



2010 Full Year Results
25 May 2010

John Hughes
Managing Director

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Our Brands

radio  rentals  rentlo

- ❑ Leading operator in household goods rental market



- ❑ Well positioned for development in the SME market



- ❑ Growing steadily with unsecured loans from \$1,000 to \$5,000

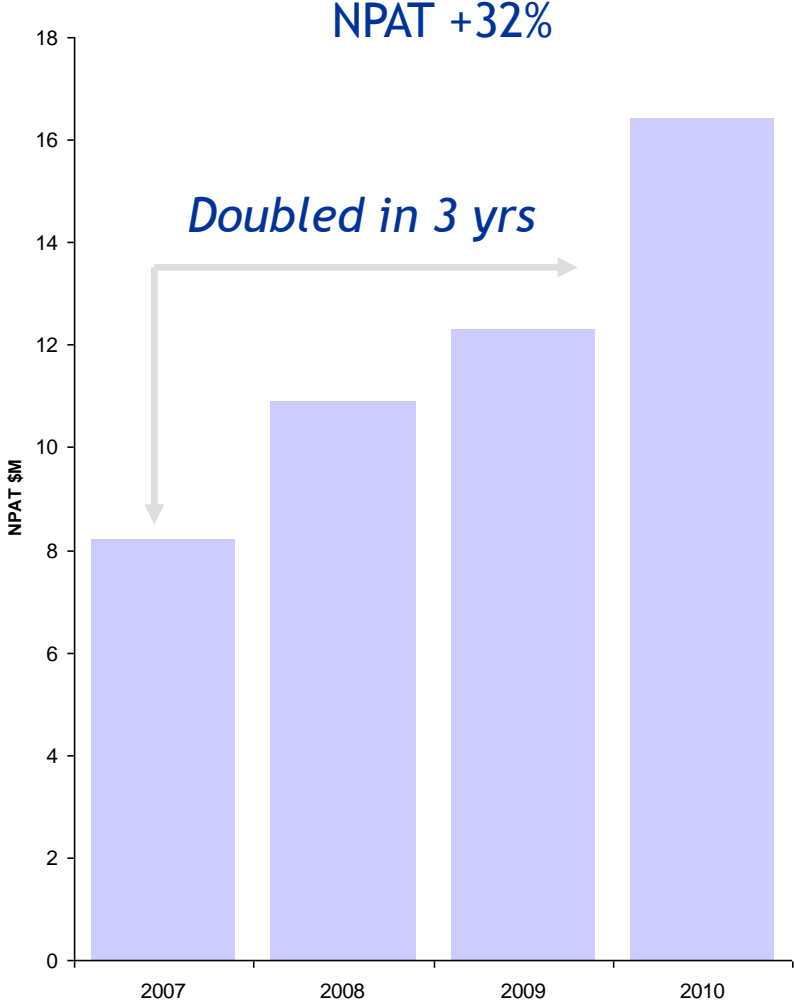
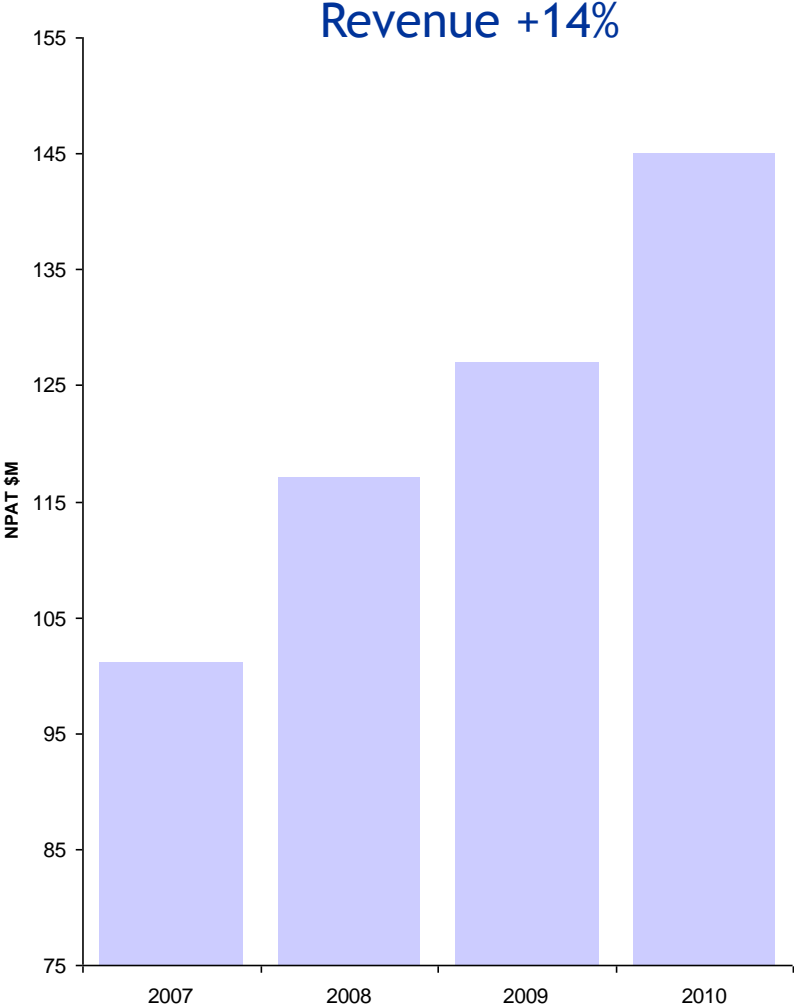


