

# Gamma Communications PLC

## Full Year Results 2023

25<sup>th</sup> March 2024

Transcript



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Andrew Belshaw:

Good morning and welcome to Gamma's 2023 Results. I can't quite believe it, this is the 10th year in a row that I've been stood up here doing Gamma's results. I'm delighted to say in that time we've been growing for 10 years out of 10 and we've got another great set of results to share with you this morning. As ever, it's myself and Bill. I'm going to give you a very quick business update. Bill's going to run through the numbers. I think we've had a very good year. I'll give you an update on Gamma's strategic progress over the course of 2023 and into 2024 and highlighting some of the growth drivers that are going to take us through the next 10 years.

Then we'll talk a little bit about ESG because that really matters to us. We'll talk about the outlook and we'll try and get into a Q&A as quickly as we can. 2023 has been a fantastic year and has seen a very good financial performance. 10 years ago we were stood up here saying Gamma had earned around £170m of revenue and just over £20m of EBITDA and now we've tripled our revenue to £520m. We've increased EBITDA five times over, to £114m this year. As you know, Gamma continues to provide services that are mission-critical to all of the businesses that we support. Recurring revenues, stable margins and cash generation are key themes. We've ended this year with a very strong cash position, generating a lot of cash with lots of cash on the balance sheet. As you'll have seen this morning we started a share buyback programme and Bill will talk a little bit more about that when he comes up in a moment.

With all of that cash we've also been doing some important strategic acquisitions. Over the course of the last 12 months, we've bought three businesses. Satisnet we talked about at the half year. Satisnet gives us the ability to provide security monitoring to some of our enterprise customers. Just before Christmas, we purchased a business called EnableX. EnableX does a number of things, but the important one is it sells a product in the UK called iPECS, which is a UCaaS product provided by Ericsson-LG, and Gamma now has the ability to sell that into our partner base and our intent would be to start selling that across Europe as well. And just recently in the last few weeks, we've bought a business called Coolwave. Coolwave is going to enhance our voice enablement proposition and I'll talk more about that later. All of that means that as we close out 2023 and move into 2024, we have a much more complete UCaaS proposition than we've ever had before.

We have our own products like PhoneLine+ that we've built ourselves. We have the products we've been selling for years and years, like Horizon. We now have access to iPECS from Ericsson-LG and we continue to work with Cisco on the products that they produce that will work for our enterprise customers. So Gamma is on the verge of being able to have a UCaaS solution for any business of any size across the whole of Europe. Why is that important? Two reasons. Firstly, the UCaaS markets continue to grow. But also if you remember, Gamma has a huge SIP base in the UK, of businesses that have still got SIP plugged into a hardware PBX and we now have a solution for pretty much any business in the UK that wants to move from SIP plus hardware into a UCaaS solution. We've had a fantastic 2023 and we're building for the next 10 years as well, but I'll come

back and talk about that in a moment. Right now I'm going to let Bill explain to you the 2023 financials in a bit more detail.

Bill Castell:

Good morning. I'm Bill Castell, CFO. Today I'm going to take you through some of the financial highlights. Some of the pages you'll recognise from half year and previous years, but I've also added a few extra pages. Also, as you would have seen this morning in the RNSs, as Andrew rightly alluded to, the announcement of the £35m share buyback over the next six months up to the start of September. The slides are quite detailed, purposely so people can download. I won't go through every single number on the slides, but there is quite a lot of information there. As Andrew said, in October it will be 10 years since the IPO in October 2014. These graphs don't go back to 2014, but if you did go back, the arrow would be even more steep, but I think it shows you our track record of growth. You can see adjusted EBITDA since 2019, 16% CAGR, you can see adjusted EPS, 18% CAGR.

We've tax adjusted the 2023 EPS, which shows 79.6p versus 75.1p on constant tax rates. Then you can see the £123.5m of cash generation in 2023, with 23% CAGR. I know different people have different definitions for cash generation, so cash flow generated after capex and tax has seen 26% CAGR. As Andrew rightly said, if you go all the way back to 2014, EBITDA was down at £23m and adjusted EPS was at 15p. We're here to talk about 2023, but I thought that was a good intro just to remind people of the history. You can see revenue is up 8% to £521.7m. Adjusted EBITDA, a healthy 9% to £114.3m. When I get to opex, you'll hear me talk about 7%.

