



The Reject Shop Limited

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Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Addresses to the Annual General Meeting

Please find attached a copy of each of the addresses to be given by the Chairman, Steven Fisher, and the Acting CEO, Dani Aquilina, at today's Annual General Meeting of The Reject Shop Limited.

Yours sincerely,

Michael Freier
Company Secretary

Mr Steven Fisher - Chairman's address to the 2019 Annual General Meeting of The Reject Shop Limited

2019

I will address the 2019 financial year results and then talk about the future.

As previously stated by the outgoing Chairman, Bill Stevens, "it has been an extremely challenging year for the Reject Shop, and understand that shareholders would be extremely disappointed with the 2019 Financial Year Result"

Clearly errors were made, these errors have been identified and are currently being addressed. I will come back to how the Company plans to address these matters.

Sales for the year were \$793.7m (a decrease of 0.8%). The comparable store sales were -2.5%.

The Company generated earnings before interest and depreciation and amortisation (EBITDA) of \$18.2m, a decrease of 57.6% on the previous corresponding period.

Gross margin declined 1.1% to sales during the year. This decrease was a result of poor buying decisions together with a disappointing increase in shrinkage across the business.

The cost of doing business rose by 1.9% to sales during the year, mainly attributable to increases in store rentals and the wage increases associated with the new Enterprise Bargaining Agreement.

The Company also announced a non-cash pre-tax impairment charge of \$21.9 million based on an assessment that the underlying cash flows at present do not fully support the carrying value of the corporate and individual store cash generating units.

Dividends

As previously announced no final dividend was declared as a result of the performance of the company. It is the Board's intention to return to paying dividends as soon as profitability allows.

The way forward

I would now like to take a few moments giving an outline of the way forward for your Company.

I would first like to acknowledge our acting CEO, Dani Aquilina, who has in the short time she has had at the helm made an immediate and positive impact.

Dani and her management team have addressed and corrected many of the issues that were present in the business. What is obvious to the Board is that the staff have endorsed Dani's leadership and morale is very good throughout the organization. Where possible they have exited product, which is not in keeping with the expectations of our customers, they have aggressively sourced excellent alternative opportunities and are quickly making our retail offer more relevant.

Going forward, The Reject Shop will endeavor to win on Product, Price and Culture.

To this end, the search for the new CEO is reaching its conclusion. The Company has been presented with a very high standard of retail executives, all keen to be part of the transformation of the Reject Shop and, like the Board, they all see the opportunities that the future holds for your Company. We will be making a further announcement in the next 6-8 weeks!

Your Board is confident that with the combination of Best Product at the Lowest Price backed up with excellent in store execution, the journey back to profitability will not be far away. Improvement in customer transaction numbers together with our offer improving, will help our customers stretch their budgets further.

It is pleasing to see our comparable store sales turn from -2.5% in the second half of FY2019 to +0.3% in the first 15 weeks of FY2020.

Your Company will take a more aggressive approach to our occupancy costs. It is not sustainable that rental increases are running at between 2 and 3 times the CPI index, in an environment of low wage growth and record low interest rates. The Company will have no hesitation in exiting leases where the occupancy costs do not meet our rent to sales criteria. This approach may see further store closures, and in some cases relocation to more affordable opportunities.

The size of the Board and the range of skills together with relevant experience continue to be considered. The Company has a great opportunity to seek additional Board members that will bring appropriate skills to support the new executive team that will soon be in place. The Board is currently active in seeking additional Board members.

Chairmanship

I would like at this point to acknowledge and thank the outgoing Chairman, Bill Stevens, for the dedication, hard work and loyalty he has displayed in his tenure as both a Board member and in particular as Chairman. Bill has steered your Company through some challenging times. Bill is well respected by his current Board colleagues and particularly with management team and staff that he has worked so closely with. Bill you will be missed.

I would like to thank my Board colleagues for their dedication, and I would particularly like to thank them for their support in appointing me as Chairman

At this point, I would like to thank our 5000 plus dedicated and hard working loyal team members around the country. The importance of their contribution is much appreciated.

We wish all of you a successful Christmas trading period and that you all enjoy a Merry Christmas and a healthy and happy New Year.

Thank you.

**Ms Dani Aquilina - Acting CEO's address to the 2019 Annual General Meeting
of The Reject Shop Limited**

Thank you, Steven.

Good afternoon ladies and gentlemen, my name is Dani Aquilina and I am the Acting Chief Executive Officer of the Reject Shop.

I thought I would begin today by briefly introducing myself to you and then to outline our recent financial performance.

Background:

For more than 20 years, I have dedicated my working career to the retail industry, with 12 of those years devoted to The Reject Shop.

During this time, I have seen the business grow and undergo many changes.

I have been fortunate to be part of those changes due to holding various senior positions including General Manager of Distribution; General Manager of Supply Chain and Planning; and General Manager of Supply Chain and Strategy.

These positions over more than a decade have given me a wonderful insight into the retail industry in Australia and the challenges The Reject Shop has faced, and will continue to face in 2020, and beyond.

Now, as Acting Chief Executive Officer, I have the opportunity to implement further changes at The Reject Shop to continue to rebuild our business.

Relevance of the discount variety sector

The Reject Shop plays an important part in the daily lives of customers who seek value. With a diverse and divided economy, consumers want their dollar to go further, and we are in a position to satisfy this demand, especially with Christmas looming.

We are unique in our offering of amazing products at low prices. We have the scale, knowledge and asset base to excel in this sector.

Refocussing on our core strategy

As Steven outlined, this has been a particularly challenging year for The Reject Shop and the financial performance of the business has been unacceptable. In my view, it certainly has not reflected the fundamental strength of the business and its long-term prospects.

While trading conditions across the general retail environment have been extremely challenging, the impact has been magnified by a shift away from our core strategy, most noticeably reflected in our merchandise offer which shifted away from our proud roots as a discount variety retailer.

This had a discernible impact on customer behaviour and was reflected in weaker sales.

In essence, my focus since taking over as Acting Chief Executive Officer has been to return the company to our core focus: discount variety retail.

This has become increasingly obvious, as FY2020 has progressed and the results are clear testament to the fact that our turnaround is on track with comparable store sales having improved from -2.5% for the second half of the last financial year to now be in positive territory. Our best first quarter comparative sales performance since FY2016.

We need to continue to focus on established discount categories. Going forward, this means a substantial investment in non-discretionary and low priced-accessory based categories that provide easy solutions for customers.

A further tactic will be to promote increased deals that offer our customers substantial discounts on well-known and established brands.

This will naturally combine with reinforcing our value proposition through product placement, pricing and promotions.

Our focus for the rest of FY2020 will entail a continued strategy to have lower and simpler prices; increasing our investment into popular selling categories and expanding ranges that appeal to a younger demographic in order to not only expand our reach but also to appeal to more Australian family needs.

Trading update

As Steven mentioned, customers have welcomed our changes and we are very confident that our strategy revisions have placed the company on a solid platform for recovery. I am pleased to communicate a return to positive comparable sales. In the first 15 weeks of FY2020, our comparable sales were +0.3%.

We are seeing the improvement in our transactions and an increase in the number of items customers are buying. We believe this can be attributed to our core customers. This is fantastic news. The next step is to communicate more efficiently and effectively to broaden our customer reach so they understand how The Reject Shop can help them stretch their dollar further.

Christmas

As you all are aware, Christmas is the most critical time for our business and we are working hard to deliver a refreshed range, which will excite our existing customers, as well as attracting new customers.

I encourage all shareholders to shop with us and watch as the changes unfold.