

DHH

Sector: Cloud Computing / Internet infrastructure



Growth goes on in 9M24

DHH S.p.A. aims to position itself as a relevant player in the evolution of global internet infrastructure through the integration of next-generation technology and artificial intelligence. Based in Europe, the company leverages open-source technologies to enhance digital connectivity across various industries and regions.

9M24: €27.4mn Top Line, €8.7mn EBITDA, €7.7mn OpCF

DHH S.p.A. reported steady growth in 9M24, expanding its market presence with increased profitability, efficient cost management, and reduced debt.

In details, 9M24 figures are the following:

- ◆ €27.4mn Consolidated Revenue, +7% y/y, with Recurring revenues at 94% of total. All main BUs reported solid growth but for Datacenter which was flat y/y due to deflation effect on energy prices rebated to clients. Infrastructure solutions for artificial intelligence – including GPU and NPU offerings – stood out among best-performing products, but precise numbers have not been disclosed. By country, Switzerland and Croatia were top performer (+11% and +10% y/y respectively);
- ◆ €8.7mn EBITDA +20% y/y, (~33% EBITDA Margin) and Net Profit up +108% y/y at ca. €3.0mn (11% Net Profit Margin, vs. 6% in 9M23);
- ◆ €7.7mn Operating Cash Flow generation (88% cash conversion), with Net Debt end of September at €2.8mn, compared to €3.6mn end of June 2024, even including ca. €400k cash out for share buyback in 3Q.

2024E-onward estimates unchanged

Based on 9M24 figures, we might be a bit too aggressive on Top Line and EBITDA, while exactly on track on Net Profit and too conservative on Net Debt evolution. For the time being we're maintaining our estimates unchanged and in 2024E-25E-26E years we expect: 1) VoP to get close to €60mn (18.6% CAGR_{23A-26E}, 10% organic plus M&A); 2) EBITDA Margin always >30%; 3) €46mn cumulated EBITDA more than covering €33mn of cumulated capex and M&A cash out. We note that the company has confirmed that it is actively exploring opportunities for mergers and acquisitions both in its existing domestic markets and in the broader Mediterranean region.

Fair value per share stable at €29.3

Since our latest update most of DHH listed comparables are posting positive stock market performances, especially those related to AI Infrastructure cluster. That said, we maintain **DHH fair value per share stable at €29.3**. At fair value, DHH would trade at 3.7x-3.0x EV/Sales, 11.4x-9.3x EV/EBITDA 2024E-25E.

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Fair Value (€) **29.3**

Market Price (€) **24.6**

Market Cap. (€mn) **120.4**

KEY FINANCIALS (€mn)	2023	2024E	2025E
REVENUES	34.6	38.4	48.3
EBITDA ADJUSTED	11.5	12.6	15.6
EBIT ADJUSTED	6.0	7.3	9.7
NET PROFIT ADJUSTED	3.3	4.1	5.7
EQUITY	23.7	26.8	32.5
NET FIN. POS.	-6.5	-2.0	-2.7
ADJ. EPS (€)	0.68	0.84	1.17
DPS (€)	0.0	0.0	0.0

Source: DHH Group (2023), Value Track (2024E-25E)

RATIOS & MULTIPLES	2023	2024E	2025E
Adj. EBITDA MARGIN (%)	33.2	32.9	32.2
Adj. EBIT MARGIN (%)	17.3	19.0	20.1
NET DEBT / EBITDA (x)	0.6	0.2	0.2
NET DEBT / EQUITY (x)	0.3	0.1	0.1
EV/SALES (x) (*)	3.6	3.2	2.5
EV/EBITDA (x) (*) (**)	10.9	9.8	8.0
EV/EBIT (x) (*) (**)	20.9	17.0	12.8

Source: DHH Group (2023), Value Track (2024E-25E)

(*) EV adjusted for peripherals and treasury shares

(**) 2023A EBITDA and EBIT adjusted for stock option charges

STOCK DATA

FAIR VALUE (€)	29.3
MARKET PRICE (€)	24.6
SHS. OUT. (m)	4.89
MARKET CAP. (€m)	120.4
FREE FLOAT (%)	24%
AVG. -20D VOL. (#)	1,418
RIC / BBG	DHH.MI / DHH IM
52 WK RANGE	13.10-30.00

Source: Stock Market Data



Business Description

DHH S.p.A. is dedicated to reshaping internet infrastructure through the integration of next-generation technology and artificial intelligence. Based in Europe, the company leverages open-source technologies to enhance digital connectivity across various industries and regions. With a commitment to continuous research and open innovation, DHH aligns technological progress with stringent data privacy standards. This approach promotes technological excellence while safeguarding individual privacy, aiming to position the company as a relevant player in the evolution of global internet infrastructure.

