# 2011 Full Results
24 May 2011

# Group Performance Summary

- Normalised Net Profit after Tax up 40% at $23m[1]
- 13% increase in actual Net Profit after Tax to $22m
- Revenue up 8.6%
- 10.5% total customer growth
- EPS of 17.01 cents
- 28.4% net debt/equity ratio
- DPS 8.49cents; a 34% increase
- Consistent low level of rental arrears
- Cashfirst loan book doubled to $12m
- Acquisition of NCML at end March 2011
- Investment in Big Brown Box exited

*[1] PCP NPAT contained a one-off tax benefit pertaining to the temporary investment allowance of $3.1m and current period has been normalised for the acquisition costs of $1m relating to NCML*



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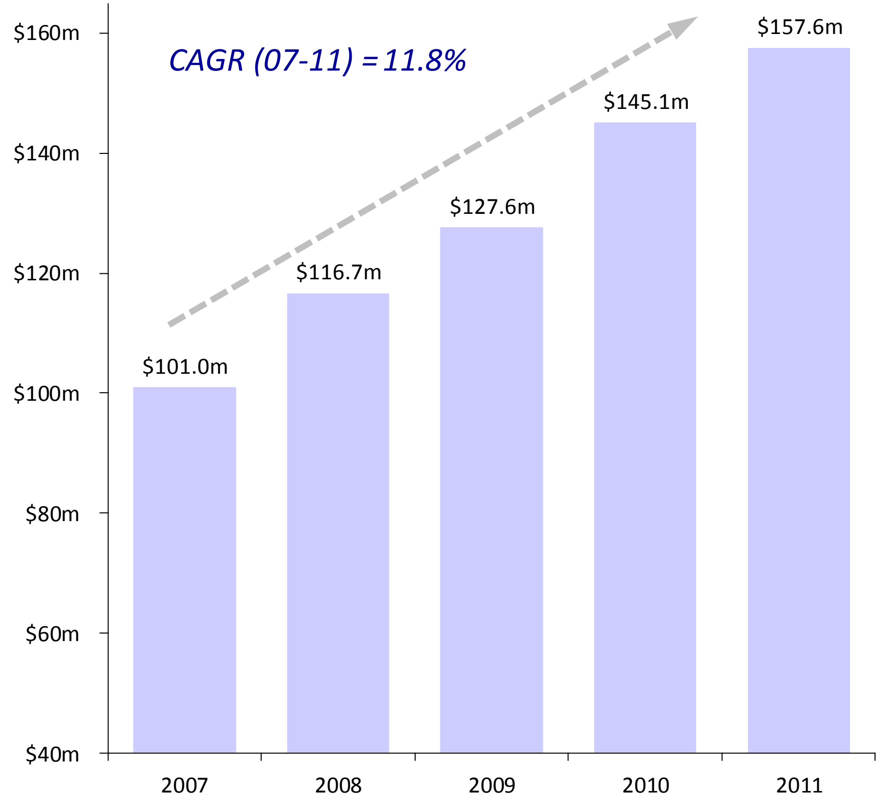
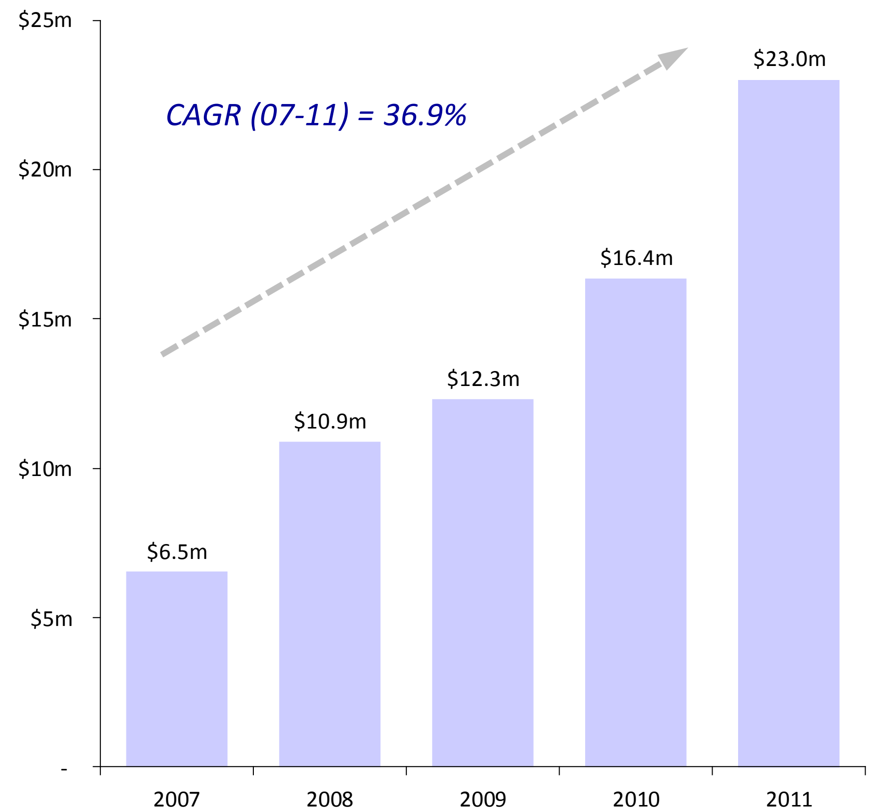
# Revenue & NPAT: Strong growth continued

