

26 April 2018

Dear Shareholder

RE: Future Strategic Direction for Silver Chef Limited

We think it is important to provide you with an update on the recent strategic announcements made with our first half financial results and clarity on what these changes mean for the future of our Company.

The first half loss of \$13m was significantly affected by GoGetta and included a softer performance from the hospitality business, which trades as Silver Chef. The result included approximately \$20m in impairment provisions against the GoGetta book and \$4.8m against the Silver Chef book.

In this letter we outline why we believe the decision to exit the GoGetta business will be positive for the Company. The letter includes:

- Detail about our plans for realising maximum value on the GoGetta assets;
- The current make-up of the GoGetta book; and
- An update on the sales performance of Silver Chef in the March quarter.

Silver Chef Focus to Deliver Growth

We announced on 26 February 2018 our decision to exit the GoGetta business and focus exclusively on our core Silver Chef business. This is a significant change in the strategic direction of the Company that we believe will provide a return to the levels of growth, profitability and return on assets we have achieved in previous years and provide the foundations for a sustainable and prosperous future.

The decision to wind down the GoGetta business was made after completing a comprehensive review of the business. The conclusions were as follows:

- **Economic Returns** – Silver Chef has a long track record of achieving predictable and attractive returns. Although Management had been improving returns in the GoGetta business over the last 12 months, it became clear that returns were unlikely to match Silver Chef's;
- **The Opportunity Cost** – We believe that there are a number of growth opportunities domestically and overseas for Silver Chef. The GoGetta business did not have the same risk reward returns;
- **Strategic Direction** - Strategically, we had to ask ourselves a simple question – did we want to continue to diversify our efforts, or become a world-leader in one brand and one industry? and
- **Shareholder Value** - Finally, when we asked ourselves where it was best to invest capital, the answer became very clear. Silver Chef with 30 years of proven performance and industry expertise, and with significant growth opportunities in Australia, New Zealand and North America, is a far better value proposition than GoGetta.

Why does Silver Chef generate better returns than GoGetta?

- **Credit Quality** – Silver Chef consistently exhibited superior credit performance over the last 10 years;
- **Contract Performance** – Silver Chef always outperformed GoGetta particularly in the areas of contract duration and churn;
- **Customer Understanding** – There was a finance broker intermediary between GoGetta and our customer. In the hospitality business we are a lot closer to the customer; and
- **Cash Conversion Cycle** - Hospitality businesses have daily cash flows versus transport and construction businesses which are usually monthly.

As a purpose-driven Company and a certified B-Corp, the decision to make staff redundant was not easy and we have worked closely with staff to ensure their welfare is a priority. As part of the restructuring, 12 GoGetta staff were re-deployed into Silver Chef and 39 staff were made redundant.

The GoGetta Run Off Process

The table below:

- Outlines some key figures for the GoGetta business as at 31 March 2018. The value of assets held at 31 December 2017 was \$156m (after the \$20m provision) compared to the related \$150m debt.
- Includes new GoGetta contracts of \$16m and associated debt of \$11m for the period between 1 January and 26 February 2018, when we closed the business. Debt was reduced during the quarter by customers paying out their contracts and sales of idle assets (\$11m) and rental revenue on contracts (\$25m). In addition to reductions from customer payouts and sales of idle assets (\$14m), the GoGetta asset book was reduced by depreciation (\$14m) and impairments (\$4m).

	Assets	Debt
As at 31 December 2017	\$156m	\$150m
New contracts until 26 February 2018	\$16m	\$11m
Customer contract payouts and idle asset sales	(\$14m)	(\$11m)
Depreciation	(\$14m)	
Impairment	(\$4m)	
Rental revenue for the quarter		(\$25m)
As at 31 March 2018	\$140m	\$125m

Post 31 March 2018, we transferred \$10 million of long term rental contracts to the securitisation facility, thereby reducing the debt balance to \$115 million.

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.

The realisation of the \$140 million worth of GoGetta assets and repayment of the associated \$115 million in debt is currently forecast to flow in the following ways:

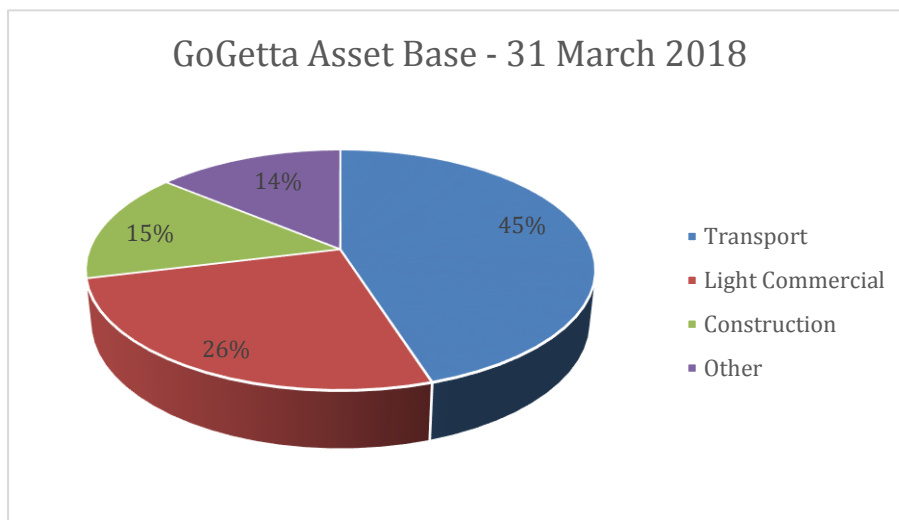
- Rental revenue until contracts terminate - \$100-110m;
- Customer contract payouts - \$35-\$40m; and
- Sale of returned/used assets - \$10-15m.

