

# 1H25 Results Presentation



**THE REJECT SHOP**

20 February 2025

## About The Reject Shop

The Reject Shop has been delivering value and amazing low prices to shoppers for over 40 years. The Reject Shop helps all Australians save money every day by offering our customers the lowest everyday prices on household essentials as well as unique and exciting products at compelling value for every event and occasion in 393\* convenient store locations across Australia.



\* As at 29 December 2024

# Results Overview<sup>1</sup>

- Sales of \$471.7 million, up 2.9% on the prior corresponding period (pcp)
  - Comp. store sales for the half were up 1.5%
- Gross profit (pre AASB 16) of \$196.3 million, up 6.1% on pcp
- Gross profit margin (pre AASB 16) of 41.6%, up c.125bps
- CODB margin (pre AASB 16) of 35.5% vs 34.8% in the pcp
- EBITDA (pre AASB 16) of \$29.1 million, up 13.9% on pcp
- EBIT (pre AASB 16) of \$22.6 million, up 16.2% on pcp
- NPAT (pre AASB 16) of \$16.4 million, up 14.6% on pcp
- Statutory NPAT of \$15.9 million, up 10.1% on pcp
- Strong balance sheet with cash of \$74.9 million and no drawn debt
- Fully franked interim dividend of 12.0 cents per share



(1) 1H25 Pre AASB 16 results have not been reviewed by the Company's auditors. 1H25 Pre AASB 16 occupancy costs in CODB, EBITDA, EBIT and NPAT have been estimated using cash occupancy costs and include amortised incentive payments received from landlords. Refer to the Appendix for a reconciliation of Post AASB 16 and Pre AASB 16 results.

# Financial Overview<sup>1,2</sup>

|                             | Post AASB 16 |              |              |  | Pre AASB 16  |              |              |
|-----------------------------|--------------|--------------|--------------|--|--------------|--------------|--------------|
|                             |              |              | Variance     |  |              |              | Variance     |
| \$m                         | 1H25         | 1H24         | F/(U)        |  | 1H25         | 1H24         | F/(U)        |
| <b>Sales</b>                | <b>471.7</b> | <b>458.3</b> | <b>2.9%</b>  |  | <b>471.7</b> | <b>458.3</b> | <b>2.9%</b>  |
| Comp. Sales                 | 1.5%         | 2.3%         |              |  | 1.5%         | 2.3%         |              |
| <b>Gross Profit</b>         | <b>200.4</b> | <b>189.2</b> | <b>5.9%</b>  |  | <b>196.3</b> | <b>185.1</b> | <b>6.1%</b>  |
| CODB                        | (117.9)      | (111.0)      | (6.2)%       |  | (167.3)      | (159.5)      | (4.8)%       |
| <b>EBITDA</b>               | <b>82.5</b>  | <b>78.2</b>  | <b>5.5%</b>  |  | <b>29.1</b>  | <b>25.5</b>  | <b>13.9%</b> |
| Depreciation                | (55.6)       | (54.5)       | (2.0)%       |  | (6.5)        | (6.1)        | (6.3)%       |
| <b>EBIT</b>                 | <b>26.9</b>  | <b>23.7</b>  | <b>13.7%</b> |  | <b>22.6</b>  | <b>19.4</b>  | <b>16.2%</b> |
| Interest                    | (4.2)        | (3.0)        | (39.9)%      |  | 0.8          | 1.0          | (21.0)%      |
| <b>Profit Before Tax</b>    | <b>22.7</b>  | <b>20.7</b>  | <b>9.9%</b>  |  | <b>23.4</b>  | <b>20.4</b>  | <b>14.4%</b> |
| Tax                         | (6.8)        | (6.2)        | (9.4)%       |  | (7.0)        | (6.1)        | (13.9)%      |
| <b>Net Profit After Tax</b> | <b>15.9</b>  | <b>14.5</b>  | <b>10.1%</b> |  | <b>16.4</b>  | <b>14.3</b>  | <b>14.6%</b> |

(1) Comp. Sales, Gross Profit, EBITDA, EBIT and Interest are non-IFRS measures and have not been reviewed by the Company's auditors.

