dotDigitalGroup plc

Annual Results Presentation

15 October 2013

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Company Background

dotDigitalGroup was established in 1999. Originally providing a wide range of digital marketing services, it is now totally focused on its email marketing platform which is one of the top UK email marketing providers.

People & Places

138 staff

- Sales & Marketing **57 people**
- IT & Development **35 people**
- Client Services **24 people**
- Other **22 people**

UK offices

- Croydon **Headquarters**
- London Bridge **Sales & Demonstrations**
- Manchester **Regional Sales office**
- Edinburgh **Regional Sales office**

International offices

- New York, USA Sales office
- Minsk, Belarus Offshore Development

Significant Shareholders

Management

- Ian (Tink) Taylor **18.0%**
- Simon Bird **15.2%**
- Peter Simmonds **5.8%**

Institutions

- Investec Asset Management Ltd **9.6%**
- Helium Special Situations Ltd **9.2%**
- Legal & General **7.0%**
- Liontrust Investment Holdings **5.1%**
- Herald Investment Trust Plc **4.2%**

* Free float : **60%**

Director Profiles

Stable and experienced executive management team complimented by a non-executive board with significant AIM Public Company experience and industry knowledge.

Peter Simmonds FCCA, aged 55
CEO & CFO

"Tink" Ian Taylor, aged 40
Chief Operating Officer

Simon Bird, aged 37
Chief Technical Officer

"Skip" Gorden Fidura, 44
Client Services Director

Milan Patel ACCA ACSI, aged 29
Company Secretary & Financial Controller

Frank Beechinor, aged 49
Non-Executive Chairman

Richard Kellett-Clarke FCA, aged 58
Non-Executive Director

Simone Barratt, aged 53
Non-Executive Director

6 Year Growth Trends

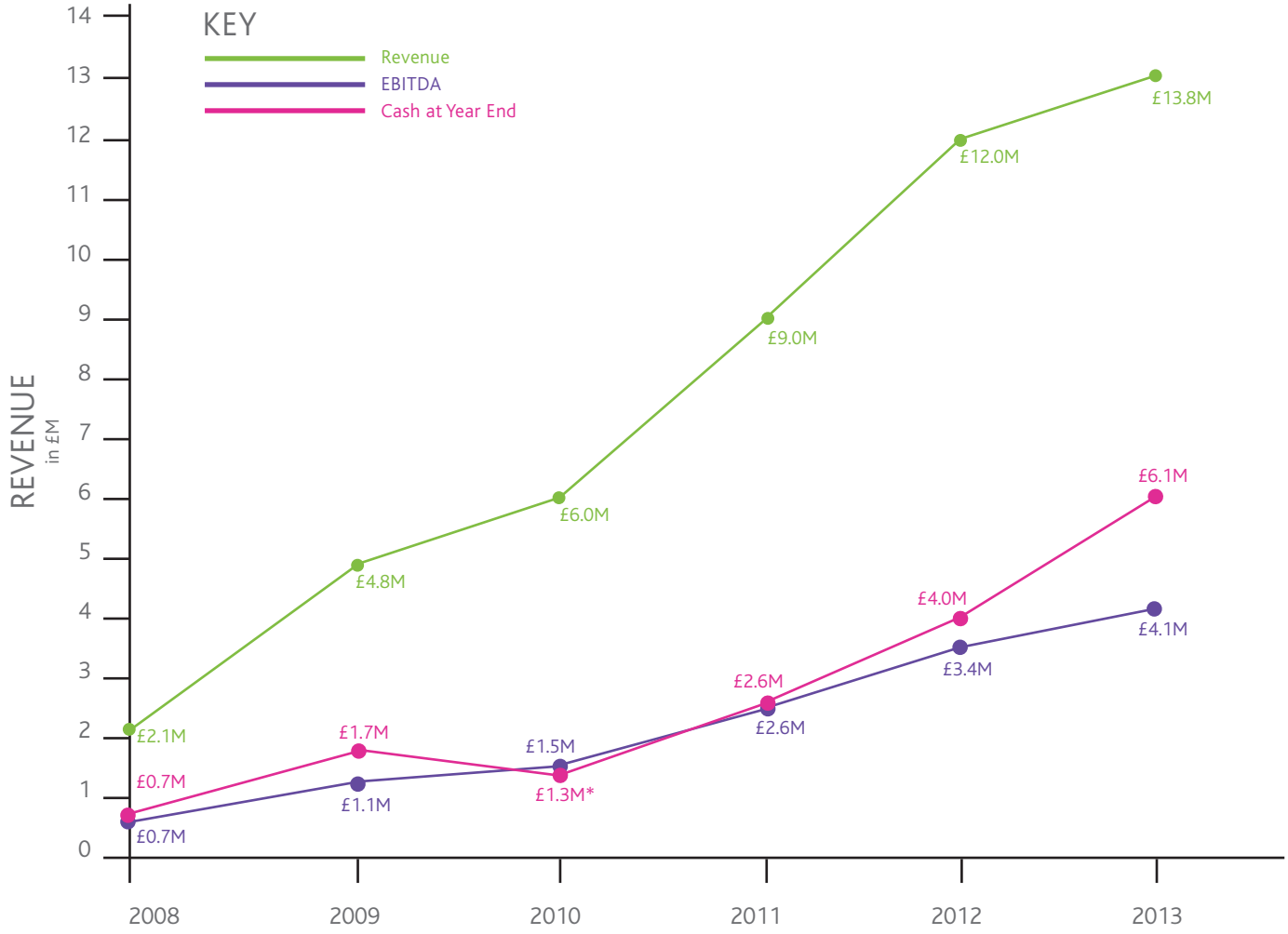
Strong growth in revenue, EBITDA and cash over the past six years

