



ASX Release

31 July 2018 | Perth Australia

ServTech Global Quarterly Update and Appendix 4C

ServTech Global Holdings Ltd (ASX: SVT) (“ServTech” or the “Company”), a specialist outsourced office, custom software development and Software as a Service (‘SaaS’) solutions provider, presents the following report for the quarter ended on 30 June 2018.

HIGHLIGHTS

- **First significant IT development contract executed for leading eSports tournament platform, for revenue of circa \$500,000 over a 2-year period;**
- **Back office services and technology licensing agreement which formed part of the transaction with The Agency, has been successfully implemented, representing circa \$1 million in revenue to ServTech over a minimum 3-year period;**
- **ServTech original engagement to manage back office support for SLP expanded to The Agency’s wider group of real estate business, due to the quality of services provided;**
- **Successful implementation of cost reduction initiatives and resolution of legacy issues means that Company is positioned to be profitable from operations.**

First Significant IT development Contract

On 7 May 2018, ServTech was pleased to advise that its wholly owned development division Technobrave Pty Ltd was awarded a 2-year Services Contract Agreement with Emerge Gaming Solutions Pty Ltd to offer strategic insights and manage the development and maintenance of Emerge’s cutting-edge eSports platform Arcade X.

The award of this contract followed a successful 2-month trial and highlights the quality and performance of ServTech’s comprehensive IT development service offering.

The agreement with Emerge is the largest development contract the Company has secured since its inception and profitably underpins the operations of the development division for the long term. In terms of other work, the development division has completed phase 1 of the REIWA app (contract value of ~\$70,000) and expects to gain further incremental revenue from this engagement as well as other contracts in the pipeline which it expects to announce in due course.

Successful Implementation of Services Contract with The Agency

Post quarter end, the Company advised that the real estate businesses sold to The Agency Group Australia Limited (“The Agency”) (refer to announcement of 21 February 2018) have been successfully migrated and handed over to The Agency.

As part of the transaction, ServTech would continue to deliver back-office services, technology licencing and support to The Agency. These services are being successfully provided to the newly integrated real estate businesses and have since been expanded beyond the scope of the initial engagement.



ServTech is now providing services not only to The Agency's Sell Lease Property brand but also to The Agency's Mortgage and Finance Solutions and Property Management divisions. As of May 2018, ServTech's outsourcing division is providing transaction support services to 111 real estate agents who completed 115 settlements and generated 324 listings.

Further expansion of services with The Agency

The agreement for The Agency transaction provided for a further back-office support agreement whereby ServTech would continue to maintain the administration services of the previous ServTech entities for a fee of circa \$25,000 per month.

As a direct result of the demand for ServTech's services, the support team has been expanded to meet The Agency's growing requirements. For June 2018, ServTech's service invoice to The Agency was \$38,500. This agreement profitably underpins the operations of the outsourced office service division for the long term.

Notably, ServTech is currently piloting a roll out of its services for The Agency's eastern states division. This division has more than 100 agents over 9 offices and since April 2017 has delivered over \$400 million in sales from more than 500 settlements.

ServTech is currently in discussions with several real estate agencies and other corporates to provide outsourced services. The Company expects to be able to report on these opportunities imminently.

Corporate

Management has completed a whole-of-company review and taken significant steps to streamline and consolidate the Company's operations and structure. Some of these steps are outlined below:

- 8 leased offices were costing ServTech more than \$45,000 a month, **action taken:** exited 4 leases and signed a sublease agreement for one of the remaining offices – saving \$14,000 a month or \$168,000 a year, with further subleasing and rent reductions pending;
- The Business Efficiency Division generated no revenue and was not expected to do so in the short to medium term. This division had overheads and salaries of more than \$35,000 a month, **action taken:** this division was wound up including necessary redundancies for an annualised saving of \$420,000;
- There were 15 incorporated businesses in the ServTech group each incurring ASIC, accounting subscription, tax return fees etc., **action taken:** applications are being made to deregister 6 of these businesses with more to follow, simplifying the Company's corporate structure;

The potentially profitable and therefore main assets of the Company were identified as the IT Development and Outsourced Services Divisions. Both divisions underwent thorough cost reviews and employment freezes during this review period:

- IT Development Division: review of internal and external projects resulted in several being moved to care and maintenance – all resources reallocated into commercial projects;
- Outsourced Services Division: consolidation and reallocation of resources to cater for successful implementation of The Agency contract;

Despite these changes there were no losses of key personnel in either of these key divisions.



To allow the Company time to turn around its operations, management obtained funding in the form of a placement to sophisticated and professional investors of \$387,000 completed on 19 March 2018 and a convertible note facility with Servnote Holding Pty Ltd ("Servnote") as announced on 22 November 2017.

The Company has called for a Shareholder meeting to be held on 10 August 2018 to approve (amongst other items) the conversion to Shares of \$1,000,000 worth of convertible notes under the convertible note facility. The Shares will be issued to convertible note holders who are shareholders of Servnote.