- ❑ Taking the lead in on-line retailing for consumer electronics

Performance Summary

- ❑ 58% increase in Net Profit after Tax to \$19.5m
- ❑ One-off tax benefit of \$3.1m.
- ❑ Normalised Net Profit after Tax up 33% at \$16.4m
- ❑ Revenue up 14%
- ❑ 10.5% customer growth
- ❑ EBIT lift of 36%
- ❑ EPS of 15.12 cents, a 57% increase
- ❑ Normalised EPS of 12.69 cents, a 32% increase
- ❑ 7.34% debt/equity ratio; zero net debt
- ❑ BigBrownBox.com.au and Cashfirst strategies gaining impetus

Historical performance: Strong growth



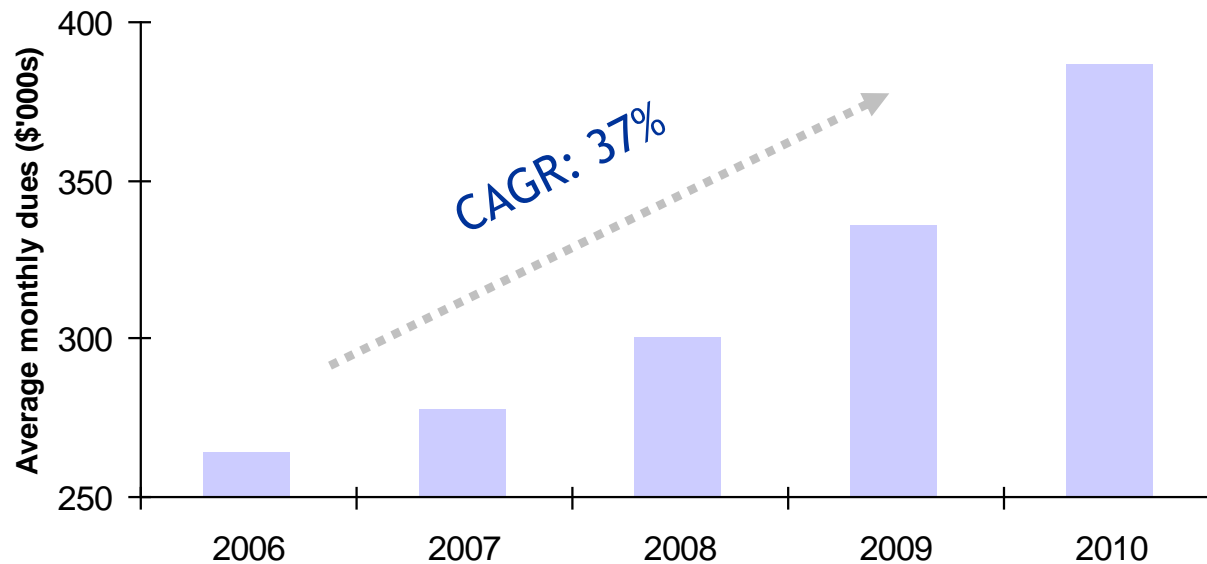
Performance – Core Business

radio  rentals

 rentlo

Revenue Growth: 14%

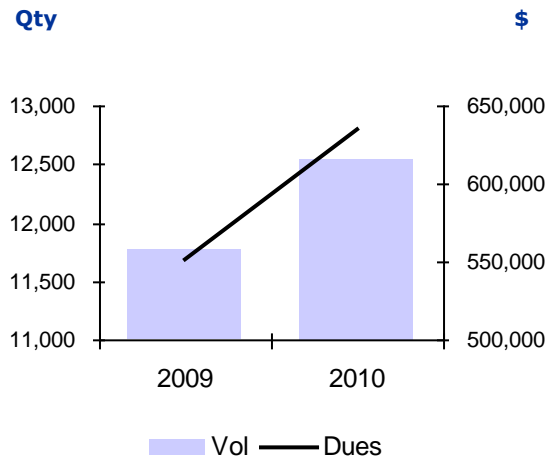
- ❑ Total installations grew 8%
- ❑ Installations on finance leases increased 17%
- ❑ Installations of operating leases increased 5%
- ❑ AUR (average price per unit) increased 6% to \$46.81



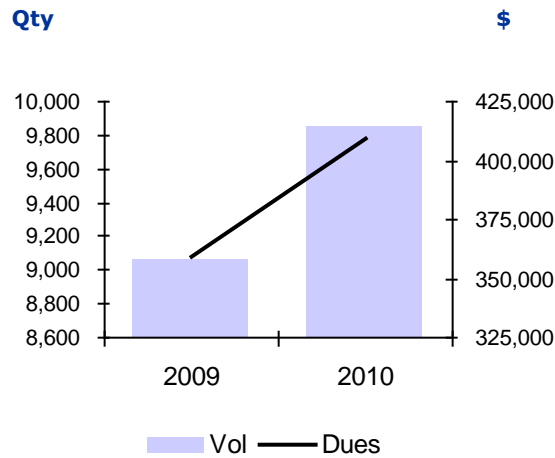
Revenue Growth: Operating Leases

- ❑ Continued strong demand for 'essential' products
- ❑ Refrigerators, washing machines and furniture all performed above industry
- ❑ Gaming products exited due to low profitability

