

Thorn Group Limited

ACN 072 507 147

Chairman's AGM Address

26 AUGUST 2014

Ladies and gentlemen,

Welcome to the 2014 Annual Meeting of Thorn Group.

The journey

When Thorn listed on the ASX in 2006, it had a market capitalisation of \$64 million and today it has grown nearly six times that to \$340 million. I think that substantiates a strong growth story and it has been pleasing to be part of that journey for the past eight years. It's not my intention today to dwell on the past but I think it's instructive to look at some of the intent we had at the time of listing as a pointer to the future.

The characteristics of the company then have not only helped us record significant achievements but they are also contributors to a broadening of the vision we now have. At the time of listing, we highlighted the defensive nature of Thorn's business model, with its contracted rental revenue and strong risk management practices, and that it was the board's intention to develop the Company into a provider of financial services to sub-prime consumer markets.

These characteristics are no less true today but having demonstrated a capacity to meet our original objectives, we are now in a position to envisage broader horizons. One of our tag lines at the time of our IPO was "reinventing an icon" – this referred to Radio Rentals and it became a continual catch cry of our long standing Managing Director, John Hughes. Not only have we made Radio Rentals stronger since then, but we are now on the verge of reinvigorating the brand.

The original market we saw eight years ago is still supportive of the goods and services we provide but our new brands have enabled us to expand the demographic we are targeting and also set up new opportunities.

Strategy

Some recent research by one of the big accounting firms looked at what constitutes successful financial services strategies and we are actually implementing several aspects of these.

We are enhancing our existing products for existing markets, as we seek a broader share of customer spend and new customers in those markets. We are also developing new products and taking them to both existing and new markets.

Implementing this strategy has not been without cost. We have invested in creating a bigger future, which meant a pause in the double digit profit growth trajectory we had established, but there are now signs the investment is beginning to pay off.

Financial achievements

Profit for financial year 2014 might have been steady at \$28 million but revenue was up 16 per cent and receivables were up 32 per cent, indicating profitability in the pipeline.

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Three pleasing characteristics of continuity over the past eight years have been a high return on capital, an ongoing ability to pay rising franked dividends and maintaining a conservative level of gearing. The board indicated its confidence in the future by increasing dividend for financial year 2014.

Board renewal

Today also marks my last day as Chairman of Thorn, although I will stay on as a director until the end of the year. I have been a director since Thorn listed, having become chairman nearly three years ago. It was some four years ago the board decided on an ongoing renewal process for directors and my retirement reflects this process.

Joycelyn Morton will assume the role of Chair after this meeting. We have been fortunate to have Joycelyn as a director and shareholders will benefit from having her in the role of Chair. She has had a distinguished international career in business, is experienced with other ASX listed company directorships and has been an enthusiastic and informed contributor since she became a director nearly three years ago.

People

The successful path Thorn has travelled over the past eight years would not have been possible without a terrific contribution from people at all levels of the organisation and I want to thank them all. Particular thanks go to John Hughes, a colleague for all this time and who has just retired as managing director after guiding Thorn during this period. Apart from his many achievements, principal among them was grooming a strong management team, with our current managing director, James Marshall rising from these ranks. It is comforting to know Thorn remains in the hands of a strong board and management

Future

As we look to the future, Thorn remains on track for deliver on its promise and potential to all stakeholders. Our vision of bringing a wider variety of financial services to more Australians is taking place as we develop new brands and products. This has come from an imaginative team of people and the benefits will be spread amongst shareholders, employees and the wider community.

It has been a privilege to be part of Thorn over the past eight years and I'll now ask James Marshall to comment on operational aspects of performance.

David Carter
Chairman of the Board
