

**michael hill**

INTERNATIONAL LIMITED

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**FULL YEAR RESULTS**

**30 JUNE 2014**

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# THE YEAR IN REVIEW AU \$000's

- Revenue increased 9.9% to \$483.935m.
- Same store sales up 5%
- EBIT of \$42.151m up 4.7%
- Revenue collected from PCPs of \$31.719m
- Canadian segment achieved 10.1% same store sales increase and EBIT of CA \$3.794m, up 238.5%
- First Emma & Roe concept store opened in Mackay in April. There are now six stores trading
- Michael Hill website relaunched in November



# THE YEAR IN REVIEW AU \$000's

- New diamond bridal range tested in the US and selected Canadian stores
- 19 new Michael Hill stores opened costing \$6.6m
- 15 Michael Hill stores refurbished costing \$4.2m
- 278 Michael Hill stores open at 30 June 2014
- Dividend steady at NZ 6.5 cents per share
- Equity ratio at 53.3%
- Dispute with Australian Taxation Office resolved



# THE YEAR IN REVIEW AU \$000's

PRIORITIES	RESULTS
To drive same store sales and EBIT performance across the Group	Group same store sales increased 5.0%. EBIT was up in 3 segments, an increase of 4.7% for the Group.
To open 20 new Michael Hill stores across the Group	19 new stores were opened during the year.
To deliver a return on average shareholders' funds of 20%	A return on average shareholders' funds was achieved of 18.4% excluding the one-off ATO tax settlement and the interest paid into the tax pool in New Zealand.
To establish our e-commerce operation across all four countries	The Group relaunched its website in November 2013 with a much stronger focus on e-commerce.

# THE YEAR IN REVIEW AU \$000's

PRIORITIES	RESULTS
To achieve further EBIT improvement in the Canadian operation	EBIT improved 238.5% to a record CA \$3.794m, an increase of CA\$2.673m on the previous year.
To improve same store sales in the US operation through an increased focus on the bridal market	Same store sales in the US increased 6.1% during the year.
To improve return on assets employed through increased efficiency in inventory management	The Group implemented two new inventory management systems in the last 24 months. The full benefit of these systems won't be evident until the implementation of all components is completed.

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# FINANCIAL HIGHLIGHTS

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# FINANCIAL HIGHLIGHTS

AU \$000's

	12 months Ended 30/6/14	12 months Ended 30/6/13	% Move
Group revenue	483,935	440,225	+9.9%
Gross profit	309,260	280,357	+10.3%
EBITDA	55,221	50,711	+8.9%
Depreciation	13,070	10,452	+25.0%
EBIT	42,151	40,259	+4.7%
EBIT % of sales	8.7%	9.1%	
NPBT	36,775	37,737	-2.5%
NPAT	25,041	32,099	-22.0%

\* Depreciation has increased primarily from investment in inventory management systems and new store openings / refits / relocations.

## MORE HIGHLIGHTS AU \$000's

	12 months ended 30/6/14	12 months ended 30/6/13	% Move
Net operating cash flows	14,689	41,686	-64.8%
Working capital	141,588	119,430	+18.6%
Net debt	47,891	17,539	+173.1%
Equity ratio	53.3%	59.4%	
Return on shareholders' funds	14.1%	19.7%	
Earnings per share	AU 6.54c	AU 8.38c	-22.0%
Total dividend per share	NZ 6.5c	NZ 6.5c	0%

\* Net operating cash flow and net debt has been impacted by the increase in inventory from the North American bridal trial and new stores, ATO tax settlement and funds paid into the tax pool in NZ.

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**SEGMENT RESULTS  
TO 30 JUNE 2014**

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# SEGMENT RESULTS

## AUSTRALASIA

### AUSTRALIA (AU \$000's)

	2014	2013	% move
Revenue	302,024	289,333	+4.4%
EBIT	46,703	42,225	+10.6%
As a % of revenue	15.5%	14.6%	

### NEW ZEALAND (NZ \$000's)

	2014	2013	% move
Revenue	109,693	111,357	-1.5%
EBIT	22,062	22,128	-0.3%
As a % of revenue	20.1%	19.9%	



# SEGMENT RESULTS

## NORTH AMERICA

### CANADA (CA \$000's)

	2014	2013	% move
Revenue	69,025	52,950	+30.4%
EBIT	3,794	1,121	+238.5%
As a % of revenue	5.5%	2.1%	

