THORN GROUP LTD

FULL YEAR RESULTS PRESENTATION

2019-20

Agenda

1. Overview
2. Results summary
3. Financial statements
4. Divisional performance
5. Outlook

Pete Lirantzis CEO
Peter Forsberg CFO

Overview

2020 Financial year

- Change in board and management team
- Capital raising $34m
- Developing new strategy:
    1. Digitalise Radio Rentals
    2. Revitalise Business Finance
    3. Sustainable funding structure
- Class action settled at a $26m cost
- COVID-19 pandemic with additional provisions of $36m taken
- Loss of $81 million posted

COVID-19 pandemic and 2021 Financial Year

- Permanent closure of entire Radio Rentals store network
- ~300 staff redundancies and 92 property leases for retail stores and warehouses
- Radio Rentals' upgraded online offering to be re-launched in June
- Business Finance tightening of credit
- Business Finance warehouse funding challenged from COVID-19 crisis
- Head office costs reduced, with a leaner leadership team in place
- Focus on cash with currently in excess of $40m of free cash at bank (excluding warehouse tied cash), continuing to collect on the Radio Rentals book, and further cost reduction underway

Results Summary

		March 2020	March 2019	% Change
Revenue	$m	**204.3**	221.9	(7.9%)
EBIT pre significant items and COVID-19	$m	**0.3**	2.1	nm
EBIT	$m	**(62.1)**	(9.8)	nm
NPAT	$m	**(81.1)**	(14.9)	nm
EPS	cents	**(33.7)**	(9.3)	nm
Dividend	cents	**-**	-	-
Free Cash	$m	**28.7**	7.9	261.4%
Receivables	$m	**389.8**	457.4	(14.8%)
Borrowings	$m	**305.5**	303.6	0.6%
Gearing (net corporate debt/equity)	%	**(15.8)**	4.2	nm

Notes:

1. Receivables on a net basis, i.e. exclusive of unearned interest and net of provisioning for credit losses.
2. Gearing is calculated as the closing net debt (corporate borrowing less free cash) divided by closing equity. This calculation excludes the warehouse debt and its corresponding secured receivables. A negative number denotes a net cash position.

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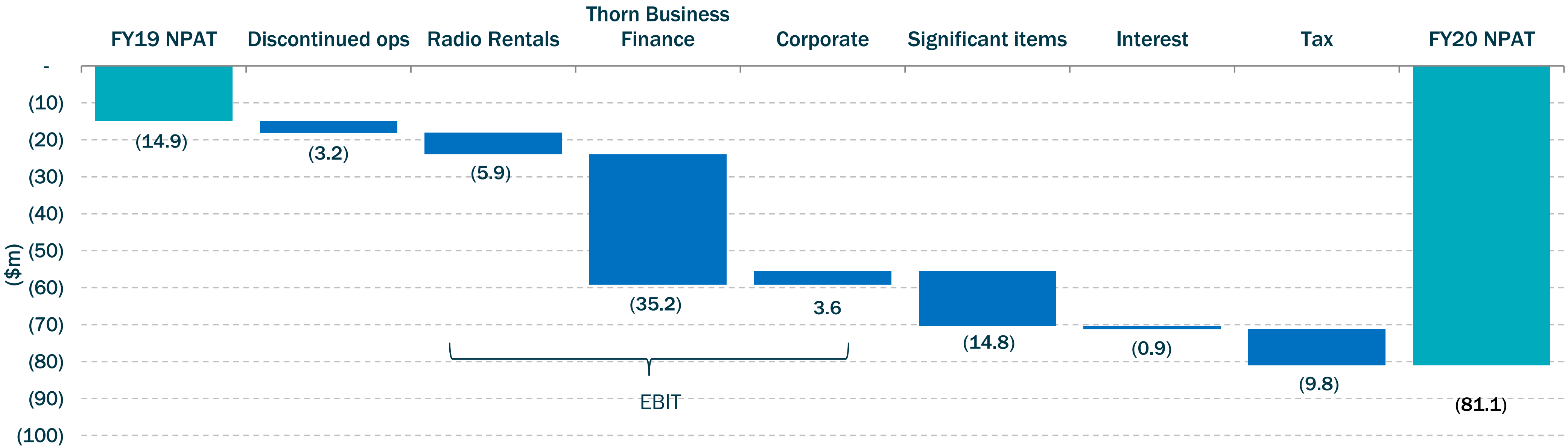
NPAT Bridge



