

A woman with long, straight brown hair is shown from the chest up, wearing a white, long-sleeved top. She is looking slightly to the right of the camera with a soft smile. She is wearing a pair of silver, geometric earrings and a matching necklace. The background is a solid, muted purple color.

michael hill[®]
INTERNATIONAL LIMITED

INTERIM RESULTS

31 DECEMBER 2017



Knots
BY CHRISTINE HILL

CEO REVIEW

- GROUP RESULTS
- OPERATIONAL SUMMARY
- REVIEW OF PRIORITIES
- MARKET OVERVIEW



KEY PERFORMANCE RESULTS

\$342.2 MILLION

GROUP REVENUE

↑ 4.5%

64.8%
GROSS MARGIN

↑ 0.8%



\$42.3 MILLION
OPERATING NET CASH INFLOW

↑ 165.7%

\$23.0 MILLION
NET DEBT

↓ 37.3%

2.5c
DIVIDEND
2016: 2.5C



\$34.9 MILLION
UNDERLYING EBIT

\$15.1 MILLION
STATUTORY EBIT

\$8.7 MILLION
NET PROFIT
AFTER TAX

47.1%
EQUITY RATIO
2016:48.9%

OPERATIONAL RESULTS

0.3%
SAME STORE
SALES GROWTH

73%
ECOMMERCE
SALES GROWTH



4.1% CANADA
SAME STORE
SALES GROWTH

3.5% NEW ZEALAND
SAME STORE
SALES GROWTH

(0.1%) AUSTRALIA
SAME STORE
SALES GROWTH



14 MICHAEL HILL
STORES OPENED

347 STORES
INCLUDING 30 EMMA & ROE

GROUP RESULTS

- Revenue grew 4.5%, with same store sales up 0.3%
- Gross profit lifted to 64.8% of revenue
- One off impairment and onerous lease accounting provisions recognised of \$19.8m relating to planned US exit (\$4.6m) and Emma & Roe repositioning (\$15.2m)
- Underlying EBIT of \$34.9m, impacted by additional losses reported for Emma & Roe and US markets
- Dividend of 2.5 cents per share in line with prior year, unfranked and fully imputed

For the year ending	AUD	Dec-17	Dec-16	move
Revenue		342.2m	327.5m	4.5%
Gross profit		220.6m	208.4m	5.8%
Gross profit as a % of revenue		64.8%	64.0%	0.8%
Underlying EBIT		34.9m	40.0m	-12.6%
Underlying EBIT as a % of revenue		10.2%	12.2%	2.0%
Statutory EBIT		15.1m	40.0m	-62.2%
Statutory EBIT as a % of revenue		4.4%	12.2%	-7.8%
Total stores open		347	329	18

MICHAEL HILL AUSTRALIA

RETAIL SEGMENT

- Revenue grew 1.6% in a tough retail market
- Gross profit up 3.5%, lifting to 63.5% of revenue
- Challenging November trading period and increased marketing costs impacted bottomline results
- 6 new stores opened during the half, giving a total of 172 trading at the end of the period
- Potential exists to improve the Australian performance in the second half as our brand is well positioned to take market share in a relatively stagnant category

For the half-year ending	AUD	Dec-17	Dec-16	move
Revenue		185.0m	182.0m	1.6%
Gross profit		117.4m	113.5m	3.5%
Gross profit as a % of revenue		63.5%	62.4%	1.1%
EBIT		32.6m	33.7m	-3.2%
EBIT as a % of revenue		17.6%	18.5%	-0.9%
Total stores open		172	170	2



michael hill



MICHAEL HILL NEW ZEALAND

RETAIL SEGMENT

- Revenue grew by 4.2% to NZ\$69.7m
- Same store sales growth of 3.5% in a mature market
- Increased investment in marketing and higher than expected payment plan costs adversely impacted the segment's bottom line
- Second half focus on lifting gross margin and achieving cost efficiencies

For the half-year ending	NZD	Dec-17	Dec-16	move
Revenue		69.7m	66.9m	4.2%
Gross profit		43.0m	41.5m	3.7%
Gross profit as a % of revenue		61.7%	62.0%	-0.3%
EBIT		15.8m	16.5m	-4.6%
EBIT as a % of revenue		22.6%	24.7%	-2.1%
Total stores open		53	53	-



