

DHH

Sector: Cloud Computing

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1Q22 highlights a +24% y/y revenues growth

DHH is a tech group that provides cloud computing solutions in IaaS, PaaS and SaaS mode to 120.000+ clients across southeast Europe (the so-called “Adriatic Sea area”), where expected growth is higher thanks to current lower digital penetration

1Q22 Consolidated Revenues up 24.3% y/y (+10.1% I-f-I)

DHH announced 1Q21 Consolidated Net Sales from operations (not including Other Revenues) at €5.87mn, up +24.3% y/y (+10.1% on a like-for-like basis) and almost in line with our FY22E expectation (+27.8% y/y).

The double digit growth was driven by: 1) the contribution of Seeweb in Italy (+8% y/y); 2) the healthy performance of the Slovenian and Croatian markets (+10.7% and +20.6% y/y respectively); 3) the inclusion in the consolidation perimeter of the recently acquired Bulgarian company Evolink. Conversely, Net Sales in Switzerland came in slightly lower y/y (-0.9%).

In terms of Revenues by segment, we note that non recurring ones such as Managed Services (basically customer assistance on infrastructure) were down -27% y/y, while the recurring “as-a-service” segments were up double digit. Overall, recurring revenues stood at 96.7% of total, up from the usual ca. 95% level.

2022E-23E estimates unchanged

We are maintaining our 2022E-23E estimates unchanged. Overall, revenues are expected to increase at 24.9% CAGR up to 2023E, with EBITDA and EBIT margin expected respectively at 34.6% and 21.3% by 2023E.

Cash generation is expected to remain healthy, with €8.6mn cumulated cash flows by 2023, driving Net Cash Position up to ca. €7.6mn, leaving room for M&A deals.

Fair value per share at €22.1 (unchanged)

DHH stock market price has suffered a ca. 15% derating year-to-date and is now trading at ca. 7.3x-5.9x EV/EBITDA 2022E-23E respectively, price levels that we see as too penalizing.

We maintain unchanged our €22.1 p.s. fair valuation, coming from the simple average of DCF model (€24.4) and Peers’ analysis (€19.3). At fair value, the stock would trade at 2022E multiples of 12.1x EV/EBITDA, 21.6x EV/EBIT and 34.3x P/E.

Devoting the €9.5mn cash pile to further expand the geographical footprint via M&A deals finalized at multiples in line with historical ones (ca. 5x EV/EBITDA on average) would lead to further additional value per share.

Fair Value (€)	22.1
Market Price (€)	13.6
Market Cap. (€m)	66.5

KEY FINANCIALS (€mn)	2021A	2022E	2023E
REVENUES	19.8	25.3	27.8
EBITDA	6.9	8.4	9.6
EBIT	3.6	4.7	5.9
NET PROFIT	3.2	3.1	4.0
EQUITY	20.0	23.2	27.3
NET FIN. POS.	-0.9	3.1	7.6
EPS (€)	0.65	0.64	0.81
DPS (€)	0.0	0.0	0.0

Source: DHH Group (2021A), Value Track (2022-23E)

RATIOS & MULTIPLES	2021A	2022E	2023E
EBITDA MARGIN (%)	35.1	33.1	34.6
EBIT MARGIN (%)	18.2	18.5	21.3
NET DEBT / EBITDA (x)	0.1	nm	nm
NET DEBT / EQUITY (x)	nm	nm	nm
EV/SALES (x) (**)	3.3	2.4	2.0
EV/EBITDA (x) (**)	9.4	7.3	5.9
EV/EBIT (x) (**)	18.1	13.1	9.6

Source: DHH (2020PF-2021), Value Track (2022E)

(*) EV adjusted for peripherals and treasury shares

STOCK DATA

FAIR VALUE (€)	22.1
MARKET PRICE (€)	13.6
SHS. OUT. (m)	4.9
MARKET CAP. (€m)	66.5
FREE FLOAT (%)	23.7
AVG. -20D VOL. (#)	9,960
RIC / BBG	DHH.MI / DHH.IM
52 WK RANGE	13.60-17.70

