

## LETTER TO SHAREHOLDERS

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### Dear Shareholders,

2016 was a landmark year for the Dada Group, a year in which it accomplished remarkable targets and achieved impressive results in a persistently challenging market environment.

After successfully completing the reorganization of Group activities in the prior year, most of our efforts in 2016 focused on developing the core business of Domain and Hosting (D&H) at a European level, with particular regard to digital services for the online presence and visibility of SMEs, where Dada has greatly strengthened its position in all the main geographies of operation. The Dada Group brands are currently among the top 3 players in the following countries: Italy (Register.it), ranking second, UK (Namesco.co.uk), Portugal (Amen.pt) and Ireland (Register365); the Group also boasts a solid foothold in Spain (Nominalia) and France (Amen.fr).

The growth strategies adopted from the final months of 2015 on marketing investments and product and platform development have allowed us to achieve positive business-financial results, to increase our market shares, and to help our brands penetrate all the main markets, despite the persisting highly challenging environment.

On the one hand, in fact, the international D&H market was marked by fierce competition, especially in the acquisition processes of new customers. Most of the top international players reported weaker organic growth and pursued development through intensive M&A activities, speeding up the combination process witnessed for some years now in the industry.

On the other, on the financial markets front, the international political and economic events (see Brexit) rocked the currency markets, impacting significantly on the movements of the EUR/GBP exchange rate, affecting our consolidated results following the translation of the financial statements in foreign currency, and despite the improved results in local currency in the UK versus the prior year.

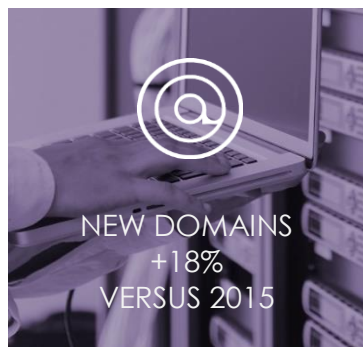
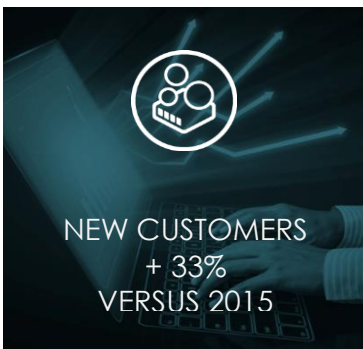
Against this backdrop, Dada reported a significant growth in key business metrics; the customer base increased by 13% versus 2015, while new customers acquired in the year grew by over 30% versus the prior year. Additionally, despite the development and diversification of the customer base, the retention rate remained high, with a monthly churn (defection rate) of existing customers below 1.5%, in line with the market's best performers.



**Claudio Corbetta**  
CEO  
Dada S.p.A



**Lorenzo Lepri**  
General Manager and CFO  
Dada S.p.A.



On the domains front too, the total stock of domains under management at 31 December 2016, approximately 1.9 million, grew by 6% YoY versus the growth of approximately 2%<sup>1</sup> by Dada's European markets of operation. In 2016, we also reported an 18% growth YoY in new domain name registrations. The growth in most of the Group's geographies outperformed the market, allowing the Dada brands to increase their market share (calculated on new registrations), which was above 20% in Italy versus 17% in 2015.<sup>2</sup>

In 2016, Dada also strengthened its position in the web building business, offering a range of ever-increasing quality solutions for the development, management and visibility of web, mobile and e-commerce sites tailored to SMEs, thanks also to the contribution of Etinet S.r.l. acquired in July 2015 and now fully integrated in the Group's organization. In the reporting period, we also strengthened the presence in custom services for online brand protection (OBP), as well as in virtual and dedicated server solutions; specifically, these services in 2016 grew by over 40% on the Italian market.

