Margin



Emphasis on Growth and Margin

- **Omni-Channel Opportunities**
 - **click and collect, click and reserve, ship from store, contactless collection, drop ship with key vendors**
 - Expand online marketplace opportunities
 - Personal in-store and online jeweller appointments
 - Bespoke customisable product – **digital ring builder**



Model wears jewellery
from our Inifinitas
Collection

Emphasis on Growth and Margin

- **Digital-First**

- Leverage our loyalty program, *Brilliance by Michael Hill*
- Enhance **site user experience** and navigation
- Roll-out: **virtual selling** globally; new **payment platforms**; **customer-centric delivery** capabilities
- Continue marketing investments into **more efficient digital channels**
- Launch new pure play digital brand in Australia - **medleyjewellery.com.au** - an aspirational and attainable on-trend jewellery offering

MEDJELY™



Model wears jewellery from our Inifinitas Collection

Emphasis on Growth and Margin

- **Building on retail fundamentals**
 - Leverage loyalty program data to drive segmentation and personalisation to grow repeat purchasing customers and lift **margins**
 - Embed **new retail incentive scheme**, increasing profitable sales and reinvigorating retail store culture
 - **Customer satisfaction program** driving greater insights and operational opportunities
 - **Space planning initiative** to optimise store capacities and layouts, creating enhanced customer experience and sales



Model wears jewellery
from our Inifinitas
Collection

Emphasis on Growth and Margin

- **Canadian new frontiers**
 - **New retail leadership structure** delivering on retail fundamentals
 - Canadian productivity remains a genuine near term opportunity with ~ **8% increase in FY20H1**
 - Execute Canadian third party supply chain solution to **accelerate store replenishment** and support omni-channel initiatives
 - **Reset and commercialise Canadian credit solution**
 - Explore **new capital light growth channels**, both digital and physical



Model wears jewellery
from our Inifinitas
Collection

Emphasis on Growth and Margin

- **Product evolution**
 - **Optimised merchandise structure** with enhanced capabilities
 - Range and assortment rationalisation strategy aligned to **refreshed product newness** calendar and higher inventory turns
 - Leverage new ERP platform: right product, right store, on time, and a focus on **margin mix**
 - Continue to enhance **higher margin product offerings** (eg laboratory created diamonds) and Branded Collections
 - Further develop **strategic vendor partnerships** driving improved margins and inventory outcomes



Model wears jewellery
from our **Infinitas**
Collection

Emphasis on Growth and Margin

- **Cost conscious culture**
 - **Disciplined fiscal mindset** as a pillar of company culture
 - Implement **global supply chain strategy** to deliver significant operational efficiencies and cost benefits
 - Maintain **cash preservation** focus, while continuing to optimise inventory levels
 - Prioritised **capital management** program
 - **Optimisation of store network** continues, in conjunction with **omni-channel strategy**
 - Labour efficiencies from new **dynamic rostering** and improved store data capabilities



Model wears jewellery
from our Inifinitas
Collection



- Strong same store sales growth in all markets and channels

FY21Q1 update

- Strong same store sales growth in all markets and channels. **Same store sales for the quarter were up 7.3%, against FY20Q1**



Q1 same store sales
(percentage variance to prior year)



- Strong same store sales growth in all markets and channels
- **Increased margin and gross profit**

FY21Q1 update

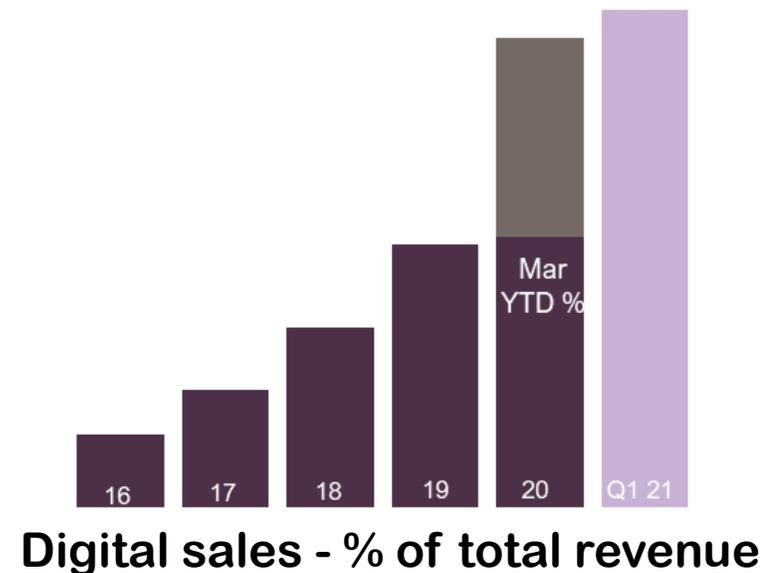
- **Increased margin and gross profit – margin growth in all markets and channels of 100 to 200 bps for the quarter, against FY20Q1, with gross profit growth outpacing sales**



