FULL YEAR RESULTS

PRESENTATION 2017/18

Agenda

Tim Luce, CEO
Peter Forsberg, CFO

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

THORN
GROUP LTD

Overview

- Portfolio restructure with sale of TFS and TDF to focus solely on consumer leasing (Radio Rentals) and business finance (TEF)
- Management restructure including a new CEO, Tim Luce, a retailing and consumer finance specialist, who started 15 February 2018
- David Foster elected Chairman on 1 February 2018
- Debt and gearing reduced. Corporate debt facility paid down to $41m from $124m and gearing now 16% from 56%
- ASIC matter settled with enforceable undertaking in progress
- Consumer leasing (Radio Rentals) experienced challenging trading conditions with volumes down 33% and EBIT down 27%
- Business finance (TEF) enjoyed another year of strong growth with the receivables book up 36% and EBIT up 50%
- Corporate costs were elevated due to the regulatory matters
- Cash profit $17.0m in line with guidance
- Goodwill of $20.7m written off so NPAT a loss of $(3.6)m
- No final dividend declared

Results Summary

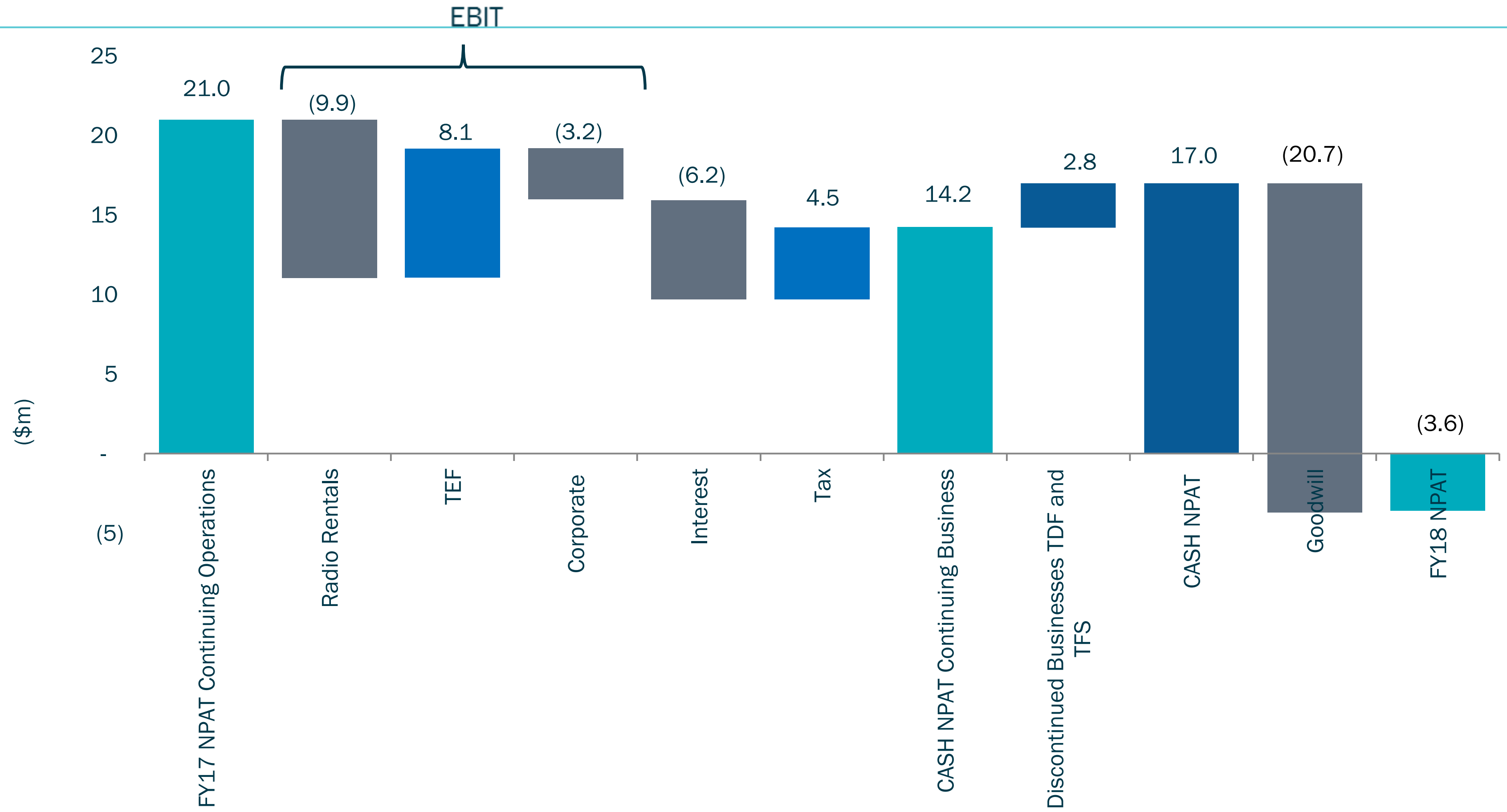
		March 18	March 17	% Change
Revenue - continuing operations	$m	**236.2**	277.6	(14.9%)
EBIT - continuing operations pre goodwill write off	$m	**35.8**	40.8	(12.3%)
Cash profit	$m	**17.0**	25.3	(32.8%)
Reported NPAT	$m	**(3.6)**	25.3	nm
EPS	cents	**(2.3)**	16.2	nm
Dividend – Final proposed	cents	**-**	2.5	(2.5c)
– Interim Paid	cents	**1.0**	5.5	(4.5c)
– Total (fully franked)	cents	**1.0**	8.0	(7.0c)
Cash profit return on equity	%	**7.8**	12.4	(4.6pts)
Receivables [1]	$m	**504.3**	493.0	2.3%
Borrowings	$m	**284.3**	276.5	2.8%
Gearing (net corporate debt/equity) [2]	%	**16.1**	56.1	(40.0pts)

