



Merrill Lynch Conference Presentation
2013

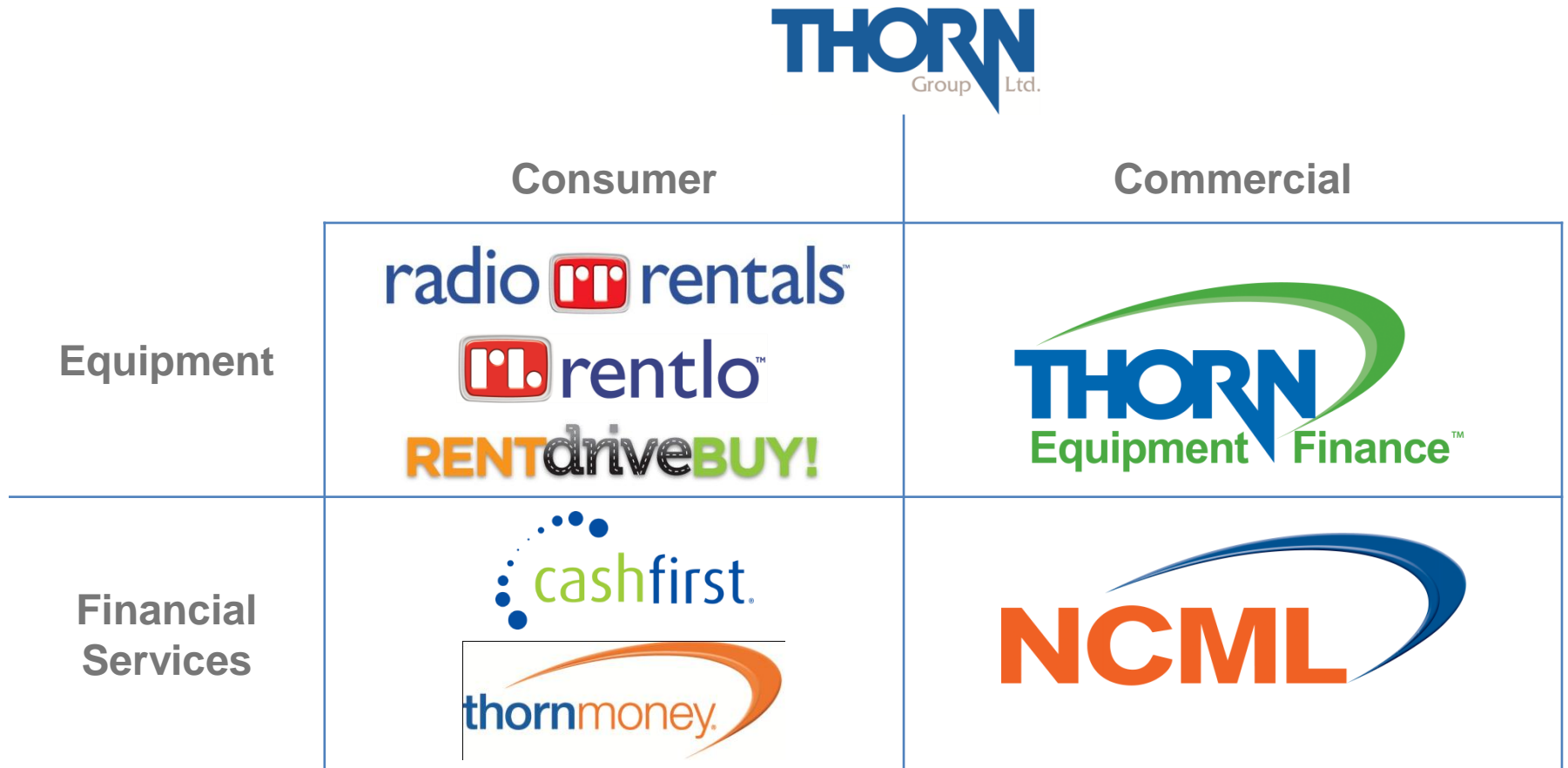
John Hughes – CEO & Managing Director

Vision

To be Australia's leading provider of a broad range of financial services to niche consumer and commercial markets



