



Be♥illes
BEAUTIFUL JEWELLERY

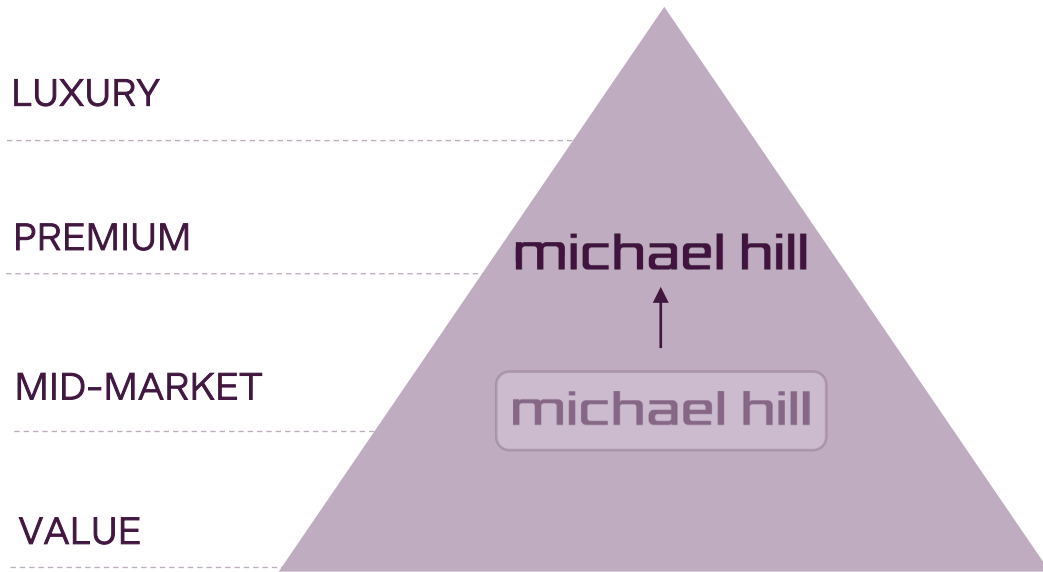
ACQUISITION OF BEVILLES

19 APRIL 2023

michael hill®
INTERNATIONAL LIMITED

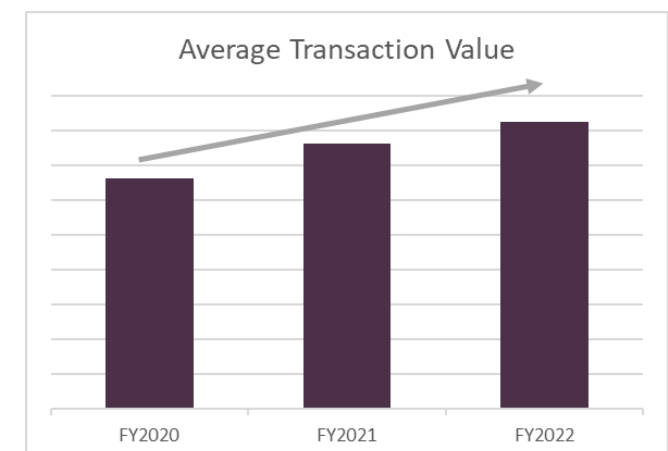
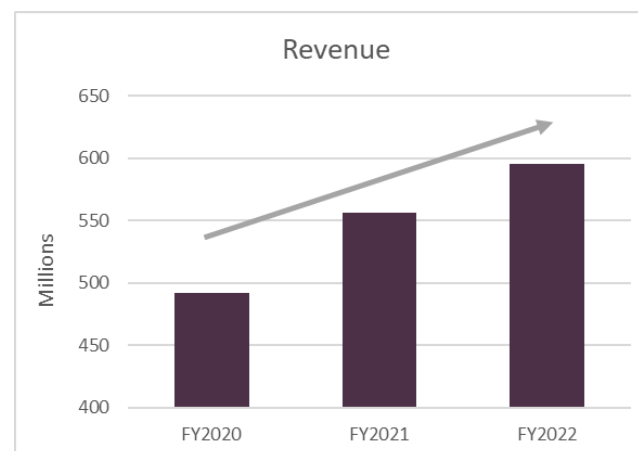
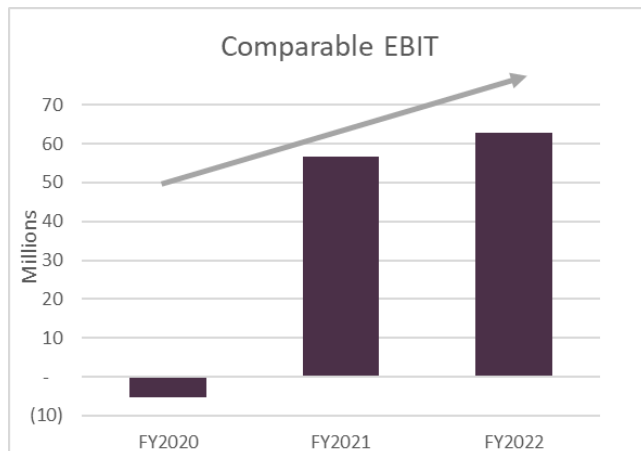
MICHAEL HILL ASPIRATIONAL BRAND JOURNEY

