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THORN
Group Ltd.

# ASX Conference Presentation
# October 2011

# Vision

*To be Australia's leading provider of retail and financial services to niché consumer and commercial markets*

THORN Group Ltd.

# Business Snapshot

| | |
|---|---|
| Market leading 'small cap' | ▪ ASX 300 with strong institutional investor support from Australia & overseas<br>▪ Circa $250m cap<br>▪ Wide broker coverage with consensus 'buy' recommendation<br>▪ Solid dividend yield |
| Strong recurring revenue streams | ▪ Business model generates significant and predictable operating cash flows |
| Outstanding financial profile | ▪ Solid track record of double digit compound annual growth rates |
| Counter-cyclical business model | ▪ Strong growth outlook in both positive and challenging market conditions |
| Strong balance sheet | ▪ Minimal debt balance and ability to self-fund organic growth |
| Stringent risk management approach | ▪ Focus on writing only good quality paper - less than 0.01% of accounts have receivables >90 days |
| Experienced management team | ▪ Highly experienced management team with strong record of performance |



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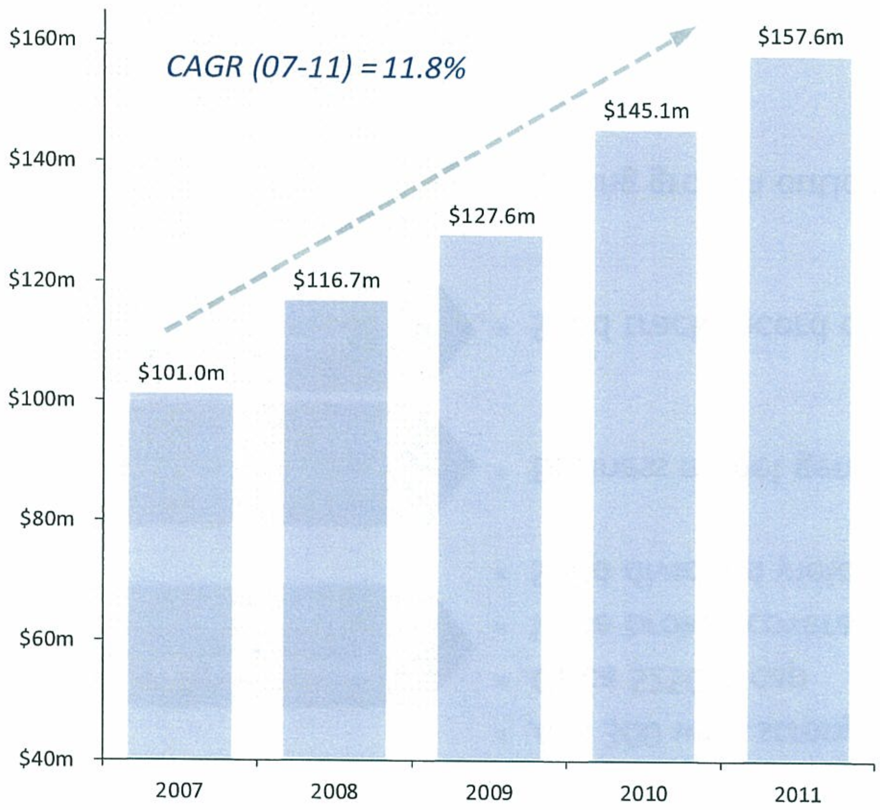
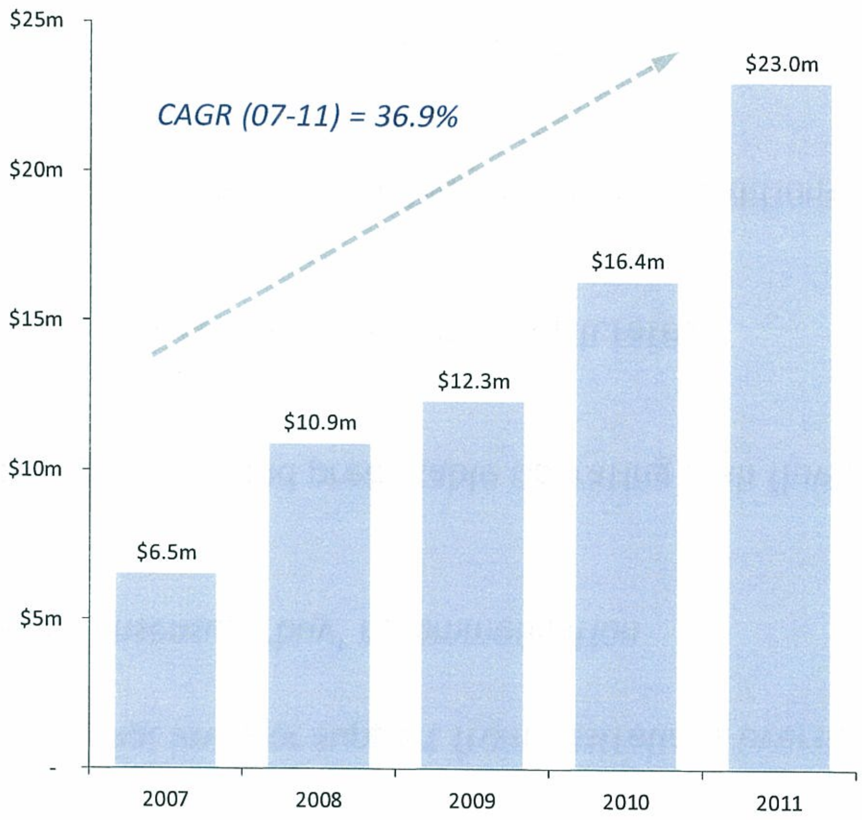
# Track record of strong growth