Revenue +8.6%



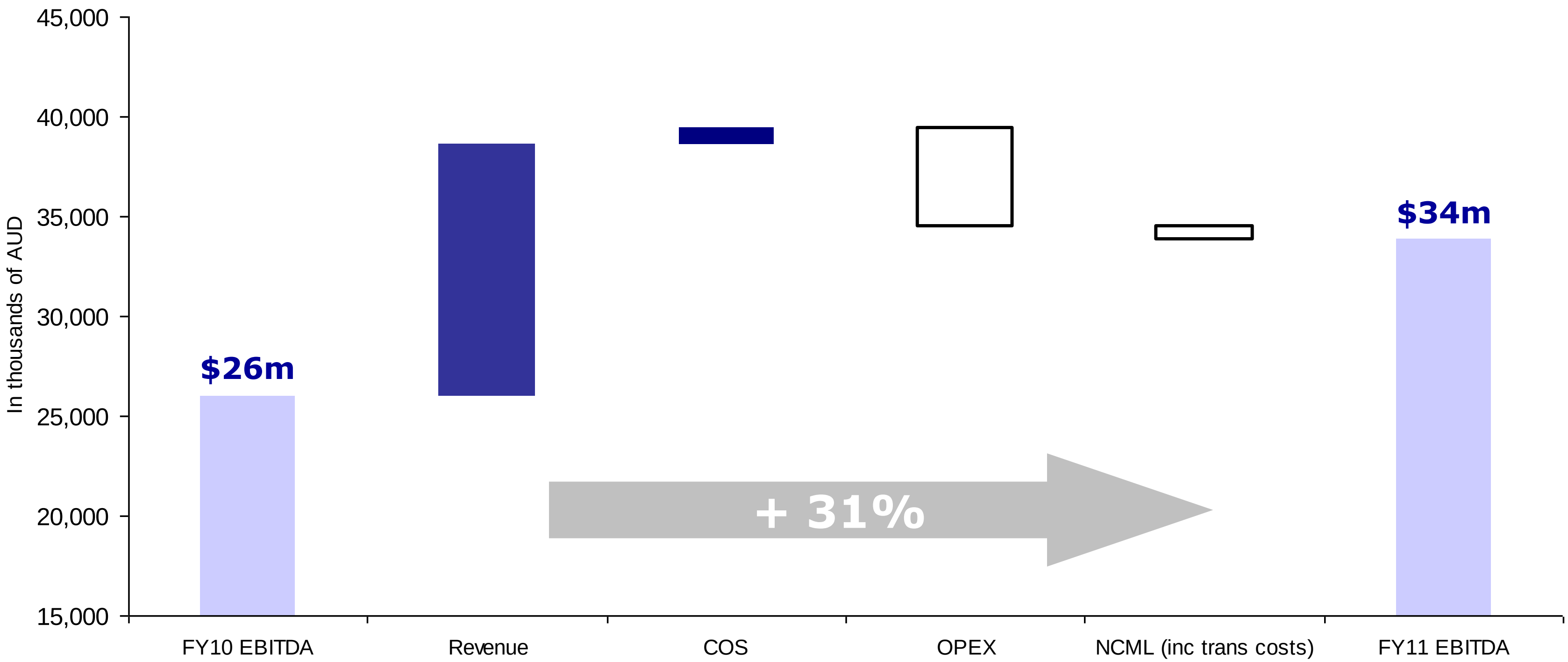

NPAT +40%




*Note - normalised 2010 & 2011 NPAT*

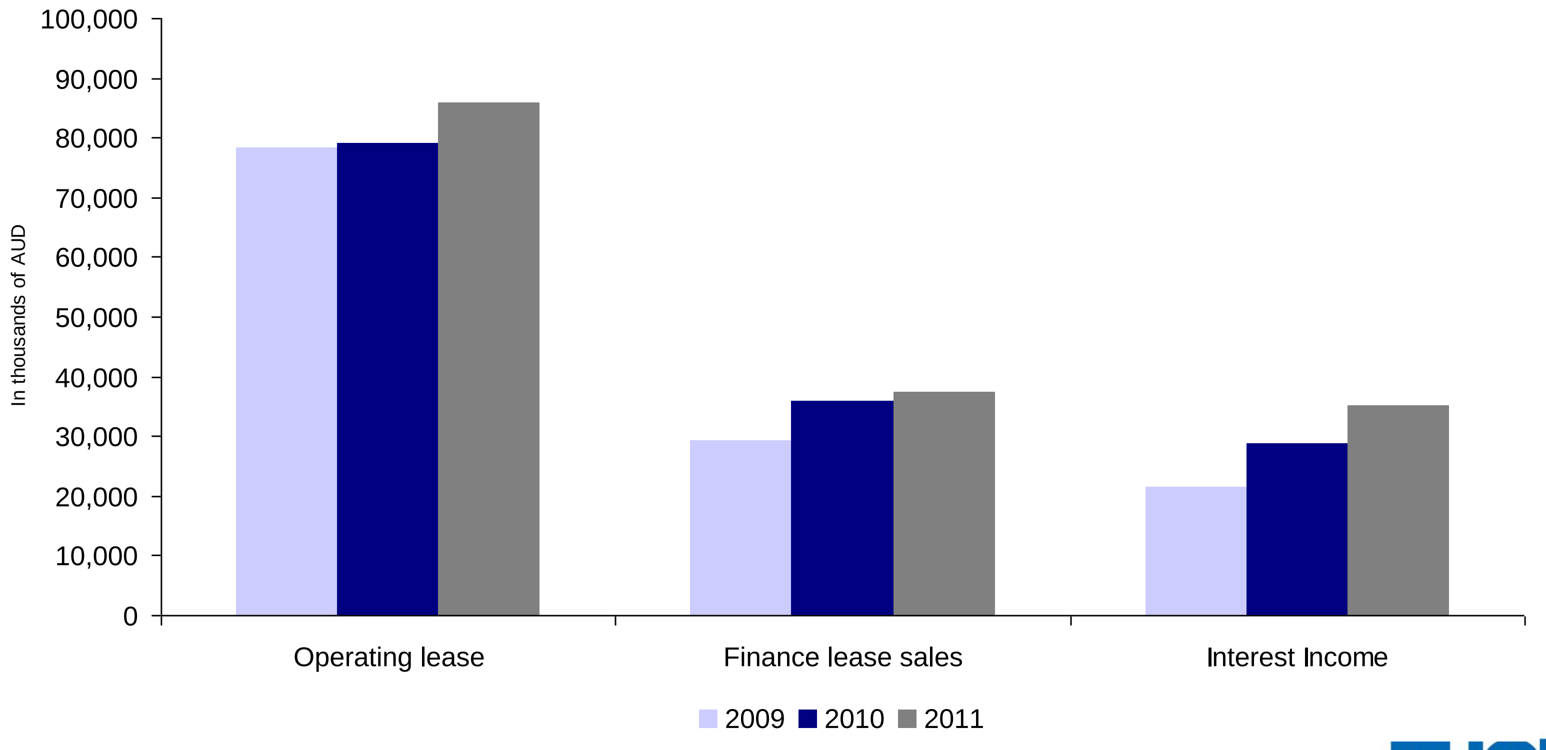
# EBITDA: Growth maintained

- Revenue increase of 8.6% main driver
- COS reduced due to import program, AUD performance and general technology deflation
- Gross margin percent expanded to 63.2%
- OPEX increases in-line with the expansion of the business



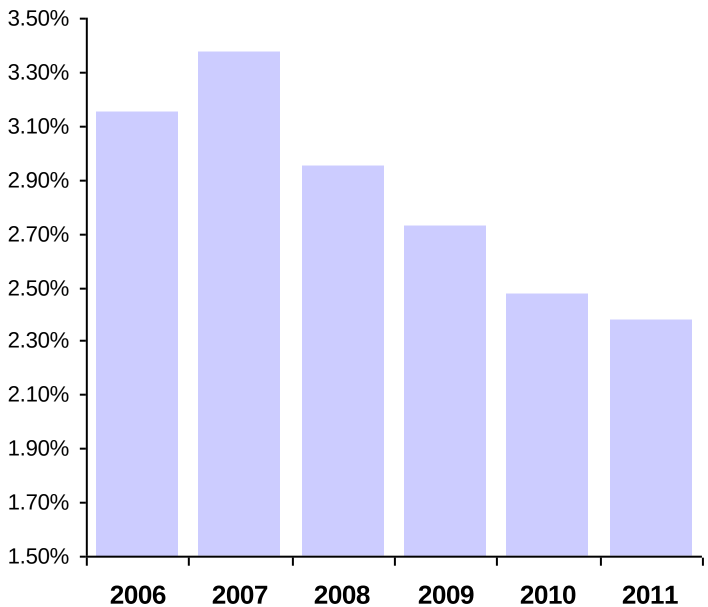
# Revenue: Increased in all segments

- Finance lease sales revenue +7%
- Operating lease revenue +9%
- Interest income +19% in-line with growth in finance lease and Cashfirst receivables



# Bad Debts: Reflects improvements in business practices

- Impairment charges on the rental book continue to decline as a percent to revenue
- Provisioning movement continues to track in-line with finance lease sales
- Cashfirst bad debt and provisioning in-line with growth in receivables




**H1 Comparison: Rental Bad Debt & Asset Losses as a percentage of customer payments**

| *In thousands of AUD* | FY10 | FY11 |
|---|---|---|
| Provisioning | | |
| - Rental | 4,599 | 4,980 |
| - Cashfirst | 230 | 838 |
| Losses incurred: | | |
| — Net Debt | 1,196 | 1,189 |
| — Asset | 1,811 | 2,063 |
| — Cashfirst | 532 | 829 |
| Total | 8,368 | 9,899 |

# OPEX: In-line with business growth

- Headcount increases in-line with growth
- Marketing increased to 'drive' new business strategies – significant increase in Cashfirst
- Transport and occupancy impacted by energy/fuel prices and new locations; like for like +2%

| *In thousands of AUD* | FY10 | FY11 | Movement |
|---|---|---|---|
| Personnel | 28,814 | 31,275 | +8.5% |
| Marketing | 9,554 | 10,272 | +7.5% |
| IT & Telco | 2,327 | 2,467 | +6.0% |
| Occupancy | 6,251 | 6,614 | +5.8% |
| Transport | 5,377 | 5,875 | +9.3% |
| Other | 7,553 | 8,352 | +10.6% |
| **OPEX** | **59,876** | **64,855** | **+8.3%** |

