



NOTIFICATION OF Q3 AND 9M 2022  
EARNINGS  
GIGAS HOSTING, S.A.

13 December 2022

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 BME MTF Equity ("BME Growth"), GIGAS hereby presents this notice to the market on the third quarter and first nine months of 2022, in accordance with the commitment undertaken in section 3.1.6 Financial Information in the Informational Document on Admission to BME Growth (DIIM for its initials in Spanish) published in September 2015.

Pursuant to article 17 of EU Market Abuse Regulation (596/2014) and article 227 of the Spanish Securities Market Act (*texto refundido de la Ley del Mercado de Valores*) approved by Royal Decree 4/2015, of 23 October, and related provisions, and in accordance also with Circular 3/2020 of the BME Growth Segment, the Company hereby also notifies the variance in its financial metrics from the 2022 Budget included in the Inside Information disclosure dated 9 February 2022.

**SUMMARY OF SIGNIFICANT INFORMATION**

- The Company delivered sharp growth in earnings, driven primarily by the acquisitions made last year, but also thanks to organic growth, especially in cloud and cybersecurity services. Net revenue in the first nine months of 2022 amounted to EUR 45.77 million, up 23.7% year-on-year from EUR 37.00 million last year, but slightly lower (-5.3%) than the EUR 48.31 million budgeted.
- GIGAS also reported adjusted 9M 2022 EBITDA (i.e. excluding M&A costs, multiyear remuneration plans and other extraordinaries) of EUR 11.02 million, an increase of 23.3% year-on-year from EUR 8.94 million and well above (+7.0%) the EUR 10.30 million budgeted. Therefore, the Company slightly underperformed the budget in top-line revenue but outperformed at EBITDA level.
- In the wake of the September 2022 acquisition of TPartner, a unified communications (UcaaS) and cloud PBX provider (see Inside Information notice of 29 September 2022), the Group's leverage, or EBITDA/net financial debt, ratio at 30 September 2022 stood at 2.21x the figure envisaged in the budget, with a cash balance at the end of the period of EUR 12.18 million.
- During the first nine months of 2022, the Company focused on integrating the businesses acquired last year (i.e. acquisitions of MásMóvil's B2B telecommunications business customer portfolio, Portuguese business telecommunications operator ONI, and ValoraData's cloud cybersecurity business unit and virtual mobile operator OnMóvil – see

Other Relevant Information notices of 3 February and 30 March and Inside Information disclosures of 31 March and 5 September 2021, respectively), while also designing, developing and launching new convergent services.

- These innovative convergent telco/cloud/cybersecurity services were launched in September and October and bring the advantages of the cloud -flexibility, speed and ease of use, security and cost-efficiency- to communications. The Company rolled out its 'flexible fibre', which lets customers increase or decrease the bandwidth (speed) of their fibre from their dashboard in real time, paying only one euro cent per 100 Mbps band per hour. The service is unique not only in Spain, but also in the rest of Europe. It also launched its Private Cloud Connect service, a fibre-to-the-premises (FTTP) connection from the customer's offices to its Cloud Datacenter at GIGAS. The customer uses its own private IP address and enjoys the benefits of a wholly secure connection with minimal latencies of 2 to 4 ms and the full available bandwidth (1 Gbps), since by not going over the Internet it is not penalized by bottlenecks and restrictions, or Internet security issues. Finally, the Company rolled out a range of backup services for servers and workstations that help companies protect themselves against increasingly frequent ransomware and other cyber threats.
- In addition, GIGAS completed the acquisition of TPartner, a Unified Communications as a Service (UCaaS) operator at the end of September (see Inside Information disclosure dated 29 September 2022). TPartner caters to companies, institutions and government bodies in Catalonia, Levante and areas of Andalusia in Spain. It provides Unified Communications solutions, maintenance of physical PBXs and PBX services in the cloud (Cloud PBX). The acquisition expands and further develops the geographic areas where GIGAS operates and builds out the Company's portfolio of cloud, IT and cloud communications services.
- Meanwhile, the Company is in the process of adjusting the B2B telecommunications customer portfolio in Spain acquired in 2021. This could lead to a downward revision in the final price to be paid, but is undermining revenue this year and is the main reason the Company is short of budget for revenue in 2022. However, GIGAS has achieved greater synergies and renegotiated wholesale contracts, enabling it to raise gross margin and deliver higher-than-budgeted EBITDA.

## CONSOLIDATED INCOME STATEMENT

For the nine months ended 30 September 2022.