Key Financials

€mn	2023	2024E	2025E	2026E
Total Revenues	34.6	38.4	48.3	57.8
Chg. % YoY	16.9%	10.9%	25.8%	19.6%
EBITDA	11.5 (*)	12.6	15.6	18.0
EBITDA Margin (%)	33.2% (*)	32.9%	32.2%	31.1%
EBIT	6.0 (*)	7.3	9.7	11.0
EBIT Margin (%)	17.3% (*)	19.0%	20.1%	19.1%
Net Profit Reported	2.2	4.1	5.7	6.6
Chg. % YoY	nm	85.5%	39.7%	15.4%
Net Profit Adjusted	3.3	4.1	5.7	6.6
Chg. % YoY	28.0%	23.2%	39.7%	15.4%
Net Fin. Position	-6.5	-2.0	-2.7	-2.8
Net Fin. Pos. / EBITDA (x)	0.6	0.2	0.2	0.2
Capex	-6.2	-5.0	-6.4	-8.2
OpFCF b.t.	5.6	7.7	9.6	10.6
OpFCF b.t. as % of EBITDA	48.3%	61.0%	61.9%	58.9%

Source: DHH Group (historical figures), Value Track (estimates) (*) 2023 Adjusted

Investment case

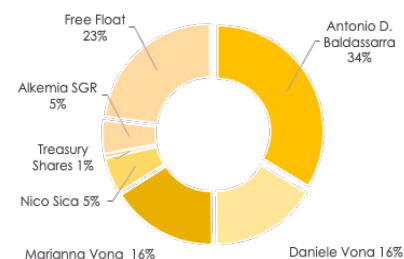
Strengths / Opportunities

- ◆ 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

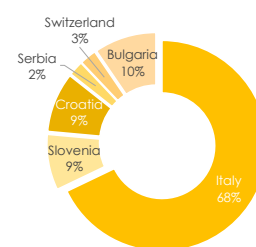
- ◆ Much lower size if compared to US tech giants
- ◆ Highly competitive market with several players

Shareholders Structure



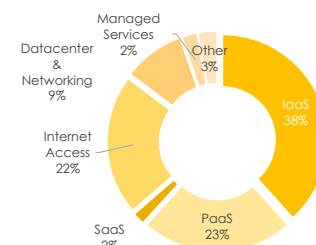
Source: DHH Group

Sales b.down by country (2023)



Source: DHH Group

Sales b.down by segment (2023)



Source: DHH Group

Stock multiples @ €29.3 Fair Value

	2024E	2025E
EV / SALES (x)	3.7	3.0
EV / EBITDA (x)	11.4	9.3
EV / EBIT (x)	19.7	14.9
EV / Cap. Empl. (x)	5.0	4.1
OpFCF Yield (%)	7.0	8.3
P / E Adj. (x)	35.0	25.0
P / BV (x)	5.5	4.5
Cash Div. Yield. (%)	0.0	0.0

Source: Value Track

Financials

DHH Group: 2023A-2024E financials by quarter

(€mn)	1H23	9M23	4Q23	FY23
Revenue from Sales	16.5	24.9	8.8	33.7
EBITDA Adjusted	5.4	8.4	3.1	11.5
EBITDA Adjusted Margin	32.6%	33.7%	35.4%	34.2%
EBITDA Reported	4.3	7.3	3.2	10.4
EBITDA Margin	25.9%	29.1%	35.9%	30.9%
Net Profit	0.3	1.4	0.8	2.2
Net Fin. Pos. [Net debt (-)]	-5.6	-2.9	-6.5	-6.5