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. Gearing including warehoused debt and receivables would be 135.9% (128.4 % for 2017)

THORN GROUP LTD

NPAT Bridge



A$m	Segment revenue		% change fav/(unfav)	Segment EBIT		% Change	$ Change
	2018	2017		2018	2017		
Consumer Leasing	196.5	251.2	(21.8%)	26.4	36.3	(27.3%)	(9.9)
Equipment Finance	39.7	26.4	50.4%	24.2	16.1	50.3%	8.1
Corporate	-	-	-	(14.8)	(11.6)	(27.6%)	(3.2)
	236.2	**277.6**	**(14.9%)**	**35.8**	**40.8**	**(12.3%)**	**(5.00)**

THORN GROUP LTD

Balance Sheet

	March 18		March 17	
	excl. Trust[2]	incl. Trust	excl. Trust[2]	incl. Trust
Cash at Bank	28.2	28.2	14.7	14.7
Receivables	202.3	504.3	305.8	493.0
Investment in unrated notes	58.7	-	35.2	-
Rental and other assets	11.4	11.4	17.6	17.6
Intangibles	4.8	4.8	24.3	24.3
Total Assets	**305.4**	**548.7**	**397.6**	**549.6**
Borrowings – warehouse	-	243.3	-	152.0
Borrowings - corporate	41.0	41.0	124.5	124.5
Other Liabilities	61.5	61.5	62.9	62.9
Total Liabilities	**102.5**	**345.8**	**187.4**	**339.4**
Total Equity	**202.9**	**202.9**	**210.2**	**210.2**
Gearing (net debt/equity)	16.1%	135.9%	56.1%	128.4%
Current ratio		1.6x		2.1x

- TEF receivables book up 36% from $239m to $326m
- Radio Rentals receivables book down 10% from $173m to $155m
- Sale of TFS and TDF decreased receivables by $56m
- Warehouse borrowings up $91m to fund TEF growth
- Corporate borrowings reduced by $83m through business sale proceeds and additional securitisation
- Equity down $7m due to $(3.6)m loss after tax, and a net $4m of dividends paid

Notes:

1. Equipment Finance receivables are funded by a securitised warehouse trust arrangement where the borrowings are non-recourse to Thorn but secured by the underlying receivables themselves. Trust gearing remains the same between the years at 80% bank funded.
2. The column excluding Trust excludes the securitised receivables and corresponding borrowings but includes Thorns equity interest in the warehouse through unrated notes.

