

Annual Results Presentation 2010/11

# A high growth company in a high growth market



# The Board

Frank Beechinor – Non Exec  
Chairman

Peter Simmonds – CEO & FD

Tink Taylor - COO

Simon Bird – CTO

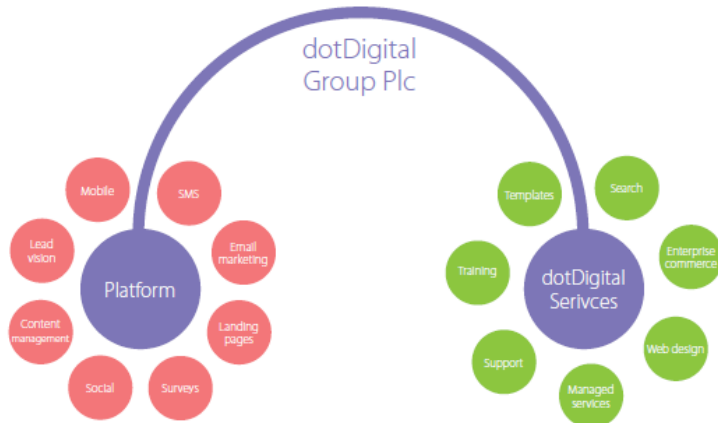
Skip Fidura – Client Services  
Director

Nicholas Nelson – Non Exec

Richard Kellet-Clarke – Non Exec



# dotDigital offerings



**dotMailer** – powerful email marketing made easy, by the second largest and fastest growing email agency and ESP in the UK and the number 1 choice of over 18,000 business users. Uniquely designed to meet the needs of every size and type of organisation in the market.

**dotCommerce** – our ecommerce experts deliver stunning, flexible and cutting-edge ecommerce sites. Powered by our proprietary back-office system that puts users in complete control, dotCommerce solutions help to transform the way our clients sell online.

**dotEditor** – the uniquely flexible content management system that powers most of our clients' websites and lets them manage their own website content, SEO, menus, banners and URLs. It's so flexible it even lets them paste features and functions straight into their pages.

**dotSearch** – Our search marketing agency, specialists in taking a highly analytical and bespoke approach to SEO and PPC, to repeatedly win our clients top Google rankings, search category domination and major market share.

**dotSurvey** – perfectly branded online surveys, created in minutes with our latest online survey tool. Built for total usability, dotSurvey makes it fantastically easy for users to create fully branded, professional online surveys and web forms that look just like they're part of their website.



dotMailer®



dotCommerce



dotEditor®



dotSearch



dotSurvey

# Company Summary



- Established 1999
- 142 staff
  - Sales & Marketing - 47, Development - 19, SEO – 43
  - Client Services – 15, Admin/Finance/Directors - 18
- 1,470 new clients in 2010/11
- Over 4,000 Clients
- Profitable, self funded growth - minimal debt
- Acquisition - Netcallidus for £1.15m May 2010 - re-branded as dotSearch
- Market Cap c.£19.3m
- Offices in Croydon, London Bridge, Manchester, Edinburgh, Northampton & Minsk

