

# Half Year 2020 Results and Ignitar Acquisition Investors' Presentation



**Diego Cabezudo**  
CEO

SEPTEMBER

2020

**gigas**



## Disclaimer

---

This document and the conference-call webcast (including the Q&A session) may contain forward-looking statements and information (hereinafter, the "Information") relating to GIGAS HOSTING S.A. or GIGAS GROUP (hereinafter "Gigas", the "Company" or the "Gigas Group"). This Information may include financial forecasts and estimates based on assumptions or statements regarding plans, objectives and expectations that make reference to different matters, such as the customer base and its evolution, organic growth, potential acquisitions, Company's results and other aspects related to the activity and financial situation of the Company. The Information can be identified, in some cases, through the use of words such as "forecast", "expectation", "anticipation", "projection", "estimates", "plan" or similar expressions or variations of such expressions.

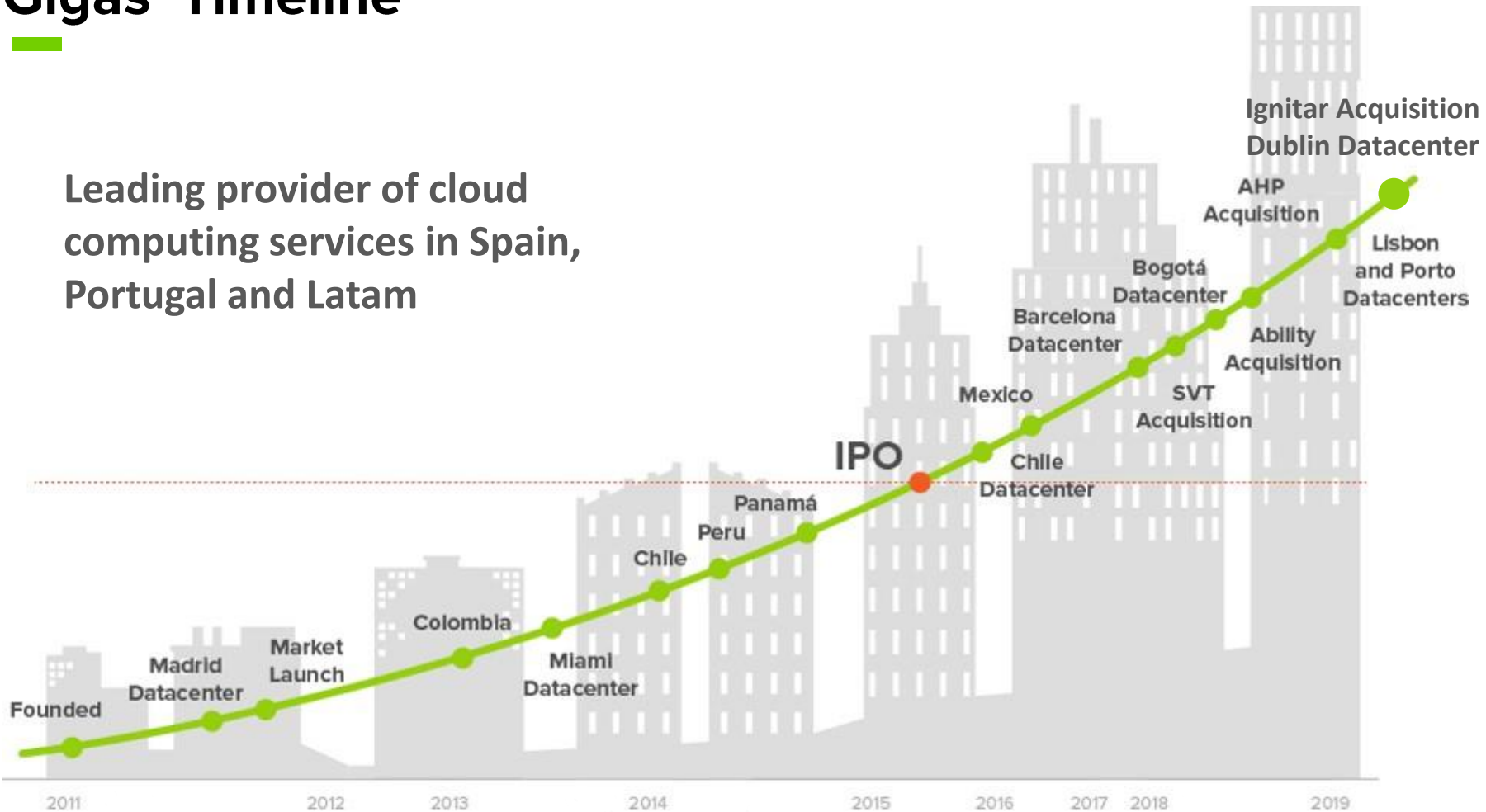
The Information reflects the current view of Gigas with respect to future events, and as such, do not represent any guarantee of future certain fulfilment, and are subject to risks and uncertainties that could cause the final developments and results to materially differ from those expressed or implied by such Information. These risks and uncertainties include those identified in the documents containing more comprehensive information filed by Gigas, such as Annual Accounts or the Incorporation Memorandum (Sept. 2015).

