



FY21 RESULTS

michael hill®

INTERNATIONAL LIMITED





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

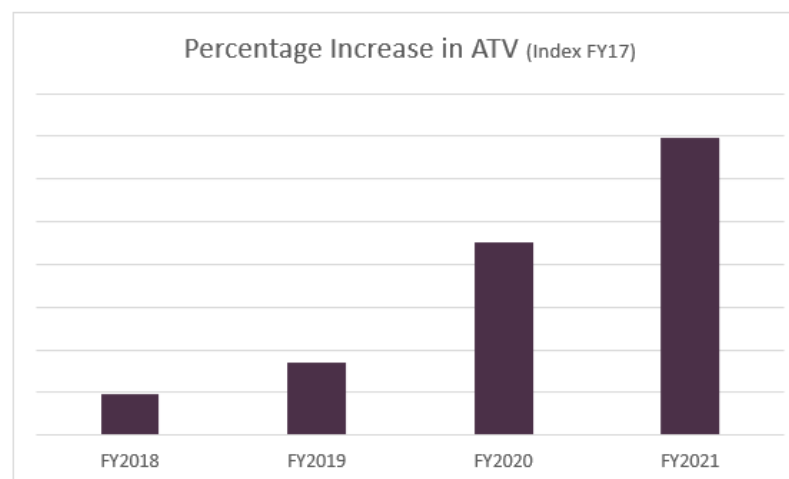


# Brand Update



Modern, differentiated, omni-channel jewellery brand

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



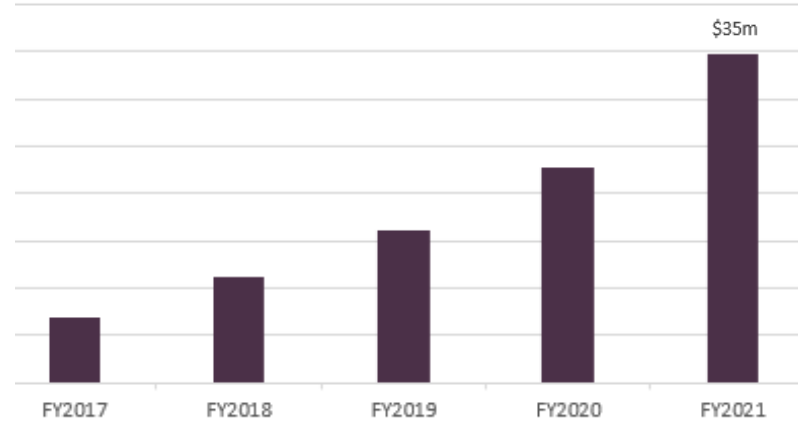
# Digital

## Digital-first

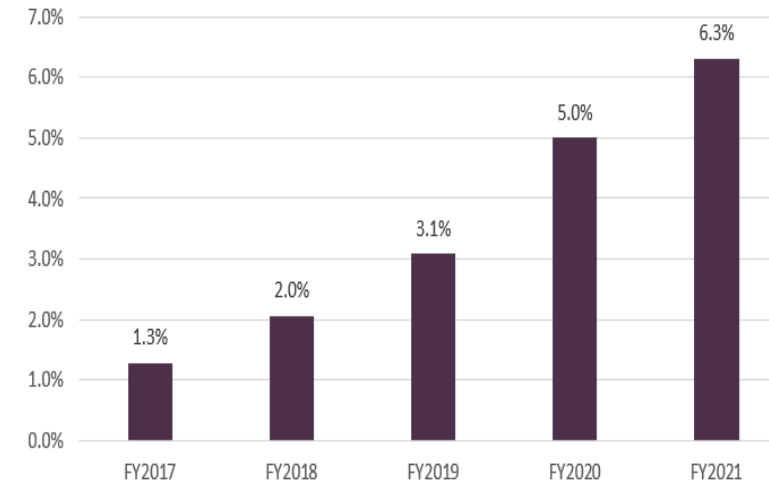
- ✓ Over \$34.8m in sales (+53%)
- ✓ Highest profit margin channel
- ✓ Traffic↑, conversion↑
- ✓ Refreshed navigation and website
- ✓ Website users increased by 35.3%
- ✓ FY21 traffic over 18.5m users
- ✓ Launch of Medley
- 💎 Continual growth underpinned by omni-channel
- 💎 Conversion rate optimisation

