FORSYTH BARR

Michael Hill Intl

UNDERPERFORM

FY19 Result — Refined Approach

Michael Hill International (MHJ) reported a soft FY19 result with a drop in same store sales (SSS) and material margin contraction. Following weak sales trading through the first quarter, the latter half of the year saw heavy clearance of aged inventory, driving some sales momentum recovery, albeit at the expense of margins. MHJ has begun a significant change in strategic direction, focussing on maintaining market share, driving cost efficiencies, and improving productivity. We remain cautious on near-term trading and the timeframe for turnaround. UNDERPERFORM.

What's changed?

- **Earnings:** FY20/FY21 EBIT revised up +2%/+2%
- **Target Price:** Up +4cps to NZ$0.50
- **Rating:** UNDERPERFORM

FY19 a challenging year characterised by margin contraction

MHJ reported FY19 underlying group EBIT of NZ$34.6m, down -14% on the prior year, driven by a combination of negative sales growth and gross margin pressure, not helped by an inventory clearance programme. A change in strategic direction into FY19, led by new management, saw increased discounting as MHJ focussed on maintaining market share and clearing "aged" inventory. This put material pressure on margins, with FY19 group gross margin of 62.3% (FY18 63.4%). Encouragingly, MHJ gained market share through the second half of the year, although we suspect this may represent a recovery of share lost in 1Q19.

Strategy update — back to retail basics

MHJ outlined a number of strategic initiatives with an emphasis on driving cost efficiencies and lifting margins through product innovation. The company's corporate cost-out programme has provided early fruit and is expected to release an annualised A$5m in FY20, with scope for further improvement. A focus on product "newness" and branded collections is expected to lift store traffic and margins. Branded collections represented 33% of sales in FY19 (FY18 18%) with a target of growing that to 50%.

Earnings changes and our view

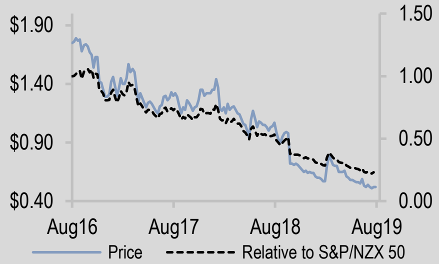
MHJ provided no formal guidance, although noted that it expects the jewellery retail environment to remain challenging in FY20. We have made small positive revisions to our forecasts tweaking assumptions around Canada sales and corporate cost-out. Our target price lifts +4cps to NZ$0.50 following a combination of forecast changes and a revision to our WACC estimate. MHJ is in the early days of a business transformation having made material strategic changes within the last twelve months. We retain a cautious view around near-term trading and strategic execution timeframes. UNDERPERFORM.

Investment View

MHJ has a new strategy and a largely new senior management team. While incremental progress is being made with its strategic priorities, it could take an extended period of time to return to its prior growth trajectory. There is little growth priced in, providing upside to our forecasts, however, we remain cautious and our rating is UNDERPERFORM until we become more positive on management's execution.

NZX Code	MHJ
Share price	NZ$0.52
Target price	NZ$0.50
Risk rating	High
Issued shares	382.5m
Market cap	NZ$199m
Average daily turnover	447.3k (NZ$310k)

Share Price Performance



Financials: June	19A	20E	21E	22E
NPAT* (NZ$m)	24.3	25.2	25.4	25.8
EPS* (NZc)	6.3	6.6	6.6	6.7
EPS growth* (%)	-29.0	3.8	0.8	1.7
DPS (NZc)	4.3	5.3	5.2	5.3
Imputation (%)	100	100	80	80

Valuation (x)	19A	20E	21E	22E
EV/EBITDA	4.0	3.9	3.9	3.9
EV/EBIT	6.2	5.9	6.0	5.9
PE	8.2	7.9	7.8	7.7
Price / NTA	1.2	1.1	1.1	n/a
Cash dividend yield (%)	8.2	10.1	10.0	10.1
Gross dividend yield (%)	11.4	14.1	13.1	13.3

*Historic and forecast numbers based on underlying profits

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Michael Hill International Ltd (MHJ) Priced as at 16 Aug 2019: NZ$0.52 June year end

