320
STORES BY JUNE 2014

43
NEW STORES FY2014

276
AS AT JUNE 2013

41
NEW STORES FY2013

236
AS AT JUNE 2012

FY2013 Results Presentation
August 2013

THE REJECT SHOP

Agenda

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Reconciliation of Financial Results (52 Weeks v 52 Weeks)

Full Year Financial Results	FY 2013 (52 Weeks) $'m	FY2012 (52 Weeks) $'m	Movements Inc / (Dec) 52 Weeks
Sales (52 Wks.) **Sales (53 Wks.)**	618.0m	545.3m 555.3m	+13.3% +11.3%
Comp Sales	*+ 1.8%*	*+ 0.5%*	
EBITDA*	44.0m	39.7m	10.8%
EBIT*	30.0m	27.6m	+8.7%
Underlying NPAT*	**20.0m**	**17.4m**	**+14.9%**
Insurance Proceeds	2.0m	3.7m	
Store Opening Costs	(2.5m)	(0.9m)	
53rd Week	-	1.7m	
Reported NPAT	**19.5m**	**21.9m**	**-11.0%**

Underlying Sales Up 13.3% (52 wks)

- Comparable Store Sales +1.8%
  - 1st Half +2.1%
  - 2nd Half +1.4%
- 41 New Stores plus 2 stores relocated
  - 1st Half - 17
  - 2nd Half - 24

Underlying NPAT Up 14.9%

- Reported NPAT for both years influenced by insurance payments, store opening costs and 53 week period in FY2012
- FY2013 Opening Costs $3.5m (FY2012 - $1.3m)

Debt Significantly Reduced

- Equity Raising of $44m in April 2013
- Supports:
  - Final Ordinary Dividend 13 cps
  - Continued Growth in New Stores
  - Capacity Expansion Needs

***Notes to reconciliation**

- FY2012 reported NPAT includes:
  - Actual sales of $555.3m inc. $10m in sales attributable to an extra week (53 week period) resulting in approximately $1.7m in additional NPAT
  - Qld Flood Insurance recoveries of $7.0m in total, which increased NPAT by an estimated $3.7m
- FY2013 reported NPAT includes:
  - Qld Flood Insurance recoveries of $2.0 (post tax) which relate to prior periods
  - Costs of $2.5m (post tax) relating to opening 41 stores (FY2012 - $0.9m). Increase over prior year predominantly in the second half where these costs significantly reduced the underlying profit generated from the existing store base.

Underlying Financial Result*

$' Million	FY2013 Base (52wks)	% of Sales	FY2012 Base (52wks)	% of Sales	FY2012 Pro-Forma (52wks)	Explanation
Actual Sales	**618.0**		**545.3**		**550.9**	**Positive comp store sales growth at 1.8%. New stores sales at or above expectations.**
Other Revenue	0.7		0.6		0.6	Reflects non Qld flood insurance claim recoveries.
Gross Profit	**278.1**	**45.0%**	**243.2**	**44.6%**	**243.2**	**Margin % increase reflects continued improvements in stock control and DC efficiency. AUD broadly consistent year on year.**
Pro-Forma GP$ Gross Up					**2.5**	**FY2012 - Pro Forma grossed up sales ($5.6m) and GP$ ($2.5m) to reflect sales missed during flood impacted period Jul to Oct '12**
Store Expenses	200.9	32.5%	173.0	31.7%	173.0	Existing store wages up off moderate comp sales and after absorbing EA increase. New store wages at high rate to sales. Operating costs (power and EFTPOS charges) increased significantly. Additional regional store management costs to support new stores. Occupancy costs and advertising costs at similar % to sales in both years.
Store Opening Costs	3.5	0.6%	1.3	0.2%	1.3	FY2013 – 41 new stores; FY2012 18 new stores. Higher average spend per store based on need to establish permanent new store set up teams due to high number & variability of store openings
Administrative Expenses	33.9	5.5%	31.1	5.7%	31.1	Organisational infrastructure has been bolstered over past few years and again in FY2013 in support of new stores. Now starting to leverage off larger store base.
EBITDA -Inc Open. costs **EBITDA -Ex Open. costs**	**40.5** **44.0**		**38.4** **39.7**		**40.9** **42.2**	
EBIT-inc Open. costs EBIT-exc Open. costs	26.5 30.0		26.3 27.6		28.8 30.1	

***Base results for FY2012 and FY2013 excludes insurance recoveries from Qld DC.**
FY2012 Pro-Forma includes grossed up sales & GP$ from insurance.

