dotdigital GROUP PLC

Annual Results

2014/2015

Simone Barratt & Milan Patel

13 October 2015

Board of Directors

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

Simone Barratt
Chief Executive Officer

Milan Patel, FCCA, ACSI
Chief Finance Officer
& Company Secretary

Simon Bird
Co-Founder

Ian 'Tink' Taylor
Co-Founder

Frank Beechinor-Collins
Non-Executive Chairman

Peter Simmonds, FCCA
Non-Executive Director

Richard Kellett-Clarke, FCA
Non-Executive Director

Company background

dotdigital group 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

190 people

- Sales & Marketing 71 people
- IT & Development 61 people
- Client Services 30 people
- Other 28 people

UK offices 159 people

- London Bridge HQ
- East Croydon
- Manchester Regional Sales office
- Edinburgh Regional Sales office

International offices 31 people

- New York, US 14 people
- Melbourne, Australia 2 people
- Minsk, Belarus. Offshore Dev 15 people

Significant Shareholders

Directors 28%

Free float 72%

Significant Institutional stakeholders

- Liontrust Investment Holdings 9.35%
- JO Hambro Capital Management 5.03%
- Slater Investment Ltd 4.93%
- Investec Asset Management Ltd 4.35%
- Franklin Templeton 3.19%

Financials

7 year growth trends

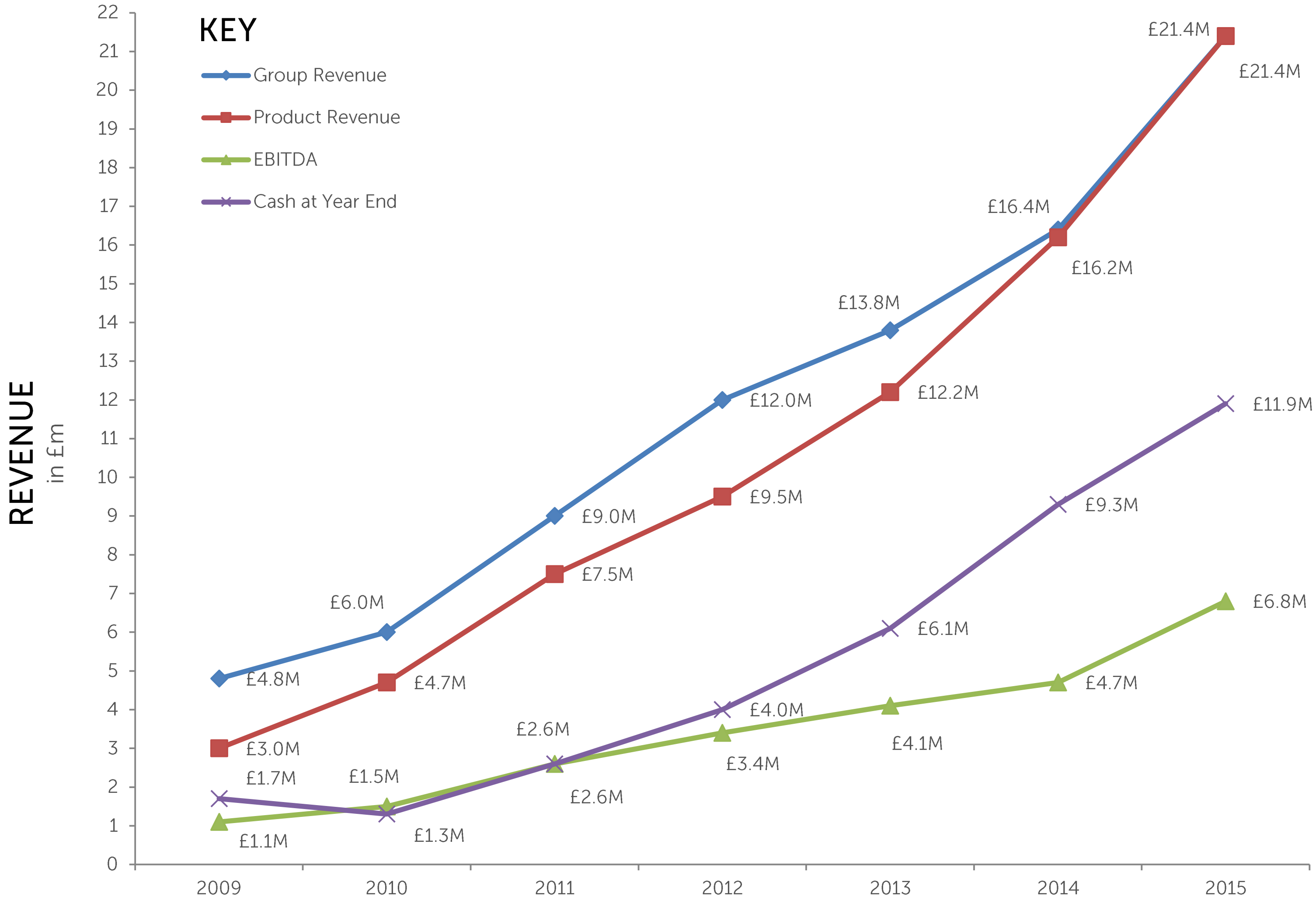
Strong growth in revenue, EBITDA and cash over the past six years

346%
Revenue growth

518%
EBITDA growth

30%
EBITDA CAGR

24%
Revenue CAGR



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Key trading highlights

12 months to 30/06/2015

Top line revenue growth

32% increase in top line. From £21.4m to £16.2m.

Solid financial performance

EBITDA £6.8m – Higher than market expectations.

Strong cash position

£11.9m at 30 June 2015 after capital expenditure and product development of £2.3m.

New clients signed under contract

94% of the new signed up clients in the year are under contract between 12 – 24 months

Investment in platform

New multi-channel automation features released.

Dividend proposed of 0.36 pence per share

Dividend will be paid at the end of January 2016 subject to AGM approval.

Average monthly recurring revenues increase

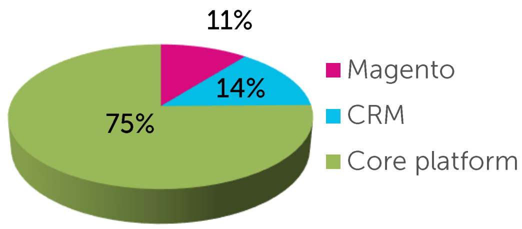
41% increase from £315 to £445.

