HY2015 RESULTS PRESENTATION

FEBRUARY 2015

321
AS AT
JUNE 2014

19
NEW STORES
1H 2015

3
CLOSURES
1H 2015

337
STORES
DEC 2014

THE REJECT SHOP

COME ON, GET SAVVY

THE REJECT SHOP

Agenda

Financial Snapshot

THE REJECT SHOP

Half Year Financial Results	HY2015	HY2014	% Change
Sales	402.2m	385.4m	+4.4%
Comp Sales	*-3.3%*	*0.0%*	
EBITDA (Pre Open'g / Refurb / Relay Costs)	32.1m	36.9m	-13.0%
Store Open'g / Refurb / Relay Costs	3.6m	3.6m	-
Reported EBITDA	**28.5m**	**33.3m**	-14.4%
D&A	9.5m	8.6m	
Reported EBIT	**19.0m**	**24.7m**	-23.0%
Interest Expense	(0.9m)	(0.6m)	
Income Tax Expense	(5.3m)	(7.2m)	
Reported NPAT	**12.8m**	**16.9m**	-24.0%
Earnings Per Share	44.4cps	58.5cps	
Interim Dividend Per Share	16.5cps	21.5cps	

Sales Up 4.4%

- Comparable Store Sales Negative But Improving
  - 1st Qtr - 5.4%
  - 2nd Qtr -1.7%
  - 1st Half -3.3%
- 19 New Stores; 3 Closures

Reported EBITDA Down 14.4%

- Qtr 1 Earnings adversely impacted by:
  - -> Poor Comparable Store Sales;
  - -> Clearance of Winter and De-Ranged Categories; and
  - -> $1.6 million in Store Wages to Relay Stores
- Qtr 2 Earnings Stabilized:
  - -> Improved Comparable Store Sales; and
  - -> Christmas Seasonal Merchandise Sales and Margin in line with Budget

Strong Balance Sheet Position

- Strong Operating Cashflow
- Debt Covenants Comfortably Met
- Significant Interest Coverage

THE SAVVY WAY TO SHOP

HYE Financial Scorecard

Financial Metric	HY2015 $ m	% of Sales	HY2014 $ m	% of Sales	Explanation / Comment
Actual Sales	**402.2**		**385.4**		Very disappointing Q1 with Consumer Sentiment post May Federal Budget poor, unseasonably warm winter and impact of relaying stores and de-ranging selected categories. Q1 Sales also adversely impacted by liquidation activities by a major competitor. Improved performance in Q2 as business drove greater volumes through everyday products at value prices and solid performance by Christmas Seasonal Merchandise.
Gross Profit	**180.6**	**44.9%**	**173.1**	**44.9%**	Adversely impacted in Q1 by clearance of winter seasonal product and de-ranged product. Q2 stabilized as strong Christmas Seasonal sales offset the impact of a number of underperforming higher margin departments. Cost impact of shipping to / operating a third DC in WA neutralized by inland freight savings to service WA stores and overall improved DC operating efficiencies.
Store Expenses	**133.0**	**33.1%**	**122.1**	**31.7%**	
-> Wages					Slight reduction as % to sales, despite negative comp sales, an excellent outcome reflecting the 45 non-comp stores becoming more efficient as well improved budgeting and rostering at stores in similar sales bands.
-> Occ. Costs					Occupancy costs up 0.7% to sales due to negative comparable store sales growth and limited store renewals finalized during the half. Targeted rental reductions increased and some early wins being achieved.
-> Advertising					Advertising costs increased by 0.3% to sales, as the business revised its mix of advertising to include a combination of flyers, regional TV, National TV (Re-branding launch in October), traditional catalogues and social media.
-> Opening / Relays / Refurbs					Dollar spend of $3.6 million was consistent across the two halves despite 19 new store openings (HYE15) versus 33 in prior half. This was due to a non-recurring $1.6 million in wages spent on relaying the entire store network in July-early September.
Administrative Expenses	**19.1**	**4.7%**	**17.7**	**4.6%**	Fixed cost base spread across an underperforming comparable store base. Local freight forwarding services bought in-house.
EBITDA As Reported	**28.5**	**7.1%**	**33.3**	**8.6%**	

Strong Operating Cashflow Generation

($'m)	HY2015	HY2014
Net cash flow*	**25.4**	**26.5**
Changes in working capital & other	19.6	12.5
Operating cash flows	**45.0**	**39.0**
New store opening	(6.3)	(13.9)
Existing stores maintenance	(4.7)	(3.2)
DC development	(1.0)	(0.5)
IT development	(1.3)	(2.6)
General capital maintenance	(0.1)	(0.1)
Net capital expenditure	**(13.4)**	**(20.3)**
Free cash flows	**31.6m**	**18.7m**
Key Statistics	**HY2015**	**HY2014**
Stock Turns (times)	2.3x	2.5x
Interest Cover (times)	20.6x	39.2x
Fixed Charges Cover (times) (rolling 12 mths including New Store Opening Costs)	1.33x	1.41x
Net Cash/(Debt)	$11.7m	$14.8m

*Net cash flow equals earnings before depreciation and amortisation and after interest and tax paid

Strong Operating Cashflow Underpinned by:

-> Improved control over Stockflow and Purchase Order Management, resulting in:

- Average Stock Per Store down 9% on June 2014 Balances despite poor sales and declining AUD

