

Gamma Full Year Results

**By Andrew Belshaw, Chief Executive Officer,
and Bill Castell, Chief Financial Officer**

Good morning, everybody. Hello and welcome to our in-person results. It's lovely to see all of you, and welcome to those joining us on the video link as well. We aim to take up no more than 40 to 45 minutes of your time.

I'll begin by providing an overview of how the year has gone, followed by Bill discussing the financial highlights. Later, I'll come back to talk about Gamma's strategy.

We have not completely changed our strategy; we have only made a few tweaks and put the emphasis in slightly different places to reflect some of the growth opportunities that we're seeing. We talked about these opportunities back in September and will update you on them today. Then we'll discuss ESG, our outlook for 2023, and open the floor for Q&A.

So let me give you an overview of 2022. We believe it was a fantastic year for us in many ways; it was the year of the 100 million. We did over £100 million EBITDA for the first time, and our operating cash flow, if you squint a little bit and accept a tailwind, was almost £100 million. We closed out the year with just less than £100 million of cash, so we're very pleased with our strong financial position moving into 2023.

In Europe, 2022 was also a great year for us. We launched a number of products across Europe, including our Circle Loop product in the Netherlands and Germany. We also launched our Operator Connect product in Belgium last week, which enables us to voice-enable Teams users. It has already been launched in the Netherlands and the UK and will soon be launched in Germany and Spain. We made an acquisition in Spain to bolster our position there and have started integrating the businesses to get common teams working on marketing and technology. Gamma is truly becoming a European business, with revenue just shy of half a billion at £484.6 million.

The UK business, which sells to smaller and medium-sized enterprises through the channel, experienced double-digit growth.

We are particularly pleased with the direct business selling to enterprises. If you recall, this time last year, people were questioning whether the growth had slowed down a little. However, we had stated that the decline in sales in 2020 due to COVID would recover in 2022, and I am delighted to report that the direct enterprise business is now back to double-digit growth.

Europe only grew by 1%, and we will discuss this further, which Bill will explain. However, the underlying business in Europe is strong, and the number of seats we are adding and the product launches we are doing are promising.

Currently, people are feeling positive about the world. They were a little more pessimistic in the second half of last year. In Europe, some of our traditional businesses are declining at a similar pace as the new UCaaS business. But Bill will provide further details about all of this.

I won't take up any more of Bill's time. Bill, over to you.

Bill Castell

I think I know everyone in the room. I'm Bill Castell, the CFO. Similar to the prior year, I'm going to go through around 10 slides, to which I have added two. One is about our investments, including some of the overhead, development, and capital expenditure. And then another one giving a bit more guidance for the upcoming full year of 2023.

So, it's always the way when your CEO is a former CFO, as he steals all your thunder with the financials upfront.

But this is the six-box grid. I think it tells a good story, as Andrew said, with strong revenue growth at the group level, up 8% to £484.6m, adjusted EBITDA in double-digits, at 10% to £105.1m, in line with the guidance we gave throughout last year, which flows through to adjusted EPS up 12% to 71.8p.

Clearly, that's profit. How does that convert to cash? Similar to prior years, you're going to hear me say a number of times that we've got strong cash conversion at 94%. Similar to what we saw at H1 and at the end of last year, that flowed through to cash generated, £99.1m as Andrew said, near the £100 million mark. Basically, we're at the highest cash level we've ever seen at Gamma, with our net cash at £92.5 million.

We have a progressive dividend policy. If you remember, we have a one-third/two-thirds split. The board has recommended that we propose, and hopefully get agreed upon at the AGM, a 10p final dividend, making it 15p, which is up 14%. So, there are a lot of double-digit figures there of growth throughout the period. I'm going to get through some of the primary statements. You'll get this on our new investor website, which we've updated with some extra material that I'll talk about a bit later.