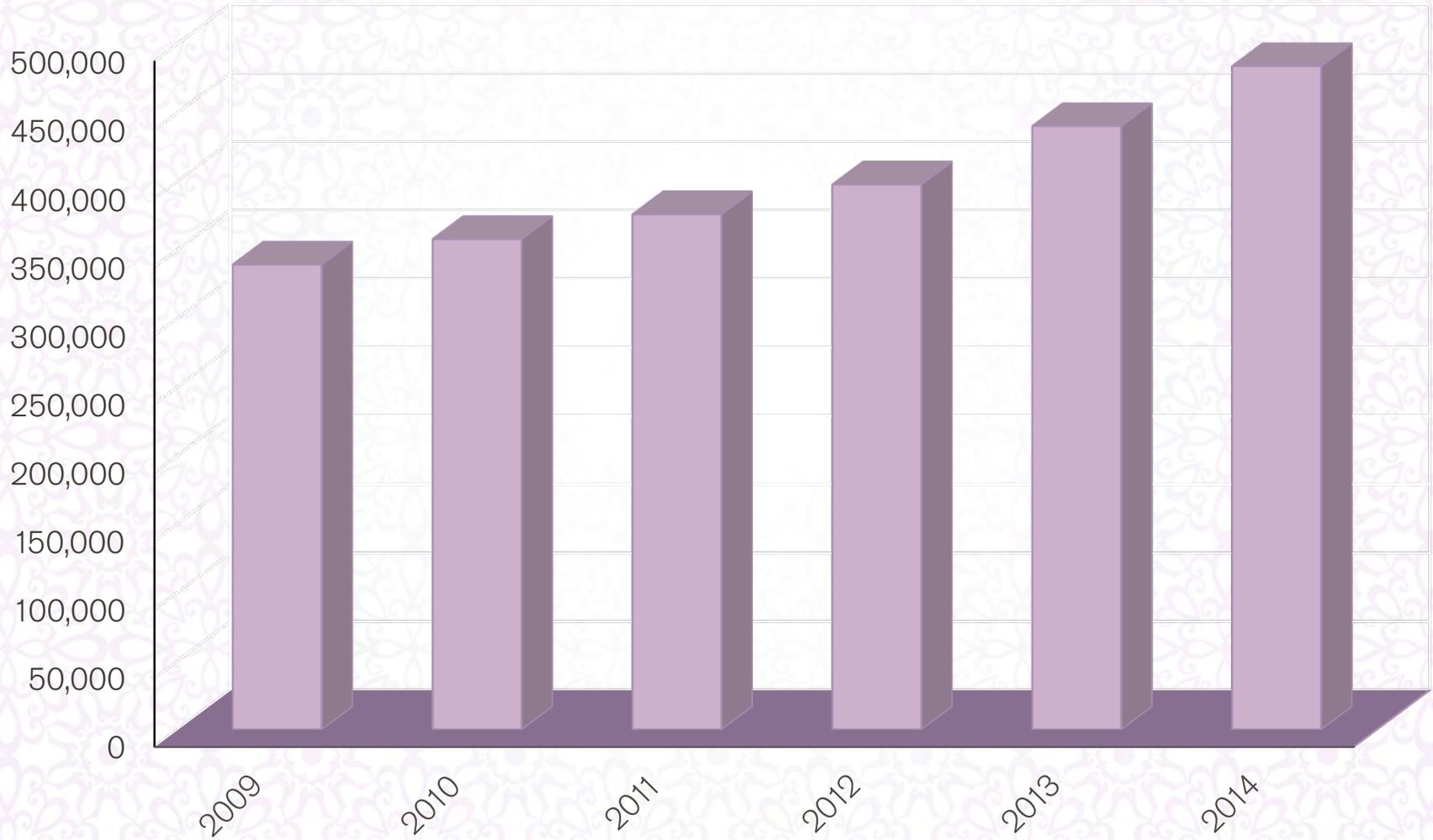
### USA (US \$000's)

	2014	2013	% move
Revenue	9,994	10,265	-2.6%
EBIT	(1,679)	(2,359)	+28.8%
As a % of revenue	(16.8%)	(23.0%)	



