

# **Gamma Communications**

## **Half Year Results 2025**

**9th September 2025**

**Transcript**



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Andrew Belshaw:

Well, good morning everybody, and thank you to both of you who've got through the tube strike and turned up in person. But thank you to everybody who's dialling in and watching us on video. For those of you who don't know me, I'm Andrew Belshaw, I'm Gamma's CEO, and I'm absolutely delighted to be presenting our first half results for 2025. Joining me a bit later is Bill Castell, our CFO. This is what we're going to talk about this morning. It's a fairly standard agenda, but without further ado, let me tell you how we got on in the first half of this year. We are really, really pleased and really proud of what we've managed to do in the first half of 2025. Again, there's actually quite difficult economic backdrop in both the UK and also in Germany.

As you see there, our revenue's grown at 12%, but we also grew EBITDA 14%, which Bill will come and talk to. And this morning we're upgrading our EPS target for the year as well, which is an achievement against the backdrop. How have we managed to do that in difficult circumstances? Fundamentally, we, we've done it through acquisitions as well as organic. We've bought really well and we'll talk about some of the things that we've acquired in Germany and we've generated a lot of cash as well. So what we've been able to do is buy well and also return cash to shareholders. So far in the first half of this year, we've returned over £50 million and based on the dividend we've announced this morning, by the end of the year, we'll have returned £60 million to shareholders. So we've had a fantastic first half of the year.

In terms of some of the highlights and some of the things that I wanted to pull out, we're excited about the traction that our UK SME business has got, what we call Gamma Business, where we're selling to small and medium sized businesses through our channel partners. We've continued to increase volumes in all of our core solutions. So all of the products that we feel should be growing at this stage in the economy, they're all growing, which is great. Why are they growing? Well, fundamentally, they're great solutions, but also we've spent a lot of time and effort on building out our portal. Our portal now makes our customer order journeys a lot easier. It's easier for people to buy things from us, and that's what they're doing.

And we've also worked with our partners to deliver new solutions for them. Throughout the course of the morning, we'll spend a bit of time talking about a deal that we've done with O2 Daisy, where we've helped them with a platform that they've acquired, by entering into a managed service agreement to look after that platform. Also a deal that we've done with one of our larger partners, Clear Business, to provide first line support to their

customers. So it's not just about providing solutions, we're now providing managed services as well to some of our larger partners, which just helps strengthen that relationship and also inevitably drives more revenue for Gamma. Enterprise has also done really well and in a minute I'll talk you through some case studies which demonstrate our ability to upsell and cross-sell based on some of the acquisitions we've made, and inevitably this morning we'll spend some time talking about Germany, where we're really proud of what we've done, what we've achieved, what we've integrated and the trajectory that we're on.

I'm conscious there's people in the room who may not know very much about Gamma. So what I wanted to do is just go back to first principles really and just remind you why we think Gamma is a fantastic business and also why we think Gamma is a fantastic investment. There is no company that survives without having a communications provider. Everybody needs one, whether it's video, whether it's voice, whether it's instant messaging, all businesses need to communicate with their suppliers, with their employees. Gamma is a market leader in the UK and Germany and comms is fantastic because almost everything sold is recurring revenue, multi-year contracts is very, very predictable; margins are stable, cash generation is very good, and as I said earlier, we've been using that cash to do high quality M&A and also to return cash to shareholders.

So we think we're in a really privileged position. Gamma's actually quite a unique business and one of the problems that we have, many of you who have worked with us for some time know, there's nobody really quite like Gamma. It's very difficult for me to explain Gamma in the context of other businesses. So we try and explain what Gamma is and what Gamma does like this. We have some fantastic relationships with these businesses, people like Amazon, Cisco, Microsoft, great hyperscalers who produce fantastic communication solutions, but they need a route to market. And what Gamma's able to do is we can take the solutions that these hyperscalers develop and we can put them through our local distribution reach all across Europe, reaching thousands of enterprise customers, tens of thousands of small businesses. Really we're fairly unique in that, but that's not all we do.

We're not merely a distributor, we're a telecoms operator at heart. We have our own network. We're able to provide people with telephone numbers. We're able to connect calls to and from the public telephone network. So we're taking these solutions, these platforms that these hyperscalers spend a lot of money developing, we plug them into the Gamma network, so they can make voice calls with phone numbers and we offer a managed service to all of these end users. It's not just that we provide a fantastic quality of service through the portal, I mentioned that earlier, we spent a lot of money

on the portal. So we're taking all of that, we're making it very, very easy to consume and that puts us in a unique position working with the hyperscalers, linking them into our network, producing or making it easy to consume through our portal and through the service that we provide so that all of these customers, all of them who need that communication solution I talked about earlier, can buy it from Gamma. That fundamentally is the business model that we operate.

We basically, we provide three things and businesses need pretty much all of these three things, and we've talked about it already. The first thing we provide at the top there is a cloud communications platform. So you will hear many, many acronyms. People talk about PBXs, CX, CX, CPaaS, CCaaS, UCaaS and all those things, but just think of a cloud communications platform like this. You can do video calling with it, you can do voice calling, you can actually make calls using phone numbers. So you might still bank voice calls, you might do instant messaging, and you'll do all of those things with your communications platform.

Some of those at the bottom end of the market, we produce ourselves. So things like PhoneLine+ , and as I mentioned earlier, we work with the Ciscos, Ericsson-LGs as well to provide top end products. Calling we've talked about a couple of times. We don't just sell those communications platforms, we plug them into our network so that they just work out of the box and enable you to use phone numbers. If you haven't yet moved to the cloud and you're still using a hardware phone system as 40% of people in the UK are and 80% of people in Germany are, we have a product called SIP Trunking that enables you just to make and receive calls to the public telephone network. But many people now are using Teams, they're using an Amazon solution, they're using a Cisco solution.

We use exactly the same technology to enable you not only to do video calls with those solutions, but to be able to make voice calls as well. Then we also work with some of the really big global cloud comms providers that you'll see in the top corner of the Gartner Magic Quadrant who don't have a network in the UK and Gamma provides them wholesale services and that's what we call our Service Provider business. So we leverage the power of our network to add value to those communications platforms. Then finally, we do connectivity, ethernet, broadband, mobile, these days, IoT as well. We do that on a very Capex light basis. We're not digging up roads to lay our own fibre, we're not going out putting up masts in the countryside. We partner with people like BT, PXC to provide ethernet and broadband, and we partner with VodafoneThree and EE to provide mobile services to people.

So between all of that, we think we have everything that any business could possibly need in order to communicate with, say with its customers and with its suppliers, and hopefully to try and bring some of that to life. Let me give you an example. Morrisons is one of our large enterprise customers. You'll probably know that because we've talked about it a few times. And back in March, 2024, Morrisons approached us because they wanted to improve their network. They wanted to improve their in-store Wi-Fi. Why did they want to do that? Well, they had a business need to be able to do that. They had an e-commerce partnership with Amazon that meant that they needed to have much better in-store Wi-Fi. They also wanted their customers to have an in-store Wi-Fi experience as well.

