

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

Bright Home & Garden Bargains!

20

1

3

10

99

A promotional graphic for 'The Reject Shop' featuring various home and garden products. It includes a lawnmower, a vacuum cleaner, a television, and a printer. The text 'Bright Home & Garden Bargains!' is written in a speech bubble. There are also some numbers like '20', '1', '3', '10', and '99' scattered around the products.

The Reject Shop

Half Year Results Presentation

20 February 2008



Agenda

**EVERYONE'S A WINNER AT
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Overview

- Half Year Trading Results
- Key Shareholder Statistics
- Operational Achievements

Financial Performance

- Financial Highlights
- Profit and Loss
- Cash Flows and Balance Sheets

FY2008 Outlook

- Operational Targets
- Financial Targets

Company Outlook

HY2008 Financial Overview

– Trading Results

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Half Year Financial Results	HY2008 (27 Weeks) \$	HY2007 (26 Weeks) \$	% Inc Prior Yr
Sales	190.1m	149.5m	27.2%
Comparable stores sales growth ¹	9.2%	7.8%	
EBITDA	24.2m	17.6m	37.1%
EBIT	20.9m	15.2m	37.7%
NPAT²	14.1m	10.2m	38.4%

- Comparable store's growth 9.2% - record increase
- NPAT up 38.4% (after 18.1% increase prior year)

1. Based on a 26 week comparison

2. Excluding the additional week, NPAT increased by approximately 30%



HY2008 Financial Overview

- Key Shareholder Statistics

Key Shareholder Statistics	HY2008	HY2007	% Inc on Prior Yr
Basic EPS (cents per share)	55.0	40.0	37.5%
Return on Equity	34.2%	31.7%	7.9%
Ordinary Dividend (cents per share)			
Interim	29.0	17.0	71%

- Continuing growth in shareholder returns
 - EPS up 37.5%
 - ROE up 7.9%
- Annual payout ratio increased to 75% of NPAT (last year 65%)
- Total ordinary dividends up 71% on last year





HY2008 Operational Overview

- National Footprint Expanding

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Stores - Total Stores 144 (current)

- Strong store opening program with 14 new stores
 - Continued expansion into QLD and WA
 - New store performance above plan
- Portfolio Management Continuing
 - 4 stores relocated or upsized
 - 9 stores refurbished

HY2008 Operational Overview

- Product / Value Offer Driving Sales

Merchandise and Store Operations

- Sales reflect:
 - A consistent balance of product driving customer traffic
 - Everyday lines;
 - Variety merchandise; and
 - Improved seasonal offerings
 - Constant attention to competitive pricing
 - A strong store opening and refurbishment program
 - Continuously improving the customer experience
- The increased margin results from:
 - Our improving competitive stance;
 - Our changing product mix; and
 - Investment in improving quality and value;
 - Moderating costing benefits from a strong AUD
 - Less margin erosion from stock clearance
- Stock turns remain strong at 5.5x despite increased overseas sourcing





HY2008 Operational Overview

- Logistics and IT our Core Focus

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Logistics

- The new DC is supporting our sales and store growth enabling:
 - Improved service levels to Merchandise and Stores
 - The trialling of new distribution methods
 - Restructuring of internal stock processing methods
- Significant attention has been given to our future capabilities and requirements

IT Developments

- Planning for Enterprise Resource Planning System Complete
 - System and Vendor selected
 - Implementation to commence mid 2008
 - First phase scheduled for implementation FY2009



HY2008 Operational Overview

- Investing in Our People

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People Developments

- Appointment of 2 new divisional managers
- Appointment of 4 additional area managers
- Increased resources in:
 - Recruiting
 - OH&S
 - Property
 - Training and Development

