dotdigital GROUP PLC

Annual Results Presentation

2015/2016

Milan Patel
George Kasparian

October 2016

Board of Directors

Experienced management team complemented by a non-executive board with significant AIM Public Company experience and industry knowledge

Milan Patel, FCCA, ACSI
Chief Executive Officer,
Chief Finance Officer

Peter Simmonds, FCCA
Non-Executive Director

Simon Bird
Co-Founder & President

Ian 'Tink' Taylor
Co-Founder & President

Frank Beechinor-Collins
Non-Executive Chairman

Richard Kellett-Clarke, FCA
Non-Executive Director

Simone Barratt stepped down after a period of ill-health mid July 2016

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Company background

dotdigital Group Plc was established in 1999. Originally providing a wide range of digital marketing services, but since 2013 totally focused on its email and multi-channel automation.

We provide a Software-as-a Service platform to over 4,500 clients: marketers in medium and small enterprise companies in the UK, Americas and Asia Pacific.

People & Places

221 people

- Sales & Marketing 81 people
- IT & Development 63 people
- Client Services 44 people
- Other 33 people

UK offices 188 people

- London Bridge HQ
- East Croydon
- Manchester Regional sales office

International offices 35 people

- New York, US 14 people
- Melbourne, Australia 5 people
- Minsk, Belarus. Offshore Dev 16 people

Significant Shareholders

Directors 21%

Institutions

- Liontrust Investment Holdings 12.2%
- Slater Investment Ltd 5.7%
- JO Hambro Capital Management 5.1%
- Herald Investment Management 4.6%
- Franklin Templeton Fund Management 4.4%
- Allianz Global Investors GmbH 3.3%
- NFU Mutual 3.2%
- Polar Capital LLP 3.2%
- Hargreave Hale Ltd 3.1%

Free float 67%

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Financials

8 year growth trends

Strong growth in revenue, EBITDA and cash over the past eight years
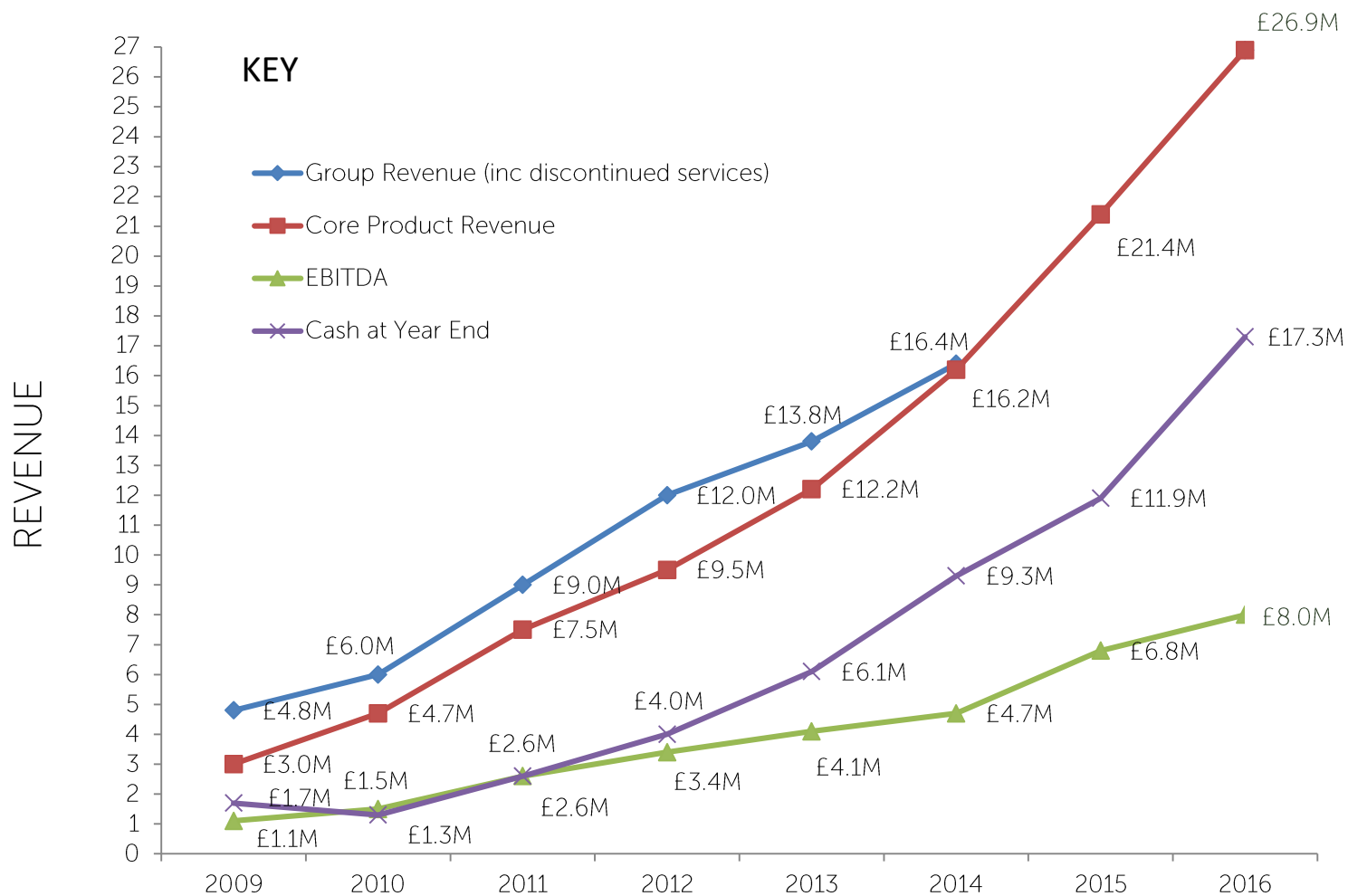
797%
Core Product Revenue growth

627%
EBITDA growth

37%
Core Product Revenue CAGR

33%
EBITDA CAGR

KEY

◆ Group Revenue (inc discontinued services)
■ Core Product Revenue
▲ EBITDA
✕ Cash at Year End

REVENUE

Year	Group Revenue	Core Product Revenue	EBITDA	Cash at Year End
2009	£4.8M	£3.0M	£1.1M	£1.7M
2010	£6.0M	£4.7M	£1.5M	£1.3M
2011	£9.0M	£7.5M	£2.6M	£2.6M
2012	£12.0M	£9.5M	£3.4M	£4.0M
2013	£13.8M	£12.2M	£4.1M	£6.1M
2014	£16.4M	£16.2M	£4.7M	£9.3M
2015		£21.4M	£6.8M	£11.9M
2016		£26.9M	£8.0M	£17.3M

* Includes the discontinued website and search agency revenue which dotdigital Group Plc fully exited from in 2013.