And partly because their loyalty scheme was mobile based and they needed people to be able to access things on their mobile in-store, and their existing in-store Wi-Fi just wasn't quite working for them. Gamma displaced an incumbent that they'd had working with them for 12 years. We built a network that serves 400 large Morrison supermarkets and 1,200 of the smaller convenience stores. It provides really good quality Wi-Fi in-store. Why did we win that? Well inevitably it comes down to commercials a little bit. But fundamentally, we listened to Morrisons, we understood the business problems that they were trying to solve and we solved them for Morrisons. So we've won the network, which is fantastic and that's a great starting point, but then roll on a little while and the PSTN network, the public telephony network, the old copper network, BT is switching that off soon and Morrisons wanted to get a little bit ahead of the curve on that. Those 1,200 convenience stores that they had, they had all legacy single lines going into the stores. That was problematic, A - because the technology was being switched off in January 2027 (PSTN switch off), but B, because a lot of people in those stores were just spending time answering the phone, they were answering the phone with fundamentally the same queries, such as "what time are you opening", "what time are you closed?" So we put PhoneLine+ into those 1,200 stores. It's a single line replacement product. It's designed for smaller businesses, but actually it works for Morrisons because those 1,200 convenience stores don't behave like one large organisation, they actually behave like 1,200 smaller businesses. What PhoneLine+ was able to do is provide them with Interactive Voice Response for the most basic queries You can deal with those on an automated voice response. You don't need a person to answer the phone. PhoneLine+ also works with deck phones, so people could just carry the phones around the store with them. PhoneLine+ also enables you to divert calls to the head office if that's what you need to do when a store is shut. So what it enables people in-store to do is spend less time answering the phone, more time serving customers and fundamentally gives Morrisons customers a better experience and it saves Morrisons money. Coming onto April, 2025, as you'll all be well aware, there

was a period in Q1 when a lot of British supermarkets we're undergoing cyber attacks. We were actually already working with Morrisons on a cyber solution. We were partnering with Cisco to take a cyber solution into Morrisons and we were testing it, we were piloting it when Morrisons had an attack and the pilot that we had in place was able to deflect that attack, and what better testament for us than to be able to win a business. So we now have a secure connectivity project in play with Morrisons. In terms of the revenue that we make from upselling them, it's 20% more revenue than we were making when we first engaged. As we take that big portfolio of solutions, we've got and sell it into one of our key customers.

This customer is Lexington and Co solicitors. Now hopefully you've never heard of them, and the reason I'm saying hopefully you've never heard of them is because we made them up. It's not a real customer, but it's indicative of the type of customers or small businesses that our 1,500 channel partners work with in the UK on a day-to-day basis. We have tens of thousands of companies like this that Gamma works with.

So if you can imagine a small legal practice in a provincial town in the UK, maybe operating out of one office, the sort of place where you go to get your will done or the sort of place where you go to get some conveyancing, that's Lexington. If you think back to 2010, what they would've had is probably a series of single lines just going into their building, single phone lines which they're paying line rental for each month. The first thing we'd have done through a partner back in 2010 is we'd have sold them SIP Trunking. So we're selling Gamma SIP Trunking at that point, we are not replacing their hardware phone system that they're using to put you on hold or to divert your call around the building or run their voicemail; we're just giving a better and cheaper voice experience through SIP.

And then hopefully what we do once we've sold them SIP Trunking is we actually upsell our Direct Routing product on top of that, so we have something called SIP Trunk call manager. In the winter when it's snowy and nobody can get into the office, they can divert calls directly to their home. You can't do that with a hardware box, but you can do it with Gamma SIP Trunking going into that hardware box. Why is that important? Well, if you've ever dealt with a lawyer, you know that if they're on the phone to you, they're billing you. So they like being able to connect those calls. This is a revenue generation tool for them as well as a customer service tool. As they get bigger, they open a second office and rather than keep their existing copper brace broadband, we sell them Gamma ethernet, so they can have much bigger bandwidth.

They can get rid of all of those legal books that lawyers have on their shelves because now they're just going into the internet and they can have a really good internet experience because ethernet gives you the bandwidth to do that. It also enables you to start networking two offices together as they expand. Then in 2020 COVID hits and you have a whole bunch of lawyers sitting at home using Teams a lot thinking "actually this is quite good, do we actually need that hardware box anymore?" Probably not. So what we can do now is we can move the phone numbers that we've been using for years and years onto Teams so we can answer calls and make calls using Teams. Not everything's a video call when they're phoning their clients, they're not setting up a video call every time if they're just phoning to check one small thing on a will that you want writing, they're not going to do a video call for that, they will just phone you. They need to be using phone numbers as many small businesses do. If you remember some of the things that Bill's talked about before, when we go through that motion of moving from SIP Trunking to Operator Connect, typically we double our ARPU. this is a great thing for Gamma that they've chosen to work with Microsoft and they've chosen to take Operator Connect and moved on from SIP Trunking. The story doesn't end there because what we do in the future is we'll work with companies like Lexington to provide them with security so we have a great product called Candio. It's an upsell product, and what that does is it just lets Lexington know if any of their customer data has been stolen and is sitting on the dark web.

I'm sure over time as well, they'll need that ethernet turned into an SD-WAN. I'm sure they'll work out that actually Teams doesn't quite do everything they needed it to do. It doesn't quite do everything that box did. They might want Teams to work with a Cisco product or iPECS or maybe even Gamma's Horizon product to give them more functionality around call routing, and we can do all of that. They may want it connecting into some sort of CRM system or in some sort of contact system and we can do all of that as well. Again, I hope you can see that portfolio of products and services that Gamma has we can use and are using to upsell for the biggest businesses like Morrisons and these small regional local businesses as well. Hopefully if you're new to the Gamma that just helps you understand a little bit about what Gamma is about and what we do.

Let's talk a little bit about the market in the first half of the year. We'll start with this slide and what we're doing. For the last 18 months, we've identified these four growth drivers that we've talked about consistently. One of the features that Bill will come and talk about at the moment is actually the UK business isn't quite growing at the rate that we were hoping it would grow at this point. Why is that? As you can see there, we think the markets are still there and I'll come and talk to why we think that is at the moment. I think

our execution is good. I don't think it's been great. I think it's been good, but the macro is really hurting us.

As we said when we did our Full Year results in March, ever since the budget in November, we've seen reduced levels of activity in small businesses in the UK. We've seen fewer people starting a small business, we've seen fewer people growing a small business and that macro has been causing us a bit of a problem. But we believe over time the macro will improve. We believe the markets are there and we believe that we have the solutions and we believe we can get the execution right to be able to exploit these growth drivers. If you look at the top, customers are needing more complex solutions. Part of the reason of going through those two case studies is just to demonstrate to you that we have the solution portfolio to upsell into our customer base. At the moment we're finding a lot of customers are very nervous about spending money and they're not necessarily making that upsell motion, but we think the market's there, we think the execution is there and we think when the macro comes back we'll be in a really good place.

