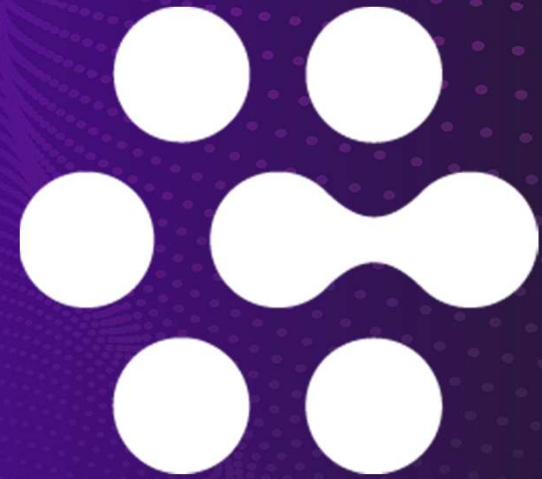


Gamma 2020 Interim Results

Andrew Taylor, CEO
Andrew Belshaw, CFO



Interim Results 2020

Agenda

-
01. **Performance highlights and business update**
Andrew Taylor

 02. **2020 First Half Financial Review**
Andrew Belshaw

 03. **Gamma 2023 Strategic plan update**
Andrew Taylor

 04. **Business outlook**
Andrew Taylor

 05. **Q&A**
Andrew Taylor & Andrew Belshaw
-



Gamma 2020 Interim results

Performance highlights and business update



2020 – H1 Highlights

Strong financial performance in the first half

Revenue	£177.3m	(+12% against 2019; organic growth was +9%)
Adj EBITDA	£36.1m	(+19%)
Adjusted EPS	23.5p	(+22%)

- All business units performed well with excellent levels of execution and strong channel and customer engagement
- Quickly aligned Gamma to effectively deal with COVID-19, with a focus on the safety and support of our staff, partners and customers
- Positive growth across all key products, with a continued focus on upselling and cross selling across all sales channels
- Reinforced the continued execution of our “Gamma 2023” Strategic Plan:-
 - Continued development & strengthening of the Gamma team, harnessing and augmenting our UCaaS skills and capabilities
 - Significant progress in the development of our UCaaS suite – focused on Cloud PBX, Collaboration & Customer Contact Solutions for SME’s
 - Supporting & maximising the MS Teams market expansion and opportunity through the acquisition of Exactive and launch of MSTDR (SIP)
 - Acquisitions: European expansion strategy progressing well with market presence in Spain, Germany and The Netherlands
 - Implementation of our Mobile, Data and Digital Transformation strategies continue to progress well
- Integration of all acquired businesses in the UK and Europe going well and performing to plan



Product Performance



H1 2020 - Product Summary - UCaaS UK & Europe

Product	Unit growth in H1 2020	Comments
Cloud PBX	UK: 522k to 560k seats (+7.3%) 25k+ Collaborate seats Europe: 65k seats	<ul style="list-style-type: none"> • Strong overall net organic growth of UK Cloud PBX seats (with low Pre-COVID cancellation levels) • In line with overall market growth, winning c.23% of seats in our target sub-50 seat segment • Spike in bolt-on Collaboration seats, driven by COVID-19 demand on business home working • Margins consistent with previous periods and majority of COVID-19 hibernated seats now active and billing • 65k seats across Europe (10.4% of total Group cloud seats, increasing to 100k and 15% after GnTel is added) • COVID-19 expected to accelerate the adoption of Cloud PBX and Collaboration services across all markets
MS Teams Direct Routing	12k users (launched April 2020)	<ul style="list-style-type: none"> • New Product launched in April 2020 to support MS Teams implementations in UK indirect and direct channels • Supporting the growing demand for MS Teams high quality voice termination and integration • Strong sales performance from launch, with a robust pipeline of opportunities across all channels
SIP Trunking	1,016k to 1,100k (+8.3%)	<ul style="list-style-type: none"> • Strong performance, consolidating leadership position with 31.7% market share • Margins consistent with previous periods • Continued focus on enhanced features & capabilities to improve competitiveness, protect margin & reduce churn • 2025 PSTN / ISDN switch off and MS Teams growth is driving the demand and migration to SIP • Gamma delivered 42% of all new SIP connections in the period



