

ASX Announcement

26 November 2014

**ANNUAL GENERAL MEETING ON 26 NOVEMBER 2014
CHAIRMAN'S ADDRESS**

Ladies and Gentlemen

I would like to reflect on the 6 month financial period to 30 June 2014 for ThinkSmart which continues to be a transformational period in shaping and executing our strategy.

For the 6 month period statutory net profit after tax was \$11.3m, of which \$9.8m was from discontinued operations. We generated consistently strong results from our UK operations with profit contribution of \$3.7m before tax. Operating costs as a percentage of revenue have fallen to 28% as the business becomes more efficient and continues to leverage scalability.

The Sale of our Australian and New Zealand operations was completed on 31 January 2014 for \$43m generating \$32m in free cash. A special fully franked dividend of 3.6 cents per share was paid on 19 February 2014 and we achieved earnings per share of 7.06 cents as at 30 June 2014. An on-market share buy-back was initiated on 20 February 2014 and completed by 30 September 2014, repurchasing 10% or approximately 15.9m shares, further improving our capital structure.

Unaudited results from operations for July to October 2014 continue to be strong with unaudited revenue of approximately \$8.4m and cash assets at 31 October 2014 of approximately \$36m and no corporate debt. Performance since 1 July 2014 remains on track with our previous market guidance representing \$1.5m NPAT for the six months to 31 December 2014. The outlook for the full year to 30 June 2015 will be subject to the impact of new funding and lease accounting but is expected to be consistent with the annualised run rate of the first half and a Full Year NPAT in the region of \$3m.

On 20 October 2014 I was pleased to announce the appointment of non-executive director Mr Fernando de Vicente to the position of full-time Chief Executive Officer of ThinkSmart effective 1 January 2015. Fernando has a Degree in Economics (International Development) from the University Complutense and an Executive MBA from IESE Business School in Madrid. Fernando spent nine years at Dixons Retail, latterly as International Managing Director before becoming Executive Chairman of BodyBell Group in 2010, one of Spain's largest speciality retailers. Fernando will be based in London and will assume the role of CEO from Mr Keith Jones, who will conclude his transitional period as CEO post the Group's sale of its Australian and New Zealand operations. I am also very pleased that Keith will continue with ThinkSmart in the capacity as Executive Director for Group Strategy and Development. Keith will operate on a part-time basis from April 2015 after a three month CEO transition period.

The Company will also make changes to its Board to reflect the movement in the operational focus of the Company. Mr Steven Penglis, being an Independent Non-executive Director of the Company since July 2000, and Chairman until 2007, has previously notified that he will retire as a Director, effective from the end of this 2014 AGM. The Board and management acknowledge and thank

Steven for his outstanding and considerable contribution and guidance over an extended period of time. On a personal note I would also like to thank Steven for his commitment, guidance, friendship and invaluable support over the journey.

The Board recognises the corporate governance implications of Fernando's appointment and Steven's retirement, therefore Independent Non-executive Director Mr David Griffiths will fulfil the role of Chairman for both the Audit and Risk Committee and the Remuneration Committee whilst we undertake the process to appoint a UK based Non-executive Director who will bring the skills we require to build the UK business and to ensure continued good governance. We have commenced the identification process and anticipate an appropriate appointment in the first half of 2015.

We strongly continue to believe the UK is the place to be to grow our business. ThinkSmart has a strong long term relationship with Dixons, UK's leading electrical retailer and our leadership team has been strengthened by the appointment of Fernando de Vicente alongside Keith Jones, both former Dixons Senior Executives. The UK market is nearly three times the size of Australia with 62 million consumers and ThinkSmart has secured access to many of these consumers through its relationship with Dixons. ThinkSmart's sector leading intellectual property delivers capability for point of sale financing solutions and facilitates the rapid development of innovative products into other retail sectors allowing ThinkSmart to create financing solutions with its chosen partners at relatively low cost and in rapid timeframes according to our customers' needs.

