RNS Number : 5031D
Gamma Communications PLC
10 September 2024

10 September 2024

Gamma Communications plc

Unaudited results for the six months ended 30 June 2024

Strong first half performance, complemented by growth from acquisitions. Full year Adjusted EBITDA in the top half of market expectations and Adjusted EPS at top of the range

Gamma Communications plc ("Gamma" or "the Group"), a leading provider of technology-based communication services across Europe, is pleased to announce its unaudited results for the six months ended 30 June 2024.

	Six months ended 30 June		
	2024	2023	**Change (%)**
Revenue	**£282.5m**	£256.2m	*10%*
Gross profit	**£145.8m**	£131.2m	*11%*
Gross margin	***52%***	*51%*	
Adjusted EBITDA*	**£62.2m**	£56.5m	*10%*
Profit before tax ("PBT")	**£48.5m**	£43.5m	*11%*
Adjusted PBT*	**£56.0m**	£48.3m	*16%*
Earnings Per Share ("EPS") (fully diluted)	**36.7p**	33.8p	*9%*
Adjusted EPS (fully diluted)*	**42.5p**	37.5p	*13%*
Interim dividend per share	**6.5p**	5.7p	*14%*
Cash generated by operations	**£59.6m**	£57.1m	*4%*
*Adjusted cash conversion**	***100%***	*101%*	
Net cash*	**£142.9m**	£121.7m	*17%*

**The Group uses certain measures in addition to those reported under IFRS, under which the Group reports. These measures are known as Alternative Performance Measures ("APMs"). The Group does not consider these APMs to be a substitute for, or superior to, the equivalent statutory measure. These APMs are explained, defined and reconciled in the APM section, which follows the notes to the condensed financial statements, and are applied consistently.*
The Group's Adjusted cash conversion is defined as Cash generated by operations excluding the cash impact of exceptional items £2.2m (for 2023 restructuring) and of other adjusting items £0.4m (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), divided by Adjusted EBITDA.

Key highlights

- Strong financial performance with gross profit and Adjusted EBITDA growth in all business units and strong cash position.
- Continued growth in Cloud PBX seats, Gamma surpassed 1 million UK seats as at 30th June.
- Completed two acquisitions both of which are expected to be immediately earnings enhancing:
    - Coolwave Communications, in February 2024, an international SMS and voice services provider allowing us to provide Operator Connect for Microsoft Teams and other carrier services into nearly 20 countries; and
    - BrightCloud, in July 2024, giving us additional capabilities in the Cisco Contact Centre as a Service ("CCaaS") space. This also enables us to offer these additional Customer Experience ("CX") solutions to our existing Enterprise customers.
- Gamma has also recently agreed with Cisco that it will acquire Placetel, a German market leader in the Cloud PBX space, enabling German companies to buy Cisco Collaboration solutions both digitally and through local partners. This deal remains subject to certain closing conditions being met and we expect it to close shortly. This will elevate Gamma to being one of the leading providers in Germany with a pro-forma number of around 300,000 seats. See note 13 for additional details.
- The Board is beginning to consider a move to the Main Market. We will provide a further update in January 2025 following engagement with our largest shareholders.

Financial highlights

The Group continued to perform well in the first six months of the year delivering strong gross profit growth flowing through to both Adjusted EBITDA and Adjusted PBT, with healthy cash generation.

Group performance:

- Group revenue grew by 10% to £282.5m, gross profit grew by 11% to £145.8m (H1 2023: £256.2m and £131.2m) and profit before tax grew by 11% to £48.5m (H1 2023: £43.5m), with Adjusted EBITDA growing by 10% to £62.2m (H1 2023: £56.5m). Acquisitions have positively contributed to the Group's performance during the period. Excluding the contribution of acquisitions since June 2023 and the impact of movements in foreign exchange, revenue increased by 5%, gross profit by 7%, and Adjusted EBITDA by 8%.
- Recurring revenue (being revenue which is recognised "over time" as per note 3) in the year grew to £252.7m (H1 2023: £229.7m) remaining high at 89% (H1 2023: 90%) of total revenue.
- Adjusted EPS (fully diluted) for the period increased by 13% to 42.5p (H1 2023: 37.5p) reflecting the impact of strong Adjusted EBITDA growth and increased interest income. Cash generated by operations increased by 4% to £59.6m (H1 2023: £57.1m). This was despite the timing of inventory purchases for contracted future hardware sales and the invoicing of certain significant contracts at the period end, in Gamma Enterprise. Adjusted cash conversion was in line with prior periods at 100%.
- In total 1,910,596 Ordinary Shares were acquired by the Company and held in Treasury for an aggregate £27.3m over the course of the buyback to 6 September 2024, when the buyback programme expired.

Business unit performance:

- Gamma Business continued to grow strongly driven primarily by our UCaaS portfolio. Revenue growth has also been supported by recent acquisitions. Gross profit increased by 12% to £97.1m (H1 2023: £86.8m) with a stable gross margin.
- Gamma Enterprise, benefitted by a number of significant contract wins, grew gross profit by 14% to £28.9m (H1 2023: £25.4m) with the Satisnet acquisition contributing £2.1m (H1 2023: £Nil).
- European revenue was flat and gross profit growth was 7%, when excluding foreign exchange impacts, following good progress in higher margin products. The impact of foreign exchange meant gross profit otherwise grew 4% to £19.8m (H1 2023: £19.0m).

Outlook

Following a strong first half performance, growth is expected to continue across the second half and Adjusted EBITDA is now anticipated to be in the top half and Adjusted EPS at the top of the range of market expectations+.

Andrew Belshaw, Chief Executive Officer, commented:
"Gamma has achieved another strong set of results, marked by robust revenue growth, stable margins, and strong cash generation. Our broadened product set is resonating well with both Channel Partners and enterprise customers. As customers require more complex communications solutions, we continue to see opportunities to grow our revenues further. We are making progress in developing a common Pan-European product set, expanding our enterprise offering while continuing to capitalise on the significant opportunities within our SME customer base.

The strength of Gamma's balance sheet has enabled us to expand our capabilities, through both product development and strategic acquisitions. We have recently broadened our enterprise offerings with two earnings enhancing acquisitions: Coolwave Communications and BrightCloud. Additionally, we have conditionally agreed with Cisco to acquire Placetel a leading player in the German Cloud PBX space. We continue to view M&A as a key tool to complement our organic growth, broaden our capabilities and expand our European presence. With a strong pipeline of organic and inorganic opportunities, our resilient business model enables us to look forward with confidence."

+ *Company compiled range is based on known sell side analyst estimates. The current consensus range for full year 2024 Adjusted EBITDA £120.9m - £127.4m and Adjusted EPS (fully diluted) 78.4p - 84.0p, as at 6 September 2024.*

Enquiries:

Gamma Communications plc Andrew Belshaw, Chief Executive Officer Bill Castell, Chief Financial Officer Rachael Matzopoulos, Company Secretary	Tel: +44 (0)333 006 5972 CompanySecretary@gamma.co.uk
Peel Hunt (NOMAD & Broker) Neil Patel / Benjamin Cryer / Kate Bannatyne	Tel: +44 (0)207 418 8900
Deutsche Numis (Broker) Simon Willis / Hugo Rubinstein / Spencer Clark	Tel: +44 (0)207 260 1000
Teneo (PR Adviser) James Macey White / Matt Low / Ffion Dash	Tel: +44 (0)207 353 4200 Gamma@teneo.com

Gamma Communications plc is a leading provider of technology-based communication services across Europe. Gamma is admitted to trading on AIM and employs approximately 1,900 people. Offering a range of Unified Communications, mobile, security and connectivity services, Gamma provides robust and secure end-to-end business communication solutions, enabling organisations to communicate, collaborate and offer a better customer experience.

Gamma's vision is for a better-connected world in which it can work smarter for the benefit of business, people, and the planet. Its primary market is the UK, where it delivers network-based services to SME, Public Sector, and Enterprise markets through its extensive network of trusted channel partners and direct sales and support capabilities. Expanding its presence in Europe, Gamma is continuing to grow its group of businesses focused on digital transformation by delivering services to customers via a network of channel partners in Germany, Spain, and the Benelux region.

For more information about Gamma and its comprehensive range of products and services, please visit gammagroup.co

Chief Executive Review

I am pleased to report another set of strong results for Gamma's first six months of 2024. Group revenue for the six months increased by £26.3m to £282.5m (H1 2023: £256.2m), an increase of 10% on the prior year. Adjusted EBITDA for the Group increased by £5.7m (10%) to £62.2m (H1 2023: £56.5m). Profit before tax for the period was £48.5m, an increase of 11% from the prior year figure of £43.5m.

Cash generated by operations for the period was £59.6m compared to £57.1m in H1 2023. The closing Net Cash balance for the half was £142.9m (31 December 2023: £134.8m). This cash balance has increased despite investing £7.8m in capital items, paying £9.0m in relation to acquisitions, returning £12.6m to shareholders at 30 June 2024 through a share buyback scheme, and paying £11.1m in dividends.

Our performance in the first half of 2024 was strong. The gross profit and EBITDA of each business unit grew organically in line with our expectations and all of the acquisitions made in 2023 and early in 2024 have been immediately accretive.

We believe that the acquisitions we have made in 2024 will continue to perform well in the second half of this year and will be a growth driver into 2025 and beyond.

In addition to the growth driven by acquisitions, our organic growth has been solid. Gamma continues to experience growth in our existing markets.

I would like to thank our staff for their hard work in the first half which has driven this performance.

Strategic update

Develop a common pan-European solution set.

Gamma continues to sit in a strong position within our industry - Channel Partners across Europe want to work with us because of the variety of solutions we can offer their end users, and the global technology companies (such as Cisco and Ericsson-LG "ELG") want to work with us because of the breadth of our distribution capability. Our conditional deal with Cisco to acquire their German Placetel business demonstrates the strength of our partnership. We continue to work with global solution providers to explore the possibility of adding other relevant solutions into our portfolio. The acquisition of BrightCloud gives us expertise in delivering the Cisco CX CCaaS solution.

We are currently converging on three UCaaS[1] solutions, addressing different market segments:

- PhoneLine+ (and its digital variant CircleLoop) - this solution was developed internally and provides a price-competitive solution to micro-businesses of up to ten employees.
- iPECS (developed by ELG) - this is a feature rich solution designed to appeal to SMEs. Alongside iPECS, we continue to sell additional solutions locally, most notably our Horizon solution in the UK and Netherlands, and to support our end users and partners who are used to their functionality.
- Our longstanding partnership with Cisco allows us to offer their UCaaS and wider collaboration solutions into the SME and Enterprise space - both directly and through our Channel Partners. This includes the entire Cisco suite from basic voice solutions through to complex AI-powered Contact Centre solutions. We launched a beta trial of Horizon with Webex in July 2024 which provides both us and our partners another opportunity to increase Average Revenue per User ("ARPU") from the end users. We look forward to the full launch of this product which we expect to happen in late September.

