



NOTIFICATION OF 3Q 2019 EARNINGS AND
BUSINESS INDICATORS
GIGAS HOSTING, S.A.

20 November 2019

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 Mercado Alternativo Bursátil (the Spanish Alternative Equity Market, or "MAB"), GIGAS hereby presents this notice to the market on the third quarter of 2019, in accordance with the commitment undertaken in section 3.1.6 Financial Information in the Informational Document on Admission to the MAB (DIIM for its initials in Spanish) published in September 2015.

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 Circular 6/2018 of the Mercado Alternativo Bursátil (the Spanish Alternative Equity Market, or "MAB"), the Company hereby also notifies the deviations in its metrics against the 2018 budget included in the price sensitive information disclosed on 15 January 2019.

SUMMARY OF SIGNIFICANT INFORMATION

- **Gross sales in the nine-month period ended 30 September 2019 rose 18.9% year-on-year to EUR 8.51 million (from EUR 7.16 million in 9M 2018).** This was 1.3% under budget (EUR 8.63 million), due mostly to the loss of several customers related to a partner that was acquired, as explained in the 1H 2019 results (see price sensitive information of 19 September 2019).
- **Net revenue in 9M 2018 amounted to EUR 7.50 million, up 20.0% year-on-year (from EUR 6.25 million) but 3.0% below budget (EUR 7.73 million).**
- **Accounting EBITDA through 30 September 2019 totalled EUR 1.89 million, double the year-earlier figure of EUR 943 thousand** and 5.9% more than the EUR 1.78 million budgeted. **Recurring EBITDA in the first nine months of the year reached EUR 2.04 million**, adjusted for acquisition-related expenses (M&A) and costs of equity instrument-based payment plans (stock options, which do not entail any cash outflow).
- The Company's total customer base at 30 September 2019 stood at 3,721. There were 791 Cloud Datacenter customers, 77 more than the 714 of a year ago, and 2,930 Cloud VPS

customers, 313 fewer than the 3,243 at the end of September 2018, due to the Company's strategy of favouring higher value-added customers and boosting ARPU (Average Revenue Per User).

CONSOLIDATED INCOME STATEMENT VS. THE PREVIOUS YEAR

Nine months ended 30 September 2019.

CONSOLIDATED INCOME STATEMENT <i>Figures in EUR</i>	2019	2019	2019	2019	2018
	JAN-MAR	APR-JUNE	JUL-SEP	JAN-SEP	% Chg. JAN-SEP
Gross sales	3.036.615	2.720.237	2.756.073	8.512.926	18,9%
Accrued sales	(148.969)	132.820	191.109	174.960	468,2%
Sales discounts and promotions	(413.529)	(374.747)	(398.302)	(1.186.578)	26,1%
Revenue	2.474.118	2.478.310	2.548.880	7.501.308	20,0%
Own R&D costs capitalised	62.714	72.686	71.753	207.153	9,7%
Non-recurring income, grants and other	9.987	54.541	9.115	73.643	48,7%
Cost of sales	(563.174)	(563.194)	(587.267)	(1.713.634)	26,2%
Online and third-party customer acquisition costs	(16.301)	(18.051)	(17.138)	(51.490)	7,5%
Datacenters and connectivity	(257.580)	(249.701)	(270.991)	(778.272)	32,3%
Other supplies	(289.292)	(295.442)	(299.138)	(883.872)	22,5%
Personnel expenses	(874.737)	(925.815)	(950.189)	(2.750.740)	16,1%
Salaries and wages	(733.340)	(766.984)	(795.720)	(2.296.044)	17,5%
Social security costs	(141.397)	(158.831)	(154.469)	(454.697)	9,7%
Other operating expenses	(467.774)	(454.637)	(489.291)	(1.411.702)	(22,4%)
External services	(426.111)	(421.824)	(446.364)	(1.294.299)	(6,8%)
Professional services and other	(286.779)	(275.807)	(306.088)	(868.673)	(14,3%)
Marketing and publicity	(37.564)	(46.472)	(46.331)	(130.367)	(15,7%)
International expenses, except marketing	(101.768)	(99.545)	(93.946)	(295.258)	33,7%
Losses, impairment and changes in trade provisions	(41.663)	(32.813)	(42.927)	(117.403)	(72,7%)
Other income and expenses	(2.502)	(17.154)	(176)	(19.832)	2.203%
EBITDA	638.633	644.738	602.824	1.886.195	100,1%
<i>EBITDA margin %</i>	<i>25,8%</i>	<i>26,0%</i>	<i>23,7%</i>	<i>25,1%</i>	<i>66,7%</i>
Gross margin *	1.910.944	1.915.117	1.961.613	5.787.674	18,3%
<i>Gross margin %</i>	<i>77,2%</i>	<i>77,3%</i>	<i>77,0%</i>	<i>77,2%</i>	<i>(1,4%)</i>

NB *: Gross margin is calculated as "Revenue" less "Cost of sales".

