AIM Advisers, Inc.
Maximizing Present & Future Value

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Digital Globe Services Raises $20.5 Million in AIM IPO

$8.0 Million for the Company and $12.5 Million for the Selling Shareholder

Overview

Denver, Colorado-based Digital Globe Services (DGS) raised $20.5 million ($8.0 million for the Company and $12.5 million for the Strategic Investor) in its recent IPO on the London Stock Exchange's AIM.

DGS provides outsourced online customer acquisition solutions to large, consumer-facing organizations. The Company procures paid search advertising, develops and manages branded web sales portals and establishes and maintains sales contact centers. DGS's competitive advantages include its proprietary databases and algorithms for cost-effective procurement of online advertising and the driving of customer action, expertise in optimizing websites and contact centers for maximum sales conversion and a fee-per-sale business model to closely align the economic interests of DGS with their clients. The Company's evaluation of data provided by its largest clients indicates that DGS delivers customers with a higher customer lifetime value and a higher number of products/service purchased relative to both its client's internal efforts and DGS's primary competitors.

The Company was founded in 2008, became profitable within 10 months and has generated positive EBITDA every quarter since 2009. DGS has 427 employees; 410 in Pakistan, 14 in Castle Rock, Colorado, a suburb of Denver, two in the U.K. and one in Canada. The Pakistani employees are based in Lahore and Karachi and provide contact center, engineering, software development and web design services. Castle Rock, Colorado is the global headquarters from which the senior leadership team manages the overall business and, in particular, client relationships. DGS's CFO is based in the U.K.

DGS has historically focused on providing online customer acquisition solutions to U.S. cable companies, with Comcast Corporation, Charter Communications and Time Warner Cable accounting for 90% of revenue. Providing additional services to existing customers, expansion into new geographical markets, such as Latin and South America, Europe and Asia, and expansion into new industry verticals, such as energy, finance, insurance and healthcare, are key objectives for DGS.

Key Financial Metrics

(in USD millions)	Y/E 6/30/10	Y/E 6/30/11	Y/E 6/30/12	Δ '10 - '11	Δ '11 - '12
Revenue	$6.2	$9.3	$20.0	+50%	+115%
Cost of Goods Sold	3.7	5.6	12.9	+51%	+130%
Operating Expenses	1.1	2.2	4.0	+100%	+82%
Interest Expense	0.1	0.1	0.2	+0%	+100%
Tax Expense	0.5	0.5	1.1	+0%	+120%
Net Income	0.8	0.9	1.8	+13%	+100%
EBITDA	1.3	1.5	3.0	+15%	+100%
Total Assets	2.2	2.7	3.5	+23%	+30%
Cash	0.2	0.2	0.5	+0%	+150%

The Company's revenues were entirely generated from the United States and were highly concentrated with two or three customers in each of the last three fiscal years. Since the IPO completed within nine months of the latest audited financial statements, audited, comparative stub period financials were not required, however, the Company chose to provide unaudited, comparative management accounts for the six months ended December 31, 2012 and 2011. Revenue, gross profit and EBITDA for the six months ended December 31, 2012 amounted to $11.1 million, $4.0 million and $1.4 million, respectively.

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Key Listing Metrics

- $20.5m gross was raised, $8.0m for the Company and $12.5m for the Selling Shareholder

- $6.1m, net of offering costs, was raised for the Company intended to be used for:
  - $3.2m – Working capital
    - Provided new services to existing U.S. clients
    - Expand into new markets; Latin and South America, Europe and Asia
    - Expand into new verticals; energy, finance, insurance and healthcare
  - $2.9m – Repayment of factoring advance

- Aggregate transaction costs amounted to 11.7% for the Company and Selling Shareholder

- Offering costs amounted to 23.8% of the gross capital raised for the Company
  - The offering was undertaken on a 'best efforts' basis, as opposed to being underwritten
    - Broking commission of 4.0%
    - Undisclosed corporate finance fee
    - Discretionary commission of up to 1.0% of the opening market cap ($0.7m)
    - Five-year warrant over 0.5% of the enlarged share capital
      - Exercisable subject to certain performance criteria
      - Struck at a 6.3% premium to the IPO price

- Selling Shareholder bore their own costs, which only amounted to the 4.0% broking commission

- Opening market capitalization of $73.9m
- Dilution to existing shareholders of 10.8%
- Free float of 27.7%

- Trailing pre-money revenue multiple of 3.3
- Trailing pre-money EBITDA multiple of 22.0
- Trailing pre-money P/E ratio of 36.6

Shareholder Base

The Company had 26.5 million shares outstanding prior to the IPO and issued 3.2 million new shares for cash in the IPO, leaving the Company with 29.7m shares outstanding. The table below details those who held 3% or more of the Company prior to and/or after the IPO, along with the collective ownership of the Other New U.K. Investors.

Shareholder	Pre-IPO %	Post-IPO %
Strategic Investor	68.12	43.83[1,2]
Founder & CEO	21.88	19.51[1]
Executives, Directors, Employees and Consultants	10.00	8.92
London Institution (Pension and Insurance Funds)	-	7.95
London Institution (Various Funds) and Private Client Broker	-	3.07
Other New U.K. Investors	-	16.72
Totals	100.00	100.00

[1] Subject to a 12-month lock-in and customary orderly market provisions for a further 12 months.
[2] In addition to the dilutive effect of the new shares issued for cash by the Company in connection with the IPO, the Strategic Investor raised $12.5 million as the Selling Shareholder.

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The CEO founded DGS in 2008 and the Strategic Investor provided some seed funding as well as logistical and operational support.

Beyond the obvious benefit of creating $12.5 million of immediate liquidity for the Strategic Investor, the Company now has an adequate amount of growth capital for expansion of services to existing clients and expansion into new geographical markets and industry verticals. With a solid base of blue-chip Institutional and Other U.K. Investors, the Company can create additional post-IPO liquidity and raise additional capital, if necessary. In addition, the Company believes that its IPO and public market status on AIM will raise its profile in the sector, particularly internationally, and provide transparent incentives for existing and future employees via the Company's Share Option Plan.

Board of Directors and Corporate Governance

The Board of Directors consists of two Executive Directors (the Founder & CEO and the CFO) and four Non-Executive Directors (a non-independent Chairman by virtue of his firm's shareholding as the Strategic Investor and three independent NEDs, although one is the half-brother of the Chairman); all with solid resumes and a good blend of complementary experiences and skill sets. The Board will meet at least four times per year.

Companies listed on AIM are not required to comply with the U.K. Corporate Governance Code, which is mandatory for companies listed on the Main Market; however, as is typical, the Company intends to follow, to the extent appropriate for its size and nature, the Corporate Governance Guidelines for Smaller Quoted Companies, which are published by the Quoted Companies Alliance. The overarching principle of such guidance is to ensure that a company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the long term.

The Company has established an Audit Committee and a Remuneration Committee. Both committees are chaired by an independent NED with the other two independent NEDs serving as members. The Audit Committee will meet formally at least four times a year and the Remuneration Committee will meet when required, however, not less than two times a year. The Nomination Committee will be an ad hoc committee constituted by the Board as and when required and, when constituted, will be chaired by an independent NED.

Accounting Considerations

The Company is domiciled in Bermuda, which allows for the use of any internationally recognized GAAP. Since the Company's operating subsidiaries are incorporated in Delaware and all of the Company's historic revenues have been generated from the United States, the Company has chosen to report using U.S. GAAP. Since all of the Company's revenues are earned in U.S. Dollars, the U.S. Dollar is the functional currency and was also chosen as the reporting currency.

The U.K. Member Firm of an international accountancy network acted as Auditor and as Reporting Accountant. Since the IPO completed within nine months of the latest audited financial statements, audited, comparative stub period financials were not required, however, the Company chose to provide unaudited, comparative management accounts for the six months ended December 31, 2012 and 2011.

An unaudited pro forma statement of net assets is never required in connection with an AIM IPO and was not provided in this instance since the effect of the net proceeds from the IPO on the net assets of the Company is obvious.

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Legal Considerations

Since the Company is not incorporated in the U.K. or one of its Crown Dependencies, the Channel Islands and the Isle of Man, but rather in Bermuda, and its 'place of central management and control' is also outside these jurisdictions, the three most important elements of English corporate law do not automatically apply. As is customary, the Company amended its constitutional documents for these three main differences as outlined below.

1. Pre-emption rights (i.e. anti-dilution) – Shareholders may participate in, or the Company has to obtain approval from at least 75% of them for, the issuance of shares for cash of more than 20% of the then outstanding shares during any 12-month period.[3]

2. Notifiable Interests – Shareholders are required to notify the Company of, and the Company is required to publicly announce, holdings at or above the 3% level and whenever a full percentage point is breached in either direction.

3. Takeovers (i.e. mandatory offer) – If any party, or parties acting in concert, accumulates a holding of 30% or more, they must make a cash offer to the other shareholders at the highest price they paid for the Company's shares during the last 12 months.

The IPO was not subject to Regulation S of the U.S. Securities Act of 1933. Since the Company is domiciled outside the U.K., the Channel Islands or the Isle of Man, it was necessary to appoint a Depository and create Depository Interests (DIs), which represent an entitlement to shares. The DIs are eligible for dematerialization and trading within CREST, the most common electronic system for the holding and transfer of securities in the U.K.

[3] Since the Company raised a relatively small amount of capital for itself at the time of the IPO, this is higher than the typical 10% level at which AIM-listed companies seek an annual standing authorization from their shareholders for the issuance of additional shares for cash. This flexibility increases the certainty and speed of small capital raises during the year and reduces transaction costs, since further communications with, and approvals from, shareholders are not required.