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Key trading highlights

12 months to 30 June 2016

Top line revenue growth

26% increase in top line, from £21.4m to £26.9m

International growth

58% growth in revenue outside of the UK

Solid financial performance

EBITDA £8.0m (30% EBITDA margin) – higher than market expectations

New clients signed under contract

99% of new signed up clients in the year are contracted for an average length of 20 months

Average monthly recurring revenues increase

29% increase from £445 to £575

Increase in incremental recurring revenues

Recurring revenue charges from product functionality has increased by 106% to £4.1M

Strong cash position

£17.3m at 30 June 2016 after capital expenditure and product development of £2.1m

Dividend proposed of 0.84 pence per share

Broken down between normal dividend of 0.43p and a special dividend of 0.41p to be paid at the end of January 2017 subject to AGM approval
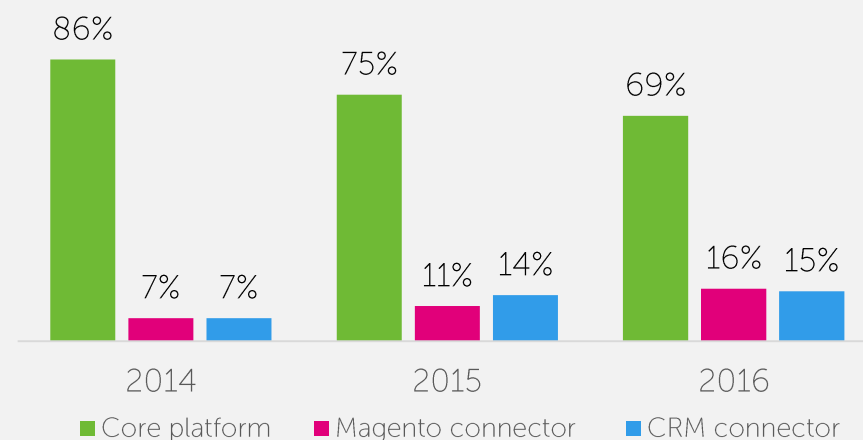
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Trading performance

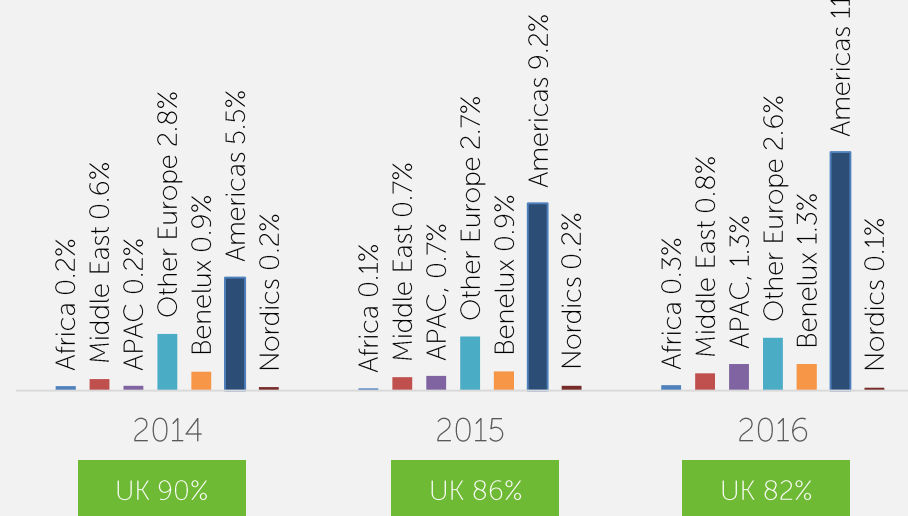|	June 16 £'M	June 15 £'M	Growth %
Revenue	26.9	21.4	26%
Cost of Sales*	(3.4)	(2.3)	48%
Gross Profit	23.5	19.1	23%
Administrative Expenses**	(17.4)	(13.9)	25%
Operating profit	6.2	5.2	19%
EBITDA	**8.0**	**6.8**	**17%**

*Cost of sales line includes Direct Marketing and Partner commission which has increased to £2.9m compared to £1.8m in FY2015.

** The three key investment areas are our people, our technology and increasing our bases in international territories

Breakdown of revenue

- Core platform
- Magento connector
- CRM connector

Int'l revenue by region

UK 90%   UK 86%   UK 82%

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Statement of financial position

Healthy balance sheet

No debt

Strong distributable reserves

Balance sheet

	Jun'16 £'M	Jun'15 £'M
Assets	5.4	5.2
Other Current Assets	6.2	5.3
Cash	17.3	11.9
Total Assets	28.9	22.4
Non Current Liabilities	0.7	0.4
Current Liabilities	4.5	3.6
Total Liabilities	5.2	4.0
Net Assets	23.7	18.4

→ **Breakdown of FY 15/16 CAPEX spend:**

Product Dev: £1.5m

Hardware: £0.5m

Other: £0.1m

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Cash flow

Strong cash flows generated from operations

Total Free cash flows of £5.6m

Healthy cash balance at the end of the period

Over 40% of the monthly recurring value collected on Direct Debits in the UK region

Higher dividend paid in the year

	Jun'16 £'M	Jun'15 £'M
Net cash generated from operations	7.7	5.4
Net cash used in investing activities	2.0	2.3
Net cash used from financing activities	0.3	0.5
Cash and cash equivalents at beginning of period	11.9	9.3
Cash and cash equivalents at end of period	17.3	11.9

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dotmailer overview

Email is alive and well

- Email is loved by all. From merchants to marketers and agencies, from SMEs to large corporates in both B2B, B2C, public and private sectors.

- Email is the digital key. You need one to sign up to social media, logins to apps.

- Email is trusted to deliver key messages such as order confirmation, lost passwords etc.

- Email reaches all audiences of all ages in all locations.

- Email unlocks value compared to PPC, display, search, social.

- Email delivers incredible ROI due to the high engagement rates.

- Email puts marketers in control. Marketers can control the cadence and nature of their communications.

% of respondents in each group						
	18-24	25-34	25-44	44-54	55-64	65+
Email	83%	76%	78%	75%	75%	75%
Post	28%	21%	28%	41%	40%	45%
Phone (landline)	22%	9%	9%	11%	14%	19%
Face-to-face	18%	17%	18%	22%	22%	20%
Phone (mobile)	17%	12%	8%	4%	4%	3%
Text / SMS	16%	9%	6%	3%	4%	2%
Social media	10%	6%	4%	3%	2%	-

According to official DMA research, email is the preferred mode of brand marketing for consumers in every bracket.

The report also concludes the average ROI for email campaigns is rising, and is now £38 for every £1 spent.

