



Servcorp Limited Analyst Presentation

Twelve Months ended 30 June 2011

Presented by Alf Moufarrige, CEO

Wednesday 24 August 2011

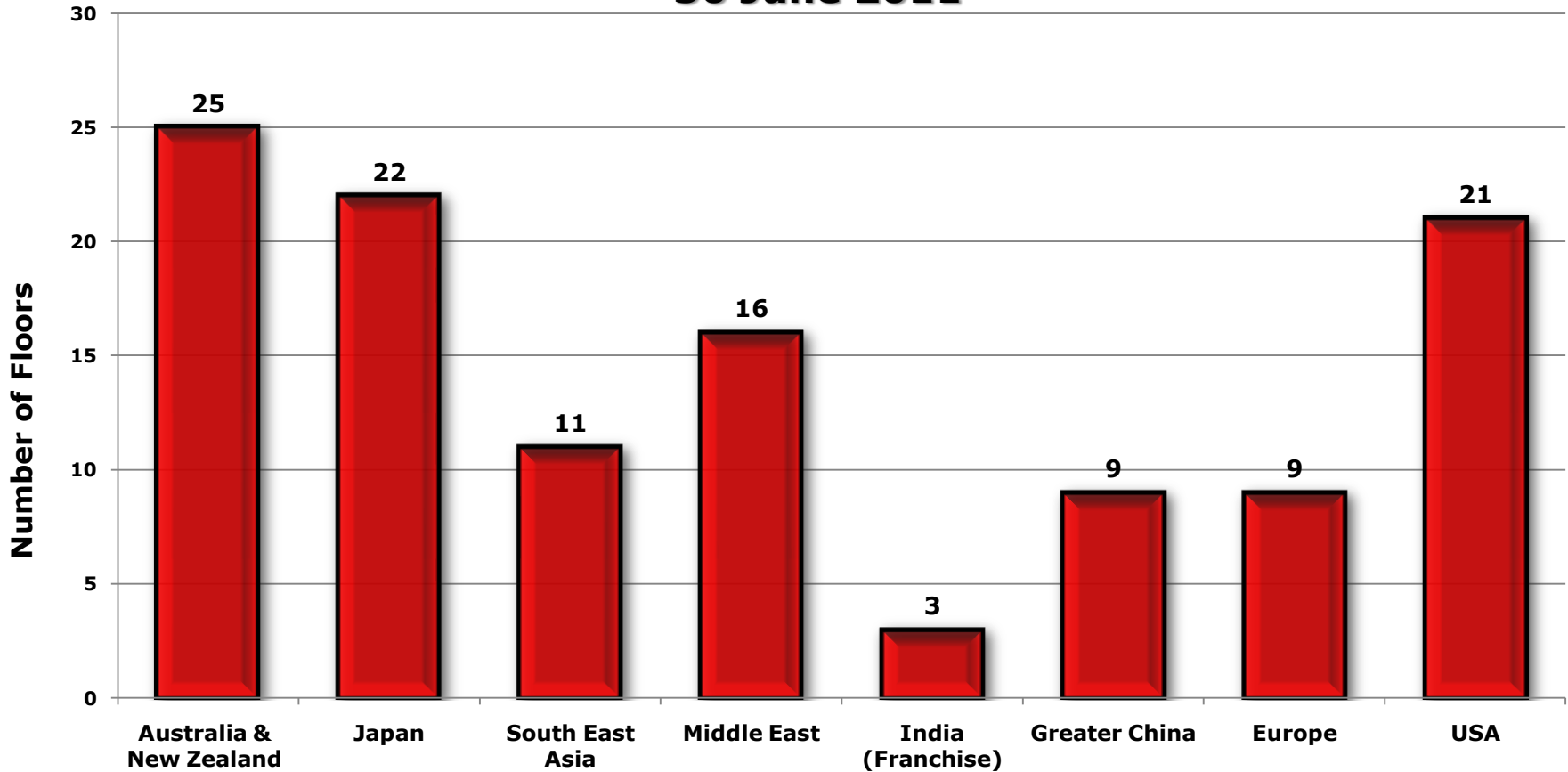
 **SERVCORP**

Operational Highlights - FY 2011

- Revenue up 8% to \$182.06M
- Mature floor NPBT up 24% to \$31.19M
- Immature floor loss of \$27.98M
- NPBT of \$3.04M up 6% on FY 2010
- Strong (unencumbered) cash balances of \$91.27M at 30 June 2011
- Solid net operating cash flow of \$18.79M
- NTA backing of \$1.81 per share at 30 June 2011
- Strong AUD headwind in FY 2011 impacted revenue
- Constant currency revenue increased 13%
- Strong AUD reduced the cost of funding overseas Capex
- 6 floors became mature in FY 2011
- Biggest expansion year ever – 40 new floors opened
- 116 floors in 51 cities in 21 countries at 30 June 2011

