RNS Number : 0746S
dotDigital Group plc
07 March 2023

7 March 2023

Dotdigital Group plc

("Dotdigital" or the "Group")

Interim results for the six months ended 31 December 2022

Dotdigital Group plc (AIM: DOTD),the leading SaaS provider of an omnichannel marketing automation and customer engagement platform, announces its unaudited interim results for the six months ended 31 December 2022 ("H1 2023").

Financial Highlights

- Group revenue increased 9% to £33.8m (H1 2022: £30.9m)
- Recurring revenue as a percentage of total revenue increased to 95% (H1 2022: 94%). Contracted recurring represents 79% of total revenue
- ARPC[1] up by 11% to £1,573 per month (H1 2022: £1,422 per month)
- Adjusted EBITDA[2] of £11.1m (H1 2022: £12.2m) and adjusted operating profit[3] of £7.5m (H1 2022: £8.9m), in line with expectations and reflecting planned investment in the team
- Strengthening cash position with net cash balance of £49.6m on 31 December 2022 (H1 2022: £40.0m)

Operational Highlights

- International revenue of £11.5m (H1 2022: £9.7m), representing 34% to total revenue (H1 2022: 31%)
- R&D continues to unlock incremental growth opportunities, with recurring revenues from enhanced product functionality increasing 13% to £12.2m (H1 2022: £10.8m)
- Ongoing product innovation to enhance the Group's Customer Experience & Data Platform (CXDP), with a focus on predictive analytics and real time automation functionality
- Email marketing remains core alongside omnichannel uptake, with email volume growth of 13% and SMS volume growth of 18% in the period
- Strengthening of strategic partnerships in both ecommerce and CRM, with sales through connectors increasing by 17% to £16.3m (H1 2022: £13.9m)
- Ongoing planned investment in personnel and business infrastructure to support continued growth
- Growing new business pipeline, including higher value deals, with trading at the start of H2 tracking in line with expectations

Milan Patel, CEO of Dotdigital, commented:

"We are pleased to report another period of profitable growth and execution in line with our strategy, as we begin to realise the benefits of our strengthened operations functions following investment in the prior period.

"Organisations across industries are depending, more than ever, on driving higher engagement across their customer bases to support growth and loyalty. Our technology sits at the heart of this, with digital engagement tools underpinned by rich data that provide insights into the value and impact of marketing spend throughout the customer journey.

"We enter the second half of the year with a stronger pipeline of opportunities, supported by a profitable, cash generative business model and increasing recurring revenues. Whilst we remain mindful of macroeconomic uncertainty, the strength of our value proposition, expertise across sectors and expanding addressable market give us confidence in meeting market expectations."

Live presentation to investors: Management will host a live presentation to investors via the Investor Meet Company platform on Thursday, 9 March at 10.00 a.m. UK time. Investors who already follow Dotdigital on the platform will automatically be invited, others are invited to register in advance via the following link: https://www.investormeetcompany.com/dotdigital-group-plc/register-investor.

Notes

1. *ARPC means Average Revenue Per Customer (including new customers added in period and existing customers)*
2. *Adjusted EBITDA is earnings before interest, tax, depreciation and amortization adjusted for acquisition costs and share-based payments*
3. *Adjusted operating profit is operating profit adjusted for acquisition costs and share-based payments*

For further information please contact:

Dotdigital Group Plc Milan Patel, CEO Alistair Gurney, CFO	Tel: 020 3953 3072 investorrelations@dotdigital.com
Alma PR (Financial PR) Hilary Buchanan David Ison Kieran Breheny	Tel: 020 3405 0210 dotdigital@almapr.co.uk
Canaccord Genuity (Nominated Advisor and Joint Broker) Bobbie Hilliam, Corporate Finance Jonathan Barr, Sales	Tel: 020 7523 8000
finnCap (Joint Broker) Jonny Franklin Adams, Corporate Finance Alice Lane, ECM	Tel: 020 7220 0500
Singer Capital Markets (Joint Broker) Shaun Dobson, Corporate Finance Alex Bond, Corporate Finance	Tel: 020 7496 3000

OPERATIONAL REVIEW

The Group made good progress over the first half of the year, in line with management expectations. The operational building blocks put in place in the second half of the prior year have started to yield results with evidence of increasing commercial momentum across the Group.