Receivables

		March 18 ($m)	March 17 ($m)	Mar-18 v Mar-17 (%)
Consumer Leasing	Lease Book[1]	**155.2**	172.8	(10.2%)
	Rental Assets[2]	**7.0**	6.7	4.5%
Equipment Finance	Lease & Loan Book[1]	**326.2**	239.3	36.3%
Trade & Debtor Finance (sold in 2018)	Invoice & Loan Book	**-**	38.4	(100%)
Consumer Finance (sold in 2018)	Loan Book[1,3]	**3.8**	21.3	(82.2%)
Trade Receivables, Prepayments & Other		**19.1**	21.2	(9.9%)
Receivables (excluding rental assets[2])		**504.3**	**493.0**	**2.3%**

Notes:

1. Receivables are presented on a net basis, that is exclusive of unearned interest and net of bad and doubtful debt provisioning.
2. Rental assets (includes warehouse and show room stock) and assets leased under short term operating leases are depreciated as fixed assets in the balance sheet
3. Solar loans

Credit Quality

	March 18	March 17
Consumer Leasing		
Average Delinquency[1] (30+ days)	11.3%	8.4%
Impairment Losses ($m) [4]	19.8	17.5
Impairment losses / ANR %[2]	12.6%	10.0%
Equipment Finance		
Average Delinquency[3] (30+ days)	2.6%	2.1%
Impairment Losses ($m)	5.2	3.3
Impairment losses / ANR %[2]	1.7%	1.8%

Consumer Leasing

- Arrears have increased since the adverse publicity and are being actively recovered
- Impairment credit losses have also increased from a drive to write off uncollectible debts
- Enhanced collections model underway

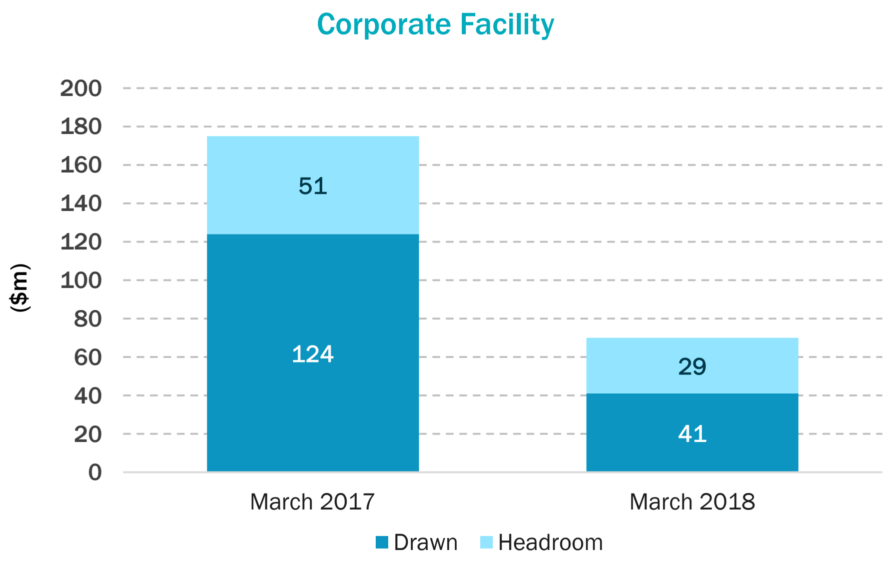
Equipment Finance

- Arrears maintained at close to 2.5% benchmark
- Impairment losses have increased as book begins to mature (4 year cycle)
- AASB 9 new accounting standard on provisioning effective 1 April 2018.

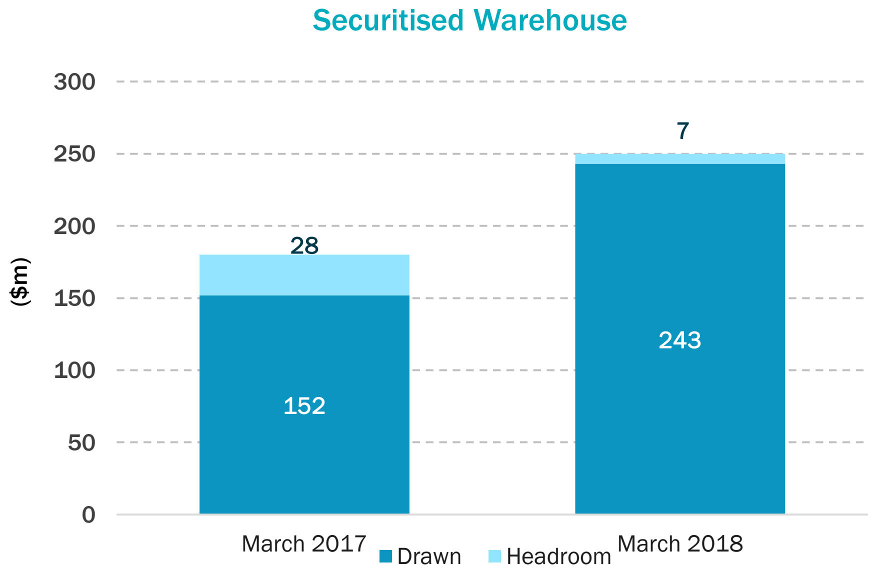
Notes:

1. Calculated as average current arrears balance of delinquent accounts expressed as a % of total monthly billings.
2. Impairment losses expressed as % of average net receivables.
3. Calculated as average current arrears balance expressed as a % of net interest bearing receivables.
4. 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.

Borrowings

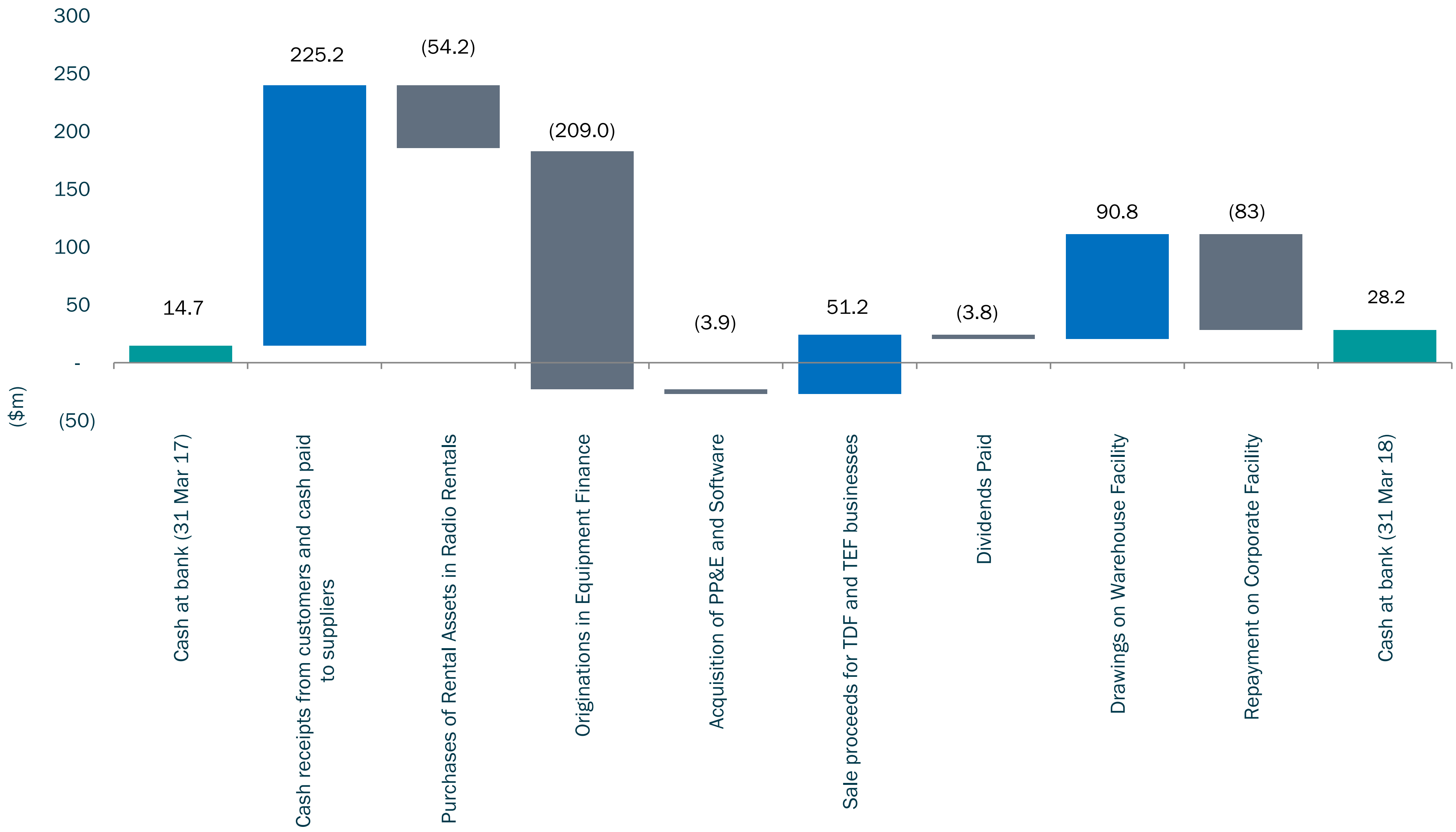


- Progressive debt repayments of the corporate facility to under $90m by 31 December 2017, $70m by 30 June 2018 and $50m by 30 September 2018.
- Present corporate facility balance is $41m
- Facility terminates 30 November 2019
- Bank has a review right at 30 September 2018
- Bank secured by a fixed and floating charge



