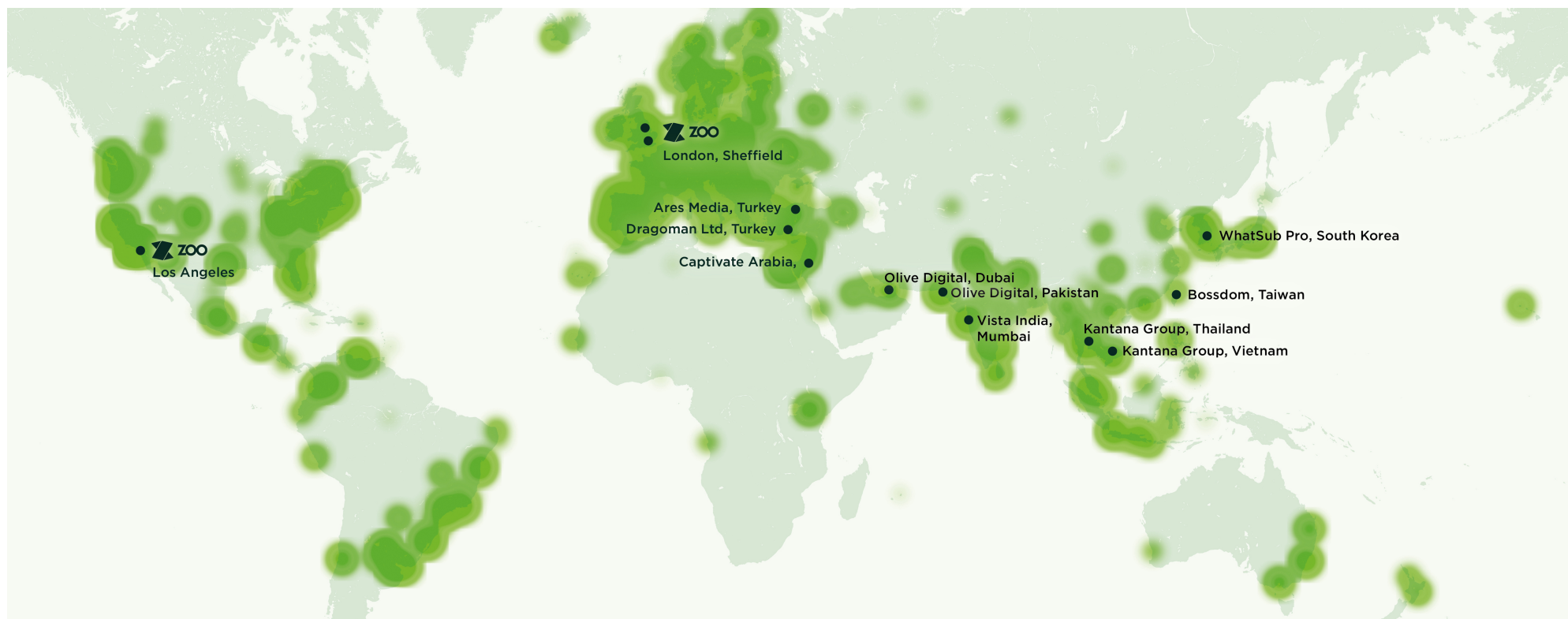




ZOO Digital Group plc
2018–2019



ZOO Digital Group plc Interim Results

November 2018

www.zoodigital.com

ZOO at a Glance What sets us apart

ZOO TECHNOLOGY: STREAMLINED, SECURE, SCALABLE.

Our services are powered by our own cutting-edge cloud software, hosted using Amazon Web Services (AWS). We use cloud technology to automate certain processes, passing on significant benefits to our clients including streamlined, secure and scalable services.

ZOO R&D: 30 IN-HOUSE SPECIALISTS DEDICATED TO INNOVATION

We have a dedicated in-house team of 30 specialists located at ZOO's headquarters in Sheffield. We have a deep understanding of the media localisation industry and the challenges our clients face. As a service provider we're building innovative, ground-breaking products to support our service offering which helps solve our client's challenges. The team's role is to use technology and innovation to respond to our clients' localisation challenges, such as decreasing budgets and shortening release windows for TV and movie content.