*[1] NCML acquistion costs and pro-rata operating expenses excluded from the above table*

# Balance Sheet: Significant underlying strength

- Net asset growth of 16.1%
- Total tangible assets $134m, a 31% increase
- Debt to equity ratio remains conservative at 28%

| Key asset movements | 31 Mar 2011 $'000s | Movement $'000s | |
|---|---|---|---|
| Cash | 9,038 | 3,291 | • Increase in operating cash<br>• Cash balance favourably impacted by NCML acquisition |
| Finance lease | 56,831 | 5,956 | • 12% book growth<br>• Consistent provisioning policy |
| Cash loans | 12,191 | 6,664 | • Book doubled in 6 months |
| Rental assets | 41,178 | 5,967 | • Growth in operating lease book |
| PDLs | 5,321 | 5,321 | • NCML acquisition |

# Cashflow: Strength of recurring revenue streams

| *In thousands of AUD* | FY10 | FY11 | |
|---|---|---|---|
| **NPAT** | **19,495** | **22,038** | |
| **Non cash movements:** | | | |
| Share based payments | 69 | 662 | • New scheme from April 1 |
| Disposal rental assets & PPE | 25,811 | 23,706 | • Reversal of non-cash movements |
| Depreciation | 21,397 | 23,189 | • Increase in-line with operating lease revenue |
| Working capital | (8,905) | (1,879) | • Trade payables and tax payable favourably impacted |
| **Cash generated** | **57,867** | **67,716** | • Increase despite signifcant growth in loan book |
| Investments | (47,628) | (84,961) | • Increase in rental asset purchases & NCML acquisition |
| Financing | (7,059) | 20,536 | • Increase in dividends paid & increase in borrowing due to NCML acquisition |
| **Net cash movement** | **3,180** | **3,291** | |

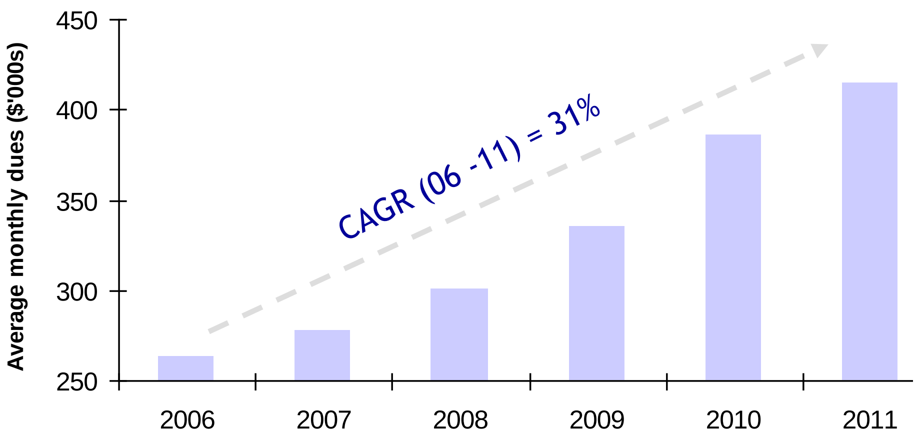
# Consumer Rental

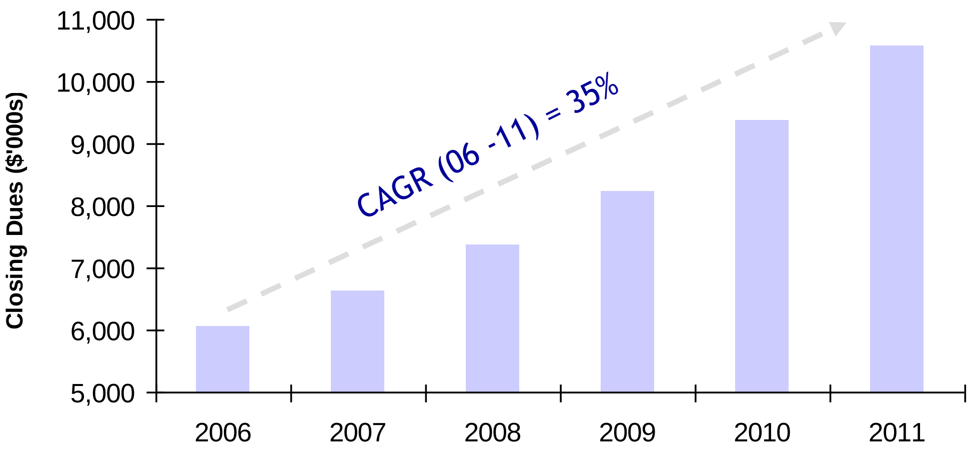
radio rentals

rentlo

# Performance: Excelling in a tough market

- Total installations revenue grew 7.3%
  - Finance leases increased 7.2%
  - Operating leases increased 8.7%
- AUR (average price per unit) increased 1.2% to $47.38

