

**EVERYONE'S A WINNER AT
THE REJECT SHOP**



**PRODUCT
PROMISE**

We are committed to providing merchandise that is

- + GREAT VALUE
- + SAFE TO USE
- + FIT FOR PURPOSE
- + COMPLIANT WITH AUSTRALIAN STANDARDS & REGULATIONS

The Reject Shop

Full Year Results Presentation

17th August 2005

FY2005 Results Presentation - Agenda

**EVERYONE'S A WINNER AT
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→ Overview

- Trading Results
- Operational Achievements

→ Financial Performance

- Financial Highlights
- Profit and Loss
- Cash Flow
- Balance Sheet

→ Impact of the Introduction of IFRS

→ FY2006 Outlook

- Operational Targets
- Financial Targets

→ Re-cap of FY2005



FY2005 Overview – Trading Results

	\$ FY2005	\$ FY2004	% inc Last yr
Sales	203.1m	180.6m	12.5%
Comparable stores sales growth	6.5%	6.1%	
EBITDA	14.0m	11.9m	18.4%
EBIT	10.6m	8.8m	19.7%
NPAT	7.1m	5.6m	26.5%
Basic EPS (cents per share)	28.9	23.9	20.9%
Final Fully franked			
Dividend (cents per share)	7	2.5	
Total dividends per share	17	N/A	



FY2005 Overview

- Operational Achievements

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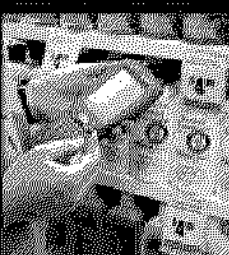
→ Stores - Total Stores 108 (current)

→ Continued Portfolio Management

- 11 new store openings in FY2005, and 3 so far in FY2006
- 9 closures (inc. 6 E\$2 stores)
- 7 stores upsized/refurbished
- "Drive Aisle" conversion program completed
- Encouraging performance in Queensland stores

→ Productivity Initiatives Adding Value

- Cyclical stocktaking introduced
- Computer assisted store ordering completed
- Shelf edge pricing enhanced
- Increased rollout of radio frequency technology



FY2005 Overview

- Operational Achievements

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→ Merchandise

→ Merchandise Team Strengthened

→ New level of management

→ More buyers

→ Increased support services

→ Stock Turns Improving (4.6 to 5.0)

→ Gross Margin Strong

→ IT Developments

→ Increased Use of Data Warehouse Capability

→ Commenced Rollout of Store Portal

→ Upgraded Disaster Recovery Plan



FY2005 Overview

- Operational Achievements

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→ People Developments

- Enterprise Agreement reached with Store Staff
- Increased career opportunities for Store Staff
 - New buyers/planners
 - Area management

→ Other Developments

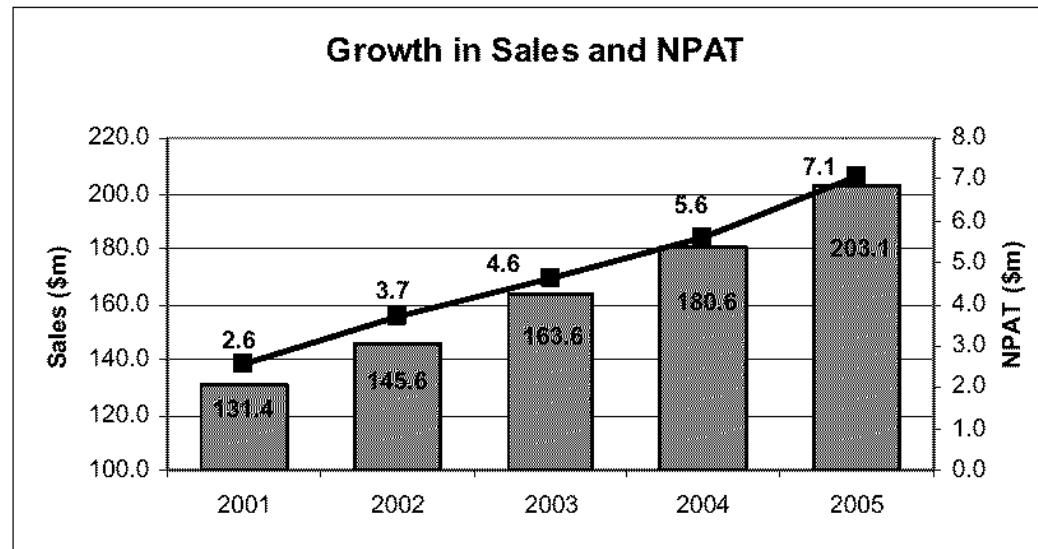
- Enhanced 5 Year Strategic Plan
- Continued US Study Tours
- Relocated Store Support Centre



