



dotdigital GROUP
PLC

INTERIM RESULTS

For the six months ended 31 December 2020

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dotdigital Group plc (**AIM: DOTD**), the leading 'SaaS' provider of an omnichannel marketing automation and customer engagement platform, announces its Half Year results for the six months ended 31 December 2020 ("H1 2021").

Financial highlights

- Organic revenue from Continuing Operations up by c.22% to £28.2m (H1 2020: £23.1m) driven by strong growth in sales from new and existing customers and uptake of SMS
- Adjusted EBITDA from Continuing Operations grew 13% to £10.5m (H1 2020: £9.3m)
- R&D continues to underpin dotdigital's growth strategy with recurring revenues from enhanced product functionality growing by 20% to £8.9m from £7.4m in the comparative period
- ARPC¹ up by 20% to £1196 per month (H1 2020: £999 per month) driven by an increase in new and existing client spend alongside customers adopting a wider array of channels
- Cash balance at 31 December 2020 of £27.6m (FY 2020: £25.4m)

Operational highlights

Geographic expansion

- International sales grew proportionately to 33% of total sales (excluding Discontinued Operations); (H1 2020: 32%). We have seen a strong pick-up in UK SMS volumes during the period. Excluding SMS, international sales represented 38% of revenue (H1 2020: 32%)
- Organic international revenue increased by 27% to £9.3m (H1 2020: £7.3m)
- EMEA region showed strong revenue growth of c.21% in the period to £21.5m (H1 2020: £17.7m)
- US revenue grew organically by c.25% to \$6.3m, (H1 2020: \$5.1m) driven by acquisition of higher value customers and growth of existing customers
- APAC sales, channel team expansion and increased Asia presence drove revenue from the region, which grew organically c.41% to AUS\$3.5m, (H1 2020: AUS\$2.5m)

Strategic partnerships

- We continue to build pipeline and enhance our value proposition for our connectors into both ecommerce platforms and Customer Resource Management (CRM) software
- Sales through connectors into our strategic partners increased by 20% to £12.8m (H1 2020: £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
- Our relationships within both the ecommerce and CRM space continue to go from strength to strength with an enhanced go-to-market strategy
- 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

Product innovation

Product enhancements illustrate the benefits of recent investment and over the period include:

- Improved 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

Milan Patel, CEO of dotdigital, commented:

“This was another half of successful delivery against our strategy, delivering double-digit organic growth against a backdrop characterised by the disruption and uncertainty caused by Covid.

Our performance to date has been encouraging, and we are confident in our three pillar strategy for the long-term opportunity available to us. The functionality and ease-of-use of our Engagement Cloud is unmatched and improving all the time. Having invested heavily in our global infrastructure with proven go-to-market strategies in each of our territories, we are well-positioned to continue to grow our international presence both in the second half and in the coming years.

While there are positive signs of a recovery from the pandemic in many of our markets, the macroeconomic environment will be challenging for some time, and we recognise the need for continued vigilance in our approach. That said, the Board is confident in a successful outcome for FY2021, with revenue, adjusted EBITDA² and adjusted profit before tax from Continuing Operations expected to be in line with the recently upgraded market expectations.

I would like to thank everyone involved with the business for their continued hard work and dedication in making dotdigital the leading global independent provider of marketing automation technology, and look forward to updating shareholders as we continue to deliver against our strategic growth pillars.”

Investor Presentation: <https://www.dotdigitalgroup.com/events-presentations/>

Investor Video: A highlights video is available on our website <http://www.dotdigitalgroup.com>

Operational Review

Introduction

This has been a period of strong trading and operational progress for the Group, with continued delivery of double-digit organic growth and positive momentum against all pillars of our growth strategy. A significant amount of work has gone into strengthening the foundations of the business over a number of years and we are seeing the benefits of this reflected in the widening adoption globally of our omnichannel marketing technology platform, Engagement Cloud.

The Group delivered organic revenue growth from Continuing Operations of 22% to £28.2m (H1 2020: £23.1m) and adjusted EBITDA growth of 13% to £10.5m (H1 2020: £9.3m). Our recurring revenues derived from enhanced product functionality grew by 20% to £8.9m (H1 2020: £7.4m), an important indicator of the value created by our focussed R&D programme. The Group is cash generative and maintains a strong balance sheet with no debt and net cash balances of £27.6m at period end (FY 2020: £25.4m).

We continue to invest in our international markets, product innovation and strengthening our partner relationships in line with the substantial market opportunity, whilst protecting the Group's strong margins. Our 'software-as-a-service' (SaaS) model provides a high-quality and highly visible revenue stream with repeatable characteristics that underpins our future growth plans.

