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SERVICE!

9-month report 2017/2018

(1 December 2017 to 31 August 2018)

SERVICEWARE SE, Bad Camberg

1 Quarterly report as of 31 August 2018

1.1 Consolidated key performance indicators

IFRS (EUR thousand)	1 December to			
	31 August			
	2017/2018	2016/2017	Change	%
Revenues	38,429	32,203	6,226	+ 19%
- of which Service/SaaS	10,068	7,617	2,451	+ 32%
- EBIT (adjusted)	3,386 ¹	3,164	+ 222	+ 7%
- Earnings after taxes (adjusted)	2,656 ¹	2,141	+ 515	+ 24%

¹ Note: The expenses caused by the IPO of EUR 1,186 thousand that were recognised in profit and loss as of 31 August 2018 have been added to the KPIs EBITDA, EBIT and the earnings for the period before and after taxes (see Item 1.3.2 of this quarterly report) in order to make the operating KPIs for the period under review comparable with those from the first nine months of fiscal year 2016/2017. During this period there were no IPO expenses, which means that no adjusted figures were stated therein.

1.2 Key events in the Serviceware Group

Acquisition of SABIO GmbH: As of 30 July 2018 Serviceware SE acquired a 100% interest in SABIO GmbH ("SABIO") including its 58 employees, and has thus consistently implemented its growth strategy. SABIO is a leading provider for knowledge management solutions. SABIO's business model is based on operating SABIO's software and IT infrastructure as an external service provider, used by customers as a service (so-called "software as a service" or "SaaS" solution). SABIO has a strong national and international customer base including a large number of blue chips, and has sales expertise. As a result of the acquisition, Serviceware will be the first software provider in the world to be able to integrate a leading knowledge management module in its existing enterprise service management platform. This means that Serviceware can enable its customers to further increase the efficiency of their services and also to significantly reduce their costs. The combination of Serviceware's previous software with SABIO's solution forms ideal conditions for further improving service processes in future using artificial intelligence. Part of the costs resulting from the SABIO transaction and its integration were one-off expenses and were recognised in income in the third quarter of 2017/2018.

Entry to the UK market: The formation of Serviceware SE UK LIMITED (registered office near London) in August 2018 means that the company has entered the UK market - Europe's largest IT market. Serviceware is thus continuing to internationalise its sales activities. The UK is now the fourth country, after Germany, Spain and The Netherlands in which Serviceware operates. Further countries will follow. Ronnie Wilson has operational responsibility for the United Kingdom. He is a well-recognised industry expert with extensive international experience and was previously the President and General Manager with Quest Software. The costs for forming the new British subsidiary were one-off expenses and were recognised in income in the third quarter of 2017/2018.

