

CEO'S ADDRESS

2020 ANNUAL GENERAL MEETING

ADDRESS BY MR ALF MOUFARRIGE AO
CEO, SERVCORP LIMITED
5 NOVEMBER 2020

Good Afternoon, my name is Alf Moufarrige, and as most of you know, I am Servcorp's Chief Executive.

As I stop and reflect on Servcorp's history, I think the world is just a little tiresome. When we first listed Servcorp, they said that Servcorp will never work; long leases and short-term tenant leases and they just have to go broke, but we seem to have survived that. Then Regus raised \$4 billion and everybody thought Servcorp will be crushed, they will never compete; that was 20 years ago. Then the global financial crisis came and everybody thought this would be the end of Servcorp, sold their stock and the share price dropped to \$1.00; still here. The global financial crisis finished, and low and behold along came WeWork with \$40 billion, all the predictions were this has to be the end of Servcorp; we are still here and WeWork has \$40 billion in value. And Servcorp still rolls on.

Now we are up to the virus. I talked to an analysts and the first question he asked was "how much money are you losing, and will the virus kill you or will Servcorp survive?". It becomes boring.

Last year we paid a 20.0 cent dividend, which was about an 8% yield. This year we anticipate paying 9.0 cents in the first half and I would hope 9.0 cents in the second half, which would be a 7.5% yield. We still have \$100 million in cash; we are cash positive; many of the landlords we deal with have given us relief and many have not, but the game is changing. So, we will remember those who just demanded rent, even when operations were locked down, and Servcorp had made them a most generous rental offer and had only asked for relief for a period of six months.

This year, we think we will have no less than \$30 million in free-cash; I would never pay more than 50% of free-cash in dividends, so I hope we get past the \$36 million. I think real opportunities will arise and we will be able to expand in the next little while. We have disbanded many of the locations in the USA, and I will not tolerate any further losing centres for more than a six-month period.

I then have a look at what has happened in the last 20 years since we listed; we raised \$150 million net, we paid \$301 million in dividends, and as I said, we have \$100 million in cash. As a 50% shareholder, in a corporation that is still cash positive, I am a very happy shareholder and I hope you, if you are a shareholder, are happy too.