



THORN BUSINESS FINANCE

THORN BUSINESS FINANCE INCLUDES THORN EQUIPMENT FINANCE (TEF), THORN TRADE & DEBTOR FINANCE (FORMERLY CRA), AND STRATEGIC PARTNER, CASHFLOW IT (SPECIALIST FUNDER TO THE FRANCHISE SECTOR).

This division has been a significant contributor to earnings diversity and overall group earnings. Thorn Business Finance in FY16 doubled revenue, EBIT and contribution to combined earnings of the group, increasing from 11 per cent to 22 per cent. Thorn Business Finance revenue was up from \$15 million to \$30 million and EBIT doubled to \$14 million. Growth was mostly due to a significant lift in performance by Thorn Equipment Finance.

Focused on delivering a range of finance products to Australian businesses, Thorn Business Finance offers speed, flexibility and a high quality tailored service to small and medium businesses (SMEs), as major financial institutions have moved away from the sub-\$100,000 financing market.

Thorn Business Finance provides commercial loans, leases and rentals, debtor finance, trade finance and capital funding solutions. These products are provided to market through direct customer relationships and Thorn's multi-channel distribution network.



STRATEGIC INTENT

THORN BUSINESS FINANCE SEEKS TO BE THE FINANCE PROVIDER OF CHOICE TO THE SME SECTOR BY DELIVERING FAST, FLEXIBLE AND COST EFFECTIVE FINANCIAL PRODUCTS THAT SUPPORT SMALL AND MEDIUM BUSINESS OPERATORS TO GROW AND PROSPER.

As SMEs remain a key target market for the business, Thorn Business Finance is broadening its product suite and building on strong customer and partner relationships to drive growth into the future.



THORN EQUIPMENT FINANCE

IN FY16, THORN EQUIPMENT FINANCE GREW ITS RECEIVABLES BOOK BY ALMOST 60 PER CENT, WITH NET RECEIVABLES INCREASING FROM \$82.6 MILLION IN FY15 TO \$131.9 MILLION, PROVIDING LEASES AND LOANS TO SMALL AND MEDIUM BUSINESSES, AS WELL AS CORPORATE AND GOVERNMENT CLIENTS. A FOCUS ON FINANCING “CORE-TO-BUSINESS” EQUIPMENT AND MAINTAINING DIVERSITY ACROSS A RANGE OF INDUSTRIES SUPPORTS THE ACHIEVEMENT OF LOW DELINQUENCY AND BAD DEBT LEVELS.

Rapid growth for the business comes as Thorn continues to develop the partner and broker network, positioning Thorn Equipment Finance as a competitive and flexible option for SMEs seeking access to asset finance. Increasing referrals for Thorn Business Finance have resulted in improved customer retention and growing market share among financing alternatives.

OUR CUSTOMERS

Thorn Group is built on the premise of giving customers a fair go. While our clients range from government entities and corporates to sole traders and not-for-profits, we see the biggest positive differences we can make are by providing competitive and flexible products designed to meet the rapidly evolving needs of Australia’s small and medium businesses.

More than 99 per cent of Australian businesses are SMEs. They are also responsible for employing around 70 per cent of the entire Australian workforce. By giving our SME customers access to financial solutions previously only available to large corporations by major banks, we are supporting business growth and the people that are part of these businesses.

OUR PRODUCTS

Finance leases and rentals make up over 60 per cent of the Thorn Equipment Finance receivables book, with the remainder comprising chattel mortgages and commercial hire purchase agreements.

Accelerated depreciation benefits for small businesses announced in the 2015 federal budget have lead many customers to choose a chattel mortgage as their preferred method of finance, this enables them to immediately own and depreciate the assets while protecting their cash flow. With the broadening of this initiative in FY17, we expect to see this trend continue.

WHERE TRADITIONAL LENDERS HAVE RIGID REQUIREMENTS, THE TEAM AT THORN UNDERSTAND THE CHALLENGES OF A GROWING BUSINESS AND THE NEED TO FINANCE GROWTH



OUR ASSETS

Our finance solutions allow our customers to acquire vital equipment that sits at the heart of their business, from specialised medical equipment to information technology, commercial kitchen equipment, solar products, machinery and vehicles.

By continuing to deepen our equipment and industry understanding in target markets we are able to tailor solutions, ranging from cost-per-seat technology finance and pay-by-the-month cloud computing, to specialist Global Positioning Systems. Offering these alternatives makes Thorn stand apart from traditional bank finance.

CASHFLOW IT

Cashflow It is an exclusive strategic partnership providing specialised lending solutions to the franchise sector. Working as an integral part of Thorn Business Finance, Cashflow It through Thorn provides equipment finance to some of Australia’s largest and best known franchise groups.

Setting itself apart through a deep understanding of the challenges faced by both franchisees and franchisors, Cashflow It shows how expertise and a tailored approach can deliver a service experience beyond that of the banks, a feature highly valued by Australian businesses.

