



**2010 Interim Results  
27 November 2009**

**John Hughes  
Managing Director**

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CFO**

# Our Brands

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radio  rentals       rentlo

- Leading operator in household goods rental market

 **THORN** Business Services

- Well positioned for development in the SME market

 cashfirst™

- Growing steadily with unsecured loans from \$1,000 to \$3,000

 **BIG  
BROWN  
BOX**  
com.au™

- Taking the lead in on-line retailing for consumer electronics

# Performance Summary

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- 86.2% increase in Net Profit after Tax to \$10.8m
- One-off tax benefit of \$2.8m.
- Normalised Net Profit after Tax up 36.2% at \$8.0m
- Revenue up 15.3%
- 7.6% customer growth
- EBIT lift of 34.5%
- EPS of 8.38 cents, an 83.8% increase
- 9% debt/equity ratio
- BigBrownBox.com.au and Cashfirst strategies gaining impetus

# Performance – Core Business

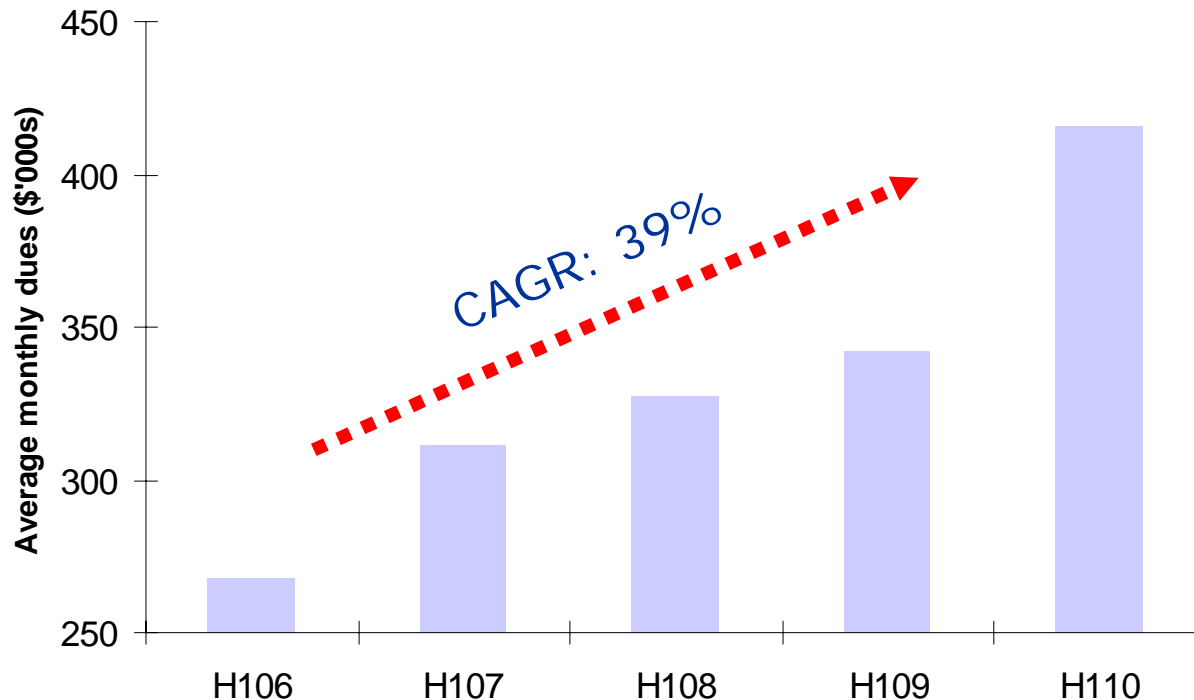
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radio  rentals

 rentlo

# Revenue Growth: 15.3%

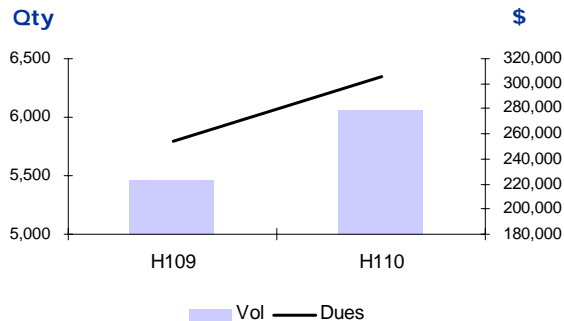
- Total installations grew 16.5%
- Installations on finance leases increased 25.2%
- Installations of operating leases increased 12.7%
- AUR (average price per unit) increased 4.3% to \$46.75



