



## NOTIFICATION OF 2020 BUDGET GIGAS HOSTING, S.A.

20 January 2020

With a view to increasing transparency and providing greater disclosures on the key financial highlights and estimates of Gigas Hosting, S.A. (hereinafter, "GIGAS", the Company", or the "GIGAS Group"), the Company hereby presents this notice to the market with the 2020 budget approved by the Board of Directors at its meeting of 16 January 2020.

### **2020 BUDGET**

The Company estimates net revenue of EUR 12.11 million and gross sales (i.e. before accruals, discounts and promotions) of EUR 13.79 million. These figures, underpinned by the Company's organic growth and the acquisition of A.H.P. – Informática e Serviços, S.A. ("AHP") in 2019 (see price sensitive information of 29 October 2019), imply growth of slightly over 18% in revenue for 2019 (EUR 10.2 million according to the estimate included in the price sensitive information disclosed on 20 November 2019).

In 2019, this acquisition resulted in the addition of two new datacenters to the Gigas Group (Lisbon and Porto), which will increase cost of sales in 2020. Therefore, the budget this year calls for a slight narrowing of gross margin from 2019 caused by this increase in the number of datacenters operated by the Company, the increase in the cost of third-party licenses, higher equipment maintenance costs and AHP's thinner gross margin, which lowers the Group's average gross margin. Nonetheless, gross margin for 2020 is estimated to be around 75% (growing throughout the year), above the industry average, thanks mainly to the Company's proprietary cloud platform, which requires no payments to third parties. The datacenters added in 2019 reduce the Company's gross margin, but strengthen its competitive positioning in a market where the provision of services by local locales is becoming an increasing advantage, and add a new market that complements the offering to large partners and customers with operations in both Spain and Portugal.

The inclusion of AHP at the end of 2019 implies an increase in personnel expenses in 2020, which are budgeted to grow by around 12% from 2019 (or approximately 2% stripping out the impact of AHP). These increases also mean staff additions, with the Company set to end the year with 97 employees. External services are also expected to rise slightly due to the consolidation of AHP for the full year.

Overall, Gigas has budgeted EBITDA for 2020 of EUR 3.21 million, implying an EBITDA margin of 26.5%, up by around 33% from the EUR 2.4 million estimated for 2019 (see price sensitive information of 20 November 2019).

The Company is on track to deliver a net profit, but growth will be undermined by higher depreciation and amortisation charges from the customer relations/goodwill arising on the AHP acquisition. The Company has earmarked some EUR 0.86 million in capex to acquire equipment in 2020, in line with the level of investment made in 2019, which was slightly lower than originally budgeted. Cash generation is expected to grow further, with the Group generating operating cash flow of around EUR 2.55 million, implying free cash flow of approximately EUR 1.7 million after discounting investment in capex (IT equipment).

The table below provides the breakdown of the 2020 budget by quarter for better monitoring during the year. The budget was drawn up using the same criteria as for the historical financial information and is based on the Company's best estimates for 2020.

<b>2020 CONSOLIDATED BUDGET</b>					
<i>EUR</i>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2020b</b>
<b>Gross sales</b>	<b>3.252.899</b>	<b>3.263.105</b>	<b>3.431.583</b>	<b>3.843.509</b>	<b>13.791.095</b>
Accrued sales	(82.970)	92.818	131.134	(118.283)	22.699
Sales discounts and promotions	(398.023)	(396.336)	(421.410)	(485.780)	(1.701.548)
<b>Revenue</b>	<b>2.771.906</b>	<b>2.959.588</b>	<b>3.141.307</b>	<b>3.239.445</b>	<b>12.112.246</b>
<b>Own R&amp;D costs capitalised</b>	<b>105.705</b>	<b>107.705</b>	<b>96.205</b>	<b>87.205</b>	<b>396.820</b>
<b>Non-recurring income, grants and other</b>	<b>9.063</b>	<b>9.063</b>	<b>9.063</b>	<b>9.063</b>	<b>36.252</b>
<b>Cost of sales</b>	<b>(730.238)</b>	<b>(750.260)</b>	<b>(768.054)</b>	<b>(783.019)</b>	<b>(3.031.571)</b>
Online and third-party customer acquisition costs	(5.572)	(10.235)	(13.267)	(13.669)	(42.744)
Datacenters and connectivity	(312.016)	(312.246)	(316.246)	(316.246)	(1.256.753)
Other supplies	(412.650)	(427.779)	(438.541)	(453.104)	(1.732.074)
<b>Personnel expenses</b>	<b>(1.052.329)</b>	<b>(1.085.240)</b>	<b>(1.071.269)</b>	<b>(1.044.645)</b>	<b>(4.253.483)</b>
Salaries and wages	(880.594)	(908.215)	(896.730)	(867.112)	(3.552.651)
Social security costs	(171.735)	(177.025)	(174.539)	(177.533)	(700.832)
<b>Other operating expenses</b>	<b>(482.797)</b>	<b>(524.996)</b>	<b>(504.230)</b>	<b>(542.288)</b>	<b>(2.054.311)</b>
External services	(446.302)	(484.811)	(463.210)	(499.058)	(1.893.381)
Professional services and other	(409.377)	(421.960)	(418.435)	(427.783)	(1.677.555)
Marketing and publicity	(36.925)	(62.851)	(44.775)	(71.275)	(215.826)
Losses, impairment and changes in trade provisions	(36.494)	(40.185)	(41.020)	(43.230)	(160.930)
<b>Other income and expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EBITDA</b>	<b>621.310</b>	<b>715.860</b>	<b>903.022</b>	<b>965.761</b>	<b>3.205.953</b>
<i>EBITDA margin, %</i>	<b>22,4%</b>	<b>24,2%</b>	<b>28,7%</b>	<b>29,8%</b>	<b>26,5%</b>
<b>Gross margin</b>	<b>2.041.668</b>	<b>2.209.328</b>	<b>2.373.253</b>	<b>2.456.426</b>	<b>9.080.675</b>
<i>Gross margin %</i>	<b>73,7%</b>	<b>74,6%</b>	<b>75,5%</b>	<b>75,8%</b>	<b>75,0%</b>

Alongside budgeted growth, the Company continues to look at corporate deals that could generate value for shareholders which, if they materialise, could cause the forecasts presented herein to change significantly.

Madrid, 20 January 2020.

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Chief Executive Officer, GIGAS HOSTING, S.A.