A$m	Segment revenue		% Change fav/(unfav)	Segment EBIT		% Change fav/(unfav)
	Mar-20	Mar-19		Mar-20	Mar-19	
Radio Rentals	162.4	178.7	(9.1)%	(8.0)	(2.1)	(279.4%)
Thorn Business Finance	41.9	43.2	(3.1)%	(19.1)	16.1	nm
Corporate pre significant items				(8.3)	(11.9)	30.3%
Significant items				(26.7)	(11.9)	(124.4%)
	204.3	221.9	(7.9)%	**(62.1)**	(9.8)	**(533.4%)**

Balance Sheet

	31-Mar-2020		31-Mar-2019	
$m	excl. Trust	incl. Trust	excl. Trust	incl. Trust
Cash at bank	**28.7**	**49.6**	7.9	30.6
Receivables	**91.7**	**389.8**	167.5	457.4
Investment in unrated notes	**25.5**	**-**	24.0	-
Inventories and other assets	**13.9**	**13.9**	24.8	24.8
Intangible assets	**-**	**-**	-	-
Total Assets	**159.8**	**453.4**	224.2	512.8
Borrowings	**12.0**	**305.5**	15.0	303.6
Other liabilities	**42.1**	**42.1**	40.9	40.9
Total Liabilities	**54.1**	**347.6**	55.9	344.5
Total Equity	**105.8**	**105.8**	168.3	168.3

- Business focused on improving free cash flow
- Business Finance receivables gross book down 6% to $323.4m. Provision would have similarly reduced but new COVID-19 provision of $22.1m
- Consumer Leasing receivables gross book down 10% to $146.0m. Provision similar but also overlaid with COVID-19 and store closure effect on collections provision of a combined $13.5m
- Inventory written down by $3.7m for clearance on store closure
- Tax benefits from this year unable to be booked and prior year’s and AASB 16 tax benefit of $7.3m written off
- Warehouse borrowings up $5m, Corporate borrowings down $3m

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Receivables

		March 2020 ($m)	March 2019 ($m)	Mar-20 v Mar-19 (%)
Consumer Leasing	Gross lease book incl billed amounts	**146.0**	163.1	(10.5%)
	Provision for credit loss	**(36.3)**	(26.7)	35.9%
	Net balance	**109.7**	136.4	(19.6%)
	Provision as a % of gross	**24.9%**	16.4%	+8.5% pts
Business Finance	Gross lease book incl billed amounts	**323.4**	345.2	(6.3%)
	Provision for credit loss	**(45.0)**	(27.0)	66.9%
	Net balance	**278.4**	318.3	(12.5%)
	Provision as a % of gross	**13.9%**	7.8%	+6.1% pts
Other incl consumer solar book		**1.8**	2.7	(95.4%)
Receivables		**389.8**	457.4	**(14.8%)**

Credit Quality

	March 2020	March 2019
Consumer Leasing		
Average arrears across year (30+ days)	**13.8%**	14.6%
Arrears at year end (30+ days)	**15.7%**	13.8%
Impairment losses (write offs) ($m)	**28.8**	28.3
Write offs as a % of average receivables	**22.2%**	19.0%
Impairment P&L expense	**38.7**	30.4

- Arrears on average lower over the year but rising at year end
- Customers not impacted immediately by COVID-19 due to Government stimulus
- Bad debt write offs up
- Additional COVID-19 and store closure provision put impairment P&L expense up $13.5m