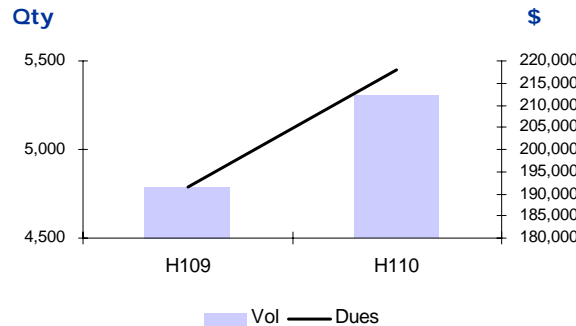
# Revenue Growth: Operating Leases

- Overall healthy demand for 'essential' products
- Refrigerators, washing machines and furniture drove performance
- 2 door refrigerators increasing; favourably impacting price
- Washing machine range expanded
- Furniture range expanded and refined to match retail trends

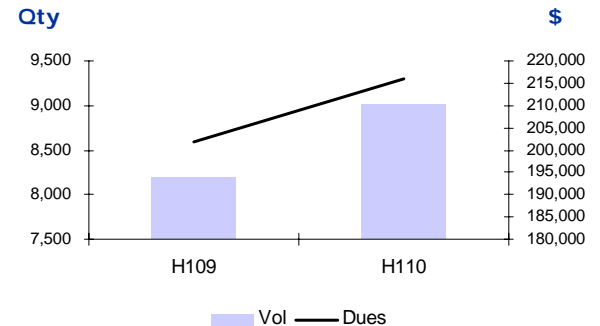
### Refrigeration



### Washing machines

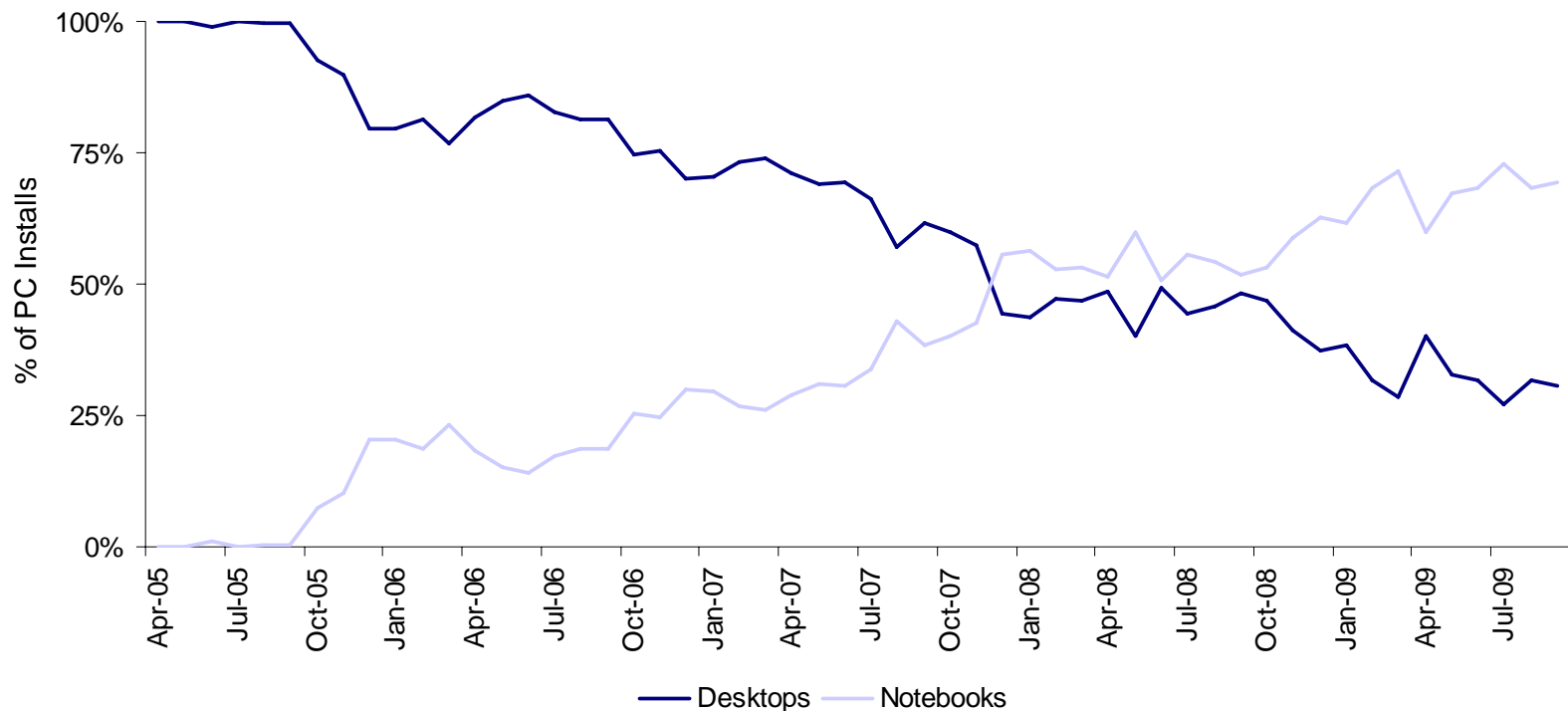