## Revenue +8.6%




## NPAT +40%




*Note - normalised 2010 & 2011 NPAT*

# Overview of Thorn Group

radio rr rentals

rl rentlo

- Australia's largest electrical and household appliance rental company
- Targets the cash/credit constrained consumer market
- Rental product range comprises the 'essentials'
  e.g. Flat panel TVs, computers, furniture and whitegoods
- Strength & success of Rent, Try, $1 Buy™ - market leading product

cashfirst

- Provides unsecured personal loans (up to $5,000)
- Offers flexible terms and fast approvals
- Fees and charges are fully disclosed and lie well within the industry cap

THORN Equipment Finance

- Specialises in providing equipment lease and finance solutions for businesses, particularly small, medium enterprises (**SME**) sector, and government

National Credit Management Limited

- A leading national provider of integrated receivables management services
- Over 800 active customers across both the private and public sectors
- Acquired March 2011

# Future growth drivers

radio rentals
rentlo

- Attracting new customers/new products
- Growing acceptance of rental - Rent, Try, $1 Buy!™
- Store upgrade program - 'lifestyle' format
- Increased market penetration
  - One person branches in regional areas
  - Kiosks in metropolitan areas
  - Showrooms in selected regional and metropolitan areas

cashfirst

- Increased market penetration through national TV advertising
- Increased retention via loyalty program with reduced rates
- Risk related pricing with lower rates for lower risk customers

THORN Equipment Finance

- Appointment of new General Manager - strong industry experience
- Continuation of organic development strategies
- Considerable market demand in <$100k deal area

