

# DHH Group

Sector: Internet Software and Services



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## Seeweb merger now “live”, healthy 3Q Gross Sales

DHH is a tech group that provides cloud computing solutions in IaaS, PaaS and SaaS mode to 100.000+ clients across southeast Europe (the so-called “Adriatic Sea area”), where expected growth is higher thanks to current lower digital penetration

### The beginning of a new era

As of the end of October, the reverse merger with Seeweb Holding became effective. Within the new guise, DHH boasts interesting features such as an increased exposure to the fast-growing cloud computing reference market coupled with highly scalable and profitable business model featured by high client retention and recurring revenues.

### Steadily growing in 3Q and YTD

DHH business is steadily increasing high single-digit, notwithstanding negative market stance linked to ongoing pandemic. Pro-forma Gross Sales in 3Q20 came in at €4.3mn (+6.5% y/y), with positive results recorded across all geographies where the Group is currently active:

- ◆ Slovenia marked the largest y/y growth (+26%), also thanks to the contribution of Si-Shell business unit, acquired back in Dec’19;
- ◆ Croatia and Serbia increased mid-single digit, strengthening their leading market shares;
- ◆ Italian Gross Sales were up+3% y/y, in spite of the gradual rearrangement plan of the commercial brand Artera towards DHH Switzerland, which in turn increased by more than 50% y/y.

### Estimates unchanged, but room for upward revision

3Q20 results - by nature the weakest quarter – imply 9M Gross Sales at €13.4mn, i.e. +8.3% y/y, in line with our 2020E year-end estimate.

Given the low macroeconomic visibility, we cautiously maintain our 2020E PF-22E estimates unchanged, but we see room for upward revisions. Our forecasts embed a 3yr like-for-like CAGR of 11% and 15% for Sales and EBITDA respectively, with EPS likely to almost double in the projection period. Sound FCF generation (ca. €11mn cumulated) should lead Net Cash Position up to €8.7mn in 2022E, leaving room for potential M&A.

### €18.5 fair value per share confirmed

After having recently peaked at €13.40, DHH shares are currently trading at €11.0, which implies 2021E undemanding multiples of 5.5x EV/EBITDA and 7.9x EV/OpFCF, embedding a huge discount vs. domestic tech companies listed on AIM Italia. We confirm our €18.5 fair equity value per share.

<b>Fair Value (€)</b>	<b>18.5</b>
<b>Market Price (€)</b>	<b>11.0</b>
<b>Market Cap. (€m)</b>	<b>49.7</b>

KEY FINANCIALS (€mn)	2019PF	2020EPF	2021E
REVENUES	16.8	18.2	20.5
EBITDA	5.6	6.3	7.4
EBIT	2.5	3.0	4.3
NET PROFIT	1.7	2.0	2.9
EQUITY	14.2	16.2	19.2
NET FIN. POS.	-2.2	1.1	5.2
EPS (€)	0.40	0.44	0.65
DPS (€)	0.00	0.00	0.00

Source: DHH Group (2019PF), Value Track (2020E-21E estimates)

RATIOS & MULTIPLES	2019PF	2020EPF	2021E
EBITDA MARGIN (%)	33.5	34.5	36.0
EBIT MARGIN (%)	15.1	16.8	21.1
NET DEBT / EBITDA (x)	0.39	nm	nm
NET DEBT / EQUITY (x)	0.15	nm	nm
EV/SALES (x) (**)	2.1	2.4	2.0
EV/EBITDA (x) (**)	6.3	7.1	5.5
EV/EBIT (x) (**)	13.9	14.6	9.3

Source: DHH Group (2019PF), Value Track (2020E-21E estimates)

(\*\*) EV adjusted for peripherals and treasury shares

### STOCK DATA

FAIR VALUE (€)	18.5
MARKET PRICE (€)	11.0
SHS. OUT. (m)	4.5
MARKET CAP. (€m)	49.7
FREE FLOAT (%)	24.8
AVG. -20D VOL. (#)	2,110
RIC / BBG	DHH.MI / DHH IM
52 WK RANGE	4.96-13.40

Source: Stock Market Data



## Business Description

DHH is a tech group that provides cloud computing solutions in SaaS solutions in IaaS, PaaS and SaaS mode to 100.000+ clients across southeast Europe (the so-called “Adriatic Sea area”), where expected growth is higher thanks to current lower digital penetration.

Nowadays, there are eleven businesses under management across five countries (Croatia, Italy, Serbia, Slovenia and Switzerland).

DHH aims to consolidate leadership position in such countries thus benefitting from the natural growth trend already in place.