### Furniture



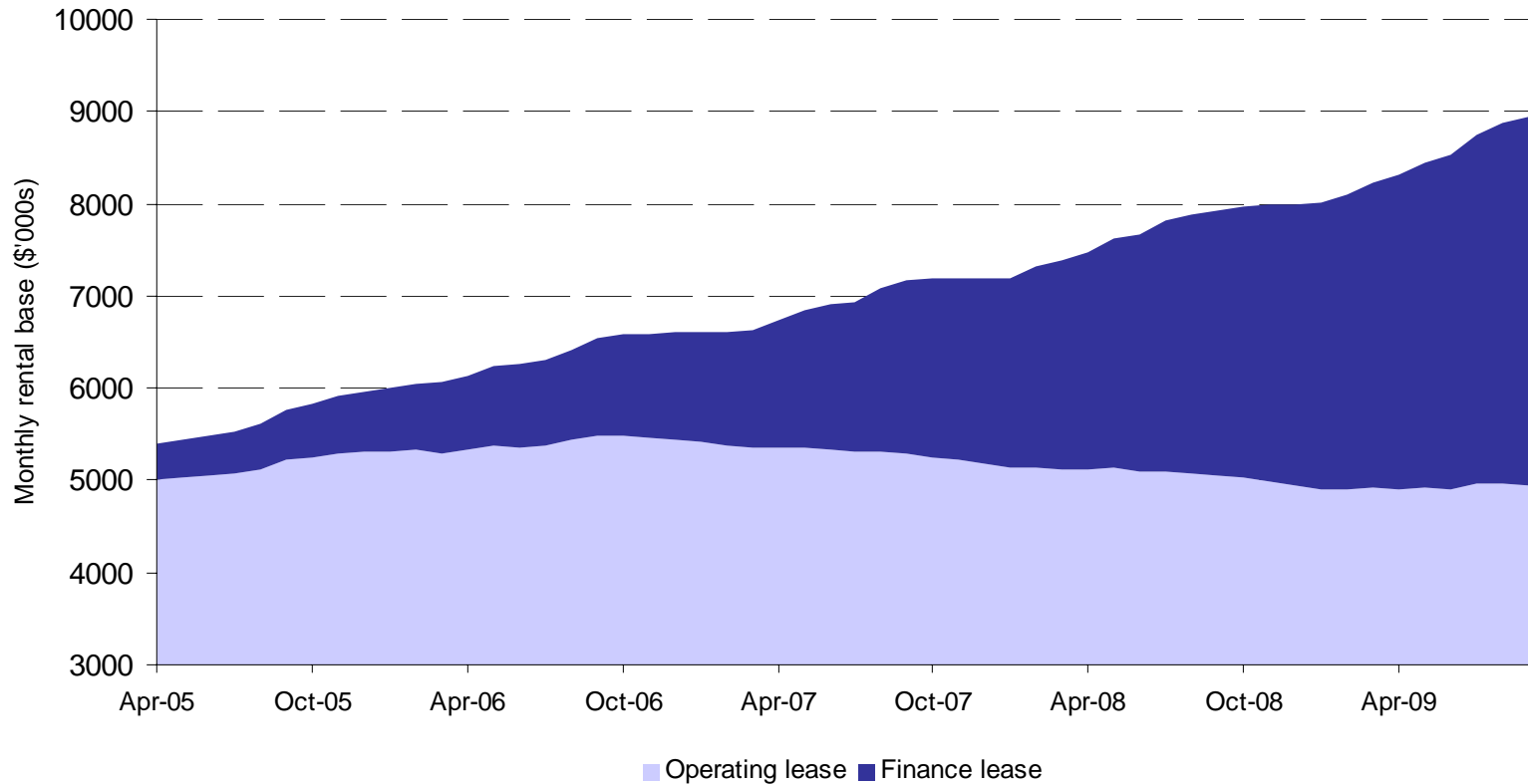
# Revenue Growth: Finance Leases

- Demand continues for flat panel display (FPD) TVs and computers
- FPD demand increasing for smaller screen sizes - 2<sup>nd</sup> and 3<sup>rd</sup> sets; up from 29% to 35% of FPD volumes
- Positive impact of changing technology e.g. LCD and digital broadcasting
- Laptop computer demand continues unabated whilst desktop declines



