



FY21 RESULTS

michael hill®

INTERNATIONAL LIMITED



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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 presentation.

Michael Hill International Limited

CEO and CFO FY21 Update

- FY21 Overview
- FY21 Financial Results
 - Group Results
 - Key Performance Results
 - Retail Segment Results
- Strategy Update – Emphasis on Growth and Margin
- Outlook
- Appendices



FY21 Overview

- Outstanding year – all metrics up
- Significant disruption from the global pandemic:
 - Lengthy lockdowns in Canada and Victoria
 - Resilience of key Indian supply chain
 - Impacts on our people and customers
- Transformative agenda delivering both strong sales growth and margin expansion:
 - Digital-first, sales +53%
 - Retail fundamentals (ATV ↑, IPS ↑, conversion ↑)
 - Loyalty – over 800,000 members
 - Omni-channel roll-out
- Demonstrated strength in team and brand
- Eight consecutive quarters of positive same store sales growth (excluding FY20Q4)



FY21 Group Results

- Revenue growth in all markets
- Gross profit up \$50.7m
- Delivered significant increase to NPAT and EBIT
- Strong balance sheet with a healthy net cash position
- Targeted inventory levels delivered
- Unwavering focus on costs across the business
- Active management of global store network
- Final dividend of AU3.0 cents per share

	FY21	FY20	Change
Revenue	\$556.5m	\$492.1m	+13.1%
Same store sales			+8.6%
Gross Profit	\$348.9m	\$298.2m	+17.0%
EBIT	\$72.4m	\$14.1m	+414%
EBIT - % of revenue	13.0%	2.9%	+1,010bps
NPAT	\$45.3m	\$3.1m	+1,382%
Total Dividends	AU4.5c	AU1.5c	+AU3.0c
Inventory	\$171.2m	\$178.7m	-\$7.5m
Net Cash	\$72.4m	\$0.5m	+\$71.9m
Store Network	285	290	-5

FY21 Key Performance Results

+35.3%
WEBSITE TRAFFIC
18.6m USERS 



\$56.6m
COMPARABLE EBIT
FY20: loss \$5.2m 



+8.6%
GROUP
SAME STORE
SALES GROWTH 

62.7%
GROUP
GROSS MARGIN
FY20: 60.6% 

\$34.8m
DIGITAL SALES
+53.4% 



42.1%
BRANDED
COLLECTION SALES
FY20: 37.3% 

6
STORES
CLOSED

1
STORE
OPENED

+13.0%
AUSTRALIA
SAME STORE
SALES GROWTH 



+7.1%
NEW ZEALAND
SAME STORE
SALES GROWTH 



+6.8%
CANADA
SAME STORE
SALES GROWTH 

Michael Hill Segment Results

	Australia (AUD)			New Zealand (NZD)			Canada (CAD)		
	FY21	FY20	Change	FY21	FY20	Change	FY21	FY20	Change
Revenue	312.3m	266.6m	+17.1%	127.1m	106.7m	+19.1%	118.4m	110.8m	+6.9%
Gross profit	194.1m	161.0m	+20.6%	78.8m	63.6m	+23.8%	72.6m	64.0m	+13.5%
Gross margin	62.2%	60.4%	+180 bps	62.0%	59.6%	+240 bps	61.3%	57.8%	+350 bps
Segment EBIT*	62.9m	27.4m	+129.4%	35.5m	21.1m	+68.3%	15.1m	-2.4m	N/A
EBIT as a % of revenue	20.1%	10.3%	+980 bps	27.9%	19.7%	+820 bps	12.7%	-2.2%	+1,490 bps
Store network	150	155	-5	49	49	-	86	86	-

- Australia – Gross margin outperformed FY19 & FY20
- New Zealand – EBIT and gross margin strongest in the past four years
- Canada – Increased revenue and gross margin despite extended temporary store closures
- Segment gross margins up by 180 bps to 350 bps



* Pre-AASB16 Leases

Strategy Update - Emphasis on Growth and Margin

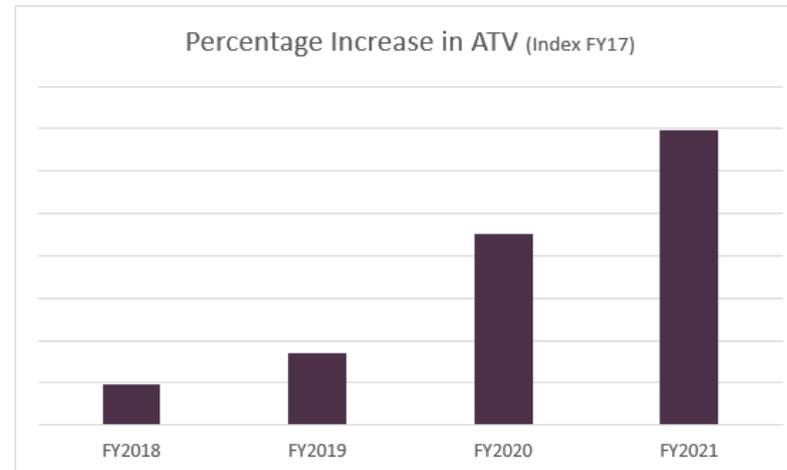
Brand		Modern, differentiated, omni-channel jewellery brand
Digital		Digital-first
Retail Fundamentals		Elevated productivity & customer experience
Omni-channel		Customer-led & channel agnostic
Loyalty		Your love for jewellery rewarded
Product Evolution		Uniquely Michael Hill
Cost Conscious Culture		Unwavering focus on costs