Our gross profit and revenue are growing faster than opex, so we're getting that operating leverage with EBITDA growing faster at 9%. EPS on a constant tax basis is at 11%. You can see actually it was 5% on a reported basis because of the increase in the tax rate. Cash generated by operation was up 25% to £123.5m and I'll come back to that in the cash flow statement, which leaves us in a net cash position on £134.8m. If you recall, we have a small amount of debt from the German transaction some time ago of £1.7m. So our gross cash in bank is £136.5m. Progressive dividend policy continues alongside the share buyback, so up 14% to 17.1p with the 1/3 interim dividend and 2/3 final dividend. So we will be asking the AGM for approval for the 11.4p final dividend alongside the 5.7p we did at half year. All in all positive across the piece.

Looking now into the income statement, the story is quite a familiar one. We talk about recurring revenue, it was 89%, similar to prior periods. Gross profit also grew by 8%, margins are stable at 51%. There were two exceptional items totalling £16m, £12.7m relating to the intangible asset impairment. Andrew's already discussed some of the transactions we've done with EnableX group for example, where at the medium to top end we're working with other providers to provide those UCaaS solutions. We still have our own developed products such as PhoneLine+, so we're not stopping development, but it was realised at that middle to top end sized customers that it is best to partner.

Restructuring costs, £3.3m, slightly associated with that decision around the focus on the mid to top end and third parties. Also, we brought together our German and Dutch senior management team as we settled the put option for the German business, so we're now 100% owners. If you recall, there was a small amount of just under 4% remaining of the German legal entity that we did not own. That was the put option we've now bought out. The CEO of Germany decided it was the right time to move on. Our Dutch CEO and CFO are now CEO and CFO of Northern Europe. That was related to the restructuring.

Depreciation and amortisation at £21.3m, still below capex of £23m and I think importantly as well, adjusted PBT supported also by interest income. We received higher returns in the higher interest rate environment, which might change over time. But the high interest rate environment allowed us to have quite significant interest income. Overall adjusted PBT growth was 12% year-on-year.

Gamma Business, 7% revenue growth, gross profit at 8% growth, margin staying flat at 53%. Again, Andrew's going to talk prior periods, a lot more detail around our product volume. We'll go through all the Horizon adds, which were a bit slower year-on-year, but offset by PhoneLine+ beginning to really accelerate going forward. And then clearly we now have iPECS as well, which Andrew will talk about in more detail.

Gamma Enterprise, is the inverse with revenue up 8% gross profit, 7%. This was supported by the Satisnet acquisition that we did in August. The margins you can see at the bottom, 48.3% moving to 47.8%, the actual margins on the organic basis was at 48.4%. So actually margins are flat on an organic basis.

Satisnet have a slightly different margin model than the underlying Gamma Enterprise business. It's also on the RNS and it was also actually in the trading updates that we gave back in January.

Europe headline numbers, the best numbers I think we've had in Europe since we entered in 2018. Revenue up 8%, gross profit up 11%. Constant currency, we were helped by the FX. So you'll see that 8% goes to 6% and the 11% goes to 8%, but still strong performance. Germany is the largest part of our European business. They had a solid to strong performance. Epsilon's our mobile reseller that we have in Germany; a lower margin business, but a solid to healthy German performance. Spain, again returning back to growth health inorganically by Neotel, the CCaaS business we bought in Malaga, but also the underlying business also performing better than prior years. It's a tough market still though with a tough competitor in Telefonica.

And then the Dutch market, as we've said previously, is quite a mature market compared to Germany and Spain. KPN is a formidable competitor in that space, we've rooted in the partner business. However, we have found that with Microsoft Teams, which obviously we're very strong in voice enablement in the UK, you'll see when Andrew takes you through the numbers, there's been

significant increase in voice enablement of teams in the Netherlands and in Belgium as well. Opex was up 7% to £152.9m but lower than gross profit. Actually organic opex was only up 6% on that side. 70% of our opex is staff related, so it's really correlated to that and we continue to manage those costs.

Looking forward, although inflation for the macroeconomic economy is coming down, that will feed through, but it might take some time as we recontract. I can see the latest inflation figures are back down into the three percents rather than the 11% highs that we saw previously. Development costs were up around about 9% to £31.7m. Of that, you can see the capitalised element was up £1.3 to £14.4m. That takes us down to the capex side and you can see capex, was roughly 11% up at £23m within guidance. We guided between £22m and £25m capex. Strong cash, you can see that on the side. On this page, we also show you the IFRS 16 lease liabilities. When we look at net cash, we take off the mortgage we have in Germany, we don't include the IFRS 16. So we've done that, but it's also coming down as you can see.