ZOO'S CLIENTS: HOLLYWOOD STUDIOS, GLOBAL BROADCASTERS AND MAJOR ONLINE RETAILERS

We're an approved supplier to many of the largest buyers of TV and movie content in the industry, including the major Hollywood studios.

DIGITAL DISTRIBUTORS: DELIVERING ENTERTAINMENT CONTENT TO CONSUMERS WORLDWIDE

Having established a track record for consistent quality and reliability, ZOO is one of the few service providers approved as a global delivery partner to deliver content to the platforms of leading streaming and transactional services including Netflix, iTunes and Amazon.

ZOO'S CLIENT SERVICES TEAM: LOS ANGELES, LONDON AND SHEFFIELD

We have a 45-strong client services team in our Los Angeles, London and Sheffield offices. No-fuss, strong client relationships and faster turnaround than our competitors usually lead to repeat business.

ZOO'S PRODUCTION TEAM: ENSURE HOLLYWOOD-APPROVED QUALITY

From quality control and preparation of language scripts to the recruitment of freelancers, our 97-strong production team provides an in-house resource to make sure we meet the stringent quality standards set by Hollywood.

ZOO'S FREELANCE NETWORK: A COMMUNITY CONNECTED IN THE CLOUD

Unlike many of our competitors, ZOO's linguistic resource is fulfilled through a global community of freelancers, giving us practically unlimited capacity without incurring infrastructure costs. The network includes translators, voice actors, dubbing directors, quality control operators and audio mixing engineers. Many of them work from their homes using ZOO's technology, needing little more than a laptop and internet connection.

ZOO'S GLOBAL LANGUAGE PARTNERS: PROVIDING IN-TERRITORY POINTS OF PRESENCE

To support expansion in key territories, particularly in emerging markets in Asia and the Middle East, ZOO operates partnerships with a number of affiliates. These are local organisations, with expertise in language services and post production for the TV and film industry, who are trained to use our technology to ensure Hollywood-approved service provision.



Cloud-powered subtitling, dubbing and distribution for the global TV and movie industry



Financial Highlights

- Revenues increased by 17% to \$14.9m (H1 FY18: \$12.7m)
- Gross profit of \$4.9m (H1 FY18: \$4.8m) driven by sales mix shift to localisation
- Adjusted EBITDA* of \$0.5m (H1 FY18: \$1.3m) reflecting investment across the business to support future growth
- Cash balance of \$0.9m (H1 FY18: \$0.7m)

* Adjusted for share-based payments

Segmental Analysis – Revenue (unaudited)

- **Localisation**

- Subtitling, captioning and dubbing; revenue grew by 21%
- Dubbing revenues more than doubled

- **Digital Packaging**

- Video/audio compression, metadata preparation, assembly of digital packages, authoring; revenue grew by 14%
- OTT digital packaging up 20%
- Legacy digital packaging down 10%

- **Software Licensing**

- Predominantly recurring revenue from legacy systems; declined 9%, this was less than our expectation of 10%

	Localisation		Digital Packaging		Software Licensing		Total	
	FY19 H1	FY18 H1 Restated	FY19 H1	FY18 H1 Restated	FY19 H1	FY18 H1 Restated	FY19 H1	FY18 H1 Restated
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	11,039	9,127	2,888	2,541	968	1,058	14,895	12,726
Segment contribution	2,926	2,757	1,767	1,610	904	902	5,597	5,269
Unallocated cost of sales							(651)	(462)
Gross profit							4,946	4,807
	27%	30%	61%	63%	93%	85%	33%	38%

Segmental Analysis – Gross Profit (unaudited)

- **Localisation**

- GP percentage down 3% due to the sales mix with dubbing a larger overall percentage of total localisation sales which currently has a lower GP than subtitling
- Dubbing margins before staff up 11% on last year
- Subtitling margins down 4% due to investment in staff to support future demand

- **Digital Packaging**

- GP fell 2% as a result of the sales mix favouring the lower margin business lines
- GP on legacy digital packaging services very high and in line with last year
- GP on digital packaging up 1% on last year

- **Software Licensing**

- GP percentage improved as a result of less overhead required to support the contracts



