



Company Flash Note

Reason: Company results (post view)

31 March 2020

Buy

Recommendation unchanged

Share price: EUR 4.55

closing price as of 30/03/2020

Target price: EUR 9.86

from Target Price: EUR 10.47

Upside/Downside Potential 116.6%

Reuters/Bloomberg

GIGAS.MC/GIGA.SM

Market capitalisation (EURm) 20

Current N° of shares (m) 4

Free float 50%

Daily avg. no. trad. sh. 12 mth 5

Daily avg. trad. vol. 12 mth (m) 0.77

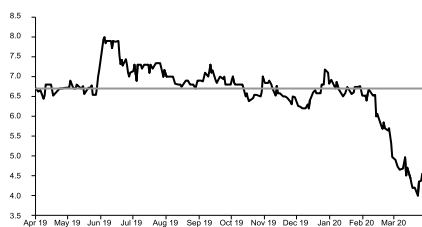
Price high/low 12 months 8.00 / 4.00

Abs Perfs 1/3/12 mths (%) -8.45/-35.92/-31.58

Key financials (EUR)	12/18	12/19	12/20e
Sales (m)	9	10	12
EBITDA (m)	2	3	3
EBITDA margin	18.6%	24.5%	26.5%
EBIT (m)	0	1	1
EBIT margin	1.0%	6.6%	9.5%
Net Profit (adj.)(m)	(0)	0	1
ROCE	0.9%	5.0%	8.2%
Net debt/(cash) (m)	2	4	3
Net Debt Equity	0.4	0.7	0.6
Net Debt/EBITDA	1.3	1.5	1.0
Int. cover(EBITDA/Fin.int)	4.6	6.1	10.8
EV/Sales	3.5	3.2	1.9
EV/EBITDA	18.7	13.2	7.4
EV/EBITDA (adj.)	18.7	13.2	7.4
EV/EBIT	nm	48.8	20.6
P/E (adj.)	nm	nm	31.9
P/BV	5.6	5.7	3.5
OpFCF yield	-5.7%	-2.2%	7.8%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.03)	0.05	0.14
BVPS	1.17	1.19	1.31
DPS	0.00	0.00	0.00

Shareholders

Founders and management 24%; Bonsai Venture Capital 7%; Caixa Capital 8%;



Source: FactSet

— GIGAS HOSTING — MAB (Rebased)

Analyst(s)

Juan Peña

juan.pena@gvcgaesco.es

+34 91 436 78 16

Annual Accounts '19: The peace of mind of deliver the promises

Gigas Hosting published this morning its audited Annual Accounts (by EY) for 2019. The results were already advanced in January the big numbers and there are no great variations. The numbers are slightly above our estimates in Revenue and in line in EBITDA.

- ✓ The company published a **comparison with the budget** for 2019 in which a slight delay in sales is observed due to the loss of a partner in the first half of the year but which was compensated by lower costs to reach an EBITDA in line with the budget. Additionally, this EBITDA includes expenses from the purchase of AHP made in November as well as certain expenses from stock option allocations. **Without these expenses, recurring EBITDA would be EUR2.85M vs. EUR2.5M in budget.**
- ✓ On the **operational side**, there was an **increase in the number of Cloud Datacenter customers (818 vs 739 in 2018)**, however **ARPU dropped** as a result of the loss of high-value customers due to the loss of the partner (acquired by another company) from **EUR 1,224 to EUR 1,157**. On the **Cloud VPS side**, the company continued its strategy of reducing its customer base by increasing average ARPU to focus on higher value customers. Thus the base was reduced from **3,158 customers in 2018 to 2,846 in 2019 with ARPU increasing from EUR27.7 to EUR29.2 at the end of 2019**.
- ✓ The **budget** presented by the company for **2020** presents an **increase in net revenues of 18.4% to reach EUR12.1M and a growth in EBITDA of 28% to reach EUR3.2M**. In our model we have included slightly lower growth, reaching EUR11.7M in revenues and EUR3.1 in EBITDA.
- ✓ During the year the company **increased its net debt to EUR3.7M (1.5x DN/EBITDA)**, mainly due to the purchase of AHP and its cash flow was reduced. **Free cash flow has been positive before M&A expenses.**
- ✓ In the **current context** that we are living at global level, there are **positive aspects** for Gigas. The **increase of teleworking and remote working tools** make necessary for many companies cloud solutions to keep common files in the cloud and many companies will accelerate the processes of digitizing their information. On the **negative side**, the **foreseeable economic slowdown or recession** will increase the pressure on ARPUs. In our model we have reflected these impacts, which are offset by greater cost efficiency in the company, as well as more moderate capex (exM&A).
- ✓ Additionally, the company generates **50% of its business in Latin America**. That continent is having numerous **economic and social problems** and this means that many **currencies** are depreciating and activity in those countries is suffering. The company has halted all inorganic growth in the region and will focus on maintaining business in Latin America and pursuing growth opportunities in Europe.
- ✓ With all these inputs we have updated our model, **obtaining a valuation of EUR9.9/share maintaining the BUY recommendation.**