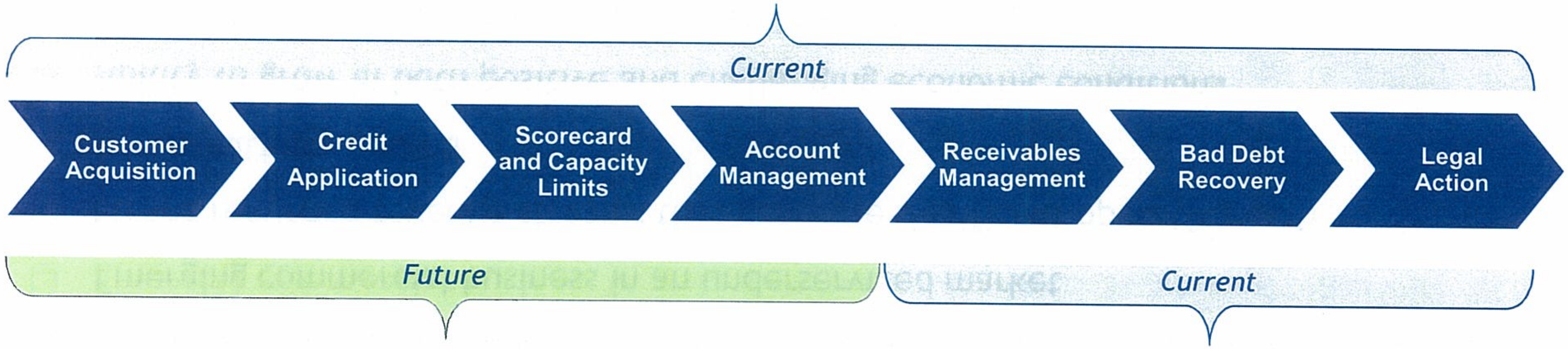
National Credit Management Limited

- Commercial: Expansion in New South Wales & Queensland
- Consumer: Strategic relationships, tenders for major contracts
- PDLs: Favourable industry trends, purchase of additional ledgers
- Expanded service offering - "complete credit lifecycle"

# Value Chain Competencies

radio rentals rentlo

THORN Equipment Finance cashfirst




National Credit Management Limited

*Development of a "complete credit lifecycle" model*

# Summary – Growing in Strength

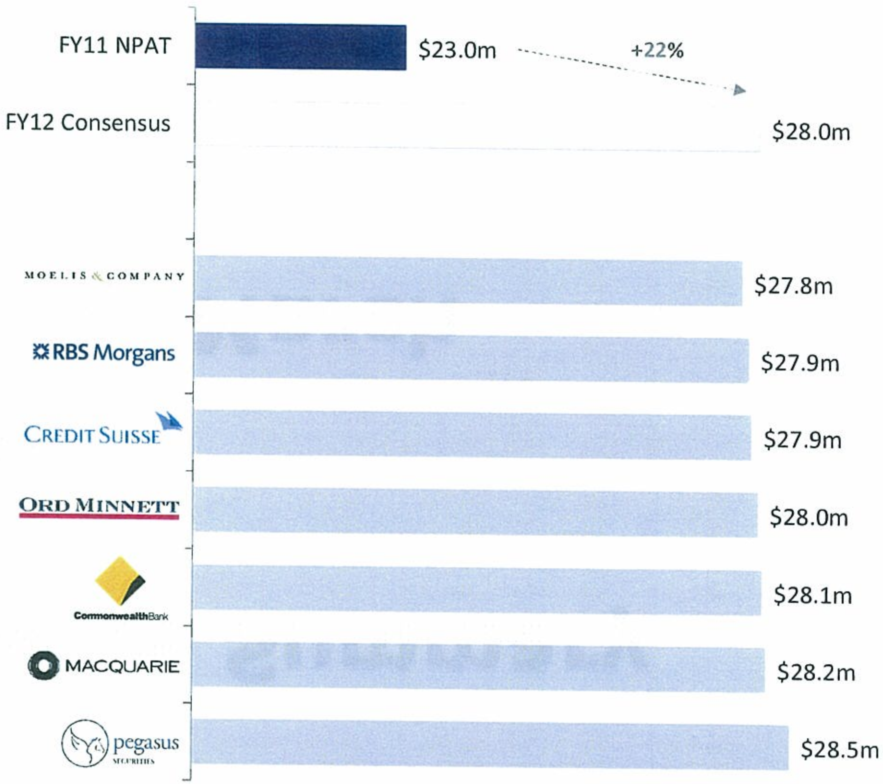
- Leading provider of 'essential' household goods to a growing cash and credit constrained market - expect continued demand
- Opportunity to grow underserviced areas in the consumer goods segments at low cost
- Emerging commercial business in an underserviced market
- Strong recurring revenue streams that generate significant operating cash
- Conservatively geared
- Ability to grow in both positive and challenging economic conditions
- Capacity to leverage 'core competencies' to grow NCML

*"Thorn Group expects a substantial increase in earnings in FY2012 due to a full year contribution from NCML and solid organic earnings growth from the existing businesses"*

# Consensus Estimates

## Target Prices & Recommendations


## FY2012 NPAT




- ✓ Currently trading at an FY11 PE multiple of 10.6x vs an FY12F PE multiple of 8.7x
- ✓ Fully franked dividend yield of 5.1% on FY11

*Note: Data presented represents the external views of brokers and does not represent the views of the Thorn Group. Actual performance may differ from estimates presented. NPAT normalised before amortisation. Market data as at 14 October 2011.*



