



ZOO Digital Group plc

localisation
reimagined

Introduction to ZOO Digital Group plc

December 2019



www.zoodigital.com

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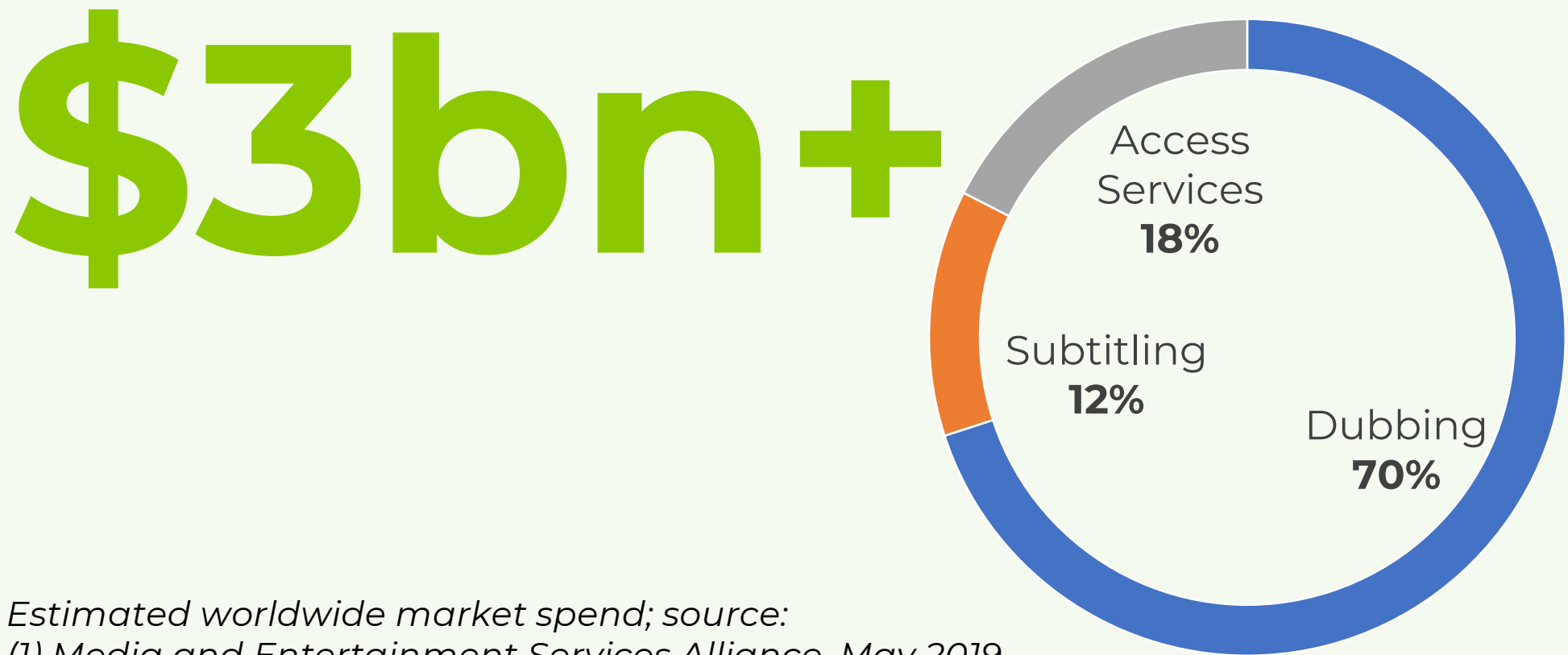
Cloud-powered subtitling,
dubbing and distribution for the
global TV and movie industry



A Changing Consumer Market...



