

The Reject Shop Limited
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20 October 2021

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, Andre Reich, at today's Annual General Meeting (commencing at 10.00am (AEDT)) of The Reject Shop Limited.

Shareholders have the ability to attend the Annual General Meeting to vote and ask questions in real-time using the online platform with all necessary information available through the Company's [website](#) and contained in the Notice of Annual General Meeting dated 17 September 2021 ([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 2021 Annual General Meeting of The Reject Shop Limited

Results

Your Company delivered sales of \$778.7 million and improved its profitability significantly despite the macro challenges.

At last year's results announcement, we did not anticipate facing rolling and, at times, extended lockdowns as well as incurring unbudgeted international shipping charges of approximately \$9 million during FY21.

The Company again traded strongly through the Christmas period, navigated through the disruption caused by the COVID-19 pandemic and managed the unexpected elevated international shipping costs while maintaining a customer-centric approach.

Earnings before interest and tax ("EBIT") of \$18.6 million and net profit after tax ("NPAT") of \$8.3 million showed further improvement on the prior year and underscores the stabilisation of the Company in recent times. The Company's balance sheet is strong with \$73.0 million in cash and no drawn debt at the end of June 2021.

In the coming year, I hope to report further progress as the Company transitions into the 'reset' and 'grow' phases of the turnaround strategy.

The extended lockdowns and supply chain issues that commenced last financial year have continued into the first half of FY22. Whilst there is positive momentum in relation to the lifting of the COVID-19 lockdowns in New South Wales and Victoria, it appears that the international supply chain challenges will continue for the remainder of the financial year. Notwithstanding these challenges, pleasingly the Company continues to trade in line with management's expectations.

Dividends

As previously announced, the Board decided that no final dividend would be declared in FY21. The Board will continue to assess its capital management strategy and provide an update at the half year result in February 2022.

Store performance

Stores in large shopping centres and CBD locations have again seen a significant reduction in footfall with comparable store transactions in FY21 down approximately 19% compared to FY19. As more Australians become fully vaccinated, we expect sales at these locations to return to historic levels.

The Company continues to identify new store opportunities across the country and assesses each opportunity for acceptable commercial terms with a particular focus on neighbourhood and strip locations.

Board

Selina Lightfoot retires from the Board today. Selina has been on the board for the past three years and her input during the initial phase of the Company's turnaround has been invaluable. Thank you, Selina.

In June 2021, the Board was very pleased to welcome Margaret Zabel to the Company. Margaret brings considerable acumen and experience to the Board given her background in the consumer goods industry.

Thanks

In the last few months, our team members based in New South Wales and Victoria have diligently and successfully worked through various COVID-19 restrictions to ensure that we can continue to serve customers. Thank you for your continued efforts.

I would also 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

I said last year that Christmas would be unlike previous years and experience shows that Australians celebrated

Christmas differently in 2020 due to COVID-19, yet pleasingly The Reject Shop again performed strongly in its peak period. I think that comment will equally apply this year too.

The Reject Shop is committed to providing a safe and clean shopping environment for customers and team members. I am confident that we have the right people and plans in place to again deliver a COVID-safe Christmas for all Australians.

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

Thank you.

Andre Reich - CEO's address to the 2021 Annual General Meeting of The Reject Shop Limited

Thank you, Steven.

Good morning ladies and gentlemen. I am pleased to address my fellow shareholders on the performance and continuing turnaround of The Reject Shop.

Results

As Steven has already mentioned, earnings before interest and tax ("EBIT") for FY21 was \$18.6 million and net profit after tax ("NPAT") was \$8.3 million. This is a pleasing result given the challenging operating environment although there is further work to do to return the Company back to historic profitability levels.

The objective in FY21 was to progress through the 'fix' phase of the business turnaround and stabilise the business while improving profitability through cost reduction. This objective was achieved through further business simplification and operational efficiency. During FY21, I am pleased to report that The Reject Shop has reduced the cost of doing business, which is a significant achievement. The Reject Shop turnaround is progressing as expected despite operating in a very uncertain and challenging macro environment.

