



Servcorp Limited

Results Presentation

H1 FY 2013

Wednesday 20 February 2013

A.G. Moufarrige, Chief Executive Officer
Marcus Moufarrige, Chief Operating Officer

SERVCORP

Operational Highlights

H1 FY 2013



- Revenue of \$102,668,000
- Statutory NPBT of \$12,472,000
- Leasehold depreciation rate changed from 15% to 10%
- Normalised NPBT of \$9,384,000, 15% above H1 FY 2012
- Statutory mature floor NPBT of \$19,551,000
- Free cash produced (before tax) of \$18,059,000
- Unencumbered cash balances of \$87,149,000
- NTA backing of \$1.86 per share at 31 December 2012
- As at 31 December 2012 there were 128 floors in 52 cities in 21 countries

Operational Highlights

H1 FY 2013

Total Number of Floors
at 31 December 2012 = 128



Change in Depreciation Estimate

H1 FY 2013

- The depreciation rate of leasehold improvements changed from 15% to 10%
 - Effective 1st July 2012
 - The new rate more accurately reflects the life of a Servcorp floor
 - More closely aligns Servcorp's depreciation policy to the industry standards
- Impact of the rate change was to increase NPBT by \$3,088,000 for H1 FY 2013
- A summary of the impact, split between mature and immature floors is as follows:

	Normalised Result \$AUD 000's	Statutory Result \$AUD 000's	Impact \$AUD 000's
Mature Profit	17,379	19,551	2,172
Immature Loss	(7,995)	(7,079)	916
NPBT	9,384	12,472	3,088

Financial Results

H1 FY 2013

	H1 FY 2013 \$AUD 000's	H1 FY 2012 \$AUD 000's
Total Revenue	102,668	99,381
Statutory mature floor NPBT	19,551	18,523
Statutory immature floor loss	(7,079)	(10,359)
Statutory NPBT ^{1 2}	12,472	8,164
Tax	(2,636)	(1,765)
Statutory NPAT	9,836	6,399

1. The statutory NPBT for H1 FY 2013 includes a benefit of \$3,088,000 in relation to the depreciation rate change
2. The normalised NPBT for H1 FY 2013 was \$9,384,000

Financial Results

H1 FY 2013

	As at 31 December 2012 \$AUD 000's	As at 30 June 2012 \$AUD 000's
Cash balance	95,861	104,334
Cash balance (unencumbered)	87,149	95,765
Total Net Assets	198,188	198,709
Net Tangible Assets (per share)	\$1.86	\$1.87

	H1 FY 2013	H1 FY 2012
Earnings per share (cents per share) ¹	10.00	6.50
Dividend per share (cents per share)	7.50	7.50

1. The EPS calculation for H1 FY 2013 includes the after tax benefit in relation to the depreciation rate change

Mature Business

H1 FY 2013

- Mature floor NPBT for the first half was \$19.55M
- Difficult global market conditions continued to impact:
 - business confidence
 - office sales
- Mature floor performance in the first four months was very challenging in Singapore, Australia, Japan and USA
- Aggressive price competition continues to impact pricing for new clients
- Strong AUD headwind impacted overseas revenue and profits
- Management satisfied with the performance of the Virtual Office business
- Average mature floor occupancy remained stable at 77%
- Objective is to increase occupancy to 85% - 90% over next 12 months
- Office deals now being priced to achieve this objective