Additionally, in 2016 we continued to invest in expanding our customer base, through digital marketing campaigns, and in strengthening our customer support desks. Today, the Group operates four fully internalized local customer desks (in Italy, Spain, Portugal and UK), dedicated to assisting customers in using its traditional products, and to supporting offline sales channels and offering consultancy services for higher added value products, with continually improving customer satisfaction indices (NPS<sup>3</sup>). *Optimized marketing investments also allowed us in 2016 to reduce the COA (average cost of acquisition for each customer).*

In July, through our subsidiary Register.it S.p.A., we acquired 100% of Sfera Networks S.r.l., a leading Italian digital player, specialized in virtual hosting, network & private cloud services to SMEs. The acquisition was made to strengthen our position in IT Managed Services, allowing us to better meet the increasingly growing demand for tailor-made digital services, and to expand our web service portfolio with highly synergistic products for SMEs.

The European market of Server and Cloud solutions maintains a high growth potential; in 2016, the segment grew by 16% YoY worldwide<sup>4</sup>; our Group is currently placing increased focus on these solutions to strengthen its competitive position in the segment.

To conclude, in December we signed a new pool loan agreement with Banca Intesa, Unicredit and Banca MPS for a total of €22 million with a spread reduced to 250 bps. The agreement will reduce debt costs significantly and provide greater financial flexibility to support our future growth plans.

Looking at the financial results, revenue at 31 December 2016 amounted to €63.7 million, up by +2.5% YoY, +6% at constant exchange rates and on a like-for-like basis. EBITDA amounted to €10.7 million, up by 1.9% YoY, +2.7% at constant exchange rates and on a like-for-like basis, with a 17% margin on revenue. Regarding EBITDA, mention should be made of the sharp increase witnessed in 4Q16 (+24% YoY), despite the negative effects of the EUR/GBP exchange rate, the

<sup>1</sup> Figures based on the stock of ccTLDs in Dada countries of operation: UK, Italy, France, Spain, Portugal and Ireland; the figures come from the official registries of ccTLDs.

<sup>2</sup> Figure based on new ccTLD .it registrations in 2016, company processing using Registro.it figures

<sup>3</sup> NPS: Net Promote Score

<sup>4</sup> Source: Netcraft report Nov 2016



result mainly of the renewal dynamics of new customers acquired in the year, which impacted positively on average revenue per unit



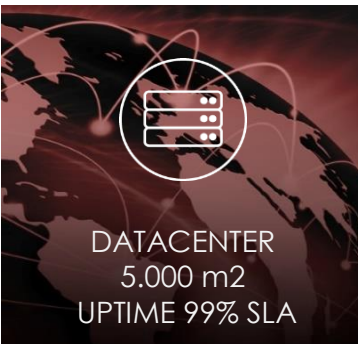
(ARPU), and of the virtuous contribution of the newly-acquired Sfera. EBIT came to €4.0 million, up by 26% versus 2015. The net profit for the year came to a positive €0.2 million versus €1.6 million in the prior year, which, however, had benefited from the €1.8 million in non-recurring financial income from the transfer of Simply to 4W net of the loss from discontinued operations; net of these non-recurring events, the item would have come to -€0.2 million. The NFP came to -€29.5 million at 31 December 2016 (-€27.9 million at 31 December 2015). The figure reflects the positive cash flows generated by Group operating activities and the investment of approximately €3.3 million to acquire Sfera.

In short, 2016 was a good year, thanks also to the efforts of all our highly skilled staff, who helped us accomplish our goals and lay the foundations for further future development of our Group, to the benefit of all the stakeholders.



In 2016, our business and financial results, as well as the efforts made by Investor Relations, reflected in the positive performance of Dada shares, listed on the MTA market of the Milan Stock Exchange (STAR segment). The Dada share, in fact, starting from January 2016 throughout the year, outperformed on average the main indices of the Italian Stock Exchange (FTSE Italia All Share, FTSE Italia Star), with a number of impressive trading sessions in the first and fourth quarter of the year, which allowed it to achieve an absolute positive performance of +40% YoY at 30 December 2016.

