General Context

We believe that the acceleration of the digitalization of entrepreneurial companies is the engine of the development of the CEE economy and we want to have a decisive role in this process.

That is why the strategy of the Bittnet group is to become a platform of professional services in the field of technology and education, starting from our traditional, basic competencies, where we have competitive advantages, combining access to human resources with access to clients and access to financing through capital market mechanisms. At the BVB Main Market crossing event, we assumed the intention to reach a value of the BNET group's turnover of EUR 100 million in the next 4 years. We stated that this is possible through a mix of organic growth as well as through an intense M&A activity carried out on the local market but also in the CEE countries that are similar in terms of potential with the RO market.

According to the latest McKinsey study, ₁ Digital Challengers in the next normal" - across the Central and Eastern European (CEE) area, there has been an acceleration in the growth rate of digital economies. Basically, 78% of the growth registered in 2019 was achieved in 2020 in the first 5 months and the accelerated pace will continue in the period 2021-2023. In this new context, the ability of companies to adopt technology has, in many cases, made the difference between companies that manage to overcome difficult times well and those that will have to reduce and even close their business.

Although in most cases the measures taken by companies in the last 12 months have been aimed at solving specific short-term problems (migration of the online workforce, solving access to systems and data, securing platforms) - on the principle of urgency and without plan adequate budgets - we expect the period 2021-2023 to mark a consolidation of these online communication systems / platforms / channels.

About Servodata a.s

Servodata Group is part of the consulting, audit and technology group Moore Czech Republic, owned by Petr Kymlička and Radovan Hauk. The Group's activity includes consulting and auditing, as well as accounting, tax, legal, training and educational, technological and ICT services. In 2020, Moore Czech Republic reported a consolidated turnover of about EUR 20 million. Moore Czech Republic is part of Moore Global, one of the largest international networks of audit and consulting firms

Servodata a.s. is a joint stock company based in Prague, Czech Republic. The company has three subsidiaries. Servodata Group has been operating in the Czech market for over three decades and is one of the leading companies in the field of providing IT solutions for business. Servodata has also been present on the Slovak market since 1994.

The key area of activity of Servodata includes the design, implementation and support of technological infrastructure, IT consulting and support services, including large-scale outsourcing of IT services. In the field of software development, Servodata focuses mainly on the implementation of business intelligence solutions. Recently, the organization has made significant investments in cybersecurity, which has helped to strengthen its position in Slovakia. The company has 70 architects, software developers and consultants.

In 2020, Servodata recorded revenues of approximately EUR 10 million, 11% more than in 2019 and a net profit of EUR 0.4 million, up 60% from the previous year.

For comparison with the activity of the Bittnet Group, the portfolio of solutions and services of Servodata is similar and complementary to the Dendrio and Softbinator portfolios.

The main lines of activity of Servodata

1. **Development of applications and computer systems** (+ 20% of turnover) and involves:

    a. Custom development of mobile, desktop and web applications;

    b. Customized development of IT systems and portal solutions;

    c. Implementation of IoT sensors, portable electronic devices, including data processing;

    d. It offers complete solutions, including database design, migration, data integration integration, data and BI visualization, automatic assembly and implementation of DevOps, CI / CD applications;

e. The solutions provided are based on commercial and open source platforms such as .NET CORE, Java, Sharepoint, Angular, PostgreSQL, AutoCAD, Autodesk Inventor, GIT, Azure, DevOPS, Bamboo / Jenkins, Docker.

2. **Organising business processes** (10% of turnover) and involves:

    a. an analysis of the current state of processes, workflows, employee tasks, job reporting and employee time management, document management, project management and all key factors;

    b. designing an optimal solution in the form of process modification, automating it and supporting them with an appropriate tool. The financial aspect is also part of the proposal;

    c. implementing the proposed changes and training all employees, thus ensuring the success of teaching;

    d. In the delivery of turnkey solutions are used primarily the products of the Atlassian company (Jira, Confluence, Tempo, etc.), the company being one of the top partners on the local market. (Gold Certified Solution Provider).

