



INTERIM RESULTS

For the six months ended 31 December 2014

CONTENTS

	Page
Six Month Key Highlights	3
Overview	4-6
Consolidated Income Statement	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9-10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to Interim Financial Statements	13-18

Six Month Key Highlights

- Revenue from continuing operations up 32% to £10.0m from £7.6m in the prior period
- Recurring monthly revenue from dotmailer's Software as a Service ("SaaS") based usage charges up 28% to £7.4m
- Email related creative and managed service up 38% to £1.1m
- Group operating profit before tax up 17% to £2.5m
- Net cash generated from operating activities of £1.4m
- Strong net cash position of £9.5m as at 31 December 2014

dotmailer

- Over 300 new clients signed in the period including Screwfix, govtoday, Hornby, Sony Music, Calor, MobileFun, Mustela, Worldata, Honeywell, Unison and Knight Frank
- Average monthly recurring spend across all clients increased from £284 to £400

Magento Connector

- Over 150 clients on the newly launched Magento connector
- Average recurring spend from clients of £775 per month

International Initiatives

- Revenue from the US region grew from \$456k in the prior period to \$1.14m, reflecting good progress in building our presence and the number of clients

OVERVIEW

As announced in the trading update on the 20 January 2015, dotdigital continued to deliver strong revenue growth and profits in line with market guidance for the six months ended 31 December 2014.

dotmailer: Email Marketing & Marketing Automation Software – SaaS Products

The performance from the higher margin SaaS product based email marketing platform continues to go from strength to strength with revenue growth for the six month period of 32% to £10.0m (H1 2013/14: £7.6m) with strong recurring revenue continuing to form a significant part of this total. Profit before tax grew by 17% to £2.5m which reflects the ongoing investment dotdigital is making in the business in order to accelerate future organic growth.

This strong growth was helped by a focus on winning higher value clients, as well as growth in recurring spend from existing clients and higher levels of client retention driven by clients signing up longer term contracts. The average monthly billing from all clients increased by 40% from £284 per month to £400. Following the strategy to focus on the mid-market, the monthly commitment from new clients increased by 63%. In the interim period we signed over 300 clients with an average monthly committed spend of £480 compared to £295 in the same period last year. Client numbers were lower than in the corresponding period last year reflecting the Company's strategy to focus on fast growing mid-size businesses and enterprise clients with a notably higher lifetime value. The average monthly commitment in the pipeline suggests that this will trend upwards.

With the Board's strategy of continued investment in the business to capitalise on long term organic growth, an additional 11 people in sales and account management have been recruited. The addition of this headcount has already started to pay off, generating additional incremental revenue.

Revenues from the US region have continued to grow strongly. The New York sales office continues to focus on sector niches and higher value corporate clients which it has identified as being the most attractive for the dotmailer product platform. The pipeline is continuing to grow with prudent additional investment in headcount and marketing activities. It is anticipated that further investment will be made in growing the US sales and account management team in the next 12 months.

Our email creative and managed services revenue grew from £0.8m to £1.1m during the period. There is further revenue growth potential that can be unlocked from these new services. This offering helps generate positive return on investment (ROI) for our clients and helps time-poor marketers to outsource their creative and campaign management/strategy to email marketing experts.

Further Product Innovation

The dotmailer platform continues to develop to provide high levels of marketing automation to our clients and the product release in January 2015 includes some exciting new multi-channel marketing capabilities.

Financial Summary

Consolidated EBITDA

Group EBITDA rose from £2.7m in the prior period to £3.3m, an increase of 22%, reflecting the strong performance in the core UK market and further investment into organic growth.

Balance Sheet & Cash Position

dotdigital continues with its strong cash generation from operations with the interim end net cash balance growing to £9.5m after capital expenditure of £0.5m, hardware/software upgrades of £0.3m and research and product development of £0.8m. The Company also has no debt.

Share Buyback Scheme

dotdigital announced on 11 November 2014 that it was to commence a Share Buyback Scheme. The size of the proposed Share Buyback is up to 3.0m shares. The Share Buyback will be funded from the Company's existing cash resources and made through market purchases of ordinary shares. The repurchased ordinary shares are to be held in treasury in anticipation of the first tranche of lapsing staff share options being exercised over the coming 12 months. Currently the Company has purchased, in aggregate, 285,000 ordinary shares of 0.5 pence each.

