

## **ANNUAL GENERAL MEETING CHAIRMAN AND CEO ADDRESS**

### SLIDE – CHAIRMAN'S ADDRESS

#### **Chairman's Address – Allan English**

I am pleased to report that Silver Chef has achieved another year of strategic, operational and financial growth. We have maintained our strong reputation with customers and continue to enhance and develop relationships with partners.

During the year the Silver Chef and GoGetta brands continued to expand into new markets and our staff continued to meet and exceed our expectations for performance and commitment.

### SLIDE – RESULTS OVERVIEW

The Company has delivered another year of growth across key indicators. Some of the financial highlights of the year include;

- A 35% increase in total asset acquisitions to \$125.3 million
- A 39% increase in rental assets (at cost) to \$257.4 million
- Earnings before interest and tax of \$22.9 million, up 26%
- Profit (after tax) of \$11.5 million
- Earnings per share (EPS) up 11% to 41.5 cents
- Equity up 29% to \$58.2 million

The strong financial position of the Company underpinned the Board's decision to declare a final fully franked dividend of 14.5 cents per share, taking the full year dividend to 28.5 cents, an increase of 19% on the previous year.

Operationally the business has again continued to deliver. Growth in the Hospitality (Silver Chef) division was enhanced by the Company's decision to expand into New Zealand as well as into some new sectors of the Australian market.

We are also in the early stages of expanding the Silver Chef brand beyond Australia and New Zealand. I am confident we have the right people and the right strategy to ensure we can establish a sustainable and successful business outside Australia over the coming years. Our CEO Charles Gregory will provide some more detail on our Canadian strategy shortly.

On a non-operational matter some of you will be aware that during the year I transferred one million shares in Silver Chef from my personal holdings to the English Family Foundation, taking total transfers to 4.5 million shares. No further transfers from my personal holdings to the Foundation are planned.

Apart from the divestment of small parcels of shares from time to time to fund charitable works, the Foundation will maintain ownership of the majority of the shares for the immediate future. The dividends and any other distributions associated with the shares will be used for charitable purposes, including supporting Opportunity International.

There were no changes to the Board composition during the year, other than the appointment of existing Director Karen Penrose as Deputy Chairman.

While the Company is proud of our success over recent years, we remain focussed on the future and ensuring we maximise the opportunity we have to continue building Silver Chef. I believe we have the right people, the right product and the right strategy to achieve the goals we have set ourselves and I look forward to being part of the journey.

Our guidance for the current year, which Charles will detail shortly, acknowledges that to ensure long term growth we must continue to invest in the business. This comprehensive investment program includes expansion into new international markets and the technology and operational platforms that underpin our business. The program will have some impact on the rate of earnings growth compared to what we have achieved in recent years, but is essential for our long term prosperity. To this end, our expected earnings per share for the current year is 44 cents per share.

I would like to take this opportunity to thank my fellow Board members, the Company Secretary, CEO Charles Gregory, and the rest of the Leadership Team and all the staff of Silver Chef for their contribution over the last year. I would also like to thank you, our shareholders, for your continued support.

I will now hand over to Charles for a more detailed operational review.

#### SLIDE – CEO'S ADDRESS

##### **CEO'S Address – Charles Gregory**

Thank you Allan and welcome shareholders.

The year under review provided another solid performance by the Company with continued growth providing strong evidence that the strategy we have adopted is creating sustainable and profitable growth.

#### SLIDE – EARNINGS

We have now completed year three of our 10-year plan which will take us through to 2020. The business, which is now in its 26<sup>th</sup> year, continued to achieve organic growth across both brands and our expansion in New Zealand continues to bear fruit.

The year provided a number of highlights for which the Board, management and staff can be extremely proud.

We achieved a 27% increase in profit after tax to \$11.5 million with revenue increasing 36% to \$114.4 million, compared to \$84.2 million in the year ended 30 June, 2012. Earnings per share increased 11% to 41.5 cents.

The strong underlying earnings allowed the Board to declare a 19% increase in full year dividends to 28.5 cents per share.

While desirable, our rapid growth has also come with some challenges. These challenges are evident in a small decline in the EBIT margin from 21.5% in FY12 to 20.5% in FY13. Primarily this is a result of reaching capacity limitations in our residual asset management systems. We expect this pressure to be alleviated with the opening in the September quarter of a second warehousing facility in Melbourne to service southern Australian markets.

#### SLIDE – ASSET ACQUISITIONS

Growing rental assets under management remains the Company's main performance indicator. In the year to 30 June we were able to continue the upward trend that we have been delivering for a number of years.

Total assets under management increased 39% to \$257.4 million with both brands delivering acquisition growth in excess of 30%.

The Silver Chef Hospitality division continued to perform strongly with the full impact of our strategic expansion into new markets beginning to deliver results. The decision to proactively target franchise brands in the fast food and café sectors as well as an expansion into New Zealand has created two new growth platforms which we believe will continue to provide good returns well into the future.