Moderated Capital Expenditure Outlook

-> Significant New Store Expansion phase over

-> Target to selectively open 10-15 new stores per annum

Strong financing arrangements in place to support future growth

-> Market competitive rates in place on all Banking facilities

-> Fixed Charge Cover (FCC) cleared by in excess of $3 million in EBITDA at December 2014

-> 2nd Half Forecast, if achieved, suggests significant headroom in FCC for March and June '15 Qtrs

Major goals for TRS

- Return to comparable store sales growth in a sustainable way by increasing customer transactions
- Provide our customers with a clearly differentiated offer that meets both their rational and emotional needs
- Continue to improve access to new customers via new stores and new store formats
- Become an employer of choice by providing a challenging but rewarding environment for people to work within
- Improve efficiency of systems and operations to reduce our CODB and to deliver improved returns to shareholders

How will we deliver these goals

All changes in the business will be underpinned by a focus and delivery of three key building blocks:

People and Capability

- New capability into the business
- Structured L&D to address competency gaps within the business

A clear and well communicated TRS vision

- Provide focus, clarity and consistency within the business
- Customer insight and segmentation is underway

Investment in excellent systems and processes

- Ranging
- Grading
- Supply chain – speed to market

These building blocks enable us to focus on improving the business

Key areas of opportunity are:

- To increase comparable store sales
- A continued focus on new store opportunities to open up areas of the market that we currently don't trade within
- A change to our marketing platform
- Focus on reducing our CODB

Sales Growth

Comparable Sales Growth (existing stores)

- Focus on "inspiring more people to do more with less" and delivering this every day in store
- Deeper understanding of our core customer base and both their rational and emotional reasons for shopping at TRS
- Will be driven by a focus on increased transactions as a result of continually delivering on our TRS vision
- Ranging, an opportunity to shift our business focus to what customers want and need by store cluster
- Grading will enable us to align stock with rate of sales by store clusters

Sales Growth

New Stores

- Customers continue to tell us that convenience is a key component of our offer
- We will continue to open new stores in areas of opportunity and to give us access to customers who currently don't shop with TRS
- We will reduce our rate of new store openings to normal levels of between 10 and 15 per annum

Sales Growth- Marketing

Marketing in store

- Improved in store communication of the role of categories and products in delivering our TRS vision in store (customer clarity)
- Communicate a sense of discovery and urgency to our customers
- Clear message around value for our customers

Marketing out of store

- Our mix of communication methods will change from total reliance on traditional means i.e. catalogue and TV to encompass a substantial focus on the use of digital technology to communicate with our customers:
  - Use of the internet as a engagement tool for our customers that encourages them into our stores
  - A database of customers that we are able to communicate directly with, tailoring our communication and offers to their individual needs and wants

Reduced CODB

Focus on reducing our CODB by:

- Refining our supply chain
- Focus on our property portfolio
- Right sizing our organization via an investment in People and Capability
- Improved productivity and efficiency in stores

Refining our supply chain

- We believe there is an opportunity to alter the way we currently procure and deliver products to our store shelves

- At a product cost level, the major opportunity here is to improve the way we are currently purchasing products

- There are two stages to this;

  Stage 1: reduce our current cost of sourcing products via our agents or partners by finding efficiencies to reduce our cost of product

  Stage 2: explore the opportunity to operate under a different model either in direct sourcing or via a joint venture partner to reduce product costs

- Our objective is to reduce our cost of products to enable us to invest part of the savings in cheaper pricing to increase transactions and grow sales whilst at the same time providing additional $ to the bottom line

Refining our supply chain

Maximise existing infrastructure:

- Options to improve efficiencies in our current operations

Change the way we do business by:

- Optimizing our sourcing and CFS network to increase reliability and generate total supply chain efficiencies

- Utilising offshore capability to reduce total SC cost
  - Increase focus on off shore stock processing to increase store ready consolidation in china
  - Focus on offshore value add activities such as slip sheeting, labelling and kitting

- Introduce a flow through stock movement process, focus on just in time stock movement
  - Consolidate offsite infrastructure
  - Shift to a cross dock based freight network

- Increase onshore productivity and capability

- Introduce source to shelf mindset – push cost and effort upstream

Property

- Over the next two years we have a 110 stores up for renewal, we continue to push very hard to capture improved rental terms and or locations in centres and believe there is an opportunity to rebase our property portfolio

- We will relocate a number of stores over time where we are currently paying rent above what our business model can afford

- Where alternative sites are not available and our trading contribution is at risk we will consider closing these stores at the time of lease renewal

- Additionally, we are working on:
  - reducing the capital cost of new stores, to invest in improved store fixtures that increase in store flexibility
  - develop and trial new store layouts to improve our customer experience in stores
  - reduce maintenance and operating costs in stores

Improved productivity and efficiency in stores

The majority of improvements will come from an investment in People and Capability and standardised operating processes, resulting in:

- Store labour productivity
  - Morning/Night fill will improve in store productivity and reduce labour costs
  - Improved customer focus as we delineate between working stock and customer service, expect this will result in improved customer shopping experience
  - to increase our use of shelf ready merchandise to improve labour efficiencies
  - and stock from the warehouse picked by department in store to assist in driving store productivity is also being investigated
- New store layouts to improve consumer shopping environment
  - Open up our entrance to stores
  - Bulk stacking of fewer promotions
  - Deliver merchandising standards to TRS vision

Customer promise

"Always get more for your money through the fun and excitement of discovering and bagging a new bargain every time you walk in a store"

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THE SAVVY WAY TO SHOP