In addition, we can integrate these above solutions with Microsoft ("MS") Teams. Where Teams users do not wish to integrate with another solution, we can offer voice enablement to those users for whom the functionality of MS Teams is sufficient. Through partnerships, we now provide Microsoft licences to our direct Enterprise customers who prefer to source both the licences and the voice enablement from the same supplier.

We continue to keep our portfolio of solutions under review to ensure that we have the most up to date and innovative solutions for our end users of all sizes and in all countries.

The lines between CCaaS and UCaaS are becoming blurred and some features which had historically been seen as "contact centre specific" are now required in basic UC solutions - for example, our PhoneLine+ solution can be integrated with WhatsApp to provide a simple "omnichannel" capability where customers of our end users can be contacted by both voice and text. We will continue to develop our CCaaS solution set. Both ELG and Cisco provide Contact Centre options which provide us with upsell opportunities from the basic communication solutions, and the acquisition of BrightCloud demonstrates our commitment to our strategic partnership with Cisco.

In 2021, we released a "bolt on" to our Horizon solution called Horizon Contact which provided Contact Centre functionality - this option is being taken by around 7% of our new users. We are now adapting this technology so that the Contact Centre functionality can sit on top of other voice solutions (most notably MS Teams). This means that, for example, if a SME MS Teams user requires Contact Centre functionality they can consider our Contact Centre solution which will seamlessly work alongside MS Teams.

[1] *Software platform that allows communication using multiple different media that runs over the internet.*

As we have reported previously, the landscape for communication solutions continues to become more complex but Gamma has a very strong track record of utilising these changes to take a larger share of the spend from our end users.

Develop multiple routes to market in each country in which we operate.

Gamma has always been known for its high levels of customer service and a key part of this is our ability to make communications solutions easy to provision and to operate. Maintaining this level of service is complex because there are multiple routes to market and it is hard to excel in every route - it is therefore a key differentiator for Gamma, and hard to replicate.

In the UK we have focused on the indirect route to market through our valued Channel Partners who sell mainly to SME customers. We have sold to UK-based Enterprise and Public Sector customers directly. In Europe there are a variety of sales models including wholesale, resale, dealer and direct. Across all routes to market, customer portals are important. Customers want to order solutions made up of multiple components - not only do we need to provide third-party software and hardware, we need to bundle this with our own voice enablement services at the point of provisioning which, among other things, ensures that end users can continue to use their existing telephone numbers.

Our project to rebuild our existing suite of portals (and to roll out one portal across Europe) is continuing apace. We expect to have the first elements launched early in 2025 with completion of the project in 2026. This will ensure that we continue to give our customers the excellent quality of service which they are accustomed to.

As well as being a differentiator in the market, our future portal will support all the routes to market which we use. We will be able to add solutions quickly into the new portal which will mean that as new trends appear in the market we can bring solutions to market quickly and therefore begin to generate revenues at pace. We will also be able to turn "product" from larger organisations such as Cisco and MS into "solutions" which can be consumed easily by both Channel Partners and end users.

Upon the acquisition of Placetel we will have a well-known and well-utilised portal which businesses can use in Germany to procure Cisco UCaaS and Collaboration solutions digitally. We also have the opportunity to take this to other countries.

Become a trusted partner to Enterprises across Europe, transforming their communications estates.

Gamma has long been known as a key supplier to SME customers across Europe and this market continues to be a driver of growth for us. One of our strategic aims was to become equally well-known in the Enterprise and Public Sector spaces, and we are pleased that is now the case. We continue to invest in this business through the acquisition of new capabilities.

In 2021 we acquired Mission Labs which gave us the SmartAgent solution. This enhances the AWS Connect platform. Sales have grown considerably with over 16,000 customer service agents using SmartAgent in the UK and Europe. We have continued to develop SmartAgent, allowing existing customers to adopt new features such as WhatsApp messaging and AI features. This is important as it enables us to monetise communication channels which are not traditional voice and text. AI enables our customers to answer their customers' queries without them needing to interact with a person - we are able to charge on a per unit basis for this "call deflection" service. Our recent acquisition of BrightCloud gives us the capability to support Cisco CX solutions alongside those of Amazon.

As well as working with Amazon and Cisco, we have invested organically in the MS Operator Connect solution which enables any organisation to voice enable MS Teams (although this tends to be used by larger end users). We deployed Operator Connect across all our businesses and have secured several European and pan-European contracts. In Benelux we secured significant Operator Connect wins, including for a large Dutch university and our first Belgian customer, providing Operator Connect for a large municipality. We are one of the largest providers of voice enablement for Teams both in the UK and the Netherlands. Our new portal will use the capability we acquired with Coolwave Communications ("Coolwave") to enable customers to procure pan-European MS voice services from one place - this will be available early next year.

Our acquisition of Satisnet in August 2023 has enhanced our capability as a managed security services provider. We have successfully cross-sold this service to our pre-existing customers and see further cross-sell opportunities across our client base.

Create an organisation that engages all our people with a common set of values and goals.

We continue to celebrate our key values with our quarterly awards and annual dinner for award winners.

On top of this, we are introducing a job levelling framework, so that our people are aligned in their goals, pay and structure as well as values.

A job levelling framework provides a strong foundation to build teams and structure the wider business, rewarding the success of our people, and allowing them to see opportunities for career progression within Gamma.

Our markets and performance

At the full year we identified a number of market trends which are both driving Gamma's growth today and which will continue to drive our growth for the medium term.

Customers are requiring more complex communications solutions

Both changing working patterns (e.g. hybrid and home working) and new technologies (e.g. omnichannel and AI) mean that businesses are becoming more demanding in what they require from their communications systems. This presents Gamma with the opportunity to sell more to more customers to ensure that their communications solutions meet their needs - solutions can consist of a combination of several products which are knitted together and surrounded by Gamma's service wrap.

We continue to add to our portfolio of solutions to ensure that we incorporate all of the latest technologies to be able to compete across the whole market as needs and demands become more complex. This means that we can sell a broader solution for each end user and therefore increase ARPU. A prime example of this is our acquisition of BrightCloud; we are already seeing opportunities for cross-selling these new capabilities into our existing customer base.

German Cloud market is still under penetrated

Market conditions in the Netherlands and Spain continue to be difficult. The Dutch market is already well-penetrated for Cloud PBX and in Spain the market is dominated by the MNOs (particularly Telefonica). We see voice enablement (and particularly voice enablement of MS Teams) as being a growth driver in the Netherlands and Spain over the medium term.

There is a significantly bigger market opportunity in Germany where the cloud market is under-penetrated compared to the rest of Europe. However, the German market generally continues to be slow to embrace Cloud PBX (and indeed cloud products in general). One area of the German market which is seeing growth is where smaller start-up businesses are buying Cloud PBX services online. The German market leader in this space is Placetel (which is presently a division of Cisco). Gamma has conditionally agreed to acquire Placetel, and following completion this will elevate us to being one of the leading providers in Germany. While we expect the German market to be a significant driver for growth in the medium term and longer term, short term market growth rates are likely to be lower than we have seen in the UK. However, given the overall market is larger, growth will likely last for many years to come. As well as the organic growth potential, we continue to seek additional acquisitions to improve our scale and market position in Germany.

Hardware PBX to cloud migrations

We expect a trend to emerge where end users who have taken Gamma SIP to voice enable a hardware PBX will move towards a full cloud communications solution. We did not see this happening in volume during the first half of 2024 and believe that lack of migration was because the hardware PBX solutions which are still in use are more feature rich than the Cloud PBX products which have been widely available.

As Cloud PBX solutions become more feature rich, this trend will accelerate and we expect end users to migrate away from a SIP/hardware solution. We believe we are well placed to increase ARPUs for customers who stay with Gamma. The wholesale ARPU from a SIP customer is typically around £1.25 per user per month. If these customers migrate to a Teams solution, that can double, and it can increase further if end users migrate to one of Gamma's UCaaS offerings. To capitalise on this coming trend it has been important for Gamma to increase the breadth of its UCaaS portfolio. Hardware PBXs are not homogenous and have a variety of features: Gamma's cloud solutions are now able to meet the needs of most end users.

PSTN Switch-off in the UK

BT's cessation of the provision of services which are underpinned by the PSTN has now been delayed until early 2027. This delay defers the need for millions of consumers and micro-businesses to seek another solution for their broadband and voice.

While some are choosing to delay their digital journey through temporary MPF solutions or may choose to cancel their landline altogether, Gamma is well placed to provide next generation solutions for forward-thinking businesses. Gamma can supply both high speed fibre based broadband and voice - the latter being provided by our own PhoneLine+ solution, Horizon or iPECS.

Despite the delay in the timetable, we are still seeing significant numbers of end users moving to Cloud Communications Solutions. In the first six months of the year, we added 48,000 seats in the UK. The level of additions is particularly strong because we now have an expanded portfolio including PhoneLine+ and iPECS in addition to the existing Horizon product.

Business unit Performance

Gamma Business is our business unit which sells to SMEs in the UK, mainly via Channel Partners. Revenue - supported by the acquisitions of Pragma (previously referred to as EnableX in the 2023 Annual Report) and Coolwave - grew from £164.8m to £184.1m - an increase of 12%. Sales of PhoneLine+ accelerated and the Horizon and iPECS bases continue to grow in line with historical performance. The cross-selling of additional modules for Horizon (such as call recording or collaboration) has been pleasing and our penetration rates continue to increase, which is important as this offsets any ARPU reductions on the sales of the core Horizon product. As we extend the portfolio of solutions and new technologies, such as AI, come into the communications space, the opportunity to cross-sell and up-sell increases across all of our communications solutions.

Gamma Enterprise has had a strong start to 2024, and revenues - supported by the acquisition of Satisnet in August 2023, a Cyber Security Managed Security Services Provider - grew from £53.0m to £61.0m in H1 2024, an overall increase of 15%. As we reported previously, a number of projects had been delayed from 2023 into 2024 which meant growth towards the end of 2023 was softer than expected but this has now come through in 2024. Equally pleasing is that our pipeline remains strong.

We continue to look for acquisitions which will bring additional capability to our Enterprise offering. Some of these acquisitions may bring several new capabilities and may therefore be larger than those we have done historically.

European revenue was flat but gross profit growth was 7% when excluding foreign exchange impacts, following good progress in higher margin products. The impact of foreign exchange meant gross profit otherwise grew 4% from

£19.0m to £19.8m.

During H1 2024 we added 3,000 voice enabled MS Teams users, an increase of 33%, across Operator Connect and MS Teams Direct Routing. While Teams usage in Europe lags behind that of the UK, we are building a base of Operator Connect customers and we are now the leading supplier of Operator Connect in the Netherlands - albeit the market is very immature. We continue to invest in Europe. The forthcoming acquisition of Placetel demonstrates our commitment to building a market leading European business (with a particular focus on Germany).

