



Company Flash Note

Buy			
Recommendation unchanged			
Share price: EUR	6.30		
closing price as of 16/09/2020			
Target price: EUR	9.86		
Target Price unchanged			
Upside/Downside Potential	56.5%		
Reuters/Bloomberg GIGAH.MC/GIGA SM			
Market capitalisation (EURm) 27			
Current N° of shares (m)	4		
Free float	50%		
Daily avg. no. trad. sh. 12 mth (k)	6		
Daily avg. trad. vol. 12 mth (k)	52.59		
Price high/low 12 months	7.18 / 4.00		
Abs Perfs 1/3/12 mths (%)	23.53/10.53/-8.70		
Key financials (EUR)			
	12/19	12/20e	12/21e
Sales (m)	10	12	13
EBITDA (m)	3	3	4
EBITDA margin	24.5%	26.5%	27.1%
EBIT (m)	1	1	1
EBIT margin	6.6%	9.5%	10.1%
Net Profit (adj.)(m)	0	1	1
ROCE	5.0%	8.2%	9.9%
Net debt/(cash) (m)	4	3	3
Net Debt/Equity	0.7	0.6	0.4
Net Debt/EBITDA	1.5	1.0	0.7
Int. cover(EBITDA/Fin.int)	6.1	10.8	14.0
EV/Sales	3.2	2.6	2.2
EV/EBITDA	13.2	9.8	8.2
EV/EBITDA (adj.)	13.2	9.8	8.2
EV/EBIT	48.8	27.4	22.1
P/E (adj.)	nm	44.2	38.4
P/BV	5.7	4.8	5.0
OpFCF yield	-2.2%	5.6%	6.9%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.05	0.14	0.16
BVPS	1.19	1.31	1.27
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)

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Reason: Company results (post view)

17 September 2020

Resultados H1: Lastrados por LatAm y abriendo mercados

La compañía ha presentado resultados del primer semestre en los que se observa un crecimiento de ingresos del +5.0%, una caída del EBITDA del -14.1% y una pérdida de clientes tanto de Cloud Datacenter (-60 vs Q120 y -25 vs Q219) como de Cloud VPS (-121 vs Q120 y -352 vs Q219). Mientras tanto los ARPUs crecen (+1.8% en Cloud Datacenter y +8.4% yoy en Cloud VPS).

- ✓ Los resultados del semestre están **muy impactados** por la situación derivada del Covid-19 **en tres frentes**: en primer lugar la **fuerte depreciación de las divisas de LatAm** (principalmente el peso colombiano) con impacto tanto en países que se factura en moneda local como los que se factura en dólares (ya que para los clientes es más caro ese pago). En segundo lugar la **situación económica de muchas empresas**, provoca la pérdida de clientes por desaparición de los mismos. En último lugar, para evitar esto, a muchos clientes se les están aplicando **fuertes descuentos** para asegurar la continuidad de sus negocios, lo que impacta también en los ingresos de la compañía.
- ✓ Esta caída de ingresos no se ve reflejada en una caída de costes ya que tras la integración de AHP éstos suben, lo que hace que el **EBITDA semestral caiga en un -11.4%** en términos contables y un **-7.0%** sin contar costes de stock options. Para 2020 se espera un crecimiento suave de ingresos (en torno al 5-6%) y un EBITDA plano ya que se confía en una mejora de la situación en el último trimestre.
- ✓ Asimismo la compañía anunció la **compra de una compañía irlandesa (Ignitar)** por un importe total de EUR3.2M que se divide en un pago de EUR1.7M en efectivo, en una entrega de acciones de Gigas por valor de EUR0.5M (que se realizará tras una ampliación de capital) y en unos earn-out por valor total de EUR1M en función de los resultados de la compañía en los dos próximos ejercicios.
- ✓ La compañía está **especializada en hosting de SAP**, lo cual abre un nicho muy interesante para Gigas, además de abrir nuevos mercados, ya que la compañía opera en Irlanda, Escandinavia, Alemania, UK y Países Bajos y cuenta con un Datacenter propio. Aporta 136 clientes de Cloud Datacenter (17% del total) con un ARPU similar al de Gigas y un EBITDA estimado para 2020 de EUR750k. **La transacción se ha cerrado a un EV/EBITDA19 DE 5.5x y de 4.3x con EBITDA20e.**
- ✓ Los resultados del Segundo trimestre muestran un **deterioro de la situación vista en el primer trimestre** y agudizan la difícil situación de la parte del negocio proveniente de LatAm (en torno al 50% de la facturación total pre-operación de Ignitar, algo más del 40% post M&A). Como ya se había anunciado en anteriores trimestres la intención de la compañía es abrir nuevos mercados en Europa e ir reduciendo el peso de las operaciones en LatAm.
- ✓ La **previsión de resultados para 2020 se sitúa por debajo del presupuesto anunciado al mercado**, lo cual tiene un impacto negativo en valoración, el cual se ve compensado por el impacto positivo de la adquisición, que se ha cerrado a un múltiplo muy atractivo y que consideramos muy interesante para abrir nuevos mercados a nivel europeo. Por otro lado en el plano negativo consideramos que la incertidumbre sobre el mercado LatAm es mayor.