Trading performance

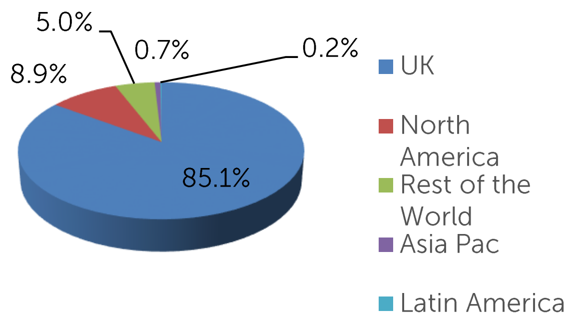
Continuing operations

	June 15 £'M	June 14 £'M	Growth %
Revenue	21.4	16.2	32%
Cost of Sales	(2.3)	(1.5)	53%
Gross Profit	19.1	14.7	30%
Administrative Expenses	(13.9)	(11.1)	25%
Operating profit	5.2	3.6	44%
EBITDA	**6.8**	**4.7**	**45%**

Breakdown revenue



Global revenue breakdown



Cost of sales line includes Direct Marketing which has increased to £1.5 compared to £1.0m in FY2014

Key investment areas:

- People
- Office
- Travel

Statement of financials

Position (Balance sheet)

Healthy balance sheet

No debt

Strong distributable reserves

	Jun '15 £'M	Jun'14 £'M
Assets	5.2	4.4
Other Current Assets	5.3	3.7
Cash	11.9	9.3
Total Assets	**22.4**	**17.4**
Non Current Liabilities	0.4	0.1
Current Liabilities	3.6	3.2
Total Liabilities	4.0	3.3
Net Assets	**18.4**	**14.1**

Breakdown of CAPEX spend:

Product Dev: £1.6m

Leasehold: £0.1m

Hardware: £0.5m

Other: £0.1m

Cashflow

Strong cashflows generated from operations.

Total Free cash flows of £2.7m.

Higher dividend paid in the year.

Healthy cash balance at the end of the year.

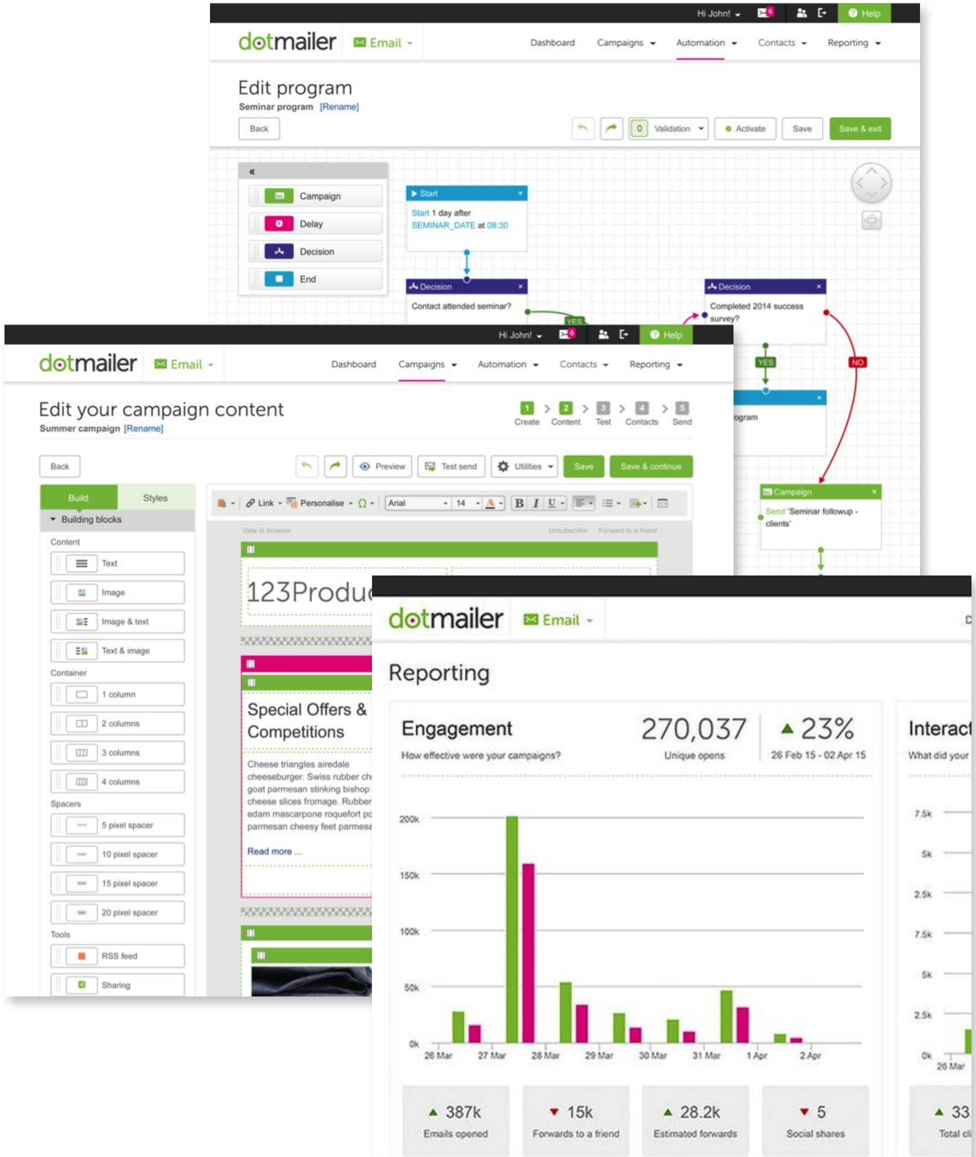
Over 45% of the monthly recurring value collected on Direct Debits.

	Jun '15 £'M	Jun '14 £'M
Net cash generated from operations	5.4	5.2
Net cash used in investing activities	2.3	2.0
Net cash used from financing activities	0.5	0
Cash and cash equivalents at beginning of period	9.3	6.1
Cash and cash equivalents at end of period	11.9	9.3

dotmailer overview

Summary

dotmailer is a fast, powerful and easy to use, email and multi-channel marketing automation platform. It allows marketers to manage all stages of their campaign activity from sophisticated data selections to deployment and measurement of their client interactions..



