

Servcorp Limited

FY 2016 Results Presentation

Wednesday 17 August 2016



Presented by: **Mr Alf Moufarrige**, Chief Executive Officer
Mr Anton Clowes, Chief Financial Officer

1

 **SERVcorp**

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

Overview

Solid performance

- NPBT growth of 19% exceeded full year guidance
- Stable cashflows generated from operations:
 - ❖ Continued to expand organically
 - ❖ Capex additions of \$27.6m
 - ❖ Dividends paid of \$21.7m
 - ❖ Unencumbered cash balance maintained year on year
- Like for Like occupancy 77% (2015: 79%) notwithstanding > 7% new office stock added (net) in FY 16
- All floors occupancy 75% (2015: 76%)
- Healthy cash reserves uniquely positions us to take advantage of opportunities



3

SERVCORP

FY 16 Result

NPAT A\$39.7m, ▲ 20%

	FY 16 A\$m	FY 15 A\$m	FY 16 v FY 15	Constant FX
Revenue	328.6	277.4	▲ 19%	10%
Total operating expenses	(279.8)	(236.2)	19%	11%
Net profit before tax	48.8	41.2	▲ 19%	16%
Income tax expense	(9.1)	(8.1)		
Net profit after tax	39.7	33.1	▲ 20%	
Like for Like NPBT	56.8	41.6	▲ 37%	
Net tangible assets per share	\$2.50	\$2.31	▲ 8%	
Earnings per share	\$0.40	\$0.34	▲ 20%	

	FY16	Franking
Final dividend per share	A\$0.11	50%
Total dividend per share	A\$0.22	50%



4

SERVCORP

Statutory Position

Balance sheet and Cash flow

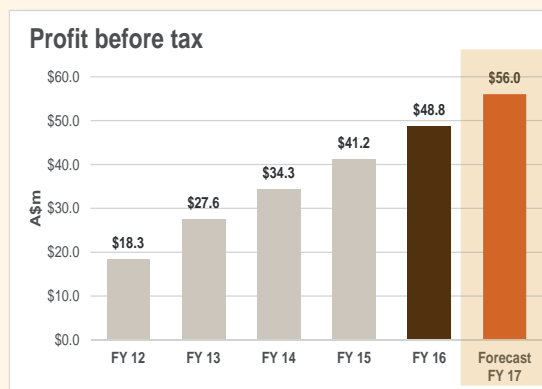
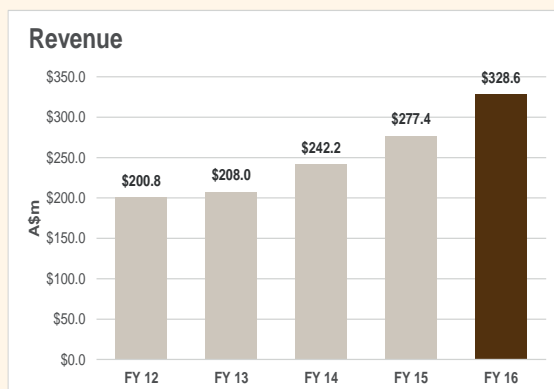
Balance Sheet	FY 16 A\$m	FY 15 A\$m	Cash Flow	FY 16 A\$m	FY 15 A\$m
Cash	95.8	97.8	Opening cash 1 July	97.8	92.5
Trade receivables	40.3	39.2	Net operating cash inflows	60.6	59.9
PP&E	132.0	125.8	Net investing cash outflows	(37.1)	(42.6)
Goodwill	14.8	14.8	Net financing cash outflows	(27.7)	(15.9)
Deferred tax asset	35.2	30.1	Foreign exchange movements	2.2	3.9
Other assets	74.4	63.5	Closing cash 30 June	95.8	97.8
Total assets	392.5	371.2			
Trade payables	77.0	74.4			
Provisions	7.4	6.4			
Deferred tax liabilities	1.2	1.4			
Other liabilities	45.9	47.1			
Total liabilities	131.5	129.3			
Net assets	261.0	241.9			