# MEDLEY™

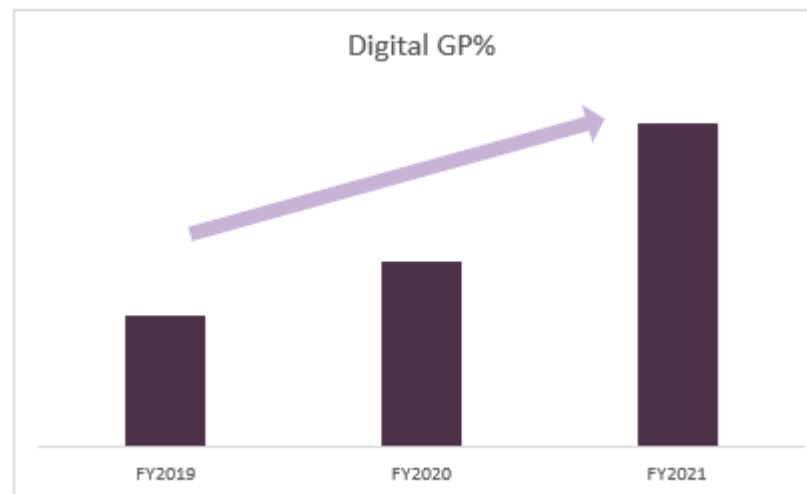
Digital Sales Growth



Digital Sales % of Total Sales



Digital GP%



*Why order online?*



*Deliveries*