In 2017, despite a highly challenging backdrop, we seek to maintain a mid single-digit growth in revenue, on a like-for-like basis and at constant exchange rates, along with an increase in operating profit, based on the scale effects of growing business volumes and on the renewal dynamics of new customers acquired in 2016, which should further drive, as in the last quarter of 2016, the growth of future profitability in 2017.



For the Board of Directors  
Claudio Corbetta and Lorenzo Lepri

## DADA ON THE STOCK MARKET

The ordinary shares of Dada S.p.A. (Code ISIN IT0001455473) have been listed since 2000 on the Mercato Telematico Italiano - MTA (screen-based market), organized and managed by Borsa Italiana S.p.A., and are part of the STAR segment.

The Dada share is included in the stock market indices **FTSE Italia All-Share**, **FTSE All Share Capped**, **FTSE Italia STAR**, **FTSE Italia Small CAP**, and **FTSE Italia Tecnologia**.

In 2016, the average price of the Dada share was €2.3, the maximum was €3.2 and the minimum €1.92; on 30 December 2016, the final trading day of the year, the official closing price of the share was €3.1 (market capitalization of €51 million, Enterprise Value of €80.6 million).

Share and stock market indicators at 30 December 2016

DADA SHARE FIGURES		2016
Price Official Closure at 30 December 2016	€	3.07
Average Price <sup>5</sup>	€	2.29
Maximum Price	€	3.20 (30 December 2016)
Minimum Price	€	1.92 (11 January 2016)
Average daily volume (no. of shares traded)	no.	20,142
Average daily volume in Euro <sup>6</sup>	€	50,652
Total volumes 2016 (no. of shares traded)	no.	5.2 million
Number of Ordinary Shares issued at 31 December 2016	no.	16,680,069
Market Capitalization at 31 December 2016	€	51.1 million

Source Borsa Italiana

### DADA SHARE PERFORMANCE

In 2016, the Dada share reported an **absolute positive performance** of **+44%**, based on the official price at 30 December 2015 (€2.1) and at 30 December 2016 (€3.01). The share also reported a **positive relative performance** of **+40%** versus the **FTSE Italia STAR** index and of **+51%** versus the **FTSE Italia All-Share**; in the reporting period, the two indices reported, respectively, an increase by +4.1% and a decrease by -9.9%.

Regarding trading volumes, **5.3 million** Dada shares were traded in 2016, and the average **daily trading value** stood at approximately **€50,600<sup>2</sup>**. Trading volumes were quite brisk in the first and fourth quarters of the year, while in the third quarter, prices and trading

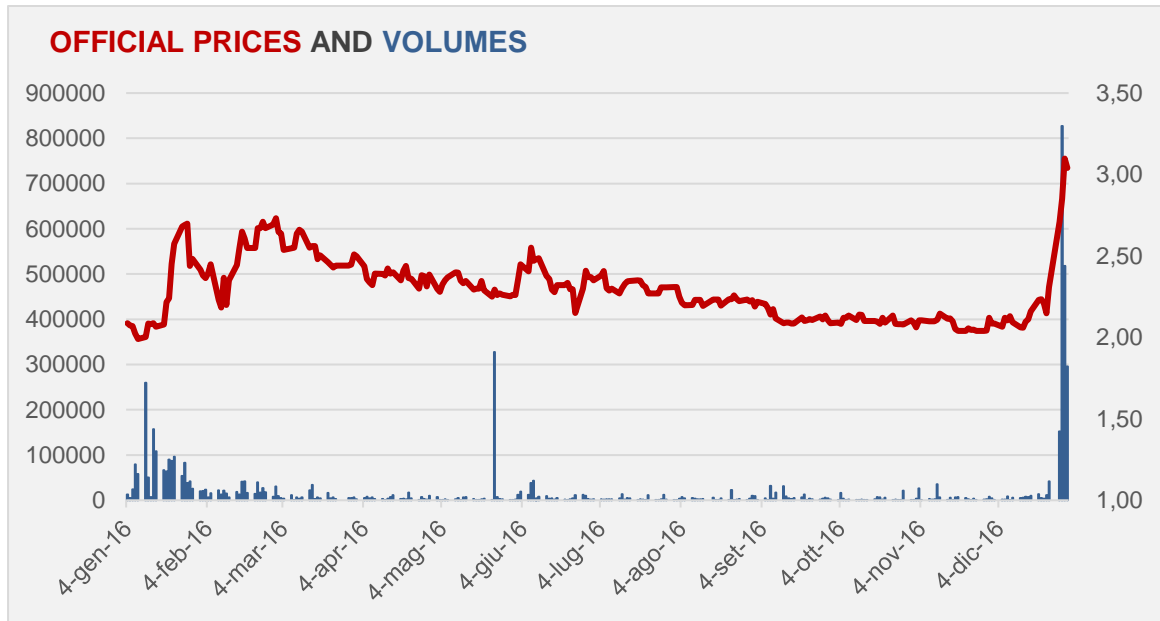
<sup>5</sup> Average price calculated on the average official prices recorded at the close of trading days in 2016