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Marketing automation with email at its core

dotmailer allows marketers to manage all stages of their marketing automation activity quickly and easily, from sophisticated data selections to deployment and measurement of their client interactions.

Key features

- Easy and fast to use. Yet powerful and sophisticated.

- Easy onboarding process. Low cost and time.

- Integrates quickly with best-of-breed business systems.

- Works for corporates and SMEs, B2B and B2C clients.

- Constant feature development. Quarterly releases.

- Easy to get going with automation. Start small, scale quickly.

"A client once described dotmailer as NASA technology with a Fisher Price interface. We liked that. It stuck."

Tink Taylor, Co-founder and President, dotmailer

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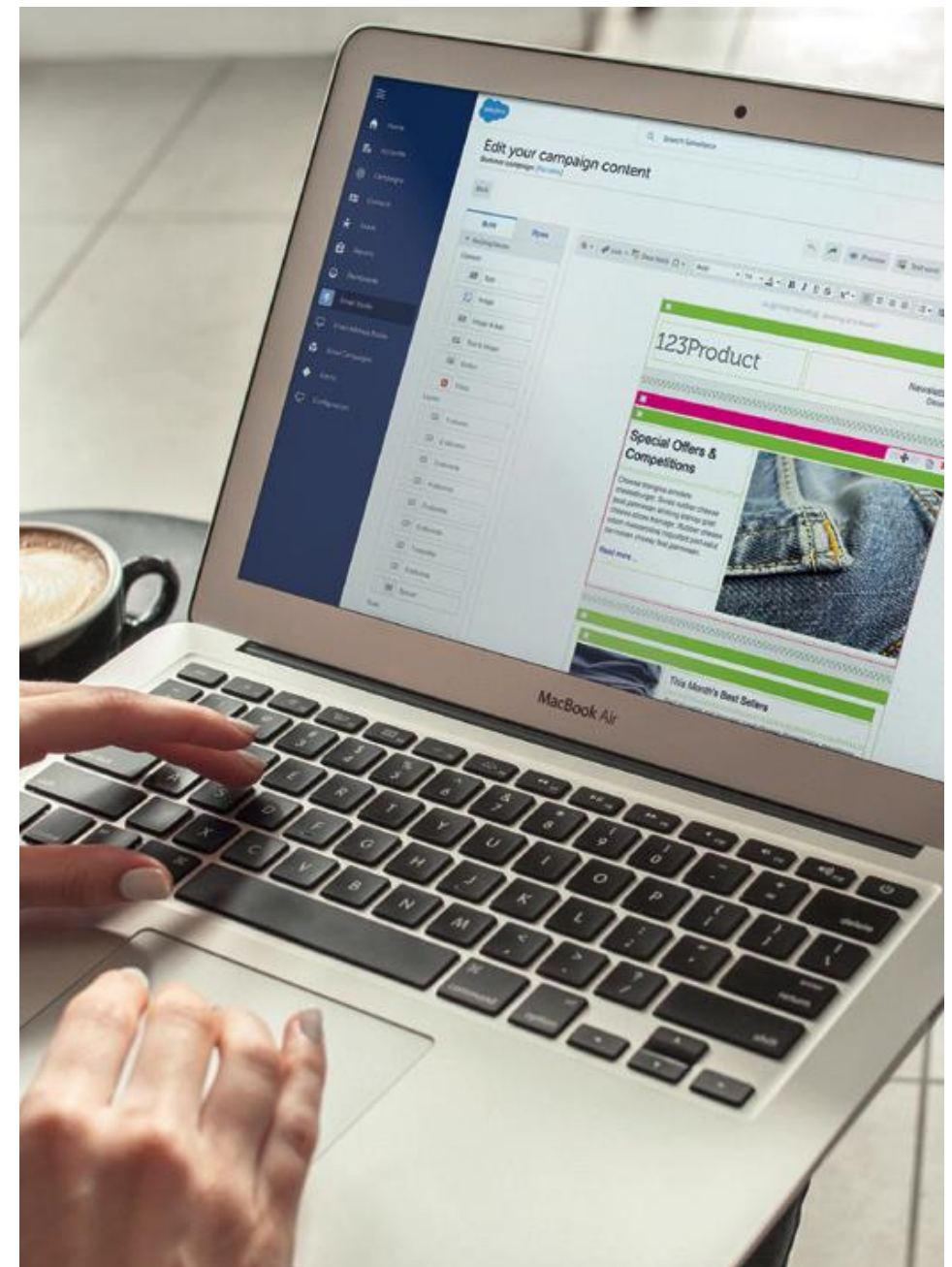
How dotmailer works

Ecommerce data including

Magento · **shopify**

CRM data including

salesforce · Microsoft Dynamics

Social data including

Content & other assets

Systems & databases

Web & email

Data in

Integrations make it fast and easy for customers to pull their data into dotmailer

Messages out

Our multi-channel marketing automation platform empowers marketers with the tools they need

dotmailer

Integrations	Email marketing
Insight & complex data	Segment & triggers
Behavioral analysis	Automated campaigns
Lead nurturing & scoring	Advanced personalisation
Forms & surveys	Multi-channel
Landing pages	Campaign reporting

