



## ASX RELEASE

# ServTech Global Quarterly Update and Appendix 4C

21 October 2019 | Perth, Australia

ServTech Global Holdings Limited (**ServTech** or the **Company**) (**ASX: SVT**), a multinational software company that creates Virtual Reality (**VR**) and Augmented Reality (**AR**) solutions, presents the following report for the quarter ended on 30 September 2019.

## HIGHLIGHTS

- **Quarterly cash receipts exceed \$1.1 million (+120% Q/Q) setting Company record**
- **Transition to a global subscription-based Software-as-a-Service (SaaS) model progressing:**
  - **Automotive industry AR software launch for Volvo Car Italy (across 63 car dealerships)**
  - **AR "In-Store Furniture Configurator" targeting 100+ potential locations world-wide**
  - **AR "In-Store Fashion Configurator" targeting 200+ potential locations world-wide**
  - **PoC "AR vision picking" software targeting the logistics industry**
  - **Distribution agreement with leading software distributor Altea Federation for its VR immersive design software "FrameS"**
- **\$1M milestone achieved in FY2020 of contracted sales across diverse industry segments**
- **"FrameS" commercial launch set for November 2019 including its integration with leading 3D CAD software "Rhinoceros"**

## Virtual Reality and Augmented Reality Revolution

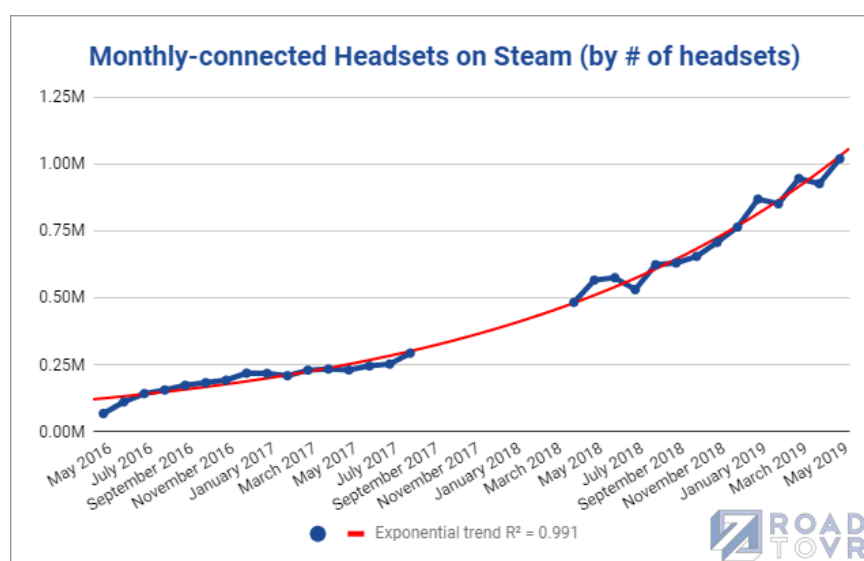
On 12 April 2019, the Company announced the completion of the acquisition of **Vection**, a **VR & AR software company** with a portfolio of **world-renowned clients**, including **Ferretti** (yacht building), **Lamborghini** (luxury vehicles), **Maserati** (luxury vehicles) and many others.

During the September quarter, the Company continued implementation of change management initiatives to consolidate its international operations and target the growing adoption of VR & AR software applications for global companies in diverse industries. This was underpinned by over 1 million monthly-connected VR headsets on Steam (software required for VR software utilisation) for the first time in May 2019.<sup>1</sup>

<sup>1</sup> <https://www.roadtovr.com/monthly-connected-vr-headsets-steam-1-million-milestone/>



**Figure 1:** Monthly-connected headsets on Steam (source: RoadToVR)



The Company has built strong sales momentum over the first 2 months of FY2020 with total revenue under contract exceeding \$1M (ASX: 20 August 2019) from a broad and diverse client base, across eight industry segments and three continents.

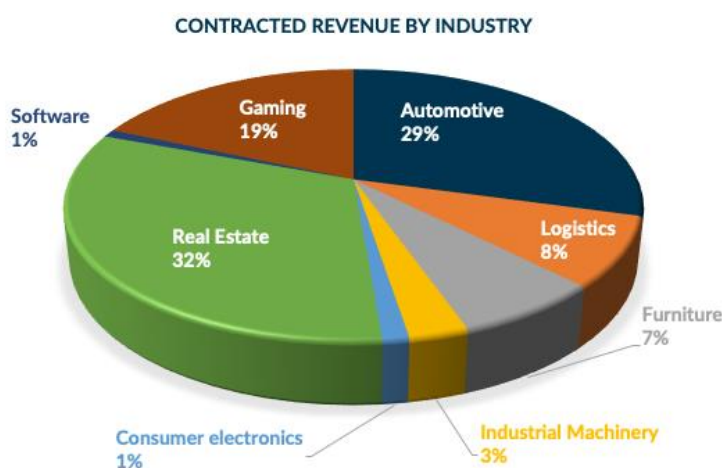
The Company continues to expand its VR & AR software applications across diverse industries.

**In-Store Furniture Configurator** – On 5 August 2019, the Company announced that a Vection custom solution had been adopted by a number of iconic luxury brands in the furniture industry and an update was set to be deployed adding ~\$180,000 to the Vection sales pipeline.

**In-Store Fashion Configurator** – During 2019, Vection collaborated with one of the highest selling luxury brands globally, developing a luxury handbag prototyping tool, enabling efficiencies across its development collaboration processes. Following this continuing engagement, Vection is now in discussions for the deployment of an 'In-Store Fashion Configurator', which could potentially be deployed across its 200+ locations world-wide.