Consideration of Main Market listing

The Board is beginning to consider a move to the Main Market. We will provide a further update in January 2025 following engagement with our largest shareholders.

ESG

Since the validation of Gamma's near and long-term emissions reduction targets by the SBTi, we have made progress in defining our action plan to achieve net-zero emissions, identifying key areas for emissions reductions and establishing interim targets.

We are delighted to announce the pilot launch of the Gamma Scholarship Programme, supporting talented students of STEM degrees at the University of Salford and Glasgow Caledonian University. The scholarships will provide opportunities to those who are often underrepresented in education and the technology industry, strengthening their longer-term career prospects.

Outlook

While we saw some evidence of a softer economy in 2023, the first half of 2024 has proved to be positive, delivering pleasing growth and we see this continuing into the second half of 2024 and into 2025. We believe that our enhanced product set will continue to drive growth as businesses across Europe look for more complex communication solutions to deal with recent trends in working patterns.

The communications market in Europe continues to grow and evolve. We have identified growth opportunities in the UK and Europe, in SME and Enterprise (using both our own solutions and those of third parties).

Following a strong first half performance, growth is expected to continue across the second half and Adjusted EBITDA is now anticipated to be in the top half and Adjusted EPS at the top of the range of market expectations.

Since being admitted to AIM nearly ten years ago, we have grown revenue, Adjusted EBITDA and Adjusted EPS (fully diluted) in every year and we expect growth to continue in the second half of this year and beyond as we add more users both in the UK and Europe. We have a robust business model based on recurring revenue from solutions that are critical to the businesses which use them. Our continued profitability, strength in cash generation and healthy cash balance leave us well placed to maximise the opportunity even in challenging macro-economic times.

I look forward to working with our customers, partners and colleagues for the benefit of all our stakeholders as we continue to grow the business over the coming years.

Andrew Belshaw
Chief Executive Officer

Supplementary information on product volumes

The table below shows the number of Cloud PBX seats in UK and Europe:

Cloud PBX seats - UK & Europe (000's)	**June 2024**	December 2023	Change (%)
UK - Total	**1,002**	954	**5%**
Europe	**161**	161	**0%**
-- Of which is Germany	***38***	*34*	*12%*
-- Of which is Non-Germany	***123***	*127*	*(3%)*

The table below shows the increase in the number of SIP Trunks which provide voice enablement to various hardware PBXs and voice applications:

Voice Enablement - UK & Europe (000's)	**June 2024**	December 2023	Change (%)
SIP Trunks enabling traditional hardware PBX			
- UK	**968**	1,019	**(5%)**
- Europe	**204**	198	**3%**
-- *Of which is Germany*	***197***	*191*	*3%*
-- *Of which is Non-Germany*	**7**	*7*	*0%*
SIP Trunks enabling a non-Gamma Cloud PBX			
- UK	**451**	398	**13%**
- Europe	**-**	-	**-**
Voice enabled MS Teams users (either Operator Connect or MS Teams Direct Routing)			

- UK	**457**	429	**7%**
- Europe	**12**	9	**33%**

The table below shows the number of CCaaS seats:

CCaaS seats - UK & Europe (000's)	**June 2024**	December 2023	Change (%)
UK - Total*	**40**	**30**	**33%**
Europe	**4**	4	**0%**

**CCaaS seats for Horizon Contact users also take a "Base Horizon" seat (therefore 24,000 seats are separately disclosed within Cloud PBX seats).*

Financial Review

Overview

Gamma has performed well during the six months ended 30 June 2024, increasing overall revenue by 10% to £282.5m (H1 2023: £256.2m) and gross profit by 11% to £145.8m (H1 2023: £131.2m). Group Adjusted EBITDA increased by 10% to £62.2m (H1 2023: £56.5m), profit before tax increased by 11% to £48.5m (H1 2023: £43.5m) and Adjusted PBT increased by 16% to £56.0m (H1 2023: £48.3m) while Adjusted EPS (fully diluted) increased by 13% (H1 2023: 5%) to 42.5p (H1 2023: 37.5p). Acquisitions have positively contributed to the Group's performance during the period. Excluding these and the impact of movements in foreign exchange rates, revenue increased by 5%, gross profit by 7%, and Adjusted EBITDA by 8%.

In the reporting of financial information in this Financial review, the Group uses certain measures in addition to those reported under IFRS, under which the Group reports. These measures are known as Alternative Performance Measures ("APMs"). The Group believes that these additional measures, which are used internally, are useful to users of the financial information in helping them understand business performance. The Group does not consider these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS. These APMs are explained, defined and reconciled from the most comparable IFRS metric in the Alternative Performance Measures section and used consistently period on period.

Revenue and gross profit

Gamma Business

	H1 2024 £m	H1 2023 £m	Increase
Revenue	**184.1**	164.8	+12%
Gross Profit	**97.1**	86.8	+12%
Gross Margin	**52.7%**	52.7%	

Overall, the growth in Gamma Business has been strong. The acquisitions of Pragma and Coolwave, have contributed £9.7m of revenue and £3.7m of gross profit in the period. Excluding the impact of acquisitions, growth was 6% for revenue and 8% for gross profit and has been driven by growth in our UCaaS portfolio, which includes our Horizon Cloud PBX solution as well as those SIP trunks supporting MS Teams implementations and other non-Gamma Cloud PBX solutions. Service Provider, which is reported within Gamma Business and includes the Coolwave acquisition, contributed 21% of revenue and 19% of gross profit. Gross margin has been stable with previous periods, which is in line with expectations, as the mix of UCaaS and connectivity products is reasonably consistent. Gross margin growth has also been supported through targeted price rises.

Gamma Enterprise

	H1 2024 £m	H1 2023 £m	Increase
Revenue	**61.0**	53.0	+15%
Gross Profit	**28.9**	25.4	+14%
Gross Margin	**47.4%**	47.9%	

Overall, the growth in Gamma Enterprise has been strong. The acquisition of Satisnet, completed in August 2023, has contributed £5.5m of revenue and £2.1m of gross profit in the period. Excluding the impact of this acquisition, growth was 5% for revenue and 6% for gross profit, despite a degree of price pressure in the lower end of the Public Sector, which is a relatively small part of our overall public sector business. Growth has been driven by a number of significant contract wins, including an SD-WAN, LAN, WiFi, and security infrastructure for Morrisons Supermarkets, Morrisons Local, and McColl's newsagents and a Fusion IOT solution for The AA. Additionally, there have been several wins for our omni-channel contact centre management solution, SmartAgent, with Equiniti and additional sales to JD Sports Fashion in the US. The gross margin decrease is due to Satisnet having a lower gross profit margin.

Europe

	H1 2024 £m	H1 2023 £m	(Decrease)/ Increase

	£m	£m	increase
Revenue	**37.4**	38.4	(3%)
Gross Profit	**19.8**	19.0	+4%
Gross Margin	**52.9%**	49.5%	

Both revenue and gross profit were impacted by negative foreign exchange movements, with Pound Sterling having strengthened against the Euro compared to the prior period. Excluding the impact of foreign exchange movements, revenue was flat as European revenue has benefitted from growth in Cloud PBX and CCaaS, offset by declines in the traditional products (Mobile, Broadband, Hardware and Epsilon). Conditions in the Netherlands continue to be challenging where revenue has declined, while Germany and Spain continue to grow. Excluding the impact of foreign exchange movements, the gross profit growth was 7%. The gross profit and gross margin improvement reflects the renegotiation of network costs where we have benefited from Group purchasing power and the product mix in the period.

Operating expenses

Operating expenses grew from £89.0m in H1 2023 to £100.1m. We break these down as follows:

	H1 2024 £m	H1 2023 £m	Change
Operating expenses excluding research and development costs, depreciation and amortisation	**73.5**	66.3	+11%
Research and development costs	**10.7**	8.4	+27%
Depreciation & amortisation (excluding business combinations)	**9.6**	9.5	0%
Amortisation arising due to business combinations	**6.3**	4.8	+33%
Total operating expenses	**100.1**	89.0	+12%

Operating expenses excluding research and development costs, depreciation and amortisation increased by 11% (in line with gross profit growth of 11%) comprising the following:

- The UK businesses' operating expenses grew by 13% (compared to gross profit growth of 12%). These expenses (the majority of which relate to staff) have primarily increased due to a higher headcount following the three acquisitions completed since June 2023. Excluding these acquisitions, operating expenses grew by 4% and headcount decreased. Headcount has also reduced since year end following the restructuring undertaken in late 2023.
- The increase in European operating expenses cost was 5% (compared to gross profit growth of 4%). This was positively impacted by the weaker Euro. Excluding the impact of foreign exchange movements, the increase was 8%.
- Central costs increased by 4% mainly due to professional fees related to acquisitions.

Research and development costs expensed increased by 27% due to a higher portion of research and development spend being expensed. The decision to stop ongoing development of some of our own collaboration software temporarily lowered development spend capitalisation as we moved resources onto new development projects which commenced later in the period.

Depreciation and amortisation on tangible and intangible assets (excluding business combinations) remained consistent at £9.6m (H1 2023: £9.5m).

Amortisation arising due to business combinations increased to £6.3m (H1 2023: £4.8m). This reflected an increased level of intangible assets following the Coolwave, Pragma and Satisnet acquisitions, all of which have completed since H1 2023.

Exceptional Items

There were no exceptional items in the period (H1 2023: £nil).

Adjusted EBITDA

Adjusted EBITDA grew from £56.5m to £62.2m (10%), driven by the revenue and gross profit growth across the Group. There were no exceptional items in the period (H1 2023: £nil). We incurred £0.6m of incremental costs relating to the ongoing implementation of new cloud-based Finance and HR systems which commenced in the period. These are recorded as other adjusting items as the anticipated total cost of c.£3m for the implementation to the end of 2025 is considered significant.

Profit before tax

Profit before tax grew from £43.5m to £48.5m (11%), driven by the revenue and gross profit growth across the Group. In addition, finance income increased by £1.9m to £3.6m (H1 2023: £1.7m) due to an increased amount of cash held alongside an increase in interest rates.

Taxation

The effective tax rate was 26% (2023: 24%) based on applying the expected full year effective rate. This increase is as a result of the statutory UK rate rising from 19% to 25% in April 2023. This meant the UK statutory rate increased from 23.5% for the calendar year 2023, to 25% for the calendar year 2024. The tax rate of 26% is in line with expectations for the Group's future tax rate based also on current known higher taxation rates in the main European countries in which we operate.

Net Cash and cash flows

The Group had Net Cash of £142.9m (H1 2023: £121.7m). Net Cash is now equal to cash and cash equivalents as the Group had no borrowings at 30 June 2024 (H1 2023: £1.8m), following a final repayment of £1.5m (H1 2023: £0.3m) during the period.

Cash generated by operations was £59.6m (H1 2023: £57.1m) and adjusted cash generated by operations was £62.2m (H1 2023: £57.1m) which reflects the cash impact of 2023 exceptional items and other adjusting items in 2024. Adjusted cash conversion was 100% (H1 2023: 101%), which compares to 108% for the year ended 31 December 2023.

