

4 July 2018

Dear Shareholder

RE: Trading Update and Forecast

As we close our financial year 2018 (FY18), and with four months of the GoGetta run off process under our belt, we felt it was timely to give you an update on company performance.

FY18 has been the most significant year of change the Group has experienced in our 32-year history. Difficult decisions have been made which are right for the long-term growth and success of our Company – changes which set us up for a successful trajectory over the coming five years.

The Transformation Strategy we are embarking on includes:

1. **A Single Brand** - Silver Chef will become a single brand dedicated solely to hospitality. This sharper focus will enable a deeper understanding of both customers and the industry, which will unlock additional growth in dedicated hospitality channels such as coffee and franchise;
2. **A Simpler Australian Organisational Structure** – a restructure of the Australian business creating national alignment and enabling operational teams to focus on delivering further growth;
3. **Expansion in North America** - the Company will continue its expansion into North America off the back of in-depth market and customer intelligence, and customer focused technology; and
4. **Digital Investment** - the Company will direct capital to accelerate development of technology to build scalable systems that improve customer experience and deliver internal efficiencies and cost savings.

Significant work has been put in during the second half of FY18 to realign and refocus the company to our One Brand, One Industry strategy and we are enthusiastic about Silver Chef's future prospects.

GoGetta Run Off Process

Four months into the GoGetta run off process, the book is performing in line with expectations. As previously communicated, we had expected customer payouts to increase after the announcement to exit GoGetta. Pleasingly this has not occurred, with customers' behaviour remaining unchanged. This means that customers have continued to pay their weekly rent, maximising the cash that GoGetta is collecting.

With these stronger cash flows, the Group finished the financial year \$12 million ahead of the debt amortisation schedule and is set up well to continue the trend into quarter one of FY19. Therefore, at 30 June 2018, bank debt is at \$88 million with the written down value (WDV) of the GoGetta rental book at \$104 million – see table below:

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	Assets	Debt
As at 31 March 2018	\$140m	\$125m
Securitised sell-in April 2018	-	(\$13m)
Customer contract payouts and idle asset sales	(\$21m)	(\$10m)
Depreciation	(\$11m)	-
Impairment	(\$4m)	-
Rental revenue for the April – May 2018	-	(\$14m)
As at 30 June 2018	\$104m	\$88m

Note that these numbers do not include \$9 million of GoGetta finance leases which were not sold in to the securitisation vehicle.

Countering the strong rental revenue is continued higher than expected arrears, which creates a degree of risk in the back half of the run off process.

As previously communicated, the Group continues to investigate opportunities to realise some portion of these assets earlier than in the normal course of business and bring forward cash flows.

ASIC

Silver Chef has been working through an issue that has arisen with ASIC regarding a number of light commercial contracts issued by our discontinued GoGetta business in prior years that have been alleged by the regulator as constituting consumer lending without an appropriate licence.

The contracts relate to the purchase of sedans, wagons or SUVs and were all originated through third party finance brokers. Silver Chef has commissioned EY to undertake an extensive review of all contracts and the GoGetta internal processes.

Management is committed to working with ASIC to resolve the matter. We expect the ongoing discussions with ASIC will straddle the year end period so the impact on the FY18 accounts is unknown at this stage.

Underlying Hospitality Guidance for FY18

Following lower than expected growth in the final quarter within the Hospitality segment, underlying pre-tax profit is now expected to be within the \$17 million to \$18 million range compared to previous guidance of \$20 million to \$24 million. This shortfall is predominately from:

- revenue shortfalls from rental contracts;
- increased impairments on rental arrears and suspended assets, driven by the Company's decision to increase provisioning to a level that is optimal for ongoing management; and
- additional finance costs associated with the recent bank restructure.

FY18 Statutory Group Guidance

There are a number of areas being resolved that will impact our FY18 statutory result scheduled to be released to the ASX late August 2018. This includes finalisation of our discussions with ASIC and the accounting implications from the potential realisation of some portion of the GoGetta assets earlier than in the normal course of business. We currently expect that the FY18 statutory loss will be substantially greater than the previous FY18 net profit after tax guidance of between \$9 million and \$12 million.

FY19 Hospitality Outlook

With renewed focus on the back of the One Brand, One Industry strategy, the Group will begin to realise the significant opportunities inherent in the global Hospitality market. In order to capitalise on these opportunities over the next five years, FY19 will be a year of investment as we execute our Transformation Strategy outlined earlier.

Our current FY19 forecasts for originations (new business) growth is as follows:

- Australia – 10%
- NZ – 15%
- Canada – 50%.

Conclusion

While these necessary changes have resulted in some short-term pain, both the Board and Management are confident that they will deliver the Group's historical levels of growth and returns over the next few years.

We would like to thank you for your continuing support and, as always, are committed to building a company of which we can all be proud. We look forward to keeping you updated on our progress.

Kind Regards,

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About Silver Chef

Silver Chef was established in 1986 to help businesses fund their equipment needs through the Rent-Try-Buy® and Rent-Grow-Own® Solutions. This keeps their options open and preserves their cash to grow their business.

Silver Chef Limited is an Australian Securities Exchange-listed company (ASX Code: SIV) focused on long term rentals of commercial equipment to small-to-medium enterprise in the hospitality space. The company has a significant presence in Australia and growing exposure to the New Zealand and North American markets.

Disclaimer

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The forward-looking statements made in this letter relate only to events as of the date on which the statements are made. Silver Chef will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this letter except as required by law or by any appropriate regulatory authority.

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