

# Gamma Communications

**Technology**
**24 March 2026**

## FY25 returns highlight Gamma's attraction

In our last note we urged investors to look past Gamma's current challenges and focus instead on the high return, high cash-generative business model. Recent share price weakness, disrupted to some extent by the group's move from AIM, suggests that the market has struggled with this. We therefore continue to see an opportunity for longer-term investors to back a management team that continues to deploy the group's significant cash flow highly effectively.

### Financials: Strong cash generation, again

FY25 revenue increased by 11% to £645.8m while gross profit increased by 16% to £348.2m, helped by the acquisitions of Placetel and STARFACE Group each delivering double digit growth in Germany. UK Public Switched Telephone Network (PSTN) switch-off headwinds reduced gross profit by c £4m, while Ethernet pricing pressure reduced gross profit by a further c £2m. Adjusted EBITDA grew by 13% to £141.7m and adjusted PBT increased by 7% to £119.4m. Adjusted EPS was up 11% to 94.5p, in part due to a 4% reduction in share count. Adjusted operating cash generation increased 9% to £131.8m leading to adjusted cash conversion of 93% (FY24: 96%) and closing net debt of £9.3m (December 2024: net cash £153.7m) after total outflows of £216.2m. Adjusted free cash flow increased by £3.5m to £80.8m. FY25 return on capital employed (a welcome new KPI) was 27.8%, and underpinned a FY25 capital spend of £24.3m (FY24: £19.2m). Further share buybacks will follow in FY26 and FY27 and DPS for FY26 and FY27 will be fixed at FY25 levels. Management expects FY26 financial performance to be in line with market expectations.

### Strategy: Invest and return the surplus

It is important for investors to acknowledge that the FY26/FY27 initiatives proposed by management represent a total of c £125m cash return to shareholders. This stands as a clear testament to the cash generative qualities of a business despite short-term challenges. Management estimates that the impact of PSTN migrations will affect UK small and medium-sized enterprise gross profits (42% FY25 group gross profits) up until the end of FY27. In the meantime, it continues to invest for growth.

### Valuation: Long-term attraction

Gamma completed its move to the Main Market of the LSE in May 2025, taking its place as a key UK technology stock. This disruption is an opportunity for investors to back a management team that continues to deploy the group's cash flow effectively.

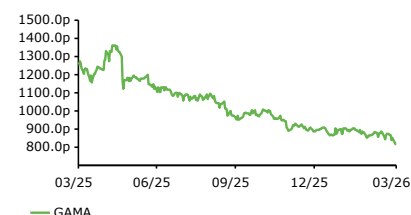
#### Consensus forecasts

Year end	Revenue (£m)	EBITDA (£m)	EPS (p)	DPS (p)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/24	579.4	125.5	85.10	19.50	6.1	9.8	2.3
12/25	645.8	141.7	94.50	22.20	5.4	8.8	2.7
12/26e	666.6	142.3	93.30	22.20	5.4	8.9	2.7
12/27e	684.9	147.0	101.50	22.20	5.2	8.2	2.7

Source: LSEG Data & Analytics, company data. Note: EBITDA, PBT and EPS are adjusted for exceptional items.

**Price** 832.00p  
**Market cap** £759m

#### Share price performance



#### Share details

Code	GAMA
Listing	LSE
Shares in issue	91.3m
Net cash(debt) as at December 2025	£(9.3)m

#### Business description

Gamma Communications is a provider of unified communications as a service (UCaaS) into the UK, Dutch, Spanish and German business markets, supplying communication solutions via channel partners and also directly.

#### Bull points

- Highly cash-generative business model.
- Strong market positions in the UK and Germany.
- Key strategic market position between global technology providers and local distributors.

#### Bear points

- Competitive market in the Netherlands.
- Arguably sub-scale in Spain and the Netherlands.
- UK market uncertainty after the PSTN switch-off.
- No dividend per share growth in FY26 or FY27

#### Analysts

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