



NOTIFICATION OF 2019 BUDGET GIGAS HOSTING, S.A.

15 January 2019

With a view to increasing transparency and providing greater disclosures on the key financial highlights and estimates of Gigas Hosting, S.A. (hereinafter, "GIGAS", the Company", or the "GIGAS Group"), the Company hereby presents this notice to the market with the 2019 budget approved by the Board of Directors at its meeting of 13 December 2018.

2019 BUDGET

The Company estimates net revenue of EUR 10.57 million (gross sales before accruals, discounts and promotions of EUR 11.83 million). These figures, underpinned by the Company's organic growth and two acquisitions, SVT PROVEEDOR DE SERVICIOS INTERNET SL ("SVT") and ABILITY DATA SERVICES SA ("Ability") in 2018 (see price sensitive information of 11 January and 22 May 2018), imply growth in 2019 of slightly over 24% in revenue from the figure estimated for 2018 (EUR 8.5 million according to the estimate included in the price sensitive information disclosed on 25 September 2018), although net revenue for 2018 will most likely exceed this amount, as noted in the price sensitive information disclosed on 22 November 2018.

In addition to boosting growth in sales and EBITDA in 2018, the acquisitions also expanded Gigas' headcount and datacenters considerably. These companies added nearly 20 employees (mostly technical staff) to the Group and three new datacenters (Madrid, Barcelona and Bogotá), although the one in Madrid will be combined with Gigas' main datacenter there. Sales staff was added in Latam towards the end of last year to better leverage the market's growth, with new hires in Chile, Mexico and Peru. The Company continues to bolster its sales and technical staff, expecting to end 2019 with a total headcount of 96. The datacenters added in 2018 require a certain amount of investment, included in 2019 capex. This will undermine gross income slightly, but enhance the Company's competitive positioning in a market where the provision of services by local datacenters is becoming an increasing advantage. Moreover, investment to expand the sales force in Latam will hold back the Company's EBITDA growth somewhat.

Overall, Gigas has budgeted EBITDA for 2019 of EUR 2.55 million, implying an EBITDA margin of 24.1%, up more than 70% from the EUR 1.50 million estimated for 2018 (see price sensitive information of 25 September 2018).

The Company also expects to deliver its first ever net profit and become net cash positive this year. The Company has earmarked some EUR 1.05 million in capex to acquire IT equipment in 2019, in line with the level of investment made in 2018.

As noted, gross income is budgeted to decline slightly in 2019 with respect to 2018 due to the larger number of datacenters operated by the Company (after the inclusion of two SVT datacenters and one Ability datacenter), not to mention the sharp increase in the cost of licenses resold to customers. Nonetheless, gross margin for the year is estimated to be around 77%, above the industry average, thanks mainly to the Company's proprietary cloud platform, which requires no payments to third parties.

The table below provides the breakdown of the 2019 budget by quarter for better monitoring during the year and easier comparisons in the quarterly earnings presentation. The budget was drawn up using the same criteria as for the historical financial information and is based on the Company's best estimates for 2019.

2019 CONSOLIDATED BUDGET					
EUR	Q1	Q2	Q3	Q4	2019b
Gross sales	2.766.364	2.885.117	2.975.718	3.205.072	11.832.271
Accrued sales	(12.351)	(9.292)	64.910	(28.217)	15.05
Sales discounts and promotions	(312.628)	(317.968)	(310.054)	(336.704)	(1.277.352)
Revenue	2.441.385	2.557.856	2.730.574	2.840.152	10.569.964
Own R&D costs capitalised	61.236	59.236	56.736	60.736	237.944
Non-recurring income, grants and other	7.263	7.263	7.263	7.263	29.052
Cost of sales	(578.251)	(583.332)	(613.439)	(632.254)	(2.407.276)
Online and third-party customer acquisition costs	(32.835)	(34.295)	(37.873)	(39.033)	(144.036)
Datacenters and connectivity	(255.514)	(261.414)	(275.214)	(282.814)	(1.074.956)
Other supplies	(289.902)	(287.623)	(300.352)	(310.407)	(1.188.286)
Personnel expenses	(945.281)	(981.297)	(971.209)	(976.743)	(3.874.530)
Salaries and wages	(786.628)	(815.189)	(806.836)	(810.649)	(3.219.302)
Social security costs	(158.653)	(166.108)	(164.374)	(166.094)	(655.225)
Other operating expenses	(485.702)	(508.661)	(480.818)	(527.430)	(2.002.611)
External services	(448.750)	(470.654)	(440.928)	(486.194)	(1.846.526)
Professional services and other	(273.249)	(273.567)	(275.620)	(276.211)	(1.098.647)
Marketing and publicity	(64.001)	(88.058)	(53.827)	(97.415)	(303.301)
International expenses, except marketing	(111.501)	(109.029)	(111.481)	(112.568)	(444.579)
Losses, impairment and changes in trade provisions	(36.952)	(38.006)	(39.890)	(41.236)	(156.084)
Other income and expenses	-	-	-	-	-
EBITDA	500.649	551.065	729.106	771.723	2.552.544
<i>EBITDA margin, %</i>	20,5%	21,5%	26,7%	27,2%	24,1%
Gross income	1.863.134	1.974.524	2.117.134	2.207.897	8.162.694
<i>Gross margin, %</i>	76,3%	77,2%	77,5%	77,7%	77,2%

Alongside budgeted growth, the Company continues to look at corporate deals that could generate value for shareholders if they materialise and lead to an upward revision of the forecasts presented herein.

Madrid, 15 January 2019.

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