

Servcorp Limited

Annual General Meeting

Wednesday 18 November 2009

 **SERVCORP**

Servcorp business highlights

Servcorp is a market leader in the Serviced Office business and has a track record of global growth, with strong cash flow generation and return on capital from existing business

- A market leading Serviced Office business
- Track record of successful global expansion
- Strong return on capital
 - approximately 70%¹ for 2009A
- Diversity of client base and geographic spread
- Compelling expansion opportunity
 - depressed commercial real estate markets and high vacancy rates in prime/A-grade buildings
 - attractive market opportunity with trends towards outsourcing and working remotely
 - available pool of talented executives
- Proprietary business infrastructure and IT platform
 - IT platform enables rapid roll out of Virtual Office business model
- Number of Virtual Office package growth was over 100% from June 2005 to June 2009

Note:

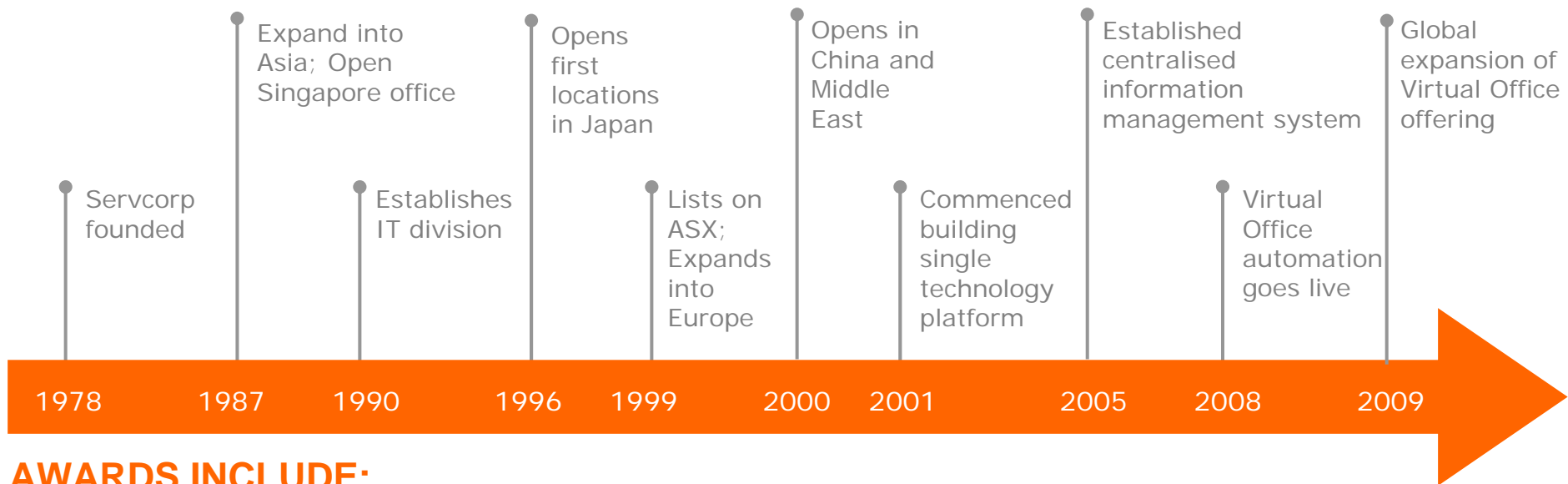
¹ ROC defined as EBIT/(book equity + book net debt). Book debt used in this calculation excludes security deposit liabilities

The Virtual Office model represents a compelling opportunity to expand and build upon Servcorp's existing business

The transformation of Servcorp

Through 30 years of investment, Servcorp has built a proprietary IT platform

- When it was established in 1978 Servcorp's offering was premium quality Serviced Office space
- To improve the client service offering, Servcorp developed proprietary IT client service packages
- Today Servcorp has a proprietary IT platform that has become its primary service offering



AWARDS INCLUDE:

