

Digital Marketing Group

DIGI : AIM : 71.5p

BUY

Target: £0.9 ↓

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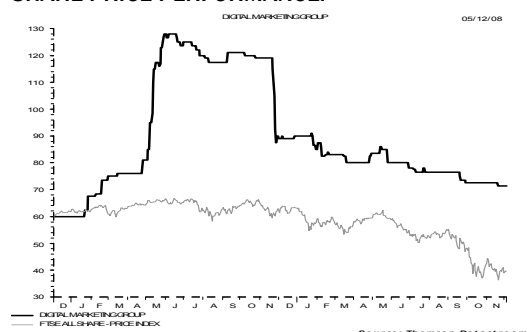
COMPANY STATISTICS:

52-week Range: 121.0p - 72.5
Avg. Daily Vol. (000s): 119.8
Market Cap: 47.5
Shares Out: 66.5

EARNINGS SUMMARY:

FYE Dec	2007A	2008A	2009E	2010E
Revenue:	13.06	50.97	74.50	97.13
Gross profit:	8.39	33.08	44.46	52.97
EBITDA:	2.27	7.43	9.49	11.12
Pre-tax Profit:	2.00	6.31	8.05	9.49
Profit:	(0.10)	1.14	3.17	4.14
Adj Profit:	1.47	5.30	5.79	6.83
EV/EBITDA:		7.4	5.8	5.0
Adj PE:		9.0	8.2	7.0

SHARE PRICE PERFORMANCE:



COMPANY SUMMARY:

Digital Marketing Group is a group of nine UK advertising and marketing agencies, specialising in digital direct marketing. The company offers a range of direct marketing solutions, including media buying and planning, e-mail marketing, direct mail, telemarketing and database marketing services. The company has been built through a series of accretive acquisitions, since its admission to the AIM in October 2006.

All amounts in £ unless otherwise noted.

Technology -- Internet -- eMarketing

RE-ASSURING RESULTS, WELL POSITIONED

Event

H1 results for Digital Marketing Group were re-assuring on a number of levels. During what has been a challenging period for the UK marketing industry (on and off-line), growth on a reported and underlying basis was impressive, as was margin expansion. The balance sheet has improved significantly and even after factoring recent acquisitions, is considerably less risky than elsewhere in the peer group. The outlook statement was cautiously optimistic and the group has re-iterated its comfort with market expectations for the current financial year.

Impact

We have reviewed and updated our estimates following the H1 results. For F2009E we are leaving our P&L estimates broadly unchanged but have reduced our net debt expectation due to the better than expected H1 position. For 2010E, in the absence of company guidance, we are taking a cautious view in reaction to worsening industry news-flow. We have reduced our EPS estimate by 7%, although this is offset by improvements to our net debt expectations.

Valuation

We believe that Digital Marketing Group is a rarity in the UK quoted marketing services space. Even after factoring a more cautious outlook, the group is still capable of generating healthy organic growth, reflecting its focus on on-line marketing and good execution skills. The group is also relatively unencumbered by future deferred consideration liabilities which, when combined with a strong current balance sheet, is fundamental to our positive stance. Following our estimate changes, we have reduced our fair value target by 10% to 90p, implying 26% upside from current levels and implying a Calendar 2009 P/E in line with the broader UK media sector.

H1 RESULTS

Canaccord View: These were re-assuring results, highlighting the breadth of the group that has developed since IPO and good overall growth characteristics. In what has been a challenging market for traditional marketing services, the group's strategy of building a focused digital direct marketing group is being vindicated. Given clear market concerns over current, and future, balance sheet weakness within buy and build agency models, Digital Marketing Group was also able to highlight a robust balance sheet that compares well to the peer group. The cautiously optimistic outlook statement reflects the positioning of the group's subsidiary businesses in one of the few areas of the marketing universe likely to show positive momentum through 2009.

Headlines

The key headlines for the six months ended September 2008 are as follows:

- Gross profit up 27% Y/Y to £18.7 million, up 12% on a like for like basis
- EBITDA (pre share option costs) up 26% Y/Y to £3.85 million, up 10% on a like for like basis
- Adjusted PBT up 35% Y/Y to £3.4 million, up 17% on a like for like basis
- Adjusted EPS up 17% Y/Y to 3.75p
- Reported net debt of £1.82 million, down from £4.33 million.

The reported results for H1 2007 only include three months contribution from the Graphico and Hyperlaunch businesses. The like for like results include these businesses on a full basis after adjusting for certain non-recurring items.

The group continues to place an emphasis on the ability to secure new business through cross referrals and leveraging complementary skills across the group agency portfolio. During the first half, £2.37 million of gross profit (13% of the group total) was generated through such synergies, which compares to £2.3 million (7% of the group total) for the whole of F2008. The key attraction of securing growth in synergistic revenue is the lower cost of new business acquisition and the greater stickiness of these revenues going forward.

All of the pre-existing earn out liabilities had been settled by the end of H1 and the group was able to report a net debt position of £1.82 million. After taking into account credit cash balances, the group had £9.27 million of borrowing headroom within its existing facilities.

