

Full year results presentation for the year ended 30 June 2020

Milan Patel, CEO

Paraag Amin, CFO

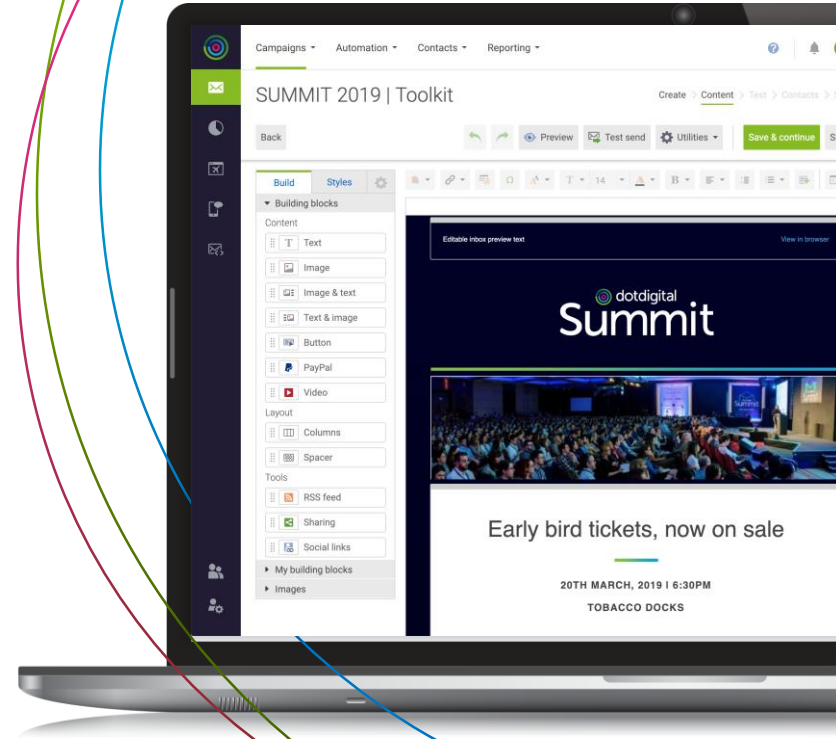
November 2020



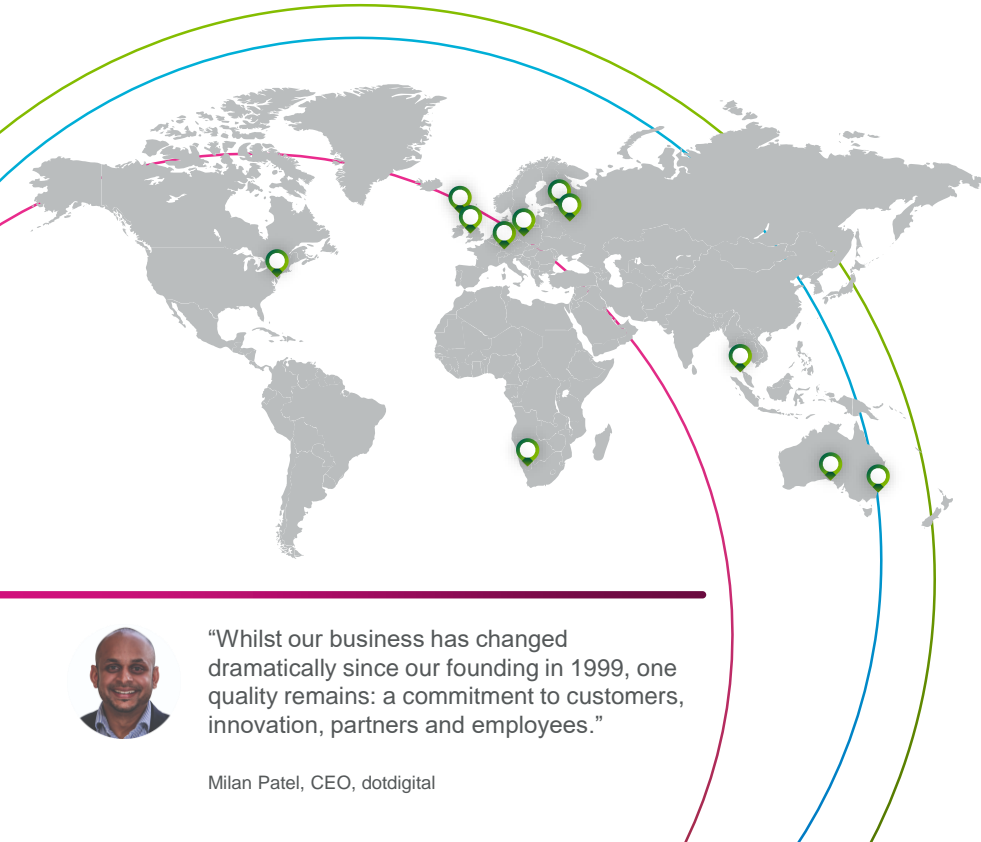
What we do

We sell cloud-based software to businesses that helps them send emails and marketing communications to their customers.

