

Cristian Logofătu:

Thank you for joining us today. We took a few minutes before switching to the public session to be certain that both the Facebook feed and LinkedIn is working to also broadcast this session so that we provide possible real time access, not just to the analysts, but other shareholders that might be interested. My proposal for today is that we allow everybody to use the microphone and have a general discussion. But, please raise your hand when you want to speak, so we won't speak on top of each other. So I asked my colleague now to enable the microphone for all attendees, but having especially the analyst conf call today, to favor, at least at the very beginning of the discussion, to have the questions from analysts.

And together with Piotr Raciborski, who has already covered Bittnet from Wood, we also have today Mr Adrian Ciocoiu from Ipopema, who will initiate coverage during this month. So, welcome, nice to have you here.

So, we have published these results on Friday evening, and there have been some good things about 2020 and there are some things about 2020 that we wish we could have made go faster. In a very general statement, I think it was an important year to prove that the machinery is working and that operations have consolidated. We work as a team, as a large group, and generate business. We were able to generate a bit more business than we were able to close, but this it's not an important thing. I'm trying to have this analogy I heard the number of times about the infinite game versus the finite game: a company will not stop working after December 31st. The fact that we generate much more business in a given period, and that the model holds and shows that any small amount of increase over the certain threshold generates larger increases in the other indicators, I mean, an 8% increasing the revenues was able to generate a 5 fold increase in operational profit. This has this was the model that we have always looked for. And this is why we are looking for the accelerated growth, because we have some fixed costs thresholds that after we overpass, then any new gross margin goes straight into the bottom line, increasing the profitability.

If we look at 2019 and 2020 (comparable years at our new group size) this model continues to hold, just like in every other year. And, have we had a magic wand, we would have drawn more of the revenues in December. Like right now, the fourth quarter was a large quarter, but not as large in percentage terms as the historical averages. In history, it would have been something like 41%-42% and now it was around 37% of the total revenues.

On the other hand, the business doesn't stop on December 31st, and we managed to do some interesting deals at the end of last year, I mean, the Softbinator deal and the eLearning Company, that we finalized now, in the very beginning of 2021, which brings us a larger group, more solid one, taking into account or being able to offer customers more products and services. And yesterday we signed the investment agreement, that, of course, needs to go through some processes, so it's not final, but the investment intention with Servodata, which is another IT integration services company that does pretty much what Dendrio does and is headquartered in the Czech Republic and started expanding into the Slovak market, too.



And this is in line with our general idea that this kind of business, the IT services business, works much better at a larger scale. Both in our case, when we look at each of the new steps how things have gotten better, and if we look at these success stories that we have followed along the years, I mean, I mentioned Dimension Data, Cognizant, Crayon or Software One : All of these companies have had the same idea, like having a regional,, then global reach because it's relevant to be near your customers in a lot more geographies so that you become more relevant as a partner and you get contracts that other companies cannot get. This, of course, has to be based on delivering good service. But this part is something that we seem to be able to keep doing from the very beginning. And every year we look and we have recurring customers, although we don't necessarily have a recurring business in the telco sense.

So expanding the footprint to create a regional, Central Eastern Europe relevant company, a regional leader, is a part of a business plan that we explained two years ago. And, we are following in this plan, both adding products and services and geographies. And this deal with Servodata is the first step, we are very confident about. We keep working at some other deals on the same principle of building a larger platform around the access to the capital markets so that we can both be relevant to partners. And I mean suppliers and employees or freelancers who do services for us, for our customers, and especially, of course, to customers. I will stop this and hope to get questions.

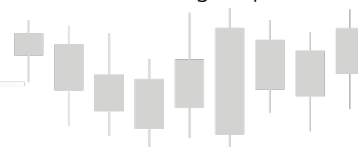
Question:

I would like to ask a couple of questions regarding your fourth quarter results and, evaluation of Servodata deal and your plans for the foreign expansion. But maybe start with fourth quarter. I've noticed that, like, the main reason why the fourth quarter maybe wasn't the best one, because of the delay in, the public contracts in the technology segment, right? Or have you also struggled with some other factors in the fourth quarter that resulted in the drop of the operating result?

Cristian Logofătu:

It's, a, good explanation, yes.. There were two types of delays. This one, that you mentioned with the public sector has been, (maybe frozen is too much of the word), but it has been put in some limbo because of the elections and then all of the other things that come after elections like dividing who gets what ministry, etcetera. There is this example that is very easy to see. We have been informed that our offer was the winning offer in a tender that started in February, and ended in November. So we got the answer in November, and we were only invited to sign the contract in January:So this is just like you said, a problem with the public sector.