Brand Update



Modern, differentiated, omni-channel jewellery brand

- ✓ Elevated brand messaging
- ✓ Reducing discount-led campaigns
- ✓ “Made in Australia”
- ✓ Increasing ATV
- ◆ Customer segmentation and personalisation



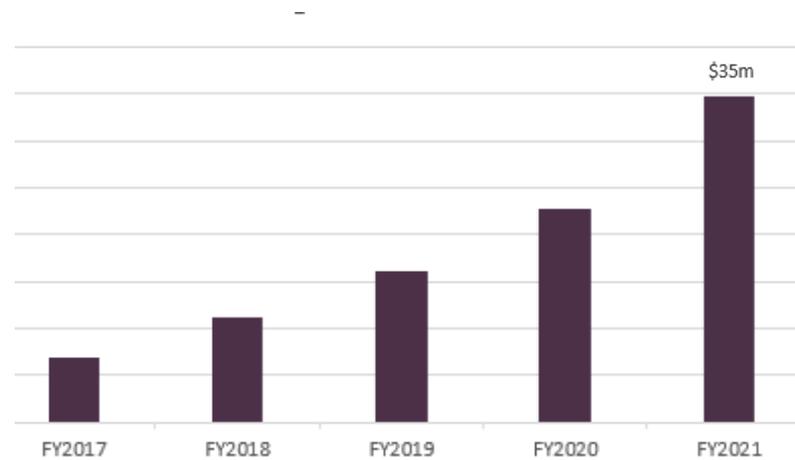
Digital

Digital-first

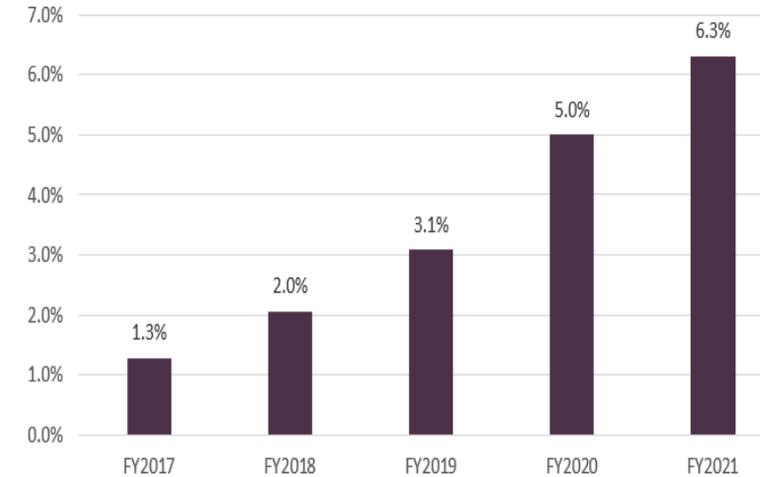
- ✓ Over \$34.8m in sales (+53%)
- ✓ Highest profit margin channel
- ✓ Traffic ↑, conversion ↑
- ✓ Refreshed navigation and website
- ✓ Website users increased by 35.3%
- ✓ FY21 traffic over 18.5m users
- ✓ Launch of Medley
- 💎 Continual growth underpinned by omni-channel
- 💎 Conversion rate optimisation

MEDLEY™

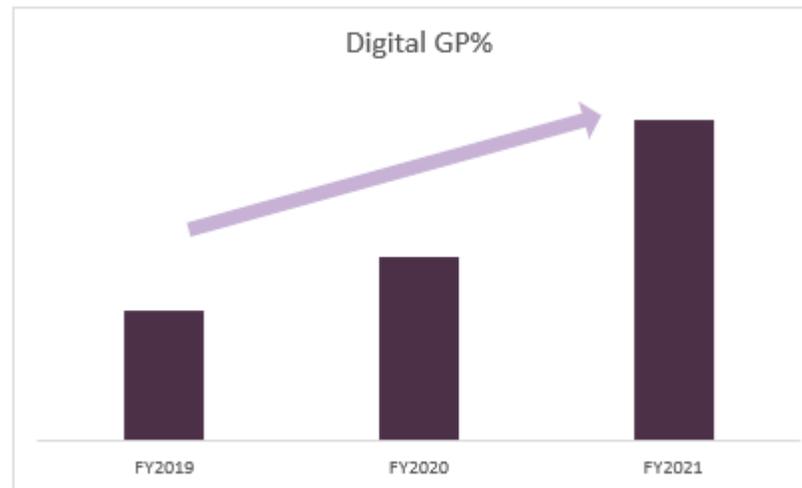
Digital Sales Growth



Digital Sales % of Total Sales



Digital GP%



Why order online?



