

FY18 PRELIMINARY UNAUDITED FINAL RESULTS

Year in Review:

- Underlying hospitality business remains positive with a net profit before tax of \$17.3 million
- Statutory net loss after tax of \$48.0 million following the exit of the GoGetta business and a material reset of Group collections strategy
- Significant, multi-year business Transformation Project commenced
- Continued growth in the New Zealand and Canadian asset base
- Restructure of Australian hospitality business
- Implementation of a \$200 million Securitisation Facility
- Final dividend suspended

(\$ millions unless otherwise stated)	30 June 18	30 June 17
Revenue	287.1	286.0
Net profit/(loss) after income tax	(48.0)	20.2
Net operating cash flows	165.9	152.9
Hospitality rental asset base #	323.3	309.2
Basic EPS (cents per share)	(122.4)	55.3
Final fully franked dividend (cents per share)	-	25.0

Note: the above financial result is unaudited. The company audit is expected to be completed no later than 30 September 2018 following agreement of Capital Management Plan with Lenders and finalisation of the Company's year-end tax position.

Asset base includes rental assets at written down value and lease receivables at amortised cost.

Leading equipment financier Silver Chef Limited ("Silver Chef" ASX: SIV) today reported a net loss after tax of \$48.0 million. The hospitality business remains positive, reporting an underlying FY18 profit before tax of \$17.3 million and revenue growth of 15%.

The FY18 full year loss is largely attributed to the Group's exit of the GoGetta business announced on 26 February 2018. The loss constitutes a write down of expected returns from the GoGetta business, customer remediation and related costs, a write off of borrowing costs relating to the previous bank facility, and a strategic and deliberate reset of provisions for the arrears and rental asset book on a go-forward basis.

During the year the Company restructured the Australian and Canadian operations and undertook a detailed review of its customer arrears and idle and suspended rental assets. Following the review, the Company has

elected to take additional provisions for arrears greater than 90 days and some larger exposures. Additional provisioning has also been taken against the idle asset pool to better reflect a reduced ageing profile. In addition, following the refinance of the Group's debt facility earlier in FY18, the balance of unamortised borrowing costs has been written off.

Earnings on a brand basis are as follows:

(\$ million unless otherwise stated)	Hospitality (pre-overheads)	GoGetta (pre-overheads)	Overheads	Total
Ongoing operations	34	-	(17)	17
Discontinuing operations	-	(1)	(10)	(11)
One-off impairments	(22)	(52)	-	(74)
Profit/(loss) before tax	12	(53)	(27)	(68)
Income tax	(4)	16	8	20
Net profit/(loss) after tax	8	(37)	(19)	(48)

A reconciliation of underlying net profit before tax to statutory net loss before tax is as follows:

(\$ million unless otherwise stated)	Hospitality	GoGetta	Total
Underlying ongoing operations (including overheads)	17	-	17
Discontinuing operations (including overheads)	-	(11)	(11)
Debtors impairment > 90 days#	(9)	(24)	(33)
One-off impairment large exposures	(8)	-	(8)
Rental asset impairment	(4)	(21)	(25)
ASIC remediation	-	(4)	(4)
Borrowing costs write off	(1)	(3)	(4)
Profit/(loss) before tax	(5)	(63)	(68)

The Company has elected to impair arrears > 90 days to better align with the introduction of AASB9 which brings forward provisions much earlier in the contract cycle.

Chief Executive Officer, Damien Guivarra said, "FY18 has been the toughest year in Silver Chef's 32-year history and the changes we have made have had a significant impact on customers, partners, staff and shareholders. The changes we are making by exiting GoGetta and adopting our One Brand, One Industry strategy, restructuring our business, transforming our digital capabilities and expanding internationally, are necessary to create continuing growth and returns. Both Board and Management are confident in the strength of our core hospitality business and the opportunities it presents."

Capital Management

The Company's total assets at 30 June 2018 are \$497.3 million. During the year, the Company finalised a \$200 million Securitisation Facility and renegotiated the Company's Senior Lending arrangements.

Following an expected breach of the Company's financial covenants due to the material write-downs at 30 June 2018, the Company has received waivers though to 30 September 2018 in order to agree an acceptable Capital Management Plan with its Lenders. The Company has commenced discussions with several debt providers and expects to introduce subordinated debt to its capital structure as part of the agreed Capital Management Plan.

Collections and Risk Strategy

During the year a review of the Company's arrears and collection process was undertaken. Following this review all aged arrears greater than 90 days have been outsourced to a debt recovery agency. The Company has elected to now provision in full (net of customer bonds) all arrears greater than 90 days.

This has been a prudent and deliberate once-off reset of the aged book.

The Company has undertaken an exhaustive process to ensure credit quality of the book moving forward is maintained. Following the review, the Company has made the following changes to its credit management framework:

- Implementation of a specific Large Exposures Policy;
- A tightening of the Franchise Credit Policy;
- Introduction of a strict Debt Life Cycle that fully provides at 90 days.

With the sole focus on hospitality, Silver Chef has experienced improved credit performance over the last six months with a reduction in new contracts going into arrears.

GoGetta

On 26 February 2018, the Company announced the decision to exit its GoGetta business. This decision was made in the best interests of the Company's long-term growth and profitability over coming years.

The Company commenced an orderly run off process of the GoGetta book in March 2018. The process has run relatively smoothly with cash generated ahead of the bank amortisation schedule. We continue to focus on the quality of the book as we move into the second half of the run off process.