The impact of working capital on the period has been negative when compared to the year-end impact, with a period-on-period relative outflow totalling £12.9m. This is primarily due to:

- A period-on-period unfavourable movement of £14.6m in relation to trade and other receivables and contract assets. This was due to a number of factors, with 2023 benefiting from the cash effect of unwinding some prepayments that year, and then the timing of weekends in June 2024 meaning that some cash collection was deferred into July while a number of significant contracts were also invoiced by Gamma Enterprise in June 2024.
- A period-on-period unfavourable movement of £2.9m in relation to inventories. This is a result of inventory purchases for contracted hardware sales in Gamma Enterprise in H2 2024, together with increasing stock levels in acquired entities.
- A period-on-period favourable movement of £5.1m in relation to trade and other payables. This is primarily as the 30 June fell on a Sunday and so certain payments were deferred into July.

Tax paid increased to £13.2m (H1 2023: £5.3m). This reflects the increase in UK average tax rate to 25% (H1 2023: 23.5%) which is also applied to higher H1 2024 profits, and one-off tax refunds received in H1 2023.

The primary cash items which are not directly related to trading were:

- £12.6m of treasury shares were purchased and paid in cash as part of the share buyback programme announced in March 2024 (H1 2023: nil). This is discussed further below.
- £11.1m was paid as dividends (H1 2023: £9.7m).
- £9.0m was the total payment for acquisitions net of cash acquired (H1 2023: £2.4m). This comprises £6.3m for the acquisition of Coolwave (net of cash acquired), £1.7m of contingent consideration based on milestones achieved in 2023 as a final payment in relation to Mission Labs, £0.5m deferred consideration for NeoTel and £0.5m deferred consideration for Coolwave.
- Capital spend was £7.8m, which is a decrease from £10.5m in H1 2023. This is discussed below.
- £3.6m of interest income (H1 2023: £1.5m) was received on cash and cash equivalents, increased due to higher cash holdings and improved interest rates.
- £1.5m of borrowings were repaid (H1 2023: £0.3m) as a final payment to reduce Group borrowings, which were held by trading subsidiaries outside of the UK and which predated acquisition by Gamma, to £nil.

Gamma's Group treasury policy is governed by the Audit Committee. Gamma manages cash centrally and seeks to maximise value and return while balancing associated risks. The policy manages concentration risk by setting an appropriate limit on the amount that can be placed with any one institution and manages credit risk by setting a minimum requirement around the credit rating of the financial institution. Given 87% of Group revenue is generated from our UK business, all deposit balances are held with large established UK financial institutions. Cash in Europe is held for working capital purposes and follows the credit rating requirements as set out above.

Capital spend

Capital spend in H1 2024 was £7.8m (H1 2023: £10.5m), broken down as follows:

- £4.7m on the capitalisation of development costs incurred during the period (H1 2023: £7.8m). The decrease follows our decision to stop ongoing development of some of our own collaboration software. This temporarily lowered development spend capitalisation, whilst increasing research and development expense, as we moved resources onto new development projects which commenced later in the period. In addition, the restructuring during 2023 reduced total research and development spend.
- £1.4m on the core network, including increasing capacity as well as computer equipment (H1 2023: £1.8m).
- £1.7m was spent with third-party software vendors for the software which underpins our Cloud PBX products, including from recent acquisitions (H1 2023: £0.9m).

Adjusted EPS (fully diluted) and EPS (fully diluted)

Adjusted EPS (fully diluted) increased from 37.5p to 42.5p (13%) which compares to a 5% increase in H1 2023. The increase reflects the impact of strong Adjusted EBITDA growth and increased interest income. The increase in statutory UK corporation tax rate to 25% in April 2023 had a continued negative growth impact in H1 2024 of 3% since the increased tax rate was effective for the whole of the period. The share buyback otherwise had a negligible impact since the timing of the buyback was weighted to the latter half of the period.

EPS (fully diluted) grew from 33.8p to 36.7p (9%). The growth is lower than the adjusted metric because, in the current period, the amortisation relating to business combinations has grown at a higher rate as a result of acquisitions and £0.6m of incremental costs relating to the implementation of new cloud-based Finance and HR systems have been incurred.

Acquisitions

The acquisition of Coolwave in February 2024 and the completion of the fair value accounting for Pragma were the primary drivers behind the £10.0m increase in intangible assets from £154.7m to £164.7m.

These acquisitions together created intangible asset additions of £11.6m:

- Completion of the Pragma fair value accounting increased associated intangible assets by £4.1m. Customer contracts intangible of £13.7m and brand intangible of £1.8m were both established, offset by an £11.4m reduction in goodwill and corresponding recognition of a £3.9m deferred tax liability relating to these intangible assets, together with a £0.2m current tax liability.
- The Coolwave acquisition also led to the recognition of intangible assets which totalled £7.5m, comprised £6.0m technology intangibles and £1.5m of customer contract intangibles.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are consistent with those set out in the Annual Report for the year ended 31 December 2023. In assessing going concern management and the Board have considered:

- The principal risks faced by the Group as set out below. These are consistent with those found in the Annual Report for the year ended 31 December 2023.
- The financial position of the Group.
- The strong cash position - at 30 June 2024 the Group had cash and cash equivalents of £142.9m (31 December 2023: £136.5m). The Group has no borrowings at 30 June 2024.
- Budgets, financial plans, associated future cash flows and sensitivity analysis, including liquidity, which incorporate completed acquisitions up to the date of this interim statement and the share buyback programme.

The Directors are satisfied that the Group has adequate financial resources to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of this report. Accordingly, the going concern basis of accounting continues to be used in the preparation of these condensed consolidated financial statements.

Share buyback

As at 30 June 2024, 1,003,372 Ordinary Shares had been acquired by the Company. The share buyback resulted in a charge being recorded in Other Reserves due to the £14.9m of liabilities associated with the buyback, including the payments of £12.6m made during the period. This was the primary reason Other Reserves reduced by £14.1m from £6.9m to (£7.2m).

A further 907,224 shares have since been bought back at £13.2m value such that as at 6 September 2024, the announced end date of the programme, a total of 1,910,596 have been purchased at £27.3m value, out of the announced programme of up to £35m. The Programme expired on 6 September 2024 in accordance with its previously announced conditions and the Board has decided not to extend this buyback beyond its original term.

The Board's capital allocation priority remains to enhance the growth of the business, both organically and through selective acquisitions, and to reward shareholders through growth in earnings while maintaining a progressive dividend policy and a robust capital base.

The Board will continue to keep its capital allocation policy and potential further distributions to shareholders, including share buybacks, under review, balancing opportunities for investment in organic and inorganic growth and cash requirements.

Principal risks and uncertainties

The principal risks faced by the Group continue to include the risks set out in the Annual Report for the year ended 31 December 2023. These are that product development becomes misaligned with market needs, unplanned service disruption, data loss and cyber-attacks, over-reliance on key suppliers, inability to attract and retain top talent, failure to adapt and develop new routes to market, uncertain competitive landscape causes loss of market share, unsuccessful M&A activities and legal and regulatory non-compliance. Further details can be found in the Annual Report for the year ended 31 December 2023.

Dividends

The Board has declared an interim dividend of 6.5p (2023: 5.7p). This is an increase of 14% and is in line with our progressive dividend policy. The interim dividend is payable on Thursday 17 October 2024 to shareholders on the Register as at Friday 20 September 2024.

Outlook

Following a strong first half performance, growth is expected to continue across the second half and Adjusted EBITDA is now anticipated to be in the top half and Adjusted EPS at the top of the range of market expectations.

Bill Castell
Chief Financial Officer

Management Statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Because these statements involve risks and uncertainties, including both economic and business risk factors, actual results may differ materially from those expressed or implied by these forward looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
- the Interim Management Report includes a fair review of the information required by DTR 4.27R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the Interim Management Report includes a fair review of the information required by DTR 4.28R (disclosure of related party transactions and changes therein).

By order of the Board
9 September 2024

Independent Review Report to Gamma Communications plc

Conclusion

We have been engaged by Gamma Communications plc ("the Company") and its subsidiaries (together "the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 which comprises the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the AIM Rules of the London Stock Exchange.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules of the London Stock Exchange.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
9 September 2024

Condensed consolidated statement of profit or loss
For the six months ended 30 June 2024

	Note	**Six months ended 30 June 2024 £m Unaudited**	Six months ended 30 June 2023 £m Unaudited	Year ended 31 December 2023 £m Audited
Revenue	3	**282.5**	256.2	521.7
Cost of sales		**(136.7)**	(125.0)	(254.5)
Gross profit		**145.8**	131.2	267.2
Operating expenses		**(100.1)**	(89.0)	(200.2)
Earnings before interest, tax, depreciation, amortisation, exceptional items and other adjusting items (Adjusted EBITDA)		**62.2**	56.5	114.3
Exceptional items		**-**	-	(16.0)
Other adjusting items		**(0.6)**	-	-
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**61.6**	56.5	98.3
Depreciation and amortisation (excluding business combinations)		**(9.6)**	(9.5)	(21.3)
Amortisation arising due to business combinations		**(6.3)**	(4.8)	(10.0)
Profit from operations		**45.7**	42.2	67.0
Finance income		**3.6**	1.7	5.4
Finance expense		**(0.8)**	(0.4)	(0.9)
Profit before tax		**48.5**	43.5	71.5
Tax expense	4	**(12.7)**	(10.4)	(17.8)
Profit after tax		**35.8**	33.1	53.7
Profit attributable to:				
Equity holders of Gamma Communications plc		**35.8**	33.0	53.6
Non-controlling interests		**-**	0.1	0.1
		35.8	33.1	53.7
Earnings per share attributable to the ordinary equity holders of the Company:				
Basic per Ordinary Share (pence)	5	**36.8**	34.1	55.2
Diluted per Ordinary Share (pence)	5	**36.7**	33.8	54.9

Adjusted earnings per share is shown in note 5.

Adjusted earnings per share is shown in note 5.

