

Company Flash Note

Reason: Company newsflow

11 January 2021

Neutral

from Buy

Share price: EUR 12.20

closing price as of 08/01/2021

Target price: EUR 11.95

from Target Price: EUR 10.43

Upside/Downside Potential -2.1%

Reuters/Bloomberg

GIGA.MC/GIGA.SM

Market capitalisation (EURm) 143

Current N° of shares (m) 12

Free float 55%

Daily avg. no. trad. sh. 12 mth (k) 25

Daily avg. trad. vol. 12 mth (k) 497.15

Price high/low 12 months 12.40 / 4.00

Abs Perfs 1/3/12 mths (%) 37.08/68.28/77.84

Key financials (EUR)	12/18	12/19	12/20e
Sales (m)	9	10	11
EBITDA (m)	2	3	2
EBITDA margin	18.6%	24.5%	20.5%
EBIT (m)	0	1	0
EBIT margin	1.0%	6.6%	2.5%
Net Profit (adj.)(m)	(0)	0	(0)
ROCE	0.9%	5.0%	2.1%
Net debt/(cash) (m)	2	4	3
Net Debt Equity	0.4	0.7	0.6
Net Debt/EBITDA	1.3	1.5	1.4
Int. cover(EBITDA/Fin.int)	4.6	6.1	7.6
EV/Sales	3.5	3.2	5.0
EV/EBITDA	18.7	13.2	24.2
EV/EBITDA (adj.)	18.7	13.2	24.2
EV/EBIT	nm	48.8	nm
P/E (adj.)	nm	nm	nm
P/BV	5.6	5.7	9.9
OpFCF yield	-5.7%	-2.2%	0.2%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.03)	0.05	(0.00)
BVPS	1.17	1.19	1.16
DPS	0.00	0.00	0.00

Shareholders

GAEA 34%; Consejeros 6%; Key Wolf, S.L 6%;



Source: FactSet

— GIGAS HOSTING — MAB (Rebased)

Analyst(s)

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Primera fase de su transformación al B2B telco realizada

Como anunciamos el pasado 4 de enero, la compañía anunció la compra de una cartera de clientes empresariales por valor de EUR9M que vienen a completar las dos operaciones que la compañía anunció que iba a realizar en su proceso de transformación en una compañía de servicios convergentes cloud-telco para el segmento B2B en España y Portugal. Tras la adquisición de Oni, esta cartera de clientes, que alcanza los casi 3.000 refuerza la posición de la compañía y le permite multiplicar por seis su tamaño.

- ✓ Gigas adquiere más de **3.000 clientes empresariales** con una facturación anual de EUR9.2M y un EBITDA de EUR1.6M (17.4% de margen).
- ✓ El **precio** de la adquisición se ha cerrado en **EUR9M** de los cuales el 80% será pagado en efectivo en el momento del cierre de la compra (previa autorización de la Junta de Accionistas de Gigas convocada para el 1 de febrero) y el 20% restante se abonará un año después.
- ✓ La **compañía dispone de efectivo suficiente** para realizar estas operaciones tras las dos ampliaciones de capital realizadas en las últimas semanas por importe total de EUR21M. La compañía anunció que su deuda financiera neta se situará en EUR14M, lo que supone 1.2x el EBITDA proforma consolidado (en línea con nuestras estimaciones que situaban la DFN en EUR6M pre-adquisición de la cartera de clientes).
- ✓ El grupo queda, tras las dos adquisiciones mencionadas, con unos **ingresos proforma de EUR59M y un EBITDA proforma de EUR12M** (antes de costes de M&A) para 2020e.
- ✓ **Hemos actualizado nuestras estimaciones** tras esta nueva adquisición y contemplando el total de acciones nuevas a emitir tras las ampliaciones de capital dinerarias y la no dineraria para dar entrada a GAEA como accionista principal de la compañía como pago por Oni. Estas acciones aún no están cotizando en el mercado pero las incluimos en nuestro análisis.
- ✓ **Nuestras estimaciones están en línea con las proyecciones que maneja la compañía** y alcanzan unos ingresos para 2023e de EUR75M y un EBITDA de EUR17M. La deuda neta para 2021e alcanza los EUR11M, ligeramente por debajo de los EUR14M anunciados por la compañía tras las operaciones ya que consideramos generación de caja durante el ejercicio.
- ✓ Reiteramos nuestra opinión sobre la compañía que expresamos en nuestro informe del 12 de noviembre tras la compra de Oni, pensamos que el **giro estratégico tiene sentido y es atractivo**, aunque no está exento de riesgos operativos y de una "digestión" de multiplicar por seis el tamaño de la compañía.
- ✓ **Mantenemos nuestras hipótesis de WACC en 8.5% y g=2.8%** de nuestro anterior modelo y **alcanzamos una valoración de EUR11.9por acción**, en línea con los precios actuales por lo que **rebajamos nuestra recomendación a Neutral** a la espera de ver el comportamiento del precio de la acción cuando las nuevas acciones entren a cotizar y observar algo de delivery en su nueva estrategia.