Historically our funding has been provided solely through a third party bank which since 2009 has been Secure Trust Bank (STB). Under the terms of this arrangement STB is the lessor and pays ThinkSmart a commission for arranging and managing the leases that ThinkSmart originates on its behalf. ThinkSmart receives this commission in cash up front and recognises it as income on receipt.

We are pleased to announce that ThinkSmart has received final credit approval for additional funding with Europe's largest commercial bank Santander, under which ThinkSmart will be the lessor and carry the assets on its balance sheet for the proportion of new business volume funded through Santander. ThinkSmart anticipates commencing funding with Santander in December 2014. Under lease accounting, ThinkSmart would recognise its revenue as it receives its rental income over the term of the leases predominantly 2 year contracts. In addition, ThinkSmart will receive its cash income as rent over the term of the leases rather than upfront as commission.

The impact of this change of funding will be to defer the timing of ThinkSmart's income recognition and cash receipt, however overall the expectation is that ThinkSmart's income and cash will grow over time as the rental income net of funding costs is higher than the commission it currently receives, due to lower cost of funds.

In response to shareholder feedback the Board released a market announcement in April 2014 to clarify our position on capital management. In October 2014 we concluded a 10% on market share buy-back and you will notice that today's AGM seeks shareholder approval to refresh ThinkSmart's 10% on market share buy-back capacity. The Board continues to consider a share buy back as an effective strategy to optimise returns to shareholders, whilst simultaneously providing sufficient

capital to meet the growth aspirations of the business in the UK. Accelerating growth and profitability in the UK operations remain the main focus of the business and we believe this is best met by increasing funding capacity and more favourable financing rates to underpin our aspirations to grow and diversify distribution and introduce new product.

On 18 November 2014 the Board announced that the Company will also seek shareholder approval to buy back up to 64.5m Shares under an Off-Market Buy-Back Tender, at prices tendered by shareholders between \$0.31 and \$0.42 cents per share. This represents approximately \$20 million worth of Shares assuming that the Shares are bought back at \$0.31 cents per share and approximately \$27.1 million worth of shares assuming the shares are bought back at \$0.42 cents per share. The Company may, at its discretion, reduce the size of the Buy-Back Tender. The Company also retains the discretion to buy back a lesser amount of Shares than indicated, or no Shares at all. The key considerations for the Company in determining the number of Shares to be bought back under the Buy-Back Tender will be the volume and price levels of tenders received and an assessment of the benefit to the Company and all shareholders of buying back Shares at the tendered prices.

The Buy-Back Tender is in addition to the On-Market Buy-Back for which shareholder approval is being sought at today's annual general meeting. Any Shares that are bought back under the Buy-Back Tender will be in addition to any Shares bought back under the On-Market Buy-Back. If the Buy-Back Tender is approved by shareholders, the Company will be able to buy back up to 79.2m Shares in aggregate under the On-Market Buy-Back and the Buy-Back Tender. This is the maximum number of Shares that may be repurchased rather than the actual number that will definitely be bought back.

Due to prescribed regulatory requirements for an Off-Market Buy-Back Tender it has become necessary to convene a further General Meeting of Shareholders scheduled for 22 December 2014, to enable consideration of an Independent Expert Report regarding the Buy-Back Tender. A copy of the Notice of Meeting and Independent Expert Report have been released to the market and were dispatched to shareholders at the end of last week. If approved by shareholders, the Company may buy back Shares under the On-Market Buy-Back before and after the Buy-Back Tender Period but will suspend the On-Market Buy-Back during that period.

Finally, on behalf of the Board of Directors, I would like to take this opportunity to thank all of our staff across the UK and Australia for their hard work and ongoing commitment and enthusiasm. I would also like to thank all of ThinkSmart's customers, partners, funders and shareholders for their continuing support. I especially want to thank the entire team at ThinkSmart for their enthusiasm, commitment and drive to transform ThinkSmart into a great international financial services business.

The business is performing in line with our expectations and we have solid plans and initiatives in place to position ThinkSmart well for sustained growth and profitability for the remainder of 2014 and beyond. Your Directors and management team are determined to build on the opportunities we have in front of us.