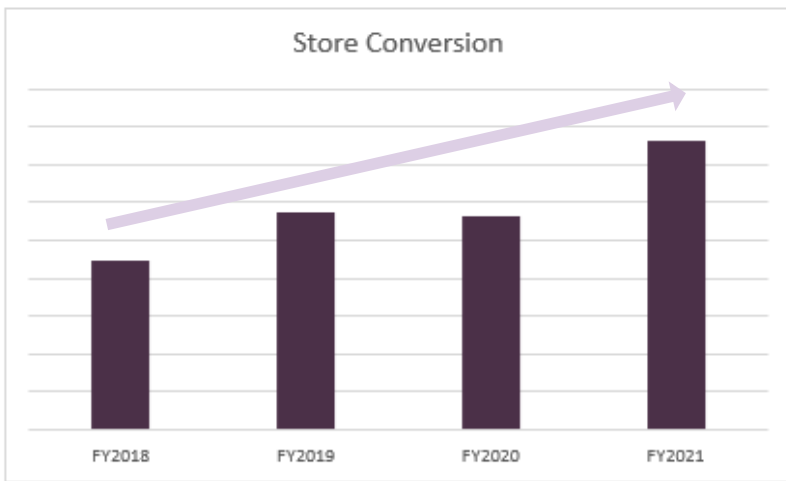
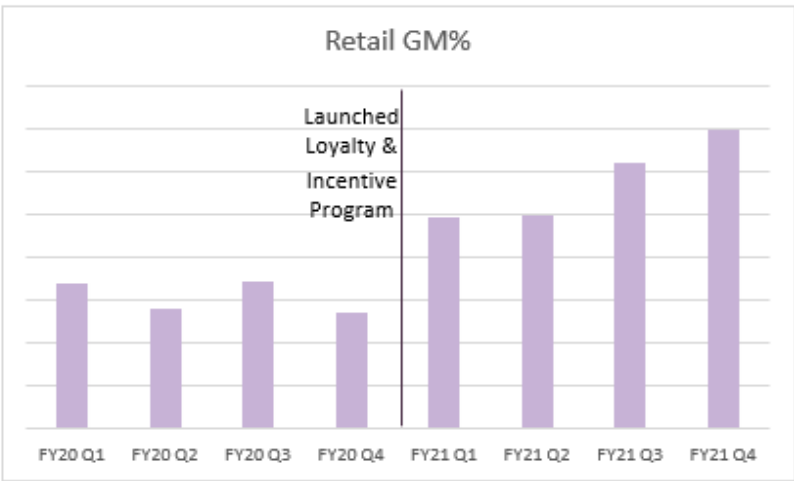
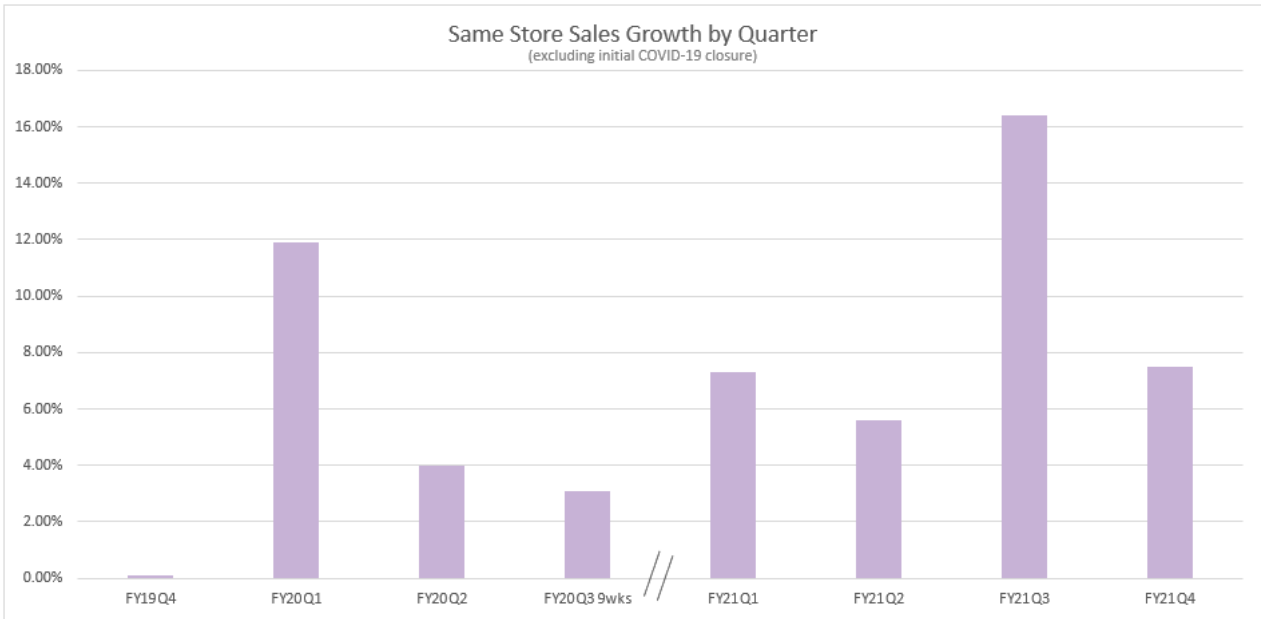
*Shopping  
made easy*