Immature Business

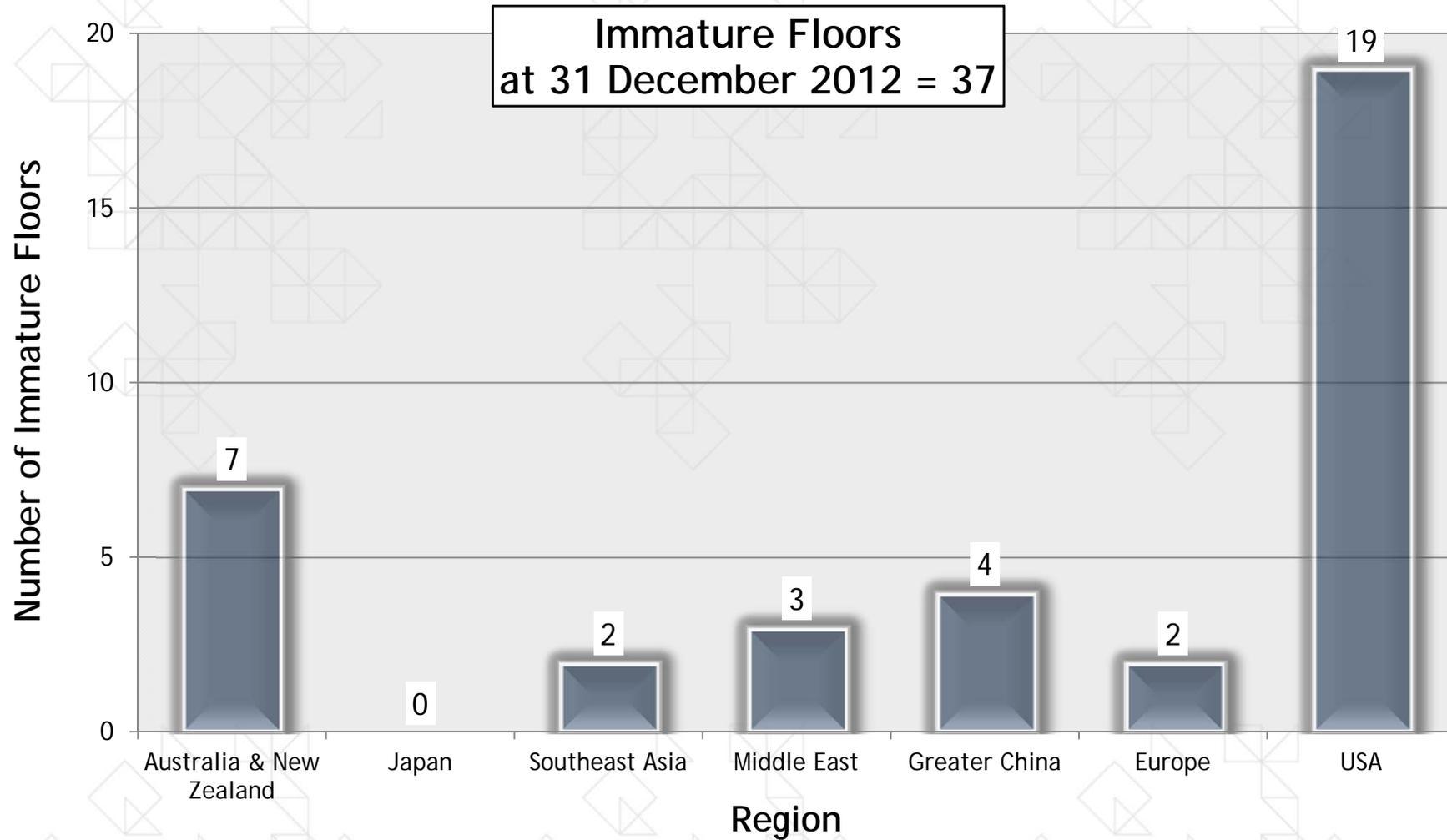
H1 FY 2013

- Immature floor losses for H1 FY 2013 were \$7.08M
- Revenue and occupancy continues to increase in the immature business
- 37 floors were immature at 31 December 2012



