



NOTIFICATION OF 1Q 2019 EARNINGS AND
BUSINESS INDICATORS
GIGAS HOSTING, S.A.

28 May 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 first 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

- Customer revenue (gross sales) in the first quarter of 2019 amounted to EUR 3.04 million, up 42.3% year-on-year (from EUR 2.13 million in 1Q 2018) and 9.8% above budget (EUR 2.77 million, see price sensitive information disclosed on 15 January 2019)
- Net revenue in 1Q 2018 amounted to EUR 2.47 million, up 34.2% year-on-year (from EUR 1.84 million) and 1.3% above the budget (EUR 2.44 million).
- EBITDA through March totalled EUR 639 thousand, nearly double the EUR 307 thousand obtained in first quarter of last year. It also outstripped the EUR 501 thousand budgeted by 27.6%, thanks to revenue growth but more so to cost containment.
- The Company's total customer base at 31 March 2019 stood at 3,836. The number of Cloud Datacenter customers, which make up more than 90% of revenue, stood at 753 at 31 March 2019, an increase of 157 from 596 at end-March 2018, while there were 3,083 Cloud VPS customers (versus 3,310 last year).
- The Company continues to deliver healthy organic growth and has completed the main integration of the companies acquired last year (SVT and Ability, see price sensitive information dated 11 January and 22 May 2018, respectively). Beyond the operational focus of the integration, GIGAS remains committed to growing organically, to developing the indirect channel and to identifying companies it could acquire and that can add value.

- Analysts are still upbeat on GIGAS shares, with all seeing upside potential. In March, GVC Gaesco included GIGAS on its European TOP PICKS, a list of just 29 recommended stocks in Europe (10 blue chips and 19 mid and small caps), and in April, taking the company's 2018 earnings, the analyst raised the (12-month) target price to EUR 9.10 from EUR 8.30 per share, implying 39% upside from the closing price yesterday, 27 May 2019, of EUR 6.54 per share).

CONSOLIDATED INCOME STATEMENT

Three months ended 31 March 2019.

PERDIDAS Y GANANCIAS CONSOLIDADA	2019
<i>Cifras en euros</i>	ENE-MAR
Facturación a clientes	3.036.615
Periodificaciones de ventas	(148.969)
Descuentos y promociones sobre ventas	(413.529)
Importe neto de la cifra de negocios	2.474.118
Trabajos realizados para su activo	62.714
Ingresos Extraordinarios, Subvenciones y Otros	9.987
Aprovisionamientos	(563.174)
Costes de captación clientes online y terceras partes	(16.301)
Datacenters y conectividad	(257.580)
Otros aprovisionamientos	(289.292)
Gastos de personal	(874.737)
Sueldos, salarios y asimilados	(733.340)
Cargas sociales	(141.397)
Otros gastos de explotación	(467.774)
Servicios exteriores	(426.111)
Servicios profesionales y otros	(286.779)
Marketing y publicidad	(37.564)
Costes Internacionales excepto Marketing	(101.768)
Pérdidas, deterioro y var. provisiones ops. comerciales	(41.663)
Otros resultados	(2.502)
Resultado bruto de explotación (EBITDA)	638.633
Resultado bruto de explotación (EBITDA) %	25,8%
Margen bruto *	1.910.944
Margen bruto %	77,2%

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

DETAILED FINANCIAL INFORMATION AND BUDGET VARIANCE

- Gross sales in the first three months of 2019 amounted to EUR 3.04 million, topping the three million mark for the first time ever and up 42.3% year-on-year, driven by a strong

commercial performance at the end of 2018. The period also featured annual contracts invoiced at the beginning of the year, so gross revenue was high (9.8% above budget), as were accruals (far higher than budget), which will feed through to net revenues in the rest of the year.

- Net revenue, i.e. after discounting accrued services billed but not provided, and sales discounts and promotions, was up 34.2% year-on-year in 1Q 2019 at EUR 2.47 million (versus EUR 1.84 million last year) and 1.3% above the Company's budget (EUR 2.44 million).

