



ANNUAL GENERAL MEETING

31ST OCTOBER 2017

michael hill[®]
INTERNATIONAL LIMITED



CHAIR'S AGENDA

- > Welcome
- > Year in review





Knots

BY CHRISTINE HILL



CEO REVIEW

- Overview
- Group Strategy
- 2017 Highlights
- Operational Summary
- Q1 Trading Update

MARKET OVERVIEW

- > **Global strategies** – internationalisation of brands and consolidation of independents, especially in North America
- > **Fragmentation of traditional marketing channels** – creating challenges around market penetration and foot traffic
- > **Branding strategies** – growth in branded jewellery set to reach 40% of total jewellery sales by 2020
- > **Reconfiguration of the channel landscape** – omni-channel, showrooming, click and collect, mono brand stores, aggregation sites and new channels...Amazon, Alibaba, Tmall....
- > **Polarisation of customer segment** – growth occurring at top end and bottom end, the middle is stagnating – blurring of lines between fine jewellery and fashion jewellery – women dressing up and down...
- > **Fashionability and acceleration of the supply chain** – retailers are teaming with designers and reacting to latest trends quickly – customers want to be different but they also want to be on trend

GROUP STRATEGY

Proprietary Branded Product Collections

- > Unique and distinct designs to differentiate in a cluttered market
- > Design will become increasingly important to both our brands
- > Gross margin premium available

Understand Our Customer: Increase Loyalty and Engagement

- > Technology investment to improve insights, preferences and engagement
- > A continued obsession on servicing our customer to the highest levels

Inventory Management: Improve ROI

- > Systems investment to manage surplus stock and maximise margins
- > Reduced product range to declutter stores and support the branded collections strategy

eCommerce Platform: Engage with new customers and grow sales

- > Investment in multi-channel platform to help customers find and understand our brands while growing both on-line and off-line sales

Systems Infrastructure Investment: Build capability and grow scalability

- > Improving capability through migrating to a full MS Dynamics ERP environment over the next three years to support existing finance, logistics, merchandise, CRM and Point of Sale capabilities

Discover and Nurture Talent: Our People

- > Continued focus on attracting talent to improve capability for tomorrow's challenges
- > Increased investment in developing our people's skills and competencies

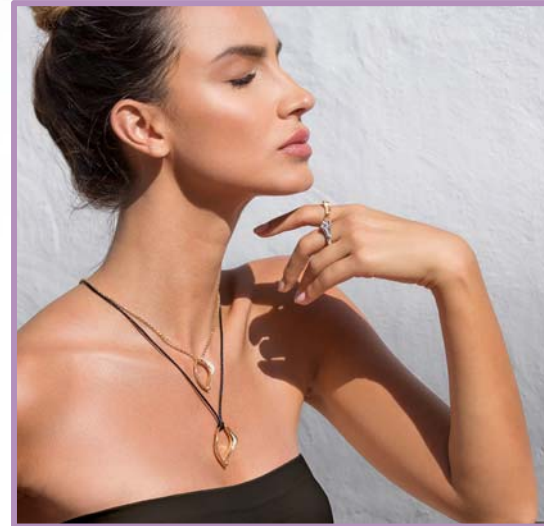
2017 HIGHLIGHTS

\$48.1 million

Record EBIT
▲ 2.3%

63.5%

gross
margin



\$39.8 million

Operating net cash inflow



\$583 million

Group revenue ▲ 5.8%

\$39.7 million

Professional Care Plan
sales ▲ 1%

5c AUD

Dividend
2016: 4.75c



1.6%

same store
sales growth

2017 HIGHLIGHTS



NZ\$22.6 million

settlement paid to
NZ Inland Revenue



52%

Equity ratio

2016: 48.5%

\$39.4 million

Net debt

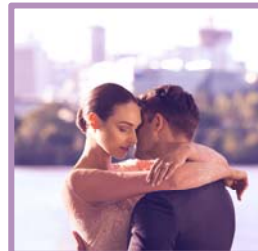
2016: \$32M

US\$1.3 million

asset write-down and
impairments

\$77.1 million

Deferred PCP Revenue



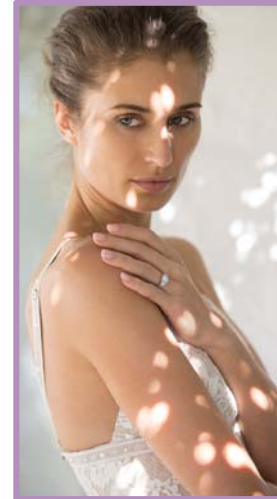
2017 HIGHLIGHTS

Record profits

NZ, Australia, Canada

8.8% Canada

same store sales growth



13 Michael Hill

stores opened

13 Emma & Roe

stores opened

332 stores

including 29 Emma & Roe



MICHAEL HILL AUSTRALIAN

RETAIL SEGMENT

- > Modest same store sales growth of 1.2% in a tough retail market
- > EBIT lift of 3.4% to a record \$52.4m
- > Focus on improved productivity and cost control
- > 10 stores relocated, 3 stores refurbished to the latest design and layout, 3 new stores opened and 5 closed, leaving a total of 166 trading at the end of the period