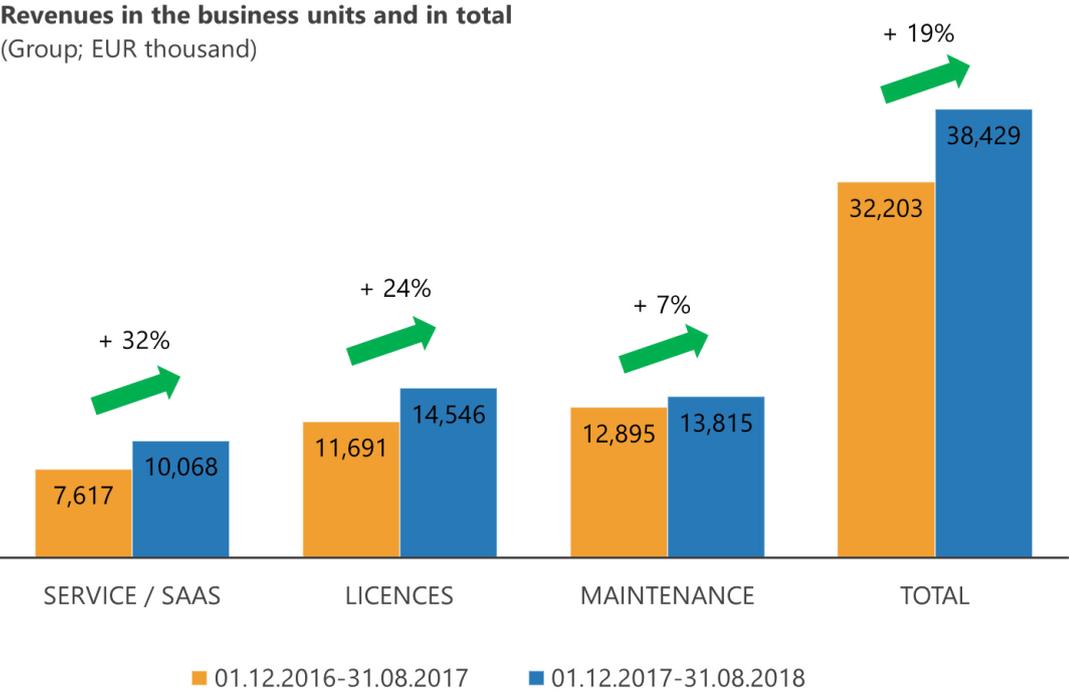
Reinforced workforce: Serviceware added a net total of 83 employees to its workforce in the first nine months of the current fiscal year 2017/2018. As a result, despite the challenging situation on the employment market in the IT sector, Serviceware has succeeded in acquiring the desired number of highly qualified employees for the company. Increasing staff numbers forms the basis for Serviceware's growth and in 2018 employee numbers were increased in particular in view of the dynamic growth in Service/SaaS. This significant increase to the workforce aims to achieve a higher intensity in approaching customers and also, as a result, a successive increase in market penetration for key accounts. The personal expenses recognised in profit and loss in the third quarter of 2017/2018 are in line with the figures in the forecast for 2017/2018. These are forward-looking expenses, which will have a positive impact on earnings in future fiscal years.

Full-year forecast confirmed: The revenues and earnings recorded reflect the successful, profitable growth. Despite the one-off effects from the SABIO acquisition and the internationalisation and expansion of the workforce in line with the company's strategy, all of the earnings indicators adjusted for the one-off costs of the IPO have increased year-on-year compared to the first nine months of 2016/2017. As a result of this, the company has confirmed its forecast for profitable growth to continue.

1.3 Course of business

1.3.1 Substantial improvement in revenues and higher customer numbers

The Serviceware Group’s revenues increased in the first nine months of 2017/2018 compared to the same period of the previous year (EUR 32.2 million) by 19% to EUR 38.4 million. All of the divisions contributed to this revenue growth, as can be seen in the chart below. Revenues increased significantly by 32% to EUR 10.1 million (first nine months of fiscal year 2016/2017: EUR 7.6 million) in the Service/SaaS division.



If we look at the third quarter of the fiscal year 2017/2018 on a stand-alone basis, total revenues in the third quarter of 2017/2018 (EUR 11.4 million) improved by EUR 2.6 million or 30% compared to the third quarter of 2016/2017 (EUR 8.8 million). Revenues in the Service/SaaS segment totaled EUR 2.7 million in Q3. They thus increased by EUR 0.6 million or 29 percent compared to Q3 of the previous year (EUR 2.1 million).

1.3.2 Personal expenses and other operational expenses higher as a result of one-off factors in connection with the SABIO acquisition and international expansion

Personnel expenses increased as a result of the scheduled increase to staff numbers in line with the strategy as the basis for the company's further growth (see Item 1.2 above). These totaled EUR 14.7 million in the first nine months of fiscal year 2017/2018. Compared to the first nine months of fiscal year 2016/2017 (EUR 12.3 million) this constitutes an increase of EUR 2.4 million.

In line with the increase in personnel expenses, there was also an unplanned increase in recruiting costs for the acquisition of suitable employees - this figure was up by EUR 0.2 million.