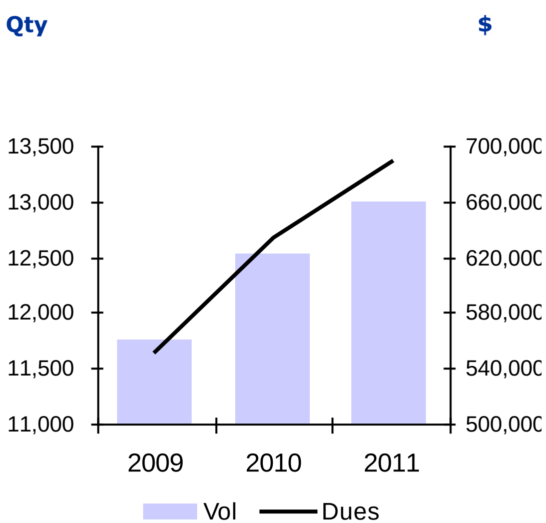


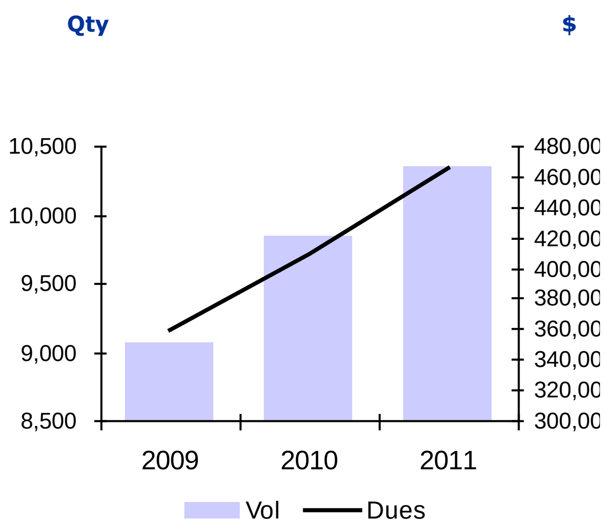
# Trading: Operating Leases

- Strong demand for household 'necessities' – reflects tough economic conditions
- Whitegoods up 10% - strongest growth in larger/higher featured products
- Furniture up 36% - now a key segment of consistent growth

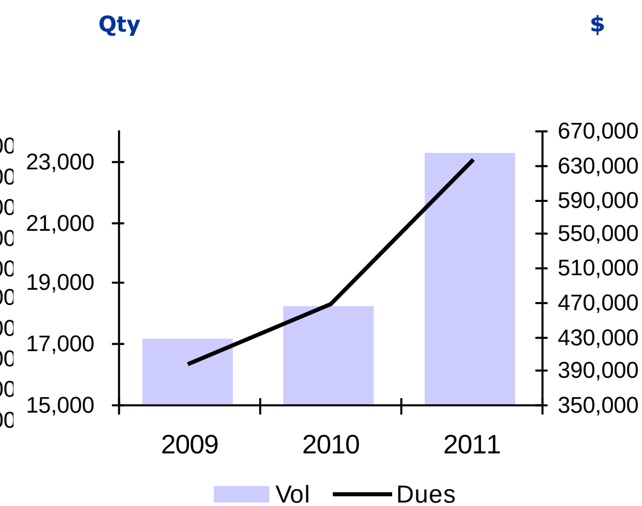
**Refrigeration**




**Washing machines**



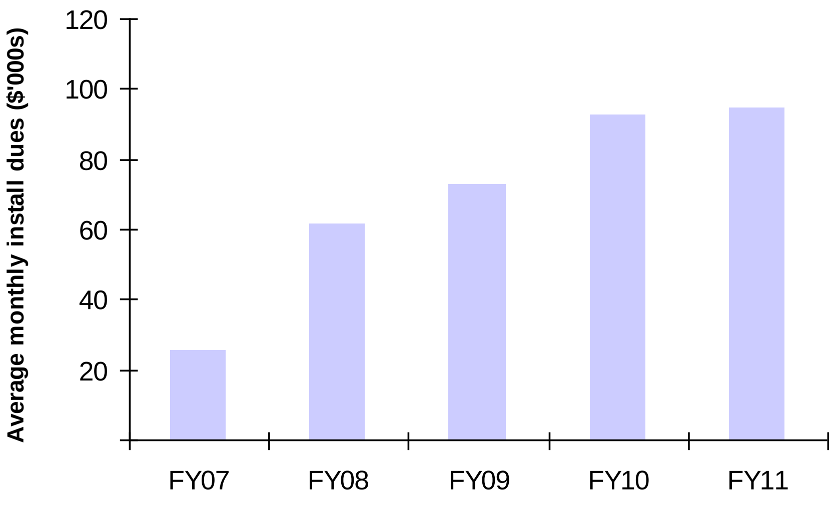

**Furniture**



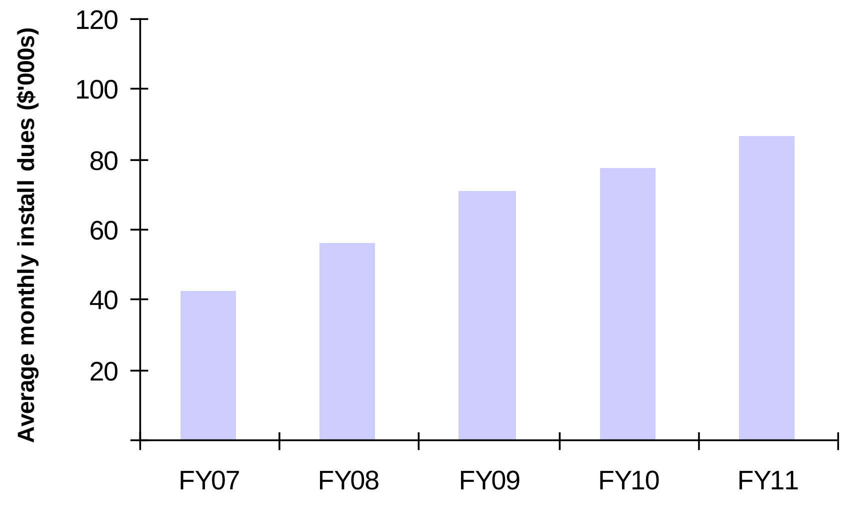
# Trading: Finance Leases

- Demand for flat panels (FP) and PCs remains solid – driven by ‘upgrades’
- Thorn brand providing positive outcomes – 20% of 2nd half installs