(€mn)	1H24	9M24	4Q24E	FY24E
Revenue from Sales	18.0	26.8	10.6	37.4
EBITDA Reported	6.0	8.7	3.9	12.6
EBITDA Margin	33.4%	32.5%	36.8%	33.7%
Net Profit	2.0	3.0	1.1	4.1
Net Fin. Pos. [Net debt (-)]	-3.6	-2.9	-2.0	-2.0

Source: DHH, Value Track Analysis

Our **2024E-26E forecasts** can be summarized as follows:

- ◆ VoP expected to move from €38.4mn in 2024E to ca. €57.8mn at the end of the forecasted period (18.6% CAGR_{23A-26E}), with ca. 10% organic CAGR and M&A deals aimed at doubling such pace;
- ◆ Operating profitability increasing over the next three years with EBITDA and EBIT Margin expected respectively at 31.1% and 19.1% by 2026E;
- ◆ Net Debt Position to remain substantially stable at ca. €2.8mn by 2026E year-end, with €46mn cumulated EBITDA more than covering €33mn of cumulated capex and M&A cash out.

DHH Group: 2023A – 2026E P&L

(€mn)	2023A	2024E	2025E	2026E
Value of Production	34.6	38.4	48.3	57.8
COGS	-17.6	-18.5	-23.6	-28.8
Labour costs	-6.6	-7.3	-9.2	-11.0
EBITDA	10.4	12.6	15.6	18.0
EBITDA Margin (%)	30.0%	32.9%	32.2%	31.1%
Depreciation & Amortization	-5.5	-5.3	-5.9	-6.9
EBIT	4.9	7.3	9.7	11.0
EBIT Margin (%)	14.1%	19.0%	20.1%	19.1%
Net Fin. Charges	-0.8	-1.0	-0.9	-0.8
Pre-tax Profit	4.1	6.3	8.8	10.2
Tax	-1.9	-2.2	-3.1	-3.6
Reported Net Profit	2.2	4.1	5.7	6.6
EBITDA Adjusted	11.5	12.6	15.6	18.0
EBIT Adjusted	6.0	7.3	9.7	11.0
Adj. Net Profit	3.3	4.1	5.7	6.6

Source: DHH, Value Track Analysis

DHH Group: 2023A – 2026E Balance Sheet

(€mn)	2023A	2024E	2025E	2026E
Net Fixed Assets	35.7	35.4	42.3	49.8
Net Working Capital	-3.1	-4.1	-4.6	-5.3
Severance Pay and Other Funds	2.4	2.4	2.5	2.5
Total Capital Employed	30.2	28.8	35.2	41.9
Group Net Equity	23.7	26.8	32.5	39.2
Net Fin. Position [Net debt (-)]	-6.5	-2.0	-2.7	-2.8

