



ZOO Digital Group plc
2018–2019

localisation
reimagined

ZOO Digital Group plc Final Results

June 2019



www.zoodigital.com

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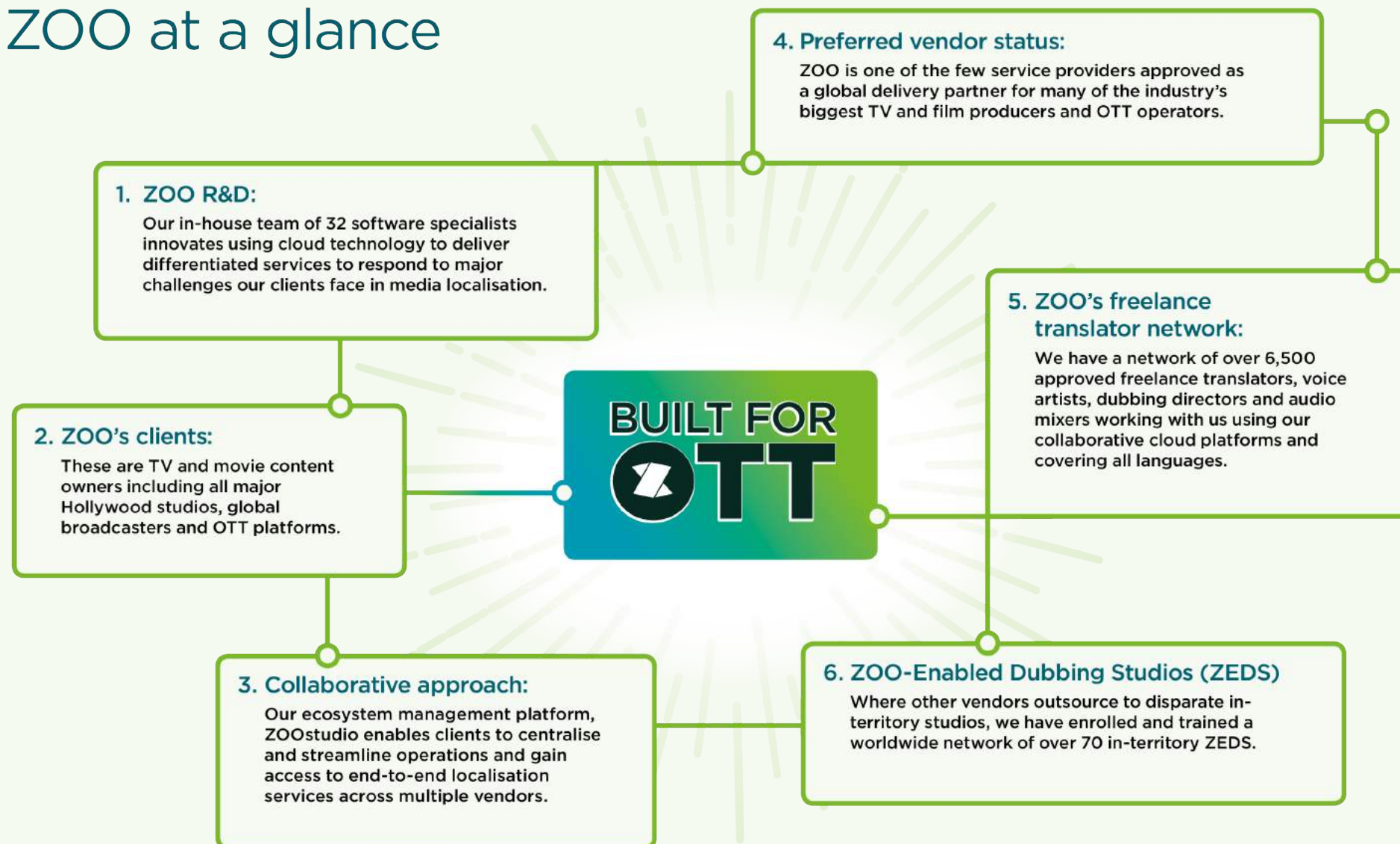
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Cloud-powered subtitling,
dubbing and distribution for the
global TV and movie industry