**Flat Panel**

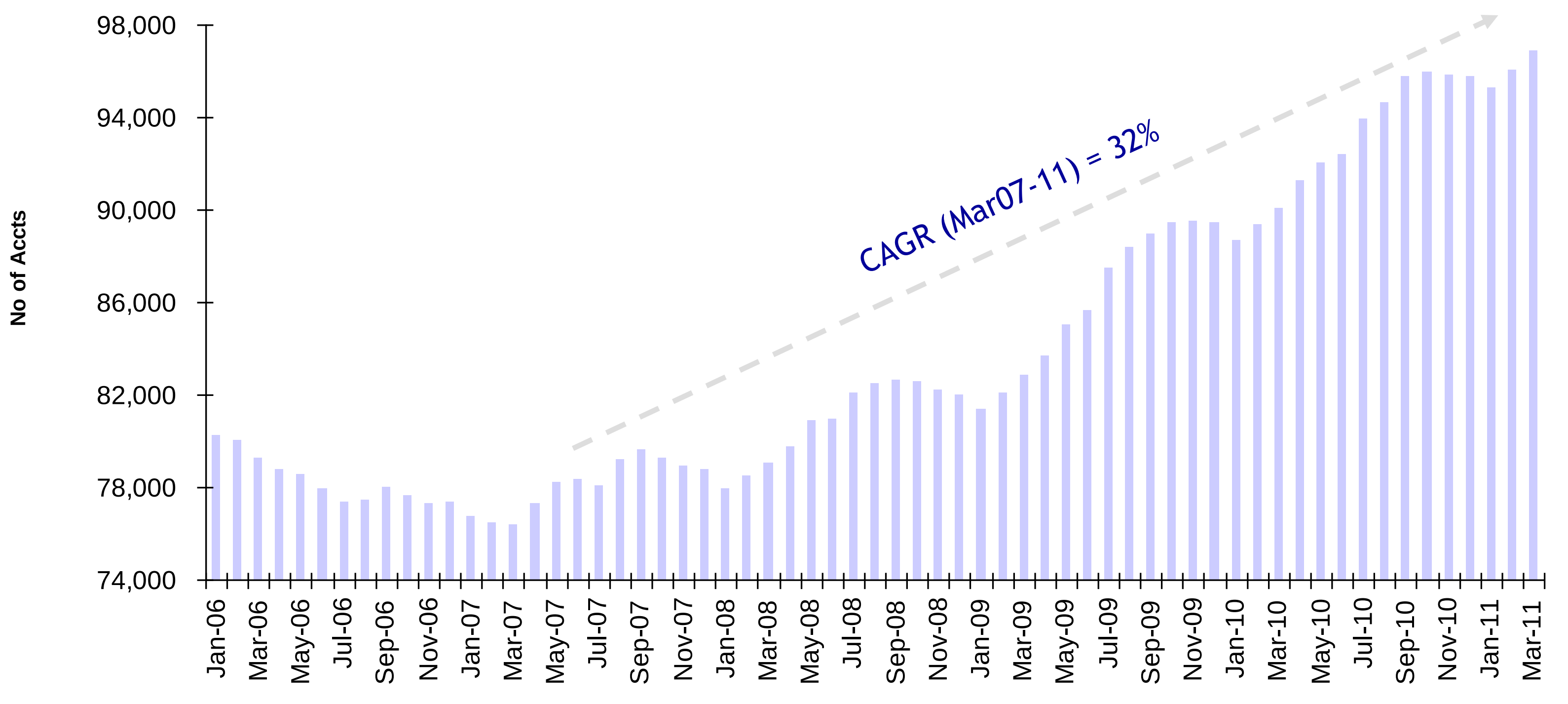



**PC**



# Customer Growth: 7.5%

- 7.5% customer growth versus 8.8% LY
- 40% take-up rate of a new contract at completion of existing contract maintained
- Customer base now heading towards 100,000