And then contingent consideration of the old deals being paid off with EnableX at the back end of 2023. We did that deal just before Christmas at the back end of December which is why contingent consideration has come back up. That's the discounted value of the consideration on that side. All in all though, a strong performance. I think I would just point everyone to the receivables and inventories area there. You heard about the 108% cash conversion. That's really as a result of the improvement in working capital, which I'll talk a little bit in a second. I think the big message here, if you look at the bottom right of this table, you can see that we generated more cash overall year-on-year than the prior period at £42.1m in 2023. That is after higher tax rate, you can see £15.3m. Higher capex, you can see £23m. Acquisitions three times the size and obviously our progressive dividend policy on that side. So basically doing all of that but actually producing more cash year-on-year after, all of those different items is the main story here.

There is a post balance sheet event, we bought Coolwave. Andrew's talked a little bit about that and there's a slide coming up, but that will be in the 2024 numbers. But you can see we just gave you the update there of the consideration associated with the Coolwave transaction. The 108% cash conversion was associated primarily due to prepayments back in 2022. If you recall, I did mention it last year, we prepaid in order to get beneficial rates from suppliers and elsewhere before the inflationary uptick came in. Because the supply chain issues covered stock in advance, so there was a bit of a stock improvement year-on-year on working capital as well. We still prepaid a small amount in 2023, but not to the same degree. Also, the interest from the banks is healthy enough now compared to the discounts that suppliers might give you that it makes sense to keep cash in the bank and the pressure is less on the inflationary side. So this is a period of adjustment, I'll talk a little bit about the guidance going forward around cash conversion.

Capital allocation. You'll have seen this morning we have announced a share buyback. When you look at the annual report it'll show you how the Board has looked at it over the last 10 years. Gamma likes to grow organically, it's in our DNA. Increasingly as well, M&A; you've seen the bolt-ons we've done. Obviously entering Europe as well and the Mission Labs transaction, that is a key part of our strategy as we grow both organically and inorganically. Progressive dividend policy will continue. We've said that before between 10% and 15%, but the prior periods has all been around the 14% mark.

We pride ourselves in the balance sheet when everyone else was taking out leverage. In the historic years we were a bit more cautious and I think that's now seen as favourable as we sit there in a net cash position and our multiples start improving. And then return surplus and that's what we're doing today as a one-off return of cash through share buyback. We as a board will constantly look at our internal hurdles and our capital hurdles and how we allocate capital. They came to the decision rightly so to return some of the shareholders cash back to them. The guidance that I'm giving today, has been compiled as of Friday, from our sell side analysts to give a range looking at 2024. You can see that range to be adjusted EBITDA £118.3 to £127.4m. And then you can see the adjusted EPS has quite a broad range as we sit here today at 75.8 to 86.3p. We're guiding that we're happy with that range and we'll clearly give further updates as the year progresses. Other things to note in the January trading update, you would've seen that Andrew, in his quote, talked about the HR and finance systems that we're putting across the group. As the group matures, that's going to have a one-off cost. They used to be capex, but in the world of cloud, that is now more and more opex and therefore we've got £3m, which is a one-off costs covering 2024 and 2025, two year period.

Tax rates as we stand here today is at 25%. We'll see what the future holds on that side, and then we are keeping to the capex range of £22m to £25m in the RNS, while we continue to invest not only in PhoneLine+ and some of the low end of the market software, proprietary software, but we also have our portal that is well renowned in the market that we want to continue to invest in. And then adjusted cash conversion, the years of 108% plus I don't think will continue, so I'm continuing to guide to 90% plus. In prior years, it's been around the 94% mark before this. With that, I'm going to hand over to Andrew to give you an update on the strategic progress.

Andrew Belshaw:

Thank you. In this section we'll talk about not just the fantastic 2023 that we've had, but why 2024, 2025 and 2026 are also going to be great for Gamma as well. Before we do that, a reminder on what Gamma does. Over the last 10 years, what we do has got more and more complicated and we try and simplify it down and why the services and the solutions that we provide are so important for the people that we provide them to. We list it as three things, UCaaS, voice enablement and connectivity. Let's start with voice enablement in the middle. What does that mean? It means helping our customers make and receive telephone calls using telephone numbers. We've been doing that for years with SIP trunking.

