

RR Australia Limited



Full Year Results Presentation

“Exceeding Prospectus and Positioned for Growth”

John Hughes
Managing Director

Peter Eaton
CFO

Financial Highlights

- Revenue up 15% on previous corresponding period to \$101m
- Actual PAT of \$6.5m – 6.4% ahead of prospectus forecast
- Pro-forma PAT of \$8.2m – 3.1% ahead of prospectus forecast
- Actual EPS of 5.1 cents – 6.2% ahead of prospectus forecast
- Strong balance sheet with gearing of 1.87%
(net debt to equity)
- Fully franked dividend of 0.97 cents per share
(in line with prospectus pro-forma)

Corporate Highlights

- IPO - 13th December
- New Directors Appointed
 - Peter Henley - Ex GE Money
 - Paul Lahiff - MD Mortgage Choice

Operational Highlights

- Focus on “operational excellence”
- “Project Simplify”
 - Reduced store administration
- Corporate Office move to Bankstown
 - Rent saving
- Increased Credit Management focus
- More aggressive “Call to Action” marketing
- HR Restructure
 - Increased emphasis on training & development

Profit & Loss

| Year End 31 March (\$'000) | 2007 Actual | 2007 Forecast | 2007 Pro Forma Actual | 2007 Pro Forma Forecast |
|----------------------------------|----------------|------------------|-----------------------------|-------------------------------|
| Total Revenue | 101,039 | 99,919 | 101,039 | 99,919 |
| EBITDA | 14,176 | 13,754 | 14,266 | 14,088 |
| <i>EBITDA Margin</i> | 14.0% | 13.8% | 14.1% | 14.1% |
| EBIT | 12,297 | 11,737 | 12,387 | 12,071 |
| <i>EBIT Margin</i> | 12.2% | 11.7% | 12.3% | 12.1% |
| PAT | 6,542 | 6,147 | 8,208 | 7,960 |

Balance Sheet

| As at: | March 07 \$'000 | March 06 \$'000 |
|--------------------------|--------------------|--------------------|
| Current Assets | 16,542 | 12,476 |
| Non Current Assets | 68,219 | 67,594 |
| Total Assets | 84,761 | 80,070 |
| Current Liabilities | 21,855 | 26,654 |
| Non Current Liabilities | 8,504 | 45,901 |
| Total Liabilities | 30,359 | 72,555 |
| Net Assets | 54,402 | 7,515 |
| Contributed Equity | 49,649 | 25,000 |
| Retained Earnings | 3,925 | (17,485) |
| Reserves | 828 | - |
| Total Equity | 54,402 | 7,515 |

Cashflow

| For the period ended: | FY07 | FY06 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Net cash from operating activities | 5,816 | 4,370 |
| Net cash used in investing activities | (683) | (1,184) |
| Proceeds from issue of shares | 56,425 | - |
| Proceeds from borrowings | 10,500 | - |
| Repayment of borrowings | (69,829) | (3,998) |
| Net cash used in financing activities | (2,904) | (3,998) |
| Net increase / (decrease) in cash held | 2,229 | (812) |
| Cash at beginning of reporting period | 4,753 | 5,565 |
| Cash at end of reporting period | 6,982 | 4,753 |