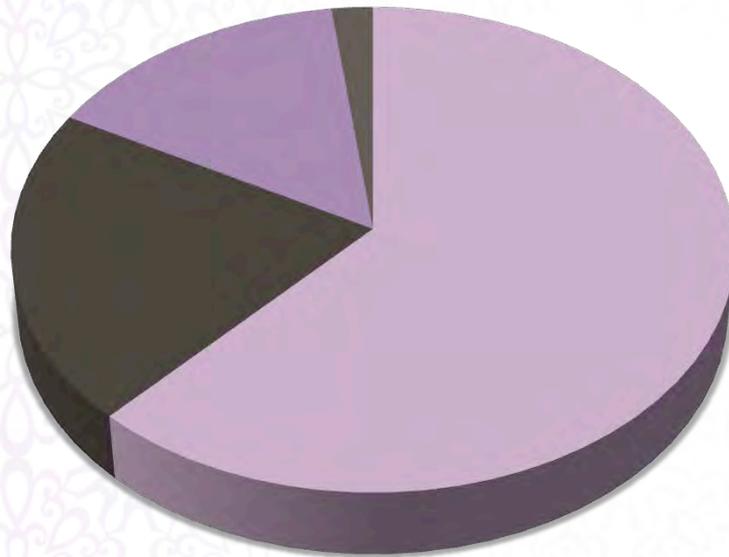
**SALES 2013 - 2014**

# GROUP REVENUE TO 30 JUNE AU\$000's



# SALES BY COUNTRY

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- Australia 62%
- New Zealand 21%
- Canada 15 %
- USA 2%

# 12 MONTHS SALES TO 30 JUNE

All figures in local currency

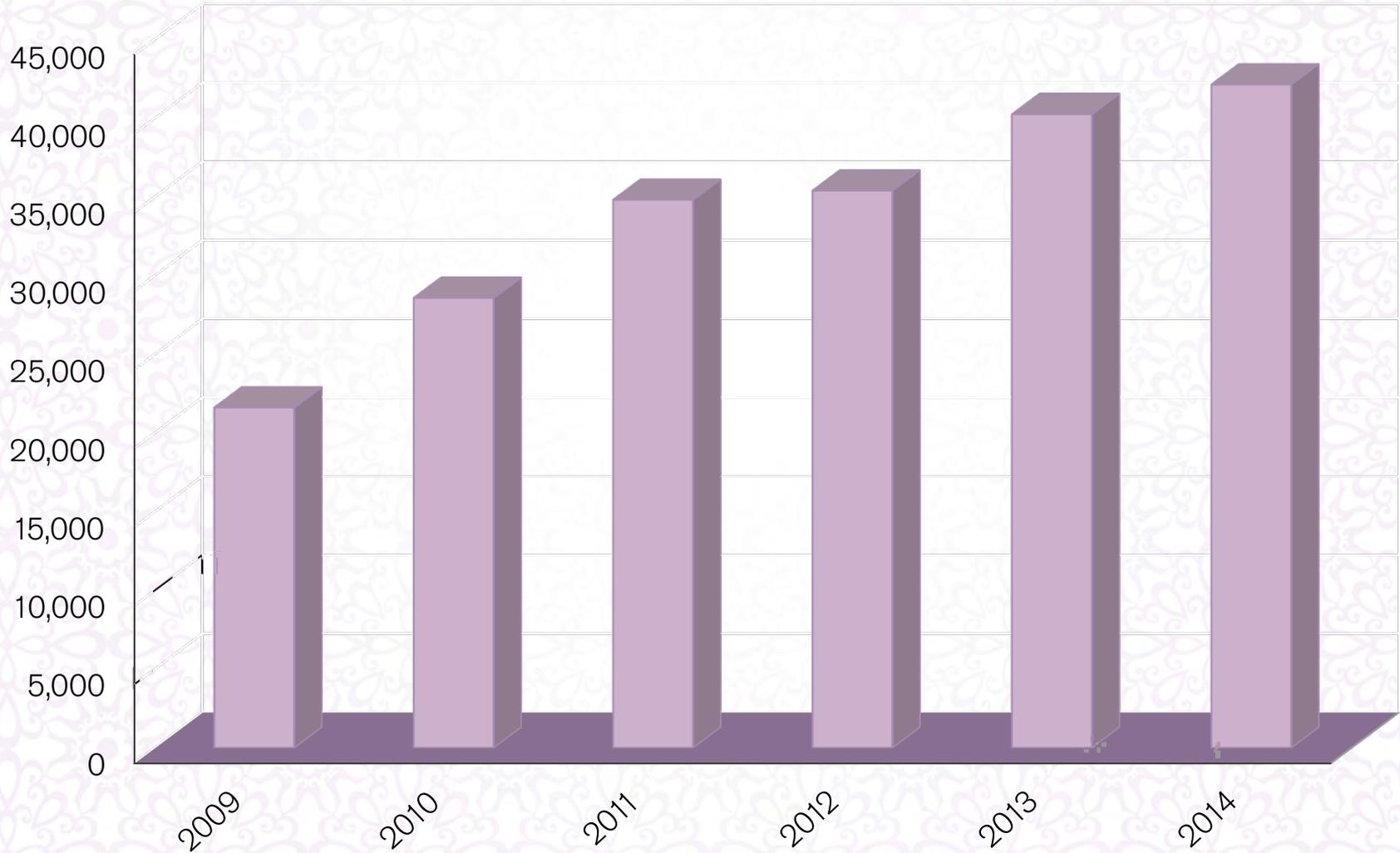
Country	2014	2013	+/-
AU same stores	\$273.7m	\$271.5m	+0.8%
NZ same stores	\$108.4m	\$110.5m	-1.9%
CA same stores	\$51.9m	\$47.2m	+10.1%
US same stores	\$8.1m	\$7.6m	+6.1%
AU all stores	\$302.0m	\$289.3m	+4.4%
NZ all stores	\$109.7m	\$111.4m	-1.5%
CA all stores	\$69.0m	\$52.9m	+30.4%
US all stores	\$10.0m	\$10.3m	-2.6%