## Key Financials

€mn	2018PF	2019PF	2020E PF	2021E
<b>Total Revenues</b>	<b>15.9</b>	<b>16.8</b>	<b>18.2</b>	<b>20.5</b>
Chg. % YoY	nm	+6%	+8%	+13%
<b>EBITDA</b>	<b>3.7</b>	<b>5.6</b>	<b>6.3</b>	<b>7.4</b>
EBITDA Margin (%)	23.2%	33.5%	34.5%	37.0%
<b>EBIT</b>	<b>2.4</b>	<b>2.5</b>	<b>3.0</b>	<b>4.3</b>
EBIT Margin (%)	15.0%	15.1%	16.8%	21.1%
<b>Net Profit</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.9</b>
Chg. % YoY	nm	+8%	+4%	+46%
<b>Adjusted Net Profit</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>2.9</b>
Chg. % YoY	nm	+8%	+4%	+46%
<b>Net Fin. Position</b>	<b>3.1</b>	<b>-2.2</b>	<b>1.1</b>	<b>5.2</b>
Net Fin. Pos. / EBITDA (x)	nm	0.4x	nm	Nm
Capex		-0.8	-1.5	-2.3
<b>OpFCF b.t.</b>		<b>5.7</b>	<b>4.3</b>	<b>5.5</b>
OpFCF b.t. as % of EBITDA		101%	68%	75%

Source: DHH SpA (historical figures), Value Track (estimates)

## Investment case

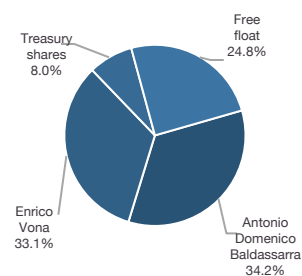
### Strengths / Opportunities

- ◆ Excellent geographic footprint, market leader in Croatia and Slovenia
- ◆ Ever increasing reference market, expected to grow at double-digit rate
- ◆ Outstanding track record in digital business and M&A activities
- ◆ High profitability ratios, sound Free Cash Flow generation deriving from subscription-based recurring revenues business model

### Weaknesses / Risks

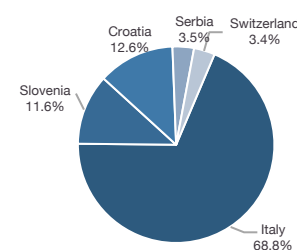
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

## Shareholders Structure



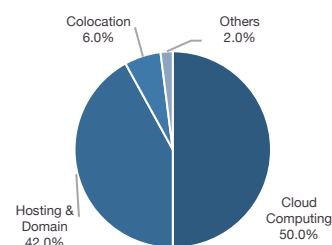
Source: DHH Group

## Sales breakdown by country



Source: DHH SpA

## Sales breakdown by business line



Source: DHH SpA

## Stock multiples @ €18.5 Fair Value

	2020EPF	2021E
EV / SALES (x)	4.2	3.5
EV / EBITDA (x)	12.1	9.7
EV / EBIT (x)	24.8	16.5
EV / Cap. Empl. (x)	5.0	5.1
OpFCF Yield (%)	5.5	7.7
P / E (x)	nm	28.5
P / BV (x)	5.2	4.4
Div. Yield. (%)	0.0	0.0

Source: Value Track

## 3Q-9M20 Gross Sales at a glance

### DHH Group: 3Q/9M Pro-Forma Gross Sales

€mn	3Q19	3Q20	Δ YoY		9M19	9M20	Δ YoY
Italy	2.92	3.00	2.5%		8.81	9.11	3.4%
o/w Seeweb	2.52	2.60	3.3%		7.34	7.75	5.5%
Others	0.41	0.40	-2.1%		1.47	1.37	-7.0%
Slovenia	0.39	0.49	26.1%		1.25	1.55	24.1%
Croatia	0.51	0.53	5.4%		1.65	1.72	4.3%
Serbia	0.14	0.15	4.4%		0.42	0.46	10.1%
Switzerland	0.10	0.15	54.8%		0.23	0.54	134.9%
<b>Tot Gross Sales</b>	<b>4.05</b>	<b>4.31</b>	<b>6.5%</b>		<b>12.36</b>	<b>13.38</b>	<b>8.3%</b>

Source: DHH Group

### DHH Group: 1Q19-3Q20 quarterly evolution of Pro-Forma Gross Sales

€mn	1Q19	2Q19	3Q19		1Q20	2Q20	3Q20
Italy	2.96	2.93	2.92		3.05	3.07	3.00
o/w Seeweb	2.39	2.44	2.52		2.55	2.60	2.60
Others	0.58	0.49	0.41		0.50	0.47	0.40
Slovenia	0.46	0.41	0.39		0.56	0.50	0.49
Croatia	0.59	0.55	0.51		0.62	0.56	0.53
Serbia	0.16	0.12	0.14		0.16	0.15	0.15
Switzerland	0.07	0.06	0.10		0.21	0.18	0.15
<b>Tot Gross Sales</b>	<b>4.24</b>	<b>4.07</b>	<b>4.05</b>		<b>4.61</b>	<b>4.46</b>	<b>4.31</b>

Source: DHH Group

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