For the year ending	2017	2016	move
Revenue	322.0m	309.5m	4.0%
EBIT	52.4m	50.7m	3.4%
EBIT as a % of revenue	16.3%	16.4%	-0.1%
Total stores open	166	168	-2

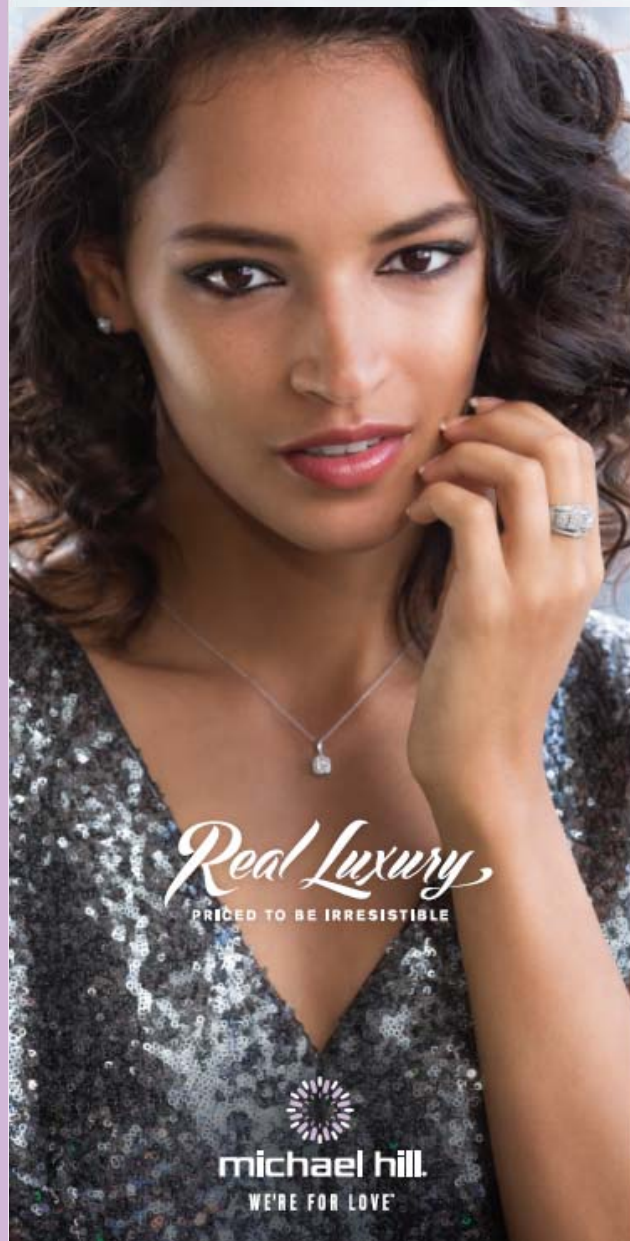


MICHAEL HILL NEW ZEALAND

RETAIL SEGMENT

- > Like for like store sales slipped by 0.8% on prior year
- > Focus on variable costs helped deliver a record EBIT of NZ\$28.0m
- > One store opened at Christchurch and one store closed during the period, leaving a total of 52 stores

For the year ending	2017	2016	move
Revenue	122.0m	122.9m	(0.8%)
EBIT	28.0m	27.3m	2.6%
EBIT as a % of revenue	23.0%	22.2%	+0.8%
Total stores open	52	52	



Real Luxury
PRICED TO BE IRRESISTIBLE


michael hill.
WE'RE FOR LOVE™



NEW
\$1499



NEW
\$449



NEW **\$199** EACH



NEW **\$89**



THE STYLE EDITION

45 INCREDIBLE
NEW PIECES

most loved metal
Explore the glow of rose gold

MOST
EXCITING
TRENDS

Vintage engagement rings
Exclusive Italian gold
All the hues of sapphire


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WE'RE FOR LOVE™

MICHAEL HILL CANADIAN

RETAIL SEGMENT

- > Revenue grew by 18.1% to C\$112.7m
- > Like for like store sales grew by 8.8%
- > EBIT increased 38.1% to a record CA\$12.6m
- > This segment is benefitting from a strong and stable leadership team and from improved brand recognition and market share
- > 9 new stores opened giving a total of 76 stores operating at 30 June 2017

