



**michael hill**

INTERNATIONAL LIMITED

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**ANNUAL MEETING  
PRESENTATION**

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4 DECEMBER 2015

# HIGHLIGHTS

- Total revenue reached \$500m milestone for the first time
- EBIT for the Group of \$42.1m
- NPAT up 10.8%
- Net operating cash flow of \$54.6m versus \$14.7m last year
- PCP revenue collected for the year of \$35.5m. Deferred PCP revenue of \$62.3m
- Year of two halves
- Record sales and EBIT achieved in Canada



# HIGHLIGHTS

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- 12 Michael Hill stores opened
- 2 Emma & Roe stores opened
- 23 stores refurbished
- Total of 296 stores at year end
- 300<sup>th</sup> store opened at Vulcan Lane, Auckland in August



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# BRAND RE-LAUNCH

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- Launch of We're For Love campaign in February
- High profile media choices and exposure
- Brand gains strong awareness levels, yet adversely impacts second half result
- Temporary fall in foot traffic as a result of shift in marketing focus to brand
- Australia impacted more than other markets due to difficult economy
- Long term benefit of refreshed brand will add value over time



# FINANCIAL REVIEW AUD

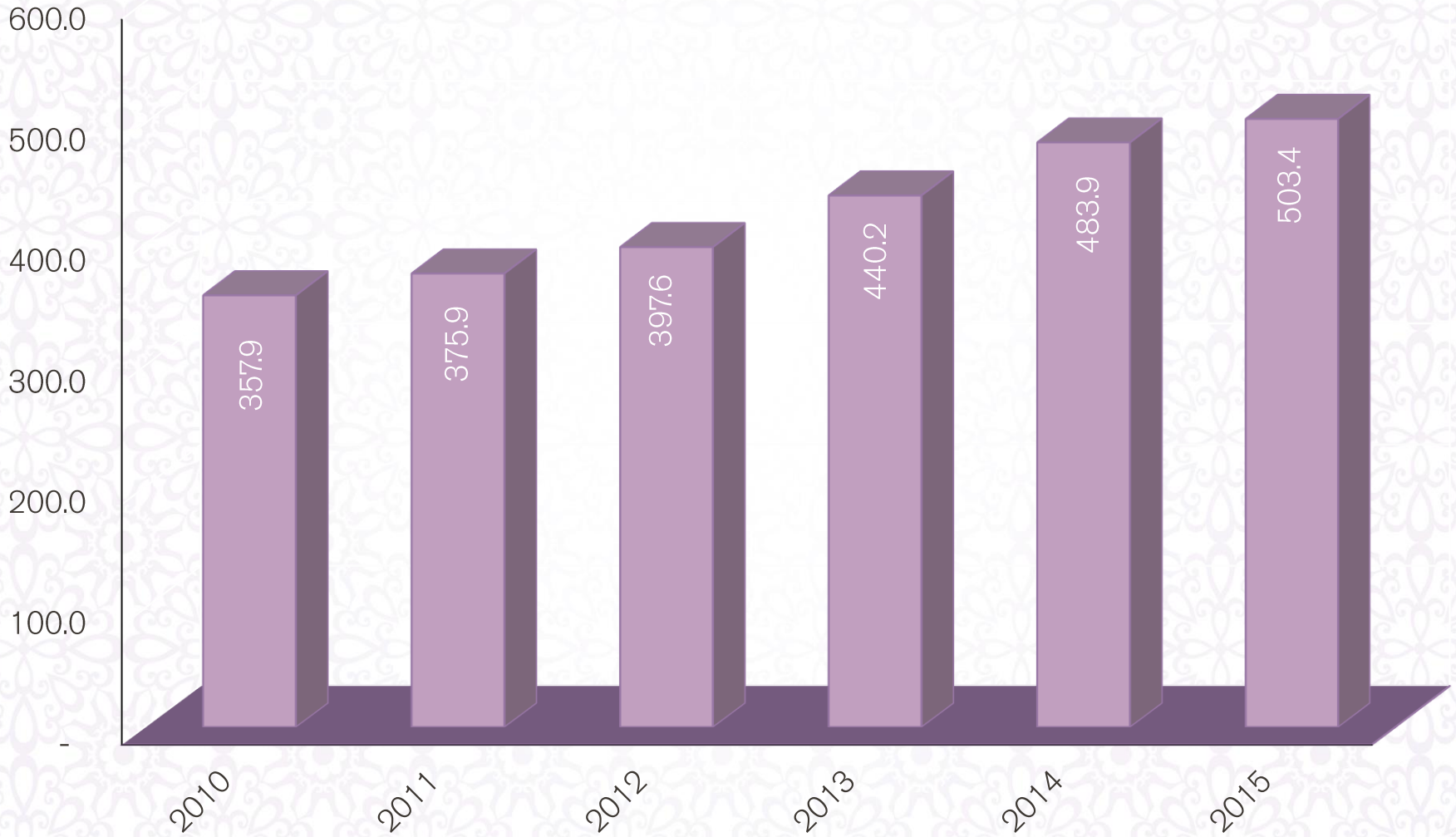
	12 months ended 30/6/15	12 months ended 30/6/14	% Move
Group revenue	503.4m	483.9m	4.0%
Same store sales	462.7m	459.7m	0.7%
EBIT	42.1m	42.2	(0.2%)
EBIT% of sales	8.4%	8.7%	
NPAT	27.8m	25.0m	10.8%