- Strong same store sales growth in all markets and channels
- Increased margin and gross profit
- **Sustained growth in digital sales**

FY21Q1 update

- Sustained growth in digital sales. **Online sales represented 5.3% of total sales, up 129% against FY20Q1**, with digital initiatives delivering increased sales and margin across all markets and providing a favourable impact on group margin mix

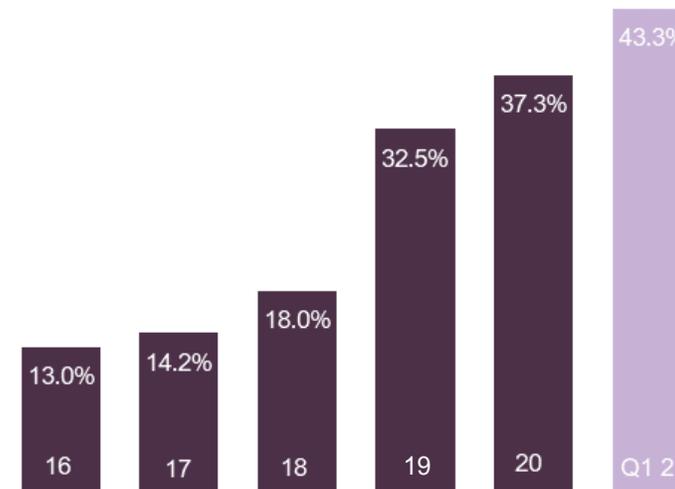




- Strong same store sales growth in all markets and channels
- Increased margin and gross profit
- Sustained growth in digital sales
- **Branded collection sales growth**

FY21Q1 update

- Branded collection sales growth. **Branded collections represented 43.3% of total product sales**



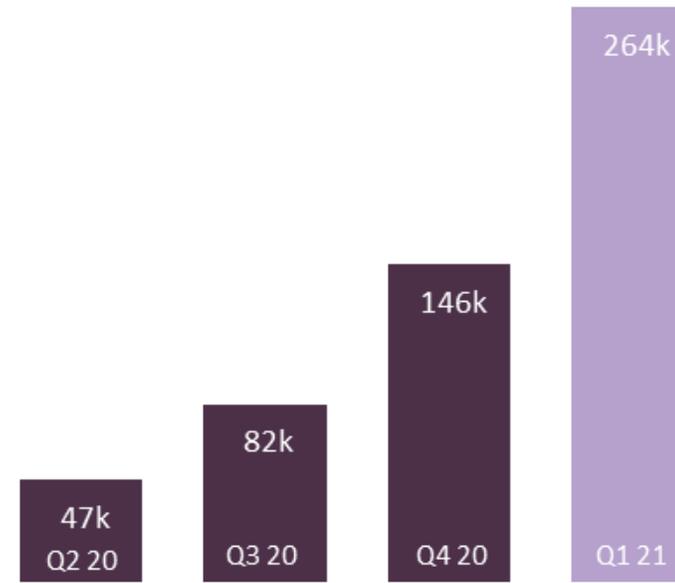
Branded collections - % of total sales



- Strong same store sales growth in all markets and channels
- Increased margin and gross profit
- Sustained growth in digital sales
- Branded collection sales growth
- **Brilliance by Michael Hill** loyalty program

FY21Q1 update

- **Brilliance by Michael Hill** loyalty program. Membership now exceeds **260,000**, an 80.9% lift from June 2020 year end



Loyalty members by quarter





- Strong same store sales growth in all markets and channels
- Increased margin and gross profit
- Sustained growth in digital sales
- Branded collection sales growth
- *Brilliance by Michael Hill* loyalty program
- **Robust balance sheet and disciplined cost focus**

FY21Q1 update

- Robust balance sheet and disciplined cost focus. **Diligent management of capital expenditure, working capital, inventory and a sustained, deliberate focus on CODB** helped to maintain a healthy net cash position at quarter end