Key features

- Easy and fast to use. Yet powerful and sophisticated.
- Quick onboarding process. Marketers are up and running in minutes.
- Integrates quickly with best-of-breed business systems.
- Solutions and services for corporates and SMEs.
- Constantly being added to and updated. Quarterly releases..
- Start small and scale quickly. All levels of automation catered for.

"A client once described dotmailer as NASA technology with a Fisher Price interface. We liked that. It stuck. It's now a mantra for our product development."

Tink Taylor, Co founder, 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 & messaging

Tablets & dekstops

Cloud applications

Sales teams

Online channels

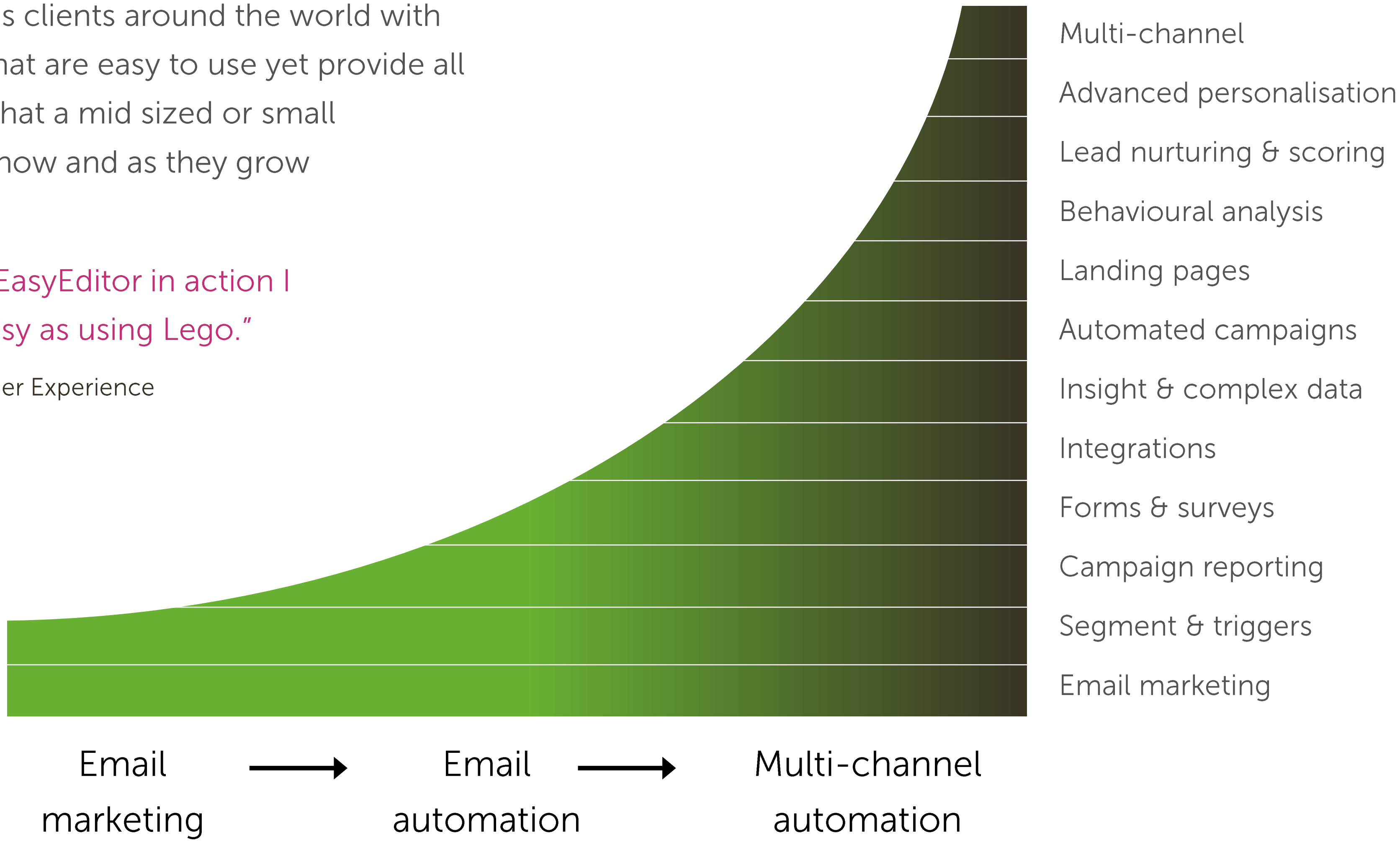
Data warehouses

Customers join us. Then grow with us

dotmailer provides clients around the world with marketing tools that are easy to use yet provide all the functionality that a mid sized or small enterprise needs now and as they grow

"When I saw the EasyEditor in action I realised it is as easy as using Lego."

Chris Hipson, Customer Experience
Econsultancy



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Customers' growth is our competitive differentiation

