
MANAGING DIRECTOR'S AGM ADDRESS 22 AUGUST 2013

The past year was certainly a period of developing a “momentum for growth”, as we worked on strengthening and diversifying the business while ensuring ongoing positive results from existing operations. The financial performance of the business is testimony to the group’s strength and we have made good progress in developing initiatives to transform and refresh key areas of the business. In addition we have continued to develop new areas of potential that will further enable us to become a broader based financial services business.

Radio Rentals

In the current economic conditions that have affected many retail businesses, Radio Rentals has once again shown its resilience in recording another record year which is also testament to the work that has been done to adapt to the changing needs of our customers. I believe James Marshall and his team have done a remarkable job in defying economic trends, posting record installations and earnings, along with further development of the product range and store network. The expansion of our furniture range as well as the launch of Apple products and other smartphones and tablets are good examples of the opportunities that exist and which still offer sound potential.

Along with Thorn’s strategy of becoming a broader based financial services business, we are looking at opportunities to further evolve the Radio Rentals business and brand. This is still work in progress, but the significant market and customer research we have undertaken to date suggests an opportunity exists to expand the range of financial product offerings and orienting the business more towards lifestyle living in order to appeal to a wider demographic that could significantly increase our target market.

Thorn Equipment Finance

The growth of Thorn Equipment Finance is an indication of the Group’s potential with our leasing book tripling in size last year and this resulted primarily from investing in a specialist team to drive growth and expand strategic alliances with vendors and brokers.

Our aim is to provide a range of alternative funding solutions to commercial clients, primarily for deals of less than \$50,000, which we believe is an area underserved by major financial institutions.

Products like our recently launched Rental Advantage offer, place Thorn Equipment Finance at the forefront of equipment financing in the SME market and supports further growth in this space

The contribution to group profit from Thorn Equipment Finance will grow as we move towards our target of a \$100 million loan book, which will be assisted by a new \$50 million securitised funding facility with Westpac.

Thorn Financial Services; Rent, Drive, Buy

Another of our initiatives is to provide a wider range of personal financial services products to more Australians. We are doing this under the banner of Thorn Financial Services, the cornerstone of which is Cashfirst, which has a loan book of \$21 million comprising personal loans between \$2000 and \$5000.

Among initiatives we are implementing in the coming months are higher value secured loans from \$5,000 to \$25,000 and unsecured loans between \$1000 and \$2000 which will both add significantly to our target audience. In addition, there have been positive results emerging from our trial of “Rent, Drive, Buy”. The trial commenced in February and enables customers to rent a quality car on a fully maintained basis with the potential to purchase it after a year of continuous payments. If current results continue then we expect to move into the next stage of development of “Rent, Drive, Buy” in the second half of FY14.

NCML

With our receivables management business, NCML, we are in the midst of a turnaround after a tough period which involved the loss of a major contract and a highly competitive purchased debt ledger, or PDL, market. We took these challenges as an opportunity to restructure the business and build momentum for 2014. We have now added some further government contracts in a number of states, increased our commercial debt management portfolios and refined operations. I am confident the outlook is indeed positive for an improved performance, particularly with further operational initiatives being introduced.

Research-based reinvention

Our progress in broadening our range of financial services is gathering pace but importantly we are leveraging the key learnings from overseas colleagues in Canada and the USA, who have already achieved success in some key product areas.

Some years ago, Easyhome, which is Canada’s largest consumer leasing business, completely updated its branding and then launched Easyfinancial with a number of standalone outlets as well as store-in-store locations within Easyhome branches.

In the US, Rent-A-Center, with some 3000 stores across the country, has developed the RAC Acceptance operation offering a leasing solution to customers through over 1,000 furniture and household appliance retailers, particularly focused on customers rejected by traditional financiers.

Industry positioning

As an industry leader, Thorn has been involved in discussions with the Federal Treasury over the past year in relation to enhancements to the consumer credit legislation, particularly in relation to increased disclosure and we are supportive of the direction being suggested as we see it as beneficial for consumers as well as for the Thorn’s competitive position. It is important to note that Thorn’s Responsible Rental and Lending Policy focuses on a person’s current position rather than their credit history and particularly ensures customers are only provided with goods which suit their needs and capacity to pay.

Conclusion

As we look to the future, there are many positive aspects within Thorn as we continue to develop our strategy to expand our role as a provider of financial services. Certainly we need to temper our optimism given the current subdued economic outlook but since our focus is building a stronger platform for longer term growth we feel confident that worthwhile results will be reported over the next few years as our plans come to fruition.

I would like to thank all of our Thorn staff, members of the management team and my fellow board members for their ongoing support. I look forward to continuing to deliver growing returns to our shareholders as we work on our program of redefining Thorn as a broader based financial services business.

John Hughes
Managing Director

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.