On 2 October 2008, the group completed the acquisitions of Cybercom (£6.0 million cash up front and £3.0 million of deferred consideration) and Gasbox (£1.0 million cash and a maximum potential deferred consideration of £9.0 million). The group also acquired Prodant Ltd for £0.2 million of initial cash consideration and £0.6 million of deferred consideration. We discuss the deferred consideration structures within the group in more detail later. As a result of these acquisitions, the pro-forma net debt position at the end of October was £9.4 million, with facility headroom in excess of £5.0 million. Our revised F2009E year end net debt estimate is £7.2 million.

Segmental performance

The group comprises three main segments;

- **Online Marketing & Media**, comprising Graphico, Inbox, Hyperlaunch, Cheeze and more recently, Cybercom
 - **Data Services & Consultancy**, comprising Jaywing
 - **Direct Marketing**, comprising HSM, Dig For Fire and more recently, Gasbox
-

The rapid growth of the group's activities, through both M&A and underlying trading, have recently seen the group ranked as the third largest digital marketing agency (September 2008 New Media Age rankings) and the fifth largest interactive agency in aggregate in the UK (these rankings exclude the pure digital media buying agencies such as Isobar and i-level).

In Figure 1 below, we show the H1 group performance by segment.

Figure 1: Digital Marketing Group – Segmental analysis

Segmental Performance £m	H1 F2009			H1 F2008			Reported Growth		Pro Forma Growth	
	GP	EBITDA	Margin	GP	EBITDA	Margin	GP	EBITDA	GP	EBITDA
On-line Marketing	6.88	1.86	27.0%	4.02	1.14	28.4%	71%	63%	16%	19%
Direct Marketing	5.35	0.97	18.1%	5.52	1.19	21.6%	-3%	-18%	-3%	-18%
Data Services	6.49	1.77	27.3%	5.23	1.11	21.2%	24%	59%	24%	59%
Trading contribution	18.72	4.6	24.6%	14.77	3.44	23.3%	27%	34%	12%	19%
Central costs		-0.75			-0.38					
Group result	18.72	3.85	20.6%	14.77	3.06	20.7%	27%	26%	12%	10%

Source: Company data

- Both On-line Marketing and Data Services delivered very strong results in H1. Although the revenue performance within Data Services was very strong at 24% Y/Y on a pro-forma and reported basis, the 610 basis point margin improvement was driven primarily by a significant investment in sales resource during H1 2008, which depressed profitability.
- The Direct Marketing segment disappointed with a 3% decline in net revenue and a 350 basis point decline in margins. This was driven entirely by underperformance within the HSM telemarketing business, which saw gross profit decline by 24% to £1.98 million and EBITDA decline by 95% to a breakeven level. The second business in this segment, Dig For Fire, actually performed very well, with gross profit growth of 15% to £3.37 million and 19% growth in EBITDA to £0.95 million.
- Group management has already taken active steps to address the issues at HSM and will be integrating HSM with Gasbox under a new management team. Since the half year, new business wins indicate that the H1 gross profit shortfall will be more than made up on an annualized basis.

Current trading and outlook

The group gave a cautiously optimistic appraisal of the current trading environment and the remainder of the financial year.

The group highlighted that October was a challenging month, with a number of clients delaying or cancelling projects. The group also highlighted that three of the subsidiary agencies (Jaywing, Gasbox and Graphico) had exposure to Kaupthing Singer & Friedlander, which will result in an increase in bad debt provisions and lost new business, although this has not been quantified.

However, November saw a noticeable improvement and coupled with a very conservative internal budgeting process, the group remains comfortable with market expectations for the current financial year.

RECENT ACQUISITIONS

On 2 October 2008, the group completed the acquisitions of Cybercom (£6.0 million cash up front and £3.0 million of deferred consideration) and Gasbox (£1.0 million cash and a maximum potential deferred consideration of £9.0 million). The group also acquired Prodant Ltd for £0.2 million of initial cash consideration and £0.6 million of deferred consideration. We had previously revised our estimates to take these acquisitions into account (please see note published 7 October 2008).

- Cybercom** is a London based IT consultancy and systems integrator, specializing in e-commerce and electronic trading platforms. Clients include Waitrose, O2, Reuters and Lloyds TSB. Systems integration and installation can be a lengthy process and this can lead to long client engagements, which alongside a focus on delivering on-line sales solutions to clients, results in a defensive profile. Since acquisition the business has been performing ahead of expectations. In the nine months ended September 2008, Cybercom generated gross profit of £5.0 million and EBITDA of £0.8 million, already ahead of the result for 2007.
- Gasbox** specializes in direct voice marketing campaigns. The business was founded in 2006 and has a close relationship with the existing Digital Marketing Group agency, Jaywing. There is a clear fit also with the HSM business and management has indicated that both businesses will be integrated. In the six months to September 2008, Gasbox moved into profitability, generating £0.4 million of EBITDA on £1.6 million of gross profit.

CHANGES TO ESTIMATES

We have reviewed our estimates, taking into account the H1 numbers just reported, comments on current trading and our perception of the trading environment heading into 2009 and beyond.

