

# ASX AND MEDIA RELEASE

## SERVCORP REPORTS FIRST HALF 2021 PERFORMANCE

**UNDERLYING FREE CASH \$29.4 MILLION**

**NET PROFIT AFTER TAX OF \$15.4 MILLION**

Servcorp Limited ABN 97 089 222 506 (SRV) today released its half year results for the six months ended 31 December 2020.

- Underlying<sup>1</sup> free cash<sup>2</sup> of \$29.4 million
- Revenue and other income of \$142.0 million, down 20% on the first half of FY2020 (constant currency, down 18%)
- Like for like revenue down 14% (constant currency, down 11%)
- Underlying net profit before tax<sup>3</sup> of \$19.0 million
- Underlying net profit after tax<sup>4</sup> of \$16.1 million
- Net non-cash impairment of assets of \$1.1 million
- Strong balance sheet, with 31 December 2020 cash balances of \$90.1 million, no external net debt
- Interim dividend of 9.0 cents per share, 0% franked<sup>5</sup>

### Business overview

Servcorp reported first half FY2021 revenue and other income of \$142.0 million, down 20% on the first half of FY2020 and 18% on a constant currency basis. Underlying net profit before tax of \$19.0 million was underpinned by solid performances in Europe and the Middle East, and North Asia, combined with reduced losses in the United States, offset by a poor performing Australia, New Zealand and South East Asia.

The first half FY2021 result highlighted Servcorp's strong cash flow generation from operations. Underlying free cash represented 155% of underlying net profit before tax, providing some buffer to navigate through the COVID-19 pandemic, supporting maintenance capital expenditure and dividends. At 31 December 2020, Servcorp had cash balances of \$90.1 million, a decrease of \$11.3 million from 30 June 2020. This largely reflected the strengthening Australian dollar, which had a \$7.8 million downward revaluation effect in the period.

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<sup>1</sup> "Underlying" is a non-statutory measure and is the primary reporting measure used by the CEO, CFO, COO & Board of Directors for assessing the performance of our business

<sup>2</sup> Net operating cash flows before tax, plus cash rent paid to landlords in the current period relating to FY2020, minus unpaid cash rent relating to the current period, plus adjustments for significant items which relate to the reported period however, because of timing, either occurred in the preceding financial period or will occur in the subsequent financial period

<sup>3</sup> Underlying net profit before tax (NPBT) excludes \$1.1m of net non-cash impairment of assets (1H20 \$2.1m of restricted earnings and provisions)

<sup>4</sup> Underlying net profit after tax (NPAT) excludes \$0.7m of net non-cash impairment of assets (1H20 \$2.1m of restricted earnings and provisions)

<sup>5</sup> Payable on 7 April 2021. There is 100% conduit foreign income attributed to the dividend

## Office capacity

Servcorp's global footprint now encompasses 125 floors, in 43 cities across 21 countries.

During the first half we closed two floors, Park Avenue in New York City and Al Hugayet in Al Khobar. Net capacity decreased by 36 offices to 5,003, and is forecast to increase to 5,134 by 30 June 2021, stemming from new floors opening in Manila and Parramatta. We have no further committed floor openings at this time.

Like for like floors occupancy was 71% and all floors occupancy was 70% at 31 December 2020 (30 June 2020: both 69%).

## Coworking

The COVID-19 pandemic continues to have a significant impact on coworking. Given the nature of coworking and its inherent lack of social distancing, coworking is expected to take significantly longer to recover from COVID-19.

We continue to hold the view that coworking is an important part of, not only our offering, but also the industry, and that our past investment in reshaping our portfolio for coworking will realise a return on investment in the longer term.

## FY2021 outlook

While it remains unclear how long the global COVID-19-led recession will last, we remain cautiously optimistic. The imminent roll out of the vaccine across markets in which we operate, as well as impacts of fiscal stimulus, are supporting economic activity, with both business and consumer confidence slowly returning to pre-COVID levels in some markets. That said, Servcorp's operations are likely to remain adversely impacted at least for the remainder of calendar 2021.

The continued focus for the short term is on controllable measures:

- Controlling operating expenditure
- Maintaining strong liquidity
- Making clients feel safe through full, unwavering adherence to any government requirements
- Preparing for recovery in each market in which we operate
- Looking for opportunities for growth in mature markets with proven management performance

For the remainder of the 2021 financial year, we anticipate sustained difficult trading conditions however, even at a low case, the underlying business will remain profitable and cash generating. In those circumstances, we would expect to continue to make dividend payments consistent with the 2021 financial year interim dividend, and our long-term history and commitment to shareholders.

COVID-19 will continue to significantly impact the way we live and work for the foreseeable future. We still are of the view that when we emerge from the COVID-19 pandemic, flexible workspaces will be more important than ever, so we will continue to tailor our offering to serve those ever-evolving trends.

Despite the COVID-19 challenges we are facing, we remain cautiously optimistic due to our unique positioning, global reach, technology platforms, longstanding track record and cash generation.

Forecasts are subject to currencies remaining constant, global financial markets remaining stable, and no other unforeseen circumstances.

This ASX announcement is approved and authorised by the Board of Directors of Servcorp Limited.

**For more information contact**

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**Results Presentation**

Wednesday 24 February 2021 at 4:30pm  
Level 63 MLC Centre, 19 Martin Place, Sydney

<b>Dial-in facility</b>	<b>Online webinar</b>
Australia: +61 3 8488 8990	If you wish to join the online meeting click below
Access Code: 323-290-921	<a href="#">Register now!</a>

or email [kate.mullineaux@servcorp.com.au](mailto:kate.mullineaux@servcorp.com.au) by midday on Wednesday 24 February 2021