Forsyth Barr valuation			
Valuation methodology	Weighted DCF and sum of the parts valuation		
12-month target price (NZ$)*	**0.50**	**Spot valuations (NZ$)**	
Expected share price return	-3.8%	1. DCF	0.56
Net dividend yield	10.1%	2. Sum of the parts	0.46
Estimated 12-month return	6.3%	3. n/a	n/a
Key WACC assumptions		**DCF valuation summary (NZ$m)**	
Risk free rate	2.00%	Total firm value	251
Equity beta	1.15	(Net debt)/cash	(26)
WACC	10.0%	Value of equity	225
Terminal growth	1.5%	Shares (m)	382

Profit and Loss Account (AUD$m)	2018A	2019A	2020E	2021E	2022E
Sales revenue	604.0	571.1	573.8	578.7	585.7
Normalised EBITDA	**60.3**	**54.0**	**55.5**	**57.9**	**58.1**
Depreciation and amortisation	(20.2)	(19.4)	(18.6)	(20.0)	(20.2)
Normalised EBIT	**40.1**	**34.6**	**37.0**	**37.9**	**38.0**
Net interest	(2.7)	(2.5)	(2.6)	(2.9)	(2.8)
Associate income	-	-	-	-	-
Tax	(5.9)	(2.3)	(10.4)	(10.6)	(10.7)
Minority interests	-	-	-	-	-
Normalised NPAT	**31.5**	**22.8**	**23.9**	**24.4**	**24.5**
Abnormals/other	(26.9)	(6.3)	(17.5)	-	-
Reported NPAT	**4.6**	**16.5**	**6.4**	**24.4**	**24.5**
Normalised EPS (cps)	8.1	5.9	6.2	6.3	6.3
DPS (cps)	5.0	4.0	5.0	5.0	5.0

Growth Rates	2018A	2019A	2020E	2021E	2022E
Revenue (%)	3.8	-5.5	0.5	0.9	1.2
EBITDA (%)	-10.5	-10.4	2.9	4.3	0.4
EBIT (%)	-15.2	-13.7	6.9	2.6	0.1
Normalised NPAT (%)	-1.0	-27.5	4.7	2.1	0.5
Normalised EPS (%)	-2.1	-27.5	4.7	2.1	0.5
DPS (%)	0.0	-20.0	25.0	0.0	0.0

Cash Flow (AUD$m)	2018A	2019A	2020E	2021E	2022E
EBITDA	**60.3**	**54.0**	**55.5**	**57.9**	**58.1**
Working capital change	3.9	(7.4)	2.9	(0.1)	(0.7)
Interest & tax paid	(9.2)	(7.6)	(13.1)	(13.6)	(13.5)
Other	-	-	(17.5)	-	-
Operating cash flow	**54.9**	**39.0**	**27.8**	**44.3**	**44.0**
Capital expenditure	(24.0)	(15.7)	(22.5)	(22.5)	(22.5)
(Acquisitions)/divestments	-	-	-	-	-
Other	-	-	-	-	-
Funding available/(required)	**30.9**	**23.3**	**5.3**	**21.8**	**21.5**
Dividends paid	(19.4)	(19.4)	(15.5)	(19.4)	(19.4)
Equity raised/(returned)	-	-	-	-	-
Increase/(decrease) in net debt	**(11.5)**	**(3.9)**	**10.2**	**(2.4)**	**(2.1)**

Balance Sheet (AUD$m)	2018A	2019A	2020E	2021E	2022E
Working capital	155.6	131.8	157.3	158.7	160.6
Fixed assets	66.7	63.2	67.2	69.7	72.0
Intangibles	12.6	15.4	15.4	15.4	15.4
Other assets	71.4	83.5	67.4	65.4	63.4
Total funds employed	**306.3**	**293.9**	**307.3**	**309.2**	**311.5**
Net debt/(cash)	28.0	24.8	34.9	32.5	30.4
Other non current liabilities	89.1	92.4	88.2	93.1	98.0
Shareholder's funds	189.2	176.8	184.1	183.6	183.1
Minority interests	-	-	-	-	-
Total funding sources	**306.3**	**293.9**	**307.3**	**309.2**	**311.5**