Calls, SMS & Social

Desktops, tablets & mobile

Online & Cloud applications

Sales teams

Workspace Environment

salesforce · **slack**
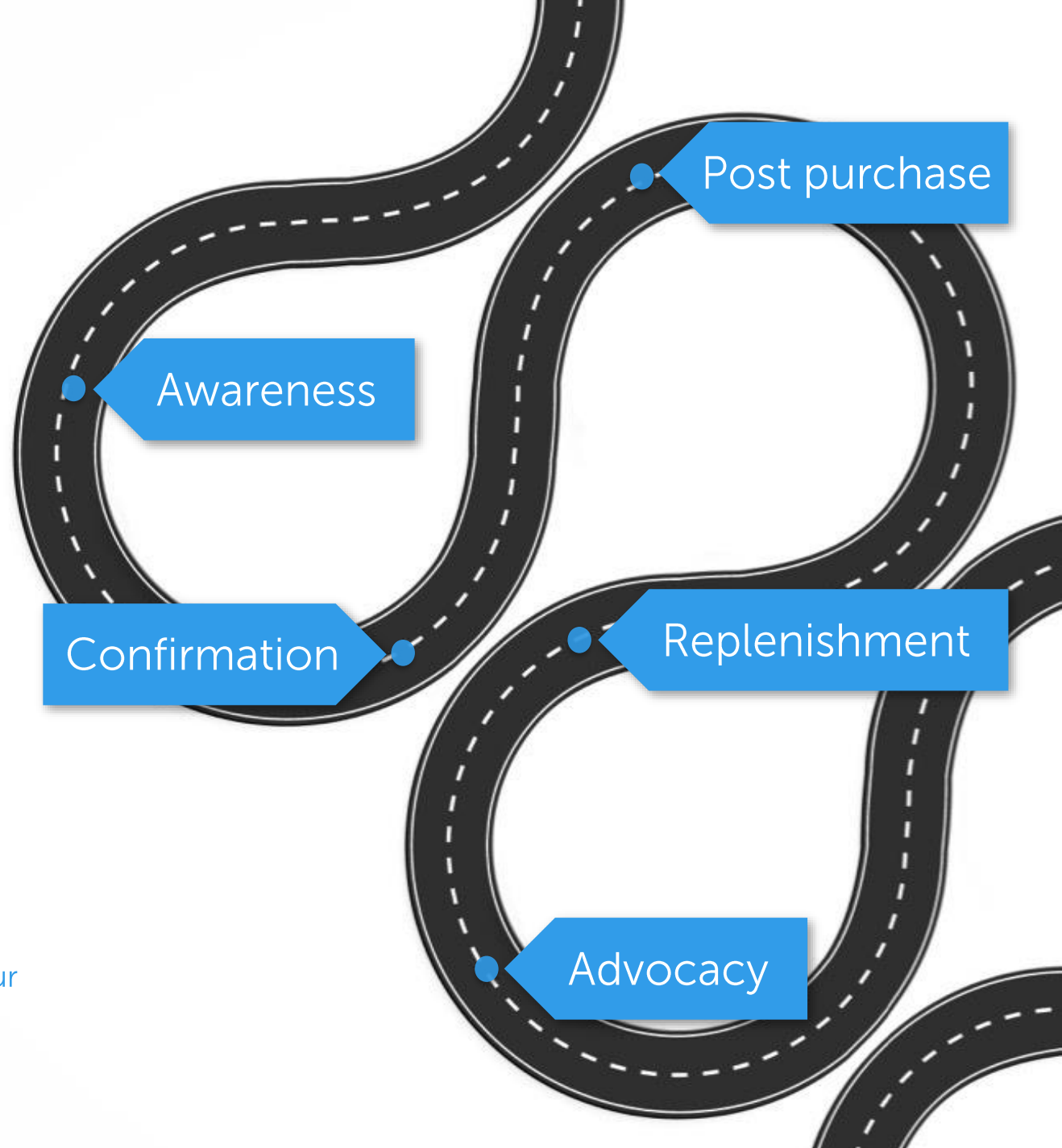
Data warehouses

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Email enables positive customer journeys

From an initial welcome message right through to the loyalty campaign which keeps customers coming back for more, email is the glue that binds together the customer experience of today.
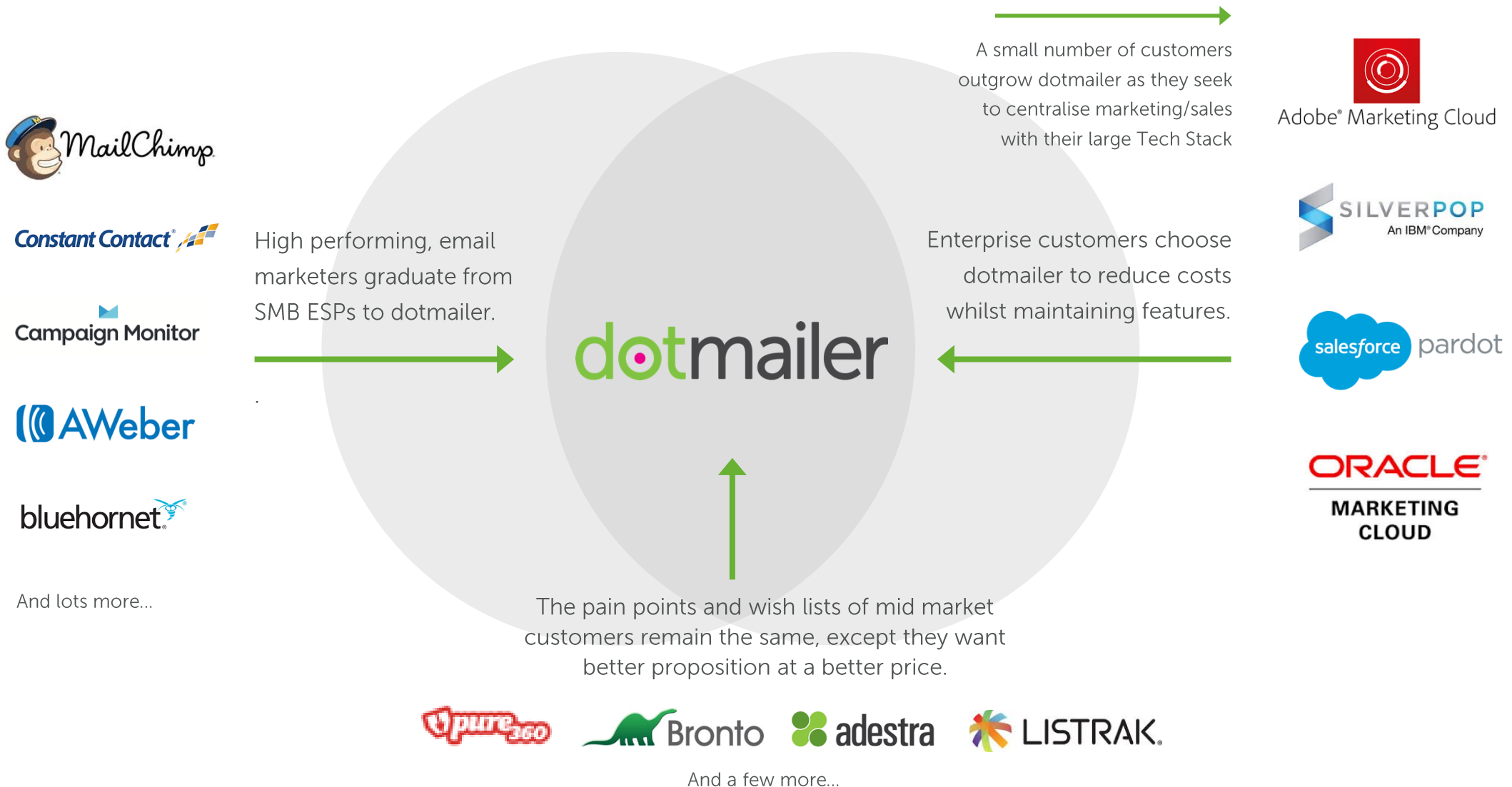
The platform enables smart use of data, automation and personalisation so our customers can communicate intelligently with their customers. It helps them make their marketing not feel like marketing.

"dotmailer gives us the opportunity to talk to our customers on a one-to-one basis."