FINANCIAL INFORMATION

- New sales to customers rose in line with the budget for 2019 despite the slowdown in the Spanish economy, but revenue underperformed the budget slightly due to the loss of customers, as explained previously.
- Gross margin in the first nine months of the year totalled EUR 5.79 million, equivalent to 77.2% of sales. This ratio narrowed slightly from the year-ago figure of 78.3% because of the acquisitions of two companies last year (see price sensitive information of 11 January and 22 May 2018), both of which command thinner gross margins than GIGAS, the larger number of datacenters, and the increasing inclusion of third-party software licenses in the Company's products.
- As the preceding table illustrates, the sharpest increase in cost of sales was in datacenters and connectivity on the back of capacity additions, but more so following the addition of new datacenters in Barcelona, Madrid and Bogota, inherited from the companies acquired.
- Personnel expenses totalled EUR 2.75 million in the first nine months of the year, up 16.1% year-on-year due above all to the addition of staff from the second company acquired (nearly 14 employees) in May 2018. Even so, personnel expenses for the nine-month period were 5.1% lower than the budget. Personnel expenses include costs of the Company's incentive plan via Stock Options, which will amount to approximately EUR 225 thousand for full year 2019 but will not imply any cash outflow.
- Other operating expenses amounted to EUR 1.41 million in 9M 2018, signalling a sharp 22.4% year-on-year reduction (from EUR 1.82 million) driven by cost reductions in the professional services and other line item after the one-off costs related to M&A recognised in 2018 and the extraordinary items in losses, impairment and changes in trade provisions in 2018.
- EBITDA rose by nearly twofold year-on-year in the first nine months of 2019 to EUR 1.89 million, or EUR 2.04 million stripping out the costs of stock options and M&A. These figures are 5.9% and 14.6%, respectively, over the EUR 1.78 million of EBITDA budgeted for the period.
- The EBITDA ratio in 9M 2019 was 25.1% (versus the 23.0% budgeted), while the recurring EBITDA margin was 27.2%.

FULL YEAR GUIDANCE, NEW ACQUISITION AND BUDGET VARIANCE

GIGAS ended the first nine months of 2019 with revenue slightly below budget, but EBITDA above, especially EBITDA adjusted for costs of M&A and stock option plans (which do not imply any cash outflow). The following table shows budget variances to date:

CONSOLIDATED INCOME STATEMENT	2019		2019 budget
<i>Figures in EUR</i>	9M	% Chg.	9M
Gross sales	8.512.926	(1,3%)	8.627.198
Accrued sales	174.960	304,4%	43.267
Sales discounts and promotions	(1.186.578)	26,1%	(940.650)
Revenue	7.501.308	(3,0%)	7.729.814
Own R&D costs capitalised	207.153	16,9%	177.208
Non-recurring income, grants and other	73.643	238,0%	21.789
Cost of sales	(1.713.634)	(3,5%)	(1.775.022)
Online and third-party customer acquisition costs	(51.490)	(51,0%)	(105.002)
Datacenters and connectivity	(778.272)	(1,8%)	(792.143)
Other supplies	(883.872)	0,7%	(877.877)
Personnel expenses	(2.750.740)	(5,1%)	(2.897.788)
Salaries and wages	(2.296.044)	(4,7%)	(2.408.653)
Social security costs	(454.697)	(7,0%)	(489.135)
Other operating expenses	(1.411.702)	(4,3%)	(1.475.181)
External services	(1.294.299)	(4,9%)	(1.360.332)
Professional services and other	(868.673)	5,6%	(822.435)
Marketing and publicity	(130.367)	(36,7%)	(205.886)
International expenses, except marketing	(295.258)	(11,1%)	(332.011)
Losses, impairment and changes in trade provisions	(117.403)	2,2%	(114.848)
Other income and expenses	(19.832)		-
EBITDA	1.886.195	5,9%	1.780.820
<i>EBITDA margin %</i>	<i>25,1%</i>	<i>9,1%</i>	<i>23,0%</i>
Gross margin *	5.787.674	(2,8%)	5.954.792
<i>Gross margin %</i>	<i>77,2%</i>	<i>0,2%</i>	<i>77,0%</i>

NB *: Gross margin is calculated as "Revenue" less "Cost of sales".

The Company recently announced the acquisition of Portuguese cloud services provider AHP (see price sensitive information of 29 October 2019). The acquisition of AHP had no impact on profit or loss for the first nine months of 2019, but will on the full-year results as it will be included in the GIGAS Group's scope of consolidation for the last two months of the year.

Including AHP, **GIGAS estimates that it could end 2019 with revenue of around EUR 10.2 million** (slightly below budget) **and accounting EBITDA of approximately EUR 2.4 million** (also slightly below budget due to the acquisition costs). The Company expects **EUR 2.70 million of recurring EBITDA in 2019**, well above the EUR 2.55 million budgeted.

Today's figures underscore the Company's growth and above all its profitability, and bear out the success of GIGAS' business model, which is predicated on recurring revenue, low customer churn,

wide gross margins and high operational leverage, boding well for strong growth in profitability once the Company reaches critical mass. Moreover, the acquisitions made, coupled with their integration, are helping to boost the Company's earnings.

In short, the combination of earnings in line with the budget and the new acquisition make us upbeat about GIGAS's future growth. The Company continues to assess new acquisition opportunities, mostly larger than until now, that can create value for its shareholders.

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:

3Q EARNINGS PRESENTATION WEBINAR

DATE AND TIME: Tuesday, 26 November, 10:30am

LINK TO REGISTER: <https://gigas.com/ResultadosGigas/2019Q3>

Lastly, the Company will be holding its traditional Board of Directors meeting at the end of the year, at which it will approve the forecasts for 2020, disclosing the related price sensitive information thereafter.

Madrid, 20 November 2019.

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