

Bosko Radivojevic on mCloud performance in Q1 2020: “The first quarter was very good in many aspects.”

Milan, 12 May 2020. Global uncertainty took over the world as soon as we entered 2020, once the novel coronavirus has made its way across the globe, sending economies and businesses into the journey of turmoil. Many companies shut their doors, with small businesses taking the biggest hit. However, digitally-oriented companies seem to be less affected, but the usual day-to-day operations do not look anything like before.

Today, we spoke with Bosko Radivojevic, the CEO of mCloud, about how his company has been dealing with the new reality.

How did the Q1 of 2020 go for mCloud?

Bosko Radivojevic: “The first quarter was very good in many aspects. As kind of a prequel to this year, December’s results were fantastic. I was a bit afraid that such a good result in December would have a significant influence on the first quarter’s numbers. But Q1 figures were strong, and we stayed on the track to hit this year’s targets.

Furthermore, what is very nice to see, is that in regards to revenues, when compared quarter-to-quarter (Q1 2019 vs Q1 2020), we achieved a 20% growth and we managed to do it with only a marginal increase in operating expenses (4%). The formula that we created in 2019 for this year is to look for an increase in business activity, but keep our expenses at around the same level - the 4% increase we saw was only in direct expenses. This increase primarily came from such expenses.

Almost all other expenses are pretty fixed now. From that perspective, the results this year could be very nice.”

Did the novel coronavirus have any impact on mCloud operations? In your opinion, what is the long-term effect of COVID-19 on the web-hosting market?

Bosko Radivojevic: “I have a few important points to share for this question - number one is the adaptation to working from home, which is an important issue. Technically, we were prepared very well. Because of the alertness of all of us and, most importantly, continuous flow of information from Italy, mCloud started preparing for work from home quite early. In the first 2-3 weeks of working from home, we saw people being online throughout the day. In this sense, we tried to be quite flexible. Often I catch myself thinking that we might not need an office anymore after lockdown ends - if you are just staying at home while everybody is doing their jobs, maybe that is the future of many technology companies and mCloud as well.

Another important thing is marketing - it all started as guerrilla marketing, so the first blog post that we pushed was of us being able to help set up working from home. We had two blog posts that went sort of viral, one of which was about working from home. We had a lot of comments and engagements, and a lot of real questions. But actually, the key killer blog post was about 5G networks, specifically, the benefits of 5G. We were boosting it over Facebook - that created hundreds of comments, likes, dislikes, and a lot of website traffic. We had almost 10,000 more visits than usual in a few days - it is pretty interesting. We are now thinking about how we can engage the public more.

Also, we joined the digital solidarity project that is led by the governmental agency - The Office for Information Technologies and E-government. We offer free of charge support for schools that want to switch to e-learning. We try to give them web hosting, emails, resources for the Moodle platform, and other e-learning platforms.

We are still trying to understand how this coronavirus situation will reflect on us and what kind of consequences we will see for our business. So far, we do not see anything that is different. We have the same amount of invoices, new services, customer complaint tickets as expected - everything is the same. If you look at it from a results point of view (we already have results for April) and if you look at April, it is pretty much the same as we anticipated it would be at the beginning of this year. We do not see any troubles on the horizon.

On the other hand, people are still in some kind of adaptation phase, so no one is rushing to interrupt services. We may see some problems or troubles with the economy later this year, who knows. Serbian government announced an economic plan which is pretty huge - around 5 billion dollars. This, in my opinion, is quite a lot for Serbia. We already have some numbers from the United States and Germany, and we see how economies are contracting there, so we might see some kind of cascading effect in Serbia as well as for Serbian businesses because mainly our customers are from Serbia.

We have some big customers and I expected that they would be asking for some payment postponements, but they have been really good, and I am very thankful to our customers who are all gentle and kind. So far, they are not demanding anything we cannot offer.”

How was your new product “Cloud Ready” performing during the Q1 of 2020?

Bosko Radivojevic: “We added quite a few new services or “new templates”. One of them is called NextCloud, a kind of file-hosting solution - we are trying to prepare customers with a ready-to-run server that will provide storage capacity. It is very affordable – if you look at the price of Dropbox when you want to buy a package, you cannot buy anything lower than 1 terabyte. So, we created smaller disk sizes like 100GB and we see a lot of activity there. The CloudReady offer is ready and it is already live, and we are still trying to find the perfect mix and it is a good thing that we can experiment.