Balance Sheet Bolstered by Capital Raising

($'m)	FY2013	FY2012
Gross cash flow*	**32.1**	**37.9**
Changes in working capital & other	(15.1)	2.3
Operating cash flows	**17.0**	**40.2**
New store opening	(17.5)	(7.0)
Existing stores maintenance	(4.5)	(2.2)
DC development	(1.0)	(3.4)
IT development	(3.5)	(2.3)
General capital maintenance	(0.2)	(0.1)
Net capital expenditure	**(26.7)**	**(15.0)**
Free cash flows	**(9.7)**	**25.2**
Equity Raising (net of costs)	**42.9**	**-**
Key Statistics	**FY2013**	**FY2012**
Stock Turns (times)	4.6x	5.0x
Interest Cover (times)	14.9x	11.5x
Fixed Charges Cover (times)	1.47x	1.50x
Net Debt	$0.1m	$22.4m

*Gross cash flow equals earnings before depreciation and amortisation and after interest and tax paid

Equity Raising To Support Growth

→ ***FY2013 New Stores***

Capital Expenditure ($18m)

Initial Inventory ($10m)

Cost of Opening Stores ($3.5m)

→ ***FY2014 New Stores***

Capital Expenditure ($17m)

Initial Inventory ($11m)

Cost of Opening Stores ($4m+)

Balance Sheet Supports

→ FY2014 New Stores

→ Future Growth

→ Dividend Payment

FY2014- Financial Drivers

Financial Metric	Key Drivers	Current Status
Sales	Range Rationalisation continuing – Planning Tool to Be Rolled Out By January 2014	Comparable Store Sales Positive YTD.
	Increased Opportunity Buys	Prudent expectations for overall comparable growth this year
	Christmas, Halloween and Spring/Summer Offers all Well Planned	Moderate Growth in Seasonal Offer as Initial Purchases need to be spread across more stores
Gross Margin	Currency Stockflow/DC Efficiencies/Range Rationalisation	FX Covered for Current Season/Changes to Product Mix in Second Half inevitable given lower AUD
Occupancy Costs	Over 50 renewals – targeting net reduction in occupancy costs. Work undertaken in FY2013 on power & lighting initiatives should reduce carbon tax impost on power.	Strong Lease Negotiations/Potential for some store closures in second half
Store Operating Costs	Increased Area Management necessary to drive overall performance of existing & new stores. Wage efficiency (as a % to sales) will improve in both new & existing stores.	Electricity initiatives, both retail cost and usage efficiency, starting to have a positive impact.
New Stores – Full Year FY2013	Opened 41 stores plus 2 relocations Initial sales trends pleasing and wage efficiency will improve progressively during the year.	Should deliver strong NPAT contribution in FY2014
New Stores - First Half - FY2014	Confirmed – 34 New Stores New Store Set Up Teams in place/Tight Control Over Opening Costs and post opening Wage Efficiency	Opened – 14 to date (2 new stores per week) These stores should cover opening costs in FY2014.
New Stores - Second Half - FY2014	Confirmed – 9 New Stores	Will not cover opening costs and therefore will reduce NPAT in FY2014
Brand Awareness	Increase in physical presence provides leverage off overall spend to sales. Continue to explore digital/social media opportunities.	Blending promotional spend by geographical area.

