



FY20H1 RESULTS

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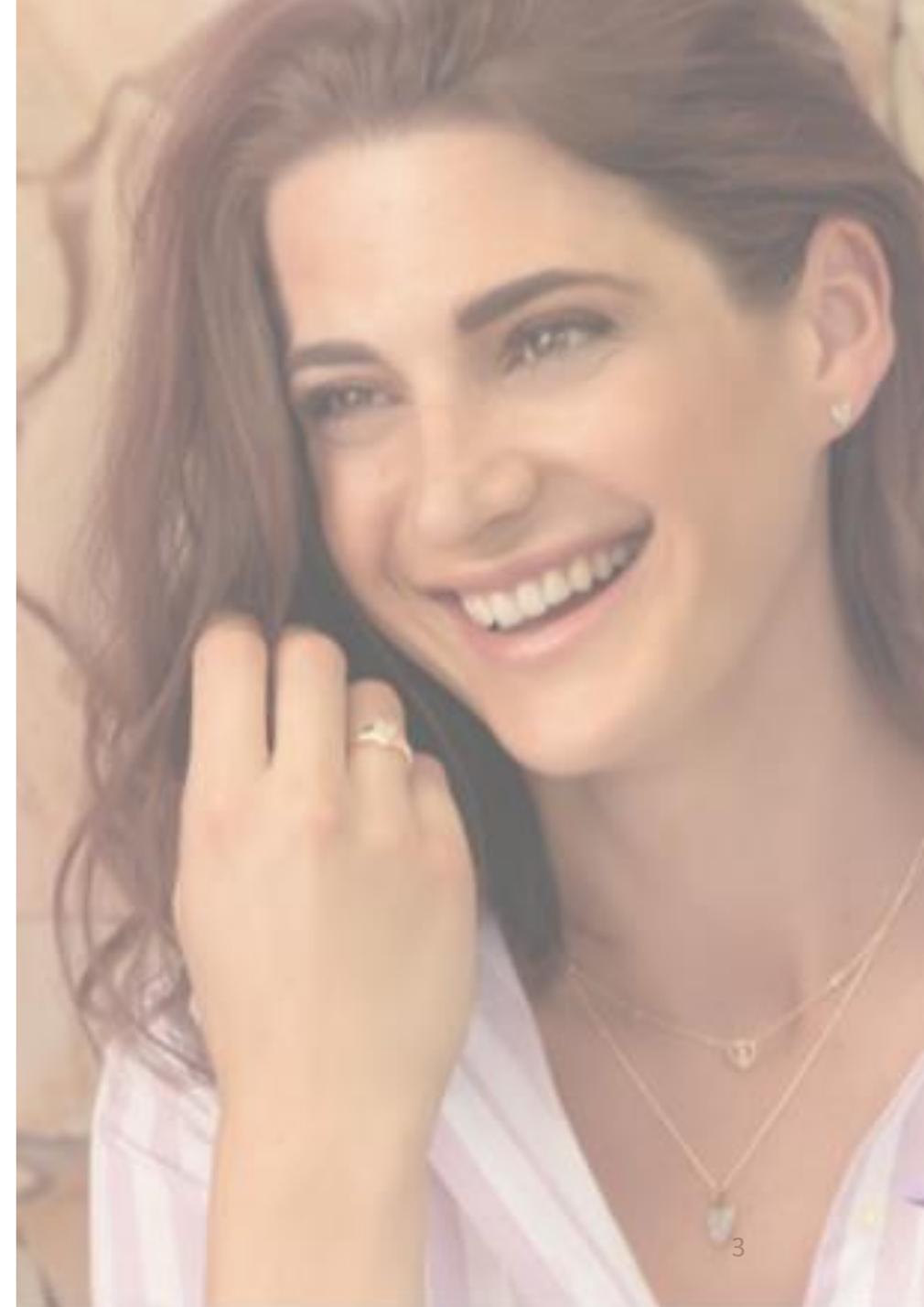
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Michael Hill International Limited

CEO and CFO FY20H1 Update

- Business Overview
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Business Overview

An established retail business, with a transformational agenda

- **Sales performance and EBIT growth**
 - All markets delivered same store sales growth across both quarters, and growth in Group EBIT
- **Focused fiscal discipline**
 - Committed approach to disciplined cost management while the business focuses on margin
- **Challenging trading conditions**
 - Local and global environmental factors, and competitive retail landscape
- **Capable senior leadership team**
 - Assembled an invigorated senior leadership team with depth, talent and experience
- **Celebrating 40 years**
 - Evolving to a more contemporary and differentiated jewellery brand
- **Focus on business and retail fundamentals**
 - Digital-first, new incentive scheme, retail execution, and productivity focus
- **Ongoing refinement of strategy and initiatives**



