

Thorn Group Limited

ACN 072 507 147

ASX ANNOUNCEMENT

24 MAY 2011

THORN PROFIT INCREASES 40% & STRONG DEVELOPMENT OF GROWTH INITIATIVES

- Normalised NPAT up 40% to \$23m
- Actual NPAT up 13% to \$22m
- Revenue up 8.6% to \$158m
- 10.5% customer growth
- Final dividend 4.95 cents, up 32%
- Continuous low levels of rental customer arrears
- National Credit Management Limited (NCML) acquisition

Results

For the year ended 31 March 2011, retail and financial services company, Thorn Group Limited (ASX: TGA), recorded a 40% increase in normalised net profit after tax to \$23m, excluding NCML acquisition costs of circa \$1m. Actual net profit after tax was \$22m, an increase of 13%.

Revenue grew 8.6% to \$158m, earnings per share increased 13% to 17.01 cents, final dividend increased 32% to 4.95 cents and debt to equity remains conservative.

Commentary

Thorn's performance has again been driven by a 7.5% customer growth in the core Radio Rentals and Rentlo businesses, which is very pleasing given the generally soft retail conditions.

The Company's Rent, Try, \$1 Buy!TM offering continues to be a major factor in attracting and retaining customers by combining the benefits of rental with the potential to gain ownership of a product. This flexibility is an important consideration for customers, particularly if they are concerned as to their financial circumstance.

The result also underscores Thorn's ability to perform well under both positive and challenging market conditions and the strength of its long-term recurring revenue streams that provide a solid platform of income generation. Thorn's somewhat unique business model, which combines retail and financial services, adds to this strength.

The broadening of the business base with strong growth from Cashfirst and the acquisition of NCML provides a springboard for future growth and development, whilst leveraging the core competencies of the Group.

Radio Rentals/Rentlo

The consumer rental business continued to generate steady revenue growth across all product areas however furniture and whitegoods were the standout performers. Rent, Try, \$1 Buy!TM, coupled with responsible credit management continue to be the catalysts of increases in average contract lengths, enhancing performance via a reduction in the rate of disconnection.

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This demonstrates a continuing improvement in the quality of the customer base and the reduced turnover of customers assists by reducing stock movements and hence operational costs. The continuation of low levels of arrears and write-offs reinforces the quality aspect of written business.

Managing Director, John Hughes, commented that “the performance of the consumer rental business is very pleasing and both internal and external customer research has provided very positive feedback in regard to all areas of our customer service and product offering. Strong levels of repeat business also underline the very positive customer attitudes to our offering”.

During the year the business undertook a number of initiatives to increase market presence in a very cost effective manner. This included the launch of an additional 5 ‘one person branches’, which are targeted at underserved regional markets, the commencement of a kiosk trial for increasing market penetration in metropolitan areas and the opening of 2 new showrooms. All these initiatives generated positive results and will form the basis for future expansion in the coming year.

Cashfirst

The Cashfirst unsecured loan book doubled to just over \$12m whilst continuing to achieve sound performance in arrears and bad debts. Again this reflects the overall focus that the Company has on responsible lending policies and quality of written business.

Thorn Business Services (TBS)

TBS concentrated on the development of vendor relationships during FY2011, which are a key element for generating growth. The substantial base of business within TABs in NSW, Victoria and WA remains a solid cornerstone and the appointment of a new General Manager with extensive industry experience, provides a new opportunity for further development of the division.

National Credit Management Limited (NCML) acquisition

NCML was acquired at the end of March 2011 on a 5 times EBIT multiple for \$31.4m¹ and is a leading provider of integrated receivables management services. The acquisition of NCML will enable expansion of Thorn’s financial services platform and further enhance the Company’s strength in receivables management which is key to the solid foundation of the organisation.

Australian Credit Licence and Responsible Lending Practices

Thorn was one of the first businesses to receive its Australian Credit Licence and believes its own Responsible Rental and Lending Policy, which focuses on a person’s residential and income status and capacity to pay rather than their credit history, reflects the objectives of the legislation and industry best practice. There are no adverse effects expected relative to Phase 2 of the National Consumer Credit Protection (NCCP) legislation which we expect to be implemented in the next 12 months.

¹ Final consideration after deducting cash that remained in the business at acquisition

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Dividend payment

A final dividend of 4.95 cents a share fully franked will be paid on 22 July to shareholders registered on 23 June. This takes full year dividend to 8.49 cents, up 34 % from 2010.

Outlook

The new financial year has commenced in line with expectations and subject to current economic conditions remaining stable the company expects a substantial increase in earnings in the financial year ending 31 March 2012 due to a full year contribution from the acquisition of NCML and solid organic earnings growth from the existing business.

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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 over 80 outlets nationally (Thorn trades as Radio Rentals in all states and territories except South Australia, where it trades as Rentlo). Other group businesses comprise Thorn Business Services, providing commercial finance for SMEs, Cashfirst, providing personal loans up to \$5,000, and National Credit Management Limited, a full service receivables management company.

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