Financial performance - FY2005 Financial Highlights

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- Sales of \$203.1m up 12.5% on FY2004
- Gross margin up by 0.6%
- Operating costs as a % of sales increased slightly
- Record NPAT of \$7.1m, up 26.5% on last year and up on all forecasts
- Continued growth of EBITDA in second half
- Free cash flow of \$5.0m



Financial Performance - Profit & Loss FY2005

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(\$'m)	FY2004	FY2005
Total Sales	180.6	203.1
Gross Profit	87.1	99.2
Total Operating Expenses	75.2	85.2
EBITDA	11.9	14.0
Depreciation/Amortisation	3.0	3.5
EBIT	8.9	10.6
Interest	0.8	0.7
Tax	2.5	2.8
Profit after Tax	5.6	7.1
Sales Growth	10.4%	12.5%
NPAT Growth	20.9%	26.5%
Gross Margin	48.2%	48.8%
EBIT Margin	4.9%	5.2%
EPS Basic (cents)	23.9	28.9
EPS Diluted (cents)	22.3	27.8
Stores	103	105

Key Drivers - Sales Growth

- Comparable store growth at 6.5%
- 11 new store openings

Key Drivers - Gross Margins

- Expanded offer of merchandise above \$10 price point
- Continued growth in "traffic building" ranges
- Net favourable impact from \$AUD

Other Key Impacts on Profit

- Increased spending for future growth:
 - Buying office strengthened
 - Store Support Centre relocation
 - Planned DC relocation
- US Study Tours

Financial Performance - Cash Flow FY2005

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→ Cash Flows continue to be strong.

(\$'m)	FY2004	FY2005
Gross cash flow†	8.7	10.5
Changes in working capital & other	5.7	(0.5)
Operating cash flows	14.4	11.0
New store openings	(2.0)	(2.6)
Existing stores maintenance	(1.1)	(2.2)
IT development	(0.3)	(0.6)
General capital maintenance	(0.4)	(0.6)
Net capital expenditure	(3.8)	(6.0)
Free cash flows	10.6	5.0
Dividend	(2.0)	(3.1)
Equity raised	1.5	1.3
Debt movement	(0.7)	(1.3)
Cancellation of options	(2.5)	0.0
Listing costs	(0.8)	0.0
Financing cash flows	(4.5)	(3.1)
Net change in cash held	6.1	1.9

→ Operating Cash Flows

→ Strong trading

→ Improved stock turns

→ Capital Expenditure

→ New Stores

→ Existing Stores

→ Refurbishments

→ Relocations/upsizing

→ I.T. and other expenditure

→ DRP

→ RF Rollout

→ Free Cash Flows

→ Support current dividend policy

→ Additional scope for new stores or acquisitions

→ Planned DC relocation

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

Financial Performance

- Balance Sheet FY2005

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(\$'m)	Balance as at 27 June 04	Balance as at 26 June 05
CURRENT ASSETS		
Cash Assets	3.1	4.9
Inventories	20.2	21.3
Other	0.4	0.7
TOTAL CURRENT ASSETS	23.7	26.9
NON CURRENT ASSETS		
Property, Plant & Equipment	16.0	17.7
Deferred Tax Assets	1.1	1.9
TOTAL NON CURRENT ASSETS	17.1	19.6
TOTAL ASSETS	40.8	46.5