Valuation Ratios	2018A	2019A	2020E	2021E	2022E
EV/EBITDA (x)	3.6	4.0	3.9	3.9	3.9
EV/EBIT (x)	5.4	6.2	5.9	6.0	5.9
PE (x)	5.8	8.2	7.9	7.8	7.7
Price/NTA (x)	1.0	1.2	1.1	1.1	1.1
Free cash flow yield (%)	16.9	12.4	2.8	11.4	11.4
Net dividend yield (%)	10.4	8.2	10.1	10.0	10.1
Gross dividend yield (%)	14.5	11.4	14.1	13.1	13.3
Imputation (%)	100	100	100	80	80
Pay-out ratio (%)	61	67	80	78	78

Capital Structure	2018A	2019A	2020E	2021E	2022E
Interest cover EBIT (x)	14.9	14.0	14.0	13.0	13.8
Interest cover EBITDA (x)	22.4	21.9	21.0	19.9	21.1
Net debt/ND+E (%)	12.9	12.3	15.9	15.1	14.2
Net debt/EBITDA (x)	0.5	0.5	0.6	0.6	0.5

Key Ratios	2018A	2019A	2020E	2021E	2022E
Return on assets (%)	10.7	9.1	10.0	10.2	10.1
Return on equity (%)	16.6	16.9	13.0	13.3	13.4
Return on funds employed (%)	15.8	15.7	11.8	13.0	13.5
EBITDA margin (%)	10.0	9.5	9.7	10.0	9.9
EBIT margin (%)	6.6	6.1	6.4	6.6	6.5
Capex to sales (%)	4.0	2.7	3.9	3.9	3.8
Capex to depreciation (%)	119	81	121	113	112

Operating Performance	2018A	2019A	2020E	2021E	2022E
Store numbers					
New Zealand	52	52	52	52	52
Australia	172	168	165	162	162
Canada	83	86	88	88	88
US	0	0	0	0	0
Emma & Roe	6	2	0	0	0
Total store numbers	**313**	**308**	**305**	**302**	**302**
Divisional revenue (A$m)					
New Zealand	115.4	113.0	115.1	118.2	118.7
Australia	325.7	313.6	311.7	310.7	312.5
Canada	133.0	140.4	145.3	148.0	152.7
US	11.9	-	-	-	-
Emma & Roe	16.9	-	-	-	-
Other	1.1	4.1	1.6	1.7	1.8
Total revenue	**604.0**	**571.1**	**573.8**	**578.7**	**585.7**
Divisional EBIT (A$m)					
New Zealand	25.6	22.7	24.5	25.1	25.7
Australia	48.6	32.9	35.3	34.3	34.4
Canada	14.9	10.2	12.7	15.0	15.4
US	(5.7)	-	-	-	-
Emma & Roe	(10.0)	-	-	-	-
Unallocated	(33.3)	(31.3)	(35.5)	(36.6)	(37.7)
Total EBIT	**40.1**	**34.6**	**37.0**	**37.9**	**38.0**
Divisional EBIT margins (%)					
New Zealand	22.2	20.1	21.3	21.3	21.7
Australia	14.9	10.5	11.3	11.0	11.0
Canada	11.2	7.3	8.7	10.2	10.1
Period average exchange rates					
AUDNZD	1.09	1.06	1.05	1.04	1.05

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

FY19 result summary

Michael Hill (MHJ) reported a disappointing, albeit largely expected, FY19 result with both same store sales (SSS) and gross margins retreating across the business. This was reflected in FY19 underlying EBIT of A$34.6m, down -14% on the prior comparable period, led by particularly large declines in Australia and Canada. Gross margin contraction was the key negative in the result, which at 62.3% is a material step back on the prior period (63.4%) reflecting a strategic effort to clear aged inventory and maintain market share.

MHJ announced a final dividend of AUD 1.5cps (full year 4.0cps), behind our expectations and the prior year (final 2.5cps).

