

# Deal Group Media Plc

Interim Results to 30 June 2008

# Agenda

- 2008 Offering
- Financial Highlights
- Opportunity Moving Forward
- Objectives 2008
- Appendices - Historic Context

# 2008 Offering



- Working with advertiser and advertising agencies
- Operating from Australia, India, Singapore
- Delivery of online customer acquisition and lead generation strategies for advertisers OR their agencies
- Effectively “direct marketing online”
- Through major consumer touch points but dominated by search engine strategies and affiliate marketing.

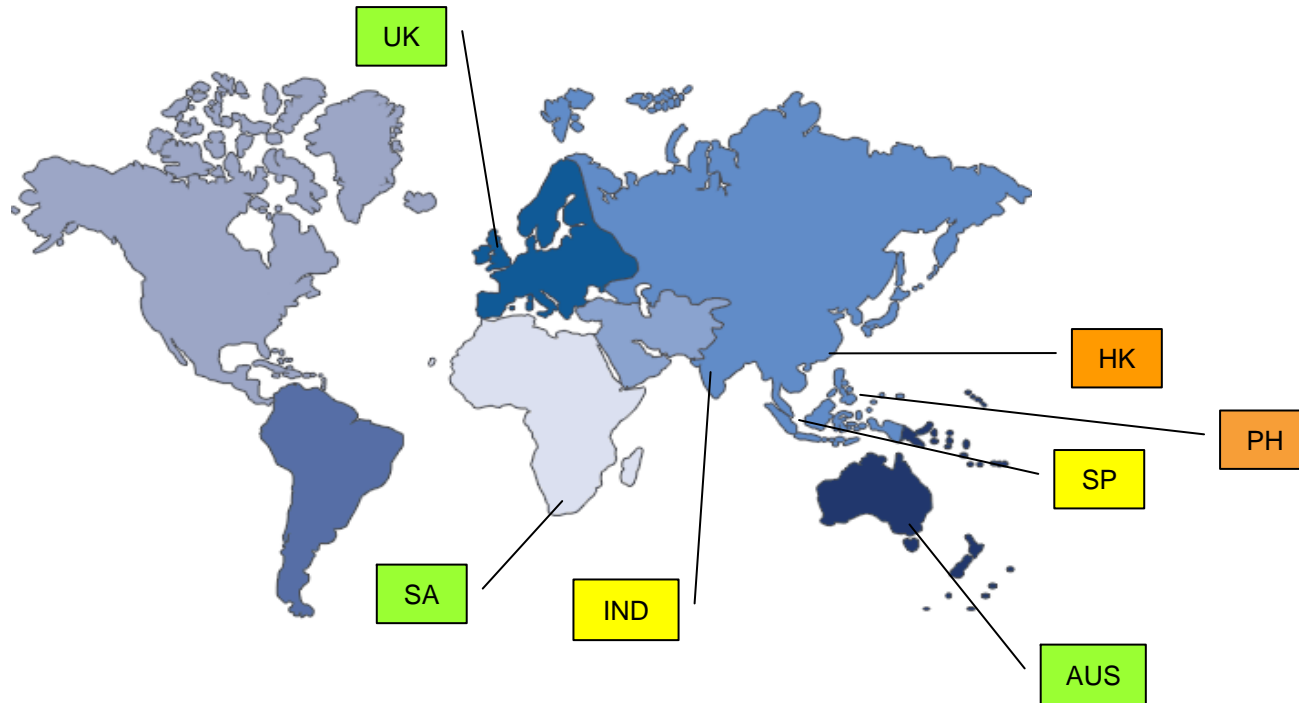


- Ad-network operation selling banner advertising
- Operating from Singapore and Hong Kong
- Publisher representation as an outsourced sales team
- PLUS Inventory aggregator from multiple sources driving economies of scale



- Independent Digital Advertising agency offering
- Operating from Singapore and Philippines
- Evolving and executing digital Strategy for clients
- Trusted 3<sup>rd</sup> party
- Manage all other suppliers in the chain
- Customer of DGM and AKTIV if appropriate

# Our Offices



- Five Offices Operating in 2007
- Central Operations moved Singapore May 2007
- Offices as start 2007
- New Offices In 2007
- New Offices 2008

