

DHH

Sector: Cloud Computing

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2Q22 consolidated revenues up +28% y/y

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

2Q22 Consolidated Revenues up 27.6% y/y (+10.2% I-f-I)

DHH announced 2Q22 Consolidated Net Sales from operations (not including Other Revenues) at €6.2mn, up +27.6% y/y vs. €4.9mn in 2Q21 (+10.2% on a like-for-like basis). In the whole January–June period the top line stood at €12.1mn, up +26% y/y (again+10.2% on a like-for-like basis).

The double-digit growth was driven by:

- 1) Volumes effect, i.e. the increasing penetration of DHH products (both in the cloud computing and cloud hosting segments) across Italian and Balkan client base;
- 2) Prices effect, i.e. the rebates to clients of inflation and energy costs increases;
- 3) Consolidation perimeter effect, i.e. the line by line consolidation of the results of the Bulgarian company Evolink, acquired back at the end of 2021.

In terms of 2Q22 revenues by segment, we note that non-recurring ones such as Managed Services (basically customer assistance on infrastructure) were down by -11.3% y/y, while the recurring “as-a-service” revenues were up double-digit (net of PaaS). As an effect, recurring revenues are now standing at 96% of total.

2022E-24E estimates and valuation unchanged

1H22 revenues are substantially in line with our FY22E expectation (ca. €28mn out of which some €3mn coming from the consolidation of the recently acquired Connesi in 2H22) and confirm the organic low double digit growth pace of the group further boosted by M&A deals.

The release of the full set of 1H figures as of September 28th should give more hints to understand the current and forecasted evolution of the business, in terms of both top line, profitability and cash generation.

We remind that after the recently announced Connesi acquisition, in 2023E we currently forecast DHH to achieve some €34mn Revenues, €11mn EBITDA, €4.2mn Net Profit with a flat Net Cash position leaving room for further M&A deals.

Stock market wise, based on current €15.0 market price and current estimates, DHH is trading at 6.7x-11.4x-17.7x EV/EBITDA, EV/EBIT and P/E 2023E.

Fair Value (€)	22.1
Market Price (€)	15.0
Market Cap. (€mn)	73.4

KEY FINANCIALS (€mn)	2021A	2022E	2023E
REVENUES	19.8	28.3	34.4
EBITDA	6.9	9.0	11.0
EBIT	3.6	4.9	6.4
NET PROFIT	3.2	3.2	4.2
EQUITY	20.0	23.2	27.5
NET FIN. POS.	-0.9	-4.6	-0.1
EPS ADJ. (€)	0.58	0.65	0.85
DPS (€)	0.00	0.00	0.00

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

RATIOS & MULTIPLES	2021A	2022E	2023E
EBITDA MARGIN (%)	35.1%	31.8%	32.0%
EBIT MARGIN (%)	18.2%	17.3%	18.7%
NET DEBT / EBITDA (x)	0.1	0.5	0.0
NET DEBT / EQUITY (%)	5.0	20.0	0.0
EV/SALES (x) (**)	3.6	2.8	2.1
EV/EBITDA (x) (**)	10.4	8.7	6.7
EV/EBIT (x) (**)	19.9	16.0	11.4

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

(*) EV adjusted for peripherals and treasury shares

STOCK DATA

FAIR VALUE (€)	€22.1
MARKET PRICE (€)	15.0
SHS. OUT. (m)	4.9
MARKET CAP. (€m)	73.4
FREE FLOAT (%)	23.7
AVG. -20D VOL. (#)	850
RIC / BBG	DHH.MI / DHH.IM
52 WK RANGE	12.3 – 18.1