Figure 1. Result summary (A$m)

	FY18	FY19	% chg	Forsyth Barr
Sales Revenue	**604.0**	**571.1**	**-5.5%**	**564.5**
Gross Profit	382.3	354.6	-7.3%	350.9
Gross Margin	63.3%	62.1%	-120bps	62.2%
EBIT	**40.1**	**34.6**	**-13.7%**	**30.5**
Reported Profit	4.6	16.5	257.9%	20.2
Normalised Profit	**31.5**	**22.8**	**-27.5%**	**20.2**
Underlying EPS (cps)	8.1	5.9	-27.5%	5.2
DPS (AUD, cps)	5.0	4.0	-20.0%	5.0

Source: Company reports, Forsyth Barr analysis

Earnings revisions

We have made modest upgrades to our near-term earnings forecasts. We have made minor upgrades to our Canadian revenue assumptions given management's intended strong focus on driving store productivity and also made slights reduction to our corporate cost assumptions.

Figure 2. Earnings revisions (A$m)

		2020E			2021E		2022E
	Old	New	% chg	Old	New	% chg	New
Sales Revenue	570.7	573.8	0.5%	569.8	578.7	1.6%	585.7
EBIT	36.3	37.0	1.9%	37.1	37.9	1.9%	38.0
Normalised Profit	**23.2**	**23.9**	**3.0%**	**23.5**	**24.4**	**1.9%**	**24.5**
Underlying EPS (cps)	6.0	6.2	3.0%	6.1	6.3	1.9%	6.3
DPS (AUD, cps)	5.0	5.0	-	5.0	5.0	-	5.0

Source: Forsyth Barr analysis

Target price NZ$0.50; UNDERPERFORM rating retained

Our target price lifts +4cps (+9%) to NZ$0.50 primarily driven by WACC changes. Our WACC estimate has fallen from 10.8% to 10.0% following changes to our risk free rate (from 2.75% to 2.0%) and market risk premium (from 7.75% to 7.5%), consistent with our strategy report *WACC — New Input Cheat Sheet* published 6 August 2019.

We retain our UNDERPERFORM rating. MHJ is in the beginning stages of a business turn around, having made material strategic changes within the last twelve months. Whilst we have a positive view on strategic initiatives highlighted, we retain a cautious view on execution timeframes given 1) the tough operating environment within the jewellery sector, 2) continued competitive pressures, and 3) limited recovery in gross margin over the near-term, given both MHJ's focus on market share and the possibility of additional inventory clearance activity in the current period.

Key result take outs

1. Divisional insights

Australia — EBIT down -32%

Australia saw the biggest decline in sales across MHJ's divisions, amid a tough retail environment and heavy discounting activity by competitors, with FY19 SSS down -5.6%. Store EBIT of A$32.9m, down -32% on the prior comparable period (pcp), was impacted by slow sales in the first quarter and elevated clearance volume as the company looked to clear aged inventory. The company expects market conditions will remain challenging and has indicated further store closures, which given its focus on protecting market share suggests that gross margin recovery could be limited in the near-term. We, therefore, retain a cautious stance on MHJ's key market in FY20E.

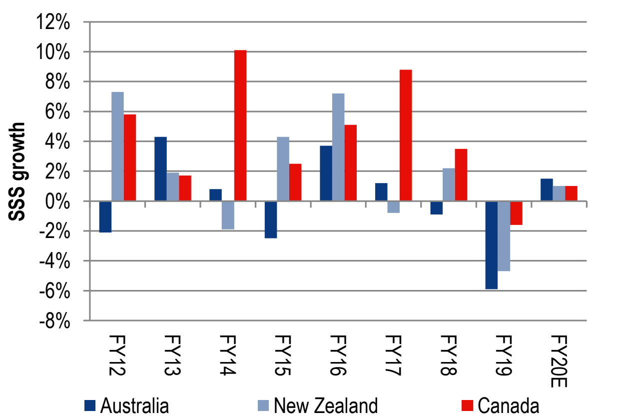
New Zealand — EBIT down -13%

New Zealand SSS fell -4.7% on the prior period. High operating deleverage contributed to EBIT margin decline, although was offset to a degree by lower SG&A costs. Local currency store EBIT of NZ$24.1m was down -13% on prior period (-11% in AUD with favourable currency movements). With a more mature store base, continued refinement of the property portfolio along with improved cost efficiencies are expected to be drivers of performance.