All income recognised during the period was generated from continuing operations.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2024

	Six months ended 30 June 2024 £m Unaudited	Six months ended 30 June 2023 £m Unaudited	Year ended 31 December 2023 £m Audited
Profit after tax for the period	**35.8**	33.1	53.7
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to the statement of profit or loss			
Exchange differences on translation of foreign operations before tax	**(0.9)**	(1.6)	(0.9)
Tax effect of exchange differences on translation of foreign operations	**0.3**	0.3	0.3
Total comprehensive income	**35.2**	31.8	53.1
Total comprehensive income for the period attributable to:			
Equity holders of Gamma Communications plc	**35.2**	31.7	53.0
Non-controlling interests	**-**	0.1	0.1
	35.2	31.8	53.1

Condensed consolidated statement of financial position

As at 30 June 2024

	Note	**30 June 2024 £m Unaudited**	30 June 2023* £m Unaudited	31 December 2023* £m Audited
Assets				
Non-current assets				
Property, plant and equipment	7	**33.6**	39.4	38.4
Intangible assets	8	**164.7**	123.4	154.7
Deferred tax asset		**5.7**	5.3	6.5
Trade and other receivables		**11.1**	9.1	11.8
Contract assets		**3.6**	2.8	2.9
		218.7	180.0	214.3
Current assets				
Inventories		**12.2**	12.6	11.8
Trade and other receivables		**83.9**	75.8	76.1
Contract assets		**33.8**	31.1	32.5
Cash and cash equivalents		**142.9**	123.5	136.5
Current tax asset		**5.0**	2.5	3.6
		277.8	245.5	260.5
Total assets		**496.5**	425.5	474.8
Liabilities				
Non-current liabilities				
Other payables		**0.1**	1.7	0.1
Financial liabilities		**5.4**	9.1	8.4
Provisions		**1.4**	1.7	1.7
Contract liabilities		**13.0**	7.5	12.1
Contingent consideration	9	**7.2**	-	7.7
Put option liability	9	**1.2**	-	1.1
Deferred tax liability		**13.2**	10.1	10.4
		41.5	30.1	41.5
Current liabilities				
Trade and other payables		**78.5**	54.5	66.5
Financial liabilities		**2.0**	3.2	3.3
Provisions		**1.6**	0.4	3.4

	Note			
Provisions		**1.0**	0.4	3.4
Contract liabilities		**16.4**	8.8	14.1
Contingent consideration	9	**1.0**	2.7	1.7
Put option liability	9	**-**	1.8	-
Current tax liability		**0.6**	0.7	0.1
		100.1	72.1	89.1
Total liabilities		**141.6**	102.2	130.6
Net assets		**354.9**	323.3	344.2
Equity				
Share capital	10	**0.2**	0.2	0.2
Share premium reserve		**23.3**	18.1	22.9
Other reserves	11	**(7.2)**	9.1	6.9
Retained earnings		**339.5**	297.2	315.1
Equity attributable to owners of Gamma Communications plc		**355.8**	324.6	345.1
Non-controlling interests		**0.2**	0.9	0.2
Written put options over non-controlling interests		**(1.1)**	(2.2)	(1.1)
Total equity		**354.9**	323.3	344.2

* For re-presentation of comparatives refer to note 1, section Consolidated statement of financial position.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2024

	Note	**Six months ended 30 June 2024 £m Unaudited**	Six months ended 30 June 2023 £m Unaudited	Year ended 31 December 2023 £m Audited
Cash flows from operating activities				
Profit for the period before tax		**48.5**	**43.5**	71.5
Adjustments for:				
Depreciation of property, plant and equipment	7	**4.4**	**4.6**	9.3
Depreciation of right-of-use assets		**1.2**	**1.3**	2.3
Amortisation of intangible assets	8	**10.3**	**8.4**	19.7
Impairment of intangible assets		**-**	**-**	12.7
Share-based payment expense		**1.1**	**1.3**	2.7
Interest income		**(3.6)**	**(1.7)**	(5.4)
Finance expense		**0.8**	**0.4**	0.9
		62.7	**57.8**	113.7
(Increase)/decrease in trade and other receivables and contract assets		**(7.9)**	**3.5**	6.7
(Increase) in inventories		**(3.9)**	**(2.4)**	(1.0)
Increase/(decrease) in trade and other payables		**7.2**	**(1.6)**	2.1
Increase/(decrease) in contract liabilities		**3.2**	**(0.7)**	(1.5)
(Decrease)/increase in provisions		**(1.7)**	**0.5**	3.5
Cash generated by operations		**59.6**	**57.1**	123.5
Taxes paid		**(13.2)**	**(5.3)**	(15.3)
Net cash flows from operating activities		**46.4**	**51.8**	108.2
Investing activities				
Purchase of property, plant and equipment	7	**(1.4)**	**(1.8)**	(5.6)
Purchase of intangible assets	8	**(6.4)**	**(8.7)**	(17.4)
Interest received		**3.6**	**1.5**	4.9
Acquisition of subsidiaries net of cash acquired	12	**(9.0)**	**(2.4)**	(22.8)
Net cash used in investing activities		**(13.2)**	**(11.4)**	(40.9)
Financing activities				
Lease liability repayments		**(2.0)**	**(1.3)**	(2.3)
Put option liability payment		**-**	**-**	(1.3)
Repayment of borrowings		**(1.5)**	**(0.3)**	(0.5)
Repayment of borrowings acquired with acquisitions		**-**	**-**	(7.7)
Interest paid		**-**	**(0.1)**	(0.1)
Share issues		**0.6**	**0.1**	1.9
Purchase of treasury shares		**(12.6)**	**-**	-
Dividends		**(11.1)**	**(9.7)**	(15.2)
Net cash used in financing activities		**(26.6)**	**(11.3)**	(25.2)
Net increase in cash and cash equivalents		**6.6**	**29.1**	42.1
Cash and cash equivalents at beginning of period		**136.5**	**94.6**	94.6
Effects of exchange rate changes on cash and cash equivalents		**(0.2)**	(0.2)	(0.2)
Cash and cash equivalents at end of period		**142.9**	**123.5**	136.5

Condensed consolidated statement of changes in equity
For the six months ended 30 June 2024

	Share capital	Share premium reserve	Other reserves	Retained earnings	**Total**	Non-controlling interests	Written put options over non-controlling interests	**Total equity**
	£m	£m	£m	£m	**£m**	£m	£m	**£m**
1 January 2023	0.2	18.0	9.0	273.9	301.1	0.8	(2.2)	299.7
Issue of shares	-	0.1	-	-	0.1	-	-	0.1
Share-based payment expense	-	-	1.4	-	1.4	-	-	1.4
Dividends paid	-	-	-	(9.7)	(9.7)	-	-	(9.7)
Transactions with owners	-	0.1	1.4	(9.7)	(8.2)	-	-	(8.2)
Profit for the period	-	-	-	33.0	33.0	0.1	-	33.1
Other comprehensive expense	-	-	(1.3)	-	(1.3)	-	-	(1.3)
Total comprehensive income/(expense)	-	-	(1.3)	33.0	31.7	0.1	-	31.8
30 June 2023	**0.2**	**18.1**	**9.1**	**297.2**	**324.6**	**0.9**	**(2.2)**	**323.3**
1 January 2024	**0.2**	**22.9**	**6.9**	**315.1**	**345.1**	**0.2**	**(1.1)**	**344.2**
Issue or reissue of shares	**-**	**0.4**	**(1.6)**	**1.6**	**0.4**	**-**	-	**0.4**
Share-based payment expense	**-**	**-**	**1.1**	**-**	**1.1**	**-**	-	**1.1**
Share buyback[1]	**-**	**-**	**(14.9)**	**-**	**(14.9)**	**-**	-	**(14.9)**
Treasury share allocations[2]	**-**	**-**	**1.9**	**(1.9)**	**-**	**-**	-	**-**
Dividends paid	**-**	**-**	**-**	**(11.1)**	**(11.1)**	**-**	-	**(11.1)**
Transactions with owners	**-**	**0.4**	**(13.5)**	**(11.4)**	**(24.5)**	**-**	-	**(24.5)**
Profit for the period	**-**	**-**	**-**	**35.8**	**35.8**	**-**	-	**35.8**
Other comprehensive expense	**-**	**-**	**(0.6)**	**-**	**(0.6)**	**-**	-	**(0.6)**
Total comprehensive income/(expense)	**-**	**-**	**(0.6)**	**35.8**	**35.2**	**-**	-	**35.2**
30 June 2024	**0.2**	**23.3**	**(7.2)**	**339.5**	**355.8**	**0.2**	**(1.1)**	**354.9**

[1] Represents the share buyback programme announced on 25 March 2024 of which £12.6m has been paid in cash and a liability of £2.3m.

[2] Treasury share allocations relates to treasury shares which have been used to satisfy share options and other employee share plans.

Notes to the interim financial information
For the six months ended 30 June 2024

1. Basis of preparation

The condensed consolidated interim financial information (interim financial information) included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom. The interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006 and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2023, which was prepared in accordance with IFRS as adopted by the United Kingdom.

The new standards, amendments and interpretations applied for the first time are shown below. There were no new standards, amendments or interpretations applied for the first time which had a material impact on the condensed consolidated financial statements.

- Amendment to IAS 1- Classification of Liabilities as Current or Non-current
- Amendment to IAS 7 and IFRS 7 - Supplier Finance Arrangements

- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback.

Condensed consolidated statement of financial position

At 30 June 2024 the Group has revised the presentation of the Condensed consolidated statement of financial position to combine line items presented separately in previous periods. Property, plant and equipment now comprises property, plant and equipment and right-of-use assets previously presented separately, and financial liabilities now comprises borrowings and lease liabilities previously presented separately. The revised presentation is considered to be simpler to the user of the accounts. The comparatives have been re-presented to be consistent with the revised presentation format. The revision has no impact on the Condensed consolidated statement of profit or loss or cash flows or total liabilities, assets or net assets.

As disclosed in our Annual Report and Accounts for the year ended 31 December 2023 the Group revised the presentation of the Consolidated statement of financial position to present contract assets separately. These were presented within Trade and other receivables in previous periods. As the condensed consolidated interim financial information includes the Consolidated statement of financial position for 30 June 2023 and this was originally prepared before this revised presentation we have represented the 30 June 2023 comparatives to be consistent with the revised presentation format as presented at 31 December 2023. The revision has no impact on the Condensed consolidated statement of profit or loss or cash flows or total liabilities, assets or net assets.

2. Accounting policies, judgements and estimates

Accounting policies

The accounting policies adopted are consistent with those followed in the preparation of the audited statutory financial statements for the year ended 31 December 2023 other than for the new amendments applied for the first time as outlined in note 1 and which did not have a material impact on the condensed consolidated financial statements. As a result of the share buyback which commenced in this period and the acquisition of certain technology rights as part of the Coolwave acquisition in the period, the Group has now additionally disclosed its Treasury share and Intangible Technology assets accounting policies below.

Treasury shares

The Group's holdings in its own equity instruments are shown as deductions from shareholders' equity. Treasury shares represent shares repurchased and available for specific and limited purposes. The cost of treasury shares subsequently used to satisfy share options, sold or reissued is calculated on a weighted-average basis. Consideration, if any, received for the sale of such shares is also recognised in equity. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, reissue, or cancellation of treasury shares. Shares repurchased under the share buyback programme which are immediately cancelled are not shown as treasury shares but are shown as a deduction from equity (retained earnings).

Intangible Technology assets

Technology is comprised of software licences purchased from third parties, which are recognised at cost, and rights over network interface identifications either purchased from third parties, which are recognised at cost, or acquired through business combinations, which are recognised at fair value at the acquisition date. Amortisation of these assets, on the same basis as other assets, commences when the asset is available for its intended use.