H1 2020 - Product Summary – Connectivity UK

Product	Unit growth in H1 2020	Comments
Business Broadband	111k to 114k (+3%)	<ul style="list-style-type: none">• Positive growth in a mature market – small but growing market share of 4%• Ability to install new circuits was severely impacted by the COVID-19 lockdown• Growth of the installed base is due in part to the launch of FTTP and an overall price competitive proposition
Ethernet	13,900 to 15,300 (+10%)	<ul style="list-style-type: none">• Positive growth in Ethernet connections & increase in bandwidth of those connections• Ability to install new circuits was severely impacted by the COVID-19 lockdown• Market share of c.5% of total Ethernet market
Mobile	62k to 64k (+3%)	<ul style="list-style-type: none">• Positive but limited growth during the period, as we continue to pause sales and plan the launch of our new proposition in H1 2021• COVID-19 lockdown caused a delay with the ongoing development & testing of our new MVNO platform, however, this is now progressing well



2020 H1 Business Unit Performance



2020 H1 Indirect Channel Summary

£119.5m

- 67% of Group revenues: **£119.5m** (2019: £110.9m) and **8% organic growth**
- Very strong partner resilience throughout H1 with virtually all partners continuing to trade throughout the COVID-19 crisis
 - Provided a “hibernation option” for end customers not using their service - this had a cost of £1.2m to Gamma
 - Bill payments, ceases and bad debt levels maintained at pre-COVID low levels
- Strong net product additions, albeit at a lower growth level in Q2, which is returning to pre-COVID-19 net addition levels in Q3
- Maintaining our core product Margins (Cloud PBX and SIP) despite price pressure in a competitive market
- Diversified revenues, with our Top 10 Partners contributing **15%** of channel revenue, and our largest partner contributing **3.5%**
- Our Digital tools continue to support and enabled our partners to win a larger share of the business market:-
 - Gamma Academy – delivered 10,913 training courses to our channel partners during H1, up 13% on previous 6 months
 - Gamma Accelerate – enabling partner marketing capabilities with 943 partners actively using the platform in H1
 - A significant number of partner events held throughout Q1, while in Q2 this was predominantly online focused



2020 H1 Direct Channel Summary

£47.2m

- 27% of Group Revenue: **£47.2m** (2019: £40.0m) and **15% organic growth**
- Enterprise grew 42% (38% organic) during the period
- Exactive integration and overall business performance is going well, winning key contracts with Metro Bank, Fraser Nash, Northern Marine and Baillie Gifford.
- Delays in Q2 installations impacted revenues but this was offset with cross selling and upselling DR orders and increased call traffic from customers trading remotely (across our Enterprise segment, in particular)
- Sales activity was lower than planned in Q2, however in Q3 this is returning to normal levels with positive lead generation and a significantly increased pipeline
- The execution of our Digital Transformation program is progressing very well



2020 H1 Overseas Summary

£10.6m

- 6% of Group revenue: **£10.6m**
- Our businesses in the Netherlands and Spain have performed well during difficult COVID-19 market conditions
 - The integration of both businesses continues to go well and are performing to plan
 - Both businesses were able to operate virtually and fully during the COVID-19 lockdown period
 - Both businesses delivered positive Cloud seat growth throughout the period
- Subsequent to the end of June 2020, we acquired HFO (Germany) and GnTel (Netherlands):
 - We now operate in the Netherlands, Spain & Germany, with over 100k Cloud Seats in mainland Europe
- Reinforced our governance structure to enable the ongoing integration and growth strategy across our overseas business
- Subsequent to the end of June 2020, we appointed a new country CEO (Gerben Wijbenga) who joined Gamma on the 3rd August and will lead our business activities in the Netherlands