Operational Highlights

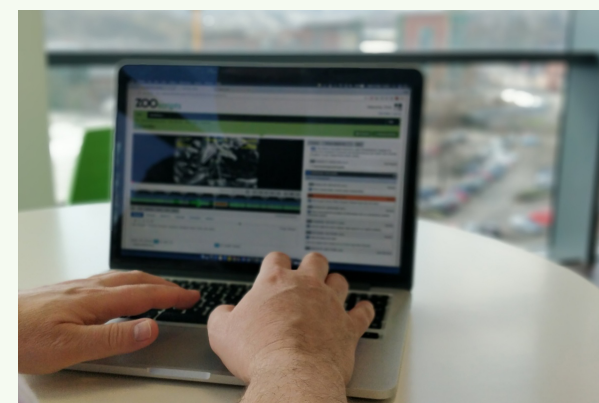
- Important investments made across the business to drive additional growth
 - Significant technological enhancements and new features to ZOO platforms
 - Expansion of freelancer network to 5,400 (H1 FY18: 2,700)
 - Launch of new facility in Dubai for Arabic language services
 - Upgrades to Dubbing service in line with technology roadmap
- Reconfiguration of its supply chain by major OTT operator now completed
 - New engagement favourable to ZOO's differentiated cloud-based multi-language service
 - Recent subtitle orders higher than previous levels
- Upscaling of management team
 - Appointment of Phillip Blundell as Chief Financial Officer
 - Expanded international business development initiatives under ex-Deluxe Executive

Growth Strategy and Progress

INNOVATE – BY CREATING VALUE-ADDING CLOUD SOFTWARE TECHNOLOGY

To deliver significant competitive advantage by making operations more efficient, ensuring consistently high quality and developing service capabilities specific to the needs of major clients

- Launch of technology and service to support lip-sync dubbing
- Launch of ZOOscripts platform and new scripting service
- Launch of technology to automatically identify changes in programme dialogue



Growth Strategy and Progress

SCALE – THROUGH A FREELANCER NETWORK

For creative and skilled roles, identify, recruit, train and retain freelance workers for a cost-efficient scalable resource across all languages

- Increased pool of freelancers to 5,400 (H1 FY18: 2,700)
- Translators available in 81 languages
- Voice actors available in 25 languages



Growth Strategy and Progress

AFFILIATES – PROVIDE IN-TERRITORY POINTS OF PRESENCE

Appoint partners and provide access to ZOO software to establish a presence for ZOO in key countries, particularly emerging markets

- Dubai facility fully operational and engaged to provide Arabic cloud dubbing as OTT operators extend services in Middle East

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Growth Strategy and Progress

PARTNERSHIPS – SECURE PREFERRED PARTNER STATUS WITH LEADING BUYERS

Work with the leading global buyers of subtitling, dubbing and distribution services in order to establish ZOO as a preferred partner

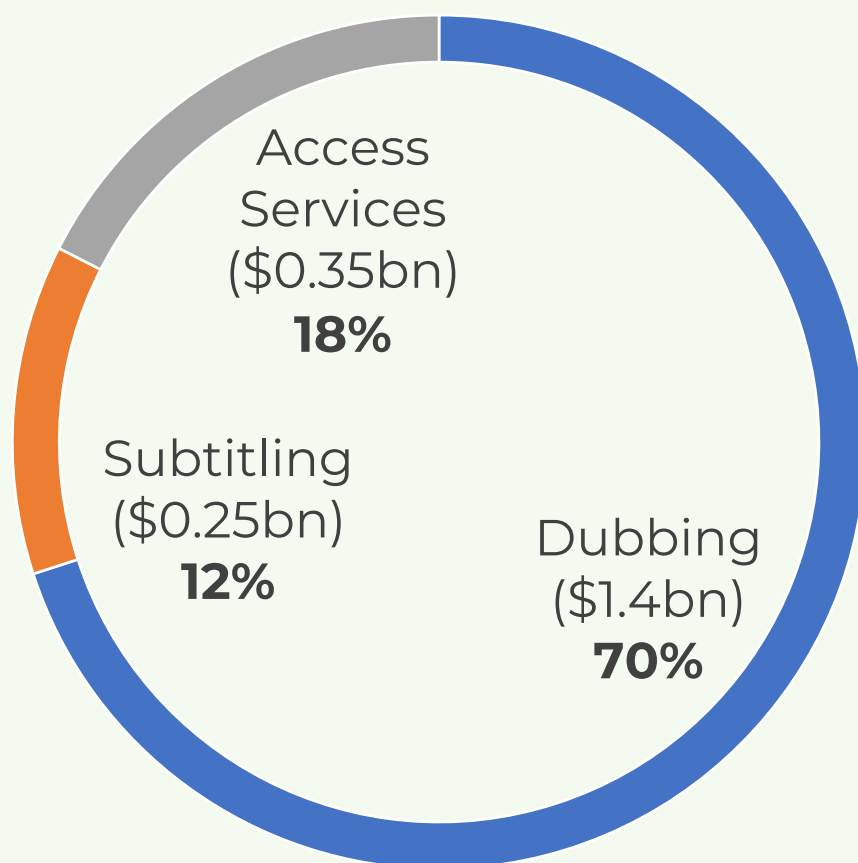
- Relationship with a leading OTT operator expected to be strengthened following a change in partner programmes



