

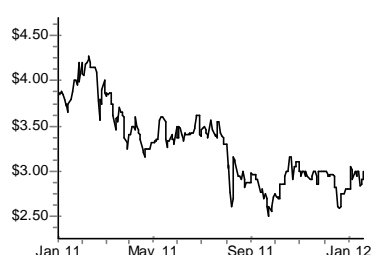
20 January 2012

**\$2.90**

**BUY**

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### Price Performance



### Security/Capital Details

ASX Code	SIV
Market Cap	\$70 M
Issued Shares	24.0 M
Avg Mth T'over	0.26 M
12 Mth High – Low	\$4.28 - \$2.50

### Key Data/Ratios – FY 2012

EBITDA / Sales	68.7%
EBIT / Sales	26.2%
Net Debt / Equity	166.3%
Interest Cover	2.9 x
ROE	23.6%
EPS Growth	10.5%
PEG Ratio	x
NTA / Share	\$ 1.48
12 Mth Price Target	\$ 3.40

### Important Disclosure

Wilson HTM Corporate Finance Ltd acted as Manager of the October 2009 placement and advisor in relation to the Non-Renounceable Entitlement by Silver Chef Limited and earned fees for acting in this capacity.

### Recommendation

Silver Chef released its guidance for its 1H12 result today with forecast NPAT in the range of \$3.8m to \$4.0m. This represents an increase of 24% - 30% over the pcp and is in line with our forecast of \$3.9m. The company maintained its FY12 guidance of \$8.3m NPAT (FY11: \$6.7m) and forecast earnings per share of 35.0 cents (FY11: 31.0 cents per share). We have made no changes to our forecast FY12 NPAT of \$8.2m and EPS of 34.2 cents per share. We retain the BUY recommendation and our share price target of \$3.40 based on 10x FY12 PER.

### Key Points

- Silver Chef released its guidance for the 1H12 result with forecast NPAT in the range of \$3.8m to \$4.0m. This represents a 24% - 30% increase on the pcp (1H11: \$3.1m) and is in line with our forecast of \$3.9m. The 1H12 results are cycling a weaker 1H11 result which was impacted by a number of one offs (\$0.5m - \$0.7m at the pre tax level).
- The company reiterated its guidance for the FY12 result of NPAT of \$8.3m which would reflect an increase of 24% on the pcp (FY11: \$6.7m). This is in line with our forecast of \$8.2m. Earnings per share for FY12 are forecast at 35.0 cents (FY11: 31.0 cents per share) and compares with our forecast of 34.2 cents per share.
- The company commented that asset acquisitions for the 1H12 were strong at approximately \$48m, up 29% on 1H11 asset acquisitions of \$36.8m. The company commented the strong growth in acquisitions of rental assets was a result of strong performance in both the Hospitality and Go Getta brands.
- Silver Chef management provided commentary that the continued focus on risk management had resulted in lower than expected bad debts. In FY11 for every \$100 in rental income the company incurred around \$2.15 in bad debts.
- The company commented that the important 2QFY12 period had been a solid one for the company with the Hospitality division performing well. Silver Chef aims to further target the franchise industry within the Hospitality business as a source of significant growth in FY12.
- We believe the company remains in a solid position with our forecast of FY12 net debt of \$63.4m (FY11: \$50.3m). Forecast interest cover for FY12 is 2.9x.
- We have made no changes to our forecast NPAT for FY12 and FY13 NPAT of \$8.2m (+22%) and \$9.8m (+19%) respectively. We believe will continue to focus on targeting new and existing opportunities in both the Hospitality and Go Getta businesses.
- We retain our BUY recommendation and share price target of \$3.40 based on 10x FY12 PER.

June	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2011a	6.7	31.0	5.3	9.4	1.5	2.9	20.0	6.9	100
2012e	8.2	34.2	10.5	8.5	1.7	2.8	24.0	8.3	100
2013e	9.8	39.2	14.6	7.4	1.6	2.9	28.0	9.7	100
2014e	11.4	44.2	12.8	6.6	1.5	1.7	30.0	10.3	100

## Silver Chef Limited (SIV : \$2.90)

## INVESTMENT FUNDAMENTALS

Yr Ending June	2010A	2011A	2012E	2013E	2014E
EPS Reported (c)	28.0	29.7	34.2	39.2	44.2
<b>EPS Normalised (c)</b>	<b>29.4</b>	<b>31.0</b>	<b>34.2</b>	<b>39.2</b>	<b>44.2</b>
EPS Growth (%)	N/A	5.3%	10.5%	14.6%	12.8%
<b>PER Normalised (x)</b>	<b>9.9</b>	<b>9.4</b>	<b>8.5</b>	<b>7.4</b>	<b>6.6</b>
DPS (c)	18.0	20.0	24.0	28.0	30.0
Payout (%)	<b>64.2%</b>	<b>67.2%</b>	<b>70.2%</b>	<b>71.5%</b>	<b>67.8%</b>
Yield (%)	6.2%	6.9%	8.3%	9.7%	10.3%
Franking (%)	100%	100%	100%	100%	100%

## VALUATION DATA

Yr Ending June	2010A	2011A	2012E	2013E	2014E
EV / EBITA (x)	9.7	8.3	7.4	7.0	3.8
EV / EBITDA (x)	3.3	2.9	2.8	2.9	1.7
CFPS (c)	179.5	193.2	171.3	175.9	198.0
<b>Price / CF</b>	<b>1.6</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>1.5</b>
Book Value / Share (\$)	1.1	1.3	1.6	1.9	
<b>Price / Book (x)</b>	<b>2.5</b>	<b>2.2</b>	<b>1.8</b>	<b>1.6</b>	

## PROFIT &amp; LOSS (\$m)

Yr Ending June	2010A	2011A	2012E	2013E	2014E
Sales Revenue	49.4	62.9	68.3	75.8	89.5
EBITDA	32.1	40.8	46.9	53.0	59.4
Depreciation	21.4	26.7	29.0	31.4	33.9
<b>EBITA</b>	<b>10.7</b>	<b>14.1</b>	<b>17.9</b>	<b>21.6</b>	<b>25.6</b>
Amortisation	0.3	0.3	0.0	0.0	0.0
<b>EBIT</b>	<b>10.4</b>	<b>13.9</b>	<b>17.9</b>	<b>21.6</b>	<b>25.5</b>
Net Interest Expense	2.9	4.1	6.2	7.6	9.2
<b>Pre-tax Profit</b>	<b>7.5</b>	<b>9.7</b>	<b>11.7</b>	<b>14.0</b>	<b>16.3</b>
Tax	2.0	3.0	3.5	4.2	4.9
Tax rate (%)	26.7%	31.1%	30.0%	30.0%	30.0%
Minorities / pref divs	0.0	0.0	0.0	0.0	0.0
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>5.5</b>	<b>6.7</b>	<b>8.2</b>	<b>9.8</b>	<b>11.4</b>
Abn's / Extraord's	0.0	0.0	0.0	0.0	0.0
Reported Net Profit	5.5	6.7	8.2	9.8	11.4
Revenue Growth (%)	N/A	27.5%	8.5%	10.9%	18.1%
EBIT Growth (%)	N/A	32.7%	29.2%	20.8%	18.1%
NPAT Growth (%)	N/A	21.6%	22.5%	19.6%	16.5%

## PROFITABILITY RATIOS

Yr Ending June	2010A	2011A	2012E	2013E	2014E
<b>EBIT / Sales (%)</b>	<b>21.2%</b>	<b>22.0%</b>	<b>26.2%</b>	<b>28.5%</b>	<b>28.5%</b>
ROA (%)	N/A	14.6%	15.3%	15.3%	14.8%
<b>ROE (%)</b>	<b>N/A</b>	<b>23.9%</b>	<b>23.6%</b>	<b>23.4%</b>	<b>22.8%</b>
ROFE (%)	N/A	19.2%	19.5%	19.1%	18.4%

## INTERIMS (\$m)

Half Yr	Dec 10	Jun 11	Dec 11	Jun 12	Dec 12
Yr Ending June	1H A	2H A	1H E	2H E	1H E
Sales Revenue	29.4	33.6	32.0	36.3	36.1
EBIT	6.4	7.5	8.5	9.4	9.8
<b>Net Profit</b>	<b>3.1</b>	<b>3.6</b>	<b>3.9</b>	<b>4.3</b>	<b>4.4</b>
EBIT / Sales (%)	21.7%	22.3%	26.5%	25.9%	27.1%

