



**michael hill**

INTERNATIONAL LIMITED

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**FULL YEAR RESULTS**  
**30 JUNE 2015**

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# FINANCIAL HIGHLIGHTS

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# FINANCIAL REVIEW AUD

	12 months ended 30/6/15	12 months ended 30/6/14	% Move
Group revenue	503.4m	483.9m	4.0%
Same store sales	462.7m	459.7m	0.7%
Gross profit	320.3m	309.3m	3.6%
EBITDA	57.8m	55.2m	4.7%
Depreciation	15.7m	13.1m	20.4%
EBIT	42.1m	42.2	(0.2%)
EBIT% of sales	8.4%	8.7%	
Interest	4.7m	5.4m	(13.3%)
NPBT	37.4m	36.8m	1.7%
NPAT	27.8m	25.0m	10.8%

# FINANCIAL REVIEW AUD

	12 months ended 30/6/15	12 months ended 30/6/14	% Move
Net operating cash flows	54.6m	14.7m	271.5%
Working capital	158.5m	141.6m	12.0%
Net debt	38.3m	47.9m	(20.0%)
Equity ratio	53.5%	53.3%	
Return on shareholder' funds	15.0%	14.1%	
Earnings per share	AU 7.24c	AU 6.54c	10.7%
Final dividend per share	NZ 2.5c	NZ 4.0c	(37.5%)
Total dividend per share	NZ 5.0c	NZ 6.5c	(23.1%)
Capital expenditure	22.1m	23.2m	(4.7%)

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# OPERATIONAL REVIEW

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# THE YEAR IN REVIEW

- Total revenue reaches \$500m milestone for the first time
- Year of two halves
- 12 Michael Hill stores opened
- 23 stores refurbished
- 2 Emma & Roe stores opened
- Total of 296 stores at year end



# BRAND RE-LAUNCH

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- Launch of We're For Love campaign in February 2015
- High profile media choices and exposure
- Brand gains strong awareness levels

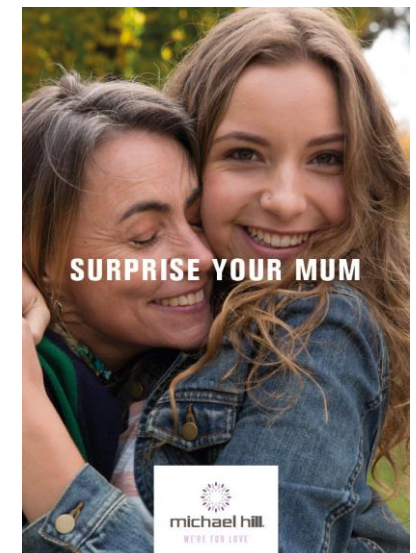
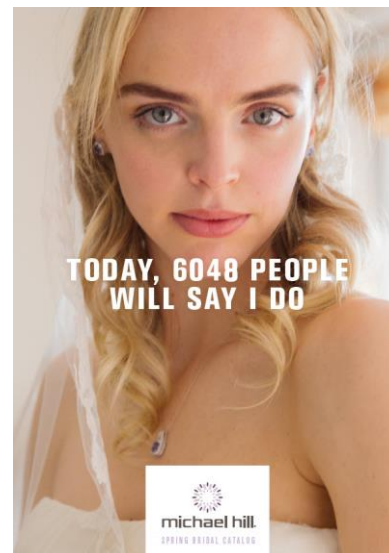
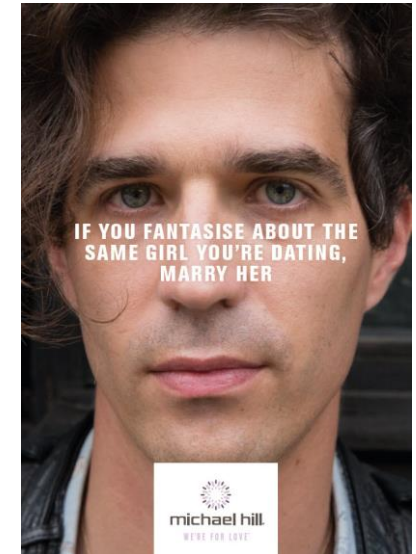
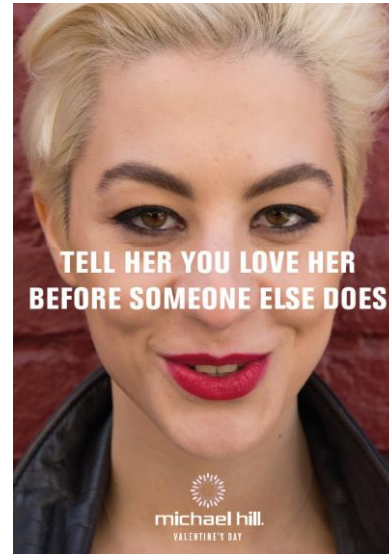


what  
would  
you do  
for  
Love?

