

## Gamma announces positive results for 2020 with good organic growth in the UK supported by strategic acquisitions in Europe

Gamma Communications plc ("Gamma" or "the Group"), a leading, technology-based provider of communications services to the business market in the UK and Europe, is pleased to announce its results for the year ended 31 December 2020.

	Year ended 31 December		Change (%)
	2020	2019	
Revenue	£393.8m	£328.9m	+20%
Gross profit	£200.8m	£166.5m	+21%
<i>Gross margin</i>	51%	51%	
Profit from operations	£75.7m	£45.5m	+66%
Adjusted EBITDA	£79.0m	£63.5m	+24%
PBT	£75.0m	£45.2m	+66%
Adjusted PBT	£61.7m	£48.1m	+28%
EPS (Fully Diluted, "FD")	66.6p	36.1p	+84%
Adjusted EPS (FD)	51.3p	40.8p	+26%
Total dividend per share	11.7p	10.5p	+11%
Cash generated by operations	£70.3m	£54.0m	+30%
<i>Cash generated by operations / adjusted EBITDA</i>	89%	85%	
Cash and cash equivalents (gross cash)	£53.9m	£53.9m	0%

*All adjusted measures set out above and throughout this document which are described as "adjusted" represent Alternative Performance Measures ("APMs") and are separately presented within the statement of profit or loss or reconciled in the Financial Review section or segment note and are applied consistently. Where reference is made to adjusted EPS this is stated on a fully diluted basis. Definitions of APMs are included in the Financial Review - within the adjustments is the gain of £19.5m made on the sale of the Group's non-core business which traded as "The Loop". Our policy on the use of APMs is included in note 2.*

### Key Highlights

The Group had a good financial performance across all business units with growth across all key product categories during the year. COVID-19 only had a small impact on the overall financial performance of the business, with cancellations, bad debt and churn continuing in line with their normal low, pre-COVID-19 levels.

### Financial highlights

Each of the business units continued to perform well:

- Revenue grew by 20% from £328.9m to £393.8m.
- Organic revenue growth in the period was 9% (from £328.9m to £357.6m across the Group). Organic growth was slightly lower than originally expected due to the lower rate of sales in the second quarter driven by the COVID-19 pandemic; sales activity returned to pre-COVID levels in the second half. (NB Organic growth excludes the results of acquisitions made in 2020).
- Recurring revenue (being repeat business) in the year grew from £306.9m in 2019 to £359.3m in 2020.
- UK Indirect Business continued to grow strongly with a focus on the existing partner base. Gross profit increased 11% (£13.1m) from £119.1m in 2019 to £132.2m in 2020.

- UK Direct Business (which now includes Exactive) continued to grow gross profit which increased by 21% (£8.1m) from £38.2m in 2019 to £46.3m in 2020.
- European Business saw gross profit increase from £9.2m in 2019 to £22.3m in 2020, primarily through acquisition - Voz Telecom (acquired in April 2020), HFO Holding (acquired in July 2020) and gnTel (acquired in July 2020).

### **Product highlights**

Continued strong growth across the major product groups in the United Kingdom:

- The number of installed SIP Trunks increased by 17% to 1,185,000 from 1,016,000 at 31 December 2019; these figures include sales of the MS Teams Direct Routing product and seats on Exactive's CloudUCX platform.
- The number of Horizon (Cloud PBX) users increased to 601,000 from 522,000 (+15%). The number of Horizon users taking the additional Collaborate service increased from 9,000 to 46,000.
- The number of hosted PBX seats in our European business increased to 114,000 at 31 December 2020 from 22,000 at 31 December 2019. Much of this growth was via the acquisitions of Voz and gnTel.
- Horizon Contact, our Cloud Contact Centre solution, which resulted from the acquisition of Telsis in 2019 and is a fully integrated module for our Cloud PBX product was successfully launched in the UK on 2 March 2021.
- In the second quarter of 2021, we expect to launch our single line replacement product (PhoneLine+) and we will also release functionality which will enable Horizon users to integrate our Cloud PBX with MS Teams.

### **Acquisitions**

We have continued to execute our strategy through selective acquisitions which both strengthen our UCaaS product functionality and expand our geographical footprint in Europe.

We have strengthened our product capabilities as follows -

- In February 2020, we acquired Exactive Holdings Ltd ("Exactive"), a unified communications specialist (based in the UK and Poland) with expertise in Microsoft Teams. It is helping to develop our UCaaS proposition by enabling us to configure Microsoft Teams as a full UCaaS solution for those customers who require it. These will tend to be Enterprise customers.
- In March 2021, we acquired Mission Labs Limited ("Mission Labs"). Mission Labs provides expertise and product capability in the Cloud Contact Centre as a Service market ("CCaaS"). It also has a solution for micro-business users called Circle Loop which is sold digitally.
- We have expanded our presence in Europe through three acquisitions: -
- In April 2020, we acquired VozTelecom OIGAA360, S. A. ("Voz Telecom"), a well-established provider of cloud communication services in Spain, which provides us with access to the nascent Cloud PBX market.
- In July 2020, we acquired a majority shareholding in HFO Holding AG ("HFO") in Germany. HFO is a leading provider of SIP Trunks in Germany and has recently begun to sell Cloud PBX products.
- Also, in July 2020, we acquired gnTel B.V. ("gnTel"), a Cloud PBX provider in the Netherlands and Germany.

Andrew Taylor, Chief Executive Officer, commented,

*"We have delivered a good business performance and set of financial results for 2020, with both our UK and European businesses continuing to develop and grow. We have begun to successfully knit*

*together our desired European footprint and are working with the local management to accelerate our growth in Cloud PBX in Europe.*

*"Despite the COVID-19 pandemic, our product performance was positive, and we continued to strengthen our market capabilities through the development and launch of new products and services. During the year we have reinforced the execution of our UCaaS strategy, which is progressing very well, with the strengthening of both our geographical reach and overall product capabilities. As ever, we have continued to strengthen both our Direct and Indirect channel propositions across all markets, with a focus on positively supporting our partners and our customers"*