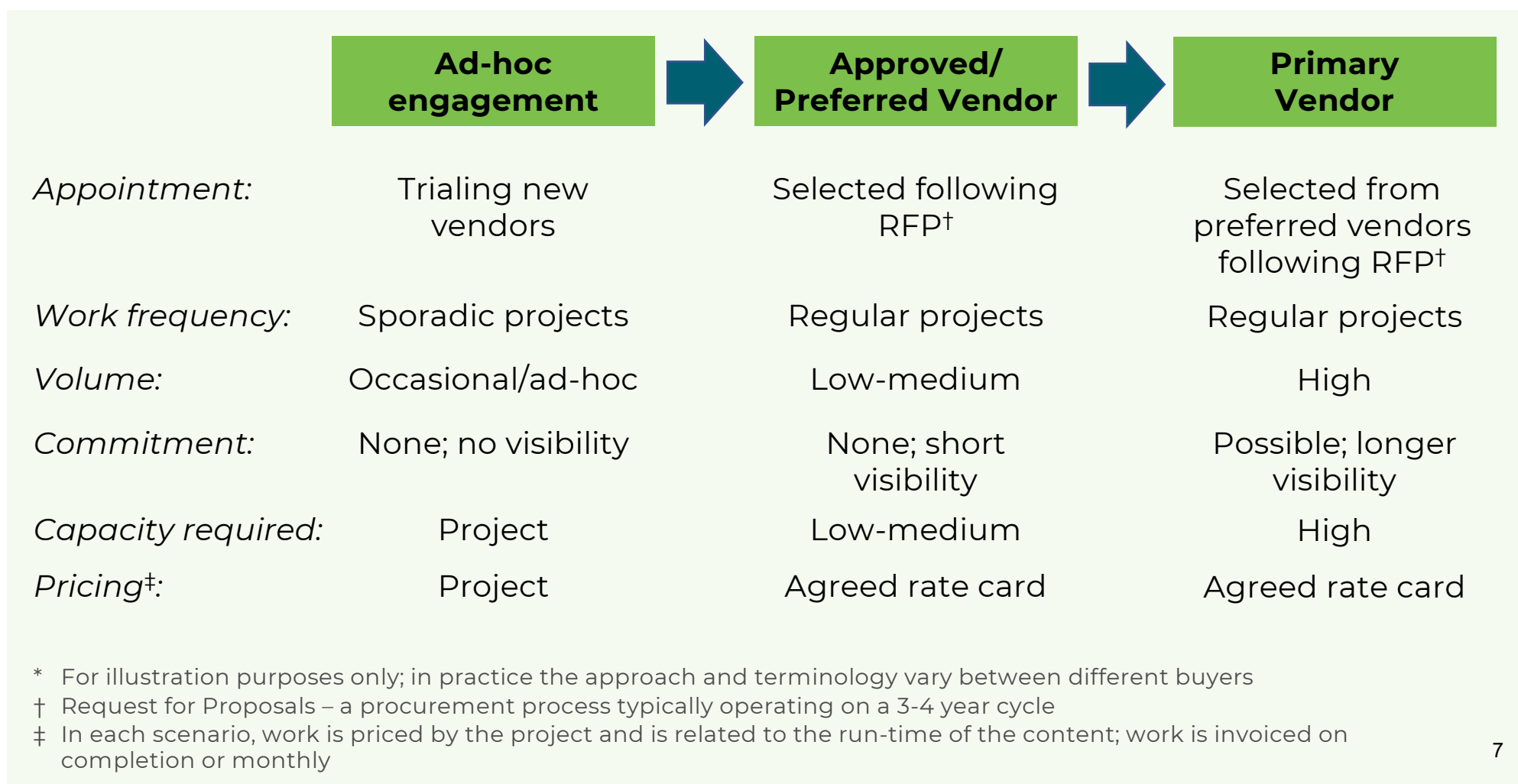
ZOO at a glance



Highlights

- Good progress with localisation service offerings
- The Over-the-Top (OTT) market has been undergoing rapid development and disruption that has impacted results for the year
- Growth in OTT has led to faster than expected decline in legacy business
- Enhanced investment programme to capture market opportunity:
 - Ensure right structure and capacity ahead of expected growth
 - New complementary platforms and services launched, enhancing overall localisation offering
- Ongoing supportive market dynamics, positive outlook for year ahead
- ZOO is being considered in all current RFPs with major studios

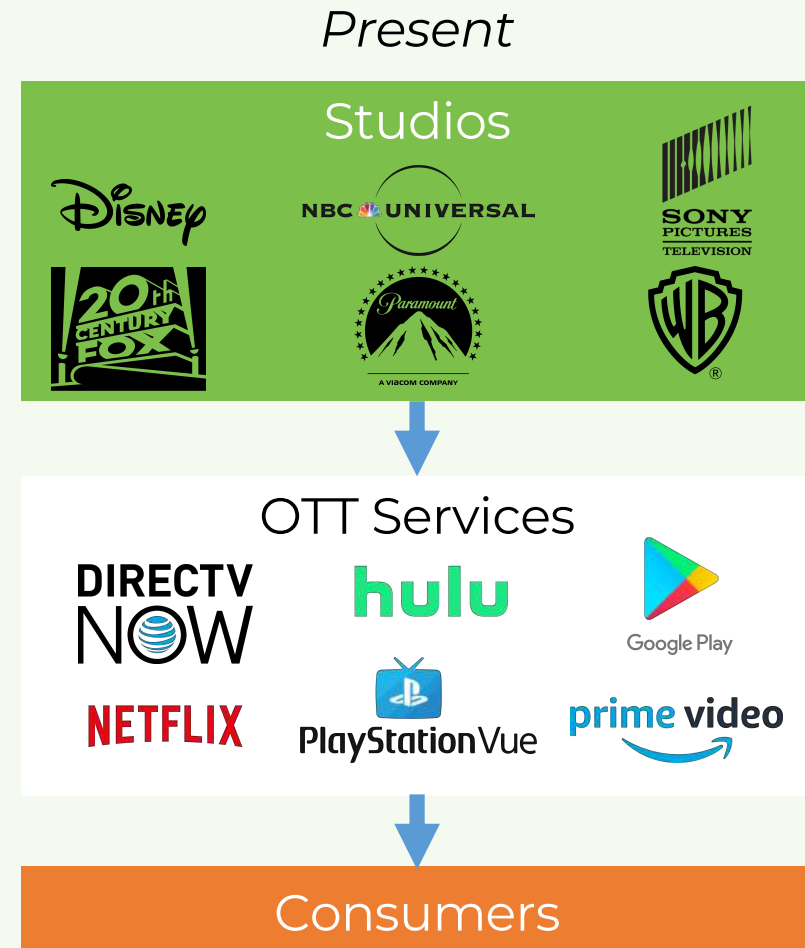
Vendor Selection by Large Buyers*



The OTT Market Today

- Current market dominated by OTT-first companies
- Content licensed from:
 - Major media producers (usually non-exclusively)
 - Independent studios (often exclusively)
- Leading OTT operators create own original content
- Top 3 US platforms by subscribers*:
 - Netflix 147.5 million
 - Amazon Video 88.7 million
 - Hulu 55.0 million

* Source: eMarketer, July 2018



2019-20: Transition of OTT Services

- A number of major media producers are launching 'Direct to Consumer' (D2C) services
- Some have already announced their intention to discontinue licensing to other OTT providers
- Others may follow
- This will create a significant shift in the perceived value of established players and new entrants
- The trend of more content into more languages will continue