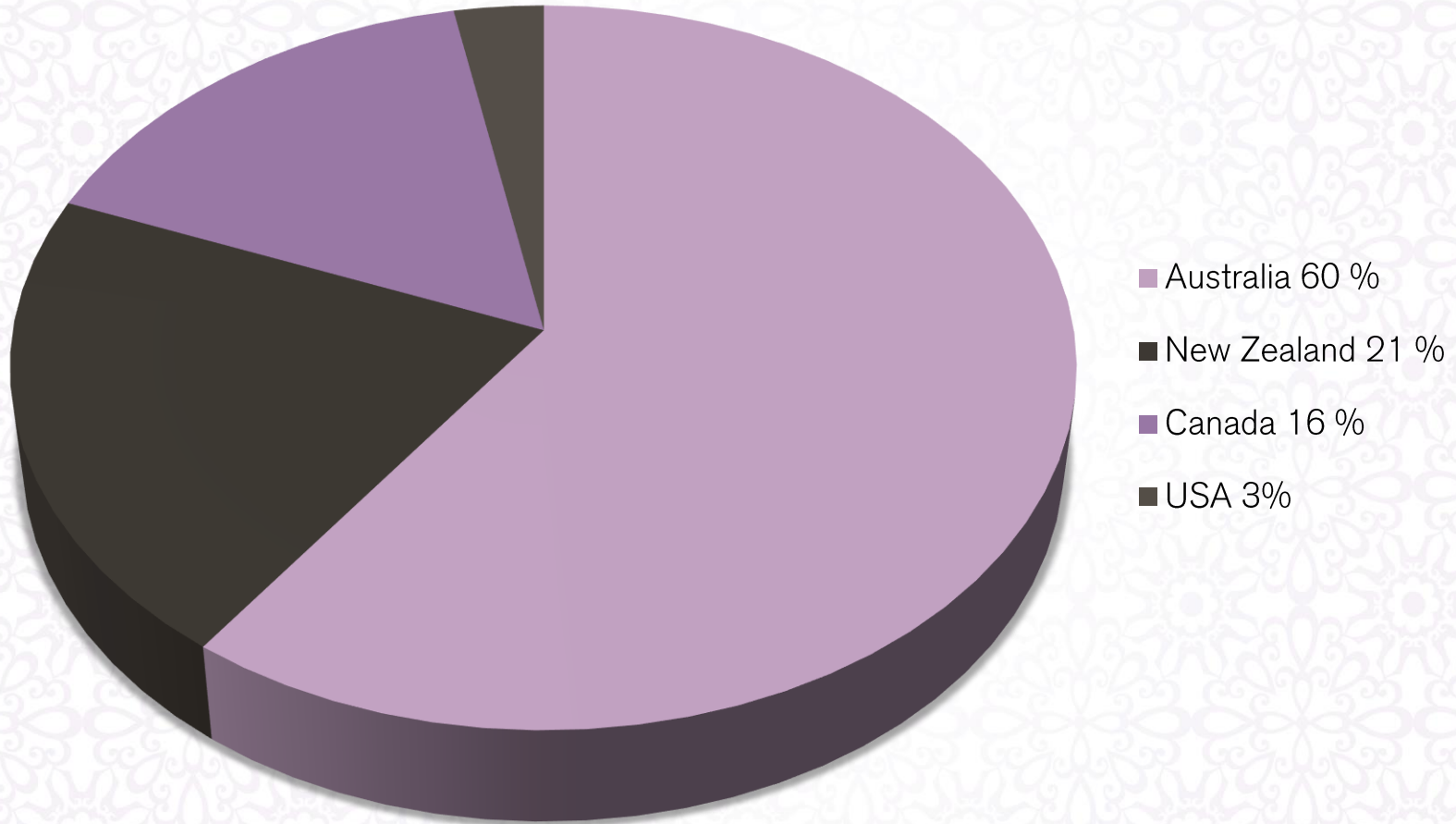
# FINANCIAL REVIEW AUD

	12 months ended 30/6/15	12 months ended 30/6/14	% Move
Net operating cash flows	54.6m	14.7m	271.5%
Working capital	158.5m	141.6m	12.0%
Net debt	38.3m	47.9m	(20.0%)
Equity ratio	53.5%	53.3%	
Return on shareholder' funds	15.0%	14.1%	
Earnings per share	AU 7.24c	AU 6.54c	10.7%
Total dividend per share	NZ 5.0c	NZ 6.5c	(23.1%)
Capital expenditure	22.1m	23.2m	(4.7%)