FY20H1 Financial Snapshot

- Two consecutive quarters of positive same store sales growth across **all** retail segments
 - FY20Q1: AU:+6.3%, NZ:+9.8%, CA:+13.4%
 - FY20Q2: AU:+1.4%, NZ:+4.8%, CA:+1.0%
- Underlying EBIT growth of 6.9% to \$31.6m, driven by increased revenue and reduction in costs
- Continued focus on costs and retail disciplines delivering results
- Active inventory management program continues
- Disciplined cash management
- Adoption of a 52 week retail calendar
- AASB 16 *Leases* was adopted on 1 July 2019 – See Appendix A

	FY20H1	FY19H1	Change
Revenue	\$329.5m	\$315.4m	+4.4%
Statutory NPAT*	\$21.4m	\$17.9m	+19.6%
Underlying EBIT**	\$31.6m	\$29.6m	+6.9%
Interim Dividend	1.5c	2.5c	-1.0c
Inventory	\$200.1m	\$220.1m	-\$20.0m
Net Cash/(Debt)	\$0.4m	(\$20.7m)	+\$21.1m

* FY19H1 restated for employee remediation

** Pre-AASB 16 *Leases*

FY20H1 Key Performance Results

+6.9%
UNDERLYING EBIT
GROWTH

61.7%
GROUP
GROSS MARGIN
FY19H1: 64.2%

\$9.7m
MH WEBSITE LFL SALES
FY19H1: \$6.7m
+44.3%

+3.3%
AUSTRALIA
SAME STORE SALES
GROWTH



+6.6%
NEW ZEALAND
SAME STORE SALES
GROWTH



+6.3%
GROUP
SAME STORE SALES
GROWTH

35.4%
BRANDED COLLECTION
SALES
FY19H1: 20%

1
STORE
OPENED

3
STORES
CLOSED

+5.1%
CANADA
SAME STORE SALES
GROWTH



Group Results

- Group revenue increased by 4.4%, with same store sales up 6.3%
- Underlying EBIT improved by 6.9%, to \$31.6m**
- Gross margin decline largely attributable to foreign currency headwinds and rising gold price
- Interim dividend in line with FY19H2, at AU1.5 cents per share



For the half year ended	AUD	29-Dec-19	31-Dec-18	Change
Revenue		329.5m	315.4m	+4.4%
Gross profit		203.4m	202.5m	+0.5%
Underlying EBIT**		31.6m	29.6m	+6.9%
Underlying EBIT as a % of revenue		9.6%	9.4%	+20bps
Statutory EBIT*		35.3m	26.2m	+34.6%
Statutory EBIT as a % of revenue		10.7%	8.3%	+240bps
Gross profit as a % of revenue		61.7%	64.2%	-250bps
Total stores open		304	311	

* FY19H1 restated for employee remediation

** Pre-AASB 16 Leases

Michael Hill Australia

RETAIL SEGMENT

- Revenue declined slightly by 0.7%, reflecting closure of 9 under-performing stores
- Same store sales increased by 3.3%
- EBIT of \$22.7m down from \$24.6m
- Gross margin of 59.9%, down from 63.0% in prior year
- Competitive retail environment persists, however, recent data suggests Michael Hill is taking market share



For the half year ended	AUD	29-Dec-19	31-Dec-18	Change
Revenue		174.2m	175.5m	-0.7%
Gross profit		104.3m	110.5m	-5.6%
EBIT**		22.7m	24.6m	-8.0%
EBIT as a % of revenue		13.0%	14.0%	-100bps
Gross profit as a % of revenue		59.9%	63.0%	-310bps
Total stores open		165	173	

** Pre-AASB 16 Leases

Michael Hill New Zealand

RETAIL SEGMENT

- Revenue increased by 6.4% to NZ\$69.9m
- Same store sales increased by 6.6%
- New Zealand remains the most profitable market
- EBIT of NZ\$14.5m, down from NZ\$15.1m
- Pursuing CODB initiatives to bolster EBIT



For the half year ended	NZD	29-Dec-19	31-Dec-18	Change
Revenue		69.9m	65.8m	+6.4%
Gross profit		41.1m	41.2m	-0.2%
EBIT**		14.5m	15.1m	-4.0%
EBIT as a % of revenue		20.7%	22.9%	-220bps
Gross profit as a % of revenue		58.8%	62.7%	-390bps
Total stores open		52	53	

** Pre-AASB 16 Leases

Michael Hill Canada

RETAIL SEGMENT

- Revenue growth of 7.5%
- Same store sales increased by 5.1%
- EBIT of CA\$7.9m down from CA\$8.6m
- Canada remains a core profit growth opportunity, with early signs of our key productivity initiatives gaining traction
- Annualised sales per sqm increased by 7.7%