Deliveries

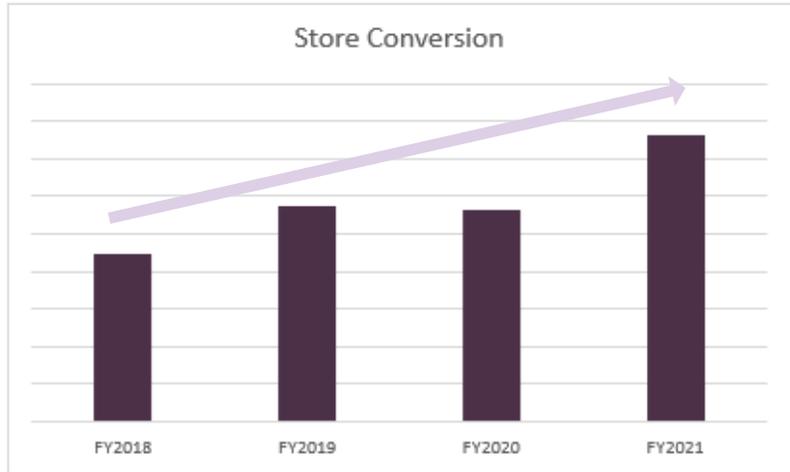
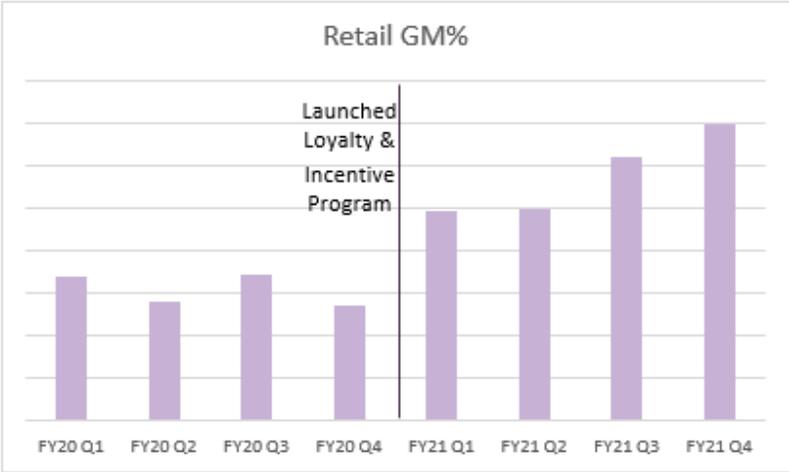
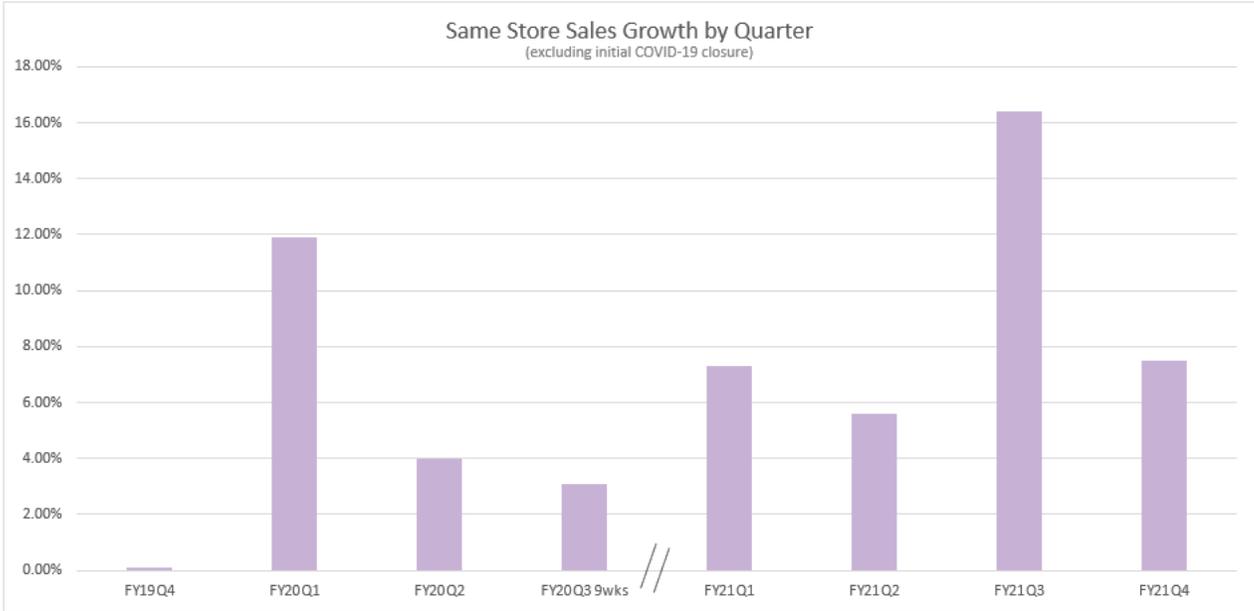
Shopping
made easy