Auckland Airport Billboard, February 2015

# BRAND RE-LAUNCH IMPACT

- Brand re-launch adversely impacts second half result
- Fall in foot traffic as a result of shift in marketing focus to brand
- Australia impacted more than other markets due to difficult economy
- Long term benefit of refreshed brand will add value over time





## MICHAEL HILL AUSTRALIA RETAIL SEGMENT (AUD)

	2015	2014	% move
Revenue	294.4m	298.5m	(1.4%)
Same store sales	283.6m	290.8m	(2.5%)
EBIT	45.9m	47.2m	(2.7%)
As a % of revenue	15.6%	15.8%	

- Australian market remained tough in 2014/15
- Four new stores were opened during the year and one closed
- Management focus is on improving productivity through consistent use of our proven retail management systems

## MICHAEL HILL NEW ZEALAND RETAIL SEGMENT (NZD)

	2015	2014	% move
Revenue	114.0m	109.7m	3.9%
Same store sales	113.1 m	108.4m	4.3%
EBIT	23.5m	22.1m	6.7%
As a % of revenue	20.7%	20.1%	

- New Zealand had a good year
- EBIT up 6.7% to \$23.5m
- Operation margin improves by 0.6%

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## MICHAEL HILL CANADA RETAIL SEGMENT (CAD)

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	2015	2014	% move
Revenue	79.1m	69.0m	14.6%
Same store sales	61.9m	60.4m	2.5%
EBIT	6.0m	3.8m	59.2%
As a % of revenue	7.6%	5.5%	

- EBIT increased by 59.2% for the year
- Same store sales growth of 2.5%
- EBIT margin lifted to 7.6%
- 7 new stores were opened
- Total stores are now 60 with target of 110

## MICHAEL HILL USA RETAIL SEGMENT (USD)

	2015	2014	% move
Revenue	11.3m	10.0m	13.0%
Same store sales	8.3m	8.1m	3.5%
EBIT	(1.9m)	(1.7m)	(14.1%)
As a % of revenue	(17.0%)	(16.8%)	

- USA test continues as total revenue increased by 13.0%
- Same stores sales growth of 3.5%
- EBIT loss in line with expectations
- New store opened in New York
- 2 further stores confirmed for opening
- Market still in test mode

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## EMMA & ROE

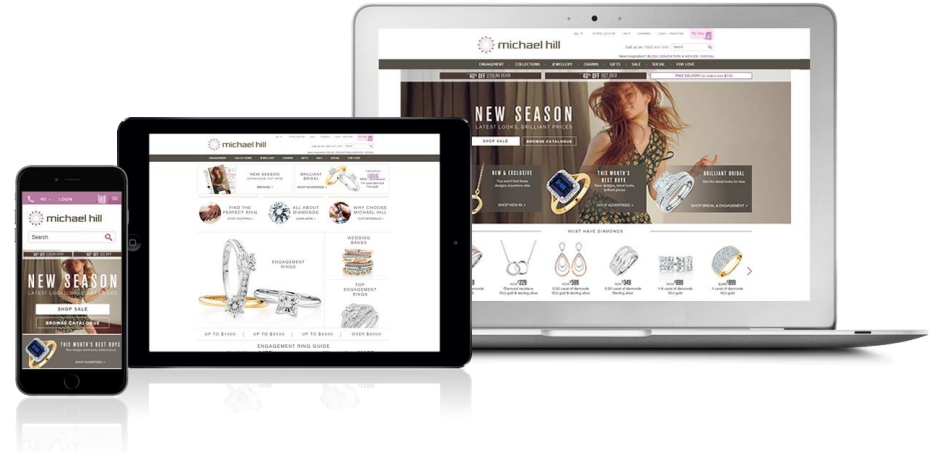
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- Emma & Roe test continues
- 2 more store openings brings total stores to 8
- Multi channel distribution including Michael Hill stores and websites in addition to Emma & Roe stores and website
- Total Emma & Roe product revenue from all channels \$22.8m



# E-COMMERCE

- e-commerce platform across 4 markets
- Revenue up 122%
- Annual website visits has grown to over 8 million



91%

Increase in visits



105%

Increase in mobile visits



122%

Increase in revenue



206%

Increase in mobile revenue



112%

Increase in transactions



53%

Increase in average conversion rate

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## PROFESSIONAL CARE PLANS

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- Total sales grew 12% to \$35.5m
- Revenue recognised of \$25.2m, up 26.3%
- Deferred revenue of \$62.3m held on balance sheet

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## INVENTORY MANAGEMENT

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- Average inventory levels in same stores fell by approx. \$25k
- Optimisation of North American bridal collections from 2013/14 trial

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## BRANDED ASSORTMENTS

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- Testing and development of proprietary brands
- Objective is to drive consumer preference and command margin premium
- Global branded product sales reach 13.2% of total sales

# STRATEGIC UPDATE

Current strategies	Our approach
Delight the mid-market	<ul style="list-style-type: none"><li>• Strengthen marketing and brand position</li><li>• Build stronger team engagement</li><li>• Drive optimum combination of premium branded value based assortments</li><li>• Drive customer engagement</li></ul>
Expand our footprint	<ul style="list-style-type: none"><li>• Proving up the Michael Hill US model</li><li>• Proving up the Emma &amp; Roe model</li></ul>
Empower our people	<ul style="list-style-type: none"><li>• Future leadership development</li><li>• Developing capability and productivity</li><li>• Succession model to support growth</li></ul>
Brighten our bridal experience	<ul style="list-style-type: none"><li>• Establish industry leading bridal brands</li><li>• Build a leading bridal experience</li></ul>



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## PRIORITIES FOR 2015/16

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- To drive same store sales and EBIT performance across the Group
- To improve return on shareholders' funds towards 20%
- To open up to 20 stores across the Group
- Prove up the Emma & Roe model
- To increase sales from our e-commerce platforms across both brands while integrating the online and in store experiences
- To continue refining our retail model in the US and AAA mall strategy
- To improve the performance of our investment in inventory through deployment of our significant investment in inventory management systems
- To continue to fine tune our in-house credit model in North America to “best practice” within our industry
- Improve branded assortments as a mix of sales