# GROUP REVENUE TO 30 JUNE AU\$m

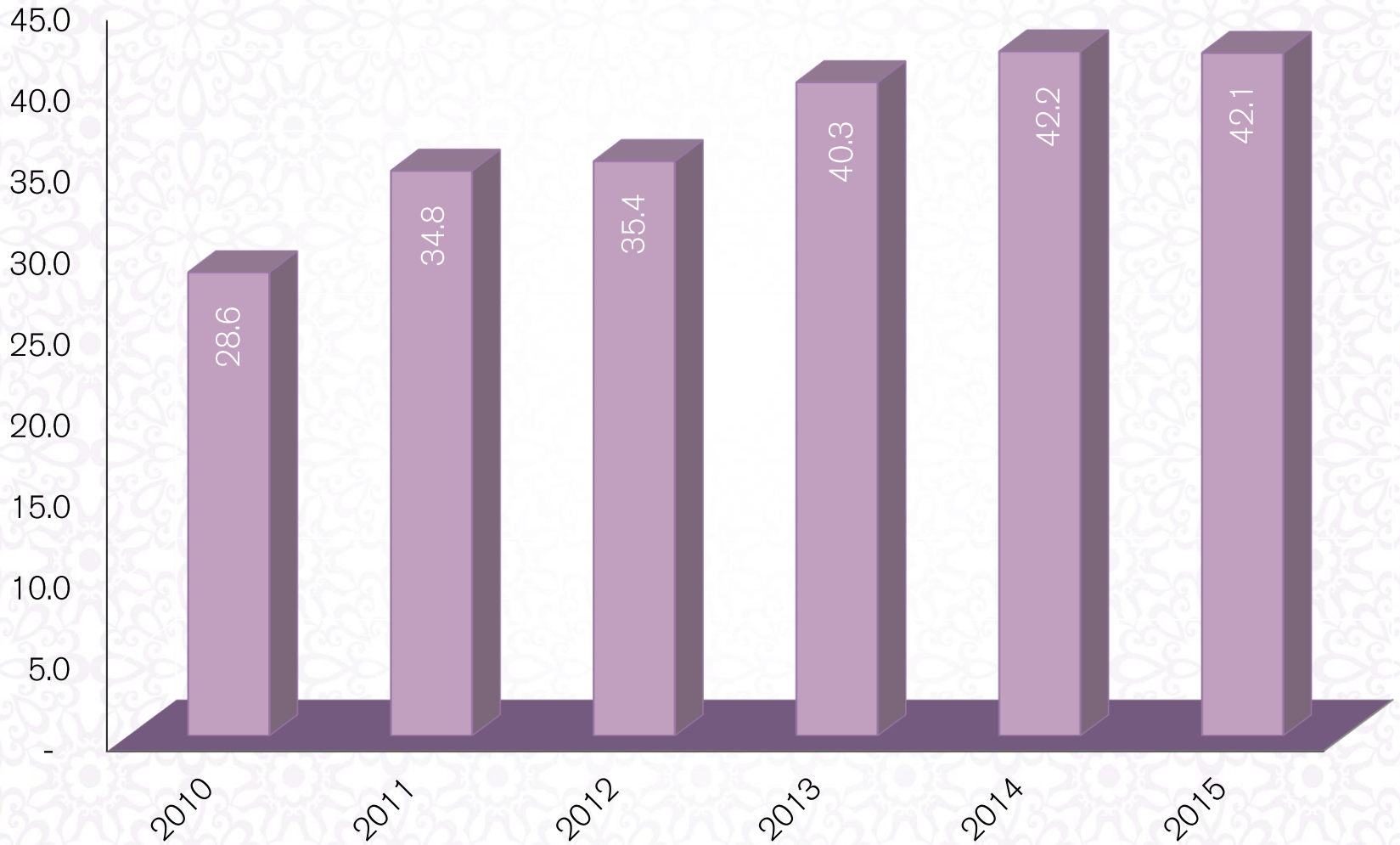


# SALES BY COUNTRY

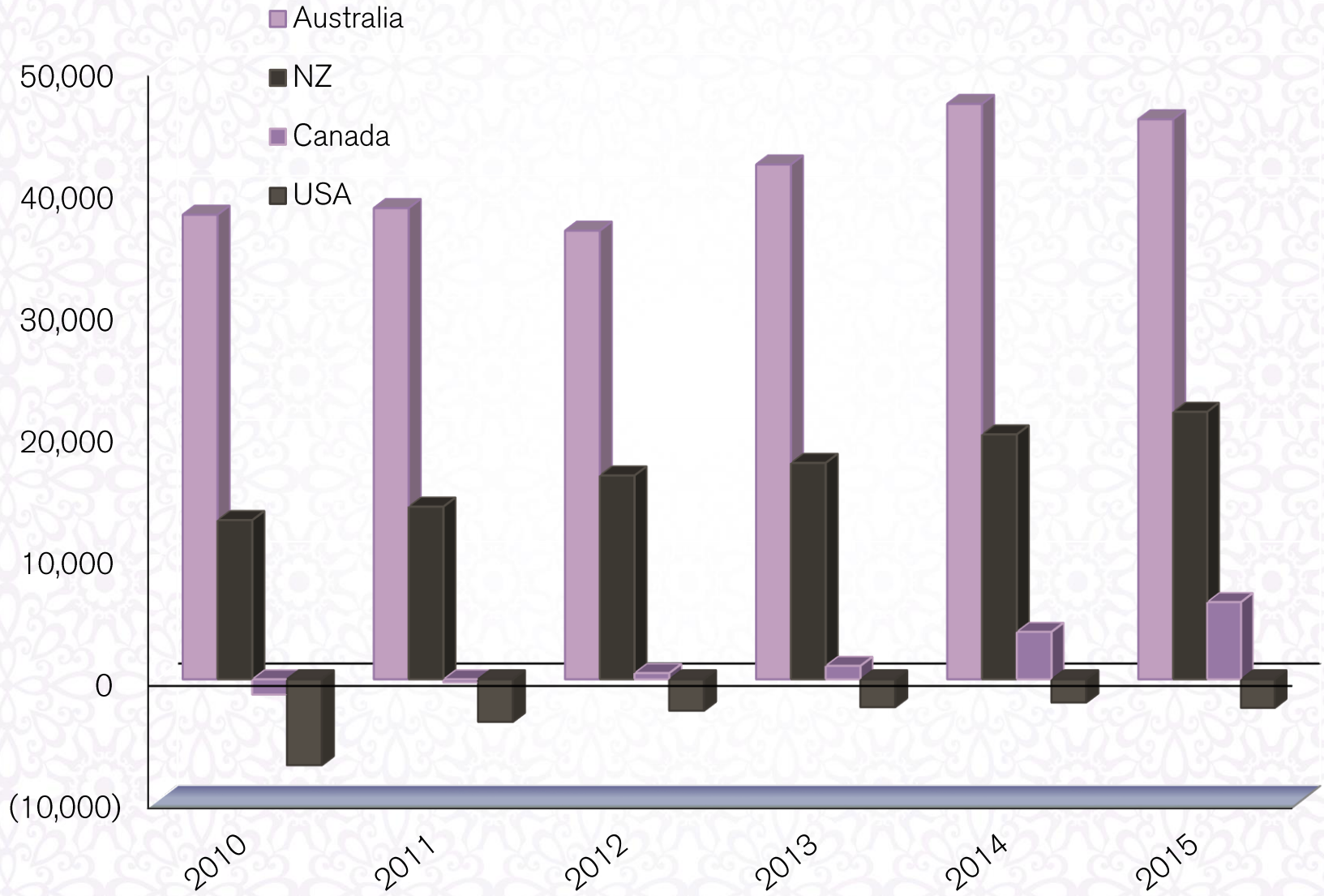




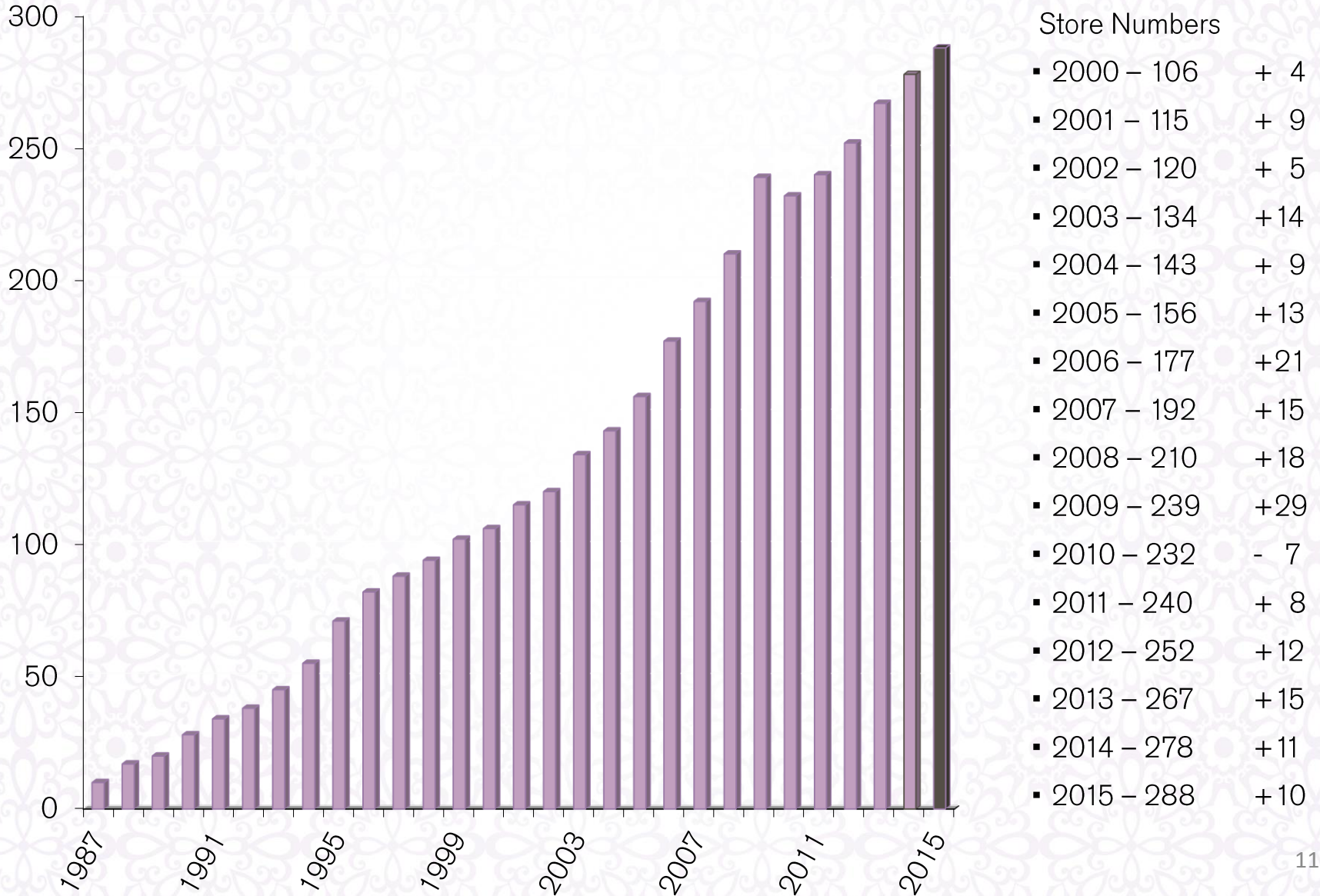
# EARNINGS BEFORE INTEREST & TAX TO 30 JUNE AU\$m



# EBIT CONTRIBUTIONS BY COUNTRY AU\$000's



# TOTAL MICHAEL HILL STORES OPERATING



## NEW STORES OPENED

	12 months ended 30/6/15	12 months ended 30/6/14
Australia	4	6
New Zealand	0	1
Canada	7	10
USA	1	2
Michael Hill stores opened	12	19
Michael Hill stores closed	2	8
Emma & Roe stores opened	2	1
Total stores opened	14	20