Immature Business

H1 FY 2013



Global Expansion Update

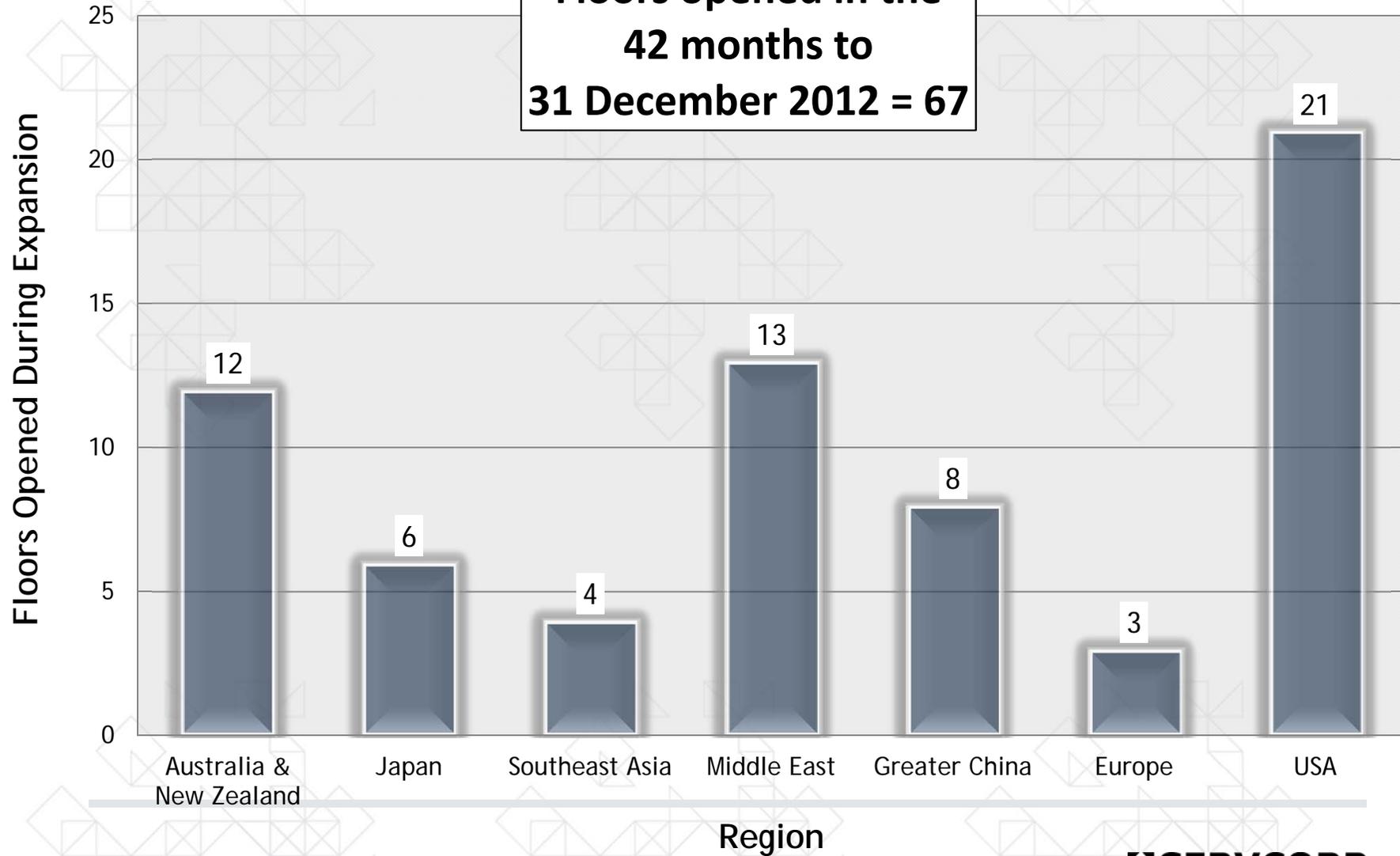
- Slowed pace of expansion in FY 2013
- Opened 5 new floors in the first half
- Anticipate opening an additional 6 floors in second half
- 67 floors opened in 42 months to 31 December 2012



Global Expansion

Update

Floors opened in the
42 months to
31 December 2012 = 67



Operating Summary by Region

H1 FY 2013

Australia & New Zealand



- Australia experienced difficult trading conditions during H1 FY 2013
- Impacted by the loss of four major clients in the first half
- Sydney and Perth, in particular, performed worse than expected
- A large supply of space came to market in Perth
- Sydney experienced management challenges
- Management has been restructured and pricing has been reviewed
- New Zealand produced a solid result
- Three new floors opened in Melbourne, Parramatta and Perth

Operating Summary by Region

H1 FY 2013

Japan

- Trading conditions in Japan continue to be challenging and highly competitive
- Strong AUD had a negative impact on translated revenue and earnings
- An ageing floor in Tokyo was closed during the half

