



Acquisition of National Credit Management Limited
18 March 2011

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Transaction Highlights

NCML

- ❑ Thorn Group Ltd has entered into an agreement to acquire National Credit Management Limited (*NCML*)
 - ❑ NCML is a leading provider of integrated receivables management services in Australia
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Strategic Rationale

- ❑ Expansion of Thorn's financial services platform and diversification relative to core operations
 - ❑ Provides ability to develop debt ledger activities on a 'selective' basis
 - ❑ Leverages Thorn's debtor management expertise
 - ❑ Increases Thorn's knowledge base regarding debtor behaviour
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Transaction

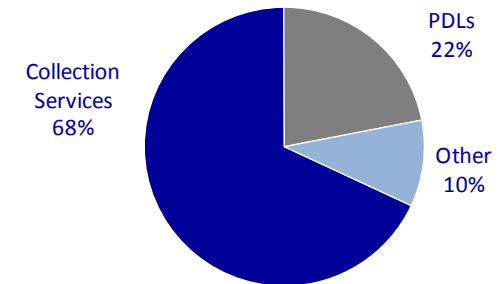
- ❑ Purchase price of \$32.5 million, represents a 5.2x FY2010A EBIT multiple
 - ❑ Funded through new debt facilities (expected to be partly refinanced by a pro-rata equity offering within the next 12 months)
 - ❑ Acquisition expected to be accretive¹ to Thorn EPS in FY2012
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1. Pre amortisation on intangibles

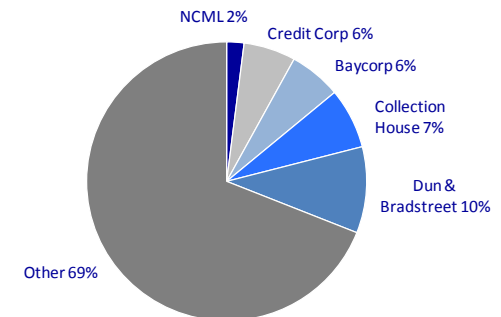
Industry Overview

- ❑ Two main segments of the market:
 - Collection services (acting as agent); and
 - Purchasing of debt ledgers (PDL) (acting as principal)
- ❑ Market growth in line with:
 - Increase in consumer and business credit; and
 - Continued trend to outsource debt or collections
- ❑ Top 5 firms are c.30% of the market - highly fragmented
- ❑ Majority of PDLs originate from consumer credit card market
- ❑ Potential clients include organisations with a large number of customers - utilities, telcos, banks, government agencies etc
- ❑ PDL market growing strongly - non-performing loans have increased as a percentage of banks' portfolios and the trend is for banks to move loans off balance sheet