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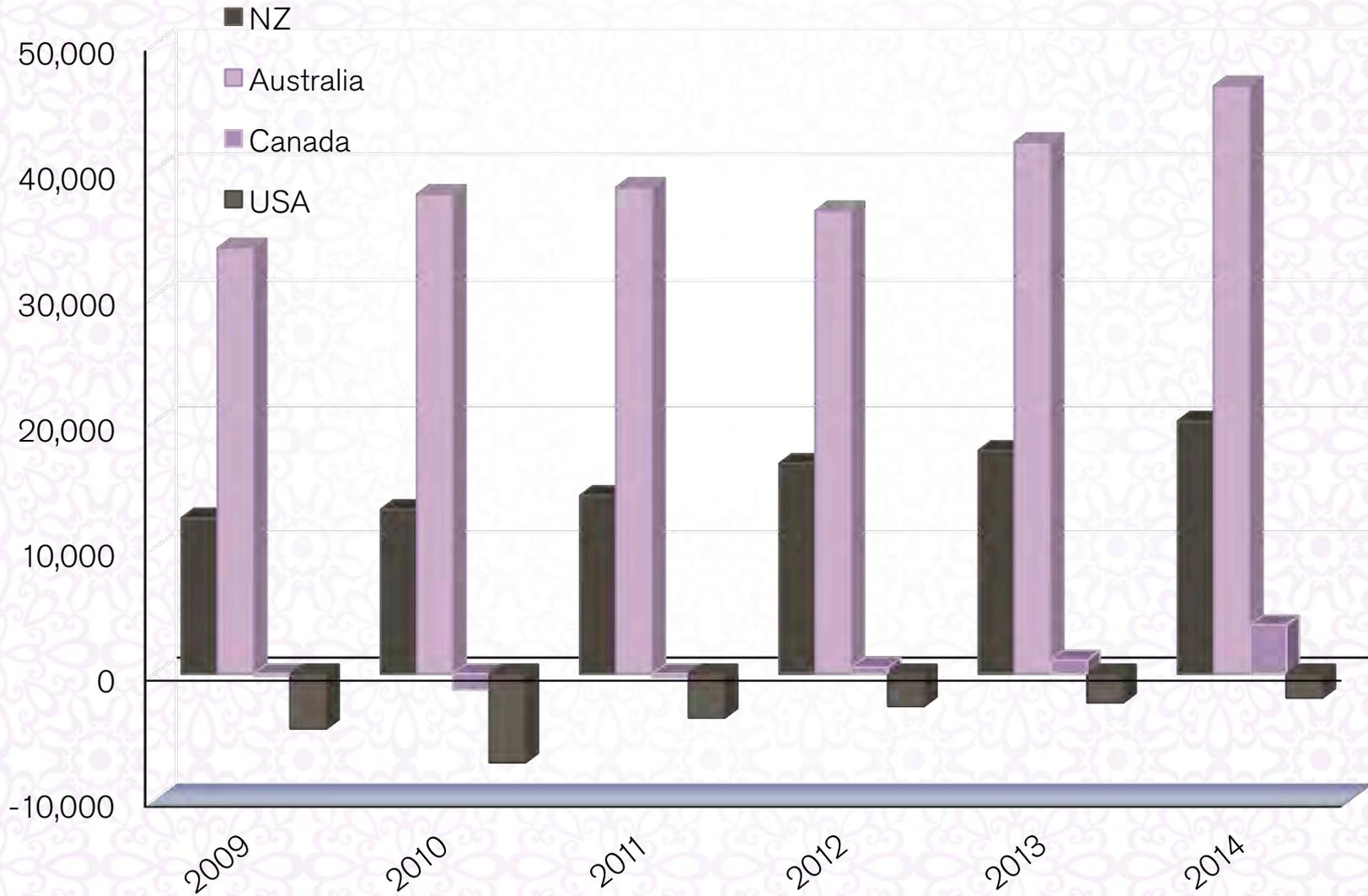
# EBIT CONTRIBUTIONS

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# EARNINGS BEFORE INTEREST & TAX TO 30 JUNE AU\$000's