We remain broadly comfortable with our headline expectations for the current financial year, although we have adjusted our cash-flow and net debt expectations to take into account the better than expected result for H1.

We highlight the key changes to our estimates in Figure 2 below.

Figure 2: Canaccord Adams – Key revisions

Estimate revisions Y/E March, £m	F2009E	F2009E	Variance	F2010E	F2010E	Variance
	OLD	NEW		OLD	NEW	
Gross Profit	44.5	44.5	0%	54.7	53.0	-3%
EBITDA	9.5	9.5	0%	11.8	11.1	-6%
Adj PBT	8.1	8.1	0%	10.3	9.6	-7%
EPS	8.8 p	8.8 p	0%	11.1 p	10.3 p	-7%
Net Debt	-3.9	-7.2		-5.5	-1.9	

Source: Canaccord Adams estimates

- Our key estimates for F2009E remain broadly unchanged, in-line with company guidance.
- Digital Marketing Group enjoys relatively good revenue visibility as the shorter term visibility revenue streams, such as media buying and project work, are in the minority of the group mix.

- The under-performance of HSM in H1 is in the process of being turned around with a good volume of new business wins
- For F2010E, management has not given guidance, preferring to wait until the current financial year has played out. However, we believe that is right to be prudent in the current climate. We are therefore reducing our F2010E revenue estimate by 3% and adjusted PBT by 7%.
- On-line marketing is still expected, by nearly all industry observers, to be the one area of aggregate marketing spend that is likely to display positive momentum. Combined with the strong delivery from the majority of the Digital Marketing Group portfolio we have seen in what is already a challenging environment, we continue to feel comfortable forecasting top line growth and continued margin expansion.
- On a pro-forma basis, including the most recent acquisitions for the whole of F2009E, group PBT is likely to be c.£8.6 million. Our revised F2010E PBT estimate of £9.6 million therefore represents underlying pro-forma growth of 12%. When compared to the likely growth that will be delivered by the more traditional marketing services peer group (current consensus estimates for the peer group implies flat delivery in Calendar 2009, with four of the eleven quoted peers showing PBT declines), we believe that this will be a robust result.
- Our F2010E net debt estimate has come down sharply from £5.5 million to £1.9 million, mainly due to two factors. Firstly, group working capital management is improving and our previous estimate of a £2.0 million outflow is looking unrealistic. We now assume an outflow of £0.85 million. Secondly, our previous assumptions for the likely scale of deferred consideration payments were too high. Previously, we had assumed that the full cash element (c.£6.0 million) of the £9.0 million Gasbox deferred consideration would be payable in F2010E and F2011E. We now believe that a more realistic expectation is for £3.0 million of deferred consideration, of which £2.0 million will be payable in cash, the majority of which will be paid in F2011E.

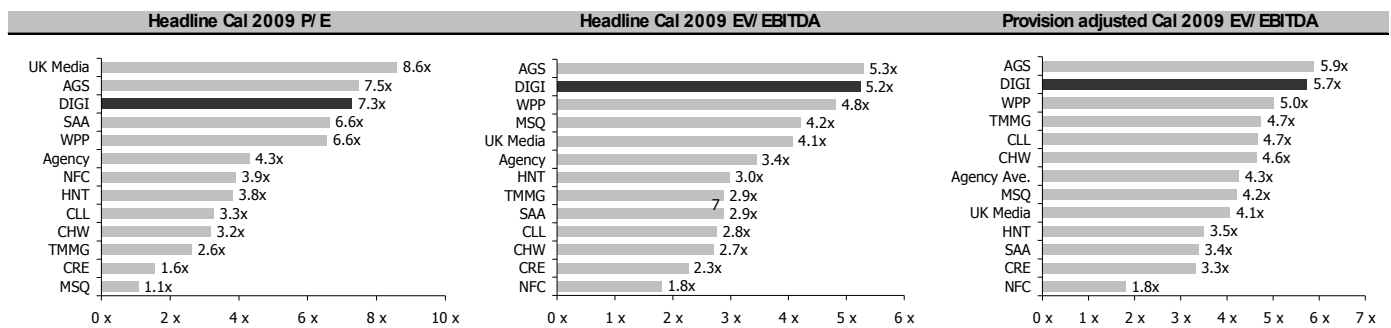
VALUATION

Canaccord View: We believe that the market has been indiscriminating in its desire to reduce exposure to agency stocks and small cap agency stocks in particular. This has been driven by two dynamics; firstly, concerns over cyclical exposure, and secondly, fears over the potential economic dilution inherent within deferred consideration structures. These are both valid concerns, although the range of peer group exposure to the second feature is more complex. Digital Marketing Group, although still exposed to future deferred consideration payments, currently offers a robust balance sheet with a significantly lower level of future earn out exposure than the UK Marketing Services peer group average.

The group is positioned to benefit from perhaps the only component of the aggregate marketing mix that is likely to show positive momentum through Calendar 2009. Combined with a strong balance sheet and relatively low deferred consideration risk, we believe that this positions Digital Marketing Group as one of the more attractive plays.

