

## SILVER CHEF LIMITED – BUSINESS UPDATE

### Highlights:

- Excellent year on year growth in originations for both Silver Chef and GoGetta businesses during the year ended 30 June 2016
- FY16 full year NPAT expected to be within earnings guidance range of \$23 million - \$24 million<sup>#</sup>
- FY16 NPAT includes first time impact of deferring contract acquisition costs due to strong acquisition growth
- Senior syndicated debt facility extended by \$100 million on consistent terms with existing facility
- FY17 NPAT guidance in the range of \$23 million to \$25 million<sup>^</sup>
- The Company continues to deliver outstanding compound growth in earnings

### 1. 30 June 2016 Financial Performance

Leading equipment financier Silver Chef Limited (ASX: SIV) confirms it expects full year net profit after tax and before one-off loan note break costs ("NPAT") for the year ended 30 June 2016 to be within the previously reported earnings guidance range of \$23 million - \$24 million<sup>#</sup>. The Company's NPAT result for the period is still subject to external audit. The anticipated strong earnings result is underpinned by excellent year on year growth in acquisitions across both the Silver Chef and GoGetta businesses.

### 2. Significant features of the full-year result

As reported at the half-year, NPAT for the period to 30 June 2016 will be calculated after deferring costs associated with originating new rental contracts. Due to the relatively short duration of the Company's rental contracts the historical period to period effect of deferring upfront origination costs ("upfront costs"), had until this financial year not been material. The substantial volume of acquisitions written during this year relative to prior years now requires the Company to apply the cost deferral requirements of AASB 117 Leases with effect from 1 July 2015. Upfront costs are now deferred as part of the value of new plant and equipment financed under rental contracts and amortised over a twelve month period. The effect of applying this cost deferral policy for the first time has increased net profit after tax for the year by \$3.7 million which relates to prior periods as set out in section 4 below.

On this basis, the underlying FY16 NPAT is expected to be in the range of \$19.3 to \$20.3 million which represents growth on FY15 net profit after tax of between 19.9% and 26.1%.

# Subject to external audit, not yet complete  
^ Not subject to audit or review

The result also includes a non-recurring after tax break cost arising from early redemption of \$30 million of loan notes on 14 September 2015 of \$1.0 million<sup>#</sup>. While this is a substantial one off expense against the Company's current year earnings, the funding cost savings arising from refinancing these \$30 million of loan notes is substantial over the period to September 2018 (being the original repayment date of the loan notes).

### 3. Extension to Senior Syndicated Debt Facilities

Today the Company executed agreements to extend its senior syndicated banking facility provided by ANZ, Bank of Queensland, CBA, HSBC and Westpac by \$100 million. Extension of the syndicated facility is in line with the Group's long term financing strategy and provides further capacity to fund future growth in the Company's rental asset base. The additional \$100 million tranche of senior debt matures in three years and was extended on similar terms to the existing \$300 million facility which commenced in September 2015.

The Company continues to enjoy the support of its senior lenders and continuously reviews its capital requirements to ensure an appropriate mix and diversity of funding sources. The Company is making good progress in its discussions with a number of financiers around the application of a wholesale debt funding model to the Company's rental agreements and finance leases.

### 4. Preliminary FY17 earnings guidance

The Company has now completed a comprehensive budgeting and planning process for FY17. A number of factors impacted the planning process including determining a likely growth rate for GoGetta originations after exceptional growth in FY16, understanding the profile of upfront costs based on origination budgets, and changes to bonus arrangements for our sales and customer service staff for over budget performance.

In setting the FY17 budget, the Company has also taken a more conservative position in respect of provisioning for bad debts in the GoGetta business given its significant growth and stage of maturity. The FY17 earnings guidance range also makes allowances for further investment in people and other overheads to accelerate expansion into eastern Canada and exploit future growth opportunities.

The Company anticipates FY17 NPAT in the range of \$23 million to \$25 million<sup>^</sup>. To understand growth in underlying earnings period on period, the deferred cost impact recognised entirely in FY16 needs to be allocated to prior financial years in accordance with the following table.

	Earlier periods	FY15	FY16 <sup>#</sup>	FY17 Forecast <sup>^</sup>
NPAT		15.5	23.0-24.0	23.0-25.0
Deferred costs	2.8	0.9	(3.7)	-
Underlying NPAT		16.1	19.3-20.3	23.0-25.0
Growth		22.0%	19.9% - 26.1%	19.2%-23.2%

<sup>#</sup> Subject to external audit, not yet complete

<sup>^</sup> Not subject to audit or review

FY17 NPAT in the range of \$23 million to \$25 million<sup>#</sup> will see the Company continue to deliver compound annual growth in earnings per share ("EPS") of approximately 18% since its listing in 2005.

The investment being made in Canada is expected to support high rates of EPS growth for the Group into the medium term.

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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<sup>®</sup> and Rent-Grow-Own<sup>®</sup> 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.