THINKSMART
ABN 24 092 319 698

ASX Announcement 22 May 2014

ANNUAL GENERAL MEETING ON 22 MAY 2014
CHAIRMAN'S ADDRESS

Ladies and Gentlemen

I am pleased to reflect on 2013 as a year that was transformational for ThinkSmart. Since late 2012 we have been focussed on the execution of a business transformation plan with the objective of unlocking value in ThinkSmart for all shareholders, delivering improved financial performance and returning the Group to profit in the 2013 year. The Group's 2013 statutory net profit after tax of $2.3 million compares to a $1.4 million loss in 2012. Following a comprehensive review of strategy in 2013, the Australian and New Zealand operations were sold for $43 million cash which the Board considers a fully priced offer. Profit on sale was $10.8 million net of sale costs and tax.

As a result we are in a strong cash position with $40.8 million available as at 30 April 2014. This follows the payment of a 3.6 cent fully franked special dividend on 19 February 2014 utilising $5.8 million cash. Our strengthened balance sheet and singular focus on the UK presents many opportunities to build long term shareholder value through 3 Pillars of Growth:

1. **Organic growth with existing partners:** Our relationship with Dixons has been further strengthened with the launch on May 15th of a brand new and innovative product to replace Infinity. This new proposition is called 'Upgrade Anytime' and provides an exclusive market leading product which builds on the success of our B2C leasing "Infinity" product. In response to customer insight we have developed a proposition which provides the option for customers to upgrade anytime within the 24 month contract period, creating maximum flexibility and allowing continuous access to the latest technology and product innovation.

   Also for the first time, this new proposition will be available to offer with all Televisions sold by Dixons in addition to desktops, laptops and tablets. We are especially pleased by this significant category extension and particularly at this very important commercial period leading into the Football World Cup.

   Together with Dixons we believe we have created another powerful point of sale product which increases sales and generates a long term relationship with the customer. It's very early days but suffice to say we are very excited about its relevance and potential in the UK market.

2. **Broader Distribution - Product and market development extending the model with new partners**: Our relationship with Kingfisher is embryonic but we believe it provides opportunities for future growth in the UK. As the leading DIY retailer in Europe, Kingfisher has targeted the boiler market as one with significant potential which will increase further as planned changes in environmental legislation emerge. They have partnered with ThinkSmart to create a lease based proposition initially targeted at circa 3.2 million properties let by

private landlords in the UK. As expected the trial has generated learnings for both businesses which we will draw upon for the next phase of the trial planned for the 2nd half of this year. We believe this is an interesting commercial area but we have also started to explore additional product categories with the Kingfisher team where a lease based proposition could create incremental sales and margin.

3. **Synergistic M&A opportunities**: We continue to evaluate investments in strategically aligned opportunities where we can unlock value and leverage growth. The Board will keep shareholders appraised of these initiatives when it is commercially appropriate to do so.

The UK is the right environment to grow our business. This market offers significant growth potential with some 62 million consumers, a resurgent economic environment with 2013 GDP growing at the fastest rate since 2007 and a tax regime that is increasingly supportive of business. We look to build long term, exclusive distribution agreements and entrenched partnerships which deliver value for some of Europe's largest retailers and their customers. Our core competency is a 10 year proven, proprietary, credit approving engine which allows us to process high volumes of low value transactions at the point of sale. Our products are executable throughout today's complex retail channel, creating additional revenue and enhanced margin performance whether a transaction is effected in store or online.

This point in 2014 sees us well advanced and well positioned in progressing our strategic plan. The Group's improved cash position creates broader opportunities for innovation in our chosen market place and to leverage our IP. We are looking to build further capacity to support expected growth in the areas of people, products, funding and support systems. As the UK business broadens its focus to an omni retailer model there is a requirement to introduce additional skills particularly in the areas of product development and strategy, treasury and risk and funding. Currently all funding is provided by one funder under a principle and agency arrangement. With anticipated growth and the improving economic environment in the UK it is timely to look to expanding funding relationships with a view to improving Group margins through lower cost of funds. This will see us adopting a lease accounting funding model while at the same time reducing operational risks associated with a single funder model. We believe a lower cost of funds will open up new markets to ThinkSmart.

