

# **CHAIRMAN'S ADDRESS**

## **2016 ANNUAL GENERAL MEETING**

**ADDRESS BY MR BRUCE CORLETT AM**  
**CHAIRMAN, SERVCORP LIMITED**  
**8 NOVEMBER 2016**

Ladies and Gentlemen,

Your Board is pleased with Servcorp's overall performance in 2016. The year saw record levels for revenue, net profit before tax and net profit after tax.

### **Results**

Revenue for the year was \$328.6 million, an increase of 19% on 2015; net profit before tax was \$48.8 million, an increase of 19% on 2015, and above guidance; net profit after tax was \$39.7 million, with earnings per share of 40.4 cents, an increase of 20% on 2015.

Revenue and profit growth was achieved across most geographic segments.

During the 2016 financial year, the business generated record net operating cash surpluses of \$60.6 million, up slightly on 2015. Cash and investment balances at 30 June 2016 were \$114.6 million; \$99.7 million of this balance was unencumbered and the Company has negligible debt.

The Company paid a final dividend of 11.0 cents per share, franked to 50%, bringing total dividends for the year to 22.0 cents per share; a payout to shareholders of more than \$21.6 million.

### **Global Expansion**

I now turn to our global expansion.

In the 2016 financial year, we continued to expand organically, but with a measured approach. We opened ten new floors across eight countries, and also increased the capacity on two existing floors. In all, we added a net 381 offices and total office capacity increased by 7% during the financial year. 2016 also saw the launch of our new Professional Coworking concept in four key locations around the globe; in London, Sydney, New York and Osaka.

New floors included CapitaGreen in Singapore; World Trade Center in Abu Dhabi; ILHAM Tower in Kuala Lumpur; the Diplomatic Commercial Offices in Bahrain; and also floors in Auckland, Osaka, Tehran and Wollongong.

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In the 2017 financial year, our aim is to continue to consolidate and bring new locations to maturity.

We have committed to open a further six floors in the 2017 financial year. Four new floors have already opened; Tri-Seven in Tokyo; two floors in Schumann Building in Brussels; and IFC Tower in Jakarta. Indonesia becomes the twenty-third country on Servcorp's global footprint.

Our new floor in Barangaroo International Tower One, in Sydney, will open next week, and we are enthusiastic about being in this significant new precinct. Early in the second half of the financial year, we will open in River Point in Chicago.

These six new floors will see office capacity grow by approximately 7% in the current financial year.

Alf will take you through the detail of our global expansion in his address.

### **Outlook**

This takes me to the outlook for the 2017 financial year.

When we released our 2016 results in August, we projected net profit before tax would increase by not less than 15% to \$56 million in the 2017 financial year. Trading for the first quarter of the current financial year is encouraging and accordingly we confirm this guidance, subject as always to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Having strong cash balances uniquely positions Servcorp to take advantage of opportunities should they arise, particularly in turbulent markets.

### **Dividends**

I now turn to dividends.

Directors anticipate that shareholders can expect to receive dividends totalling 22.0 cents per share in respect of the 2017 financial year; with 11.0 cents in each half.

At this stage, franking levels are uncertain, but are expected to be similar to current franking levels. Dividend projections are always subject to unforeseen circumstances.

### **Close**

Notwithstanding significant levels of global political and economic uncertainty, Servcorp has been able to continue its global growth thanks to critical mass, a highly skilled, committed and experienced management team, supported by an outstanding IT platform and proprietary product offerings.

On behalf of the Board, I want to acknowledge the outstanding efforts of our CEO, Alf Moufarrige, our COO, Marcus Moufarrige, our leadership group and all the Servcorp team members for their dedication and commitment during the past year. Due to their efforts, we have a strong global presence and continue to maintain our position as the world's premium provider of Serviced and Virtual Office solutions.

We thank you, our shareholders, for your continuing support.