Operational Performance

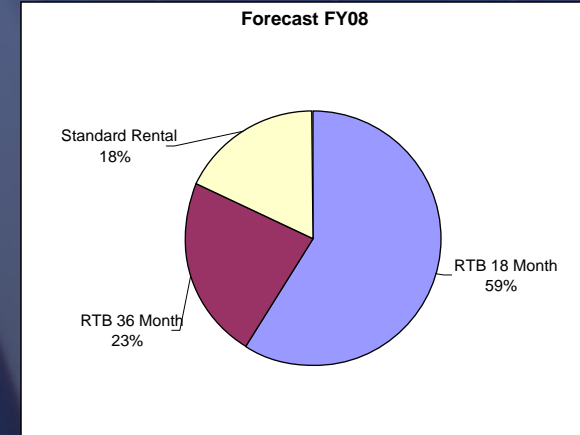
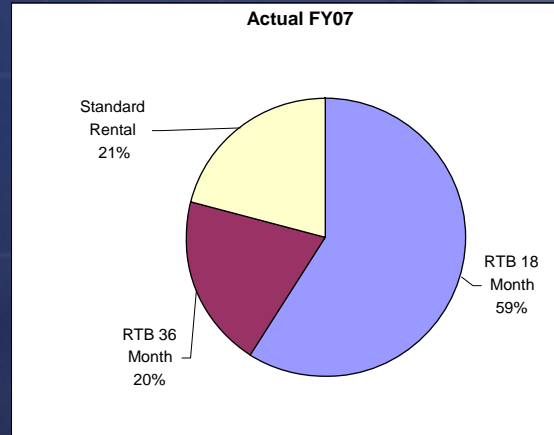
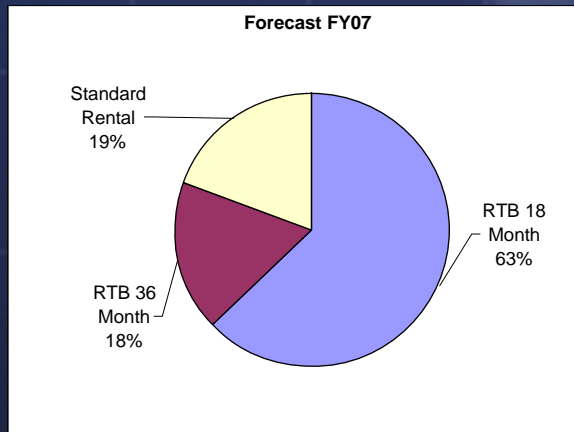
- Branch Network
- Propositions
- Products
- Customers
- Risk Management
- Marketing

Branch Network

- Generating Efficiencies
 - Burwood/Broadway merger
- New Initiatives
 - Mobile Showroom trial in Sydney
- Potential for expansion
 - Other regional areas

Propositions

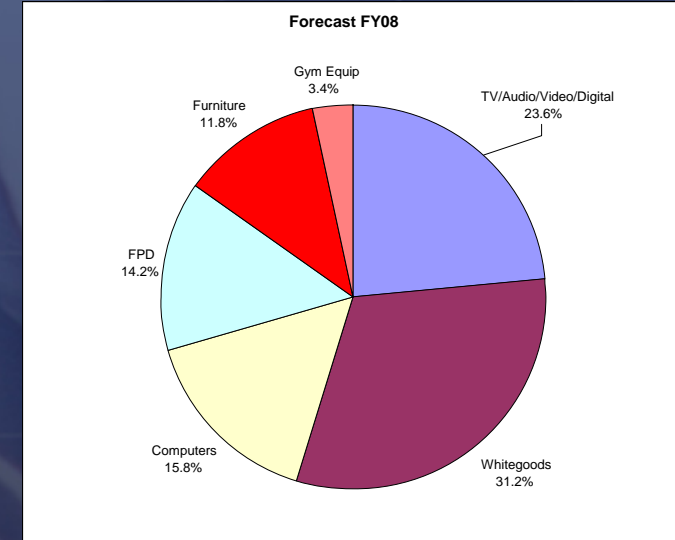
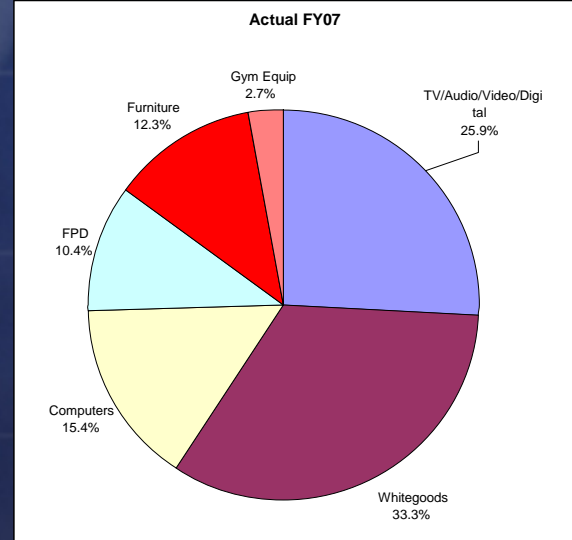
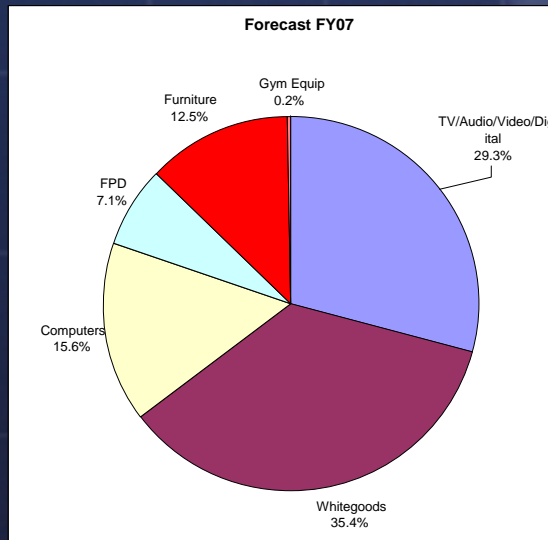
Installation Revenues (Dues):



