Gamma Communications
Full Year Results 2024

25th March 2025

Transcript

Andrew Belshaw: Well, hello and good morning. We are now online, so welcome, everybody in the room, and welcome to you if you're joining us over the weblink as well.

Thank you very much indeed for making the time to come and join us for Gamma's FY24 results. We're pretty happy with the results for reasons that we'll go into. We think we've had a very, very good, strong year, and we hope you do too.

The agenda is pretty similar to what we normally do, so I'll start with a general business update. Bill will come and talk about the financial highlights for the year. Then we'll spend a bit of time talking about the market trends and the business units, and really what I'm looking to pull out from the business units is three things this year.

So firstly, when we're talking about Gamma Business, which is our channel business where we're selling through partners, we'll talk a bit more about what we do with the service providers that we work with.

When we talk about Gamma Enterprise, I want to bring out some of the great logo wins we've had in the year, and particularly those where we've been able to service some of our customers using capabilities that we've acquired over the last few years.

When we get to talk about Europe, inevitably we'll talk about Germany because that's what everybody's asking us about.

So we'll do that, we'll then have a business outlook. The other thing I should say is, normally we try and be very helpful in our business outlook and we try and give you a bit of guidance in terms of where we're coming up against analyst consensus. We can't do that this year, because as I think everyone's well aware, we're currently in the process of relisting on the Main market. That means we have to issue a prospectus, and therefore if we say too much about where we're going to be against consensus, that means we've done a profit forecast and then we have to pay our accountants to carry out some work to verify the profit forecast, which makes this difficult.

So once we've moved to the Main market, Bill will be giving you a bit more guidance against consensus. But in the meantime, if you need any help with models, you know where to go, and do go and have a chat to Bill.

I probably should have introduced myself at the beginning and didn't. I'm Andrew and I'm Gamma's CEO.

It was suggested to me that I might want to begin by just running through very quickly what Gamma actually does, just going back to the very basics.

Gamma, I think most of you probably are aware, is a B2B communications business. We started about 20, 25 years ago in the UK, selling just calls and lines. In those days just picking up your phone and making a phone call, largely to small businesses. About 10 years ago we started selling to enterprises, and over the last five years we've been selling in Europe as well.

What we do is three things very crudely. So we sell cloud communications platforms. So if you think about the one everybody knows is Teams, but we sell Cisco platforms at the top end of the market on the right-hand side there. In the mid-market we have a product called Horizon that we've been selling in the UK for about 15 years now. We've got well over 800,000 users on that.

We also sell a product called iPECS, which used to be known as Ericsson-LG, which is a joint venture between Ericsson and LG. And then we have our own proprietary platform, PhoneLine+, at the bottom end of the market.

We don't just sell those platforms and distribute them, we're also a carrier. We also have our own network, which means we can provide what we call voice enablement, or using phone numbers to enhance those platforms.

So again, if you've got a legacy product, so hardware PBX, we can provide trunking. If you're using Teams, we can provide Operator Connect, which basically enables you to make phone calls in and out of Teams just using numbers. Then we'll talk a bit more about our Service Provider business and what we do there a little bit later.

Then at the bottom, connectivity, so Ethernet, broadband, mobile. Just as a reminder, where we're selling Ethernet, we're reselling from other providers. We're not digging up large swathes of the UK and laying our own fibre. We don't do that. We work with partners like BT, PXC, formerly TalkTalk Business. In mobile, we work with people like Three and EE in the UK.

So that's what we do. Do we make some money doing it? Well, yes we do, and we're very, very proud of those numbers. Really good growth throughout FY24. Thank you very much indeed to all of our customers, all of our partners, and all of our employees for their hard work during 2024.

Bill's going to go through the numbers in a lot more detail. I won't steal his thunder. Bill will unpick what's organic growth, what's not organic. What I would say is where we have acquired businesses, they've been accretive to earnings from the get-go, which has been particularly pleasing.

The other thing I'm particularly pleased in there, without diving into the numbers, is the number of customers we have taking Gamma products now.

We've got well over a million end cloud users. That's a million seats in the UK on one of our cloud platforms.

In Germany, on a pro forma basis, so if you add up everything we now own there, had we owned that at the end of 2024 we'd have had over half a million cloud seats, which is fantastic.

It's probably worth saying at this point, because it's in the RNS and Bill will cover it in a bit more detail, whilst we've had a really, really good start to the year in Germany, our Enterprise business is looking good. In our SME business, we're seeing a little bit of softness and people are already asking us, I'm sure it'll come up in Q&A, about one or two of our peers that sell into SME having reported that they're still quite confident.

We're confident, we're not worried. But what we are seeing is at the bottom end of SME, and remember Gamma's average customer size on something like Horizon is about 16-17 seats, so in that very, very small end of SME where you've got 10-15 employees, we are anecdotally picking up that people are a little bit worried about the economy, they're a little bit worried about NI rises, they're a little bit worried about what might be coming through in employment legislation, and that has seen a little bit of softness. So at the bottom end of SME we are seeing that softness.

In terms of the highlights of the business, and we'll cover all of these a lot more later. Our Service Provider business within Gamma Business, has had a really good FY24. We're just going to pull out that 20% of Gamma Business's revenue is selling to service providers. Why are we doing that? Because we're quite excited about it. Service providers mean those businesses who sell a communications platform where they're not a carrier.

So again, if you think about Microsoft being the obvious one, but also Cisco, people like Twilio as well, they don't have network capability in country and they require businesses like Gamma to help them. That's a growing market because we're seeing more and more of those players, but also following our Coolwave acquisition 12 months ago, we're beginning to offer those services outside of the UK now, and we see that as a growth area. We're pleased with what we've achieved in FY24 in Service Provider, but we see it as a growth area.

Similarly, Gamma Enterprise had a good FY24. Bill again will run you through that. I will talk to you a bit later about some of the wins we've had. We've got a number of really exciting new logos, customers like Specsavers, Swansea Council, Savills and Morrisons, and we're winning business because we're very good at what we do, first and foremost, but we're also winning business because of some of the capabilities that we've acquired.

When we get on to talk about Europe, we'll talk about two big acquisitions we've made in Germany over the course of the last seven or eight months. For the first time I can stand here and say our German business now has scale. We now have sales teams across the whole of Germany, and I'll give you some stats and some figures later on.

But fundamentally, we've got good products, we've got products that will work for every customer irrespective of their size, and we've got a sales team across the whole of Germany. We'll revisit some of those things a bit later on, but right now I'm going to hand you over to Bill who can come and talk a little bit about the financial highlights of the year.

Bill Castell: Thank you, Andrew. I'm Bill Castell. I think I know pretty much everyone in the room. I'm the Chief Financial Officer, I've been at Gamma just under three years.

A lot of good stuff happened in the last 12 months in 2024. So if I turn over, a common slide I think many have seen before is the six-box grid that covers some of the key financial highlights. As Andrew's already said, our revenue was up 11% at £579.4 million. That flows through to an adjusted EBITDA which is up 10% at £125.5 million, and I'll talk a little bit about that because we actually had quite a few costs flowing through into that £125.5 million that we didn't have in prior years.