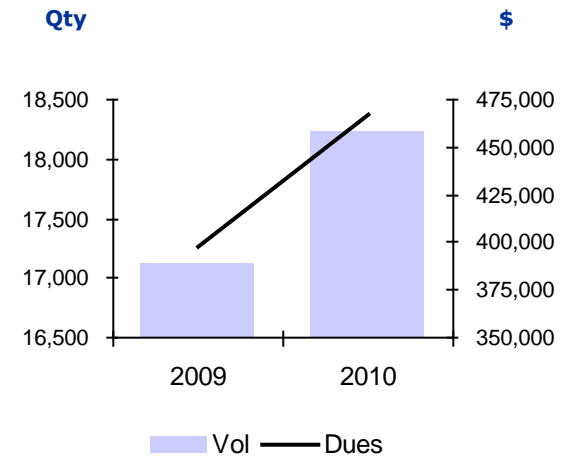
Refrigeration



Washing machines

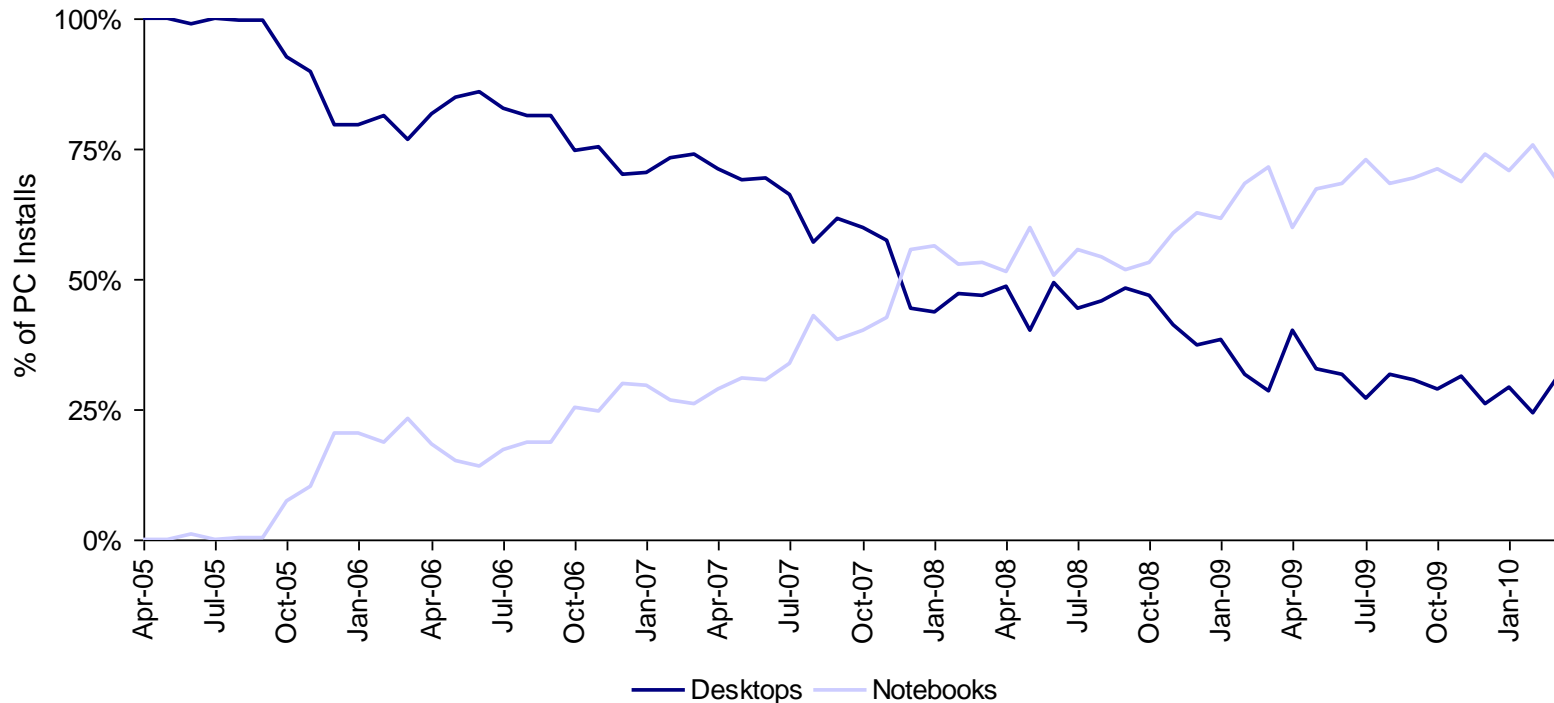


Furniture



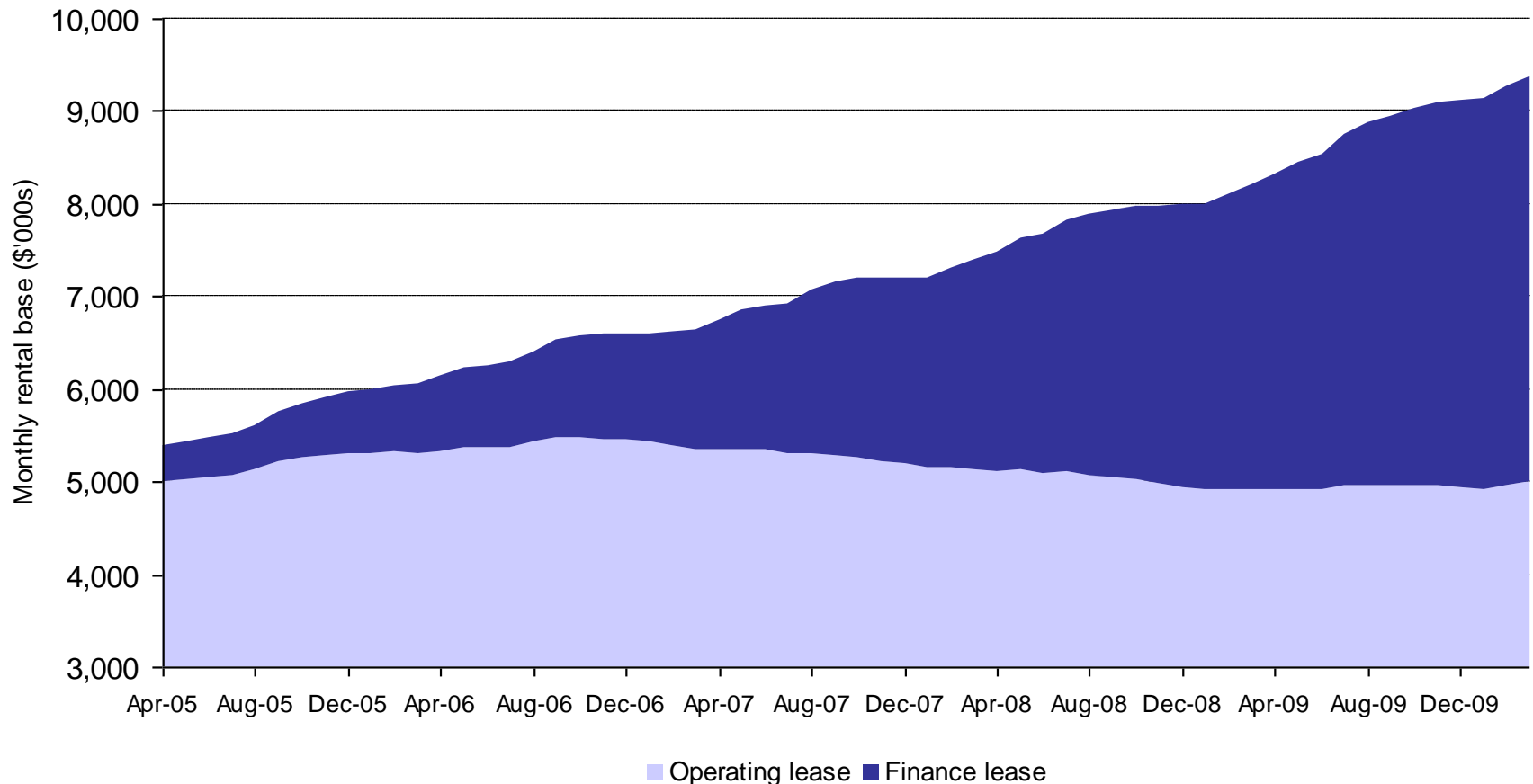
Revenue Growth: Finance Leases

- ❑ Demand continues for flat panel display (FPD) TVs and computers
- ❑ Notebook demand continues to outstrip desktop
