

ASX AND MEDIA RELEASE

SERVCORP REPORTS NET PROFIT BEFORE TAX OF \$32.1 MILLION

UNDERLYING NET PROFIT BEFORE TAX OF \$37.9 MILLION

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$32.1 million for the 12 months ended 30 June 2018.

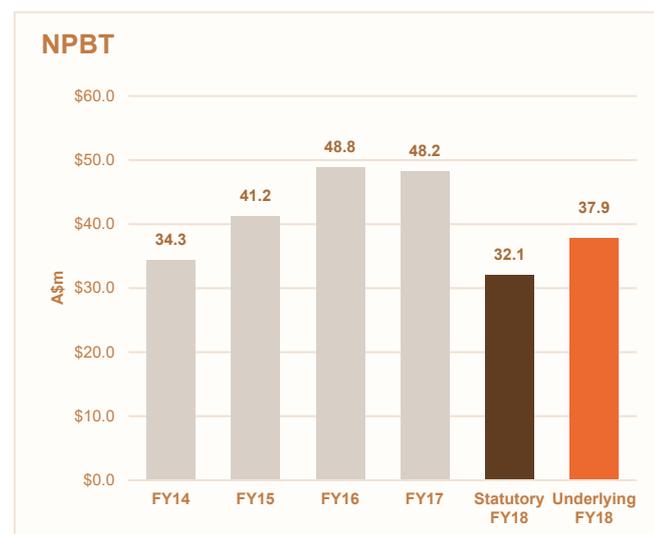
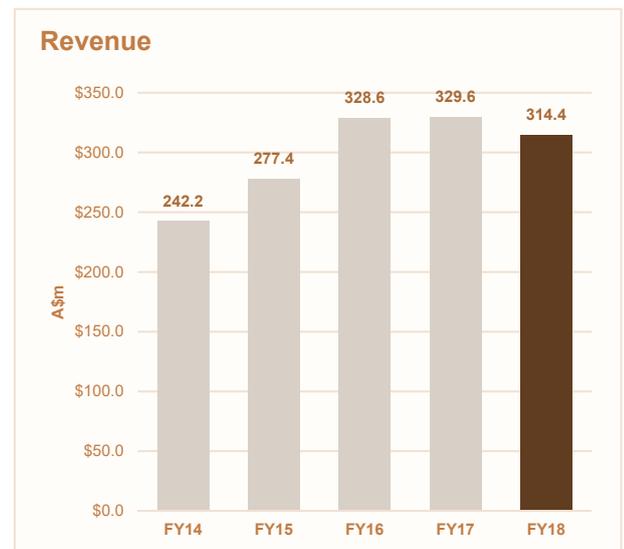
Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 154 floors in 54 cities across 24 countries, at the date of this release.

Summary of results for Financial Year 2018

- Revenue down 5% to \$314.4 million; down 1% in constant currency terms.
- Statutory net profit before tax of \$32.1 million, down 33%; within guidance.
- Underlying net profit before tax of \$37.9 million, excluding one-off strategic expenses of \$5.8 million.
- Net profit after tax of \$10.1 million, after one-off non-cash tax adjustment of \$13.0 million relating to USA deferred tax asset.
- Net operating cash flow of \$50.1 million for FY 2018, down 8%.
- Unencumbered cash and investment balances of \$97.1 million as at 30 June 2018, down 10%, after \$5.2 million strategic initiative cash outflows and \$7.3 million share buy-back program (2017: \$107.9 million).
- NTA backing of \$2.43 per share as at 30 June 2018, down 3%.
- Earnings per share of \$0.102.
- Final dividend of 13.00 cents per share, 25% franked; payable on 4 October 2018.
- Total dividends for FY 2018 of 26.00 cents per share.

Flexible workspace industry

- The flexible workspace industry has seen unprecedented change, as commercial real estate experiences significant disruption.
- This brings new competition and certain challenges, but Servcorp believes it brings immense opportunity.
- We believe that global flexible workspace will grow from 5% of all commercial real estate to 20% in the medium term.
- Our opportunity is to transition from being the premium provider of this space in a niche market to the premium provider of this space in a more mainstream market.
- This transition and transformation has impacted our short term performance in some markets but we believe Servcorp's investment in strategic initiatives will position us to capitalise on significant long term opportunities.

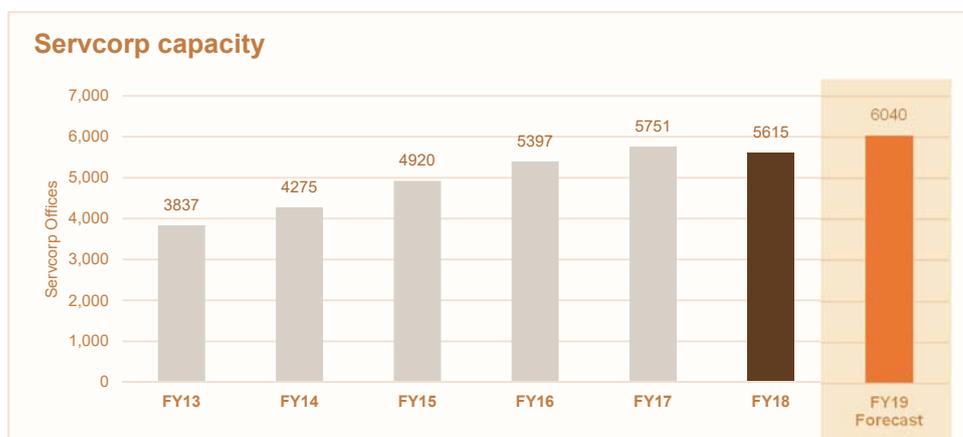


Business overview

- A strong North Asia result was offset by the underperformance of the USA, Saudi Arabia and Singapore.
- Excluding the performance of the USA, like for like performance is flat on FY 2017.
- Occupancy of like for like floors was 72% at 30 June 2018 (2017: 74%). All floor occupancy was 71%.
- \$5.8 million of one-off expenses incurred in FY 2018 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.