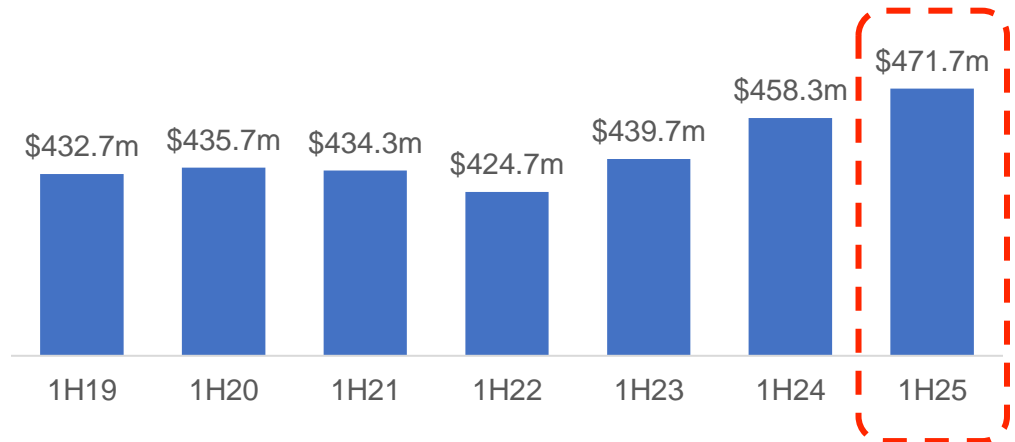
(2) Pre AASB 16 results have not been reviewed by the Company's auditors. Pre AASB 16 occupancy costs (included in CODB) have been estimated using cash occupancy costs and include amortised incentive payments received from landlords. Refer to the Appendix for a reconciliation of Statutory and Pre AASB 16 results.

# Operating Results

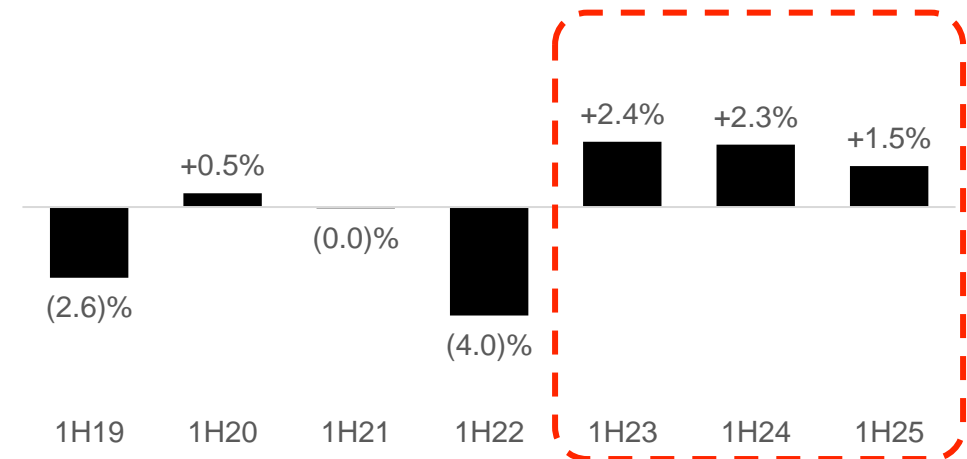
## Sales

- Total sales growth of +2.9%
- Comp store sales growth of +1.5% (1Q: +0.3%; 2Q: +2.5%)
- Improved 2Q performance driven by a well-executed Christmas trading period, which saw strong sales growth and gross profit margin improvement vs the pcp, particularly in Christmas categories
- Sales growth driven by basket growth and further customer transaction growth
- Most pleasingly, sales growth was driven by both general merchandise and consumables products
- Growing general merchandise sales has been a key focus of our strategy and this result demonstrates that the new and improved merchandise offering is resonating well with customers