- Design professional looking emails quickly
- Send personalised email and SMS campaigns
- Automate email programs like welcome, birthday, and abandon basket
- Use other channels including live chat, social messaging in-app messaging and chat apps
- Capture customer data with landing pages and surveys
- Use AI for send time optimisation and product recommendations
- Track results with reports and dashboards



Empowering marketers across the globe



“Whilst our business has changed dramatically since our founding in 1999, one quality remains: a commitment to customers, innovation, partners and employees.”

Milan Patel, CEO, dotdigital

Who we are

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

Trade associations



Selected Service Partners

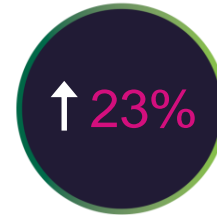


Key integrations



The leading omnichannel marketing automation platform

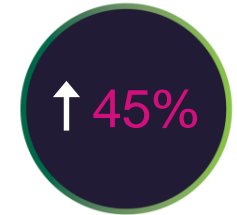
Who we help



10-year revenue CAGR



10-year adjusted EBITDA CAGR

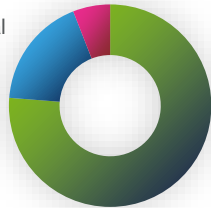


10-year EPS CAGR

* Top 100 customer represent 17% of group revenue

Business split

Regional



■ EMEA ■ US ■ APAC

Business model



■ Msg ■ License & Func. ■ One-off

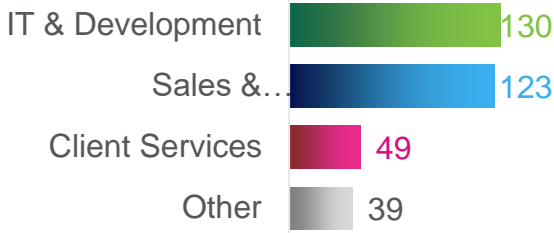
Strategic











■ Connector ■ Non Connector

The best talent in the industry

We employ 341 people in 13 office locations around the world.



-  **UK**
250 people
-  **USA**
32 people
-  **Australia**
20 people
-  **South Africa**
10 people
-  **Singapore**
3 people
-  **Belarus**
16 people
-  **Poland**
6 people
-  **Netherlands**
4 people

Strengthened PLC board



Mike O'Leary

Non-Executive Chairman

Mike has over 30 years' main board experience serving on AIM listed, FTSE 250 and FTSE 100 companies running global operations in varied business environments with a focus on the technology sector.



Liz Richards

Non-Executive Director

Liz is a highly experienced executive and non-executive director with a career spanning the Financial Services, Data and Software sectors.



Boris Huard

Non-Executive Director

Boris joined the Board on in March 2019 and is the UK&I Managing Director for Experian Decision Analytics, bringing present day experience of running software, big data and analytics businesses.

A clear and focused strategy



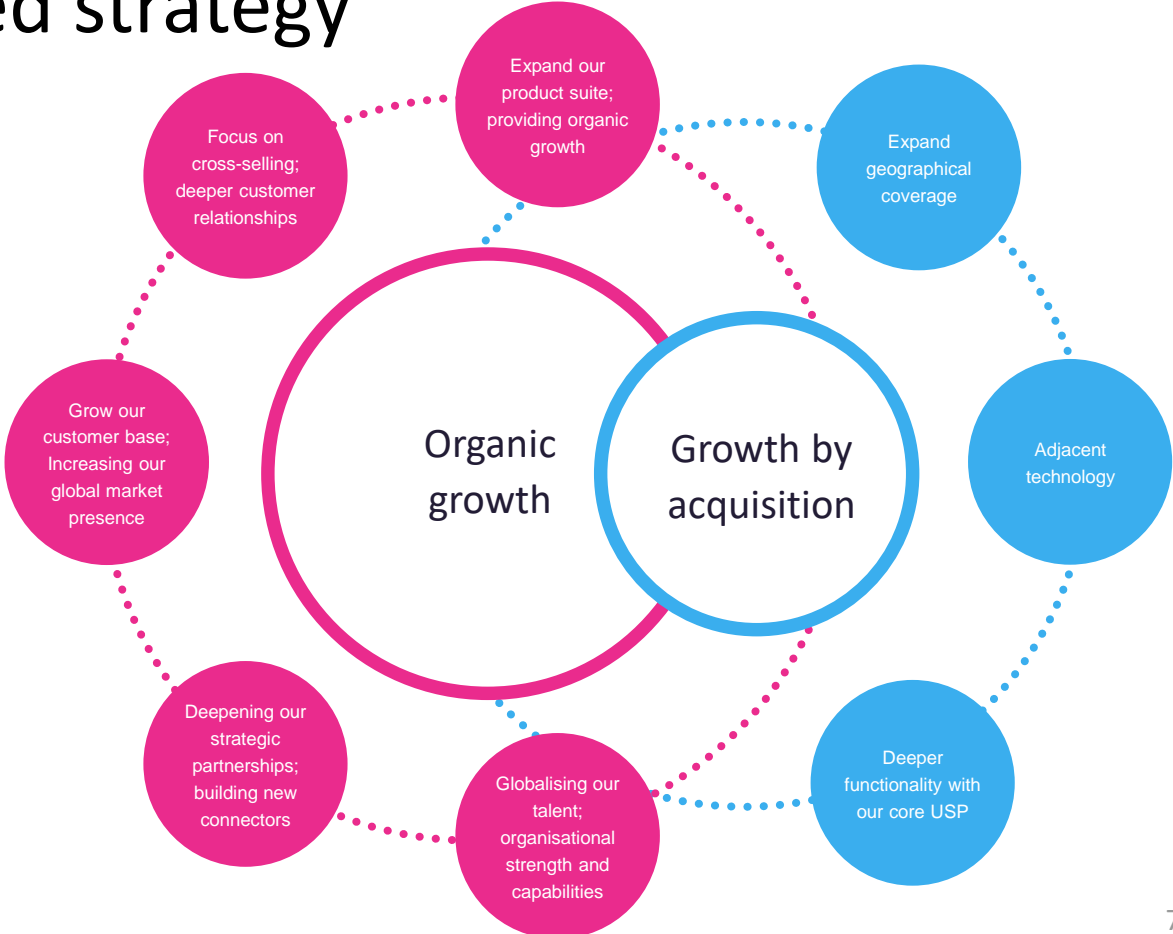
Product Innovation



Strategic partnerships



Geographic expansion



FY 19/20 review



COVID-19 Snapshot

- 1 Quickly and safely transitioned to working from home with minimal operational impact
- 2 New business levels normalised after brief slowdown in April with trading improving on a monthly basis through to the end of the year
- 3 Robust cash collection throughout with benefits of diversity of customer base evident
- 4 Retained all colleagues and did not use government support schemes
- 5 Encouraging sales momentum post-period despite uncertainty in end markets
- 6 No impact expected from second lockdown as working environment has not changed – continue to closely monitor and respond to developments



Key messages



Double digit organic growth despite COVID disruption proves resilience of business model



Continued momentum in adoption of platform globally



Increased demand for omnichannel offering with a quarter of all customers now using more than one channel



Significant and continuing investment in international hubs, strategic partnerships and product to capitalise on market opportunity



Strengthened already robust financial position with healthy balance sheet and strong cash position



High level of confidence in delivering on targets for new financial year following positive start

Strategic progress



Driving value through the Engagement Cloud

Product innovation

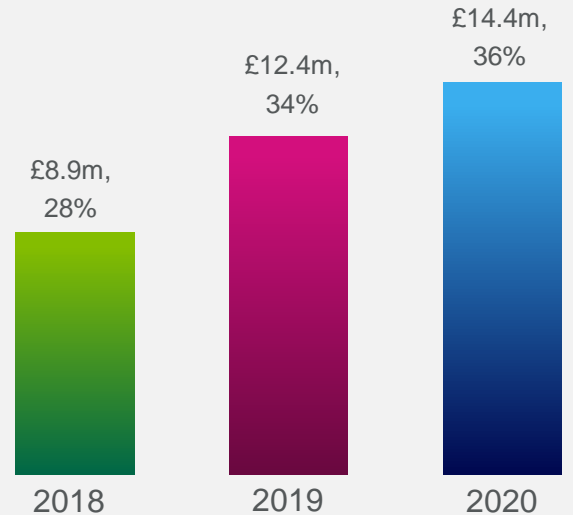
Strategic partnerships

Geographic expansion

- Functional Recurring Revenue grew 16% to £14.4m in 2020. It now makes up 36% of Engagement Cloud recurring revenue.
- Significant YoY increases in synced orders, products, web insights, and more.



Functional Recurring Revenue
(Engagement Cloud - license & functionality)



What's new

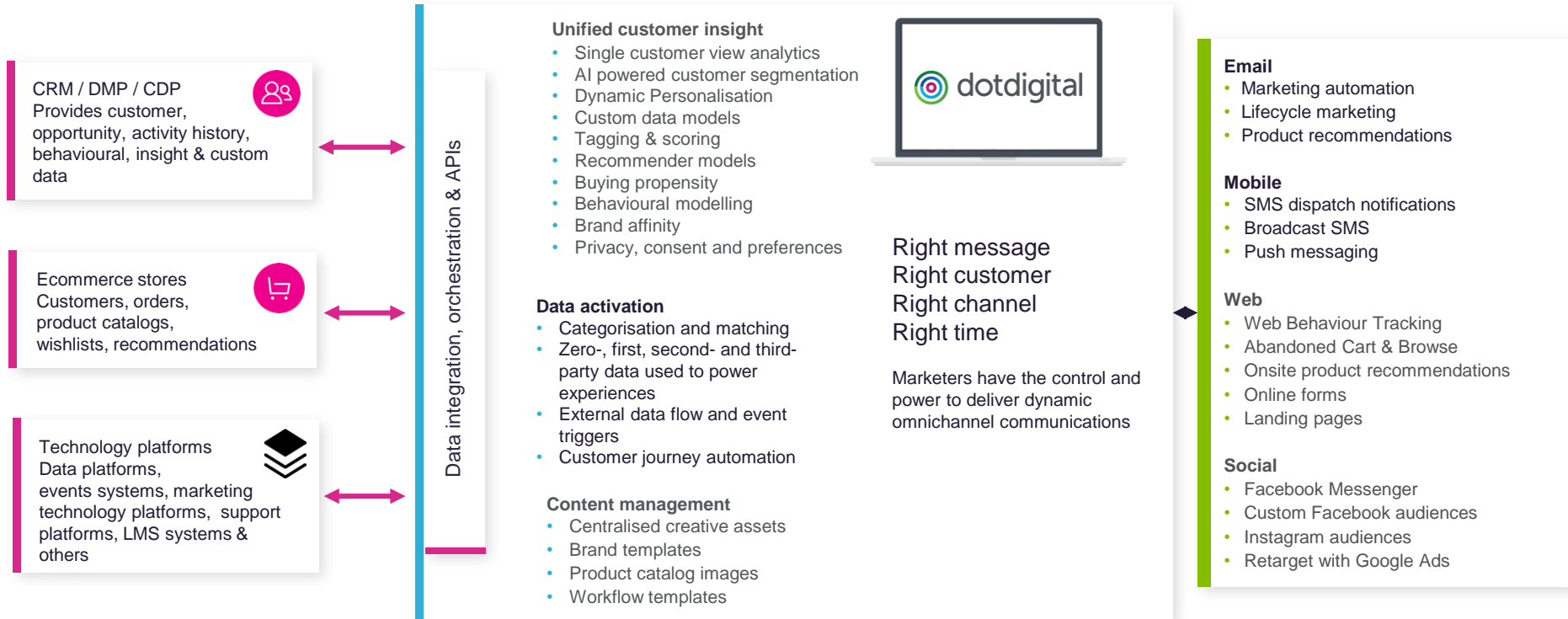
Product innovation

Strategic partnerships

Geographic expansion

- Continued focus on data and intelligence – joining all data together to create a single customer view and improving personalisation
- Continued to harness AI and machine learning including launch of sector-tailored product package for commerce customers and enhanced product
- Other key developments in the period include:
 - Improved end user interface
 - Bolstered our transactional email and messaging capability for our integrations
 - Introduced concepts of loyalty
- Built out further omnichannel functionality including the launch of a new live chat solution and additional SMS capabilities – 23% of customers are using more than one channel, demonstrating the value of omnichannel

Product vision



Connect your most
valuable systems

Tech that does
the hard work

Omnichannel reach to
engage with audiences

Building pipeline and market reach

Product innovation

Strategic partnerships

Geographic expansion

- Sales from customers using connectors to our strategic partners' solutions increased by 10% to £22.2m (2019: £20.3m).
- Revenues grew in both ecommerce (Magento and Shopify) and CRM (Salesforce & MS Dynamics).
- Announced BigCommerce Elite Partner and our integration became Shopify Plus certified
- New team and increased marketing budget to improve our strategic relationship with Microsoft in North America, where we see a significant opportunity.



Premier Partner

shopifyplus

Certified App partner



Elite Partner

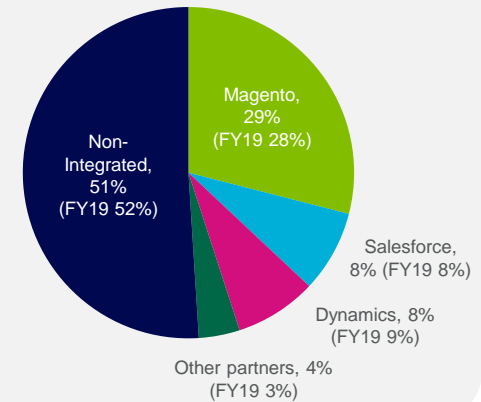


Gold Partner



Verified Partner

2020

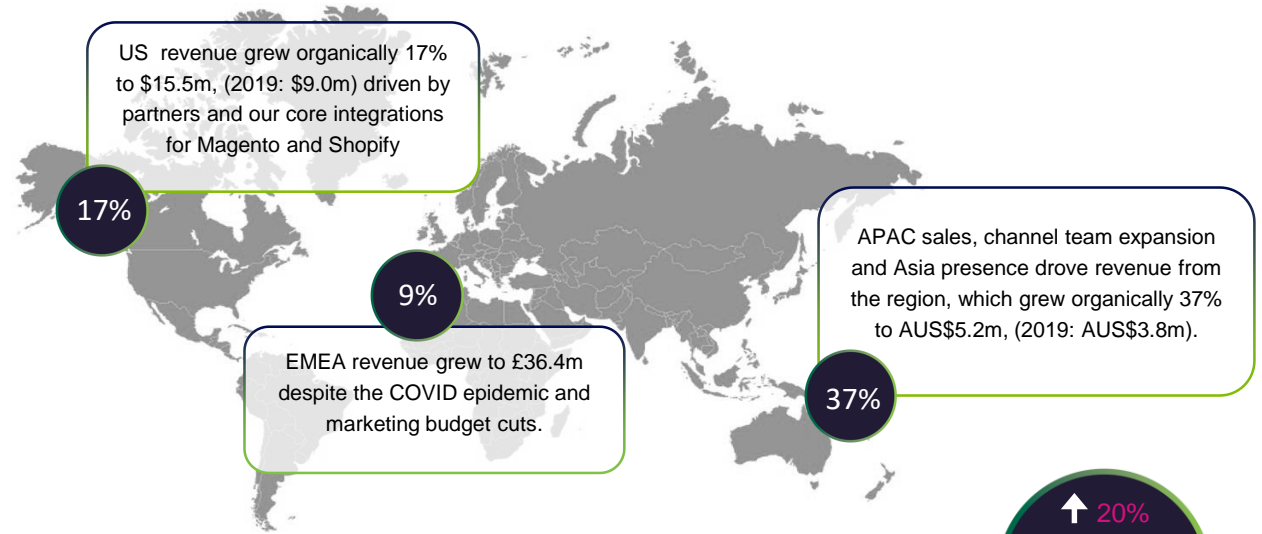


Our international operations continue to expand

Product innovation

Strategic partnerships

Geographic expansion



- We saw some disruption in Q4 due to COVID
- New, experienced management team hired for the US in 2H19



Selection of new clients signed



Financial review



Historical growth trends

Growth trends continue for both revenue and profit

888%

Engagement Cloud Revenue growth

1555%

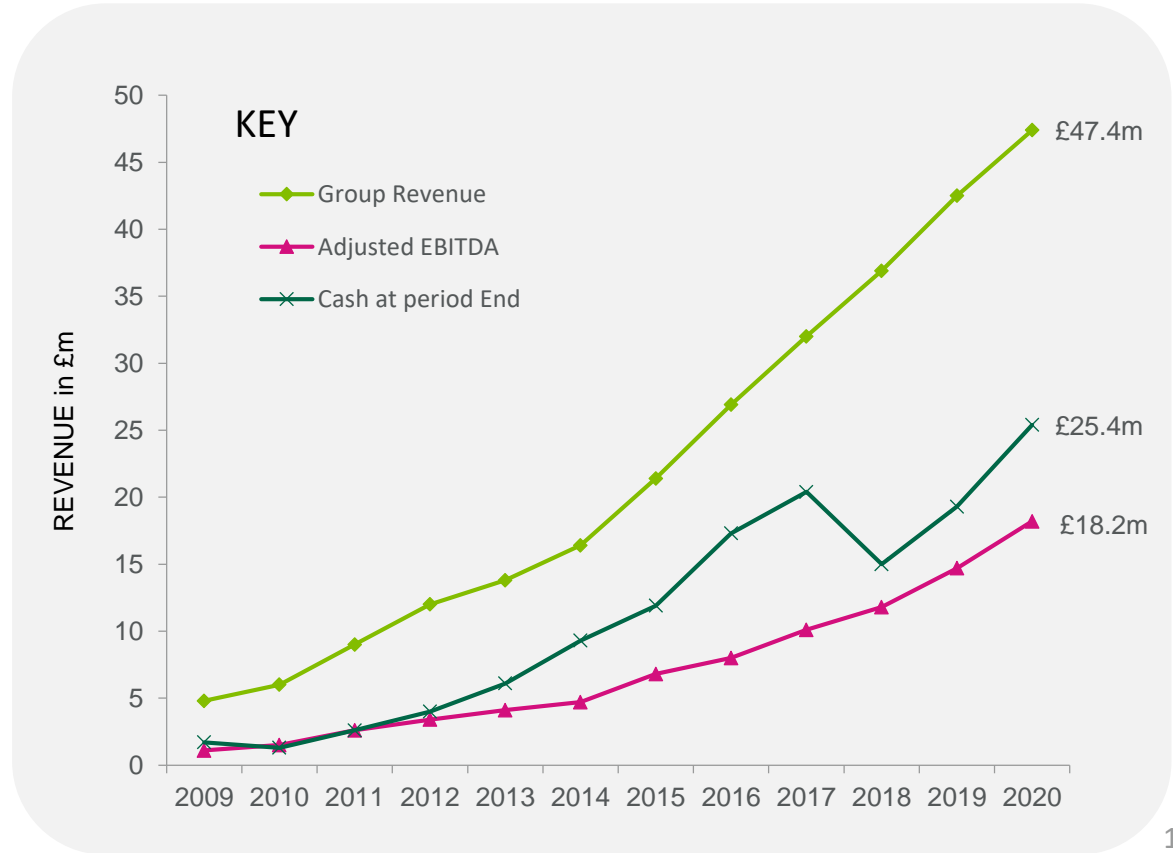
Adjusted EBITDA growth

23%

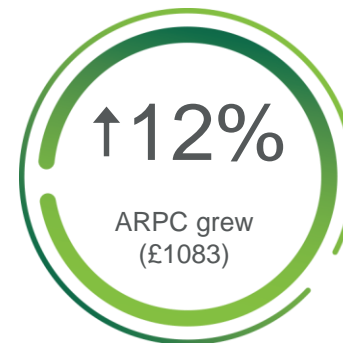
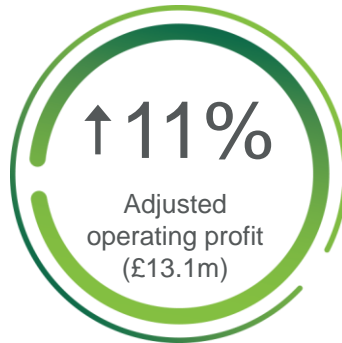
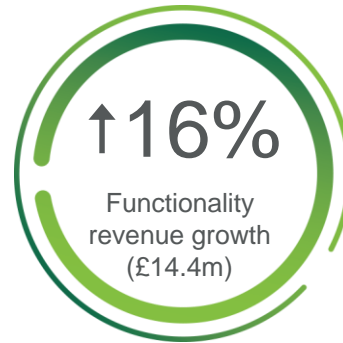
Engagement Cloud Revenue CAGR

28%

Adjusted EBITDA CAGR



Key trading highlights



Trading performance

| Profit & Loss Statement | Continuing operations | | | Discontinued ops | | Group |
|----------------------------------|-----------------------|--------------|-------------|------------------|--------------|--------------|
| | Jun 20 £M | Jun 19 £M | Growth % | Jun 20 £M | Jun 19 £M | Jun 20 £M |
| Revenue | 47.4 | 42.5 | 12% | 7.5 | 8.8 | 54.9 |
| Cost of sales | (6.3) | (4.4) | 45% | (5.6) | (6.9) | (11.9) |
| Gross profit | 41.1 | 38.1 | 8% | 1.9 | 1.9 | 43.0 |
| Admin expenses | (28.0) | (26.4) | 6% | (1.9) | (3.3) | (29.9) |
| Exceptional Items* | (0.8) | (0.7) | 10% | (0.4) | (0.7) | (1.2) |
| Operating profit | 12.3 | 11.0 | 11% | (0.4) | (2.2) | 11.9 |
| EBITDA | 17.4 | 14.0 | 24% | | | |
| Adjusted EBITDA | 18.2* | 14.7# | 24% | | | |
| Adjusted operating profit | 13.1* | 11.8# | 11% | 0.0 | (1.5) | 13.1 |
| Adjusted diluted EPS | 3.8p | 3.9p | (2%) | 0.0p | (0.6)p | 3.8p |

Group revenue

- Organic revenue grew 12% to £47.4m (2019: £42.5m)
- Monthly ARPC up 12% to £1083 (2019: £966)

International revenue

- Now 31% of total (2019: 29%).

Revenue from strategic partners

- Increased by 10% to £22.2m (2019: £20.3m)

Cost of sales analysis

- Direct marketing reduced to £1.7m due to COVID and events being cancelled (2019: £2.6m)
- Partner commission £2.6m (2019: £1.8m)

Key investment areas

- People (net +23 people in last 12 months), in international regions.

* Excludes exceptional costs of £0.8m in the period
 1) share-based payments (£0.7k)
 2) for the acquisition of Comapi (£0.1k)

Excludes exceptional costs of £0.8m in the period
 1) share-based payments (£0.6k)
 2) for the acquisition of Comapi (£0.2k)

Statement of financial position

- Healthy balance sheet
- Strong cash position
- Zero debt
- Bandwidth for strategic investments
- Strong distributable reserves
- IFRS16 adoption leads to increased liabilities (additional £1.1m current and £3.4m non-current lease liabilities)

| Balance sheet | Jun 20 £M | Jun 19 £M |
|-------------------------|--------------|--------------|
| Non-current Assets | 29.0 | 22.4 |
| Other Current Assets | 13.0 | 12.2 |
| Cash | 25.4 | 19.3 |
| Total Assets | 67.4 | 53.9 |
| Non-current Liabilities | 5.6 | 1.2 |
| Current Liabilities | 11.1 | 11.1 |
| Total Liabilities | 16.7 | 12.1 |
| Net Assets | 50.7 | 41.5 |

Cashflow statement

- Strong cashflows generated from operations
- Adjusted free cash flow of £8.8m
- Healthy cash balance

| Cash flow | Jun 20 £M | Jun 19 £M |
|---|--------------|--------------|
| Net cash generated from operations | 15.9 | 12.3 |
| Net cash used in investing activities | (6.8) | (6.1) |
| Net cash used from financing activities | (3.0) | (1.9) |
| Cash and cash equivalents at beginning of period | 19.3 | 15.0 |
| Cash and cash equivalents at end of period | 25.4 | 19.3 |

Accounting standard changes

- We have adopted IFRS 16 as at 1 July 2019 using the modified approach but not restated comparatives.
- The IFRS 16 P&L impact was a £72k decrease on adjusted operating profit and a £58k decrease on profit after tax for the continuing operations.

| IFRS 16 adjustment | as at 30 June 2020 (£m) |
|-------------------------------|--|
| Right of Use Asset | 4.4 |
| Lease Liabilities | 4.5 |
| Continuing Operations | In-period adjustments (£'000) |
| Adjusted operating profit | (72) |
| Income tax expense | 14 |
| Profit after tax for the year | (58) |

Summary



High proportion of recurring revenues

Large percentage under contract

Strong international growth

Raising revenue growth guidance

Healthy balance sheet and strong cash position

Our market



The pandemic is fast-tracking digital transformation

- Consumer behaviour has changed
- Marketers across the world have shown an incredible resilience and ability to adapt to the next normal
- A renewed empathy for customers and their requirements
- Realisation that marketing plays a key role in sales generation as well as customer retention
- Renewed interest in marketing automation technology makes dotdigital a key enabler

“2 years worth of digital transformation in 2 months.”

Satya Nadella, CEO, Microsoft

“Now, the path forward is clear: Accelerate digital business or risk the survival of the organization”.

Chris Howard, Gartner

The rise of omnichannel marketing



£42



Average return for £1 spent on email marketing



30%



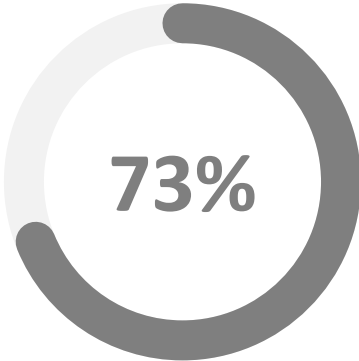
Higher customer lifetime value when a cross-channel approach is adopted



56%



Of in-store purchases are influenced by digital transactions



73%



Of consumers shop on more than one channel

The value in an omnichannel product is clear as marketers accelerate their digital strategy



22%

YoY email send growth



28%

More automation programs YoY



221%

YoY mobile messaging growth



20%

of customers using 3 channels or more

The world's largest independent mid-market Omnichannel Marketing Automation platform



LOW (price: <\$400/month)


Campaign Monitor
(Part of the CM group)



MID (price: \$400-\$30k/month)




selligent
(Acquired by
CM group)

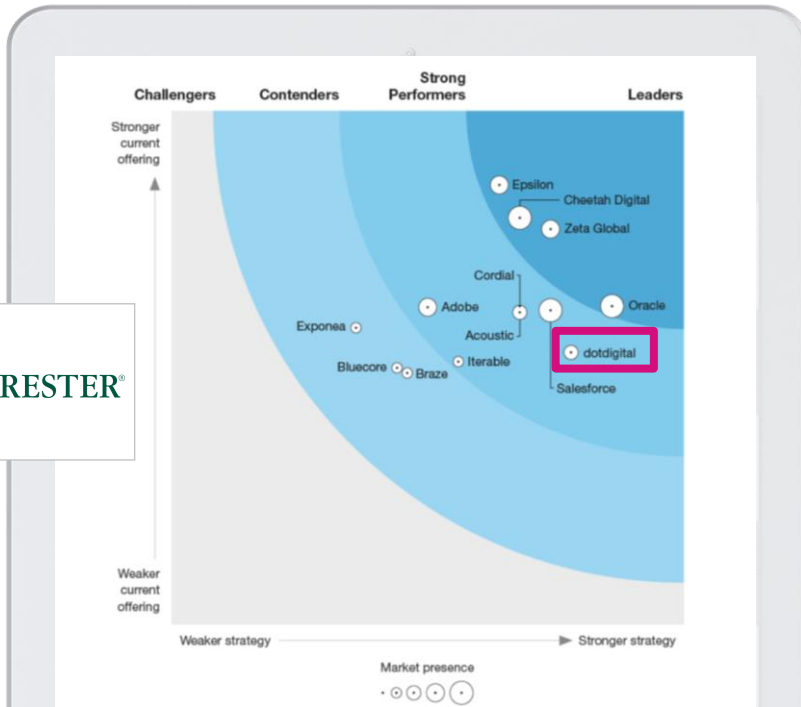



emarsys
(Acquired by SAP)

HIGH (price: >\$30k/month)



Strong performer in The Email Marketing Forrester Wave™ and winning awards



Global marketing automation spend is predicted to grow to \$25.1bn by 2027 from \$3.8bn today.

FORRESTER[®]

Summary & outlook



FY1920 summary



COVID has highlighted strength of business model
– strategy remains unchanged

Solid trading performance – majority recurring,
contracted revenue

Strengthened foundations of our international
hubs – growing traction across all territories

Investment in relationship-building and progress
with all strategic partners

Greater uptake of omnichannel and delivery
against product roadmap to meet demand

Outlook



Clear strategy to capitalise on market opportunity

Revenue guidance for FY 20/21 increased once again following strong Q1 and October

Increased investment to drive revenue growth

Closely monitoring evolving COVID-19 situation
– financial position, high revenue visibility and strong cash generation provide security

Long-term vision and value proposition
remain unchanged

Questions

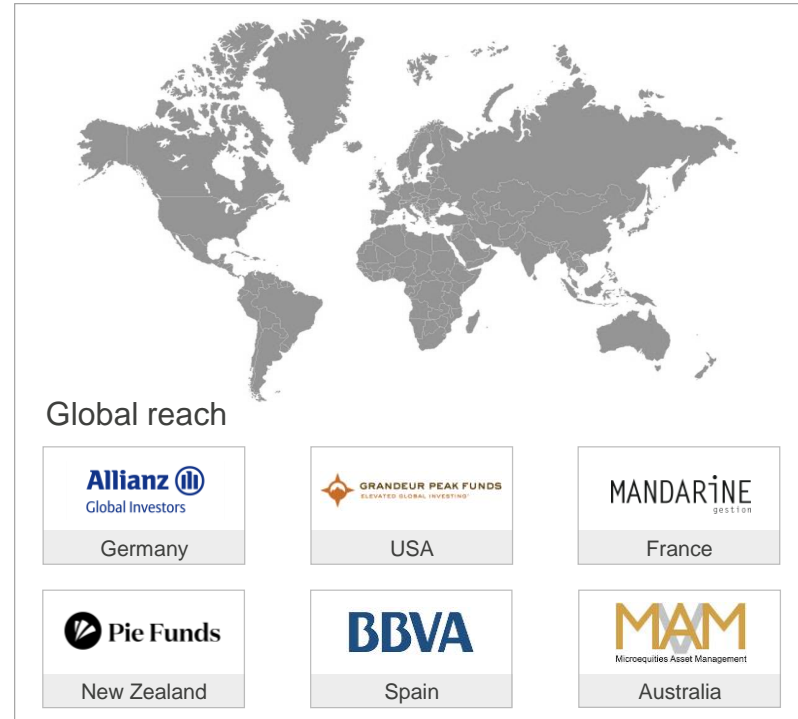


Appendix



Top institutional holders

- Liontrust Asset Management **18.1%**
- Directors **10.5%**
- Octopus Investments **6.8%**
- Investec Wealth & Investment **5.5%**
- Slater Investments **5.5%**
- Franklin Templeton Fund Management **4.9%**
- Highclere International Investors **3.0%**
- Herald Investment Management **2.6%**
- Baillie Gifford **2.6%**
- Rathbones **2.1%**
- Chelverton Asset Management **1.9%**
- Allianz Global Investors **1.9%**



See the platform in action

See how dotdigital can help marketers utilise their data, boost ROI and do more in less time.

- General overview [click here](#)
- Data [click here](#)
- Segmentation [click here](#)
- Email building [click here](#)
- Automation suite [click here](#)
- Reporting [click here](#)



Engagement Cloud roadmap

New – 20four

October release

Interactive email, powered by AMP

Revamped campaign comparison reporting

Premium messaging wallet for SMS and WhatsApp

Capture email addresses and trigger double-opt in with Engagement Cloud Chat

Affinity scores for AI product recommendations

Library for product recommendations

Transactional email manager for BigCommerce and Shopify

Product image optimization for Magento

Soon

Out-of-the-box custom insight data importer

Tax adjusted pricing support for product blocks with Magento

Transactional SMS for Magento

Product-level insights against contacts for Commerce Flow integrations

Transactional email for Microsoft Dynamics 365 workflows

Expansion of the Engagement Cloud app-store

SSO Support

Next

AI affinities and auto-segments

Program enrolment improvements

eRFM segments and personas

dotScript: one super script for all tracking needs

Back-in-stock sync support

New product recommendation types like 'bought together'

Improved trial and onboarding experience for Commerce Flow users

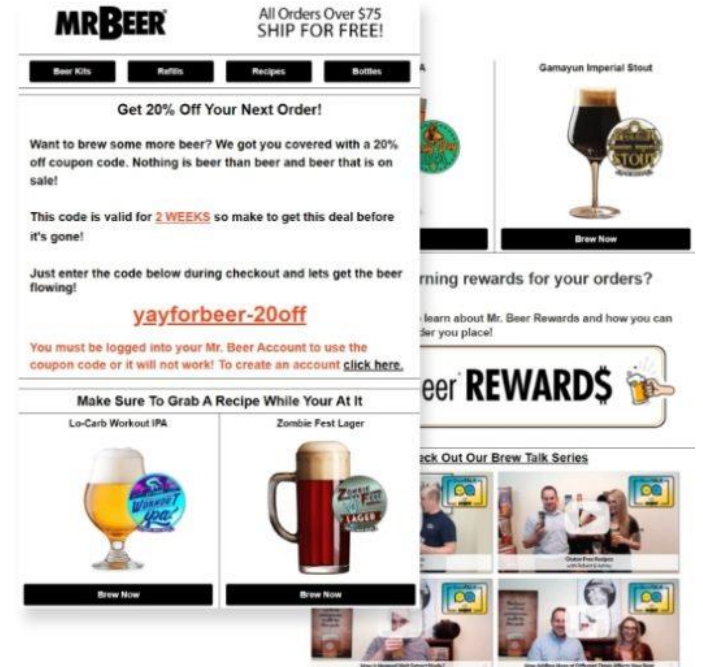
Mr Beer

Challenge:

With the overwhelming growth of its customer database, Mr. Beer faced two key challenges. First, the lack of a strong automated email engagement programs and second, the company wanted to up its game in capturing customer attention and increase its sales through relevant and exciting workflows

Solution:

By utilising dotdigital's RFM capabilities, Mr. Beer made important decisions: as in whom to target and when. The benefit of RFM in the platform is that Mr. Beer can choose which "RFM personas" to target with tailored messaging, for example allowing them to message those people who spend on multiple occasions that are likely to spend again and those who make big purchases that are likely to repeat.



About



APAC, Retail

Key stats:

Conversion
↑ 800%

CLV growth
↑ 75%

“This has eased the entire process of sending emails, building customer lists, and tracking data from direct emails, as well as exploiting the range of data available. This experience was better than the previous platforms we’ve used in the past”.

Goggles 4 U

Challenge:


The main challenge that Goggles4u faced was that customers weren't engaging over email; open rates were typically low. The brand also had challenges around list attrition and what actions to take to reduce the number of unsubscribes.

Solution:

With the help of dotdigital's Engagement Cloud platform, the brand has been able to:

- Significantly increase contacts (with the welcome series)
- Convert more users into customers (with the abandoned browse program)
- Bring back old customers who haven't placed an order in a long time (using win-back/lapsed campaigns)
- Add a multi-channel approach to the strategy with SMS



| | | |
|--|--|--|
| <p>About</p>  <p>N. America, Retail</p> | <p>Key stats:</p> <p>Revenue increase ↑ 33%</p> <p>Revenue attributed to email ↑ 40%</p> | <p>“Our account manager Sophie has been an absolute champion. It would be an understatement to say that she has just helped us build our programs, because she’s not only done that, but made us rethink and rebuild our email strategy as a whole.”</p> |
|--|--|--|

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