DCF

Actualizamos nuestras estimaciones integrando la compra de la cartera de clientes empresariales con las hipótesis de nuestro anterior modelo. El EV/EBITDA terminal resultante asciende a 8.5x, mientras que el peso del valor terminal en la valoración es del 84%. Por último el PER25e de 10.7x.

GIGAS HOSTING. DCF VALUATION CONSIDERING ORGANIC GROWTH

CASH FLOW (EURm)	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	VR
Sales	5.947	8.684	10.228	10.632	64.632	70.131	75.283	81.426	87.450	89.899
EBITDA	0.572	1.615	2.505	2.183	13.072	15.081	17.251	19.507	21.899	24.273
EBITDA M.	9.6%	18.6%	24.5%	20.5%	20.2%	21.5%	22.9%	24.0%	25.0%	27.0%
DDA	-1.014	-1.524	-1.825	-1.914	-9.049	-9.327	-9.212	-9.166	-9.057	-9.310
EBIT	-0.442	0.091	0.679	0.269	4.023	5.754	8.039	10.341	12.842	14.962
Effective tax rate	-22.9%	-43.0%	-20.4%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
NOPLAT	-0.544	0.130	0.818	0.202	3.018	4.315	6.029	7.756	9.631	11.222
Depreciation&other provisions	1.014	1.524	1.825	1.914	9.049	9.327	9.212	9.166	9.057	9.310
Gross Operating Cash Flow	0.470	1.654	2.643	2.116	12.066	13.643	15.241	16.922	18.688	20.532
Capex	-1.204	-2.599	-2.315	-1.914	-7.110	-7.714	-8.281	-8.143	-8.745	-8.990
Capex/sales	20.2%	29.9%	22.6%	18.0%	11.0%	11.0%	11.0%	10.0%	10.0%	10.0%
Change in Net Working Capital	-0.110	-0.364	-0.379	0.105	-0.941	-1.150	-1.432	-1.072	-0.588	0.000
Cash Flow to be discounted	-0.844	-1.308	-0.051	0.306	4.016	4.779	5.528	7.707	9.355	11.542
DCF VALUATION (EUR m)										
WACC				8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Discount Rate factor				1.00	0.92	0.85	0.78	0.72	0.66	0.61
Discounted Cash Flow				0.306	3.700	4.057	4.324	5.555	6.212	
Cumulated DCF				0.306	4.006	8.063	12.388	17.942	24.155	
WACC & DCF ANALYSIS										
Free Risk Rate (10y Govn. Bonds)	3.5%			Cumulated DCF	24.15			- Net Financial Debt (21e) **	10.8	
Company Risk Factor or Beta	1.3			Perpetual Growth Rate (g)	2.8%			- Minorities (estimated value)	0.0	
Mkt Risk Premium	5.0%			Normalised Annual CF	11.54			+ Associates	0.0	
Cost of Equity (Ke or COE)	10.0%			Terminal Value at Nominal Year	207.03			- Pension underfunding	0.0	
Cost of Debt (gross)	5.5%			Disc. Rate of Terminal Value	0.61			- Off-balance sheet commitm.	0.0	
Debt Tax Rate	25.0%			Discounted Terminal Value	126.68					
Cost of Debt net (kd or COD)	4.1%							Equity Market Value (EUR m)	140.0	
Target Gearing (D/E) or % Kd	25%			Financial assets	0.00			Number of shares (m)*	11.7	
% Ke	75%			Enterprise Value (EURm)	150.8			Fair Value per share (EUR)	11.9	
Normative Tax Rate	25%							Price (EUR)	12.2	
WACC	8.5%							Potential upside (downside)	-2%	

