

11 September 2019

PROPOSAL RECEIVED FROM NEXT CAPITAL

Silver Chef Limited (**Silver Chef**) (ASX: SIV) announces that it received after 5.00pm (AEST) on 10 September 2019 a conditional proposal from Next Capital Pty Ltd (**Next Capital**) to acquire Silver Chef's hospitality business by acquiring certain operating subsidiaries of Silver Chef (**Next Proposal**). The Next Proposal would be subject to Silver Chef shareholder approval and is contained in the letter **attached** to this announcement.

While the board of Silver Chef has yet to consider the Next Proposal, it notes that the **attached** letter from Next Capital contains a number of inaccuracies in relation to the previously announced \$60 million entitlement offer to shareholders that is proposed to be supported by \$45 million (in aggregate) in commitments and underwriting from Blue Stamp Company Pty Ltd (**Proposed Entitlement Offer**), including that:

- the letter states that bank discussions in relation to the Proposed Entitlement Offer are yet to commence as at 10 September 2019, whereas Silver Chef has been in correspondence and discussions with the banks since 1 September 2019 and has already submitted a formal proposal to the banks in relation the Proposal Entitlement Offer; and
- the letter states that no application for ASIC approval under section 615 of the Corporations Act has been submitted as at 10 September 2019, whereas an application in relation to the Proposed Entitlement Offer was in fact submitted to ASIC on 6 September 2019.

The Next Proposal contains some complexity that the board of Silver Chef will need to consider and properly evaluate, including in relation to the ability and timing for the distribution to Silver Chef shareholders of any proceeds realised under the Next Proposal.

As previously announced on 2 September 2019, Silver Chef has 30 days from 1 September 2019 to negotiate with its financiers to determine the effect that the termination of the Next Capital scheme will have on Silver Chef and its ability to comply with its obligations under the finance facilities.

Enquiries to:

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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.

10 September 2019

Sophie Mitchell
Director
Silver Chef Limited
20 Pidgeon Close
West End QLD 4101

Dear Sophie,

Next Capital's Proposal to Acquire Silver Chef's Hospitality Business

Next Capital Pty Limited ("**Next Capital**") on behalf of its managed funds and certain co-investors (together "**Bidder**") is pleased to submit this proposal ("**Proposal**") to Silver Chef Limited ("**Silver Chef**") to acquire the hospitality business of Silver Chef (the "**Hospitality Business**") by acquiring the operating subsidiaries of Silver Chef which we understand own (or will own) all of the assets comprising the Hospitality Business.

We believe this Proposal provides a viable and compelling alternative for Silver Chef in its efforts to avoid the very real and substantial near term risk of insolvency. We note that Silver Chef's lenders have the ability to cancel the bank facilities if they are unable to agree on a viable alternative proposal by the end of September. We also believe this Proposal provides a superior and executable alternative to the considerable uncertainty and risk inherent in the Blue Stamp highly conditional recapitalisation proposal ("**Blue Stamp Highly Conditional Alternative**"). That alternative has extensive conditions (some of which are outside of the control of either Silver Chef or Blue Stamp). Accordingly, there is considerable uncertainty as to whether Blue Stamp will have committed funding before the waiver review period with Silver Chef's lenders expires.

Transaction Structure

The Bidder proposes to acquire the Hospitality Business through an acquisition of the following entities ("**Proposed Transaction**"):

- Silver Chef Rentals Pty Limited;
- Silver Chef Rentals Limited (New Zealand);
- Silver Chef Rentals Inc (Canada);
- Silver Chef US PBC (United States);
- Silver Chef LLC (United States);
- SIV Equipment Trust No 1 (with Perpetual Corporate Trust Limited as trustee); and
- Silver Chef Foundation Pty Ltd,

(together the "**Hospitality Business Entities**").

Silver Chef Limited (the head listed entity) would be the vendor under the Proposed Transaction and would retain the GoGetta assets and liabilities by retaining GoGetta Equipment Finance Pty Limited. Silver Chef would also retain Silver Chef Finance Company Limited which we understand has negligible assets and liabilities. These are the "**Non Hospitality Business Assets**".

Under the Proposed Transaction, the shareholders of Silver Chef would retain their shareholding in Silver Chef, a company which would continue to hold the Non Hospitality Business Assets, as well as the cash received from the sale of the Hospitality Business to the Bidder (see below). The Bidder

would be open to entering into a servicing agreement to manage the run off of the GoGetta portfolio on behalf of Silver Chef on a cost recovery basis.

The shareholders of Silver Chef would have the opportunity to vote on the Proposed Transaction, as we envisage it will constitute a 'disposal of main undertaking' by Silver Chef and require approval by an ordinary resolution of shareholders at a General Meeting under ASX Listing Rule 11.2.

