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Serviced Offices



Virtual Offices



Coworking



The Membership

FY 2017 Results Presentation

Wednesday 23 August 2017

Presented by: Mr. Alf Moufarrige, Chief Executive Officer

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Overview

Headline performance

- Revenue and other income of \$329.6m, up \$1.0m
- NPBT of \$48.2m, down 1% on pcp
- NPAT of \$40.7m, up 3% on pcp
- Like for Like NPBT of \$58.1m, up 16%
- Operating cash flow from operations (after tax) of \$54.4m, down 10%
- Unencumbered cash balance of \$107.9m, up 8% on pcp
- NTA backing of \$2.56 per share, up 3%
- EPS of 41.4 cps, up 3%
- Dividends
 - ❖ FY 17 final dividend 13.00 cps, 50% franked
 - ❖ FY 17 dividends 26.00 cps (50% franked), up 18% on FY 16
- Continued focus on revenue growth from existing floors
 - ❖ Like for Like occupancy 76% (FY 16: 75%)
 - ❖ All floors occupancy 73% (FY 16: 75%)
- FY 18 NPBT guidance^A between \$45.0m and \$55.0m



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

FY 17 Result

NPAT A\$40.7m, up 3%

| | FY 17 A\$m | FY 16 A\$m |
|------------------------------|---------------|---------------|
| Revenue and other income | 329.6 | 328.6 |
| Operating expenses | (281.4) | (279.8) |
| Net profit before tax | 48.2 | 48.8 |
| Income tax expense | (7.5) | (9.1) |
| Net profit after tax | 40.7 | 39.7 |

| | | |
|--------------------|------|------|
| Like for Like NPBT | 58.1 | 50.1 |
|--------------------|------|------|

| | | |
|-------------------------------|--------|--------|
| Net tangible assets per share | \$2.56 | \$2.50 |
| Earnings per share (cents) | 41.4 | 40.4 |

| | FY 17 | Franking |
|--------------------------|---------|----------|
| Final dividend per share | A\$0.13 | 50% |
| Total dividend per share | A\$0.26 | 50% |

| FY 17 v FY 16 |
|------------------|
| - |
| ↑ 1% |
| ↓ 1% |
| ↓ 18% |
| ↑ 3% |
| ↑ 16% |
| ↑ 3% |
| ↑ 3% |

