Quarterly Report 2020/2021

(01 December 2020 to 28 February 2021)

SERVICEWARE SE, Bad Camberg

1 Quarterly Release as at 28 February 2021

1.1 Ratios of the financial statements as at 28 February 2021

	01 December to 28/29 February			
In kEUR	**2020/2021**	**2019/2020**	**Variation**	**in %**
Sales revenues	19,365	17,271	2,093	12.1
thereof SaaS/Service	9,176	7,263	1,913	26.3
EBITDA	804	217	587	270.9
Adjusted EBITDA	1,600	1,576	24	1.5
EBIT	21	-618	639	103.3
Adjusted EBIT	967	891	76	8.5
Financial result	-29	-57	28	49.6
Earnings before taxes for the period	-8	-675	667	98.8
Adjusted earnings before taxes	939	834	104	12.5
Income tax	-146	446	-592	-132.7
Earnings after taxes for the period	-154	-229	75	32.8
Adjusted earnings after taxes	517	841	-323	-38.5

Please note: All numbers in this report are rounded arithmetically to thousands. The calculation of totals can lead to rounding differences.

* To improve comparability with the previous year and transparency about the expenses in line with the strategy which was announced at the IPO and implemented thereafter, the EBIT/EBITDA and the results for the period before / after taxes are adjusted.

During the first quarter of fiscal 2020/2021 Serviceware SE was able to continue its successful course with a long-term orientation despite an intensification of the Covid-19 pandemic as well as ongoing uncertainties due to the pandemic. Consequently, the company can report about a successful start into the current fiscal year. During the reporting period sales revenues rose by 12.1% to EUR 19.4 million. The increase in sales revenues in the field of SaaS/Service was, in line with the strategy, clearly disproportionately high with 26.3% to EUR 9.2 million. The share of SaaS/Service sales revenues in total revenues was hence at 47.4% after 42.0% during the comparable period 2019/2020. The further expansion of this business line is one of the focal points of Serviceware. The company relies here on high growth potentials which involve increasing recurring proceeds as well as a better predictability of the business development. Sales revenues from licences have likewise had a positive development. They rose by 17.6% to EUR 5.2 million.

Moreover, Serviceware succeeded in leveraging further cross-selling potentials on the level of both existing customers and new ones. As a result of the pandemic, the modules Serviceware Financial and Serviceware Performance for the optimisation of service costs were in a particularly high demand. Furthermore, Serviceware recently witnessed a pick-up in the demand for solutions for the professional provision of services. In addition, Serviceware implemented major strategic goals of its expansion strategy during the first three months of fiscal 2020/2021 and was able to increasingly gain large groups as customers. During the reporting period the foundation was laid for large scale orders, which were realised immediately after the end of the reporting period. A leading international airline decided, for instance, in favour of Serviceware Knowledge and a European big bank in favour of Serviceware Performance.

The unique modular ESM platform of Serviceware was further strengthened. The messaging and chat service smoope, which Serviceware took over in April 2020, was integrated into the module Serviceware Knowledge. With its ESM platform, Serviceware boasts a strong offering for all services and is perfectly positioned on the market with a view to the extension of market shares and supporting customers at the digitalisation of their service processes. Corporate growth is driven by the trend towards digitalisation and cost transparency in service processes. Moreover, the Covid-19 pandemic has once more significantly intensified the trend towards digitalisation.

1.2 Key events in the Serviceware Group

International activities and highlights from customer projects:

During the reporting period Serviceware has intensified its international activities and has been successful in the field of customer projects. It succeeded in recruiting additional large customers from Europe as well as other regions in the world. Serviceware has achieved a broad sectoral mix from financial services via customers from transport and logistics to healthcare. In the healthcare sector, for instance, further perspectives opened up in European neighbouring countries during the quarter. As a result of the optimisation of communication flows, Serviceware makes a considerable contribution towards reducing the contact to patients by decreasing physical customer contacts and optimising workflows.

A leading European big bank has, moreover, decided during the reporting period to use Serviceware Performance in future. The module is integrated into the corporate portal of the financial institution which is used in all branches on the domestic market of the big bank and provides, amongst others, an overview of all data on a group level.

A leading international airline decided in favour of the Serviceware platform with a focus on Serviceware Knowledge which is to be used in all worldwide contact centres of the airline. Within merely three months the implementation of Serviceware Knowledge was completed so that the use and rollout for several thousands of employees in the customer service area has already started. With Serviceware Knowledge the company can access the entire knowledge base in a central database. Potential for a full automation of service processes exists in the field of knowledge management and content generation already today through the interlinking with Artificial Intelligence.

