

Thorn Group Limited (ASX:TGA)

Quarterly Activities Report for period ended 30 June 2021

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

Principal activities

Thorn is a diversified financial services organisation that provides real financing alternatives for everyday Australians to access all-encompassing household essentials and to enable small to medium businesses to grow.

Key areas of activity during the quarter ending 30 June 2021

FY21 Results

Thorn released its audited full year results and financial report for the financial year ended 31 March 2021 on 30 June 2021, following the release of the unaudited results on 31 May 2021. While Thorn experienced a difficult FY21, the Company achieved Net Profit After Tax of \$8.4 million and declared a fully franked final dividend of \$0.01 per ordinary share, totalling \$27.575 million in dividends for the year.

Covid Pandemic & Forum Finance

Thorn is closely managing and monitoring the impacts of the renewed outbreaks of the Covid pandemic, in particular the recent lockdowns across major capital cities, to understand its impact on its customers across the Business and Consumer Finance divisions. Thorn remains committed to supporting impacted customers through a range of measures. Thorn has reported a potential exposure of up to \$2.2 million relating to equipment finance loans funded between 2013 and 2019 to Forum Finance Pty Ltd and its related entities. Thorn is in the process of investigating the matter and will update the market with any significant developments.

Consumer Finance

Thorn is continuing its strategy of rebuilding the Consumer Finance’s digital Radio Rentals business, while continuing to manage the existing customer base.

The focus of the Consumer Finance division in FY22 is on growing origination volumes, expanding supplier partnerships and continuing to transform the business model focusing on digital experience, as well as improving its customised originations and credit capabilities. In the quarter, the Consumer Finance division:

- Increased the product range with a particular focus on Essentials range and offering more affordable weekly repayments to consumers through additional payment terms;
- Broadened marketing to cover multiple channels including digital, TV and radio; and
- Enhanced credit policy to leverage machine learning based credit scorecards.

Business Finance

The focus of the Business Finance division in FY22 is on bringing highly scalable financial products to market and growing originations. In the quarter, the Business Finance division:

- Implemented a new collections system for the equipment finance business, leveraging the scale and capabilities of the Consumer Finance division;
- Completed the development of a debtor finance product introduced to market on 27 July 2021; and
- Progressed the rebuilding of sales, marketing and operational capabilities to support the launch of new products.

Takeover Offer

On 18 June 2021, Somers Limited announced an unconditional on-market takeover bid to acquire all of the shares in Thorn that it does not already own for \$0.21 cash per share (**Offer**). On 16 July 2021, Thorn released its Target's Statement in response to the Offer, which has been lodged with ASIC and ASX and mailed to all shareholders. The Offer will expire 6 August 2021 (4.00pm Sydney time) unless extended or withdrawn.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$35.8 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.
- \$33.6 million of warehouse debt funding was repaid.
- The cash balance of \$90.0 million at the quarter end has increased from \$88.0 million (as at 31 March 2021), noting this includes both free cash and the tied cash in the warehouse funding trust. Free cash at the quarter end increased to \$72.5 million (from \$68.2 million as at 31 March 2021).
- Related party payments totalling \$73,000 have been made during the quarter comprising of the non-executive directors' fees and salaries for Thorn board members.
- A minimum holding share buy-back was completed on 14 April 2021, resulting in 1,693,852 fully paid ordinary shares being acquired by Thorn for a cost of ~\$313,000 and efficiencies and cost savings.

Next Two Quarters Activity

- Thorn's remote working protocols for its staff will continue with the COVID-19 restrictions in place.
- The Consumer Finance and Business Finance division will continue with the implementation of its strategic deliverables, including the marketing and growth of the new debtor finance product.
- Thorn is relocating to new corporate offices in South Eveleigh Precinct, also known as Australian Technology Park in the next quarter. Australian Technology Park is located about 3 km south of the Sydney CBD, adjacent to Redfern railway station. Australian Technology Park primarily houses start-up hi-tech companies and spin-offs from university research however a number of leading companies (including CBA) have also established significant operations. Thorn's new offices will provide a single well-located site that is expected to assist in the attraction and retention of key staff.

- On 31 May 2021, Thorn declared a fully franked final dividend of \$0.01 cash per ordinary share, totalling approximately \$3.375 million. The dividend payment was made to shareholders on 21 July 2021, with 2,398,077 shares issued to eligible shareholders reinvesting under Thorn's Dividend Reinvestment Plan.
- Thorn's 2021 Annual General Meeting will be held virtually on 20 August 2021. The Notice of Meeting has been released to the ASX and is available on Thorn's website.
- Thorn will release its half yearly results to the market on 26 November 2021.

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 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")

 30th June 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 60,315 | 60,315 |
| 1.2 Payments for | - | - |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | - | - |
| (c) advertising and marketing | (1,485) | (1,485) |
| (d) leased assets | (378) | (378) |
| (e) staff costs* | (5,984) | (5,984) |
| (f) administration and corporate costs** | (13,326) | (13,326) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (1,984) | (1,984) |
| 1.6 Income taxes (paid / refunded) | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material)*** | (1,381) | (1,381) |
| 1.9 Net cash from / (used in) operating activities | 35,777 | 35,777 |

* Is net of \$0.32m of JobKeeper payments received in the period (YTD \$0.32m)

** Includes \$2.1m of security deposit outflows (YTD \$2.1m)

*** Includes inventory purchases of \$1.38m (YTD \$1.38m)

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 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 | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 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 | - | - |
| 3.6 | Repayment of borrowings | (33,557) | (33,557) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | (313) | (313) |
| 3.10 | Net cash from / (used in) financing activities | (33,870) | (33,870) |

| | | | |
|------------|--|---------------|---------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 88,045 | 88,045 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 35,777 | 35,777 |
| 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) | (33,870) | (33,870) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 89,952 | 89,952 |

| 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 | 89,952 | 88,045 |
| 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) | 89,952 | 88,045 |

| 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* | 73 |
| 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. 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 | 132,746 | 132,746 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | 132,746 | 132,746 |
| 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 facility is a securitised warehouse facility used to finance equipment leasing originations.</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 \$132.7m. The amount is secured over the receivables in the warehouse. The identity of lenders and the interest rate details are withheld.</p> | | |

| | | |
|-----------|---|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | 35,777 |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 89,952 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 89,952 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 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 \$35.8m 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 \$90.0m of cash, \$72.5m of which is free cash (the remaining \$17.5m 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: 31 July 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.