



Hot Stock Silver Chef Greg Smith Net profits expected for 2014

What's new? Sentiment towards Silver Chef has improved markedly of late, with the company upping profit forecasts for the full year. The equipment financier has announced it expects to report full-year net profit after tax for the fiscal year 2014 at the "upper end" of the guidance range of \$12.2 to \$12.7 million.

In upgrading full-year profits, management confirmed the GoGetta unit had a "pleasing" last quarter with "promising" growth prospects for the year ahead.

We are also encouraged by the international expansion prospects at Silver Chef. After successfully establishing itself in Australia and New Zealand, the company is also setting up shop in Canada.

Outlook We had thought a new chief executive might be needed to give the turnaround more impetus, but it seems the executive chairman has been able to engineer this. Allan English (also the founder) has been at the helm since February. That the revival in fortunes has occurred under him may make investors less jumpy about the need for a new CEO near term.

Canada is not going to be a massive profits driver near term but we do see it as a solid source of growth over time. The equipment finance market for the smaller operators in the Canadian market shows similar characteristics to those in Australia prior to Silver Chef entering the fray.

Price The announcement last week has also sparked an improvement in the charting outlook following the "gap down" last year. Prices have successfully bounced off support at \$4.64 and broken above their 50-day moving average. A push towards, and above

Turnaround

Silver Chef share price



resistance, at \$6.43 would bode well for sustained gains over the medium term.

Worth buying? We are highly encouraged by the upgrade in profit guidance. While only having a brief update, we can surmise that the GoGetta division is getting back on track, the expansion into Canada is progressing according to plan, and the company has also cleared up any doubts over the appointment of a new CEO near term.

We also infer that the highly successfully domestic core hospitality division is still humming.

The shares trade at a modest valuation in our view at around 13.1 times and 12.9 times FY2014 and FY2015 earnings estimates respectively, and a current yield of around 4.9 per cent. We believe these metrics are attractive given the company's track record and growth prospects offshore.

To receive a recent Fat Prophets Report, call 1300 881177 or email info@fatprophets.com.au. Greg Smith is the head of research at Fat Prophets share market research. Disclosure: The author, and interests associated with him, hold shares in Silver Chef.