Consumer Market Trends

- Growing number of OTT services globally
- Explosion in demand for original content
- Sourcing of non-English content for global distribution
- Services delivered in an ever-expanding number of languages

Growth Potential



- Media localisation market \$2 billion pa in EMEA (2016)*
- Market growth > 10%*

* Source: Media and Entertainment Services Alliance Europe, 2017

Competitive Environment

- ZOO's competitors are traditional bricks-and-mortar businesses
 - High human capital intensity
 - Large players have operations in many countries
 - Difficult to scale and flex
- There are few companies able to provide multi-lingual subtitling in any language to quality and with scale
- There are no other companies able to process multi-lingual dubbing in any language
- Increasingly buyers are seeking providers that can offer combined localisation and digital packaging services

Competitive Advantage

- Internal software-enabled efficiencies lead to competitive pricing
- Built for faster project turn-around to meet OTT requirement for shorter time-to-market
- Systematised approach results in reduced occurrence of human errors enabling consistently high quality
- Highly scalable operation resourced through freelancers provides high capacity and availability for clients
- Purpose-created cloud systems provide transparency and visibility of work-in-progress for clients
- API-first software product strategy enables integration of client ordering systems, reducing friction

Barriers to Entry

- A hybrid service provider and R&D organisation with a culture of innovation
- Proprietary, purpose-designed cloud technology developed over 10+ years
- Portfolio of 30+ patents
- A growing network of 5,400+ highly skilled and proven freelance workers
- Established long-term relationships with, and trusted by, major global media organisations
- Approved vendor to five Hollywood studios and three leading OTT operators