In an international food group, the software module Serviceware Financial was successfully implemented during the reporting period. Serviceware Financial supports customers in their efficient design of the IT planning processes and shows transparently where which costs arise and how they can be reduced. With the solution from Serviceware the company has a standardised cost model which significantly increases the efficiency in planning and settling.

Further highlights during the first quarter included the winning of a leading automotive subcontractor in the field of vehicle drives as a new customer. The decisive argument was the convincing service range of IT and shared services on the central Serviceware platform of which the customer now uses the modules Serviceware Financial and Serviceware Performance.

Recruitment of other new customers: Serviceware continued to be successful in recruiting new customers. The company succeeded altogether in gaining 25 new customers for the ESM platform. In addition, Serviceware was able to realise further cross-selling potentials and leverage synergy effects. Many existing and new customers decided in favour of other modules of the ESM platform, where Serviceware Financial and

Serviceware Performance were combined most frequently. Serviceware was likewise able to extend its business with consulting and support services.

Serviceware portfolio: The unique ESM platform of Serviceware has been further enhanced. At the end of the first quarter the messaging and chat solution smoope was integrated into the Serviceware Knowledge module. Serviceware acquired the smoope technology during the past fiscal year, and by embedding it into the platform, it now reaches another milestone for the expansion of its solution portfolio. Serviceware hence opens up yet another communication channel for the ESM platform, links it to the knowledge made available through Serviceware Knowledge and contributes towards improving service quality. With the future integration of Artificial Intelligence, the service processes can be reflected even more efficiently, more rapidly and more smoothly. As a result, Serviceware sees a high synergy potential with its existing activities and co-operations (Technical University Darmstadt) in this field.

Brand, brand image and marketing: Independent analysts have once more confirmed the market leadership positions of Serviceware. In the field of technology cost and resource management, Serviceware reached the first rank in the study “Vendor Selection Matrix Technology Cost & Resource Optimisation - Top Global Vendors 2020” of the research and consulting company Research in Action (RIA) at the end of 2020. With its distinction as an international market leader, Serviceware was able to leave internationally relevant competitors such as Apptio or ServiceNow from the USA behind it.

In spring 2021 Serviceware was elected in the RIA study “Vendor Selection Matrix – IT and Enterprise Service Management: The Top 20 Vendors for the upper mid market in Germany 2021” for the fourth time in a row as best rated vendor. Decisive advantages for Serviceware were, amongst others, the depth and width of the solution portfolio. Serviceware took again first place in the recommendation index and the customer satisfaction category.

Investor relations: The management of Serviceware had many talks – due to the Covid-19 pandemic mainly virtual talks – to existing and potential investors and informed about the business model and the strategy of the company. During these talks Serviceware met with a keen interest and was able to extend the group of potential investors by new contacts. The Serviceware share is currently covered by the research firms Commerzbank, Hauck & Aufhäuser and Quirin Privatbank. The recommendation of the analysts is unanimously “Buy”.

Covid-19 pandemic: With a consistently implemented Covid-19 hygiene concept, the highest possible switch to home office and the further enhanced use of digital communication possibilities, Serviceware was able to continue to effectively protect its employees and customers at all locations during the reporting quarter and secured at the same time the smooth implementation of all processes. At present these workflows are tried and tested. All employees deal routinely with the situation and have adapted their behaviour accordingly.

The Covid-19 pandemic has once more significantly intensified the general economic trend towards digitalisation. This means that the digitalisation of service processes has been boosted further all over the world. The short-term economic dips following the pandemic lead at present at Serviceware, moreover, to a significantly higher demand for products to improve the cost efficiency of service processes: Serviceware Financial and Serviceware Performance.

1.3 Business Development

1.3.1. Development of sales revenues

The sales revenues of Serviceware further increased during the first three months of fiscal 2020/2021 versus the comparable prior year period. Sales revenues rose by 12.1% to EUR 19.4 million. The strongest growth was recorded by SaaS/Service with a rise by 26.3% versus the comparable prior year period. The trend towards

SaaS/Service transactions hence continues. This is in line with the shift in sales revenues from non-recurring high licence fees to monthly recurring subscription fees. In times of economic uncertainties this secures a particularly high degree of planning certainty. Sales revenues from licences were likewise developing positively during the reporting period (+17.6%) and reached EUR 5.2 million. Maintenance revenues, by contrast, declined by 10.8% versus the prior year period. The maintenance revenues followed in their development with a certain time lag the long-term development of licence revenues which will be partly substituted in the long term due to the trend towards SaaS/Service transactions. Sales revenues break down as follows:

	01 December to 28/29 February		
In kEUR	**2020/2021**	**2019/2020**	**Variation**
Revenues SaaS/Service	9,176	7,263	26.3 %
Revenues Licences	5,221	4,440	17.6 %
Revenues Maintenance	4,968	5,569	-10.8 %
	19,365	17,271	12.1 %

1.3.2. Operating income (EBITDA/EBIT)

The positive development of sales revenues during the first three months of fiscal 2020/2021 is also reflected by a rise in the operating income. The EBITDA (unadjusted) increased versus the prior year period by kEUR 587 from kEUR 217 to kEUR 804. The EBIT (unadjusted) likewise improved by kEUR 639 to kEUR 21.