Canada — EBIT down -33%

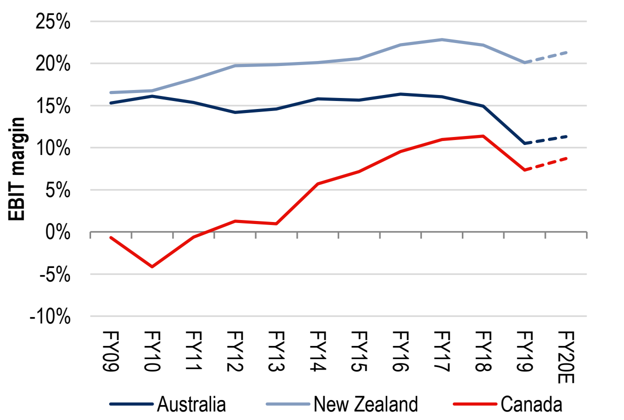
Canada experienced its first period of EBIT decline in over five years with FY19 local currency store EBIT down -33% to C$9.8m (-31% in AUD with favourable currency movements). Canada remains a key growth opportunity for MHJ although its strategy has been refined — with the focus on store productivity — while its store growth outlook has been moderated. Canada still materially underperforms its other markets on a per store basis, achieving sales per square metre of ~A$15,000, which compares to New Zealand and Australian stores at ~A$21,000.

Figure 3. Same store sales (SSS) growth



Source: Company reports, Forsyth Barr analysis

Figure 4. EBIT margin



Source: Company reports, Forsyth Barr analysis

2. Targeting top line at the expense of margins

MHJ undertook a conscious shift away from deep discounting in 1Q19, which heavily impacted sales. Following management changes in 2Q19, a refined strategy saw top line recovery targeted at the expense of margins, with sales momentum improving throughout the year. The company indicated that it gained market share through the second half of FY19, although we suspect that this represents a claw back of share lost during 1Q19.

MHJ sought to clear its aged range of inventory through its elevated discounting programme, negatively impacting margin. FY19 group gross margin contracted to 62.3% (FY18 63.4%) with the biggest drop in Canada. Contributing to margin compression was an A$6m one-off write down of inventory (~A$5m captured in COGS). When stripping this out, gross margin appears better; however, management commentary suggests that in the absence of the write down clearance volume would have been even higher, effectively having the same impact on margins.

FY19 inventory declined -A$6.6m (before one-off impairments), indicating inventory management improvements. The release of working capital in addition to a reduction in dividends enabled debt reduction with net debt falling to A$24.8m (FY18 A$28.0m).

Expect some margin improvement but remain cautious view in near-term

We expect margins to recover slightly into FY20, still below FY18, as the rate of inventory clearance slows and initiatives such as branded collections and cost out efficiencies bare early fruit. However, we retain a cautious view on margin improvement over the near term with management highlighting a challenging operating environment and a strategy of prioritising market share.

3. Strategic update — Unashamedly retailing 101

MHJ announced a number of strategic initiatives, which can be summarised as back to retail 101 basics. Key initiatives include:

- **Continued focus on costs:** MHJ has signalled corporate cost out of A$5m (on an annualised basis from FY20), with scope to possibly deliver an additional A$5m per annum from FY21.
- **Retail operating model:** Involves implementing a more structured and consistent marketing platform, alignment of products and manufacturing, as well as new store layouts.
- **Online platform:** Targeting an integrated omni-channel approach, growing online sales through a more customer focussed experience from first point of contact, regardless of platform.
  - FY19 e-commerce sales increased +44% year-on-year to A$16m (2.8% of total sales).
- **New merchandising rhythm:** Increasing the focus on product “newness” to help drive increased customer traffic through the stores.
  - This strategy increases reliance on designer traction with inventory likely to be considered “aged” faster, with third/fourth tier stores used to help clear inventory.
- **Acceleration of branded collections:** Branded collections increased to 32.5% of sales (FY18 18%). MHJ has a target of growing this to 50% of sales by FY21/FY22.
  - Branded collections have a higher gross margin and also help to contribute “newness” and differentiation versus jewellery peers.
  - MHJ also indicated that lab grown diamonds could become future product growth opportunity, recently launching a range in one of its Australian stores. MHJ suggests it addresses a different market segment to mined diamonds and could contribute towards its branded collections target.

