RR Australia Limited

FY2008 Half Year Presentation

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Financial Highlights

- Revenue up 19.4% to $59.2m
- GP increase of 12.5% but EBIT lift of 49.5% to $6.8m
  - Lower GP of 36 month finance lease products outweighed by reduced "churn"
  - Cost increases of 5.9% - declined by 7% to revenue compared to PCP
- PAT of $4.5m – 148% increase
  - Major reduction in financing costs due to change in capital structure
- EPS of 3.56 cents
- Strong balance sheet maintained with gearing of 6.6% *(net debt to equity)*
- Fully franked dividend of 1.78 cents per share
  - 50% distribution

Operational Highlights

- 4% customer growth versus 1.6% decline in first half 06/07
- 70% lift of install revenues for plasma/LCD TVs & PCs
- Automated payments > 60%
- Arrears average of 25.5% compared to 26% in 06/07 PCP
- Write-offs stable around 4% percent of dues
- Qld Test & Tag legislation amended

Operational Highlights

- Website Activity versus PCP
  - 'Hits' increased 52.8%
  - Account applications increased 154%

- New website launched October '07

- Continued focus on:
  - Aggressive "Call to Action" marketing
  - "Operational Excellence"
  - Simplifying processes/reduced admin
  - Account management reforms
  - Training & development

Operational Performance

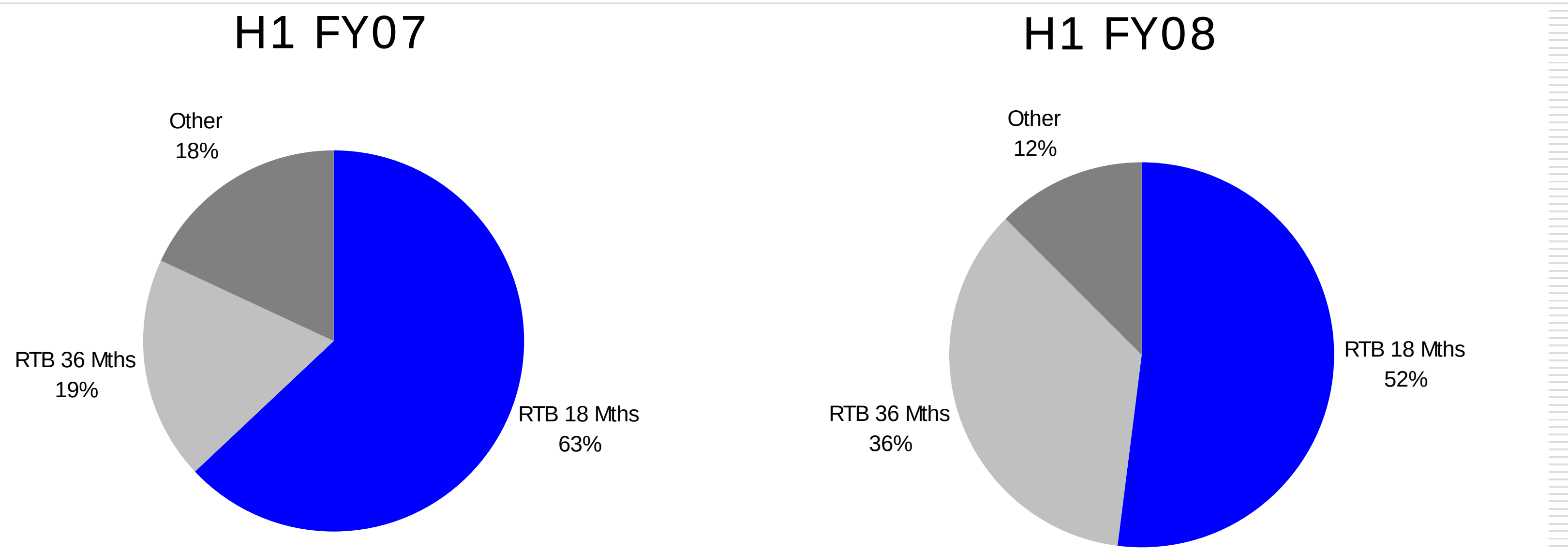
- Branch Network
- Propositions
- Products
- Customers
- Risk Management
- Marketing

