

THE REJECT SHOP

ASX/Media Release

THE REJECT SHOP LIMITED - FULL YEAR RESULTS (FY2013) (ASX:TRS)

21 AUGUST 2013

41 NEW STORES OPENED IN FY2013 40+ MORE STORES TO COME IN FY2014 EXPANSION CREATES NEW FOUNDATION FOR GROWTH

Highlights

- Sales up 13.3% to \$618.0m (52 week basis)
- Comparable store sales up 1.8% (1st half: up 2.1%; 2nd half: up 1.4%)
- NPAT (adjusted) of \$20.0m up 14.9%
- 41 new stores opened in FY2013 with more than 40 new stores for FY2014
- Successful Capital Raising of \$44m in April 2013
- Final dividend of 13.0 cents per share

Summary

<u>Key Results</u>	FY2013 \$ million	FY2012 \$ million	% Change
Sales – 52 weeks	618.0	545.3	13.3%
Sales – 53 weeks		555.3	
EBITDA - Reported	43.4	46.5	
EBITDA – Adjusted	44.0	39.7	10.8%
EBIT – Reported	29.4	34.2	
EBIT – Adjusted	30.0	27.6	8.7%
NPAT – Reported	19.5	21.9	
Adjustments:			
DCIP Insurance	(2.0)	(3.7)	
New Store Opening Costs	2.5	0.9	
53 rd Week	-	(1.7)	
NPAT - Adjusted	20.0	17.4	14.9%

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a full year Net Profit After Tax (NPAT) of \$19.5 million and declared a fully franked final dividend of 13.0 cents per share. The record date for the payment of the dividend is 27 September 2013 with a payment date of 14 October 2013.

The reported results for FY2013 and FY2012 reflect several factors in both years which distort the relative profit performance and comparability between periods. These include insurance amounts received in finalising the Queensland flood claims, significant additional costs incurred to support the acceleration of new store openings in FY2013 and the influence of the 53rd trading week in FY2012. The Company believes after adjusting for these amounts underlying NPAT increased by 14.9%.

Sales for the year grew by 13.3% from \$545.3 million to \$618.0 million on a 52 week basis with comparable store sales increasing by 1.8% (Prior Year 0.5%).

Managing Director Mr Chris Bryce said: “This is an exciting period for The Reject Shop, as the accelerated store rollout program continues the platform development to underpin the company’s long term growth. It is a particularly strong achievement to have integrated an additional 41 new stores in the current year, with all of the challenges such a significant expansion presents.

Commenting on trading, Mr Bryce said: “Despite poor consumer sentiment and retail sales trends we continue to trade well and we have now delivered positive comparable store sales growth in every quarter since re-opening the Ipswich Distribution Centre in October 2011. Improving our underlying profit in current conditions is pleasing, as we have maintained price competitiveness and our customer service standards, while supporting our brand positioning and absorbing cost increases.

“Most significantly, we were able to grow our business while embarking on a substantial store expansion program which we believe will lay the foundation for a far more robust and profitable business into the future,” he said.

By the end of FY2014 we expect to have opened in excess of 80 stores in less than two years and will have:

- Employed over 1,000 new employees in all areas of the business;
- Introduced our product offer to new customers across Australia; and
- Expanded our store base beyond 300 stores, with further growth still to come.

Financially we will have:

- Invested in excess of \$40m in Capital Expenditure in store fixturing, IT and DC infrastructure;
- Invested \$20m in inventory to present our offer to an expanded new customer base; and
- Spent more than \$7m in pre and post opening support for these stores.

During the year, in support of the new stores the Company upgraded its Ipswich Distribution Centre to full design capacity. We also commenced the development of a satellite Distribution Centre in Western Australia, which is anticipated to be operational by June 2014.

Mr Bryce said: “The store rollout program impacts our short term profitability as we incur necessary expansion costs. Nonetheless it provides a platform for significant growth from FY2015 onwards. The costs to open these stores are significant in both FY2013 and FY2014. The costs are not confined to merchandising the store to open, but also include increased costs and resources in logistics, recruiting and store management support, most of which is required to be in place ahead of the stores being open.”

“We opened 41 stores this financial year (First Half 17: Second Half 24) and have confirmed new stores of at least 40 in FY2014. We are in advanced negotiations on a number of additional sites and there is a strong likelihood we will be able to secure additional stores to open in FY2014 beyond those confirmed. We have opened 14 new stores since the start of July (equating to 2 new stores per week) and aim to have more than 30 new stores opened by December 2013.

“The new stores, collectively, have performed strongly. This is extremely satisfying given that the bulk of these stores are being operated by management and staff relatively new to the business. It is a challenging process to support this number of new stores and new people in such a shortened timeframe, while ensuring that the underlying business continues to grow.”

Commenting on current trading Mr Bryce said: “The first few weeks of this year have delivered positive comparable store sales growth in line with last year. We do however remain cautious in our outlook for sales given the current economic and political environment, and believe the potential still exists for volatility in consumer spending.

“We expect solid underlying profit growth for the current year, underpinned by the extensive store opening program in FY2013 and first half FY2014, although tempered by the costs associated with the FY2014 store openings. We also expect to deliver strong profit growth in FY2015.”

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

The Reject Shop Limited

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