3. **Cyber security and consulting** (20% of turnover) and involves services:

    a. Professional IT consulting consisting of a detailed analysis of HW, SW and licenses used including an analysis of the types of licensing agreements and the price paid.

    b. Based on the analysis, the current situation regarding the price vs. performance ratio is assessed and compared with the requirements formulated to define a clear objective, including the process and timing of implementation and quantification of savings. In later phases, these documents will materialize in an IT strategy that can be presented to decision makers;

    c. Cyber security services include services for detecting and correcting security deficiencies (documentation, penetration tests, vulnerability, testing, phishing for social engineering, etc.);

    d. It ensures the continuous monitoring of the network infrastructure but also of the server and data storage systems (software) both at the level of data flow and by monitoring the activity of some key operating parameters;

    e. It ensures traffic monitoring, development prediction and prevention in terms of stability, performance and safety;

    f. Access to the team of experts for adequate response to events and incidents.

4. **Outsourcing services for international clients and service desk** (10% of turnover)

    a. Partial or full-time outsourcing of IT services both on-site and remote. Within the cooperation, solutions are proposed for the efficiency, security / implementation of the delivered services to ensure not only the operation, but also the development of technological services to support the client's business;

    b. Maintenance of IT infrastructure, updating and monitoring systems, resolving incidents, secure data backup;

    c. For these services are used primarily solutions from major technology partners (the company is Microsoft GOLD, Vmware, Veeam).

    d. as the case may be, they are used in open source implementations and solutions in which the price / performance ratio is better;

    e. these services are offered in the form of outsourcing to over 50 companies in the private sector and in the public sector;

    f. The Service desk area works 24x7x365 and offers a single point of contact for employees / partners to deal with tickets;

   g. Accepts and resolves the request individually (L1) or in cooperation with the IT department (L2 L3);
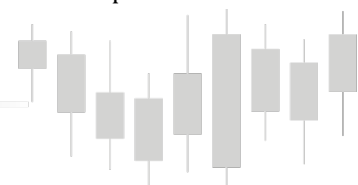
h. It works on the basis of defined SLAs, performing a detailed monitoring of tickets and resolutions; statistics are maintained and evaluated to provide reports to customers;

i. Support is offered in 11 languages, 30 countries (Europe, Middle East, India).

5. **Infrastructure and licensing (40% of turnover)** is the traditional project area similar to the integration activity of Dendrio where HW products from technology partners are combined with software components and to which is added the area of professional installation services, configuration, maintenance.

   a. We design public, private and hybrid cloud solutions based on customer needs, including migration using the lift & shift method or refactoring the service;

   b. Depending on the case, a service containerization solution (Docker) is included for a better scalability of the service and the possibility of automated provisioning of the infrastructure.

The main technology partnerships

The main industries in which the company operates
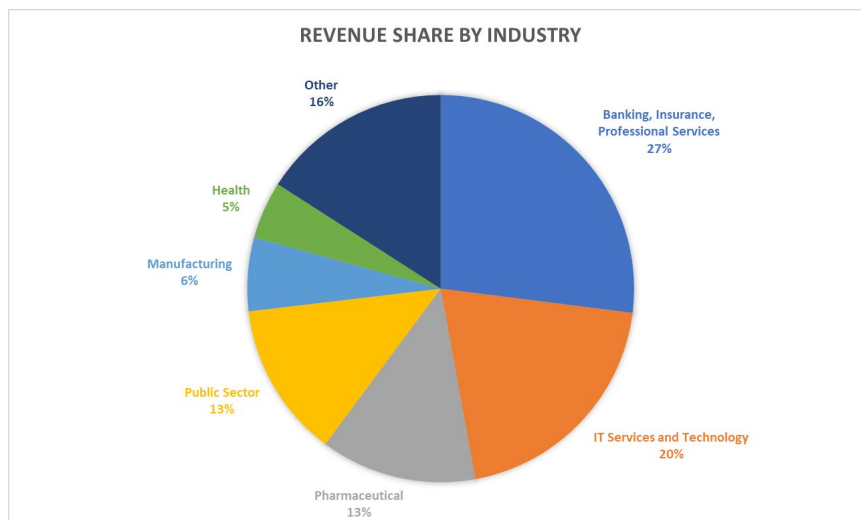
References and case studies

