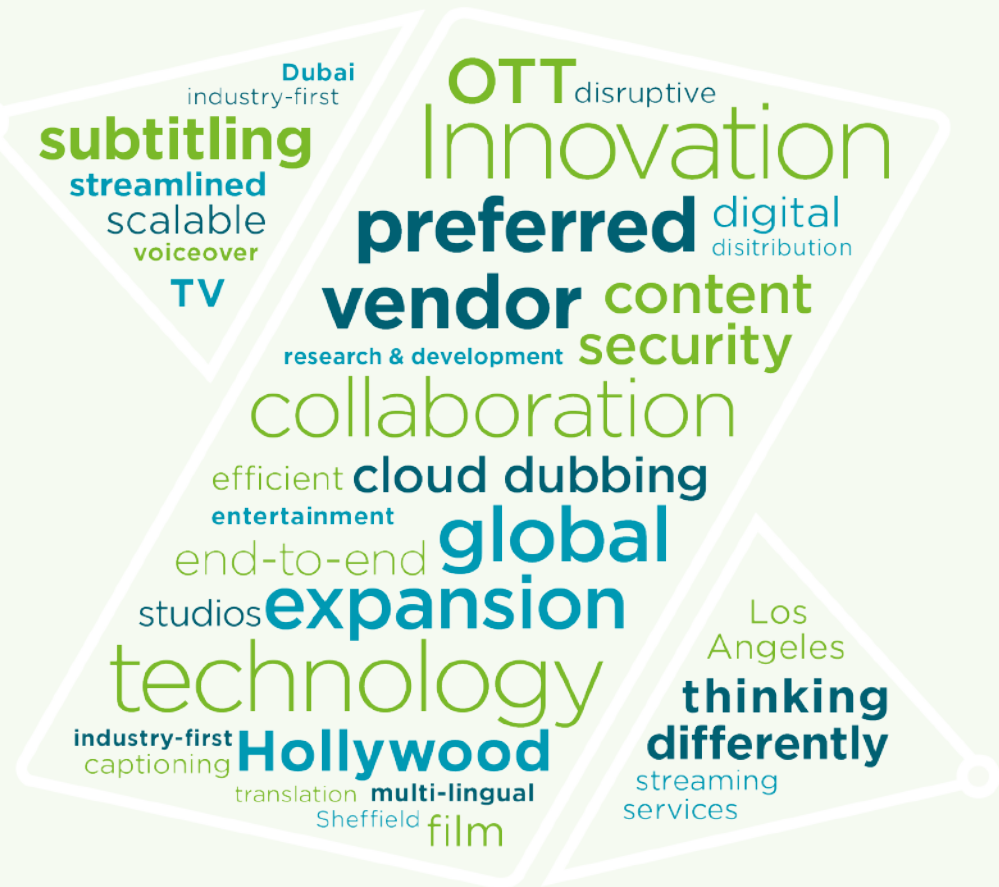




localisation
reimagined

ZOO Digital Group plc Interim Results

November 2019



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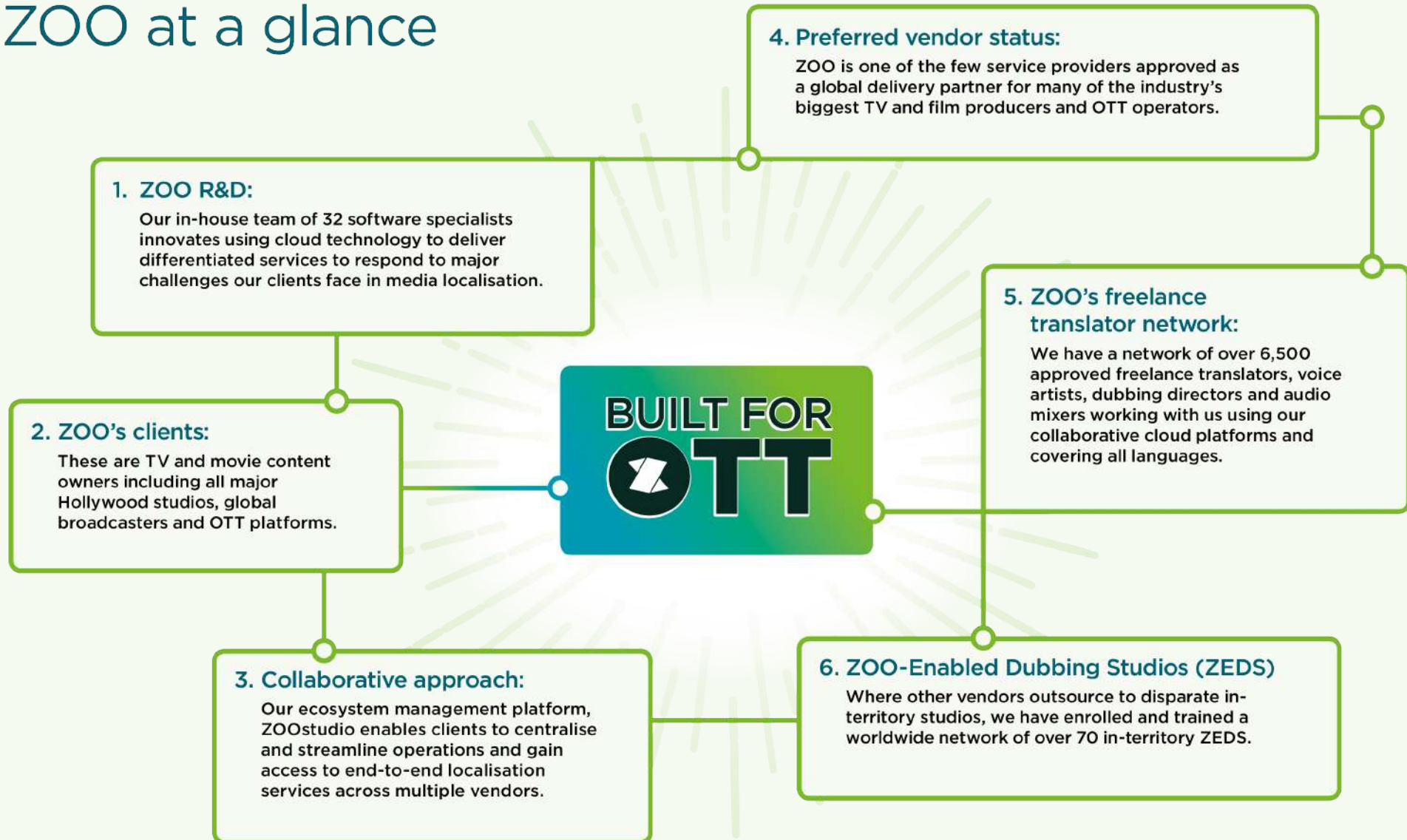
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Cloud-powered subtitling,
dubbing and distribution for the
global TV and movie industry



ZOO at a glance



Financial Highlights

- Revenues decreased by 4% to \$14.2 million (H1 FY19: \$14.9 million) driven by 75% drop in legacy DVD and Blu-ray services, which now make up 3% of overall Group revenue
- Revenues excluding DVD/Blu-ray services up 7% to \$13.8 million (H1 FY19: \$12.9 million) with strong demand for digital packaging and subtitling
- Gross profit up 18% at \$5.8 million (H1 FY19: \$4.9 million) explained by the favourable sales mix
- Adjusted EBITDA* of \$1.8 million (including \$0.6 million due to IFRS 16 reclassification of leases) (H1 FY19: \$0.5 million) reflecting the positive gross profit variance
- Operating profit of \$0.4 million (H1 FY19: \$0.3 million loss)
- Cash balance of \$0.6 million at period end (H1 FY19: \$0.9 million)

* adjusted for share-based payments.