COVID-19

The COVID-19 pandemic has adversely impacted all Australians in one way or another. In the midst of uncertainty and complexity, The Reject Shop has simply focused on living out its purpose, which is centered on helping all Australians save money. Our purpose has assisted us well, especially as we responded to rolling and, at times, extended lockdowns throughout the country. Over the past 18 months, our team has stepped up and served our customers in a way that continues to encourage and inspire me. I am deeply thankful for their efforts on the frontline of the COVID-19 pandemic. The dedication of our team to go above and beyond continues to be our competitive advantage.

During COVID-19, new and existing customers have shopped with us for their everyday essentials. The Reject Shop is committed to providing a safe and clean shopping environment for customers and team members, and we have taken a number of steps to try to deliver a COVID-safe shopping experience.

Our Strategy

As I have previously said, The Reject Shop's turnaround will be focused on running a highly efficient, safe and low-cost retail network of stores where team members can have a positive impact by helping all Australians save money every day.

Purpose

The Reject Shop's purpose is to help all Australians save money every day. This is a simple statement, yet it goes to the heart of everything we do as a company and the role we want to play in the community now and into the future.

International shipping

As previously highlighted at last year's annual general meeting, Australia has experienced substantial disruption to the importing of goods through the Asia shipping lane, and it is likely that this disruption will continue for the remainder of FY22. The disruption continues to be due to several macro factors that are impacting shipping capacity with demand being greater than supply. These international delays have been further exacerbated by delays at Australian ports and we are managing this closely. Nevertheless, we expect some impact to stock availability and increased costs through higher shipping charges.

As a result of the international shipping challenges during FY21, The Reject Shop incurred approximately \$9 million (or 115 basis points of gross margin) in higher than anticipated and unbudgeted international supply chain costs. Unlike in

FY21, most of these higher international supply chain costs have been factored into the company's budget in FY22, however, they continue to increase.

To date, The Reject Shop continues to manage delays and disruption to its international supply chain. Pleasingly, our initial Christmas stock has arrived and is now setup in-store.

Merchandise

During FY21, we continued to refine our merchandise offer to consistently deliver great value on products that customers need and want. We continue to improve our selection of known national brands from leading local and overseas manufacturers, supported by private brands offering even greater value. Prices on certain products are being managed carefully where the cost of goods has been impacted by higher raw material costs or higher international shipping costs. Notwithstanding this price inflation across the merchandise range, we continue to focus on providing customers with the lowest price in the market through buying at scale.

Our competitive advantage

Our business is supported by its most valuable advantages: our people and our store locations.

To support our team, our priority will be to ensure we have the right people in the right roles with our objective to create meaningful long-term employment with The Reject Shop. We will ensure that even more of our team members are given promotion opportunities, particularly for store manager roles. I am proud to say that approximately 60% of all new store managers appointed since April 2020 were promoted internally.

Our objective is to provide a convenient shopping experience in more Australian communities, which is simple, efficient and safe for our team members to operate and easy for customers to shop in.

We currently have 364 convenient locations throughout Australia. These locations are critical to providing our customers with a pleasant shopping experience where we meet their needs and wants.

The Reject Shop continues to look for new locations where it can more conveniently serve more Australians. During this financial year, we are targeting to open a further 20 stores. To date, we have opened six stores and closed three stores in the first four months of this financial year. In addition, the company expects to close at least a further two unprofitable or underperforming stores during FY22.

Looking Forward

In summary, the operating environment remains uncertain. Our team will be primarily focused on achieving EBIT growth during FY22 through generating comparable store sales growth in the existing store network (subject to the ongoing disruption from COVID-19), opening new stores in neighbourhood and strip locations (both metro and country) and continuing to optimise costs across the business.

We strongly believe that the discount variety sector in Australia presents a great opportunity based on comparable overseas markets. This suggests that there is significant potential for the Australian discount variety sector to grow over the medium to long-term, and we are positioning The Reject Shop for this growth.

I would like to thank the Board, our shareholders, business partners, suppliers and customers for your continued support. Thank you for your patience and long-term commitment to our business. I am determined to transform The Reject Shop and deliver sustainable growth.

I would like to invite all Australians, including our shareholders, to give us the opportunity to serve them and help them save every day.

Thank you for your ongoing support.

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