Except as required by applicable law, Gigas does not assume any obligation to publicly update the Information to adapt it to events or circumstances taking place after the date of this presentation, including changes in the Company's strategy or any other circumstance.

This presentation and the conference-call webcast (including the Q&A session) contains or might contain non-audited financial information as prepared by Management. The information contained herein should therefore be considered as a whole and in conjunction with all the public information regarding the Company available, including any other documents released by the Company that may contain more detailed information. Neither this document nor the conference-call webcast (including the Q&A session) constitute an offer to purchase, sale or exchange any shares, a solicitation of any offer to purchase, sale or exchange of any shares, or a recommendation or advice regarding any shares.

# Gigas' Timeline

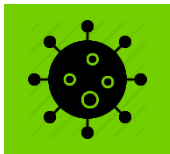
Leading provider of cloud computing services in Spain, Portugal and Latam



# H1 2020 Key Highlights



Gross revenues reached €6.0M but growth affected by COVID-19, with gross revenues up 5.0% y-o-y and net revenues of €5.14M, up 3.7%



COVID-19 crisis impacted revenues due to severe currency depreciation, discounts offered to customers and loss of customers



Adjusted EBITDA reached €1.26M (€1.10M accounting EBITDA) during H1 2020 vs. €1.36M in H1 2019 (7.0% lower)



Loss of €0.17M in H1 2020 versus profit of €0.16M in H1 2019, due to lower EBITDA and higher amortizations related to M&A

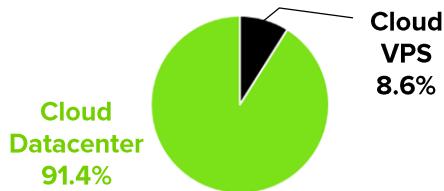


A company acquired in Ireland, Ignitar, adding a datacenter in Dublin, SAP Business One know-how and an English-speaking team