Questions



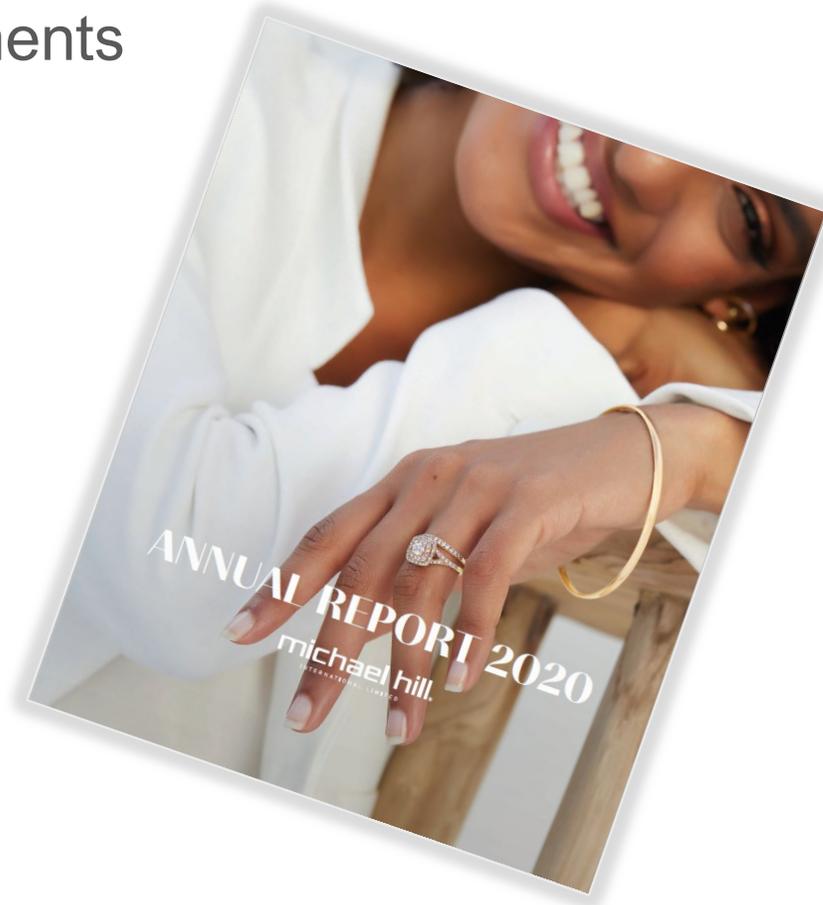
Bridal sets from our
Evermore Collection

Business of the Annual General Meeting



Financial statements and reports

- Audited financial statements
- Directors' report
- Auditor's report.



Jewellery from our
Spirits Bay Collection

Resolution 1: Remuneration report

To consider and if thought fit, pass the following advisory resolution:

“That the Remuneration Report for the year ended 28 June 2020 (as set out in the Directors’ Report) is adopted.”



Pendants from our
Everlight Collection

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	70,968,566	238,599	390,983	244,000	167,711,166
% OF ELIGIBLE VOTES	99.12%	0.33%	0.55%	-	-
% OF ALL SECURITIES	18.30%	0.06%	0.10%	0.06%	43.24%



Bridal set from our
Evermore Collection

Resolution 2: Election of Jacqueline Naylor as a director

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“That Ms Jacqueline Naylor (appointed as a director of the Company on 15 July 2020) who retires in accordance with ASX Listing Rule 14.4 and Rule 36.2 of the Company’s Constitution and, being eligible, offers herself for election, be elected as a director of the Company.”

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	238,979,285	182,046	390,983	1,000	-
% OF ELIGIBLE VOTES	99.75%	0.08%	0.17%	-	-
% OF ALL SECURITIES	61.62%	0.05%	0.10%	0.00%	0.00%



Pendants from our Willow Collection



Rings from our Whitefire Collection

Resolution 3: Re-election of Rob Fyfe as a director

To consider and if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Robert Fyfe who retires by rotation in accordance with ASX Listing Rule 14.4 and Rule 38.6 of the Company’s Constitution and, being eligible, offers himself for election, be elected as a director of the Company.”

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	235,717,879	3,386,962	383,833	64,640	-
% OF ELIGIBLE VOTES	98.43%	1.41%	0.16%	-	-
% OF ALL SECURITIES	60.78%	0.87%	0.10%	0.02%	0.00%



Resolution 4: Amendments to the Constitution

To consider and if thought fit, pass the following resolution as a special resolution:

“That in accordance with section 136(2) of the Corporations Act, the Company’s Constitution be amended as set out in the Explanatory Notes with immediate effect.”

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	238,527,488	130,300	390,983	504,543	-
% OF ELIGIBLE VOTES	99.78%	0.05%	0.17%	-	-
% OF ALL SECURITIES	61.50%	0.03%	0.10%	0.13%	0.00%



Ring from our Solitaire by Michael Hill Collection



Rings from our Evermore Collection



Thank you

michael hill[®]

INTERNATIONAL LIMITED