Operational Highlights - FY 2011

**Total Floors by Region
30 June 2011**



Total Floors = 116

Financial Results – FY 2011

	FY 2011	FY 2010	%	Constant Currency %
	<i>\$AUD 000's</i>	<i>\$AUD 000's</i>		
Operating Revenue	175,900	162,231	8%	
Other Revenue	6,156	6,606	(7%)	
Total Revenue	182,056	168,837	8%	13%
Mature Floor Net Profit Before Tax	31,191	25,126	24%	
Total Immature Floor Loss	(27,983)	(20,102)	39%	
Office Squared Gain / (Loss)	(172)	(2,149)		
Total Net Profit Before Tax	3,036	2,875	6%	(52%)
Tax	(543)	(869)		
Net Profit After Tax	2,493	2,006		24%

Financial Results – FY 2011

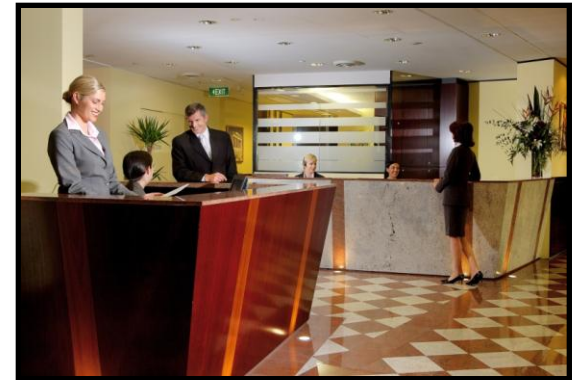
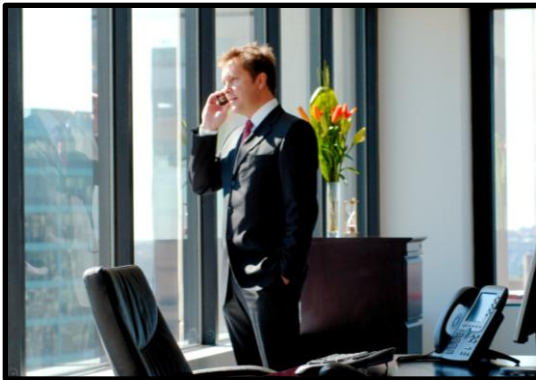
	As at 30 June 2011	As at 30 June 2010	%
	<i>\$AUD 000's</i>	<i>\$AUD 000's</i>	
Cash Balance	99,993	131,948	(24%)
Cash Balance (unencumbered)	91,269	121,030	(25%)
Net Assets	192,612	212,610	(9%)
Net Tangible Assets (per share)	\$1.81	\$2.01	(10%)
	FY 2011	FY 2010	%
Earnings Per Share (cents per share)	2.5cps	2.2cps	14%
Total Dividends (cents per share)	10.00cps	10.00cps	

Mature Business – FY 2011

- **Mature floor NPBT increased by 24% to \$31.19M**
- **Mature result is better than guidance of \$30.00M**
- **Challenging trading conditions in FY 2011**
- **Management is satisfied with the result**
- **Revenue and margins in H2 FY 2011 improved in several regions**
- **Expansion hurdles were compounded by:**
 - **natural disasters in Japan and Australia; and,**
 - **by recent turmoil on global financial markets**
- **Revenue increased by 8% compared to FY 2010 despite:**
 - **adverse trading conditions; and**
 - **strong AUD headwind throughout FY 2011**

