



NOTIFICATION OF
2023 BUDGET AND PRELIMINARY FY 2022 EARNINGS
GIGAS HOSTING, S.A.

7 February 2023

Pursuant to article 17 of EU Market Abuse Regulation (596/2014) and article 228 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 of BME MTF Equity (the “BME Growth” segment) on information to be provided by companies admitted to trading in the BME Growth segment of BME MTF Equity, and with a view to increasing transparency and providing greater disclosures on the key financial highlights and estimates of Gigas Hosting, S.A. (“Gigas”, or the “Company”), the Company hereby presents its annual budget for 2023, approved by the Board of Directors at its meeting held on 15 December 2022.

**CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND
PRELIMINARY 2022 KEY FINANCIAL METRICS**

Until now the Group has prepared its financial reports in accordance with Spanish GAAP (*Plan General de Contabilidad de España*). In the wake of the Group's growth in recent years, the profile of its current investors, the growth forecast for the coming years and the possibility of bringing in new international investors, the Group has considered adopting International Financial Reporting Standards (IFRS) for annual periods beginning on 1 January 2022, taking 1 January 2021 as the data of transition to IFRS.

The change to International Accounting Standards will not only result in a more comprehensive and transparent level of information adapted to Gigas' organisation and business model and better comparison with its international peers. It will also imply changes in the treatment of certain balance sheet and income statement line items.

The most important impacts on financial reporting centre primarily on two items. The first is the accounting treatment for goodwill (IFRS 38) arising on some of the recent acquisitions, which will be considered an asset with an indefinite useful life and, as such, will not be amortised. However, it must be tested for impairment, at least annually. Therefore, **goodwill will cease to be amortised on a using the straight-line method over a period of 10 years**, as under Spanish GAAP and as the

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Company has been doing until now, and will be subject to impairment testing. This change results in a **lower annual amortisation charge of approximately EUR 2.7 million**.

The second is the accounting treatment for leases (IFRS 16), which will now be considered finance leases and recognised in the balance sheet as right-of-use assets and as an increase in liabilities by the amount of the present value of the future lease payments. This reclassification has virtually no impact on net profit or loss, but does affect EBITDA, since payments will be reflected through amortisation and finance costs in line with the accounting treatment provided in IFRS 16. **The impact will be an increase in annual EBITDA of approximately EUR 1 million**.

Along with the presentation of its Q3 and 9M 2022 earnings, the Company provided the market with its best estimate for FY 2022 (see Other Relevant Information disclosed on 7 December 2021), with guidance for revenue of EUR 61-62 million and for EBITDA of 14.5-15 million. With the year having ended and after factoring in the impacts of the conversion to IFRS, **the Company now estimates revenue for 2022 of approximately EUR 61.7 million, at the upper end of the guidance range, and EBITDA of EUR 16.2 million, above the target disclosed previously**.

2023 BUDGET

Discussed below are the main assumptions and figures for the 2023 Budget, which already includes the effects of converting to International Accounting Standards.

The Company estimates that it will obtain **net revenue of EUR 72.64 million in 2023**, excluding any potential acquisition during the year. Cloud, IT and cybersecurity services are expected to account for 40% of the Company's revenue -a considerably higher level than in 2022, when they are estimated to represent around a third- and telecommunications services the other 60%. **The budgeted figure for net revenue in 2023 marks a sharp jump of nearly 18% from the EUR 61.7 million estimated for 2022**.

Driving this increase are a full year of consolidation of TPartner, a cloud-based unified communications solutions provider acquired last September (see Inside Information of 29 September 2022) and the organic growth expected by the Company, above all in its cloud business. **Organic growth in 2023 is expected to be roughly 11% higher compared to 2022**, after stripping out TPartner's contribution for a full year of consolidation. This double-digit increase is well above the Company's 8.6% target for the year announced with the presentation of the capital increase carried out at the end of 2020 and included in the Group's 2021-2023 strategy (see Inside Information of 9 November 2020).

The Company has invested heavily to consolidate and integrate all its acquisitions and will complete the last customer migrations from the portfolios acquired during the first quarter of 2023 to maximise synergies. Meanwhile, **Gigas came up with some new and innovative solutions in 2022, such as its FTTP (Fibre to the Premise) service at 10 Gbps, the only one of its kind in Portugal, using its own fibre infrastructure; a flexible pay-per-use fibre service, the only one in Europe; and a fibre-based private cloud connect service, that affords companies direct connection via fibre from their offices to Gigas' cloud at a much lower cost than the dedicated circuits solutions available in the market**. Having developed a comprehensive portfolio of convergent cloud, communications and cybersecurity services, the Company is upbeat about its

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growth prospects for 2023 from both existing customers through cross-selling of services and from new customer adds.

In addition to the Company's convergent services, Gigas was awarded a cybersecurity project financed with European Funds. The project has a budget of EUR 3.4 million and a grant of EUR 1.5 million and will be rolled out in 2023. The Company has entered other projects for tenders expected to be awarded this year. Combined, these would entail a significantly higher budget and grants than the project already won.

Gross margin is forecast to reach 58.6% of the Group's net revenue in 2023. This is far lower than the 2022 margin due above all to the impact of the renegotiation of certain direct costs of telecommunication services, with retrospective application, in 2022, which resulted in an exceptional margin last year. Variable costs are broken down into two line items: Direct Product Costs, and Operations and Technical Costs. Direct Product Costs incurred for third-party services, mostly to provide telecommunications services; e.g. mobile network lease costs, wholesale fibre access costs, voice interconnection costs, etc. Technical and Operating Costs include mainly direct costs related to cloud services (e.g. data centre rental costs, costs for energy, connectivity, and licences for software products offered to customers, etc.).

