

**ZOO Digital Group**



# **Preliminary Results**

***Roger Jeynes, Chairman***

***Helen Gilder, Group Finance Director***

**11 July 2012**

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# About ZOO



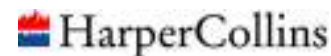
- We provide innovative software and services to make our customers' workflows more efficient
- Our customers are global organisations that develop, process and deploy creative media content for different formats and languages



UNIVERSAL MUSIC GROUP



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# Financial Results

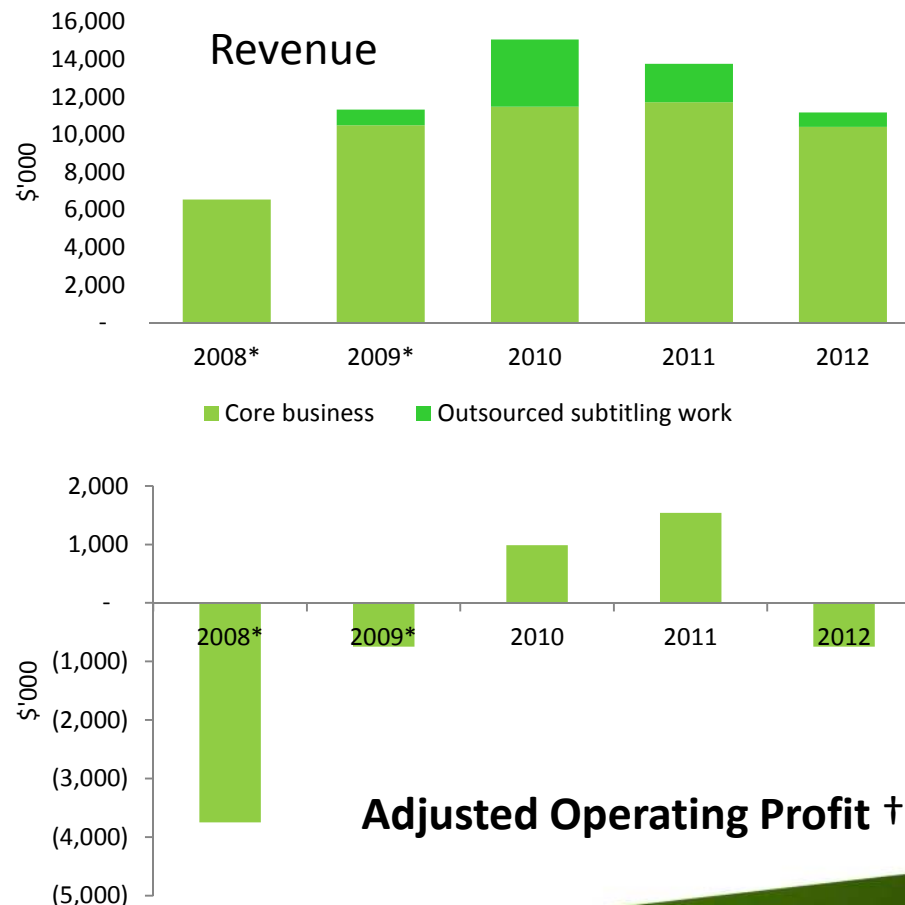
## Results to March 2012

- Reduction in total revenue to \$11.2m (2011: \$13.8m), once the outsourced subtitling revenue is removed the core business shows revenues of \$10.4m (2011: \$11.8m)
- Adjusted operating loss for the year of \$0.7m (2011: profit \$1.5m)<sup>†</sup>
- Return to profitability in the second, seasonally weaker, half of the year
- Adjusted EBITDA \$0.5m (2011: \$2.5m)<sup>†</sup>

<sup>†</sup> Excluding share based payments, intercompany exchange gains and exceptional intangible impairment

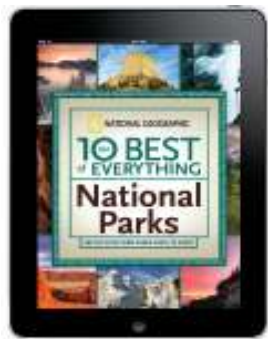
\* Restated using average GBP to USD exchange rates