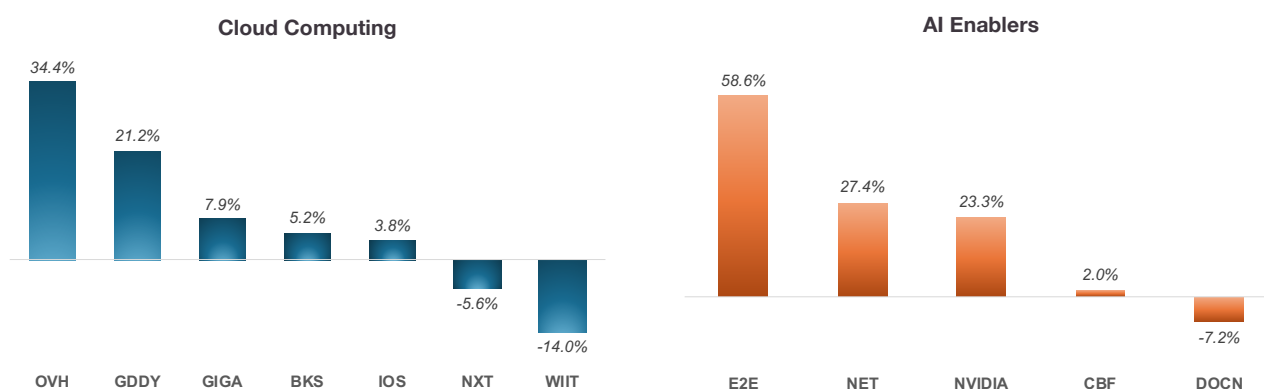
Source: DHH, Value Track Analysis

DHH Group: 2023A – 2026E Cash Flow Statement

(€mn)	2023A	2024E	2025E	2026E
EBITDA	11.5	12.6	15.6	18.0
Δ NWC & Provisions	0.2	0.1	0.5	0.8
Capex (inc. RoU but not Fin. Inv.)	-6.2	-5.0	-6.4	-8.2
OpFCF b.t.	5.6	7.7	9.6	10.6
As a % of EBITDA	48%	61%	62%	59%
Cash Taxes	-1.9	-2.2	-3.1	-3.6
OpFCF a.t.	3.7	5.5	6.5	7.0
Financial Investments	-3.4	0.0	-6.3	-6.3
Net Financial charges	-0.8	-1.0	-0.9	-0.8
Change in Net Fin. Position	-0.5	4.5	-0.6	-0.1

Source: DHH, Value Track Analysis

Peers' Recent Stock Market Performances

DHH Peers: Stock Market performance 23/09/24 – 22/11/24

Source: S&P Capital IQ

Valuation

DHH: Sum of the Parts Valuation

Fair Equity Value (€mn)	Cloud Computing & Cloud Hosting	AI Infrastructure & Other Innovative Products	Total
Peers EV/Sales 2024E (x)		22.8	
Peers EV/EBITDA 2024E (x)	10.4		
Discount vs. Peers (%)	0%	50%	
Fair Multiple	10.4	11.4	
Fair Enterprise Value (€mn)	126.5	13.7	140.2
As a % of Total	90%	10%	100%
Net Financial Position 2024E (€mn)			-2.0
Adjustments 2024E			1.5
Fair Equity Value			139.7
NOSH			4.9
Fair Equity Value p/s (€)			28.6

Source: Market Consensus, Value Track Analysis

DHH: DCF Model

€mn	
PV of future cash flows 2024E-2031E	42.3
PV of Terminal value	108.9
Fair Enterprise value	151.3
Implied EV/ Adj. EBITDA 24E-25E (x)	12.0x-9.7x
Net Fin. Position 2023A	-6.5
Minorities (net of related debt)	-1.6
Peripheral assets	3.1
Fair Equity value	146.2
Number of shares (mn)	4.9
Fair Equity value per share (€)	29.9

Source: Value Track Analysis

Appendix 1: DHH Investment Case

DHH at a glance

DHH (or “the Group”) is a tech group dedicated to **reshaping internet infrastructure through the integration of next-generation technology and artificial intelligence**. Based in Europe, the group leverages open-source technologies to enhance digital connectivity across various industries and regions, and offers its products in a subscription model (**SaaS/IaaS/PaaS**) to more than 120.000 corporate and professional customers. Founded back in **July 2015**, the **Group has expanded significantly through conspicuous M&A activity**, finalizing close to 20 deals.

Key points of DHH investment case

In our view, DHH stands out at the forefront of technological innovation and ethical business practices, excelling for the following key points:

- # 1 – Ideal mix of products / solutions;
- # 2 – Optimal market positioning in space and time;
- # 3 – Well carved growth strategy combining organic and M&A levers;
- # 4 – Highly skilled Top Management with “skin in the game”;
- # 5 – Outstanding Financial profile;
- # 6 – Acting with a highly responsible approach.

1 - Ideal mix of products / solutions

DHH Group B2B cloud computing and premium B2B internet access product portfolio is the result of a proactive approach aimed at maintaining a technological edge over competitors and banks on an **extensive proprietary physical and network infrastructures** managed by some subsidiaries (Seeweb, Evolink and Connesi).

We can cluster different families of products depending on the time of introduction in DHH portfolio:

- ◆ **1st wave: Cloud Hosting products**, e.g. Shared hosting, Virtual Private Server (VPS) and more;
- ◆ **2nd wave: Cloud Computing products**, such as Cloud Servers Rentals dispensed in the PaaS, or IaaS models. These products have become relevant with reverse merger with Seeweb in 2020;
- ◆ **3rd wave: Premium B2B infrastructure-based Internet Service Provisioning products**, such as Premium Internet Connectivity, VOIP, VPN, WAN. These products got relevant following a series of acquisitions in 2021 and 2022;
- ◆ **4th wave: AI infrastructure products**. DHH, though its subsidiary Seeweb is included among the top 15 Cloud Server Providers for GPU-Powered LLM fine-tuning and training (Source: online publication *Towards AI*).