Source: GVC Gaesco Valores Estimates * Post capital increases

** Including convertible bonds at 50%

Gigas Hosting: Summary tables

PROFIT & LOSS (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Sales	8.7	10.2	10.6	64.6	70.1	75.3
Cost of Sales & Operating Costs	-7.1	-7.7	-8.4	-51.6	-55.1	-58.0
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1.6	2.5	2.2	13.1	15.1	17.3
EBITDA (adj.)*	1.6	2.5	2.2	13.1	15.1	17.3
Depreciation	-1.5	-1.8	-1.9	-9.0	-9.3	-9.2
EBITA	0.1	0.7	0.3	4.0	5.8	8.0
EBITA (adj)*	0.1	0.7	0.3	4.0	5.8	8.0
Amortisations and Write Downs	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.1	0.7	0.3	4.0	5.8	8.0
EBIT (adj.)*	0.1	0.7	0.3	4.0	5.8	8.0
Net Financial Interest	-0.4	-0.4	-0.3	-0.5	-0.7	-0.6
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	-0.3	0.3	-0.0	3.5	5.1	7.5
Tax	0.1	-0.1	0.0	-0.9	-1.3	-1.9
<i>Tax rate</i>	<i>43.0%</i>	<i>20.4%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit (reported)	-0.1	0.2	-0.0	2.6	3.8	5.6
Net Profit (adj.)	-0.1	0.2	-0.0	2.6	3.8	5.6
CASH FLOW (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Cash Flow from Operations before change in NWC	1.4	2.0	1.9	11.7	13.2	14.8
Change in Net Working Capital	-0.4	-0.4	0.1	-0.9	-1.1	-1.4
Cash Flow from Operations	1.0	1.7	2.0	10.8	12.0	13.4
Capex	-2.6	-2.3	-1.9	-7.1	-7.7	-8.3
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-1.6	-0.7	0.1	3.6	4.3	5.1
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	-1.2	-0.6	1.3	-10.8	-1.6	-2.9
Change in Net Debt	-3	-1	1	-7	3	2
NOPLAT	0.1	0.5	0.2	3.0	4.3	6.0
BALANCE SHEET & OTHER ITEMS (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Tangible Assets	3.0	3.1	3.0	2.5	2.1	2.2
Net Intangible Assets (incl. Goodwill)	4.0	5.9	5.4	35.1	36.0	38.3
Net Financial Assets & Other	2.4	2.5	2.5	2.5	2.5	2.5
Total Fixed Assets	9.5	11.4	10.8	40.0	40.6	43.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	1.6	2.4	2.4	3.5	4.7	6.2
Other current assets	0.3	0.4	0.4	0.4	0.3	0.3
Cash (-)	-2.2	-1.6	-1.6	-1.9	-1.9	-1.9
Total Current Assets	4.0	4.4	4.4	5.7	6.9	8.4
Total Assets	13.5	15.9	15.2	45.7	47.5	51.4
Shareholders Equity	5.1	5.1	5.0	27.6	31.3	36.8
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	5.1	5.1	5.0	27.6	31.3	36.8
Long term interest bearing debt	2.0	4.1	3.7	11.2	9.4	7.9
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	2.5	2.3	2.2	2.1	2.0	1.9
Total Long Term Liabilities	4.5	6.4	5.9	13.3	11.4	9.8
Short term interest bearing debt	2.4	1.1	1.0	1.5	1.3	1.2
Trade payables	0.7	1.2	1.3	1.4	1.5	1.6
Other current liabilities	0.8	1.9	1.9	1.9	1.9	1.9
Total Current Liabilities	3.9	4.3	4.3	4.9	4.8	4.7
Total Liabilities and Shareholders' Equity	13.5	15.9	15.2	45.7	47.5	51.4
Net Capital Employed	9.7	11.1	10.4	40.5	42.1	46.0
Net Working Capital	0.8	1.2	1.1	2.0	3.2	4.6
GROWTH & MARGINS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
<i>Sales growth</i>	<i>46.0%</i>	<i>17.8%</i>	<i>4.0%</i>	<i>507.9%</i>	<i>8.5%</i>	<i>7.3%</i>
EBITDA (adj.)* growth	184.5%	55.1%	-12.8%	498.9%	15.4%	14.4%
<i>EBITA (adj.)* growth</i>	<i>n.m.</i>	<i>648.5%</i>	<i>-60.4%</i>	<i>1395.9%</i>	<i>43.0%</i>	<i>39.7%</i>
<i>EBIT (adj.)* growth</i>	<i>n.m.</i>	<i>648.5%</i>	<i>-60.4%</i>	<i>1395.9%</i>	<i>43.0%</i>	<i>39.7%</i>