2020 H1 Financial Review



2020 H1 Financial Highlights

- Strong growth – Revenue **up 12% to £177.3m** (organic growth of 9%)
- Adjusted EBITDA **up 19% to £36.1m**
- Adjusted EPS **up 22% to 23.5p**
- Cash generated by operations **up 18% to £32.2m**
- Dividend **up 11% to 3.9p**
- Cash balance **£42.5m** as at 30 June (net funds of £38.7m)



Income Statement

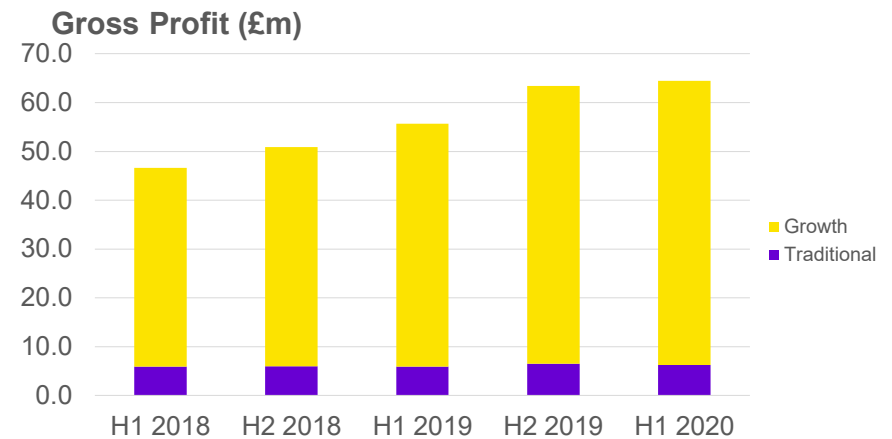
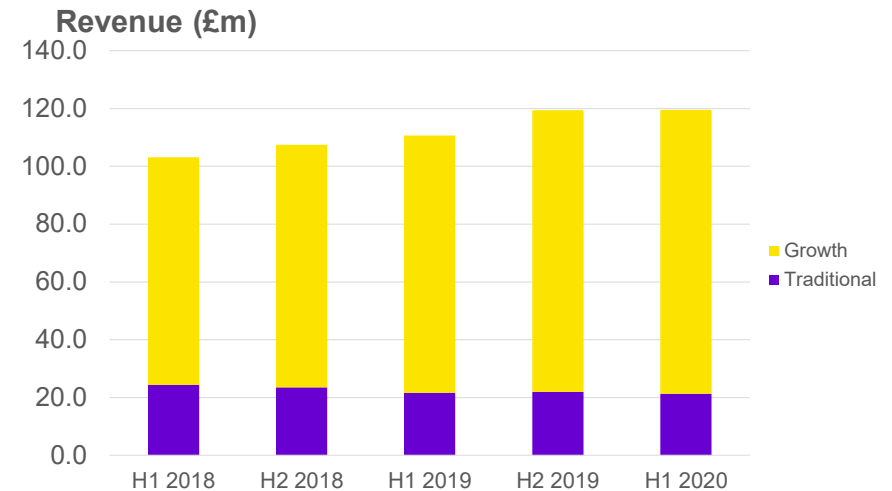
- Organic revenue growth of **9%**
- Overall “COVID effect” has been to reduce low margin installs; little effect on recurring business
- Recurring revenue at **94%** (COVID effect flatters)
- Margins increased despite price pressure due to mix – in part sustainable but also fewer installs
- **£9.3m** growth in other operating expenses but run rate very similar to H2 2019; COVID related savings in H1 2020 may not continue
- Depreciation driven by success and investment – now trending to Capex level
- Effective tax rate at **19%**