Operational Highlights

- Selected as a primary vendor of localisation and digital packaging services for a major OTT platform
- ZOOstudio adopted by a major media company to manage its localisation operations for OTT production
- Received a Product of the Year award at the National Association of Broadcasters (NAB) Show 2019 for ZOOstudio and the Broadcast Tech Innovation Award 2019 for excellence in localisation for a global TV project
- Launch of ZOO Localisation Ecosystem including further enhancements to extend competitive advantage
- Appointment of Gillian Wilmot as Non-Executive Chairman
- Opened voice capture and audio mixing facility in London

OTT Video Market

Platform-first services

NETFLIX

prime video


hulu

Direct-to-Consumer services









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 features that address biggest issues in traditional dubbing, particularly in emerging markets
- Secured first significant client win for ZOOstudio – being used to manage localisation for the forthcoming launch of an OTT service into multiple languages

ZOOdubs



ZOOstudio

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 31% since H1 FY19 to 7,100
- Initial steps to progress geographical expansion in strategic locations, particularly emerging markets

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

- Established the largest collaborative network of dubbing studios in the industry, unified through use of ZOO's cloud platforms
- Network of ZOO-Enabled Dubbing Studios (ZEDS) expanded across 22 languages

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

- Selected as primary partner for the forthcoming major OTT service launch
- Currently a preferred partner for two major OTT services
- Making good progress with other OTT service providers

Consolidated Statement of Comprehensive Income

Revenues

- Localisation and Digital Packaging up 8%
- Legacy down 55%

Cost of sales

- Direct costs down 25%
- Direct staff costs down 1%

Operating expenses

- Investment in R&D maintained
- Marketing spend up 4%
- Total increase due to Property and IT investment in future capacity

Finance costs

- Loan note interest and lease payments flat to 2019

	\$000's	H1 2020	H1 2019	Variance
Revenue		14,242	14,895	(653)
Cost of sales		(8,452)	(9,949)	844
Gross profit		5,790	4,946	844
Operating expenses		(5,461)	(5,292)	(169)
Operating profit/(loss)		444	(299)	743
Adjusted EBITDA*		1,826	491	1,335
Profit/(loss)		361	(225)	586

* adjusted for share-based payments; current year figure includes \$0.6 million reclassification due to IFRS 16

Consolidated Statement of Financial Position

- Non-current assets increased by \$3.3m as a result of IFRS 16 reclassification of \$3.7m
- Trade receivable in line with last year
- Cash position positive
- Current liabilities higher due to the IFRS 16 reclassification of leases, \$1.1m
- Trade payables in line with last year
- Non-current liabilities
 - Embedded derivative down \$2.7m
 - Borrowings up \$2.2m – IFRS \$2.6m
- Cashflow from operations \$0.2m
- Cash outflow from investing \$0.6m
- Cashflow outflow from financing \$0.9m

\$000's	H1 2020	H1 2019
Assets	11,534	8,190
Trade and other receivables	8,227	8,077
Cash	607	910
Total Assets	20,368	17,177
Current liabilities	7,093	5,937
Non current liabilities	8,072	8,623
Total liabilities	15,165	14,560
Net Assets	5,203	2,617

Segmental Analysis

Revenues

- Localisation down 18%
- Digital Packaging up 44%
- Software solutions up 5%

Gross profit

- Localisation down 4%
- Digital packaging up 56%
- Software solutions up 8%

Overall margin up 17% due to sales mix favouring higher margin services

\$000's	H1 2020	H1 2019	Variance
Revenues			
Localisation	9,057	11,039	(1,982)
Digital packaging	4,166	2,888	1,278
Software solutions	1,019	968	51
Total	14,242	14,895	(653)

\$000's	H1 2020	H1 2019	Variance
Gross profit			
Localisation	2,798	2,926	(128)
Digital packaging	2,751	1,767	984
Software solutions	974	904	70
Total	5,790	4,946	844