Dividend Policy

A dividend of 0.2p per ordinary share was proposed by the Company at the time of its Final Results in October last year demonstrating a clear commitment from the Board to delivering value by focusing on total shareholder return in the future. This dividend was approved by shareholders at the Annual General Meeting on the 16 December 2014 and paid on 30 January 2015. The Company's current policy will be to review dividends at the time of the year end. The Board is therefore not proposing an interim dividend.

Board Evolution

At the time of dotdigital's Final Results in October last year it was announced that Simone Barratt, from her role as Non-Executive Director, would be appointed as Chief Executive (Designate). With immediate effect Simone Barratt now takes on the full role of Chief Executive Officer. Peter Simmonds, who has been CEO for the past eight years and a major contributor to dotdigital's success, will continue, at this current time, as Deputy Chief Executive.

Current Trading & Outlook

The core email marketing business continues to perform very strongly and the strategy to continue to invest in the business is delivering pleasing results.

The Company's organic growth strategy continues to be focussed around four core areas:

- Product Innovation;
- Geographic expansion;
- Developing strategic partnerships; and
- Identifying new customer niches.

In the six months to 31 December 2014, key performance highlights against these areas were:

- Development of key new product features which were released on 20 January 2015;

- Growth of our US region revenue, which grew by approximately 150% from US\$456k in the six months to 31 December 2013 to US\$1.14m;
- Strengthening the channel sales team and formalising partner proposition;
- Revenue attributable to partner channels grew by 146% to £2.2m; and
- The initiative to build revenue by creating a strongly integrated offering to the Magento mid-market ecommerce retail niche has generated over 150 clients with annualised revenues of approximately £2.0m.

The client take up of the Magento connector continues to deliver good growth with the average monthly spend of new customers increasing to over £775 per month. The product has been well received as evidenced by feedback gained from both clients and Magento implementation partners. Recent product enhancements have also made this an even more attractive solution for online retailers.

In the US our analysis shows that we have more potential customers with larger email databases which should translate into greater recurring revenue from US clients. With continued good hiring and carefully managed investment we are confident that revenue from the US region will build significantly and we plan to invest more in expanding the US team in the West Coast and Mid-America.

Based on the successful formula deployed in entering the US market, we will start to build out a channel sales team in Australia which will be the springboard into the Asia Pacific markets. Early due diligence confirms that the dotmailer platform has been well received by the market. The value of the eCommerce market in APAC is US\$37 billion and early due diligence confirms that the dotmailer Magento connector which serves the eCommerce sector will be well received by the market. Magento is the leading ecommerce platform with a 45% market share in Australia. We will leverage our strong relationships with the Magento system implementers and key channel partners to build out a partner network across the Asia Pacific region. Expansion into this region will be headed up by our current Head of Sales who has a deep knowledge of both dotmailer and the Australian marketing technology market, which will prove invaluable in the initial stages of growth.

We are delighted that the strategy of focusing on fast growing medium sized businesses and corporate clients has driven average monthly spend up by 63%. This combined with a focus on longer term contracts and client retention is leading to notably higher client lifetime values.

Recent marketing product innovations delivered in January 2015, frame the potential to move the Company into the marketing automation sector of the marketing technology landscape, where average monthly revenue per client is currently at a sizeable premium to existing pricing. The Board believes this will open new revenue growth opportunities over the next 12 – 24 months.

To this end we are embarking on a carefully executed accelerated investment plan to scale the business further through both geographic expansion and product innovation, investing up to £3 million over the next two years. This strategy should fully exploit the exciting growth opportunities the dotmailer platform has to offer.

Based on the strong performance at the half year to 31 December 2014, the growing demand for marketing automation, the newly released product features and investment strategy, the Board remains confident of delivering strong growth, underlying profitability and increasing shareholder value for this year, 2016 and beyond.

dotdigital Group Plc
Consolidated Income Statement
For the six months ended 31 December 2014