627% Revenue Growth

41% Revenue CAGR

41% EBITDA CAGR

557% EBITDA Growth



* Acquisition of SEO Business

Divisional Profit & Loss

	Products 30.6.13 £m	Products 30.6.12 £m	Growth %	Services 30.6.13 £m	Services 30.6.12 £m	Growth %	Central 30.6.13 £m	Central 30.6.12 £m	Growth %	Consolidated 30.6.13 £m	Consolidated 30.6.12 £m	Growth %
Sales	12.2	9.5	28%	1.6	2.4	(33)				13.8	11.9	16
Cost of Sales	0.9	0.5		1.0	0.8					1.9	1.3	
Gross Profit	11.3	9.0		0.6	1.6					11.9	10.6	
Administrative Expenses	6.8	5.8		1.1	1.3		0.7	(0.7)		8.6	7.8	
Profit before tax	**4.5**	**3.2**	**41%**	**-0.5**	**0.3**	**(275)**	**(0.7)**	**(0.7)**	**-**	**3.3**	**2.8**	**18**

41%
Increase in EBITDA from Core Business

"Strong growth in revenues and EBITDA from core Software as a Service product business."

"2013 saw the group exit from Service based business following a strategic review."

Dividends

Maiden dividend of 0.1 pence per share payable Jan 2014 subject to approval at AGM

I am pleased to report that the board has conducted a review of the business plans for the next three years including evaluating the cash needs for increased investment in organic growth and has concluded that the business has reached the point where we have sufficient confidence in its on-going cash generation capabilities to commence paying a dividend to shareholders.

Therefore subject to approval at the AGM it proposed that the company pay a dividend of 0.1 pence per share, payable at the end of January 2014.

The Trading Year

Key Trading Highlights: 12 months 30/06/2013

- Strong growth and solid financial performance
- Full year EDITDA and pre-tax operating profits before non cash IFRS3 adjustments expected to be slightly ahead of market forecasts (£3.9m EBITDA according to analysts estimates)
- Continued strong cash generation - £6.1m at 30th June after capital expenditure and product development of £1.8m.
- Performance due to continued strong new business sales and growth in recurring monthly revenues from dotMailer