Market

The disruption, uncertainty and new ways of working brought about by Covid have meant organisations have had to rework many aspects of their strategy to stay competitive. However, when it comes to embracing digital, rather than triggering a new set of trends, the pandemic has accelerated existing ones. While the shift to technology-led campaigns in the marketing field has been taking place for some time, items that were in the pipeline for consideration years down the line have been thrust to the forefront of today's board agendas.

dotdigital serves organisations from small to large enterprises across a myriad of sectors, as well as working with governments who use our platform to disseminate information to their various stakeholders. Our top 100 customers represent 32% of revenue. This diversification provides us with a high degree of resilience against the impact of external forces on our end markets. Across the board, we are seeing increased demand from customers for omnichannel capability, with 23% now using more than one channel. In the period under review, we saw substantial growth in SMS, demonstrating the value organisations now attach to increasing the number of touchpoints along the customer journey beyond email.

A recent study on digital trends by Adobe and marketing consultancy Econsultancy found there was a wave of new digital consumers in 2020, amounting to a jump of five to ten years in projected adoption. This huge increase brings with it a host of new challenges for marketers – over a third of 13,000 respondents to the survey at the heart of the study reported customers are now less loyal to products or brands, with half saying that their existing customers have exhibited new buying behaviours, changes to average basket sizes and new product interests. While the overall direction of travel has Our Engagement Cloud includes all the functionality and insight organisations need to thrive in the current environment. With Forrester predicting global marketing automation spend to grow to remained fairly consistent, with consumer priorities and behaviours evolving at pace, the intelligent

use of data is more important than ever in understanding customers and ensuring any engagement with them is personalised and relevant.

Our Engagement Cloud includes all the functionality and insight organisations need to thrive in the current environment. With Forrester predicting global marketing automation spend to grow to \$25.1bn by 2027 from \$3.8bn today, the Group is well-positioned to continue to capitalise and drive long-term, sustainable and profitable growth.

Strategy

The Group's clear growth strategy places organic growth at its core, centred around three strategic pillars: international diversification; expanded market reach through partnership relationships; and continuous product innovation. In addition to the organic growth strategy, we continue to assess the market for strategic acquisitions, based around three criteria: 1) complementary synergy technologies; 2) product functionality that accelerates go-to-market; and 3) customer base or talent acquisition that helps strengthen our foundations.

Geographic Expansion

As we invest in international markets, our Engagement Cloud platform continues to be well received globally. Organic international revenue was up by 27% to £9.3m (H1 2020: £7.3m), with international sales now representing 33% of total sales (excluding Discontinued Operations) (H1 2020: 32%), in line with our strategy to grow our global operations. We will continue to build on our global footprint, currently spanning 12 offices worldwide, and we believe we are well placed to benefit from these investments.

EMEA

Our EMEA business grew 21% in the period to £21.5m (H1 2020: £17.7m), driven by sustained execution of our strategy and the implementation of efficiency measures in previous periods now bearing fruit. The move to a general manager structure across all business units has created more management bandwidth, and the opening of our Netherlands office and investment in people in the region has resulted in strong product up-take and servicing of our existing clients.

North America

Revenues in North America grew 25% to US\$6.3m (H1 2020: \$5.1m), driven by both the acquisition of higher value customers and increased revenue per existing customer. The investment we have made in marketing and people has helped develop further brand awareness and strengthened the foundations from which we can scale. We are encouraged by our progress in this region which represents a significant growth opportunity for the Group.

APAC

Sales in the APAC region grew 41% to AUS\$3.5m (H1 2020: AUS\$2.5m). Our expanded presence in the region, including our Singapore office, combined with strengthening relationships with strategic partners and System Integrators (SI), drove brand awareness. Albeit early stage, customer successes we have had in the region have resulted in growing market confidence in our offering and we are seeing increased referrals through our partner network as a result.

Partnerships

The Group continues to broaden and deepen its partnership relationships, amplifying the Group's market reach beyond its direct sales channel. Sales originating through strategic partner referrals increased 20% to £12.8m (H1 2020: £10.7m).

A strategic technology partner for the Group is defined as a partner where our customer using that technology integration has the potential to represent or accounts for 10% of Group revenue. This strategic partnership model is complemented by a broader general partner referral network which includes over 200 active global partners. A core focus of the strategic partnership network is forging connectors into both ecommerce and CRM platforms, with the aim of building brand awareness as we push out into international markets.

