

The Reject Shop Limited
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Australia
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19 October 2022

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 Chief Executive Officer, Phil Bishop, at today's Annual General Meeting (commencing at 9.30 am (AEDT)) of The Reject Shop Limited.

Shareholders may attend the Annual General Meeting at 245 Racecourse Road, Kensington, Victoria, 3031 to vote and ask questions with all necessary information available through the Company's [website](http://www.rejectshop.com.au) and contained in the Notice of Annual General Meeting dated 15 September 2022 ([copy of notice](#)).

For the purposes of ASX Listing Rule 15.5, the Company confirms that this document has been authorised for release to the market by the Company Secretary.

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Company Secretary
The Reject Shop Limited

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Steven Fisher - Chairman's address to the 2022 Annual General Meeting of The Reject Shop Limited

Results

Your Company delivered sales of \$788.2 million over the 53-week period ending on 3 July 2022. The result was again impacted by a number of COVID-19 related events, including lockdowns and the disruption associated with the emergence of the Omicron variant. Management worked hard to navigate through these challenges.

The challenging trading environment resulted in earnings before interest and tax ("EBIT") of \$17.6 million and net profit after tax ("NPAT") of \$7.9 million. The Company's balance sheet remains strong with \$77.5 million in cash and no drawn debt at 3 July 2022.

During FY22, the board was pleased to appoint Phil Bishop as the new Chief Executive Officer of the Company.

The Company is now well positioned with a lower cost base, an experienced and talented senior leadership team and growing national store network supported by a strong balance sheet, which will enable the Company's future growth strategy. I am confident the Company will make further progress during FY23 and beyond under Phil's leadership notwithstanding the challenging operating environment.

Capital Management

Having regard to the Company's strong balance sheet and based on the view that the recent share price has not appropriately reflected the value of The Reject Shop's business, the Board has decided to undertake an on-market share buy-back as outlined in the announcement to the market dated 23 August 2022. The Board decided that no final dividend would be declared in FY22.

Board

In March 2022, the Board was very pleased to welcome Mark Ward to the Company. Mark is an experienced retailer with more than 40 years of retail experience, including 18 years of senior executive experience at Bunnings and Officeworks.

Thanks

Over the last year, our team members throughout Australia have worked hard to continue to serve customers despite various challenges, including COVID-19 restrictions and flooding in South-East Queensland and many parts of New South Wales. Thank you to all of our team members across the country for your continued and sustained efforts.

I would also again like to express my gratitude to my Board colleagues, our shareholders, customers, suppliers and other stakeholders for your support and encouragement throughout the year.

Christmas

The last few years have adversely impacted the way many Australians celebrated Christmas. I sincerely hope that Christmas this year returns to a more normal rhythm, and The Reject Shop is ready to play its part in helping all Australians to save and celebrate. Pleasingly, our initial Christmas stock has arrived and is setup in store.

I wish all of our shareholders a Merry Christmas and a prosperous and happy New Year.

Thank you.

Phil Bishop - CEO's address to the 2022 Annual General Meeting of The Reject Shop Limited

Thank you, Steven.

Good morning ladies and gentlemen.

This is my first Annual General Meeting of The Reject Shop, and I am pleased to address my fellow shareholders.

Challenging operating conditions in FY22

During FY22, our customers, our team and our business were challenged by the uncertainty and volatility associated with COVID-19. In the first half, we endured lockdowns in almost every State and Territory, we temporarily closed certain stores due to team member illness and have been dealing with unprecedented disruption right across our domestic and international supply chains, from the factory all the way to the store shelf. However, we were pleased to be able to continue to trade throughout each lockdown.

The emergence of the Omicron variant saw large parts of the community limiting their movement or self-imposing their own form of lockdowns during the key Christmas trading period and the January summer holidays, which adversely impacted sales during December and January. If this was not enough, communities in South East Queensland and many parts of New South Wales suffered from flooding in February and March, which resulted in three of our stores being significantly damaged and two being permanently closed, while also disrupting our supply chain in that part of the country.

Finally, as is being seen globally, the cost of goods continues to increase due to higher raw material costs and elevated supply chain costs.

This all meant that FY22 contained a range of challenging operating conditions.

Property

The Company has consistently stated that it will actively manage its property portfolio through closing underperforming stores, building a pipeline of 'replacement' and 'growth' stores and reducing occupancy cost through lease renegotiations.

During FY22, and in-line with our stated strategy, we opened 22 new stores, predominantly in neighbourhood and strip locations in both metro and country areas. We also closed 14 mostly underperforming stores. During the first four months of FY23, we have opened three new stores and relocated one store. The store network currently consists of 372 stores.

In addition, we also renegotiated approximately 125 leases that were either in holdover or expiring during FY22, with a further approximately 125 leases to be renegotiated in FY23. These renewals continue to represent an opportunity for us to rebase our rental expense.

We will continue to look for new store locations where we can conveniently serve more Australians and are planning to open up to 25 new stores during FY23. We also expect to close five to ten underperforming stores during the year. Most of these closures are consistent with our stated intention to close stores that are loss-making or where landlords seek rents that do not reflect customer foot traffic, especially at large shopping centres and CBD locations.

Looking forward

The current macro environment, characterised by high inflation and rising interest rates, creates significant cost of living pressures for many in the community.

The discount variety sector has an important role to play in helping all Australians, particularly in the midst of difficult economic times. As Australia's largest discount variety retailer, The Reject Shop can have a meaningful impact by offering our customers both branded consumables as well as exciting general merchandise at a low price.

I believe there is a significant opportunity to grow The Reject Shop by ensuring we maintain and build trust with our customers by becoming more relevant to their needs.

Consistent with other Australian retailers, we continue to navigate various margin pressures. We are working hard to manage rising costs across the business, volatility in foreign exchange rates, higher supply chain costs (including additional storage and processing costs) as well as a shift in sales mix due to customers increasingly gravitating towards low priced consumables that represent great value. We continue to manage margin by increasing prices to offset these higher costs.

Notwithstanding some of these short-term challenges, we are pleased that customer behaviour appears to be normalising during the first 15 weeks of the half. We are also well-stocked and ready to trade through the key Christmas trading period.

Our focus for FY23 is simple:

- a) We will continue to evolve our merchandise offer by further enhancing our low price position and continuing to differentiate our offer through more special buys, newness and variety. This will in turn drive comparable store sales growth through bigger baskets and more frequent visits.
- b) We will continue to expand our national store network with a focus on providing customers with even more convenient locations throughout Australia where they can shop and save with a plan to open up to 25 new stores in FY23.
- c) We will continue to work hard to maintain gross profit margin and manage the cost of doing business in a high inflation environment.
- d) And finally, we will continue to explore and invest in strategic projects across the business, particularly in supply chain and technology, which minimise risk, enable growth and improve our customers' experience.

To conclude, I am excited that, as a team, we can make a difference for our customers, team members and shareholders.

I look forward to The Reject Shop delivering an improved and differentiated merchandise offer that strongly appeals to our customers, which I am confident will deliver comparable store sales growth and create value for all shareholders.

I would like to thank all of our team for their efforts over the past year and I am excited to work with them in FY23, and beyond, to serve our customers and help them save every day. Thank you to all of our team members across the country!

And to our shareholders, thank you for your patience and long-term commitment to our business. We are determined to deliver sustainable growth. Thank you for your ongoing support.

I will now hand you back to Steven for the next part of today's meeting.