

# 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
Revenue	328.6	277.4
Total operating expenses	(279.8)	(236.2)
<b>Net profit before tax</b>	<b>48.8</b>	41.2
Income tax expense	(9.1)	(8.1)
<b>Net profit after tax</b>	<b>39.7</b>	33.1

Like for Like NPBT	56.8	41.6
<b>Net tangible assets per share</b>	<b>\$2.50</b>	\$2.31
<b>Earnings per share</b>	<b>\$0.40</b>	\$0.34

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


FY 16 v FY 15
 19%
19%
 19%
 20%
 37%
 8%
 20%

Constant FX
10%
11%
16%



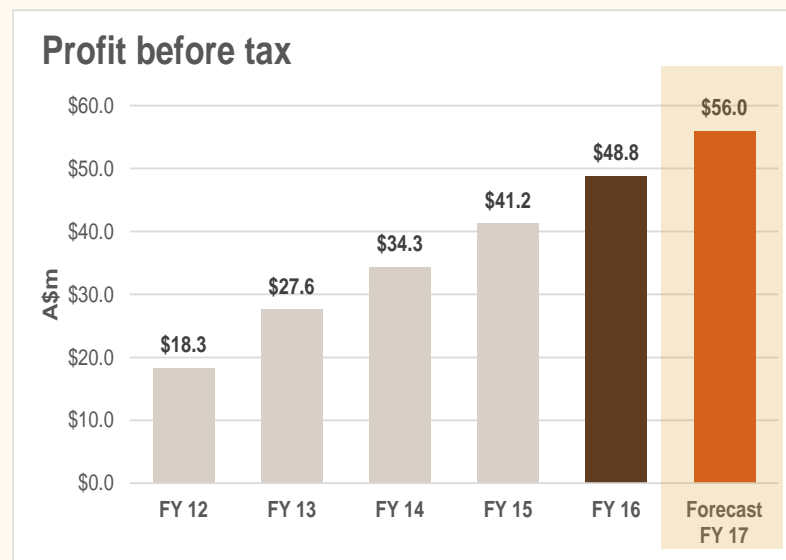
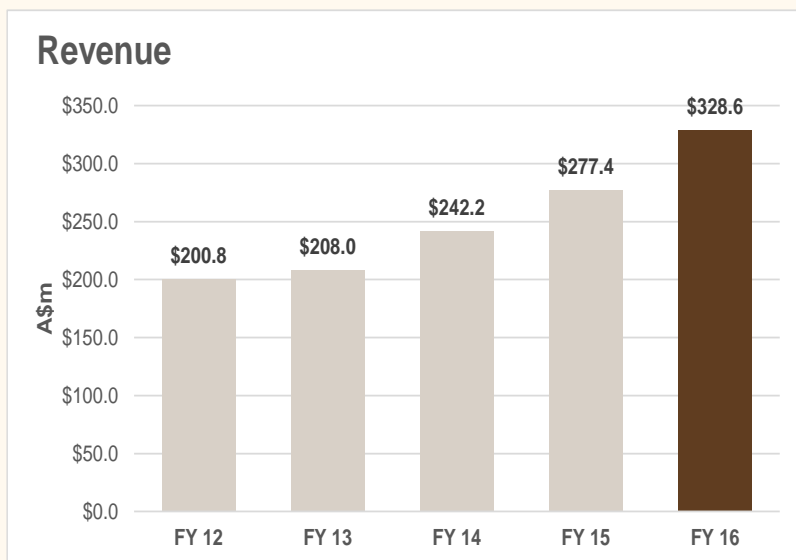
# Statutory Position

## 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			
PP&E	132.0	125.8	Net operating cash inflows	60.6	59.9
Goodwill	14.8	14.8	Net investing cash outflows	(37.1)	(42.6)
Deferred tax asset	35.2	30.1	Net financing cash outflows	(27.7)	(15.9)
Other assets	74.4	63.5	Foreign exchange movements	2.2	3.9
<b>Total assets</b>	<b>392.5</b>	<b>371.2</b>	<b>Closing cash 30 June</b>	<b>95.8</b>	<b>97.8</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>	

