



FY23H1  
RESULTS

**michael hill**<sup>®</sup>  
INTERNATIONAL LIMITED



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# Michael Hill International Limited

## CEO and CFO FY23H1 Update

- FY23H1 Performance Overview
- FY23H1 Financial Results
  - Group Results
  - Key Performance Insights
  - Segment Results
- Outlook
- Strategy Update – Emphasis on Growth
- Appendices



# FY23H1 Performance Overview

- Record sales, gross profit and comparable EBIT driven by:
  - Brand elevation
  - Retail fundamentals
  - Product evolution
  - Digital-first expansion
  - Loyalty penetration
- Strategic initiatives align to lift performance - best evidenced by 19% productivity increase over the last three years
- *Brilliance by Michael Hill* membership increases 70% to 1.7m
- Successful transition to new global headquarters:
  - State of the art distribution technology
  - Upgraded artisanal manufacturing workshop
  - Attract and retain high calibre talent
- Execution of new growth initiatives gathering pace

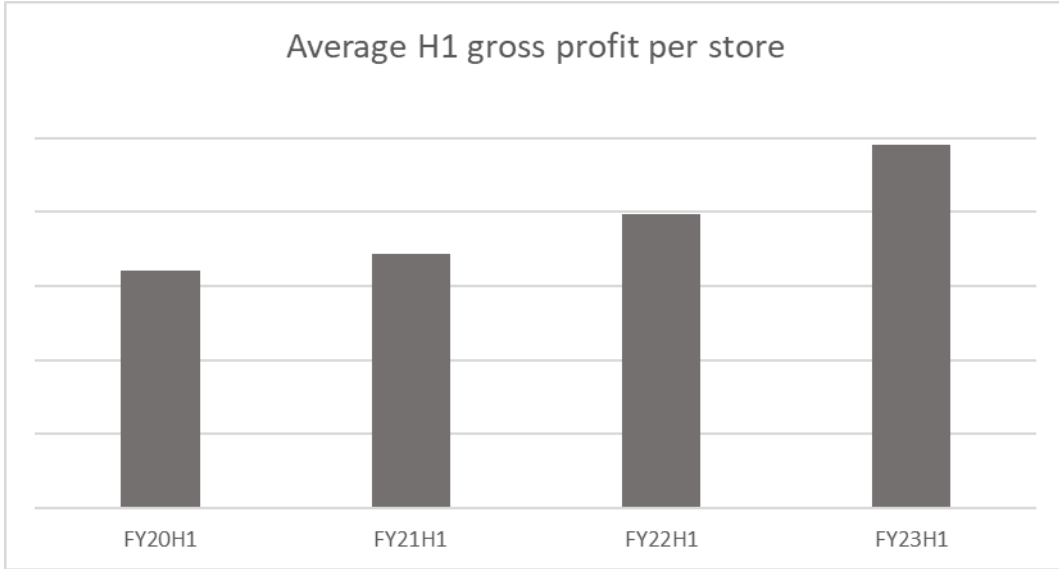
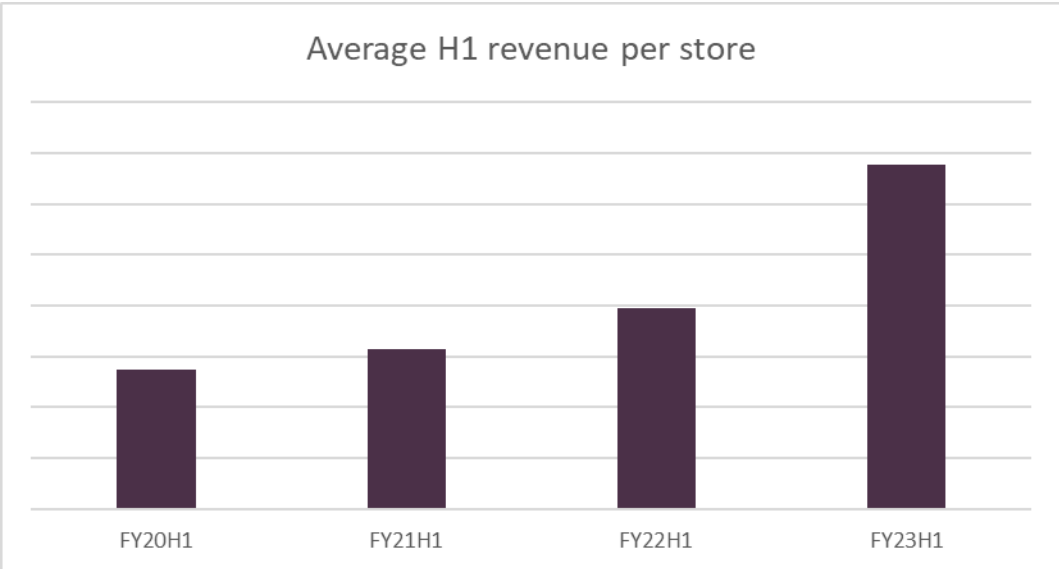
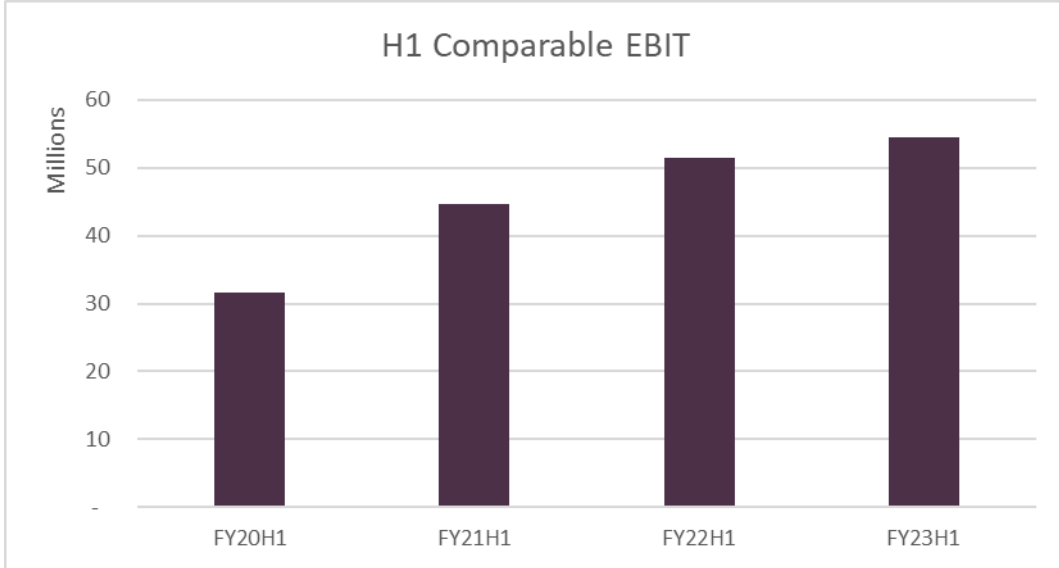
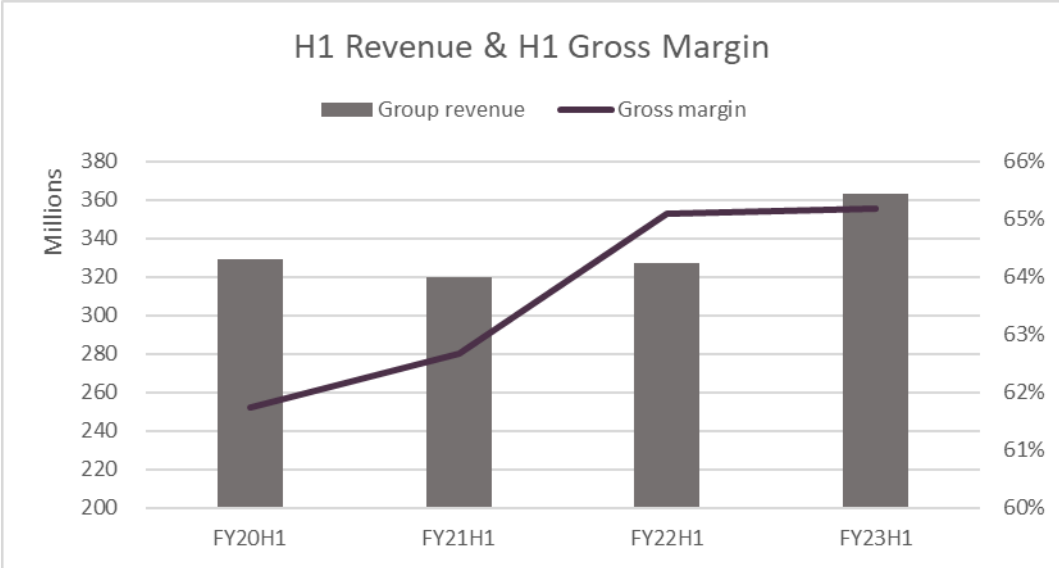


# FY23H1 Group Results

- Record H1 revenue with growth of \$36m
- Record H1 gross profit up \$24m
- Elevated gross margin maintained
- Record H1 comparable EBIT up 6%
- Healthy cash position, having deployed cash to support higher dividends and share buy-back
- Strategic investment in inventory to support elevated sales
- Record interim dividend of AU4.0 cents per share

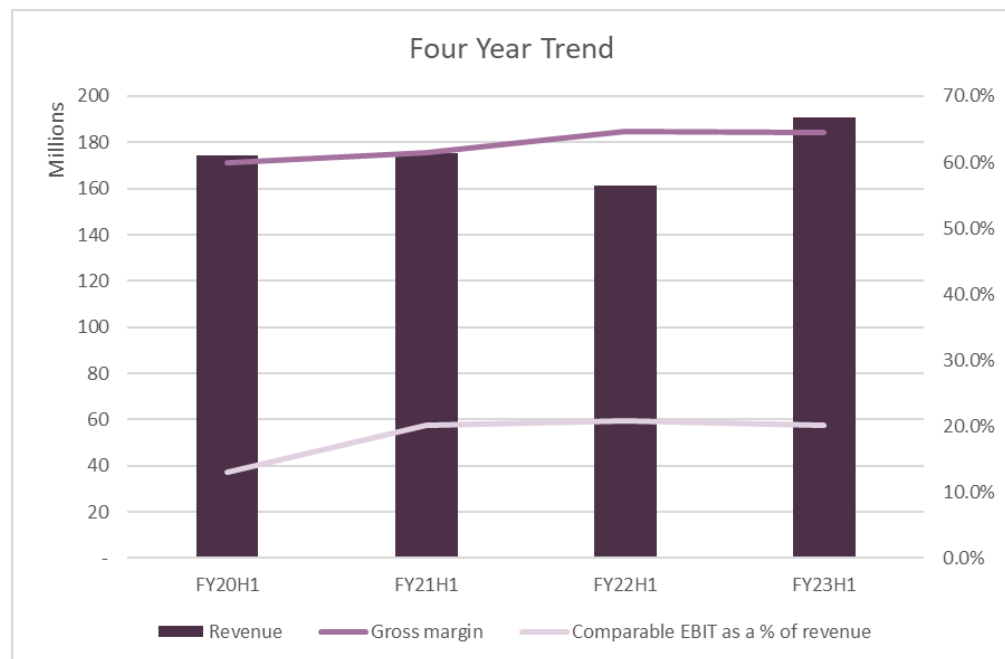
	FY23H1	FY22H1	Change
Revenue	\$363m	\$327m	+11%
Gross Profit	\$237m	\$213m	+11%
Gross Margin	65.2%	65.1%	+10bps
Comparable EBIT	\$54.5m	\$51.6m	+6%
Inventory	\$198m	\$176m	+\$22m
Cash	\$79m	\$99m	-\$20m
Interim Dividend	AU4.0c	AU3.5c	+14%
EPS	9.77c	9.56c	+2%
Store Network	282	285	-3

# FY23H1 Key Performance Insights



# FY23H1 Australia Segment Results

	Australia (AUD)					
	FY23H1	FY22H1	FY21H1	FY20H1	Change to FY22H1	Change to FY20H1
Revenue	191m	162m	175m	174m	+18%	+9%
Gross profit	123m	105m	108m	104m	+18%	+18%
Gross margin	64.4%	64.7%	61.4%	59.9%	-30bps	+450bps
Segment Comparable EBIT	38.4m	33.5m	35.3m	22.7m	+14.7%	+69.5%
Comparable EBIT as a % of revenue	20.2%	20.7%	20.2%	13.0%	-2%	+55%
Store network	148	150	154	164	-2	-16

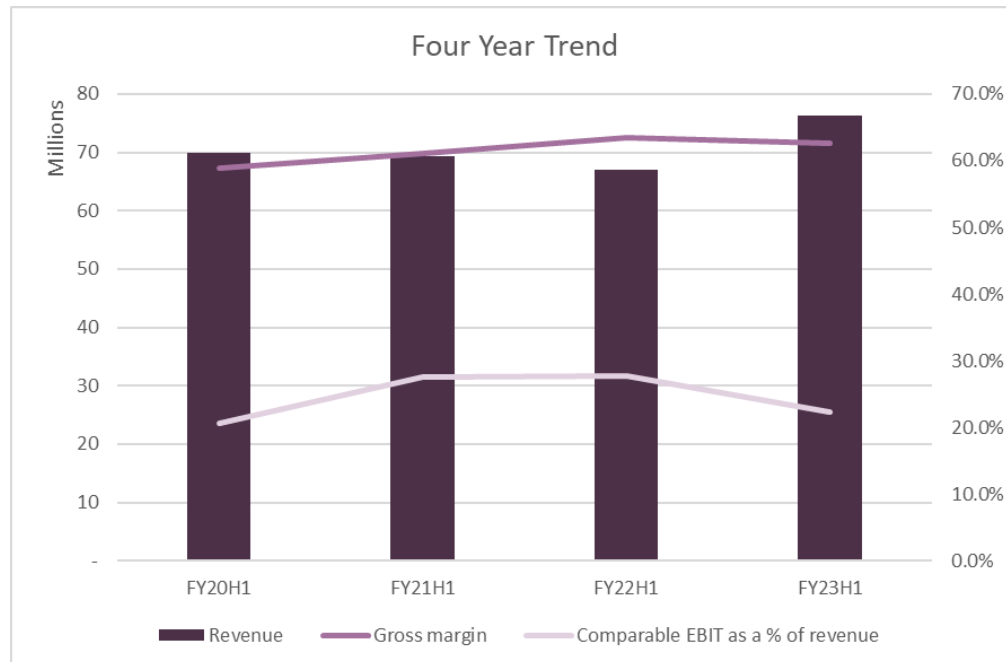


- Record H1 revenue and comparable EBIT result
- Elevated margin maintained, up 450 bps on pre-pandemic levels
- ATV continues to lift, validating the aspirational brand journey
- Productivity lifted by 21% since FY20H1



# FY23H1 New Zealand Segment Results

	New Zealand (NZD)					
	FY23H1	FY22H1	FY21H1	FY20H1	Change to FY22H1	Change to FY20H1
Revenue	76m	67m	69m	70m	+14%	+9%
Gross profit	48m	43m	42m	41m	+12%	+16%
Gross margin	62.6%	63.5%	61.1%	58.8%	-90bps	+380bps
Segment Comparable EBIT	17.0m	18.6m	19.1m	14.5m	-8.2%	+18.0%
Comparable EBIT as a % of revenue	22.4%	27.7%	27.6%	20.7%	-19%	+8%
Store network	48	49	49	52	-1	-4



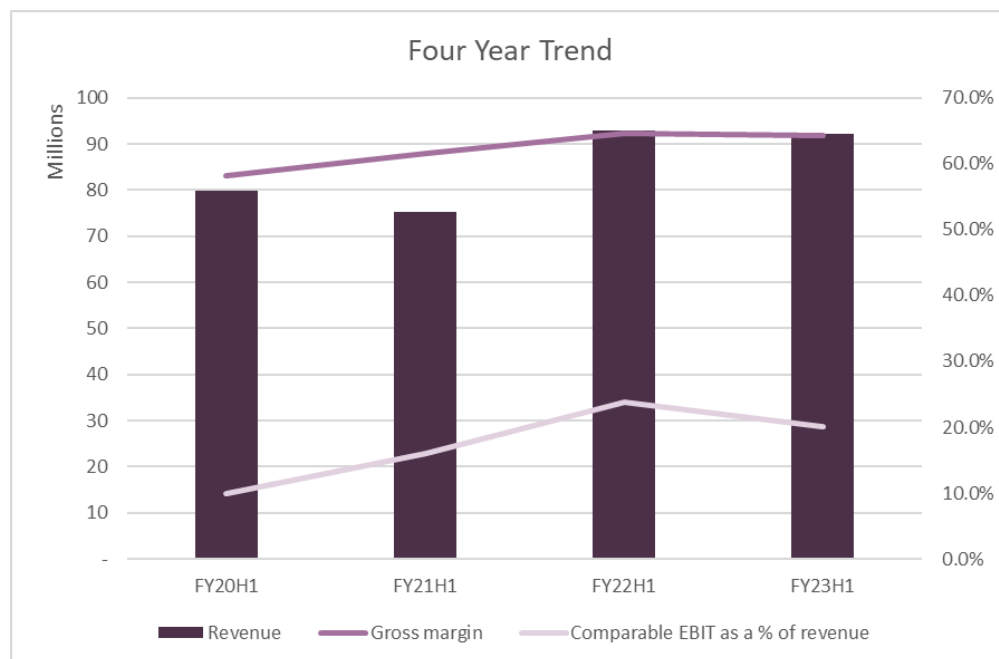
- Record H1 revenue
- Elevated margins maintained, up 380bps on pre-pandemic levels
- Highest average transaction value of all segments
- Incremental security cost impact on EBIT
- Productivity lifted by 18% since FY20H1





# FY23H1 Canada Segment Results

	Canada (CAD)					
	FY23H1	FY22H1	FY21H1	FY20H1	Change to FY22H1	Change to FY20H1
Revenue	92m	93m	75m	80m	-1%	+15%
Gross profit	59m	60m	46m	47m	-2%	+27%
Gross margin	64.3%	64.6%	61.5%	58.2%	-30bps	+610bps
Segment Comparable EBIT	18.5m	22.2m	12.0m	7.9m	-16.5%	+133.5%
Comparable EBIT as a % of revenue	20.1%	23.9%	16.0%	9.9%	-16%	+103%
Store network	86	86	86	87	-	-1



- Strong sales performance, comping record prior year.
- Elevated margins maintained, up 610bps on pre-pandemic levels
- ATV continues to lift, validating the aspirational brand journey
- Normalised costs return following pent-up demand in prior year
- Productivity has lifted by 17% since FY20H1



# Outlook



- Putting the significant and sustained NZ weather events to one side, sales for the first eight weeks of FY23H2 are in-line with expectations
- On the basis that retail trading conditions do not materially deteriorate, the Company anticipates full year comparable EBIT will be ahead of prior year.

# Strategy Update - Emphasis on Growth

Brand & Loyalty	Modern, differentiated, omni-channel jewellery brand with loyal customers
Retail Fundamentals	Elevated productivity & customer experience
Digital & Omni-channel	Omni-first, digital-led & channel agnostic
Product Evolution	Elevated yet accessible, with diamonds at our core
New Territories & Services	New markets, new channels & new service propositions
Cost Conscious Culture	Unwavering focus on costs
Sustainability	<i>"the jeweller that cares"</i>



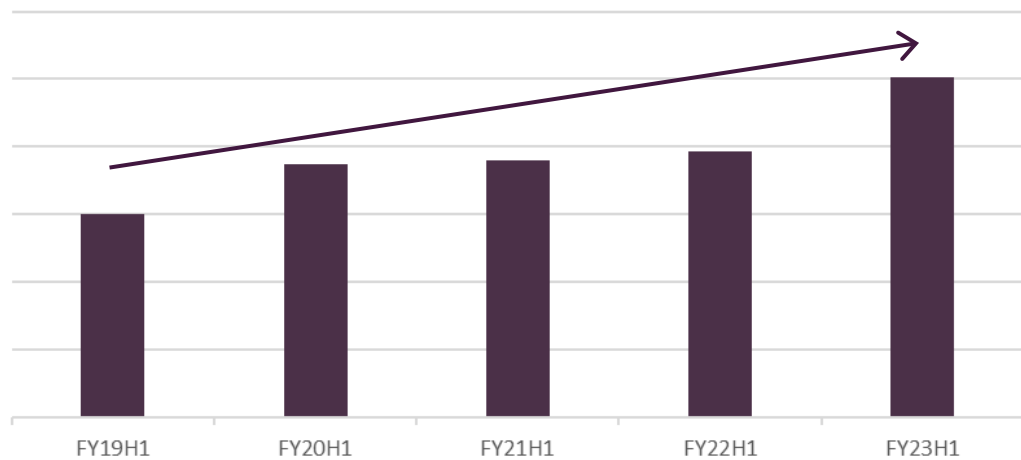
# Brand and Product Elevation

*Marking the moments that create  
the story of our lives*

- ◆ Elevated emotive brand-led campaigns
- ◆ Emphasis on craftsmanship, quality & sustainability
- ◆ Relentless focus on creative & visual excellence
- ◆ Elevated, modern & accessible product
- ◆ Diamonds at our core
- ◆ Increasing ATV demonstrates brand elevation, up 28% over four years



Average Transaction Value





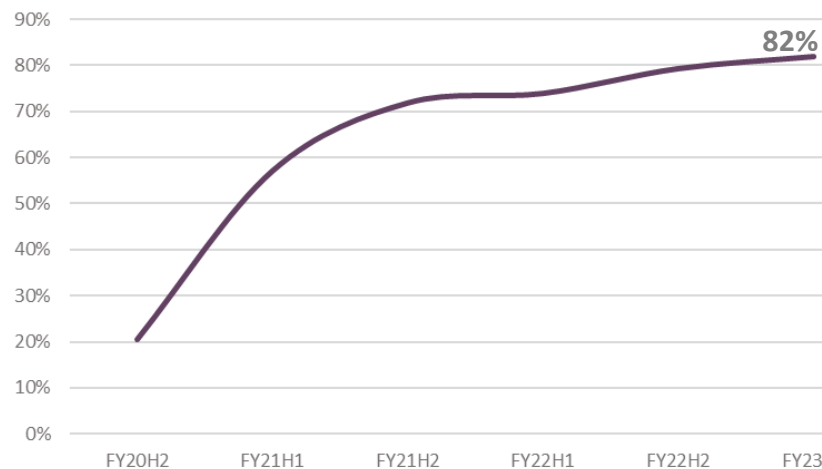
# Leveraging of Loyalty Program

## *Your love for jewellery rewarded*

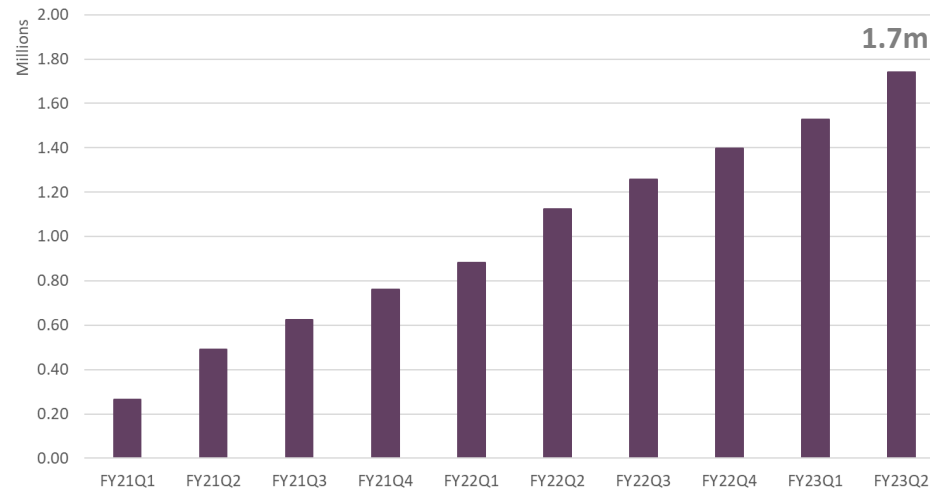
- ◆ Over 1.7 million loyalty members
- ◆ Increased focus on customer segmentation and personalisation
- ◆ Targeted AI and data insights
- ◆ Loyalty members are significantly more valuable
- ◆ Loyalty members represent ~82% of sales
- ◆ New programs and events for members launched in FY23H1

*Member ATV*  
VS  
*non-member ATV*  
**+122%**

Loyalty Members % of Michael Hill Sales



Brilliance Member Sign-Ups

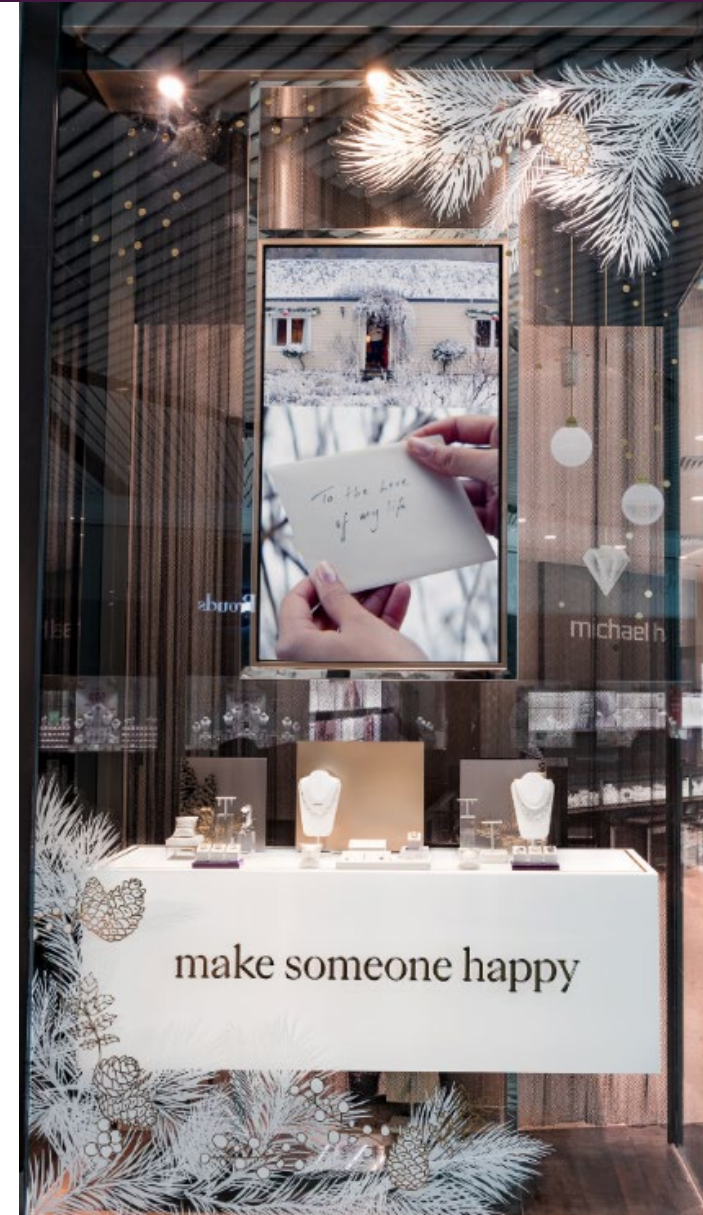


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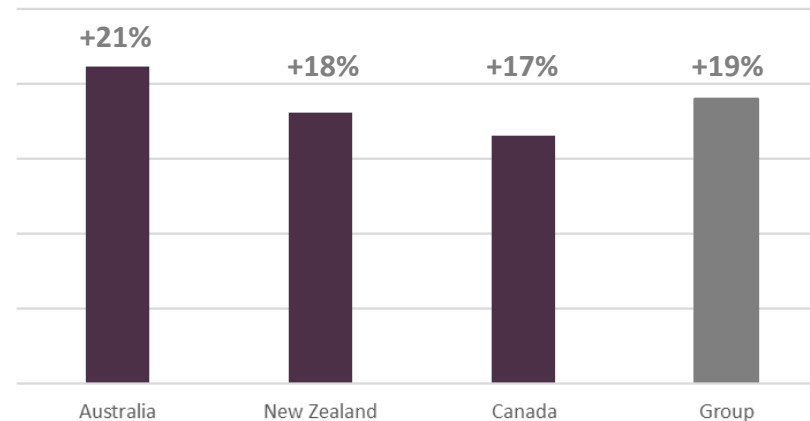
# Retail Productivity & Store Investment

## *Elevating productivity & retail execution*

- ◆ Productivity up 19% since FY20 and up in all markets
- ◆ Focus on in-store experience, delivering increased customer engagement
- ◆ Dynamic rostering driving more productive labour
- ◆ Elevated visual merchandising resulting in increased shopfront conversion
- ◆ Significant investment in store network with more than 40 stores refreshed



Productivity improvement over three years





# Digital Growth Initiatives

## *Omni-first, digital-led & channel agnostic*

- Expansion of core DTC channels, omni now embedded into stores, with customers embracing the aspirational brand journey
- Marketplaces – growth in existing & new geographies
- Early insights from THE BAY validate Quebec opportunity
- Ramping up virtual selling capabilities across all stores globally
- International shipping, with SEM now being tested in 2 markets
- Pure-play Medley delivers 53% year-on-year sales growth

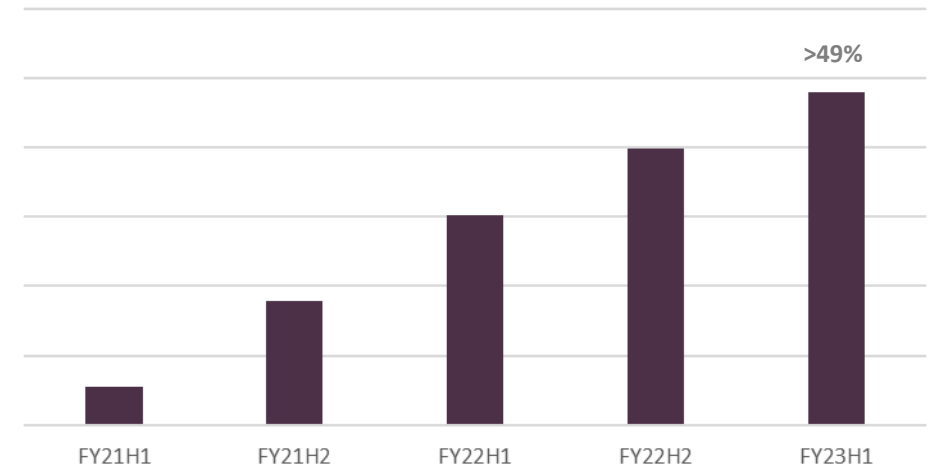


MEDJEY™

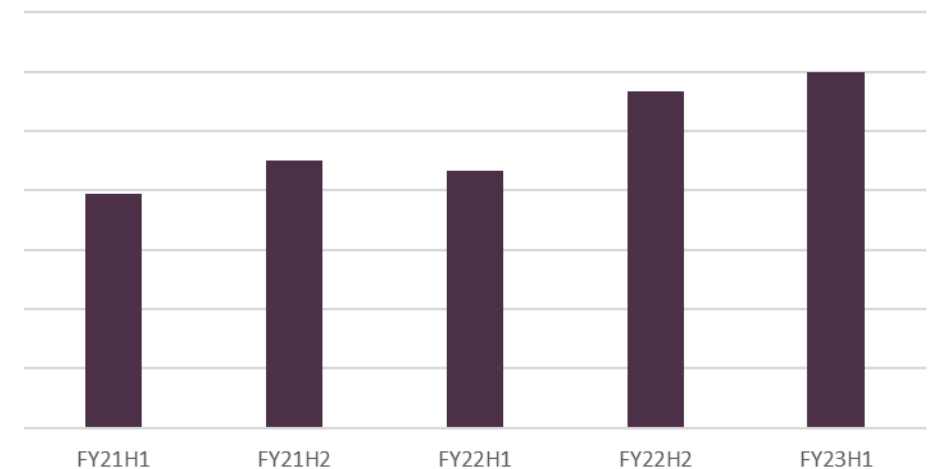
THE BAY

THE ICONIC

Omni Sales as % Total Digital Sales



Online ATV



# New Revenue Streams

- ◆ Launching circular economy offering *re:new*, encompassing:
  - Digitally-enabled gold recycling platform, driving incremental sales in-store
  - Launching a diamond upgrade program
  - Reimagining and expansion of jewellery repair business
- ◆ Development of a new digitally-led bespoke diamond jewellery brand
- ◆ Introducing third-party jewellery insurance and replacement solutions for customers

re:new



*Our sustainable jewellery ecosystem.*

re:cycle

Give your precious metals a new lease on life with our gold and platinum recycling program. Make a sustainable choice, while trading in for a store gift card.

re:store

Repair and restore your Michael Hill jewellery and watches and see them shine anew (future: any jewellery).

re:imagine

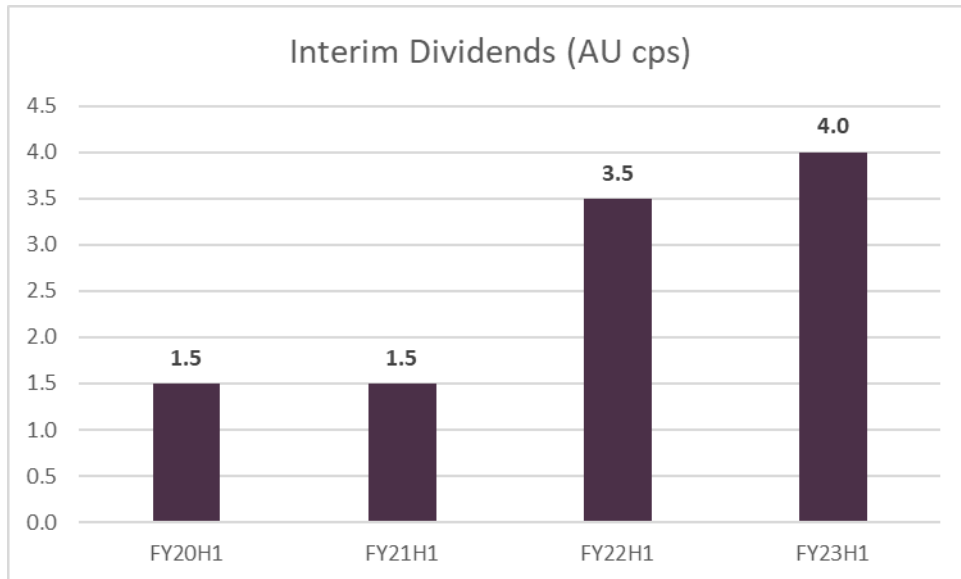
Love your stone, but outgrown the size? Trade in your Michael Hill diamond and upgrade your size for even more sparkle.





# Capital Management Framework

- ◆ Record interim dividend of AU4.0 cps
- ◆ On-market share buy-back resulting in 8.63m shares acquired at a cost of \$10.2m, representing 2.2% of share capital
- ◆ Cash reserves retained for deployment into new organic growth and acquisition opportunities



# Q & A

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# Appendices



# Appendix A: Bridge from Comparable EBIT to Statutory EBIT

Calculated as follows:

(AUD million)	FY23H1	FY22H1
<b>Comparable EBIT</b>	<b>54.5</b>	<b>51.6</b>
Impact of AASB16 <i>Leases</i>	4.8	3.7
Impact of IFRIC SaaS-related guidance	-0.5	-2.3
Government grants received (AU, NZ, CA)	-	2.8
<b>Statutory EBIT</b>	<b>58.8</b>	<b>55.8</b>





# Appendix B: AASB16 *Leases* & SaaS Impact

(AUD million)	FY23H1 Stat	Impact of AASB16 & SaaS	FY23H1 pre-adjustments	FY22H1 pre-adjustments	Change pre-adjustments
Revenue	363.4	-	363.4	327.1	+11.1%
Cost of sales	-126.5	-	-126.5	-114.2	+10.8%
<b>Gross profit</b>	<b>236.9</b>	-	<b>236.9</b>	<b>212.9</b>	<b>+11.3%</b>
Employee benefits expense	-88.5	-1.0	-87.5	-75.3	+16.1%
Occupancy costs	-5.3	25.4	-30.7	-27.5	+11.7%
Marketing expenses	-28.5	-	-28.5	-23.4	+21.6%
Selling expenses	-11.7	-	-11.7	-9.3	+25.8%
Other income/(expenses)	-15.6	-2.4	-13.2	-14.1	-6.1%
<b>EBITDA</b>	<b>87.3</b>	<b>22.1</b>	<b>65.3</b>	<b>63.3</b>	<b>+3.2%</b>
Depreciation and amortisation expenses	-28.6	-17.8	-10.7	-8.9	+21.6%
<b>EBIT</b>	<b>58.8</b>	<b>4.3</b>	<b>54.5</b>	<b>54.4</b>	<b>+0.2%</b>
Interest income	0.2	-	0.2	-	-
Finance expenses	-4.7	-4.2	-0.5	-0.4	+29.1%
<b>Profit before tax</b>	<b>54.3</b>	<b>0.1</b>	<b>54.2</b>	<b>54.0</b>	<b>+0.3%</b>





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