A Business Evolution



Positioning

- ❑ Operating for over 75 years
- ❑ Australia's largest consumer electronics and furniture rental business
- ❑ Targets the cash/credit constrained consumer market
- ❑ Rent, Try, \$1 Buy™ - market leading product

Areas of Opportunity

- ❑ Focus on penetrating the 'E' demographic who are rental averse
- ❑ Change from *'rental'* to *'leasing'*
- ❑ New products
 - Take home layby
 - Interest free
 - Savings Club
 - Extended length contracts
- ❑ New store design
- ❑ Name?



Positioning

- ❑ Launched 2009
- ❑ Full online services – low cost model
- ❑ Provides unsecured personal loans from \$2,000 to \$5,000
- ❑ Offers flexible terms and fast approvals
- ❑ \$22+m loan book
- ❑ Focus on sub & mid-prime markets – underserviced area following pull back by major financial institutions post GFC

Areas of Opportunity

- ❑ Specialist funding e.g. legal matters and other third party provided services
- ❑ Rent Drive Buy
 - Positive results to-date
 - Potential full launch in 2nd half
 - Qualifies customers for finance
 - Average loan of circa \$12,000
- ❑ Secured lending
 - thornmoney.com.au launched 2nd October 2013
 - \$5,000 - \$25,000 secured and unsecured loans
- ❑ Lower value loans
 - Cashfirst product extended in June
 - \$1,000 - \$5,000 over 13, 24, 36, 48 month terms

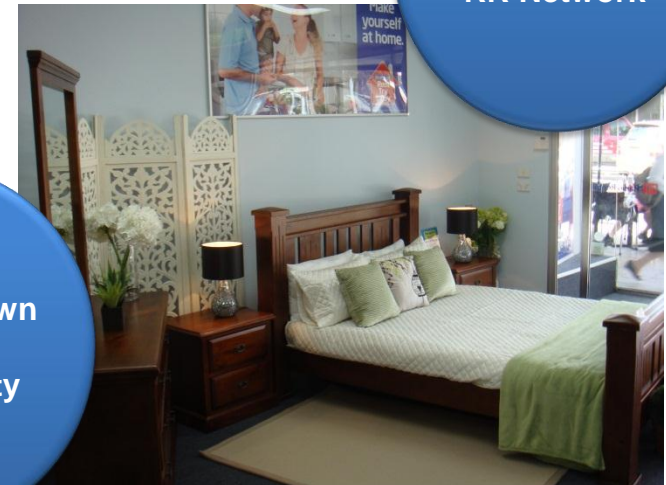


Areas of Opportunity

- Bricks & mortar trial
 - Store-in-store in selected RR outlets – leverage the strength
 - Stand alone locations – 1st store launched in Campbelltown NSW on 16th September 2013
 - *Easyfinancial* model in Canada
- Lease-to-own proposition in retailers
 - Aimed at rejected applicants for other finance offerings
 - RAC Acceptance and Sears models in USA – 50% success rate
 - \$200m market opportunity
 - Unique ability to re-rent product through RR network
 - Retailer network is key
 - Solar financing

Store-in-Store
Leverages
RR Network

Lease-to-Own
\$200m
opportunity



Positioning

- ❑ Operating since 2011
- ❑ Specialises in equipment lease and finance solutions for businesses – particular focus on small/medium enterprises (SME) sector, and government
- ❑ \$44m loan book

Areas of Opportunity

- ❑ Continuation of organic development strategies
- ❑ Considerable market demand in <\$100k deal area
- ❑ Strategic alliances with vendor partners
- ❑ Expanded product range

