

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

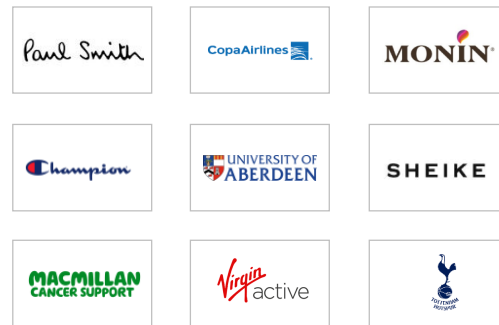
- Formed in 1999 as dotmailer with a marketing technology vision
- A global business with a UK headquarters
- 330+ global employees
- 14 offices worldwide
- Strong network of tech and solution partners
- Focussed on mid market

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 customer represent 17% of group revenue

Business split

Geographic expansion



■ EMEA ■ US ■ APAC

Strategic Partnerships



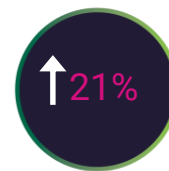
■ Connector ■ Non Connector

Product Innovation



■ Msg ■ License & Func. ■ One-off

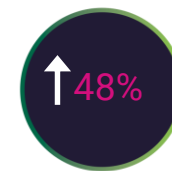
Key financials



10 year revenue CAGR



10-year adjusted EBITDA CAGR

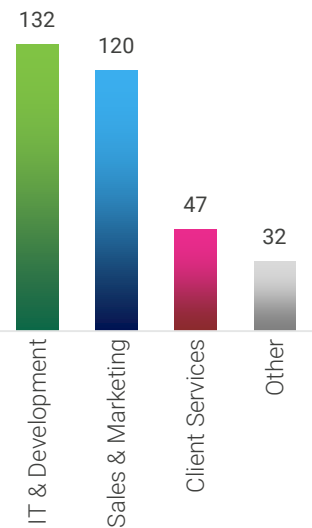


10 year fully diluted EPS CAGR

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.






UK
253 people



USA
29 people


Australia
16 people


South Africa
8 people


Singapore
3 people


Belarus
12 people


Poland
7 people


Netherlands
3 people

Financial and operational progress



Strong trading period with double digit organic growth



Continued momentum in adoption of Engagement Cloud platform globally



Focused R&D programme delivering value and adding to recurring revenues (c.90%)



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

A group of people at a summit, with a man in the foreground wearing a lanyard and a badge. The image is darkened and framed by a circular border with multiple overlapping lines in various colors (blue, green, yellow, red).

Our value proposition

Our mission is to drive value from every engagement for our customers

About dotdigital

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

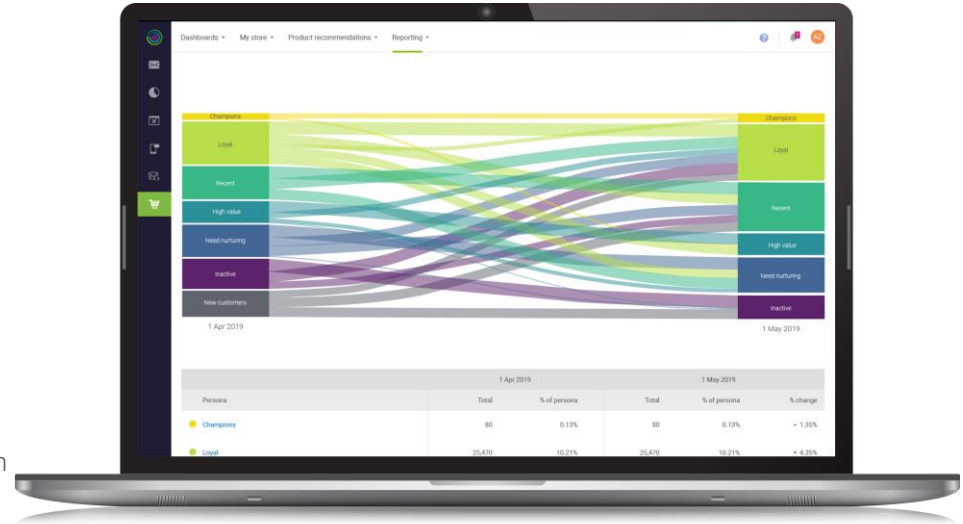
If our customers are busy or short-staffed, we can do it all for them.

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.



Market leading for email and more

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



 **Laura C**
Data Analyst
Small-Business (11-50 employees)


Validated Reviewer ✓ Verified Current User ✓ Review source: Invitation from G2 on behalf of the vendor

★★★★★ Dec 23, 2019
"Fantastic easy to use and very powerful marketing platform."

 **Kristin G**
Semiconductor Engineer
Enterprise (10,001+ employees)

Validated Reviewer ✓ Verified Current User ✓ Review source: Invitation from G2 on behalf of the vendor

★★★★★ Dec 20, 2019
"dotdigital Engagement Cloud the perfect tool for email marketing automation."
What do you like best?
dotdigital Engagement is the perfect tool for marketers to automate different marketing campaigns through emails. I really consider dotdigital Engagement is a universal platform as it is well known in many countries, dotdigital allows from designing, testing and integrates perfectly with e-packages like Magneto Commerce. se since previously this function personally I consider that functionality and the great results

 **Travis R**
E-commerce Growth Consultant / Client Hero
Marketing and Advertising
Small-Business (2-10 employees)

Validated Reviewer ✓ Verified Current User ✓ Review source: Invitation from G2 on behalf of the vendor

★★★★★ Nov 19, 2019
Business partner of the vendor or vendor's competitor, not included in G2 scores.

