

ASX AND MEDIA RELEASE

SERVICORP REPORTS FIRST HALF NET PROFIT BEFORE TAX OF \$19.2 MILLION

STRATEGIC GROWTH INITIATIVE UNDERWAY

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$19.2 million for the six months ended 31 December 2017.

Servcorp, the world's leading provider of workspace solutions and superior IT and business infrastructure solutions, operates 154 floors in 53 cities across 23 countries.

Satisfactory operating performance in a rapidly evolving market

- Operating cash flow of \$19.9 million, up 13.1% on the first half of FY 2017.
- Revenue of \$153.3 million, down 4.1% on the first half of FY 2017.
- Operating profit up 7.7% on the first half of FY 2017.
- Unbudgeted expenses of \$1.9 million, relating to new strategic initiatives, incurred in the first half of FY 2018.
- Operating net profit after tax of \$15.6 million (first half FY 2017: \$18.1 million) before one-off, non-cash adjustments to USA deferred tax asset balances of \$13.0 million (\$7.6 million USA tax rate changes and \$5.4 million de-recognition of tax losses).
- USA operations are recovering slowly and de-recognising the related deferred tax asset is seen to be prudent.
- NTA backing of \$2.44 per share as at 31 December 2017 (30 June 2017: \$2.56 per share).
- Modest negative impact from the strengthening Australian dollar.

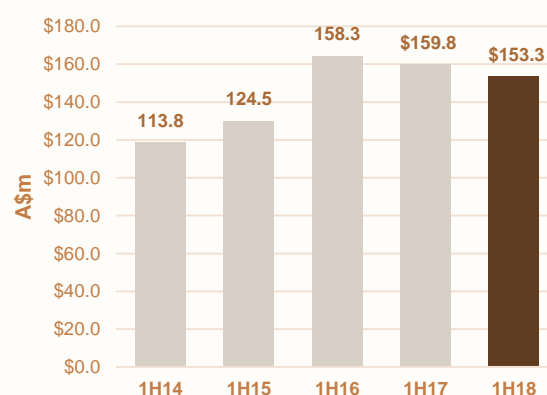
Strong balance sheet and stable outlook

- Cash balances of \$109.9 million, up 5.3% on 30 June 2017.
- Directors reaffirm full year guidance for FY 2018 of net profit before tax of between \$45.0 million to \$55.0 million.
- Interim dividend of 13.00 cents per share, 7.5% franked, payable on 5 April 2018.

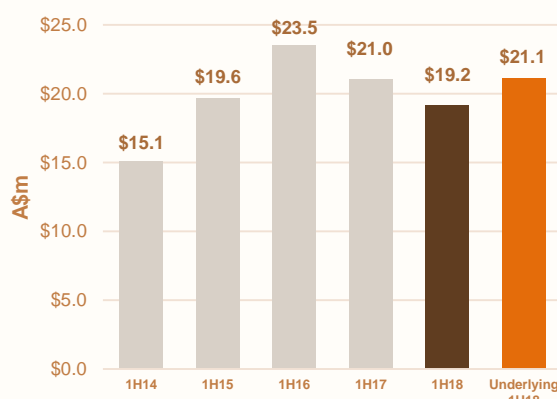
Significant strategic initiatives under way

Directors believe there is an unprecedented opportunity to take advantage of the tremendous growth and transformation in today's global workspace industry. As part of our investment into strategic initiatives, the Company is assessing a number of options to enhance shareholder value. Alternatives being considered include the acceleration of growth in various markets, accessing external sources of capital to aid in global expansion, the potential separation of geographies (including Europe and the Middle East), and unlocking value inherent in our footprint and technology platform. While there can be no certainty as to the outcome of these investigations, we will continue to work toward optimising the value and potential of Servcorp.

Revenue



Net profit before tax



Business overview

The first half of FY 2018 was underpinned by a strong North Asia result, partially offset by continued underperformance by Singapore and the USA, and an unbudgeted \$1.9 million of expenses relating to strategic initiatives.

Following a USA Federal corporate tax rate reduction in December 2017 from 35% to 21%, and a review of the carried forward loss recoverability, the tax expense includes a one-off, non-cash \$13.0 million adjustment relating to the USA deferred tax asset.

Like for Like floors occupancy was 72% at 31 December 2017 (30 June 2017: 74%). All floors occupancy was 71% at 31 December 2017 (30 June 2017: 73%).

Cash flows generated from operations (before tax) of \$26.0 million, were up \$2.1 million in the first half of FY 2018 compared to the first half of FY 2017.