- ❑ FPD demand increasing for smaller screen sizes up from 35% to 46% of FPD volumes
- ❑ New technology creating positive impacts e.g. LED and digital broadcasting



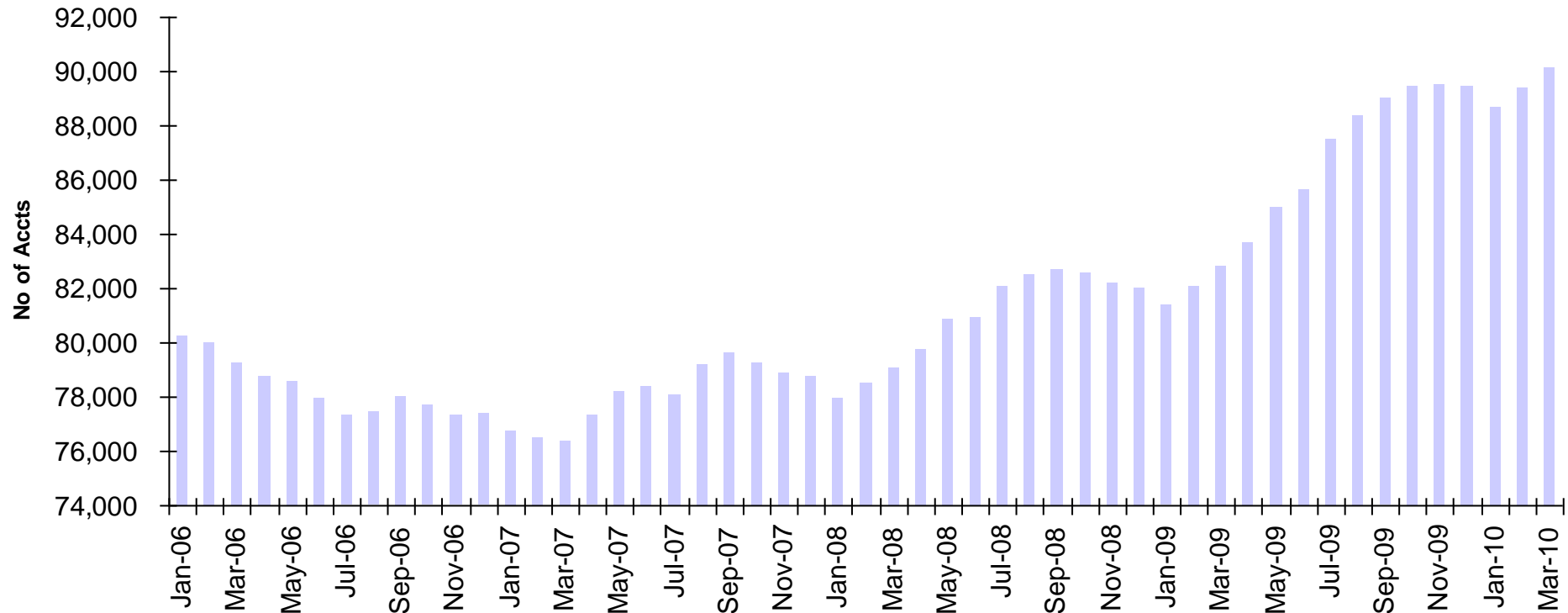
Revenue Growth: Overall

- ❑ 14% growth of rental base due to strong installation increases
- ❑ Disconnections remain in line with historical run rates & forecast