ASPIRATIONAL BRAND JOURNEY



STRATEGIC PILLARS

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>



MICHAEL HILL INVESTMENT DRIVING GROWTH

CAPITAL MANAGEMENT FRAMEWORK

- Refreshed Policy aligned to strong business performance
- Current dividend yield ~8%¹
- Circular economy offering re:new:
 - Digitally-enabled gold recycling platform
 - Launching a diamond upgrade program
 - Reimagining of jewellery repair business
- Development of a new digitally-led bespoke diamond jewellery brand
- Introducing third-party jewellery insurance and replacement solutions for customers

Dividend Policy

50% - 75% adjusted NPAT
Continue to deliver at the higher end of the range

Organic Growth

~\$25m to \$30m annual spend

Organic+ Investment

New markets & channels via digital platforms
Launch of new revenue streams

Capital Investment Opportunities

Share buy-back
Continue to pursue acquisition opportunities across the jewellery sector in our existing countries

- Brand elevation – driving higher ATV
- Increasing retail productivity
- Product evolution through newness and elevation
- Digital-first and marketplace expansion
- International digital channels
- Data and loyalty driving growth

- Share buy-back successfully executed
- **Opportunity to acquire complementary business**

¹Based on last two distributions and current share price.

EXECUTING THE ACQUISITION STRATEGY

ACQUISITION OF BEVILLES BRAND, DELIVERS INCREMENTAL STORE ROLLOUT GROWTH STRATEGY



- 281 physical stores across Australia (148), New Zealand (47) and Canada (86)
- Brand elevation strategy underway, moving further into the premium segment
- Product elevation with diamonds at our core
- Omni-first, digital-led and channel agnostic

- Catering to the 'value' market segment through selling quality products at a more affordable price point
- Strong strategic fit and complements MHJ strategy to elevate own brand and products
- Minimal cannibalisation and ability to capture a broader, full-spectrum, customer base
- Highly profitable including omni-channel distribution capabilities, successful loyalty program and open frontage / accessible stores
- Under-penetrated network (26 stores) with a differentiated product mix

