THORN Group Ltd.

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THORN GROUP (ASX:TGA) ANNOUNCES CLOSURE OF ITS TFS CONSUMER LOAN BUSINESS, A WRITE-OFF OF THE NCML GOODWILL, AND THE SUBSEQUENT PROFIT IMPACT FOR THE 2015-16 YEAR

Strategic review

Thorn Group has completed a strategic review with the clear objective of enhancing Group profitability and return on capital with greater concentration on core business divisions. Managing Director of Thorn Group, Mr James Marshall, said "Our primary businesses of consumer leasing and business finance provide attractive returns on capital and the measures we are taking ensure more capital can be devoted to these businesses to achieve growth."

TFS Consumer Loan business closure

Thorn Group will close its direct to market Consumer Loan business and liquidate the existing loan receivables book following lower returns on capital as a result of higher customer acquisition costs and credit quality. Capital released through the book run off will be redeployed to higher capital returning business divisions.

NCML goodwill write off

The NCML business was acquired in 2011 and soon thereafter lost a major contract. On Mr Marshall's appointment as Managing Director, a significant restructure was commenced and completed in 2015 resulting in a reduction of costs and improved contingent collections. However, the profitability improvement has not been sufficient to justify retaining goodwill at its present level. Accordingly, Thorn intends to write off the goodwill attributable to the original purchase of NCML with a current carrying value of $6.7m.

Reduced profit for 2015-16

The 2015-16 financial results are presently being prepared and audited. Accordingly, no definitive statement can be made until those two processes have concluded and the Thorn Board has approved the financial statements.

However, the following comments can be made:

- Group revenue and underlying EBITA have increased slightly over the prior year.
- In calculating the underlying EBITA, adjustments have been made to exclude the $2.8m provision announced at the half year to cover the principal amount of customer credit refunds, as well as $2.3m of asset value adjustments and costs relating to the closure of TFS.
- The NCML goodwill of $6.7m will be written off, however as a non cash entry, this will not affect Thorn's cash profit.
- Reported net profit after tax for the 2015-16 year is expected to be within a range of $19m to $21m. This reduced profit has been impacted by the one off charges associated with the strategic review and the goodwill write off.
- A clear strategy exists to improve profitability and return on capital with greater focus on core business divisions going forward.

Dividend payment

Given solid revenue and underlying EBITA, renewed focus and confidence in the core businesses of consumer leasing and business finance, the Board anticipates declaring a final dividend by temporarily exceeding its usual dividend payout ratio. However, the final amount has not been agreed or declared.

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ABOUT THORN GROUP LIMITED (ASX: TGA, www.thorn.com.au)

Thorn Group is a diversified financial services company, providing financial solutions to niche consumer and commercial markets. Thorn's operating priorities are diversifying and growing as a business and meeting the needs of customers, employees and investors. Its principal operations are its foundation business, Radio Rentals (RR in South Australia), a leader in the household goods rental market since 1937 and with over 90 outlets nationally, and Thorn Business Finance, a provider of leasing and debt finance to businesses. Thorn employs in excess of 800 people, has been listed on the ASX since 2007, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.