# EBIT CONTRIBUTIONS BY COUNTRY AU\$000's

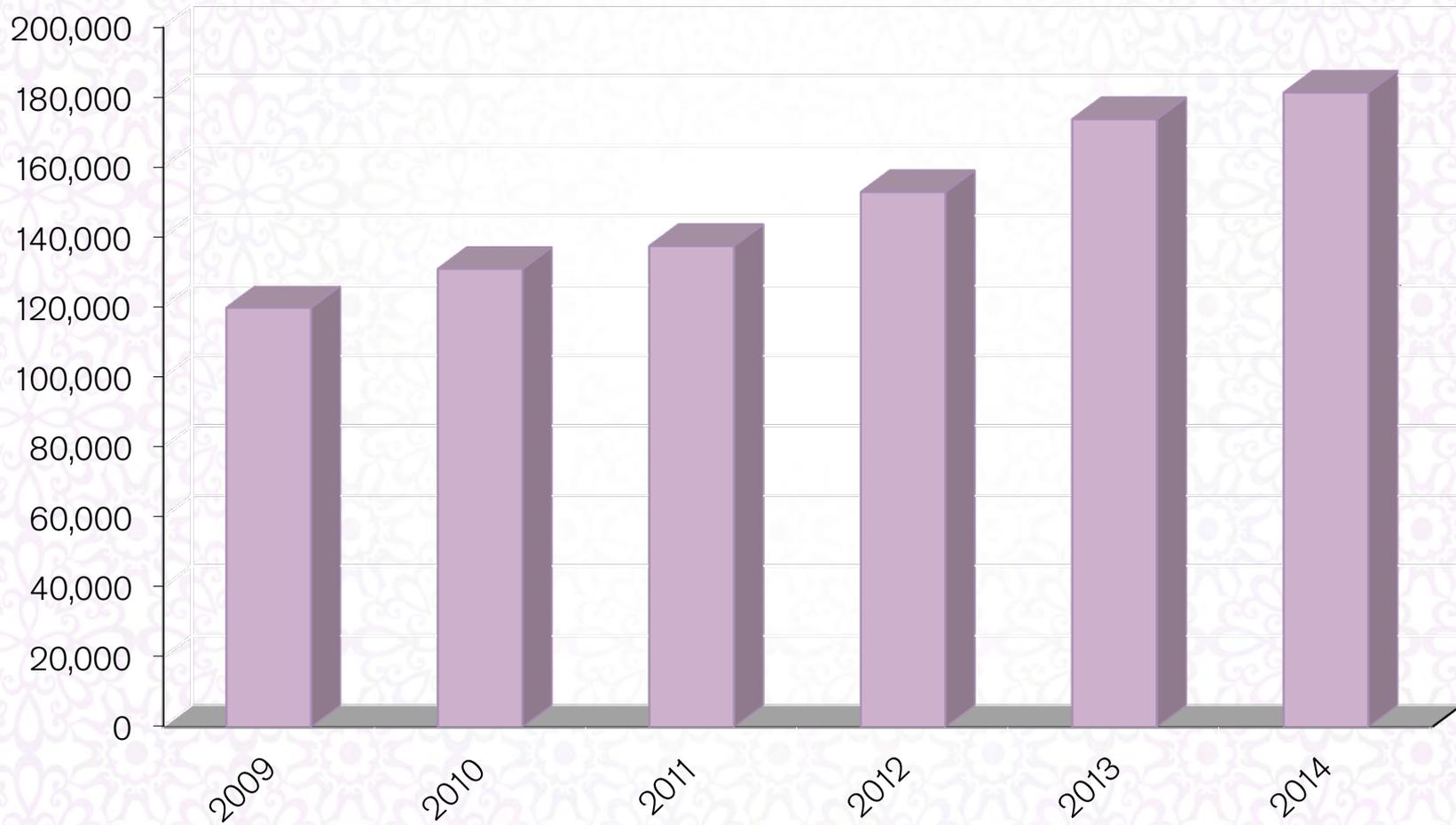


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# SHAREHOLDERS' FUNDS

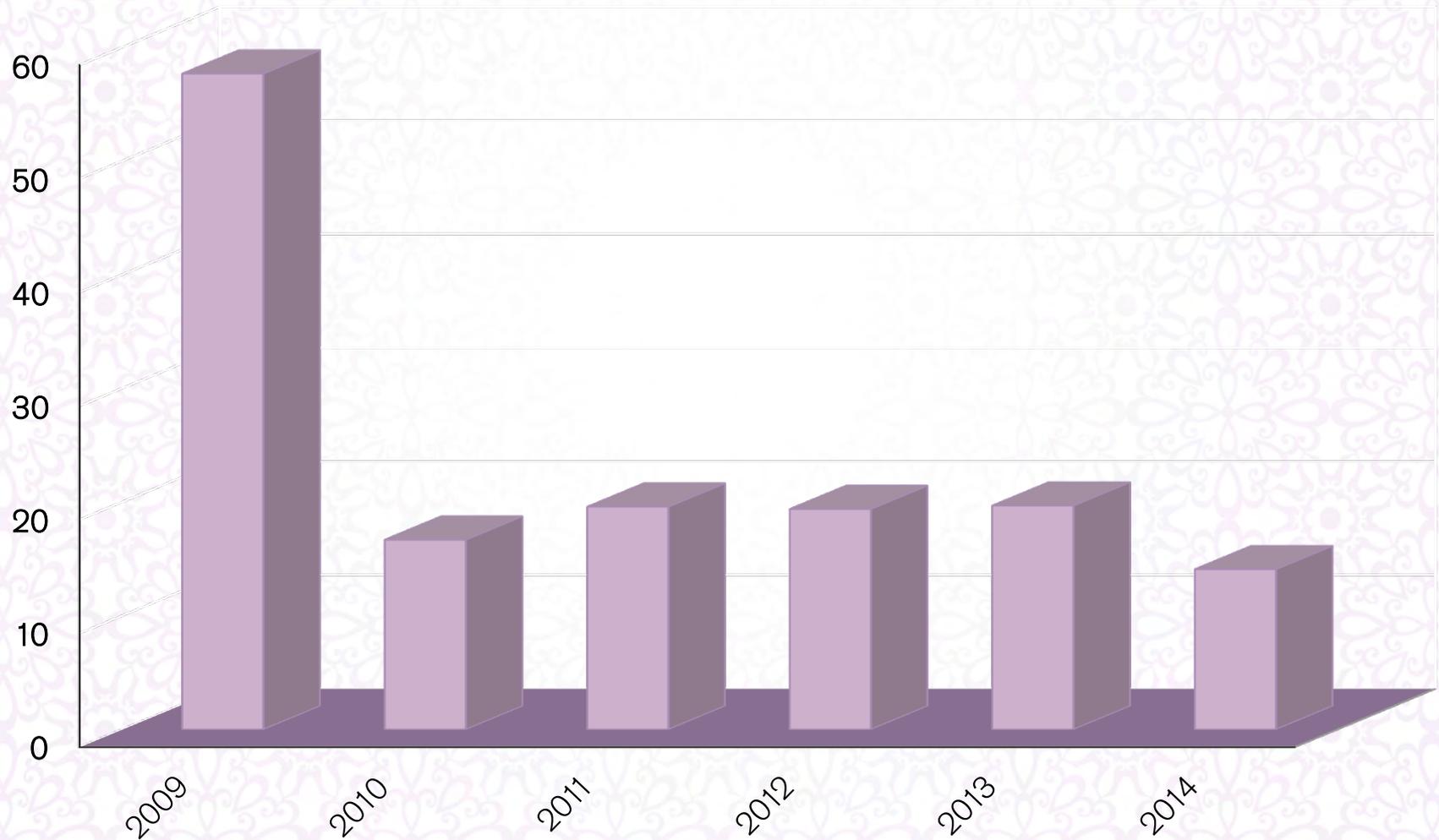
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# SHAREHOLDERS' FUNDS AU\$000's



# RETURN ON AVERAGE SHAREHOLDERS' FUNDS %

2009 to 2014 returns impacted by deferred tax credit of NZ\$50.1m booked in 08/09