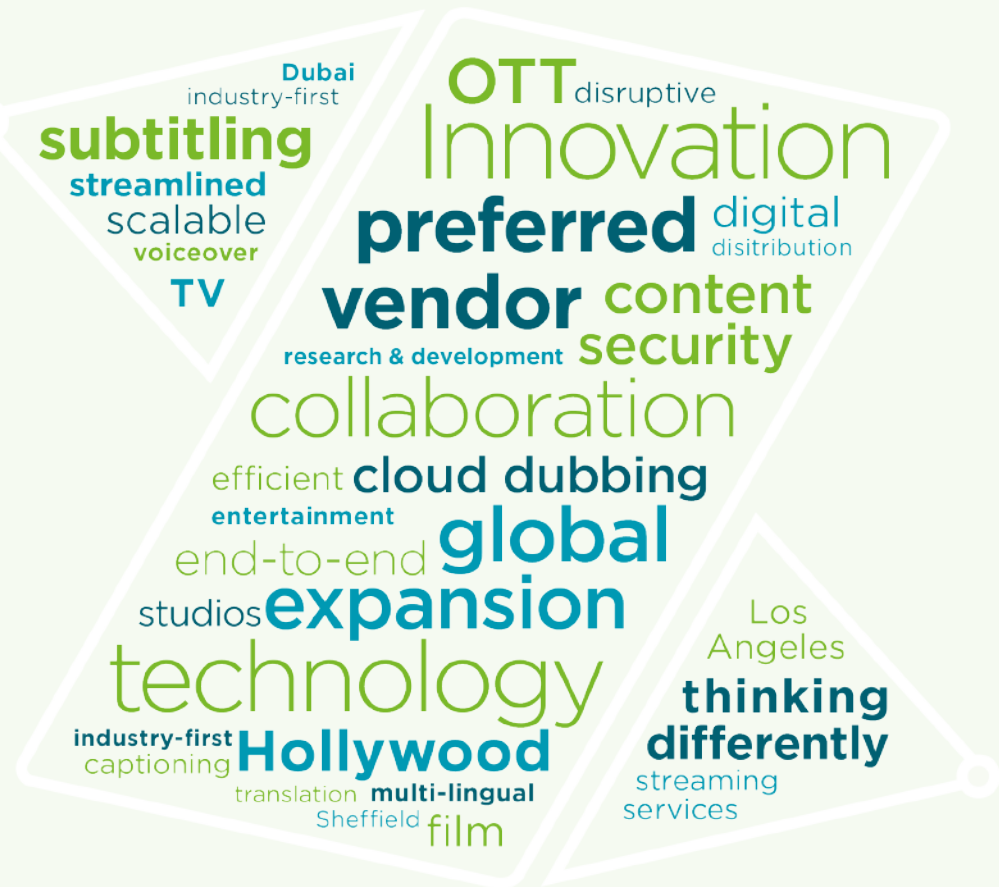
Outlook

- On-going market changes and OTT platform launches offer significant opportunity for growth
- Recently established customer relationships provide the scope for significant repeating revenue over multiple years
- Innovative, technology-led approach to address specific needs of OTT market provides ZOO with distinct competitive advantage over traditional localisation vendors
- The value of the order book at the period end is stronger than the same period last year and positions us well to meet market expectations for the full year

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

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Appendix

Consolidated Statement of Comprehensive Income (Unaudited)