PSTN switch off it's less to do with the macro, this is more to do with BT turning off the legacy phone network in January 2027. In terms of the market, we have a fantastic opportunity to be selling to businesses who've been using a single line who need to move to a cloud product and that's why we built PhoneLine+. You'll see that PhoneLine+ units grew quite a lot in the first half of this year, so we're pleased with how PhoneLine+ is doing. But we've also indicated a headwind and we've been indicating this over the last few years. Customers who are using copper-based ADSL broadband need to move to fibre, and bluntly we make less money on that and it's going to cost about £5 million of GP over the course of the next year, 18 months as people move from ADSL onto fibre. That's a one-off headwind. When it's gone, it's gone. In terms of our execution, PhoneLine+ is now a much better product than it was in the first six months of the year. I think it could have done better and I think we will execute better in the second half of this year. Now we've got additional things that you can add on to PhoneLine+, things like being able to use it with e-sim, things like being able to integrate it with WhatsApp. PhoneLine+ is now a better product. We also have better fibre products. We're selling fibre products from more fibre providers and we'll be adding new fibre providers to the portal throughout H2.

So I think our execution could have been better in H1, it will be better in H2. We also talked about SIP converting to other things and I mentioned Lexington, they moved from SIP to Operator Connect and that doubled the revenue for us, which was fantastic. Fewer people have been moving away from SIP in the first half of the year and that's just a macro thing. People just aren't really doing anything at the moment, people are just sticking with



what they've got. The market's absolutely there. In the first half of the year, we didn't have Cisco fully launched. Cisco gets completely launched in October of this year. We're still putting something like a hundred, 200 seats a week onto Cisco in the UK at the moment. We're putting two and a half thousand seats a month onto Cisco in Germany, but in the UK it's about a hundred, 200 seats a week at the moment. We still not launched it properly in the UK. It's a very manual process that will all be automated from October and we expect to see that take up increase and that's really aimed at a lot of these SIP businesses. Let's not forget that the German macro is not great either, but we have a fantastic business in Germany and we are really, really proud of what we've achieved and what our German teams have achieved in the first half of this year. As a result of the way we think the way that STARFACE is going to perform for the rest of this year, we suspect that the multiple we acquired STARFACE for is going to come out to be about a 11 and a half times EV/EBITDA multiple. As I said at the beginning, we think we've bought well. I think our entire German business is actually going to end up having been bought on a single digit EV/EBITDA multiple, which for a business that's doing double digit growth. I think we've bought well in a really exciting market. You can see the size of our business revenue's over £50 million for the first half, so it'll be over a £100million for the year. EBITDA just under £11 million for the first half. So that will be up into the £20 millions for the full year, over half a million seats, 29,000 cloud seats net adds in Germany is actually slightly more than we put on in the UK in the first half as well. The really, really exciting thing about Germany is this market potential. Only 20%, of the German market has converted to cloud, some people say it's nearer to 15% of the German market has converted to cloud.

We've still got 80% of the largest business communications market in Europe to convert to the products and the solutions that we sell. So we will carry on executing and we carry on growing, but it's so much more than that. We have the opportunity to do more M&A, have the opportunity to do some things with Teams and Operator Connect has now launched in Germany. Connectivity is really important in the UK. Ethernet and broadband contributes 20% of our GP in the UK, in Germany it's only 2%. We can do some things with Enterprise and we can do some things with service providers. So as I stand here, I am very, very confident that those growth drivers that we've been talking about will continue to take Gamma forward. Yes, we've got poor macro, yes, we've got some headwinds but we can see growth going into FY26, going into FY27 and far beyond that because of the fundamentals of our industry. With that I'm going to hand over to Bill who is going to talk about the financials for the first half of the year. Thanks Bill.

Bill Castell:

Good morning and thank you to those in the room for making it through the Underground chaos. I'm Bill Castell. I'm Gamma's CFO; following a CEO who

was formerly the CFO, he was always going to put some financial numbers in the first half of the presentation, but I will expand on those. I've got around nine slides. Those who know Gamma will recognise many of the slides. We've been very busy in this first half of 2025, so I've included a slide that takes us from reported numbers to adjusted, because we've had the STARFACE acquisition and not forgetting moving to the Main market. We entered the Main market on May 2<sup>nd</sup> and the FTSE 250 shortly thereafter in June. Moving onto the first slide, Andrew highlighted that revenue is up 12% to £316.6 million. You'll notice double digit growth across all of the top three boxes here. Adjusted EBITDA was up 14% to £70.9 million and it has flowed through to EPS, which was up 13% to 47.9p. A lot of that heavily supported by our acquisition STARFACE, also not forgetting Placetel, both of which we didn't own in the first half of 2024. That flowed through to cash. So the top boxes were P&L, at the bottom you can see our strong cash generation that was at 90% on adjusted cash conversion at £63.7 million. The fact we moved into a net debt position, should be no surprise. We bought STARFACE on February 19<sup>th</sup> and used a lot of the cash that was outstanding at the end of 2024 and moved into a slight net debt position of £21.6 million, which I'll cover later on as we have a revolving credit facility of up to £130 million, so we're well within that credit facility. I changed the title of the bottom right box, it used to just be "dividends", but we have now returned £45.1 million through a share buyback and we've continued with our progressive dividend policy with our interim dividend up 14% at 7.4p for the half year. That brings the cash that we've returned this year to £64.1 million (including the final dividend we paid at the beginning of the year and the share buyback) and today we announced a c. £6.9 million interim dividend. So it gives you an indication of the amount of a cash returned. Not only are we doing M&A, but we certainly a balanced capital allocation approach and we are returning cash to shareholders. Now going on to the main principle statement, the income statement. I've already talked about some of the headline double digit growth, but let me just remind you of a few other characteristics of Gamma which are consistent with prior periods. In actual fact, our recurring revenue is up 1% to 90%, so 90% of Gamma's revenue is recurring at £285.3 million.

We also saw an improvement in the gross profit margin. You'll see it increased over 270 basis points moving 51.6 to 54.3%. The gross profit margin increase flowed through to EBITDA margin, which slightly improved by 40 basis points, but that gross profit margin was heavily led by the German business. 75% of our German business is now in the cloud communication space, which is in the high seventies, eighties, nineties gross profit margin. Germany now represents around 20% of our gross profit and therefore feeds through to the Group growth profit margin, but I'll go through that in more detail shortly. I've already talked about the double digit

EBITDA growth. We did have some exceptional and adjusting items which I will go through, but those are mainly relating to the STARFACE acquisition and the Main market listing and as you'll see at the bottom, our PBT was up 9%. In previous periods we did have interest income from that cash balance. In prior periods obviously we used that cash for the STARFACE acquisition and that's why the adjusted profit before tax is slightly lower than double digit, but still a very healthy 9% and adjusted EPS because we used that cash to buy back shares. When we look at the weighted average shares outstanding, those have gone down and therefore we are at to 13% growth year on year on adjusted EPS. I'll go through the business units now. We'll start off with Gamma Business. Andrew's already mentioned the challenging UK macro environment, so I won't go through more of that. Our organic growth is very similar, what is the same as our headline growth because we didn't have any acquisitions year on year within the Gamma Business segment and so you can see revenue growth of 1% and flat at the gross profit level.