There have been some other delays, and I mean on the private sector, on the actual supply chain, I mean, travel restrictions, problems with suppliers getting their raw materials, have generated some some projects that were not in any way public sector and that were promised by our suppliers. I mean, they had a committed delivery date of December and then they e moved to January, some even to February. There were some problems like actual shipping things around. This is not lost projects or lost revenue, is just delayed - moving later. This is why I also included the chart with January sales, which shows, if you look at them type of customers that we serve, it's really not credible that all of these large and very large and giant corporations started January right out of the gates and doubling the sales. We have a doubling of the sales in January, it's not because we are two times more performant in the month of January closing contracts with big corporations.



Question:

Okay. Thank you. The other question regarding results. I've seen it published the budget for 2021. How much of this revenue has already been contracted? Let's say if it's like 30% of it already a backlog or ...?

Cristian Logofătu:

30% is a bit high. If we just say, signed contracts that have to be delivered, maybe it's, I'd say 20%. Let's say something like 25- 30 million lei out of 150. This is 1/5. 20% is signed contracts that have to be delivered at some point. But have in mind there is also some data that we cannot publish because it's very complicated to interpret. But, if we look at the general flow of the business, there is this thing we don't start working on projects today and close them today. They have some longer closure dates. And if we look at history, whenever we have started a year with \$100 in pipeline of opportunities that were working on them, roughly \$30 out of those \$100 were closed sometime during the year that is just starting. There is some effect from opportunities started two years ago, but it is much smaller. It was always non zero, but small enough.

The other point being that although some customers that some types of services and products that we are selling is not recurring in the sense of fixed contract, we do have that also. And if we look at the business that has customers still have to get cloud services from somewhere, still have to get the office licenses from somewhere, still have to get all of the infrastructure for their Web servers, their online shops, et cetera. There is maybe Mihai, maybe Cristi can help me here, but my number is something around some other 20 millions, maybe, if I have the correct number. So, the total of business that we can easily expect from the past is around the 30% that you have described, but it comes from two sources.

Question:

Okay. Thank you. Another question is regarding the acquisition that you announced yesterday. There's this EV to EBITDA the multiple of 6.4. Is this based on 2020 results of Servodata or 2021?

Cristian Logofătu: 2020 results.

Question:

Okay. So I could calculate the debt of this year and...

Cristian Logofătu:

I will tell you round numbers, 10 million revenue and 1 million EBITDA. There is some debt, but not all of the debt they have is taken into the calculation: a part of it, we have left out, because it's leasing obligations that are passed on to customers. I mean, the guys from Servodata do so many services projects where they lease the equipment. I mean, they buy the equipment, they sell it to a leasing company and lease it back, and then they offer these services to customers. They put on top of this infrastructure they put on many services, and they provided as many services contract. And we have left out of the this, leasing obligations, if we had included it, it would have been something like, 8x EBITDA. But I think it's correct to calculate 6.4 because the other part is just passed on.

Question:

Okay, Thank you. And as far as percentages, that's a financial investment. That is 35% stake. Does the agreement, maybe include, or do you expect to increase your stake to a control level in the future?



Cristian Logofătu:

Yes. You have followed this industry for some time now, right? Both statements are true. The agreement both includes a call clause for us and put clause-for them in two or three years - this is the contract. If you look at the general understanding among parties, it's what we have tried to do with other investments too. Start with a minority stake that is significant enough for us to be invested, for them to feel they have a partner and then to go together. We get to do some initial meetings and due diligence and human interaction and explain principles and everything. And then, based on this, both parties, we both believe that we are very well aligned if we both in how we go to the market, where we think the future is, and about the opportunity and the idea of cooperation. But this is after a small number of interactions.

If we look after two years of doing business, then it's going to be now some real hard data. We expect this to be positive, and both them and us believe that a next step should be for us to acquire at least 51% at the beginning. It's some next step of the longer cooperation. We are also targeting to have a cooperation because the Moore Group also has a sister company to Servodata, a company called DataScript, that is, a training company. So this is the next step where we're going to try and work together. The point being, we want to be expanding this presence. We seem to have found some very good partners both as a positive energy and vision and drive. And yes, we would like to get a larger stake in the future so as to also consolidate the revenues. Yes.

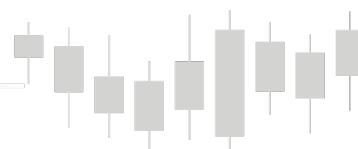
Question:

Okay. Thank you. My last question about your foreign expansion. Servodata is like the first step. But you've said that you're working on other deals similar to this one, right? So should we expect your expansion to other CEE countries shortly?