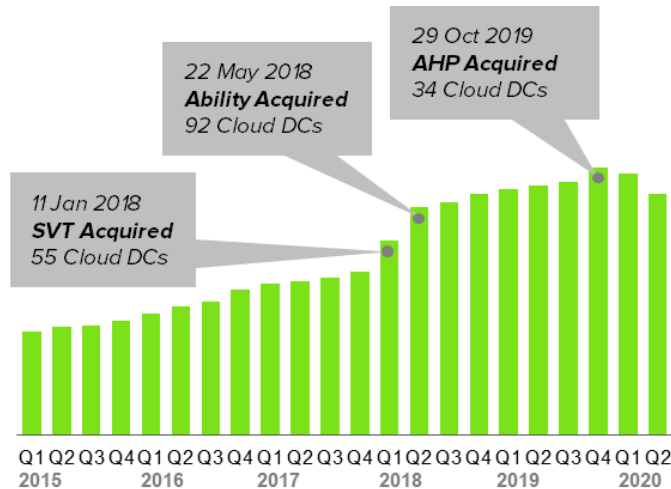


# Customer Figures

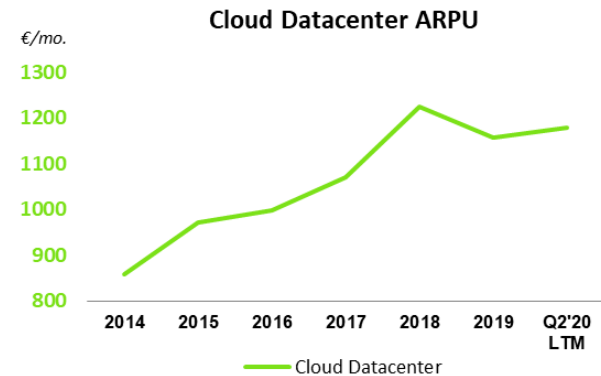
- **Cloud VPS customers reached 2,645 at the end of June 2020**, 352 less than a year earlier, but in line with Gigas' strategy of focusing on greater added value customers
- **Cloud Datacenter**, aimed at medium and large corporates, is Gigas' main product



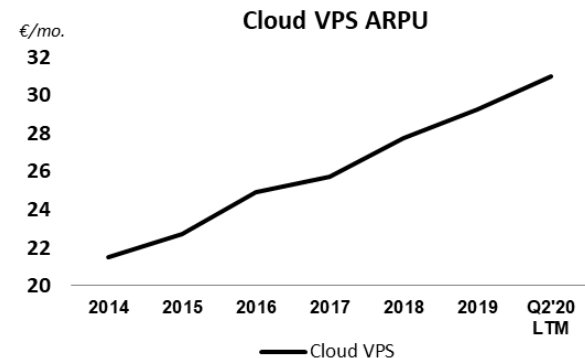
- **Cloud Datacenter customers reached 741 at the end of June 2020 (vs 766 a year ago)** but new acquisition will add 136 customers in Q3



- **Cloud Datacenter ARPU increased in LTM to €1,179/mo.** (€1,157 in 2019) and it is expected to continue growing during the year



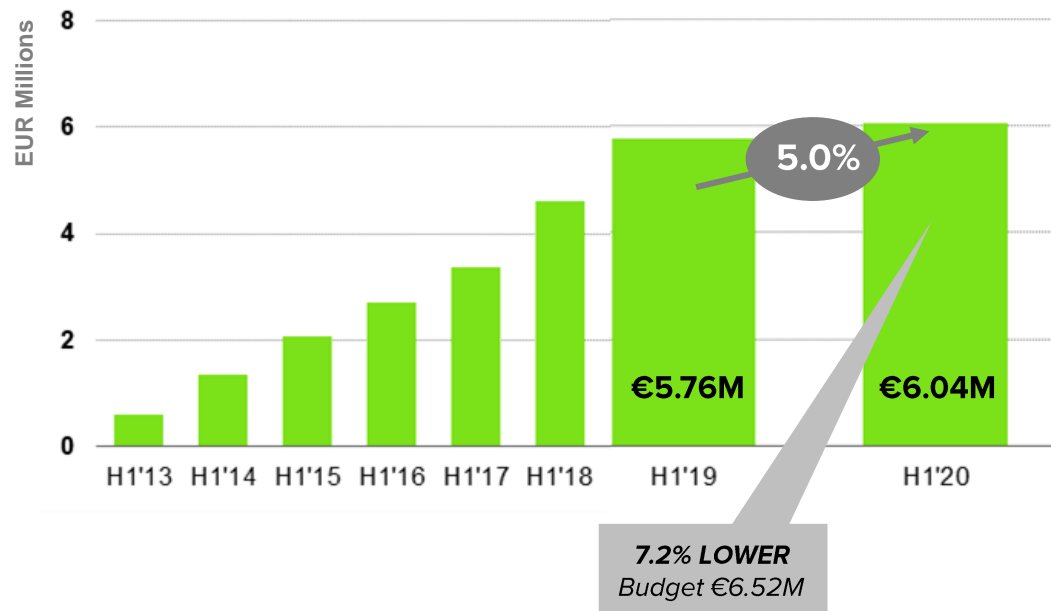
- **Cloud VPS ARPU continues to grow strong, reaching €31.0/mo. in LTM** (€29.2 in 2019), despite price war in that segment, as Gigas continues to attract higher value add customers