	Six months ended		Year ended	Half on half
	30 June	30 June	31 December	Growth
	2020	2019	2019	
Revenue	177.3	158.2	328.9	12.1%
Cost of sales	(84.2)	(80.1)	(162.4)	
Gross profit	93.1	78.1	166.5	19.2%
<i>Gross profit margin</i>	52.5%	49.4%	50.6%	
Operating Expenses				
Other operating expenses	(57.0)	(47.7)	(103.0)	
Adjusted EBITDA	36.1	30.4	63.5	18.8%
<i>EBITDA margin</i>	20.4%	19.2%	19.3%	
Exceptional items	0.0	0.0	(0.9)	
Depreciation and amortisation	(8.0)	(7.5)	(15.1)	
Amortisation related to acquisitions	(1.8)	(1.1)	(2.0)	
Operating profit	26.3	21.8	45.5	20.6%
Finance expense (net)	(0.1)	(0.1)	(0.3)	
Profit before tax	26.2	21.7	45.2	20.7%
Tax expense	(5.0)	(3.2)	(10.7)	
Profit after tax	21.2	18.5	34.5	14.6%
Adjusted EPS (Pence)	23.5	19.2	40.8	22.4%



Indirect Business

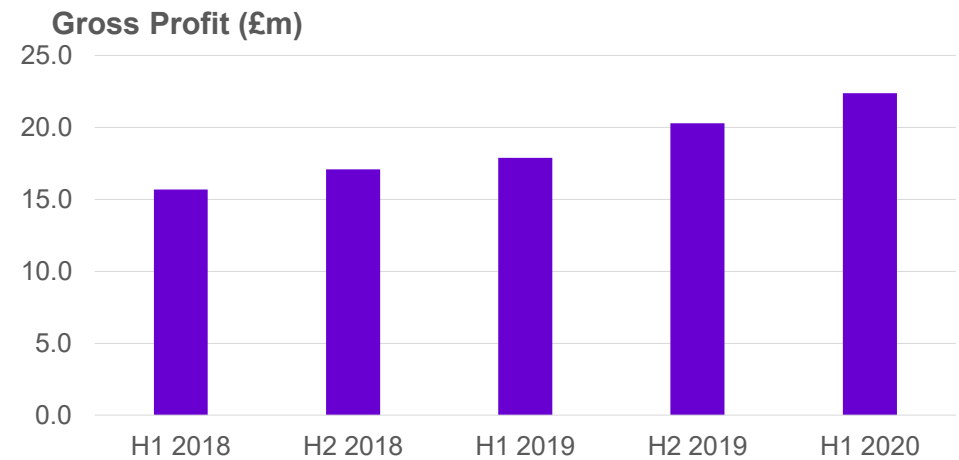
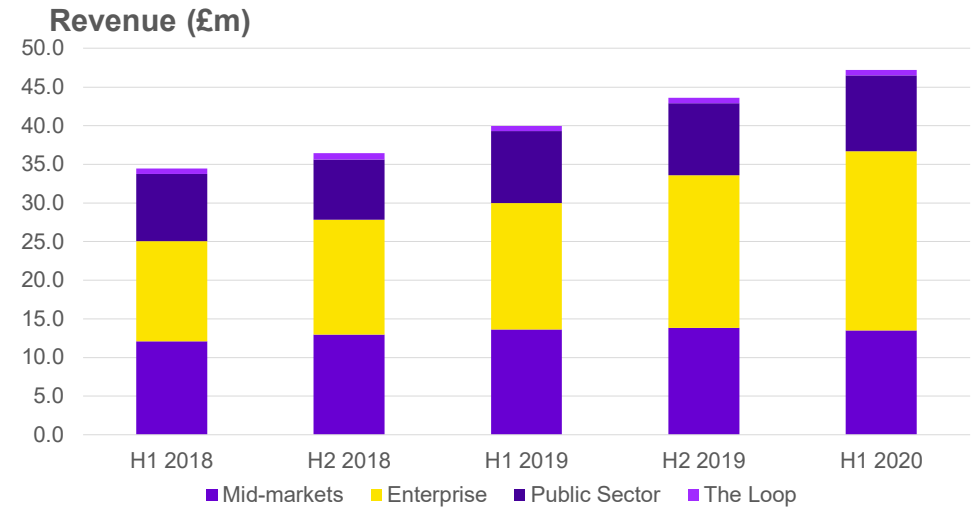
- Underlying recurring growth business increasing led by SIP and Cloud PBX – installs down in Q2 due to COVID
- Traditional business static
- COVID effect –
 - Fewer “high revenue / low margin” installs has stalled revenue growth temporarily – less impact on GP
 - £1.2m loss in GP due to support package in Q2 for customers not using the service
- Gross Margins increased slightly in first half – mix due to fewer installs



