



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

GIGAH.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

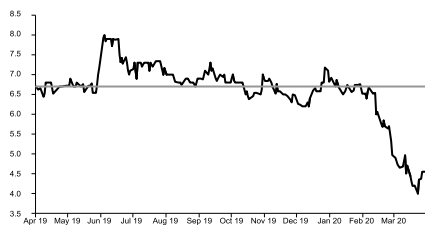
Price high/low 12 months 8.00 / 4.00

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

Analyst(s)

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CCAA '19: La tranquilidad de cumplir lo prometido

Gigas Hosting publicó esta mañana sus Cuentas Anuales auditadas (por EY) del 2019. Los resultados ya fueron adelantados en enero en sus grandes cifras y no hay grandes variaciones. Los números están ligeramente por encima de nuestras estimaciones en Ingresos y en línea en EBITDA.

- ✓ La compañía publicó **comparativa con el presupuesto** para 2019 en el que se observa un ligero retraso en las ventas por la pérdida de un partner en la primera mitad del año pero que se vio compensado por menores costes para llegar a un EBITDA en línea con lo presupuestado. Adicionalmente, este EBITDA incluye gastos de la compra de AHP realizada en noviembre así como ciertos gastos de imputaciones de gastos de stock options. **Sin estos gastos, el EBITDA recurrente sería de EUR2.85M vs EUR2.5M en presupuesto.**
- ✓ En la **parte operativa** se observó un **aumento de los clientes de Cloud Datacenter (818 vs 739 en 2018)**, sin embargo el **ARPU descendió** como consecuencia de la pérdida de clientes de alto valor por la pérdida del partner (adquirido por otra empresa) pasando **de EUR1,224 a EUR 1,157**. En la parte de **Cloud VPS**, la compañía siguió con su estrategia de **reducir su base de clientes aumentando el ARPU** medio para centrarse en clientes de mayor valor. De esta manera la base se redujo de **3,158 clientes en 2018 a 2,846** en 2019 con un **ARPU en aumento pasando de EUR27.7 a EUR29.2** a cierre de 2019.
- ✓ El **presupuesto** presentado por la compañía para **2020** presenta un **aumento de los ingresos netos del 18.4% para alcanzar los EUR12.1M** y un **crecimiento de EBITDA del 28% llegando a los EUR3.2M**. En nuestro modelo hemos incluido un crecimiento ligeramente inferior, llegando a los EUR11.7M de ingresos y EUR3.1 de EBITDA.
- ✓ Durante el año la compañía ha **aumentado su deuda neta** situándose en **EUR3.7M (1.5x DN/EBITDA)**, principalmente por la compra de AHP y su caja se ha visto reducida. **El flujo de caja libre ha sido positivo antes de contar gastos de M&A.**
- ✓ En el **contexto actual** que estamos viviendo a nivel global, hay **aspectos positivos** para Gigas. El **aumento del teletrabajo y las herramientas de trabajo en remoto** hacen necesario para muchas empresas soluciones de cloud para mantener los archivos comunes en la nube y muchas empresas acelerarán los procesos de digitalización de su información. En la **parte negativa**, la **previsible desaceleración o recesión económica**, hará crecer la presión sobre los ARPUs. En nuestro modelo hemos reflejado estos impactos, compensados por una mayor eficiencia en costes de la compañía, así como un capex más moderado (exM&A).
- ✓ Adicionalmente, la compañía genera el **50% de su negocio en Latinoamérica**. Dicho continente está teniendo numerosos **problemas económicos y sociales** y esto hace que muchas **divisas** se estén depreciando y que la actividad en esos países se esté resintiendo. La compañía ha paralizado cualquier tipo de crecimiento inorgánico en dicha región y se centrará en mantener el negocio en LatAm y buscar oportunidades de crecimiento en Europa.
- ✓ Con todos estos inputs hemos actualizado nuestro modelo, obteniendo una valoración de **EUR9.9/acción manteniendo la recomendación de COMPRAR.**

Resultados 2019 vs presupuesto

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%	

Presupuesto 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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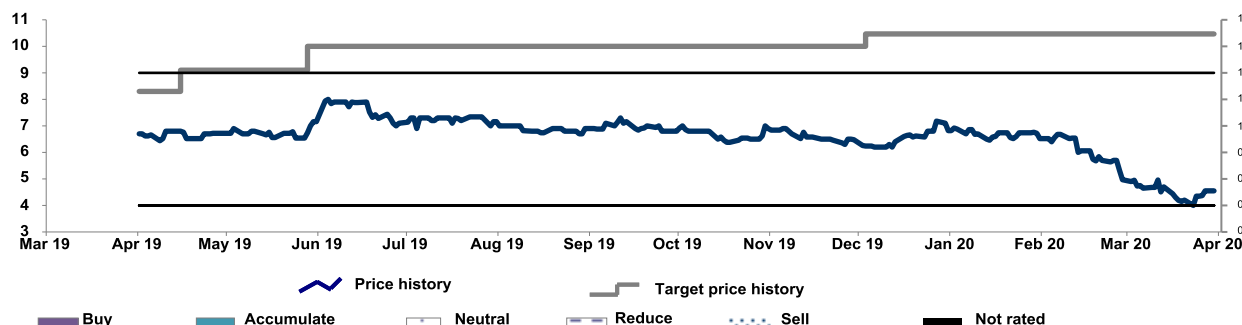
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Recommendation history for GIGAS HOSTING

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)**.

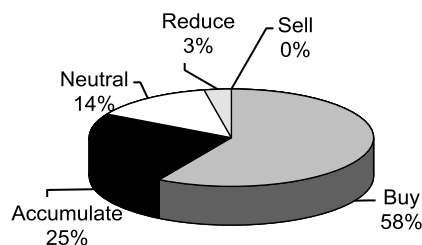
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- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** 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
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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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