# 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

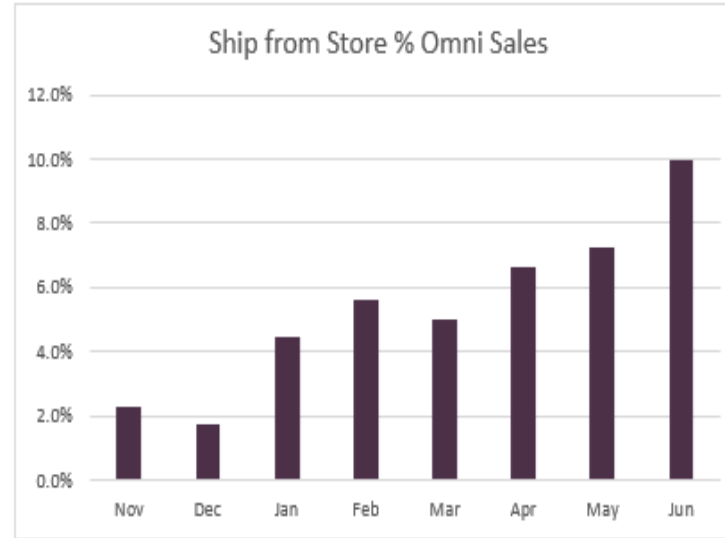




# Omni-channel

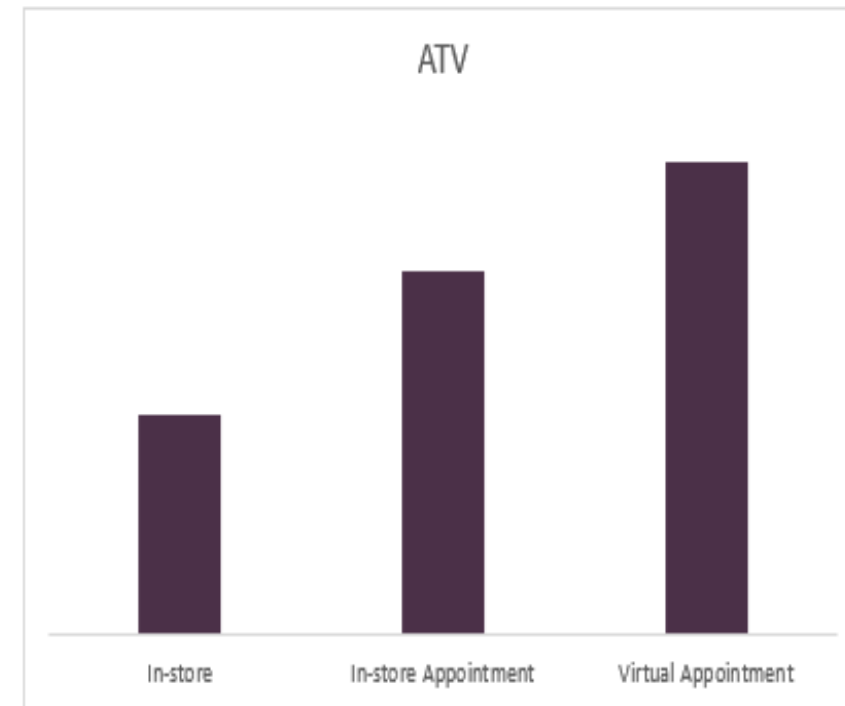
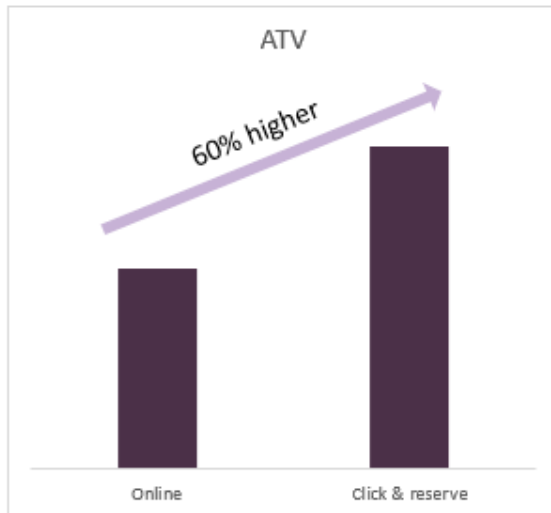
## Customer-led & channel agnostic

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



## Benefits of “ship from store”

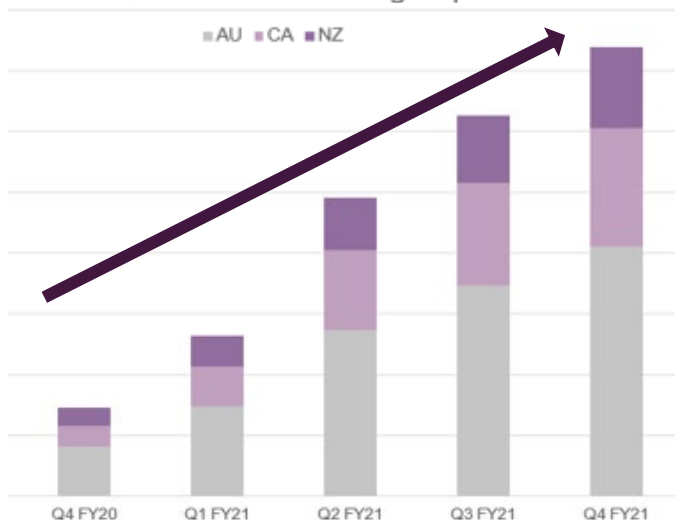
- Improved inventory utilisation
- Reduced costs
- More efficient
- Better customer experience