Growth Drivers of Future Strategy

Financial Summary

Strong, Consistent Revenue Growth

Recurring & Predictable Revenue

Operating Leverage

Strong Cash Position, no debt

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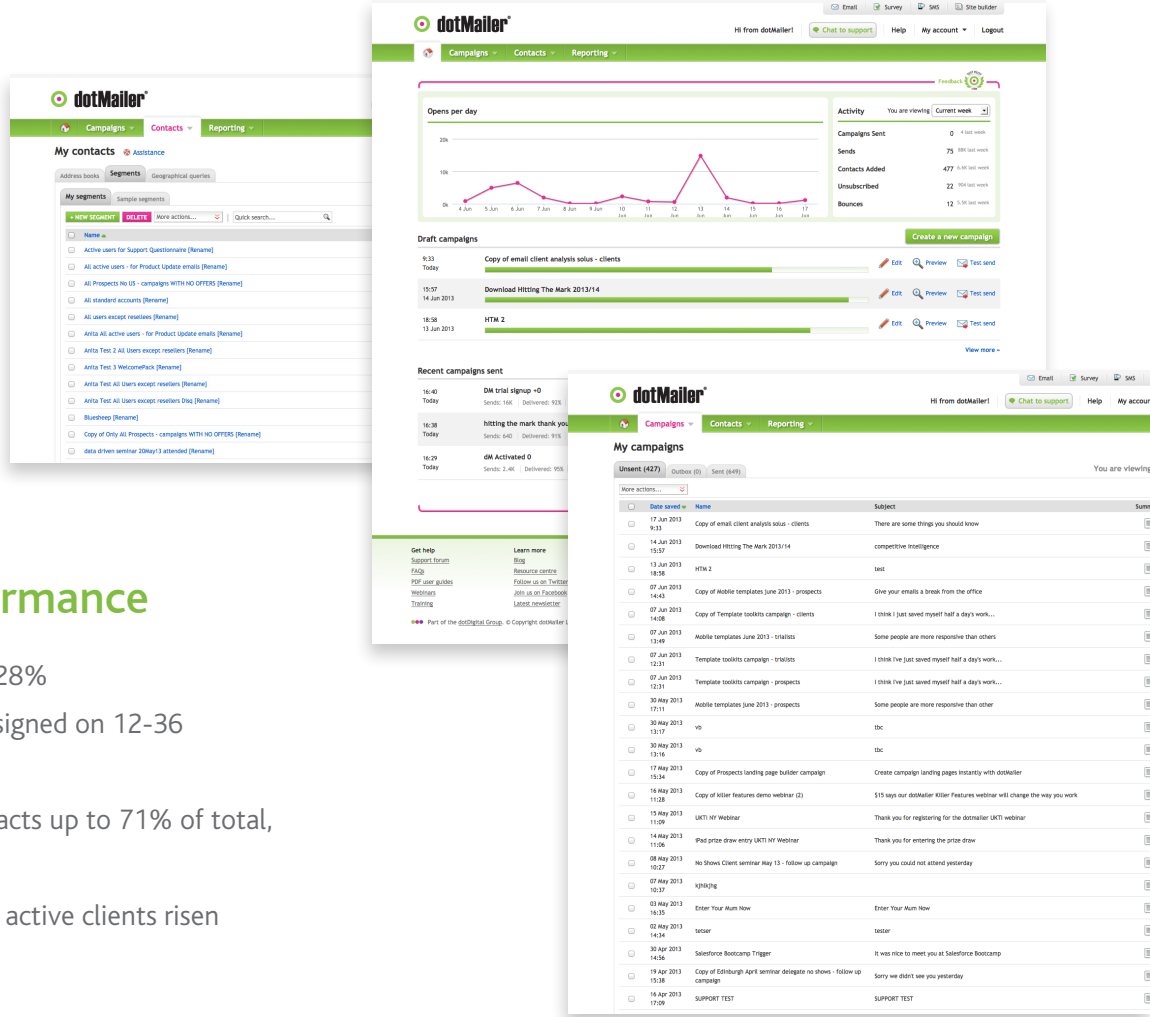
Our Core Business

A powerful, highly scalable SaaS based email marketing automation platform



Key USPs

- Ease of use & Speed of Use
- Non technical staff produce great results
- Connectivity to CRM and eCommerce platforms
- Self service and managed service
- Multi lingual user interface
- Quality of locally based staff

dotMailer's Performance

- Strong revenue growth of 28%
- 65% new client contracts signed on 12-36 month agreement
- Clients on long term contracts up to 71% of total, from 49%
- Average monthly spend by active clients risen by 19%

"dotmailer is a great system with a great team behind it" *

* Source: Investors in Customers Survey, Summer 2013

Why People Choose Us

Nothing speaks more clearly about our application than words directly from our customers.

"The account management is first class: very proactive, very helpful and always willing to impart their knowledge and expertise"

Mark Cousins,
Head of Marketing, & Communications, ATOS

"dotMailer's ability to integrate with Magento delivers exceptional insight into our customer base. We can now do really precise segmentation, and its proving hugely effective"

Christine Strutt,
Founder, Cabbages & Roses

"They are very proactive and supportive of our business - I've been very impressed"

Matt Dale,
I-Marketing Manager, Spicer Haart

"The drag & drop template editor is an amazing tool. It gives us total control over content, and its just unbelievably easy to use"