CONSOLIDATED INCOME STATEMENT VS. 2018 AND BUDGET

CONSOLIDATED INCOME STATEMENT		2019		2018		2019 budget	
<i>Figures in EUR</i>		JAN-MAR	% Chg.	JAN-MAR	% Chg.	JAN-MAR	% Chg.
Gross sales	3.036.615	42,3%		2.134.305		2.766.364	9,8%
Accrued sales	(148.969)	-		27.111		(12.351)	1.106,1%
Sales discounts and promotions	(413.529)	30,0%		(318.162)		(312.628)	32,3%
Revenue	2.474.118	34,2%		1.843.254		2.441.385	1,3%
Own R&D costs capitalised	62.714	13,7%		55.152		61.236	2,4%
Non-recurring income, grants and other	9.987	19,2%		8.376		7.263	37,5%
						-	
Cost of sales	(563.174)	47,7%		(381.246)		(578.251)	(2,6%)
Online and third-party customer acquisition costs	(16.301)	3,5%		(15.755)		(32.835)	(50,4%)
Datacenters and connectivity	(257.580)	59,5%		(161.486)		(255.514)	0,8%
Other supplies	(289.292)	41,8%		(204.006)		(289.902)	(0,2%)
Personnel expenses	(874.737)	19,0%		(735.276)		(945.281)	(7,5%)
Salaries and wages	(733.340)	20,1%		(610.604)		(786.628)	(6,8%)
Social security costs	(141.397)	13,4%		(124.672)		(158.653)	(10,9%)
Other operating expenses	(467.774)	(3,0%)		(482.384)		(485.702)	(3,7%)
External services	(426.111)	0,5%		(423.980)		(448.750)	(5,0%)
Professional services and other	(286.779)	(17,4%)		(347.241)		(273.249)	5,0%
Marketing and publicity	(37.564)	19,6%		(31.409)		(64.001)	(41,3%)
International expenses, except marketing	(101.768)	124,5%		(45.330)		(111.501)	(8,7%)
Losses, impairment and changes in trade provisions	(41.663)	(28,7%)		(58.404)		(36.952)	12,7%
Other income and expenses	(2.502)	317,0%		(600)		-	-
EBITDA	638.633	107,8%		307.276		500.649	27,6%
EBITDA margin, %	25,8%			16,7%		20,5%	
Gross income *	1.910.944	30,7%		1.462.008		1.863.134	2,6%
Gross margin, %	77,2%			79,3%		76,3%	

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

- Gross income totalled EUR 1.91 million in the first three months of 2019, an increase of 30.7% from the EUR 1.46 million of last year, leaving a gross margin of 77.2%. The gross margin narrowed from the year-ago figure because of the acquisition of two companies in 2018, both of which command thinner gross margins than GIGAS, and due to the addition of two new datacenters (Barcelona and Bogota, inherited from the acquisitions) and the increasing inclusion of third-party software licenses in the Company's products. Some erosion was envisaged in the Company's 2019 budget, although the margin (77.2%) was higher than budgeted (76.3%).
- Personnel expenses amounted to EUR 0.87 million in 1Q 2019, up 19.0% year-on-year due above all to the addition of staff from Ability (nearly 14 employees) acquired in May last year. Nevertheless, this was still 7.5% lower than the EUR 0.95 million budgeted.

- Other operating expenses came in at EUR 0.47 million, 3.7% below the EUR 0.49 budgeted. Despite adding the operating expenses (recognised in international expenses) from Ability, the second company acquired in May 2018, total operating expenses were 3.0% lower than in 1Q 2018 (EUR 0.48 million) due to the inclusion last year of one-off M&A costs related to the acquisition of SVT in January 2018.
- EBITDA was EUR 0.64 million in the first quarter this year, more than double (+107.8%) the year-earlier figure (EUR 0.31 million) despite the cost increase registered at the beginning of the year, as expected, mostly in personnel expenses and datacenters and connectivity. However, the increase in expenses was still far lower than expected, enabling EBITDA to significantly outperform (+27.6%) the EUR 0.5 million budgeted.
- The EBITDA ratio for 1Q 2019 was 25.8%, above both the 16.7% of 1Q 2018 and the 20.5% budgeted for the quarter.
- Purchases of property, plant and equipment and intangible assets amounted to EUR 0.18 million through March, leaving guidance for CAPEX for FY 2019 unchanged at EUR 1.02 million. However, the Company is considering opening a new datacenter in Mexico, which would require the forecast to be raised if it were to take place this year.
- Gross debt at 31 March 2019; i.e. excluding the EUR 2.5 million of convertible bonds subscribed by Inveready (see price sensitive information disclosed on 26 April 2018), which are in the money and, therefore, expected to be converted, stood at EUR 3.48 million (of which EUR 0.48 million is related to M&A from last year and will be paid in the second quarter). Net debt at 31 March 2019 amounted to EUR 1.47 million. Taking budgeted EBITDA for the full year (EUR 2.55 million), this gives an EBITDA ratio of 0.58 times, compared to 1.07 times EBITDA of 2018.

In summary, reported sales for the first quarter of 2019 were above the Company's budget. More importantly, this led to significantly higher-than-budgeted EBITDA, thanks to the integration of the two companies acquired and the efforts made by management to streamline costs. The Company is on track to achieving organic growth and increasing EBITDA, driven by both this growth and the operational leverage of the business. GIGAS continues to assess potential acquisitions to speed up its growth and contribute value to 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:

1Q 2019 EARNINGS PRESENTATION WEBINAR

DATE AND TIME: Friday, 31 May, 10:00am

LINK TO REGISTER: <http://gigas.com/ResultadosGigas/2019Q1>

Madrid, 28 May 2019.

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