Amortisation is provided over the useful economic life assigned, up to seven years. Amortisation is charged to the consolidated statement of profit or loss through operating expenses on a straight-line basis over the useful life from the date the asset is available for use.

Judgements and estimates

Preparation of the condensed consolidated interim financial information requires the Group to make certain estimations, assumptions and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including best estimates of future events. In the future, actual experience may differ from these estimates and assumptions. The critical accounting judgements and key sources of estimation uncertainty reported in the financial statements for the year ended 31 December 2023 are still relevant. No new items have been identified in the six months ended 30 June 2024. Disclosure of the basis for estimation and sensitivity related to the contingent consideration key estimate is included in note 9.

3. Segment information

The Group's main operating segments are outlined below:

- Gamma Business - This segment sells Gamma's products to smaller businesses in the UK, typically with fewer than 250 employees. This segment sells through different routes, including the channel, direct, digital and other carriers who sell to smaller businesses in the UK. It contributed 65% (H1 2023: 64%) of the Group's external revenue.
- Gamma Enterprise - This segment sells Gamma's products to larger businesses in the UK, typically to those with more than 250 employees. Larger organisations have more complex needs, so this business unit sells Gamma's and other suppliers' products to Enterprise and Public Sector customers, together with an associated managed service wrap and ordinarily sells directly. It contributed 22% (H1 2023: 21%) of the Group's external revenue.

it contributed 22% (H1 2023: 21%) of the Group's external revenue.

- European - This segment consists of sales made in Europe through Gamma's German, Spanish and Dutch businesses. It contributed 13% (H1 2023: 15%) of the Group's external revenue.
- Central functions - This segment comprises the central management team and wider Group costs.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies. The Board and Executive Committee evaluate performance on the basis of earnings before interest, tax, depreciation, amortisation, exceptional items and other adjusting items ("Adjusted EBITDA"). Inter-segment sales are priced in line with sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

Period to 30 June 2024	Gamma Business £m	Gamma Enterprise £m	European £m	Central functions £m	Total £m
Segment revenue	**196.2**	**62.8**	**37.6**	**-**	**296.6**
Inter-segment revenue	***(12.1)***	***(1.8)***	***(0.2)***	**-**	***(14.1)***
Revenue from external customers	**184.1**	**61.0**	**37.4**	**-**	**282.5**
Timing of revenue recognition					
At a point in time	**10.7**	**5.6**	**13.5**	**-**	**29.8**
Over time	**173.4**	**55.4**	**23.9**	**-**	**252.7**
	184.1	61.0	37.4	-	282.5
Total gross profit	**97.1**	**28.9**	**19.8**	**-**	**145.8**
Adjusted EBITDA	**46.1**	**15.8**	**5.1**	**(4.8)**	**62.2**
Exceptional items	**-**	**-**	**-**	**-**	**-**
Other adjusting items	**(0.6)**	**-**	**-**	**-**	**(0.6)**
EBITDA	**45.5**	**15.8**	**5.1**	**(4.8)**	**61.6**

External customer revenue has been derived principally in the geographical area of the operating segment and no single customer contributes more than 10% of revenue.

Period to 30 June 2023	Gamma Business £m	Gamma Enterprise £m	European £m	Central functions £m	Total £m
Segment revenue	177.0	53.5	38.6	-	269.1
Inter-segment revenue	*(12.2)*	*(0.5)*	*(0.2)*	-	*(12.9)*
Revenue from external customers	**164.8**	**53.0**	**38.4**	**-**	**256.2**
Timing of revenue recognition					
At a point in time	7.6	5.4	13.5	-	26.5
Over time	157.2	47.6	24.9	-	229.7
	164.8	53.0	38.4	-	256.2
Total gross profit	**86.8**	**25.4**	**19.0**	**-**	**131.2**
Adjusted EBITDA	**41.6**	**14.5**	**5.0**	**(4.6)**	**56.5**
Exceptional items	**-**	-	-	-	**-**
Other adjusting items	**-**	-	-	-	**-**
EBITDA	**41.6**	**14.5**	**5.0**	**(4.6)**	**56.5**

External customer revenue has been derived principally in the geographical area of the operating segment and no single customer contributes more than 10% of revenue.

A reconciliation of Adjusted EBITDA, the Group's measure of Segment profit, to the Group's profit before tax for the period is shown in the APM section.

Geographic segmentation

The UK is the Group and Company's country of domicile and is where most revenue is generated, which is from external UK customers. The geographic analysis of revenue presented below is based on the country in which the customer is invoiced. The geographic analysis of non-current assets, which excludes deferred tax assets, is based on the location of the assets.

The Group's revenue from external customers by geographical location is detailed below:

The Group's revenue from external customers by geographical location is detailed below.

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
UK	**227.8**	**204.8**
Europe	**51.6**	**49.0**
Other	**3.1**	**2.4**
Total	**282.5**	**256.2**

The Group's non-current assets, which excludes deferred tax assets, by geographical location are detailed below:

	30 June 2024 £m	31 December 2023 £m
UK	**135.0**	**131.8**
Europe	**78.0**	**76.0**
Total	**213.0**	**207.8**

4. Taxation on profit on ordinary activities

Tax expense is recognised based on management's best estimate of the weighted average effective annual tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 30 June 2024 is 26%, compared to 24% for the six months ended 30 June 2023. This increase is as a result of the statutory UK rate rising from 19% to 25% in April 2023, meaning the UK statutory rate increased from 23.5% for the calendar year 2023 to 25% for the calendar year 2024.

5. Earnings per share

	Six months ended 30 June 24	Six months ended 30 June 23
Earnings per Ordinary Share - basic (pence)	**36.8**	34.1
Earnings per Ordinary Share - diluted (pence)	**36.7**	33.8

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 24 £m	Six months ended 30 June 23 £m
Profit after tax attributable to equity holders of the Company	**35.8**	33.0
Shares	**No.**	No.
Basic weighted average number of Ordinary Shares	**97,259,972**	96,872,058
Effect of dilution resulting from share options	**163,474**	642,984
Diluted weighted average number of Ordinary Shares	**97,423,446**	97,515,042

Adjusted earnings per share is detailed below:

	Six months ended 30 June 24	Six months ended 30 June 23
Adjusted earnings per Ordinary Share - basic (pence)	**42.6**	37.8
Adjusted earnings per Ordinary Share - diluted (pence)	**42.5**	37.5

6. Dividends

A final dividend of 11.4p was paid on 20 June 2024 (2023: 10.0p). The Board has declared an interim dividend of 6.5p per share payable on 17 October 2024 to shareholders on the Register as at 20 September 2024. In the prior year an interim dividend of 5.7p was paid.

7. Property, plant and equipment

	30 June 2024 £m	30 June 2023 £m*	31 December 2023 £m*
Owned property, plant and equipment	**27.4**	**30.9**	**30.5**
Leased right-of-use assets	**6.2**	**8.5**	**7.9**
Total Property, plant and equipment	**33.6**	**39.4**	**38.4**

* See note 1, section Consolidated statement of financial position.

Owned property, plant and equipment is broken down as follows:

	Land and building £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
2024					
Cost					
At 1 January 2024	4.6	68.4	14.4	2.9	90.3
Additions	-	0.7	0.6	0.1	1.4
Acquisition of subsidiaries	-	0.1	-	-	0.1
Disposals	-	-	-	-	-
Exchange differences	(0.1)	(0.2)	(0.1)	-	(0.4)
At 30 June 2024	**4.5**	**69.0**	**14.9**	**3.0**	**91.4**
Depreciation					
At 1 January 2024	0.6	45.6	11.7	1.9	59.8
Charge for the period	-	3.4	0.8	0.2	4.4
Disposals	-	-	-	-	-
Exchange differences	-	(0.1)	(0.1)	-	(0.2)
At 30 June 2024	**0.6**	**48.9**	**12.4**	**2.1**	**64.0**
Net book value					
At 1 January 2024	4.0	22.8	2.7	1.0	30.5
At 30 June 2024	**3.9**	**20.1**	**2.5**	**0.9**	**27.4**

	Land and building £m	Network assets £m	Computer equipment £m	Fixtures and fittings £m	Total £m
2023					
Cost					
At 1 January 2023	4.7	67.4	13.5	2.8	88.4
Additions	-	0.8	0.9	0.1	1.8
Disposals	-	(0.2)	-	-	(0.2)
Exchange differences	(0.1)	-	(0.1)	-	(0.2)
At 30 June 2023	**4.6**	**68.0**	**14.3**	**2.9**	**89.8**
Depreciation					
At 1 January 2023	0.3	41.8	10.7	1.8	54.6
Charge for the period	0.1	3.4	0.8	0.3	4.6
Disposals	-	(0.2)	-	-	(0.2)
Exchange differences	-	-	(0.1)	-	(0.1)
At 30 June 2023	**0.4**	**45.0**	**11.4**	**2.1**	**58.9**
Net book value					
At 1 January 2023	4.4	25.6	2.8	1.0	33.8
At 30 June 2023	**4.2**	**23.0**	**2.9**	**0.8**	**30.9**

8. Intangible assets

	Goodwill £m	Customer contracts £m	Brand £m	Development costs £m	Technology[2] £m	Total £m
2024						
Cost						
At 1 January 2024	133.2	56.7	2.2	52.3	24.4	268.8
Additions	-	-	-	4.7	1.7	6.4
Acquisition of subsidiaries	-	1.5	-	-	6.0	7.5
Reclassifications[1]	(11.4)	13.7	1.8	-	3.5	7.6

Disposals	-	-	-	(0.1)	-	(0.1)
Exchange differences	(1.0)	(0.9)	(0.1)	(0.1)	(0.1)	(2.2)
At 30 June 2024	**120.8**	**71.0**	**3.9**	**56.8**	**35.5**	**288.0**
Amortisation						
At 1 January 2024	20.5	37.4	1.1	33.2	21.9	114.1
Charge for the period	-	5.1	0.3	3.8	1.1	10.3
Disposals	-	-	-	(0.1)	-	(0.1)
Exchange Differences	(0.4)	(0.6)	-	-	-	(1.0)
At 30 June 2024	**20.1**	**41.9**	**1.4**	**36.9**	**23.0**	**123.3**
Net book value						
At 1 January 2024	112.7	19.3	1.1	19.1	2.5	154.7
At 30 June 2024	**100.7**	**29.1**	**2.5**	**19.9**	**12.5**	**164.7**

[1] In 2024 we reclassified the balances between goodwill, customer contracts and brand as a result of the finalisation of the fair value accounting for the Pragma acquisition, refer to note 12. The other reclassification amount of £3.5m in 2024 relates to technology intangible assets as they now better align with other similar transactions. In 2023 £3.5m of these assets were included within inventory. Inventory movements within the consolidated statement of cash flows related to the technology intangible assets during 2023 have not been represented as they are immaterial.

[2] The acquisition of Coolwave and the reclassification noted above mean that the Group now holds non-software type technology assets. We have chosen to combine these with the previously presented category of Software intangibles in a new category called Technology, due to the similar nature of the underlying rights.