Retail Fundamentals

Elevated productivity & customer experience

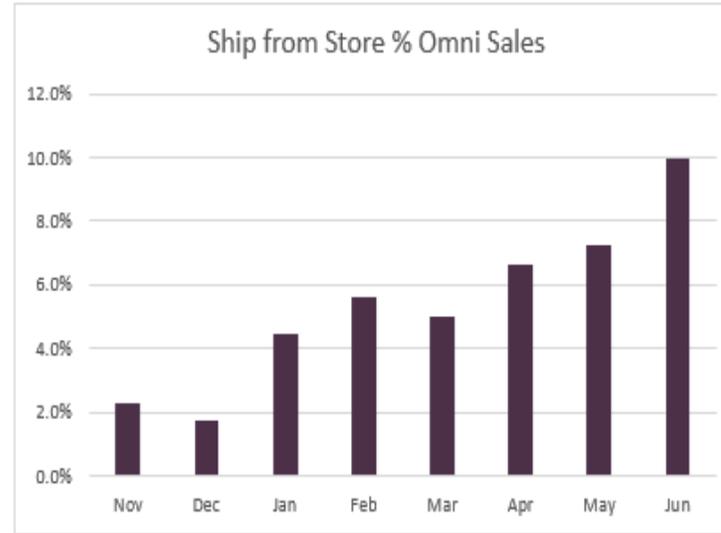
- ✓ Eight quarters of SSS growth
- ✓ Roster optimisation
- ✓ Visual excellence and increased training
- 💎 Store refurbishments with improved layout and design
- 💎 Increased focus on retail metrics



Omni-channel

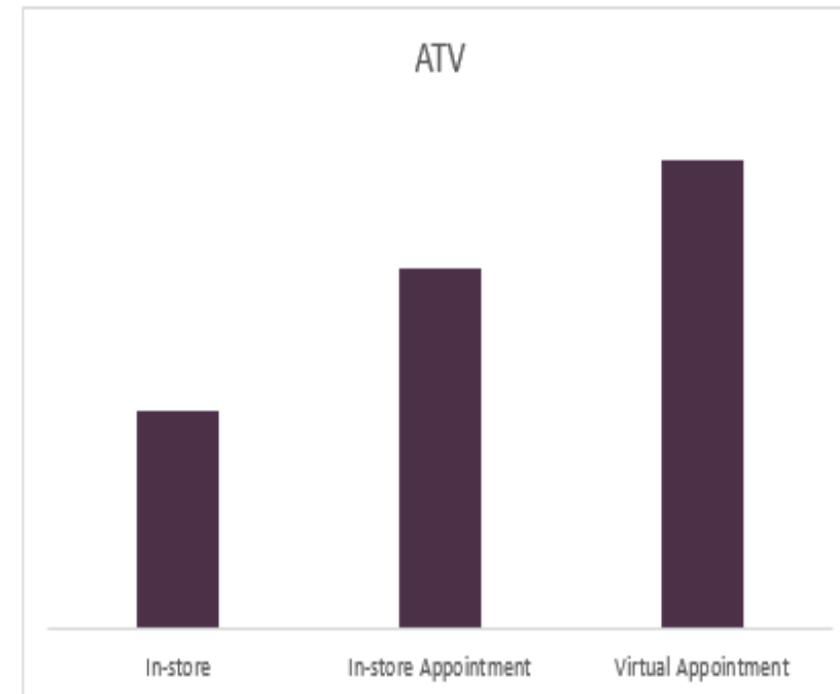
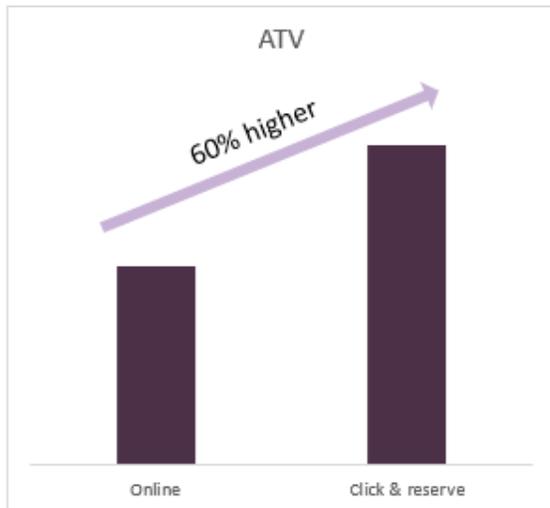
Customer-led & channel agnostic

- ✓ “Ship from store”
- ✓ “Click and reserve”
- ✓ “Virtual selling”
- ✓ Digital appointments
- 💎 “Click and collect”
- 💎 Marketplace strategy



Benefits of “ship from store”

