



NOTIFICATION OF 9M 2020 EARNINGS AND
BUSINESS INDICATORS
GIGAS HOSTING, S.A.

4 November 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 BME Growth Segment of BMT MTF Equity (the "BME Growth" segment"), GIGAS hereby presents this notice to the market on the first nine months 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 3/2020 of the BME Growth Segment of BMT MTF Equity on disclosures required of companies in the BMT Growth Segment, 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

- **Gross sales in the nine-month period ended 30 September 2020 rose 7.0% year-on-year to EUR 9.11 million** (from EUR 8.51 million in 9M 2019). This was 8.5% under budget (EUR 9.95 million), due primarily to the impact of Latin American currencies on consolidated figures and the loss of customers caused by the ongoing COVID-19 crisis.
- **Net revenue in 9M 2020 amounted to EUR 7.76 million, up 3.4% year-on-year** (from EUR 7.50 million) but was 12.6% below budget (EUR 8.87 million).
- **GIGAS reported EBITDA adjusted for M&A costs and stock option plans through 30 September (which do not entail cash outflows) of EUR 1.96 million**, 4.2% lower than the year-ago figure of EUR 2.05 and 20.0% below the EUR 2.45 million budgeted. **Accounting EBITDA for the first nine months of the year totalled EUR 1.63 million.**
- The Company's total customer base at 30 September 2020 stood at 3,455. There were 856 Cloud Datacenter customers, 80 more than the 776 of a year ago, and 2,599 Cloud

VPS customers, 331 fewer than the 2,930 at the end of September 2018, due to the Company's strategy of favouring higher value-added customers and boosting ARPU (Average Revenue Per User).

CONSOLIDATED INCOME STATEMENT VS. THE PREVIOUS YEAR

Nine months ended 30 September 2020.

CONSOLIDATED INCOME STATEMENT	2020	2020	2020	2020		2019	
<i>Figures in EUR</i>	1Q	2Q	3Q	9M		9M	
Gross sales	3.200.613	2.844.194	3.060.990	9.105.798		7,0%	8.512.926
Accrued sales	(125.410)	127.082	56.883	58.555		(66,5%)	174.960
Sales discounts and promotions	(444.114)	(464.545)	(499.786)	(1.408.444)		18,7%	(1.186.578)
Revenue	2.631.089	2.506.732	2.618.088	7.755.909		3,4%	7.501.308
Own R&D costs capitalised	111.110	124.234	133.628	368.972		78,1%	207.153
Non-recurring income, grants and other	27.618	16.007	11.099	54.723		(25,7%)	73.643
Cost of sales	(686.199)	(712.324)	(777.637)	(2.176.160)		27,0%	(1.713.634)
Online and third-party customer acquisition costs	(6.968)	(13.082)	(10.405)	(30.455)		(40,9%)	(51.490)
Datacenters and connectivity	(302.578)	(305.302)	(326.334)	(934.214)		20,0%	(778.272)
Other supplies	(376.653)	(393.940)	(440.897)	(1.211.490)		37,1%	(883.872)
Gross margin*	1.944.890	1.794.408	1.840.451	5.579.749		(3,6%)	5.787.674
	<i>Gross margin, %</i>	<i>73,9%</i>	<i>71,6%</i>	<i>70,3%</i>	<i>71,9%</i>		<i>77,2%</i>
Personnel expenses	(1.037.935)	(1.005.034)	(983.713)	(3.026.682)		10,0%	(2.750.740)
Salaries and wages	(863.694)	(830.562)	(818.673)	(2.512.929)		9,4%	(2.296.044)
Social security costs	(174.241)	(174.472)	(165.040)	(513.753)		13,0%	(454.697)
Other operating expenses	(444.030)	(421.275)	(471.364)	(1.336.669)		(5,3%)	(1.411.702)
External services	(418.836)	(415.790)	(470.323)	(1.304.949)		0,8%	(1.294.299)
Professional services and other	(390.429)	(376.797)	(446.914)	(1.214.140)		4,3%	(1.163.931)
Marketing and advertising	(28.407)	(38.993)	(23.409)	(90.809)		(30,3%)	(130.367)
Losses, impairment and changes in trade provisions	(25.194)	(5.484)	(1.042)	(31.720)		(73,0%)	(117.403)
Other income and expenses	(6)	(7.108)	(705)	(7.819)		(60,6%)	(19.832)
EBITDA	601.647	501.232	529.396	1.632.276		(13,5%)	1.886.195
	<i>EBITDA margin, %</i>	<i>22,9%</i>	<i>20,0%</i>	<i>20,2%</i>	<i>21,0%</i>		<i>25,1%</i>
Adjusted EBITDA (before M&A and stock options)	672.321	587.647	698.602	1.958.570		(4,2%)	2.045.196
	<i>Adjusted EBITDA margin, %</i>	<i>25,6%</i>	<i>23,4%</i>	<i>26,7%</i>	<i>25,3%</i>		<i>27,3%</i>

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

FINANCIAL INFORMATION

- The ongoing pandemic has had a material impact on the Company's accounts, as noted in the previous price-sensitive information notices on 1H and 1Q 2020 earnings (of 17 September 2020 and 18 May 2020, respectively), undermining year-on-year growth. Growth was considerably under budget owing to three factors: i) sharp depreciation by Latin American currencies, by as much as 25% in some countries, in addition to US dollar depreciation vis-à-vis the euro, which considerably subtracted from consolidated figures in EUR since half of GIGAS' revenue is in these currencies; ii) customer churn, mostly related to the health crisis caused by COVID-19, affected recurring revenue, and iii) a sharp increase in discounts, in line with efforts made by Gigas during these months to help customers experiencing financial difficulties due to the COVID-19 crisis.