FY19 Results vs Budget

PERDIDAS Y GANANCIAS CONSOLIDADO

Cifras en euros	2019		2018		Presupuesto 2019	
	ENE-DIC	% Var.	ENE-DIC	% Var.	ENE-DIC	% Var.
Facturación a clientes	11.846.249	16,7%	10.155.158	0,1%	11.832.270	
Periodificaciones de ventas	73.291	-184,1%	(87.111)	387,0%	15.050	
Descuentos y promociones sobre ventas	(1.691.622)	22,2%	(1.384.168)	32,4%	(1.277.354)	
Importe neto de la cifra de negocios	10.227.918	17,8%	8.683.880	-3,2%	10.569.966	
Trabajos realizados para su activo	328.655	31,0%	250.881	38,1%	237.944	
Ingresos Extraord., Subvenciones y Otros	84.087	44,3%	58.255	189,4%	29.052	
Aprovisionamientos	(2.406.276)	27,8%	(1.882.547)	0,0%	(2.407.276)	
Costes captación clientes online y terceras partes	(58.973)	-8,2%	(64.221)	-59,1%	(144.035)	
Datacenters y conectividad	(1.072.622)	31,9%	(813.510)	-0,2%	(1.074.957)	
Otros aprovisionamientos	(1.274.681)	26,9%	(1.004.816)	7,3%	(1.188.284)	
Gastos de personal	(3.737.552)	16,0%	(3.220.911)	-3,5%	(3.874.531)	
Sueldos, salarios y asimilados	(3.102.409)	16,4%	(2.665.992)	-3,6%	(3.219.302)	
Cargas sociales	(635.143)	14,5%	(554.920)	-3,1%	(655.229)	
Otros gastos de explotación	(1.971.043)	-13,3%	(2.274.573)	-1,6%	(2.002.611)	
Servicios exteriores	(1.847.758)	1,6%	(1.819.352)	0,1%	(1.846.527)	
Servicios profesionales y otros	(1.664.349)	1,6%	(1.637.806)	7,8%	(1.543.225)	
Marketing y publicidad	(183.409)	1,0%	(181.546)	-39,5%	(303.301)	
Pérdidas, deterioro y var. Provs. ops. comerciales	(123.285)	-72,9%	(455.222)	-21,0%	(156.084)	
Otros resultados	(21.287)		1.369		-	
Resultado bruto de explotación (EBITDA)	2.504.501	54,9%	1.616.352	-1,9%	2.552.544	
Resultado bruto explotación (EBITDA) %	24,5%	31,6%	18,6%	1,4%	24,1%	
Margen bruto	7.821.643	15,0%	6.801.332	-4,2%	8.162.690	
Margen bruto %	76,5%	-2,4%	78,3%	-1,0%	77,2%	