With a view to pushing corporate growth, Serviceware launched the programme for accelerated growth and received for it within the framework of the IPO on 20 April 2018 as a result of a capital increase net inflows of approximately EUR 55 million. These funds are used as planned in a period of three to five years for three growth areas:

- European expansion (around 15% to 25% of the funds)
- Strengthening of the large account sales including supporting marketing (around 10% to 20% of the funds)
- Inorganic growth and extension of the ESM platform (around 65% to 75% of the funds).

In all mentioned areas Serviceware has made significant progress during the past fiscal year and has consistently implemented its programme for accelerated growth. The total expenses of the programme currently reduce the profit for the period but constitute the long-term basis for incremental increases in sales revenues and result and the strengthening of the international market position of Serviceware.

To provide a transparent and comparable picture of the use of the expensed funds during the individual periods and show at the same time the accompanying effects on the result, we report, in addition to the existing reporting, adjusted values. The adjusted values do not represent IFRS-based ratios and are exclusively to increase transparency.

During the first quarter of fiscal 2020/2021 additional expenses were incurred under the above mentioned programme for accelerated growth in the amount of kEUR 796 (PY kEUR 1,359) on an EBITDA level and kEUR 947 (PY kEUR 1,509) on an EBIT level. They include investments into internationalisation in the amount of kEUR 510 (PY kEUR 964), temporary integration costs within the framework of inorganic growth of kEUR 223 (PY kEUR 311) and the orientation towards the strategic key account business kEUR 64 (PY kEUR 84) as well as kEUR 150 (PY kEUR 150), caused by acquisition-related costs and amortisations[1].

Compared to the previous year, the expenses under the programme for accelerated growth hence dropped on an EBITDA level by 41.4% and on an EBIT level by 37.3%. The variation is essentially attributable to the lower expenses for invstments into the internationalisation which is essentially under the prior year values. The expenses include primarily start-up costs in the form of additional personnel and material expenses to set up our international organisation. The sales success of Serviceware in an international environment means that parts of the organisational units have already completed the start-up phase and no longer have to be adjusted.

The EBITDA adjusted by these expenses amounted to kEUR 1,600 and was slightly above the prior year value of kEUR 1,576 (+1.5%). When including the expenses from the programme for accelerated growth, the EBITDA rose significantly to reach kEUR 804 (PY kEUR 217), ie a plus of kEUR 587.

The adjusted earnings before interest and taxes (EBIT) improved versus the prior year period by 8.5% to kEUR 967. After expenses for acquisition costs, internationalisation and orientation towards the strategic key accounts business, it amounted to kEUR 21 (PY kEUR -618), which corresponds to a rise by kEUR 639.

The higher result was particularly attributable to the positive sales revenue development and cost cuts as far as other operating expenses were concerned. In all areas including travel expenses or marketing expenditure for trade fairs, the cost decreases went hand in hand with restrictions caused by the Covid-19 pandemic. At the same time, personnel expenses were kept almost constant.

Development expenses continued not to be capitalised in the balance sheet; they are rather charged directly against income during the period, reducing the result in the profit and loss account. This means that the result figures of Serviceware are only conditionally comparable to companies which capitalise development expenses.

	01 December to 28/29 February	
In kEUR	**2020/2021**	**2019/2020**
EBITDA (IFRS)	804	217
Costs in connection with the internationalisation outside DACH	510	964
Temporary integration costs in connection with inorganic growth	223	311
Costs in connection with key account additions and the related marketing	64	84
Adjusted EBITDA	1,600	1,576

[1] Purchase price allocation to customer base and brand as well as internally generated intangible assets acquired through the acquisition, which are subject to scheduled amortisation of up to 20 years.

	01 December to 28/29 February	
In kEUR	**2020/2021**	**2019/2020**
EBIT (IFRS)	21	-618
Amortisations of intangible assets capitalised within the framework of company acquisitions	150	150
Costs in connection with the internationalisation outside DACH	510	964
Temporary integration costs in connection with inorganic growth	223	311
Costs in connection with key account additions and corresponding marketing	64	84
Adjusted EBIT	967	891
Financial result	-29	-57
Adjusted earnings before taxes for the period	939	834
Income tax	-146	446
Tax effects referred to adjustments	-276	-440
Adjusted earnings after taxes for the period	517	841

1.3.3. Financial result

The financial result for the first three months of fiscal 2020/2021 amounted to kEUR -29 and has improved versus the prior year period (kEUR -57) by kEUR 28.

