

THE REJECT SHOP

23 January 2015
ASX/Media Announcement

The Reject Shop Trading update on First Half 2015

Summary:

- **H1 Sales to December 2014 of \$402.2m (up 4.4% on pcp)**
- **H1 Comparable Store Sales -3.3% (Q1: -5.4%; Q2: -1.7%)**
- **Gross margin consistent with prior period**
- **H1 Reported EBITDA (after Store Opening Costs) between \$28.5 - \$29 million (down 12.9% – 14.4% on pcp)**
- **H1 NPAT expected in the range \$12.7 to \$13.0 million**
- **Debt Covenants comfortably met; Net Cash at HYE December of \$11.8m (\$14.8m in pcp)**
- **Sales have stabilized and turnaround has commenced**

The Reject Shop (TRS) is scheduled to report its First Half 2015 financial result on 18 February 2015. The Chairman, Mr Bill Stevens has today advised that while the process to finalize the result, including the audit, is still underway, the company expects the result to differ from consensus and provides the following update.

In the AGM Trading Update on 15 October 2014, the Company highlighted particularly difficult trading conditions in the first quarter - particularly the months of July and August - leading to comparable store sales of -5.4% for the first quarter. The combination of that weaker sales performance and the additional costs associated with relaying the entire store network, as well as exiting a number of merchandise categories during this period, had a negative impact on profit outcomes.

Mr Stevens advised that since then, both sales and overall profitability have stabilized. This improved performance has not however been sufficient to offset the drag on earnings during the first quarter, nor to enable the Company to match the profitability of the previous corresponding half year period.

Mr Stevens advised that the Company expects to report a NPAT of between \$12.7 and \$13.0 million when it presents its detailed report on its half year result on 18th February 2015.

In addressing the results of the first reporting period since joining the Company, Managing Director Ross Sudano commented, "While the overall first half profit result is disappointing, reflecting the challenging trading conditions in the first quarter, it is pleasing to report that the trading performance improved in the second quarter and there are signs of continuing improvement in the early weeks of January.

"Since taking up the role of MD in September last year, a number of initiatives have been implemented to place the business on a sound footing for long term growth and to leverage off its recent accelerated expansion and I am confident that the additional building blocks being put in place will continue to drive this process.

"We clearly identified that any changes to the business would need to be underpinned by a focus on people and capability, an investment in critical processes and systems and the development of a clear and well communicated TRS business framework.

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“We have refocused the business on delivering great value on everyday products as the cornerstone of our customer offer with the expectation this would drive customer traffic. Our efforts in this regard are beginning to generate momentum, as evidenced by the stabilizing of comparative sales in Q2 and there are signs of continuing improvement in the early weeks of January. We have a significant opportunity to build on this improved sales momentum by better trading our variety categories. In addition, we are seeking to surprise and delight our customers with new and interesting products whilst they are in our stores, to add to our sales growth in the future.

“I look forward to providing a more detailed operational update in February with the release of our half year results”, Mr Sudano concluded.

The Reject Shop Limited

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