Outlook

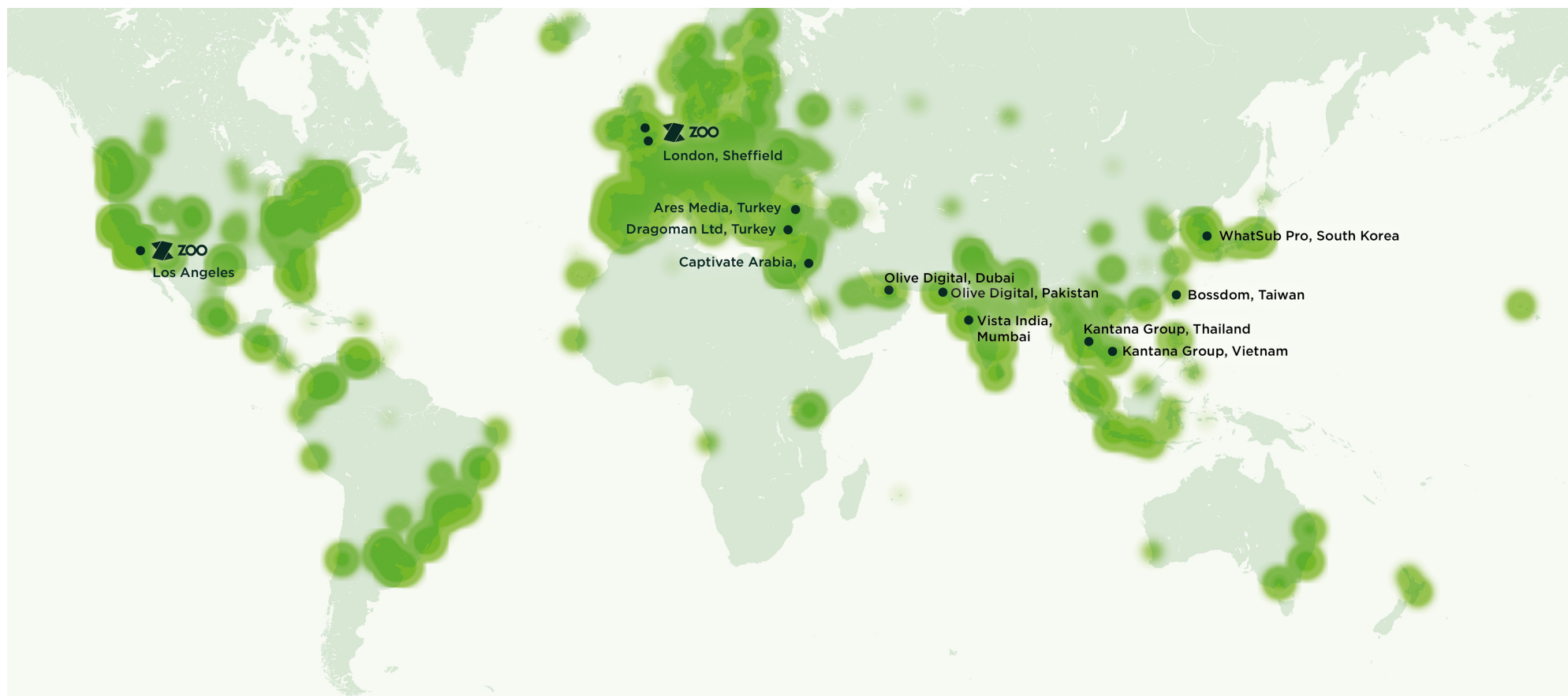
- Second half of the financial year expected to be significantly cash generative
- Full year performance in line with expectations
- Order book stronger now than start of H1
- New industry programmes will be favourable for ZOO in terms of increasing market share as well as the size and visibility of the order book

Investment Summary

- Operating in a large and growing market served by a limited number of suppliers
- A defensible position with barriers to entry
- Strong long-term client relationships with a growing number of media companies
- Strategy to deliver good margins and cash generation
- Strong and strategic management team



ZOO Digital Group plc
2018–2019



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Appendix

Consolidated Statement of Comprehensive Income (unaudited)

ZOO Digital Group plc
2018–2019

	6 months to 30 Sep 2018 \$000	6 months to 30 Sep 2017 \$000	Year ended 31 Mar 2018 \$000
Revenue	14,895	12,726	28,551
Cost of sales	(9,949)	(7,919)	(18,486)
Gross Profit	4,946	4,807	10,065
Other operating income	47	-	-
Operating expenses	(5,292)	(4,394)	(9,426)
Operating (loss)/profit	(299)	413	639
Analysed as			
EBITDA before share-based payments	491	1,339	2,396
Share based payments	(81)	(191)	(276)
Depreciation	(258)	(222)	(450)
Amortisation and impairment	(451)	(513)	(1,031)
	(299)	413	639
Exchange gain/(loss) on borrowings	332	(184)	(456)
Conversion of convertible loan note	-	(145)	(115)
Fair value movement on embedded derivative	-	-	(4,666)
Finance cost	(192)	(221)	(411)
Total finance cost	140	(550)	(5,648)
Loss before taxation	(159)	(137)	(5,009)
Tax on loss	(66)	222	253
(Loss)/profit and total comprehensive income for the period attributable to equity holders of the parent	(225)	85	(4,756)
Profit per ordinary share			
- basic	(0.30 cents)	0.13 cents	(6.81) cents
- diluted	(0.30 cents)	0.11 cents	(6.81) cents

Consolidated Statement of Financial Position as at 30 September (unaudited)