Business Finance		
Average arrears across year (30+ days)	**6.2%**	4.3%
Arrears at year end (30+ days)	**5.1%**	4.4%
Impairment losses (write offs) ($m)	**23.3**	7.2
Write offs as a % of average receivables	**7.0%**	2.1%
Impairment P&L expense	**49.9**	17.4

- Arrears on average up over year
- Large bad debt write off during year also drove up the Loss Given Default rate so increasing the overall provisioning level
- Additional COVID-19 provision put impairment P&L expense up $22.1m

Notes:

1. Calculated as average current arrears balance of delinquent accounts expressed as a % of total monthly billings.
2. Impairment losses expressed as % of average gross receivables and annualised.
3. Impairment losses stated here are the actual write offs processed in the year. The P&L expense line represents that plus any increase in the bad and doubtful debt provision plus operating lease asset write-offs.

AASB 9 provision overlays for COVID-19 and store closure

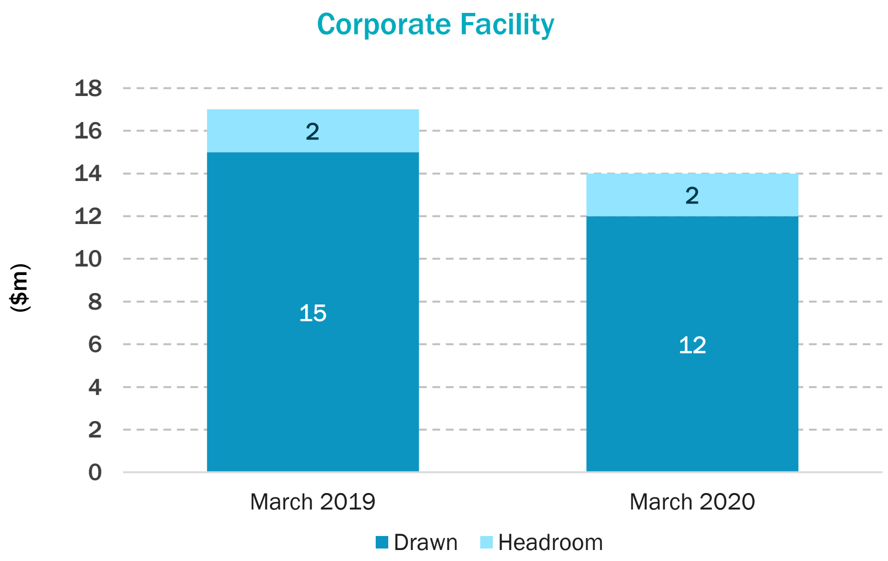
Business Finance

1. $323.4m gross book
2. So far around 3,250 customers representing $103m or 31% of the book have applied for COVID-19 relief
3. No ability to provide that relief so customers have progressively gone into arrears which are 26% in May
4. Most affected industries are gyms, cafes, and retail but it is quite widespread
5. Provision calculated by categorising industries into high, medium and low affected, projecting loss rates for each, and probability weighting outcome
6. Outcome is an additional provision of $22.1m or 6.8% of book
7. Overall provision now $45.0m or 14.0% of book

