

ASX AND NZX ANNOUNCEMENT

SALES GROWTH AND MARGIN EXPANSION CONTINUES

Third Quarter Trading Update

11 April 2022

Michael Hill International Limited (ASX/NZX: MHJ) is pleased to provide its third quarter trading update for the period ended 27 March 2022.

KEY POINTS

- **Continued strong sales growth in all markets and channels** – For the quarter, all store sales were up 11.1% and same store sales were up 4.8% against prior year. On a year to date basis, even with over 10,000 lost store trading days and the more recent impact of Omicron, all store sales were up 4.8%, against prior year.
- **Sustained margin expansion** – Margin growth of 200 to 300 bps in all markets and channels against FY21Q3.
- **Strong digital growth continues** – Omni-channel initiatives continue to deliver, resulting in a year to date increase in digital sales of 31.1%, which now represent 7.6% of total sales (FY21: 6.3%). The strategic market analysis to identify preferred new territories for international digital expansion is progressing well.
- **Brilliance by Michael Hill** – The loyalty program which is a key enabler for growth, now exceeds 1.25 million members.
- **Strong balance sheet maintained** – Disciplined working capital management, no adverse supply chain impacts on stock levels, and a healthy cash position at the end of the quarter.
- **Capital Management** – The Company continues to explore potential acquisition targets.
- **Store portfolio management** – Three under-performing stores permanently closed (AU:1, NZ:1, CA:1) and one new store opened in Australia during the quarter, with a network total of 283 stores across all markets at the end of the quarter (FY21Q3: 288).

Commenting on the result, Managing Director and CEO of Michael Hill International Limited, Daniel Bracken said:

“I’m delighted with our strong Q3 results, considering the disruption from Omicron - whilst there were no mandated lockdowns, the business experienced lower foot traffic and challenges with staff rostering. Pleasingly, once again, the business delivered strong growth in both sales and margin, despite these headwinds.”

“I’m particularly proud of this result as it marks our eleventh quarter of positive same store sales growth since FY19Q3, demonstrating the transformation and elevation of the Michael Hill brand is continuing to resonate with both new and loyal customers. Our sustained margin expansion and continued growth in store and digital conversion is further demonstration that the underlying strategies represent a reset of our operating model.”

“While recognising the changing economic environment, the business remains focused on delivering our key strategic priorities. We continue to place a strong emphasis on enhancing our successful loyalty program and excellence in retail fundamentals, while also exploring digital expansion opportunities in new territories and pursuing potential acquisitions.”

SEGMENT BREAKDOWN

Revenue for retail operations for **FY22Q3** (thirteen week trading period ended 27 March 2022):

		\$m		% Var
		Last Year	This Year	
The following figures are in Australian dollars				
Total same stores	AUD	84.1	88.1	4.8%
Total all stores	AUD	118.5	131.6	11.1%
Same store figures in local currency				
Australia same stores	AUD	49.1	50.2	2.2%
New Zealand same stores	NZD	19.8	20.4	3.1%
Canada same stores	CAD	16.2	17.3	7.1%
All store figures in local currency				
Australia all stores	AUD	70.3	71.6	1.8%
New Zealand all stores	NZD	27.9	28.1	1.0%
Canada all stores	CAD	21.7	30.9	42.2%
Exchange rates used for FY22Q3:				
New Zealand		1.07	1.07	
Canada		0.98	0.92	

Revenue for retail operations for **YTD FY22Q3** (thirty-nine week trading period ended 27 March 2022):

		\$m		% Var
		Last Year	This Year	
The following figures are in Australian dollars				
Total same stores	AUD	359.1	394.7	9.9%
Total all stores	AUD	436.0	456.8	4.8%
Same store figures in local currency				
Australia same stores	AUD	195.7	206.2	5.4%
New Zealand same stores	NZD	76.0	84.9	11.7%
Canada same stores	CAD	88.1	99.2	12.6%
All store figures in local currency				
Australia all stores	AUD	245.5	233.0	-5.1%
New Zealand all stores	NZD	97.2	95.2	-2.1%
Canada all stores	CAD	95.5	122.6	28.4%
Exchange rates used for YTD FY22Q3:				
New Zealand		1.07	1.05	
Canada		0.96	0.92	

Same store sales reflect sales through store and online channels on a comparable trading day basis and a proportional allocation of Professional Care Plan (PCP) revenue and accounting adjustments, and are unaudited. Same store sales do not include permanent or temporary store closures on a same trading day basis.

The above figures are prior to final accounting adjustments, and are unaudited. The figures include PCP revenue recognised during the period and sales through our store and online channels. The PCP income recognition pattern is based on existing estimates and is subject to ongoing management review and adjusted at half-year/year-end as required.

This announcement is authorised for release by the Board.

ENDS

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ABOUT MICHAEL HILL INTERNATIONAL LIMITED

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 283 stores globally across Australia, New Zealand and Canada. 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).

www.investor.michaelhill.com

Disclaimer

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.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

The Company does not intend, and do 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 announcement.

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