

Thorn Group Limited (ASX:TGA)

Quarterly Activities Report to 30 September 2020

Sydney, 30 October 2020: Thorn Group Limited (ASX:TGA) ("Thorn") presents the following review on the key business activities for the quarter ending 30 September 2020 and material events post the end of the period. Thorn is pleased to report on a productive quarter in which Thorn has further advanced key optimisation initiatives and cost reduction opportunities during challenging circumstances as a result of the COVID-19 pandemic.

Principal activities

Thorn is a diversified financial services group providing leasing of household products to consumers and commercial asset finance to small and medium enterprises.

Key areas of activity during the quarter ending 30 September 2020

Thorn held its Annual General Meeting on 19 August 2020.

Thorn's directors and management continued to develop and enact measures to respond to the COVID-19 pandemic threat and its impact on the Company's operations.

Thorn's Radio Rentals' business launched a new purely online model, www.radio-rentals.com.au. The business has been transformed from a store-based business model supported by internal warehousing and logistics, to a digital originations model utilising drop-ship partners, and centralising key functions to reduce costs and improve collections capability.

The Business Finance division, while continuing to face adverse business conditions, has seen some improvements with cash collections up circa 20% on the previous quarter as many of those affected by the pandemic resumed payments. This has been achieved by increasing the use of technology, utilisation of data and analytics to prioritise appropriate collection activities, implementation of training programs to improve customer conversations outcomes and disciplined use of third parties to assist with collection activities and a focus on post write off recovery activity.

While the Thorn Business Finance warehouse funding facility remains in amortisation, agreement has been reached with the facility providers on payment holidays offered to, and the recommencement of payments from, eligible customers adversely affected by the pandemic.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$53.9 million from its operating activities as the inflow of receipts from previously written leasing contracts exceeded both operating expenses and the origination of new contracts in the present circumstances.

- \$36.2 million of warehouse debt funding was repaid along with \$10 million of the corporate debt facility.
- The cash balance at the quarter end increased from \$71.8m million (as at 30 June 2020) to \$79.5 million. The cash balance includes both free cash and the tied cash in the warehouse funding trust. Free cash at the end of the period was \$60.7 million.
- \$1.35 million of JobKeeper payments were received.

Next Two Quarters Activity

- Thorn will pay a special fully franked dividend of 7.5 cents per share on 3 November 2020. Thorn's dividend reinvestment plan (DRP) will apply to the special dividend.
- Thorn will continue to monitor developments relating to COVID-19 along with guidelines introduced by Federal and State Governments and the health authorities.
- Thorn's remote working protocols for its staff will remain in place whilst COVID-19 remains a concern.
- The focus of the Radio Rentals business is on extending the range, digitising and automating processes to reduce "cost to serve" and delivering leading customer experiences.
- Thorn is expected to finalise the completion of the Radio Rentals store lease exit program.
- The pandemic has affected the financial position of many of Thorn's small and medium enterprise customers and we will continue to work with these customers on finalising contract variations and further remediation.
- Thorn will continue to actively pursue productivity improvements.
- Thorn will continue to upgrade, streamline and automate its underwriting processes.
- Thorn will release its half yearly financial statements for the period ended 30 September 2020 on 27 November 2020.
- An extraordinary general meeting will be held on 3 December 2020.

This release has been authorised by the Board of Directors.

End of release.

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ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)

Thorn Group is a diversified financial services company providing financial solutions to consumers and businesses. Thorn's consumer leasing business, Radio Rentals (RR Rentlo Reinvented in South Australia), is a leader in the household goods consumer leasing market, operating since 1937. Thorn Business Finance is a provider of leasing and other financial services to small and medium enterprises. Thorn has been listed on the ASX since 2006, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Thorn Group Limited

ABN

54 072 507 147

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	81,122	156,288
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(180)	(722)
(d) leased assets	(5,930)	(7,314)
(e) staff costs*	(8,597)	(19,668)
(f) administration and corporate costs	(8,952)	(18,342)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3,321)	(6,843)
1.6 Income taxes refunded	-	3,051
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)**	(226)	(7,079)
1.9 Net cash from / (used in) operating activities	53,916	99,371

* Is net of \$1.35m of JobKeeper payments received

**Includes for the quarter (and year to date): net inventory purchases of \$24,000 (\$2.2m) and equipment finance originations of \$0.2m (\$4.9m)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	11,339
3.6	Repayment of borrowings	(46,199)	(80,839)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(46,199)	(69,500)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	71,773	49,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	53,916	99,371
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(46,199)	(69,500)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	79,490	79,490

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	79,490	71,773
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	79,490	71,773

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	89
6.2	Aggregate amount of payments to related parties and their associates included in item 2	N/A

*Payments of usual fees to directors

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	236,045	236,045
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	236,045	236,045
7.5 Unused financing facilities available at quarter end	-	
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The loan facilities consist of two items; a securitised warehouse facility used to finance equipment leasing, and a corporate facility used to finance consumer leasing and which is divided into an A and a B facility.</p> <p>The securitised warehouse facility is currently in amortisation and no further funding drawdown is available while it remains in amortisation. Therefore it is fully drawn at \$236.0m. The amount is secured over the receivables in the warehouse. The identity of lenders and the interest rate details are withheld.</p> <p>The corporate loan facility A was fully repaid during the quarter (\$10m drawn at end of previous quarter) and formally closed in October 2020.</p> <p>The corporate loan facility B is used for bank guarantees and an overdraft, is secured, and the identity of the lender and the interest rate details are withheld. At the quarter end it was drawn to circa \$1.9m for bank guarantees provided to landlords on property rental bonds and is considered to be fully drawn at the moment.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	53,916
8.2 Cash and cash equivalents at quarter end (item 4.6)	79,490
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	79,490
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p> <p>Please note this prescribed calculation in section 8 may be confusing so the following is provided for clarification. The entity generated \$53.9m of cash in the last quarter principally as its originations were lower than its cash receipts from its book of previously originated lease contracts. It has \$79.5m of cash, \$60.7m of which is free cash (the remaining \$18.8m tied up in the securitised warehouse).</p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.