RESULTS PRESENTATION
HALF YEAR ENDED 30 SEPTEMBER 2018

Agenda

1. Overview
2. Results summary
3. Financial statements
4. Divisional performance
5. Outlook

Presenters

Tim Luce, CEO

Peter Forsberg, CFO

THORN GROUP LTD

Overview

Consumer Leasing

- Consumers under pressure on disposable income = price sensitive market and slower collections
- Improved customer offers, range, stores gradually lifting installation volumes
- Reinvigoration program to lift sales and improve efficiency underway
- ASIC enforceable undertaking in progress
- Revenue down 17% and EBIT down 67% on prior comparable period

Business Finance

- Origination growth constrained by credit availability
- New expanded securitized warehouse debt facility now in place
- Revenue up 27% and EBIT up 38%

Corporate

- Costs up 10% and remain elevated due to the class action defense
- Corporate loan facility paid down to $15m
- New corporate loan facility signed with 2 year tenor, $30m limit, new covenants and T&C's
- Statutory profit $3.8m
- No interim dividend

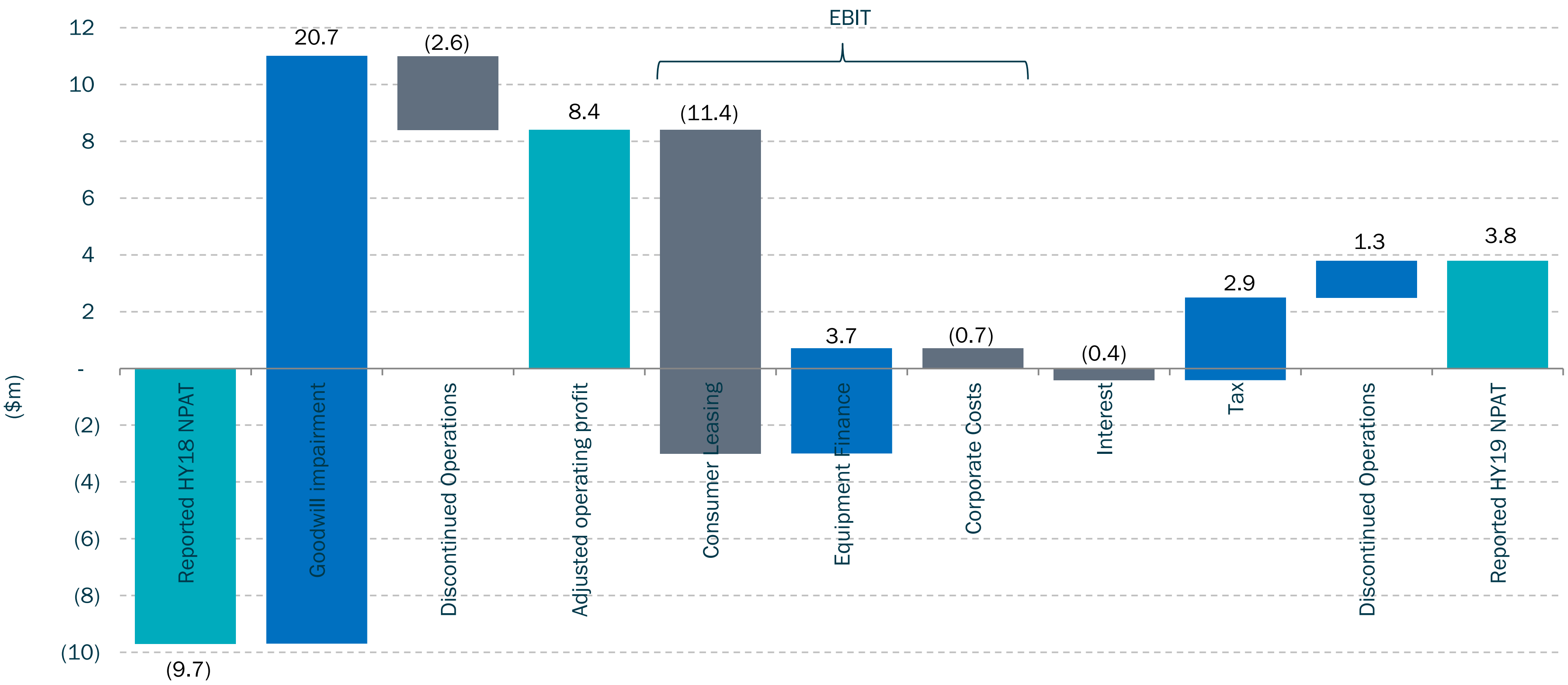
Half Year Results Summary

Half year ended		**Sept 18**	March 18	Sept 17	Sept 18 v Sept 17
Revenue from continuing operations	$m	**111.6**	109.2	125.3	(10.9%)
EBIT from continuing operations	$m	**10.9**	16.4	19.3	(43.5%)
Statutory NPAT	$m	**3.8**	6.1	(9.7)	nm
EPS	cents	**2.4**	3.8	(6.1)	nm
Dividend	cents	**-**	-	1.0	(100.0%)
Return on equity	%	**3.9**	6.1	(9.5)	13.4 pts
Receivables	$m	**483.7**	489.8	485.4	(0.3%)
Borrowings	$m	**302.5**	284.3	328.8	(8.0%)
Gearing (net corporate debt/equity)	%	**5.8**	16.1	64.1	(58.3 pts)

Notes:

1. For comparison purposes the September 2017 half year has been adjusted to remove discontinued operations to be comparable to the other periods for revenue, EBIT, ROE and receivables. The EBIT and ROE also exclude the goodwill write off.
2. ROE is calculated as NPAT divided by the average of opening and closing equity and annualised. Sept 18 includes the AASB 9 provisioning in the closing equity number.
3. Receivables on a net basis, i.e. exclusive of unearned interest and net of provisioning for credit losses. Sept 18 period includes the additional AASB 9 provisioning.
