

OTHER SIGNIFICANT INFORMATION



NOTIFICATION OF 1Q 2020 EARNINGS AND BUSINESS INDICATORS GIGAS HOSTING, S.A.

18 May 2020

With a view to increasing transparency and providing regular information on the key financial and business indicators of Gigas Hosting, S.A. (hereinafter, "GIGAS", the Company", or the "GIGAS Group"), although not required to do so according to the current regulations of the Mercado Alternativo Bursátil (the Spanish Alternative Equity Market, or "MAB"), GIGAS hereby presents this notice to the market on the first quarter of 2020, in accordance with the commitment undertaken in section 3.1.6 Financial Information in the Informational Document on Admission to the MAB (DIIM for its initials in Spanish) published in September 2015.

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 6/2018 of the Mercado Alternativo Bursátil (the Spanish Alternative Equity Market, or "MAB"), the Company hereby also notifies the deviations in its metrics against the 2020 budget included in the price sensitive information disclosed on 20 January 2020.

SUMMARY OF SIGNIFICANT INFORMATION

- Customer revenue (gross sales) in the first quarter of 2020 amounted to EUR 3.20 million, up 5.4% year-on-year (from EUR 3.04 million in 1Q 2019), but 1.6% below budget (EUR 3.25 million).
- Net revenue amounted to EUR 2.63 million, up 6.3% year-on-year (from EUR 2.47 million), but 5.1% below budget (EUR 2.77 million) due mainly to Latin American currency depreciation.
- EBITDA through March totalled EUR 602 thousand, slightly below the EUR 639 thousand obtained in first quarter of last year and the EUR 621 thousand budgeted. However, adjusted EBITDA (i.e. excluding costs for M&A and stock options) was EUR 672 thousand, an increase of 2.4% from EUR 657 thousand in the same period of 2019.
- The Company's total customer base at 31 March 2020 stood at 3,567. The number of Cloud Datacenter customers, which make up more than 90% of revenue, increased by 48 to 801 at 31 March 2020 from 753 at 31 March 2019, while there were 2,766 Cloud VPS customers (versus 3,083 last year).
- In March, GIGAS launched a new virtual desktop solution that enables companies to work remotely. The Company is preparing new services for the second quarter to offer

contingency solutions that increase the security of customers with on-premise physical infrastructure in their offices and to help them move to the cloud.

- In the first quarter of 2020, the main impact of the COVID-19 health crisis was the sharp depreciation by Latin American currencies. This undermined consolidated earnings, mostly revenue in Colombian pesos (which represented 20.2% of the total in 2019), and eroded the Company's commercial position with Latin American customers billed in US dollars (which represented 32.3% of total net revenue in 2019), driving customer churn and slowing new sales.

CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2020

CONSOLIDATED INCOME STATEMENT		2020
<i>Figures in EUR</i>		JAN-MAR
Gross sales		3.200.613
Accrued sales		(125.410)
Sales discounts and promotions		(444.114)
Revenue		2.631.089
Own R&D costs capitalised		111.110
Non-recurring income, grants and other		27.618
Cost of sales		(686.199)
Online and third-party customer acquisition costs		(6.968)
Datacenters and connectivity		(302.578)
Other supplies		(376.653)
Gross margin *		1.944.890
	<i>Gross margin, %</i>	73,9%
Personnel expenses		(1.037.935)
Salaries and wages		(863.694)
Social security costs		(174.241)
Other operating expenses		(444.030)
External services		(418.836)
Professional services and other		(390.429)
Marketing and publicity		(28.407)
Losses, impairment and changes in trade provisions		(25.194)
Other income and expenses		(6)
EBITDA		601.647
	<i>EBITDA margin, %</i>	22,9%
EBITDA before M&A and stock options		672.321
	<i>Adjusted EBITDA margin, %</i>	25,6%

NB*: Gross income is calculated as "Revenue" less "Cost of sales".