Australian Exporter of the Year Finalist – 2008,2009

Forbes Best Under a Billion – 2007, 2008

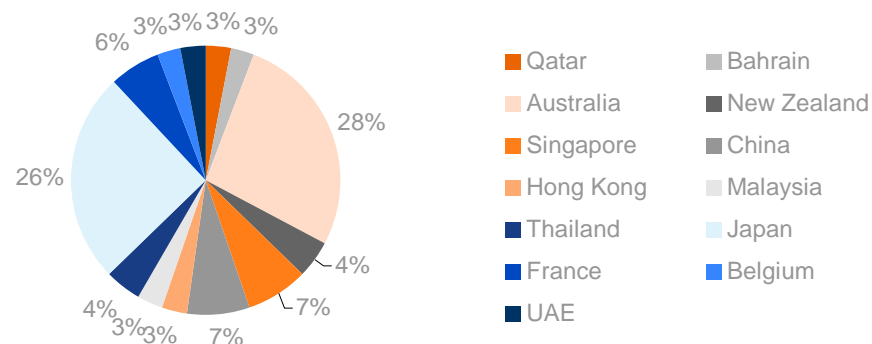
Deloitte Fast 50 - 2002, 2003

2008/2009 Operational Highlights

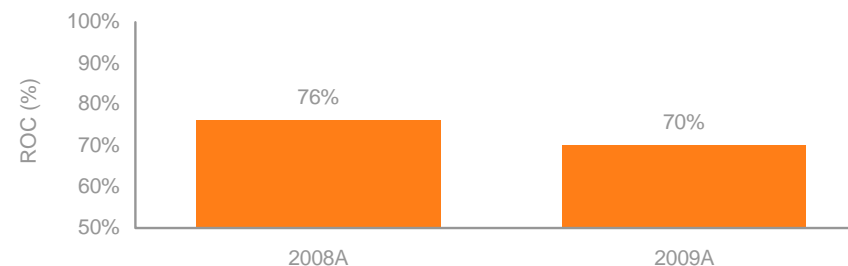
- Consolidation – slowed expansion/shut non-profit makers
- Virtual Office success
- Testing new Virtual Office business model
- Middle East success
- Focusing on the resilience of our business model
- Looked at opportunities for growth in new and existing markets
- Releasing new IT infrastructure to better help our clients and further differentiate ourselves in the market place
- Virtual Office Packages increased from 17,979 in June 2008 to 20,469 in June 2009 - a 14% increase

Servcorp today

Diversity of exposure 2009A floors by region

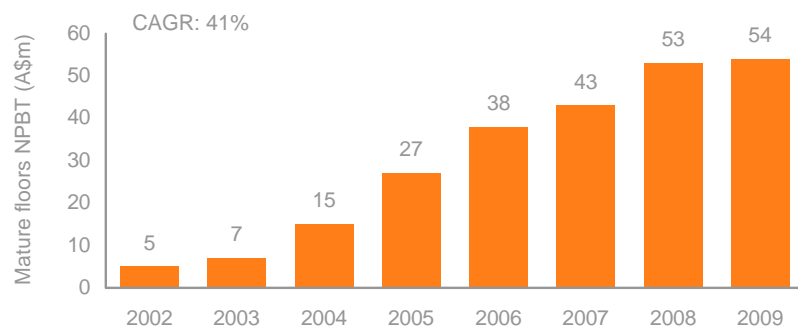


Return on capital¹ 2008A and 2009A (%)



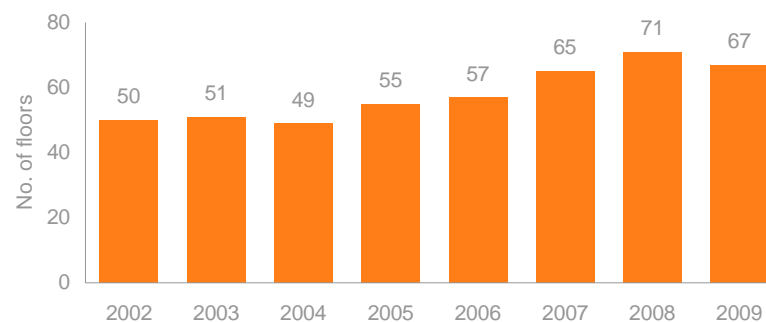
Note:
1 ROC defined as EBIT/(book equity + book net debt). Book debt used in this calculation excludes security deposit liabilities

