

Thorn Group Limited (ASX:TGA)

Quarterly Activities Report for period ended 30 September 2021

Sydney, 29 October 2021: Thorn Group Limited (ASX:TGA) (“**Thorn**”) submits its cash flow report for the September 2021 quarter and presents the following update on the key business activities for the quarter ending 30 September 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 and real financing alternatives for everyday Australians to access all-encompassing household essentials.

Key areas of activity during the quarter ending 30 September 2021

Business Finance

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

- launched a disruptive debtor finance product on 27 July 2021;
- commenced marketing and sales activities, including deepening the relationship with accounting platforms and building a strong sales pipeline; and
- continued to progress the development of an asset finance product.

The number of COVID-19 loan deferral requests resulting from the extensive and prolonged lockdowns in NSW and VIC remain significantly below the levels experienced in calendar year 2020, with new requests for assistance slowing through August and further reducing through September.

Consumer Finance

Thorn continued its strategy of rebuilding the Consumer Finance’s digital Radio Rentals business, while continuing to manage the existing customer base. In the quarter, the Consumer Finance division:

- executed a comprehensive set of tactical marketing initiatives, including a countdown to spring campaign;
- successfully trialled a significant expansion of the serviceable regions for bulky products, delivering more products to more people; and
- achieved a strong collections performance with a positive influence from the NSW and VIC COVID-19 related lockdowns (similar to Thorn’s experience in calendar year 2020).

The impact of COVID-19 on global supply chains and the related global microchip shortage has resulted in a shortage of technology products, particularly mobile phones and computers across Australia and globally, and significantly impacted product availability and lead-times from Thorn’s supply chain partners.

Takeover Offer

On 18 June 2021, Somers Limited announced an unconditional on-market takeover bid to acquire all of the shares in Thorn that it did not already own for \$0.21 cash per share (**Takeover Offer**). On 16 July 2021, Thorn released its Target's Statement in response to the Takeover Offer. Somers' Takeover Offer closed on 6 August 2021 with Somers' holding approximately 47.3% of Thorn's issued capital, having acquired 12.8% through the Takeover.

2021 Annual General Meeting

Thorn held its Annual General Meeting on 20 August 2021. Both of the resolutions that were put to the shareholders, namely, the adoption of Remuneration Report and re-election of Dr Allan Sullivan as a non-executive director were passed.

Premises

On 20 August 2021 Thorn announced to the ASX its decision not to proceed with a proposed relocation to offices in the Australian Technology Park. This decision is currently being contested by the landlord of the Australian Technology Park premises.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$30.7 million from its operating activities as the inflow of receipts from previously written leasing contracts exceeded both operating expenses and the origination of new contracts in the present circumstances.
- \$26.2 million of warehouse debt funding was repaid.
- The cash balance of \$91.6 million at the quarter end has increased from \$90.0 million (as at 30 June 2021), noting this includes both free cash and the tied cash in the warehouse funding trust. Free cash at the quarter end increased to \$72.9 million (from \$72.5 million as at 30 June 2021).
- Related party payments totalling \$74,000 have been made during the quarter comprising of the non-executive directors' fees and salaries for Thorn board members.

Next Two Quarters Activity

- Thorn is closely monitoring the COVID-19 health orders mandated by the State and Federal governments. As the COVID-19 restrictions ease, Thorn will start to consider and implement appropriate 'return to work' arrangements.
- Thorn continues its focus on preserving cash and freeing up capital positions and has imposed strict and tight controls over all activities. The review of the risk/reward parameters for Thorn's business activities is underway to align with the pace of the national economic growth. Thorn has commenced the process of reviewing the potential impact of the array of factors that has increased Thorn's business risks and uncertainties and is looking to complete the updated assessment as quickly as possible.
- The Business Finance and Consumer Finance divisions will continue with the implementation of strategic deliverables, including the marketing and growth of the new debtor finance product.
- Thorn will release its half yearly results to the market on 26 November 2021.

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.

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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	52,917	113,232
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(1,220)	(2,705)
(d) leased assets	(323)	(701)
(e) staff costs*	(6,411)	(12,395)
(f) administration and corporate costs	(8,706)	(22,032)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,727)	(3,711)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)**	(3,801)	(5,182)
1.9 Net cash from / (used in) operating activities	30,729	66,506

* Is net of \$0.32m of JobKeeper payments received in the period (YTD \$0.32m)

** Includes inventory purchases of \$3.80m (YTD \$5.18m)

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	-	-
	(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.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	491	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	(26,203)	(59,760)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	(3,375)	(3,375)
3.9	Other (provide details if material)	-	(313)
3.10	Net cash from / (used in) financing activities	(29,087)	(62,957)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	89,952	88,045
4.2	Net cash from / (used in) operating activities (item 1.9 above)	30,729	66,506
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(29,087)	(62,957)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	91,594	91,594

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	91,594	89,952
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)	91,594	89,952

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*	74
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	106,542	106,542
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	106,542	106,542
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)	30,729
8.2 Cash and cash equivalents at quarter end (item 4.6)	91,594
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	91,594
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 \$30.7m of cash in the last quarter principally as its originations were lower than its cash receipts from its book of previously originated lease contracts. It has \$91.6m of cash, \$72.9m of which is free cash (the remaining \$18.7m 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 October 2021

Authorised by: By the Board of Directors
(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.