Andrew alluded to some of the macro, but we also had the connectivity structural impact for around 18 months we believe, which is relating to the PSTN switch off, which impacted our GP by £1.5 million in the half and when I come back to the modelling assumptions going forward. We'll talk about how that's following through in FY25 and FY26. There were a couple other things associated with voice traffic with a specific customer, HMRC. If you phoned up to get your tax returns in, you'll know they've become more efficient, so less traffic is going through there. Then there's also the SIP PBX getting rationalised, albeit the level of churn, when you look at it, our volume actually reduced compared to the prior periods, we had 30,000 trunks come off compared to a higher number in the previous three halves. Gross profit without those kind of structural elements would've been an underlying 3% rather than the flat number you saw there.

If we move on to Enterprise, there is a difference between the headline and the underlying organic growth, which you can see on the tables, sorry, on the graph on the right hand side. Revenue was up 9%, 3% organic and gross profit was up 7%, flat on an organic basis which is similar to Gamma business, and it's a similar story. The M&A was BrightCloud, if you remember that was transaction which we did in the Cisco CX space, which has meant the gross profit is up at 7%. Similar to Gamma Business we're seeing ethernet pricing challenges which resulted in a £1 million reduction in gross profit in the half versus HY 2024. Without that, gross profit would've grown by 3%. Key wins; we're selling Morrisons cyber security. We had an SD WAN contract win with Utilita and a contract to sell Microsoft Teams Operator Connect to Westminster City Council. The case studies show the variety of

communication products and solutions we're providing to our Enterprise customers.

Germany, as I mentioned previously, is now 20% of the group and 79% of Europe. As I alluded to at the FY24 results back in March, Germany's going to be shown as a separate business unit given its contribution and profitability to the overall group. Not often do you stand up and present 125% year on year growth in revenue or even 251% growth in gross profit. I think that shows the size of the acquisitions of both STARFACE and Placetel. STARFACE now represents nearly 60% of the overall German business. Organically gross profit did grow 4% in Germany. In the legacy Gamma Germany business we do sell mobile and traditional telephony solutions. But when you look at the UCaaS side in the legacy German business, that was growing at 6% on an organic basis, pre Placetel and pre STARFACE. So across the board Germany has been growing on that side. You can see as I alluded to right at the beginning on the first slide, our gross profit margins had jumped significantly from 43.4% to 70%, and that is the change in cloud communications mix I was talking about following the acquisition of STARFACE and Placetel. Both of those within the eighties, one at the bottom end of the eighties, one at the top end of the eighties of gross profit margin. Spain and the Netherlands have been categorised as other Europe. Now there are details on their growth towards the backend of the RNS. Those both grew at the EBITDA level and now represent just under 5% of our group gross profit. So Spain, Netherlands still very important but clearly Germany is now the main part of our European business.

I put the word strong balance sheet in there. I just wanted to reiterate the strength we have there. Net debt of £21.6 million. As I said before, we do have borrowings of £46.8 million from the RCF, which leaves us £83 million of liquidity because we have a £130 million RCF available. A lot of the changes you see in the balance sheet are related to the STARFACE transaction. You can see the increase in intangible assets in the non-current assets and the knock-on impacts of that. When you look at the retained earnings, we are generating profit after tax. As a result of the share buyback, we cancelled all of the shares we bought back for £45.1 million. Those are a deduction from the retained earnings so that's why when you look at the 31st December 2024 versus 30th June 2025, you'll see the retained earnings has come down as a result of the cancellation of those shares. The deferred consideration has gone up as a result of Placetel, some of you will recall that we have a committed spend with Cisco, and as a result part of that has come through as deferred consideration.

So moving on to cashflow, in the first slide I talked about the 90% cash conversion. You'll see here as well, I mentioned at year end that it was likely

that capex would increase and it has gone up to £9.6 million that is similar to H2 2024. We alluded that would be a low point of our capex and I will in a moment guide you on the modelling assumptions where we feel the capex at year end is going to come out. Cash at the end of the period was £25.2 million when you take off the £46.8 million, that's how you get to the net debt of £21.6 million. Very healthy cash yield, which before market opening was 8%.

So we've returned £57.2 million to shareholders through a combination of share repurchases and dividends. When you add the dividend just announced that gets you to the £64.1 million that I mentioned right at the beginning. I should say although capex has gone up, the capitalisation rate is very similar to H2 2024, so when you look at the percentage rate and the RNS, you'll see it's very similar to H2 2024. This is the new slide. What this slide does is what's left to right from our reported EBITDA to our adjusted measure. On the bottom, similarly, operating cashflow to adjusted. You can see that the two principle items are the ones I've mentioned before. Those are the STARFACE acquisition costs, those are one-off transaction costs related to our purchase; and then the move from AIM to main again, that is a one-off as we move to the Main listing and the FTSE 250. The ERP implementation continues. The HR system is up and running. The final parts as we go into H2 should be the final expenditure on Microsoft Dynamics in relation to the UK. We're still assessing now we've got a bigger German business, the rollout of Dynamics there. I also wanted to show as well that adjustments don't just go up, some go down. We did make £1.4 million on the FX associated with the US Dollar versus Pound exchange rate. However, this is not to do with the operations of the business, therefore we have stripped that out of our EBITDA and the H1 results that you've seen. More to do with the operating cashflow, both with the Placetel and STARFACE acquisitions, there was cash related to specific parts of the deal.

Placetel was in relation to employee pensions. We received cash as part of the deal with Placetel and we've used that cash to pay that off so that's a one-off transaction cost more related to the M&A than the operations of the business. Then a if I spend a few seconds explaining STARFACE. They have an attractive working capital profile in respect that they bill the maintenance cost for their hardware upfront in January for the following 12 months, and we bought STARFACE in February, so they'd already collected that cash. So if you look within the RNS, you'll see actually there was a large part of cash that we inherited or purchased with the balance sheet of STARFACE, and that was just collecting the cash upfront. We've recognised the EBITDA through the period in line with when that maintenance was provided and therefore this is just a one-off in this year because we'll be in a fortunate position for cash conversion purposes that in January-February next year we will be doing the

same and receiving all the cash upfront for the next 12 months. So that's something positive to look forward to in H1 2026 in relation to cash collection. The final slide is on modelling considerations. As the RNS said, and Andrew said in his first statement, we are pleased to say that we are confirming that we are happy with the consensus range for adjusted EBITDA out there in the market. You'll see in the footnote at the bottom there, that's a range of £139.4 million to £143.1 million adjusted EBITDA for the full year 2025, and we're happy that we were in that range. On the adjusted EPS, actually we've announced today that we feel that we'll be slightly above the range, so the top of the range there is 93.9 pence. We're saying we're going to be slightly above that. So that's guidance in relation to the full year 2025. Cash conversion, this half is 90%, we continue, as I have said for the last three years, this is a 90% plus business in relation to cash conversion. Reiterating that capex is expected to be in the range of £21 to £24 million, which is a bit up. The second half will be a bit up from the first half of the year, as we have the full STARFACE capitalisation coming through. Now the next bit is actually in relation to 2026, so we're not formally guiding to any numbers in 2026. As in previous years we don't guide at this point in time. However, we did want to iterate since we have raised this headwind in 2025 to explain the headwind in 2026 in relation to PSTN and connectivity, we've highlighted that to be £6 million in gross profit for 2026. We've also highlighted, as well as our growth initiatives that are ongoing, that we have taken a view on operational efficiencies to review our UK business since we've been growing substantially the last 10, 15 years and have identified some efficiencies that can be made. The total is on a run rate basis and it will be implemented in 2026. So this restructuring is taking place in the fourth quarter of 2025. There'll be a run rate saving of £6 to 8 million, which offsets the £6 million headwinds that we've just mentioned. So those are the modelling assumptions that we're sharing now. There will be one-off restructuring costs associated with the headcount reduction. As you will see in the RNS, we talked about up to 5% of the 2,200 workforce. Just to reiterate, this is a UK based restructuring, not Gamma wide. We will have continued investment, in particular in Germany, going forward. With that I'll conclude and handover back to Andrew to talk a bit more about the business outlook and we'll move on to Q&A after that.