In Figure 3 below, we show the headline valuation metrics for the UK Marketing Services peer group.

Figure 3: Headline valuation metrics for the UK Marketing Services peer group



Source: Canaccord Adams estimates, company data, l/B/E/S

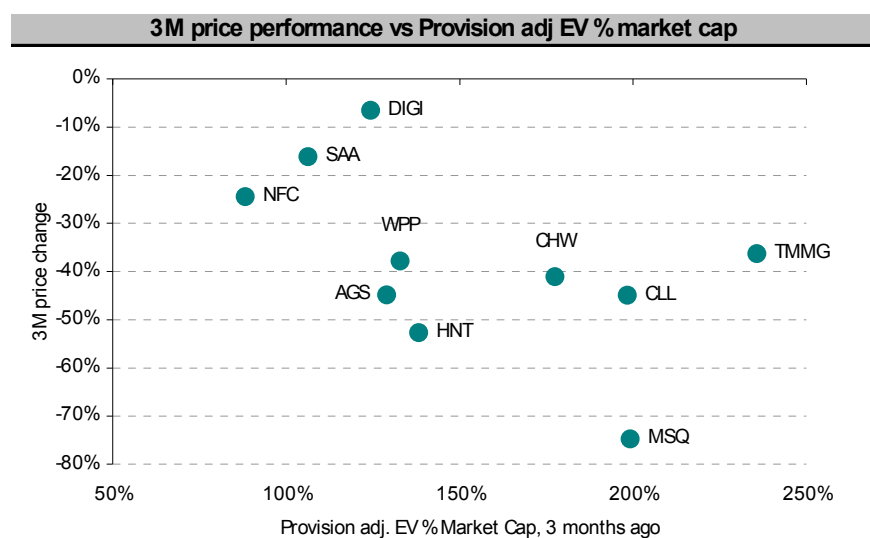
We can see from the above that Digital Marketing Group currently trades on a Calendar 2009 P/E of 7.3 times, at the top of the peer group range but still at a 10% discount to the UK Media sector average.

Once we start to factor current capital structures (EV/EBITDA) and then adjusting EV to reflect deferred consideration liabilities (provision adjusted EV/EBITDA), Digital Marketing Group remains towards the top end of the peer group range, although the extent of the premium to the peer group average diminishes markedly (70% on a P/E basis, 53% on a headline EV/EBITDA basis and 33% on a provision adjusted EV/EBITDA basis).

Headline valuation distorted by balance sheet liabilities

We believe that there is a clear linkage between balance sheets and price performance in the current market environment. This is a market wide phenomenon, but is particularly pertinent to the Agency peer group, due to the frequency of M&A and the extensive use of earn-out structures as a way of securing the value in a people based asset in the immediate post acquisition environment. We demonstrate this linkage in Figure 4 below.

Figure 4: Linkage between price performance and earn-out exposure



Source: Company data, Canaccord Adams estimates

We can see those companies whose provision adjusted EV were highest in relation to equity market cap three months ago have fared worse during the intervening period. The correlation is not perfect but the overall relationship is clear enough in our eyes. This suggests strongly to us that investors are clearly concerned about the risk inherent in many earn out structures at a time when pressure on earnings is mounting and corporate financing options are increasingly limited.

We have looked at the balance sheet structures within the UK Agency sector in some detail. Under current accounting standards, companies must record the current expected value of future earn-out payments as short or long term creditors within the balance sheet. This represents the best estimate of management as to the amount likely to be payable.

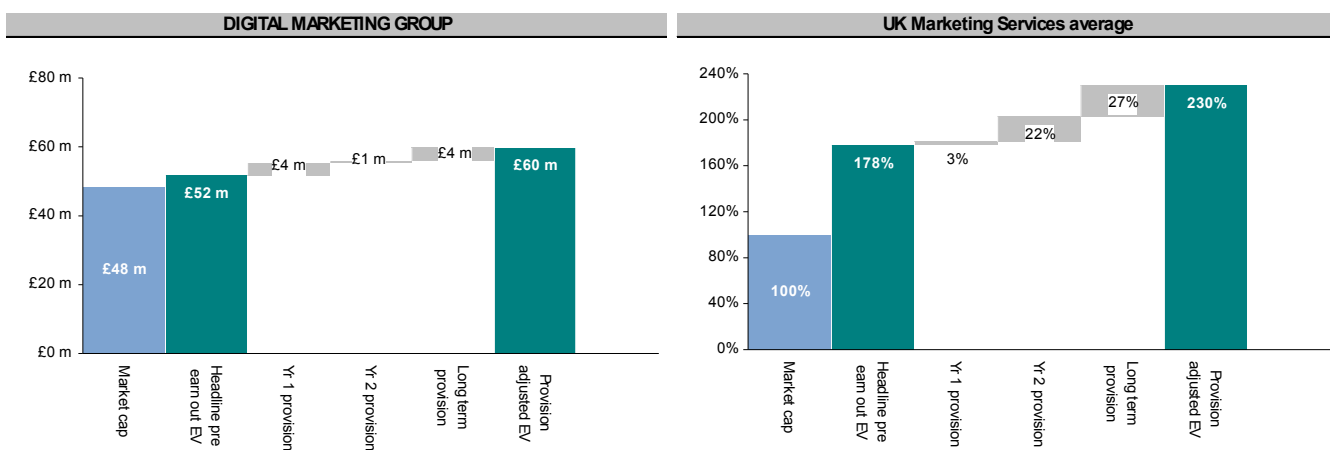
In our view, this is the best overall measure to use when gauging the future economic cost of acquisition payments. However, there are a number of caveats.