# Company Summary



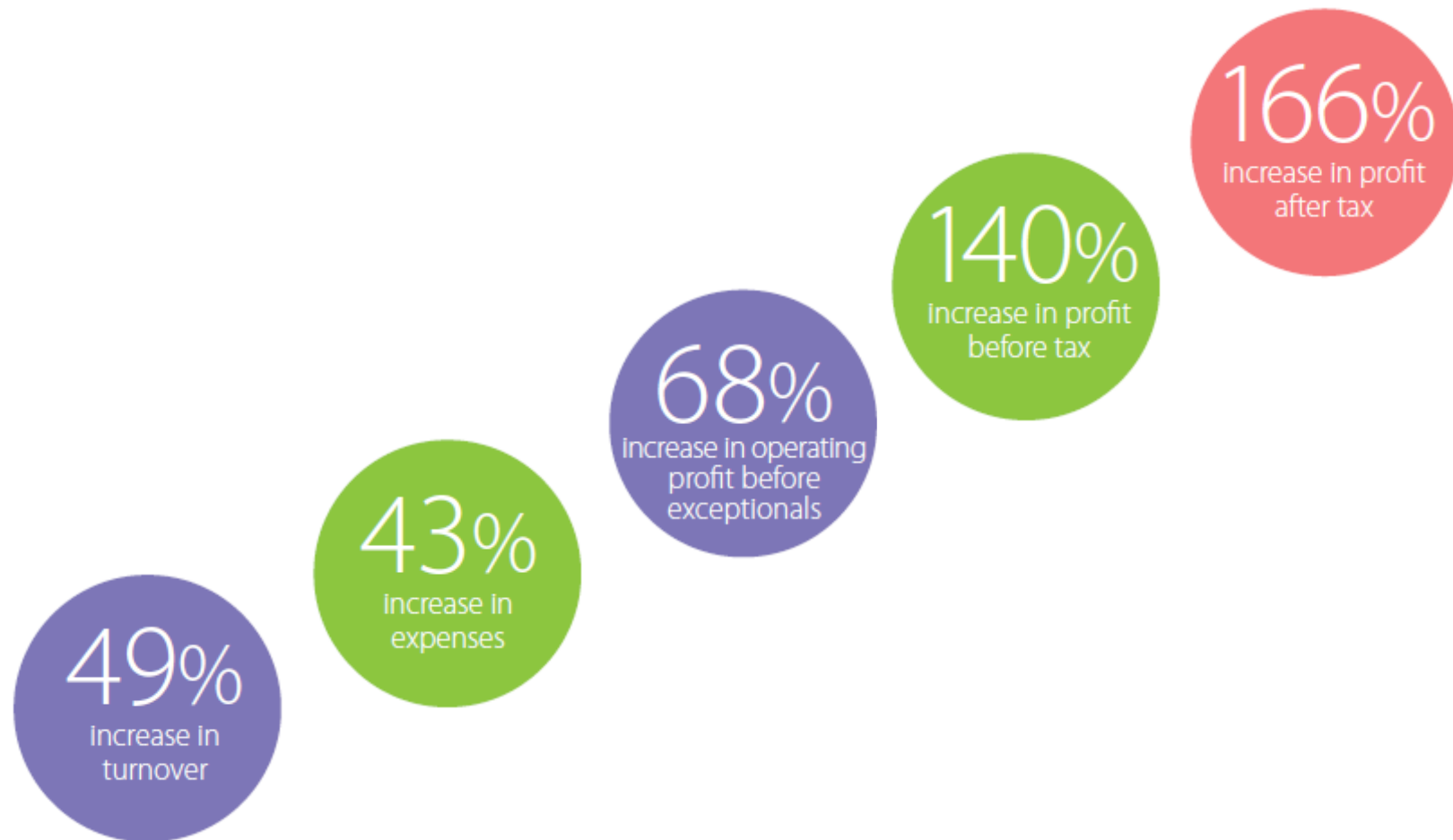
- Average 122 new clients per month
- Fastest growing UK email marketing provider (ESP)
- Top 3 ESP in UK in NMA guide

## **nma marketing services** GUIDE 2011

### TOP EMAIL AGENCIES

	<b>Agency</b>	<b>UK email income</b>	<b>Year to</b>
1	eCircle	£7,452,187	December 2010
2	Tullo Marshall Warren	£5,368,160	March 2010
3	DotMailer	£4,621,681	June 2010

# Financial Highlights – 2010/11 Full Year



# IFRS 3 – Business Combinations

In accordance with IFRS 3 we have reviewed the likely final payment in October 2012 to the vendors of Netcallidus based on the board's estimated financial outturn of the business for the year ended 30<sup>th</sup> June 2012.

This has resulted in a reduction of the estimated total consideration by £1.1m and in accordance with the IFRS 3 this is shown as finance income in the consolidated income statement.

