

## **Thorn Group Limited (ASX:TGA)**

### **Quarterly Activities Report for period ended 31 March 2021**

**Sydney, 30 April 2021:** Thorn Group Limited (ASX:TGA) (“Thorn”) submits its cash flow report for the March 2021 quarter and presents the following update on the key business activities for the quarter ending 31 March 2021, and material events after that period.

#### **Principal activities**

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

#### **Key areas of activity during the quarter ending 31 March 2021**

An Extraordinary General Meeting was held on 4 January 2021 at which shareholders voted to reject resolutions that proposed changes to the composition of Thorn’s Board of Directors.

Thorn provided a business update on 8 January 2021, confirming it is continuing with its business strategy as announced to the ASX. Thorn believes that this strategy will deliver significant returns to shareholders through the growth of Thorn’s increasingly successful digitally focussed consumer finance and specialist small businesses finance activities.

Thorn is progressing with the transformation of its Consumer Finance Radio Rentals division to a digital model, has materially improved the arrears position in its Business Finance division and (as announced) is on track to launch of a debtor finance product during the first half of the Company’s 2021-2022 financial year.

Thorn continues to enact measures to respond to the COVID-19 pandemic threat and its impact on Thorn’s operations. Notwithstanding a significant improvement in customers remediating arrears payments in both operating divisions, Management considers it is too early to assume a full return to pre Covid business practice of customers fulfilling their commitments on time and in full.

Thorn tested the possible market appetite for a sale of the warehouse. Following that process, Thorn has determined to retain the debt warehouse.

#### ***Radio Rentals***

The process of transforming the Radio Rentals division to a digital operating model has accelerated, and initiatives undertaken to support the digital model (including origination volume and reducing the overall cost base) occurred.

The product offering has improved materially through an expanded product range and the launch of a new drop-ship partner, increased customer awareness driven by strong marketing activity across digital channels and increased customer retention driven by targeted campaigns.

The Collections performance over the period has consistently improved with arrears at the end of the quarter lower than for the prior year.

The Everyday Essentials campaign launched on 29 April 2021.

#### *Business Finance*

The Business Finance division made significant progress with loan variations for customers impacted by COVID-19 pandemic finalised during the quarter. Cash collections from the equipment finance receivables book continued to improve. As a result of collections activity and variations, contracts greater than 30 days in arrears reduced from 14% as at 31 December 2020 to 9% as at 31 March 2021. The warehouse funding facility continues to remain in amortisation.

On 17 February 2021, Thorn announced the upcoming launch of a debtor finance product, which will leverage a disruptive digital platform in the first half of the Company's FY22 financial year. Debtor finance provides funding against the value of business' outstanding invoices and is short-term in nature as funding is repaid as invoices are paid.

#### **Commentary on the Appendix 4C Cash Flow report**

- Thorn recorded a positive cash flow of \$49.4 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.
- \$33.4 million of warehouse debt funding was repaid.
- \$0.65 million of JobKeeper payments were received.
- The cash balance of \$88.0 million at the quarter end has increased from \$73.0 million (as at 31 December 2020), noting this includes both free cash and the tied cash in the warehouse funding trust. Free cash at the quarter end was \$68.2 million.

#### **Next Two Quarters Activity**

- Thorn's remote working protocols for its staff will remain in place whilst COVID-19 remains a concern, however staff are steadily and purposively returning to head office.
- The Consumer Finance division will focus on enhancing our customers' experiences, digitally transforming, and optimising the service and collections process.
- The Business Finance division will focus on launching the debtor finance product and on preserving the value of the equipment finance receivables book through effective management of collections.
- Thorn is exploring new external funding lines to support originations.
- On 14 April 2021, Thorn announced the completion of the minimum holding share buy-back (previously announced to the market on 19 February 2021). The number of shares acquired by Thorn is approximately 0.5% of Thorn's share capital (1,693,852 ordinary shares) yet reduced the size of Thorn's share register by ~27.5%, which will lead to efficiencies and anticipated cost savings.
- Thorn will release its annual financial statements for the year ending 31 March 2021 to the market on 28 May 2021.

This release has been authorised by the Board of Directors.

End of release.

For further information, please contact:

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**ABOUT THORN GROUP LIMITED (ASX: TGA, [www.thorn.com.au](http://www.thorn.com.au))**

Thorn 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")**

 31<sup>st</sup> March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	66,754	295,906
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(143)	(1,039)
(d) leased assets	(341)	(9,540)
(e) staff costs*	(5,004)	(30,975)
(f) administration and corporate costs	(8,817)	(36,943)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2,196)	(11,803)
1.6 Income taxes (paid / refunded)	-	3,051
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)**	(839)	(8,445)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>49,414</b>	<b>200,212</b>

\* Is net of \$0.65m of JobKeeper payments received in the period (YTD \$2.56m)

\*\*Includes for the quarter (and year to date): net inventory purchases of \$0.7m (\$3.0m) and equipment finance originations of \$0.2m (\$5.5m)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
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	(1,000)	(1,000)
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,000)</b>	<b>(1,000)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(33,406)	(150,582)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid*	-	(21,544)
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(33,406)</b>	<b>(160,787)</b>

\*The net dividend paid of \$21.5m included a gross special dividend of \$24.2m less \$2.6m reinvested in Thorn shares as part of the dividend reinvestment plan.

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	73,037	49,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	49,414	200,212
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,000)	(1,000)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33,406)	(160,787)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>88,045</b>	<b>88,045</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	88,045	73,037
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>88,045</b>	<b>73,037</b>

6.	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	57
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.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	166,302	166,302
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>166,302</b>	<b>166,302</b>
7.5	<b>Unused financing facilities available at quarter end</b>		-
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 facility is a securitised warehouse facility used to finance equipment leasing. 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 \$166.3m. The amount is secured over the receivables in the warehouse. The identity of lenders and the interest rate details are withheld.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	49,414
8.2	Cash and cash equivalents at quarter end (item 4.6)	88,045
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	88,045
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A

*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.*

Please note this prescribed calculation in section 8 may be confusing so the following is provided for clarification. The entity generated \$49.4m 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 \$88.0m of cash, \$68.2m of which is free cash (the remaining \$19.8m tied up in the securitised warehouse).

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 April 2021

Authorised by: By the board  
(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.