

# ASX AND MEDIA RELEASE

## SERVCORP REPORTS FIRST HALF 2022 PERFORMANCE

### UNDERLYING FREE CASH \$29.5 MILLION

### NET PROFIT AFTER TAX OF \$13.3 MILLION

Servcorp Limited ABN 97 089 222 506 (SRV) today released its half-year results for the six months ended 31 December 2021.

- Underlying<sup>1</sup> free cash<sup>2</sup> of \$29.5 million
- Revenue and other income of \$137.7 million, down 3% on the first half of FY2021
- Mature revenue down 4% (constant currency, down 3%)
- Underlying net profit before tax<sup>3</sup> of \$17.7 million, up 5%
- Underlying net profit after tax<sup>4</sup> of \$14.5 million (up 3%)
- Strong balance sheet, with 31 December 2021 cash balances and unencumbered financial securities of \$109.6 million; no external net debt
- Interim dividend of 10.0 cents per share, 0% franked<sup>5</sup>

#### Business overview

Servcorp reported revenue and other income of \$137.7 million in the first half of the 2022 financial year, down 3% on the first half of the 2021 financial year.

Underlying net profit before tax of \$17.7 million was underpinned by a solid North Asia performance, a reasonable performance in Europe and the Middle East, and a breakeven result in the United States.

Statutory net profit before tax was \$16.0 million for the first half of the 2022 financial year, and statutory net profit after tax was \$13.3 million.

This first half result highlighted Servcorp's strong cash flow generation from operations. Underlying free cash represented 167% of underlying net profit before tax, providing some buffer to navigate through the COVID-19 pandemic, supporting self-funded capital expenditure and dividends.

At 31 December 2021, Servcorp had cash balances in excess of \$110.0 million, an increase of \$5.7 million from 30 June 2021.

At 31 December 2021, net tangible assets are \$1.96 per share, up from \$1.91 per share at 30 June 2021.

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

<sup>2</sup> Net operating cash flows before tax as reported in the Consolidated Statement of Cash Flows minus cash rent paid

<sup>3</sup> Underlying net profit before tax (NPBT) excludes \$1.3m of immature floor losses and \$0.4m of closed floor losses (1H21 \$1.1m of net non-cash impairment of assets and \$2.1m of closed floor gains)

<sup>4</sup> Underlying net profit after tax (NPAT) excludes \$0.9m of immature floor losses and \$0.3m of closed floor losses (1H21 \$0.7m of net non-cash impairment of assets and \$2.1m of closed floor gains)

<sup>5</sup> Payable on 6 April 2022. There is 100% conduit foreign income attributed to the dividend

## Office capacity

Servcorp's global footprint now encompasses 122 floors, in 41 cities across 20 countries.

During the first half we opened two floors; one in Tokyo and another in Parramatta. We closed three floors; one in each of Manila, Parramatta and Istanbul. Net capacity decreased by 28 offices to 5,113, and is forecast to increase to 5,179 by 30 June 2022, due to a new location opening in Riyadh, offset by closures in Hong Kong and Singapore.

Mature floor occupancy was 72% and all floor occupancy was 72% at 31 December 2021 (30 June 2021: 73% and 72% respectively).

## Hybrid workspace

As confidence in our underlying business returns, we now turn our attention to the potential opportunities arising from the changed market conditions, which could have a positive impact on Servcorp's future.

Our new hybrid software product is 90% complete, with estimated completion in August 2022. Hybrid workspace is the ability to maximise the square metre usage, cost effectively. In a corporate sense – 1 desk, 3 operatives.

Hybrid space cannot operate effectively without a specifically designed software platform that should allow a normal commercial enterprise to halve their space costs. Servcorp has best-in-market technology platforms, Onefone app and secure high speed Wi-Fi; hybrid workspace is a natural fit for Servcorp.

## Dividends

The Directors have declared an interim dividend of 10.0 cents per share, unfranked, with a record date of 9 March 2022 and payable on 6 April 2022. There is 100% conduit foreign income attributed to the dividend.

As previously indicated, the final dividend for the 2022 financial year will be no less than 9.0 cents per share, and is now expected to be 10.0 cents per share, with franking uncertain. We expect to make dividend payments consistent with our long term history and commitment to shareholders.

Payment of future dividends is subject to currencies remaining constant, the continued impacts of the COVID-19 pandemic, and no other unforeseen circumstances.

## Outlook for Financial Year 2022

While it remains unclear how long the path to a post-COVID world is, we continue to remain optimistic. Servcorp's global reach and client base provides a great advantage, allowing us to compete effectively in most of the markets in which we operate. Business and consumer confidence is slowly returning to pre-COVID levels in some markets. We have already committed to some growth in the 2022 financial year and continue to look for further opportunities for growth in mature markets with proven management performance.

Servcorp has a strong, diversified global business and is in a financially sound position with current cash balances exceeding \$110.0 million.

We are cash positive, an I.T. leader, and believe we are on the road back. Opportunities will abound for Servcorp over the next few years.

Accordingly we reaffirm our guidance for the 2022 financial year for mature net profit before non-cash impairment of assets and tax of between \$33.0 million and \$36.0 million and underlying free cash in excess of \$50.0 million.

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 23 February 2022 at 4:30pm

Level 63, 25 Martin Place, Sydney

<b>Dial-in facility</b>	<b>Online webinar</b>
Australia: +61 2 9087 3602	If you wish to join the online meeting click below
Access Code: 692-057-456	<a href="#">Register now!</a>

or email [kate.mullineaux@servcorp.com.au](mailto:kate.mullineaux@servcorp.com.au) by midday on Wednesday 23 February 2021