The Group delivered revenue growth of 9% to £33.8m (H1 2022: £30.9m) driven by improved customer retention and increasing revenue per customer, together with new customer wins and favourable FX movements. As expected, adjusted EBITDA was £11.1m (H1 2022: £12.2m), reflecting planned headcount growth of c. 45 people through the period and wage increases which were weighted to the start of the financial year, compared to a more gradual distribution of cost growth through the prior year. Cash generation continues to be strong, and the Group ended the period with a net cash balance of £49.6m.

The investments made to solidify the Group's global operations, from Sales to Customer Success and Partner Management teams, along with continued positive trading, have enabled the leadership team to renew their focus on the Group's growth opportunities. Overall, the Group has seen an improving environment to attract and retain talent as competitors pause to reflect on previous hiring initiatives. There is a refreshed sense of optimism and momentum internally with our teams energised around our growth plans.

Within the current economic climate, we are seeing organisations across industries assessing how to attract and retain customers whilst optimising their technology stacks to drive efficiency and cost savings. Dotdigital's platform, which offers clear, demonstrable ROI coupled with easy-to-use functionality and straightforward onboarding processes, is a compelling proposition. The Group continues to grow market share and cement its reputation across territories, evidenced by a growing pipeline, particularly within larger enterprises.

Marketeers at some of the world's biggest international brands rely on Dotdigital to power their campaigns. Along with continued strength in the ecommerce space, the Group has seen growing interest in sectors such as not for profit, utilities, financial services, construction, media and healthcare. New customers won during the period include Chartered Institute for the Management of Sport and Physical Activity, Shell Energy UK, Leeds Building Society, Galliford Try and CBRE.

Looking ahead, the Group is well positioned to capitalise on the market opportunity, with strengthened foundations across its three operating regions underpinned by a resilient, profitable SaaS business model. With high levels of recurring revenue and strong cash generation, the Board has the flexibility to continue investing in the organic and inorganic growth opportunity.

Market

Digital marketing continues to be the priority for organisations. According to the 2022 CMO Survey, digital marketing spending has accelerated since it was first measured in February 2021 (+11.5%) to a high in February 2022 (+20.2%), resulting in digital marketing investments accounting for 57.9% of marketing budgets.

According to the survey, 59% of Marketeers listed martech as one of their top digital marketing investments. A 2022 study by Gartner reported Marketeers planned to spend 25.4% of their marketing budget on martech in 2022, while the 2023

Deloitte Global Marketing Trends executive survey found 'Accelerating the move to new digital technologies/platforms' to be the number one priority for Chief Marketing Officers.

Within this, there is a growing expectation and requirement for increasingly sophisticated tools that allow for more personalised and targeted campaigns based on rich customer data. This holistic view of the full customer journey is what drives the Group's technology roadmap for Customer Experience & Data Platform (CXDP). In an October 2022 survey of B2B marketers carried out by Chief Marketer/OneTrust, the top three martech investment targets were content creation, analytics and automation, validating our direction of travel. With a wider backdrop characterised by economic uncertainty, we are seeing a heightened focus on optimisation and cost effectiveness as well as customer loyalty. Within this framework, email marketing remains the primary channel for customer engagement, still providing the highest return on investment. During the period, we saw email marketing volumes increase 13%. Alongside this, demand for omnichannel continues to grow, as organisations aspire to increase the number of touchpoints with customers all from one platform. For instance, according to Airship's Push notification Benchmark report, 51% of iOS users and 81% of Android users are opted-in to receive 'push' notifications, offering a potentially valuable complementary engagement channel for organisations.