	<i>note</i>	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
Continuing operations				
Revenue		9,992	7,570	16,213
Cost of sales		<u>(1,166)</u>	<u>(491)</u>	<u>(1,533)</u>
Gross profit		8,826	7,079	14,680
Administrative expenses		<u>(6,298)</u>	<u>(4,926)</u>	<u>(11,059)</u>
Operating profit		2,528	2,153	3,621
Finance income		<u>12</u>	<u>9</u>	<u>20</u>
Profit before income tax		2,540	2,162	3,641
Income tax expense		<u>(353)</u>	<u>(304)</u>	<u>(181)</u>
Profit for the period from continuing operations		2,187	1,858	3,460
Discontinued operations				
Loss from discontinuing operations		<u>-</u>	<u>(54)</u>	<u>(41)</u>
Profit for the period		<u>2,187</u>	<u>1,804</u>	<u>3,419</u>
Attributable to the owners of the parent:				
Profit for the year from continuing operations		2,187	1,858	3,460
Loss for the year from discontinued operations		<u>-</u>	<u>(54)</u>	<u>(41)</u>
Profit for the year attributable to the owners of the parent		<u>2,187</u>	<u>1,804</u>	<u>3,419</u>
Earnings per share from continuing operations (pence per share)				
Basic	4	0.77	0.67	1.24
Diluted	4	0.75	0.65	1.19
Earnings per share from continuing and discontinued operations (pence per share)				
Basic	4	0.77	0.65	1.22
Diluted	4	0.75	0.63	1.18

dotdigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2014

	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
Profit for the period	2,187	1,804	3,419
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations	28	5	(4)
Total comprehensive income attributable to: Owners of the parent	2,215	1,809	3,415
Total comprehensive income for the period			
Comprehensive income from continuing operations	2,215	1,863	3,456
Comprehensive income from discontinued operations	-	(54)	(41)

dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2014

	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
Assets			
<i>Non-current assets</i>			
Goodwill	609	609	609
Intangible assets	3,277	2,742	2,991
Property, plant and equipment	<u>1,113</u>	<u>514</u>	<u>827</u>
	<u>4,999</u>	<u>3,865</u>	<u>4,427</u>
<i>Current assets</i>			
Trade and other receivables	4,552	3,164	3,662
Cash and cash equivalents	<u>9,503</u>	<u>7,290</u>	<u>9,306</u>
	<u>14,055</u>	<u>10,454</u>	<u>12,968</u>
Total assets	<u>19,054</u>	<u>14,319</u>	<u>17,395</u>
Equity attributable to the owners of the parent			
Called up share capital	6	1,426	1,396
Share premium	5,295	4,953	5,147
Reverse acquisition reserve	(4,695)	(4,695)	(4,695)
Other reserves	129	43	82
Retranslation reserve	22	-	(6)
Retained earnings	<u>7</u>	<u>14,317</u>	<u>12,211</u>
Total equity	<u>16,494</u>	<u>12,293</u>	<u>14,153</u>

dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2014

	6 months to 31 Dec 2014 Unaudited <i>note</i> £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
Liabilities			
<i>Non-current liabilities</i>			
Deferred tax	314	14	58
	<u>314</u>	<u>14</u>	<u>58</u>
<i>Current liabilities</i>			
Trade and other payables	2,034	1,612	2,984
Current tax payable	212	400	200
	<u>2,246</u>	<u>2,012</u>	<u>3,184</u>
Total liabilities	<u>2,560</u>	<u>2,026</u>	<u>3,242</u>
Total equity and liabilities	<u>19,054</u>	<u>14,319</u>	<u>17,395</u>

dotdigital Group Plc

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2014

	Share capital	Share premium	Retained earnings	Other reserves	Reverse acquisition reserve	Retranslation Reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2013	1,387	4,863	9,071	13	(4,695)	(2)	10,637
Profit after tax for the period	-	-	1,804	-	-	-	1,804
Dividends	-	-	(279)	-	-	-	(279)
Retranslation reserve	-	-	-	-	-	5	5
Issue of share capital	9	90	-	-	-	-	99
Share based payments	-	-	-	27	-	-	27
As at 31 December 2013	1,396	4,953	10,596	40	(4,695)	3	12,293
As at 1 July 2013	1,387	4,863	9,071	13	(4,695)	(2)	10,637
Profit after tax for the year	-	-	3,419	-	-	-	3,419
Dividends	-	-	(279)	-	-	-	(279)
Issue of share capital	27	284	-	-	-	-	311
Retranslation reserve	-	-	-	-	-	(4)	(4)
Share based payments	-	-	-	69	-	-	69
As at 30 June 2014	1,414	5,147	12,211	82	(4,695)	(6)	14,153
As at 1 July 2014	1,414	5,147	12,211	82	(4,695)	(6)	14,153
Profit after tax for the period	-	-	2,187	-	-	-	2,187
Retranslation reserve	-	-	-	-	-	28	28
Issue of share capital	12	148	-	-	-	-	160
Share buyback (see note 7)	-	-	(81)	-	-	-	(81)
Share based payments	-	-	-	47	-	-	47
As at 31 December 2014	1,426	5,295	14,317	129	(4,695)	22	16,494

- Share capital is the amount subscribed for shares at nominal value.

