

ZOO Digital Group



Interim Results Presentation

Six months ended 30th September 2010

Stuart Green, CEO

Helen Gilder, Group FD

November 2010



Presenters



Dr. Stuart Green, CEO

- Previously CTO of ZOO Digital Group, CEO of Kazoo3D plc, Technical Director of LightWork Design Limited
- Became CEO in 2006
- Over 20 years experience in team building and executive management in the software industry
- He has more than 20 patents granted in the fields of image processing and digital media production



Helen Gilder, Group Finance Director

- Joined ZOO as Group Financial Controller in 2000
- Became Group Finance Director in 2006
- Previously Finance Director within a highly acquisitive listed technical group of companies
- Qualified ACA in 1991



Investment Case

A software business with significant growth potential providing collaboration and workflow automation systems and value-added services to global product organisations

- Generating recurring revenues from Software as a Service
- Achieving high margins
- Positioned with a clearly differentiated proposition
- Built excellent relationships with film studio clients
- Created a strong patent portfolio
- New market opportunities for existing product set



Financial Highlights

- Revenue in line with first half of prior year at \$8.1 million (H1 2009: \$8.1 million)
- Operating profit up 36% to \$880,000 (H1 2009: \$647,000) reflecting focus on higher margin work
- Maiden interim profit before tax of \$388,000 (H1 2009: loss of \$232,000)
- Basic earnings per share of 1.72 cents (H1 2009: loss of 1.09 cents)
- Cash balance at 30 September of \$1.9 million (30 September 2009: \$450,000)



Operational Highlights

- New iTunes® production toolset introduces ZOO to the video Electronic Sell Through (EST) market
- Advanced talks with new prospective clients resulting from Multi Packaging Solutions (MPS) collaboration
- Initial engagement with an illustrated book publisher for e-book production



Our Products and Services

- We design innovative software to make our customers more efficient
- Our customers are global organisations that develop, process and deploy creative media content for different formats and languages



Case Study

A major Hollywood film studio

- Automated production of DVD, Blu-ray and iTunes video titles
- Online management of product translations for 60+ languages
- Centralised worldwide marketing campaigns for theatrical and home entertainment releases
- Reduced time-to-market by half
- Annual savings of multiple millions of dollars
- Annual revenue contribution grown significantly over five years





The Market and Growth

- ZOO targets global companies producing creative content (video, print and internet) for multiple formats and languages
- Established in the filmed entertainment market
- Working with partners to expand business in:
 - Healthcare/Pharmaceuticals
 - Interactive Entertainment
 - Music
 - Publishing
- Growing business by:
 - New customers in the filmed entertainment market
 - New product opportunities with existing customers
 - Existing products into new markets



Competitive Landscape

- We compete with established providers of *production services*
- For video-related services, primarily Technicolor Creative Services and Deluxe Digital; for print-related services, primarily AGI Media and Schawk
- Our competitors have business models based on human labour and are unwilling and/or unable to realign around automation
- Clearly differentiated by our business proposition



Strategy

- Identify labour-intensive services
- Design workflow software based on automation and centralization without compromise to quality
- License systems directly to brand owners, supplemented with services where appropriate
- Deliver first rate customer service
- Generate recurring and scalable revenue streams with pricing based on throughput and SaaS



The Board



Roger Jeynes, *Chairman* – Roger has over 20 years experience in the technology sector, encompassing senior sales, marketing and general management roles in the UK, Italy and the USA with IBM, Pyramid Technology Inc., and EMC Corporation. His most recent executive position was Chief Operating Officer at AIM-listed technology merchant bank Interregnum Plc.



Dr. Stuart Green, *CEO* – Previously CTO of ZOO Digital Group, CEO of Kazoo3D plc, Technical Director of LightWork Design Limited. Stuart has over 20 years experience in team building and executive management in the software industry. He has more than 20 patents granted in the fields of image processing and digital media production.



Helen Gilder, *Group Finance Director* – Joined ZOO as Group Financial Controller in 2000 and became Group Finance Director in 2006. Previously Helen was Finance Director within a highly acquisitive listed technical group of companies. Qualified ACA in 1991.



Gordon Doran, *Commercial Director* – Held senior positions in sales and marketing roles for a variety of UK and US companies in the software industry since the early 1990s. Most recently COO for Mediostream Inc. – a consumer DVD software developer; joined ZOO in 2005 to establish a North American division where he now operates in the role of President.



Ian Stewart, *Non Executive Director* – Founded Gremlin Interactive Limited in 1984 and took it to flotation on the LSE in 1997. Following the acquisition of Gremlin by Infogrames SA Ian founded The ZOO Media Corporation Limited. Ian is an honorary Doctor of Sheffield Hallam University.



James Livingston, *Non Executive Director* – Portfolio manager with Foresight Group, a leading UK manager of technical investment funds; non-executive director of two other companies, a board observer of a further six and manages a portfolio of AIM-listed investments.



Outlook

- Continuing to add innovative new products
- Developing further opportunities to embed ourselves deeper within our clients' operations
- Plan to enter new markets with existing products
- Diversifying revenue streams and broadening customer base
- Continuing to manage long sales cycles and time to build revenue after signing new customers
- Healthy sales pipeline for our existing and new products from both current and potential clients
- Board has confidence in the future success of the Company

Investment Summary

- **Excellent customer relationships** – significant growth potential
- **Clearly differentiated proposition** – based on innovative software
- **Addressing customer urgency** – improve efficiencies
- **High barriers to entry** – sophisticated patent-protected software
- **Highly scalable** – add customers without significantly adding to cost base
- **Partnership brings new market potential** – collaborating on initiatives in pharmaceutical and other markets





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