

Servcorp Limited

FY 2017 Interim Results Presentation

22/02/2017



Presented by: Mr. Alf Moufarrige, Chief Executive Officer

1



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

2



Overview

Headline performance

- NPBT of \$21.0m, down 10.5% on pcg
- Like for Like NPBT of \$27.8m, up 14.4% on pcg
- Floor closure costs in 1H17 of \$3.3m, substantially higher than 1H16 of \$0.8m
- Extended period of growth over the last 5 years; we have reached a period of consolidation with a renewed focus to increase overall occupancy
 - ❖ 5% new office stock added (net) in 1H17
- Stable cash flows generated from operations:
 - ❖ Capex additions of \$11.5m
 - ❖ Dividends paid of \$10.8m
 - ❖ Unencumbered cash balance of \$102.2m, \$2.5m higher than 30 June 2016
- FY17 dividends increased from 22.00 cps to 26.00 cps
- Like for Like occupancy 77% (1H16: 77%)
- All floors occupancy 73% (1H16: 73%)



3

SERVCORP

1H17 Result

NPAT A\$18.1m, down 3.6%

	1H17 A\$m	1H16 A\$m	1H17 v 1H16	Constant FX
Revenue	168.0	164.2	2.3%	4.0%
Operating expenses	(147.0)	(140.8)	(4.4%)	(6.4%)
Net profit before tax	21.0	23.5	(10.5%)	(10.4%)
Income tax expense	(2.9)	(4.8)		
Net profit after tax	18.1	18.7	(3.6%)	
Like for Like NPBT	27.8	24.3	14.4%	
Net tangible assets per share ^A	\$2.52	\$2.50	0.8%	
Earnings per share (cents)	18.3	19.0	(3.7%)	

A. 31 December 2016 and 30 June 2016 respectively

FY 17	A\$	Franking
Interim dividend per share	0.13	50%
Forecast final dividend per share	0.13	50%



4

SERVCORP

Statutory Position

Balance sheet and Cash flow

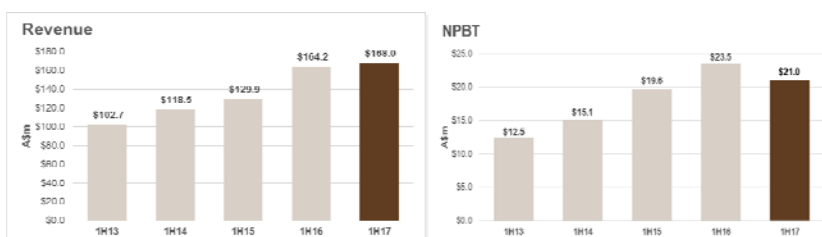
Balance Sheet	Dec-16 A\$m	Jun-16 A\$m	Cash Flow	1H17 A\$m	1H16 A\$m
Cash	102.2	95.8	Opening cash 1 July	95.8	97.8
Trade receivables	43.7	40.3	Net operating cash inflows	17.6	25.0
PP&E	130.4	132.0	Net investing cash outflows	(2.7)	(19.7)
Goodwill	14.8	14.8	Net financing cash outflows	(9.0)	(14.9)
Deferred tax asset	33.7	35.2	Foreign exchange movements	0.4	2.2
Other assets	68.5	74.4	Closing cash 31 December	102.2	90.5
Total assets	393.3	392.5			
Trade payables	84.9	77.0			
Provisions	7.4	7.4			
Deferred tax liabilities	1.1	1.2			
Other liabilities	37.2	45.9			
Total liabilities	130.6	131.5			
Net assets	262.7	261.0	Growth %	1%	

5

SERV CORP

Performance

Revenue growth & profit down



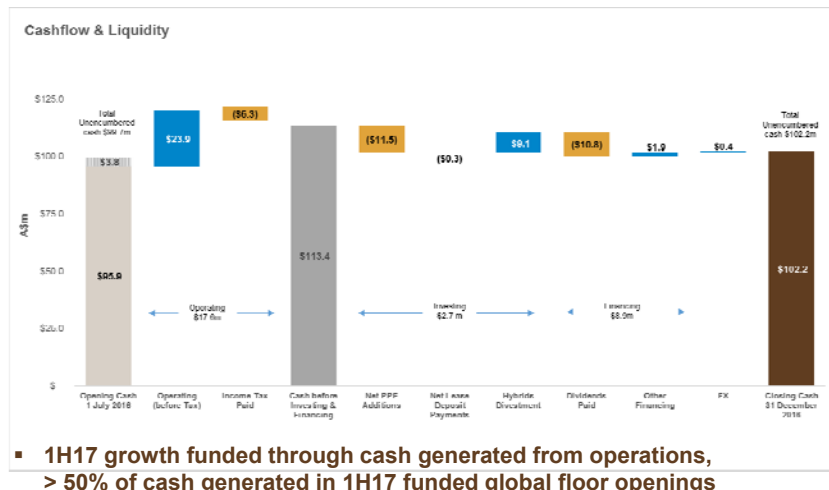
- NPBT of \$21.0m, down 10.5% on pcp
- Like for Like NPBT of \$27.8m, up 14.4% on pcp
- Floor closure costs in 1H17 of \$3.3m, substantially higher than 1H16 of \$0.8m
- Underperformance of Singapore, NYC and Saudi Arabia substantially impacted 1H17
- Revised FY17 NPBT guidance is \$47m, \$26m in 2H17

6

SERV CORP

Positioning

Healthy cash flow & liquidity



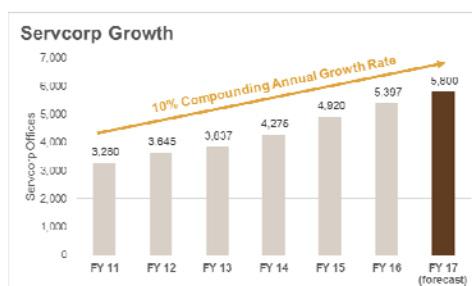
7

SERVcorp

The Servcorp Footprint

Servcorp global footprint consolidation

- Experienced extended period of growth over the last 5 years
- Office stock CAGR of 10%
- We have reached a period of consolidation with a renewed focus to increase overall occupancy
- Increased net office capacity in 1H17 by 5%
- Added new landmark locations:
 - Tri-Seven in Tokyo (opened in July 2016)
 - Schuman in Brussels (opened in October 2016)
 - IFC in Jakarta (opened October 2016)
 - Barangaroo in Sydney (opened November 2016)
- River Point in Chicago opened in January 2017
- Our global footprint encompasses 155 floors, in 55 cities across 23 countries



8

SERVcorp

Segment Performance

Global overview

Segment	Revenue		Revenue Growth	Constant FX	Profit / (Loss)		Margin	
	A\$m	A\$m	%		A\$m	A\$m	%	%
	1H17	1H16	Actual		1H17	1H16	1H17	1H16
Australia, New Zealand & South East Asia	43.8	43.5	1%		1.0	3.5	2%	8%
North Asia	54.4	51.6	5%		10.3	10.2	19%	20%
Europe & Middle East	43.2	45.6	(5%)		6.5	7.5	15%	16%
USA	17.7	17.3	2%		(2.4)	(2.1)	(14%)	(12%)
Others	0.4	0.2			-	-		
Total	159.5	158.2	1%	2.5%	15.4	19.2	10%	12%

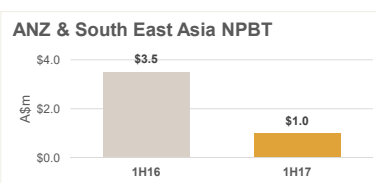
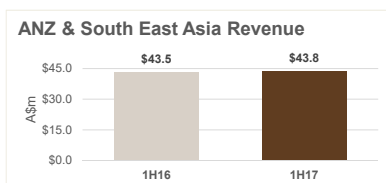


9

SERV CORP

Operating Summary by Segment

ANZ and South East Asia (ANZSEA)



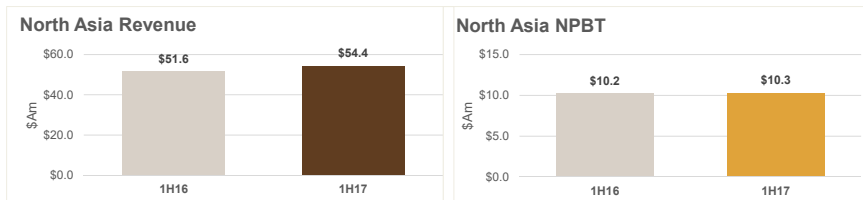
- Like for Like NPBT in ANZSEA improved by 10%
- Excluding Barangaroo in Sydney, which opened in November 2016, Australia and New Zealand occupancy is healthy
- Malaysia and Singapore underperformed in 1H17
- IFC in Jakarta opened in October 2016

10

SERV CORP

Operating Summary by Segment (cont'd)

North Asia



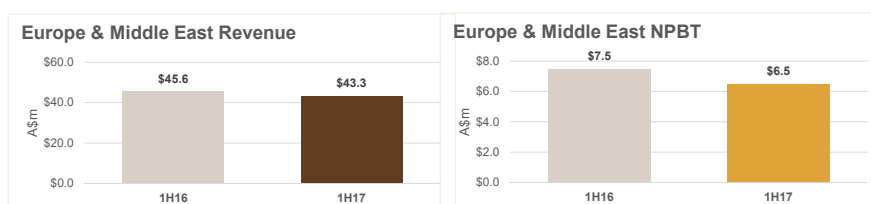
- North Asia produced a solid 1H17 result
- Like for Like NPBT increased by 12%
- Hong Kong underperformed
- The region opened one new floor being Tri-Seven in Tokyo

11

SERV CORP

Operating Summary by Segment (cont'd)

Europe and Middle East (EME)



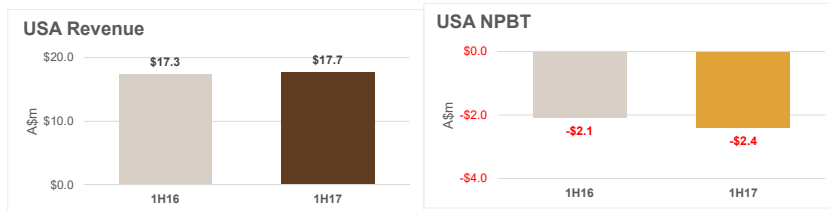
- EME produced a weak result in 1H17

12

SERV CORP

Operating Summary by Segment (cont'd)

USA



- Notwithstanding acceptable performances across a range of locations, the USA underperformed and has not met its forecast for 1H17
- USA EBITDA still positive
- COO relocating to NYC for remainder of 2017
- New mega-floor opened in Chicago in January 2017

13

SERV CORP

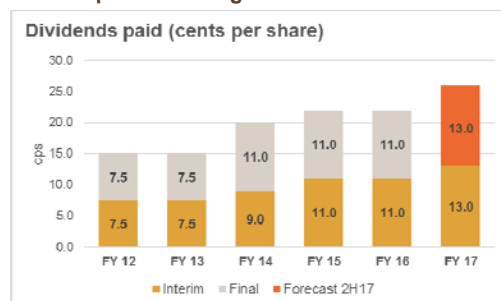
Dividend

Interim FY17 dividend

- Interim dividend payable of 13.00 cps, 50% franked

Final FY17 dividend^A

- Final dividend of 13.00 cps is expected to be paid for FY17, with an anticipated franking level of 50%



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

14

SERV CORP

Outlook

Revised FY17 guidance^A

- **Revised FY17 NPBT guidance is \$47m, \$26m in 2H17**
- **Servcorp has a strong, diversified global business and is in a financially sound position**
- **We have confidence in our future: FY17 dividends increased from 22.00 cps to 26.00 cps**
- **Objectives to arrest underperforming locations and turn them profitable:**
 - ❖ COO relocating to NYC for the remainder of 2017 to lead our USA business;
 - ❖ CEO responsible for South East Asia with some early signs of recovery reflecting good work by Marcus and his team; and
 - ❖ Non-executive director, Mr Taine Moufarrige, will assist Management on a consulting basis with Indonesia, Malaysia, Saudi Arabia and Turkey. Taine was previously an executive of Servcorp and his experience will be valuable.
- **We have deferred footprint growth beyond FY17; having reached a period of consolidation there is a renewed focus to increase overall occupancy of existing office stock**

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

15

SERVCORP

QUESTIONS & ANSWERS



16

SERVCORP