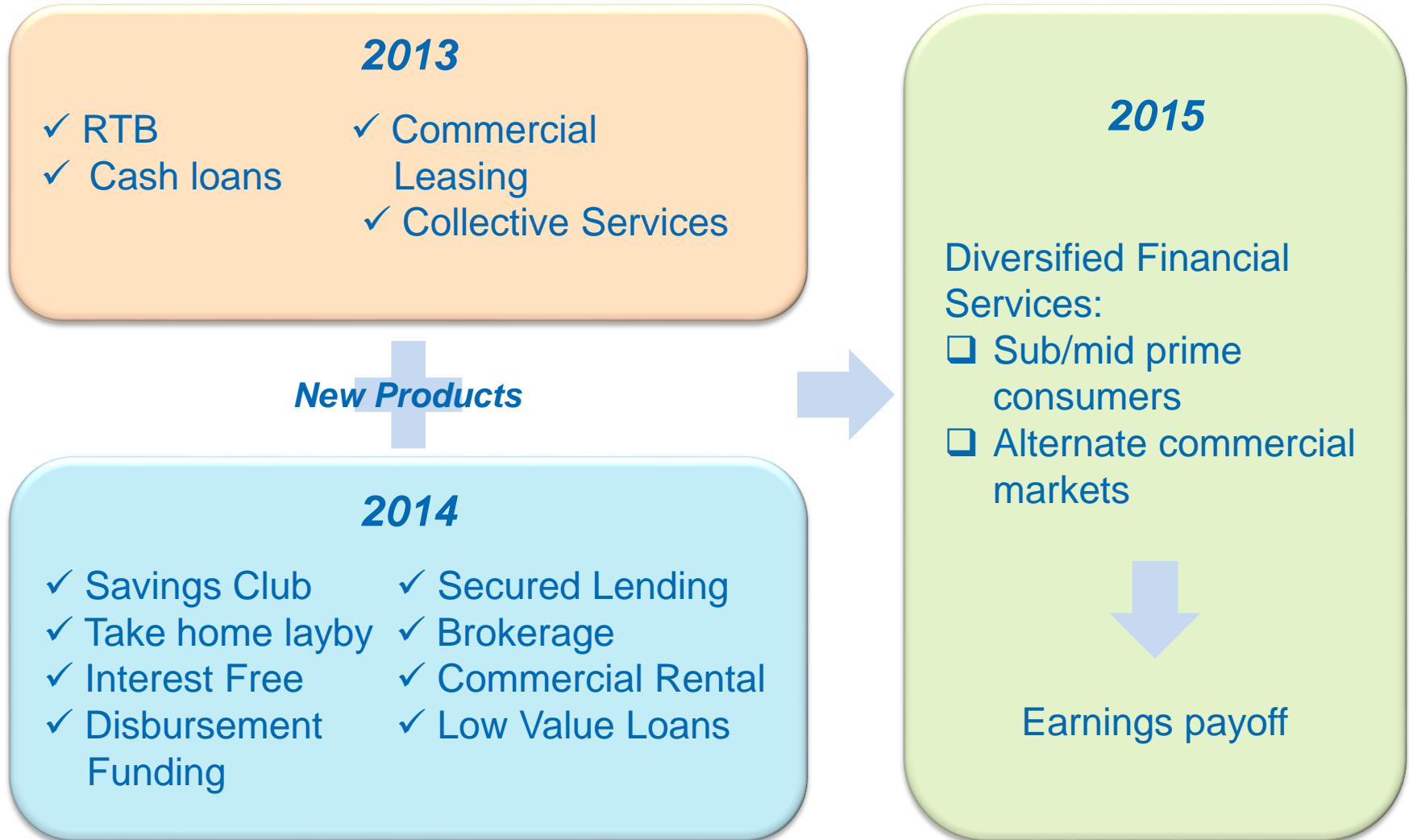
Rental
Advantage™

Positioning

- ❑ A leading national provider of integrated receivables management services for over 20 years
- ❑ Acquired March 2011
- ❑ A diverse range of clients across private and public sectors

Areas of Opportunity

- ❑ Broader national presence
- ❑ Strategic relationships with major corporate and financial institutions
- ❑ Increased purchase of debt ledgers