<b>Consolidated P &amp; L</b>	<b>ACTUAL</b>
<b>Figures in euros</b>	<b>JAN-SEP</b>
<b>Net Revenues</b>	<b>45.770.569</b>
Cloud, IT & Cybersecurity Services	14.650.473
Telecommunications Services	31.076.347
Extraordinary Income, Subsidies and Others	43.749
<b>Cost of Sales</b>	<b>(17.512.568)</b>
Direct Product Costs	(16.084.573)
Operations and Technical costs	(1.427.994)
<b>Gross Margin</b>	<b>28.258.001</b>
<i>Gross Margin %</i>	<i>61,7%</i>
<b>Personnel Costs</b>	<b>(8.397.170)</b>
Salaries and Social Security	(10.222.522)
Capitalised R&D	1.825.352
<b>Corporate Costs</b>	<b>(8.842.510)</b>
Customer Operations and Marketing	(2.740.344)
Network, Operations and IT	(2.929.698)
Other Corporate Costs	(3.172.469)
<b>Adjusted EBITDA **</b>	<b>11.018.320</b>
<i>Adjusted EBITDA %</i>	<i>24,1%</i>

**NOTE\*:** EBITDA excludes costs of M&A, multiyear remuneration plans and other extraordinary.

## DETAILED FINANCIAL DISCLOSURES AND BUDGET VARIANCE

- Net revenues totalled EUR 45.77 million in the first nine months of 2022, underpinned by the solid performance of cloud revenue and the consolidation for the entire period of revenue from the acquisitions made in the last year.
- This marked a 23.7% increase on 9M 2021 (EUR 37.00 million) but was slight lower than budgeted (EUR 48.31 million). Telecommunications services revenues accounted for 67.9% of the total, while cloud, IT and cybersecurity services revenue accounted for 32.1%. Both line items achieved healthy growth in the first few months of the year, as illustrated in the table below showing the quarterly progression. Cloud, IT and cybersecurity services revenue in Q2 was shaped by a few special one-off projects in Portugal (ONI), so Q3 revenue was considerably higher than baseline recurring revenue growth of the previous quarter. In any event, the bulk of the Group's revenue is recurring, representing over 90% of the annual total.

## CONSOLIDATED INCOME STATEMENT VS. 2021 AND BUDGET

Consolidated P & L Figures in euros	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	Budget 2022	
	Q1 22	Q2 22	Q3 22	JAN-SEP	% Var	YTD 2021	% Var	YTD 2022B
<b>Net Revenues</b>	<b>14,760,883</b>	<b>15,423,006</b>	<b>15,586,680</b>	<b>45,770,569</b>	<b>23.7%</b>	<b>37,000,095</b>	<b>-5.3%</b>	<b>48,308,979</b>
Cloud, IT & Cybersecurity Services	4,557,357	5,038,165	5,054,950	14,650,473	21.7%	12,040,674	3.5%	14,157,232
Telecommunications Services	10,193,473	10,371,899	10,510,974	31,076,347	24.7%	24,926,960	-9.0%	34,151,746
Extraordinary Income, Subsidies and Others	10,052	12,942	20,755	43,749	34.8%	32,461	-	-
<b>Cost of Sales</b>	<b>(6,361,911)</b>	<b>(5,644,864)</b>	<b>(5,505,793)</b>	<b>(17,512,568)</b>	<b>15.7%</b>	<b>(15,137,076)</b>	<b>-15.8%</b>	<b>(20,798,440)</b>
Direct Product Costs	(5,876,940)	(5,161,961)	(5,045,672)	(16,084,573)	16.6%	(13,791,268)	-15.9%	(19,117,712)
Operations and Technical costs	(484,971)	(482,903)	(460,120)	(1,427,994)	6.1%	(1,345,808)	-15.0%	(1,680,728)
<b>Gross Margin</b>	<b>8,398,971</b>	<b>9,778,142</b>	<b>10,080,887</b>	<b>28,258,001</b>	<b>29.3%</b>	<b>21,863,019</b>	<b>2.7%</b>	<b>27,510,539</b>
<i>Gross Margin %</i>	<i>56.9%</i>	<i>63.4%</i>	<i>64.7%</i>	<i>61.7%</i>		<i>59.1%</i>		<i>56.9%</i>
<b>Personnel Costs</b>	<b>(2,766,854)</b>	<b>(2,710,509)</b>	<b>(2,919,808)</b>	<b>(8,397,170)</b>	<b>19.9%</b>	<b>(7,000,807)</b>	<b>0.1%</b>	<b>(8,386,382)</b>
Salaries and Social Security	(3,322,545)	(3,382,127)	(3,517,850)	(10,222,522)	23.0%	(8,309,002)	1.4%	(10,084,287)
Capitalised R&D	555,692	671,619	598,042	1,825,352	39.5%	1,308,195	7.5%	1,697,904
<b>Corporate Costs</b>	<b>(2,586,713)</b>	<b>(3,021,608)</b>	<b>(3,234,190)</b>	<b>(8,842,510)</b>	<b>49.3%</b>	<b>(5,923,800)</b>	<b>0.2%</b>	<b>(8,825,674)</b>
Customer Operations and Marketing	(788,601)	(994,972)	(956,772)	(2,740,344)	218.9%	(859,368)	-17.2%	(3,310,702)
Network, Operations and IT	(920,935)	(945,850)	(1,062,913)	(2,929,698)	5.7%	(2,772,637)	-13.7%	(3,395,388)
Other Corporate Costs	(877,177)	(1,080,787)	(1,214,505)	(3,172,469)	38.4%	(2,291,794)	49.7%	(2,119,585)
<b>Adjusted EBITDA **</b>	<b>3,045,405</b>	<b>4,046,025</b>	<b>3,926,890</b>	<b>11,018,320</b>	<b>23.3%</b>	<b>8,938,412</b>	<b>7.0%</b>	<b>10,298,482</b>
<i>Adjusted EBITDA %</i>	<i>20.6%</i>	<i>26.2%</i>	<i>25.2%</i>	<i>24.1%</i>		<i>24.2%</i>		<i>21.3%</i>

### NB:

\*Adjusted EBITDA excludes costs of multiyear remuneration plans and M&A, and other extraordinaries.