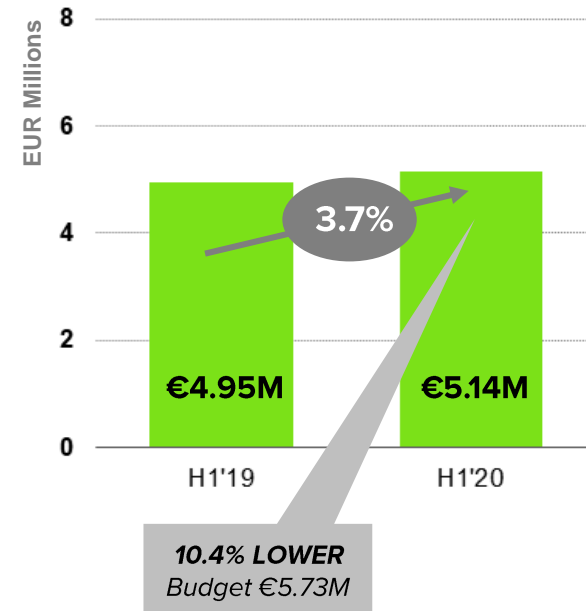
# Revenues H1 2020

- **Gross revenues reached €6.04 million in H1 2020, 5.0% higher than in H1 2019**, but significantly lower than budgeted (-7.2%), impacted by currency depreciations in Latam, and customer losses related to the current COVID-19 crisis
- Net revenues reached €5.14M, 3.7% higher than H1 2019 but 10.4% lower than budget, impacted by the same issues as gross revenues plus a significant increase in discounts (15.3% higher than H1 2019) issued to help customers in need