Strategy

The Group is guided by a consistent and focused growth strategy, centred on three strategic pillars: international diversification, product innovation, and building on our strategic partnership relationships.

Geographic expansion

Regional breakdown reported in local currency

The Group's largest and most established market, EMEA, grew 7% to £25.3m (H1 2022: £23.6m) following continued strong underlying demand. The pipeline of higher value deals continues to trend upward as enterprises focus on technology rationalisation towards best-in-breed solutions with comprehensive functionality. The Group's growth in the region was somewhat tempered by a lower level of one-off professional services fees as the organisations' decision making on new projects was slower to navigate the uncertain macroeconomic backdrop.

Revenues from North America were flat at $6.5m (H1 2022: $6.5m). This is against a strong comparative H1 and a lower entry run rate into the current financial year as a result of previously communicated employee and customer churn during H2 of the prior year. These challenges have been addressed and the trend has reversed with an improvement in customer retention and an in-region sales team now embedded and starting to convert a building pipeline. The Board expects the region to show positive underlying growth at the full year as this momentum continues.

APAC continued to post strong double-digit growth with revenue from the region increasing 17% to AUS$5.2m (H1 2022: AUS$4.4m). This follows continued investment in the region, including further expansion of localised go-to-market teams and, in Japan, the appointment of an experienced country lead.

Organic international revenue increased by 19% to £11.5m (H1 2022: £9.7m) in the period, with international sales contributing 34% to total revenue (H1 2022: 31%).

Product innovation

The Group's product roadmap continues to unlock growth opportunities with functionality recurring revenue (licence, data charges and additional functionality) growing 13% to £12.2m in the period (H1 2022: £10.8m).

Our Research and development focus is guided by the Group's Customer Experience Data Platform (CXDP) vision and how to bring this powerful functionality to the mid-market.

The innovations surrounding analytics have helped us attract larger and mid-market customers, some of which are finding that Dotdigital can meet their data capability needs and so replace point solutions. Cross-account analytics and account tagging are just some of the ways in which large businesses with multiple accounts can streamline how they analyse their data across departments and business divisions. We also see organisations review their larger cloud solutions and look to Dotdigital as a viable alternative that offers equivalent power at an attractive price-point. Our appeal to these businesses is further strengthened by the launch of back-in-stock notifications which is essential for brands who want to reduce their opportunity cost. Multi-touch revenue attribution is also key to demonstrating value and businesses are happy to invest in marketing despite external pressures if success can be measured.

Our product roadmap will continue to focus on self-service integrations, predictive analytics, and predictive subject line content creation as we enter H2.

Strategic partnerships

The Group looks to complement its direct sales channel by building brand awareness through strategic partnerships, with a core focus on forging connectors into both ecommerce and CRM platforms,complemented by a broader general partner referral network which includes over 200 active global partners.

During the half, revenue through strategic partners grew 17% to £16.3m (H1 2022: £13.9m). The Group's ecommerce partners, which include Magento and Shopify among others, grew a healthy 10%. Pleasingly, the Group saw significant growth through its CRM partners, including Microsoft Dynamics and Salesforce, which together grew 32% in the period following more investment into this channel. The CRM channel partnership growth was particularly strong in EMEA due to increasing brand awareness through the channel, providing increasing confidence of building on this momentum in the future.

M&A

Now that the planned organic investment has been made and is showing returns, the Board is focusing on acquisition opportunities to supplement organic growth. Our acquisition strategy is focused on the following key categories: adjacent CXDP-related technologies that will drive ARPC expansion and open up new markets; consolidation in the market for talent and brand to expand geographical coverage; and specialist functionality for target verticals.

Current Trading and Outlook

We are encouraged by the progress achieved in the period and enter the second half with strengthened operations and good trading momentum. In the current climate we are seeing a renewed focus on rationalising technology stacks to drive value and ROI, which is uncovering new opportunities particularly amongst larger enterprises leading to higher value deals.