FY19 result breakdown

Figure 5. FY19 Result breakdown (A$m)

	FY18	FY19	% chg	Comment
Profit and Loss Account				
Revenue	**604.0**	**571.1**	-5.5%	FY19 group SSS fell -3.3%, although showed a recovery through the period
Cost of Sales	(221.7)	(216.5)	-2.4%	
Gross Profit	**382.3**	**354.6**	-7.3%	Gross margin contraction (FY19 62.1% vs FY18 63.3%)
SG&A Costs	(322.1)	(300.6)	-6.7%	Store count net change of -1 during the period
Total EBITDA	**60.3**	**54.0**	-10.4%	
Depreciation & Amort.	(20.2)	(19.4)	-3.9%	
EBIT	**40.1**	**34.6**	-13.7%	Clearance of aged inventory weighed on margins
Net Interest	(2.7)	(2.5)	-8.4%	Reduction in debt levels as a result of inventory management
Profit Before Tax	**37.4**	**32.1**	-14.1%	
Tax	(5.9)	(2.3)	-61.0%	Low tax burden with a number of abnormals
NPAT	**31.5**	**29.8**	-5.3%	
Reported Profit	4.6	16.5	257.9%	
Abnormals	(26.9)	(13.3)	-50.4%	Prior period included discontinued US and E&R operations
Normalised Profit	**31.5**	**29.8**	-5.3%	
Underlying EPS (cps)	8.1	7.7	-5.3%	
DPS (AUD, cps)	5.0	4.0	-20.0%	Reduction in dividend given soft FY19 result and debt control
Balance sheet & Cashflow				
Operating Cashflow	54.9	39.0	-29.0%	
Fixed Assets	66.7	63.2	-5.2%	Ten new stores opened during the period
Working Capital	167.7	164.6	-1.9%	Inventory clearance and renegotiated vendor payment terms
Net Debt	28.0	24.8	-11.5%	Working capital release and lower dividend enabled debt reduction
Shareholders' Equity	189.2	176.8	-6.6%	
Inventory	192.1	179.5	-6.5%	Inventory reduction of -A$6.6m (before one-off impairments)
Divisional sales analysis				
New Zealand	115.4	113.0	-2.1%	Same store sales declined -4.7%, foot print unchanged
Australia	325.7	313.6	-3.7%	Same store sales declined -5.9%, foot print down -4
Canada	133.0	140.4	5.6%	Same store sales declined -1.6%, foot print up +3
Unallocated Sales	28.9	2.5	-91.2%	FY18 includes sales from discontinued operations
Total Sales	**603.0**	**569.5**	**-5.6%**	Revenue from continuing operations fell -1.0%
Divisional EBIT analysis				Elevated discounting activity across the portfolio weighed on margins
EBIT - New Zealand	25.6	22.7	-11.3%	Same store sales and gross margin pressure outweighed SG&A discipline
EBIT Margin	22.2%	20.1%	-208bps	
EBIT - Australia	48.6	32.9	-32.3%	Significant decline on prior period due to high operating deleverage
EBIT Margin	*14.9%*	*10.5%*	-443bps	
EBIT - Canada	14.9	10.2	-31.3%	First period of EBIT decline for the division in over five years
EBIT Margin	*11.2%*	*7.3%*	-392bps	
Head office / corporate costs	(33.3)	(31.3)	-6.1%	Visibility remains limited on the key drivers included within this segment
Total EBIT*	**40.1**	**34.6**	**-13.7%**	FY18 includes contribution from discontinued operations
EBIT Margin	*6.7%*	*6.1%*	-57bps	

Source: Forsyth Barr analysis

Investment summary

Michael Hill (MHJ) recently divested its loss-making divisions (Emma & Roe and the US) and is now focussing solely on the Michael Hill brand. We are positive on this strategic directional shift; however, we are cautious given the extensive execution involved with branding and pricing strategy changes. Canadian store rollout has been revised with a medium-term target of 90 stores, and a focus on store productivity. This is materially down on prior long-term targets. We expect modest medium-to-longer term growth from its more mature NZ and Australian divisions. Our rating is UNDERPERFORM until we become more positive on management execution.