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# Group Performance Summary

# FY2011
# Year Ended 31 March

# Strong performance in FY2011

- Normalised NPAT up 40% at $23m[1]
- 13% increase in actual NPAT to $22m
  - EPS 17.01 cents
  - DPS 8.49 cents
- Revenue up 8.6% to $157.6m
- 10.5% total customer growth
- 28.4% net debt/equity ratio post-acquisition
- Consistent low level of rental arrears
- Cashfirst loan book doubled to $12m

1. PCP NPAT contained a one-off tax benefit pertaining to the temporary investment allowance of $3.1m and current period has been normalised for the acquisition costs of $1m relating to NCML



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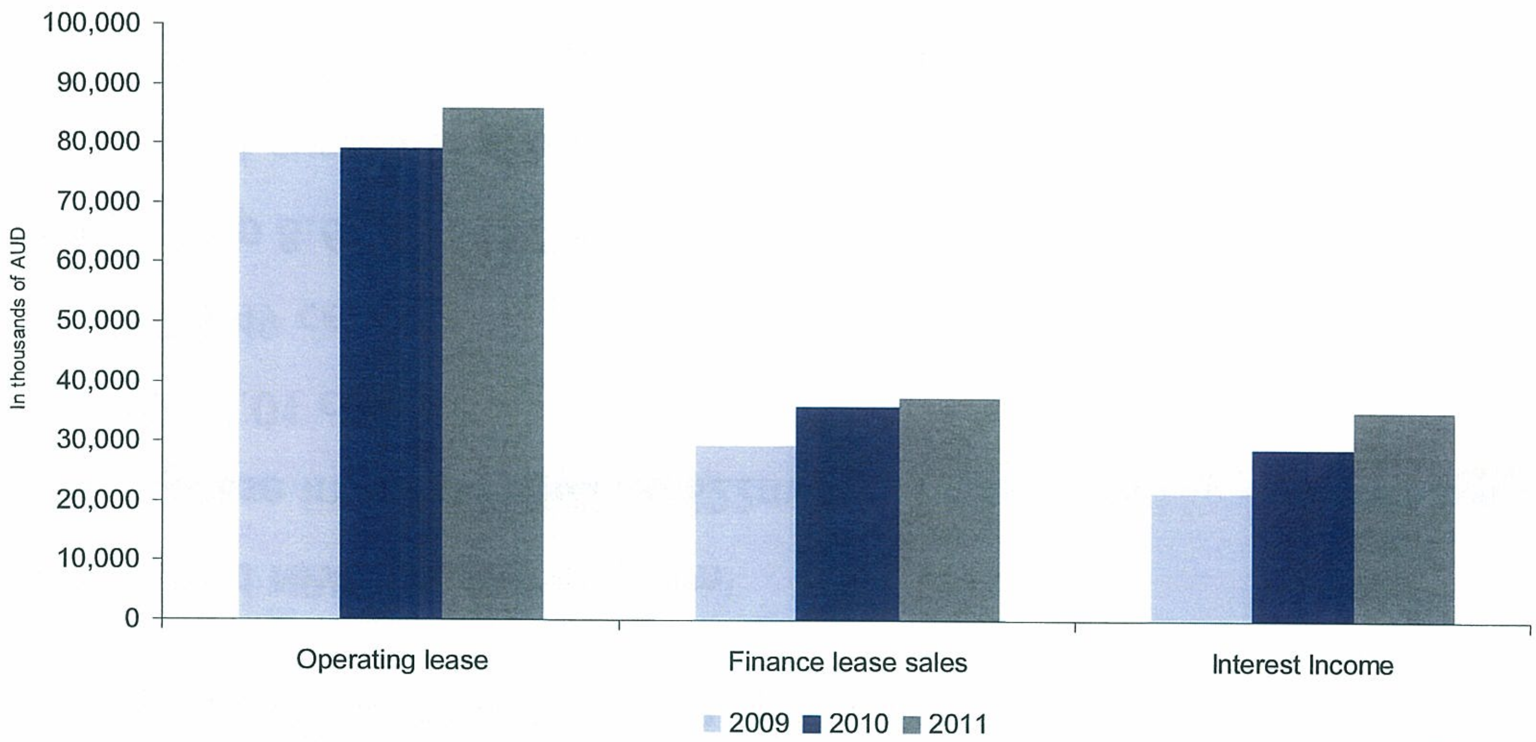
# Increasing revenue across all segments