The addition of telecommunications services, notably those entailing the lease of third-party networks, causes the Company's gross margin to narrow, but bolsters its competitive position in a market trending toward convergence of cloud and telecommunications services while adding a major differentiating factor for upselling with existing customers and attracting new customers.

The table below provides the 2023 budget, with a breakdown by quarter for better monitoring during the year. The budget was drawn up without factoring in any new acquisitions and represents the Company's best estimates for 2023. The figures shown herein have already been adapted to International Accounting Standards.

<i>Figures in euros</i>	<i>BUDGET</i>	<i>BUDGET</i>	<i>BUDGET</i>	<i>BUDGET</i>	<i>BUDGET</i>
	Q1 23	Q2 23	Q3 23	Q4 23	2023b
Net Revenues	16,751,303	17,405,301	18,731,644	19,751,930	72,640,178
Cloud, IT & Cybersecurity Services	6,596,652	6,949,232	7,284,355	7,964,922	28,795,161
Telecommunications Services	9,929,652	10,231,068	11,222,289	11,562,008	42,945,017
Extraordinary Income, Subsidies & O.	225,000	225,000	225,000	225,000	900,000
Cost of Sales	(6,855,476)	(7,215,824)	(7,735,390)	(8,259,195)	(30,065,886)
Direct Product Costs	(6,351,359)	(6,696,770)	(7,204,770)	(7,734,680)	(27,987,579)
Operations and Technical costs	(504,117)	(519,054)	(530,621)	(524,515)	(2,078,307)
Gross Margin	9,895,827	10,189,476	10,996,254	11,492,735	42,574,292
<i>Gross Margin %</i>	<i>59.1%</i>	<i>58.5%</i>	<i>58.7%</i>	<i>58.2%</i>	58.6%
Personnel Costs	(3,382,468)	(3,374,869)	(3,365,321)	(3,389,121)	(13,511,779)
Salaries and Social Security	(3,980,249)	(3,972,649)	(3,963,101)	(3,986,901)	(15,902,900)
Capitalised R&D	597,780	597,780	597,780	597,780	2,391,121
Corporate Costs	(2,770,639)	(2,824,075)	(3,044,950)	(3,156,625)	(11,796,289)
Customer Operations and Marketing	(1,024,583)	(1,105,265)	(1,117,717)	(1,227,216)	(4,474,780)
Network, Operations and IT	(856,749)	(856,749)	(856,749)	(856,749)	(3,426,997)
Other Corporate Costs	(889,307)	(862,061)	(1,070,484)	(1,072,660)	(3,894,511)
Adjusted EBITDA *	3,742,720	3,990,532	4,585,983	4,946,989	17,266,225
<i>Adjusted EBITDA %</i>	<i>22.3%</i>	<i>22.9%</i>	<i>24.5%</i>	<i>25.0%</i>	23.8%

(*) NOTE: Adjusted EBITDA excludes costs of M&A (acquisitions), stock options and long-term remuneration plans and other extraordinary items.

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Personnel costs are set to increase in 2023 from the consolidation of TPartner for a full year (compared to only four months in 2022), the growth in the management team to help the Company tackle new challenges, and salary inflation in Gigas' operating markets.

Other corporate costs are broken down into three line items: Customer Operations and Marketing; Network, Operations and IT; and Other Corporate Costs. Customer Operations and Marketing includes marketing and communication campaign-related expenses, and external costs related to customer service; e.g. customer service platforms and external business process outsourcing teams, and more importantly the customer operations and marketing costs of ONMOVIL partners (primarily regional telecommunications operators).

Network, Operations and IT includes general technical platform support, operation and maintenance expenses, which are included as relatively fixed costs because of the high operating leverage they afford since they barely increase with growth in the customer base.

Lastly, Other Corporate Costs includes all fixed corporate expenses; e.g. professional services, audit fees, utilities, etc.

Overall, **GIGAS expects to achieve adjusted EBITDA of EUR 17.27 million in 2023, approximately 6.3% higher than the estimate for 2022**, according to the guidance disclosed to the market. **The adjusted EBITDA margin is forecast at 23.8% for 2023**, considerably lower than in 2022 mostly because of the extraordinary savings achieved in 2022, as explained above, which resulted in a higher margin for the year.

Turning to CAPEX (property, plant and equipment), the Company made hefty investments in 2022 on the back of the growth in the customer base and the increase in capacity, the launch of new services, the completion of the implementation of the new operating and billing systems and the deployment of the Company's own fibre in Portugal (FTTP), as explained. After these non-recurring investments, **the Company has budgeted EUR 8.2 million of CAPEX for 2023, nearly EUR 2 million less than estimated CAPEX for 2022, giving rise to higher cash generation.**

The budget shows double-digit organic growth underpinned by the Company's efforts to design an attractive convergent telecommunications, cloud and cybersecurity product portfolio, strong commercial activity and good integration of the companies acquired, as illustrated by the synergies obtained so far. **This commercial activity, coupled with the synergies obtained, leave estimated revenue for FY 2022 in the upper end of the guidance range and higher EBITDA, boding well for good year in 2023.**

In 2023, the Company will continue to gear its efforts towards leading converged teleco/cloud/cybersecurity services for medium-sized companies. This segment has historically been one that the large incumbents have neglected in both Spain and Portugal and where Gigas boasts a leading position and with lower price sensitivity and fewer competitors that can provide such a comprehensive product portfolio.

In addition to marketing new services and cross-selling, Gigas' management team will continue to assess opportunities that can scale up the Group. On this front, the Company is currently looking at several potential acquisitions in Europe which, if they materialise, would lead the forecasts presented here to be revised upward.

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Madrid, 7 February 2023.

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Chief Executive Officer
GIGAS HOSTING, S.A.