For the half year ended	CAD	29-Dec-19	31-Dec-18	Change
Revenue		79.9m	74.4m	+7.5%
Gross profit		46.5m	46.0m	+1.1%
EBIT**		7.9m	8.6m	-7.5%
EBIT as a % of revenue		9.9%	11.5%	-160bps
Gross profit as a % of revenue		58.2%	61.8%	-360bps
Total stores open		87	85	

** Pre-AASB 16 Leases

Strategic Update

1. Unwavering focus on costs

- Second tranche of \$5m savings starting to be realised in FY20
- Pursuing further non-customer facing CODB reductions
- Disciplined fiscal approach

2. Retail Operating Model

- Successful roll-out of integrated customer-focused retail operating model in H1
- Positive result from Black Friday and Christmas campaign
- Refinements for FY21 as we continue to perfect the model

3. Retail Fundamentals

- Emphasis on retail performance supported by our new incentive scheme and early learnings from customer feedback program
- Intense focus on retail execution and visual merchandising, enhancing our brand, inventory management, and cost control
- Increased prioritisation of margin management supported by new incentive scheme



Strategic Update

4. Product Evolution

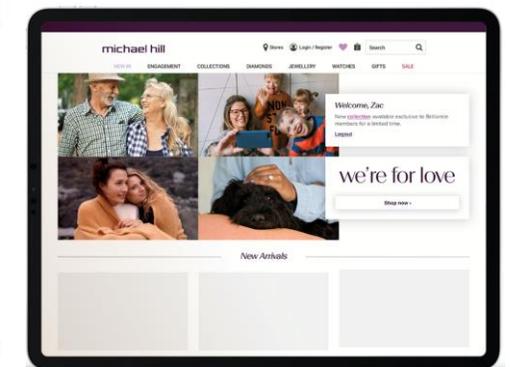
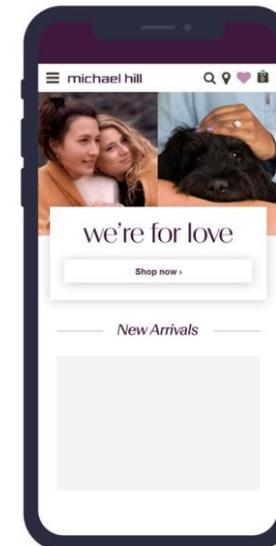
- Refreshed assortment in exclusive Branded Collections to support a target of 50% of sales over the coming years
- Ongoing newness as part of the new merchandise rhythm
- Increased emphasis on sourcing, margin and mix

5. Canadian Productivity

- Increased productivity remains a core profit growth opportunity
- Continued investment in retail leadership, training and development

6. Digital-first

- Website re-launched
- Enhanced customer experience, checkout process and navigation
- Extended on-line exclusive product offer
- Planned omni-channel enhancements following ERP upgrade



Strategic Update

7. Loyalty

- Online launch of *Brilliance* in Nov 2019, with positive early results
- Attracting new customers
- Instore launch in H2 provides a significant opportunity to increase customer engagement through targeted marketing

8. Brand

- Deep and rich heritage centred around innovation, quality, and value with a modernised approach
- Reimagining for a digital world

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Questions and Answers



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Appendix A: AASB 16 *Leases* Impact

(AUD million)	FY20H1 Stat	Impact of AASB 16	FY20H1 pre-AASB 16	FY19H1 pre-AASB 16	Change pre-AASB 16
Revenue	329.5		329.5	315.4	4.4%
Cost of sales	(126.1)		(126.1)	(112.9)	11.6%
Gross profit	203.4		203.4	202.5	0.5%
Employee benefits expense	(82.9)		(82.9)	(86.7)	(4.3)%
Occupancy costs	(9.5)	(21.3)	(30.8)	(30.3)	1.7%
Marketing expenses	(20.5)		(20.5)	(19.2)	6.7%
Selling expenses	(12.2)		(12.2)	(14.1)	(13.8)%
Other income/(expenses)	(15.8)		(15.8)	(16.3)	(2.9)%
EBITDA	62.5	(21.3)	41.2	35.9	14.7%
Depreciation and amortisation expenses	(27.2)	17.6	(9.6)	(9.7)	(1.0)%
EBIT	35.3	(3.7)	31.6	26.2	20.5%
Finance expenses	(5.0)	3.9	(1.1)	(1.4)	(16.6)%
Profit before tax	30.3	0.2	30.5	24.8	22.6%
Income tax expense	(8.9)	0.0	(8.9)	(6.9)	27.4%
Net profit after tax	21.4	0.2	21.6	17.9	20.7%

Key Points:

- Adopted modified retrospective approach from 1 July 2019. No restatement of prior year comparatives required
- Lease rental expenses have been replaced by depreciation on right-of-use asset and interest on lease liability
- No impact on:
 - Cash earnings and cashflow
 - Debt covenants and facility headroom
 - Ability to pay dividend
- Note 2 in the half-year consolidated financial statements provides detailed information on the adoption.