"Tons of features and great support"
What do you like best?
We're using landing pages and forms to capture more information about our audience and turning that into sales. Love it! We're running a contest right now and using DotDigital forms to submit and manage entrants. The email creation is easy and the block make it fast to reuse content. Also the dynamic product pulls from Magento are awesome and make customizing a drip campaign with relevant products really easy.



A group of people at a summit, with a man in the center wearing a lanyard and holding a drink. The image is darkened and framed by a circular border with multiple overlapping lines in various colors (blue, green, yellow, red).

Clear and focussed growth strategy

Foundations for long term success

Growth strategy



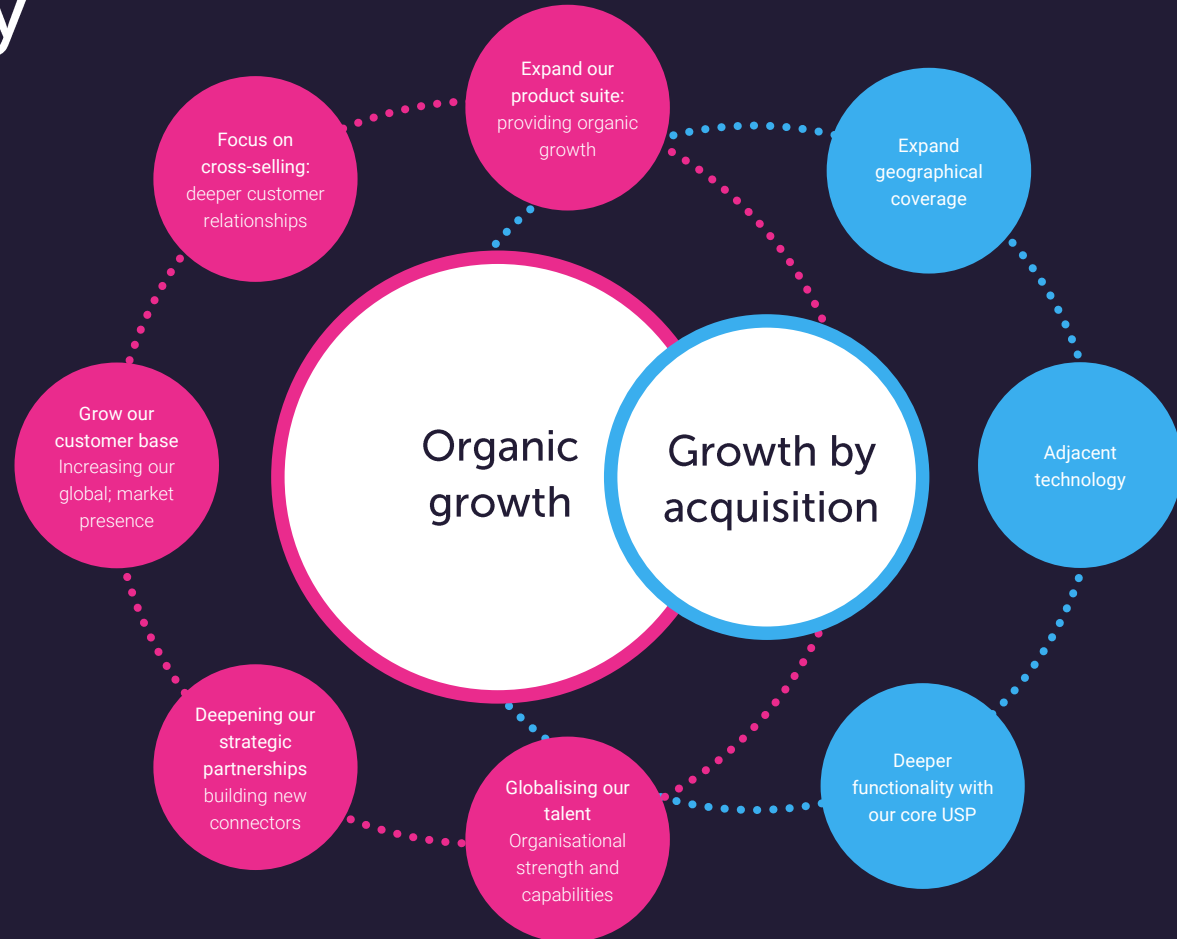
Geographic expansion



Strategic partnerships



Product innovation



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



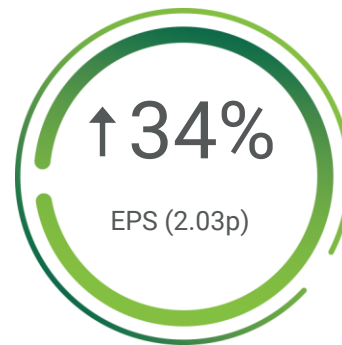
- 1 Onboarding, training, managed service, design services, custom integrations
- 2 License, data insights and other bolt-on functionality
- 3 Email, WhatsApp, App push, Facebook Messenger and other channels



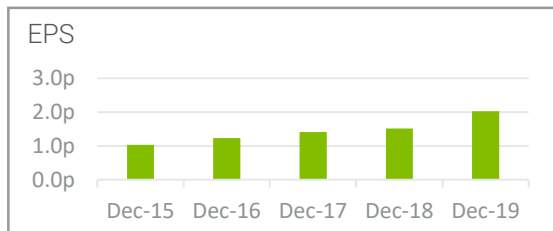
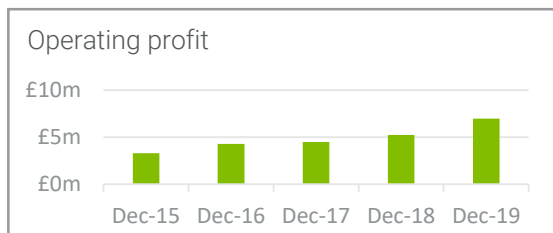
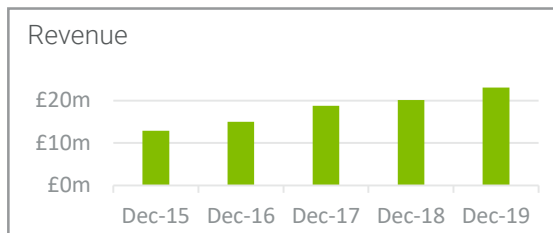
Execution & Financial Review

Strong, profitable organic growth

Key financial highlights



Trading performance



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

* Excludes exceptional costs of €0.4m in the period
 1) share-based payments (€0.3m)
 2) Amortisation re acquired intangibles (€0.1m)

[#] Excludes exceptional costs of €0.5m in the period
 1) share-based payments (€0.4m)
 2) Amortisation re acquired intangibles (€0.1m)

[†] Excludes exceptional costs of €0.1m in the period
 1) Amortisation re 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 34% 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

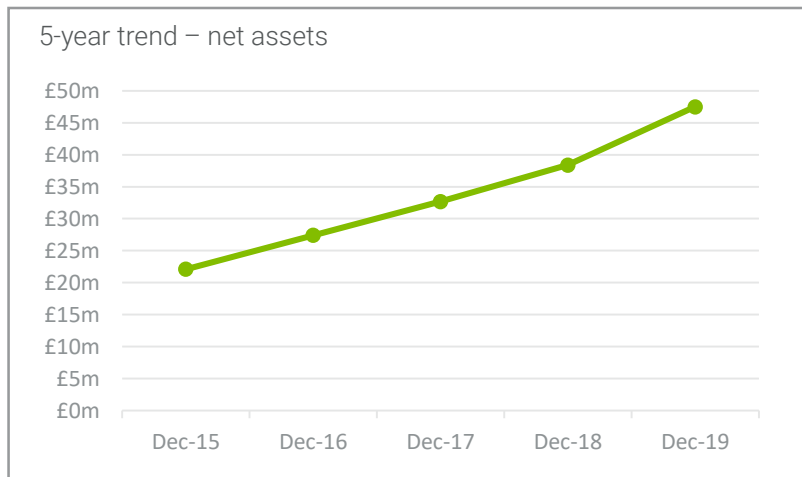
EBITDA from continuing operations

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

Adjusted EBITDA	Dec 19 £M	Dec 18 £M
Operating profit from continuing operations	6.6	4.7
Depreciation	0.2	0.2
IFRS 16 depreciation	0.4	-
Amortisation	1.8	1.3
EBITDA	9.0	6.2
Share based payments	0.4	0.5
Adjusted EBITDA	9.4	6.7

Statement of financial position

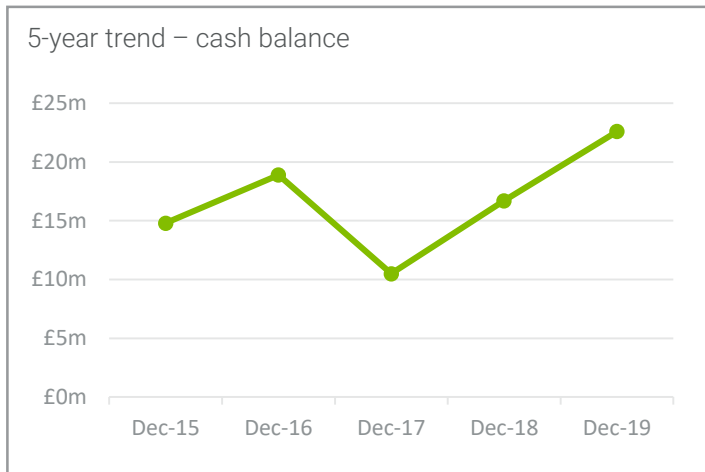
- Healthy balance sheet
- Net cash balances of £22.6m
- Now includes right of use assets of £5.3m and lease liabilities of £5.3m as a consequence of IFRS16



Balance sheet	Dec 19 £M	Dec 18 £M
Non-current Assets	28.7	21.5
Other Current Assets	13.2	12.4
Cash	22.6	16.7
Total Assets	64.5	50.6
Non-current Liabilities	6.1	1.9
Current Liabilities	11.0	10.3
Total Liabilities	17.1	12.2
Net Assets	47.4	38.4

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)



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

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%

Continuing Operations	In-period adj £'000
Depreciation	(402)
Interest expense	(49)
Rent expense	381
Adjusted operating profit from continuing operations	7.0
<hr/>	
Group assets and liabilities	31st Dec 2019 £'000
Right-of-use assets	5,274
Lease liability	(5,339)



Operational review

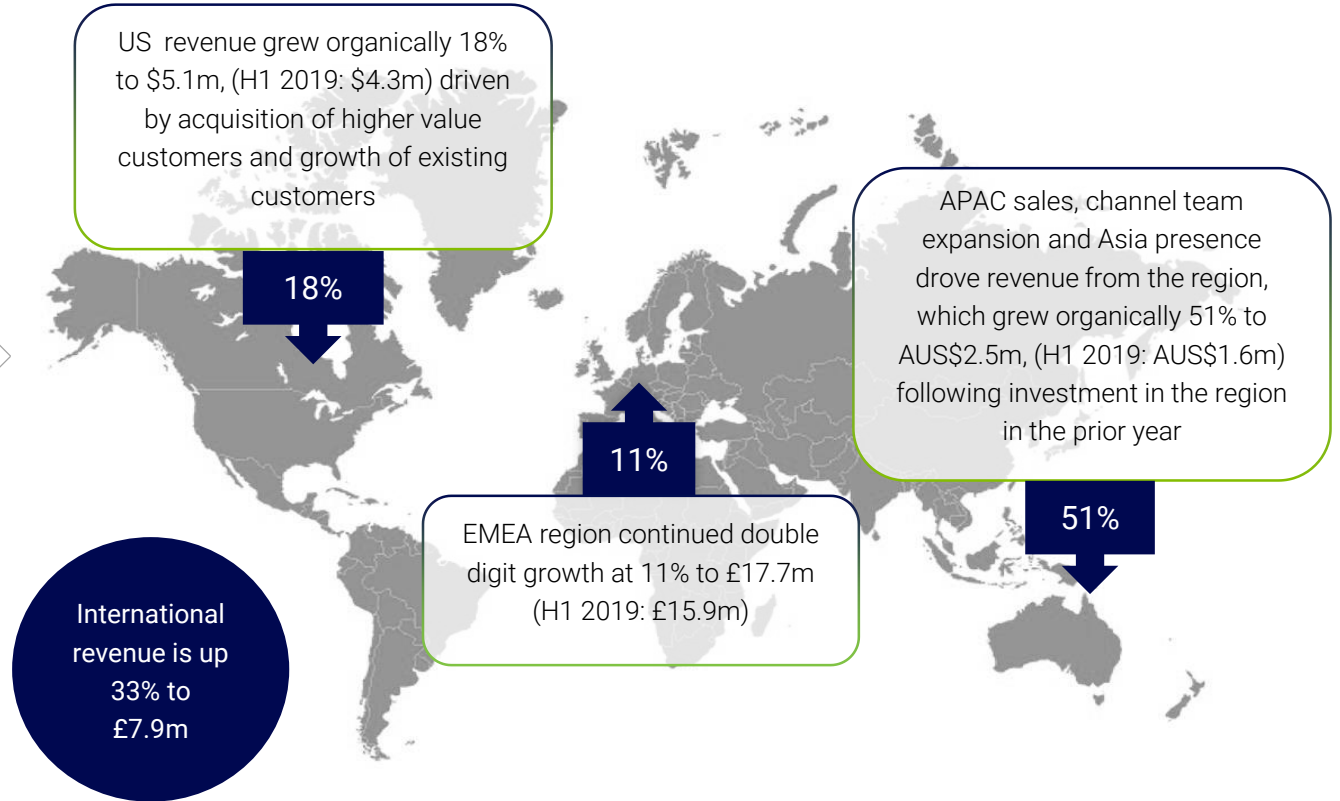
Strengthened foundations for continued growth

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

18%

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

51%

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

11%

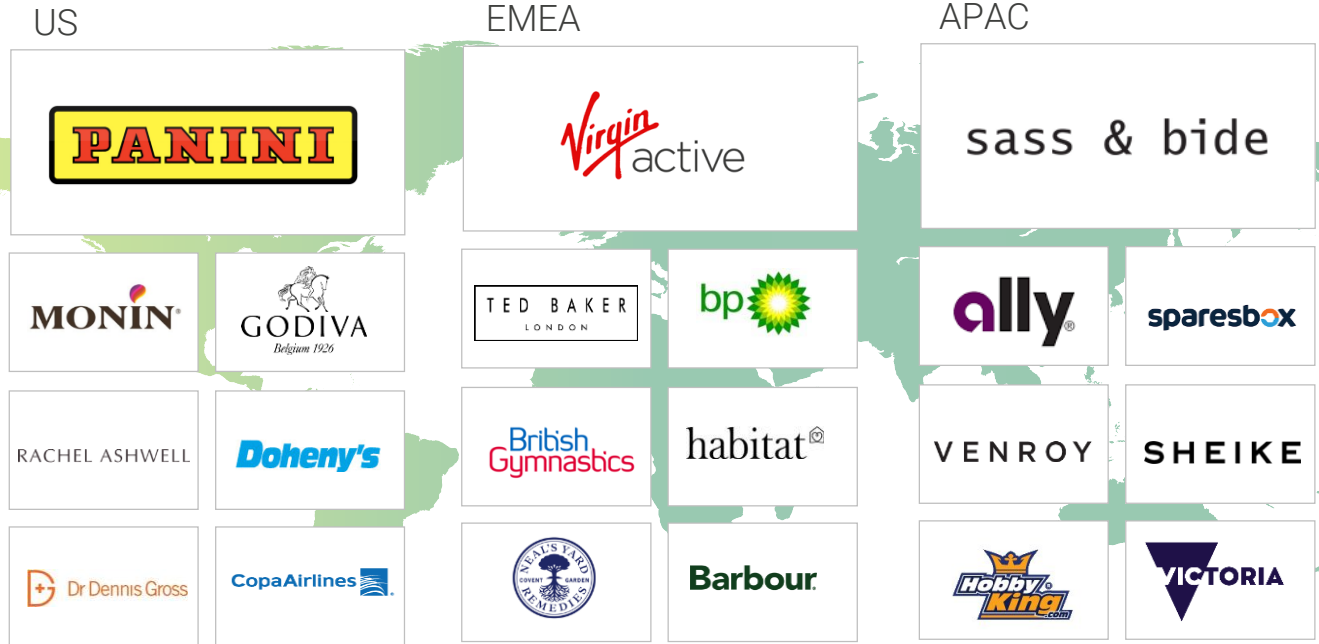
International revenue is up 33% to £7.9m

Expanding international presence

Geographic expansion

Strategic partnerships

Product innovation



Building pipeline and market reach

Geographic expansion

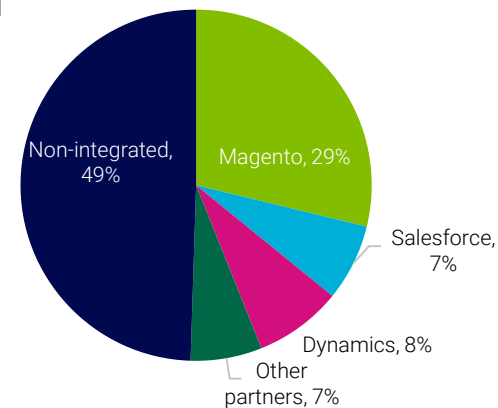
Strategic partnerships

Product innovation

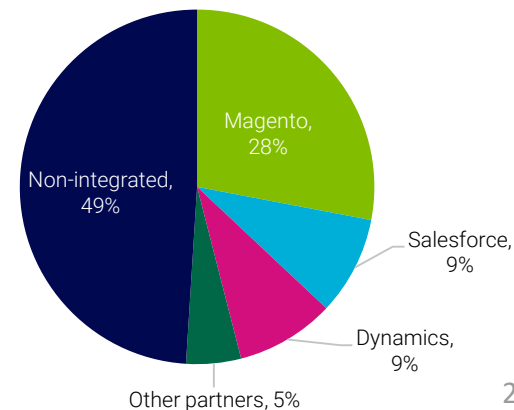
Review

- 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

H1 2020



H1 2019



Building pipeline and market reach

Geographic expansion

Strategic partnerships

Product innovation

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



Global Premier
Technology Partner



Gold Microsoft
Partner



Technology Partner



Verified Partner

Product innovation driving value

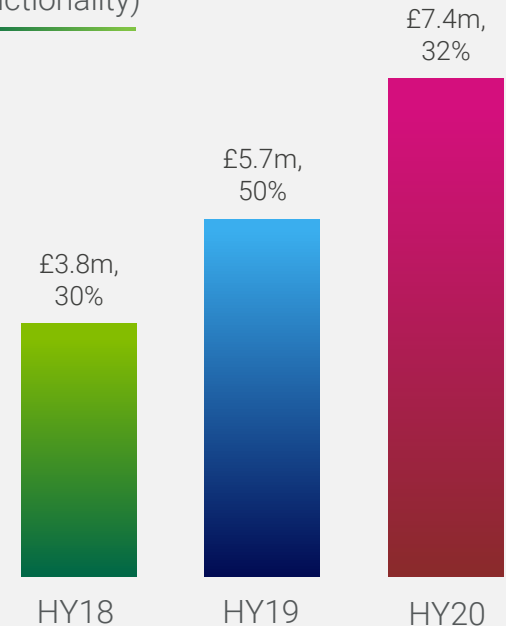
Geographic expansion

Strategic partnerships

Product innovation

- 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

Functional Recurring Revenue (Engagement Cloud - license & functionality)



Engagement Cloud roadmap

Now – 20one

January release



SMS continued: Reply handling and Split testing



Abandoned Browse



UI improvements for eCommerce



Engagement Cloud chat V2



Chat for Magento



Multi-Store Support



MS Dynamics Unified Interface Support

April

20two



Multi-decision node for programs



eRFM



Program enrolment improvements and triggered campaign reporting



Trustpilot and product review integration



Transactional email improvements for Commerce Flow integrations



B2B Commerce support for Magento



Triggered SMS improvements and SMS validation for global senders



Engagement Cloud chat V3

Coming soon



Mobile-first, interactive landing pages



Social ads



Unified contacts across channels



Best-next dashboard



Purchase Optimization – product recommendations



Improved resubscription process for Commerce Flow and Zapier



Easy Editor improvements, including Google AMP refinements



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

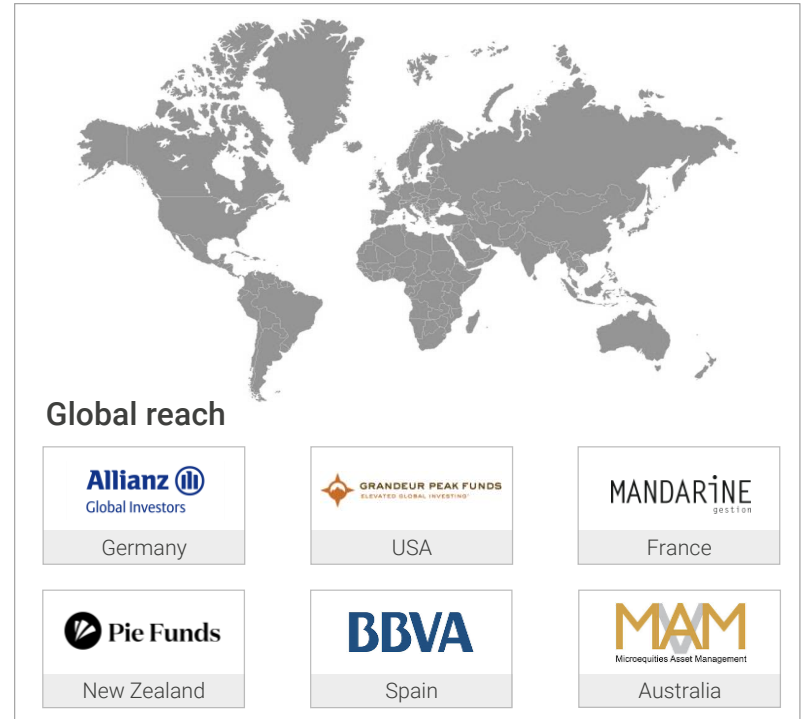




Appendix

Significant shareholders

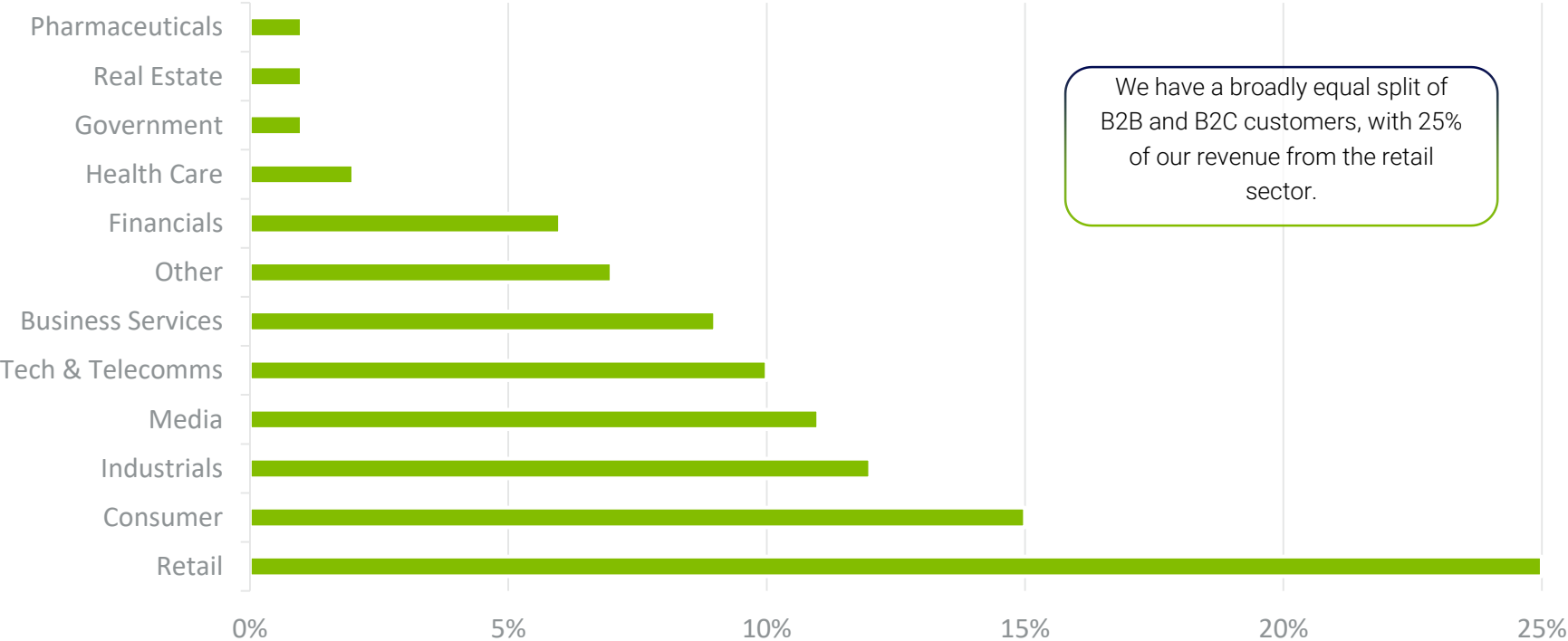
- Directors 10.6%
- European institutions
 - Liontrust Investment Holdings 19.5%
 - Slater Investment Ltd 5.9%
 - Investec Group 4.8%
 - Franklin Templeton Fund Management 4.5%
 - Highclere International 4.2%
 - Chelverton Asset Management 3.7%