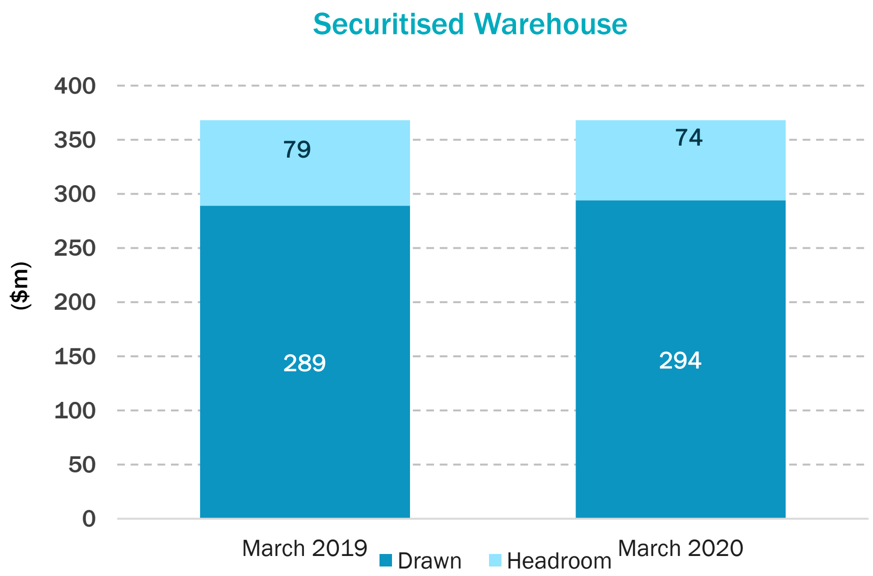
Radio Rentals

1. $146.0m gross book
2. Minimal customers have rung for COVID-19 relief
3. Many customers work in affected employment status like casual and part time and in affected industries
4. Arrears are 16% in May
5. Government benefits have assisted customers but are not for the long term
6. Provision calculated by categorizing customers into high, medium and low affected industries, projecting loss rates for each, and probability weighting outcome
7. Outcome is an additional provision of $7.8m or 5.3% of book
8. Experience shows store closures depress collection rates despite best endeavours
9. Modelling showed an additional $5.7m or 3.9% of book be taken up
10. Overall provision now $36.3m or 24.9% of book

Borrowings



- Facility A fully drawn at $12m and repaid by $3m during year
- Facility B overdraft of available $2m undrawn (with $3m bank guarantees utilised)
- Facility terminates 30 November 2020 and discussions underway anticipate it will need to be repaid progressively in the period and a dividend restriction will subsist until corporate facilities repaid
- Bank secured by a fixed and floating charge



- Securitised warehouse facility limit $368m at both year ends
- Facility entered amortisation mode in May 2020 due to COVID-19 repayment arrears breaching parameter threshold
- Amortisation mode puts the warehouse into run off, prevents Thorn selling in further receivables, and amends the cash flow waterfall to repay lenders in order of seniority
- Amortisation mode subsists until the arrears situation is waived or remedied (so effective undrawn balance today is zero)
- Discussions with senior and mezzanine note holders continue
- Asset backed deal so lenders secured by the underlying lease cash flows in the warehouse

