dotdigital GROUP PLC

INTERIM RESULTS

For the six months ended 31 December 2018

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Financial Highlights

- Group revenue grew 33% to £24.9m from £18.8m in H1 2018
  - Organic revenue grew 15% to £20.1m (H1 2018: £17.5m)
  - Functionality revenue from advanced features now annualised at £11.3m (annualised revenue at H1 2018: £7.6m)
- Group adjusted EBITDA grew 25% to £7.1m from £5.7m in H1 2018
- Cash balance at period end of £16.7m up 59% from 31-Dec 2017
- Average revenue per customer for our Engagement Cloud platform, (previously known as dotmailer), was up by 16% to £876 per month (H1 2018: £757 per month)

Strategic Highlights

- Continued strong delivery against our three strategic pillars: product innovation, partnership development and geographic expansion
- Growing strength of platform both including enhanced data integration and powerful omnichannel capability enabling high quality data-led insights and creating more targeted customer journeys that drive better results and higher revenue for our customers

Product innovation

- Further integration of Comapi[2] functionality into the Engagement Cloud, adding channels such as in-app push, SMS, Facebook Messenger, Chat, Google retargeting and Facebook audiences
- New real time reporting for our Communication Platform as a Service (CPaaS) customers and the ability to integrate with Twitter's direct messaging platform
- Engagement Cloud SMS volume delivered through the Comapi integration, was up over 100% in the period which remains a complementary channel to email

Partnership development

- Sales through strategic partners have increased by 43% to £10.3m (H1 2018: £7.2m)
- Revenue from newer connectors, (Shopify, Big Commerce and Shopware), grew 372% to £1.0m in the 6 month period. The company is seeing a strong pipeline building from these connectors.
- dotdigital named as Big Commerce's first Global Elite partner in Europe which the Directors believe is an endorsement of the platform and will help increase the addressable market

Geographic expansion

- Engagement Cloud international sales represented 30% of total sales, up from 25% in H1 2018
- Organic international revenue up by 37% to £6.0m (H1 2018: £4.4m)
- Engagement Cloud EMEA business continued to grow c.10% despite the introduction of GDPR in May, Brexit uncertainties and reduced retail consumer spend
- Revenue from the US region grew organically by 30% to $4.3m, (H1 2018: $3.3m) driven by Channel partners and system integrators for Magento and Shopify
- APAC sales, Channel team expansion and Channel partners drove revenue from the region, which grew organically by 80% to AUS$1.6m, (H1 2018: AUS$0.9m)

Post H1 2019 Events

- Dotdigital extends Magento Premier Partner status for a further 3 years
- dotmailer has been rebranded to the dotdigital Engagement Cloud

Operational Review

Our approach

dotdigital's model is based on the fact that consumers respond most positively to personalised, timely and channel-sensitive campaigns. Our technology increases engagement at every touchpoint that the end recipient has with our customers. Fundamentally, we seek to empower marketers, (our customers), to reach their customers in ways that engage them on their own terms. By allowing customers to integrate very large ecommerce and CRM data sets, and any other data they hold on their customers, into a single platform, and then using leading-edge automation/machine learning and artificial intelligence technology to support campaign development and execution, dotdigital ensures marketers can identify clear returns on their investments and ultimately drive increased revenue for their brands.

Our 'software-as-a-service' (SaaS) model provides a high-quality and highly visible revenue stream with repeatable characteristics that underpins our future growth plans. Our products are valued by our customers as evidenced by our high renewal rates, and the relationships we have with a range of industry-leading ecommerce and CRM providers indicates the level of trust that the wider marketing technology industry has in our solution.

Our strategy places organic growth at its core, which enables a virtuous cycle of product innovation, improved partner relationships and international expansion, supplemented by strategic acquisitions, which continues to drive dotdigital and the platform forward.

The Group's organic growth strategy continues to be focussed around three strategic pillars:

1. Geographic expansion;
2. Developing strategic partnerships; and
3. Product innovation and features.

In the six months to 31 December 2018, key performance highlights against these areas were:

Geographic Expansion

<u>EMEA</u>

Whilst Engagement Cloud international sales represented 30% of total sales, up from 25% in H1 2018, our Engagement Cloud EMEA business grew 10%. This performance demonstrates the underlying strength of our offering, as shown by our performance following the introduction of GDPR in May 2018 and the opportunities the regulatory change offers us.

