WE LIVE SERVICE!

Quarterly Report 2018/2019

(1 December 2018 to 28 February 2019)

SERVICEWARE SE, Bad Camberg

Serviceware
WE LIVE SERVICE!

1 Quarterly Release as at 28 February 2019

1.1 Essential consolidated ratios

	1 December to 28 February			
IFRS (in kEUR)	**2018/2019**	**2017/2018**	**Variation**	**Var. (%)**
Sales revenues	16,413	12,819	3,594	+ 28.0 %
thereof Service/SaaS	5,641	3,627	2,014	+ 55.5 %
EBIT (adjusted)[1]	2,073	1,788	285	+ 15.9 %
EBIT margin (adjusted) [1]	12.6 %	13.9 %	-1.3 %	
Earnings after taxes (adjusted) [1]	1,478	1,394	+ 84	+ 6.0 %

[1] To ensure that the earnings power of the Serviceware Group remains comparable with prior years, the EBIT / EBITDA is adjusted for the expenses in line with the strategy, which were announced and implemented at the IPO.

1.2 Material events in the Serviceware Group

Further new customer acquisition: Between 1 December 2018 and 28 February 2019 an additional 28 new customers were acquired for our Enterprise Service Management (ESM) platform. These included a very large international company from Switzerland and one of the largest automotive suppliers in the world. New customers were recruited mainly in Germany; of the altogether 48 new customers acquired during the first quarter, nine customers originated already from European foreign countries.
Building on the SABIO acquisition of last summer, first cross-selling successes in knowledge management were achieved during the first quarter.

Further personnel extension in Germany and abroad: Despite an ongoing rise in competition intensity for IT specialists, we have been able to implement our headcount extension in line with our strategy during the first quarter. During the reporting period our headcount has been growing from 378 employees at the end of the fiscal year to 394 employees on 28 February 2019. During the past 12 months we increased our headcount by around 37% or more than 100 employees. We have mainly grown in the areas of Sales and Services. Our headcount was above all rising in Germany, England, Bulgaria, the Netherlands and Spain.

Participation in international calls for tenders: The headcount increase of the past quarters starts to show the effects hoped for. After a running-in phase to develop the sales pipeline of 6 to 12 months for new Sales and Service employees, these normally start with the productive generation of new business. Consequently, we are highly satisfied that Serviceware was already able to participate in additional international calls for tenders during the first quarter. This shows that our internationalisation strategy is on the right track and that the newly recruited employees make good progress. This has created the basis for further growth.

Revamping of the brand appearance: In the wake of our internationalisation strategy and for an even more intensive addressing of large customers, we have started a comprehensive revamping of our brand identity during the first quarter and focus on our unique, integrated ESM platform. We offer the benefits of our software solutions in a more articulate, clearer and international manner, more particularly on foreign markets. The currently four brands of the ESM platform - helpLine, anafee, SABIO and Careware – have historically grown and are well known and very well introduced in Germany, Austria and Switzerland. In an international context these brands are, however, still unknown to a wide extent. In order to change this, we are currently revising, in co-operation with an international advertising agency, our international brand identity. On the international level we pursue a “single-brand strategy” in order to present the benefits of our software solutions in an integrated and comprehensible manner for our international customers.

1.3 Business development

1.3.1 Further acceleration of the profitable revenue growth

The sales revenues of the Serviceware Group were increased during the first quarter of fiscal 2018/2019 versus the comparable prior year period (EUR 12.8 million) by 28.0% to EUR 16.4 million. All business units contributed towards this revenue growth. During the first quarter of the fiscal year Service/SaaS was the growth driver with a 55.5% rise in sales revenues versus prior year and sales revenues went up in this field versus prior year from EUR 3.6 million to EUR 5.6 million. In addition, the already billed backlog of orders which will only be recognised through profit and loss after 28 February 2019, went up by 18.2% to around EUR 20 million versus prior year. Sales revenues during the first quarter break down as follows in kEUR:

	1 December to 28 February		
	2018/2019	**2017/2018**	**Var.**
Sales Revenues Service/SaaS	5,641	3,627	+55.5 %
Sales Revenues Licences	5,500	4,879	+12.7 %
Sales Revenues Maintenance	5,273	4,313	+22.3 %
	16,414	12,819	+ 28.0 %

1.3.2 Adjusted result

As a result of the capital increase at the IPO on 20 April 2018, Serviceware generated approximately EUR 55 million fresh financial resources to step up and internationalise its corporate growth. The resources will be used as scheduled for three growth areas during the coming three to five years:

- European expansion (around 15% to 25% of the resources)
- Strengthening of sales to large customers including a corresponding marketing (around 10% to 20% of the resources)
- Inorganic growth and extension of the ESM platform (around 65% to 75% of the resources)

In all mentioned areas Serviceware made significant progress during the past quarters and has consistently implemented the programme for accelerated growth. The additional personnel and material expenses in view of a European expansion as well as for a strengthened addressing of large customer are immediately charged to expenses and reduce the result during the reporting period. Within the scope of inorganic growth, the depreciation and amortisation, which have been carried out within the framework of company acquisitions since the IPO in respect of capitalised intangible assets are likewise charged to expenses during the period.[2] The sum of these expenses within the framework of our programme for accelerated growth is reducing the success for the period on a short-term basis but constitutes the long-term basis for additional rises in sales revenues and result in future and the strengthening of the international market position of Serviceware.

[2] Mainly purchase price allocation to customer base and brand, which are amortised as scheduled over a period of up to 20 years.

To provide a transparent and comparable picture of the use of resources charged to expenses during the individual periods and show at the same time the corresponding effects on results, we report, in addition to the existing reporting, adjusted values for EBITDA and EBIT.
The adjusted figures do not represent any IFRS related ratios and are exclusively to increase transparency.

During the first quarter an additional expenditure from the programme concerning accelerated growth in the amount of EUR 1.031 million on an EBITDA level and EUR 1.155 million on an EBIT level were arising. Consequently, we believe that we are on the right track for the use of the financial resources from the IPO in line with our strategy.

	1 December to 28 February	
(in kEUR)	**2018/2019**	**2017/2018**
EBITDA (IFRS)	1,127	1,674
Costs in connection with the internationalisation outside DACH	921	0
Costs in connection with access to large customers and corresponding marketing	110	0
Adjusted EBITDA	2,158	1,844[3]

	1 December to 28 February	
in kEUR	**2018/2019**	**2017/2018**
EBIT (IFRS)	918	1,618
Amortisations in respect of intangible assets capitalised within the framework of company acquisitions	124	0
Costs in connection with internationalisation outside DACH	921	0
Costs in connection with sales to large customers and corresponding marketing	110	0
Adjusted EBIT	2,073	1,788[3]
Financial result	-41	-46
Adjusted result for the period before taxes	2,032	1,742
Income taxes	-218	-348
Tax effects referred to adjustments	-336	
Adjusted result for the period after taxes	1,478	1,394

[3] In the previous year EUR 170,000 non-recurring costs were adjusted during the first quarter for the IPO on 20 April 2018.

1.3.3 Personnel expenses and non-recurring effects in connection with inorganic growth and international expansion

As a result of the personnel extension as planned and in conformity with the strategy as a basis for further corporate growth, personnel expenses have increased. For the first quarter of fiscal 2018/2019 they amounted to EUR 7.4 million. Compared to the first quarter of fiscal 2017/2018 this corresponds to a EUR 2.6 million rise. Other operating expenses also increased by EUR 0.8 million to EUR 2.4 million. The recruiting, integration and space costs for new office spaces for the higher number of employees have been in connection with our international headcount growth the main reasons for the rise in this expense item during Q1 2018/2019.

Material expenses rose versus prior year in a disproportionately low amount by EUR 0.6 million to EUR 5.7 million.

No capitalisation of expenses has been made in the balance sheet, but they were rather posted immediately in the profit and loss account for the period as charges. This means that the results of the Serviceware Group are only conditionally comparable with companies which capitalise development expenses.

1.3.4 Operating income

The unadjusted consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) of the first quarter of fiscal 2018/2019 amounted to EUR 1.1 million according to IFRS. As a result of the explained additional personnel and structural expenses, the EBITDA decreased versus the prior year period (EUR 1.7 million) by EUR 0.6 million.

The unadjusted EBIT of the first quarter of fiscal 2018/2019 has decreased as a result of the significantly higher expenses (cf. 1.3.3) and the scheduled higher amortisation following the SABIO acquisition according to IFRS to EUR 0.9 million (1st quarter 2017/2018: EUR 1.6 million). The EBIT margin amounted to 5.6% (1st quarter 2017/2018: 12.6%).

1.3.5 Financial result

The financial result of the first 3 months of fiscal 2018/2019 amounted to EUR -0.04 million and improved versus the prior year period (+ 11%). The positive development is essentially based on scheduled redemptions which have reduced interest expenses.