	12m to 30.06.11
Turnover	9.0
Expenses	6.6
Operating Profit (before exceptional items)	2.3
AIM Admission	(0.1)
Finance Income	1.1
Profit before tax	3.3
Profit after tax	3.0

# Netcallidus – financial overview of deal



Seeking goal alignment

Earnings enhancing v dotDigital shareholders

Shared vision for growth

Deal structure

5 x PAT for y/e June 2010 = (5x£230k) £1.15m (Cash £1m)

Deferred consideration

4X PAT for y/e June 2011 less £1.15 paid so far

3X PAT for y/e June 2012 less previous payments

Deferred consideration split 60% dotDigital Shares 40% cash

# Impact of new products on growth

**37%**

Increase  
growth in  
email

**78%**

Increase  
growth in  
e-commerce

**1,224%**

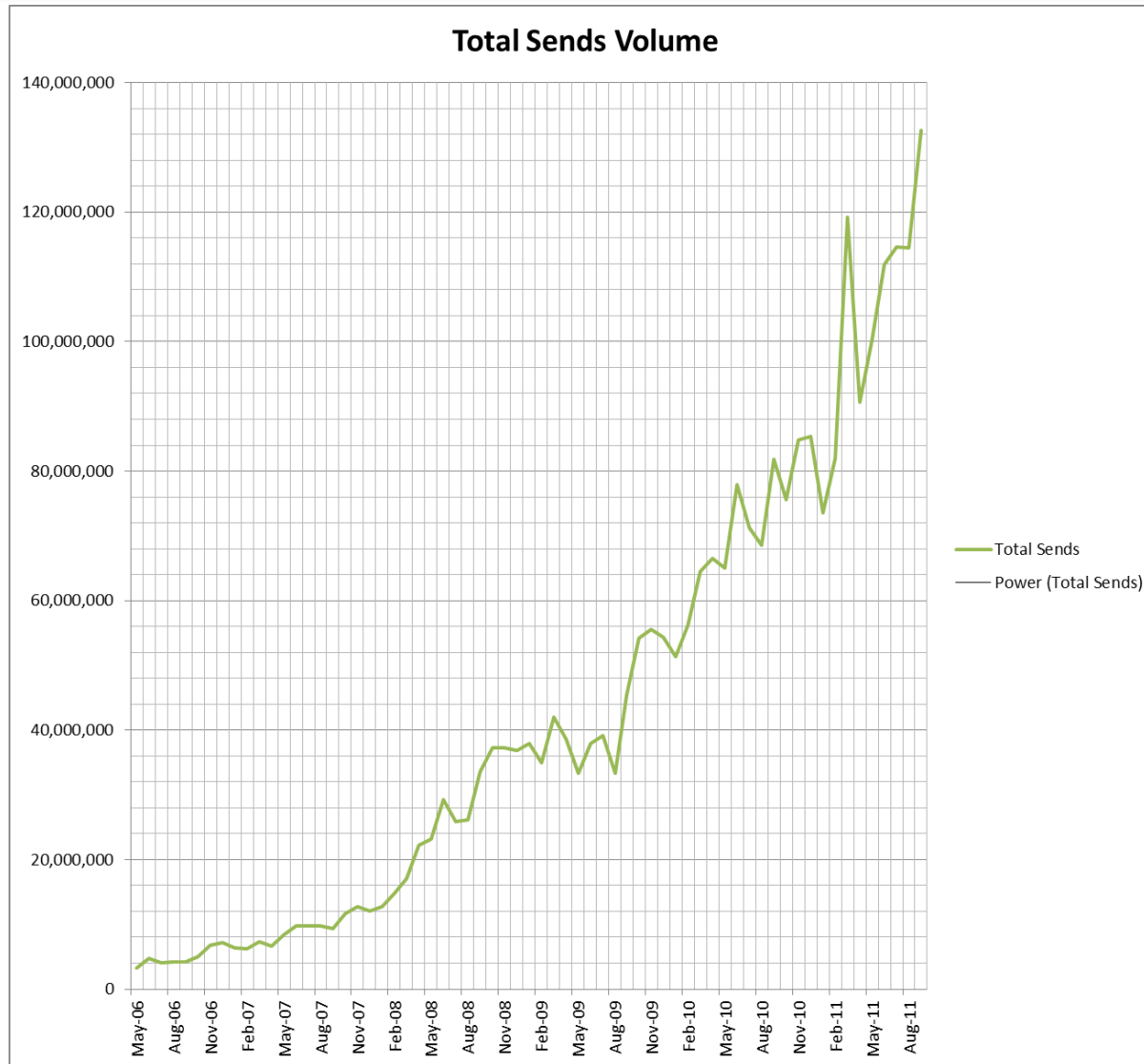
Increase  
growth in  
search  
marketing