Flowing through after that down to adjusted EPS, that was up 13% to 85.1p, helped by interest income. As I go onto the cash line, you'll see that this was pre the STARFACE transaction that took place in February 2025. So we did finish the year, as you can see at the centre there, at £153.7 million of cash. That cash in the centre is the same as our net cash because we didn't have any debt at year end. We paid off the small German mortgage in 2024, but I'll come to 2025 because we do now have debt.

Cash conversion, that at the bottom there in the corner, was 96%. That was slightly down from the 108% last year, but if you recall last year I talked about the working capital adjustments, but it's well above the 90% plus guidance that I gave, with adjusted cash at £120.4 million.

All of that feeds through. I am going to talk about the share buyback in 2025 in a moment, but we are still having our progressive dividend policy. If you recall, at half year we paid out a 6.5p dividend per share. We pay a 1/3 and 2/3 dividend, so hopefully it's no surprise we're at 19.5p for the full year, which is up 14% year-on-year. So as Andrew said, a strong set of results for the year.

This slide, one of my new slides, as Andrew mentioned, our move to the Main market is subject to FCA approval. We have a prospectus that is in draft, but we look to move to the Main market on the 2nd of May. Previously we've talked about Q2. If you know the market well, you'll know that in order to get the FTSE 250 index tracker funds to invest in June you have to be on the Main market before the 6th of May to get the end of June trackers coming in. So the 2nd of May is the date that we expect to move.

But I thought it was a good time to take a look back, before we go into the details of 2024, at the last 10 years, and I think the graphs tell their own story, which is 18% CAGR of adjusted EBITDA over the last 10 years from 2014 to 2024, and 19% on adjusted EPS on a fully diluted basis.

Interestingly, when you look back at 2014, Gamma's adjusted EBITDA was £23.1 million. That compares to £125.5 million in FY24, but if you keep that £23.1 million in your mind, Andrew will refer back a bit later when he talks about Germany, because interestingly, Germany is now a similar size to Gamma UK ten years ago and might be following a similar path, we hope, going forward, but certainly we now have scale in Germany.

If I move on to the primary statements, so this is our income statement. I've already talked about the double-digit growth that you can see in the light purple column on the table.

There's three points I want to call out here. The first is right at the top, that's 89% recurring revenue. It's something that's been consistent in Gamma's story with our subscription-based model. That continues to be 89% and £516.6 million of revenue.

Hopefully those of you who've had a chance to look at the RNS, will have noticed we have increased disclosure this year. So we give extra disclosure to break down that revenue so you can start to see what's traffic versus subscription and then you can start to see what's non-recurring. So hopefully that helps in some of your modelling going forward.

The second one is to talk about the organic growth. We've done a lot of acquisitions, STARFACE in '25, but in '24 we had Placetel, BrightCloud and Coolwave, and before that Pragma. So we've done quite a lot of acquisitions in the last couple of years, so it felt it was the right time to actually look at our adjusted performance measures and alternative performance measures, and that's what we've done on page 44 in the RNS.

You'll see that and on the final column of the table, 6% gross profit and 6% adjusted EBITDA growth. I'll come back to operating expenses later on.

The third point to note is actually our statutory profit before tax grew by 34%. Not a bad outcome. A metric growing significantly. When we do adjust, because of the prior year we did have exceptional items, that still comes out as a very healthy 14%. So right at the bottom there you can see the adjusted profit before tax was £111.9 million, helped by the interest income. Clearly we have the £153.7 million in cash at the end of the period, but we had significant cash throughout the period.

I start going through, like I have previously, the divisions. Gamma Business, as Andrew's already said, our largest division. When you look at the growth at the revenue and GP level we had 11% headline growth helped by Pragma and Coolwave and Service Provider which Andrew's already mentioned, and we'll cover a little bit further. We will increase our disclosure on Service Provider going forward.

The second one is stable margins. So you can see the 52.8% compared to prior year 53.0%, so very stable margins throughout the period. And we had organic growth at the GP level. Slightly down as Andrew mentioned as we went into Q4, but overall for the full year we grew at 6% on an organic basis.

One thing I should note is that we had stable ARPUs across the piece with the help of product add-ons coming through, the price rises were more in the traditional products when I talked to you at half year. We will talk more about the scale of Service Provider, with an excess of 12 billion minutes carried on our network.

Moving on to Gamma Enterprise, the numbers get bigger. At the headline level, on revenue you've got 15% growth year-on-year, up to £126.5 million. The gross profit up 14% to £60.2 million. Again, margin stable, 47.6% compared to the prior year 47.8%, and pleasingly, the organic growth stepped up, '24 to '23. You can see on the GP, for example, organic was at 4% in '23, has now grown to 6% in 2024.

So all in all, a healthy performance. BrightCloud, Andrew talked later about the Cisco CX provider, providing a turbocharge at the headline level when you look at the double-digit growths of both revenue and gross profit.

Now Europe. This is going to be an increasing focus going forward. Germany will be disclosed on its own as a result of its size. Andrew's got a slide coming up, which will explain that. But the headline story was 6% revenue and 18% GP growth, but that was significantly helped by the Placetel acquisition. At the organic level we were actually pretty much flat, slightly down at minus 1% growth year-on-year for revenue.

But interestingly, similar to when I spoke to you at half year, the gross profit was up 5% year-on-year. So positive 5% on a constant currency basis. So gross profit at £45.4 million, this is all in Sterling, and you can see that margin.

So the outcome of that is that we've been growing the higher margin side of the business, what we call the non-traditional products. So the traditional products, the mobile side haven't grown as much as the products that we're keen to grow, which is our UCaaS products.

In Europe, for those who know our business, Germany is by far the largest part of our European business, but we also have Spain and Netherlands. Germany grew and you can see some of the numbers I've put down there on gross profit, Germany had saw 8% underlying organic gross profit growth, that's pre Placetel. So even before the transactions, we saw some good momentum in our German business.

Automatically, your go, "If Germany's grown by 8%, what are the others growing by?" Spain was growing, and I think as you can see in the RNS, Netherlands, although it's a very small part of our overall business, was more challenging as it’s a more mature market.

Investments. This is a slide that I started about 18 months ago to give clarity on our total development spend. What you'll see is it's relatively stable in '24 versus '23. So we're at £32.2 million worth of development. That's both what we capitalise in development, but also what we put through the P&L, which is important. That's pretty much flat, so slightly up year-on-year by £500,000

I think the important thing to note is we've been capitalising less. So you can see the 45% capitalisation rate in 2023 versus the 39% in 2024. I said this at the half year results, if you recall, as we moved the investment. We still invest in PhoneLine+ and some of our own software, but clearly we have third-party supplier relationships such as Cisco and those relationships with Ericsson-LG, Microsoft Teams and others.

