MEDIA/ASX ANNOUNCEMENT
28 February 2019

FY19 FIRST HALF RESULTS

Half Year in Review:

- Reported Statutory Net Loss after tax of $11.7M
- Underlying[1] hospitality Net Profit before tax of $2.1M
- Capital Management Plan progressing
- Refocus on hospitality business only
- Deliberate slowdown of Australia and New Zealand hospitality originations due to capital constraints
- Canada hospitality up 52% yoy off a low base and without the same level of capital constraints
- Company cost out program to realise $5M in savings
- Launch of the Silver Chef Online Application Portal
- Enhanced credit and risk framework
- GoGetta run off continuing in line with expectations with $122M cash generated. GoGetta is self-funding and we remain on track to release surplus equity over time

Summary Statutory Results 1HFY19

($ millions unless otherwise stated)	**31 Dec 18**	**31 Dec 17**
Revenue	121.6	146.0
Net profit/(loss) before income tax	(17.2)	(18.6)
Net profit/(loss) after income tax	(11.7)	(13.1)
Net operating cash flows	80.3	75.1
Hospitality rental asset base[#]	445.3	429.4
Basic EPS (cents per share)	(29.8)	(33.3)

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

Silver Chef Limited ("Silver Chef" ASX: SIV) today reported a first half statutory net loss after tax of $11.7 million. The hospitality business is progressing well through its Business Transformation Project and achieved an underlying[1] hospitality first half net profit before tax of $2.1 million.

The underlying[1] hospitality result does not include the following significant one-off items:

- Costs associated with the execution of the Company's Capital Management Plan expected to be completed in 2HFY19;
- Costs incurred as part of the Company's cost out program, including redundancies and restructuring property leases; and

[1] Please refer to the table "A reconciliation of underlying net profit or loss before tax to statutory net loss before tax" on page 2

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- Costs associated with the application of the new AASB9 accounting standard across the Company's Finance Lease book and the application of the same principles to the Operating Lease book (Rent-Try-Buy).

Further, the underlying[1] hospitality number is impacted by a deliberate reduction in originations as the Company works with its Lenders to deliver the Capital Management Plan.

Table: A reconciliation of underlying[1] net profit or loss before tax to statutory net loss before tax:

($ million unless otherwise stated)	Hospitality Direct	Group Overheads	Hospitality Total	GoGetta Direct	Group
Statutory profit/(loss) before tax	**5.1**	**(14.3)**	**(9.2)**	**(8.0)**	**(17.2)**
Capital Management Plan costs	-	1.0	1.0	-	1.0
Restructuring costs	-	1.7	1.7	-	1.7
AASB 9 Impairments	3.2	-	3.2	0.2	3.4
Operating Lease asset impairments	5.4	-	5.4	3.2	8.6
ASIC remediation provision	-	-	-	2.0	2.0
Underlying earnings before tax	**13.7**	**(11.6)**	**2.1**	**(2.6)**	**(0.5)**

Chief Executive Officer, Damien Guivarra said, "Silver Chef Limited has worked co-operatively with our lending partners over the first half to progress the Capital Management Plan. In conjunction with these efforts, we have progressed our multi-year Business Transformation Project, including a roll out of our Online Approval and Application portal, a $5 million cost out program, revised credit and collections framework, and over 50% year on year growth in the Canadian market. Silver Chef is well placed to capitalise on growth opportunities once the Capital Management Plan is executed."

Capital Management Plan

As at 30 June 2018, the Group was in breach of debt covenants under its Syndicated Debt Facility (Syndicated Facility) and its Securitisation Warehouse Facility (Warehouse Facility) following the FY18 statutory loss. Waivers were obtained in relation to both facilities to 31 March 2019, conditional on a successful raising of a minimum capital requirement of $45 million to repay the Syndicated Facility and to ensure the net debt to net rental asset ratio under the Syndicated Facility was no greater than 65% by 28 February 2019.

The Company has not yet raised the minimum capital requirement of $45 million and has received extended waivers from its financiers and an extension of time until 30 April 2019. A further condition of the waivers is that the Company requires syndicated lenders' consent for any debt drawdowns or asset sell-ins to the Warehouse Facility. Restrictions on cash distributions from the Warehouse Facility are currently in place.

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The Company continues to work with its financiers to obtain permanent waivers of these breaches and reset covenants to maintainable levels. The Company has signed a non-binding term sheet and agreed an exclusivity period with a preferred party to provide $45 million of Mezzanine debt. A condition of receiving the Mezzanine debt is for the Company to raise an additional $20 million of equity to support the Company's growth.

The Company is progressing the Capital Management Plan and has appointed Morgans Corporate Limited as Lead Manager for the equity raising.