Andrew Belshaw:

Thank you very much indeed. Let's talk about the future. We think the future is bright. As Bill said, we are very confident as we sit here nearly three quarters of the way through the year in the outlook for 2025. We're very happy with where you as the analyst community have got us. I said at the beginning that Gamma is predictable. We have lots of visibility so it'd be remiss of us not to say something about 2026. As Bill said, we don't guide 2026, but we're able to see even now what we think the headwinds are going to be. But we're also able to see what growth initiatives we've got and I'll talk

to those in a second. And we're also able to see where we can be a little bit more efficient in the way we operate.

So actually as we sit here, we are reasonably confident in where we're going to turn out in 2026. Let's just talk about some of those growth drivers and these are growth drivers that will take us through 2026 into 2027 and in some cases well into the 2030s. I hope you've seen this morning and one of the reasons we spent a bit of time doing the case studies is that we have a really strong solution set. I know sometimes it can be quite complicated because we do things with Microsoft and we do things with Cisco and we've got lots and lots of things and we've got more things. We're introducing new variants of PhoneLine+ that will both increase the addressable market and increase the ARPU that we can get from that solution. Contact centres becoming a big thing. AI powered contact centre even into smaller businesses like Lexington that we talked about earlier on, that may never have had a contact centre, may not think it needed one, but fundamentally we think they'll be buying some contact centre type products going forward.

We're introducing more fibre providers and AI is going to be more and more caught to everything we do and we feel we can monetise that, because as our customers use AI in their communications products, that will save them costs and therefore we are adding value to their business, and we feel it ought to be monetised. So we think we've got know we've got a complicated solution set. Unfortunately it's going to get more complicated, but that will give us a bigger addressable market. Bigger share of wallet. We haven't really talked this morning about our Edge proposition, but we have a phenomenal amount of data on our end customers and what they do and the calls that they make and we can use AI tools to work with our partners to identify what businesses are doing in the round, what different types of businesses are doing. Then we can help our partners market into certain segments and certain sectors of the economy that will help our channel partners grow and Edge is very exciting, and if you follow Gamma on LinkedIn, which you really should do, you'll see more about Edge.

We have the potential to gain large blocks of seats. We've talked this morning about the arrangement that we've got with O2 Daisy where we've effectively taken in the platform that Daisy acquired on one of their recent acquisitions. Running a small subscale platform is now really expensive. The regulatory regime in the UK makes that hard and we're talking to more of our partners about similar types of deals that just bring us a bigger market share and a bigger opportunity to earn revenue and margin. We're also talking to our partners about the type of deal that we did with Clear Business where we can offer first line support to their customers. Again, it just frees up our partners to go and do what they do really, really well, selling, don't have to

worry about running a platform, don't have to worry about first line support. We can do all of that for them.

We can give them the smarts with the Edge program and our partners can go and accelerate their businesses. And that's true across the whole of Europe. It's not just restricted to the UK but the UK market's more mature so you see these things happening in the UK earlier than Germany. Germany, the maturity of the market means that German market is going to grow for 10 years, at least 10 years. It's 20% penetrated. We've said many, many times the German market today looks and feels like the UK market felt 10 years ago. We think we've got a lot of growth to come and not just in Germany. Remember a lot of our German business is digital through Placetel and I'm sure when I'm here in 12 months time talking to you, we'll have been talking about how we're moving place tell outside of Germany and looking at doing a digital offering in some adjacent countries.

Our partnerships with people like Cisco, Microsoft, Amazon have never been stronger. And again, in 12 months time I'm sure I will be new logos of new people that we're partnering with to bring new solutions to those thousands of businesses that our distribution channel reaches across Europe. We're working really, really well together with some of these big global giants and as they improve their products and they improve their solutions, we carry on knitting them into our network, making them accessible on our portal to be able to take them to thousands of end users. And then finally the one we haven't really talked about very much this morning, but we can cover in Q&A our service provider business where we're providing effectively an outsourced network to some of those other businesses that run cloud communications platforms. We do that really, really well in the UK.

It's growing well in the UK and we said before over the course of the next 18 months, so throughout 2026 and into 2027, we will be taking that outside of the UK into Europe and possibly even beyond Europe following our customers wherever they go around the globe. And we see that as well being a growth driver for us. So as we sit here today, I'm really encouraged by 25, I'm really encouraged by the visibility we've got in 26 and I can see growth coming from so many different areas in the business. And you come back to the fundamentals of Gamma. Every single business needs a communications provider and we are market leading in the two largest economies in Europe. Revenues are recurring, all of those solutions that we've talked about, the sold managed services recurring revenue basis, they're high margin, stable margin, cash, generative. And that cash, as we said before, it gives us the opportunity to do M&A, to do things like Placetel, to do things like STARFACE, to look for other businesses in Germany and across the rest of



Europe and maybe even further afield over time, but it also gives us the ability to return cash to shareholders.

As Bill said, we'll return over £60 million of cash to our shareholders this year as well as doing good quality accretive M&A. So we think the Gamma story is a good one. We think the first half is good. We think the future is good and I'm very, very pleased with where the business has been in the first half of this year and where we're going forward. So with that we'll stop and we will hand over to Q&A and I just need to change my glasses, otherwise I can't see who's asking. Harvey go on. Oh, we have got a mic. Sorry. Yeah, there we are organised.

Harvey Robinson: Hi, thanks for the taking the question. It's Harvey Robinson from Panmure Liberum. Just a couple of questions on organic growth. In Germany obviously good GP organic growth, but could you remind us why you mentioned at the time in the staff phase still there's some shift going on there and there in terms of revenue growth. Could you just unpack why revenue growth is less so? Certainly as stated in the statement for German organic growth and then obviously headwinds in the UK, do you have a feel for how much that has held you back in organic terms on the revenue side?