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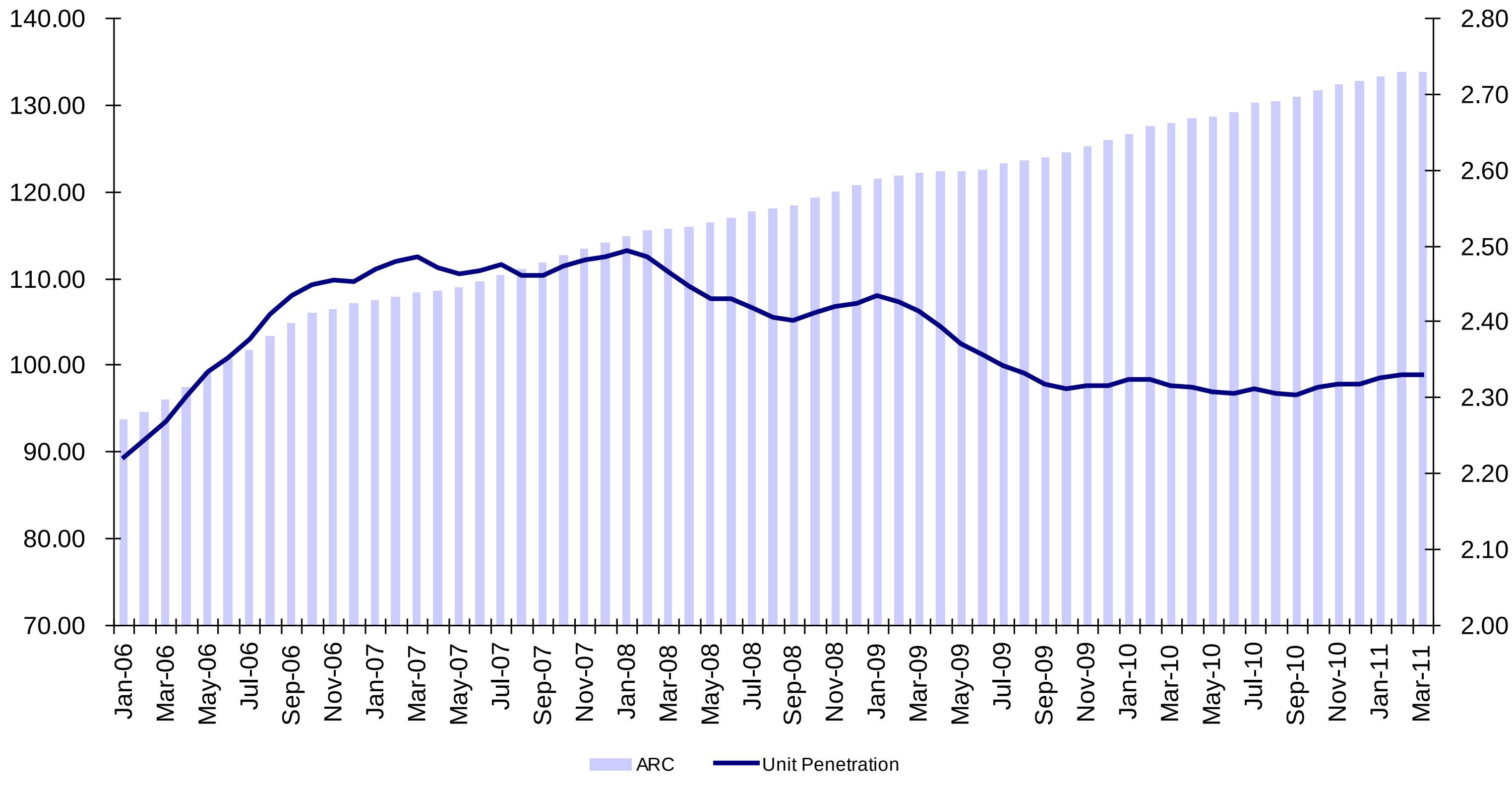
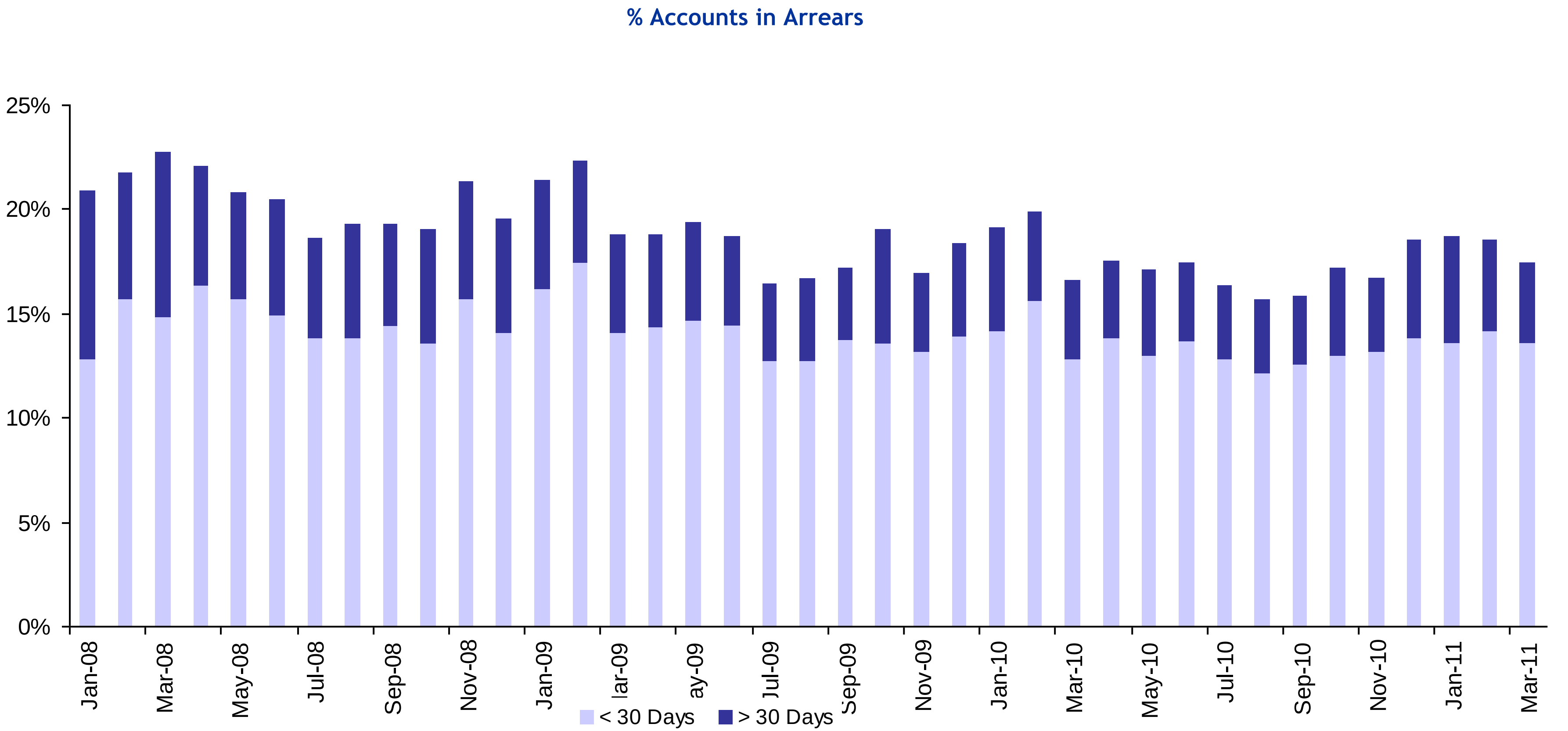
# Customer Growth: 7.5%

