



ASX RELEASE

ServTech Global Quarterly Update and Appendix 4C

31 July 2019 | Perth, Australia

ServTech Global Holdings Limited (**ServTech** or the **Company**) (**ASX: SVT**), an multinational software development and Software as a Service (**SaaS**) solutions provider, presents the following report for the quarter ended on 30 June 2019.

HIGHLIGHTS

- ServTech completed the **acquisition** of established, revenue generating business "**Vection**"
- Vection is an **innovative Virtual Reality (VR) & Augmented Reality (AR) software company** with a **commercialised VR platform, ready for global expansion**
- Vection executed an **agreement with global luxury automotive manufacturer Volvo Car Italy**
- Establishment of **European distribution network** anticipating the **global launch of FrameS**, with access to **over 6,700 potential clients** in targeted industries
- ServTech completed a \$2M placement to sophisticated and professional investors

Vection Acquisition

On 12 April 2019, the Company announced the completion of the acquisition of Vection, a **VR & AR software company** with a portfolio of **world-renowned clients**, including **Ferretti** (yacht building), **Lamborghini** (luxury vehicles), **Maserati** (luxury vehicles) and many others.

Prior to the acquisition, Vection continued to trade, business-as-usual and maintained its trend of posting growing revenues. With the first quarter completed well in excess of the corresponding period, Vection is well on track to again deliver increased revenue in calendar 2019.

Volvo Car Italy Agreement

Vection signed an agreement with **Volvo Car Italy (Volvo)**, with the luxury car manufacturer set to adopt Vection's VR and AR technology for **marketing, automotive value chain, training** and **sales** (ASX: 6 May 2019).

Vection's first engagement under this agreement is development of an AR marketing solution to showcase Volvo's Occupant Protection and Safety Equipment, including car safety cells and airbag systems.

Post quarter end, Vection undertook its second engagement with Volvo Car Italy to deliver an AR vehicle demonstration hardware and software solution for use in **Volvo car dealerships**. This second engagement will result **in revenue of up \$430,000 to Vection** (ASX: 16 July 2019).

FrameS Global Launch Strategy - Distribution Agreements

Based on Vection's VR technology, **FrameS** is considered to be the **ultimate VR software visualisation, collaboration and prototyping tool**, allowing users dislocated world-wide to interact **real-time** in a **multi-user** virtual environment on a shared project.

ServTech will soon finalise a global launch strategy for FrameS and integral to this is the appointment of distribution and reselling partners. In this regard, Vection entered into two distribution agreements during the quarter, the first with European Enterprise Resource Planning systems integrator, Four Bytes Group (Four Bytes).

The agreement with Four Bytes allows Vection to significantly accelerate its in-market presence with no upfront capital cost expenditure. Four Bytes has an extended network of approximately 30 resellers across multiple industry segments and markets giving Vection access to ~2,700 potential clients (ASX: 4 June 2019).

Vection's second distribution agreement was with leading software distributor Gruppo Infor (Infor). Infor is an established software distribution company which partners with leading software companies including Microsoft, Autodesk and Adobe. Vection and Infor will collaborate to market FrameS to Infor's existing clients operating in the mechanical industry; a growing industry investing considerably in new technologies such as FrameS. This agreement strategically expands the Company's potential client base, providing access to approximately 4,000 clients (ASX: 24 June 2019).

The Company's ultimate goal is to make FrameS a leading and widely used SaaS platform and the FrameS distribution network will be key to accomplishing this goal.

Another positive development in this regard was FrameS receiving a technical compliance certification for from TÜV InterCert Srl. With the TÜV certification, eligible FrameS clients can obtain a fiscal benefit (amortisation of 140% of the FrameS subscription cost) from the Italian government. This effectively increases the value proposition of the FrameS offering with no associated cost to ServTech (ASX: 29 May 2019).

Corporate Overview

Following the approval of Shareholders, the Company completed the acquisition of Vection (ASX: 12 April 2019). In accordance with the terms of the acquisition, the Company issued 292,556,186 fully paid ordinary shares in the capital of the Company and 150,000,000 performance rights.

The Company also successfully completed the placement of 111,111,111 new Shares, at an issue price of \$0.018 per Share raising \$2 million (before costs).

The acquisition also brought the Company an experienced management team in the technology space to ensure continued growth and performance, enhancing the existing ServTech business. The Company announced the appointment of Mr Gianmarco Biagi as Managing Director and Mr Lorenzo Biagi as Executive Director and Chief Sales Officer.

Mr Gianmarco Biagi is an experienced executive, having served as CEO and board member of several Italian and multinational manufacturing corporations. He previously held the position of general manager of Luxury Living Group (a company with annual revenues of ~€140M).

Mr Lorenzo Biagi is an experienced company manager in the private sector, with extensive knowledge in virtual reality technology, sales and cost control management.