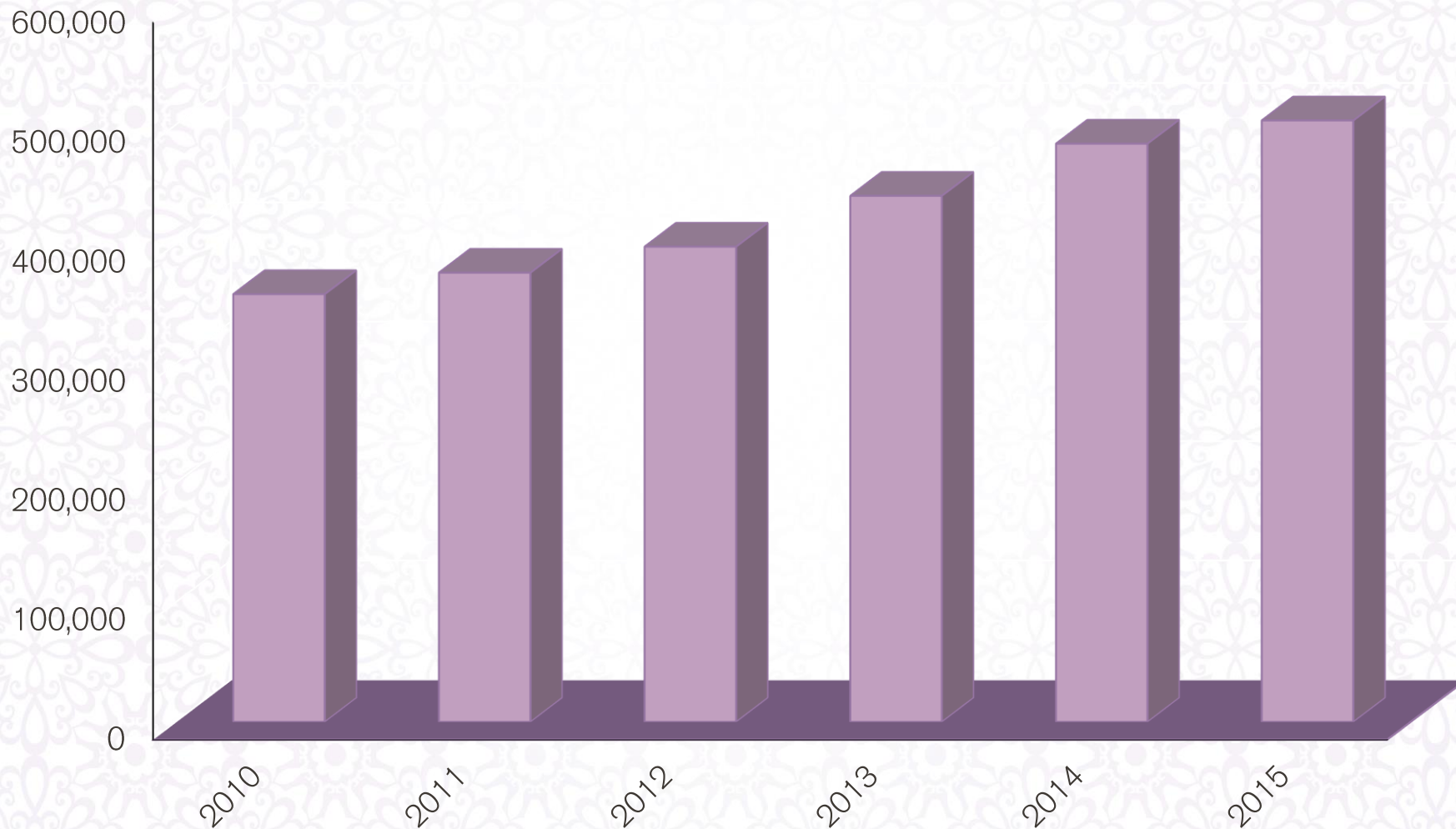
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# SUPPORTING INFORMATION & TRENDS