Similarly, Vection will deploy its AR technology into the logistics industry via an engagement with leading Italian based logistics and traceability solutions provider Alfacod Group. This initial engagement will open up this new industry for Vection (ASX: 13 August 2019).

**Figure 2:** Breakdown of ServTech Group total contracts for FY2020



ServTech's industry agnostic software solutions have been adopted by key industry segments, with

- **Real Estate: 32%**
- **Automotive: 29%**
- **Gaming: 19%**
- **Logistics: 8%**
- **Furniture: 7%**
- **Industrial Machinery: 3%**
- **Consumer Electronics: 1%**
- **Software: 1%**

of the total contracted revenue for the current financial year.



## FrameS Global Launch Strategy - Distribution Agreements

**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. FrameS is based on Vection's VR technology,

The launch of FrameS across European markets is set for **November 2019**.

In anticipation of this launch, the Company continues to expand its distribution across Europe with ongoing negotiations with key commercial partners and clients.

The Company announced a partnership and distribution agreement with **Altea Federation**, a top 30 Italian ranking software and IT services provider. Under the agreement, Altea Federation will leverage its substantial salesforce to target net revenues of ~AUD\$1,700,000 for Vection over a 3-year period. 50% of this net target revenue is expected to be generated by recurring subscription-based sales (ASX: 25 September 2019).

Altea Federation's current client portfolio includes **Gucci, Ferrari, Maserati, Duracell, Agusta Westland, Colnago, Ermanno Scervino, Interbulk Group, Riello Group, Frette and Piquadro**.

The agreement with Altea Federation adds to previous FrameS distribution agreements signed with European Enterprise Resource Planning systems integrator, Four Bytes Group and leading software distributor, Gruppo Infor and will help ensure that the FrameS launch is well supported.

The FrameS commercial launch is the first step in the Company's strategy to build a global subscription-based software-as-a-service (SaaS) business model.

The commercial launch marks the Company's first recurring revenue product deployment with customers utilising the software to improve their product development processes and eliminate the need for physical prototypes. Engineers and designers using software such as Autodesk 3DS Max, Autodesk VRed, Autodesk Maya, SolidWorks and many others, are the primary target market for FrameS. This group of over 10 million users world-wide, will immediately be able to use FrameS with their respective software packages to visualise their creations in virtual reality.

## Corporate Overview

During the September quarter, the Company delivered its FY2019 Annual Report. The Company will hold its Annual General Meeting before the end of November 2019.

## Company Financial Overview

Cash at the end of the quarter was ~\$402,000. During the quarter, the Company banked net cash receipts of ~\$1.1M – a record for the Company following its technology focussed restructuring. Of the total receipts, ~\$922,000 was received from customers and ~\$182,000 was received as government research and development tax incentives.

The Company has a line of credit against invoices of ~\$120,000, which was undrawn at 30 September 2019. The Company continues to reduce its administration footprint in the lead up to the launch of FrameS. In terms of one-off outlays, the Company funded a security bond for its office in Italy of ~\$64,000.

The Company still has an outstanding balance owed to it by The Agency in relation to ongoing services (~\$350,000 – not including services to be invoiced during the quarter). 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

The Company is accelerating on its global SaaS strategy, now underpinned by a significant distribution footprint, and expects to continue to create significant sales opportunities and partnerships in the coming months.

Following the completion of FrameS virtual reality CAD plug-in, enabling all Rhino users to easily upload their 3D CAD models directly into FrameS, the Company intends to further accelerate the FrameS integration into all globally significant CAD platforms including SolidWorks, AutoCAD, Siemens NX and Altium Designer.

The Company is also evaluating further value accretive software opportunities in the virtual reality CAD market segment and will update the market in due course.

### For more information:

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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.vection.com.au](http://www.vection.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 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers <sup>1</sup>	922	922
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(544)	(544)
(c) advertising and marketing	(32)	(32)
(d) leased assets	-	-
(e) staff costs	(309)	(309)
(f) administration and corporate costs	(547)	(547)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	182	182
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(328)</b>	<b>(328)</b>

1: The Company anticipates collection of a significant portion of the ~\$350,000 amount owing from The Agency to ServTech following The Agency's successful capital raising this quarter.

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	(64)	(64)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(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	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(64)</b>	<b>(64)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
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	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	797	797
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(328)	(328)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64)	(64)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	<b>Cash and cash equivalents at end of quarter<sup>2</sup></b>	<b>402</b>	<b>402</b>

2: Cash balance does not include ~\$350,000 which is anticipated to be collected from The Agency in the next quarter, over and above ongoing operations.

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	402	797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>402</b>	<b>797</b>

**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
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

94  
-

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**

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

**Current quarter  
\$A'000**

10  
-

Technical consultancy fees.



8. <b>Financing facilities available</b> <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	120	-
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.		

Invoice financing facility, 8% interest payable on balance advanced

9. <b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	-
9.2 Product manufacturing and operating costs	300
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	200
9.6 Administration and corporate costs	200
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>700</b>

In terms of cash inflows, the Company has ~\$650k in debtors at the end of the quarter which are expected to be receipted during the next quarter. In addition, the Company will also invoice for work completed during the next quarter.

10. <b>Acquisitions and disposals of business entities</b> <b>(items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
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

- 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:  .....  
(Company Secretary)

Date: 21 October 2019

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.