1.3.4. Earnings before taxes

Consolidated earnings before taxes amounted to kEUR -8 (PY kEUR -675), which corresponds to an increase of kEUR 667 versus prior year. The adjusted result before taxes for the period rose versus the prior year period by kEUR 104 to kEUR 939.

1.3.5. Tax expenses

During the first three months of fiscal 2020/2021 a total tax expense of kEUR 146 is reported (PY kEUR 446 tax income).

1.3.6. Result after taxes

The Group result after taxes for the first three months of fiscal 2020/2021 amounted to kEUR -154. Compared to the prior year period (kEUR -229) this corresponds to a plus of kEUR 75. The adjusted result for the period after taxes amounted to kEUR 517 (PY kEUR 841).

1.4 Balance sheet as at 28 February 2021

In kEUR	28.02.2021	30.11.2020	Variation	in %
Cash and cash equivalents	36,875	33,836	3,039	9.0
Equity	55,790	55,639	151	0.3
Debt capital	61,224	50,997	10,227	20.1
Balance sheet total	117,013	106,636	10,378	9.7

The cash and cash equivalents of Serviceware decreased as at 28 February 2021 versus 30 November 2020 (kEUR 33,836) to kEUR 36,875.

The equity of kEUR 55,790 has remained practically unchanged versus the balance sheet date of fiscal 2019/2020 (PY kEUR 55,639). The debt capital amounts on 28 February 2021 to kEUR 61,224. Compared to 30 November 2020 this corresponds to an increase by kEUR 10,227. An essential driver of the increase in debt capital is the rise in the backlog of orders on the balance sheet date at the end of the reporting period. The order backlog is essentially made up of advance payments received for maintenance and SaaS contracts. A large part of the maintenance and SaaS contracts provides for quarterly advance billing which is recognised in accounting terms in the contractual liabilities and increases accordingly during the first quarter. In addition, the general trend towards SaaS/Service transactions supports this development. Due to binding contracts, these contractual liabilities represent already fixed future sales revenues. The financial liabilities of Serviceware were further reduced by scheduled repayments.

The balance sheet total amounted on 28 February 2021 to kEUR 117,013 (30 November 2020: kEUR 106,636). The equity ratio amounted on 28 February 2021 to around 48%. The equity ratio dropped by approximately 4% versus 30 November 2020 (around 52%). The reduction is essentially due to the above-mentioned balance sheet stretching effect of higher contractual liabilities.

1.5 Supplementary Report

At the time of drafting of this quarterly report many countries in Europe are still in a lockdown due to the dynamic spreading of the corona virus (SARS-CoV-2) and its variants. For that reason it can currently not be excluded that the rapid spreading of the virus and its variants will possibly have an adverse effect on the financial, earnings and assets position of Serviceware.

1.6 Outlook

At present we are, more particularly in our core markets, still in the middle of the Covid-19 pandemic. Extended lockdown periods, delayed vaccination offers and further mutations of Covid-19 (SARS-CoV-2) will again lead to a high uncertainty this year as well and this involves, therefore, a higher variance than in the past for our forecast for the current fiscal year.

Despite these partly difficult framework conditions we are confident to be able to increase sales revenues during the current fiscal year by an order of magnitude of 10% versus prior year. This presupposes that we will make significant progress in marketing and customer acquisition on the markets outside our core market, too, and that the Covid-19 pandemic will move to the background during the second part of the year due to vaccinations. If we succeed in this, we expect a further boosting of our sales revenue growth during the coming years.

On the earnings side we continue to anticipate that we can moderately improve the positive EBITDA (IFRS) and the EBIT (IFRS) compared to prior year.

Bad Camberg, 23 April 2021

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Dirk K. Martin Harald Popp

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Dr. Alexander Becker

2 Company Description

Serviceware is a leading provider of software solutions for the digitalisation and automation of service processes (Enterprise Service Management) with which companies can increase their service quality and manage their service costs efficiently.

The core of the portfolio is the Serviceware platform with the software solutions Serviceware Processes (helpLine), Serviceware Financial, Serviceware Resources, Serviceware Knowledge and Serviceware Performance. All solutions can be used in an integrated manner, but also independently from one another.

Serviceware partners with customers from strategic consulting through the definition of the service strategy to the implementation of the Enterprise Service platform. Further components of the portfolio are safe and reliable infrastructure solutions as well as managed services.

Serviceware has more than 1,000 customers worldwide from various business sectors, including four of the seven largest German companies and 12 DAX 30 companies. The headquarters of Serviceware are in Bad Camberg, Germany. Serviceware employs more than 500 employees at 14 national and international sites. For more information visit www.serviceware-se.com.

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