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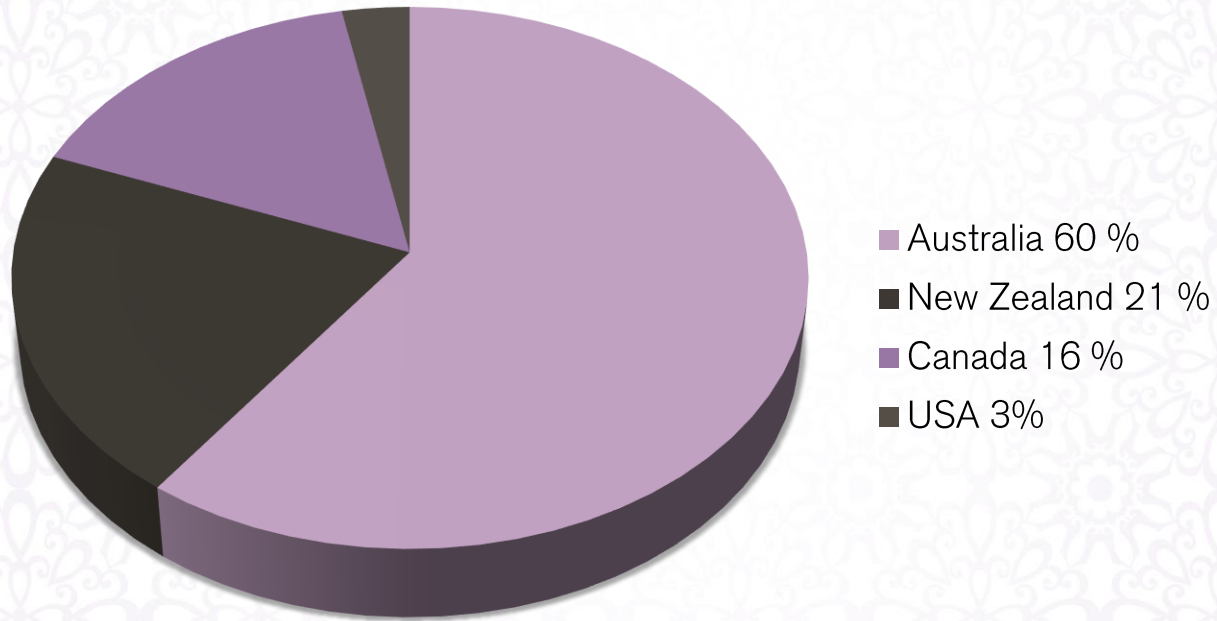
# **SALES 2014 - 2015**

# GROUP REVENUE TO 30 JUNE AU\$000's



# SALES BY COUNTRY

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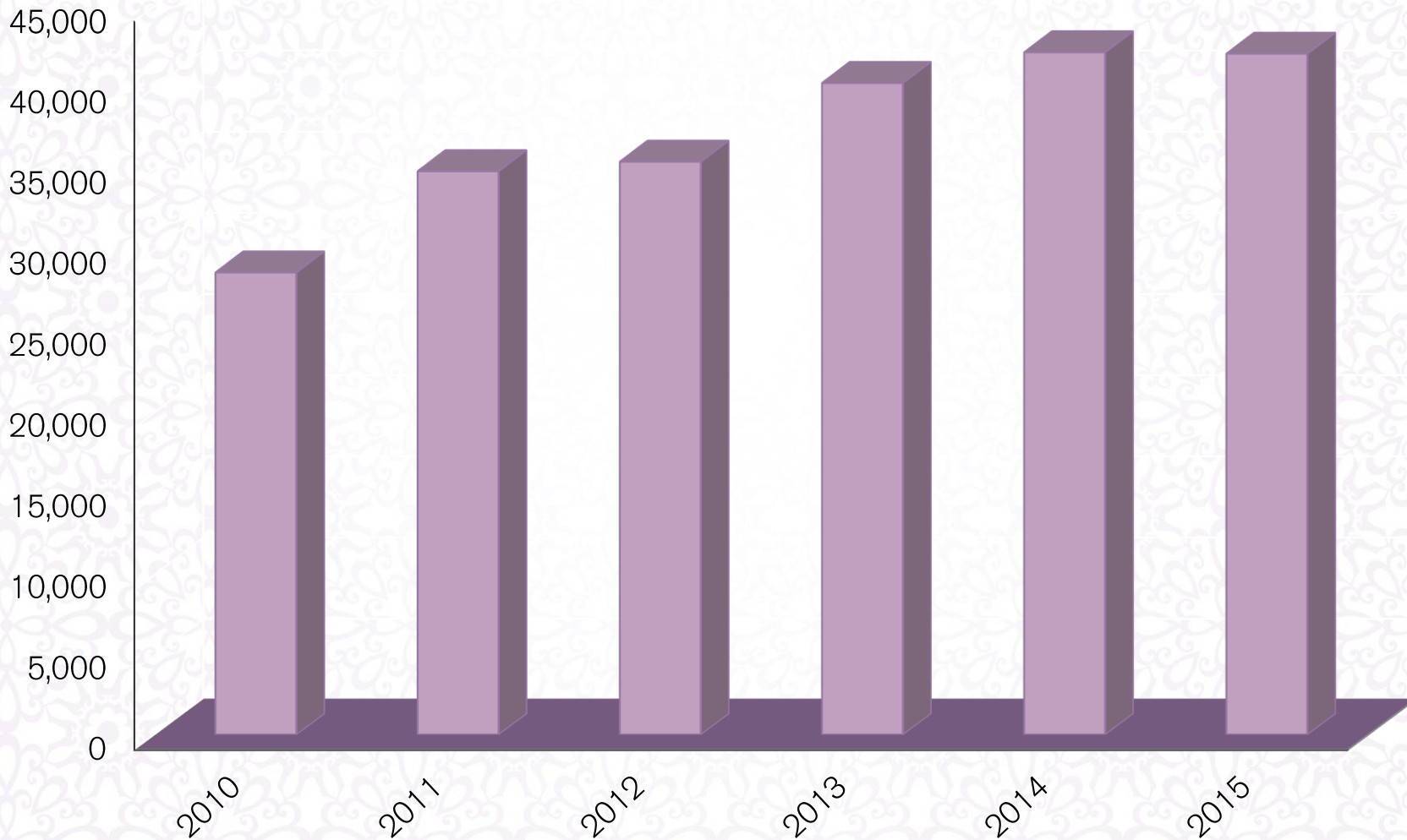