We have continued to invest in customer success to help our customers get more out of the platform and ultimately assist them with achieving better ROI from their marketing campaigns. This also helps reduce churn and provides upsell opportunities.

Specifically, within the UK, dotdigital continued to focus on extending its market leading position through product development and innovation resulting in an increasing number of new customers signing up to the platform. In addition, we continued to invest in dedicated sales teams and channel managers for the EMEA region to build our future sales pipeline.

We have had notable success in the Nordics and Benelux markets, served by a dedicated sales team. We have a strong, growing pipeline, alongside an increasing number of new customer sign ups. Also as a result of our partnership with Shopware, we now have a presence in Germany, to test that market.

North America

Revenues from the region were up 30% to $4.3m (H1 2018: $3.3m), primarily driven by Magento and Shopify Channel partners and system integrators. We continue to strengthen our partnerships, increase our addressable market and improve our brand awareness in the industry. We have also recently extended our product offering by selling our integration into the Microsoft Dynamics market.

The US office employs 24 people between the East Coast and West Coast. Our continued investment into the region has led to increasing customer retention, higher average customer value and an acceleration in new business growth.

APAC

Performance during the first six months of the year was also strong as APAC sales, Channel team expansion and Channel partners drove revenue from the region up 80% to AUS$1.6m, (H1 2018: AUS$0.9m).

As the dotdigital brand and offering develops in this region, we expect to see an ongoing strengthening of our relationships with our global strategic partners. We continue to see our partnerships as key to further growth in the region.

There has been a continued investment in client services and customer success and we are now delivering account management, strategic services, customer training, project management and campaign management in the APAC region. We expect the impact to reflect in the financials over the next 12 – 18 months.

During the period, we have seen our brand strengthening in the Far East through thought leadership events and partnerships. We now have a legal entity in this market with our first employee on the ground in Singapore, who is focused on working closely with our expanding partner network in South East Asia.

Partnerships

Partnerships remain a key part of our organic growth strategy, and we saw notable advancements during the first six months of the year. Sales via strategic partners increased by 43% to £10.3m (H1 2018: £7.2m).

We are delighted that our Engagement Cloud software continues to be bundled into the latest version of the Magento Ecommerce platform, launched in November 2017 and we are seeing strong pipelines building, as well as increasing customer numbers. We now have over 715 customers using the Magento Connector, generating annualised revenue of £11.1m. We recently announced the extension of our global Premier Technology Partner status agreement with Magento, for a further three years, as our relationship continues to deepen.

During the reported period we have continued building on our partnerships with Shopify by providing a seamless solution to merchants' process automation across commerce and marketing platforms with improved personalisation of automated 'push' notifications. Pipelines for our Shopify Connector are building, and our enhanced value proposition has been well received by merchants.

Joint marketing has now started with Big Commerce, another major international ecommerce platform, and we were recently named as its first European Global Elite partner. This relationship will increase our addressable market in all our operating regions.

Product Innovation
We have added features and enhancements to our product in the last six months, including enhancing our Artificial Intelligence-based solutions such as product recommendations, to ensure that we continue to adapt to the changing market and offer a comprehensive service to our customers to ensure we maintain our leading-edge technology position.

The integration of the Comapi functionality into the Engagement Cloud platform has significantly advanced our progress towards offering a fully integrated omni-channel customer engagement platform. We also launched new artificial intelligence and machine learning capability to enable our customers to drive additional ROI from their marketing. In addition, we continue to add new customer-led functionality for our EMEA customers to help them drive enhanced customer engagement.

Research and development underpin dotdigital's growth strategy and we have been able to monetise new functionality. In the period we saw product functionality revenues grow by 50% to £5.7m, from £3.8m, an illustration of how we achieve a greater return from additional functionality in our platform.

