

**CEO AGM ADDRESS****29 August 2018**

Thank you David, and good morning everyone,

Thorn is indeed a Group in transition and I would like to acknowledge the efforts of the Board, my Executive Management team and all of our people for tackling the challenges head on.

It is important to recognise much has been done and we have come a long way in only a brief period of time.

Having started with the Company in February this year, we immediately implemented important measures to lift Thorn's performance in the short-term:

- We've restructured the Management team to focus on accountability throughout our businesses: Equipment Finance and Radio Rentals;
- Commenced a cost efficiency program to improve productivity;
- Launched a new Mission statement of providing "an amazing customer experience" focusing on our key values to "look after our customers", "work as one team" and "strive to improve";
- Continued to pay down our corporate debt levels; and
- Trialled new format stores.

**Radio Rentals Operating Model**

We must remain mindful that Radio Rentals is a well-recognized retailer with an established and respected brand throughout Australia and is a market leader in consumer leasing. It has a proud history and retains a loyal and committed customer base.

Change is an inevitable and necessary consequence underpinned by our mantra to provide our customers an **amazing customer experience**. This is not a marketing strategy: our customers are and must continue to be the central focus of our attention.

I am working with our Management team to take the necessary steps to stabilize performance, while introducing new and robust systems and processes to position ourselves for future growth.

To achieve this, we are in the process of changing Radio Rentals' operating model by:

- Introducing more products across technology, household and furniture categories;
- Extending rental options, including Lease products and other payment platforms;
- Lowering prices and offering customers greater value;
- Improving the Store experience, investing in a refurbishment program to showcase key products and brand displays;
- Centralising backend processes that enable customers to have a seamless experience across all channels;
- Offering greater convenience with extended store trading hours and an improved online and social experience for customers to interact with us 24/7; and
- Technology and digitalisation enhancements through various touchpoints of the customer journey providing greater speed and accuracy on credit assessment, stock availability and after sales service.

To help growth we have recently engaged a strategic partner to perform a review of the business and identify main areas to improve efficiency and performance. This is being driven internally and will provide the basis of the new Radio Rentals Operating Model. The key focus areas of this project include credit verification and collections, supply chain, distribution, warehousing and servicing, and corporate

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cost reductions. While the review is still in its early stages, we have already identified the need to make significant changes quickly in Radio Rentals.

After a successful trial in some of our Sydney stores, we will move into a period of store refurbishment over the next 18 months. This change will help the Radio Rentals brand to become more relevant to existing and new customer bases. The trial included a store redesign, displaying products in categories (and not rooms), extending the rental terms so customers have more choice, lowering prices, improved ticketing and POS giving more features and benefits, and having a streamlined application process.

I'm pleased to report that all of the refurbished stores are trading positively since their refit.

The closest refurbished stores to Chullora (should you wish to visit) are Blacktown, Macarthur Square, Mount Druitt or Parramatta.

We've also changed the way we market Radio Rental offers. We are reaching more consumers through the use of social media, customer relationship management (CRM) programs, an increased online presence and a move to more engaging retail catalogue offers,.

I'm pleased to report that these changes have seen customer enquiry volumes improve.

The instore changes and stronger marketing strategy is allowing us to engage with our suppliers, sourcing more relevant and in demand products at lower prices. All of these will benefit our customers and ultimately will drive further customer demand and increased shareholder value.

### **Equipment Finance**

Thorn Business (Equipment) Finance continues to drive positive results in FY19.

The announcement earlier this month of the introduction of a mezzanine debt financier into the warehouse (which funds the Business finance division) released \$36 million into the Group, which has been used to repay part of the corporate facility. And, as mentioned by David, this investment will also provide additional funding capacity, which will allow the Business finance division to grow.

It is important to reflect on the success of the Equipment Finance business. With the recent increase in the Warehouse facility to \$400 million, TEF is well positioned in the market with sufficient capital to continue to contribute strongly to the Group.

I would like to recognise the Thorn Businesses Finance team for their dedicated and hard work over the last year and look forward to a positive result in the coming financial year.

### **Outlook**

Thorn will continue to face challenges in FY19. We are developing a strong platform to help grow the company. We're committed to reducing costs and continue to look at new and innovative ways to deliver better service standards to our customers.

I'm pleased with our progress to date and would like to take the opportunity to thank the Thorn team who've embraced change and are working rapidly behind the scenes to improve our business.

I'd like to thank our shareholders for your continued support through this business transformation. We still have a long road ahead; however we are moving in the right direction and I am confident we are well positioned for future growth.

**Tim Luce**

CEO and Managing Director

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