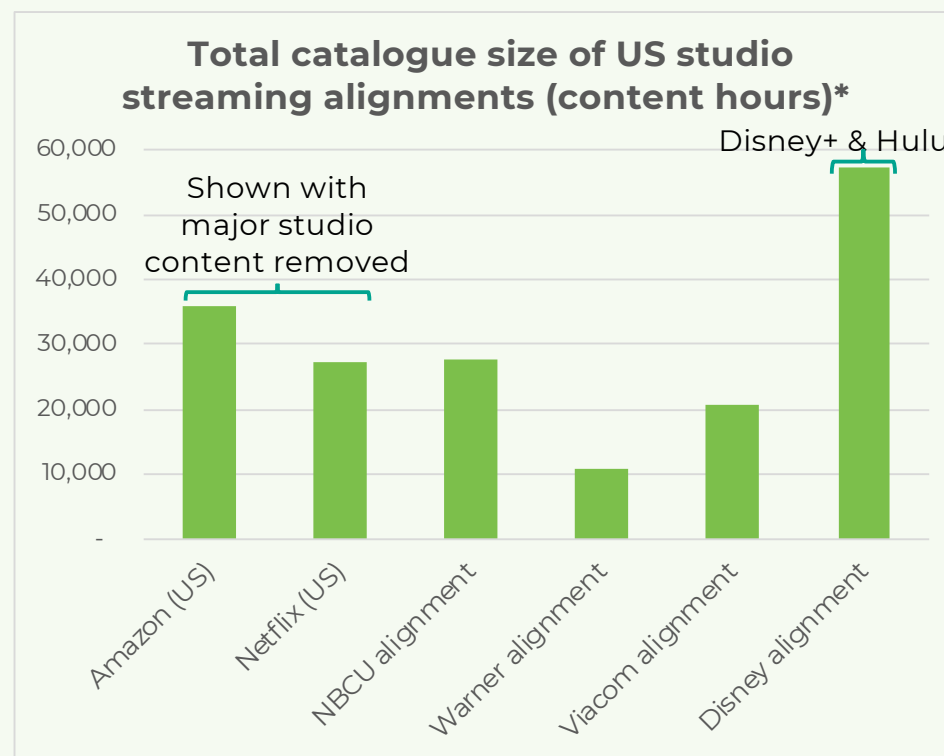
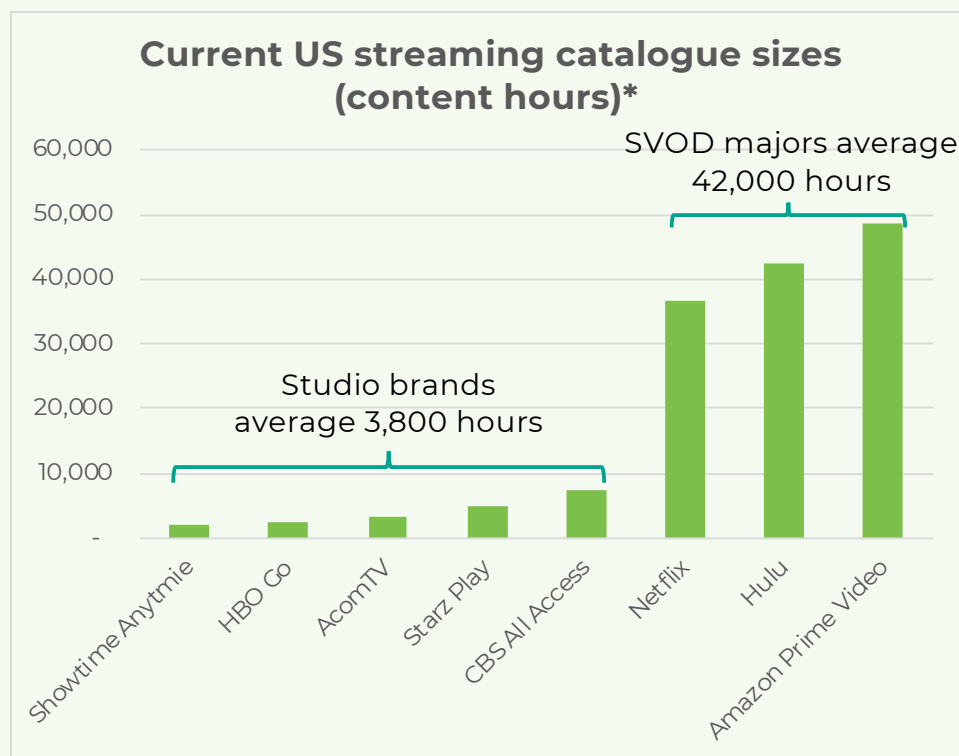
Future?