Industry Segmentation



Market share

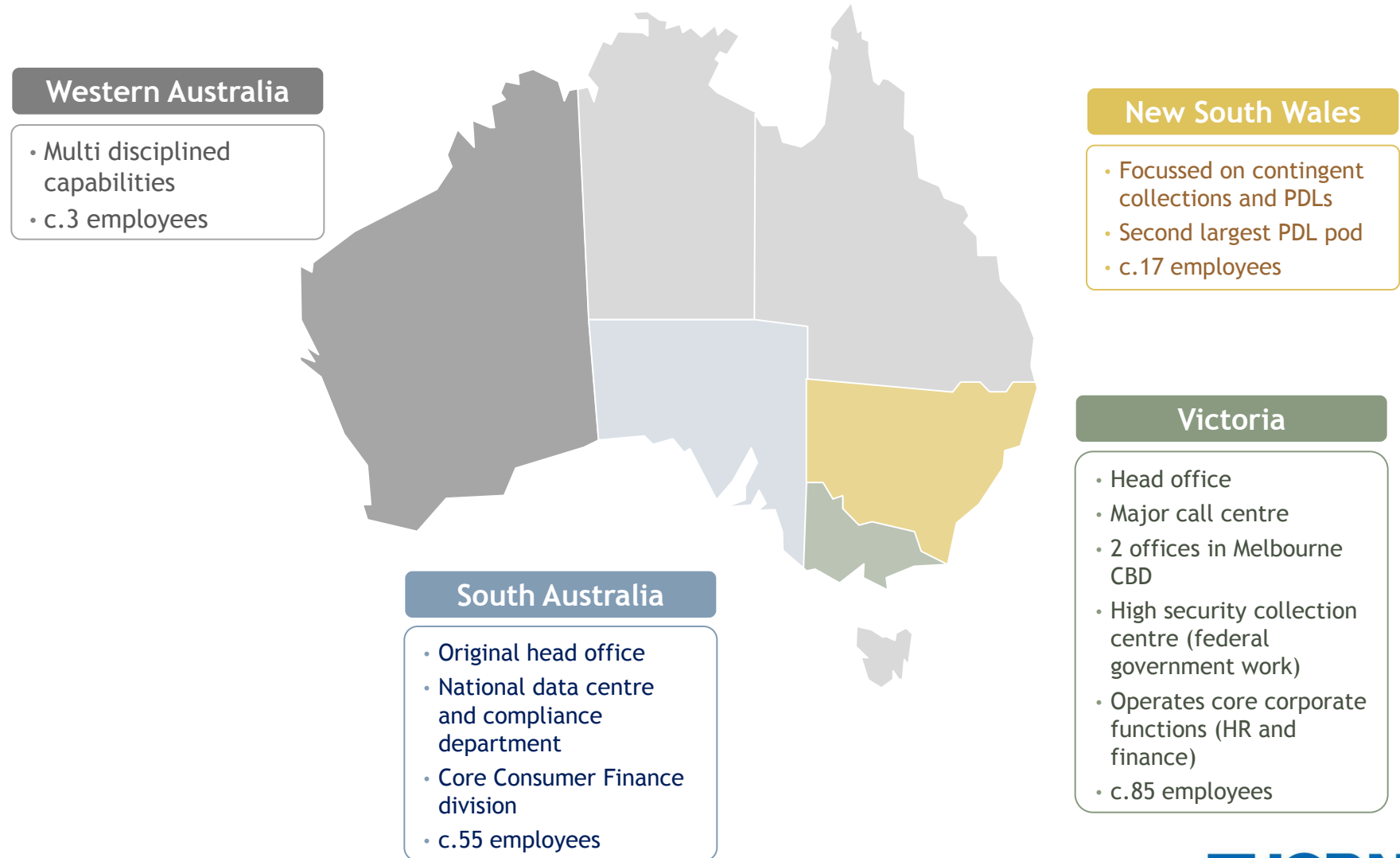


Source: IBISWorld Industry Report (July 2010) and management estimates

National Credit Management Limited

- ❑ Established in 1990, NCML provides a full suite of debt collection and receivables management services
- ❑ NCML operates nationally with offices in New South Wales, Victoria, South Australia and Western Australia and employs approximately 160 staff
- ❑ Top 20 customers accounted for c.53% of FY2010A revenue and have been with NCML for an average of 5.5 years
- ❑ NCML services over 800 active customers across both the private and public sectors
- ❑ In FY2010, NCML recorded revenue of \$21.3 million, EBITDA of \$6.6 million and EBIT of \$6.2 million
- ❑ NCML operates through 3 divisions:
 - Commercial
 - Consumer
 - Consumer Finance
- ❑ Vendors of NCML are Equity Partners (85%) and management (15%)

NCML Operational Coverage



NCML Business History

- 1990** NCML established by Brenton Glaister
- 1994** NCML expands operations into Victoria
- 2001** NCML establishes its Perth office
- 2003** NCML expands into NSW with the acquisition of CCS Hunter Stewart
- 2005** Equity Partners acquires 85% of NCML
- 2006** NCML establishes the PDL division and commences to purchase debt books
- 2007** NCML acquires Citibureau Collections, a Victorian provider of contingent collections and legal recovery services