Against this, we will incur operating and additional restructuring costs of \$3m, interest costs of \$3m, and the return of customer bonds of \$11m.

The above assumes a continuation of the “business as usual” run-off. There is a possibility that we may have opportunities to realise some portion of these assets earlier than in the normal course of business and bring forward cash flows. This may have an impact on short term reported profit. Please note also, that there are risks to our run-off assumptions. We will provide regular updates on the progress of the GoGetta run-off, including detail on any material changes to our current expectations.

The GoGetta Book

The chart below summarises the major asset categories in the GoGetta book as at 31 March 2018. The GoGetta asset base is heavily weighted to transport, i.e. trucks and trailers. These have performed well in terms of contract performance and asset remarketing over several years. Light commercial vehicles represent a significant portion of the portfolio (26%) but this is down from a high of 35% in late 2016 as exposure to this poorly performing asset category had been wound back.



The table below shows a breakdown of assets with the average age on contract by month and the average remaining term of the contracts for the GoGetta business. Light commercial contracts have a relatively short average term to maturity of less than five months reflecting the decision to reduce exposure to this asset category.

Major Asset Category	Ave Age on Contract (months)	Ave Remaining Term (months)
Transport	18.0	6.4
Light Commercial	16.9	4.6
Construction	18.1	9.0
Other	24.3	9.3
Total	21.3	7.9

Transforming Silver Chef

As part of the strategic re-positioning of the Company, we are undertaking a significant transformation project to facilitate the next stage of growth of the core hospitality business. In the first half of this financial year, the performance of Silver Chef was below expectations, with lower than expected revenue growth and an increase in bad debts. While we experienced some softer market conditions in Australia and made management changes in Canada, the main cause of the weaker performance was the distraction caused by GoGetta.

The transformation project comprises four pillars:

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.

One of the other key tasks for the Group is to reset the cost base for a hospitality only business. The Company needs to remove \$7 to \$8m from overheads. Although some of these savings will not be achieved until FY19, we are well into a comprehensive review of staff, IT (e.g. licenses) and infrastructure costs and are on track to deliver the targeted savings.

Capital Management

As previously advised, the Company has successfully renegotiated its senior debt and securitisation facilities. All senior lenders see the GoGetta exit as credit positive and are supportive of the Company moving forward. The first drawdown of the securitisation facility occurred on 5 April 2018. This will lead to a cheaper cost of funds while providing additional capacity to meet the Company's growth aspirations.

The Board suspended the dividend reinvestment plan ("DRP") for the interim dividend of 10c per share paid on 20 April 2018. At the current price the DRP would have been excessively dilutionary.

All Directors have recently added to their shareholdings with on-market purchases.

March Quarter Hospitality Asset Growth and Outlook

Pleasingly in the March quarter, Silver Chef saw improved growth, averaging 10% total origination growth on the prior year. Although showing improvement on the first half of the year, the percentage of hospitality contracts in arrears at the end of the March quarter remains too high and continues to be a focus for Management in the fourth quarter.

Financially, we remain on track to report a hospitality pre-tax profit in the range of \$20 million to \$24 million and a statutory loss in the range of \$9 million to \$12 million.

We are confident the business transformation process outlined above will deliver return on equity ratios at historical levels of 20%-25% in coming years.

To our staff, partners and other stakeholders, we would like to thank you for your patience and support during this period of change. The positive attitude of our people and their willingness to embrace change gives us confidence we will be able to execute our plans for the business.

To our shareholders, we would like to thank you for your continuing support. Your Board, Management and staff are, as always, 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

Silver Chef Limited has not considered the financial position or needs of the recipient in providing this update letter. Persons needing advice should consult their stockbroker, bank manager, solicitor, attorney, accountant or other independent financial or legal advisor.

This letter includes certain 'forward-looking statements' which are not historical facts but rather are based on Silver Chef's current expectations, estimates and projections about the industry in which Silver Chef operates, and beliefs and assumptions regarding Silver Chef's future performance. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Silver Chef, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Silver Chef cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Silver Chef only at the date of this letter.

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.