# Revenue Growth: Overall

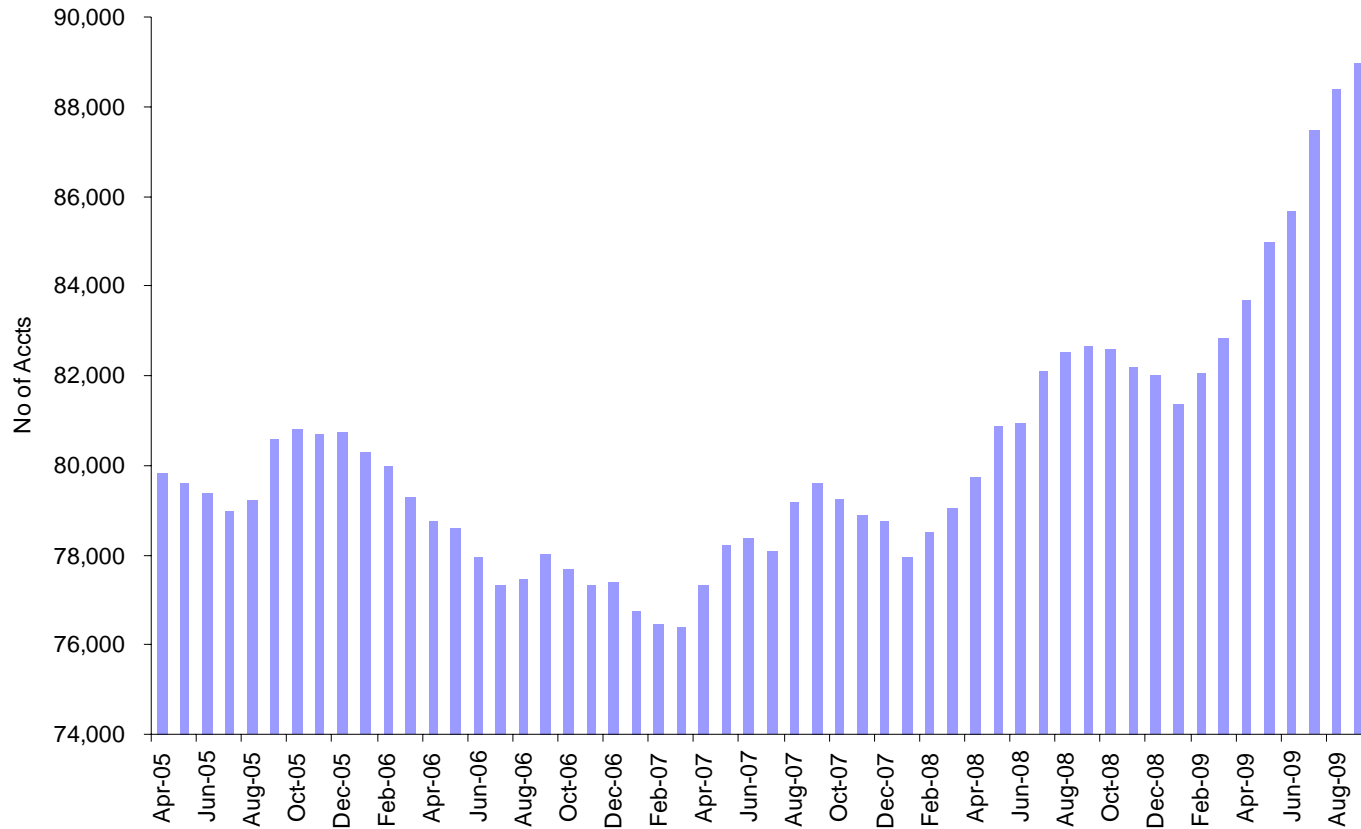
- 8.9% growth of rental base due to strong installation increases
- Disconnections remain in line with historical run rates & forecast