Complementary market positioning servicing two distinct segments of the market

TRANSACTION OVERVIEW

TRANSACTION EXPECTED TO BE IMMEDIATELY EPS ACCRETIVE

TRANSACTION TERMS	<ul style="list-style-type: none">▪ Acquire the business and Selected Assets¹ of Bevilles for a Net Enterprise Value (EV) of ~\$45m<ul style="list-style-type: none">– Includes upfront consideration, net of working capital adjustments, and minimum \$1m earn-out payment▪ Earn-out payment, payable over two years, linked to MHJ share price performance▪ Separate Ambassadorial Fees payable to Michelle Beville over two years for ongoing contribution to the business▪ Attractive deal terms and asset acquisition structure carves out potential legacy liabilities
ACQUISITION METRICS AND FINANCIAL IMPACT	<ul style="list-style-type: none">▪ Net Enterprise Value of ~\$45m, implying an EV/EBITDA multiple of ~5.6x based on expected adjusted FY23E underlying EBITDA (pre-AASB16) of ~\$8m²▪ Acquisition expected to be immediately EPS accretive▪ Expected to complete in Q2 CY2023 subject to satisfaction of certain conditions precedent (regulatory approvals from ACCC and Fair Work Commission, transfer of leases, people and contracts, and release of guarantee/security arrangements)
FUNDING & CAPITAL MANAGEMENT	<ul style="list-style-type: none">▪ Up-front cash consideration and transaction costs will be funded from MHJ's cash reserves and undrawn debt facility▪ Any future earn-out payments and Ambassadorial Fees expected to be funded from MHJ's cash reserves/debt facility▪ No change to MHJ's existing dividend policy (50%-75% of adjusted net profit after tax), with share buy-back program paused

Notes:

1. Selected Assets includes underlying business, inventory, fixtures and fittings, intellectual property, contracts, brand and other non-current assets and liabilities
2. Based on unaudited, pre-AASB16, pre-IFRIC SaaS-related adjustments, and with normalisations, EBITDA mid-point for \$7.5m - \$8.5m

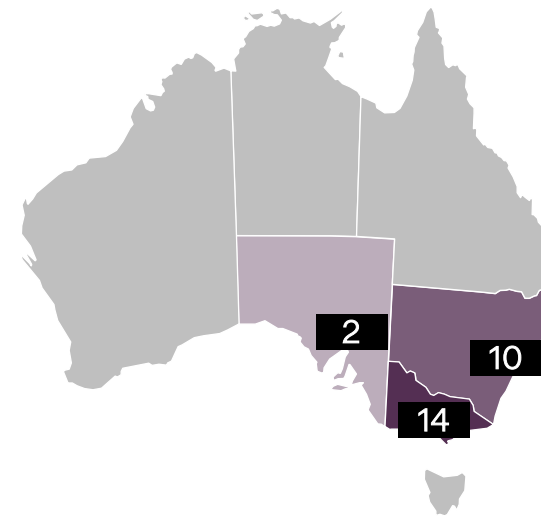
BEVILLES OVERVIEW

BEVILLES IS A WELL-ESTABLISHED AND REPUTABLE JEWELLERY RETAILER, WITH A NETWORK OF 26 STORES AND A GROWING ONLINE PRESENCE

BUSINESS OVERVIEW

- Family-owned Australian jewellery and watch retailer known for creating and selling quality products at affordable prices
- Notable growth and profitability achieved since restructuring in 2014, with nine new stores being opened in the last five years
- Investment in omni-channel distribution strategy, including presence on multiple online marketplaces, driving material growth in online sales, and recently launched pure-play watch business
- Clearly defined market position, focusing on a core range of categories that are always in demand and suitable for a wide range of customers
- Loyal customer base, with 88% of sales over the last twelve months coming from loyalty members
- Expected to generate \$60 - 65m in sales and \$7.5 - 8.5m in EBITDA (pre-AASB16) in FY23
 - Average sales per store expected to be \$2.0 - 2.2m

CURRENT STORE NETWORK



BEVILLES SALES BY CHANNEL (%) – CY22



- ✓ Affordable, quality jewellery
- ✓ Loyal customer base with long standing brand
- ✓ Omni-channel distribution capabilities
- ✓ Strong growth and profitability

STRATEGIC BRAND POSITIONING

BRAND, PRODUCT AND CUSTOMER DIFFERENTIATION WITH STRATEGIC OPERATIONAL ALIGNMENT

	BEVILLES		MICHAEL HILL
Category Position	Value/Mid-Market	Limited crossover	Premium
Customer Base	<i>Eternity Club</i> Loyalty Program with 1.1m members	Limited crossover	<i>Brilliance by Michael Hill</i> Loyalty Program with 1.8m members
Product Mix	Highly transactional, lower ATV with a focus on gifting and watches	Limited crossover	Lifetime moments, higher ATV with a focus on diamonds
Locations	26 locations (same locations as MH except for 1)	Strong relationship with all landlords	281 locations (148 in Australia)
Supply Chain & Distribution	Multiple stock and non-stock suppliers One distribution centre in Melbourne	Crossover and synergies	Multiple stock and non-stock suppliers Two distribution centres
Customer Offerings	Customer care plans, consumer credit offerings and repair network	Crossover and synergies	Customer care plans, consumer credit offerings and repair network