## Record first half sales...



## Continued positive comparable store sales growth...



# Operating Results<sup>1,2</sup>

## Gross Profit (Pre AASB 16)

- Gross profit of \$196.3m, up 6.1% on pcp
- Gross profit margin of 41.6%, up c.125 basis points on pcp
- Management has continued to focus on improving gross profit margin
- Gross profit margin improvement achieved without any material improvement in the product sales mix
- Over time, targeting to favourably shift the product sales mix as the general merchandise and seasonal offerings continue to improve and gain traction with customers
- For context, higher margin general merchandise (including seasonal) is expected to represent approximately 50% of sales in FY25 compared to approximately 60% in FY19

| \$m                 | 1H25<br>(Pre AASB 16) | 1H24<br>(Pre AASB 16) | Variance<br>F/(U) |
|---------------------|-----------------------|-----------------------|-------------------|
| <b>Sales</b>        | <b>471.7</b>          | <b>458.3</b>          | <b>2.9%</b>       |
| <i>Comp. Sales</i>  | <i>1.5%</i>           | <i>2.3%</i>           |                   |
| <b>Gross Profit</b> | <b>196.3</b>          | <b>185.1</b>          | <b>6.1%</b>       |
| <i>% sales</i>      | <i>41.6%</i>          | <i>40.4%</i>          | <i>1.24%</i>      |
| Store Expenses      | (144.5)               | (138.9)               | (4.0)%            |
| <i>% sales</i>      | <i>(30.6)%</i>        | <i>(30.3)%</i>        | <i>(0.3)%</i>     |
| Admin Expenses      | (22.8)                | (20.6)                | (10.6)%           |
| <i>% sales</i>      | <i>(4.8)%</i>         | <i>(4.5)%</i>         | <i>(0.3)%</i>     |
| <b>EBITDA</b>       | <b>29.1</b>           | <b>25.5</b>           | <b>13.9%</b>      |
| <i>% sales</i>      | <i>6.2%</i>           | <i>5.6%</i>           | <i>0.6%</i>       |
| D&A                 | (6.5)                 | (6.1)                 | (6.3)%            |
| <b>EBIT</b>         | <b>22.6</b>           | <b>19.4</b>           | <b>16.2%</b>      |
| <i>% sales</i>      | <i>4.8%</i>           | <i>4.2%</i>           | <i>0.5%</i>       |

(1) Pre AASB 16 results have not been reviewed by the Company's auditors. Pre AASB 16 occupancy costs (included in Store Expenses) have been estimated using cash occupancy costs and include amortised incentive payments received from landlords. Refer to the Appendix for a reconciliation of Post AASB 16 and Pre AASB 16 results.

(2) Comp. Sales, Gross Profit, EBITDA and EBIT are non-IFRS measures and have not been reviewed by the Company's auditors.

# Operating Results<sup>1,2</sup>

## EBIT and CODB (Pre AASB 16)

- CODB at 35.5% of sales (vs. 34.8% in pcp; 37.2% in 1H20)
- Store expenses at 30.6% of sales (vs. 30.3% in pcp; 32.2% in 1H20)
- Admin expenses at 4.8% of sales (vs. 4.5% in pcp; 5.0% in 1H20)
- Store expenses:
  - Labour: 14.4% of sales (vs. 14.0% in pcp; 14.9% in 1H20)
  - Occupancy: 12.3% of sales (vs. 12.3% in pcp; 12.7% in 1H20)
  - Include operating expenses associated with opening and closing stores of \$0.8m (vs. \$1.0m in pcp)
- Depreciation of \$6.5m, was \$0.4m higher than pcp
- EBIT of \$22.6m, up 16.2% on pcp