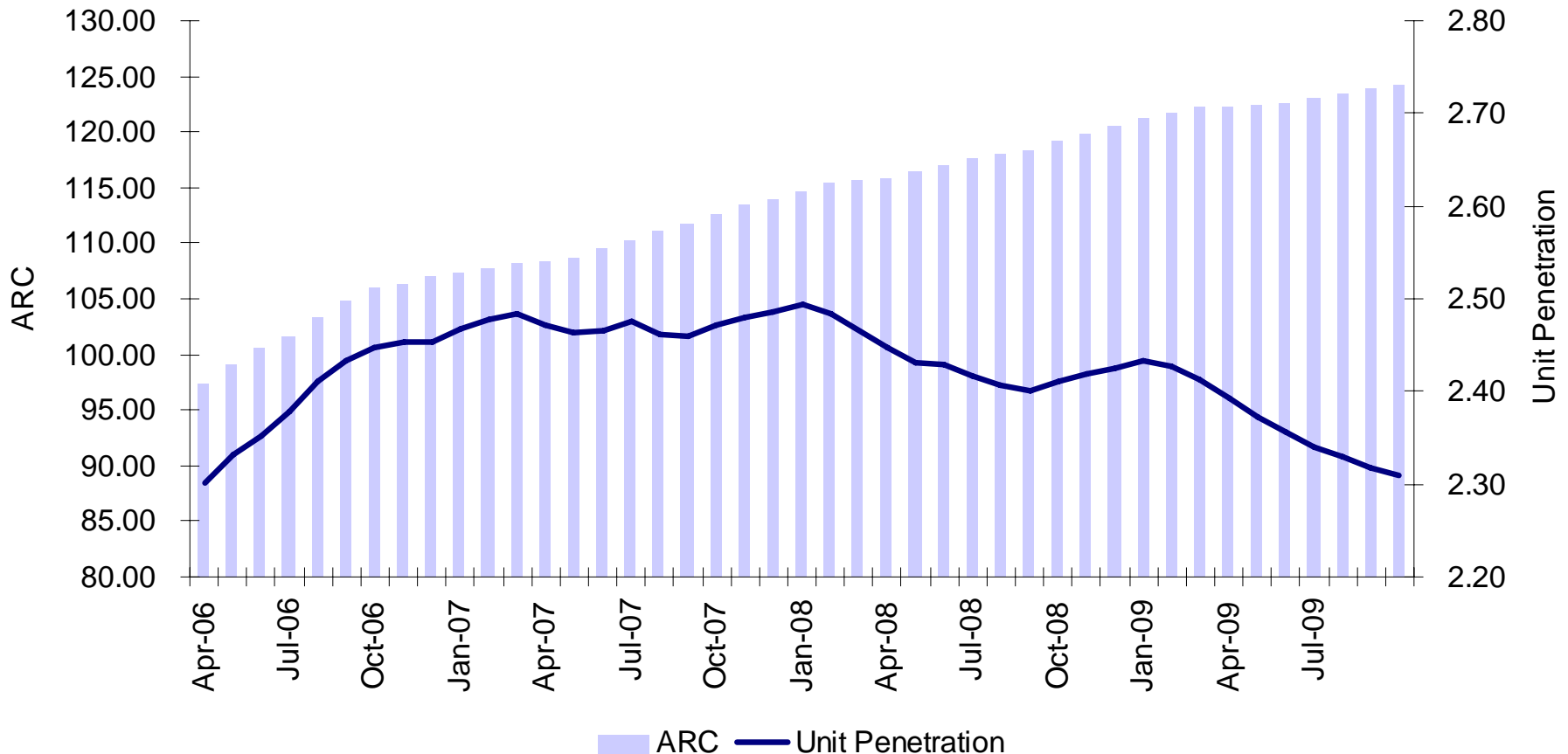
# Customer Growth: 7.6%

- 7.6% customer growth versus 5.6% in the prior year
- 40% customer retention rate i.e. likely to take an additional contract
- Rental customer base now nearing 90,000



# Customer Growth: 7.6%

- Marginal growth in average payment per month to \$123.86
- Slight decline in average units per customer - renting fewer but more expensive items & customer 'capacity' is closely monitored