Value and Benefits to Silver Chef Shareholders

The Next Capital Proposal includes an offer of cash consideration of \$15 million for the Hospitality Business. Key assumptions underpinning this valuation and transaction structure are specified in Annexure A.

Silver Chef's shareholders would also retain the full benefit of the GoGetta run-off which is valued at \$14.2 – 16.2 million by the recent Ernst & Young Independent Expert Report (dated 30 July 2019).

In addition, Silver Chef would retain franking credits (\$29.4 million as at 30 June 2018) and tax losses (\$4.3 million as at 31 December 2018).

Value Retained by Silver Chef Shareholders		
Value Item	Value (\$ million)	Value per Share (\$)
Hospitality Business Consideration	15.0	0.38
GoGetta Run-off	14.2 – 16.2	0.36 – 0.41
Total of above	29.2 – 31.2	0.74 – 0.79

Next Capital's Proposal Offers Certainty of Outcome

Time is of the essence and Next Capital's Proposal offers certainty to shareholders, employees and the Board which is in direct contrast to the Blue Stamp Highly Conditional Alternative. Next Capital sees no reason why the Proposed Transaction cannot be quickly executed. In particular:

- Next Capital has completed due diligence on Silver Chef
- The Bidder has available funds to support the Proposed Transaction
- Next Capital has previously agreed a funding plan with Silver Chef's lenders that is broadly in line with the current Proposal requiring relatively few amendments

We envisage that a binding transaction with Silver Chef (subject to shareholder approval) can be achieved by 20 September 2019.

Significant Near Term Risk of Insolvency for Silver Chef

As noted in Silver Chef's recent market announcement dated 2 September 2019:

"Under the existing waivers from financiers, termination of the SIA will trigger a "waiver review event". Accordingly, Silver Chef must negotiate with its financiers for 30 days to determine the effect that termination of the SIA will have on Silver Chef and its ability to comply with its obligations under the finance facilities. Following negotiations, the financiers may notify the Company that it wishes to cancel the facilities, in which case all amounts owing will need to be immediately repaid. If this occurs, there is significant uncertainty that Silver Chef will continue as a going concern and it may be required to realise assets at

amounts different to their carrying amounts and settle liabilities other than in the ordinary course of business."

The Next Capital Proposal involves a materially higher pay down of bank debt and the availability of future funding to meet the growth aspirations of the business. The underfunded Blue Stamp Highly Conditional Alternative will necessarily constrain future growth without a significant further dilutive capital raising having to be undertaken.

Silver Chef has now been in breach of its bank covenants for well in excess of a year and Silver Chef's lenders have recently appointed insolvency specialist McGrath Nicol. If a solution acceptable to the lenders cannot be quickly agreed, there is a high risk that Silver Chef will quickly enter into an insolvency process with the prospect of a full loss of value for shareholders. In an insolvency scenario, Silver Chef employees would also face considerable employment uncertainty.

Comparison to Blue Stamp's Highly Conditional Recapitalisation Alternative

There are a wide range of shortcomings with the Blue Stamp Highly Conditional Alternative that make it extremely difficult for Silver Chef Directors, lenders, shareholders and employees to have confidence that it is capable of implementation. By contrast, Next Capital's Proposal follows extensive due diligence and planning, and incorporates a revised structure that we are confident would be acceptable to Silver Chef's lenders.

Comparison of Next Capital's Proposal to the Blue Stamp Conditional Alternative		
	NEXT CAPITAL PROPOSAL	BLUE STAMP HIGHLY CONDITIONAL ALTERNATIVE
Due Diligence	Complete	Just commenced
Bank Support	<p>Materially consistent with the bank proposal approved in connection with the prior scheme except that the introduction of mezzanine debt has been removed and a higher equity commitment is being contributed.</p> <p>\$65 million paydown under Silver Chef's Syndicated Facility Agreement.</p>	<p>Bank discussions yet to commence as at 10 September 2019.</p> <p>\$45 million paydown under Silver Chef's Syndicated Facility Agreement.</p>
Equity Funding Certainty	<p>The Bidder has available funds to support the Proposed Transaction and the Bidder consists of the same set of investors as under the fully funded Scheme of Arrangement that was terminated 31 August 2019.</p>	<p>No firm commitment from Blue Stamp for its \$45 million pro-rata participation and sub-underwriting.</p> <p>No underwriting for the additional \$15 million of equity funding required above and beyond Blue Stamp's \$45 million participation.</p> <p>Underwriting and launch of rights issue targeted for 27 September (which pushes the brink of insolvency risk with only one business day remaining before the bank waiver review period expires at the end of September).</p>