## TOTAL STORES OPERATING

	12 months ended 30/6/15	12 months ended 30/6/14
Australia	167	164
New Zealand	52	52
Canada	60	54
USA	9	8
Total Michael Hill	288	278
Emma & Roe	8	6
Total group stores	296	284

## MICHAEL HILL AUSTRALIA RETAIL SEGMENT (AUD)

	2015	2014	% move
Revenue	294.4m	298.5m	(1.4%)
Same store sales	283.6m	290.8m	(2.5%)
EBIT	45.9m	47.2m	(2.7%)
As a % of revenue	15.6%	15.8%	

- Australian market remained tough in 2014/15
- Management focus is on improving productivity through consistent use of our proven retail management systems
- Four new stores were opened during the year and one closed



Loganholme, Australia  
Opened July 2015

## MICHAEL HILL NEW ZEALAND RETAIL SEGMENT (NZD)

	2015	2014	% move
Revenue	114.0m	109.7m	3.9%
Same store sales	113.1m	108.4m	4.3%
EBIT	23.5m	22.1m	6.7%
As a % of revenue	20.7%	20.1%	

- New Zealand had a good year and continues to trade well
- EBIT up 6.7% to \$23.5m





Vulcan Lane, New Zealand  
Opened August 2015

## MICHAEL HILL CANADA RETAIL SEGMENT (CAD)

	2015	2014	% move
Revenue	79.1m	69.0m	14.6%
Same store sales	61.9m	60.4m	2.5%
EBIT	6.0m	3.8m	59.2%
As a % of revenue	7.6%	5.5%	

- EBIT increased by 59.2% for the year
- EBIT margin lifted to 7.6%
- 7 new stores were opened
- Total stores were 60 with a potential of 110 stores. Since June, a further 4 stores have opened



Yorkdale, Canada  
Opened July 2015

## MICHAEL HILL USA RETAIL SEGMENT (USD)

	2015	2014	% move
Revenue	11.3m	10.0m	13.0%
Same store sales	8.3m	8.1m	3.5%
EBIT	(1.9m)	(1.7m)	(14.1%)
As a % of revenue	(17.0%)	(16.8%)	

- USA test continued as total revenue increased by 13.0%
- Same stores sales growth of 3.5%
- EBIT loss in line with expectations
- New stores opened in NY - Queens in April, and Roosevelt Field in October