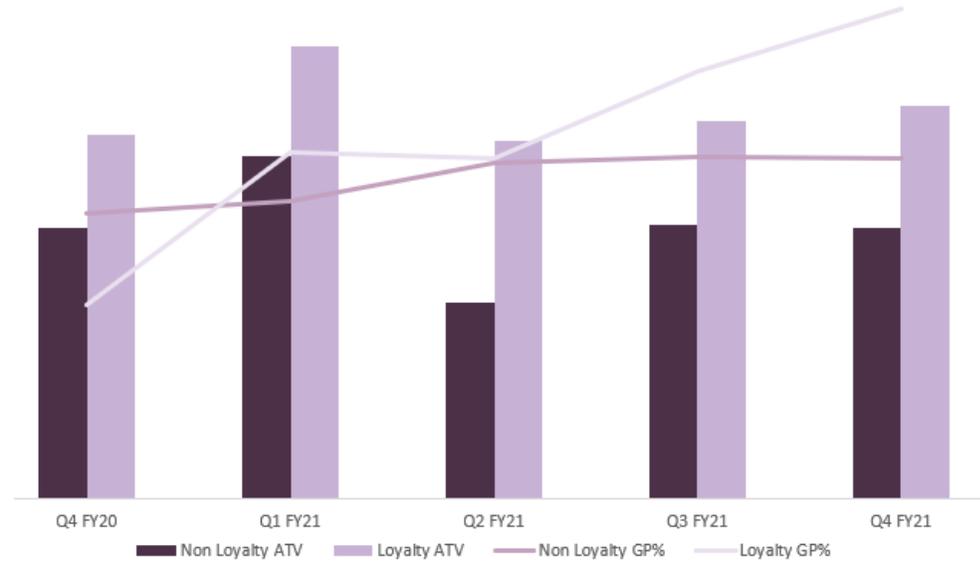
- Improved inventory utilisation
- Reduced costs
- More efficient
- Better customer experience



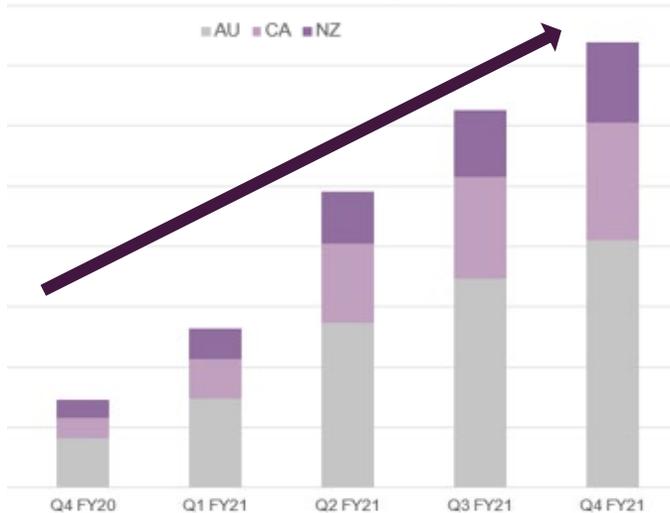
Your love for jewellery rewarded

- ✓ Significantly more profitable customer
 - More sales, more often
 - Higher margin, higher ATV
- ✓ Now over 800,000 members
- 💎 Predictive analytics, powered by AI
- 💎 Targeted communication, bias for action

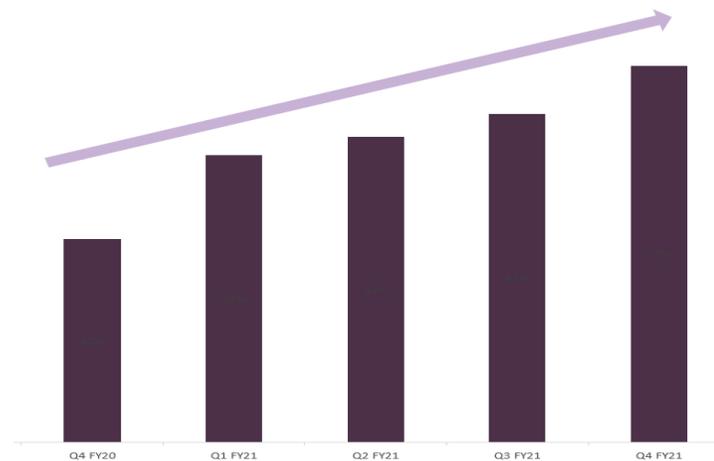
Members spend more than non-members



Brilliance Member Sign-Ups



Loyalty sales % Stores (AU)