**448%**

Increase  
growth in  
managed  
service

- New products showing good growth
- Email marketing continues to perform very strongly
- Managed service aids retention
- Search marketing boosted by Netcallidus acquisition
- Project revenues declining in absolute terms and as a percentage
- Recurring revenues increasing as a percentage of total revenue
- Number of customers increased from 3,460 to 4,500
- Email sends from 662m to 1.3bn

# dotmailer – monthly volumes are growing rapidly



# Revenue Model

- Focus on Recurring Revenue - monthly billings now account for over 65% of total billing
- dotMailer monthly recurring revenue continues to grow strongly
- dotSEO/Netcallidus recurring revenue now increasing significantly
- dotCommerce recurring revenue starting to build

# Low dependence on largest clients

- 5 Largest Clients approx 5% of total revenue
  - DHL
  - Rush
  - LIDA
  - Wine and Spirit Educational Trust
  - CTT
- Top 20 clients less than 15% of total revenue
- Client base spread across many sectors
- Circa. 50% of dotMailer customers on direct debit with 14 day payment terms

# Attractive gross margins

## dotMailer

- Fixed cost infrastructure
- Incremental costs very low
- Step costs at key volumes
- Sales & marketing covered by licence fees
- Gross margin on monthly sends in excess of 80%

## dotCommerce

- Project based £15k-£50k
- Target gross margin 50%
- Fixed price dev teams offshore
- Transaction fees range from £500-£2000 per client per month
- Gross margins over 80% on monthly transaction fees

## dotSeo & Netcallidus

- Highly efficient process
- Monthly recurring revenue
- Low cost offshore operations
- Gross margin in excess of 70%

## dotAgency

- Projects £10k-£80k
- Target gross margin 35-50%
- Fixed price dev teams offshore
- Recurring revenues for support
- Managed service gross margins 50-60%

# 5 Year Financial Summary

£m	12 Months to June 2011	12 Months to June 2010	12 Months to June 2009	Yr to 30 April 2008	Yr to 30 April 2007
Turnover	9.0	6.0	4.2	2.5	1.2
Expenses	6.6	4.6	3.3	1.7	0.9
Operating profit (before exceptional)	2.3	1.4	1.0	0.75	0.3
Profit before tax	3.3	1.4	0.9	0.75	0.3
Profit after tax	3.0	1.14	0.77	0.57	0.23

*\* Each line item has been rounded to the nearest .1m*

# Cash Flow Summary



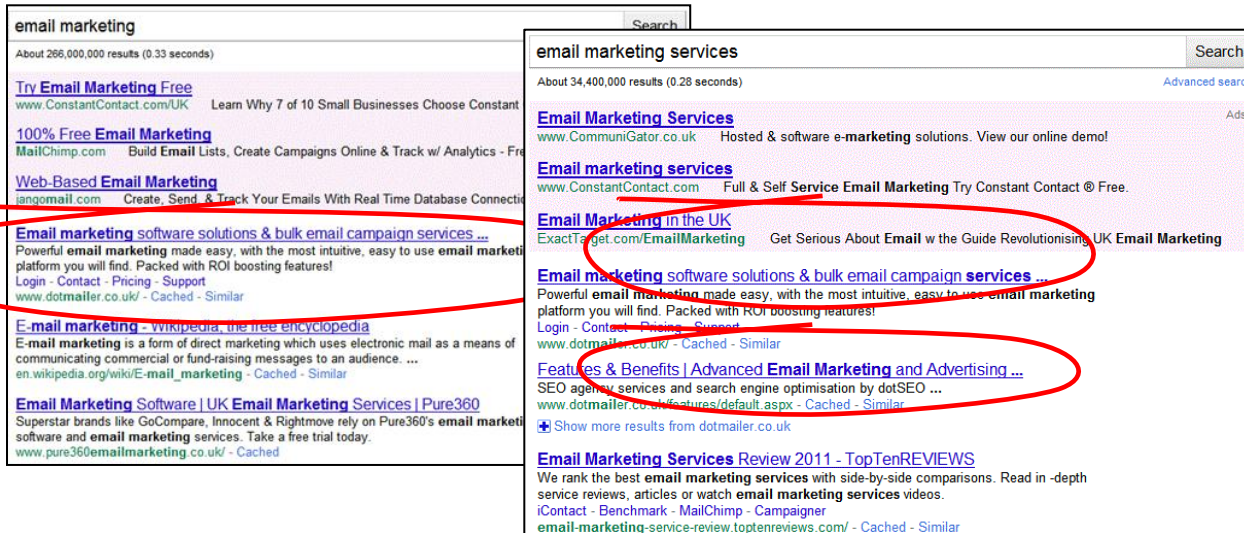
## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH June 2011