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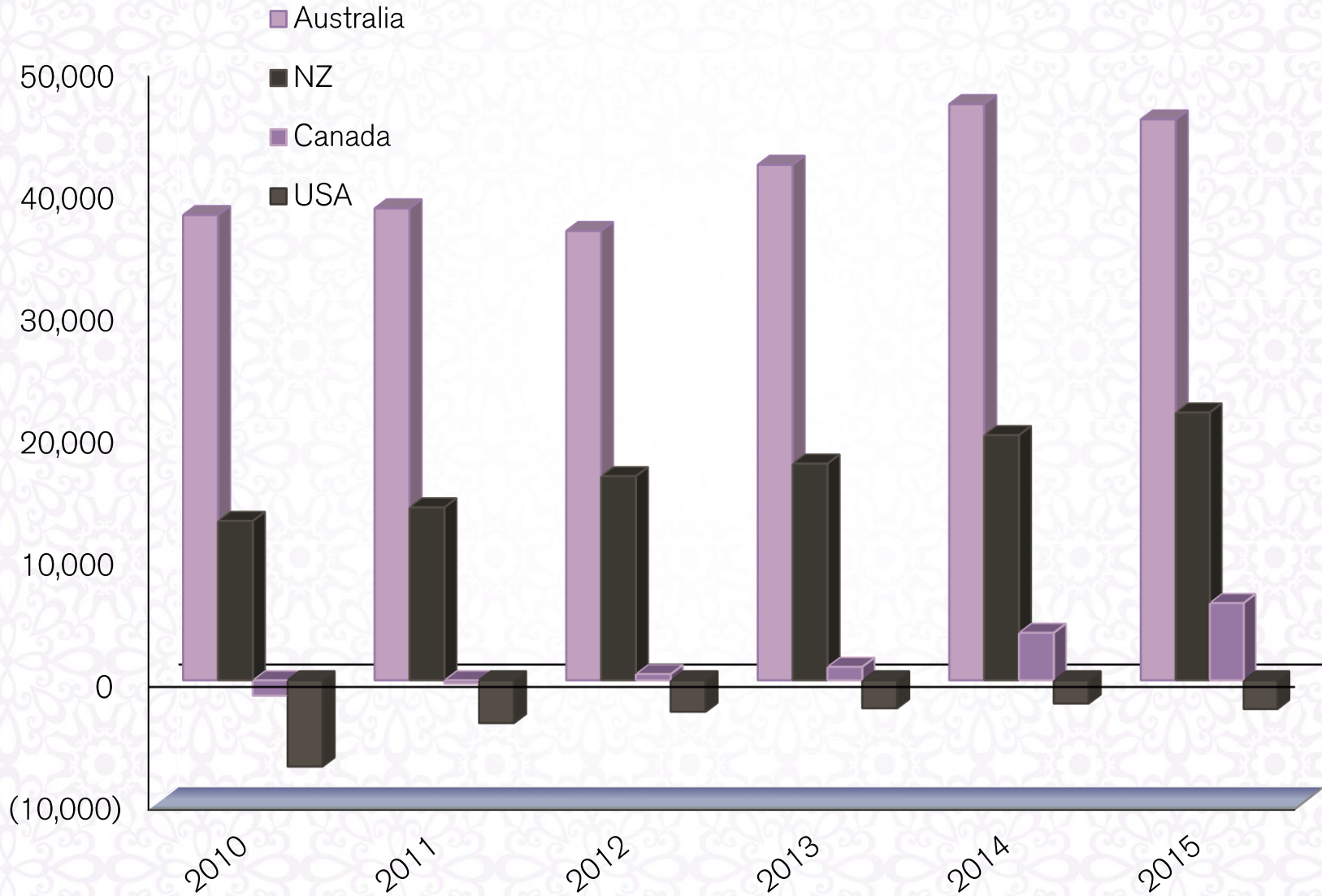
# EBIT CONTRIBUTIONS

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# EARNINGS BEFORE INTEREST & TAX TO 30 JUNE AU\$000's