Product Evolution

Uniquely Michael Hill

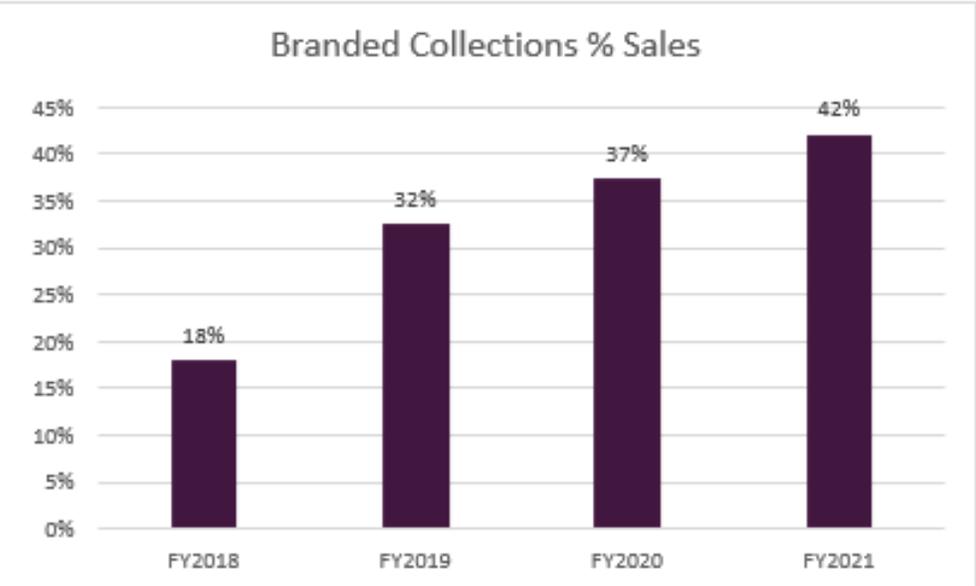
- ✓ Regular product newness
- ✓ Growth in branded collections
- ✓ Lower inventory holdings
- ✓ Focus on craftsmanship
- ◆ Sustainability emphasis



A LOVE FOR Craftsmanship

We are proud to have an in-house workshop at Michael Hill. Our master artisans work to the highest quality standards, taking pride in producing beautiful jewellery worthy of celebrating love, and to be treasured for a lifetime.

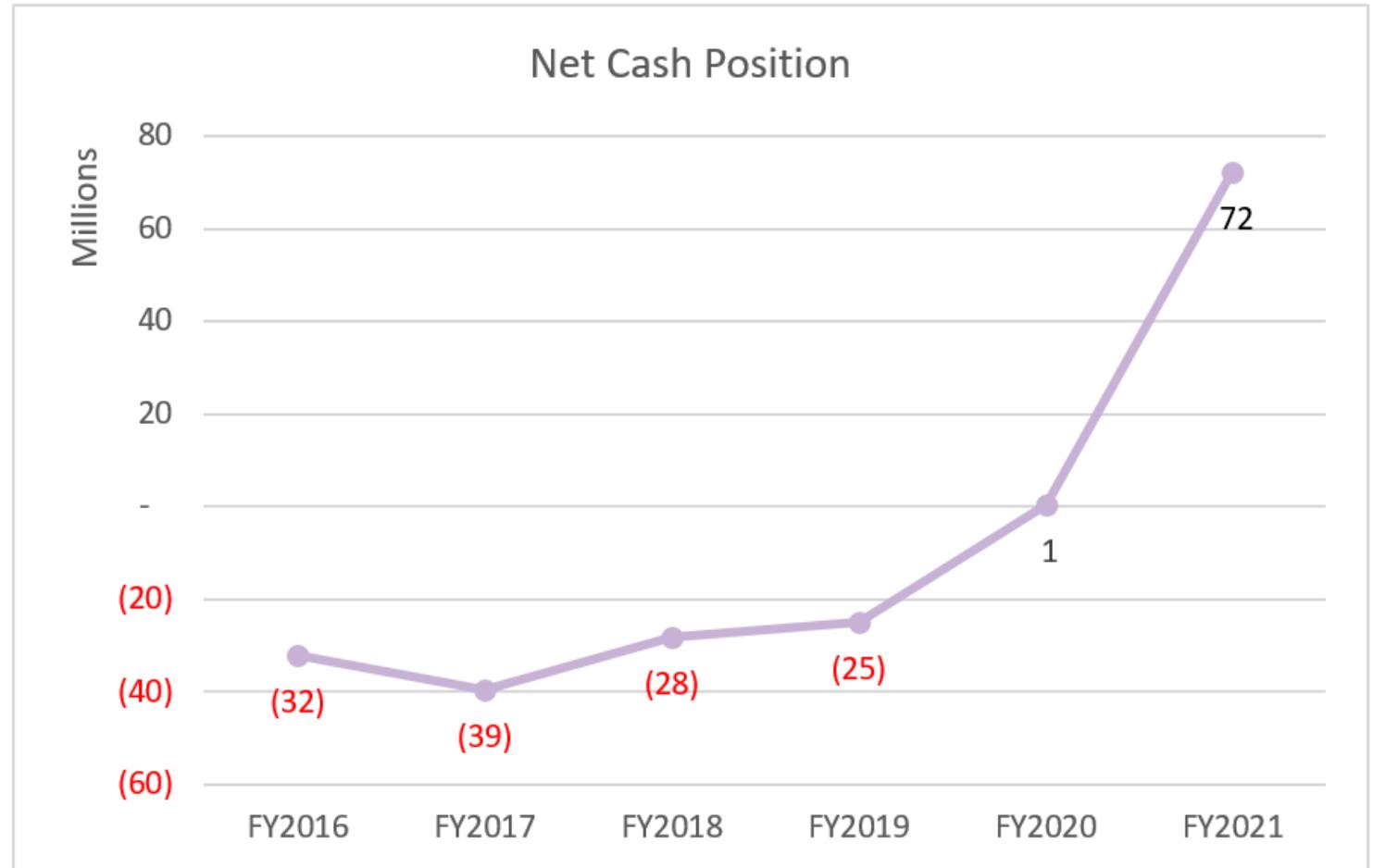
Branded Collections % Sales



Cost Conscious Culture

Unwavering focus on costs

- ✓ Controlled working capital
- ✓ Strong net cash position
- ✓ Reduced supply chain costs
- ✓ Optimised inventory holdings
- ◆ 3PL Canadian distribution facility