- We cannot assume that current market forecasts fully capture the financial contribution of the acquisitions at the equivalent level assumed by management when estimating the amount to be provided for in the balance sheet.
- The value of provisions should vary in line with the underlying trading performance of the asset. Therefore, in the current trading environment, we would have to assume that most long term earn-out provisions are worst case. The majority of acquisitions are structured so that earn-out payments are directly linked to financial performance.
- The provisions make no assumption as to the nature of the payment that will be made. The standard earn-out model suggests that at least 50%, if not all, of the earn-out payment can be made in cash, or equity, at the discretion of the acquirer. Clearly, the health of the share price, or the balance sheet, at the time of vesting will determine the extent to which equity is favoured over cash.

For this last reason, and to facilitate a peer group comparison, we prefer not to make an arbitrary assumption as to the split between equity/cash and therefore treat the cost as a whole and adjust the company EV accordingly.

In Figure 5 below, we show Digital Marketing Group’s capital structure compared to the UK Marketing Services average.

Figure 5: Digital Marketing Group capital structure vs UK Marketing Services average

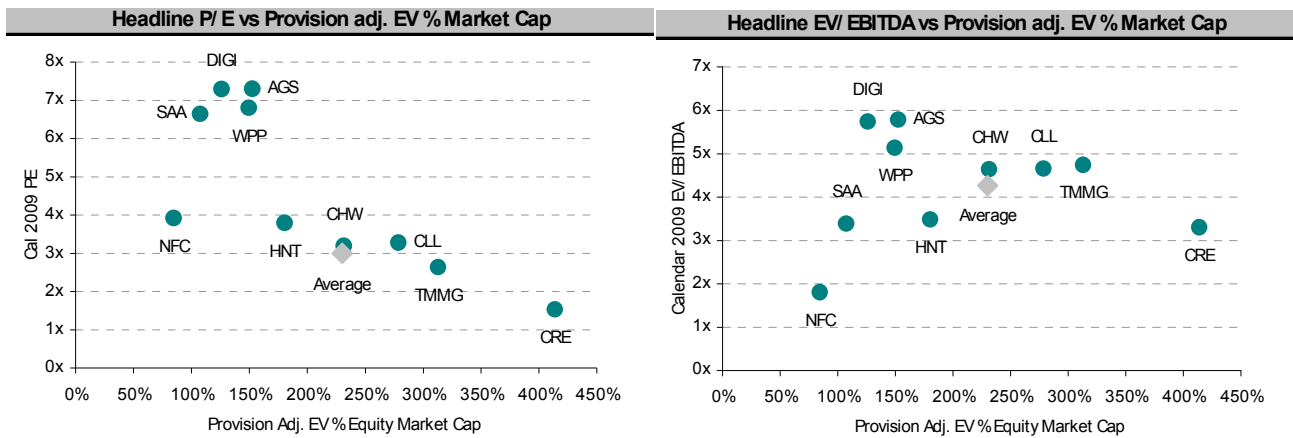


Source: Company data, Canaccord Adams estimates, I/B/E/S

After backing out the £3.6 million of deferred consideration payments we anticipate in the current year, we calculate the current EV for Digital Marketing Group to be £52.0 million. However, the peer group, on average, has up front net debt amounting to 78% of equity market cap and a further 52% of current equity market cap in future earn out liabilities, spread across a range of maturities. In total, the full provision adjusted EV of the peer group is equal to 230% of current market cap, compared to 126% for Digital Marketing Group. There are only two other members of the peer group that enjoy stronger balance sheet profiles, M&C Saatchi at 108% (SAA | AIM | 83p | Not rated) and Next Fifteen Communications at 85% (NFC | AIM | 34p | Not rated).

We have already seen that a relationship exists between balance sheet stretch and price performance, but where do we stand today for the peer group. In Figure 6 below, we show the relationship between headline P/E and adjusted EV/EBITDA against provision adjusted EV as a percentage of equity market cap.

Figure 6: Headline valuation metrics relative to provision adjusted EV % market cap



Source: Company data, Canaccord Adams estimates, I/B/E/S

Alongside this peer group valuation analysis, we also run a traditional DCF model, which we detail below in Figure 7.