Conditionality	Conditional only on agreeing transaction documents, Silver Chef obtaining shareholder approval (by ordinary resolution) and refreshing the previous FIRB approval for the revised transaction structure (the process of which has already commenced).	<ul style="list-style-type: none"> • ASIC approval under s 615 Corporations Act (application not submitted as at 10 September) • Completion of due diligence to its satisfaction • Bank endorsement of the proposal (and negotiated changes to the existing facility documentation) • Agreeing an Underwriting Agreement / Sub-Underwriting Agreement • No material adverse conditions • SIV board approval • Material third party consents or approvals, including regulatory
Shareholder Decision making Around Change of Control	Silver Chef's shareholders get an opportunity to vote on Next Capital's Proposal and all shareholders participate equally in the net proceeds.	<p>Silver Chef's shareholders get no opportunity to vote and have to contribute substantial new capital or face significant dilution and potential loss of control to Blue Stamp with no payment by Blue Stamp for a control premium.</p> <p>A rights issue of almost five new Silver Chef shares for every existing share could result in a substantial shortfall, the outcome of which could deliver a majority stake in Silver Chef to Blue Stamp (of up to 66%) at ~41% of the implied value of Silver Chef under the Next Proposal.</p>
Value	<ul style="list-style-type: none"> • 38 cents per share for the Hospitality business; plus • 36 to 41 cents per share of value expected from the GoGetta run-off; plus • Retention of franking credits; and • Retention of tax losses 	Heavily dilutive to existing Silver Chef shareholders that cannot participate in the rights issue, at a discounted price of 31 cents per share.

Next Capital sees its proposal as in the best interest of all Silver Chef shareholders and believe that Silver Chef shareholders will support the Proposal if given the choice. We are also of the view that an Independent Expert would come to the same conclusion.

Timetable and Next Steps

Subject to your feedback, we envisage the following timetable for the Proposed Transaction:

Key Steps and Timeline	
Wednesday, 11 September 2019	Deadline for Silver Chef feedback on the Proposal
Thursday, 12 September 2019	Finalise and document key work streams: <ul style="list-style-type: none"> • Amendments to the previously agreed debt arrangements • Transaction structuring and documentation • GoGetta servicing arrangements • Explanatory Statement and Independent Expert Report
Friday, 20 September 2019	Target date for binding transaction documents to be signed and materials for the shareholders meeting lodged with the ASX

20 – 27 September 2019	ASX review of Notice of General Meeting
Monday 30 September 2019	Dispatch of Notice of General Meeting
Monday 28 October 2019	General Meeting to approve the Proposed Transaction
Mid November 2019	Target completion of the Proposed Transaction

We would expect Silver Chef's lenders to extend the waiver to facilitate the shareholder vote if they are supportive of the Proposal.

Please feel free to contact me at any time. We look forward to engaging with you on the Proposed Transaction.

Sincerely



Patrick Elliott
Partner, Next Capital

Annexure A – Key Assumptions

The following assumptions relating to the separation of the Hospitality Business underpin the Proposal.

To be acquired under the Proposal:

- All assets (including net rental assets) of the Hospitality Business purchased via the Hospitality Business Entities to be acquired by Bidder
- All external debt and liabilities of the Hospitality Business transfer with the Hospitality Business (excluding Facility B)
- All Silver Chef cash except as identified below
- The Bidder will fund an amount of up to \$3.8m in identified unpaid Silver Chef transaction costs to be mutually agreed, either via the Hospitality Business Entities or a dollar for dollar adjustment to the purchase price of the Hospitality Business Entities
- All Hospitality Business staff who are (or will be) employed within the Hospitality Business
- All warehouse assets and liabilities
- Relevant Hospitality operating bank accounts
- Relevant Hospitality IP and IT licenses or sub-licenses

The existing parent company will retain the following, which will not be acquired under the Proposal

- All GoGetta assets and liabilities
- The GoGetta Facility B debt (\$13.1 million as at 31 July 2019)
- The GoGetta cash of up to \$6.35 million

The Proposed Transaction is to be effected by a pre completion reorganisation with Silver Chef Rentals Pty Limited acquiring 100% of the interests in the Hospitality Business Entities and all relevant Hospitality Business Assets, with Silver Chef Rentals Pty Limited being acquired by the Bidder. Prior to completion all intercompany loans or similar are to be settled.

The Proposal requires Silver Chef and the Bidder to ensure:

- Silver Chef lenders confirm support for the Proposal
- Agreement of transitional services arrangements as required for the separation of the Hospitality Business
- Agreement of an acceptable sale agreement
- Completion of the transaction in November 2019
- Release of the ASIC deed of cross guarantee – Class Order 98/1418 in the ordinary course of the transaction

The Bidder would be open to a services agreement whereby hospitality staff assist in the operation of the Non Hospitality Business Assets on a cost recovery basis.