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## **Acquisition of two companies for £24m creates leading UK digital direct marketing platform**

Digital Marketing Group plc (“DMG” or the “Group”) today announces the acquisition of 100% of the share capital of two leading UK companies, Cheeze Limited (“Cheeze”) and Alphanumeric Group (trading as “Jaywing”), for a total initial consideration of £24m, comprising cash and shares. The acquired companies’ management teams will continue to develop the businesses within the Group with further consideration shares and performance options in the group dependent upon future growth. These cornerstone acquisitions follow on from the Group’s listing on AIM and acquisitions of HSM Ltd and Scope Creative Marketing (trading as “Dig for Fire”) in October 2006.

### **Acquisitions Highlights**

- Acquisition of strong, profitable, and fast-growing companies in digital direct marketing, with blue chip clients
- Group delivering on “buy and build” acquisition strategy ahead of schedule
- Integrated digital direct marketing offering positions DMG well to capitalise on current and future market opportunities
- Strong platform for organic growth with significant cross selling and new business opportunities, and potential for further platform-enhancing acquisitions

### **Cheeze**

Cheeze is a leading digital media planning and buying agency founded by Katherine Jerman and Jamie Riddell in 1999. The company is based in Ipswich, with offices in London and Leeds.

In addition to its core services of planning and buying for digital media campaigns, Cheeze also offers search engine marketing, customer relationship marketing (“CRM”), Web 2.0 services and digital direct marketing consulting. Prior to its acquisition by DMG, Cheeze has already worked successfully with HSM and Dig for Fire.

Cheeze has grown rapidly into a profitable business and its unaudited financials for the year ended 31 December 2006 show turnover of £10.5m (up 64% on audited 2005 turnover of £6.4m), profit before tax of £768,000 (up 72% on audited 2005 profit before tax of £446,000) and net assets of £950,000 (up 71% on audited 2005 net assets of £554,000).

100% of the share capital of Cheeze has been acquired for a total initial consideration of £9.5m, comprising £6m in cash and 6,140,351 shares in DMG. In

addition, Cheeze will receive a maximum of a further 1,754,386 contingent consideration shares in DMG vesting in March 2008, subject to business performance. The acquisition was based on a cash free debt free position at completion.

## **Jaywing**

Jaywing is a leading independent provider of marketing, credit and fraud consultancy services, specializing in data interrogation and analysis and the designing of data-driven marketing initiatives. Jaywing is also pioneering the development of proprietary data-based marketing products and software for use in digital media channels such as “Digital Brain” and “Smartdecisions”.

The Company was set up in 1999 by Martin Boddy and Andy Gardner, and has offices in Derby, Harrow, Wakefield and Witney. Jaywing has grown to achieve an annual audited turnover for the year ended 31 March 2006 of £10.8m (up 98% on 2005), with EBIT of £1.3m (up 143% on 2005) and net assets of approximately £1.1m (up 167% on 2005).

100% of the share capital of Jaywing has been acquired for a total initial consideration of £14.5m, comprising £8.6m in cash and 9,833,333 shares in DMG. The acquisition was based on a cash free debt free position at completion.

An application has been made by DMG for admission of the 15,973,684 initial consideration shares, which is expected to become effective today. The total number of 50p ordinary shares in the Company with voting rights is 50,126,437. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FSA's Disclosure and Transparency Rules.

### **Ben Langdon, Chief Executive of Digital Marketing Group, commented:**

“We are delighted to welcome two such high quality and fast growing businesses as Jaywing and Cheeze into Digital Marketing Group. With these acquisitions, we have expanded our integrated digital marketing platform quicker than forecast. We are now able to offer digital marketing, digital media, direct marketing and data services within a highly focused, specialist Group, and will proactively build on the enormous cross-selling opportunities this offers. We will also consider opportunities to acquire businesses that further enhance our offering, either in web design and build, mobile, b2b or digital media & entertainment. We are determined to leverage our skills to become the pre-eminent digital direct marketing group in the UK and we now have the core businesses to make this happen.”

### **Enquiries:**

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**Further information:**

Digital Marketing Group [DIGI.L] floated on AIM on 26 October 2006 and simultaneously completed the acquisitions of two agencies specializing in online and offline direct marketing; HSM Limited (including "Inbox Digital" and "HSM Telemarketing") and Scope Creative Marketing Limited (trading as "Dig For Fire"). The Company intends to continue to grow organically and by acquiring businesses with complementary skills in digital direct marketing. As of 18 January 2007, the Company was capitalised at £20.5 million.

DMG provides its clients and the clients of each of the acquired businesses with a range of digital direct marketing services, coupled with database marketing skills. By doing this, DMG is able to offer clients the ability to coordinate both their "online" and "offline" direct marketing strategies and concurrently offer the skills necessary to input, collect, analyse and apply customer data in order to generate more effective digital direct marketing, higher brand-consumer loyalty and improved client profitability.

For more information please visit: [www.digitalmarketinggroup.co.uk](http://www.digitalmarketinggroup.co.uk)