OTT Services including D2C



Consumers

Hours of Content by Platform (US)



- Rebalancing of content will lead to significant consumer market shift
- Creates new opportunities for ZOO

* Source: Ampere Analysis, 2019

Growth – Four Strategic Pillars

- **INNOVATE** – by creating value-adding cloud software technology
- **SCALE** – through a freelance network
- **COLLABORATE** – work with like-minded, world-class experts in media localisation, education and research
- **PARTNER** – secure preferred partner status with leading buyers

Growth Strategy and Progress 1

INNOVATE – by creating value-adding cloud software technology

Deliver a significant competitive advantage by making localisation and digital distribution services more efficient, scalable and collaborative while ensuring consistently high quality to meet the needs of major clients

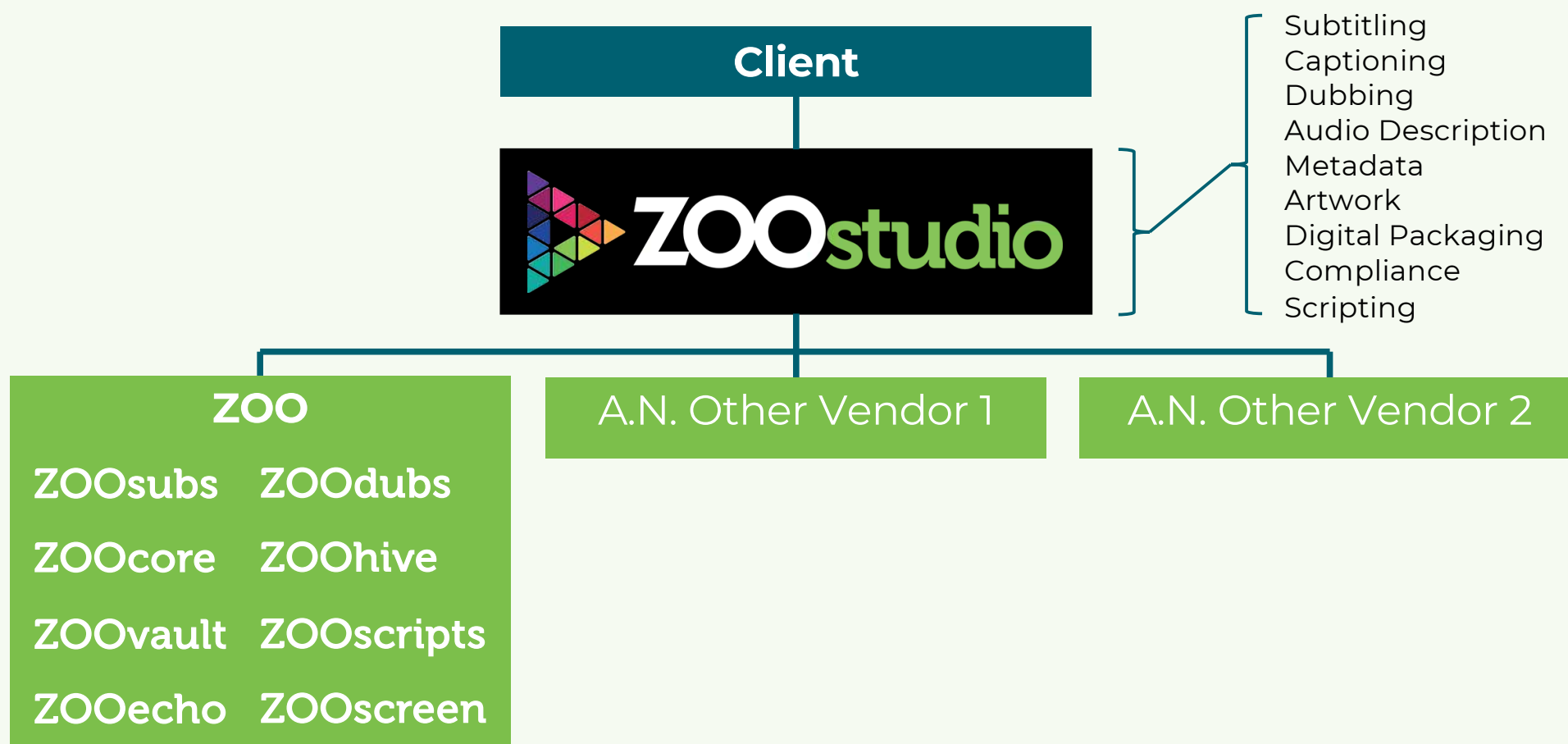
Progress

- Enhanced ZOOdubs functionality to include lip-sync support, casting and audio creation
- Launched ZOOstudio localization ecosystem; received industry award and positive client reception

ZOOdubs



ZOOstudio Localisation Ecosystem



Growth Strategy and Progress 2

SCALE – through a freelance network

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

Progress

- Expanded freelance translators, dubbing artists and creative directors by 50% to 6,500
- Partnered with an affiliate to establish a hub in Dubai
- Built on relationship with Kantana Group in Thailand to support expansion in the region



Growth Strategy and Progress 3

COLLABORATE – work with like-minded, world-class experts in media localisation, education and research

