
ASX ANNOUNCEMENT**THORN GROUP LIMITED (ASX:TGA)
QUARTERLY ACTIVITIES REPORT TO 30 JUNE 2020**

Sydney, 31 July 2020: Thorn Group Limited (ASX:TGA) (“Thorn”) presents the following review on the key business activities for the quarter ending 30 June 2020 and material events post the end of the period. Thorn is pleased to report on a productive quarter in which Thorn has further advanced key optimisation opportunities during challenging circumstances as a result of the COVID-19 pandemic.

Principal activities

Thorn is a diversified financial services group providing leasing of household products to consumers and commercial asset finance to small and medium enterprises.

Key areas of activity during the quarter ending 30 June 2020

Thorn’s directors and management developed and enacted measures to respond to the COVID-19 pandemic threat and its impact on the Company’s operations.

Thorn temporarily closed all of its Radio Rentals stores effective 3 April 2020, as a result of the governments’ moves to limit the spread of the COVID-19 virus across Australia. This was further extended with the permanent closure of all Radio Rentals stores and collection of the receivables book announced to the market on 23 April 2020. The Radio Rentals’ store closure program was completed by the end of May 2020 along with significant resultant redundancies.

Thorn announced that it would be developing its core Radio Rentals business using a new purely online model with a digital customer onboarding process. These plans were progressed during the quarter along with the enhancement of Radio Rentals’ online store (www.radio-rentals.com.au).

The Business Finance division faced adverse business conditions. The pandemic affected the financial position of many of Thorn’s customers and reduced the cash repayments being received from customers. Thorn received requests from a significant number of Business Finance division customers for assistance due to Covid-19, including reductions in repayments. Thorn changed its credit algorithms during the pandemic. The warehouse funding trust facility remains presently in amortisation and discussions continue with the lenders, including in relation to relief options.

Thorn actively pursued a range of cost-cutting initiatives and recoveries, which are expected to result in increased cash flow over the next year.

Thorn released its audited results and annual report for the financial year ended 31 March 2020. Thorn’s revised business strategy is predicated upon continuing to operate the consumer leasing business and to continue to originate in the Business Finance division in the COVID-19 environment.

Commentary on the Appendix 4C Cash Flow report

- Thorn recorded a positive cash flow of \$45.5 million from its operating activities as the inflow of receipts from previously written leasing contracts exceeded both operating expenses and the origination of new contracts in the present circumstances.
- \$21.3 million of debt funding was repaid along with \$2 million of the corporate debt facility.
- The cash balance at the quarter end increased from \$49.6 million to \$71.8 million. The cash balance includes both free cash and the tied cash in the warehouse funding trust. Free cash at the end of the period was \$54.1 million.

Next Two Quarters Activity

- Thorn has continued to monitor developments around the world relating to COVID-19 along with guidelines introduced by Federal and State Governments and the health authorities. Thorn has successfully implemented remote working protocols for its staff and these will remain in place whilst COVID-19 remains a concern.
- Thorn's new digital business model for Radio Rentals customers was successfully launched on 30 July 2020. Thorn will continue to collect the receivables generated under the previous Radio Rentals model.
- The pandemic has affected the financial position of many of Thorn's customers. Thorn will continue to examine new sources of funding for the Business Finance division so as to enable an increased volume of originations to occur and continue to provide funding solutions for small and medium enterprise.
- Thorn will continue to actively pursue cost cutting initiatives and recoveries, to ensure the balance sheet and business model continue to be sustainable. The cost reductions underway and the collecting on the Radio Rentals receivables book will be cash positive for the Group.
- The repayment of the remaining \$10 million corporate debt facility is planned by November 2020.
- Thorn's Annual General Meeting is scheduled on 19 August 2020.
- Thorn will produce its half yearly financial statements for the period ended 30 September 2020 for release in late November 2020.

This release was authorised by the Board of Directors.

For further information, please contact:

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

Thorn Group is a diversified financial services company providing financial solutions to consumers and businesses. Thorn's consumer leasing business, Radio Rentals (RR Rentlo Reinvented in South Australia), is a leader in the household goods consumer leasing market, operating since 1937. Thorn Business Finance is a provider of leasing and other financial services to small and medium enterprises. Thorn has been listed on the ASX since 2006, is licensed under the National Consumer Credit Protection Act 2009 and operates a responsible lending policy.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Thorn Group Limited

ABN

54 072 507 147

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	75,166	75,166
1.2 Payments for	-	-
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(542)	(542)
(d) leased assets	(1,384)	(1,384)
(e) staff costs	(11,072)	(11,072)
(f) administration and corporate costs	(6,339)	(6,339)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(3,522)	(3,522)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)*	(6,853)	(6,853)
1.9 Net cash from / (used in) operating activities	45,455	45,455

*Includes for the quarter (and year to date): rental asset purchases of \$2.2m (\$2.2m) and equipment finance originations of \$4.7m (\$4.7m)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	11,339	11,339
3.6 Repayment of borrowings	(34,640)	(34,640)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(23,301)	(23,301)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	49,619	49,619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	45,455	45,455
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(23,301)	(23,301)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	71,773	71,773

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	71,773	49,619
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	71,773	49,619

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	106
6.2	Aggregate amount of payments to related parties and their associates included in item 2	N/A

*Payments of usual fees to directors

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	282,244	282,244
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	282,244	282,244
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The loan facilities consist of two items; a securitised warehouse facility used to finance equipment leasing, and a corporate facility used to finance consumer leasing and which is divided into an A and a B facility.</p> <p>The securitised warehouse facility is currently in amortisation and no further funding drawdown is available while it remains in amortisation. Therefore it is fully drawn at \$272.2m. The amount is secured over the receivables in the warehouse. The identity of lenders and the interest rate details are withheld.</p> <p>The corporate loan facility A of \$10.0m is fully drawn to \$10.0m, secured, and the identity of the lender and the interest rate details withheld.</p> <p>The corporate loan facility B is used for bank guarantees and an overdraft, is secured, and the identity of the lender and the interest rate details are withheld. It is currently drawn to \$3.2m of bank guarantees provided to landlords on property rental bonds and is considered to be fully drawn at the moment as arrangements are in place to progressively and fully repay the corporate facilities by 30 November 2020.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	45,455
8.2 Cash and cash equivalents at quarter end (item 4.6)	71,773
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	71,773
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

Please note this prescribed calculation in section 8 may be confusing so the following is provided for clarification. The entity generated \$45.5m of cash in the last quarter principally as its originations were lower than its cash receipts from its book of previously originated lease contracts. It has \$71.8m of cash, \$54.1m of which is free cash (the remaining \$17.7m tied up in the securitised warehouse).

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2020

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.