

THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED - HALF YEAR RESULTS (FY2013) (ASX:TRS)

20 February 2013

THE REJECT SHOP CONTINUES TO BUILD MOMENTUM – SIGNIFICANT GROWTH IN PLANNED NEW STORES

Highlights:

- Sales of \$327.5 million up 11.9% on previous corresponding period (pcp)
- NPAT of \$20.1 million up 21.2% on pcp
- Comparable store sales growth of 2.1% (1st Qtr: up 4.2%; 2nd Qtr: up 0.7%)
- 17 new stores opened and 2 relocations
- Insurance claim finalised above amounts recorded in FY2012
- Interim fully franked dividend of 24.0 cents per share

Summary:

	HY2013 \$ million	HY2012 \$ million	% Change
Sales	327.5	292.8	11.9%
EBITDA	36.1	31.0	16.7%
EBIT	29.4	25.3	16.3%
NPAT	20.1	16.6	21.2%

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a half year Net Profit After Tax (NPAT) of \$20.1 million, up 21.2% on the prior corresponding half. This reflects sales growth of 11.9% with positive comparable store growth of 2.1%. The result also included the finalisation of the Ipswich flood insurance claim, with amounts received in September 2012 being \$2.9 million in excess of the amount recorded as a receivable at 30 June 2012.

The Directors have declared a fully franked interim dividend of 24.0 cents per share based upon a dividend payout ratio of 50% of full year projected earnings. The record date for the payment of the interim dividend is 27 March 2013 with a payment date of 15 April 2013.

Managing Director Mr Chris Bryce said: “This is a solid trading performance reflecting our ability to strongly build our everyday business in the first quarter in a tough market. Our seasonal trading was well planned and executed with positive sales growth in the peak trading months, representing 5 consecutive quarters of positive comparable store growth since re-opening our Ipswich distribution centre.”

“Our trading is also a reflection of our commitment to maintaining high store standards and to delivering a product offer which is both relevant and represents value for money. In addition we continued to invest in building our overall brand awareness as we expand our overall store presence across Australia. Most importantly a range of initiatives deferred as a result of the 2011 floods were able to be advanced; in particular the enhancement of our merchandise planning systems and revisions to our overall supply chain.”

“The strong performance of our new stores opened during the period reflects the robustness of our business model and the continued appeal of The Reject Shop brand. During the half, we opened 17 new stores, as well as relocating 2 existing stores. The store openings were widespread with: five each in Queensland and New South Wales; three in Victoria; and two each in Tasmania and Western Australia. The new stores have performed above expectations while the trial of a temporary second store in an existing major shopping centre has provided significant learnings for our future store growth strategy. We are extremely pleased at the trading in the majority of our existing stores, with only a small number of stores, primarily in larger centres, dragging down overall sales growth.”

“We have achieved positive outcomes on renewal of leases this year to date and will continue to negotiate strongly on all future renewals. As previously indicated, we are prepared to exit stores where occupancy costs are unrealistic or the long term viability of the retail precinct is questionable. Some of our stores within larger shopping centres are high on our priority list for further discussion with our Landlords.”

During the second half the Company expects two store closures as a result of centre redevelopments as well as the closure of its temporary store. The planned closures will re-open at the completion of centre works, likely in FY2014.

Commenting on current trading conditions Mr Bryce said: “The first 7 weeks of the second half have yielded positive comparable sales and we believe we have opportunities to continue to grow sales in our existing stores albeit in a retail environment which remains hard to predict. In addition to driving sales, we will continue to focus on all areas of our business to drive profitability, with particular emphasis in the short term on occupancy costs and supply chain improvements.”

“The flooding in Queensland impacted sales and DC to store services for several weeks in late January; however we are pleased to report the Ipswich DC remained unaffected. Our Business Continuity Plan for the site was tested and worked effectively while providing some learnings for the future. Unfortunately our Bundaberg store has not re-opened due to flooding and at this stage is likely to remain out of service for several months.”

“Recent operational issues at Retail Adventures has provided a unique opportunity to accelerate our long term store expansion. We have opened 6 stores this half to date and have 10 more stores to open prior to Easter, with further stores planned after Easter. This will achieve a Company record of 40 stores opened for the year. These stores will provide additional leverage off our infrastructure spend over the past few years. We believe there is likely to be speculation regarding the potential for us to access more stores as a result of the current Retail Adventures position. Should more stores become available in the near term, we are very well placed to open a significantly higher number of stores than currently planned given the infrastructure we have established over the past few years.”

“With the accelerated new store opening program and the potential for further growth in the near term, we have taken the opportunity to significantly bolster our Human Resources capability. This is in addition to the investments made in the past few years strengthening our buying, merchandise planning, business process transformation and store operations teams. We now have the necessary organisational structure to underpin long term growth in our business as well as the ability to explore other growth opportunities into the future.”

“We are not providing definitive guidance for the year given the influence and impact the new store opening program will have on our overall profit for the second half. We expect to deliver continuing growth in sales and a solid baseline profit growth overall from our existing stores. However, the opening costs of the new stores in the second half will outweigh the profit contribution of these additional stores in this half; however they will provide a significantly higher store base to start FY2014.”

“Looking beyond this year we expect the retail environment to remain challenging. However, we are extremely confident in our business and with further development of supply chain opportunities, we remain confident in our ability to drive long term profitable growth.”

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

The Reject Shop Limited

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