Jonny Stewart, head of Ecommerce, ELEMIS

Post purchase

Awareness

Confirmation

Replenishment

Advocacy

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Competitive landscape

A small number of customers outgrow dotmailer as they seek to centralise marketing/sales with their large Tech Stack

Adobe® Marketing Cloud

SILVERPOP
An IBM® Company

High performing, email marketers graduate from SMB ESPs to dotmailer.

.

Enterprise customers choose dotmailer to reduce costs whilst maintaining features.

salesforce pardot

dotmailer

ORACLE®
MARKETING CLOUD

And lots more...

The pain points and wish lists of mid market customers remain the same, except they want better proposition at a better price.

pure360   Bronto   adestra   LISTRAK.

And a few more...

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Growth strategy

Key areas of focus

1
Geographic expansion

Solidify growth in the USA and Australia with a view to expand out into the wider geographic areas. Plus further International expansion into four new target territories EMEA.

2
Product innovation

Continued enhancements in marketing automation technology and platform scalability to deepen our market position. We will diversify our revenues by building new connectors with the ecommerce and CRM platforms.

3
Strategic partnership

Maximise the opportunities existing partnerships with Magento, Salesforce, and Microsoft Dynamics. Plus solidify new partnerships with PayPal and ORO CRM.

1. Geographic expansion

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No technical barriers to international growth

Languages

- As well as English our platform works perfectly in French, German, Russian, Spanish, Portuguese, Italian.
- New languages can be added in approx 2 weeks.
- We also deliver email in Arabic and Thai languages.

Infrastructure – Project Cirrus

Move physical UK data centre to a multi data centre environment using Hybrid Cloud Design. Local hardware for delivery.
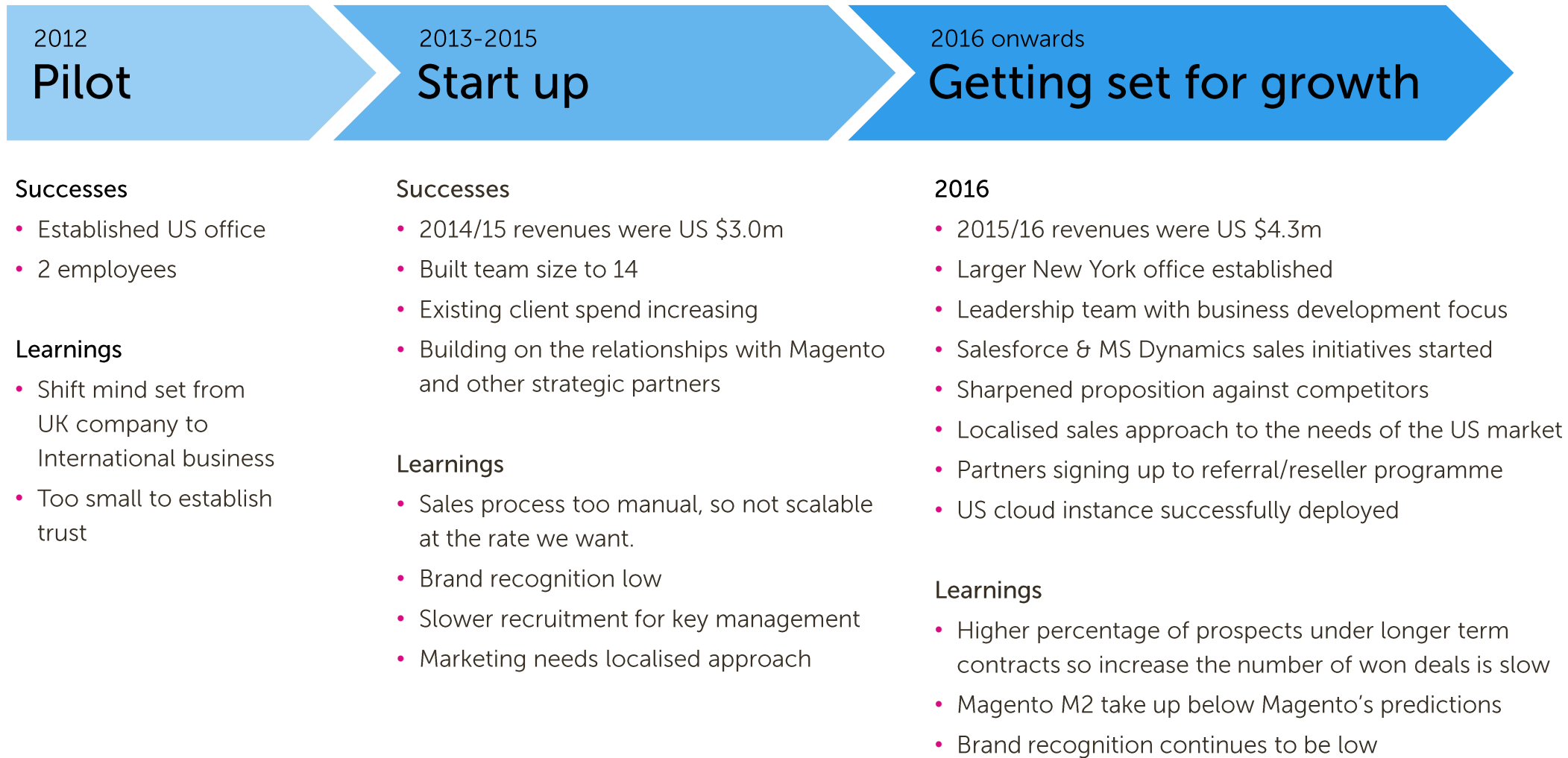
- Scalability and reduced business risk. Redundancy and resilience
- Global data centre coverage.
- Continued control of IP reputation management.
- Repeatable blueprint for regions.
- Resource overhead for physical estate reduced.
- Platform nearer to end customers for optimal performance.
- Adaptable for localised data protection regulations.

Planned location of dotmailer cloud data centres.