4. Gearing is calculated as the closing net debt (corporate borrowing less free cash) divided by closing equity. This calculation excludes the warehouse debt and its corresponding secured receivables. To see including this debt facility see slide Balance Sheet.

NPAT Bridge



A$m	Segment revenue		% Change fav/(unfav)	Segment EBIT		% Change fav/(unfav)	$ Change
	Sep-18	Sep-17		Sep 18	Sep 17		
Consumer Leasing	90.1	108.4	(17%)	5.4	16.8	(67%)	(11.4)
Equipment Finance[1]	21.5	16.9	27%	13.5	9.8	37%	3.7
Corporate	-	-	-	(8.0)	(7.3)	10%	(0.7)
	111.6	125.3	(11%)	10.9	19.3	(43%)	(8.4)

Notes:
1. The Group has made a voluntary change in accounting policy and accordingly amended the presentation of balances. This has also been reflected in the comparative.

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Balance Sheet

	September 18		March 18	
	excl. Trust[2]	incl. Trust	excl. Trust[2]	incl. Trust
Cash at bank	**25.8**	**25.8**	28.2	28.2
Receivables	**171.9**	**483.7**	187.9	489.9
Unrated notes in warehouse	**24.3**	**-**	58.7	-
Rental, prepayments and other assets	**26.8**	**26.8**	21.6	21.6
Intangibles	**5.9**	**5.9**	5.7	5.7
Total Assets	**254.7**	**542.1**	302.3	545.6
Borrowings – warehouse	**-**	**287.5**	-	243.3
Borrowings - corporate	**15.0**	**15.0**	41.0	41.0
Other liabilities and provisions	**44.7**	**44.7**	58.4	58.4
Total Liabilities	**59.7**	**347.2**	99.4	342.7
Total Equity	**195.0**	**195.0**	202.9	202.9
Gearing (net debt/equity)	**5.8%**	**153.3%**	16.1%	135.9%

- Receivables balance affected by the adoption of AASB 9 which lifted bad debt provisions by $17m
- TEF receivables book up 2% to $333m (up 5% pre provision).
- Radio Rentals receivables book down 8% to $147m (down 4% pre provision).
- Deferred customer acquisition costs increased by $2.9m
- Securitised warehouse mezzanine deal.
- Corporate loan facility reduced to $15m.
- Other liabilities and provisions down as deferred tax down due to AASB 9, ASIC fine paid and remediation ongoing.
- Equity down $8m as a net of the profit and AASB 9 provision increase.

Notes:

1. Equipment Finance receivables are funded by a securitised warehouse trust arrangement where the borrowings are non-recourse to Thorn but secured by the underlying receivables themselves.
2. The column excluding Trust excludes the securitised receivables and corresponding borrowings but includes Thorns equity interest in the warehouse through unrated notes.