Our strategic partnership with Magento (an Adobe company) continues to strengthen, with our Engagement Cloud live chat product recently bundled into the core code base of the latest version of their ecommerce platform and therefore made available as the default option. Our move into omnichannel through the Comapi acquisition has enabled this increased integration capability. Revenues via our Magento connector increased 10% in the period.

The strengthening of our strategic partnership with Shopify saw connector revenue grow by 115% and revenue from our MS Dynamics connector with an increased focus in sales and marketing, grew by 25%, in the period.

Our focus in the future will continue to be on strengthening and building both ecommerce and CRM partners and we will increase investment in our relationships both from a people and an R&D perspective to enhance our value proposition, in line with our planning at the start of the year.

Product Innovation

Product innovation is integral to the business and we remain committed to ensuring our platform is at the forefront of the market. The benefit of previous years' investments is demonstrated in the monetisation of new enhanced features, which in the period saw functionality revenues grow by 20% to £8.9m (H1 2020: £7.4m), adding to the recurring revenue base of the Continuing Operations (now 93% of revenue). This demonstrates the value that can be derived not only through our message plans, but also through the creation of new revenue streams through enhanced functionality and data.

During the period we invested £3.1m in R&D, underpinning management's commitment to continuous product innovation. Our focus for product innovation centres around the key areas of:

- Data and intelligence – joining all data together to create a single customer view and help our customers better personalise their campaigns and be relevant.
- Marketing automation – harnessing artificial intelligence (AI) and machine learning across targeted parts of the platform's architecture, informed by our customers' needs and requirements to give efficiencies to time-poor marketers.
- Building out further omni-channel functionality to Engagement Cloud to assist businesses through the full customer journey at every touch point they have with their customers.

During the period we enhanced AI and data visualisation for product recommendations, customer persona modelling and product affinity capabilities. We also released intelligent contact data capture capabilities for chat, along with alerting and multi-language support and a more personalised customer experience.

People

Our people are at the heart of the business. Our customers value our business not only because of our great technology but because of the expertise of our people who bring the technology to life, providing the right ingredients aide our customers in becoming more successful. The culture at dotdigital is centred around empowering all employees to make decisions which lends to our agile structure and sets us apart. We trust and value all our employees and we thank them for their tireless effort and passion in progressing the Group's vision.

FINANCIAL REVIEW

Revenue

Revenue from Continuing Operations during the period grew 22% to £28.2m from £23.1m in H1 2020, in line with management expectations. This performance was driven primarily by new customer wins and existing customer growth, in particular the take up of SMS.

Recurring revenue represents c.93% of Continuing Operations revenues, improving visibility on future revenues. Enhanced functionality revenue (which includes licence fees and bolt-on functionality) grew 20% to £8.9m from £7.4m in H1 2020.

The geographic split of revenues continued to diversify, with international sales now representing 33% of total sales (excluding Discontinued Operations) in the period, up from 32% in H1 2020. Of that, revenues were up 25% in the US to \$6.3m (H1 2020: \$5.1m), and up 41% in APAC to AUS\$3.5m (H1 2020: AUS\$2.5m). EMEA revenues grew 21% in the period to £21.5m (H1 2020: £17.7m).

During the period ARPC² increased by 20% to £1196 per month (H1 2020: £999 per month).

EBITDA

We achieved an Adjusted EBITDA margin from Continuing Operations of 37%, with Adjusted EBITDA from Continuing Operations growing 13% to £10.5m from £9.3m in H1 2020, which was in line with management expectations. The adjustments include a share-based payment charge of £0.35m and exceptional costs of £0.05m.

Balance Sheet & Cash Position

dotdigital continues to generate strong cash flow from its Engagement Cloud operations with an interim period end net cash balance of £27.6m.

The Group continues to prioritise product development and during the period spent £3.1m on development (compared to £2.9m in H1 2020). The Group continues to maintain a strong balance sheet with net assets of £56.2m and zero debt.

Dividend Policy

A dividend of 0.83p per ordinary share (2020: 0.67p) was proposed by the Company at the time of its Final Results in November last year, demonstrating a commitment from the Board to deliver value by focusing on total shareholder return. This dividend was approved by shareholders at the Annual General Meeting on 21 December 2020 and paid on 29 January 2021.

The Group will continue to conduct a full dividend review at year end; therefore in line with previous years the Board is not proposing an interim dividend.

Outlook

The results and strategic progress achieved in the first half demonstrate the strength of the business foundations that have been established. We are a truly global business with a sophisticated platform that creates customer journeys at every touch point regardless of whether it is a transactional or marketing message.