- The Company announced the acquisition of Irish company Ignitar in September (see price sensitive information of 16 September 2020), which was included in the Group's scope of consolidation. However, the impact on 9M earnings was minimal, since the acquisition was made at the end of the period.
- Gross margin in the first nine months of the year totalled EUR 5.58 million, leaving a gross margin ratio of 71.9%. This ratio narrowed slightly from the year-ago figure of 77.2% due to the inclusion last year of Portuguese company AHP (see price sensitive information of 29 October 2019), which commands thinner gross margins than GIGAS, and to the larger number of datacenters in which the Company's IT equipment is rolled out, and the increasing inclusion of third-party software licenses in the Company's products.
- As the preceding table illustrates, the sharpest increase in cost of sales was in other supplies, which includes mainly third-party licenses and equipment maintenance, followed by datacenters and connectivity, following the addition of new datacenters in Lisbon and Porto inherited from AHP.
- Personnel expenses totalled EUR 3.03 million in the first nine months of the year, up 10% year-on-year due above all to the addition of staff from the Portuguese company acquired and, to a lesser extent, the Irish company. Even so, personnel expenses for the nine-month period were 5.7% lower than the budget. Personnel expenses included costs of the Company's incentive plan via stock options of EUR 244 thousand in the first nine months of 2020 (EUR 149 thousand in 9M 2019), though this does not imply any cash outflow.
- Other operating expenses amounted to EUR 1.34 million in 9M 2020, down 5.3% year-on-year (from EUR 1.41 million) driven by cost reductions in marketing in the current circumstances, although professional services and other included EUR 83 thousand of one-off expenses in the third quarter related to the Ignitar acquisition in September.
- Adjusted EBITDA in the first nine months of 2020 amounted to EUR 1.96 million, down 4.2% year-on-year from EUR 2.05 million in 9M 2019. Accounting EBITDA fell even further (due to higher costs from stock option plans and M&A costs from the Ignitar acquisition), by 13.5% to EUR 1.63 million from the year-earlier figure of EUR 1.89 million. These figures are 27.1% and 20.0%, respectively, below the budget for the period.
- The adjusted EBITDA ratio in 9M 2020 was 25.3% (versus the 27.6% budgeted), while the accounting EBITDA margin was 21.0%.

FULL YEAR GUIDANCE, NEW ACQUISITION AND BUDGET VARIANCE

GIGAS ended the first nine months of 2020 showing just single-digit growth in revenue compared to the same period of 2019 and well below budget due to the ongoing health and economic crisis described previously. The following table shows budget variances to date:

CONSOLIDATED INCOME STATEMENT	2020		2020 budget
<i>Figures in EUR</i>	9M	% Chg.	9M
Gross sales	9.105.798	(8,5%)	9.947.586
Accrued sales	58.555	(58,5%)	140.982
Sales discounts and promotions	(1.408.444)	15,8%	(1.215.768)
Revenue	7.755.909	(12,6%)	8.872.801
Own R&D costs capitalised	368.972	19,2%	309.615
Non-recurring income, grants and other	54.723	101,3%	27.189
Cost of sales	(2.176.160)	(3,2%)	(2.248.552)
Online and third-party customer acquisition costs	(30.455)	4,7%	(29.075)
Datacenters and connectivity	(934.214)	(0,7%)	(940.507)
Other supplies	(1.211.490)	(5,3%)	(1.278.970)
Gross margin*	5.579.749	(15,8%)	6.624.249
	Gross margin, %		74,7%
Personnel expenses	(3.026.682)	(5,7%)	(3.208.838)
Salaries and wages	(2.512.929)	(6,4%)	(2.685.539)
Social security costs	(513.753)	(1,8%)	(523.300)
Other operating expenses	(1.336.669)	(11,6%)	(1.512.023)
External services	(1.304.949)	(6,4%)	(1.394.323)
Professional services and other	(1.214.140)	(2,9%)	(1.249.772)
Marketing and advertising	(90.809)	(37,2%)	(144.551)
Losses, impairment and changes in trade provisions	(31.720)	(73,1%)	(117.700)
Other income and expenses	(7.819)	-	-
EBITDA	1.632.276	(27,1%)	2.240.192
	EBITDA margin, %		25,2%
Adjusted EBITDA (before M&A and stock options)	1.958.570	(20,0%)	2.448.172
	Adjusted EBITDA margin, %		27,6%

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

The Company recently announced the acquisition of Irish cloud services provider Ignitar (see price sensitive information of 16 September 2020). This acquisition had an immaterial impact on profit or loss for the first nine months of 2020 and its contribution to full-year results will be small as it will be included in the GIGAS Group's scope of consolidation for just the last three months of the year.

Including Ignitar, **GIGAS estimates that it could end 2020 with revenue of around EUR 11 million and adjusted EBITDA (i.e. excluding costs of M&A and stock options) of approximately EUR 2.8 million.**

In addition to today's earnings release, around mid-October the Company announced (see price sensitive information dated 16 October 2020) that, given the business opportunity afforded by the convergence of cloud and telecommunications, it had called an Extraordinary General Meeting of Shareholders at which it will submit for approval proposals to carry out two capital increases with the intention of using the proceeds to acquire telecommunications operators. The Company generally gives an online earnings presentation with their release. However, given the current situation it prefers to wait until it can provide more details on potential acquisitions and a more accurate picture of their potential impact on the Company's key metrics.

Madrid, 4 November 2020.

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