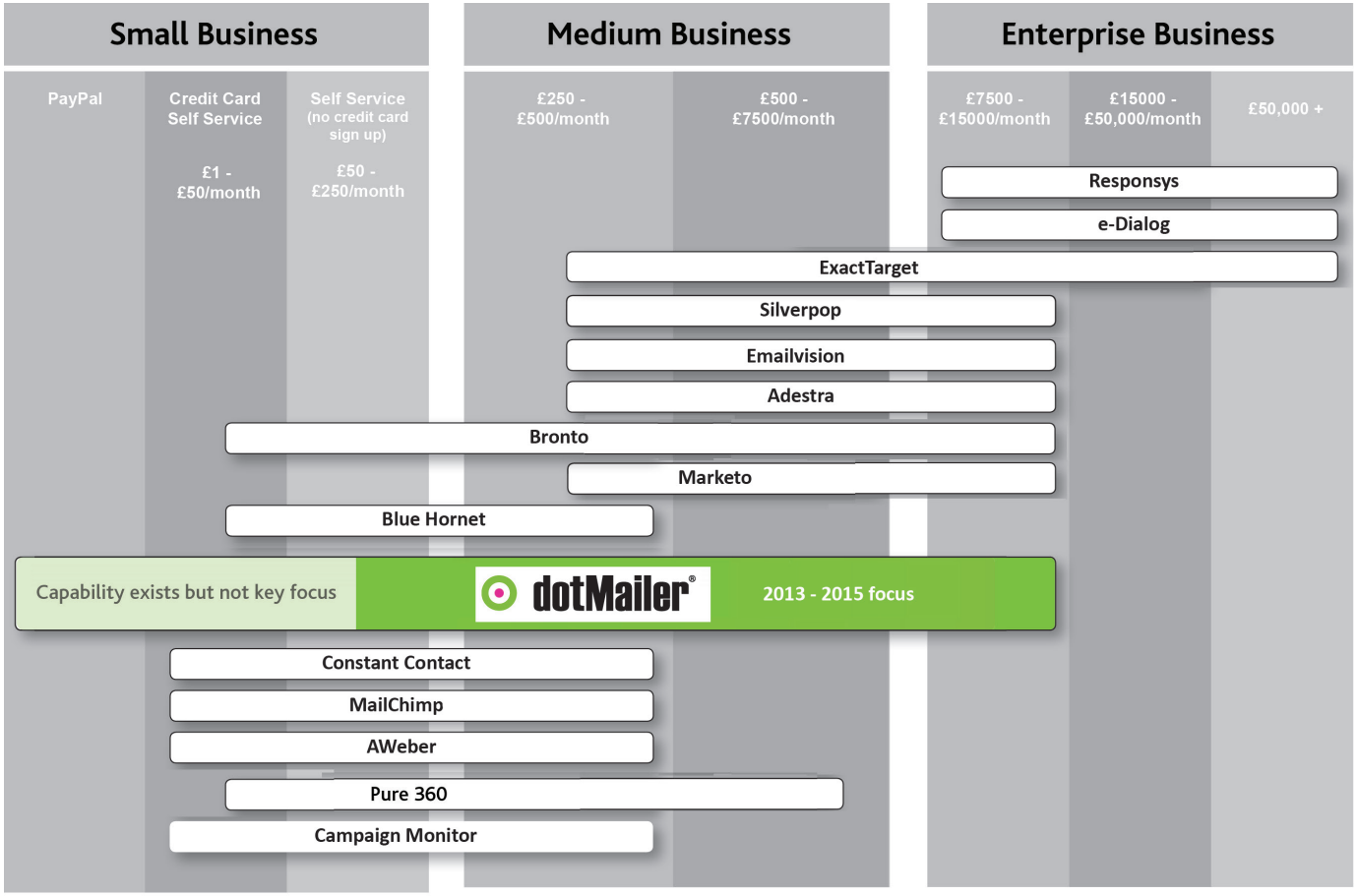
Sian Allmark,
Digital Marketing Manager, DoveSpa

"It's a hugely powerful platform that I have no hesitation in recommending For us, the future is dotmailer"