Gamma 2020 interim results

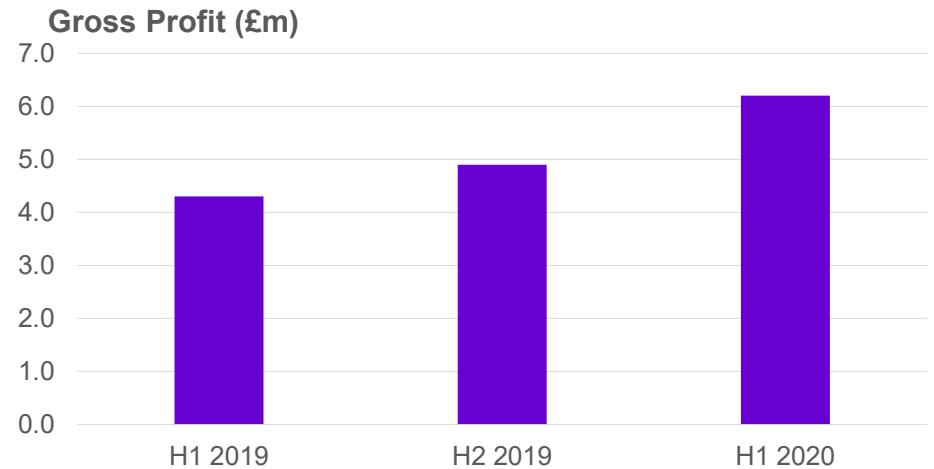
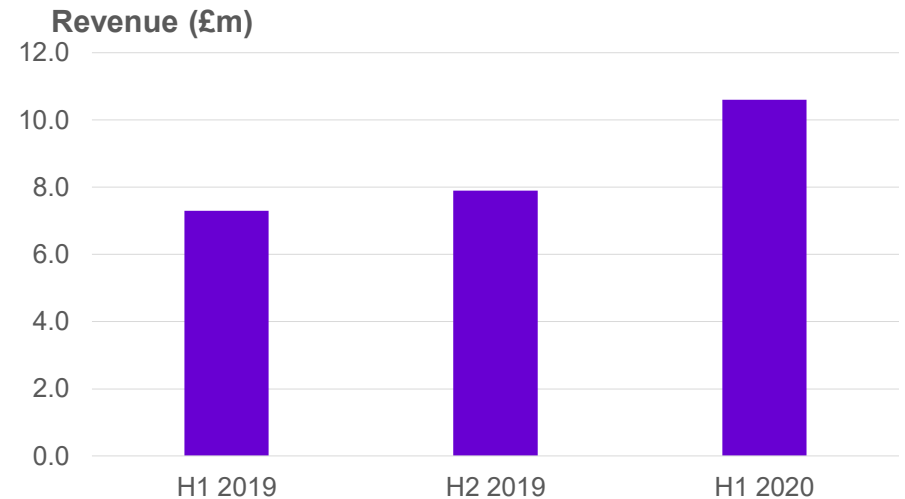
Direct Business

- Direct business driven by Enterprise Solutions
- Public Sector growth masked by one off low margin sale in H1 2019
- Mid-market static
- COVID effect -
 - Less marked in direct as longer sales cycles than indirect
 - Fewer installs offset by significant call volumes in a few customers
 - Effect more likely to be seen in Q4 2020 / Q1 2021 due to lack of sales activity in Q2 2020
 - Negligible support taken by customers