NCML Business Overview

National Credit Management Limited

Commercial

Collection Services

- Original core business with more than 800 customers
- Provides business to business collection services largely on a commission and 'fee for service' basis
- Complementary value added services offering (e.g. legal recovery and field solutions)
- Incorporates Hudson Legal which provides legal services to NCML and third parties

Consumer

Collection Services

- Provides business to consumer collection services predominately on a 'fee for service' basis
- Mainly targeting high volume, low value utilities, telco, government body debts and financial services organisations
- Diverse customer base and strong relationships with "blue chip" clients

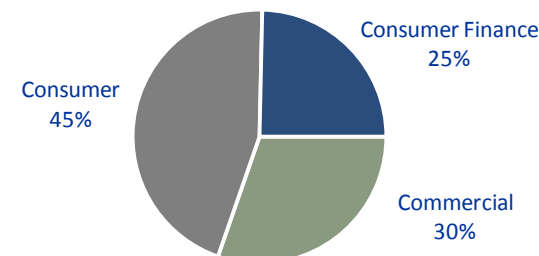
Consumer Finance

Collection Services & PDL

- Provides business to consumer collection services and purchases debt ledgers (PDLs) from banks and finance companies
- The PDL division was established in April 2006
- Strong PDL track record underpinned by prudent pricing methodology, significant due diligence and robust collections operations

The Commercial and Consumer divisions provide a strong and sustainable business base for NCML which reduces the dependency on PDL acquisitions

FY2010A EBITDA Split¹



1. Figures exclude corporate costs

NCML Business Growth Initiatives

National Credit Management Limited

Commercial

Collection Services

- Underrepresented in New South Wales - a number of prospective clients have been identified
- Establish Brisbane office and increase Queensland focus
- Expansion of service offering

Consumer

Collection Services

- Strategic relationships with key players should drive future activity
- Tenders for a number of major government contracts

Consumer Finance

Collection Services & PDL

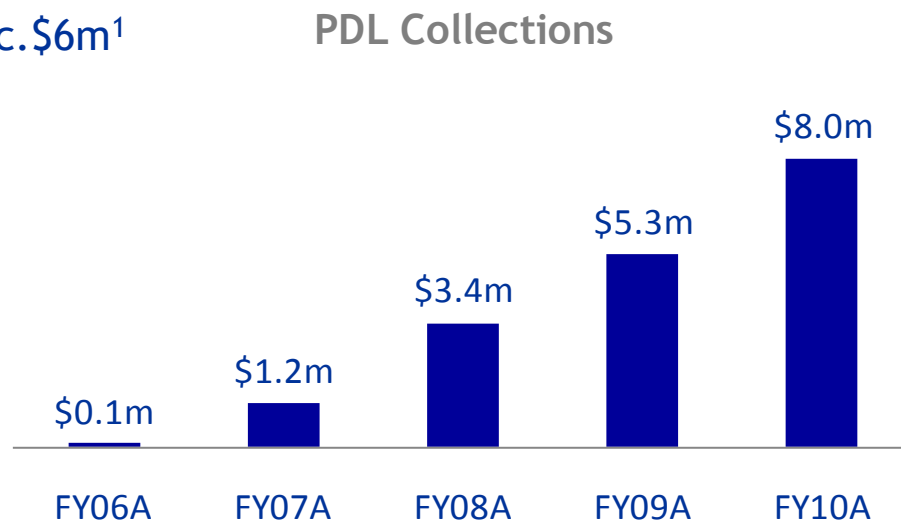
- Favourable industry trends will drive growth
- Purchase of additional PDL ledgers
- Potential to charge interest on outstanding amounts¹

NCML has a range of exciting growth initiatives to pursue over the medium term along with the potential for future acquisitions