Resultados H1 20

GIGAS HOSTING. POST-Q2'20 RESULTS.

EURm	Q2'19	Q2'20	Δ% y/y	H1'19	H1'20	Δ% y/y
Total clients				3,763	3,386	-10.0%
Cloud Datacenter				766	741	-3.3%
Cloud VPS				2,997	2,645	-11.7%
Customer billing	2.72	2.84	4.6%	5.76	6.04	5.0%
Sales accruals	0.13	0.13	-4.6%	-0.02	0.00	-110.4%
Discounts & Promotions	-0.37	-0.46	24.0%	-0.79	-0.91	15.3%
Net income	2.48	2.51	1.2%	4.95	5.14	3.7%
Work carried out on its assets	0.07	0.12	71.1%	0.14	0.24	73.8%
Extraordinary income, subsidies, others	0.05	0.02	-70.6%	0.06	0.04	-32.4%
Supplies	-0.56	-0.71	26.5%	-1.13	-1.40	24.2%
Online and third parties SAC	-0.02	-0.01	-27.2%	-0.03	-0.02	-41.6%
Datacenters & Connectivity	-0.25	-0.31	22.3%	-0.51	-0.61	19.8%
Other supplies	-0.30	-0.39	33.3%	-0.58	-0.77	31.8%
Personnel Expenses	-0.93	-1.01	8.6%	-1.80	-2.04	13.5%
Other Expenses	-0.45	-0.42	-7.3%	-0.92	-0.87	-6.2%
Other results	-0.02	-0.01	-58.5%	-0.02	-0.01	-63.8%
EBITDA	0.64	0.50	-22.3%	1.28	1.10	-14.1%
EBITDA M.	26.0%	20.0%	-6.0pp	25.9%	21.5%	-4.4pp