ZOO Digital Group plc
2018–2019

	As at 30 Sep 2018 \$000	As at 30 Sep 2017 \$000	As at 31 Mar 2018 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	1,186	1,034	889
Intangible assets	6,518	6,671	6,541
Deferred income tax assets	486	486	486
	8,190	8,191	7,916
Current assets			
Trade and other receivables	8,077	7,100	7,412
Cash and cash equivalents	910	722	2,409
	8,987	7,822	9,821
Total assets	17,177	16,013	17,737
LIABILITIES			
Current liabilities			
Trade and other payables	(5,697)	(3,977)	(6,106)
Borrowings	(240)	(734)	(226)
	(5,937)	(4,711)	(6,332)
Non-current liabilities			
Borrowings	(3,966)	(3,912)	(4,084)
Separable embedded derivative	(4,666)	-	(4,666)
Total liabilities	(14,568)	(8,623)	(15,082)
Net assets	2,609	7,390	2,655

Consolidated Statement of Cash Flows (unaudited)

ZOO Digital Group plc
2018–2019

	6 months to 30 Sep 2018 \$000	6 months to 30 Sep 2017 \$000	Year ended 31 Mar 2018 \$000
Cash flows from operating activities			
Operating (loss)/profit for the period	(299)	413	639
Depreciation	258	222	450
Amortisation and impairment	451	513	1,031
Share based payments	179	191	360
Purchase of own shares	-	-	(33)
Changes in working capital:			
Increases in trade and other receivables	(665)	(3,347)	(3,659)
(Decreases)/increases in trade and other payables	(410)	(68)	2,061
Cash flow from operations	(486)	(2,076)	849
Tax (paid)/received	(66)	222	253
Net cash flow from operating activities	(552)	(1,854)	1,102
Investing Activities			
Purchase of intangible assets	(428)	(269)	(657)
Purchase of property, plant and equipment	(555)	(183)	(266)
Net cash flow from investing activities	(983)	(452)	(923)
Cash flows from financing activities			
Repayment of borrowings	(163)	(392)	(927)
Proceeds from borrowings	354	93	-
Finance cost	(155)	(267)	(437)
Issue of Share Capital (net of costs of issue)	-	2,987	2,987
Net cash flow from financing	36	2,421	1,623
Net (decrease)/increase in cash and cash equivalents	(1,499)	115	1,802
Cash and cash equivalents at the beginning of the period	2,409	607	607
Cash and cash equivalents at the end of the period	910	722	2,409

The Board

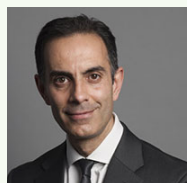
ZOO Digital Group plc
2018–2019



Roger Jeynes
Chairman

Since 2010

Long executive career in technology and corporate finance in Europe and USA. Strong experience of governance and public markets.



Mickey Kalifa
Non-Executive

Since 2017

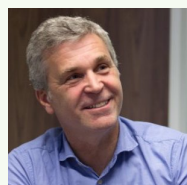
Chartered accountant and finance professional with nearly 30 years' experience across technology, media and gaming sectors. Formerly CFO Sportech plc.



Stuart Green
CEO

Co-founder; CEO since 2006

Almost 30 years experience in the software industry. PhD in Computer Science. Co-founded and sold three software companies. 18 years AIM board director.



Phill Blundell
CFO

CFO since July 2018

Chartered Accountant with 20+ years in software industry including CFO roles with DotDigital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments plc.



Gordon Doran
Commercial Director

Joined 2005; Commercial Director since 2009

Career in commercial roles with technology businesses in UK and USA. Almost 30 years experience leading sales and marketing teams. Based on West Coast USA.

Major Shareholders

Shareholder*	% of capital
Stuart Green (CEO)	15.50
Herald Investment Trust plc	11.59
Canaccord Genuity Group Inc. (Hargreave Hale Ltd.)	9.99
Old Mutual plc	6.50
Kinderhook Partners LLC	3.09

* As of 9 August 2018 the Company had been made aware of the above shareholdings amounting to 3% or more of the ordinary share capital of the Company.

Issued share capital and total voting rights = 74,368,271 ordinary shares.

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