Group

- ❑ Strong core business
- ❑ Substantial recurring revenue streams generating significant operating cash
- ❑ Solid capital base to enable expansion & healthy ROCE

Outlook

- ❑ Continued significant investment in strategic initiatives
- ❑ Organic development requires critical mass to be achieved
- ❑ Investment returns will be mid to long term

Appendix

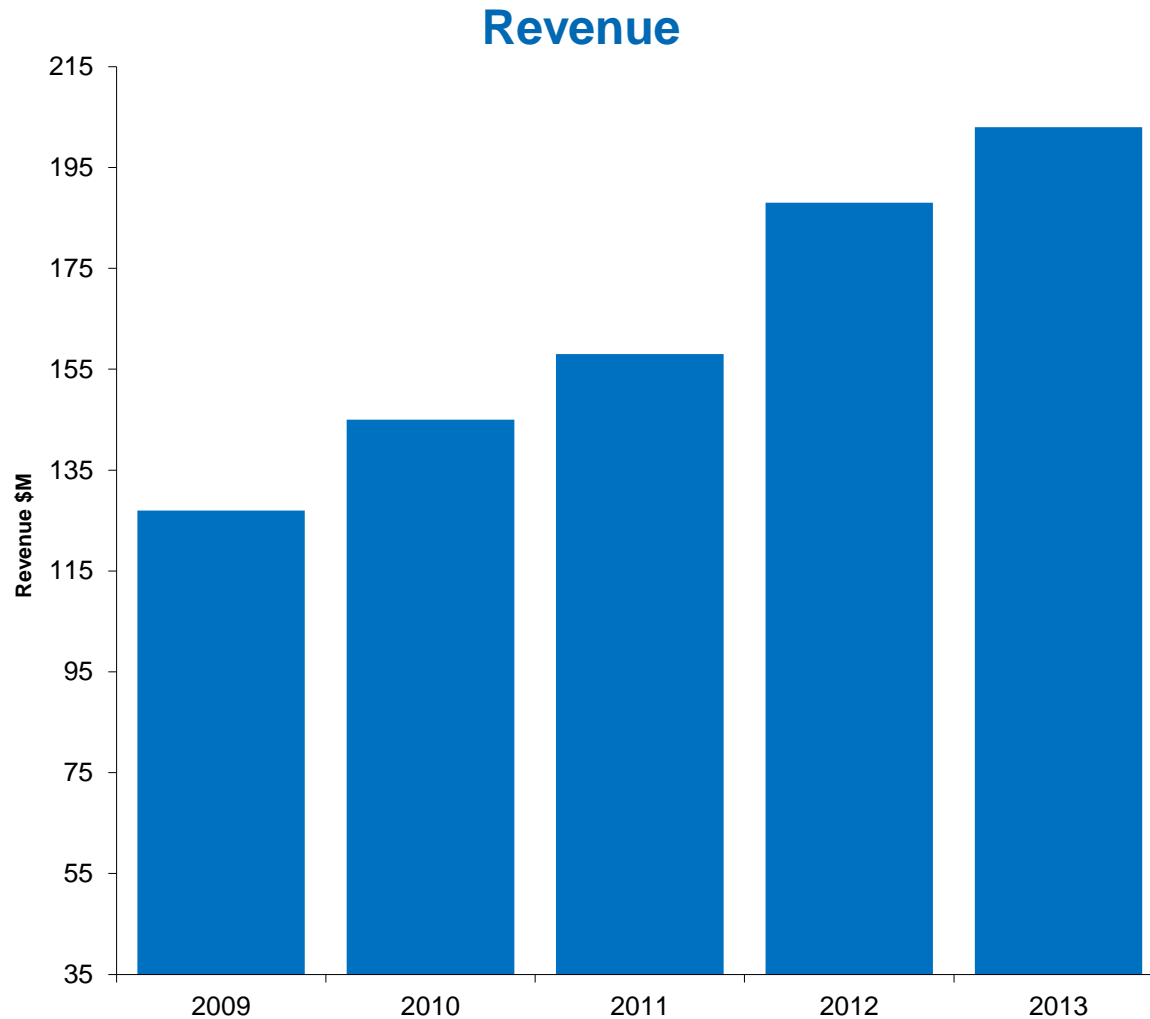
Group

- ❑ NPAT steady at \$28m
- ❑ Cash NPAT¹ consistent at \$29.8m
- ❑ Revenue up 8% to \$203m
- ❑ Average ROCE continues strongly at 24.8%
- ❑ Basic EPS of 19.11 cents
- ❑ Operating cash grew to \$93m
- ❑ Gearing levels remain conservative at 19%
- ❑ Final dividend up 9% to 6 cents; distribution up to 55%

By Division