Growth %

↑ 8%

Performance

Sustained revenue & profit growth

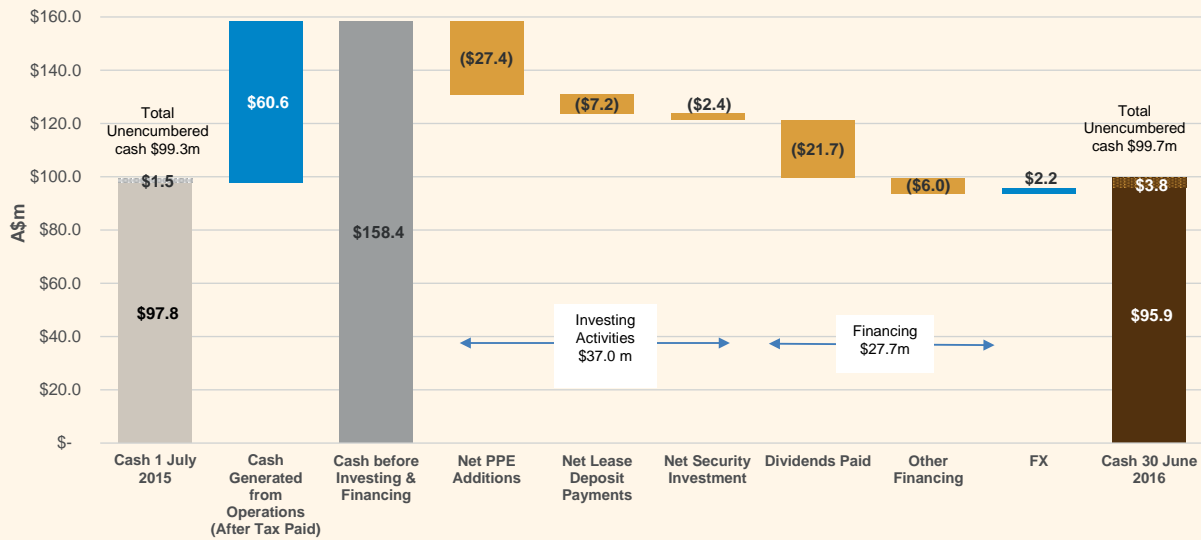


- Best-in-world product and organic expansion primary drivers of double digit profit growth for the last 5 years
- Forecast NPBT growth for FY 17 of approximately 15%

Positioning

Healthy cashflow & liquidity

Cashflow & liquidity



- Organic growth funded through cash generated from operations, 45% of cash generated in FY 16 funded global floor openings

7

SERVcorp

The Servcorp Footprint

Servcorp continues to expand global footprint

- Increased office capacity by 381 (net) offices

- Growing office stock by > 7%

- Added new landmark locations:

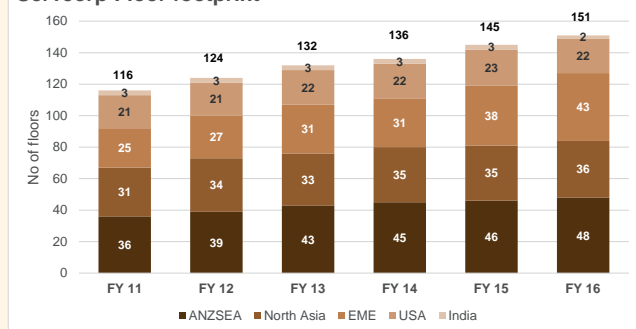
- World Trade Center, Abu Dhabi
 - CapitaGreen, Singapore
 - Diplomatic Tower, Bahrain

- We have added 35 (net) new floors to our footprint since June 2011

- FY 17 new locations include:

- Tri-Seven, Tokyo (opened in July 2016)
 - IFC, Jakarta (scheduled opening October 2016)
 - Barangaroo, Sydney (scheduled opening November 2016)
 - River Point, Chicago (scheduled opening January 2017)

Servcorp Floor footprint



8

SERVcorp

Segment Performance

Global overview



Segment	Revenue A\$m		Revenue Growth %		Profit / (Loss) A\$m		Margin %	
	FY 16	FY 15	Actual	Constant FX	FY 16	FY 15	FY 16	FY 15
Australia, New Zealand and South East Asia	87.1	81.3	7%		12.2	8.8	↑ 14%	11%
North Asia	105.0	89.4	17%		20.8	17.6	20%	20%
Europe & Middle East	93.4	73.4	27%		18.5	15.5	20%	21%
USA	35.1	24.8	42%		(3.8)	(5.0)	↑ (11%)	(20%)
Others	0.8	0.9			0.2	0.2		
Total	321.4	269.8	19%	10%	47.9	37.1	↑ 15%	14%

9

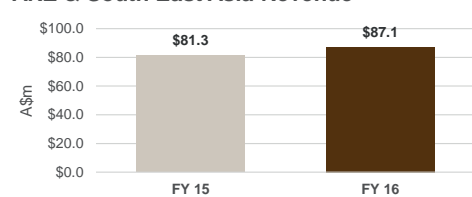
 **SERV**CORP

Operating Summary by Segment

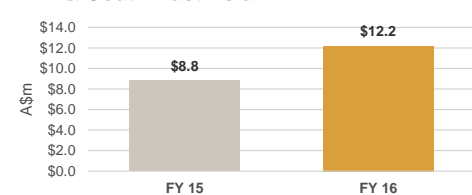
ANZ and South East Asia (ANZSEA)

- **Like for Like NPBT in ANZSEA improved by 27%**
- **Overall Australia profitability improved by 16%**
 - ❖ Significant improvement in Sydney market profitability and sales
 - ❖ Perth continues to be impacted by office stock over-supply and lack of demand
- **Australia and New Zealand occupancy is healthy at more than 80%**
- **Malaysia and Singapore on a Like for Like basis were profitable but underperformed in FY 16**
- **ILHAM Tower, Kuala Lumpur and CapitaGreen, Singapore opened in FY 16 and are expected to be profitable in FY 17**
- **FY 17 new locations in this region include:**
 - ❖ Barangaroo, Sydney
 - ❖ IFC, Jakarta

ANZ & South East Asia Revenue



ANZ & South East Asia NPBT



10

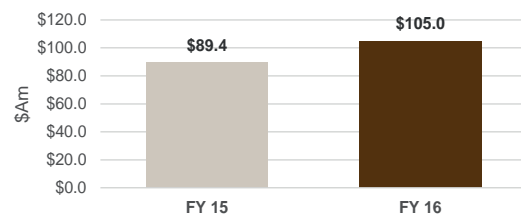
 **SERV**CORP

Operating Summary by Segment (cont'd)

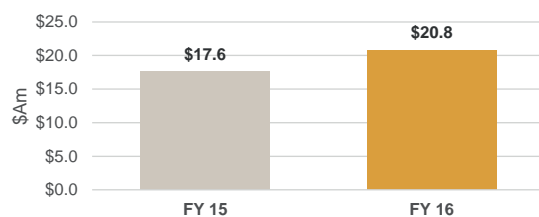
North Asia

- North Asia produced a solid FY 16 result
 - Like for Like NPBT increased by 25%
 - Regional revenue increased 17%
 - There was only one new opening in North Asia this year being Osaka Hilton
- China was profitable but missed its target this year and continues to be a focus area for Management
- Subsequent to year end Tokyo opened a new floor in the Tri-Seven Building