## Gross Revenues



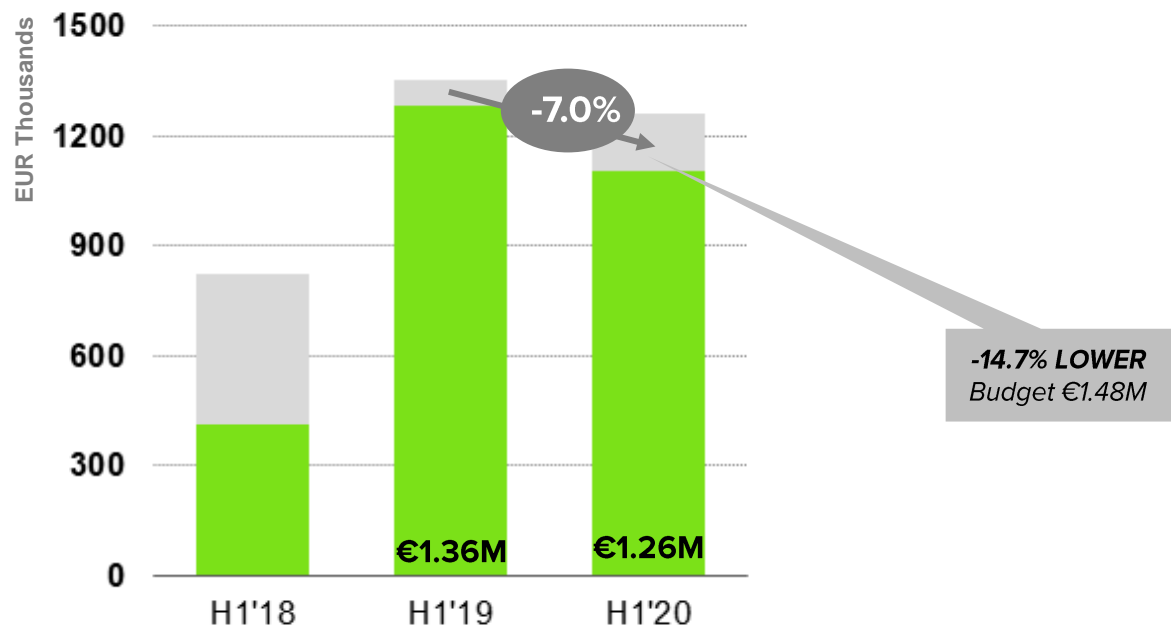
## Net Revenues



# EBITDA

- H1 2020 adj EBITDA was impacted by the current crisis, decreasing 7.0% when compared to H1 2019, reaching €1.26M
- Accounting EBITDA totaled €1.1M in the first semester, 14.1% lower than the same period in 2019, due to the facts already mentioned plus the increase of the ESOP costs in the semester (€157K in H1 2020 vs €67K in H1 2019)

## H1 EBITDA Evolution



# H1 2020 Results Compared to H1 2019 and Budget

## CONSOLIDATED INCOME STATEMENT

Figures in EUR

|   | 2020<br>JAN-JUN    |                | 2019<br>JAN-JUN    | % Chg.         | 2020 budget<br>JAN-JUN |
|---|--------------------|----------------|--------------------|----------------|------------------------|
| <b>Gross sales</b>  | <b>6,044,808</b>   | <b>5.0%</b>    | <b>5,756,853</b>   | <b>(7.2%)</b>  | <b>6,516,004</b>       |
| Accrued sales   | 1,672              | (110.4%)       | (16,149)           | (83.0%)        | 9,848                  |
| Sales discounts and promotions                            | (908,659)          | 15.3%          | (788,275)          | 14.4%          | (794,358)              |
| <b>Revenue</b>  | <b>5,137,821</b>   | <b>3.7%</b>    | <b>4,952,429</b>   | <b>(10.4%)</b> | <b>5,731,494</b>       |
| <b>Own R&amp;D costs capitalised</b>                      | <b>235,344</b>     | <b>73.8%</b>   | <b>135,400</b>     | <b>10.3%</b>   | <b>213,410</b>         |
| <b>Non-recurring income, grants and other</b>             | <b>43,625</b>      | <b>(32.4%)</b> | <b>64,529</b>      | <b>140.7%</b>  | <b>18,126</b>          |
| <b>Cost of sales</b>                                      | <b>(1,398,522)</b> | <b>24.2%</b>   | <b>(1,126,367)</b> | <b>(5.5%)</b>  | <b>(1,480,498)</b>     |
| Online and third-party customer acquisition costs         | (20,050)           | (41.6%)        | (34,352)           | 26.8%          | (15,807)               |
| Datacenters and connectivity                              | (607,880)          | 19.8%          | (507,282)          | (2.6%)         | (624,262)              |
| Other supplies  | (770,593)          | 31.8%          | (584,734)          | (8.3%)         | (840,429)              |
| <b>Gross margin*</b>                                      | <b>3,739,298</b>   | <b>(2.3%)</b>  | <b>3,826,061</b>   | <b>(12.0%)</b> | <b>4,250,996</b>       |
| <i>Gross margin, %</i>                                    | <b>72.8%</b>       |                | <b>77.3%</b>       |                | <b>74.2%</b>           |
| <b>Personnel expenses</b>                                 | <b>(2,042,969)</b> | <b>13.5%</b>   | <b>(1,800,552)</b> | <b>(4.4%)</b>  | <b>(2,137,569)</b>     |
| Salaries and wages  | (1,694,256)        | 12.9%          | (1,500,324)        | (5.3%)         | (1,788,809)            |
| Social security costs                                     | (348,713)          | 16.1%          | (300,228)          | (0.0%)         | (348,760)              |
| <b>Other operating expenses</b>                           | <b>(865,305)</b>   | <b>(6.2%)</b>  | <b>(922,412)</b>   | <b>(14.1%)</b> | <b>(1,007,793)</b>     |
| External services   | (834,627)          | (1.6%)         | (847,935)          | (10.4%)        | (931,113)              |
| Professional services and other                           | (767,226)          | 0.4%           | (763,898)          | (7.7%)         | (831,337)              |
| Marketing and publicity                                   | (67,401)           | (19.8%)        | (84,037)           | (32.4%)        | (99,776)               |
| Losses, impairment, changes in trade provisions           | (30,678)           | (58.8%)        | (74,476)           | (60.0%)        | (76,680)               |
| <b>Other income and expenses</b>                          | <b>(7,114)</b>     | <b>(63.8%)</b> | <b>(19,656)</b>    | <b>-</b>       | <b>-</b>               |
| <b>EBITDA</b>   | <b>1,102,879</b>   | <b>(14.1%)</b> | <b>1,283,371</b>   | <b>(17.5%)</b> | <b>1,337,170</b>       |
| <i>EBITDA margin, %</i>                                   | <b>21.5%</b>       |                | <b>25.9%</b>       |                | <b>23.3%</b>           |
| <b>Adjusted EBITDA (before M&amp;A and stock options)</b> | <b>1,259,969</b>   | <b>(7.0%)</b>  | <b>1,355,211</b>   | <b>(14.7%)</b> | <b>1,476,499</b>       |
| <i>Adjusted EBITDA margin, %</i>                          | <b>24.5%</b>       |                | <b>27.4%</b>       |                | <b>25.8%</b>           |



