Half year results presentation for the six months ended 31 December 2020

Milan Patel, CEO
Paraag Amin, CFO
February 2021
We sell cloud-based software to businesses that helps them send emails and marketing communications to their customers.

- Design professional looking campaigns quickly
- Send personalised messaging campaigns across multiple channels
- Automate customer journeys such as welcome, birthday, and abandoned basket campaigns
- Use other channels including live chat, social messaging, in-app messaging and chat apps to create a single customer view
- Capture customer data with landing pages and surveys
- Use AI for send time optimisation and product recommendations
- Provide analytics through 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
- 320+ global employees
- 12 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
- Arlo & Jacob
- Acquaviva Wines
- TVAPE
- HELP for HEROES

Business split

- Regional
  - EMEA
  - US
  - APAC

- Business model
  - Msg
  - License & Func.
  - One-off

- Strategic
  - Connector
  - Non Connector

10-year revenue CAGR: ↑21%
10-year adjusted EBITDA CAGR: ↑24%
10-year EPS CAGR: ↑44%
The best talent in the industry

We employ 326 people in 12 office locations around the world.

IT & Development 130
Sales &... 118
Client Services 46
Other 32

UK 241 people
USA 30 people
Australia 20 people
South Africa 9 people
Singapore 2 people
Belarus 15 people
Poland 5 people
Netherlands 4 people
A clear and focused strategy

Product Innovation

Strategic partnerships

Geographic expansion

Organic growth

- Expand our product suite; providing organic growth
- Focus on cross-selling; deeper customer relationships
- Grow our customer base; increasing our global market presence
- Deepening our strategic partnerships; building new connectors
- Globalising our talent; organisational strength and capabilities

Growth by acquisition

- Customer base or talent acquisition; to strengthen our hubs
- Complementary synergy technology; new revenue streams
- Product functionality; to accelerate go-to market

Grow our customer base; Increasing our global market presence

Deepening our strategic partnerships; building new connectors

Globalising our talent; organisational strength and capabilities

Focus on cross-selling; deeper customer relationships

Expand our product suite; providing organic growth

Customer base or talent acquisition; to strengthen our hubs

Complementary synergy technology; new revenue streams

Product functionality; to accelerate go-to market
HY 20/21 review
Key messages

- Increased spending in our markets from the acceleration of digital transformation caused by COVID-19
- Continued to build on our global footprint
- Financial position remains robust with healthy balance sheet and strong cash position
- Continued double-digit organic growth, despite challenging macroeconomic conditions
- Benefit from previous investment for growth alongside ongoing programme
- Continued momentum into the second half and confident in prospects for the full year
- Financial position remains robust with healthy balance sheet and strong cash position
Strategic progress
• Functional Recurring Revenue grew 20% to £8.9m in 1H 21. It now makes up 40% of Engagement Cloud recurring revenue.
• Significant YoY increases in synced orders, products, web insights, and more.
What’s new

Product innovation

- Enhanced AI and data visualisation for product recommendations, customer persona modelling and product affinity capabilities
- Intelligent contact data capture capabilities for chat, along with alerting and multi-language support and a more personalised customer experience
- Support for the new Google AMP for Email standard for powerful, dynamic, rich, app-like data driven content within emails
- Marketing preference management for Dynamics 365 customers
- New dotdigital connector for the Microsoft Power Automate platform

Strategic partnerships

Geographic expansion
Product vision

**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

**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

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

**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

**CRM / DMP / CDP**
- Provides customer, opportunity, activity history, behavioural, insight & custom data

**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

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

Marketers have the control and power to deliver dynamic omnichannel communications

**Tech that does the hard work**

**Connect your most valuable systems**

**Omnichannel reach to engage with audiences**
• Sales from customers using connectors to our strategic partners’ solutions increased by 20% to £12.8m (1H 20: £10.7m).
• Our Shopify connector revenue grew by 115% and our MS Dynamics connector revenue grew by 25% compared to the same period in the previous year.
• We have accelerated investment in building a more scalable partnership program and hired an experienced leader to head up global partnerships to increase management bandwidth and focus.
Our international operations continue to expand

**Product innovation**

**Strategic partnerships**

**Geographic expansion**

US revenue grew organically 25% to $6.3m (1H 20: $5.1m) driven by partners and our core integrations for Magento and Shopify

APAC sales, channel team expansion and increased Asia presence drove revenue from the region, which grew organically 41% to AUS$3.5m (1H 20: AUS$2.5m).

EMEA revenue grew 21% to £21.5m (1H 20: £17.7m), driven by existing customer growth and SMS adoption.

International revenue 27%

£9.3m

Selection of new clients signed
Financial review
10 year growth trends continue for both revenue and profit

588%
Engagement Cloud Revenue growth

775%
Adjusted EBITDA growth

21%
Engagement Cloud Revenue CAGR

24%
Adjusted EBITDA CAGR
Key 1H 21 trading highlights

▲22% Total revenue growth (£28.2m)

▲93% Recurring rev of total revenue

▲20% Functionality revenue growth (£8.9m)

▲£27.6m Strong cash position & no debt

▲27% International revenue growth (£9.3m)

▲9% Adjusted operating profit (£7.6m)

▲20% ARPC per month grew (£1,196)

▲20% Email volume growth
Trading performance

<table>
<thead>
<tr>
<th>Profit &amp; Loss Statement</th>
<th>Continuing operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dec 20 £M</td>
</tr>
<tr>
<td>Revenue</td>
<td>28.2</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>23.2</td>
</tr>
<tr>
<td>Admin expenses</td>
<td>(15.6)</td>
</tr>
<tr>
<td>Exceptional Items*</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>7.2</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10.1</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>10.5*</td>
</tr>
<tr>
<td>Adjusted operating profit</td>
<td>7.6*</td>
</tr>
<tr>
<td>Adjusted diluted EPS</td>
<td>2.33p</td>
</tr>
</tbody>
</table>

Group revenue
- Organic revenue grew 22% to £28.2m (1H 20: £23.1m)
- Monthly ARPC up 20% to £1,196 (1H 20: £999)

International revenue
- Now 33% of total (1H 20: 32%).

Revenue from strategic partners
- Increased by 20% to £12.8m (1H 20: £10.7m)

Cost of sales analysis
- Cost of SMS contributes to the vast majority of the increase.
- Direct marketing increased to £1.1m despite COVID and events being cancelled (1H 20: £1m)
- Increased costs in South Africa, Belarus and Poland as development teams expand.

Margin analysis
- Adj EBITDA margin 37% (1H 20: 40%).
- Adj Operating margin 27% (1H 20: 30%)

* Excludes exceptional costs of £0.4m in the period
  1) share-based payments (£0.35m)
  2) for the acquisition of Comapi (£0.05m)
# Excludes exceptional costs of £1.4m in the period
  1) share-based payments (£0.35m)
  2) for the acquisition of Comapi (£0.05m)
Statement of financial position

- Healthy balance sheet
- Strong cash position
- Zero debt
- Bandwidth for strategic investments
- Strong distributable reserves

<table>
<thead>
<tr>
<th>Balance sheet</th>
<th>Dec 20 £M</th>
<th>Dec 19 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current Assets</td>
<td>29.1</td>
<td>28.7</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Cash</td>
<td>27.6</td>
<td>22.6</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>69.9</strong></td>
<td><strong>64.5</strong></td>
</tr>
<tr>
<td>Non-current Liabilities</td>
<td>4.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>8.9</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>13.7</strong></td>
<td><strong>17.1</strong></td>
</tr>
<tr>
<td>Total Equity</td>
<td>56.2</td>
<td>47.4</td>
</tr>
<tr>
<td><strong>Total Equity &amp; Liabilities</strong></td>
<td><strong>69.9</strong></td>
<td><strong>64.5</strong></td>
</tr>
</tbody>
</table>
Cashflow statement

- Strong cashflows generated from operations
- Adjusted free cash flow of £3.8m (group); £4.3m (continuing operations)
- Healthy cash balance

<table>
<thead>
<tr>
<th>Cash flow</th>
<th>Dec 20 £M</th>
<th>Dec 19 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash generated from operations</td>
<td>7.0</td>
<td>6.6</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(3.2)</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Net cash used from financing activities</td>
<td>(1.5)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>25.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Effect of foreign exchange rate changes</td>
<td>(0.1)</td>
<td>-</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>27.6</td>
<td>22.6</td>
</tr>
</tbody>
</table>
Our market
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

- 20% YoY email send growth
- 30% More automation programs YoY
- 21% YoY SMS 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)  MID (price: $400-$30k/month)  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.
Summary & outlook
Continued momentum in trading performance – continued double-digit growth and majority recurring revenues

Building on the foundations of our international hubs – continued expansion across all territories

Significant growth through strategic partners and accelerated investment into building a more scalable partnership program

Enhancements in our product, particularly around data visualisation and intelligence

Changing consumer behaviour has led to increase in digital marketing spend
Well-positioned to capitalise upon accelerated shift to digital

Benefits of ongoing and previous investments will continue to filter through

Monitoring and responding to economic disruption – financial position, high revenue visibility and strong cash generation provide security

Revenue and profit guidance maintained for FY20/21

Long-term vision and value proposition remain unchanged
Questions
Appendix
Top institutional holders

- Liontrust Asset Management 18.1%
- Directors 10.5%
- Octopus Investments 7.1%
- Investec Wealth & Investment 5.5%
- Slater Investments 5.4%
- Franklin Templeton Fund Management 4.8%
- Highclere International Investors 2.8%
- Herald Investment Management 2.6%
- Baillie Gifford 2.6%
- Rathbones 2.3%
- Allianz Global Investors 1.9%
- Chelverton Asset Management 1.8%
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]
CASE STUDY

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

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

“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.”

Key stats:

<table>
<thead>
<tr>
<th>Key stats:</th>
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</thead>
<tbody>
<tr>
<td>Revenue increase</td>
<td>↑ 33%</td>
</tr>
<tr>
<td>Revenue attributed to email</td>
<td>↑ 40%</td>
</tr>
</tbody>
</table>

About

Goggles 4 U
eyewear super store

N. America, Retail
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