The financial year also saw the Company launch a campaign targeting the Pubs and Clubs industry sector. The sector represents an opportunity to continue to build on the incremental growth of the rental asset base and thereby promoting bottom line growth for the Australian business.

Financially, the Hospitality division performed exceptionally well with overall acquisitions increasing 37%, or \$20 million, to \$76.7 million. Rental assets increased 33% to \$173.4 million.

The 2013 financial year marked the fifth full year of operation for the GoGetta division. It is now a significant contributor to the overall performance of the Company and represents 33% of overall rental assets (at cost), compared to 31% in FY12.

While the brand continued to grow strongly in FY13, with acquisition growth of 32%, this was below historic levels in percentage terms but off a significantly larger acquisition base. Initiatives are being developed and implemented with the purpose of delivering sustainable and profitable growth.

#### SLIDE – FINANCIAL POSITION

Throughout the year we continued to focus on our balance sheet to ensure we have the appropriate levels of assets and liabilities considering the Company's size and stage of growth.

Our total assets increased 34% through the year to \$190 million while liabilities, principally comprising our bank debt, increased 36% to \$131.8 million.

#### SLIDE – FUNDING

Access to capital to acquire assets to rent to customers remains a fundamental component of our business.

In FY13 the Company acquired \$125.3 million worth of rental assets of which 73%, or nearly \$92 million, was funded from internally generated cash flows and the balance was funded from debt and equity.

To ensure an appropriate balance between debt and equity funding the Company undertook a \$5 million Placement and a \$3 million Share Purchase Plan in February. Shares were issued under the Placement and Share Purchase Plan at \$5.20.

The Company understands the need to have access to a diverse range of funding sources and in FY13 we expanded the portfolio to include \$30 million of unsecured fixed rate notes. The notes complement the Company's existing primary debt facility of \$110 million. As at 30 June 2013, this facility was drawn to \$60.6 million.

By way of update, in September 2013, Silver Chef undertook a Placement to cover the shortfall under the Dividend Reinvestment Plan. A total of 432,744 shares were issued under the Placement at an issue price of \$8.18 per share and raised \$3.54 million.

#### SLIDE – SHAREHOLDER RETURNS

##### **Silver Chef Limited**

Park Tower, 20 Pidgeon Cl, West End Q 4101  
PO Box 1760 Milton BC Q 4064  
ACN 011 045 828

P +61 7 3335 3300  
E [admin@silverchefgroup.com.au](mailto:admin@silverchefgroup.com.au)

[silverchefgroup.com.au](http://silverchefgroup.com.au)

Shareholder returns are of course the most important measure of our success. In FY13, our earnings per share grew for the sixth consecutive year while we achieved return on average equity (ROE) of 22% and return on average assets (ROA) of 13.8%.

#### SLIDE – FY13 HIGHLIGHTS

I think it is worthwhile taking some time to address some specific highlights for the year.

During the year we increased our penetration into the franchise market. This is a growing market in Australia where we still have relatively low penetration. We will continue to expand into this market in the current year and beyond.

Our New Zealand business also performed strongly, increasing assets by more than 400%, albeit off a relatively low base. FY13 was just the second full year of our entry into New Zealand and I am confident it will continue to make a positive contribution well into the future.

Our New Zealand experience has also taught us a number of important lessons about expansion into new territories which will be highly valuable to the organisation in the future as we enter other international markets.

The success of the Corporate Bond we issued in August 2012 was also an important milestone for the Company in exploring new avenues to diversify our source of funding.

#### SLIDE – STRATEGY & OUTLOOK

##### SLIDE – FUTURE STRATEGY

Looking to the future, I would like to address four specific aspects which will underpin our ongoing success. Those aspects being; growth, improvements in systems, processes and people, funding and gearing.

Growth, as always, is a major priority. For the Silver Chef brand we have developed a two-pronged strategy which focuses on delivering organic growth in our existing market while expanding offshore. The New Zealand market entry being our first example of the latter.

To this end, and following a rigorous and detailed selection process, we recently took some initial steps to establishing a small operation in Canada.

##### SLIDE – CANADA – MARKET OVERVIEW

Canada was one of a number of new markets we have investigated over recent times and believe it presents the best opportunity to build a sustainable and profitable business that complements our existing operations in Australia and New Zealand.

Our research indicates the equipment financing market within the hospitality industry is similar to the Australian market prior to Silver Chef. Both the population and foodservice market are roughly 50% larger than Australia with a fragmented equipment finance industry.

We have adopted a relatively conservative market entry strategy for the new venture with the opening of a small-scale office staffed by three to four employees. We will be offering the Rent.Try.Buy product under the Silver Chef brand to small business owners. Based on our research and discussions with local dealers and customers we do not believe we will need to make significant changes to our products or approach with our delivery model largely the same as we have in Australia and New Zealand.