# H1 2020 Balance Sheet

- Trade Receivables stayed flat, despite the current situation. A large customer (public administration) in Portugal represents a significant percentage and, without that effect, the rest has actually decreased
- The Company raised substantial bank debt in the first semester (€3.64M) in order to bolster liquidity position in case market conditions were to deteriorate, and therefore finished with €4.31M in cash (compared to the €1.56M at the end of 2019)
- Exchange rate differences also increased due to the volatility of the Latam currencies

| ASSETS                         |                   |                   | LIABILITIES                         |                   |                   |
|--------------------------------|-------------------|-------------------|-------------------------------------|-------------------|-------------------|
|                                | Limited review    | Audited           |                                     | Limited review    | Audited           |
| Figures in EUR                 | 30.06.2020        | 31.12.2019        | Figures in EUR                      | 30.06.2020        | 31.12.2019        |
| <b>NON-CURRENT ASSETS</b>      | <b>11,151,407</b> | <b>11,429,338</b> | <b>EQUITY</b>                       | <b>5,046,870</b>  | <b>5,132,862</b>  |
| Intangible assets              | 5,720,557         | 5,912,771         | Shareholders' equity                | 5,195,146         | 5,205,520         |
| Development                    | 210,272           | 311,636           | Capital                             | 86,446            | 86,446            |
| Licenses, patents              | 35,685            | 38,568            | Share premium                       | 8,726,612         | 8,726,612         |
| Software                       | 1,127,443         | 957,904           | Reserves                            | (233,271)         | (250,561)         |
| Goodwill                       | -                 | -                 | Treasury shares                     | (218,421)         | (288,247)         |
| Customer relations             | 4,347,157         | 4,604,663         | Prior year's losses                 | (4,154,704)       | (4,353,258)       |
| Property, plant and equipment  | 2,736,182         | 3,056,929         | Profit/(loss) for the period        | (168,409)         | 215,844           |
| Non-current investments        | 36,268            | 36,461            | Other equity instruments            | 1,156,893         | 1,068,684         |
| Deferred tax assets            | 2,658,401         | 2,423,176         | Exchange rate differences           | (162,600)         | (94,318)          |
| <b>CURRENT ASSETS</b>          | <b>7,095,185</b>  | <b>4,429,452</b>  | Grants and donations received       | 14,324            | 21,660            |
| Trade and other receivables    | 2,393,094         | 2,445,067         | <b>NON-CURRENT LIABILITIES</b>      | <b>9,416,616</b>  | <b>6,431,382</b>  |
| Trade receivables              | 2,046,188         | 2,072,620         | Non-current payables                | 8,291,106         | 5,225,922         |
| Other receivables              | 34,704            | 36,159            | Convertible bonds and debentures    | 2,019,608         | 1,940,362         |
| Personnel                      | 76,058            | 76,107            | Bank borrowings                     | 4,610,402         | 2,157,928         |
| Current tax assets             | 175,129           | 204,795           | Finance lease payables and other    | 1,661,096         | 1,127,632         |
| Other receivables              | 61,015            | 55,386            | Deferred tax liabilities            | 1,125,511         | 1,205,460         |
| Investments                    | 143,250           | 144,443           | <b>CURRENT LIABILITIES</b>          | <b>3,783,105</b>  | <b>4,294,546</b>  |
| Prepayments for current assets | 246,733           | 275,499           | Current provisions                  | 217,893           | 283,622           |
| Cash and cash equivalents      | 4,312,109         | 1,564,444         | Current payables                    | 1,793,071         | 2,200,969         |
|                                |                   |                   | Trade and other payables            | 1,201,104         | 1,237,246         |
|                                |                   |                   | Current accruals                    | 571,037           | 572,709           |
| <b>TOTAL ASSETS</b>            | <b>18,246,592</b> | <b>15,858,791</b> | <b>TOTAL EQUITY AND LIABILITIES</b> | <b>18,246,592</b> | <b>15,858,791</b> |