Figure 7: Digital Marketing Group – DCF Model

DCF Analysis (£ millions)								
	2008A	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBITDA	7.4	9.5	11.1	12.6	13.8	15.0	15.8	16.7
Cash taxes	(1.2)	(2.3)	(2.7)	(3.1)	(3.5)	(3.9)	(4.2)	(4.6)
Changes in working capital	(1.6)	(1.1)	(0.9)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)
Capital expenditure	(0.7)	(0.8)	(0.9)	(1.0)	(1.1)	(1.2)	(1.3)	(1.4)
Unlevered Free Cash Flow	3.9	5.3	6.7	7.9	8.7	9.5	10.0	10.4
NPV FCF (2009-2015)	35.6							
Terminal growth	2.5%			11.6%	12.1%	12.6%	13.1%	13.6%
Terminal value	50.5		1.5%	95p	89p	84p	80p	75p
Enterprise value	86.1	Terminal	2.0%	98p	92p	87p	82p	77p
Cash	0.0	Growth	2.5%	102p	95p	90p	85p	80p
Debt	(7.2)	Rate	3.0%	106p	99p	93p	87p	82p
Deferred consideration	(5.4)		3.5%	111p	103p	96p	90p	85p
Equity value	73.5							
Fully diluted, shares outstanding (M)	82.1			Beta	1.2	Tax rate	30.0%	
per share (GBp)	90p			Risk-free	5.1%	Kd	5.5%	
				MRP	6.9%	Ke	13.4%	
				Spread	2.8%	D/E	10.0%	
				WACC		12.6%		

Source: Canaccord Adams estimates

Conclusion

- Our DCF model suggests to us a fair value target of 90p, implying upside of 26% from current levels. This fair value level also represents a 10% reduction from our previous fair value target of 100p, broadly in line with the reduction in our longer term estimates.

If achieved, this fair value target implies a:

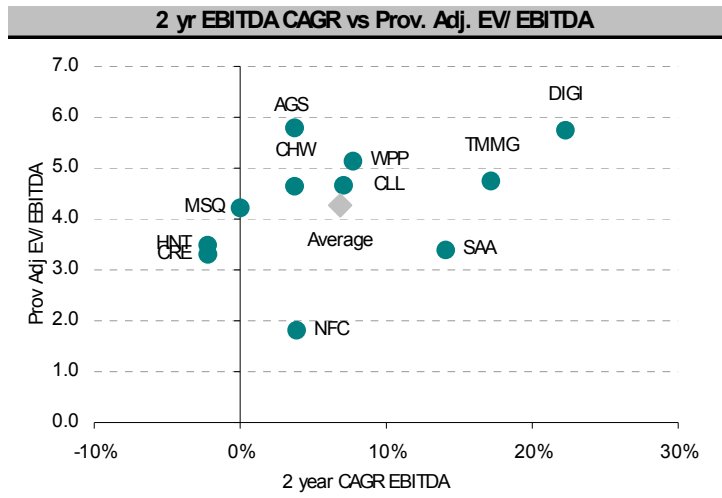
- Calendar 2009 P/E of 9.2 times, in line with the broader UK Media sector but a 113% premium to the UK Marketing Services average.
- Calendar 2009 provision adjusted EV/EBITDA multiple of 7.6 times

In our eyes, the market has clearly linked current and future balance sheet risk and stock price performance. On this basis, and all other things being equal, we expect Digital Marketing Group to continue to out-perform the peer group.

We believe that Digital Marketing Group clearly deserves to, at the very least, maintain its premium rating relative to the peer group, driven by a more robust organic growth profile and significantly lower balance sheet risk. On balance, we believe that continuing organic growth prospects, an increasing rarity, can justify a higher multiple.

In Figure 8 below, we show the relationship between EBITDA growth (two year prospective CAGR) and valuation, which demonstrates the extent to which Digital Marketing Group stands out from the UK Marketing Services crowd.

Figure 8: Growth vs valuation



Source: Canaccord Adams estimates, I/B/E/S

Investment risks**Acquisition strategy**

Digital Marketing Group has a strategy to develop its business through a series of targeted acquisitions. These acquisitions could introduce a risk that the company is unable to successfully integrate a new company that has been acquired. Either key staff or clients from the acquired business could be lost during the acquisition. There is also the risk that management could expend time and cost during the due diligence process for an acquisition that fails to take place.

Dependence on the global internet advertising market

Digital Marketing Group's business is highly dependent on the continued growth of the online advertising market. Although there are clearly positive trends in both internet usage and the acceptance of the medium amongst advertisers, there remains the risk that the market may be impacted by a short-term cyclical downturn as a result of wider economic difficulties.

Key personnel

Digital Marketing Group's success depends to a significant extent on the continued services of its core senior management team and being able to attract and retain new senior personnel. The company's business may be disrupted, additional costs may be incurred or the future of the company may be jeopardised by a loss of or failure to retain sufficient numbers and quality senior personnel.

Increased competition

Digital Marketing Group operates in a highly competitive environment. Some of the company's potential international competitors have longer operating histories, greater brand recognition and greater financial and other resources. As a result, these competitors may be able to undertake more extensive sales and marketing campaigns, adopt more competitive pricing policies and make more attractive offers to potential employees, strategic partners and advertisers.