Servcorp Capacity

Two small new floors were opened in the first half of FY 2018; in the Louis Vuitton Building in Beirut and the Mercury Tower in Bangkok.

As announced at the 2017 annual general meeting, we have started investing in reshaping our portfolio to modernise current fit-outs and to embellish their ecosystem to incorporate coworking as an integral piece. We have completed 26 locations to date, and expect to complete a further 64 locations during the remainder of calendar 2018.

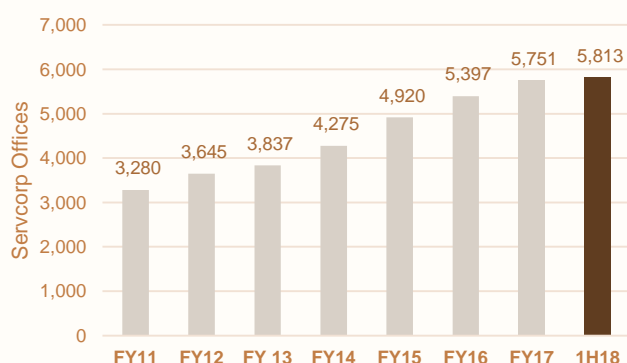
Dividends

The Directors have declared an interim dividend of 13.00 cents per share, with a record date of 9 March 2018, payable on 5 April 2018. The dividend will be 7.5% franked. There is no foreign conduit income attributed to the dividend.

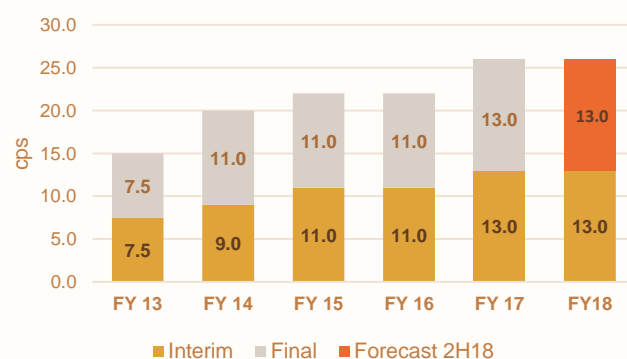
It is expected that the final dividend will also be 13.00 cents per share; franking levels remain uncertain. This would bring total dividends for FY 2018 to 26.00 cents per share.

Payment of future dividends is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Servcorp Capacity



Dividends paid (cents per share)



Outlook for Financial Year 2018

The flexible workspace industry is undergoing a period of unprecedented transition and the global market for shared workspaces is growing rapidly.

To address this opportunity, during the last six months we focused our normal capital investment of approximately \$20.0 million on pivoting and enhancing our floor design and customer experience across our existing office footprint, with encouraging early results. This program will continue during the remainder of the 2018 calendar year.

In parallel, we have also made a significant investment to develop growth pathways that offer attractive potential to take advantage of the expansion in demand for shared offices and to unlock more of the value inherent in our business and our technology platform. This investment amounted to approximately \$1.9 million, and a further \$3 million is earmarked for the current half year. These initiatives are at an early stage and we will keep shareholders appraised as to developments.

Over the last decade, we have invested over \$100 million in our technology, communications and business management platform, as well as knowledge-building and market research in our sector. The platform we have created, which reflects 25 years of experience, enables us to provide our clients with seamless access to all of our products and services in a highly automated and cost-efficient manner wherever they are in the world.

Commenting on the outlook and strategic initiatives under way, Mr Alf Moufarrige, Founder and CEO of Servcorp, said *"Servcorp's long-term experience of operating a truly global business and our best-in-class technology platform mean that we can offer more clients in more locations a more attractive proposition than ever before. The initiatives we launched in 2017 open the door to the next phase of our growth."*

The above operational and strategic initiatives are designed to position Servcorp to take advantage of significant growth in the sector over the medium term. Meanwhile, in the short term, we expect the underlying profitability of the business to remain stable as we complete the redesign of our office network and continue to improve our product and service offering to clients. Accordingly, Directors have reaffirmed that we expect net profit before tax for FY 2018 to be between \$45.0 million and \$55.0 million.

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

For more information contact

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Results Presentation

Thursday, 22 February 2018 at 4:30pm
Level 63 MLC Centre, 19 Martin Place, Sydney

Dial-in facility

Phone: +61 3 8488 8990
Access Code: 774-029-254

Online meeting

If you wish to join the online meeting, please register using the link below:

<https://attendee.gotowebinar.com/register/5189873392855573249>