

**ASX & MEDIA RELEASE****30 May 2018****THORN GROUP LIMITED (ASX:TGA)****THORN ANNOUNCES CASH PROFIT IN LINE WITH GUIDANCE**

Thorn Group Limited (ASX: **TGA**) has today reported an FY18 cash profit (excluding goodwill write-off) of \$17.0m, which is in line with previous guidance.

The Group has also announced a range of measures to restore the performance of its Consumer Leasing division as the new management team continues to address regulatory issues and business headwinds.

Thorn reported FY18 revenue of \$236.2m (FY17: \$277.6m) and a statutory loss after tax of \$(3.6m) (FY17: profit after tax of \$25.3m) which includes the \$20.7m write-off of goodwill announced in November 2017.

**Key points**

- Cash profit of \$17.0m in line with guidance
- Reduced debt and gearing with the corporate facility paid down to below the bank's mandated progressive debt reduction program and ahead of time
- Operational improvements underway in Radio Rentals to address challenging market conditions and lift sales volumes
- Continuing strong profit growth in Thorn Equipment Finance division
- ASIC settlement confirmed by the Federal Court
- No final dividend in order to retain cash for balance sheet flexibility

Managing Director and CEO, Tim Luce said, "The regulatory issues facing the Consumer Leasing business have largely been addressed with the ASIC settlement and the ongoing customer remediation program, and our introduction of industry leading credit assessment practices.

"Thorn Equipment Finance continues to perform strongly and grow originations, receivables and profit.

"We are taking decisive action to restore the Radio Rentals receivables book to growth in the longer term, and the operational and productivity improvements over the 2019 financial year will allow us to offer greater value and a return to growth in customer installations."

Thorn's reduced profit reflects difficult trading conditions experienced by the Consumer Leasing division, Radio Rentals, which was exacerbated by adverse publicity, costs and operational charges arising from the ASIC settlement and class action.

The deferral of customer renewals after Radio Rentals introduced four-year contracts three years ago, and the transition to a new online customer application and credit assessment system, also contributed to a 33% decline in installation volumes.

In response to continuing market challenges for Radio Rentals, Thorn has introduced a comprehensive program of operational improvements including new store concepts, wider product range, more flexible pricing and faster transaction processing to lift customer interactions and sales volumes. Supported with increased promotional activity, these improvements have stabilised sales and will help to position the division to return to growth in receivables over the longer term.

Thorn has also commissioned a review of the Consumer Leasing division's business model, aiming to consolidate core functions to improve productivity and reduce network trading and corporate costs.

Thorn Equipment Finance continued to show strong profit growth with \$208m of lease originations in the year, resulting in a 36% increase in the division's net receivables book to \$326.2m (FY17: \$239.3m). As pricing remained stable, growth in the receivables book translated into interest and fee revenue growth of 50% to \$39.7m (FY17: \$26.4m).

Corporate costs for the 2018 financial year were elevated due to legal and compliance costs.

Thorn's borrowings increased by 2% to \$284.3m (FY17: \$276.5m). Growth in the Thorn Equipment Finance book is funded partly by debt with the TEF securitised debt warehouse increasing by \$91.3m, while the corporate debt facility decreased by \$83.5m after the sale of the trade and debtor finance and consumer loans businesses.

Thorn's corporate debt facility was paid down to \$41.0m (FY17: \$124.0m), reducing gearing to 13% from 56%, and the Group was in compliance with all covenants at 31 March 2018.

### Outlook

The outlook for Thorn Group will continue to be challenging as difficult trading conditions and historical regulatory matters have reduced Radio Rentals installation volumes and interest earning receivables book, and continue to impact the business. The division is undergoing a transition with a range of operational and productivity improvements expected to address these issues and restore performance over the longer term. Thorn Equipment Finance continues to report strong growth although this is expected to only partly offset the challenges facing Radio Rentals.

Consequently, operating profit after tax for the Group will, as previously announced, be significantly down on this year's continuing business \$14.2m cash profit after tax and fall within the range of \$7m to \$10m.

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### ABOUT THORN GROUP LIMITED (ASX: TGA, [www.thorn.com.au](http://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 over 90 outlets nationally. Thorn Business Finance is a provider of leasing and debt finance to businesses. Thorn employs in excess of 800 people, has been listed on the ASX since 2006, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.