As we look ahead, our focus is on building our CXDP, supporting our opportunity in North America through new hires, as well as additional headcount across the business to match demand and to drive more lead generation through partners and direct channels. Whilst other suppliers take stock of previous investment rounds, we see this as an opportunity to further entrench our position in the market, supported by a growing pipeline and resilient underlying business.

We believe the potential is substantial. We understand where our opportunities lie and how we can capture them. While remaining cognisant of the challenging macroeconomic backdrop, our growing global reputation, talented and committed teams, and good visibility over the second half, provides the Group with confidence in continued success.

FINANCIAL REVIEW

Revenue

Revenue during the period grew 9% to £33.8m from £30.9m in H1 2022. This performance was driven primarily by net revenue expansion but also growth in SMS volumes.

Recurring revenue represents c.95% of revenues, improving visibility on future revenues. Enhanced functionality revenue (which includes licence fees and bolt-on functionality) grew 13% to £12.2m from £10.8m in H1 2022.

International revenue was 34% of total sales in the period, from 31% in H1 2022. Of that, revenues were flat in the US at $6.5m (H1 2022: $6.5m) following stabilisation of sales and customer success teams in the region, and up 17% in APAC to AUS$5.2m (H1 2022: AUS$4.4m). EMEA revenues grew 7% in the period to £25.3m (H1 2022: £23.6m). The Group also benefitted from the strengthening of the US dollar.

During the period ARPC, measures at the end of period increased by 11% to £1,573 per month (H1 2022: £1,422 per month).

Gross Margin

Product gross margins remain consistent with the prior period. Total Gross margin % reduced slightly to 79.1% (H1 2022: 82.1%) reflecting fluctuations of revenue mix.

EBITDA

We achieved an adjusted EBITDA margin of 33% and an adjusted operating profit margin of 22% in the first half, which was in line with management expectations. The Group has absorbed significant cost inflation both relating to planned increased headcount and also third-party suppliers. It continues to invest in go-to-market activity and product development to deliver our product roadmap. The adjustments include a share-based payment charge of £0.26m and exceptional costs of £0.06m.

Balance Sheet & Cash Position

Dotdigital continues to generate strong cash flow from operations with an interim period end net cash balance of £49.6m. Strong cash generation has given us strategic options, particularly involving opportunities to explore potential acquisitions of relevant adjacent technologies.

The Group continues to prioritise product development and during the period spent c.£4.0m on development (compared to c.£3.4m in H1 2022).

Dividend Policy

A dividend of 0.98p per ordinary share (2022: 0.86p) 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 2022 and paid on 31 January 2023.

The Group will review the dividend at year end; therefore, in line with previous years the Board is not proposing an interim dividend. This represents the 10th year of paying dividends which have increased with a CAGR of 29% during that period since our inaugural dividend in 2013.

Dotdigital Group Plc

Consolidated Income Statement

For the six months ended 31 December 2022

		6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
		Unaudited	Unaudited	Audited
	Note	£'000s	£'000s	£'000s
Revenue from contracts with customers	*4*	33,822	30,911	62,832
Cost of sales		(7,053)	(5,541)	(11,570)
Gross profit	*4*	26,769	25,370	51,262

Administrative expenses		(19,222)	(16,470)	(36,726)
Share based payments		(262)	(222)	(456)
Exceptional costs*		(60)	(60)	(475)
Operating profit		**7,225**	**8,618**	**13,605**
Finance income		214	16	57
Finance costs		(23)	(30)	(57)
Profit before income tax		**7,416**	**8,604**	**13,605**
Income tax expense		(936)	(1,825)	(1,774)
Profit for the period attributable to the owners of the Company		**6,480**	**6,779**	**11,831**
Earnings per share (pence per share)				
Basic	*6*	2.17	2.27	3.96
Diluted	*6*	2.13	2.23	3.88
Adjusted basic	*6*	2.27	2.36	4.27
Adjusted diluted	*6*	2.23	2.32	4.18

* Exceptional costs relate to the amortisation of acquired intangibles. Senior Management settlement costs of £355,000 were also included within exceptional costs in the 12 months to 30 June 2022.