One-off expenses of around EUR 0.1 million were incurred during the acquisition of SABIO GmbH and the integration of SABIO into the Serviceware Group.

Expenses of around EUR 0.05 million were incurred for the formation of the UK company and the Swedish subsidiary (for Sweden please refer to the report on events after the balance sheet date). This is also a one-off effect.

A further one-off effect in the first nine months of fiscal year 2017/2018 was the expenses for the IPO on 20 April 2018. This relates to consulting fees for attorneys, auditors and other professional consultants and also bank fees. Total costs for the IPO recognised in profit and loss total around EUR 1.2 million.

On a stand-alone basis, total personnel expenses and other operating expenses of EUR 7.3 million are due to the third quarter of fiscal year 2017/2018. Compared to the third quarter of the previous year and compared to the first two quarters of the current fiscal year 2017/2018, this constitutes a substantially higher level of expenses.

1.3.3 Operating result

EBITDA in the first nine months of fiscal year 2017/2018 totaled EUR 2.4 million. As a result of the personnel and administrative expenses detailed above, EBITDA was lower than the same period of the previous year (EUR 3.3 million) by EUR 0.9 million. If we consider the one-off factor of the costs for the IPO (EUR 1.2 million) which does not affect operating business, then the EBITDA of EUR 3.6 million did not fall compared to the previous year, but actually increased by EUR 0.3 million (up 9%).

This also applies to EBIT (which considers amortisation and depreciation in contrast to EBITDA): Without considering the costs of the IPO, this figure fell to EUR 2.2 million, however if this one-off factor is considered EBIT increased to EUR 3.4 million (up 7%).

In the third quarter of fiscal year 2017/2018 EBIT fell substantially to EUR 0.3 million as a result of the significantly higher level of expenses in the third quarter (see 1.3.2; Q3 2016/2017: EUR 0.8 million). The EBIT margin was 2.5% (Q3 2016/2017: 8.5%).

1.3.4 Financial result

The financial result of the first nine months of fiscal year 2017/2018 totaled EUR -0.1 million and thus improved slightly compared to the same period of the previous year (+ 7%). The positive growth is mostly based on lower interest expenses as a result of redemptions.

1.3.5 Earnings before taxes

Consolidated earnings before taxes in the first nine months of fiscal year 2017/2018 totaled EUR 2.1 million. As a result of the personnel and administrative expenses detailed above, pre-tax earnings were lower than the same period of the previous year (EUR 3.0 million) by around EUR 1.0 million. After adjustment for the one-off expenses from the IPO, pre-tax earnings totaled EUR 3.2 million, up by 8% compared to the same period of the previous year.

1.3.6 Tax expense

Tax expenses in the first nine months of fiscal year 2017/2018 totaled EUR 0.6 million (same period of the previous year: EUR 0.9 million). The individual companies in the Serviceware Group recorded losses which can be used for tax purposes, resulting in deferred income taxes of EUR 0.3 million. In total, on 31 August 2018, there were deferred tax assets of EUR 1.0 million. This figure considers the deferred taxes which were recorded from the expenses from the procurement of capital as part of the IPO in the capital reserve, and these were also considered in the capital reserve.

1.3.7 Consolidated earnings after taxes

Consolidated earnings after taxes in the first nine months of fiscal year 2017/2018 totaled EUR 1.5 million; this figure is down by EUR 0.7 million compared to the same period of the previous year (EUR 2.1 million). However, if we adjust this figure for the one-off expenses from the IPO, this results in earnings after taxes of EUR 2.7 million, up by EUR 0.5 million or 24%.