On the company's page are presented in detail a series of case studies and public references for each area of the portfolio but also for the main market verticals on which the company operates. Below we have highlighted some examples but for a more in-depth analysis we invite you to access https://www.servodata.net/#case-studies.
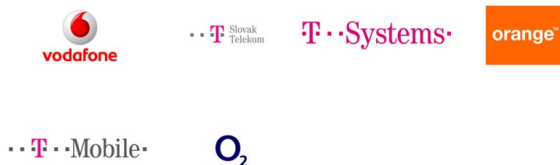
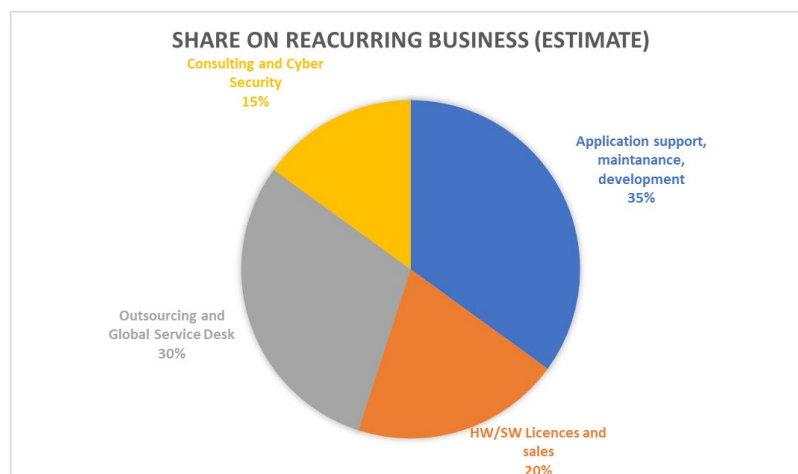**Public sector**

Utility

Telecommunication

Trade

Other particularities related to the company's activity

- On average between 30-40% of annual revenues can be considered to be recurring revenues which is a rate comparable to that of Dendrio.

- There is a concentration of about 60% at the level of the first 10 clients, a level somewhat similar to the Dendrio situation.

- Locally, Servodata collaborates with the IT training company DataScript (also owned by the Czech group Moore) to deliver training and professional development services; the Datascript portfolio being similar and complementary to Bittnet Training. Datascript is not within the scope of the current transaction but we have identified cooperation opportunities with Bittnet Training.

- In recent years, the company has made sustained efforts to change the business model to a model based on recurring services and its own products, targeting more and more medium-sized customer segments.

SHARE ON REACURRING BUSINESS (ESTIMATE)

Consulting and Cyber Security 15%

Application support, maintanance, development 35%

Outsourcing and Global Service Desk 30%

HW/SW Licences and sales 20%

Rational of the operation

The strategy of the Bittnet Group is to become a platform of professional services in the field of technology and education, starting from our core competencies, where we have competitive advantages, combining access to human resources with access to clients and access to financing through capital market mechanisms.

In order to follow the development plan to become a regional player with a presence in the CEE countries and with a consolidated figure of EUR 100 million in the next 4 years, we hired during 2020 a series of consultants specialized in M &As transactions both in Romania as well as abroad, identifying profiles of similar but also complementary companies with the entities of the Bittnet Group. For this purpose, we follow solid and profitable companies with growth prospects and with which to obtain economies of scale.

In the case of Servodata, the service portfolio partially overlaps with that of Dendrio and Softbinator and to a small extent with that of Elian Solutions. Some of the technology partnerships (the most important of which is the GOLD partnership with Microsoft) are common which will allow a strengthening of the position in both markets while the rest of the portfolio paves the way for cross-sell sales opportunities. For example, Servodata's level of expertise and partnership with vendors such as RedHat, Atlassian, Citrix or Zabbix paves the way for new opportunities for Dendrio. Equally in the area of infrastructure solutions based on Cisco technologies, Dendrio's expertise is clearly superior, which opens the way to communications infrastructure projects that Servodata can position in the markets in which it operates.

This approach allows us to quickly understand how these companies work, which are the customer segments they address and which are the main suppliers and how the day-to-day operations take place.

In the case of Servodata, we have identified a concern for medium and large customers in the private area with a focus on industries consuming IT solutions (financial banking and insurance industry along with the production and technology area) Similarly to Dendrio there is a secondary concern for the public sector which is generally less predictable but which can generate large-scale projects especially in this post-pandemic context which has accelerated the need for digitization in the public sector.

Starting from this evaluation base correlated with a different geography from the one on which the Bittnet group carries out its activity, we have the premises of intra-company cooperation obtaining a series of **economies of scale** (in the sense of reducing operating costs, in the sense of increasing of human resources in projects and in general of the total number of people needed to be employed for each stage of development). Other examples of identified **savings come from the area of operations but also from the marketing area** where both organizations have high and redundant costs with IT platforms but especially with content development to fuel inbound marketing processes and in general campaigns to attract new customers.

