

Gamma

Full Year 2023 Results

25 March 2024

Andrew Belshaw, CEO
Bill Castell, CFO





FY 2023 Results

Agenda

-
01. **FY 2023 Business Update**
Andrew Belshaw

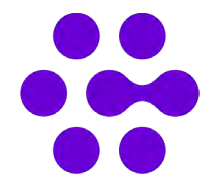
 02. **FY 2023 Financial Highlights**
Bill Castell

 03. **Strategic Progress**
Andrew Belshaw

 04. **ESG**
Andrew Belshaw

 05. **Business Outlook**
Andrew Belshaw

 06. **Q&A**
Andrew Belshaw and Bill Castell
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Full year 2023 Business Update

Andrew Belshaw, CEO

Full year 2023 Business Update – Business Highlights

- **Continued strong financial performance**

- 8% Revenue growth to **£521.7m**
- 9% EBITDA growth to **£114.3m**

- **Strong cash position**

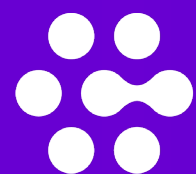
- Cash generated by operations of **£123.5m** (2022 £99.1m)
- Net cash balance of **£134.8m** at 31 December 2023 (2022: 92.5m)
- After applying the Board’s capital allocation framework we are announcing an intention to launch a share buyback programme of **£35m** to be executed over the next six months, until early September.

- **Important Strategic Acquisitions**

- Satisnet – Enables our Enterprise team to offer a Security Managed Service around a network
- EnableX – Adds iPECS from Ericsson-LG into our portfolio
- Coolwave (Feb 2024) – Expands our ability to do voice enablement in many more countries

- **Completeness of UCaaS portfolio**

- We will have a UCaaS solution for any business of any size
- Important as End Users move away from a “SIP + Hardware” solution