And so we're now focusing more on the portal, which will allow us to interact better with our channel partners. That has gone live now internally. It's in constant build in respect to improving the portal for our channel partners to sell the multitude of products that we can now sell through the channel. As a result of the first half of the year, where was more expensed development than capitalised.

When you move across then to the other side, you can see the capex therefore was down year-on-year, down £3.8 million. So it went from £23 million in 2023 down to £19.2 million in 2024. You can see that development cost were £1.9 million less. Also, we'd bought quite a few software licenses in 2023 and there was not such a need in 2024 to purchase as many licenses.

Just bear that in mind, in particular the capitalisation rate, because I have added a new slide. I like to keep things interesting. If you look at the income statement, there's one number that I didn't call out on the headline, which was the 14% opex increase, which all other things be equal might be quite shocking if organic opex was increasing 14%.

What I've shown here is a bar graph and a table just to explain that 14%. So if we work backwards as a result of the M&A, we get the benefit clearly of all the revenue and gross profit which contribute to the double digit headline revenue and gross profit growth rates which you've seen. However, we also inherit the costs associated with these businesses. So you can see the inorganic growth of £14.1 million in the year compared to 2023. Since those acquisitions we've purchased, there's an actual £14.1 million in costs. The good news is there's more revenue and gross profit than opex. So when you strip those out on an organic basis, you get to £161.5 million, which is a 6% year-on-year increase. However, when I do the analysis and hopefully when you do the analysis, you also can see there were a number of things in 2024 that I alluded to earlier that didn't occur in 2023. One is if we had the same capitalisation rate, i.e., we didn't expense as much in 2024, then we would have had £2 million extra capex and £2 million less opex. So that's just looking on a like-for-like basis on a constant capitalisation rate.

Deal costs: I think it should be no surprise given STARFACE, Placetel, BrightCloud, Coolwave, and others that we didn't go ahead with, that the due diligence costs were £1.9 million, up year-on-year. Unlike some other businesses out there, we don't split those out as an adjustment. We flow those through as a normal course of business. Finally, R&D tax credits: clearly, if you spend less capex, you get less R&D tax credits coming through, and we had £1.1 million less R&D tax credits. There is a slight net contingent release associated with Satisnet and Pragma that goes the other way. But all of that leads you to a view that actually the organic growth was around £8.6 million. But of that £4.9 million is what I would call underlying true year-on-year, which gets you to around a 3% increase year-on-year. I know those in the room who do all the modelling will do it their own way, but it gives you just an idea on the like-for-like basis going forward.

Back to the primary statements. Balance sheet: I won't spend too long on this. There's two things I'd like to pull out here. One, when you look at the main balances, there are significant increases in receivables and payables, et cetera, that is associated with the M&A purchases, and you'll find in the RNS both the PPA adjustments we've made, but also you can see the balance sheet that we've taken on with the transactions. That's one point to note. The second point to note is at the bottom there, which was the release of

Satisnet and Pragma, I mentioned earlier. Under contingent consideration, we finished paying off Mission Labs. You'll see again in the RNS we have quite a lot of disclosure now on the contingent consideration. So you can map through all of those.

Needless to say, I'll say it again, we finished with £153.7 million of cash, pre the STARFACE transaction, but it leads me nicely onto the cash flow. I'm going to keep saying 96% conversion, not 108% as it was last year. As I said before this was because of the prepayments in the prior year, but well above the 90% guidance that was provided. So another really strong year of cash conversion. When you look at the bottom, you can see there was a £17.8 million net cash increase. This was after our normal progressive dividend policy of £17.3 million, acquisitions of over £15 million, our share buyback of over £27 million. That list keeps going on, but we still keep generating cash, and I think that's the main point to take away. The only other slight anomaly this year was the increase in taxes paid, which you'll see went from £15.3 million in 2023 to £23.9 million. So quite an increase in taxes paid. That's a result of us making more profit, which is not a bad thing.

But also in the prior period we had some exceptional items, and in 2024 we had some due diligence costs, which were not tax-deductible. Again, there is a note in the RNS that takes you through how that comes about. As I said, 96% cash conversion and we finished the year with £153.7 million of cash, so another strong cash generative year. So the slide that everyone waits for, after listening to me go through 10 other slides, this is as Andrew said, where I normally list the consensus and give you a view on outlook. We can't do that this year as a result of the prospectus and moving to the Main market of the London Stock Exchange. However, with Peel Hunt and Deutsche Numis, our brokers help; this is what I am allowed to say. Firstly, I haven't mentioned it, but the share buyback announcement went out one minute after the results RNS and announced a £50 million share buyback. If you recall, we have an RCF facility of £130 million that we took out as part of the STARFACE transaction.

We drew down £30 million relating to STARFACE. So we clearly have liquidity to support both the share buyback and the dividend, subject to the AGM, that we announced today of 13p, which is 19.5p for the full year. So we certainly have enough funds. You'll also see in the going concern statement in the RNS that we gave a February month-end cash update. As we stand here today, we're in a net cash position. So although we've drawn down £30 million of the RCF, given the working capital cash that we have in the business, £17 million plus is the number you'll see. So we're actually sitting here before we start the share buyback in a net cash position at the end of February.

When we do look out to 2025, we are not giving official guidance, but as Andrew said, we're excited about the German acquisitions. Andrew and I have spent a lot of time in Germany, and we're heading out there next week, but we expect strong Group growth supported by satisfactory Group organic growth, and that might come up in the Q&A. Everyone I spoke to this morning asked, "What does satisfactory mean?" We're making good progress on integration in Germany, which Andrew will come to. Then the final comment, is just to provide a few numbers, which will help with modelling. National Insurance, Andrew has alluded to the impact on UK SME, we ourselves have over 1,500 people in the UK, so that's hitting our opex by around £2 million. And that's not just the 13.8% increasing to 15%, but also the changing to the thresholds.

I think what I've seen from analysts, is that is now included in their numbers. Then there are some anticipated adjustments at the bottom. The bottom one I think have alluded to before, we spent £1.4 million in 2024 on our ERP and HR system. We said it was a two-year program totalling £3 million. So this is just a remainder that, £1.5 million is coming through in 2025. That's on budget, and on course in terms of timings.

There are costs associated with the move to the Main market. Andrew's mentioned the accountants. There's lawyers, there's accountants, there's entry fees. That is similar to businesses who we're following in the move up to the Main market which includes Alpha and others, and is expected to be around £2 million of costs. With the STARFACE acquisition that completed on February the 19th, there are number of transactional costs associated, which were estimated to be between £4 million and £5 million. Again, those last three items are expected to be adjusted for, whereas the £2 million increase in NI is an ongoing cost. So that would just come through in the normal course of business. That's it. Very happy to answer any questions in the Q&A at the end. I will now hand over to Andrew who'll give you an update and some more disclosure on Germany.