| Constant FX |
|----------------|
| ↑ 2.7% |
| ↑ 0.6% |
| ↑ 0.6% |

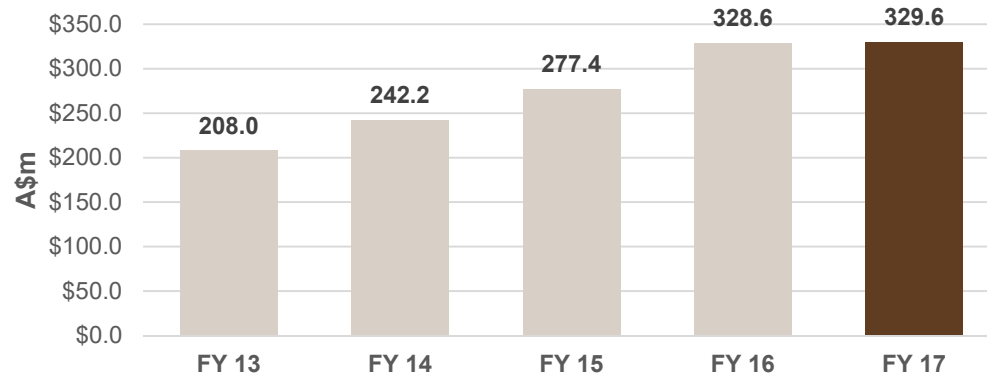


Performance

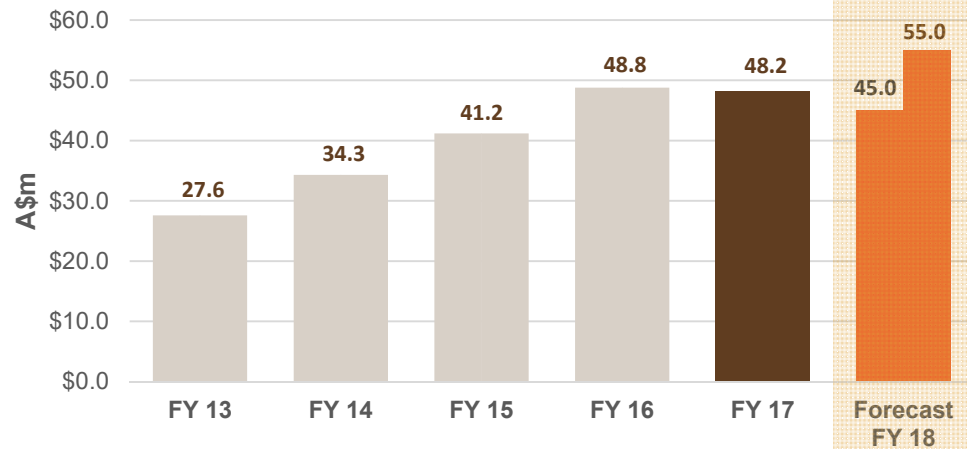
Like for Like NPBT up 16%

- Revenue and other income of \$329.6m, up \$1.0m
- NPBT of \$48.2m, down 1%
- Like for Like NPBT of \$58.1m, up 16%
- FY 17 result substantially impacted by underperformance of NYC

Revenue



NPBT



Statutory Position

Balance sheet and Cash flow

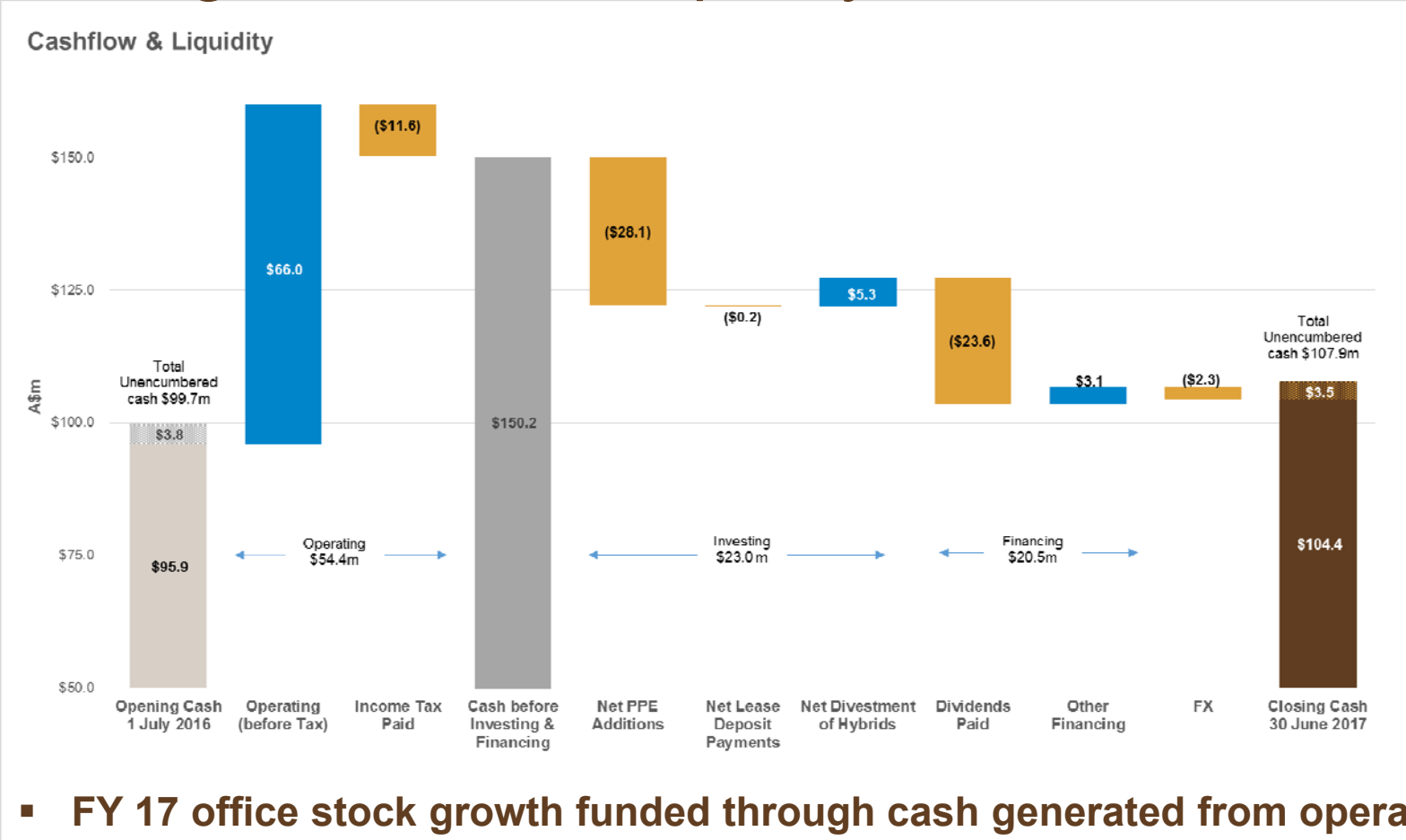
| Balance Sheet | Jun-17 A\$m | Jun-16 A\$m |
|---------------------------|----------------|----------------|
| Cash | 104.4 | 95.8 |
| Trade & other receivables | 41.7 | 40.3 |
| PP&E | 125.8 | 132.0 |
| Goodwill | 14.8 | 14.8 |
| Deferred tax asset | 33.6 | 35.2 |
| Other assets | 70.4 | 74.4 |
| Total assets | 390.7 | 392.5 |
| Trade & other payables | 79.5 | 77.0 |
| Provisions | 7.6 | 7.4 |
| Deferred tax liabilities | 1.2 | 1.2 |
| Other liabilities | 35.2 | 45.9 |
| Total liabilities | 123.5 | 131.5 |
| Net assets | 267.2 | 261.0 |