...leads to growth in media
localization

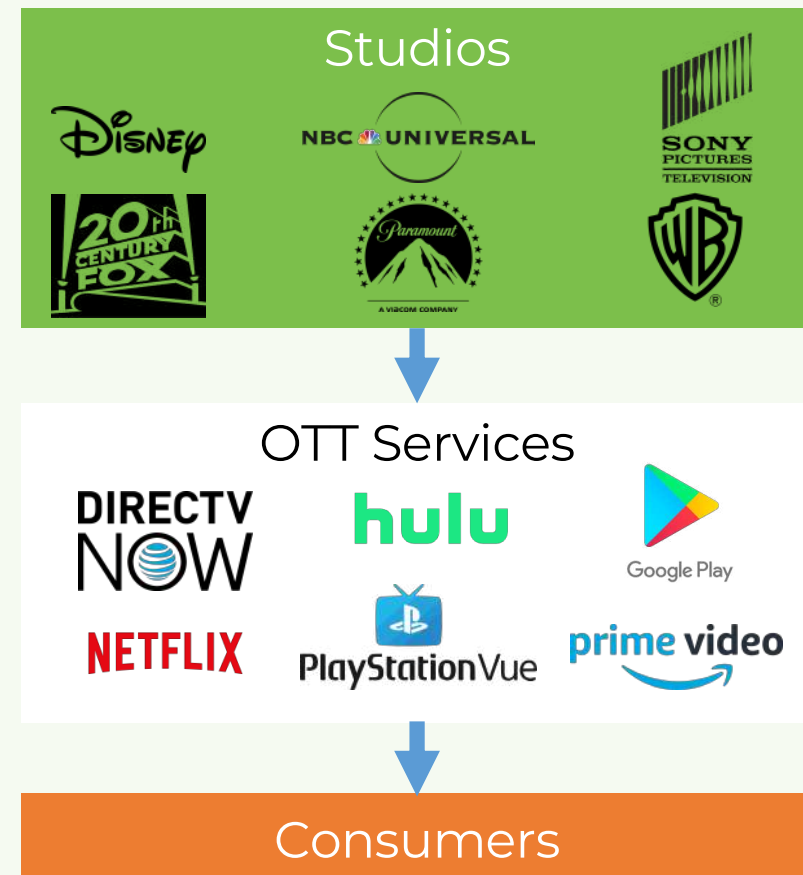


*Estimated worldwide market spend; source:
(1) Media and Entertainment Services Alliance, May 2019,
(2) ZOO Digital*

OTT Phase 1: 2006–2019/20 Platform-first Services

- Market dominated by platform-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 158.8 million
 - Amazon Video 96.5 million
 - Hulu 75.8 million

Phase 1 supply chain



** Source: eMarketer forecast to end of 2019*

OTT Phase 2: 2019/20 onwards: Direct to Consumer Services

- Several major media producers launching 'Direct to Consumer' (DTC) services
- Most have already announced their intention to discontinue licensing to other OTT providers
- 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: English to International *and* International to English