Andrew Belshaw: So I said the last one first. Do that quickly and then if you don't mind doing the more detailed revenue ones, that'd be brilliant. So look, Netherlands and Spain, I think it's probably fair say that we all know they haven't got the potential of the UK and Germany just because the economies are smaller, they're doing okay. In Netherlands we are a market leader on Operator Connects. It's an important part of our Microsoft story. Spain we haven't talked about this morning, but actually one of the reasons Cisco quite like working with us is because we are taking Cisco into Spain in a way that other partners of theirs aren't. So one of the things I find when I'm talking to some of these larger organisations is actually the very fact it's not just UK and Germany, it's a bit broader than that. We can take them into the rest of Europe. They're kind of like that. And whilst those businesses are growing, not to the extent Germany's going to grow while they're washing their face, I think they're an important part of the Gamma stable. So for the time being, long-winded way of saying no plans to divest them.

Bill Castell: Great. So I think the two questions, if I take the UK first, Andrew talked about it, we did grow net ads in the cloud communications by 23,000 in the UK. So although we say gross profit is flattish, we are still growing volume. You hit the nail on the head there. When we look at the nature of that volume growth is we've now got a whole suite of products and we're very happy that we do have that suite. We have Horizon, which retails at £7.95, you have PhoneLine+ at £3.95 we have IPECS, which is somewhere between the two

near the top end and you are spot on. When we look at those net ads, more of those have been in the PhoneLine+ space than the Horizon and that is related to the macroeconomic environment where we are finding businesses they need cloud communications, but given the economic environment to choosing the cheaper one, which is great, while we have PhoneLine+ and we are building, we call it internally PhoneLine+++, but it's called PhoneLine Office.

We're building those similar to what we did with Horizon with the Boltons, we have that with PhoneLine+ where you can have WhatsApp integration amongst many other things. So we do see an opportunity there to upsell from PhoneLine+, but in this half we have seen good healthy growth in PhoneLine+. Horizon is still growing net ads, but PhoneLine+ and IPECS are growing more than Horizon. So that's the UK, hopefully that answers that question, which does relate in a bit of the ARPU conversation that I'm sure we'll have later. The second one in relation to Germany. So when you talk about organic, that excludes STARFACE and Placetel, so I think we've talked about the double digit growth that you have in those businesses. So organic is more the HFO business, which you're right was 4% of the gross profit. I did show historically before we had STARFACE Placetel a slide that showed Germany where we looked at cloud communication growth versus tradition, what we call traditional revenue, which is more similar in connectivity.

There's not much connectivity by the way, in Germany we only have 2% of our business connectivity versus 20% in the UK So we see that as a future opportunity. But we do have the mobile, Epsilon, business, which is a healthy mobile reseller. Its margins are closer to 20%, but that revenue is always quite flat. It's is not a growing market if a mobile. So that brings down the average. So when you actually look at the cloud communication revenue space in our organic business, so pre Placetel and STARFACE, that was growing about 5.66%. So that business has been growing. It's more what we call the traditional revenue and also the mobile revenue that has brought down the kind organic story for the revenue versus now cloud communication is higher margin. So that's why you're seeing this gross profit margin of 4% with the revenue lower because we're selling more of the higher margin product in the HFO.

One final comment because you didn't answer it though, is that we bought Placetel September last year, STARFACE February. As you can imagine, a lot of focus STARFACE is our own proprietary software. Placetel, a lot of the focus, although we call organic, I think if we hadn't bought Placetel STARFACE, then the HFO numbers, that kind of 4% gross profit would've been a higher number because the attention has been about growing STARFACE Cloud communications and also Cisco Collaboration Suite

including Webex through Placetel. So there's a bit of a, if you like, a reduction in the organic as a result of the focus now moving to the inorganic with STARFACE Placetel.

Harvey Robinson: I'm just trying to get a feel for what organic, if you like, like for like spot German growth is today.

Bill Castell: Well, so I think if you look at STARFACE,

Harvey Robinson: Is the GP a good guide? Is that a good guide?

Bill Castell: Yeah, so I think GP is and then that with STARFACE and Placetel, so HFO now represents about 25% of our German business. So 75% is now Placetel and STARFACE. Those are cloud communication businesses with high gross profit margin growing double digit, which is why we're excited.

James Lockyer: Hi, James Lockyer from Peel Hunt. On the Enterprise side of it, it's great Morrisons case study there, but I think you've got low single digit market share within that space at the moment - given the Enterprise market is a bit tougher as well, I guess first thing is do you still feel confident in a tough market you can grow there and that lovely 20% increase in Morrisons revenue? What do you think your existing customers could do? Is their option there with existing to expand that? The second question, there are two for Bill please. On the £6 million gross profits hits you've mentioned, can you just give a bit of colour just around how you got to that number and the confidence around that? Could it be worse than that I guess is the main concern that, and given you've done up to £8 million savings, is that sort of a buffer there? So how should we think about that and of those that did shift from SIP to cloud in the period, any colour around where they went, what proportion went to zero, went to 60p went to, just to give us an idea on that please, thank you,

Andrew Belshaw: So Enterprise, we arguably haven't spent quite as long talking about that this morning. The Enterprise business, I think it's probably fair to say it's doing okay. I mean we've been fairly consistent. I think sort of saying that our view of the macro is that the smaller you are as a business, the more it seems to be hurting is what we're seeing. So those really kind of tiny businesses just don't seem to be doing anything thus filtered through a little bit to Enterprise. But I wouldn't say we're in full blown recession with Enterprise at all. We do have, and we sort of alluded to this in the RNS, there is a headwind in our Enterprise business around fibre and a lot of the Altnets undercutting each other on pricing. So we're seeing some of those ethernet prices come down. Just in the interest of full disclosure, I'll give you the

Morrisons example when that comes up for renewal in five years on the fibre you would expect us to get chipped to away a little bit on there.

So yes, we've got the upsell motion, but you have that as a headwind and we've kind of called that out and we've taken that into account and our confidence in FY 26. What we are seeing and hopefully you sort of saw it on Morrisons, is where we bought businesses like Satisnet we didn't really talk about BrightCloud and the contact centre side of things this morning, but where we're buying those businesses, we are able to upsell. Now, upsell in Enterprise and particularly in public sector is not a swift job. It's not like you were walking, I mean we didn't sort of put the times of when we first engaged with Morrisons on all of those individual things and that, but it wasn't like we just sort of rocked up and got a sale done in 24 hours. So these things take time and therefore sometimes the cross sell motion takes time and I'm sure we were sort of careful not to say the things we might sell Morrisons because they may or may not get upset about it, but I mean I'd be disappointed if we didn't have a conversation with them about a contact centre at a point in time because obviously they've got one and they use it.

So when that kind of comes up for grabs, hopefully we can go and bid them and put an excellent bid together. So I think the businesses we've bought, they're doing well. SaaS is doing well, security side of things is doing well. Again, the very fact we work with people, we kind of get hung up on Cisco a little bit and think it's just all about their collaboration tooling. They've got some phenomenal network tools and particularly some phenomenal security tools and we take those particularly into our Enterprise businesses. So I think yeah, we've got a really, really strong portfolio and that upsell motion is still very much there but it's a little bit harder than it was.