# An Effective Strategy For Global Clients





# **Financial Highlights**



# 2008 YTD Financial Highlights

- Revenue increased by 72% to £6.69 million (H1 2007: £3.90 million)
- Gross Profits up by 54% to £2.06 million (H1 2007: £1.34 million)
- EBITDA\* from continued operations showed a 39% reduced loss to £0.34 million (H1 2007 £0.55 million) after a net investment in Asia Pacific expansion of £0.20 million (H1 2007 £0.16 million)

➤\*Calculated as profit before interest, tax, amortisation, depreciation, share based payments and share of associated company loss

## 2008 YTD Financial Highlights (Cont'd)

➤ Continued growth in revenue and gross profits from our core Australia DGM operation. Sales from £3.8m to £5.4m, GP from £1.3m to £1.6m

➤ First material revenues from the new satellite operations in India and Singapore These operations have delivered:

16% of total revenue for H1 2008 (H1 2007: £ NIL) and 39% of revenue growth

18% of total gross profit for H1 2008 (H1 2007: £ NIL) and 51% of gross profit growth



## 2008 YTD Financial Highlights (Cont'd)

- Operating expenses increased from £1m to £1.6m predominantly through investment in the Asia Pacific operations (£0.4m) and also through staff cost increases in the Australian operations (£0.2m)
- Central costs reduced by 30% from £1.1m to £0.8m following the UK disposal and strong cost control
- Material working capital improvements achieved through improved focus on cash collection and associated processes
- Further evolution of the Singapore-based hub which services multiple operating businesses and centralises finance and human resources functions

# H1 Segmental Analysis With Comparatives (£'000)

	<b>2008</b>				<b>2007</b>			
	<b>Australia</b>	<b>Asia</b>	<b>Other</b>	<b>Total</b>	<b>Australia</b>	<b>Asia</b>	<b>Other</b>	<b>Total</b>
<b>Sales</b>	5,426	1,082	185	6,693	3,809	0	78	3,887
<b>Gross Profit</b>	1,620	363	76	2,059	1,309	0	33	1,342
<b>GM</b>	30%	34%	41%	31%	34%		42%	35%
<b>Cost base</b>	986	568	64	1,618	749	160	74	983
<b>Contribution</b>	634	(205)	12	441	560	(160)	(41)	359

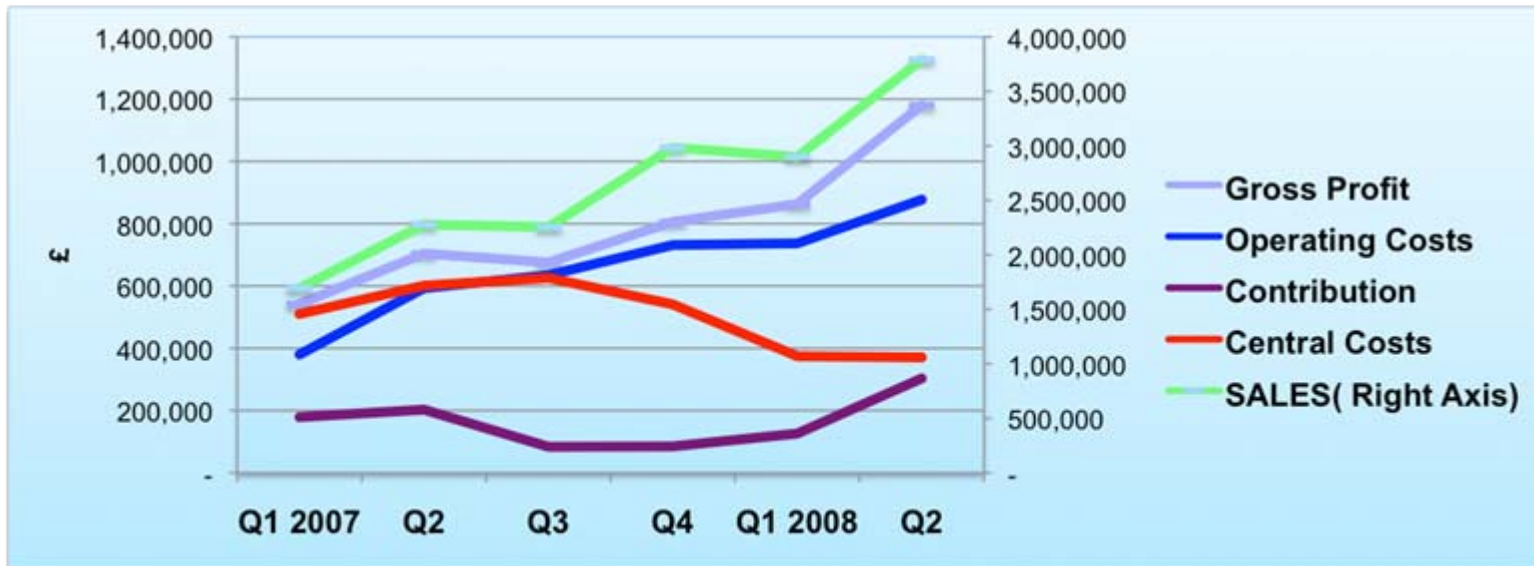
- Further growth in DGM Australia
  - reduced client concentration
  - slightly reduced margin
  - increased operating costs
  
