

17 February 2016
ASX/Media Announcement

The Reject Shop Limited (ASX:TRS) Half Year Results (FY2016)

THE REJECT SHOP INCREASES NET PROFIT BY 43%

Highlights:

- H1 2016 Sales up 5.6% on prior corresponding period (pcp) to \$424.7m
- H1 2016 Comparable Store Sales up 4.4% on prior year (Q1: +6.1%; Q2: +3.2%)
- H1 2016 EBITDA of \$36.0 million after store opening costs (up 26.3% on pcp)
- NPAT of \$18.3 million, an increase of 43% on pcp
- Strong Operating Cashflow continues
- Interim fully franked dividend of 25.0 cents per share (16.5 cps prior year)

Summary:

	HY2016	HY2015	% Change
	\$ million	\$ million	
Sales	424.7	402.2	5.6%
EBITDA	36.0	28.5	26.3%
EBIT	26.4	19.0	38.8%
NPAT	18.3	12.8	43.0%

The Chairman of The Reject Shop Limited (the Company), Mr Bill Stevens, today announced a half year Net Profit After Tax (NPAT) of \$18.3 million, a 43% increase on the previous corresponding period, reflecting continued progress.

Sales for the half were \$424.7 million (an increase of 5.6%), underpinned by comparable store sales growth of 4.4%. This was a significant improvement on the -3.3% in the prior corresponding period. The Company opened 8 new stores during the period while closing 3 and relocating 2 stores. The total portfolio nationally at the half-year was 338 stores.

The Company generated earnings before interest depreciation and amortisation (EBITDA) of \$36 million, an increase of 26.3% on pcp.

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The solid financial performance reflects the ongoing improvements to the Company's customer offer, product selection, pricing, promotions and improving execution in store.

The Company's balance sheet is strong, with good operating cashflow generation and an improvement in all gearing ratios.

The 10% decline in \$AUD against the \$USD had a challenging effect on gross profit margin, but this was well managed.

The Directors have declared a fully franked interim dividend of 25.0 cents per share based on a continuation of a dividend payout ratio of 60% of full year projected earnings. The record date for the payment of the interim dividend is 21 March 2016 with a payment date of 11 April 2016.

Overview of Operational Initiatives

Managing Director Mr Ross Sudano, said: "The plan that we have put in place to improve performance continues to gain traction, and while we are still in the early stages we were pleased to see continued momentum in the business throughout H1 2016.

"Our strategy is focused on creating a distinctive offer in the market through better understanding our customers, and improving productivity and efficiency to lower our cost of doing business. This in turn will enable us to reinvest in driving top line sales growth and will allow us to deliver further value for our customers and improve returns to shareholders.

"Our customer research demonstrates that we are improving our delivering of value, variety and stock availability – all of which are key to our customer promise.

"The Reject Shop is a business with a strong foundation in place, which we are now beginning to leverage. Early signs are positive in terms of customer transactions, customer feedback and underlying performance. The discount sector continues to grow in relevance and we are ideally positioned to capitalise on this," he said.

Outlook

"While we are pleased with the continuing improvement in performance as a result of the actions we have taken, we have much more to do over the next three years.

"The momentum of the first half has continued into the first six weeks of the second half with comparable store sales growth continuing at a rate consistent with that recorded in the second quarter.

"During the second half, the business will continue with progress on a range of strategic projects which are designed to improve the processes and procedures within the business, reduce CODB and further develop the platform for longer term profit growth for the Company.

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“The Company will open five new stores in the second half, whilst also planning to close five stores, three of which are as a result of redevelopments in Centres where the business is located”, Mr Sudano concluded.

The Reject Shop Limited

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