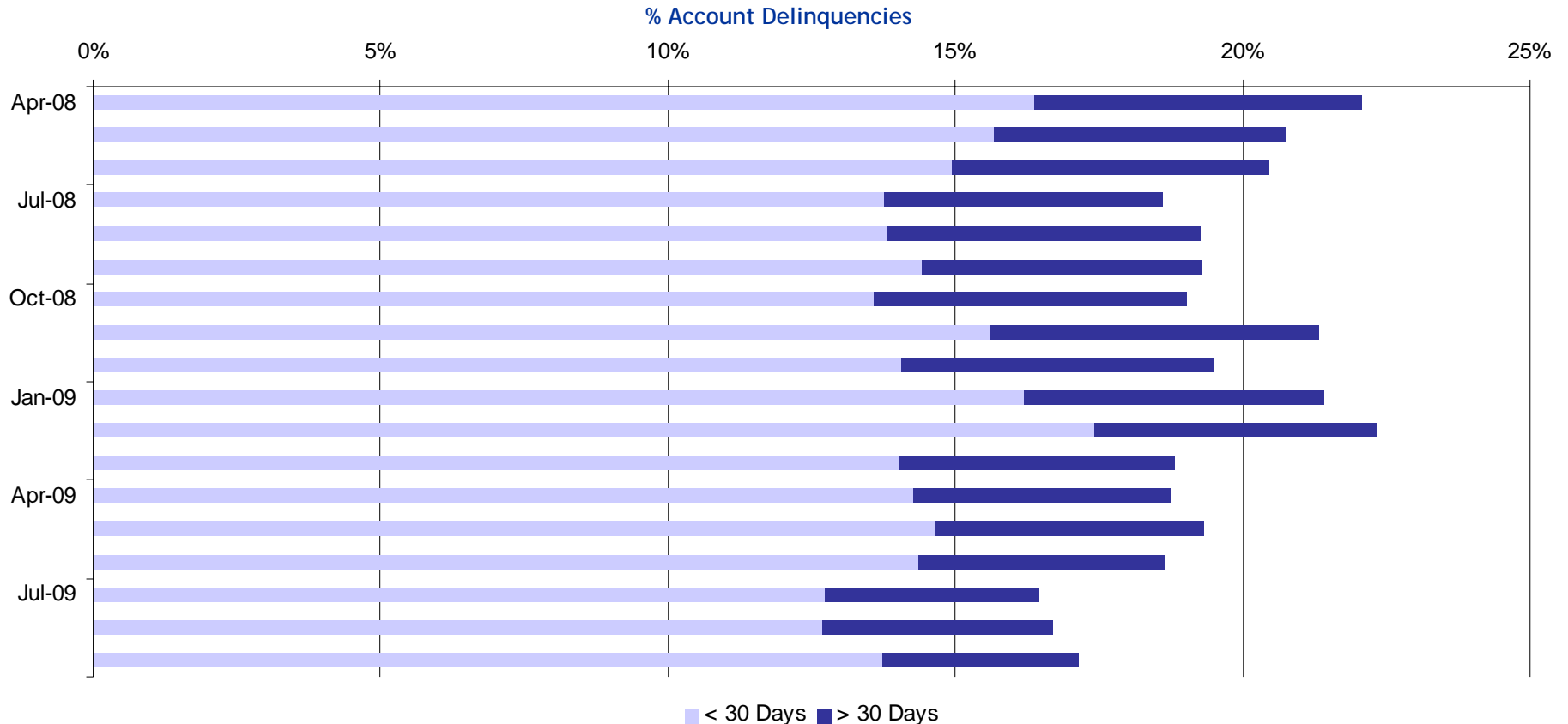
# Customer Growth: 7.6%

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- Marketing
  - Strong continued presence of TV advertising
  - 37% increase in web hits
  - Consistent level of telephone enquiries
  - Rent Try Buy® and \$1 buyout are key drivers
- Store network
  - 2 new stores opened SA in August - pleasing performance to-date
  - Continuation of store upgrade program
    - 8 stores relocated in new lifestyle format
    - 4 stores 'refreshed' at current locations
    - 1<sup>st</sup> One Person Branch (OPB) due to open December in Batemans Bay & other locations being assessed

# Account Delinquencies

- Delinquencies have been maintained at low levels
- Evidence of “operational excellence” - meeting customer needs without exceeding their ability to pay



# Opportunities for Growth

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- 8.9% growth of rental base due to strong installation increases
- Disconnections remain in line with historical run rates & forecast
- Continued strong demand for FPD TVs & PCs
- Expansion and acceptance of the 'rental market'
- Opportunity to increase market penetration in metro areas
- Geographic expansion
  - Additional stores in SA
  - Potential for more 'One Person Branches' in regional markets
- Trial of internet broadband offering

# Performance - Cashfirst

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- Loan book of circa \$3m at end of period
- Some 2,600 accounts
- New marketing program launched in September - strong response
- Projected \$4m+ loan book at end of March
- Account delinquencies and write-offs within budget

# Performance – BigBrownBox.com.au

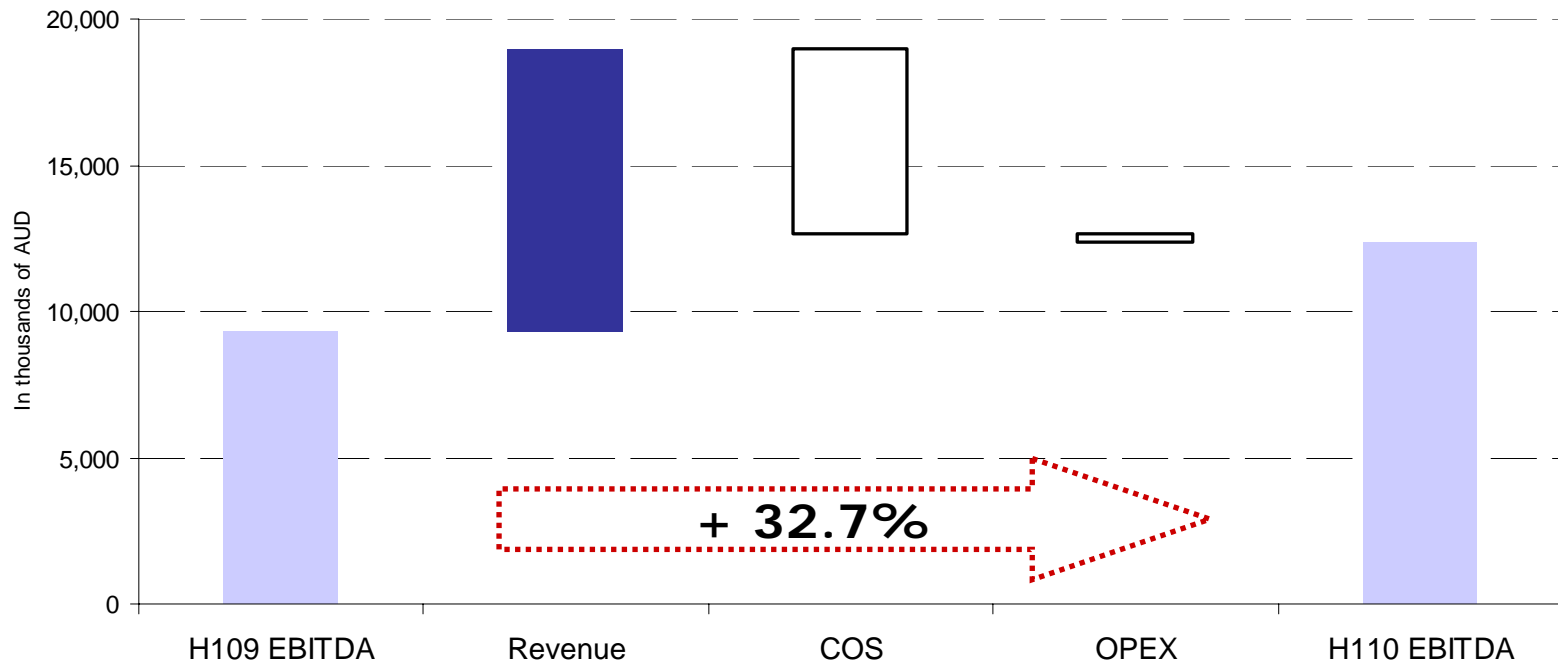
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- Site functionality upgraded
- Growing brand awareness
- 100,000+ visitors per month
- 10,000 registered users
- Affiliate marketing programs launched
- Improved site ranking within major search engines
- Gaining momentum

