

Thorn Group Limited

ACN 072 507 147

ASX ANNOUNCEMENT

25 MAY 2010

THORN LIFTS PROFIT 33 PER CENT, INCREASES CUSTOMER NUMBERS

- Normalised NPAT up 32.8% to \$16.4m
- Revenue up 14% to \$145.1m
- 10.5% customer growth
- Final dividend 3.76 cents
- Responsible Rental and Lending Policy delivers record low arrears

Results

For the year to 31 March 2010, Thorn Group Limited (ASX: TGA), has recorded net profit after tax of \$19.5 million, or \$16.4 million when normalised for a one-off tax benefit of \$3.1 million.

Normalised net profit after tax is up 32.8% compared to \$12.3 million for the previous year, reflecting resilience of the combined retail and financial services business model. This result means the group has doubled profit since its listing three years ago.

Revenue has grown 14 per cent to \$145.1 million, normalised earnings per share is up 32% to 12.69 cents, final dividend is up from 2.91 cents to 3.76 cents and gearing is lower, with debt to equity at 7.34%.

Commentary

Despite a soft retail market, the main driver of Thorn's performance has been an 8.8% increase in customer numbers for the core Radio Rentals and Rentlo business, as more people chose its "Rent, Try, \$1 Buy" offering as a means of accessing an increasing range of household goods. Overall customer numbers increased 10.5%.

Thorn has found that increased demand has been generated by many of its customers not having mortgages, leaving them less affected by rising interest rates and, in current economic conditions, preferring to rent rather than buy goods. There is also emerging evidence of more people with mortgages preferring to Rent, Try, \$1 Buy!

All rental product categories have experienced higher demand, with whitegoods providing about a third of new installations, audio visual and computers 40%, and the remainder across furniture and gym equipment.

Margins have been maintained by Thorn having efficient access to customers, with some 70 per cent of inquiries being made by telephone and online, supplemented by its 70 stores nationally.

Other contributors to improved performance were historically low late payments, allowing staff to be more focused on business growth, more contracts going full term and higher levels of repeat business.

According to Thorn managing director, Mr John Hughes, results were particularly pleasing given prevailing economic conditions and Thorn's ongoing investment in strategic growth initiatives.

"Our customers are showing there is strong and growing demand for our "Rent, Try, \$1 Buy" offering and our Responsible Rental and Lending Policy has meant lower customer arrears and bad debts," Mr Hughes said.

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Business performance

Among the most popular rental products were flat panel TVs, with demand up 28% and expected to continue strongly as households switch over to digital broadcasting and desire increasingly larger screens.

Thorn Business Services, a business rental operation, performed well, and the recently established Cashfirst, a personal term loan business, increased its loan book from \$3 million to \$5.5 million.

Both these businesses have benefited from banks moving away from smaller size personal credit and SME equipment financing.

Start up online retailing arm, BigBrownBox.com.au, found business conditions tough but is well positioned in the market and recently launched a range of small appliances and cooking products.

Business initiatives

Among current initiatives that Thorn expects to contribute to growth are:

- Continued rollout of lifestyle stores across the rental network;
- Expansion of the one person branch model into underserved markets; and
- Improving contributions from Thorn Business Services, Cashfirst and BigBrownBox.

Credit legislation

From 1 July 2010, the National Consumer Credit Protection legislation will become operative which Thorn sees as having a positive effect on industry practices.

Thorn considers its own Responsible Rental and Lending Policy, which focuses on a person's residential and income status with strict emphasis on capacity to pay rather than relying extensively or solely on credit history checks, reflects the objectives of the legislation and industry best practice. This is a major factor in Thorn continuing to have record low levels of customer payments in arrears.

Dividend payment, growth profile

Final dividend of 3.76 cents a share fully franked will be paid on 22 July to shareholders registered on 23 June. This takes full year dividend to 6.32 cents, up 32 % from 2009.

Since listing on the ASX three years ago, Thorn has doubled profit from \$8.2 million in 2007 to \$16.4 million in 2010 on a normalised basis.

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ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)

Thorn Group is a retailing and financial services company and a leader in the household goods rental market. Its core business is Radio Rentals, a brand in Australia since 1937 and now with 70 stores nationally. Other group businesses comprise Thorn Business Services, providing commercial finance for SMEs, Cashfirst for personal loans and www.bigbrownbox.com.au, online retailer. Thorn trades as Radio Rentals in all states and territories except South Australia, where it trades as Rentlo.