| Cash Flow | FY 17 A\$m | FY 16 A\$m |
|---------------------------------|---------------|---------------|
| Opening cash 1 July | 95.8 | 97.8 |
| Net operating cash inflows | 54.4 | 60.6 |
| Net investing cash outflows | (23.0) | (37.1) |
| Net financing cash outflows | (20.5) | (27.7) |
| Foreign exchange movements | (2.3) | 2.2 |
| Closing cash 31 December | 104.4 | 95.8 |

Growth %
 3%

Positioning

Strong cash flow & liquidity



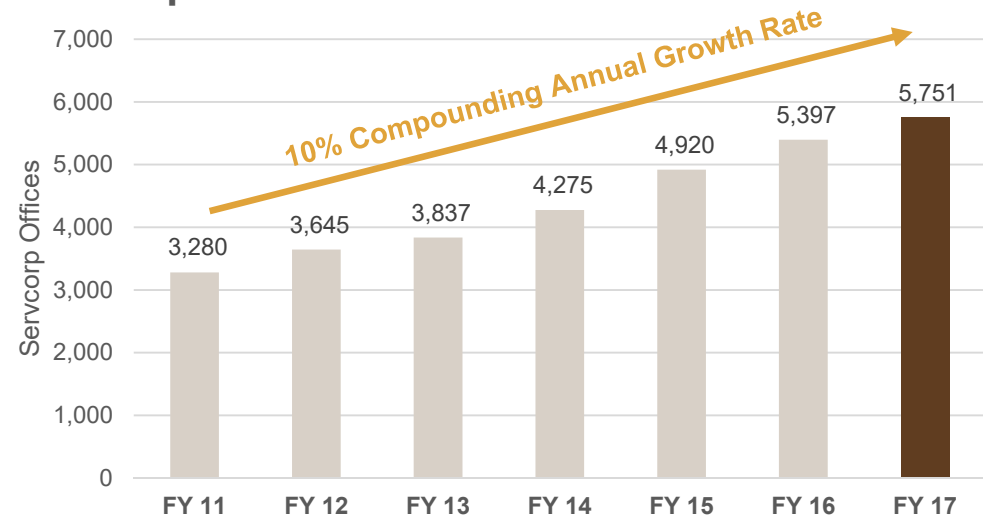
- FY 17 office stock growth funded through cash generated from operations
- Overall cash increased \$8.5m from FY 16 to \$104.4m