Servcorp footprint

- Two new floors were opened in FY 2018, and six floors were closed.
- Our new floors are Mercury Tower in Bangkok and an additional floor in Louis Vuitton Building in Lebanon.
- We anticipate adding approximately 7.5% to capacity in FY 2019, including our first location in Germany.

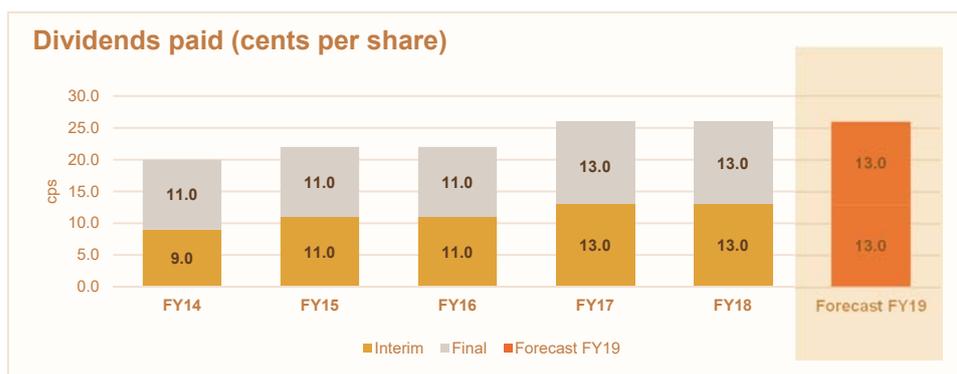


Share buy-back

- The Company undertook a share buy-back program in the second half of FY 2018, spending \$7.3 million acquiring approximately 1.6 million shares.

Dividends

- The Directors of Servcorp have declared a final dividend of 13.00 cents per share, with a record date of 4 September 2018 and payable on 4 October 2018. The dividend will be 25% franked. There is no foreign conduit income attributed to the dividend.
- This brings total dividends for FY 2018 to 26.00 cents per share.
- It is anticipated that total dividends of 26.00 cents per share will be paid in FY 2019. 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 2019

- Directors forecast net profit before tax between \$34 million and \$40 million in FY 2019.
- FY 2019 new floor operating losses will be between \$4.0 million and \$5.0 million.
- FY 2019 net operating cash flows exceeding \$50.0 million.
- These forecasts are subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.
- Our industry is in a period of unprecedented change, which presents an opportunity for Servcorp to capitalise on the rapidly evolving workplace industry. While the flexible workspace sector continues to be highly competitive, excluding the USA, our underlying business is performing satisfactorily in most regions.
- Despite our recent challenges, 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.

Strategic initiative

- In response to the impact seen in our global market from the growing emergence of new and well-funded disruptive players in flexible workspace, we undertook several major review and restructuring initiatives in FY 2018.
- These initiatives included a comprehensive industry review by consultants Pottinger that identified the new trends, considered the future implications for both service providers like Servcorp and for major global commercial property owners. The review included assessment of our current extensive operating system platforms for property management, communication services and related infrastructure, and for the communities already existing within the Servcorp client base.
- The review identified significant competitive and valuable capabilities relevant for both our existing business and for the new direction of this broadening market sector.
- The review led to serious consideration of different ways to leverage the Servcorp global presence to unlock wealth for shareholders by including possible strategic partnering in some global market segments. The process identified how we might restructure our businesses, who might be considered as strategic partners, and whether that could occur in new unlisted or listed segment oriented companies leveraging the existing Servcorp systems capabilities.
- In conjunction, we considered the ability of selected segment areas to be ready for major transactions involving external parties, and we carried out a series of internal tasks to substantially improve our ability to be agile and ready for new possible initiatives.

- The process identified several major global commercial property groups considering the same issues, but from a different viewpoint. We will continue to engage with them to understand whether there are mutually attractive and commercially valuable activities to consider together.
- We are committed to sound commercial practice, including generating regular and recurring net operating cash flow, which in FY 2018 exceeded \$50.0 million.
- During FY 2018 we undertook this strategic work to make us future ready; the related costs have been fully covered in the FY 2018 results.
- We have systems and experience that are unique. We are redirecting our office floor look and feel to a more flexible work oriented environment, and we are focussed on how we better explain our value proposition to present and future clients so they can understand the benefits of becoming part of the Servcorp Community.

For more information contact

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Results Presentation

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

Dial-in facility

Australia: +61 3 8488 8990
Access Code: 577-385-528

Online meeting

If you wish to join the online meeting please click the link below;

<https://attendee.gotowebinar.com/register/576638166502098946>

or email kristy.grbevski@servcorp.com.au

by midday on Wednesday, 22 August 2018.