

ALTERNATIVE CONDITIONAL PROPOSAL

On 27 August 2019, Silver Chef Limited (**Silver Chef**) received a letter from Blue Stamp Company (**BSC**), a shareholder with 19.99% of the issued shares in Silver Chef, outlining an alternative proposal to the proposed acquisition by investors under the leadership of Next Capital Pty Ltd (**Next Capital**) by way of scheme of arrangement (**Scheme**). Shareholders are due to vote on the Scheme on Friday, 6 September 2019.

A copy of the letter from BSC is attached to this announcement (**BSC Proposal**).

Silver Chef's obligations under the Scheme Implementation Agreement

As announced on 3 July 2019, Silver Chef entered into a Scheme Implementation Agreement (**SIA**) dated 3 July 2019 with Next Capital.

Under the SIA, Silver Chef is contractually bound to proceed with the Scheme and is prohibited from entering into discussions with BSC¹ unless it receives a genuine unsolicited "Competing Transaction" (as defined in section 1.1 the SIA) which the Independent Board Committee (**IBC**) determines, in good faith and acting reasonably after having received advice from its financial advisors and legal advisors, to be a "Superior Proposal" (as defined in section 1.1 of the SIA).

To determine that a Competing Transaction is a Superior Proposal, the IBC must form the view that (amongst other things):

- the Competing Transaction is reasonably capable of being valued and completed within 4 months, taking into account all aspects of the Competing Transaction, including its conditions, the identity, reputation and financial condition of the person making the proposal, and legal, regulatory and financial matters; and
- is of a higher financial value and would, if completed substantially in accordance with its terms, be more favourable to Silver Chef shareholders than the Scheme viewed in aggregate, taking into account all terms and conditions of the Competing Transaction (including the consideration, conditionality, funding, certainty and timing).

If Silver Chef commits a breach of the SIA, Next Capital would be entitled to the break fee, amongst other remedies it may have. Shareholders should refer to the full SIA released to ASX on 3 July 2019 for further information.

BSC Proposal

After careful consideration of the BSC Proposal and obtaining advice from its independent financial and legal advisers, the IBC has formed the view that the BSC Proposal is not a Superior Proposal for, *inter alia*, the following reasons:

- there is no certainty the BSC Proposal could be completed as it is highly conditional and has been formulated without any due diligence and without any discussions with Silver Chef's financiers;

¹ Shareholders should refer to the exclusivity provisions in clause 10 of the SIA for additional information. The full version of the SIA was released to ASX on 3 July 2019.

- the BSC Proposal requires termination of the SIA, and at present there is no legal basis for Silver Chef to terminate the SIA; and
- the BSC Proposal could give control of Silver Chef to BSC at a price which is less than 50% of that payable under the Scheme.

Shareholders should refer to the Scheme Booklet released to ASX on 5 August 2019 for information on the Scheme, including the IBC's recommendations in relation to the Scheme which have not changed.

Enquiries to:

Damien Guivarra
Chief Executive Officer
(07) 3335 3300

Graeme Fallet
Chief Financial Officer
(07) 3335 3300

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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27 August 2019
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Dear Directors,

RE: SILVER CHEF LIMITED (ASX: SIV) – ALTERNATIVE PROPOSAL

Blue Stamp Company ("BSC") currently has a relevant interest in 19.99% of SIV shares.

BSC is a Brisbane based fund manager focused on delivering sustainable long term returns for its investors.

BSC is the sole trustee of the Blue Stamp Trust ("BST"), an Australian registered unit trust backed by a large US University Endowment Fund and Australian high net worth investors.

BSC has owned shares in SIV since 2011, increasing its stake in recent months.

We refer to the proposed Next Capital Scheme of Arrangement ("**Scheme**") and AGM to address the Financial Assistance resolution.

It is BSC's present intention to vote all SIV shares held or controlled by us **AGAINST** the Scheme and Financial Assistance Resolutions.

a) Scheme Shortcomings

Approval of the Scheme would be a very poor outcome for existing SIV shareholders. BSC notes there has been a groundswell of disdain toward the Scheme by minority shareholders.

