

EVERYONE'S A WINNER AT
THE REJECT SHOP

The Reject Shop

Half Year Results Presentation
18 February 2009



Agenda

Overview

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

Financial Performance

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

FY2009 Outlook

- Operational Targets
- Financial Targets

HY2009 Financial Overview

– Trading Results

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Half Year Financial Results	HY2009 (26 Weeks) \$	HY2008 (27 Weeks) \$	% Inc Prior Yr
Sales ¹	221.6m	190.1m	16.6%
Comparable stores sales growth ²	5.9%	9.2%	
EBITDA	26.6m	24.1m	10.5%
EBIT	23.1m	20.9m	10.7%
NPAT	15.6m	14.1m	10.1%

- Comparable store's growth 5.9% - pleasing result in tough retail conditions
- NPAT up 10.1% (20% after adjusting for additional week in prior year)

1. Sales up 16.6% (20.4% after adjusting for additional week in prior year)
2. Based on a 26 week comparison

HY2009 Financial Overview

- Key Shareholder Statistics

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Key Shareholder Statistics	HY2009	HY2008	% Inc on Prior Yr
Basic EPS (cents per share)	60.3	55.0	9.6%
Return on Equity	37.6%	34.2%	9.9%
Ordinary Dividend (cents per share)			
Interim	32.0	29.0	10.3%

- Continuing growth in shareholder returns
 - EPS over 60 cents per share
 - ROE nearing 40%
- Annual payout ratio remains at 75% of NPAT
- Interim ordinary dividends up 10.3% on last year

HY2009 Operational Overview

- National Footprint Expanding

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Stores - Total Stores 164 (current)

- Strong store opening program with 15 new stores
 - Continued expansion in all regions
 - First Tasmanian store opened
 - New stores performing above expectations
- Portfolio Management Continuing
 - 6 stores refurbished
 - 1 store relocated

HY2009 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
 - Continued attention to competitive pricing;
 - A strong store opening and refurbishment program; and
 - Continuously improving the customer experience.
- The margin results from:
 - Impacts of significant decline in \$AUD; and
 - Changing product sales mix.
- Stock turns remain strong at 5.2x



HY2009 Operational Overview

- Logistics and IT

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Logistics

- Overseas consolidation in trial:
 - Progressive roll out, via three main hubs
 - First orders placed in December
- Improved stock flow:
 - Increased use of replenishment
 - Re-allocation of space within DC
- Significant attention on new QLD DC:
 - Planning for implementation well advanced
 - Project Management Resources in place

IT Developments

- SAP implementation
 - Testing Completed
 - Planning for 'Go Live' underway
 - 'Go Live' end of April