Email marketing platforms

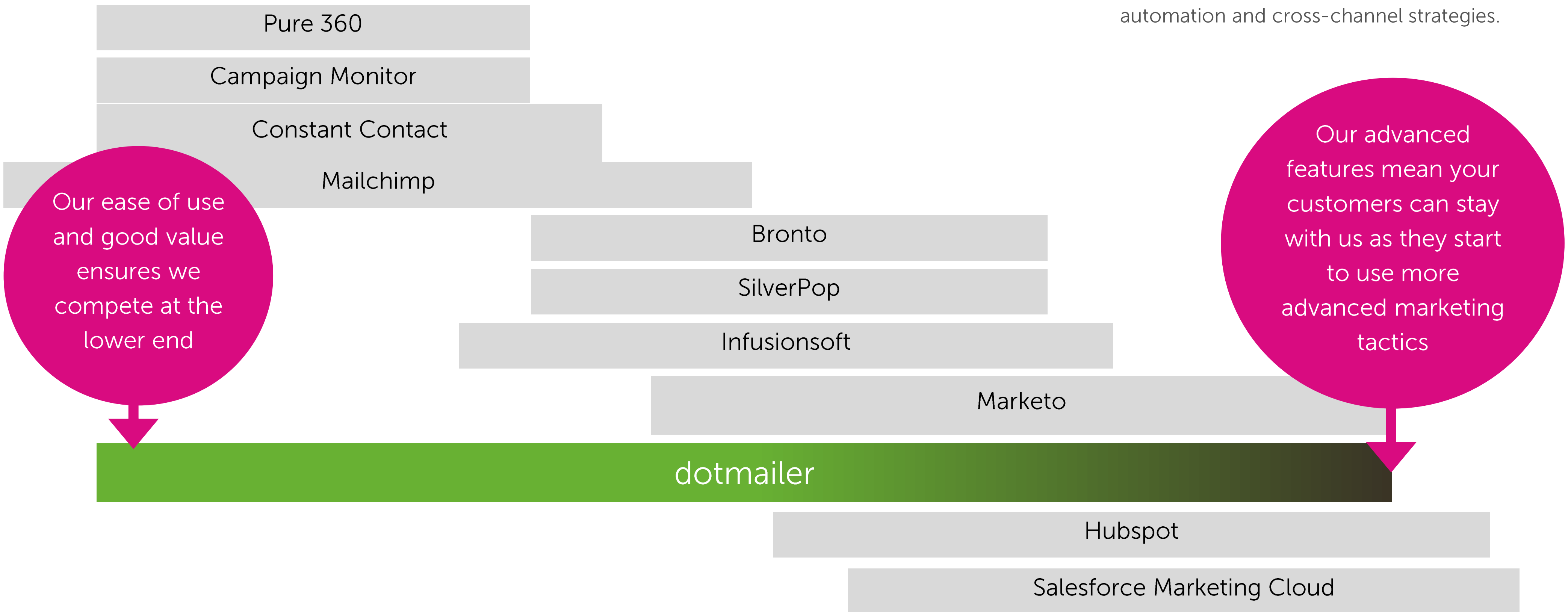
Simple to use low technology solutions. Typically used by smaller, aspiring marketing teams.

Email automation platforms

Advanced technical solutions. Typically used by marketing teams with a passion for data and looking to start on the road to automaton. .

Multi-channel marketing automation platforms

State-of-the-art solutions with deep integrations. Typically used by larger marketing teams looking for advanced personalization, automation and cross-channel strategies.



Going from strength to strength

Key areas of focus for growth

Geographic expansion

Enhance our presence in the US and move into the Asia Pacific region

Product innovation

Move pricing and brand perception to reflect our strengths in our multi-channel automation technologies

Strategic Partnerships & Channel

Further enhance our Channel Strategy. Continue to nurture Strategic Partnerships e.g. Magento

Identify new niches

Package existing technologies for new niche markets/ sectors

In October 2013 we outlined a growth strategy that focusses on four key areas. The goal is to deliver shareholder value by profitable growth. Our approach has been, and continues to be, to test, learn and invest further. There has been some interesting and profitable convergence across these areas.


Geographic
expansion

Growth in the US

Growth Strategy

- Focussed on selling the Magento connector via Magento System Integrator channel
- Now 9% of our total revenue – 114% YoY growth.
- Magento have 24% of eCommerce market in North America and #1 Commerce Platform to the Internet Retailer Top 1000 for 3rd year in a row.
- dotmailer is one of only 4 Gold Standard email partners
- Service and support provided by hub in New York

USA office	START UP	2013/2014	2014/2015
Employees	2	10	14
New clients signed	22	111	80
Average value:			
Set up/one off	$2k	$3k	$7k
Monthly recurring	$272	$719	$1,771

The Year Ahead

- Lessons learned: Client profile, Service and Support
- New hires in Mid and West Coast
- Global Channel Director - hiring

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US client list

Growth in Australia & Asia Pacific

Established Office and Employ Core Staff.

Ex Head of UK Sales established + Technical Pre sales

Focus on Magento as key target.

Magento has 47% of market share in Australia and NZ and 24% in Asia.

Identified and contracted with 6 Key Partners:

- Salmat/Netstarter – 2nd largest Magento SI globally and 1st in Australia
- Engage Digital – over 1,000 customers in region
- Balance Internet – 2nd largest Magento SI in Australia
- Infinity Technologies – Gold Magento SI. 400 clients across AsiaPac
- Clemenger BBDO – EGPlus division.
- Redbox – one of the largest Magento SI's in New Zealand

Clients

- Clients include BBQ Galore, City Beach, City Chic, Converse, AHL

The Year Ahead

- Maximise strong pipeline
- Capitalise on very positive reception in region
- Continue to build out team to meet demand.

