

Thorn Group Limited

ACN 072 507 147

Managing Director's AGM Address

Good morning ladies and gentlemen,

Having been Managing Director of Thorn Group for a year now it is pleasing to report to you on growth across the Group and evidence of promising results from implementation of our strategy to diversify within the financial services sector as we seek to provide a broader base of earnings.

Financial Performance

Thorn's financial performance this year has been encouraging. Revenue has increased by over 25 per cent, profit is up 13.6 per cent and receivables reached a record \$368 million, up 68 per cent compared to the previous year.

Our Vision

Thorn's vision is to become a leading provider of financial services to niche consumer and commercial markets, and we are working to achieve this through our *four pillar strategy* which represents Thorn's four business divisions being, consumer leasing, consumer finance, commercial finance and receivables management. Our focus is on developing the four pillars of our business through organic growth initiatives, as well as potential acquisitions that fit within the Group's architecture and strategic direction. One of the outcomes of the strategy we are pursuing is that, we give priority to the needs of our customers, while also addressing the issue of financial exclusion within the marketplace. This applies to consumers who don't currently have access to a broad range of flexible financing alternatives, as well as small businesses which increasingly have found they need to look beyond the major banks for a solution to improve cash flow to support the growth their operations.

Divisional Performance

I would now like to take this opportunity to share with you, a summary of how our businesses have performed and give you some insights into how we are progressing as a group.

Consumer Leasing

Firstly, I'm very pleased to report Thorn's consumer leasing business has continued to maintain an enviable track record, with Radio Rentals posting record installations

and revenue in financial year 2015. A contributing factor to this has been an example of innovation within the business, to design and deliver 48-month contract terms, which have enabled customers to access larger products and packages while at the same time making them more affordable. While Radio Rentals is an established brand and has remained a market leader for nearly 80 years, we continue to look at how we can be innovative to improve our range of products and services, as well as the ways in which we can provide a valued service to our customers.

Some of the initiatives we are currently exploring are extensive and therefore need to be implemented on a trial basis to ensure they achieve our targeted objectives and meet the needs of our customers before being expanded to the broader store network. A couple of new initiatives currently in trial include a potential rebranding of Radio Rentals to extend its market reach as well as the establishment of a second rental brand to maximise market coverage and ensure we are fully utilising assets within the business. Both of these initiatives commenced earlier this year and we will continue to review them over the coming 12 months.

Consumer Finance

In consumer finance, our progress to build the business has been marked by several factors. Our research has identified gaps that exist in the market, and we believe Thorn is well positioned to provide solutions that customers are looking for. We have made it a priority to improve our effectiveness in these markets to ensure a high level of capability and speed to effectively assess credit worthiness. Developments in this area are expected to enable us to offer a broader range of loan products that are often neglected by the bigger, more established finance providers.

The consumer lending sector is undergoing significant change, with a number of technology start-ups beginning to populate the local market and offering a new range of finance products. We believe Thorn's consumer finance business is well placed to compete in this market as it has the skills and systems in place to assess credit and make fast decisions within company lending guidelines.

Some of the initiatives carried out over the past year include an expansion of the product offering to reach a broader customer segment, refinement of the customer proposition, and a redesign of the Cashfirst website to improve the customer's experience.

Our aim going forward is to continue building and developing a comprehensive range of finance products to meet the needs of consumers' while at the same time enhancing back end systems to enable the introduction of paperless contracts and same day loan funding. We expect these initiatives will improve customer acquisition as well as bring about operating efficiencies.

Commercial Finance

The growth of Thorn's commercial finance business is illustrative of the company's broadening financial services footprint. We have seen strong growth this year, due to both, organic growth initiatives as well as the acquisition of Cash Resources Australia (CRA).

Receivables for the equipment finance business grew to just over \$100 million while bad debts and arrears declined considerably. This has resulted from further improved risk and receivables management systems.

The acquisition of CRA provides a new level of capability for the business and the opportunity to develop an exclusive product offering, with the ability to cross-sell between equipment finance and debtor finance solutions. Many small / medium sized businesses often need a combination of both new equipment and working capital, so this places Thorn as one of the most effectively positioned businesses in the market to service and support the growth of SME's.

Moving forward, we see continued growth coming from the expansion of our product suite through the many strategic alliances and partnerships we have with vendors, brokers and introducers.

Receivables Management

Thorn's receivables management business NCML experienced a revenue decrease in financial year 2015, largely as a result of changing business and industry practices, however this was partially offset by an increase in Purchased Debt Ledger revenue and increased PDL investment.

The business has now narrowed its execution focus and established two 'Centres of Excellence' to consolidate intellectual property and leverage our systems capability to effectively create scale and efficiency. This initiative is expected to improve operational performance and provide annualised savings of around \$1.5 million.

This, combined with a newly developed Quality and Compliance framework, ensures NCML is well positioned to grow organically in the coming years.

Our operating priorities

As Thorn grows and pursues its diversification strategy, we also have a number of operating priorities through which we seek to align our business objectives with the interests of our customers and employees. This allows us to focus on the people our business serves, while also leaving space to contribute to the world around us through our corporate social responsibility initiatives.

At its core, Thorn is a service provider with a principal purpose of giving consumers and SMEs a *fair go* in accessing goods and financial services.

Many of our customers face some degree of financial exclusion because they don't have a credit rating or a credit card. Similarly, many small businesses are often confronted with issues such as banks not being able to meet their needs or alternative finance offers being too expensive or inflexible. We are committed to providing these markets with products and financial services that meet their needs while also exercising a rigorous responsible lending policy.

The Way Forward

In pursuing our vision and strategy, we have sought to combine sound business performance, with meeting the needs of our customers and employees, as well as connecting with the local communities we operate in.

In the year ahead, we expect to maintain our progress in diversifying the business and building the receivables books in each of our operating divisions. Receivables growth has proven to be a strong lead indicator of future revenues and we believe this will underpin Thorn's revenue and profit growth into the future. Certainly, recent announcements by the Federal Government regarding small and medium sized businesses receiving new incentives to invest in goods and services are seen as possible attributes to support this in the commercial sector. Moreover we do expect to see our receivables continue to diversify and increase at a base level which will be the driving factor in continued growth.

James Marshall

Managing Director