Receivables

		September 18 ($m)	March 18 ($m)	September 17 ($m)	Sep-18 v Sep-17 (%)
Consumer Leasing	Lease Book[1]	**168.0**	175.0	194.6	(13.7%)
	Trade receivables	**6.0**	6.8	6.5	(8.8%)
	Gross book before provision	**174.0**	181.8	201.1	(13.4%)
	Provision	**(26.7)**	(21.7)	(20.7)	29.1%
	Net receivables book	**147.4**	**160.1**	**180.4**	**(18.3%)**
Business Finance	Lease Book[1]	**346.3**	329.5	300.0	15.4%
	Trade receivables	**4.6**	2.9	2.5	78.9%
	Gross book before provision	**350.9**	332.4	302.5	16.0%
	Provision	**(17.7)**	(6.3)	(6.7)	165.4%
	Net receivables book	**333.2**	**326.1**	**295.5**	**12.7%**
Corporate	Loan Book[3]	**3.2**	3.8	4.4	(27.0%)
Trade & Debtor Finance	Loan Book[3]	**-**	-	37.6	(100.0%)
Consumer Finance	Loan Book[3,4]	**-**	-	11.8	(100.0%)
Receivables		**483.7**	**489.8**	**529.7**	**(8.7%)**

Notes:

1. Receivables provision is now stated under AASB 9 as combined for both the book and the billed receivables (which includes the accrued interest)
2. Provision at 30 September 2018 includes the additional AASB 9 amount while the other two do not. The Group has made a voluntary change in accounting policy and accordingly amended the presentation of balances. This has also been reflected in the comparative.
3. Rental assets includes warehouse stock, show room stock, and assets leased under short term operating leases. All are depreciated similar to fixed assets in the balance sheet.

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Credit Quality

	Sep-18	Mar-18	Sep-17
Consumer Leasing			
Arrears over 30 days (averaged)	11.3%	13.5%	9.3%
Impairment Losses ($m)	8.9	9.8	10.0
Impairment losses / ANR %	10.4%	10.6%	10.2%
Business Finance			
Arrears over 30 days (averaged)	3.1%	2.6%	2.4%
Impairment Losses ($m)	3.0	3.5	2.1
Impairment losses / ANR %	1.8%	2.2%	1.6%

Consumer Leasing

- Arrears have increased in the past year with pressure on consumers disposable income and adverse publicity.
- AASB 9 from 1 April 2018, higher loss provision rates.
- Changes being implemented to the collections model to achieve this.