# EBIT CONTRIBUTIONS BY COUNTRY AU\$000's



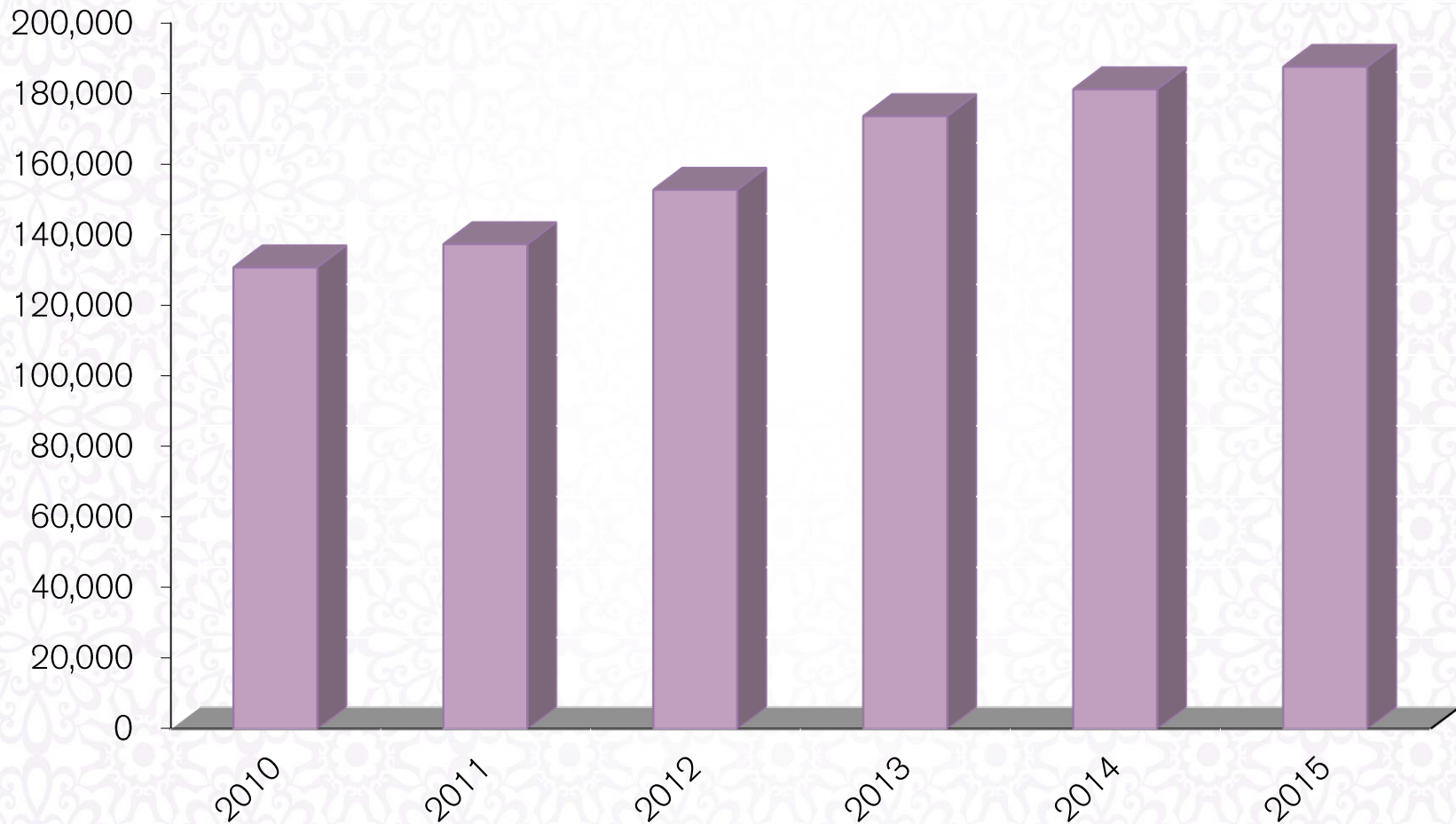


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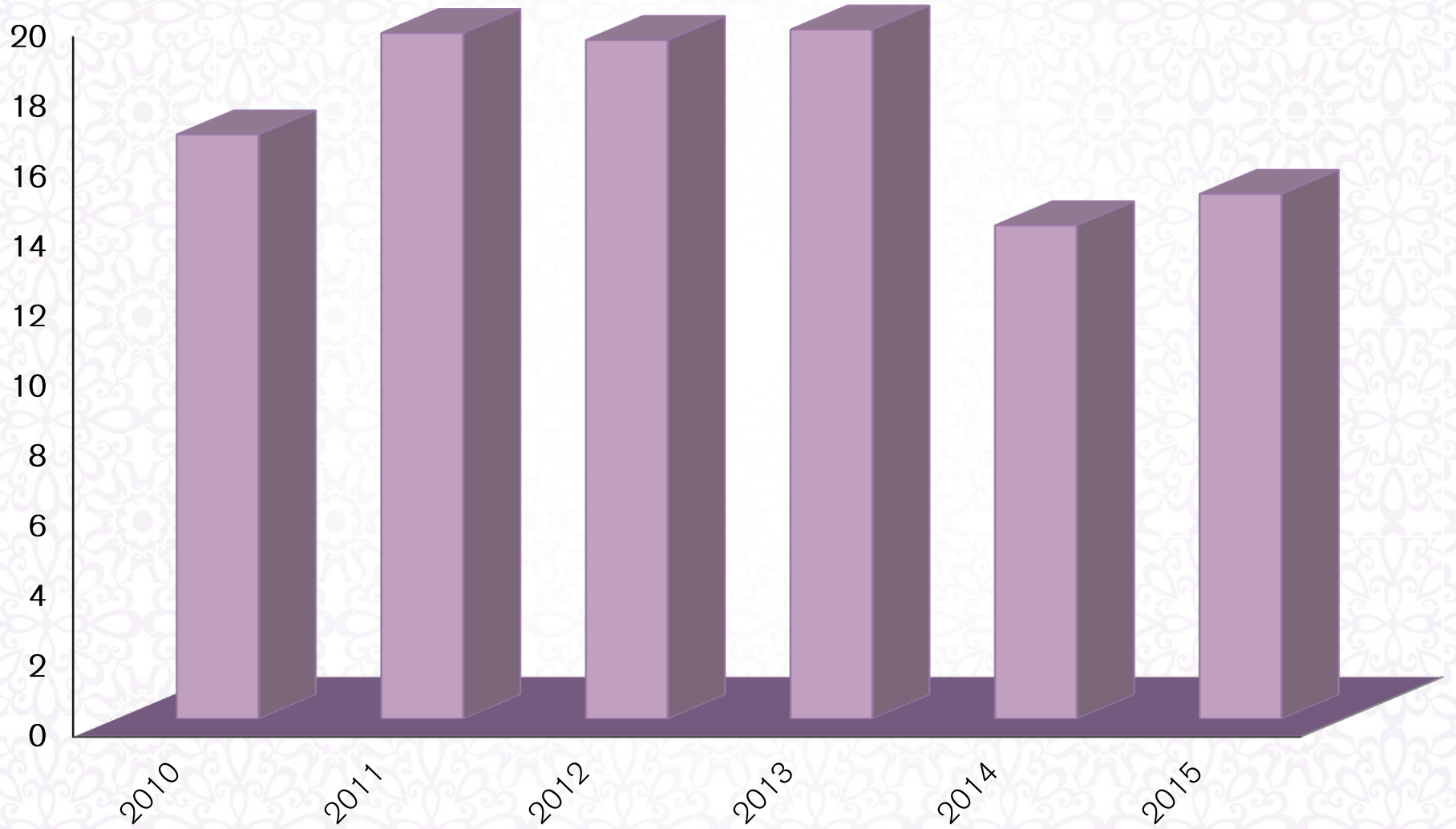
# SHAREHOLDERS' FUNDS