- Strong first year of delivery in Asia – still very early stage but delivering 51% of GP growth
  
- Asia investment funded by growth elsewhere

# H1 Central Costs With Comparatives (£'000)

<b>Central Costs</b>	<b>2008</b>	<b>2007</b>	<b>Change</b>
Technology	255	455	-44%
Central Management	164	231	-29%
Finance and HR	75	168	-55%
Office and Premises	105	54	94%
PLC	144	215	-33%
Other	37	-10	-470%
	<b>780</b>	<b>1113</b>	<b>-30%</b>

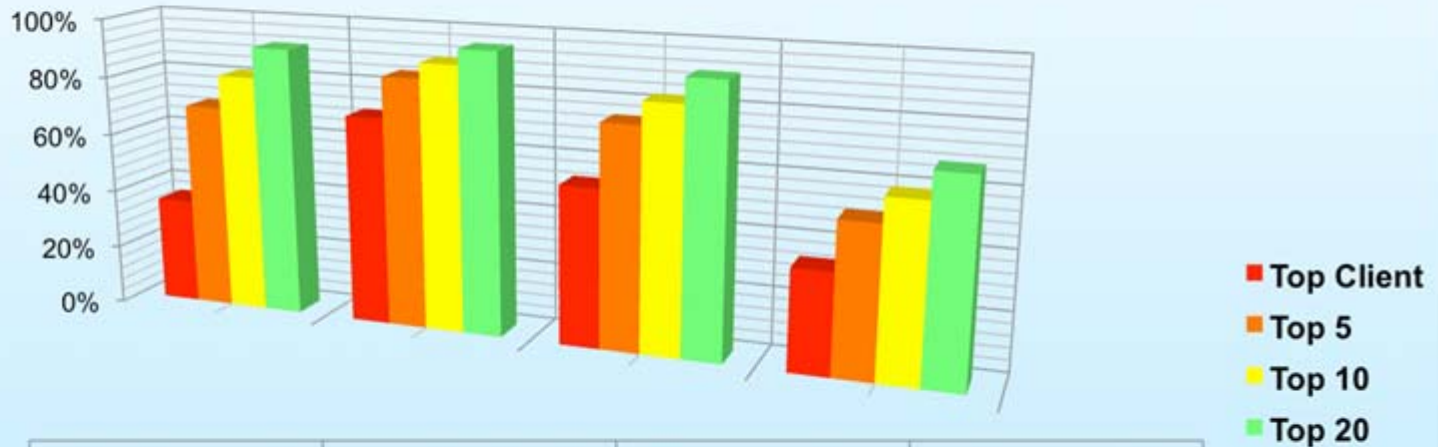
- Technology costs shown for 2007 include 200k of costs that were capitalised under IFRS
- Asia costs lower than UK BUT still running two finance functions
- Full finance migration by end of Q4 and sublet of UK premises for H1 2009

