

ASX ANNOUNCEMENT

19 NOVEMBER 2013

STRONG BUSINESS GROWTH – PROFIT IMPACTED BY INVESTMENT INITIATIVES

Highlights

- Revenue up 12% to \$112.7M (2012: \$100.5M)
- Reported NPAT down 5% at \$13.3M (\$14.0M)
- Underlying NPAT up 2.9% at \$13.5M (\$13.1M)
- Basic EPS of 8.98 cents (9.57c)
- Net Debt remains conservative at 18.2%
- Interim dividend 4.5 cents per share fully franked (4.5c)
- Radio Rentals – record installations
- Thorn Financial Services – expands initiatives
- Thorn Equipment Finance – strong book build to \$55M¹
- NCML – strong revenue growth

Key areas of focus

- Ongoing diversification strategy to become a broader based financial services organisation
- Continued development of initiatives to maintain business momentum
- Growth of new business by maximising areas of opportunities to enhance performance and shareholder returns

Overview

Despite continued uncertain economic conditions and relatively low levels of consumer confidence, Thorn Group's revenue was at a record high as new business grew, with Radio Rentals the key driver. Reported net profit after tax was 5 per cent lower at \$13.3 million (\$14.0 million in the previous corresponding half year) due to two non-recurring items, being the sale of a portion of debt by Radio Rentals and NCML, totalling \$1.25 million in the prior year and Rent Drive Buy start-up costs of \$300,000 in this period. Underlying net profit after tax increased 2.9% to \$13.5 million.

The table below sets out the differences:

<i>In thousands of AUD</i>	30 September 2013	30 September 2012
Reported NPAT	13,305	14,007
Debt sale	-	(1,250)
Rent Drive Buy start-up costs	300	-
Tax effect	(90)	375
Underlying NPAT	13,515	13,132

Thorn's underlying business demonstrated its customary resilient characteristics and the business is benefiting from a number of initiatives implemented over the past year as Thorn continues to invest in future growth.

¹ Commercial lease receivable disclosed on a gross basis, inclusive of interest due

Radio Rentals' record revenue was driven by technology products as demand for smartphones grew substantially, resulting in five out of six months of record installation revenues.

The financial services division grew its loan book and implemented initiatives such as the launch of Thorn Money hence broadening the target market for future growth. Thorn Equipment Finance (TEF) achieved continued receivables growth whilst NCML benefitted from the restructure undertaken in 2013 and improved operational performance which lifted collections and PDL returns.

Access to a \$50 million corporate debt facility along with a \$50 million securitisation fund for Thorn Equipment Finance provides the Group with adequate capital for future growth. Provisions across all divisions increased during the period as the business continues to build.

Commentary

Thorn Managing Director, Mr John Hughes, said Thorn's underlying business was performing well, with actual strong performance masked by some financial adjustment comparisons and investment in a number of development initiatives.

"Radio Rentals continues to deliver record performance, which clearly demonstrates that it continues to meet the needs of a significant part of the community and our business initiatives are progressing positively, however take time to build momentum and critical mass. It is pleasing that our strategy of building a broader financial services business is on track and that the underlying strength of the business allows us to continue to reward shareholders," Mr Hughes said.

Radio Rentals/Rentlo

Radio Rentals offers an extensive range of technology, home and office needs, through 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 revenue growing 16 per cent during the half, which was primarily attributable to the rise in demand for smartphones, continued growth of the furniture category and solid demand for flat panel TVs. Technology was the standout product group with installation revenue up 70 per cent as the introduction of Apple and Samsung products continue to be well received by our customers.

Earnings were slightly down due to the expansion of the store network, which meant an increase in property costs and higher payroll due to headcount increases. The change in product mix also impacted the first half, as a lower retail margin is recognised on smartphones, however some of these factors will be offset by a stronger interest stream in the second half of the year.

The Radio Rentals website was completely redesigned and went live in October 2013. The new website embraces the latest web technologies and incorporates a responsive user-friendly design across all platforms. To increase flexibility for customers, a 48-month Rent, Try, 1\$ Buy contract was introduced and is expected to attract good levels of new business as we meet a growing demand for larger size products and whole room packages.

Thorn Financial Services

Thorn Financial Services now includes a new platform, Thorn Money, as well as the cornerstone business, Cashfirst. Thorn Money provides unsecured loans up to \$15,000 and secured loans up to \$25,000, with Cashfirst providing unsecured loans between \$2,000 and \$5,000.

Cashfirst loan receivables closed at \$22 million, compared with \$20 million in the PCP. Receivables growth was impacted by a new marketing campaign that was unsuccessfully trialled in the first quarter. Marketing was restructured in the second quarter, with originations returning to historic levels.

The first standalone Cashfirst store opened, with a view to increase visibility of the brand and enhance direct relationships with customers. It is expected that the first Cashfirst “store in store” in a Radio Rentals outlet will open before the end of the financial year.

In October 2013, Thorn Money was launched to target a higher, mid-prime demographic through an increased range of products that recognises key differentials of risk and return.

Development work on a solar leasing product came to fruition at the end of the half and the first merchant contract was initiated in October 2013 when a partnership commenced with solar energy system distributor, Ingenero.

Thorn Equipment Finance

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

Thorn Equipment Finance EBITDA was up 282 per cent to \$1.5 million due to strong receivables growth. The book has now grown to \$55 million, compared with \$36 million a year ago. The portfolio is diversified and strategic alliances with vendors and brokers remain the key originators for new business.

Funding through a new \$50m securitised facility is expected to commence in November.

NCML

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

NCML produced strong revenue growth with reported EBITDA up 23.1 per cent to \$2 million. The improved financial performance is a direct result of the restructure under taken in the second half of 2013 and improved operational performance. Underlying EBITDA was 64.3% better as the prior year included the favourable impact of a one-off debt sale of some \$400K.

Momentum is growing in the business, which has been assisted by utilising lower cost offshore solutions and hence improving profitability and increasing competitiveness. The business is now well positioned for continued growth through the second half of FY14.

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 the business commenced in February 2013 and there are now over 150 cars on rent. Results to date have been promising and meeting expectations, with scope to expand the offering to Melbourne and Brisbane through links with other dealers.

Extensive customer and brand research has been conducted and the pilot is expected to continue until February 2014 to enable evaluation of results post the initial 12 month leasing contracts.

Legislative Changes

Thorn continues to be involved in discussions with Federal Treasury in relation to proposed enhancements to the National Consumer Credit Protection legislation, which could see increased disclosures for consumer leases, a limit on early termination fees and the right to purchase goods. Thorn is generally supportive of this direction, seeing it as beneficial to consumers and the Company's positioning in the market, however no changes are expected in the short term.

A review of Centrepay was undertaken by the previous Government and a draft paper released in August 2013. Thorn does not expect any changes to its current arrangements in the short term.

Dividend Payment

An interim dividend of 4.5 cents a share fully franked (4.5 cents fully franked in the previous corresponding period) will be paid on 17 January 2014 to shareholders registered on 27 December 2013. The dividend reinvestment plan will be active for the dividend and a discount of 2.5% will apply.

Outlook

Thorn's ongoing diversification strategy to become a broader based provider of alternative financial services is showing results as some initiatives have now been launched and growing returns are expected to come from these investments in the medium to longer term. As Thorn continues to invest in new business opportunities, growth will be limited in the 2014 financial year.

Thorn continues to develop and expand its activities and believes sound investment with a view to becoming a broader based financial services organisation in the future will benefit 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 and Thorn Money, offering secured and unsecured loans from \$2000 to \$25000, NCML, a full service receivables management company, and Rent Drive Buy.