Servnote loaned \$1,000,000 to the Company including \$500,000 during the current quarter in a strong endorsement of the steps taken to date to refocus the Company and control costs.

Approval of the convertible note conversion will satisfy this debt, bring sophisticated and professional investors onto the Company's share register and ensure that the Company avoids penalty interest provisions under the convertible note facility.

Company Financial Overview

Cash at the end of the quarter was ~\$516,000.

Of the ~\$999,000 in cash receipts (March 2018 quarter: \$2.96M) during the period, ~\$756,000 related to finalisation of transactions which the Company's real estate consultants had on foot prior to the transaction with The Agency. Similarly, of the \$1.1M in staff costs (March 2018 quarter: \$2.96M) ~\$952,000 relates to commissions and payroll of the real estate consultants who have been successfully transitioned to The Agency.

The retained ServTech businesses posted cash receipts of ~\$241,000 versus staff costs of ~\$164,000 with ~\$190,000 in receivables due and payable at the end of the quarter, to be collected by ServTech in the next quarter.

The Company previously announced the successful completion of its transaction with The Agency to acquire the assets of each of the Company's real estate subsidiaries in exchange for consideration of \$950,000 payable to ServTech (ASX: on 21 February 2018). As of the end of the quarter, \$400,000 has been received of the consideration with the balance of \$550,000 to be received in 13 monthly instalments of \$50,000.

Outlook

With substantially reduced overheads, most legacy issues resolved and a pipeline of agreements pending, the Company is well positioned to become cash flow positive in the short term.

Bert Mondello, Chairman of ServTech, commented:

"During this very challenging period, the ServTech business has been almost fully overhauled. From a position of spending well beyond its means, the Company is now close to cashflow positive. With two significant long-term service contracts in place, the Company has a strong base to build on. We have worked tirelessly to reach this position and look forward to restoring some value to shareholders."

ENDS



For more information:

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About ServTech Global Holdings Limited

ServTech Global is an ASX listed public company (ASX: SVT) specialising in outsourced office, custom software development and Software as a Service ('SaaS') solutions that aim to reduce the cost and administrative burdens of running a business.

These solutions allow business owners and operators to spend more time growing their business, servicing the needs of their customers and increasing their profitability by removing the time and cost burden of recording and reporting transactions, administrative tasks and back office functions.



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 2018

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	999	10,464
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing*	(46)	(1,065)
(d) leased assets	(86)	(207)
(e) staff costs*	(1,102)	(11,054)
(f) administration and corporate costs**	(366)	(2,475)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	5
1.5 Interest and other costs of finance paid	-	(34)
1.6 Income taxes paid	-	(22)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	-	14
1.9 Net cash from / (used in) operating activities	(601)	(4,374)

* The majority of staff costs (\$952k) relate to historical commissions and employee on costs paid to real estate representatives who have transferred to The Agency or are otherwise no longer employed by the Company – these costs will not be incurred moving forward. Advertising and marketing costs similarly relate to these employees and will not be incurred moving forward.

**Administration and corporate costs include one off costs of ~\$77k for legal fees and historical creditor settlements.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(207)
(b) businesses (see item 10)	-	-

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	4	8
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets*	114	927
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(18)	19
2.6 Net cash from / (used in) investing activities	100	747

On 21 February 2018, the Company announced that it had entered into a binding sale agreement with The Agency Group Limited (The Agency) for The Agency to acquire the assets of the Company's real estate businesses for consideration of \$950,000. To date \$400,000 has been received of the consideration with the balance of \$550,000 to be received in 13 monthly instalments of \$50,000, i.e. \$150,000 will be due and payable during the next quarter.

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	387
3.2 Proceeds from issue of convertible notes	500	1,000
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(18)	(92)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(438)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	14
3.10 Net cash from / (used in) financing activities	482	871

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	528	3,300
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(601)	(4,374)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	100	747

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	482	871
4.5	Effect of movement in exchange rates on cash held	7	(28)
4.6	Cash and cash equivalents at end of quarter	516	516

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	516	528
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)	516	528

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
48
-

- 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, directors' fees, consulting fees and reimbursements.

During the quarter, interest was paid to a director related entity of ~\$18,000 in relation to a convertible note facility.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
-
-

- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

-

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)*	1,000	1,000
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.		

*On 22 November 2017, the Company announced that it had secured a convertible note facility of up to \$1M from a sophisticated investor consortium of which \$500,000 was advanced. On 27 March 2018, the Company received notice from the convertible note holders that they would increase their investment to the full \$1M. The additional \$500,000 was received by the Company during the current quarter.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	150
9.6 Administration and corporate costs	100
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	250

In terms of cash inflows, the Company has ~\$190k in debtors at the end of the quarter which are expected to be received during the next quarter. In addition, the Company will also invoice for work completed during the next quarter.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

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

Sign here:  Date: 31 July 2018
(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.