# Performance

## Sustained revenue & profit growth

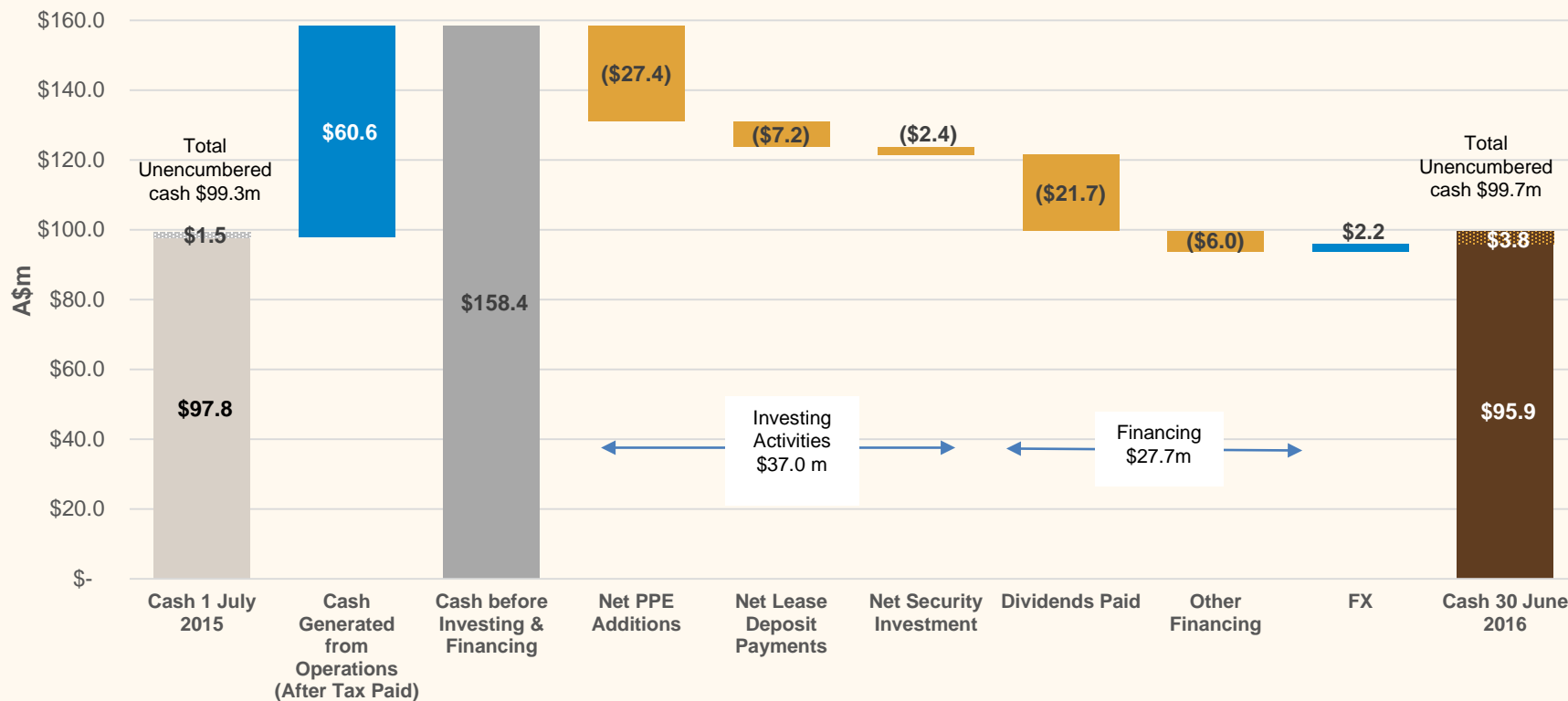


- **Best-in-world product and organic expansion primary drivers of double digit profit growth for the last 5 years**
- **Forecast NPBT growth for FY 17 of approximately 15%**

# 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

# 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**

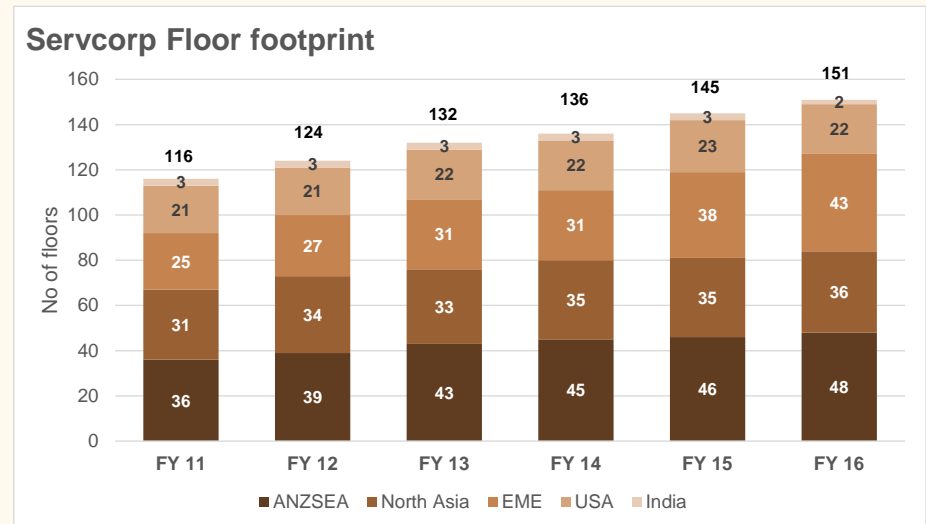
- **FY 17 new locations include:**

- ❖ 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)