Andrew Belshaw: Cheers Bill. Thank you very much indeed. Right, so this is the Update on Market Trends and Business Units section. So there's no major pivots that we're about to announce. One of the things about Gamma is it's a bit of an oil tanker business in an oil tanker industry. Things tend to move relatively slowly. You'll have seen this slide before, but again, I just wanted to run through it and remind you of what Gamma is about and where we play in this market. So Gamma occupies what is a unique position. The global tech giants and the partners want to come and talk to Gamma. So we're talking about people like Microsoft, we're talking about Cisco and others who want to come and talk to us because we have this amazing distribution reach. We have thousands of partners across Europe, reaching tens of thousands of small businesses across Europe.

We have access to hundreds if not thousands of CIOs in the enterprise and public sector as well. So we have this amazing reach, and why do we have that reach? We have that reach because actually we're good at what we do. But also, fundamentally, we have all of those relationships with the tech giants and the large partners. So it just works really, really well. But we're not merely a distributor of commerce platforms. Gamma is a carrier. We have a network in the UK. We have a network in the Netherlands, and Spain, and in Germany as well, which means we can do voice enablement, which means if we are selling a communications platform, we can provide numbering on that platform. We can carry the calls. I've got an example of where we won some work this year on the back of that capability.

Then at the bottom, Bill mentioned it earlier on, we're currently rebuilding our portal. Why are we doing that? Because we want our customers and our partners to have a fantastic quality of service. So Gamma sits in this great position where the tech giants want to talk to us because of our distribution reach. Our customers want to talk to us because we have the relationship with the tech giants, but also we have that carrier capability, and we have that fantastic quality of service. You'll have also seen this slide or a variation on a theme of this slide, which are the growth drivers. We've been talking about these probably for the last year or so now, but they remain very pertinent and they remain constant.

One of the problems that we have when we're trying to explain Gamma to a new investor or even to our own employees, is the world's more complicated. 10 years ago, I'd have been stood up here talking about plastic phones on your desk making calls, and if you made more calls, you made more money. These days, you want to do video calling. You'll want to integrate with WhatsApp, which you didn't want to do 15 years ago because it didn't exist. You'll want to integrate with CRM systems. As the world becomes more complicated, our story becomes more complicated. For those of you who are modelling forecasts, it becomes more complicated. But fundamentally, we have more opportunities to increase the ARPU from customers because they have more things they want to do with their communications and, therefore, we can charge them more money.

Second thing, we're very excited about Germany. We've got lots to say on that, so I won't go through that now. But the German market is still very, very under-penetrated compared to certainly the UK, but even in the UK going on to point three, you've still got somewhere between 40 and 50% of businesses in the UK using a hardware SIP PBX, which is great because they're buying Gamma SIP. So we're very excited about that. But over time, they will migrate to cloud products and the ARPU goes up, because in the UK we don't sell those hardware boxes, so we only get the SIP revenue, but we can increase our ARPU by getting the communication platform revenue as well.

And the fourth thing, the PSTN switch-off in the UK. BT keep putting the date back, which is perhaps less helpful. But there's three things that we're doing to exploit the PSTN switch-off. The first is we have our product, PhoneLine+, that we launched a little while ago. It's a single-line replacement product for micro-businesses. We've got 34,000 users on that, and in the next few months we're going to launch the next iteration of PhoneLine+ that just enables our customers to do more things, which is great. Secondly, we have a good fibre offering working with our partners. So again, people like BT and PXC, and that's going to be on our new portal over the next couple of months as well. This enables our customers to come and pick the right fibre solution for them. The third thing that I think we're calling out, probably for the first time here, is we have a solution called FUSION IoT, that was developed by our German team. It's an IoT solution.

We've brought that into the UK now. Where we have end users who've got single lines going into things like lifts, like alarms where they're just monitoring something, IoT is the obvious replacement for those single lines. So again, that's going to be launched over the course of the next couple of months in the UK to small businesses. So that's the market.

Let's talk about the various business units. So Gamma Business, this is where we're selling mainly through channel partners, mainly to small businesses in the UK, and that's about 65% of our revenue. But as I said, what I wanted to focus on this morning was the 20% of Gamma Business that we don't really talk about, which is our Service Provider business. It's about £76 million out of the £370 million revenue. So it's about 20, 21% of Gamma Business revenues, and it's selling to a slightly different type of partner to our regular channel partners.

It tends to be people like ISPs, like MVNOs, like cloud communications providers, like we were talking about earlier. What does Gamma provide for them? Well, actually, it's very simple. If you're a cloud communications provider, and you want to provide telephony in a country, you're going to need phone numbers, and you may not have phone numbers in that country. Gamma has lots of stock of phone numbers in all the countries in which we operate, and we're able to sub-allocate those to our partners who are able to sub-allocate them to their end users. We can also route calls in and out of those numbers. So, rather than just having the commerce platform, you've now got the commerce platform with the ability to make and receive calls. As I said at the beginning, that's exciting for us for two reasons.

The first reason is f you think about some of the names in the Gartner Magic Quadrant and you think who's up there towards the top right. Those are the kind of people that don't have comms networks in each country, and those are the people that we're dealing with. More people are buying some of their solutions. But the really exciting thing is, following our Coolwave acquisition, we can now begin to offer that in nearly 20 countries.

One of the things we're going to be doing throughout the rest of '25 and into '26, is talking to the people that we're already working with in the UK about providing that business for them outside of the UK. So again, we see this as a growth business, and we just wanted to call it out this morning because it'll be something that I think we're going to be talking about a little bit more, as well as the rest of what Gamma Business does, as well as all of the good stuff that we do through our channel partners to our small business customers'.

Enterprise: I wanted to talk about, and I'll show you some logos of business that we've won during 2024, but I want to focus on some of the acquisitions that we've made and how they're helping us to win business. So the first acquisition, just to remind you, was a business called Exactive, which brought our Microsoft capability. Satisnet was our security capability that we bought in '23 and BrightCloud was our customer experience capability that we bought about six months ago in '24.

So here are some logos. You will know these companies very, very well. I think probably our most high-profile win in '24 is Morrisons. We're absolutely delighted to be working with Morrisons. We've been seeking them out for some time, to work with them, and the first thing that we did for Morrisons was putting in a brand-new network for them that's covering 2,000 sites across the UK. That's going to be a high-speed network that helps them fulfil their e-commerce ambitions. So they work with people like Amazon, Deliveroo, Uber, and they need a good in-store network to do that. We were able to win that business fundamentally because we just didn't turn up and talk about network speeds and all the techie stuff. We just listened to the business problems, what are they trying to do, and how can we solve them?

So we won the network, and then we're also now providing SIP to them, over that network. We've sold PhoneLine+ into Morrisons as a communications platform, and we're also now selling them security services using our Satisnet capability. So again, it's a network win followed by voice wins and a security win. Other things that we're really, really good at. The AA, some of you who've been following Gamma for some time will remember we've had this logo up years ago. Gamma helped the AA move from 08 numbers, so if you follow their vans up and down the motorway, some years ago they had 08 numbers. Now they're all 03 numbers. That's just a cost saving for them. But more importantly than that, it gets Gamma to be known as a reliable technology partner. So when they wanted to put their mobile estate out for tender, they invited us to come and tender for that, and we won it.

