

Thorn Group Limited (ASX:TGA) Quarterly Activities Report for period ended 31 March 2022

Sydney, 29 April 2022: Thorn Group Limited (ASX:TGA) (**Thorn**) submits its cash flow report for the March 2022 quarter and presents the following update on the key business activities for the quarter ended 31 March 2022, and material events after that period.

Principal activities

Thorn is a diversified financial services organisation that provides financing to fuel the growth of small to medium businesses.

Key areas of activity during the quarter ending 31 March 2022

Business Finance (Thornmoney)

The focus of Thornmoney in FY22 is to bring highly scalable financial products to market and grow originations within the Thornmoney brand.

In the quarter:

- Launched a tailored Broker Portal to the market that was deployed to a select group of brokers.
- Initial brokers were selected based off strong performance in the historical Thorn Business Finance asset finance book.
- New brokers have also been on-boarded based on Thornmoney's revised accreditation and new credit policy criteria.
- A customised application flow to originate asset finance deals has been launched. The low touch digital experience streamlines the application experience and leverages real-time integrations with external data providers to assess key aspects of the deals prior to them being handled by a credit officer.
- This application also uses an in-built credit matrix to automatically price deals and give brokers indicative approvals prior to being credit assessed.
- The application process, and the Broker Portal are under extensive development and refinement to include additional integrations and alleviate key friction points in originating deals.
- The new Thornmoney credit workflow engine has also been launched.

Consumer Finance

Post completion of the sale of Radio Rentals Consumer Finance business on 20 December 2021, Thorn and Credit Corp Group Limited (**Credit Corp**) entered into a Transitional Services Agreement, pursuant to which Thorn agreed to supply certain services to Credit Corp for a period of up to 6 months, including the secondment of Thorn employees, with all salaries and on-costs incurred by Thorn to be recovered from Credit Corp. Thorn is continuing to focus on the Transitional Services arrangements with Credit Corp to ensure a smooth and efficient separation.

Special Dividend

On 17 January 2022, Thorn declared a fully franked special dividend of \$0.07 cash per ordinary share (**Special Dividend**), totalling approximately \$23.792 million. The payment of the Special Dividend (paid to shareholders on 9 February 2022) ensured that shareholders received a direct benefit from the proceeds of the sale of the Radio Rentals Consumer Finance business.

On Market Share Buy-Back

On 15 February 2022, Thorn announced its intention, as part of its ongoing capital management strategy, to conduct an on-market share buy-back program of up to 5% of Thorn's ordinary shares, commencing 1 March 2022 and for a period of up to 12 months (**Share Buy-Back**). The Share Buy-Back represents a flexible and efficient capital management initiative that benefits shareholders and reflects confidence in Thorn's ongoing performance.

Minimum Holding Share Buy-Back

In parallel with the Share Buy-Back, on 28 March 2022, Thorn announced its intention to undertake a minimum holding share buy-back of ordinary shares for Thorn shareholders who hold an unmarketable parcel of shares in Thorn. The minimum holding share buy-back will close on 18 May 2022 with the outcome to be announced to ASX on 30 May 2022.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a negative cash flow of \$(2.0) million from its operating activities for the quarter as the Group is funding 100% of the Asset Finance originations. Thorn is investigating possible securitised warehouse facilities to fund these and future origination growth.
- Thorn paid a Special Dividend of \$23.792 million in the quarter.
- \$19.6 million of warehouse debt funding was repaid.
- The cash balance at the quarter end decreased from \$132.4 million to \$86.8 million as at 31 March 2022. 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 \$68.1 million.
- Related party payments totalling \$83,000 have been made during the quarter comprising of non-executive directors' fees for Thorn board members.

Next Two Quarters Activity

- Thornmoney's working capital offering, which created a re-engineered tech platform to distribute and manage debtor finance transactions, will be expanded over the next two quarters. Further working capital offerings will be explored and integrated where appropriate based on Thornmoney's experience and market feedback.
- Further investment into the Broker Portal will be key to delivering a unique broker experience. Developments over the next two quarters will focus on further integrating the Broker Portal into the Thornmoney environment.
- The entire Thornmoney technology stack will continue to be developed. Integrations with external and internal systems will be expanded to streamline the originations journey and obtain key data that will drive future credit appetite and policy improvements. This will be crucial in providing the

business with live feedback on business performance and the ability for swift, data driven decision making.

