

michael hill[®]
INTERNATIONAL LIMITED

ANNUAL GENERAL MEETING
24 October 2019



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.

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.

CHAIR'S ADDRESS



Knots
BY CHRISTINE HILL

Executive Review

- FY19 Business Overview
- FY19 Financial Results
- FY20 Initiatives
- FY20Q1 Trading Update



FY19 Business Overview

FY19 was a transitional year as the Company appointed a new CEO and strengthened the management team

- Strong heritage brand
- Sales performance recovery
- Strengthened executive team
- End to end business and strategy re-affirmed
- Modernisation of our business and a focus on retail fundamentals
- Stronger fiscal discipline



FY19 Financial Snapshot

- Despite a challenging Q1, sales performance momentum recovered throughout the subsequent quarters, with FY19Q4 +0.7%
- All segments suffered compressed margin during FY19H2 in order to stabilise sales performance
- Delivered a cost out program for annualised cost savings of \$5m
- Deliberate focus to reduce inventory through an active inventory management program
- Statutory NPAT of \$16.5m, impacted by one-off employee remediation provision of \$4.5m, aged inventory impairment of \$6.0m and other one-off items
- EBIT of \$21.1m and underlying EBIT of \$34.6m



| | FY19 | FY18* |
|---------------------------|-------------|--------------|
| <i>Revenues</i> | \$569.5m | \$575.5m |
| <i>Statutory NPAT</i> | \$16.5m | \$1.6m |
| <i>EBIT</i> | \$21.1m | \$8.9m |
| <i>Full Year Dividend</i> | 4.0c | 5.0c |
| <i>Cash Flow</i> | \$39.0m | \$54.9m |
| <i>Net Debt</i> | \$24.8m | \$28.0m |
| <i>Inventory</i> | \$179.5m | \$192.1m |