Phase 2 supply chain

OTT Services including DTC



Consumers

ZOO Core Services – Media Localization

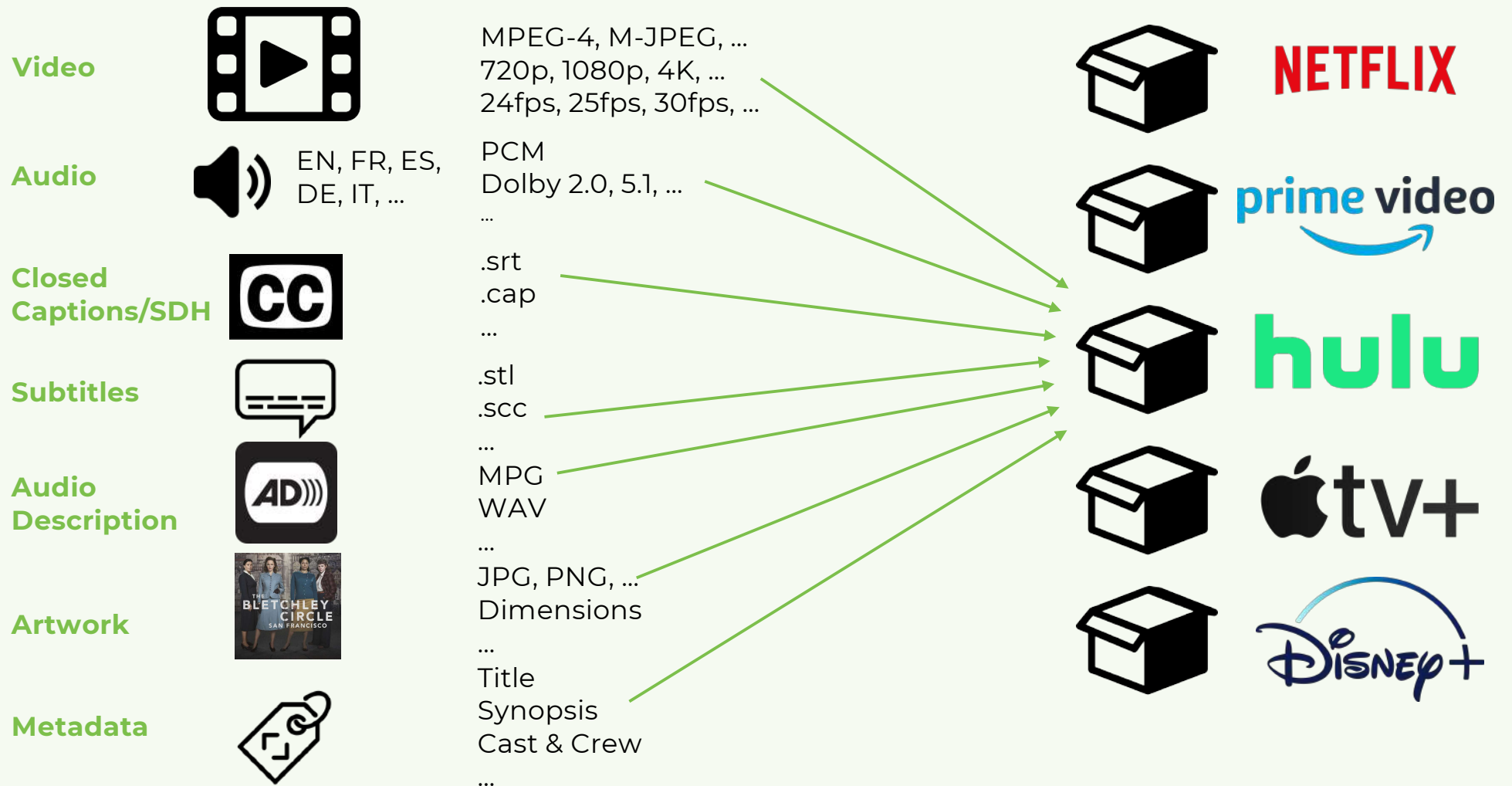
Subtitling



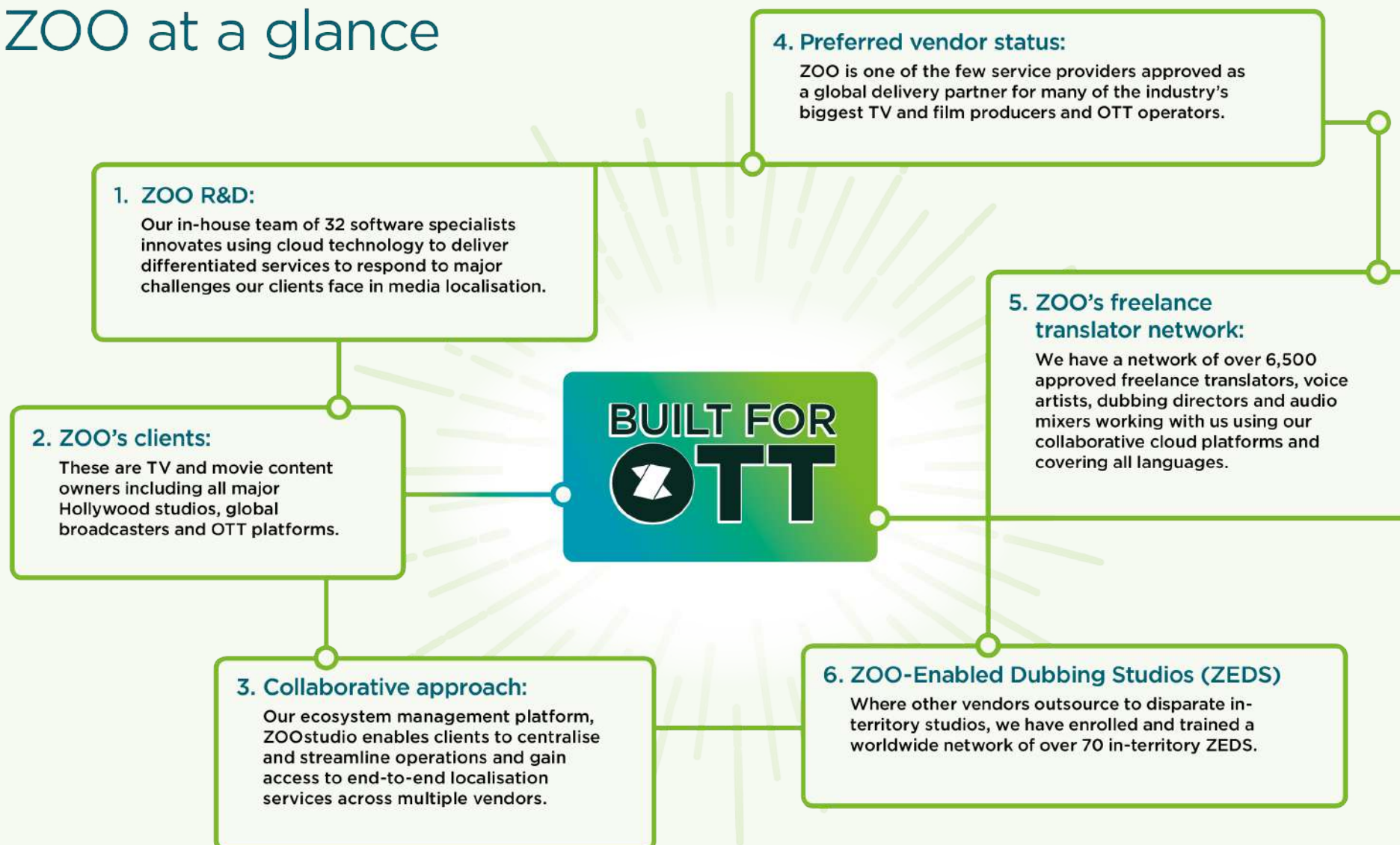
Dubbing



ZOO Core Services – Digital Packaging



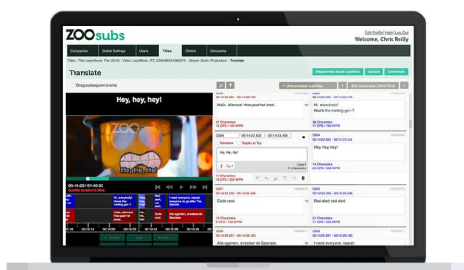
ZOO at a glance



Growth – Four Strategic Pillars

INNOVATE

... by creating value-adding cloud software technology



SCALE

... through a freelance network

7,100+ freelancers

Disciplines:

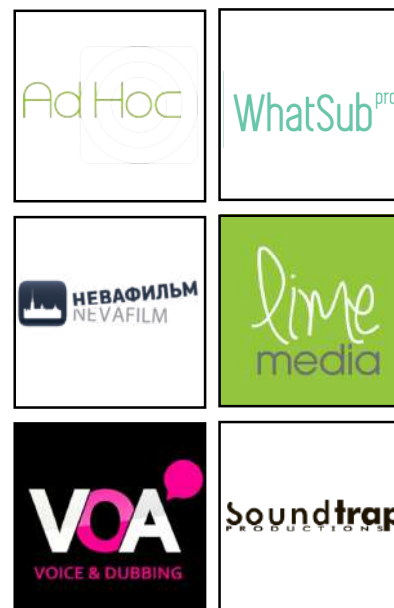
- Translators
- Script Adapters
- Voice Actors
- Dubbing Directors
- Mixing Engineers

75 translation languages

34 dubbing languages

COLLABORATE

... with like-minded, world-class experts in media localization, education and research

