



## STRATEGY AND CORPORATE TRANSACTIONS GIGAS HOSTING, S.A.

16<sup>th</sup> October 2020

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 in accordance also with Circular 3/2020 of the BME Growth Segment of BME MTF Equity (the “BME Growth” segment) on disclosures required of companies in the BME Growth segment, the Company hereby releases the following price-sensitive information to the market in relation to Gigas Hosting, S.A. and its subsidiaries (“GIGAS”, the “GIGAS Group”, the “Group”, or the “Company”) regarding its strategy to expand its area of operation and two M&A transactions that, to this end, are being assessed.

### **CONVERGENCE OF CLOUD, CYBSECURITY AND TELECOMMUNICATIONS**

The cloud computing market represents a paradigm shift in how IT services are provided thanks to the virtualisation of hardware and the pay-per-use model. This market has grown consistently over the past few years, with an increasing number of companies migrating their IT infrastructure to the cloud.

In tandem with this growth, demand has increased for bandwidth and connectivity, changing also the needs from networks and telecommunications services that companies require to carry on their business. This process is being accelerated by a somewhat disruptive technological change; i.e. virtualisation. To integrate cloud servers and business customers’ networks properly, the cloud industry, including GIGAS, has been providing virtual networking services such as VPNs (virtual private networks), firewalls, and VLANs (virtual local area networks), which in many cases compete with services offered by traditional telecommunications operators. Companies’ increasing digital transformation, together with the unusual situation brought on by the pandemic, is making it even more important to have secure communications on the move (understood as connectivity outside the office, but mainly from employees’ homes at present).

Combined, these two trends -the virtualisation of telecommunications and strong demand from businesses- are driving rapid convergence of the cloud and telecommunications sectors to meet companies’ demands for integrated, agile and flexible services not offered by traditional telecommunications operators.

To that extent, GIGAS has detected a growing need among its customers for a broader range of services that cover their entire cloud, cybersecurity and business communications services requirements through a single provider (i.e. a one-stop shop).

The SDN (Software Defined Networking) based virtual network services GIGAS aims to offer to broaden its service portfolio will not only enable companies that are increasingly decentralised (e.g. teleworking, international expansion) to connect their businesses to the cloud, but also interconnect their headquarters and employees in an efficient, flexible and secure manner. Network virtualisation technologies, coupled with the decentralisation and dispersal driven by the current context, provide a unique opportunity to offer telecommunications services to SMEs that in the current situation are essential and that until now were available only to large enterprises undertaking major investments.

Therefore, alongside the cloud infrastructure services it currently offers, GIGAS wants to offer telecommunications services focused primarily on connectivity and security (SD-WAN - Software Defined Wide Area Network, SASE - Secure Access Service Edge) through third-party operator networks requiring limited investment in fixed assets (CapEx). GIGAS will be able to offer its customers secure connections to any public cloud (GIGAS or the large North American cloud players), branch interconnection services and secure connections with employees working remotely or teleworking from home.

GIGAS has assessed whether to develop these type of new convergent cloud/telecom services internally, just as it did with their own cloud platform previously. However, the need for certain telecommunications elements and specific know-how, together with the necessary investment and the longer time to market, suggest that the most efficient way to seize the tremendous business opportunity provided by convergence of the cloud and telecommunications sectors is obtain the elements, know-how and market presence by acquiring an existing business focused telecom operator.

## **ACQUISITIONS AND FINANCING**

Therefore, over the past year the Company has identified several potential acquisitions of telecommunications operators in the B2B (business to business) segment which would provide GIGAS with the capabilities required for launching new converged services. GIGAS is now finalising the due diligence process prior to the acquisition of two companies that, given their resources, experience and portfolio of telecommunications business customers, offer the perfect springboard for launching cloud communications services to business customers in the countries that GIGAS operates.

Acquiring both assets would bring nearly EUR 50 million of annual revenue to the GIGAS Group. Therefore, these are transformational transactions, not only because they will enable the Group to enter the business and corporate telecommunications sector, but also because of their size, which will drastically change GIGAS current scale, once when they are completed.

To finance the two acquisitions, the Company has called an Extraordinary General Meeting of shareholders (see price sensitive information disclosed on 16 October 2020) at which it will submit for approval proposals to carry out two monetary capital increases. The proceeds, combined with external financing through bank borrowings and a subsequent non-monetary capital increase, will be used to finance both acquisitions.

Accordingly, GIGAS intends to finance the acquisitions by issuing new shares, with a view to maintain a relatively low level of debt (NFD/EBITDA ratio below 1.5x) so it can focus its efforts in 2021 towards launching the offer of converged services without adding financial stress and to leave room for greater leverage in future acquisitions.

The first capital increase, for up to EUR 17 million, would exclude pre-emptive subscription rights and it is targeted at institutional and qualified strategic investors who will lend long-term stability. The second capital increase, for EUR 4 million, includes pre-emptive subscription rights and it is aimed at GIGAS' existing retail and institutional shareholders. Both capital increases would be carried out at a price of EUR 6.25 per share, implying a minimum discount to today's closing share price.

The Company has engaged external advisors to perform the due diligence and hopes to complete the analysis sometime within the next few days so it can provide more details to the market.

In summary, GIGAS' experience in infrastructure service virtualisation and B2B sales, coupled with the capabilities in the telecommunications sector and customer base that the two proposed acquisitions will add to the Group, will enable it to lead the cloud communications services segment and compete with traditional telecommunications services in the business segment. These acquisitions will make GIGAS a relevant player in business cloud and telecommunications sector and will also increase its size very substantially, marking a new milestone in the Company's history at a unique moment in the industry in which GIGAS wants to become a pioneering player.

Madrid, 16th of October 2020,

Diego Cabezudo Fernández de la Vega  
CEO, GIGAS GROUP