- 4.6% growth in average payment per month to $133.76
- Average units per customer steady at 2.33
- Attracting ‘new’ customers & increased average contract length



# Account Delinquencies: Continued low levels

- Focus on providing product that suits a customer's needs and budget
- Strict guidelines for customer approvals and payment limits
- Benefit of 'Responsible Rental Policy'



# Opportunities for Growth

- Soft economic conditions & increased cost of living
- Growing acceptance of rental – Rent, Try, $1 Buy!™ is key advantage
- Store redevelopment program:
  - 'Lifestyle' format – final 20 stores to be completed by mid calendar 2012
- Increased market presence in high potential unserviced/underserviced areas:
  - 'One Person Branches' in regional areas
  - Kiosks in key metropolitan areas
  - Showrooms in selected metro and regional areas
  - All initiatives showing strong results to-date
  - Up to 10 additional outlets in FY2012 dependent on quality of available locations

# cashfirst™ : Loan book reaches critical mass

*Performance*

- Driven by national Pay TV campaign
- Doubling of loan book to $12m
- Account base of over 7,000 customers
- 80% of business written with new customers
- Approval rates continue to run at 15-20%
- Write-offs improving to 11.4% of average book, down from 14.5% last year
- New proposition, with discounted interest rate, introduced for customers who have completed a full loan term

*Opportunities for Growth*

- Increased market penetration – national TV advertising
- Increased retention – loyalty program with reduced rates
- Expansion of offering

# Thorn Business Services: Foundations laid for development

*Performance*

- Relaunched in April 2010
- Development of:
  - Vendor and preferred supplier relationships in key market segments
  - Expanded range of financial products and services
  - Additional sales resources
- TABs remain cornerstone customers

*Opportunities for growth*

- New GM appointed with strong industry experience
- Continuation of organic development strategies
- Considerable market demand in <$100k deal area

# National Credit Management Limited :Overview

*Background*

- A leading national provider of integrated receivables management services
- In FY2010 (June Y/E) generated:
  - $21.3m in revenue
  - $6.2m in EBIT
- Enables expansion of Thorn's financial services platform and diversification
- Focus on high quality corporate clients with long term relationships
- Expands debtor management expertise & increases knowledge base

*Transaction highlights*

- Final purchase price of $31.4m
- 5 times EBIT multiple on 2010 actuals
- Expected to be EPS accretive in FY2012[1]

[1] *Pre amortisation of intangibles*



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# National Credit Management Limited :Growth Potential

**Commercial Collection Services**

- Underrepresented in NSW and Queensland - prospective clients identified
- Expansion of service offering
- Further development of Hudson Legal

**Consumer Collection Services**

- Increased activity with key clients through further development of strategic relationships
- Tenders for major government contracts

**Purchased Debt ledgers**

- Favourable industry trends will drive growth
- 'Selective' purchases
- Potential to charge interest (standard industry practice) with IT upgrade

**Potential for future acquisitions**


THORN Group Ltd.

# Overview of Thorn Group

THORN Group Ltd.

| | Consumer | Commercial |
|---|---|---|
| Equipment | radio rentals™ / rentlo™ | THORN Business Services |
| Financial Services | cashfirst. | National Credit Management Limited |



THORN Group Ltd.

# Company Strengths and Outlook

- Leading provider of 'essential' household goods to a growing cash & credit constrained market
- Strong recurring revenue streams that generate significant operating cash
- Sound consumer rental businesses with opportunity to further develop in underserviced areas
- Emerging commercial business in underserviced market
- Conservative debt to equity
- Ability to grow in both positive and challenging economic environments

*The company expects a substantial increase in earnings FY2012 due to a full year contribution from NCML and solid organic earnings growth from the existing business*