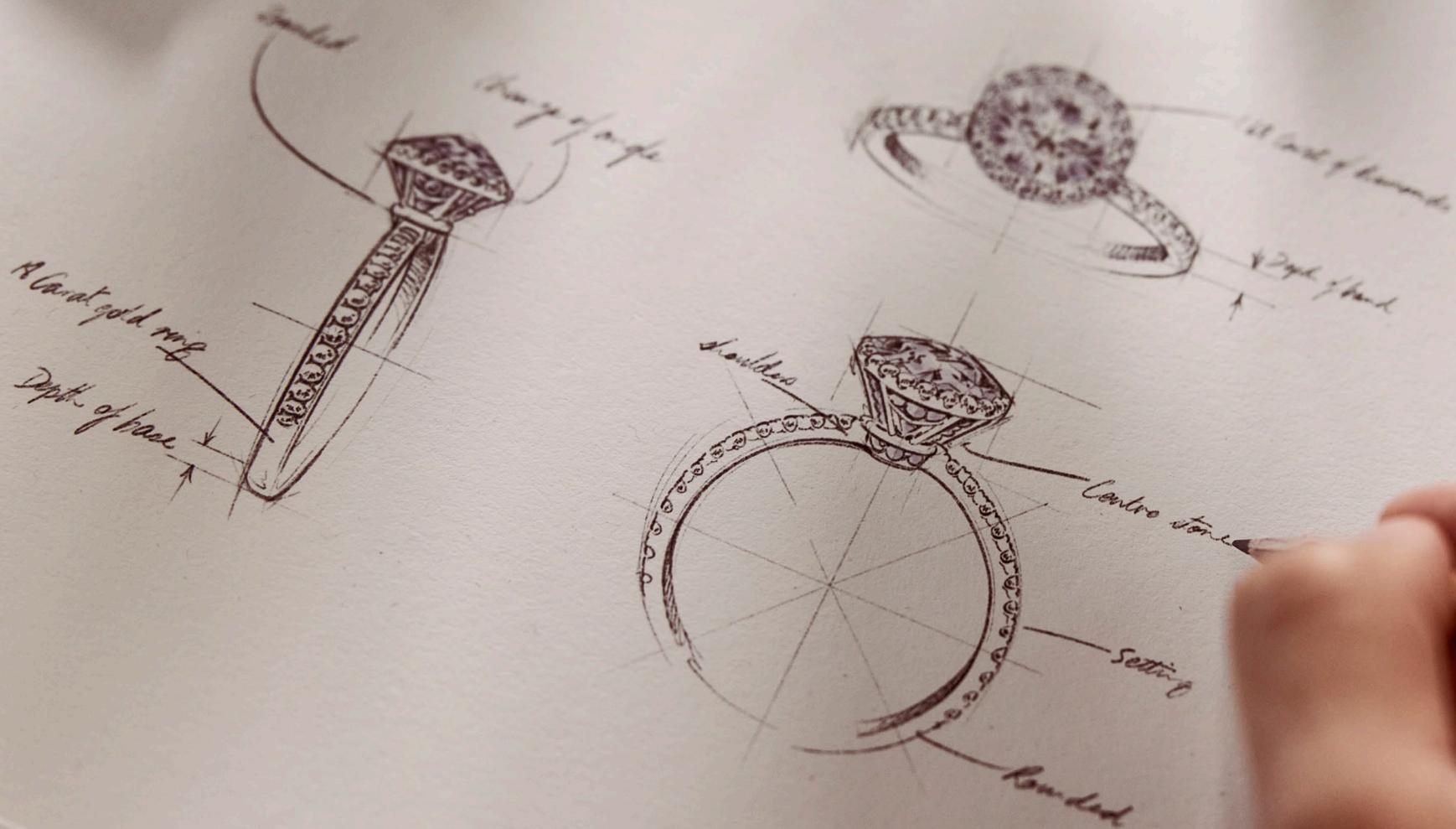


Outlook

- Strong SSS in first seven weeks of FY22:
 - Eastern Canada reopened in early July and has been delivering impressive trading results
 - The Company delivered same store sales growth of +17%
 - Australia: +9%
 - New Zealand: +15%
 - Canada: +24%
- However, renewed disruption in the short term:
 - Australia has already experienced 2,637 lost store trading days
 - Total store sales were down 2%
 - Estimated impact on EBIT ~\$5m
- Actively exploring new growth opportunities