- Securitised warehouse facility limit increased to $250m during the year. Limit increase in progress.
- Facility drawn by a further $91m to fund the TEF growth
- Warehouse facility matures 16 December 2021 with annual reviews each 16 December
- Asset backed deal so bank secured by the lease cash flows in the warehouse, non recourse to Thorn beyond equity notes of 20%

Cash Flow Bridge



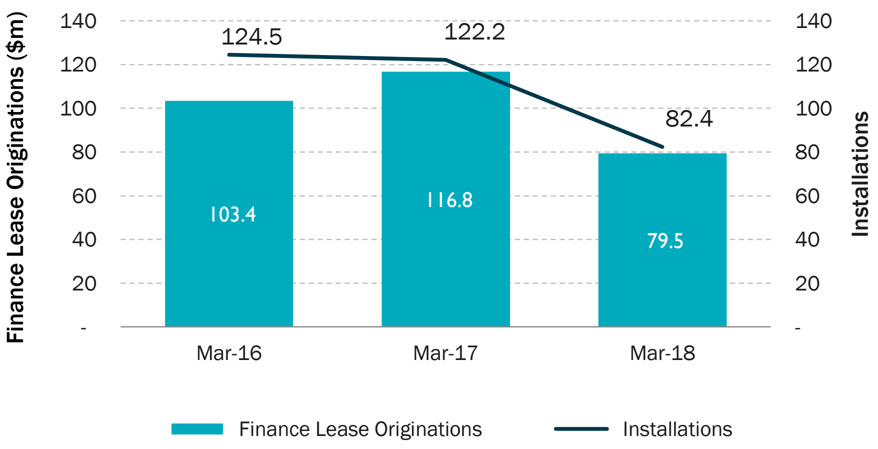
THORN GROUP LTD

Consumer Leasing

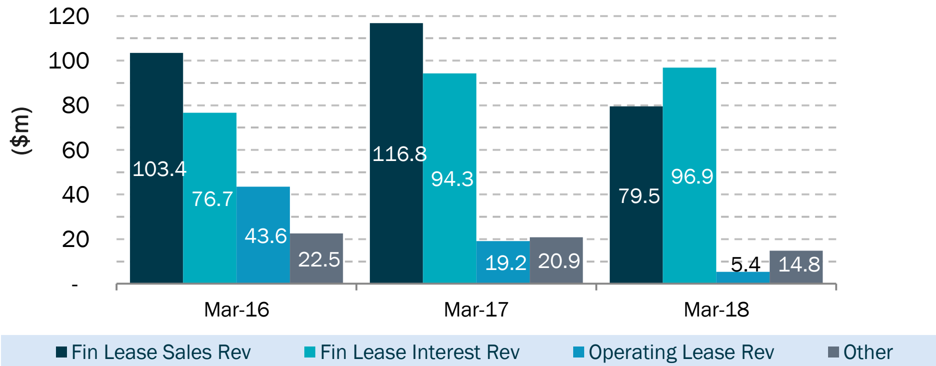
- Challenging trading conditions: adverse publicity, deferral of returning customers, operational changes from introduction of the new application and approval system
- Revenue down 22% from fewer installations and lower interest and fees from a 10% smaller receivables book
- Better value pricing in response to anticipated legislation change and community expectations
- Costs down but EBIT margin percentage fell from 14.5% to 13.4%. EBIT fell 27% to $26.4m
- Business response = greater promotional activity, wider product range, cost control, management restructure

		Mar-18	Mar-17	% Change
Installation volumes	units	**82,371**	122,189	(32.6%)
Average price per unit	$	**971**	963	0.8%
Average unit rental rate	$/week	**12.3**	11.7	5.1%
Lease originations	$m	**79.5**	116.8	(31.9%)
Revenue	$m	**196.5**	251.2	(21.8%)
EBIT	$m	**26.4**	36.3	(27.3%)
Receivables book, net	$m	**155.2**	172.8	(10.2%)