- Continued steady movement to RTB 36 month in line with Plasma/LCD and PC growth
- Furniture is primarily on RTB 18 month contracts
- Standard Rental includes short term and commercial

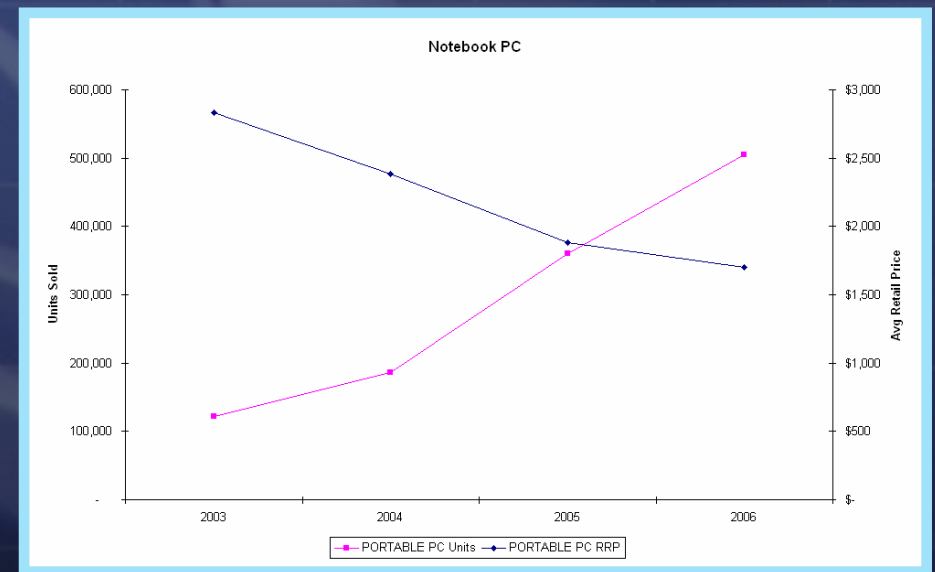
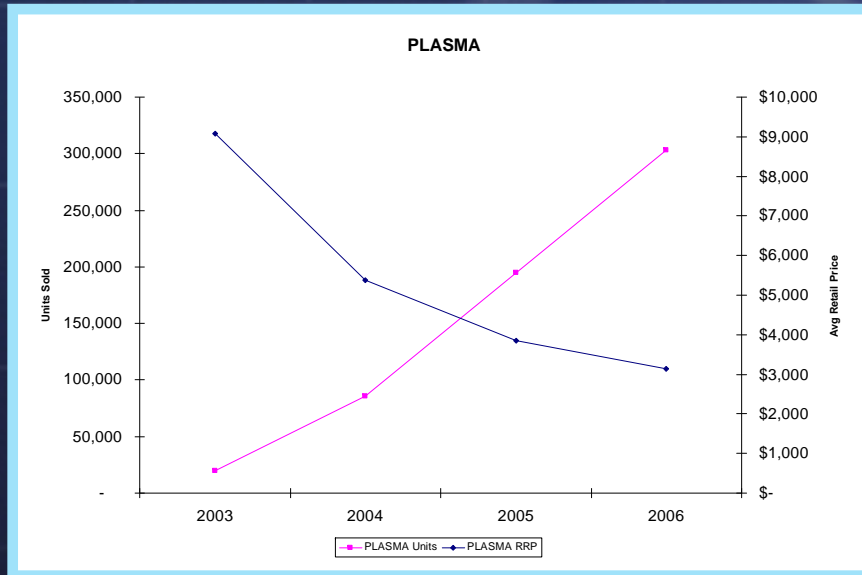
Products

Installation Revenues (Dues):



- Major shift to new product segments continues
- Plasma/LCD/PC at 30% of '08 Forecast versus 25.8% in '07
- Furniture remains steady
- Robust growth in Gym equipment - more affluent consumers

Product Trends



- \$19.95/wk price points achieved ahead of schedule
- Consumer demand is following anticipated growth patterns

Customers

- Metro
 - Decline arrested
 - Growth in April and May
 - Now following regional trend
- Regional
 - Continued growth
- New Customers being attracted
 - Increased awareness
- Focus on broader market
 - Situational/short term
 - Commercial