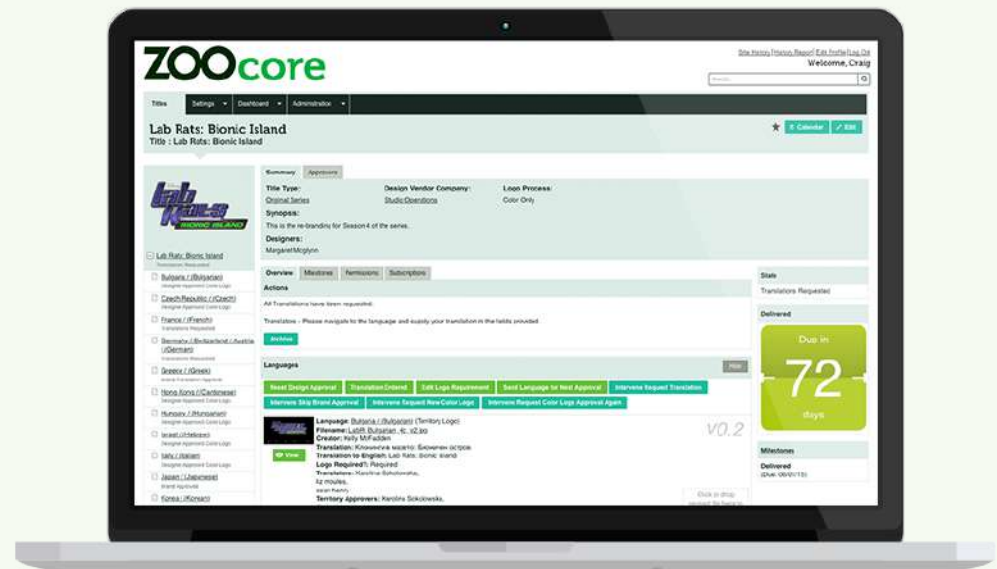
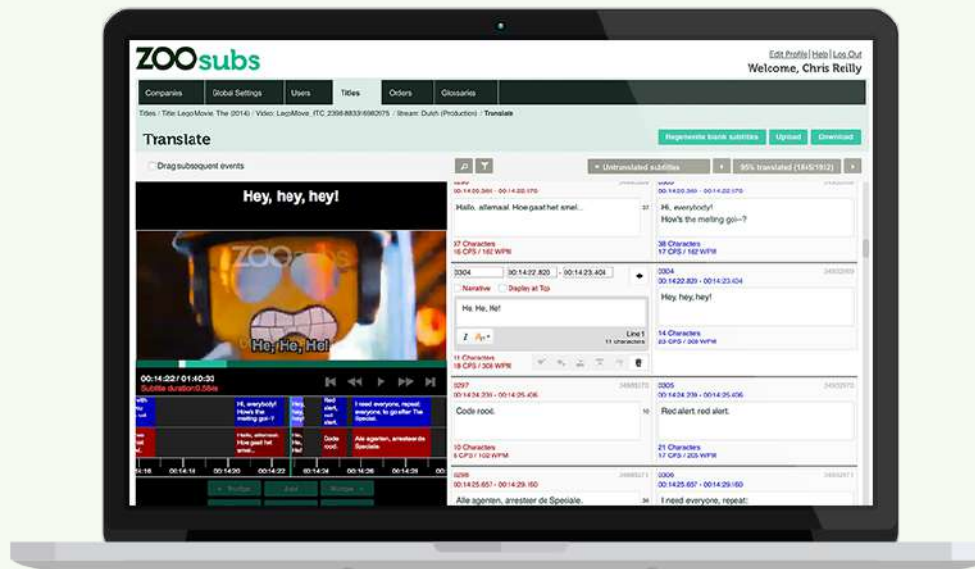


