

## Dotdigital Group

**Technology**
**28 February 2025**

### Quality evident in H125 results

Despite economic pressures in Dotdigital Group's end markets, the H125 results showed that the management team has put the group in a good position to take advantage of the current (and expected continued) growth in the automation of digital marketing. The quality of the business model is apparent from the spread of customer by size and location, the recurring/repeat revenue base (H125: 95%), with high cash conversion, and the strong partnership model (H125 revenue up 13% to £18.8m). Management states that the group is on track to meet earlier FY25 guidance.

### Revenues

H125 revenues grew by 10% (constant currency), with recurring/repeat revenue making up approximately 95% of the total. Average revenue per customer grew 12.1% to £1,916 per month. Asia-Pacific and North America grew by 19% and 20% on a like-for-like basis, respectively, with Europe, the Middle East and Africa's top line (up 7% y-o-y) benefiting from a full six-month contribution from Fresh Relevance. Group exit annual recurring revenue was £64.6m (H124: £59.9m).

### Profitability

The gross margin in H1 was 78% (H124: 79%), with the benefits of post-acquisition rationalisation at Fresh Relevance not expected until FY26. EBITDA growth of 11% was marginally ahead of organic revenue growth, resulting in an adjusted EBITDA margin of 33% and an adjusted operating margin of 22%. No interim dividend was proposed (in line with previous years). The dividend policy remains to grow the dividend in line with EBITDA. Cash from operating activities increased by 33% to £12.1m. Operating cash conversion as a percentage of EBITDA was c 100%. Net cash at end December 2024 was £45.7m, leaving scope for further acquisitions.

### Product strategy

Significant and growing investment in product development remains a focus. New TikTok and LinkedIn integrations have been launched, with WhatsApp to follow shortly. A focus on mobile-first consumer experiences led to an almost ninefold increase in mobile app, push and multimedia messaging. The group also saw a 13% rise in the adoption of Winston AI.

### Valuation

Based on consensus forecasts, we estimate that Dotdigital trades on one-year forward EV/EBITDA and P/E discounts of 40% and 70%, respectively, to its peers.

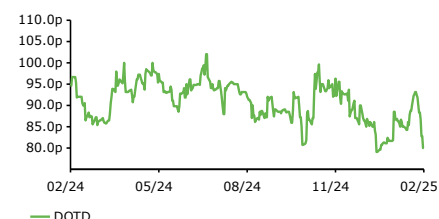
#### Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)	EV/EBITDA (x)
6/24	79.0	24.2	16.8	4.71	1.10	17.5	1.3	8.6
6/25e	86.2	26.7	18.1	4.70	1.20	17.6	1.5	7.8
6/26e	93.0	28.9	19.7	5.00	1.30	16.5	1.6	7.2

Source: LSEG Data & Analytics. Note: EBITDA, PBT and EPS are adjusted for the costs of share-based payments, amortisation of acquired goodwill, acquisition costs and the exercise of share options.

**Price** 82.60p  
**Market cap** £253m

#### Share price performance



#### Share details

Code	DOTD
Listing	LSE
Shares in issue	306.8m
Net cash at 31 December 2024	£45.7m

#### Business description

Dotdigital Group is a UK-based software-as-a-service (SaaS) provider of email marketing and omnichannel SaaS technology to empower digital marketing professionals.

#### Bull points

- Omnichannel marketing offering across multiple regions and customer sizes.
- SaaS model generating significant revenues via 660 third-party agency and 190 technology partnerships.
- Expected total addressable market CAGR of 15.3% in 2025–30 (source: Grand View Research).

#### Bear points

- Competition from larger integrated platforms.
- Disruptive potential of AI-based customer engagement strategies.
- Economic pressures in end markets.

#### Analysts

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