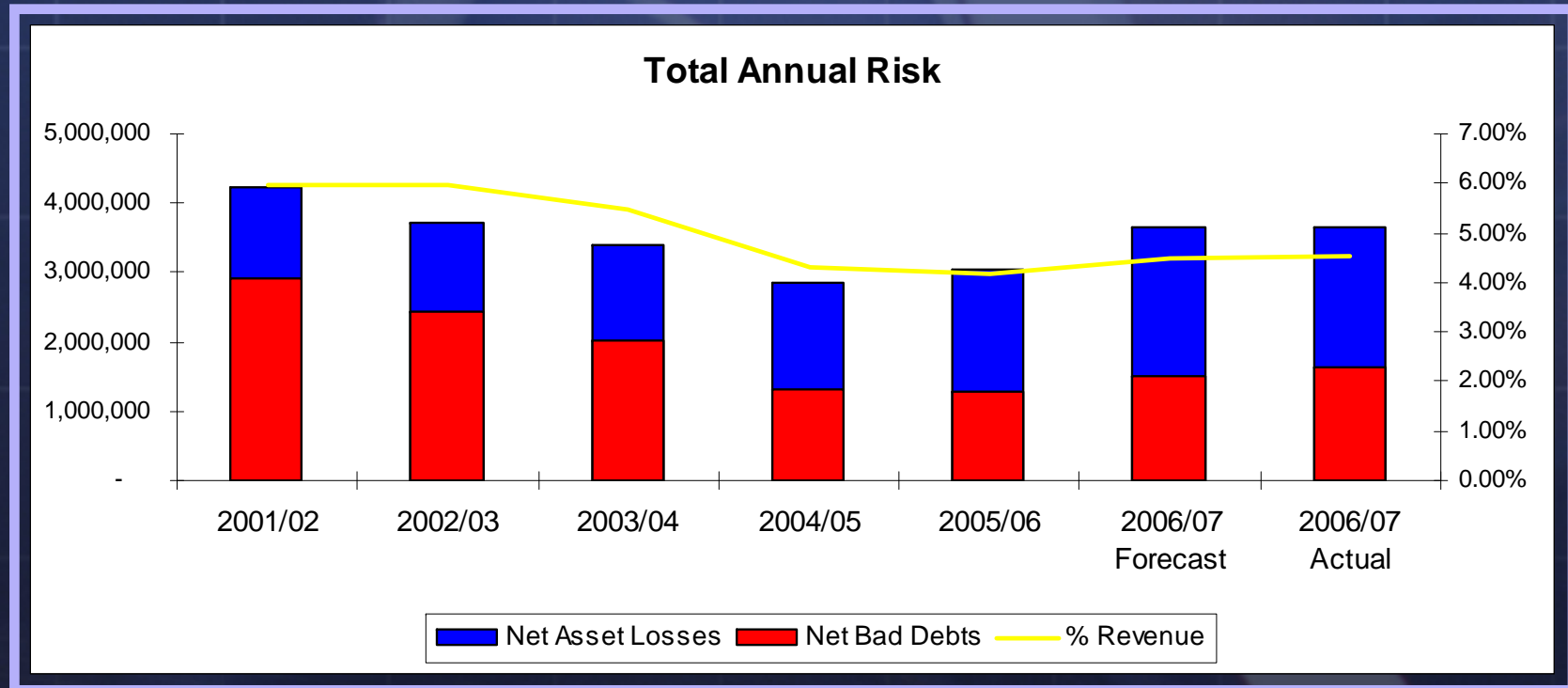
Customers

| | FY04 | FY05 | FY06 | FY07 Forecast | FY07 Actual |
|---|----------|----------|----------|------------------|----------------|
| Revenue | \$73,998 | \$78,840 | \$87,739 | \$99,919 | \$101,039 |
| Average Units | 167,109 | 175,125 | 185,776 | 197,261 | 196,409 |
| Average number of customers | 82,968 | 81,220 | 79,976 | 77,765 | 77,536 |
| Average revenue per Customer per month | \$74.32 | \$80.89 | \$91.42 | \$107.07 | \$108.59 |
| Average number of units per customer | 2.01 | 2.16 | 2.32 | 2.54 | 2.53 |

Risk Management

- Compulsory Direct Debit/Centrepay
 - Currently 60% of revenue (dues)
- National Credit Manager appointed
- Centralised Credit Acceptance
- Enhanced Scorecard/customer matching
- Earlier action on delinquent accounts
 - Some 06/07 impacts

Risk Management



* Total risk as a % of gross rental dues less discounts

Marketing

- More aggressive with strong “Call to Action”
- Broader audience
 - 6.2 million catalogues
 - National TV
- Increased expenditure to \$7.0m
- New Catalogue design & TV Commercials
 - “Join the rental revolution”

Marketing (May Catalogue)

RENT 2 GET A 3RD RENT FREE*

BRAND NEW \$19.95 **BRAND NEW** \$9.95

GET IT NOW!