# Segment Performance

## Global overview

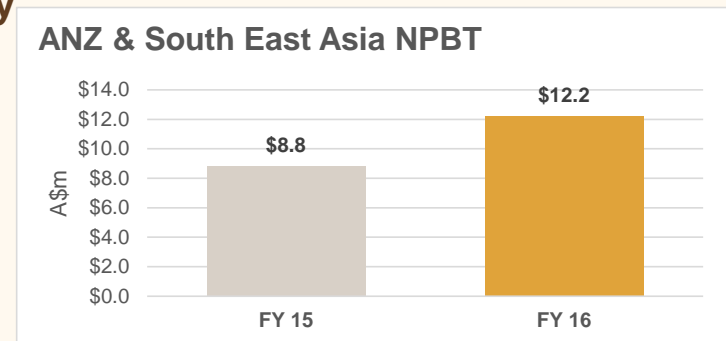
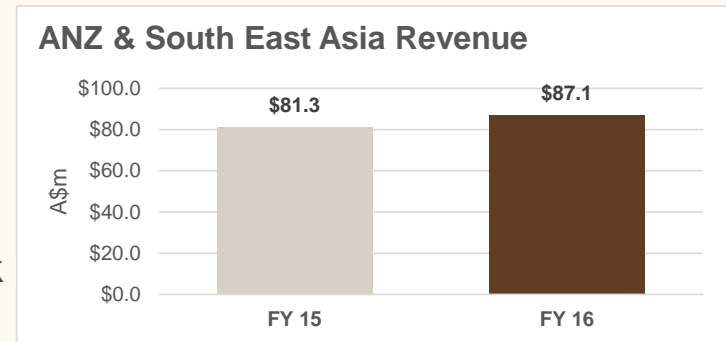


Segment	Revenue A\$m		Revenue Growth %		Profit / (Loss) A\$m		Margin %	
	FY 16	FY 15	Actual	Constant FX	FY 16	FY 15	FY 16	FY 15
Australia, New Zealand and South East Asia	87.1	81.3	7%		12.2	8.8	↑ 14%	11%
North Asia	105.0	89.4	17%		20.8	17.6	20%	20%
Europe & Middle East	93.4	73.4	27%		18.5	15.5	20%	21%
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%</b>	<b>14%</b>

# 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

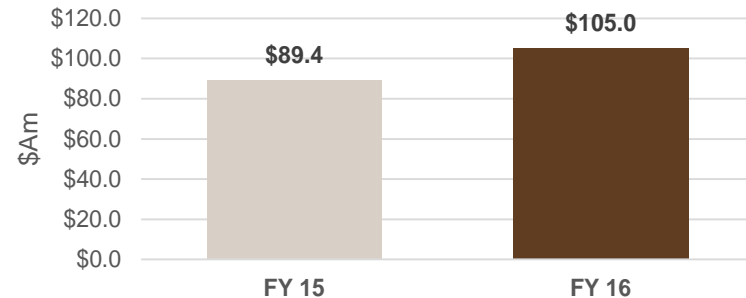


# Operating Summary by Segment (cont'd)

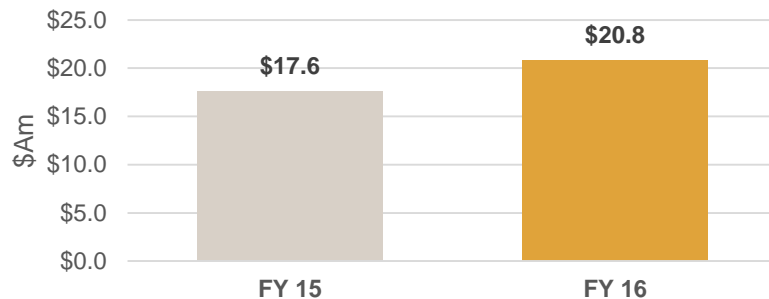
## North Asia

- **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)