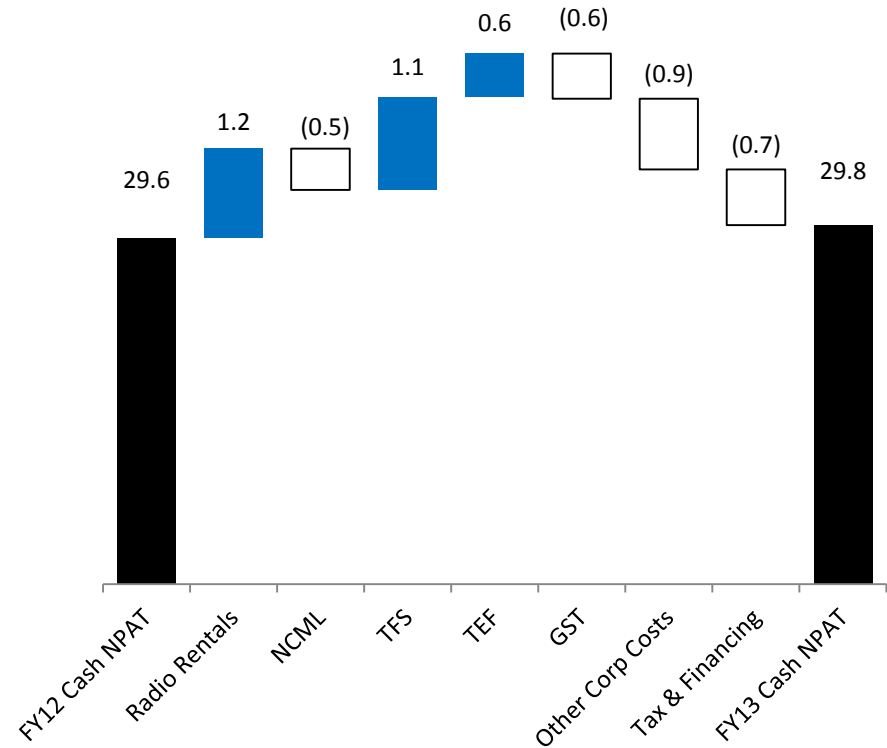
- ❑ Radio Rentals – record installations and earnings
- ❑ Cashfirst – loan book beyond \$20m
- ❑ Thorn Equipment Finance (TEF) – strong book build to \$36m
- ❑ NCML – strong second half customer generation
- ❑ Rent Drive Buy – trial commenced

¹ Cash NPAT is calculated as NPAT adjusted for the amortisation expense of NCML customer relationship intangible asset



- ❑ Radio Rentals grew earnings contribution to a new record
- ❑ NCML earnings impacted by lower PDL revenue
- ❑ Cashfirst improved with loan book growth
- ❑ TEF book growth yet to fully convert to earnings
- ❑ One-off costs:
 - GST issue expensed
 - Tax structure and consulting fees
 - New finance facilities

Cash NPAT¹ Bridge FY12 – FY13 (\$m)