	30.6.11 £'m	30.6.10 £'m
NET CASH GENERATED FROM OPERATING ACTIVITIES	2.0	1.1
NET CASH USED IN INVESTING ACTIVITIES	(0.8)	(1.5)
NET CASH GENERATED FROM FINANCING ACTIVITIES	0.1	(0.01)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1.3</b>	<b>(0.4)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1.3</b>	<b>1.7</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2.6</b>	<b>1.3</b>

- Cash generative operations
- Strong cash position

# Organic Growth Strategy

- Win new clients through products with short sales cycle then cross-sell and up-sell higher value relationship based services



The image shows two screenshots of search engine results. The left screenshot is for the search term 'email marketing' and shows results from ConstantContact, MailChimp, and DotMailer. The right screenshot is for 'email marketing services' and shows results from CommuniGator, ConstantContact, ExactTarget, and TopTenReviews. Red circles highlight specific search results in both screenshots, including 'Email marketing software solutions & bulk email campaign services ...' and 'Email Marketing Services'.

Example – Fast Growing Chain of Hair Salons

Initial enquiry for email marketing ....monthly value £500pm

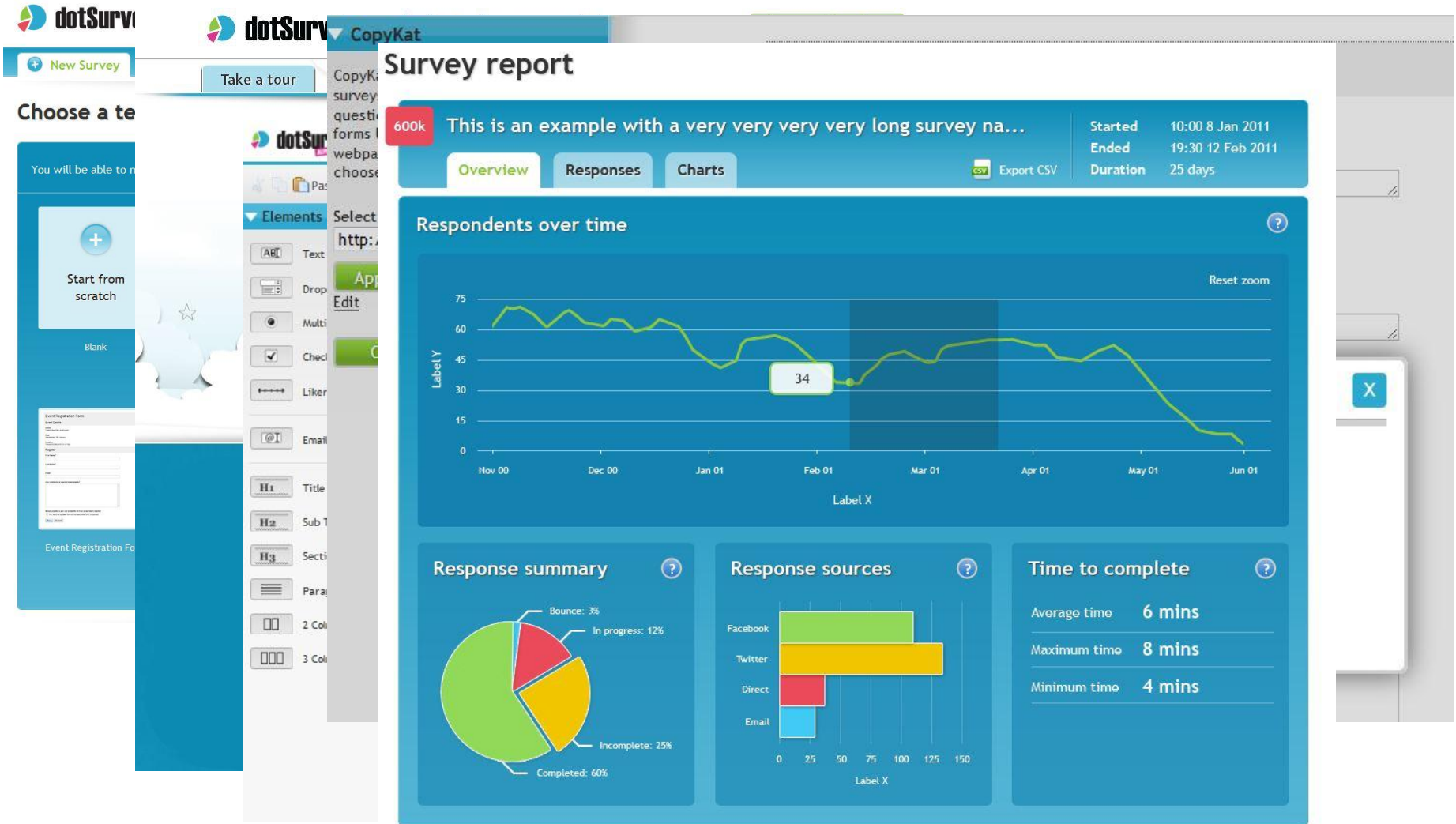
12 months later - now spending £15,000 per month on –