COMPLEMENTARY STRATEGIC FIT AND SALES CHANNELS

MICHAEL HILL AND BEVILLES: SYNERGISTIC SALES CHANNELS WITH MEANINGFUL GROWTH POTENTIAL

SALES CHANNELS

- Stores located in high-traffic areas
- Location of store network assists with freight synergies
- Large opportunity to grow Bevilles stores from current 26
- Opportunity to 'flip' selected Michael Hill stores into Bevilles network
- No overlap in online marketplaces given differentiated brand positioning

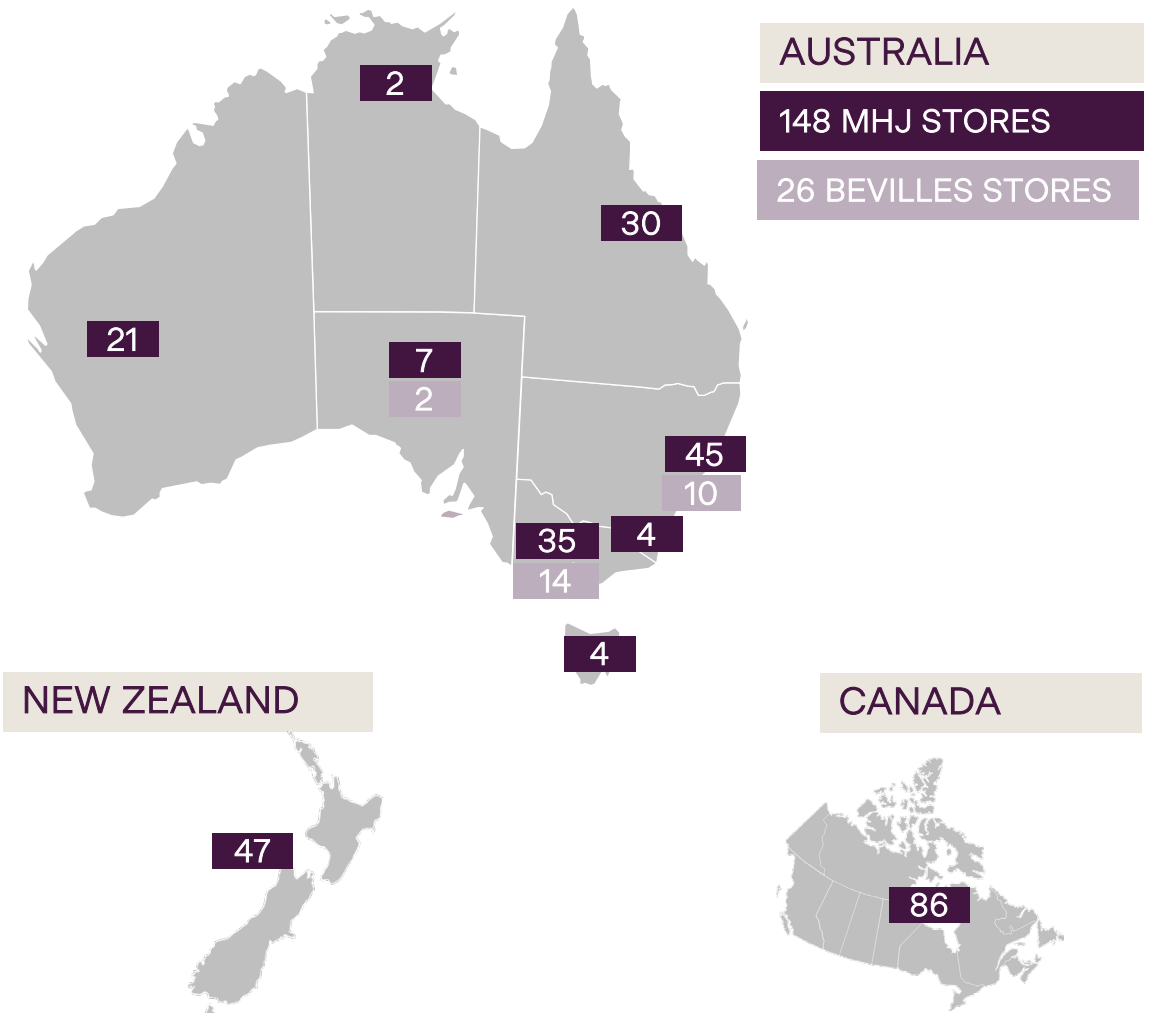
TEE TREE PLAZA



LIVERPOOL



STORE PRESENCE

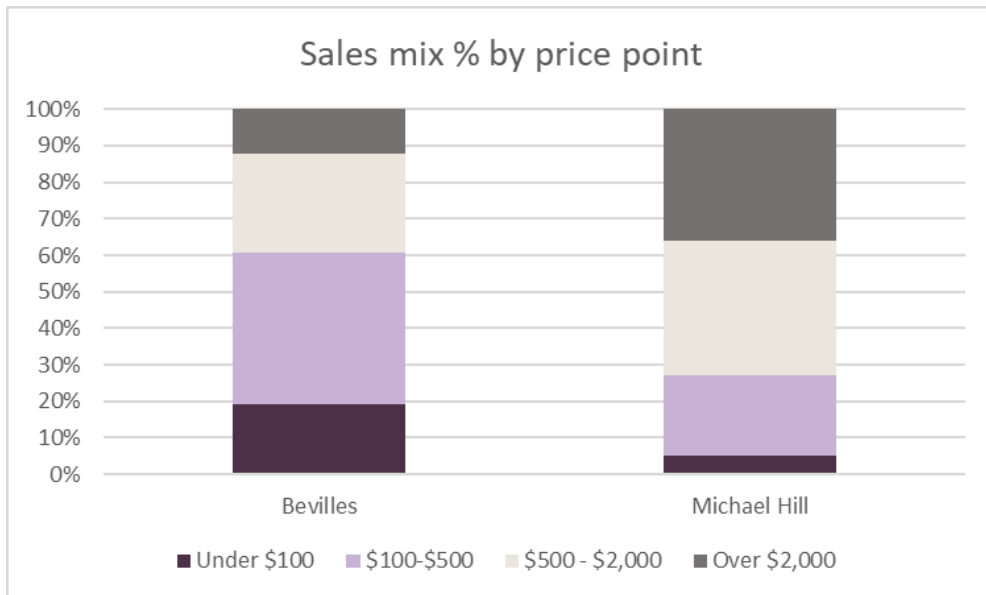


COMPLEMENTARY BRANDS & PRODUCTS

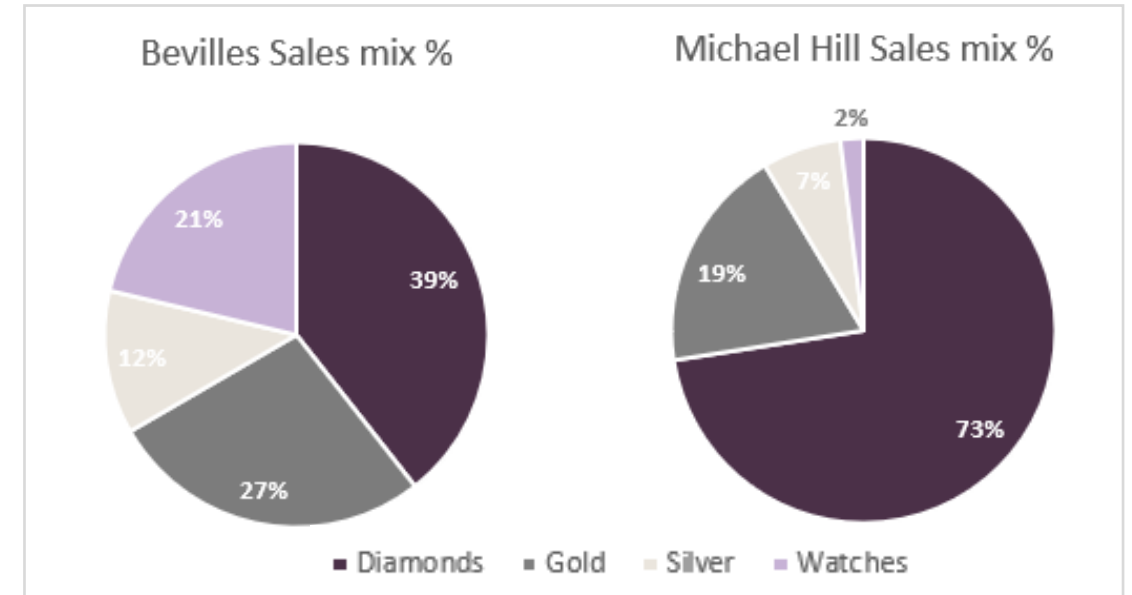
BEVILLES PRODUCTS, BRANDS AND COLLECTIONS ARE COMPLEMENTARY TO MHJ

DIFFERENTIATED PRODUCT OFFERING TO MHJ