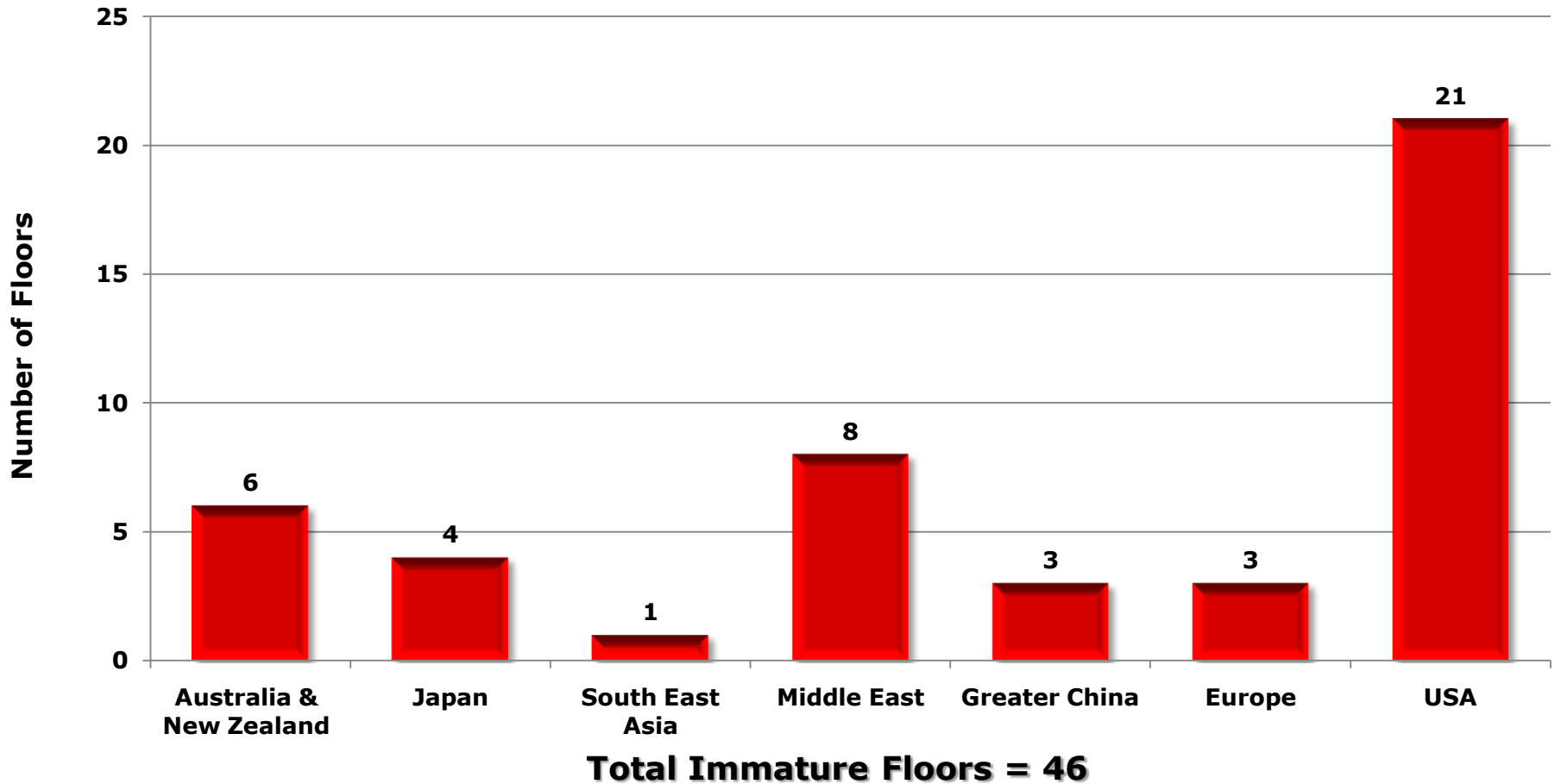
Mature Business – FY 2011

- During H1 FY 2011, 2 large floors reached maturity
- Both floors became mature ahead of expectations
- During H2 FY 2011, 4 floors became mature
- Australia & Southeast Asia continue to perform strongly
- Average mature floor occupancy increased to 79%
- During FY 2011, available offices increased by 10% to 3,280 offices



Immature Business – FY 2011

Immature Floors by Region 30 June 2011



Immature Business – FY 2011

- **Immature floor losses were \$27.98M for FY 2011**
- **Offsetting immature floor losses were cash incentives received of \$5.64M**
- **New floor Capex and Opex costs in line budget expectations**
- **Executed majority of leases hopefully near the bottom of the market**
- **Servcorp should be competitive if global business confidence recovers**
- **Europe and the USA recovering slower than anticipated**
- **Immature floors in these regions have been adversely affected**