Comapi
In addition to our organic growth strategy, we also continue to add to our offering through targeted acquisitions. Last year we completed the acquisition of Comapi which provided us with an industry-leading solution, offering a fully integrated omni-channel and conversational commerce platform to support marketers. The integration of both companies has gone well and a significant proportion of the acquired functionality is now integrated into our Engagement Cloud platform. Our focus is to accelerate our roadmap of bringing new channels of communication that will add value to our marketers.

With new channels now online, we have already seen early signs of success from our combined offering. Post integration we saw a significant increase in the volume of SMS sent by our customers. The pipeline continues to build in monetising the new channels within our existing customer base.

In the short term we did see some headwinds in Comapi's CPaaS (Communications Platform as a Service) market with revenues affected by the current challenging retail backdrop. This was due to a few large retail customers going into administration and some minor slippage in volumes from the Comapi customer base. Whilst this impacted headline revenue, with Comapi's operating margin at c.10%, there was little impact on the profitability of the overall group. In H2 2019, we plan to accelerate the next phase of integration of this business unit.

Rebrand to the Engagement Cloud
We embarked on our mission to rebrand as it was felt that the dotmailer name no longer encompassed everything that we do. When looking at the limitations of the dotmailer brand, we found a consistent problem: our name inhibited customers from discovering our diverse range of features and channels.

Our challenge was to find a new brand that was streamlined and futureproof, to make it easier for others to understand our full capabilities, whilst carrying over the recognition that the dotmailer brand had built across the MarTech industry.

Our company name is now dotdigital and our platform is now the Engagement Cloud.

Financial Review

Revenue

Group revenue during the period grew 33% to £24.9m from £18.8m in H1 2018. This performance was driven primarily by new direct customer wins and through our partnerships. Recurring revenue now represents c.80% of Engagement Cloud revenues, enhancing visibility on future revenues.

Organic revenue grew 15% to £20.1m (H1 2018: £17.5m), in line with management expectations, with enhanced functionality revenue (which includes license fees and bolt-on functionality), now annualised at £11.3m.

The geographic split of revenues continued to diversify, with Engagement Cloud international sales representing 30% of total sales in the period, up from 25% in H1 2018. Of that, revenues were up 30% in the US to $4.3m (H1 2018: $3.3m), and up 80% in APAC to AUS$1.6m (H1 2018 AUS$0.9m).

EBITDA

Group adjusted EBITDA grew 25% to £7.1m from £5.7m in H1 2018, which was in line with management expectations. Adjusted EBITDA excludes a one-off charge of £0.05m for the acquisition of Comapi, a share-based payment charge of £0.5m and amortisation of acquired intangibles of £0.1m. We continued to maintain an Engagement Cloud EBITDA margin of over 30%.

Balance Sheet & Cash Position

- dotdigital continues to generate strong cash flow from its Engagement Cloud operations with an interim end net cash balance of £16.7m.
- dotdigital continues to prioritise product development and during the period spent £2.6m on development (compared to £1.7m in H1 2018). The Group continues to maintain a strong balance sheet with gross assets of £50.6m and zero debt.

Dividend Policy

- A dividend of 0.64p per ordinary share (an increase of 16% on the prior period, up from 0.55p) was proposed by the Company at the time of its Final Results in October last year, demonstrating a commitment from the Board to deliver value by focusing on total shareholder return.
- This dividend was approved by shareholders at the Annual General Meeting on 18 December 2018 and paid on 31 January 2019.
- The Group will continue to conduct a full review of dividends at year end, therefore the Board is not proposing an interim dividend.

Summary & Outlook

- The first half of 2019 showed strong progress against all three of our organic pillars, with revenue from strategic partners, functionality of product-related revenue and international revenue all showing strong growth.
- Historically, the business built strong foundations in email and has now, via the technology integration of omni-channel, (through the Comapi acquisition), and the rebrand from dotmailer to the dotdigital Engagement Cloud, given us strong foundations to position our business as a leading omni-channel customer engagement platform.
- Based on the strong performance seen by the Group in H1 2019, the Board remains confident in its expectations for the full year.