More recently, we've been working on a project with the AA to put our FUSION IoT solution into their vans, which is turning their van into a network hub. That does a whole bunch of quite interesting things for them, but fundamentally, what it means is they can get to you if you've broken down more quickly. So what's that? That's better customer service for them. And ultimately, they can see more customers in a day, fix more breakdowns in a day, which again is good for them. We're also working on a security solution now with the AA, and that's going to be a partnership between Gamma's network capability, Cisco's SD-WAN capability, and the security capability that we have through Satisnet. So bringing those three things together, we're providing now a security solution for the AA. So again, it just demonstrates that we win the first project, and then we move on to other projects.

Edmundson Electrical is a brand-new customer for us this year. So Edmundson Electrical, as you probably know, they've got a number of stores and warehouses around the country, and they had lots and lots of different PBXs that were running locally. What they wanted was a single cloud PBX that could just work across their entire estate. With our partners at Cisco. We bid Webex and we won it. Why did we win it? Again, it's that network capability together with the cloud communications platform. Put very simply, when we actually put our solution together, and we trialled it, ours actually works. I won't tell you who we were up against, but not all of the pilots that they tried did work.

But it just goes to show you it's the cloud communications platform coupled with a network that actually matters when you're bidding these companies. The final one down there, Swansea City County Council, again, that's been a SIP customer of ours for some time, but they're one of these people who have a SIP going into a hardware solution, and they wanted to move to UCaaS and also a CCaaS offering because obviously lots of people phone the council. They'd invested quite heavily in Teams, so they already had the E5 licensees that you need to voice enable Teams. So they wanted a Teams heavy solution, but they needed the contact centre offering. So what we were able to do is take Teams, because we work with Microsoft, we were able to take Cisco's Contact Centre because we worked with Cisco. We were able to take a proprietary solution that we've got called Cloud UCX that we acquired with Exactive a few years ago. And knit all of that together into a solution that worked for Swansea so they could leverage what they had already done with Microsoft and we could give them the best in class capability on the back of Cisco's Contact Centre solution. So just some examples of what we do and how the acquisitions have helped.

Gamma Europe, again, Bill sort of alluded to it earlier, our Spanish business is doing well. It's a tough market in the Netherlands. It's quite a saturated market.

But we really wanted to talk about Germany. One of the questions we've been asked lots about Germany is, "What is the size and scale of your

German business?" Because we bought Placetel back in September, so you've only really got a quarter of Placetel in the numbers and none of STARFACE. So what we've done is pull together a detailed analysis of our German business by aggregating what would FY24 look like if we add up Gamma Germany as it was, with the Placetel and STARFACE for the whole year. There's a few estimates converting German GAAP into IFRS accounting, so these are approximate numbers, but hopefully, it gives you an idea of scale.

So as we sit here today, the run rate for Gamma Germany is revenue €125 million, EBITDA around about €23, €24 million. We've got 450 employees in five sites across Germany. So as I mentioned earlier, for the first time we've really got full nationwide coverage in Germany. We've got Köln up there in North Rhine-Westphalia, Karlsruhe down in Baden-Wittenberg, and then over in Bavaria, we've got Hof, Munich and Starnberg. So we've got really, really good coverage.

We've got over half a million cloud seats in Germany, which puts us up there I think certainly in the top three of cloud providers in Germany. But in addition to that, we've gotten nearly 400,000 users on hardware. So one of the things that STARFACE are able to do is to go to customers who say, "We quite like your platform, but we don't like cloud. We don't want to go to the cloud yet." Well, STARFACE can provide it on a piece of hardware that you can put in your own server room. Nobody can get to it or touch it. That's yours. But when you're ready to move to the cloud, it's very easy for us just to flip a switch and move you into the cloud. So we've got 400,000 users on hardware that can move to the cloud.

We also have 200,000 users on something called Estos, which is another part of the STARFACE business that we acquired. Estos is a UC (unified communications) overlay. It's a product for the German market that sits on top of a hardware PBX. Again, if you're sitting there going, I'm not ready to move to the cloud, I want to have a hardware PBX, but I quite want voice and instant messaging and all the other stuff you associate with UC, Estos can sit on the top of that and provide you a UC solution on hardware. We've got another 200,000 users on that. Then our Fusion IoT product, we've got 44,000 SIMs out there. So I hope you agree. It's actually a sizable German business of scale.

The thing that really excites me, and so Bill alluded to this earlier, is if you go back to the graphs that Bill showed you a few minutes ago, the size of Gamma Germany today isn't a million miles away from the size of Gamma UK when we floated 10 years ago. That's one of the things that makes me so excited. It makes me so excited because when you look at the German market, the state of the German market looks a bit like the UK market looked all those years ago. So what's that graph telling you?

This is from an organisation called Cavell. It's independent third-party data. We've shown you Cavell data before and I think we've generally sort of fessed up to the fact they tend to be a little bit optimistic so I'll just put that thought out there with you. But if you look at the end of '24, Cavell are telling us there's just over 5 million cloud users in Germany. Depending on who you read and who you study, the total German market is somewhere between 25 and 30 million users attached to telephony in some way, shape or form we believe.

So penetration is somewhere between 15 and 20% is what people are saying, but definitely sub 20% everybody would agree on. Cavell are then saying over the next four years, that doubles. So even four years from now, you've got 30%, 35% penetration in Germany. So Germany, as we've seen in the UK, as Gamma has grown over the last 10 years, very steadily, very methodically, the German cloud PBX market is going to grow very steadily, very methodically over the next 10 years. Gamma's in a really, really good place to exploit that.

Why are we in a good place? Because we've got the entire solution set now. We'll come at this in a couple of different ways. But we've got Placetel, which was the acquisition we made in September. That's a digital-first solution. It's digital. Many of our customers still come through us through partners, but it just enables small businesses, sub-10 users to go online, manage their telephony very easily and it's a really nice solution. Then as of a few weeks ago, we now have STARFACE, which is a fantastic mid-market solution in Germany providing a very flexible cloud PBX experience. At the top end, we work with Cisco. I talked about our Estos product a moment ago. So our Estos product can give larger businesses a UC type of experience even if they want to use hardware. Hardware is still really important in Germany and I mentioned again a minute ago, STARFACE still has a hardware offering.

So right now as we sit here in Germany, for a business of pretty much any size in Germany, we can provide you with either a hardware or a cloud offering that will give you the communications platform you need. Of course, we still voice enable Teams. We've launched Operator Connect in Germany. We've got a thousand seats on there. We continue to look for other solutions that we need.

The other way of looking at Germany is to think about the diagram that I showed you right at the very beginning of the presentation showing what Gamma does. This is what Gamma Germany looked like when we were stood up here 12 months ago. We had a fantastic SIP trunking business that we bought a few years ago over in Hof and we had a great mobile business, but we were a bit weak in cloud and we were a little bit weak in some of the areas of voice enablement. I can remember saying 12 months ago, “there's two or three situations in Germany that I think we can unlock over the course of this year." I'm absolutely delighted. We did unlock them over the course of this year because we're just in a very, very, very different place now in terms of that business.

