

MICHAEL HILL

INTERNATIONAL LIMITED

ASX AND NZX ANNOUNCEMENT

FY25H1 Trading Update

23 January 2025

Michael Hill International Limited (ASX/NZX: MHJ) today provides a trading update for the 26-week period ended 29 December 2024.

The prevailing macroeconomic pressures continued to impact consumer sentiment and discretionary retail trading conditions throughout 2024, with conditions in New Zealand particularly challenging.

- **Comparable EBIT** – FY25H1 Group comparable EBIT is anticipated to be in the range of between \$22.5m to \$24m (FY24H1: \$31.3m).
- **Group sales** – For the half, Group sales were \$359.1m (FY24H1: \$362.7m) down 1% on LY and flat on a constant currency basis. On a same store sales basis (in local currency), Canada delivered another record sales performance with +2.7% growth, Australia was up +0.6% while New Zealand continued to be adversely impacted by economic conditions, down -7.8%.
- **Gross margin** – Product and brand initiatives, including the successful launch of Michael Hill's new "Pendant Bar" concept and new "LAB." offering, are continuing to underpin the improving gross margin in the business, which is offsetting persistent higher input costs and more aggressive retail trading conditions. As such, Group gross margin is expected to be in the range of 61% to 61.5% for the half (FY24H1: 61.5%; FY24H2: 59.5%; FY24: 60.6%) demonstrating momentum in our margin recovery as outlined in previous market updates.
- **Digital** – Digital sales have continued to grow, supported by strong digital traffic and deployment of Bevilles' omni-initiatives. Digital sales represented 8% of total Group sales for the half.
- **Inventory levels** – Group inventory levels remain well-managed and are expected to be ~\$5m lower than LY at ~\$215m (FY24H1: \$220m).
- **Capital Management** – As previously signaled, the business delivered on its commitment to reduce capital expenditure across both technology and stores. Closing net debt was ~\$10m, slightly below LY (FY24H1: \$12m).
- **Resetting cost base** – Management have identified targeted initiatives to deliver ~\$5m of cost reductions in the second half as we align resources to our strategic priorities and trading performance.
- **Store portfolio management** – The half saw the successful opening of our second global flagship store showcasing our new brand icons and offering an elevated instore experience in Bourke St, Melbourne. In addition, our Queenstown, New Zealand store was refurbished to incorporate this new brand identity. For Michael Hill, nine stores were permanently closed (AU: 7, CA:2) and one new NZ store was opened, taking the network to 256 (AU: 128, NZ: 45, CA:83). For the half, two new Bevilles (AU) stores opened taking the network to 38. The Group network was 294 stores at the end of the half across all markets (FY24: 300).

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

"Whilst we are disappointed with our overall sales result for the half, the business was comping record prior year sales in both October and November, with eight fewer stores. The flat sales for the half reflected strong business performance in the first three months, offsetting the more challenging trading conditions at the beginning of the second quarter. The strong performance trend that we observed in the first three months of the half has re-emerged through December and January."

"As outlined at the start of the financial year, the business successfully launched new product initiatives including expansion of our "LAB." collection into diamond fashion and the introduction of the best quality laboratory-grown diamonds in the market; as well as the introduction of a completely new product range "Pendant Bar", where our customers build their own personalised bracelet and necklace combinations, which are perfect for gifting."

"As always, I'm very proud of our team for their retail execution, determination and resilience during an incredibly tough trading environment. The business is clear on its strategic priorities and is increasingly well-positioned for when the economic cycle recovers. And pleasingly, the first few weeks of January are very encouraging with signs of strong positive sales momentum, particularly in Canada."

Revenue for retail operations for **FY25H1**:

		\$m	\$m	
		Last Year	This Year	% Var
Segment Same Store Sales in local currency				
Australia segment	AUD	192.8	194.0	0.6%
New Zealand segment	NZD	64.2	59.2	-7.8%
Canada segment	CAD	87.3	89.7	2.7%
Segment Total Sales in local currency				
Australia segment	AUD	202.3	204.9	1.3%
New Zealand segment	NZD	65.4	60.5	-7.4%
Canada segment	CAD	88.3	90.4	2.4%
Group Sales	AUD	362.7	359.1	-1.0%

Exchange rates used for FY25H1:

New Zealand	1.08	1.10
Canada	0.88	0.91

The above figures are prior to final accounting adjustments and are unaudited. Revenue/Sales figures stated above include the 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.

Group and Australian segment sales include Bevilles sales in Last Year and This Year. Comparable EBIT is unaudited, pre-AASB16, pre-IFRIC SaaS-related adjustments, and with normalisations.

This announcement is authorised for release by the Board.

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ABOUT MICHAEL HILL INTERNATIONAL LIMITED

Michael Hill was founded by Sir Michael Hill in 1979 when he opened his first jewellery store in Whangarei, New Zealand. The Group currently has 294 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 report 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 Group). The words "targets", "believes", "expects", "aims", "intends", "plans", "seeks", "will", "may", "might", "anticipates", "projects", "assumes", "forecast", "likely", "outlook", "would", "could", "should", "continues", "estimates" or similar expressions or the negatives thereof, generally identify 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 Group'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, sustainability targets, expansion into new markets, future product launches, points of sale and production facilities.

Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, they are not guarantees or predictions of future performance or statements of fact. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Group'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 Group'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 Group operates; the protection and strengthening of the Group's intellectual property rights, including patents and trademarks; the future adequacy of the Group's current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Group's business; increases to the Group's effective tax rate or other harm to the Group's business as a result of governmental review of the Group's transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this report.

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, as there can be no assurance the actual outcomes will not differ materially from the forward-looking statements in this report.

Except as required by applicable laws or regulations (including the ASX Listing Rules), the Group does not intend, and does not assume any obligation, to update any forward-looking statements contained herein. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

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