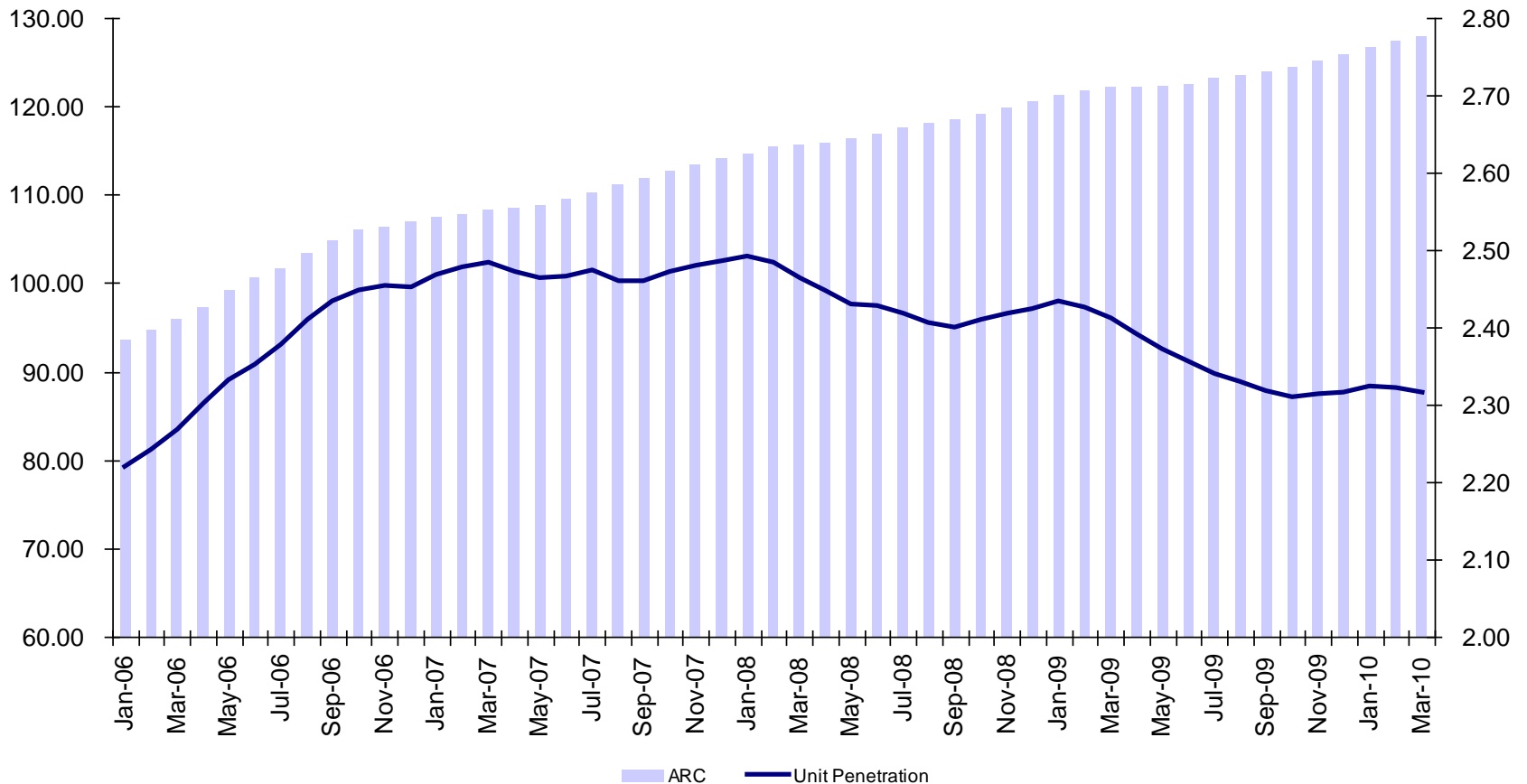
Customer Growth: 10.5% in total

- ❑ 7.2% Radio Rentals customer growth versus 2.8% LY
- ❑ 8.8% overall rental customer growth versus 4.8% LY
- ❑ 40% customer retention rate i.e. likely to take an additional contract
- ❑ Rental customer base now greater than 90,000



Customer Growth: 10.5%

- Marginal growth in average payment per month to \$127.85
- Average units per customer steady in the 2nd half