On 3 April 2014 we advised the market that as a result of feedback from shareholders following the 2013 results announcement, ThinkSmart is considering all options in respect of a return of capital. ThinkSmart is also considering the future of its ASX listing. This includes the optimal manner by which to return capital to shareholders following the sale of the Australian and New Zealand operations. This process is ongoing and the Board continues to work with our advisers to deliver an outcome that will be in the best interests of all shareholders whilst ensuring the Company retains sufficient capital to meet its growth aspirations in the UK. In the mean time the on market buy back remains in place. The Board will provide a further update in its half year reporting in August.

Prior to talking to the UK business' performance in 2014 I will provide a brief overview of this business in 2013.

The UK operations contributed $7.8 million net profit before tax and corporate overheads for the 2013 year, a result consistent with the prior year. New originations of $25.9 million were 8% lower than the 2012 year, in part due to the one off impact of pre Olympic sales activity in 2012. Infinity originations were also impacted by a changing sales mix trending towards lower value tablets. As mentioned earlier, on 15 May 2014 the Infinity product has been replaced by the "Upgrade Anytime" product for consumers and we expect that the additional flexibility of the offer to consumers will result in increased demand for the product within Dixons. Profitability has been positively impacted by the continuing automation of processes which deliver efficiency benefits reducing operating costs as a percentage of revenue from 29.6% to 28.6%.

At the time of announcing ThinkSmart's 2013 results we confirmed previous guidance that we expected 2014 net profit after tax to be in the region of $3.0 million, excluding profit on sale of the Australian and New Zealand business and associated restructuring costs. This guidance was based on the new business volumes from the established retailer relationship with Dixons and assumes no contribution from new initiatives including Kingfisher. I am pleased to confirm that the UK operations are tracking in line with this guidance. Early indication from Dixons is the new "Upgrade Anytime" consumer product should deliver a lift in demand from the sales in the expanded target categories. To date, new business volumes are in line with budgets however volumes continue to track lower than for the same period in 2013. Importantly SmartPlan, which contributes a superior margin, is generating higher volumes than the prior year.

The restructuring of the corporate office cost base is now complete with the Australian based team now comprised of myself, an executive support role and part time company secretary/investor relations. A small corporate office is maintained at 45 Ventnor Avenue, West Perth.

In summary, we are pleased with our results at this point in the year. The business is performing in line with our expectations and we have solid plans and initiatives in place to lift bottom line earnings in 2014 and beyond. Your Directors and management team are determined to build on the opportunities we have in front of us through 2014 and into 2015.

At this time last year I announced the Board's commitment to developing and executing a succession plan with the intent to appoint a Chief Executive Officer, allowing me to focus on the role of Executive Chairman. It was initially intended for this transition to occur by 31 December 2014 however I am pleased that we have completed this transition with the commencement of Keith Jones, former Dixons Group Retail Director as CEO on 1 February 2014. Keith has had an immediate impact on the business evidenced by the recently introduced consumer product offering for Dixons. I am delighted to have Keith join the Executive Management team based in the UK.

In summary, during 2013, the business has completed a significant transformation agenda and has begun to unlock value in the stock, resulting in a stronger balance sheet which will provide further opportunities to invest in strategically aligned markets and increase funding capacity to grow the UK business. Organic growth opportunities through existing long term relationships are being actively pursued whilst at the same time we seek to extend our propositions to new sectors and retail partners while leveraging our core IP. The business is on track to meet its guidance for the 2014 year.

I would like to take this opportunity to thank all of our staff across Australia and the UK for their continued hard work and passion. A considerable effort was required to complete the successful sale of the Australian and New Zealand operations and I acknowledge the tremendous commitment of staff and directors to this process. The business has taken important steps over the last year to reposition itself as a business focussed on growth from the UK market. Achieving the exciting potential of the business in 2014 and beyond will also rely on the diligence, passion and creativity of the team and I would like to offer the thanks of your Board to all our staff in the UK and Australia.

Finally, I would like to also thank my fellow Directors and our shareholders for their contribution and continued support throughout the year.