Gigas Hosting: Summary tables

GROWTH & MARGINS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Profit growth	n.m.	n.m.	n.m.	n.m.	44.3%	46.8%
EPS adj. growth	n.m.	n.m.	n.m.	n.m.	44.3%	46.8%
DPS adj. growth						
EBITDA (adj)* margin	18.6%	24.5%	20.5%	20.2%	21.5%	22.9%
EBITA (adj)* margin	1.0%	6.6%	2.5%	6.2%	8.2%	10.7%
EBIT (adj)* margin	1.0%	6.6%	2.5%	6.2%	8.2%	10.7%
RATIOS	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Net Debt/Equity	0.4	0.7	0.6	0.4	0.3	0.2
Net Debt/EBITDA	1.3	1.5	1.4	0.8	0.6	0.4
Interest cover (EBITDA/Fin.interest)	4.6	6.1	7.6	26.6	23.0	31.0
Capex/D&A	170.5%	126.8%	100.0%	78.6%	82.7%	89.9%
Capex/Sales	29.9%	22.6%	18.0%	11.0%	11.0%	11.0%
NWC/Sales	9.5%	11.8%	10.4%	3.2%	4.6%	6.1%
ROE (average)	-3.3%	4.2%	-0.3%	16.3%	13.0%	16.5%
ROCE (adj.)	0.9%	5.0%	2.1%	7.6%	10.5%	13.4%
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
ROCE (adj.)/WACC	0.1	0.6	0.2	0.9	1.2	1.6
PER SHARE DATA (EUR)***	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Average diluted number of shares	4.3	4.3	4.3	11.7	11.7	11.7
EPS (reported)	-0.03	0.05	0.00	0.23	0.33	0.48
EPS (adj.)	-0.03	0.05	0.00	0.23	0.33	0.48
BVPS	1.17	1.19	1.16	2.35	2.67	3.14
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
EV/Sales	3.5	3.2	5.0	2.4	2.2	2.0
EV/EBITDA	18.7	13.2	24.2	11.8	10.1	8.7
EV/EBITDA (adj.)*	18.7	13.2	24.2	11.8	10.1	8.7
EV/EBITA	333.3	48.8	196.6	38.2	26.4	18.7
EV/EBITA (adj.)*	333.3	48.8	196.6	38.2	26.4	18.7
EV/EBIT	n.m.	48.8	n.m.	38.2	26.4	18.7
EV/EBIT (adj.)*	n.m.	48.8	n.m.	38.2	26.4	18.7
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	37.4	25.5
P/BV	5.6	5.7	9.9	5.2	4.6	3.9
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	
EV/CE	3.9	3.3	5.6	3.9	3.7	3.3
OpFCF yield	-5.7%	-2.2%	0.2%	2.6%	3.0%	3.6%
OpFCF/EV	-5.3%	-2.0%	0.2%	2.4%	2.8%	3.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2018	12/2019	12/2020e	12/2021e	12/2022e	12/2023e
Price** (EUR)	6.50	6.82	11.50	12.20	12.20	12.20
Outstanding number of shares for main stock	4.3	4.3	4.3	11.7	11.7	11.7
Total Market Cap	28.1	29.5	49.7	143.0	143.0	143.0
Gross Financial Debt (+)	4.3	5.2	4.7	12.7	10.7	9.1
Cash & Marketable Securities (-)	-2.2	-1.6	-1.6	-1.9	-1.9	-1.9
Net Financial Debt	2.1	3.6	3.2	10.8	8.8	7.2
Lease Liabilities (+)						
Net Debt	2.1	3.6	3.2	10.8	8.8	7.2
Other EV components	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value (EV adj.)	30.2	33.1	52.9	153.8	151.8	150.2

