

# Servcorp Limited

## FY 2016 Results Presentation

Wednesday 17 August 2016



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# 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



## 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%
<b>Net profit before tax</b>	<b>48.8</b>	41.2	19%	16%
Income tax expense	(9.1)	(8.1)		
<b>Net profit after tax</b>	<b>39.7</b>	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%	
	<b>FY16</b>	<b>Franking</b>		
Final dividend per share	A\$0.11	50%		
Total dividend per share	A\$0.22	50%		



# Statutory Position

## Balance sheet and Cash flow

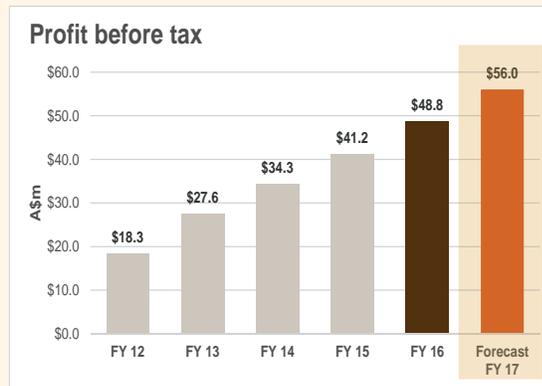
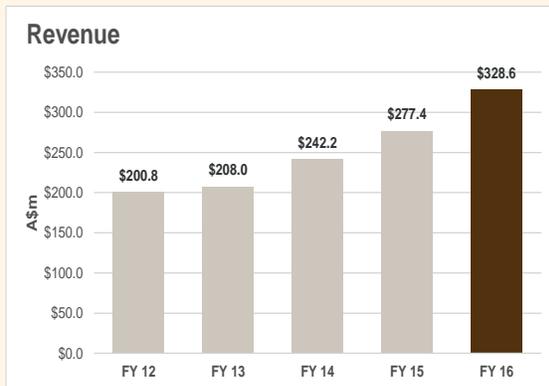
Balance Sheet	FY 16 A\$m	FY 15 A\$m	Cash Flow	FY 16 A\$m	FY 15 A\$m
Cash	95.8	97.8	Opening cash 1 July	97.8	92.5
Trade receivables	40.3	39.2	Net operating cash inflows	60.6	59.9
PP&E	132.0	125.8	Net investing cash outflows	(37.1)	(42.6)
Goodwill	14.8	14.8	Net financing cash outflows	(27.7)	(15.9)
Deferred tax asset	35.2	30.1	Foreign exchange movements	2.2	3.9
Other assets	74.4	63.5	<b>Closing cash 30 June</b>	<b>95.8</b>	<b>97.8</b>
<b>Total assets</b>	<b>392.5</b>	<b>371.2</b>			
Trade payables	77.0	74.4			
Provisions	7.4	6.4			
Deferred tax liabilities	1.2	1.4			
Other liabilities	45.9	47.1			
<b>Total liabilities</b>	<b>131.5</b>	<b>129.3</b>			
<b>Net assets</b>	<b>261.0</b>	<b>241.9</b>	<b>Growth %</b>	<b>8%</b>	

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# 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%

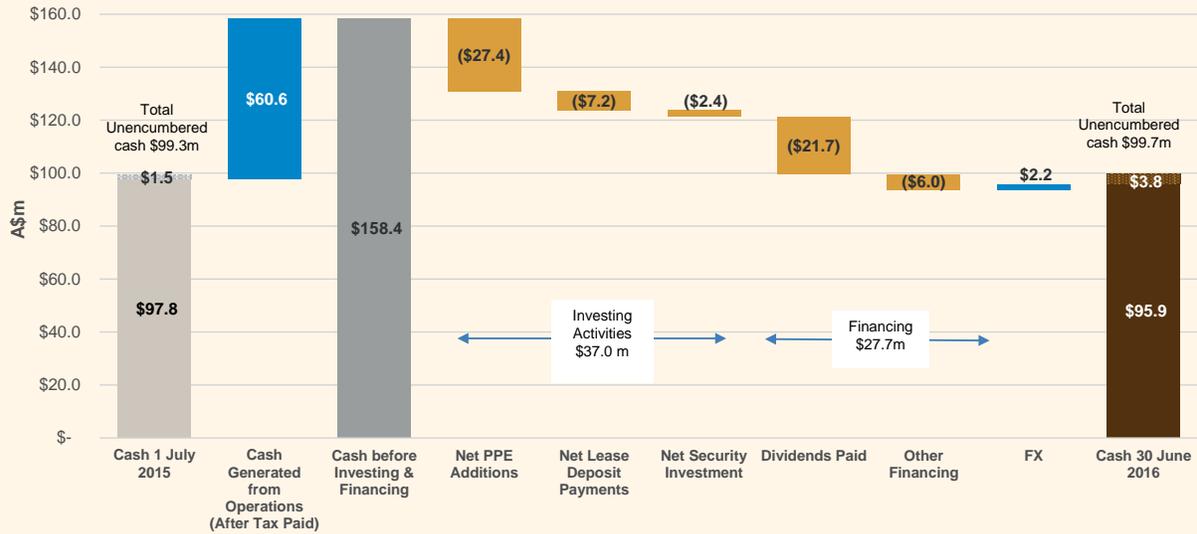
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# Positioning

## Healthy cashflow & liquidity

### Cashflow & liquidity



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

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# 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:

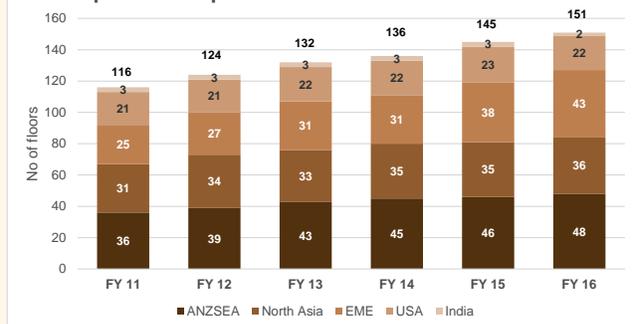
- World Trade Center, Abu Dhabi
  - CapitaGreen, Singapore
  - Diplomatic Tower, Bahrain

- 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



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# 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		
<b>Total</b>	<b>321.4</b>	<b>269.8</b>	<b>19%</b>	<b>10%</b>	<b>47.9</b>	<b>37.1</b>	↑	<b>15% 14%</b>

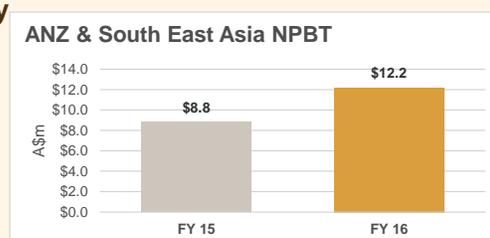
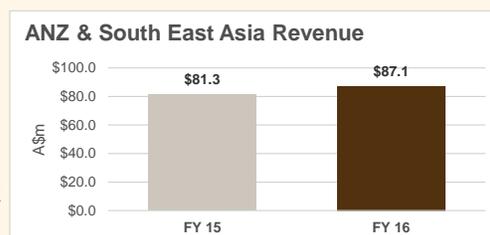
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## Operating Summary by Segment

### 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



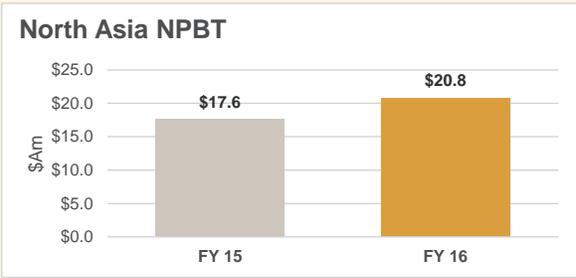
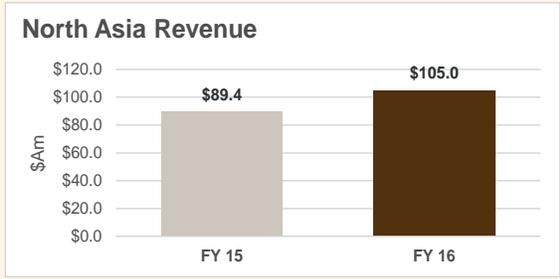
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# Operating Summary by Segment (cont'd)

## North Asia

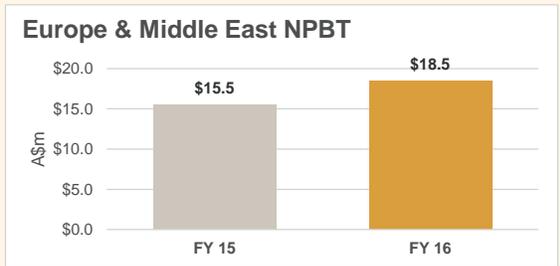
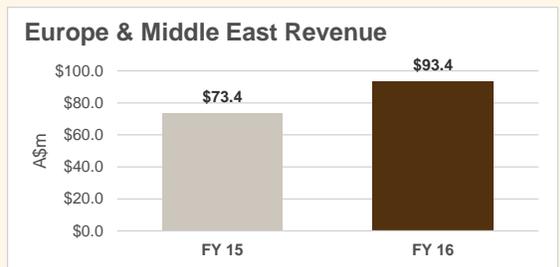
- **North Asia produced a solid FY 16 result**
  - ❖ Like for Like NPBT increased by 25%
  - ❖ Regional revenue increased 17%
  - ❖ There was only one new opening in North Asia this year being Osaka Hilton
- **China was profitable but missed its target this year and continues to be a focus area for Management**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



# Operating Summary by Segment (cont'd)

## Europe and Middle East (EME)

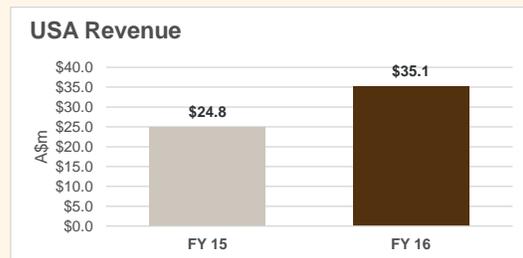
- **EME produced a solid result**
  - ❖ Like for Like NPBT up 58%
- **With the exception of France all markets performed to expectations**
- **During FY 16 we opened new locations in:**
  - ❖ Abu Dhabi
  - ❖ Bahrain



# 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



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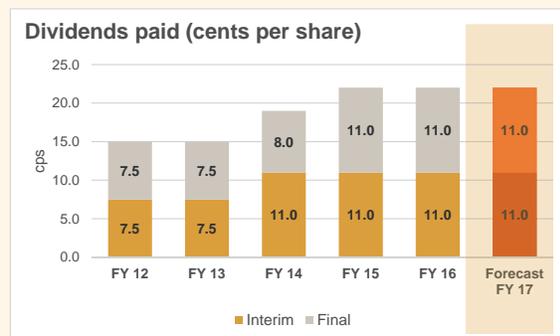
## Dividend

### 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*

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# Outlook

## FY 17 guidance

Forecast Guidance <sup>A</sup>	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.

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# QUESTIONS & ANSWERS



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