



# THE REJECT SHOP ANNUAL GENERAL MEETING 12 October 2011



# Agenda

- **Welcome and Introduction**
- **Chairman's Address – Mr. Bill Stevens**
- **Managing Director's Address – Mr. Chris Bryce**
- **Ordinary Business**
  - Item 1. To Receive and Consider the Financial Report
  - Item 2. To Adopt the Remuneration Report
  - Item 3. To Re-elect a Director – Mr. Bill Stevens
  - Item 4. To Re-elect a Director – Ms. Melinda Conrad
- **Special Business**
  - Item 5. Approval of Grant of Performance Rights to Managing Director
- **Conclusion of Annual General Meeting**



# Chairman's Address

**Bill Stevens**

*Chairman*



# Managing Director's Address

**Chris Bryce**

*Managing Director*



# FY2011 Financial Results

## - Full Year Trading Results

Full Year Financial Results	First Half 2011 \$'m	Second Half 2011 \$'m	Full Year 2011 \$'m
<b>Sales</b>	275.9m	229.2m	505.1m
Comparable sales growth	1.2%	(4.9%)	(1.5%)
<b>EBITDA</b>	29.7m	7.4m	37.1m
<b>EBIT</b>	24.0m	2.0m	26.0m
<b>Reported NPAT</b>	15.9m	0.3m	16.2m

### Sales Up 7.3%

- First Half Comp Growth
  - Strong start to year
  - Poor seasonal trade
- New stores trading well
- Second half sales negatively affected by flood

### Profitability Distorted

- Flood impacts sales, margin and costs
- Lower cashflow led to increased Interest Expense



# Flood Impact

## - FY2011 and Ongoing

- Immediate Impact of Flood
  - **Lost Inventory / Lost Sales**
  - **Increased Costs and Reduced Gross Margins**
  - **DC Constraints led to:**
    - Further loss of sales
    - Inventory imbalances/Inconsistent Offer
    - Inability to react to sales opportunities
- Ongoing Impacts
  - **Significant Focus Required on:**
    - Ipswich DC Facility Re-instatement
    - Flood Mitigation Planning
    - Insurance Claim Process
  - **Impacted ability to Plan Forward:**
    - First quarter sales and stock – Uncertainty over timing of Ipswich DC re-opening and DC network capability
    - Challenging second half to plan off distorted base
  - **Increased costs to be absorbed**
  - **Re-prioritisation of strategic initiatives**



# Post Flood

## - Recovery Checklist

- |   |   |
|---|---|
| →Rebalancing inventory across stores        | Done  |
| →Re-instatement of Ipswich DC               | Finalised mid September 2011                |
| →Splitting of Orders between two DC's       | Complete                                    |
| →Finalisation of Transfers between DC's     | Almost Complete                             |
| →Insurance Claim Finalisation               | Ongoing – likely finalise later this half   |
| →Flood Mitigation Plan                      | Site Protection Alternatives Being Reviewed |
| →Relay of Main Melbourne DC                 | Complete                                    |
| →Re-introduction of Replenishment to Stores | Partially at Ipswich                        |
| →Closure of Ancillary Melbourne DC          | Circa March 2012                            |
| →Christmas/Seasonal Purchases               | On plan                                     |
| →Second Half Planning                       | Almost Complete                             |





# FY2012 Outlook

## – Trading

- **Sales**

- Compromised first half with Ipswich Distribution Centre re-opening
- Challenging retail conditions remain
- Second half extremely difficult to plan

- **Gross Margin and CODB**

- Gross Margins are above last year
- Costs are well controlled

- **Remainder of The Half**

- Seasonal Offer on Track
  - Christmas merchandise intake is ahead of last year
  - In-store set up has commenced
- Offer contains less bulky items/higher price points





# The Future

## - Strategic Checklist

- |   |  |
|---|--|
| <p>→ <b>Potential Store Growth</b></p> <ul style="list-style-type: none"> <li>- FY2012</li> <li>- Ongoing</li> </ul>  | <p>400 stores</p> <p>16 confirmed (possibly more)</p> <p>Circa 20 stores per annum</p>   |
| <p>→ <b>Enhanced Distribution Capability</b></p> <ul style="list-style-type: none"> <li>- Qld Distribution Centre</li> <li>- Overseas Consolidation/Order Splitting</li> <li>- Increased Replenishment</li> <li>- Western Australia DC</li> <li>- Melbourne Enhancements</li> </ul> | <p>Opened - May 10 (closed Jan 11, re-opened Sept 11)</p> <p>More understanding and improved processes</p> <p>Re-introduce progressively post December 2011</p> <p>Circa second half 2013</p> <p>TBC</p> |
| <p>→ <b>Enhanced Merchandise Planning</b></p> <ul style="list-style-type: none"> <li>- Expanded Team</li> <li>- Improved Store Distribution</li> <li>- Improved Planning Process</li> <li>- Enhanced Planning Tools (SAP)</li> </ul>  | <p>September 2010</p> <p>From April 2011 – ongoing</p> <p>From June 2011</p> <p>FY2013</p>   |
| <p>→ <b>Increased Brand Awareness</b></p>   | <p>From August 2011</p>  |



# Ordinary Business

Questions?

