

Thorn Group Limited (ASX:TGA) Quarterly Activities Report for period ended 30 June 2022

Sydney, 29 July 2022: Thorn Group Limited (ASX:TGA) (**Thorn**) submits its cash flow report for the June 2022 quarter and presents the following update on the key business activities for the quarter ended 30 June 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 30 June 2022

- Thornmoney asset finance originations of ~\$37.3 million and debtor finance originations of ~\$5.4 million for the quarter.
- Since relaunch in December 2021 to end June 2022, Thornmoney has originated \$59.1 million.
- Thorn Business Finance Net Receivables of ~\$125 million.
- Following the launch of the tailored Broker Portal in late 2021, initially deployed to a select group of brokers, new brokers have been on-boarded based on Thorn money's revised accreditation and new credit policy criteria.
- A customised application flow to originate asset finance deals has been launched. The application process and the Broker Portal remain under development and refinement to include additional integrations and enhance the process for originating deals.
- Ongoing developments to enhance and improve the new Thorn money credit workflow engine.

FY22 Results

Thorn released its FY22 Audited Financial Results on 24 June 2022 and announced a Net Profit After Tax (NPAT) of \$32.3 million. On 30 May 2022, the directors declared a fully franked final dividend of \$0.01 cash per ordinary share, totalling ~\$3.4 million (and in addition to the payment of the fully franked special dividend of ~\$23.8 million paid to shareholders on 9 February 2022). The final dividend was paid on 25 July 2022 and shares reinvested through Thorn's Dividend Reinvestment Plan were issued on this date.

Share Buy-Back Programs

Thorn completed a minimum holding share buy back on 30 May 2022. Thorn is conducting an on-market share buy-back program of up to 5% of Thorn's ordinary shares, commencing 1 March 2022 and for up to 12 months.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a negative cash flow of \$20.4 million from its operating activities for the quarter as the Group funded 100% of Thorn money originations.
- Thorn is in advanced negotiations with its financiers to open the current warehouse facility.
- \$18.9 million of warehouse debt funding was repaid.

- The cash balance at the quarter end decreased from \$86.8 million to \$43.5 million as at 30 June 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 \$23.3 million.
- Related party payments totalling \$129,000 have been made during the quarter comprising of non-executive directors' fees for Thorn board members.

Next Two Quarters Activity

- Implement Thorn's business finance strategy to grow originations within the rebranded business finance division, Thorn money.
- The separation of the former Consumer Finance business and transitional services arrangements with Credit Corp are expected to come to an end by December 2022.
- Thorn's directors continue to assess capital management initiatives and investment opportunities that are judged as being in the best interests of Thorn's shareholders. The Board is hoping to provide an update to shareholders in relation to these at Thorn's Annual General Meeting on Friday, 19 August 2022 at 11:00am.

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 small to medium businesses. Thorn money 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 and is licensed under the National Consumer Credit Protection Act 2009.

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")

 30th June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	30,567	30,567
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(113)	(113)
(d) leased assets	(102)	(102)
(e) staff costs	(3,416)	(3,416)
(f) administration and corporate costs	(3,453)	(3,453)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(947)	(947)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)*	(42,958)	(42,958)
1.9 Net cash from / (used in) operating activities	(20,422)	(20,422)

* Includes new Asset Finance originations of \$37.6m and Debtor Finance originations of \$5.4m.

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments*	(3,656)	(3,656)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses*	-	-
	(c) property, plant and equipment	-	-
	(d) investments**	-	-
	(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	(3,656)	(3,656)

* Investments in Humm Group Limited (ASX: HUM) shares

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(18,946)	(18,946)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(253)	(253)
3.10	Net cash from / (used in) financing activities	(19,199)	(19,199)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	86,760	86,760
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(20,422)	(20,422)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,656)	(3,656)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(19,199)	(19,199)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	43,483	43,483

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	43,483	43,483
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)	43,483	43,483

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*	129
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	41,646	41,646
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	41,646	41,646
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)	(20,448)
8.2	Cash and cash equivalents at quarter end (item 4.6)	43,483
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	43,483
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2
	<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 \$20.5m of cash in the last quarter principally as the Group is funding 100% of the Business Finance originations. It has \$43.5m of cash, \$23.3m of which is free cash (the remaining \$20.2m 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 July 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.