Scaling the platform for robustness

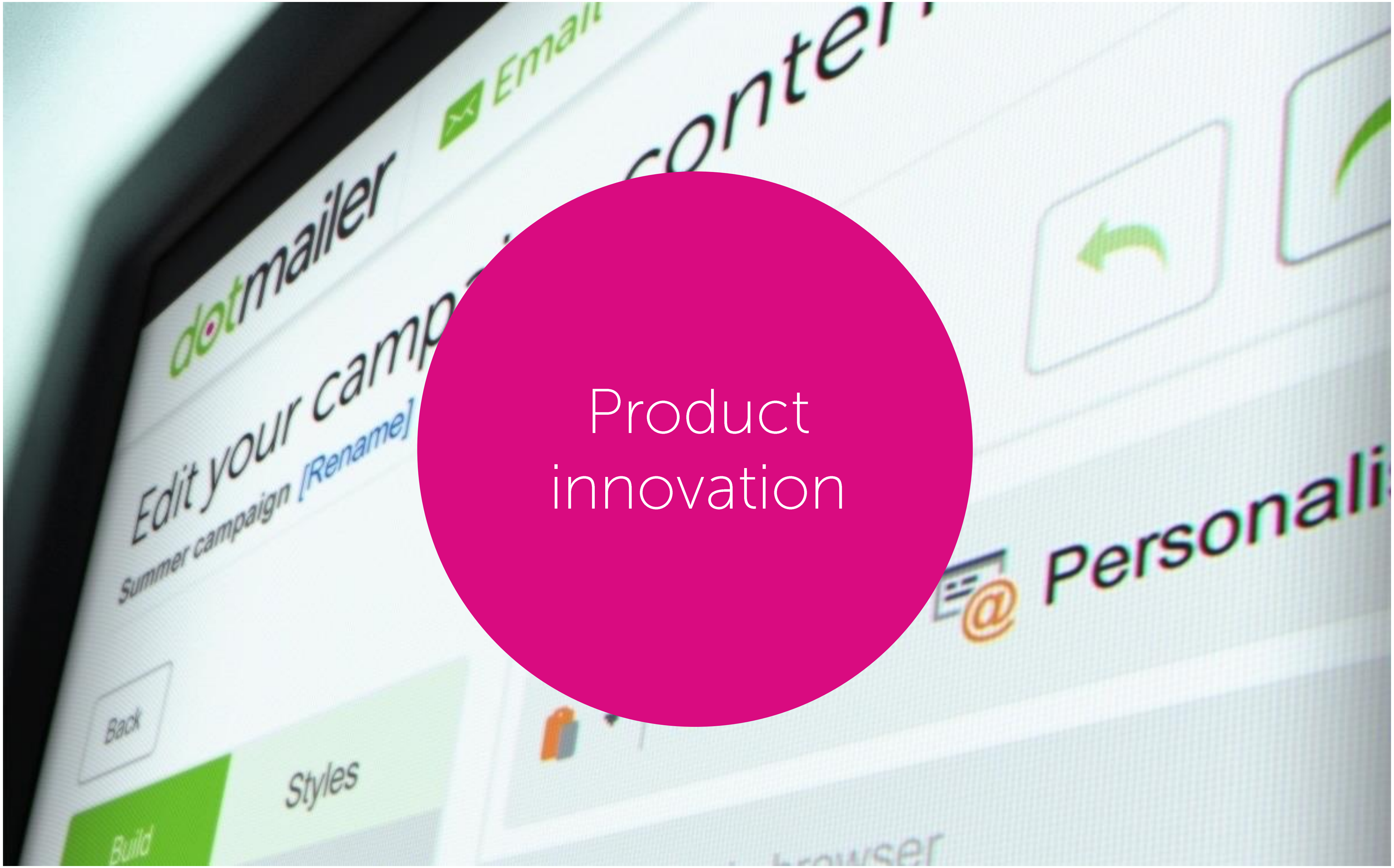
Move physical data centre in the UK to a multi data centre environment using Hybrid Cloud Design. Cloud for storage. Local hardware for delivery.

Rationale:

- Scalability & reduced business risk
- Redundancy & resilience
- Global data centre coverage
- Continued control of IP reputation management
- Repeatable blueprint for regions
- Adaptable for localised data protection regulations
- Resource overhead for physical estate reduced

Planned location of dotmailer cloud data centres

1. Blueprint hybrid cloud design – Done. Feb 2015
2. Performance Testing – Done. May 2015
3. Engineering the dotmailer platform to be region aware – Done. Sept 2015
4. Roll-out of US region (Dec 2015)
5. Migration of UK to EU Region (Dec 2016)
6. Roll-out of Australia region (Dec 2017)



Product innovation

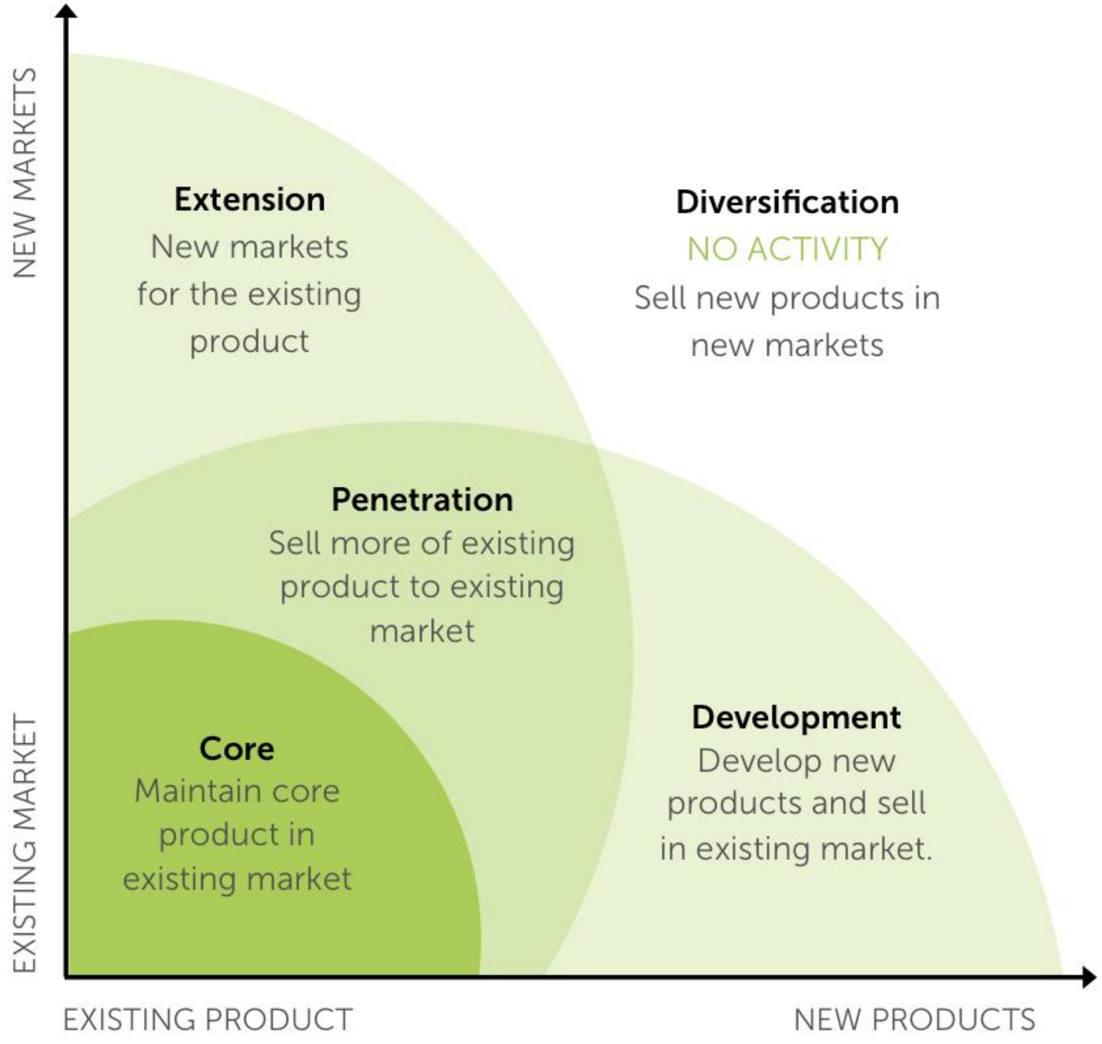
Profitable Evolution vs Diversification

The Group is focussed on monetising its innovative technology and the dotmailer multi-channel automation platform has increased in sophistication exponentially over the last 18 months.