- Share premium represents the excess of the amount subscribed for Share capital over the nominal value net of the share issue expenses.

- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.

- The reverse acquisition reserve relates to the adjustment required to account the reverse acquisition in accordance with International Financial Reporting Standards.

- Other reserves relate to the charge for the share based payments in accordance with International Financial Reporting Standard 2.

- Retranslation reserve relates to the retranslation of a foreign subsidiary into the functional currency of the Group.

dotdigital Group Plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2014

		6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
	<i>note</i>			
Cash flow from operating activities	5	1,487	2,024	5,297
Tax paid		(89)	(66)	(100)
Net cash generated from operating activities		1,398	1,958	5,197
Cash flow from investing activities				
Purchase of intangible fixed assets		(825)	(690)	(1,408)
Purchase of tangible fixed assets		(467)	(165)	(607)
Sale of tangible fixed assets		-	7	-
Interest received		12	9	20
Net cash used in investing activities		(1,280)	(839)	(1,995)
Cash flows from financing activities				
Equity dividends paid		-	-	(279)
Share buyback		(81)	-	-
Share issue		160	99	311
Net cash generated from financing activities		79	99	32
Increase in cash and cash equivalents		197	1,218	3,234
Cash and cash equivalents at beginning of period		9,306	6,072	6,072
Cash and cash equivalents at end of period.		9,503	7,290	9,306
Increase/(Decrease) in cash and cash equivalents from:				
Continuing operations		197	1,251	3,268
Discontinued operations		-	(33)	(34)
Increase in cash and cash equivalents		197	1,218	3,234

The above does not include the effect of foreign exchange rate changes on cash and cash equivalents due to its immaterial nature.

**Notes to Interim Financial Statements
For the six months ended 31 December 2014**

1. GENERAL INFORMATION

Dotdigital Group Plc is a company incorporated in England and Wales and quoted on the AIM market.

2. BASIS OF INFORMATION

These consolidated interim financial have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 June 2014. The interim financial information for the six months to 31 December 2014, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 24 February 2015.

The unaudited interim financial information for the period ended 31 December 2014 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2014 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2014, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

dotdigital Group Plc

Notes to Interim Financial Statements
For the six months ended 31 December 2014

4. EARNINGS PER SHARE

	6 months to 31 Dec 2014 Unaudited	6 months to 31 Dec 2013 Unaudited	12 months to 30 June 2014 Audited
Continuing operations and discontinued operations			
Earnings per Ordinary share:			
Basic (pence)	0.77	0.65	1.22
Diluted (pence)	<u>0.75</u>	<u>0.63</u>	<u>1.18</u>

Continuing operations

Earnings per Ordinary share:			
Basic (pence)	0.77	0.67	1.24
Diluted (pence)	<u>0.75</u>	<u>0.65</u>	<u>1.19</u>

There is no difference in the weighted average number of shares used for the calculation of basic and diluted earnings per share as the effect of all notiently dilutive share outstanding was anti-dilutive.

Discontinuing operations

Earnings per Ordinary share:			
Basic (pence)	-	(0.02)	(0.01)
Diluted (pence)	<u>-</u>	<u>(0.02)</u>	<u>(0.01)</u>

	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
From continuing operations			
Profit for the year attributable to the owners of the parent	2,187	1,804	3,419
Adjustments to exclude loss from discontinued operations	<u>-</u>	<u>54</u>	<u>41</u>
Profit for the period from continuing operations for the purpose of basic earnings per share excluding discontinued operations	<u>2,187</u>	<u>1,858</u>	<u>3,460</u>

dotdigital Group Plc

Notes to Interim Financial Statements
For the six months ended 31 December 2014

4. EARNINGS PER SHARE (cont..)

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2014 Unaudited	6 months to 31 Dec 2013 Unaudited	12 months to 30 June 2014 Audited
Weighted average number			
Basic	284,907,065	279,172,065	279,107,898
Diluted	292,274,982	286,365,836	290,380,434

The denominators and numerators used are the same as those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

5. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
Profit before income tax	2,540	2,108	3,600
Adjustments for:			
Depreciation and amortisation	724	512	1,117
Loss on disposal of fixed assets	-	-	1
Share based payments	47	27	69
Finance income	(12)	(9)	(20)
Currency revaluation	28	5	(4)
Increase in trade and other receivables (Decrease)/Increase in trade and other payables	(890)	(271)	(769)
	<u>(950)</u>	<u>(348)</u>	<u>1,303</u>
Net cash from operating activities	<u>1,487</u>	<u>2,024</u>	<u>5,297</u>