Organically, what we knew we were going to do was launch Teams voice enablement. So as I said a minute ago, Operator Connect is available in Germany and we work with Cisco in Germany at the enterprise end. We haven't spent too much time talking about it, but getting our Enterprise business into Germany and winning large German clients is something that we very much want to focus on as well over the next year or two. But since we've done the acquisitions, we now have that full service, cloud-based communication suite.

Again, I mentioned a few minutes ago, Service Provider is something we want to launch in various European countries, certainly including Germany. Then connectivity. We can sell you Ethernet and broadband in Germany, but we need to get better at it and we need to get better coverage of that. So that's one of my challenges over the next year or two. But hopefully you get the sense of excitement. Gamma Germany looks like Gamma UK looked like 10 years ago. The German market looks like the UK looked like 10 years ago and we have got the bits now to exploit that market in a way that we didn't 12 months ago. So still very excited about the UK, very excited about the Netherlands, very excited about Spain, but I do think we've built something special in Germany over the last 12 months, just to labour the point.

So moving to the outlook, as I say Gamma Business, I'm excited about what we're doing with small business. I'm excited about what we're doing with channel partners. I'm excited about all of those SIP customers that are currently using SIP plus hardware, that are going to be moving to the cloud over the course of the next few years. We're excited about the capability of our Service Provider business and how we think that can grow both inside and outside the UK.

Gamma Enterprise, we're winning and we're winning because we're good, but we're also winning because we made some great acquisitions and we're knitting those together and providing our customers with a full technology stack, which is great. In Europe, Germany now has scale. We've got a great solution set. We've got a fantastic partner base.

We're not entirely sure what's going to happen tomorrow, what Rachel Reeves will or won't say, but whatever happens to the UK economy over the course of the next 12 months, the fundamentals of Gamma's business remain strong. We've got high recurring revenue, we have stable margins. Bill talked about the cash conversion earlier on. Fundamentally what we do, providing communication, is critical to every single one of our customers and every single one of their end users. What we've seen, if taxes change or whatever changes, investment changes and the economy gets a little bit softer, Gamma carries on growing in periods of a softer economy. It may just grow a little bit more slowly than it grows when the economy's buoyant.

Then finally, we continue to look for M&A opportunities. We know we've got a job of work to do to integrate our German business and we're already on that. As Bill said, we're over there next week. I'm spending half my time in Germany at the moment, just making sure we get that integration right so that we can exploit the opportunities that we've got going forward. But what we've bought has been accretive and we carry on looking for other things that are accretive.

So that's probably where I invite Bill to come and sit down with me at the front and we can move into Q&A if that's okay.

Maurice Patrick: Yeah. Hi, it's Maurice. I'm from Barclays. Just a couple from me, please. Just on Germany. So in the slides, you put a slide up saying that you've grown adjusted EBITDA by a CAGR of 18% in the UK over 10 years, and Germany could look like the UK. So people ask the question, does that mean you can take your pro forma £25 million EBITDA and grow that 18% on average yearly over 10 years and see where you come out?

If I look at the German market over the last 10, 15 years, it has been slower than the rest of Europe in terms of mobile adoption, broadband adoption, everything. I'm just curious to your views too, if you think there's anything structurally different about Germany which might make you think that you couldn't just extrapolate the 18% CAGR you've had in the UK?

And then the last question. In the Dutch market you sort of brush off the declines there as it's a mature market, but in fairness, KPN and VodafoneZiggo are doing okay in the Dutch market. There's no disruptive forces seemingly, so curious as to is it as simple as it's mature or is there some more other elements going on? Thanks.

Bill Castell: So we'll be very happy if Germany follows the 18% growth. I think when you look at it, the size of the market, Mittelstand, so the UK SME market equivalent, is larger than the UK, so that's a tick in the box. Where we're starting from, as Andrew said, the 15% to 20% cloud penetration is a tick in the box.

I think it comes down to cloud adoption and the rate of cloud adoption in Germany. It has shifted but it hasn't accelerated. So we haven't what Cavell were saying about cloud adoption growth back in 2018. I think we've shown in even difficult macroeconomic times in Germany, we've managed to do high-single digit growth, I talked about 8% gross profit organic. We're obviously now a larger business. So even in a poor macroeconomic environment where cloud has moved but it hasn't taken off, you've got high single-digit growth.

The political uncertainty I think is solving itself in Germany. Maybe that's too early to say. But everyone's heard about the potential fiscal stimulus that's going through approval in Germany's parliament. So the proof's going to be in the pudding, but there is a bit more confidence building that there's going to be a more positive outlook going forward now in Germany. But it's not suddenly going to jump.

So I think the jury's out whether the 18%, 19% CAGR can definitely be baked in now, but I think it's not out in respect that we can get high single-digit growth in a market with a macroeconomy that's not booming. Andrew, if you would add anything to that?

Andrew Belshaw: No, I think that's all very reasonable.

Bill Castell: And then on the Netherlands, I think when you look at the cloud penetration, it's close to 70%. KPN have done a great job. They bought RoutIT, which was a Gamma-like company back in 2016. So they got a good advantage early doors in that marketplace. And then we turned up, it was the first place we went to in 2018. We're not saying it's a poor market, it is not growing for us at this time. There's opportunities, Operator Connect and others that we're doing well in. But it is a highly-penetrated market with competitors. And when you look at the market size compared to Germany, the TAM is just not the same size as Germany. Obviously, we're not in France, but that's got a significant TAM, and so does Spain. So it's a smaller market for us.

As you might be aware, Gerben who runs our Dutch business also covers Northern Europe. So we have managed to get synergies across Netherlands and Germany. The CFO also covers Netherlands and Germany as well, so there's automatically some actions we've taken in order to grow that. But the materiality of the Dutch business, when you look through all the RNSs and elsewhere, you can see it's just a couple of percent of the overall group. When it's having a bit of a challenging time, it doesn't really steer the group in a different way.

Andrew Belshaw: I think it's a sort of vindication the other way round, not particularly in our favour, that scale matters. So why have we been so excited about the fact we've now got scale in Germany? Because all of the businesses, KPN, and Enreach, who are doing well in the Netherlands, they've got scale, would be the other thing I'd say. So it doesn't particularly work for us so well in the Netherlands, but it certainly does in the UK and in Germany. Harvey.

Harvey Robinson: Thanks. Harvey Robinson from Panmure Liberum. Three questions, I think two more detailed and one quite short. I'll get a short answer. Just on ARPU, you give a bit of colour in the statement on page five about how Teams increases your ARPU compared to your £1.25 price per SIP user. A couple of years ago, you gave us a quite a useful slide about how ARPU shifted within the Horizon portfolio. I think cloud PBX was £8 and then the collaboration tools up to £18. You obviously added the Ericsson-LG partnership since then. Could you just give us a bit more feel for how those ARPUs have changed and whether there's any margin impact on that? But obviously, you said, I think, historically that Ericsson hardware is quite prevalent with some of the people who require SIP into hardware. So that's question one. Question two, just on networks, you've been quite clear about what you own and don't own in the UK in terms of the infrastructure behind the core of your network. You've talked about BT, you talked about three, and EE for connectivity.

