

24 August 2016
ASX/Media Announcement

THE REJECT SHOP LIMITED (ASX:TRS)

FULL YEAR RESULTS (FY2016) ANNOUNCEMENT

THE REJECT SHOP INCREASES REPORTED NET PROFIT BY 20%

Highlights:

- Sales up 5.7% on prior year to \$799.9m inclusive of 53rd Trading Week
- FY2016 Comparable Store Sales up 3.0% on prior year (H1: +4.4%; H2: +1.3%)
- Reported NPAT of \$17.1 million, an increase of 20.1% on pcp, inclusive of a 53rd trading week and costs to exit the Melbourne Distribution Centre at Tullamarine
- Underlying NPAT of \$21.0 million, excluding 53rd Trading Week and Melbourne Distribution Centre exit costs
- Final fully franked dividend of 19.0 cents per share (13.5 cps prior year)

Summary:

	FY2016	FY2015	% Change
	\$ million	\$ million	
Sales - 53 Weeks	799.9	756.8	+5.7%
Sales - 52 Weeks	784.7	756.8	+3.7%
EBITDA	44.3	40.8	+8.5%
EBIT	24.8	21.7	+14.4%
NPAT	17.1	14.2	+20.1%
EPS	59.3c	49.4c	+20.0%
EPS - Adjusted*	72.8c		

*EPS Adjusted to exclude 53rd Trading Week and the DC Exit Costs.
This EPS has formed the basis of the 60% Dividend Payout Ratio

The Chairman of The Reject Shop Limited (the Company), Mr. Bill Stevens, today announced a full year Net Profit After Tax (NPAT) of \$17.1 million, a 20.1% increase on the prior year, inclusive of a 53rd Trading Week and one-off costs associated with exiting the Melbourne Distribution Centre at Tullamarine.

Excluding the 53rd Trading Week and the Melbourne DC Exit Costs, the Company delivered a 47.5% increase in NPAT to \$21.0 million.

Sales for the financial year were \$799.9 million (an increase of 5.7% on pcp) underpinned by solid comparable store sales growth of 3.0% for the year and the impact of 8 net new store openings during the year. This is a pleasing improvement on the -0.8% comparable sales performance for the previous year and evidences the success of the Company's back to basics focus through better

understanding customers and being able to craft a unique offer in the market place.

During the period the Company opened 14 new stores, closing 6 and ended the year with 341 stores operating Australia-wide.

The Company generated earnings before interest, tax, depreciation and amortization (EBITDA) of \$44.3 million, an increase of 8.5% on pcp. Earnings before interest and tax (EBIT) were \$24.8 million, an increase of 14.4%.

The robust financial performance demonstrates the positive impacts of the Company's efforts to improve customer engagement implement a more nimble supply chain and reduce the overall cost of doing business.

The Company's balance sheet is strong, with significant improvement in all gearing ratios. The Company expects debt levels to increase slightly during FY17 as a result of an increased capital expenditure program and payment of redundancies and other employee provisions relating to the exit of the Melbourne Distribution Centre at Tullamarine.

The Cash flow performance during the year was particularly pleasing, reflecting well controlled stock levels and improved stock turns.

The Directors have declared a fully franked final dividend of 19.0 cents per share based on a continuation of a dividend payout ratio of 60 per cent of full year underlying earnings. The record date for the payment of the final dividend is 30 September 2016 with a payment date of 17 October 2016.

Update on Operational Initiatives

Managing Director Mr Ross Sudano, said: "During the year we made significant progress on delivering on our strategy which is underpinned by a focus on understanding our customers and creating a distinctive offer in the market place, and continually reducing our costs to enable us to reinvest in driving top line sales growth.

"In response to feedback from our customers we have increased the number of core products available every day while continuing a focus on improving in-store promotional activity to increase the frequency of new products arriving to delight our customers.

"We have placed an increased emphasis on events and themes through the use of a coordinated approach to our promotional space to ensure a clear and consistent product story for our customers.

"We are also investing in improving the experience in stores for our customers through changes to our merchandising standards, store execution and in store navigation.

"During the year we maintained our media mix of catalogues backed up by TV and digital marketing, this mix of media continued to work well in communicating variety and everyday products at great value.

"We continued to make headway on further cost reductions and improving efficiencies within the business. Progress on the construction of a new purpose built automated distribution centre in Melbourne's Western Suburbs continues, with an expected opening in early 2017. Our new distribution centre will help us to further improve efficiency, productivity and flexibility within our supply chain.

"We also have a number of other productivity projects underway designed to improve the customer shopping experience in stores. These are primarily focussed on improving the movement of stock from the DC to the shop floor.

"While we are extremely pleased with the performance of the business, we remain in the early stages of a journey to position the Company for long term growth. We remain focused on continuing to deliver consistently on our customer promise with better in store execution through investment in people and capability and the development of standardized ways of working," he said.

Outlook

Mr Sudano added: "While we are pleased with the initial results of our plan to restore the performance of the business we have much to do over the next three years.

"Sales momentum in Q1 FY2017 has continued in line with Q4 FY2016, with the positive comparable store sales trends across the Eastern Seaboard and Tasmania being moderated by the relative underperformance across the lesser Company populated Store Networks in Western and South Australia. (Comparable sales growth in Q1 FY16 was 6.1%). We expect to see an improvement in the 2017 financial year profit compared to underlying 2016 earnings," he said.

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

The Reject Shop Limited

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