

ASX AND NZX ANNOUNCEMENT

MICHAEL HILL DELIVERS RECORD CHRISTMAS

Second Quarter Trading Update

14 January 2022

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide a business update, together with its second quarter trading update for the period ended 26 December 2021.

KEY POINTS

- **Significant EBIT growth** – The Company expects FY22H1 Group comparable EBIT of \$49m to \$53m (FY21H1: \$44.6m).
- **Strong sales growth in all markets and channels** – For the quarter, Group all store sales were up 9.8% despite 2,381 lost store trading days (FY21Q2: 1,551), and same store sales were up 9.6% against prior year.
- **Continued margin expansion** – Brand elevation and operational initiatives underpinned margin growth of 200 to 300 bps in all markets and channels against FY21Q2.
- **Sustained growth in digital** – Further deployment of omni-channel initiatives delivered an increase in sales and margin for the quarter, resulting in a 28% increase in digital sales. Year to date, digital represented 8.2% of total sales (FY21: 6.3%).
- **Strong balance sheet maintained** – Disciplined inventory management, robust cost controls and strong sales led to a healthy cash position at the end of the quarter, as the Company continues to review capital management strategies and explore new growth opportunities.

Retail Segment Update

During the quarter, there were no store openings or closures and the network remained at 285 stores (FY21Q2: 289). In relation to performance by market and temporary store closures:

Australia: For the quarter, same store sales were up 5.2% and all store sales were up 2.2%, even with 38 NSW, 29 VIC and 4 ACT stores temporarily closed for between two and five weeks. This resulted in 1,574 lost store trading days for the quarter (FY21Q2: 874). All 150 Australian stores were trading at the end of the quarter (FY21Q2: 154).

New Zealand: For the quarter, same store sales were up 13.4% and all store sales were up 2.4%. Mandated lockdowns across greater Auckland and Hamilton for up to six weeks during the quarter resulted in 805 lost store trading days. All 49 New Zealand stores were trading at the end of the quarter (FY21Q2: 49).

Canada: For the quarter, same store sales were up 11.2% and all store sales were up 28.1%. While there were limited impacts from COVID during the quarter (FY21Q2: 677 lost store trading days), Western Canada was impacted by severe weather and flooding across end of November and early December. All 86 stores were trading at the end of the quarter (FY21Q2: 40 of 86 trading).

Omni-channel capabilities were enhanced during the quarter with the successful deployment of “click and collect” in all markets, as the Company continues its customer-led digital transformation journey.

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

"The successful planning and execution of Christmas underpinned this outstanding result – I couldn't be prouder of the entire team. From the highly engaging and emotive marketing campaign, to the deployment of new digital initiatives, excellence in supply chain and inventory management and our Christmas recruitment strategy, all came together to deliver Michael Hill's best Q2 in the Company's history.

"I'm particularly pleased with the result we have delivered considering the significant store closures due to Delta across NSW, VIC and Auckland during October and early November. And as we now enter 2022, the new Omicron variant is bringing new challenges across our Australian and Canadian network, both in terms of impacts on our team members and consumer confidence and behaviours.

"This strong performance now marks our tenth quarter of positive same store sales growth since FY19Q3 and further demonstrates the success of the continued transformation of the Michael Hill brand. This result also demonstrates our strategic initiatives are driving both sales and margin growth, which will be further enhanced by our capital management strategy."

SEGMENT BREAKDOWN

Revenue for retail operations for **FY22Q2** (thirteen week trading period ended 26 December 2021):

		\$m Last Year	\$m This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	186.4	204.2	9.6%
Total all stores	AUD	198.0	217.5	9.8%
Same stores figures in local currency				
Australia same stores	AUD	105.3	110.8	5.2%
New Zealand same stores	NZD	38.3	43.4	13.4%
Canada same stores	CAD	42.9	47.6	11.2%
All stores figures in local currency				
Australia all stores	AUD	110.2	112.6	2.2%
New Zealand all stores	NZD	43.9	44.9	2.4%
Canada all stores	CAD	44.2	56.7	28.1%
Exchange rates used for FY22Q2:				
New Zealand		1.06	1.05	
Canada		0.95	0.92	

Revenue for retail operations for **FY22H1** (twenty-six week trading period ended 26 December 2021):

		\$m Last Year	\$m This Year	% Var
The following figures are in Australian dollars				
Total same stores	AUD	275.0	306.5	11.4%
Total all stores	AUD	317.5	325.1	2.4%
Same store figures in local currency				
Australia same stores	AUD	146.7	156.0	6.4%
New Zealand same stores	NZD	56.2	64.5	14.8%
Canada same stores	CAD	71.9	81.9	13.8%
All stores figures in local currency				
Australia all stores	AUD	175.1	161.4	-7.8%
New Zealand all stores	NZD	69.3	67.0	-3.3%
Canada all stores	CAD	73.7	91.7	24.4%
Exchange rates used for FY22H1:				
New Zealand		1.07	1.05	
Canada		0.95	0.92	

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 accounting adjustments, and are unaudited. Same store sales do not include permanent or temporary store closures on a same trading day basis.

The above figures are prior to final accounting adjustments, and are unaudited. All stores figures stated above include the PCP revenue recognised during the period and sales through our store and online channels. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review and adjusted at half-year/year-end as required.

Comparable EBIT is unaudited, pre-AASB16, pre-IFRIC SaaS-related adjustments, and with normalisations.

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 285 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 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, 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 announcement.

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