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

Progress

- Launched the ZOO-Enabled Dubbing Studio programme with over 70 participants
- Launched three-year collaborative research programme with University of Sheffield
- Partnering with universities on training and education to expand talent pool

ZOO-Enabled Dubbing Studios

- Traditional dubbing studios trained in the use of ZOOdubs
- Enables efficiencies and consistent treatment across languages
- Gives clients the option to record select voices or languages in familiar settings



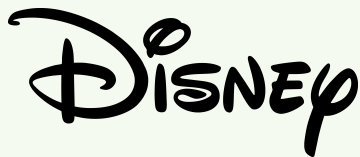
Growth Strategy and Progress 4

PARTNER – secure preferred partner status with leading buyers

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

Progress

- Maintained status as delivery partner to leading OTT platforms
- Selected as a preferred partner for a leading social media platform
- Invited to respond to multiple new tender opportunities from major Hollywood studios



Consolidated Statement of Comprehensive Income

Revenues

- Localisation up 4%
- Legacy down 12%

Cost of sales

- Direct costs up 2% points
- Direct staff costs up 3% points

Operating expenses

- Investment in R&D up 63%
- Marketing spend up 54%
- Operationally geared for growth

Finance costs

- Movement in fair value on embedded derivative \$7.4 million
- Reduction in other financing costs \$0.9 million

\$000's	2019	2018	Variance
Revenue	28,818	28,551	267
Cost of sales	(19,624)	(18,486)	(1,138)
Gross profit	9,194	10,065	(871)
Operating expenses	(10,514)	(9,426)	(1,245)
Operating loss	(1,320)	639	(1,959)
EBITDA	409	2,396	(1,988)
Profit / (loss)	1,632	(4,756)	6,388