<sup>6</sup> Average daily volumes in Euro, calculated on the official prices recorded at the close of trading days in 2016



volumes were hit by the international economic and political uncertainties (such as Brexit), which affected the national and international financial markets.

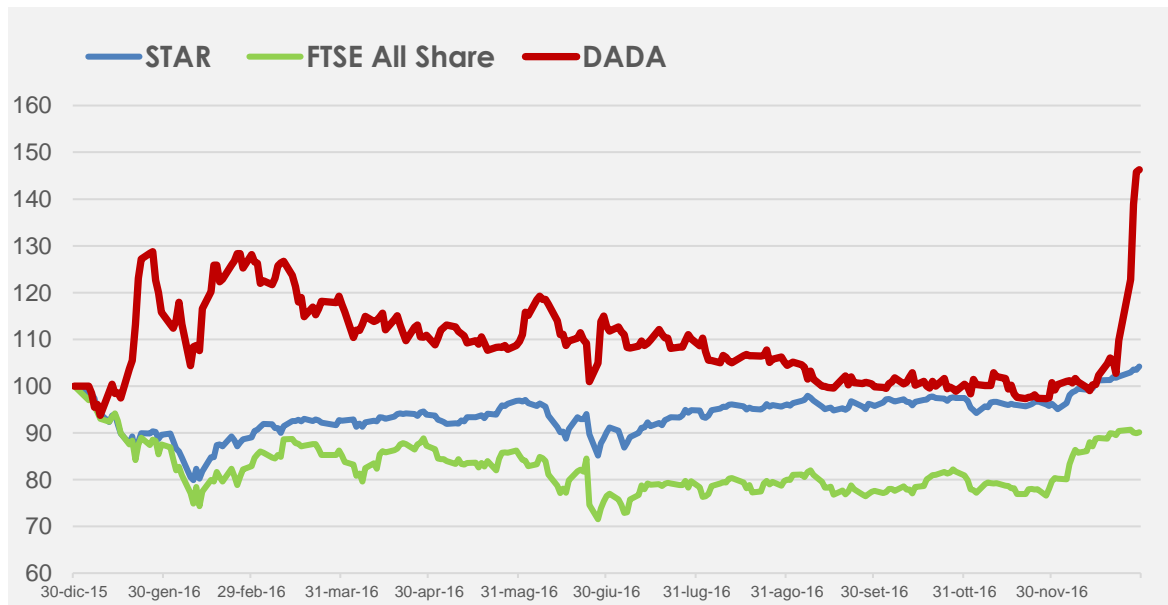
### DADA SHARE PERFORMANCE - PRICES AND VOLUMES - 2016



Source Borsa Italiana

### DADA SHARE PERFORMANCE VERSUS MAIN STOCK EXCHANGE INDICES - 2016

(Dada Price, base at 30 December 2015 = 100)



Source Borsa Italiana

**FINANCIAL RESEARCH - COVERAGE:** The Dada share is currently covered by **Banca IMI**, which also acts as Specialist, with Rating Hold and Target Price at €4.4 per share at 29 March 2017.