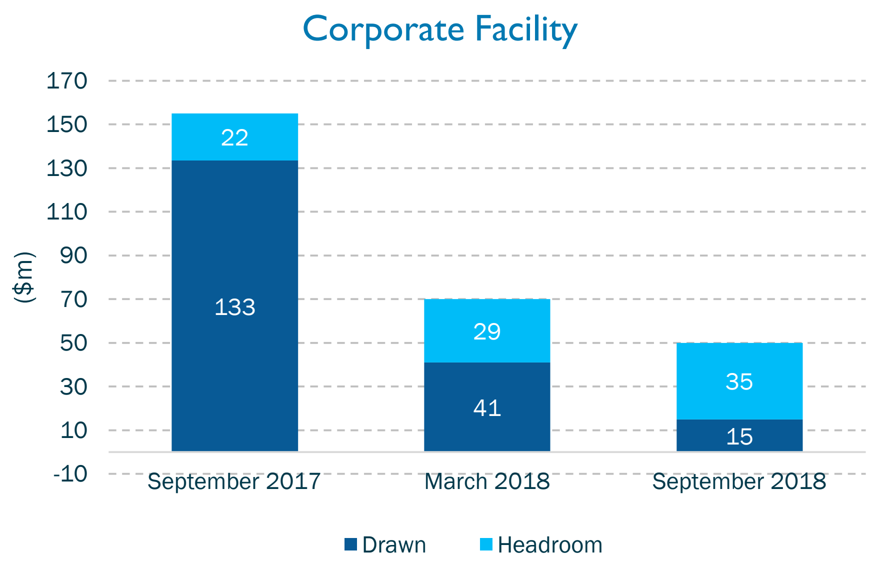
Business Finance

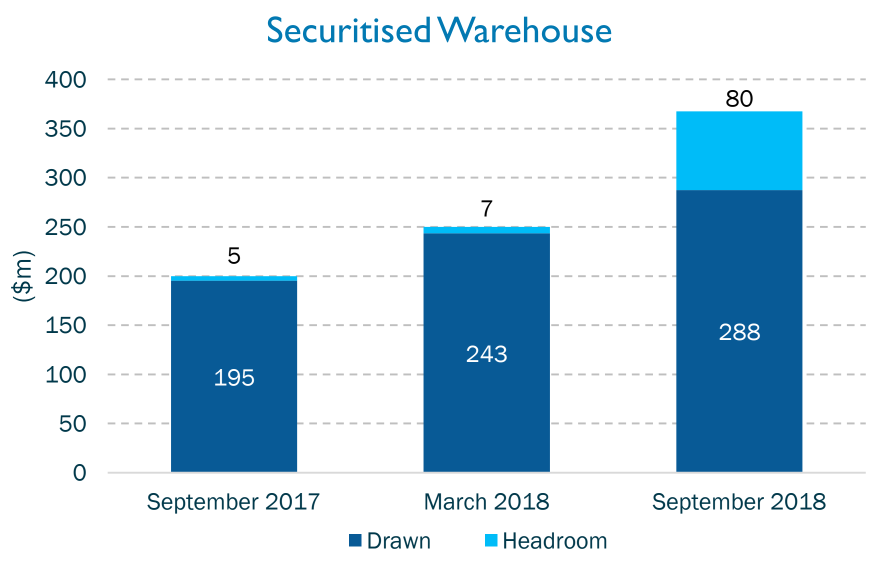
- Arrears also rising but not entirely unexpected as book matures.
- AASB 9 from 1 April 2018, higher loss provision rates.
- Impairment losses maintained.

Notes:

1. Calculated as average current arrears balance of delinquent accounts expressed as a % of total monthly billings.
2. Impairment losses expressed as % of average net receivables and annualized.
3. Calculated as average current arrears balance expressed as a % of net interest bearing receivables.
4. Impairment losses stated here are the actual write offs processed in the half year. The P&L expense line represents that plus any increase in the bad and doubtful debt provision plus operating lease asset write-offs.

Borrowings





- Corporate debt further reduced to $15m.
- At 30 September the facility had a limit of $50m and so headroom of $35m but bank reviewed facility and revision to the facility on 9 November 2018 reduced limit to $30m limit with a two year tenor so $12.8m headroom after bank guarantees accounted for.
- Bank secured by a fixed and floating charge

- New mezzanine funder introduced to the securitised warehouse along with facility limit increase to $368m from $250m. Gearing increased from 80% to 92%.
- Warehouse formally credit rated.
- Facility drawn by a further $44m during the half year.
- Warehouse subject to annual rollovers with next one on 10 August 2019 and will amortise off if curtailed (no bullet repayment)
- Asset backed deal so leases sold into the warehouse and hence secured by the lease cash flows in the warehouse, non recourse to Thorn beyond Thorn's junior notes.