# 2007/8 P&L Performance – By Quarter



- Asia investment started Q2 2007 whilst “material” Asian revenues generation started Q1 2008, Q2 was unusually good
- Gross profit margin similar throughout at circa 29%
- Improved contribution / reduced central costs from H2 2007 through to H1 2008 H1
- Sales and contribution trend expected to continue with a stable central cost base

# Client Concentration at Gross Profit level



	2005	2006	2007	2008
Top Client	36%	71%	54%	34%
Top 5	70%	85%	75%	51%
Top 10	81%	90%	83%	59%
Top 20	92%	95%	91%	68%

- Material improvement driven by 2 factors:
  - Australia reduced client concentration
  - Further dilution from new operating units

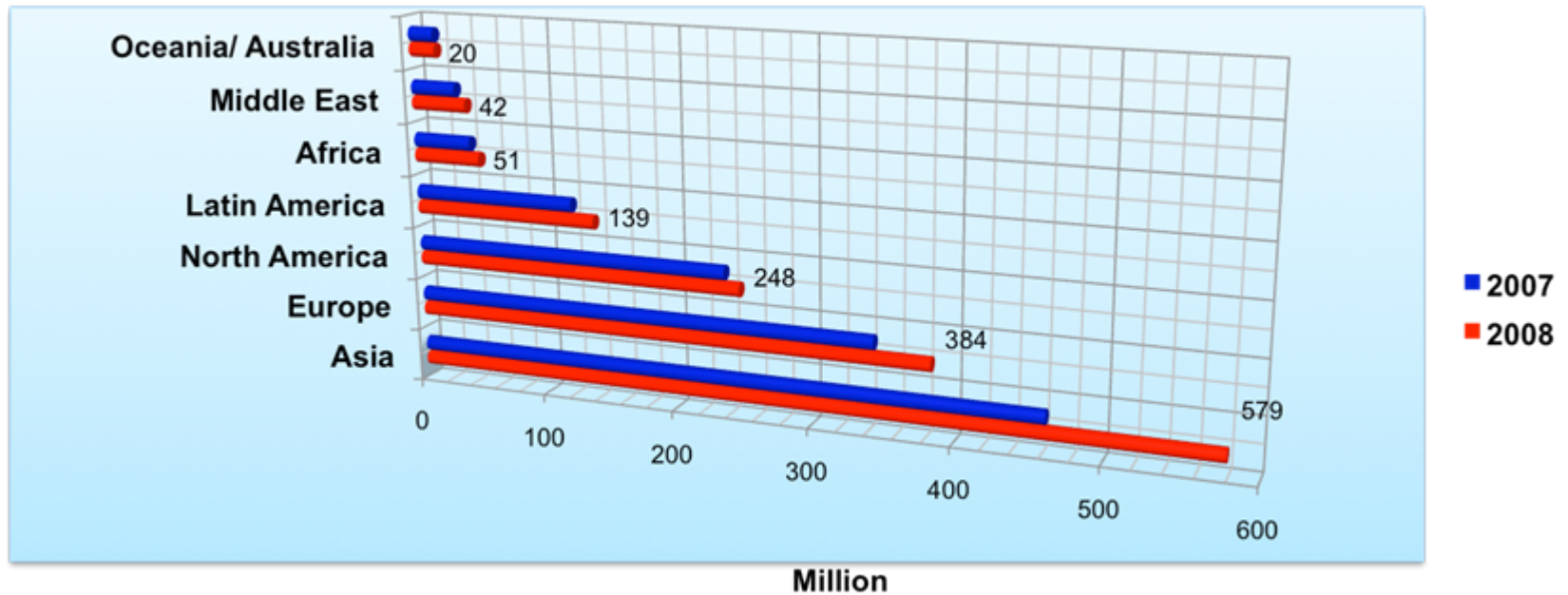


# **Opportunity Moving Forward**



# Worldwide Internet Users By Geographic Region

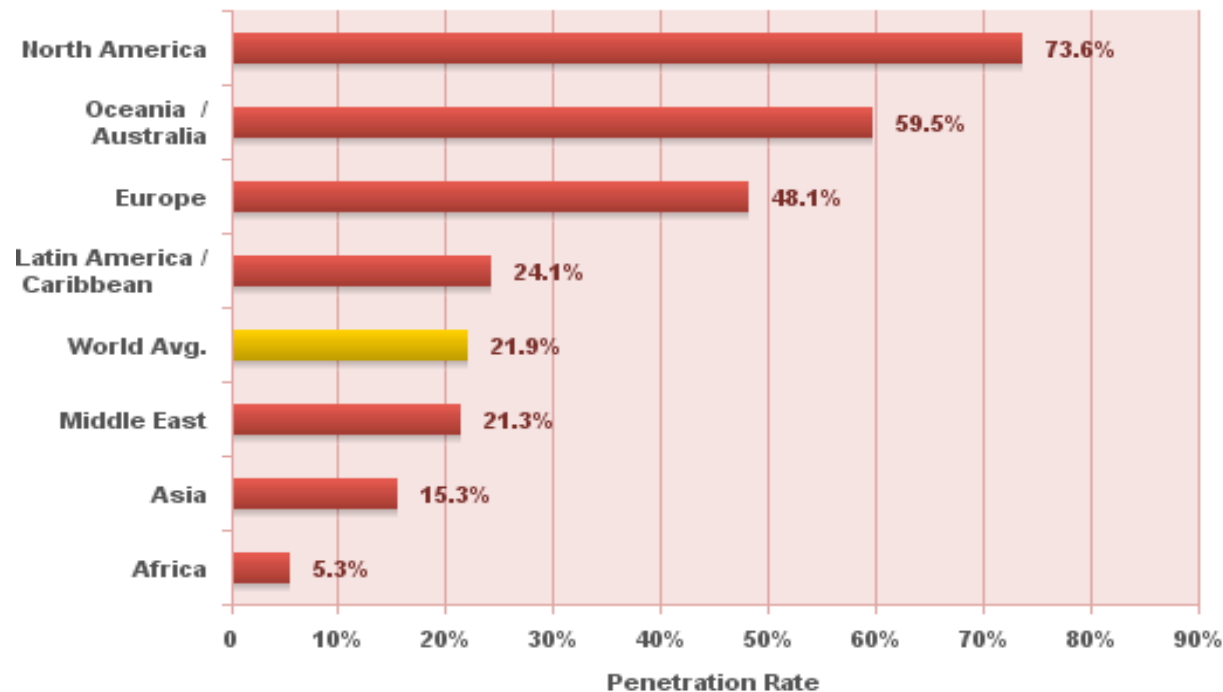
## Internet Users By Region



Source: Internetworldstats.com 2008

# Penetration is a guide to future growth potential

## World Internet Penetration Rates by Geographic Regions

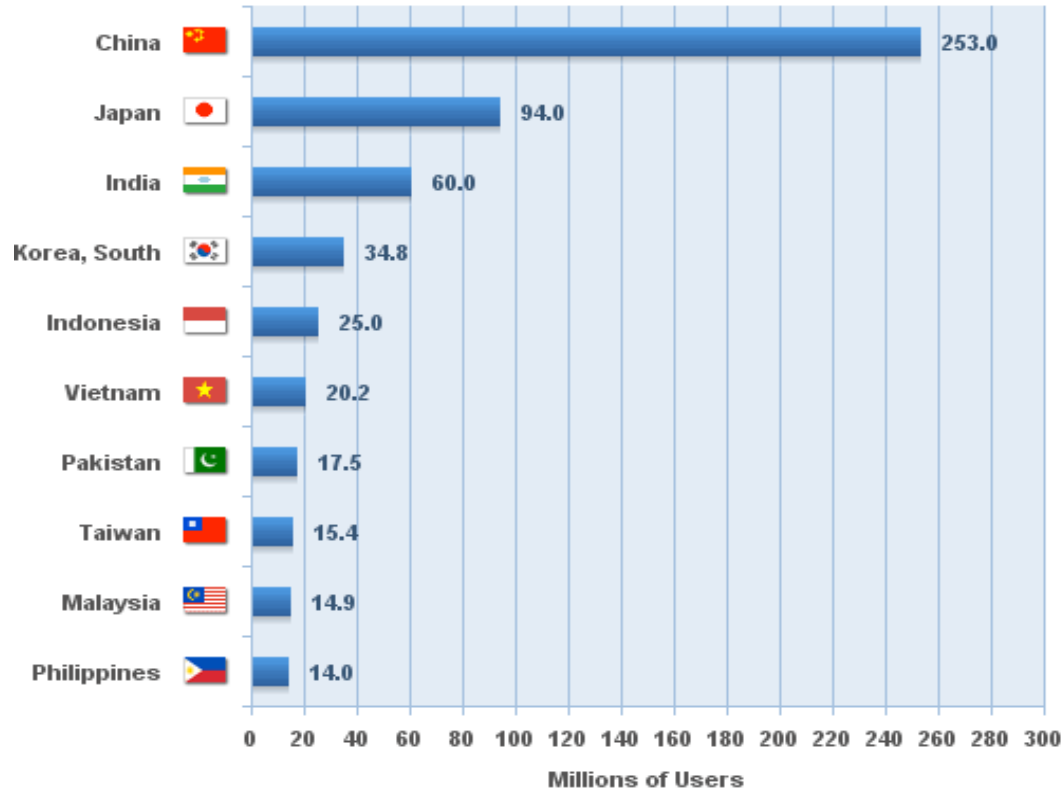


Source: Internet World Stats - [www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)  
Penetration Rates are based on a world population of 6,676,120,288 for mid-year 2008 and 1,463,632,361 estimated Internet users.  
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# Within Asia the usage is focused

## Asia Top Ten Internet Countries

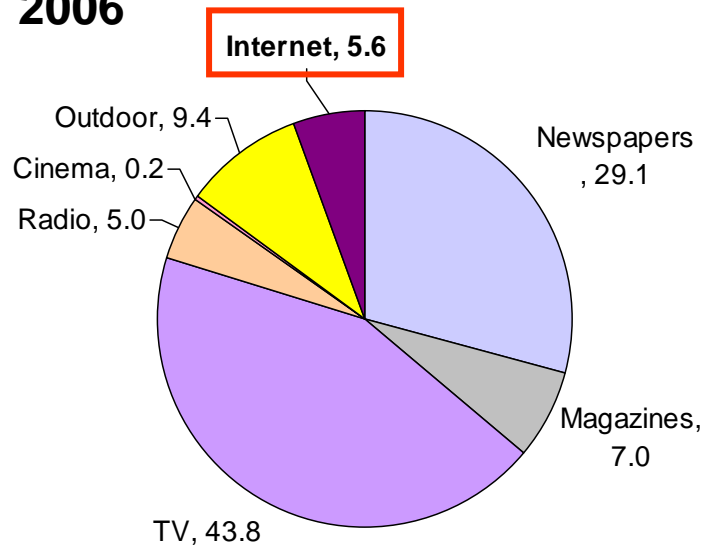


Source: Internet World Stats - [www.internetworldstats.com/stats3.htm](http://www.internetworldstats.com/stats3.htm)  
Estimated Asia Internet users 578,538,257 for 2Q 2008  
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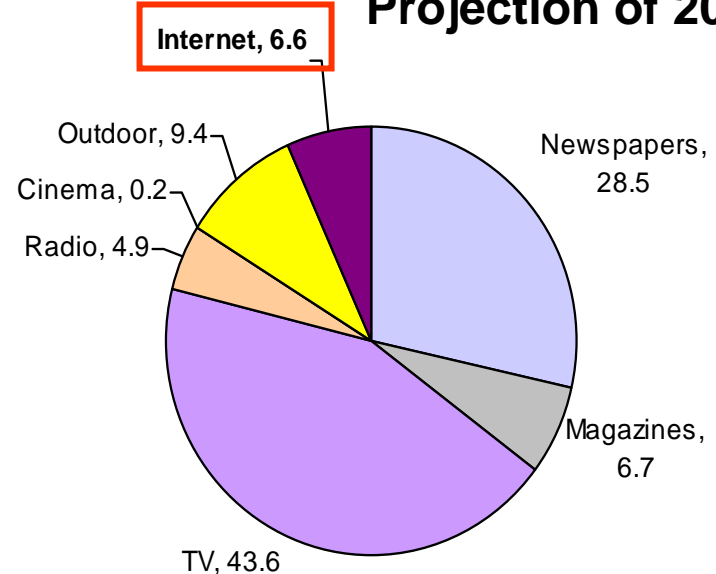
# Internet AdSpend in Asia-Pacific is growing faster than all other media spends

## Share of Ad Spend by Medium % in Asia Pacific

2006



Projection of 2008



Internet ad spend growth eclipsed that of traditional media in 2007, reaching an impressive growth of **26%**

# State Of Competition

- Supply chain evolution has not matched demand for digital advisory and execution services
- Existing big agency players inexperienced and under-resourced .... levelling the playing field
- Advertisers often forced to look elsewhere for digital delivery
- Big focus of players like WPP, Omnicom, Publicis etc but suitable resource is low and this area is a digression from core regional operations

# Objectives for H2 2008

- Continued evolution of a defensible market position in Asia Pacific region
- All business units launched to delivering positive cash flow
- Return to group profitability
- Blueprint optimal structures for each business to facilitate rapid deployment
- Central services expansion and evolution



# **Appendix**

# Historic Context

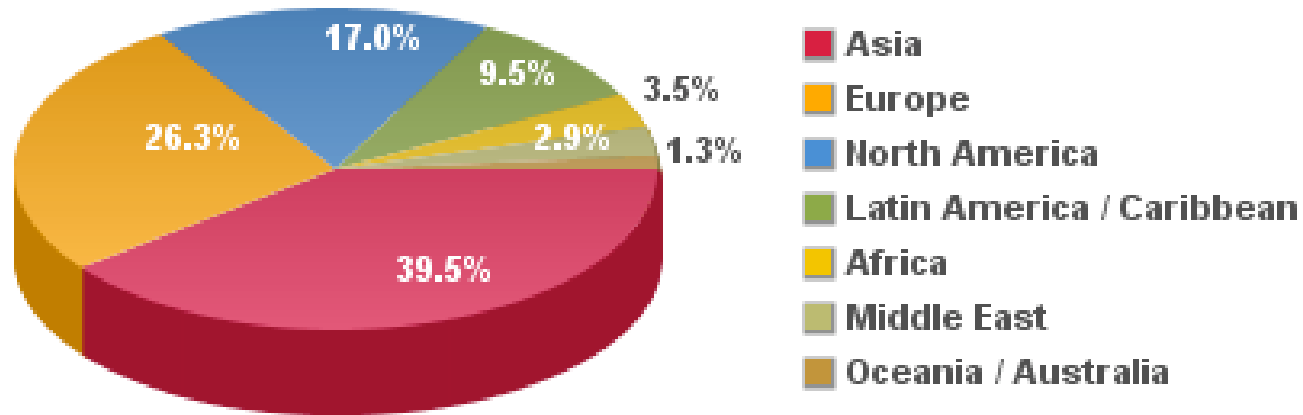
- Launched in 1999 as a mortgage website, *thedeal.net* with £350k funding
- Model shift to online advertising services in 2000 launching an affiliate marketing network under the **UK Affiliates** brand
- Widened offering to include search engine marketing and display advertising over 2000 through 2003 and enjoyed rapid growth in sales and profitability... all housed under the **dgm** brand
- Launched **dgm** Australia in 2003
- Reversed onto AIM via reverse acquisition of search engine player, IBNet Plc in 2003
- Strong P&L and Stock Exchange performance through 2004 and H1 2005

# Historic Context

- 2 profits warnings in 2005 due to loss of major UK client and substandard technology migration for core affiliate product.... **Not well received**
- 2006 successful re-launch of core technology in UK and migration to this in AU
- 2006 through 2007 UK failed to recover position and Australia turned increasingly profitable driving material growth exceeding contribution from the UK operation
- 2007 Identified Asia Pacific as material growth opportunity with limited competition
- 2007 sold majority stake in UK and shifted focus to Australasia setting up central hub in Singapore and launching in India
- ***2008 is a new beginning for the Group with great expectations and much internal excitement***