2 - Optimal market positioning in space and time

Cloud computing and Cloud hosting, the two primary sectors in which DHH currently operates, are experiencing significant growth rates. Indeed, **the market for cloud computing and web-hosting services is projected to exceed \$3.1tn by 2030, more than doubling its size from 2022**.

On top of these highly growing markets, we underline that **AI infrastructure market is expected to grow to \$84.8bn by 2026E, 23.7% CAGR** (Source: *Markets and Markets*) fuelled by the adoption of AI across industries such as healthcare, automotive, and finance.

We remind that DHH is currently active in Italy (accounting for some 68% of DHH Group Revenues from Sales), Switzerland, Bulgaria and Balkan areas (Slovenia, Croatia, Serbia) i.e., geographies expected to post higher-than-average growth rates ahead, as the current digital adoption is growing but, in most cases, (Slovenia is an exception) still below the EU average.

3 - Well carved growth strategy combining M&A levers

DHH is pursuing an aggressive growth strategy that adds M&A to organic growth. In the last nine years, it has completed **close to 20 M&A transactions with an average total ROI close to 140%**. The result of the above-mentioned M&A activity is that DHH Group can be viewed as an **ecosystem of independent entities** unified by a shared theme that empowers tech entrepreneurs to innovate, and exchange best practices. In this scenario, DHH SpA acts as holding company, providing broad business and administrative support and ensuring seamless operations / strategic guidance.

4 - Highly skilled Top Management with “skin in the game”

DHH's top management includes highly skilled professionals such as:

- ◆ **Antonio Baldassarra – Chief Executive Officer.** Founder of Seeweb and co-founder of DHH, he boasts more than 25 yy experience in Electronics, Telecommunications and Computer Science.
- ◆ **Giandomenico Sica – Executive Chairman.** Co-founder of DHH, he also is the founder of Grafoventures, his holding focused on IT industry SMBs.
- ◆ **Tamara Arduini – Chief Financial Officer.** With over two decades of experience in accounting administration and finance, she previously served as the CFO of Seeweb.
- ◆ **Matija Jekovec – Chief Operating Officer.** Co-founder of Klaro in 2003, beginning as a developer before transitioning into an R&D managerial role.

Worthy to note, the co-founders (Mr. Baldassarra and Mr. Sica) have a lot of “skin in the game” as they are controlling more than 40% of share capital.

5 - Outstanding Financial profile

As a result of its well carved business model, DHH boasts several notable financial features such as:

- ◆ High scalability;
- ◆ Extremely high incidence (ca. 94%) of recurring revenues;
- ◆ Strong client retention (churn rate lower than 10%) with long revenue periods.
- ◆ Strong cash flow generation, with OpFCF_{b.t.} (defined as Adj. EBITDA – Tangible and Intangible Capex ± ΔNWC ± Δ Provisions) always in excess of 50% of EBITDA.

6 - Highly responsible ESG approach

DHH's sustainability strategy is firmly rooted in integrating responsible practices across every level of the organization, from daily operational management to executive decision-making. As an example of their commitment to ESG themes, we underline that DHH, recognizing the significant impact of power consumption in data centers and throughout product lifecycles, is mitigating its carbon footprint by: 1) Enhancing operational energy efficiency; 2) Transitioning to renewable energy sources; 3) Promoting responsible disposal methods for end-of-life equipment. Moreover, through Connesi and Seeweb, DHH Group has launched several initiatives to minimize environmental impacts and cut emissions.

A few challenges to face

As far as challenges to face we would identify the following:

- ◆ **Competitive scenario crowded with tech giants and large local players.** However, despite the presence of the Big Tech DHH has a strong position in its core markets for the following reasons: price effectiveness, flexibility and customization capability, local presence;
- ◆ **Italian stock market, i.e., possibility to raise money at high valuation.** Tech companies need fresh money to accelerate at maximum their growth, both organic and M&A one.