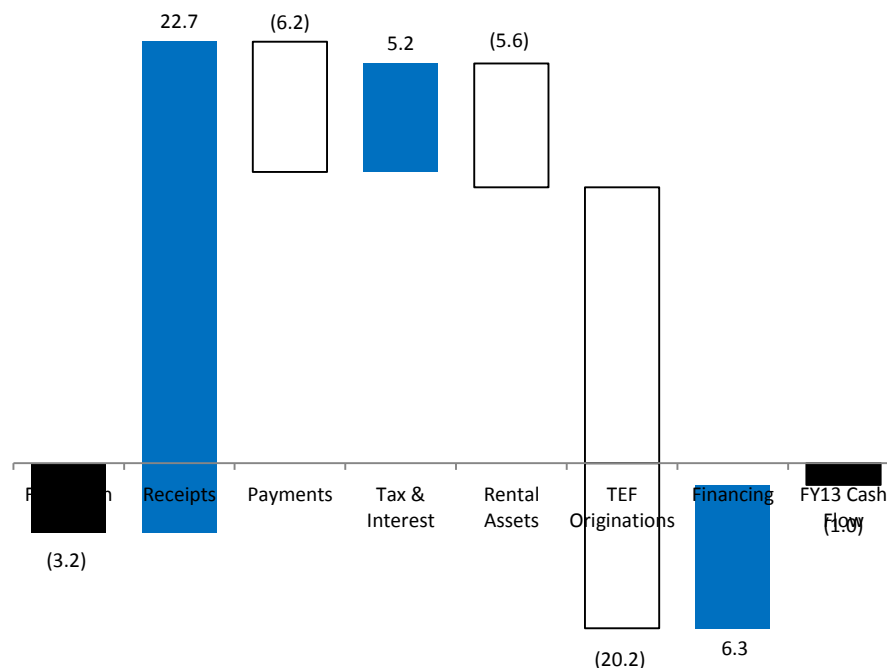
¹ Cash NPAT is calculated as NPAT adjusted for the amortisation expense of NCML customer relationship intangible asset

- ❑ **Consumer Leasing**
 - Losses well maintained in a tightening market
 - Finance lease provision impacted by the popularity of Apple products
- ❑ **Cashfirst**
 - Losses reduced to 8.9%
 - Provisioning revised favourably
- ❑ **Regular debt sale process initiated**

<i>In thousands of AUD</i>	FY12	FY13
Consumer Leasing		
– Provisioning	6,272	7,112
– Asset losses	2,594	2,699
– Net Debt	1,490	1,784
Cashfirst		
– Provisioning	589	293
– Net Debt	1,293	1,779
TEF		
– Net impairment losses	568	1,832

- ❑ Receipts increased 11% driven by Radio Rentals, TEF and Cashfirst
- ❑ Payments increased \$6.2m, \$2.1m due to Cashfirst settlements
- ❑ Tax favourable due to the deferred tax gain re NCML acquisition
- ❑ Increase in Rental Asset expenditure due to furniture demand and introduction of Apple
- ❑ TEF settlements 2.5 times prior year
- ❑ Financing favourably impacted by the introduction of the DRP
- ❑ Increased debt used to fund TEF settlements

Cash Flow Bridge FY12 – FY13 (\$m)



Continued key asset growth

	31 Mar 13	Movement	
		\$m	%
Radio Rentals			
Leases *	95,707	6,375	7
Rental Assets	52,929	4,451	9
Thorn Equipment Finance*			
Leases	46,521	30,978	99
Thorn Financial Services (Cashfirst)			
Loan Book	21,754	4,430	26
NCML			
PDLs	8,295	1,592	24

* Consumer and Commercial lease book disclosed on a gross basis, inclusive of interest due

Additional debt facilities to fuel growth

- ❑ Corporate debt facility
 - Increased by \$20m to \$50m
 - Extended to July 2016
- ❑ Securitisation facility
 - \$50m to fund TEF growth
 - Funding to commence June 2013

As reported Mar-13			
Facility	Limit	Drawn	Headroom
Corporate	\$50.0m	\$28.9m	\$21.1m
Expected Jun-13			
Facility	Limit	Drawn	Headroom
Corporate	\$50.0m	\$8.9m	\$41.1m
Securitised	\$50.0m	\$20.0m	\$30.0m
Total	\$100.0m	\$28.9m	\$71.1m