North Asia Revenue



North Asia NPBT



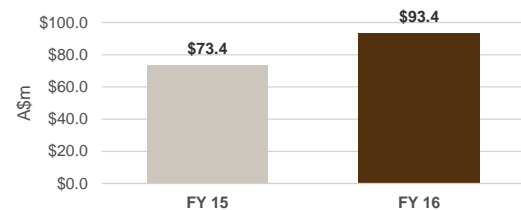
Operating Summary by Segment (cont'd)

Europe and Middle East (EME)

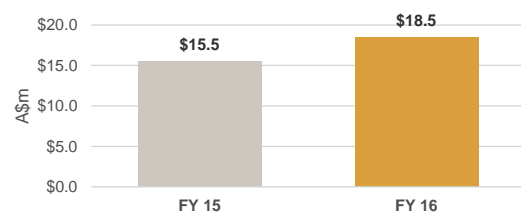
EME produced a solid result

- Like for Like NPBT up 58%
- With the exception of France all markets performed to expectations
- During FY 16 we opened new locations in:
 - Abu Dhabi
 - Bahrain

Europe & Middle East Revenue



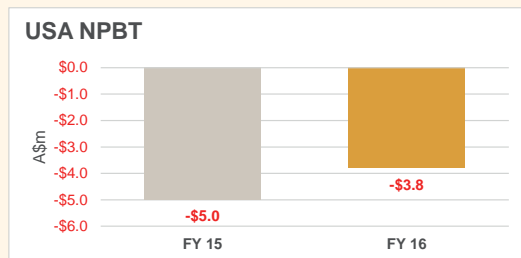
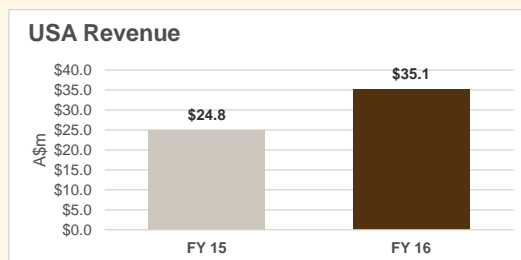
Europe & Middle East NPBT



Operating Summary by Segment (cont'd)

USA

- The USA underperformed and did not meet its target this year
- Like for Like Net Loss Before Tax for the USA reduced by 66% during FY 16
- USA EBITDA improved, up to \$3.8m on FY 15 (FY 15: \$80k)
- Overall USA occupancy marginally below global average
- Management has a heightened focus on the USA
- New mega-floor opening in Chicago in January 2017

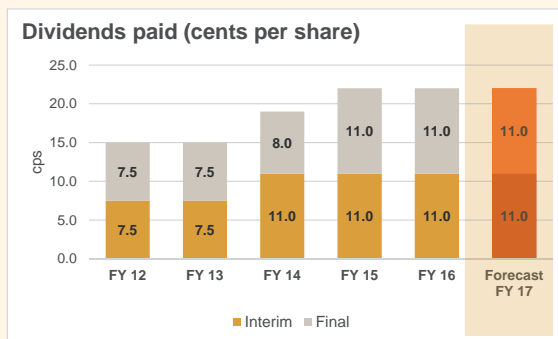


Dividend

FY16 dividend paid & declared

- Final dividend payable of 11.00 cps, 50% franked
- Total dividends payable of 22.00 cps, 50% franked

FY 17 forecast



- Dividends of 22.00 cps (11.0 cents in each half) are anticipated to be paid for FY 17
- FY 17 franking levels are uncertain, but are expected to be similar to current franking levels

Future dividends are subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances

Outlook

FY 17 guidance

Forecast Guidance ^A	FY 17 F A\$m	FY 16 A A\$m	Growth %
Revenue	356.0	328.6	↑ 8%
Net profit before tax	56.0	48.8	↑ 15%

- New centres opening in FY 17 should have a similar impact on profits as floors that opened in FY 16
- We aim to grow capacity by up to 7% in FY 17



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

15

 **SERVCORP**

QUESTIONS & ANSWERS



16

 **SERVCORP**