

# Servcorp Limited

## Analyst Presentation H1 FY 2015

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## Operational Highlights

### H1 FY 2015

- Revenue of \$129,863,000, up 10%
- NPBT of \$19,618,000, up 30%
- NPAT of \$16,039,000, up 36%
- Like for like NPBT of \$21,193,000, up 39%
- Operating cash flow from operations of \$29,246,000, up 61%
- Unencumbered cash and investment balances of \$94,199,000
- NTA backing of \$2.19 per share, up 7%
- EPS of 16.3 cps, up 36%
- Reaffirm guidance of not less than 15% NPBT growth for FY 2015
- Interim dividend 11.00 cps, declared for H1 FY 2015, 20% franked
- Forecast H2 FY 2015 dividend of 11.00 cps, 30% franked
- Approx. 80% of revenue and profits earned offshore



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## Overview (cont.)

### H1 FY 2015

- Management pleased with the performance
- Office sales and occupancy rates continue to improve
  - Notwithstanding ongoing volatility in currency and financial markets
- Like for Like occupancy has improved to 80% (pcp: 78%)
- Approx. 80% of our revenue and profits are denominated in foreign currency
- Future earnings should benefit from a weaker AUD



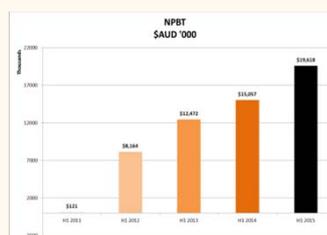
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## Overview

### H1 FY 2015

- Revenue and profit have improved materially
- 5 consecutive years of revenue and profit growth



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## Financial Results

### H1 FY 2015

	H1 FY 2014 \$AUD 000's	H1 FY 2015 \$AUD 000's	%	% Constant Currency
Revenue	\$118,517	\$129,863	10%	10%
NPBT	\$15,057	\$19,618	30%	30%
Tax	\$(3,238)	\$(3,579)		
NPAT	\$11,819	\$16,039	36%	
	H1 FY 2014 \$AUD	H1 FY 2015 \$AUD		
Net Tangible Assets (per share)	\$2.04	\$2.19	7%	
Earnings Per Share	\$0.120	\$0.163	36%	
Interim Dividend Per Share	\$0.090	\$0.110	22%	

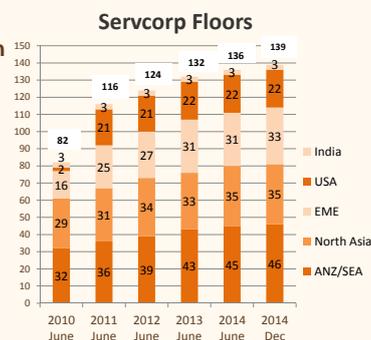
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## The Servcorp Footprint

### H1 FY 2015

- Opened 57 new locations since 2010
- 4 new floors opened and 3 floors were expanded in H1 FY 2015
- We plan to open 7 floors and expand 3 existing floors in H2 FY 2015
- Office capacity expected to increase by no less than 10% in FY 2015
- As at 31 December 2014 there were 139 floors in 52 cities in 21 countries



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## Fixed rent increase impact

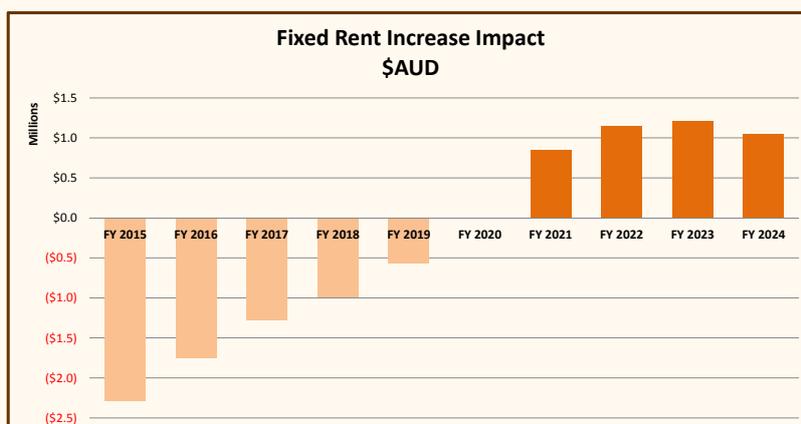
- Accounting standards require the impact of fixed rent increases in leases to be straight-lined across the lease term
- Historically the impact was not material
  - Just entered into 10 new leases that contain fixed increase clauses
  - This is now having a material impact on profits
  - The required accounting treatment has the effect of:
    - ❖ increasing rent expense in earlier years, and
    - ❖ decreasing rent expense in the later years of a lease
- We believe it is appropriate to explain the impact so the users can better understand the performance of the business
  - The impact in H1 FY 2015 reduced NPBT by \$(1,119,000)
  - The full FY 2015 impact is expected to be approximately \$(2,300,000)

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## Fixed rent increase impact (cont.)