1. Standard practice by other operators

NCML PDL Overview

- ❑ PDL activities commenced in 2006 and has steadily grown since that time, to collect c.\$8.0m of receivables in FY2010
- ❑ Has consistently achieved cumulative actual cash collections in excess of budgeted collections
- ❑ PDL activities are underpinned by prudent pricing methodology, significant due diligence and verification of underlying data and robust collections operations
- ❑ PDL assets are conservatively valued on the balance sheet, currently c.\$6m¹
- ❑ Focus on the purchase of forward flow arrangements which are younger, more collectable and ultimately a higher quality debt
- ❑ NCML has built strong relationships with major Australian banks and a number of non-bank lenders



1. See Appendix for PDL accounting policies

NCML Management

NCML has an experienced and results driven senior management team that is committed to developing the NCML business within the Thorn Group

Don Coulthard

Chief Executive Officer



- ❑ Over 22 years experience in the debt collection industry in both North America and Australia
- ❑ Significant industry experience in sales management and business development
- ❑ Founding Chairman of the Australian Collectors and Debt Buyers Association

Brenton Glaister

Head of Commercial Division



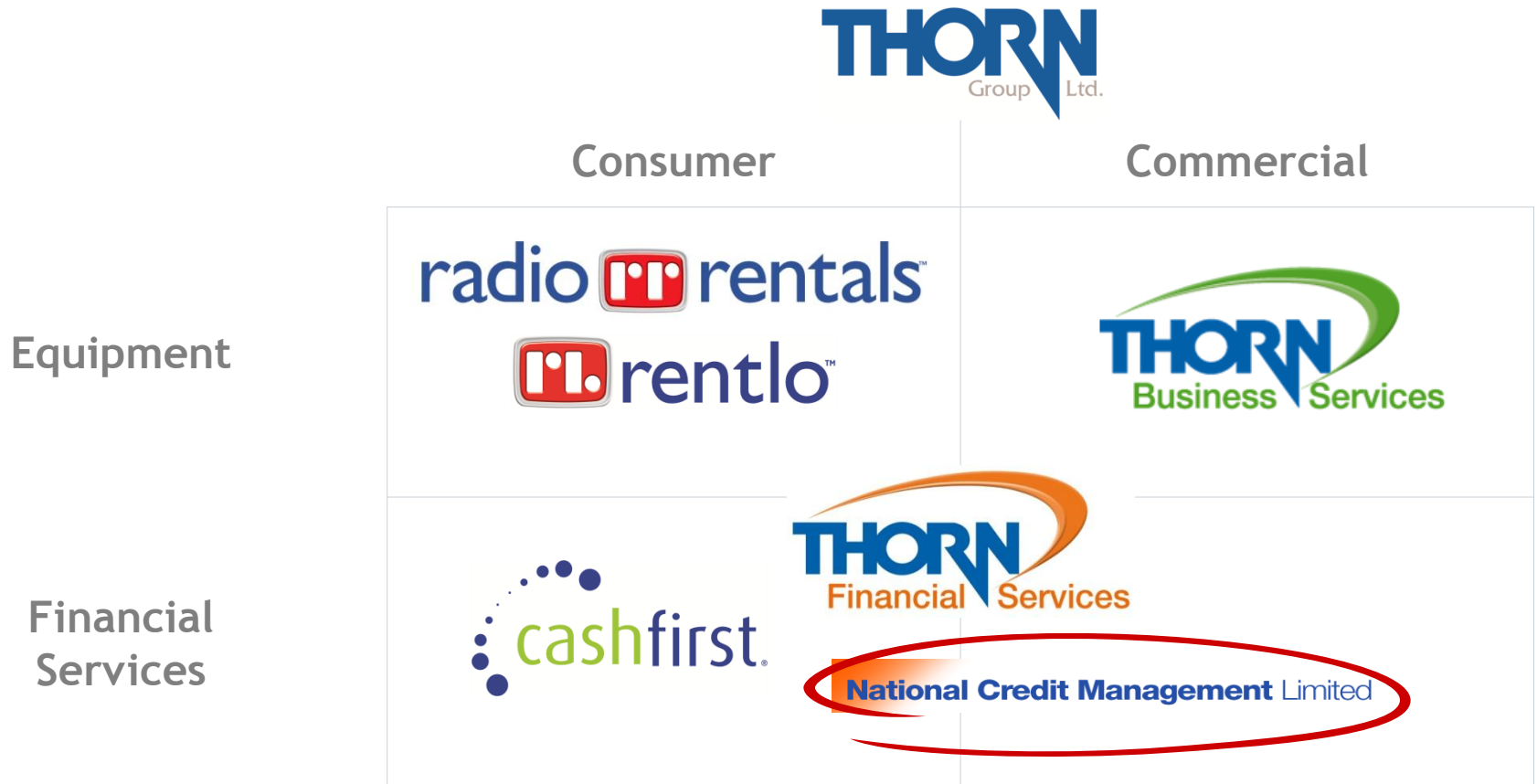
- ❑ Established NCML in 1990, (after working for Dun & Bradstreet) and grew it to become one of the leading providers of collection services in the South Australia market
- ❑ Extensive experience in the debt collection industry and former President of the Institute of Mercantile Agents (South Australia)