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED TO CONSTITUTE INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014. UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

[1] *Consensus adjusted EBITDA as at 18 February 2019, for the year ending 30 June 2019, is approx. £16.2 million. EBITDA means earnings before interest, tax, depreciation, amortisation, and before restructuring, other non-recurring costs and certain non-cash items.*

[2] *Comapi was acquired in November 2017*

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Dotdigital Group Plc

Condensed Consolidated Income Statement
For the six months ended 31 December 2018

	Note	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Continuing operations				
Revenue	*4*	24,901	18,767	43,094
Cost of sales		(5,722)	(3,163)	(9,074)
Gross profit	*4*	19,179	15,604	34,020
Administrative expenses		(13,624)	(11,034)	(23,979)
Share based payments		(450)	(26)	(450)
Exceptional costs		(178)	(199)	(357)
Operating profit		**4,927**	**4,345**	**9,234**
Finance income		10	3	9
Profit before income tax		**4,937**	**4,348**	**9,243**
Income tax expense		(657)	(356)	(685)
Profit for the period attributable to the owners of the parent		**4,280**	**3,992**	**8,558**
Earnings per share from continuing operations				
(pence per share)				
Basic	*6*	1.44	1.35	2.89
Diluted	*6*	1.42	1.34	2.85
Adjusted basic	*6*	1.65	1.42	3.16
Adjusted diluted	*6*	1.63	1.42	3.12

Dotdigital Group Plc

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2018

	note	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Profit for the period		4,280	3,992	8,558
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss:				
Exchange differences on translating foreign operations		(25)	(6)	20
Total comprehensive income attributable to:				
Owners of the parent	*4*	**4,255**	**3,986**	**8,578**

Condensed Consolidated Statement of Financial Position
For the six months ended 31 December 2018

	Note	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Assets				
Non-current assets				
Goodwill		9,680	12,140	9,680
Intangible assets		10,790	5,105	9,787
Property, plant and equipment		1,035	1,404	1,046
		21,505	18,649	20,513
Current assets				
Trade and other receivables		12,411	11,106	12,953
Cash and cash equivalents		16,677	10,497	15,005
		29,088	21,603	27,958
Total assets	*4*	**50,593**	**40,252**	**48,471**
Equity attributable to the owners of the parent				
Called up share capital	*8*	1,490	1,482	1,490
Share premium		6,791	6,321	6,791
Reverse acquisition reserve		(4,695)	(4,695)	(4,695)
Other reserves		1,111	331	661
Retranslation reserve		(51)	(52)	(26)
Retained earnings		33,775	29,298	32,331
Total equity		**38,421**	**32,685**	**36,552**

Condensed Consolidated Statement of Financial Position
For the six months ended 31 December 2018

	note	to 31 Dec 2018 Unaudited £'000s	to 31 Dec 2017 Unaudited £'000s	to 30 June 2018 Audited £'000s
Liabilities				
Non-current liabilities				
Financial instruments		-	17	-
Deferred tax		1,924	767	1,697
		1,924	784	1,697
Current liabilities				
Trade and other payables		10,248	6,532	10,217
Financial liabilities – interest baring loans		-	-	5
Current tax payable		-	251	-
		10,248	6,783	10,222
Total liabilities		**12,172**	**7,567**	**11,919**
Total equity and liabilities		**50,593**	**40,252**	**48,471**

Dotdigital Group Plc

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 December 2018

	Share capital	Share premium	Retained Earnings	Other reserves	Reverse acquisition reserve	Re-translation Reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2017	1,481	6,290	25,306	305	(4,695)	(46)	28,641
Profit for the period	-	-	3,992	-	-	-	3,992
Retranslation reserve	-	-	-	-	-	(6)	(6)
Issue of share capital	1	31	-	-	-	-	32
Reserve transfer	-	-	-	-	-	-	-
Share based payments	-	-	-	26	-	-	26
As at 31 December 2017	**1,482**	**6,321**	**29,298**	**331**	**(4,695)**	**(52)**	**32,685**
As at 1 January 2018	1,482	6,321	29,298	331	(4,695)	(52)	32,685
Profit for the period	-	-	4,566	-	-	-	4,566
Dividends	-	-	(1,627)	-	-	-	(1,627)
Issue of share capital	8	470	-	-	-	-	478
Reserve transfer	-	-	94	(94)	-	-	-
Retranslation reserve	-	-	-	-	-	26	26
Share based payments	-	-	-	424	-	-	78
As at 30 June 2018	**1,490**	**6,791**	**32,331**	**661**	**(4,695)**	**(26)**	**36,552**
As at 1 July 2018	1,490	6,791	32,331	661	(4,695)	(26)	36,552
Profit for the period	-	-	4,280	-	-	-	4,280
Retranslation reserve	-	-	-	-	-	(25)	(25)
Issue of share capital	-	-	-	-	-	-	-
IFRS 15 restatement (note 9)	-	-	(2,836)	-	-	-	(2,836)
Share based payments	-	-	-	450	-	-	450
As at 31 December 2018	**1,490**	**6,791**	**33,775**	**1,111**	**(4,695)**	**(51)**	**38,421**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 31 December 2018