# EBITDA

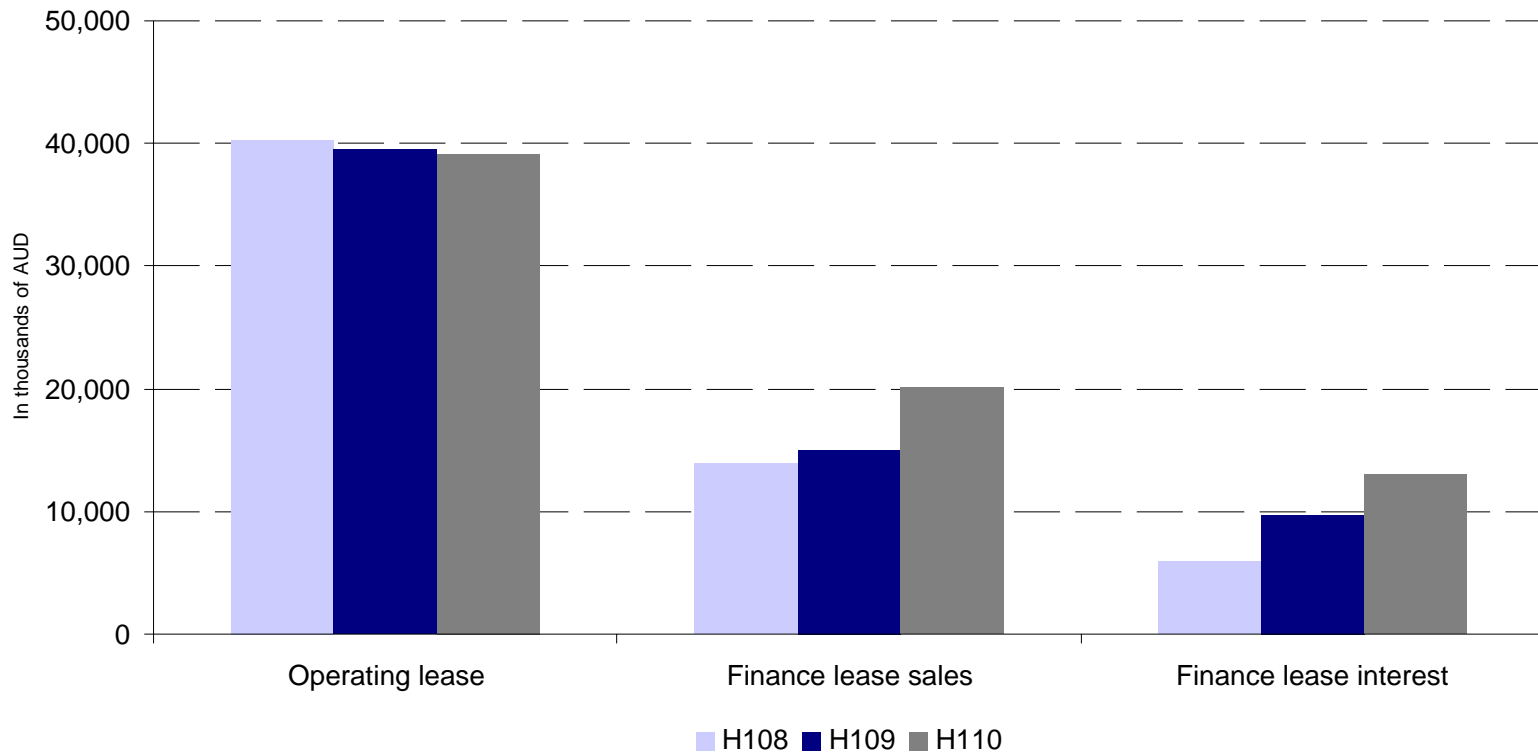
- Revenue increase of 15.3% main driver
- COS increases in line with revenue
- Gross margin percent reduced to 57.8%; impacted by changes to the revenue mix
- OPEX remains tightly held