Rapidly changing and dynamic industry

Internet marketing is a rapidly changing and dynamic industry characterised by new technologies, evolving industry standards, frequent product and service introduction and evolving web publisher and advertiser demands. The success of the company will depend on its ability to modify its products and services to respond in a timely and cost-effective manner to new technologies and changing web publisher and advertiser demands.

Increasing governmental regulation

Due to the increasing popularity and use of the Internet, various laws and regulations may be adopted covering issues such as pricing, content, database protection, unsolicited commercial email and taxation. Due to the global nature of the Internet, multiple jurisdictions might adopt laws or regulations that relate to the company's business.

Figure 9: Digital Marketing Group – Key Summary

Company description
 Digital Marketing Group is an online advertising agency specialising in digital direct marketing, it offers essential agency services, including media buying and planning and performance analysis to its advertising customers. The company was recently created during a series of accretive acquisitions and we believe management has the ability to continue to deliver on its strategy of building scale through a combination of transactions and organic growth. We feel the company is well positioned to benefit from the shift of advertising spending from traditional media to the internet, a well established trend driven by increasing broadband penetration and internet usage.

Consolidated income statement (£M)				
FYE March	2007A	2008A	2009E	2010E
Group Revenues	13.06	50.97	74.50	97.13
Cost of goods	-4.67	-17.89	-30.04	-44.16
Gross profit	8.39	33.08	44.46	52.97
Operating expenses	-6.12	-25.65	-34.97	-41.85
EBITDA	2.27	7.43	9.49	11.12
Depreciation	-0.17	-0.59	-0.78	-0.80
Operating profit	2.11	6.85	8.71	10.31
Financial income	0.10	0.25	0.29	0.25
Financial expenses	-0.21	-0.78	-0.95	-0.95
Profit before tax	2.00	6.32	8.05	9.62
Taxation	-0.54	-1.01	-2.25	-2.69
Headline Earnings	1.47	5.30	5.80	6.93
Exceptional costs	-0.98	0.00	0.00	0.00
Share based payments	-0.27	-2.76	-2.62	-2.69
Reported Earnings	-0.10	1.14	3.18	4.24
Shares outstanding (millions)				
Basic	18.69	63.65	66.25	67.12
Fully diluted	20.47	78.88	82.06	82.06
Headline EPS (p)				
Basic	7.84	8.33	8.75	10.32
Fully diluted	7.16	6.72	7.06	8.44

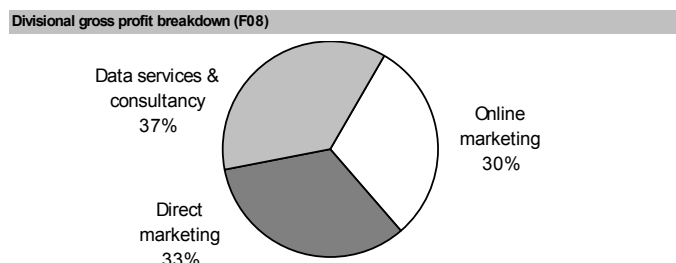
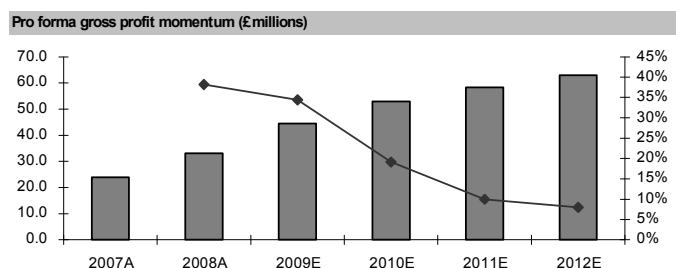
Growth analysis			
FYE March	2009E	2010E	
Revenue	46.2%	30.4%	
Gross profit	34.4%	19.1%	
EBITDA	27.6%	17.2%	
PBT	27.5%	19.5%	
Adj. net profit	9.3%	19.5%	

Margin analysis			
FYE March	2008A	2009E	2010E
Gross margin	64.9%	59.7%	54.5%
EBITDA margin	14.6%	12.7%	11.4%
Adj. net profit margin	10.4%	7.8%	7.1%
Tax rate	16.0%	28.0%	28.0%

Ratio analysis			
FYE March	2008A	2009E	2010E
EV/ Gross profit (x)	2.0	1.5	1.2
EV/ EBITDA (x)	8.9	6.9	5.9
Adj. PE (x)	11.1	10.1	8.5
P/FCF (x)	8.8	12.7	9.8
D/E (x)	20.1%	20.1%	20.1%

Consolidated Cash Flow Statement (£ millions)				
FYE March	2007A	2008A	2009E	2010E
Operating profit	2.11	6.85	8.71	10.31
Depreciation	0.17	0.59	0.78	0.80
Tax paid	-0.29	-1.19	-2.25	-2.69
Interest paid (net)	-0.11	-0.47	-0.65	-0.69
Change in working capital	-3.40	-1.58	-1.14	-0.85
Other	2.07	3.19	0.00	0.00
Operating Cash Flow	0.55	7.39	5.44	6.88
Capital expenditure	1.16	-0.74	-0.81	-0.89
Acquisitions/ Disposals	-20.66	-8.02	-12.00	-0.70
Shares issues	7.48	9.46	0.00	0.00
Dividends paid	0.00	0.00	0.00	0.00
Other	-0.00	0.00	0.00	0.00
Net Cash Flow	-11.47	8.09	-7.37	5.29