Budget 2020

PRESUPUESTO 2020 CONSOLIDADO

Cifras en euros	2020b	% Var.	2019
Facturación a clientes	13.791.095	16,4%	11.846.249
Periodificaciones de ventas	22.699	-69,0%	73.291
Descuentos y promociones sobre ventas	(1.701.548)	0,6%	(1.691.622)
Importe neto de la cifra de negocios	12.112.246	18,4%	10.227.918
Trabajos realizados para su activo	396.820	20,7%	328.655
Ingresos Extraord., Subvenciones y Otros	36.252	-56,9%	84.087
Aprovisionamientos	(3.031.571)	26,0%	(2.406.276)
Costes captación clientes online y terceras partes	(42.744)	-27,5%	(58.973)
Datacenters y conectividad	(1.256.753)	17,2%	(1.072.622)
Otros aprovisionamientos	(1.732.074)	35,9%	(1.274.681)
Gastos de personal	(4.253.483)	13,8%	(3.737.552)
Sueldos, salarios y asimilados	(3.552.651)	14,5%	(3.102.409)
Cargas sociales	(700.832)	10,3%	(635.143)
Otros gastos de explotación	(2.054.311)	4,2%	(1.971.043)
Servicios exteriores	(1.893.381)	2,5%	(1.847.758)
Servicios profesionales y otros	(1.677.555)	0,8%	(1.664.349)
Marketing y publicidad	(215.826)	17,7%	(183.409)
Pérdidas, deterioro y var. Provs. ops. Comerc.	(160.930)	30,5%	(123.285)
Otros resultados	-		(21.287)
Resultado bruto de explotación (EBITDA)	3.205.953	28,0%	2.504.501
Resultado bruto explotación (EBITDA) %	26,5%	8,1%	24,5%
Margen bruto	9.080.675	16,1%	7.821.643
Margen bruto %	75,0%	-2,0%	76,5%

GIGAS HOSTING. Estimates Adjustment

(EURm)	2019e	2020e	2021e	CARG19/21e
Sales before	10.187	11.711	13.447	14.9%
.... And after	10.228	11.707	13.437	14.6%
% change	0.4%	0.0%	-0.1%	
Adj. EBITDA before	2.497	3.028	3.633	20.6%
.... And after	2.505	3.099	3.642	20.6%
% change	0.3%	2.3%	0.2%	
Adj. EBITDA M. before	24.5%	25.9%	27.0%	-
.... And after	24.5%	26.5%	27.1%	-
% change	.0pp	.6pp	.1pp	
Adj. Net Profit before	0.365	0.550	0.804	48.4%
.... And after	0.216	0.616	0.823	95.3%
% change	-40.9%	12.1%	2.4%	

Source: Gigas Hosting & GVC Gaesco Valores Estimates

Gigas Hosting: Summary tables

PROFIT & LOSS (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Sales	8.7	10.2	11.7	13.4	15.0	16.7
Cost of Sales & Operating Costs	-7.1	-7.7	-8.6	-9.8	-10.9	-12.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1.6	2.5	3.1	3.6	4.1	4.7
EBITDA (adj.)*	1.6	2.5	3.1	3.6	4.1	4.7
Depreciation	-1.5	-1.8	-2.0	-2.3	-2.6	-2.8
EBITA	0.1	0.7	1.1	1.4	1.6	1.9
EBITA (adj)*	0.1	0.7	1.1	1.4	1.6	1.9
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.1	0.7	1.1	1.4	1.6	1.9
EBIT (adj.)*	0.1	0.7	1.1	1.4	1.6	1.9
Net Financial Interest	-0.4	-0.4	-0.3	-0.3	-0.2	-0.2
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	-0.3	0.3	0.8	1.1	1.3	1.6
Tax	0.1	-0.1	-0.2	-0.3	-0.3	-0.4
<i>Tax rate</i>	<i>43.0%</i>	<i>20.4%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	-0.1	0.2	0.6	0.8	1.0	1.2
Net Profit (adj.)	-0.1	0.2	0.6	0.8	1.0	1.2
CASH FLOW (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Cash Flow from Operations before change in NWC	1.4	2.0	2.6	3.1	3.6	4.1
Change in Net Working Capital	-0.4	-0.4	0.1	0.1	0.1	0.1
Cash Flow from Operations	1.0	1.7	2.7	3.2	3.7	4.2
Capex	-2.6	-2.3	-1.2	-1.3	-1.5	-1.7
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-1.6	-0.7	1.5	1.9	2.2	2.5
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-1.2	-0.6	-0.2	-0.6	-1.1	-1.6
NOPLAT	0.1	0.5	0.8	1.0	1.2	1.4
BALANCE SHEET & OTHER ITEMS (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Tangible Assets	3.0	3.1	2.5	1.8	1.1	0.3
Net Intangible Assets (incl. Goodwill)	4.0	5.9	6.5	7.5	8.8	10.5
Net Financial Assets & Other	2.4	2.5	2.5	2.5	2.5	2.5
Total Fixed Assets	9.5	11.4	11.5	11.8	12.4	13.2
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	1.6	2.4	2.4	2.4	2.4	2.4
Other current assets	0.3	0.4	0.4	0.4	0.3	0.3
Cash (-)	-2.2	-1.6	-1.6	-1.6	-1.6	-1.6
Total Current Assets	4.0	4.4	4.4	4.4	4.3	4.3
Total Assets	13.5	15.9	15.9	16.1	16.7	17.6
Shareholders Equity	5.1	5.1	5.6	6.4	7.3	8.4
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	5.1	5.1	5.6	6.4	7.3	8.4
Long term interest bearing debt	2.0	4.1	3.7	3.4	3.1	2.9
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.5	2.3	2.2	2.1	2.0	1.9
Total Long Term Liabilities	4.5	6.4	5.9	5.5	5.1	4.8
Short term interest bearing debt	2.4	1.1	1.0	0.9	0.8	0.7
Trade payables	0.7	1.2	1.3	1.4	1.5	1.7
Other current liabilities	0.8	1.9	1.9	1.9	1.9	1.9
Total Current Liabilities	3.9	4.3	4.3	4.3	4.3	4.3
Total Liabilities and Shareholders' Equity	13.5	15.9	15.9	16.1	16.7	17.6
Net Capital Employed	10.3	12.6	12.6	12.8	13.3	14.0
Net Working Capital	0.8	1.2	1.1	1.0	0.9	0.8
GROWTH & MARGINS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
<i>Sales growth</i>	<i>46.0%</i>	<i>17.8%</i>	<i>14.5%</i>	<i>14.8%</i>	<i>11.8%</i>	<i>10.9%</i>
EBITDA (adj.)* growth	184.5%	55.1%	23.7%	17.5%	13.7%	13.1%
<i>EBITA (adj.)* growth</i>	<i>n.m.</i>	<i>648.5%</i>	<i>63.2%</i>	<i>22.4%</i>	<i>16.8%</i>	<i>16.7%</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>648.5%</i>	<i>63.2%</i>	<i>22.4%</i>	<i>16.8%</i>	<i>16.7%</i>