If you've had a hardware PBX, Gamma SIP has enabled you to make that call to an outside line. More recently, Teams has become popular, but very few Teams users actually take the functionality where you can make and receive calls using phone numbers. It's around 10%, and Gamma helps people do that. The bit that we don't talk about very much, but it's very quietly growing in the background, is Gamma supports other service providers. So there's about half of the Gartner Magic Quadrant where Gamma supports their telephony ambitions as well. We've been doing that for 20 to 25 years now. UCaaS Solutions are building on that, so not just merely making and receiving calls, but all the things that we've now become very used to doing: instant messaging people, video calls, video conferencing, and if you're a small business, we have a product called PhoneLine+ that we've built ourselves. We own the IP.

If you're a slightly larger business, we've been selling Gamma Horizon for the last 15 years in the UK. And as I mentioned, and we'll come on to talk about more, we now have a relationship with Ericsson-LG and their iPECS product, and we continue to build and develop our relationship with Cisco. We've got some fantastic tools for larger customers and enterprise customers who want the latest and greatest in AI, who have contact centre requirements as well, and we can supply that. We also supply connectivity, ethernet, broadband and mobile. By way of a reminder, we're not digging up streets and laying fibre, nor are we putting towers in the countryside. We partner with TalkTalk, we partner with BT, we partner with EE, and we partner with Three to provide those services. So why do people actually want to talk to Gamma about taking those services and solutions from us?

Global tech giants and the large partners I've named, so companies like Microsoft, Ericsson-LG and Amazon that we also work with, like talking to Gamma because Gamma has this unparalleled reach. We have thousands of channel partners across Europe which can take those solutions into tens and thousands of small businesses, but we also have relationships with thousands of CIOs at large enterprise customers as well. So when people come to Gamma, we are able to take those solutions into a massive unrivalled customer base that they can't otherwise reach. That's why channel partners talk to us because we have those relationships with people that they wouldn't be able to talk to. They wouldn't be able to have a direct relationship with a Cisco or Ericsson-LG, but we can help people do that. So are we merely like a broker?

No, we're so much more than that because as I mentioned earlier on, Gamma has a carrier capability. We're not simply going take this solution from a large provider. We're voice enabling that, we're providing that carrier wrap. We're enabling you to make and receive telephone calls using that best of breed solution. Also, the other thing that we've done very, very well over the last 20 to 25 years is Gamma is known in the industry for its quality of service and particularly our portal. And for those of you who sat here 10 years ago, you'd have heard Bob [Falconer, former CEO] talk about "the power of one", having one portal where you can provision anything from the Gamma stable and that set us apart and we've still got that.

We still have that as a differentiator, but as our solution set becomes bigger, we now are going to need to spend money on our portal over the next two to three years to get it to a point where it can underpin Gamma's growth for the next 10 years.

So what have we been doing in voice enablement? We bought Coolwave just a few weeks ago, in February 2024. Coolwave enables us to provide phone numbers in other territories from the ones we're currently providing them in. So what does that mean? That means we have a licence. If you need a licence, it means we have number ranges that we can supply to our customers and it means we can port your numbers in and out. So if you come to us with a set of phone numbers because you're an existing business and you'd like us to host them and put them onto one of our products, we can do that.

Now, we've been doing that very, very successfully, obviously where we've been selling SIP and UCaaS in the countries marked purple on the slide. The countries that we've been operating in for the last four or five years as we've moved into Europe. Coolwave has existing relationships with the regulators and the people that provide numbers in all of those countries that you see on the slide that are green. It's South Africa, Australia and New Zealand. There's also South Korea and Singapore which aren't shown on the map. So by the end of this year, we'll be able to provide voice enablement in 20 countries.

And because of the way Coolwave operates, we can build that to 50, 100, as many as you want based on business case. There's probably a natural limit in that I suspect. And what does that do? Well, it increases the TAM for things like Operator Connect. At the moment we're providing Operator Connect in five countries. We can provide that in 20 countries and then onward to 30, 40 countries. And it just increases that addressable market for something that we do very well in the countries that we're already in. It also means that where we're supporting people in the Gartner Magic Quadrant with their telephony aspirations and we can support them in the UK, we can now support them around the world, which is going to be increasingly important for us. We see our service provider business becoming more important over the course of the next few years.