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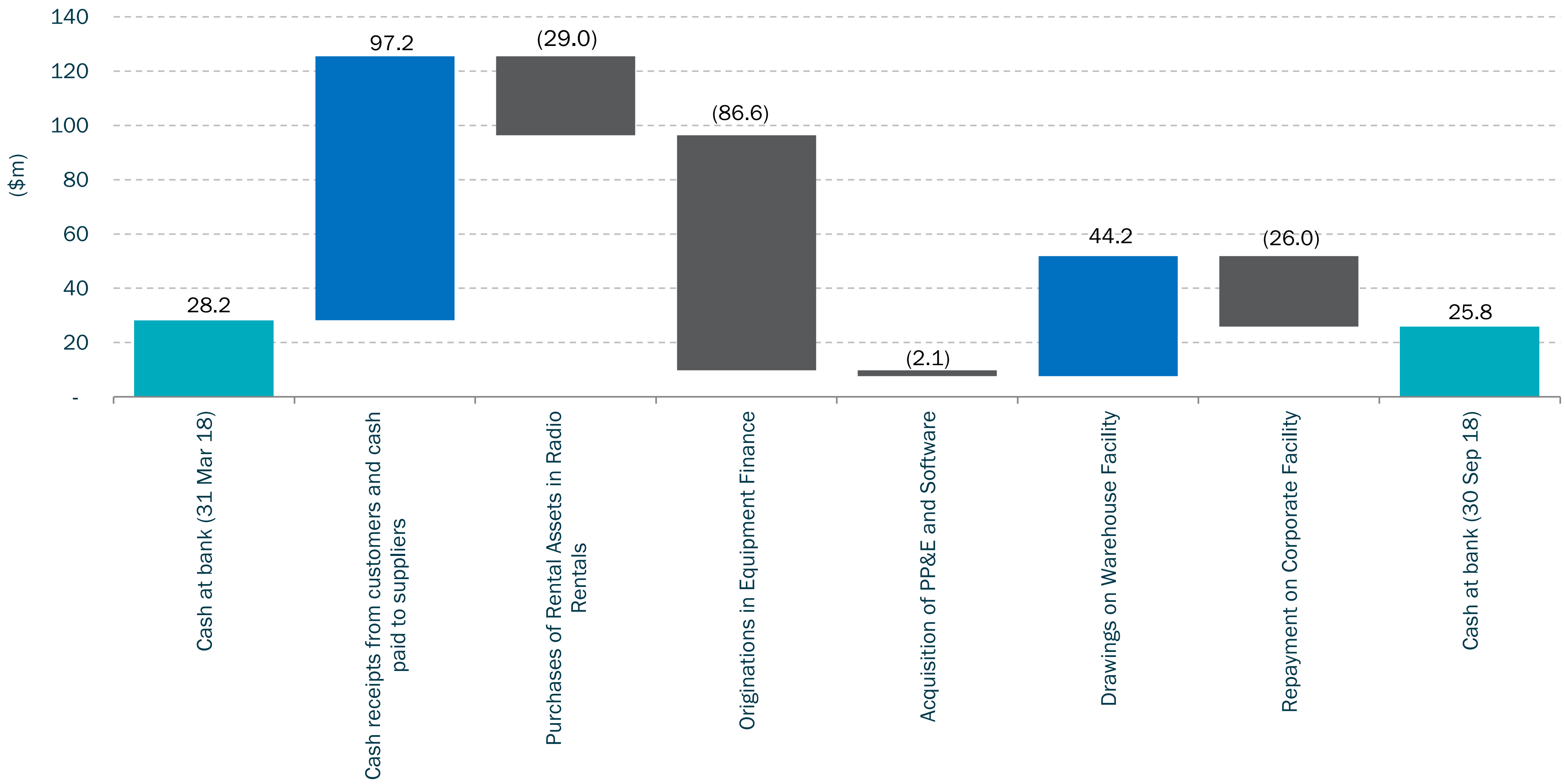
Cash Flow Bridge



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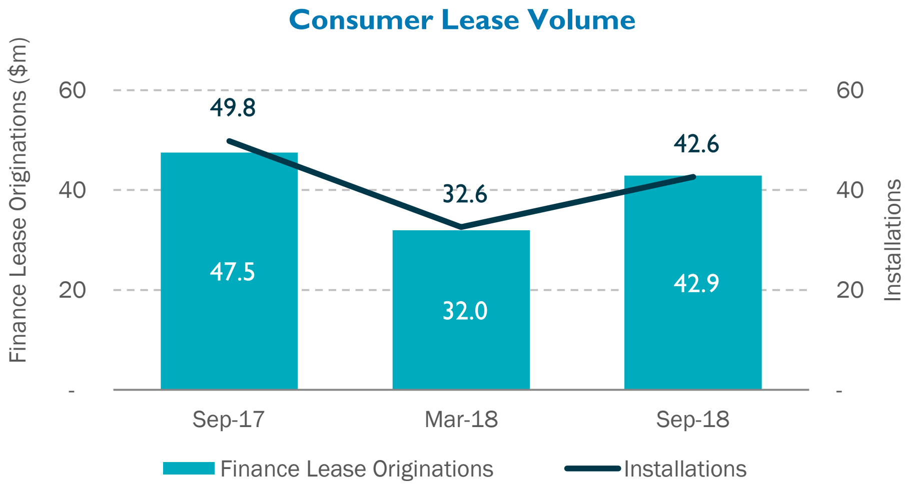
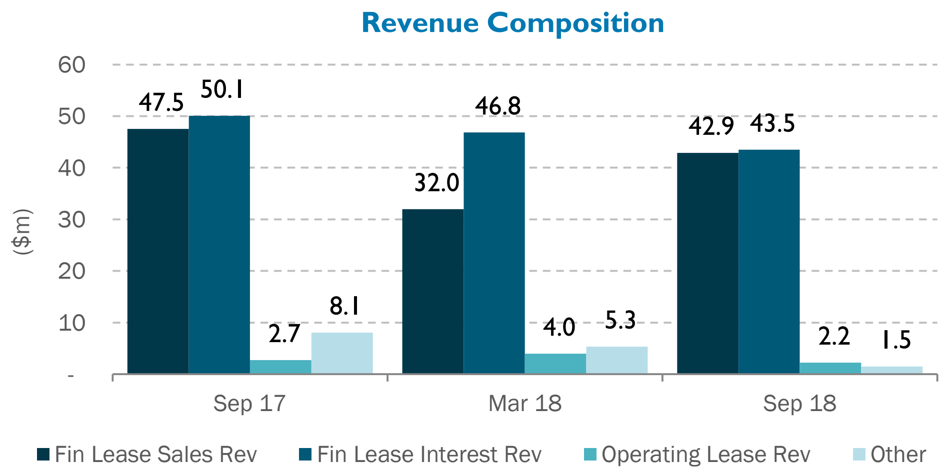
Consumer Leasing