PARTNER

Secure preferred partner status with leading buyers



Strategy: Innovate



Innovation in Dubbing

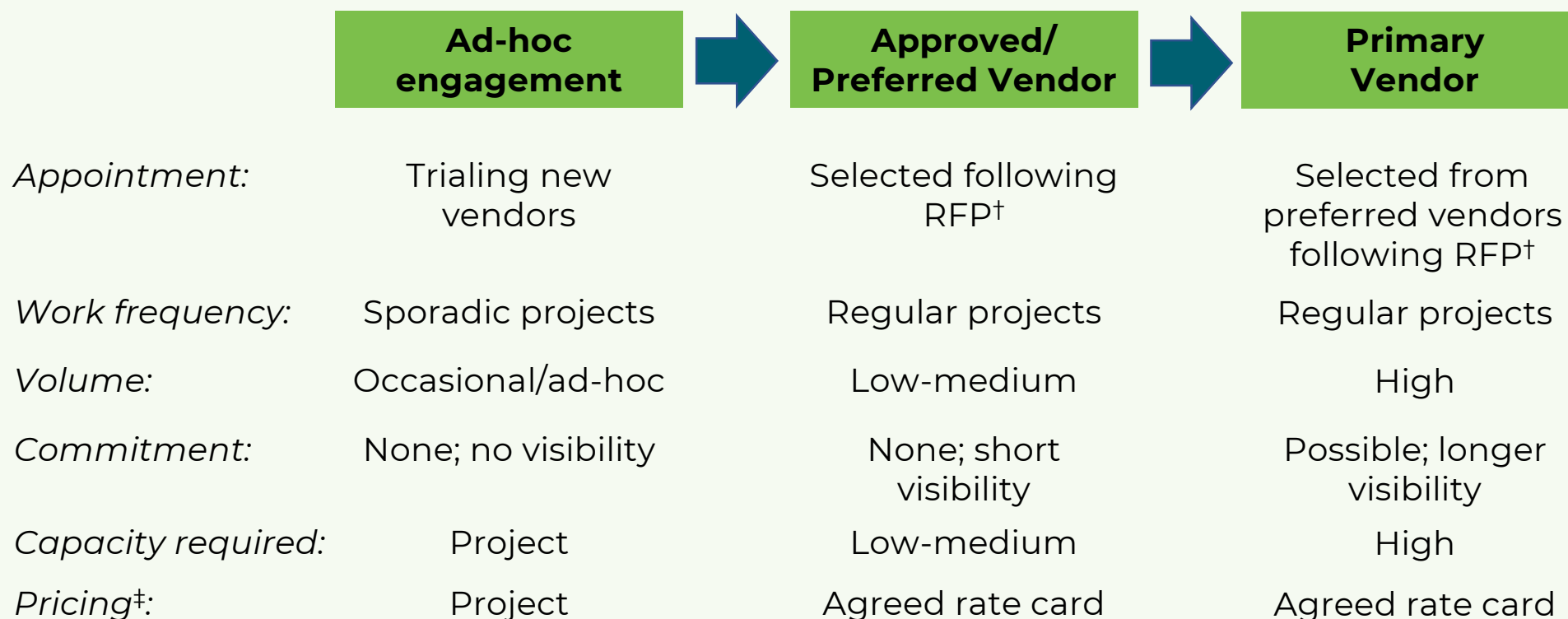
From this...



...to this



Vendor Selection by Large Buyers*



* For illustration purposes only; in practice the approach and terminology vary between different buyers

[†] Request for Proposals – a procurement process typically operating on a 3-4 year cycle

[‡] In each scenario, work is priced by the project and is related to the run-time of the content; work is invoiced on completion or monthly

ZOO Localization Ecosystem



Segmental Analysis (unaudited) for Half Year to Sep 2019

ZOO Digital Group plc

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	6 months to 30 Sep 19	6 months to 30 Sep 18	Year ended 31 Mar 2019
Revenues			
Localisation	9,057	11,039	22,323
Digital packaging	4,166	2,888	4,620
Software solutions	1,019	968	1,875
Total	14,242	14,895	28,818
\$000's	6 months to 30 Sep 19	6 months to 30 Sep 18	Year ended 31 Mar 2019
Gross profit			
Localisation	2,798	2,926	6,165
Digital packaging	2,751	1,767	2,495
Software solutions	974	904	1,788
Total	5,790	4,946	9,194

Financial Overview

Consolidated Statement of Comprehensive Income

\$000's	As at 30 Sep 2019 ¹	As at 30 Sep 2018 ¹	As at 31 Mar 2019 ²
Assets	11,534	8,190	8,054
Trade and other receivables	8,227	8,077	8,103
Cash	607	910	1,828
Total Assets	20,368	17,177	17,985
Current liabilities	(7,093)	(5,937)	(7,437)
Non-current liabilities	(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 Financial Position

\$000's	6 months to 30 Sep 2019 ¹	6 months to 30 Sep 2018 ¹	Year ended 31 Mar 2019 ²
Revenue	14,242	14,895	28,818
Cost of sales	(8,452)	(9,949)	(19,624)
Gross profit	5,790	4,946	9,194
Operating expenses	(5,461)	(5,292)	(10,671)
Operating profit/(loss)	444	(299)	(1,320)
Adjusted EBITDA ³	1,826	491	409
Profit/(loss)	361	(225)	1,632