A pilot programme has proven the hypothesis that customers are prepared to pay for enhanced functionality.

A key focus is now to increase technology adoption across the customer base to increase LTV.

In 2014/2015 dotdigital saw an increase in recurring revenues from technology by 207% - especially from our automation technologies.



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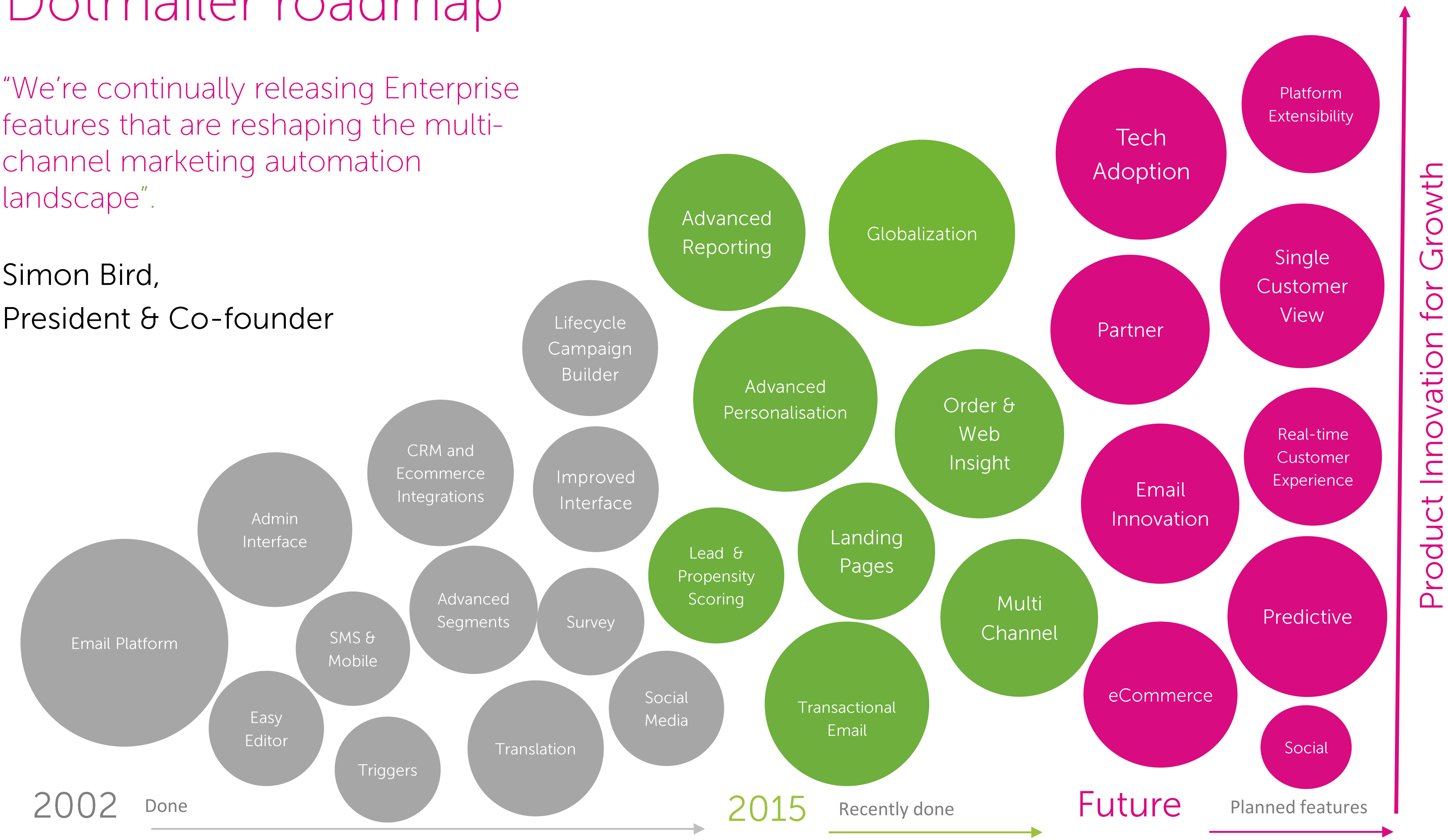
Dotmailer roadmap

"We're continually releasing Enterprise features that are reshaping the multi-channel marketing automation landscape".

Simon Bird,
President & Co-founder



Strategic Partnerships & Channel

Magento

TECHNOLOGY PARTNER

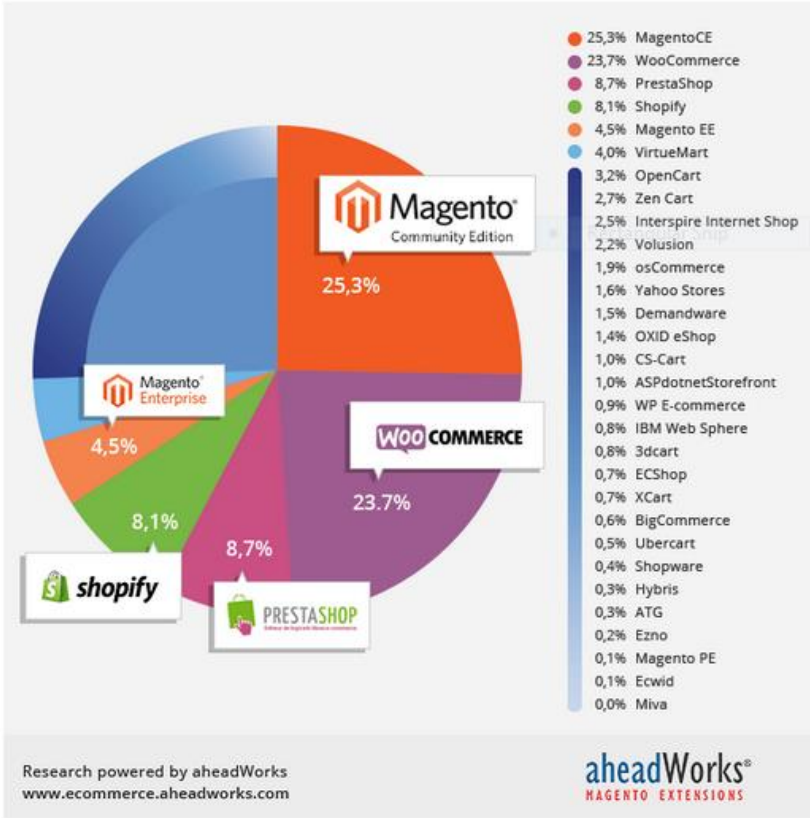
dotmailer's connector to the Magento eCommerce platform continues to be an important focus for the Group. Magento continues to dominate the eCommerce space with 26% penetration in North America, 31% in Europe, 24% in Asia and 47% in Australia and NZ.