Not even the Independent Expert (appointed by the SIV Board) could get close to endorsing the value of the Scheme Consideration. E&Y's valuation assessment of up to \$1.13 per share was 32% above that ascribed to the Scheme Consideration and well below what we consider to be the true intrinsic value of SIV.

The fact that Mr Allan English (Chairman) and his related entities have now (23 August 2019) chosen to retain a heavily diluted position in SIV shares (in lieu of receiving the Scheme Consideration) reinforces our view that the Scheme is a very poor outcome for existing SIV shareholders.

We are confident that with an improved balance sheet, less restrictive debt obligations, superior execution from a motivated Management Team and enhanced governance oversight from an aligned Board, the

business can be turned around, generating substantial shareholder value given the fulness of time.

b) Recapitalisation Proposal

As an alternative to the Scheme, we would like to see SIV recapitalised for the benefit of all existing shareholders.

BSC propose that SIV undertake a fully underwritten, accelerated, renounceable, pro rata entitlement offer (“AREO”) to raise approximately \$50.0 million at \$0.31 per share, (being the SIV share price the day prior to the Next Capital transaction announcement of 3 July 2019) (“Recapitalisation Proposal”).

The new equity funds will be used to repay \$35 million of the Syndicated Debt Facility, and fund the transaction costs and working capital of the company in a similar manner to that proposed under Section 6.5 of the Scheme Booklet.

Subject to the conditions of this letter, BSC will commit to subscribe for its entitlement under the AREO of \$10 million (19.99%), together with a further sub-underwriting commitment of up to \$30 million.

Based on BSC’s confidential discussions with other existing SIV institutional shareholders, it is confident that there is further sub-underwriting support for the balance of \$10 million.

Furthermore, we would encourage entities associated with Allan English that own shares in SIV to assume their pro-rata share of the sub-underwriting alongside BSC and its other SIV institutional shareholders.

The bookbuild(s) to offer the ‘renounced’ rights of both the institutional and retail shareholders will only be open to eligible SIV institutional shareholders (holding SIV shares on the requisite record date). Any subsequent residual ‘shortfall’ shares not taken up by SIV’s existing shareholders, including via the bookbuild(s) will be allocated to BSC and/or the other sub-underwriters of the offer in accordance with the levels of their respective commitments.

BSC and other participating institutional shareholders providing underwriting services would receive a fee commensurate with acceptable market benchmarks to be agreed with the company.

We also propose that SIV appoint its preferred Broker to manage and lead the offer, adjusting its fees to reflect the off-risk position articulated above. The Broker would be responsible for managing the offer on behalf of SIV, including involvement with investor materials and management of the bookbuild(s) for renounced rights.

c) Board Renewal

As part of the Recapitalisation Proposal we would like to see some Board renewal.

We believe the SIV Board needs to be refreshed with new candidates that have the requisite skills to see the company successfully execute on its global opportunity.

At this stage, we have not considered which suitably qualified replacement directors would be a good fit for the SIV business going forward.

Subject to the outcome of the Recapitalisation Proposal, we intend to consult with the Board and nominate new directors to be considered by the company.

d) Key Conditions

Our Recapitalisation Proposal is conditional on:

- a) Termination of the Scheme;
- b) Completion of satisfactory due diligence, including engagement with SIV's banks;
- c) The SIV banks in the Syndicated Debt Facility and Securitisation Warehouse Facility endorsing the Recapitalisation Proposal and granting SIV an extended waiver to implement such;
- d) Reaching acceptable terms under an Underwriting Agreement / Sub-Underwriting Agreement;
- e) No material adverse conditions;
- f) SIV Board approval; and
- g) Material third party consents or approvals, including Regulatory (if required).

e) Advisers

BSC has retained the following financial and legal advisers:

Financial Adviser	Legal Adviser
Garren Cronin Managing Director Cadence Advisory m: +61 410436490 e: garren@cadence90.com.au	John Elliott Partner Norton Rose Fulbright Australia p: +61 2 9330 8684 e: john.elliott@nortonrosefulbright.com

Please do not hesitate to contact our advisers or myself on +61 412 492 601.

As time is of the essence given the Scheme timetable in motion, we look forward to hearing back from you in writing no later than **5pm Wednesday, 28 August 2019.**

Yours sincerely,



Luke Trickett

Director – Blue Stamp Company