Source: Gigas Hosting & GVC Gaesco Valores

ACTIVO			PASIVO		
	Rev. Limitado	Auditado		Rev. Limitado	Auditado
Cifras en euros	30.06.2020	31.12.2019	Cifras en euros	30.06.2020	31.12.2019
ACTIVO NO CORRIENTE	11.151.407	11.429.338	PATRIMONIO NETO	5.046.870	5.132.862
Inmovilizado Intangible	5.720.557	5.912.771	Fondos Propios	5.195.146	5.205.520
Desarrollo	210.272	311.636	Capital	86.446	86.446
Licencias, Patentes	35.685	38.568	Primas de Emisión	8.726.612	8.726.612
Programas Informáticos	1.127.443	957.904	Reservas	(233.271)	(250.561)
Fondo de Comercio	-	-	Acciones Propias	(218.421)	(288.247)
Relaciones con Clientes	4.347.157	4.604.663	Resultados de Ejercicios Anteriores	(4.154.704)	(4.353.258)
Inmovilizado Material	2.736.182	3.056.929	Resultado del Ejercicio	(168.409)	215.844
Inversiones financieras a largo plazo	36.268	36.461	Otros Instrumentos de Patrimonio Neto	1.156.893	1.068.684
Activos por impuesto diferido	2.658.401	2.423.176	Diferencias de Conversión	(162.600)	(94.318)
ACTIVO CORRIENTE	7.095.185	4.429.452	Subvenciones, Donaciones y Legados	14.324	21.660
Deudores Comerciales y otras ctas. a cobrar	2.393.094	2.445.067	PASIVOS NO CORRIENTES	9.416.616	6.431.382
Clientes por ventas y prestac de Serv.	2.046.188	2.072.620	Deudas a Largo Plazo	8.291.106	5.225.922
Deudores varios	34.704	36.159	Obligaciones y Bonos Convertibles	2.019.608	1.940.362
Personal	76.058	76.107	Entidades de Crédito	4.610.402	2.157.928
Activos por impuesto corriente	175.129	204.795	Acreedores por arrendam. financ. y otros	1.661.096	1.127.632
Otros Créditos	61.015	55.386	Pasivos por Impuestos Diferidos	1.125.511	1.205.460
Inversiones Financieras	143.250	144.443	PASIVO CORRIENTE	3.783.105	4.294.546
Periodificaciones a corto plazo	246.733	275.499	Provisiones a Corto Plazo	217.893	283.622
Efectivo y otros activos líquidos equiv.	4.312.109	1.564.444	Deudas a Corto Plazo	1.793.071	2.200.969
TOTAL ACTIVO	18.246.592	15.858.791	Acreedores comerciales y otras ctas. a	1.201.104	1.237.246
			Periodificaciones a Corto Plazo	571.037	572.709
			TOTAL PASIVO	18.246.592	15.858.791

NOTA 1. Las cifras aquí presentadas son un extracto de las Cuentas Anuales de la Compañía publicadas en presente Hecho Relevante, y en caso de cualquier discrepancia prevalecerán dichas cuentas.

La generación de caja operativa ha caído en el semestre (EUR0.66M en H120 vs EUR0.95M en H119), principalmente por un impago de un cliente significativo no provisionado al tratarse de una entidad pública que se espera cobrar antes de fin de año.

La deuda neta se mantiene por debajo del millón de euros gracias a una fuerte posición de liquidez de la compañía.

La compañía mantiene una visión positiva sobre el futuro de la misma debido al aumento de la demanda de los servicios cloud y a la reciente adquisición realizada que permitirá abrir nuevos mercados y reducir exposición a LatAm que es el gran hándicap de la compañía actualmente.

Este doble impacto (negativo por el lado de LatAm y positivo gracias al M&A) hace que nuestra valoración no cambie de manera significativa nuestro precio objetivo actual y por lo tanto mantenemos nuestra recomendación de COMPRAR.

