

SERVCORP ASX ANNOUNCEMENT

1 May 2018

The Manager
Company Announcements Office
Australian Securities Exchange

SERVCORP UPDATES MARKET GUIDANCE FOR FY 2018

Servcorp Limited ABN 97 089 222 506 (SRV) now expects net profit before tax (“NPBT”) for FY 2018 to be between \$30 million and \$35 million (previous NPBT guidance was between \$45 million and \$55 million). The FY 2018 NPBT will include a one-off expense of approximately \$6 million relating to our strategic review initiatives.

We announced in February 2018 the investment we were making in Europe and the Middle East to accelerate growth pathways that offer attractive potential to take advantage of the expansion in demand for shared offices and to unlock more of the inherent value in our business and our technology platform. While some of the outcomes of the strategic review will benefit our business in the long run, we have made a decision not to proceed at this time with some of the identified alternatives. There will be no further related expenses at this time.

Trading conditions and corresponding NPBT to 31 March 2018 have been positive for a substantial part of the business with Japan and the United Kingdom exceeding forecasts. We are also encouraged by a recent uptick in sales in the past few months compared to the prior period. However the USA continues to disappoint and is expected to deliver a net loss before tax for FY 2018 of approximately \$9 million which is significantly behind a forecast net loss before tax of \$1 million. The performance of Singapore and Saudi Arabia has also been unsatisfactory with expected NPBT for FY 2018 \$4 million below forecasts. We have identified the issues in Saudi Arabia and are progressing the strategies for Singapore.

The USA remains our major concern and CEO Alf Moufarrige is travelling to the USA this week to work with COO Marcus Moufarrige on further strategies to turn the business around. We expect to provide an update when we release our FY 2018 results.

We are continuing to invest in reshaping our portfolio to modernise current fit-outs and enhance our coworking offering. We have completed 35 locations to date and expect to complete a further 63 locations during the remainder of calendar 2018. The early results from these fit-outs are encouraging.

Level 63, MLC Centre, 19-29 Martin Place, Sydney NSW 2000, Australia
T +61 2 9231 7500 servcorp.com.au Servcorp Limited ABN 97 089 222 506



Australia Bahrain Belgium China France Hong Kong India Japan Kuwait Lebanon Malaysia
New Zealand Philippines Qatar Saudi Arabia Singapore Thailand Turkey UAE UK USA
GLP:kg.c:\announcements\earning update:Market Announcement_FY18 earnings update - 1 May 2018:01/05/2018

Cash balances remain strong at \$114 million (including encumbered cash of \$7.7 million) with the business continuing to produce in excess of \$50 million in free cash per annum.

The anticipated FY 2018 final dividend of 13.0 cents per share (total FY 2018 dividend of 26.0 cents per share) remains unchanged. In expressing our confidence in the future we expect the FY 2019 dividend will be 26.0 cents per share (13.0 cents per share in each half). Franking levels for dividends remain uncertain.

We believe that there will be no further deterioration of the overall business from current levels and therefore expect FY 2019 NPBT on a like for like basis of at least \$38 million. FY 2019 NPBT guidance will be provided with FY 2018 results in August 2018.

This forecast is subject to currencies remaining constant, global financial markets remaining stable and no further unforeseen circumstances.

Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 152 floors in 53 cities across 23 countries.

For more information contact

Mr Alf Moufarrige	Mr Anton Clowes
Chief Executive Officer	Chief Financial Officer
+61 2 9238 2262	+61 2 9231 7668