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	2021A	2022A	2023E	2024E
Total Revenues	19.8	28.3	34.4	37.3
Chg. % YoY	nm	42.9%	21.6%	8.4%
EBITDA	6.9	9.0	11.0	12.0
EBITDA Margin (%)	35.1%	31.8%	32.0%	32.3%
EBIT	3.6	4.9	6.4	7.5
EBIT Margin (%)	18.2%	17.3%	18.7%	20.2%
Net Profit	3.2	3.2	4.2	4.8
Chg. % YoY	nm	0.3%	29.6%	16.6%
Adjusted Net Profit	2.8	3.2	4.2	4.8
Chg. % YoY	-750.8%	12.9%	29.6%	16.6%
Net Fin. Position	-0.9	-4.6	-0.1	5.1
Net Fin. Pos. / EBITDA (x)	0.1	0.5	0.0	nm
Capex	-3.5	-3.8	-3.5	-3.5
OpFCF b.t.	2.7	5.7	6.7	7.7
OpFCF b.t. as % of EBITDA	38.5%	62.9%	60.5%	64.2%

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

Investment case

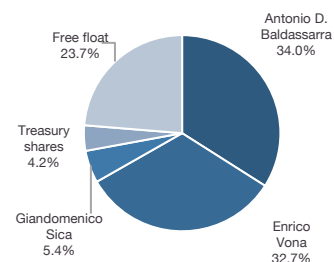
Strengths / Opportunities

- ◆ 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

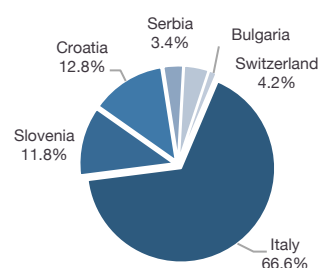
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



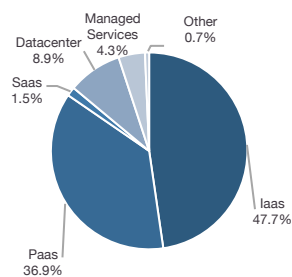
Source: DHH Group

FY21 Revenues by Geography



Source: DHH Group

FY21 Revenues by Segment



Source: DHH Group

Stock multiples @ €22.1 Fair Value

	2023E	2024E
EV / SALES (x)	3.1	2.7
EV / EBITDA (x)	9.7	8.4
EV / EBIT (x)	16.6	13.5
EV / Cap. Empl. (x)	3.9	3.7
OpFCF Yield (%)	6.2	6.8
P / E (x)	26.0	22.3
P / BV (x)	4.1	3.4
Cash Div. Yield. (%)	0.0	0.0

Source: Value Track

DHH Group Revenues by country 2Q22

(€mn)	1Q22	1Q21	Δ YoY
Italy	3,662,338	3,261,785	12.3%
Slovenia	609,989	557,939	9.3%
Croatia	696,638	640,466	8.8%
Serbia	173,547	158,959	9.2%
Switzerland	204,865	231,758	-11.6%
Bulgaria	842,143	-	nm
Total	6,189,520	4,850,907	27.6%

Source: DHH

DHH Group Revenues by segment 2Q22

(€mn)	1Q22	1Q21	Δ YoY
IaaS	2,749,772	2,313,848	18.8%
PaaS	1,925,350	1,788,593	7.6%
SaaS	104,317	71,473	46.0%
Datacenter & Networking	1,179,442	432,830	172.5%
Managed Services	187,178	210,975	-11.3%
Other	43,461	33,189	31.0%
Total	6,189,520	4,850,907	27.6%

Source: DHH

DHH Group Revenues by country 1H22

(€mn)	1H22	1H21	Δ YoY
Italy	7,158,036	6,469,164	10.6%
Slovenia	1,253,898	1,139,794	10.0%
Croatia	1,386,862	1,212,882	14.3%
Serbia	340,707	315,830	7.9%
Switzerland	408,448	437,250	-6.6%
Bulgaria	1,513,387	-	nm
Total	12,061,338	9,574,920	26.0%

Source: DHH

DHH Group Revenues by segment 1H22

(€mn)	1H22	1H21	Δ YoY
IaaS	5,175,830	4,567,168	13.3%
PaaS	4,039,424	3,530,398	14.4%
SaaS	211,757	141,076	50.1%
Datacenter & Networking	2,208,452	854,337	158.5%
Managed Services	336,713	416,432	-19.1%
Other	89,162	65,509	36.1%
Total	12,061,338	9,574,920	26.0%

Source: DHH

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