# World Region Analysis

## World Internet Users by World Regions



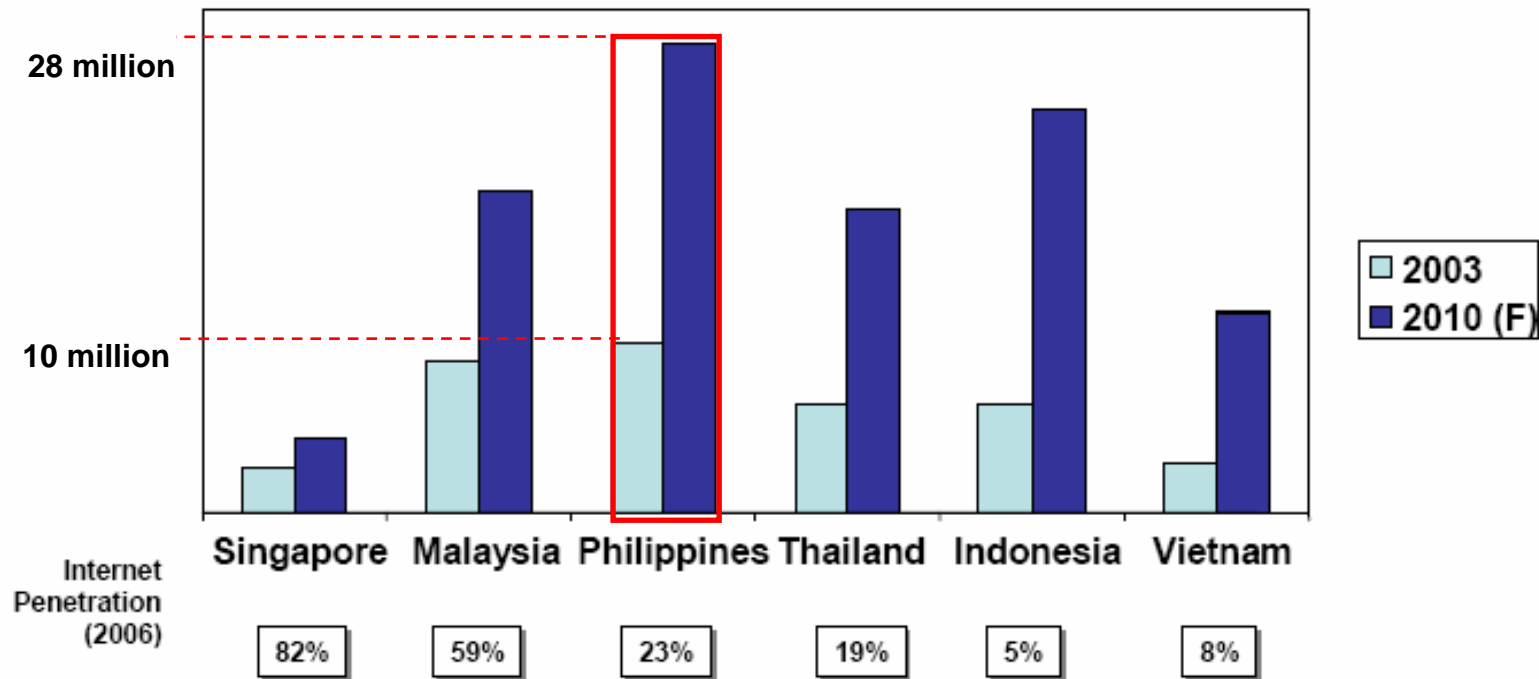
Source: Internet World Stats - [www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)

1,463,632,361 Internet users for June 30, 2008

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# SEA users base expects further high growth...



Source: IDC, "Internet User Population, Population Growth, and Penetration (2003-2010)", ICMM v10.2 (June 2006) Reproduction or further use of the this data is forbidden without the prior written approval of IDC.

# Nielsen *MediaIndex* 12: Jan 06 Asia Study

- Male female balance **52:48**
- 15-19 year olds **40%** of users with 20-34 year olds representing an additional **50%**
- **60%** propensity to interact

## **This means:**

- **Material audience**
- **Attractive and relevant demographic**
- **Highly interactive audience**