No one knows what customers are looking for. If you look at the current offering of cloud operators, they are all pretty unified in terms of offerings. You can buy a server, you can buy a server with X

amount of RAM, disk space, etc. but anything beyond that is taken over by companies like Dropbox and other similar companies providing ready-to-use services and not just resources to run such services.

That gap is quite huge for companies like mCloud, because we do not have software development, we do not have any capacity to create applications. We are trying to use what is off the shelf or open-source or to try to close that gap and provide something that is more service-oriented and less infrastructure-oriented. That is a big step and a huge gap for all of us. There are a lot of different ways to try and do it - and we tried with things like a marketplace for business applications (we call it cloud applications). That is good - you can go there and you can contact software developers or software vendors directly, but that is not something you can sell online. It is more focused on B2B relations and more tailored for direct sales.

Cloud Ready is the same thing, but for masses. We tried to create something that was fully automated and that is the way to go forward. We just need to continue experimenting and try to find the right mix - it is what the customer will recognize as what they need. Now, we are devoting a lot of time for that, and pretty much every month we try to release something to see how it will go and if the reaction will be there and we are not afraid of removing something from the offering.

In essence, we are trying to sell storage space that is easy to sync between devices. We will see how it will go. So far, we already have customers using it, so that might be the next big thing in our portfolio, who knows. This is the new product we were talking about, but it is part of Cloud Ready - a section on our website where you can buy and start using it immediately.”

What are the plans of mCloud for the upcoming months?

Bosko Radivojevic: “So far, I cannot see that the coronavirus is influencing us significantly, but it seems inevitable that economies will contract so we might see some troubles, but not too much. I mean, domain name and hosting space is probably the last thing you will cancel when you are having trouble with business because if you are not present online, it would be the same as if you closed the company.

I think the marginal amount of companies that will close shut their online presence will not be that significant. I am not expecting that we will see much of the issues potentially in the economy since we are pretty well diversified in terms of our portfolio of customers - we have customers of all different kinds.

We have personal accounts and we have business accounts. Besides, we have many different types of businesses, such as schools, butcher shops, travel agencies, restaurants. Some of them may close, but on the other hand, we have other businesses that are now emerging and are now starting to be very important, and they require more and more resources. Like with any crisis, it will be a problem for someone and an opportunity for someone else.

We are there to support all kinds of customers. We assume good outcomes may offset bad outcomes and, at the end of the day, we will be fine. So far, I have no data to support any argument that we are facing

any problems. There is no single number that is not working for us right now. On the other hand, I cannot say that it will stay like that forever because there are a lot of uncertainties right now.

At the beginning of the lockdown, for the first two or three weeks pretty much all new projects were on hold - we were trying to adapt. Now, people are naturally continuing to work on those projects - we have a few of them. One of the projects is in the sector of security. We are still trying to see if price-wise we can be okay with that. It is an idea to provide our customers with managed security. This is always a problematic thing because you can easily overpromise and the problem of overpromising is that it all looks nice on the website, but when you have to deliver it, it can be a problem.

It is a nice solution and we like it and we now have it up and running, but we still need to be sure of the best way to monetize and offer it as a part of all the other services. We are now working on the security portfolio and probably by the end of the quarter, we may have something on that front. It's also a matter of what kind of customers we want to attract in the future. We are now sitting like the jack of all trades - we are attracting private customers, smaller businesses and maybe we want to go towards the bigger businesses, and maybe the security part is an essential solution to have.

The initiative for security portfolio of services is something that started and emerged from within the company. It was not part of any roadmap initiative - it came out of a discussion that we had internally, when talking about our customers and what we think we will need to improve so that we can offer more services and better services to our clients. That is something I am proud of.

We are building a team and now that team is very confident in what they are doing. That is the kind of thing that you want to have inside your team. I need to admit that it does not take any special efforts to keep my team motivated because people are young and they do not know much about things. I was expecting more troubles in the field of motivation and morale, but we do not still have that as a problem.”

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