Strong track record of earnings growth^{2,3} Historical mature floors NPBT



Note:
2 CAGR denotes compound annual growth rate
3 Between 2002A and 2005A Servcorp reported under AGAAP. Servcorp adopted AIFRS from 1 July 2005

Floor expansion 2002A to 2009A



2008/2009 financial performance

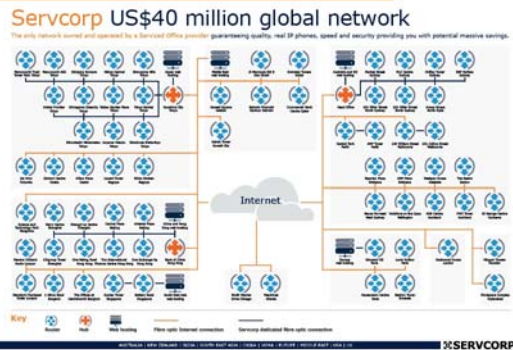
Financial performance

A\$ million; YE 30 June	2008A	2009A
Revenue	190.1	228.6
Mature floor EBITDA	58.2	62.3
EBITDA	50.8	56.9
Mature floor EBIT	49.7	51.3
EBIT	41.4	44.3
Mature floor NPBT	52.8	54.4
NPBT	44.6	47.3
NPAT	33.8	34.1
EPS (cps)	42.0	42.7
DPS (cps)	20.0	25.0

Events post balance date

- A number of events have occurred since 30 June 2009
 - Capital raising of \$77million (net) for expansion
 - Servcorp has paid a final dividend of approximately \$8 million
 - Eight new leases have been signed in
 - Fukuoka (Japan)
 - Kuwait
 - Shinjuku (Japan)
 - Hong Kong (2IFC)
 - London (UK)
 - Chicago (USA)
 - Marina Bay Financial Centre (Singapore)
 - Marunouchi (Japan)
- } **Virtual Office Model**
} **Serviced Office Model**
- Ten additional new leases are in advanced negotiations

We have the Platform



The Network

- Physical and Virtual
- Currently over 60 locations
- All interconnected, all the same technology, all managed centrally
- Global web infrastructure
- Client self provisioning and management
- VoIP enabled
- Scalability

Note:

1 Package price denotes target global average

Virtual Offices



A **Virtual Office** allows you to leverage the full Servcorp network of services and solutions without having to take a physical office. It provides everything you need to run your business professionally, effectively and without the costly overheads. For the total business solution, choose the cost effective Platinum package or take an individual package that meets your specific requirements. Your exclusive Servcorp Online - online membership gives you real time access to your chosen services such as phone answering, meeting rooms or utilisation of a CBD address. Sign up online and be operational in minutes. More about [Virtual Offices](#)

Virtual Office

- Targeting SOHO's/SME's
- Potentially every home business
- The target average package price is approximately A\$125¹ per month
- Approximately 20,000 packages
- Auto provisioning
- Minimal management/admin
- Minimal investment for client acquisition
- Landmark addresses
- [Sign Up Online](#)

Serviced Offices



With a Servcorp **Serviced Office** you can run your business from the best CBD address. Enjoy the benefits of team support and IT infrastructure superior to that of a multi-national organisation without incurring the costs and financial commitment. As a Servcorp client you'll have a dedicated receptionist, professional meeting rooms, secretarial support on hand and all on a flexible month-by-month basis. Access to the international network of locations around the world is at your fingertips. You'll find that each and every location meets the highest international Servcorp standards, with an appropriate local touch. More about [Serviced Offices](#)

Serviced Office

- Primarily targeting growth SME's or branch offices of MNC's
- "Plug and play" infrastructure
- Over 2,500 offices currently
- 5,000 network endpoints
- Landmark addresses
- Spectacularly appointed

We have the competitive advantage

Scalable global network

Customer facing advantages

- Purpose built to provide Virtual Office service
- Tested—10 years since its initial deployment
- Substantial time and capital investment
- Challenging for competitors to retro fit existing networks
- 24 hour IT support
- Provides infrastructure of a multi-national company to allow clients to compete in any market