- Bevilles has a gifting and transactional focus with products targeting a more accessible price point
- Key product differences include:
 - Less focus on bridal leading to a lower diamond mix
 - Higher focus on gold and silver jewellery
 - With a significant focus on a multi-brand watch strategy
- Differentiated brand positioning, price and products limits sales crossover



THIRD PARTY BRANDS - BEVILLES AND WATCHES GALORE



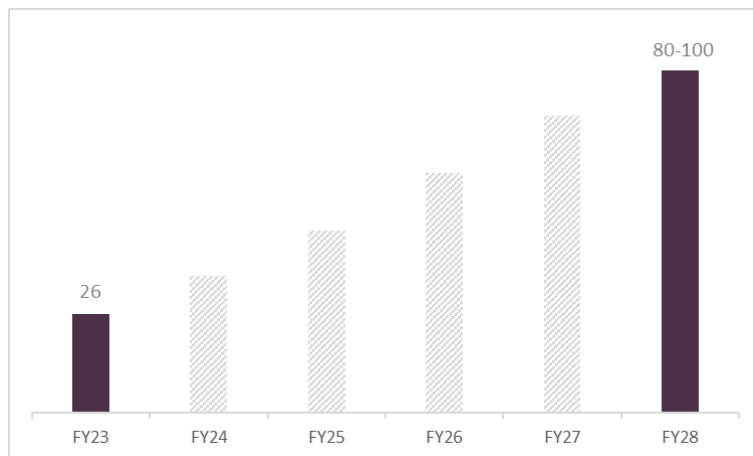
SIGNIFICANT OPPORTUNITY FOR MHJ TO ADD VALUE

GROWTH OPPORTUNITIES AND EBITDA ENHANCEMENTS READILY ACHIEVEABLE

KEY GROWTH OPPORTUNITIES

- Substantial store roll-out opportunity in short and medium term
- Rapidly expand lab diamonds and new category opportunities
- Enhance value add services offerings e.g. repairs, care plans and insurance
- Third party brand expansion (jewellery and watches)
- Refine and expand omni-channel offering
- Increase conversion through improved customer experience
- New Zealand and Canada present future market expansion opportunities

BEVILLES AU STORE ROLLOUT PROFILE¹ (~10 to 15 per year)



EBITDA ENHANCEMENT OPPORTUNITIES

- ✓ Alignment of shared services
- ✓ Consolidate vendor base, improve terms & intake margins
- ✓ Retail leadership and development capabilities
- ✓ Landlord and consumer credit relationships
- ✓ Store grading, ranging and assortment planning
- ✓ Sales training, store presentation & increase store conversion
- ✓ Supply chain synergies and efficiencies