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2022

	note	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2021
		Unaudited	Unaudited	Audited
		£'000s	£'000s	£'000s
Profit for the period		6,480	6,779	11,831
Other comprehensive income/(expense)				
Items that may be subsequently reclassified to profit and loss:				
Exchange differences on translating foreign operations		(43)	29	333
Total comprehensive income attributable to:				
Owners of the parent	*4*	**6,437**	**6,808**	**12,164**

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	As at 31 Dec 2022	As at 31 Dec 2021	As at 30 June 2022
		Unaudited	Unaudited	Audited
		£'000s	£'000s	£'000s
Assets				
Non-current assets				
Goodwill		9,680	9,680	9,680
Intangible assets		18,631	16,749	17,698
Property, plant and equipment		2,905	3,622	3,285
		31,216	30,051	30,663

Current assets				
Trade and other receivables		12,970	12,838	13,211
Cash and cash equivalents		49,574	40,035	43,919
		62,544	52,873	57,130
Total assets	*4*	**93,760**	**82,924**	**87,793**
Equity attributable to the owners of the parent				
Called up share capital	*8*	1,496	1,494	1,496
Share premium		7,124	7,124	7,124
Reverse acquisition reserve		(4,695)	(4,695)	(4,695)
Other reserves		2,063	3,829	2,005
Retranslation reserve		253	(8)	296
Retained earnings		70,345	60,863	63,582
Total equity		**76,586**	**68,607**	**69,808**

Consolidated Statement of Financial Position

As at 31 December 2022

	As at 31 Dec 2022	As at 31 Dec 2021	As at 30 June 2022
	Unaudited	Unaudited	Audited
	£'000s	£'000s	£'000s
Liabilities			
Non-current liabilities			
Lease liabilities	1,426	2,174	1,758
Deferred tax	2,853	1,451	2,755
	4,279	3,625	4,513
Current liabilities			
Trade and other payables	11,931	9,739	12,654
Lease liabilities	832	902	818
Current tax payable	132	51	-
	12,895	10,692	13,472
Total liabilities	**17,174**	**14,317**	**17,985**
Total equity and liabilities	**93,760**	**82,924**	**87,793**

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

	Share capital	Share premium	Reverse acquisition reserve	Other reserves	Re-translation Reserve	Retained Earnings	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July							

2021	**1,494**	**7,124**	**(4,695)**	**3,066**	**(37)**	**54,081**	**61,033**
Profit for the period	-	-	-	-	-	6,779	6,779
Retranslation reserve	-	-	-	-	29	-	29
Reserve Transfer	-	-	-	(3)	-	3	-
Deferred tax on share options	-	-	-	544	-	-	544
Share based payments	-	-	-	222	-	-	222
As at 31 December 2021	**1,494**	**7,124**	**(4,695)**	**3,829**	**(8)**	**60,863**	**68,607**
As at 1 January 2022	1,494	7,124	(4,695)	3,829	(8)	60,863	68,607
Profit for the period	-	-	-	-	-	5,052	5,052
Dividends	-	-	-	-	-	(2,564)	(2,564)
Retranslation reserve	-	-	-	-	304	-	304
Issue of share capital	2	-	-	-	-	-	2
Reserve Transfer	-	-	-	(231)	-	231	-
Deferred tax on share options	-	-	-	(1,827)	-	-	(1,827)
Share based payments	-	-	-	234	-	-	234
As at 30 June 2022	**1,496**	**7,124**	**(4,695)**	**2,005**	**296**	**63,582**	**69,808**
As at 1 July 2022	1,496	7,124	(4,695)	2,005	296	63,582	69,808
Profit for the period	-	-	-	-	-	6,480	6,480
Retranslation reserve	-	-	-	-	(43)	-	(43)
Reserve transfer	-	-	-	(283)	-	283	-
Deferred tax on share options	-	-	-	79	-	-	79
Share based payments	-	-	-	262	-	-	262
As at 31 December 2022	**1,496**	**7,124**	**(4,695)**	**2,063**	**253**	**70,345**	**76,586**

- 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.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

		6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
		Unaudited	Unaudited	Audited
	note	£'000s	£'000s	£'000s

	note	£'000s	£'000s	£'000s
Cash flow from operating activities	*7*	**10,546**	**13,258**	**25,162**
Tax paid		(440)	(1,075)	(1,761)
Net cash generated from operating activities		**10,106**	**12,183**	**23,401**
Cash flow from investing activities				
Purchase of intangible fixed assets		(3,989)	(3,439)	(7,686)
Purchase of property, plant and equipment		(178)	(162)	(465)
Proceeds from sale of property, plant and equipment		-	-	-
Interest received		214	16	57
Net cash used in investing activities		**(3,953)**	**(3,585)**	**(8,094)**
Cash flows from financing activities				
Equity dividends paid		-	-	(2,564)
Payment of leasing liabilities		(455)	(543)	(1,110)
Proceeds from share issues		-	-	2
Net cash used in financing activities		**(455)**	**(543)**	**(3,672)**
Increase in cash and cash equivalents		5,698	8,055	11,635
Cash and cash equivalents at beginning of period		43,919	31,951	31,951
Effect of foreign exchange rate changes		(43)	29	333
Cash and cash equivalents at end of period		**49,574**	**40,035**	**43,919**

Notes to interim financial statements

For the six months ended 31 December 2022

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 UK-adopted International Accounting Standards ('IAS') 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 2022. The interim financial information for the six months to 31 December 2022, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 6 March 2023.

The unaudited interim financial information for the period ended 31 December 2022 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 2022 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 2022, as described in those financial statements.

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 as shown below:

Geographical revenue and results

	6 months to 31 December 2022			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	25,342	5,520	2,960	33,822
Gross profit	19,205	4,942	2,622	26,769
Profit/(Loss) before income tax	7,147	603	(334)	7,416
Total comprehensive income attributable	6,217	608	[illegible]	6,437

to the owners of the parent	6,217	608	(388)	6,437
Financial position				
Total assets	86,146	4,849	2,765	93,760
Net current assets	44,251	3,944	1,454	49,649

	6 months to 31 December 2021			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	23,644	4,885	2,382	30,911
Gross profit	18,927	4,367	2,076	25,370
Profit/(Loss) before income tax	8,774	96	(266)	8,604
Total comprehensive income attributable to the owners of the parent	7,046	13	(251)	6,808
Financial position				
Total assets	75,743	4,670	2,511	82,924
Net current assets	36,957	3,727	1,497	42,181

	12 months to 30 June 2022			
	EMEA Operations £'000s	US Operations £'000s	APAC Operations £'000s	Total £'000s
Income statement				
Revenue	48,191	9,688	4,953	62,832
Gross profit	38,374	8,537	4,351	51,262
Profit/(Loss) before income tax	12,444	972	189	13,605
Total comprehensive income attributable to the owners of the parent	10,967	1,049	148	12,164
Financial position				
Total assets	83,664	3,498	631	87,793
Net current assets/(liabilities)	42,270	2,204	(816)	43,658

5. DIVIDENDS

The proposed final dividend of £2,925,849 for the year ended 30 June 2022 of 0.98p per share was paid on the 31 January 2023.

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 the annual report and financial statements and in these interim 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 31 December 2022	6 months to 31 December 2021	12 months to 30 June 2022
	£'000s	£'000s	£'000s
Profit for the year attributable to the owners of the parent	6,480	6,779	11,831
Amortisation of acquisition-related intangible fixed asset	60	60	120
Other exceptional costs	-	-	355
Share-based payment	262	222	456
Adjusted profit for the year attributable to the owners of the parent	6,802	7,061	12,762

Management does not consider the above adjustments to reflect the underlying business performance.

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
	Unaudited	Unaudited	Audited
Earnings per Ordinary share:			
Basic (pence)	2.17	2.27	3.96
Diluted (pence)	2.13	2.23	3.88
Adjusted basic (pence)	2.27	2.36	4.27
Adjusted diluted (pence)	2.23	2.32	4.18

	to 31 Dec 2022	to 31 Dec 2021	to 30 June 2022
	Unaudited	Unaudited	Audited
	£'000s	£'000s	£'000s
Profit for the period			
for the purpose of earnings per share:			
Basic	6,480	6,779	11,831
Adjusted	6,802	7,061	12,762
Profit for the period			
for the purpose of earnings per share:			
Basic	6,480	6,779	11,831
Adjusted	6,802	7,061	12,762

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
	Unaudited	Unaudited	Audited
Weighted average number			
Basic	299,216,130	298,778,630	298,995,582
Diluted	304,819,814	304,006,513	305,218,306

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 £262,000 (2021: £222,000, 2022: £456,000), amortisation of acquired intangibles £60,000 (2021: £60,000, 2022: £120,000) and senior management costs of £nil (2021: £nil, 2022 £355,000).

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

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
	Unaudited	Unaudited	Audited
	£'000s	£'000s	£'000s
Profit before income tax from all			

operations	**7,416**	**8,604**	**13,605**
Adjustments for:			
Depreciation	535	565	1,124
Amortisation	3,038	2,824	6,123
Loss on disposal of fixed assets	18	-	-
Share-based payments	262	222	456
Finance lease non-cash movement	(78)	96	152
Finance expense	23	30	57
Decrease in trade and other receivables	55	512	325
(Decrease)/increase in trade and other payables	(723)	405	3,320
Net cash from operations	**10,546**	**13,258**	**25,162**

8. CALLED UP SHARE CAPITAL

During the period no shares were issued.

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 2022	6 months to 31 Dec 2021	12 months to 30 June 2022
	Unaudited	Unaudited	Audited
	£'000s	£'000s	£'000s
Aggregate emoluments	363	312	938
Ex-gratia payment	-	-	213
Share-based payments on the LTIP options granted	86	133	176
Company contributions to money purchase pension scheme	12	13	25
	461	**458**	**1,352**

The share-based payment calculation is based on annual share option awards granted to Milan Patel in 2020 and 2021 which are assessed for vesting in the third year of the performance period. Paraag Amin had end to end awards, granted in October 2018, which vested fully in 2021 and were subject to a holding period. Under IFRS 2 Share based payments, the Group must provide an estimate for the costs based on the valuation model called Monte Carlo each year, as if they fully paid out at the end of the performance period in 2023 & 2024 respectively for Milan Patel. To be fully paid out, half the award is based on the Group achieving an annual compounded TSR in the upper quartile of AIM 100 and the other half is based on hitting an EPS target set by the Remuneration Committee.

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	12 months to 30 June 2021
	Unaudited	Unaudited	Audited
	£'000s	£'000s	£'000s
The following transactions were carried out with related parties			
Sale of services			
Entities controlled by non - executive director of the Group:			
Ipswich Town Football Club	-	5	5
Epwin Group Plc - Email marketing services	-	3	4
	-	**8**	**9**

At 31 December 2022 there were no balances outstanding for the above transactions with related parties (2021: £nil, 2022: £nil).

10. SUBSEQUENT EVENTS TO 31 DECEMBER 2022

16. SUBSEQUENT EVENTS TO 31 DECEMBER 2022

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 form 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.

END

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