- 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

Condensed Consolidated Statement of Cash Flows
For the six months ended 31 December 2018

	note	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Cash flow from operating activities	*7*	**4,778**	**3,192**	**13,129**
Tax paid		(308)	(591)	(501)
Net cash generated from operating activities		**4,470**	**2,601**	**12,628**
Cash flow from investing activities				
Purchase of subsidiary		-	(9,578)	(9,578)
Purchase of intangible fixed assets		(2,597)	(1,718)	(6,876)
Purchase of tangible fixed assets		(206)	(327)	(475)
Interest received		10	3	9
Net cash used in investing activities		**(2,793)**	**(11,620)**	**(16,920)**
Cash flows from financing activities				
Equity dividends paid		-	-	(1,627)
Loan repayment in relation to acquisition		(5)	(942)	-
Loan repayment		-	(2)	(14)
Share issue		-	32	510
Net cash generated from financing activities		**(5)**	**(912)**	**(1,131)**
(Decrease)/Increase in cash and cash equivalents		1,672	(9,931)	(5,423)
Cash and cash equivalents at beginning of period		15,005	20,428	20,428
Cash and cash equivalents at end of period.		**16,677**	**10,497**	**15,005**

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

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 condensed consolidated interim financial statements 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 2018. The interim financial information for the six months to 31 December 2018, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 19 February 2019.

The unaudited condensed interim financial information for the period ended 31 December 2018 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 2018 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 2018, as described in those financial statements.

New accounting standards

IFRS 15 “Revenue from contracts with customers” requires the Group to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from 1 January 2018 onwards and therefore has be utilised in reporting the figures for the period ended 31 December 2018.

The adoption of this standard under the modified retrospective transition method permits its introduction without the requirement to restate the figures for the previously reported periods and in note 9 to the condensed interim financial statements details of the impact of the change from the previous accounting policy for comparative purposes. The adoption has also required a restatement of the Group’s retained reserves which can be noted in the consolidated statement of changes in equity.
Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

With respect to IFRS 15 implementation, the most significant ways that dotdigital generates income from its customers are as follows:

- Professional services – the customer pays a one-off amount for professional services. Revenue is currently recognised when the service occurs which is unchanged under IFRS 15. The Group occasionally offers some professional services at no cost as part of the contract. Revenue for these services were not recognised as they were fully discounted. Under IFRS 15, the services provided for no charge are recognised and accounted for as separate performance obligations when the service occurs. The amount allocated to the services is deducted from the contract value and the remainder of the contract value is spread evenly over the term of the contract.
- Software as a Service (“SaaS”) recurring revenue – the customer pays a regular fixed amount for the right to access the software and other recurring services purchased. Revenue is currently recognised over the life of the contact term, which is unchanged under IFRS 15.
- CPaaS services – the customer pays monthly for their usage or buys credit in advance for using the platform. Revenue is currently recognised in the month of usage, which is unchanged under IFRS 15.

