

4 June 2021

Market Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

### **Trading update and Board appointment**

The Reject Shop Limited (ASX:TRS) ("**The Reject Shop**" or the "**Company**") provides the following trading update and announces the appointment of a new independent non-executive director.

#### **Trading update**

At its half year results announcement on 17 February 2021, the Company stated that COVID-19 continued to impact sales performance during the second half with January and February sales adversely impacted by the Brisbane, Perth and Victoria lockdowns, COVID-19 concerns in New South Wales, and changing State border restrictions. It was also noted that stores in CBD locations and large shopping centres continued to be negatively impacted by reduced footfall. In addition, ongoing challenges in the international supply chain were expected to result in increased costs during the second half.

Since the half year results announcement, trading activity has continued to be challenging. The Company's stores in CBD locations and large shopping centres, typically in metropolitan areas, continue to trade well below pre COVID-19 levels. Preliminary and unaudited comparable sales for the 48 weeks ended 30 May 2021 were down 1.4% compared to the comparable period in FY19<sup>1</sup>. To contextualise this result, comparable sales at CBD locations and large shopping centres (47 stores) were down 12% while the remainder of the portfolio (290 stores) were up 0.9%. Of these 47 CBD and large shopping centre stores, approximately 35 of these leases expire in the next 18 months or are currently being renegotiated or have recently been renegotiated.

In addition, the Company continues to incur materially increased supply chain costs, particularly higher international shipping costs as well as costs associated with holding inventory due to international shipping delays.

#### **Forecast**

While management has been working to offset these headwinds through cost reduction, the Company expects full-year sales for FY21 to be in the range of \$776 million and \$778 million and EBIT (pre AASB-16) for FY21 to be in the range of \$8 million and \$10 million.

The Company has not previously provided sales or profit guidance for FY21. These forecasts are subject to finalisation of the FY21 result, including year-end adjustments (e.g. stocktake), as well as external audit following completion of the financial year. It should be noted that trading conditions remain unpredictable during June, particularly in light of the current COVID-19 lockdown in Melbourne and COVID-19 related restrictions in regional Victoria.

The Company will provide further commentary on its financial performance when it releases its full year results in August 2021.

#### **Property**

The Company continues to look for new locations, particularly in regional Australia, where it can more conveniently serve more Australians. The national store footprint has increased to 359 stores (previously 354 stores at the half year results announcement). The Company expects to progressively open a further two stores in June and nine stores during the first quarter of FY22.

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<sup>1</sup> The Company is using FY19 to enable a comparison with pre-COVID-19 trading conditions given the second half of FY20 included the impact of COVID-19 related panic buying.

The Company continues to focus on reaching commercial agreements with its landlords that better reflect the current sales opportunity, particularly in CBD locations and large shopping centres. If acceptable commercial terms cannot be agreed with relevant landlords, the Company intends to maintain short term arrangements or close stores that do not meet financial benchmarks.

*Short-term challenges but focused on long-term strategy*

In general, and consistent with other retailers, the Company notes that customer shopping behaviour has tended to shift towards less frequent shopping visits with increased basket size. At this stage, the Company believes that customer shopping behaviour will normalise once broader concerns around COVID-19 reduce and more of the community are fully vaccinated for COVID-19. Until that time, the Company will continue to navigate the short-term challenges associated with COVID-19 and management will remain focused on cost reduction.

Management has achieved substantial progress during the 'fix' phase of the turnaround strategy. The Company's balance sheet remains strong and is expected to support the growth strategy.

***Appointment of Margaret Zabel as an independent non-executive director***

The Company is pleased to announce the appointment of Margaret Zabel as an independent non-executive director to its board effective from 4 June 2021.

Margaret is a specialist in customer centred business transformation, brand strategy, innovation, digital communications, customer experience and change leadership.

*Executive experience*

Margaret has more than 20 years of senior executive experience working across major companies and brands in fast moving consumer goods, food, technology and communications industries including multinationals, ASX100 companies and not-for-profits.

Margaret's executive experience includes National Marketing Director for Lion Nathan, Vice President of Marketing for McDonald's Australia and Chief Executive Officer of Advertising Council Australia (formerly known as The Communications Council).

*Non-executive experience*

Margaret is currently a non-executive director of a range of entities including G8 Education Limited (appointed September 2017), Collective Wellness Group (appointed August 2018) and Fairtrade Australia and New Zealand (appointed January 2019).

Margaret previously served as a non-executive director for the mental health charity R U OK? for 5 years.

*Qualifications and membership*

Margaret holds a Bachelor of Mathematics from the University of Waterloo (Canada) and a Master of Business Administration from INSEAD (France) and is a graduate of the Australian Institute of Company Directors.

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 Board.

**Michael Freier**

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