In UCaaS, we've been busy as well. We've acquired a business called EnableX, and EnableX has three brands. The first of those is a business called Pragma. Pragma joined us with 130,000 UCaaS seats all in the UK. And they're all on a product called iPECS, which is built by Ericsson-LG, and Ericsson-LG sells that around the world. Our intention is to bring that product into all of the countries in which we're currently operating. So it's a really good relationship to have as well as those 130,000 seats and relationships with a few channel partners in the UK that we didn't previously have a relationship with. It has two smaller businesses as well. Techland has a relationship with Ribbon selling session border controllers into Enterprise and service providers and will continue to run that business. Candio is a really interesting business. It has small, easily consumed and software products, at a really good price point. It has two or



three of these that are designed to be taken into small to medium-sized businesses. So one, for example, is a little widget that small businesses can run that tells them if their data's been stolen and is for sale on the dark web. What we're finding is partners, so Gamma's big partner base, not just in the UK, but across Europe, are going to take these products and it's going to be an upsell opportunity for us. Again, we're going to move the dial significantly, but just adding a few million of revenue over the course of the next few years from the upsell from some of these products, which is exciting. So with Pragma and the Ericsson-LG relationship in mind, what does that mean particularly for Gamma's UCaaS portfolio? And I'm quite excited about where we've got this portfolio to now.

For the last four or five years, Gamma has been selling all of these products in Europe. We have Horizon that we've been selling in the UK. We also have a product called Flex, that's our UCaaS product in Germany and the Netherlands and a product called Centile that we've been selling in Spain and we will carry on selling those. So customers who are using and enjoying those solutions can carry on using them and enjoying them, and partners who are selling them can carry on selling them. But we've added additional things to the stable now that take us not just from the middle of micro up to nearly the top of SME, but we can now cover the full remit of every company. We've talked about this before, but in the micro space we now have PhoneLine+, launched in the UK about 18 months ago, and you'll see that that's doing very well. It's a product we built ourselves.

We now have that relationship with Ericsson-LG, and their iPECS product, which is being developed by a team of hundreds of developers in Korea. And it's a best of breed solution. We can now take that into businesses from probably about five users up to something like 200 or 250 users. And the relationship that we're building and developing with Cisco means that we now have a product, as I said earlier, for Enterprise customers who want all the latest things in AI who want contact centre functionality. We can now deliver that through the partnership with Cisco. We continue to analyse whether there's anything else that we need to put into the portfolio. As I mentioned a moment ago, some of the big global people want to talk to Gamma because we have an unrivalled distribution network across Europe and therefore conversations are ongoing as to whether there are additional things that we can bring into our portfolio.

And people say to us, "Well, does that mean you're turning your back on Teams?" Absolutely not. Teams integrates with pretty much everything we have. It doesn't currently integrate with PhoneLine+ at the moment, but remember, PhoneLine+ is designed for small businesses, micro businesses who don't really use Teams, but every other solution that we're selling can be integrated into Teams to provide a fuller experience for our end users. We're very excited that we're at that point now where for the first time, we have a UCaaS solution for any business of any size. And over the course of the next 12 to 18 months, we'll make that the case in Europe as well.

So what does all of that mean in terms of growth? Well, we pulled out four growth trends. And to be honest, one of the issues that we have at Gamma is there's so much going on in our industry and our space. There's so many different growth trends. Actually it's quite difficult sometimes honing it down to these four. But the first one, which is really important, and we saw this post COVID and with hybrid working becoming more and more prevalent now, customers have more complicated requirements, which means that we need to provide more complex solutions to be able to deal with them. And that means we need to be working with more partners. I'm so pleased that we are able to work with some of these partners. I keep mentioning we have people like Ericsson-LG, hundreds of developers in South Korea building products and Cisco spending a billion dollars a year building out their UCaaS portfolio.

And of course Microsoft spending whatever they're spending on Teams. We have all of those things in our stable and an ability to put them together in a way that can deliver a solution for any business. So as things become more complicated, we don't see that as a threat that says, "Well, has your portfolio of products maybe made its match and some of the things that are happening in the world?". We see that as a challenge and an opportunity for us to think about how can we be the first to meet some of those new needs that are out there in the market.

PSTN switch off in the UK we talked about at the half year. For those of you who don't remember, at the end of 2025, BT is turning off the PSTN network in the UK. There's about 3 million micro business lines that are out there which we're very much hoping are moving to IP telephony. What we're actually seeing happening is that partners and end users are moving to comparable legacy products that are offered by those carriers who've historically unbundled local exchanges. So they're not immediately moving to IP telephony. That gives them execution over maybe 2, 3 or 4 years, but ultimately they need to move to IP telephony. When we were talking at the half year, we said there's going to be a big uptick over the next two years between now and the end of 2025.

