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

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

"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

Trade associations

Selected Service Partners

Key integrations
The leading omnichannel marketing automation platform

Who we help

- DHL
- Jet2.com
- MONIN
- Virgin active
- MRBEER
- Paul Smith
- icelolly.com
- Arla & Jacob
- Accendue Wines
- TVAPE
- HELP for HEROES
- T.M.Lewin

* 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

10-year revenue CAGR: ↑ 23%
10-year adjusted EBITDA CAGR: ↑ 28%
10-year EPS CAGR: ↑ 45%
The best talent in the industry

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

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of People</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT &amp; Development</td>
<td>130</td>
</tr>
<tr>
<td>Sales &amp;...</td>
<td>123</td>
</tr>
<tr>
<td>Client Services</td>
<td>49</td>
</tr>
<tr>
<td>Other</td>
<td>39</td>
</tr>
</tbody>
</table>

- **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
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.
Focus on cross-selling; deeper customer relationships

Expand our product suite; providing organic growth

Expand geographical coverage

Adjacent technology

Grow our customer base; increasing our global market presence

Globalising our talent; organisational strength and capabilities

Deeper functionality with our core USP

Deepening our strategic partnerships; building new connectors

A clear and focused strategy

Product Innovation

Strategic partnerships

Geographic expansion

Organic growth

Growth by acquisition
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

- 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Functional Recurring Revenue</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>£8.9m, 23%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>£12.4m, 28%</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>£14.4m, 36%</td>
<td></td>
</tr>
</tbody>
</table>

- 23% of customers using more than 1 channel
- $245m revenue recovered in the last year
- $95k avg. revenue recovered per merchant per month
- +298% Increase in product data synced

Functional Recurring Revenue (Engagement Cloud - license & functionality)
What’s new

Product innovation

• 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:
  • Enhanced 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

Strategic partnerships

Geographic expansion
**Product vision**

**Email**
- Marketing automation
- Lifecycle marketing
- Product recommendations

**Mobile**
- SMS dispatch notifications
- Broadcast SMS
- Push messaging

**Web**
- Web Behaviour Tracking
- Abandoned Cart & Browse
- Onsite product recommendations
- Online forms
- Landing pages

**Social**
- Facebook Messenger
- Custom Facebook audiences
- Instagram audiences
- Retarget with Google Ads

**Technology platforms**
- Data platforms, events systems, marketing technology platforms, support platforms, LMS systems & others

**Ecommerce stores**
- Customers, orders, product catalogs, wishlists, recommendations

**Data integration, orchestration & APIs**
- Data activation
  - Categorisation and matching
  - Zero-, first, second- and third-party data used to power experiences
  - External data flow and event triggers
  - Customer journey automation

**Unified customer insight**
- Single customer view analytics
- AI powered customer segmentation
- Dynamic Personalisation
- Custom data models
- Tagging & scoring
- Recommender models
- Buying propensity
- Behavioural modelling
- Brand affinity
- Privacy, consent and preferences

**Content management**
- Centralised creative assets
- Brand templates
- Product catalog images
- Workflow templates

**Right message**
**Right customer**
**Right channel**
**Right time**

Marketers have the control and power to deliver dynamic omnichannel communications

**Connect your most valuable systems**
- Tech that does the hard work

**Omnichannel reach to engage with audiences**
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.
Our international operations continue to expand

- Product innovation
- Strategic partnerships
- Geographic expansion

US revenue grew organically 17% to $10.5m, (2019: $9.0m) driven by partners and our core integrations for Magento and Shopify.

APAC sales, channel team expansion and Asia presence drove revenue from the region, which grew organically 37% to AUS$5.2m, (2019: AUS$3.8m).

EMEA revenue grew to £36.3m despite the COVID epidemic and marketing budget cuts.

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

Selection of new clients signed

International revenue

£14.8m
Financial review
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

- Total revenue growth (£47.4m): +12%
- Recurring rev of total revenue: +91%
- Functionality revenue growth (£14.4m): +16%
- Strong cash position & no debt: £25.4m
- International revenue growth (£14.8m): +20%
- Adjusted operating profit (£13.1m): +11%
- ARPC per month grew (£1083): +12%
- Messaging volume growth: +28%
## Trading performance

### Profit & Loss Statement

<table>
<thead>
<tr>
<th></th>
<th>Continuing operations</th>
<th>Discontinued ops</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jun 20 £M</td>
<td>Jun 19 £M</td>
<td>Growth %</td>
</tr>
<tr>
<td>Revenue</td>
<td>47.4</td>
<td>42.5</td>
<td>12%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(6.4)</td>
<td>(4.4)</td>
<td>45%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>41.0</td>
<td>38.1</td>
<td>8%</td>
</tr>
<tr>
<td>Admin expenses</td>
<td>(28.0)</td>
<td>(26.4)</td>
<td>6%</td>
</tr>
<tr>
<td>Exceptional Items*</td>
<td>(0.8)</td>
<td>(0.7)</td>
<td>10%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>12.2</td>
<td>11.0</td>
<td>11%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>17.4</td>
<td>14.0</td>
<td>24%</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>18.2*</td>
<td>14.7#</td>
<td>24%</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>13.1*</td>
<td>11.8#</td>
<td>11%</td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>3.8p</td>
<td>3.9p</td>
<td>(2%)</td>
</tr>
</tbody>
</table>