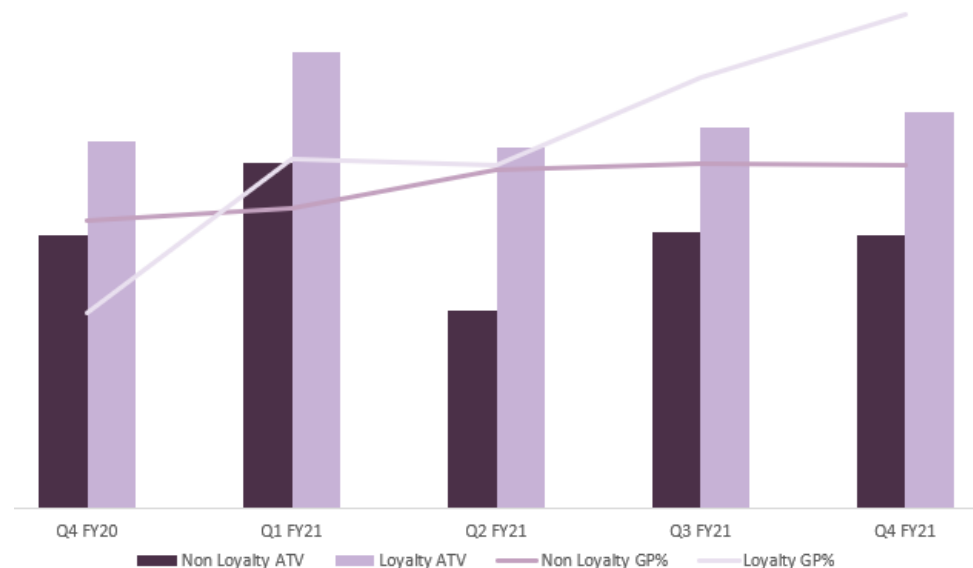
## Your love for jewellery rewarded

- ✓ 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

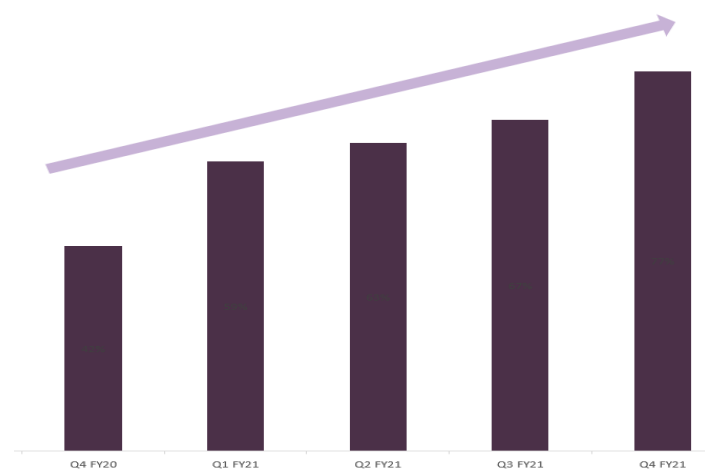
Brilliance Member Sign-Ups



## Members spend more than non-members



## Loyalty sales % Stores (AU)

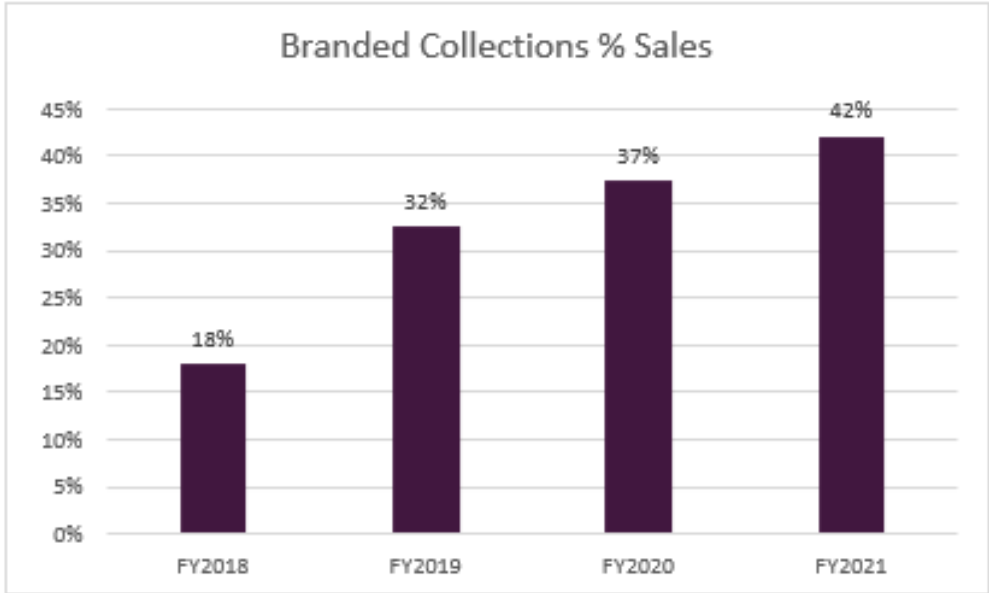