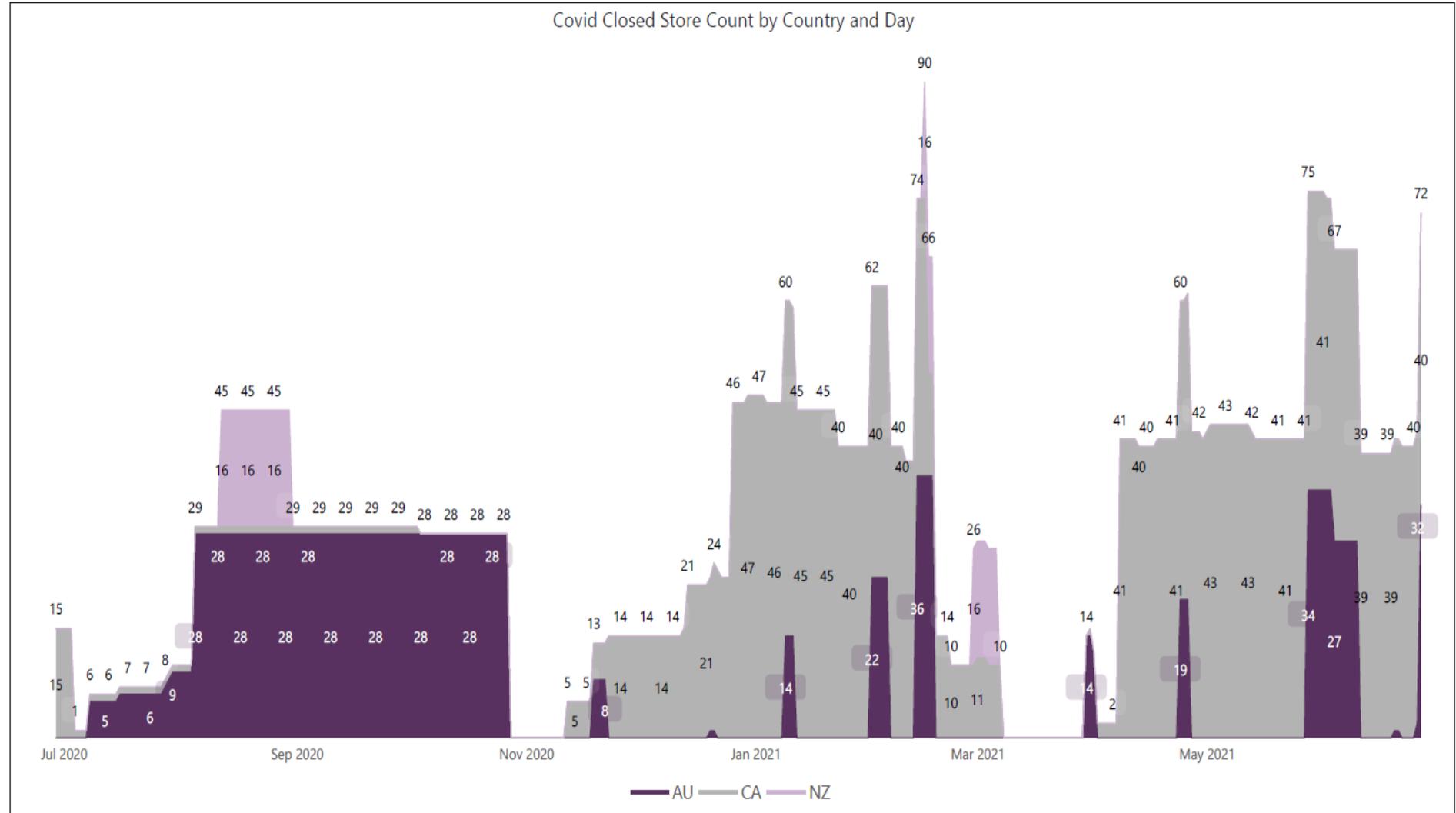


Appendix



Impacts of COVID-19: Lost Store Trading Days

- The group lost 10,447 store trading days in FY21:
 - AU – 3,458 days
 - CA – 6,525 days
 - NZ – 464 days



Appendix A: AASB16 *Leases* Impact

(AUD million)	FY21 Stat	Impact of AASB16	FY21 pre-AASB16	FY20 pre-AASB16	Change pre-AASB16
Revenue	556.5		556.5	492.1	+13.1%
Cost of sales	-207.6		-207.6	-193.9	+7.1%
Gross profit	348.9		348.9	298.2	+17.0%
Employee benefits expense	-147.6		-147.6	-149.2	-1.1%
Occupancy costs	-15.1	38.8	-53.9	-56.9	-5.3%
Marketing expenses	-28.3		-28.3	-28.9	-2.1%
Selling expenses	-18.0		-18.0	-18.7	-3.7%
Other income/(expenses)	-16.2		-16.2	-17.3	-6.4%
EBITDA	123.7	38.8	84.9	27.2	+212.1%
Depreciation and amortisation expenses	-51.3	-34.6	-16.7	-18.6	-10.2%
EBIT	72.4	4.2	68.2	8.5	+702.4%
Finance expenses	-7.6	-6.7	-0.9	-2.0	-55.0%
Profit before tax	64.8	-2.5	67.3	6.6	+919.7%





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