- Competitive trading conditions, price sensitive market, additional discounts offered.
- Program of marketing and promotional changes along with plan and range extensions and store upgrades and relocations.
- Installations picked up from last half's low but still 14% below pcp.
- Pilot stores trial worked well and being rolled out progressively.
- Revenue down 17% from fewer installations and reduced interest income from smaller receivables book.
- Costs reductions including redundancies

		Sep-18	Mar-18	Sep-17	'18 to '17
Installation volumes	units	**42.6**	32.6	49.8	(14%)
Average price per unit	$	**1,009**	971	958	5%
Average unit rental rate	$/week	**13.2**	12.3	12.1	9%
Lease originations	$m	**42.9**	32.0	47.5	(10%)
Revenue	$m	**90.1**	88.2	108.4	(17%)
EBIT	$m	**5.4**	9.5	16.8	(67%)
Receivables book, net[1]	$m	**147.4**	160.1	180.4	(18%)





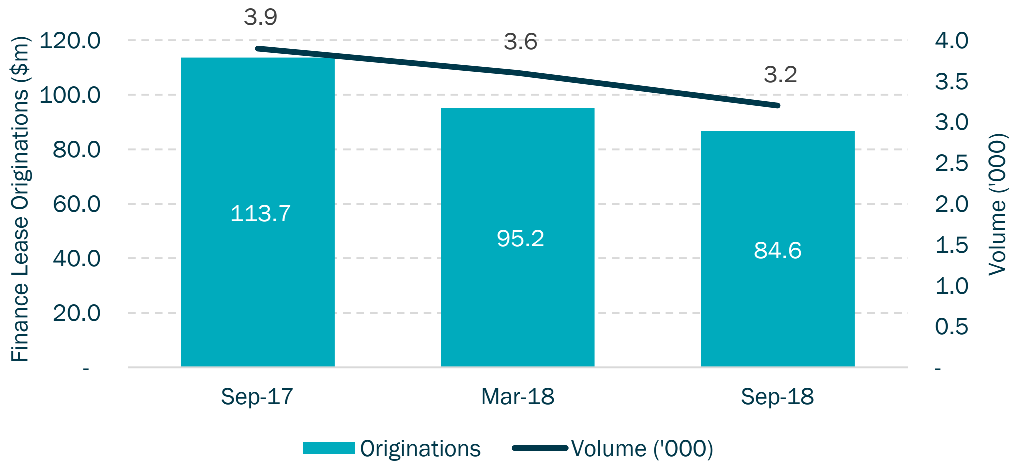
Notes
1. Net receivables book has been restated for prior periods to show the net of lease receivables, trade receivables and provisions for doubtful debts.