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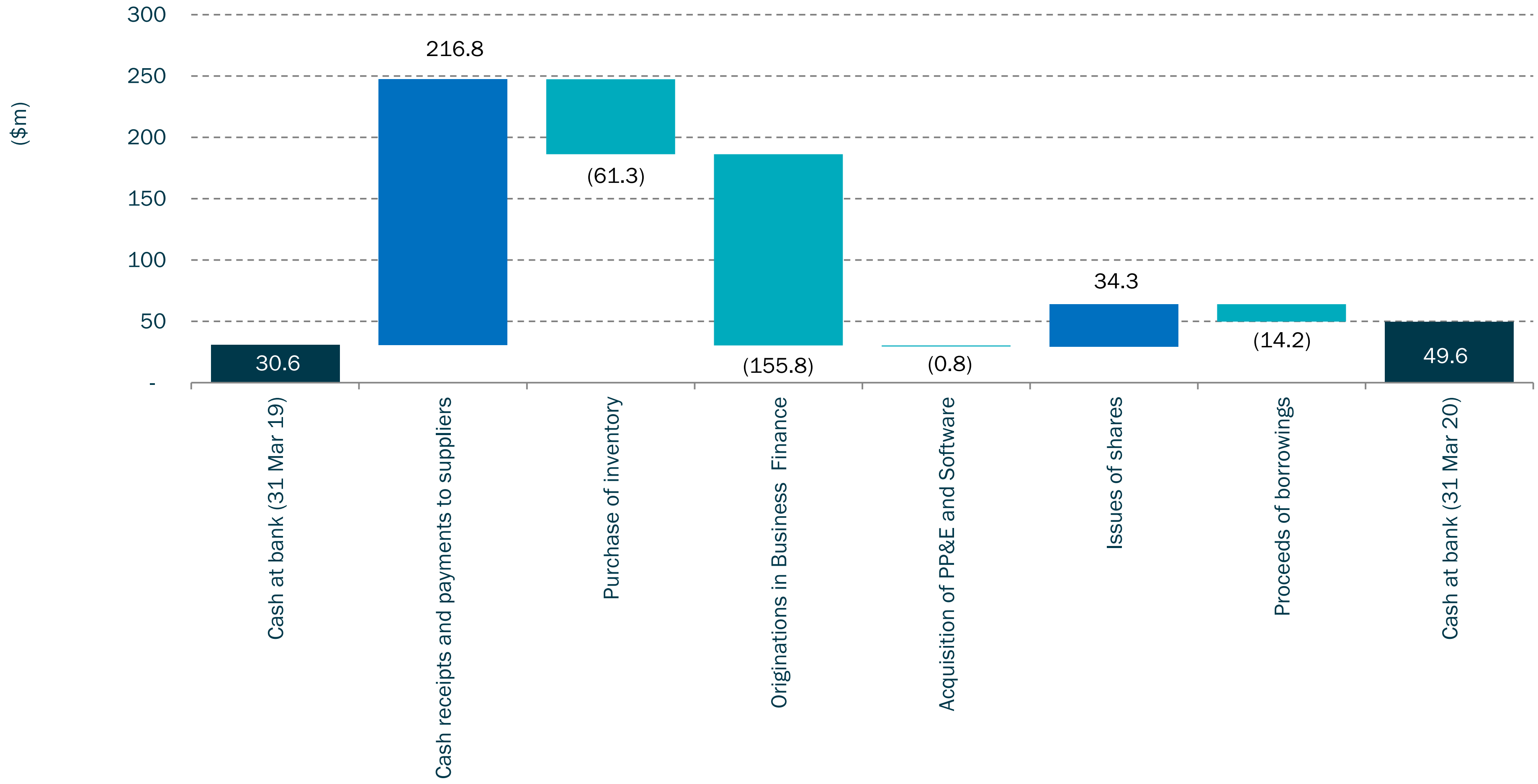
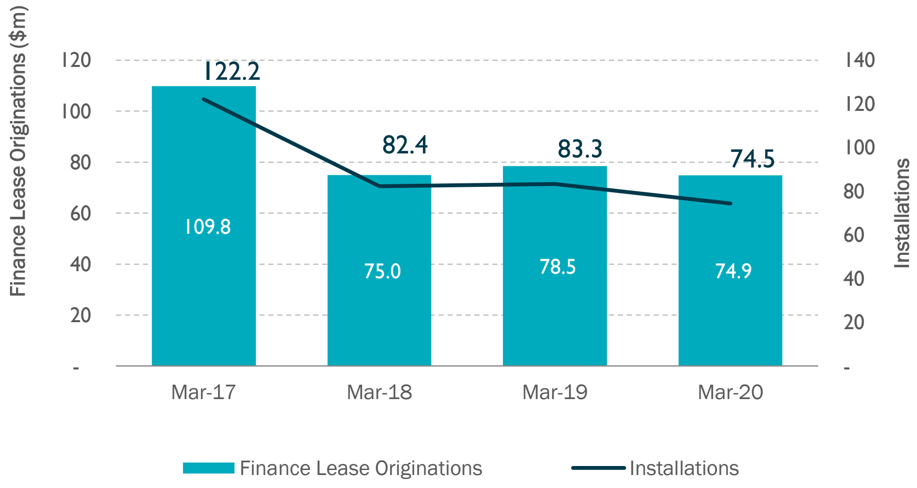
Cash Flow Bridge