Could you give us a facsimile of what that would be, if you copied that into Germany, what do you own, what don't you own, who'd you partner with in the network? Because you've obviously made quite a point about voice enablement being important. And the final question is probably going to get a blunt answer. Why are you keeping Spain? Wouldn't it make more sense to recycle the capital into Germany?

Bill Castell: Andrew did previously show the slide that showed the SIP trunk, and then an average of four users per SIP trunk at the £1.25 per user per month. In the RNS, we talk about doubling to the £2.50 with Teams. Also on that slide, we talked about £7.95 for Horizon. These are the list prices, not ARPUs. The iPECS list price is around £7.50. I think you're thinking about the SIP PBX migration as you migrate to cloud PBX, now you've got more of a stack, what are the different points? So iPECS is very similar to PhoneLine+ at the entry level which has a list price of £3.95.

There's PhoneLine++, because we're going to do different skews on that up to around £6.95, some have been launched, or about to be launched. You've talked about Microsoft already at £2.50. Webex gets a little bit more complicated because there's multi tiers. So you start with a common tier at £4.95, and then you can go all the way up to that enterprise grade level CX at around £23.95. Overall, I think we're around the £8, £9 if you average it out with the add-ons. So as you see the SIP PBX migration, some SIP customers might go to Teams, some will hopefully go to Horizon, some will go to iPECS, some will just want, a more simple basic cloud product such as PhoneLine+ at £3.95.

But we now have that menu of choice for cloud products. The key is also the portal that we're building for the channel partners, so people can choose quite easily. 24, 36 months ago, it was pretty much Horizon, now we've got a whole suite of products, which is why the portal is so important. So hopefully that answers it. It doesn't give you the idea of the ARPUs, as we don't quote those, but they’re not far off the list price. I would say just on Horizon, we do have add-ons. I think you've heard of Horizon Contact, which is a £18 per user contact centre add-on. But that's less on the SIP PBX migration, that's the add-ons that go thereafter. Now, good that I did my research, because it's not my expertise to look at that German infrastructure side of things.

But you're right. As a result of all of the acquisitions we've made, we have a network infrastructure, which is dedicated links between our data centre space and the telephone network. I'll talk about our data centres in a moment, but in Germany, you have to have data centres in-country due to GDPR. We have dedicated rack space in data centres, so that’s where we host all of our UCaaS and Service Provider platform calls. Then as Andrew said, we've got our own SIP, we have our own voice service infrastructure. Now, with Placetel, with STARFACE, and with our own HFO (legacy German acquisition), which had the SIP voice business, we have data centres in Frankfurt, in Hof, which is where our HFO business is based.

We have a voice centre in Nuremberg and Frankfurt as well. The idea is over time, we will bring those data centres together because there will be some synergies that we can get on that. But the key for us is that we have the rack space to scale. It's putting more switches into those data centres and there's plenty of rack space to do that. So we don't have any barriers to scale. Is there anything you want to add?

Andrew Belshaw: Yes, absolutely. I mean on the other bits and pieces, so getting an MVNO in Germany is virtually impossible for regulatory reasons, but we work with all of the main mobile operators. I sort of briefly alluded to fibre. Fibre in Germany is hard as, A, their rollout is not great. And B, when we look at the cloud PBX market in Germany and we say that's about 10 years behind the UK.

The fibre market in Germany strikes me as even further behind, because you've got all these little regional fibre providers that are cabling up individual towns and cities. And we need to work on a solution so that we can provide fibre across the country. But the quick answer to it is it's a very, very, very similar model to the UK. We're not digging up the road, we're not building our own mobile network. We have got our own voice network as Bill said, we need to do some consolidation, and again, that should be an opportunity for synergies going forward, by not having quite so many data centres points of presence.

So that's Germany. Spain. There's a number of reasons for keeping Spain. I mean the main one is it goes back to that arrow diagram on slide 20. The fact that we have a business in Spain is actually very attractive for some of the people that we partner with. While that business is growing, yeah, okay, it's not growing as much as Germany's growing and I think it won't grow as much as Germany's growing, but it's washing its own face, it's growing. We're learning about the Spanish market, we're still looking for opportunities to consolidate that market. There's no reason for us to do anything different for the time being there. There were hands going up all over. Sorry. Carl.

Carl Murdock-Smith: Hi, yeah. Carl Murdock-Smith from Citi. Just one question, in terms of the comment you made about the PSTN switch off, it’s been pushed back. In terms of the current deadline which is January 2027. What's your view of that? I suppose, is your comment about the delays that there's still the same scale of opportunity, it's just being pushed more back towards that deadline, or is it that the scale of opportunity is actually smaller than you thought?

Andrew Belshaw: No, I think the issue is that the fire isn't getting towards the end of the burning platform maybe as quickly as we thought it was going to do. The deadline was originally the end of 2025. So people aren't, in theory, really compelled to buy all of those things that we were talking about a minute ago, so PhoneLine+, FTTP, IoT to replace lift lines et cetera until the deadline. Human nature being what human nature is, other things are interesting for the next 12, 18 months. So I think the scale of the opportunity is still there, it's just taking a little bit longer to crystallise.

Bill Castell: Some of the PhoneLine+ growth is because of new builds who can't have new copper lines.

Andrew Belshaw: That's true.

Bill Castell: So there is still some growth for PhoneLine+ that's coming out as a result of PSTN switch off, but the whole switch off hasn't happened, it's just that new builds cannot have copper connections.

Ross Jobber: Ross Jobber from Edison. Just a quick one on Enterprise, as the complexity of solutions grows, can you say what impact that's having on the Enterprise buying process, whether or not you're seeing any changes there and how you're responding, and just the competitive dynamics at a high level view for the non-telecom analysts?

Andrew Belshaw: I think buying cycles are probably getting a little bit longer because there's an element of people going out to market and testing the market a little bit and maybe refining what it is they're looking for. Having said that, most of the companies we're dealing with, certainly the logos that we put up there, I mean their CIOs are good. They know what they're doing. They can knock together an RFP that's pretty tight that defines things well.

I think in some ways it means we end up having to partner with people more often, because quite often you'll see an RFP where we can't do 100% of it, but I think that's true for a lot of the competition To sort of steer into the second part of that question, that begins to drive us towards why have we acquired the businesses that we acquired? Quite often, we're acquiring businesses because actually we've been partnering with them, or businesses that look a bit like them. In terms of the competitive landscape, I mean it's the usual suspects. So it's the BTs, the Vodafones of this world.

Bill Castell: Virgin Media and RingCentral et cetera.

