

ASX Announcement

30 November 2021

Thorn Group Limited Announces Half-Year Results for FY22

Thorn Group Limited (ASX:TGA) and its controlled entities (“**Thorn**”) today released half-year results for the six-month period ended 30 September 2021.

Thorn posted a half year net profit after tax (**NPAT**) of \$13.3m, compared with a net loss of \$1.1m in the previous corresponding period (**pcp**). Revenue from continuing operations fell 49% from \$58.8m to \$30m.

Thorn has entered into an Asset Sale Deed and related agreements to sell its Radio Rentals business to Credit Corp Group Limited, details of which are set out in Thorn’s ASX announcement of 30 November 2021.

- **Net Profit After Tax of \$13.3m**
- **Earnings Per Share of 3.9c per share**
- **Free Cash of \$72.9m**
- **No Business Finance (BF) originations**
- **BF Net Receivables of \$101.2m, down 31.4% pcp including a COVID-19 provision of \$22.2m**
- **Consumer Finance (CF) Origination Volume of 4,284, valued at \$4.2m**
- **CF Net Receivables of \$35.6m, down 25.8% on 2H FY21**
- **Launched Thornmoney, an invoice finance product in July 2021 and preparing to launch an asset finance product in FY22**

Consolidated Results

- Revenue lower due to a decline in interest revenue flowing from a smaller receivables book
- Better than expected payments by customers have driven a significant improvement in net profit after tax (NPAT)
- Focus on collections together with low origination volumes have strengthened cash reserves

		SEP-21	MAR-21	SEP-20	SEP-21 VS SEP-20 (% CHANGE)
Revenue	\$m	30.0	45.3	58.8	(49.0)
EBIT	\$m	16.9	14.1	5.6	nm
NPAT	\$m	13.3	9.5	(1.1)	nm
EPS	cents	3.9	2.8	(0.3)	nm
Free cash	\$m	72.9	68.3	60.7	20.1
Receivables ¹	\$m	137.7	196.6	290.6	(52.6)
Borrowings	\$m	106.5	166.3	236.0	(54.9)

Business Divisions

Business Finance

- Debtor finance product launched in July 2021 and continued to be in the pilot phase.
- Commenced the development of an asset finance product that is expected to launch during FY22.
- Originations in equipment finance were ceased following the warehouse being placed into amortisation in the Sep 20 half.
- Average 30+ day arrears were substantially higher in the prior year due to the impacts of prolonged COVID-19 lockdowns.
- The value of COVID-19 impacted contracts has reduced to ~\$52m at September 2021, with ~15% of the value 30+ days past due.

KEY METRICS		SEP-21	MAR-21	SEP-20	SEP-21 VS SEP-20 (% CHANGE)
Originations	\$m	-	0.6	4.6	nm
Receivables net of provision	\$m	101.2	147.5	211.7	(52.2)
Revenue	\$m	10.4	15.6	17.8	(41.7)
EBIT (pre significant items)	\$m	15.6	13.6	(0.9)	nm

CREDIT QUALITY		SEP-21	MAR-21	SEP-20	SEP-21 VS SEP-20 (% CHANGE)
Arrears at period end (30+ days)	%	10.0	8.6	34.2	(24.1)
Average arrears (30+ days) across the period	%	8.1	15.3	31.1	(22.9)
Net write-offs ²	\$m	0.7	5.9	6.6	(89.3)
Net write-offs as a % of average receivables ³	%	0.4	2.6	2.2	(1.8)
Impairment expense ²	\$m	(9.9)	(1.1)	13.6	nm

1. Calculated as average monthly arrears balance across the 6 month period of delinquent accounts expressed as a % of total monthly billings,

2. Net write-offs stated here are write offs, net of recoveries, processed in the period. The impairment expense line represents that plus changes in the provision for credit losses.

3. Net write-offs for 6 month period expressed as % of average gross receivables.

Consumer Finance

Thorn has entered into an Asset Sale Deed and related agreements to sell its Radio Rentals business to Credit Corp Group Limited, details of which are set out in Thorn's ASX announcement of 30 November 2021.