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1.4 KPIs from the financial statements as of 31 August 2018

1.4.1 Income statement for the period from 1 December 2017 to 31 August 2018

IFRS (EUR thousand)	1 December to 31 August		
	2017/2018	2016/2017	Change
Revenues	38,429	32,203	6,226
- of which Service/SaaS	10,068	7,617	2,451
EBITDA	2,432	3,331	-899
- adjusted EBITDA	3,618 ¹	3,331	+ 287
EBIT	2,201	3,164	-963
- adjusted EBIT	3,386 ¹		+ 222
Financial result	-143	-153	10
Earnings for the period before taxes	2,057	3,011	-953
- Adjusted earnings before taxes	3,243 ¹		+ 232
Income taxes	587	869	-282
Earnings for the period after taxes	1,470	2,141	-671
- Adjusted earnings after taxes	2,656 ¹		+ 515

¹ Note: The expenses caused by the IPO of EUR 1,186 thousand that were recognised in profit and loss as of 31 August 2018 have been added to the KPIs EBITDA, EBIT and the earnings for the period before and after taxes (see Item 1.3.2 of this quarterly report) in order to make the operating KPIs for the period under review comparable with those from the first nine months of fiscal year 2016/2017. During this period there were no IPO expenses, which means that no adjusted figures were stated therein.

1.4.2 Balance sheet as of 31 August 2018

EUR thousand	30		Change	%
	31 August 2018	November 2017		
Cash and cash equivalents	52,483	9,015	43,468	+ 482%
Equity	61,829	4,390	57,439	+ 1,308%
Liabilities	32,282	27,101	5,181	+ 19%
Total assets	94,111	31,491	62,620	+ 199%

Serviceware SE's cash and cash equivalents increased to EUR 52.5 million on 31 August 2018 compared to 30 November 2017 (EUR 9.0 million). This is mostly due to the proceeds from the successful IPO on 20 April 2018 of around EUR 58.5 million and dividend payments from retained profits of around EUR 1.9 million in February 2018 as well as the payment of the purchase price for SABIO. Serviceware will use the funds from the IPO to finance its growth via acquisitions, further internationalisation and to increase its sales operations to increasingly address blue chips.



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Equity increased by around EUR 57 million to around EUR 62 million compared to the balance sheet date in fiscal year 2016/2017 as a result of the IPO and capital increase. Liabilities increased by around EUR 5 million to around EUR 32 million.

Total assets as of 31 August 2018 totaled around EUR 94 million (30 November 2017: around EUR 32 million).

The equity ratio as of 31 August 2018 was around 66%. The equity ratio has thus increased significantly by around 17% compared to 30 November 2017.

1.5 Report on events after the balance sheet date

Serviceware consistently continued the internationalisation of its sales activities in the third quarter of 2017/2018. The company is currently in the process of forming a Swedish subsidiary headquartered and with its office in Stockholm, thus reinforcing its sales activities in Sweden. Serviceware has had a well-known Swedish customer since February 2018, and believes that there is far higher customer potential in Sweden.

There were no further events after the balance sheet date which could have a material impact on Serviceware’s financial position, net assets and results of operations.

1.6 Outlook

The first nine months of fiscal year 2017/2018 at the Serviceware Group show positive growth for both revenues and the operating result. To the extent that there are no major negative changes to the overall economy in Germany and Europe, we are forecasting Serviceware’s profitable growth to continue in fiscal year 2018/2019.

Bad Camberg, 26 October 2018

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Dirk K. Martin

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Harald Popp

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Dr. Alexander Becker

2 Description of the company

Serviceware is a leading provider of software solutions for digitising and automating service processes, that enterprises can use to improve their service quality and efficiently manage their service costs. As part of its integrated and modular platform, Serviceware offers its software solutions helpLine (service management), anafee (financial management), Careware (field and customer service management) and SABIO (knowledge management), and this offering thus extensively covers the value chain for enterprise service management. Serviceware has more than 500 customers from a wide range of industries, including nine DAX-listed companies and four of the seven largest German companies. The company is headquartered in Bad Camberg, Germany. Serviceware has 368 employees (as of 31 August 2018).

You can find more information at www.serviceware.se.

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