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# SHAREHOLDERS' FUNDS AU\$000's



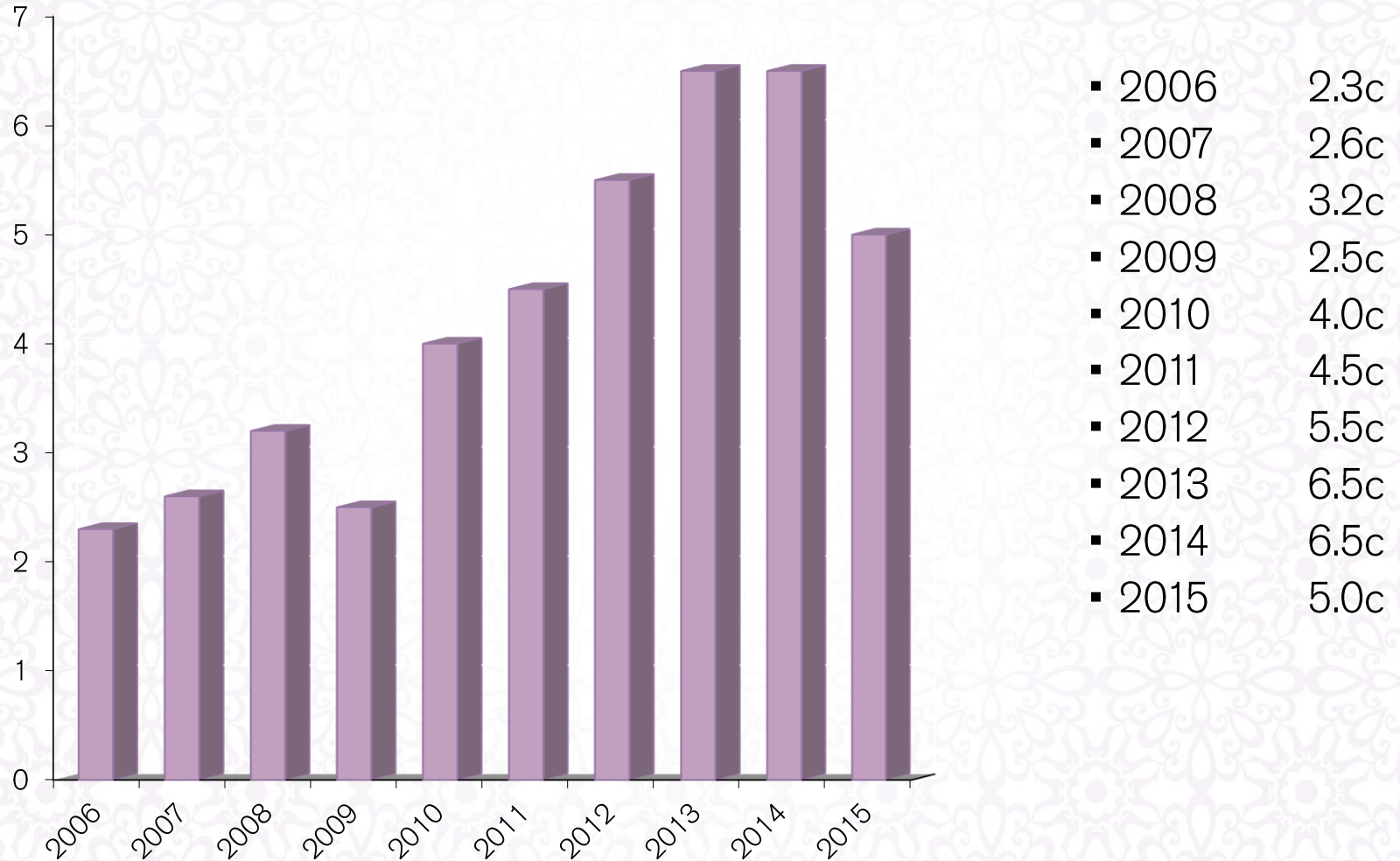
# RETURN ON AVERAGE SHAREHOLDERS' FUNDS %



# **DIVIDENDS**

# DIVIDENDS PAID

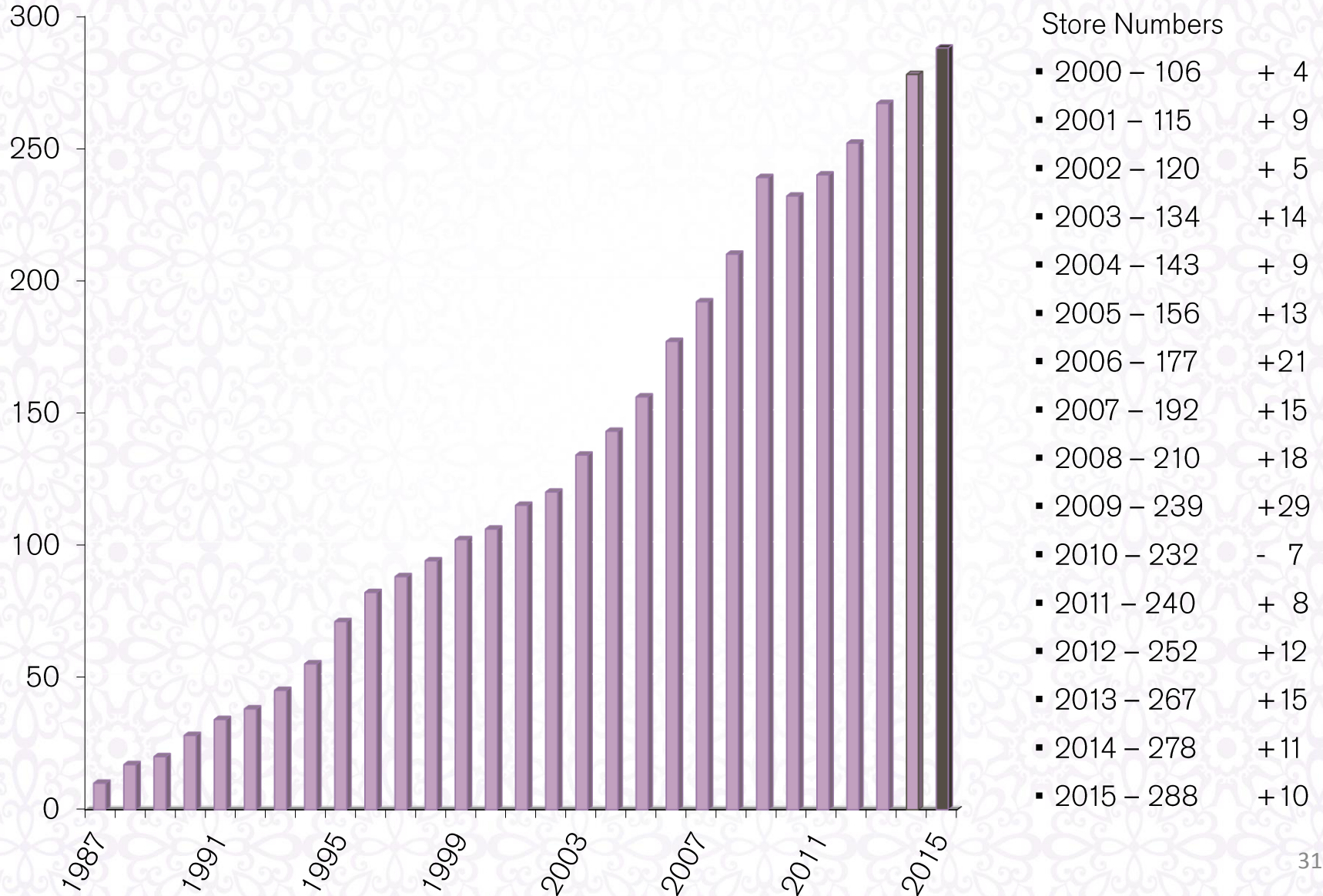
NZ cents per share



Note: due to the share split in 2007, prior years have been divided by 10 for comparative purposes

# STORE EXPANSION

# TOTAL MICHAEL HILL STORES OPERATING



## NEW STORES OPENED

	12 months ended 30/6/15	12 months ended 30/6/14
Australia	4	6
New Zealand	0	1
Canada	7	10
USA	1	2
Michael Hill stores opened	12	19
Michael Hill stores closed	2	8
Emma & Roe stores opened	2	1



## TOTAL STORES OPERATING

	12 months ended 30/6/15	12 months ended 30/6/14
Australia	167	164
New Zealand	52	52
Canada	60	54
USA	9	8
Total Michael Hill	288	278
Emma & Roe	8	6

# STORE PHOTOS



Takapuna, New Zealand - Refit December 2014



Robina, Queensland - Opened December 2014



Easton Town Center, Columbus - Opened July 2014



Loganholme, Queensland - Opened July 2015

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# GROWTH PHILOSOPHY

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Controlled profitable growth with  
an emphasis on improving  
existing operations

# AUSTRALASIAN EXPANSION

# AUSTRALIAN EXPANSION

Stores Open 30/6/15		167
Planned for 15/16	3 stores	170
Planned for 16/17	3 stores	173
Planned for 17/18	2 stores	175

175 store locations have been identified as suitable locations

# NEW ZEALAND EXPANSION

Stores Open 30/6/15		52
Planned for 15/16	0 stores	52
Planned for 16/17	1 store	53
Planned for 17/18	0 stores	53

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# NORTH AMERICAN EXPANSION

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# CANADIAN EXPANSION

Stores Open 30/6/15		60
Planned for 15/16	8 stores	68
Planned for 16/17	6 stores	74
Planned for 17/18	6 stores	80

110 store locations have been identified as suitable locations



# USA EXPANSION

Stores Open 30/6/15		9
Planned for 15/16	2 stores	11
Planned for 16/17	3 stores	14
Planned for 17/18	5 stores	19





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