The Servcorp Footprint

Global consolidation

- Experienced extended period of office stock growth since FY 11 achieving a CAGR of 10%
- Following this extended period of office stock growth Servcorp continues to focus on increasing the overall occupancy of existing office stock
- Increased net office stock in FY 17 by 7%
- 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

Servcorp Growth



Segment Performance

Global overview

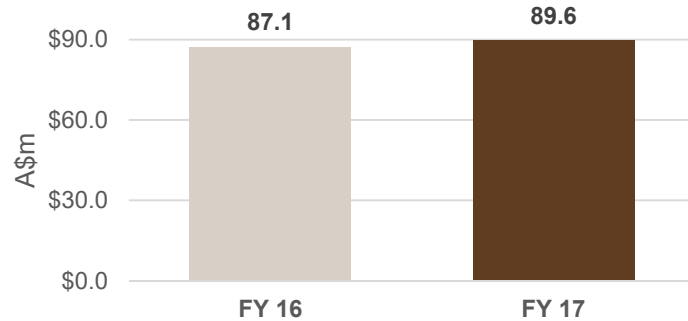
| Segment | Revenue | | Revenue Growth | | Profit / (Loss) | | Margin | |
|--|--------------|--------------|----------------|-------------|-----------------|-------------|------------|------------|
| | A\$m | | % | | A\$m | | % | |
| | FY 17 | FY 16 | Actual | Constant FX | FY 17 | FY 16 | FY 17 | FY 16 |
| Australia, New Zealand & South East Asia | 89.6 | 87.1 | 3% | | 6.4 | 12.2 | 7% | 14% |
| North Asia | 107.1 | 105.0 | 2% | | 21.4 | 20.8 | 20% | 20% |
| Europe & Middle East | 84.4 | 93.4 | (10%) | | 14.9 | 18.5 | 18% | 20% |
| USA | 34.4 | 35.1 | (2%) | | (5.8) | (3.8) | (17%) | (11%) |
| Others | 0.8 | 0.8 | - | | - | 0.2 | - | 25% |
| Total | 316.3 | 321.4 | (2%) | 1% | 36.8 | 47.9 | 12% | 15% |



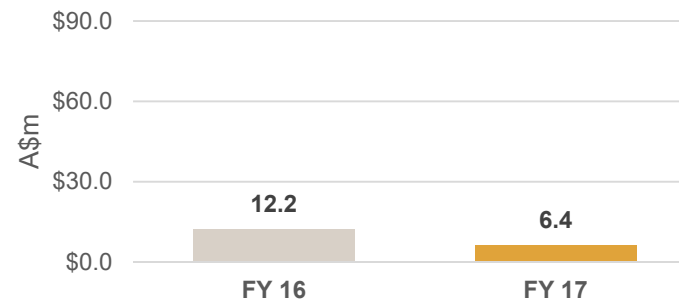
Operating Summary by Segment

ANZ and South East Asia (ANZSEA)

ANZ & South East Asia Revenue



ANZ & South East Asia NPBT

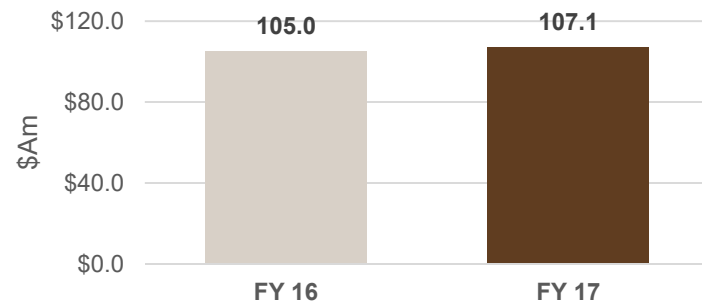


- **Like for Like NPBT in ANZSEA increased by 2%**
- **The region opened two new floors in FY 17, namely Barangaroo in Sydney and IFC in Jakarta**
- **Australia and New Zealand occupancy is healthy**

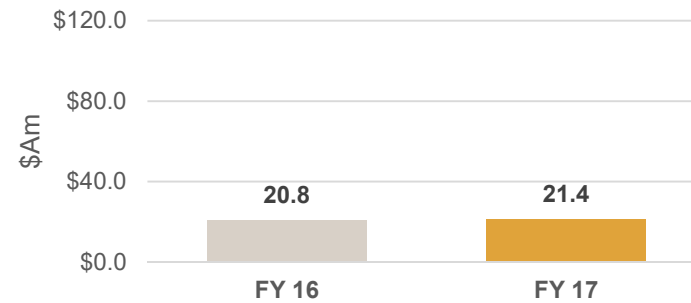
Operating Summary by Segment (cont'd)