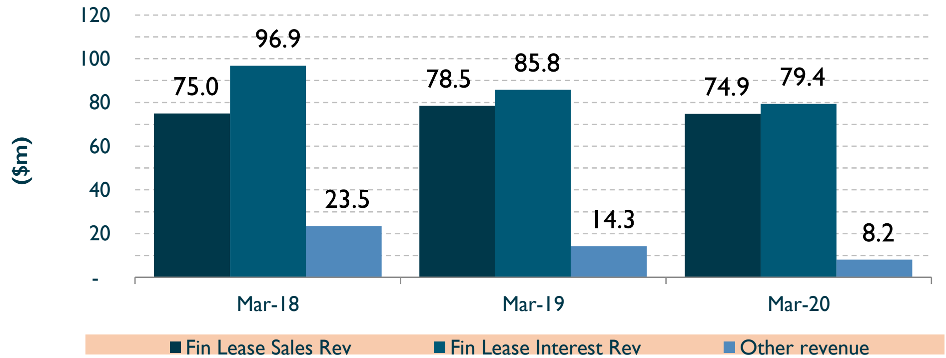


Consumer leasing - Radio Rentals

		Mar-2020	Mar-2019	% Change
Installations	‘000 units	**74.5**	83.3	(10.6%)
Average price per unit	$	**1,090**	1,030	5.4%
Average Unit Rate	$/week	**14.5**	13.4	8.7%
Originations	$m	**74.9**	78.5	(4.6%)
Revenue	$m	**162.4**	178.6	(8.0%)
Costs excl impairment	$m	**131.7**	150.4	(12.5%)
Impairment costs	$m	**38.8**	30.4	27.5%
EBIT	$m	**(8.0)**	(2.1)	nm
Receivables net of provision	$m	**109.7**	136.4	(19.6%)

- Lower installations and revenue
- Cost reductions pursued
- AASB 16 benefit $4.8m
- High bad debt impairment expense due the taking of an additional provision for COVID-19 and store closure program
- Receivables book reducing as collected upon and new originations below the retirement rate
- Division moving fully online, closing stores, making large scale redundancies, and liquidating stock

