



ACQUISITION OF ABILITY, CLOUD HOSTING OPERATOR IN COLOMBIA

GIGAS HOSTING, S.A.

22 May 2018

Pursuant to article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and article 228 of the Consolidated Text of the Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October, and related provisions, and Circular 15/2016 of the Mercado Alternativo Bursátil (the Spanish Alternative Equity Market, or "MAB"), Gigas Hosting, S.A. ("Gigas" or the "Company") here by discloses to the market the acquisition of 100% of the share capital of Ability Data Services, S.A. ("Ability") of Colombia.

Today, **Gigas completed the acquisition of 100% of the share capital of Colombian cloud hosting services provider Ability**, now a member of the Gigas Group. **Ability provides cloud hosting services to over 70 corporate customers, mainly medium-sized enterprises, specialising in hosting of ERP (Enterprise Resource Planning) software**, namely SAP, in Colombia.

The acquisition brings Gigas new corporate customers that match its target customer profile and strengthen its footprint in Latin America, particularly Colombia, already its second largest market after Spain. The company remains committed to the market for hosting mission-critical applications in the cloud in which, among other achievements, in 2014, Gigas became the first cloud services operator in both Latin America and Spain to be SAP-certified in Infrastructure Operations Services, hosting the renowned software maker's applications in the cloud.

Ability was incorporated in 2006 in Bogotá (Colombia). Initially, it focused on the ERP deployment market, but over the past four years it has shifted away from this business and towards providing cloud hosting services, growing rapidly in this segment. In 2017, this company reported a 35.3% increase in revenue, to around EUR 1.59 million (COP 5.49 billion, unaudited), driven by one-offs, and an EBITDA ratio of 25.2%. **For 2018, Ability expects recurring revenue to reach close to EUR 1.63 billion, all from cloud hosting services, contributing roughly EUR 0.9 million to Gigas' consolidated revenue** this year from the date of inclusion in the consolidation scope. Assuming fulfilment of the 2018 budget disclosed to the market in a price-sensitive information dated 29 January 2018, **Gigas would achieve customer revenue (gross sales) this year of EUR 10.2 million**, with Ability potentially accounting for 8.8%.

Ability's current CEO, Joaquín Miranda, will join the Gigas Group and oversee the Company's sales efforts as Head of Latin America. Ability has a staff of 13 based in Bogotá, which will team up with Gigas' other six employees in Colombia. Together, they will be in charge of the commercial and technical management of clients in Colombia and lend support to the rest of Latin America, providing Gigas with a base of operations in the region. Ability's infrastructure is installed in a **data center in Bogotá, which will be added to those Gigas operates** in Madrid, Barcelona, Miami and

Santiago de Chile. To streamline management, the plan is for the Colombian subsidiary, Gigas Hosting Colombia SAS, to absorb Ability over the coming months.

The transaction includes payment of a fixed amount (mix of cash, new Gigas shares and assumption of financial debt) and a variable amount based on the Gigas Group's Latin American sales in 2018, 2019 and 2020. **The Company will pay EUR 1.36 million in cash (of which 77% was paid up front on the signing of the agreement, with the remaining 23% deferred for 12 months) and EUR 0.3 million in new Gigas shares**, to be issued at the upcoming General Shareholders' Meeting scheduled for June, at a price of EUR 6.34 per share. Therefore, the transaction will include a total of 47,318 newly issued Gigas, representing 1.09% of the total shares issued. **The fixed component also includes the assumption of facility agreements for IT equipment worth EUR 0.32 million.** Valuation-wise, taking forecast sales for 2018, **Gigas' acquisition of Ability represents an acquisition multiple of 1.2x sales.**

In addition to these amounts, Gigas may pay Ability's former owners up to **USD 0.75 million** in 2018, 2019 and 2020 if Gigas Group revenue in Latin America meets certain **customer revenue (gross sales) targets in the next three years, reaching USD 10.3 million in 2020.**

The acquisition will be funded mostly with available cash on Gigas' balance sheet arising from the issuance of convertible and/or exchangeable bonds in April this year, which was fully subscribed by the Inveready Group.

By acquiring Ability, Gigas reinforces its commercial position in Colombia, becoming the local cloud operator with the most SAP facilities in the market, and adding a base of operations and a new data center in the region, in keeping with its strategy of complementing organic growth with M&A. The Company continues to assess opportunities that can add volume and value to the Group.

Gigas engaged Crea Inversión and EY (Ernst & Young) in Spain and Colombia as advisors on the acquisition.

Madrid and Bogotá, 22 May 2018.

Diego Cabezudo
Chief Executive Officer
GIGAS HOSTING, S.A