



Servcorp Limited

FY 2018 Interim Results Presentation

Thursday 22 February 2018

Presented by: Mr. Alf Moufarrige, Chief Executive Officer

Disclaimer

Important Information

Servcorp Limited (ABN 97 089 222 506) ("Servcorp") is the parent entity of the Servcorp Group and is responsible for all information contained in this presentation.

Not an offer nor investment advice

This presentation is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Servcorp, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary. It does not contain all the information necessary to fully evaluate any transaction or investment and, as such, no reliance should be placed on its contents. Any investment decision should be made based solely upon appropriate due diligence and, if applicable, upon receipt and careful review of relevant offering documents. Recipients of this presentation should neither treat nor rely on its contents as advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers.

Capital returns not guaranteed

Investment is subject to significant risks of loss of income and capital. To the maximum extent permitted by law, none of Servcorp, its directors, employees or agents, accepts any liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on the part of Servcorp or its directors, employees or agents. Information, including forecast financial information, in this presentation should not be considered as a recommendation in relation to holding purchasing or selling, securities or other instruments in Servcorp Group.

Forecasts and forward-looking statements

Due care and attention has been used in the preparation of forecast information and forward-looking statements made in this presentation. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies many of which are outside the control of Servcorp Group. Past performance is not a reliable indication of future performance.

Dividend Guidance

Servcorp's dividend guidance and related statements in this presentation are subject to Servcorp's forecast assumptions being met.

Policies

This presentation has been prepared using policies adopted by the directors of Servcorp and, unless stated otherwise, these policies have been consistently applied to all periods presented in this presentation. Parts of this presentation have therefore been prepared on a different basis to the Financial Report of Servcorp. Certain information contained within this presentation does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of Servcorp Group as in the Financial Report. This presentation should be read in conjunction with the Financial Report of Servcorp Group, which can be found on the Servcorp website at www.servcorp.com.au

© Servcorp Group

Happiness in business is:

A
COMMUNITY
TO WORK WITH

A TEAM
TO
DELEGATE TO

SIMPLE
IT SOLUTIONS
THAT WORK

A
RECEPTIONIST TO
ANSWER YOUR
CALLS



Overview

□ Satisfactory operating performance in a rapidly evolving market

- Operating cash flow up 13.1% to \$19.9m
- Operating profit up 7.7% on 1H17
- NPBT \$19.2, down 8.7% on 1H17
- Unbudgeted expenses incurred in 1H18 of \$1.9m relating to new strategic initiatives
- Operating NPAT of \$15.6m (1H17: \$18.1m) before one-off, non-cash adjustments to USA deferred tax asset balances of \$13.0m (\$7.6m USA tax rate changes and \$5.4m de-recognition of tax losses)
- USA operations are recovering slowly and de-recognising the related deferred tax asset is seen to be prudent
- Modest negative impact from the strengthening Australian dollar

□ Strong balance sheet and stable outlook

- Cash balances of \$109.9m, up 5.3% on 30 June 2017
- NPBT FY18 guidance of between \$45.0m to \$55.0m reaffirmed
- 1H18 interim dividend of 13.00 cps confirmed (7.5% franked)
- 2H18 final dividend of 13.00 cps forecast (franking uncertain)

Overview (cont'd)

❑ Significant strategic initiatives under way

Directors believe there is an unprecedented opportunity to take advantage of the tremendous growth and transformation in today's global workspace industry. As part of our investment into strategic initiatives, the Company is assessing a number of options to enhance shareholder value. Alternatives being considered include the acceleration of growth in various markets, accessing external sources of capital to aid in global expansion, the potential separation of geographies (including Europe and the Middle East), and unlocking value inherent in our footprint and technology platform. While there can be no certainty as to the outcome of these investigations, we will continue to work toward optimising the value and potential of Servcorp.

1H18 Result

Underlying NPAT \$17.5m, down \$0.6m

	Underlying 1H18 A\$m	Statutory 1H18 A\$m	Statutory 1H17 A\$m	1H18 v 1H17	Constant FX
Revenue	157.0	157.0	168.0	↓ 6.5%	↓ 3.2%
Operating expenses	(135.9) ^A	(137.8)	(147.0)	↓ 6.2%	
Net profit before tax	21.1	19.2	21.0	↓ 8.7%	
Income tax expense	(3.6) ^B	(16.6)	(2.9)	↑	
Net profit after tax	17.5	2.6	18.1	↓ 85.7%	
Like for Like NPBT		20.2	27.8	↓ 27.3%	
Net tangible assets per share^C		\$2.44	\$2.56	↓ 4.8%	
Earnings per share (cents)		2.6	18.3	↓ 85.7%	
FY 18	A\$	Franking			
Interim dividend per share	0.13	7.5%			
Forecast final dividend per share	0.13	Uncertain			

A. Excludes unbudgeted strategic review expenses of \$1.9m

B. Excludes non-cash, one-off USA tax adjustment of \$13.0m

C. 31 December 2017 and 30 June 2017 respectively

Statutory Position

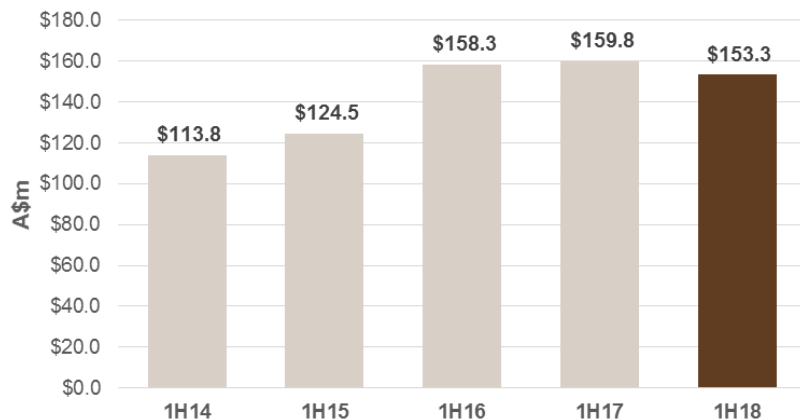
Balance sheet and Cash flow

Balance Sheet	Dec-17 A\$m	Jun-17 A\$m	Cash Flow	1H18 A\$m	1H17 A\$m
Cash	109.9	104.4	Opening cash 1 July	104.4	95.8
Trade receivables	36.6	41.7	Net operating cash inflows	19.9	17.6
PP&E	120.6	125.8	Net investing cash flows	0.2	(2.7)
Goodwill	14.8	14.8	Net financing cash outflows	(13.1)	(9.0)
Deferred tax asset	20.9	33.6	Foreign exchange movements	(1.6)	0.4
Other assets	68.4	70.4			
Total assets	371.1	390.7	Closing cash 31 December	109.9	102.2
Trade payables	77.5	79.5			
Provisions	7.4	7.6			
Deferred tax liabilities	1.3	1.2			
Other liabilities	29.9	35.2			
Total liabilities	116.1	123.5			
Net assets	255.0	267.2			

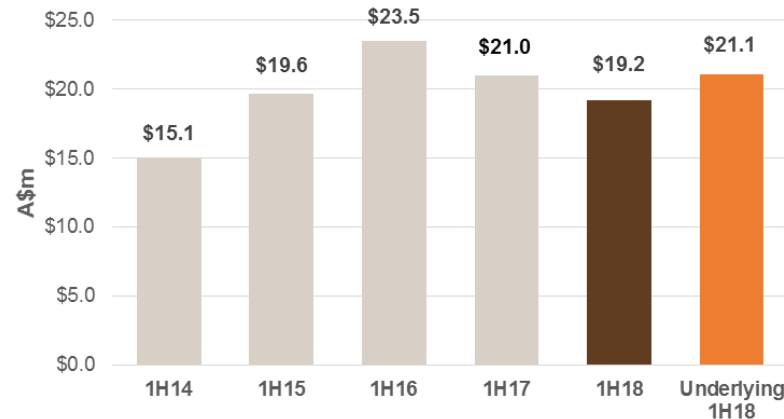
Performance

Satisfactory underlying operating performance

Revenue



NPBT

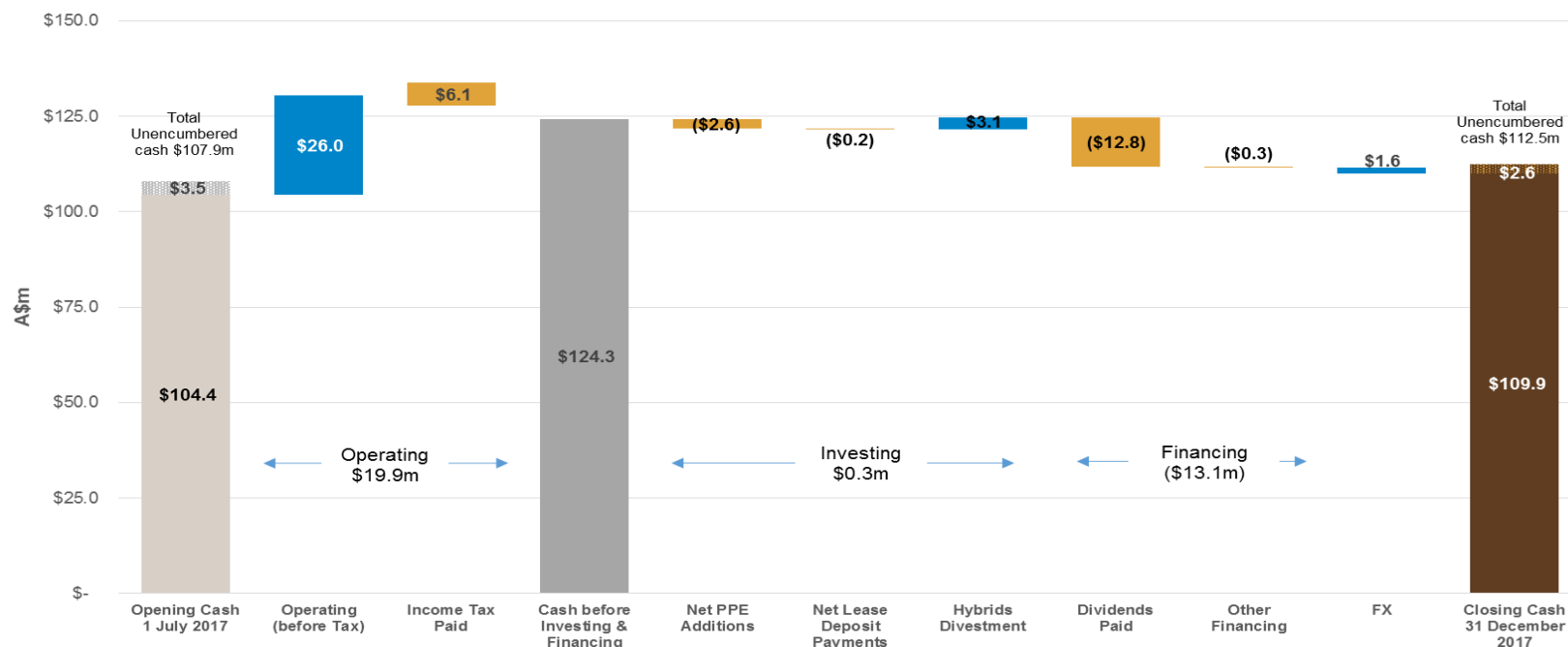


- Operating cash flow up 13.1% to \$19.9m Operating profit up 7.7% on 1H17
- NPBT \$19.2m, down 8.7% on 1H17
- Unbudgeted expenses incurred in 1H18 of \$1.9m relating to new strategic initiatives
- Operating NPAT of \$15.6m (1H17: \$18.1m) before one-off, non-cash adjustments to USA deferred tax asset balances of \$13m (\$7.6m USA tax rate changes and \$5.4m de-recognition of tax losses)
- USA operations are recovering slowly and de-recognising the related deferred tax asset is seen to be prudent
- Modest negative impact from the strengthening Australian dollar

Positioning

Healthy cash flow & liquidity

Cashflow & Liquidity



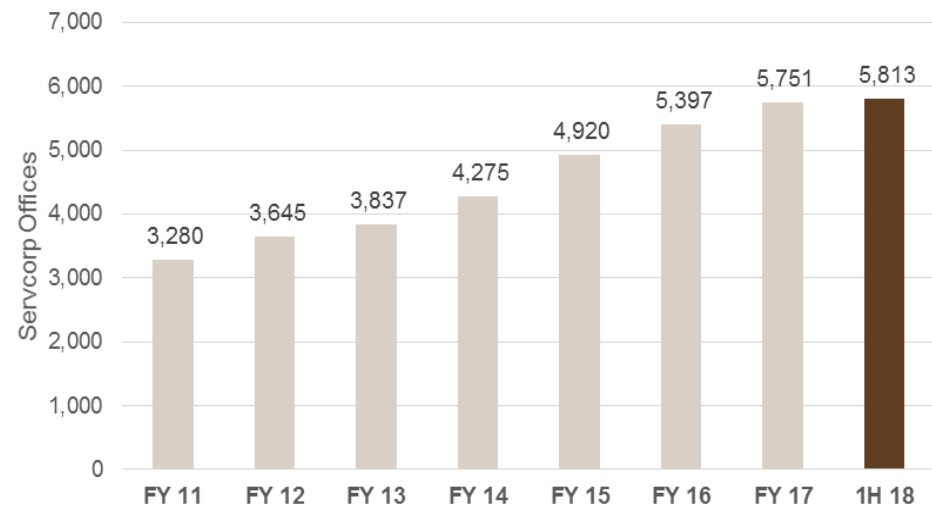
- Operating cash flow up 13.1% to \$19.9m
- Cash balances of \$109.9m, up 5.3% on 30 June 2017

Servcorp Capacity

Servcorp Coworking

- As announced at our AGM in November 2017, we have started investing in reshaping the portfolio to modernise current fit-outs and to embellish their ecosystem to incorporate coworking as an integral piece. We have completed 26 locations to date and expect to complete a further 64 locations during the remainder of calendar 2018.

Servcorp Capacity



- **Added new locations:**
 - ❖ Mercury Tower in Bangkok (opened in November 2017)
 - ❖ Louis Vuitton in Beirut (opened in December 2017)
- **Our global footprint encompasses 154 floors, in 53 cities across 23 countries**

Coworking under construction

AUSTRALIA		JAPAN	
1	L35 Barangaroo - Sydney - Coworking Open	23	L9 Edobori - Osaka - Coworking Open
2	L57 MLC Centre - Sydney - Coworking Open	24	L8 Tri-Seven - Tokyo - Coworking Open
3	L27 101 Collins - Melbourne - Coworking	25	L1 Yusen - Tokyo - Coworking Open
4	L36 Riparian Plaza - Brisbane - Coworking Open	26	L45 Sunshine City - Tokyo - Coworking Open
5	L63 MLC Centre - Sydney - Coworking	27	L4 Nikko Shoken - Nagoya - Coworking
6	L19 Eagle Street - Brisbane - Coworking	28	L28 Shinagawa - Tokyo - Coworking
7	L36 Gateway - Sydney - Coworking	29	L18 Yebisu - Tokyo - Coworking
8	L15 Deloitte Building - Parramatta - Coworking	30	L14 Hibiya - Tokyo - Coworking
9	L5 Nexus Building - Norwest - Coworking	31	L11 Palacio Tower - Tokyo - Coworking
10	L11 Brookfield Place City Square - Perth - Coworking	32	L21 Shiodome Shibarikyu Building - Tokyo - Coworking
11	L24 Westpac House - Adelaide - Coworking	33	L19 Hilton Plaza West - Osaka - Coworking
12	L26 44 Market Street - Sydney - Coworking	34	L4 Shinsaibashi (Cartier) - Osaka - Coworking
13	L22 101 Grafton Street - Bondi Junction - Coworking	35	L18 Hilton Plaza West - Osaka - Coworking
14	L32 101 Miller Street - North Bondi - Coworking	36	L27 Shiroyama Tower - Tokyo - Coworking
15	L2 710 Collins Street - Melbourne - Coworking	37	L27 Sankei - Tokyo - Coworking
16	L2 1 Southbank Boulevard - Melbourne - Coworking	38	L15 Tenjin - Fukuoka - Coworking
17	L40 140 William Street - Melbourne - Coworking	39	L7 Garden City - Osaka - Coworking (New Floor)
18	L9 Nishi - Canberra (Franchise) - Coworking	CHINA	
19	L1 Barton - Canberra (Franchise) - Coworking	40	L54 IFC - Guangzhou - Coworking Open
NEW ZEALAND		41	L26 FFC - Beijing - Coworking Open
20	L27 PWC - Auckland - Coworking	42	L28 One Aerospace Centre - Chengdu - Coworking
21	L16 Vodafone on the Quay - Wellington - Coworking	43	L23 Citigroup Tower - Shanghai - Coworking
22	L31 Vero Centre - Auckland - Coworking	44	L24 China Central Place - Beijing - Coworking
		45	L3 Jiahua Business Center - Hangzhou - Coworking

Coworking under construction (cont'd)

HONG KONG		UNITED STATES	
46	L12 One Peking Road - Hong Kong - Coworking	67	L85 WTC - New York - Coworking Open
PHILIPPINES		68	L17 River Point - Chicago - Coworking Open
47	L17 Ayala Tower - Manila - Coworking	69	L42 155 North Wacker - Chicago - Coworking
SINGAPORE		70	L40 17 State Street - New York - Coworking
48	L42 Suntec - Singapore - Coworking Open	71	L20 Terminus - Atlanta - Coworking
49	L30 Six Battery Road - Singapore - Coworking Open	72	L41 Williams Tower - Houston - Coworking
50	L39 MBFC - Singapore (Stage 1) - Coworking Open	73	L49 555 California - San Francisco - Coworking
51	L24 CapitaGreen - Singapore - Coworking	74	L40 South Figueroa - Los Angeles - Coworking
52	L8 Metropolis - Singapore - Coworking	75	L14 One International - Boston - Coworking
MALAYSIA		76	L10 Pennsylvania - Washington - Coworking
53	L36 Menara Citibank - Kuala Lumpur - Coworking Open	MIDDLE EAST	
54	L23 Nu Sentral - Kuala Lumpar - Coworking	77	L9 Jameel Square - Jeddah - Coworking Open
THAILAND		78	L4 Al Mamoura - Abu Dhabi - Coworking Open
55	L18 Park Ventures - Bangkok - Coworking Open	79	L54 Almas Tower - Dubai - Coworking Open
56	L11 Mercury Tower - Bangkok - Coworking Open	80	L14 Commercial Bank - Doha - Coworking Open
57	L29 Centralworld Tower - Bangkok - Coworking	81	L3 Louis Vuitton - Beirut - Coworking Open
EUROPE		82	L21 Al Habtoor - Dubai - Coworking
58	L1 Edouard VII - Paris - Coworking Open	83	L41 Emirates Tower - Dubai - Coworking
59	L2 Haussmann - Paris - Coworking Open	84	L42 Emirates Tower - Dubai - Coworking
60	L1 Schumann - Brussels - Coworking	85	L5 Orjin - Istanbul - Coworking
61	L20 Bastion Tower - Brussels - Coworking	86	L22 Tornado Tower - Qatar - Coworking
62	L5 Schumann 3 - Brussels - Coworking	87	L21 Burj Doha - Qatar - Coworking
63	L6 Schumann 3 - Brussels - Coworking	88	L15 Kian Tower - Tehran - Coworking
UNITED KINGDOM		89	L8 Tekfen - Istanbul - Coworking
64	L17 Dashwood - London - Coworking Open	90	L23 Boulevard Plaza - Dubai - Coworking
65	L30 Leadenhall - London - Coworking Open	SERVCORP GLOBAL TOTAL	
66	L1 Mayfair - London - Coworking	TOTAL Opened Coworking Locations as at 09/02/2018	
		TOTAL Opened Coworking Locations + Projected 2017/2018	

Segment Performance

Global overview

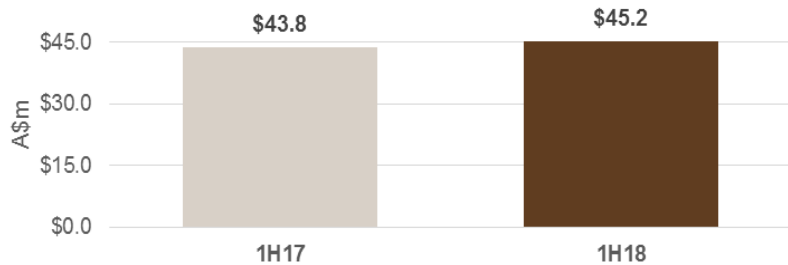


Segment	Revenue		Revenue Growth		Profit / (Loss)		Margin	
	A\$m		%		A\$m		%	
	1H18	1H17	Actual	Constant FX	1H18	1H17	1H18	1H17
Australia, New Zealand & South East Asia	45.2	43.8	3%		1.9	1.0	4%	2%
North Asia	52.4	54.4	(4%)		13.8	10.3	26%	19%
Europe & Middle East	38.8	43.2	(10%)		5.2	6.5	13%	15%
USA	16.2	17.7	(8%)		(4.9)	(2.4)	(30%)	(14%)
Others	0.3	0.4	-		(0.1)	-	-	-
Total	152.9	159.5	(4%)	(1%)	15.9	15.4	10%	10%

Operating Summary by Segment

ANZ and South East Asia (ANZSEA)

ANZ & South East Asia Revenue



ANZ & South East Asia NPBT

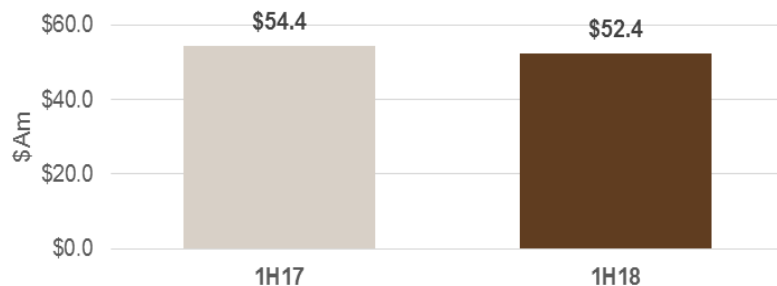


- NPBT performance in ANZ / SEA increased by 90.0%.
- Singapore and Indonesia continue to underperform.
- The balance of the region is healthy.

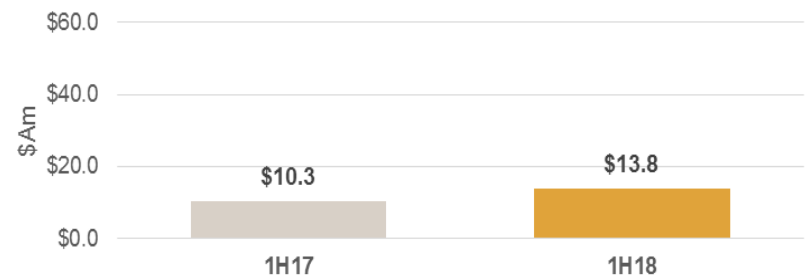
Operating Summary by Segment (cont'd)

North Asia

North Asia Revenue



North Asia NPBT

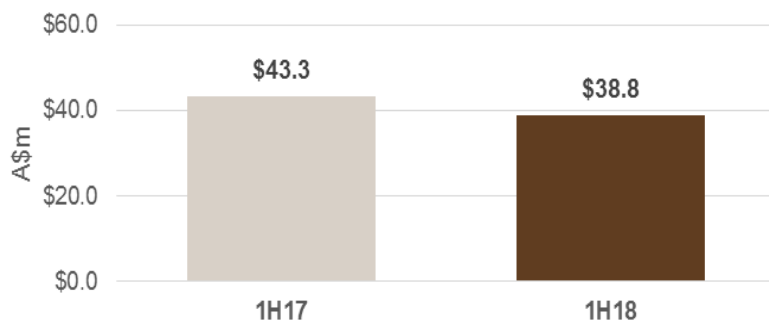


- North Asia as a whole produced an outstanding result with NPBT improving by 34.0%
- The decline in revenue period on period is reflective of a strong Australian dollar.

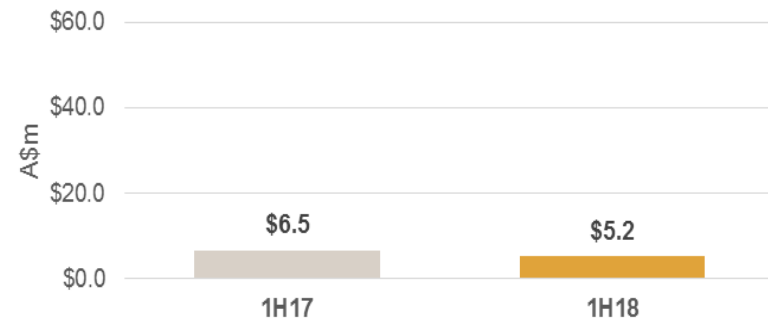
Operating Summary by Segment (cont'd)

Europe and Middle East (EME)

Europe & Middle East Revenue



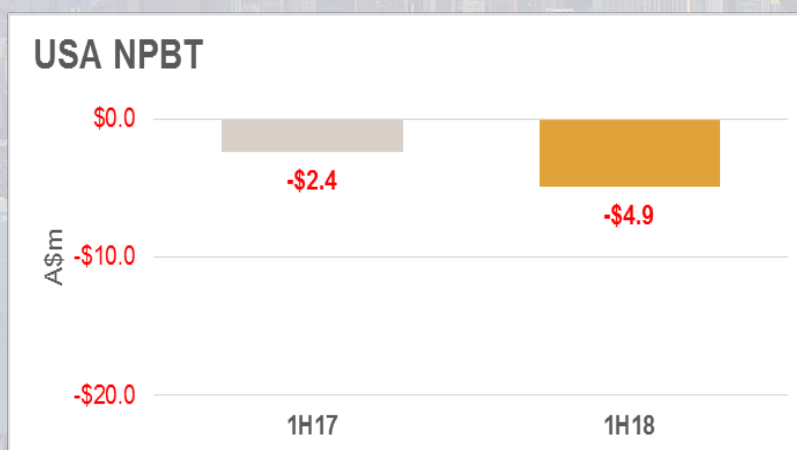
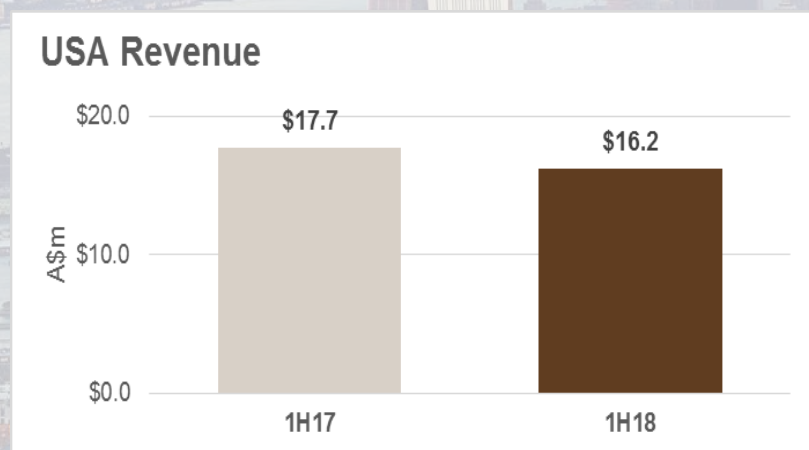
Europe & Middle East NPBT



- Like for Like floors in the Europe and Middle East segment produced a weaker result in 1H18 mainly due to tough markets in Saudi Arabia. However after stronger sales to date in 3Q18 we expect a strong 2H18 for this region.

Operating Summary by Segment (cont'd)

USA



- Notwithstanding acceptable performances across a range of locations, the USA underperformed
- Following a USA Federal corporate tax rate reduction in December 2017 from 35% to 21%, and a review of the carried forward loss recoverability, the tax expense includes a one-off, non-cash \$13.0m adjustment relating to the USA deferred tax assets

Dividend

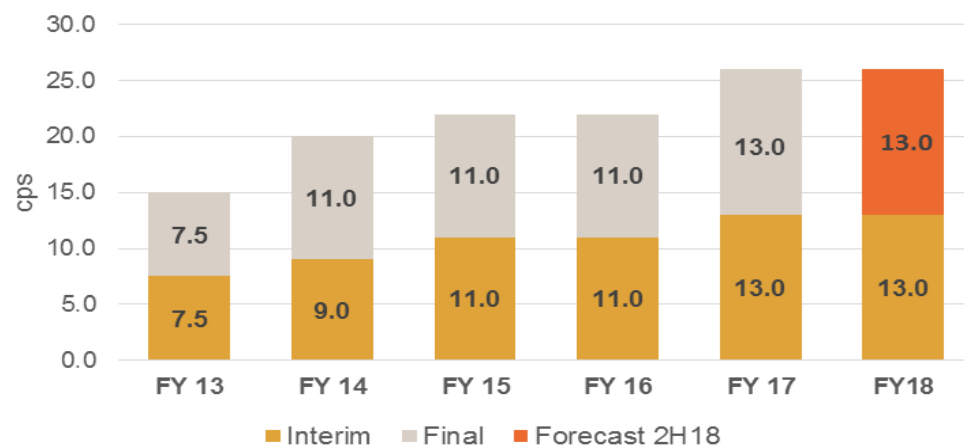
Interim FY18 dividend

- Interim dividend payable of 13.00 cps, 7.5% franked

Final FY18 dividend^A

- Final dividend of 13.00 cps is expected to be paid for FY18. Franking levels are uncertain.

Dividends paid (cents per share)



A. Subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Outlook

FY18 guidance^A reaffirmed

As we reported with our 2017 results, the flexible workspace industry is undergoing a period of unprecedented transition and the global market for shared workspaces is growing rapidly.

To address this opportunity, during the last six months we focused our normal capital investment of approximately \$20.0m on pivoting and enhancing our floor design and customer experience across our existing office footprint, with encouraging early results. This program will continue during the remainder of the 2018 calendar year.

In parallel, we have also made a significant investment to develop growth pathways that offer attractive potential to take advantage of the expansion in demand for shared offices and to unlock more of the value inherent in our business and our technology platform. This investment amounted to approximately \$1.9m, and a further \$3m is earmarked for the current half year. These initiatives are at an early stage and we will keep shareholders apprised as to developments.

Over the last decade, we have invested over \$100m in our technology, communications and business management platform, as well as knowledge-building and market research in our sector. The platform we have created, which reflects 25 years of experience, enables us to provide our clients with seamless access to all of our products and services in a highly automated and cost-efficient manner wherever they are in the world.

Commenting on the outlook and strategic initiatives under way, Mr. Alf Moufarrige, Founder and CEO of Servcorp, said:

"Servcorp's long-term experience of operating a truly global business and our best-in-class technology platform mean that we can offer more clients in more locations a more attractive proposition than ever before. The initiatives we launched in 2017 open the door to the next phase of our growth."

The above operational and strategic initiatives are designed to position Servcorp to take advantage of significant growth in the sector over the medium term. Meanwhile, in the short term, we expect the underlying profitability of the business to remain stable as we complete the redesign of our office network and continue to improve our product and service offering to clients. Accordingly, we have reaffirmed that we expect NPBT for FY 18 to be between \$45.0m and \$55.0m.

A. Subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.



QUESTIONS & ANSWERS