(\$'m)	Balance as at 27 June 04	Balance as at 26 June 05
CURRENT LIABILITIES		
Payables & Accruals	13.4	14.3
Interest Bearing Liabilities	2.4	2.4
Provisions and tax liabilities	4.6	5.1
TOTAL CURRENT LIABILITIES	20.3	21.8
NON CURRENT LIABILITIES		
Interest Bearing Liabilities	2.5	1.1
Provisions	0.7	0.9
TOTAL NON CURRENT LIABILITIES	3.1	2.0
TOTAL LIABILITIES	23.4	23.8
NET ASSETS	17.4	22.7

Key Statistics	FY2003	FY2004	FY2005
Stock Turns (times)	4.3	4.6	5.0
Interest Cover (times)	9.8x	11.1x	15.6x
Fixed Charges Cover	1.5x	1.5x	1.5x
Net (Debt) / Cash	(\$8.5m)	(\$1.7m)	\$1.5m

Fixed Charges Cover = (EBITDA + Rent Expense) / (Rent Expense + Interest Expense)

Balance Sheet is Strong

- Inventory remains clean
- Improving stock turns
- Net Cash

Financial Performance - AIFRS Impact FY2006

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Based on current interpretations of IFRS and forward estimates

Issue	FY05	FY06	% Incr
	\$'000's	Range \$'000's	
Net profit after tax reported under AGAAP	7,061	7,864 To 8,064	11.4% To 14.2%
Equity based compensation	(530)	(316)	
Lease escalation	(46)	(166)	
Employee benefits	26	20	
Impairment of assets	86	0	
IPO tax effect	(50)	(50)	
Income tax effect	(20)	148	
Net profit after tax reported under AIFRS	6,527	7,500 To 7,700	14.9% to 18.0%

FY2006 Outlook - Operational Targets

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→ Stores

→ Portfolio Management

- Strong new store program (14 stores)
- Managed exit from E\$2 format

→ Store Productivity Initiatives

- Benefits from RF technology
- Improved communication via store portal

→ Introduction of EA

→ Merchandise

→ Benefits from strengthening of buying team such as:

- Refinement of ranges
- Enhanced item planning
- Improved quantification and timing of stock purchases
- Better allocation of stock to stores

→ Strong focus on competitive pricing



FY2006 Outlook

- Operational Targets

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→ IT Developments

- Full Utilisation of RF Technology at Stores
- Expansion of Portal Capability into Store Support Functions

→ Logistics

- New Distribution Centre in FY07
- Introduction of Cost Effective Technology in Logistics
 - Voice Picking
 - Boom Conveyors
 - Pallet Tracking
- Revised EA for DC



FY2006 Outlook

- Financial Targets

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- FY2006 net profit forecast \$7.9m - \$8.1m (current accounting)
- Moderated to \$7.5 - \$7.7m for IFRS
- The growth assumptions remain relatively constant:
 - Comparable stores sales growth of 4%
 - 14 New store openings
 - 8 closures (complete E\$2 stores exit)
 - Gross margin to moderate from FY05 levels
 - Operating costs as % to sales to remain stable
 - Stock turns at FY05 levels
- Balance Sheet and Free Cash Flow support:
 - Increased store rollout program
 - Potential acquisitions
 - New DC
 - Dividend payout ratio of 60% of NPAT



The Reject Shop Limited - Re-cap of FY2005

- Sales above \$200m for first time
- Strong comparable store growth of 6.5%
- Exceeded Prospectus NPAT forecast by 23.4%
- EPS growth of 20.9%
- ROE of 31.1%
- Continued building for future growth



The Reject Shop Limited - Contact Details

**EVERYONE'S A WINNER AT
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