Earnings and cash flow outlook

- **Operating leverage:** There is significant operating leverage in the business model which can swing earnings quickly depending on top line performance. The negative impact this can have was seen in 1H19, particularly in 1Q19.
- **Same-store sales:** Solid recent same store sales growth in Canada and in NZ has evaporated in 1Q19, with all segments very weak as MHJ transitions its pricing and branding strategy.
- **Margins:** The key opportunity is Canada, from further store productivity gains. There are also efficiency opportunities in New Zealand and Australia.
- **Professional Care Plans (PCPs):** Available to add onto a purchase to cover ongoing maintenance and care. A gold mine for MHJ as payment is received upfront and margins are likely higher than its jewellery business.

Business quality

- **Largely new management team:** Previous CEO Phil Taylor stepped down for health reasons. Phil had been with MHJ for 30 years but only CEO since 2017. The new CEO is Daniel Bracken and he commenced on 15 November 2018.
- **Store rollout:** MHJ has a strong market position in Australasia, and modest near-term growth opportunities in Canada through margin improvement. MHJ will close the final six Emma & Roe stores in FY19, albeit management indicated the demi-fine category remains a possible opportunity to pursue at the right time.

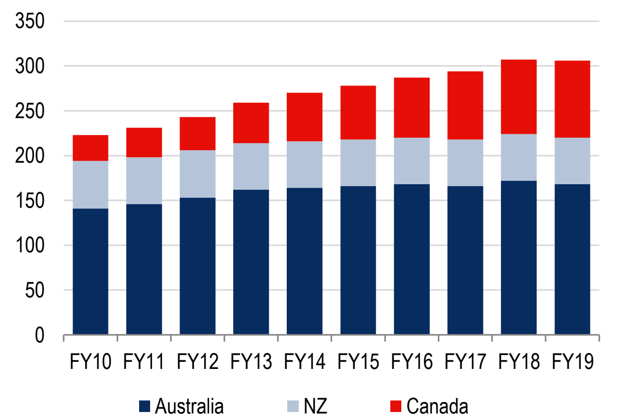
Risk Factors

- **Consumer sentiment and retail backdrop:** MHJ's products are reliant on discretional spending. Jewellery chains that cater to the majority (e.g. MHJ) are typically less affected by economic fluctuations than luxury jewellers.

Company description

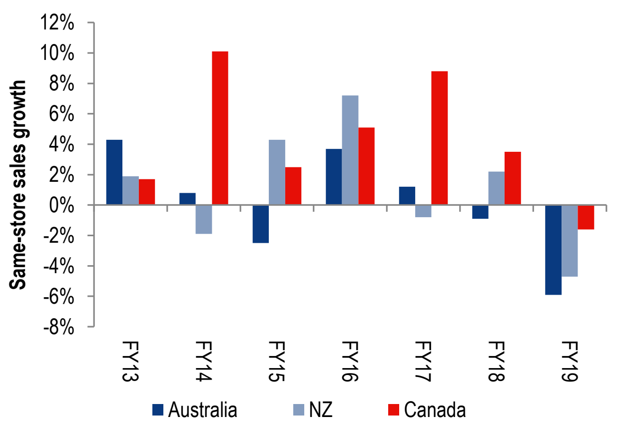
Michael Hill International operates a specialist retail jewellery chain. The company originated in Whangarei, NZ in 1979. MHJ has a large store base in Australia (171 stores) and NZ (52 stores). MHJ expanded into Canada in 2002 and is now the second largest jewellery chain by store count with 83 stores and a target to get to ~105.