Overseas

- First half consists of Netherlands business and Spain from 9 April
- HFO in Germany acquired on 1 July and gnTel in Netherlands acquired on 17 July
- Organic revenue growth from the Netherlands business of **5%**
- Trading EBITDA of **£1.9m** organic growth of 8% from 2019
- In addition £0.9m of costs spent evaluating other European opportunities (overall “overseas EBITDA” was £1.0m for the first half)
- Voz performing well despite challenging economic conditions in Spain; some P&L investment will be required



Overheads

- “Cash overheads” increased by 20% to **£55.9m**
- In line with H2 2019 run rate – H1 2020 growth negligible
- Not clear how long “COVID savings” might continue
- Indirect business overheads have grown in line with GP growth – we continue to invest in product development
- Direct business overheads have also grown in line with GP growth – we are investing in our digital strategy
- Overseas growth is largely inorganic and influenced by M&A activity (not all successful)
- Central Costs increased due to building a “Group” function

	2020 £m	2020 £m	2019 £m	2019 £m	Growth
Expenses included within cash generated from operations					
- UK Indirect Business	35.7		30.9		15.5%
- UK Direct Business	11.7		9.4		24.5%
- Overseas Business	5.2		4.0		
- Central Costs	3.3		2.3		
		55.9		46.6	20.0%
Share based payments		1.1		1.1	
		57.0		47.7	
Depreciation and amortisation					
- tangible and intangible assets	7.0		6.7		
- right of use assets	1.0		0.8		
- acquisition	1.8		1.1		
		9.8		8.6	
Exceptional Items		0.0		0.0	
Operating expenses		66.8		56.3	18.7%



Balance Sheet and Cashflow

- Strong cash reserves
- Cash conversion consistent with prior period at **89%**
- Taxation cashflow higher in 2020 due to changes in QIPs regime – will decrease in 2021
- Capex consistent with prior year
- Cash acquisition spend (net values) –
 - Voz: **£16.6m** – subsequently settled convertible bonds for £5.1m
 - Exactive: **£3.2m** – Deferred consideration up to £1.5m in 2021 / 22
 - Nimsys – Deferred consideration of **£1.7m** paid



Balance Sheet as at (£m)	30 June 2020	30 June 2019	31 Dec 2019
Non-current assets (incl. PPE)	137.7	90.3	98.9
Receivables and inventories	97.2	85.8	85.6
Cash	42.5	44.8	53.9
Current assets	139.7	130.6	139.5
Total assets	277.4	220.9	238.4
Non-current liabilities	29.0	23.5	26.4
Current liabilities	78.4	62.2	59.5
Total liabilities	107.4	85.7	85.9
Share capital	10.3	7.2	9.1
Other reserves	4.0	2.2	2.5
Retained earnings	155.7	125.8	140.9
Total Equity	170.0	135.2	152.5

Cash Flow Statement as at (£m)	30 June 2020	30 June 2019	31 Dec 2020
Adjusted EBITDA	36.1	30.4	63.5
Cash generated by operations	32.2	27.4	54.0
Cash conversion	89%	90%	85%
Taxation	-7.9	-2.7	-7.5
Capital Expenditure	-6.1	-5.2	-12.4
Cash inflow before Acquisitions and Financing	18.2	19.5	34.1

Gamma 2020 Interim results

Gamma 2023 Strategic Plan update



Gamma 2023 Key Strategic Priorities



Evolve our strong cloud telephony position into the UCaaS market



Build on our Fixed and Mobile Telecom strength to differentiate our proposition from pure OTT's



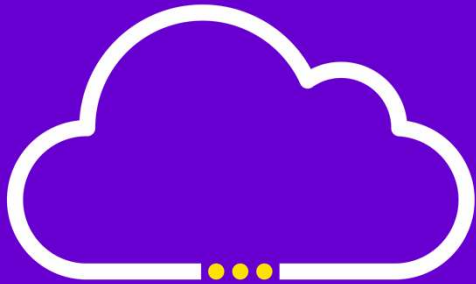
Expand to Europe to gain continued growth and scale