¹ Unaudited

² Audited

³ Adjusted for share-based payments; current year figure includes \$0.6 million reclassification due to IFRS 16

Outlook

- Market disruption creates significant growth opportunities
- New customer wins provide the scope for sustained revenue ramp
- Technology-led approach provides distinct competitive advantage over traditional vendors
- Stronger order book positions us well to meet market expectations for the full year

Investment Summary

- **Strategy** – technology-first approach to media localization
- **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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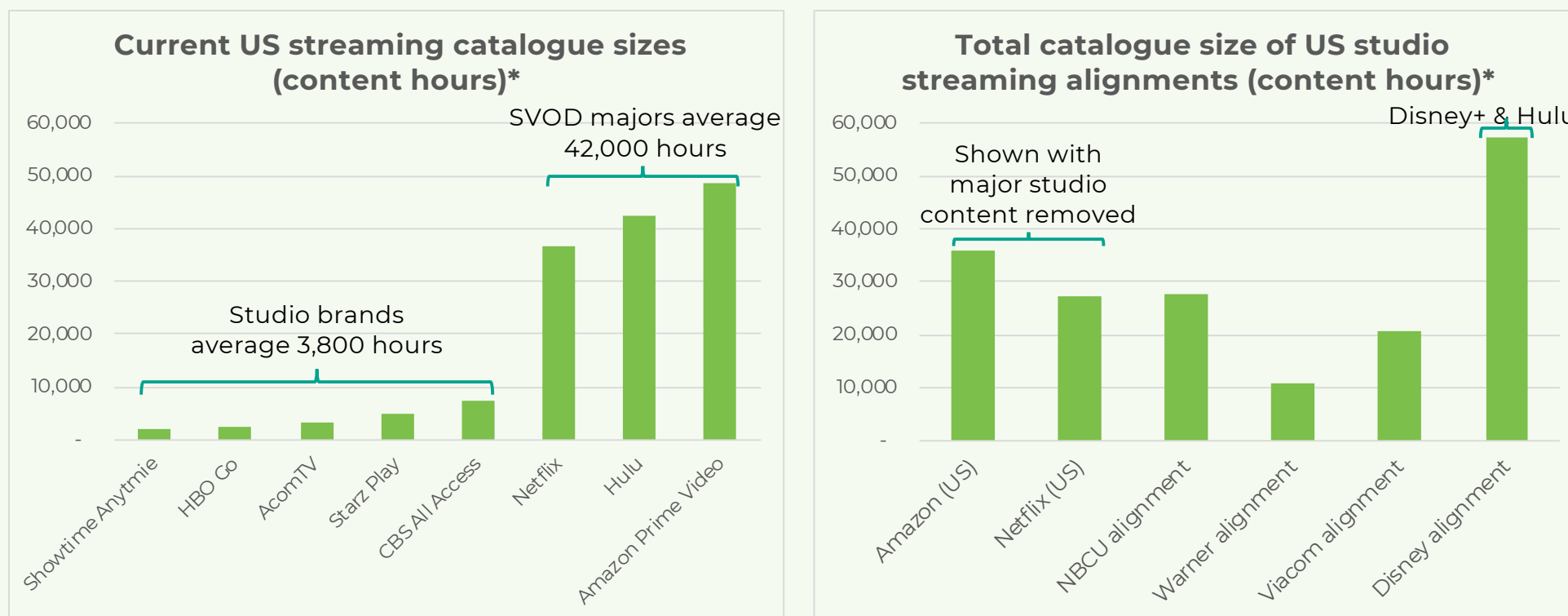
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Appendix

