

## FUNDING AND TRADING UPDATE - SILVER CHEF LIMITED

### Highlights:

- New \$200M Securitisation Warehouse Facility
- Total debt capacity increased to \$550m to fund future growth
- Securitisation warehouse can be applied to one-year rental contracts for both brands
- Increased funding to support international expansion
- Improving ROA in GoGetta business
- Recovery of capital from “back-book” of discontinued Light Commercial contracts remains challenging

Leading equipment financier Silver Chef Limited (“Silver Chef” ASX: SIV or “the Company”) is pleased to announce that it has executed a new \$200 million securitisation warehouse facility (“SWF”) in conjunction with Westpac Banking Corporation (“WBC”). This SWF provides the Company with significant funding capacity to capitalise on growth opportunities across Australia, NZ and North America. It is a significant endorsement of the Group’s robust business model and supports the Company’s significant growth opportunities both domestically and overseas. This announcement provides details of the new financing arrangements and provides an overall update of trading conditions leading into 31 December 2017.

### Trading update – Core Business

The core business is performing largely in line with plan as the Company continues to execute on its strategy of going ‘deep’ within its existing channels of hospitality, construction and heavy transport. The hospitality business continues to grow, both domestically and in line with our international expansion strategy in New Zealand and Canada.

The GoGetta business will write lower acquisition volumes in 1HFY18 compared to the preceding period primarily due to the Company’s decision to withdraw from funding in the Light Commercial channel. Regardless of lower than expected acquisition volumes, this is aligned to management’s plan of reducing the level of relative capital invested in the GoGetta business while at the same time focusing on improving credit quality and return on assets (“ROA”).

ROA remains stable in the Silver Chef business and a substantial improvement has already been realised in GoGetta during 1HFY18. Regardless, management is undertaking a strategic review of the GoGetta business and continues to critically assess the capital weighting between the two brands.

### **Trading Update - Back Book**

The “Back Book” relates to the aged portion of the GoGetta asset base, which largely constitutes poor performing customer contracts in the now discontinued Light Commercial channel. Customer credit performance in this channel has been poor and collection of arrears and repossession of assets has been challenging. Management has been working on collecting both arrears and rental assets with the help of outsourced service providers during 2HFY17 and 1HFY18. To date, recovery of assets is in line with expectations however recovery of arrears is lagging against internal targets. Management continues to work through the issue with the Company’s outsourced service providers with the view of resolving by 30 June 2018.

### **\$200 million Australian Securitisation Warehouse Facility**

The SWF has been designed to finance new Australian rental contracts under both the Silver Chef and GoGetta brands on a similar basis to the historical senior financing arrangement. The SWF is subject to portfolio performance parameters which are in line with the historical operating parameters of the Company’s book of rental contracts.

The SWF has a facility life of three years. The Company expects the SWF to be fully drawn by 30 September 2018 at which time it can be extended to accommodate future growth or run-off on a self-funding basis.

Silver Chef’s first loss contribution for new contracts financed in the SWF will be 20%. Any credit augmentation, which may be required as a consequence of portfolio parameters varying from expectation, will be funded from cash contributions within the SWF and does not require Silver Chef to inject additional capital beyond its first loss contribution. The SWF will be consolidated as part of the Silver Chef Limited Group for accounting purposes, but from a legal perspective its security position is restricted to the cashflows associated with specific rental contracts and the underlying equipment which is the subject of those rental arrangements.

### **Restructure of Senior Secured Facility**

Implementation of the SWF has permitted the restructure of the Company’s existing senior secured lending arrangements (“the Senior Corporate Facility”). At the time of first draw of the SWF, the Senior Corporate Facility limit will be reduced to \$350M. The restructure of the facility will result in an increase in the debt tenor to three years and include an additional \$10m of funding capacity for the growing Canadian operation. At all times, the Company will maintain a minimum of \$100 million of available capacity between the senior secured facility and the SWF.

### **Impact on Capital Structure**

As the SWF is drawn down during FY18 and the senior secured facility reduced, total group gearing (senior and securitised debt) is expected to remain in the range of 65-70%. As greater reliance is placed on the SWF in the future, gearing which is full recourse to Silver Chef Limited will continue to reduce but a higher level of consolidated financial leverage may be achieved.

Effective performance of the SWF over the coming year is expected to produce a reduced weighted average cost of capital for the business. The first round of securitisation funding sets Silver Chef on a pathway to



unlocking wholesale debt capital which provides a more efficient and diversified funding base for the Company both domestically and ultimately overseas.

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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 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 – broader commercial equipment.

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