- Finance lease sales revenue +7%
- Operating lease revenue +9%
- Interest income +19% in-line with growth in finance lease and Cashfirst receivables

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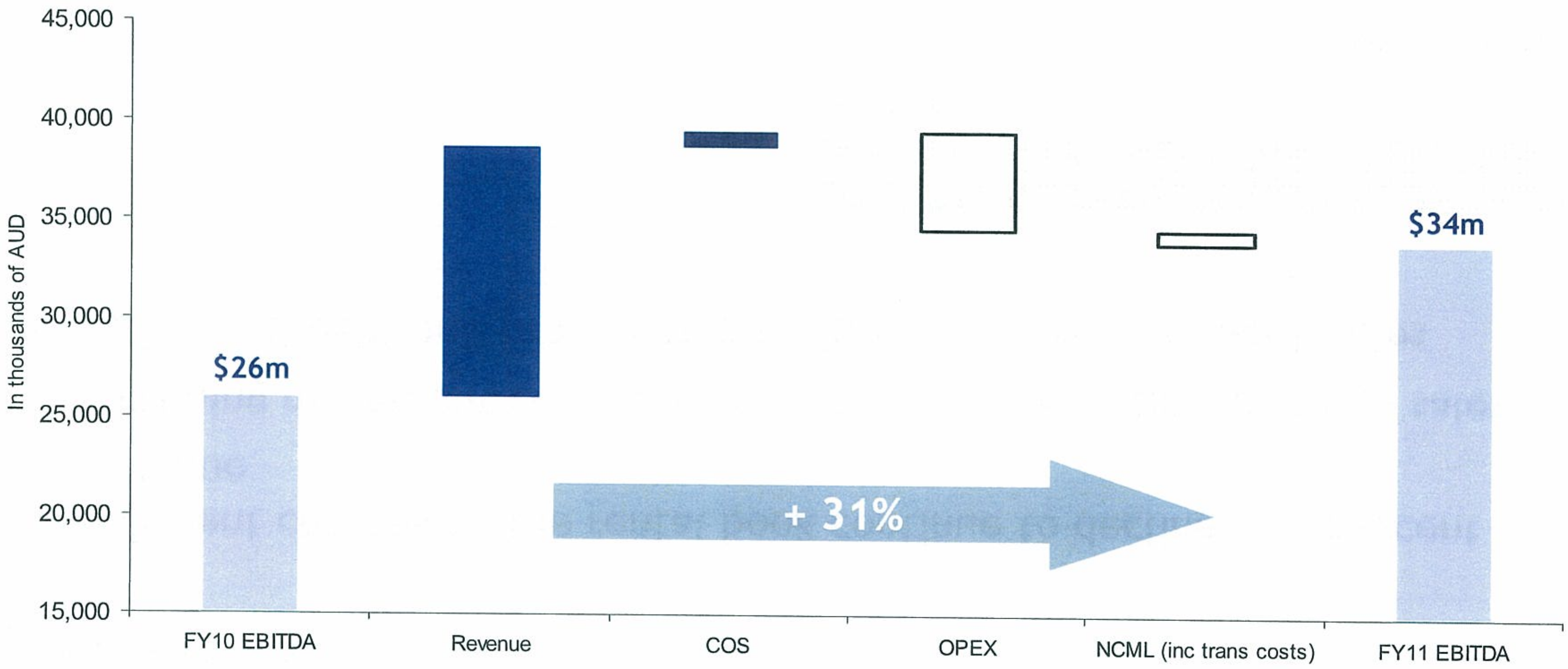
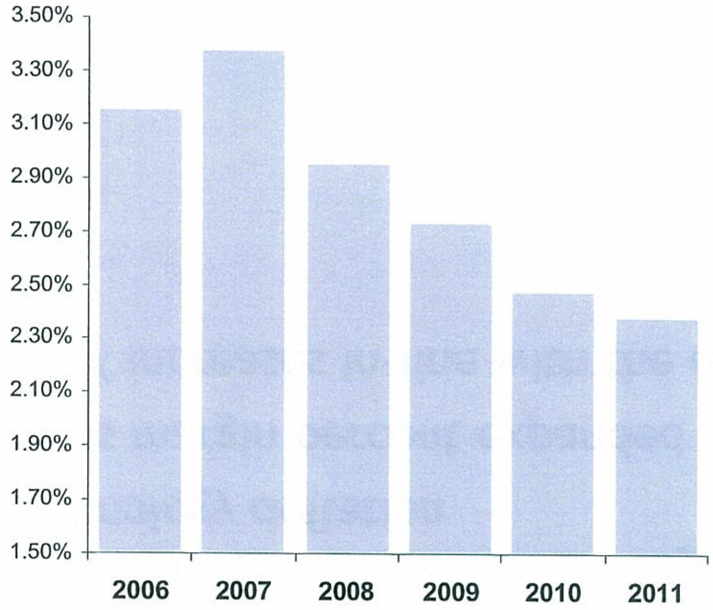
# Double digit EBITDA growth driven by increased revenue