ZOO Digital Group plc
2019–2020

	6 months to 30 Sep 2019 \$000	6 months to 30 Sep 2018 \$000	Year ended 31 Mar 2019 \$000
Revenue	14,242	14,895	28,818
Cost of sales	(8,452)	(9,949)	(19,624)
Gross Profit	5,790	4,946	9,194
Other operating income	115	47	157
Operating expenses	(5,461)	(5,292)	(10,671)
Operating profit/(loss)	444	(299)	(1,320)
Analysed as			
EBITDA before share-based payments	1,826	491	409
Share based payments	(158)	(81)	(286)
Depreciation	(755)	(258)	(539)
Amortisation and impairment	(469)	(451)	(904)
	444	(299)	(1,320)
Exchange gain/(loss) on borrowings	297	332	275
Fair value movement on embedded derivative	-	-	2,701
Finance cost	(367)	(192)	(392)
Total finance cost	(70)	140	2,584
Profit/(loss) before taxation	374	(159)	1,264
Tax on profit/(loss)	(13)	(66)	368
Profit/(loss) and total comprehensive income for the period attributable to equity holders of the parent	361	(225)	1,632
Profit per ordinary share			
- basic	0.48 cents	(0.30) cents	2.19 cents
- diluted	0.45 cents	(0.30) cents	2.02 cents

Consolidated Statement of Financial Position as at 30 Sep (Unaudited)

ZOO Digital Group plc
2019–2020

	As at 30 Sep 2019 \$000	As at 30 Sep 2018 \$000	As at 31 Mar 2019 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	4,463	1,186	944
Intangible assets	6,585	6,518	6,624
Deferred income tax assets	486	486	486
	11,534	8,190	8,054
Current assets			
Trade and other receivables	8,227	8,077	8,103
Cash and cash equivalents	607	910	1,828
	8,834	8,987	9,931
Total assets	20,368	17,177	17,985
LIABILITIES			
Current liabilities			
Trade and other payables	(5,729)	(5,697)	(7,189)
Borrowings	(1,364)	(240)	(248)
	(7,093)	(5,937)	(7,437)
Non-current liabilities			
Borrowings	(6,107)	(3,957)	(3,899)
Separable embedded derivative	(1,965)	(4,666)	(1,965)
	(8,072)	(8,623)	(5,864)
Total liabilities	(15,165)	(14,560)	(13,301)
Net assets	5,203	2,617	4,684

Consolidated Statement of Cash Flows (Unaudited)

ZOO Digital Group plc
2019–2020

	6 months to 30 Sep 2019 \$000	6 months to 30 Sep 2018 \$000	Year ended 31 Mar 2019 \$000
Cash flows from operating activities			
Operating profit/(loss) for the period	444	(299)	(1,320)
Depreciation	755	258	553
Amortisation and impairment	469	451	904
Share based payments	142	81	397
Changes in working capital:			
Increases in trade and other receivables	(124)	(665)	(691)
(Decreases)/increases in trade and other payables	(1,460)	(409)	1,082
Cash flow from operations	226	(583)	925
Tax (paid)/received	(13)	(66)	368
Net cash flow from operating activities	213	(649)	1,293
Investing Activities			
Purchase of intangible assets	(430)	(428)	(987)
Purchase of property, plant and equipment	(123)	(555)	(310)
Net cash flow from investing activities	(553)	(983)	(1,297)
Cash flows from financing activities			
Repayment of borrowings	(532)	(172)	(228)
Proceeds from borrowings	-	354	-
Finance cost	(365)	(155)	(349)
Issue of Share Capital (net of costs of issue)	16	106	-
Net cash flow from financing	(881)	133	(577)
Net (decrease)/increase in cash and cash equivalents	(1,221)	(1,499)	(581)
Cash and cash equivalents at the beginning of the period	1,828	2,409	2,409
Cash and cash equivalents at the end of the period	607	910	1,828

Management Team



Gillian Wilmot
Chairman

Since 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..

Major Shareholders

Shareholder*	% of capital
Invesco Ltd	18.83
Stuart Green (CEO)	15.48
Herald Investment Trust plc	11.58
Canaccord Genuity Group Inc. (Hargreave Hale Ltd.)	9.98

* As of 28 May 2019 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 = 74,424,771 ordinary shares.

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