North Asia

North Asia Revenue



North Asia NPBT

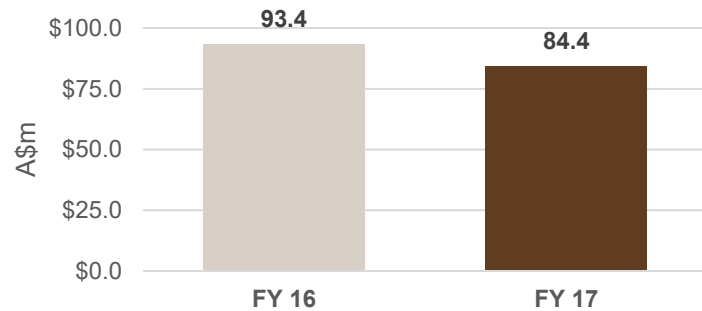


- North Asia produced a pleasing FY 17 result
- Like for Like NPBT increased by 5%
- The region opened one new floor namely Tri-Seven in Tokyo

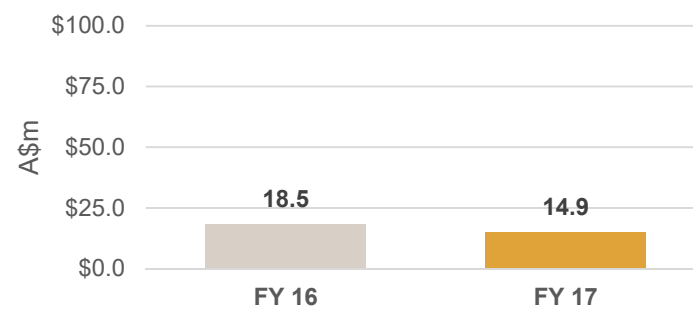
Operating Summary by Segment (cont'd)

Europe and Middle East (EME)

Europe & Middle East Revenue



Europe & Middle East NPBT

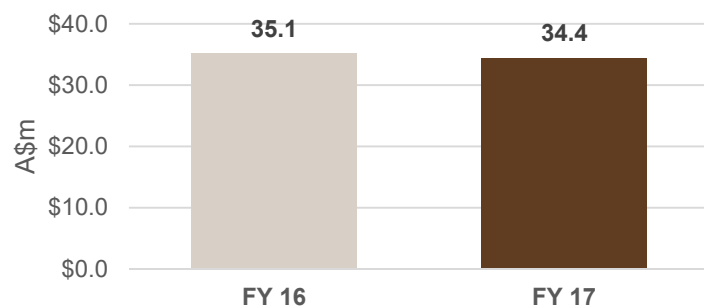


- **EME produced a weak result in FY 17**
- **Two new floors in Schuman in Brussels were opened during FY 17**

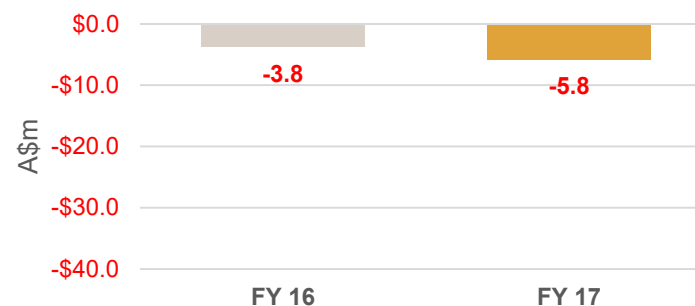
Operating Summary by Segment (cont'd)