- COS reduced due to import program, AUD performance and general technology deflation
- Gross margin percent expanded to 63.2%
- OPEX increases in-line with the expansion of the business



# Declining arrears reflect effective risk management

- Impairment charges on the rental book continue to decline as a percent to revenue
- Provisioning movement continues to track in-line with finance lease sales
- Cashfirst bad debt and provisioning in-line with growth in receivables




FY Comparison: Rental Bad Debt & Asset Losses as a percentage of customer payments

| *In thousands of AUD* | FY10 | FY11 |
|---|---|---|
| **Provisioning:** | | |
| — Rental | 4,599 | 4,980 |
| — Cashfirst | 230 | 838 |
| **Losses incurred:** | | |
| — Net Debt | 1,196 | 1,189 |
| — Asset | 1,811 | 2,063 |
| — Cashfirst | 532 | 829 |
| **Total** | 8,368 | 9,899 |

# OPEX in-line with business growth

- Headcount increases in-line with growth
- Marketing increased to 'drive' new business strategies – significant increase in Cashfirst
- Transport and occupancy impacted by energy/fuel prices and new locations; like for like +2%

| *In thousands of AUD* | FY10 | FY11 | Movement |
|---|---|---|---|
| Personnel | 28,814 | 31,275 | +8.5% |
| Marketing | 9,554 | 10,272 | +7.5% |
| IT & Telco | 2,327 | 2,467 | +6.0% |
| Occupancy | 6,251 | 6,614 | +5.8% |
| Transport | 5,377 | 5,875 | +9.3% |
| Other | 7,553 | 8,352 | +10.6% |
| OPEX | 59,876 | 64,855 | +8.3% |

[1] *NCML acquistion costs and pro-rata operating expenses excluded from the above table*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# Conservative balance sheet with significant underlying strength

- Net asset growth of 16.1%
- Total tangible assets $134m, a 31% increase
- Debt to equity ratio remains conservative following June 2011 $30m renounceable rights issue

| Key asset movements | 31 Mar 2011 $'000 | Movement $'000 | |
|---|---|---|---|
| Cash | 9,038 | 3,291 | ▪ Increase in operating cash<br>▪ Cash balance favourably impacted by NCML acquisition |
| Finance lease | 56,831 | 5,956 | ▪ 12% book growth<br>▪ Consistent provisioning policy |
| Cash loans | 12,191 | 6,664 | ▪ Book doubled in 6 months |
| Rental assets | 41,178 | 5,967 | ▪ Growth in operating lease book |
| PDLs | 5,321 | 5,321 | ▪ NCML acquisition |



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# Cash generating business model with substantial recurring revenue streams

| *In thousands of AUD* | FY10 | FY11 |
|---|---|---|
| **NPAT** | **19,495** | **22,038** |
| **Non cash movements:** | | |
| Share based payments | 69 | 662 |
| Disposal rental assets & PPE | 25,811 | 23,706 |
| Depreciation | 21,397 | 23,189 |
| Working capital | (8,905) | (1,879) |
| Cash generated | 57,867 | 67,716 |
| Investments | (47,628) | (84,961) |
| Financing | (7,059) | 20,536 |
| Net cash movement | 3,180 | 3,291 |

Key Movements:

- Increase rental assets in-line with operating lease revenue
- Trade payables and tax payable favourably impacted working capital movement
- Increase in cash generated despite significant growth in loan book
- Increase in investments due to additional rental asset purchases and NCML acquisition
- Increase in financing impacted by dividends paid and increase in borrowing due to NCML acquisition