4. SEGMENTAL REPORTING

The Group's two lines of business is the provision of data-driven omni-channel marketing automation ("SaaS") and omni-channel messaging and cloud communication("CPaaS"). The chief operating decision maker considers the Group's reportable segments to be by geographical location this being UK, US and rest of the world("RoW") operations and by business activity, this being SaaS and CPaaS as shown below:

Geographical revenue and results

	6 months to 31 December 2018					
	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement						
Revenue	18,841	3,402	2,707	24,950	(49)	24,901
Gross profit	13,734	3,056	2,438	19,228	(49)	19,179
Profit before income tax	1,844	1,495	1,647	4,986	(49)	4,937
Total comprehensive income attributable to the owners of the parent	1,602	1,123	1,579	4,304	(49)	4,255
Financial position						
Total assets	46,503	3,093	997	50,593	-	50,593
Net current assets	18,266	2,659	751	21,676	(2,836)	18,840

	6 months to 31 December 2017					
	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement						
Revenue	14,403	2,516	1,848	18,767	-	18,767
Gross profit	11,909	2,082	1,613	15,604	-	15,604
Profit before income tax	2,423	828	1,097	4,348	-	4,348
Total comprehensive income attributable to the owners of the parent	2,345	526	1,115	3,986	-	3,986
Financial position						
Total assets	37,378	2,166	708	40,252	-	40,252
Net current assets	12,607	1,726	487	14,820	-	14,820

4. SEGMENTAL REPORTING (CONTINUED…)

	12 months to 30 June 2018					
	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement						
Revenue	33,471	5,257	4,366	43,094	-	43,094
Gross profit	25,412	4,578	4,030	34,020	-	34,020
Profit before income tax	5,180	1,877	2,186	9,243	-	9,243
Total comprehensive income attributable to the owners of the parent	4,640	1,752	2,186	8,578	-	8,578
Financial position						
Total assets	45,346	2,183	942	48,471	-	48,471
Net current assets	15,260	1,804	672	17,736	-	17,736

Business activity revenue and results

	6 months to 31 December 2018				
	SaaS £'000s	CPaaS £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement					
Revenue	20,195	4,755	24,950	(49)	24,901
Gross profit	17,845	1,383	19,228	(49)	19,179
Profit before income tax	4,741	245	4,986	(49)	4,937
Total comprehensive income attributable to the owners of the parent	4,061	243	4,304	(49)	4,255
Financial position					
Total assets	46,375	4,218	50,593	-	50,593
Net current assets	22,003	(327)	21,676	(2,836)	18,840

4. SEGMENTAL REPORTING (CONTINUED…)

	6 months to 31 December 2017				
	SaaS £'000s	CPaaS £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement					
Revenue	17,499	1,268	18,767	-	18,767
Gross profit	15,269	335	15,604	-	15,604
Profit before income tax	4,198	150	4,348	-	4,348
Total comprehensive income attributable to the owners of the parent	3,838	148	3,986	-	3,986
Financial position					
Total assets	37,839	2,413	40,252	-	40,252
Net current assets	15,241	(421)	14,820	-	14,820

	12 months to 30 June 2018				
	SaaS £'000s	CPaaS £'000s	Total £'000s	Adjustments due to IFRS 15 £'000s	Total £'000s
Income statement					
Revenue	36,891	6,203	43,094	-	43,094
Gross profit	32,266	1,754	34,020	-	34,020
Profit before income tax	8,619	624	9,243	-	9,243
Total comprehensive income attributable to the owners of the parent	7,936	642	8,578	-	8,578
Financial position					
Total assets	44,623	3,848	48,471	-	48,471
Net current assets	17,944	(208)	17,736	-	17,736

5. DIVIDENDS

The proposed final dividend of £1,903,171 for the year ended 30 June 2018 of 0.64p per share was paid on the 31 January 2019.

6. EARNINGS PER SHARE

Earnings per share data is based on the consolidated profit using and the weighted average number of shares in issue of the parent Company. Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. Adjusted earnings per share is based on the consolidated profit deducting the acquisition related exceptional costs and share-based payment.

A number of non-IFRS adjusted profit measures are used in this annual report and financial statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group. Summarised below is a reconciliation between statutory results to adjusted results. The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business. The adjusted profit after tax earnings measure is also used for the purpose of calculating adjusted earnings per share.