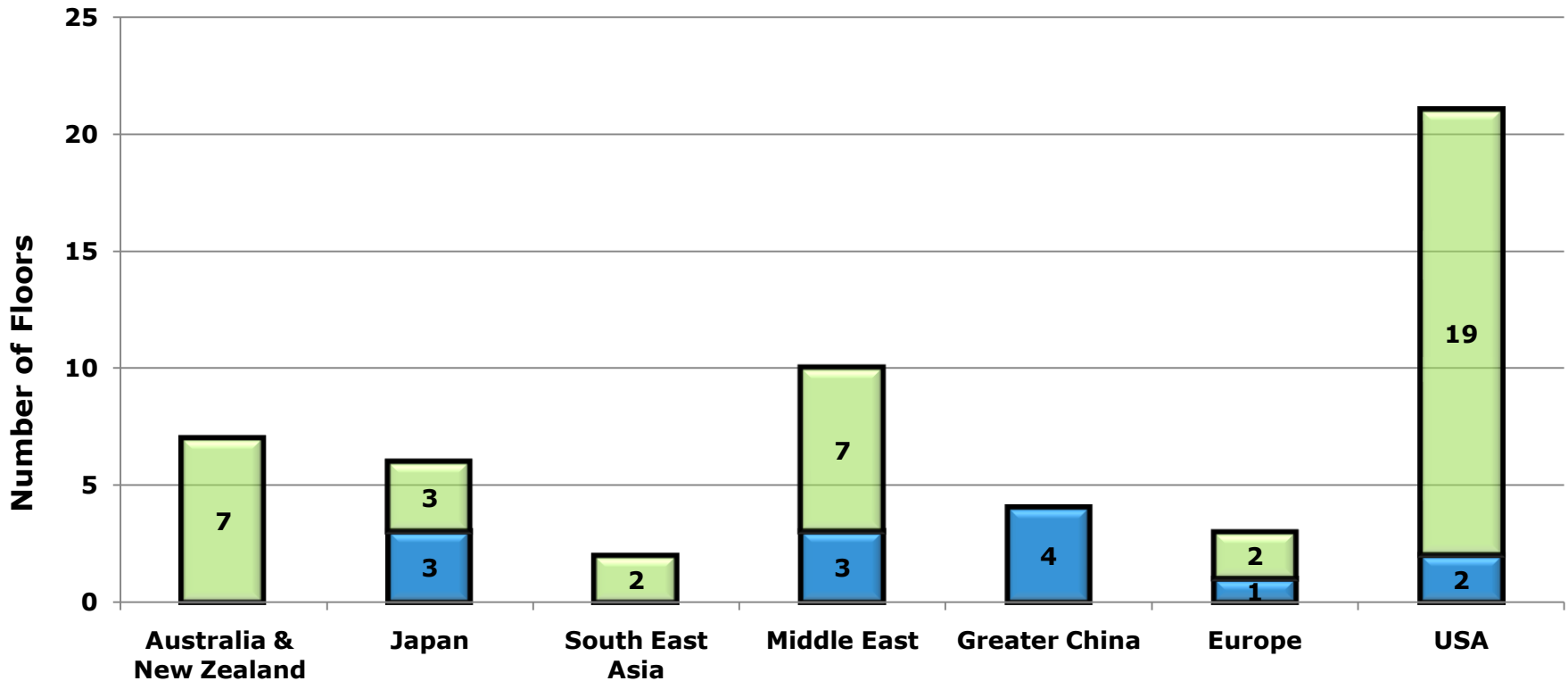
Immature Business – FY 2011

- Management continues to have confidence in the Servcorp business model
- Satisfied with overall progress of new floor rollouts
- Focus on growing immature revenue
- 46 floors were immature at 30 June 2011



Global Expansion – Update

Total Floors Opened by Region 24 months ended 30 June 2011



 Total Floors Opened FY 2010 = 13

 Total Floors Opened FY 2011 = 40

Total Floors Opened = 53

Global Expansion – Update

- **FY 2011 was Servcorp's biggest expansion year ever**
- **In FY 2012 we will slow the pace of expansion and consolidate**
- **Limiting openings to new floors in established & profitable locations**
- **Cashflow in USA assisted by \$5.64M in landlord cash incentives**
- **53 floors opened in 24 months to 30 June 2011**
- **Expect to open no more than 15 floors in FY 2012**
- **68 floors expected to open in 36 months to 30 June 2012**

Operating Summary by Region 2010 - 2011

AUSTRALIA & NEW ZEALAND

Mature floors

- Australia and New Zealand performed strongly
- Revenue and margins increased in most capital cities
- 3 floors closed in this region at a cost of \$0.53M

Immature floors

- 7 new floors opened in Australia and New Zealand
- 1 floor was opened in the new market of Hobart
- 1 floor in Brisbane (opened in FY 2011) became mature in H2 FY 2011
- 6 floors in Australia and New Zealand were immature at 30 June 2011

