

# Thorn Group Limited

ACN 072 507 147

Chairman's AGM Address

23 AUGUST 2012

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As we look back from this vantage point on what Thorn has achieved since listing on the ASX six years ago, it is an impressive record, with financial year 2012 adding to the growth picture. Net profit after tax in 2012 was up 26 per cent to \$27.8 million and is over four times what Thorn achieved in 2007, with profit up every year since then. A point worth making about Thorn's performance in recent years is that growth has been achieved in difficult economic conditions, with many businesses suffering.

This reflects the underlying strengths of Thorn's business. It generates continuous revenue streams, operates with low debt and is a leader in niche, or perhaps better described as alternative, finance and consumer market areas. In this sense, Thorn does not seek to compete with either major banks and finance organisations or large retailers but enables over 100,000 Australians to have access to household goods and finance in a way that might not have been available to them if it were not for the existence of the Thorn brands.

However, perhaps more noteworthy about Thorn's performance in 2012, is that from a strategic perspective we have made significant progress in positioning Thorn as a broad financial services business, with this trend to be more pronounced in coming years. Over recent years we have invested, and will continue to invest, in developing new businesses and while it will take a few years for these initiatives to contribute substantially to earnings, they are making a difference to how Thorn defines itself.

One of the reasons this has come about is that the board is committed to innovation in the markets in which we operate. Innovation is essential if Thorn is to continue to grow over the longer term. Taking this longer term perspective is not without cost. It means investing in resources and business initiatives in advance of them building revenue and this has an effect, as we may experience in the current year, of a short term slowing in our growth momentum as we build a larger and more profitable business for the future.

Our Managing Director, John Hughes, will elaborate on each of our businesses and how they are performing but I might mention a few examples of innovation and how this is changing the sort of company we are.

In consumer rental we are looking at extending our propositions to a broader range of goods and services, including motor vehicles and several other product categories. The successful growth of Cashfirst is enabling us to consider a broader range of loan products for this business, perhaps leading to new brands.

The fastest growing business segment, although from a low base, is Thorn Equipment Finance. It will begin to have a very positive effect on earnings in coming years.

We have also reoriented the business model of NCML which will give it greater long term growth potential.

As these new businesses grow, it will lead to a broader financial services model for Thorn and we see our plans for growth fitting well in the changing landscape of the sector.

One of the strengths of Thorn is our management systems around the assessment of credit and this, combined with gaps opening up in the market, will enable us to develop quite an interesting growth path.

The larger banks and financial institutions are reducing their exposure in areas in which we are becoming involved, for example the sub \$100,000 finance market for SMEs, which is reflective

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of their somewhat narrowing market focus. In years gone by, the leading banks had subsidiary finance companies servicing this market but they are no longer a major part of the landscape in which we operate. There are other financiers, but nevertheless, we see good prospects to grow and expand our business model in the sector.

The vision we have for Thorn is of a company delivering ongoing growth in financial services and with a commitment to operating ethically and doing the right thing.

Thorn has built a reputation as a growth stock and as a board we believe our strategies will deliver sound long term results and returns for shareholders. It is also pleasing to note that along with our growth over the past six years we have continued to reward shareholders with increasing dividends, a pattern we expect to continue. Further to this we will be introducing a dividend reinvestment plan which we believe will be particularly popular with our growing base of retail investors.

None of what we have achieved this year would have been possible without an enthusiastic staff and management team and I would like to pass on to them the thanks of the board for their efforts. I would also like to thank my fellow directors for their support and to acknowledge the work of my predecessor, Bernard Carrasco, who retired during the year. Bernard's contribution to the company has been significant, guiding the company from its listing through a period of substantial growth. On behalf of the board and management, I thank Bernard for his contribution.

**David Carter**  
**Chairman of the Board**

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