Recurring revenue was 89%. The revenue and gross profit grew by 8%. I think the important thing is that you can see gross margins maintained at 51%, and, in actual fact, we saw that the EBITDA margin keeps going up to 21.7% with active cost control. Reported operating expenses went up by 7%, but there was an alignment of our accounting policies in Germany, in Europe, which meant that actually, on a like-for-like basis, operating expenses versus 2021 are actually at 6%. So, active cost control, which I'll talk a little bit more about later. The exceptional items I alluded to in January were that, in Spain, as a result of the Voz acquisition, we did impairment testing like everyone else yearly, and I think there are two things: one, the Spain growth story is still there, it's just being pushed out when we'll talk a little bit about that in the European section, and we'll talk about strategy. Second, and I think everyone's aware, especially since last September, the discount rates were at a different level. At that time, we took that in impairment on the Spanish goodwill.

And then, as we focus on our UCaaS business, obviously, we bought the Neotel business, and we have seen UCaaS seat growth in Spain. We had a small disposal with the sale of ComyMedia. As a result of that [NOTE – Being both exceptional items mentioned], you'll see a few negatives coming through on the statutory figures. That is just through the exceptional items. When you look at adjusted PBT, we're at £87.8 million, which is up 14% year on year.

So, if I go through the three different businesses, Andrew has already mentioned our indirect business, which represents 61% of our revenue. We have seen a strong performance with a 10% revenue growth and 9% gross profit growth, bringing us up to £155.6 million. As you can see from the bar charts, all the businesses are heading in the same direction. The important thing to note is that back in May at the AGM, and throughout the year, we gave guidance that we were expecting an

8% growth in indirect. Well, we have beaten that with 9% growth in gross profit in the indirect business, and the margin is staying broadly consistent at 53%.

At the half year, I mentioned that we had started sampling some price rises, particularly on our legacy and SIP products, rather than cloud PBX. We then implemented price rises on a larger scale across the board and notified our channel partners in indirect in November. These price rises have become effective as of January 1st, and they are flowing through in our January [2023] and Q1 [2023] results. We have put those price rises through and will be happy to take questions later on that.

Our direct business represents around 24% of our overall business, and we are seeing similar figures as we did in the indirect business, with 10% revenue growth and 9% gross profit growth. Gross margin fluctuates a little bit due to timing towards hardware and installations, but both are broadly consistent.

We made further investments in our Gamma hub, resulting in some capital expenditure to improve the portal's functionality. The good results are coming through, and at the half year, we talked about significant wins, in particular, with the government sector, and public sector, including the Department of Work and Pensions in the first half. We also had some other wins, such as The Card Factory, which is more in the enterprise base in the second half of the year.

If I look back to May when we gave guidance, we guided that revenue growth would be approaching 10%, and we actually hit that target. So, it's a good outcome for the direct business, and as Andrew said, we said it would rebound post-COVID, and it has done.

Moving on to Europe, the story was alluded to earlier. We achieved 1% revenue growth (or 2% on a constant currency basis), similar to our H1 results, and as Andrew mentioned, we saw two significant deals come through at the end of the year, particularly in Germany. We have seen 28% cloud seat growth, and when you look at our annual report, now out on the RNS, you will see that we reported 6% gross profit growth. However, when you consider the alignment and reclassification on a like-for-like basis, we achieved 1% gross profit growth. [NOTE – The point being that some commission costs were classified as cost of sales in 2021 and overheads in 2022. When this is considered on a consistent basis, the growth in gross profit was 1%.]

The next slide will cover the story of Germany performing well, Spain, where we had the impairment, but with the NeoTel acquisition, it has come back, and the Netherlands, which is experiencing a changing market dynamic. Although the cloud seats are increasing, some of the usage has come off, as we see a shift from the pay-as-you-go model to more of a bundle product, where you pay for the seats and your usage. However, as the Netherlands becomes more mature, similar to the UK, we expect to see more bundling taking place.

This is an extra slide we included to help people become more familiar with the topic. The story in Europe, as we entered it, is similar to what happened historically in Gamma. There is growth in the UCaaS, which is the growth engine across Europe, and we have more traditional income that we've always said will begin to tail off. Additionally, Epsilon, our mobile business in Germany, is actually seeing growth with German mobile connections. Germany had an 8% revenue increase in euros across the year, as I said earlier, while Spain remained flat. We did see an improved performance in the second half of the year with the acquisition of NeoTel. In the Netherlands, the revenue has come off a bit as a result of a reduction in call usage rather than seats.

The traditional performance was as expected, and Epsilon performed extremely well on the mobile side, leading to 2% revenue on a constant currency basis, or 1% in Sterling.

This is a new slide you haven't seen before, looking at a few things on investments. Firstly, on the overheads, they increased 7% year on year. As I said previously, that's a 6% like-for-like adjustment for the alignment in Europe. The good thing is that in the UK business, we saw overheads grow by 5%, but as you recall, gross profit grew 9%, so it's very positive in that respect. In Europe, there was active cost control, resulting in a 3% cost increase. There has been a slight increase in central costs due to increased governance and controls.

Regarding capital expenditure and development costs, we have seen an increase of £9.5 million from the 2021 to the 2022 numbers. You'll see that's largely on the capitalised, which increased by £8.3 million, which we'll go into a little bit more detail below. This is as we continue to invest; if you recall, we brought in MissionLabs in the first quarter last year. So, 2021 had three quarters of MissionLabs, but this year [2022], we have the full year of capital expenditure. Andrew is going to talk a little bit more about our product evolution. You would have heard about Phoneline+, which we've built our own collaborate for, and Andrew will talk about that in relation to our Horizon and cloud PBX, as well as CircleLoop.

There is a significant amount of product development ongoing, and I will provide a bit more guidance in the coming slide around Capex, going forward.

Balance sheet: We have strong cash reserves with net cash of £92.5 million. There has been a slight increase in receivables with prepayments which is reflected in the working capital. The contingent consideration has decreased to 6.8 million due to settling the earn-outs from prior acquisitions.

Cash flow: Cash conversion has remained at 94%. Tax has increased in line with adjusted PBT. We will provide guidance on tax going forward. Capex includes software development costs as we build out our product portfolio.

Acquisitions: Unlike previous years where we made significant acquisitions, this year we acquired NeoTel for 4.3 million and settled some of the contingent consideration in HFO by acquiring some of the outstanding shares in the German business.

Consideration to be paid in the future: We will pay seven million undiscounted, of which 5.3 million is payable within the next 12 months, for modelling purposes.

Guidance: Prior to these results, our adjusted EBITDA had a range of 110.1 to 117.2, compared to this year's performance of 105.1. Our adjusted EPS was in a range of 67.9 to 77p, compared to this year's 71.8. The tax rate moved from 19% to 25% from April, which will impact EPS for 2023. We are comfortable with this range and will provide further guidance as the year progresses. We have updated the Gamma investor website with more information and videos of myself and Andrew.

We will start publishing our company compiled consensus, which will be updated every time there's a new forecast in the investor community. The Capex range will be between 22 and 25 million for this year and the following year. We expect cash conversion to continue above 90% in 2023.

To summarise, we have surpassed revenue guidance in direct and gross profit guidance in GP, achieving an adjusted EBITDA of 105.1 and double-digit growth. We have a very cash generative business. We've had a healthy start to Q1, and I'm confident in the guidance I've given earlier. Andrew will now talk about strategy and growth drivers. Thank you.

Andrew Belshaw

So what I wanted to do is probably take 10 to 15 minutes of your time before we get to Q&A if that's okay? I would like to talk about the Gamma strategy, how I see Gamma going forward, and revisiting some of those growth drivers we identified at the half-year. For those of you who have been walking with us for a while and tracking Gamma for the last few years, you may recognise this slide.

It hasn't come out of hibernation for a couple of years, but we presented it in 2018. It was a five-year strategy that Andrew Taylor and myself, and the management team at the time, came up with as to what we were going to do with Gamma. We said over the next five years, so from 2018 to 2023, four things were going to be really important for us. We had a really good Cloud PBX business in 2018, but we needed to move that into a broader UCaaS business. We felt we needed to be in Europe, we felt we needed to have a digital story, and we felt we mustn't lose hold of our telco roots as a business as we focused a little bit more on software as we moved into UCaaS and CCaaS. The fact that we actually have our own network differentiates us from some people, as we'll see in a moment.

So, at the beginning of last year, we marked our own homework essentially, and we said, "how well have we done against those four things?" So, evolving from Cloud PBX into the UCaaS market, we think we've done pretty well. We've built our collaboration software; we can integrate with Teams if that's what people want to do. We've built our contact centre software; we can do call recording, and we can integrate with a number of CRM systems. This gives us quite a big tick on that. And why is that important? Because it's beginning to pull up our ARPU's on our core Horizon business, and we'll talk about that again in a moment. Also, we've begun to build products that fit into other different parts of the market, so we now have a product called Phoneline+, which is designed as a single line replacement product. So when WLR gets turned off in 2025, what are you going to buy? Well, hopefully, you're going to buy Gamma's Phoneline+ product, possibly through a channel partner.

Expanding into Europe, we're in the Netherlands, Germany, and Spain. We haven't been able to get into France yet. I'd still like to be in France as and when the right acquisition comes up. I think it's probably fair to say that the market forecasts that were around in 2018 that the analysts were producing (not you analysts but market analysts) were overstated. I think it's pretty fair to say that the market is growing a little bit slower than we were all hoping and expecting. But it's still there, it will grow, and penetration is just a little bit lower in 2023 than we were all expecting five years ago.

On the digital side, following our acquisition of MissionLabs, we now have a product called CircleLoop. If you wish to engage with Gamma digitally, you can do so in the UK, the Netherlands, and Germany, as we speak. For our enterprise customers who come to us directly, we have the Gamma Hub, a fantastic tool that allows for self-service on many things, which not only provides a better quality of customer service but also reduces our overheads, as people can self-serve on tasks that we would have had to do for them five years ago.

Finally, regarding the fixed and mobile piece, in many ways, this was almost the forgotten plank of the strategy five years ago, but we must remember that we are a telco. We still sell data and mobile, but most importantly, we can provide voice enablement for people who provide software, with Microsoft being the best example. As a telco with a network in every country in which we operate, we can serve our customers with things like Operator Connect and direct routing, which is very important.

We believe we have done pretty well. So, where do we go next? We have come up with another four priorities for the next four or five years. These are not massive changes of direction, as there was nothing wrong with the four things we just discussed. Those four priorities will remain very important to Gamma in the upcoming years. However, we will now focus on having a common product platform on UCaaS and CCaaS in every country we operate in. Why is this important? As we have been buying and acquiring businesses around Europe, we now have different platforms in each country we operate in, and if we continue with this, we will accumulate a lot of technical debt. As Bill explained earlier, our Capex has increased because we support multiple platforms and are also building new products. Over time, we need to bring everyone onto a single platform, which is crucial. Additionally, we need to serve our customers through whichever route they want to engage with us. Why is this important? In the UK, Gamma sells to channel partners, who then sell to end-users. In Europe, it is more of a dealer market, where Gamma sells to end-users, but there is a channel partner taking a dealer commission. Over the next four or five years, digital will become more important. Therefore, every time we think about a product, we need to consider being able to take it to market through various routes, as we cannot produce products that only work in a wholesale market, a dealer market, or a digital market.

The third thing is that, for the first time, we are calling out our enterprise business. I think people have always seen Gamma as a business that serves SMEs and does a little bit of enterprise on the side. Actually, we have a £100 million enterprise business now. It has a fantastic brand and reputation in the UK. We have some amazing logos with that business, but we want to be known as an enterprise business across the whole of Europe. So, my challenge to the enterprise team now is to take all of that expertise that they have built up in the UK over the last 10 years, take the talent, and the ability in the network that we have in Europe, and can we begin to build that enterprise business in Europe over the next 4/5 years?

Finally, and in many ways, most importantly, we want to create an organisation with a common set of values and goals. I have been at Gamma for 16 years, and many of you have known me for the last seven or eight years. I think you have a sense of what Gamma's values probably are, and I think we do. So, this isn't an attempt to completely redefine who we are by going through some sort of existential crisis. This is an attempt to recognise that Gamma has bought a number of businesses that we think share the same values that Gamma has always had, but let's just codify those, define those, and articulate them properly to the outside world. So, the people who don't currently work with Gamma, either as an employee, customer, or supplier, then they know what we are about and what we stand for, and hopefully, they can choose to do business with us for the right reasons.

Hopefully, you can see how those four pillars fit with the five growth drivers that we identified at the half-year. I'm briefly going to touch on these again to give you an update as to how they've progressed in the last six months. I don't have a slide for the first two, but suffice it to say that the UK market for Cloud PBX is still a fantastic opportunity. Everyone is still saying that over the next four to five years, the UK market will double, and Gamma should maintain its market share as that market doubles. We have a great opportunity in the UK.

In Europe, it feels like, for those of us who are of a certain age, when you used to read Thomas the Tank Engine books and the engine is at the top of the hill. It's like it's going to get there, it's going to get there, it's going to get there... and then it's going to go over the hill and go. We're starting to feel like we're in that phase in the European markets. At some point, the European market will turn en masse to the cloud from hardware, and that point just hasn't quite arrived yet. If you look at the results of our competitors, again it's not like Gamma's missing a big market move. When that market moves, we'll be ready. So, again, we see the European market as a good opportunity for us.

On the third point, we presented this slide at the half-year, and it's actually identical. If we're honest, I don't think we've changed it at all. The point of the slide was just to say that we have the opportunity now to maintain and increase our ARPU in our Cloud PBX products as they move to UCaaS. On the left-hand side, you can see that we have been selling our Cloud PBX product in the UK for the last 10 to 11 years, and our list price for that is £8.

What we've been doing over the last three or four years is providing our partners with the opportunity to upsell customers, and we've been incentivising them to do that. So, if you want to buy our collaboration software, that will give us another £3. Teams integration is another £1, call recording is another £1.50, and Horizon Contact is another £18. The idea is that as the price per seat (of £8) comes under pressure, as it surely will (because we're in communications and price attrition is a feature of our market), we can sell additional modules to our customers to increase our ARPU.

So, is it working? Well, I'm going to argue that yes, it is. It works if we are selling those modules more quickly than we're selling the core product. As you can see there, we increased our core Horizon seats by 11% throughout last year, which we're pretty pleased about seeing double-digit growth of a very, very big base now. So, we're up to 3/4 million users. But actually, with everything else, we increased sales more. Okay, we started with a lower base, but it goes to demonstrate, I hope, that the thesis is working. Collaborate is up 16%, anything to do with Teams is doing phenomenally well at the moment, voice recording is up 43%, and Horizon Contact (our contact centre) is doing very well, as is anything to do with contact centres at the moment.

For those of you who have known me for a while, as Bill said, I used to be a CFO, so I'm an accountant. My background is also in mathematics, which was my degree. If you throw all of that into a big spreadsheet, which is loads of fun if you're that way inclined, and if you don't find it loads of fun, I've done it for you. If you compare the attachment rates and notional prices we had at the beginning and end of the year, our notional ARPU has gone up about 2.5%/2.6% this year just by having a higher attachment rate of those products at the end of the year than at the beginning of the year, if that makes sense.

We've had a bit of price attrition throughout the year, so actually, our APRU has been pretty flat. But we're pretty happy with that because for the last few years, ARPU has just been coming down and down. I hope that going forward when we're standing up here next year, we'll be able to say that the attachment rates have gone up again and that ARPU just begins to turn upwards.

So, you know, not only is there a lot of opportunity in the UK market to sell more seats, but we actually think that through some of the development we're doing, we can get higher ARPU for those seats. Another point I would like to make is that we have a channel model in the UK. Because we're fundamentally selling to channel partners, a lot of them are coming to us and bringing us standalone Horizon seats. This is because they see the upsell opportunity, even if they don't take advantage of it on every sale.

[NOTE – The point here is that Channel Partners chose to stock our products because of the upsell opportunity even if they don't take advantage of it on every sale. Hence we are selling “standalone” Horizon seats because there is an opportunity to upsell even if that opportunity is not taken].

We also discussed SIP at the half-year mark, and I apologise for the complex slide with numerous numbers on it. Please take your time to digest it.

The other thesis we talked about was the evolving SIP market in the UK. When we went public eight years ago, we described SIP as a replacement for ISDN when a SIP trunk is inserted into a hardware PBX. We sold a lot of it, and we have approximately one million trunks going into hardware PBXs.

In the next few years, we will encourage these customers to adopt a different product. Ideally, they will choose Gamma's Horizon product, which will increase their ARPU from £1.25 to £8. This is excellent news for us. However, many customers are switching to Teams, using a Teams server instead of a hardware PBX. But that's okay because ARPU will increase from £1.25 to £2.50.

Some customers, for whatever reason, choose a third-party UCaaS provider, and we are still earning 60p per user. Our Telco Heritage in the UK enables us to do this because we have a network, which we can use to support customers who choose this option.

So, what we need to do, and what we need to push our customers to do, is to move from SIP to either Horizon or Microsoft. If there is a use case that we can't support, then they will have to use a third-party provider. However, we'd rather they go to Horizon and Teams, and we will continue building on Horizon to make it more attractive. This will help increase our ARPU going forward. At the half-year, we were asked how the migration was going, and in 2022, out of those million trunks, 13,000 actually migrated from SIP to one of those three options. So, while it's not yet a trend moving in volume, it will come, and it's an opportunity for us that we will continue to push our customers towards. Hopefully, that makes sense.

We also talked about enterprise, and I'm going to keep talking about Teams as well. This slide might be slightly familiar to you. We said at the half-year that Teams is a great opportunity. We get a lot of questions about whether Teams is a good thing, a bad thing, or a neutral thing. Teams is fundamentally a good thing. The only area where we lose out to Teams is where people don't buy Gamma's collaboration software and opt for Teams instead, but we can still integrate with Teams. Gamma's collaboration software is designed for small businesses, rather than enterprises.

I want to focus on that box on the left there, which enables Teams with voice. The other thing we do is, as we say, we integrate our Horizon product with Teams and we can provide professional services and more complex integration. But let's focus for a moment on voice enablement and what's called Operator Connect. In the UK, we have been selling Operator Connect for a while, and Microsoft doesn't produce any statistics, but we believe we are the leading provider of voice enablement to Microsoft in the UK. We keep talking about the Department of Work and Pensions (which has 100,000 seats). We have a very, very large estate enabling Microsoft, sitting out there, and it has been a real driver, particularly in our enterprise business.

But we have taken that and done two things with it. Firstly, we can now provide Operator Connect to our channel partners, so it's not just something we are now taking into the enterprise space. Our channel partners can take it to their end customers as well. We have also taken Operator Connect overseas. So far, we have launched it in the Netherlands in 2022 and Belgium last week. By the end of the month, it will be available in Spain and Germany. Why is that important? I would say there are three things that Operator Connect does for us that are quite interesting.

The first thing it does is take us to channel partners with whom we historically have had no contact. When we launched it in the Netherlands and even in Belgium last week, we received inbound calls from channel partners who wanted to talk to us because we could provide Operator Connect for them. These are channel partners who may have never spoken to us before. This is opening up that part of the market for us. In Spain, we found that Microsoft actually launched a webinar that Gamma hosted. Microsoft did a webinar for their partners, at which Gamma presented, to explain how

Operator Connect works and how we can help them activate it. As a result, we met 25 Microsoft partners whom we had never met before. So, we are now meeting partners in Europe whom we have not previously had contact with, and that's a good thing.

The second good thing about Operator Connect is that the size of the prize is bigger. Again, in our European countries, we are quite excited about a 10, 20, or 30 seat Cloud PBX deal. However, Operator Connect deals that we see coming in can be for hundreds of seats, and sometimes even thousands of seats. So, it's taking us into a slightly different part of the market with slightly larger customers and bigger opportunities. Before we get too excited, the ARPU's lower, but it's just opening up a part of the market that we are not currently in in those countries.