For the year ending	2017	2016	move
Revenue	112.7m	95.4m	18.1%
EBIT	12.6m	9.1m	38.1%
EBIT as a % of revenue	11.1%	9.5%	+1.6%
Total stores open	76	67	+9

MICHAEL HILL US

RETAIL SEGMENT

- > Revenue down 8.5% for the same stores
- > Store closure and impairments resulted in US\$1.32 million write downs
- > Management change and marketing experimentation continues
- > US business under review - in September 2016, the US was put under the leadership of our North American President who has delivered outstanding results in Canada. The Board and executive team continue to closely monitor the US business

For the year ending	2017	2016	move
Revenue	12.5m	14.2m	(12.0%)
EBIT	(3.8m)	(2.6m)	(47.2%)
EBIT as a % of revenue	(30.3%)	(18.1%)	-12.2%
Total stores open	9	10	-1

EMMA & ROE

RETAIL SEGMENT

- > Sales growth of 61.7% with like for like store sales declining 2.1% for the period
- > 13 new stores opened during the year including the first in NSW
- > Brand review was initiated in early 2017 due to revenue forecasts not being met and losses growing faster than anticipated. Review was still underway at end of the 16-17 year.
- > Further store expansion plans put on hold pending brand review completion

For the year ending	2017	2016	move
Revenue	15.1m	9.3m	61.7%
EBIT	(6.9m)	(2.4m)	(186.0%)
EBIT as a % of revenue	(45.9%)	(26.0%)	-19.9%
Total stores open	29	16	+13



2017-18 PRIORITIES

- > Same store sales growth in all markets and for both brands through our continued focus on selling skills and productivity improvements
- > 10 new Michael Hill stores planned for 17-18
- > Completion of the Emma & Roe brand review and consideration given to its recommendations, with likely adjustments to the E&R model in the second half
- > Reduce the US operating losses and determine if we can achieve the level of productivity required for success in this market
- > Continued emphasis on developing Branded Collections
- > Further emphasis on our eCommerce and Omni-channel capability
- > Continued investment in key IT and business systems
- > Testing other retail formats such as clearance stores, and assess and consider other channels such as Amazon



Sir Michael Hill
DESIGNER BRIDAL COLLECTION

▲ MICHAEL HILL ▲
DIAMOND WATCH COLLECTION



Q1 TRADING UPDATE



3.5% ▲ same store
sales growth

7.8% ▲ sales increase

10 Michael Hill
stores opened

1 Emma & Roe
store opened

12.3% ▼
same store sales
27.4% ▲ sales increase
Emma & Roe



3.8% ▲ same store
sales growth
7.4% ▲ sales increase
Michael Hill

343 stores trading
313 Michael Hill
30 Emma & Roe

Q1 TRADING UPDATE

9% ↓

same store sales

14.8% ↓ sales

US



4.2% ↑ same store
sales growth

6% ↑ sales increase

Australia



5.1% ↑ same store
sales growth

6% ↑ sales increase

New Zealand

**4 more
Michael Hill
stores
to open**

in December quarter

7.6% ↑ same store
sales growth

22% ↑ sales increase

Canada





THANK YOU

**BUSINESS
OF THE
MEETING**

FINANCIAL REPORT

Receive and consider the Financial Report for the year ended 30 June 2017

The financial report of Michael Hill International Limited and the reports of the Directors and of the Auditors for the financial year ended 30 June 2017 (2017 Annual Report) is tabled for discussion.

RESOLUTION 1:

REMUNERATION REPORT (ADVISORY RESOLUTION)

To consider and, if thought fit, to pass the following advisory Resolution:

*“That, the Remuneration Report for the year ended 30 June 2017
(as set out in the Directors Report) is adopted.”*

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	250,597,077	203,898	1,063,211	4,318,142	21,156,926
% OF ELIGIBLE VOTES	99.50%	0.08%	0.42%	N/A	N/A
% OF ALL SECURITIES	64.68%	0.05%	0.27%	1.11%	5.46%

RESOLUTION 2:

RE-ELECTION OF ROBERT IAN FYFE AS A DIRECTOR

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That Robert Ian Fyfe, who retires by rotation in accordance with Listing Rule 14.5 and Article 38.4 of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director.”

	FOR	AGAINST	OPEN	ABSTAIN	EXCLUDED
NO. OF SHARES	257,946,947	14,282,356	1,044,526	4,053,472	0
% OF ELIGIBLE VOTES	94.38%	5.23%	0.39%	N/A	N/A
% OF ALL SECURITIES	66.58%	3.69%	0.27%	1.05%	0.00%



THANK YOU