Actually, we think it's going to be a slightly longer slope, shallower, but longer slope that's going to bring those micro businesses onto our IP products. Not over the next two years, but over the next 3, 4 and 5 years. The evolution of the SIP base is a fantastic opportunity for us. Gamma has a million SIP trunks, so that's about 4 million business users who are still using a hardware PBX. We have a fantastic opportunity to move those users onto other solutions that are going to increase our ARPUs and AMPUs.

Number four, we've been talking about this for a long time now, the great sleeping giant that is the European UCaaS market. Germany is still massively underpenetrated. There's still fewer than 10% of business users in Germany that are taking UCaaS. Most of them have still got a hardware solution, but we are so well-placed now.

As Bill mentioned, the CEO who built our German business from nothing over a period of 20 to 25 years, chose this summer to retire. So Gerben who runs our Dutch business is now running the whole of Northern Europe, and we've also appointed a new sales director. He's a guy called Thomas Muschalla who joins us from NFON, which is the market leader in Germany for cloud PBX. He's got a fantastic management team now in Germany who are very well-placed, not just to wait for that UCaaS market to grow in Germany, but actually to think about how we can begin to push it, which is what we did 10 years ago in the UK. So let's look at some numbers. In voice enablement, again, if you go back 10 years, all we were talking about was that top left-hand box there (refer to slide 27).

So Bob and I would've stood up and said, "We've got 250,000 SIP trunks in the UK and over the course of the next probably five or six years, we said that's going to grow to something like a million and then it's going to flatten off." And that's what we're seeing now, that traditional SIP in the UK is flat and actually declining ever so slightly. But that's no bad thing because actually what we're seeing is users are moving to products that generate more ARPU and more margin for us. Many of them are moving to UCaaS and we'll see that on the next slide. But actually, people are moving to Teams and voice enablement of Teams.

Gamma remains the UK market leader for Teams voice enablement with 430,000 users and people inevitably move to third party UCaaS solutions. But as I mentioned, we underpin using that carrier capability in our service provider business, a lot of those third party UCaaS solutions. So we've got only 400,000 SIP trunks that are supporting not hardware, but third party UCaaS. So SIP actually overall is a growth area for us. The original SIP product we were selling 10 years ago that's now flattened off, maybe declining slightly, but we've taken that capability that we have. We've applied it to supporting third party UCaaS, we've applied it to supporting Teams and that's growing.

If you look at the European market, what we've always said the European market probably lags the UK market by six or seven years, and that's what you're seeing here. So that traditional SIP market is still growing. And most of our SIP trunking is in Germany, where we're actually seeing that prevalence of people taking hardware with SIP. That's still a growth area.

In Europe, we don't support any third party UCaaS providers, but we will. And that's what Coolwave enables us to do as well as our existing capability and expertise in the UK. And Teams looks like it's growing fantastically in Europe, but that's from a very, very low base. We support 9,000 users in Europe, primarily in the Netherlands. And actually there's 9,000 users in the Netherlands, making us the largest provider of voice enablement for Teams in the Netherlands, which just goes to show you how nascent the market is when you're the market leader with just under 9,000 users. So there's lots and lots of areas where we can grow in our voice enablement over the coming years.

UCaaS, where we also have that opportunity to grow. Again, if we were talking 10 years ago, we'd have only had that top left-hand box (refer to slide 28). And

when we stood here doing the 2014 results, we had 80,000 cloud seats in the UK and we had nothing else on this slide. And we've now moved that up to just shy of 800,000. We've also acquired another 130,000 seats with the acquisition we did of Ericsson-LG, and our micro product. So PhoneLine+ and its digital "baby brother", which we call CircleLoop, we're nearly up to 30,000 seats.

In the UK now, we've got 950,000 UCaaS seats. And the UK market just as a reminder, is still around 50% penetrated. So there's lots and lots of market for us still to go for. And in future, we'll start listing Cisco seats as well.

Over the last couple of results presentations, we've talked about the importance of bolt-ons to enable us to maintain our ARPU in our UCaaS product. The key thing is that all of those bolt-ons are growing faster than the core Horizon product. And therefore the argument that we're maintaining ARPU is the same.