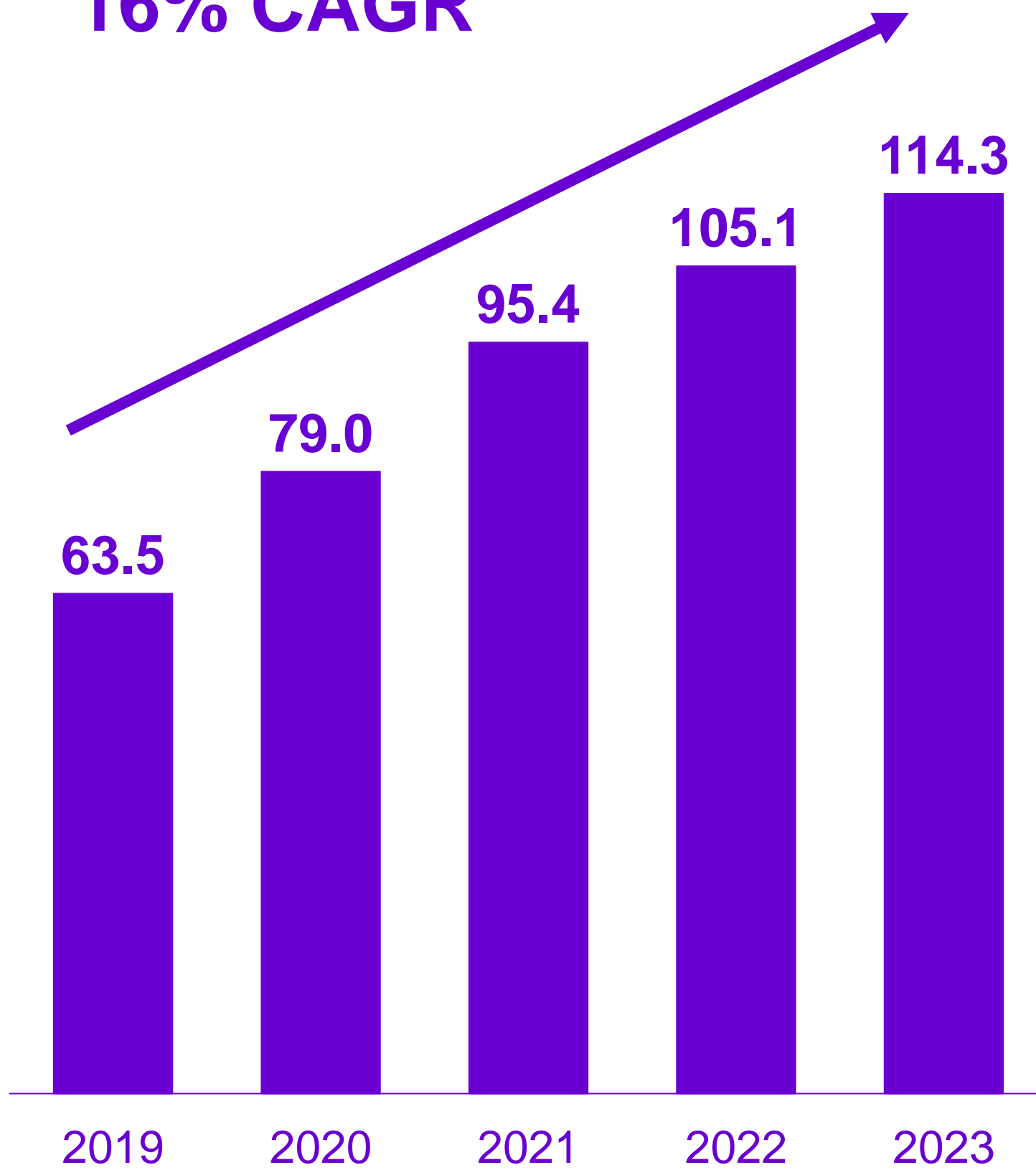


Full year 2023 Financial Highlights

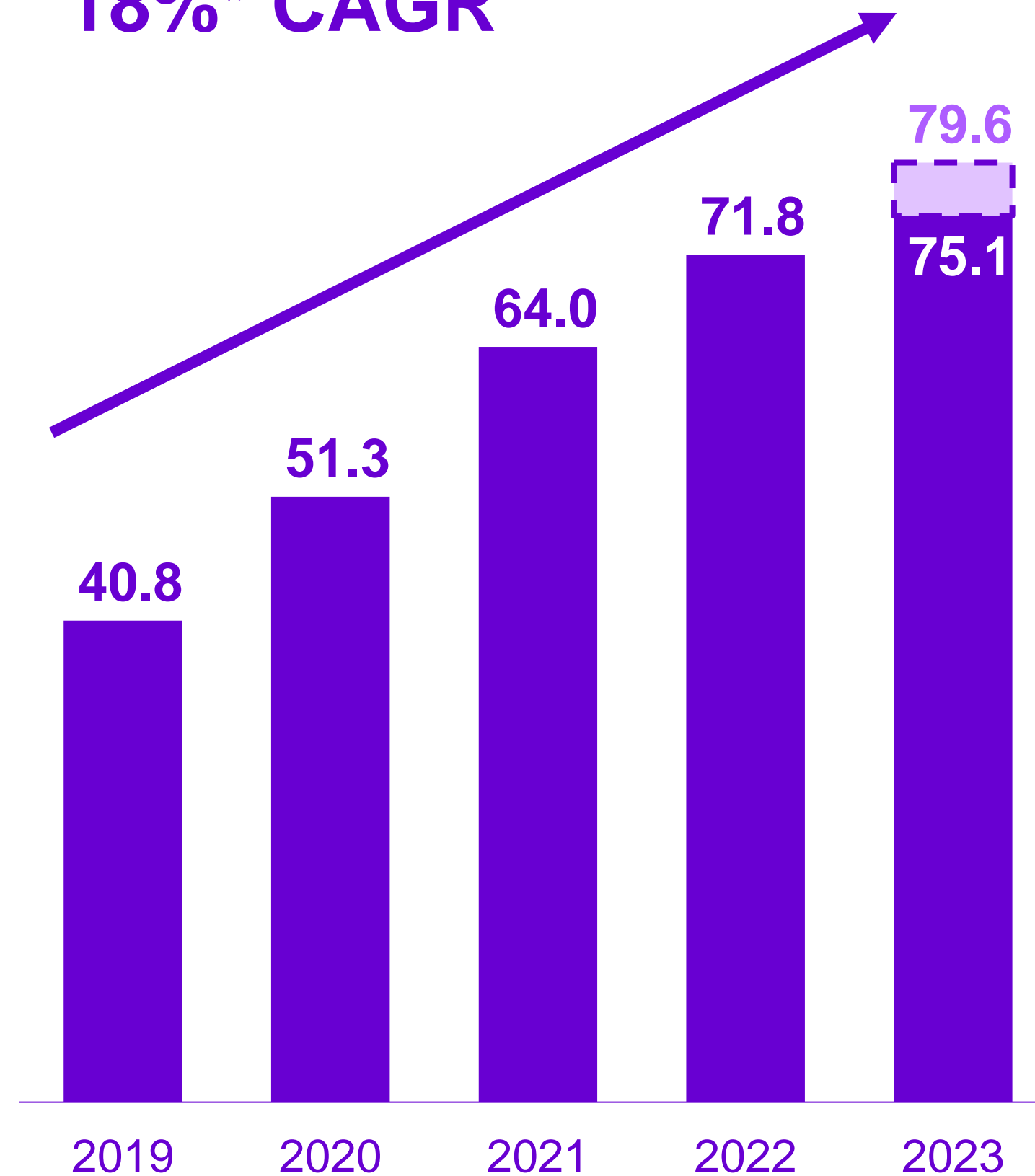
Bill Castell, CFO

Track record of high growth and cash generation

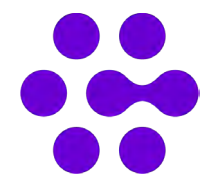
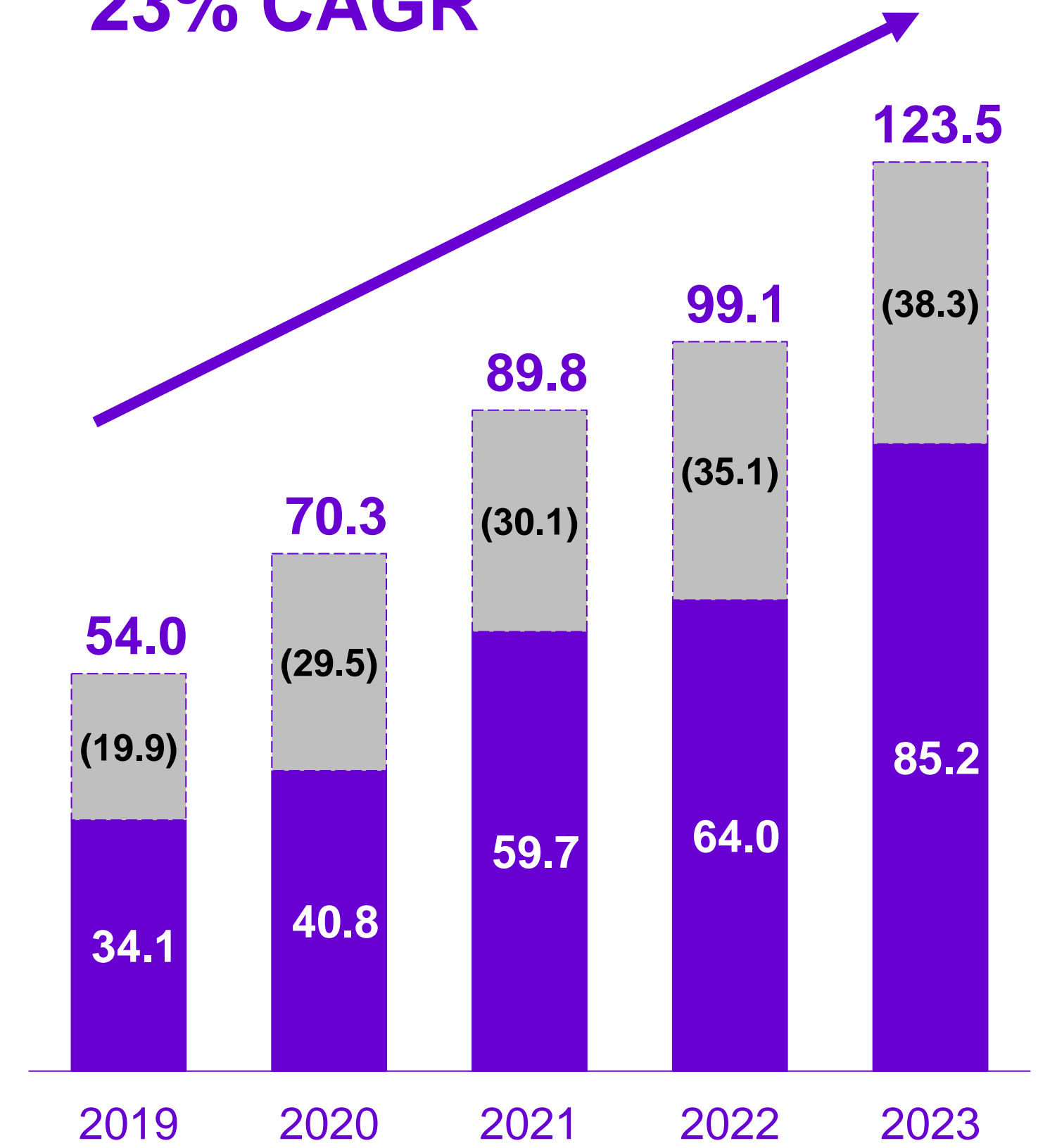
Adjusted EBITDA
16% CAGR





Adjusted EPS
18%* CAGR



Cash generated by operations
23% CAGR



*16% EPS CAGR at actual tax rates (2023: 75.1p). 18% when adjusting 2023 results to 2022 tax rates (2023: 79.6p)

 Taxes paid and capital expenditure
 Cash inflow before acquisitions and financing

2023 Financial Highlights

Revenue

Up

8%

to **£521.7m**

Adjusted EBITDA

Up

9%

to **£114.3m**

Adjusted EPS – Constant tax

Up

11%*

to **75.1p**

Cash generated by operations

Up

25%

to **£123.5m**

Cash balance

£136.5m

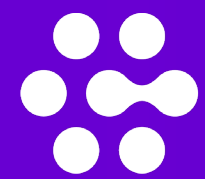
As at 31 Dec
(net cash of **£134.8m**)

Dividend

Up

14%

to **17.1p**



***5%** EPS growth at actual tax rates. 11% when adjusting 2023 results to 2022 tax rates

2023 EPS growth was adversely impacted by the change in UK corporation tax rate from 19% to 25% in April 2023

Income Statement

- Recurring revenue grew to **£462.8m, 89%** of total revenue (2022: 89%)
- Revenue and gross profit grew by **8%**
- Gross margin maintained above **51%**
- Adjusted EBITDA growth of **9%**
 - Inflationary impact
 - Active cost control kept operating expense growth at a **7%**
- Exceptional items
 - Intangible asset impairment (£12.7m - non-cash) and,
 - Restructuring costs (£3.3m)
- Depreciation and amortisation
 - £21.3m, remaining below annual capex spend
- Adjusted PBT was £97.9m (2022: £87.8m) up **12%**