AASB9 *Financial Instruments*

The Company transitioned to AASB9 *Financial Instruments* as at 1 July 2018. AASB9 *Financial instruments* requires the Company's finance leases and trade receivables to be accounted for net of the expected losses over the life of the contract. Operating lease assets associated with the Company's Rent-Try-Buy product will continue to be accounted for under AASB 116 *Property Plant and Equipment* however the Company has elected to apply the principles of AASB9 for these assets.

In adopting AASB9, the Company revised its debt life cycle policy, reconfirmed its 90-day provisioning policy for arrears and introduced a 40-week provisioning policy for rental assets in arrears.

The adoption of AASB9 has had a material impact on the Company's Balance Sheet with a transitional allowance for impairment losses of $9.7 million at 1 July 2018. Impairment losses of $7.9 million were recorded in the half year to 31 December 2018 and represented a material increase to standard provisioning pre adoption of AASB 9.

Application of the new standard requires the use of an expected loss model with provisions now being recorded against new and non-default contracts, resulting in higher provisions.

In addition to the AASB9 adjustments the Company has estimated the financial impact of applying the 40-week debt life cycle on rental assets in arrears to be $8.6 million in the half year to 31 December 2018.

Hospitality Operational Review

As previously disclosed, the Company has made improvements to its credit management framework, including:

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

Over the course of the first half, the Company has experienced improved metrics in risk and collections, including:

- An improvement in arrears rates;
- A reduction in arrears referred to external agents;
- A reduction in direct debit dishonour rates in Australia and New Zealand - a lead indicator for future arrears.

During the half year the overall hospitality asset base grew 3.71% to $445.3 million. Globally, originations were $92.0 million.

Originations in Australia and New Zealand in the first half were deliberately reduced as the Company worked through its Capital Management Plan.

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In the Canadian market, originations of both new assets and re-rentals grew 52% over the first half last year (off a low base and without the same level of capital constraints), demonstrating the market appetite and opportunity in the Canadian market.

GoGetta

The run off of the GoGetta book continues to perform in line with expectations with $122 million of cash generated since commencement. Impairments taken at 30 June 2018 have largely protected the Company against the downside risk inherent in the back end of the process. Importantly, this has left a quality 'good' book of over 3,000 customers with quality assets paying their weekly rent, which will deliver cashflows over the coming 12 to 24 months.

The combination of the initiatives put in place for the collection of assets and arrears and the cash flow from the good book, leaves GoGetta in a position where there will be no need for any additional capital.

The net bank debt at 31 December 2018 was $30.5 million and is expected to be fully repaid by the end of the 2019 calendar year. As at 28 February 2019 the net bank debt is expected to be less than $22.0 million.

Management continues to work with ASIC to resolve the formerly communicated matter regarding the GoGetta business. The Company has increased its remediation provision in line with current discussions and customer rental receipts during the period, from $3.8 million to $5.8 million.

Business Transformation

Silver Chef has continued to execute its multi-year Business Transformation Project which is aimed at returning Company to its consistent, predictable and proven hospitality only business model. Several milestones over the first half include:

- Implementation of an enhanced credit risk framework delivering improved bad debt and impairment metrics;
- Initiation of a $5 million Cost Out Program to reset the cost base of the business in the second half;
- Launch of the Silver Chef Online Application Portal and subsequent roll out to 350+ dealers in Australia and 90+ dealers in Canada – delivering internal efficiencies and improved customer experience;
- Delivery of a new Global sales framework – driving consistent quality and growth;
- Execution of a new Partner Incentive/Engagement Platform – delivering growth through the traditional dealer market;

Moving forward into the second half, the Business Transformation Project will continue to focus on improved scale and efficiency through systems and technology, continued improvement in credit performance, normalisation of growth in the Australian, New Zealand and Canadian markets and finalisation of the Cost Out Program.

Cost Out Program

Following the Company's decision to exit the GoGetta business on 26 February 2018, it has been working through a structured business re-organisation program to reset the cost base.

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As part of this process, operational cost base savings of $5 million have been identified. The savings are largely based on headcount reductions, both through attrition and redundancy. As a consequence, the Company will operate with a centralised head office at West End in Brisbane with customer service operations and administration roles in Melbourne relocated. Excess office space in Melbourne, Sydney and Brisbane will be closed to reduce property costs going forward.

Redundancy costs and restructuring provisions on excess office space of $1.7 million have been booked at 31 December 2018 and redundancy costs of circa $1.0 million are expected in the second half.

Finally, the resized Canadian cost base is expected to support North American growth over the next three years.

Dividend

Based on the reported first half loss the Board resolved to suspend the interim dividend.

Outlook

Both Board and Management remain confident in the underlying health of the business. A successful execution of the Capital Management Plan is needed to facilitate the return to growth.

The Company will continue to apply strict risk and credit management strategies to maintain target impairment levels and deliver speed, ease and efficiency through the use of the Silver Chef Online Application System.

Board and Management would like to thank shareholders for their continued support and remain confident that the Company's Business Transformation Project can deliver a return to historical growth rates and returns over the 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.

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