Expenditure on 'martech' has seen year-on-year growth of 22%, with a combined value of \$65.9bn for the UK and North America alone in 2019. With the trend expected to continue, we believe we have the right platform in place from which to scale and a clear strategy that is focused on generating results.

The Board is confident in a successful outcome for FY2021, with revenue, adjusted EBITDA² and adjusted profit before tax from Continuing Operations expected to be in line with the recently upgraded market expectations; we continue to monitor and respond to the pandemic as it develops.

¹ *ARPC means average revenue per customer*

² *Consensus adjusted EBITDA for continuing operations as at 22 January 2021, for the year ending 30 June 2021, is approx. £18.7 million. EBITDA means earnings before interest, tax, depreciation, amortisation, and before restructuring, other non-recurring costs and certain non-cash items.*

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED TO CONSTITUTE INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014. UPON THE PUBLICATION OF THIS ANNOUNCEMENT, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

For further information please contact:

dotdigital Group Plc

Milan Patel, CEO
Paraag Amin, CFO

Tel: 020 3953 3072
InvestorRelations@dotdigital.com

Alma PR (Financial PR)

Josh Royston
David Ison
Kieran Breheny

Tel: 020 3405 0210
dotdigital@almapr.co.uk

Canaccord Genuity (Nominated Adviser and Joint Broker)

Bobbie Hilliam
Georgina McCooke
Jonathan Barr, Sales

Tel: 020 7523 8000

finnCap (Joint Broker)

Stuart Andrews, Corporate Finance
Alice Lane, ECM
Rhys Williams, Sales

Tel: 020 7220 0500

N+1 Singer (Joint Broker)

Shaun Dobson, Head of Corporate Finance
Alex Bond, Corporate Finance

Tel: 020 7496 3000

Prior to this announcement's release, the statement contained inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (MAR) (Market Abuse Regulation).

About dotdigital

dotdigital Group plc's (AIM: DOTD) SaaS omnichannel marketing automation platform, Engagement Cloud, makes it easy for brands to carry out sophisticated, customer data-driven digital marketing campaigns across channels including email, SMS, social, ads, mobile, web and offline.

The platform is currently used by more than 70,000 marketers across more than 110 countries in nine languages, with over 23 billion messages sent in 2020.

Founded in 1999, dotdigital is headquartered in London with offices in Amsterdam, Croydon, Manchester, Cheltenham, New York, Melbourne, Sydney, Singapore, Cape Town, Minsk and Warsaw.

Dotdigital Group Plc

Consolidated Income Statement
For the six months ended 31 December 2020

		6 months to 31 Dec 2020 Unaudited £'000s	Restated* 6 months to 31 Dec 2019 Unaudited £'000s	Restated* 12 months to 30 June 2020 Audited £'000s
Continuing operations				
Revenue from contracts with customers	4	28,226	23,072	47,404
Cost of sales		(5,001)	(1,401)	(3,801)
Gross profit	4	23,225	21,671	43,603
Administrative expenses		(15,649)	(14,702)	(30,541)
Share based payments		(344)	(341)	(682)
Exceptional costs**		(68)	(67)	(136)
Operating profit from continuing operations		7,164	6,561	12,244
Finance income		16	16	40
Finance costs		(41)	(48)	(98)
Profit before income tax from continuing operations		7,139	6,529	12,186
Income tax expense		(483)	(842)	(1,550)
Profit for the period from continuing operations		6,656	5,687	10,636
Discontinuing operations				
Loss for the year from discontinued operations		(424)	(175)	(378)
Profit for the period attributable to the owners of the Company		6,232	5,512	10,258
Earnings per share from all operations (pence per share)				
Basic	6	2.09	1.84	3.44
Diluted	6	2.06	1.84	3.39
Adjusted basic	6	2.23	2.00	3.84
Adjusted diluted	6	2.19	1.99	3.79

* Partner commission has been reclassified under administrative expenses instead of cost of sales and comparatives restated.

**The other exceptional costs relate to ongoing acquisition costs of Comapi and amortisation of technology.

Dotdigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2020

		6 months to 31 Dec 2020 Unaudited £'000s	Restated 6 months to 31 Dec 2019 Unaudited £'000s	Restated 12 months to 30 June 2020 Audited £'000s
	<i>Note</i>			
Earnings per share from continuing operations (pence per share)				
Basic	6	2.23	1.90	3.57
Diluted	6	2.20	1.89	3.52
Adjusted basic	6	2.37	2.03	3.84
Adjusted diluted	6	2.33	2.03	3.79
Earnings per share from discontinued operations (pence per share)				
Basic	6	(0.14)	(0.06)	(0.13)
Diluted	6	(0.14)	(0.06)	(0.13)
Adjusted basic	6	(0.14)	(0.04)	(0.00)
Adjusted diluted	6	(0.14)	(0.04)	(0.00)

Dotdigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2020

	6 months to 31 Dec 2020 Unaudited £'000s <i>note</i>	Restated 6 months to 31 Dec 2019 Unaudited £'000s	Restated 12 months to 30 June 2020 Audited £'000s
Profit for the period	6,232	5,512	10,258
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations	(79)	(133)	34
Total comprehensive income attributable to:			
Owners of the parent	4	5,379	10,292
Total comprehensive income for the year			
Comprehensive income from continuing operations	6,577	5,554	10,670
Comprehensive income from discontinued operations	(424)	(175)	(378)

Dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2020

	<i>Note</i>	As at 31 Dec 2020 Unaudited £'000s	As at 31 Dec 2019 Unaudited £'000s	As at 30 June 2020 Audited £'000s
Assets				
<i>Non-current assets</i>				
Goodwill		9,680	9,680	9,680
Intangible assets		14,893	12,721	14,059
Property, plant and equipment		722	1,001	862
Right-of-use asset		3,805	5,274	4,400
		<u>29,100</u>	<u>28,676</u>	<u>29,001</u>
<i>Current assets</i>				
Trade and other receivables		13,253	13,306	12,987
Cash and cash equivalents		27,556	22,559	25,383
		<u>40,809</u>	<u>35,865</u>	<u>38,370</u>
Total assets	4	<u>69,909</u>	<u>64,541</u>	<u>67,371</u>
Equity attributable to the owners of the parent				
Called up share capital	8	1,493	1,493	1,493
Share premium		6,967	6,967	6,967
Reverse acquisition reserve		(4,695)	(4,695)	(4,695)
Other reserves		1,438	1,031	1,372
Retranslation reserve		(29)	(117)	50
Retained earnings		51,074	42,781	45,514
Total equity		<u>56,248</u>	<u>47,460</u>	<u>50,701</u>

Dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2020

	As at 31 Dec 2020 Unaudited note £'000s	As at to 31 Dec 2019 Unaudited £'000s	As at to 30 June 2020 Audited £'000s
Liabilities			
<i>Non-current liabilities</i>			
Lease liabilities	2,885	4,258	3,399
Deferred tax	<u>1,904</u>	<u>1,852</u>	<u>2,169</u>
	<u>4,789</u>	<u>6,110</u>	<u>5,568</u>
<i>Current liabilities</i>			
Trade and other payables	7,830	9,867	9,796
Lease liabilities	1,031	1,081	1,068
Current tax payable	<u>11</u>	<u>23</u>	<u>238</u>
	<u>8,872</u>	<u>10,971</u>	<u>11,102</u>
Total liabilities	<u>13,661</u>	<u>17,081</u>	<u>16,670</u>
Total equity and liabilities	<u>69,909</u>	<u>64,541</u>	<u>67,371</u>

Dotdigital Group Plc

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2020

	Share capital	Share premium	Retained Earnings	Other reserves	Reverse acquisition reserve	Re-translation Reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2019	1,490	6,791	37,161	720	(4,695)	16	41,483
Profit for the period	-	-	5,512	-	-	-	5,512
Retranslation reserve	-	-	-	-	-	(133)	(133)
Issue of share capital	3	176	-	-	-	-	179
IFRS 16 restatement	-	-	78	-	-	-	78
Reserve Transfer	-	-	30	(30)	-	-	-
Share based payments	-	-	-	341	-	-	341
As at 31 December 2019	1,493	6,967	42,781	1,031	(4,695)	(117)	47,460
As at 1 January 2020	1,493	6,967	42,781	1,031	(4,695)	(117)	47,460
Profit for the period	-	-	4,746	-	-	-	4,746
Dividends	-	-	(1,996)	-	-	-	(1,996)
IFRS 16 restatement	-	-	(17)	-	-	-	(17)
Retranslation reserve	-	-	-	-	-	167	167
Share based payments	-	-	-	341	-	-	341
As at 30 June 2020	1,493	6,967	45,514	1,372	(4,695)	50	50,701
As at 1 July 2020	1,493	6,967	45,514	1,372	(4,695)	50	50,701
Profit for the period	-	-	6,232	-	-	-	6,232
Dividends	-	-	(950)	-	-	-	(950)
Retranslation reserve	-	-	-	-	-	(79)	(79)
Reserve transfer	-	-	278	(278)	-	-	-
Share based payments	-	-	-	344	-	-	344
As at 31 December 2020	1,493	6,967	51,074	1,438	(4,695)	(29)	56,248

**Consolidated Statement of Changes in Equity
For the six months ended 31 December 2020**

- Share capital is the amount subscribed for shares at nominal value.
- Share premium represents the excess of the amount subscribed for Share Capital over the nominal value net of the share issue expenses.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- The reverse acquisition reserve relates to the adjustment required to account the reverse acquisition in accordance with International Financial Reporting Standards.
- Other reserves relate to the charge for the share-based payments in accordance with International Financial Reporting Standard 2. The reserve transfer in the period relates to lapsed share options.
- Retranslation reserve relates to the retranslation of a foreign subsidiary into the functional currency of the Group.

Dotdigital Group Plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2020

		6 months to 31 Dec 2020 Unaudited £'000s	6 months to 31 Dec 2019 Unaudited £'000s	12 months to 30 June 2020 Audited £'000s
Cash flow from operating activities	7	7,944	6,650	15,907
Tax paid		(982)	(74)	(124)
Net cash generated from operating activities		6,962	6,576	15,783
Net cash generated from continuing operating activities		7,534	6,112	18,214
Net cash generated from discontinuing operating activities		(572)	464	(2,431)
Cash flow from investing activities				
Purchase of intangible fixed assets		(3,147)	(2,835)	(6,505)
Purchase of tangible fixed assets		(57)	(168)	(277)
Sales of tangible fixed assets		-	3	-
Interest received		16	16	40
Net cash used in investing activities		(3,188)	(2,984)	(6,742)
Net cash used in continuing investing activities		(3,188)	(2,981)	(6,741)
Net cash used in discontinuing investing activities		-	(3)	(1)
Cash flows from financing activities				
Equity dividends paid		(950)	-	(1,996)
Repayment of leasing liabilities		(572)	(527)	(1,127)
Loan repayment in relation to acquisition		-	(5)	-
Share issue		-	179	179
Net cash used in financing activities		(1,522)	(353)	(2,944)
Net cash used in continuing financing activities		(1,492)	(303)	(2,884)
Net cash used in discontinuing financing activities		(30)	(50)	(60)
Increase in cash and cash equivalents		2,252	3,239	6,097
Cash and cash equivalents at beginning of period		25,383	19,320	19,320
Effect of foreign exchange rate changes		(79)	-	(34)
Cash and cash equivalents at end of period.		27,556	22,559	25,383

Dotdigital Group Plc

Notes to interim financial statements For the six months ended 31 December 2020

1. GENERAL INFORMATION

Dotdigital Group Plc is a company incorporated in England and Wales and quoted on the AIM market.

2. BASIS OF INFORMATION

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 June 2020. The interim financial information for the six months to 31 December 2020, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 25 February 2021.

The unaudited interim financial information for the period ended 31 December 2020 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2020 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2020, as described in those financial statements.

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For the six months ended 31 December 2020

4. SEGMENTAL REPORTING

The Group's single line of business is the provision of data-driven omnichannel marketing automation. The chief operating decision maker considers the Group's reportable segments to be by geographical location this being EMEA, US and APAC operations and by business activity, this being core Engagement Cloud and CPaaS as shown below:

Geographical revenue and results

	6 months to 31 December 2020			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	22,973	4,842	1,933	29,748
Gross profit	17,591	4,312	1,738	23,641
Profit/(Loss) before income tax	6,387	425	(96)	6,715
Total comprehensive income attributable to the owners of the parent	5,908	362	(117)	6,153
Financial position				
Total assets	63,279	4,629	2,001	69,909
Net current assets	26,838	3,623	1,476	31,937
	Restated 6 months to 31 December 2019			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	21,718	4,010	1,350	27,078
Gross profit	17,824	3,658	1,270	22,752
Profit before income tax	4,400	1,767	306	6,473
Total comprehensive income attributable to the owners of the parent	3,593	1,475	311	5,379
Financial position				
Total assets	59,287	3,932	1,322	64,541
Net current assets	21,809	2,390	695	24,894

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4. SEGMENTAL REPORTING (CONTINUED...)

	Restated 12 months to 30 June 2020			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	43,810	8,325	2,777	54,912
Gross profit	35,354	7,585	2,586	45,525
Profit/(Loss) before income tax	11,256	598	(46)	11,808
Total comprehensive income attributable to the owners of the parent	10,098	291	(97)	10,292
Financial position				
Total assets	60,959	4,846	1,566	67,371
Net current assets	26,732	1,006	(470)	27,268

Business activity revenue and results

	6 months to 31 December 2020		
	Core £'000s	CPaaS £'000s	Total £'000s
Income statement			
Revenue	28,226	1,522	29,748
Gross profit	23,225	416	23,641
Profit/(Loss) before income tax	7,139	(424)	6,715
Total comprehensive income attributable to the owners of the parent	6,577	(424)	6,153
Financial position			
Total assets	67,069	2,840	69,909
Net current assets	31,169	768	31,937

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4. SEGMENTAL REPORTING (CONTINUED...)

Restated 6 months to 31 December 2019

	Core £'000s	CPaaS £'000s	Total £'000s
Income statement			
Revenue	23,073	4,005	27,078
Gross profit	21,671	1,081	22,752
Profit/(Loss) before income tax	6,529	(56)	6,473
Total comprehensive income attributable to the owners of the parent			
	5,554	(175)	5,379
Financial position			
Total assets	61,296	3,245	64,541
Net current assets	25,399	(505)	24,894

Restated 12 months to 30 June 2020

	Core £'000s	CPaaS £'000s	Total £'000s
Income statement			
Revenue	47,404	7,508	54,912
Gross profit	43,603	1,922	45,525
Profit/(Loss) before income tax	12,186	(378)	11,808
Total comprehensive income attributable to the owners of the parent			
	10,670	(378)	10,292
Financial position			
Total assets	65,114	2,257	67,371
Net current assets	28,991	(1,723)	27,268

5. DIVIDENDS

The proposed final dividend of £2,472,466 for the year ended 30 June 2020 of 0.83p per share was paid on the 29 January 2021.

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6. EARNINGS PER SHARE

Earnings per share data is based on the consolidated profit using the weighted average number of shares in issue of the parent Company. Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. Adjusted earnings per share is based on the consolidated profit deducting the acquisition related exceptional costs and share-based payment.

A number of non-IFRS adjusted profit measures are used in this annual report and financial statements. Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group. Summarised below is a reconciliation between statutory results to adjusted results. The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business. The adjusted profit after tax earnings measure is also used for the purpose of calculating adjusted earnings per share.

Reconciliations to earnings figures used in arriving at adjusted earnings per share are as follows:

	6 months to December 2020	6 months to December 2019	12 months to June 2020
From all operations	£'000s	£'000s	£'000s
Profit for the year attributable to the owners of the parent	6,232	5,512	10,258
Amortisation of acquisition-related intangible fixed asset	60	124	501
Other exceptional costs	8	7	16
Share-based payment	344	341	682
Adjusted profit for the year attributable to the owners of the parent	6,644	5,984	11,457

Adjusted profit for the year attributable to the owners of the parent from:

Continuing operations:	7,068	6,095	11,454
Discontinuing operations:	(424)	(111)	3

Management does not consider the above adjustments to reflect the underlying business performance. The other exceptional costs relate to ongoing acquisition costs of Comapi.

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6. EARNINGS PER SHARE (CONTINUED...)

	6 months to 31 Dec 2020 Unaudited	6 months to 31 Dec 2019 Unaudited	12 months to 30 June 2020 Audited
All operations			
Earnings per Ordinary share:			
Basic (pence)	2.09	1.84	3.44
Diluted (pence)	2.06	1.84	3.39
Adjusted basic (pence)	2.23	2.00	3.84
Adjusted diluted (pence)	<u>2.19</u>	<u>1.99</u>	<u>3.79</u>
Continuing operations			
Earnings per Ordinary share:			
Basic (pence)	2.23	1.90	3.57
Diluted (pence)	2.20	1.89	3.52
Adjusted basic (pence)	2.37	2.03	3.84
Adjusted diluted (pence)	<u>2.33</u>	<u>2.03</u>	<u>3.79</u>
Discontinued operations			
Earnings per Ordinary share:			
Basic (pence)	(0.14)	(0.06)	(0.13)
Diluted (pence)	(0.14)	(0.06)	(0.13)
Adjusted basic (pence)	(0.14)	(0.04)	(0.00)
Adjusted diluted (pence)	(0.14)	(0.04)	(0.00)

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6. EARNINGS PER SHARE (CONTINUED...)

	6 months to 31 Dec 2020 Unaudited £'000s	6 months to 31 Dec 2019 Unaudited £'000s	12 months to 30 June 2020 Audited £'000s
Profit for the period from all operations for the purpose of earnings per share:			
Basic	6,232	5,512	10,258
Adjusted	<u>6,644</u>	<u>5,984</u>	<u>11,457</u>
Profit for the period from continuing operations for the purpose of earnings per share:			
Basic	6,656	5,687	10,636
Adjusted	<u>7,068</u>	<u>6,095</u>	<u>11,454</u>
Profit for the period from discontinued operations for the purpose of earnings per share:			
Basic	(424)	(175)	(378)
Adjusted	<u>(424)</u>	<u>(111)</u>	<u>3</u>

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2020 Unaudited	6 months to 31 Dec 2019 Unaudited	12 months to 30 June 2020 Audited
Weighted average number			
Basic	298,547,645	299,689,639	298,306,813
Diluted	<u>303,231,752</u>	<u>300,356,007</u>	<u>302,189,863</u>

The adjusted profit for the period, adjusted basic earnings per ordinary share and adjusted diluted earnings per ordinary share exclude exceptional costs relating to share based payments £343,920 (2019: £341,058, 2020: £682,116), ongoing acquisition costs of Comapi £7,857 (2019: £6,548, 2020: £15,714) and amortisation of acquired intangibles £60,000 (2019: £123,512, 2020: £501,072).

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7. RECONCILIATION OF PROFIT BEFORE CORPORATION TAX TO NET CASH GENERATED FROM OPERATIONS

	6 months to 31 Dec 2020 Unaudited £'000s	6 months to 31 Dec 2019 Unaudited £'000s	12 months to 30 June 2020 Audited £'000s
Profit before income tax from all operations	6,715	6,473	11,808
Adjustments for:			
Depreciation	191	195	426
Amortisation	2,314	1,881	4,148
Right-of-use asset depreciation	460	485	1,122
Exceptional costs	8	-	16
Loss on disposal of fixed assets	-	-	(3)
Share based payments	344	341	682
IFRS 16 restatement	-	78	61
Finance lease non-cash movement	140	50	4
Finance income	-	(16)	-
Finance expense	41		100
Currency revaluation	-	(133)	-
Increase in trade and other receivables	(266)	(1,475)	(1,157)
Decrease in trade and other payables	(2,003)	(1,229)	(1,300)
Net cash from operations	7,944	6,650	15,907

8. CALLED UP SHARE CAPITAL

During the period no shares were issued.

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9. RELATED PARTY NOTE

Transactions between the company and its subsidiaries, who are related parties, have been eliminated on consolidation and are not disclosed in this note.

Key management remuneration:

Key management include Directors and non-executive Directors

The remuneration paid for key management for employee services are as follows:

	6 months to 31 Dec 2020 Unaudited £'000s	6 months to 31 Dec 2019 Unaudited £'000s	12 months to 30 June 2020 Audited £'000s
Remuneration and other short-term benefits	285	350	774
Share based payments on the LTIP options granted	220	220	438
Pension cost	13	13	25
	518	583	1,237

The options granted to Paraag Amin can only be exercised at the end of a 3-year performance period, based on an aggressive total shareholder return performance criterion. Under IFRS 2, the group has to provide an estimate for the costs based on Black Scholes model valuation each year, as if they are fully paid out at the end of the performance period in October 2021 for Paraag Amin. To be fully paid out, the group must achieve a compounded 35% TSR over a 3-year period.

In the period, the options that were granted to Milan Patel in December 2017 came to the end of its performance period of which part vested and are under a 2-year holding period from the end of the performance period before they can be exercised, and the remainder lapsed. A new tranche was granted in this period which is based on stretching performance targets on relative total shareholder return and earnings per share. These options for shares will vest in December 2023 when the end of the performance period for that tranche is reached.

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9. RELATED PARTY NOTE (CONTINUED...)

	6 months to 31 Dec 2020 Unaudited £'000s	6 months to 31 Dec 2019 Unaudited £'000s	12 months to 30 June 2020 Audited £'000s
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The following transactions were carried out with related parties

Sale of services

Entities controlled by non - executive director of the Group:

Epwin Group Plc - Email marketing services	3	-	4
Cadence Performance Ltd - Email marketing services	1	1	-
	4	1	4

Year end balances arising from the sale of services

Entities controlled by non-executive directors of the Group:

Epwin Group Plc - Email marketing services	1	-	1
	1	-	1

10. SUBSEQUENT EVENTS TO 31 DECEMBER 2020

As at the date of these statements and the date they were approved by the Board of Directors there were no such events to report.

Copies of this interim statement are available from the Company at its registered office at, No 1 London Bridge London, SE1 9BG. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.