Reconciliations to earnings figures used in arriving at adjusted earnings per share are as follows:

From continuing operations	31.12.18 £'000	31.12.17 £'000	30.06.18 £'000
Profit for the year attributable to the owners of the parent	4,280	3,992	8,558
Amortisation of acquisition-related intangible fixed asset	127	-	148
Other exceptional costs	51	199	209
Share-based payment	450	26	450
Adjusted profit for the year attributable to the owners of the parent	4,908	4,217	9,365

Management does not consider the above adjustments to reflect the underlying business performance.

The other exceptional costs relate to one-off acquisition costs of Comapi.

6. EARNINGS PER SHARE (CONTINUED…)

	6 months to 31 Dec 2018 Unaudited	6 months to 31 Dec 2017 Unaudited	12 months to 30 June 2018 Audited
Continuing operations			
Earnings per Ordinary share:			
Basic (pence)	1.44	1.35	2.89
Diluted (pence)	1.42	1.34	2.85
Adjusted basic (pence)	1.65	1.42	3.16
Adjusted diluted (pence)	1.63	1.42	3.12

	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Profit for the period from continuing operations for the purpose of earnings per share:			
Basic	**4,280**	**3,992**	**8,558**
Adjusted	**4,908**	**4,217**	**9,365**

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2018 Unaudited	6 months to 31 Dec 2017 Unaudited	12 months to 30 June 2018 Audited
Weighted average number			
Basic	298,030,565	296,283,322	296,596,304
Diluted	301,511,219	297,924,652	300,324,356

The adjusted profit for the period, adjusted basic earnings per ordinary share and adjusted diluted earnings per ordinary share exclude exceptional costs relating to share based payments £450,370 (2017: £26,126, 2018: £449,923), one-off acquisition costs of Comapi £50,967 (2017: £199,941, 2018: £ 208,805) and amortisation of acquired intangibles £126,951 (2017: £nil, 2018: £148,110).

7. RECONCILIATION OF PROFIT BEFORE CORPORATION TAX TO NET CASH GENERATED FROM OPERATIONS

	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Profit before income tax from all operations	**4,937**	**4,348**	**9,243**
Adjustments for:			
Depreciation and amortisation	1,705	1,124	2,614
Loss on disposal of fixed assets	99	3	2
Share based payments	450	26	450
Finance income	(10)	(3)	(9)
Currency revaluation	(25)	(4)	20
Decrease/(Increase) in trade and other receivables	507	(2,103)	(4,794)
Increase/(Decrease) in trade and other payables	(2,885)	(199)	5,603
Net cash from operations	**4,778**	**3,192**	**13,129**

8. CALLED UP SHARE CAPITAL

No shares were issued during the period ended 31 December 2018.

9. RETAINED EARNINGS: IFRS 15 RESTATEMENT

The Group has adopted IFRS 15 as at 1 July 2018 and applied the modified retrospective approach. Comparatives for the 6 months ending 31 December 2017 and 12 months ending 30 June 2018 have not been restated and the cumulative impact of adoption has been recognised as a decrease to retained earnings with a corresponding decrease in current liabilities at 1 July 2018 as follows:

	1 July 2018 £'000s
Retained earnings	
Revenue	(2,836)
Total impact at 1 July 2018	**(2,836)**
Current liabilities	
Trade and other liabilities	2,836
Total impact at 1 July 2018	**2,836**

IFRS 15 has had an impact on retained earnings as outlined below.

Professional services at no charge: The Group sells professional services to its customers and there are occasions when these services are provided at no cost as part of the contract sold. Historically, the Group did not recognise these services as they were fully discounted. Under IFRS 15, the services provided for no charge are recognised and accounted for as separate performance obligations when the service occurs. The amount allocated to the services is deducted from the contract value and the remainder of the contract value is spread evenly over the term of the contract. This revised treatment in respect of professional services provided at no cost has accelerated the recognition of revenue and resulted in lower deferred income at adoption on 1 July 2018.

Prepaid contracts: The Group sells 12, 24 and 36 month contracts to its customers. This revenue is normally recognised monthly over the period of the contract. Historically there have been instances where a customer prepays their contract and due to its immaterial nature, the revenue was recognised at the date of invoice. Under IFRS 15, the prepaid contracts are recognised over the period of the contract irrespective of materiality.

