

Thorn Group Limited (ASX:TGA) Quarterly Activities Report for period ended 31 December 2021

Sydney, 31 January 2022: Thorn Group Limited (ASX:TGA) (**Thorn**) submits its cash flow report for the December 2021 quarter and presents the following update on the key business activities for the quarter ended 31 December 2021, and material events after that period.

Principal activities

Thorn is a diversified financial services organisation that provides financing to enable small to medium businesses to grow.

Key areas of activity during the quarter ending 31 December 2021

Business Finance

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

- Thornmoney launched Asset Finance in December 2021 and is continuing to progress a digitally powered suite of products for SMEs.
- Based on introducer feedback, Thornmoney has been redesigned with a new technology solution that simplifies deal submission and increases the speed and consistency of decisions. This includes the launch of the new website (www.thorn.money) and broker portal in December 2021.
- After extensive portfolio and market analysis, Thorn's product and credit policy has been developed to be both competitive and to attract stronger credit profile customers than Thorn has historically funded.

Consumer Finance

On 20 December 2021, the sale of the Radio Rentals Consumer Finance business completed. Thorn has received a cash consideration for the sale of approximately \$44 million, with an additional amount of approximately \$2.3 million payable on a deferred basis. Post completion, Thorn and Credit Corp Group Limited (**CCG**) entered into a Transitional Services Agreement, pursuant to which Thorn will supply certain services to CCG 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 CCG.

Half Year Results

On 30 November 2021, Thorn released half-year results for the six-month period ended 30 September 2021. Thorn posted a half year net profit after tax of \$13.3 million, compared with a net loss of \$1.1 million in the previous corresponding period. Revenue from continuing operations fell 49% from \$58.8 million to \$30 million.

QuickaPay Arrangements

In December 2021, Thorn divested its investment in the startup buy-now-pay-later platform QuickaPay, which was acquired by legal services payments platform RapidPay.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$21.9 million from its operating activities for the quarter as the inflow of receipts from previously written leasing contracts exceeded both operating expenses and the origination of new contracts in the present circumstances.
- \$45.2 million positive cash flow was received from the sale of the Radio Rentals Consumer Leasing division (\$44.0 million) and the divestment of Thorn's interest in Quicka Holdings Pty Ltd (\$1.2 million).
- \$26.3 million of warehouse debt funding was repaid.
- The cash balance at the quarter end has increased from \$91.6 million to \$132.4 million (as at 31 December 2021). 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 \$114.3 million.
- Related party payments totalling \$0.1 million have been made during the quarter comprising of non-executive directors' fees for Thorn board members.

Next Two Quarters Activity (and Calendar Year 2022)

- 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 will ensure that shareholders receive a direct benefit from the sale of the Radio Rentals Consumer Finance business and will be paid to shareholders on 9 February 2022.
- As noted in Thorn's 17 January 2022 ASX announcement in relation to the Special Dividend, Thorn's directors have, in the period leading up to and following the completion of the Radio Rentals sale, been considering Thorn's ability to return surplus funds to shareholders. Given Thorn's continuing strong cash balance, Thorn's directors will continue to monitor Thorn's cash balance having regard to its requirements, including appropriate capital management initiatives.
- Following the completion of the sale of Radio Rentals Consumer Finance business, Thorn's focus is on the Transitional Services arrangements with CCG to ensure a smooth and efficient separation.
- The Business Finance division will continue with the implementation of strategic deliverables, including the marketing and growth of the Thornmoney brand, new business revenue from the invoice and asset finance products and reopening the equipment finance warehouse in the second quarter of 2022.
- Thorn's directors are considering investment opportunities in the financial services sector that align with Thorn's core business strategy as a diversified financial services organisation. No decision has been made as to whether Thorn will undertake any such investments and Thorn's directors will continue to assess opportunities that are in the best interests of Thorn's shareholders. These opportunities may include, for example, Thorn acquiring equity positions in financial services sector entities.

- Thorn will continue to monitor developments relating to COVID and the Covid-Omicron variant, 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 remains a concern.
- Thorn's FY22 reporting period ends on 31 March 2022. Thorn expects to release its audited financial statements on 30 May 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 financial solutions to consumers and businesses. 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")

 31st December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	43,183	156,415
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(1,030)	(3,735)
(d) leased assets	(261)	(961)
(e) staff costs	(5,956)	(18,351)
(f) administration and corporate costs	(6,953)	(28,986)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,482)	(5,193)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)*	(5,572)	(10,754)
1.9 Net cash from / (used in) operating activities	21,929	88,435

* Includes inventory purchases of \$2.41m (YTD \$7.58m) and new Business Finance originations \$3.16m.

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*	44,019	44,019
	(c) property, plant and equipment	-	-
	(d) investments**	1,154	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	45,173	45,173

* The Group received an initial \$44.0m cash benefit from the sale of its Consumer Leasing division to Credit Corp Group.

** The Group had initially invested \$1.0m in Quicka Holdings Pty Ltd. Quicka Holdings Pty Ltd was subsequently sold resulting in proceeds of \$1.15m for the investment.

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	(26,307)	(86,067)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(3,375)
.9	Other (provide details if material)	-	(313)
3.10	Net cash from / (used in) financing activities	(26,307)	(89,264)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	91,594	88,045
4.2	Net cash from / (used in) operating activities (item 1.9 above)	21,929	88,435
4.3	Net cash from / (used in) investing activities (item 2.6 above)	45,173	45,173
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(26,307)	(89,264)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	132,389	132,389

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	132,389	91,594
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)	132,389	91,594

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*	112
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>*Payments of usual fees to directors</i></p> <p><i>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.</i></p>		

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	80,235	80,235
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	80,235	80,235
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)	21,929
8.2 Cash and cash equivalents at quarter end (item 4.6)	132,389
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	132,389
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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 generated \$21.9m of cash in the last quarter principally as its originations were lower than its cash receipts from its book of previously originated lease contracts. During the quarter, the entity had a cash settlement for the sale of its Consumer Leasing division of \$44.0m and a return on its initial investment of \$1.2m into Quicka Holdings Pty Ltd. It has \$132.4m of cash, \$114.3m of which is free cash (the remaining \$18.1m 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: 31 January 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.