



**ASX Announcement**

14 December 2017

## **ServTech Refocused to Technology with ~\$1M Divestment**

### **HIGHLIGHTS**

- **ServTech executes binding term sheet agreement to sell its real estate, finance and settlements businesses to The Agency Group Australia Ltd (ASX: AU1) for up to \$950,000;**
- **These divestments enable ServTech to refocus on its core value offering – customised Software as a Service ('SaaS') technology applications;**
- **This core value SaaS offering will also be made available to The Agency;**
- **The divestment will result in a material decrease in the operating costs of ServTech;**
- **Following receipt of the business sale proceeds, the Company will have access to more than \$2M to execute its technology objectives including delivery on previously signed agreements.**

**ServTech Global Holdings Limited (ASX: SVT)** ('ServTech' or 'the Company') advises that it has entered into a binding term sheet agreement ('The Agency Agreement') with integrated real estate and financial services company The Agency Group Australia Ltd (ASX: AU1, 'The Agency'). Per the terms of The Agency Agreement, The Agency will acquire ServTech subsidiaries Sell Lease Property Pty Ltd (real estate agency); Complete Settlements Pty Ltd (conveyancing business) and Value Finance Pty Ltd (mortgage broking business) for maximum consideration of \$950,000 in cash.

### **Refocus on Technology**

These divestments enable the Company to refocus on its core value offering – scalable and adaptable Software as a Service ('SaaS') technology which conducts back-office transactions on behalf of its customers.

ServTech has proven ability to develop and successfully implement total back office transaction management solutions. Sell Lease Property (SLP) was built as the proof of concept for ServTech's technology offering. Starting from zero with no inhouse real estate expertise, the framework provided by ServTech allowed SLP to:

- expand its property consultant base to over 200 nationwide;
- become the Number 1 Agency in Western Australia by Listings Sold at the 2015/16 REIWA Awards; and
- be awarded 8th place on BRW's 2016 Fast 100 Companies in Australia.

In this regard, The Agency Agreement also provides for a further back-office support agreement whereby ServTech will continue to maintain the administration services of the previous ServTech entities for a fee of no less than \$25,000 per month.

In addition, ServTech will conduct an efficiency assessment of The Agency with a view to ultimately managing back-office support for the whole of The Agency – the potential result being a substantial recurring revenue stream for ServTech.





The divestments will also result in a substantial reduction in operating expenses for the Company in particular payroll expenses and payroll tax, compliance costs and real estate licensing costs.

### **Binding Term Sheet Agreement**

Through ServTech's ability to implement impeccable transaction management services, SLP has become a successful business nationwide that continues to grow rapidly. However, ServTech did not set out to become an integrated real estate agency. Therefore, the Company has executed the Agreement, realising immediate value for these subsidiaries and moving their substantial payroll, real estate licensing and other compliance obligations to The Agency; a company specialising in that sector.

ServTech will continue to service the SLP property consultants and SLP will continue to operate as an independent brand (leveraging The Agency's real estate licenses) allowing for a seamless transition.

Per the terms of the Agreement, The Agency will acquire all of the fully paid ordinary shares in Sell Lease Property Pty Ltd (real estate agency); Complete Settlements Pty Ltd (conveyancing business); and Value Finance Pty Ltd (mortgage broking business) from ServTech.

Consideration to ServTech consists of an upfront cash payment of \$250,000 at settlement with the balance of \$700,000 to be paid in seven monthly cash payments of \$100,000 per month from settlement upon successful due diligence. Settlement of the acquisition is expected to occur on 1 February 2018 subject to satisfaction of certain conditions including completion of financial, legal and technical due diligence by The Agency of ServTech's businesses, assets and operations and obtaining any required shareholder approvals

If during due diligence, The Agency identifies any liabilities or obligations of SVT Companies which it doesn't wish to acquire, ServTech will seek to remove the liability and/or obligation from the relevant SVT Company prior to settlement.

### **ServTech Strategy**

ServTech's key offering is its scalable and adaptable 'SaaS' technology application which conducts all back-office transactions on behalf of its customers, allowing them to focus on their core revenue-generating activities.

The Company has two significant divisions – an onshore/offshore IT development division and an outsourced back office support division. The IT development division, led by an Australian based team and supported by an Indian based team, designs and develops technology solutions for any business, in any transaction focused industry. The experienced outsourced back office services division facilitates cost effective and efficient business operations. Consisting of a centre based in the Philippines and managed from Australia, this division has the capacity to sit and charge out up to 200 employees for back office support.

The primary benefits for ServTech clients in implementing ServTech's SaaS platform include the following:

- Eliminated burden of managing back office operations;
- Reduced overheads & increased profit margins;
- Increased core business focus;





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- Enhanced relationships with customers; and
- Increased competitive advantage.

## Corporate Outlook

The Agency Agreement follows on from the Company executing a Convertible Loan Facility of up to \$1M secured from sophisticated investor consortium which included The Agency. The first tranche of \$500,000 has been banked by the Company. Including the proceeds of The Agency Agreement, the new management team has yielded ~\$2M in funding for the Company to satisfy its short-term objectives for its technology offering.

The value of this offering has been recognised in the market via SLP and through non-binding heads of agreement signed with the likes of REIWA, Davey Real Estate and DVG Automotive Group. In the first instance, ServTech will engage with these interested parties and roll out their solutions and then look to execute on further agreements in the pipeline.

Both the IT development division and the outsourced back office support division have substantial capacity - they were set up to scale and the focus of the Company will be to fill this capacity. This process will be conducted in tandem with a continued cost reduction program and the completion of due diligence with The Agency.

Commenting on The Agency Agreement and the Company's outlook, ServTech Chairman Bert Mondello said:

*"The sale of SLP, Complete Settlements and Value Finance is crucial to our strategy of reinvigorating the company. The proceeds, along with the savings in operating costs, gives us the opportunity and financial capacity to refocus our priorities and restore growth in the core technology business."*

**ENDS**

### Further information:

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