	Goodwill	Customer contracts	Brand	Development costs	Technology[1]	Total
	£m	£m	£m	£m	£m	£m
2023						
Cost						
At 1 January 2023	97.5	50.9	1.4	40.4	19.3	209.5
Additions	-	-	-	7.8	0.9	8.7
Disposals	-	-	-	(0.2)	-	(0.2)
Exchange differences	(1.2)	(1.0)	(0.1)	(0.2)	-	(2.5)
At 30 June 2023	**96.3**	**49.9**	**1.3**	**47.8**	**20.2**	**215.5**
Amortisation						
At 1 January 2023	20.8	29.1	0.7	18.0	16.6	85.2
Charge for the period	-	4.2	0.2	2.2	1.8	8.4
Disposals	-	-	-	(0.2)	-	(0.2)
Exchange Differences	(0.4)	(0.7)	(0.1)	(0.1)	-	(1.3)
At 30 June 2023	**20.4**	**32.6**	**0.8**	**19.9**	**18.4**	**92.1**
Net book value						
At 1 January 2023	76.7	21.8	0.7	22.4	2.7	124.3
At 30 June 2023	**75.9**	**17.3**	**0.5**	**27.9**	**1.8**	**123.4**

[1] Previously referred to as Software.

Amortisation of intangible assets is charged to the consolidated statement of profit or loss and included in operating expenses.

9. Financial Instruments

The tables below set out the measurement categories and carrying values of financial assets and liabilities with fair value inputs where relevant.

	Measurement category	**Carrying value 30 June 2024 £m**	Fair value basis of measurement	Fair value hierarchy	**Carrying value 31 December 2023 £m**
Financial assets					
Non-current					
Contract	Amortised	[illegible]			[illegible]

assets	cost	**3.6**	-	-	**2.9**
Other receivables	Amortised cost	**0.6**	-	-	**0.6**
Current					
Cash and cash equivalents	Amortised cost	**142.9**	-	-	**136.5**
Trade receivables - net	Amortised cost	**56.0**	-	-	**50.6**
Contract assets	Amortised cost	**33.8**	-	-	**32.5**
Other receivables	Amortised cost	**3.3**	-	-	**2.7**
		240.2			**225.8**
Financial liabilities					
Non-current					
Other payables	Amortised cost	**0.1**	-	-	**0.1**
Borrowings	Amortised cost	**-**	-	-	**1.4**
Lease liabilities	Amortised cost	**5.4**	-	-	**7.0**
Contingent consideration	Fair value through P&L	**7.2**	Fair value weighted expected returns methodology	Level 3	**7.7**
Put option liability	Fair value through P&L	**1.2**	Fair value weighted expected returns methodology	Level 3	**1.1**
Current					
Trade and other payables	Amortised cost	**68.7**	-	-	**57.7**
Borrowings	Amortised cost	**-**	-	-	**0.3**
Lease liabilities	Amortised cost	**2.0**	-	-	**3.0**
Share buyback	Amortised cost	**2.3**	-	-	**-**
Contingent consideration	Fair value through P&L	**1.0**	Fair value weighted expected returns methodology	Level 3	**1.7**
		87.9			**80.0**

For trade and other receivables, cash and cash equivalents, provisions, trade and other payables, and share buyback fair values approximate to book values due to the short maturity periods of these financial instruments.

Share buyback represents the remaining purchase liability at 30 June 2024 for the uncancellable portion of the contract under the share buyback programme announced in March 2024. Note 13 provides a further update on this programme.

All liabilities measured at fair value are classified as level 3 and are remeasured at each reporting date.

The fair value of Level 3 instruments is illustrated in the table below:

Financial liabilities	30 June 2024 £m	31 December 2023 £m
Contingent consideration	**8.2**	**9.4**
Put option liability	**1.2**	**1.1**
	9.4	**10.5**

The Group's finance team performs valuations of financial items for financial reporting purposes and in consultation with third-party valuation specialists for complex valuations. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the CFO.

Both the contingent consideration and put option liability were valued using a probability weighted expected returns methodology, using a risk-adjusted discount rate appropriate to the individual characteristics of the transaction. Movements in the fair value are charged through the Consolidated statement of profit and loss. The key input used in the valuations are the financial forecasts of the acquired entity, where the most important assumption is the future revenue forecast, and the discount rate.

Contingent consideration

Contingent consideration

Contingent consideration relates to future anticipated payments to vendors which are dependent on the future financial performance of acquired entities. At 30 June 2024, the fair value of contingent consideration liabilities amounted to £8.2m (31 December 2023: £9.4m). The maximum amount that could be paid is £14.8m due by the end of 2027, dependent upon financial performance.

The reconciliation of the carrying amounts of contingent consideration is as follows:

	Mission Labs £m	Satisnet £m	Pragma[1] £m	**Total £m**
1 January 2024	**1.7**	**4.1**	**3.6**	**9.4**
Contingent consideration settled	**(1.7)**	**-**	**-**	**(1.7)**
Change in fair value of contingent consideration:				
Unwinding of discount	**-**	**0.2**	**0.3**	**0.5**
30 June 2024	**-**	**4.3**	**3.9**	**8.2**

[1] Refers to Pragma Group ("Pragma"), previously referred to as EnableX in the 2023 Annual Report.

Put option liability

The put option liability is an option for the previous owners to sell or for the Group to acquire the remaining 5% of the shares in Pragma. At 30 June 2024, the fair value of put option liabilities amounted to £1.2m (31 December 2023: £1.1m), the £0.1m movement in H1 relates to the unwinding of the discount factor. The fair value of £1.2m at 30 June 2024 is based on a payout of £1.7m which takes into account the weighted probability of payout. The maximum amount that could be paid is £2.9m due by the end of 2027, dependent upon financial performance.

10. Share capital

	Number	£m
1 January 2024		
Ordinary Shares of £0.0025 each	**97,462,226**	**0.2**
Movement:		
January*	**12,370**	
February*	**19**	
March*	**3,468**	
April*	**22,306**	
30 June 2024		
Ordinary Shares of £0.0025 each	**97,500,389**	**0.2**

* Ordinary shares were issued to satisfy options which have been exercised.

In the period ended 30 June 2024, 1,003,372 Ordinary Shares of 0.25 pence each (30 June 2023: Nil) were acquired by the Company and held in Treasury, of which 83,460 (30 June 2023: Nil) were transferred from Treasury to settle exercised share options.

At 30 June 2024, 919,912 shares were held in treasury (30 June 2023: Nil), representing 0.9% (30 June 2023: Nil) of issued share capital. The shares held in treasury do not have voting rights. The number of Ordinary Shares with voting rights was 96,580,477 (30 June 2023: 96,975,843), therefore the total issued share capital at 30 June 2024 was 97,500,389 Ordinary Shares (30 June 2023: 96,975,843 Ordinary Shares).

11. Other reserves

	Merger reserve £m	Share option reserve £m	Foreign exchange reserve £m	Share reserve £m	Total other reserves £m
1 January 2023	2.3	8.7	(1.3)	(0.7)	9.0
Share-based payments	-	1.4	-	-	1.4
Other comprehensive income	-	-	(1.3)	-	(1.3)
30 June 2023	**2.3**	**10.1**	**(2.6)**	**(0.7)**	**9.1**
1 January 2024	**2.3**	**7.2**	**(1.9)**	**(0.7)**	**6.9**
Issue of shares	**-**	**(1.6)**	**-**	**-**	**(1.6)**
Share-based payments	**-**	**1.1**	**-**	**-**	**1.1**
Share buyback[1]	**-**	**-**	**-**	**(14.9)**	**(14.9)**
Treasury share allocations[2]	**-**	**-**	**-**	**1.9**	**1.9**
Other comprehensive income	**-**	**-**	**(0.6)**	**-**	**(0.6)**
30 June 2024	**2.3**	**6.7**	**(2.5)**	**(13.7)**	**(7.2)**

[1] Represents the share buyback programme announced on 25 March 2024 of which £12.6m has been paid in cash.

[2] Treasury shares allocations are treasury shares which have been used to satisfy share options and other employee share plans.

12. Business combinations

12. Business combinations

Summary of acquisitions 2024

On 1 February 2024 the Group completed the acquisition of 100% of Coolwave Communications Limited ("Coolwave") a prominent International SMA and voice service provider. Coolwave was acquired in order to increase the Group's total addressable market for voice enablement products (including MS Teams) and provide new opportunities for our Service Provider business.

The fair value of the identifiable assets and liabilities assumed, which are final, is as follows:

	£m
Tangible fixed assets	0.1
Intangible assets - technology	6.0
Intangible assets - customer contracts	1.5
Cash	0.7
Trade and other receivables	1.4
Trade and other payables	(1.3)
Deferred tax liability[1]	(0.9)
Net assets acquired	7.5

[1] Deferred tax liability arising on technology and customer contracts intangible assets.

	£m
Satisfied by:	
Cash paid	7.0
Deferred consideration paid in period	0.5
Total	7.5

Coolwave contributed £2.2m of revenue and £0.2m to the Group's profit for the period between the acquisition date and 30 June 2024. If Coolwave had been acquired on 1 January 2024 the contribution to the Group's revenue for the period would have been £2.6m and the Group's profit would have been £0.3m.

Net cash outflow on acquisitions:

	£m
Cash consideration	7.0
Less: cash acquired	(0.7)
	6.3
Contingent consideration payments during the period[1]	1.7
Deferred consideration payments during the period[2]	1.0
Net outflow of cash - investing activities	**9.0**

[1] See note 9 Financial Instruments.

[2] Deferred consideration relates to fixed amounts payable with regard to acquisitions. During H1 2024 £0.5m relates to the final NeoTel acquisition payment and £0.5m for Coolwave.

Summary of acquisition 2023

During 2023 the Group acquired Satisnet Limited ("Satisnet") and the Pragma Group ("Pragma"), previously referred to as EnableX in the 2023 Annual Report. The fair value accounting for Satisnet was completed and disclosed in 2023.

The fair value accounting for Pragma was provisional at 31 December 2023. During H1 2024 the fair value accounting of the identified assets and liabilities assumed was completed. As a result Goodwill has reduced by £11.4m and other intangible assets has increased by £15.5m (customer contacts £13.7m and brand £1.8m), with a £3.9m deferred tax liability recognised relating to these intangible balances and a £0.2m current tax liability.

The fair value of the identifiable assets and liabilities assumed is as follows:

Pragma	£m
Tangible fixed assets	0.2
Intangible assets - technology	2.1
Intangible assets - customer contracts	13.7
Intangible assets - brand	1.8
Cash	0.6
Inventories	0.6
Trade and other receivables	5.1
Trade and other payables	(5.0)
Bank loans[1]	(7.7)
Contract liabilities	(4.5)
Deferred tax liability[2]	(3.9)
Total identifiable assets	3.0
Less: Non-controlling interests	(0.2)
Add: Goodwill	[illegible]

Add: Goodwill	12.6
Net assets acquired	15.4

[1] Bank loans of £7.7m were repaid at the time of acquisition.

