

ACTING CEO AGM ADDRESS

30 August 2017

Thank you Joycelyn and good morning to everyone.

It is a pleasure to be here with you. As you will be aware, I was asked to step into the acting Chief Executive Officer position four months ago and so this is my first Thorn AGM in this role.

Today I will speak to you about our results for last year, some of the challenges and opportunities we face, and share with you our current trading performance and some thoughts for the future.

As we review the past year, you will see we have simplified the Thorn business model down to the two core businesses after the sale of NCML and the gradual run down of the consumer loan book.

Our consumer leasing division, Radio Rentals, is the market leader in its industry although that industry is one facing some challenges, and our Business Finance division is a relatively small but fast growing player in a large market.

Let's turn now to the results.

For the financial year ended 31st March 2017, Thorn reported headline numbers of revenue up 3% to \$299 million, EBIT up 25% to \$47.1 million, statutory profit after tax up 26% to 25.3 million, receivables up \$111 million to \$493 million, total debt including the securitised warehouse up \$78 million to \$276 million, and return on equity up 2 percentage points to 12.4%.

Within those reported numbers is the larger story of simplifying the business, dealing with the consequences of historic Radio Rentals issues, and redirecting capital towards the fast growing Business Finance division.

Adjusting for all the significant items in each year, the profit would have been up 3.6%.

The mix of earnings is also changing as earnings before interest and tax in the Consumer Leasing division fell 17% while in Business Finance it rose 40%. The earnings profile between these two is approximately 2/3 Consumer Leasing and 1/3 Business Finance and we expect it to even up in future years as the growth in Business Finance outstrips that in Consumer Leasing.

CONSUMER LEASING

Now I mentioned an earnings decline in Consumer Leasing. One reason was the large provision we took during the year to address the anticipated consequences of the ongoing ASIC regulatory review into the responsible lending conduct of Radio Rentals.

We anticipate the matter will be finalised over the course of the next few months and, as previously advised to the market, we expect to pay a civil penalty and remediate certain customers who may not have met their minimum income thresholds for certain contacts. We continue to discuss these issues with ASIC.

As you know, Maurice Blackburn launched a class action in March of this year. Radio Rentals continues to vigorously defend the claims made and expects the process will take a significant length of time (perhaps years) to run its course to a final conclusion.

As we are the market leader we are determined to lift the bar and set the highest standards. To this end, we have developed a new online customer application and credit assessment system which has been almost completely rolled out across our store network and online.

We have also taken many other steps to improve our consumer leasing offer including making our products more affordable, broadening the range and making it more modern to strengthen its appeal to a wider demographic, and presented in progressively refurbished and relocated stores.

Here are some examples of the new store format in shopping centre locations.

On a positive note, our Radio Rentals business is 80 years old this year which signals strong customer satisfaction and an ongoing demand for its services. This is further evidenced by the fact that almost half of Radio Rentals customers who complete their contract return to take out another one. For a significant number of Australians, consumer leasing is the only way they can access basic household goods.

BUSINESS FINANCE

In Business Finance, Thorn Equipment Finance continued its strong growth momentum helped by its network of brokers and partners while Trade & Debtor Finance had a year of consolidation and reorientation as it reshaped its receivables book toward more traditional debtor finance customers.

Overall Business Finance had a successful year lifting revenue 23% and EBIT 40%.

FUNDING

A key element for any growing finance business is access to debt capital. In this regard we have been fortunate to have the support of our major bank which extended its facilities during the 2017 financial year to leave us at the year end with a total available limit of \$355 million of which we had drawn \$276 million. We have continued to draw down on these facilities as Equipment Finance in particular is growing quickly.

However, these facilities are due to mature shortly and I can report that we have the support of our banker and expect to finalise an extension of the facilities shortly.

OUTLOOK

Turning now to the outlook.

We stated in previous communications that we expected the outlook for the Thorn Group for this 2018 financial year to be subdued. This is due to the immediate challenges being faced by Radio Rentals in terms of adverse publicity, weak retail market conditions, the delay in returning customers due to the launch of the 4 year contract 3 years ago, and significant business change from the roll out of the new online origination platform.

Results for Radio Rentals for the first four months of this financial year reflect these issues.

Business Finance has continued to grow as expected and originations in the Equipment Financing Business division continue to grow strongly.

We repeat our caution to shareholders that the profit outlook is subdued and subject to a number of variables.

CONCLUDING REMARKS

In our communications with you we have been at pains to show that we are addressing some difficult business circumstances and being frank about the financial consequences.

At the same time, it is important to stress that Business Finance is rapidly growing and Radio Rentals is still the market leader in its industry with a large and loyal customer base.

We thank all of our wonderful employees and appreciate the support of our shareholders.

I will now hand back to Joycelyn for the formal part of the meeting.

Thank you.

Peter Forsberg
Acting CEO
