

Dotdigital Group PLC

23:02 15 Aug 2018

Three pillars of wisdom continue to fuel dotdigital's impressive performance as omni-channel transformation bears fruit

The three pillars of wisdom which provided dotdigital PLC's (LON:DOTD) impressive first-half performance - geographic expansion, strong partnerships, and product innovation - continued through to the recent year-end as the bulk emailer's omni-channel transformation bears fruit.

The AIM-listed firm's fourth-quarter trading update in July showed revenues were around 35% higher at £43.1m in the year to 30 June 2018, up from £32.0m in the year before, while it said adjusted underlying earnings (EBITDA) and operating profit were expected to be in line with market expectations.

READ: dotdigital sees fourth quarter momentum continue into new financial year

The group saw its average revenue per user (ARPU) continue to rise, growing by 18% to roughly £845 per month from around £715 per month the year before, while the number of customers who signed up over the year rose 26% to 689 from 548 in 2017.

The company's expansion into the US continued to go well, with revenues from the region up 43% year-on-year to US\$7.1m from US\$5.0m, although that growth rate was put in the shade by the Asia-Pacific region, where revenues grew 85% to A\$2.2m from A\$1.2m in fiscal 2017.

Preparations for the introduction of new general data protection regulation (GDPR) regulations in the European Union did disrupt customer spending in the first half of the financial year but the region's sales cycles normalised in the second half of the year.

WATCH: dotDigital expanding and strengthening presence in international markets

In a note following the update, analysts at 'house' broker finnCap said: "After share price nervousness since interims, precipitated by uncertainty over the effect of GDPR, the DOTD full-year trading update is reassuringly upbeat and reports business as usual."

They added: "The driving forces of generating more revenue, from increasing functionality, from more customers, via diversified channels, and in more territories, have all been successfully achieved.

"Despite the Y2k GDPR-inspired uncertainty, EMEA generated double-digit growth, with management confirming no material consequential impact on email volumes or recurring revenue.

"Strong momentum in 4Q18 leads to management confidence in market expectations for FY19."

Milan Patel, dotdigital's chief executive officer had commented: "This year reflects substantial progress against the

Price: 100p

Market Cap: £298.03M

1 Year Share Price Graph



Share Information

Code: DOTD

Listing: AIM

52 week High Low
114.00p 74.00p

Sector: Media & Publishing [T3]

Website: www.dotdigitalgroup.com

Company Synopsis:

dotDigital Group Plc ("dotDigital or the Group") has grown to become a leader in the provision of intuitive Software as a service ('SaaS') products for digital marketing professionals. These products include the Group's email marketing platform, dotMailer and an online survey offering. dotDigital is traded in the ISDX Exchange HERE.

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company's strategic aims in accelerating our platform capabilities into the omnichannel space, continuing to innovate our product, growing geographically and deepening our relationships with our strategic partners."

"Alongside our organic growth strategy, we will continue to look for acquisitions of an earnings enhancing or strategic nature that could add to the platform capabilities," he added.

Omni-channel expansion

Back in November 2017, dotdigital paid £11m in cash for Comapi, a fast-growing business focused on the omni-channel messaging and cloud communication market.

Comapi has built a scalable software platform that allows businesses to communicate with their consumers across multiple conversational messaging channels including the growing market for live chat.

Integration into the dotdigital platform has enabled the group to deliver aligned conversational messaging across channels including email, mobile push, SMS, Facebook messenger, Apple business messenger, Twitter and live chat.

Patel said at the time: "In acquiring Comapi, we have taken a significant step toward creating a fully-fledged, omnichannel marketing automation platform."

What dotmailer does

According to its brochure, dotmailer provides marketers a single solution to message customers through email, mobile and social media and other electronic forms.

The dotmailer platform and tools share data seamlessly with clients' customer relations management (CRM), eCommerce and third party applications, with a managed service if required.

Patel said: "The dotmailer platform continues to evolve and innovate, providing highly sophisticated yet 'easy-to-use' marketing automation tools that empower our clients and this we believe is part of the true essence of our continued success."

The new general data protection regulation changed the rules, however, and the group launched additional features to help customers achieve compliance with the new GDPR regulation.

Premium rating justified

dotdigital's share price - like its revenues - spiked higher after July's trading update, helping the stock recover from a drift lower over the course of the year to date, although on a one-year view, the stock is still up around 27%.

At a current share price of 91p, the stock looks to offer plenty of upside potential to finnCap's 115p target price, particularly given further expansion possibilities.

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