USA

USA Revenue



USA NPBT



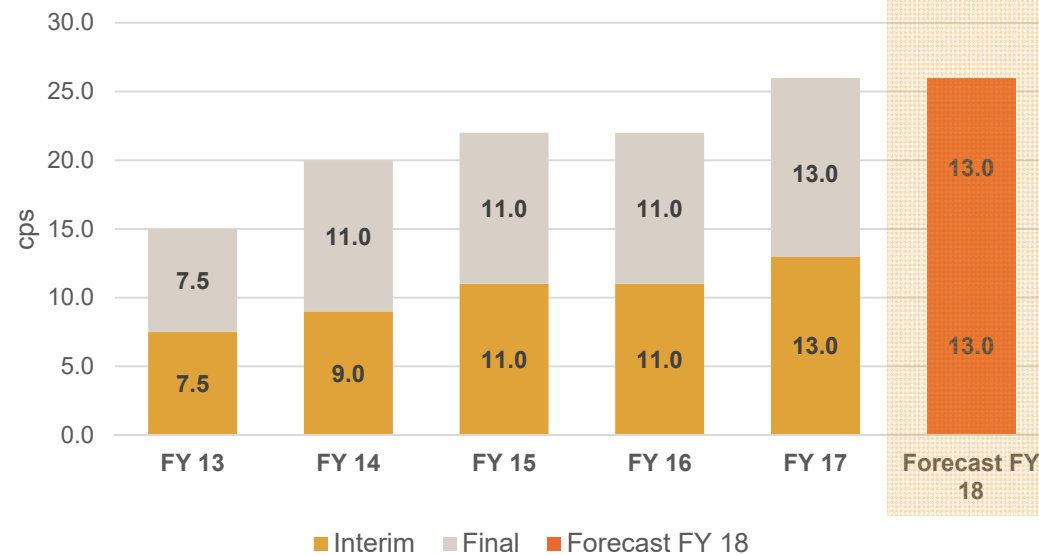
- Notwithstanding acceptable performances across a range of locations, the USA underperformed and has not met its forecast for FY 17
- On a Like for Like basis the USA remains EBITDA positive
- COO relocated to the USA in March 2017 and is focussed on improving the performance of the USA business with particular emphasis on New York City
- Included in the FY 17 result is River Point in Chicago which opened in January 2017

Dividend

FY 17 dividend paid and declared

- Final dividend payable of 13.00 cps, 50% franked
- Total dividends payable of 26.00 cps (50% franked), up 18% on FY 16

Dividends paid (cents per share)



FY 18 forecast^A

- Dividends of 26.00 cps (13.00 cps each half) are anticipated to be paid for FY 18
- FY 18 franking levels are uncertain

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

Outlook

Short-term

- **FY 18 NPBT guidance^A between \$45m and \$55m**
- **We have confidence in our future: FY 18 dividends^A expected to be 26.00 cps**
- **Material DTA of \$9.1m relating to USA carried forward tax losses**
 - ❖ Management expects these losses to be utilised based on the forecasts for the USA business
 - ❖ If the performance of the USA operation does not meet these forecasts in FY 18 and beyond, the recoverability of the DTA will need to be reassessed
 - ❖ Any adjustment as a result of this future reassessment would be a non-cash tax item that would not impact FY 18 dividend or NPBT guidance
- **FY 18 growth in office stock will be significantly lower than during the last 7 years while we consolidate the operating performance of our global footprint**
- **In this highly competitive market, our primary short term objective is to turn underperforming locations to profitability**
 - ❖ Our Chief Operating Officer, Mr Marcus Moufarrige, relocated to the USA in March 2017 to lead that business and to improve the operating performance of our USA business with particular emphasis on New York City
 - ❖ Effective 1 July 2017 Mr Taine Moufarrige returned in an executive role and is now operationally responsible for SEA, China and Saudi Arabia. These areas previously reported to the Chief Executive Officer, Mr Alf Moufarrige

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

Outlook (cont'd)

Medium-term

- **Our industry is in unprecedented transition; we are seeing many new participants and as a result the shared workspace market is growing rapidly**
- **The Servcorp difference**
 - ❖ We have made significant investment in an unparalleled information technology platform
 - ❖ We have a premium location offering
 - ❖ We have proven experience in this sector
- **We have a developed Servcorp Community allowing collaboration between our growing customer base**
 - ❖ Successfully deployed in 10 countries in multiple languages
 - ❖ 15,000 clients (and growing) interacting in the Servcorp Community
- **These factors make Servcorp a strong, diversified global business that differentiates us from other shared workspace providers**
- **We are in a strong financial position to maximise leverage in this expanding market**

QUESTIONS & ANSWERS

