

EVERYONE'S A WINNER AT THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED - HALF YEAR RESULTS (FY2010) (ASX:TRS)

17 February 2010

HALF YEAR PROFIT UP 22% UPGRADES FULL YEAR PROFIT GUIDANCE

Highlights

- Sales of \$250.5 million, up 13% on prior year
- Comparable store sales improving from slow start
- Exceptional store opening program with 23 new stores
- First half NPAT of \$18.9 million up 21.7%
- Full year NPAT guidance upgraded to \$22.0m - \$22.5m
- Interim dividend of 39.0 cents per share, fully franked – up 21.9%

Summary

	H12010 \$ million	H12009 \$ million	% Change
Sales	250.5	221.6	13.0%
EBITDA	30.9	26.6	16.2%
EBIT	26.7	23.1	15.6%
NPAT	18.9	15.6	21.7%

The Chairman of The Reject Shop Limited (the Company), Mr Brian Beattie, today announced a half year Net Profit After Tax (NPAT) of \$18.9 million, an increase of 21.7% on the previous corresponding period.

Sales for the period grew from \$221.6 million to \$250.5 million, an increase of 13%, with comparable store sales growth of 1.0% (first quarter -0.54%; second quarter 2.1%) and 23 new store openings.

The Directors have declared an interim fully franked dividend of 39.0 cents per share reflecting a dividend payout ratio of 75% for the full year. The record date for the payment of the interim dividend is 31 March 2010 with a payment date of 19 April 2010.

Managing Director, Mr Chris Bryce said: “Despite a challenging start to the half year, both operationally and with the overlay of a fickle retail environment, we have recovered well to deliver solid growth in both sales and profit for the first half including a pleasing improvement in gross margins.”

“At our AGM we outlined some of the challenges faced in the early part of the period, with negative comparable stores sales growth and poor stock positions. We have worked actively during the remainder of the period to turn this around and are pleased with the progress made. We have largely digested the operational challenges we confronted and are well positioned to capitalise on opportunities which arise going forward.”

“The highlight of the period was the new store opening program with a record 23 new stores opened in the half year, eclipsing our previous new store record of 22 stores in an entire year. The challenging economic environment in recent years provided a unique opportunity to substantially increase our store footprint and accelerate our growth beyond what we would ordinarily achieve in any given year. It enabled us to open stores ahead of the slowdown in retail centre developments and means we have better leverage to the economic recovery when it fully emerges”.

“While the one-off record store opening program created some challenges—spreading some stock over more stores during peak periods with a consequent impact on sales in existing stores—the performance of these new stores justified the decision. Pleasingly, the planning and execution of this store rollout was first rate and their strong performance demonstrates the continued appeal of our model in new and existing trade areas.”

“During the half we dedicated more resources into planning for the opening of the new Queensland distribution centre. The facility has been handed over and we are ready to commence the detailed testing of the sortation and conveying equipment. We expect the facility to be operational ahead of the initial plan with stock being received from April and the first despatches to stores due in May 2010.”

“It is an exciting time for our business. We have invested ahead of the curve in the past two years with the implementation of the SAP IT system and the planning for the new distribution centre, both requiring significant focus, energy and capital, especially for a company our size.”

“While further work remains, by July 2010 we will have the distribution capacity and IT systems to support 400 stores nationally, more than twice our current size. We believe with the commitment to our long term strategic initiatives over the past two years we have positioned ourselves well to capitalise on growth opportunities in the years to come.”

“On balance trading in the early part of the second half has been mixed; consistent with our experience in the first half. However, despite the potential for trading volatility we have upgraded our NPAT forecast for the financial year 2010 to between \$22.0 million and \$22.5 million (from \$21.4m to \$21.6m)” he said.

Further information can be obtained from the Company’s website at www.rejectshop.com.au

The Reject Shop Limited

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