

ASX AND MEDIA RELEASE

SERVCORP REPORTS NET PROFIT BEFORE TAX OF \$15.6 MILLION

UNDERLYING NET PROFIT BEFORE TAX OF \$37.5 MILLION

UNDERLYING FREE CASH OF \$66.1 MILLION

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$15.6 million for the 12 months ended 30 June 2020.

Servcorp, the world's leading provider of workspace solutions and superior IT and business infrastructure solutions, operates 126 floors in 43 cities across 21 countries, at the date of this release.

Summary of results for Financial Year 2020

- Revenue and other income up 5% to \$352.9 million; a Servcorp record. Like for like revenue up 5% in constant currency terms.
- Statutory net profit before tax of \$15.6 million, up 25%.
- Free cash (net operating cash flow before tax) of \$80.4 million for the 2020 financial year, up 30%. Underlying free cash of \$66.1 million, up 3%.
- Underlying net profit before tax of \$37.5 million, up 17%; excludes \$2.0 million in one-off restructure costs and write-offs, \$19.4 million of deconsolidation losses and \$0.5 million of restricted losses.
- Net profit after tax of \$6.9 million.
- Cash and investment balances of \$109.1 million as at 30 June 2020 (2019: \$73.0 million).
- Earnings per share of \$0.072.
- Final dividend of 9.00 cents per share, unfranked; payable on 1 October 2020. Due to the current economic climate stemming from the COVID-19 pandemic, it was considered prudent to reduce the dividend per share.
- Total dividends for the 2020 financial year of 20.00 cents per share.

Business overview

- The first three quarters of the 2020 financial year developed a solid start, however the subsequent spread of COVID-19 significantly impacted trading conditions from late March.
- Underlying net profit before tax was underpinned by a strong North Asia result, improved results in the Middle East and the United Kingdom, offset by underperformance in the USA.
- We have been sympathetic to the impact COVID-19 has had on the way we live and work. We continue to work closely with our clients who have been genuinely impacted, to provide them with the necessary support to manage through the pandemic and beyond.
- Leading up to the COVID-19 pandemic, management had already committed to, and executed a global footprint consolidation. The pandemic forced some further footprint reduction, particularly in the USA where we closed 12 locations in June. We believe our consolidated global footprint will allow us to better navigate the current and future economic uncertainty stemming from the COVID-19 pandemic as well as capitalise on the recovery.
- Occupancy of like for like floors was 69% at 30 June 2020 (2019: 73%). All floor occupancy was 69%.

For personal use only

Servcorp footprint

- Three new floors were opened in the 2020 financial year and two floors were expanded. Twenty-nine floors were closed, including twelve in the USA in June 2020.
- Our new floors are at Madison Avenue in New York and One Museum Place in Shanghai.

Dividends

- The Directors of Servcorp have declared a final dividend of 9.00 cents per share, with a record date of 11 September 2020 and payable on 1 October 2020. The dividend will be unfranked. There is 100% conduit foreign income attributed to the dividend.
- This brings total dividends for the 2020 financial year to 20.00 cents per share.
- Dividend amounts to be paid in the 2021 financial year are uncertain, however we would 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, and the continued impacts of the COVID-19 pandemic on our operations.

Outlook for Financial Year 2021

- While it remains unclear how long global COVID-19 restrictions will continue, and the recovery profiles as restrictions are eased, Servcorp's operations are likely to remain adversely impacted at least in the short term.
- The focus for the next 12 months is on controllable measures; continued focus on controlling operating expenditure, including finalising the rental relief programs with each landlord; ensuring we maintain strong liquidity; making clients feel safe through full, unwavering adherence to any government requirements; preparing for recovery in each market in which we operate; and looking for opportunities for growth in mature markets with proven management performance.
- We have undertaken a detailed review of our business. For the 2021 financial year we anticipate that, even at a low case, Servcorp will remain profitable; consequently, we expect the underlying business to continue to generate substantial underlying free cash.
- We expect COVID-19 to continue to significantly impact the way we live and work for the foreseeable future. When we emerge from the COVID-19 pandemic, we anticipate that flexible workspace solutions 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.

For more information contact

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

Results Presentation

Tuesday 25 August 2020 at 4:30pm
Level 63 MLC Centre, 19 Martin Place, Sydney

Dial-in facility	Online webinar
Australia: +61 2 8355 1054	If you wish to join the online meeting click below
Access Code: 988-491-090	Register now!

or email kate.mullineaux@servcorp.com.au by midday on Tuesday 25 August 2020

For personal use only