

Letter to Shareholders - December 2020

Dear Shareholder,

Despite these unprecedented challenging times, we are happy to announce that BMIT Technologies keeps showing resilience as well as good results. Our company has managed to adapt and evolve to counter the challenges brought on by this pandemic, and as a result, we are pleased to share with you an update on BMIT Technologies' performance during and until Q3 of 2020.

Major Highlights

- Overall performance still in line with targets set for FY20
- Completed acquisition of Handaq property, where our main datacentre is located
- Network expansion completed to cater for increased demand and improved resiliency
- Continued investment in new products and services
- Advent of COVID-19 with significant disruption to global economies and customers

Financial performance

As at end of Q3-2020, the BMIT Technologies Group generated revenues of €17.9 million (Q3-2019: €16.9 million), a growth of 6.1% over the comparative period last year. The growth in revenue was derived mainly from cloud services and from connectivity services, which improved by around 16% over Q3-2019.

This positive performance was sustained despite the challenges brought about by the Covid-19 pandemic, which impacted both our data centre and on-premise services. Data centre-related revenue was also impacted because of a changing technological landscape, as well as a number of customer consolidations.

Cost of sales and administrative expenses were just below €10 million (Q3-2019: €9.3 million). The main increase of €0.7 million is the result of an increase in revenue from cloud and connectivity services, which has driven up the cost of goods sold.

Compensating for this increase, savings were recorded in power. Past investments, made to replace older technology in our Handaq data centre, are now reaping a return as the new system has proven to be more efficient in power consumption. This resulted in an EBITDA of €7.9 million up to Q3-2020, an increase of 4% over last year.

Financial position

As of 30 September 2020, the BMIT Technologies Group held an asset base of €25.8 million, compared to €23.1 million on 31 December 2019. Property, plant and equipment increased significantly as a result of the acquisition of the previously leased property in Handaq for €4.2 million, to a net book value of €10.4 million.

Total liabilities stood at €15 million, an increase of €3.2 million over 31 December 2019, mainly due to a €3.6 million loan for the financing of the Handaq acquisition. Nonetheless, the Group's gearing remains low.

Despite these extraordinary times, the Group still maintained a strong cash position, honouring its commitments with its stakeholders including the timely payment of dividend to shareholders.

EBITDA of

€7.9

million up to
Q3-2020

“

[BMIT Technologies] generated revenues of €17.9 million, a growth of 6.1% over the comparative period last year.

”

Projects & investments

While 2020 is proving to be a challenging year globally, BMIT Technologies can still look back on a productive quarter in terms of finalising projects and developing new ones. Of relevance are:

- The launch of new product – BMIT Technologies CX Virtual Agent (CX-VA). This service enables an AI-based virtual assistant to help companies enhance their customer support efforts across different communication channels. A result of our partnership with EBO.ai, CX-VA is currently being positioned to several prospects, with very strong interest registered.
- Further expansion to the Company's international high-speed private network, to cater for increased demand and improved resiliency. Capacity has now been increased to 60,000Mbps, with more performance-enhancement features introduced and new security features added.

On the investment side, all major investments, including the Żejtun Data Centre development, are being re-evaluated from a strategic perspective, due to the realities brought about by the pandemic. In this context, several consolidation and growth opportunities are being explored, to ensure further growth in the future.

Covid-19 impact

Although the COVID-19 pandemic has had a significant impact on the global economy, it also resulted in a growth in demand for cloud services. In fact, although such growth had a marginal impact on the Company's core business, it helped accelerate an increase in demand for the Company's cloud services, as customers subscribed to a variety of remote technology services and sought new means to achieve short term efficiency gains. Moreover:

- A good number of online gaming operators continued to register stable or growing demand, with a ripple-on effect on BMIT Technologies
- We rolled out new services to assist customers adjust to the Covid-19 realities
- We sought to address a situation of slow demand for on-premise support from local businesses as a result of work-from-home policies

The recovery of both local and global economies will obviously determine future growth and in the longer term we expect demand to be impacted by changing consumption patterns, new technology trends and other opportunities.

What's next for BMIT

In 2021, the following initiatives are expected to come to fruition:

- A new DDOS Mitigation Solution. The planned replacement of the Company's existing mitigation platform is currently underway. The new system will enable us to offer superior service levels and new features
- Continued customer and product diversification beyond gaming and our core services, including a further strengthening of our solutions portfolio
- Actively addressing our Malta focus by exploring how we can tap into new markets.

In closing

I would like to take this opportunity to thank you our shareholders for your trust and confidence in BMIT Technologies. We will continue to explore growth opportunities with a view to achieve sustained long term success.

Christian Sammut
CEO