We are seeing YoY growth of 261% revenues, and our monthly recurring revenues from our Magento clients has increased 48% YoY from £700/month to £1,070/month.

Magento has over 3,200 Enterprise users and over 240,000 Community users. With a partner eco-system of over 250 System Integrators and 100+ Technology Partners around the world.

The Year Ahead

- Magento - new ownership
- Magento 2 is due for launch Nov/December.
- dotmailer is capitalising on Netsuite acquisition of Bronto



Conclusion

Magento is an incomparably stable platform and holds the lead for a very long time, which is not typical for its predecessors. So, its life cycle will presumably continue for another 10 or 15 years, depending on the scenario it goes. But, we believe that Magento 2 has all chances to be enthusiastically adopted by customers and allow Magento to keep its leadership in ecommerce for many years.

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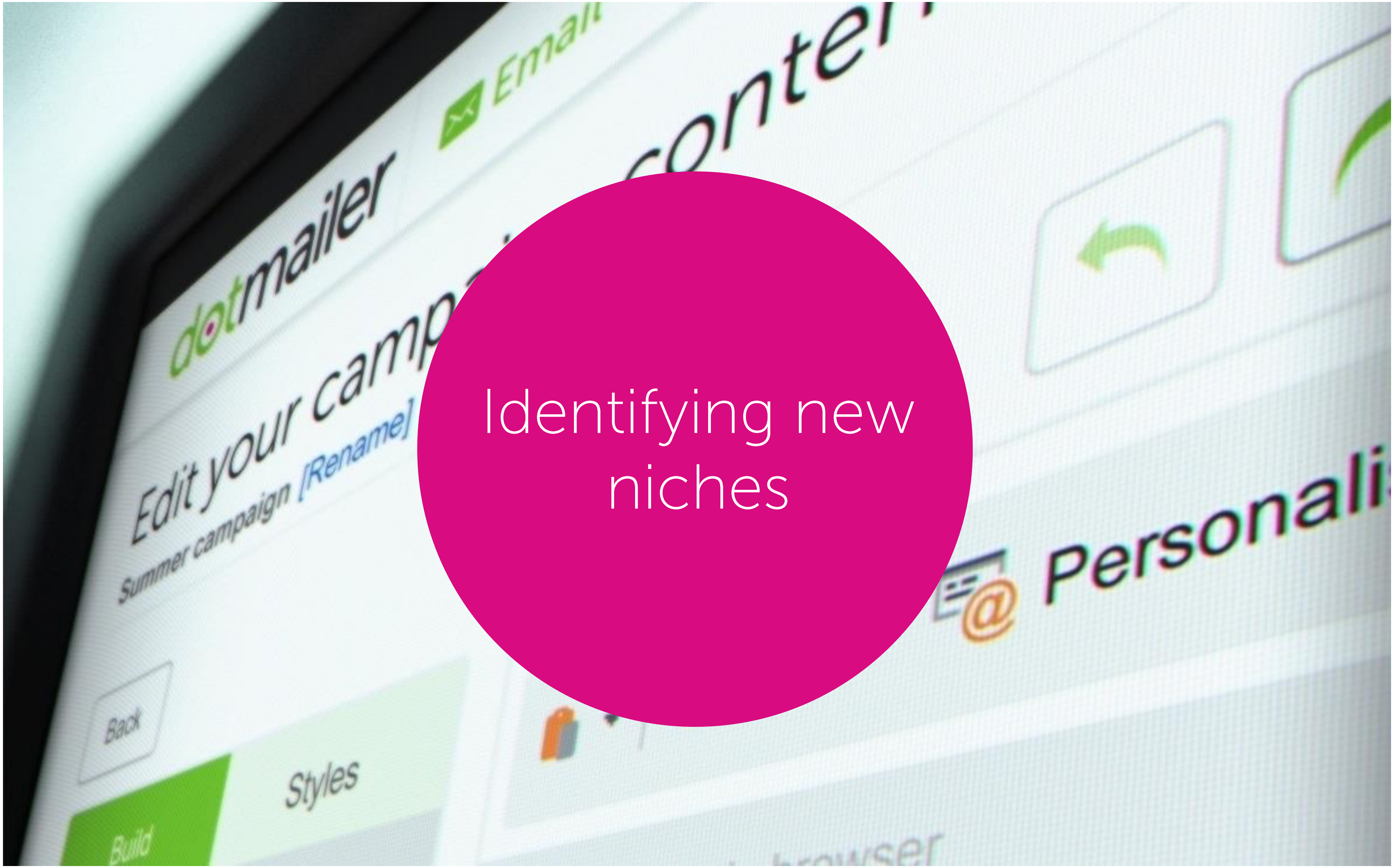
Integrations & Connections

We are committed to ensuring our integrations and CRM connectors continue to deliver world-class performance to our customers.

Our partner network already provides service in every corner of the world. We are committed to strengthening these relationships through expansion of our international reach and global channel program.

We are also looking to maximize the Magento partner eco-system.

And many more...



Identifying new niches

Identifying new niches

Localisation

2014/2015 pilot with partner in LATAM has delivered some valuable insights in terms of levers for success. The pilot has proven the case for a localised interface.