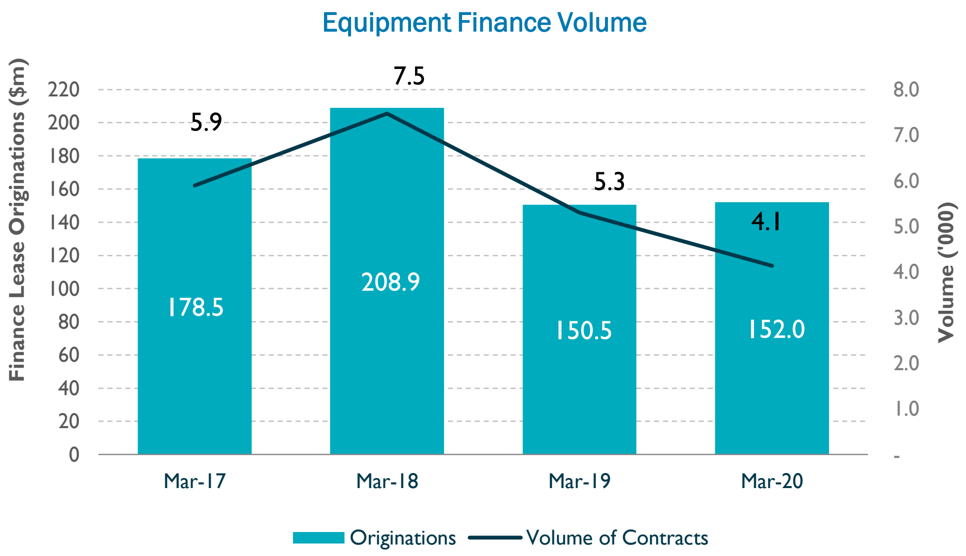


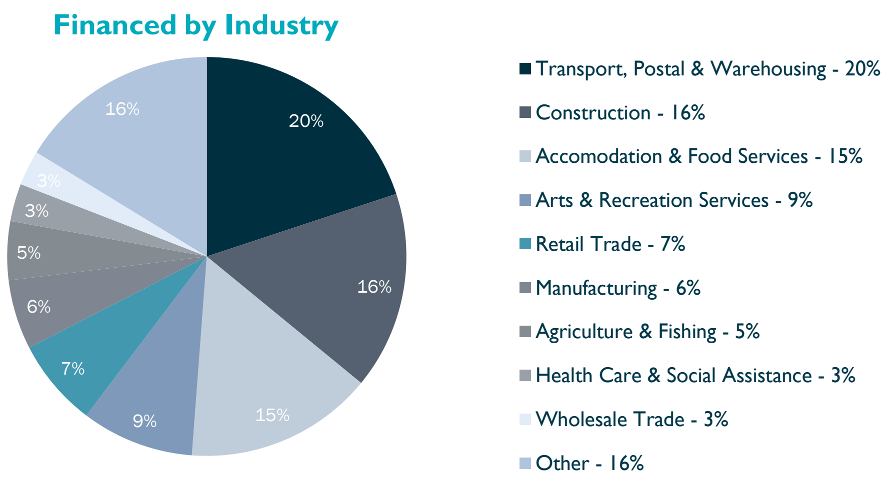


Business Finance

		Mar-2020	Mar-2019	% Change
Originations	$m	**152.0**	150.5	1.02%
Receivables net	$m	**278.4**	318.3	(12.5%)
Revenue	$m	**41.9**	43.2	(3.1%)
Costs excl impairment	$m	**11.0**	9.7	13.7%
Impairment costs	$m	**49.9**	17.4	186.9%
EBIT	$m	**(19.1)**	16.1	nm

- Similar origination level to last year and minor change in revenue
- Operating costs up for additional collection and legal costs
- Large write off of debt during the year and large provision overlay for COVID-19 took impairment expense for bad debts up by $32.5m
- Warehouse went into amortisation mode subsequent to year end due to COVID-19 arrears
- Origination pipeline constricted until funding situation resolved





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Corporate and other costs

		March 2020	March 2019	% Change
Corporate HO costs	$m	**(8.3)**	(11.9)	30.3%
Net interest expense	$m	**(16.3)**	(15.4)	(5.5%)
Group net loss before tax	$m	**(78.3)**	(25.2)	nm
Tax benefit / (expense)	$m	**(2.7)**	7.1	nm
Group net loss after tax	$m	**(81.1)**	(15.0)	nm

- Corporate costs cut by 30% or $3.6m despite rise in D&O insurance costs
- Interest costs rose mostly due to new AASB 16 financing cost of $0.7m and also debt volume increased slightly during the year
- Projections of future taxable profits do not meet accounting standards test to book the tax credits for this year and previously recognised tax benefits on balance sheet have been reversed
- Unbooked current tax losses of $41.5m ($12.5m tax effected) remain as a contingent asset along with $46.5m ($13.9m tax effected) of deferred future tax deductions
- Franking credits of $38.4m

Present situation and outlook

- COVID-19 pandemic situation creating variety of challenges
- Business Finance originations higher quality credit criteria now in place
- Business Finance securitised warehouse now in amortisation mode
- Discussions being held with business lenders over provision of relief for customers and re-opening the company's warehouse
- Radio Rentals store closures, redundancies and inventory clearance currently underway
- Radio Rentals receivables book and arrears a major focus for the group to generate significant cash quickly
- Radio Rentals *Mark 2*, the fully online digital business, to be launched next month
- No profit guidance given for the financial year 2020-21

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