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# Strategy

- Identify workflow inefficiencies in the creative media industries
- Design workflow management solutions based on automation and centralization without compromise to quality
- License Software-as-a-Service directly to brand owners, supplemented with production services where appropriate
- Deliver first rate customer service
- Generate recurring and scalable revenue streams from an increasingly diverse customer base across the creative industries



# Case Study



## *A major Hollywood film studio*

- Workflow management solutions across multiple groups – theatrical, TV, home entertainment, ...
- Automated production of DVD, Blu-ray and iTunes video titles
- Online management of product translations for 60+ languages
- Centralised worldwide marketing campaigns
- Labour time reduced by approximately 90%
- Annual savings of multiple millions of dollars
- Revenue being earned from six different operating units



## The Market and Growth

- Focused on the creative media industries
- Working with partners to expand business, currently:
  - Multi Packaging Solutions
  - Apple Computer
- Growing business by:
  - Licensing workflow management solutions to wider customer base
  - Working with multiple groups within each major customer
  - New product introductions to secure additional business with existing customers (e.g. subtitling)





# Filmed Entertainment

- DVD market had turbulent start to the year
  - Fewer new DVD titles introduced, particularly episodic TV
  - ZOO's associated revenue streams were impacted
- A major client reduced from three to two vendors
  - ZOO now processing a greater proportion of this client's products
- Blu-ray market is growing
  - We are processing a greater number of titles
  - This is mostly due to back catalogue products





- The proceeds of the placing in August 2011 were used to accelerate market entry for eBooks
  - Accelerated R&D of eBook conversion software – now in use within ZOO, by contractors and by licensees
  - New sales staff in East Coast US and London to support business development
- Now licensing software and providing services to 25 publishers
  - Conversion to fixed layout formats for iPad, Kindle, Nook
  - Enhanced title development (interactivity, read-along, etc.)
- Market is at an early stage and publishers are cautious; ZOO is well positioned to capitalise on this opportunity





# Subtitling

- The European market for subtitling/dubbing is estimated to be around EUR 0.5B annually†
- Previously outsourced subtitling-related services
- Created a new Cloud-based collaboration tool for origination and reformatting
- Licensed as Software-as-a-Service
- Generates files for all popular formats including Electronic Sell Through
- In use by studio customers and EST platform providers



† *The size of the language industry in the EU*,  
European Commission Directorate-General for Translation, 2009