- The estimated impact for current leases (in constant currency) for the next 10 years is outlined below;



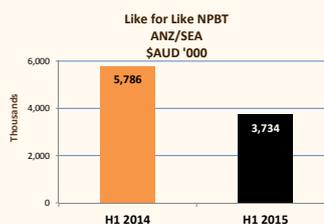
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## Operating summary by segment ANZ/SEA

### H1 FY 2015

- Like for Like NPBT in ANZ / SEA was down 35%
- New Zealand and Thailand continue to produce solid results
- The Philippines is now profitable and we expect margins to continue to improve
- Malaysia and Singapore were impacted in FY 2014 by a management restructure
  - Performance bottomed out in July 2014
  - Office sales were strong during H1 FY 2015
  - Sales and profitability have improved
  - Expect Malaysia and Singapore to return to profitability in the coming months
- Australia is performing as expected
  - Adelaide, Brisbane and Melbourne outperformed
  - Sydney and Perth underperformed
    - ❖ The Perth market is slowly recovering
    - ❖ 2 new locations impacted the results for Sydney, however occupancy has lifted and we will see the benefit in H2 FY 2015



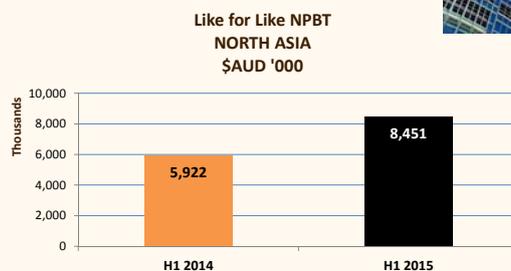
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## North Asia

### H1 FY 2015

- North Asia produced a solid result
- Like for Like NPBT growth in North Asia was 43%
- Satisfied with the performance of all markets
- Margins in China have room to improve



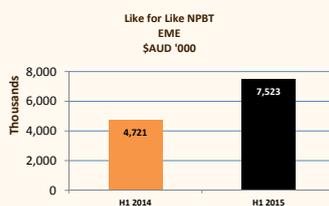
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## EME H1 FY 2015



- Like for Like NPBT growth in EME was 59%
- All markets performed to expectations
- Management is pleased with this outcome
- We will continue to expand our footprint in the region
- We have just opened our new prestigious London locations
  - One Mayfair Place, and
  - The Leadenhall Building (the tallest building in the City of London)

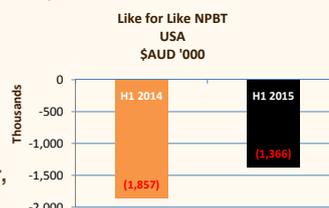


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## USA H1 FY 2015

- Like for Like Net Loss Before Tax for the USA reduced by 26%
- Our USA business has historically underperformed; but
  - revenue continues to improve
  - losses continue to decrease
- The loss for H1 FY 2015 includes expansion costs of approx. \$(882,000) for 3 floors
- Excluding these costs the USA is profitable
- We are excited to open our new landmark floor, One World Trade Centre, in March 2015
- One World Trade Centre is the most significant addition to our global office portfolio in recent times
- We expect it to be a significant catalyst to the turnaround of the USA business



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## Dividend H1 FY 2015

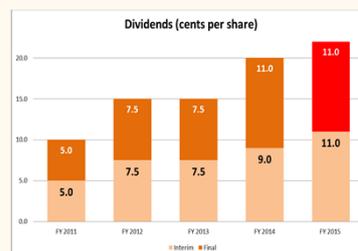
- Interim dividend payable of 11.00 cps, 20% franked

## Forecast

### H2 FY 2015

- Final dividend of 11.00 cps is expected to be paid for FY 2015, with an anticipated franking level of 30%
- Total dividends payable for FY 2015 of 22.00 cps, with an expected franking level of 25%

*This payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances*



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## Outlook FY 2015

- Reaffirm guidance of not less than 15% NPBT growth for FY 2015
- Aim to grow capacity by not less than 10% in FY 2015
- In H2 FY 2015 we will open 7 new centres including 2 landmark floors
  - New York (One World Trade Centre)
  - London (One Mayfair Place)
- New floor opening costs, particularly in relation to the landmark floors, will temper growth in NPBT in H2 FY 2015 and in FY 2016
- Future earnings should benefit from a weaker AUD as approximately 80% of our revenue and profits are denominated in currencies other than AUD

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