Andrew Belshaw: Virgin Media and RingCentral certainly on the voice side. We're also seeing more of the global SIs (systems integrators) getting involved at the enterprise end, because, again, it's looking more like what they do, which is knitting together a lot of solutions. So we are coming up against them, and indeed working with them. They may be priming something, and we may be sitting behind them. There's that sort of relationship going on as well now. Should we come over to James?

James Lockyer: Hi. It's, yes, James Lockyer from Peel Hunt. I guess a follow up to his first question. The complexity you said earlier benefits you as it means there are more products for you to sell?

Andrew Belshaw: Yeah.

James Lockyer: But does the complexity increase the complexity of the sale for the channel partners where previously they were just selling a phone line, does that mean there's going to be required education efforts for their part? Could there be professional fees, services that go with that to educate the end customer if they're solving business problems from that perspective? The second question, you talked about Service Provider revenues being 21% of Gamma Business revenue, you reported it was a lower gross margin than the Gamma Group. Is that because it's growing fast and at an immature margin or is that margin going to have a dampening effect going forwards at the Group level? Then finally on the growth of EBITDA, you've shown us organic growth, but your capex has obviously reduced as well. Could you give us an idea of what the organic EBITDA less R&D capex growth was for in '24? Because I think that would probably be faster. Thank you.

Andrew Belshaw: I think it's a real opportunity for Gamma, because you're right, things are becoming more complicated. One of the things Gamma has always been good at is simplifying the complicated, putting it into the hands of a channel partner. So all they have to do is make the sale, come to the portal, press a few buttons and provision solutions. That journey is becoming harder and harder and harder for us as things become more and more complicated. But what we are trying to do is just simplify every step of the process because that's how we win. It goes back to when you talk to those big global giants, they don't really understand how small business consumes telephony solutions.

They're building things that can be consumed by those enterprise customers that we were talking about earlier. Who have a CIO and a team who know what they're doing, not by a small business that frankly doesn't have anybody that understands telephony to the same extent. So where Gamma can really add value in that chain is just simplifying stuff down, making it easy for the channel partners to provision, making it easy for the end user to consume. Sometimes that means dumbing it down, turning bits off it, and that sort of thing. Having said that, educating channel partners is absolutely key, and as we're bringing more solutions in, we have to educate channel partners in how to sell them. Inevitably we have to do that. But again, it's a differentiator for us. It helps us to get channel partners into more situations where they can win. I think the professional services one is a really interesting one, and many of our channel partners will be selling professional services to their end users.

Hitherto, we do a little bit of professional services, so where we have channel partners who want very specific bits of help, sometimes on a very big bid, we might charge them for that, but it's very, very minor part of our business now. I love recurring revenue, and I love runway business, and I think the challenge for us is rather than go, "Here's something complicated," have a professional services wrap around there, it's to be able to go, "Actually here's something that was complicated that we've made simple. We'd love to turn that into a managed service for recurring revenue stream for you." That's how we like to run the business.

Bill Castell: So two questions. Service Provider, I think the simple answer is, yes, it's a lower margin business. When you look at other service providers and you just look at traffic, others can get really low margins, but we're not doing that. We're quite selective with the Service Provider customers we work with and the Coolwave acquisition helps us, and allows it to be higher margin. But it's not the 70, 80% gross margins you can get on UCaaS products, it is low. So they will have a slight dilutive impact. I'm not allowed to give guidance, but I've said previously, the expectation is you're not going to see some margin drop off. On the EBITDA side, I'll let you do the maths, because we don't guide, as you know, to cash EBITDA or EBITDA minus capex on that side.

But you are absolutely right and I hope some of my slides were showing that when you look at the £125.5 million EBITDA, we've said the capex has come down from £23 million in 2023 to £19.2 million. So you've automatically got less capex coming through, as we move away from developing our own software to development of the portal. But more and more, as time goes by, and I'm talking medium term here, as we work with Cisco, as we work with Ericsson, as we work with many other third parties, they will be doing the R&D for us. We didn't want to be in an arms race, especially at the top end with AI. We're fine with developing PhoneLine+ for the bottom end of the market. But we haven't got the budgets that Cisco and others have, as a result of that, their R&D costs will come through more as the cost to sell and the license will have less OPEX associated with that development cost. But we'll also have less capex.

As Andrew always says, we don't know what other capex requirements might come up in two or three year's time, but all other things being equal as we get through this quite intensive stage of the portal build, which as you recall I said, was happening in '25 and in '26. After that time the portal should then be more maintenance capex, and unless we come up with some other project which we need to spend capex on, which we might do, then all others being equal, you see the profile lowering down to £19m and it might continue to do that after the portal investment.

Ian Robertson: Ian Robertson from Progressive. Can you talk about Germany and the missing bits that you saw in terms of connectivity and enterprise? Are all the bits and pieces in place for you to go out and build an enterprise business from scratch there? And how significant is connectivity as a missing ingredient in Germany?

Andrew Belshaw: So I might answer those back to front. I think connectivity is really important. There's a little bit of chicken and egg in that, right? Because people say to us, "Why hasn't Germany moved towards the cloud?" One of the reasons is the connectivity's not there, but is the connectivity not there because they don't want to move to the cloud? Which way round does all of that go? But we feel going forward, people are going to be doing more in the cloud, therefore they're going to need better quality connectivity to be able to do that. As we were saying earlier on, Germany's way behind in this fibre build-out compared to other countries in Western Europe, and it's not terribly organised in the sense that Deutsche Telekom are doing a bit of it, but you've got a whole bunch of very regionalised businesses that are also building fibre.

In order for us to run an enterprise business, I think when we went through some of the examples earlier on, we love having a network, because once you're providing somebody with network services, you can start selling voice over the top, security over the top. Generally, one of the first things we try and sell to our enterprise customers is the network. You can't do that if you haven't got the fibre connectivity. So again, these things become a little bit chicken and egg. So we are looking at doing things in a couple of ways.

Acquiring is the obvious thing to do, because there are businesses that have got this sort of nexus of contracts with the various fibre providers that could then help us. But as well as looking to acquire something like that, you can also partner with somebody instead. So when we showed slides in previous results presentation with logos of Aldi, Lidl, Volkswagen as our Enterprise customers, who are very big in Germany. So we can already have the conversation with the CIO in the UK saying, "Look, you like what we do in the UK. Could we go and talk to your German counterpart?" But in order to do that, we need to partner with somebody who can help us on the connectivity side. So those conversations are ongoing. We've got a bid that we're working on at the moment in Germany with a UK customer and we're partnering on the connectivity side. I suppose looking at it the other way, there are businesses out there that basically do a little bit what Gamma's Enterprise business does. So inevitably we're having a look and a chat to those as well. We will definitely look at doing it organically. If we can shortcut that and make a sensible acquisition, we will make a sensible acquisition as well.

Bill Castell: I think that's it.

Andrew Belshaw: Thank you for your attention. Thank you for those of you that write research notes on us, because we do appreciate it. And we appreciate all the time and the effort that you put into understanding the business to get good quality analysis out there. So thank you very much indeed.

Bill Castell: Thank you.