

# RR Australia Limited

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radio  rentals  rentlo



## FY2009 Full Year Presentation

John Hughes  
Managing Director

May 2009

Peter Eaton  
CFO

# Financial Highlights

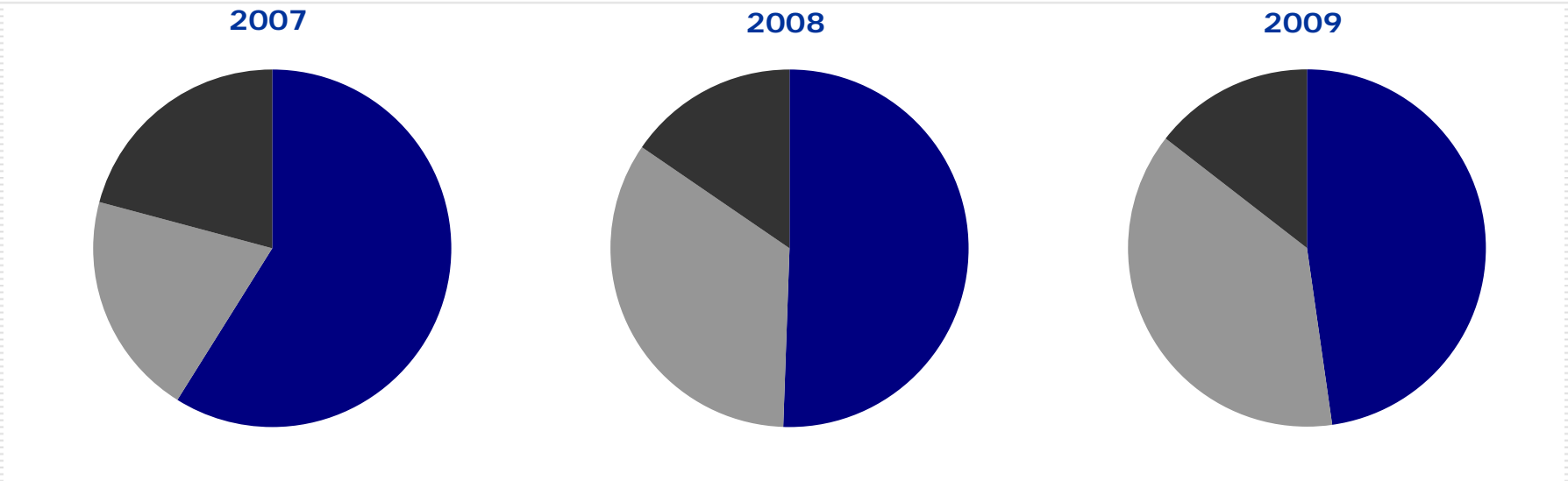
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- Revenue up 9% to \$127.4m
- 6.9% customer growth
- Arrears at record lows
- EBIT lift of 11% to \$18.1m
- PAT of \$12.3m - 13% increase
- EPS of 9.52 cents - 13% increase
- Strong balance sheet - 8.7% debt/equity
- Fully franked final dividend of 2.91 cents per share