Blueprint hybrid cloud design Done. Feb 2015	Performance Testing Done. May 2015	Engineering the DOTM platform to be region aware Done. Sept 2015	Roll out of US region Done. Jan 2016	Migration of UK to EU Region Done. Jan 2016	Roll out of Australia region (Q1 2017)

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🇺🇸 US region

2012	2013-2015	2016 onwards
Pilot	**Start up**	**Getting set for growth**

Successes

- Established US office
- 2 employees

Learnings

- Shift mind set from UK company to International business
- Too small to establish trust

Successes

- 2014/15 revenues were US $3.0m
- Built team size to 14
- Existing client spend increasing
- Building on the relationships with Magento and other strategic partners

Learnings

- Sales process too manual, so not scalable at the rate we want.
- Brand recognition low
- Slower recruitment for key management
- Marketing needs localised approach

2016

- 2015/16 revenues were US $4.3m
- Larger New York office established
- Leadership team with business development focus
- Salesforce & MS Dynamics sales initiatives started
- Sharpened proposition against competitors
- Localised sales approach to the needs of the US market
- Partners signing up to referral/reseller programme
- US cloud instance successfully deployed

Learnings

- Higher percentage of prospects under longer term contracts so increase the number of won deals is slow
- Magento M2 take up below Magento's predictions
- Brand recognition continues to be low

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Asia Pacific region

| 2015 **Pilot** | 2016 onwards **Start up** |

Successes

- Established Australian office as Asia Pacific region base
- 2 employees
- Revenue generated of AUS $0.3m
- 8 partners signed with foothold in region
- Capitalise on positive reception in region

Learnings

- Need to build support network
- Conversation for indirect clients takes longer
- Customer spend greater than initially expected

Successes

- 5 employees
- Strong pipeline building
- Revenue generated of AUS $0.6m
- Direct Sales started as of July 2016
- Deepened relationships with partners
- Hub for broader Asia Pacific sales initiatives
- Localised support and Account Management

Learnings

- In region data processing and storage
- Establishment of the brand taking longer than expected

Clients signed this financial year

HOCHIKI

forum
People & Technology. Together.

gotstock
.com.au

COS

Accolade Wines

alintaenergy

sass & bide

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Our rationale

The percentage of revenue generated by EMEA customers (outside of the UK) has grown organically without a dedicated marketing or sales focus.

There are strong reasons for now focusing on revenue growth from the EMEA region:

- Email marketing is a global business
- Our connectors (Magento, Salesforce and Microsoft Dynamics) mean our USP has global appeal
- Some of our largest client wins in the financial year have been from businesses outside the UK
- Analysis of our revenue / website sessions by region shows non-English speaking countries have disproportionally higher session to revenue ratio (see diagram)
- We can use dotmailers local language capabilities to increase conversion rate in non-english speaking global markets

International Revenue & Sessions

When the pink line surpasses the green bar this represents an suboptimal ration between sessions to revenue.

India is the 4th highest country for traffic but is not shown as it's not delivered any revenue opportunities.

■ Revenue ■ Sessions

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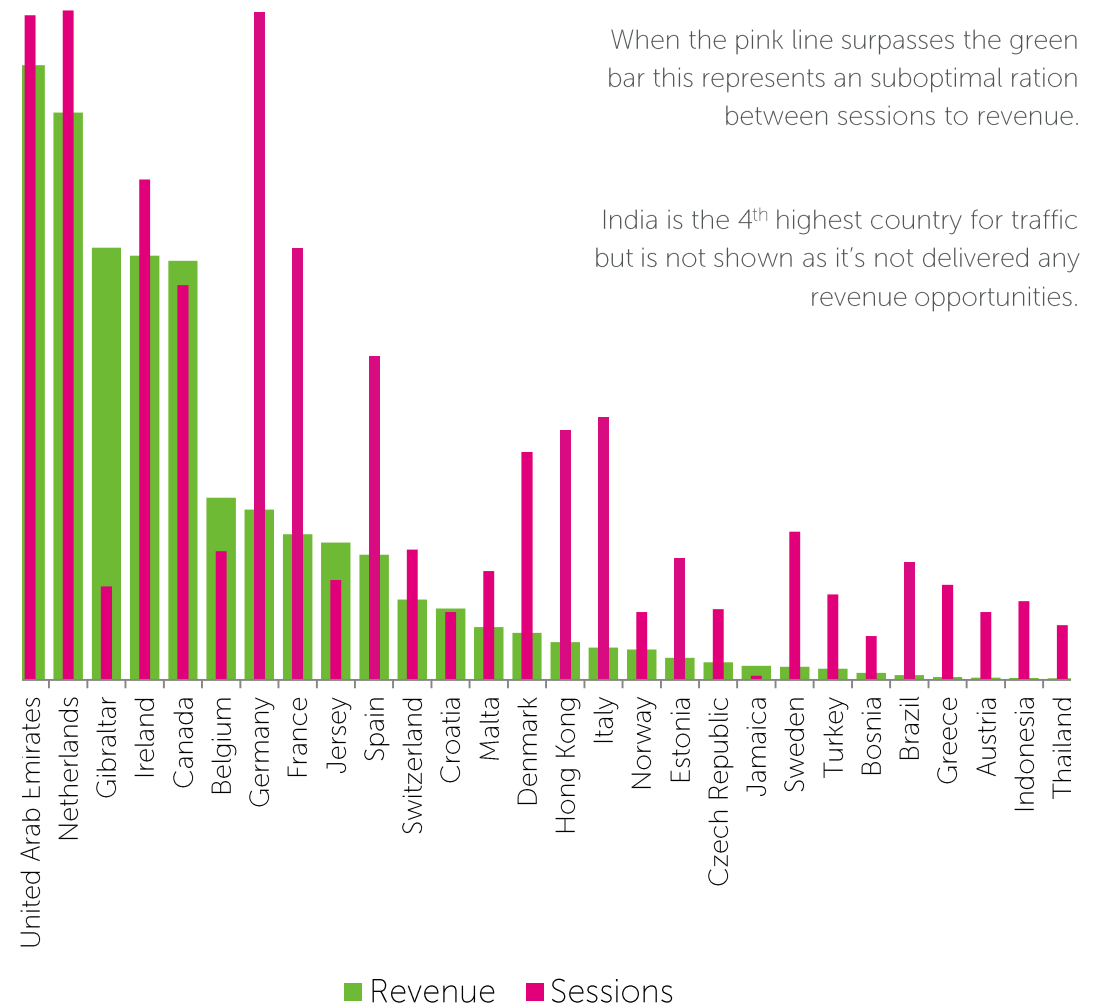
New International territories

2016-2017
Pilots

Approach

- Target territories are Benelux, Middle East, Nordics and South Africa
- Build brand awareness through targeted business development, marketing and selected events
- Optimise proposition to the needs and price point of the local market
- Build influencer and partner networks
- Offer a self-serve product followed by or combined with a direct sales team later after traction gained

Future Approach

Planned activity for future phases includes expanding our sales proposition when the demand in each territory has been proven, followed by establishment of local office for customer success and and service teams.