Customer Growth: 10.5%

❑ Marketing

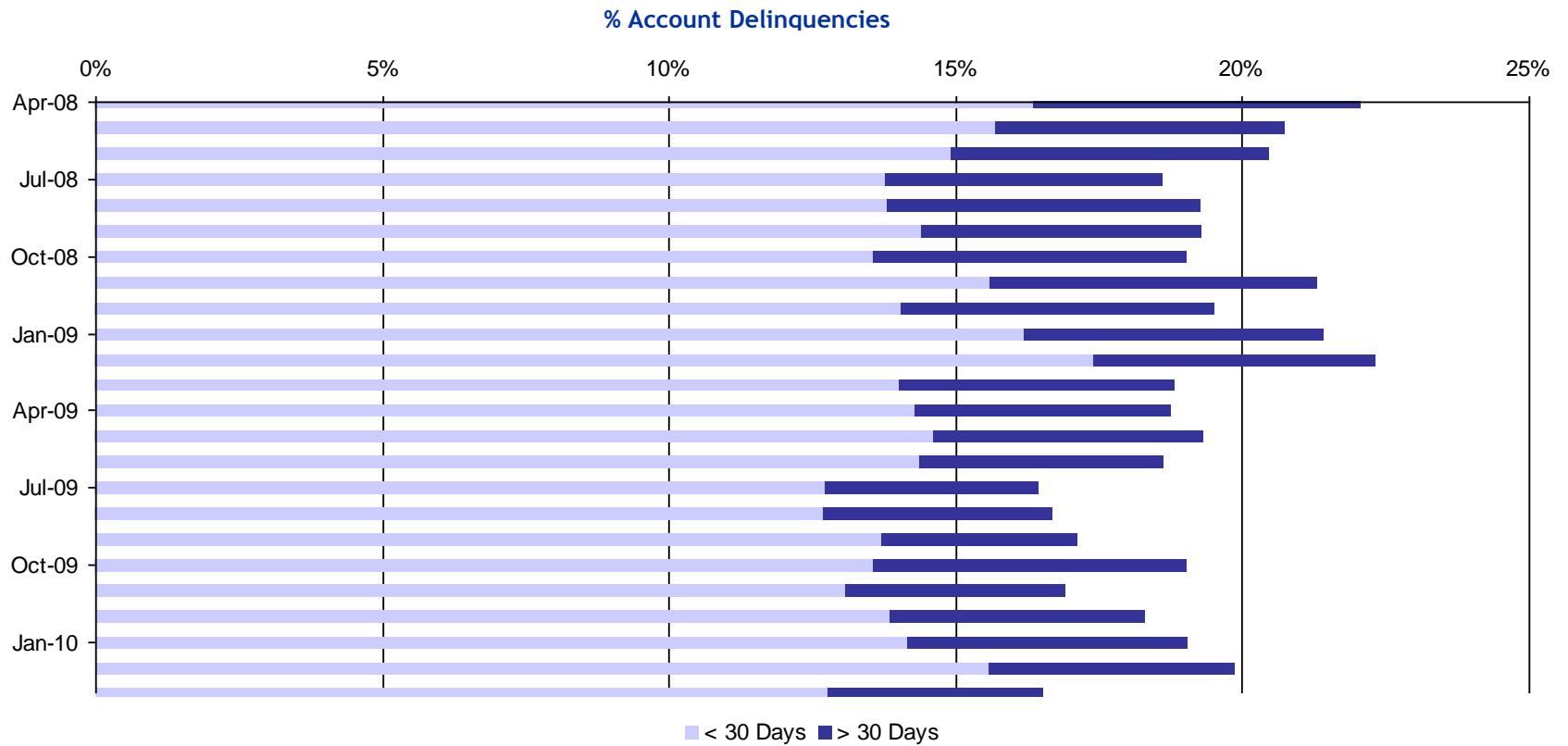
- Strong continued presence of TV advertising
- 15% increase in web hits
- Consistent level of telephone enquiries
- Rent Try Buy® and \$1 buyout are key drivers

❑ Store network

- Strong organic growth
- Continuation of store upgrade program
 - 10 stores ‘refreshed’ at current locations or relocated in old format
 - 3 stores relocated in new lifestyle format
 - 2 new showrooms
 - 1st One Person Branch (OPB) opened December in Batemans Bay; install performance increased dramatically

Account Delinquencies

- Delinquencies have been maintained at low levels
- Evidence of “operational excellence” - meeting customer needs without exceeding their ability to pay



Opportunities for Growth

- ❑ Tougher economic conditions with interest rate increases
- ❑ Strong demand continues for FPD TVs & PCs
- ❑ Further acceptance of the 'rental' as a means of accessing product
- ❑ Store expansion program:
 - Metro underserviced - current penetration of total households less than 1% versus regional average of 2%+
 - Perth population 1.5m serviced by 2 stores
 - ACT population 400k+ serviced by 1 store
 - Store and kiosk opportunities
 - 'One Person Branches' in underserviced regional markets

Performance - Cashfirst



- Loan book now c.\$5.5m
- Account base now greater than 4,000
- 75% of business written with new customers
- NSW and QLD strongest markets
- Approval rates continue to run at 15-20%
- Retention and renewal programs established
- Account delinquencies and write-offs within budget

