

DHH Group

Sector: Internet Software and Services



Analyst

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4Q/FY21 Gross Sales steadily growing

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

FY21 Gross Sales in line with estimates

DHH released consolidated FY21 Gross Sales up +108% y/y at €19.71mn, bang in line with our €19.49mn top-line estimate that was not taking into account the one month consolidation contribution of the last M&A deal, i.e. the Bulgarian company Evolink that added €253k revenue to the Group figures.

On annual basis, we note that all countries reported y/y positive gross sales growth, with Slovenia (+14% y/y), Croatia (+11% y/y) and Switzerland (+11% y/y) at double digit rates and Seeweb (Italy) in the high single digit space (+7% y/y).

Compared to our estimates, organically the growth rates were a bit better than expected in Croatia while a touch lower in Switzerland.

2022E-23E Estimates unchanged

We maintain unchanged our 2021E-23E forecasts that imply:

- 10% revenues CAGR20-23E up to €24.2mn;
- EBITDA in excess of €9mn by 2023E (EBITDA margin at 38.5%);
- Sound operating FCF generation (ca. €11mn cumulated) leaving room for further M&A deals.

€24.0 fair value per share confirmed

We leave unchanged our fair equity value at €24.0 p/s as well, given by the simple average between peers' analysis (€21.6 p/s) and DCF (€26.5 p/s).

At fair value, the stock would trade at 12.1x-10.3x EV/EBITDA and 30.9x-26.9x P/E 2022E-23E respectively, completely deserved considering:

- strong revenue visibility;
- Best-in-class profitability and cash generation;
- M&A value creation.

Fair Value (€) **24.0**

Market Price (€) **17.1**

Market Cap. (€m) **83.4**

KEY FINANCIALS (€mn)	2020PF	2021E	2022E
REVENUES	18.1	19.6	25.9
EBITDA	6.8	7.4	9.0
EBIT	3.8	4.2	5.6
NET PROFIT	2.6	3.7	3.8
EQUITY	16.4	20.3	23.7
NET FIN. POS.	1.5	2.4	6.5
EPS (€)	0.57	0.75	0.89
DPS (€)	0.0	0.0	0.0

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

RATIOS & MULTIPLES	2020PF	2021E	2022E
EBITDA MARGIN (%)	37.8	37.5	34.6
EBIT MARGIN (%)	20.9	21.3	21.7
NET DEBT / EBITDA (x)	nm	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x) (**)	3.6	4.0	2.9
EV/EBITDA (x) (**)	9.5	10.6	8.3
P/E (x) (**)	28.0	29.8	21.9

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

(*) EV adjusted for peripherals, minorities, and treasury shares

STOCK DATA

FAIR VALUE (€)	24.0
MARKET PRICE (€)	17.05
SHS. OUT. (m)	4.9
MARKET CAP. (€m)	83.4
FREE FLOAT (%)	24.2
AVG. -20D VOL. (#)	10,313
RIC / BBG	DHH.MI / DHH IM
52 WK RANGE	10.40-18.10

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 seven countries (Croatia, Italy, Serbia, Slovenia, Bosnia-Herzegovina, Bulgaria and Switzerland).

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

Key Financials

€mn	2020A PF	2021E	2022E	2023E
Total Revenues	18.1	19.6	25.9	28.2
Chg. % YoY	8%	nm	31.8%	9.1%
EBITDA	6.8	7.4	9.0	10.0
EBITDA Margin (%)	37.8%	37.5%	34.6%	35.2%
EBIT	3.8	4.2	5.6	6.5
EBIT Margin (%)	20.9%	21.3%	21.7%	22.9%
Net Profit	2.6	3.7	3.8	4.4
Chg. % YoY	45%	nm	4.0%	14.9%
Adjusted Net Profit	2.6	2.8	3.8	4.4
Chg. % YoY	45%	nm	35.7%	14.9%
Net Fin. Position	1.5	2.4	6.5	11.8
Net Fin. Pos. / EBITDA (x)	nm	nm	nm	nm
Capex	-1.2	-2.6	-3.8	-3.1
OpFCF b.t.	5.3	4.9	5.8	7.3
OpFCF b.t. as % of EBITDA	78%	66.4%	65.1%	73.0%

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

Investment case

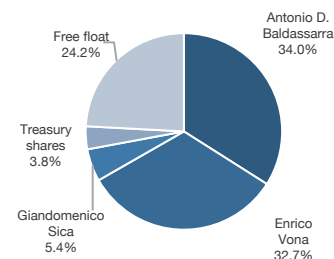
Strengths / Opportunities

- ◆ 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

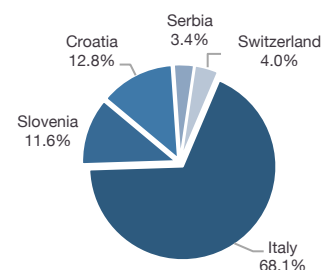
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



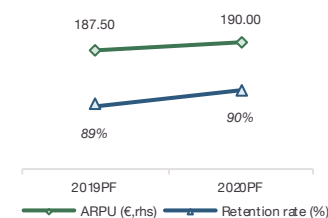
Source: DHH

Sales breakdown by country



Source: DHH

ARPU (€) and Retention rate (%)



Source: DHH

Stock multiples @ €24.0 Fair Value

	2022E	2023E
EV / SALES (x)	4.2	3.6
EV / EBITDA (x)	12.1	10.3
EV / EBIT (x)	19.3	15.9
EV / Cap. Empl. (x)	6.1	6.1
OpFCF Yield (%)	5.4	7.1
P / E (x)	30.9	26.9
P / BV (x)	4.9	4.2
Div. Yield. (%)	0.0	0.0

Source: Value Track

4Q-FY21 Gross Sales at a glance

DHH Group Gross Sales: 4Q/FY 2020-2021 figures

(€mn)	4Q21	4Q20	Δ YoY		FY21	FY20	Δ YoY
Italy	3.36	2.28	+48%		12.99	3.64	+256%
Slovenia	0.65	0.56	+15%		2.40	2.11	+14%
Croatia	0.68	0.60	+13%		2.59	2.32	+11%
Serbia	0.20	0.18	+6%		0.66	0.64	+2%
Switzerland	0.19	0.20	-8%		0.83	0.74	+11%
Bulgaria	0.25	--	--		0.25	--	--
Total Gross Sales	5.32	3.83	+39%		19.71	9.46	+108%

Source: DHH Group

DHH Group Gross Sales: Actual figures vs Value Track estimates

(%)	4Q21 Actual	4Q21E	%	FY21 Actual	FY21E	%
Italy	3.36	3.36	0%	12.99	12.99	0%
Slovenia	0.65	0.64	1%	2.40	2.40	0%
Croatia	0.68	0.64	6%	2.59	2.55	1%
Serbia	0.20	0.2	-3%	0.66	0.66	0%
Switzerland	0.19	0.25	-25%	0.83	0.89	-7%
Bulgaria	0.25	0	--	0.25	0	--
Total Gross Sales	5.32	5.09	5%	19.71	19.49	1%

Source: DHH Group, Value Track Analysis

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