



17 October 2018
ASX/Media Announcement

The Reject Shop Limited (ASX:TRS)

Pre-AGM Trading Update

Summary:

- Comparable sales for the first 15 weeks of FY19 have fallen to -2.4%
- As a result of this fall, the Company has revised its H1 FY19 NPAT downwards to between \$10.0m to \$11.0m

The Reject Shop ("Company") provides a trading update for the 15-week period of the new financial year including revised, downward guidance for the first half of the FY19 financial year.

At the release of the company's Full Year 2018 financial results, The Reject Shop announced that assuming a return to positive comparable sales of circa 1% during the 1H FY19, we would aim to report a H1 FY19 NPAT consistent with last year of \$17.7m.

This followed the first 7 weeks of trading in the new financial year where we experienced sales at -0.5% on a comparable basis and expected to see a return to positive comparable sales over the remaining weeks of the half.

Despite strong marketing and merchandise plans, and in store execution, the extremely weak retail environment has seen sales deteriorate, with this deterioration accelerating markedly during September and early October. Comparable sales for the last 8 weeks have fallen to -3.9%, with YTD comparable sales performance now -2.4% over the first 15 trading weeks.

Whilst it is difficult to forecast consumer behaviour in the current environment, unless we achieve improvement to our recent comparable sales trajectory, the Company expects to report a reduced first half NPAT in the range \$10.0m - \$11.0m.

Commenting, the Managing Director of The Reject Shop, Ross Sudano, said:

"We understand and acknowledge this is extremely disappointing news for our shareholders. We are doing everything within our power to manage the business for profitable growth through this extremely challenging consumer environment.

"The continuing absence of real wage growth and increases in the cost of many basic expenses (incl. mortgage rates) ensures that competition for the discretionary spend of consumers remains high.

THE REJECT SHOP

“In addition, we have seen increased investment in promotional pricing across many retailers, particularly in the Fast-Moving Consumable Goods (FMCG) space, resulting in additional investment in our FMCG pricing to ensure our value proposition is not damaged.

“Despite the challenges with sales in the first 15 weeks, we continue to manage our inventory particularly well and expect to continue to do so over the remaining weeks of the financial year.

“We are entering our key selling period and have a strong seasonal program in place, with a compelling value offer for Christmas and many tactical activities in place to drive sales. Christmas plans are built on the successes from last year and the early trade of the Christmas merchandise has been positive,” he said.

The Reject Shop Limited

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