Business Finance

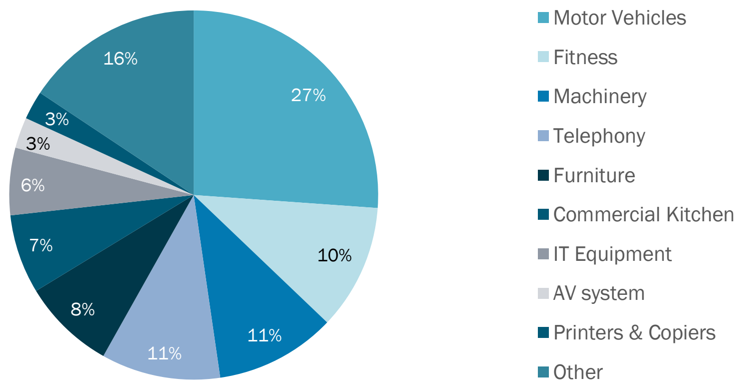
- Origination growth constrained by credit availability until mezzanine investor introduced.
- Rates maintained, revenue growth 27% on pcp.
- Costs controlled so revenue growth fell mostly to the bottom line. EBIT up 38% to $13.5m.
- Arrears increasing as book matures but in focus. Same credit screening, security position, and diversification in book.
- AASB 9 impact on provisioning.

		Sep-18	Mar-18	Sep-17	'18 to '17
Originations	$m	**84.6**	95.2	113.7	(25%)
Receivables, net[1]	$m	**333.2**	326.1	295.5	12%
Revenue[2]	$m	**21.5**	21.9	16.9	27%
EBIT	$m	**13.5**	14.4	9.8	38%

Equipment Finance Volume



Asset Categories Financed



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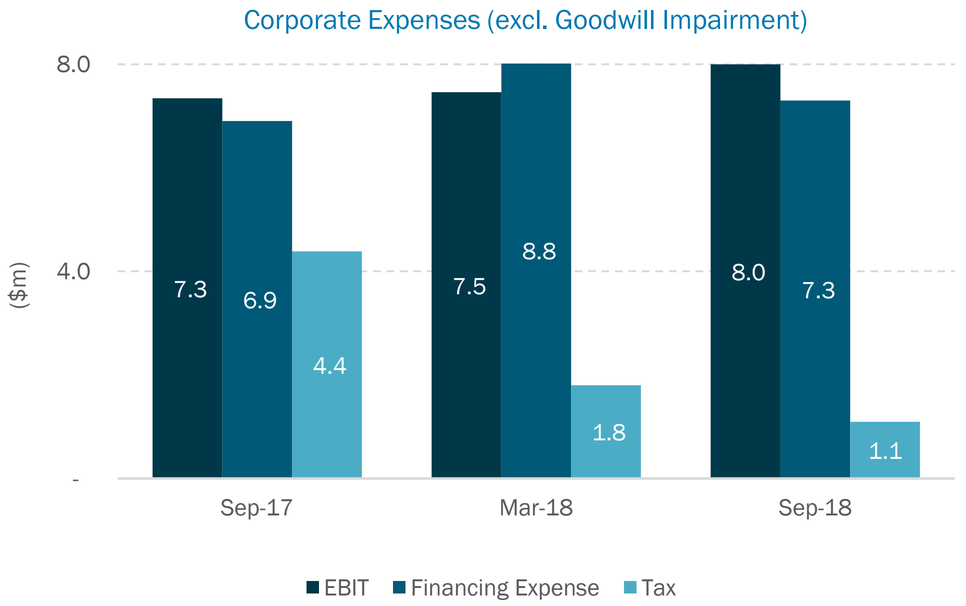
Corporate and other costs

		Sep-18	Mar-18	Sep-17	% Change
Corporate HO costs	$m	**(8.0)**	(7.5)	(7.3)	(9.0%)
Goodwill Impairment	$m	**-**	-	(20.7)	100.0%
Financing Expenses	$m	**(7.3)**	(8.8)	(6.9)	(5.8%)
Tax	$m	**(1.1)**	(1.8)	(4.0)	72.7%



- Corporate costs up 9% on pcp as elevated costs for defending the class action, insurance cover and redundancies.
- Interest and the amortization of borrowing costs rose 6% on pcp.
- Although the overall debt volume fell, the cost of that debt rose with increases in credit spread (including new mezzanine level debt at higher spreads) and new establishment and advisory fees.
- Tax at standard corporate tax rate.

Outlook

- Outlook remains challenging
- Radio Rentals difficulties will, as previously stated, take time to resolve
- Business Finance focused on controlled growth now funding is in place
- Arrears increasing in softening economic conditions
- New AASB 9 environment means higher loss provision coverage rates and more volatile provisioning
- Corporate costs will continue to bear significant legal fees
- Net profit after tax for the full year now expected in the $6m to $8m range (down from previous guidance of $7m to $10m)

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