HY2009 Operational Overview

- Investing in Our People

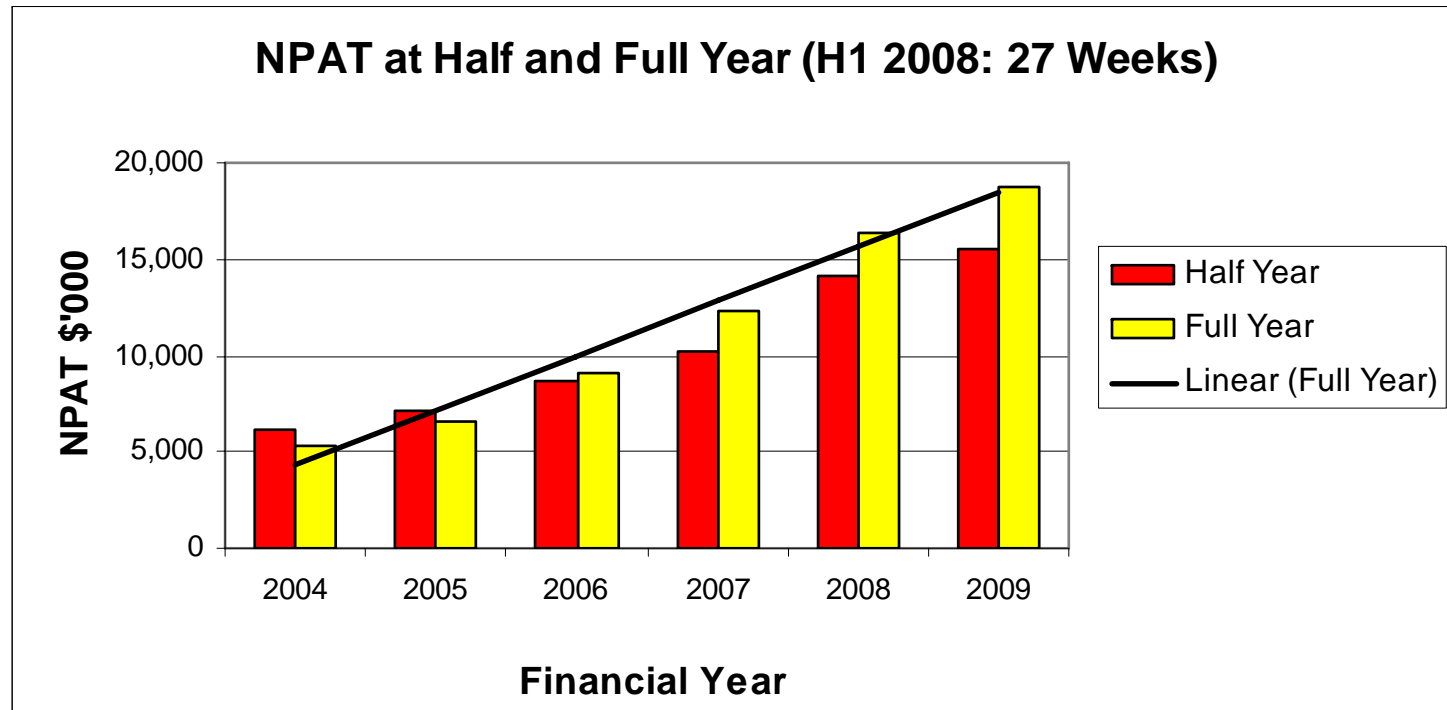
People Developments

- Continued investment in Merchandise Team
- Increased Area Management to Support Store Growth
- Enhanced People Strategy Being Developed
 - Detailed Succession Planning Underway (Future leaders identified)
 - Further training opportunities being explored
 - Increased use of on line induction
 - Potential Traineeship program to be implemented
- Enterprise Agreement Re-negotiated
 - Stores
 - Distribution Centres

HY2009 Financial Overview

- Continued Sales and Profit Growth

- Sales of \$221.6m, up 16.6% on HY2008 (20.4% on a comparable basis)
- Gross margin % reduced; Gross profit \$ up
- NPAT of \$15.6m, up 10.1% on last year (20% on a comparable basis)
- Free cash flow of \$9.0m



HY2009 Financial Overview

- Business Fundamentals Strong

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	HY2009	HY2008
\$'m	(26 Wks)	(27 Wks)
Total Sales	221.6	190.1
Gross Profit	104.8	92.3
Total Operating Expenses	78.2	68.2
EBITDA	26.6	24.1
Depreciation/Amortisation	3.5	3.3
EBIT	23.1	20.8
Net Interest	0.7	0.6
Tax	6.8	6.1
Profit after Tax	15.6	14.1
Sales Growth	16.6%	27.2%
Gross Margin	47.3%	48.6%
CODB	35.3%	35.9%
EBIT Margin	10.4%	10.9%
NPAT Growth	10.1%	38.4%
EPS Basic (cents)	60.3	55.0
EPS Diluted (cents)	59.5	54.2
Stores at half year end	164	144

Key Drivers - Sales Growth

- Comparable store growth at 5.9%
 - Consistent growth
 - Balanced offering
- 15 new store openings

Key Drivers - Gross Margins

- Significant impact from \$AUD decline
- Better shrinkage control;
- More "Everyday" items; and
- Less margin erosion from stock clearance.

Other Key Impacts on Profit

- New Store program impacting occupancy costs
- Continued investment in IT and Logistics

HY2009 Financial Overview

- Robust Cash Flows & Balance Sheet

	HY2009	HY2008
(\$'m)	(26 Wks)	(27 Wks)
Gross cash flow[†]	23.1	17.4
Changes in working capital & other	(2.9)	2.0
Operating cash flows	20.2	19.4
New store openings	(5.1)	(5.0)
Existing stores maintenance	(1.1)	(1.9)
DC development	(1.7)	(0.1)
IT development	(3.1)	(1.0)
General capital maintenance	(0.2)	(0.4)
Net capital expenditure	(11.2)	(8.5)
Free cash flows	9.0	10.9
Key Statistics	HY2009	HY2008
Stock Turns (times)	5.2x	5.5x
Interest Cover (times)	28.5x	32.4x
Fixed Charges Cover	2.0x	2.2x
Net Cash / (Debt)	(\$4.7m)	\$5.6m

Operating Cash Flows

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

Significant Capital Expenditure Program

- Continued New Store Program
- Further Maintenance of Existing Stores
- SAP Implementation Continued
- Early QLD DC expenditure

Balance Sheet & Cash Flows Support

- Planned dividend
- New store growth
- Continued investment in IT and Logistics

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

FY2009 – Outlook

- Store Growth supported by Merchandise Initiatives

Continuing Store Expansion

- Strong new store program (8 stores planned for second half)
- Selected refurbishment program