* 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)

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

### 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)
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)

<table>
<thead>
<tr>
<th>Balance sheet</th>
<th>Jun 20 £M</th>
<th>Jun 19 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>29.0</td>
<td>22.4</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>13.0</td>
<td>12.2</td>
</tr>
<tr>
<td>Cash</td>
<td>25.4</td>
<td>19.3</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>67.4</strong></td>
<td><strong>53.9</strong></td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>5.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>11.1</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>16.7</strong></td>
<td><strong>12.1</strong></td>
</tr>
<tr>
<td>Total Equity</td>
<td>50.7</td>
<td>41.5</td>
</tr>
<tr>
<td><strong>Total Equity &amp; Liabilities</strong></td>
<td><strong>67.4</strong></td>
<td><strong>53.9</strong></td>
</tr>
</tbody>
</table>
Cashflow statement

- Strong cashflows generated from operations
- Further optimised cash collection during pandemic
- Adjusted free cash flow of £7.7m (group); £10.3m (continuing operations)
- Continuing operations EBITDA (£18.4m) to net cash from operations (£18.2m) at 99%
- Healthy cash balance

<table>
<thead>
<tr>
<th>Cash flow</th>
<th>Jun 20 £M</th>
<th>Jun 19 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash generated from operations</td>
<td>15.8</td>
<td>12.3</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(6.7)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>Net cash used from financing activities</td>
<td>(3.0)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>19.3</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td><strong>25.4</strong></td>
<td><strong>19.3</strong></td>
</tr>
</tbody>
</table>
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.
- Depreciation on the RoU asset was £955k and interest on lease liabilities was £100k.

<table>
<thead>
<tr>
<th>IFRS 16 adjustment</th>
<th>as at 30 June 2020 (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Right of Use Asset</td>
<td>4.4</td>
</tr>
<tr>
<td>Lease Liabilities</td>
<td>4.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Continuing Operations</th>
<th>In-period adjustments (£‘000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit</td>
<td>(72)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>14</td>
</tr>
<tr>
<td>Profit after tax for the year</td>
<td>(58)</td>
</tr>
</tbody>
</table>
Summary

- High proportion of recurring revenues
- Large percentage under contract
- Strong international growth
- Raising revenue growth guidance
- Healthy balance sheet and strong cash position
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

- Average return for £1 spent on email marketing: £42
- Higher customer lifetime value when a cross-channel approach is adopted: 30%
- Of in-store purchases are influenced by digital transactions: 56%
- Of consumers shop on more than one channel: 73%
The value in an omnichannel product is clear as marketers accelerate their digital strategy

- 22% YoY email send growth
- 28% More automation programs YoY growth
- 221% YoY mobile messaging growth
- 23% of customers using more than one channel

* All stats are sourced from the dotdigital platform
The world’s largest independent mid-market Omnichannel Marketing Automation platform

LOW (price: <$400/month)
- Campaign Monitor (Part of the CM group)
- Mailchimp
- Klaviyo

MID (price: $400-$30k/month)
- Braze (Acquired by CM group)
- Listrak (Acquired by SAP)
- Emarsys
- Sellgient

HIGH (price: >$30k/month)
- Cheethah Digital
- Salesforce Marketing Cloud
- Oracle Marketing Cloud
- Adobe Marketing Cloud
- Acoustic
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.
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
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

<table>
<thead>
<tr>
<th>New – 20four</th>
<th>October release</th>
<th>Soon</th>
<th>Next</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interactive email, powered by AMP</td>
<td></td>
<td>Out-of-the-box custom insight data importer</td>
<td>AI affinities and auto-segments</td>
</tr>
<tr>
<td>Revamped campaign comparison reporting</td>
<td></td>
<td>Tax adjusted pricing support for product blocks with Magento</td>
<td>Program enrolment enhancements</td>
</tr>
<tr>
<td>Premium messaging wallet for SMS and WhatsApp</td>
<td></td>
<td>Transactional SMS for Magento</td>
<td>eRFM segments and personas</td>
</tr>
<tr>
<td>Capture email addresses and trigger double-opt in with Engagement Cloud Chat</td>
<td></td>
<td>Product-level insights against contacts for Commerce Flow integrations</td>
<td>dotScript: one super script for all tracking needs</td>
</tr>
<tr>
<td>Affinity scores for AI product recommendations</td>
<td></td>
<td>Transactional email for Microsoft Dynamics 365 workflows</td>
<td>Back-in-stock sync support</td>
</tr>
<tr>
<td>Library for product recommendations</td>
<td></td>
<td>Expansion of the Engagement Cloud app-store</td>
<td>New product recommendation types like ‘bought together’</td>
</tr>
<tr>
<td>Transactional email manager for BigCommerce and Shopify</td>
<td></td>
<td>SSO Support</td>
<td>Enhanced trial and onboarding experience for Commerce Flow users</td>
</tr>
<tr>
<td>Product image optimization for Magento</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

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”.
CASE STUDY

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

About

GOGGLES4U
tm

eyewear super store

N. America, Retail

Key stats:

Revenue increase
↑ 33%

Revenue attributed to email
↑ 40%

“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.”
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