CUSTOMER STORY

Launched in late 2012, the Roll'd franchise system has grown rapidly throughout Australia. Roll'd takes its inspiration from the streets of Vietnam and the way food connects family and friends, and uses these sentiments to produce a unique fast food experience for its customers.

Bao Hoang and his two business partners have always been ambitious about their food venture, but they never imagined how popular it would become in such a short amount of time. Roll'd has grown from one store to almost 40 stores in just three years. Bao started the Vietnamese food franchise with his cousin Tin and primary school friend Ray. The trio wanted to create an alternative option to sushi, bringing Vietnamese food to the masses while using family recipes.

With a Cashflow It Franchise solution from Thorn, Roll'd franchisees are pre-approved for funding, making the whole finance experience seamless and stress free.

“Thorn and Cashflow It understood the challenges of a growing franchise system and have been a partner for our growth.”

– Ray Esquieres, Co-Founder & CFO, Roll'd Australia

PARTNERS FOR GROWTH



Left to Right – Bao Hoang (CEO), Ray Esquieres (CFO), and Tin Ly (COO)

THORN TRADE & DEBTOR FINANCE (FORMERLY CRA)

THORN TRADE & DEBTOR FINANCE'S (TT&DF) CORE ACTIVITY INVOLVES DEVELOPING WORKING AND GROWTH CAPITAL FINANCE SOLUTIONS FOR SME'S. THESE CAN BE FOR BUSINESSES THAT MAY HAVE A SHORT TERM CASH FLOW REQUIREMENT TO FUND GROWTH OPPORTUNITIES OR THOSE THAT PREFER THE SPEED AND FLEXIBILITY OF DEALING WITH AN ORGANISATION SUCH AS TT&DF, RATHER THAN SETTING UP AN OVERDRAFT OR OTHER MORE COMPLEX AND RESTRICTIVE FINANCING SOLUTION.

FY16 was a year of consolidation and growth for the Trade and Debtor Finance business, following the integration of Cash Resources into the Thorn business model, laying the foundation for the next phase of growth.

In its first full year post acquisition in December 2014, TT&DF/CRA's invoice purchases increased significantly, from \$104.2 million to \$369.2 million, generating gross revenue of \$13.8million and a closing receivables book at \$46 million.

The evolution of CRA into Thorn Trade & Debtor Finance has provided many synergistic benefits, including the ability to provide a wider range of business finance solutions for customers, including Equipment Finance under the strength of one master brand, Thorn Business Finance.

The trade finance product was added into the product mix during the latter half of FY16. It is yet to have a substantial impact on revenue or customer growth but initial signs are positive and the ability to fund a customer's domestic or international purchases has been well received by import and wholesale customers.

The debtor finance market is changing substantially with a number of mergers and acquisitions taking place. Although we believe this may provide some good opportunities for the Trade & Debtor Finance business, having a sales focus will be a key factor in its continuing success in FY17 and beyond.



Paul Davies, founder & violin maker
Arts Music Pty Ltd



TRADE & DEBTOR FINANCE HAS GIVEN ME THE CONFIDENCE TO GROW THE BUSINESS

TDF CUSTOMER STORY

Paul Davies has been a violin maker his entire career and specialises in designing and manufacturing traditional instruments. He has also developed a first-of-its kind electric violin which elaborates on the fundamental features of the instrument, enabling amplification of the sound while mimicking the resonance of a fully acoustic instrument. Over 30 years ago, Paul started his business, Arts Music, an import and distribution business for student instruments. Additionally, Paul designed and manufactured student instruments in China for over 25 years and manufactured high class custom instruments for high profile musicians, including Bob Dylan's band members and a number of rock and country musicians.

Australia presents a few challenges for small businesses, mainly the small size of the market and spread-out geography. Paul believes that in order to build a successful business and rise to these challenges, one needs to diversify business interests and skills. This thinking is what led him to developing the import and distribution of student and high class custom instruments.

When Paul started supplying a unique retail chain for the education market and division of Harvey Norman, School Locker, he obtained the largest orders for musical instruments in the history of his business. One of the issues Paul faced working with a retail chain was that the large orders meant he needed additional upfront capital to purchase the stock.

Paul had to import the instruments from China and was required to pay for the goods before they landed in Australia and had generated an invoice to be funded under a debtor finance facility. The provision of a trade finance facility allowed him to be confident in placing the purchase order with the Chinese manufacturer and with the resultant delivery on time into the retailer, generating goodwill with the retailer for subsequent ongoing orders.

“Trade & Debtor Finance has given me the confidence to grow the business and prospect for new accounts instead of being apprehensive to place large purchase orders with an overseas manufacturer to import the goods.”

– Paul Davies, founder & violin maker
Arts Music Pty Ltd