Branch Network

- Increasing Effectiveness
  - Reduction from 66 to 64 stores
  - Eastern Sydney project
  - Inner Melbourne merger of Prahran & Fitzroy
- Mobile Showroom
  - Continues in Sydney
- Expansion
  - Two (2) key opportunities identified
  - Investigating suitable sites

Propositions

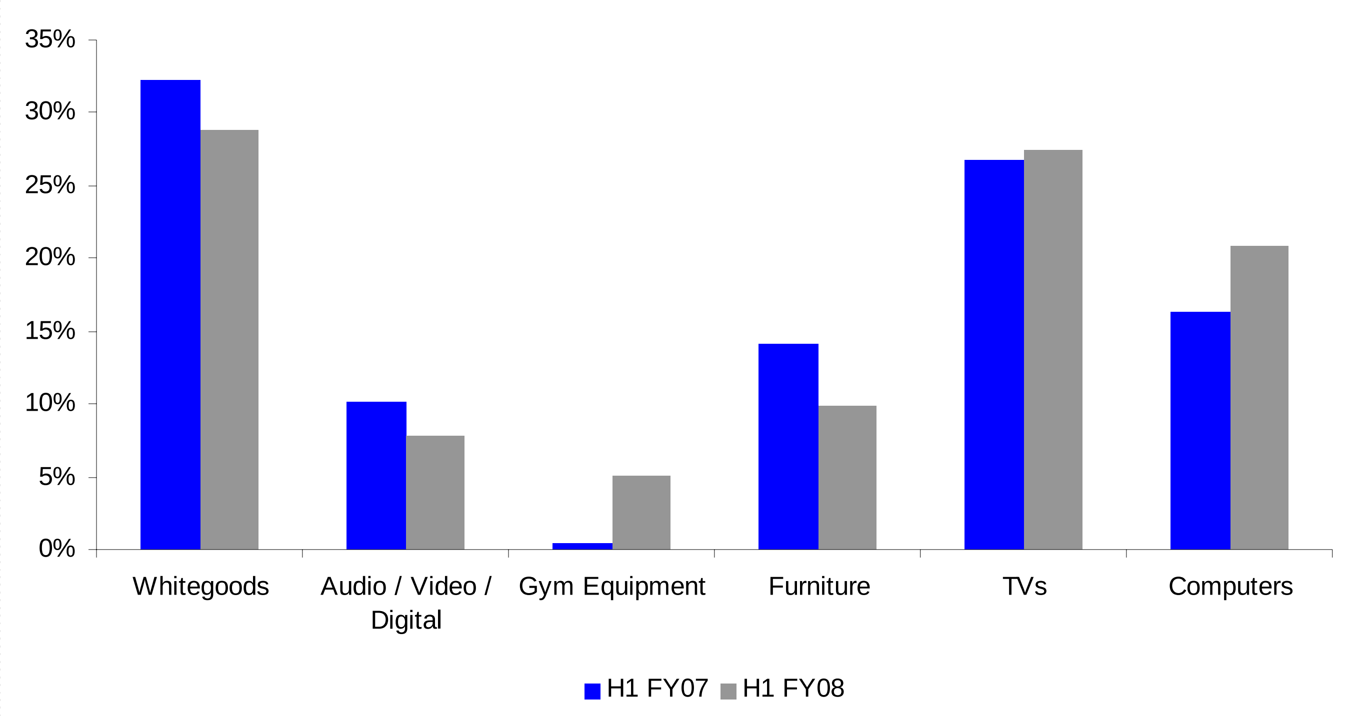
Installation Revenues (Dues):



- Continued movement to RTB 36 month in line with Plasma/LCD and PC growth

Products

Installation Revenues (Dues):



- Major shift to new product segments continue
- Robust growth in Gym equipment - more affluent consumers

Customers

- 4% growth
  - Metro areas now performing strongly
  - Strong regional growth continues
- New customers generation
  - 35% increase on PCP
  - Lower unit penetration
  - Steady rental dues
- Commercial
  - Team & focus being strengthened
- Situational/short term
  - Impacted by market changes
  - Seeking new opportunities