# Product Evolution

## Uniquely Michael Hill

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

Branded Collections % Sales



## 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.

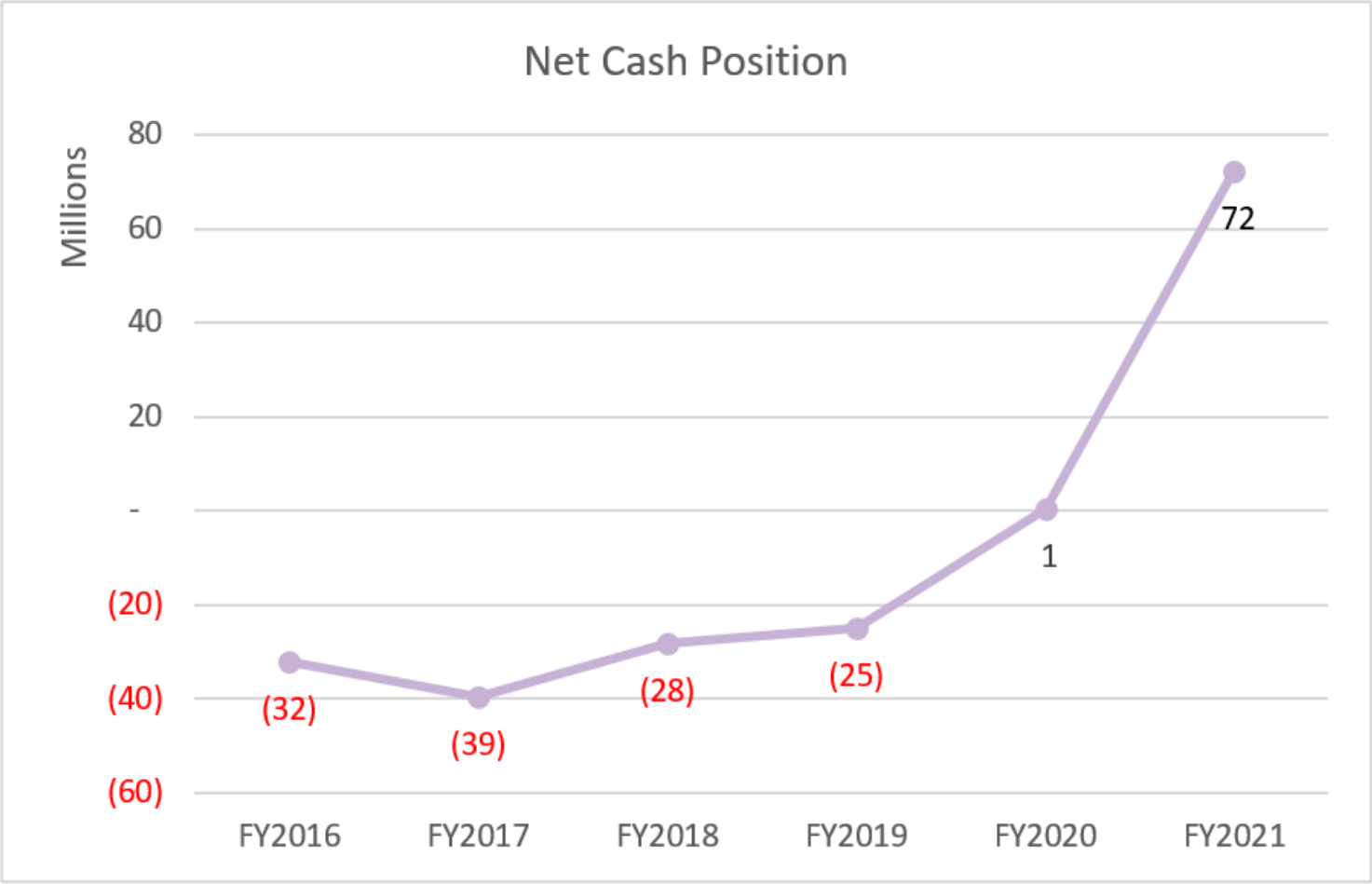




# Cost Conscious Culture

Unwavering focus on costs

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



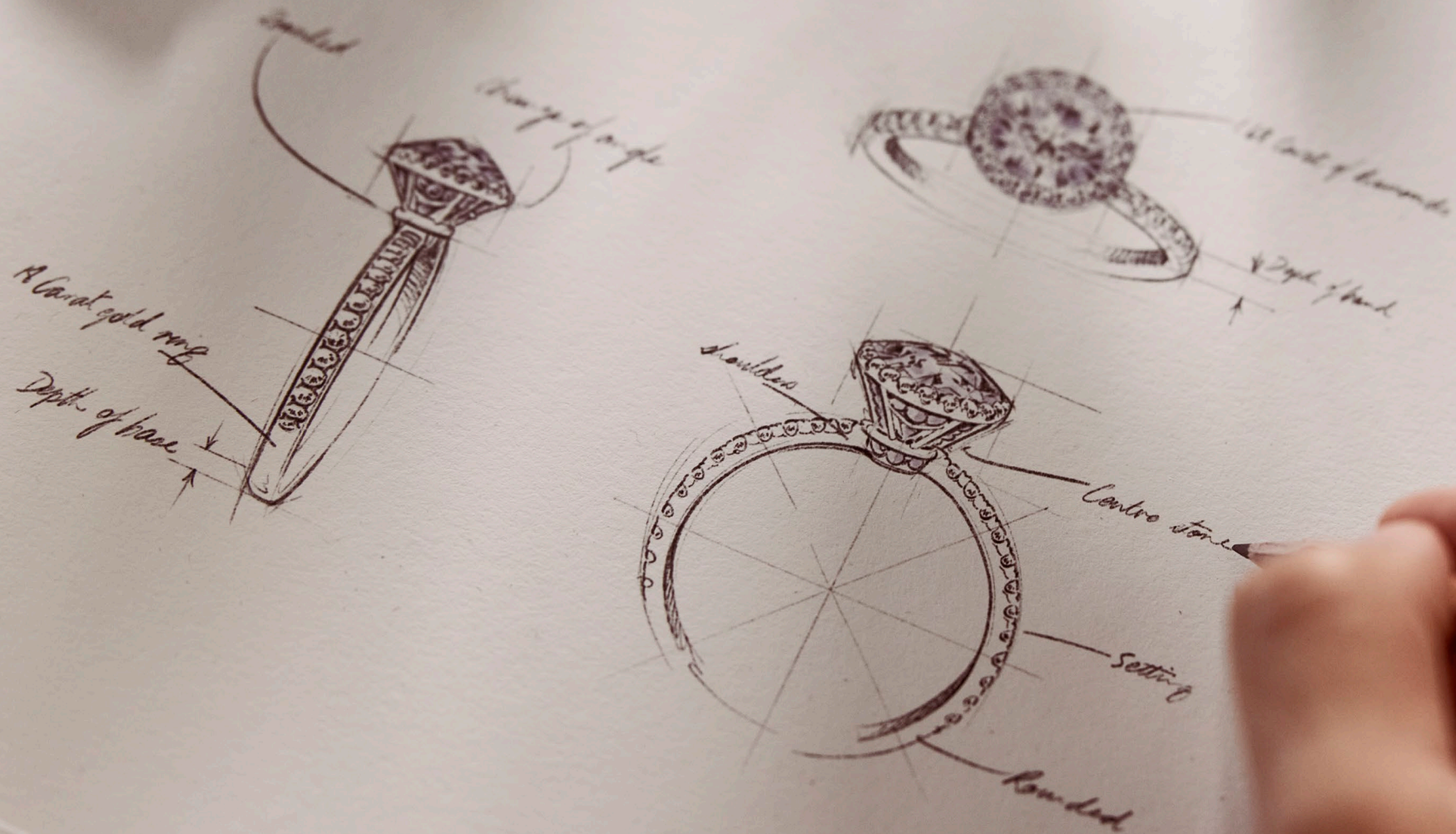
