
ASX ANNOUNCEMENT**21 MAY 2013**

REVENUE UP, PROFIT SOUND, DIVIDEND UP AS THORN INVESTS FOR FUTURE**Highlights**

- NPAT sound at \$28m
- Cash NPAT also steady at \$29.8m
- Revenue up 8% to \$203m
- Average ROCE continues strongly at 24.8%
- Basic EPS of 19.11 cents
- Operating cash grew to \$93m
- Gearing levels remain conservative at 19%
- Final dividend up 9% to 6 cents; distribution up to 55%

- Radio Rentals – record installations and earnings
- Cashfirst – loan book now over \$20m
- Thorn Equipment Finance (TEF) – strong book build to \$36m
- NCML – strong customer acquisition will improve revenues in 2014
- Rent Drive Buy – trial commenced and delivering positive results

Key areas of focus

- Continued development as a broader based financial services organisation
- Enhancement of current initiatives to optimise performance and shareholder returns

Overview

Thorn's performance remained strong given ongoing challenges in the market with low levels of consumer confidence as they continue to be impacted by cost of living increases, particularly utility costs, along with uncertainty generated by the upcoming Federal election.

The business continues to make a solid investment in the expansion of its financial services platform which takes time to reach critical mass before strong returns begin to flow.

Managing Director, John Hughes, said there were a large number of positive aspects to performance this year, from the core consumer leasing business delivering record levels of installations and earnings through to the encouraging signs for future success of initiatives and an outstanding return on capital employed.

"Thorn's core Radio Rentals business continues to demonstrate its strength and resilience in the market and it has been an outstanding performer in recent years compared to other retailers. This provides a very stable platform for investment in initiatives as we develop into a broader based financial services organisation and see other segments increase their contributions, particularly once they achieve the all-important critical mass." Mr Hughes said.

Radio Rentals / Rentlo

Radio Rentals offers an extensive range of technology, home and office needs, packaged into a range of rental deals, principally under the Rent, Try, \$1Buy!® banner. Radio Rentals operates over 90 outlets nationally and has been a market leader since 1937.

Radio Rentals performed strongly, with installation dues increasing 6% over last year and this was assisted by the successful introduction of Apple products.

Furniture was again the standout product group with installation dues increasing 46%, whilst other product categories remained relatively steady including technology products which accounts for some 43% of installations.

A particularly pleasing aspect was the increase in the customer retention rate from 44% to 48% and clearly demonstrates a very strong level of customer loyalty.

Also, to assist customers during a time of need a hardship contract was introduced, which has also been successful in helping to maintain arrears and write-offs at a satisfactory level.

A 48-month Rent, Try, \$1Buy!® contract is being considered for introduction in the coming months to meet a growing demand for larger size products and whole room packages. Customer research has been extremely positive and it is expected to garner positive results in generating new business.

Thorn Financial Services

Thorn Financial Services (TFS) is expanding in new areas and the cornerstone of the business is Cashfirst, which provides unsecured personal loans based on Responsible Lending criteria. Loan amounts range between \$2,000 and \$5,000.

The Cashfirst loan book grew 26% throughout the period and closed at \$21m, compared with \$17M at FY12 year end. Arrears remained low and bad debts were 8.9% of Average Net Receivables which underscores Thorn's commitment to responsible lending policies.

Customer retention rate increased to 27%, which is a very positive indicator of customer satisfaction and the loyalty that is being built.

Earnings increased by 62%, however performance was affected by an increase in costs associated with expanding resources as part of the investment in developing new products.

Initiatives under development include:

- Secured loans targeting a broader demographic;
- Standalone branches and store-in-store outlets in selected Radio Rentals locations;
- A lease to own proposition in retailers;
- Specialist funding e.g. legal disbursements; and
- Low dollar value loans, between \$1,000 and \$2,000.

Thorn Equipment Finance

Thorn Equipment Finance (TEF) specialises in providing equipment financing solutions for SMEs, corporations and government across a diversified range of products.

The book has now grown to \$36m, compared with \$12M at FY12 year end and \$33m was financed during the year across a range of equipment including IT, telephony, poker machines, audio visual and industrial and commercial equipment.

Strategic alliances with vendors and brokers have been expanded and place the business in a sound position for continued growth.

The key to future profit contribution is the continued loan book growth which will be assisted greatly by the new securitised funding facility.

NCML

NCML is a provider of credit and receivables management services throughout Australia.

As previously reported, NCML's performance has been affected by the loss of the ATO contract and the restructure of the business which has now been completed. However, there has been a significant lift in new clients including Queensland and New South Wales state governments, a number of large local councils along with telcos and major financial institutions. A consequence of winning new business is investment in human resources and training, meaning a time lag of several months before new contracts realise their profit potential.

NCML is also now more active in purchasing debt ledgers given market pricing meeting our disciplined model. A number of successful acquisitions have been made as well as increasing business from several key clients.

The business is now well positioned and Thorn is expecting a more positive year ahead, particularly as the benefits of the new business acquired in the last quarter flow forward.

Rent Drive Buy®

Rent Drive Buy offers customers an opportunity to rent a quality vehicle on a fully maintained basis, with the potential to obtain finance for purchase after a year of continuous payments.

The trial of this business fully commenced in February 2013 and results to date have been promising including 100% customer retention along with no arrears or write-offs. Customer feedback is very positive and the initiative will be reviewed after completion of the first half year of FY14.

Legislative Changes

Thorn has been involved in discussions with the Federal Treasury in relation to enhancements to the National Consumer Credit Protection legislation, which primarily involve more disclosure around financial services products. Thorn is generally supportive of this direction, seeing it as beneficial for consumers and Thorn's competitive position.

Funding

To assist with funding expansion in financial services, Thorn has increased its base debt facilities through Westpac from \$30m to \$50m and is currently finalising a securitised facility of an additional \$50m to enable continued expansion of Thorn Equipment Finance.

Dividend Payment

A final dividend of 6 cents per share fully franked will be paid on 18 July 2013 to shareholders registered on 17 June 2013. The dividend reinvestment plan will be active for the dividend and a discount of 2.5% will apply.

Outlook

The board and management are positive Thorn will deliver future profit growth. This is based on an expected continuation of a solid performance of its core rental business as well as growing returns from investments and initiatives as the Company evolves into a broader based financial services organisation. A feature of Thorn's financial services expansion strategy is catering for underserved alternative market areas. A complete strategic review of Radio Rentals is being undertaken with a focus on creating new products and propositions to appeal to a broader customer demographic.

Thorn has long been of the view that four key components are required for growth – initiatives that access market opportunities, a capability to execute them, capital and time to achieve investment returns.

These factors reflect how Thorn is implementing its strategy of expansion in financial services and it expects to deliver the results of this growth to shareholders in coming years.

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ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)

Thorn Group is a financial services company and a leader in the household goods rental market. Its core business is Radio Rentals (Rentlo in South Australia), a brand in Australia since 1937 and has over 90 outlets nationally. Other group businesses comprise Thorn Equipment Finance, providing commercial finance, Thorn Financial Services which includes Cashfirst, offering personal loans up to \$5000, and NCML, a full service receivables management company.