1.3.6 Earnings before taxes

The consolidated earnings before taxes for the first three months of fiscal 2018/2019 were posted as EUR 0.9 million. Following the explained additional personnel and other operating expenses in line with the strategy under the programme defined at the IPO to accelerate growth, earnings before taxes dropped versus the prior year period (EUR 1.6 million) by around EUR 0.7 million.

1.3.7 Tax expenses

For the first three months of fiscal 2018/2019 tax expenses amounted to a total of EUR 0.2 million (prior year period: EUR 0.3 million). For some individual companies of the Serviceware Group there have been losses which are recognisable for tax purposes, so that

EUR 0.1 million deferred income taxes were recognised in income. On 28 February 2019, altogether EUR 1.4 million were recognised as deferred tax assets.

1.3.8 Consolidated earnings after taxes

The consolidated earnings after taxes of the first three months of the fiscal year 2018/2019 amounted to EUR 0.7 million. Compared to the prior year period (EUR 1.3 million) it is EUR 0.6 million lower.

1.4 Ratios of the Financial Statements as at 28 February 2019

1.4.1 Profit and Loss Account for the period from 1 December 2018 to 28 February 2019

	1 December to 28 February			
IFRS (in kEUR)	**2018/2019**	**2017/2018**	**Variation**	**Var. (%)**
Sales revenues	16,413	12,819	3,594	+ 28.0
thereof Service/SaaS	5,641	3,627	2,014	+ 55.5
EBITDA	1,127	1,674	-547	- 32.7
Adjusted EBITDA	2,158	1,844	314	+ 17.0
EBIT	918	1,618	-700	- 43.3
Adjusted EBIT	2,073	1,788	285	+ 15.9
Financial result	-41	-46	5	+ 10.9
Results for the period before taxes	877	1,572	-695	- 44.2
Adjusted results before taxes	2,032	1,742	290	+ 16.6
Income	-218	-348	130	37.4
Results for the period after taxes	659	1,325	-666	- 50.3
Adjusted results for the period after taxes	1,478	1,394	+84	+ 6.0

1.4.2 Balance Sheet as at 28 February 2019

In kEUR	**28.02.2019**	**30.11.2018**	**Variation**	**Var. (%)**
Cash and cash equivalents	52,210	53,695	-1,485	- 2.8
Equity	59,855	59,494	360	+ 0.6
Borrowed funds	39,605	36,323	3,282	+ 9.0
Balance sheet total	99,460	95,818	3,642	+ 3.8

Liquid funds of Serviceware SE decreased as at 28 February 2019 versus 30 November 2018 (EUR 53.7 million) to EUR 52.2 million. The amount of EUR 1.5 million has been used essentially for the planned growth financing in view of further internationalisation and the extension of sales for a stronger addressing of large companies.

The equity of EUR 59.9 million has remained almost unchanged versus the balance sheet date of fiscal 2017/2018. Borrowed funds increased by around EUR 3 million to around EUR 39.6 million. This rise is mainly attributable to expensed and not yet realised sales revenues.
The balance sheet total amounted on 28 February 2019 to around EUR 99 million (30 November 2018: around EUR 96 million).
The equity ratio amounted on 28 February 2019 to around 60%. The equity ratio has only decreased slightly versus 30 November 2018 (around 62%).

1.5 Supplementary Report

After the balance sheet date, no additional events occurred which have an essential impact on the assets, financial and earnings position of Serviceware.

1.6 Outlook

The first three months of fiscal 2018/2019 show a positive development of the sales revenues. Provided that there are no major changes in respect of the general economic situation in Germany and Europe, we maintain our forecast in the Annual Report 2017/2018. We anticipate that we will be able to grow altogether by at least 15 to 30% in terms of sales revenues during the current fiscal year. In the unadjusted result we want to achieve a moderate increase for the full year despite the current expansion phase involving high expenditure, whereby we expect the main impulses during the second half year.

Bad Camberg, 26 April 2019

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Dirk K. Martin Harald Popp

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Dr. Alexander Becker

2 Company description

Serviceware is one of the leading suppliers of software solutions for the digitalisation and automation of service processes with which companies can increase their service quality and manage their service costs efficiently. The unique integrated and modular ESM platform consists of the proprietary software solutions helpLine (service process management), anafee (financial management), SABIO (knowledge management) and Careware (resource planning). Serviceware has more than 700 customers from many different industries, including nine DAX companies as well as four of the seven largest German companies. The headquarters of the company are located in Bad Camberg, Germany. Serviceware has around 400 employees.

Further information is available on www.serviceware.se

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