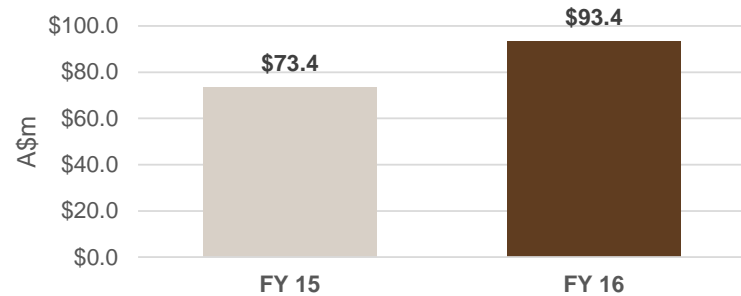
## Europe and Middle East (EME)

### EME produced a solid result

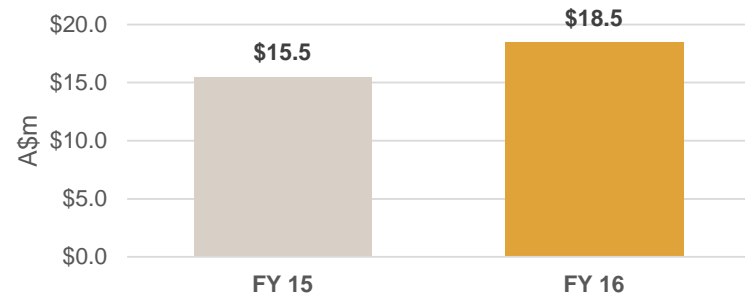
- ❖ Like for Like NPBT up 58%
- With the exception of France all markets performed to expectations
- During FY 16 we opened new locations in:
  - ❖ Abu Dhabi
  - ❖ Bahrain



#### Europe & Middle East Revenue



#### Europe & Middle East NPBT

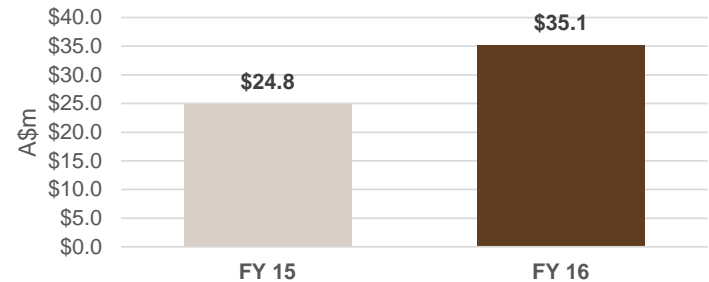


# Operating Summary by Segment (cont'd)

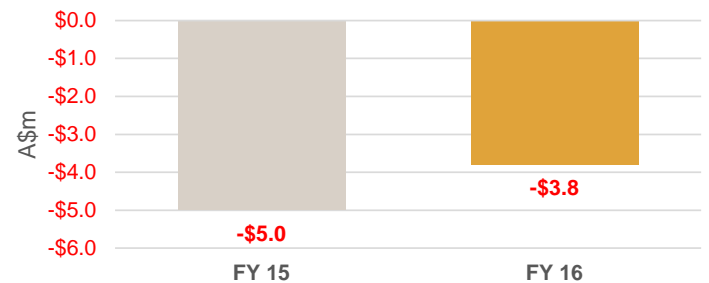
## USA

- 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

### USA Revenue



### USA NPBT



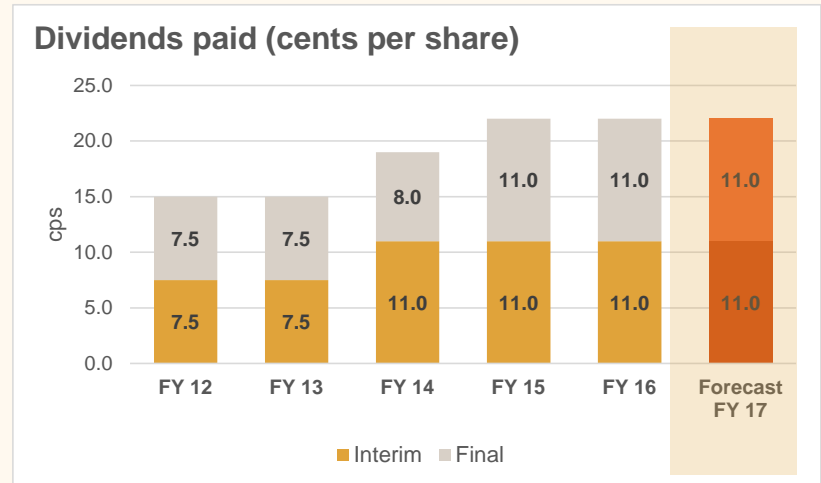
# Dividend

## 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 <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.

# QUESTIONS & ANSWERS