Strategic Rationale

- ✓ The acquisition of NCML represents an expansion and development of Thorn's financial services capabilities
- ✓ Leverages Thorn's debtor management expertise
- ✓ Adds 'blue chip' corporate and government clients to Thorn's customer base
- ✓ Provides ability to develop debt ledger activities on a selective basis
- ✓ Provides diversification relative to core operations
- ✓ Opportunity to develop a comprehensive debt management offering to commercial clients
- ✓ Strategic goals align well with those of Thorn Financial Services which provides a complete in-house service to the consumer-centric Thorn businesses
- ✓ Increases Thorn's knowledge base regarding debtor behaviour

Overview of Thorn Group

The acquisition of NCML will represent an expansion of Thorn's financial services capabilities, particularly in the Commercial segment



Financial Impact

- ❑ In FY2010 NCML generated:
 - \$21.3 million in revenue
 - \$6.6 million in EBITDA
 - \$6.2 million in EBIT

- ❑ Strong earnings growth expected for NCML in FY2011

- ❑ As at 31 December 2010, NCML had a net asset value of \$9.4 million

- ❑ Acquisition is expected to be accretive¹ to Thorn EPS in FY2012 (March year end)

- ❑ Net debt to equity ratio to be c.30% post transaction

- ❑ Acquisition is conservatively priced (5.2x FY2010A EBIT) and meets Thorn's strict acquisition criteria

- ❑ Future growth initiatives of Thorn and NCML able to be funded out of cashflows and utilisation of new debt facilities

1. Pre amortisation on intangibles

Thorn Trading Update

- ❑ Consistent solid performance across the business has continued
- ❑ Radio Rentals/Rentlo continues to gain new customers and achieve low levels of customer arrears and bad debts
- ❑ Cashfirst has significantly increased its loan book to over \$11 million
- ❑ Expansion of funding facilities with Westpac to \$50 million (expected to be partly refinanced by a pro-rata equity offering within the next 12 months)

Thorn upgrades its 2011 full year NPAT guidance to \$22 - \$23 million¹

- ❑ A further update on NCML's financial performance and outlook will be provided at Thorn's annual results presentation in May 2011

1. Estimate excludes c.\$1m of costs relating to the NCML acquisition

Appendix

PDL Accounting Treatment

- ❑ NCML adopts the AASB 9 accounting methodology
- ❑ NCML measures its PDLs on the basis of amortised cost (rather than fair value) using the 'Effective Interest Rate Method'
- ❑ Practice is consistent with international best practice and is to become mandatory for all reporting periods from 1 January 2013
- ❑ Upon acquisition of each individual ledger projected collections are estimated and used to derive an effective interest rate (*EIR*)
- ❑ Each dollar of PDL cash collected is apportioned between income and a reduction in the PDL book value based on the EIR
- ❑ PDL book value is assessed for impairment at each reporting period