## BALANCE SHEET (\$m)

Yr Ending June	2010A	2011A	2012E	2013E	2014E
Cash	1.4	1.5	2.5	2.7	1.9
Receivables	3.7	3.4	3.7	3.1	2.6
Inventories	0.0	0.0	0.0	0.0	0.0
Other	2.0	1.8	0.8	0.8	0.8
<b>Current Assets</b>	<b>7.1</b>	<b>6.7</b>	<b>6.9</b>	<b>6.6</b>	<b>5.3</b>
Net PPE	73.5	95.8	118.4	146.1	179.6
Investments	2.3	1.6	1.6	1.6	1.6
Intangibles	0.5	0.4	0.4	0.4	0.4
Other	2.3	2.3	3.2	3.3	4.1
<b>Non-current Assets</b>	<b>78.6</b>	<b>100.0</b>	<b>123.6</b>	<b>151.4</b>	<b>185.7</b>
<b>Total Assets</b>	<b>85.7</b>	<b>106.7</b>	<b>130.5</b>	<b>158.0</b>	<b>191.0</b>
Current Payables	15.7	21.1	22.9	25.4	30.0
Current Debt	0.1	1.8	1.8	1.8	1.8
Non-Current Debt	42.7	50.1	64.1	80.1	98.1
Provisions	0.0	0.0	0.0	0.0	0.0
Other	2.3	2.7	3.7	5.0	6.8
<b>Total Liabilities</b>	<b>60.8</b>	<b>75.6</b>	<b>92.4</b>	<b>112.2</b>	<b>136.6</b>
Equity	16.9	21.2	25.7	30.6	35.4
Reserves	0.0	0.0	0.0	0.0	0.0
Retained Profits	7.9	10.0	12.4	15.3	19.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>24.9</b>	<b>31.1</b>	<b>38.1</b>	<b>45.8</b>	<b>54.4</b>
<b>Total Funds Employed</b>	<b>66.2</b>	<b>81.4</b>	<b>101.5</b>	<b>125.0</b>	<b>152.3</b>

## LIQUIDITY &amp; LEVERAGE RATIOS

Yr Ending June	2010A	2011A	2012E	2013E	2014E
Net Debt (Cash) (\$m)	41.3	50.3	63.4	79.1	97.9
<b>Net Debt / Equity (%)</b>	<b>166.3%</b>	<b>161.7%</b>	<b>166.3%</b>	<b>172.7%</b>	<b>180.0%</b>
Interest Cover (x)	3.6	3.3	2.9	2.8	2.8
<b>Debt / CashFlow (x)</b>	<b>1.2</b>	<b>1.2</b>	<b>1.6</b>	<b>1.9</b>	<b>2.0</b>

## CASHFLOW (\$m)

Yr Ending June	2010A	2011A	2012E	2013E	2014E
EBIT	10.4	13.9	17.9	21.6	25.5
Dep'n and Amort'n	21.7	27.0	29.0	31.4	33.9
Net Int Rec'd (Paid)	-2.3	-3.7	-6.2	-7.6	-9.2
Tax Paid	-1.2	-3.5	-3.5	-4.2	-4.9
Dec / (Inc) W'kg Cap	0.0	0.0	0.0	0.0	0.0
Other	6.6	9.9	3.8	2.8	5.8
<b>Operating Cash Flow</b>	<b>35.3</b>	<b>43.5</b>	<b>41.0</b>	<b>44.0</b>	<b>51.1</b>
Capital Expenditure	-40.7	-67.2	-51.7	-59.1	-67.4
Asset Sales	0.0	0.0	0.0	0.0	0.0
Investments	1.8	15.4	0.0	0.0	0.0
Other Inv. Flows	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-38.8</b>	<b>-51.8</b>	<b>-51.7</b>	<b>-59.1</b>	<b>-67.4</b>
Equity Raised	6.4	3.5	4.6	4.8	4.8
Inc / (Dec) in Loans	0.3	9.0	14.0	16.0	18.0
Dividends Paid	-2.2	-3.4	-5.8	-6.9	-7.7
Other Fin. Flows	0.0	-0.6	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>4.5</b>	<b>8.4</b>	<b>12.8</b>	<b>13.9</b>	<b>15.2</b>
<b>Net Cash Flow</b>	<b>0.9</b>	<b>0.1</b>	<b>2.1</b>	<b>-1.1</b>	<b>-1.1</b>

**Recommendation Structure**

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

**Other definitions**

CS Coverage Suspended. Wilson HTM Ltd has suspended coverage of this company.

NR Not Rated. The recommendation has been suspended temporarily. Such suspension is in line with Wilson HTM Investment Group Ltd policies in circumstances where Wilson HTM Corporate Finance Ltd is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations.

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**Disclosure of Interest. Silver Chef Limited**

The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in Silver Chef Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Silver Chef Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

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**Regulatory Disclosures**

Wilson HTM Corporate Finance Ltd acted as Manager of the October 2009 placement and advisor in relation to the Non-Renounceable Entitlement by Silver Chef Limited and earned fees for acting in this capacity. Wilson HTM Investment Group Ltd and its related bodies corporates trades or may trade as principal in the securities that are subject of the research report. Wilson HTM Corporate Finance Ltd has received compensation for corporate advisory services from this company, its subsidiaries or affiliates during the previous 12 months.

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