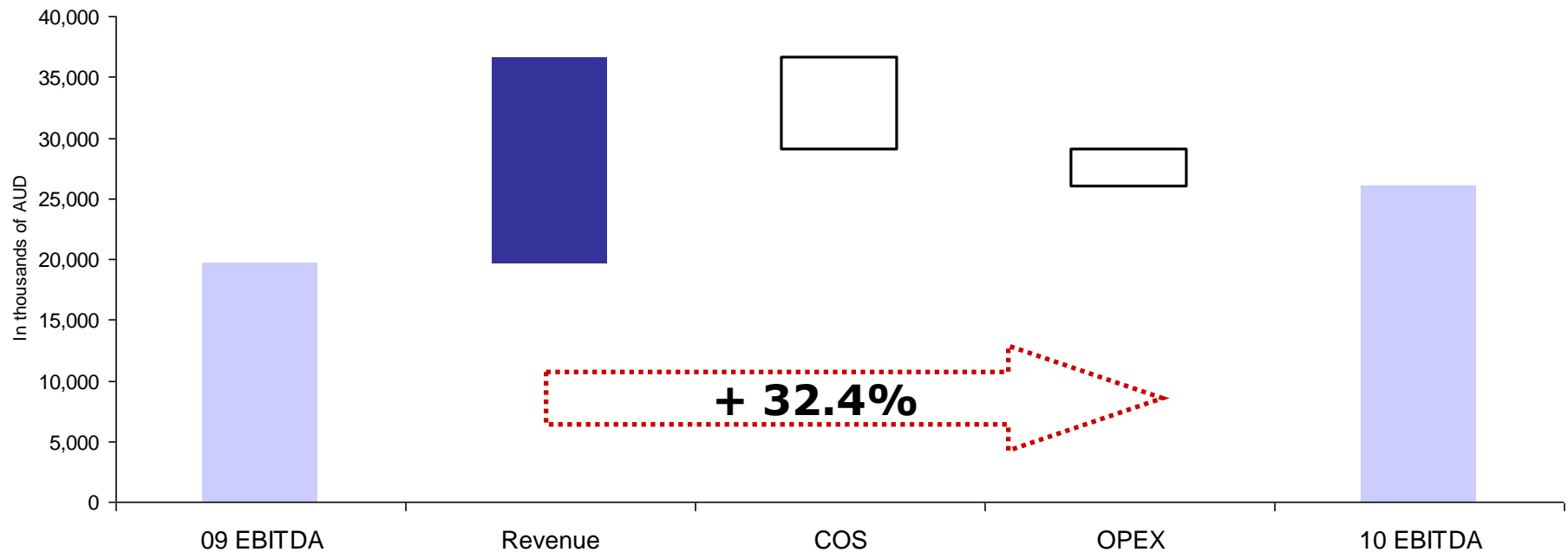
Performance – BigBrownBox.com.au



- Opportunity impacted by soft retail market and aggressive pricing
- Brand awareness growing
- Site metrics:
 - Time on site up 26%;
 - Bounce rate down 11%; and
 - Conversions improving
- Database of registered users increasing, improving repeat business
- Affiliate marketing programs successfully trialed
- Traditional media effective but expensive hence impacting profitability
- Site ranking improving
- Site functionality upgraded in April 2010

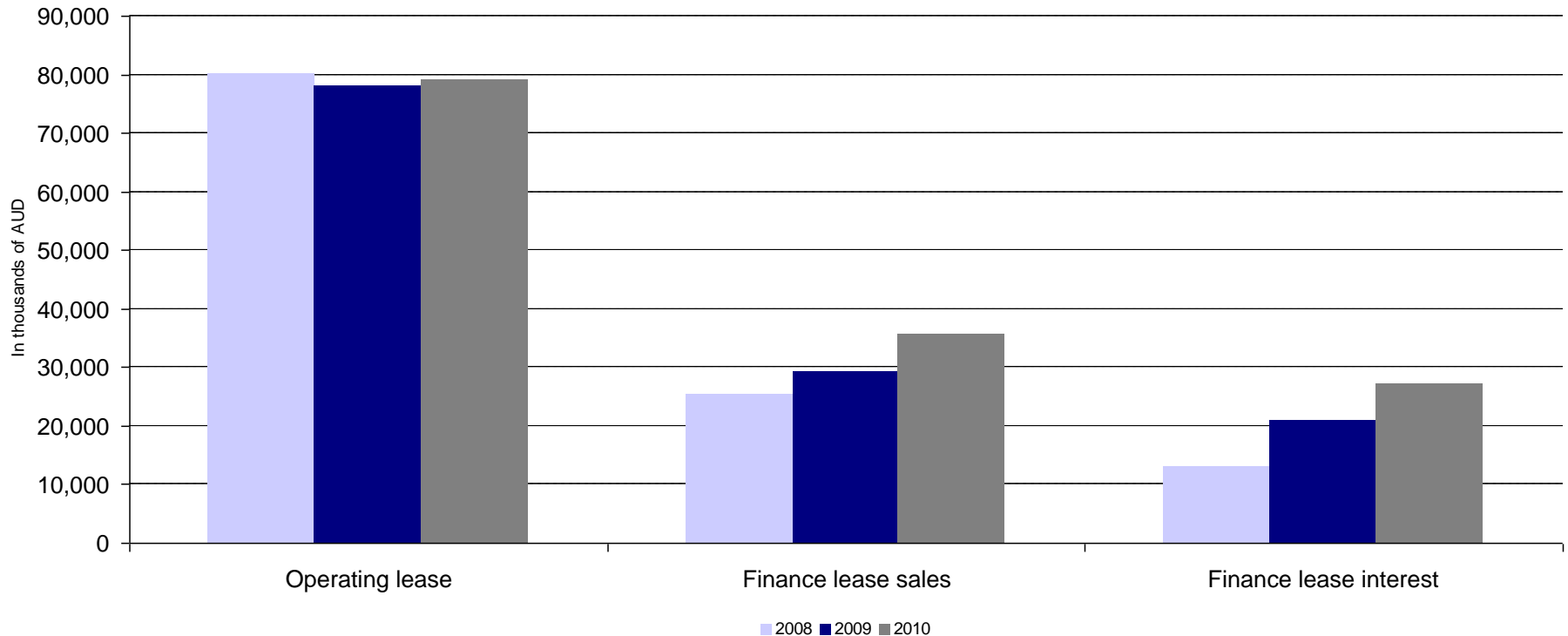
EBITDA

- ❑ Revenue increase of 14% main driver
- ❑ COS increases in line with revenue
- ❑ Gross margin percent steady
- ❑ OPEX remains increases in-line with business growth



