

ASX/MEDIA RELEASE

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Thorn Group Limited (ASX: TGA)

THORN ANNOUNCES FIRST HALF RESULTS

Thorn Group Limited (ASX: **TGA**) has today reported statutory net loss after tax of \$(25.6)m for the six months ended 30 September 2019 following the taking of a significant items charge of \$27.6m for providing for the class action settlement, associated legal costs, and the costs of the strategic review. This compared to a profit in the prior year of \$2.4m.

Key points

- Net loss after tax of \$(25.6)m
- Significant items \$(27.6)m post tax so profit before the significant items was \$2.0m
- Introduction of AASB 16 has led to a write down of the right-of-use asset and generated an implementation benefit of \$2.0m after tax to Radio Rentals
- Radio Rentals recorded lower revenue on stabilised volumes, costs have been reduced and debt collection and arrears have improved
- Business Finance recorded flat volume under capital constraints, and an increase in arrears which caused higher credit provisioning and debt collection charges
- Corporate costs reduced
- Class action settlement deed signed
- Formal completion of the Enforceable Undertaking is expected shortly
- Rights issue completed successfully
- Bank corporate debt paid down to \$12m, limit reduced and draw stop removed
- Securitised warehouse debt facility credit rating re-affirmed
- New directors appointed and new CEO signed
- Improved outlook

Managing Director and CEO, Tim Luce, said, “The first half of 2019 remained challenging as we continued to work through the Strategic Review while defending the Class Action, remediating customers under an Enforceable Undertaking, and with capital constraints. I’m pleased that we’ve been able to work through each of the legacy issues, enabling the business to focus on improving experiences for our customers in the second half. With lower costs, improvements in automated processes and additional capital, the company will strive to improve by reinventing business models and processes to ensure a brighter future head.”

Radio Rentals

Radio Rental's financial performance continues to reflect the reduction in installation volumes over the past three years although volumes have gradually stabilised with installation volumes for the half year at 39,813 units compared to 40,690 in the half year to March 2019 and 42,609 units in the corresponding half year to September 2018.

The average selling price increased (within proposed caps) and mix changed such that sales revenue was flat across the period but lower interest and fee revenue caused overall revenue to decline \$5.5m to \$88.4m. The receivables book was \$131.3m at period end compared to \$136.4m at March 2019 and \$147.4m a year ago.

Cost reductions and a recovery in the arrears position led to costs reducing \$6.0m plus an accounting implementation benefit of \$2.9m (pre tax) on the introduction of AASB 16 *Leases* due to the write down of the right-of-use asset. Arrears recovered to be 10.2% at the period end, an improvement on the 12.1% at the same time last year.

EBIT rose \$3.4m to \$6.9m.

Thorn Business Finance

Business Finance continued to face capital constraints in the period. Originations were \$78.6m in the half year compared to \$70.0m in the half year to March 2019 and \$84.6m in the prior comparable period ("pcp"). The capital constraints have since been resolved with the capital raising and with expanded parameters for the debt warehouse.

With constrained originations, the receivables book was also lower than a year ago at \$317.9m from \$318.3m on 31 March 2019 and down from the \$333.2m on 30 September 2018. Revenue follows book size so revenue was \$1.0m lower at \$20.5m (pcp: \$21.5m).

While costs of doing business were restrained there was an increase in arrears which drove a \$2.6m higher bad debt impairment expense to \$6.4m (pcp: \$3.9m) and higher recovery costs such that an EBIT of \$9.0m was recorded (pcp: \$13.5m). The division is focused on improving the arrears position and pursuing the debts in arrears.

Capital position

Borrowings increased \$6.1m to \$309.7m (31 March 2019: \$303.6m) as there were further drawings on the securitised warehouse facility whose drawn balance increased by \$11.2m from 31 March 2019 to \$297.7m and a \$3.0m repayment on the corporate loan facility which was drawn to \$12.0m at the half year end.

The rights issue straddled the half year end so the institutional offer was recorded but not the retail offer. The capital raising proceeds were used to fund the class action settlement deposit and to provide additional working capital for the Group to relieve the capital constraint.

Class action and Enforceable Undertaking

As announced to the market on 2 September 2019, a deed of settlement has been signed with the Applicant for Radio Rentals to refund \$25m to the Applicant and class members. The deed requires Court approval which is scheduled presently for 20 December 2019. Thorn has deposited the settlement funds into a Maurice Blackburn trust account.

Radio Rentals continues to comply with its general conduct and responsible lending obligations, and formal completion of the EU is expected shortly.

Outlook

The Company has a newly constituted board, has signed a new CEO, has a more sustainable capital position after the rights issue, and can look forward to a new future.

Radio Rentals is being refreshed and restructured although trading conditions remain tight and consumers continue to be under pressure on their disposable income.

Thorn Business Finance is less constrained by capital availability and anticipates modest book growth while concentrating on credit quality and arrears.

The Company's directors anticipate a return to profitability with a small net profit after tax at the trading level, i.e. before the significant items, for the full year.

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

Thorn Group is a consumer leasing and business finance company. Thorn's foundation consumer leasing business, Radio Rentals (RR Rentlo Reinvented in South Australia), is a leader in the household goods rental market, operating since 1937 and with 61 outlets nationally. Thorn Business Finance is a provider of leasing and other finance to small and medium businesses. Thorn employs in excess of 500 people, has been listed on the ASX since 2006, is licenced under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.