

DHH

Sector: Internet Software and Services

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2Q-1H21 Gross sales in line with estimates

DHH is a tech group that provides cloud computing solutions in IaaS, PaaS and SaaS mode to 100.000+ clients across southeast Europe, where expected growth is higher thanks to current lower digital penetration

2Q21 Gross Sales +8.6% y/y, +7.8% in 1H21

DHH released consolidated unaudited 2Q21 Gross Sales up +8.6% y/y at €4.8mn, (of which ca. 30% foreign sales), implying 1H21 figure at €9.8mn (+7.8% y/y), in line with our 21E full-year expectation (+9% y/y). High double-digit growth rates have been achieved in Switzerland and Croatia, with Gross Sales further accelerating in 2Q21, up +18% and +17% y/y respectively, and positively benefitting from the on-going reorganization of marketing activities. Italy and Slovenia kept growing at healthy pace (+11% and +6% respectively), basically at the same speed recorded in the latest quarters. Low single-digit increase (+2% y/y) was recorded on the Serbian market, slightly recovering from the -6% y/y achieved in 1Q21, albeit still suffering the material impact of pandemic restrictions, and in particular the cancellation of physical events, relevant for the generation of new leads.

The BoD has also approved a €500K investment in Errera Technology Srl, an innovative start-up that aims to invest in fast-growing SaaS/cloud software businesses, and to list its shares on a Multilateral Trading Facility.

2021E-22E estimates unchanged

On the back of 1H21 Gross Sales figures, we leave our estimates unchanged. Our forecasts already embed a 11% revenues CAGR over 2020-22E, with EBITDA margin up to 38% by 2022E. We also expect DHH to generate €7.5mn cumulated FCF in 2021E-22E, driving Net Cash Position up to ca. €9mn, and likely to be exploited in potential M&A transactions.

8.2% dilution from warrants exercise

At the end of the last effective exercise period (July '21), #1,416,471 warrants 2016-21 have been exercised and consequently #374,141 new shares subscribed at a price of €0.1 per share. As a result, the total number of shares currently amounts to ~4.9mn (i.e. +8.2% post warrant exercise), out of which a 3.6% stake held by the company as treasury shares. DHH has also recently announced a share buyback program for a maximum value of €0.5mn.

Fair value at €20.4 per share

We confirm €20.4 fair value per share, as the 8.2% dilution coming from the exercise of warrants is offset by recent sector and AIM Italia market rerating. Our fair value would imply 12.3x-10.2x EV/EBITDA and 20.8x-15.6x EV/EBIT based on 2021E-22E forecasts, almost in line with trading multiples of SaaS companies listed on AIM Italia.

Fair Value (€) 20.4
Market Price (€) 15.1
Market Cap. (€m) 73.4

KEY FINANCIALS (€mn)	2020PF	2021E	2022E
REVENUES	18.1	19.8	22.5
EBITDA	6.8	7.4	8.5
EBIT	3.8	4.4	5.6
NET PROFIT	2.6	2.9	3.8
EQUITY	16.4	19.3	23.1
NET FIN. POS.	1.5	5.2	8.9
EPS (€)	0.57	0.65	0.85
CASH DPS (€)	0.0	0.0	0.0

Source: DHH (2020PF), Value Track (2021E-22E estimates)

RATIOS & MULTIPLES	2020PF	2021E	2022E
EBITDA MARGIN (%)	37.8	37.5	38.0
EBIT MARGIN (%)	20.9	22.1	24.9
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x) (*)	3.4	3.3	2.7
EV/EBITDA (x) (*)	8.9	8.8	7.2
EV/EBIT (x) (*)	16.0	15.0	11.0

Source: DHH (2020PF), Value Track (2021E-22E estimates)
(*) EV adjusted for peripherals and treasury shares

STOCK DATA	
FAIR VALUE (€)	20.4
MARKET PRICE (€)	15.1
SHS. OUT. (m)	4.9
MARKET CAP. (€m)	73.4
FREE FLOAT (%)	23.6
AVG. -10D VOL. (#)	1,190
RIC / BBG	DHH.MI / DHH IM
52 WK RANGE	8.61-16.70

Source: Stock Market Data



Business Description

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.

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	2019A PF	2020A PF	2021E	2022E
Total Revenues	16.8	18.1	19.8	22.5
Chg. % YoY	6%	8%	9%	14%
EBITDA	5.6	6.8	7.4	8.5
EBITDA Margin (%)	33.5%	37.8%	37.5%	38.0%
EBIT	2.5	3.8	4.4	5.6
EBIT Margin (%)	15.1%	20.9%	22.1%	24.9%
Net Profit	1.8	2.6	2.9	3.8
Chg. % YoY	8%	45%	14%	30%
Adjusted Net Profit	1.8	2.6	2.9	3.8
Chg. % YoY	8%	45%	14%	30%
Net Fin. Position	-2.2	1.5	5.2	8.9
Net Fin. Pos. / EBITDA (x)	0.4x	nm	nm	nm
Capex	-0.8	-1.2	-2.3	-3.7
OpFCF b.t.	5.7	5.3	5.1	5.5
OpFCF b.t. as % of EBITDA	101%	78%	69%	65%

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

Investment case

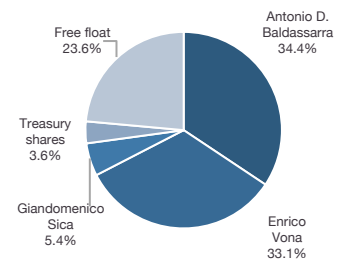
Strengths / Opportunities

- ◆ 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

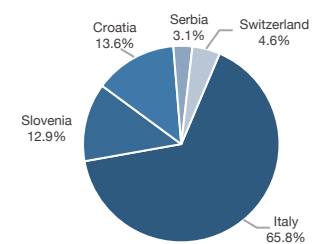
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



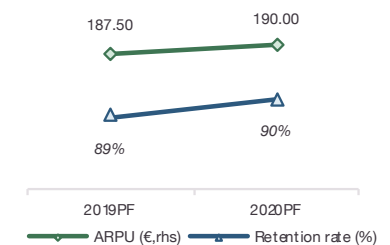
Source: DHH

Sales breakdown by country (2020)



Source: DHH

ARPU (€) and Retention rate (%)



Source: DHH SpA

Stock multiples @ €20.4 Fair Value

	2021E	2022E
EV / SALES (x)	4.6	3.9
EV / EBITDA (x)	12.3	10.2
EV / EBIT (x)	20.8	15.6
EV / Cap. Empl. (x)	6.4	6.1
OpFCF Yield (%)	5.5	6.2
P / E (x)	31.3	24.0
P / BV (x)	4.8	4.0
Div. Yield. (%)	33.9	24.0

Source: Value Track

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