Consolidated Balance Sheet (£ millions)				
FYE March	2007A	2008A	2009E	2010E
Tangible assets	0.71	2.22	2.25	2.34
Goodwill etc. (net of def con)	40.95	48.17	60.17	60.87
Trade Debtors	5.39	8.49	8.92	9.36
Trade Creditors	-2.35	-4.50	-4.72	-4.96
Net working capital	3.21	4.79	5.93	6.78
Cash	5.57	12.00	4.63	9.92
Borrowings	-13.48	-11.82	-11.82	-11.82
Net cash/ (debt)	-7.91	0.18	-7.19	-1.90
Deferred tax	-3.07	-3.88	-3.88	-3.88
Minorities	0.00	0.00	0.00	0.00
Other assets/ liabilities	-5.06	-8.78	-11.40	-14.09
Net assets	28.84	42.70	45.87	50.12



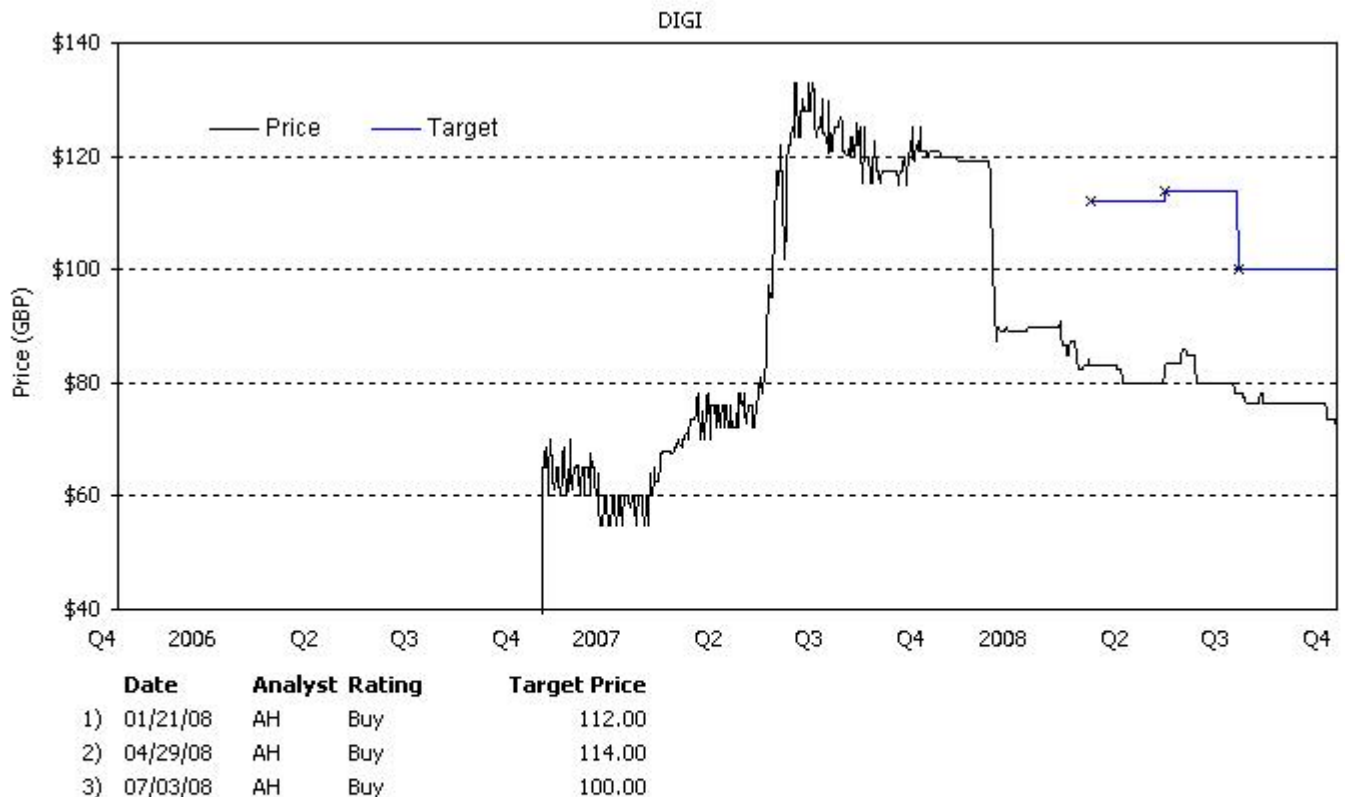
Source: Company data, Canaccord Adams estimates

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Price Chart:*



* Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

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Global Stock Ratings
(as of 1 December 2008)

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	#	%	#	%
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Speculative Buy	69	11.8%	35	55.1%
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Sell	16	2.7%	2	12.5%
	583	100.0%		

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Company	Disclosure
Digital Marketing Group	5, 7
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