# Revenue Growth: 9%

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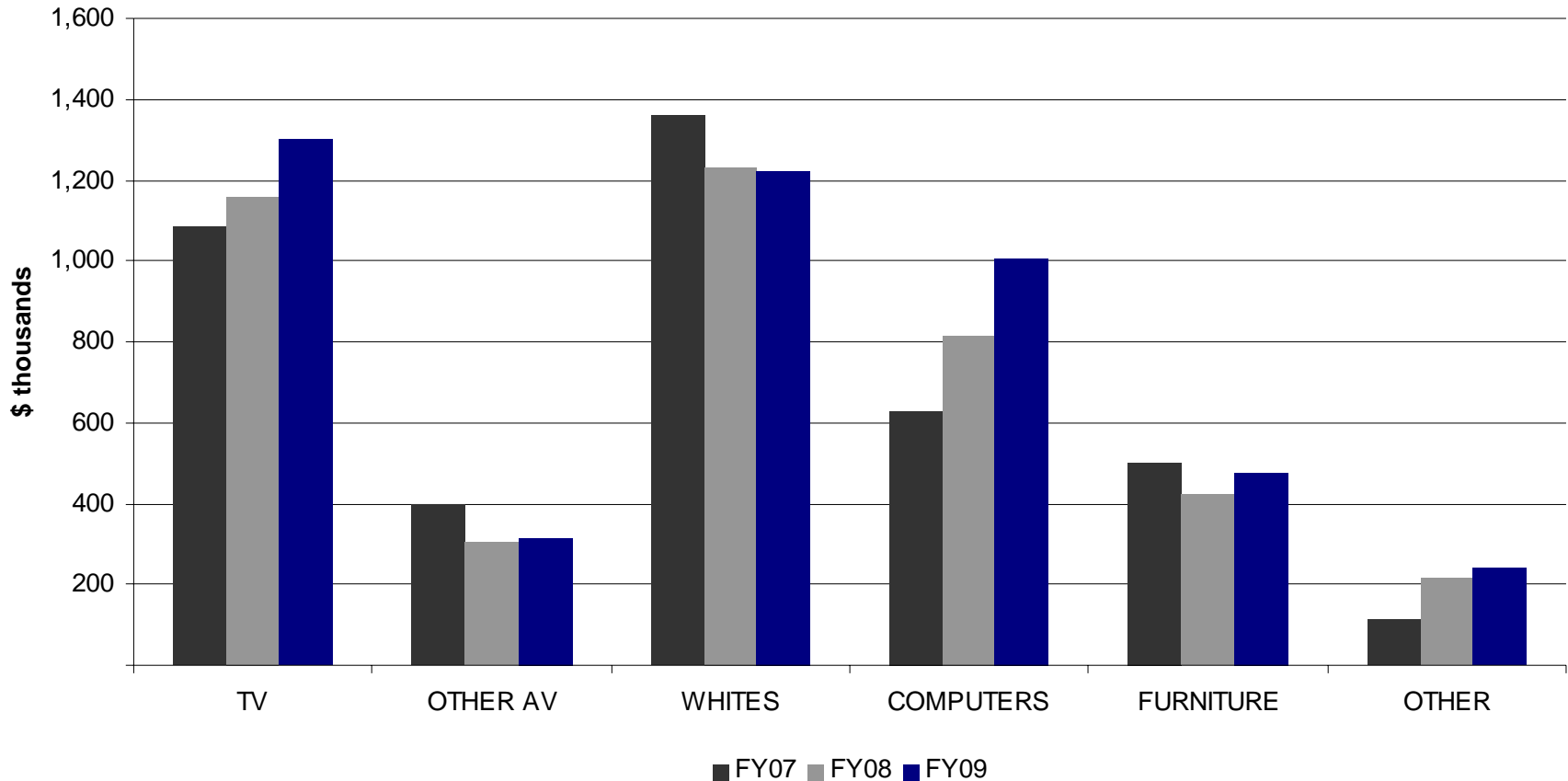
## Installation Revenues (Dues):



- Rent Try Buy (RTB) continues to dominate the proposition mix
- Flat Panel and PC product continue to drive the RTB 36 month contract

# Revenue Growth: 9%

## Installation Revenues (Dues):



- Mix of products installed consistent with 2008
- Furniture increasing due to range review

# Customer Growth: 6.9%

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- Same store growth 4.84%
- Increasing levels of 'new' customers
- Strong SA contribution >1,600 new customers
- 5% lift in average payments per customer
- Average units per customer steady at 2.42
- Commercial
  - ❖ Registered for all government tenders
  - ❖ Expansion of corporate accounts

# Customer Growth: 6.9%

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- Revamp of TV advertising
  - New agency
  - More cost effective media selection
  - Increased 'peak time' buying
- Websites
  - 600,000+ 'hits
  - 24,000+ online applications
  - 'Click through rates' well above industry benchmarks
- SMS Marketing
  - Inexpensive and highly cost effective
  - Instant results