Gigas Hosting: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Profit growth	n.m.	n.m.	185.5%	33.6%	22.8%	21.0%
EPS adj. growth	n.m.	n.m.	185.5%	15.0%	22.8%	21.0%
DPS adj. growth						
EBITDA (adj)* margin	18.6%	24.5%	26.5%	27.1%	27.5%	28.1%
EBITA (adj)* margin	1.0%	6.6%	9.5%	10.1%	10.5%	11.1%
EBIT (adj)* margin	1.0%	6.6%	9.5%	10.1%	10.5%	11.1%
RATIOS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Debt/Equity	0.4	0.7	0.6	0.4	0.3	0.2
Net Debt/EBITDA	1.3	1.5	1.0	0.7	0.6	0.4
Interest cover (EBITDA/Fin.interest)	4.6	6.1	10.8	14.0	17.4	21.4
Capex/D&A	170.5%	126.8%	58.8%	58.8%	58.8%	58.8%
Capex/Sales	29.9%	22.6%	10.0%	10.0%	10.0%	10.0%
NWC/Sales	9.5%	11.8%	9.5%	7.4%	5.9%	4.7%
ROE (average)	-3.3%	4.2%	11.4%	13.7%	14.8%	15.6%
ROCE (adj.)	0.9%	5.0%	8.2%	9.9%	11.0%	12.0%
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
ROCE (adj.)/WACC	0.1	0.5	0.9	1.1	1.2	1.3
PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Average diluted number of shares	4.3	4.3	4.3	5.0	5.0	5.0
EPS (reported)	-0.03	0.05	0.14	0.16	0.20	0.24
EPS (adj.)	-0.03	0.05	0.14	0.16	0.20	0.24
BVPS	1.17	1.19	1.31	1.27	1.45	1.68
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
EV/Sales	3.5	3.2	1.9	1.7	1.5	1.3
EV/EBITDA	18.7	13.2	7.4	6.1	5.3	4.6
EV/EBITDA (adj.)*	18.7	13.2	7.4	6.1	5.3	4.6
EV/EBITA	333.3	48.8	20.6	16.5	13.9	11.7
EV/EBITA (adj.)*	333.3	48.8	20.6	16.5	13.9	11.7
EV/EBIT	n.m.	48.8	20.6	16.5	13.9	11.7
EV/EBIT (adj.)*	n.m.	48.8	20.6	16.5	13.9	11.7
P/E (adj.)	n.m.	n.m.	31.9	27.8	22.6	18.7
P/BV	5.6	5.7	3.5	3.6	3.1	2.7
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	
EV/CE	3.9	3.3	2.3	2.2	2.0	1.9
OpFCF yield	-5.7%	-2.2%	7.8%	9.6%	11.0%	12.7%
OpFCF/EV	-5.3%	-2.0%	6.7%	8.4%	9.9%	11.5%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Price** (EUR)	6.50	6.82	4.55	4.55	4.55	4.55
Outstanding number of shares for main stock	4.3	4.3	4.3	4.3	4.3	4.3
Total Market Cap	28	29	20	20	20	20
Net Debt	2	4	3	3	2	2
<i>o/w Cash & Marketable Securities (-)</i>	-2	-2	-2	-2	-2	-2
<i>o/w Gross Financial Debt (+)</i>	4	5	5	4	4	4
<i>o/w Lease Liabilities (+)</i>						
Other EV components	0	0	0	0	0	0
Enterprise Value (EV adj.)	30	33	23	22	22	22