Some of the companies signed up from EMEA (not the UK) this FY
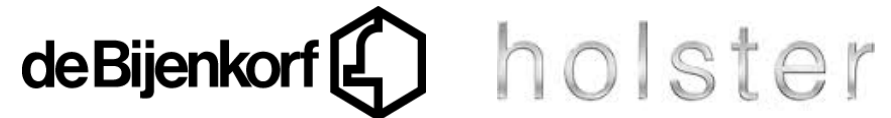
2. Strategic partnerships

Existing strategic partnerships

Magento

- dotmailer's is a Global Magento Premier Technology Partner
- Annualised revenues of the dotmailer for Magento connector total more than £3m
- Average recurring spend at £1,300 per month
- As a result of our Premier status dotmailer has global brand awareness has been significantly boosted
- The dotmailer platform has been endorsed by Magento

salesforce

- dotmailer for Salesforce development team re-engaged and roadmap agreed
- Connector 'Lightning' ready
- Annualised revenues of the dotmailer for Salesforce total more than £2.2m.
- Average recurring spend at £940 per month
- Clients using the connector include Fujitsu, Kaplan Financial, City University, Addison Lee
- Exhibited at dreamforce San Francisco – the only ESP at the show

Microsoft Dynamics

- dotmailer for Dynamics development team reengaged and roadmap agreed
- dotmailer's for Microsoft dynamics supports onsite and offsite installs
- Annualised revenues of the dotmailer for Microsoft Dynamics connector total more than £2.3m
- Average recurring spend at £970 per month
- Clients using the connector include 4com Plc, Ryman, Ladbrokes, Total Jobs and Adecco

Diversification of the our connectors

Ecommerce | CRM

2015/16

2016/17

3. Product innovation

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Product roadmap

New features and functionality are released quarterly to a roadmap designed to build and cement our attractiveness to mid market clients looking for a SaaS marketing automation platform. The quarterly release cycle is augmented by a fortnightly bug sprint and patching cycle.

15three
DEPLOYED AUGUST 2015

- Lead Scoring
- Landing Pages
- Advanced Personalisation
- Account Insight
- Program annotations

16one
DEPLOYED MARCH 2016

- New Training Hub
- New App Directory
- Global payment provider
- Launch of US instance
- MS Dynamics 2016 upgrade

15four
DEPLOYED OCTOBER 2015

- New Help centre
- New Developer Hub
- Simpler invoicing
- EasyEditor building blocks

16two
DEPLOYED JUNE 2016

- Enhanced responsiveness for mobile
- EasyEditor upgrades
- CSS inlining improvements
- Accelerated sending

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Security & Privacy

People and Awards

- Dedicated Security and Privacy personnel – James Koons
- Member of Email Sender & Provider Coalition, Email Experience Council and FBI InfraGard
- One of the first companies in the world to be certified for the EU/US Privacy Shield
- Awarded the UK government backed Cyber Essentials Plus certification

Process

- Regular comprehensive independent security assessments of products and services
- Ongoing risk assessment and impact analysis for potential upcoming regulatory and legislative changes (GDPR)
- Annual penetration testing on application

Technology

- Continued investment in technology improvements to mitigate the latest security risks
- Investment in regional platform deployment to enable our customers to meet regulatory and privacy compliance in varying global regions
- A threat-led Information Security Program, with regular vulnerability scanning to monitor the security posture of infrastructure

People

People
Leadership Team

Steve Shaw
Chief Technology Officer

Phil Draper
Chief Marketing Officer

Dan Morris
EVP North America

Rohan Lock
EVP Asia Pacific

David Aldrich
HR Director

James Koons
Chief Privacy Officer

George Kasparian
Finance Director

Skip Fidura
Consultancy

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People
Unique culture

Our people are the heartbeat of our business. We continue to invest in training and other activities to improve their skills and maintain the culture that is unique to dotdigital

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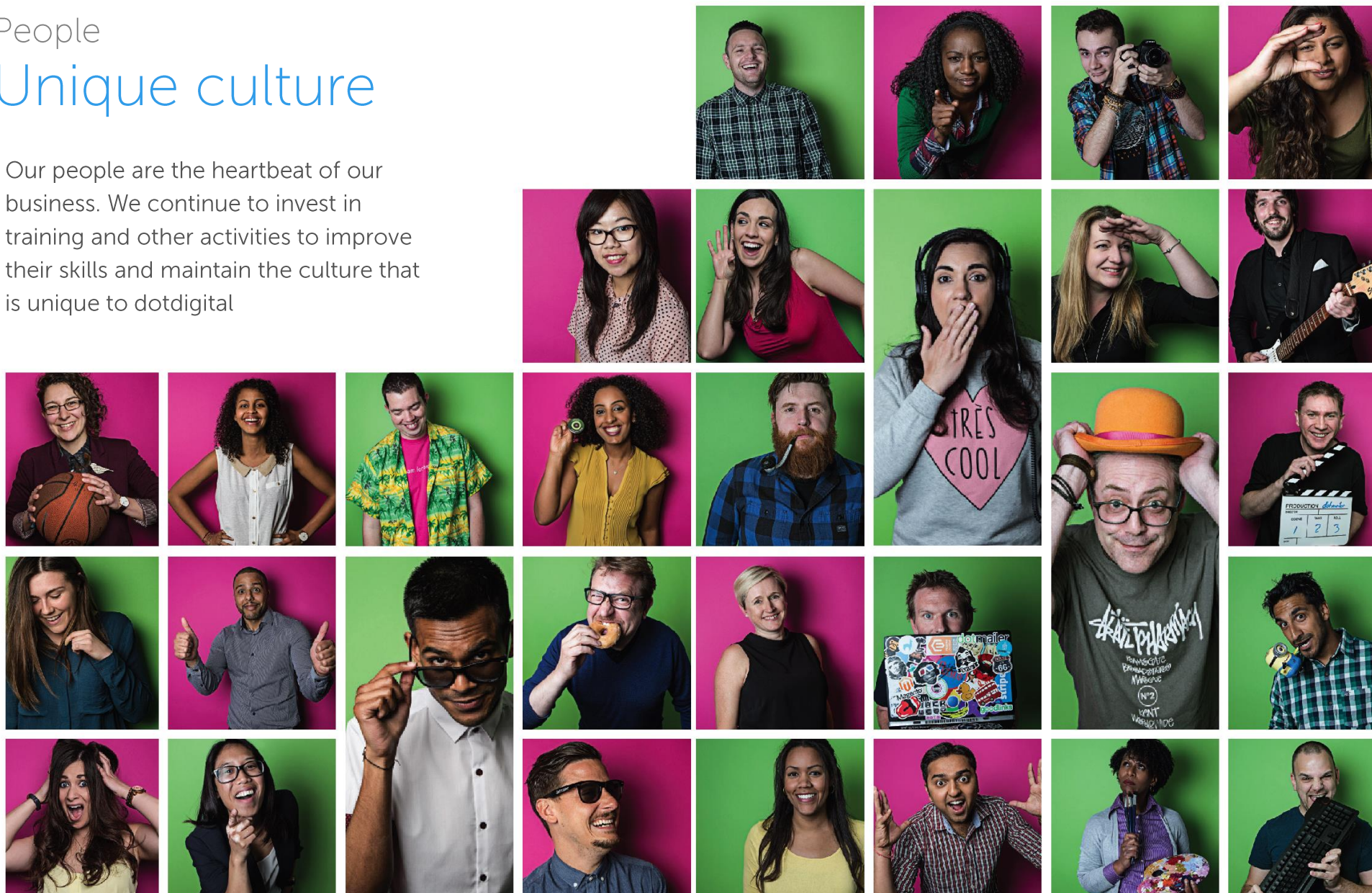
Outlook