The third thing about Operator Connect that's worth noting is that calls are bundled in an Operator Connect world. Earlier, we mentioned one of the issues we're having in the Netherlands is that people aren't using the phone as much, but calls aren't bundled in the Netherlands, and that causes revenues to come down. You don't have that problem with Operator Connect because everything's bundled. So there are three reasons why we're quite excited about Operator Connect and why we've been launching it.

"The fourth strategy pillar" is this important point about defining who Gamma is. We're not redefining who Gamma is; I think we know who we are. But having now welcomed lots of people from Europe and the UK into the Gamma family, we want to come up with a common set of language and vocabulary that we can use to describe who we are.

So the purpose, there in the middle, is that Gamma is a business that empowers people at the heart of good business. And what do we mean by that? Well, there are probably two things, and it can deliberately be read two ways. Firstly, we want to help people do good business in the sense that we want to help them do business well. So whether you're a small business battling through COVID, battling through all of the macroeconomic stuff that's coming down the track, and you want a decent, reliable, easy-to-use comms system that enables you to talk to your employees, your customers, your suppliers... we can do that for you. If you're somebody like Macmillan or an NHS Trust that has a whole different reason for wanting to connect with its customers, we can do that for you as well. So we want to help people do their business and run their business well, and that's what we mean by good business.

But we also mean to do business ethically, honestly, and transparently. Over the years, Gamma has become an organisation that is known for its honesty, and we are proud to tell people how it is. This applies to all our stakeholders, including investors, suppliers, customers, and employees.

We have identified four values that we cherish, and I would like to go through them quickly. Firstly, "We are there, and we care." At Gamma, we care about all our stakeholders, including employees, customers, and suppliers. We love to grow, not only as a business but also to enable our employees to grow, challenge themselves, learn, develop, and take on new opportunities and skills.

Secondly, "We do the right thing." As I mentioned earlier, Gamma is committed to ethical and honest business practices.

Finally, "We step up and own it." We have 1,800 people at Gamma who wake up every morning and take responsibility for solving any problems that come their way, whether they are related to customers or the business. We are proud to have employees who are willing to step up and take ownership of any issues that arise.

I'll just give a very quick ESG update before we end. As a reminder, we have an entire website devoted to ESG, and we have a wonderful team who are gathering all of the data. So please do go and have a look at the website. People are working very hard to explain what we're doing and are very proud of their work.

I'll probably just point out a couple of things: our CDP rating has gone up from B-minus to B. Again, the team has worked hard to reduce our carbon emissions and articulate exactly what we're doing, gathering the data to demonstrate to people that we're doing the right thing.

On the social side of things, many of our employees, particularly some of the lower-paid employees, have had a tough end to FY22. Bill took several measures with the HR team to change the way we pay and bonus people, and give one-off allowances to help them through this. I think this was well-received, and looking after our people is one of the things that Gamma is very good at.

On the governance side, MSCI has increased our ESG rating to AA. Again, the same team is doing a fantastic job of governing the business properly and articulating how we do that. So there's lots to be excited about on the ESG side.

Where should we go? This is the final slide. As we have mentioned for every results session over the past few years, we have a robust business model. Regardless of what happens with the economy, banks, or the macro environment, our strong recurring revenue and margins make us indispensable to businesses. As Bill has articulated, we also have a very strong balance sheet.

Cloud PBX penetration in the UK is still below 50%, and it's even lower in Europe. However, the markets we operate in will continue to grow. A significant migration to Cloud PBX must happen in the UK. We have talked about SIP and upsell opportunities for Cloud PBX, but we could also mention the upcoming PSTN switch-off in 2025, which will give us an opportunity to sell more Phonenumber+. Furthermore, we are continually developing more of our own IP, including additional modules like contact centres and call recording, which our in-house team builds.

We are also looking for M&A opportunities across Europe, where it makes sense for us to purchase our own technology, as we see the potential in this market. Finally, we have a fantastic opportunity to work with Microsoft, and although we haven't discussed Amazon much this morning, we can address it during Q&A. We aim to replicate the success of our enterprise business in Europe as well as in the UK. Therefore, I believe we have plenty of reasons to be positive, and our strategy will allow us to take advantage of the growth drivers and build on our existing strengths for the next four or five years.