DHH is not in the best position to raise fresh money at high valuations due to the features of Italian EGM stock market, where it is listed. However, we have to note that DHH is a steady cash generator so every year it can deploy money in organic and M&A growth projects.

Appendix 2: AI Infrastructure Product Roadmap

DHH Group: Rapid Evolution into a Top-Tier AI Enabler

DHH is leveraging its established B2B cloud computing services to transition into a leading "AI Enabler."

The group is enhancing its capabilities by combining high-performance hardware and software to support businesses in running AI models, processing large datasets, and deploying AI applications effectively.

Its subsidiary, Seeweb, is already recognized among the top 15 Cloud Server Providers for GPU-powered large language model (LLM) fine-tuning and training, competing alongside giants like Microsoft Azure and AWS.

While current AI-related revenues are modest, a significant uptick is anticipated as demand grows.

Promising Market Opportunity

The global AI infrastructure market is projected to reach \$84.8 billion by 2026, growing at a 23.7% CAGR. This growth is driven by AI adoption across industries such as healthcare, automotive, and finance.

DHH is positioning itself to compete in this young, rapidly evolving market by focusing on innovative, user-friendly, flexible, and private solutions, rather than mass-market, price-driven products.

More in particular, we note that DHH aims to focus on secure, **private AI** environments tailored to sectors like finance, healthcare, and legal services, enabling clients to build custom platforms for sensitive data without relying on public AI platforms.

These private AI models ensure data privacy compliance and support the growing demand for secure AI solutions.

Strategic Roadmap for AI Infrastructure Expansion

DHH's AI market strategy includes:

1. **Expanding Geographical Reach:** Scaling AI infrastructure from Italy to other global markets, especially in the Balkans, via DHH subsidiaries;
2. **Enhancing Product Offerings:** Introducing advanced GPU and NPU solutions, including new collaborations with technologies like Tenstorrent cards;
3. **AI-as-a-Service (AIaaS):** Developing platforms to simplify access to AI cloud services for training, fine-tuning, and inference.

Core AI Products and Services

1 AI-as-a-Service product: Cloud Server GPU

A **GPU-powered cloud server designed for AI and machine learning tasks**, offering computational power for complex workloads like data analytics, deep learning, and high-quality rendering. Key features:

- ◆ **Ready-to-Use GPU Servers:** Located in Italy for low latency and full regulatory compliance;
- ◆ **Sustainability:** Energy-efficient infrastructure powered by renewable sources;
- ◆ **Elastic Architecture:** Scalability through Infrastructure as Code (IaC) methods like Terraform;
- ◆ **Flexible Billing:** Hourly billing with no upfront payments.

Despite its advanced capabilities, this product requires substantial technical expertise from users.

2 AI-as-a-Service product: Serverless GPU

Designed to simplify AI application deployment, this product uses **Kubernetes** to orchestrate GPU resources, making it more accessible than traditional hardware-based solutions. Advantages include:

- ◆ **Simplified Management:** Operates like a software platform, reducing the need for IT architectural skills;
- ◆ **Scalability:** On-demand GPU resources adaptable to real-time needs;
- ◆ **Cost-Effectiveness:** Pay-as-you-use model with reduced power consumption;
- ◆ **Seamless Integration:** Compatible with existing IT environments for easy adoption.

This service is ideal for developers and teams seeking efficient AI infrastructure without complex migrations.

3 AI-as-a-Service product: Cloud Server NPU or AI Accelerator

Launched in 2024, this product integrates cutting-edge **Neural Processing Units (NPUs)** for efficient AI inference workloads, such as speech recognition and object detection. Highlights include:

- ◆ **Scalability:** Configurable instances for diverse workloads, with flexible billing options;
- ◆ **Cost Efficiency:** NPUs lower costs and energy consumption compared to GPUs;
- ◆ **Sustainability:** Environmentally friendly operations without compromising performance.

This solution offers an affordable and sustainable option for businesses looking to enhance their AI capabilities.

4 Next step: Chat-based Platform

Looking forward, we hint that DHH is planning to introduce AI infrastructure products specifically designed for **Private AI models**. We expect news on this side by the year end.

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