

**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

**Six months ended 24 December 2006
Results Presentation**



First Half 2007 Results Presentation Agenda

→ Overview

- Trading Result
- Operational Achievements

→ Financial Performance

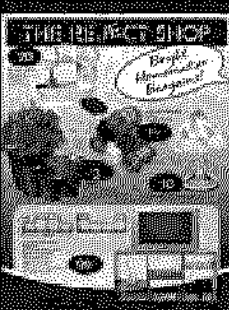
- First Half Highlights
- Profit and Loss
- Cash Flows & Balance Sheet

→ Outlook FY2007

- Operational Targets
- Financial Targets



First Half Overview Trading Result



	Dec 06 \$	Dec 05 \$	% inc Last yr
Sales	149.5m	127.7m	17.1%
Comp Store sales growth	7.8%	5.8%	
EBITDA	17.6m	14.7m	20.2%
EBIT	15.2m	12.7m	19.3%
NPAT	10.2m	8.7m	18.1%

- Comparable store sales 7.8% - a first half company record
- NPAT exceeds \$10m for the first time
- Interim Dividend 17 cents per share up 31% on last year
- EPS 40.0 cents per share up 17% on last year

First Half Overview

Operational Achievements

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→ Stores

→ Accelerated Opening Program (Total stores = 122)

- 11 new stores
- Record store opening program for first half
- Delays led to openings during peak period
- Geographic expansion continues
 - Strong growth in NSW
 - Queensland now standalone region
 - WA stores progressing well

→ Productivity Initiatives

- Improved in-store execution of seasonal events
- Continued refinement of Task Management System



First Half Overview

Operational Achievements

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→ Merchandise

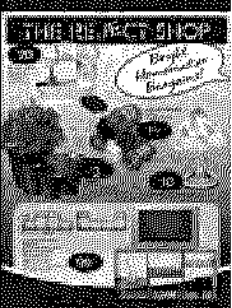
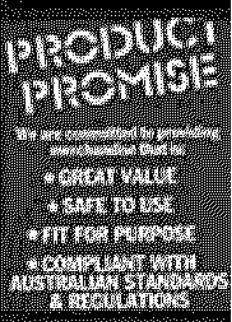
→ Sales growth reflects:

- Continuing development of everyday ranges
- Improved planning and execution of peak Nov/Dec trade
- Competitive pricing
- More effective marketing program

→ Margin % reducing; sales and gross profit \$ increasing:

- Lower margins for everyday categories
- Competitive pricing

→ Stock turns improved from 4.9 to 5.5 times



First Half Overview

Operational Achievements

→ IT

- Significant input into new DC technology
- Refreshed stores "back office" software

→ Logistics

- New distribution centre now operating to standard
 - Delayed opening led to
 - Increased one off costs in the DC
 - Disruption of stock flow to stores
 - One off effect \$925k
 - Accelerated sales growth brought forward some expenditure
 - Supplementary warehouse now closed