Consumer Lease Volume



Revenue Composition



Business strategy for Radio Rentals

Customer focus

- ✓wider product choice from a wider range of well known brands
- ✓more flexible payment options
- ✓better value
- ✓faster to market with new opportunities

Easier to do business with

- ✓faster transactional processing
- ✓improved on-line platform
- ✓customer portal

Culture and values

- ✓customer, employee, innovate to grow

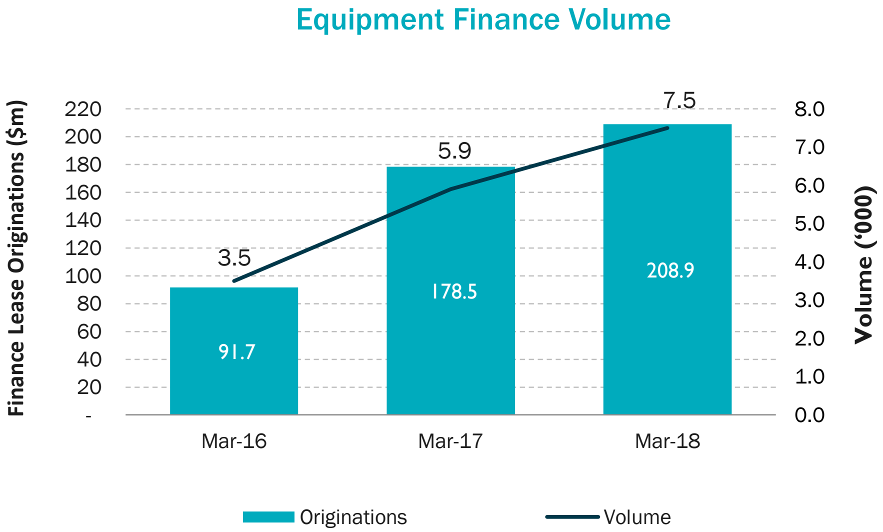
Productivity

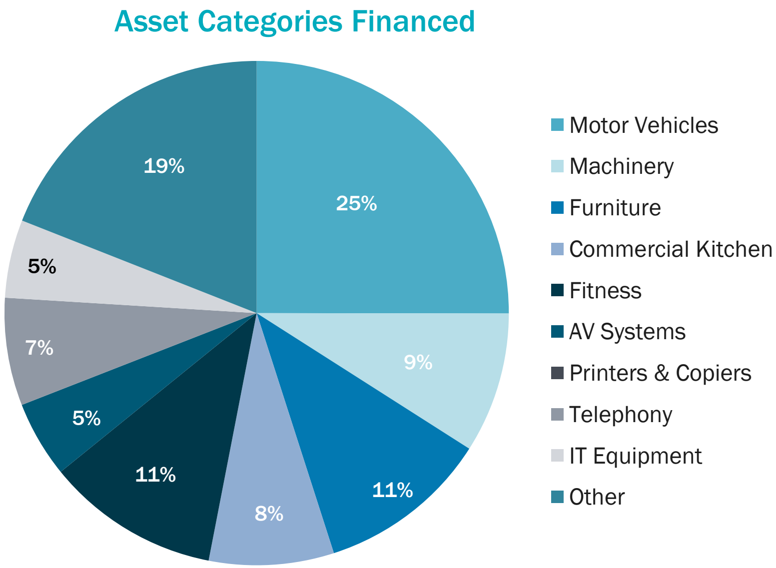
- ✓change the business model, more centralization, cut costs to offer better value

Business Finance

- Strong growth driven by relationships with Brokers and Strategic Partners
- Focus on credit quality with an average contract size of $28,000, over an average 48 months, from a diverse customer base and in compliance with bank warehouse requirements, and with arrears and losses closely monitored
- Credit risk managed through registered security over the asset, loan book diversity of lessee and industry
- Strategy to maintain focus on core products and channels

