

**ASX AND MEDIA RELEASE**  
**STRATEGIC REPOSITIONING OF EMMA & ROE**  
**PLAN FOR US MARKET EXIT**

- *Strategic repositioning of the Emma & Roe brand targeting opportunities in the emerging demi-fine jewellery segment.*
- *Increased emphasis on omni-channel and a material reduction in the Emma & Roe store footprint.*
- *Emma & Roe's repositioned brand will be closely-managed during a trial period through to the end of FY2019.*
- *Exit of the Michael Hill's loss-making United States (US) operations.*
- *Continued investment in Michael Hill's core businesses in Australia, New Zealand and Canada.*

**Brisbane, 24 January 2018:** Michael Hill International Limited (ASX and NZX:MHJ) announces today a set of strategic actions across its global retail network, including a brand repositioning of Emma & Roe and the planned exit of its US operations. This announcement follows a comprehensive strategic review and includes:

- A new brand proposition for the Emma & Roe brand aimed at capitalising on the emerging demi-fine jewellery segment and rising popularity of fine fashion. This includes an increased strategic emphasis on omni-channel and a material reduction in store numbers as part of a 'test and trial' period for the repositioned brand.
- The complete exit of the loss-making retail operations in the US.

Chief Executive Officer, Phil Taylor said: "These actions strengthen the foundations of Michael Hill International as we aim to improve the operating performance of our group assets by refocusing capital and resources to those parts of the business delivering the highest returns and potential for growth. We see these actions, along with an increased investment on improving the group's digital capabilities and e-Commerce platform, as being the key pillars to driving ongoing sustainable business growth and attracting customers in new and engaging ways."

The company will assess the viability of its 30 Emma & Roe stores, in conjunction with landlord negotiations, to determine the final store portfolio to trial the repositioned brand. The company currently expects this assessment to be completed by the end of February. The Michael Hill brand will continue to have in excess of 300 stores globally once the US store closures are finalised. This currently includes 172 Michael Hill stores in Australia, 53 in New Zealand and 83 in Canada.

In 2016-17, the US retail operations and Emma & Roe business combined, accounted for only 5% of total annual Group revenues, while contributing an EBIT loss of approximately A\$12 million. US and Emma & Roe stores comprised 11% of the Group's total retail store network at December 31, 2017.

The company continues to see significant long-term value in its Michael Hill businesses in Australia, New Zealand and Canada, which continue to perform strongly. In 1H2018, Michael Hill stores in these regions accounted for 95% of total Group revenues and recorded same store and total store revenue growth of 1% and 5% respectively. The Company will continue to target strategically suitable growth opportunities to strengthen these assets and deliver further value for shareholders.

The company is committed to supporting employees during this period and will be implementing a range of initiatives to assist its people. This will include seeking opportunities for the redeployment of affected employees where reasonably possible.

### **EMMA & ROE BRAND REVIEW AND REPOSITIONING**

The company has undertaken a comprehensive review of Emma & Roe to help shape the future strategic direction of the brand. The findings of this review identified a major opportunity in the demi-fine jewellery segment and an emergence in customer preferences towards fine fashion. Demi-fine is a relatively new segment of the market combining fine jewellery with fashion for those customers seeking stylish yet affordable items to accessorise their wardrobe. By bridging the gap between these two categories, it allows customers with a preference for fine jewellery to achieve their desired look but at a lower price.

The company intends to reposition Emma & Roe to this identified segment in late FY18 and FY19. This will involve further investments in the Company's omni-channel capabilities to provide customers with a seamless cross-channel experience, and marketing initiatives to drive additional e-Commerce revenue opportunities. This will be further supported through the revamping of stores to provide an immersive in-store retail experience and to capture the essence of the new brand positioning.

Phil Taylor said: "There is great potential in the demi-fine jewellery segment, where consumer desire for stylish affordable jewellery to accessorise their wardrobe is driving increased demand. We also see this as being complimentary to our Michael Hill brand as our customers are combining fine jewellery with lower cost demi-fine jewellery and associated accessories.

"This approach will commence with a smaller, more concentrated store footprint to allow the company to be more agile in trialing the new concept, adapting its strategy and in managing risk. Therefore, the remainder of FY18 and whole of FY19 will be viewed as a 'test and trial' period for Emma & Roe, with operating performance tightly monitored during this period.

"While disappointed with the past results of Emma & Roe, it's important that the Company maintains its vibrant culture of innovation in order to expand its reach and engage with new and emerging customer segments."

As the composition of the reduced Emma & Roe store footprint has not yet been determined, it is not possible at this stage to provide details of the lease liabilities associated with the affected stores. Non-cash write-downs of Emma & Roe store assets are estimated to be A\$7 million.

## US EXIT

Since launching in the US in 2008, the Michael Hill US business has struggled to provide a return for the group despite significant investment into developing a viable business model. Notwithstanding new marketing initiatives to improve brand awareness and capture market share, and ongoing optimisation of the store portfolio, the challenging retail environment in the US has prevented the Company from improving its financial position. The Board has therefore determined it is in the company's best interests to reduce its ongoing exposure by exiting its US operations.

Phil Taylor said: "Our time in the highly competitive US jewellery market taught us a lot and helped to strengthen our core business including the development of our bridal collection strategy and the development of our Professional Care Plan. However, our US operations have not gained sufficient traction in recent years and the level of capital required to scale-up the business is not warranted under current trading conditions."

US stores will continue to operate as the company negotiates and completes the exit of its US operations.

The company will provide further information, including the financial impact of the intended store closures, to the market when such information is available in accordance with its disclosure obligations.

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## ABOUT MICHAEL HILL INTERNATIONAL

Michael Hill International was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 347 stores globally with 317 Michael Hill stores in Australia, New Zealand, Canada and the US, and 30 Emma & Roe stores in Australia and New Zealand. The Group's global headquarters, including its wholesale and manufacturing divisions, are located in Brisbane, Australia. The Company is listed on the ASX (ASX:MHJ) and the NZX (NZX:MHJ).

For more information:

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