Continue to build on our digital capabilities to assure agility and sustain competitiveness



Evolve our strong cloud telephony position into the UCaaS market



- Good progress in the development of our UCaaS suite for SME's
 - Acquired Telsis and developing a fully integrated cloud contact centre platform – going well and to plan for launch
 - Strengthened our UCaaS product development and marketing capabilities
 - Established key development partnerships to augment and accelerate our UCaaS design and development capabilities
 - Fully assessed options to evolve our UCaaS platform across different markets and market segments
- Acquisition of Exactive in February 2020, providing the ability to support Teams implementations
- Launched a MS Teams Direct Routing SIP trunking service in April 2020
- Continue to evaluate opportunities to add capability to our UCaaS portfolio and accelerate our UCaaS strategy in all market segments and geographies

Build on our Fixed and Mobile Strength to differentiate our proposition from pure OTTs



Strong network and Data Access capabilities:

- Clear strategic direction as an aggregator – enabling us to offer best in class service and be more price competitive
- Delivering a broader and stronger data product portfolio in 2019/20 - launched 4G Fast Start and Back-Up, FTTP, and SD-WAN
- Supports bundling and cross sell and upsell to existing partners and end customers
- Supports our reputation for excellent network quality and service

New mobile proposition with Three UK will improve service:

- New MVNO is scheduled for launch in early 2021, and which will give access to 5G
- Improved 4G connectivity and in-building coverage using Voice over WIFI and VOLTE
- Provides a flexible commercial offering – enabling Gamma to be competitive

High quality resilient networks in each country where we operate:

- We only acquire businesses which have a similar network capability to that which we operate in the UK
- We work with the local teams and have established governance to ensure resilience, security and quality for end users

Expand to Europe to gain continued growth and scale



- We are executing very well against our strategic plan:
 - Acquisitions have provided a strong market position in Spain (Voz Telecom), Germany (HFO) and we augmented our business in the Netherlands (gnTel)
 - Post acquisition of gnTel we will have c.100k cloud seats in Europe
 - Our strategy is to build scale and strong organic growth where we operate and we will continue to evaluate entry & bolt-on opportunities
- Our Dutch business is trading strongly, and to support our growth strategy, we appointed Gerben Wijbenga as CEO for the Netherlands
- The European cloud market is very attractive and with COVID-19 reinforcing the need for businesses to move to the cloud, presents significant future growth opportunities
- We have established strong governance and management controls with a focus on the execution of our integration plans and the delivery of long term sustainable growth

Continue to build on our digital capabilities to assure agility and sustain competitiveness



- Continued investment in our digital platform capabilities which is a key strategic tool in supporting our direct customers in the UK
- Streamlining and automating all pre-sales, sales, customer service and OSS & BSS systems and processes
- Building a digital team which brings new skills and capabilities into Gamma
- During H1 2020 we delivered:
 - The “Gamma Hub” – a fully integrated dealer partner platform (consolidating multiple Marketing applications and data sources across Gamma)
 - Enabling us to deliver faster, more frequent marketing campaigns
 - Implementation of an AI Agent (Gemma) who directly engages with sales prospects
- In H2 2020, we are planning to deliver Release 2 of our “Gamma Hub”:
 - Delivering customer self-serve support, provisioning, billing and reporting

Gamma 2020 Interim results

Business outlook

- Gamma has a robust business model with very good (+90%) recurring revenue & margin, and therefore good visibility of our numbers through H2 2020 and beyond
- Positive long-term UCaaS market outlook, with the future adoption of cloud services forecast to increase across all markets
- This reinforces Gamma's strategy, and we will continue to focus on the execution of our short-term business & financial commitments and our longer-term strategic priorities
- However, this is tempered by the current and potential economic and business impact of COVID-19
- We will continue to monitor this closely and take sensible and informed decisions as and when required



Gamma 2020 Interim results

Q&A



Thank you.