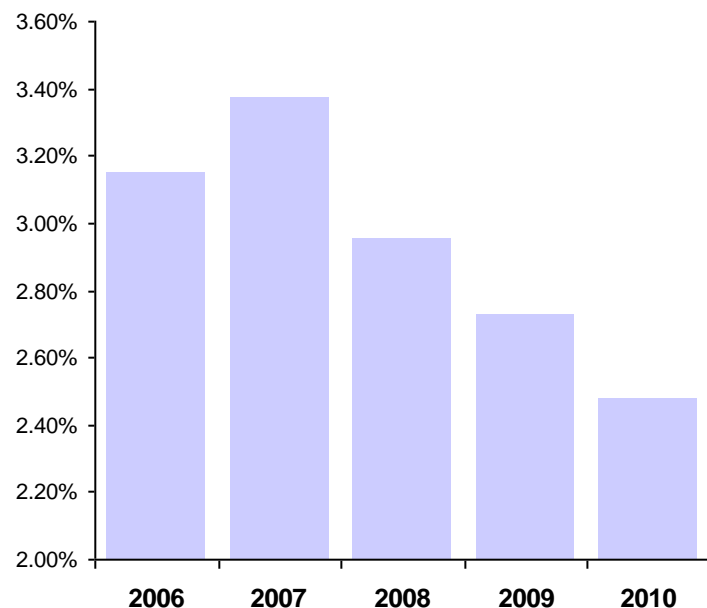
Revenue: 14% better than last year

- Like for like revenue growth 10%
- Finance lease sales revenue +22%
- Finance lease interest revenue +31%
- Operating lease revenue in line with base movements



Bad Debt: Losses continue to decline

- ❑ Impairment charges on the rental book continue to decline as a percent to revenue - 2.5% versus 2.7% LY
- ❑ Provisioning movement declined despite receivable growth reflecting a better quality book
- ❑ Asset loss volume down, however increase in the average value per item



Rental Bad Debt & Asset Losses as a percentage of customer payments

<i>In thousands of AUD</i>	09	10
Provisioning movement	5,329	4,599
Losses incurred:		
– Net Debt	1,179	1,196
– Asset	1,783	1,811
Total	8,292	7,606

OPEX

- ❑ Headcount increases limited; effective use of casual and part-time staff limiting overtime in the rental business
- ❑ Marketing increases relate to new business offerings
- ❑ Occupancy impacted by new sites; like for like +2%
- ❑ Other expenses impacted by IP legal costs; like for like +2%

<i>In thousands of AUD</i>	09	10	Movement
Personnel	27,211	28,814	+6%
Marketing	8,598	9,554	+11%
IT & Telco	2,511	2,327	(7%)
Occupancy	6,031	6,251	+4%
Transport	5,332	5,377	+1%
Other	7,227	7,553	+5%
OPEX	56,909	59,876	+5%
Movement	5%	5%	

Balance sheet

- ❑ Net asset growth of 18%
- ❑ Total tangibles assets \$102m, a 17% increase
- ❑ Debt to equity ratio remains conservative at 7.3%

Key asset movements	31 Mar \$'000s	Movement \$'000s	
Cash	5,747	3,180	– Better than prior year
Finance lease	45,775	8,746	– 23% book growth
Cash loans	4,659	2,255	– Strong second half growth
Operating lease	1,179	171	– Remains steady
Inventory	869	(438)	– Better utilisation
Rental assets	35,211	1,320	– Growth in operating lease book

\$85m due on finance lease book - including interest of \$34m

Cashflow: \$11.8m increase in cash generated

<i>In thousands of AUD</i>	09	10	
EBITDA	19,658	26,021	
Non cash movements:			
Share based payments	216	69	
Disposal rental assets	20,608	25,811	– Reversal of non-cash movements
Rental asset depreciation	19,699	19,988	
Working capital:			
Inventory	(1,307)	438	– Reduction in-line with sales mix
Receivables	(10,329)	(11,981)	– Finance lease and Cash loan books
Payables	2,547	2,696	– No change to payment terms
Provisions	319	202	– No major changes
Cash generated from Ops	51,411	63,244	

Cashflow: Op cash invested in rental assets

<i>In thousands of AUD</i>	09	10	
Cash Generated	51,411	63,244	
<i>Used in:</i>			
Store Capex	(1,100)	(687)	– Investment in store upgrade and refreshments
Other Capex	(1,269)	(453)	– Investment in IT
Rental Assets	(41,408)	(46,488)	– Assets for rental on finance and operating leases
Dividends	(5,594)	(7,059)	– 26% increase in payouts
Tax	(5,012)	(4,769)	– Investment allowance impact
Interest & Borrowings	565	(608)	
Net cash movement	(2,407)	3,180	

Opportunities for Growth



- Increased market penetration
- Increased offering to \$5,000
- Introduction National Consumer Credit Protection legislation should reduce competition

Opportunities for Growth



- ❑ Expanded product range:
 - Small appliances
 - Cooking appliances
- ❑ New opportunities:
 - EBAY store
 - Supplier affiliate programs
- ❑ Continue to build the brand awareness
- ❑ Internet search enhancements
- ❑ Introduce financing and rental options
- ❑ Continual refinement/refreshing of site

Opportunities for Growth



- ❑ 2010 focus on existing business
- ❑ 2011 year of development with focus on SME market:
 - Broader offering of financial products and services
 - Demand for funding exceeding supply
 - Wider product range
 - Additional sales resources
 - Creation of vendor and preferred supplier relationships
- ❑ Potential acquisitions

Company Strengths and Outlook

- ❑ Demand continues for “essential” household goods
- ❑ Solid ‘base’ business
- ❑ Strong cashflows
- ❑ Sound strategic initiatives for growth
- ❑ Very low gearing
- ❑ Ability to grow in both positive and negative economic environments
- ❑ Capacity to leverage ‘core competencies’
- ❑ Ability to grow without major network expansion and related costs

The Company expects to maintain strong earnings growth into the foreseeable future