# Arrears at Record Lows

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- Record low arrears
  - Total arrears 15% below prior year
  - >30 days with 11% average
- Compulsory Automated Payments
  - 68+% of rental dues
- System Refinements
  - Interactive SMS and voice messaging
  - Improved data interrogation for risk profiling
  - Additional automatic action points
  - Extended operating hours
  - Improved reporting
- 40% increase in bad debt collections

# Profit & Loss: 13% NPAT

For the Year Ended 31 March 2009			
(\$ thousands)	2009	2008	Change
Revenue	127,350	116,723	+9.1%
Gross Profit	76,348	71,480	+6.8%
Opex	(58,473)	(55,656)	+5.1%
Opex %	45.9	47.7	(3.8%)
<b>EBIT</b>	<b>18,093</b>	<b>16,262</b>	<b>+11.3%</b>
EBIT %	14.2	13.9	+2.2%
<b>NPAT</b>	<b>12,320</b>	<b>10,899</b>	<b>+13.0%</b>
NPAT %	9.7	9.3	+4.3%
DPS (cents) – fully franked	4.79	4.26	+12.4%
EPS – diluted (cents)	9.52	8.42	+13.0%



# Balance Sheet: 9% debt/equity

As at 31 March 2009 (\$ thousands)	2009	2008
Cash	2,567	4,974
Receivables	40,441	30,475
Rental assets	33,891	32,703
Intangibles	15,604	15,604
Other	10,223	7,740
<b>Total Assets</b>	<b>102,726</b>	<b>91,496</b>
Trade and other payables	20,652	18,105
Loans and borrowings	6,000	5,000
Other	6,812	6,071
<b>Total Liabilities</b>	<b>33,464</b>	<b>29,176</b>
<b>Net Assets</b>	<b>69,262</b>	<b>62,320</b>

# Cashflows

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**For the Year Ended 31 March 2009**

**(\$ thousands)**

Operating Cash Flows

Receipts

125,553

112,037

Payments

(70,369)

(63,661)

Loans advanced

(3,773)

(117)

**Cash generated from Operations**

**51,411**

**48,259**

Net interest paid

(435)

(188)

Tax paid

(5,012)

(5,587)

**Net cash from operating activities**

**45,964**

**42,484**

Investing Cash Flows

(43,777)

(37,979)

Financing Cash Flows

(4,594)

(6,513)

**Net Decrease in Cash**

**(2,407)**

**(2,008)**

# Growth Strategies

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# Rentlo

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- New St Marys store
  - Replaced temporary Lonsdale site
  - New lifestyle design
  - Significant business lift
- Rent Try Buy®
  - Major business driver
  - Generating positive customer response
- >1,600 new customers and growing
- Two (2) new stores planned for 2009/10



# Cashfirst

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- Trading nationally (except SA) since October '08
- \$3m loan book - lower quality applications in last quarter
- Primarily internet applications - no impact on rental
- Interest rates below statutory 'caps'
- No regulatory issues but competitors may be pressured
- Circa 32% account approval rate
- >76% 'new' customers - higher quality
- Arrears & write-offs in line with expectations
- Conservative approach



# BigBrownBox.com.au

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- Launched December '08
- Well positioned in underserviced market
- \$40b eCommerce sales predicted for 2010
- Product and supplier range expanded
- Leverages RRA core competencies
  - Logistics/administration; and
  - Buying power
- Low cost operation
- Focus on internet marketing



# Company Strengths

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- Solid 'base' business
- Strong cashflows
- Sound strategic initiatives for growth
- Very low gearing
- May benefit from economic downturn
- Capacity to leverage 'core competencies'

# Company Outlook

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- Potential market growth as conditions worsen:
  - Business to business with scarcity of funding
  - Consumers with tightening of credit, unemployment etc
- Organic growth expected to continue
- Strong marketing presence to be maintained
- Anticipate growth in PAT for 2009/10
- Financial impact of strategic initiatives expected to be minimal