Liz Sands,
Marketing Controller, LVE

Competitive Landscape

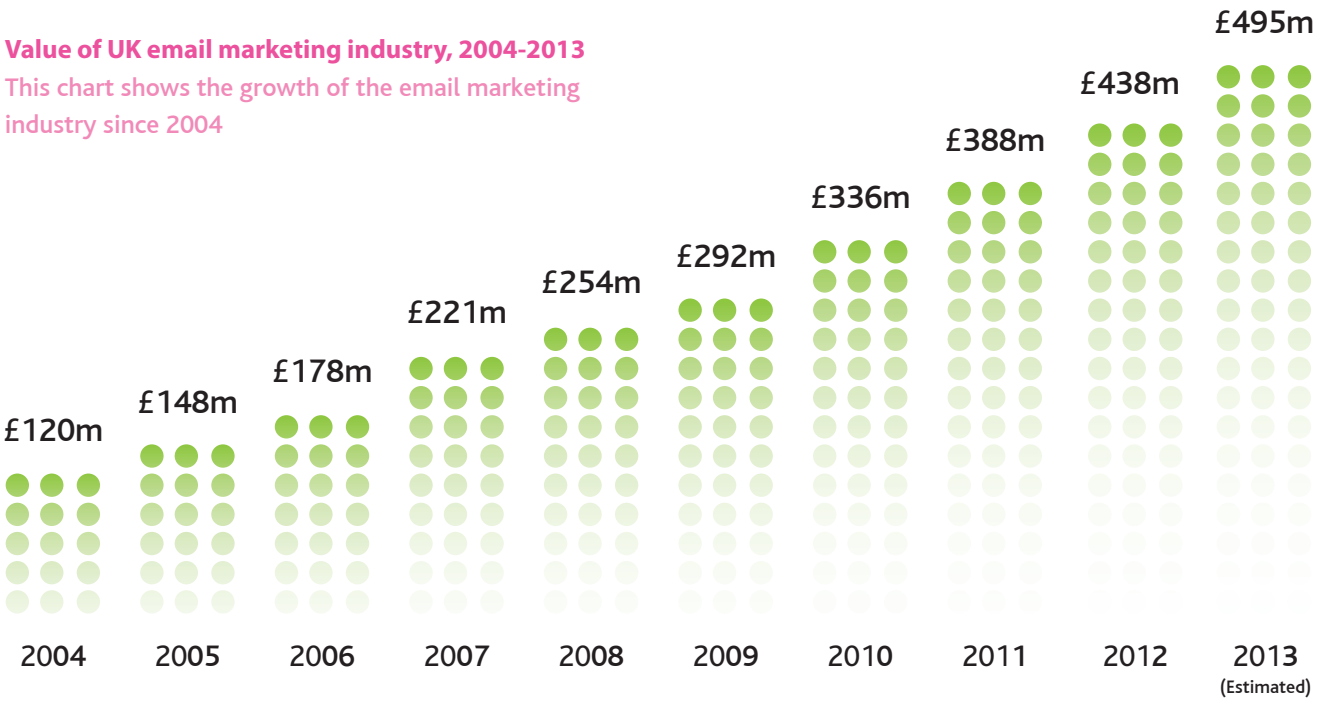
The 'ease of use' and advanced functionality of our application allows us to compete on equal terms with most companies in the ESP sector. Our Sales & Marketing effort revolves around unearthing opportunities in our 'sweet spot'



Market Stats

dotDigital's highly regarded and robust software platform which crosses e-mail, social, mobile and the Web, is capitalising on this growth adding to underlying value and prospects over the longer term

Value of UK email marketing industry, 2004-2013
This chart shows the growth of the email marketing industry since 2004



- UK market for email marketing c. £400/500m and rapidly growing
- Gartner estimates that by 2015, consumer technology companies will have switched one-third of their traditional marketing budgets to digital
- Marketing the fastest growing CRM category in 2012, growing at 21% - more than 4x the software industry forecast norm in 2012 and set to continue
- Marketing will be the largest growing CRM category through 2017

Source: Econsultancy

Platform Evolution

"We are continually releasing Enterprise features that are reshaping the Email Marketing landscape. We take features other platforms offer, then we re-imagine them the dotMailer way. Powerful, but easy to use, that get our clients great results."

Simon Bird, Founder & CTO

US Expansion

The US market for email marketing, mobile and social media marketing is forecast to grow from $4.8bn in 2011 to $15.76bn by 2016.

To maximise this opportunity, Tink Taylor, Co-Founder & Chief Operating Officer, is now based in our New York sales office.

Recent client wins in the US include

AIP
Verifone
Chromogenex

"Since we opened in April 2012, I've been extremely encouraged by the strong sales pipeline and initial partnership agreements"

Tink Taylor,
Co-Founder & Chief Operating Officer

Sample Client List

dotMailer is the trusted email marketing partner of huge success stories including DHL, ODEON, ITV Studios, REISS, Renault Trucks and Nationwide Building Society.