- Originations under new model are not recognised as sales revenue, this is netted down with the costs of origination and presented as "net agency fee".

- The receivables book continues to reduce due to origination volumes remaining below historical levels.
- Overall collection performance strong, positively impacted by government stimulus and lockdowns.

KEY METRICS		SEP-21	MAR-21	SEP-20	SEP-21 VS SEP-20 (% CHANGE)
Origination volume	'000 units	4.3	1.0	4.3	(0.8)
Average price per unit	\$	1,034	1,029	1,202	(14.0)
Originations	\$m	4.2	1.1	5.0	(16.7)
Revenue	\$m	19.6	29.7	41.0	(52.2)
EBIT (pre significant items)	\$m	5.0	4.2	11.4	(56.1)
Receivables net of provision	\$m	35.6	48.0	77.9	(54.3)

CREDIT QUALITY		SEP-21	MAR-21	SEP-20	SEP-21 VS SEP-20 (% CHANGE)
Average arrears across period ¹ (<30 days)	%	7.3	7.0	6.5	0.8
Average arrears across period ¹ (30+ days)	%	13.3	14.9	13.3	-
Net write-offs ²	\$m	7.1	10.1	10.4	(32.2)
Net write-offs as a % of average receivables ³	%	10.8	10.8	8.2	2.6
Impairment expense ²	\$m	(3.85)	8.0	5.6	nm

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3. Net write-offs for 6 month period expressed as % of average gross receivables.

4. The Consumer Finance business refers to the Consumer Leasing segment

Statutory Financials

Balance Sheet

- Business focused on managing the impacts of COVID-19 on customers and maximising free cash flow.
- The overall receivables book continues to reduce due to origination volumes remaining below historical levels.
- Warehouse borrowings reduced to \$106.5m as payments accelerated under amortisation.

		30-SEP-2021		31-MAR-2021	
		excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at bank	\$m	72.9	91.6	68.3	88.0
Receivables	\$m	41.2	137.7	55.0	196.6

Investment in unrated notes	\$m	-	-	-	-
Inventories and other assets	\$m	6.3	6.3	3.1	3.1
Other investments	\$m	1.0	1.0	1.0	1.0
Total assets	\$m	121.4	236.6	127.4	288.7
Borrowings	\$m	-	106.5	-	166.3
Other liabilities	\$m	21.2	23.5	23.6	27.3
Total liabilities	\$m	21.2	130.0	23.6	193.6
Total equity	\$m	100.2	106.6	103.8	95.1

Receivables

- Business Finance receivables gross book reduced 29.8% to \$135.1m as existing equipment finance portfolio continues to run off.
- Consumer Leasing receivables gross book reduced 30% to \$54.1m due to origination volumes remaining below historical levels.
- Provisions for credit losses as a percentage of receivables down in Consumer Leasing as book has performed better than expected while relatively flat in Business Finance.

			SEP-21	MAR-21	SEP-20	SEP-21 VS MAR 21 (% CHANGE)
Consumer Leasing	Gross book incl. billed amounts	\$m	54.1	77.3	109.2	(30.0%)
	Provision for credit losses	\$m	(18.5)	(29.3)	(31.3)	(36.9%)
	Net balance	\$m	35.6	48.0	77.9	(25.8%)
	Provision as a % of gross	%	34.2%	37.9%	28.7%	(9.8%)
Business Finance	Gross book incl. billed amounts	\$m	135.1	192.5	264.6	(29.8%)
	Provision for credit losses	\$m	(33.9)	(45.0)	(52.9)	(24.7%)
	Net balance	\$m	101.2	147.5	211.7	(31.4%)
	Provision as a % of gross	%	25.1%	23.4%	20.0%	7.3%
Other	Other	\$m	0.9	1.1	1.0	(18.2%)
Receivables	Total	\$m	137.7	196.6	290.6	(30.0%)

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.