Outlook

Key strategy focused on continued strong organic growth:

- Magento M2 connector uptake slow so diversifying our connector strategy to increase the addressable market

- US growth slightly slower than expected so other International opportunities being explored to increase level of revenue outside UK

- Uncertain macro environment continually being assessed by the board

- Continued investment in international markets through partners, key connectors, focused direct sales and self-serve offering

- Continued investment in our product to maintain best of breed position

- Winning and retaining small enterprise and mid-size clients with high life time values

Growth rationale

- Widespread industry acceptance of email's ROI.
- High levels of brand awareness in the UK and building across the regions we operate within.
- Very strong product.
- Good operational leverage.
- High margins and high levels of contracted recurring revenue.

H1 Progress

- Revenue growth in Q1 over 20%.
- Larger monthly spend commit from clients.
- Strong uptake of CRM connectors.
- Early signs promising for Benelux, Nordics and South Africa markets.

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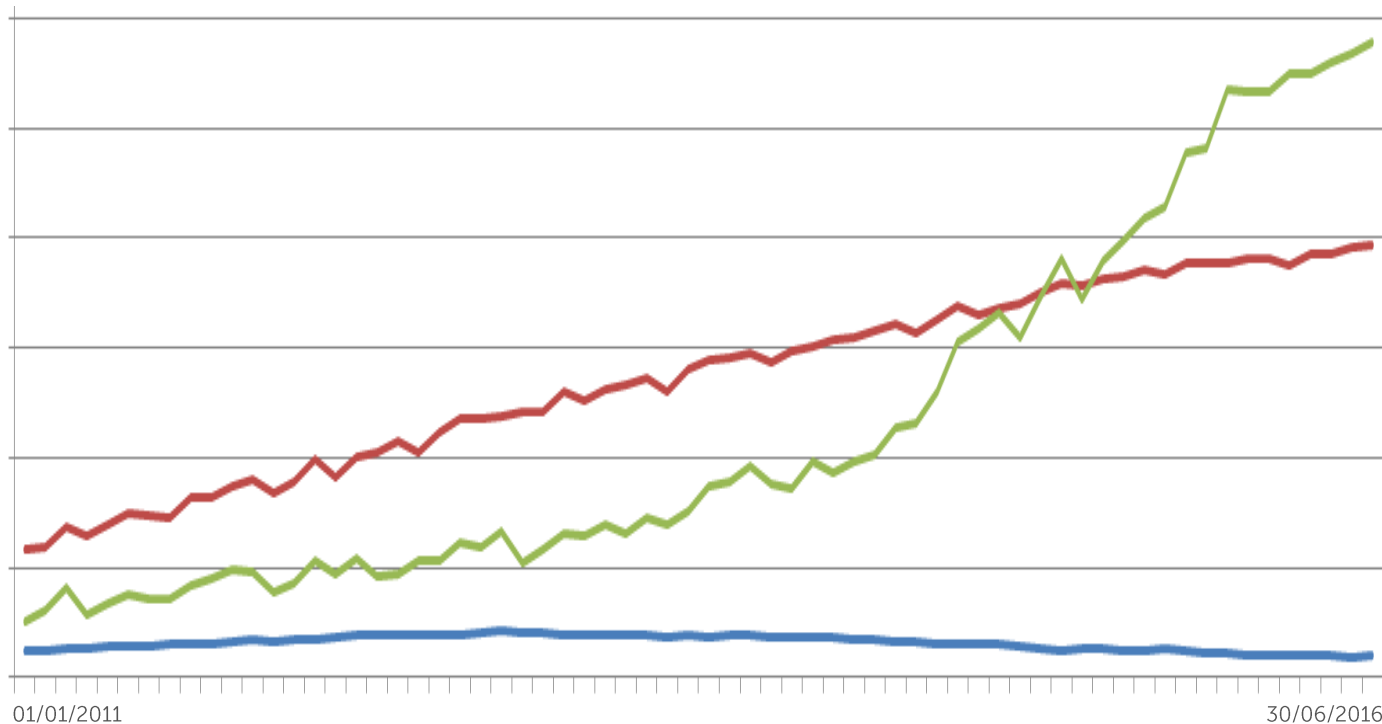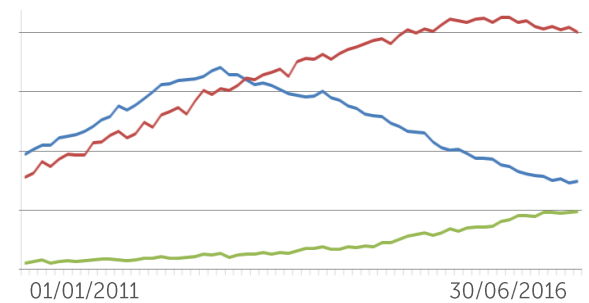
Appendix

Core focus is the mid-market sector

Lifetime value of a mid market client is 10x that of the SME sector. Whilst sends volume are highest in the Corporate / Enterprise segments this tends to be at the expense of rates per million.
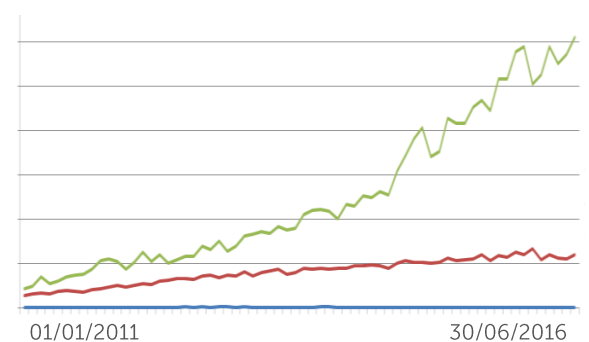
Monthly Send Value per Band

01/01/2011 — 30/06/2016

Customers per Band

01/01/2011 — 30/06/2016

Volume per Band

01/01/2011 — 30/06/2016

Key to all 3 graphs — 1-100 — 101 - 1000 — > 1001

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New client wins

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New Magento client wins

Global client list

dotmailer is a the trusted email marketing partner of huge success stories around the world, including: