Half year results presentation for 6 months ended 31 December 2019

Milan Patel, CEO
Paraag Amin, CFO
February 2020
A global omnichannel marketing automation provider

Who we are

- Formed in 1999 as dotmailer with a marketing technology vision
- A global business with a UK headquarters
- 330+ global employees
- 14 offices worldwide
- Strong network of tech and solution partners
- Focused on mid market

What we do

We provide a SaaS based omnichannel marketing platform that enables brands to engage with their customers across all touchpoints.

Users can connect their customers' data to send data-driven, intelligent triggered campaigns across channels such as email, SMS, social, push and more.

Who we help

* Top 100 customers represent 17% of group revenue

Business split

<table>
<thead>
<tr>
<th>Geographical Expansion</th>
<th>Strategic Partnerships</th>
<th>Product Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>Connector</td>
<td>Msg</td>
</tr>
<tr>
<td>US</td>
<td>Non Connector</td>
<td>License &amp; Func.</td>
</tr>
<tr>
<td>APAC</td>
<td></td>
<td>One-off</td>
</tr>
</tbody>
</table>

Key financials

- 10 year revenue CAGR: ↑21%
- 10-year adjusted EBITDA CAGR: ↑26%
- 10 year fully diluted EPS CAGR: ↑48%
People

At the end of the period we employed 331 people in 14 office locations around the world.

Continued investment in new hires in all regions.
Financial and operational progress

- Focussed R&D programme delivering value and adding to recurring revenues (c.90%)
- Continued momentum in adoption of Engagement Cloud platform globally
- Strong trading period with double digit organic growth
- Robust financial position with healthy balance sheet and strong cash position
- Strengthened business foundations to capitalise on market opportunity
- Confident in a successful outcome for the year and sustained future growth
Market opportunity

As digital marketing complexity increases, businesses are embracing omnichannel tools to improve efficiency and speed to market enabling them to create memorable 1:1 customer journeys at every touch point.
Global marketing automation spend, according to Forrester Research, is predicted to grow to $25.1bn by 2027 from $3.8bn today.
The stats behind the rise of omnichannel customer engagement

- **£42**: Average return for £1 spent on email marketing
- **73%**: Consumers shop on more than one channel
- **30%**: Higher lifetime value when an omnichannel approach is adopted
- **13%**: Increase in spend per order when more than 3 channels are used
Engagement Cloud positioning

- Functionality hits a wall
- Limited or no service/support
- Become expensive at high volumes
- Lack of flow functionality
- Batch and blast senders

- Value vs. cost
- Ease of use is an issue
- Require better integrations
- Want more features included
- Require omnichannel
- Basic level of automation

- Very high costs
- Often underutilise platform
- Additional costs to service
- Lack personal service
- Require ecommerce integration
- Complex omnichannel campaigns

LOW (price: <£350/month) | MID (price: £350-£30k/month) | HIGH (price: >£30k/month)
Our value proposition

Our mission is to drive value from every engagement for our customers
Why over 65,000+ marketers use Engagement Cloud

**Empowering technology**
Super-powerful and easy to use so marketers can do it all themselves.

**Breadth of functionality**
Available graduation pathway to more sophisticated tools

**Learning**
We help brands get smarter with inspiring events and thought leadership.

**Service layer**
If our customers are busy or short-staffed, we can do it all for them.

**Expertise**
We have been helping our clients for 20 years; our experience puts them in good hands.

**Innovation**
Our freedom to innovate means we are always looking ahead.
dotdigital was named market leader in G2’s marketing automation grid.

- Mid-market leader
- Best in ease-of-use
- 91% of reviews with 4 or 5 stars
- 85% would recommend Engagement Cloud
- 86% say all their requirements are met

"dotdigital Engagement Cloud the perfect tool for email marketing automation."

What do you like best?

Engagement Cloud is the perfect tool for marketers to automate different marketing campaigns through emails. I really consider dotdigital Engagement as a universal platform as it is well known in many countries. dotdigital allows from designing, testing and integrating perfectly with e-commerce like Magento Commerce..."
Clear and focused growth strategy

Foundations for long term success
Growth strategy

**Geographic expansion**
- Focus on cross-selling: deeper customer relationships
- Expand our geographical coverage

**Strategic partnerships**
- Grow our customer base: increasing our global market presence
- Deepen our strategic partnerships: building new connectors
- Adjacent technology
- Deeper functionality with our core USP

**Product innovation**
- Expand our product suite: providing organic growth
- Globalising our talent: organisational strength and capabilities

**Organic growth**
- Grow our customer base: increasing our global market presence
- Deepen our strategic partnerships: building new connectors
- Globalising our talent: organisational strength and capabilities

**Growth by acquisition**
Robust SaaS business model to support growth

- High-quality and visible revenues with repeatable characteristics
- 90% recurring revenue, of which 90% is contracted
- Provides foundations to build upon for sustainable growth

1. Onboarding, training, managed service, design services, custom integrations
2. License, data & functionality
3. Email, WhatsApp, App push, Facebook Messenger and other channels
Execution & Financial Review

Strong, profitable organic growth
Financials

Key financial highlights

- **15%**
  Total revenue growth (£23.1m)

- **90%**
  Recurring rev of total revenue

- **32%**
  Functionality revenue growth (£7.4m)

- **£22.6m**
  Strong cash position & no debt

- **33%**
  International revenue growth (£7.9m)

- **33%**
  Adjusted operating profit (£7.0m)

- **34%**
  EPS (2.03p)

- **35%**
  Messaging volume growth
# Financials

## Trading performance

### Profit & Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>Dec 19 £M (continuing operations)</th>
<th>Dec 18 £M (continuing operations)</th>
<th>Growth % (continuing operations)</th>
<th>Dec 19 £M (discontinued operations)</th>
<th>Dec 18 £M (discontinued operations)</th>
<th>Dec 19 £M (Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>23.1</td>
<td>20.1</td>
<td>15%</td>
<td>4.0</td>
<td>4.8</td>
<td>27.1</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2.5)</td>
<td>(2.3)</td>
<td>4%</td>
<td>(3.0)</td>
<td>(3.4)</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>20.6</td>
<td>17.8</td>
<td>15%</td>
<td>1.0</td>
<td>1.4</td>
<td>21.7</td>
</tr>
<tr>
<td>Admin expenses</td>
<td>(13.6)</td>
<td>(12.6)</td>
<td>8%</td>
<td>(1.0)</td>
<td>(1.0)</td>
<td>(14.7)</td>
</tr>
<tr>
<td>Exceptional Items*</td>
<td>(0.4)</td>
<td>(0.5)</td>
<td>(30)%</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>6.6</td>
<td>4.7</td>
<td>40%</td>
<td>(0.1)</td>
<td>0.2</td>
<td>6.5</td>
</tr>
<tr>
<td>Adj operating profit</td>
<td>7.0*</td>
<td>5.2#</td>
<td>33%</td>
<td>0.0†</td>
<td>0.3</td>
<td>7.0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9.0</td>
<td>6.2</td>
<td>45%</td>
<td>0.0</td>
<td>0.5</td>
<td>9.0</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>9.4*</td>
<td>6.7#</td>
<td>39%</td>
<td>0.1</td>
<td>0.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Adj diluted EPS</td>
<td>2.03p</td>
<td>1.52p</td>
<td>34%</td>
<td>(0.04p)</td>
<td>0.11p</td>
<td>1.99p</td>
</tr>
</tbody>
</table>

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*Excludes exceptional costs of £0.4m in the period

1) Share-based payments (£0.3m)
2) Amortisation of acquired intangibles (£0.1m)

# Excludes exceptional costs of £0.5m in the period

1) Share-based payments (£0.4m)
2) Amortisation of acquired intangibles (£0.1m)

† Excludes exceptional costs of £0.1m in the period

1) Amortisation of acquired intangibles (£0.1m)
Financials

Trading performance

Group revenue
• Revenue from Continuing Operations grew 15% to £23.1m (H1 2019: £20.1m)
• Monthly ARPU increased 14% to £999 (H1 2019: £876)

Engagement Cloud international revenue
• Now 34% of total revenue (H1 2019: 30%)

Functionality revenue
• Grew 32% to £7.4m (H1 2019: £5.7m)

Revenue from strategic partners
• Increased by 4% to £10.7m (H1 2019: £10.3m)

Cost of sales analysis
• Direct marketing decreased 24% to £1m
• Partner commission decreased 5% to £1.1m

Key investment areas
• People (net +5 people in US region and net +5 people in APAC region in last 6 months)

Discontinued operations
• Restructure of Comapi now complete and Discontinued Operations (comprising the legacy, non-core SMS division) were breakeven through the period
EBITDA from continuing operations

- Reconciliation from operating profit from continuing operation to adjusted EBITDA from continuing operations

<table>
<thead>
<tr>
<th>Adjusted EBITDA</th>
<th>Dec 19 £M</th>
<th>Dec 18 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit from continuing operations</td>
<td>6.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>IFRS 16 depreciation</td>
<td>0.4</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation</td>
<td>1.8</td>
<td>1.3</td>
</tr>
<tr>
<td>EBITDA</td>
<td>9.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Share based payments</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td><strong>9.4</strong></td>
<td><strong>6.7</strong></td>
</tr>
</tbody>
</table>
Financials

Statement of financial position

- Healthy balance sheet
- Net cash balances of £22.6m
- Now includes right of use assets of £5.3m and lease liabilities of £5.3m as a consequence of IFRS16

<table>
<thead>
<tr>
<th></th>
<th>Dec 19 £M</th>
<th>Dec 18 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>28.7</td>
<td>21.5</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>13.2</td>
<td>12.4</td>
</tr>
<tr>
<td>Cash</td>
<td>22.6</td>
<td>16.7</td>
</tr>
<tr>
<td>Total Assets</td>
<td>64.5</td>
<td>50.6</td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>6.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>11.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>17.1</td>
<td>12.2</td>
</tr>
<tr>
<td>Net Assets</td>
<td>47.4</td>
<td>38.4</td>
</tr>
</tbody>
</table>
Financials

Cash flow statement

- Strong cashflows generated from operations
- Adjusted free cash flow of £3.6m
- R&D spend of £2.9m (H1 2019: £2.6m)

<table>
<thead>
<tr>
<th>Cash flow</th>
<th>Dec 19 £M</th>
<th>Dec 18 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash generated from operations</td>
<td>6.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(3.0)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Net cash used from financing activities</td>
<td>(0.3)</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>19.3</td>
<td>15.0</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>22.6</td>
<td>16.7</td>
</tr>
</tbody>
</table>

5-year trend – cash balance
Financials

IFRS 16 adjustment

• The IFRS 16 impact was a net decrease of £70k on adjusted operating profit for the continuing operations in the 6 months to 31 December 2019
• We have adopted IFRS 16 as at 1 July 2019 but have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard
• The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.9%

<table>
<thead>
<tr>
<th>Continuing Operations</th>
<th>In-period adj £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>(402)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(49)</td>
</tr>
<tr>
<td>Rent expense</td>
<td>381</td>
</tr>
<tr>
<td>Adjusted operating profit from continuing operations</td>
<td>7,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Group assets and liabilities</th>
<th>31st Dec 2019 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right-of-use assets</td>
<td>5,274</td>
</tr>
<tr>
<td>Lease liability</td>
<td>(5,339)</td>
</tr>
</tbody>
</table>
Operational review

Strengthened foundations for continued growth
Expanding international presence

- **Geographic expansion**
- **Strategic partnerships**
- **Product innovation**

**US** revenue grew organically **18%** to **$5.1m**, (H1 2019: $4.3m) driven by acquisition of higher value customers and growth of existing customers

**APAC sales, channel team expansion and Asia presence** drove revenue from the region, which grew organically **51%** to **AUS$2.5m**, (H1 2019: AUS$1.6m) following investment in the region in the prior year

**EMEA region** continued double digit growth at **11%** to **£17.7m** (H1 2019: £15.9m)

**International revenue** is up **33%** to **£7.9m**
Expanding international presence

- Geographic expansion
- Strategic partnerships
- Product innovation

**US**
- PANINI
- MONIN
- GODIVA
- RACHEL ASHWELL
- Doheny's
- Dr Dennis Gross
- Copa Airlines

**EMEA**
- Virgin Active
- TED BAKER LONDON
- bp
- British Gymnastics
- habitat
- Barbour

**APAC**
- sass & bide
- ally
- sparesbox
- VENROY
- SHEIKE
- Hobby's King
- VICTORIA
Review

- Growing pipeline and enhanced value proposition for connectors into both ecommerce platforms and CRM (Customer Resource Management) software
- Sales through connectors into strategic partners increased 4% to £10.7m (H1 2019: £10.3m), impacted by ramp up times of new staff
- Magento (an Adobe company) connector revenues grew 16% in the reported period, and increased integration in period with Engagement Cloud live chat now bundled into partner product’s core code base making chat available to 250,000 storefronts worldwide
Building pipeline and market reach

**Looking ahead**

- Continued investment in new hires in all regions with increased focus on building strategic partnerships
- Further investment in our Shopify relationship as we imminently release our Shopify Plus Certified App
- Capitalise on the introduction of a Commerce Flow Premium Integration product for Shopify Plus and Salesforce Commerce Cloud connected stores
Product innovation driving value

• Functional recurring revenue grew 32% to £7.4m demonstrating the value that can be derived from the creation of new data-related revenue streams

• Enhanced intelligence capabilities in period including launch of sector-tailored product package for commerce customers and enhanced product recommendations capabilities

• Improved end user experience interface, driving better return on investments for our customers

• Further channel functionality added to Engagement Cloud, including a new chat solution and additional SMS capabilities
<table>
<thead>
<tr>
<th>Now – 20one</th>
<th>April</th>
<th>Coming soon</th>
</tr>
</thead>
<tbody>
<tr>
<td>January release</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMS continued: Reply handling and Split testing</td>
<td>Multi-decision node for programs</td>
<td>Mobile-first, interactive landing pages</td>
</tr>
<tr>
<td>Abandoned Browse</td>
<td>eRFM</td>
<td>Social ads</td>
</tr>
<tr>
<td>UI improvements for eCommerce</td>
<td>Program enrolment improvements and triggered campaign reporting</td>
<td>Unified contacts across channels</td>
</tr>
<tr>
<td>Engagement Cloud chat V2</td>
<td>Trustpilot and product review integration</td>
<td>Best-next dashboard</td>
</tr>
<tr>
<td>Chat for Magento</td>
<td>Transactional email improvements for Commerce Flow integrations</td>
<td>Purchase Optimization – product recommendations</td>
</tr>
<tr>
<td>Multi-Store Support</td>
<td>B2B Commerce support for Magento</td>
<td>Improved resubscription process for Commerce Flow and Zapier</td>
</tr>
<tr>
<td>MS Dynamics Unified Interface Support</td>
<td>Triggered SMS improvements and SMS validation for global senders</td>
<td>Easy Editor improvements, including Google AMP refinements</td>
</tr>
<tr>
<td></td>
<td>Engagement Cloud chat V3</td>
<td></td>
</tr>
</tbody>
</table>
Outlook & Summary
Summary

dotdigital outlook

Confidence in the full year

• H1 delivered good financial and operational progress
• Continued strong momentum into second half
• Operational foundations in place
• Market continues to rapidly evolve providing opportunity
• Highly visible revenue model
• Strengthened platform proposition and highly scalable

Future growth

• Recurring SaaS revenue model
• Growth platform for mid-market companies
• Clear and focussed strategy
• Long-term product vision
• Growth with sustained profitability
• Agile business structure with empowered culture
• Experienced team
Questions

www.dotdigitalgroup.com
Significant shareholders

- Directors 10.6%
- European institutions
  - Liontrust Investment Holdings 19.5%
  - Slater Investment Ltd 5.9%
  - Investec Group 4.8%
  - Franklin Templeton Fund Management 4.5%
  - Highclere International 4.2%
  - Chelverton Asset Management 3.7%
Some of our 6,000+ clients and growing
Customer base sector analysis

We have a broadly equal split of B2B and B2C customers, with 25% of our revenue from the retail sector.
About dotdigital

Investment highlights

- Clear and compelling strategy
- Highly scalable platform
- Attractive industry growth
- Successful dotdigital culture
- Experienced management team
- Opportunities for superior growth
Case study
icelolly.com

Challenge:
icelolly.com found that its batch-and-blast destination emails were delivering lackluster engagement rates. With no order data, the holiday comparison site struggled to make marketing messages relevant to customers.

Solution:
icelolly.com tracked web behavior and used link grouping to garner insight into what subscribers wanted to see next. As a result, would-be travellers got moved into new segments which would trigger personalised messages based on relevant destinations. Using implicit data to accurately predict future customer interest lead to an increase in engagement and ROI.

Key stats:
- AOV: ↑54%
- Open rate: ↑120%

About icelolly.com

Client since 2015
EMEA, Travel

Engagement Cloud usage:

Discover Majorca...

Majorca is truly the ‘everyman’s’ island. The largest island of the Balearics, Majorca has rustic old-town charm, barefoot-luxury sandy beaches and buzzing nightlife; just take your pick!
Case study

Oliver Sweeney

Challenge:
Oliver Sweeney shoes are a work of art and the team sweats over every detail: from the design and color to leather and stitching. To keep customers happy and engaged, they had to be able to deliver increasingly relevant marketing messages across a variety of channels.

Solution:
The shoe retailer has implemented several automations, including welcome and aftersales. Moreover, the team has gone from no segmenting at all to filtering customers based on gender, location, and message frequency. The brand cleverly uses web behavior and order data to assume the shoesize of the customer and segment emails based on the stock available.

“Moving to dotdigital Engagement Cloud was the best thing we ever did.”

James Living, Customer Retention Executive, Oliver Sweeney
Case study
Royal Aeronautical Society

Challenge:
The RAeS has a vast amount of data at its fingertips: 24,000 members, 400 events per year, and almost 300 corporate partners. Members include engineers, astronauts, entrepreneurs, designers, and students from across the globe – each with their own interests and preferences. The society’s business model relies heavily on membership revenue, so delivering targeted content and relevant communications that inspire members to renew is key.

Solution:
The RAeS liaised with dotdigital partner Trillium to implement Engagement Cloud for Microsoft Dynamics 365, along with an integrated preference centre. The integration empowers the RAeS with faster, smarter marketing tools; the team is now able to sync its member database automatically, view key email analytics against contact records, and send valuable communications to relevant audiences. What’s more, targeted mailing lists can be created in CRM and synchronized across to Engagement Cloud – putting internal resources to better use.

Results:
The newly branded campaign templates have tripled click-through rates and increased event landing page traffic by 7%. The RAeS now sees open rates of 35% vs. a 22% average for the non-profit sector. Click-through rates are also up from 2.5% to 4%.
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