In the initial selection process, the organizational culture and the strategic perspectives of the future partners become very important because we are not looking for partners who seek an exit but rather we are looking for partners who share a common vision on the direction of digital transformation of economies and companies in Central and Eastern Europe.

In this case, we identified in the Czech Moore group a mature partner with a solid vision and who invested in the Servodata company, identifying its potential on the Czech and Slovak market. As a result of Moore Czech Republic's involvement, Servodata has gone through a stage of changing its **business model to a service-based business model that is increasingly being delivered to the customer in the form of recurring services.** At the same time, the company's strategy has been one of solid growth with a focus on high value-added services, which translates into high gross margins (in the last two years the company has had a gross margin of over 35%).

Very important in our medium and long term construction is also the concern for **key areas such as the cloud area and cybersecurity**. In the case of Servodata, such services for migrating applications to the public cloud (AWS, Azure) correlated with the ability to deliver and hybrid projects represent a component in the current offer.

Another equally important and common trend is the CyberSecurity area where Servodata has paid more attention in recent years and a significant percentage of the 2020 results come from these services which additionally represent an important component for the recurring revenue area. In particular, **the company has developed its own security attack monitoring and detection product**, a product based on open source technology so that it can be easily installed and accessible to the small and medium-sized customer area. This product is installed in the client's infrastructure and allows careful monitoring of digital assets to determine abnormal behaviours and to intercept possible cyber attacks. This is just one of Servodata's own products. Monitoring is done through a service desk that is available 24*7*365.

We have stated several times that there is a period of acceleration of the efforts made by the public sector but also by the private sector in the direction of digital transformation which is the main engine of growth for the CEE economies. But we understand that these transformations are complex and lasting and most digital transformation projects involve a mix of technologies, products and services powered by cloud so in the new formula the ability to deliver more complex projects for our customers increases exponentially.

Company evaluation and proposed transaction

The value of the transaction is EUR 1.4 million, and the amount will be paid to the current owner of Servodata, Moore Czech Republic, in BNET shares that will be issued through a new capital increase operation.

Moreover, Bittnet Group will finance Servodata with a loan amount of EUR 2 million for the development of common products and geographical expansion over the next three years.

Following the transaction, Bittnet Group will own 35% of Servodata, and Moore Czech Republic will own 65% of the company's shares.

According to the investment plan, Bittnet will buy 35% of the share capital of Servodata from Moore Czech Republic, for an estimated amount of EUR 1.4 million, the amount that will be settled in BNET shares in a future share capital increase operation. The actual number of shares to be issued will be determined in accordance with the provisions of art. 210 (2) of Law 31/1990 and art. 87-88 of Law 24/2017 on issuers of financial instruments and market operations and art. 174 of the FSA Regulation no. 5/2018. This valuation offers a multiple EV/EBITDA of 6.4x, which makes the payment with BNET shares advantageous for all parties involved, including existing Bittnet shareholders.

In addition, Bittnet will provide financing in the form of a loan (either directly or through the provision of guarantees) up to the amount of EUR 2 million in the next 3 years, based on Servodata's development projects.

The transaction will be subject to approval at a general meeting of shareholders (both Bittnet and Servodata), and is subject to the successful completion of the due diligence process. In case of successful completion of the investment, the board of directors of Servodata will consist of 5 members, 2 seats belonging to the shareholder Bittnet.

According to the investment contract, Servodata will start distributing cash dividends in a proportion of maximum 30% of the annual profit starting with the next fiscal year. In 2020, Servodata achieved total revenues of EUR 10 million and EBITDA of EUR 1 million, both indicators representing growth compared to the previous year.

The main financial indicators of Servodata for the period 2019 and 2020 are:

	2020	2019	Yoy
SALES REVENUE	€ 9.892.000	€ 8.877.000	11.4%
GROSS MARGIN	€ 3.730.000	€ 2.982.000	25.1%
% GROSS MARGIN	37,7%	33,59%	
EBITDA	€ 986.000	€ 888.000	11%
% EBITDA	9,97%	10,00%	
PROFIT/LOSS	€ 172.000	€ 241.000	-29%
% PROFIT/LOSS	1,74%	2,71%	