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 eight autonomous and independent business units under management across seven countries (Bosnia-Herzegovina, Bulgaria, 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	2020A PF	2021A	2022E	2023E
Total Revenues	6.3	19.8	25.3	27.8
Chg. % YoY	-71.3%	nm	27.8%	9.9%
EBITDA	0.5	6.9	8.4	9.6
EBITDA Margin (%)	8.5%	35.1%	33.1%	34.6%
EBIT	0.2	3.6	4.7	5.9
EBIT Margin (%)	2.7%	18.2%	18.5%	21.3%
Net Profit	0.1	3.2	3.1	4.0
Chg. % YoY	-123.6%	nm	-1.3%	26.5%
Adjusted Net Profit	0.1	2.8	3.1	4.0
Chg. % YoY	-53.3%	nm	11.0%	26.5%
Net Fin. Position	2.6	-0.9	3.1	7.6
Net Fin. Pos. / EBITDA (x)	nm	0.1	nm	nm
Capex	-0.1	-3.5	-3.8	-3.5
OpFCF b.t.	0.3	2.7	5.5	6.3
OpFCF b.t. as % of EBITDA	48.0%	38.5%	65.9%	65.8%

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

Investment case

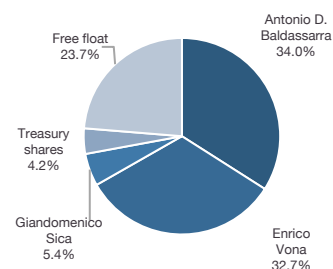
Strengths / Opportunities

- ◆ 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

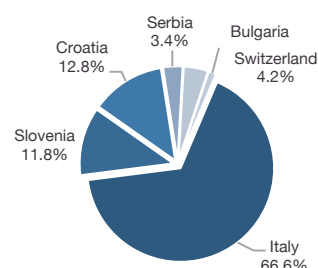
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



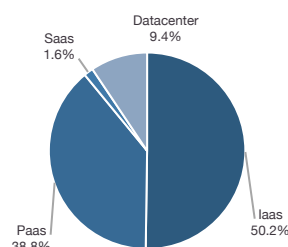
Source: DHH Group

Sales b.down by country (2021)



Source: DHH Group

Sales b.down by segment (2021)



Source: DHH Group

Stock multiples @ €22.1 Fair Value

	2022E	2023E
EV / SALES (x)	4.0	3.5
EV / EBITDA (x)	12.1	10.1
EV / EBIT (x)	21.6	16.3
EV / Cap. Empl. (x)	5.0	4.9
OpFCF Yield (%)	5.5	6.6
P / E (x)	34.3	27.1
P / BV (x)	4.8	4.0
Cash Div. Yield. (%)	0.0	0.0

Source: Value Track

DHH Group Revenues by country 1Q22

(€mn)	1Q22	1Q21	Δ YoY
Italy	3,495,698	3,207,379	9.0%
Slovenia	643,909	581,855	10.7%
Croatia	690,224	572,416	20.6%
Serbia	167,160	156,871	6.6%
Switzerland	203,583	205,492	-0.9%
Bulgaria	671,244	-	nm
Total	5,871,819	4,724,013	24.3%

Source: DHH

DHH Group Revenues by segment 1Q22

(€mn)	1Q22	1Q21	Δ YoY
IaaS	2,426,058	2,253,320	7.7%
PaaS	2,114,074	1,741,805	21.4%
SaaS	107,440	69,603	54.4%
Datacenter & Networking	1,029,010	421,508	144.1%
Managed Services	149,535	205,456	-27.2%
Other	45,701	32,321	41.4%
Total	5,871,819	4,724,013	24.3%

Source: DHH

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