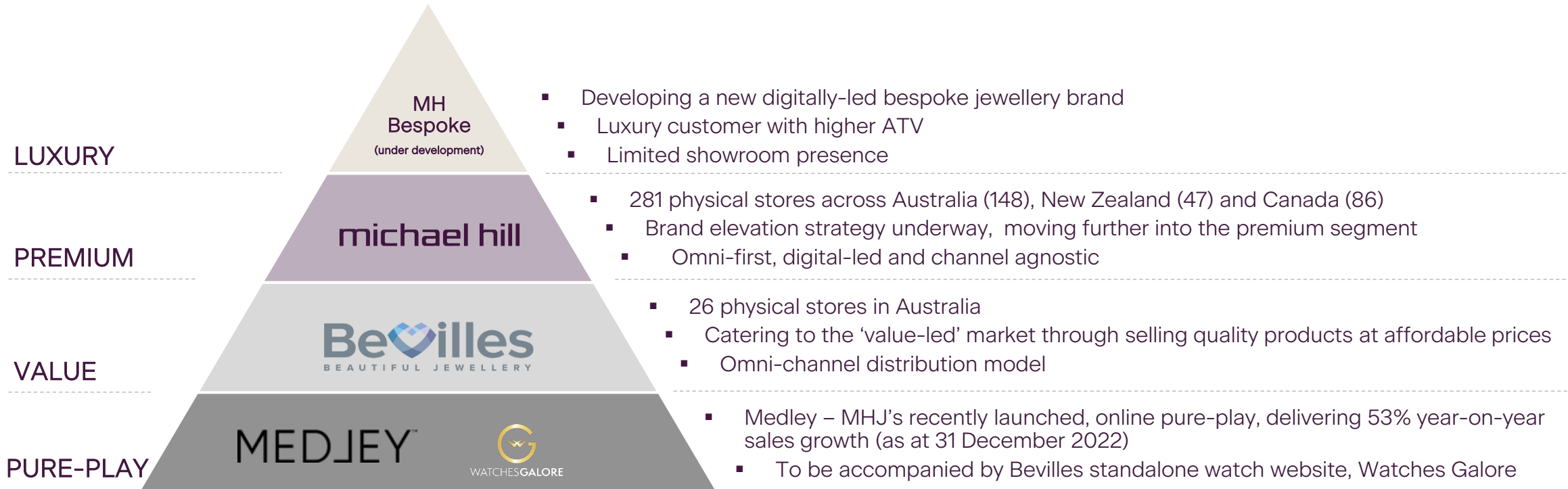
¹ Subject to landlord negotiations and real estate availability

POST ACQUISITION GROUP OVERVIEW

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ASX & NZX: MHJ

- Leading jewellery and watch retailer, with a material presence in Australia, New Zealand and Canada
- Catering to multiple market and consumer segments through products with broad appeal
- Customer focused, detail oriented, nimble, multi-channel operations
- State of the art distribution technology and high calibre leadership and retail teams



APPENDICES



EARN-OUT STRUCTURE

EARN-OUT PAYMENT TIED TO MHJ SHARE PRICE PERFORMANCE, WITH A MINIMUM FLOOR OF \$1M

- Earn-out paid in cash in two tranches
 - Tranche 1: paid one year post Completion (first anniversary)
 - Tranche 2: paid two years post Completion (second anniversary)
- The quantum of each payment determined by multiplying the applicable number of shares (determined in accordance with the table to the right) by the 30-day MHJ ASX VWAP¹ in the lead up to the respective anniversary
- Minimum earn-out floor of \$1m
 - Top up payment to be made at the second anniversary post Completion if total earn-out payments over the two tranches does not exceed \$1m

30-DAY ASX VWAP ¹ (A\$)	NO. OF SHARES ('000)	
	YEAR 1	YEAR 2
\$1.50	450	-
\$1.60	600	450
\$1.70	900	600
\$1.80	1,080	900
\$1.90+	1,080	1,080

Example: if the 30-day VWAP in the lead up to the first anniversary is \$1.55, the payment for Tranche 1 will be \$1.55 multiplied by 450,000 Shares, resulting in a cash payment of \$697,500. If the 30-day VWAP in the lead up to the secondary anniversary is still \$1.55, no Tranche 2 payment will be made. However, given the total earn-out amount will be less than the \$1m floor, a top up payment of \$302,500 will be paid.

Note:

1. Volume Weighted Average Price



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- 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.
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- The Company does not intend, and does 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.



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