MICHAEL HILL CANADA

RETAIL SEGMENT

- Revenue grew by 17.6% to CA\$73.7m
- Same store sales grew by 4.1%
- EBIT increased 17.6% to a record CA\$10.4m
- This segment is benefiting from a strong and stable leadership team
- Captured additional market share from increased awareness and brand credibility
- 7 new stores opened during the half year giving a total of 83 stores operating

For the half-year ending	CAD	Dec-17	Dec-16	move
Revenue		73.7m	62.7m	17.6%
Gross profit		45.8m	38.4m	19.5%
Gross profit as a % of revenue		62.1%	61.1%	1.0%
EBIT		10.4m	8.8m	17.6%
EBIT as a % of revenue		14.1%	14.1%	0.0%
Total stores open		83	72	11

MICHAEL HILL US

RETAIL SEGMENT

- Same store revenue down 10.6%
- Impairment and onerous leases recognised of US\$3.5m (AU\$4.6m)
- Underlying EBIT loss of US\$2.1m
- Continued strategic review leading to January US exit announcement
- Exit expected to be completed by 30 June 2018

For the half-year ending	USD	Dec-17	Dec-16	move
Revenue		6.0m	7.0m	-15.2%
Gross profit		3.6m	4.2m	-14.5%
Gross profit as % of revenue		60.5%	60.0%	0.5%
Underlying EBIT		(2.1m)	(1.1m)	-89.1%
Underlying EBIT as % of revenue		-35.1%	-15.7%	-123.1%
Statutory EBIT		(5.6m)	(1.1m)	-404.2%
Statutory EBIT as a % of revenue		-93.6%	-15.7%	-77.9%
Total stores open		9	10	-1

EMMA & ROE

RETAIL SEGMENT

- Total sales growth of 20.0% with same store sales declining 5.4%
- Underlying EBIT loss of \$4.4m
- Impairment and onerous leases recognised of AU\$15.2m
- Strategic review of Emma & Roe progressed ahead of January repositioning announcement

For the half-year ending	AUD	Dec-17	Dec-16	Move
Revenue		10.5m	8.8m	20.0%
Gross profit		7.1m	5.8m	22.6%
Gross profit as a % of revenue		67.4%	66.0%	1.4%
Underlying EBIT		(4.4m)	(2.2m)	-95.6%
Underlying EBIT as % of revenue		-41.3%	-25.3%	-16.0%
Statutory EBIT		(19.6m)	(2.2m)	-782.4%
Statutory EBIT as a % of revenue		-186.4%	-25.3%	-161.1%
Total stores open		30	24	6



REVIEW OF PRIORITIES FOR 2017-18

- Increased same store sales for the Group, with Canada and New Zealand achieving solid growth
- Continued to target strategically suitable growth opportunities with 14 new Michael Hill stores opened
- A brand review of Emma & Roe resulted in an announcement in January of our intention to reposition the Emma & Roe brand in coming months, which will result in store closures, and a fresh test and trial period for the remaining portfolio, along with an increased focus on eCommerce
- A strategic review of our US business resulted in an announcement in January of our intention to exit the US operations prior to 30 June 2018
- Increased emphasis on branded collections, accounting for 18.5% of Michael Hill sales (1H2018: \$55.8m vs 1H2017: \$51.0m)
- An increased focus on margin planning and management has helped lift gross margin to 64.8%
- eCommerce revenue grew 73% due to continued omnichannel investment. eCommerce now represents 1.7% of Group revenue (1H2018: \$5.6m vs 1H2017: \$3.3m)
- Investment in key systems and infrastructure included a new point of sale system
- New sales opportunities include clearance stores and popular online market places

MATERIAL ADJUSTMENTS

- Impairment and onerous lease accounting provisions recognised of AU\$19.8m relating to planned US exit and Emma & Roe repositioning
- After tax, AU\$15.2m impact on net profit after tax
- Final cash costs associated with the closures will be provided to the market once available

	AUD	US	Emma & Roe	Total
Onerous lease provision		0.931m	7.445m	8.376m
Impairment of property, plant and equipment		3.648m	7.795m	11.443m
Total		4.579m	15.240m	19.819m



WHITEFIRE

BY MICHAEL HILL



THANK YOU

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INTERNATIONAL LIMITED