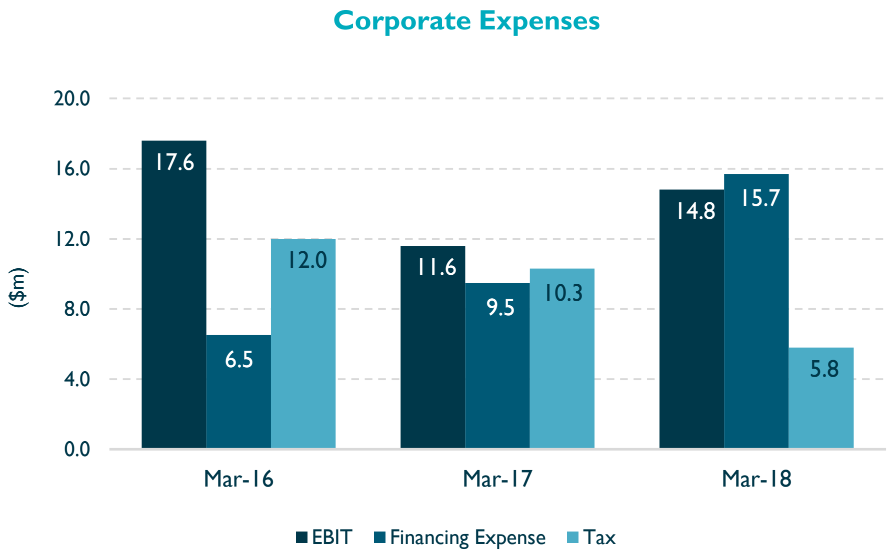
		Mar-18	Mar-17	% Change
Originations	$m	208.9	178.5	17.0%
Receivables, net	$m	326.2	239.3	36.3%
Revenue	$m	39.7	26.4	50.4%
EBIT	$m	24.2	16.1	50.0%





Corporate and other costs

		Mar-18	Mar-17	% Change
Corporate HO costs	$m	(14.8)	(11.6)	27.6%
Goodwill Impairment	$m	(20.7)	-	100%
Financing Expenses	$m	(15.7)	(9.5)	65.3%
Tax	$m	(5.8)	(10.3)	(43.7%)
Effective tax rate	%	28.9	31.0	(2.1%)



- Corporate costs rose with enhanced risk, credit and legal teams and costs of responding to regulatory and class action matters
- Goodwill written off in full after examination of cash flows in relevant cash generating units
- Interest and borrowing costs rose as debt volume increased during the year with TEF growth and then later reduction of corporate debt through business sales. Debt price increased through uptick in credit spreads and fees for extending the facilities and term
- Tax is impacted by non-deductibility of goodwill write-off. Excluding this, tax is approximately 29% of NPAT (continuing operations)

THORN GROUP LTD

Regulatory Matters - Radio Rentals

Customer credit balance refunds

- Over 90% refunded

ASIC investigation

- Matter settled, enforceable undertaking underway, civil penalty confirmed by Court (fully provided) remediation program underway (also fully provided)

Proposed consumer leasing legislation

- Agree with the intent of the legislation, awaiting legislation introduction, already compliant with price caps

Class action

- Being defended

Outlook

- Challenged outlook for the next year
- Radio Rentals slowly improving
- Equipment Finance focused on maintaining its controlled growth
- Corporate costs will continue to suffer ongoing legal and advisory fees
- Operating profit after tax is expected to be significantly less than this year's continuing business NPAT of $14.2m at between $7m to $10m

Disclaimer

This presentation has been prepared by Thorn Group Limited (Thorn).

This presentation is not a financial product or investment advice or recommendation, offer or invitation by any person or to any person to sell or purchase securities in Thorn in any jurisdiction. This presentation contains general information only and does not take into account the investment objectives, financial situation and particular needs of individual investors. Investors should make their own independent assessment of the information in this presentation and obtain their own independent advice from a qualified financial adviser having regard to their objectives, financial situation and needs before taking any action.

No representation or warranty, express or implied, is made as to the accuracy, completeness, reliability or adequacy of any statements, estimates, opinions or other information, or the reasonableness of any assumption or other statement, contained in this presentation. Nor is any representation or warranty (express or implied) given as to the accuracy, completeness, likelihood of achievement or reasonableness of any forecasts, prospective statements or returns contained in this presentation. Such forecasts, prospective statements or returns are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Thorn.

To the maximum extent permitted by law, Thorn and its related bodies corporate, directors, officers, employees, advisers and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may arise or be suffered through use or reliance on anything contained in, or omitted from, this presentation. An investment in Thorn securities is subject to investment and other known and unknown risks, some of which are beyond the control of Thorn. Thorn does not guarantee any particular rate of return or the performance of Thorn securities.

The distribution of this presentation including in jurisdictions outside Australia, may be restricted by law. Any person who receives this presentation must seek advice on and observe any such restrictions.