DETAILED FINANCIAL INFORMATION AND BUDGET VARIANCE

- Gross sales in the first three months of 2020 amounted to EUR 3.20 million, up 5.4% year-on-year but slightly less than budgeted (-1.6%).
- Net revenue (i.e. after discounting accrued services billed but not provided, and sales discounts and promotions) was up 6.3% year-on-year in 1Q 2020 at EUR 2.63 million (versus EUR 2.47 million last year) but 5.1% below the Company's budget (EUR 2.77 million) due mostly to the impact of Latin American currency depreciation, which detracted EUR 93 thousand or 3.5% of total revenue. At constant exchange rates, net revenue growth was 10.1%.

CONSOLIDATED INCOME STATEMENT VS. 2019 AND BUDGET

CONSOLIDATED INCOME STATEMENT <i>Figures in EUR</i>	2020 JAN-MAR		2019 JAN-MAR	% Chg.	2020 budget JAN-MAR
Gross sales	3.200.613		3.036.615	(1,6%)	3.252.899
Accrued sales	(125.410)		(148.969)	51,2%	(82.970)
Sales discounts and promotions	(444.114)		(413.529)	11,6%	(398.023)
Revenue	2.631.089		2.474.118	(5,1%)	2.771.906
Own R&D costs capitalised	111.110		62.714	5,1%	105.705
Non-recurring income, grants and other	27.618		9.987	204,7%	9.063
Cost of sales	(686.199)		(563.174)	(6,0%)	(730.238)
Online and third-party customer acquisition costs	(6.968)		(16.301)	25,1%	(5.572)
Datacenters and connectivity	(302.578)		(257.580)	(3,0%)	(312.016)
Other supplies	(376.653)		(289.292)	(8,7%)	(412.650)
Gross margin *	1.944.890		1.910.944	(4,7%)	2.041.668
	<i>Gross margin, %</i>		<i>73,9%</i>		<i>73,7%</i>
Personnel expenses	(1.037.935)		(874.737)	(1,4%)	(1.052.329)
Salaries and wages	(863.694)		(733.340)	(1,9%)	(880.594)
Social security costs	(174.241)		(141.397)	1,5%	(171.735)
Other operating expenses	(444.030)		(467.774)	(8,0%)	(482.797)
External services	(418.836)		(426.111)	(6,2%)	(446.302)
Professional services and other	(390.429)		(388.547)	(4,6%)	(409.377)
Marketing and publicity	(28.407)		(37.564)	(23,1%)	(36.925)
Losses, impairment and changes in trade provisions	(25.194)		(41.663)	(31,0%)	(36.494)
Other income and expenses	(6)		(2.502)	-	-
EBITDA	601.647		638.633	(3,2%)	621.310
	<i>EBITDA margin, %</i>		<i>25,8%</i>		<i>22,4%</i>
EBITDA before M&A and stock options	672.321		656.755	(2,8%)	691.987
	<i>Adjusted EBITDA margin, %</i>		<i>25,6%</i>		<i>25,0%</i>

NB *: Gross margin is calculated as "Revenue" less "Cost of sales".

- Gross margin totalled EUR 1.94 million in the first three months of 2020, up slightly from EUR 1.91 million in 1Q 2019, leaving a gross margin of 73.9%. The gross margin narrowed from the year-ago figure because of the acquisition of AHP in 2019 (see price sensitive information of 29 October 2019), which commands thinner gross margins than GIGAS, and the addition of two new datacenters (Lisbon and Oporto, inherited from the acquisition) and the increasing inclusion of third-party software licenses in the Company's products. Some erosion was envisaged in the Company's 2020 budget, although the margin (73.9%) was slightly higher than budgeted (73.7%).
- Personnel expenses amounted to EUR 1.04 million in 1Q 2020, up 18.7% year-on-year due mainly to the addition of staff from AHP, which was acquired in October last year, and the

higher amount for stock options plans, which does not result in a cash outflow. This was 1.4% below the EUR 1.05 million of personnel expenses budgeted, but stripping out these two items it would have been 3.2% higher in the quarter.