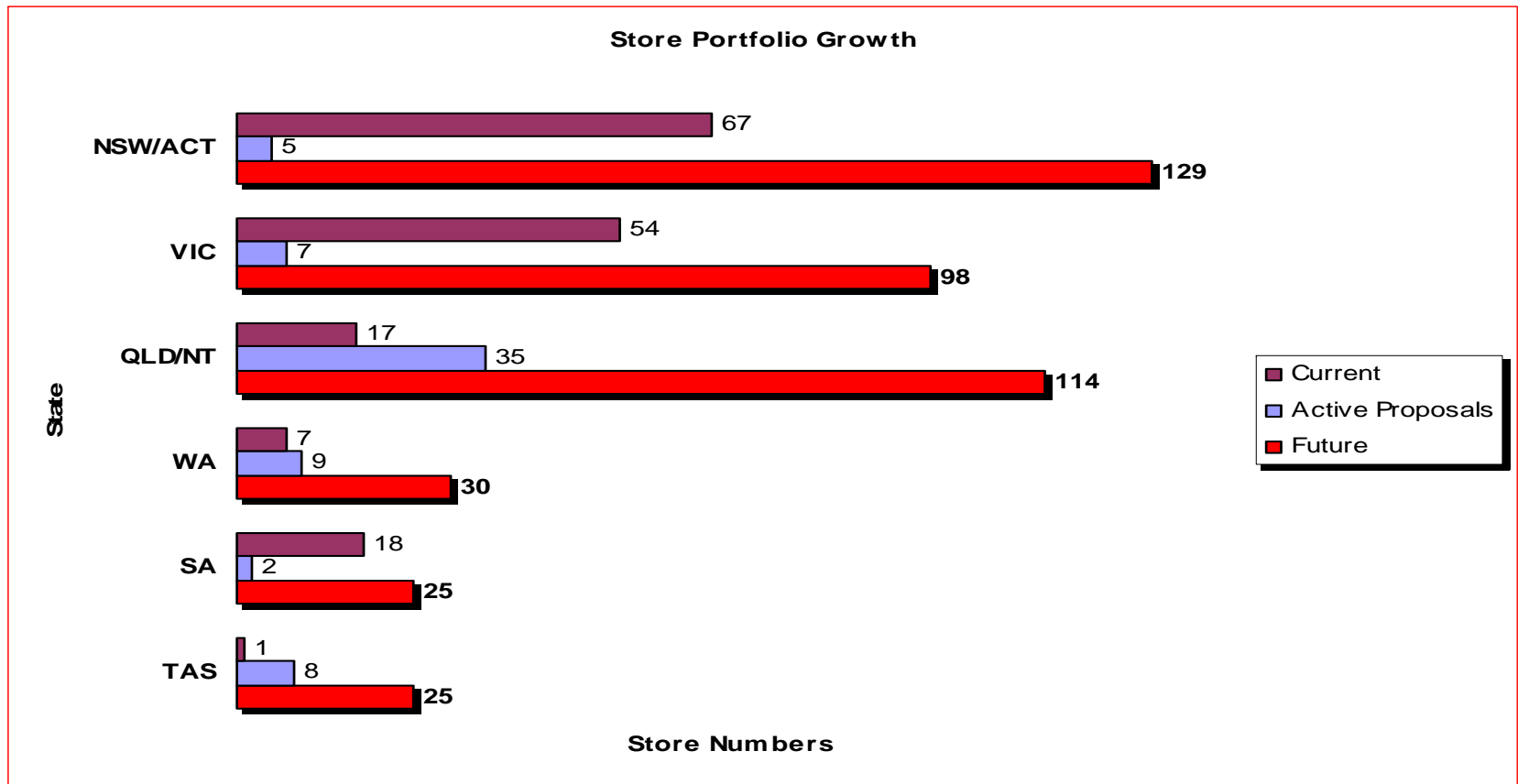
Merchandise Opportunities Under Review

- Expansion of Overseas Consolidation
 - Increased use of existing consolidation facilities
 - Additional Overseas ports
- Enhanced planning tools (Post SAP)
 - Improved 'in stock' position
 - Support QLD DC

National Retailer with Strong Growth Prospects

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- Projected store numbers still 400+
- Traditional states still with future growth potential
- Strong growth to come in newer states
 - Qld – significant expansion post new Qld DC
 - Tasmanian store trading well
 - WA still a growth state



FY2009 – Outlook

- Significant Investment in Logistics and IT

Long Term Logistics Plans Underway

- Queensland DC on track:
 - Construction to commence
 - Operating processes to be finalised
 - Transition plan to be developed
 - Number of New Stores
 - Timing of initial stock
- Melbourne DC Enhancement on track:
 - Further re-allocation of space
 - Increased “pick” capacity

SAP Implementation to be finalised

- ‘Go Live’ end of April
- ‘Bed Down’ period anticipated to June
- Enhancements post June

FY2009 Outlook

- Forecast On Track

- NPAT forecast of **\$18.6m - \$18.8m** (up 12% to 13% on FY2008, 20% on an adjusted basis) based on:
 - Moderated comparable stores sales growth for second half
 - 23 new store openings (3 store closures)
 - Gross margins moderating / some price increases
- Operating costs include:
 - Strong Cost Control
 - Store and DC Wages
 - 'Discretionary' Spend
 - 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:
 - New store rollout program
 - Planned Dividend
 - Significant investment in IT & Logistics to come

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