Email, SEO, PPC, Ecommerce & digital strategy

# Sources of further organic growth

- Products
  - dotMailer
    - new features now live
      - powerful new 'easy editor'
      - intuitive new step process
      - powerful split testing
  - dotSurvey
    - new product currently in Public Alpha
- Channels
  - Expand partner distribution channels eg through development of connectors to CRM tools such as Sales Force & Microsoft Dynamics
- Resellers
  - Expand network of international resellers

# dotSurvey in limited Beta



The screenshot displays the dotSurvey interface. On the left, there's a sidebar with a 'New Survey' button and a 'Choose a template' section. The main area shows a 'Survey report' for 'CopyKat' with a '600k' badge. The report includes a title, start/end dates, and duration. Below this are three tabs: 'Overview', 'Responses', and 'Charts'. The 'Overview' tab is active, showing a line chart of 'Respondents over time' from Nov 00 to Jun 01. A callout box highlights a data point of 34 in early February. Below the chart are three summary cards: 'Response summary' (a pie chart showing 60% completed, 25% incomplete, 12% in progress, and 3% bounce), 'Response sources' (a horizontal bar chart showing Facebook, Twitter, Direct, and Email), and 'Time to complete' (listing average, maximum, and minimum times).

## Survey report

600k This is an example with a very very very very long survey na...

Started 10:00 8 Jan 2011  
Ended 19:30 12 Feb 2011  
Duration 25 days

Export CSV

### Respondents over time

Reset zoom

34

### Response summary

- Bounce: 3%
- In progress: 12%
- Incomplete: 25%
- Completed: 60%

### Response sources

Source	Count (approx.)
Facebook	110
Twitter	130
Direct	40
Email	25

### Time to complete

Average time	6 mins
Maximum time	8 mins
Minimum time	4 mins

“I REALLY LIKED USING DOTSURVEY. IT WAS REALLY INTUITIVE AND I THINK I NOW PREFER IT TO SURVEY MONKEY!”

# Growth by acquisition

The target sectors selected for potential acquisitions are:

- Mobile, Social
- Consolidation other Email Marketing providers
  
- In the UK Email Marketing providers (ESPs)
  - very fragmented
  - No player highly dominant
  - Consolidation starting (email vision acquired smart focus)
  
- Opportunities exist for dotMailer to build market share through acquisition

# Current year insight – Q1

- Email sends at record levels
- Our busiest ever sends day last Friday in September
- Revenues in line with plan
- Significant growth above same period last year

# In conclusion

- High growth profitable business in high growth market sectors
- Cash generative
- Significant opportunities for organic growth
- Opportunities for international expansion
- Opportunities for acquisitions & joint ventures
- Young, energetic team with passion for growth

Care needed to avoid overreaching.

2011-12 will be a year of further investment for future growth:

2012-13 will be a year of accelerated growth