Consolidated Statement of Financial Position

- Little change in non current assets
- Trade receivables up 9% reflecting strong Q4 2019
- Cash balance healthy
- Trade payables up 17% highlighting volume of Q4 work
- Convertible Loan note liability reduced
- Significant fall in valuation of embedded derivative
- Cash flow from operations \$1.3 million up 18%
- Cashflow from investing activities (\$1.3 million) up 40%
- Cashflow from financing (\$0.6 million) down 20%

\$000's	2019	2018
Assets	8,054	7,916
Trade and other receivables	8,103	7,412
Cash	1,828	2,409
Total Assets	17,985	17,737
Current liabilities	7,437	6,332
Non current liabilities	5,864	8,750
Total liabilities	13,301	15,082
Net Assets	4,684	2,655

Segmental Analysis

Revenues

- Localisation up 4%
- Legacy down 12%
- Software solutions down 3%

Gross profit

- Localisation down 3%
- Digital packaging down 6%
- Software solutions down 1%

Overall margins down 3%
reflecting investment in capacity
and decline in high margin
legacy revenues

\$000's	2019	2018	Variance
Revenues			
Localisation	22,323	21,377	946
Digital packaging	4,620	5,234	(614)
Software solutions	1,875	1,940	(65)
Total	28,818	28,551	267

\$000's	2019	2018	Variance
Gross profit			
Localisation	6,165	6,669	(504)
Digital packaging	2,495	3,129	(634)
Software solutions	1,788	1,856	(68)
Total	9,194	10,065	(871)

Key Performance Indicators

Financial KPIs

- Revenue \$28.8 million (2018: \$28.6 million)
- EBITDA margin* 1.4% (2018: 8.4%)
- Operating expenses as a % of revenue 37% (2018: 33%)

Operational KPIs

- Number of freelancers† 6,556 (2018: 4,413)
- Retained Sales‡ 88% (2018: 97%)

* Adjusted for share-based payments

† The number of active freelance workers in ZOO's systems who are engaged directly

‡ Proportion of client revenues retained from one year to the next. 2018 included a significant one-off order from a single client; adjusting for this results in a value of 97%.

Investment Summary

- **Strategy** – technology-first approach to media localisation
- **Scalability** – cloud-based, agile, scales through partners and freelancers
- **Growth** – large expanding international market still in its infancy
- **Culture** – steeped in the industry with long track record

Outlook

- Market opportunity continues to grow
- Gillian Wilmot will replace Roger Jeynes as Non-Executive Chairman on 1 July 2019
- New year has begun well with strong growth in OTT offsetting decline in legacy DVD/Blu-ray
- Investment to date will enable a phase of growth without requiring significant further fixed costs
- Expect to be confirmed as a preferred vendor for additional clients and lines of business
- Confident well placed to capitalise on significant opportunity in years to come

A word cloud shaped like a film strip, containing terms related to the film and media industry. The words are arranged in a way that follows the curve of the film strip. The most prominent words are 'Innovation', 'preferred', 'vendor', 'content', 'security', 'collaboration', 'cloud dubbing', 'global', 'expansion', 'technology', 'Hollywood', 'thinking differently', and 'streaming services'. Other words include 'OTT', 'digital distribution', 'research & development', 'efficient', 'entertainment', 'end-to-end', 'studios', 'industry-first', 'captioning', 'translation', 'multi-lingual', 'film', 'Dubai', 'streamlined', 'scalable', 'voiceover', 'TV', 'Los Angeles', and 'Sheffield'.