Bill Castell:

Thanks for the questions James. So I'd take you in reverse order. So talk about SIP PBX first. I think the point is to reiterate, which hopefully I got across, SIP PBX in the half went down 30,000 so it has still gone down, but when you look at a H1 2024, it went down 51,000. So interestingly if you like the rate of churn has slowed down, which does one obviously SIP PBX generates quite a lot for us, but that migration is happening but it's not accelerating at this point. Then you look also at another thing that's impressive is that our Microsoft Teams, which we haven't really shouted about net ads, was up 56,000. That's double this time last year. So we had 28,000 net ads. The reason why I'm giving this is to explain, so what we're finding in the SIP PBX migration that those of the addressable market, because there's always going to be a proportion when people move from SIP to cloud of rationalisation where people say, look, there might've been four users per SIP trunk, do we need you had 10 SIP trunks, do we need 40 and now do we just need 28 / 29 users?

So there is an element of rationalisation which changes over the period, but of the addressable, we definitely feel now we're winning our fair share of Microsoft teams, whereas previously, as Andrew alluded to on his execution, we probably weren't where we needed to be on that and we feel we're winning our fair share in the cloud communication space. The key bit then goes back to are they moving to Horizon, are they moving to iPECS, are they moving PhoneLine+? More moving to PhoneLine+ because as they make that move, they're going for the cheaper version. Now we still make more money. We've gone through those dynamics before versus the SIP trunk when they move to our cloud communications, but I would love them to move to the clearly a higher ARPU product. Then increasingly from October we're going to have the Webex suite available as well, which will add to our armoury from October onwards going forward on that.

So that answers the second part of your question. The first part of your question on the confidence level, it is structural and therefore we can see how many units of ADSL that we have for example, on, and there's an assumption since it's January, 2027 that the majority if not all of that moves to the lower margin equivalent for SoGEA or other products. And so it is math, so we know what we've got, we know what we're moving to. So certainly in regard to the SME business or Gamma business, it's a mathematical equation. So the only question is if PSTN gets switched out, then the impact in 26 might not be as much and it might get shifted into 2027. So the quantum we know if Jan 2027 gets hit, then it'll come in 2026. If that shifts out, then time will shift out. There are positives as Andrew said to PSTN, we're highlighting a negative, there are growth initiatives as all of the lines Soho small office, Home Office come off their copper lines we feel we have more of a chance with PhoneLine+, especially now with the added features we have to sell more of that going forward.

On the Enterprise side of things, we have looked across all of our contracts to see when they're coming out for renewal and pricing discussions are going to take place. So we have modelled that very specifically and we've taken quite a conservative view on that in order to make sure that when we talk to you now about the £6 million, we have competency in that. I'm hoping hopefully through negotiation it doesn't turn out like that, but we know that at the moment pricing in that ethernet space is tough and we've got examples of that from renegotiations that we've done as we mentioned in the first half. So I have confidence in that number we've been putting forward and clearly with restructuring cost, very tough thing to do, but we have the mass on that and clearly it's quite a precise number on that side of things. So yes, I do have confidence.

Ian Robertson: Ian Robertson from Progressive. A couple of questions. First of all on Placetel licenses, you referred to the fact you can apply them internationally. Looking forward 3, 4, 5 years, what sort of percentage of the initial acquisition number do you think may actually be non-German in application and looking within Germany, you have got the SIP hybrid PBX model. Is that working in a way you understand from the UK model or is it slightly different?

Andrew Belshaw: Yeah, no, both really good questions. So I think on the Cisco question as we sit here today around 90% of those licensees are being utilised in Germany, but the UK percentages is increasing on a near daily basis. My gut feel, and it's only a gut feel and who knows is by the time of us getting to the end of that four five year commitment, it's going to be less than half of them being used in Germany. And this goes back to we've already got one Spanish channel partner that's taken a five year commitment to use some of them, 40,000, which is helpful. But I do see those solutions certainly gaining traction in the UK because they are, we're seeing that and it's those larger, the top end of SME customers who've still got SIP going into, in some cases it is actually a Cisco PBX or maybe a Mitel PBX or whatever. Cisco's collapse software is pretty much aimed at those kind of guys. So as they begin to do that migration, I think we'll see more uptake in the UK. As I say, we've got a couple of brand new partners who've just walked through the door in Spain just on the back of that relationship. So I think on the PBX cloud hybrid, it's a bit of a novelty for us because it's not a motion we had in the, if you go back to Gamma's roots, we never sold hardware in the UK so we just kind of bounded into customers saying, do you want hardware or do you want cloud? Oh, you don't want cloud, you're not quite ready yet. Okay, we'll come back and see you in 18 months time. And what STARFACE is able to do, which is why they're growing so strongly in the German market, is go, okay, you're not sure about cloud, have a bit of hardware and we can flick that to the cloud.

And as I've probably said to you in the interest of full disclosure, the theory of that is brilliant and it works. In practice what we're seeing is we're not seeing that many people who've originally gone for hardware flipping to the cloud. What we are seeing is that on a day by day basis, we've seen that proportion of hardware being the majority of what they do, cloud being lower, that's now to the point where cloud's just beginning to overtake hardware. So even though if you bought hardware, you're not necessarily moving to cloud, if you're a new customer walking through the door, you're now more likely to be just taking cloud off the bat than you are to hardware. And what I think will happen, because it's a lot of these middle stand businesses as maybe the kind of older patriarchal figure sort of retires and leaves the business to the next generation, it seems that the next generation is much more cloud ready and digital savvy and is willing to take cloud on. So

it may well be that we then begin to see the boxes kind of moving into the cloud as well. But that's a minority at the moment.

Operator: You've got a few questions online.

Andrew Belshaw: Perfect, thank you.

Operator: Firstly from Martin O'Sullivan from Shore Capital, you've highlighted the breadth of Gamma's portfolio and its ability to submit a wide range of business needs. Taking a customer like Morrisons as an example, how does Gamma typically approach land and expand within large accounts? Specifically what portions of Enterprise customers currently consume multiple solutions? How has that deepened over time and what impact does multi-product adoption have on metrics like ARPU retention or contract longevity in the context of a land and expand scenario?

Andrew Belshaw: Yeah, okay. That's a very big question and I'll probably not dignify it with as long an answer as it needs, but I think the reality of this is when you're dealing with these large enterprises, it's around relationships with CIOs and CTOs because when you're going into an enterprise, a CIO and a CTO, they kind of know what they're doing so we're not turning up telling them how they should be running things cause they know how they want to be running things. What they want us to do is to listen, help them technically and obviously help them commercially and we think we're pretty good at doing that. And as we saw on the Morrisons example, if you can do that with one thing, then you begin to earn the right to go and have other conversations with other things. I think it's like anything in life, if you have a buyer who has a good experience on the first thing they buy from you, they're going to talk to you about other things coming down the track and that is our experience of our Enterprise business. And as we've sort of said before, some of the things we get involved in with Enterprise actually go back six or seven years the very early days when we were doing things like voice enablement on Teams is because customers were asking us for it and we had to work out how we were going to deliver it. And we do get customers who want us to do things because we're easier to work with than some of our competition. Once you have that relationship, and particularly once you can turn that into business and you can turn it into multi-year contracts, inevitably it strengthens that relationship inevitably experiences the longevity of that. And that's what we see on many of our Enterprise customers, that once you're selling not just one thing but two things, three things, four things, the relationship deepens and the longevity goes out. In terms of what percentage you're buying, multiple things, I mean it's a difficult one to answer because it sort of depends how you define multiple things because the vast majority of Enterprise customers almost by definition are going to be

taking a number of those solutions that had on what we call that three by three side and bundling those into a managed service. So as far as they're concerned, they might be going, well I just think I've got one thing because I've got one managed service contract with you Gamma but actually within that I've got a bundle and a nexus of things that's actually quite difficult for someone else to replicate. So I would say most of our Enterprise customers, if not all of them, are taking more than one of those services when we put that slide up.

