

ASX AND MEDIA RELEASE

SERVCORP REPORTS NET PROFIT BEFORE TAX OF \$12.5 MILLION

UNDERLYING NET PROFIT BEFORE TAX OF \$32.0 MILLION

SECOND HALF NET PROFIT BEFORE TAX OF \$18.4 MILLION

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$12.5 million for the 12 months ended 30 June 2019.

Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 155 floors in 54 cities across 24 countries, at the date of this release.

Summary of results for Financial Year 2019

- Revenue up 7.9% to \$337.2 million; a Servcorp record. Revenue up 2.1% in constant currency terms.
- Statutory net profit before tax of \$12.5 million, down 61%.
- Second half net profit before tax of \$18.4 million, exceeding second half guidance of between \$14 million and \$18 million.
- Second half new floor operating losses of \$3.5 million, in line with guidance of \$4 million.
- Net operating cash flow of \$51.0 million for the 2019 financial year, up 1.9%. Free cash (net operating cash flow before tax) of \$62.1 million.
- Underlying net profit before tax of \$32.0 million; excludes \$1.9 million in one-off, unbudgeted restructure costs and write-offs, \$18.7 million of asset and goodwill impairment, and also excludes \$1.1 million of restricted earnings.
- Net profit after tax of \$5.4 million.
- Unencumbered cash and investment balances of \$66.2 million as at 30 June 2019, down 31.9%, driven by investment in reshaping our portfolio to modernise current fit-outs to incorporate coworking, together with new floors and expansions (2018: \$97.1 million). Cash balances currently in excess of \$80 million.
- NTA backing of \$2.32 per share as at 30 June 2019, down 4% due to the \$17.7 million impairment of tangible assets.
- Earnings per share of \$0.056.
- Final dividend of 10.00 cents per share, 60% franked; payable on 2 October 2019. The dividend is 25% above the previously forecast payment.
- Total dividends for the 2019 financial year of 23.00 cents per share.

Business overview

- A strong North Asia result and an improved second half result in the Middle East were offset by underperformance in the USA and Hong Kong.
- Occupancy of like for like floors was 73% at 30 June 2019 (2018: 72%). All floor occupancy was 72%. Occupancy bottomed at 67% in December 2018.

Servcorp footprint

- Nine new floors were opened in the 2019 financial year plus two floors were expanded. Six floors were closed.
- Our new floors are at the Schuman Building in Brussels, Honmachi Garden City in Osaka, LinkStrasse 2 in Berlin, Business Front in Riyadh and the Marunouchi Nijubashi Building in Tokyo.
- Our investment in reshaping our portfolio to modernise current fit-outs and enhance our coworking offering is mostly complete. We have completed 83 of the previously identified locations and are committed to complete a further 16 locations during the 2020 financial year.
- The sales results on reshaped floors are pleasing.

Dividends

- The Directors of Servcorp have declared a final dividend of 10.00 cents per share, with a record date of 6 September 2019 and payable on 2 October 2019. The dividend will be 60% franked. There is no foreign conduit income attributed to the dividend.
- This brings total dividends for the 2019 financial year to 23.00 cents per share.
- It is anticipated that total dividends of 20.00 cents per share will be paid in the 2020 financial year (10 cents per share in each half). Future franking levels are uncertain.
- Payment of future dividends is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Outlook for Financial Year 2020

- Directors forecast net profit before tax between \$36 million and \$40 million in the 2020 financial year.
- This represents our view that the overall business has stabilised.
- 2020 financial year free cash is expected to exceed \$65.0 million.
- Forecasts are subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.
- The flexible workspace industry continues to grow at 20% compounding, but remains highly competitive. We continue our focus on staying ahead of this changing competitive landscape by continuing to invest in our unparalleled technology platform and modernisation of fit-outs and enhancement of coworking offerings.
- We remain optimistic due to our unique strategic positioning, global reach, technology platform, longstanding track record, impressive cash generation and strong net cash position; all of which reinforce our confidence in Servcorp's potential to continue to drive healthy returns for our shareholders.

For more information contact

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Results Presentation

Tuesday 27 August 2019 at 4:30pm
Level 63 MLC Centre, 19 Martin Place, Sydney

Dial-in facility	Online webinar
Australia: +61 2 9091 7604	If you wish to join the online meeting click below
Access Code: 112-805-780	Register now!

or email kate.mullineaux@servcorp.com.au by midday on Wednesday 27 August 2019