Just below the line again, European cloud PBX grew 5% and that's really a measure of the fact that the European market is not quite yet growing at the rates that we hope it will be growing at going forward. So we think that's roughly in line with where the market's at when you look at people like nFon and some of our other competitors, but there will be a day we believe when the German market in particular continues to grow.

And the Europe UCaaS business, to point out there's a tiny mistake in the RNS. Those 4,000 cloud seats are at the end of December (2023), and the RNS says they're at the end of June (2023). So it should have been the end of December (2023).

Hopefully you met the new member of the Gamma team outside. I don't know if you did, but the Purple Dog who we've not yet named him or her. We're going to have a naming competition. But he's our new brand ambassador and he's a new way of helping us to describe Gamma. So we believe business is built on relationships and the best relationships are built on trust and the best relationships are very genuine. And what our friend here reminds us of is that Gamma is a new breed of comms company. Gamma is loyal, Gamma is supportive, Gamma is reliable. Gamma is by the side of our partners and our end users every day as they're running their businesses.

How we do business is just as important to us as the fact that we've had a very good 2023. And there's two or three things I'd pull out on our ESG slide. For those people who are particularly interested, we have a whole ESG website that sets out all of the data and the various bits of reports and the gradings that we've had from the institutions that grade us. But there's two or three things that we're very pleased about that I want to highlight. So in our annual report, when that goes up on the website in a couple of days' time, you'll see that we've put TCFD reporting in there. We're not required to do that because we're an AIM company rather than a main market company. But you'll also see that on the 11 criteria, Gamma complies with 10 out of those 11, which is actually really good compared to our peer group. And we're very pleased about that, and it's

much kudos to the team that have worked very hard getting us that level of compliance.

But more than that, we've had the science-based target initiative people look at Gamma's net zero plan. We'd originally said we're going to be net zero by 2042, and we'd also said that by 2030 our scope one and two emissions, we'd reduce those by 90%. And I'm delighted again to say that the SBTi people have had a look at that and they've essentially approved our plan.

Also on governance, Gamma tries to maintain governance in line with being a premium main market company. We are traded on AIM, but we always keep our governance as good as it could be and as good as it needs to be. I will also mention and pass on our thanks and management's thanks to Henrietta Marsh who's been one of our non-executive directors for the last five years now, and has really helped us bring governance up to where it needs to be within Gamma. And we announced this morning that she'll be retiring, so we wish her a long and happy retirement and we thank her very much for her contributions.

So that's 2023. Where are we going forward? Well, over the last 10 years we've tripled the revenue, we've increased EBITDA five times. We've increased our cloud seats over 10 times, we've increased SIP trunks four times. We've moved into Europe. We've taken our core competencies of voice enablement and we've applied that to all of the new solutions that have been introduced in the market, those coming from Microsoft Teams, those coming from other third party providers. And Gamma will continue to do that. We continue to take those core competencies that we have, and as the market becomes more complicated, we will build, we will partner with people to deliver solutions for all businesses.

Our business model remains robust. Recurring revenue is a feature, margins being maintained is a feature, cash generation is a feature, and we still maintain a strong balance sheet. We still have these fantastic differentiators. The global providers want to talk to us because of our distribution reach. And those people who distribute for us in Europe and the UK, they talk to us because we have the relationship with the global providers. We wrap that with fantastic customer service and we wrap that with our carrier capability that enables us to voice enable all of those solutions.

We also continue to execute our technology driven product strategy across all routes to market. Again, as the market changes, it's not just about customer requirements, it's about the way people want to consume some of those solutions. And we will continue to support those. Then we have those growth drivers. In the UK, SIP plus hardware is going to move to cloud products, to UCaaS products, and we now have a UCaaS product for any end user. PSTN switch off is going to create lots of opportunity. It's going to be over a slightly longer period than we thought originally, but all of those customers will need to find an IP solution.

And growth in Europe, we've been talking about it for some time, I know it's frustrating, nobody's more frustrated than us, growth in Europe will come. Germany is still less than 10% penetrated.

And we continue to look for additional M&A opportunities, either bringing a new route to market or possibly bringing a new product. And there's always a number of things that we're looking at and considering.

As I hope you can see, 2023, we thought it was a fantastic set of results, but it doesn't end there. We think not only is the market moving in a way that really works for us, but we think we're very well placed to exploit that going forward, so that we can be sitting here in another 10 years looking back on a fantastic set of results.