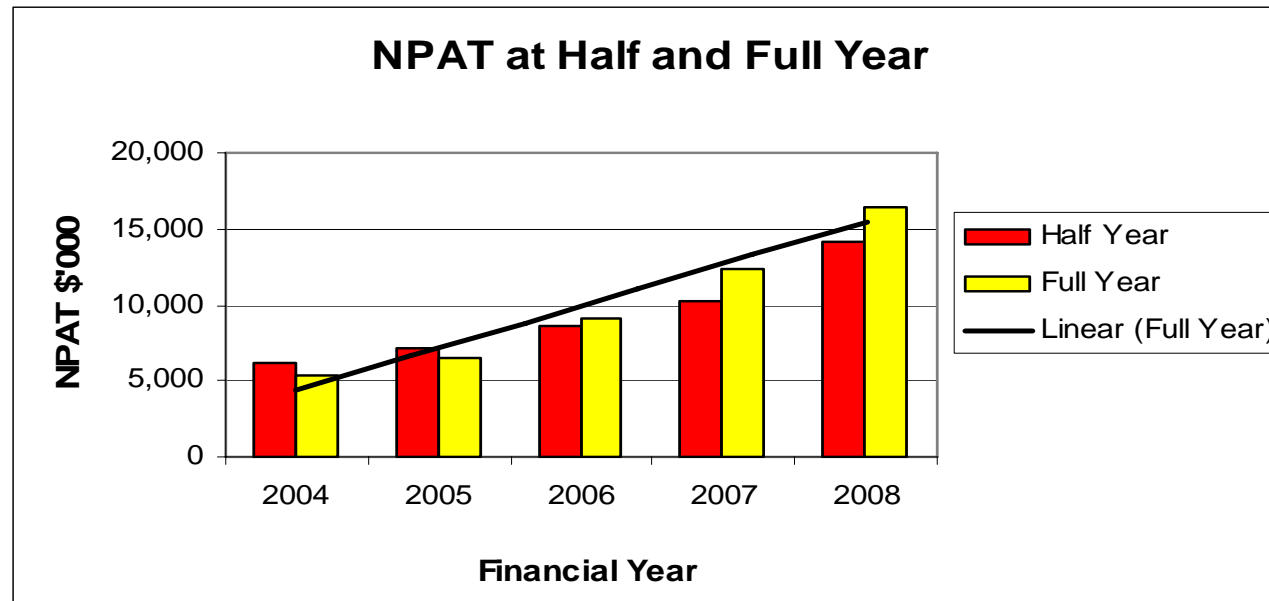


HY2008 Financial Overview

- Continued Sales and Profit Growth

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- Sales of \$190.1m, up 27.2% on HY2007
- Gross margin % increased
- NPAT of \$14.1m, up 38.4% on last year
- Free cash flow of \$11.0m





HY2008 Financial Overview

- Business Fundamentals Strong

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\$'m	HY2008 (27 Wks)	HY2007 (26 Wks)
Total Sales	190.1	149.5
Gross Profit	92.4	72.1
Total Operating Expenses	68.2	54.5
EBITDA	24.2	17.6
Depreciation/Amortisation	3.3	2.4
EBIT	20.9	15.2
Interest	0.6	0.5
Tax	6.1	4.5
Profit after Tax	14.1	10.2
Sales Growth	27.2%	17.1%
Gross Margin	48.6%	48.2%
CODB	35.9%	36.5%
EBIT Margin	11.0%	10.1%
NPAT Growth	38.4%	18.1%
EPS Basic (cents)	55.0	40.0
EPS Diluted (cents)	54.2	39.3
Stores at year end	144	123

Key Drivers - Sales Growth

- Comparable store growth at 9.2%
 - Consistent growth
 - Balanced offering
- 14 new store openings
- Additional sales week

Key Drivers - Gross Margins

- Improving competitive stance;
- Changing product mix;
- Investment in improving quality and value;
 - Moderating the favourable impact from \$AUD
- Less margin erosion from stock clearance;

Other Key Impacts on Profit

- New Store program impacting occupancy costs
- Strengthened store management structure
- Early investment in IT and Logistics
- Additional week of sales

HY2008 Financial Overview

- Robust Cash Flows & Balance Sheet



	HY2008 (27 Wks)	HY2007 (26 Wks)
(\$'m)		
Gross cash flow†	17.4	12.7
Changes in working capital & other	2.0	1.2
Operating cash flows	19.4	13.9
New store openings	(5.0)	(3.6)
Existing stores maintenance	(1.9)	(0.6)
DC development	(0.1)	(0.6)
IT development	(1.0)	(1.8)
General capital maintenance	(0.4)	(0.2)
Net capital expenditure	(8.4)	(6.8)
Free cash flows	11.0	7.1
Key Statistics	HY2008	HY2007
Stock Turns (times)	5.5x	5.5x
Interest Cover (times)	32.4x	33.5x
Fixed Charges Cover	2.2x	2.0x
Net Cash / (Debt)	\$5.6m	\$6.9m

Operating Cash Flows

- Strong trading
- Stock turns remaining strong
- Stock investment for new stores
- Impact of product sourcing

Significant Capital Expenditure Program

- Accelerated New Store Program
- Continued Upgrading of Existing Stores

Balance Sheet & Cash Flows Support

- Increased dividend payout ratio
- Accelerated new store growth
- Future investment in IT and Logistics

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

FY2008 – Outlook

- Store Growth supported by Merchandise Initiatives

Continuing Store Expansion

- Strong new store program (8 stores planned)
- More stores to be 'right' sized and refurbished
- Tasmania opportunities progressing well

Merchandise Opportunities Under Review

- Enhanced planning tools
- Overseas freight consolidation or 'staging' centres
- Allocation methodologies, including store replenishment
- Planning for catalogue and peak volumes



FY2008 – Outlook

- Significant Investment in Logistics and IT

Long Term Logistics Plans Evaluated

- Planning for a northern DC continuing:
 - Site opportunities in Queensland being investigated
 - Increased use of technology likely
- Transitional steps identified

ERP Implementation to Commence

- Improved interaction from merchandise plan to execution
- Greater visibility to stock flow
- Reduced administrative burden
- First Phase implemented by mid 2009



FY2008 Outlook

- Upgraded Forecast

- NPAT forecast of **\$16.3m - \$16.5m** (up 33% to 35% on FY2007) based on:
 - Strong comparable stores sales growth
 - 22 new store openings (1 store closure)
 - Gross margins remaining stable
- Operating costs include:
 - Strategic investment for the future in:
 - People; and
 - IT and logistics
 - Absorbing the continuing adverse impact of IFRS
- Balance Sheet and Free Cash Flows support:
 - Accelerated store rollout program
 - Dividend payout ratio of 75% of NPAT
 - Significant investment in IT & Logistics to come



Outlook

- Growth Opportunities Remain

- On track towards 400 stores nationwide (current stores 144)
 - 22 stores in FY2008
 - Targeting 20 new stores per annum
- Product offering tailored towards value conscious consumers
 - Balanced offering of everyday and variety merchandise
 - Continued focus on competitive pricing
- Investment is being made to support long term growth plans:
 - People
 - IT Systems
 - Logistics Infrastructure
- Cash Flows and conservative Balance Sheet support growth



Contact Details

For Further Information

Gerry Masters

Managing Director

(03) 9371 5555

Chris Bryce

Chief Financial Officer & Company Secretary

(03) 9371 5555

Or visit our Website www.rejectshop.com.au

