

## ASX AND MEDIA RELEASE

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### SERVCORP REPORTS NET PROFIT BEFORE TAX OF \$27.63 MILLION - IN LINE WITH GUIDANCE

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$27.63 million for the twelve months ended 30 June 2013.

Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 132 floors in 52 cities across 21 countries.

#### Summary of results for Financial Year 2013

- Revenue up 4% on FY 2012 to \$208.00 million and up 5% in constant currency terms.
- Net profit before tax of \$27.63 million.
- Net profit after tax of \$21.27 million.
- Leasehold depreciation rate changed from 15% to 10%.
- Mature floor net profit before tax of \$42.22 million.
- Net profit before tax growth in second half of FY 2013 of 22% compared to first half of FY 2013.
- Free cash produced (before tax) of \$37.22 million for FY 2013.
- Unencumbered cash balances of \$90.62 million as at 30 June 2013.
- NTA backing of \$1.96 per share as at 30 June 2013.
- Earnings per share of \$0.22 for FY 2013.
- Final dividend of 7.50 cents per share, 100% franked, payable on 2 October 2013. Total dividends of 15.00 cents per share, 100% franked, for FY 2013.

#### The Mature business

- The mature floor net profit before tax for FY 2013 was \$42.22 million.
- Business conditions remained challenging during the first half of FY 2013. Aggressive price competition impacted the entry pricing point for new clients, and this adversely impacted revenue growth.
- Conditions improved in the second half of FY 2013 and this is evidenced by the net profit before tax growth of 22% compared to the first half of FY 2013. The second half of FY 2013 has seen increasing monthly revenue together with increased net cash generation.
- Despite the strong Australian dollar, mature revenue increased by 4% during FY 2013 compared to FY 2012.
- The Company is satisfied with the performance of the Virtual Office business.
- Average mature floor occupancy was 79%. The Company's current objective is to increase occupancy to approximately 85% - 90% by the end of the 2013 calendar year. The Company is encouraged by the progress to date and can confirm that mature occupancy had reached 81% by the fourth quarter of FY 2013.

#### World's Finest Serviced Offices, Virtual Offices and Meeting Rooms

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### **The Immature business**

- The immature floor loss for FY 2013 was \$14.57 million.
- 38 floors were immature at 30 June 2013.
- Revenue and occupancy continues to improve in the immature business.

### **Change in depreciation estimate**

- The Board of Directors elected to change the depreciation rate of leasehold improvements from 15% to 10%, effective 1 July 2012.
- A depreciation rate of 10% more accurately reflects the actual life of a Servcorp floor, and also more closely aligns Servcorp's depreciation policy to the industry standards.
- The impact of the rate change was to increase net profit before tax by \$6.13 million in FY 2013.

### **Expansion**

- 10 new floors were opened in FY 2013.
- This brings the total new floor openings to 72 floors in the 48 months to 30 June 2013.
- There are plans to open a further 8 large floors, adding approximately 10% to office capacity, in FY 2014.

### **Dividends**

- The directors of Servcorp have declared a final dividend of 7.50 cents per share, payable on 2 October 2013. The dividend will be 100% franked.
- This brings total dividends for FY 2013 to 15.00 cents per share, 100% franked.
- It is anticipated that total dividends of not less than 16.0 cents per share will be paid for FY 2014. Future franking levels are currently uncertain. Directors will comment further on the Company's dividend outlook at the annual general meeting in November.
- Payment of future dividends is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

### **Outlook for FY 2014**

- Notwithstanding the continuing volatility in global markets, directors and management remain optimistic about the outlook for Servcorp.
- We are encouraged by the continued growth in revenue and the improvement in occupancy, particularly in the fourth quarter of FY 2013.
- The Company remains focussed on reducing vacancy across the Serviced Office portfolio over the remainder of the 2013 calendar year. The Company will also continue to focus on growing the Virtual Office package base.
- Over the last four years the Company has more than doubled the Servcorp global footprint, adding 72 new floors. We will continue to grow our footprint in strategic locations, and expect to add approximately 10% to office capacity in FY 2014.
- We will not be providing a financial forecast for FY 2014 however we do expect our growth to continue.

### Share buy-back

- The Directors have resolved to continue the share buy-back announced on 28 August 2012 and commenced on 11 September 2012, for a further period of 12 months, on the same terms.
- No director or entity associated with a director will sell any shares into the buy-back.
- Further information is available on the Appendix 3D to be lodged with ASX following release of this announcement.

### For more information contact

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### Results Presentation

Tuesday 27 August 2013 at 4:30pm  
Level 12 MLC Centre, 19 Martin Place, Sydney

### Dial-in facility

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