FY 2012 Outlook for Australia and New Zealand

- Hope to hold revenue and margins at current levels



Operating Summary by Region 2010 - 2011

JAPAN

Mature floors

- Fukushima earthquake impacted business confidence
- Impact most notable on our business in Tokyo
- Margins continue to be depressed in this city
- Margins improved in southern Japanese cities
- Management satisfied with Japanese performance
- 1 full floor and 2 half floors closed costing \$0.59M

Immature floors

- 3 new floors opened in Japan during FY 2011
- 1 floor was opened in the new market of Yokohama

FY 2012 Outlook for Japan

- Anticipate trading conditions in Japan to be difficult



Operating Summary by Region 2010 - 2011

GREATER CHINA

Mature floors

- Servcorp's business in China saw a significant turnaround
- This translated directly into improved margins in the region

Immature floors

- No new floors opened in Greater China during FY 2011

FY 2012 Outlook for Greater China

- Anticipate revenue and margins will continue to grow



Operating Summary by Region 2010 - 2011

SOUTHEAST ASIA

Mature floors

- Southeast Asian Serviced Office market was mixed
- Singapore saw an increase in revenue and margins
- 1 large floor in Singapore mature after 6 months
- The Malaysian market continues to be soft
- Performance of Thailand continues to be strong

Immature floors

- 1 floor was opened in the new market of Manila

FY 2012 Outlook for Southeast Asia

- Anticipate a strong performance in Singapore
- Thailand expected to remain stable
- Malaysia should improve modestly



Operating Summary by Region 2010 - 2011

MIDDLE EAST

Mature floors

- Servcorp largely unaffected by civil unrest in the Middle East
- Business continues to improve in Saudi Arabia and Turkey
- Margins in UAE remain strong
- New location in Abu Dhabi became mature in H1 FY 2011
- Margins in Qatar have improved

Immature floors

- 7 new floors were opened during FY 2011
- Opened in new markets of Beirut, Istanbul, Riyadh and Al Khobar
- 8 floors were immature at 30 June 2011

FY 2012 Outlook for the Middle East

- Anticipate that revenue and margins will continue to improve



Operating Summary by Region 2010 - 2011

EUROPE

Mature floors

- European business sentiment continues to be depressed
- The Serviced Office market continues to be difficult
- Revenue increased in Paris despite aggressive competition
- Brussels has improved and we are now profitable

Immature floors

- 3 floors in this region were immature at 30 June 2011
- Large floor opened in London in FY 2010 is now breaking even

FY 2012 Outlook for Europe

- Expect revenue to only increase modestly



Operating Summary by Region 2010 - 2011

USA

Immature floors

- USA is a critical addition to the Servcorp global footprint
- Construction delays affected floor opening times
- This adversely impacted operating running costs
- Initial revenue generation is below budget expectations
- Commenced gaining sales traction at the end of FY 2011
- Risk that USA will not recover as quickly as anticipated
- Opened 19 floors in FY 2011
- Servcorp now operates 21 floors across 11 cities in USA
- Cash incentives received from landlords of \$5.64M

FY 2012 Outlook for USA

- Expect revenue to improve in FY 2012
- Expect monthly losses to gradually reduce



Operating Summary by Region 2010 - 2011

Office Squared

- The Office Squared business has been scaled back
- Operations in both Malaysia and China have been closed
- Loss for Office Squared for FY 2011 was \$0.17M



FY 2012 Outlook

- Management is cautiously optimistic about the outlook for Servcorp
- Global financial markets continue to be highly volatile
- This has a direct impact on business consumer confidence
- Revenue and margins across the mature business improved in H2 FY 2011
- Anticipate revenue and margins to continue to improve during FY 2012
- Mature floor NPBT guidance for FY 2012 is \$37.00M

[This forecast assumes currencies remain constant and global financial markets remain stable]

FY 2012 Outlook

- FY 2011 always intended to be a major expansion period for Servcorp
- In FY 2012 we will consolidate operations
- Expect to open no more than 15 floors in FY 2012 in established markets
- Immature floor loss guidance of approximately \$20.00M for FY 2012

[This forecast assumes currencies remain constant and global financial markets remain stable]

Dividend FY 2012

- Final Dividend (declared) of 5.0 cents per share – fully franked
- Total FY 2011 dividends of 10.0 cents per share - fully franked

Dividend Outlook

- Dividends of 15.0 cents per share, partially franked expected to be paid for FY 2012

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