Automated provisioning system

Key drivers of operating efficiency

- Enables customers to sign up online without human intervention
- Reduces cost of sign up and termination of an account
- Empowers clients with self-management
- Challenging for competitors to retro fit existing networks
- Automates service delivery

Proprietary VoIP software

- Developed in-house by Servcorp's R&D engineers
- Enables key customer functionality (eg. least-cost routing, onefone, high quality communications, voice to email, fax to email)
- Passes savings onto clients
- Validated by Cisco partnership



Central management system

- Enables automated billing
- Central management of pricing and margins
- Fully integrated with facilities
- Enables customers to book services and facilities globally instantly online

We have the Model

The Servcorp technology platform allows the Virtual Office to be expanded off a smaller fixed cost infrastructure resulting in lower capital outlay, cheaper cost structure and potentially higher returns

Target Virtual Office versus Serviced Office cost structure¹

	Virtual Office cost structure	Serviced Office cost structure
Average floor size (sqm)	425	1,200
# client offices	15	50
# Virtual packages / floor	350	350
# Serviced Office clients / floor ¹	12	40
# staff needed / floor	3	6
Start up capex (A\$m) ²	1.0	3.8
Start up losses (A\$'000) ³	260	1,200
Virtual Office package pricing (A\$/month)	125	125
Serviced Office package pricing (A\$/month)	2,500	3,500
Time to break even (months) ¹	9–12	16–20
Annualised EBIT at 3 years from open date (A\$ 000s) ¹	450	800

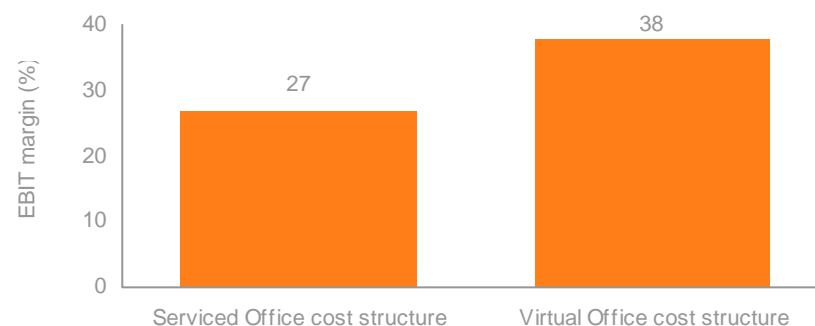
Note:

1 Indicative only. Estimated global average across all regions. All numbers are approximate

2 Comprises floor fit-out, IT fit-out, security deposit and miscellaneous items

3 Comprises cash losses of \$120,000 and depreciation of \$140,000 for the Virtual Office cost structure and cash losses of \$660,000 and depreciation of \$540,000 for the Serviced Office cost structure

Potential EBIT margin—cost structure



- When the lower cost structure associated with a smaller floor plate coverage is overlaid, profit margins increase
 - a third of the capex of the traditional floor which implies a third of the depreciation
 - a third of the rent of a traditional floor
 - half of the salaries
- The model is scalable and can be replicated

We know the Model works

There are more than 14 existing Servcorp locations that have over 500 virtual packages