The dotmailer platform is, we believe, unique in its ability to translate quickly and easily and to handle multi-currency billing. Our current Platform Scaling project has been designed to support further growth through partners into new 'local' regions.

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People

Strengthened Leadership Team

People

Sharon Head
Chief Operating Officer

David Aldrich
HR Director

Steve Shaw
Chief Technology Officer

Rohan Lock
EVP Asia Pacific

James Koons,
Chief Privacy Officer

Dave Littlechild
EVP North America

Anup Khera
Global SVP Sales

Skip Fidura,
Consultancy

Phil Draper
Marketing Director

TBC
Head of Global Channel

Outlook

Outlook

Key strategy focused on continued strong organic growth, through:

- Continued investment in international markets through strategic channel and integration partnerships.
- Continued investment in research and development to maintain dotmailer's cutting edge multi-channel automation technology features.
- Winning and retaining corporate and mid-size clients with high life time values.

Strong Growth Rationale

- Large & growing market.
- Widespread industry acceptance of email's ROI.
- High levels of brand awareness.
- Very strong product.
- Experienced management team.
- Good operational leverage.
- High margins.
- High and growing levels of contracted recurring revenue.

Q1 Progress

- Revenues inline with the plan.
- Larger monthly spend commit.
- Signing up new international partners.
- Continued strong uptake of Magento connector.
- Growing confidence in the market.
- Digital marketing budgets continuing to rise.
- International revenues set to continue build.

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Appendix

Global client list

> When I saw the EasyEditor in action I realised it is as easy as using Lego.
>
> **Chris Hipson**
> Customer Experience Econsultancy

dotmailer is the trusted email marketing partner of huge success stories around the world.

Major clients

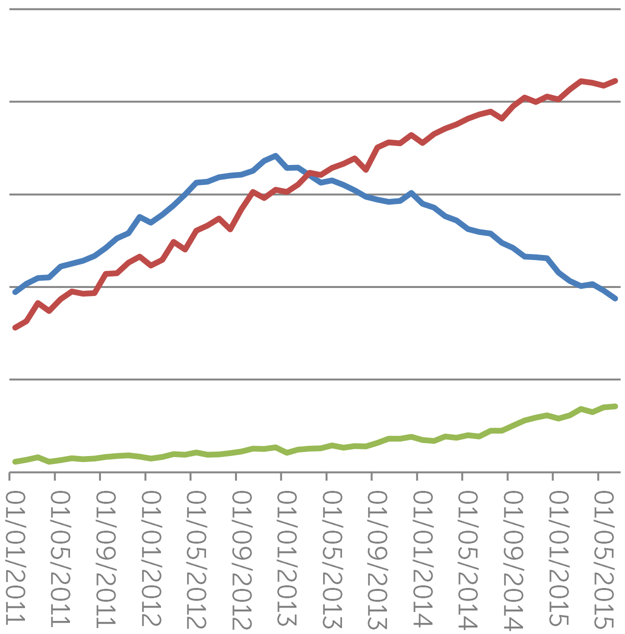
New clients

New Magento clients

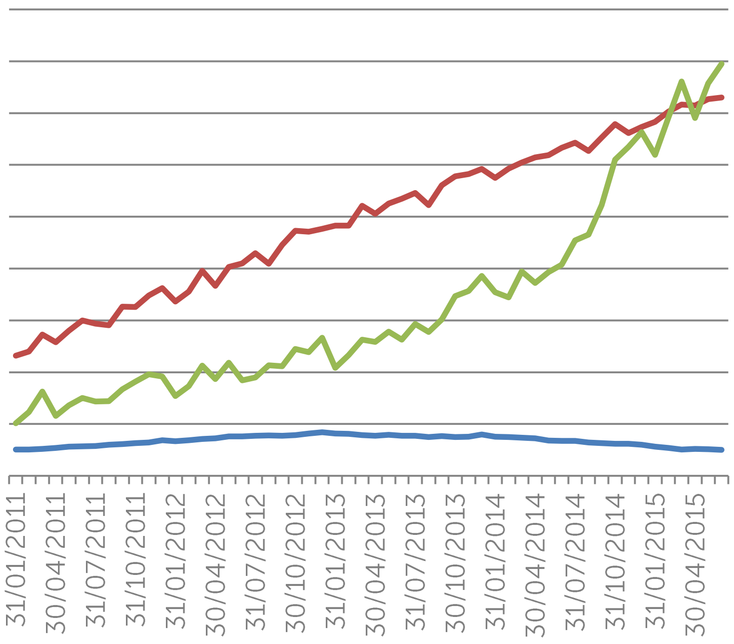
Core focus is the mid-market sector

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.

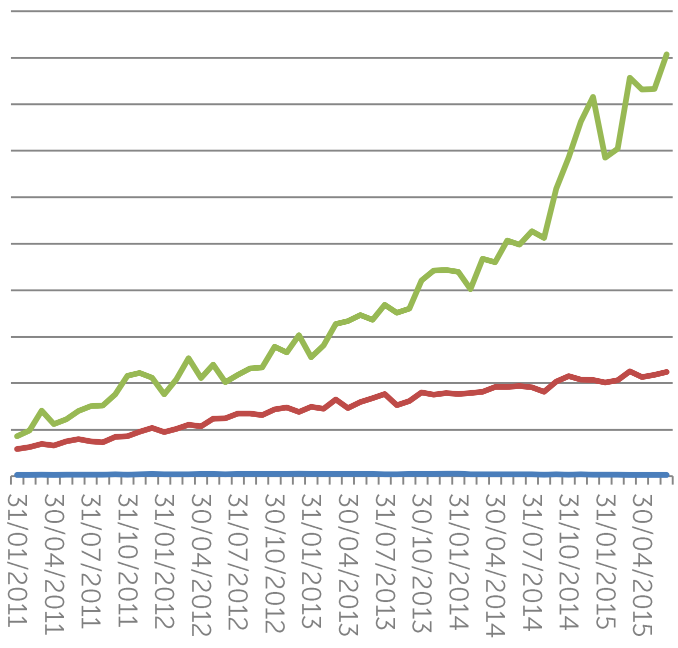
Customers by Band



Monthly Send Value per Band



Volume per Band



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

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