6. CALLED UP SHARE CAPITAL

The issued share capital as at 31 December 2014 was 285,212,065, Ordinary Shares of £0.005 per share (30 June 2014: 282,882,065 Ordinary Shares of £0.005 per share as per the audited accounts).

dotdigital Group Plc

Notes to Interim Financial Statements
For the six months ended 31 December 2014

7. RETAINED EARNINGS

285,000 £0.005 ordinary shares with an aggregate nominal value of £1,425 were purchased during the period and are held in treasury. Distributable reserves have been reduced by £81,225, being the consideration paid for these shares.

8. SHARE BASED PAYMENTS

The measurement requirements of IFRS2 have been implemented in respect of the share options that were granted after 7 November 2002. The expense recognised for share based payments made during the period is £47,000 (31 Dec 2013: £27,000, 30 June 2014: £69,000).

In addition to the options issued up to 30 June 2014, as outlined in the statutory financial statements, The Board of Directors also granted 1,525,000 options to employees of the Group exercisable on or after 28 November 2016 until 27 November 2019. Vesting conditions of the options dictate that the employee must remain part of the Group up to the date they choose to exercise their options to qualify.

9. RELATED PARTY NOTE

Transactions between the company and its subsidiaries, who are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management remuneration:

Key management include Directors and the Company Secretary.

The remuneration paid for key management for employee services are as follows:

	to 31 Dec 2014 Unaudited £'000s	to 31 Dec 2013 Unaudited £'000s	to 30 June 2014 Audited £'000s
Remuneration and other short term benefits	384	310	966
Share based payments	-	(5)	15
Pension cost	28	20	42
	412	325	1,023

Directors & Non-Executive Directors

Aggregate emoluments	384	298	877
Company contributions to money purchase pension scheme	28	8	42
Share based payment	-	(5)	5
	412	301	924

dotdigital Group Plc

Notes to Interim Financial Statements
For the six months ended 31 December 2014

9. RELATED PARTY NOTE (cont....)

	6 months to 31 Dec 2014 Unaudited £'000s	6 months to 31 Dec 2013 Unaudited £'000s	12 months to 30 June 2014 Audited £'000s
--	---	---	--

The following transactions were carried out with related parties

Sale of services

Entities controlled by non - executive director of the Group:

Cadence Performance Ltd - Email marketing services	2	1	2
	<u>2</u>	<u>1</u>	<u>2</u>

Purchase of services

Entities controlled by non-executive directors of the Group

Barretts of Old Limited	3	16	41
	<u>3</u>	<u>16</u>	<u>41</u>

At the 16 December 2014, it was approved that the company setup a Long Term Incentive program for Simone Barratt based on performance conditions of the group for the next three years. The performance conditions and targets for the share award are below:

	<u>FY 14/15</u>	<u>FY15/16</u>	<u>FY16/17</u>
Revenue	21.4	27.8	*
EBITDA	6.3	9.8	*
Share Price	35p	42p	*

* Year 3 numbers to be ratified in March 2015 once year 3 plans and guidance have been approved by the Board and communicated.

Each Performance element will be awarded a 1/3 weighting of the overall annual value of £330k (Hitting 100% of target) worth of shares based on the average mid-market price measured over 5 days starting 30 working days after the results announcement.

At the end of each financial year the remuneration committee will assess the actual performance against the criteria.

dotdigital Group Plc

**Notes to Interim Financial Statements
For the six months ended 31 December 2014**

9. RELATED PARTY NOTE (cont....)

For each criteria the value of shares that is awarded will be assessed against the performance percentage based in the below table for all 3 years:

Of performance target	Revenue	EBITDA	Share price	TOTAL
90%	90,000	90,000	90,000	270,000
100%	110,000	110,000	110,000	330,000
110%	121,000	121,000	121,000	363,000
120%	132,000	132,000	132,000	396,000

** The share price will be calculated by the average mid-market price 30 days preceding and 30 days after the annual results announcement.*

The volume of shares will be banked each year based on the above criteria but will be allocated to the Executive Director at a nil cost over a 3 year period following the end of FY16/17.

10. SUBSEQUENT EVENTS TO 31 DECEMBER 2014

As at the date of these statements and the date they were approved by the Board of Directors there were no such events to report.

Copies of this interim statement are available from the Company at its registered office at, No. 1 London Bridge, London Bridge, London SE1 9BG. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.