

# THE REJECT SHOP

ASX/Media Release

## THE REJECT SHOP LIMITED - FULL YEAR RESULTS (FY2014) (ASX:TRS)

20 AUGUST 2014

### RECORD 46 NEW STORES OPENED IN FY2014 WESTERN AUSTRALIAN DISTRIBUTION CENTRE OPENED

#### Highlights

- Sales up 15.1% to \$711.5m
- Comparable store sales down 0.45% (1st half: dn 0.01%; 2nd half: dn 1.2%)
- NPAT (adjusted) of \$19.5m down 2.3%
- Record 46 new stores opened in FY2014 with another 20 new stores planned for FY2015
- Final dividend of 8.5 cents per share
- Highly experienced retail executive Ross Sudano appointed new CEO
- New WA Distribution Centre opened, on time and on budget

#### Summary

<u>Key Results</u>	<b>FY2014 \$ mill</b>	<b>FY2013 \$ mill</b>	<b>% Change</b>
<b>Sales – 52 weeks</b>	<b>711.5</b>	<b>618.0</b>	<b>15.1%</b>
EBITDA - Reported	39.9	43.4	
<b>EBITDA – Adjusted</b>	<b>47.1</b>	<b>44.2</b>	<b>6.5%</b>
EBIT – Reported	22.0	29.4	
<b>EBIT – Adjusted</b>	<b>29.2</b>	<b>30.2</b>	<b>(3.3%)</b>
NPAT – Reported	14.5	19.5	
<b><u>Adjustments (net of tax):</u></b>			
New Store Opening Costs	3.3	2.4	
Asset Write-offs on Closures / Relocations	0.5	0.1	
Onerous Leases / Asset Impairments	1.2	-	
Ipswich DC Insurance Claim	-	(2.0)	
<b>NPAT - Adjusted</b>	<b>19.5</b>	<b>20.0</b>	<b>(2.3%)</b>

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a full year Net Profit After Tax (NPAT) of \$14.5 million, in line with the revised guidance announced on 10<sup>th</sup> June 2014.

The Company also declared a fully franked final dividend of 8.5 cents per share, consistent with the return to the 60% payout ratio announced at the half yearly result. The record date for the payment of the dividend is 26 September 2014 with a payment date of 13 October 2014.

The reported results for both FY2014 and FY2013 reflect several factors which distort the relative profit performance and comparability between the periods. These include: significant new store opening costs in both years; non-cash charges in FY2014 to reflect the impact of underperforming stores and store closures/relocations; and insurance amounts received in finalising the Queensland flood claims in FY2013. After adjusting for these amounts the Company's underlying NPAT decreased by 2.3% in FY2014.

Sales for the year grew by 15.1% from \$618.0 million to \$711.5 million. This is consistent with the progressive opening of 87 new stores over the past two years. While comparable store sales were flat for the ten months to April, a sharp fall in sales from the 2<sup>nd</sup> week in May up to the end of June, led to a 0.45% decline in comparable store sales for the full year.

Chairman Mr Bill Stevens said: "This has been an extremely challenging year for the retail sector in Australia and for The Reject Shop in particular, which is clearly a disappointing outcome for our shareholders.

"Despite solid sales performance outside of our peak seasonal trading periods, the weak performance during the pre-Christmas and Easter trading periods and the significant decline in sales in the May to June period led to an overall decline in comparable sales for the year.

"The significant expansion to our overall store platform over the past two years has enabled us to substantially rebalance the portfolio such that sales from stores in major centres now account for less than 20 per cent of total sales. Consistent with our objective of rebalancing, the new stores opened in the last two years, all outside of major centres, have exceeded expectations in terms of both sales and trading contribution earned.

Mr Stevens added: "We will continue to rigorously negotiate with landlords as we look to improve the underlying profitability of the store portfolio, with 59 lease renewals scheduled for FY2015. This will provide an opportunity to build on the momentum of the lease rental reductions secured on renewals during FY2014. Should appropriate commercial terms on renewal to sustain minimum store profitability metrics be unachievable, we will continue to close stores. We closed the underperforming Southport CBD store in July, with another 1-2 store closures imminent in major centres during FY2015. We are on track to achieving a more normalised 20 new store per year opening program from FY2015.

"We are pleased to report that the Western Australian Distribution Centre in Hazelmere is now operational. Our new Western Australian DC will enable a better level of service to stores in Western Australia. In addition, the shorter lead times to replenish stock into our WA stores is expected to translate into improved sales performance over time," he said.

During the period the company implemented its new Products on Promotion program which has an emphasis on providing customers with a renewed sense of discovery in stores on a weekly basis. This is achieved by injecting new and fresh products into prominent display locations. This strategy is supported by a combination of TV advertising (particularly in Regional Areas), increased social media activity, and weekly advertising flyers in the Metro areas of the Eastern Seaboard.

Commenting on early FY2015 trading, Mr Stevens said: "The Company has had a challenging start to FY2015 with the first six weeks of the year yielding negative comparable store sales as our customer base slowly warms to the new communication and merchandising approach. In addition, we are in the process of relaying fixtures within our entire store network. The aim is to provide greater shelf space to higher sales and margin growth departments, whilst removing space from poorer performing departments. We expect the full benefits of these changes will start to be seen as we head into the second quarter of FY2015."

Mr Stevens added: “Assuming a more positive trend in consumer sentiment in the coming weeks, the Company is targeting growth in underlying profit in FY2015; as we have the opportunity to leverage our fixed cost base against the growth that comes from opening 87 new stores over the last two financial years.”

Further information can be obtained from the Company’s website at [www.rejectshop.com.au](http://www.rejectshop.com.au)

**The Reject Shop Limited**

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