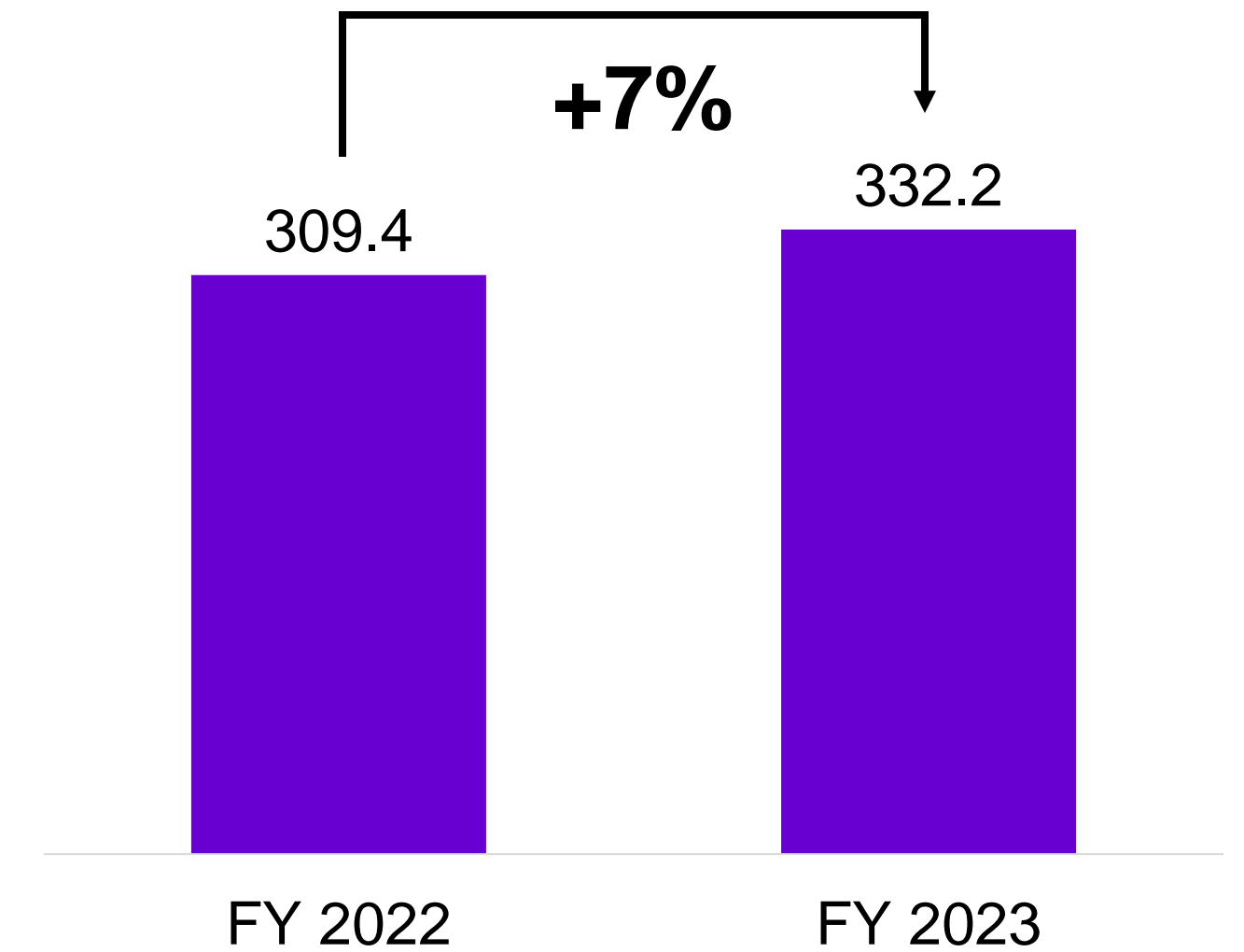
Years ended 31 December (£m)	2021	2022	2023	Growth 23 vs 22
Revenue	447.7	484.6	521.7	8%
Cost of sales	(219.2)	(236.9)	(254.5)	
Gross profit	228.5	247.7	267.2	8%
<i>Gross profit margin</i>	<i>51.0%</i>	<i>51.1%</i>	<i>51.2%</i>	
Adjusted operating expenses	(133.1)	(142.6)	(152.9)	7%
Adjusted EBITDA	95.4	105.1	114.3	9%
<i>EBITDA margin</i>	<i>21.3%</i>	<i>21.7%</i>	<i>21.9%</i>	
Exceptional items*	0.0	(12.5)	(16.0)	
Depreciation and amortisation	(17.6)	(17.7)	(21.3)	
Amortisation on business combinations*	(9.5)	(9.5)	(10.0)	
Operating profit	68.3	65.4	67.0	2%
Interest income	0.1	0.8	5.4	
Unwind of deferred consideration*	(0.5)	(0.9)	(0.4)	
Interest expense	(0.7)	(0.4)	(0.5)	
Profit before tax	67.2	64.9	71.5	10%
Tax expense	(13.2)	(15.4)	(17.8)	
Profit after tax	54.0	49.5	53.7	8%
Adjusted profit before tax	77.2	87.8	97.9	12%
Adjusted EPS (Pence, fully diluted)	64.0	71.8	75.1	+5%

*Adjusting item when calculating the alternate profit measures

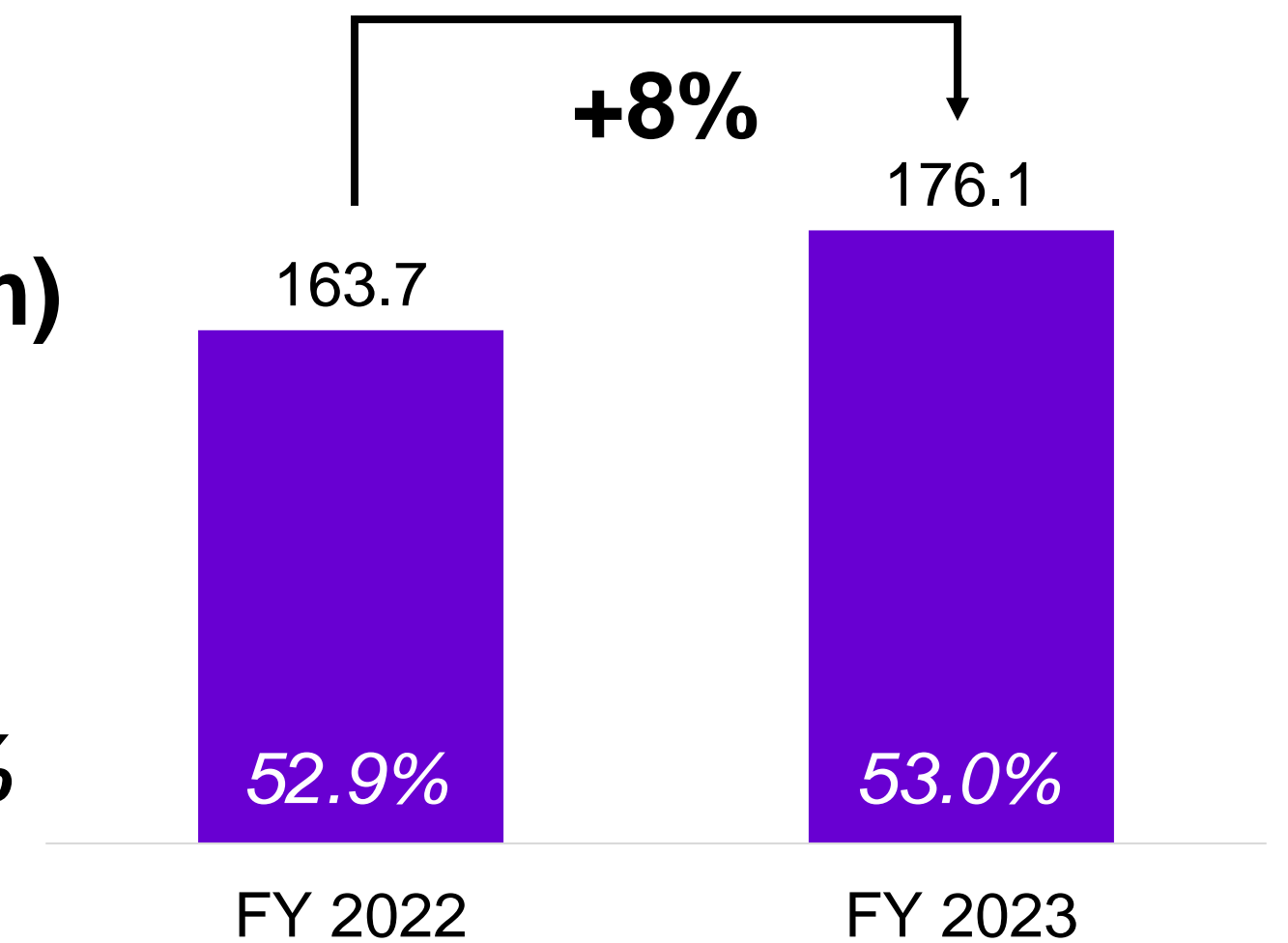
Gamma Business

- Healthy **7%** growth in revenue with increased volumes
- Growth driven by our Cloud PBX solutions (Horizon and PhoneLine+) as well as those SIP trunks supporting MS Teams implementations and other non-Gamma Cloud PBX solutions
- Revenue growth has also been supported through targeted price rise (mainly on traditional products including connectivity, and traffic)
- Gross profit increased **8%** from £163.7m to £176.1m
- Gross margin broadly consistent at **53%**

