



ASX ANNOUNCEMENT

18 March 2011

**THORN MAKES CREDIT MANAGEMENT ACQUISITION AND
UPGRADES FULL YEAR PROJECTION**

- Thorn to acquire National Credit Management Limited (NCML) and expand financial services platform
- Key focus on 3rd party, fee for service business, with the opportunity to develop a comprehensive debt management offering to commercial clients
- Potential for growth via 'selected' debt ledger purchases
- \$32.5 million acquisition purchase price
- Accretive¹ to Thorn EPS in FY2012
- Funding through renewal and expansion of Thorn's funding facilities with Westpac to \$50 million.
- Thorn upgrades underlying full year profit after tax range to \$22 million to \$23 million for the full year ending 31 March 2011, a 34% to 40% increase (excluding NCML related costs).

Retail and financial services company, Thorn Group Limited (ASX: TGA), is to acquire National Credit Management Limited (NCML), a leading provider of integrated receivables management services in Australia. NCML operates nationally, servicing over 800 active customers across both the private and public sectors.

NCML has a strong track record of growth and generated revenue and EBIT in FY2010 of \$21.3 million and \$6.2 million respectively.

In addition, NCML has an experienced and results driven senior management team led by Don Coulthard and Brenton Glaister who each have over 20 years experience in the debt collection and receivables management industry. Don and Brenton are both committed to remaining with the business and continuing to develop it as a key component of Thorn Group.

NCML was established in 1990 and has offices in Melbourne, Adelaide, Sydney, and Perth.

Commentary

NCML comprises three main business streams:

- Commercial Services, which provides business to business collection services on a commission and 'fee for service' basis;
- Consumer Services, which provides consumer collection services on behalf of business clients including a major Federal Government agency, predominately on a 'fee-for-service' basis; and
- Purchased Debt Ledgers (PDLs).

In addition NCML has developed Hudson Legal, which is an incorporated legal practice that provides both in-house and 3rd party advice and collection activity.

Whilst NCML has a commercial client focus, its strategic goals align well with those of Thorn Financial Services which provides a complete in-house service to the consumer-centric Thorn businesses, including customer assessment & acceptance, collections, skip tracing and recoveries. The acquisition will also enhance Thorn's knowledge and competence in debtor assessment and management.

¹ Pre amortisation of intangibles

Thorn Group Managing Director, John Hughes said that “we see NCML as an excellent opportunity for development of another sound profit stream with strong returns on investment. Importantly we feel that there is also a good cultural fit between Thorn and NCML and a shared vision of strategic growth opportunities.”

Don Coulthard, NCML CEO, commented that “this is an exciting opportunity for the business and the potential synergies and additional resources provided by Thorn will certainly place us in good stead for future development.”

The acquisition is expected to be accretive² to Thorn EPS in FY2012.

Gresham Partners and Greenwich Legal advised Thorn in relation to the NCML transaction.

Funding

Thorn will fund the transaction with new debt facilities, which are expected to be partly refinanced via a pro-rata equity offering within the next 12 months. Thorn’s net debt to equity ratio will be c.30% post transaction.

Full Year Outlook

Thorn is also pleased to announce an upgrade to its underlying projected profit after tax range to \$22 million to \$23 million. Thorn will incur c.\$1 million in transaction costs relating to the NCML deal and its final projected profit after tax will range from \$21 million to \$22 million. This is an increase of approximately 34% to 40% on an ‘underlying basis’ compared with \$16.4 million in the previous year and excludes the \$3.1 million one-off favourable tax effect of investment allowances in the 2009/10 period.

Mr Hughes commented that this full year projection underscores Thorn’s strength and positioning in the market and that a solid performance was being maintained across the business. Radio Rentals/Rentlo continues to gain new customers and achieve low levels of customer arrears and bad debts, whilst Cashfirst has significantly increased the loan book to over \$11 million.

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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 and Cashfirst for personal loans. Thorn trades as Radio Rentals in all states and territories except South Australia, where it trades as Rentlo.

² Pre amortisation of intangibles