\*\*CAPEX: Reported CAPEX relates to maintenance CAPEX, which includes investments for maintenance of the platforms' current capacity, maintenance of the fibre network, software updates, the replacement of obsolete equipment, etc. This CAPEX does not include investment related to growth and, therefore, the CAPEX required to maintain the current business.

- Gross margin for 9M 2022 totalled EUR 28.26 million, well above the EUR 21.86 million of 9M 2021, with relative growth of 29.3%. For the period, gross margin came to 61.7% of revenue, well above last year's 59.1% and the 56.9% budgeted thanks above all to the renegotiation of certain wholesale telecommunication services contracts. Nevertheless, gross margin was exceptionally high in Q2 and Q3 2022, since certain rates were negotiated for the full year, while savings in 9M 2022 were concentrated in those two quarters, so gross margin should ease back slightly going forward.
- Personnel and related expenses rose sharply to EUR 10.22 million, owing to the addition of staff from newly acquired companies, reinforcement of the management teams and new hires to run the business. This left costs slightly higher than budgeted. Costs of multiyear remuneration plans, which amounted to EUR 470 thousand in the period, are not included in that figure.
- Corporate costs totalled EUR 8.84 million in the first nine months of 2022, up 49.3% from the year-earlier figure. This was mostly the result of acquisitions, especially of Onmóvil in the last four months of 2021, which accounted for a large share of customer operations and marketing costs for the marketing of its services through regional operators. However, other corporate costs were almost right in line with the budget (+0.2%).
- Adjusted EBITDA through September 2022 totalled EUR 11.02 million, up 23.3% on the year-earlier figure (EUR 8.94 million) and easily over the budget (+7.0%) of EUR 10.30 million. Adjusted EBITDA excludes M&A and other extraordinaries (EUR 528 thousand of M&A, EUR 643 thousand for migrating the customer portfolio acquired from Masmóvil, and EUR 253 of severance pay) and costs of multiyear incentive programmes (EUR 470 thousand in the period), although they do not imply any cash outflow.

- The adjusted EBITDA/revenue ratio for 9M 2022 was 24.1%, in line with last year's 24.2% and easily above the budgeted EBITDA margin (21.3%), thanks primarily to the business' better gross margin.
- Maintenance capex in 9M 2022 totalled EUR 2.73 million, representing 6.0% of revenue compared to the 12.1% budgeted. Total capex incurred in the period (growth + maintenance) was EUR 6.73 million. Growth capex was earmarked primarily to acquire equipment for customer installations, the deployment of the ultra-high speed GPON fibre network in Portugal and investments in voice and data platforms and new systems in Spain.
- Gross debt, excluding the EUR 2.5 million of convertible bonds subscribed by Inveready (see Inside Information disclosure dated 26 April 2018), which are expected to be converted at maturity, and long-term telecom infrastructure leases (IRUs), ended September 2022 at EUR 44.44 million, above the gross debt figure at 31 December 2021 due mainly to funding for the TPartner acquisition and the deferred payments to its owners. Stripping out the Company's cash at 30 September 2022 (EUR 12.18 million), net financial debt stood at EUR 32.26 million; i.e. 2.21x budgeted EBITDA for the period. The Company also has nearly EUR 3 million of available undrawn credit facilities.

The 9M 2022 figures underline the Company's commitment to becoming the leading convergent (cloud, telecommunications, cybersecurity) operator in the Iberian Peninsula and show sharp increases thanks to a mix of acquisitions, stronger commercial activity and organic growth. They also show clear improvement in margins and profitability thanks to the deft performance by the management teams in integrating the companies acquired, renegotiating wholesale contracts and unlocking synergies. The reported figures and earnings trends shown thus far leave the Company upbeat for the full year, estimating net revenue of around EUR 61-62 million (a touch below the budget for the year) and adjusted EBITDA of EUR 14.5-15 million (above budget).

Beyond organic growth-led value creation opportunities, the Company continues to assess potential M&A deals to scale up the business, consolidated its leadership in the Iberian Peninsula and expand in Europe.

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:

### **9M 2022 EARNINGS PRESENTATION WEBINAR**

**DATE AND TIME:** Thursday, 15 December, 10:00am

**LINK TO REGISTER:** <http://gigas.com/ResultadosGigas/2022Q3>

Pursuant to Circular 3/2020 of the BME Growth Segment, for the record the information provided herein has been prepared under the exclusive responsibility of the Company and its administrators.

Alcobendas, Madrid, 13 December 2022,

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