Company Financial Overview

Cash at the end of the quarter was ~\$794,000. This balance does not reflect that the Company banked late customer receipts shortly after quarter end totalling ~\$250,000 as well as \$106,000 under the Australian R&D tax incentive scheme. These late collections will be reflected in the next quarter.

During the quarter, the Company banked net cash receipts of ~\$484,000. The Company had significant receivables outstanding at 30 June 2019 from both ServTech's existing operations and Vection of ~\$540,000 not including amounts owed by The Agency.

One-off costs relating to the new business and implementing synergies of ~\$150,000 were also incurred during the quarter. This implementation process will reduce administration costs going forward.

Post quarter end, the Company announced that it would receive more than ~\$300,000 in research and development tax incentives. Of this total, (as above) ~\$106,000 was banked post quarter end with the remainder available immediately to offset against sales tax and other fiscal obligations. Notably, the Company paid ~\$61,000 in sales and other taxes obligations during the current June quarter.

The Company still has an outstanding balance owed to it by The Agency in relation to the sale of the Company's real estate businesses and ongoing services (~\$500,000). The Company is working closely with The Agency to agree payment of the outstanding balance in a timely manner, noting that The Agency is a key client and partner for ServTech, both now and into the future. In this regard, The Agency's recent successful capital raising is a very positive development and accelerated repayments are anticipated over the next quarter.

Outlook

Vection is highly complementary to ServTech's operations delivering increased scale, geographical expansion, development capabilities and growing revenues. ServTech and Vection's businesses are highly aligned in relation to target clients, creating an opportunity both domestically and internationally with an expanded development offering targeted to multinational clients.

Vection's advanced AR and VR development capabilities and innovative VR SaaS platform, will create opportunities and introductions to large-scale businesses for distribution partnership development. The Company plans to leverage Vection's existing Tier-1 clients' portfolio to generate software development and sale opportunities for the combined group, significantly increasing the group's commercial opportunities.

The Company intends to utilise its combined group's geographical outreach to cross-sell its software development solutions to its existing customer base, and its existing suite of SaaS products, including Vection's SaaS VR Platform: **FrameS**.

ServTech will soon finalise a global launch strategy for FrameS and will continue to appoint distribution and reselling partners. This is an important initiative for the Company and its aspirations to make FrameS a leading and widely used SaaS platform.

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About ServTech (ASX:SVT):

ServTech is a multinational software company that makes Virtual Reality (VR) & Augmented Reality (AR) software services for the engineering, manufacturing, architecture, construction & education industries. ServTech operates on an Enterprise business model based on bespoke fees and on a Software as a Service (SaaS) business model based on recurring subscription revenue.

www.servtechglobal.com.au

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SERVTECH GLOBAL HOLDINGS LIMITED

ABN

93 614 814 041

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers ^{1,4}	484	1,555
1.2 Payments for		
(a) research and development	(31)	(31)
(b) product manufacturing and operating costs	(315)	(729)
(c) advertising and marketing	(66)	(73)
(d) leased assets	-	-
(e) staff costs	(280)	(1,014)
(f) administration and corporate costs ²	(578)	(1,050)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(26)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ³	-	45
1.8 Other (Sales taxes) ³	(61)	(61)
1.9 Net cash from / (used in) operating activities	(852)	(1,384)

1: Post quarter end, Group banked ~\$250,000 from customer receivables due and payable as at 30 June 2019

2: The Company incurred one off integration, legal and setup costs of ~\$150,000 related to implementation of synergies between Vection and the existing ServTech businesses

3: Post quarter end, the Company banked ~\$106,000 relating to its FY18 R&D activities and received approval for a credit of ~\$200,000 which can be applied against sales taxes and other obligations e.g. the \$61,000 incurred in sales taxes this quarter

4: The Company anticipates collection of a significant portion of the ~\$500,000 amount owing from The Agency to ServTech following The Agency's successful capital raising post quarter end.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	(259)	(364)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	246
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	1	1
2.6 Net cash from / (used in) investing activities	(258)	(117)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	2,000	2,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(207)	(207)
3.5 Proceeds from borrowings	5	5
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,798	1,798

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	99	514
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(852)	(1,384)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(258)	(117)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,798	1,798

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	8	(17)
4.6	Cash and cash equivalents at end of quarter	794	794

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	794	99
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	794	99

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	103
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 6.1 includes aggregate amounts paid to directors including salaries and directors' fees.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	50
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Technical consultancy fees paid to a director related entities.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	150
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	200
9.6 Administration and corporate costs	150
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	500

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Vection Italy S.r.l	-
10.2 Place of incorporation or registration	Bologna, Italy	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	85,000	-
10.5 Nature of business	Augmented Reality and Virtual Reality Platform Solutions	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2019
(Company Secretary)

Print name: Derek Hall

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.