- ✓ NO DEPOSIT
- ✓ FREE SERVICE
- ✓ FREE DELIVERY**
- ✓ RENT, TRY, BUY™*

CALL NOW 131 181

radio rentals
www.radio-rentals.com.au

“ We rented our TV and sofa and got our fridge rent free. Who said you have to make do with hand-me-down’s? Come on Australia, join the rental revolution. ”

Take and Julie – Just married

RENT 2 GET A 3RD RENT FREE*

BRAND NEW \$11.95 **BRAND NEW** \$9.95 **BRAND NEW** \$14.95 **BRAND NEW** \$18.95

BRAND NEW \$14.95 **BRAND NEW** \$3.87 **BRAND NEW** \$3.13

RENT ANY 2 PRODUCTS AND GET A 3RD RENT FREE!

BRAND NEW \$7.95 **BRAND NEW** \$17.95 **BRAND NEW** \$14.95

radio rentals
www.radio-rentals.com.au

CALL NOW 131 181

Marketing (June Catalogue)

1ST MONTH RENT FREE*



BRAND NEW

\$18⁹⁵
per week*

Aspire S485 PC

Saaly Queen Ensemble
Accessories are included



BRAND NEW

\$14⁹⁵
per week*

GET IT NOW!

- ✓ NO DEPOSIT
- ✓ FREE SERVICE
- ✓ FREE DELIVERY**
- ✓ RENT, TRY, BUY™*
- ✓ TAX DEDUCTIBLE†

CALL NOW 131 181



BRAND NEW

\$19⁹⁵
per week*

NEC 106 cm Plasma Television

radio **rentals**

www.radio-rentals.com.au

“Not only did I get this telfie and this computer but I got the first month rent free! Come on Australia, join the rental revolution.”

Annabelle – Single mum

1ST MONTH RENT FREE™



BRAND NEW

\$11⁹⁵
per week*

City 2.5 Seater Sofa



BRAND NEW

\$9⁹⁵
per week*

My Desk 8 sofa & Mattress
Accessories are included



BRAND NEW

\$14⁹⁵
per week*

7 Piece Dining Suite



BRAND NEW

\$19⁹⁵
per week*

Aspire Intel. Culture M Laptop



BRAND NEW

\$10⁹⁵
per week*

Parasonic 1648 DVD Recorder



BRAND NEW

\$14⁹⁵
per week*

NEC 66cm LCD Television



BRAND NEW

\$14⁹⁵
per week*

Pioneer Pro Treadmill

ASK US ABOUT OUR RE-RENT SPECIALS - ASK US ABOUT TAX DEDUCTIBILITY BENEFITS FOR SMALL BUSINESS*



BRAND NEW

\$7⁹⁵
per week*

Simplex Dryer



BRAND NEW

\$9⁹⁵
per week*

Simplex Dry Washing Machine



BRAND NEW

\$9⁹⁵
per week*

Mitsubishi 24L Fridge

radio **rentals**

www.radio-rentals.com.au

CALL NOW
131 181

Marketing *(May TV Commercial)*



Marketing *(June TV Commercial)*



Market Outlook

- Economy
 - Continued consumer optimism but potential impact of Federal election
 - Interest Rate pressure
 - High levels of personal debt
- Regulatory
 - No changes anticipated
- Industry
 - Strong Plasma/LCD/PC growth to continue
 - Furniture and whitegoods steady
 - Increasing competition in micro-lending

Growth Strategy

- Cash Loans
 - Tasmanian trial to commence in 3rd quarter
- Franchising
 - Assessment later in 07/08
- Acquisition of rental competitors
 - Assessing opportunities
 - Seeking to take market share
- Third Party rental propositions
 - Awaiting further rationalisation of retailers

Company Outlook

- Strong growth in Plasma/LCD and PC's
- Furniture to maintain solid performance
- Broader base of customers
 - Greater acceptance of "rental"
- Further operational efficiency gains
- Sound PAT growth in 07/08