[2] Deferred tax liability arising on customer contract and brand intangible assets.

13. Events after the reporting date

Acquisition of BrightCloud

In July 2024, the Group acquired the entire issued share capital of BrightCloud Group Ltd, Cisco's leading European Enterprise partner for CCaaS renowned for its expertise in customer experience transformation, for an initial cash payment of £9.0m (excluding amounts paid for Net Cash acquired and £0.1m for stamp duty) and a cash payment or receipt subject to finalisation of the acquired closing balance sheet and working capital adjustments. There is also an additional future payment of up to £4.0m in relation to an earnout agreement which is dependent on revenue targets over the period between closing and 31 December 2025. Given the timing of the closure of the transaction, the Group expects to disclose the provisional accounting for the acquisition in the 2024 year end results.

Share buyback

In total 1,910,596 Ordinary Shares were acquired by the Company for an aggregate £27.3m over the course of the buyback to 6 September 2024, the announced end date of the programme. The Programme expired on 6 September 2024 in accordance with its previously announced conditions and the Board has decided not to extend this buyback beyond its original term.

Intention to acquire Placetel

In August 2024, the Group announced its intent to acquire the entire issued share capital of BroadSoft Germany GmbH (known as Placetel) from Cisco. Placetel is a German market leader in the Cloud PBX space, enabling German companies to buy Cisco Collaboration solutions both digitally and through local partners. This will elevate Gamma to being one of the leading providers in Germany with a pro-forma number of around 300,000 seats. For the year ended 31 December 2023, unaudited Placetel revenue was approximately €28.7m, as reported under German GAAP. Related to this, we intend to enter into a multi-year global license purchase commitment with Cisco that will further align Gamma and Cisco in the European market. The deal remains subject to certain closing conditions being met and we expect it to close shortly.

Alternative Performance Measures

The Group uses certain measures to assess the financial performance of its business. These measures are called Alternative Performance Measures ("APMs") because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS.

These APMs are used to measure operating performance and liquidity in presentations to the Board and as a basis for strategic planning and forecasting. The Group believes that APMs provide additional useful information for users of the financial statements to assess the Group's performance, including the Group's core operational performance. These and similar measures are used widely by certain investors, analysts and other interested parties as supplemental measures of performance and liquidity.

The APMs may not be comparable to similarly named measures used by other companies and have limitations as analytical tools. They should not be considered in isolation or as a substitute for analysis of the Group's results reported under IFRS.

An explanation of the relevance of each of the APMs, a reconciliation of the APM to the most directly comparable measure calculated and presented in accordance with IFRS and a discussion of the limitations are set out below. The Group does not consider these APMs to be a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

As noted in the Financial guidance in the full year results on 25 March 2024, the Group has amended the definition of Adjusted EBITDA and Adjusted earnings per share (fully diluted) to exclude other adjusting items which in the period comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems, in order to show the Group's core performance. We have adjusted for these as the anticipated total cost of the implementation to the end of 2025 is considered significant. This change also impacts the calculation of Adjusted profit before tax and Adjusted cash conversion. This amendment has no impact on the APMs previously reported in 2023 under the definition at that time as these other adjusting items then totalled £nil.

The Group has also updated the definition of "Changes in fair value of contingent consideration and put option liability" with regards Adjusted profit before tax and Adjusted earnings per share (fully diluted), to clarify that it should be more specifically, "Changes in fair value of contingent consideration and put option liability from the unwinding of discounting". This update in definition has no impact on the APMs previously reported in 2023 under the definition at that time.

EBITDA and Adjusted EBITDA

EBITDA is presented because it is widely used by securities analysts, investors and our peer group internationally to evaluate the profitability of companies. EBITDA is defined as Profit before tax excluding finance expense, finance income, depreciation of property, plant and equipment, right of use asset depreciation and amortisation of intangible assets. EBITDA eliminates potential differences in core financial performance that can be caused by variations in capital structures (affecting net finance costs), tax positions (such as the availability of brought forward losses against which taxable profits can be relieved), the cost and age of property, plant and equipment and right of use assets (affecting relative depreciation expense), and the extent to which intangible assets are identifiable (affecting relative amortisation expense).

Adjusted EBITDA is a primary profit measure used internally by the Board to assess financial performance of the Group and its segments. It is defined as EBITDA (as defined above) adding back exceptional items and other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems). It excludes exceptional items (by virtue of their size, nature or incidence) and other adjusting items (which comprise the incremental costs of implementing the new cloud-based Finance and HR systems as the anticipated total cost of the implementation to the end of 2025 is considered significant.), in order to show the Group's core performance.

The following table is a reconciliation from statutory profit before tax for the six months to June to EBITDA and Adjusted EBITDA:

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Profit before tax	**48.5**	43.5
Finance income	**(3.6)**	(1.7)
Finance expense	**0.8**	0.4
Profit from operations	**45.7**	42.2
Depreciation of property, plant and equipment and right-of-use assets	**5.6**	5.9
Amortisation from intangible assets	**10.3**	8.4
EBITDA	**61.6**	56.5
Exceptional items	**-**	-
Other adjusting items	**0.6**	-
Adjusted EBITDA	**62.2**	56.5

In the six months to June, the cash cost of exceptional and other adjusting items was £2.6m (H1 2023: £Nil).

Adjusted profit before tax

Adjusted profit before tax is defined as profit before tax excluding the effects of exceptional items, other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), amortisation arising from business combinations and changes in fair value of contingent consideration and put option liability from the unwinding of discounting. These items are individually material items and/or are not considered to be representative of the trading performance of the Group:

Exceptional items are excluded by virtue of their size, nature or incidence in order to show the core performance of the Group.

Other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems) are excluded as the anticipated total cost of the implementation to the end of 2025 is considered significant.

Amortisation of intangibles arising due to business combinations is excluded because this charge is a non-cash accounting item based on judgements about the assets' value and economic life. Its exclusion is consistent with industry peers and how certain external stakeholders monitor the performance of the business.

Changes in fair value of contingent consideration and put option liability from the unwinding of discounting are excluded because the amounts are non-cash accounting items and bear no relation to the Group's trading performance in the period. This adjustment improves comparability between acquired and organically grown operations.

Adjusted profit before tax is the primary profit measure used internally to reward employees.

The following table is a reconciliation from statutory Profit before tax for the year to Adjusted profit before tax:

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Profit before tax	**48.5**	43.5
Exceptional items	**-**	-
Other adjusting items	**0.6**	-
Amortisation of intangibles arising due to business combinations	**6.3**	4.8

Change in fair value of contingent consideration and put option liability from the unwinding of discounting	**0.6**	-
Adjusting items	**7.5**	4.8
Adjusted profit before tax	**56.0**	48.3

In the six months to June, the cash cost of exceptional and other adjusting items was £2.6m (H1 2023: £Nil).

Adjusted earnings per share (fully diluted)
Adjusted earnings per share ("EPS") fully diluted is presented as management believes it is important for understanding the changes in the Group's fully diluted EPS, including improving comparability between acquired and organically grown operations. Adjusted EPS fully diluted is defined as Diluted EPS where the earnings attributable to ordinary shareholders are adjusted by excluding the effects of exceptional items, other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), amortisation arising due to business combinations and changes in fair value of contingent consideration and put option liability from the unwinding of discounting (for the same reasons outlined previously in relation to Adjusted profit before tax), as well as the tax on these items, because they are individually or collectively material items that are not considered to be representative of the trading performance of the Group. To exclude the tax impact of these items would give an incomplete picture.

	Six months ended 30 June 2024	Six months ended 30 June 2023
Earnings per Ordinary Share - diluted (pence)	**36.7**	33.8
Adjusted earnings per Ordinary Share - fully diluted (pence)	**42.5**	37.5

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m
Profit after tax attributable to the ordinary equity holders of the Company	**35.8**	33.0
Adjusting items:		
Exceptional items	**-**	-
Other adjusting items	**0.6**	-
Amortisation of intangibles arising due to business combinations	**6.3**	4.8
Change in fair value of contingent consideration and put option liability from the unwinding of discounting	**0.6**	-
Adjusting items	**7.5**	4.8
Tax relating to adjusting items	**(1.9)**	(1.2)
Adjusted profit after tax attributable to the ordinary equity holders of the Company	**41.4**	36.6

	2024 No:	2023 No:
Diluted weighted average number of Ordinary Shares	**97,423,446**	97,515,042

Net Cash
Net Cash is presented as it is an important liquidity measure used by management and the Board. Net Cash is defined as cash and cash equivalents less borrowings. IFRS 16 lease liabilities and contingent consideration are not considered as debt for the purpose of quoting Net Cash.

	30 June 2024 £m	31 December 2023 £m
Cash and cash equivalents	**142.9**	136.5
Borrowings	**-**	(1.7)
Net cash	**142.9**	134.8

The following table is a reconciliation of the movements in Net Cash from previously reported periods:

	Cash and cash equivalents £m	Borrowings £m	Net cash £m
At 1 January 2023	94.6	(2.1)	92.5
Repayments	-	0.5	0.5
Borrowings acquired with acquisitions	-	7.7	7.7
Repayment of borrowings acquired with acquisitions	-	(7.7)	(7.7)
Net increase in cash and cash equivalents	42.1	-	42.1
Effects of foreign exchange rate changes	(0.2)	(0.1)	(0.3)
At 31 December 2023	**136.5**	**(1.7)**	**134.8**

Repayments	-	1.5	1.5
Net increase in cash and cash equivalents	6.6	-	6.6
Effects of foreign exchange rate changes	(0.2)	0.2	-
At 30 June 2024	**142.9**	**-**	**142.9**

Adjusted cash conversion

Adjusted cash conversion is presented as management believe it is important to understand the Group's conversion of Adjusted EBITDA (as defined previously) to cash. The Group's Adjusted cash conversion is defined as Cash generated by operations excluding the cash impact of exceptional items and other adjusting items (which comprise the incremental costs related to the implementation of new cloud-based Finance and HR systems), divided by Adjusted EBITDA, so as to exclude the impact of significant or one-off transactions outside the normal course of trading. Adjusted cash conversion is used to track and measure timing differences between profitability and cash generation through working capital management, including seasonality or one-offs.

	Six months ended 30 June 2024	Six months ended 30 June 2023	31 December 2023
	£m	£m	£m
Cash generated by operations	**59.6**	57.1	123.5
Cash impact of exceptional items (2023 restructuring)	**2.2**	-	0.2
Cash impact of other adjusting items (2024 systems implementation)	**0.4**	-	-
Adjusted Cash generated by operations	**62.2**	57.1	123.7
Adjusted EBITDA	**62.2**	56.5	114.3
Adjusted cash conversion	**100%**	101%	108%

END

IR BCGDCSBGDGSC