

Gigas Hosting



Sponsored Research

Spain | Software & Computer Services

Analysar

17 September 2020

Buy

Recommendation unchanged

Share price: EUR 6.30

closing price as of 16/09/2020

Target price: EUR 9.86

Target Price unchanged

Upside/Downside Potential 56.5%

Reuters/Bloomberg

GIGAH.MC/GIGA SM

Market capitalisation (EURm) 27

Current N° of shares (m) 4

Free float 50%

Daily avg. no. trad. sh. 12 mth (k) 6

Daily avg. trad. vol. 12 mth (k) 52.59

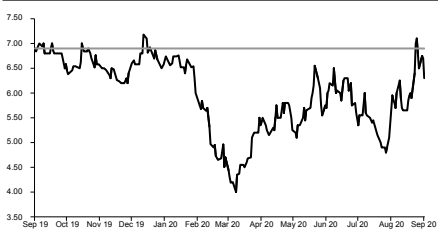
Price high/low 12 months 7.18 / 4.00

Abs Perfs 1/3/12 mths (%) 23.53/10.53/-8.70

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	10	12	13
EBITDA (m)	3	3	4
EBITDA margin	24.5%	26.5%	27.1%
EBIT (m)	1	1	1
EBIT margin	6.6%	9.5%	10.1%
Net Profit (adj.)(m)	0	1	1
ROCE	5.0%	8.2%	9.9%
Net debt/(cash) (m)	4	3	3
Net Debt/Equity	0.7	0.6	0.4
Debt/EBITDA	1.5	1.0	0.7
Int. cover(EBITDA/Fin. int)	6.1	10.8	14.0
EV/Sales	3.2	2.6	2.2
EV/EBITDA	13.2	9.8	8.2
EV/EBITDA (adj.)	13.2	9.8	8.2
EV/EBIT	48.8	27.4	22.1
P/E (adj.)	nm	44.2	38.4
P/BV	5.7	4.8	5.0
OpFCF yield	-2.2%	5.6%	6.9%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.05	0.14	0.16
BVPS	1.19	1.31	1.27
DPS	0.00	0.00	0.00

Shareholders

Founders and management 24%; Bonsai Venture Capital 7%;



Source: FactSet

GIGAS HOSTING

MAB (Rebased)

Analyst(s)

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M&A in Ireland

The facts: Gigas announced the acquisition of a company in Ireland.

Our analysis: Gigas announced the acquisition of the Irish company, Ignitar, for EUR3.2m for EUR3.2m. The amount would be divided in a EUR1.7m cash payment, Gigas shares for a value of EUR0.5m (via a capital increase) and earn-out valued at EUR1m according to the company's results during the next two years.

The Company is specialised in hosting SAP, which opens a very interesting niche for Gigas, apart from new markets, considering that Ignitar operates in Ireland, Scandinavia, Germany, UK and the Netherlands as well as owning its own Datacentre.

Ignitar contributes 136 Cloud Datacentre clients (17% of Gigas' total) with a similar ARPU as Gigas and an estimated EBITDA for 2020 of EUR750k. The transaction has been closed at an EV/EBITDA 19 of 5.5x and EBITDA 20e 4.3x.

Conclusion: As announced in previous quarters the Company's intention is to open new markets in Europe and reduce weight in LatAm operations.

In our opinion the acquisition would have a positive impact, as it has been obtained at very attractive multiples and is also very interesting to open new markets in Europe.

Gigas will release 1H 2020 results soon, in which we expect impacts from Covid-19 mainly in LatAm countries.