Term Contract billing: The Group raises the first invoice to its new customers when the service agreement is signed. Occasionally, the service does not start in the same month as when the service agreement is signed. Historically, the Group has recognised the revenue in the month invoiced due to its immaterial nature. Under IFRS 15, the upfront billing is recognised over the period of the contract irrespective of materiality.

9. RETAINED EARNINGS: IFRS 15 RESTATEMENT (CONTINUED…)

	6 months to 31 December 2018			
	Amounts pre IFRS 15 £'000s	Transition Adjustment £'000s	In period adjustment £'000s	Amounts as reported £'000s
Continuing operations				
Revenue	24,950	-	(49)	24,901
Cost of sales	(5,722)	-	-	(5,722)
Gross profit	19,228	-	(49)	19,179
Administrative expenses	(13,624)	-	-	(13,624)
Share based payments	(450)	-	-	(450)
Exceptional costs	(178)	-	-	(178)
Operating profit	**4,976**	**-**	**(49)**	**4,927**
Finance income	10	-	-	10
Profit before income tax	**4,986**	**-**	**(49)**	**4,937**
Income tax expense	(666)	-	9	(657)
Profit for the period attributable to the owners of the parent	**4,320**	**-**	**(40)**	**4,280**

9. RETAINED EARNINGS: IFRS 15 RESTATEMENT (CONTINUED…)

	6 months to 31 December 2018			
	Amounts pre IFRS 15 £'000s	Transition Adjustment £'000s	In period adjustment £'000s	Amounts as reported £'000s
Assets				
Non-current assets				
Goodwill	9,680	-	-	9,680
Intangible assets	10,790	-	-	10,790
Property, plant and equipment	1,035	-	-	1,035
	21,505	-	-	21,505
Current assets				
Trade and other receivables	12,402	-	9	12,411
Cash and cash equivalents	16,677	-	-	16,677
	29,079	-	9	29,088
Total assets	50,584	-	9	50,593
Equity attributable to the owners of the parent				
Called up share capital	1,490	-	-	1,490
Share premium	6,791	-	-	6,791
Reverse acquisition reserve	(4,695)	-	-	(4,695)
Other reserves	1,111	-	-	1,111
Retranslation reserve	(51)	-	-	(51)
Retained earnings	36,651	(2,836)	(40)	33,775
Total equity	41,297	(2,836)	(40)	38,421

9. RETAINED EARNINGS: IFRS 15 RESTATEMENT (CONTINUED…)

	6 months to 31 December 2018			
	Amounts pre IFRS 15 £'000s	Transition Adjustment £'000s	In period adjustment £'000s	Amounts as reported £'000s
Liabilities				
Non-current liabilities				
Deferred tax	1,924	-	-	1,924
	1,924	-	-	1,924
Current liabilities				
Trade and other payables	7,363	2,836	49	10,248
	7,363	2,836	49	10,248
Total liabilities	9,287	2,836	49	12,172
Total equity and liabilities	50,584	-	9	50,593

Had the Group been applying IFRS 15 during the year ended 30 June 2018, it is estimated that both sales and profit before tax would have been £0.9m lower for the full year with the balance sheet impact at the beginning and end of the year being similar.

10. 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 non-executive Directors

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

	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
Remuneration and other short-term benefits	304	346	701
Ex-gratia payment	-	-	40
Share based payments	169	-	145
Pension cost	11	17	26
	484	**363**	**912**

	6 months to 31 Dec 2018 Unaudited £'000s	6 months to 31 Dec 2017 Unaudited £'000s	12 months to 30 June 2018 Audited £'000s
The following transactions were carried out with related parties			
Sale of services			
Entities controlled by non - executive director of the Group:			
Cloudcall - Email marketing services	4	9	16
Cadence Performance Ltd - Email marketing services	1	1	2
	5	**10**	**18**
Year end balances arising from the sale of services			
Entities controlled by non-executive directors of the Group:			
Cloudcall - Email marketing services	-	-	16
	-	**-**	**16**

11. SUBSEQUENT EVENTS TO 31 DECEMBER 2018

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