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

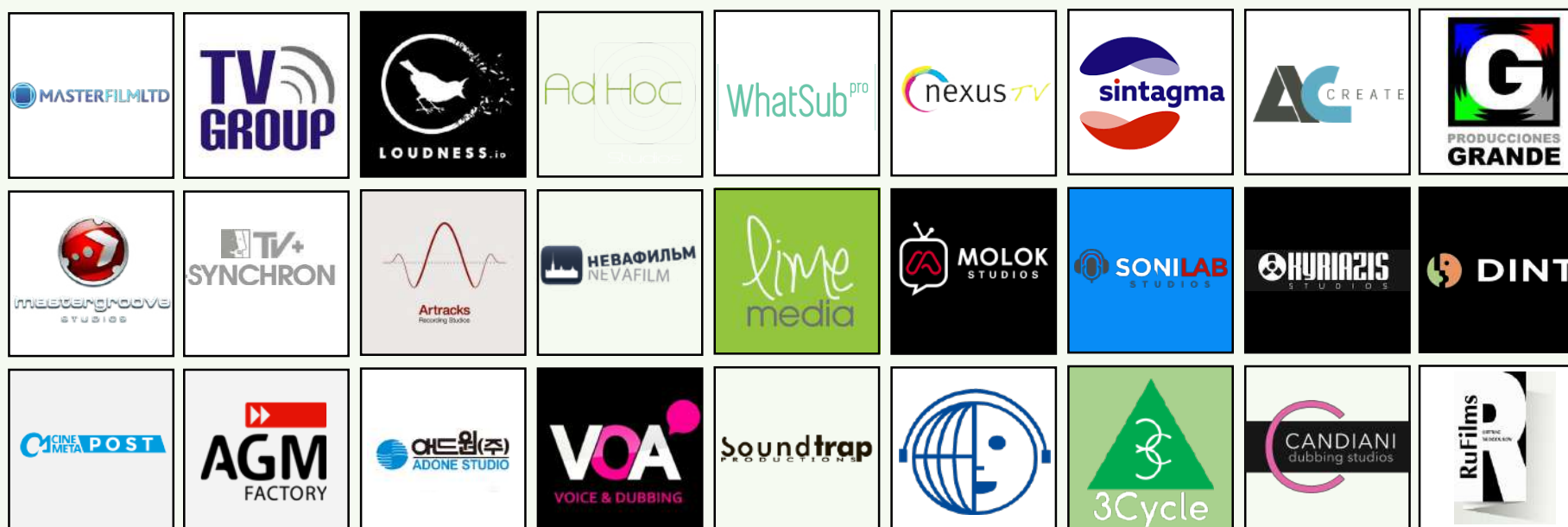
Major Global OTT Platforms



Launch	2006	2007	2007	Nov '19	Nov '19	Apr '20	May '20
Paid subscribers	~40m	~158m	28m	n/a	10m	n/a Ad supported	n/a
Countries	>200	190	US only; int'l in 2020	>100	Int'l roll-out in progress	TBC	TBC
Original Content	\$7bn in 2019	\$12bn	\$2.5bn	\$6bn	\$23.8bn	\$15bn	\$14.3bn (AT&T)

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 certain voices or languages in familiar settings



Project Case Study – *The Bletchley Circle: San Francisco*

- Project: Eight 60-minute episode crime drama TV series
- Producer: ITV
- Client: Kew Media Distribution
- Platform: Netflix
- Services:
 - Script creation
 - Subtitles created for 17 languages
 - Dubbing created for three languages
 - Conforming of pre-existing dubs and subtitles
 - Forced narratives in five languages
 - Audio description
 - Digital packaging



Competitive Landscape in Media Localisation



- **Deluxe Entertainment** – US headquartered; recent Chapter 11 process; ownership passed from PE to debt providers; offers wide range of entertainment services; owns two dubbing studios; media localization business believed to generate \$200m in sales



- **SDI Media** – US headquartered; owned by Japanese consortium including 51% with Imagica (Tokyo Stock Exchange); media localization specialist with dubbing studios in 24 countries; media localization sales FY 2019/03 \$229m



- **BTI Studios** – London headquartered; PE owned; recently merged with IYUNO; media localization specialist now with 23 combined dubbing studios and operations in 30 countries; media localization sales estimated at \$118m



- **IYUNO** – South Korea headquartered; privately owned; recently merged with BTI Studios; media localization sales estimated at \$58m, bringing combined BTI/IYUNO sales to c\$176m



- **Pixellogic** – US headquartered established 2016; 40% equity purchased in 2019 by Imagica, parent of SDI Media

Consolidated Statement of Comprehensive Income (Unaudited)

ZOO Digital Group plc

	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)

	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

	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	15.56
Stuart Green (CEO)	15.47
Herald Investment Trust plc	11.56
Canaccord Genuity Group Inc.	9.97

* As of 5 December 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 = 74,512,271 ordinary shares.

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