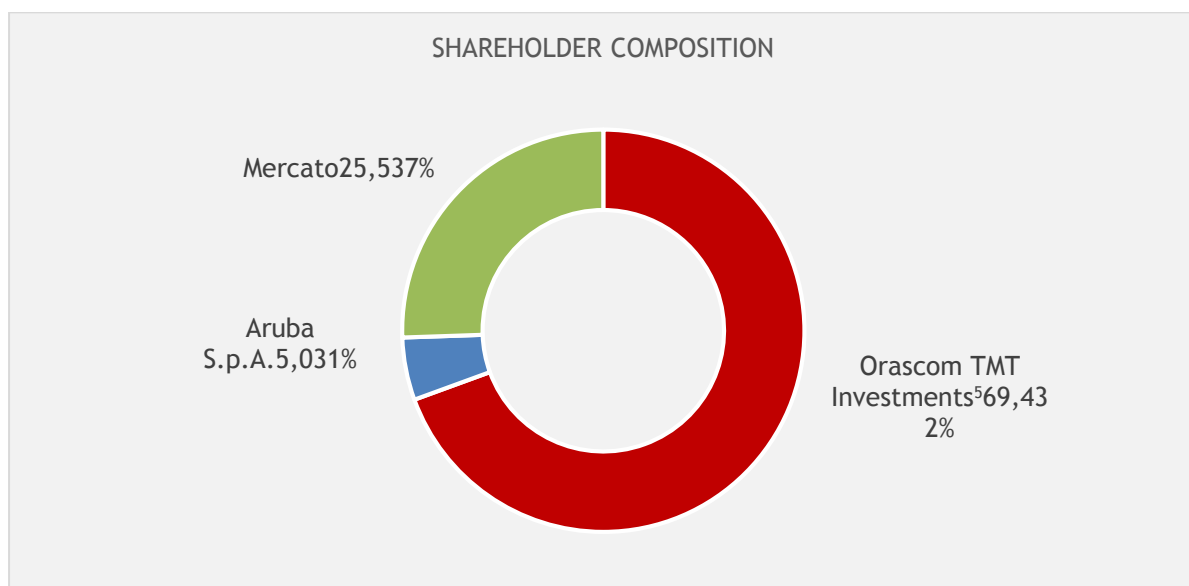
### SHAREHOLDER STRUCTURE

At 31 December 2016, the issued share capital amounted to €2,835,611.73, equal to 16,680,069 issued ordinary shares with a par value of €0.17.

As at the same date, to the best knowledge of the Company, based on communications received pursuant to art. 120 of the TUF, the shareholder composition sees the following significant shareholdings above the 5% threshold.

SHAREHOLDER	NO. OF SHARES	% OF SHARE CAPITAL
Orascom TMT Investments <sup>7</sup>	11,581,325	69.432%
Aruba S.p.A.	839,178	5.031%
Market	4,259,566	25.537%

Source Consob



<sup>7</sup> Through the subsidiary Libero Acquisition SARL



## INVESTOR RELATIONS

Dada Group Investor Relations strives to keep an open and continuing dialogue with the financial market. Communication with the **financial community** aims to ensure an **information flow** that is **comprehensive, transparent, timely, continuous and effective**, using and innovating the traditional channels of engagement, in compliance with the rules of Consob and Borsa Italiana.

In 2016, the Dada Group continued to engage in intensive IR activities, developing and **enhancing** the content and **engagement processes with the financial community** by: i) introducing conference calls following publication of period results, ii) participating in various national and international financial conferences and road shows, iii) engaging continually with financial analysts and corporate brokers, iv) and renewing the content of its Equity Story by also launching the new version of the IR website

based on current best market practices. The website dedicated to Investors is a key tool for providing the financial community with effective and timely information on the Group's strategies, business development, financial results, and major events with investors.