Cristian Logofătu:

I can't say anything about it in the process because it might actually hurt that deal. We are actively looking for M&A opportunities both in Romania and in Central Eastern Europe every day. I was yesterday at an, online event about the stock market, talking about it, and I made this joke, I'm getting old, I keep repeating the same jokes but I like this one. Like, we're looking for partners, and it's just like when looking for a wife. The very important thing is that she also has to be willing. So we are looking for willing partners that share our vision to continue to expand and to create a regionally relevant group. We are active in the field. Thank you for the questions.

Looking in the the attendees list, I can identify a number of shareholders that have been with us for some time now. And I want to thank you especially, and to remind you that we're going to have the regular event the Investors Day on April 15th, in the largest possible manner that will be available for us. I imagine that type of event that you are accustomed to, will continue to have around the birthday of Bittnet as a listed company, I mean April 15th. This year, we were able to have it programmed especially on April 15th, to talk about how the group is going. All of the vision, all of-the managers of all of the companies in the group, in preparation for the shareholder meeting in April 27th.



Cristian Logofătu:

We have one question here from a shareholder here. A written **question:** "Since we were not able to hit the exact numbers of the budget in 2020 and also, one year earlier in 2019, why are we confident that we will hit the numbers in 2021?"

Cristian Logofătu:

To be certain, I'm pretty sure we will not hit the numbers. We will be either below or much above. I have no doubt that we will not hit that number since we're not managing the results. Thus, we have to try and imagine, looking from the pipeline that we have, the type of customers that we have, the projects and technologies and what we are pushing and what changes we are making during the year based on what we see working or not, we have to imagine a revenues budget, reverse engineering it from the indicator that we're actually watching and I mean the Gross Margin.

So in every year we have some, um, conservative ideas on how to build the budget and in total produce and to take care of each of the elements, and I'm pretty sure we will never get it. And then sometimes we go away above, and in some years we go just a bit under. We have never missed by a mile in the downside area. What we are trying to do is to have to explain all of the assumptions how we are building, and we have described the assumptions going into the model for the budget so that everyone can assess if these are reasonable or incredibly boring or incredibly audacious. If you remember, we have also published a modeling the financial modeling tool so you can input any predictions about growth, margin increase or costs, increase or cost decrease so you can see some Monte Carlo simulation and to assign probabilities for each growth rate and to see how it would work in the final results versus the budget.

Cristian Logofătu:

Yeah, well, if everybody is okay, let's wrap this up. Thank you. As always, if some other ideas come up, please write to us at investors@bittnet.ro.

Oh, One more question: "What are the new acquisitions that you are planning?"

Of course. I cannot tell you the names of the companies we're talking to, but they are in the same lines of acquisitions that we did in the past. And there is one general principle and two applications. The general principle is that we are not an investment fund. We look for partnerships having a significant stake in a company that operates in the same business with us, I mean IT services, either in the exact same niche that we are working or in an additional products or services niche. And this kind of idea works to build a larger IT services group.

So I mean, we operate companies, we work together with them to help them increase revenues and to increase customer satisfaction, which at some point customer success turns into supplier success in a nice way. This general principle takes two forms.



One is larger acquisitions either in the IT training department division or in the integration business. Large acquisitions that will help us take new steps in revenues. And, the other one, if you look at Servodata, this is a large acquisition. If you look at Softbinator, for example, it is a company that is not large now, but not small either, and maybe in two years from now will be a significant, large company. This year, they should be around €6 million in revenue and next year, 2022 around 10 to €12 million. This is the intended growth. So two years from now, this will be a large company in the Romanian context. And this is a company that has additional services to what we were doing. If you look at Servodata, it is the exact same kind of company that we already understand, is what we have at Dendrio today.

And if we look at the moment of our first M&A - Gecad, we have the same "go to market" business strategy, same values, we have similar customers and then additional portfolios. After putting Gecad and "Bittnet Integration" together and started Dendrio, then the Crescendo deal was very easy to add because it was like identical: Cisco partnerships, Microsoft partnerships, going into large companies and delivering solutions and services. So this is the one type of large acquisition to help us step at a new level. And also we're always looking for small, bolt-on acquisitions. If you look at the eLearning Company, this is a small company, and we took a small part, a small percentage.

In this exact idea of having enough maneuver space in the future. But if you look at the eLearning Company and their products and their type of customers, and if we put our marketing and delivery machinery next to their products, we should see them growing in even a faster manner than what simply the pandemic is helping them grow with the elearning products. And then having us giving us access to their long standing customers.

To wrap up the question, we are looking for acquisitions, investments or acquisitions in the area of IT services, both very small or large companies.

Thank you all for joining us this morning and have a nice and profitable trading day.

