



NOTIFICATION OF 2021 BUDGET
GIGAS HOSTING, S.A.

8 February 2021

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 2021 budget approved by the Board of Directors at its meeting of 27 January 2021.

2021 BUDGET

The Company estimates net revenue in 2021 of EUR 48.90 million and gross sales (i.e. before accruals, discounts and promotions) of EUR 51.19 million. These figures, underpinned by the Company's organic growth and the acquisition of Irish cloud services provider Ignitar in 2020 (see Inside Information of 16 September 2020), the addition of Portuguese telecommunications operator ONI (see Inside Information of 8 November 2020) and the customer portfolio acquired from the MásMóvil Group ("the Portfolio", see Other Relevant Information of 3 February 2021), point to growth in net revenue of 2021 of around 350% (or approximately EUR 11.0 million, according to the estimate disclosed in the Other Relevant Information notice of 4 November 2020).

In 2021, the Ignitar acquisition (which brings the GIGAS Group a new datacenter in Dublin) and the consolidation of the Portfolio acquired from the MásMóvil Group -both of these command considerably thinner gross margins than GIGAS- look set to cause GIGAS Group's gross margin to fall to below 60% in the first quarter of the year, while driving a sharp increase in cost of sales (mainly direct product costs; i.e. the direct variable costs paid to third parties for the Portfolio's telecommunications services). ONI's consolidation will also impact gross margin in the second quarter, although it should improve slightly in the latter half of the year, ending 2021 at around 58%. The addition of telecommunications services, notably those entailing the lease of third-party networks, will cause the Company's gross margin to narrow, but bolster its competitive position in a market trending toward convergence of cloud and telecommunications services while adding a major differentiating factor for upselling with existing customers and attracting new customers.

The addition of these companies will logically push up personnel expenses in 2021, as GIGAS' headcount will increase nearly threefold, from almost 100 to approximately 300 employees. Overhead costs will also rise sharply, reflecting the Group's new reality once it includes ONI in the scope of consolidation as of the second quarter.

Overall, GIGAS expects to achieve EBITDA of EUR 10.72 million in 2021, leaving an EBITDA margin of 21.9% and nearly quadruple EBITDA estimated for 2020 (see forecasts included the Other Relevant Information notice of 4 November 2020, which included adjusted EBITDA of around EUR 2.8 million for 2020).

INSIDE INFORMATION

The Company does not expect to post a net profit in 2021 because of the sharp increase in amortisation of customer relations/goodwill arising from the aforementioned acquisitions.

Turning to CAPEX (property, plant and equipment), the Company has plans to invest heavily in 2021 on the integration of operator ONI and the Portfolio of customers acquired, as well as on the launch and operation of new convergent services. Indeed, the budget for CAPEX in 2021 is EUR 8.7 million and includes purchases of equipment, investments in customer networks and equipment, and investments in the deployment and migration of systems and platforms for managing and operating the new convergent services.

The table below provides the breakdown of the 2021 budget by quarter for better monitoring during the year. The budget was drawn up assuming the Portfolio's inclusion in the Group's consolidation scope at the beginning of the year and ONI as of the middle of the first half, and represents the Company's best estimates for 2021.

2021 CONSOLIDATED BUDGET

<i>EUR</i>	Q1	Q2	Q3	Q4	2021b
Gross sales	6.008.274	14.511.659	14.955.975	15.709.415	51.185.322
Accrued sales	(122.834)	113.818	54.134	(121.395)	(76.277)
Sales discounts and promotions	(497.746)	(575.954)	(581.357)	(593.459)	(2.248.515)
Non-recurring income, grants and other	10.530	10.530	10.530	10.530	42.121
Net revenue	5.398.224	14.060.054	14.439.283	15.005.091	48.902.652
Cost of sales	(2.210.656)	(5.918.162)	(6.056.941)	(6.260.849)	(20.446.608)
Direct product costs	(1.759.503)	(5.469.145)	(5.597.722)	(5.790.811)	(18.617.181)
Technical and operating expenses	(451.154)	(449.016)	(459.219)	(470.038)	(1.829.427)
<i>Gross margin</i>	<i>3.187.568</i>	<i>8.141.892</i>	<i>8.382.342</i>	<i>8.744.242</i>	<i>28.456.044</i>
<i>Gross margin, %</i>	<i>59,0%</i>	<i>57,9%</i>	<i>58,1%</i>	<i>58,3%</i>	<i>58,2%</i>
Personnel expenses	(1.261.995)	(2.479.296)	(2.488.605)	(2.502.098)	(8.731.994)
Salaries, wages and social security	(1.420.225)	(3.023.014)	(3.031.336)	(3.045.816)	(10.520.391)
Own work capitalised	158.230	543.718	542.731	543.718	1.788.397
Other overhead costs	(707.566)	(2.780.707)	(2.699.297)	(2.816.328)	(9.003.898)
EBITDA	1.218.007	2.881.889	3.194.440	3.425.816	10.720.152
<i>EBITDA margin, %</i>	<i>22,6%</i>	<i>20,5%</i>	<i>22,1%</i>	<i>22,8%</i>	<i>21,9%</i>

Budgeted EBITDA does not factor in extraordinary costs related to M&A deals or remuneration of equity instruments (stock options) and other.

The Company expects to generate around EUR 8 million of operating cash flow, which will be earmarked for CAPEX, so free cash flow should end up slightly negative in 2021. GIGAS Group will also allocate around EUR 23 million of cash to pay for the aforementioned M&A transactions in 2021 and the deferred payments related to the acquisition of Portuguese company AHP (see price-sensitive information of 29 October 2019), along with a further almost EUR 2 million to service debt.

Gross debt at the beginning of 2021 stood at around EUR 8.50 million (excluding debt from the ONI acquisition or deferred payments related to the purchase of the Portfolio), while the Company had a cash position of EUR 22.96 million thanks to proceeds from the capital increases carried out at the end of last year (see Other Relevant Information notices of 23 November and 30 December 2020). Including the ONI transaction and the recently completed acquisition of the Portfolio (see Other Relevant Information of 3 February 2021), the Company is budgeting net financial debt at year-end 2021 of around EUR 13 million; i.e. 1.2x EBITDA estimated for the year, leaving room to leverage future acquisitions.

INSIDE INFORMATION

The figures presented in the budget are slightly lower than the pro-forma figures disclosed by the Company when it announced the ONI and Portfolio acquisitions (pro-forma revenue and EBITDA of EUR 59.0 and EUR 11.8 million, respectively, see Inside Information of 31 December 2020), mainly because ONI will be added around the middle of the first half of the year and because of the impact of the pre-acquisition spin-off of certain assets of ONI.

Taken as a whole, the budget implies a major jump in the Company's figures driven by the acquisitions made and a year of investment and enlargement of GIGAS' team for the optimal integration of the acquisitions, the Portfolio's migration to GIGAS' platforms and the launch of convergent services. So, 2021 looks set to be a year of transition and integration efforts, which should bear fruit in coming periods.

GIGAS' management team will be focused on the integrations in 2021, but does not rule out undertaking any corporate transactions, especially to round off GIGAS Group's portfolio of services. Any such transactions would result in changes to the current forecasts included in this budget.

Madrid, 8 February 2021.

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