Gigas Hosting: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales	5.9	8.7	10.2	11.7	13.4	15.0
Cost of Sales & Operating Costs	-5.4	-7.1	-7.7	-8.6	-9.8	-10.9
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	0.6	1.6	2.5	3.1	3.6	4.1
EBITDA (adj.)*	0.6	1.6	2.5	3.1	3.6	4.1
Depreciation	-1.0	-1.5	-1.8	-2.0	-2.3	-2.6
EBITA	-0.4	0.1	0.7	1.1	1.4	1.6
EBITA (adj)*	-0.4	0.1	0.7	1.1	1.4	1.6
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-0.4	0.1	0.7	1.1	1.4	1.6
EBIT (adj.)*	-0.4	0.1	0.7	1.1	1.4	1.6
Net Financial Interest	-0.2	-0.4	-0.4	-0.3	-0.3	-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)	-0.6	-0.3	0.3	0.8	1.1	1.3
Tax	0.1	0.1	-0.1	-0.2	-0.3	-0.3
<i>Tax rate</i>	<i>22.9%</i>	<i>43.0%</i>	<i>20.4%</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)	-0.5	-0.1	0.2	0.6	0.8	1.0
Net Profit (adj.)	-0.5	-0.1	0.2	0.6	0.8	1.0
CASH FLOW (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	0.5	1.4	2.0	2.6	3.1	3.6
Change in Net Working Capital	-0.1	-0.4	-0.4	0.1	0.1	0.1
Cash Flow from Operations	0.4	1.0	1.7	2.7	3.2	3.7
Capex	-1.2	-2.6	-2.3	-1.2	-1.3	-1.5
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-0.8	-1.6	-0.7	1.5	1.9	2.2
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-0.1	-1.2	-0.6	-0.2	-0.6	-1.1
Change in Net Debt	-1	-3	-1	1	1	1
NOPLAT	-0.3	0.1	0.5	0.8	1.0	1.2
BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Tangible Assets	2.3	3.0	3.1	2.5	1.8	1.1
Net Intangible Assets (incl. Goodwill)	1.3	4.0	5.9	6.5	7.5	8.8
Net Financial Assets & Other	2.3	2.4	2.5	2.5	2.5	2.5
Total Fixed Assets	6.0	9.5	11.4	11.5	11.8	12.4
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	0.9	1.6	2.4	2.4	2.4	2.4
Other current assets	0.2	0.3	0.4	0.4	0.4	0.3
Cash (-)	-1.6	-2.2	-1.6	-1.6	-1.6	-1.6
Total Current Assets	2.8	4.0	4.4	4.4	4.4	4.3
Total Assets	8.7	13.5	15.9	15.9	16.1	16.7
Shareholders Equity	4.1	5.1	5.1	5.6	6.4	7.3
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	4.1	5.1	5.1	5.6	6.4	7.3
Long term interest bearing debt	1.9	2.0	4.1	3.7	3.4	3.1
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	2.5	2.3	2.2	2.1	2.0
Total Long Term Liabilities	2.0	4.5	6.4	5.9	5.5	5.1
Short term interest bearing debt	1.6	2.4	1.1	1.0	0.9	0.8
Trade payables	0.4	0.7	1.2	1.3	1.4	1.5
Other current liabilities	0.6	0.8	1.9	1.9	1.9	1.9
Total Current Liabilities	2.6	3.9	4.3	4.3	4.3	4.3
Total Liabilities and Shareholders' Equity	8.7	13.5	15.9	15.9	16.1	16.7
Net Capital Employed	6.4	10.3	12.6	12.6	12.8	13.3
Net Working Capital	0.5	0.8	1.2	1.1	1.0	0.9
GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
<i>Sales growth</i>	<i>23.0%</i>	<i>46.0%</i>	<i>17.8%</i>	<i>14.5%</i>	<i>14.8%</i>	<i>11.8%</i>
EBITDA (adj.)* growth	n.m.	184.5%	55.1%	23.7%	17.5%	13.7%
<i>EBITA (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>648.5%</i>	<i>63.2%</i>	<i>22.4%</i>	<i>16.8%</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>n.m.</i>	<i>648.5%</i>	<i>63.2%</i>	<i>22.4%</i>	<i>16.8%</i>