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

Sector: Software & Computer Services/Computer Services

Company Description: Gigas Hosting was founded in 2011 and provides technology services and hosting, internet domains, application hosting, and consulting and connectivity. Its products and solutions include cloud datacenter, cloud virtual private server, contingency solution, system applications products certified platform, and cloud server for oracle. It also engages in marketing of computer hardware, development and creation of applications, and technology consulting services £pv£ and providing services and advices in technology, marketing, advertising, and graphic design. The company has presence in Spain, UK, Colombia, Chile and Perú.

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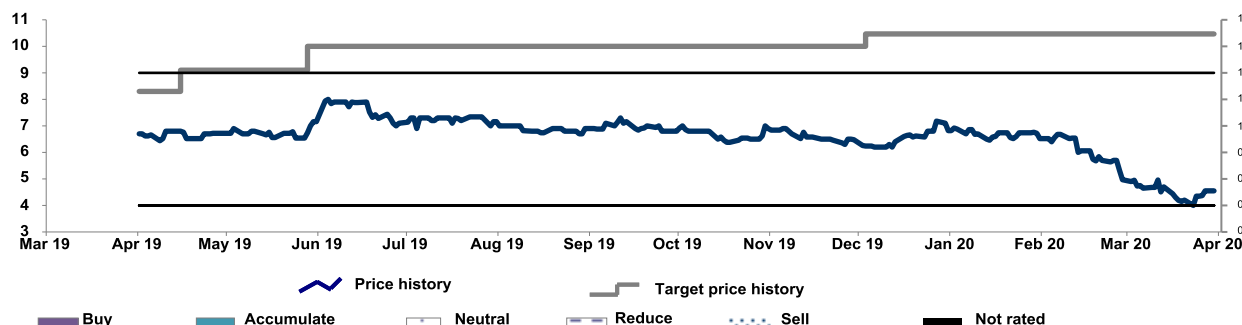
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Recommendation history for GIGAS HOSTING

Date	Recommendation	Target price	Price at change date
03-Dec-19	Buy	10.47	6.24
28-May-19	Buy	10.00	6.74
15-Apr-19	Buy	9.10	6.80
05-Feb-19	Buy	8.30	6.60
22-Jan-19	Accumulate	8.30	7.10

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Juan Peña (since 24/10/2019)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

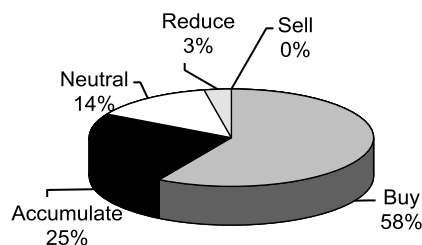
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12 months time horizon
- **Rating Suspended:** the rating is suspended due to a change of analyst covering the stock or a capital operation (take-over bid, SPO, ...) where the issuer of the document (a partner of ESN) or a related party of the issuer is or could be involved
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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Members of ESN (European Securities Network LLP)



Banca Akros SpA
Viale Eginardo, 29
20149 Milano
Italy
Phone: +39 02 4344 4389

CIC Market Solutions



CIC Market Solutions
6, avenue de Provence
75441 Paris - Cedex 09
France
Phone: +33 1 5348 8193



Caixa-Banco de Investimento
Avenida João XXI, 63
1000-300 Lisboa
Portugal
Phone: +351 21 313 7300

GVC Gaesco Valores



GVC Gaesco Valores, S.V., S.A.
C/- Fortuny, 17
28010 Madrid
Spain
Phone: +34 91 436 7813