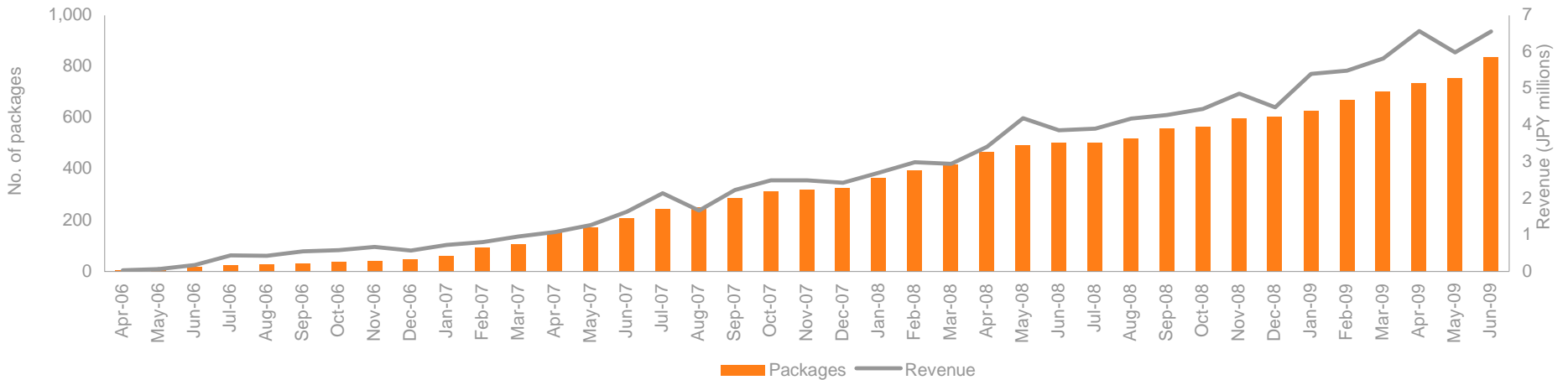
Ariake	June 2009 ¹	June 2008 ¹	Growth (pcp)
Revenue (JPY)	6,558,369	3,854,053	70%
Packages	836 →	503 →	66%

Note:

1 Revenue for the months ended 30 June 2008 and 2009 respectively

- Virtual Office cost structure locations include Paris, Tokyo (Ariake), Hong Kong, Osaka, Sydney, Melbourne & Auckland
- Ariake demonstrates that the Virtual Office cost structure can drive revenue growth by applying search engine marketing and automation
- October 2009 – 1003 packages in Ariake

Ariake (Japan)—historical monthly revenue and package growth



The market is right – Example 1 for the USA

Summary of Servcorp Deal Terms

Floor/RSF:	Part 23 rd , 6,440 rsf
Lease Type:	Gross + Electric
Lease Term:	10 Years
Rent (per sq ft):	\$70 Years 1-5 \$75 Years 6-10
Operating Expenses & Real Estate Taxes:	Increases Over a 2010 Base Year
Rent Free (mths):	10 months
Tenant Improvement Allowance	\$75 psf
Net Effective Rent:	\$53.47

Servcorp Deal		Historical Comps		
		GCA Savian (7/2008)	Senator Capital Investments (8/2008)	Atlas One Financial (8/2008)
Average Base Rent:	\$72.50	\$120.00	\$120.00	\$121.00
Percentage Difference Base Rent:	–	39.6%	39.6%	40.1%
Net Effective:	\$53.47	\$115.18	\$120.00	\$118.56
Percentage Difference Net Effective:	–	53.6%	55.4%	53.47%

The window is now - Example 2 for the USA

Summary of Servcorp Deal Terms

Floor/RSF:	Part 26 th , Suite 2607/5,355 rsf
Lease Type:	Gross + Electric
Lease Term:	10 Years
Rent (per sq ft):	\$110: Yrs. 1-5 \$115: Yrs. 6-10
Operating Expenses & Real Estate Taxes:	Increases Over 2010 Base Year
Rent Free (mths):	8 months
Tenant Improvement Allowance	\$75 per rsf
Net Effective Rent:	\$91.41

Servcorp Deal		Historical Comps		
		LFG Holdings (7/2007)	WCC Capital (6/2007)	Milbank Tweed (6/2007)
Average Base Rent:	\$112.50	\$170.50	\$163.67	\$160.50
Percentage Difference Base Rent:	-	34%	31.3%	37.3%
Net Effective:	\$91.41	\$164.97	\$161.36	\$154.17
Percentage Difference Net Effective:	-	44.6%	43.4%	40.7%

We have the management

Key management

- **Alf Moufarrige, Chief Executive Officer**
 - Global leader in the Serviced Office industry, with 30 years of experience
 - Responsible for Servcorp's profitability, cash generation and direction of the senior management team
 - Primarily responsible for execution of the global growth plans
- **Taine Moufarrige, Executive Director**
 - Responsible for operations in Australia, New Zealand, India and the Middle East and for strategic growth of the company in these regions
- **Marcus Moufarrige, CIO**
 - Driving force behind the advanced IT infrastructure that underpins all of Servcorp's business
- **Thomas Wallace, CFO**
 - Chartered Accountant with 14 years experience in finance and eight years experience specifically in the Serviced Office industry.
 - Joined Servcorp 2001