# Revenue: 15.3% better than prior year

- Like for like revenue growth 12.8%
- Finance lease sales revenue +33.4%
- Finance lease interest revenue +33.6%
- Operating lease revenue in line with base movements



# OPEX

- Fixed cost base further leveraged
- Opex declines to 40.8% of revenue versus 46.7% in H109
- Headcount increases limited; effective use of casual and part-time staff limiting overtime in the rental business
- Cost savings in IT & Telco garnered from the transition to a new Telco

<i>In thousands of AUD</i>	H108	H109	H110	Movement
Personnel	13,653	13,922	14,246	+2%
Marketing	4,244	4,658	4,847	+4%
IT & Telco	1,267	1,298	1,127	(13%)
Occupancy	2,809	2,965	3,048	+3%
Transport	2,325	2,735	2,612	(5%)
Other	3,829	3,932	3,891	(1%)
<b>OPEX</b>	<b>28,127</b>	<b>29,510</b>	<b>29,771</b>	<b>+1%</b>
Movement		+5%	+1%	

# Balance sheet

- Net asset growth of 10.2%
- Total tangibles assets \$97m, an 11.5% increase
- Debt to equity ratio remains conservative at 9%

Key asset movements	30 Sep \$'000s	H1 Movement \$'000s	
Cash	816	(1,751)	- Better than prior year
Finance lease	49,412	8,270	- 20% book growth
Cash loans	3,025	200	- Stabilised & growing
Operating lease	955	(35)	- Remain steady
Inventory	1,902	595	- Growth in Big Brown Box
Rental assets	35,884	1,993	

\$84m due on finance lease book - including interest of \$35m

## Cashflow: \$9m increase in cash generated

<i>In thousands of AUD</i>	H109	H110
<b>EBITDA</b>	<b>9,341</b>	<b>12,391</b>
<b>Non cash movements:</b>		
Share based payments	110	36
Disposal rental assets	10,513	14,780
Rental asset depreciation	9,724	10,035
<b>Working capital:</b>		
Inventory	-	(595)
Receivables	(6,724)	(8,253)
Payables	(1,203)	2,579
Provisions	343	374
<b>Cash generated from Ops</b>	<b>22,104</b>	<b>31,347</b>

- Cash generated from operations increased 41.8%
- Strong recurring cashflows have allowed for investment in:
  - Rental assets
  - Loan book growth
  - Retail inventory
  - Store upgrades

## Cashflow: Op cash invested in rental assets

<i>In thousands of AUD</i>	H109	H110
Cash generated from Ops	22,104	31,346
Net interest paid	(194)	(204)
Tax paid	(2,866)	(2,339)
<b>Net Cash from Operations</b>	<b>19,044</b>	<b>28,804</b>
Acquisition of rental assets	(20,978)	(27,408)
Other investing cashflows	(726)	(259)
Dividend paid	(3,174)	(3,743)
Other financing cashflows	1,000	855
<b>Net cash movement</b>	<b>(4,834)</b>	<b>(1,751)</b>

- Net cash from operations increased 51.2% after investment in Cashfirst loan book and Big Brown Box
- Rental asset investment up 31%
- Dividends up 18%

# Opportunities for Growth

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- Expansion into SME market
  - Broader offering of financial products and services
  - Wider product range
  - Additional sales resources



- Increased market penetration to current customer type
- Modified product offering with appeal to broader customer profile

# Opportunities for Growth

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- Demand continues for flat panel display (FPD) TVs and computers
- Underserviced market
- Building the brand and awareness
- Marketing re-launch in October
- Internet search enhancements
- Leveraging relationships
- Introduce financing options
- Continual refinement/refreshing of site

# Company Strengths

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- Demand continues for flat panel display (FPD) TVs and computers
- Solid 'base' business
- Strong cashflows
- Sound strategic initiatives for growth
- Very low gearing
- May benefit from economic downturn
- Capacity to leverage 'core competencies'



# Company Outlook

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- Projected PAT of \$17.3m to \$17.8m for FY ending 31 March 2010
- Normalised PAT of \$14.3m to \$14.8m
  - Circa 18% increase on prior year
- 'One-off' Investment Allowance of circa \$3.0m