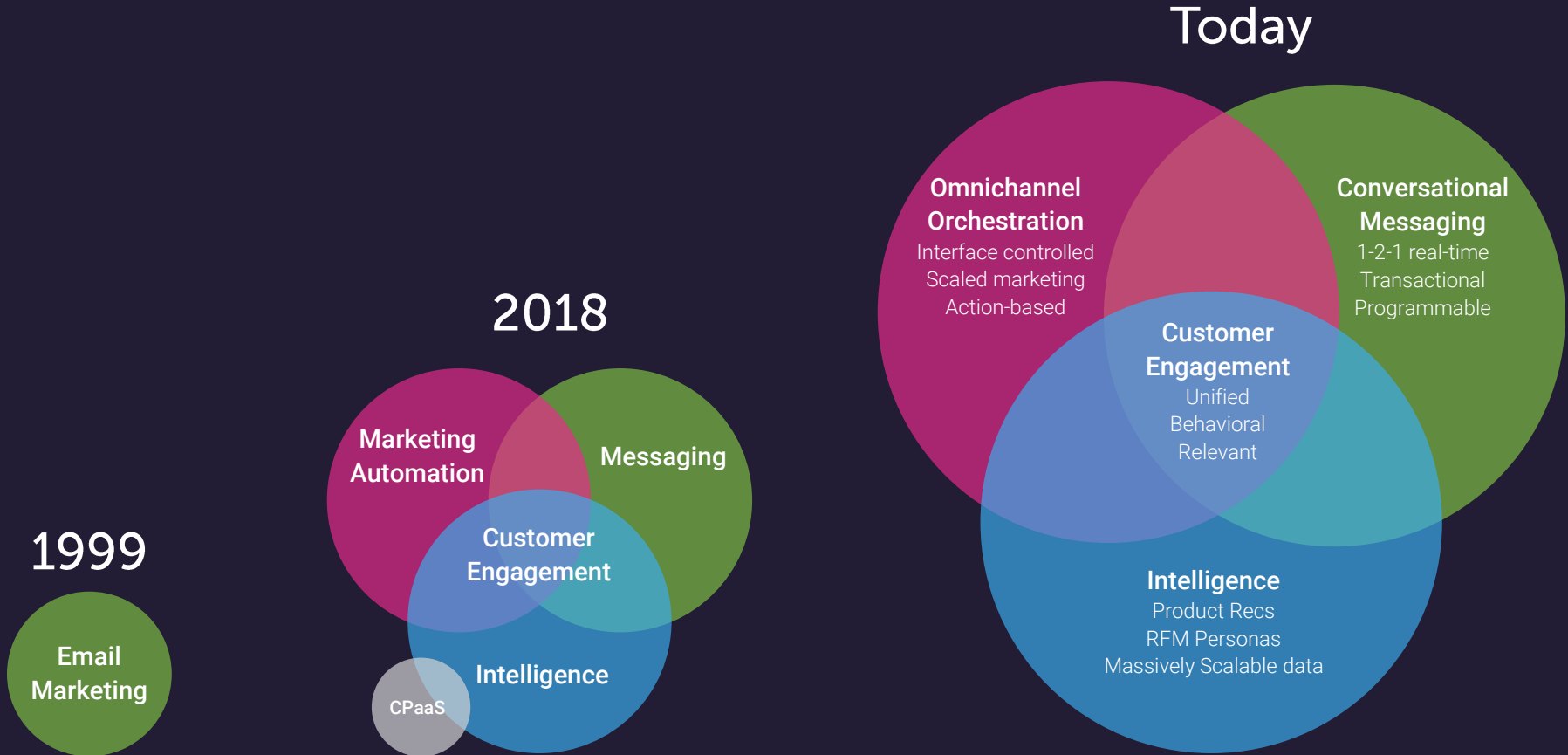
Some of our 6,000+ clients and growing



Customer base sector analysis



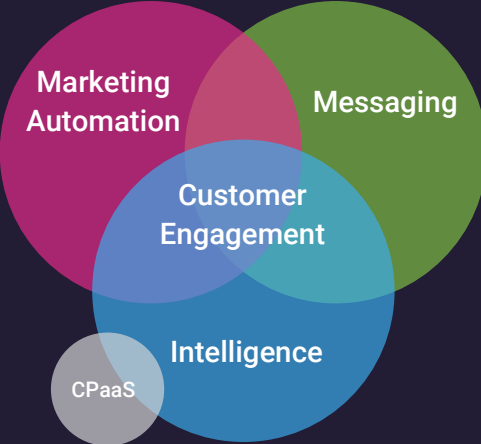
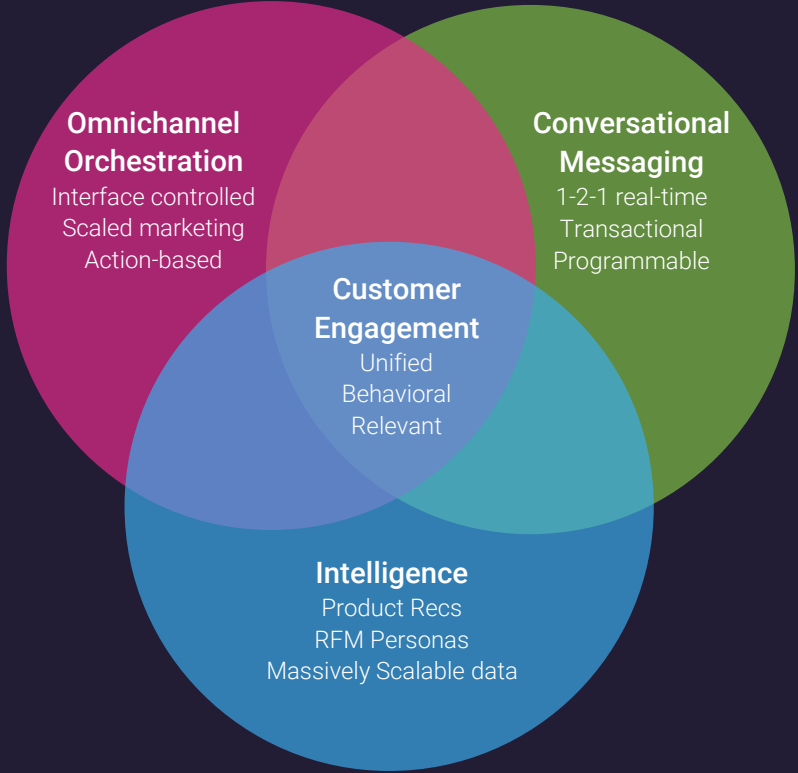
Our Journey



Today

2018

1999



About dotdigital

Investment highlights



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.

About



Client since 2015
EMEA, Travel

Engagement Cloud usage:



Key stats:

AOV
↑ 54%

Open rate
↑ 120%

Unsubscribe | View in browser | Forward this email

icelolly.com
Compare. Call. Save.

Package holidays advertised are protected
ABTA
Travel with confidence

YOUR NEXT HOLIDAY TO
MAJORCA

We're driving down the cost of your next Majorcan adventure with cut-price deals to this hugely popular Spanish island. Discover more below and book a bargain break today before it's too late!

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.

About client

Oliver Sweeney

Client since 2016
Retail

Engagement Cloud usage:



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

James Living, Customer Retention
Executive, Oliver Sweeney

Oliver Sweeney

MEN'S WOMEN'S ACCESSORIES CARE & REPAIR



Hi!

It's great to have you with us. Now you're on the list, we'll be keeping you up to date with regular emails and exclusive offers.

You'll be the first to know about our latest lines and upcoming sales and hopefully come to share our obsession with craftsmanship and detail, that's behind everything we do.

Enjoy!

Tim Cooper

Case study

Royal Aeronautical Society

Challenge:

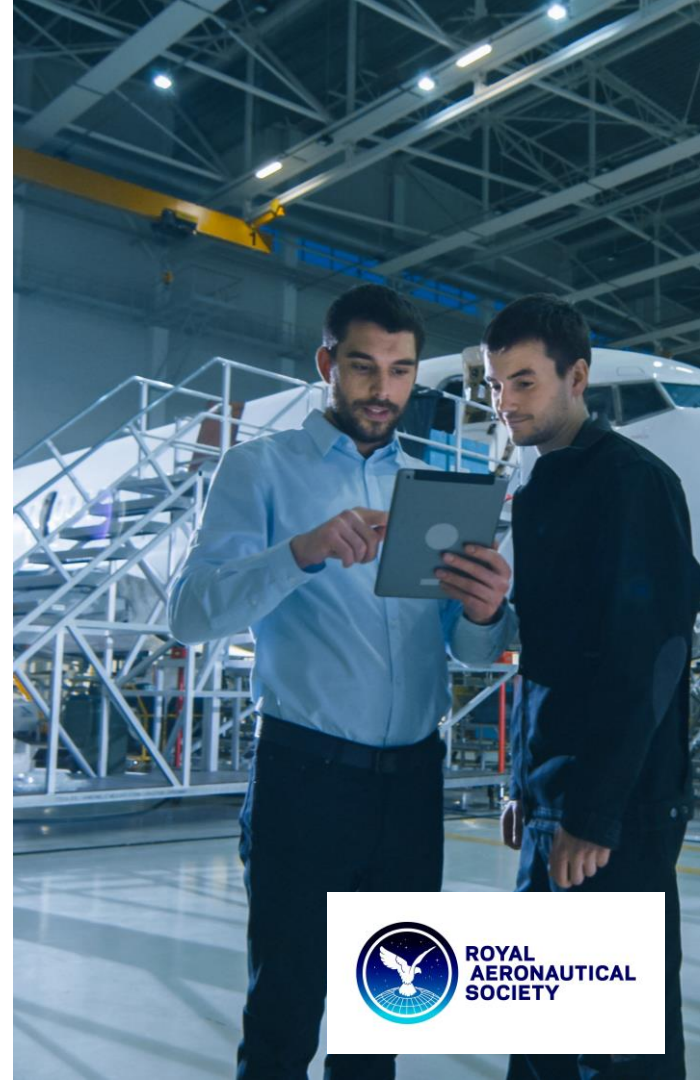
The RAeS has a vast amount of data at its fingertips: 24,000 members, 400 events per year, and almost 300 corporate partners. Members include engineers, astronauts, entrepreneurs, designers, and students from across the globe – each with their own interests and preferences. The society's business model 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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