

21 November 2018

ALLENSFORD ANNOUNCES UNCONDITIONAL ON-MARKET CASH OFFER FOR THE REJECT SHOP

- Unconditional on-market takeover offer of \$2.70 cash per TRS share
- Offer price represents a c. 19% premium to the 1-month VWAP of \$2.27¹
- Cash consideration provides certainty for TRS shareholders

Allensford Pty Ltd in its capacity as trustee of the Allensford Unit Trust (“Allensford”) announces an unconditional on-market cash offer of \$2.70 per share (“Offer”) for all the ordinary shares of The Reject Shop Limited (ASX:TRS) (“TRS”) that it does not already own.

Allensford has appointed its Broker, Bell Potter Securities Limited, to purchase TRS shares at the Offer price from today through to the close of trading on the Australian Securities Exchange (“ASX”) on 7 January 2019, unless extended.

Attractive Unconditional Cash Offer

The Offer represents immediate and certain cash value for TRS shareholders in the context of TRS’s deterioration in financial performance over time, as evidenced by TRS’s:

- Share price underperformance against the All Ordinaries Index
- Flat or declining comparable year on year sales with the negative trend continuing into FY19
 - Comparable year on year sales have declined or remained flat in four out of the five most recent financial years
 - Since the beginning of FY11, whilst headline sales have grown at a compound annual growth rate of 6.9% per annum², comparable sales growth has been, on average, only 0.1% per annum³
 - Year to date comparable sales performance for the first 15-week period of FY19 has fallen to –2.4%, versus positive comparable sales of c. 1% previously assumed by TRS for the first half of the FY19 financial year
- Profit downgrade issued by TRS on 17 October 2018
 - TRS issued revised guidance for 1H19 net profit after tax of \$10m to \$11m, representing a decline in the range of c.–37.9% to c.–43.5% from its previous guidance of c. \$17.7m
 - 1H19 NPAT guidance is likely to be heavily dependent upon the upcoming Christmas trading period and there is no certainty this will be achieved

¹ Volume weighted average price (“VWAP”) is calculated based on cumulative value traded on ASX and CHI-X divided by cumulative volume traded on ASX and CHI-X. 1-month VWAP calculated from 22 October 2018 to 20 November 2018 (inclusive).

² Total annual reported sales growth rates are based on total sales revenue in each financial year as reported in the consolidated statement of comprehensive income in TRS’s Annual Reports.

³ Represents the simple average of the annual comparable store sales growth figures as published in TRS’s annual results presentations in FY11 to FY18.

In addition, there are a number of potential challenges facing the discretionary retail sector in which TRS operates, including increased competition for consumer discretionary spend following the emergence of online discount retailers and continued high levels of competition in bricks and mortar discount department stores.

The offer price of \$2.70 cash per share represents a 19% premium to the 1-month VWAP to 20 November 2018 of \$2.27 per share.

Accepting this Offer delivers certain and immediate cash value and removes shareholder exposure to the deteriorating financial performance of TRS and risks associated with continuing to hold TRS shares.

There are no conditions attached to the Offer and TRS shareholders may sell some or all of their TRS shares immediately on-market and be paid cash two trading days after acceptance of the Offer has been made.

Allensford intends to lodge its Bidder's Statement with ASIC, TRS and ASX today. The Bidder's Statement will contain detailed information relevant to the Offer, including how to accept. TRS shareholders are encouraged to read the Bidder's Statement which is expected to be sent to TRS's shareholders later this month and in all cases no later than 5 December 2018.

Flagstaff Partners is acting as financial adviser and Gilbert + Tobin is acting as legal adviser to Allensford in relation to the Offer.

-ENDS-

For further information please contact:

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About Allensford

Allensford in its capacity as trustee for the Allensford Unit Trust has been incorporated specifically for the purpose of acquiring an interest in TRS shares, including those acquired pursuant to the Offer. All of the shares in Allensford and units in the Allensford Unit Trust are wholly owned by Bennamon Pty Ltd, which in turn is wholly owned by Kin Group Pty Ltd.

Kin Group is a diversified, global, long-term focused investor ultimately controlled by the Geminder family with offices in Melbourne, Australia and New York City, USA.

Kin Group focuses on long-term, strategic investments in a variety of industries, including packaging and food & beverage businesses and property, led by an experienced team of investment professionals.