

# **CHAIRMAN'S ADDRESS**

## **2020 ANNUAL GENERAL MEETING**

**ADDRESS BY THE HON. MARK VAILE AO**  
**CHAIRMAN, SERVCORP LIMITED**  
**5 NOVEMBER 2020**

Ladies and Gentlemen,

As I shared in the annual report, the 2020 financial year has seen unprecedented challenges for the world, and the flexible workspace industry is not exempt from the associated economic disruption.

With the onset of the COVID-19 pandemic, we focused on maintaining strong cost control discipline, and unfortunately took the decision to stand down or make redundant more than 100 team members globally. The majority of remaining team members also agreed to reduce their salary, although as a result of being eligible to receive the JobKeeper subsidy from the Australian Government, we were able to reinstate many salaries. The CEO, senior executive and non-executive Directors accepted reduced salaries.

Servcorp has rapidly adapted to the present environment across our global footprint, with our priority being the health and safety of our people, and that of our clients who utilise our locations globally. We continue to work closely with our clients who have been genuinely impacted, to provide them with the necessary support to manage through the pandemic and beyond.

### **Results**

The first three quarters of the 2020 financial year delivered a solid start, however the subsequent spread of COVID-19 significantly impacted trading conditions from late March.

Revenue for the year was \$352.9 million, an increase of 5% on 2019, and a Servcorp record.

Net profit before tax for the year was \$15.6 million, an increase of 25% on 2019; net profit after tax was \$6.9 million, with earnings per share of 7.2 cents. Net profit before tax was impacted by \$2.0 million in one-off restructure costs and write-offs; \$19.4 million of deconsolidation losses; and \$0.5 million of restricted losses. Excluding these significant items, which do not reflect the real operating performance of our business, underlying net profit before tax was \$37.5 million.

During the 2020 financial year, the business generated underlying free cash of \$66.1 million, an increase of 3% on 2019. Cash and investment balances at 30 June 2020 were \$109.1 million, an increase of 49% on 2019; the Company has no external debt. Having strong cash balances provides Servcorp a buffer in handling the liquidity pressures resulting from COVID-19.

In October, the Company paid a final dividend of 9.0 cents per share, unfranked; due to the current economic climate stemming from COVID-19, it was considered prudent to reduce the dividend per share. This final dividend brings total dividends for the 2020 financial year to 20.0 cents per share, resulting in a payout to members of approximately \$19.3 million.

### **Consolidation of business- USA and globally**

During the 2020 financial year Directors and management completed a detailed review of our business.

Leading up to the COVID-19 pandemic Servcorp had already committed to and executed a global footprint consolidation. The pandemic forced further footprint reduction and, in June, we announced the closure of 12 locations in the USA by way of reorganisation. Our remaining footprint in the USA constitutes Chicago, Houston, New York and Washington DC. Servcorp still operates 125 floors in 43 cities across 21 countries.

### **Outlook**

This takes me to the outlook for the 2021 financial year.

For the 2021 financial year we anticipate that, even at a low case, Servcorp will remain profitable; consequently, we expect the underlying business to continue to generate substantial underlying free cash.

We expect COVID-19 to continue to significantly impact the way we live and work for the foreseeable future. When we emerge from the COVID-19 pandemic, we anticipate that flexible workspace solutions will be more important than ever, so we will continue to tailor our offering to serve those ever-evolving trends.

Market research indicates potential strong growth in the future, as businesses evolve in the “new normal”. Our focus is on navigating this challenging environment, and taking advantage of opportunities as they arise. We are determined to stay ahead in this changing competitive landscape utilising our unparalleled technology platform, which provides the capability to adapt to the challenges with which the world is faced.

We have absolute confidence that our product is better, and our team is highly motivated to provide everything our clients need to help make their businesses succeed.

## Dividends

I now turn to dividends.

Dividend amounts to be paid in the 2021 financial year are uncertain, however we would expect to make dividend payments consistent with our long term history and commitment to members.

Payment of future dividends is subject to currencies remaining constant, and the mitigation of the impacts of the COVID-19 pandemic on our operations.

Whilst always ensuring we retain strong net cash balances, we will continue to reward members with a healthy dividend flow when prudently possible.

## Non-executive Director changes

This financial year we also witnessed a major change to the Board membership, with long serving non-executive Directors Bruce Corlett and Rick Holliday-Smith retiring from the Board.

I wish to take this opportunity to sincerely thank both Bruce and Rick for their contribution to making Servcorp the successful business it is today. Servcorp was privileged to have two businessmen of such high calibre on its Board for over 20 years, since its IPO.

Following these departures, Tony McGrath has assumed the role as Chair of the Audit & Risk Committee and Wallis Graham as Chair of the Remuneration Committee.

## Close

On behalf of the Board, I want to acknowledge the outstanding efforts of our CEO, Alf Moufarrige; our leadership group; and all the Servcorp team members for their dedication and commitment during the past year of unprecedented challenges.

Servcorp has proven, over the more than forty years of its existence, to be a robust business, and this remains the circumstance today. We are confident that Servcorp will emerge from the COVID-19 crisis in a financially sound position and full of determination.

We look to the future with optimism, and thank you, our members, for your continuing support.