Recent client wins include

Adecco Group	Harveys Furniture
Addison Lee	Help for Heroes
Balfour Beatty	Investec
Bourne Leisure	Liverpool Victoria
BP International	Labour Party
Cartridge World	OId Mutual
City & Guilds	Osprey London
Delice de France	Michael Page Int'l
Econsultancy	Mungo & Maud
EDF Energy	Ryman
England Hockey Board	Santander
Fidelity	Surrey County Council

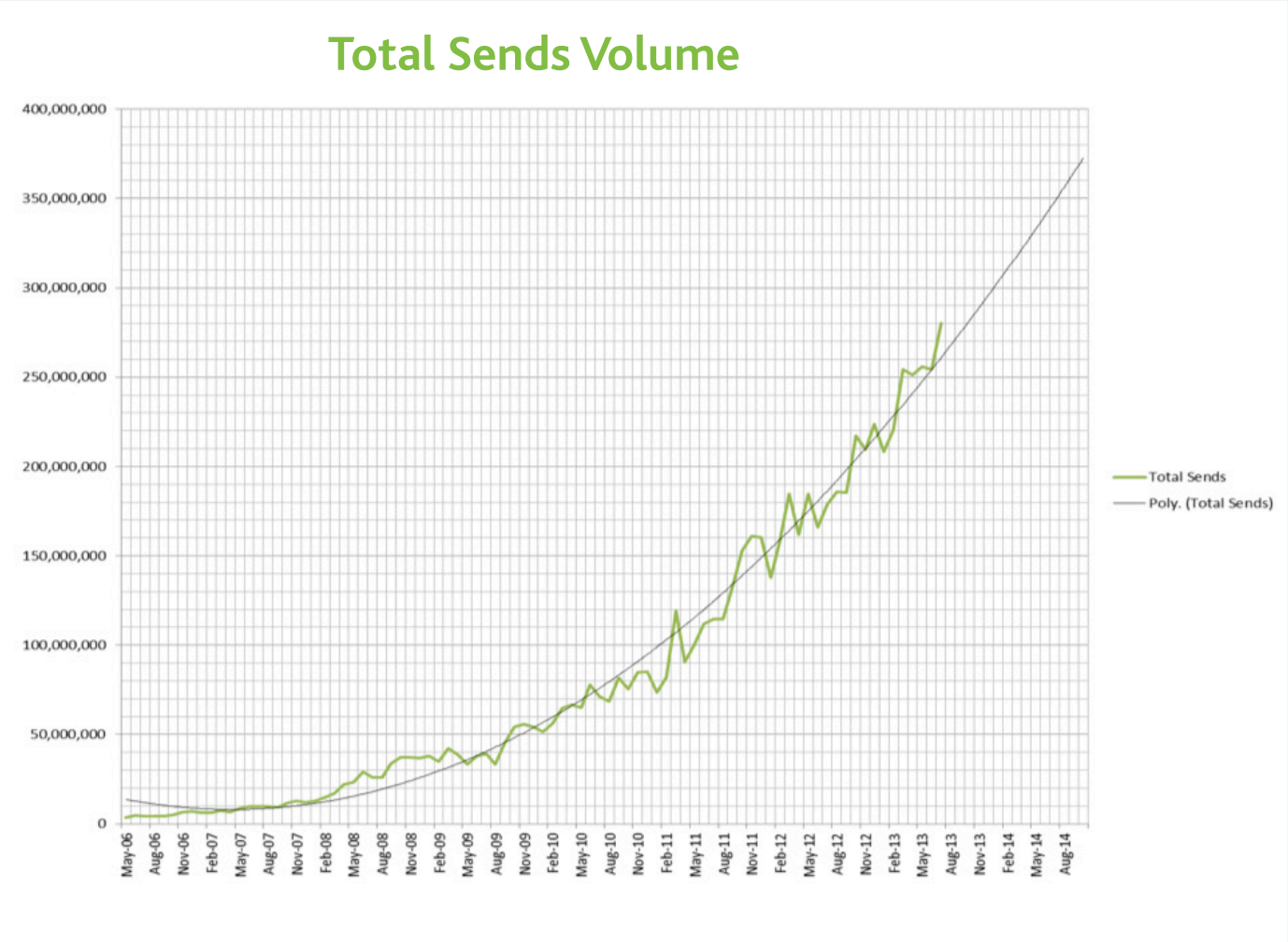
dotMailer Sends

The volume of emails sent by the dotmailer platform continues to grow. In this financial year we have sent a total of 2.7 billion emails, compared to 1.9 billion in the last financial year. This 42% increase is the latest figure in a long line of double digit year send growth.