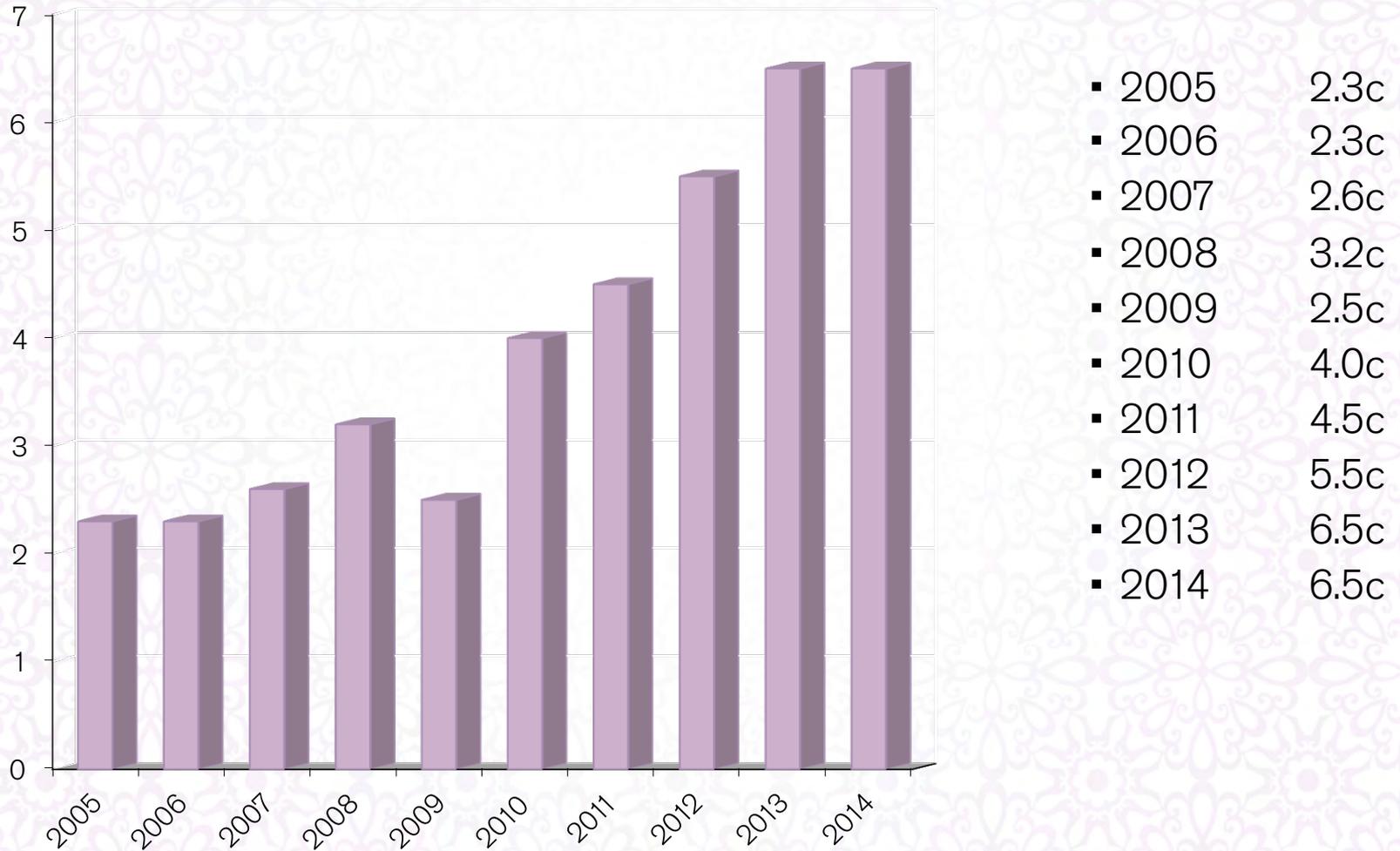
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# DIVIDENDS

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# DIVIDENDS PAID

NZ cents per share



Note: due to the share split in 2007, prior years have been divided by 10 for comparative purposes