* FY18 statutory earnings restated for employee remediation

Key Financial Results

\$569.5m

GROUP OPERATING REVENUE
2018: \$575.5m*



\$34.6m

UNDERLYING EBIT
2018: \$40.1m

4.0c

DIVIDEND
2018: 5.0c

\$39.0m

OPERATING NET CASHFLOW
2018: \$54.9m

62.0%

GROSS MARGIN
2018: 63.7%

\$24.8m

NET DEBT
2018: \$28.0m

-3.3%

SAME STORE
SALES

46.8%

EQUITY RATIO
2018: 45.9%*

\$16.5m

NET PROFIT
AFTER TAX
2018: \$1.6m **



\$179.5m

INVENTORY
2018: \$192.1m



* Continuing operations only

** FY18 restated for employee remediation

Operational Performance

\$16.0m*
E-COMMERCE SALES
2018: \$11.1m*

32.5%
BRANDED COLLECTION SALES



10
NEW STORES
OPENED

11
STORES
CLOSED

\$5m CODB
ANNUALISED SAVINGS

-3.7%
AUSTRALIA
RETAIL SEGMENT REVENUE**

-4.1%
NEW ZEALAND
RETAIL SEGMENT REVENUE**

+1.8%
CANADA
RETAIL SEGMENT REVENUE**

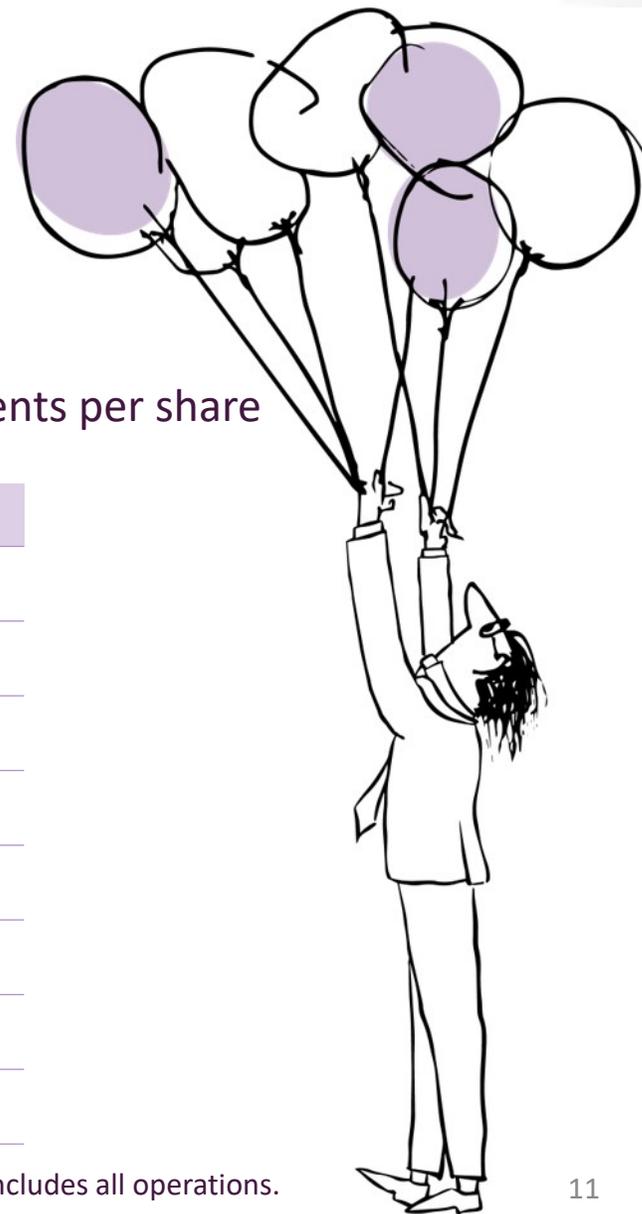


* Includes Emma & Roe e-commerce sales

** Local currency

Group Results

- Group revenue declined by 1.1%, with same store sales up 0.7% for FY19Q4
- Statutory EBIT of \$21.1m, up from FY18 of \$8.9m**
- Underlying EBIT of \$34.6m, down from \$40.1m
- Gross margin for the Group was down from prior year to 62.0%
- Final dividend of AU 1.5 cents per share, giving a full year dividend of AU 4.0 cents per share



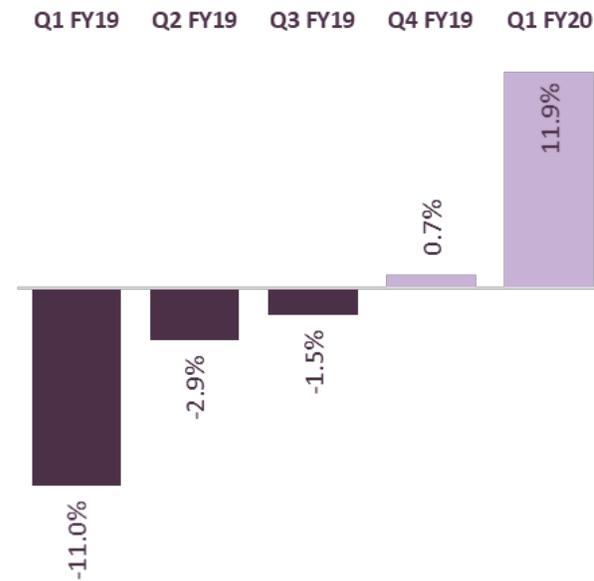
| For the year ended | AUD | Jun-19 | Jun-18* | change |
|-------------------------------------|-----|--------|---------|----------|
| Revenue | | 569.5m | 575.5m | -1.1% |
| Gross profit | | 353.0m | 366.9m | -3.8% |
| Gross profit as a % of revenue | | 62.0% | 63.7% | -170ppts |
| Underlying EBIT | | 34.6m | 40.1m | -13.7% |
| Underlying EBIT – as a % of revenue | | 6.1% | 7.0% | -90ppts |
| Statutory EBIT | | 21.1m | 8.9m** | +138.6% |
| Statutory EBIT as a % of revenue | | 3.7% | 1.5% | +220ppts |
| Total stores open | | 306 | 312 | -6 |

* Jun-18 figures for revenue and gross profit reflects only continuing operations (excluding Emma & Roe and US). Jun-19 includes all operations.