"This year, our significant investment in additional hardware and systems engineers ensure we're well positioned to cope with future scalability, resilience and security requirements"

Simon Bird, Founder & CTO

2.7bn
Email sends for the full year



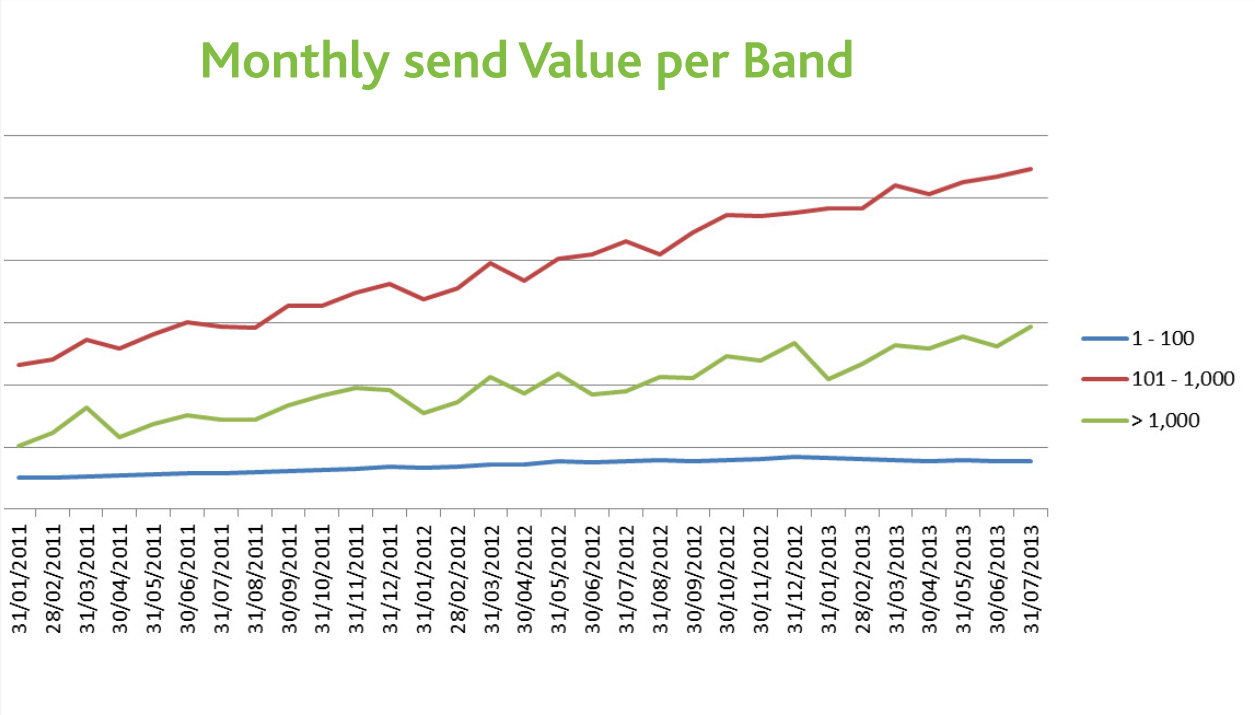
Market Focus

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. The core focus is the mid market sector.

"We are seeing an increasing success in the mid market. Our product, our service and our culture is a great match to the needs of our clients."

Peter Simmonds, CEO/CFO of dotDigital group



Recent Sector Activity

Vocus Buys Email Marketing Company iContact For $169 Million

Jun 4, 2013 - Salesforce.com Inc. (CRM), the largest maker of customer-management software, agreed to buy **ExactTarget Inc. (ET)** for about **$2.5 billion**, making its biggest acquisition ever to expand in online marketing.

June 27, 2013 – Adobe Systems Incorporated (Nasdaq:ADBE) today announced it has entered into a definitive agreement to acquire privately held **Neolane**, a leader in cross-channel campaign management technology, headquartered in Paris, France, for approximately **$600 million** in cash

Dec. 20, 2012
Oracle Corp. agreed to acquire software company **Eloqua Inc.** for about **$810 million**, as the company continues to bolster its cloud-based and market-analysis products.

Marketing automation biz Silverpop scores $25M from Escalate & Silicon Valley Bank

Strategy Update

Investing for Growth

- Consolidation M&A not creating shareholder value
- Key strategy remains on continued successful organic growth
- Investment in effective marketing, sales and account management
- Winning a retaining corporate clients with high life time values
- Priority : continued investment in dotMailer platform
- Board in agreement to allocate circa. half of current cash to accelerate organic growth
- High ROI and payback within 24 months

Strong Growth Rationale

- Large & growing market
- High levels of brand awareness
- Very strong product
- Experienced management team
- Good operational leverage
- High margins
- High levels of contracted recurring revenue

Q1 Progress

- Revenues from new business in line with the plan
- Recurring revenues from existing clients in line with the plan
- Confidence and sentiment good with marketing budgets under less pressure
- Experienced management team
- Client wins include Heal's, Payzone, Paperchase, DMA and Shakespeare's Globe