→ People

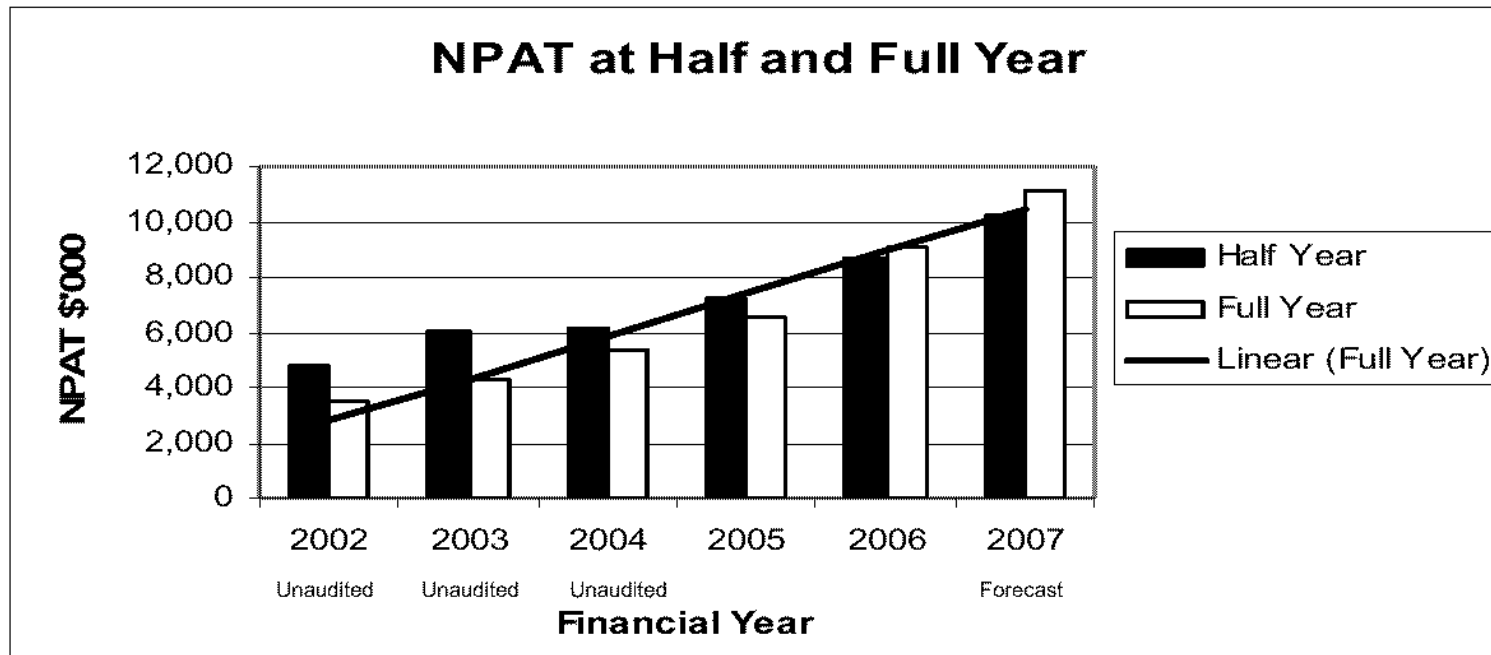
- Managing Director succession resolved



Financial Performance First Half Highlights

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- Sales \$149.5m up 17.1% on FY2006
- Gross margin down 1.0% as forecast (gross profit \$ up)
- Operating costs as a % of sales declined despite significant one-off costs
- First half NPAT over \$10m for first time, up 18.1% on last year



Financial Performance

Profit & Loss

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(\$'m)	Dec06	Dec05
Total Sales	149.5	127.7
Gross Profit	73.5	64.0
Total Operating Expenses	56.0	49.3
EBITDA	17.6	14.7
Depreciation/Amortisation	2.4	2.0
EBIT	15.2	12.7
Interest	0.5	0.3
Tax	4.5	3.7
NPAT	10.2	8.7
Sales Growth	17.1%	14.3%
NPAT Growth	18.1%	20.4%
Gross Margin	49.1%	50.1%
EBIT Margin	10.1%	10.0%
EPS Basic (cents)	40.0	34.3
EPS Diluted (cents)	39.3	33.4
Stores	123	112

Key Drivers - Sales Growth

- Comparable store growth at 7.8% (Company Record)
 - Everyday ranges
 - Strong seasonal trade
- 11 new store openings
 - NSW continues to grow
 - QLD region established
 - WA performing well

Key Drivers - Gross Margins

- Sales in lower margin everyday ranges
- Focus on competitive pricing

Other Key Impacts on Profit

- Significant establishment costs in new DC
- Increased store operating costs in peak period
- Stock flow disruption
- New store openings

Financial Performance Cashflows & Balance Sheet

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→ Cashflows are strong

(\$'m)	Dec 06	Dec 05
Gross cashflow[†]	12.7	10.6
Changes in working capital & other	1.2	7.8
Operating cashflows	13.9	18.4
New store openings	(3.6)	(3.0)
Existing stores maintenance	(0.6)	(1.6)
IT development	(0.6)	(0.2)
New Distribution Centre	(1.8)	(0.8)
General capital maintenance	(0.2)	(0.2)
Net capital expenditure	(6.8)	(5.8)
Free cashflows	7.1	12.6
Key Statistics	Dec 06	Dec 05
Stock Turns (times)	5.5x	4.9x
Interest Cover (times)	33.5x	33.8x
Fixed Charges Cover	2.0x	2.0x
Net (Debt) / Cash	\$6.9m	\$12.3m

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

[†]Gross cashflow equals earnings before depreciation and amortisation and after interest and tax

→ Operating Cash Flows

- Improving stock turn
- Shift in product sourcing
- Delayed store openings

→ Capital Expenditure

- Significant new store program
- New DC

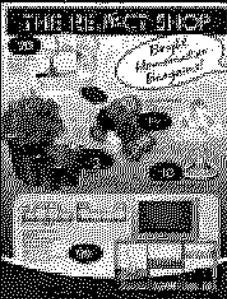
→ Financial Position

- Inventory clean
- Net cash reflects
 - Special Dividend Paid
 - Increased store growth

→ Balance Sheet & Free Cash Flows

- Support current dividend payout policy
- Further improvement in IT and logistics
- Accelerated store opening program

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Second Half Outlook Operational Targets

→ Stores

→ Portfolio Management

- 11 new stores planned in second half
- Western Australia expansion continuing
- 3 existing stores to close (2 to re-open in FY08)
- FY08 new store program on track

→ Merchandise

→ Focus on:

- Range planning and allocations
- Stock pipeline initiatives

→ Continued emphasis on:

- Price competitiveness
- Everyday ranges



Second Half Outlook Operational Targets



→ Logistic Developments

→ New Distribution Centre

- 'Bed down' new environment/refine processes
- Undertake post implementation review

→ Evaluate future logistic requirements to support long term growth

- Increased use of technology
- Possible Second Distribution Centre

→ IT Developments

- Evaluating future requirements in merchandising and logistics
- Enhance internal capability
- Update POS software

FY2007 Outlook Financial Targets

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- Full year net profit forecast upgraded from \$10.7m - \$10.9m to \$11.0m - \$11.2m.
- Key growth assumptions are:
 - Comparable stores growth remaining strong
 - 11 new store openings
 - 3 closures
 - Gross margin % moderating to drive sales & gross profit \$
 - Stock turn improving

- Balance Sheet and Free cashflow support:
 - Accelerated new store rollout
 - Future investment in logistics and IT
 - Current dividend policy



Contact Details

**EVERYONE'S A WINNER AT
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