

EVERYONE'S A WINNER AT THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED - FULL YEAR RESULTS (FY2010) (ASX:TRS)

18 August 2010

THE REJECT SHOP DELIVERS SOLID GROWTH, REACHES 200 STORE MILESTONE

SALES UP 14%, PROFIT UP 23%

Highlights

- Sales of \$470.8 million, up 14.2%
- Comparable store sales growth of 1.0% in tough retail conditions
- 27 new stores opened during the period, a Company record
- NPAT of \$23.4 million up 22.9%;
- Final dividend of 28 cents per share, fully franked

Summary

	FY2010 \$ million	FY2009 \$ million	% Change
Sales	470.8	412.2	14.2%
EBITDA	41.5	35.8	15.9%
EBIT	32.7	28.3	15.4%
NPAT	23.4	19.0	22.9%

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a full year Net Profit After Tax (NPAT) of \$23.4 million, an increase of 22.9% on the prior year and slightly ahead of previously provided guidance of \$22.0 million to \$22.5 million.

Earnings before interest and tax grew by 15.4% over the prior year, whilst NPAT grew by 22.9% as a result of some once off tax benefits. On a normalised basis NPAT would have approximated \$22.8 million.

Sales for the period grew from \$412.2 million to \$470.8 million, an increase of 14.2% with annual comparable store sales growth of 1.0%, (second half growth 1.1%) and 27 new store openings – a Company record.

The Directors have declared a fully franked final dividend of 28.0 cents per share reflecting a continued dividend payout ratio of 75%. This brings the full year ordinary dividend to 67 cents per share, compared to 55 cents per share last year. The record date for the payment of the final dividend is 27th September 2010 with a payment date of 11th October 2010.

Managing Director, Mr Chris Bryce said: “This is a pleasing result as we balanced an extremely challenging retail environment with the considerable management focus required on a number of strategic initiatives during the year.

“Our overall trading result was sound despite moderate comparable stores sales growth as gross margins improved and we were able to successfully open 27 new stores during the year, - a Company record. Our store opening program included 23 stores in the first half, including 5 stores in a single day with the strong performance of these new stores confirming our belief that our model remains robust.

“Notwithstanding current economic conditions we remain steadfast in our growth plans as demonstrated by the significant capital and resources we have allocated to expanding our infrastructure over the past two years. The Company will achieve a significant milestone tomorrow with the opening of our 200th store in Broadway, Sydney. This represents the halfway point in our long term plan to have 400 stores nationally and is more than double the store footprint we had on listing in 2004.

“In the past two years we have successfully implemented SAP and opened our Ipswich distribution centre together representing an overall capital investment greater than our current year profit. Coupled with the introduction and expanded use of overseas consolidation centres, it means we have significantly changed our supply chain in a very short time.

“The Ipswich distribution centre is now fully operational and servicing more than 80 stores in NSW and Queensland. We expect the facility to gradually increase efficiency over the course of the year as we begin to optimise its capability to process merchandise whilst maintaining consistent service to stores. While the facility provides much needed distribution capacity we will continue to progressively add further tools to optimise our overall supply chain efficiency over the coming years, albeit wearing some additional costs in the short term.

“Looking ahead, FY2011 will be another challenging year with the overall economic outlook uncertain. We have opened three stores to date in FY2011 and have 12 store openings planned for the first half and 17 new stores for the year. Sales for the first six weeks of FY2011 have been pleasing, however given the past 12 months it is difficult to predict consumer behaviour and therefore we maintain a cautious outlook for the year,” he said.

The Company has forecast NPAT for the financial year 2011 of between \$26 million and \$26.5 million (up 14%-16% on a normalised FY2010 NPAT).

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

The Reject Shop Limited

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