Bill Castell: Contracted margin on the initial relationship and then you've talked about Morrison being 20% up on that and that is the model which is going to provide great service, build the relationship, and then as other contracts come up, then you are in the RFP for those and you've got the relationship. And then the key bit is always be on the end of the phone or video conference if there's an issue, respond quickly and help even if it's not directly your relationship, they've got it with someone else. And we've won quite a few contracts there where we've turned up to help solve other people's issues.

Andrew Belshaw: And I suppose the other thing I'd say is it actually works across verticals or within verticals maybe rather than across verticals. We've done quite well over the years with the universities because you solve problems for one university and they all go and talk to each other and you can solve problems for some of their friends at other universities. Same with large retailers. At the moment we've worked with Aldi and Lidl for some years now we work with Morrisons. Yeah, we've got other people in that ilk that we are working with and bidding for and I can't remember what we've disclosed and what we haven't, but you get this sort of general idea of once you're within one of those verticals, all of these CIOs and CTOs talk to each other and that's very powerful as well. So it's not just retaining that one customer, it also enables you actually to go and work with some of the peers of that customer.

Operator: We've got another question from Martin. How is Gamma thinking about AI as a monetisable product line versus a standard feature to maintain competitiveness? Will the AI receptionist and other tools be billed separately bundled in higher tier plans or offered as a free feature? And is the AI being built internally white labelled from a partner or developed through the STARFACE acquisition?

Andrew Belshaw: So if you think about AI, it covers just a multitude of different things and gets involved in a multitude of different areas. So if you look at something like the Cisco collaboration tool set, they have some really, really nice AI that sits at the core of that that just gives you a much better voice experience, it gives you a much better video experience and that is just the package. And if you



have a video call on Cisco versus some of the other products, I think you will find it's better because the way they do the IP pushing over the web and the way they do the AI is just better.

That's included in the price. So in some instances, yes, it's bundled in. In other instances, things like AI receptionist, we think that is a chargeable. If you are a small business and we can sell you a tool that fundamentally means you need to employ fewer people to be answering phones, we feel that is saving you money, we are adding value to you and we should be deriving some of that value. So that should be chargeable. Like all of these things, this market has a long, long, long way to go and we'll be sitting here in three years time and we can kind of debate how it's all gone. But I think it's going to be a mixture of both of those things. I think there's definitely going to be some AI that's just in the bundle because it's very, very difficult to extract I think where you have a slither of something that is very clearly an AI slither that you can kind of have or not have. I think that probably is, well it definitely is chargeable and we'll see how that market evolves.

Operator: Our next couple of questions are from Carl Murdock-Smith from Citi. You've mentioned a short-term headwind driven by strong competition in ethernet pricing from the number of alternative networks now providing fibre, why is this only a short-term headwind not longer term in nature and how much has this dynamic changed over the last year?

Andrew Belshaw: It's a really good question. How much has it changed? It is changed in the last 12, 18 months. So where we're going and rebidding ethernet or bidding ethernet for the first time, we're seeing ethernet unit pricing going down. Why do we feel it's short term? There is if you are building a network and you are a fibre provider, at some point you have to start making money and we can have a much longer conversation about Altnets and so on and so forth. and this probably isn't the time or the place or the forum, but Altnets do need to start making money at some point and that's why we're sort of reasonably confident.

Bill Castell: That I think the other thing is I said in SME, we've got a certain amount of volume that is on the higher margin, ADSL. Once that volume moves down, yes you take the hit which we talked about, but then your year on year is like for like because already taken the hit down in your GP. So that's why that is a move down then from that as long as we grow volume, then it gets back to growth.

Operator: Next question is, in your release this morning you mentioned that you are well placed to maximise the M&A opportunity even in challenging macroeconomic times. Do you see increased M&A opportunities, given the

challenging times? Are there any countries verticals or product sets that are particularly missing from Gamma's current portfolio?

Andrew Belshaw: Yes, it's a really good question. I mean, we always say we are looking for two things in M&A, it's desperately insightful. One is additional services or solutions that we can sell into the base so when we did things like SATs, net security, BrightCloud for contact centre and we look for those businesses as and when they become available, we've mentioned AI would be one where if you can find people doing clever things with AI, that might be something that you want to acquire or you may just license that in and sell that to the base so you don't always need to own these things. Geography is also the important one. I think what we've learned over the course of the last five, six years is actually doubling down on one geography as we've done with Germany probably gives you a better return than not having scale in other geographies. So for the time being, we're still looking at whether there's anything additional we can do in Germany, both in terms of giving us a bit more market share, but also maybe some other solutions that we can sell and maybe if you had a look at the slide carefully, you might have some clues as to what that might be. And then we've always talked about other European countries, but I want to get Germany actually working properly integrated before we move on and think about doing something somewhere else.

Operator: Our final question from David Holohan of Marlet Financial on capital allocation. Given the significant cashflow the company generates, would it make sense to have a rolling opportunistic buyback authorisation in the order of £25 million to capitalise on the significant disconnect with the current share price and not impact your M&A strategy?

Andrew Belshaw: Yeah, that's a really good question and it's one that inevitably we talk about with the Board. I mean just to be really clear, what we've said this morning, and I hope we've said it clearly, is we do generate a lot of cash and we think we've been pretty disciplined about doing good M&A and returning that to shareholders so we don't see it as an either or. What we've done thus far and I suppose to answer your question David, is we've said we will open up a buyback for a period of time and then we've closed that buyback. Right now we are in a slight net debt position and we feel getting that down a little bit might be the best use of cash for the short term. I think that gets reviewed going into next year as to what we want to do in terms of the sort of cash balances we want to take, how much debt we want, where the share price is, what shareholders are asking for, what M&A targets are. But we will keep coming back to this balance of we know we need to do M&A because there's really good opportunities to do a creative M&A in Europe and we hear

shareholders loud and clear that they want cash returned and we hope we can get the balance right in doing that.

Bill Castell: And we have a structured approach with equivalent rate of return looking at share buybacks, looking at return hurdles for M&A, which is inherently more risky than organic. So we have hurdles, et cetera internally and clearly we take the Board through that and through their decisions and that's how we've done the share buybacks in the past and it's a balanced approach going forward.

Operator: There are no further questions online.

Andrew Belshaw: Okay, did we have any more questions in the room? Well, with that, thank you once again for braving the strike and coming over here. Really appreciate it. Thank you also for dialling in. We'll see many of you I think over the course of the next week as well. So looking forward to that. As you know, if you do have any other questions, you know where I am, you know where Bill is. But thank you very much indeed and we'll see you in six months time, if not before. Thank you.