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Software & Computer Services/Computer Services

Company Description: Gigas Hosting was founded in 2011 and provides technology services and hosting, internet domains, application hosting, and consulting and connectivity. Its products and solutions include cloud datacenter, cloud virtual private server, contingency solution, system applications products certified platform, and cloud server for oracle.

Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page www.valores.gvcgaesco.es and our offices

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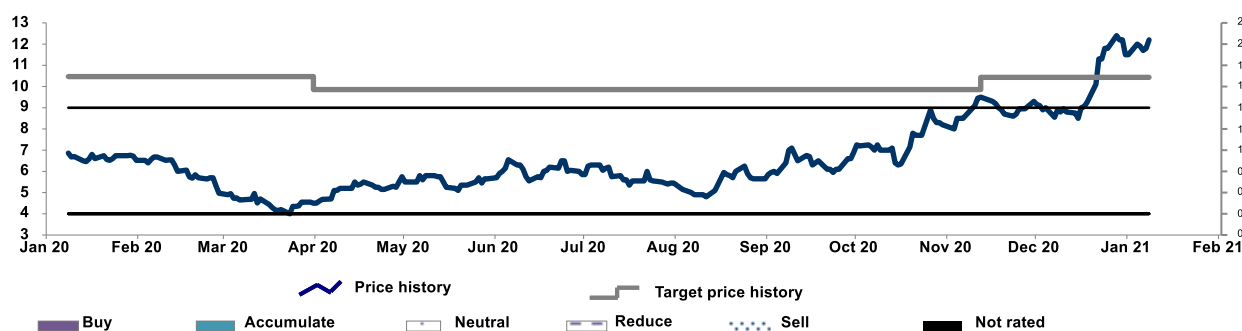
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- has a liquidity contract as outlined by the CNMV's Circular 1/2017 with: Melia Hotels International; Española de Vivienda en Alquiler S.A. (CEVASA); eDreams ODIGEO; ENCE Energía y Celulosa; Cementos Molins, Deoleo;
- has signed a Corporate Brokerage agreement that includes a contractually agreed provision of research services that in return, GVC Gaesco Valores receives a compensation. These reports may/could have been previously shown to the following companies: Agile Content; Atrys Health; Gigas Hosting; Catenon; Greenalia; Quabit Inmobiliaria; TIER1 Technology; ADL Bionatur Solutions; Lleidanetworks Serveis Telematics SA ; Codere SA.

Recommendation history for GIGAS HOSTING

Date	Recommendation	Target price	Price at change date
12-Nov-20	Buy	10.43	9.50
31-Mar-20	Buy	9.86	4.50
03-Dec-19	Buy	10.47	6.24
28-May-19	Buy	10.00	6.74
15-Apr-19	Buy	9.10	6.80
05-Feb-19	Buy	8.30	6.60
22-Jan-19	Accumulate	8.30	7.10

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Juan Peña (since 24/10/2019)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

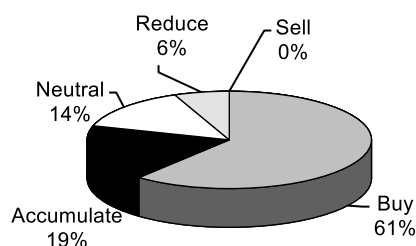
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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