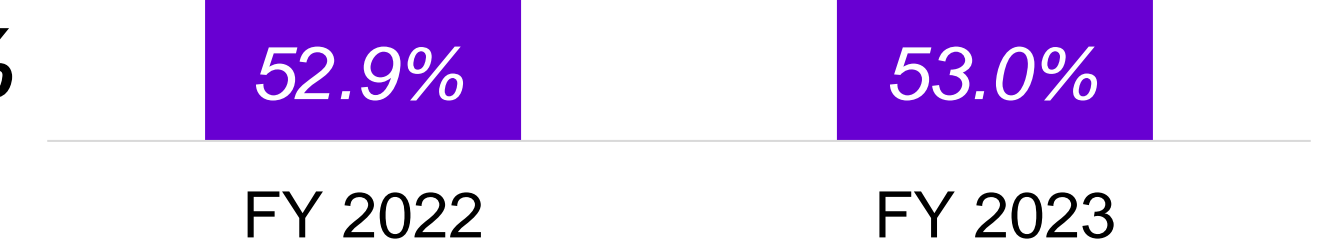
Revenue (£m)



Gross Profit (£m)



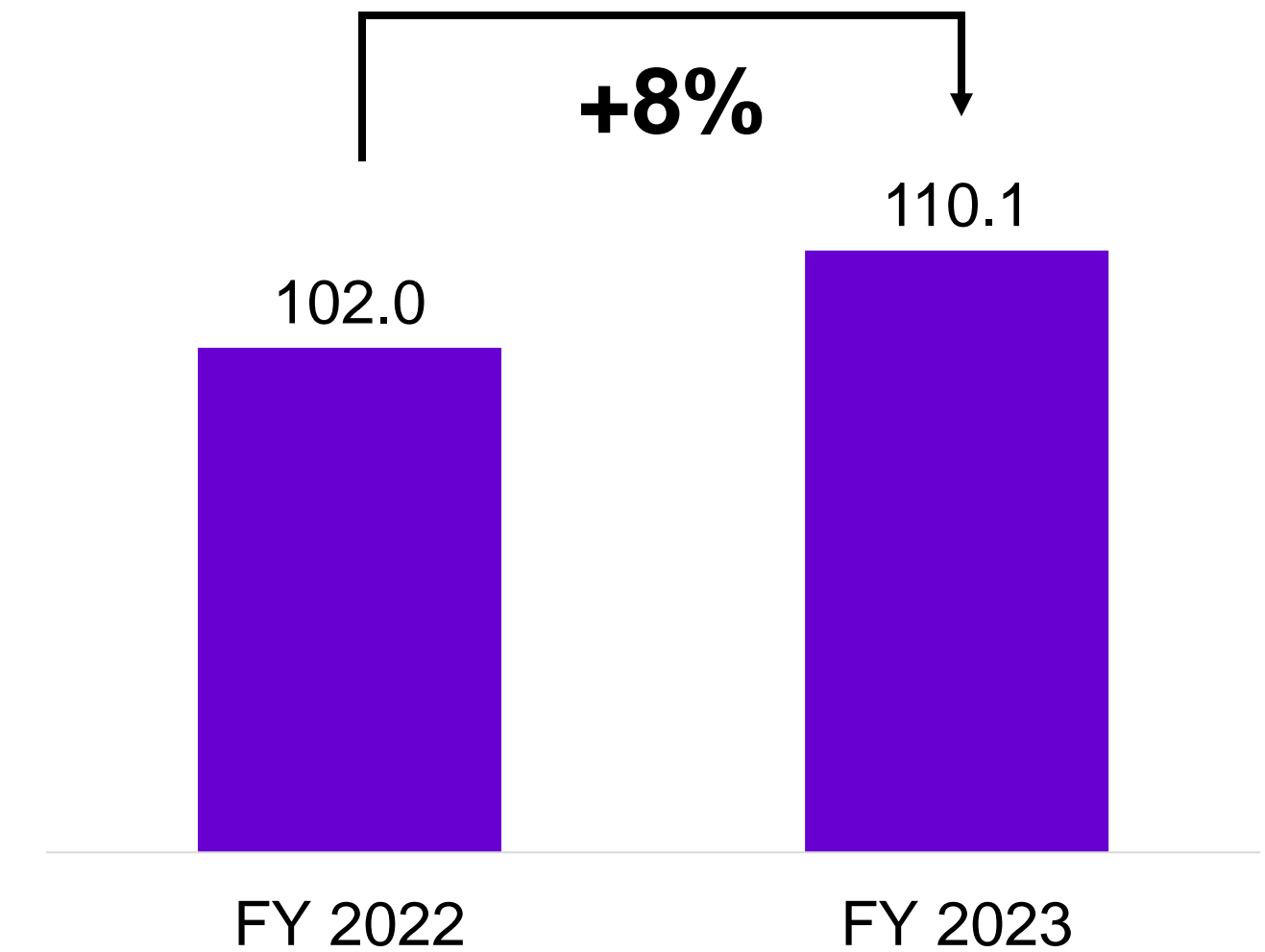
Gross Margin %



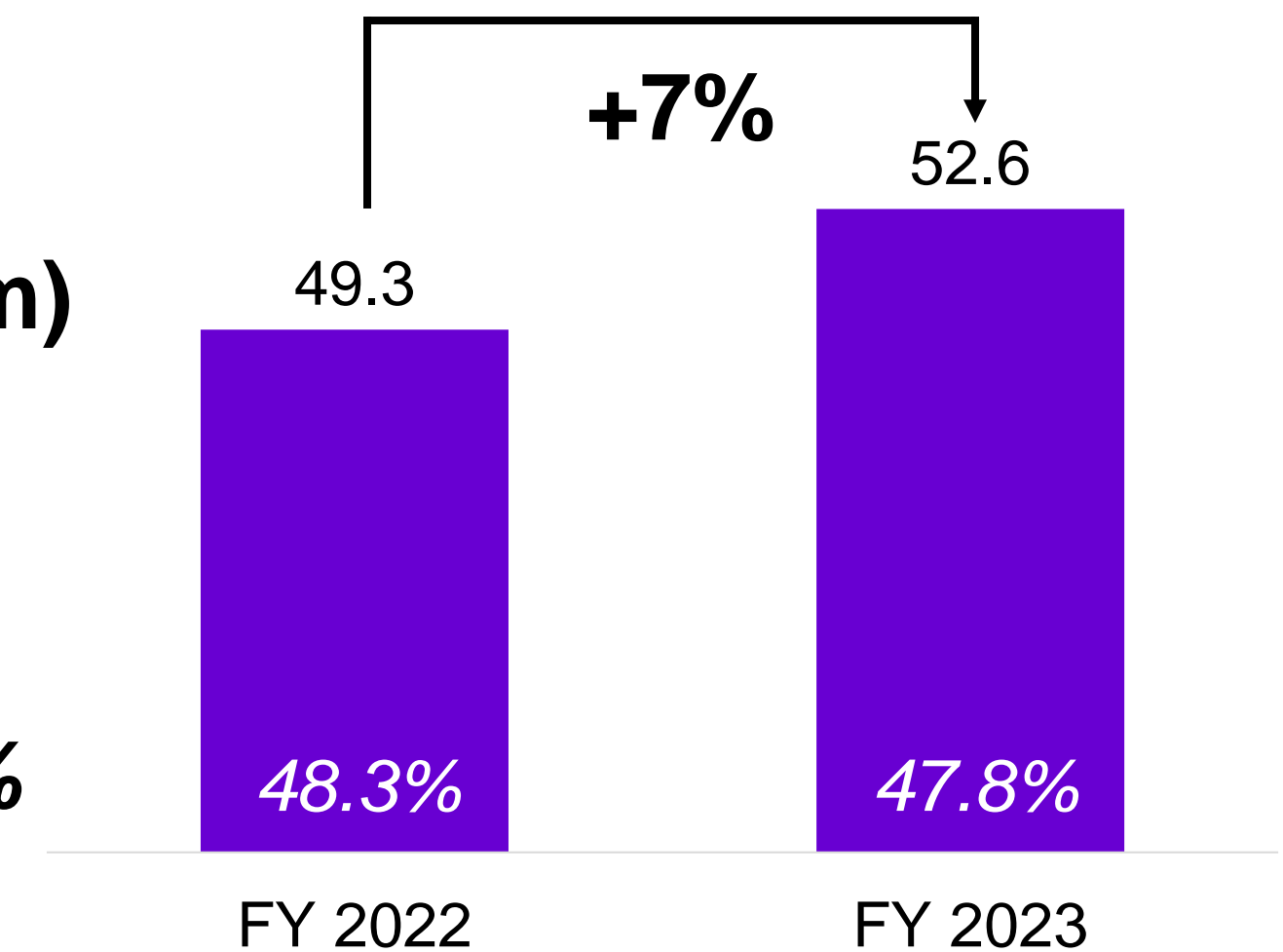
Gamma Enterprise

- Delivered **8%** revenue growth, driven by key contract performance and M&A
 - Satisnet Ltd, acquired in August 2023, has been successfully integrated and contributed £4.6m of revenue and £1.5m gross profit in the year
- Gross profit increased by **7%**
- Gross margin has reduced slightly due to the impact of the Satisnet acquisition, which is lower margin
- Significant wins including:
 - UK wide SD-WAN solutions for Redde Northgate plc and the Denholm Group
 - Microsoft Teams implementation with a CCaaS overlay for Gloucester County Council
 - SmartAgent contact centre implementation with the Government Digital Project and Shawbrook Bank

Revenue (£m)



Gross Profit (£m)



Gross Margin %

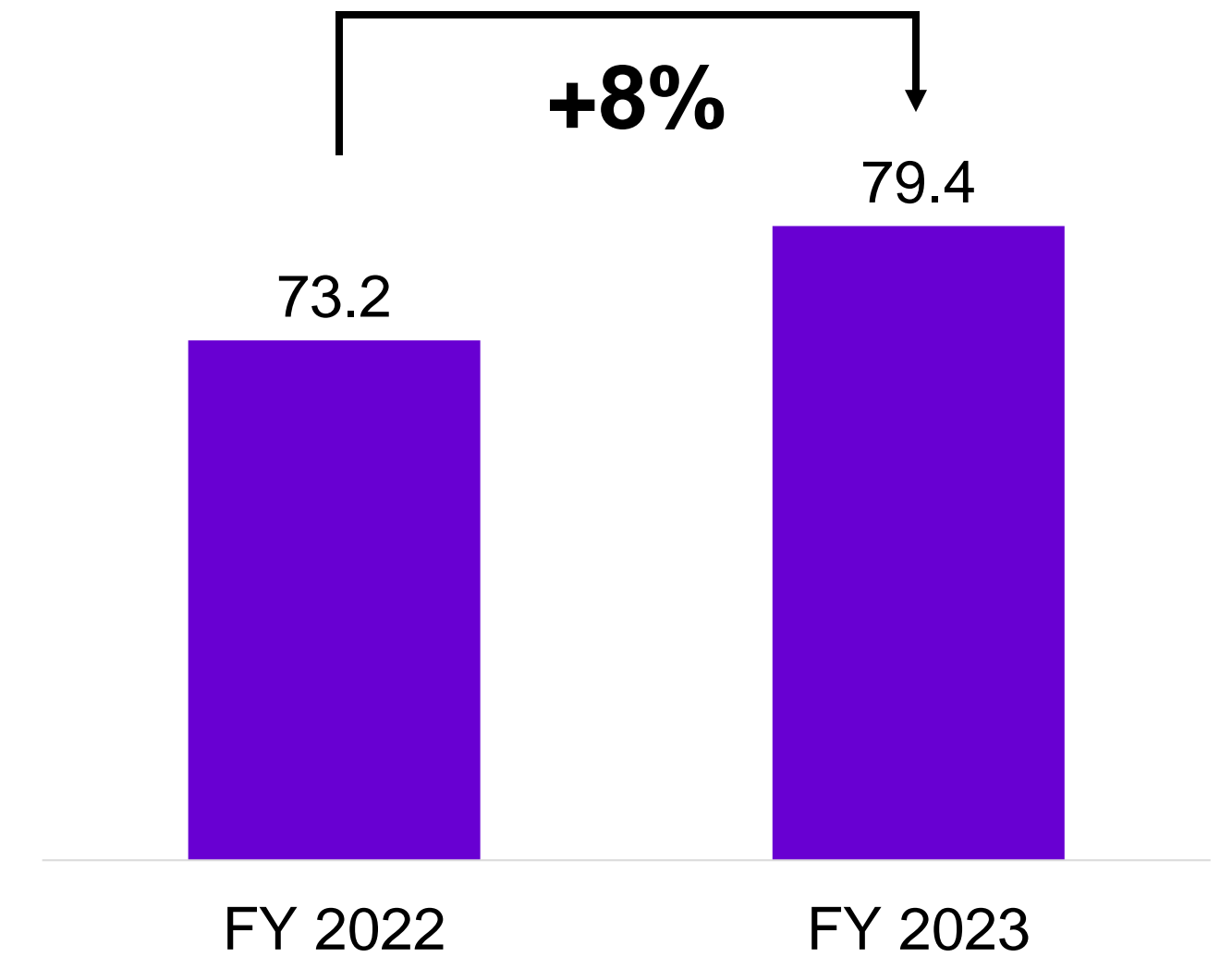


Europe

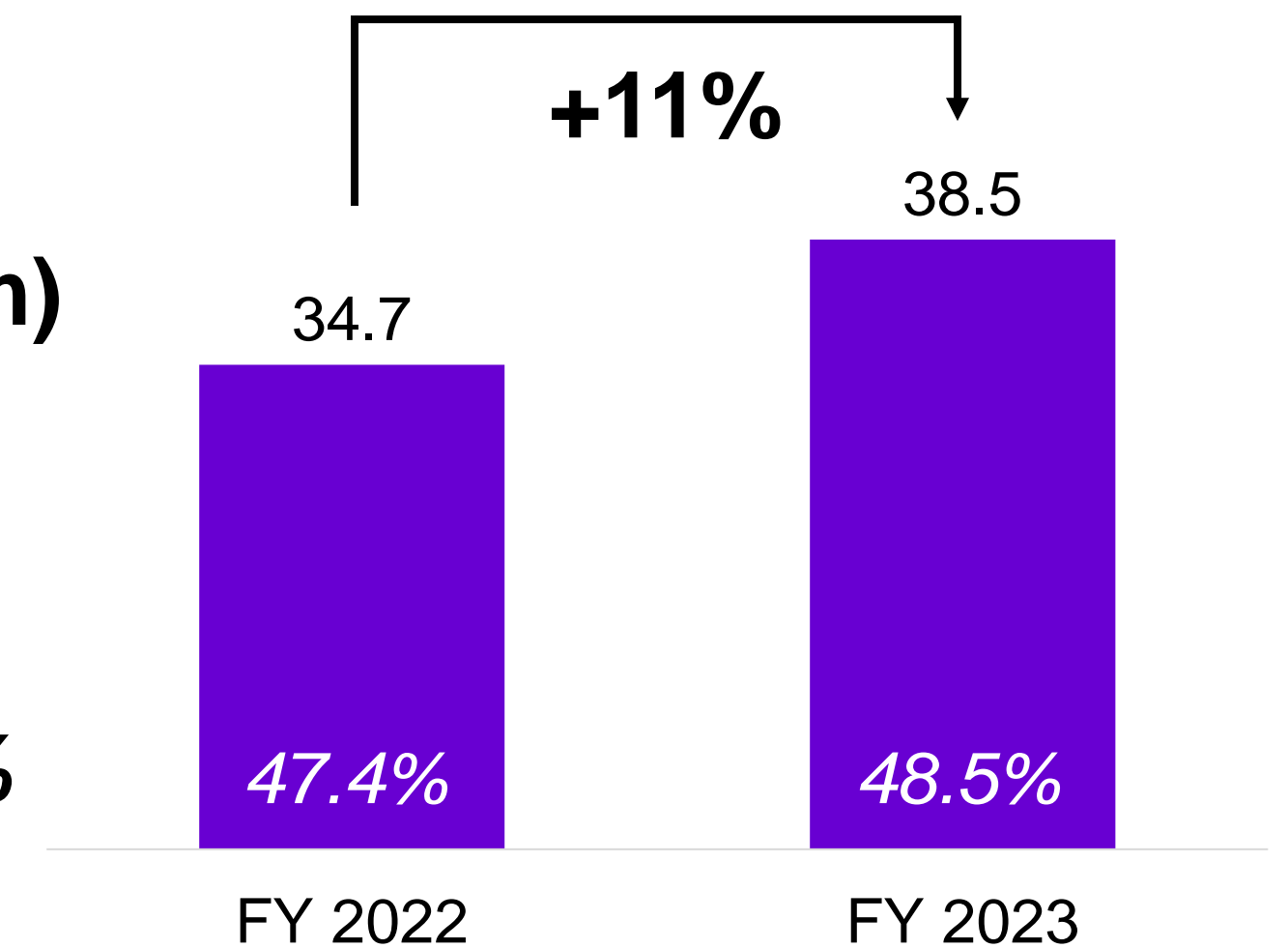
- Revenue growth **8%** (**6%** at constant currency)
 - Mixed performance across our European footprint
- Cloud seats* grew by **5%** and MS Teams voice users by **800%**
- Gross profit grew **11%** (**8%** at constant currency)
 - Gross margin improving largely due to the impact of Neotel growth
- Healthy German business performance in UCaaS and Epsilon
- Challenging market conditions in Spain but benefit being seen from NeoTel acquisition
- Netherlands (a mature market) saw an overall reduction in UCaaS revenue but encouraging growth in MS Teams enablement

*Europe Cloud PBX has been restated to exclude 7,000 seats which related to a SIP solution added in H2 2022 and are included within the SIP units.

Revenue (£m)



Gross Profit (£m)



Gross Margin %



Investments

Overheads

- Increased by **7%** to **£152.9m (2022: £142.6m)**, compared to a gross profit growth of 8%.
- Organic growth of **6%**
- The majority of the increase is driven by staff costs, which make up **over 70%** of our operating cost base.
- Costs were closely managed within a high inflationary environment.
- Recent reduction in inflation is not anticipated to flow through immediately due to timing of contract renewals. This will continue to be managed through cost controls.

Development costs

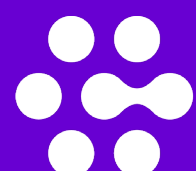
- Development spend increased by **£2.6m** due to investment in our own voice application products and the voice enablement of 3rd party solutions

£m	2022	2023	Variance
Capitalised	13.1	14.4	1.3
Expensed	16.0	17.3	1.3
Total Development Spend	29.1	31.7	2.6

Capital expenditure

- Capital spend increased by **£2.3m** to **£23.0m**, largely due to the timing of licence purchases that are used to deliver our Horizon Cloud PBX software. Noting future enhanced relationship with Cisco expected to be SaaS, cloud based

£m	2022	2023	Variance
Tangible assets	6.8	5.6	(1.2)
Development costs	13.1	14.4	1.3
Software licences	0.8	3.0	2.2
Total Capital Spend	20.7	23.0	2.3



Balance Sheet

- Strong cash reserves – **£136.5m**
- Net cash of **£134.8m**
- Total lease liabilities of **£10.0m** (2022: £11.1m), included in current (£3.0m) and non-current (£7.0m) liabilities
- Receivables decrease, despite organic growth and M&A, is due to reduced prepayments and improved debtor days, which positively benefits working capital
- Contingent consideration* has increased to **£10.5m**
 - Acquisition of Satisnet (£4.1m) and EnableX (£4.7m),
 - Offset by payments made on historic acquisitions

*Discounted value, including put option liabilities

Balance Sheet as at (£m)	31 Dec 2021	31 Dec 2022	31 Dec 2023
Non-current assets (incl. PPE)	197.6	185.7	214.3
Receivables and inventories	111.4	126.5	124.0
Cash	52.8	94.6	136.5
Current assets	164.2	221.1	260.5
Total assets	361.8	406.8	474.8
Non-current liabilities	41.4	34.5	41.5
Current liabilities	66.2	72.6	89.1
Total liabilities	107.6	107.1	130.6
Share capital and share premium	15.1	18.2	23.1
Other reserves	(2.2)	6.8	5.8
Retained earnings	239.1	273.9	315.1
Non-controlling interest	2.2	0.8	0.2
Total Equity	254.2	299.7	344.2
Cash and Debt as at (£m)	31 Dec 2021	31 Dec 2022	31 Dec 2023
Cash	52.8	94.6	136.5
Debt acquired with subsidiaries	(3.3)	(2.1)	(1.7)
Net Cash	49.5	92.5	134.8
<i>Excludes:</i>			
<i>IFRS 16 lease liability</i>	<i>(11.9)</i>	<i>(11.1)</i>	<i>(10.0)</i>
<i>Contingent Consideration*</i>	<i>(12.0)</i>	<i>(6.8)</i>	<i>(10.5)</i>

Cashflow

- Adjusted cash conversion of **108%**
- Taxes paid increase due to growth in Adjusted PBT
- 2023 M&A activity
 - Acquisition of Satisnet **£8.3m** and EnableX **£18.9m**
 - Contingent consideration of **£3.3m** primarily in respect of Mission Labs
 - **£1.3m** for acquisition of shares in HFO
 - Future consideration to be paid is estimated to be **£14.0m[†]** (undiscounted, including options on EnableX); of which £1.7m is payable within 1 year
- In 2024 we have acquired Coolwave
 - **£6.7m** payable in 2024 (net of cash acquired), which is separate to the above
- Other investing cash flows have increased due to higher interest income

[†]£10.5m discounted value, as disclosed on the balance sheet

Cash Flow Statement (£m)	2021	2022	2023
Adjusted EBITDA	95.4	105.1	114.3
Cash generated by operations	89.8	99.1	123.5
<i>Adjusted cash conversion*</i>	<i>94%</i>	<i>94%</i>	<i>108%</i>
Taxes paid	(13.3)	(14.4)	(15.3)
Capital expenditure	(16.8)	(20.7)	(23.0)
Cash inflow before acquisitions and financing	59.7	64.0	85.2
Acquisitions**	(49.3)	(9.8)	(31.8)
Dividends	(11.7)	(13.3)	(15.2)
Other investing & financing cash flows	0.2	0.4	3.9
Net increase / (decrease) in cash and cash equivalents	(1.1)	41.3	42.1

*Adjusted to exclude the £(0.2)m cash impact of exceptional items

**Includes deferred consideration and put option liability payments

Gamma's Balanced Approach to Capital Allocation



Organic investment in the business



Pursue value accretive M&A



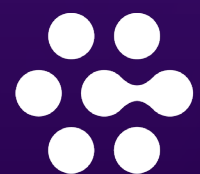
Progressive dividend policy



Maintain robust balance sheet



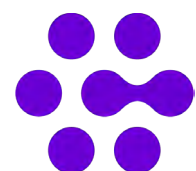
Return surplus cash to shareholders



Analyst Modelling Guidance

- Overall expectations for the full year 2024:
 - The current company compiled consensus range* for **adjusted EBITDA is £118.3m – £127.4m** and **adjusted EPS (fully diluted) is 75.8p – 86.3p**, as at 22 March 2024
 - We expect to be in the above ranges
 - Note that the guidance excludes the one-off incremental costs relating to the implementation of the new cloud based Finance and HR systems. We intend to treat these costs as adjusting items, anticipated to be c.£3m in total and split over 2024 and 2025
- UK Corporation Tax rate to increase from a blended rate of 23.5% to 25.0%
- Capex expected range of £22-£25m
- Adjusted cash conversion of 90%+

* The opinions, forecasts, estimates, projections or predictions regarding the Gamma Group performance made by the coverage analysts are those of the analysts alone and do not represent the opinions, forecasts, estimates or predictions of the Gamma Group or its management and Gamma does not endorse or concur with any of such analysts' opinions, forecasts, estimates, projections or predictions. The consensus figures are being provided for information purposes only and are not intended to, nor do they, constitute investment advice or any solicitation to buy, hold or sell securities or other financial instruments of Gamma, its subsidiaries or affiliates. When making an investment decision you should seek advice from an independent financial adviser.



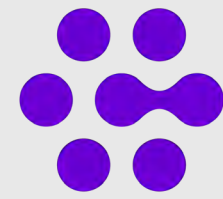


Strategic Progress

Andrew Belshaw, CEO

What does Gamma do?

UCaaS Solutions



Gamma
PhoneLine+



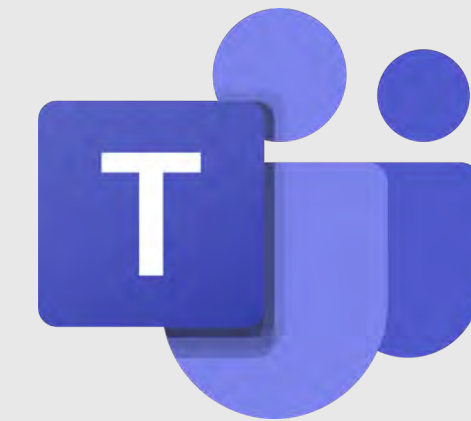
Gamma
Horizon



Voice Enablement



Gamma
SIP Trunking



Gamma
Service Provider

Connectivity



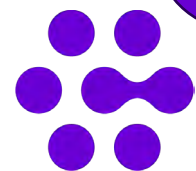
Gamma
Ethernet



Gamma
Business Broadband



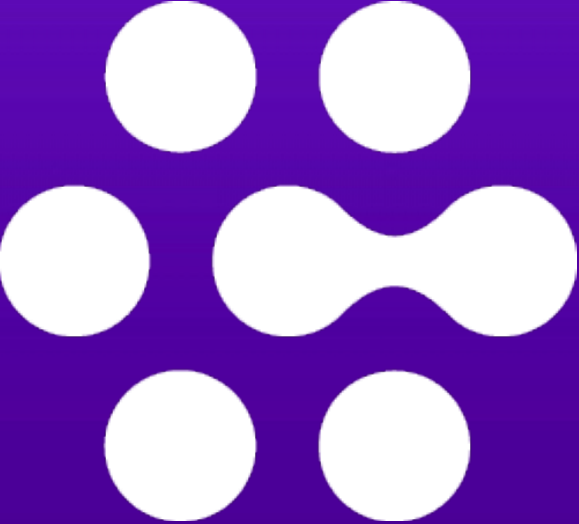
Gamma
Mobile



Gamma's unique position

Carrier Capability
Key for voice enablement

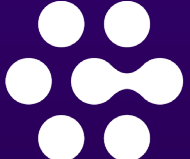
Global tech giants and large partners



Gamma

Local distribution reach

Quality of service
Portal Improvements

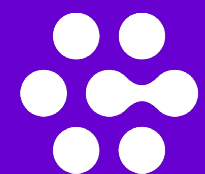
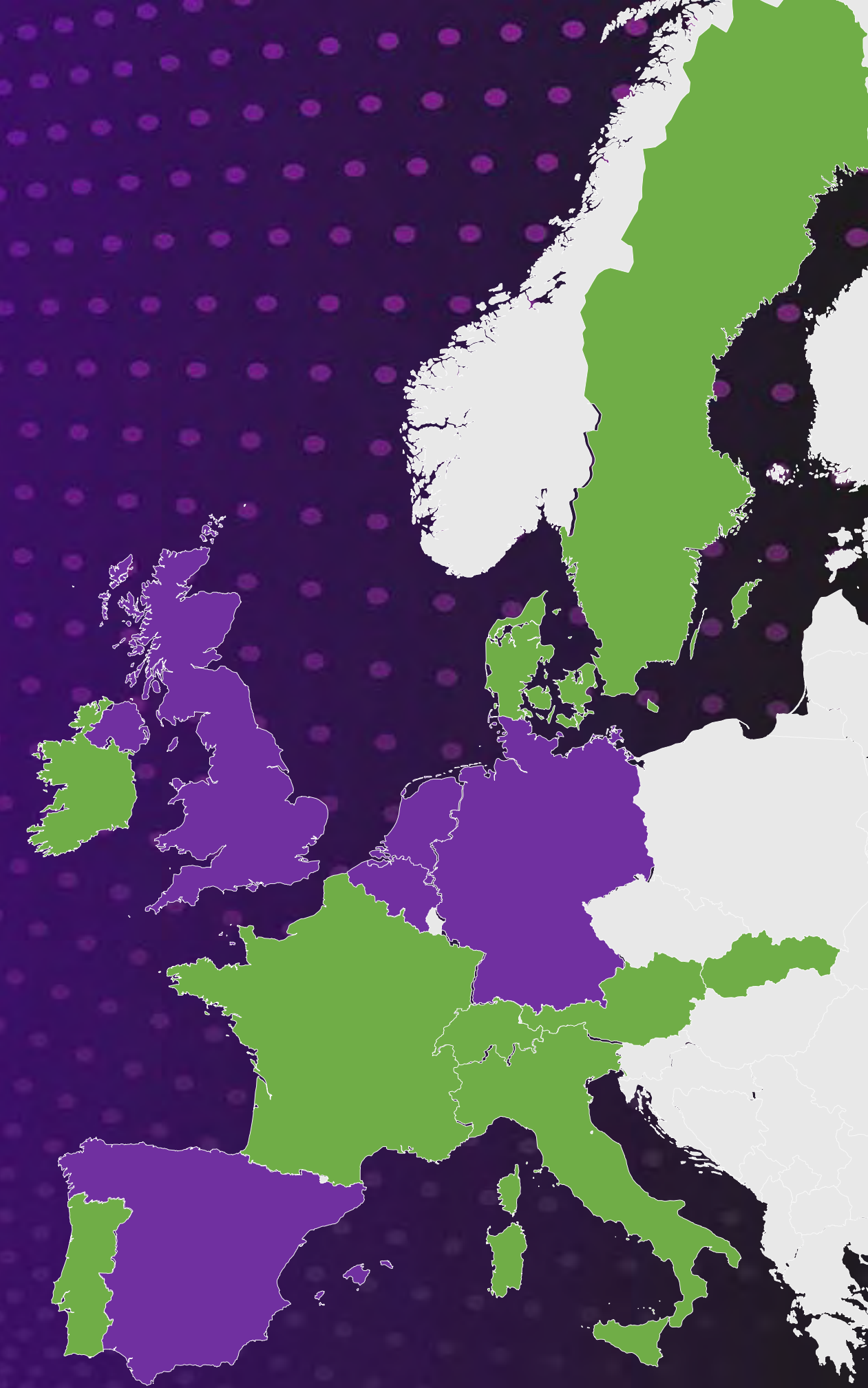


A woman with curly hair and a man with a beard are laughing together in an office. The woman is standing on the left, wearing a light-colored button-down shirt. The man is sitting on the right, wearing a denim jacket. The background shows a whiteboard with charts and sticky notes. The entire image has a purple color overlay.

Voice Enablement

Gamma - Service Provider

- Coolwave acquired in Feb 2024
- Will allow us to provide voice enablement in around 20 countries by the end of 2024 using our own capability
- Will increase TAM for Operator Connect



UCaaS Solutions

EnableX Acquisition

- Purchase of EnableX came with 3 businesses

iPECS
Up
24%
to 130k cloud seats

pragma

 **Gamma** company

- Provides new relationship with Ericsson-LG
- Access to iPECS – 130k cloud seats in the UK



 **techland**

A  **Gamma** company

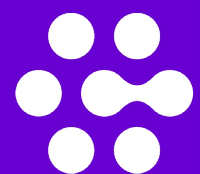
- UC Enablement for Service Providers and Enterprises
- Great partnership with Ribbon



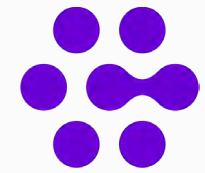
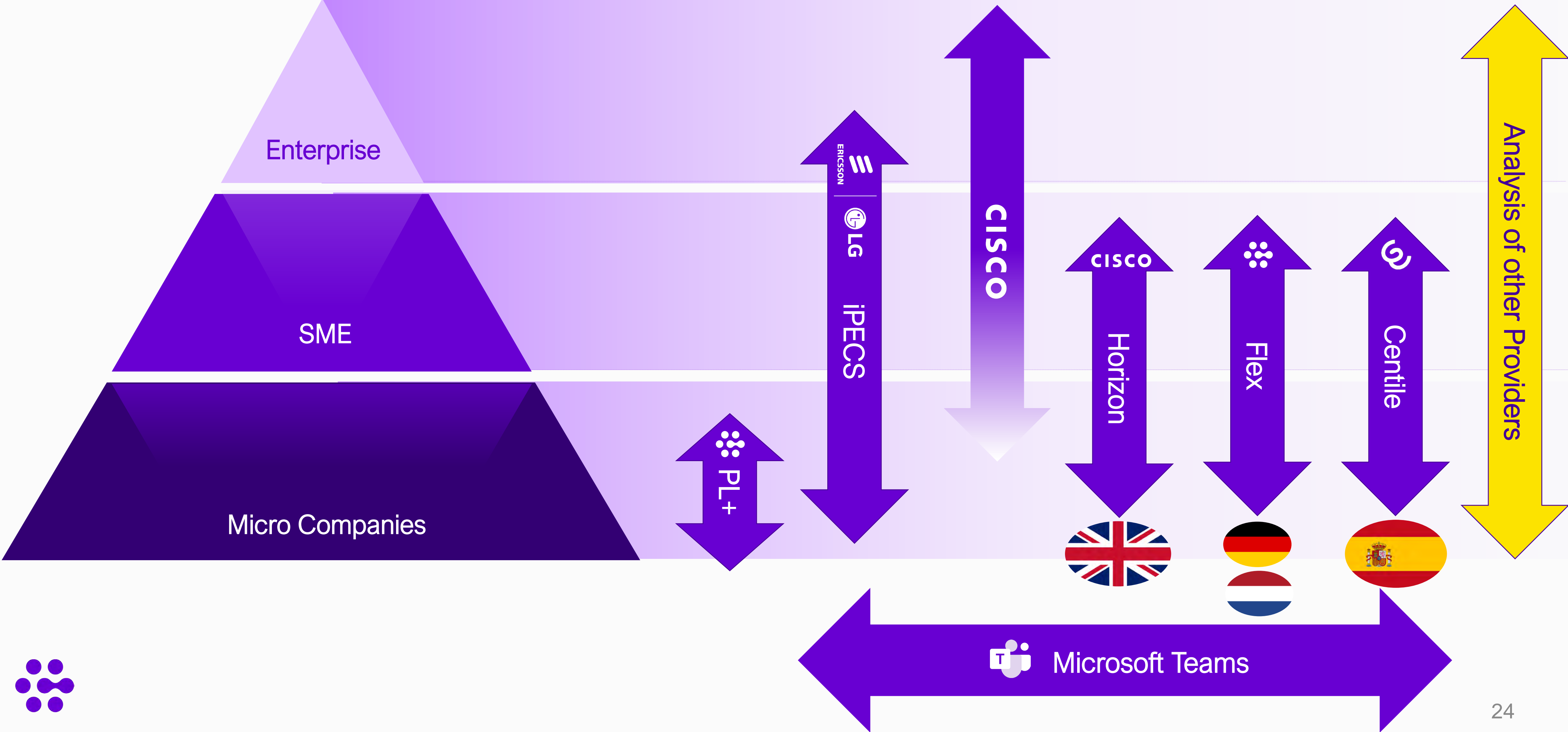
 **candio**

 **Gamma** company

- Pure SaaS, white labelling key digital security and search engine optimisation services for SMB



Gamma's UCaaS Portfolio



Growth



We have identified four drivers of sustainable growth - Our strategy exploits each of these

1

Customers are requiring more complex solutions which we are now able to address due to our new partnerships with Cisco, E-LG as well as our existing Microsoft relationship

2

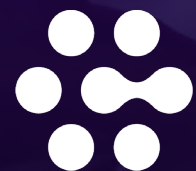
PSTN Switch-off in the UK is driving millions of consumers and microbusinesses to seek other solutions such as our own PhoneLine+ capability; Alternative legacy-based solutions mean opportunity less in near term but more in medium term

3

Evolution of our SIP base is an opportunity to increase ARPU as customers move to higher value solutions

4

Germany cloud market is still underpenetrated, but we're well placed with our German organisation to capitalise as growth accelerates



Voice Enablement – Performance

UK

SIP Trunks Enabling Traditional Hardware PBX

Down
3%
to 1,019k SIP Trunks

SIP Trunks Enabling non-Gamma Cloud PBX

Up
8%
to 398k SIP Trunks

MS Teams Enablement

Up
21%
to 429k users

Europe

SIP Trunks Enabling Traditional Hardware PBX

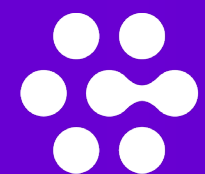
Up
8%
to 198k SIP Trunks

SIP Trunks Enabling non-Gamma Cloud PBX

Growth Opportunity

MS Teams Enablement

Up
800%
to 9k users



- Market continues to perform as expected – growth is now from enablement of Cloud services not traditional “SIP + Hardware”
- Gamma continues to perform well in each segment, with growth in the voice enablement of Microsoft Teams particularly pleasing given the continuing importance of this market
- Netherlands business focussing on opportunity in larger businesses, particularly in Operator Connect

Cloud Communications – Performance

UK Cloud

Horizon (Cloud PBX)

Up

6%

to 797k cloud seats

iPECS

Acquired

130k

cloud seats

Micro Market*

Up

80%

to 27k cloud seats

Horizon
“bolt ons”

Collaborate

Up

5%

to 77k seats

MS Teams Integration

Up

86%

to 13k seats

Voice Recording

Up

22%

to 117k users

Horizon Contact

Up

55%

to 17k seats

Europe

Europe Cloud PBX**

Up

5%

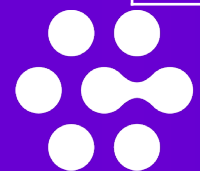
to 161k cloud seats

Europe CCaaS

Up

33%

to 4k cloud seats



*CircleLoop and PhoneLine+, our Cloud PBX products which serve the micro business market

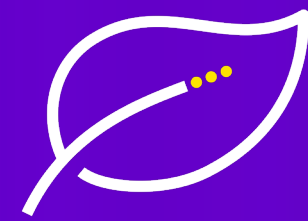
**Europe Cloud PBX has been restated to exclude 7k seats which related to a SIP solution added in H2 2022 and are included within the SIP units.

A man in a dark suit and a large, fluffy dog, also in a dark suit, stand with their backs to the camera, looking out a large window at a city skyline. The scene is bathed in a purple and blue light, suggesting dusk or dawn. The buildings outside are silhouetted against the sky. The man and dog are standing on a reflective floor.

ESG Update

Andrew Belshaw, CEO

Communications with a Conscience



Environment

- The Science-Based Target initiative (SBTi) has verified Gamma's near-term and long-term emissions reduction targets, with a net-zero target across all three GHG scopes by 2042.
- Gamma is targeting a 90% reduction in Scope 1 and Scope 2 emissions and a 50% reduction in Scope 3 emissions by 2030
- Carbon Disclosure Project (CDP) awarded B, maintaining our 2022 score
- Voluntary TCFD report included as part of the Annual Report



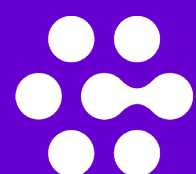
Social

- 'You Belong' initiative launched across Gamma Group in 2023, with 450 employees signing up to take part in You Belong community activities.
- 39 apprentices across various functions and locations.
- Expansion of Wellbeing Team into mainland Europe, with 22 Mental Health First Aiders now in place supporting employees
- The Gamma Charity Forum match funded charitable fundraising by our employees



Governance

- Gamma received "AA" ESG rating from MSCI
- The Gamma Board reviewed and approved multiple public policies, driving further transparency with external stakeholders
- Gamma continues to work with both customers and suppliers for external audits, retaining our various certifications





Business Outlook

Andrew Belshaw, CEO

Business Outlook

We continue to build on our core strengths to ensure we provide excellent service to our customers



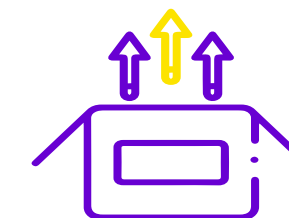
Robust business model with strong **recurring revenue and margin**, **cash generative** and with **strong balance sheet**



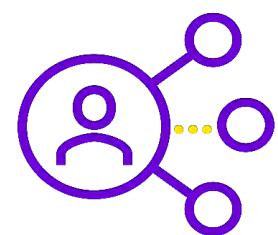
Significant migrations in UK market
“SIP + Hardware” moves to Cloud Product;
PSTN Switch-off creates opportunity in voice



We continue to exploit our differentiators – relationships with global providers; European reach; excellent customer service; carrier capability



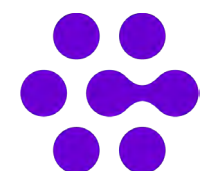
Growth in Europe is expected to continue into the medium term



Continued execution of our **technology driven product strategy** across **all routes to market** – We will have a solution for any business of any size



Continue to look for additional **M&A opportunities** to add to **routes to market** and **new product offerings**



Q&A

Andrew Belshaw, CEO

Bill Castell, CFO



Thank you.