- Operational process improvements, fraud detection practices, key data acquisition, origination channels and amendments to credit appetite remain a key focus.
- Strong partnerships will be developed with external distribution channels that are hubs for SME's and Brokers seeking business finance solutions.
- The Transitional Services arrangements with Credit Corp (including supply of certain services) are expected to end in June 2022, which will mean the former Radio Rentals business will be separated completely.
- As noted in Thorn's previous activities reports, Thorn's directors are continuing to monitor Thorn's cash balance having regard to its requirements, including appropriate capital management initiatives and investment opportunities in the fintech sector that align with Thorn's core business strategy as a diversified small business focussed financial services organisation. No decision has yet been made as to methodology and mechanisms Thorn will utilise to spearhead such an investment programme. However, Thorn's directors are continuing to assess opportunities that are judged as being in the best interests of Thorn's shareholders. These opportunities may include, for example, Thorn acquiring equity positions and extending short dated secured debt facilities / working capital in small fintech sector entities. In addition, allocating a portion of Thorn's cash balance into appropriately managed short term cash management arrangements while Thorn completes its strategy for identifying and executing the Company's fintech planned investment activities.
- Thorn has relocated its corporate office to a fully serviced building located on 320 Pitt Street, Sydney.
- Thorn is adopting a hybrid working mode for its staff following the ease of COVID-19 restrictions imposed on workplace. Thorn will continue to abide by the workplace health guidelines introduced by Federal and State Governments and the health authorities.
- Thorn's FY22 reporting period ended on 31 March 2022. Thorn expects to release its audited financial statements on 30 May 2022, along with its 2022 Corporate Governance Statement.
- Thorn's 2021 Annual General Meeting will be held on 19 August 2022.

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 funding solutions for everyday Australian small to medium businesses. Thornmoney is a provider of working capital and business asset lending solutions, working in partnership with Australian brokers and accountants. Thorn has been listed on 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")

 31st March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	28,317	184,733
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(182)	(3,917)
(d) leased assets	(84)	(1,046)
(e) staff costs	(1,456)	(19,807)
(f) administration and corporate costs	(6,081)	(35,067)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,229)	(6,422)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)*	(21,293)	(32,047)
1.9 Net cash from / (used in) operating activities	(2,008)	86,427

* Includes new Business Finance originations \$21.3m (YTD \$24.5m) and YTD purchase of inventory for \$7.58m.

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*	(144)	43,876
	(c) property, plant and equipment	-	-
	(d) investments**	-	1,154
	(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	(144)	45,030

* The Group had received an initial \$44.0m cash benefit from the sale of its Consumer Leasing division to Credit Corp Group in Q3, an adjustment of \$144K was made upon final completion statement.

** Thorn had initially invested \$1.0m in Quicka Holdings Pty Ltd, the investment had a subsequent sale resulting in a return of \$1.15m in Q3.

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	491
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	(19,644)	(105,711)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(23,792)	(27,167)
.9	Other (provide details if material)	(41)	(354)
3.10	Net cash from / (used in) financing activities	(43,477)	(132,741)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	132,389	88,045
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,008)	86,427
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(144)	45,030
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(43,477)	(132,741)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	86,760	86,760

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	86,760	132,389
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)	86,760	132,389

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*	83
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
*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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	60,591	60,591
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	60,591	60,591
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 its current outstanding balance. 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)	(2,008)
8.2 Cash and cash equivalents at quarter end (item 4.6)	86,760
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	86,760
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	43
<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>	
Please note this prescribed calculation in section 8 may be confusing so the following is provided for clarification. The entity used \$2.0m of cash in the last quarter principally as the Group is funding 100% of the Business Finance originations. It has \$86.8m of cash, \$68.1m of which is free cash (the remaining \$18.7m 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: N/A
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: N/A

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: N/A

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: 29 April 2022

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.