£1
invested in email marketing generates a return of £21*

35%
of Marketing Budget is now spent in digital channels

£1
we spend on sales and marketing has historically generated a revenue of £6

*Source: DMA report

Appendix

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An Explanation of NetCallidus Acquisition

	May -10 £'m	Jun -10 £'m	Jun-11 £'m	Jun-12 £'m	Dec-12 £'m	Jun-13 £'m
Actual Consideration Paid	1.0	0.1		0.2		
Cumulative Actual Consideration Paid	1.0	1.1		1.3		
Purchase price recognised in financial statement due to IFRS 3		3.5				
Accounting Adjustments						
Impairment						
- Adjustment to Purchase Price				1.2	1.0	
Finance Income						
- Adjustment to contingent consideration			1.1	1.1		
Impairment						
- Adjustment to Valuation					0.5	0.8
Profit Contribution post acquisition		0.03	0.2		0.3	(0.2)
Cumulative Profit Contribution		0.03	0.2		0.5	0.3

Contact Details

If you have an enquiry about any matter raised in this document please do not hesitate to contact a member of the team direct using the details below

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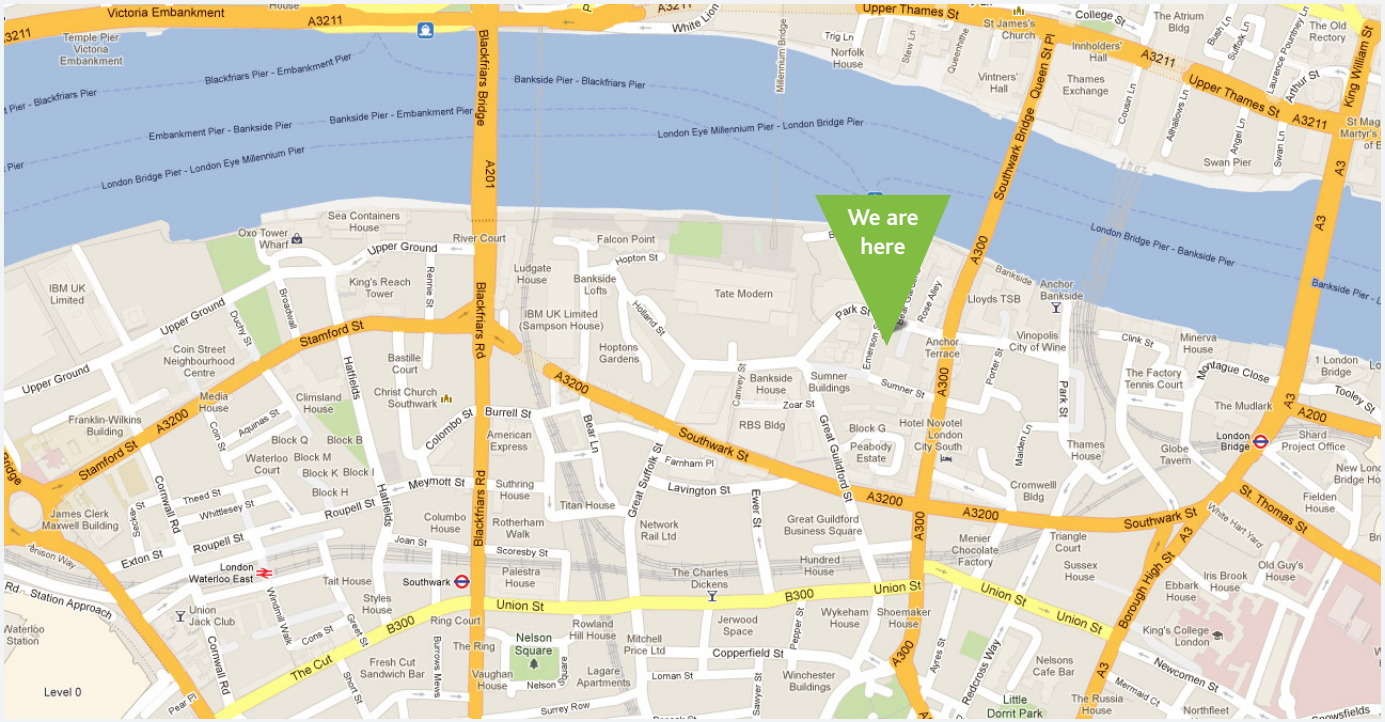

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East Croydon
CR0 0XT

dotMailer, an email marketing platform which is one of the top UK email marketing providers with over 5000 clients

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