FY2014 - Operational Targets

Operational Targets	Target	Aim
Stockflow Efficiency	Full Use of Merchandise Planning Tool	January 2014
	Further Assessment of Overseas Sourcing Options	Detailed Cost/Benefit Analysis
	Open Western Australian Distribution Centre	May/June 2014
Store Portfolio Management	Over 50 Lease Renewals	Net Reduction in Occupancy Costs - Some potential for store closures
	3 Major Refurbishments	1 completed YTD
	Smaller Store Footprint Layout/Offer Finalised	June 2014 – Ready to Trial
People Management	Recruit, Induct, Train & Support New Staff	Over 1,000 new staff over FY2013/14
	Organisational Review for Future	June 2014
	Enhanced Succession Planning & Development Plans	June 2014
	Improved Rostering At Store Level	Progressive From Now
Brand Awareness	Website/Mobile Platform Finalised	October 2013
	Continued Remix of Promotional Activity	Improved Return on $ Spent

Status of New stores in FY2013/14

FY2013 new stores – store performance strong

- Opened 41 stores in FY2013 (compared to the recent historic average of 20 new stores annually)
  - → 17 in first half
  - → 24 in second half
- Trading performance to date has been very pleasing and consistent with our expectations

FY2014 new stores – continued acceleration of new stores

- Confirmed 43 new stores:
  - → 34 new stores in first half (14 already opened – 3 to open tomorrow)
  - → 9 new stores in second half
- We are in advanced negotiations with regard to further stores to open during the year

Operational Impact of New Stores

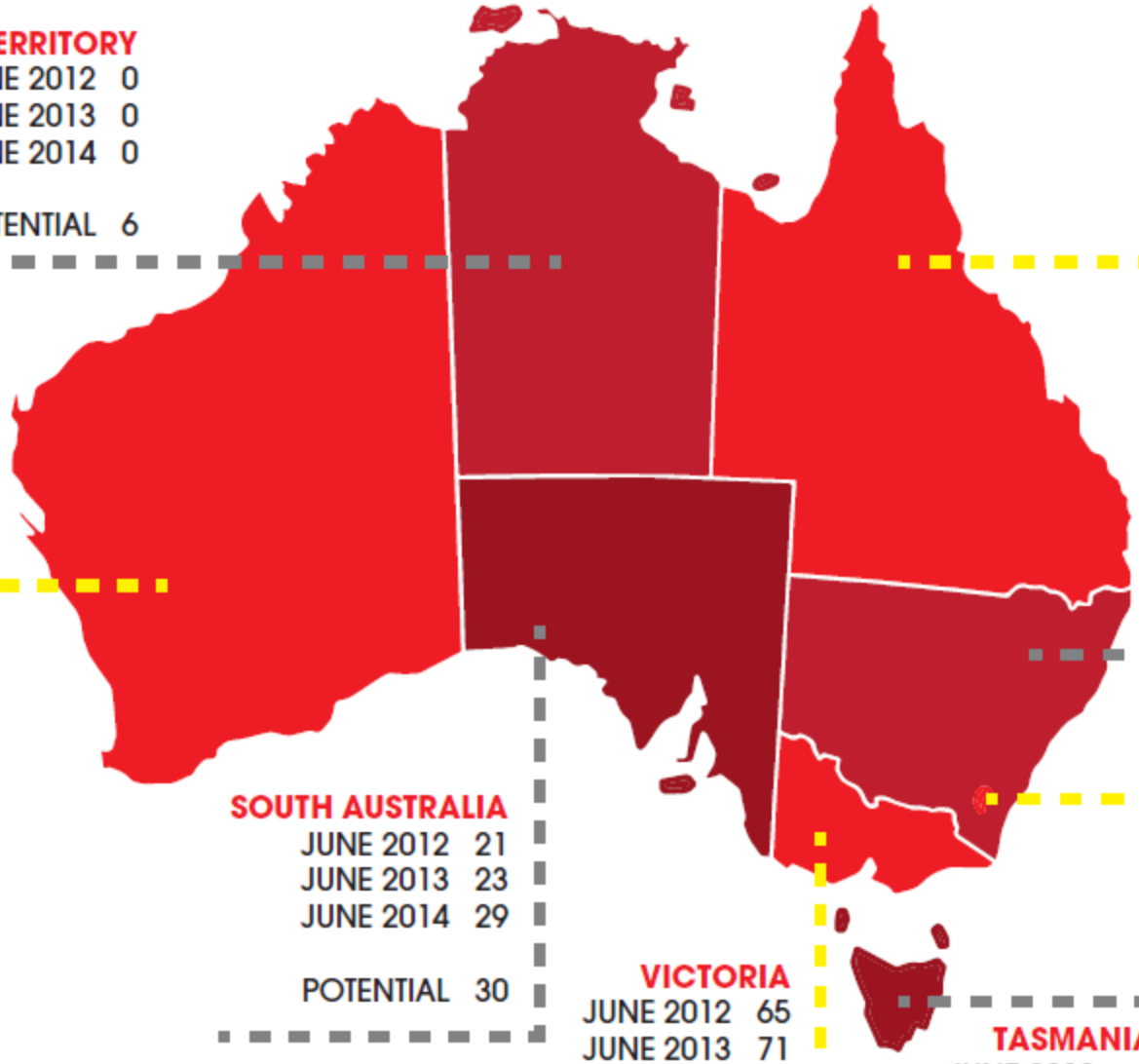
- **Managing the Rollout Requires Constant Planning & Re-planning**
  - Ensuring purchasing of stock and store fixtures matches the store rollout
  - Bolstering our Regional Store Supervision and Support
  - Ensuring adequate distribution infrastructure is in place now & in the future
- **Managing the Performance of New Stores Is A Challenge**
  - Recruiting, Inducting & Training of New Staff
  - Management & Supervision of New Staff
  - Understanding the New Stores Takes Time
  - Ensuring Existing Stores are Supported