Other senior management

- **Susie Martin**
 - General Manager, Australia and New Zealand
 - Joined Servcorp February 1995
- **Olga Vlietstra**
 - General Manager, Japan
 - Joined Servcorp July 1999
- **Laudy Lahdo**
 - General Manager, Dubai, Abu Dhabi and Bahrain
 - Joined Servcorp November 2003
- **Wilma Wu**
 - General Manager, Greater China
 - Joined Servcorp May 2000
- **Nicole Billett**
 - General Manager, Sales and Marketing
 - Joined Servcorp June 2006
- **Liane Gorman**
 - Training and Development Manager
 - Joined Servcorp December 1980

We can scale the management

- **General Manager, Virtual Office**
- **General Manager, Saudi Arabia, Qatar and Kuwait**
 - Barry Barakat – ex Macquarie
- **Strong USA Team in place**
 - Steve Haskin – 20 years experience in property investment banking
 - Jennifer Goodwyn – ex HQ, Kinko's
- **Strong Middle Management**
 - Excited by the opportunities
 - Motivated to perform
- **Head Office beefed up**

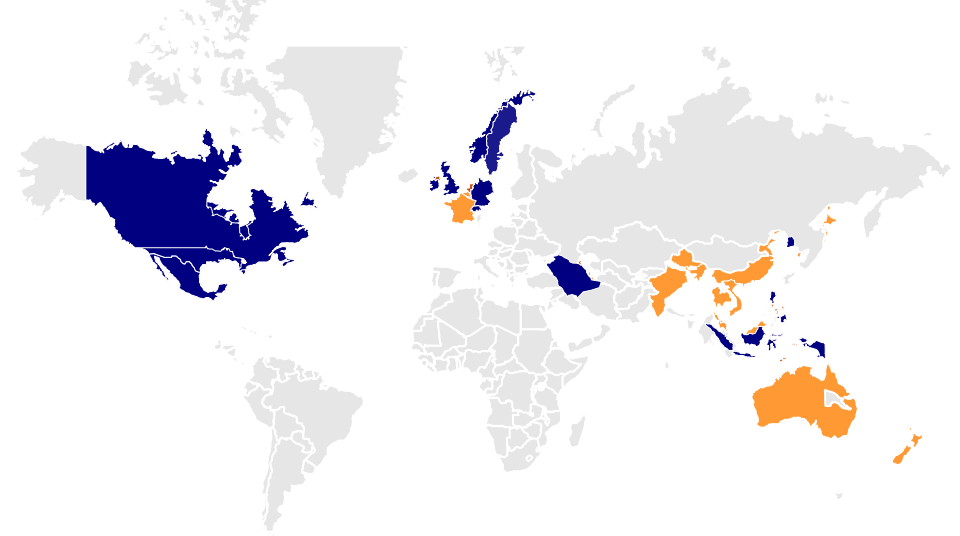
We've identified the expansion targets

Servcorp's target is to open at least 100 additional floors over the next three to four years

Virtual Office roll-out strategy

- Servcorp intends to accelerate its floor expansion targeting at least 100 new floors over the next 3 to 4 years largely focusing on Virtual Office
- Some of the new floors are expected to be in existing regions and some in new markets
- New Markets - North America, Scandinavia, parts of Europe and parts of the Middle East
- Existing Markets – parts of Asia secondary cities in China, secondary CBD's in Australia, Japan

Geographic presence¹

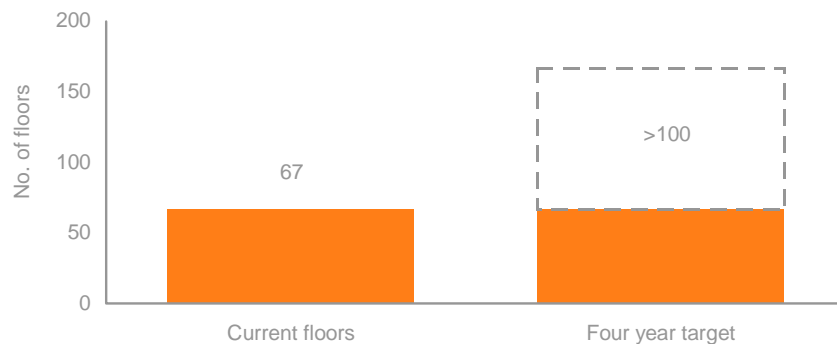


- Current geographies
- Target geographies

Note:

1 Locations as at 30 June 2009

Targeted floor roll out



Quick look at locations on the go

X = Virtual "Pods"

Opening Date	Location	Opening Date	Location
June 2009	JAPAN Shinjuku X	February 2010	MIDDLE EAST Beirut, Lebanon X INDIA Gurgaon X HONG KONG Two IFC
September 2009	ABU DHABI Al Mamoura		
December 2009	SAUDI ARABIA Jeddah JAPAN Marunouchi, Tokyo Fukuoka X		
January 2010	UK Dashwood House KUWAIT Kuwait City X	March 2010	USA Chicago X Atlanta X AUSTRALIA North Brisbane X

Quick look at locations on the go

Opening Date		Location	Opening Date		Location		
April	2010	AUSTRALIA	June	2010	AUSTRALIA		
		Melbourne CBD X			St Kilda, Melbourne X		
		Bondi Junction, Sydney X			INDONESIA		
		Parramatta, Sydney X			Jakarta X		
		JAPAN			PHILLIPINES		
		Yokohama X			Manila X		
May	2010	AUSTRALIA			BRUSSELS		
		Sydney CBD X			CBD X		
		HONG KONG			INDIA		
		Kowloon X			New Delhi		
		USA			Nariman Point X		
		Washington X			USA		
		Boston X			New York		
			July	2010	MIDDLE EAST		
							Riyadh, Saudi Arabia X
							Dubai X
							TURKEY
							Istanbul X
					AUSTRALIA		
					Gold Coast X		
					USA		
					Philadelphia X		
					New York X		

We are fully funded

We've raised \$77 million (net) for the expansion plan

The capital raising along with existing cash reserves, will be used to fund the expansion

Use of proceeds

- Along with existing available cash reserves¹, fund the new floor roll-out strategy including
 - security deposits
 - capex for floor fit-out, and IT systems
 - other costs

Impact of immature floors

- Over the next three to four years, Servcorp will be expanding at a faster rate than historically
- The larger number of immature floors will have a material negative impact on profitability until the new floors reach maturity

Note:

1 Existing cash reserves as at 30 June 2009 were approximately \$84 million

Outlook for 2009/2010

- As foreshadowed, trading has been very difficult in the first quarter for the Mature Serviced Office Business and we expect this to continue for the second quarter
- Mature Serviced Office Business revenue is down 19% for Q1 2010 compared to Q1 2009
- Mature Virtual Office revenue is up 16% for Q1 2010 compared to Q1 2009
- Earnings expected to run at around \$2 million per month on Mature Business NPBT
- Early signs of increased enquiries lead us to the prospect of an improved outlook for the Mature Serviced Office Business in the second half of FY 2010
- Our view is that the Mature Serviced Office Business is close to the bottom of its operating performance

Outlook for 2009/2010

- Transition year: moving from a Serviced Office business to a global business infrastructure and technology services provider
- Virtual Office – Automation has led to strong growth in Australia and Japan
- New model focus – automated, small locations, mass business market product
- Aggressive Expansion
 - Existing markets
 - New markets – USA, UK, South East Asia and Middle East

Outlook for 2009/2010

- As expected losses on immature floors will be significantly higher than previous years due to the aggressive expansion
- Target of 35 to 45 new floors by December 2010 with particular emphasis on new Virtual Office model
- Target of 29,000 Virtual packages by December 2010
- Strong \$AUD means it is the right time to expand globally (especially in the USA) but will have an adverse impact on operating results
- Large majority of surplus funds is in the \$A

2009/2010 Anticipated Dividend

– reflecting our confidence in the business

- April 2010 5 cents per share fully franked ordinary dividend
- October 2010 5 cents per share fully franked ordinary dividend
- Subject to changes in market conditions affecting the operating business