- Other operating expenses came in at EUR 0.44 million, 8.0% below the EUR 0.48 million budgeted. Despite adding the operating expenses of AHP (acquired in October 2019), total operating expenses were 5.1% lower than in 1Q 2019 (EUR 0.47 million), illustrating both the synergies arising from inorganic growth and the Company's efforts to rein in costs.
- EBITDA through March totalled EUR 0.60 million, which was slightly lower than the year-ago figure (EUR 0.64 million), although foreign currency had an impact of EUR 64 thousand in the period, or 10.6% of the total. EBITDA before costs of M&A (EUR 0 in the quarter) and equity instrument-based payment plans (stock options) amounted to EUR 0.67 million in the quarter. Excluding the impact of Latin American currencies, it would have been EUR 0.74 million, up 12.1% from the EUR 0.66 million of EBITDA before M&A and stock of 1Q 2019.
- The EBITDA ratio for the first quarter of 2020 was 22.9%, or 25.6% taking EBITDA before M&A and stock options. In either case, the figures were higher than budgeted.
- Capex and acquisitions of intangible assets in the first three months of 2020 amounted to EUR 0.21 million, leaving the Company on track to meet its guidance of EUR 0.86 million for the full year.
- Gross debt at 31 March 2020; i.e. excluding the EUR 2.5 million of convertible bonds subscribed by Inveready (see price sensitive information disclosed on 26 April 2018), which are expected to be converted at maturity, stood at EUR 5.18 million (of which EUR 1.06 million is related to the acquisition of Portuguese company AHP last year and will be paid in 2020, 2021 and 2022). This is slightly lower than the year-end 2019 figure of EUR 5.22 million. The Company had cash of EUR 1.52 million at 31 March 2020 (excluding undrawn credit lines), leaving net debt of EUR 3.66 million (also EUR 3.66 million at year-end 2019). This gives a net debt/budgeted EBITDA ratio of 1.14x and a net debt/2019 EBITDA ratio of 1.46x.

Overall, figures for this first quarter of 2020 were a touch below the Company's budget, impacted mainly by the depreciation of Latin American currencies, as explained above. Even including this impact, not to mention the global health crisis, revenue increased by 6.3% year-on-year and EBITDA before M&A and stock options by 2.4% year-on-year (or 12.1% excluding the impact of exchange rates).

The Company expects both sales and EBITDA to deteriorate in the second quarter of the year as it is making efforts to help customers by offering significant discounts and subsidies and also by delaying invoices, so it can keep as many customers as possible. It sees scope for some improvement in the third quarter, before returning to normal in the fourth. Although the Company may lose some customers, this should be offset, to some extent, by new customers or growth in revenue from new services (upgrades) from existing customers.

In any event, GIGAS continues to assess potential acquisitions to speed up its growth and add value to its shareholders.

Analysts are still upbeat on GIGAS shares, unanimously seeing upside potential and a positive trend. GVC Gaesco has a BUY recommendation on GIGAS with a target price of EUR 9.86 per share in its report of 31 March 2020. Investment Strategies has a POSITIVE recommendation in its report of 9 April 2020. Udekte Corporate gives GIGAS a PLATINUM rating in its report of 15 April

2020, with a reference price of EUR 8.9 per share. Meanwhile, Renta4 issued an OVERWEIGHT recommendation for the Company in its 8 October 2019 report, with a target price range of EUR 8.6-9.2 per share. MABIA has a target price of EUR 8.25 per share in its report of 22 July 2019. GIGAS closed at EUR 5.25 per share on 15 May 2020, implying significant upside from the analyst consensus target price.

The Company has scheduled a webinar on its earnings, during which the CEO will provide more details on the numbers presented in this document. Eligible to attend are all investors, analysts, and anyone else interested, who can follow the presentation on-line and ask questions:

1Q 2020 EARNINGS PRESENTATION WEBINAR

DATE AND TIME: Thursday, 21 May, 10:30am

LINK TO REGISTER: <http://gigas.com/ResultadosGigas/2020Q1>

Alcobendas, Madrid, 18 May 2020,

Diego Cabezudo Fernández de la Vega
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GIGAS HOSTING, S.A.