Financial Impact of New Stores

- **Impact of FY2013 New Stores on FY2013 & FY2014**
  - First Half New Stores
    - Trading from stores opened in the first half covered the opening costs
    - Strong contribution to FY2014 profit expected
  - Second Half Openings
    - Trading from stores opened did not cover their opening costs or indirect costs
    - Strong contribution to FY2014 profit expected
  - Direct New Stores Opening Costs totaled $3.5m (FY2012 - $1.3m) – most of the increase was borne in the second half
  - Indirect costs in support of the opening program were approximately $1.0m

- **Impact of FY2014 New Stores on FY2014 and FY2015**
  - First Half New Stores
    - Trading from stores opened in the first half covered the opening costs and contribute to underlying 2014 earnings
    - Strong contribution to FY2015 profit expected
  - Second Half Openings
    - Trading from stores opened will not cover their opening costs or indirect costs
    - Strong contribution to FY2015 profit expected
    - Overall Second half NPAT result inclusive of second half store openings will be positive
  - Direct Stores Opening Costs to total $4m+ (FY2013 - $3.5m)
  - Indirect costs in support of the opening program of approximately $1m+ (FY2013: $1.0m)

Potential Store Base by State



NORTHERN TERRITORY
JUNE 2012 0
JUNE 2013 0
JUNE 2014 0

POTENTIAL 6

QUEENSLAND
JUNE 2012 40
JUNE 2013 50
JUNE 2014 58

POTENTIAL 131

NEW SOUTH WALES
JUNE 2012 84
JUNE 2013 92
JUNE 2014 106

POTENTIAL 150

WESTERN AUSTRALIA
JUNE 2012 18
JUNE 2013 20
JUNE 2014 24

POTENTIAL 53

SOUTH AUSTRALIA
JUNE 2012 21
JUNE 2013 23
JUNE 2014 29

POTENTIAL 30

AUSTRALIAN CAPTIAL TERRITORY
JUNE 2012 4
JUNE 2013 5
JUNE 2014 6

POTENTIAL 7

VICTORIA
JUNE 2012 65
JUNE 2013 71
JUNE 2014 79

POTENTIAL 97

TASMANIA
JUNE 2012 4
JUNE 2013 15
JUNE 2014 18

FY2015 & Beyond - Our Exciting Future

By June 2014

- **320+ stores contributing strongly to profit**
  - Plenty of Opportunities to Expand Further
  - Smaller Footprint Offer closer to realisation

- **More balanced national store portfolio**
  - Strong representation in all markets
  - Ability to negotiate appropriate Lease terms

- **Basis for further improved long term profitability**
  - Significant financial leverage off existing infrastructure
  - Strong Balance Sheet for Future Growth

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