# Debt Evolution

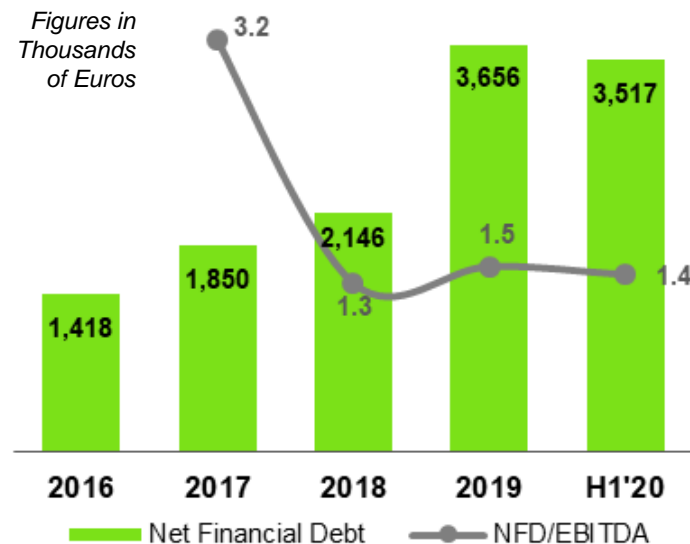
- Gross debt increased substantially as already mentioned, but cash grew in proportion
- NFD/EBITDA improved slightly to 1.4x
- Ignitar acquisition not included, but will increase LT debt by €1M, reduce cash by €1.7M and increase EBITDA by €0.7M, so NFD/EBITDA would grow to about 1.9x