Roosevelt Field, USA  
Opened October 2015

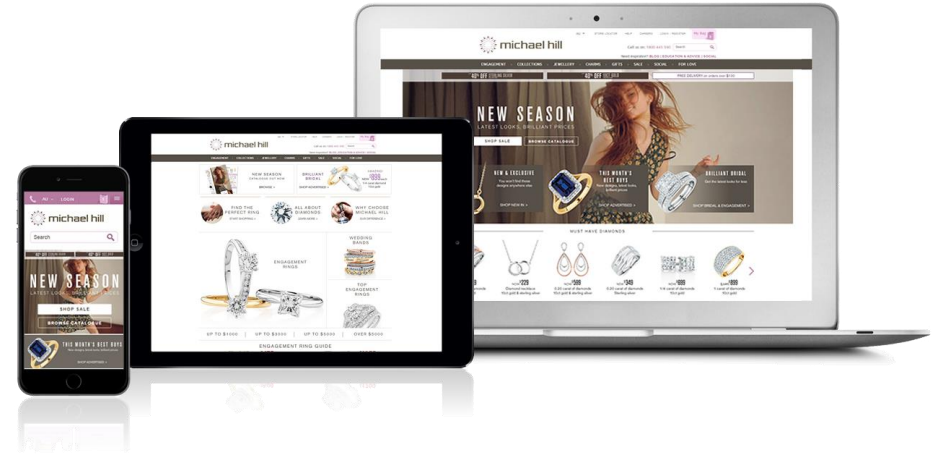
# EMMA & ROE

- Emma & Roe test continues
- Brand strategy compliments Michael Hill
- Total Emma & Roe product revenue from all channels \$22.8m
- 2 more store openings brought total stores to 8
- Since June, 3 new stores have opened and a further 3 confirmed for opening this year



# E-COMMERCE

- e-commerce platform across 4 markets
- Revenue up 122%
- Annual website visits has grown to over 8 million



91%

Increase in visits



105%

Increase in mobile visits



122%

Increase in revenue



206%

Increase in mobile revenue



112%

Increase in transactions



53%

Increase in average conversion rate

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## PROFESSIONAL CARE PLANS

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- Total sales grew 12% to \$35.5m
- Revenue recognised of \$25.2m, up 26.3%
- Deferred revenue of \$62.3m held on balance sheet

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## INVENTORY MANAGEMENT

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- Average inventory levels in same stores fell by approx. \$25k
- Optimisation of North American bridal collections from 2013/14 trial

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## BRANDED ASSORTMENTS

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- Testing and development of proprietary brands
- Objective is to drive consumer preference and command margin premium
- Global branded product sales reach 13.2% of total sales



# STRATEGIC OVERVIEW

Current strategies	Our approach
Delight the mid-market	<ul style="list-style-type: none"><li>• Strengthen marketing and brand position</li><li>• Build stronger team engagement</li><li>• Drive optimum combination of premium branded value based assortments</li><li>• Drive customer engagement</li></ul>
Expand our footprint	<ul style="list-style-type: none"><li>• Proving up the Michael Hill US model</li><li>• Proving up the Emma &amp; Roe model</li><li>• Complete Canadian expansion</li></ul>
Empower our people	<ul style="list-style-type: none"><li>• Future leadership development</li><li>• Developing capability and productivity</li><li>• Succession model to support growth</li></ul>
Brighten our bridal experience	<ul style="list-style-type: none"><li>• Establish industry leading bridal brands</li><li>• Build a leading bridal experience</li></ul>

# PRIORITIES FOR 2015/16

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- To drive same store sales and EBIT performance across the Group
- To improve return on shareholders' funds towards 20%
- To open up to 20 stores across the Group
- Prove up the Emma & Roe model
- To increase sales from our e-commerce platforms across both brands while integrating the online and in store experiences
- To continue refining our retail model in the US and AAA mall strategy
- To further improve the performance of our inventory investment
- To continue to fine tune our in-house credit model in North America to “best practice” within our industry
- Improve branded assortments as a mix of sales

## 3 MONTHS TRADING UPDATE TO 30 SEPT 2015 AUD

	2015	2014	% Var
Michael Hill same stores	105.9m	100.1m	5.7%
Emma & Roe same stores	1.1m	0.8m	44.6%
Total same stores	\$107.0m	\$100.9m	6.0%
Michael Hill all stores	110.9m	101.6m	9.2%
Emma & Roe all stores	1.6m	0.8m	100.1%
Total all stores	\$112.5m	\$102.4m	9.9%

## 3 MONTHS TRADING UPDATE TO 30 SEPT 2015

		2015	2014	% Var
Australia same stores	AUD	65.3m	63.4m	2.9%
New Zealand same stores	NZD	23.6m	21.8m	8.6%
Canada same stores	CAD	15.7m	14.8m	6.2%
United States same stores	USD	2.0m	2.0m	1.2%
Australia all stores	AUD	66.6m	64.0m	4.1%
New Zealand all stores	NZD	23.6m	21.8m	8.5%
Canada all stores	CAD	18.3m	15.3m	19.5%
United States all stores	USD	2.8m	2.4m	15.6%



**michael hill**

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