Risk Management

- Compulsory Automated Payments
  - Currently > 60% of rental dues
  - Charging of statement and reject fees to be introduced

- Financial Services
  - General Manager has been recruited

- “Project Reform” initiatives:
  - Enhanced scorecard/customer matching
  - Earlier action on delinquent accounts

Marketing

- More aggressive with strong “Call to Action”

- Broader audience
  - 6.2 million catalogues
  - National TV
  - Increased capital city radio

- Total expenditure $7.0m, up from $6.3m
  - 50% lift in second half to drive year end

Profit & Loss Statement

	1H FY07	1H FY08		
Revenue	49,595	59,228	⇧	19.4%
Gross Profit	31,444	35,366	⇧	12.5%
Operating Costs	(27,280)	(28,897)	⇩	5.9%
EBIT	4,529	6,768	⇧	49.4%
EBIT %	9.1%	11.4%		
NPAT	1,826	4,533	⇧	148%
NPAT %	3.7%	7.7%		

- Gross Profit % decline due to change in mix of sales
- Cost leverage further utilised as operating costs decline as a percent to revenue.

Balance Sheet

As at:	**Sep 2006**	**Sep 2007**
Current assets	11,431	13,642
Non current assets	70,186	72,804
Total Assets	**81,617**	**86,446**
Current liabilities	25,714	22,482
Non current liabilities	46,562	5,942
Total Liabilities	**72,276**	**28,424**
Net Assets	**9,341**	**58,022**
Contributed equity	25,000	49,649
Retained earnings	(15,659)	7,223
Reserves	-	1,150
Total Equity	**9,341**	**58,022**

- Debt reduced by $3M during the six months ended 30 Sept

Cashflows

For the period ended:	September 2006	September 2007
Cash receipts from customers	49,186	53,315
Acquisition of rental assets	(17,052)	(20,476)
Proceeds from sale of rental assets	1,003	659
Cash paid to suppliers and employees	(30,902)	(29,920)
Interest paid	(1,718)	(116)
Interest received	122	132
Income tax paid	(1,500)	(3,907)
Net cash used in operating activities	**(861)**	**(313)**
Net cash used in investing activities	**(389)**	**(1,240)**
Net cash used in financing activities	**-**	**(4,235)**
Net increase/(decrease) in cash and cash equivalents	**(1,250)**	**(5,788)**
Cash and cash equivalents at 1 April	4,753	6,982
Cash at end of reporting period	**3,503**	**1,194**

- FY07 tax liability of 3m paid in September 2007 as no instalments were previously paid.
- 20% increase in rental asset expenditure due to lower levels of old stock being returned plus investment in new products.

Market Outlook

- Economy
  - Consumer optimism but interest rate pressure
  - High levels of personal debt
- Regulatory
  - No impact on Radio Rentals business
  - Interest in ‘payday’ lending and high default charges on ‘finance lease’ rental products may create opportunities for Radio Rentals
- Industry
  - Strong Plasma/LCD/PC growth to continue
  - Furniture and whitegoods steady
  - Increasing competition in micro-lending

Growth Strategy

- Tasmanian trial to commence in 4th quarter
- A staged national rollout following successful trial
- Interest rates to be competitive and below statutory ‘caps’

• Acquisition of rental competitors
  - No current targets
  - Preference is to take market share

• Upstream rental propositions
  - Exploring non-traditional ways to market

Company Outlook

- Strong growth in Plasma/LCD and PCs
- Expect minimal impact of interest rate increases
- Liaising with UCCC re new propositions
- Expanding customer base with greater acceptance of "rental"
- Further operational efficiency gains
- Sound PAT growth in line with analyst expectations

About Radio Rentals

- A leading Australian household goods rental operator with 64 stores (established in 1937)
- Focus on the non-conforming consumer finance market
- Defensive business model
- Strong profit growth over the last five (5) years via:
  - Rent Try Buy
  - New Products –furniture, plasma/LCD TV's and PC's
  - Improved arrears/risk management
- Full Service Branch (FSB) Model
- Over 60% of customers on Direct Debit (includes Centrepay)
- Member of NARTA – major Australian buying group