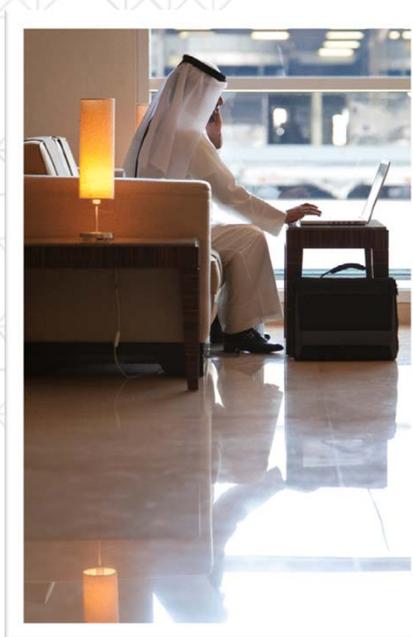


Operating Summary by Region

H1 FY 2013

Middle East

- The Middle East is a growth market and results continue to improve
- Mature results in Qatar, UAE, Saudi Arabia and Bahrain were encouraging
- Floors in Turkey, Beirut and Kuwait became mature
 - loss from new floors slightly impacted the result
 - expect the floors to break even in H2 FY 2013
- The strong AUD impacted earnings from the region
- In the Kingdom of Saudi Arabia we are moving to a management agreement model
 - to satisfy local compliance conditions
 - under the guidance of the Saudi authorities
- One floor opened in Dubai during the half



Operating Summary by Region

H1 FY 2013

Greater China

- Greater China's overall performance was consistent with the prior half
- Beijing's performance improved markedly
- The results in Shanghai and Hong Kong were disappointing
- There is considerable room for improvement in both of these cities
- Immature floor losses were higher than expected



Operating Summary by Region

H1 FY 2013

Southeast Asia

- The performance of Singapore was below original expectations
- A recovery in the second half is anticipated
- Both Malaysia and Thailand produced solid results
- One floor opened in Singapore in H1 FY 2013



Operating Summary by Region

H1 FY 2013

Europe & UK

- Europe's result was encouraging
- Both Paris and London have improved
- London out-performed on the profit line
- Brussels' performance was consistent with the prior period

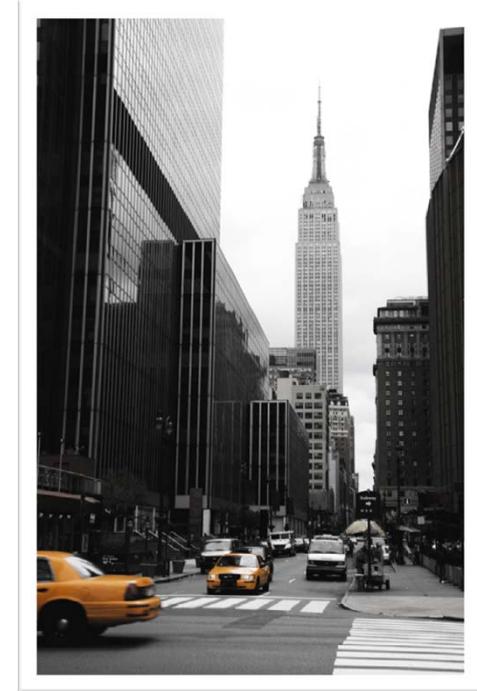


Operating Summary by Region

H1 FY 2013

USA

- Revenue from our USA business continues to improve each month
- On a run rate basis, the USA business is now cash neutral
- Management still anticipate the USA to mature at the beginning of FY 2014



Dividend

H1 FY 2013

- Interim dividend of 7.5 cents per share, 100% franked

Dividend

FY 2013 Forecast

- Forecast final dividend of 7.5 cents per share, 100% franked for FY 2013

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

Outlook

FY 2013

- Global markets continue to be volatile
- The global Serviced Office industry continues to experience aggressive price competition
- It is Management's intention to reduce vacancy across the whole portfolio over the next twelve months
- We will also continue to focus on growing the Virtual Office package base
- Notwithstanding these difficult trading conditions, Management reconfirm the full year statutory NPBT forecast of approximately \$33 million, taking into consideration the depreciation rate change benefit in FY 2013

	\$AUD 000's
Original forecast NPBT - approximately	27,000
Depreciation rate change benefit - approximately	6,000
Revised statutory NPBT forecast - approximately	33,000

This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances



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