Gigas Hosting: Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Profit growth	n.m.	n.m.	n.m.	185.5%	33.6%	22.8%
EPS adj. growth	n.m.	n.m.	n.m.	185.5%	15.0%	22.8%
DPS adj. growth						
EBITDA (adj)* margin	9.5%	18.6%	24.5%	26.5%	27.1%	27.5%
EBITA (adj)* margin	-7.5%	1.0%	6.6%	9.5%	10.1%	10.5%
EBIT (adj)* margin	n.m.	1.0%	6.6%	9.5%	10.1%	10.5%
RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Debt/Equity	0.5	0.4	0.7	0.6	0.4	0.3
Net Debt/EBITDA	3.2	1.3	1.5	1.0	0.7	0.6
Interest cover (EBITDA/Fin.interest)	2.9	4.6	6.1	10.8	14.0	17.4
Capex/D&A	118.7%	170.5%	126.8%	58.8%	58.8%	58.8%
Capex/Sales	20.2%	29.9%	22.6%	10.0%	10.0%	10.0%
NWC/Sales	7.8%	9.5%	11.8%	9.5%	7.4%	5.9%
ROE (average)	-11.5%	-3.3%	4.2%	11.4%	13.7%	14.8%
ROCE (adj.)	-8.1%	0.9%	5.0%	8.2%	9.9%	11.0%
WACC	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
ROCE (adj.)/WACC	-0.9	0.1	0.5	0.9	1.1	1.2
PER SHARE DATA (EUR)***	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Average diluted number of shares	4.3	4.3	4.3	4.3	5.0	5.0
EPS (reported)	-0.11	-0.03	0.05	0.14	0.16	0.20
EPS (adj.)	-0.11	-0.03	0.05	0.14	0.16	0.20
BVPS	0.95	1.17	1.19	1.31	1.27	1.45
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
EV/Sales	2.8	3.5	3.2	2.6	2.2	2.0
EV/EBITDA	29.5	18.7	13.2	9.8	8.2	7.1
EV/EBITDA (adj.)*	29.8	18.7	13.2	9.8	8.2	7.1
EV/EBITA	-38.2	333.3	48.8	27.4	22.1	18.7
EV/EBITA (adj.)*	-37.8	333.3	48.8	27.4	22.1	18.7
EV/EBIT	n.m.	n.m.	48.8	27.4	22.1	18.7
EV/EBIT (adj.)*	n.m.	n.m.	48.8	27.4	22.1	18.7
P/E (adj.)	n.m.	n.m.	n.m.	44.2	38.4	31.3
P/BV	3.7	5.6	5.7	4.8	5.0	4.3
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	4.1	3.9	3.3	3.0	2.9	2.7
OpFCF yield	-5.3%	-5.7%	-2.2%	5.6%	6.9%	8.0%
OpFCF/EV	-4.7%	-5.3%	-2.0%	5.0%	6.3%	7.3%
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)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Price** (EUR)	3.48	6.50	6.82	6.30	6.30	6.30
Outstanding number of shares for main stock	4.3	4.3	4.3	4.3	4.3	4.3
Total Market Cap	15.0	28.1	29.5	27.2	27.2	27.2
Gross Financial Debt (+)	3.5	4.3	5.2	4.7	4.3	3.9
Cash & Marketable Securities (-)	-1.6	-2.2	-1.6	-1.6	-1.6	-1.6
Net Financial Debt	1.8	2.1	3.6	3.2	2.7	2.3
Lease Liabilities (+)						
Net Debt	1.8	2.1	3.6	3.2	2.7	2.3
Other EV components	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value (EV adj.)	16.9	30.2	33.1	30.4	29.9	29.6

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

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

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; and providing services and advices in technology, marketing, advertising, and graphic design.

Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page www.valores.gvcgaesco.es and our offices

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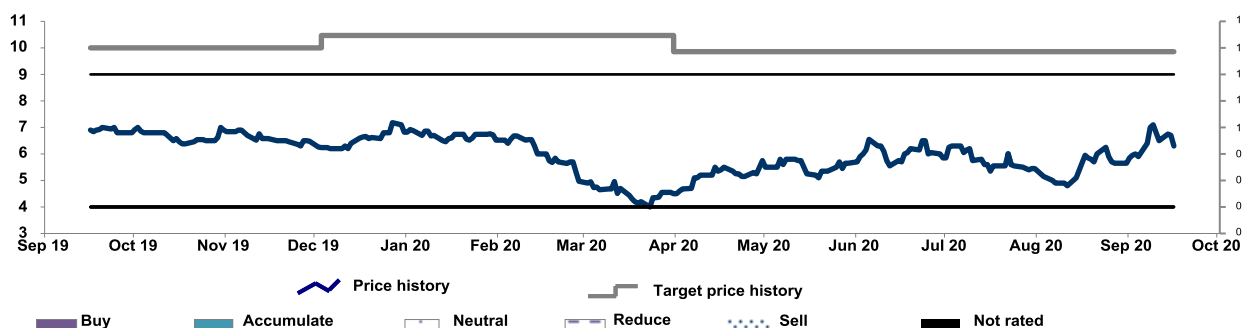
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Recommendation history for GIGAS HOSTING

Date	Recommendation	Target price	Price at change date
31-Mar-20	Buy	9.86	4.50
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 based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



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

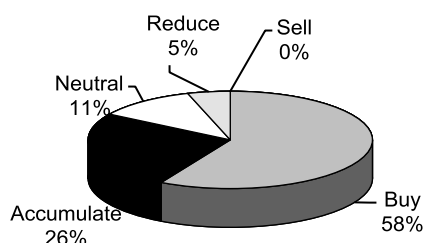
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- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a 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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