| \$m                 | 1H25<br>(Pre AASB 16) | 1H24<br>(Pre AASB 16) | Variance<br>F/(U) |
|---------------------|-----------------------|-----------------------|-------------------|
| <b>Sales</b>        | <b>471.7</b>          | <b>458.3</b>          | <b>2.9%</b>       |
| Comp. Sales         | 1.5%                  | 2.3%                  |                   |
| <b>Gross Profit</b> | <b>196.3</b>          | <b>185.1</b>          | <b>6.1%</b>       |
| % sales             | 41.6%                 | 40.4%                 | 1.24%             |
| Store Expenses      | (144.5)               | (138.9)               | (4.0)%            |
| % sales             | (30.6)%               | (30.3)%               | (0.3)%            |
| Admin Expenses      | (22.8)                | (20.6)                | (10.6)%           |
| % sales             | (4.8)%                | (4.5)%                | (0.3)%            |
| <b>EBITDA</b>       | <b>29.1</b>           | <b>25.5</b>           | <b>13.9%</b>      |
| % sales             | 6.2%                  | 5.6%                  | 0.6%              |
| D&A                 | (6.5)                 | (6.1)                 | (6.3)%            |
| <b>EBIT</b>         | <b>22.6</b>           | <b>19.4</b>           | <b>16.2%</b>      |
| % sales             | 4.8%                  | 4.2%                  | 0.5%              |

(1) Pre AASB 16 results have not been reviewed by the Company's auditors. Pre AASB 16 occupancy costs (included in Store Expenses) have been estimated using cash occupancy costs and include amortised incentive payments received from landlords. Refer to the Appendix for a reconciliation of Post AASB 16 and Pre AASB 16 results.

(2) Comp. Sales, Gross Profit, EBITDA and EBIT are non-IFRS measures and have not been reviewed by the Company's auditors.

## Property Update

- The Company continues to expand its store network
- Opened nine new stores during the half (mostly in 2Q)
- Management is pleased with the performance of its new store openings and continues to look for new locations where it can conveniently serve more Australians
- Expect to open a further seven new stores during 2H25
- Beyond FY25, currently a pipeline of c.15 new stores
- Closed one store during 1H25, closed one store during January 2025 and expect to close a further three stores during 2H25
- Each of these store closures are candidates for potential relocation, with two of these stores confirmed to reopen this calendar year
- At the end of 1H25, The Reject Shop's national store network included 393 stores, up from 383 at the end of 1H24 and 354 at the end of FY20 (when the Company began more meaningfully expanding its store network)



## Balance Sheet/Cash Flow Summary

- Strong liquidity position with:
  - Net cash of \$74.9m
  - No drawn debt
  - Undrawn facilities: interchangeable facility (\$10m) and seasonal facility (\$20m available between Oct – Dec)
- Free cash flow of \$25.3m, up 133% on pcg
- Capex of \$7.7m (vs. \$7.8m in pcg), mainly relates to new store openings
- Inventory closed at \$143.1m, down from \$146.4m at the end of June 2024
- Stock turn of 3.4x (compared to 3.5x in June 2024)

| \$m                                | 1H25        | 1H24        |
|------------------------------------|-------------|-------------|
| EBITDA (Pre AASB-16) <sup>1</sup>  | 29.1        | 25.5        |
| /less: Net External Interest       | 0.8         | 1.0         |
| /less: Tax (Paid) / Refunded       | 1.3         | (7.2)       |
| Changes in Working Capital & Other | 1.9         | (0.7)       |
| <b>Operating Cash Flows</b>        | <b>33.0</b> | <b>18.6</b> |
| Capital Expenditure                | (7.7)       | (7.8)       |
| <b>Free Cash Flow</b>              | <b>25.3</b> | <b>10.8</b> |
| Net Proceeds from Borrowings       | -           | -           |
| Payments for Shares Bought Back    | (0.3)       | (1.4)       |
| Dividends Paid                     | -           | (6.1)       |
| <b>Net Cash Flow</b>               | <b>25.0</b> | <b>3.3</b>  |

(1) Pre AASB 16 results have not been reviewed by the Company's auditors.

| \$m                      | Dec-24        | Jun-24        | Dec-23        |
|--------------------------|---------------|---------------|---------------|
| <b><u>Net Debt</u></b>   |               |               |               |
| Drawn Debt               | -             | -             | -             |
| /less: Cash              | (74.9)        | (49.9)        | (80.7)        |
| <b>Net Debt / (Cash)</b> | <b>(74.9)</b> | <b>(49.9)</b> | <b>(80.7)</b> |
| <b><u>Inventory</u></b>  |               |               |               |
| Closing Inventory        | 143.1         | 146.4         | 138.2         |
| Stock Turns              | 3.4x          | 3.5x          | 3.7x          |