** Jun-18 statutory EBIT restated for employee remediation

FY20Q1 Trading Update

- Positive sales momentum with same store sales +11.9%



FY20Q1 Trading Update

- Positive sales momentum with same store sales +11.9%
- Strong sales performance across all markets: Canada +16.4%, New Zealand +10.1% and Australia +6.8%
- Margin compression continues, with early signs of positive movement
- Canadian productivity focus delivers positive Q1 result
- Branded collection sales represents 37.9% of total product sales (up from 32.5% FY19)
- Store portfolio management remains a priority



Key Initiatives for FY20

Building on the Strategic Priorities with seven key initiatives

1. Continued focus on cost of doing business

- Delivered the FY19 cost out program – annualised benefits of \$5m
- A further \$5m savings identified that will fully annualise in FY21
- Continued disciplined fiscal approach

2. Retail Operating Model

- Continued implementation of a more sophisticated and integrated customer-focused retail operating model
- Driving regular product newness to our stores, a structured and consistent marketing platform, and exciting changes within stores for our customers

3. Retail Fundamentals

- Deliberate emphasis on our core disciplines presents a significant opportunity
- Intense focus on retail execution and visual merchandising, enhancing our brand, inventory management, and cost control



Key Initiatives for FY20

4. Acceleration of the Branded Collections strategy

- Clear pathway to drive exclusive Branded Collection sales to 50% over the coming years
- To assist with sales growth and margin opportunity with existing customers
- Avenue to attract new customers to the Michael Hill brand

5. New Merchandise Rhythm

- “Newness” - implementing new processes and a new critical path to ensure that new product is brought to market on a regular basis
- A focus on margin mix and margin outcomes

6. Canadian Productivity

- Plans to drive increased sales per square metre have been developed and will be implemented

7. Online as a core focus

- Strong focus on improving our existing online customer experience and expanding our digital platform for the future



New Brisbane City Flagship Store



Business of the Annual General Meeting



FINANCIAL REPORT

for the financial year ended 30 June 2019

- Audited financial statements;
- Directors' Report; and
- Auditor's Report.

RESOLUTION 1: Remuneration Report

(Advisory Resolution)

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

“That the Remuneration Report for the year ended 30 June 2019 (as set out in the Directors’ Report) is adopted.”

| | FOR | AGAINST | OPEN | ABSTAIN | EXCLUDED |
|---------------------|------------|----------------|-------------|----------------|-----------------|
| NO. OF SHARES | 64,039,789 | 512,053 | 667,997 | 451,568 | 167,487,526 |
| % OF ELIGIBLE VOTES | 98.19 | 0.79 | 1.02 | - | - |
| % OF ALL SECURITIES | 16.51 | 0.13 | 0.17 | 0.12 | 43.19 |

RESOLUTION 2: Re-election of Gary Warwick Smith as a Director

To consider and if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That Gary Warwick Smith, who retires by rotation in accordance with Listing Rule 14.4 and Article 38.6 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

| | FOR | AGAINST | OPEN | ABSTAIN | EXCLUDED |
|---------------------|-------------|----------------|-------------|----------------|-----------------|
| NO. OF SHARES | 232,231,785 | 23,814 | 667,997 | 235,337 | 0 |
| % OF ELIGIBLE VOTES | 99.70 | 0.01 | 0.29 | - | - |
| % OF ALL SECURITIES | 59.89 | 0.01 | 0.17 | 0.06 | 0.00 |

RESOLUTION 3: Grant of Share Rights under Company's Incentive Plan

To consider and if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That for the purposes of Listing Rule 7.2 (exception 9(b)) and for all other purposes, the Shareholders approve the issue of securities under the Company's Incentive Plan approved by the Board on 18 August 2016 (**Plan**) as an exception to Listing Rule 7.1.”*

| | FOR | AGAINST | OPEN | ABSTAIN | EXCLUDED |
|---------------------|------------|----------------|-------------|----------------|-----------------|
| NO. OF SHARES | 63,775,842 | 764,550 | 652,497 | 487,518 | 167,487,526 |
| % OF ELIGIBLE VOTES | 97.82 | 1.18 | 1.00 | - | - |
| % OF ALL SECURITIES | 16.45 | 0.20 | 0.17 | 0.12 | 43.19 |



Thank you
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