Figures in Euros

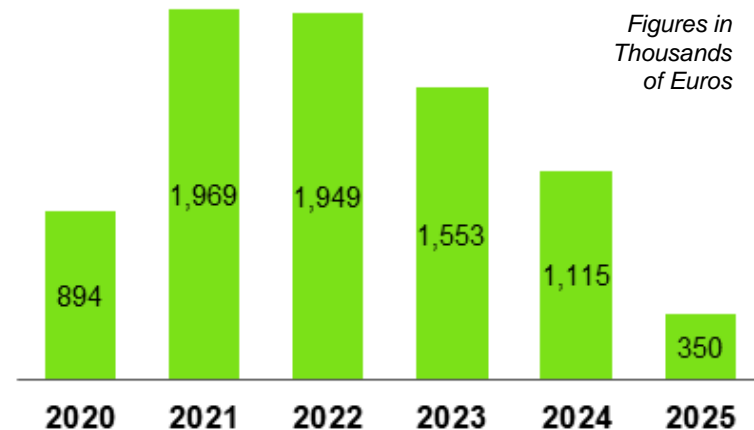
|                                  | <b>JUN 2020</b>  | <b>DEC 2019</b>  | <b>Diff %</b> |
|----------------------------------|------------------|------------------|---------------|
| <b>R&amp;D and Banks Debt LT</b> | 5,604,327        | 2,535,889        | 121.0%        |
| <b>M&amp;A Related Debt LT</b>   | 667,171          | 749,671          | -             |
| <b>R&amp;D and Banks Debt ST</b> | 1,165,504        | 1,624,544        | -28.3%        |
| <b>M&amp;A Related Debt ST</b>   | 392,500          | 310,000          | 26.6%         |
| <b>GROSS FINANCIAL DEBT</b>      | <b>7,829,502</b> | <b>5,220,104</b> | <b>50.0%</b>  |
| <b>Cash at hand</b>              | 4,312,109        | 1,564,444        | 175.6%        |
| <b>Net Financial Debt</b>        | <b>3,517,393</b> | <b>3,655,661</b> | <b>-3.8%</b>  |
| <b>EBITDA</b>                    | 2,519,937*       | 2,504,501        | 0.6%          |
| <b>NFD/EBITDA</b>                | 1.40             | 1.46             | -4.4%         |

- \* EBITDA H1 2020 calculated 2x H1 adj EBITDA
- Convertible bonds or trade payables not included as financial debt
- Current Investments not included in Cash at hand (€144K)

## Net Financial Debt



## Financial Debt Maturities



# Ignitar Acquisition

# ignitar

- Three companies acquired during 2018-19: SVT (€0.8M revs, Spain), Ability (€1.6M revs, Colombia) and AHP (€1.2M revs, Portugal)
- Ignitar acquired in September 2020
  - Based in **Dublin, Ireland**
  - €1.81M revs and €0.58M EBITDA in 2019. **Expected to contribute with approx. €2M revs and €0.7M EBITDA**
  - Focused on providing cloud hosting SAP Business One services to **136 mid market customers**
  - Serves customers from Ireland, UK, The Benelux, Scandinavia and others
  - Lean organization with just seven employees
  - **One datacenter in Dublin**, owned by BT
- Jonathan Browne, founder and CEO, will continue as CEO of the Group in Ireland
- Ignitar provides Gigas with an English speaking team to exploit opportunities in markets outside the Iberian peninsula, and adds expertise in the fast growing SAP cloud hosting market
- Gigas continues to evaluate new acquisition opportunities, now focused on Spain and Europe





# COVID-19 Impact and End of Year Guidance

- COVID-19 has impacted the business
  - i. Sharp plunge by currencies in Latam, by as much as 25%, with an impact of ~€255K
  - ii. Significant increase in discounts, made to help customers experiencing financial difficulties due to the COVID-19 crisis with an approx. impact of ~€110K
  - iii. Customer churn, mostly related to the health crisis caused by COVID-19, which affected recurring revenue and customer numbers
- Without FX and discounts, revenues would have been 7.1% higher and EBITDA 33.1% higher
- End of year revenues expected to be 5-6% higher than 2019 revenues and EBITDA similar
- Nevertheless, we are seeing higher activity at the moment and the Company is positive about the mid term situation, foreseeing an increase of demand for 2021

# Q&A

---

## H1 2020 Results Investors Presentation



**gigas**

Diego Cabezudo  
CEO

Investor relations contact:  
[investor@gigas.com](mailto:investor@gigas.com)  
[accionista@gigas.com](mailto:accionista@gigas.com)



**gigas**

**Thank  
you**