## Interim Dividend

- At its FY23 results in August 2023, the Company reinstated its previous dividend policy to maintain a minimum dividend payout ratio of 60% of net profit after tax, subject to the underlying profitability and financial requirements of the Company which will be assessed periodically
- The Company retains flexibility in deciding how much of the annual dividend is declared as an interim or a final dividend
- The Board has determined to pay a fully franked interim dividend on ordinary shares of 12.0 cents per share (compared to 10.0 cents per share in the pcg)
- The interim dividend is payable to shareholders registered at 5.00pm on Thursday, 17 April 2025 and is due to be paid to shareholders on Thursday, 1 May 2025

## Trading Update

- Sales during the first seven weeks of the second half were up 3.6% on the pcp (Jan: +2.5%; Feb month-to-date:<sup>1</sup> +6.1%)
- Comparable store sales during the first seven weeks of the second half were up 1.4% on the pcp (Jan: +0.4%; Feb month-to-date:<sup>1</sup> +3.8%)
- In the first seven weeks of the second half, general merchandise sales continued to grow compared to the pcp and gross profit margin has continued to improve on the pcp
- Company's first half performance should not be used as an indicator for the second half of the financial year as the Company typically generates a higher proportion of sales in the first half

(1) Relates to sales generated between 3 February 2025 and 16 February 2025 (inclusive)

## 1H25 Results Highlights

- Generated record first half sales, driven by both basket growth and customer transaction growth
- General merchandise sales returned to growth
- Achieved gross profit margin (pre AASB 16) improvement of c.125bps
- Opened nine new stores with at least 20 stores in the pipeline to open over the next 18 months
- Reported the highest net profit after tax (pre AASB 16) result since the first half of FY18
- Determined to pay a fully franked interim dividend on ordinary shares of 12.0 cents per share

# Halloween (1H FY25)



# Christmas (1H FY25)



# Homewares (3Q FY25)



# Homewares (3Q FY25)



# Branded, Low Priced, Everyday Consumables Range



**RETHINK**

**THE REJECT SHOP**

## Appendix: P&L Reconciliation

| \$m                         | 1H25<br>(Pre AASB 16) <sup>1,2</sup> | AASB 16<br>Impact | 1H25<br>(Post AASB 16) <sup>1</sup> |
|-----------------------------|--------------------------------------|-------------------|-------------------------------------|
| <b>Sales</b>                | <b>471.7</b>                         | <b>-</b>          | <b>471.7</b>                        |
| <b>Gross Profit</b>         | <b>196.3</b>                         | <b>4.0</b>        | <b>200.4</b>                        |
| Store Expenses              | (144.5)                              | 49.0              | (95.4)                              |
| Admin Expenses              | (22.8)                               | 0.3               | (22.5)                              |
| <b>EBITDA</b>               | <b>29.1</b>                          | <b>53.4</b>       | <b>82.5</b>                         |
| D&A                         | (6.5)                                | (49.1)            | (55.6)                              |
| <b>EBIT</b>                 | <b>22.6</b>                          | <b>4.3</b>        | <b>26.9</b>                         |
| Interest                    | 0.8                                  | (5.0)             | (4.2)                               |
| <b>Profit Before Tax</b>    | <b>23.4</b>                          | <b>(0.6)</b>      | <b>22.7</b>                         |
| Tax                         | (7.0)                                | 0.2               | (6.8)                               |
| <b>Net Profit After Tax</b> | <b>16.4</b>                          | <b>(0.5)</b>      | <b>15.9</b>                         |

(1) Gross Profit, EBITDA, EBIT and Interest are non-IFRS measures and have not been reviewed by the Company's auditors.

(2) Pre AASB 16 results have not been reviewed by the Company's auditors. Pre AASB 16 occupancy costs (included in Store Expenses) have been estimated using cash occupancy costs and include amortised incentive payments received from landlords.

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