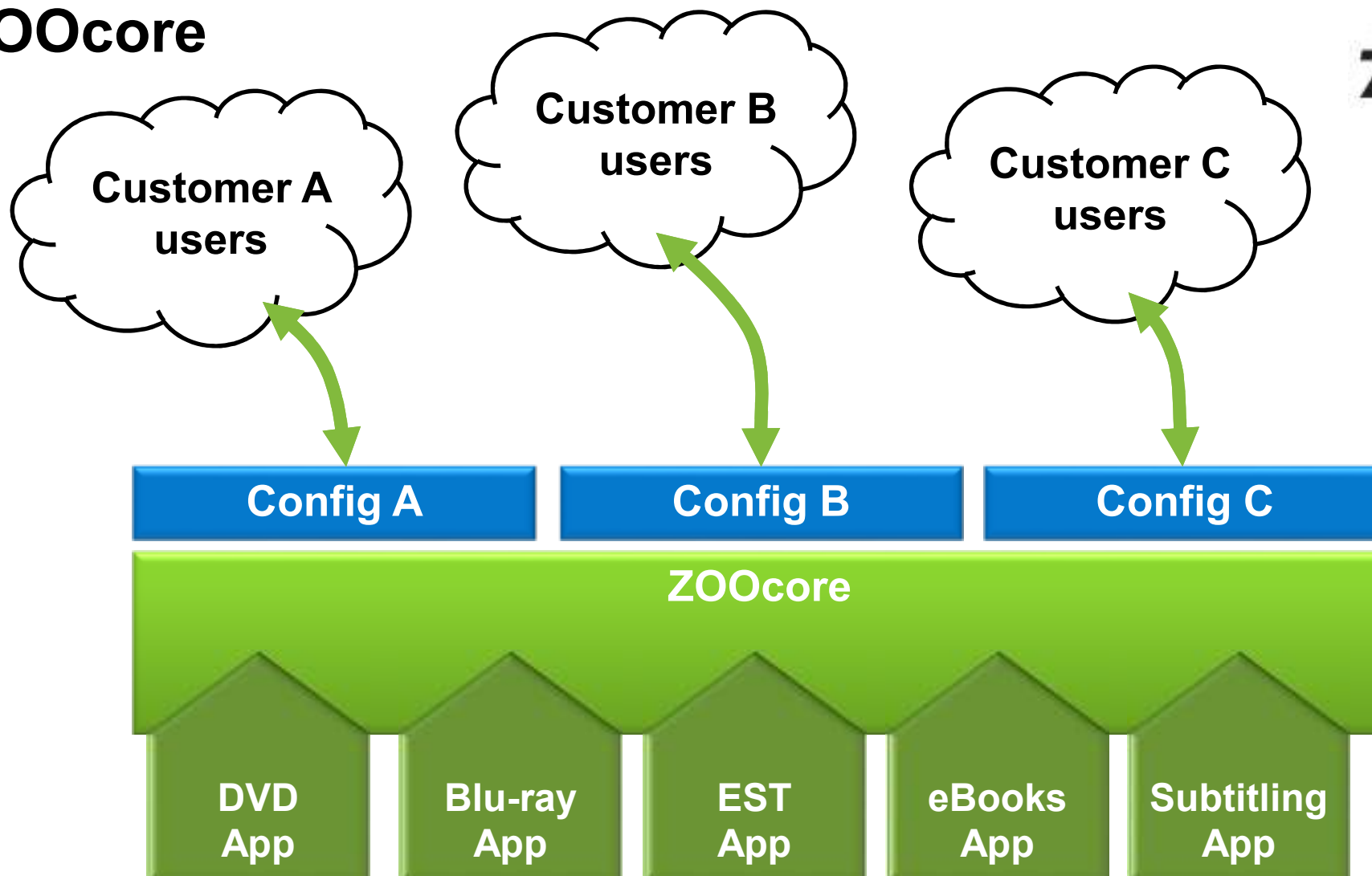
# Workflow Management

- Our Cloud-based collaboration tools are being used increasingly by creative media organisations
- Provides support for complex workflows involving preparation of creative media
- We can tailor the system to address the unique requirements of each licensee
- We are beginning to add customers across the creative industries, including TV, theatrical, home entertainment and publishing





# ZOOcore



## Competitive Landscape

- We compete with many established providers of *media production services*
- For video-related services, primarily Technicolor Creative Services and Deluxe Digital; for print-related services, primarily AGI Media and Schawk; for eBooks Trailer Park and offshore companies
- We believe we are clearly differentiated by our unique proposition that combines innovative software for workflow management and automation with premium production services





# Outlook

- New product introductions provide good opportunities for growth
- Continuing to broaden our reach by embedding ourselves deeper within our clients' operations
- Taking workflow management toolset to wider audience directly and via partnerships
- Diversifying revenue streams and broadening customer base
- Healthy sales pipeline for our existing and new products from both current and potential clients
- Overall economy and particularly the markets in which we operate remain hard to predict
- We view the coming year with cautious optimism

# Investment Summary

- **Excellent customer relationships** – significant growth potential
- **Clearly differentiated proposition** – based on innovative software
- **Addressing customer needs in the current economic climate** – 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 across the creative media industries





# APPENDIX

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# 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.



**James Livingston, *Non Executive Director*** – Investment Director at Foresight Group, a leading UK asset manager. Current serves as NED at six other UK SME companies in tech and healthcare. Prior to Foresight James was a strategy consultant at Deloitte.



# Major Shareholders

Shareholder	% of capital
Herald Investment Trust	20.1%
Foresight Group	20.1%
Stuart Green (CEO)	14.9%
JM Finn & Co	9.5%
Multi Packaging Solutions	6.6%
South Yorkshire Investment Fund	6.0%
Williams de Broe	5.4%
Others	17.4%



# Loan Note Holders

Loan Note Holder	% of loan note
Herald Investment Trust	31.9%
Foresight	26.3%
JM Finn & Co	15.7%
South Yorkshire Investment Fund	12.7%
Stuart Green (CEO)	9.7%
Others	3.7%

# Consolidated Statement of Comprehensive Income



	2012	2011
	\$000	\$000
<b>Revenue</b>	<b>11,186</b>	13,757
Cost of sales	(1,907)	(2,388)
<b>Gross Profit</b>	<b>9,279</b>	11,369
Other operating income	168	135
Operating expenses	(10,471)	(10,158)
<b>Operating (loss)/profit</b>	<b>(1,024)</b>	1,346
Exchange gain/ (loss) on borrowings	14	(300)
Renegotiation of convertible loan stock	(526)	-
Finance cost	(430)	(535)
<b>Total finance cost</b>	<b>(942)</b>	(835)
<b>(Loss)/profit before taxation</b>	<b>(1,966)</b>	511
Tax on (loss)/profit	(60)	484
<b>(Loss)/profit and total comprehensive income for the year attributable to equity holders of the parent</b>	<b>(2,026)</b>	995

# Consolidated Statement of Financial Position



\$'000	2012	2011
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	430	549
Intangible assets	9,487	8,480
Deferred income tax assets	486	486
	<b>10,403</b>	<b>9,515</b>
<b>Current Assets</b>		
Inventories	-	80
Trade and other receivables	2,365	3,016
Cash and cash equivalents	1,234	600
	<b>3,599</b>	<b>3,696</b>
<b>Total Assets</b>	<b>14,002</b>	<b>13,211</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	(2,722)	(3,319)
Borrowings	(194)	(5,709)
	<b>(2,916)</b>	<b>(9,028)</b>
<b>Non-current Liabilities</b>		
Borrowings	(2,939)	(191)
<b>Total Liabilities</b>	<b>(5,855)</b>	<b>(9,219)</b>
<b>Net Assets</b>	<b>8,147</b>	<b>3,992</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Called up share capital	7,236	5,127
Share premium reserve	37,014	33,626
Other reserves	12,293	12,293
Share option reserve	248	278
Warrant reserve	440	190
Convertible loan note reserve	42	380
Foreign exchange translation reserve	(992)	(992)
Accumulated losses	(48,053)	(46,782)
	<b>8,228</b>	<b>4,120</b>
<b>Interest in own shares</b>	<b>(81)</b>	<b>(128)</b>
<b>Attributable to equity holders</b>	<b>8,147</b>	<b>3,992</b>



# Consolidated Statement of Cash Flows

\$'000	2012	2011
<b>Cash flows from operating activities</b>		
Operating (loss)/profit for the year	(1,024)	1,346
Depreciation	393	424
Amortisation & Impairment	867	497
Share based payments	278	196
Purchase of own shares	(68)	(124)
Disposal of own shares	115	-
Disposal and de-recognition of intangible assets	68	24
Changes in working capital:		
Decreases in Inventories	80	285
Decreases/(increases) in Trade and other receivables	651	(349)
(Decreases)/increases in Trade and other payables	(597)	1,444
<b>Cash flow from operations</b>	<b>763</b>	<b>855</b>
Tax paid	(60)	(2)
<b>Net cash flow from operating activities</b>	<b>703</b>	<b>853</b>
<b>Investing Activities</b>		
Purchase of intangible assets	(1,942)	(2,098)
Purchase of property, plant and equipment	(274)	(415)
<b>Net cash flow from investing activities</b>	<b>(2,216)</b>	<b>(2,513)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(202)	(144)
Proceeds from borrowings	187	288
Finance cost	(340)	(386)
Share and convertible loan issue costs	(243)	(52)
Issue of Share capital	2,745	1,333
<b>Net cash flow from financing</b>	<b>2,147</b>	<b>1,039</b>
Net increase/(decrease) in cash and cash equivalents	634	(621)
Cash and cash equivalents at the beginning of the year	600	1,221
Cash and cash equivalents at the end of the year	1,234	600