The following table presents the written down value (WDV) of the GoGetta rental book and the related debt balance as at 30 June 2018:

(\$ millions)	Rental Assets	Debt
As at 31 March 2018	140.0	125.0
Securitised sell-in April 2018	-	(13.0)
Customer contract payouts and idle asset sales	(21.1)	(10.0)
Depreciation	(11.0)	-
Impairment	(16.0)	-
Rental revenue for April – May 2018	-	(14.0)
Rental revenue for June 2018 (debt paid down July 2018)	-	(11.0)
As at 30 June 2018	91.9	77.0

The following table reflects the GoGetta net assets as at 30 June 2018 following impairments:

(\$ millions)	30 June 18
Net rental assets	91.9
Net lease receivables	9.3
Net trade receivables	6.6
Payables and provisions	(7.2)
Customer bonds	(8.0)
Net bank debt	(77.0)
Net assets	15.6

The Company continues to investigate ways to maximise cash returns from the GoGetta book by selling components or all of the portfolio.

ASIC

As disclosed on 4 July 2018, Management continues to work with ASIC to resolve the previously communicated matter regarding the GoGetta business. The Company has taken a \$3.8 million provision for customer remediation and related costs at the full year while a resolution continues to be worked through.

Hospitality

During the year the overall hospitality asset base at cost grew 12% to \$415 million. Globally, originations were \$184.6 million. Asset base and originations per country are:

(\$ millions)	Closing asset base FY17 (at cost)	Closing asset base FY18 (at cost)	Growth %	Originations FY17	Originations FY18	Growth %
Australia	314	341	9%	143	149	4%
New Zealand	29	38	31%	15	17	13%
Canada	29	36	24%	19	19	0%
Total	371	415	12%	176	185	5%

Overall, it has been a disappointing year of growth for Silver Chef. Originations fell below expectations due to the distraction of the GoGetta exit and the significant disruption caused by the Canadian Management change and the complete restructure of the Australian business impacting in particular the second half.

Future growth prospects remain positive due to several reasons including the focus on hospitality that will enable deeper customer insights and unlock growth, particularly in dedicated hospitality channels such as coffee and pubs & clubs.

Further, groupwide initiatives include the roll out of a new global sales framework to enhance hospitality sales disciplines and the launch of the 'Pulse' automated approval system which will drive growth across all markets.

In the Canadian market, the implementation of the Silver Chef dealer incentive scheme will drive growth as has occurred over several years in both Australia and New Zealand. Combined with our partnerships with Restaurants Canada and the Canadian Franchise Association, Silver Chef Canada is set for a strong growth year in FY19.

Business Transformation

Silver Chef has begun a significant multi-year Transformation Project to facilitate the next stage of growth. The Project includes a restructuring of the Company's Australian operations, continued expansion in North America and a complete overhaul of the Company's digital capabilities.

Mr Guivarra said "the Transformation Project and the deep focus on one global hospitality brand, based on 32 years of experience in the sector, will support the Company's next stage of growth and profitability. "

In line with North American expansion, detailed due diligence has been undertaken on the USA market that suggests that our Rent-Try-Buy product will resonate in that market. We expect to commence a controlled trial in the second half of FY19.

Most importantly, the Group will utilise available capital to accelerate development of technology over the next three years to continue to build scalable systems to improve both customer experience and internal efficiencies. During the year the Company launched the Pulse product which will drive speed and ease for

both customers and partners and deliver significant internal efficiencies. Pulse will roll out in a staged process to the broader dealer network in all three markets over the course of FY19.

Dividend

Based on the reported full year loss the Board resolved to suspend the final dividend.

People and Culture

Silver Chef was pleased to recertify as a B-Corp during the course of FY18. This was a significant milestone, particularly as the Company's assessment score grew from 83 to 93. The recertification is a validation of Silver Chef's commitment to running its business under a values driven framework with a genuine desire to make a wider contribution in the world. During the year, we formalised strategies for better supporting our staff and our customers, reducing our environmental impact, and creating more meaningful engagement with wider community initiatives through the establishment of the Silver Chef Foundation.

Outlook

With a strong core business, Silver Chef is confident in the many opportunities it has in Australia, New Zealand and North America.

In the coming year we expect Australian origination growth to be approximately 10%, New Zealand origination growth to be approximately 15% and Canadian origination growth to be approximately 50%. The Group's sales are on target after the first six weeks of the financial year.

FY19 will also be a year of investment, with a \$4 million investment in digital transformation and a streamlining of our internal contract and debtor management systems.

The Company will continue to work on reducing overhead costs and streamline its operation.

Over the coming years, the Company expects to drive growth and returns by:

- Successfully executing the multi-year Transformation Project;
- Leveraging 32 years of history and customer insight to focus on hospitality and unlock growth opportunities in Australia and New Zealand;
- Growing our global footprint by continued expansion into North America;
- Delivering speed, ease and efficiency through market leading technology;
- Continued focus on amplifying our impact through BCorp and our support of Opportunity International;
- Applying a strict risk and credit management approach;
- Return to our predictable, consistent and proven business model.

Both the Board and Management remain confident in the core hospitality business and that the transformation strategy the Company is embarking on will deliver growth and returns over coming years.

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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® Solution. 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 rentals of commercial equipment to small-to-medium enterprise. The Company has operations in Australia, New Zealand and Canada and operates under two brands: Silver Chef – hospitality assets and GoGetta (now discontinued) – broader commercial equipment.

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