# Outlook

- 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





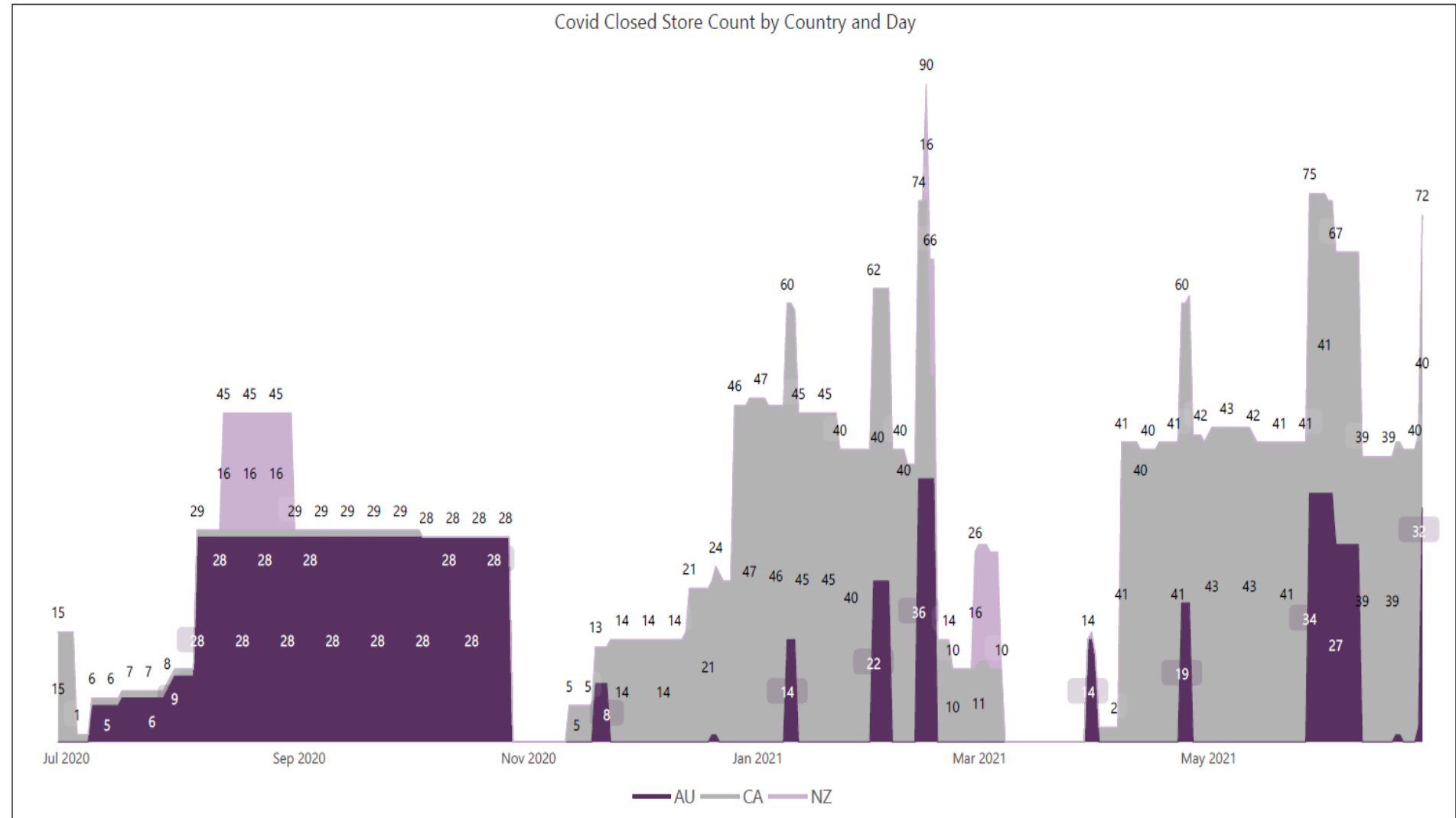
# Appendix





# 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%
<b>Gross profit</b>	<b>348.9</b>		<b>348.9</b>	<b>298.2</b>	<b>+17.0%</b>
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%
<b>EBITDA</b>	<b>123.7</b>	<b>38.8</b>	<b>84.9</b>	<b>27.2</b>	<b>+212.1%</b>
Depreciation and amortisation expenses	-51.3	-34.6	-16.7	-18.6	-10.2%
<b>EBIT</b>	<b>72.4</b>	<b>4.2</b>	<b>68.2</b>	<b>8.5</b>	<b>+702.4%</b>
Finance expenses	-7.6	-6.7	-0.9	-2.0	-55.0%
<b>Profit before tax</b>	<b>64.8</b>	<b>-2.5</b>	<b>67.3</b>	<b>6.6</b>	<b>+919.7%</b>







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