We expect it will take a number of years for the Canadian business to become a meaningful contributor to the Company's earnings. Our primary goal is to build a profitable and sustainable business over the medium term.

#### SLIDE – FUTURE STRATEGY

Returning now to our immediate strategic priority of growth and our goals for the GoGetta brand.

After five years in the market GoGetta continues to build brand awareness in the sectors we have identified as having the greatest potential. We have had particular success in the construction, earthmoving and fitness industries but are aware of the need to expand this base further.

We have already identified a number of potentially high-value sectors which we will target aggressively in the future. We will be pushing hard to achieve greater penetration in those sectors where we are already having success.

Operationally, we are continually improving our systems, processes and people to ensure we have the strong foundations on which to build the business well into the future. We have recently undertaken some organisational restructuring based on the creation of smaller, more effective teams with clear lines of responsibility, clear accountability and acute focus on the local customer. This restructure is enabling the business to grow multi nationally without a loss of focus on Australian operations.

Our balance sheet and the level and sources of funding required to support growth of the business will continue to be a focus. We will always seek to maintain appropriate levels of gearing by funding the majority of asset growth out of internal cashflows but ensuring we have enough capital to fund new business. We will continue to aim for an appropriate level of diversity with our sources of debt.

#### SLIDE – OUTLOOK – ECONOMY

In considering the outlook for the group it is worth making some commentary on the prevailing economic conditions and the potential impact on our business. Paradoxically, many of the economic indicators we look at for insight have both a positive and negative impact on our business and our clients.

Firstly to the Australian dollar, which has gradually weakened off a near record high achieved six months ago. A weak dollar increases the cost of imported equipment which represents the majority of equipment we fund through Rent.Try.Buy. On the one hand this higher price is an impediment to small business acquiring more assets but on the other it is an incentive to utilise a rental product albeit with rent charged on the sale price. This is a good example of paradoxical impact.

The housing market is another key economic factor which has an impact on our business. There is broad consensus that in most major cities the housing market is showing some improvement.

Small businesses, particularly those in start-up phase, have a propensity to fund capital equipment through drawing down from equity on the family home. While this may on the surface appear to be a disincentive to utilise our products, a strong housing market flows quickly into small business confidence and encourages capital expenditure.

#### SLIDE – OUTLOOK – ECONOMIC CONDITIONS

Moving now to the current environment for business investment. As you can see from the chart business investment is relatively flat outside of the mining sector with a moderate decline forecast. Investment in capital expenditure by business is directly reflective of sentiment. In an environment where sentiment and confidence are relatively benign there is both a tendency for lower capital expenditure overall but also a tendency towards utilising rental agreements to preserve cash flow. In

addition, used equipment, which the Company manages through its residual asset management programme, becomes a more viable alternative. This is another example of the dual impact external factors can have on the business.

Lastly, we are all aware that the official interest rates are at near record lows. While low interest rates increase the comparative cost of the Rent.Try.Buy. product, it is the availability of finance, as opposed to the absolute cost, that is often more important to small business. After 27 years of operating in a varying interest rate cycle we are more than capable of managing the business through the current and future interest rate cycles. It is also important to remember that we fund the growth of our business in part through debt and as such lower interest rates reduce the overall cost of doing business.

#### SLIDE – STRATEGY & OUTLOOK

The 2013 financial year was the third year of our comprehensive 10 year strategy designed to take us through to 2020. The strategy identifies a number of important platforms where we must deliver if we are to achieve our five and 10 year goals.

Our focus in the current financial year will be on delivering the underlying asset acquisition growth which will ensure we can sustain 10% to 20% growth in earnings per share on a compound basis.

This will only be possible if we can continue to grow the business, attract and retain high quality staff, implement effective and efficient systems and processes across the business, and continue to enhance our customers' experience through great service and innovative solutions.

We have detailed plans to deliver on each of these platforms in the current year and are comfortable that we can continue the upward trend of recent years.

We are also confident we can continue to deliver solid organic growth across our key customer segments and brands. This organic growth will be complemented by further penetration of the Silver Chef brand into new geographic markets and the GoGetta brand into new market sectors and industries.

Taking into account trading in the year to date, the impact of our investment program in growth and operations and the prevailing economic climate it is anticipated that the result for this financial year will be a NPAT of \$13 million and EPS of 44 cents. It is worth noting that this outlook takes into account the startup costs of Canada and the impact this investment will have on NPAT and EPS growth in FY14.

I would like to pass on my thanks to the Leadership Team and all staff at Silver Chef for the effort they have put into delivering the results for the year. I would also like to thank the Board of Directors and the Company Secretary for their ongoing guidance and support. A special thanks must go to our business partners and customers without whom we could not achieve the level of success that we have.

Lastly, thank you, our shareholders, I hope the company's performance over the last year has met your expectations.

ENDS