# STORE EXPANSION

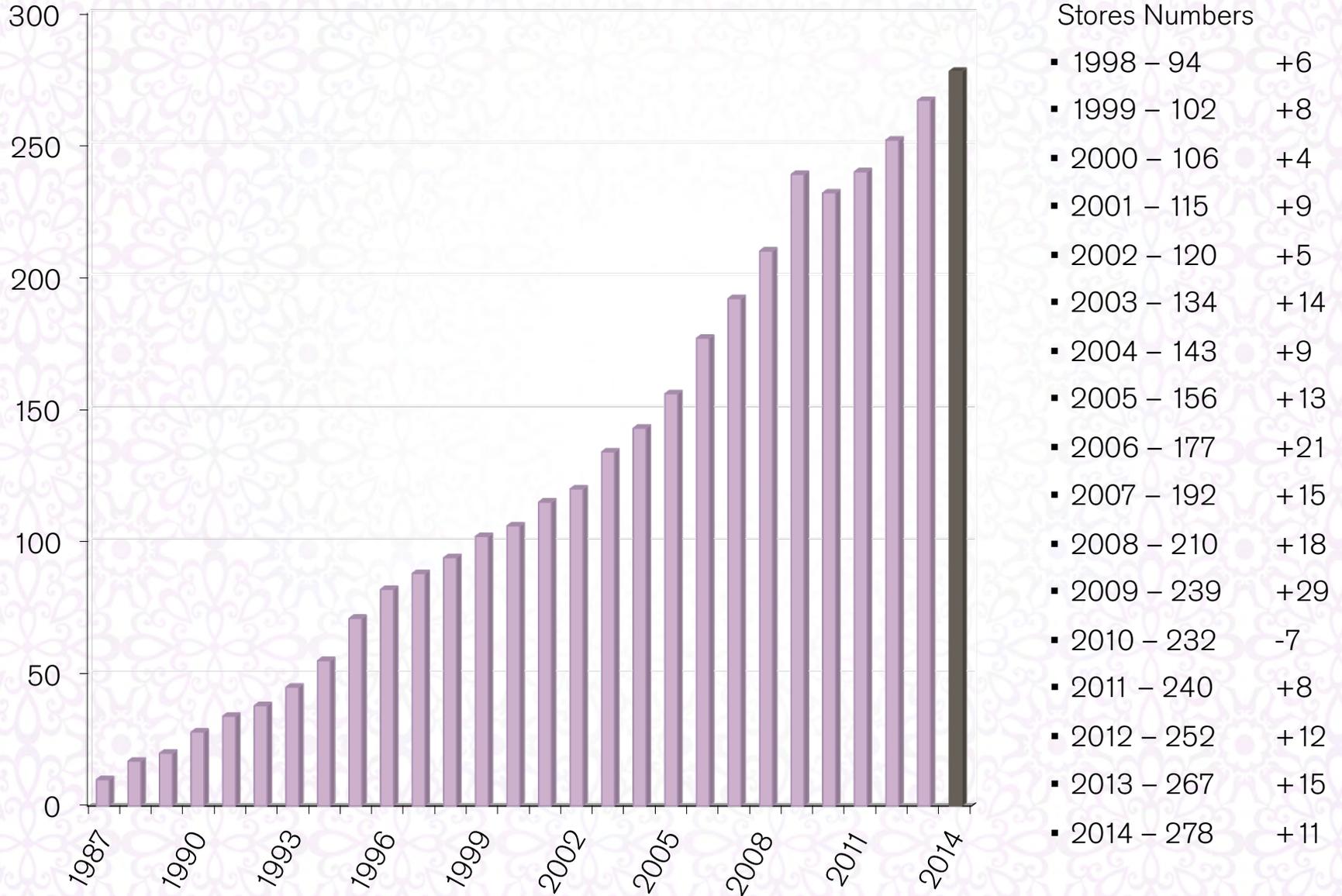
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# GROWTH PHILOSOPHY

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Controlled profitable growth with  
an emphasis on improving  
existing operations

# TOTAL MICHAEL HILL STORES OPERATING



## NEW STORES OPENED

	12 months ended 30/6/14	12 months ended 30/6/13
Australia	6	10
New Zealand	1	0
Canada	10	8
USA	2	0
Michael Hill stores opened	19	18
Michael Hill stores closed	8	3
Emma & Roe stores opened	1	5

## TOTAL STORES OPERATING

	12 months ended 30/6/14	12 months ended 30/6/13
Australia	164	162
New Zealand	52	52
Canada	54	45
USA	8	8
Total Michael Hill	278	267
Emma & Roe	6	5

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# AUSTRALASIAN EXPANSION

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# AUSTRALIAN EXPANSION

Stores Open 30/6/14		164
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Planned for 14/15	5 stores	169
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Planned for 15/16	4 stores	173
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Planned for 16/17	4 stores	177
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185 store locations have been identified as suitable locations

# NEW ZEALAND EXPANSION

Stores Open 30/6/14		52
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Planned for 14/15	0 stores	52
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Planned for 15/16	0 stores	52
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Planned for 16/17	1 store	53
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# EMMA & ROE EXPANSION

Stores Open 30/6/14

6

Planned for 14/15

4 stores

10

3 new store locations planned for Australia and 1 for New Zealand

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# NORTH AMERICAN EXPANSION

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# CANADIAN EXPANSION

Stores Open 30/6/14		54
Planned for 14/15	10 stores	64
Planned for 15/16	10 stores	74
Planned for 16/17	10 stores	84

110 store locations have been identified as suitable locations

# USA EXPANSION

Stores Open 30/6/14		8
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Planned for 14/15	1 store	9
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Planned for 15/16	1 store	10
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Planned for 16/17	4 stores	14
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# PRIORITIES FOR 2014/15

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- To drive same store sales and EBIT performance across the Group
- To deliver 20% return on shareholders' funds
- To open 20 new stores across the Group
- To open six Emma & Roe stores across Australasia while continuing to test and refine the Emma & Roe model
- To increase sales from our e-commerce platforms across both brands while integrating the online and instore experience
- To open ten new stores in Canada while maintaining strong EBIT growth
- To continue the test of the US market and bring all eight stores to a cash positive position
- To improve the performance of our investment in inventory through deployment of our recent investment in inventory management systems
- To continue to fine tune our in-house credit model in North America to “best practice” within our industry



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