Figure 6. MHJ footprint by market



Source: Forsyth Barr analysis, Company reports

Figure 7. MHJ divisional same store sales growth



Source: Forsyth Barr analysis, Company reports

Figure 8. Substantial Shareholders

Shareholder	Latest Holding
Hoglett Hamlett Limited	38.3%
ACC	6.4%
Regal Funds Mgmt	5.6%

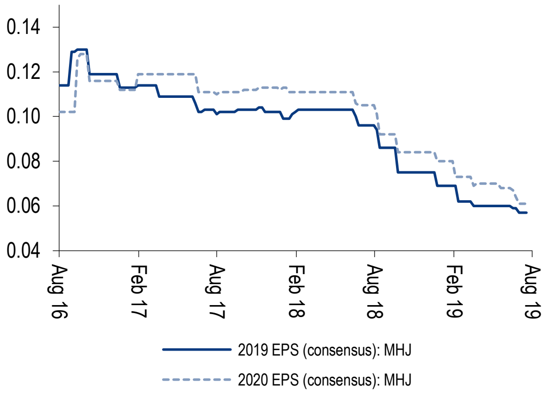
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 9. International Compcos

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash D/Yld
(metrics re-weighted to reflect MHJ's balance date - June)			(m)	2020E	2021E	2020E	2021E	2020E	2021E	2021E
Michael Hill Intl	**MHJ NZ**	**NZ$0.52**	**NZ$199**	**7.9x**	**7.8x**	**3.8x**	**3.7x**	**5.8x**	**5.7x**	**10.0%**
Briscoe Group *	BGP NZ	NZ$3.54	NZ$786	12.0x	12.2x	7.4x	7.6x	7.9x	8.1x	5.8%
Kathmandu Holdings *	KMD NZ	NZ$2.51	NZ$569	10.0x	9.6x	6.0x	5.8x	7.2x	7.0x	6.3%
Restaurant Brands NZ *	RBD NZ	NZ$10.16	NZ$1,268	25.2x	22.3x	12.6x	11.7x	19.0x	17.3x	0.0%
The Warehouse Group *	WHS NZ	NZ$2.26	NZ$784	10.0x	8.4x	5.4x	4.8x	8.0x	6.9x	7.3%
Signet Jewelers	SIG US	US$11.62	US$606	3.9x	4.5x	6.7x	n/a	11.2x	n/a	13.7%
Tiffany & Co	TIF US	US$79.88	US$9,704	15.6x	14.4x	10.3x	9.6x	13.3x	12.3x	3.2%
Myer Holdings	MYR AT	A$0.52	A$427	12.2x	11.6x	2.5x	2.4x	6.6x	6.4x	2.6%
Lovisa Holdings	LOV AT	A$11.10	A$1,172	32.4x	27.4x	18.6x	15.5x	21.9x	18.4x	3.0%
			Compco Average:	**15.2x**	**13.8x**	**8.7x**	**8.2x**	**11.9x**	**10.9x**	**5.2%**
EV = Current Market Cap + Actual Net Debt			**MHJ Relative:**	**-48%**	**-43%**	**-56%**	**-54%**	**-51%**	**-48%**	**+91%**

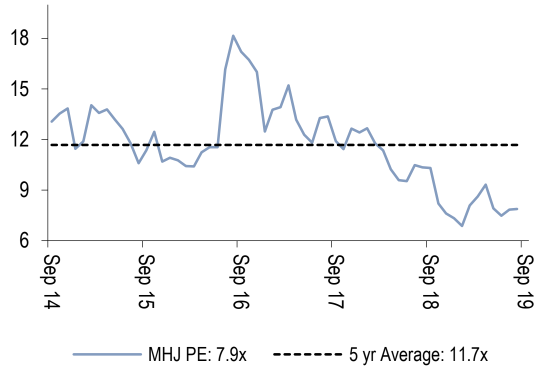
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (MHJ) companies fiscal year end

Figure 10. Consensus EPS Momentum



Source: Forsyth Barr analysis, Bloomberg

Figure 11. 12 Month Forward PE



Source: Forsyth Barr analysis