OTT disruptive
Innovation
preferred digital distribution
vendor content security
research & development
collaboration
efficient cloud dubbing
entertainment
end-to-end global
studios expansion
technology
industry-first Hollywood
captioning translation multi-lingual
Sheffield film
Dubai
streamlined
scalable
voiceover
TV
Los Angeles
thinking differently
streaming services

Appendix

Consolidated Statement of Comprehensive Income

ZOO Digital Group plc
2018–2019

	2019 \$000	2018 \$000
Revenue	28,818	28,551
Cost of sales	(19,624)	(18,486)
Gross Profit	9,194	10,065
Other operating income	157	-
Other operating expenses	(10,671)	(9,426)
Operating (loss)/profit	(1,320)	639
Analysed as:		
EBITDA before share based payments	409	2,396
Share based payments	(286)	(276)
Depreciation	(539)	(450)
Amortisation	(904)	(1,031)
	(1,320)	639
Exchange gain/(loss) on borrowings	275	(456)
Conversion of loan into equity	-	(115)
Fair value movement on embedded derivative	2,701	(4,666)
Finance cost	(392)	(411)
Total finance cost	2,584	(5,648)
Profit/(Loss) before taxation	1,264	(5,009)
Tax credit	368	253
Profit/(Loss) and total comprehensive income for the year attributable to equity holders of the parent	1,632	(4,756)
Profit/(loss) per share		
basic	2.19 cents	(6.81) cents
diluted	2.02 cents	(6.81) cents

Consolidated Statement of Financial Position as at 31 March

ZOO Digital Group plc
2018–2019

	2019 \$000	2018 \$000
ASSETS		
Non-current assets		
Property, plant and equipment	944	889
Intangible assets	6,624	6,541
Deferred income tax assets	486	486
	8,054	7,916
Current assets		
Trade and other receivables	8,103	7,412
Cash and cash equivalents	1,828	2,409
	9,931	9,821
Total assets	17,985	17,737
LIABILITIES		
Current liabilities		
Trade and other payables	(7,189)	(6,106)
Borrowings	(248)	(226)
	(7,437)	(6,332)
Non-current liabilities		
Borrowings	(3,899)	(4,084)
Separable embedded derivative	(1,965)	(4,666)
	(5,864)	(8,750)
Total liabilities	(13,301)	(15,082)
Net assets	4,684	2,655

Consolidated Statement of Cash Flows

ZOO Digital Group plc
2018–2019

	2019 \$000	2018 \$000
Cash flows from operating activities		
Operating (loss)/profit for the year	(1,320)	639
Depreciation	553	450
Amortisation and impairment	904	1,031
Share based payments	397	360
Purchase of own shares	-	(33)
Changes in working capital:		
Increases in trade and other receivables	(691)	(3,659)
Increases in trade and other payables	1,082	2,061
Cash flow from operations	925	849
Tax received	368	253
Net cash inflow from operating activities	1,293	1,102
Investing activities		
Purchase of intangible assets	(987)	(657)
Purchase of property, plant and equipment	(310)	(266)
Net cash outflow from investing activities	(1,297)	(923)
Cash flows from financing activities		
Repayment of borrowings	(228)	(927)
Finance cost	(349)	(437)
Issue of share capital	-	2,987
Net cash (outflow)/inflow from financing	(577)	1,623
Net (decrease)/increase in cash and cash equivalents	(581)	1,802
Cash and cash equivalents at the beginning of the year	2,409	607
Cash and cash equivalents at the end of the year	1,828	2,409

Management Team

ZOO Digital Group plc
2018–2019



Roger Jeynes
Outgoing Chairman

Since 2010 until 1 July 2019

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



Gillian Wilmot
Incoming Chairman

From 1 July 2019

Extensive board level leadership in private and public environments with industry experience across B2B, technology, advertising and communications. Strengths in value creation, operational insight and corporate governance.



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

Over 30 years experience of executive management in the software industry. PhD in Computer Science. Co-founded and sold three software companies. 19 years AIM board director.



Phill Blundell
CFO

Since July 2018

Senior finance professional and Chartered Accountant with over 20 years experience in software industry including CFO roles with DotDigital Group plc, Eagle Eye Solutions Group plc and Intelligent Environments plc.



Gordon Doran
CCO

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..